THE IMPACT OF THE FINANCIAL CRISIS ON THE TELECOMMUNICATIONS INDUSTRY IN AFRICA

Maxwell Chanakira
Harare Institute of Technology
Technopreneurship Centre
P.O. Box BE 277
Ganges Road, Belvedere
Harare, Zimbabwe
Email: maxwell.chanakira@ties.itu.int

Telephone: +263 914 035 672

Abstract

In recent years, the telecommunications sector has become an important contributor to job creation, GDP and the efficient running of businesses worldwide. Adopting a multi-level approach, this paper provides an overview of the impact of the financial crisis on the telecoms industry in Africa. The study focuses on five transnational telecoms operators- Millicom, MTN, Orascom, Vodacom and Zain and five vibrant African telecommunications markets – the DRC, Egypt, Kenya, Nigeria and South Africa. These telecom operators have a footprint in 51 countries in Africa and together account for over 60% of mobile phones on the continent. In order to achieve its objective, the study utilises the multiple case study methodology based on various databases. The results indicate that the financial crisis has had an impact on the telecoms industry, albeit on a smaller scale. Revenue levels, EBITDA, and ARPU are growing but at a much slower pace. At the macro economic level, the impact has been slowing telecommunications demand, rising job losses, postponement of tenders for new licenses and currency depreciations. Looking forward, demand for telecoms services will likely hold out while any negative slow down will most probably dissipate in the next twelve months. These findings are important in informing development specialists, politicians, academics and investors interested in the development of telecommunications in Africa.

Key words: Financial crisis, impact, Africa, telecommunications

JEL Classification: L96, M16, O14
1. Introduction

The financial crisis began in late 2007 in the sub-prime mortgages market in the United States of America. By 2008, the situation had degenerated into a major crisis in the banking, finance and credit markets resulting in the bankruptcy of some high profile USA international banks and the bailout of some of these banks by the government. Some commentators have remarked that a financial crisis of this proportion has not been witnessed since the Great Depression of the 1930s. The IMF (2009) observes that the current financial crisis is more global in scope than in any other period of financial turmoil in the past 60 years, lending support to the commentators’ views.

The U.S. is the largest economy in the world, and many foreign countries including advanced economies invest there. The major industrialised economies provide significant investment to emerging markets, accounting for more than 85% of global outward FDI stock (SBG, 2010). As a consequence, there are trade and investment linkages between the economies of the USA, advanced countries and emerging markets. Thus, although originating in the USA, the impact affected, first the economies of many developed countries and, then spread to countries in the developing world.

At the outset of the crisis, the initial view was that Africa was “decoupled” from the crisis. Schiere (2010) provides two reasons for this viewpoint. Firstly, Africa had limited exposure to the crisis as the continent is not fully integrated into the global financial system. Secondly, the growing relationships with Asian countries, in particular China and India, made African countries less reliant on traditional development partners, which are suffering from a severe economic contraction. However, this perception proved wrong as the financial crisis did affect Africa, leading to a drop in GDP growth to 2.0% for 2008, 4.1% for 2009 and 5.2% for 2010 (African Economic Outlook, 2009).

Although its origins are in the financial sector, the negative effect of the financial crisis soon spilled over into other sectors of the general economy namely; energy and construction, insurance, mining, education, oil, aviation, IT, manufacturing, tourism, logistics, health care, agriculture, the real estate, media, the telecommunications industries, etc. These industries are being impacted by the crisis in different ways. This is understandable, given that industries have different features and relative importance to national economies. For example, Roland Burger Consultants (2009) identify the energy and construction industries as drivers of national economies and the least affected by the crisis.
The telecommunications sector has become the economic engine as well as an enabler of social, educational, technological and medical progress worldwide. Consequently, beginning in the mid-1980s and increasingly in the 1990s, the World Bank (WB) and the International Monetary Fund (IMF) have strategically positioned telecommunication networks as a key paradigm for the development of countries (Ojo, 2004). This industry is not only strategic, but an important contributor to job creation, GDP and the efficient running of businesses worldwide. Since the outbreak of the financial crisis, it is important to step back and reflect on its impact on this critical industry.

The study examines how the financial crisis has impacted the telecommunications industry in Africa. Adopting a multi-level approach, the impact of the financial crisis is looked at first, in terms of robustness of demand on services, revenue, earnings before interest, taxes, depreciation and amortisation (EBITDA), Average Revenue Per User (ARPU), operational capital expenditure and operational costs of key telecommunications operators in Africa. At the national level, the study examines the impact of the crisis on the wider economy including demand, job losses and the impact on currencies.

This paper is organised as follows: the first section provides an overview of the background to the international financial crisis. The second section examines transmission channels and the impact of the crisis on the global economy. An outline of the research focus and method, which is the basis of the empirical investigation, follows in the third section. The fourth section provides the findings of the study while fifth section concludes the paper.

2. Overview of the Financial Crisis

2.1 Demystifying the Financial Crisis

The term financial crisis is a broad term, which, in general, is applied to a variety of situations in which financial institutions or assets rapidly lose a significant portion of their value. The term also refers to circumstances in which stock markets crash, there is a steep depreciation of currencies, loan defaults occur and other financial bubbles burst or recession sets in. The effects of a financial crisis fall in the human as well as financial category, causing substantial job losses to the former and drops in foreign investment, export earnings and volumes to the latter.
Mishkin (1991) provides the following definition of a financial crisis: “A disruption to financial markets in which adverse selection and moral hazard problems become much worse, so that financial markets are unable to efficiently channel funds to those who have the most productive investment opportunities.” Consequently, a financial crisis can steer an economy away from a position of high economic output in which financial markets perform well to a situation in which economic output sharply declines. Hence, the hallmarks of a global financial crisis are considerable economic slowdowns in most countries (Te Velde, 2008).

2.2 Channels of Transmission

Although the crisis originated in the US, and first spread to industrialised countries, developing countries were rapidly engulfed by the crisis. The financial crisis spread rapidly from the industrialised countries through multiple transmission channels, including declines in commodity prices, trade volumes, remittances and international credit (Ali, Dadush and Falcao, 2009). Therefore, there are linkages between the developed and undeveloped economies through trade, Foreign Direct Investment (FDI) and aid flows. Largely because of falling prices and demand for their commodities, many countries have experienced sharp drops in primary commodity exports.

In Africa, the global financial crisis affected economies in a multiplicity of ways. Ali (2009) argues that the global economic recession was the major transmission channel of the financial crisis to African economies. Kasekende, Brixovia and Ndikumana (2010) assert this point, pointing out that the global financial crisis impacted the continent mostly through real channels: deteriorated terms-of-trade, reduced demand for exports, declines in FDI, remittances, tourism and aid inflows. For relatively well-developed economies, the stock market was another transmission channel for the financial crisis (Soludo, 2009; Te Velde, 2008).

2.3 The Impact of the Financial Crisis

The global financial crisis affected all economies, whether advanced, emerging markets or low-income countries, in different ways. The IMF (2009) asserts that as the crisis developed, growth and trade effects began to affect all countries. Among others, Soludo (2009) identified five key areas in which the global financial crisis has affected the global economy: 1. declining real output growth; 2. weakened financial
systems; 3. loss of jobs; 4. loss of confidence in financial markets leading to the reduced ability of these institutions to carry out their intermediation role in the economy; and 5. stock market losses.

*Declining real output growth*

The financial crisis resulted in a global slowdown in economic activity, pushing commodity prices lower. Commodity price drops of as much as 40% were not uncommon during the height of the financial crisis. A case in point is copper and oil. Oil, a major international commodity saw its price dip on the international market, wreaking damage on earnings of oil exporting countries. Figure 1 captures the fluctuating prices of oil on the international market from 2006-2009. It can be seen that the oil price fell by 35% on its yearly price between 2008 and 2009.

**Figure 1:** OPEC Yearly Basket Oil Price

In view of the fact that Europe and North America buy two-thirds of Africa’s exports, recessions in these regions sharply reduced demand. The decline in export prices and subsequently export volumes represented a significant impact on the continent. In effect, the crisis reduced trade, which is the mainstay of economic growth in Africa.
Falling FDI

The financial crisis led to tighter credit conditions as financial institutions became more discreet in their lending approach leading to a situation where credit became less abundant and more expensive. For transnational corporations (TNCs) in particular, this resulted in lower corporate profits which constrained their ability to carry out investments for both domestic and overseas investment. Correspondingly, private capital flows to developing regions consisting mainly of FDI, significantly slowed, in the process hindering economies that had been relying on these funds for crucial infrastructure projects.

Directly as a result of the global financial crisis, global FDI inflows fell by 14% from a record high of US$1,979 billion in 2007 to US$1,697 billion in 2008 (UNCTAD, 2009). There was a further decline of 43% from US$1,979 billion in 2008 to US$1,111 billion in 2009 (see figure 2). This fall is unsurprising given the severity with which the financial crisis and recession hurt advanced economies. It is expected that a slow recovery will take place in 2010 (to a level up to US$1.4 trillion), gaining momentum in 2011 to US$1.8 trillion).

Figure 2: FDI flows before (2007) and during the financial crisis (2008, 2009)

Source: UNCTAD
Weakened Financial Systems

At its height, the financial crisis affected the banking, finance and credit markets resulting in the bankruptcy of some high profile international banks which had to be bailed by the their respective governments, in order to prevent their collapse. In contrast to the severe impact of the financial crisis in other region’s financial sectors, the effect on the African financial sector has been relatively mild. Very few banks in Africa were directly exposed to off-balance sheet transactions such as securitisation or derivatives, so Africa escaped the sub-prime and banking crises, and did not require bank rescue plans (AERC, 2009).

Falling remittances

As the financial crisis tightened, there were job losses in many countries. This affected many migrant workers who used to send money to their relatives in their home countries, resulting in a drop in remittances. Similarly, most countries are experiencing a slow down in migrant remittances as a result of the weakening of economies in the West and in African advanced economies. Declining domestic and corporate spending continue to pose significant problems for tourism, affecting tourism revenues. The shrinking world economy meant Official Development Assistance (ODA) as well as voluntary flows were all affected. For example, in Kenya, remittances have been steadily falling since October 2008 from US$ 61 million to US$ 39 million in January 2009.

Collapse of stock markets prices

The performance of the stock market is one of the principal indicators of the health of an economy. The movement of stock market indices is a pointer to future economic outlook. A falling stock index, for example, reflects the darkening of the investment climate while a rising stock index points to increased investor confidence and soundness of the economy. In his paper, Te Velde (2008) identified the stock market as a transmission channel of the global financial crisis to the economies of less developed countries, noting that the global economic and financial crisis have dragged stock market values. In some cases, stock markets crashed by as much as 70%.
2.4 The Telecommunications Industry

The telecommunications industry is a high-revenue industry that makes a substantial and growing contribution to the world economy. The Telecommunications Industry Association (TIA) estimates that the industry’s worldwide revenue was US$3.85 trillion in 2009. Global telecommunications spending will grow at a rate of 6.3% percent compound annual rate to US$4.9 trillion in 2013 (TIA, 2010). According to the GSA, the number of global mobile lines grew from 3.3 billion in 2007 to 4.5 billion in mid 2010. Africa accounts for only 8% of the world’s mobile lines.

The telecoms industry exerts a positive and significant impact on economic growth. The impact of mobile telephony, for example, is estimated to be twice as large in developing countries as it is in developed countries (Waverman, Meschi & Fuss, 2005). There is now widespread recognition that telecommunications is no longer simply a convenient public service, but an enormously valuable economic resource, and an increasingly important infrastructure for economic growth and development. In their research, Roeller and Waverman (2001) concluded that a good communications network widens markets, creates better information flow, lowers transaction costs and substitutes costly physical transport.

Research conducted by Frontier Economics on behalf of the Global System for Mobile Association (GSMA) found that the mobile industry in Sub-Saharan Africa employed more than 3.5 million people directly or indirectly in 2006 and the industry contributed an average of 4% to the region’s Gross Domestic Product (GDP). The same report estimates that the mobile sector accounts for 7% of total region’s government revenues.

3. Research design and Methods

The contemporary phenomenon under investigation in this study is the impact of the financial crisis, and the context is the telecommunications industry in Africa. In order to assess the impact of the financial crisis on the industry, a trend analysis is carried out on key balance sheet and investment indicators before the onset of the financial crisis (2006, 2007) and during the financial crisis (2008 and 2009). The analysis is based on the multiple case study methodology, consisting of five transnational telecom operators- Millicom, MTN, Orascom, Vodacom and Zain at the enterprise level and the five vibrant African markets- Nigeria, South Africa, Egypt, Kenya and the DRC.
The five enterprises had a total of 233.1 million mobile subscribers at the end of 2009, representing 61.3% of Africa’s mobile customers. There were 213.6 million subscribers or 56% of Africa’s mobile customers in the DRC, Egypt, Kenya, Nigeria and South Africa at the end of 2009. Hence, the results of this study can be generalised to the rest of Africa. In both cases, the case studies are based on databases created from the annual reports of the operators and from other supporting secondary data obtained from the continent’s most vibrant telecommunications markets of 2006 to 2009.

The case study strategy is particularly valuable in answering the question “how did the financial crisis impact the telecommunications industry in Africa?” Multiple, diverse case studies provide greater coverage of the phenomenon and allow a greater amount of testing, elaboration of concepts and comparative analysis between cases (Yin 1994). This is precisely the aim of this study- to investigate the impact of the financial crisis on the telecommunications industry in Africa using several cases, and at different levels.

From the databases, tables and graphs that vividly capture trends on the impact of the financial crisis are plotted. These depict growth rates trends across a number of dimensions-telecommunications demand, revenue, ARPU, EBITDA and operational expenditure. The trend analysis is divided into two phases: phase I before the financial crisis and phase II during the financial crisis.

4. The Impact of the financial crisis on Africa

Slackening consumer demand

The demand for mobile telecommunications services for MTN increased by 36% in 2007 (before the financial crisis); 35% in 2008 as the effects of the crisis began to be felt in the advanced economies of the world and only 24% in 2009, as the consequences of the financial crisis engulfed Africa (figure 3). In particular, the rate of growth of Millicom slowly sharply, rising 66%, 61% and 35% during the same period. This development is due in part to the fewer countries and the weak structural nature of the economies where Millicom operates. On aggregate, all the major operators in Africa showed a similar trend- the rate of subscriber growth fell steeply from 40% in 2007, to 34% in 2008 and 17% in 2009, reflecting the effects of the global financial crisis.
Figure 3: Customer growth trends across Africa (as viewed from TNCs)

Among the five telecoms markets, Nigeria is by far the largest mobile market in Africa followed by Egypt, with the DRC being the smallest market. Demand for mobile telecommunications services for Kenya slowed from 75% in 2007 to 39% and 25% in 2009. For the same period, Nigeria experienced 26%, 56% and 16% growth rates (see figure 4). Growth was slowest in South Africa, in part due to the fact that mobile penetration is in excess of 100% and the country is reaching saturation levels. Growth in Egypt stagnated in 2008 and 2009. These trends suggest that consumer disposable incomes were affected by the financial crisis translating into reduced service demand.
Relevance trends

In order to assess the impact of the financial crisis on the industry revenues streams, two factors were considered-first, whether the revenue was growing or decreasing and secondly, the rate of change. MTN registered revenue growth of 32% in 2007 before the crisis, fell to 21% in 2008 and dropped even further to 16% in 2009 as the financial crisis gripped Africa (see figure 5). Zain displays a similar trend, 46% revenue increase in 2007, 27% in 2008 and a spectacular collapse of -7% in 2009. All the major TNCs operating in Africa registered considerable drops in revenue growth rates with Vodacom and Zain even registering negative growth rates. The majority of these firms report that exchange-rate depreciation has been a major contributing factor to the slowing growth rate of turnover.
Figure 5: Revenue growth rates for telecommunications TNCs in Africa

<table>
<thead>
<tr>
<th>Year</th>
<th>Zain</th>
<th>Vodacom</th>
<th>Orascom</th>
<th>MTN</th>
<th>Millicom</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>53%</td>
<td>-12%</td>
<td>52%</td>
<td>32%</td>
<td>51%</td>
</tr>
<tr>
<td>2008</td>
<td>46%</td>
<td>5%</td>
<td>27%</td>
<td>25%</td>
<td>10%</td>
</tr>
<tr>
<td>2009</td>
<td>27%</td>
<td>4%</td>
<td>5%</td>
<td>10%</td>
<td>-4%</td>
</tr>
</tbody>
</table>

**EBITDA**

EBITDA is an important measure of operational profits. It allows one to analyse the performance of a company's operations while eliminating all non-operating and non-recurring items such as depreciation and amortization, interest expense, taxes and one time charges such as professional fees, or other non-recurring costs. Millicom posted a 22% rise in EBITDA in 2007 before the crisis, surged to 59% in 2008 but fell to 20% in 2009 as the effects of the financial crisis were felt in Africa (see figure 6). Orascom displayed a comparable pattern, with revenue growth of 17% in 2007, 22% in 2008 and a spectacular collapse to -10% in 2009. All the major TNCs operating in Africa registered considerable drops in revenue growth rates with Orascom even registering a negative growth rate.
Figure 6: EBITDA growth patterns for telecommunications TNCs in Africa

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**Average Revenue Per User**

ARPU is an expression of the income generated by a typical subscriber per unit time in a telecommunications network. The ARPU provides an indication of the effectiveness of the revenue-generating potential. ARPU has continued to fall across Africa for the past five years or so as competition forces prices down. However, there are discernible differences between the rate of decrease before and after the financial crisis. The resultant economic weaknesses evident in different countries emanating from the effect of the financial crisis have led to lower ARPs.

For example, Orascom recorded a drop in ARPU of 5.19% to US$11.50 in 2007, worsening to 6.96% at US$10.70 in 2008 and plummeting 12.80% to US$9.33 in 2009 as the financial crisis hit hard (table 4.1). Millicom registered a fall in ARPU of 9.78% in 2008, accelerating to 20.48% in 2009 as the financial crisis began to bite harder. The trend of falling ARPU has intensified as operators offered several promotions, cut prices in order to retain their customer numbers. Hence, increasingly price became the focus of competition.
Table 4.1: ARPU Trends across Africa

<table>
<thead>
<tr>
<th>Mobile Operator</th>
<th>ARPU (US dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006</td>
</tr>
<tr>
<td>MTN</td>
<td>n/a</td>
</tr>
<tr>
<td>Millicom</td>
<td>n/a</td>
</tr>
<tr>
<td>Orascom</td>
<td>12.13</td>
</tr>
<tr>
<td>Vodacom</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Source: Company annual reports

Operational Capital Expenditure

UNCTAD (2009) argues that tighter credit conditions, expensive loans, plummeting stock prices and shrinking corporate profits have greatly diminished the value of, and scope for, crossborder mergers and acquisitions (M&As). In addition, slackening demand for goods and services has caused companies to cut back on their investment plans in general. Operational costs have also risen because the financial crisis has boosted the cost of capital for the mobile industry, a capital-intensive industry. In 2006, the total capex between the five TNCs rose 26% from US$4.58 billion to US$5.79 billion before the financial crisis began, grew 18% to US$6.83 billion as the crisis began to bite and grew at an even slower rate of -2% to US$6.70 billion as the effects of the financial crisis were felt across Africa (see figure 7). Operators actually cut capex by a significant 20% between 2008 and 2009.
A number of public and private sector projects across Africa have been suspended or delayed because some investors withdrew as the funding conditions became more constraining. Table 4.2 shows some public telecommunications projects that were suspended due to the financial crisis.

**Table 4.2: Selected privatisation programmes postponed due to the global financial crisis**

<table>
<thead>
<tr>
<th>Country</th>
<th>Project description</th>
<th>Cancelled or postponed</th>
<th>Company or organisation</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Egypt</td>
<td>Auction for second fixed-line license</td>
<td>Postponed</td>
<td>NTRA (Telecom regulator)</td>
<td>2008</td>
</tr>
<tr>
<td>Algeria</td>
<td>Tender for 3G license</td>
<td>Postponed</td>
<td>Ministry of the Post and ICT</td>
<td>2008</td>
</tr>
<tr>
<td>Botswana</td>
<td>Planned privatisation of BTC</td>
<td>Postponed</td>
<td>BTA (Telecom regulator)</td>
<td>2008</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>Privatisation of NetOne</td>
<td>Postponed</td>
<td>Ministry of ICT</td>
<td>2009</td>
</tr>
</tbody>
</table>

**Job losses**

Slowing consumer demand, falling ARPU, stagnating EBITDA, expensive and limited financing and rising operational costs have forced telecommunications operators across Africa to retrench workers in order to improve their balance sheets. Table 4.3 below gives examples of telecommunications operators in
Africa who have either retrenched or given notice to retrench more than 12,000 workers in seven countries between 2008 and 2009. The situation is the same across the entire continent.

**Table 4.3: Examples of job losses in telecommunications across Africa**

<table>
<thead>
<tr>
<th>Company</th>
<th>Country</th>
<th>People laid off</th>
<th>Type of Staff</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zain</td>
<td>Kenya</td>
<td>141</td>
<td>Technical</td>
<td>2009</td>
</tr>
<tr>
<td>Zain</td>
<td>Malawi</td>
<td>70</td>
<td>Various</td>
<td>2009</td>
</tr>
<tr>
<td>Zain</td>
<td>Uganda</td>
<td>27</td>
<td>Various</td>
<td>2009</td>
</tr>
<tr>
<td>Zain</td>
<td>Tanzania</td>
<td>25</td>
<td>Various</td>
<td>2009</td>
</tr>
<tr>
<td>Zain</td>
<td>Zambia</td>
<td>96</td>
<td>Various</td>
<td>2009</td>
</tr>
<tr>
<td>Zain</td>
<td>Zambia</td>
<td>96</td>
<td>Various</td>
<td>2009</td>
</tr>
<tr>
<td>MTL</td>
<td>Malawi</td>
<td>575</td>
<td>Various</td>
<td>2009</td>
</tr>
<tr>
<td>Telkom SA</td>
<td>South Africa</td>
<td>4,000</td>
<td>Temporary and contract</td>
<td>2009</td>
</tr>
<tr>
<td>MTN</td>
<td>South Africa</td>
<td>403</td>
<td>Temporary and permanent</td>
<td>2009-2010</td>
</tr>
<tr>
<td>Warid Telecom</td>
<td>Uganda</td>
<td>35</td>
<td>Various</td>
<td>2009</td>
</tr>
<tr>
<td>Telkom Kenya</td>
<td>Kenya</td>
<td>4,000</td>
<td>Various</td>
<td>2008</td>
</tr>
<tr>
<td>Vodafone</td>
<td>Ghana</td>
<td>950</td>
<td>Various</td>
<td>2009</td>
</tr>
<tr>
<td>Zamtel</td>
<td>Zambia</td>
<td>2,400</td>
<td>Various</td>
<td>2009</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7 countries</strong></td>
<td><strong>12,722</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Currency depreciation**

The foreign exchange markets of African countries have come under enormous pressure since the onset of the financial crisis. In the first quarter of 2009, the Nigerian naira declined by 10 per cent. Table 1 presents data on expected changes in exchange rates for selected African countries in 2009. Significant depreciations are expected in the Democratic Republic of the Congo (23%), South Africa (27%), Nigeria (27 per cent), Kenya (16.5%) and Egypt (? per cent), see table 4.4. Some of the countries have massive foreign debts, and the depreciation of their currencies against the dollar has had a negative impact on their debt-service ratios. Millicom reports that the company has suffered from significant currency depreciation in Ghana and to a lesser extent in DRC and Tanzania.
Table 4.4: Exchange rate depreciation in Africa

<table>
<thead>
<tr>
<th>Country</th>
<th>Currency</th>
<th>Depreciation of currency against US dollar 2009 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Democratic Republic of Congo</td>
<td>Franc</td>
<td>23.7</td>
</tr>
<tr>
<td>Egypt</td>
<td>Pound</td>
<td>n/a</td>
</tr>
<tr>
<td>Kenya</td>
<td>Shilling</td>
<td>16.5</td>
</tr>
<tr>
<td>Nigeria</td>
<td>Naira</td>
<td>27.3</td>
</tr>
<tr>
<td>South Africa</td>
<td>Rand</td>
<td>27.1</td>
</tr>
</tbody>
</table>

5. Conclusion and perspectives

The global economic crisis created unfavourable foreign currency fluctuations in many African countries. Consequently, the telecommunications market was characterised by reduced interest and investment income and higher financing costs, profoundly hitting TNC’s top lines and bottom lines. Across all countries and mobile operators, a distinctive trend of falling demand, slowing revenue growth, falling ARPU and EBITDA is consistent. This is because the global financial crisis has exerted pressure on consumers to restrain telecommunications spending. There have also been job losses in the industry, putting enormous strain on governments to keep the number of retrenchments to a minimum.

The evidence in this paper shows that the effect of the global economic crisis on the telecoms industry was felt in 2008 and 2009. The effect for 2009 was worse than the effect of 2008, suggesting that there was a time lag between the effects of the global crisis being felt in the advanced economies and Africa. Comparatively, the telecoms sector has been mildly affected because the industry’s services are deemed an essential item in household budgets representing on average, a relatively modest percentage of less than 3% of their overall spending. Indeed, there is a growing recognition that telecommunications is no longer just a convenient service, but a valuable economic resource.

Growth in the telecoms sector, although much slower than previously, was still higher than the growth of the overall economy in many markets, demonstrating its resilience. In fact, because of this resiliency, the telecommunications industry played a major role in supporting accelerated growth, though a partnership between private investment and supportive regulation and industrial policy. Companies from other industrial sectors were able to use telecommunications solutions in deploying value-added solutions to improve their performance, such as real-time inventory and procurement management or tele- and
videoconferencing. They also focused more closely on efficiently controlling their operating expenses, executing transformation programmes and precisely managing commercial costs.

Hence, although the telecommunications sector was itself affected by the global financial crisis, albeit on a smaller scale, the industry actually played a role in helping countries weather the effects of the global financial crisis.
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