

IT spending in region to ease

But Malaysian firms continue to see IT as a vital component for business growth

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While industry studies indicate that information technology (IT) spending in the region is likely to slow this year, as businesses conserve cash amid fear of declining profits, Malaysian companies continue to expect good returns from such investments.

Manufacturing Insights Asia/Pacific, part of the International Data Corp group, says total manufacturing IT spending this year will "drop slightly" compared with 2008.

IT spending generally takes into account investments in hardware, software, IT services and telecommunications.

In its most recent study, Manufacturing Insights forecasts that manufacturing IT spending will reach US\$23.4bil in the Asia-Pacific region (ex Japan) this year.

Worldwide IT spending forecast

(US\$ bil)

	2008 spending	2008 growth (%)	2009 spending	2009 growth (%)
Computing hardware	381.0	2.8	324.3	-14.9
Software	221.9	10.3	222.6	0.3
IT services	809.5	7.6	796.1	-1.7
Telecom	1,948.0	5.6	1,891.2	-2.9
All IT	3,360.3	6.1	3,234.0	-3.8

Source: Gartner (March 2009)

This is still a year-on-year growth of 2.9% but a 7.3% drop compared with Manufacturing Insights' previous forecast published in May 2008.

Global market research firm Gartner Inc, in its latest study, says that the "unprecedented" decline of the global economy is impacting the IT industry, with worldwide IT spending expected to total US\$3.2 trillion in 2009, a 3.8% decline from last year.

Kossan Rubber Industries Bhd's group corporate affairs senior

manager Edward Yip says IT spending for the glove manufacturer this year will be substantially lower than in previous years.

But this has nothing to do with the economic slowdown. Instead, says Yip, this is because a lot of Kossan's IT systems are already at the advanced stage of implementation.

"So, instead of spending the annual RM3mil to RM4mil on IT (which includes research and development costs) this year, the amount will probably be slashed in half," he

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EDWARD YIP OF KOSSAN
RUBBER INDUSTRIES BHD

explains.

He maintains that investing in IT systems is extremely vital for growth. "It will help save costs in the long term," he adds.

For Datuk Seri Tony Fernandes, the chief of AirAsia Bhd, IT remains an essential component for the airline even during the downturn.

"No review has been done on IT spending at AirAsia at this stage. IT spending is crucial and we will be

spending about RM50mil, or about 30% of this year's capital expenditure, on it," he says without revealing last year's figure.

He adds that AirAsia has also recently invested to upgrade its call centre in Kuala Lumpur to an integrated "world-class" facility.

Education provider HELP International Corp Bhd also deems it necessary to maintain its IT spending despite the sagging economy.

"We are moving into online learning and are working on improving our e-administration systems," says president Datuk Dr Paul Chan Tuck Hoong.

Up to RM3mil will be spent on these, he adds. The overall spending on IT infrastructure will be maintained this year.

"There will be no slashing here as we believe that a good infrastructure helps in the long term to cut down administration costs and improve communications efficiency," he says.