



# India IT Spend Outlook

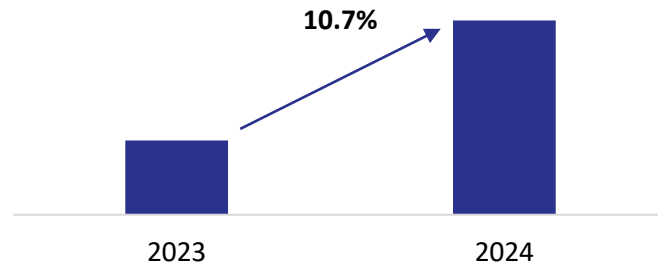
May 2024

# Analyst firms expect IT spend to increase again in 2024, driven by renewed digital push and...

IT spend in India is forecasted to grow in 2024 after the decline in 2023. The decline in 2023 was mainly due to rising prices which turned companies cautious thereby impacting their IT budgets. However, both macro and micro tailwinds are expected to drive IT spend in 2024.

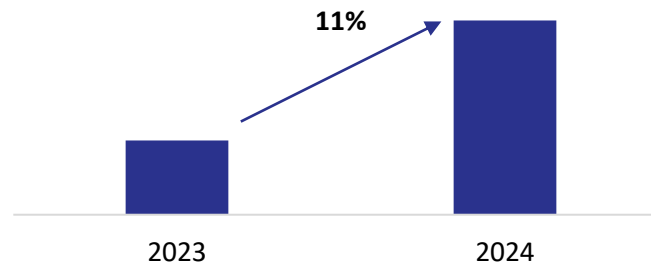
## IT spend forecast for the current year

**Gartner**



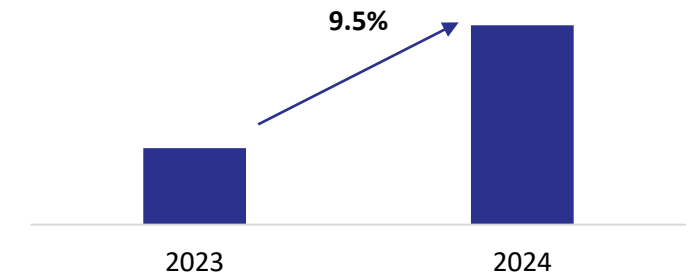
- IT spend in India is projected to increase to be USD 124.6 Bn (INR 10.3 lakh crore)<sup>1</sup> in 2024 from USD 112.5 Bn (INR 9.3 lakh crore) in 2023, a 10.7% increase
- Spending in software in 2024 will witness the highest annual growth rates (expected to increase by 18.5%)

**IDC**



- IT spend is expected to reach USD 44 Bn in 2024 (INR 3.6 lakh crore), an increase of 11% YoY
- In 2023, Indian companies mainly allocated their budget to software, application development and cloud migrations, a measure to expand the lifespan of their hardware assets and prolong refresh cycles

**FORRESTER**



- Tech spend<sup>2</sup> in India will see a growth of 9.5% in 2024.
- Government support for ongoing digitalization efforts continue to impact investments in building a digital infrastructure
- Digitalization, platform modernization, tech debt reduction, and an increase in SaaS adoption are set to significantly impact tech spending

Notes:

1. Conversion factor USD1 = INR83.4 (as on April 3, 2024)

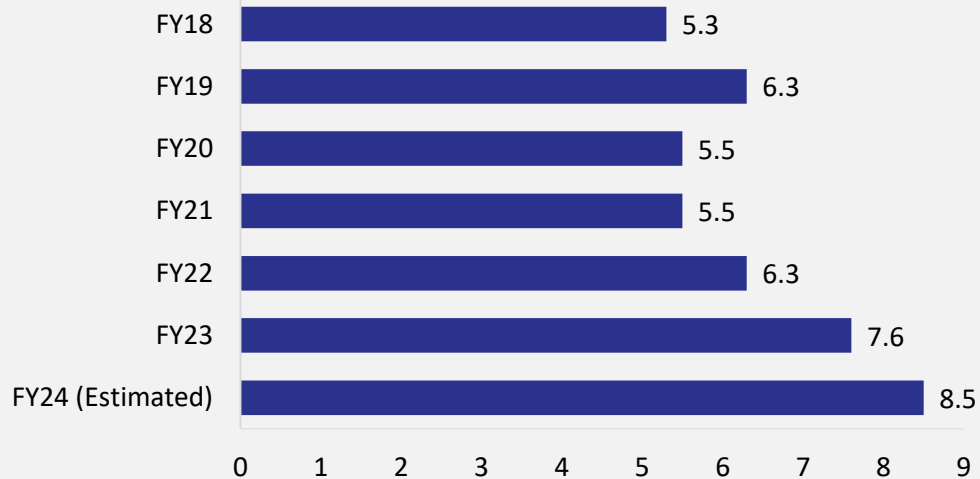
2. Numeric value is available for paid subscribers only

# ...continuous growth in private sector capex, underlining corporate sector's confidence in India's economic growth

With private companies ramping up investments (capital expenditure) and the ongoing push for digitalization across industries, India's private sector is expected to see healthy growth in IT spending.

Private capex is now showing signs of improvement, recovering from the disruption caused by the Covid-19 pandemic two years ago

Listed Indian corporates' capex (in INR lakh crore)\*



Source: ICICI Securities Research

Industry leaders expect increased tech spending in 2024. They are optimistic about India's economic growth, fueled by strong private investments in technologies like AI, cloud, and semiconductors



Tata Power's MD and CEO believes the private sector is flourishing with investment in new arenas and technologies such as artificial intelligence, sustainability, renewable energy and semiconductor technologies



Mahindra Group's CEO and MD states that the growth trajectory of India has been remarkably strong, and is poised to attract increased private capital expenditure, thereby driving accelerated growth



According to Aditya Birla Group's Chairperson, as private investments gain momentum in 2024, various sectors such as technology, manufacturing and infrastructure will see the ripple effects

\*Around 75% of listed corporate's capex is from the private sector

# Growth, digital tech adoption, and security concerns will outweigh the inflation and geo-political concerns

IT spend in India is dynamic in nature, influenced by factors such as GDP growth, inflation, digital transformation trends, industry needs, technological advancements and global disruptions.

## Tailwinds



### GDP Growth

An increase in the GDP has a positive impact on the IT spend as the economy and companies are economically stronger and are more likely to invest in their IT infrastructure. India reported a GDP growth of 8.4% in the October-December quarter of 2023 compared to 7.6% of GDP growth in the previous quarter (July-September)



### Increased Adoption of Emerging Tech

Investment in emerging tech such as **AI** and **GenAI** is increasing with its accelerated adoption in India. *According to IDC*, in 2024, overall, AI spend is forecasted to grow by **35%** while GenAI spend is expected to increase by **160%**



### Cybersecurity Concerns

The increase in the number of cyber-attacks has heightened awareness among companies and the critical need for cybersecurity measures. *According to Palo Alto Networks*, due to this surge in the number of cyber attacks, Indian companies have increased their cybersecurity budgets by **75%** in 2023

## Headwinds



### Inflationary Pressures

**Persistent inflation** and recession fears has reduced IT spending in companies as companies are reducing spending to cope up with high interest rates and inflation. The inflation rate in India surged from a 4.9% in October to 5.5% in November and further increased to 5.7% in December of 2023



### Geo-political Tensions

**Ongoing wars** in East Europe and West Asia have disrupted supply chains, increased input costs and reduced export demands creating economic uncertainty for companies further impacting their IT spending. Also, upcoming elections in India have made companies cautious in terms of IT spending due to the changing environment in the country

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