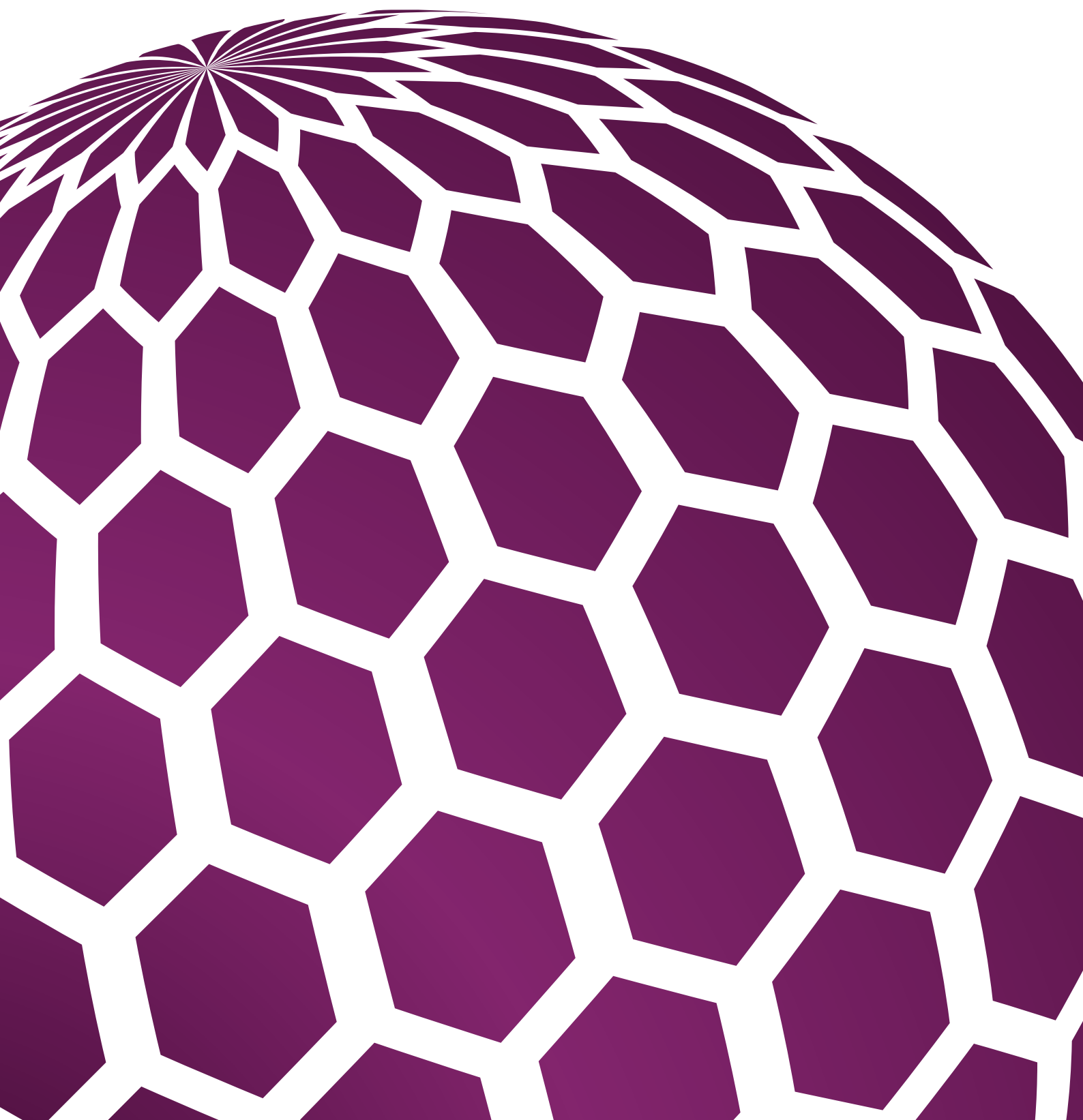




# Mobile Economy Latin America 2013 Executive Summary





The GSMA represents the interests of mobile operators worldwide. Spanning more than 220 countries, the GSMA unites nearly 800 of the world's mobile operators with 250 companies in the broader mobile ecosystem, including handset and device makers, software companies, equipment providers and Internet companies, as well as organisations in industry sectors such as financial services, healthcare, media, transport and utilities. The GSMA also produces industry-leading events such as Mobile World Congress and Mobile Asia Expo.

For more information, please visit the GSMA corporate website at [www.gsma.com](http://www.gsma.com).

Follow the GSMA on Twitter: [@GSMA](https://twitter.com/GSMA).

GSMA Latin America is the branch of the GSMA in the region. For more information in English, Spanish and Portuguese, please visit [www.gsmala.com](http://www.gsmala.com)



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The Boston Consulting Group (BCG) provided the economic analysis in sections 2.1 and 3.1.5. BCG is a global management consulting firm and the world's leading advisor on business strategy. BCG partners with clients from the private, public, and not-for-profit sectors in all regions to identify their highest-value opportunities, address their most critical challenges, and transform their enterprises. BCG's customized approach combines deep insight into the dynamics of companies and markets with close collaboration at all levels of the client organization. This ensures that BCG's clients achieve sustainable competitive advantage, build more capable organizations, and secure lasting results. Founded in 1963, BCG is a private company with 78 offices in 43 countries.

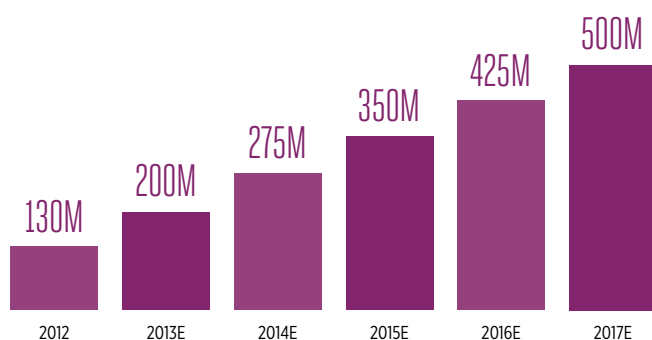


# Executive Summary

Latin America now accounts for 10% of the global mobile market in terms of revenues, and the 9% year-on-year growth rate in 2012 made it the second fastest growing region globally. The mobile market in Latin America is now moving to a new phase of development, characterised by increasing market maturity and by slowing revenue and subscriber growth. However, significant growth potential remains, with future growth likely to be driven by new services and applications and by the accelerating take up of mobile broadband. Mobile is already a cornerstone of the economy in Latin America, generating over 3.7% of the region's GDP in 2012, as well as making important contributions to employment and public funding. Mobile also makes an important social contribution, helping to close the digital divide and addressing a range of social issues in areas such as health, education and sustainable development. However, if the medium-term potential of the mobile industry to drive social and economic development in the region is to be fully realised, it requires a supportive and transparent regulatory regime. This includes the need for a clear and consistent approach to licence renewals; releasing adequate spectrum for mobile use (especially the Digital Dividend bands), and a coordinated policy and regulatory regime to allow operators to address the pressing issues around quality of service.

## MOBILE BROADBAND CONNECTIONS LATAM

(M)



**500M mobile broadband connections across Latin America by 2017**

**Latin America now accounts for 10% of the global mobile market in terms of revenues,** more than double the figure of ten years ago. Total mobile revenues in the region totalled US\$ 107 billion in 2012, with the 9% year-on-year growth rate making Latin America the second fastest growing globally. The region had 632 million SIM connections and 319 million unique subscribers at the middle of 2013, equivalent to penetration rates of 104% and 52% respectively. This is well ahead of the global developing market average figures of 79% and 38%. The subscriber penetration figure also highlights the scope to grow the subscriber base in the future. While only just over half of the population in Latin America has subscribed to a mobile service, in developed markets on average four out of five people have done so.

**The mobile market in the region is now moving to a more mature phase, but still with significant growth potential in the medium term.** The mobile market in Latin America is entering a more mature phase of development, characterised by increasing market maturity and higher levels of competition, with revenue and subscriber growth slowing. Most countries in the region now fall into what the GSMA classifies as the “Fast Grower” segment. With the voice market becoming more saturated (with active SIM penetration in many countries now over 100%), this brings a new strategic focus for the operators on growing new sources of revenues.

**Future growth will come increasingly from mobile broadband and related new applications and services.** Smartphone penetration will be close to 20% of the population at the end of 2013, marginally below global averages, and is forecast to rise to 44% by 2017. The potential of new “third wave” mobile applications and the opportunities from machine-to-machine connectivity is still largely untapped in Latin America.

**Mobile operators have invested significant amounts in building out networks and increasing capacity over recent years, with a total capex figure of almost US\$ 50 billion over the last four years.** With the

need to further increase capacity and build out LTE networks, the industry is expected to invest even more going forward, with total capex forecast to reach US\$ 64 billion over the period out to 2017. However, operators in Latin America have seen profitability levels decline over recent years, while EBITDA margins remain below the developing market average. Operators need to generate sustainable cash flows if these investment plans are to be realised.

**The mobile industry is a cornerstone of Latin America’s economy.** Analysis indicates that in 2012 the mobile industry contributed over 3.7% of the region’s GDP, well ahead of the comparable figure for developed regions (for example 2.1% in Europe). Mobile also supported over 350,000 direct jobs and contributed over US\$ 39 billion to public funding in Latin America. The contribution of mobile will increase going forward as LTE build-outs continue and a range of new services and applications are deployed, with mobile set to generate 4.5% of the region’s GDP (equivalent to US\$ 350 billion) by 2020.

**Mobile is already making an important social contribution in Latin America,** in a region that faces a unique set of challenges, including high rates of urbanisation and a growing working age population. Mobile has played a key role in addressing the digital divide and bringing voice and more recently broadband services to the wider population in Latin America. With increasing penetration rates and new network deployments there is the potential for much greater impact in the future; allowing local small and medium sized enterprises to integrate in the mobile value chain through the provision of apps and local content. There is the scope for new mobile services and applications that can make important contributions to a number of challenges in the region in areas such as sustainable growth, health, education and access to financial services. For example, forecasts indicate that Latin America mHealth market alone could total US\$ 1.6 billion by 2017.

**Mobile broadband has played a key role in Latin America, both in boosting growth and meeting social targets.**

The region had 164 million mobile broadband subscribers as of June 2013, a figure that is forecast to grow by 30% per annum over the next five years. With fixed broadband in the region limited in terms of its household coverage, and also relatively expensive, mobile will continue to play a major role in bringing internet access to the mass market. Mobile data plans have seen significant price reductions in the last three years due to the introduction of innovative pre-paid daily plans which are allowing many low income sectors (particularly to households at the “Bottom of the Pyramid”) in Latin America to access to the internet for the first time.

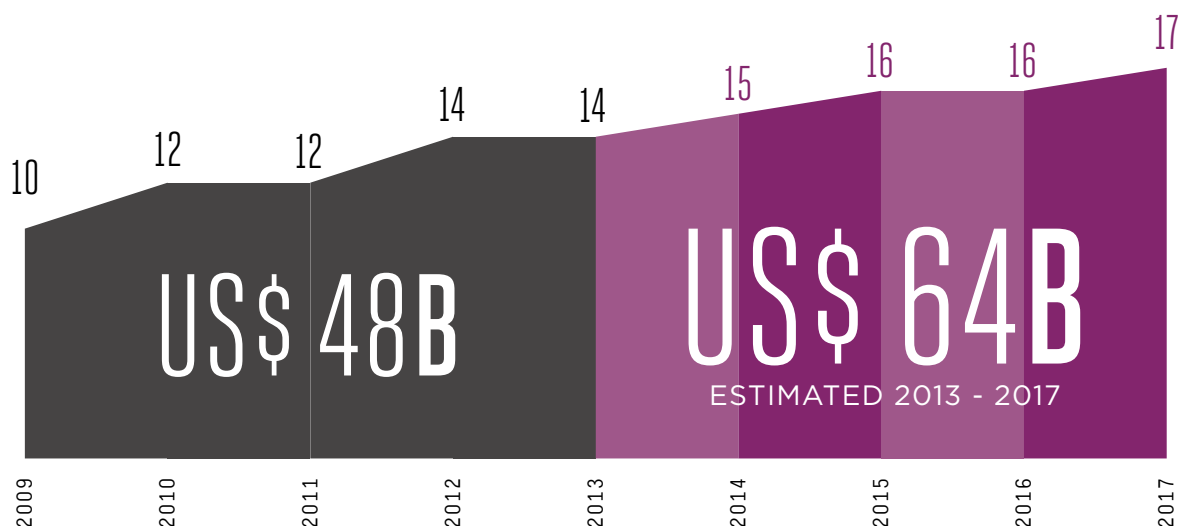
**But there are significant challenges to overcome if the full potential of the mobile industry to drive economic and social development of Latin America is to be realised.** A major concern of

operators in Latin America is the need for a more transparent, predictable and consultative regulatory regime. Specific issues cited include a lack of transparency and consultation in decision making, unfair practices that favour certain companies or technologies and unclear (or a lack of) industry development plans (e.g. spectrum allocation roadmap or licence renewal prospects). To attract both national and foreign investment, regulatory regimes must be transparent and predictable.

**There is a pressing need for adequate spectrum to be made available on a timely basis, especially the lower frequency Digital Dividend band required for cost effective LTE deployments.** Spectrum provision across the region is far behind the 1300 MHz per country that was set as a benchmark for 2015 by the ITU, despite pressures from the ongoing strong growth in connections as well as the increased uptake of more data intensive products and services.

## MOBILE CAPEX LATAM

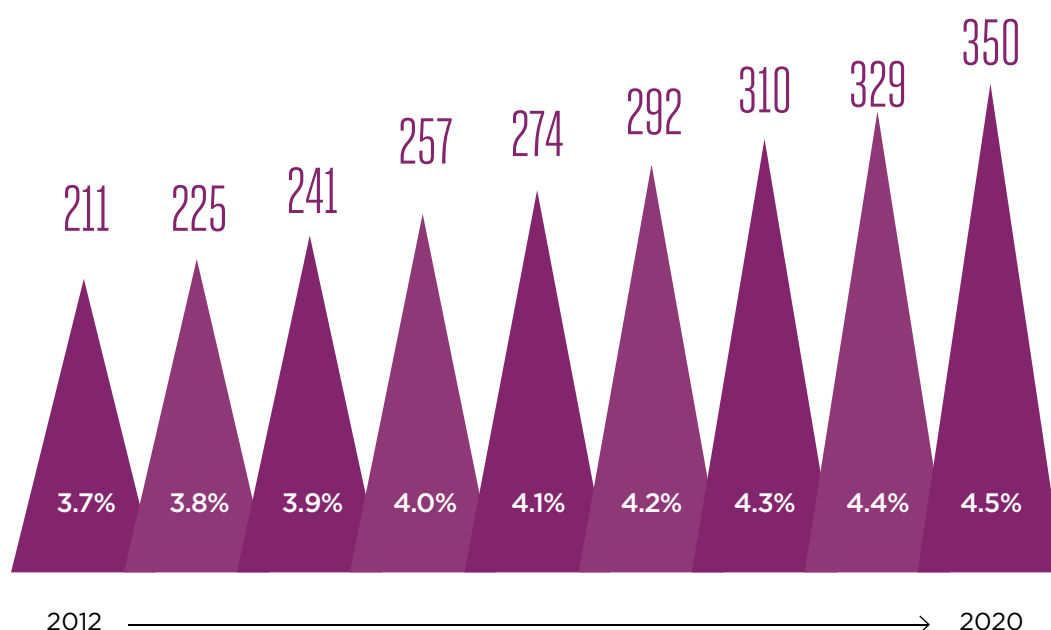
(B)



Source: Wireless Matrix, A.T. Kearney analysis

## MOBILE ECOSYSTEM FUTURE CONTRIBUTION TO GDP

(US\$ B)



Source: GSMA Intelligence; EIU; GSMA; BCG analysis

### There should also be a clear and consistent approach to licence renewals

as there will be many 2G licence renewal processes in the upcoming years across Latin America. This would avoid the creation of periods of confusion and uncertainty which tend to promote inefficiencies in the allocation of resources and delay network investment, as we have seen in several countries over the last couple of years.

**Regulation in Latin America has become more interventionist** in recent years, with the trend to regulate termination rates, impose telecom-specific taxes, and implement hard quality of service requirements as well as imposing other regulatory restrictions on the operators. Regulation needs to play a more supportive role if the mobile industry is to maximise its potential growth and social impact. Greater collaboration and coordination between the mobile industry, regulators and other government institutions can unleash the full potential of mobile, with

the resultant positive benefits for the wider economy and for social development in the region.

**Quality of Service considerations** have become a key focus area for governments and regulators. However, mobile operators need a coordinated and supportive policy and regulatory regime to address this issue, as operators face a range of challenges including inadequate spectrum provision and obstacles to the installation of new base stations and cell sites on a timely basis (including the need in many countries for local permits for new antennas and differing applications of guidelines on RF exposure). Competition rather than regulatory intervention is the best driver for the continued improvements to quality of service that mobile customers expect. Governments and regulators should focus on providing operators with the right tools to allow them to invest efficiently and to compete in an effective manner.

# ENTERING A NEW PHASE OF DEVELOPMENT

## Unique Subscribers and SIM Connections



52%  
SUBSCRIBER  
PENETRATION



SUBSCRIBERS

CONNECTIONS

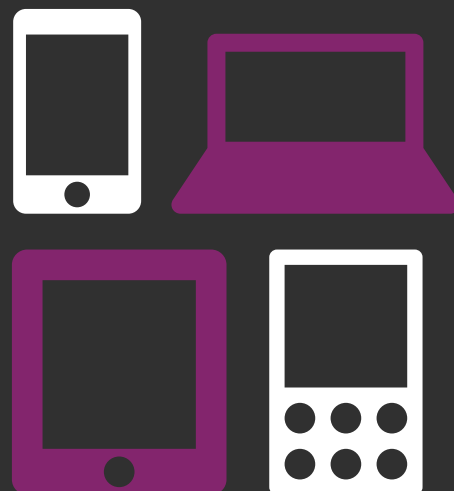
The phenomenon of multiple-SIM ownership continues to distort penetration rates

## Active SIM Penetration

LATAM 104%

GLOBAL 85%

With multiple SIM ownership common in LatAm as in other regions, the number of real subscribers is significantly lower than the number of SIM connections. Multi SIM ownership in LatAm and other developing markets tends to reflect tariff optimisation and the growth of promotional offers.



## Growth

Subscriber and revenue growth slowing, but there is significant growth potential in the medium term.



3.5%  
CAGR  
UNIQUE SUBSCRIBERS  
2012-17

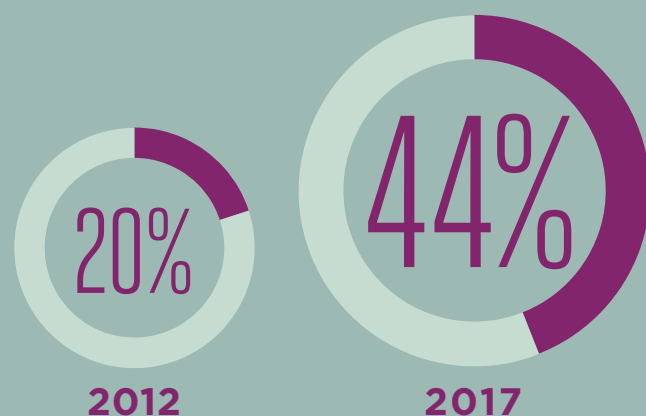




## MBB Connections Latin America

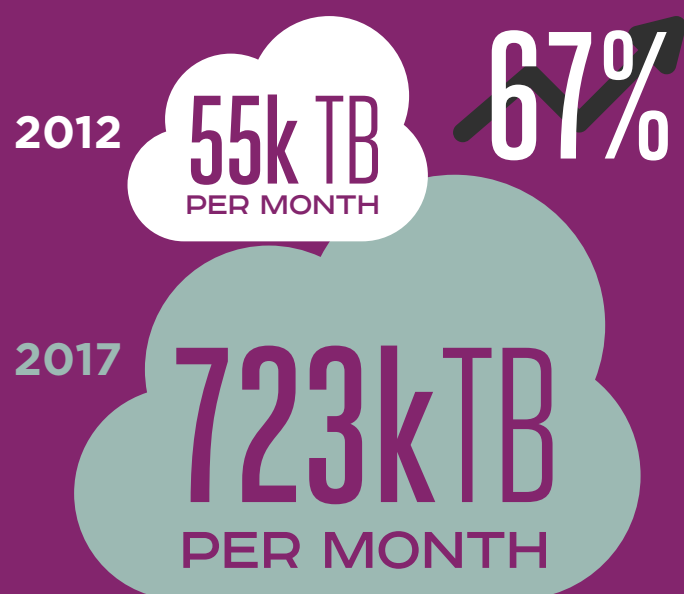


## Smartphone Penetration

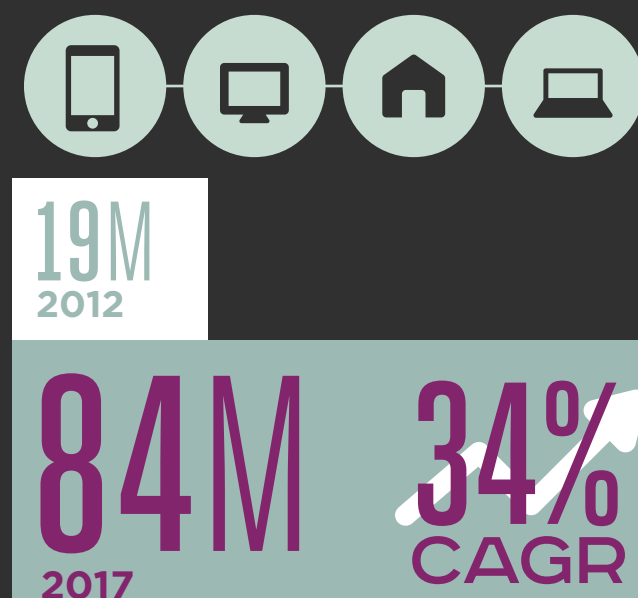


## Mobile Data Volume

Substantial increase for Latin America

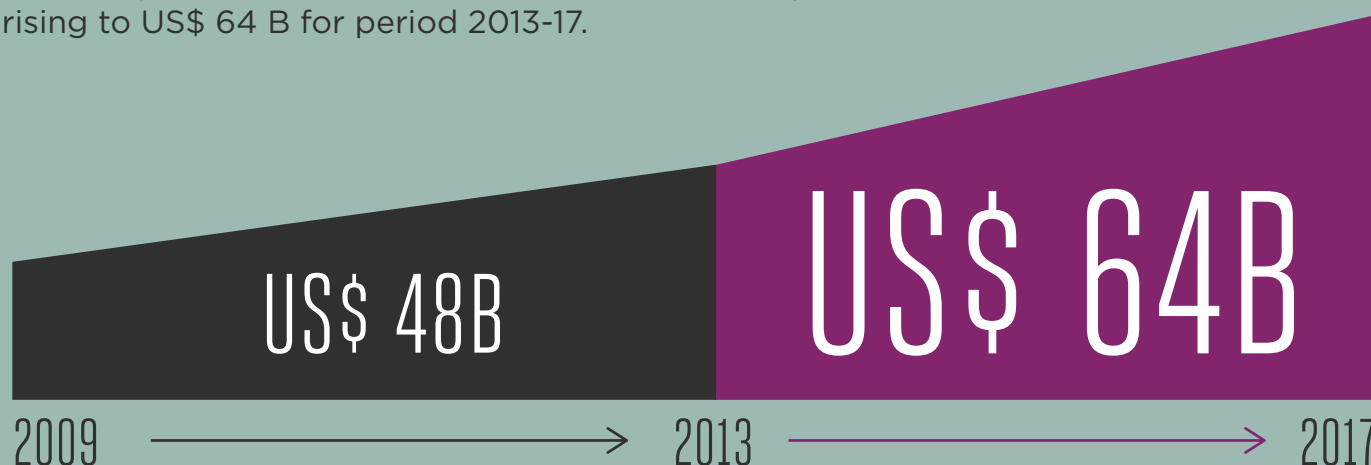


## M2M Connections



## Ongoing investments to support growth

Mobile operators invested US\$48 B over last four years, rising to US\$ 64 B for period 2013-17.



Note: For detailed sources see rest of section.



Latin America now accounts for 10% of the global mobile market in terms of revenues. Total mobile revenues in the region totalled

**US\$ 107B**

**2012**





For the full report please visit  
[www.gsma.com/latinamerica/](http://www.gsma.com/latinamerica/)

