



Gartner Says Worldwide IT Spending to Decline 3.8 Percent in 2009

IT Spending Experiencing a Sharp Slowdown Across All Four Key Segments of Hardware, Software, IT Services and Telecommunications

The unprecedented decline of the global economy is impacting the IT industry with worldwide IT spending forecast to total US\$3.2 trillion in 2009, a 3.8 percent decline from 2008 revenue of nearly US\$3.4 trillion, according to Gartner, Inc.

In Asia Pacific, IT spending is expected to be down 2.2 percent from US\$520.5 billion in 2008 to US\$509 billion.

The only regions forecast to show positive growth in 2009 are Japan and the Middle East and Africa (MEA).

IT organizations worldwide are being asked to trim budgets, and consumers are cutting back on discretionary spending, said Richard Gordon, research vice president, and head of global forecasting at Gartner. The speed and severity of the response by businesses and consumers alike to these economic circumstances will result in an IT market slowdown in 2009 that will be worse than the 2.1 percent decline in IT spending in 2001 when the Internet investment bubble burst.

In a broad-based slowdown, the forecasts for all four of the key market sectors of hardware, software, IT services and telecommunications have been revised downward, with only software spending growth remaining positive (see Table 1).

Table 1: Worldwide IT Spending Forecast (Billions of U.S. Dollars)

2008
Spending

2008
Growth (%)

2009
Spending

2009
Growth (%)

Computing Hardware

381.0

2.8

324.3

-14.9

Software

221.9

10.3

222.6

0.3

IT Services

809.5

7.6

796.1

-1.7

Telecom

1,948.0

5.6

1,891.2

-2.9

All IT

3,360.3

6.1

3,234.0

-3.8

Source: Gartner (March 2009)

Although government stimulus packages will likely be important in the long term, they will not be able to offset this bleak near-term outlook. Until global financial markets stabilize, global GDP growth, including IT spending, is unlikely to strengthen. As a result:

The slowdown in IT spending will reduce new market penetration and will slow replacement activity.

The impact of reduced new sales will be more strongly felt in emerging markets, while the impact of reduced replacement activity will be more strongly felt in mature markets.

Consumers and businesses will continue switching to lower-cost products, extending the life of existing devices and extending their current contracts and purchasing agreements.

However, IT is essential to running most businesses. Supporting current complex IT installations is both necessary for continued operations and a strategy for slowing down technology refresh cycles.

IT vendors should plan for business and consumer spending to be curtailed during 2009 and for a slow, prolonged recovery during 2010, said Mr. Gordon. At the same time, they should be alert to opportunities to help buyers with cutting costs, complying with new government regulations and taking best advantage of government rescue plans.

Additional information is available in the Gartner report "Gartner Dataquest Market Databook, March 2009 Update." The report provides detailed regional data for worldwide IT spending through 2013. The report is on the Gartner Web site at http://www.gartner.com/DisplayDocument?ref=g_search&id=923118&subref=simplesearch.

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