

Q4 2024 Market Forecasts Remain Steady

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With recent economic and technological changes, industry forecasting is like sailing a ship: You must constantly monitor the wind, the currents, and the horizon to see how they affect the vessel's motion. Predicting trends for the commercial language services and technology sector became more complex in 2020 as COVID-19 magnified major changes from automation and AI, which have since accelerated. Based on quarterly economic trends and our quarterly industry confidence data, our prediction is that the commercial language services and technology market will end up flat at or near its 2023 valuation of US\$49.68. However, 2025 will witness an end to the "AI pause" and new service offerings will start to have a positive effect (["The Post-Localization Era"](#)).

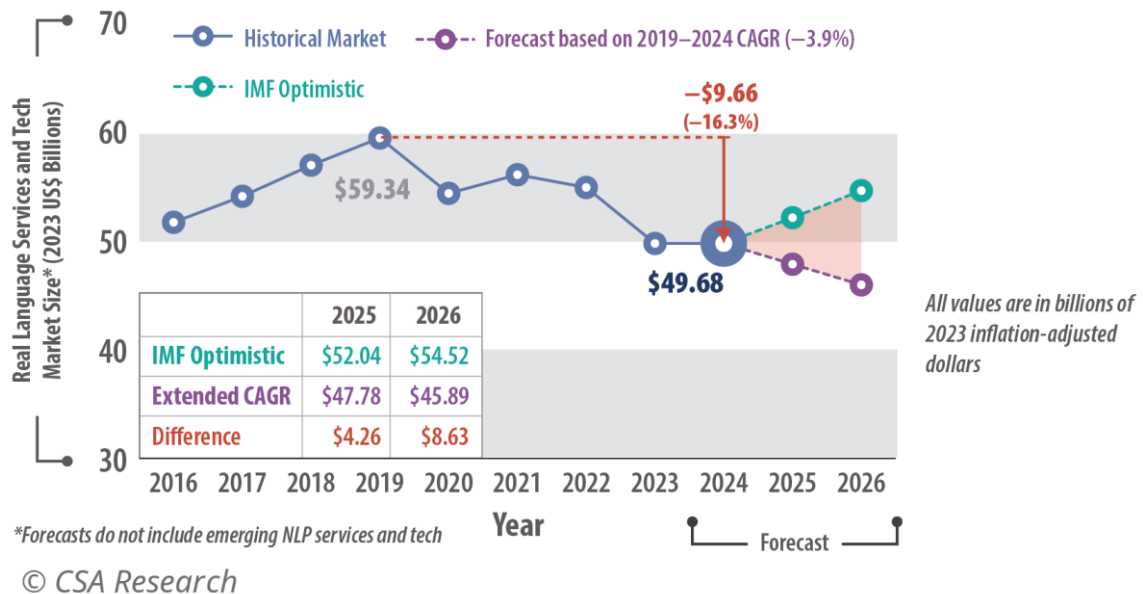
Stable Macroeconomic Trends Point to a Slow Growth Regime

Until 2020, growth in the language sector consistently outpaced the global economy as a whole, something that held true even during downturns. However, since 2020, the fortune of the industry has been more influenced by macroeconomic factors, particularly inflation. High growth in prices were coupled with continued downward price pressure – exacerbated by declining unit costs for some form of translation from neural MT and then LLMs – to depress industry revenue in real terms over the past four years (["Q3 2024 LSP Confidence Survey"](#)).

To gauge the likely effects of these large-scale factors, we monitor the International Monetary Fund's (IMF's) quarterly reports. Its [most recent analysis, from October](#), showed little change from the previous quarter and points to continued slow growth by historic standards due to a variety of causes, including high levels of sovereign debt in advanced economies. However, the IMF highlights several bright spots, such as increased spending on green economic transitions and semiconductors to fuel the AI revolution. Based on this report and our analysis of the last quarterly performance

survey we decided to hold to our forecast for the final 2024 sizing figure at essentially flat or slightly positive over 2023 (Figure 1).

Figure 1: Market Outlook for 2024–2026



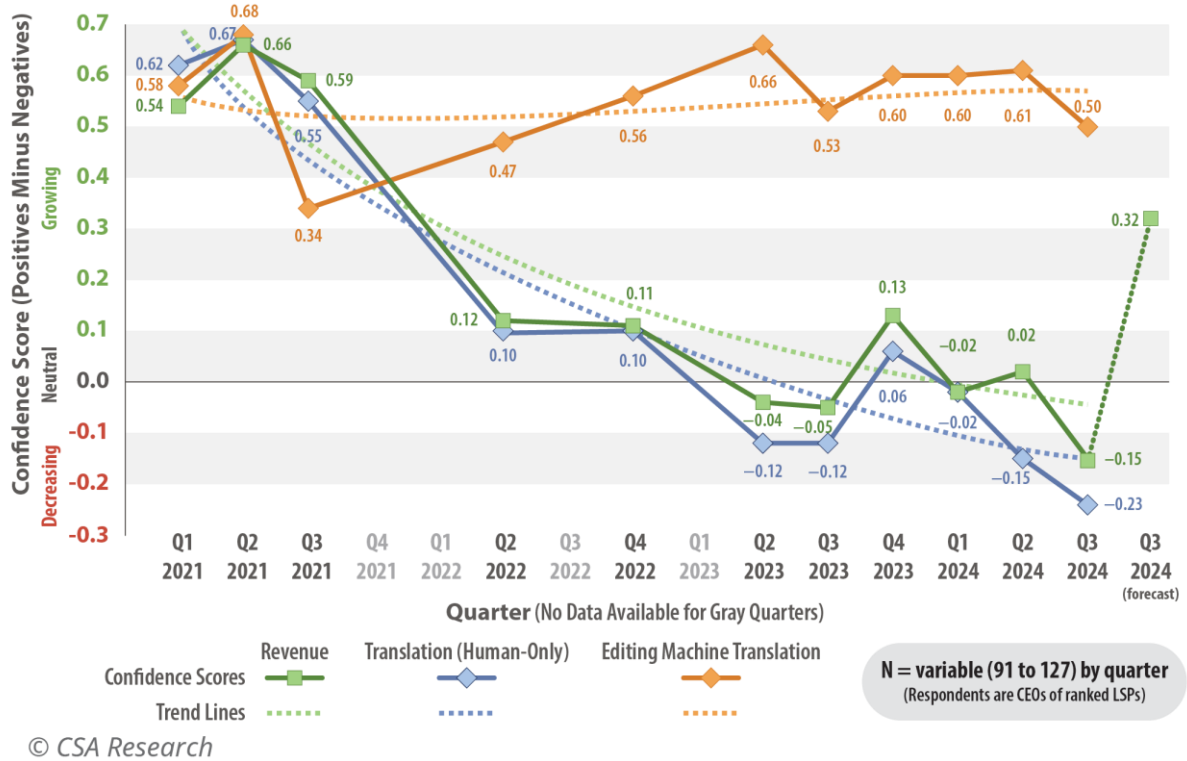
The IMF also points out that growth and inflation values continue to vary wildly between countries, with much greater deviation between them compared to historical norms. Continued war, challenges in China’s real estate sector, and the AI transition contribute to this ongoing uncertainty. Will the language sector be able to regain its previous high-flying numbers compared to the economy as a whole? At present, this is unclear and depends on multiple murky factors. We will continue to monitor leading indicators closely on a quarterly basis.

Industry Confidence Is Down Even as Budgets Thaw

Throughout 2024, the revenue trend that CEOs of leading LSPs reported remained neutral, but in Q3 2023, it took a sharp downward turn, tracking the continued slide in demand for human-dominated services (“Q3 2024 LSP Confidence Survey” and Figure 2). Nevertheless, respondents predicted a sharp revenue upswing in Q4. Although CEOs have tended to be much more positive about the future compared to the results that they later report, this jump is a particularly large one, which likely reflects the long-

standing trend for Q4 to be a busy quarter as well as anecdotal reports that many buy-side enterprises will end temporary freezes in budget in 2025.

Figure 2. Confidence and Human Services Continue Their Long Decline



Q3's weak performance data argues toward a market sizing at the lower end of our September 2024 forecast range (between -4.4% and +5.5%). While that result alone points to a further decline, any Q4 recovery in momentum could allow the language sector to eke out flat to slightly increasing revenue for the year. Much depends on whether enterprises open the taps on previously frozen revenue and what they anticipate for 2025. Based on our quarterly business confidence survey series and discussions with providers and buyers, we predict that 2024's industry size will be essentially flat compared to 2023, at least in nominal terms, before 2025 resumes growth, albeit at lower rates than the historic norm.

It is evident that post-localization conditions will establish a new baseline of service types and technology usage, with little likelihood of traditional services – human translation or interpreting services with minimal use of AI – making a significant comeback. However, a major disruption in 2025 – such as a fundamental breakthrough

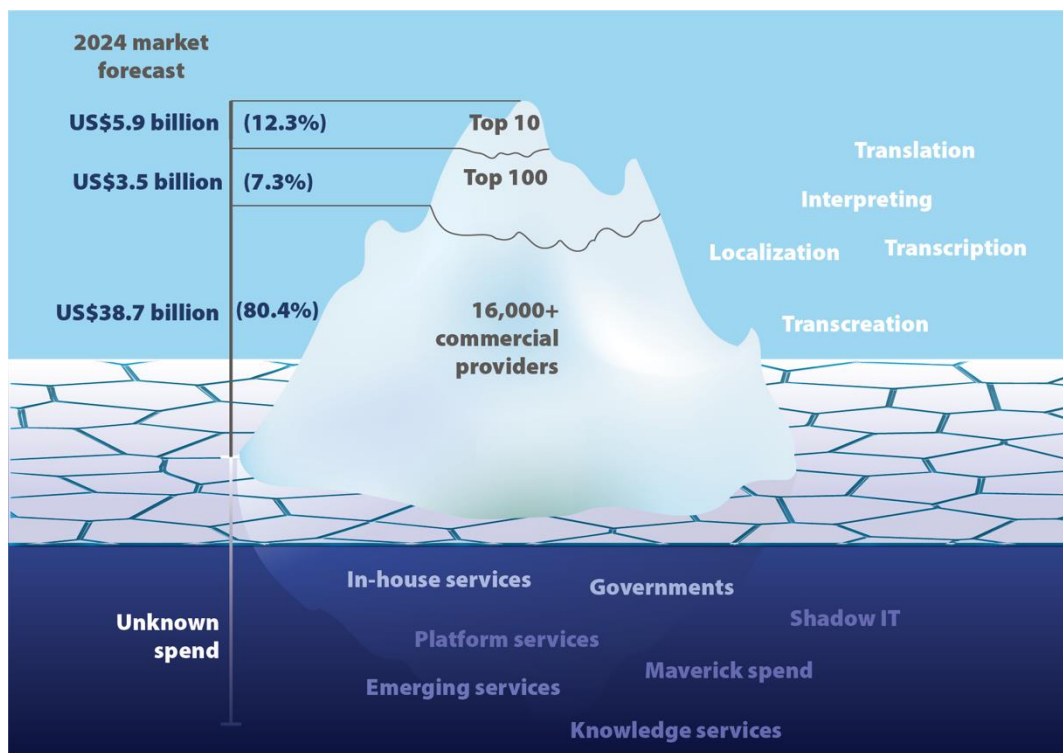
in AI or a major lawsuit over AI-generated translation – could easily disrupt this no- or slow-growth forecast. That means we could see a wide range of possibilities for 2025 and beyond.

Uncertainty Continues to Dominate Market Predictions

Based on both industry and macroeconomic factors, we stand by our September prediction but call for 2024 to land in the middle of the predicted range after adjusting for inflation and narrowing the likely range of possibilities for 2025 and 2026 (“Q3 2024 Market Sizing Update” and Figure 1). The good news is that this forecast shows a slower overall rate of decline compared to our 2023 analysis. However, it does not erase any of the decrease since 2019 – and the future remains unclear.

Why is there so much uncertainty? The simple answer is that conditions remain fundamentally chaotic as the number of unknowns increases (Figure 3). Most importantly, we cannot account for language services spend that never goes through LSPs for two major reasons:

Figure 3: Market Sizing Cannot Account for Unknowns



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- **Enterprise software and non-LSPs increasingly deliver language services.** Our sizing model does not capture language revenue from companies that don't identify as LSPs or language ISVs, nor can it identify shadow IT spending on services ("[What Is Shadow IT?](#)"). As mainstream software products such as ERPs and CRMs add translation, they may siphon current work or opportunities from LSPs ("[Ten Post-Localization Trends for 2025](#)"). Conversely, they could contribute to higher LSP revenue through new requirements. What will the market be for new services that address green-field market? Will – or can – shadow IT spend ultimately be consolidated with in-house localization department purchasing?

***Note:** Other entities besides platform providers also pose a challenge. These include: pure-play MT providers, major tech companies' professional service organizations, new language technology and AI disruptors, online marketplaces for gig workers, content-centric tech and service providers, marketing agencies, software vendors that package AI-driven language services, consultants, and BPO agencies ("[The Evolution of Language Services and Technology](#)"). These groups are unlikely to consider themselves LSPs, yet they may increasingly compete with them.*

- **In-house localization teams may go the way of the dinosaur – or thrive.** This model continues to thrive in some segments. Governments and businesses around the world – as well as NGOs and religious organizations – spend large amounts on translation and interpreting services that go through employees. But as new technologies and offerings become more compelling, these groups may embrace professional language services that offer these. The size of this opportunity and the extent to which it will materialize remain uncertain. Similarly, we cannot yet put a size on maverick spend or estimate how much LSPs can pick up. All of these are factors that will start to come into focus in 2025.

***Note:** We have called on LSPs to complete their transformation into global content service providers (GCSPs) that elevate their offerings to focus on enterprise value and meeting post-localization requirements. Enterprise localization teams – even ones that outsource translation and interpreting requirements, face a similar challenge. They must elevate themselves into "global content service teams" (GCSTs) that are responsive to the full range of requirements for global content and access that come from within their organizations.*

Conclusion

The continued shift to post-localization, fear about AI and its effects, and economic malaise all contribute to continued weak performance in the sector. However, as LSPs continue their transformation into GCSPs they will start to unlock new sources of revenue. Similarly, buy-side GCSTs that focus on enterprise ROI will secure funding and expand their responsibility. However, this shift will not happen overnight, and the industry still has a few years before the full influence of price decreases will be clear.

Expect to see continued uncertainty and tough circumstances as these shifts – which parallel those occurring in other sectors – work their way through the economy and the language sector. The good news is that GCSPs have more experience with these sorts of transformations than participants in most other sectors do and, if they focus on defining their value and quantifying the ROI their services enable, they have room to grow and thrive.

Related Research

- [“Q3 2024 LSP Confidence Survey”](#)
- [“The Evolution of Language Services and Technology” \(2023\)](#)
- [“The Post-Localization Era” \(2023\)](#)
- [“The Future of Language Services” \(2020\)](#)
- [“Four Futures for Global Intelligent Content” \(2019\)](#)