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24-November-05

The Asia-Pacific IT Industry: Riding Out the Regional Economic Turmoil

by [Cindy Payne, Managing Director, Asia-Pacific Connections Pte Ltd.](#)

For the past decade, Asia-Pacific has been the fastest growing IT market in the world.

However, the floatation of the baht (Thai currency) in July 1997 was the first in a series of events that rocked the region. As currencies devalued across the region, economic growth rates plunged, political turmoil erupted and stock and property markets faltered. The robust IT market spiraled downward, with IT spending dropping 4% in 1997, and another 9% in 1998.

Some markets hit harder than others

In a region as large and diverse as Asia-Pacific, not all markets have been equally affected by the region's economic turmoil. As widely reported, ASEAN has been severely hurt-- especially Indonesia and Thailand--as has Korea. IDC reports Korea's IT spending dropped 18% in 1997 and another 52% last year. ASEAN held out for 3% IT growth in 1997, but reported 35% negative growth in 1998. Fortunately, Japan, the IT giant of the region comprising over two-thirds of the region's IT spending, has only been moderately affected. Similarly, the large and mature market of Australia has been relatively unmarred, while China and India are the region's shining stars. In fact, China and India seem immune to their troubled neighbors' woes and are enjoying phenomenal growth, as they did pre-crisis. With double-digit annual growth forecast for the next three years, China and India may well carry this region out of its predicament.

A fragile existence

Analysts seem to agree that the region has seen the worst of times, and single-digit IT growth is targeted for this year. Though the region may be on the upswing, it is still a period of sustained market challenge and consolidation. The sage will stay focused, as success is a long-term proposition.

For those of us fortunate enough to be living in Asia now, these are fascinating times. Fortunes will rise or fall based on the flexibility of vendors, channel partners and end users alike to manoeuvre in what will continue to be the most dynamic IT region in the world.

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