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.

For more information, please visit the GSMA corporate website at www.gsma.com

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GSMA Intelligence is the definitive source of global mobile operator data, analysis and forecasts, and publisher of authoritative industry reports and research. Our data covers every operator group, network and MVNO in every country worldwide – from Afghanistan to Zimbabwe. It is the most accurate and complete set of industry metrics available, comprising tens of millions of individual data points, updated daily.

GSMA Intelligence is relied on by leading operators, vendors, regulators, financial institutions and third-party industry players, to support strategic decision-making and long-term investment planning. The data is used as an industry reference point and is frequently cited by the media and by the industry itself.

Our team of analysts and experts produce regular thought-leading research reports across a range of industry topics.

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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

<table>
<thead>
<tr>
<th></th>
<th>Total impact</th>
<th>Direct employment</th>
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<tbody>
<tr>
<td><strong>2017</strong></td>
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<td><strong>2022</strong></td>
<td>6.8% GDP</td>
<td>382,000 direct jobs</td>
<td>250,000 indirect jobs</td>
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<td></td>
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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.

Source: GSMA Intelligence
State of the industry

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)**

- **Basic engagement**: use mobile phones almost exclusively to make a voice call or send an SMS
- **Low engagement**: mostly use phones to communicate, socialise, browse the internet and for apps, and occasionally for entertainment
- **Intermediate engagement**: Show high usage across most areas, but still experimenting with lifestyle, digital commerce and financial services use cases

**Source** GSMA Mobile Connectivity Index (GSMA Intelligence)
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

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<th>Content</th>
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The score of each enabler can range from 0 to 100
State of the industry

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

Source: GSMA Intelligence
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.
Economic impact of the mobile ecosystem in 2018

1. Total contribution to GDP

- **Direct impact**
  - $6 billion (1.7%)
  - $1 billion (0.3%)
  - $13 billion (3.4%)
  - $20 billion (5.4%)

- **Indirect impact**
  - Ecosystem firms value added: wages, taxes and business surplus
  - Knock-on effect in sectors providing input in the supply chain of mobile goods and services

- **Productivity impact**
  - Improved efficiency throughout the economy via the use of mobile technology

- **Total impact**
  - Content, Apps and Service Providers (5%)
  - Distributors and Retailers (13%)
  - Infrastructure Providers (11%)
  - Mobile Operators (71%)

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

Source: GSMA Intelligence
Economic impact of the mobile ecosystem in 2018

2. Employment impact

460,000 jobs supported

Direct jobs

Formal 182
Informal 85

Indirect jobs 194

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.

Distributors and Retailers 206,000 jobs

Mobile operators 40,000 jobs

Infrastructure 14,000 jobs

Content, applications and services 5,000 jobs

Device manufacturers 2,000 jobs

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

Source GSMA Intelligence
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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* Source: GSMA Intelligence
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.

- In 2022, Mobile Internet will represent 35% of productivity benefits, but M2M benefits will still only represent 1%.

- 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.

Source: GSMA Intelligence