A post-Recession Scenario for Malta
The Future of the IT Sector in Malta

Malta Employers' Association
Annual General Conference

May 2009

State of Play of the Global ICT Markets

Key Global Trends (IDC, Gartner)

- Global IT spending during 2009 will decline by 3.7%
- Outsourcing will grow by 6.9%
- IT and Business Services will grow (CAGR 2008-2012: 6.7%)
- Varied impact across sectors (e.g. new projects vs cost-savings)
- Major new projects likely to be postponed hence lower demand for project-related services
- Emphasis on cost-savings takes pole position in budgetary decision-making
- Positive market drivers will persist despite negative conditions (e.g. compliance programmes, regulatory measures, IT security)
- Geographic expansion is the remedy to stagnant growth (US and WE venturing in emerging markets; latter venturing in the former)
- Green IT growing in demand
- Datacenter and virtualisation services will experience increase in demand

State of Play of the Global ICT Markets /2

Key Global Trends (IDC, Gartner) /2

- Convergence and unavoidable alignment of business and IT
- Application/legacy modernisation and cyclical technology refresh
- Focus on deriving transformation from higher-value-added outsourcing leveraging new technologies
- eBusiness hosting market is developing (e.g. Google and Amazon.com are gradually penetrating enterprise accounts)
- Driving innovation and new business models will be sustained:
  - Enterprisewide SOA and Web 2.0
  - SaaS/utility computing
- Key talent war will persist:
  - Enterprise architects
  - Business analysts
  - Project and programme managers
- Talent acquisition services increasing in demand
- Partner ecosystem development between vendors and ISVs (e.g. Oracle and SAP)

State of Play of the Global ICT Markets /3

	2007	2008	2009	2010	2011	2012	2007–2012 CAGR (%)
Project based							
Business consulting	32,259	34,025	35,636	37,576	39,727	41,952	5.4
IT consulting	28,994	30,174	31,708	33,494	35,604	37,971	5.5
Systems integration	94,679	99,417	104,452	109,956	115,875	122,407	5.3
Network consulting and integration	29,854	32,142	34,659	37,385	40,365	43,593	7.9
Custom application development	28,429	29,459	30,699	32,258	34,042	36,159	4.9
Subtotal	214,216	225,217	237,154	250,669	265,613	282,082	5.7
Outsourcing							
Business outsourcing	149,308	166,037	184,585	204,236	223,428	245,259	10.4
IS outsourcing	99,731	104,908	110,072	115,339	120,661	126,040	4.8
Network and desktop outsourcing	38,045	40,635	43,311	46,192	49,315	52,660	6.7
Application management	27,507	30,070	32,705	35,510	38,527	41,762	8.7
Hosted application management	3,953	4,813	5,710	6,600	7,439	8,255	15.9
Hosting infrastructure services	22,339	24,720	27,220	29,827	32,572	35,485	9.7
Subtotal	340,883	371,183	403,603	437,703	471,941	509,461	8.4
Support/training							
Hardware deploy and support	58,196	59,904	61,549	63,302	64,910	66,430	2.7
Software deploy and support	61,126	64,071	66,939	69,806	72,719	75,819	4.4
IT education and training	24,439	25,685	27,042	28,486	30,082	31,759	5.4
Subtotal	143,760	149,659	155,529	161,594	167,712	174,008	3.9
Total							
IT services	517,292	545,998	576,065	608,154	642,111	678,340	5.6
Business services	181,568	200,061	220,221	241,812	263,155	287,211	9.6
Total	698,860	746,060	796,287	849,966	905,266	965,552	6.7

State of Play of the Local ICT Market

- Industry based on strong fundamentals:
  - Export-oriented culture
  - Highly adaptable workforce
  - Bilingual workforce
  - Cost of services
  - Success stories of Gaming Industry and HSBC Service Centre
  - Attractive Government incentives
- IT and Business services market
  - Market still under-developed
  - All the necessary composites are present for the development of the market
  - This market is not capital-intensive
  - Market needs leadership for development and path-finding activity – SCM and Government can take the role
  - Limited ties with India and the Middle East – SCM can take the lead to develop them
  - Easing international demand for labour – SCM can accelerate attraction of knowledge workers to Malta
- Potential tapping into EU projects is a real opportunity, possibly low-hanging fruit

Opportunities for the future of IT in Malta

Pockets of Opportunities – Visioning, Positioning and Targeting

The USP for Malta revolves around two emerging corollary trends:
1.Service providers will strive to win larger contracts by cutting costs
2.End clients will make smaller budgets available demanding their activity to be carried out in a safe, compliant and regulation-friendly destination

1. Position the destination as a pure IT and Business services location – differentiate from native software development
2. Gear-up for transformation into the European outsourcing-nearshoring partner for major Indian service providers
3. Leverage international uncertainty and Government support to attract foreign knowledge workers to work in Malta
4. New vertical specialisation in providing specialised support and training as a cost-effective service to EU customers in Malta
5. Transform the iGaming hub into a complete cluster enhancing its stickiness
6. Develop cluster specialisations in the provision of services related to the emerging technologies and delivery models (Enterprise SOA; XaaS/Utility computing; Web 2.0; etc)

The Critical Success Factors

- Connectivity Infrastructure:
  - Marked improvement
  - Latency for certain services remains an issue
  - First-class infrastructure will lead to attraction of investment
- Fully-loaded cost of operation:
  - Telecoms
  - Human resources
- Access to markets
  - Access to EU market
  - Bridge to North African market
- International awareness of Malta as an ICT-FDI destination:
  - A balanced integrated approach towards the positioning of Malta
- RTDI culture and VC ecosystem:
  - Accelerated public and private investment
  - Environment to incentivise VC models
- Abundant labour supply:
  - Low number of IT graduates – wider range of specialisations is a must
  - Widening the net for knowledge workers
  - Tolerance for a multi-cultural workforce

Thank You