Gartner

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Gartner Says Worldwide IT Spending On Pace to Surpass $3.4 Trillion in 2008

Market Databook Provides Detailed IT Spending Forecast Through 2011

Stamford, Conn., August 18, 2008 — Despite current economic concerns, worldwide IT spending will exceed $3.4 trillion in 2008, an increase of 8 per cent from 2007 spending, according to Gartner, Inc. Analysts said much of this growth is based on the decline in the US dollar. The estimated worldwide IT spending growth expressed in constant currency is forecast to be approximately 4.5 per cent.

"The US-led economic downturn shows no sign of causing a recession in IT spending," said Jim Tully, vice president and distinguished analyst at Gartner. "In subsequent years we will see reduced growth, but the fundamentals remain strong. Emerging regions, replacement of obsolete systems and some technology shifts are driving growth."

Gartner analysts said there are important strategic issues facing the IT industry.

"Organisations are switching from company-owned hardware and software assets to per-use service-based models. This will impact the industry in various ways," Mr Tully said. "The projected shift to cloud computing, for example, will result in dramatic growth in IT products in some areas and in significant reductions in other areas. In general, assets will be utilised with greater efficiency, and we are assuming that the overall effect on market growth will be neutral. We also recognise that there is considerable upside potential for higher growth."

Worldwide software spending is on pace for the strongest growth rate in 2008 at more than 10 per cent (see Table 1). IT services spending ranks a close second with more than 9.4 per cent growth. Analysts said the IT services sector benefits from the continued innovation in software technology. New software solutions often require labor-based services to implement them.

Table 1
Worldwide End-User Spending (Billions of Dollars)

	2007	2008	2009
Computing Hardware	382	408	423
Annual Growth (%)	10	7	4
Software	178	196	211
Annual Growth (%)	13	10	8
IT Services	748	819	872
Annual Growth (%)	10	10	7
Telecom	1,843	1,983	2,093
Annual Growth (%)	10	8	6
Total	**3,151**	**3,406**	**3,600**
Annual Growth (%)	**11**	**8**	**6**

Source: Gartner (July 2008)

"Most companies updated their software systems during the period 1997 through 2001, as a result we are in the middle of an upgrade cycle that should extend past the end of this decade," said Joanne Correia, managing vice president at Gartner. "However, the replacement of systems does not automatically equate to new software market growth. Software as a Service (SaaS)/cloud computing, service oriented architecture (SOA)/Web 2.0, and open source software are causing huge changes to the software market. Many of these factors are impacting market growth as enterprises replace assets with per-use services."

IT spending is dominated by services rather than products. Together, IT services and telecom services account for 70 per cent of total IT market spending. Gartner analyst said the telecom sector has a major effect on overall IT market performance, accounting for almost $2 trillion in 2008.

"Legacy telecom services have a dampening effect on sector growth, and therefore on the overall IT market," said William Hahn, principal research analyst at Gartner. "The dominant size of the telecom services market guarantees that even with the forecast for relatively slow growth, it will still comprise over 44 per cent of the IT market in five years time."

The outlook for IT services market growth has improved despite macroeconomic uncertainty. "Spending in IT services is being supported by two main factors," said Kathryn Hale, research vice president at Gartner. "Businesses are investing in improvements to internal processes aimed at reducing costs, while often maintaining some of the prior interest in innovation. The second factor is that globalisation allows IT services providers to mitigate the risk of weakening demand by operating in more markets."

The main area of hardware growth activity is PCs, which represents 60 per cent of total hardware spending. Growth in PCs is stronger than previously expected, with no signs of a slowdown. The US forecast has increased marginally while forecasts elsewhere, particularly Asia/Pacific and Western Europe, have increased significantly. "The market growth outside of the US and the effects of the weak dollar are major factors in growth in US dollar terms. In addition to regional shifts, a strong shift to mobile PCs is occurring. The higher prices of these products result in increasing revenue per unit and a boost to the overall market," Mr Tully said.

Additional analysis is available in the Gartner report "Dataquest Insight: IT Markets Remain Resilient in 2008 and Will Grow Moderately in the Next Three to Five Years." The report is available on Gartner's Web site at http://www.gartner.com/DisplayDocument?ref=g_search&id=741014&subref=simplesearch.

Detailed statistics on IT spending projections are available in the report "Gartner Dataquest Market Databook, June 2008 Update."
http://www.gartner.com/DisplayDocument?ref=g_search&id=706708&subref=simplesearch.

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