

More Growth In Store For Egypt's Mobile Phone Market

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Egypt's mobile telecommunications market continues to grow rapidly thanks to the gradual liberalisation of the sector and intensifying competition amongst service providers and manufacturers.

Issue
The number of mobile phone users in Egypt rose by 34% in 2005-6, with the May 2007 launch of the country's third mobile operator set to heighten competition and encourage investment in infrastructure and services.

With penetration rates still low in regional terms, and the prospect of further government deregulation ahead, the market will remain attractive both to network operators and suppliers of related consumer mobile products.

Importance
With 74.0 million people, Egypt is the Arab world's most populous country and boasts one of the fastest-growing mobile telecoms markets in the region:

Economic performance has been strong since 2004, with real GDP growth of 6.8% in 2006. GDP per capita has risen from E£6,101 in 2003 to E£8,510 in 2006, which represents an increase of 11.1% in real terms;

The number of mobile phone users rose by 34% in 2005-6 to reach 18.2 million representing a penetration rate of 25.0%. According to the latest available national statistics for March 2007, this figure had risen to 20.3 million, or a penetration rate of 27.9%;

The annual number of minutes of international outgoing calls per capita has more than doubled from 4.0 in 2002 to 8.1 in 2006, whereas minutes of national calls have actually decreased over the same period, suggesting a shift in user habits.

Number of mobile phone users per 1,000 people: 2006
Source: Euromonitor International from International Telecommunications Union/World Bank/Trade Sources

Moreover, there has been fierce interest to enter the network operation market:

A consortium led by the UAE-based telecom operator Etisalat acquired Egypt's third mobile phone license in July 2006 at a cost of US\$2.9 billion, beating competition from 11 other bidders;

The new operator, Etisalat Egypt, launched its services in May 2007 and will compete with the two existing providers, Mobinil and Vodafone Egypt.

Implications
Despite the strong growth in mobile phone users, penetration rates remain relatively low in regional terms. The considerable potential for further market growth is, therefore, set to draw aggressive tactics from the three operators:

In an effort to win new market share and target lower-income users, prices for mobile services are likely to be cut thanks to heightened competition between operators;

To raise revenues per user, operators are also focusing on investment in new products and services such as 3G technology or video and music downloads;

Greater numbers of mobile phone subscribers will push up demand for related consumer products such as handsets and accessories;

Investment across the mobile telecoms sector is set to rise as operators build new infrastructure and extend network availability to lower-income rural areas not currently covered. 57.7% of Egypt's population in 2006 was rural;

Demand for fixed lines is waning as first-time users increasingly opt for mobile phones. Although the number of fixed line

subscribers grew at an annual average rate of 13.6% between 2000 and 2005, national statistics state that this figure grew by only 4.8% between end-2005 and March 2007, at which time it stood at 10.8 million.

Future Scenarios

Mobile phone users are projected to number 34.8 million by 2010, representing 44% of Egypt's population. This growth will drive the market in both telecoms-related consumer products and the customer base of telecoms operators.

However, further expansion of the market may be slowed by the large rural population, where poverty rates are higher than in urban areas and where network coverage may be difficult and costly to achieve.

The government has meanwhile stated its commitment to further deregulate the sector, whilst the possibility also remains that a fourth mobile phone license may be issued in the future.

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