

Worldwide Services Market Momentum Derailed by COVID-19 Pandemic, According to IDC

FRAMINGHAM, Mass. April 15, 2020 – Worldwide IT Services and Business Services revenue grew 5% year over year in 2019, according to the International Data Corporation (IDC) [Worldwide Semiannual Services Tracker](#) (growth in nominal dollar denominated revenue in today's exchange rate was 2.4%, due to dollar's appreciation in 2019).

This represents the second consecutive year the market has accelerated since 2017 (from 4% growth in 2017 to 4.2% in 2018 and 5% in 2019) despite a cooling economy (2019 world GDP slowed to just above 3%). Large services vendors also reported stronger bookings and book-to-bill ratios mostly above 1, portending buyers' overall optimism, as well as their appetite for more digital transformation.

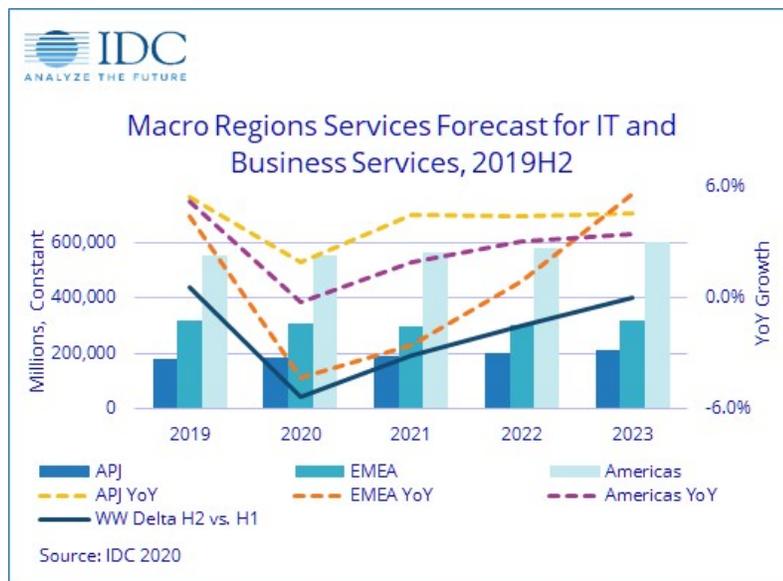
However, ravaged by the COVID-19 pandemic and comorbid economic malaise, the outlook has turned. This is the first time since the two world wars that the global economy has been disrupted both by demand and supply at such a scale.

Considering the impacts, IDC forecasts the worldwide services market will decline 1.1% in 2020 and grow just over 1% in 2021. The new forecast is based on the Economist Intelligence Unit's projection that the real 2020 GDP will likely contract by more than 2%, with a sharp decline in Q1 and Q2 offset by recovery in the second half of the year.

The impact on the supply side, at least for enterprise services, will be relatively small. Providers are quickly adopting the "new norms" of working remotely and social distancing. The COVID-19 crisis will also tip organizations and consumers over to the online world sooner. As a result, it may improve productivity and open new opportunities.

The demand-side shock and uncertainty will have a bigger and deeper impact. Most regions will contract somewhat in 2020 but with different severities: overall, Asia/Pacific will continue to grow, while the Americas will contract slightly in 2020. Europe, the Middle East and Africa (EMEA) will be the most negatively impacted.

Figure 1



The Americas services market will contract by 0.2% this year, down from the 5.2% growth experienced in 2019. IDC expects it to bounce back to growth in 2021 and eventually get to 3% or more. But the five-year compound annual growth rate (CAGR) will be considerably lower than previously forecast. This will be driven largely by the US market, which will remain flat in 2020 – tapering slightly from revenues of \$485.6 billion in 2019 to \$484.7 billion this year, or a

0.18% decline. US government and private sectors are putting off new projects to delay discretionary spending decisions due to market uncertainty. Project-oriented markets, such as consulting, custom application development, systems integration, etc. are expected to suffer short-term revenue downfalls. Growth in this segment is expected to be just 0.4% in 2020, down from last year's 7.4%. Managed services are expected to shrink slightly (-0.7%), and support services will be flat (both were slower growing markets to begin with).

Canada's 2020 market size is also expected to shrink in 2020. This is partially offset by slight growth in Latin America, although it represents a sharp deceleration from the region's 7.2% growth last year, amidst the demand shock of local shutdowns, currency depreciation, and China's weak demand for commodities, among other factors.

The EMEA region is forecast to contract by 4.3% in 2020, down from 2019's 4.4% growth, and will not likely return to positive territory until 2022. However, IDC expects different countries and sub-regions to recover at very different rates.

With major Western European countries reporting high numbers of COVID-19 cases and fatalities and bracing themselves for a major recession from a prolonged

shutdown, business leaders will focus primarily on preserving cash, which will impact almost all foundation markets in the near term. In Central and Eastern Europe (CEE), most markets are expected to contract similarly, ending two years of fast growth. Russia's market, which accounts for almost one third of the CEE market, however, is being severely impacted by the oil price shock and will decline by 20% this year. The Middle East & Africa market will also shrink moderately largely due to falling oil prices.

Asia/Pacific will decelerate and is expected to grow by only by 1.9% this year, down from 5.5% last year. The biggest impact will be felt in China. IDC expects the China services market to grow 2.4% in 2019, down from 7.6% in 2019, assuming a robust economic rebound in the second half of 2020 and government stimulus will offset the crisis earlier this year. For the rest of the region, the market is forecast to slow to 4.6% growth this year and 4.5% next year, down slightly from 5.9% last year. Compared to other regions, reports of confirmed cases and fatalities suggest that the pandemic has been better contained in the region; therefore, the outlook for the region's growth potential is more optimistic.

"The COVID-19 pandemic is a demand shock on the services market worldwide," said [Lisa](#)

[Nagamine](#), research manager with IDC's Worldwide Semiannual Services Tracker, "but it will present different challenges, as well as opportunities, to different regions, industries, services offerings, as well as services providers."

"It will also have a profound long-term impact on our global supply chain," said [Xiao-Fei Zhang](#), program director, [Global Services Markets and Trends](#). "After the dust settles, services vendors may find their client portfolio changed, as well clients' priorities. They will need to re-align their digital capabilities to the 'new norm.'"

About IDC Trackers

[IDC Tracker](#) products provide accurate and timely market size, vendor share, and forecasts for hundreds of technology markets from more than 100 countries around the globe. Using proprietary tools and research processes, IDC's Trackers are updated on a semiannual, quarterly, and monthly basis. Tracker results are delivered to clients in user-friendly excel deliverables and on-line query tools.

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

[Click here](#) to learn about IDC's full suite of data products and how you can leverage them to grow your business.

About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications, and consumer technology markets. With more than 1,100 analysts worldwide, IDC offers global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries. IDC's analysis and insight helps IT professionals, business executives, and the investment community to make fact-based technology decisions and to achieve their key business objectives. Founded in 1964, IDC is a wholly-owned subsidiary of International Data Group (IDG), the world's leading tech media, data and marketing services company. To learn more about IDC, please visit www.idc.com. Follow IDC on Twitter at [@IDC](#) and [LinkedIn](#). Subscribe to the IDC Blog for industry news and insights: http://bit.ly/IDCBlog_Subscribe.

IDC is a subsidiary of IDG, the world's leading technology media, research, and events company. Additional information can be found at www.idc.com. All product and company names may be trademarks or registered trademarks of their respective holders.

For more information contact:

Michael Shirer

press@idc.com

508-935-4200

Lisa Nagamine

lnagamine@idc.com

310-702-2528

Xiao-Fei Zhang

xzhang@idc.com

508-988-6913