

***Market developments for electronic communications and post***

***for the second quarter of 2020***

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The MCA is hereby outlining the main trends observed for the Maltese telecoms and postal segments in the second quarter of 2020, coinciding therefore with the first challenging months of 2020 characterised by the COVID-19 pandemic. This update provides important insights as to how consumer demand developed during the period being reported upon.

The data provided in this press release is based on data that the MCA collects on a quarterly basis from local service providers and which is presented in more detail in the ‘Data Report Sheet (DRS)’ publication covering the period starting in the first quarter of 2016 to the second quarter of 2020.

The telecom sector experienced a positive uptake in subscriptions, with the sector leveraging on reinvigorated demand for broadband connectivity and voice traffic. Future data will indicate whether the trends observed for the second quarter of 2020 will outlast the crisis.

The postal sector suffered a more accelerated dip in mail volumes, as Malta experienced a partial lockdown and a severe disruption of the international postal supply chain. Domestic e-commerce eventually took off in the latter half of the current review period, underscored by a boost in domestic online orders, serving to slightly cushion the negative impact on postal mail volumes caused by COVID-19.

More insights for the telecoms and postal segments are provided below.

**Fixed Broadband**

A total of 208,931 fixed broadband subscriptions were recorded as at end of June 2020, which is 11,482 more than recorded twelve months earlier. This translates into a 5.8% rise in fixed broadband subscriptions in the 12-month period ending last June.

With remote working becoming a reality for the many and commerce carried out largely online, a number of households and businesses seriously had to think about upgrading their broadband contracts. In fact, year-on-year, the proportion of fixed broadband subscriptions supporting a download speed of 100Mbps or more was up by 9 percentage points, from 40% at the end of June 2019 to 49% at the end of June 2020. The FTTH network saw a rise of 7,296 subscriptions during the same period (equivalent to a 30.5% jump in subscriptions), double the decline in copper DSL subscriptions. The cable network added 5,105 subscriptions (or a 5.3% increase) whilst subscriptions on fixed wireless solutions was up by 2,570 (or by almost 24%).

Significantly, 92% of all fixed broadband subscriptions recorded at the end of June 2020 were purchased in a bundle.

Fixed broadband ARPU in the second quarter of 2020 stood at €56.38, down from €60.36 in the second quarter last year.

**Mobile telephony**

Operators in the mobile segment coped well with the upswings in voice and data traffic. Overall, reported voice minute and data traffic volumes were up by 17% and 165% respectively.

The former result is significant considering that the number of outgoing voice calls in the quarter under review was 12% lower compared to the same quarter in 2019. Overall, this means that mobile telephony users have been engaging in increasingly lengthier calls over the past months, whilst at the same time making less calls and sending less SMSs and MMSs, with volumes for the latter two down by 34% and 25% respectively.

COVID-19 also brought with it a drastic reduction in travel, both inbound and outbound, with significant repercussions to local operators’ roaming traffic levels which represent a big piece of all activity for this segment. Outbound roaming minutes in the second quarter of 2020 were 66% lower than in the second quarter of 2019, whilst inbound roaming minutes were 58% lower.

Beyond the impact on the evolution of overall traffic, COVID-19 seems to have inflicted a strong hit on the mobile telephony subscriber base. Overall, the number of mobile telephony subscriptions at the end of June 2020 was down by 1.6% year-on-year, representing a drop of 10,272 subscriptions when compared to the end of June 2019. This development comes as a result of outward migration flows and is specifically attributed to the pre-paid segment of the market, which saw a net loss of 24,616 subscriptions compared to a rise of 14,344 post-paid subscriptions.

Mobile telephony ARPU was down to €42.15 in the second quarter of 2020 from €43.45 in the same quarter a year earlier.

**Pay-Tv**

Take-up of pay TV registered an uptick in the second quarter of 2020, with subscriptions going up by 4,685 (or by 2.8%) to reach 172,318 by the end of last June.

The majority of new pay-TV clients subscribed to packages on the IPTV and digital cable platforms. Subscriptions on the IPTV platform were up by 8,046 over the 12-month period ending June 2020. Relevant to note is that this increase almost mirrored the decline in subscriptions for the DTTV platform, which is owned by the same operator owning the IPTV platform. In fact, the number of DTTV subscriptions was down by 8,192 (or by 44%) during the same period.

The digital cable platform recorded an increase of 4,831 subscriptions, up from 98,513 at the end of June 2019 to 103,344 at the end of June this year.

Almost 79% of all pay-TV subscriptions at the end of June 2020 were purchased in a bundle.

Pay TV ARPU was significantly up from €44.02 in the second quarter of 2019 to €48.48 in the second quarter of 2020.

**Fixed telephony**

The fixed telephony segment reported a 2% rise in fixed voice call minutes for the second quarter of 2020 compared to volumes recorded in the same quarter of the previous year. This contrasts with dips in voice minute traffic volumes observed over the past few years. The increase in voice minute volumes comes alongside a 26% drop in voice calls, which again goes to suggest that people are making less but at the same time lengthier calls.

Fixed telephony operators also added new clients to their subscriber base, given their ability to upsell bundle packages typically involving fixed telephony alongside fixed broadband. The number of fixed telephony subscriptions totalled 258,751 by the end of June, which is up by 1,913 (or by 0.7%) compared to 256,838 subscriptions recorded twelve months earlier. The rising number of fixed telephony subscriptions in a bundle and the continued switch from pre-paid to post-paid offers contributed to an increase 6,465 post-paid subscriptions in the 12-month period to June 2020.

In view of the above developments, fixed telephony ARPU in the second quarter of 2020 stood at €32.88, up from €31.17 in the second quarter of 2019.

**Dedicated connections**

By definition dedicated connections are high-quality, dedicated, point-to-point data transmission connections used by businesses operating in Malta, such as banks, gaming companies and government entities.

This is a niche business segment for local telecom operators representing a relatively small number of users with somewhat distinct data connectivity requirements to those exhibited by the mass market for fixed broadband. Take-up of dedicated connections has been declining over the past years. A total of 353 high-quality data connections were reported by the end of June 2020, almost 8% less than recorded twelve months earlier. This does not in itself mean that telecom operators lost for good the clients behind the dropped subscriptions. It may be the case that the respective clients migrated to one of the several solutions that may be offered by local service providers but which do not fall within the description of dedicated connections addressed in this publication.

**Post**

The local postal sector suffered a significant set-back in the second quarter of 2020, caused by the very measures put in place to stop the spread of COVID-19 and significant disruptions to the international postal supply chain.

The sector experienced a steep decline in activity, with postal mail volumes in the second quarter of 2020 falling by almost 21% compared to the second quarter of 2019. According to the data for this period, domestic mail volumes were down by 14.4% whilst international postal mail volumes (inbound and outbound) fell by 39%.

The restrictions on people’s outdoor activities did however bring about a surge in online activity and a corresponding rise in the use of e-commerce options. Directly linked to this is the reported 17% rise in parcel mail volumes when comparing parcel mail activity in the second quarter of 2020 to the same quarter in 2019.

**Notes:**

* Data cut-off date: 15th October 2020;
* Data is preliminary and subject to change.