

Saudi Arabia Telecom - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts (2024 - 2029)

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Abstracts

The Saudi Arabia Telecom Market size is estimated at USD 18.32 billion in 2024, and is expected to reach USD 22.22 billion by 2029, growing at a CAGR of 3.92% during the forecast period (2024-2029).

Key Highlights

The telecom sector in Saudi Arabia is anticipated to expand primarily due to the country's growing urban population and the widespread use of cell phones that enable 3G, 4G, and 5G services. According to the IMF, in 2023, Saudi Arabia's total population accounted for 32.82 million inhabitants, and it is anticipated to reach 36.24 million inhabitants in 2028. Further, the Internet of Things (IoT), which connects with wired and wireless internet, is predicted to be used more in the telecom industry, supporting the sector's expected growth during the forecast period.

Saudi Arabia continues to invest in its telecommunication and digital infrastructure, functioning toward attaining the Saudi Vision 2030 initiative. For instance, in January 2024, e& Group pledged to invest USD 6 billion over the next two years to advance technology and infrastructure and boost digital solutions. e &'s pledge is to deliver meaningful connectivity in several emerging markets, including Saudi Arabia. The investment aims to enhance network accessibility and affordability in developing economies by expanding network coverage, improving connectivity, and ensuring access to cheaper telecommunications services.

Further, Saudi Arabia's ambitious investments in 5G are beginning to pay off. CITC (Communications, Space and Technology Commission) expects 5G and Wi-Fi 6E to

increase their contribution to the country's GDP from USD 4.7 billion recently to more than USD 18 billion by 2030. The Gulf region has been leading the way in adopting 5G technology worldwide. As of 2023, most countries in the region achieved nationwide 5G coverage. Additionally, the number of mobile users utilizing 5G services has dramatically increased since the beginning of 2023.

As per the Digital 2023 report by Dataportal, at the beginning of 2023, there were 36.31 million internet users in Saudi Arabia, with an internet penetration rate of 99%. Additionally, in January 2023, 29.10 million people in Saudi Arabia were social media users, which accounted for 79.3% of the total population. Furthermore, there were 42.50 million active cellular mobile connections in Saudi Arabia in early 2023, which was 115.9% of the total population. Therefore, the increase in internet penetration in the region is expected to raise the demand for telecom services in Saudi Arabia.

Furthermore, suppliers are upgrading their networks and investing in new technologies, expanding their market presence, and acquiring customers in the Saudi Arabia telecom market. In March 2024, Saudi Arabia telco Zain aimed to accelerate the deployment of 5G-Advanced (5G-A) services. The telco's 5G-A plans for 2027-2030 include the second phase of its 5G-A program, in which the country's main 18 cities will be covered with 5G-A technology.

The decrease in employment opportunities, particularly in industries heavily dependent on oil and related sectors, has resulted in a reduction in the country's stock and disposable incomes for a significant portion of the Saudi Arabian population. Consequently, many consumers have had to re-evaluate their spending priorities, which led to a decrease in overall spending on telecom services, such as mobile data plans, subscriptions, and value-added services. The drop in disposable incomes has also caused many consumers to opt for more basic and cost-effective telecommunication packages, shifting away from higher-value and premium service offerings. This shift in consumer behavior may impact the average revenue per user (ARPU) for telecom operators, making it challenging for them to maintain sustainable revenue growth and profitability in the market.

Increasing inflation can introduce challenges and uncertainties for the Saudi Arabian telecom market, influencing its operations, pricing, and investment decisions. It may lead to higher operating expenses for telecom providers, prompting them to raise service prices to maintain margins. This could potentially affect consumer affordability and demand. Inflationary pressures may influence investment decisions by telecom companies, impacting their plans for expanding infrastructure or launching new

services.

Saudi Arabia Telecom Market Trends

Data and Messaging Services to Hold Significant Market Share

Saudi Arabia's data and messaging services in the telecommunication market include the Internet and text messages from fixed and mobile networks, which are growing in the country due to the adoption of 5G services and fiber-based fixed Internet connection, among others. According to Eurostat, the number of internet users in Saudi Arabia in January 2024 was 36.8 million, up from 36.3 million in the previous year.

Telecom providers are forming partnerships, getting licensing agreements, expanding fiber and copper-based network infrastructure, and deploying 5G services in the country to support the increasing demand for data and messaging services. For instance, in March 2024, Dell Technologies and TAWAL signed a memorandum of understanding (MoU) to collaborate on new opportunities to advance the telecommunications industry in Saudi Arabia.

In terms of telecom connectivity, the fixed data network contributes a significant portion of the country's data and messaging services, which are expected to support the growth of fiber networks during the forecast period. For instance, in February 2023, Dawiyat Integrated Telecommunications & Information Technology Co., an ICT infrastructure development company in Saudi Arabia, planned to build a fiber-optic network across the country, providing high-speed broadband services to reach remote areas with investments of USD 2.6 billion, showing the demand for fixed network-based data services in the country.

The digitalization of business processes, such as using internet-based services in BFSIs, governments, retail, e-commerce, manufacturing, and healthcare in the country, is increasing the demand for data services by telecom service providers across industries. These digital services include internet data packages for both prepaid and post-paid data services in the country that support customers' demand for accessing online services.

In addition, vendors like STC and Zain Saudi are expanding their data and messaging service offerings to support the market's growth in the country. For instance, in October 2023, STC Group announced the expansion of its 5G network in Saudi Arabia by including the development of its current network to reach various regions of the

Kingdom, providing greater capacity and better 5G network technologies to over 90% of its locations in major cities of the country.

Further, in March 2024, Zain Saudi Arabia and Nokia signed a memorandum of understanding to work together on inventing 5G and define a clear path toward creating the next-generation ultra-broadband networks in Saudi Arabia. Both companies will integrate their expertise to develop use cases, requirements, and deployment scenarios for 5G technologies.

Moreover, the government's efforts to promote digital transformation and the evolution of 5G networks further accelerate the country's demand for data and messaging services. With a young and tech-savvy population, Saudi Arabia is witnessing a surge in online communication and digital activities, fueling the expansion of these services.

Mobile Network Segment is Expected to Hold Significant Market Share

Mobile networks are wireless networks that use cellular technology and are supported by base stations that provide 3G, 4G, and 5G services. Mobile networks are used primarily for voice and data services and are becoming increasingly popular in KSA due to their convenience and portability. The mobile network segment in the Saudi Arabian telecom market is expected to witness significant growth in the coming years, owing to the increasing smartphone penetration, IoT devices proliferation, and growing demand among industries owing to enhanced digitization, coupled with the momentum toward the digital economy in line with Saudi Vision 2030.

Moreover, the widespread rollout of 5G services owing to the continuous efforts from the Communications and Information Technology Commission (CITC) and market vendors resulted in better call quality and internet speeds, creating high demand for mobile data services and mobile voice services. The growth in mobile penetration, coupled with the growing demand for mobile voice services, is expected to drive the market during the forecast period. For instance, according to the survey by ITU and OECD, the number of mobile broadband connections per 100 inhabitants in Saudi Arabia is expected to be 130.9 by 2028.

The competitive mobile network sector in the Kingdom is serviced by significant MNOs, namely Saudi Telecom Company (STC), Mobily, and Zain KSA. The MNOs have invested in upgrading LTE infrastructure and developing 5G services nationwide. This,

in part, is aimed at generating additional income from mobile data services and their contribution to the Vision 2030 program. Further, the principal MNOs, Mobily, STC, and Zain, are driving a comprehensive ecosystem of technical, operational, financial, and commercial partnerships that are driving the growth in 5G deployments across the country, thus, in turn, benefiting the demand for the segment.

In August 2023, Integrated Telecom Company (SALAM) collaborated with Oracle to drive 5G innovation across the Middle East. Salam will utilize Oracle Communications' monetization and unified operations solutions to help quickly deliver differentiated services to its consumer and enterprise customers. The company aims to provide customer-centric offers that help create a digital society aligned with the Kingdom's Vision 2030 digital transformation plans.

Moreover, the country's rapid development of e-commerce services further drives the demand for mobile data services. As more and more consumers in Saudi Arabia turn to online shopping, the need for fast and reliable internet connections has surged. As a result, telecom companies in the region have had to invest heavily in improving their mobile networks and increasing bandwidth to meet this demand. For instance, in June 2023, YallaHub entered Saudi Arabia with a revolutionary e-commerce solution for medium, small, and enterprise brands. It helps entrepreneurs develop and scale their businesses in the Middle East through YallaHub's ready-made infrastructure and technologies.

The data and messaging services are analyzed to gain significant maturation in the coming years owing to the increase in smartphone penetration coupled with affordable high-speed internet packaged offers by the major market vendors in the country. In addition, as more market vendors expand their 5G services across Saudi Arabia, the segment is analyzed to witness significant traction for high-speed and low-latency data services over the coming years.

Such developments, coupled with growth in 5G deployment, increased mobile data consumption, growing IoT devices, and increasing internet and smartphone penetration, are expected to drive the demand for mobile networks for reliable and high-speed mobile data and voice services over the forecast period. In addition, the active participation of MNOs and CITC is expected to significantly enhance the mobile network segment offerings in the coming years.

Saudi Arabia Telecom Industry Overview

The Saudi Arabian telecom market demonstrates a semi-consolidated landscape, featuring major players like Saudi Telecom Company (STC), Integrated Telecom Company (SALAM), Etihad Atheeb Telecommunications Company (GO), Zain KSA, and Etihad Etisalat (Mobily). These market participants are actively engaging in strategies such as partnerships and acquisitions to augment their service portfolios and establish sustainable competitive advantages.

February 2024: Zain KSA, a significant telecommunications and digital services provider in Saudi Arabia, signed a memorandum of understanding (MoU) with Huawei to promote 5.5G technology applications. The MoU's ultimate goal is to create a full-fledged suite of intelligent solutions for individuals and businesses under an "All in 5.5G" strategy by leveraging Huawei's vast experience and innovative technological solutions, including 5.5G Radio, 5.5G Core, and 5.5G Transmission. This collaboration underscores both parties' commitment to roll out pioneering technology solutions within the telecom industry by providing improved connectivity solutions with improved downlink, uplink speed, and latency.

September 2023: Zain KSA unveiled new developments on the 5G-advanced network in collaboration with Huawei at the 5.5G City Summit held in Riyadh. With this collaboration, both companies started working on the 5.5G City Innovation Project, which unlock the transformative evolution of beyond-5G technologies. By exploring 5.5G characteristics, companies aim to surpass the 300 Mbps FWA speed. This is expected to support the demand for high-speed internet in the country, thereby driving the market.

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