Nigerian Telecommunications Sector

SUMMARY REPORT: Q3 2015

NATIONAL BUREAU OF STATISTICS

04th February 2016

NATIONAL BUREAU OF STATISTICS

Telecommunications Data

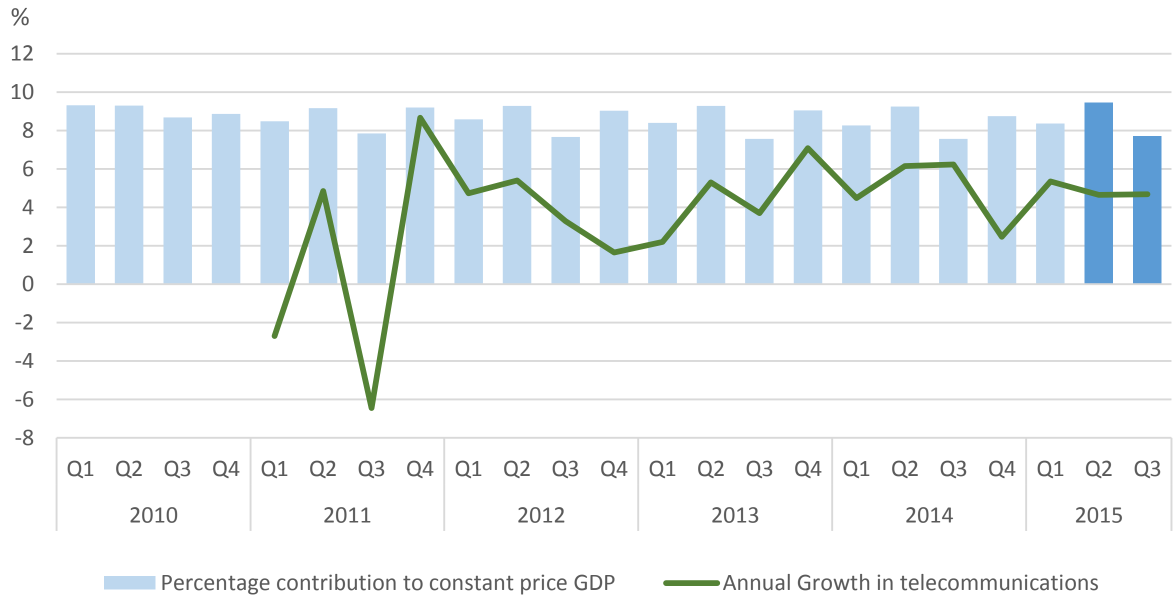
The telecommunications data used in this report were obtained from the National Bureau of Statistics (NBS) and the Nigerian Communication Commission (NCC). Variables obtained from NBS include Gross Domestic Product contribution and growth, whilst NCC indicators include those on subscribers to mobile and internet services by provider, porting activities and information on tariffs. All data are subject to amendments by NCC and should be treated as preliminary.

Telecommunications in GDP and growth

In real terms, the telecommunications sector contributed N 1,385.85 billion to GDP in the third quarter, or 7.71%, a slight increase relative to the 7.57% contribution recorded in the third quarter of the previous year. However it is lower than the contribution 9.57% recorded in the second quarter, but this is to a large extent due to different seasonal patterns of the telecommunications sector and whole economy. The annual growth rates recorded in the second and third quarters of 2015 were 4.66% and 4.69% respectively, lower than the 6.15% and 6.25% recorded in the same quarters of 2014.

The share of telecommunications in real GDP tends to fluctuate over the course of the year, due to different seasonal patterns, but nevertheless annual averages declined every year between 2010 and 2014. 2015 looks set to buck this trend, as telecommunications recorded stronger growth than the whole economy for each of the first three quarters.

Figure 1: Percentage Contribution of telecommunication to constant price GDP, and annual growth

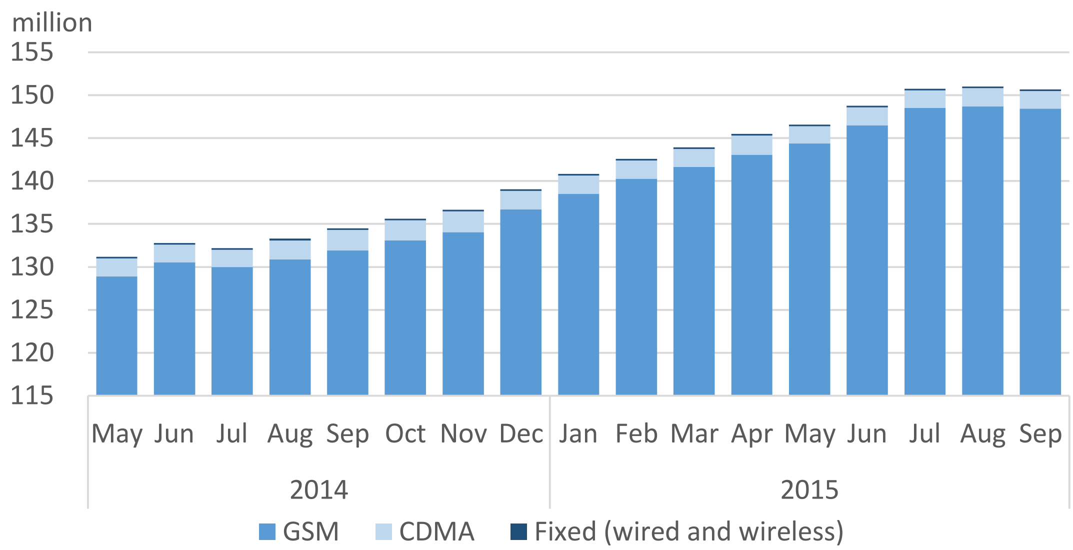


Subscribers as of September 2015

The total number of subscribers has increased rapidly over the previous decade, and over the past year has increased steadily. Between September 2014 and September 2015 (final month of Q3), the number had increased by 16.15 million, or 12.01%; higher than the annual growth rate between 2014 and 2013, but lower than in prior years, possibly as the market is already highly developed, which leaves less room for large expansion.

Most of the increase in the number of subscribers was attributable to additional Global System for Mobile Communications (GSM) subscriptions. The yearly increase between September 2015 and September 2014 was 12.52%, slightly higher than the growth in the overall number of subscriptions, but considerably higher than for other technology types (explored below). Figure 2 gives a breakdown of subscriptions by type over the period, and reveals that GSM is the most popular subscription type, and that only a small fraction of subscriptions are for fixed lines (wireless or wired).

Figure 2: Total number of subscribers



Subscribers by Technology Type

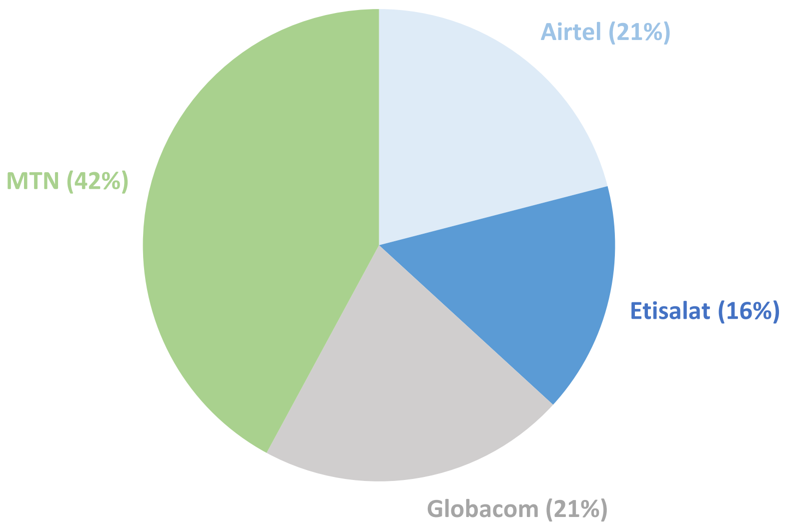
Subscriber data is broken into four sections according to the technology type used. The first two are for mobile technology; Global System for Mobile Communications (GSM) and Core Division Multiple Access (CDMA), whilst the latter two are fixed lines; either wireless or wired. Mobile subscribers using GSM dominate, with 98.52% of the total, followed by CDMA with 1.36% of the total, whist fixed wired and wireless make up 0.08% and 0.04% respectively. The dominance of GSM users has increased since September 2014, when 98.07% of subscribers used this technology type; the share of all other technology types has decreased over this period.

The dominance of GSM over CDMA in the mobile technology is characteristic worldwide; GSM account for 82% of the global market according to some estimates. With GSM technology, it is cited as being easier to switch networks, and it is regarded as being more accessible for international use, especially given that some markets (such as in Europe) have mandated the technology by law. However, CDMA is more prevalent in the United States.

Mobile Subscribers (GSM)

In September 2015, at the end of the third quarter, there were a total of 148,427,423 GSM subscribers, divided across the four networks of Airtel, Etisalat, Globacom and MTN. This figure is slightly (0.19%) lower than in August when there were 148,703,160 subscribers, the first monthly decline since July 2014. MTN remains the largest provider of GSM subscriptions, accounting for 42.10%, despite a downwards trend in its share over the past year, from 44.24% in September 2014. The second largest provider was Globacom, which accounted for 21.09% of subscriptions, similar to Airtel's share of 20.98%. Etisalat accounts for the smallest number of subscriptions, at 15.83% of the total, although its share has increased slightly since its share in September 2014 of 15.07%. In spite of these trends the share of GSM subscribers accounted for by each network has changed only slightly over the year to September 2015

Figure 3: Share of total GSM subscribers by provider, September 2015



Overall growth in GSM subscriptions have grown at a monthly rate of 0.99% since September 2014, although August and September 2015 saw the lowest growth rates, of 0.14 and -0.19 respectively. In these months, MTN also recorded its two lowest monthly growth rates since before June 2014, declining by 1.17% in August and 1.40% in September. These represent the largest declines for any provider since August 2014, and as MTN is still the largest provider, this had a large effect on the overall growth rate of subscribers. By contrast, Airtel recorded the highest growth rates in August and September, at 1.64% and 1.85% respectively.

These growth rates are reflective of the overall trends since September 2014. MTN subscriptions grew the least over this period, by 7.08%, equivalent to a monthly growth rate of 0.57%. Airtel subscriptions grew the most, by 19.50%, equivalent to a monthly growth rate of 1.50%, although this was similar to Etisalat, whose subscriptions grew by 18.16%.

Mobile Subscribers (CDMA)

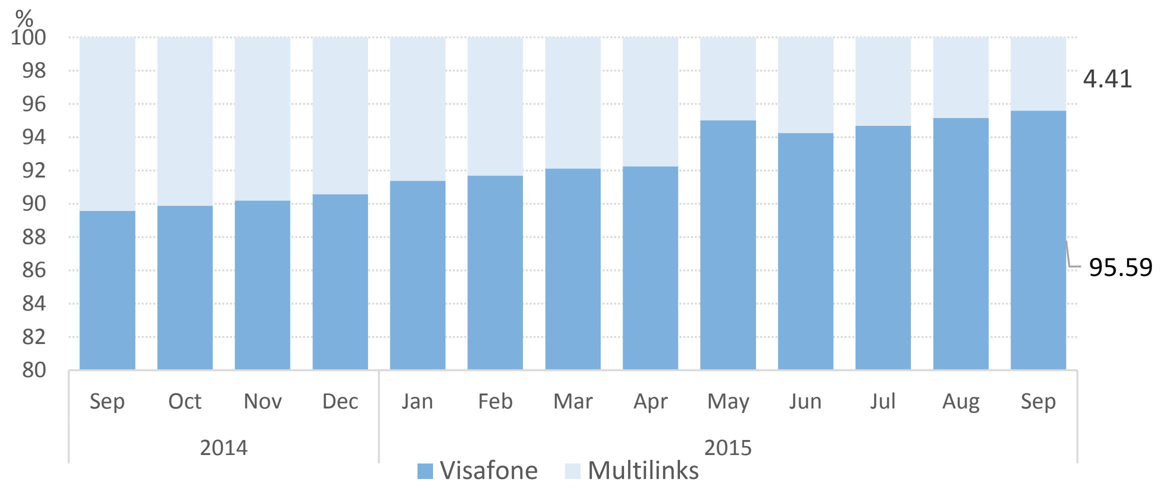
In September 2015 there were 2,042,015 CDMA subscribers, 2,031,802 (99.50%) of which were provided by Visafone. The remaining 10,213 were provided by Multilinks. Over the past year Visafone has increased its dominance of this subscription type, as the number subscribing to Multilinks has declined in all but two months. In September 2014 there were 21,405 Multilinks subscribers, more than double the present number. Visafone has also seen a decrease in the number of subscribers in the past year, however the growth in the number of subscribers has been more volatile over this period. On average, Visafone has seen a monthly decline of 0.45% in the number of subscriptions, which has been the main driver of the average monthly decline of 0.5% in the total number of CDMA subscribers. This equates to 15.14% decline during the previous year.

Fixed Wireless Line

Visafone also dominate the fixed wireless line market, albeit to a slightly lesser extent. Of the 66,319 wireless subscribers, 63,395, or 95.59% are accounted for by Visafone. This percentage has increased over the past year; in the previous September Visafone accounted for only 89.57%. As with CDMA subcribers, this can partly be attributed to a steady monthly decline in the number of Multilinks subscribers, from 6,855 in September 2014 to 2,923 in September 2015, a fall of 57.36%. June was the only month in which Multilink fixed wireless line subscribers increased in number. By contrast, the number of Visafone subscribers increased from 58,891 in the previous September to

63,395 in September 2015, and increase of 7.65%. Most of this increase happened between June and September 2015, in which period subscriber numbers increased by 14.13%.

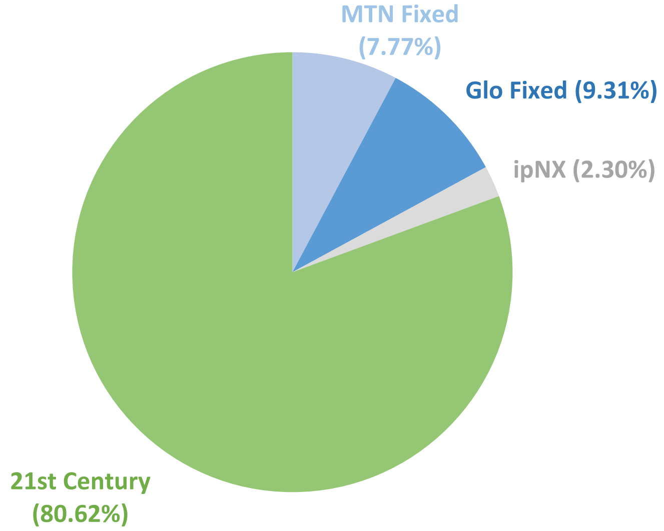
Figure 4: Share of Fixed Wireless line subscribers, by provider



Fixed Wired Line

There was a total of 125,254 subscriptions to fixed wired line services in September 2015, of which 80.62% were accounted for by 21st Century. Glo and MTN were the next largest providers, accounting for 9.31% and 7.77% respectively, whereas Ipn was the smallest, accounting for 2.30%. These proportions have remained relatively stable over the preceding year. However, MTN has seen a slight but steady decline in its market share, from 8.92% in September 2014. Over the past year the growth in the number of fixed wired line subscriptions with MTN was -1.00% on average, the only average growth rate to be negative. The average growth rate in subscriptions to the other providers was slightly positive, with Glo, Ipn and 21st Century recording average growth rates of 0.19% 0.59% and 0.12% respectively. The net effect was that the total average monthly growth over the period was close to zero, at 0.02%.

Figure 5: Share of total Fixed Wired Line subscriptions, by provider, September 2015



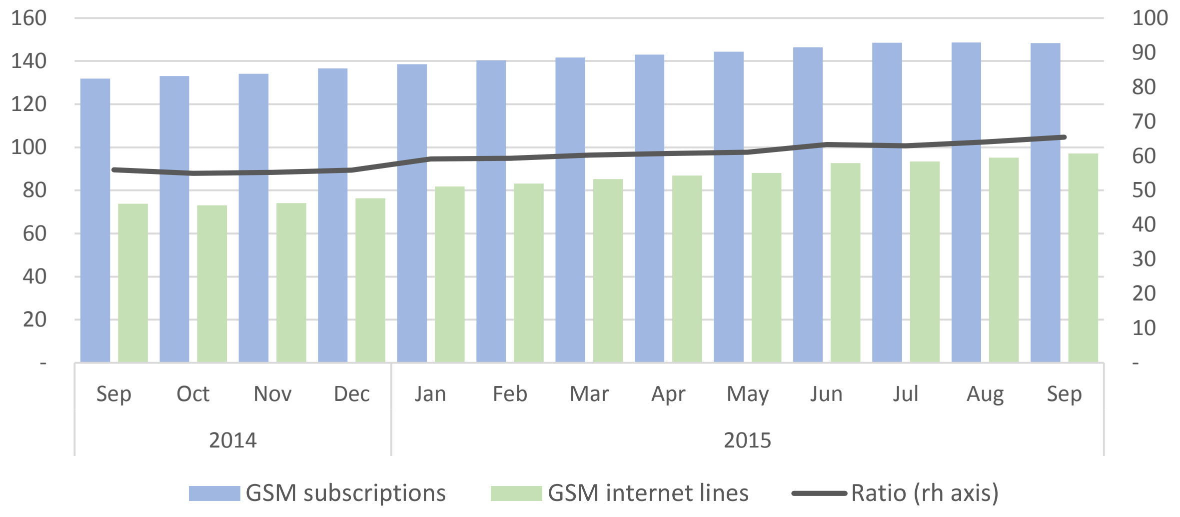
Internet Subscriptions

GSM internet subscriptions

Of all GSM users, a total of 97,060,548 had an Internet subscription with one of the four carriers of Airtel, Etisalat, Globacom and MTN in September of 2015. This means that of all of the active GSM lines, 65.39% had an internet subscription, which continues the upward trend seen over the last few years. However, internet subscriptions are more common with some providers than others. 69.96% of Globacom subscribers also have an internet subscription, compared with 56.95% of Airtel subscribers. The ratio is 66.40% and 66.96% for Etisalat and MTN respectively.

The provision of internet subscriptions mirrors that of total GSM subscriptions. The largest provider is MTN, but as with mobile subscriptions, this figure has been falling consistently; over the last 12 months MTN's share of the market fell from 52.30%, to 43.10% in September 2015. By contrast, Etisalat increased its share of the market from 7.85% to 16.07% over the same period, accounting for most of the difference in MTN's market share. Most of this increase happened within January, when the internet subscriptions with Etisalat increased by 62.69%, and June, when they increased by 47.96%. The share of internet subscriptions accounted for by Globacom and Airtel were relatively stable; in September 2015 their market shares were 22.56% and 18.27% respectively.

Figure 6: GSM Subscribers and internet subscriptions



Over the last 12 months internet subscriptions increased by 31.39%, equivalent to growing at 2.30% per month. Roughly a third of this increase (13.26 percentage points) was accounted for by Etisalat. MTN witnessed the slowest growth over the period, with an increase in internet subscriptions equivalent to growth of 0.66% per month. In line with the stable proportion of overall subscriptions accounted for, Airtel and Globacom grew at a similar rate to the total number, at rates equivalent to 2.24% and 2.73% per month on average respectively.

CDMA internet subscriptions

In comparison with GSM providers, the ratio of internet to mobile subscriptions amongst CDMA providers is relatively low. Whilst there are 2,042,015 mobile CDMA subscriptions, there are only 151,816 internet subscriptions, or 7.43%. While this ratio is slightly higher than it was in September 2014, when it was 6.66%, it is below the highest point seen in recent years, which was 7.73% in July 2014. Internet subscriptions are especially uncommon among Multilinks subscribers; there were only 286 internet subscriptions in September, compared with 10,213 mobile subscriptions, a ratio of 2.80%. This means that Visafone dominates internet CDMA subscriptions to an even greater extent than mobile subscriptions. Of the total number of CDMA internet subscriptions, 99.81% are accounted for by Visafone.

In contrast with GSM, the number of CDMA internet subscriptions has fallen by 5.21% over the past 12 months, from 2,406,382 in September 2014, suggesting that GSM is entrenching its position as the most popular form of internet subscription.

Porting Activities

Porting activities refer to the transferal of subscribers to different network carriers. Therefore, incoming porting activities refer to those subscribers that have joined a network, whilst outgoing porting activities refer to those whom have left.

Incoming

In September, 20,349 subscribers joined a different provider, which represents only 0.01% of all GSM subscribers. Etisalat continued to be the biggest beneficiary, and accounted for 12,898 or 63.38% of incoming porting activities. Airtel and Globacom received 26.28%, and 7.40% of subscribers respectively, and MTN received the fewest, accounting for only 599, or 2.94%. This was the eleventh consecutive month that Etisalat accounted for more than 60%. In total, Etisalat have gained 63.34% of all incoming porting activity since September 2014.

On the whole, incoming porting activities grew by 3.39% over the past 12 months, equivalent to growing at 0.28% every month. This was driven entirely by Etisalat, all other providers saw a decline over this period.

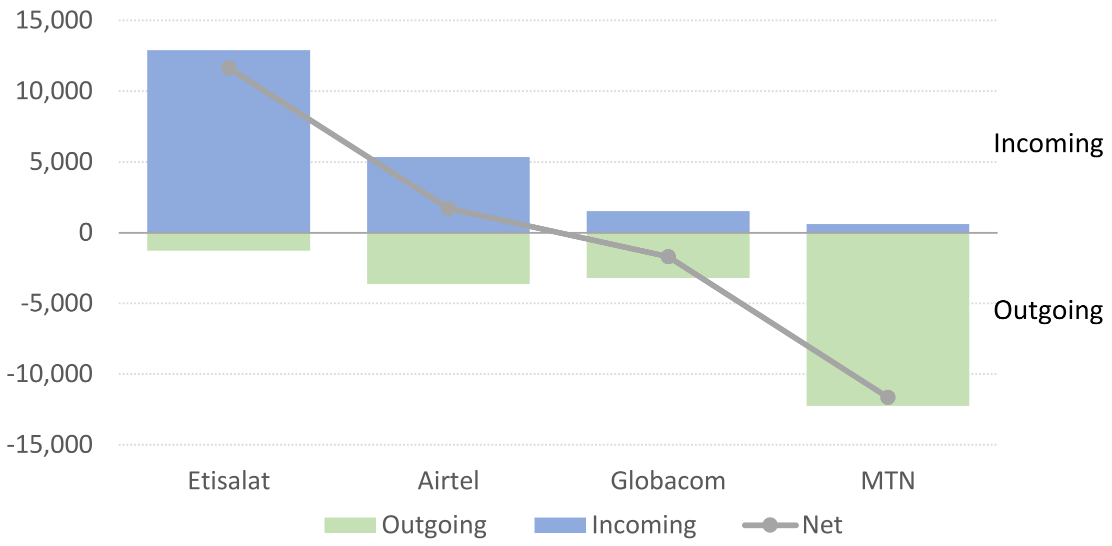
Outgoing

There were 20,370 subscribers to leave their provider in September 2015, marginally more (0.10%) than the number to join new ones. As for every month since April 2014, MTN was the provider to lose the most subscribers, losing 12,259, or 60.18% of the total lost. Etisalat was the network to lose the fewest subscribers, as well as benefiting the most from porting activities. They lost only 1,264 subscribers, which comprises 6.21% of the total amount of outgoing porting activity, significantly less than the share of 16.07% of the total number of subscribers that Etisalat accounts for.

Net Porting Activities

Comparing the incoming porting activities with the outgoing, emphasises the extent to which Etisalat benefits, and MTN loses out from such activities. Figure 7 makes this comparison, with outgoing porting activities represented by the negative (green) bars. Airtel and Globacom were more or less balanced in September 2015; Airtel gained slightly more subscribers than they lost (a net gain of 1,712), and Globacom the reverse (a net loss of 1,707). However, Etisalat lost a smallest number of subscribers, and gained the largest number, meaning that the net gain was considerable, at 11,634. For MTN, the reverse was true; in net terms they lost 11,660 subscribers to porting activities, a very similar to the amount that Etisalat gained. . Nevertheless these numbers are small relative to the overall number of subscribers.

Figure 7: Incoming and Outgoing Porting Activities, September 2015



Tariff Details

Across all providers, there are numerous options for tariff plans, each differing according to the overall cost and the services provided. This reflects the fact that there are many facets to the services telecommunications companies provide, such as SMS messaging, local and international call and data bundles. The variety of options may reflect the telecommunications companies attempting to attract customers with more tailored packages, catering to a wide range of different user needs.

Tariffs tend to differ according to whether they are on-peak or off-peak, whether the service is to someone on the same network (on-net) or a different one (off-net), and whether they are pre- or post-paid. However not all networks offer different prices according to these characteristics; for its pre-paid plans, Etisalat offers the same prices for on-net and off-net calls regardless of what bundle is purchased, and Airtel do not distinguish between on-peak of off-peak calls.

As a result of the different options available, whether or not prices are higher or lower than in 2014 largely depends on usage. For example, Airtel 2Good Classic (a particular package offered by Airtel) offers cheaper rates than

Airtel Connect (an alternative package), but charges a daily fee of 5 naira. Therefore which is cheaper will depend on usage; the more the line is used, the more it would be worth paying the 5 naira daily fee.

Appendix - Tables

Table 1: Contribution to Basic Price GDP of Telecommunications Sector, %

	2014				2015		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Constant prices	8.27	9.25	7.57	8.76	8.38	9.46	7.71
Current prices	7.95	10.53	7.41	7.57	8.55	10.96	7.58

Table 2: Annual Growth in Telecommunications Sector, %

	2014				2015		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Current prices	9.53	8.68	15.67	15.81	12.14	9.42	8.43
Constant prices	4.48	6.15	6.25	2.48	5.36	4.66	4.69

Table 3: Mobile Subscribers by Carrier

	2014 Sep	Oct	Nov	Dec	2015 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
GSM													
Airtel	26,054,251	26,504,712	26,836,050	27,556,544	27,989,580	28,380,848	28,680,757	29,291,114	29,539,739	29,564,766	30,075,643	30,569,278	31,134,625
Etisalat	19,881,519	20,162,932	20,565,917	21,103,749	21,559,667	22,015,685	22,235,557	22,444,198	22,597,264	22,852,232	23,029,329	23,307,025	23,492,214
Glo	27,611,353	27,889,235	27,591,967	28,219,089	28,486,530	28,877,537	29,577,125	30,040,119	30,482,435	31,256,677	31,256,677	31,445,115	31,306,472
MTN	58,363,105	58,523,509	59,046,669	59,797,224	60,495,053	61,001,529	61,149,397	61,281,803	61,767,403	62,813,111	64,133,556	63,381,742	62,493,732
Total	131,910,228	133,080,388	134,040,603	136,676,606	138,530,830	140,275,599	141,642,836	143,057,234	144,386,841	146,486,786	148,495,205	148,703,160	148,427,043
CDMA													
Visafone	2,384,977	2,330,965	2,395,513	2,170,521	2,092,999	2,115,511	2,091,804	2,220,069	1,983,699	2,095,193	2,046,678	2,115,124	2,031,802
Multilinks	21,405	20,011	18,182	17,324	15,961	15,395	14,481	14,233	9,579	10,788	10,841	10,817	10,213
Total	2,406,382	2,350,976	2,413,695	2,187,845	2,108,960	2,130,906	2,106,285	2,234,302	1,993,278	2,105,981	2,057,519	2,125,941	2,042,015
Fixed Wireless													
Visafone	58,891	57,232	54,153	53,990	54,349	54,698	55,123	55,244	55,210	55,548	60,218	62,247	63,396
Multilinks	6,855	6,433	5,883	5,614	5,125	4,949	4,711	4,637	2,896	3,387	3,379	3,164	2,923
Total	65,746	63,665	60,036	59,604	59,474	59,647	59,834	59,881	58,106	58,935	63,597	65,411	66,319
Fixed Wired													
MTN Fixed	11,145	10,148	9,999	9,718	9,877	10,231	10,986	10,995	9,740	9,687	9,693	9,719	9,731
Glo Fixed	11,442	11,494	11,472	11,701	11,674	11,097	11,795	11,834	11,850	11,834	11,834	11,646	11,658
ipNX	2,852	2,746	2,551	2,821	2,659	2,414	2,796	2,596	2,430	2,839	2,680	2,466	2,879
21st Century	99,534	99,577	99,497	99,446	99,009	99,881	99,676	99,484	99,499	99,348	100,477	100,281	100,986
Total	124,973	123,965	123,519	123,686	123,219	123,623	125,253	124,909	123,519	123,708	124,684	124,112	125,254

Table 4: Internet Subscriptions by Carrier

	2014				2015								
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
GSM													
Airtel	13,588,542	13,831,804	13,820,307	14,371,987	14,969,924	15,894,061	16,603,147	17,272,665	17,634,885	17,598,626	17,605,852	17,495,014	17,730,955
Etisalat	5,800,277	5,824,861	5,810,488	6,194,758	10,078,388	9,852,713	10,189,568	10,421,229	10,330,559	15,285,079	15,393,860	15,541,009	15,598,070
Globacom	15,843,258	16,024,039	16,524,740	17,139,320	17,671,405	18,184,587	18,617,607	19,690,526	19,340,990	19,330,549	19,330,549	20,765,379	21,896,229
MTN	38,637,446	37,441,848	37,918,448	38,618,567	39,173,123	39,278,019	39,904,772	39,520,285	40,830,146	40,485,670	41,101,886	41,411,846	41,835,294
Total	73,869,523	73,122,552	74,073,983	76,324,632	81,892,840	83,209,380	85,315,094	86,904,705	88,136,580	92,699,924	93,403,147	95,213,248	97,060,548
CDMA													
Multilinks	2,031	1,717	1,284	954	739	649	551	527	126	167	203	260	286
Visafone	158,151	155,660	154,744	153,370	153,059	152,785	152,315	150,252	147,487	115,481	148,461	151,923	151,530
Total	160,182	157,377	156,028	154,324	153,798	153,434	152,866	150,779	147,613	115,648	148,664	152,183	151,816

Table 5: Porting Activities by Carrier

	2014				2015								
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Incoming													
Airtel	6,523	4,118	2,908	1,799	2,342	2,758	2,289	2,933	4,161	6,290	6,613	5,596	5,347
Etisalat	9,749	9,035	9,385	7,638	7,820	9,187	10,111	9,875	12,252	13,382	14,125	11,875	12,898
Globacom	2,112	2,145	962	621	1,146	1,532	1,435	1,717	1,065	850	850	1,413	1,505
MTN	1,304	778	839	1,110	1,186	1,478	1,559	994	657	536	951	737	599
Total	19,682	16,076	14,094	11,168	12,494	14,955	15,394	15,519	18,135	21,060	22,539	19,621	20,349
Outgoing													
Airtel	3,490	2,835	2,750	2,686	3,330	3,655	3,197	3,381	3,316	3,768	4,047	3,362	3,635
Etisalat	2,682	1,757	1,019	920	1,749	1,625	1,431	1,777	1,984	2,177	2,161	2,077	1,264
Globacom	3,945	3,310	2,305	2,260	2,680	2,570	2,651	2,038	3,253	3,290	3,290	2,795	3,212
MTN	8,863	8,795	7,504	4,673	6,571	6,951	7,439	8,161	9,558	11,918	19,214	11,218	12,259
Total	18,980	16,697	13,578	10,539	14,330	14,801	14,718	15,357	18,071	21,153	28,712	19,452	20,370