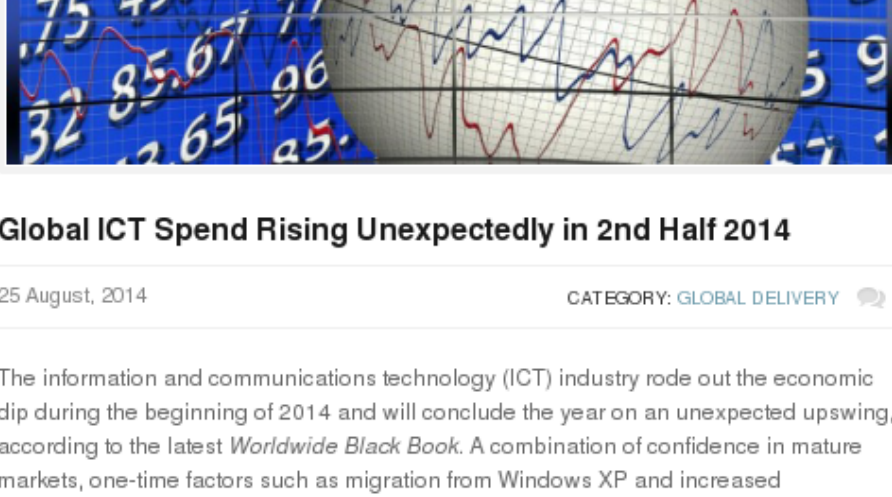




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## Global ICT Spend Rising Unexpectedly in 2nd Half 2014

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The information and communications technology (ICT) industry rode out the economic dip during the beginning of 2014 and will conclude the year on an unexpected upswing, according to the latest *Worldwide Black Book*. A combination of confidence in mature markets, one-time factors such as migration from Windows XP and increased investments in innovation were cited as contributing to the unpredicted growth, driven by smartphones and PC sales.

The survey, published by [International Data Corporation](#), finds worldwide ICT spending growth at 4.1 percent USD, or \$3.7 trillion, up 0.4 percent from previous expectations. Smartphones drove industry sales, despite earlier predictions of a growth slowdown in the device. Stephen Minton, Vice President with IDC Global Technology, says the unforeseen rise in smartphone demand is "driven in part by aggressive carrier subsidies in highly competitive mature markets including the US and Europe. Unlike other hardware markets, smartphone spending has been less impacted by economic volatility, as the up-front cost of upgrading to a new smartphone remains low (or even free) for many customers. Carriers continue to aggressively promote 4G-capable models in order to upgrade their customers to 4G services and increase ARPU."

Jordan Levine, Economist and Director of Economic Research at [Beacon Economics](#), agrees ICT spending has contributed to the market economy's growth. "From a GDP perspective, business investments on equipment and software have certainly added to growth over the past year. While investments for computers/peripherals have increased, growth in other information equipment, which includes smartphones and other communication equipment, have been seeing fairly consistent increases as well."

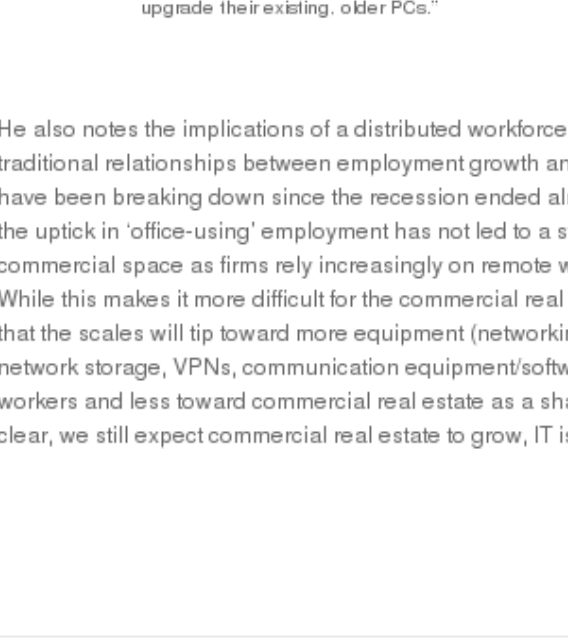
Minton notes the stronger than predicted PC sales in U.S. and Europe, "is due to the impact of end of support for Windows XP on commercial upgrades" and believes the one-time migration initiated the current upgrade cycle. Minton adds, "It's now clear that a significant commercial refresh is underway, benefiting from pent-up demand after customers took longer than usual to upgrade their existing, older PCs."

"This pent-up demand has also had some effect on consumer PC spending, but this is more muted than the commercial refresh and it's too early to say that there's a big turnaround in consumer PC spending. In both cases, though, what has clearly happened is that some portion of enterprise IT budgets/discretionary spending has been allocated this year to replacing old PCs rather than replacing tablets which, in many cases, are still quite new."

Jordan Levine of Beacon Economics: "All of the leading indicators for future business investment are moving in the right direction."

Levine views the increase in ICT spending as in line with larger overall market growth. He notes, "When you zoom out to the broader perspective, all of the leading indicators for future business investment are moving in the right direction. Corporate profits are back above the pre-recession peak, bank lending is growing, GDP has expanded, employment growth has averaged above 240,000 for the past six months, and capacity utilization is at almost 80%, which is indicative of further expansion."

The global ICT market will continue its multiple channel growth over the next decade, Minton predicts. "Mobile will continue to be responsible for most new spending, with continued growth in smartphones, tablets, mobile software and mobile services. More and more organizations are moving their IT infrastructure and applications to the cloud, albeit gradually in some cases and including the adoption of private and hybrid clouds as a first step. Big Data is the hot topic of 2014, with an increasing number of firms waking up to the vast potential value which exists in the vast amounts of data they have been creating and storing over the past 4-5 years."



Stephen Minton, VP with IDC Global Technology, says "It's now clear that a significant commercial refresh is underway, benefiting from pent-up demand after customers took longer than usual to upgrade their existing, older PCs."

And Social is also one of the fastest-growing markets this year, as organizations implement enterprise social networks as well as developing their strategy for engaging with public social networks...the growth of the Internet of Things will be another main driver of IT spending over the rest of this decade. This is driving IT into new categories and markets and will expand the very definition of IT spending over the next few years."

Levine sees remote workers and other forms of telecommuting driving future IT spending growth.

He also notes the implications of a distributed workforce on other markets. "The traditional relationships between employment growth and things like office absorption have been breaking down since the recession ended almost five years ago. Specifically, the uptick in 'office-using' employment has not led to a strong uptick in absorption of commercial space as firms rely increasingly on remote workers and telecommuters. While this makes it more difficult for the commercial real estate industry, it does suggest that the scales will tip toward more equipment (networking, wireless, remote access, network storage, VPNs, communication equipment/software, etc.) to accommodate these workers and less toward commercial real estate as a share of total expenditures. To be clear, we still expect commercial real estate to grow, IT is just expected to grow by more."

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Kimberly Warner-Cohen is a freelance journalist and fiction writer based near New York City. She has previously covered such topics as alternate currencies, high-frequency trading and international politics. Follow Kimberly on Twitter @kwarnercohen.

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