

IT spending in SA will grow 4.3% in 2018

According to Gartner, IT spending in South Africa will total R276.6bn in 2018, a 4.3% increase from 2017. All IT segments are on track to achieve growth this year, with data centre systems and servers returning to growth.

"South Africa is playing technology catch-up," said John-David Lovelock, vice president and distinguished analyst at Gartner.

"After years of neglecting basic data centre requirements, the country's IT leaders are now drawing attention to their data centre system spending. Although data centre systems remain the smallest spending IT segment in South Africa, this segment's year-over-year increase is set to be the most profound in 2018."

South Africa remains behind many of the more technologically mature countries when it comes to IT spending, both as a percentage of revenue and in the purchase of advanced systems, such as those involving artificial intelligence, cloud, digitalisation and collaboration technology.

The increase in data server system spending this year stems from requirements to overcome a large corporate technology deficit and to modernise data centres.

The price of communication services, including voice and data services for fixed and mobile delivery, continues to drop, which enables spending to be allocated elsewhere.

Spending on communications services in South Africa, which is projected to represent 43% of the country's IT spending, is forecast to be flat throughout the forecast period (see Table 1).

	2017 Spending	2017 Growth (%)	2018 Spending	2018 Growth (%)	2019 Spending	2019 Growth (%)
Data Center Systems	7,803	-3.6	8,594	10.1	8,456	-1.6
Software	27,908	12.7	31,396	12.5	35,361	12.6
Devices	39,634	3.0	39,995	0.9	44,196	10.5
IT Services	71,942	8.7	77,672	8.0	83,303	7.2
Communications Services	117,777	0.8	118,929	1.0	119,361	0.4
Overall IT	265,065	4.2	276,586	4.3	290,677	5.1

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Table 1. IT Spending Forecast, South Africa (Millions of Rand)

"Digital transformation is happening in South Africa, but the pace and penetration are low," says Lovelock. "Newly modernised data centres that can support application software purchases, as well as internally developed systems, will drive advances in digitalisation. However, low cloud adoption and underutilisation of strategic consulting and implementation services will mean a slow pace digital transformation in South Africa overall."

South Africa has relatively few organisations whose enterprise adoption profile classifies them as "dynamic." "By 'dynamic' we mean organisations that embrace a higher pace of technological change," said Lovelock.

With South Africa's GDP growth projections being around half that of the world's projected GDP growth, a more measured approach to business and IT change may be warranted for the majority of the country's organisations.

"However, it's the dynamic organisations that are, on average, gaining greater revenue returns than their non-dynamic industry peers," added Lovelock.



John-David Lovelock, vice president and distinguished analyst at Gartner

"Dynamic organisations are investing more in cloud, digitalisation and collaboration technology, and these investments are reducing cost, improving efficiency and opening up new business possibilities. They should set an example for many other South African companies that are looking to outperform the country's economy and their peers."

Gartner's IT spending forecast methodology relies heavily on rigorous analysis of sales by thousands of vendors across the entire range of IT products and services. Gartner uses primary research techniques, complemented by secondary research sources, to build a comprehensive database of market size data, on which it bases its forecasts.

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