

Tech Sector Healthiest in over 5 Years

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A new report finds that with strong performances by vendors, demand for technology products and a positive employment market, the health of the U.S. technology industry is at its highest level in five-and-a-half years.

The health of the U.S. technology industry is at it's highest level in five-and-a-half years, finds the latest quarterly index from Forrester Research and Information Technology Association of America, released March 21.

The Q4 2006 Index suggested that there will be continued slow but steady gains for the tech sector in 2007. Based on 11 indices measuring IT supply, demand and the fiscal strength of U.S.-based vendors, and measuring against a 2002 average of 100 as the baseline, seven of the 11 indices were up in Q4 2006. There was a 2 point increase in Q4 and a 3.7 point gain in Q3.

It was the financial performances of vendors in Q4 that had the most positive impact on the Index, finds the report. The stock price component of the Index jumped 16.2 points, reflecting the broad rise in the stock market at the end of last year. The vendor profit component of the Index grew 10.9 points for the quarter.

"The financial performance of U.S. technology vendors last quarter helped push the Index higher," said Forrester analyst G. Oliver Young. "Stock prices were up across the board at the end of 2006, and net income for the 22 major U.S. tech vendors that Forrester monitors

reached \$13.2 billion, the highest quarterly level since we began tracking. But foreign sales - not domestic demand - is driving vendor revenues and profits."

Demand for technology products also increased nearly three points in Q4, attributed in part to the optimism of spending forecasts by CIOs.

IT industry employment, which gained 11,700 tech jobs in Q4, also had a strong positive impact on the Index. This brought IT employment to its highest level since the close of 2002, a fact that the IT industry hopes will help lure more student recruits.

"The IT industry is thriving on a global stage and driving value at home," said ITAA President and CEO Phil Bond. "Every high school graduate should know that IT employment is at its strongest in four years and spending forecasts signal a continued climb for demand in the U.S. market."

IT venture capital investment took a hit in Q4, plunging 20.8 points after already slipping 9.4 points in Q3, a quarter-on-quarter drop of \$711 million.

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