

Saudi Arabia Telecom Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

Market Report | 2023-01-23 | 116 pages | Mordor Intelligence

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Report description:

The Saudi telecom market is anticipated to grow at a CAGR of 3.4% during the forecast period. The market is supported by the increasing demand from the young population, which is linked to rising technology use and expanding telecommunication services. The telecom business in Saudi Arabia is driven by the rising use of open-access models and 5G home broadband services.

Key Highlights

Saudi Arabia is one of the largest information and communications technology (ICT) markets in the Middle East region. The country's telecommunications and information technology (IT) industries represent more than 55% and 51% of the Middle East market.

The Ministry of Communications and Information Technology's ICT strategy for 2019-2023 targets a goal of 50% IT sector growth and raising the Saudi IT workforce to 50% by 2023. Furthermore, it aims to attract foreign investments and support empowerment and more participation of women in the sector.

This strategy is part of the government's efforts to establish a robust and innovative digital architecture. Hence, digital transformation accelerates and supports Vision 2030 goal of promoting the sector's role in building a digital society, a digital government, a thriving digital economy, and innovation.

The decline in consumer spending and restricted disposable income in the region is among the most prominent reasons for shrinking consumer expenditures. This affects the growth of the telecom sector in the country. Three factors limit the downward trend in consumer spending, i.e., the cessation of commercial flights and the localization of the resulting outbound tourism spending reduced final pricing and, in some cases, partial VAT absorption by enterprises and retailers, and the implementation of the SANED plan, which enables the retention of citizens in suitable private sector positions.

The COVID-19 pandemic was a major concern for policy and regulatory changes in this area. During the pandemic, several schools

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shifted to distance learning methods. Internet connectivity was used for various day-to-day activities. People preferred online services, like shopping, banking, teaching, learning, etc., to reduce infection risks. New initiatives to guarantee, enhance, and expand broadband connectivity for consumers were driven by the pandemic, aiding the market's growth.

Saudi Telecom Market Trends

Successful Liberalization of Saudi Telecom Sector and Launch of MVNOs Driving the Market

The global telecom business has undergone tremendous upheaval with new technologies and revenue streams introduced over the past few years. Soon after liberalization in 2003, the telecom market in the Kingdom of Saudi Arabia (KSA) began to grow. Since then, the country has developed a highly competitive telecom sector with the help of foreign investment and government backing.

Three companies with unified licenses presently control most of the market, namely Mobile Telecommunication Company Saudi Arabia, Etihad Etisalat Company, and Saudi Telecom Company (STC). Other internet service providers (ISPs), mobile virtual network operators (MVNOs), and fixed-line service providers are also present in the market. The creation of a transparent, competitive market that keeps up with cutting-edge infrastructure and technologies has been made possible in large part by the government.

Moreover, with the introduction of 5G, Saudi Arabia got a head start and is one of the few early adopters of the technology globally. KSA should remain the region's market leader in the near future, owing to robust government support. Regarding service diversification, 5G offers telecom companies tremendous development potential. Initial patterns developed markets point to an increase in ARPU. To take advantage of these potentials, telecom companies must make significant investments in 5G coverage expansion and smooth migration of their client base to the new standard.

The growth of the sector's infrastructure and competition have always been supported by the Communications and Information Technology Commission (CITC) and the Ministry of Communications and Information Technology (MCIT). Decisions like granting consolidated licenses, lowering call termination rates, and settling royalty fees in exchange for infrastructure investments from operators reflect the regulators' policy.

Mobile Segment Holds Significant Market Share

The mobile segment of the Saudi Arabia telecom market is expected to witness significant growth in the coming years, owing to the increasing internet and smartphone penetration coupled with the momentum towards the digital economy in line with Saudi Vision 2030.

Moreover, the widespread rollout of 5G services owing to the continuous efforts from the Communications and Information Technology Commission (CITC) and MNOs resulted in better call quality and internet speeds, thus, in turn, creating a high demand for mobile data services and mobile voice services.

The growth in mobile penetration, coupled with the growing demand for mobile voice services, is expected to drive the market over the forecast period. For instance, according to the data from the GSMA Intelligence, in Saudi Arabia, mobile usage is widespread, and there were over 41 million mobile connections at the start of 2022.

The COVID-19 pandemic has stimulated growth in mobile data traffic owing to the increase in online gaming, digital transactions, shopping, and downloading. Additionally, the government has encouraged non-cash transactions and helped develop the vast e-commerce market. Such factors positively impacted the growth of the mobile segment.

Saudi Arabia's telecom market is consolidated, and STC, Mobily, and Zain KSA are the three dominant players. In terms of mobile penetration, the nation has a saturated telecom sector. As a result, there is not much space for operators to boost their top line by adding more subscribers. Telecom companies in KSA are currently concentrating on using new technology, partnerships, and global expansions to increase the scope of their service offerings. Operators increasingly concentrate on 5G network expansion and the enterprise solution market.

In April 2022, Arabsat extended its partnership with Euronews on its wide coverage satellite Badr-4. This partnership extension aims to help Euronews achieve content visibility and recognition in the MENA region, as well as its various growth objectives. In April 2022, STC acquired an e-portal Holding Company and its subsidiaries. The acquisition aims to strengthen its digital capabilities further by acquiring a specialized arm in ICT, IoT, and Cloud Services to provide business solutions to the Kuwaiti enterprise segment. Expanding STC's activities beyond traditional telecommunications would increase the company's market share in Kuwait's ICT market.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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