NEW YORK -- The outcome of the "fiscal cliff" in the US coupled with its impact on business sentiment will be the single most important swing factor for the IT hardware sector in 2013, a leading analyst says.

If the US were to avoid the fiscal cliff, there is the potential for a healthy IT refresh cycle to begin in the second half of next year, **Deutsche Bank Equity Research** analyst Chris Whitmore said in a research note last night.

"2010 was a big IT spending year (exiting the last recession) and that equipment is approaching the end of its useful life (~3 years) and nearly fully depreciated. If macro cooperates, we could see a solid IT spending year in [calendar] 2013 (back-end loaded) as the natural replacement cycle gains traction," Whitmore wrote.

While concerns of slow progress in Washington are holding back IT buyers, assuming a deal is reached, DB predicts IT spending will grow 3% year-over-year in 2013 and 4% in 2014.

"Our analysis suggests the aging of equipment and relatively weak 2012 spending environment creates the potential for another upcycle. The average age of a server extended to ~4.3 years in 2012 on a worldwide basis and ~5 years in the US. This large installed base is fast approaching the end of depreciation life cycles and useful lives (from a cost of ownership perspective). Consequently, we believe pent-up demand is growing and could be unlocked once macro and political uncertainty is removed," Whitmore said.

He added that the integrated tablet-smartphone market would eclipse 1.5 billion units by 2015, a 90% increase from 2012. The effect on PCs will be real, he added, forecasting 2013 PC unit sales to fall 1% year-over-year.

"We expect storage to remain a top spending priority in conjunction with the adoption of

virtualized datacenters/ clouds and ongoing robust data growth. The migration toward unified, Ethernet fabrics will continue along with robust growth of unstructured, machine generated ‘Big Data’. In addition, we expect the trend towards high-performance, Flash-based enterprise storage and scale-out systems to continue into 2013 and beyond."