

Report: Worst may be over for US tech market

June 30 2009, By BARBARA ORTUTAY , AP Technology Writer

(AP) -- As bad as the technology market fared in the first quarter of this year, the worst may be over, at least in the United States, Forrester Research said in a report Tuesday.

The research firm nonetheless revised its forecast for 2009. It now expects the U.S. technology market to shrink by 5 percent this year. In March, Forrester had predicted a smaller 3 percent decline in spending on technology products and services.

The recession and the big drops businesses made in investments - and technology investments in particular - are the reasons for the decline. Businesses and governments overreacted to the [global recession](#) and credit crisis, Forrester said, by cutting back too much on spending in the past nine months. As companies realize that the recession is not as deep, or as long-lasting, as they feared, they will resume technology spending.

"The good news is that it is in the past. We are not going into a terrible terrible [downturn](#)," said Forrester analyst Andrew Bartels.

The research firm expects the U.S. tech sector to hit bottom in the third quarter and to begin its recovery in the fourth.

Every sector of the tech economy has been hit by the recession. Forrester expects 2009 spending on communications equipment to drop by 11 percent this year as businesses are spending less on network equipment, mobile gadgets and video conferencing technology. Growth

will resume in 2010, when Forrester expects telecom spending to grow by about 7 percent.

Spending on computer products is also expected to decline by 10 percent this year, though it will increase by nearly 12 percent next year. Even so, in terms of billions of dollars, 2010 spending will still be below 2007 levels, Forrester said.

Outsourcing is the only [technology](#) sector expected to see growth this year - and even that is only estimated at 2 percent.

The global tech market is faring worse than in the U.S. Forrester now expects 2009 spending to decline by 11 percent, far below than the 3 percent decline it had predicted in December. A worsening worldwide [economy](#), along with currency fluctuations (the strengthening dollar), are big reasons for this.

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