



# COVID-19 scenarios for telecoms operator service revenue: worldwide forecasts 2019–2024



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## About this report

This report examines the range of outcomes for worldwide operators' telecoms service revenue in eight geographical regions. The report explores the economic impact that COVID-19 may have on ten different components of operator service revenue using three scenarios: mild, moderate and severe.<sup>1</sup>

It is based on several sources:

- Analysys Mason's internal research
- Publicly available economic forecasts

Further, more-detailed forecasts will follow our regular timetable.

### KEY QUESTIONS ANSWERED IN THIS REPORT

- Which regions will be affected most severely by COVID-19 in terms of telecoms operator service revenue?
- Which services will be impacted most severely by the global pandemic?
- How long will it take for revenue to return to pre-COVID-19 levels (if at all)?
- Will any services benefit from the COVID-19 pandemic?

### METHODOLOGY

- We built three scenarios around different GDP forecasts based on third-party data: mild, moderate and severe.<sup>1</sup>
- We broke telecoms operator revenue into ten component services, each of which will respond differently to the COVID-19 pandemic: residential mobile; residential fixed; business mobile, business fixed; business ICT; video; mobile IoT; digital economy; mobile wholesale and fixed wholesale.
- We quantified the impact of each scenario on telecoms operator service revenue. These forecasts explore the impact on usage, the subscriber base, average spending and other areas.
- A detailed methodology is available at the back of this report.

### WHO SHOULD READ THIS REPORT

- Strategy teams in telecoms operators, vendors and regulators.
- Potential investors.

<sup>1</sup> These three scenarios are defined in terms of real GDP. Further explanation can be seen on slide 19 in the appendix of this report.

# Introduction: our scenario-based reforecasting explores a range of outcomes for telecoms operator revenue in ten service categories in the wake of COVID-19

Analysys Mason has devised three scenarios for the likely impact of the COVID-19 outbreak for telecoms operators, examining each region and telecoms service element in turn.

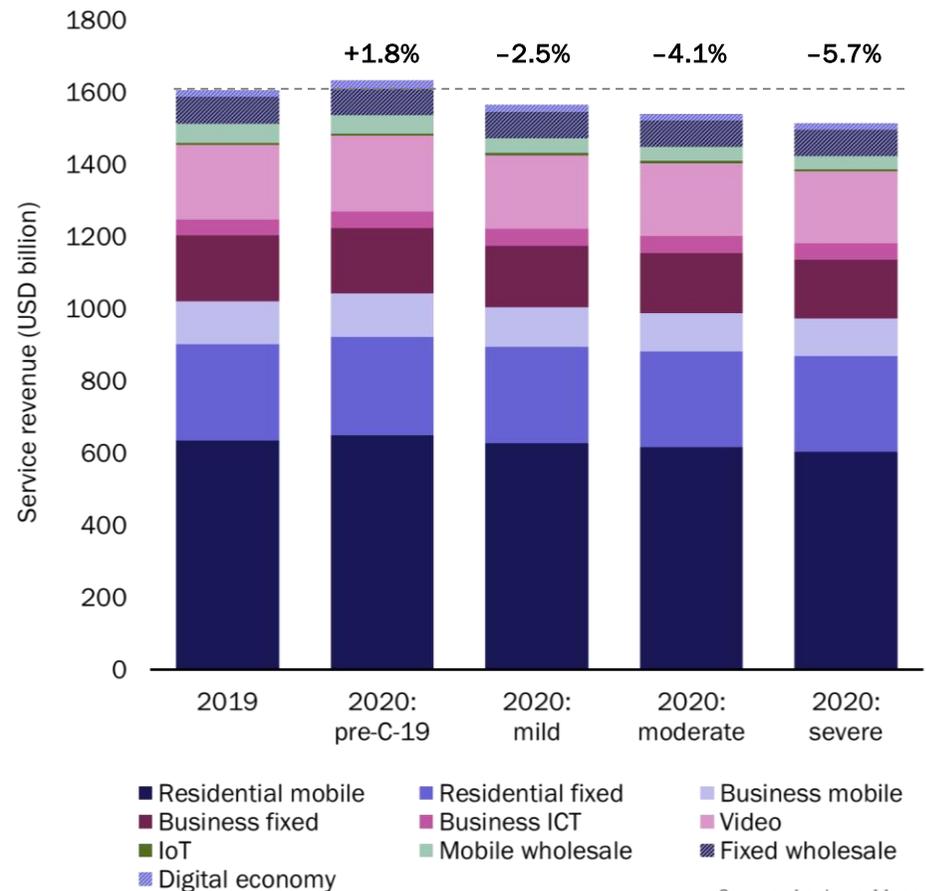
This report builds on our COVID-19 operator revenue report,<sup>1</sup> which examined the impact of the pandemic on telecoms operator revenue in developed markets in a moderate scenario. We now expand our analysis to explore both a milder and more-severe outcome, and extend the geographical range of our reforecasting work to all regions worldwide.

The scenarios are defined in terms of real GDP (see slide 19). Our methodology breaks operator revenue into ten service elements (explained on slide 20), each of which is affected in different ways. Where countervailing trends are evident, we break each element down further in order to isolate and size the effects.

This report examines the worldwide results over time for each scenario, and describes the factors behind regional variations for each service element. We expect the 2020 contraction in worldwide revenue to be between -2.5% and -5.7%, %, with mobile services and fixed business services affected most..

We will continue to update our forecast products to the original timetable (see slide 22). As we take into account the actual economic impact of COVID-19 as it unfolds in each country, we will be able to identify the most-realistic outcome from the range of results discussed here.

Figure 3: Telecoms service revenue, 2019 and 2020, by COVID-19 scenario and service, worldwide<sup>2</sup>



Source: Analysys Mason

<sup>1</sup> See Analysys Mason’s *COVID-19 will lead telecoms revenue to decline by 3.4% in developed markets in 2020*.

<sup>2</sup> Note that all charts in this report are expressed in constant (2019) USD dollars in order to eliminate the impact of exchange rate fluctuations on local trends.

# Total operator service revenue: mobile and business fixed services will account for the largest losses in 2020, with the worst-case scenarios painting a bleaker picture

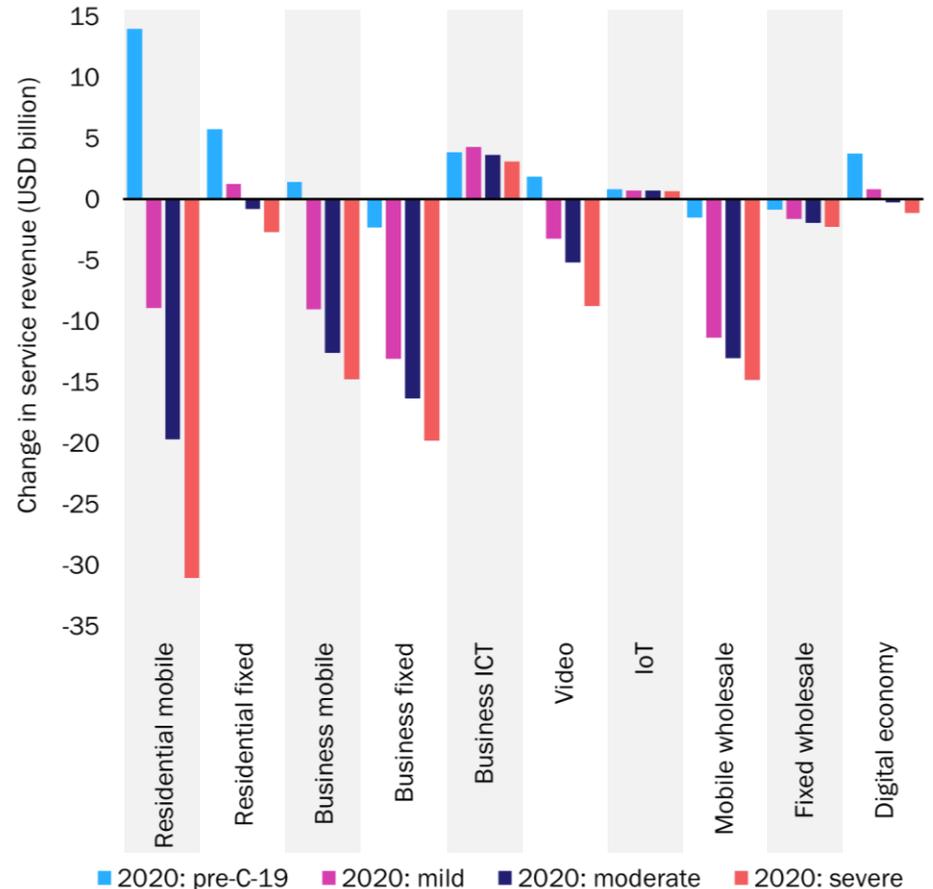
Residential mobile service revenue is the most vulnerable to changes in economic outlook because the discretionary element of spending is at risk.

A contraction of –2.5% to –5.7% in worldwide operator service revenue in 2020 equates to a decline of between USD42 billion to USD93 billion. The most-significant contributor to this loss is fixed business service revenue – a result of expected business closures. Mobile business services show a similar trend, and both losses are equally sensitive to the depth of the recession in 2020. We expect fixed business services to fall by between USD15 billion and USD21 billion, and mobile business services by between USD9 billion to USD15 billion.

Residential mobile services also account for losses of around USD9 billion in the mild scenario, but the impact of the deeper economic recession in the moderate and severe scenarios have a much greater impact. In the mild scenario, losses in mobile wholesale revenue account for just over a quarter of the total decline, as drastic changes in travel behaviour result in substantial losses in roaming revenue. The more-severe scenarios only worsen this a little in 2020 because the mild case already models a return to near-normal behaviour delayed until late into the year.

The outlook for 2020 is only part of the story, and the following slides describe the potential impact of COVID-19 up to 2024. Some services quickly recoup their losses, while in some cases COVID-19 heralds long-term changes in customer behaviour.

Figure 4: Change in service revenue, by COVID-19 scenario and service, worldwide, 2019–2020



Source: Analysys Mason



Executive summary

Analysis

Methodology

Forecast timetable

**About the authors and Analysys Mason**

## About the authors [1]



**Hilary Bailey** (Research Director) has worked for Analysys Mason for more than 25 years. She specialises in quantitative forecast modelling and data management. She is responsible for Analysys Mason's core data process: quarterly historical data collection/synthesis, and bi-annual core forecast updates for the 80+ countries in Analysys Mason's Regional Markets practice. She also manages the presentation of these datasets within Analysys Mason's interactive database, DataHub, as well as the more-granular datasets that are produced within other research programmes (for example, IoT forecasts). Hilary has a degree in Economics from the University of Bristol, and an MPhil in Economics from the University of Cambridge.



**Catherine Hammond** (Principal Analyst) is a member of Analysys Mason's *Operator business services and IoT* research practice, specialising in market forecasting. She previously worked for 9 years as a Senior Manager within Analysys Mason's Consulting division, undertaking work for a wide range of operators, regulators and government agencies in Europe and Asia. Her work included the development and review of quantitative models, assessment of business plans, development of market forecasts, collation and analysis of benchmarks, development of white papers and leading client workshops and major presentations. She holds an MA in mathematics from the University of Cambridge.



**Julia Martusewicz-Kulinska** (Senior Analyst) is a member of the regional markets research team, contributing mainly to the *European Core Forecasts*, *Telecoms Market Matrix* and *European Country Reports* programmes. She has more than 16 years of research and telecoms industry regulations experience. Prior to joining Analysys Mason, she worked for the Qatar national regulatory authority as a Competition Analysis section manager and for Polish national regulatory authority as the head of the Research Division, where she was responsible for telecoms market research, and as the leader of the Telecommunications Market Analysis Department, which was accountable for co-operation between the regulatory authority and the Information Society and Media DG of the European Commission.

## About the authors [2]



**Stephen Sale** (Research Director) oversees Analysys Mason's consumer research and is also the lead analyst for the *Future Comms* research programme. His primary areas of specialisation include next-generation communication services, over-the-top (OTT) player strategies and mobile pricing. He also has extensive experience in analysing operator strategies and forecasting fixed and mobile service markets. Before joining Analysys Mason in 2004, Stephen worked in the industry on areas that include VoIP, next-generation service architecture and broadband access. He has a degree in economics and an interdisciplinary MRes from the University of London.



**Martin Scott** (Principal Analyst) co-ordinates Analysys Mason's research initiatives related to media and TV. He manages the *Video Strategies* research programme. Martin has held numerous positions within Analysys Mason during the last 14 years, including heading the company's Consumer Services, Data and Regional Markets practices. He also launched Analysys Mason's *Connected Consumer Survey* and *Consumer Smartphone Usage* series of research. His primary areas of specialisation include telco TV strategy, OTT video and media, consumer smartphone usage, the bundling and pricing of multi-play services, including quadruple-play bundling, customer satisfaction and consumer-facing marketing strategy. He also specialises in statistics, surveys and the analysis of primary research.



**Stephen Wilson** (Principal Analyst) is the lead analyst for Analysys Mason's *Fixed Broadband Services* and *Asia-Pacific* research programmes. He leads Analysys Mason's annual FTTx coverage, capex and conversion forecasts, and other recent areas of focus include examining fixed broadband operators' home Wi-Fi strategies. Stephen has more than 10 years of experience in the telecoms sector and is a graduate in Philosophy, Politics and Economics from St Catherine's College, Oxford University.

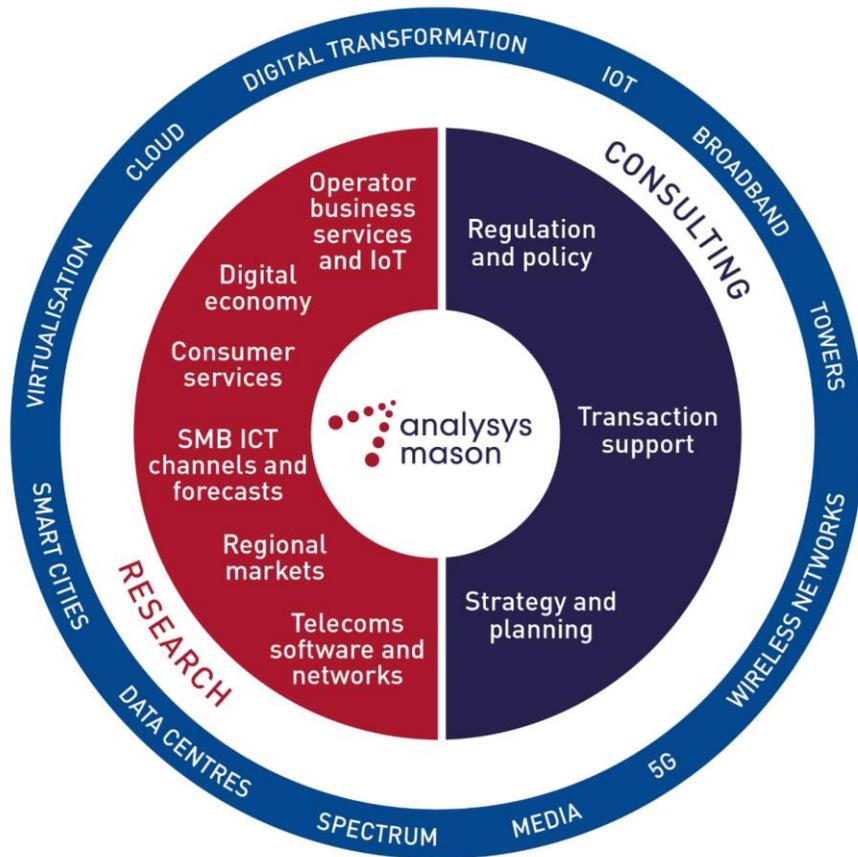
## About the authors [3]



**Rupert Wood** (Research Director) is the lead analyst for our *Operator Investment Strategies*, *Network Traffic* and *Spectrum* research programmes. His research covers the following areas: the evolution of operators' investment priorities; operator business structures; business models for FTTx and convergence; fixed broadband technology; the economic impact of digital transformation; capex forecasting; and network traffic forecasting. He has extensive experience of advising senior management on strategic issues. Rupert has a PhD from the University of Cambridge, where he was a Lecturer before joining Analysys Mason.

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