

Tepid growth expected in tech spending

January 6 2015, by Troy Wolverton, San Jose Mercury News

The Consumer Electronics Show, set to kick off here this week, is sure to be full of hype and spectacle. But that excitement won't translate into big sales growth for the industry, the trade group behind the show forecast on Sunday.

Global [spending](#) on technology products will increase just 1 percent this year to \$1.02 trillion, the Consumer Electronics Association predicted. The tepid [growth](#) is due to slowing economic growth in formerly fast-growing developing countries and slowing sales growth of several key products, Steve Koenig, a director of industry analysis at CEA, said at a press event here.

The BRIC economies - the formerly strong-growing Brazil, Russia, India and China - are now a "mixed bag," while in Western Europe, still one of the major areas for [tech spending](#), "there's much ado about deflation" and how to stave it off, Koenig said.

Tech spending has seen little growth since the immediate aftermath of the global recession. Sales grew just 1 percent last year after falling 1 percent in 2013, according to data from CEA and its partner, research firm GfK.

What's buoyed the industry in the past several years has been the fast-paced growth in sales of smartphones and [tablets](#). But the growth in both of those products has already begun to taper off.

Consumers spent \$373.9 billion on smartphones in 2014, up 13 percent

from the previous year. This year, CEA and GfK expect consumers to spend \$406 billion on smartphones, up 9 percent from 2014.

By contrast, [smartphone](#) sales grew by 30 percent or more in each of the previous three years.

The amount of money consumers are spending on tablets has actually started to decline, even though the number of tablets sold continues to rise. Consumers spent \$67.4 billion on tablets in 2014, down 1 percent from the previous year. CEA and GfK expect tablet sales to decline 8 percent to \$61.9 billion in 2015.

In 2013, tablet sales grew 21 percent to \$68.4 billion. While the number of tablets sold is expected to grow 20 percent to 337 million this year, the average price continues to decline, with many tablets being sold for \$100 or less Koenig noted.

Despite the slowing growth, sales of smartphones and tablets, taken together, now account for 46 percent of all [consumer electronics](#) spending worldwide, up from 22 percent in 2011, according to CEA and GfK.

The question for the industry is whether and when consumers will shift their spending from smartphones and tablets to new classes of products. One such broad class of devices is the Internet of Things, which is widely expected to be one of the big themes of this year's show. The Internet of Things term is used to describe everyday objects such as light bulbs or thermostats that will have the ability to connect to networks or other devices and transmit data collected from their sensors.

"What we see is a host of new innovation," said Koenig, "that will reshape the technology spending landscape."

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