



MALTA COMMUNICATIONS AUTHORITY

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Market developments for electronic communications and post – a review of outcomes for 2023 based on Q3 figures

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The Malta Communications Authority (MCA) strives to foster competition and safeguard consumer interests in Malta's telecommunications and postal sectors. One important task in order to fulfill this mission entails the regular collection of data from authorized operators within these industries. This function enables the MCA to monitor evolving market dynamics and ensure adherence to regulatory guidelines.

In the current release, we present an overview of key trends within the Maltese telecommunications and postal sectors for the first three quarters of 2023.

General developments

In the first three quarters of this year, the telecom sector kept growing its customer base, showing that more people are relying on fast internet, mobile phones, and bundle package service deals.

Subscriptions for fixed broadband, mobile telephony, and pay-TV continued to rise steadily, with year-on-year growth rates of 3.1%, 7.5%, and 2.5% for the 12-month period ending last September. On the flip side, fixed telephony saw a small increase of 0.3%, even though voice call and minute volumes dropped, indicating changing preferences in how people communicate.

Internet subscriptions offering download speeds of 100Mbps or higher witnessed an 11.7% year-on-year increase, with a notable surge in the 500Mbps to 1Gbps segment, which recorded a 15.7% rise during the same period.

Despite the availability of high-speed fixed broadband services, mobile data usage in terms of megabytes (MB) consumed surged by 51% in the first three quarters of 2023 compared to the previous year. This notable increase can be attributed to the growing trend of digital communication and an increased reliance on mobile devices for internet access.

The year-on-year analysis for the postal sector showed a decline in each type of mail within the scope of the universal service, apart from parcel mail, which surged up by 9.71%. Overall, a significant drop of almost 8% in mail volumes was observed during the first three quarters of 2023 compared to the previous year. However, outside the universal service scope, postal mail volumes experienced a surge, particularly for lighter mail items, potentially driven by the evolving and expanding e-commerce landscape. The share of outside-scope mail volumes increased by a percentage point between September 2022 and September 2023, reaching almost 13% of all mail items delivered in Malta during the review period for 2023.

Fixed broadband

The fixed broadband sector saw a 3.1% increase in subscriptions over the 12-month period ending last September. Operators recorded 7,119 new subscriptions throughout the current reporting period, resulting in a total subscriber base of 235,373.

Noteworthy is the year-on-year surge of 17,698 subscriptions in the high-end segment, characterized by connections supporting headline download speeds of at least 100Mbps. Furthermore, 38.8% of all the subscribers are subscribed to a download speed of 500Mbps or more. The share of subscriptions offered on a bundle as a percentage of fixed broadband subscriptions remained relatively stable when compared to the previous year at 91.2% of the total subscriptions.

FTTH-based subscriptions constituted 29.7% of Malta's fixed internet subscriber base by the end of the period under review. This segment marked a significant increase of 13,708 subscriptions year-on-year. Cable-based subscriptions also demonstrated growth, rising by

1,658 during the same period, with this segment making up 47.2% of all subscriptions by the end of the current reporting period. Fixed wireless broadband subscriptions also increased by 1,955 (or 11.7%) year-on-year, accounting for 7.9% of the total fixed broadband subscriptions. In contrast, copper DSL subscriptions declined by 10,202 (or 22.2%). However, these types of subscriptions still comprised 15.2% of the internet subscriber base by the end of September. The trend for this segment reflects the operator's strategic shift to transition existing customers from DSL to fibre.

As of September 2023, the percentage of internet subscriptions bundled with other services slightly decreased compared to the previous year, dropping from 91.9% to 91.2% of the total subscriptions.

Simultaneously, the average revenue per user (ARPU) for fixed internet decreased from €66.48 in the third quarter of 2022 to €64.80 in the corresponding quarter of 2023.

Mobile telephony

In the first three quarters of 2023, mobile telephony subscriptions showed a year-on-year growth of 7.5%, reaching a total of 748,327 by the end of September. This increase was driven by a rise of 52,510 post-paid users, i.e., those on a contract-term agreement for the service. The pre-paid segment did not see any significant change during this period. As in previous years, pre-paid subscriptions were more popular than post-paid subscriptions, even though the margin between the two remains on the decrease.

The surge in mobile data consumption remained strong, with domestic mobile internet data volumes experiencing a substantial 51% increase compared to the first three quarters of 2022. In contrast, voice minute traffic volumes witnessed a 3.5% year-on-year decline, while SMS volumes decreased by 8.5% compared to the corresponding period of the previous year. These trends suggest a noticeable shift in mobile telephony usage, with the growing popularity of Over-The-Top (OTT) messaging platforms potentially contributing to the decline in mobile voice call minutes.

The average revenue per user (ARPU) for mobile telephony saw a year-on-year increase, rising from €38.77 in the third quarter of 2022 to €39.34 in the third quarter of this year.

Pay-TV

An annual growth of 4,568 subscriptions was recorded for the pay-TV service, with the 2.5% year-on-year increase in subscriptions bringing the total to 189,006 by the end of the reporting period. Notably, 83% of these TV subscriptions were part of bundled offerings.

An examination of subscription trends based on technology platforms reveals a significant annual increase of 10,632 subscriptions in the IPTV category, representing an almost 15% year-on-year growth. Conversely, digital cable subscriptions saw a decline of 6,064 connections, marking a 5.4% decrease over the twelve-month period ending in September. This is attributed to the ongoing shift to app-based television services.

The Average Revenue Per User (ARPU) for Pay-TV experienced a decline, decreasing from €43.96 in the third quarter of 2022 to €42.76 in the third quarter of 2023.

Fixed telephony

The fixed telephony segment experienced a modest year-on-year growth of 0.3%, reaching a total of 259,632 subscriptions by the end of September 2023. However, in line with long-term trends, both voice call and minute volumes saw significant declines during the first three quarters of 2023 compared to the corresponding period in 2022. Call volumes decreased by 21.7%, and minute volumes were down by 25.1%. A significant portion, 86.3%, of all subscriptions recorded in September were part of a bundle with other services.

The Average Revenue Per User (ARPU) for fixed telephony was reported at €21.43 in the third quarter of 2023, showing a decrease from €25.63 for the same quarter in the previous year.

High quality dedicated connections

Dedicated connections are premium, point-to-point data transmission connections commonly utilised by businesses in Malta, including government entities, banks, and gaming companies.

This business segment is niche for local operators, serving a smaller customer base, typically businesses, with well-defined data connectivity needs. The latter connectivity requirements are distinct to the internet mass market plans that are also available from the major operators in Malta. These dedicated connections offer specific features such as no contention ratio, fully symmetrical speeds, and Service Level Agreements (SLAs).

By the end of September 2023, the total number of high-quality dedicated connections amounted to 323, reflecting a decline of 2.7% year-on-year.

Postal services

Postal data shows that mail volumes within the universal service area still make up a large chunk of postal mail activity in Malta. In fact, universal service mail accounted for 87.5% of the total mail volumes recorded in the first three quarters of 2023.

Nonetheless, postal items delivered within the universal service area in this period dropped by 12.3% compared to the same period a year earlier. This drop was mainly due to a 22.3% reduction in registered mail volumes, a 12.8% decrease in single-piece letter mail, and a 11.8% decline in bulk mail. However, it's worth noting that parcel mail within the universal service area did increase by 9.7%, but evidently this was not enough to offset the declines in the other areas.

During the same period, mail volumes delivered outside the universal service area surged by 42.7% in the first three quarters of 2023 compared to the same period in 2022. This boost is mainly attributed to a 72.4% surge in mail items weighing up to 2kg. Additionally, a 5.5% year-on-year increase was recorded for mail items weighing between 2kg and 31.5kg. As a result,

the share of mail delivered outside the universal service area increased from 7.9% in 2022 to 12.2% last year.

Notes:

- (i) Data cut-off date: 4th January 2024;
- (ii) Data is preliminary and subject to change.