

OUTLOOK FOR US SPENDING ON ENTERPRISE TECHNOLOGY

**Benchmarks and forecasts of business spending on
IT products, segmented by Product and Industry**

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November 2022



Oxford Economics' Forecasts of Spending on Enterprise Technology (SET)

- **Benchmarks for business spending on enterprise technology (SET)**
 - a) History data, forecasts and scenarios
 - b) Measure the spending undertaken by each US industry
 - c) 5 categories of spend
 - d) Each category split into SET via the investment channel (CapEx) versus operating expenditures (OpEx)
- **Oxford Economics proprietary indicators**
 - a) Derived from collaboration among research, thought leadership and clients
 - b) Accompanied by posted analysis, press release, blog, webinar, presentation
- **Platform for engagement and communication with clients and media**
 - a) Companies that sell into the business IT spend (B2B)
 - b) Asset managers, research institutions, economic impact

SET benchmarks: 5 categories of products and services

1. Devices

- *Electronics, computers, communication equipment*

2. Enterprise Software

- *"Pre-packaged" software*

3. IT services

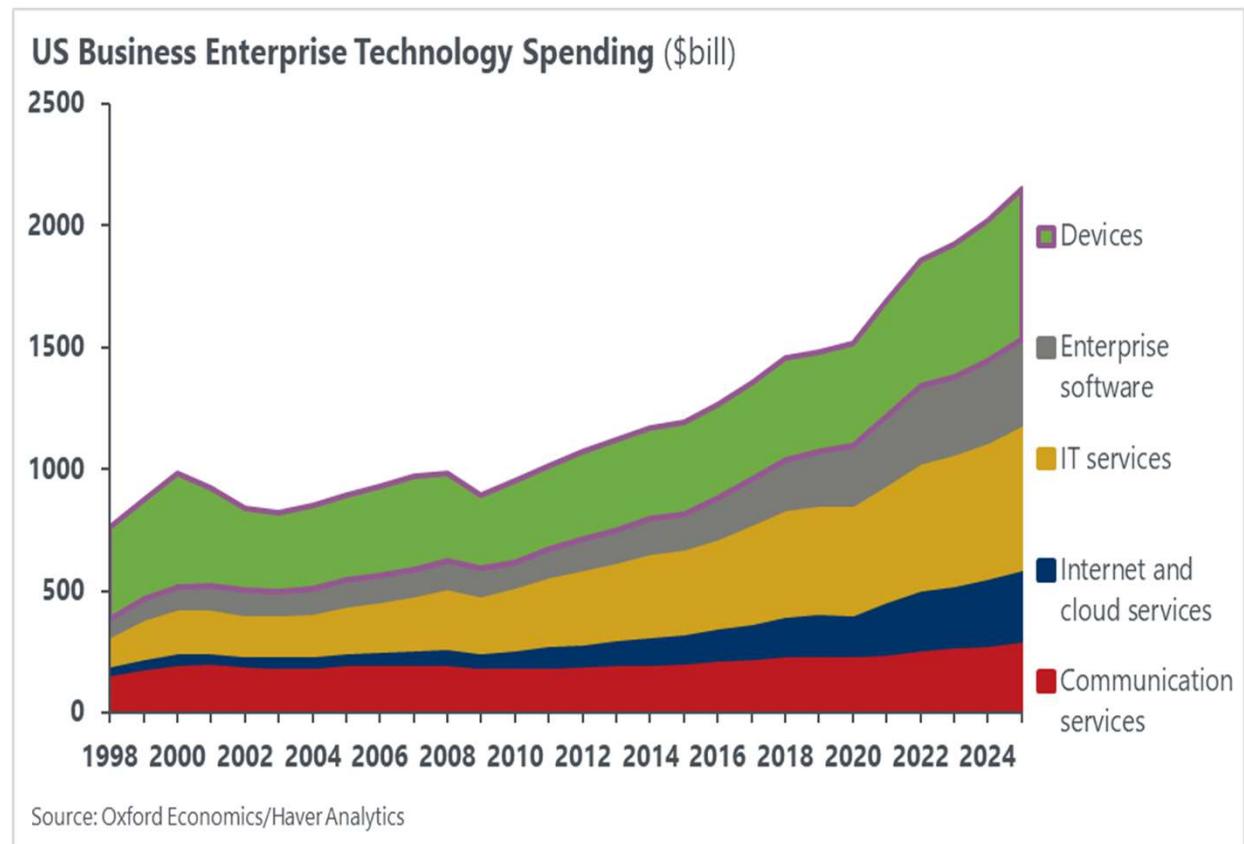
- *Custom and "own-account" software and related services*

4. Internet and cloud services

- *Data processing, internet portals, search engines*

5. Communication services

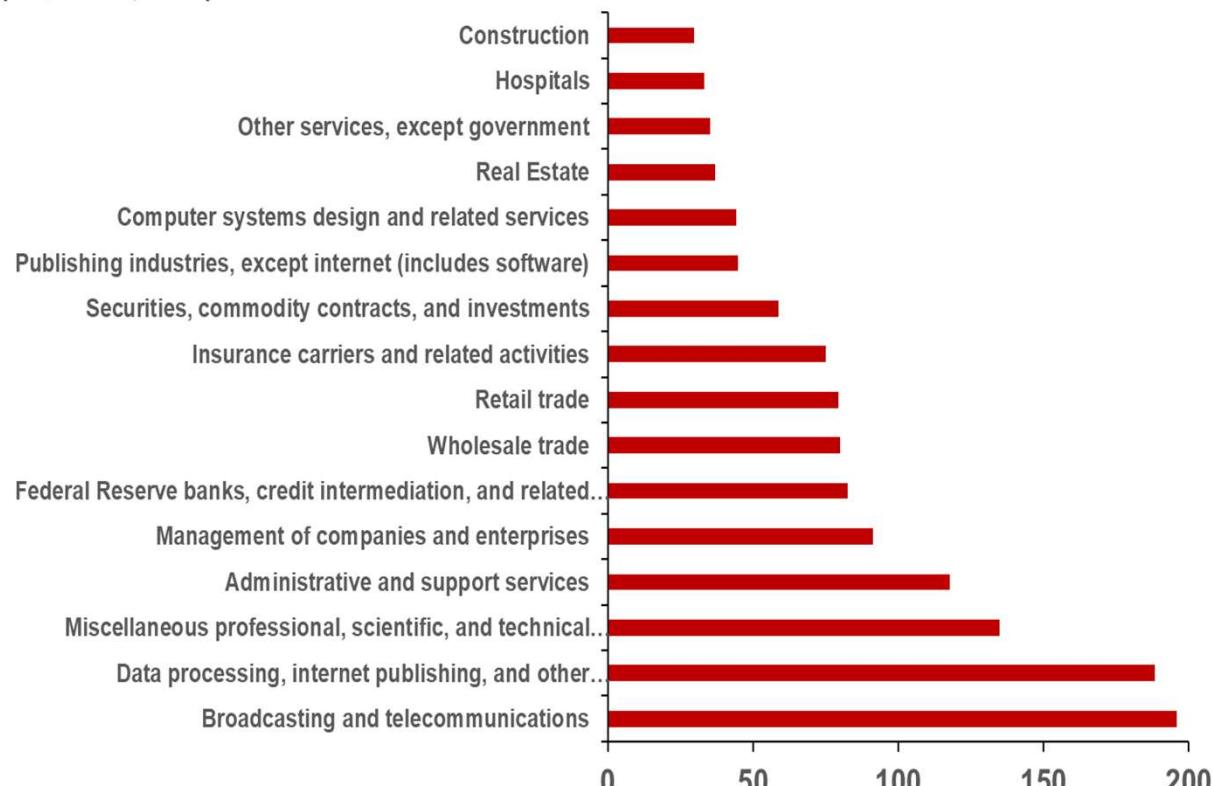
- *Wired, wireless, satellite*



Benchmarks for Country, Industries, Products

US Industries that spend the most on Enterprise IT

(US\$ billion, 2021)



Source: BEA/Oxford Economics

US SET will increase economic share over next decade

1. SET growth will fare better than GDP, over the near-term business cycle, and medium-term forecast
 - a) SET will rise from 7.2% share of GDP to 8.3% by 2030
 - b) SET CapEx will increase share of overall investment from 15% to 19.7%
2. Electronics will see sharpest slowdown in a recession scenario
3. Software and Cloud/Internet will fare best among SET products during recession
4. Industries recently spending more on SET will fare better during recession
5. Returns on investment (ROI) are higher from SET than traditional spending

SET includes each industry's OpEx and CapEx channels

	OpEx	CapEx
Items purchased	Materials, energy, services	Machinery, buildings, intellectual property
Productive life	1 year or less	Longer than 1 year
Drivers of spending	Current production	Expected future profits
Impact on output	Maintain current production	Generate new future growth
Data source	Income statement (P&L)	Cash Flow statement
KPIs	Profit Margin	Return on Investment
Part of GDP?	No	Yes

Income Statement:

- Revenues
- **Operating Costs**
- Operating Profits

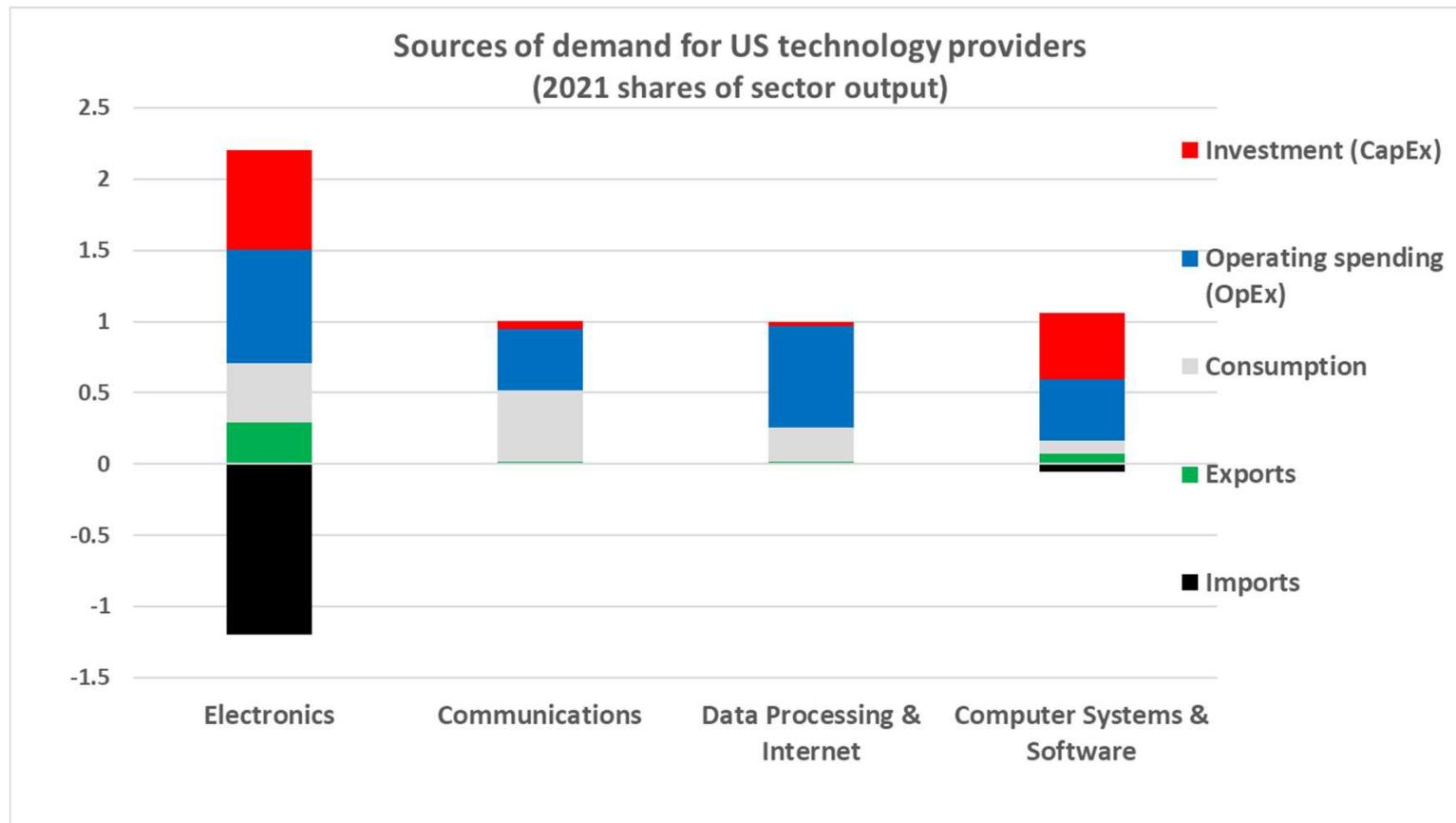
Cash Flow Statement:

- Operating CF
- **Investing Cash Flow**
- Financing CF

Balance Sheet:

- Equity
- Liabilities
- **Assets & capital stock**

Business spending is key a driver for technology providers



CapEx on SET is leading growth

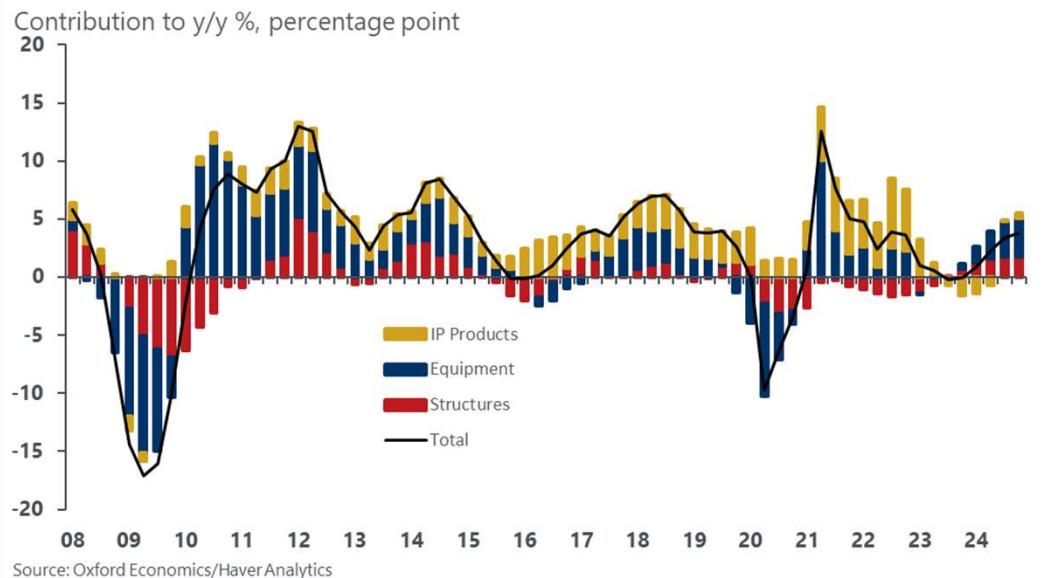
Investment spending on Intellectual Property Products drives SET CapEx

US: Real private fixed investment



Source: Oxford Economics/Haver Analytics

US: Real business investment



Scenarios around the baseline forecast

These Global Scenarios quantify key risks to economic growth, relating to:

- (i) inflation expectations
- (ii) supply-chain and trade disruption, and
- (iii) associated impacts on market, policy and potential supply

High inflation regime (10%)

Financial markets are rocked as inflation expectations become de-anchored from central bank targets and inflation remains persistently elevated. Demand slows as real disposable incomes are squeezed.

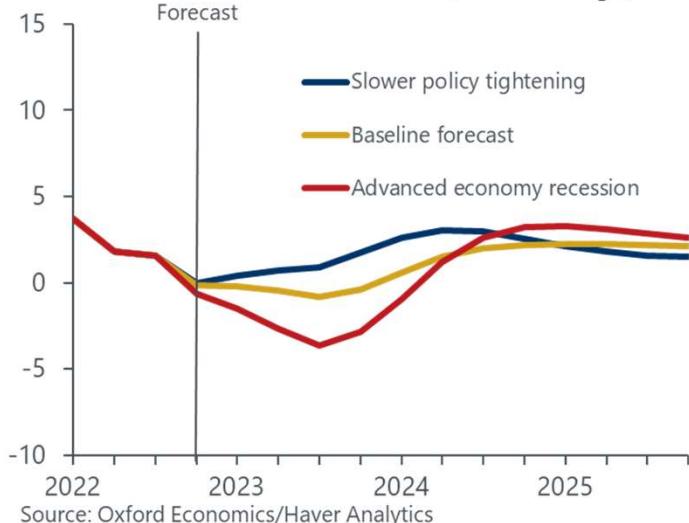
GDP in near term: **Stronger**
GDP in medium term: **Weaker**

Advanced economy deep recession (20%)

Higher inflation and interest rates squeeze real incomes in advanced economies and weigh on property and financial markets in the near term.

GDP in near term: **Weaker**
GDP in medium term: **Stronger**

US Real GDP across scenarios (YoY % Change)



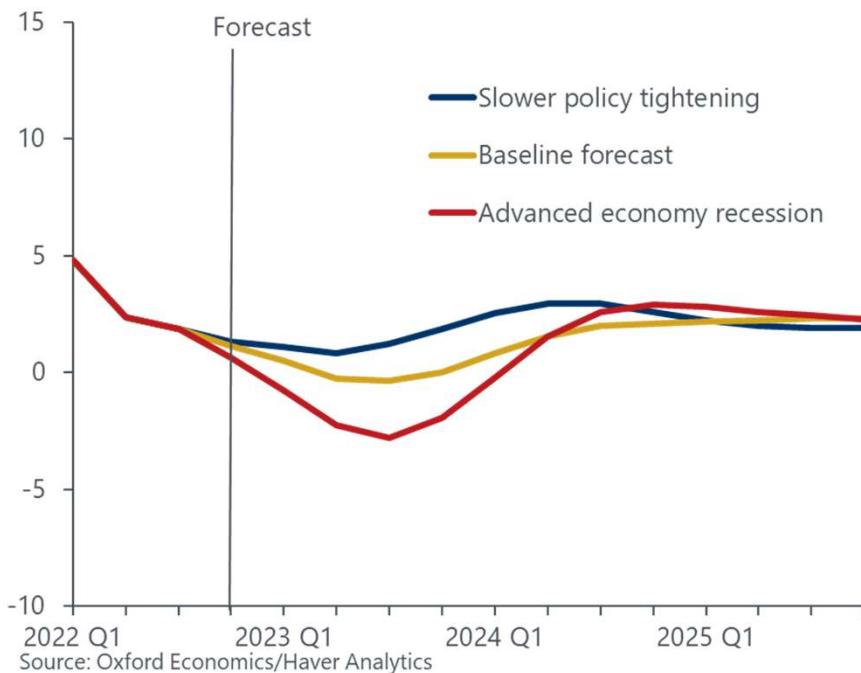
Slower policy tightening (10%)

The global economy rebounds, as inflationary pressures fade, and central banks slow the pace of monetary policy tightening. Household, business and market sentiment improves.

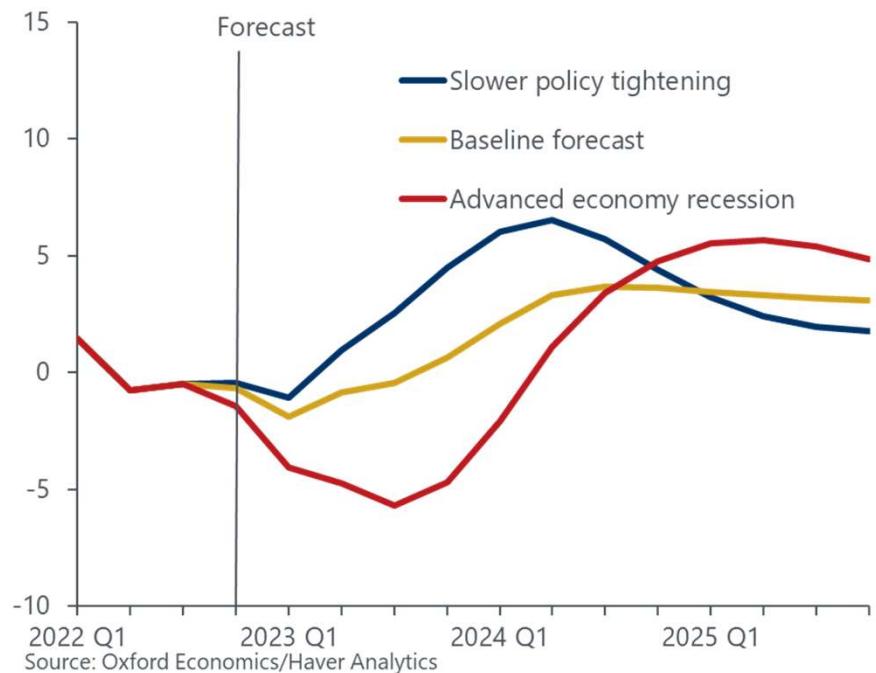
GDP in near term: **Stronger**
GDP in medium term: **Stronger**

Scenarios around private sector spending

US Real Consumer Spending across scenarios (YoY % Change)

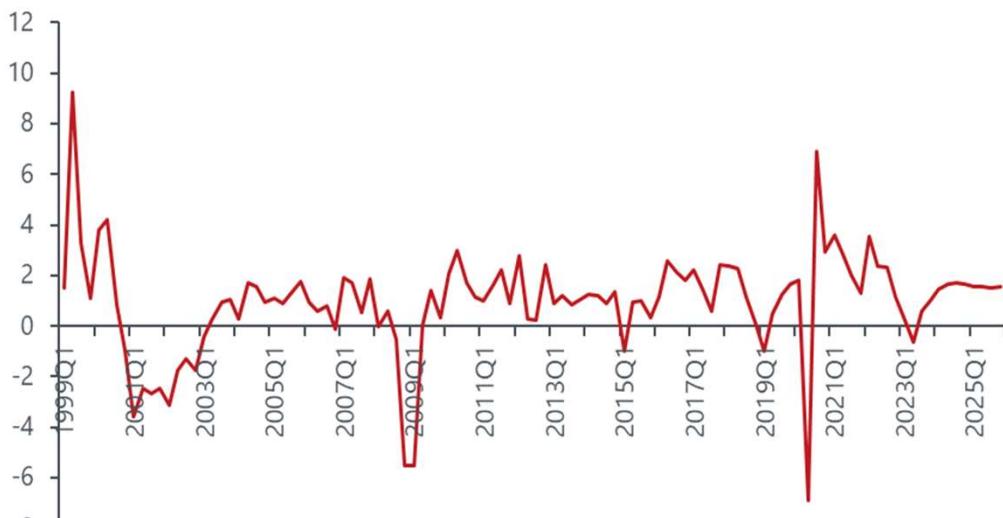


US Real Fixed Investment across scenarios (YoY % Change)

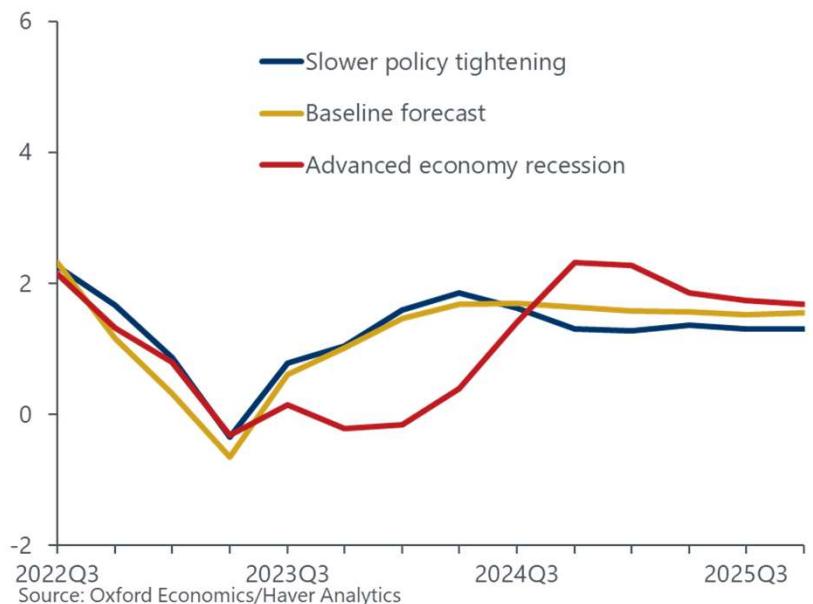


Recession will slow SET growth in 2023, rebound thereafter

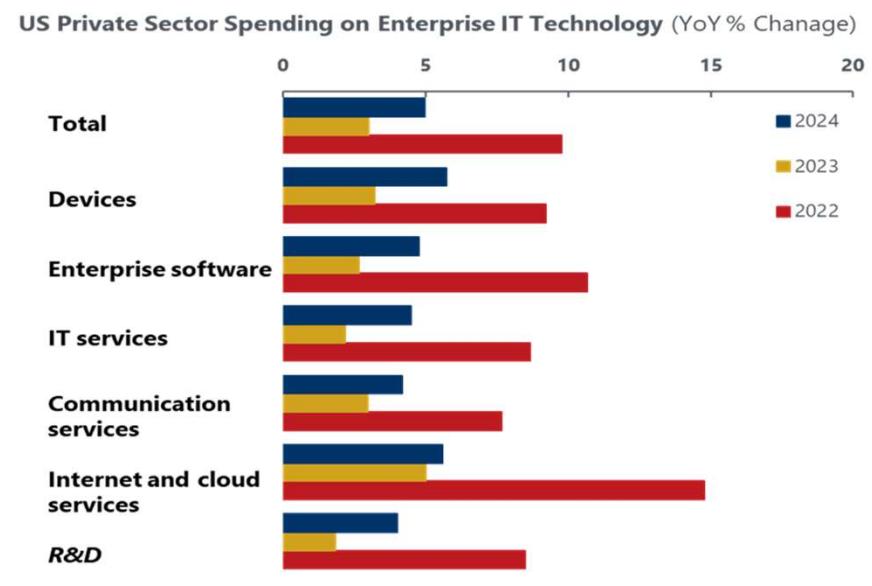
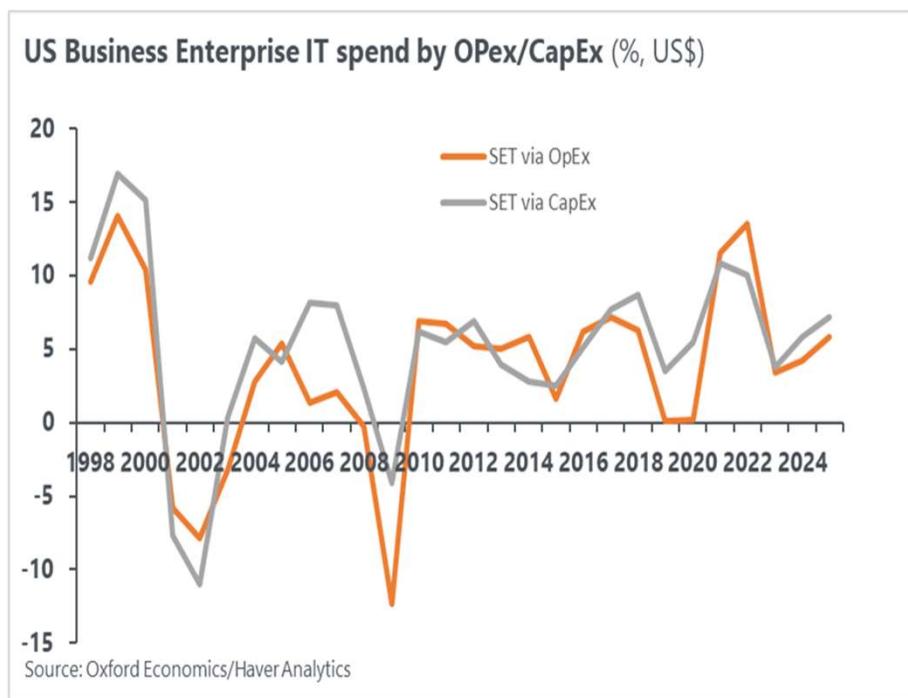
US Business Spending on Enterprise Technology (%)



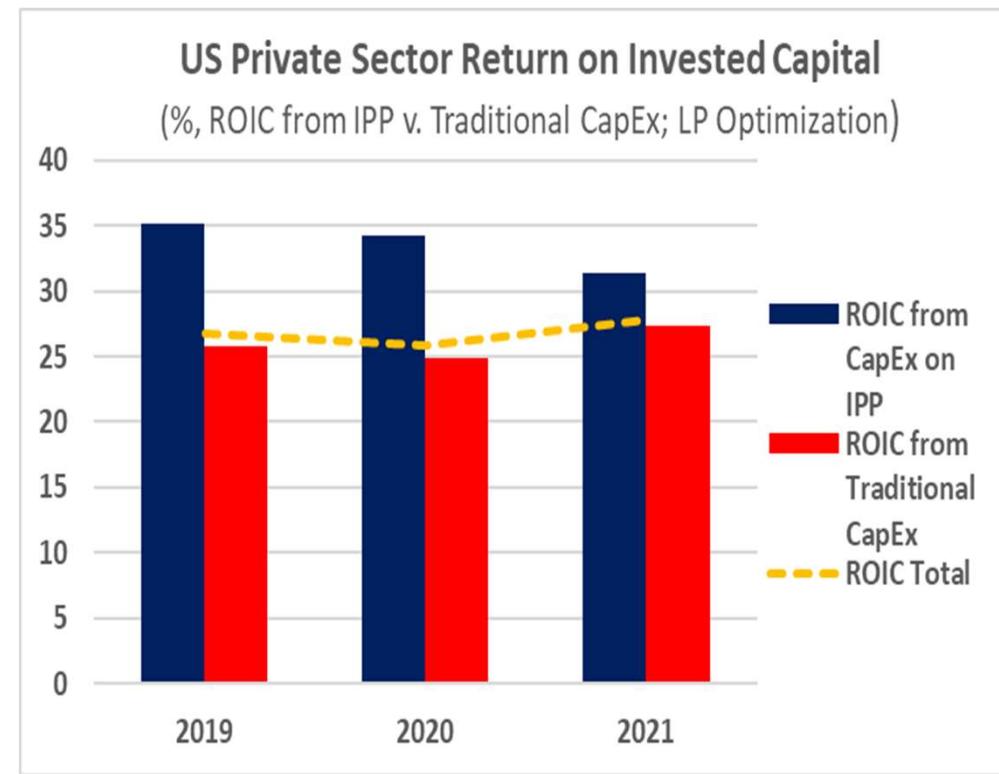
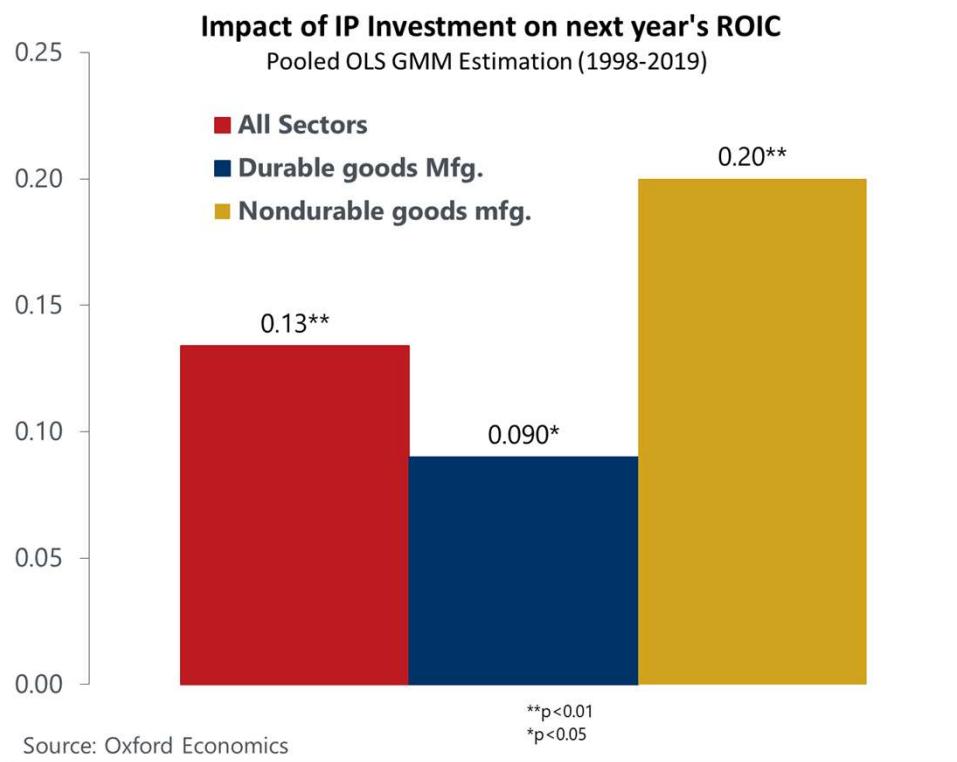
Spending on Enterprise Technology (QoQ % change)



Software will lead SET CapEx through the recession, while cloud & internet svcs. will lead SET OpEx



ROIC bolstered by investment in technology



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