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IT Hardware | North America

3Q26 CIO Survey – Still Stronger For Longer, But Mainly Due To Higher Pricing and More Pull-Forward

Budget growth in core HW mkts is accelerating in our 3Q CIO Survey, screening most positive for DELL, HPE and P. But spend tailwinds remain primarily cyclical - higher ASPs & pull-forward, with 70%+ of CIOs expecting budgets flat/down beyond 2028 - as on-prem AI datapoints were largely static Q/Q.

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Key Takeaways

- 2027 HW spending growth to accelerate across Storage (+4.3%), PCs (+3.6%) & Servers (+3.3%), supporting a stronger-for-longer on-prem cycle.
- Hardware prices continue to move higher - Storage, Server, and PC price increases roughly doubled vs. our 1Q26 survey, with Server/Storage ahead of PCs.
- 75%+ of CIOs are pulling-fwd 2026 spend, while 30-40% are pulling 2027 spend fwd, up meaningfully from 2Q26. 70%+ of CIOs see budgets flat/down beyond 2028.
- Storage best positioned end-mkt w/ 1) strongest expected 2027 growth, 2) longest growth runway, 3) biggest beneficiary of AI driving capacity expansion.
- DELL screens most positive on 3-yr spending intentions, followed by HPE & P; LOGI the only vendor with negative spending intentions; IBM/HPQ downtick vs. 1Q26

Our 3Q26 CIO Survey provides further evidence that pricing and pull-forward are supporting the current cycle; we're waiting for evidence of the on-prem AI inflection point. While the macro results from our 3Q CIO Survey screen mixed (tepid overall HW spending plans, mixed HW budget priorities), the domain specific takeaways for Hardware are quite clear and consistent with our 2Q Spending Survey - budget growth across every core hardware market is accelerating (Server, Storage, and surprisingly PCs) thanks to accelerating pricing and strengthening pull-forward tailwinds, resulting in 3-year company specific spending intentions that just reached an all time high. Yes, AI represents some degree of tailwind - 60-70% of CIOs are seeing expanding compute/all-flash capacity on-prem due to AI workloads alongside 45% of CIOs repatriating workloads back on-prem from the public cloud - but these metrics are largely static Q/Q. Conversely, pricing tailwinds effectively doubled Q/Q and now nearly 30-40% of CIOs are pulling-forward 2027 spending due to pricing/ long lead times, up 10+ pts Q/Q. Additionally, 70%+ of CIOs expect their Server,

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Industry View **In-Line**

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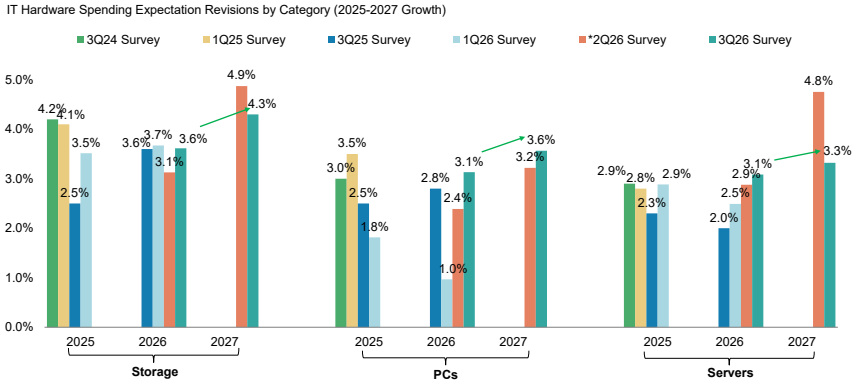
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Storage and PC budgets to flatline or decline after 2028.

Stepping back, this survey does little to settle the ongoing debate in enterprise hardware - is this a "normal" cyclical upcycle or is demand more durable due to AI? Right now, the tailwinds screen far more cyclical than secular, even as they result in record company-specific spending intentions, with DELL, HPE and P screening most positively vs. IBM/HPQ (tie), TDC and LOGI screening most cautiously. Given our group now trades at 22x NTM P/E, 2 standard deviations above the historical average, we need to start observing more AI-driven tailwinds to support this valuation, and are closely watching 3 factors: (1) does growing adoption of open-weight models catalyze an on-prem AI spending inflection, (2) will a change in pricing/pull-forward behavior also result in worsening Hardware spending intentions, and (3) can any end-markets de-couple from one another to create more company-specific differentiation? ***Below, we share our 5 most incremental takeaways from Morgan Stanley's 3Q26 CIO Survey:***

1) Spending across Storage, Servers, and PCs is expected to accelerate in 2027, supporting this stronger-for-longer on-prem spending cycle. Hardware domain experts expect Storage spending to grow +4.3% Y/Y in 2027, followed by PCs at +3.6% and Servers at +3.3%, representing year-over-year acceleration of 68bps, 43bps and 24bps, respectively (Exhibit 1). Under the hood, the drivers still appear primarily cyclical – growing data creation/retention and support for new workloads underpin Storage spending, while higher prices and business growth support Servers and PCs, with refreshing aged devices also a key PC spending driver. Conversely, CIOs expecting a deceleration in any of these 3 end-markets point to accelerating workload migration to the public cloud, completed refresh activity, and longer replacement cycles. Interestingly, PC spending was unexpectedly revised higher in our 3Q survey, with 2027 growth expectations increasing 40bps relative to our 2Q26 survey, an improvement worth watching vs. accelerating PC market units declines. That said, NTM PC Peripherals and Video Conferencing spending growth expectations moderated to +2.0% and +1.6%, respectively, down 70bps and 110bps vs. our 1Q26 survey (Exhibit 16 , Exhibit 17).

Exhibit 1: All hardware end-markets are expected to accelerate in 2027, with storage to see the steepest acceleration.

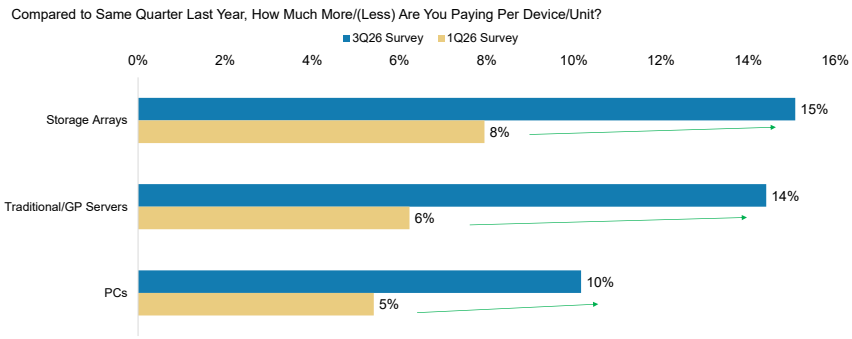


Source: AlphaWise, Morgan Stanley Research. n=60 (US and EU data). *2Q26 Survey refers to a flash survey we conducted in July.

2) CIOs saw higher prices across the board relative to 1Q26, with Storage and Servers seeing greater inflation than PCs. CIOs report paying an additional +15%

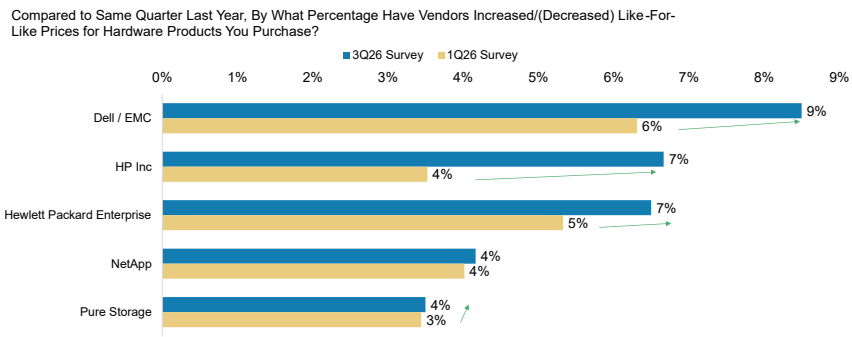
Y/Y for Storage Arrays (on average), +14% for Traditional/GP Servers and +10% for PCs, roughly representing a doubling in the magnitude of price increases across the three categories that we captured in our 1Q26 CIO Survey (Exhibit 2). The larger increases in Storage and Servers, compared to PCs, make sense given their greater memory content, and we don't take the absolute level of spending growth as the important takeaway - it's the magnitude of change vs. our prior survey we care most about. At the vendor level, DELL is the most aggressive vendor pushing like-for-like pricing higher, followed by HPQ and HPE. NTAP and P screen as the least aggressive vendors pushing price to end-customer (Exhibit 3). We believe this provides further evidence that (1) despite a lack of headline pricing increases, enterprise hardware vendors are still being quite aggressive on pricing, and (2) the acceleration we're seeing in total hardware spend is being driven, in large part, by increasingly higher prices.

Exhibit 2: Across all product categories, prices are higher Y/Y and the magnitude of the increases are higher compared to our 1Q26 survey, led by storage Arrays at 15% higher Y/Y.



Source: AlphaWise, Morgan Stanley Research. n=60 (US and EU data)

Exhibit 3: All five vendors have increased like-for-like prices for hardware products compared to 3Q last year, led by Dell / EMC at 9%.

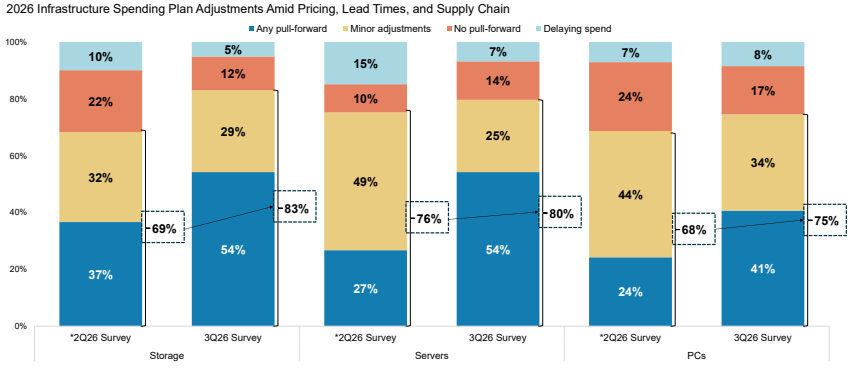


Source: AlphaWise, Morgan Stanley Research. n=60 (US and EU data)

3) Spending pull-forward is materially stronger vs. our 2Q survey, suggesting the Hardware spending acceleration is still primarily cyclical, than AI-driven. In response to higher prices, longer lead times and supply chain uncertainty, 75-83% of CIOs are making some pull-forward adjustments to their 2026 Server, Storage and/or PC budgets, higher than the 68-76% that were pulling-forward in our 2Q survey (Exhibit 4). Additionally, 32-43% of CIOs are also pulling-forward planned 2027 spending into 2026, materially higher than the 17-27% pulling 2027 spend forward in

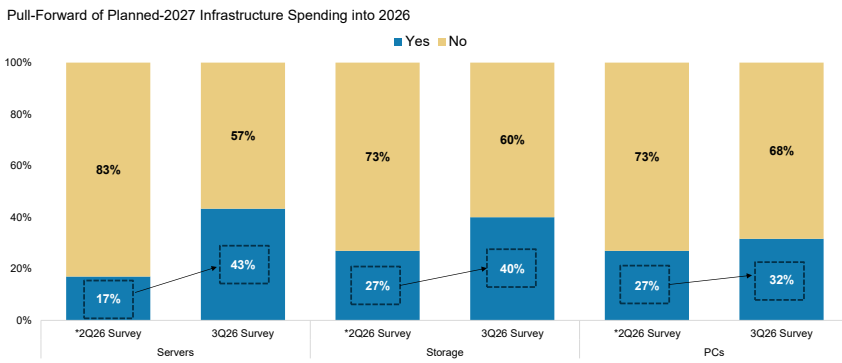
our 2Q survey (Exhibit 5). This is further evidence that near-term spending strength is coming from not just pricing, but also pull-forward across every major hardware end-market, increasing the risk of a potential digestion period as most CIOs point to budgets flattening or declining by 2028 (Exhibit 6). Meanwhile, the AI workload mix on-prem has yet to inflect - CIOs expect 29% of AI inference workloads to reside on-prem/on-device over the next 12 months (vs. 27% in 2Q), leaving 71% in the cloud (Exhibit 20). Further, just 43% of CIOs expect AI-related workload repatriation (vs. 40% in 3Q25), with the survey pointing to just 9% of workloads moving back on-prem on average, slightly below 3Q25 at 10% (Exhibit 21). We are specifically watching adoption of open-weight models (more here and here) as a potential catalyst for improving on-prem AI Hardware spending intentions (Exhibit 11).

Exhibit 4: As a result of higher prices, longer lead times, and supply chain uncertainty, 83% of CIOs are making at least some adjustments (including pull-forward) to 2026 Storage spending, while 80% are for Servers, followed by 75% for PCs, all higher than our 2Q26 survey.



Source: AlphaWise, Morgan Stanley Research. n=60 (US and EU data). *2Q26 Survey refers to a flash survey we conducted in July.

Exhibit 5: The percentage of CIOs pulling planned 2027 spending forward into 2026 increased to 43% for Servers, 40% for Storage, and 32% for PCs, from 17%, 27%, and 27%, respectively, from our 2Q26 survey.

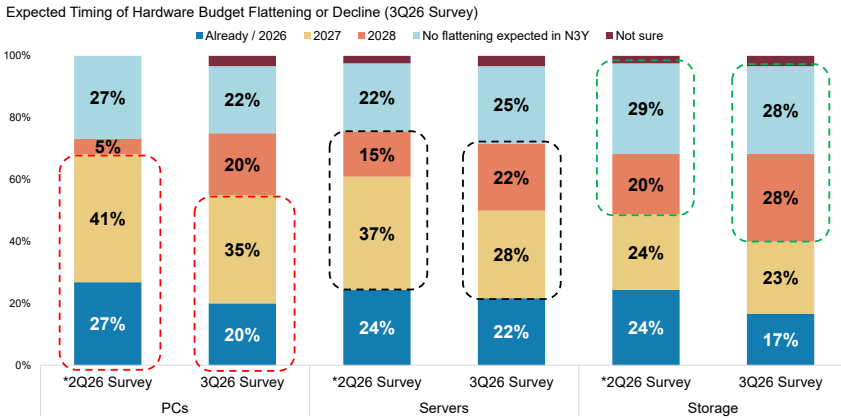


Source: AlphaWise, Morgan Stanley Research. n=60 (US and EU data). *2Q26 Survey refers to a flash survey we conducted in July.

4) Our 3Q CIO Survey results still support our preference for Storage > Servers > PCs: Storage has the strongest spending outlook, longest growth runway, and most benefit from AI driving capacity expansion. Beyond its leading 2027 growth expectations of 4.3% Y/Y in 2027, Storage screens as the last category where budgets are expected to flatten, as approximately 68% of CIOs expect Storage budgets to stop growing by 2028, vs. 72% for Servers and 75% for PCs (Exhibit 6).

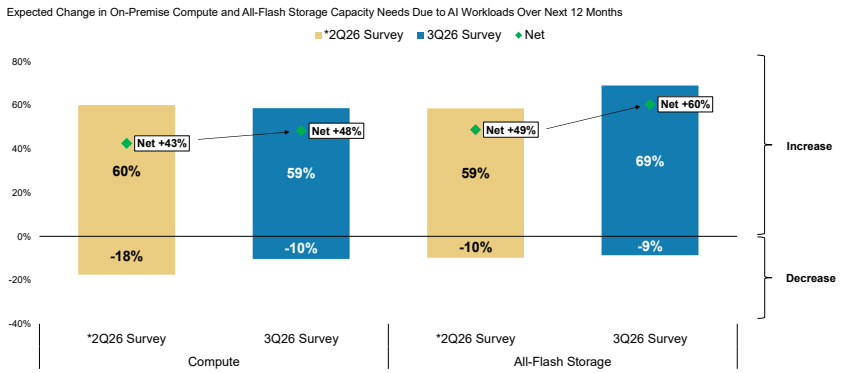
Further, storage should be a bigger beneficiary of AI driving capacity expansion over compute, as a net 60% of CIOs expect an increase in all-flash storage capacity needs over the NTM (up 11 points vs. 2Q26), higher than the net 48% of CIOs expecting an increase in compute capacity needs (up 5 points vs. 2Q26) (Exhibit 7).

Exhibit 6: 75% of CIOs expect PC budgets to flatten or decline by 2028, vs. 72% for Servers and 68% for Storage. In other words, storage has the longest runway for growth, followed by servers and lastly PCs.



Source: AlphaWise, Morgan Stanley Research. n=60 (US and EU data). *2Q26 Survey refers to a flash survey we conducted in July.

Exhibit 7: A net 60% of CIOs expect an increase in all-flash storage capacity needs over the NTM (up 11 points vs. 2Q26), higher than the net 48% of CIOs expecting an increase in compute capacity needs (up 5 points vs. 2Q26).

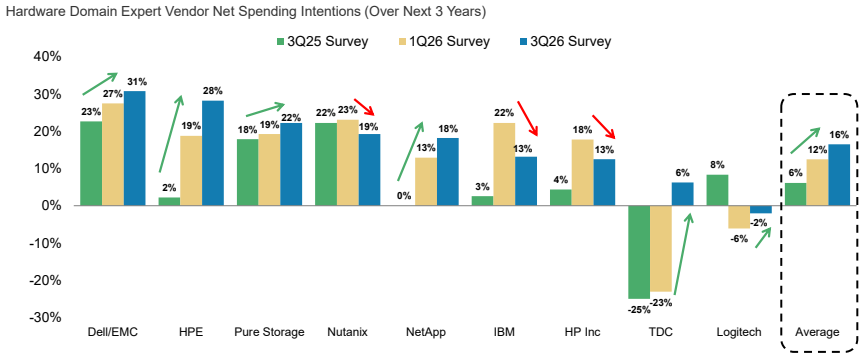


Source: AlphaWise, Morgan Stanley Research. n=60 (US and EU data). *2Q26 Survey refers to a flash survey we conducted in July.

5) DELL screens strongest at the vendor level, alongside broader infrastructure improvement (HPE, P, NTAP), while IBM and HPQ downtick. Average three-year net spending intentions (*the % of CIOs expecting to spend more – spend less*) for our coverage group improved 4 points vs. our 1Q26 CIO Survey, to +16%, which in and of itself is an all time high. DELL leads 3-year spending intentions at +31% (up 4 points vs. 1Q26), followed by HPE at +28% (up 9 points), P at+22% (up 3 points), and NTAP to +18% (up 5 points). On the other hand, IBM and HPQ 3 year spending intentions both deteriorated to +13%, down 9 points and 5 points, respectively. TDC's spending intention recovery to +6% (from -23% in 1Q26) is notable and a signal worth watching, but spending intentions remain below the group average. LOGI remains the only hardware vendor in our coverage with negative net intentions, at -2% (Exhibit 8). Interestingly, CIOs now see DELL as best positioned to capture new

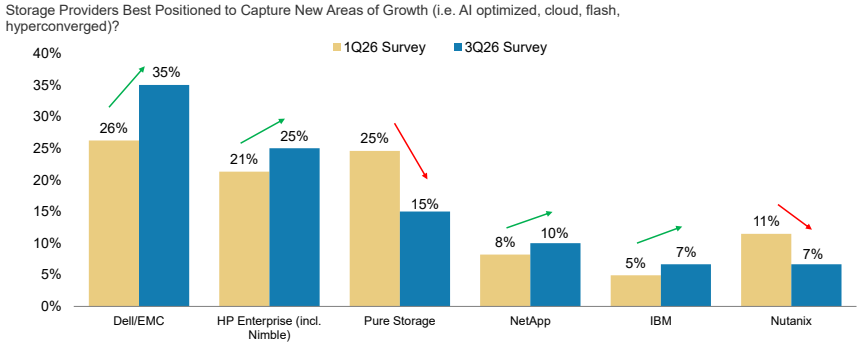
areas of growth among storage providers (at 35%, up 9 points vs. 1Q26), with HPE following in second (at 25%, up 4 points); P declined to 15% from 25% (Exhibit 9). P's weaker positioning here despite its improving overall spending intentions is unusual and something we will watch closely.

Exhibit 8: Average Hardware expert net spending intentions upticked 4 points vs. our 1Q26 survey to 16%. On a vendor level, spending intentions increased for all except for Nutanix (covered by Meta Marshall), IBM, and HP Inc.



Source: AlphaWise, Morgan Stanley Research. n=60 (US and EU data)

Exhibit 9: 35% of CIOs in our 3Q26 survey believe that Dell is the best positioned storage provider to capture new areas of growth.

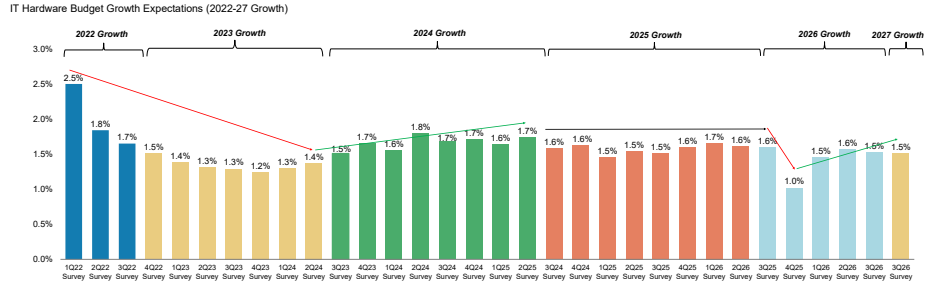


Source: AlphaWise, Morgan Stanley Research. n=60 (US and EU data).

Additional 3Q26 CIO Survey Charts

By what percentages did your External IT Spending change for each of the following technology areas in 2026 vs. 2025? What was your percentage (%) growth for the External IT Spending portion of your IT Budget for the full year 2026 vs. 2025? What is your estimated spending for 2027 vs. 2026?

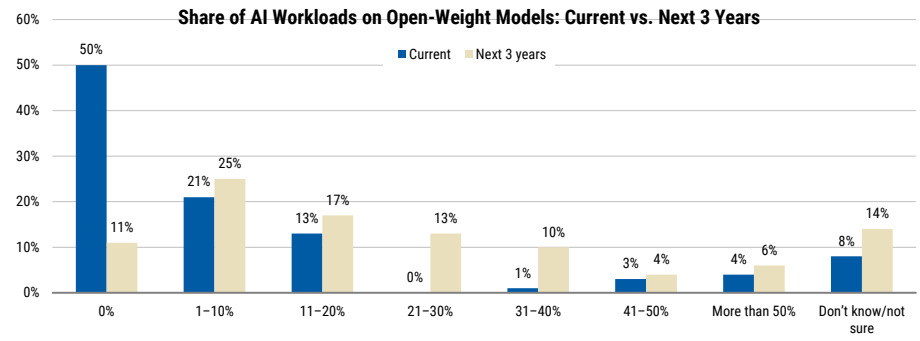
Exhibit 10: Our 3Q26 survey shows that CIOs expect 2027 hardware spend to grow 1.5% Y/Y, in-line with 2026 hardware spend expectations.



Source: AlphaWise, Morgan Stanley Research. n =100 (US and EU data)

Approximately what percentage of your organization's AI workloads currently run on open-weight (or open-source) models? Over the next three years, approximately what percentage of your organization's AI workloads do you expect to run on open-weight (or open-source) models?

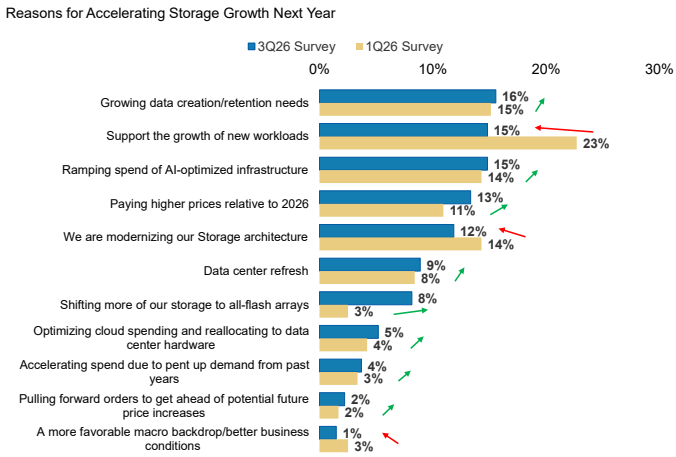
Exhibit 11: CIOs Expect Open-Weight Models to Support a Greater Share of AI Workloads Over the Next Three Years



Source: (New Data), AlphaWise, Morgan Stanley Research. n= 100 (US and EU data).

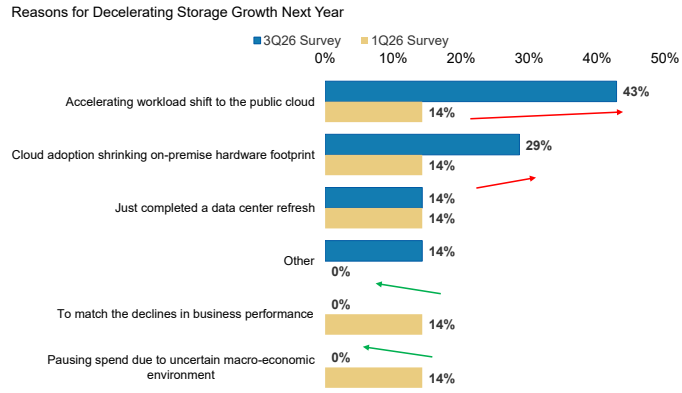
For what reasons are your expectations for Storage growth accelerating/decelerating in 2027?

Exhibit 12: 16% of the hardware experts expecting storage hardware growth to accelerate Y/Y in 2027 say it is for growing data creation/retention needs and 15% say it is to support the growth of new workloads.



Source: AlphaWise, Morgan Stanley Research. n = 45 (US and EU data)

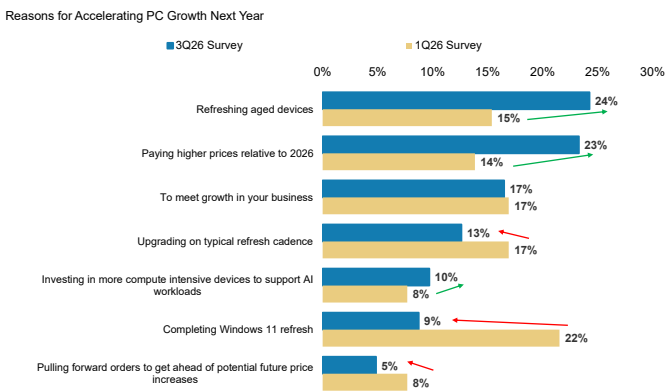
Exhibit 13: 43% of hardware experts expecting storage hardware growth to decelerate Y/Y in 2027 say it is due to accelerating workload shift to the public cloud.



Source: AlphaWise, Morgan Stanley Research. n = 4 (US and EU data)

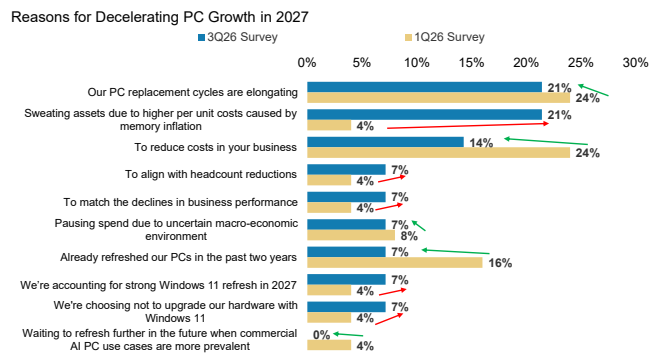
For what reasons are your expectations for PC growth accelerating/decelerating in 2027?

Exhibit 14: 24% of CIOs that expect accelerating PC growth in 2027 say it is to refresh aged devices, 23% say it is to pay higher prices relative to last year, and 17% say it is to meet growth in their business.



Source: AlphaWise, Morgan Stanley Research. n=42 (US and EU data)

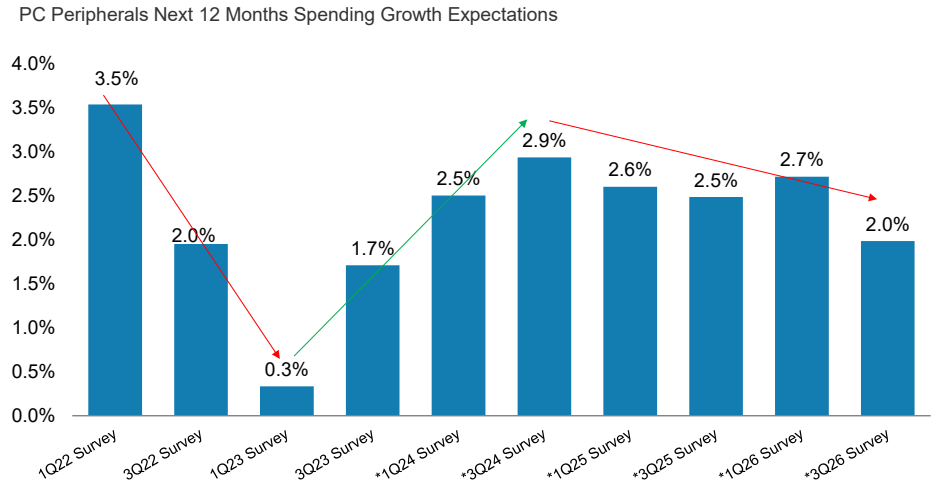
Exhibit 15: 21% of hardware experts expecting decelerating PC growth in 2027 cite PC replacement cycles elongating, 21% say it is because they are sweating assets due to higher per unit costs, and 14% say it is to reduce costs in their business.



Source: AlphaWise, Morgan Stanley Research. n=5 (US and EU data)

Over the next 12 months, how do you expect your spend on PC peripherals (such as mice, keyboards, webcams, etc.) to change?

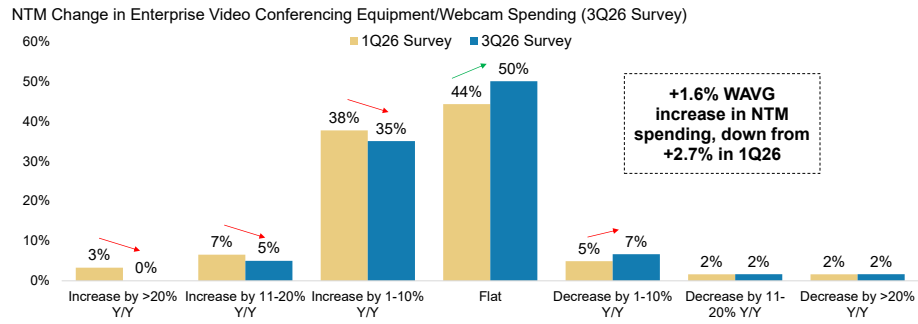
Exhibit 16: Hardware experts expect PC peripherals spending to grow 2.0% Y/Y in the next 12 months, a ~70bps deceleration from our 1Q26 Survey.



Source: AlphaWise, Morgan Stanley Research. n=60 (US and EU data).

Over the next 12 months, how do you expect your total spending on enterprise video conferencing equipment and webcams to change?

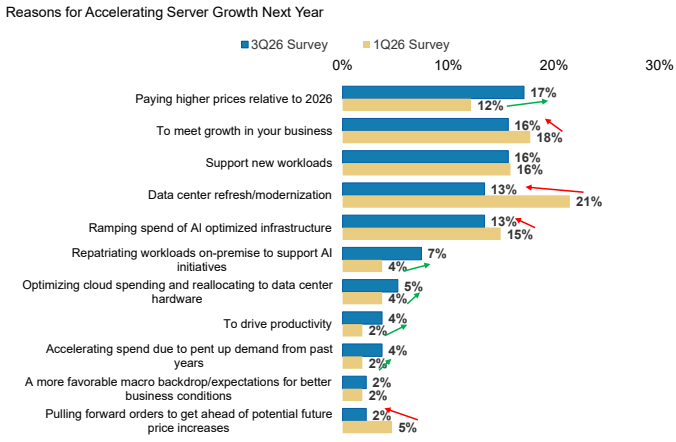
Exhibit 17: Hardware experts expect video conferencing equipment NTM spend to increase by 1.6% on average, down from 2.7% in our 1Q26 survey, half expecting spend to be flat.



Source: AlphaWise, Morgan Stanley Research. n=60 (US and EU data).

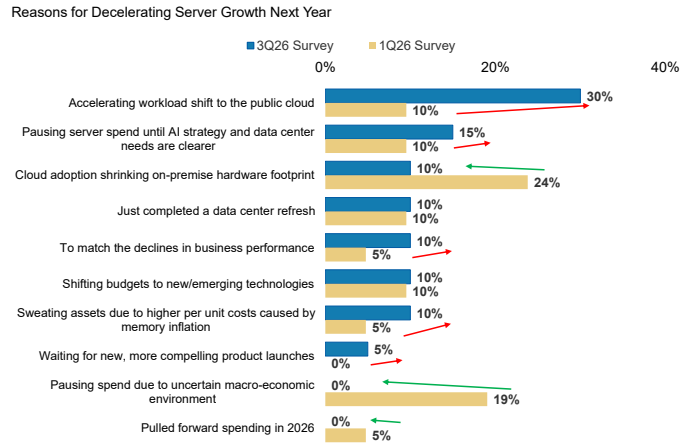
For what reasons are your expectations for Server growth accelerating/decelerating in 2027?

Exhibit 18: 17% of CIOs that expect server growth to accelerate in 2027 say it is because of higher prices relative to 2026, 16% say it is to meet growth in their business, and 16% say it is to support new workloads.



Source: AlphaWise, Morgan Stanley Research. n=45 (US and EU data).

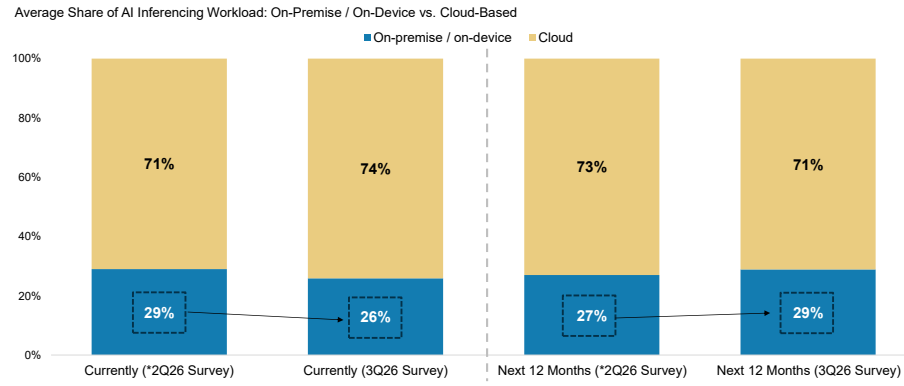
Exhibit 19: 30% of CIOs that expect server growth to decelerate in 2027 say that they anticipate accelerating workload shift to the public cloud.



Source: AlphaWise, Morgan Stanley Research. n=9 (US and EU data)

Approximately what percentage of your organization's AI inferencing workloads (including agentic AI applications) currently run on-premise/on-device versus in the cloud? And how do you expect that share to change over the next 12 months?

Exhibit 20: CIOs expect the average share of AI inferencing workloads residing on-premise/on-device to increase to 29% in the NTM from 26% currently.



Source: AlphaWise, Morgan Stanley Research. n=60 (US and EU data). *2Q26 Survey refers to a flash survey we conducted in July.

As you consider your needs and usage for/of GenAI technologies, do you expect to repatriate workloads back to on-premise environments over the next 12 months? If yes, approximately what percent of workloads could you repatriate on-premise?

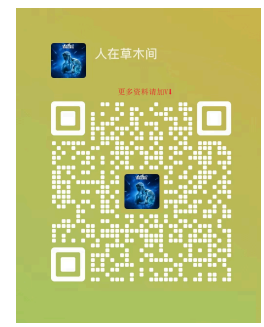
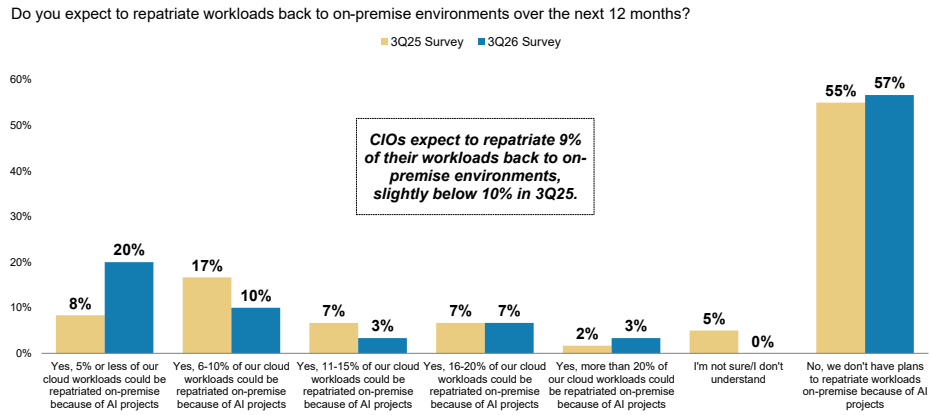
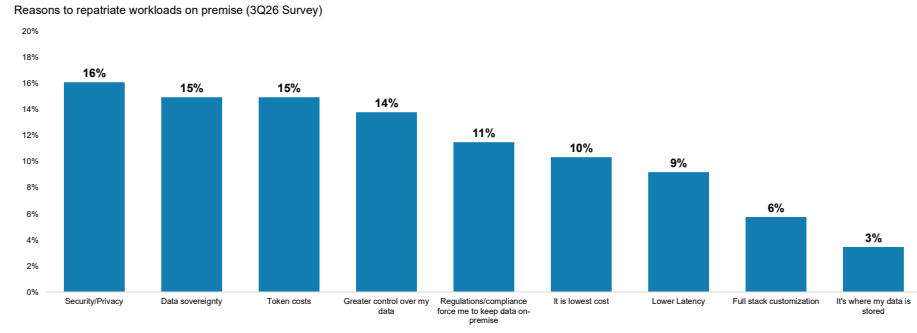


Exhibit 21: 43% of CIOs expect to repatriate an average of 9% of their workloads back to on-premise environments due to GenAI, vs. 40% of CIOs and 10% of workloads from our 3Q25 survey.



Source: AlphaWise, Morgan Stanley Research. n=60 (US and EU data)

Exhibit 22: CIOs cite security/privacy, data sovereignty and token costs as reasons to repatriate AI workloads on-prem.



Source: AlphaWise, Morgan Stanley Research. n=60 (US and EU data).

Morgan Stanley CIO Survey Demographics

This report contains the results of our CIO Survey. This survey was conducted by our legacy vendor through telephone and online interviews with 100 decision makers, representing 100 enterprise Information Technology organizations, from August 6th to September 8th, 2026. 76 of respondents are from the US and 24 from Europe. Survey respondents hold responsibility for purchasing, integrating and maintaining technology. Their responses represent enterprise customer adoption and purchasing behaviors for Q3 2026.

- **Hardware Domain** - We conducted online interviews with 60 respondents (45 US / 15 EU) through a new vendor who we started engaging since the first half of 2024, representing enterprise Information Technology organizations. Survey respondents hold responsibility for purchasing, integrating and maintaining hardware strategies. Interviews were conducted from August 19th to September 10th, 2026.
- **Networking Domain** - We conducted online interviews with 60 respondents (45 US / 15 EU) through a new vendor who we started engaging since the first half of 2024, representing enterprise Information Technology organizations. Survey respondents hold responsibility for purchasing, integrating and maintaining networking and communication-based strategies. Interviews were conducted from August 7th to August 26th, 2026.

Exhibit 23: By Revenue

Revenue		
Total Respondents = 100		
$500 Million - $1 Billion	16	16%
$1-5 Billion	41	41%
$5-10 Billion	15	15%
$10-15 Billion	6	6%
$15-20 Billion	8	8%
>$20 Billion	14	14%

Source: AlphaWise, Morgan Stanley Research

Exhibit 24: By Industry Vertical

Vertical		
Total Respondents = 100		
Aerospace / Defense	0	0%
Business services	1	1%
Communications	8	8%
Consumer Goods	2	2%
Education	8	8%
Energy	8	8%
Financial	11	11%
Healthcare	7	7%
Legal	2	2%
Manufacturing	14	14%
Pharmaceuticals	2	2%
Retail	7	7%
Services	8	8%
Technology	16	16%
Transportation	3	3%
Wholesale / Distribution	3	3%

Source: AlphaWise, Morgan Stanley Research

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(as of September 30, 2026)

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	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1599	43%	455	48%	28%	783	44%
Equal-weight/Hold	1563	42%	394	42%	25%	763	43%
Not-Rated/Hold	2	0%	1	0%	50%	1	0%
Underweight/Sell	570	15%	96	10%	17%	227	13%
Total	3,734		946			1774	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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INDUSTRY COVERAGE: IT Hardware

COMPANY (TICKER)	RATING (AS OF)	PRICE* (10/12/2026)
Erik W Woodring		
Apple, Inc. (AAPL.O)	O (05/26/2009)	$340.97
CDW Corporation (CDW.O)	O (06/23/2026)	$143.76
Cricut Inc (CRCT.O)	U (08/12/2021)	$6.48
Dell Technologies Inc. (DELL.N)	E (06/01/2026)	$576.76
Everpure, Inc. (P.N)	O (08/10/2026)	$155.31
Garmin Ltd (GRMN.N)	E (02/18/2026)	$266.76
GoPro Inc (GPRO.O)	U (12/12/2023)	$1.19
Hewlett Packard Enterprise (HPE.N)	O (08/10/2026)	$70.33
HP Inc. (HPQ.N)	U (11/16/2025)	$29.87
IBM (IBM.N)	E (01/18/2023)	$227.02
Ingram Micro (INGM.N)	E (06/11/2025)	$27.48
Kornit Digital Ltd. (KRNT.O)	E (11/06/2025)	$18.31
Logitech International SA (LOGI.O)	U (01/20/2026)	$98.33
NetApp Inc (NTAP.O)	E (08/10/2026)	$239.18
Resideo Technologies Inc (REZI.N)	O (08/11/2025)	$16.63
Seagate Technology (STX.O)	O (03/26/2024)	$753.25
SmartRent, Inc. (SMRT.N)	++	$1.15
Sonos Inc. (SONO.O)	E (11/06/2025)	$17.34
TD Synnex Corporation (SNX.N)	O (06/11/2025)	$273.06
Teradata (TDC.N)	E (08/10/2026)	$30.68
Western Digital (WDC.O)	O (04/16/2025)	$386.94
Sanjit K Singh		

Nutanix Inc (NTNX.O)	E (01/12/2026)	$74.14

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