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Gartner Says Worldwide Enterprise IT Spending is Forecast to Grow 2.5 Per Cent in 2013

STAMFORD, Conn., November 15, 2012 — Worldwide enterprise IT spending is forecast to total $2.679 trillion in 2013, a 2.5 per cent increase of projected 2012 spending of $2.603 trillion, according to Gartner, Inc. Banking, communications, media and services (CMS) and manufacturing are expected to offer the largest volume of growth opportunities through 2016.

"The global economic outlook has deteriorated in 2012, leading to scant overall growth in enterprise IT spending," said Kenneth Brant, research director at Gartner. "However, our third-quarter outlook points to more substantial growth in 2013, if significant fiscal crises are avoided in the US and Europe, and in subsequent years. Most organisations have already significantly cut discretionary IT spending growth over the past several years and, barring a global economic catastrophe and significant contraction of operations, they have little room to reduce IT spending further over the long run."

The manufacturing and natural resources sector will lead the vertical markets with total spending expected to reach $478 billion in 2013, up 2.3 per cent from $467 billion in 2012. Manufacturers typically plan and manage a significant portion of their IT costs in expectation of changes in their sales. Additionally, manufacturers worldwide have been steadily reducing their IT purchases as a percentage of their sales since the recession of 2008. The manufacturing industry's IT buying centre has adopted tighter IT cost controls amid a myriad of mixed market signals. However, IT spending rates are expected will bottom out in 2013 and will be resilient over the long run, as business confidence is restored and the value proposition of a nexus of new technology forces — social, mobile, big data and cloud — is increasingly championed by senior leaders.

The banking and securities sector will have strong growth in 2013 and is expected to reach $460 billion in 2013, up 3.5 per cent from $445 billion in 2012. Banking and securities is an IT-intensive industry, spending approximately three times as much on IT as a percentage of revenue than the average of all industries. This trend is expected to continue due to a significant amount of IT required to run activities such as lending, payments, trading and risk management.

The CMS sector is forecast to grow 3 per cent in 2013 to $426 billion, up from $414 billion in 2012. Firms in the CMS sectors will typically spend approximately 5 per cent of their revenue on IT on average over a five-year period, well above the median for all industries.

"Several subsectors within CMS are heavily IT-intensive. Professional and IT services firms, communications service providers, software and internet services, and media companies invest considerably in IT across hardware, software, IT services, internal services and telecommunications," Mr Brant said. "With demands for a secure Internet connected backbone and faster wireless data services, coupled with the pervasiveness of social media and video, these industries will need to continue to invest in IT."

In the short term, transportation and insurance will also be high-growth sectors with both reaching more than 4 per cent growth in 2013. IT spending in the transportation sector is expected to total $126 billion in 2013, up from $121 billion in 2012. IT spending in insurance will reach $187 billion in 2013, up from $179 billion in 2012.

In 2012, government IT spending is forecast to decline 2 per cent and the decline is expected to continue through 2013. In 2013, government IT spending is forecast to total $445 billion, down from $447 billion in 2012.

"Austerity measures and budgetary reductions have affected government spending worldwide as measured by the reconciliation of government budget proposals across the US and Europe," said Mr Brant. "However, in some respects, IT budgets are being "decoupled" from the overall operating pressures facing governments. At the same time, government organisations recognise that new technology investments may help reduce the cost of service delivery, improve operational efficiency or reduce future expenditure. Consequently, government IT spending intensity is beginning to diverge from traditional operational spending trends."

Large industry market operating under fiscal pressure, such as government, can also provide market opportunities as IT departments must strive to modernise and increase service levels without increasing resources. The need for greater efficiency and productivity gains in industries operating under severe fiscal constraints can also create opportunities for disruptive IT innovation and for the displacement of incumbent IT market leaders.

Additional information is available in the report "Forecast Analysis: Enterprise IT Spending by Vertical Industry Market, Worldwide, 2010-2016, 3Q12 Update." The report is available on Gartner's web site at http://www.gartner.com/resId=2230115**.**

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