



Worldwide Services Revenue Crossed \$1 Trillion Mark in 2018, According to IDC

FRAMINGHAM, Mass. April 15, 2018 – Worldwide revenues for IT Services and Business Services totaled \$513 billion in the second half of 2018 (2H18), an increase of 4.5% year over year (in constant currency), according to the International Data Corporation ([IDC](#)) [Worldwide Semiannual Services Tracker](#).

For the entire year, worldwide services revenues crossed the \$1 trillion mark in 2018. Annual growth accelerated slightly to 4.3%, outstripping the worldwide GDP growth by more than half a percentage point. This largely reflects overall healthy corporate IT spending sustained by large enterprises' cautious yet optimistic business outlook.

Looking at different services markets, project-oriented revenues (i.e. consulting, integration, application development, etc.) continued to outpace outsourcing and support & training. They grew by 6.4% year over year in 2H18 to \$194 billion and 5.8% to \$380 billion for the entire year. The growth was led largely by business consulting and application development markets. Business consulting grew 9.1% to \$63 billion in 2H18 and 8.3% to \$123 billion for the year. Custom application development (CAD) grew 8.3% to almost \$24 billion in 2H18 and 7.5% to \$46 billion for 2018 (compared with only 5.1% in 2017). Market growth was largely due to strong results in the United States. As traditional U.S. enterprises and government agencies continue to tackle and adopt digital transformation, strategic consulting remains critical in larger projects. Digital transformation is also driving up new application development work – not just "new apps" but also upgrading "legacy apps." The accelerated growth in CAD coincides with the strong rebound on the software side.

In managed services, revenues grew 3.8% to \$240 million in 2H18 and 3.6% to \$473 million for 2018, which is on par with real worldwide GDP growth. Application-related managed services revenues (hosted and on-premise application management) outpaced infrastructure and business process outsourcing (BPO), growing by 5.8% to \$41 billion in 2H18 and 5.6% to \$80 billion for 2018. Like application project work (CAD), application outsourcing serves as a vehicle for buyers to access new app skills (i.e. cloud, analytics, machine learning, etc.), as well as modernizing legacy apps via external providers. IDC expects application-related managed services to continue to outperform other outsourcing segments.

IT Outsourcing (ITO) continued to decline due to flat or negative growth in the mature geographic markets. This was offset somewhat by moderate growth in horizontal business process outsourcing (BPO).

On a geographic basis, the United States, the largest services market, grew by 4.8% to \$233 billion in 2H18 and 4.6% to \$459 billion for 2018, a moderate acceleration. Strong economic growth in the U.S. despite policy uncertainties, coupled with moderate but steady government spending increases, have kept both corporate and government IT spending robust. Funding for new projects to acquire new capabilities and tools offset continuing downward pressure on commodity services.

Western Europe, the second largest market, grew by almost 3% to \$266 billion for 2018, much slower than the U.S. but in-line with IDC's previous estimate and more than twice as fast as real GDP growth for the region. This was driven largely more application-related activities in the region, notably CAD and application outsourcing.

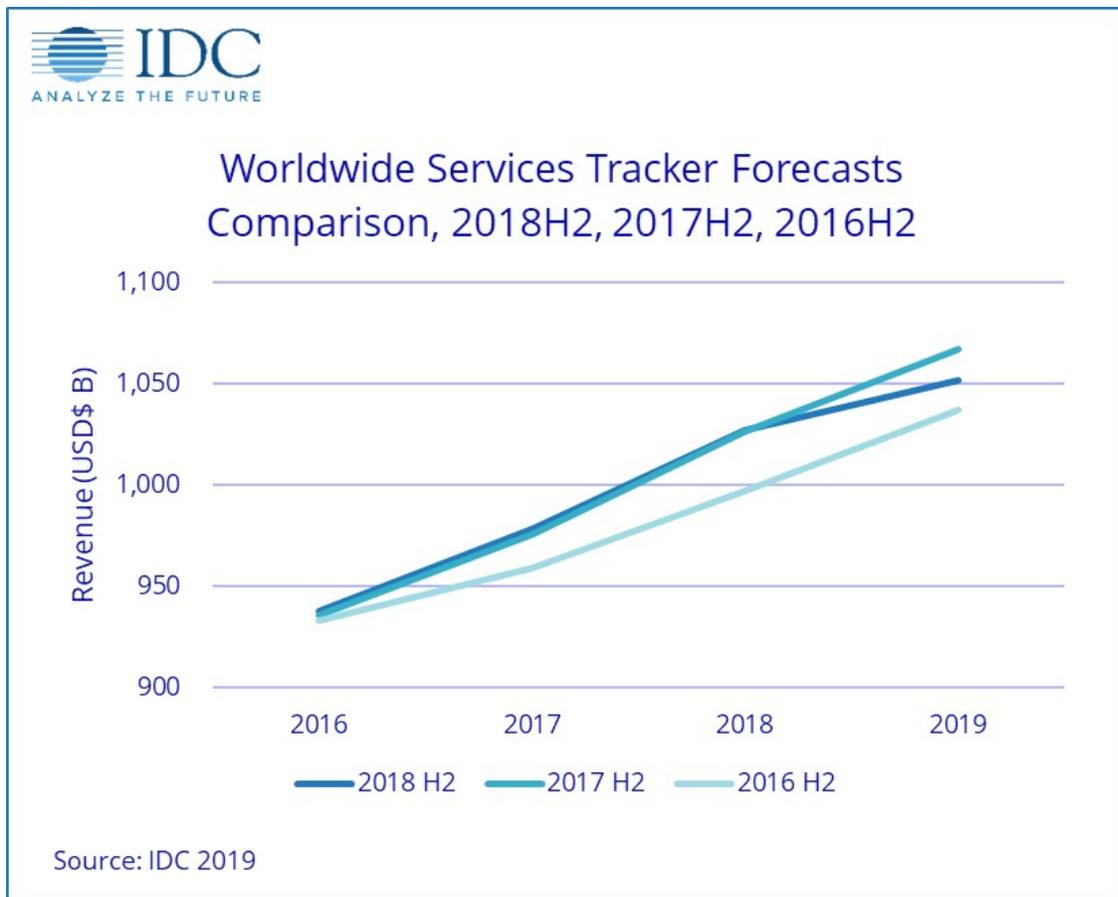
Asia/Pacific (excluding Japan) (APeJ) growth cooled slightly to 6.2% with revenues of \$110 billion, partially reflecting economic angst over the impending trade war between the U.S. and China, and the economic slow-down in key mature markets (i.e. Australia/New Zealand, South Korea). Japan enjoyed a slight growth uptick, as business results from the major Japanese services vendors posted slightly higher than expected in 2H18, mainly due to continuing demands for system renewal. Other emerging markets in the region continued to show robust growth (i.e. India, the Philippines, Indonesia, Vietnam, etc.) However, their impact on growth was limited by their size. Overall growth for the entire APeJ region remains at around 5% for 2018.

In other emerging markets, both Latin America and Central & Eastern Europe (CEE) saw faster growth in 2018 than the previous year. Except for Venezuela and Argentina, and to some degree Colombia, major Latin American markets are in economic recovery, which drove both corporate and government IT spending. All foundation markets showed better growth last year. In CEE, most major geographic markets grew between 6% and 15%, mainly boosted by dynamic economic growth and increased tax revenues. However, in sheer revenue size, CEE is still the smallest geographic market.

Global Regional Services 2H18 Revenue and Year-Over-Year Growth (revenues in \$US billions)		
Global Region	2H18 Revenue	2H18/2H17 Growth
Americas	\$267.6	4.9%
Asia/Pacific	\$87.6	5.8%
EMEA	\$158.6	3.3%
Total	\$513.9	4.5%
Source: IDC Worldwide Semiannual Services Tracker 2H 2018		

"Steady growth in the services markets are driven by a continued demand for digital solutions across the regions with the Americas continuing to contribute to the bulk of the revenue growth," said [Lisa Nagamine](#), research manager, IDC's Worldwide Semiannual Services Tracker. "2018 surpassed the trillion-dollar mark, as we had forecasted at the end of 2017. We expect future growth in many geographies worldwide in coming years."

Figure 1



"More sustained U.S. economic growth, at least compared to other mature economies, allowed large government agencies and traditional businesses to spend more on new projects in recent years," said [Xiao-Fei Zhang](#), program director, [Global Services Markets and Trends](#). "Additionally, digital disruption and global competition have also stoked their digital fear – go digital or go broke."

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For more information about IDC's Worldwide Semiannual Services Tracker, please contact Kathy Nagamine at 650-350-6423 or knagamine@idc.com.

About IDC

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