

# 2021 carrier capex is a hot topic as at-home digital economy is up but classic economy still matters

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Ian Redpath

## Straight Talk Service Provider

### Omdia view

Carrier capex is the top of the economic food chain for the system vendors. In a normal year, carrier capex would be tracked by the system vendor community with the usual rigor, zeal, and attention to detail. 2020 is not a normal year. What takes primacy in 2021? The once in a lifetime shift to “at home” has necessitated a major change in carrier networks in support of the digital economy. At the same time, the COVID-19 pandemic is hitting the classic economy: GDP contraction, unemployment up, and a number of enterprise vertical sectors in distress. Carriers have had a decades long track record of fiscal prudence when faced with revenue uncertainty: 2021 will be a year of revenue uncertainty. The most certain lever the carriers can pull back on is capital expenditure.

The technology community has rallied behind the at-home accomplishment but we would be one-sided in our analysis by discounting the contribution the classic economy makes to carrier revenue. The shift to the at-home economy has been an unprecedented success. There was no blueprint and there was no advanced planning. If carriers had studied the potential challenge in advance, it would have taken vast planning resources and time. The carriers reacted and made it happen:

- The carriers upheld the global economy by underpinning the at-home shift.
- The carrier efforts were invaluable and vastly underappreciated.

Where would the world economy be if millions of white collar workers did not continue working productively via the at-home model. Q: What is next? A: The business case will have to come back into view. Capex certainty is derived from revenue certainty and 2021 carrier revenue is a little uncertain:

- Advanced Western economies' 2020 GDPs are forecast down by the IMF. 2021 GDPs are forecast up but not reclaiming all ground lost in 2020.
- Unemployment is up; unemployed consumers cut costs.
- Many currently distressed enterprise verticals will not fully recover in 2021. Prudent enterprises will re-architect and look for ways to reduce costs.

2020 carrier capex, so far has not dramatically altered but that train had momentum and was in motion. The carriers have more time to analyze 2021 capex, their choices are fundamentally:

- Maintain, increase, or decrease capex
- Re-allocate capex, potentially to network areas that drive line of sight revenue and underinvest in other network segments and run those network segments hot

The revenue positives and potential upsides:

- Professionalize “at home” and increase at-home enabling revenue
- Drive more revenue out of digital economy cloud business

Digital economy services will drive traffic to be sure. Less certain is whether digital economy services will drive carrier revenue, completely supplanting at-risk classic revenue. Revenue clarity will bring capex clarity.

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[omdia.com](https://www.omdia.com)

[askananalyst@omdia.com](mailto:askananalyst@omdia.com)