Hong Kong Telecom Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The Hong Kong telecom market is expected to grow at a CAGR of 3.5% over the next five years. Private concerns offer various telecommunications services in Hong Kong, including mobile, fixed broadband, and local carrier services. The telecom industry in the country is dynamic and fiercely competitive. Hong Kong Broadband Network Limited, Hong Kong Telecommunications (HKT) Limited, China Mobile Hong Kong Company Limited, SmarTone Telecommunications Holdings Limited, and Hutchison Telecommunications Hong Kong Holdings Limited are some key players in the market.

Key Highlights
Hong Kong is considered Asia's leading digitally improved telecommunications center. The digital revolution brought forth by new technology has increased the number of internet users across the country. The demand for mobile internet connections has grown due to the low cost of smartphones and the introduction of 5G-capable mobile devices. The nation's telecom industry is investing all its efforts into developing the 5G market, hoping that as more people make use of the quick download speeds to watch more content, local service revenue will rise (and hence bandwidth).
Commercial 5G service launches began in April 2020. Local mobile network operators (MNOs) are aggressively deploying their 5G networks. Hong Kong now has 5G coverage for more than 90% of the population. Moreover, the spectrum in the 700 MHz bands, formerly reserved for television broadcast, has been reassigned to promote telecommunications and smart city activities in Hong Kong. The mobile network gradually started its active base stations in the 700 MHz bands to offer 5G services to the public.
Hong Kong has long been acknowledged as one of the world's top cities for fixed broadband performance. The country's fixed line and mobile service penetration rates are among the highest in the world, and broadband infrastructure is widely used. Even Hong Kong's fixed-line tele density is remarkable at over 50%. However, as people gradually switch to the mobile platform for all their communication needs, it has also begun to see a progressive decrease, following most other telecom markets worldwide.
According to a DBS analysis, the new housing supply has contributed to steady growth in Hong Kong's residential broadband

market. In contrast, the enterprise market is strong, with no impact from COVID-19 on SME exposure. Major telecommunication companies in the country, along with HKBN and HKT, are currently providing a comprehensive range of telecommunications solutions for the home and business markets, such as managed Wi-Fi and broadband services, voice communication, mobile services, OTT entertainment, data center services, integrated cloud services, data connection, and system integration.

The COVID-19 pandemic had a significant impact on Hong Kong's telecom sector. With the spread of the pandemic, several supply chains in the country's telecom industry were disrupted. Meanwhile, most people in the country had to work from home (WFH) due to the pandemic. Most of Hong Kong's telecom companies quickened their digital transformation with the expectation that the changes would increase their competitiveness and employee resiliency. The extent to which telecom organizations had previously embraced digitization determined how much they had profited from the pandemic.

Hong Kong Telecom Market Trends

5G Roll Out in Hong Kong

Hong Kong is a premier telecommunications service provider and a leading innovator offering the best 5G coverage worldwide. This has majorly happened after the service scope of 5G was steadily expanded from core metropolitan regions to several key infrastructure sites, landmarks, retail malls, and country parks. To preserve their significant position in the development of 5G, Hong Kong's upstream and downstream electronics businesses are using this first-mover advantage to create high-quality, secure, and trustworthy electronic components and smart goods.

Commercial 5G services were introduced in Hong Kong by China Mobile Hong Kong, Hutchinson, and HKT last year. Earlier this year, more than 3.2 million people had subscribed to 5G services in less than two years. Hong Kong's major commercial areas, retail malls, and local Mass Transit Railway stations had 5G coverage, which covered over 90% of the city's residents by March 2022.

According to the Office of the Communications Authority (OFCA), mobile operators in Hong Kong are planning to progressively activate their mobile base stations in the 700 MHz band to deliver 5G services. As confirmed by the authority, the 700 MHz spectrum that was once reserved for television transmission has been reassigned to the supply of mobile telecommunications services to facilitate telecoms and smart city initiatives in Hong Kong. The mobile network providers in Hong Kong progressively activated their 700 MHz band base stations to offer 5G services to the public.

The local government had previously confirmed that for the 700 MHz, 850 MHz, and 2.5 GHz to 2.6 GHz frequency allocations, Hong Kong mobile service providers would have to achieve a minimum population coverage of 90% within the next five years. The Hong Kong government announced that 255 megahertz of spectrum in 19 frequency blocks had been awarded following an auction process that required a total of 32 rounds of bidding over the course of three days. The local government received spectrum usage fees of HKD 1.87 billion (USD 240 million) for this spectrum.

Furthermore, a government subsidy that was introduced in May 2020 has accelerated the introduction of 5G in Hong Kong. A total of HKD 50 million (USD 6 million) was allotted for the program, and OFCA pledged to subsidize 50% of the price of authorized 5G deployments up to HKD 500,000 (USD 63695 million). After 103 projects had received funding, the amount was doubled to HKD 100 million (USD 13 million).

According to OFCA, Hong Kong had 3.28 million 5G mobile subscribers in 2022. In the previous year, it was only 2.18 million. However, since 5G infrastructure development is still ongoing, more efforts are needed to provide comprehensive coverage.

Digital Transformation Through IoT and AI

In the contemporary digital era, the quick development of new technologies, such as social media, mobile devices, analytics, communications, and cloud technologies, has led to increased expectations of the services and goods that the telecom businesses of the country are expected to offer. All the internal and external demands, in addition to the HKSAR Government's active promotion of "smart cities," pushed Hong Kong enterprises to undergo a digital transformation or risk being displaced. Notably, the Hong Kong government is assisting with several initiatives, but to use any of them, company executives and personnel must try to comprehend the importance of technology.

Telecommunication businesses across Hong Kong are moving quickly to link their equipment and products to the IoT, creating chances to develop new business models, change how they conduct business, and improve consumer engagement. Success in the IoT-based digital ecosystems of today depends increasingly on integrating AI into IoT networks. Hong Kong's fifth-generation mobile network (5G), which connects all significant communication apparatus, officially became fully operational as early as 2020. With the help of 5G deployments, service providers across the country can use AI technology.

Smart City Blueprint 2.0, which presents several recommendations for developing smart cities, was published by the Hong Kong government to transform Hong Kong into a pioneering smart city. The Hong Kong government is also investing in research and development facilities emphasizing robotics and artificial intelligence. With the use of big data analytics, cloud computing, and the city's current robust IT infrastructure, real-time and effective information processing might be made possible, making the city "smarter" and better prepared to handle present and future difficulties.

Furthermore, no limitations on foreign ownership or the number of market operators exist in Hong Kong's telecommunications industry. As per the Hong Kong Government, the average peak internet connection speed is 129.5 Mbps, while the percentage of mobile subscribers is 283%. The Hong Kong government continues to invest many millions of dollars in building its IT infrastructure and offers incentive programs for businesses through entities like the Innovation and Technology Fund, Hong Kong Productivity Council, etc.

Telecom companies like 3 Hong Kong, HKBN, and HKT can now provide a wide range of cutting-edge new solutions because of their extensive 5G coverage. For instance, intelligent robots have been used at shopping malls to serve as both concierge and security guards, assisting customers during the day and watching over the establishments by recording and reporting security breaches. Encouragingly, 3 Hong Kong was acknowledged for its continued investment in cutting-edge 5G technology. The country's telecom companies continued to emphasize senior citizens' digital involvement by giving out smartphones and a year of free basic cell services and other benefits.

According to the statistics from the GSMA and the World Bank at the beginning of this year, the number of Digital Media users in Hong Kong by type reveals that there were 6.7 million active social media users and 7 million internet users in the nation. Compared to other Asia Pacific countries, Hong Kong had a substantially bigger percentage of users of digital media usage.

Hong Kong Telecom Market Competitor Analysis

The Hong Kong telecom market is moderately fragmented in nature. Some major players in the market include Hong Kong Broadband Network Limited (HKBN), Hong Kong Telecommunications (HKT) Limited, China Mobile Hong Kong Company Limited, SmarTone Telecommunications Holdings Limited, and Hutchison Telecommunications Hong Kong Holdings Limited. The market also hosts other Internet service providers (ISPs), MVNOs, and fixed-line service providers. Some telecommunication companies in the country are competitive internationally, and they hold strong ground in the global telecom space.

In May 2022, HKT and PCCW announced that they were collaborating with Sandbox, becoming the first integrated communications, media, and technology company in Hong Kong. Through this collaboration, they want to establish the first virtual 5G mobile network and change the conventional film, TV, and music material into a Web3-enabled new kind of entertainment as part of their venture into the metaverse.

In July 2022, 3 Hong Kong announced its partnership with Microsoft Hong Kong as part of its digital strategy. By way of this collaboration, 3 Hong Kong would use Microsoft's cloud-based technologies to quicken digital transformation. Furthermore, it is the first telecom operator to implement Microsoft's end-to-end Customer Insight platform and Artificial Intelligence (AI) to boost and improve customer satisfaction by delivering highly personalized customer service and a superior digital experience by thoroughly examining the needs of customers.

Additional Benefits:

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

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