

## Forecast highlights by market segment

### Telco

#### Revenues and capex

Actual revenues and capex for the telco sector in 2020 were \$1,793 and \$295 billion, respectively. We expect revenues to grow at an average annual rate (CAGR) of just under 2% through 2025. Capex will grow slightly in 2021-22 due to 5G RAN coverage expansion and stand-alone core builds, as well as transmission upgrades to support the shift to 5G. Capex will fall again slightly thereafter, down to \$292B in 2025. We assume the capex/revenues ratio for the sector falls throughout the forecast period, from 16.4% in 2020 to 14.8% in 2025. Telcos are embracing opportunities to work with web-scalers to help reduce their capex requirements and develop and deliver new services.

Regionally, capex is declining in the Americas due both to US-based telcos working especially closely with web-scalers, and currency devaluation in key South American economies. The figure below shows the capex outlook for each of the four regions tracked by MTN Consulting, and the change in forecast outlook for each region. As shown on the right, three of the four markets have gotten an upgrade in capex expectations, while the outlook for the Americas has fallen.

**Figure 2: Telco capex by region and change from 12/20 forecast**



Source: MTN Consulting

#### Labor force

Actual headcount and workforce spending (“labor costs”) for 2020 largely confirmed our current expectation: telcos are serious about cutting staff but also investing in more highly skilled employees with software and IT skills. In 2020, headcount dropped to 4.883 million, from 5.091 in 2019, but the average employee cost \$58.3K, up from \$56.5K the year before. Labor costs as a share of total opex (ex-D&A) also increased, from 23.6% in 2019 to 24.0% in 2020. Figure 3 illustrates our latest forecast of telco employees and labor costs as a percentage of opex.