MALTA COMMUNICATIONS AUTHORITY

PRESS RELEASE / April 2024

Market developments for electronic communications and post – a review of outcomes for 2023 based on Q4 figures.

MCA publication reference : MCA/R/24-5256

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 authorized operators in these sectors 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 release provides an overview of the key market trends for the telecoms and postal sectors in Malta during the year 2023. By highlighting these trends, the MCA aims to inform industry stakeholders and the general public about the state of these sectors and market developments in Malta.

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

(+356) 2133 6840 pr.mca@mca.org.mt www.mca.org.mt Valletta Waterfront, Pinto Wharf, Floriana FRN1913, Malta

General developments

The electronic communications sector experienced a surge in subscriptions across all communications segments. Mobile phone subscriptions led the charge with a 6.8% year-on-year increase. This segment remains characterised by an evident shift to data-centric plans, with post-paid subscriptions gaining more ground as a result of stronger demand for mobile data.

The year-on-year increase in subscriptions for the TV segment, at 3.5%, materialised within the context of further adaptation to new technology and increased competition by a new entrant in this segment. Operators are providing a mix of conventional channel plans, app-based TV functionalities, and bundled TV packages, which also helps fend off competition from online streaming services.

The number of fixed broadband subscriptions also went up by 2.8% year-on-year. This rise is particularly noteworthy when considering the significant shift towards plans supporting higher data rates. The latter change is likely driven by a combination of growing user demand for faster internet and potential migrations implemented by operators themselves. Subscriptions for plans with download speeds between 100Mbps and 500Mbps saw a 5.8% year-on-year rise, while subscriptions for plans exceeding 500Mbps of download speed surged by a remarkable 17.3%. It's important to note that fixed broadband continues to be heavily bundled with other services, as 91.2% of internet subscribers bundle their service in a package encompassing different electronic communications services.

Fixed line telephony subscriptions saw a marginal year-on-year increase of 0.2%. However, this figure needs to be viewed in the context of a steadily declining usage trend. Traffic volumes were significantly down year-on-year, as the number of outgoing calls dropped by 21.3% whilst outgoing minutes declined by 24.1%.

The postal sector experienced a 5.9% decline in traditional mail volume throughout 2023. The drop in volume held true for all categories except parcel mail, which saw a 4.7% increase. Interestingly, mail items sent outside the scope of the universal service surged by a significant 33.3%. This shift suggests a rise in e-commerce activity and a growing preference for parcel delivery services. Another interesting observation concerns the destination of mail. While 85.6% of the 20.4 million mail items sent within the scope of the universal service in 2023 were domestic, the rest of the share was accounted for by outbound mail (at 3.5%) and inbound cross-border mail (at 10.9%). Meanwhile, mail volumes outside the scope of the universal area cater primarily to inbound cross-border mail, which accounted for 80.9% of their volume in 2023. This increase likely reflects the rise in e-commerce and the associated growth in parcel deliveries.

Fixed Broadband

The total number of fixed broadband subscriptions amounted 235,994 as at December 2023. This represents a 2.8% increase year-on-year.

Between the fourth quarter of 2022 and 2023, there was an increase of 18,175 subscribers who opted for a download speed of at least 100Mbps, otherwise referred to as the fast and ultra-fast segment. The most notable year-on-year growth in subscriptions occurred among those who opted for a download speed exceeding 1Gbps, showing a significant 63% increase, and totalling to 33,605 subscribers within this category. Additionally, 60,360 subscribers had a download speed between 500Mbps and 1Gbps, reflecting a 1.5% increase over the same period of 2022.

Furthermore, consistent with previous years, the fixed broadband segment remains the main service which subscribers prefer to purchase as part of a bundle. In fact, 93% of all fixed broadband subscriptions bought this service as part of a bundle by the end of 2023.

Looking into the extent of use of broadband by type of technology, 45% of all subscriptions were on cable DOCSIS 3.1, 33% were on a FTTH network, 14% on copper DSL technology, and 8% on a fixed wireless network. In line with previous trends, FTTH-based subscriptions have demonstrated the greatest year-on-year expansion, registering a notable 34% increase over the 12-month period ending December 2023.

Finally, the annual fixed broadband ARPU decreased from €266.48 in 2022 to €261.77 in 2023, representing a decrease of €4.71. Based on the operator's allocation approach of bundling their revenues by service, the ARPU for fixed broadband services remains the highest source of revenue per user for Maltese telecommunications operators.

Mobile Telephony

The total number of mobile telephony subscriptions by the end of 2023 amounted to 749,302, showcasing a year-on-year increase of 6.8%. This increase was mainly brought by a continued shift to post-paid plans. In fact, the number of post-paid subscriptions were up by 17.3% year-on-year, rising from 318,895 by the end of 2022 to 374,182 by the end of the current reporting period.

Whereas historically, more subscribers were opting for a pre-paid mobile telephony service, it has been observed in recent years that post-paid contracts have been on the rise. Indeed, even though by December 2023, there were still more pre-paid contracts at face-value, the margin between the two has decreased from almost 64,000 in the last quarter of 2022 to just 938 subscribers by the end of 2023.

Domestic mobile data volumes witnessed a 49% year-on-year increase, reaching 117,866 million megabytes by the end of 2023. Concurrently, roaming mobile volumes experienced a similar growth, with total megabytes reaching 15,030 million by the end of 2023. Among these roaming data volumes, 77% were inbound, while the remaining 23% were outbound. Additionally, both voice minute traffic volumes and SMS volumes continued the downwards trend, decreasing by 3.2% and 10.3% respectively in the 12-month period ending December 2023. The declines in these volumes, coupled with the increase in mobile data volumes, may be attributed in part to the growing demand for OTT-based interpersonal communication platforms.

Annual mobile telephony ARPU decreased from €156.10 in 2022 to €155.70 in 2023.

Pay-TV

The Pay-TV segment in Malta continued its steady climb in 2023, with subscriptions reaching 189,913 by year-end, reflecting a solid 3.5% year-on-year increase. A consistent 83% of Pay-TV subscribers (similar to 2022) opted for the service in a bundle packages.

When analysing the subscription trends based on technology platforms, a 12.7% year-on-year growth within the IPTV category is realised, increasing by 9,413 subscribers by the end of 2023. Conversely, digital cable subscriptions have declined by 1.3%, totalling to 106,276 subscribers by the 12-months ending December. By the second half of the year, DTTV subscriptions were completely phased out.

The Pay-TV ARPU has experienced a year-on-year decline of 1.95%, decreasing from €177.82 in 2022 to €174.35 in 2023.

Fixed Telephony

The number of subscribers in the fixed telephony segment amounted to 259,180 by the end of 2023, reflecting a 0.02% year-on-year increase. The declining trend in call and minute volumes is further amplified in the current reporting period by a year-on-year drop of 21.3% in the number of outgoing calls and a decline of 24.1% in call minute volumes. 87% of all fixed line telephony subscribers were part of a bundle, up from 85.6% over the same period of the previous year.

The annual fixed line telephony ARPU stood at €97.87 in 2023, decreasing from €104.02 in 2022. The decrease in ARPU, despite the increase in bundled subscriptions, may be attributed to the drop in voice and minute calls, ultimately resulting in a lower revenue per user.

High quality dedicated connections

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

This business segment is relatively niche for local operators as it represents a small portion of consumer-base with well-defined data connectivity, distinct from those exhibited by the mass market for fixed broadband. Often, these data connectivity services are offered with specific product characteristics such as no contention ratio, fully symmetrical speeds, and Service Level Agreements (SLAs).

The number of high-quality dedicated connections totalled 337 by the end of the of 2023, reflecting a 3.7% increase over the 12-month period ending December 2023. 309 of these connections are national, whilst the remaining 28 are international retail connections.[1]

Postal services

The postal sector experienced a 5.9% decrease in overall mail volume for 2023 compared to the previous year. This decline was primarily driven by a 9.7% drop in mail volumes delivered within the universal service area. This contrasts with the more buoyant activity in the non-universal segment,

[1] From Q1 2024, high-end connections utilizing last-mile fiber are expected to be incorporated into the DRS.

for which volumes are largely accounted for by the delivery of inbound cross-border mail. In fact, year-on-year volumes in the latter segment were up by 33.3%, which likely reflects the growth of e-commerce activity.

Postal services within the scope of the universal service are mostly used for domestic needs, accounting for 85.6% of all mail sent within the universal service. More than half (69%) of the mail items sent within the scope of the universal service consisted of bulk mail, followed by single-piece letter mail (27%), registered mail (3%) and parcel mail (1%). As in previous years, all type of mail within the universal service saw a year-on-year decline in volume, except for parcel mail, for which the number of delivered mail items increased by 4.7% year-on-year.

Postal services outside the scope of the universal service are mainly utilized for inbound cross-border related services (80.9%), totalling to 2.8 million mail items by December 2023. The increase in volume for mail delivered outside the scope of the universal service area is likely associated with the rise in parcel mail and ecommerce activities and was primarily driven by a 68.8% increase in small sized mail items (small packets). Conversely, larger mail items (weighing between 2kg and 31.5kg) delivered outside the universal service area decreased by 7.3%.

Notes:

(i) Data cut-off date: 21st March 2024;
(ii) Data is preliminary and subject to change.

(+356) 21336840 pr.mca@mca.org.mt www.mca.org.mt Valletta Waterfront, Pinto Wharf, Floriana FRN1913, Malta