Robust Outlook for IT Sector Despite Recent Downturn, Says OECD Report

Prospects for the information technology industry remain strong despite the severe downturn suffered by the equipment sector over the past 18 months, according to the OECD's latest Information Technology Outlook. New products and services such as broadband will continue to drive demand from firms, households and governments, says the report. Falling costs and technological development will underpin this demand.

The sector will remain a leading player in industrial globalisation even though sharp falls in foreign direct investment and in merger and acquisition activity are expected this year. The report adds that despite the slowdown, markets for information and communications goods and services were equivalent to 8.3% of the total GDP of OECD countries in 2001, compared with less than 6.0% in 1992.

Trade in goods in the information and communications technology sector has grown steadily at twice the rate of trade in all goods in OECD countries since 1990, although this also slowed down in 2001. Exports of such goods represented more than 5% of GDP in Sweden, Finland, Netherlands, Korea, Hungary and Ireland in 2000. The Outlook also shows that in the information technology sector, trade in services has been growing at an even faster rate than trade in equipment.

Foreign investment in the sector remains firm but is shifting from manufacturing to services. This trend is likely to continue as a result of further deregulation, particularly in telecommunications services.

Software is one of the most rapidly expanding sectors in industrialised countries, the report says. Packaged software markets were estimated to be worth US $196 billion in 2001. This market has been growing on average at almost 16% a year since 1992 in OECD countries, and even faster in some non-OECD countries such as China and Brazil.

However, electronic and internet commerce, although increasing, still plays only a small role. In those countries where it is measured, sales via the internet ranged between 0.4% and 1.8% of total sales in 2000, according to official statistics. Business-to-consumer internet sales have not taken off, the report adds. Such activity is usually restricted to a few sectors such as computer products, clothing or digitised music, books or software.
The report adds that just as the information technology sector was affected by, and contributed to, the current economic downturn, there is strong reason to believe that it will have a significant role to play in the next recovery.

The Outlook also provides an overview of information technology policies in OECD countries, with particular regard to training and to narrowing the “digital divide” between those with access to information technology and those without.

Journalists may obtain a copy of the report from the OECD’s Media Relation Division (request by fax: [33]1 45 24 80 03 or news.contact@oecd.org). For further information, journalists are invited to contact Graham Vickery at the OECD’s Science, Technology and Industry Directorate (tel. [33] 1 45 24 93 87 or graham.vickery@oecd.org).

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