

# Healthcare to Avoid Global IT Budget Crunch

**London, 18 September 2008** – Technology vendors are up against a struggle with growth in IT budgets expected to fall in 2009. This is according to the latest report by independent market analyst firm Datamonitor. The report '**Technology Trends: Analyzing Global Enterprise IT Budgets 2008**' reveals that the majority of enterprises globally are planning to cut back increases in IT expenditure. The exception however is the healthcare sector which contrary to other verticals, is planning a significant number of increases in IT spend in 2009. The report also points out that contrary to what many may think, the downward trend is not solely due to the current economic climate. It has in fact been evident over the last couple of years.

"Vendors should be wary in assuming that the recent downturn in IT budgets is a short lived phenomenon" says Daniel Okubo, technology analyst with Datamonitor and the report's author. "For the past couple of years enterprises have been cutting back IT budget increases as they adopt a more cautious viewpoint of the global economy. More recently, the financial services market, as seen by the recent collapse of Lehman Brothers, is suffering from a crisis in confidence caused by a spate of write-downs and concerns over liquidity."

## ***The majority of enterprises will halt increases in 2009***

Datamonitor has analyzed the responses of over 8000 IT decision makers between 2006 and 2008\*. For the fourth consecutive year the number of enterprises planning to significantly increase their IT budget has fallen. This according to Datamonitor suggests there are deeper concerns in the IT market than just the recent economic problems.

Over 50% of respondents stated that they expect to keep their IT budget the same in 2009 as it was in 2008. 37% of the respondents expect to see their IT budget increase in 2009 and 13% are anticipating IT budget cuts. This appears to be a mixed message for technology vendors and service providers. It indicates that, on the whole, enterprises are not planning to decrease their IT expenditure despite the current economic climate.

## ***The economic downturn is masking the trend of growth in IT budgets falling***

However, when the results from previous surveys conducted by Datamonitor in 2006 and 2007 are analyzed, there is a noticeable downward trend in the proportion of enterprises planning to significantly increase (by 6% or more) their IT budget, from 20% in 2006 to under 10% in 2009. In Datamonitor's view, this suggests growth in the amount spent by enterprises on IT is on the decline which would indicate that growth in the IT market overall is going to slow down.

“These results should be a warning sign for vendors”, says Okubo. “An analysis of forward looking statements in enterprises’ annual reports reveals deep concerns over future prospects as domestic demand in developed economies falls.”

Despite this, there are still enterprises planning to significantly increase their IT expenditure in 2009. Therefore it is still possible for vendors to experience solid growth if they target the right vertical markets with the correct market strategy.

(Table 1 titled ‘**How has your IT budget increased or decreased from last year, how will it change next year?**’, shows below. If you are unable to read it please contact the press office)

	2005-2006		2006-2007		2007-2008		2008-2009	
	Count	%	Count	%	Count	%	Count	%
Decreased IT budget	670	15.8%	397	11.9%	90	15.2%	66	11.2%
Flat (0%)	1748	41.4%	1386	41.8%	276	46.8%	303	51.4%
Increased slightly (1-5%)	924	21.9%	877	26.5%	148	25.1%	166	28.1%
Increased significantly (6%+)	883	20.9%	654	19.7%	76	12.9%	55	9.3%
<b>Total</b>	<b>4225</b>	<b>100%</b>	<b>3314</b>	<b>100%</b>	<b>590</b>	<b>100%</b>	<b>590</b>	<b>100%</b>

Source: Technology Trend survey 2006-2008 (8129 respondents)

DATA MONITOR

**Verticals are reacting differently to market conditions and the healthcare industry is planning significant spending increases in 2009**

While the retail and manufacturing industries are suffering from high interest rates, falling domestic demand, inflation and higher commodity prices, the healthcare industry is planning significant spending increases in 2009, with 57% of respondents in the industry saying they plan to expand IT expenditure.

In Western Europe, the US and Japan, the aging “baby boom” generation is starting to increase demand on the health services, leading to rising costs for national and private health systems. In an attempt to address this, the healthcare industry is currently investing in new technologies which will enable them to cut costs in the long run and provide more efficient care.

Okubo concludes:

“In a global economy it is important to realize how vertical markets are performing because at times, an analysis at a country level can be misleading. Simply because some IT departments in a given country are planning budget decreases it is incorrect to assume that all industries within that country are suffering. Vendors that understand the nuances in domestic economies will be best positioned to exploit growth opportunities.”