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Market developments for electronic communications and post – a review of outcomes for 2023 based on Q1 figures

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The Malta Communications Authority (MCA) is responsible for the regulation and oversight of Malta's telecommunications and postal sectors. As part of this mandate, the MCA regularly collects data from authorised operators in these industries to track market trends and ensure compliance with regulations. This data gathering exercise is conducted on a quarterly basis, with operators submitting their data to the MCA for analysis.

The current publication provides insight into the key market trends for the telecoms and postal sectors in Malta during the period Q1 2023. By highlighting these trends, the MCA aims to inform industry stakeholders and the general public about the state of these sectors in Malta.

The publication specifically takes into account changes in telecom subscriptions, voice call activity, internet data consumption and postal mail activity.

General developments

The telecoms sector has continued to be influenced by the main trends observed throughout 2022, shaping the industry in the first quarter of 2023. The main trends observed in 2022, such as the further expansion in the subscriber base, increasing reliance on high-speed connectivity, mobile devices, and bundle plans, remain prominent.

Year-on-year, subscriptions for fixed broadband, mobile telephony, and pay-TV have all maintained their upward trajectory, with year-on-year growth rates of 3.6%, 7.3%, and 4.9%, respectively. Of note is competition developments in the TV segment as another operator launched its services during the period under review. The fixed telephony segment experienced a modest rise of 0.7%, but voice call and minute volumes have declined, reflecting changing communication patterns among users.

In terms of data connectivity services, there has been a notable outcome for subscriptions offering speeds of 500Mbps to 1Gbps, which have experienced a 5% year-on-year increase. This highlights the growing demand for faster internet connections and high-speed performance among users. By the end of March 2023, 35.6% of fixed broadband users were enjoying connections capable of delivering a headline download speed of at least 500Mbps.

Despite the availability of high-speed fixed broadband services, more users are also turning to their mobile data plans for internet access, alongside their high-end fixed internet connectivity plans. In fact, the first quarter of 2023 witnessed a significant surge in mobile data usage, with consumption soaring by 49% compared to the same period in the previous year. This can be attributed to an increase in mobile data consumption driven by the shift towards remote work and digital communication, as well as the overall bigger reliance on mobile devices for internet access. This trend is likely due to the wider availability of unlimited mobile plans and the convenience of using mobile devices for internet access.

In the postal sector, notable changes in volumes have occurred. Overall, there has been a significant year-on-year decline of 13.8%. Postal mail volumes within the scope of the universal service continues to drop, including single-piece letter mail, bulk mail, registered mail, and parcel mail. However, outside the scope of the universal service, there has been a substantial increase in volumes, particularly in mail items of lower weight, also potentially due to the continued rise of e-commerce activity.

Overall, the trends observed in the electronic communications and postal industries in the first quarter of 2023 indicate a growing reliance on high-speed connectivity, mobile devices, and bundle plans. As technology continues to evolve and shape consumer behaviour, it is likely that these trends will continue to shape the industry in the years to come. Further insight for the telecoms and postal segments is provided below.

Fixed broadband

The fixed broadband segment experienced a 3.6% year-on-year increase, equivalent to 7,940 subscriptions in the first quarter of 2023. This growth primarily stems from the adoption of fast and ultra-fast speeds. Notably, the high-end segment exhibited strong uptake, with a rise of nearly 18,000 subscriptions supporting download speeds of 100Mbps or higher within the 12-month period ending in March 2023. Additionally, subscriptions for internet plans with download speeds of 500Mbps to 1Gbps surged by almost 4,000 during the same reporting period.

During the review period, FTTH-based subscriptions accounted for 26.8% of all fixed broadband subscriptions, experiencing a notable year-on-year increase of 12,245 (or 24.7%). Cable-based subscriptions also saw growth, rising by 2,595 (or 2.4%) and representing 47.8% of all subscriptions by the end of the current reporting period. Fixed wireless broadband subscriptions grew by 1,782 (or 11.5%) year-on-year, comprising 7.5% of the total fixed broadband subscriptions by the end of March. However, copper DSL subscriptions declined by 8,682 (or 17.3%), although they still made up 17.9% of all subscriptions by the end of March 2023. This decline can be attributed to the particular operator's strategy of deploying fiber and transitioning existing customers from the copper DSL platform.

By the end of March 2023, a higher percentage of fixed broadband subscriptions were purchased as part of a bundle compared to the previous year, increasing to 93.5% from 92.4% of the total subscriptions.

The average revenue per user (ARPU) for fixed broadband showed an increase, rising from €60.86 in the first quarter of 2022 to €73.08 in the corresponding quarter of 2023.

Mobile telephony

By the end of the first quarter of 2023, mobile telephony subscriptions showed a 7.3% year-on-year increase, reaching a total of 713,629. This growth was driven by a year-on-year rise of 42,102 post-paid users and an increase of 6,572 pre-paid users during the 12-month period ending in March 2023.

Mobile data consumption continued its upward trajectory, with domestic mobile internet data volumes in the first three months of 2023 rising by 49.4% compared to the same quarter of the previous year. However, voice minute traffic volumes experienced a 1.5% decline year-on-year, while SMS volumes decreased by 8.5% compared to the first quarter of 2022. These trends indicate the increasingly evident shift in mobile telephony usage from texting to voice calling, likely influenced by improved allowances. The growing popularity of OTT-based messaging platforms may also play a role in the number of mobile voice call minutes consumed and the resulting trends.

The average revenue per user (ARPU) for mobile telephony witnessed a slight year-on-year increase, rising from €38.11 in the first quarter of 2022 to €38.56 in the first quarter of this year.

Pay-TV

The TV segment witnessed a year-on-year increase of 7,116 (or 4.9%) in subscriptions, reaching a total of 185,081 by the end of the reporting period. Over 83% of TV subscriptions were part of a bundle offer.

A look at subscription trends by technology platform shows a year-on-year rise of 9,605 (or 14.3%) in IPTV-based subscriptions, while digital cable subscriptions decreased by 1,357 (or 1.3%) during the 12-month period ending in March. Subscriptions on the DTTV platform declined by 1,132 (or 47.7%), as the users of the particular service provider were informed about the scheduled switch-off of the platform.

Pay-TV ARPU increased from €51.20 in March 2022 to €55.50 in March 2023.

Fixed telephony

The fixed telephony segment experienced a modest 0.7% year-on-year increase in subscriptions, reaching a total of 259,548 by the end of the quarter under review. However, there was a notable decline in voice call and minute volumes, decreasing by 22.9% and 28.7% respectively compared to the same quarter of the previous year. The majority of subscriptions, accounting for 87.4% of the total, were purchased as part of a bundle, showing a rise from 84.4% in March 2022.

The average revenue per user (ARPU) for fixed telephony stood at €27.61 in the first quarter of this year, up from €25.35 in the previous year. The increase in ARPU for fixed telephony, despite declining voice call volumes, can be attributed to factors such as bundled packages and the revenue allocation mechanism implemented on bundle revenues by local service providers.

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 March 2023, the total number of high-quality dedicated connections amounted to 319, reflecting a slight decrease of 2.1% compared to the same quarter of the previous year's figure of 326. The MCA is however in the process of updating the data for this segment given that the definition of high quality dedicated connections has been revised to include other products with specific features that are not typically available with standard internet services. The updated data will be available in the forthcoming DRS publication covering the period Q1 2019 to Q2 2023.

Postal services

Overall, the quarter under review witnessed a significant decline in postal volumes within the scope of the Universal Service, while volumes outside the scope experienced substantial growth, particularly mail items of weight up to 2kg.

In the first quarter of 2023, postal items within the scope of the Universal Service were down significantly by 20.8% year-on-year. This decline was primarily driven by a 17.3% volume drop in single-piece letter mail, down by 0.3 million mail items, and a 21.6% volume drop in bulk mail, down by 1.3 million mail items. These alongside a 32.4% decline in registered mail items. The volume of parcel mail within the universal service area had a negative impact and showed a decrease of 7.1%, equivalent to a decline of 4,317 postal items.

On the other hand, beyond the Universal Service boundaries, there was a noteworthy surge of 101.6% during the initial quarter of 2023. This growth was primarily fueled by mail items weighing up to 2kg, which witnessed a substantial rise of 32.5%, contributing to an increase of 93,013 items. Furthermore, there was a significant upsurge of 197.0% in mail items weighing between 2kg and 31.5kg, resulting in an additional 0.4 million items.

Notes:

- (i) Data cut-off date: 22nd June 2023;
- (ii) Data is preliminary and subject to change.