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## **Asia Pacific Sourcing Slowed in Q4 by China, HK Uncertainty**

**Despite slump in managed services, as-a-service soars 26% and accounts for record share of region's combined market**

SYDNEY, Australia, Feb. 10, 2020 (GLOBE NEWSWIRE) -- The Asia Pacific outsourcing market, buffeted by uncertainty over China trade and civil unrest in Hong Kong, slowed in the fourth quarter, although cloud-based solutions helped buoy results, according to the latest state-of-the-industry report from Information Services Group ([ISG](#)) (Nasdaq: [III](#)), a leading global technology research and advisory firm.

The ISG Index™, which measures commercial outsourcing contracts with annual contract value (ACV) of US \$5 million or more, found Asia Pacific's combined market (managed services and cloud-based as-a-service) slowed to US \$2.05 billion of ACV, down 4 percent from the prior quarter, but up 2 percent over a strong 2018 fourth quarter. Despite a declining trend the last two quarters, it was the fifth straight quarter the region has exceeded US \$2 billion in combined market ACV.

Managed services slumped 41 percent, to \$413 million, in the fourth quarter, as most countries showed declines, with the exception of China, which saw continuing strong demand for applications and infrastructure services. The region's largest market, Australia-New Zealand (ANZ), saw year-over-year managed services ACV decline for the third straight quarter. It was the region's worst ACV performance in this segment since the first quarter of 2017, while the number of contracts signed in the quarter (34) was the lowest number since the end of 2016.

The as-a-service segment, however, rose 26 percent, to a record \$1.64 billion, and, with the slump in managed services, accounted for a record 80 percent of the combined market for the quarter. Both Infrastructure as a Service (IaaS), up 24 percent, to US \$1.38 billion, and Software as a Service (SaaS), up 35 percent, to \$252 million, established quarterly records.

“In the middle of last year, we observed a bit of a slowdown in China that affected the large public cloud infrastructure players,” said Scott Bertsch, partner and head of ISG Asia Pacific. “The U.S.-China trade negotiations caused the industry to hesitate on technology purchases.”

The impact was felt mainly in the managed services segment. Bertsch said the last two quarters have “ticked steadily downward from the lofty levels we saw over the last two years,” when the region posted several US \$700-million-plus quarters in managed services. Robust demand for as-a-service solutions, Bertsch said, is helping the region weather the economic uncertainty.

## **Full-Year 2019 Results**

For the full year, Asia Pacific’s combined market delivered strong double-digit growth, with ACV of US \$8.8 billion, up a resounding 20 percent over the prior year. It was the first time the region exceeded \$8 billion of annual ACV. Compared with three years ago, the region’s combined market has more than doubled, ISG noted.

Managed services advanced 10 percent, to \$2.8 billion, its best result since 2014, fueled by strong demand from the region’s two largest vertical markets—manufacturing and telecommunications, which helped offset weaker results in the banking, financial services and insurance (BFSI) sector. IT outsourcing (ITO) led the pack for managed services in 2019, with ACV of US \$2.3 billion, up 12 percent over the prior year, largely on the strength of growing demand for application development and maintenance (ADM) services, whose ACV rose 27 percent.

Among geographies, India produced the region’s best results, bolstered by several large contract renewals during the year. ANZ, on the other hand, had its weakest ACV performance since 2003, and its lowest contract volume since 2008.

As-a-service, meanwhile, grew 25 percent in 2019, to a record \$6.04 billion. This segment now accounts for nearly 69 percent of the region’s combined market, compared with only 49 percent just three years ago. IaaS advanced 25 percent, surpassing US \$5 billion for the first time, at US \$5.18 billion, and SaaS rose 22 percent, to US \$860 million, for the year.

## **Global Forecast**

ISG is forecasting the global market for cloud-based services will grow 23.5 percent in 2020, and the market for managed services will grow 3.2 percent.

## **About the ISG Index™**

The ISG Index™ is recognized as the authoritative source for marketplace intelligence on the global technology and business services industry. For 69 consecutive quarters, it has detailed the latest industry data and trends for financial analysts, enterprise buyers, software and service providers, law firms, universities and the media. In 2016, the ISG Index was expanded to include coverage of the fast-growing as-a-service market, measuring the significant impact cloud-based services are having on digital business transformation. ISG also provides ongoing analysis of automation and other digital technologies in its quarterly ISG Index presentations.

## **About ISG**

ISG (Information Services Group) (Nasdaq: [III](#)) is a leading global technology research and advisory firm. A trusted business partner to more than 700 clients, including more than 70 of the top 100 enterprises in the world, ISG is committed to helping corporations, public sector organizations, and service and technology providers achieve operational excellence and faster growth. The firm specializes in digital transformation services, including automation, cloud and data analytics; sourcing advisory; managed governance and risk services; network carrier services; strategy and operations design; change management; market intelligence and technology research and analysis. Founded in 2006, and based in Stamford, Conn., ISG employs more than 1,300 digital-ready professionals operating in more than 20 countries—a global team known for its innovative thinking, market influence, deep industry and technology expertise, and world-class research and analytical capabilities based on the industry’s most comprehensive marketplace data. For more information, visit [www.isg-one.com](http://www.isg-one.com).