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IT SPENDING PROJECTIONS DOWN FOR 2007

*CIOs to Hold Off on Immediate Investments in Microsoft Office and Vista 2007
Hardware, Storage and Security remain focus spending categories for 2007*

FRAMINGHAM, MA—December 29, 2006—Findings from the quarterly CIO Magazine Tech Poll™ show IT spending projections decreased in October-December with CIOs predicting IT spending increases of 5.8% over the next 12 months, down from 6.5% in the previous quarter. Poll results also show the majority of CIOs (63.6%) have no plans to invest in Office 2007 or Vista 2007 next year. Key focus categories of growth are Computer Hardware, Storage and Security.

“Corporate profits growth is likely to slow next year after several years of higher-than-expected growth,” says Dr. Ed Yardeni, Chief Investment Strategist for Oak Associates. “This outlook may explain why CIOs’ projected budgets were already relatively subdued in our December poll.”

“This forecasted decline in tech spending is in sync with other recent reports suggesting businesses will scale back capital spending in 2007,” says Gary Beach, Publisher of *CIO* magazine. “However, with nearly two-thirds of CIO respondents indicating plans to focus on either growth or innovation in 2007, the question for CIOs remains how to implement these agendas with budgets that are largely flat.”

Conversely, Chris Whitmore, Director IT Hardware Research for Deutsche Bank Securities, notes CIOs’ plans to increase spending in computer hardware, stating, “Expected spending on Computer Hardware is the highest it has been since the CIO Magazine Tech Poll was first published in 2000. Combined with continued strong growth expectations in storage, the survey suggests that spending on hardware in 2007 will be quite healthy.”

The CIO Magazine Tech Poll provides technology and business executives, economists, and policymakers with a tool to gauge technology growth trends to assess the impact on the overall economy. Poll panelists are asked to answer questions on overall current and projected IT budgets on a quarterly basis. Also covered are future spending plans for IT hardware, software, services and Internet initiatives. The results of the December poll, conducted from December 7-14th, are detailed below.

CIO MAGAZINE TECHNOLOGY GROWTH INDICATORS

The CIO Magazine Tech Poll results are used to construct the CIO Magazine Tech Future Growth Index (TFGI), which projects IT activity over the next 12 months¹. In December the TFGI is 2.3, down from 2.5 in September (Attached below are Tables 1 through 3, providing historical data and selected charts).

OVERALL IT BUDGET AND COSTS

In the December Poll, panelists project IT budgets will grow by 5.8% over the *next* 12 months, down from 6.5% in the September poll. In addition, CIOs report that IT budgets increased by an average of 5.8% over the *last* 12 months, up from 5.0% last quarter.

IT SECTORS

When asked about spending across eight specific IT categories, the average number of panelists who plan to increase spending over the *next* 12 months is 40.7% in December, up from 39.7% in September. The percentage of panelists who plan to decrease spending remains flat at 13.7% (vs. 13.8% in September). Within the IT spending categories, Computer Hardware overtakes Storage Systems as the top spending priority in the poll with 55.8% of respondents planning to increase spending in this segment (vs. 46.9% in September) and only 11.7% intending to decrease spending (vs. 16.3% in September). Storage Systems and Security Software place second and third with 52.9% and 47.5% (up from 48.1% and 46.9% in September) respectively.

Compensation Costs and Labor Market Conditions: IT compensation costs (including salaries, benefits, and bonuses excluding stock options) increased an average of 4.8% in the 12 months ending December, slightly down from 4.9% in September. The supply of labor tightened with 5.8% of the respondents reporting IT labor is 'plentiful' (vs. 6.2% in September), 56.7% cite IT labor is 'available' (vs. 59.0% in September) and 35.0% report that IT professionals are 'hard to find' (vs. 31.1% in September).

Special Questions: This quarter's poll includes four special questions. The first question asked panelists whether they planned to acquire Microsoft's new operating system Vista and new productivity software suite Office 2007 in 2007. The majority (63.6%) of respondents cite they have no plans to upgrade to Vista or Office 2007 in 2007, while 20.7% need to evaluate pricing and user training costs before considering an upgrade. Of the 15.8% that will upgrade, 8.3% will upgrade to both, while 5.8% will only upgrade to Office 2007 and 1.7% will only upgrade to Vista.

The second question asked panelists how much local client capacity was required on their desktops and laptops. Of respondents, two-thirds of panelists cite 40GB or 50-80GB of capacity as sufficient (32.2% and 33.1% of respondents, respectively). Of the remaining third, 19.8% require 20-30GB, 12.4% require 100-200GB, and 2.5% require more than 200GB.

The third question asked about the potential for solid-state (flash) memory in laptops versus hard disk drives. Roughly half of respondents prefer hard disk drives due to lower cost and higher capacity. Of the respondents, 34.7% do not believe the higher cost of flash justifies the benefits, while 15.7% need at least 60GB of capacity. The remaining half (49.6%) of CIOs would consider flash if the added cost was \$500 or less. With at least 40GB of capacity, 28.9% of respondents would consider flash if the price differential was less than \$200 and 11.6% of CIOs would settle for a price differential of \$200-\$500. The remaining 9.1% of respondents only need 20GB of capacity.

The fourth question asked panelists about their IT investment focus in 2007. About two-fifths (42.1%) will focus on enabling growth, while 27.3% say they plan to improve IT performance. Of the remaining respondents, 19.0% say IT investments will focus on creating innovation and 11.6% say the focus will be on cost reduction.

CIO MAGAZINE TECH POLL

The CIO Magazine Tech Poll was created by *CIO* magazine in August 2000 in association with well known economist Dr. Ed Yardeni, *Chief Investment Strategist*, Oak Associates. The poll is proving to be an accurate indicator of technology spending trends. The latest poll opened on Thursday, December 7th, and closed on Thursday, December 14th. An invitation to respond to the poll was distributed via e-mail to a panel of more than 2,000 chief information officers and 3,000 randomly selected *CIO* readers who match the job function criteria "CIO."

Demographics: In the December poll, there were 121 responses with large firms (1,000-5,000 employees) and very large firms (more than 5,000 employees) representing almost half (46.7%) of the respondents. A broad cross-section of industries is represented, including non-computer/communications related manufacturing (13%), state or local government (12%), finance (12%), technology services (11%), health care (10%) and legal services (6%).

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The complete November CIO Magazine Tech Poll can be found at <http://peoplepolls.com/results/CIO/120706.asp?user=CIO>
Previous poll results can be found at <http://www.cio.com/info/releases>.

¹ The TFGI is calculated by multiplying the projected growth rate of future IT budgets by the average percentage of respondents saying they plan to increase spending on eight unique categories: computer hardware, data networking equipment, telecom equipment, storage systems, outsourced IT services, infrastructure software, and eBusiness software.

² Averages exclude responses over 100%.

Table 1: CIO Magazine Tech Poll™ - Summary Results 2006

Summary Results – 2006		Mar	June	Sep	Dec
1. CIO Magazine Technology Growth Indicators					
Tech Future Growth Index*		3.8	2.9	2.5	2.3
2. IT budget (% increase)**					
Past 12 months		7.0	6.9	5.0	5.8
Next 12 months		8.6	6.9	6.5	5.8
IT Future Spending					
3. Computer Hardware					
Increase		48.0	48.1	46.9	55.8
Decrease		12.8	14.4	16.3	11.7
Unchanged		39.1	37.6	35.6	32.5
4. Data Networking Equipment					
Increase		48.9	44.8	40.0	35.3
Decrease		14.0	15.8	18.1	20.2
Unchanged		36.0	39.3	39.4	44.5
5. Telecom Equipment					
Increase		42.3	43.6	34.6	37.8
Decrease		20.0	14.5	20.8	21.8
Unchanged		36.0	40.2	43.4	38.7
6. Storage Systems					
Increase		56.7	46.1	48.1	52.9
Decrease		11.8	14.6	14.6	10.9
Unchanged		31.5	37.6	35.4	36.1
7. Outsourced IT Services					
Increase		34.3	35.2	32.3	32.5
Decrease		18.0	18.1	16.5	18.3
Unchanged		44.4	44.0	49.4	45.8
8. Infrastructure Software					
Increase		41.8	42.2	42.1	34.7
Decrease		16.4	11.1	10.1	11.6
Unchanged		40.1	45.6	46.5	52.9
9. eBusiness Applications Software					
Increase		35.6	29.3	26.9	28.9
Decrease		13.0	8.7	8.8	10.7
Unchanged		48.0	56.5	57.5	57.0
10. Security Software					
Increase		50.8	55.2	46.9	47.5
Decrease		4.5	4.4	5.0	4.2
Unchanged		43.0	39.9	46.9	45.8
11. IT future spending on 3 - 10 (average)					
Increase		44.8	43.1	39.7	40.7
Decrease		13.8	12.7	13.8	13.7
Unchanged		39.8	42.6	44.3	44.2
12. B2B2C % of revenues					
Past 12 months		NA	NA	NA	NA
Next 12 months		NA	NA	NA	NA
13. Purchases over the Internet (% of total)					
Past 12 months		NA	NA	NA	NA
Next 12 months		NA	NA	NA	NA
14. Compensation (% increase)					
Past 12 months		6.6	4.8	4.9	4.8
15. IT labor supply					
Plentiful		5.0	6.0	6.2	5.8
Available		66.5	64.3	59.0	56.7
Hard to find		26.3	25.8	31.1	35.0
Number of Voters		180	184	161	121

* Projected growth rates of IT budgets over the next 12 months multiplied by average percentage of respondents saying they plan to increase their spending on eight unique categories.

** Excludes all responses greater than 100%.

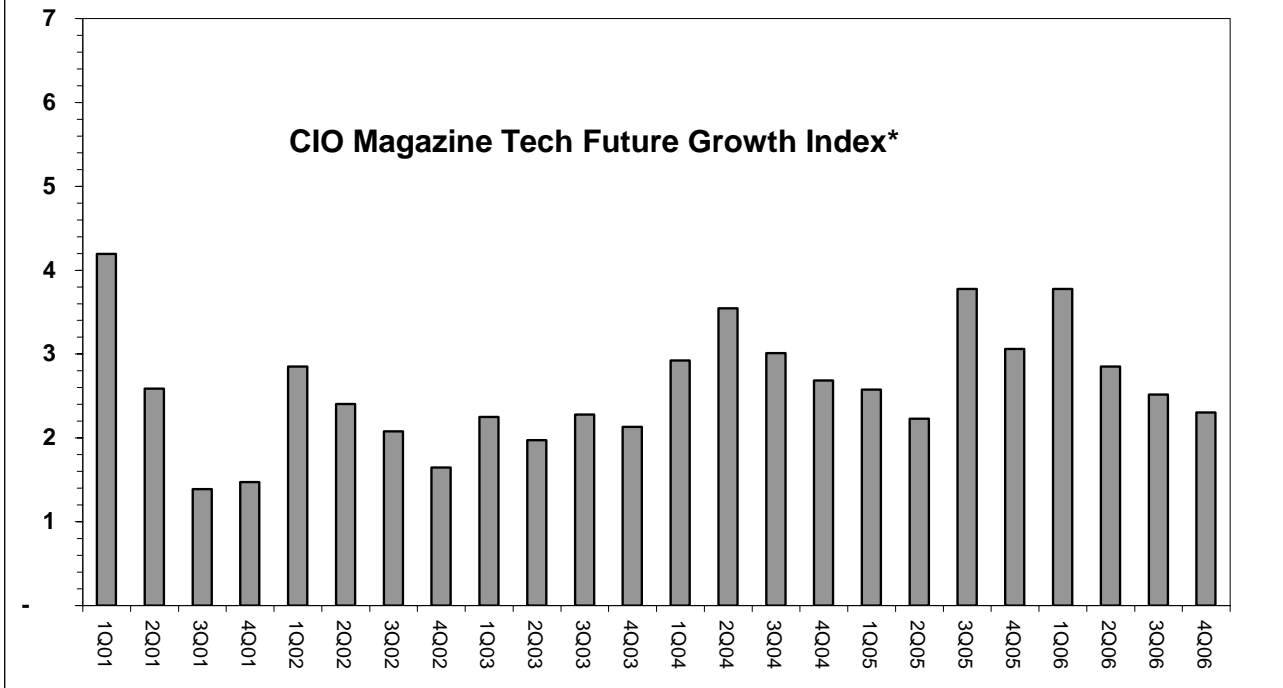
Table 2: CIO Magazine Tech Poll™ - Summary Results 2005

Summary Results – 2005												Dec	Nov	Oct	Sep	Aug	July	June	May	Apr	Mar	Feb	Jan	
1. CIO Magazine Technology Growth Indicators																								
Tech Future Growth Index*													3.1	2.1	1.8	3.8	2.6	4.1	2.2	1.8	3.2	2.6	2.4	2.1
2. IT budget (% increase)**																								
Past 12 months													7.0	4.6	6.7	8.3	5.0	9.0	6.5	6.9	5.9	6.7	5.7	5.8
Next 12 months													7.8	5.7	5.2	9.3	7.1	10.1	6.0	4.8	7.9	6.4	5.9	5.4
IT Future Spending																								
3. Computer Hardware																								
Increase													47.3	45.7	45.7	48.4	42.3	48.3	41.8	45.1	49.2	51.6	48.9	43.3
Decrease													17.8	21.4	15.2	19.5	18.8	14.0	24.2	21.4	18.7	14.4	21.6	17.3
Unchanged													34.3	32.4	38.4	32.1	38.5	37.1	33.5	33.5	31.6	33.0	29.4	39.4
4. Data Networking Equipment																								
Increase													44.4	40.8	34.8	40.8	42.9	45.3	38.7	41.9	46.8	44.4	44.2	44.5
Decrease													15.2	18.4	20.7	15.2	13.2	16.8	16.6	18.0	17.0	14.5	15.2	13.4
Unchanged													39.8	40.8	43.3	44.0	43.4	38.0	43.6	39.6	35.6	40.7	40.3	42.1
5. Telecom Equipment																								
Increase													35.7	38.7	28.0	39.3	33.2	36.3	37.6	38.4	40.1	34.0	37.1	28.7
Decrease													21.6	20.8	23.6	19.4	17.3	20.7	17.7	19.4	18.2	18.4	17.0	20.3
Unchanged													41.5	39.3	47.2	41.4	48.0	41.3	43.6	42.1	40.1	46.2	43.7	49.8
6. Storage Systems																								
Increase													49.7	49.1	45.1	54.0	51.2	52.5	49.5	46.5	50.0	50.0	53.9	50.4
Decrease													14.5	12.0	14.0	11.1	11.7	12.3	14.8	11.7	13.6	8.1	13.2	12.7
Unchanged													34.5	37.1	40.2	33.9	36.6	33.5	34.1	41.3	33.7	40.5	30.7	36.5
7. Outsourced IT Services																								
Increase													31.2	31.4	24.4	29.1	25.5	28.3	25.3	26.0	25.1	30.6	25.7	32.2
Decrease													23.5	17.4	18.9	20.1	18.1	17.8	15.9	22.8	19.3	19.1	19.5	17.6
Unchanged													42.9	48.8	52.4	49.2	53.4	51.7	56.6	48.8	51.3	46.9	50.4	47.5
8. Infrastructure Software																								
Increase													36.5	32.4	39.9	41.9	36.9	44.4	38.3	36.5	43.3	40.2	39.8	34.1
Decrease													12.9	14.5	7.4	12.9	8.7	12.2	12.6	11.8	10.7	10.0	11.1	12.7
Unchanged													49.4	50.9	52.1	43.5	52.4	42.2	46.4	51.2	45.5	46.9	47.3	52.0
9. eBusiness Applications Software																								
Increase													30.0	22.9	30.3	30.9	25.1	29.4	28.7	24.9	33.0	31.0	32.0	34.5
Decrease													11.8	10.9	9.7	11.2	5.8	8.3	7.7	11.3	8.5	8.5	12.7	9.5
Unchanged													52.4	61.7	57.6	52.7	63.8	59.4	61.3	62.0	53.2	57.7	50.9	52.4
10. Security Software																								
Increase													50.9	53.2	47.9	51.6	51.7	58.3	52.5	54.0	58.7	57.5	58.0	56.6
Decrease													6.5	6.9	4.8	7.9	5.3	2.2	4.4	4.7	6.3	4.2	3.5	4.4
Unchanged													42.0	39.3	45.5	40.5	42.5	37.8	42.6	41.4	34.9	37.9	36.8	38.2
11. IT future spending on 3 - 10 (average)																								
Increase													40.7	39.3	37.0	42.0	38.6	42.9	39.1	39.2	43.3	42.4	42.5	40.5
Decrease													15.5	15.3	14.3	14.7	12.4	13.0	14.2	15.1	14.0	12.2	14.2	13.5
Unchanged													42.1	43.8	47.1	42.2	47.3	42.6	45.2	45.0	40.7	43.7	41.2	44.7
12. B2B2C % of revenues																								
Past 12 months													8.9	12.1	11.3	10.5	8.2	9.1	10.6	11.9	12.1	10.8	10.1	10.2
Next 12 months													11.3	13.4	12.8	12.3	10.3	10.5	12.6	13.8	13.6	12.5	11.8	12.9
13. Purchases over the Internet (% of total)																								
Past 12 months													20.1	21.2	21.4	19.9	19.9	21.0	20.0	20.2	21.8	22.9	22.1	20.0
Next 12 months													22.9	23.8	23.7	22.8	22.7	23.8	22.4	23.4	25.0	26.2	24.0	23.1
14. Compensation (% increase)																								
Past 12 months													5.3	4.8	4.3	6.4	6.4	6.8	5.3	4.4	5.0	4.6	5.4	4.6
15. IT labor supply																								
Plentiful													7.6	8.6	9.1	8.9	9.1	12.8	13.6	14.4	16.9	10.7	19.0	12.6
Available													70.0	70.3	62.4	69.5	71.2	66.1	67.9	68.1	68.3	74.4	67.5	72.4
Hard to find													20.0	20.6	27.9	20.0	17.8	20.0	17.4	14.8	13.2	13.0	11.7	12.6
Number of Voters													171	175	166	191	207	181	185	217	189	215	231	255

* Projected growth rates of IT budgets over the next 12 months multiplied by average percentage of respondents saying they plan to increase their spending on eight unique categories.

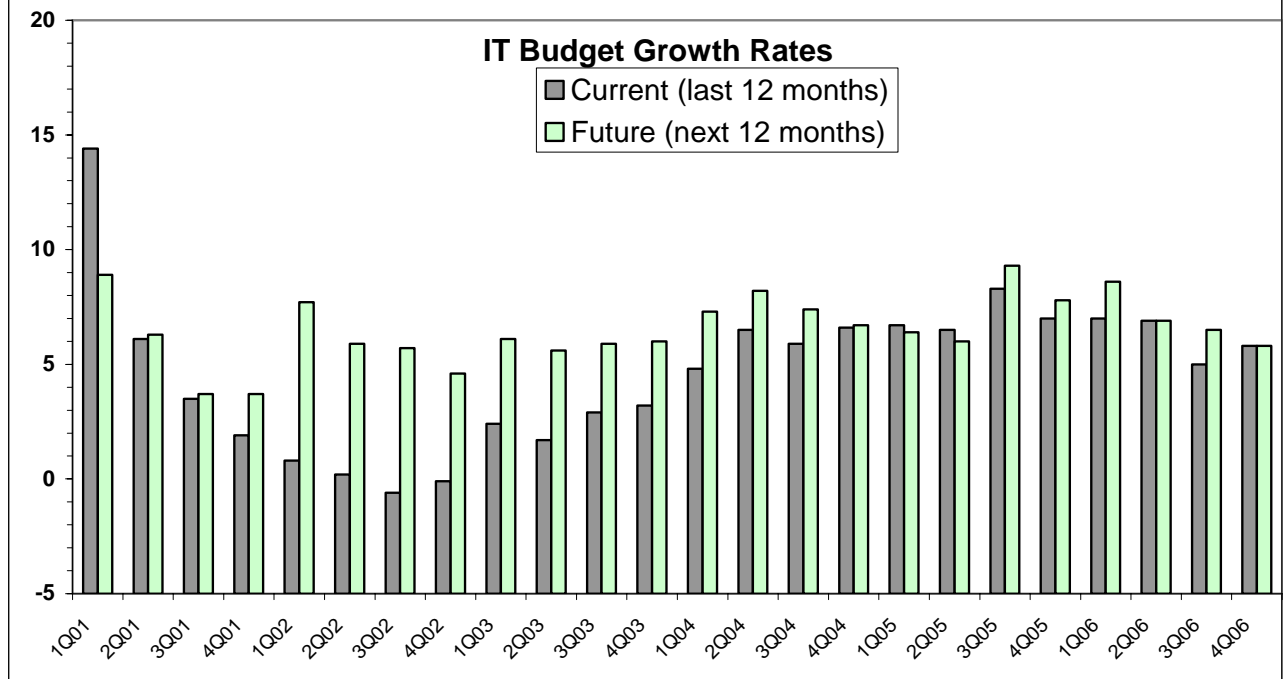
** Excludes all responses greater than 100%.

CIO Magazine Tech Poll™



*Projected growth rate of IT budgets over the next 12 months multiplied by average percentage of respondents saying they plan to increase their spending in seven unique categories.

CIO Magazine Tech Poll™



Source: CIO Magazine Tech Poll™