



Perspectives from the Global Telecom Outlook 2023–2027

The future on the line

The global telecom industry seeks growth
in the face of rising demands.



The telecommunications industry is facing a fundamental strategic challenge common among utilities and other mature industries. The sector provides vital services on which billions of consumers and virtually all businesses rely.

Driven largely by video traffic, global data consumption over telecom networks will nearly triple, from 3.4 million petabytes (PB) in 2022 to 9.7 million PB in 2027. But because providers appear to have little to no pricing power on increasingly commoditised connectivity and data services, revenues from internet access—our proxy for spending on broadband activity—will rise at only a modest 4% CAGR to US\$921.6 billion through 2027. At the same time, telecommunications companies (telcos) must make heavy investments in the costly infrastructure that enables them to serve customers. As the transition to 5G continues and newer technological standards gain traction, telcos are projected to invest US\$342.1 billion in their networks in 2027 alone.

These are the signal findings in PwC's inaugural *Global Telecom Outlook*, which provides vital data and thinking to illuminate the strategic paths companies should consider taking in order to sustain outcomes and growth in an increasingly complex and competitive environment. As they maintain their long-standing focus on cost cutting, optimisation and automation, companies can seek out pockets of growth. These include internet of things (IOT) solutions; private 5G networks for business customers; fixed wireless home broadband for households; and, in some markets, the provision of digital infrastructure, data, content and platform services tailored to the needs of sectors such as entertainment and media (E&M), healthcare, manufacturing and mobility. As they lean in to these hotspots, the strategic imperative for telcos is to become more comfortable working in the broader ecosystems that are transforming this vast industry.

We'll now drill down into our *Global Telecom Outlook* findings and analysis in three key domains: consumer offerings, business services and the evolution of networks to meet customers' changing needs.

1. The consumer remains at the centre as demand for data rises

In the business-to-consumer (B2C) space, telcos are seeing demand for their services driven primarily by evolving user preferences, as new devices emerge with ever-higher requirements for data. To a large degree, this is attributable to video (see chart below). Of the 9.7 million PB of data that will be consumed in 2027, almost 7.7 million (or 79%) will consist of digitised video content. That's more than three times all the other categories combined. The amount of additional data that will be consumed by video between 2023 and 2027 will exceed the total amount of data consumed across all categories in 2022. Traditional communications data, which rose 104% between 2018 and 2022, in part resulting from covid-era restrictions and people working from home, will rise only 26.8% over the period to 2027.

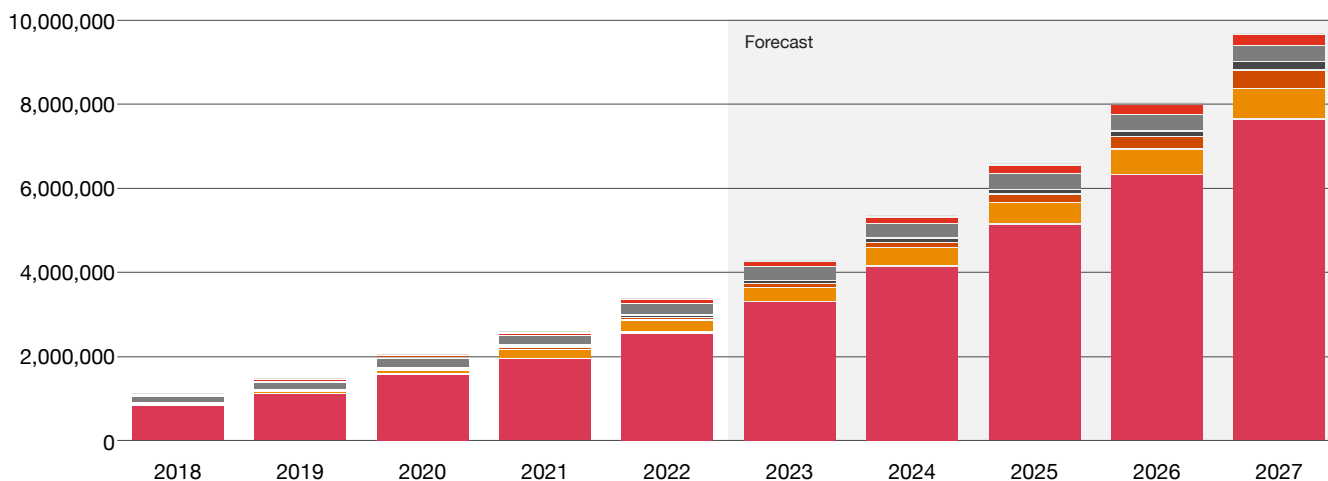
Watch party

A massive increase in video consumption will drive growth in data.

Global data consumption split by content category, 2018-2027

■ Video ■ Games ■ Virtual reality ■ Social networking ■ Communications ■ Other digital content ■ Music

Data consumption (petabytes)



Note: 2018-2022 are actual numbers.

Source: PwC's Global Telecom Outlook 2023-2027, Omdia

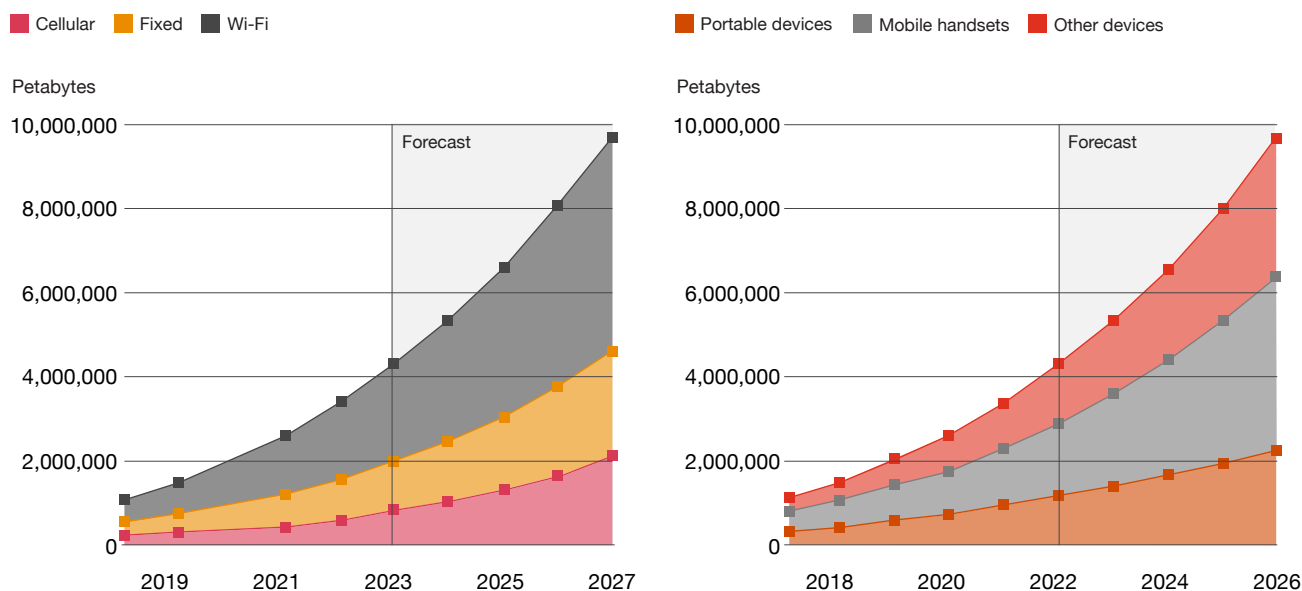
Games, a key growth hotspot for both the E&M and telecom industries, will also play an increasingly important role. Data consumption associated with gaming will rise at a 21% CAGR between 2022 and 2027, reflecting the continued shift towards online and cloud gaming. Meanwhile, virtual reality (VR), driven by the growth of the metaverse, will continue to develop. The projected CAGR of around 43% in VR data over the five-year time frame will see its share of total data consumption reach 5% by 2027.

A combination of technological innovations, intense competition and changing consumer expectations—partly pushed by cost-of-living pressures—means the price of data is declining. As a result, internet access revenues will, broadly speaking, continue to grow roughly in line with global GDP. Internet access revenues will rise to US\$921.6 billion in 2027 from US\$757.7 billion in 2022—a substantial pool of revenues, but one that is growing at just a 4% CAGR.

Cellular data will be the fastest-growing category for data usage, with a CAGR of 27% between 2022 and 2027 (see chart, next page). There are significant variations in data consumption behaviours across different geographies. Cellular data is projected to account for just 6% of all data traffic in North America but a far larger 30% in Asia. That can be explained in part by developments in India. Given the country's strong mobile take-up; its young, tech-savvy population; and the relative lack of available fixed broadband infrastructure, the rollout of 5G in India is opening the way for a surge of service development and innovation. Given the potential for 300 million to 350 million 5G subscribers in India by 2026, telcos such as Reliance Jio and Bharti Airtel have an incentive to build a thriving gaming ecosystem on their networks, helping to boost subscriber stickiness and average revenue per user (ARPU). Further opportunities for 5G-based services are anticipated in sectors such as healthcare.

Consumption trends

Global total data consumption split by network, 2018-2027



Note: 2018-2022 are actual numbers.

Source: PwC's Global Telecom Outlook 2023-2027, Omdia

Telcos are determined not to rely solely on revenues from connectivity. In many cases, they are seeking a stake in revenue streams such as content subscriptions and IOT applications. In the US, telcos have largely retreated from these adjacent areas—witness AT&T and Verizon making moves away from content. But operators in several other territories have forged ahead successfully with diversifying into content. In South Korea, all three major mobile carriers—SK Telecom, KT and LG Uplus (LGU+)—have expanded into producing and distributing their own media content such as drama.

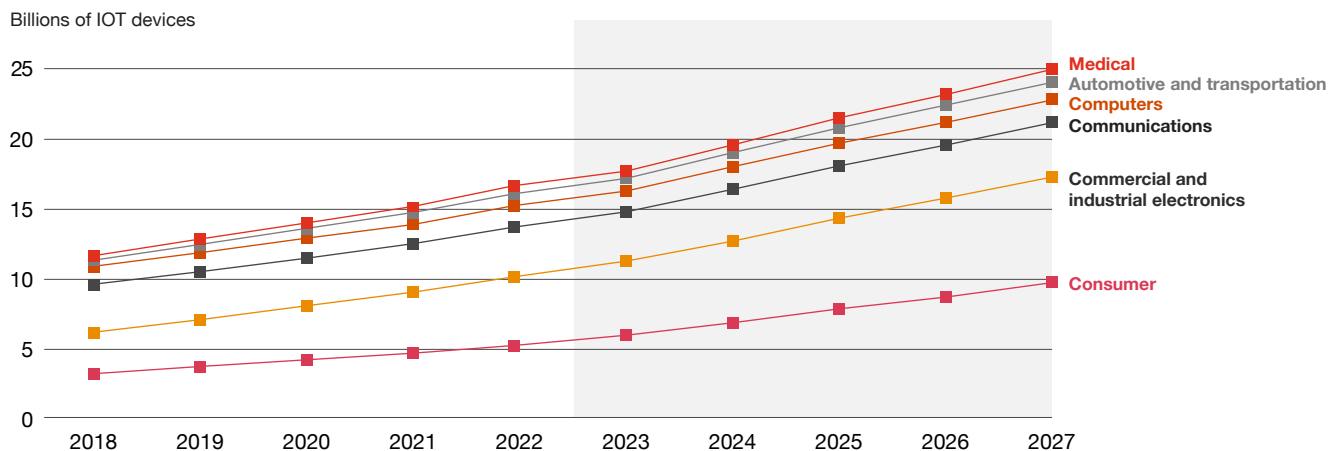
2. Driving business adoption in the internet of things

As evolving consumer needs spark shifts in demand in the B2C space, a similar pattern is underway in the business and corporate customer segment. Although adoption of IOT is increasing across many industries, revenues to date have seen only linear rather than exponential growth. Adoption is held back by constraints in both supply and demand. Chipsets and networks do not yet support the promised low-energy, always-on connectivity that many simple IOT use cases require. Business customers currently lack the capabilities to deploy and manage IOT solutions. In order to blossom fully, IOT requires an ecosystem of partners—telcos, software and cloud providers, and system and business integrators—to come together to develop more effective and scalable solutions to customers' problems. In the coming five years, enterprises' strong interest in IOT use cases will translate increasingly into revenues.

IOT devices, which have become commonplace in recent years, will become pervasive. The total number of installed devices is expected to rise from 16.4 billion in 2022 to 25.1 billion in 2027—roughly three devices for every human on the planet (see chart below).

Connections everywhere

Internet of things devices are proliferating in an expanding array of applications.



Note: 2022 data is preliminary.

Source: PwC's Global Telecom Outlook 2023–2027, Omdia

From a numerical perspective, the consumer sector will see the most impressive growth, as the number of devices is forecast to approach 10 billion in 2027. The increase reflects the growth of consumers' home ecosystems built around multiple devices, with smart speakers acting as control points for lighting, security and entertainment systems, and increasingly communicating with one another using protocols such as IFTTT (If This Then That) and Matter. But as the previous chart shows, business applications will become front and centre. The commercial and industrial electronics sector will see significant growth. And the number of medical IOT devices will double during the five-year forecast period, for a five-year CAGR of 16.7%—the fastest growth of any segment. This rapid rise will be driven by trends such as the growth in home care and telemedicine, and the proliferation of medical devices whose sensors enable remote monitoring of patients' vital signs such as heart rate, temperature and blood pressure.

IOT devices, which can range from a simple sensor that reads the vibration of a bridge to a 4K camera that tracks traffic movements or pedestrians, place different demands on networks in terms of energy use, speed and latency. Given the increasing demand for high-speed and low-latency networks across an ever-wider array of industries, networks must be as efficient and scalable as possible. Telcos are looking to increase their ability to achieve these attributes by partnering across their ecosystems with specialists. The organisations in the driver's seat for IOT are set to change from telcos working alone to ecosystems of telco and tech players, each bringing complementary strengths to the table. In the B2B context, there will be a greater focus on private networks—networks that connect onsite IOT devices (such as sensors or cameras) to analytics and robotics. These will require a bundle of services from cloud, telecom, hardware and software providers, including edge computing services, security and integration, and private network installation and operation. Rolling out such services requires a consultative client-focused sales approach. And many different types of players will compete to provide private networks, including telcos, technology companies, neutral host providers, system integrators and OEMs.

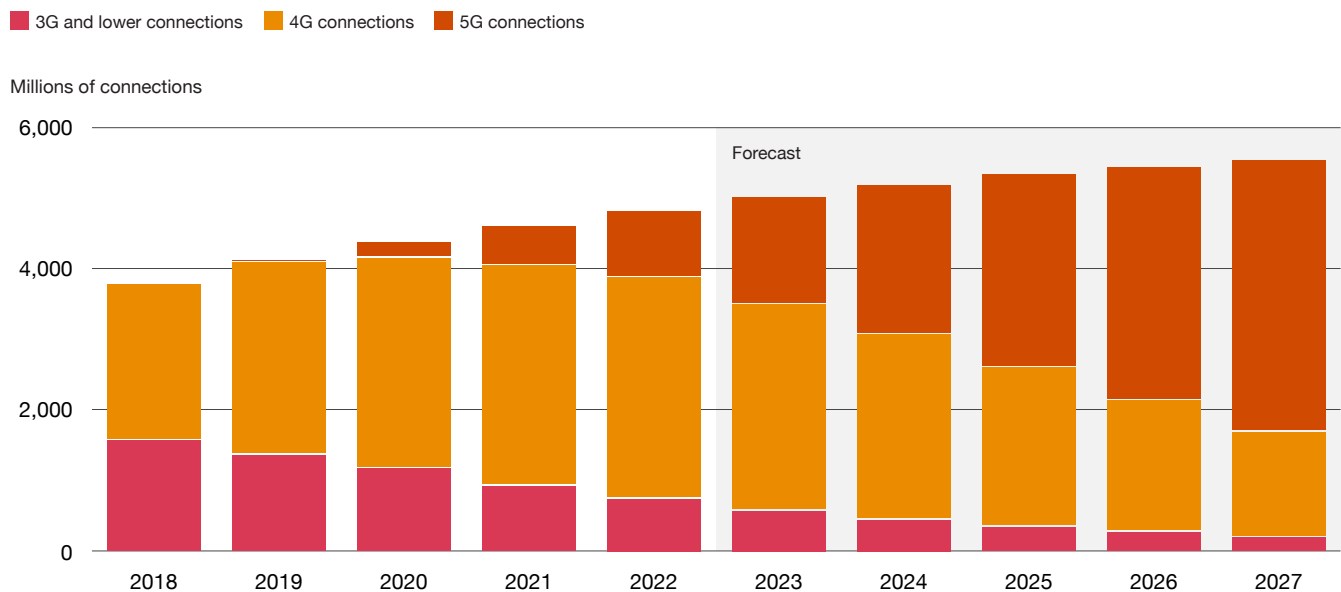
3. Network evolution shapes the future of the telecom industry

Given the rich array of technologies now available or in the pipeline, the future is looking increasingly diverse in terms of network choices for telcos and the customers they serve. By the start of 2023, close to 200 telcos had rolled out 5G networks, and several more were set to follow in the subsequent 12 months. 5G will become the leading smartphone connection type in 2025, at just over 50% of the total—and is forecast to rise to more than two-thirds in 2027 (see chart below). Fibre deployment is continuing to pick up steam, but still has a lot more ground to cover. Open radio access networks (Open RAN)—which focus on boosting interoperability among devices and providers—remain a niche technology, but one in which some notable initiatives are underway. One example is Vodafone's Open RAN, which is based on partnerships with Dell, Intel, Samsung and Wind River.

The 5G wave

Spurred by aggressive rollout of infrastructure, global 5G connections will top 3.8bn by 2027.

Split by generation, 2018-2027



Note: 2018-2022 are actual numbers.

Source: PwC's Global Telecom Outlook 2023-2027, Omdia

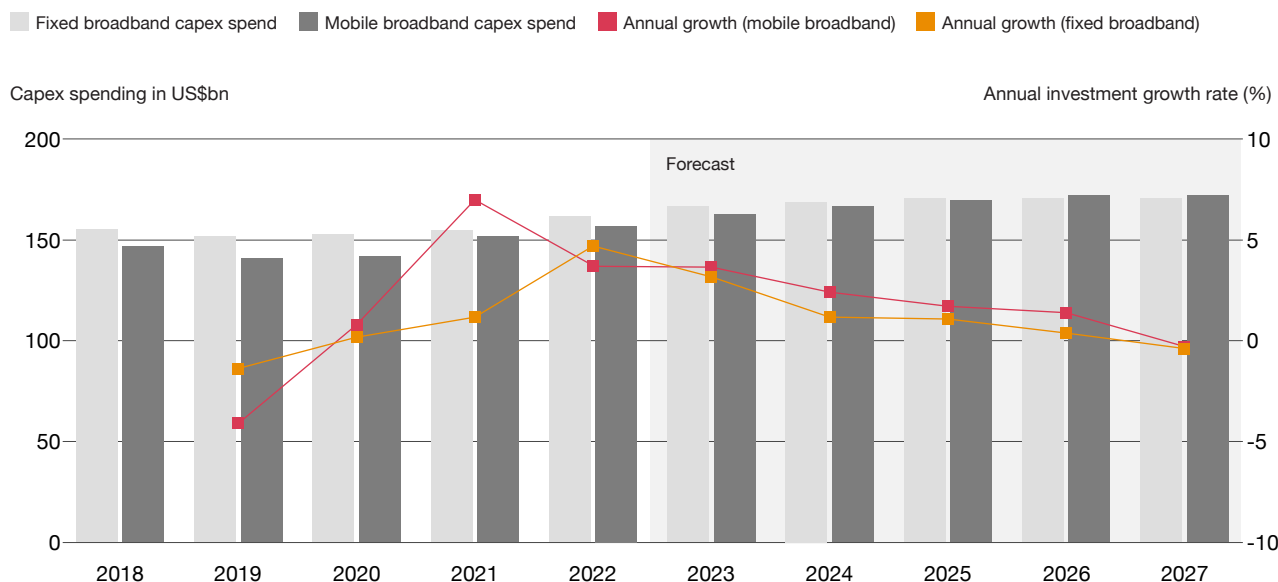
PwC publishes a [dashboard](#) on the global impact of 5G rollout. The rollout of 5G cellular networks is almost complete in China, reflecting the mandate from the government for telcos to implement it [as fast as possible](#). In South Korea, about 70% of the country still lacks 5G coverage: in November 2022, the South Korean government strongly criticised local telcos' level of 5G network investment and [cancelled a 5G 28GHz spectrum allocation round](#). Meanwhile, in India, 5G penetration currently stands at around 5% of the population—but 5G subscriptions are projected to [reach 350 million by 2026](#), accounting for 27% of all mobile subscriptions in the country.

Historically, the waves of capital spending on successive generations of mobile network technology—4G and 5G—have come in ten-year cycles. In 2021 and 2022, capital expenditure (capex) grew sharply as the industry invested in the build-out of 5G. Total telecom capex rose 4.2% in 2022 to US\$319.1 billion, larger than any historic or forecast year in the ten-year period. Looking ahead, however, we expect the growth rate in both fixed broadband and mobile broadband investment to decline every year through 2027 (see chart, next page). Substantially higher inflation and interest rates are instilling greater caution in capital spending. In 2026, mobile network capex will overtake fixed broadband investment. The growth in telco capex is being driven by operators in the US, Europe and Japan rolling out 5G, expanding their fixed fibre infrastructure, migrating systems to the cloud and exploring open-source network solutions.

Tapering investment

The rate of growth in capital expenditures in networks will decline.

Global capex spend by type vs. annual growth, 2018–2027



Note: 2018–2022 are actual numbers.

Source: PwC's Global Telecom Outlook 2023–2027, Omdia

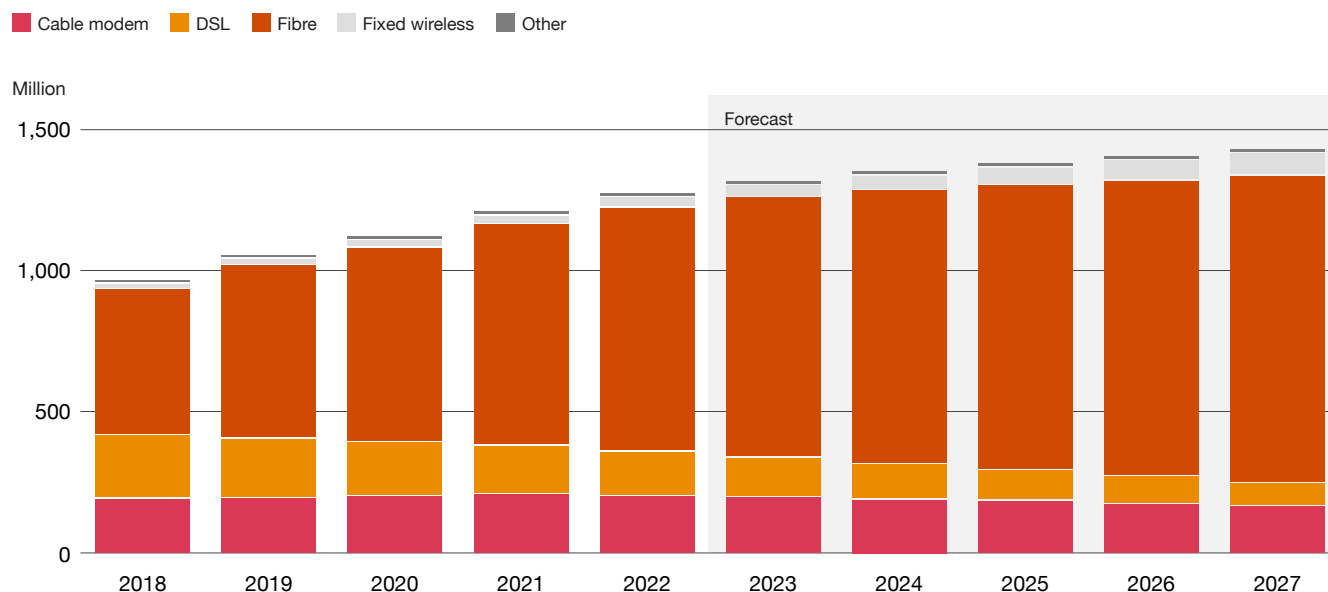
The continued high level of investment intensity will put ongoing pressure on telcos' financing and debt levels, sustaining their focus on improving operational efficiency, boosting monetisation and controlling costs. Many operators—including the likes of T-Mobile US, Rain, Singtel, Vodafone, STC and Orange—have built and launched 5G standalone networks. Others are investing in neutral host networks, which provide network access to multiple providers. To the extent they have excess capacity, telcos can deploy it to serve the rapidly growing data centre and cloud computing markets.

Still others are seeking to gain economies of scale and synergies through mergers that enable them to pool resources and share the burden of investing in the integrated and scalable 5G networks that customers need. Examples include the proposed combinations of Orange and MásMóvil in Spain, and Vodafone and CK Hutchison's Three UK in the UK. In China, China Unicom and China Telecom have signed a deal to build one 5G access network and share access.

Telcos also have major opportunities in providing fixed access networks to residents and small businesses (see chart below). There are also opportunities to provide 5G private networks for business customers in a variety of industries. In India, for example, the government's spectrum auctions and regulations differentiate between licences for B2C services and B2B-focused solutions such as IOT and private 5G networks. This has spurred the entry of new B2B players, many of whom are investing in developing and provisioning private 5G networks for enterprises. Meanwhile, in South Korea, Nokia has launched a 5G Open Lab as part of the Advanced Technology Center at its Seoul offices to showcase 5G private wireless network technology and encourage adoption. Also, Samsung Electronics is building dedicated 5G networks for non-telco operators as part of a government initiative.

Global fixed broadband households

By type, 2018–2027



Source: PwC's Global Telecom Outlook 2023–2027, Omdia

Conclusion: Enabling ecosystems

The *Global Telecom Outlook* paints a picture of an industry that is evolving rapidly. But alongside the challenges to existing business models, the changing landscape offers significant opportunities to incumbents and new arrivals. Regardless of where companies seek to play, and which pockets of growth they are drawn to, one thing is clear: significant investment—of time, money, strategic thinking and resources—will be required if the telecom industry is to innovate.

We are entering an era in which revenue growth and opportunities for optimisation may be muted, and in which the cost of capital is increasing. That means all carriers will have to master the capabilities of being a utility, constructing and operating network assets efficiently so that they can earn back the cost of capital and some margin. Companies will have to focus on monetising assets through sales or carve-outs as they adjust strategic priorities.

But those are table stakes. The powerful trends at work heighten the urgency of collaboration within the industry, and across industries. Many of the areas that offer strategic opportunities for growth will push companies to interact with suppliers, customers and competitors in new ways. As a result, those who act as ecosystem enablers will find great potential. Operating in this way will require companies to develop vertical expertise and ecosystem management capabilities. Beyond the basics, they will have to excel at selling solutions, executing systems integration and developing as-a-service offerings.

The players that are fundamentally rewiring their own internal capabilities to work, plan and invest in the burgeoning telecom ecosystem will be those that can take advantage of the potential for growth.

Methodology and definitions

Historical data collection

All the forecasts have been built by starting with the collection of historical data from a variety of sources. A baseline of accurate and comprehensive historic data is collected in the first instance from publicly available information including from trade associations and government agencies. When this data is used directly, these sources are cited accordingly. In addition to this, interviews with relevant associations, regulators and leading players have been conducted to gather insights and estimates not available in the public domain. When this information is collected, it is used as part of the calculations and the sources are proprietary.

Forecasting methods

All forecasts are prepared as part of a collaborative, integrated process involving both quantitative and qualitative analysis. The forecasts are the result of a rigorous process of scoping, market mapping, data collection, statistical modelling and validation. All data, charts and graphs, unless stated otherwise, in this publication are taken from the Global Telecom Outlook 2023–2027.

Definitions

The Global Telecom Outlook is a new product this year. It contains the existing internet access and data consumption metrics, as well as new coverage areas examining different aspects of the telco ecosystem.

Five telco segments across 53 territories are covered in the Outlook with a range of revenue and non-revenue sub-categories. The segment categories for 2023 are as follows:.

- Internet access mobile and fixed
- Data consumption
- Capex
- IOT
- Spectrum owners

A total of 53 countries are represented in the Global Telecom Outlook, spread across North America, Western Europe, Central Europe, the Middle East and Africa, Latin America and Asia Pacific. The Rest of MENA grouping is treated as a country and comprises Algeria, Bahrain, Jordan, Kuwait, Lebanon, Morocco, Oman and Qatar. These territories account for around 80% of the global population and the sum of all territories generates the “Total” estimate.

Telco capex spend split by fixed broadband and mobile; fixed broadband and mobile ARPU split by personal and household income; and information on spectrum ownership are available for all 53 territories. Data on IOT device revenue, IOT device installed base and average selling price covers ten markets.

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