

Gartner: IT Spending Down in 2016

Written by Marco Attard
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According to Gartner 2016 global IT spending will total \$3.49 trillion-- a -0.5% decline from 2015 spending of \$3.5tr (and a revision of an earlier forecast of 0.5% growth) caused "mainly" by currency fluctuations.

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

	2015 Spending	2015 Growth (%)	2016 Spending	2016 Growth (%)
Devices	650	-6.4	626	-3.7
Data Center Systems	171	2.9	175	2.1
Software	308	-1.9	321	4.2
IT Services	910	-4.7	929	2.1
Communications Services	1,470	-8.4	1,441	-2.0
Overall IT	3,509	-6.0	3,492	-0.5

"There is an undercurrent of economic uncertainty that is driving organisations to tighten their belts, and IT spending is one of the casualties," the analyst says. "Concurrently, the need to invest in IT to support digital business is more urgent than ever. Business leaders know that they need to become digital businesses or face irrelevance in a digital world. To make that happen, leaders are engaging in tough cost optimisation efforts in some areas to fund digital business in others."

Gartner says organisations are trying to do more with the same funds, mainly through legacy system optimisation and enhancement. However, the analyst says, digital businesses need both optimisation and investment in digital business initiatives, even if the current economic climate causes CIOs to be reluctant on the matter.

One result of such optimisation efforts are the switches in spending between assets and services-- from traditional IT to the "digital service twin," such as from license software to cloud software, servers to IaaS or cellular voice to VoLTE. Digital services involve a very different annual spend, since they spread what was a large upfront payment to smaller recurring monthly

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amounts.

Devices (PCs, ultramobiles, mobile phones, tablets and printers) see the largest 2016 decline of -3.7%, the result of a smartphone market reaching global saturation and worsening economic conditions in many countries.

Datacentre system spending is to grow by -2.1% to \$175 billion, even if the segment sees a number of changes-- enterprise networking equipment is expected to build on stronger-than-expected 2015 results, external-controller-based storage continues to suffer from ongoing challenges, hyperscale demand is expected to drop and the mainframe refresh should abate.

Gartner downgraded its forecast for 2016 global enterprise software spending (\$321bn, a 4.2% increase) as it expects further delay on the adoption of Windows 10 and Windows Server 2016, as well as issues hitting key emerging markets such as Latin America.

IT services are expected to return to growth in 2016 as a stronger outlook for Japan and India "neraly" balances a weaker outlook in Brazil, China an S. Korea. On the other hand telecom services spending is set to decline by -2%, even if Gartner points out mobile data spending as a "bright spot" thanks to improved bandwidth pricing, mobile app and 4G/LTE network availability.

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