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IT SPENDING PROJECTIONS OPTIMISTIC FOR 2006

Small and Large Companies Positive About Future IT Spending

FRAMINGHAM, MA—January 3, 2006—Results of the monthly CIO Magazine Tech Poll™ show information technology (IT) spending projections in December continue to improve after dipping in October. CIOs are now predicting IT spending to increase by 7.8% over the next 12 months, up from 5.7% in November and 5.2% in October. The number of CIOs planning to increase spending in most categories was up month over month; however Telco equipment and Security Software saw declines.

“As 2005 draws to a close, the dark cloud over IT spending is finally lifting with 69.8% of CIOs reporting planned IT spending increases in 2006. These results substantiate our continued reports that a spending turnaround is in effect,” says Gary Beach, *Group Publisher of CXO Media*, the company that publishes *CIO* magazine.

“The upswing in our poll over the last three months of 2005 is an encouraging sign for IT spending in 2006,” says Dr. Ed Yardeni, *Chief Investment Strategist for Oak Associates*.

"December's poll suggests overall IT spending expectations are improving and that CIOs will increase spending in computer hardware and storage," says Chris Whitmore, *Director, IT Hardware Research for Deutsche Bank Securities*. "In addition, the largest firms have become more optimistic on spending, which we view as a positive indicator for IT spending heading into the new year."

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 monthly basis. Also covered are future spending plans for IT hardware, software, services and Internet initiatives. The results of the December poll, conducted from December 1-8, 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 was 3.1, up from 2.1 in November (Attached below are Tables 1 through 3, providing historical data and selected charts).

OVERALL IT BUDGET AND COSTS

In the December Poll, panelist projected IT budgets to grow by 7.8% over the *next* 12 months, up from 5.7% in November's poll. CIOs further report that IT budgets increased by an average of 7.0% over the *last* 12 months, up from 4.6% last month.

IT SECTORS

When asked about spending on eight specific IT categories, the average number of panelists who plan to increase spending over the *next* 12 months was 40.7% in December, up from 39.3% in November. Security software remained the strongest sector in the poll with 50.9% of respondents planning to increase spending in this category, down from 53.2% in the November poll. Storage continued to be the number two priority with 49.7% of respondents planning to increase spending in this category, up from 49.1% in November.

Computer Hardware: December results indicate that 47.3% of panelists plan to increase spending on computer hardware (up from 45.7% in November), while 17.8% intend to decrease spending (versus 21.4% in November).

Compensation Costs and Labor Market Conditions: IT compensation costs (including salaries, benefits, and bonuses excluding stock options) increased an average of 5.3% in the 12 months ending December, up from 4.8% in November. Of the respondents, 7.6% report that IT professionals are plentiful, while 20.0% report that IT professionals are hard to find.

INTERNET BUDGETS AND BUSINESS

Internet Revenues: Overall, panelists expect to generate 11.3% of their revenue from Internet activity (B2B2C) over the *next* 12 months, compared to 8.9% during the *previous* 12 months.

Internet Purchases: On average, during the *next* 12 months, panelists expect to purchase 22.9% of their materials, supplies and parts over the Internet, up from 20.1% over the *past* 12 months.

SPECIAL QUESTION

The December poll asked panelists to comment on their 2006 IT budgets compared to 2005 spending level. Of respondents, 54.4% cited a modest pickup in spending, while 15.4% expect to spend more. The remaining 21.9% were uncertain, with another 8.3% expect to spending less in 2006.

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 1st, and closed on Thursday, December 8th. 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 171 responses with very large firms (over 5,000 employees) representing almost 14% of the results. A broad cross-section of industries is represented, including finance (14%), health care (11%), technology services (11%), state or local government (9%), education (9%), and non-computer/communications related manufacturing (11%).

* * *

The complete December CIO Magazine Tech Poll can be found at <http://peoplepolls.com/results/CIO/120105.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 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
16. Special Question: How would you categorize your 2006 IT budget compared to 2005 spending level?												
Sunny, will spend much more in 2006	15.4	--	--	--	--	--	--	--	--	--	--	--
Partly sunny, will see a modest pickup in 2006	54.4	--	--	--	--	--	--	--	--	--	--	--
Cloudy, uncertain which way spend will go in 2006	21.9	--	--	--	--	--	--	--	--	--	--	--
Rainy, will spend much less in 2006	8.3	--	--	--	--	--	--	--	--	--	--	--
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.

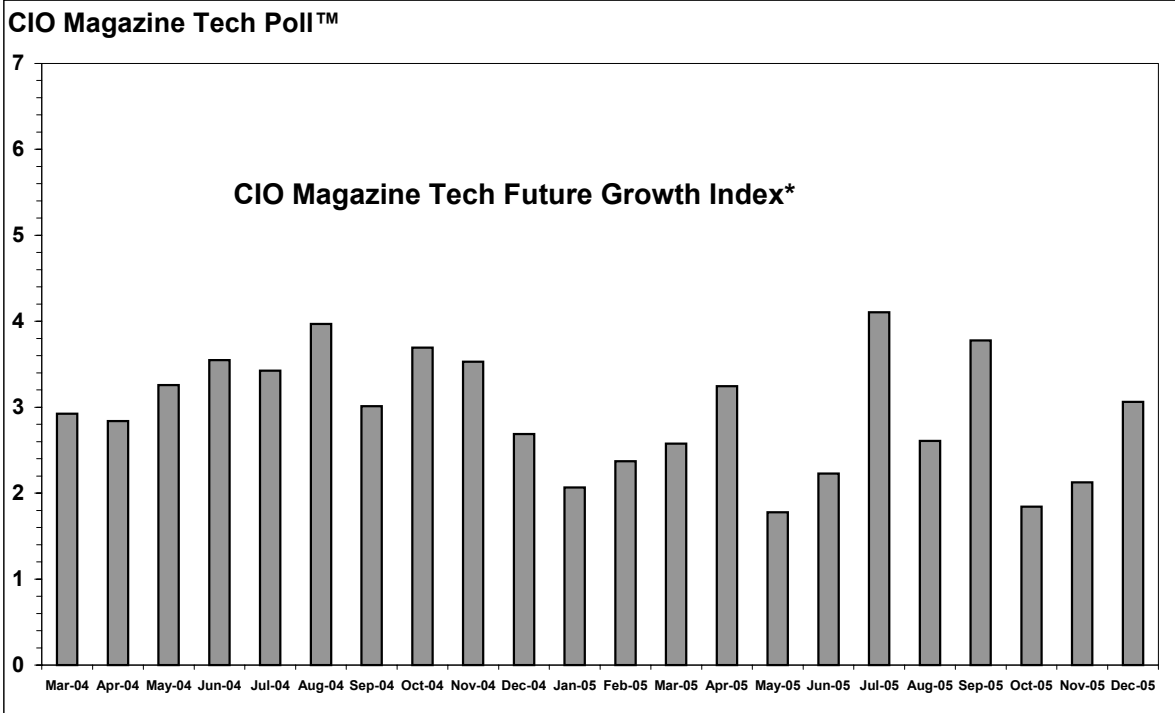
** Excludes all responses greater than 100%.

Table 2: CIO Magazine Tech Poll™ - Summary Results 2004

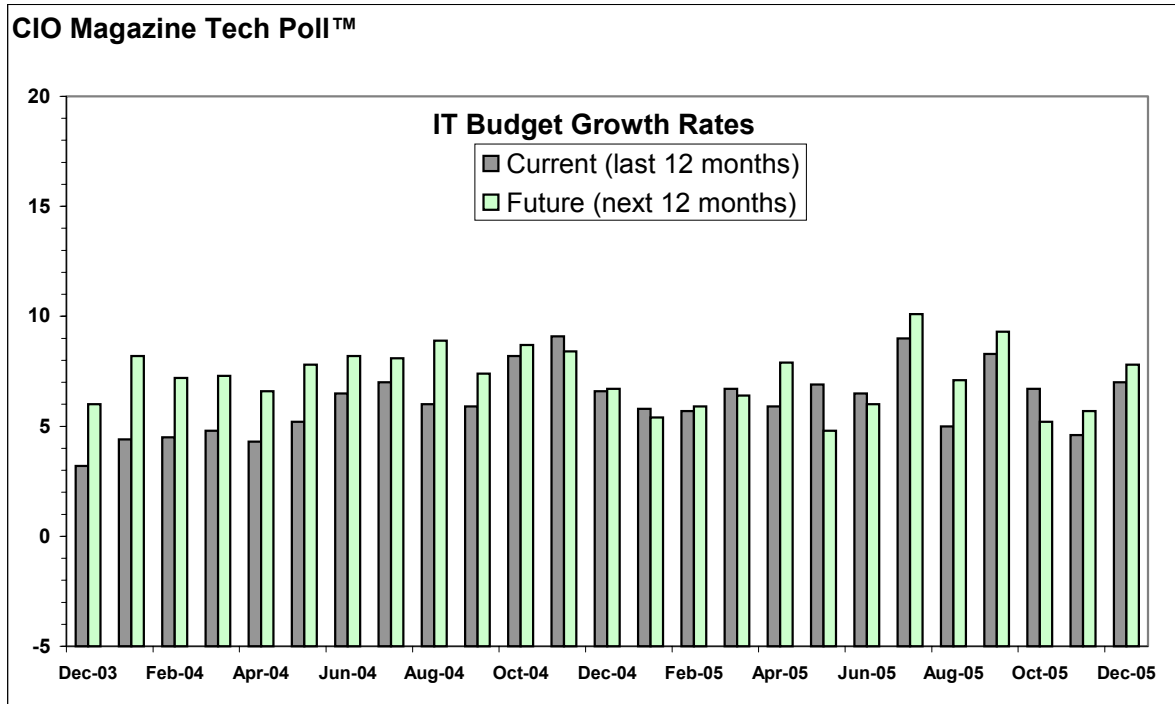
Summary Results – 2004	Dec	Nov	Oct	Sep	Aug	July	June	May	Apr	Mar	Feb	Jan
1. CIO Magazine Technology Growth Indicators												
Tech Future Growth Index*	2.7	3.5	3.7	3.0	4.0	3.4	3.5	3.3	2.8	2.9	2.9	3.2
2. IT budget (% increase)**												
Past 12 months	6.6	9.1	8.2	5.9	6.0	7.0	6.5	5.2	4.3	4.8	4.5	4.4
Next 12 months	6.7	8.4	8.7	7.4	8.9	8.1	8.2	7.8	6.6	7.3	7.2	8.2
IT Future Spending												
3. Computer Hardware												
Increase	45.7	49.5	51.3	49.6	53.2	53.6	55.7	53.2	53.0	54.2	49.8	51.3
Decrease	16.5	17.4	14.6	15.5	15.9	11.1	15.7	13.8	16.5	15.3	17.3	14.3
Unchanged	37.9	32.6	34.2	34.1	29.8	35.2	27.8	32.7	29.5	30.2	32.2	33.6
4. Data Networking Equipment												
Increase	42.8	49.8	51.5	42.0	49.4	49.0	46.2	49.2	46.7	43.4	42.1	43.4
Decrease	11.9	18.3	16.7	15.6	13.9	11.1	12.6	13.5	13.7	16.8	15.1	14.6
Unchanged	44.9	32.0	31.4	41.2	34.7	39.1	40.7	37.3	38.9	39.1	41.5	41.0
5. Telecom Equipment												
Increase	34.3	36.5	37.7	38.6	42.8	41.0	40.9	40.2	39.3	35.6	34.7	37.0
Decrease	19.2	16.4	20.1	17.1	14.8	15.3	13.4	17.7	20.4	18.2	18.0	19.3
Unchanged	44.8	45.7	40.2	43.0	39.6	43.6	44.5	40.5	39.6	44.4	45.3	42.1
6. Storage Systems												
Increase	53.6	51.9	49.6	53.4	53.2	48.1	53.0	48.2	48.8	50.9	47.8	45.4
Decrease	8.8	9.8	12.7	12.4	8.9	13.4	11.1	10.7	11.2	11.3	12.4	13.3
Unchanged	37.2	37.9	35.2	33.1	35.1	37.8	35.2	40.4	38.9	36.4	38.5	38.2
7. Outsourced IT Services												
Increase	30.2	32.7	32.8	31.1	31.9	29.7	29.5	32.5	31.8	28.0	31.7	32.4
Decrease	21.9	18.0	18.1	23.9	17.1	20.7	17.5	18.3	21.3	20.7	18.7	21.8
Unchanged	43.4	47.9	45.8	41.4	47.4	49.7	48.6	45.7	44.1	49.4	46.7	43.5
8. Infrastructure Software												
Increase	37.9	39.4	37.8	35.2	41.8	38.1	37.3	36.5	39.5	33.6	38.0	36.9
Decrease	12.8	10.6	8.8	10.7	8.8	8.8	11.5	9.0	11.2	14.6	13.0	11.9
Unchanged	49.0	49.5	52.9	52.6	47.8	53.1	50.4	53.5	47.9	51.5	47.3	50.1
9. eBusiness Applications Software												
Increase	36.1	34.1	36.4	34.9	39.8	36.5	40.2	32.5	42.1	34.7	34.6	30.5
Decrease	10.4	13.8	9.6	13.1	10.8	8.8	6.7	9.3	8.4	10.2	10.7	12.7
Unchanged	50.2	50.2	49.4	47.6	45.4	54.6	47.6	53.7	46.7	50.4	50.0	52.3
10. Security Software												
Increase	60.9	53.2	63.5	65.1	61.3	61.7	58.3	57.7	59.9	55.6	54.7	59.7
Decrease	2.5	3.7	2.9	3.6	3.6	1.9	2.0	2.6	2.5	1.5	2.7	2.9
Unchanged	36.6	42.7	32.0	29.8	33.9	36.3	38.9	39.1	36.3	42.2	41.6	35.8
11. IT future spending on 3 - 10 (average)												
Increase	42.7	43.4	45.1	43.7	46.7	44.7	45.1	43.8	45.1	42.0	41.7	42.1
Decrease	13.0	13.5	12.9	14.0	11.7	11.4	11.3	11.9	13.2	13.6	13.5	13.9
Unchanged	43.0	42.3	40.1	40.4	39.2	43.7	41.7	42.9	40.2	43.0	42.9	42.1
12. B2B2C % of revenues												
Past 12 months	8.9	10.3	11.2	9.4	9.2	8.4	8.1	8.9	8.9	10.6	7.6	7.7
Next 12 months	11.1	12.0	12.1	11.5	11.3	10.9	10.5	11.1	11.1	12.7	10.5	10.1
13. Purchases over the Internet (% of total)												
Past 12 months	18.9	20.9	22.4	21.7	21.0	21.8	18.2	16.8	17.5	18.6	19.8	18.5
Next 12 months	22.0	24.5	25.1	25.1	23.8	25.3	21.4	20.6	19.9	21.4	23.9	21.5
14. Compensation (% increase)												
Past 12 months	5.8	5.7	4.6	4.6	4.5	5.4	4.6	4.1	4.4	3.7	3.3	4.2
15. IT labor supply												
Plentiful	11.9	18.3	24.5	20.2	19.5	21.5	23.7	23.5	31.0	29.9	26.0	27.9
Available	72.8	69.4	62.7	67.2	71.7	67.0	67.6	68.9	62.7	61.3	66.0	65.3
Hard to find	13.6	10.5	10.0	11.5	6.0	11.5	7.1	6.7	4.9	6.9	6.3	5.0
Number of Voters	243	220	241	253	252	261	256	315	288	277	301	380

* 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%.



*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.



Source: CIO Magazine Tech Poll™