

Definitive data and analysis for the mobile industry

Mobile Economic Impact Nigeria

November 2018



The GSMA represents the interests of mobile operators worldwide, uniting more than 750 operators with nearly 400 companies in the broader mobile ecosystem, including handset and device makers, software companies, equipment providers and internet companies, as well as organisations in adjacent industry sectors. The GSMA also produces the industry-leading MWC events held annually in Barcelona, Los Angeles and Shanghai, as well as the Mobile 360 Series of regional conferences.

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Summary

Part 1 State of industry

24% of Nigerians are mobile internet subscribers. This compares to 22% of Africans in the Sub-Saharan region

However, the market is lagging behind developed markets – particularly in 4G and smartphone penetration

Promoting more and better infrastructure, consumer and content readiness is required to unlock the full economic impact potential of mobile

Part 2 Economic impact in 2017



Total impact

In 2017 the mobile ecosystem generated **5.4% of GDP** or \$20 billion in value added.

This will rise to 6.8% by 2022, or \$28 billion primarily due to increased take-up and usage of mobile internet

Role of device manufacturing and content, apps and services activity also expected to expand



Employment

Firms in the mobile ecosystem created almost **270,000 direct jobs** in 2017

Their activity also supported the indirect employment of over 190,000 people

This includes formal and informal employment, the latter being primarily associated to distribution and retail of mobile devices and services







Public funding

Their contribution to public funding equalled **16% of government tax revenue** (\$1.8 billion)

30% of the value added directly created by the mobile industry is kept by the government

Summary

| |  Total impact |  Direct employment |  Indirect employment |  Public funding |
|------|-------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|
| 2017 | 5.4% GDP \$ 20 billion | 267,000 direct jobs | 194,000 indirect jobs | 16% Government tax revenue \$1.8 billion |
| 2022 | 6.8% GDP \$ 28 billion | 382,000 direct jobs | 250,000 indirect jobs | 20% Government tax revenue* \$ 2.4 billion |

Source: GSMA Intelligence analysis. *2023 government tax revenue based on ratio of tax to GDP in 2017 and forecast 2023 GDP.

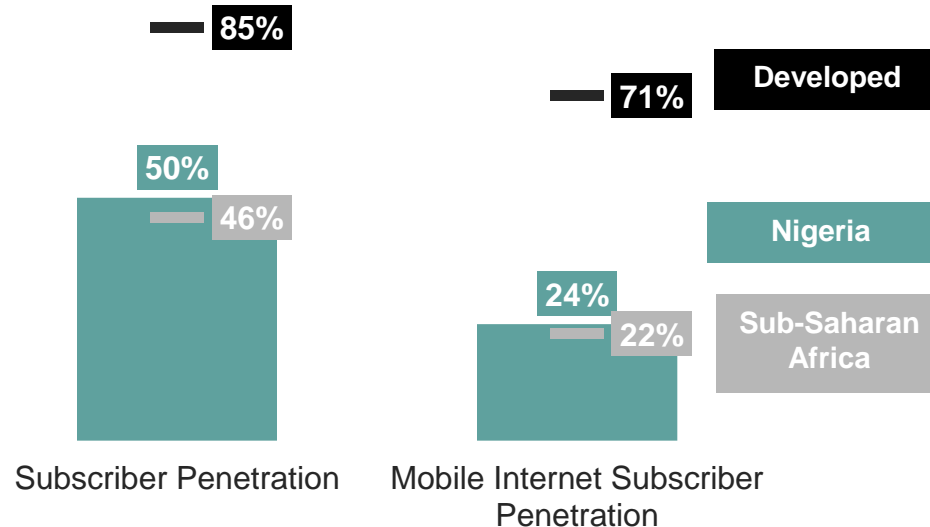
1. State of the industry

Mobile Economic Impact: Nigeria

Penetration

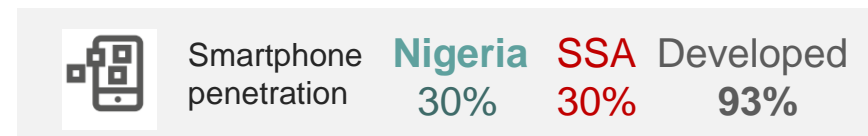
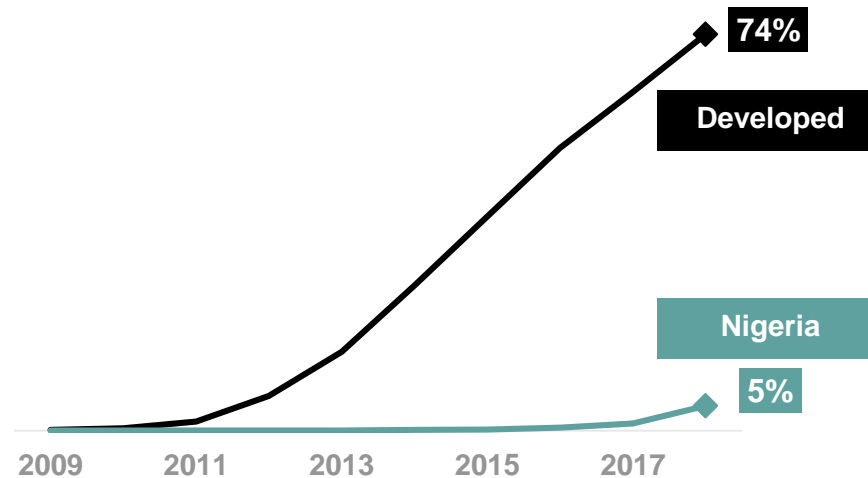
Subscriber penetration is higher than neighbouring countries but significantly lower than developed markets

This is true whether we assess overall mobile subscriptions or mobile internet subscriptions. 24% of Nigerians are estimated to have a mobile internet subscription



However, Nigeria is lagging behind 4G and smartphone penetration

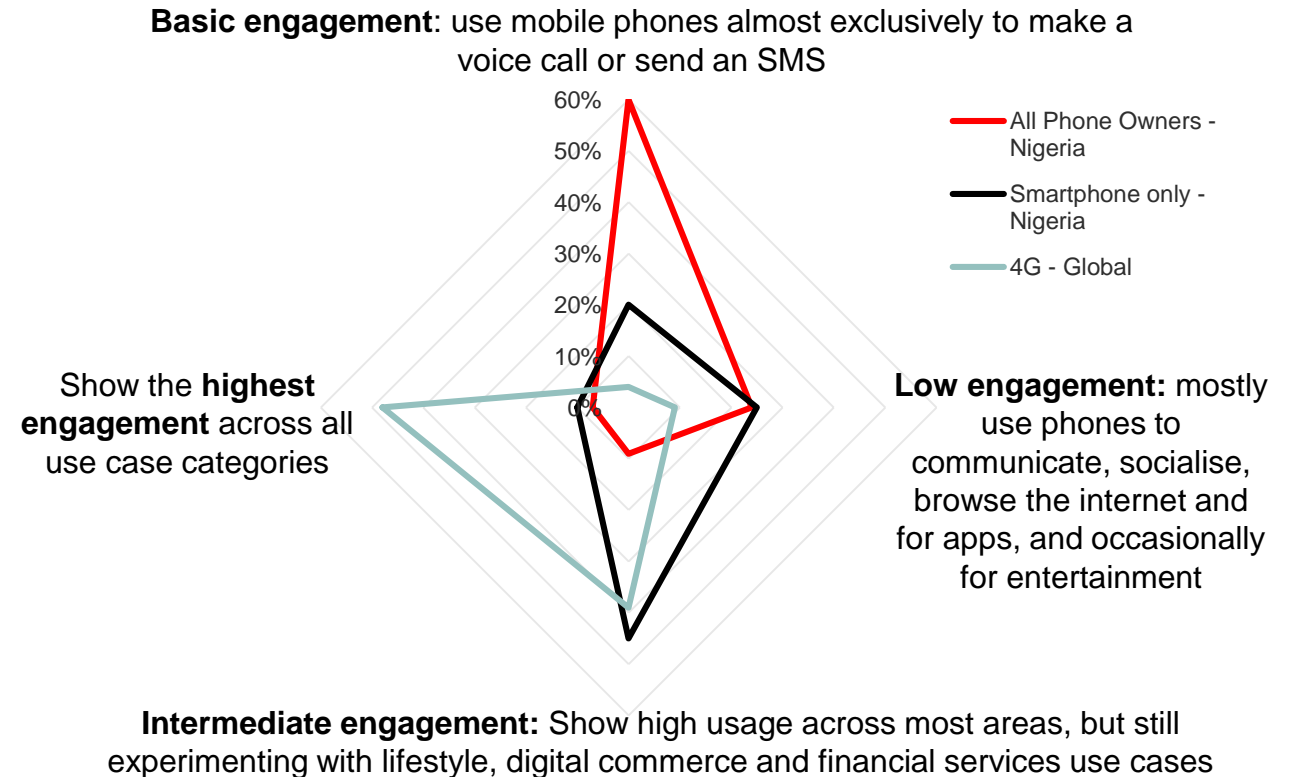
Nigeria's 4G penetration is only 5%: whilst similar to other Sub-Saharan African markets, this is significantly lower than the 74% penetration across developed markets





Consumer profile

- Currently, the majority of Nigerian phone users use mobiles to make a voice call or send an SMS. However, there is a significant number who use smartphones and have a different behaviour pattern.
- These consumers are driving forward the mobile economy: 45% of Nigerian smartphone users are engaging in services such as digital commerce and financial services.
- However, to unlock the greatest potential in the domestic digital market, more Nigerians need to be 4G users. We see that, worldwide, almost half of all 4G users show the highest level of consumer engagement across all use cases.

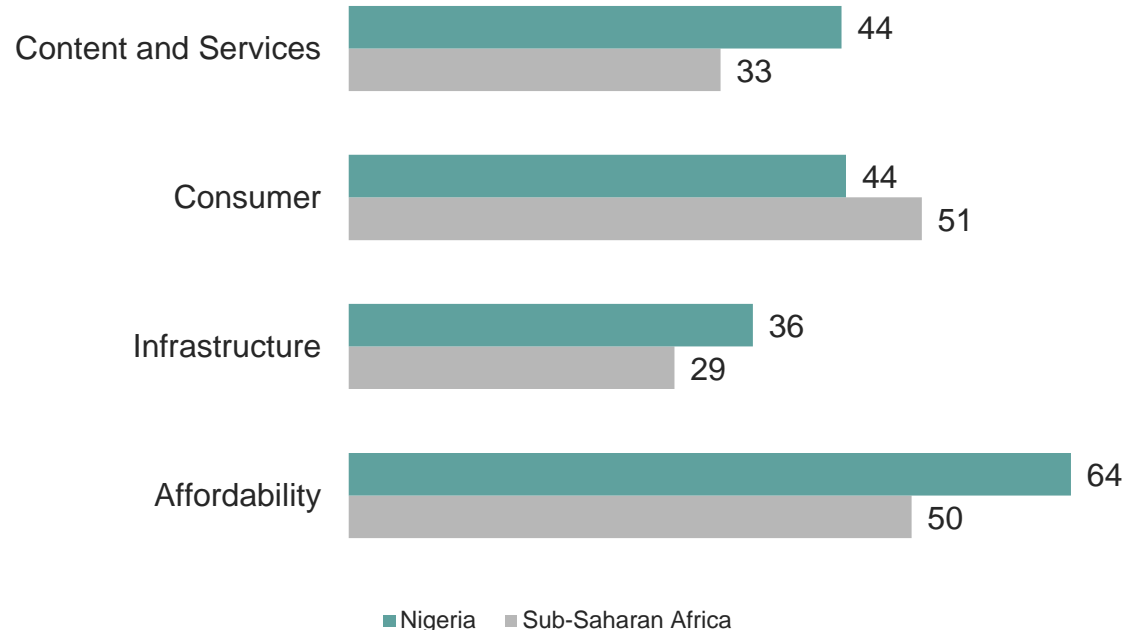
Consumer segmentation
Global Mobile Engagement Index (GMEI)



Connectivity enablers

Mobile Connectivity Index (MCI)

Enablers scores in 2017



The score of each enabler can range from 0 to 100

Nigeria's lag in 4G and smartphone penetration is due to a need for additional infrastructure, content and consumer readiness

- Nigeria is a high regional performer in affordability, and performs better than neighbours in content and infrastructure
- However, Nigeria's consumer readiness score is actually behind the Sub-Saharan African score, suggesting a large potential for improvement here

Key areas of improvement in the MCI

Infrastructure

- Network performance
- Spectrum

Consumer readiness

- Basic Skills

Content

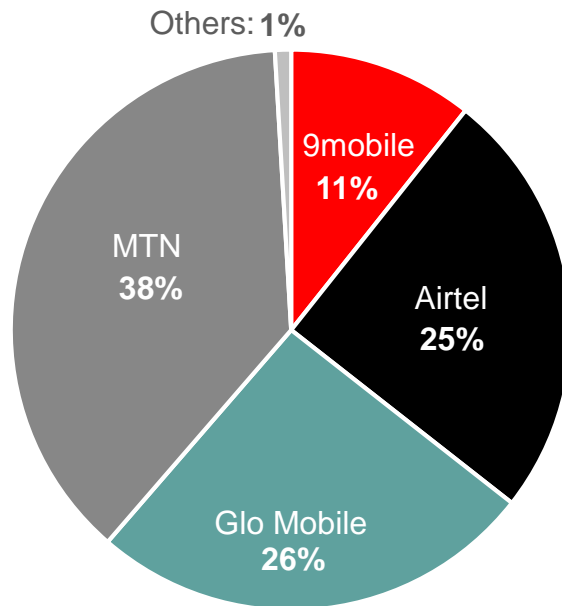
- Local relevance



Market structure

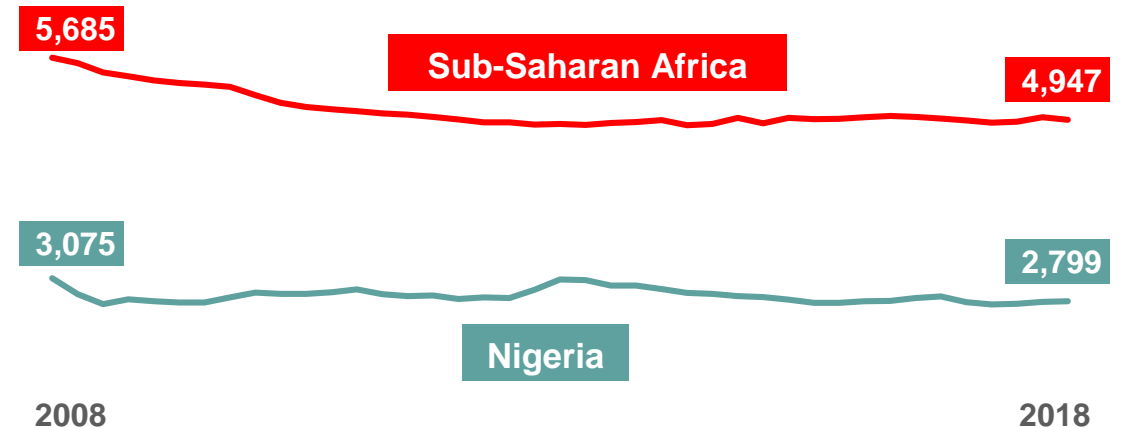
A highly competitive landscape, with very low concentration

As of Q2 2018, market leader MTN is 12 percentage points ahead of the second and third players, whilst the fourth player, 9mobile, had been the subject of a process of change of ownership after Etisalat exited Nigeria



The Nigerian mobile market is significantly less concentrated than the average market in Sub-Saharan Africa. It is likely to remain so as 9mobile stays as a separate mobile operator under Teleology, making consolidation unlikely in the near future.

Herfindahl-Hirschman Index: measure of market concentration

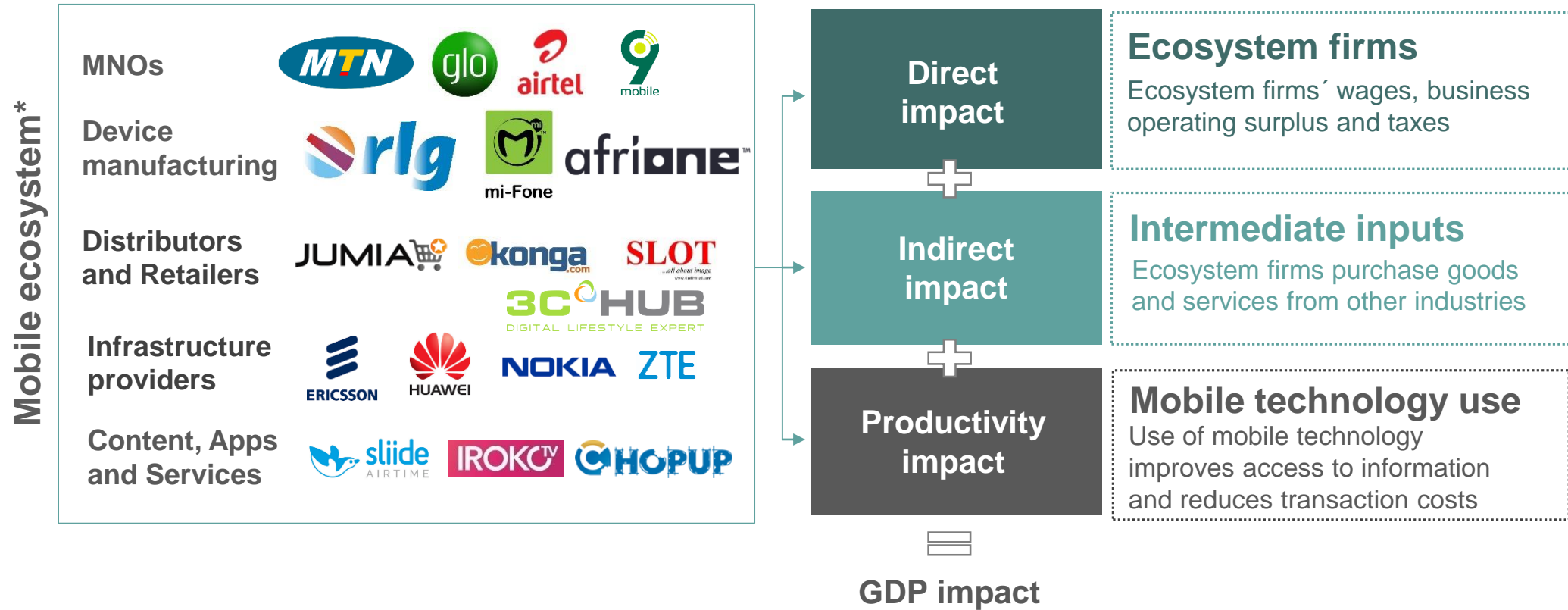


2. Economic impact of the mobile ecosystem

Mobile Economic Impact: Nigeria

Economic impact of the mobile ecosystem in 2018

The economic value generated by the mobile ecosystem is through its direct, indirect and productivity impacts

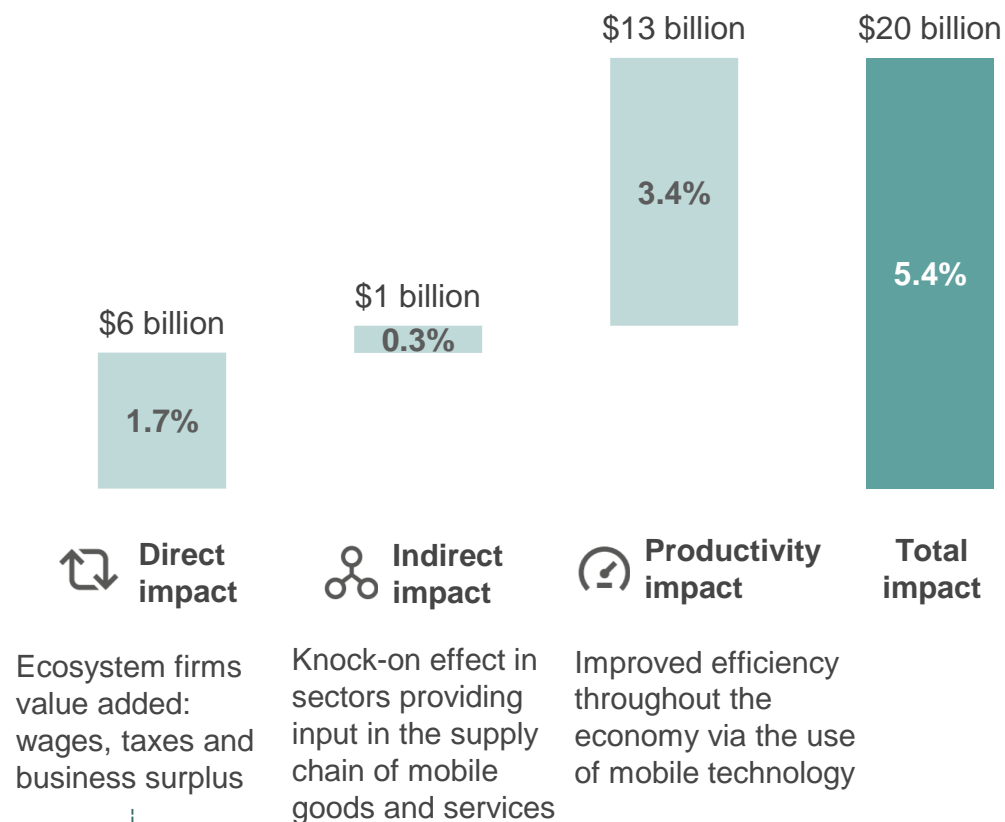


* Selected firms

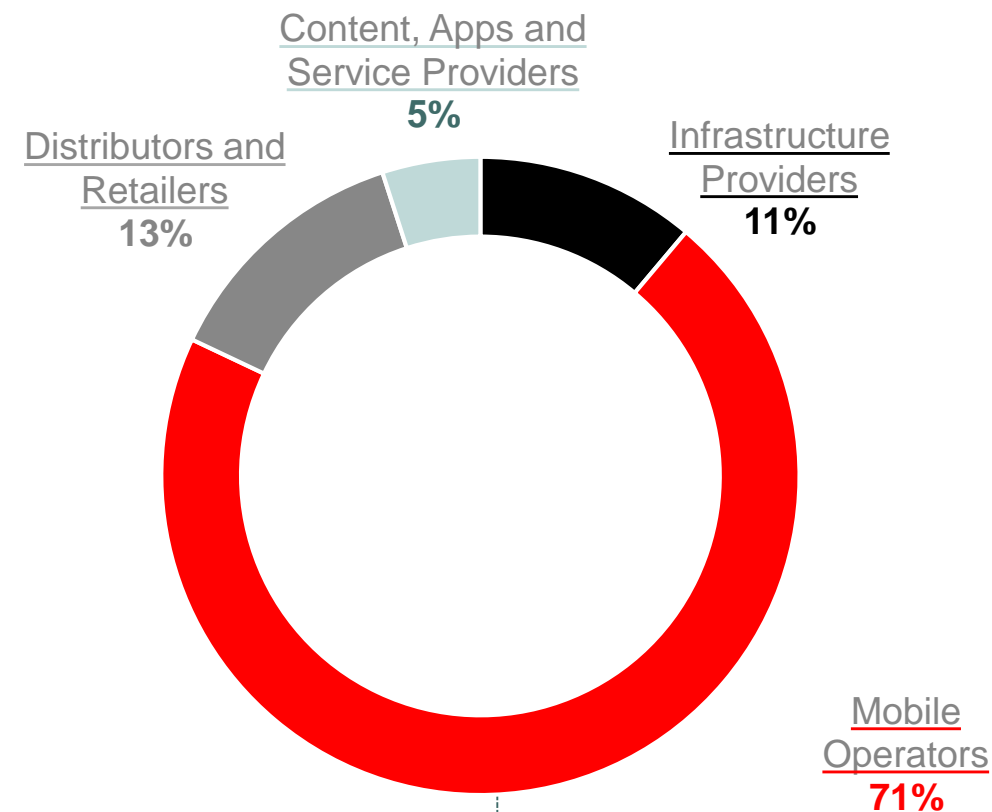
Economic impact of the mobile ecosystem in 2018

* Share of device manufacturing was negligible in 2017, but expected to increase in the future

1. Total contribution to GDP

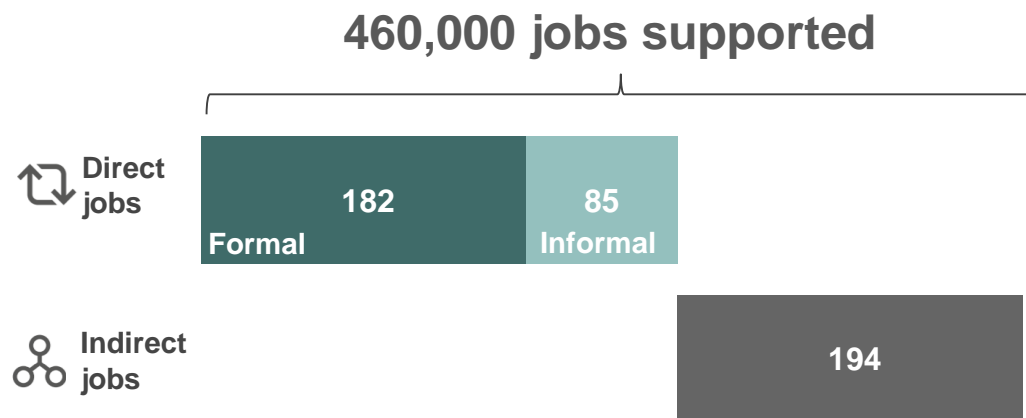


↻ Direct impact*





Economic impact of the mobile ecosystem in 2018

2. Employment impact




Almost 60% of jobs were created directly in the ecosystem, and the rest was produced through the knock-on effect on the wider economy.

Informal employment is mainly driven by the Distribution and Retail segment of the mobile ecosystem.

↻ **Direct jobs**  = 5,000 people (formal economy)  = 5,000 people (informal economy)

Distributors and Retailers



 206,000 jobs

Mobile operators



Infrastructure



Content, applications and services



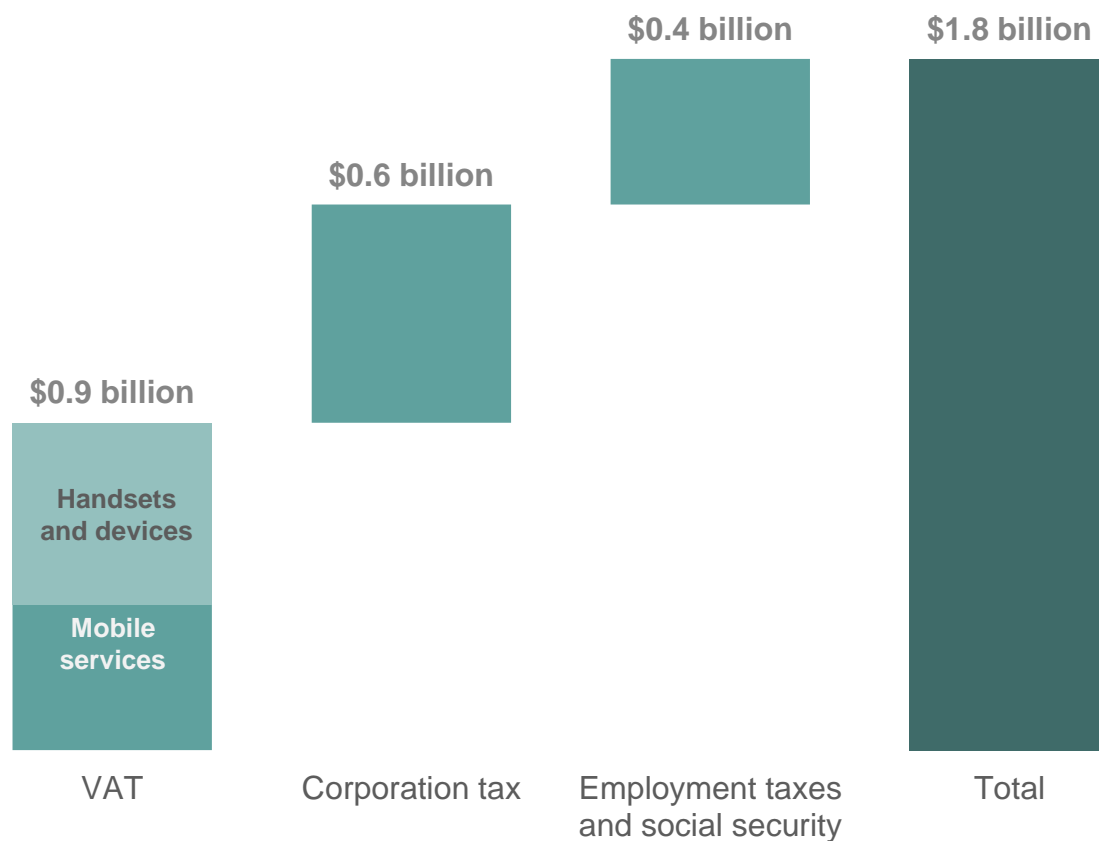
Device manufacturers



Expected to increase in 2018 as recently set up plants by Mi-Fone, Afrione and RLG take off

Economic impact of the mobile ecosystem in 2018





3. Contribution to public funding of the entire mobile ecosystem



- The tax contribution of \$1.8 billion means that **30% of the value added directly created by the ecosystem is extra government revenue**
- This includes payments of general taxes across the entire ecosystem, shown in the chart on the left
- These contributions do not account for spectrum one-off payments nor the revenue from numbering taxes

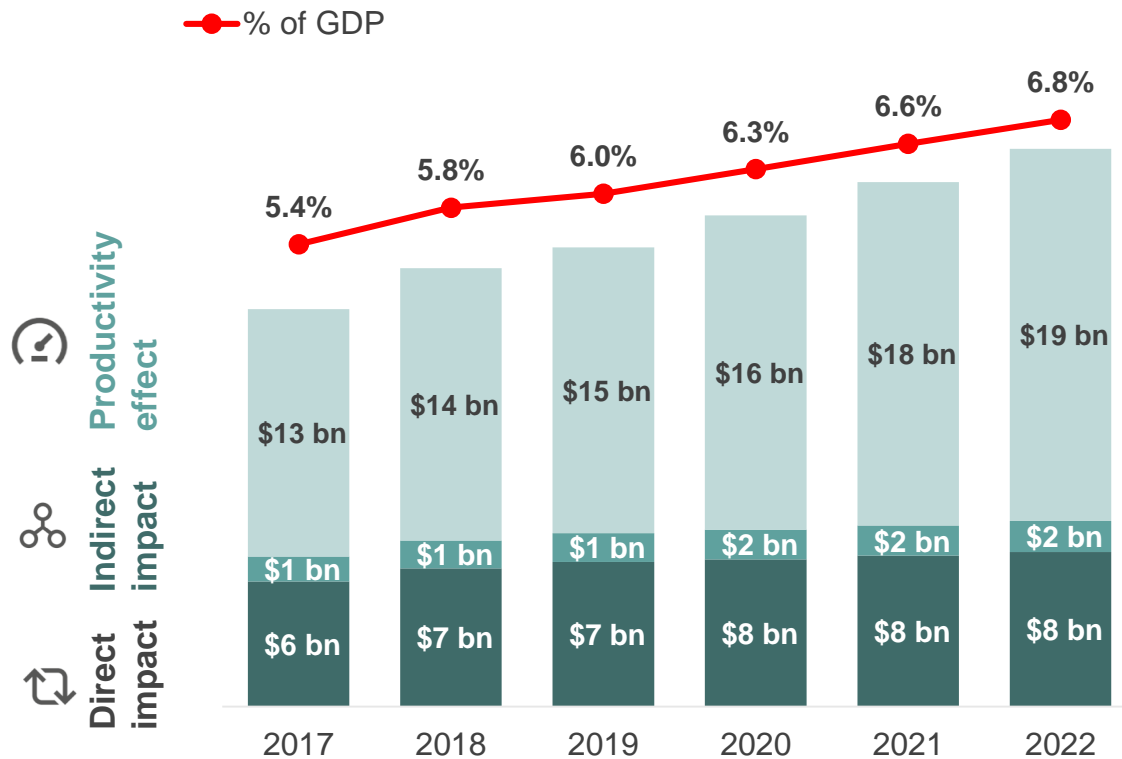
Economic impact of the mobile ecosystem

4. Forecast to 2022 (i)

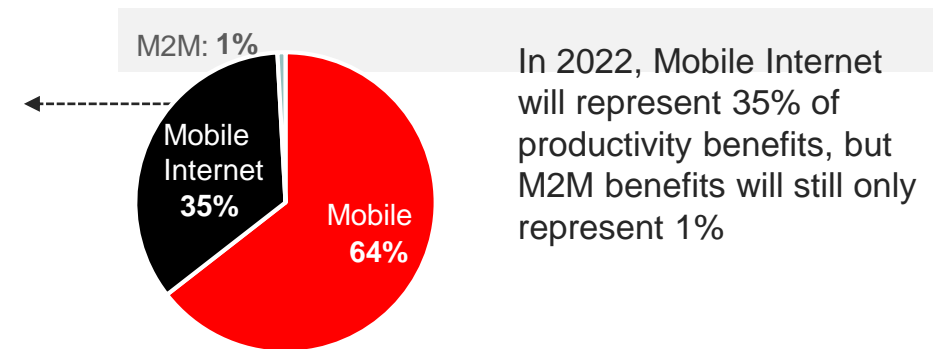
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Economic impact of the mobile ecosystem

4. Forecast to 2022 (ii)



- Significant part of increase will be brought about by the increased take up of mobile internet in general, and 4G especially – but also through an expansion of the mobile ecosystem



- These figures could be larger if the right regulatory environment was available in Nigeria.
- For example, as set out in a recent GSMA study on the Democratic Republic of Congo, a 50% reduction in numbering tax today could add a further 0.2% to GDP by 2023.

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