

Overall IT spend to decline 3.7 per cent in 2009: Survey

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With several sectors still struggling with the effects of the global financial crisis, expenditure on IT (information technology) is expected to decline 3.7 per cent in 2009.

Even client computing is projected to take a hit as personal computer (PC) projects are postponed or scaled back this year, rather than getting cancelled outright, because of tighter budgets.

A survey by research firm Gartner says budgets for IT hardware – including client computing (PCs), servers, storage and printing systems – will bear the brunt of cuts, with spending expected to decline 14.9 per cent.

Industry-wise, insurance, media and consumer business services' client computing plans were on track, while companies involved with telecommunications, wholesale and agriculture, mining and construction sectors are most likely to reduce spending.

Postponements, the survey noted, were more likely in retail, utilities and wholesale companies, whereas project cancellations were above average in discrete manufacturing (where manufacturers produce big-ticket identifiable products like computers and medical equipment rather than process manufacturing which turns out undifferentiated items like soaps and salt).

In the financial services sector, only one out of 45 respondents indicated PC purchase plans were cancelled.

The silver lining also came from this vertical, in the number of outsourcing

IN MONEY-SAVING MODE

- Spending on IT hardware, servers to decline 14.9%
- Transaction volumes in global outsourcing markets fell 7%
- Asia dominates offshore delivery
- Overall market activity to pick up in Q4
- Discreet manufacturing cancelling projects



deals in the BFSI space (banking, financial services and insurance).

A report by consultancy firm Everest Research Institute noted that the number of outsourcing deals by BFSI firms in the first quarter of the year registered a 30 per cent growth, despite the global outsourcing market having decreased 7 per cent in transaction volumes in Q1 2009, as compared with Q4 2008.

“In Q1 2009, several incidents culminated to altogether reshape the outsourcing and offshoring market. Be it Tech Mahindra's historic acquisition of Satyam or violence in Mexico (referring to the gang violence that rose to such a level that tens of thousands of troops had to be deployed on Mexican streets) leading to shifts in risk, or speculation related to captive divestitures – all of these new dynamics have made it imperative for business leaders to develop a more profound understanding of the fast-changing market dynamics to help steer through

these turbulent times,” said Everest Group's Principal, Nikhil Rajpal.

Everest's report says Asia continues to dominate offshore delivery. “Revenues of offshore-centric suppliers registered a 2.3 per cent fall, while those of traditional global suppliers declined 2.2 per cent,” he added.

Everest's quarterly report, called 'Market Vista: Q1 2009', expects overall market activity to start picking up by the fourth quarter of this year. Gartner, too, forecasts overall IT spending to rebound, with a 2.4 per cent growth in 2010, although IT hardware spending will continue to lag next year, growing just 0.8 per cent.

“Also, more client computing projects will be postponed or reduced in 2009 than will be eliminated, and technology and service providers should ensure they are ready for the recovery, when and where it happens,” said Gartner's Managing Vice-President Andrew Johnson.