

IT outsourcing from US to slow down: Forrester

fe Bureau

Bangalore, Oct 18: IT outsourcing from the US will grow at a snail's pace this year and lag all other technology purchases from US businesses and the government, market research firm Forrester said in a report on Monday. The firm has also pared its own forecast for the IT markets' growth during the year now that it is clear the US economic growth is losing steam.

The firm currently expects IT market in the US to grow at 8% to \$758 billion in 2010, down from almost 10% expansion predicted in July this year. The market could slow further in 2011, growing only at 7.4%.

IT outsourcing is expected to grow only at 2.8% during the

year to \$95 billion and 6.6% in 2011, lagging the growth in most other categories such as computer equipment and software purchases. IT consulting and system integration services is expected to constitute another \$73 billion, growing 4.2% in 2010.

Within IT outsourcing, computer hardware support services is expected to constitute \$17 billion, distributed environment outsourcing \$26 billion, desktop outsourcing \$13 billion, network outsourcing \$6 billion, mainframe outsourcing \$19 billion, and applications outsourcing is expected to form \$14 billion. System integration project work is the biggest pie in IT services, estimated to clock \$50 billion. "With disenchantment with large-scale IT outsourcing

AT SNAIL'S PACE

IT market

8%
growth
expected in
2010

10%
expansion
predicted
in July this
year

7.4%
growth
expected
in 2011



IT outsourcing
2010



growth estimated
(%)

\$95 billion

Segments

Growth (\$ bn)

Computer hardware support services	17
Distributed environment outsourcing	26
Desktop outsourcing	13
Network outsourcing	6
Mainframe outsourcing	19
Applications outsourcing	14
System integration project work	50

deals and price pressure from offshore providers, revenues for IT outsourcing have shifted onto a low-growth track. Applications outsourcing will grow by 2.9% in 2010; mainframe outsourcing will expand by just 1.5%; desktop support outsourcing will rise by 1.3%; and distributed (server) environment outsourcing by 1.1%. Only network outsourcing (rising by 4.7%) and hardware maintenance and support services (7.5%) will post revenue growth higher than 3%," the report noted.

Forrester said IT services growth will lag with systems integration projects picking up late in 2010 as licensed software buying increases.

"Based on my reading of the economic indicators and the

forecasts of professional economists, it looks to me that both the US economy and the global economy will fall between extremes of strong growth or recession, growing weakly but not slipping back into recession," Andrew Bartels, VP & principal analyst at Forrester Research said.

"As a result, we have trimmed our forecasts for the US tech market to a still-robust 8.1% growth for 2010 and 7.4% growth in 2011. Globally, the tech market measured will grow by 7%, compared with our July forecast of 7.8%, with the somewhat weaker outlook for the US tech market offsetting slightly better performance in Europe and strong growth in Latin America, the Middle East, Africa, and Asia/Pacific," he added.