Nigerian Telecommunications Sector

SUMMARY REPORT: Q4 and full year 2015

NATIONAL BUREAU OF STATISTICS

26th April 2016

NATIONAL BUREAU OF STATISTICS

Telecommunications Data

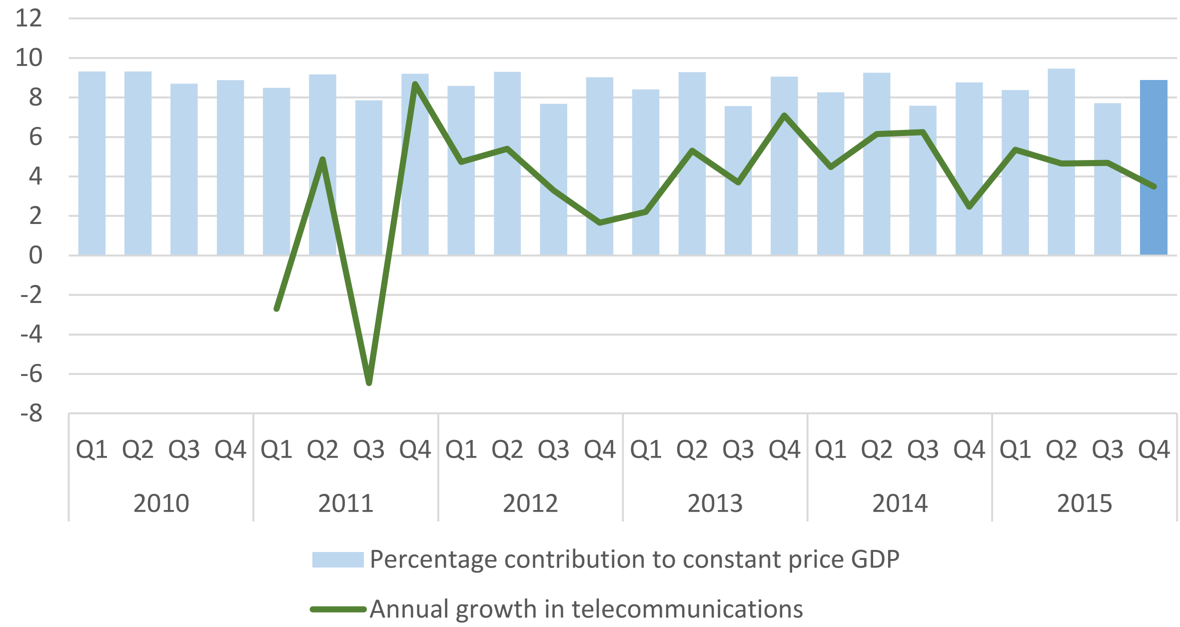
The telecommunications data used in this report were obtained from the National Bureau of Statistics (NBS) and the Nigerian Communication Commission (NCC). Variables obtained from NBS include Gross Domestic Product contribution and growth, whilst NCC indicators include those on subscribers to mobile 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 1,645,82 billion to GDP in the final quarter of 2015, or 8.88%, a slight increase relative to the 8.76% contribution recorded in the same quarter of the previous year. It is also higher than the contribution of 7.71% recorded in the third quarter, but this is to a large extent due to different seasonal patterns of the telecommunications sector and whole economy. The year on year growth rate recorded in the fourth quarter of 2015 was 3.49%, higher than the growth rate of 2.48% recorded in the same quarter 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. In 2015 this trend was reversed; in each quarter the growth rate in the telecommunications sector was higher than for the economy as whole. As a result, the proportion of total annual GDP accounted for by telecommunications increased in 2015.

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

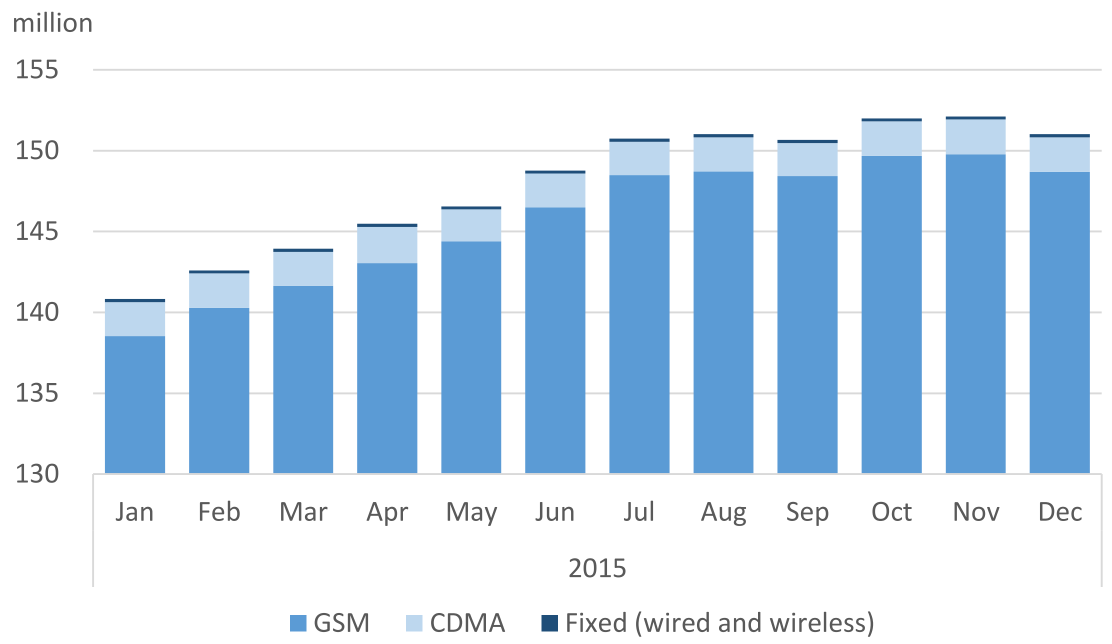


Subscribers as of December 2015

The total number of subscribers has increased rapidly over the previous decade, and over the past year has increased steadily. Between December 2014 and December 2015 (final month of Q4), the number had increased by 11.97 million, or 8.61%; a slightly lower growth rate than in prior years, possibly as market penetration is already high, which leaves less room for large expansion. It also implies that the number of subscribers grew by significantly more than the sectors contribution to GDP over this period.

Most of the increase in the number of subscribers was attributable to additional Global System for Mobile Communications (GSM) subscriptions. The yearly increase between December 2015 and December 2014 was 8.78%, 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 each month, 2015



Source: NBS, NCC

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, and accounted for 98.45% of the total in December 2015 followed by CDMA with 1.42% of the total, whist fixed wired and wireless make up 0.08% and 0.04% respectively. The dominance of GSM users has increased slightly since December 2014, when 98.29% of subscribers used this technology type. However it has decreased slightly since the end of the third quarter in September, when 98.52% of subscribers used GSM technology. The share of all other technology types has decreased between December 2014 and December 2015.

The dominance of GSM over CDMA in the mobile technology is characteristic worldwide; GSM accounted for over 80% of the global market in 2009 Q2 according to industry estimates[1]. 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)

[1] GSM World Statistics page

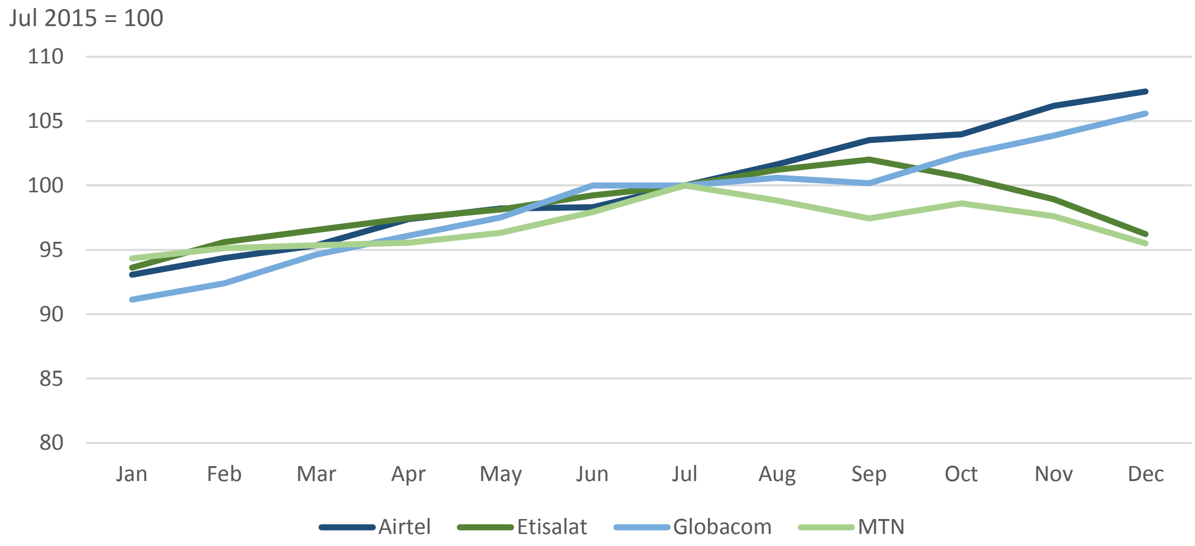
have mandated the technology by law. However, CDMA is more prevalent in the United States.

Mobile Subscribers (GSM)

In December 2015, the total number of GSM subscribers was 148,681,362, an increase of 12,004,756 or 8.78% relative to December 2014. However, this number is a decline relative to the number in October and November, when there were 149,683,259 and 149,787,120 subscribers respectively.

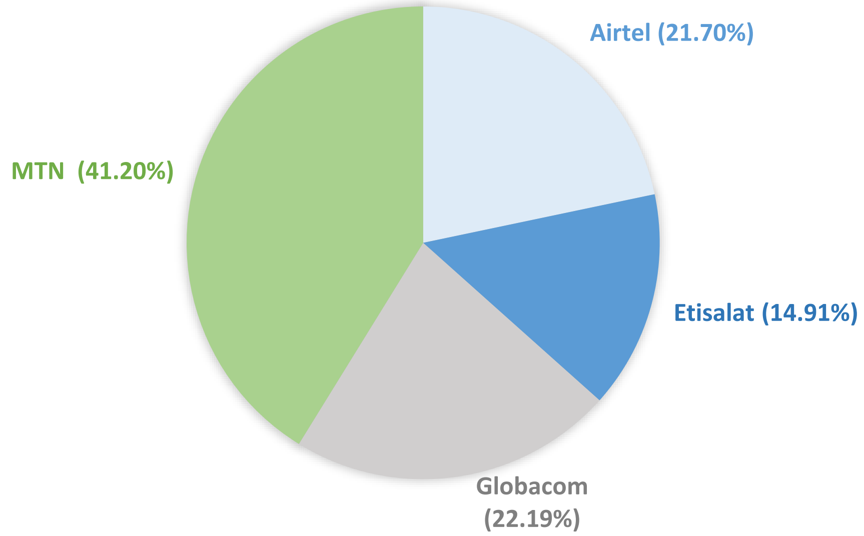
Taking 2015 as a whole, July marked a clear turning point. Prior to July, each company saw increases in the number of subscribers every month. However, after this date, only Airtel experienced a consistent increase in the number of subscribers, and MTN and Etisalat ended the year with less subscribers than in April. This is demonstrated in figure 3, which shows subscriber numbers for each company indexed to July 2015.

Figure 3: GSM subscribers relative to July 2015 by provider, 2015



Consequently, in the fourth quarter a clear divide emerged between MTN and Etisalat on the one hand, and Airtel and Globacom on the other. The latter two companies saw increases in their number of subscribers throughout the quarter, whereas Etisalat saw decreases each month, and MTN saw decreases in November and December. Consequently, at the end of the fourth quarter of 2015, the number of subscribers with MTN and Etisalat were 1.99% and 5.67% lower respectively compared to the end of the third quarter, whereas the number of subscribers with Globacom and Airtel was 5.41% and 3.64% higher respectively. The latter increases outweighed the reductions sustained by MTN and Etisalat, meaning the overall number of subscribers increased over the same period by 0.17%. As a result of these trends, Globacom and Airtel increased their share of the market, to 22.19% and 21.70% respectively, whilst Etisalat and MTN saw a decrease in their share, to 14.91% and 41.20% respectively.

Figure 4: Share of total GSM subscribers by provider, December 2015



Mobile Subscribers (CDMA)

In December 2015, at the end of the fourth quarter, there were 2,148,727 CDMA subscribers, an increase of 5.23% relative to September, although there were slightly more subscribers in November, when the number was 2,149,275. There was also a decrease in the number of CDMA subscribers over the year; in December 2015 there were 1.79% less subscribers than in December 2014.

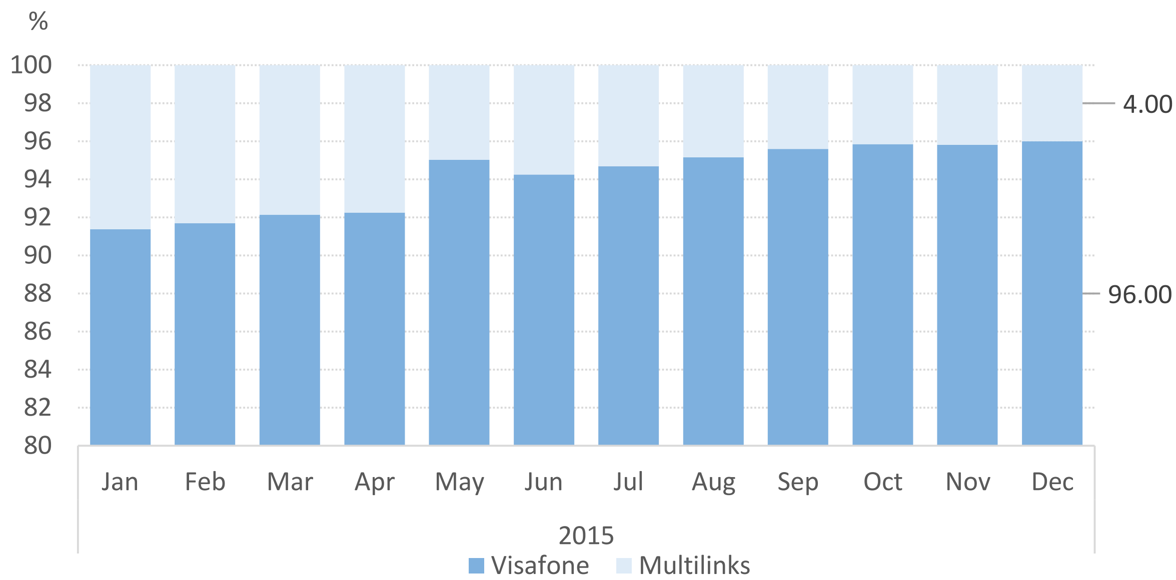
The number of Multilinks CDMA subscribers decreased throughout the quarter, from 10,213 in September to 8,428 in December, continuing the trend seen over the last few years. Between December 2014 and December 2015 Multilinks subscriptions fell by 51.35%. The number of Visafone subscribers only fell by 1.39%, resulting in Visafone's share increasing to 99.61% in December 2015, from 99.21% in December 2014.

Fixed Wireless Line

The number of fixed wireless line subscriptions remains similar to the previous year. In December 2015 the number was 59,745, marginally higher (0.24%) than December 2014. The third quarter saw some increases – the number of fixed wireless subscriptions rose by 12.53% between June and September 2015 to reach 66,319 – but these were reversed in the fourth; the number of subscribers in December was 9.91% lower than in September, after having fallen every month in between.

As with CDMA subscriptions, Visafone dominates the market, and has increased this dominance over the past year as a result of a steady decline in the number of Multilinks subscriptions. The proportion of fixed wireless line subscriptions accounted for by Visafone rose from 90.58% in December 2014 to 96.00% in December 2015.

Figure 5: Share of Fixed Wireless line subscribers, by provider, 2015

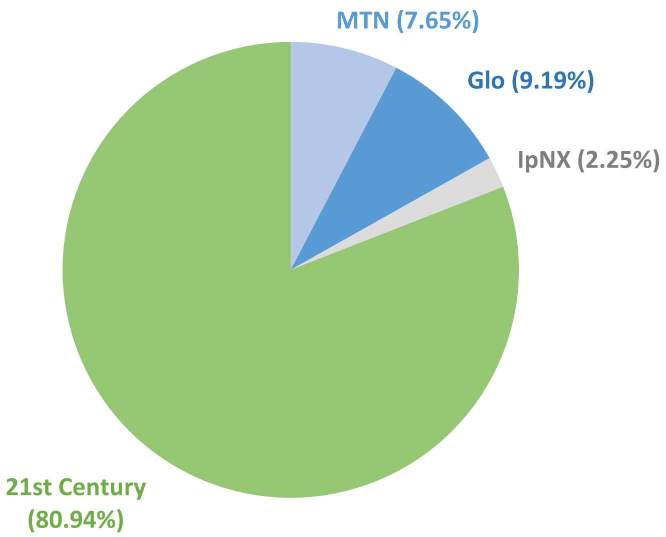


Fixed Wired Line

There was a total of 127,410 fixed wired line subscriptions in December 2015, up from 125,254 in September and 123,686 in the previous December, which represents increases of 1.72% and 3.01% respectively. The biggest increase within the fourth quarter was in October, which saw the number of subscribers increase by 1.45% month on month, from 125,254 to 127,065. There has been little movement in the composition of subscribers relative to other providers. 21st Century was the largest provider, and accounted for 80.94% in December 2015, only marginally higher than in the previous December when it accounted for 80.40%. Glo and MTN were the second and third largest providers, and accounted for 9.19% and 7.65% respectively in December 2015, compared with 9.46% and 7.86% in December 2014. These share compositions changed little throughout the year.

IpNX was the smallest provider and accounted for 2.22% in December 2015, compared with 2.23% in the previous December. In contrast to the networks, the number of fixed wired line subscribers with IpNX exhibits a degree of seasonality. The number tends to decline throughout the first and second months of the quarter, before peaking in the third (e.g. falling in January and February before peaking in March).

Figure 6: Share of total Fixed Wired Line subscriptions, by provider, December 2015



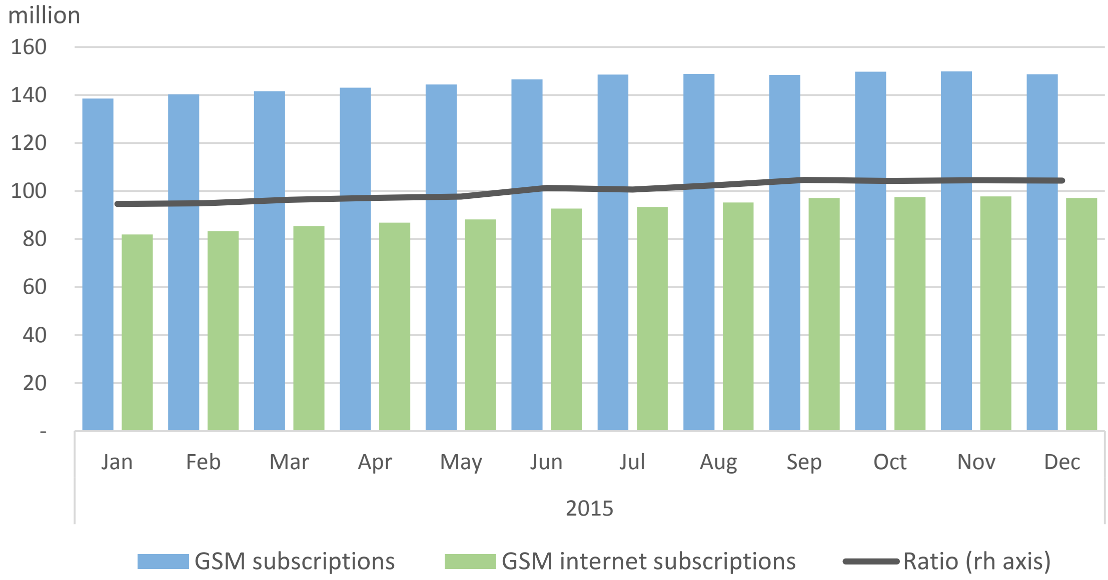
Internet Subscriptions

GSM internet subscriptions

Of all GSM users, a total of 97,032,543 had an internet subscription with one of the four carriers of Airtel, Etisalat, Globacom and MTN in December 2015. This means that of all the active GSM lines, 65.26% had an internet subscription.

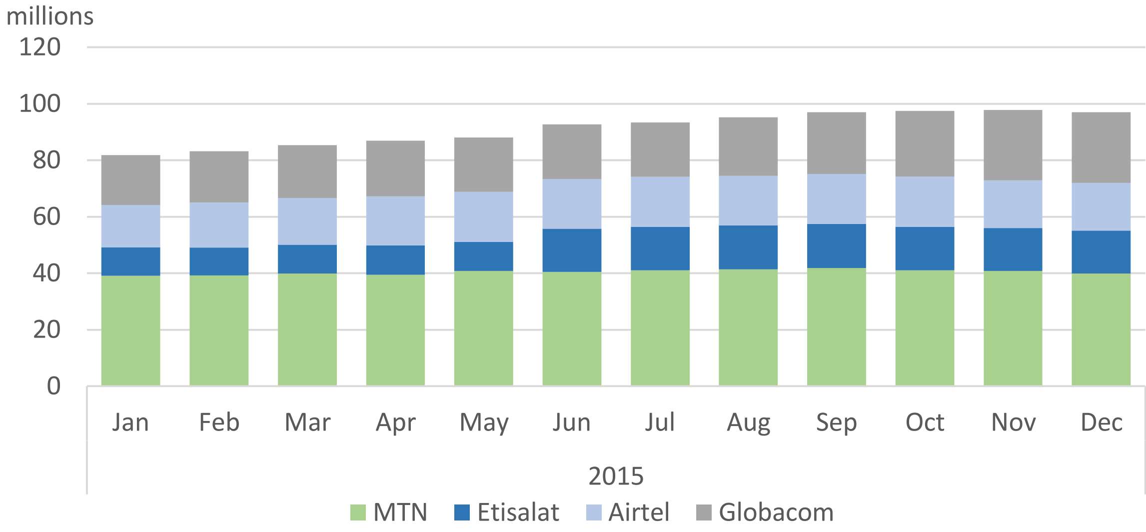
The upward trend in this proportion seen throughout previous quarters was not witnessed in the fourth quarter of 2015; the proportion was fairly flat throughout October to December, alternately increasing and decreasing.

Figure 7: GSM Subscribers and internet subscriptions, 2015



The absence of an upward trend resulted from most providers recording declines in the number of internet subscribers; only Globacom saw an increase. Following September, the number declined every month, from 41,835,294 in September to 39,924,737 in December, a fall of 4.57%. However this is still 3.38% higher than in the previous December, when the number of internet subscriptions with MTN was 38,618,567. The number of Airtel internet subscriptions also declined; after increasing slightly in October it fell in November and December to reach 16,835,952, which is 5.05% lower than in September, but still 17.14% higher than December 2014's figure of 14,371,987. Etisalat saw a similar trend in the fourth quarter, with internet subscriptions falling by 2.62%, from 15,598,070 to 15,189,778 between September and December; but they remain significantly higher than in the previous year, (an increase of 145.20%). The exception was Globacom, which saw a large increase in the number of internet subscriptions between September and December 2015, from 21,896,229 to 25,082,066 or 14.55%. The number is now 46.34% higher than in December 2014.

Figure 8: Internet subscribers with GSM technology, by company, 2015



As a result of these changes, the composition changed over the fourth quarter; Globacom increased its share of the market from 22.56% to 25.85%, and the other three providers each saw declines in their market share. MTN's share fell from 43.10% to 41.15%, Airtel's fell from 18.27% to 17.35%, and Etisalat's share fell from 16.07% to 15.65%.

CDMA internet subscriptions

The ratio of internet to mobile subscriptions amongst CDMA providers is low relative to GSM subscribers, and despite increasing slightly between November and December 2015, fell overall during the fourth quarter, from 7.43% in September to 6.96% in December. Internet subscriptions are less common among Multilinks subscribers; there were only 259 in December, which represents a 72.85 decline relative to December 2014.

Given that Visafone dominates the CDMA internet subscriptions to a greater extent than the mobile subscriptions (accounting for 99.83% in December 2015) it is the main driver of total CDMA internet subscriptions. Although the number of Visafone internet subscriptions increased from 145,953 to 149,212 between November and December 2015, it has decreased by 2.71% since December 2014, and remains 1.55% lower than in September, the end of the third quarter, when the number was 151,530.

The total number of CDMA subscriptions declined by 1.54% overall over the fourth quarter, compared with a decline of 0.03% for GSM subscriptions, which means that the latter continues to entrench its position as the most popular form of internet subscriptions.

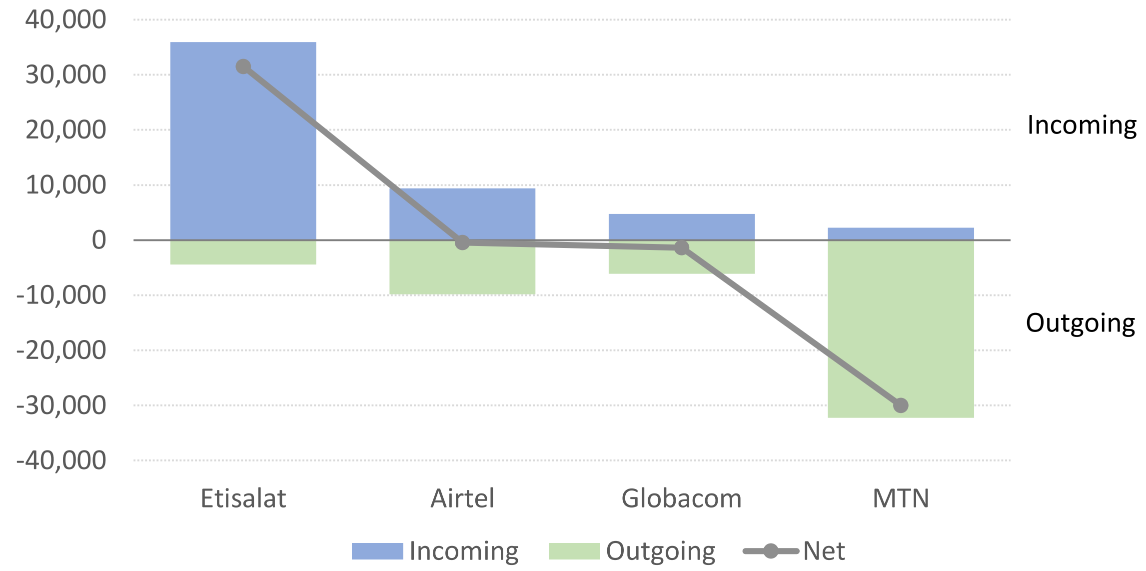
Porting Activities

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. 2015 was a more active year for porting activities than 2014, total incoming activity increased by 42.88% from 148,652 to 212,401 incoming porters. This was driven to a large extent by Etisalat, who gained 137,466 incoming porters in 2015 compared to 69,364 in 2014, and increase of 98.18%.

Outgoing activity increased by 50.38% from 145,998 to 219,559 between 2014 and 2015. This increase was driven mainly by MTN who lost 125,515 porters in 2015 compared to 67,039 in 2014, an increase of 87.23%. Airtel also lost substantially more porters in 2015 compared to 2014, 41,527 in 2015 compared to 25,883 in 2014, an increase of 60.44%.

Comparing the incoming porting activities with the outgoing, emphasises the extent to which Etisalat benefits, and MTN loses out from such activities. Figure 9 makes this comparison for the fourth quarter of 2015, with outgoing porting activities represented by the negative bars.

Figure 9: Summary of Porting Activities, Q4 2015



Incoming

In the fourth quarter of 2015 there was less incoming porting activity than the third; over the three months from October to December there were 52,335 people to join a new network, compared with 62,509 in the three months from July to September. November was the month to see the largest amount of activity, when there were 18,261 people to join a new network, compared with 17,742 in December and 16,332 in October.

Etisalat continued to be the biggest beneficiary, and substantially increased its share of incoming porting activities in the fourth quarter. In the quarter as a whole Etisalat accounted for 68.67% of incoming porting activities, compared to 62.23% in the third quarter. The figure was even higher in December, when Etisalat accounted for 12,384 out of 17,742, or 69.80%. In contrast with previous quarters, both MTN and Globacom increased their share, from 3.66% in the third quarter to 4.28% in the fourth for MTN, and from 6.03% to 9.08% for Globacom. However MTN's figure was affected by substantial increase of incoming porters in October; there were 1,068 incoming porters, more than in any month since March. These increases were at the expense of Airtel. Total incoming porting activities for Airtel in the fourth quarter was 9,404, which represents a decline of 46.43% relative to the 17,556 seen in the previous quarter. Consequently, their share fell from 28.09% to 17.97% between the third and fourth quarter.

Outgoing

As with incoming activity, there was a reduction in the number of outgoing porters between the third and fourth quarter, the number fell by 23.26% from 68,534 to 52,595. November was the month in which there was the most outgoing activity, when there were 18,258 people to leave their network, compared to 17,758 in December and 16,579 in October.

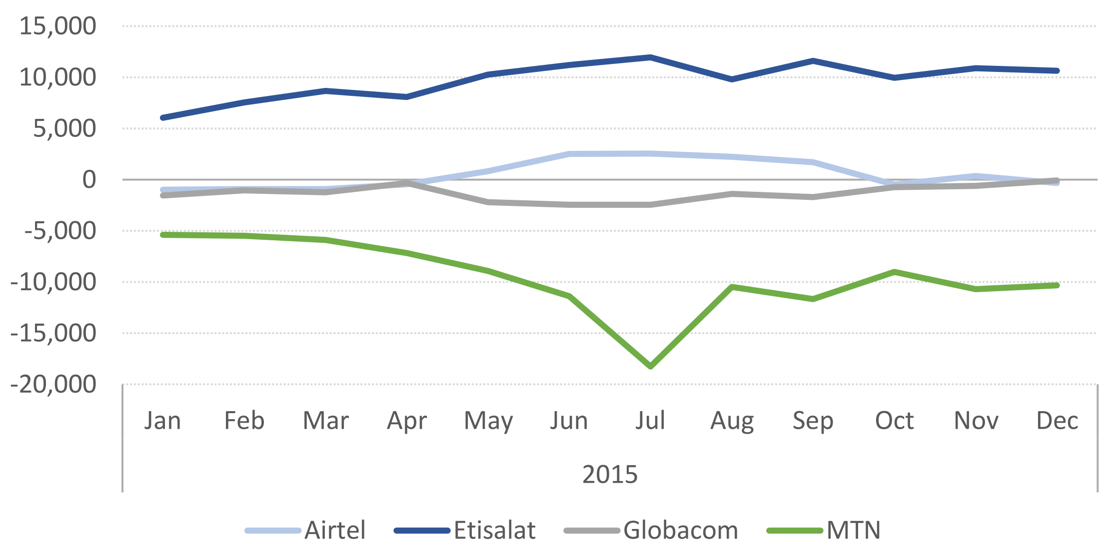
The shares of outgoing porting activity accounted for by each network was similar between the third and fourth quarter, in comparison with incoming activity. Although the number of porters leaving Airtel fell from 11,044 to 9,836 between the third and fourth quarter, Airtel the share of outgoing porting activity accounted for by Airtel increased from 16.11% to 18.70%. Etisalat's share also increased slightly, from 8.03% to 8.39%, but remained the network to lose the fewest subscribers. Globacom's share fell from 13.57% to 11.64%. Notably, MTN's share also fell from 62.29% to 61.27, after having risen consistently throughout 2015.

Net Porting Activities

In 2015 Q4, Etisalat was the only net beneficiary of porting activities. Their net gain was 31,530 over the period, which was fairly evenly spread over October, November and December, although they gained the most in November. The other three networks all lost more from outgoing than they gained from incoming porting activities. MTN was the network to lose the most, as in previous quarters, sustaining a net loss of 29,987 over the quarter. Mirroring Etisalat, November was the month in which they lost the most. Airtel lost the fewest, losing only 432 over the quarter, as a result of a net gain in November but net losses in October and December. Globacom lost 1,371 over the quarter, although their net loss has been reducing month on month since September and in December they only lost 55 subscribers.

The picture has remained similar over 2015, with Etisalat consistently benefitting from porting activities, and MTN consistently losing out. In net terms, Airtel and Globacom have gained or lost relatively little each month. For the year as a whole, MTN and Etisalat lost 114,579 porters and gained 116,810 porters respectively in net terms; by comparison, Airtel and Globacom gained 6,206 and lost 15,637 porters respectively.

Figure 10: Net Porting Activities by provider, 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	Q4
Constant prices	8.27	9.25	7.57	8.76	8.38	9.46	7.71	8.88
Current prices	7.95	10.53	7.41	7.57	8.55	10.96	7.58	7.72

Table 2: Annual Growth in Telecommunications Sector, %

	2014				2015			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Constant prices	4.48	6.15	6.25	2.48	5.36	4.66	4.69	3.49
Current prices	9.53	8.68	15.67	15.81	12.14	9.42	8.43	9.24

Table 3: Mobile Subscribers by Carrier

	2014 Dec	2015 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
GSM													
Airtel	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	31,273,483	31,936,152	32,268,301
Etisalat	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	23,180,651	22,783,861	22,161,290
Globacom	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	31,994,298	32,469,350	32,999,384
MTN	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	63,234,827	62,597,757	61,252,387
Total	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	149,683,259	149,787,120	148,681,362
CDMA													
Visafone	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	2,120,880	2,140,299	2,140,299
Multilinks	17,324	15,961	15,395	14,481	14,233	9,579	10,788	10,841	10,817	10,213	9,463	8,976	8,428
Total	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	2,130,343	2,149,275	2,148,727
Fixed Wireless													
Visafone	53,990	54,349	54,698	55,123	55,244	55,210	55,548	60,218	62,247	63,396	59,863	57,358	57,358
Multilinks	5,614	5,125	4,949	4,711	4,637	2,896	3,387	3,379	3,164	2,923	2,592	2,502	2,387
Total	59,604	59,474	59,647	59,834	59,881	58,106	58,935	63,597	65,411	66,319	62,455	59,860	59,745
Fixed Wired													
MTN Fixed	9,718	9,877	10,231	10,986	10,995	9,740	9,687	9,693	9,719	9,731	9,732	9,746	9,753
Glo Fixed	11,701	11,674	11,097	11,795	11,834	11,850	11,834	11,834	11,646	11,658	11,657	11,701	11,710
ipNX	2,821	2,659	2,414	2,796	2,596	2,430	2,839	2,680	2,466	2,879	2,717	2,451	2,823
21st Century	99,446	99,009	99,881	99,676	99,484	99,499	99,348	100,477	100,281	100,986	102,959	103,019	103,124
Total	123,686	123,219	123,623	125,253	124,909	123,519	123,708	124,684	124,112	125,254	127,065	126,917	127,410

Table 4: Internet Subscriptions by Carrier

	2014 Dec	2015 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
GSM													
Airtel	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	17,800,917	16,837,282	16,835,952
Etisalat	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	15,407,008	15,161,307	15,189,788
Globacom	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	23,285,454	24,952,559	25,082,066
MTN	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	41,025,019	40,872,869	39,924,737
Total	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	97,518,398	97,824,017	97,032,543
CDMA													
Multilinks	954	739	649	551	527	126	167	203	260	286	289	259	259
Visafone	153,370	153,059	152,785	152,315	150,252	147,487	115,481	148,461	151,923	151,530	149,781	145,953	149,212
Total	154,324	153,798	153,434	152,866	150,779	147,613	115,648	148,664	152,183	151,816	150,070	146,212	149,471

Table 5: Porting Activities by Carrier

	2014 Dec	2015 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Incoming													
Airtel	1,799	2,342	2,758	2,289	2,933	4,161	6,290	6,613	5,596	5,347	3,074	3,445	2,885
Etisalat	7,638	7,820	9,187	10,111	9,875	12,252	13,382	14,125	11,875	12,898	11,211	12,346	12,384
Globacom	621	1,146	1,532	1,435	1,717	1,065	850	850	1,413	1,505	979	1,735	2,037
MTN	1,110	1,186	1,478	1,559	994	657	536	951	737	599	1,068	735	436
Total	11,168	12,494	14,955	15,394	15,519	18,135	21,060	22,539	19,621	20,349	16,332	18,261	17,742
Outgoing													
Airtel	2,686	3,330	3,655	3,197	3,381	3,316	3,768	4,047	3,362	3,635	3,562	3,086	3,188
Etisalat	920	1,749	1,625	1,431	1,777	1,984	2,177	2,161	2,077	1,264	1,241	1,431	1,739
Globacom	2,260	2,680	2,570	2,651	2,038	3,253	3,290	3,290	2,795	3,212	1,703	2,327	2,092
MTN	4,673	6,571	6,951	7,439	8,161	9,558	11,918	19,214	11,218	12,259	10,073	11,414	10,739
Total	10,539	14,330	14,801	14,718	15,357	18,071	21,153	28,712	19,452	20,370	16,579	18,258	17,758