Fixed Public Services Trends in CEE and MEA, 2001-2007
(Executive Summary)

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Gartner Dataquest provides qualitative analysis of the fixed public services market in Central and Eastern Europe and Middle East and Africa, including a look at the market trends, drivers and inhibitors for voice, data, Internet and wholesale services. This analysis should be used in conjunction with Gartner Dataquest's quantitative market statistics research (see "Fixed Public Network Services: Worldwide, 2001-2007," TCPS-WW-MS-0259).

Central and Eastern Europe's fixed telecommunications services market grew 10.6 percent in 2002, a reflection of buoyant demand crossing all sectors and most countries. This growth rate is even more impressive when noting that its largest element — voice calling — was nearly flat for the year at 0.9 percent. Data and Internet sectors were successful with double-digit revenue growth rates in 2002. The rental and connection market experienced a quick burst of growth in 2002, but it will tail off drastically as governments move to curtail anti-competitive charging schemes. Growth in the region is expected to be quite strong overall during the forecast period. The height of competition marking a more mature industry has not yet arrived, and the achievement of basic penetration objectives will cause even voice to grow at a solid pace (see Figure 1).

Middle East and Africa's fixed telecommunications services market grew only 3.5 percent in 2002, as most leading countries were still awaiting liberalization or were stalled in their attempts to move forward. Voice calling revenue posted a small decline (1.3 percent), reflecting the ongoing difficulties of opening markets even in the face of a tide of demand for basic services. The data and Internet markets posted healthy, double-digit gains for the year, but the wholesale/carrier sector was stalled, again demonstrating the lack of opportunity in networks still largely constrained by the monopoly regime. Similarly, the rental and connection market posted a burst of growth in 2002 but will slow in year-over-year percentages for the remainder of the forecast period. Growth in the region will be brisk, with even voice recovering to post solid gains by 2007. As competition finally makes headway in certain leading markets, the effects will bring the start of the greatest investment opportunities for the region within the forecast period (see Figure 2).

Central and Eastern Europe's fixed retail telecom services market is expected to grow from $23.7 billion in 2002 to $33.7 billion in 2007, a compound annual growth rate (CAGR) of 7.3 percent. Growth in all sectors is expected to be positive, but the "heat" (fast growth) of data and Internet sectors will start to influence the total as their "weight" (proportion of the market) in the total picture increases. Voice calling revenue grew only 0.9 percent to $12.2 billion in 2002. This sector will rise to $13.7 billion in 2007, a CAGR of 2.4 percent. Despite voice calling's declining importance, it will remain the biggest revenue contributor in 2007, more than twice as large as data or rental and connection (and nearly so compared with the Internet). Yet the growth of nonvoice sectors is evidence of a healthy transformation occurring in the region, as Internet usage and particularly the development of broadband get under way, along with data services to business customers. The regulatory outlook on the whole is good and thus serves to help catalyze this growth in market openness with resultant effects on the sector. The incumbent players remain strong, but they are unable to halt the advance of telecommunications liberalization, thus yielding increased investment opportunity in the midterm (three to five years).
Middle East and Africa's fixed telecom services market is expected to grow from $26.1 billion in 2002 to $37.8 billion in 2007, a CAGR of 7.7 percent. Voice calling market revenue will grow respectably (a 5.2 percent CAGR), but the "heat" of the data and Internet sectors will barely slow during the forecast period and will truly drive the market. Telephony revenue fell 1.3 percent to $15.5 billion in 2002 but will grow to $20 billion in 2007. Voice calling will still account for the largest component of total retail revenue in 2007, nearly three times that of the rental and connection, data, or Internet sectors. This dominance is a clear signal of the unhealthy nature of the regional telecom market: Although growth will be respectable and the overall opportunity will improve, storm signs lie ahead that could drive many national markets into isolation and obsolescence. The general lack of development in the region cannot solely be blamed for the relatively cramped size and growth of data and Internet markets, both now and throughout the forecast period. Regulatory policy, combined with incumbent resistance to change, is powerfully slowing the potential of these sectors to bring growth not only to telecommunications services but also to the economy as a whole.

Figure 1
Central and Eastern Europe: Total Fixed Telecommunications Services Revenue, 2001-2007

For the full report, see "Fixed Public Services Trends in CEE and MEA, 2001-2007," TCPS-WW-MT-0189.
Figure 2
Middle East and Africa: Total Fixed Telecommunications Services Revenue, 2001-2007

Source: Gartner Dataquest (July 2003)