

Gartner Says China's Economic Stimulus Policies Will Drive \$39 Billion in IT Spending Through 2013

Stimulus-Driven IT Spending in China Will Reach Its Highest Level in 2010

Stamford, Conn., February 1, 2010 — The multiple stimulus policies issued by China's central government when the worldwide economic crisis hit China's export trade will continue to drive the purchase and consumption of IT products and services, according to Gartner, Inc. Economic stimulus policies will drive IT spending in China to \$38.9 billion through 2013, offering a significant opportunity for IT providers.

"The Chinese government is seeking to counter the decline in its export trade by encouraging domestic demand, and it appears that it is succeeding," said Oliver Xu, principal research analyst at Gartner. *"We predict that stimulus-driven IT spending will reach its highest level in 2010, primarily because most stimulus policy measures and plans were finalised and executed in mid-2009."*

The main stimulus policies issued by the Chinese government include:

1. A \$583.9 billion (4 trillion yuan) package that addresses infrastructure and public facilities/organisations
2. The Ten Industries Revitalisation Plan, which aims to help organisations in particular industrial segments
3. Various smaller subsidy programmes and tax reductions for consumers

Mr Xu said that the most visible stimulus-related IT spending will occur within the transportation services and equipment, healthcare and construction verticals, which are highly dependent on IT and invest in it aggressively.

Telecom is the most in-demand segment. Gartner expects stimulus policies will drive IT spending in telecom to reach \$4.5 billion in 2010, and for the period from 2009 through 2013 IT spending in this segment will surpass \$14.2 billion. Hardware is the second-largest segment, with spending from the stimulus policies to reach \$4.1 billion in 2010, and for the five years of 2009 through 2013 hardware spending will total \$13 billion.

"The Chinese government will continue executing on stimulus policies implemented in 2009, even though economic performance indexes for first three quarters of 2009 already indicate substantial signs of recovery," **Mr Xu** said. *"The Ten Industry Revitalisation Plan seeks to further long-term goals while also having an immediate effect on China's economy."*

IT vendors seeking to benefit from China's economic stimulus policies should primarily target IT users in the construction, transportation and healthcare verticals, while also targeting the industries covered by the Ten Industry Revitalisation Plan, which focuses on restructuring businesses and upgrading their technology. Gartner recommends that vendors target the highest level of contacts in companies that benefit from stimulus policies, because organisations that have benefited the most from the stimulus policies are largely state-owned central and local companies and organisations, which make centralised IT purchases.

Overseas-based IT vendors are advised to target the product and service areas in which local competitors cannot perform well. Although none of the policies issued by the Chinese

government specifically indicate that local IT vendors should be favoured in IT purchasing, such vendors might gain an advantage through their private connections.

"Hardware, software and IT services providers should track government policies to see how they affect purchasing decisions and adjust their go-to-market strategies accordingly, as the Chinese government will likely change its policies as the global economic downturn progresses," Mr Xu said.

Additional information is available in the report "Emerging Market Analysis: China's Economic Stimulus Policies Will Drive \$39 Billion in IT Spending Through 2013." The report is available on Gartner's website at <http://www.gartner.com/resId=1274216>.

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