

FUND LAUNCHED

**2005**

FUNDS UNDER  
MANAGEMENT

**£526.1**  
MILLION

NET ASSET VALUE  
PER SHARE

**362.0%**  
SINCE INCEPTION\*



# Digital Infrastructure in Emerging Markets

November 2022

Digitalisation – in particular, mobile internet usage – is driving large-scale social and economic change in emerging and frontier markets around the world. This burgeoning growth is providing access to information, education and financial services for populations that are often rural or living below the poverty line. Nonetheless, the speed and scale of the digitalisation process differs across regions, and sometimes even within individual nations.

## Mobile Broadband Adoption

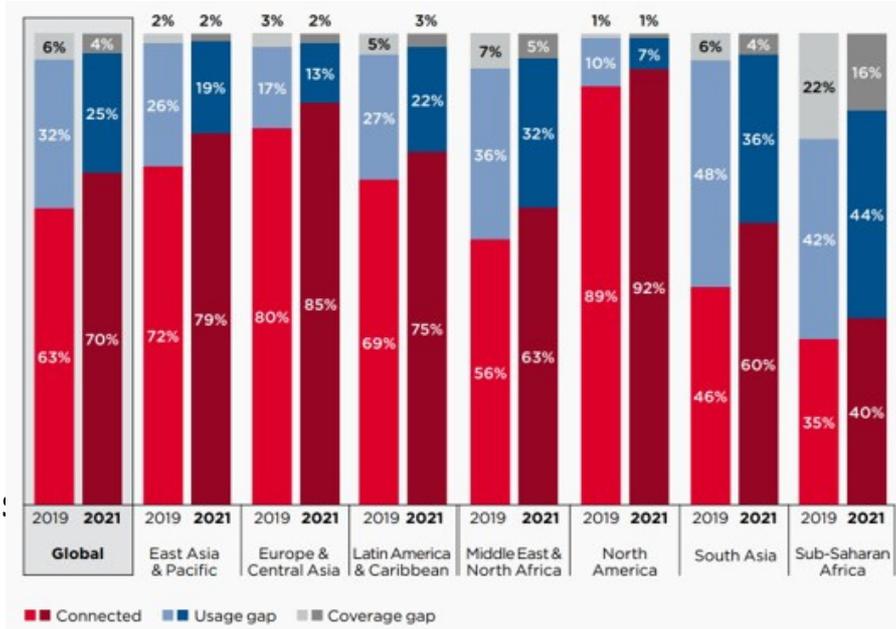
Globally, 300 million more people used mobile internet services in 2021 than in 2020, boosting global users to around 4.3 billion, according to the figures published in GSMA. 2022 Report. This growth was driven primarily by new users in low and middle income countries.

This trend continued into the first half of 2022, despite a backdrop of rising global food and fuel prices. Orange SA's west African unit Sonatel reported a 50.2% rise in 4G mobile subscribers in the year to 30 June 2022, and a 26% rise in mobile data revenues. MTN Nigeria also reported data revenue growth of 51.6% in the first half of 2022.

*Mobile internet growth is largely being driven by more affordable 4G handsets, lower data charges, improved speeds and coverage, and greater benefits from digital applications.*

*Mark Lebbell, Senior Analyst  
Utilico Emerging Markets Trust Plc*

## Evolution of mobile internet connectivity among adults aged 18 and above, 2019-2021



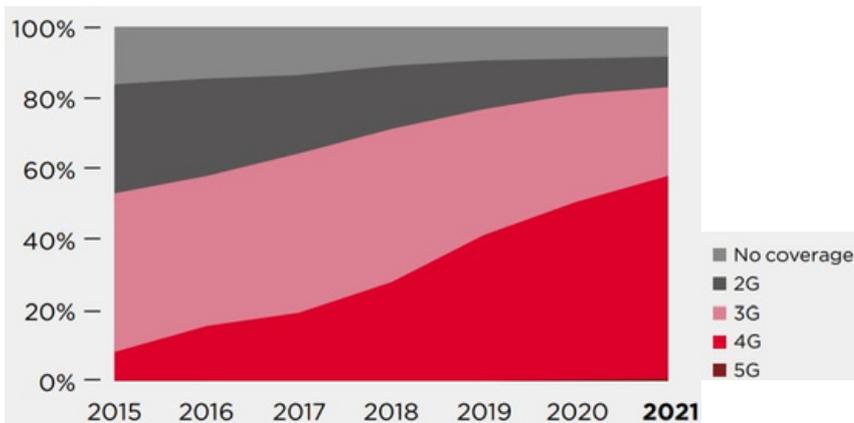
Younger people are another major contributor to this growth. With a median age of just 19 in sub-Saharan Africa, youth demographics are increasingly driving customer growth in the region.

Source: GSMA Intelligence

### Room for more growth?

With all this being said, it's crucial to note that there is still considerable room for growth. Only 40% of the adult Sub-Saharan population was making use of mobile internet services by the end of 2021. A further 44% of the adult population lived within the coverage range of mobile internet services, while the number living in areas without coverage fell from 22% to 16% between 2019 and 2021<sup>[1]</sup>. Thus, vast opportunities for digitalisation remain in this region.

### Sub-Saharan Africa

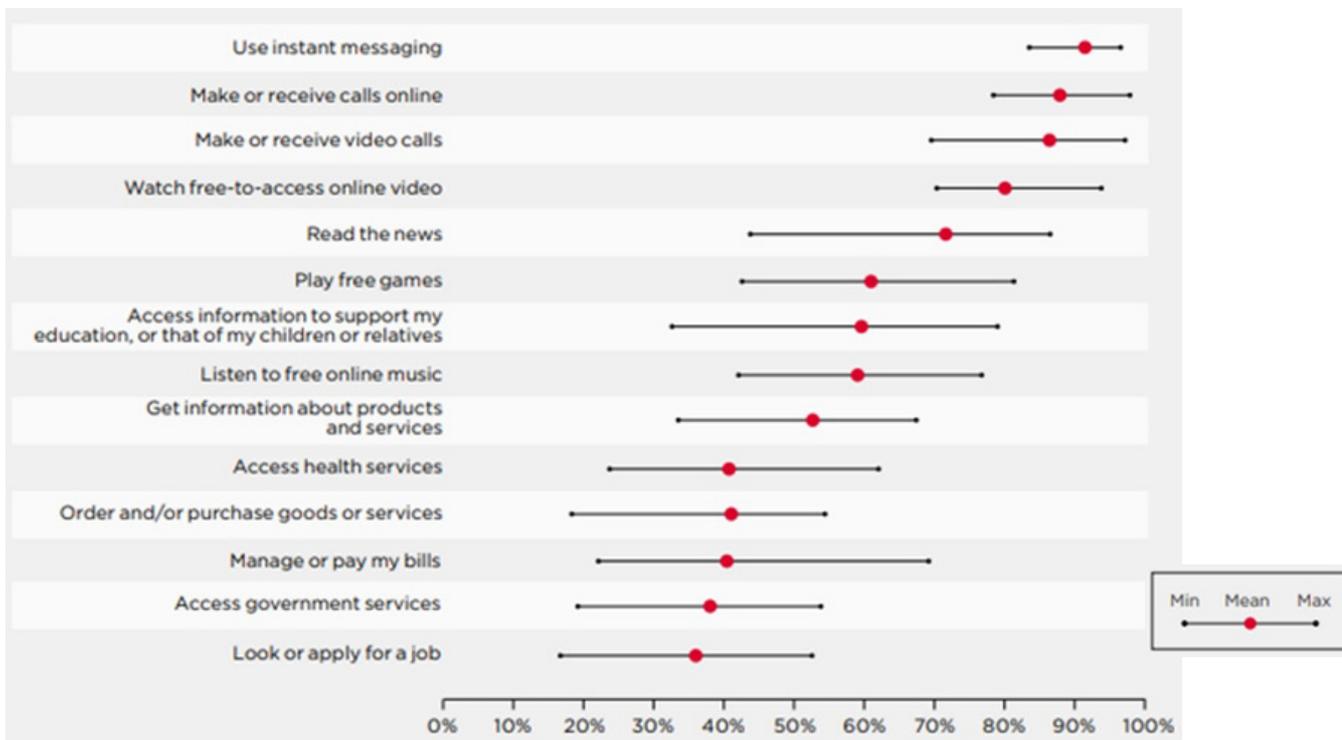


Source: GSMA Intelligence

### Barriers to overcome

Unaffordable digital technology, limited access to infrastructure such as electricity, and a lack of digital skills within populations have all historically served as barriers to digitalisation in emerging markets. However, technological advancements and the establishment of economies of scale are driving down the costs of digital products in many emerging markets, while rising levels of consumer spending power are also enabling greater affordability.

## Activities that mobile internet users report having done at least once on a mobile phone, 2021 (percentage of mobile internet users)



Source: GSMA Consumer Survey

### Apps on the rise

Key apps in emerging markets broadly mirror those in developed markets, with data-enabled phones being used mostly for instant messaging and related social media apps. In many emerging markets, US apps such as WhatsApp, Facebook, Instagram and Snapchat dominate, although local apps such as TenCent, Kakao, Line and Telegram are also on the rise in certain territories.

In addition to communications and entertainment, data connectivity allows access to educational materials; healthcare resources; and government support and financial services, which include payments.

In Kenya, financial inclusion rose from 27% in 2016 to 83% in 2019,<sup>[2]</sup> driven by the rapid uptake in Mobile Money. This has been a particular success in east Africa, where transactions are carried out online or at local kiosks. As a result of its popularity, its services are now being introduced across other emerging markets.

Additional services can be built on mobile payment services to add food delivery, taxi booking, public transport ticketing, e-commerce, bill payment and government engagement services – all of which help to stimulate economic activity. In some markets, all these services are combined into a so-called “Super App”.

*Mobile Money is a financial service platform linked to mobile phone accounts. This app aims to replace a traditional bank account, allowing for deposits, payments, cash withdrawals and micro-loans all within the app.*

## Opportunities for UEM

The investible universe for UEM includes a growing number of listed telecoms infrastructure companies, who own and operate telecoms towers, fibre networks and data centres. By providing infrastructure that can be shared between multiple market participants, industry capital is more efficiently deployed, allowing the mobile network operators to expand services more widely and rapidly than if they were building infrastructure solely for their own use.

The confluence of these factors can result in rapid, seismic change. As digitalisation ramps up across the African continent – as well as other emerging markets – physical infrastructure, the increased provision of mobile services and internet penetration, and the ever-growing world of digital business will only grow in importance for investors and consumers alike.

## Mark Lebbell

16 November, 2022

Source Data: ICM Limited.

[1] <https://www.gsma.com/betterfuture/resources/the-state-of-mobile-internet-connectivity-2022>

[2] <https://www.imf.org/en/News/Articles/2022/09/28/sp092822-dmd-sayeh-fintech-financial-inclusion-bangladesh>

\*Total return is calculated based on undiluted Net Asset Value, plus dividends reinvested and adjusted for the exercise of warrants and subscription shares

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