



Gartner Dataquest Forecasts IT Services Industry in China to Grow 18 Percent in 2003

Singapore, February 25, 2003 — The Chinese IT services market is forecast to reach \$4.9 billion in 2003, a 18.1 percent increase from 2002 revenue of \$4.2 billion, according to Dataquest Inc., a unit of Gartner, Inc. (NYSE: IT and ITB). IT services revenue in China is projected to reach \$8.9 billion in 2006, a compound annual growth rate of 19.6 percent.

China is expected to be the second fastest growing country for IT services in the world, but it lags behind matured IT services economies, such as the United States, United Kingdom, Japan and Australia. The Chinese IT services marketplace is still relatively immature, which can be challenging for IT services vendors.

"Many multi-nationals find themselves in the unenviable position of educating both the local users and the local service providers on the value of IT services," said Jacqueline Heng, senior forecasting analyst for Gartner Dataquest. "However, all is not bleak. It is a long task ahead for certain industries while others, such as the telecom services industry have found pay-off from their investments. The other sector to watch is the financial services market."

In spite of the bad debts, it's the preparation for free-market competition among the banks that will deliver solid IT growth in the financial services market. "The low level of IT usage in the banks, and the full fledged entry of MNC banks post WTO, the need to shore up credit-card infrastructure before the Beijing Olympics and the growing local insurance markets will be strong drivers," said Kingshuk Hazra, industry analyst for Gartner Dataquest's IT vertical industries group.

China's product support services, which includes hardware and software maintenance support services, currently yields about 25.3 percent of the country's total services revenue, and this proportion will reduce to 24.1 percent by 2006. China is forecast to be the largest product support services country within the Asia/Pacific region at \$2.3 billion by 2006. This will be driven by the impact of numerous IT infrastructure efforts necessary for China via the Tenth Five-Year Plan by the government.

Chinese companies are aware of the need to consolidate their numerous entities and their services offerings to compete in the open market. Consulting services will be the fastest growing services segment in China through 2006.

As many Chinese organizations need to automate their manual processes before they can look at outsourcing, this segment is relatively at its infancy stage in China. Cultural obstacles and acceptance to outsourcing services will take some time to evolve in the IT Services evolution. Gartner Dataquest analysts said the IT services market in China faces some difficult challenges in the next few years. "Many factors can inhibit growth in the industry, such as the country's bank debts, the economic difference between the coastal regions and the rest of the country, the lack of a sizable middle-class segment, and slow de-centralisation of the rural governing system," Heng said.

Additional information is available in the Gartner Dataquest report [China - Great Expectations in the IT Services Market](#). In this report, Gartner Dataquest analysts examine how the various sectors in IT services will evolve in China.

About Gartner Dataquest

Gartner Dataquest is the recognized leader in providing the high-technology and financial communities with market intelligence and strategic advice for the semiconductor, computer systems and peripherals, communications, document management, software, and services sectors of the global information technology industry.