



The U.S. IT Industry – Yesterday, Today, Tomorrow

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U.S. IT Industry – Where Are We?

- How Did We Get Here?
- What Do the Data Say?
- Are We Back on Track?



U.S. IT Industry – Where Are We?

- Internet Bubble Bursts
- Telecom Recession Signals Disconnect
- Corporations Curb Capital Expenditures
- IT Industry Image Takes a Bruising
- Employment Shakeout Sends Ripples
- U.S. Knowledge Workers Not as Scarce
- Silver Bullet Technology Nowhere in Sight





U.S. IT Industry

Information Technology...

Are We Back on Track?

Indicators:

- CIO Magazine Tech Poll
- ITAA/Input IT Services Survey
- ITAA Workforce Study
- Precursor Group Tech Demand Report
- U.S. Government Market Strong





CIO Magazine Tech Poll

- Monthly Poll of 284 U.S. Chief Information Officers
- September 2002 results:
 - Expected 12 month increase in IT spending: 5.7%
 - Up from 4.9% in July 2002





CIO Magazine Tech Poll

- Planning increases in:
 - Data Networking: only 42.8%
 - Outsourcing: only 28%
- When will IT spending pick up in the U.S.?
 - 9.9% said in second half of 2002
 - 53% said not until next year





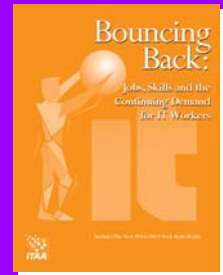
ITAA-Input IT Services Report

- Monthly online poll of IT Services firms executives - August 2002 results:
- Short-term outlook for services firms remains flat
- Companies report billable headcount up slightly, while billing rates flat
- Opportunities seen in federal government/homeland security space



2002 IT Workforce Study: *Bouncing Back*

- Study findings (August 2002 Update)
 - Size and scope of the U.S. IT workforce
 - Hirings and reductions in force during 2001
 - Demand and gap predictions for upcoming 12 months



- Study Methodology

- Telephone interviews – 300 hiring managers, IT and non-IT companies conducted during March, 2002
- Projectable sample to all companies greater than 50 employees
- Margin of error +/- 6%, 90% confidence





2002 IT Workforce Study: *Bouncing Back*

- Size and scope of the U.S. IT workforce
 - 10.2 million IT workers nationwide currently – up 3.6% from 9.9 million in April 2002
 - U.S. companies hired 1.7 million and dismissed 1.3 million workers over 12 months
 - Net gain in quarter: 357,612 workers





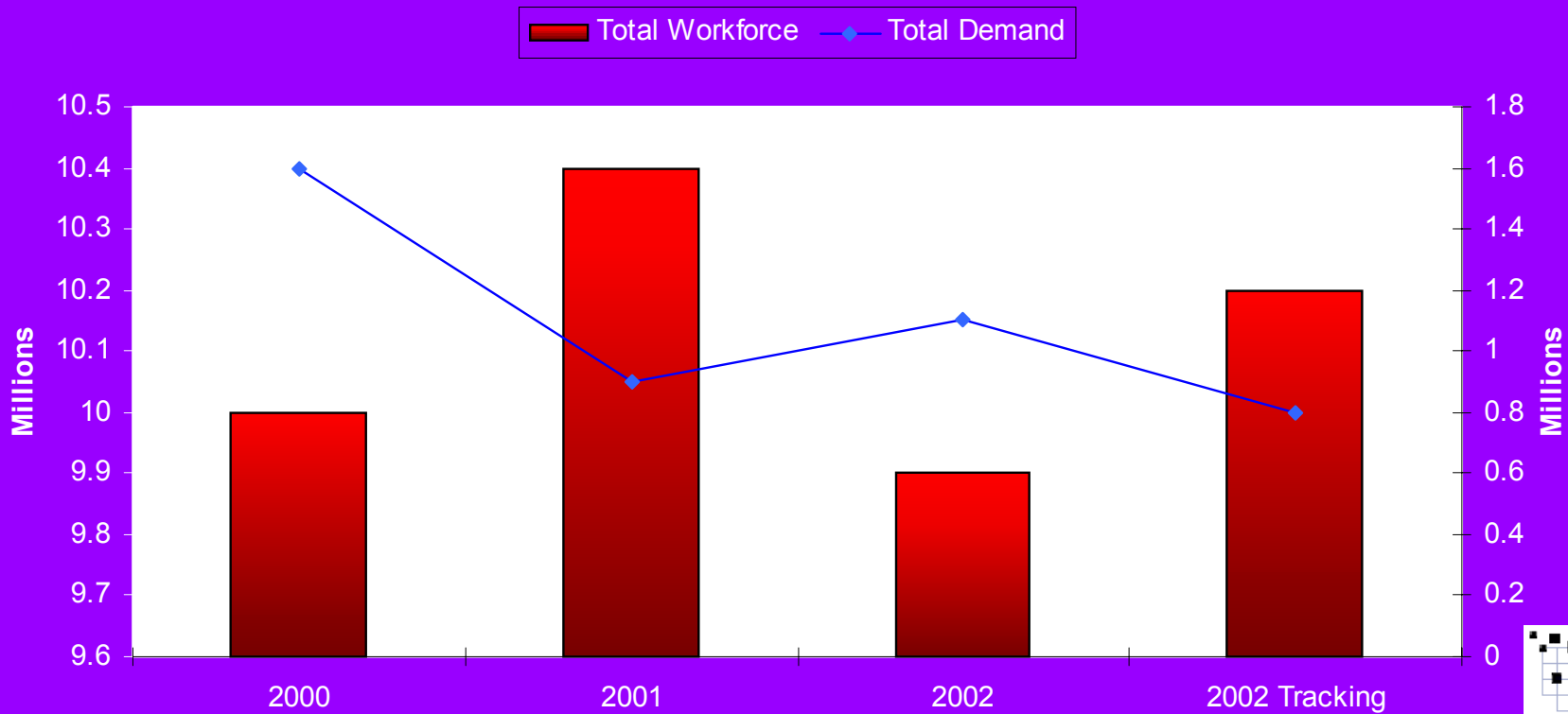
2002 IT Workforce Study: *Bouncing Back*

- Future demand for IT workers
- Demand Slow to Recover:
 - Demand over upcoming 12 months-
 - 834,727 workers needed
 - 427,919 unfilled positions due to lack of unqualified workers
 - Demand is down 7% from 2001 all time low



2002 IT Workforce Study: *Bouncing Back*

U.S. IT Workforce: Size and Demand





Precursor Group – October '02

- Business IT spending is bottoming
- Expect IT spending to contract overall in 02 by 2% or 3%.
- Spending weaknesses persist in remainder of '02



Precursor Group – October '02

- IT spending will transition to weak growth in '03
- Stage is set for single digit growth: 3% to 6% in '03
- Don't expect historical annual trends of ~11%
- IT spending still 40% of overall capital expenditures, but down from 42%





U.S. Government Market

- Federal government market gets stronger – a bright spot for U.S. IT industry
- IT spending will grow from US\$45 Billion to US\$52 Billion in FY'03
- 15% increase in spending
- Information security spending will grow from US\$2.7Billion to US\$4.2Billion
- 64% increase in security spending
- But states' spending might be cut because of state deficits





U.S. IT Industry – Where Are We?

In closing...

- IT spending in the U.S. will pick up slowly due to renewed customer confidence
- IT industry still built on brains, not bubbles
- Government market more reliable than commercial now





Thank You!

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