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'U.S. recession is over'

By Anand Parthasarathy

Kochi April 7. You may not know it, but the savage recession that hit the U.S. economy — notably the Information Technology (IT) business — is over. In fact, it ended in March this year, though the upswing will be apparent only after another 3-4 months. Smart businesses will move now, to grab the competitive advantage.

This is the considered advice of a U.S.-based management consulting firm, "AM&G", that is co-founded by two Indian IT professionals. The firm's managing partner, Sanjiv R. Mahajan, in an emailed communication says this recession lasted exactly 11.4 months, going by statistics provided by the (U.S.) National Bureau of Economic Research. Taking the historical view, it was the tenth spell of recession since 1945, the shortest lasting 7 months from January 1980; the longest occurring twice, lasting 16 months from November 1973 and again from July 1981.

AM&G's perception is backed by a recent survey of 225 Chief Information Officers (CIOs) by analysts, Morgan Stanley, where two-thirds felt "the worst is over". Another barometer, the "IT Confidence Index" published by "Information Week" jumped 46 percent in March this year. This suggests that while the bursting of the dotcom bubble kick-started the recession, whose waves hit the Indian software business as well, it will again be IT that fuels the climb-back.

The recovery suggested by AM&G whose co-partner is former Wipro executive, Mathew Augustine, is being helped by the massive U.S. Government spending in IT estimated, to be in the region of \$ 45 billion this year and \$ 52 billion in 2003, mainly in the areas of anti-

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terrorism and national security. The group whose website is www.bizaudit.com, suggests the time to start spending in IT is here — and quotes U.S. tycoon, Jack Welch, who said recently: "Now is the time to widen the gap between you and the turkeys who aren't spending!"

In a separate report from Washington today, the Associated Press, tends to share AM&G's perception. It quotes experts who feel, that while the economic graph seemed earlier, to look like an "L" — flat after a sharp fall — it is now beginning to look like the right side of a "V" — a rapid climb-back. They attribute this largely to aggressive interest cuts; a ten-year tax-cut and the sharp rise in U.S. Government spending since September 11 last year. However, the report cautions that if things get out of hand in West Asia and more Palestinian-Israeli terrorist violence combines with a cut in oil supply, the world's economic alphabet soup could end up looking like the dreaded "W" — a double-digit up and down, up and down, rollercoaster.

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