

IHS ECONOMICS & IHS TECHNOLOGY

# The 5G economy: How 5G technology will contribute to the global economy

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## **ECONOMIC IMPACT ANALYSIS**

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## Executive summary

The printing press. The internet. Electricity. The steam engine. The telegraph. Each of these discoveries or inventions is part of an elite class of socio-economic mainsprings known as General Purpose Technologies (GPTs). Established through pervasive adoption across multiple industries, GPTs often are catalysts for transformative changes that redefine work processes and rewrite the rules of competitive economic advantage. The profound effects arising from these innovations range widely—from the positive impacts for human and machine productivity to ultimately elevating the living standards for people around the world.

IHS Markit views 5G as a catalyst that will thrust mobile technology into the exclusive realm of GPTs. IHS Markit evaluated the potential of 21 unique 5G use cases that will affect productivity and enhance economic activity across a broad range of industry sectors. IHS Markit further examined the central role the 5G value chain will play in continually strengthening and expanding the current mobile technology platform. Finally, IHS Markit determined the net contribution of 5G to positive, sustainable global economic growth. While this study focuses on long-term economic contributions of 5G, it is important to recognize that the 5G economy is beginning to emerge. Early deployments of commercial 5G already underway have the potential to make meaningful economic contributions prior to 2020.

### Key findings include:

- In 2035, 5G will enable **\$12.3 trillion of global economic output**. That is nearly equivalent to US consumer spending in 2016 and more than the combined spending by consumers in China, Japan, Germany, the United Kingdom, and France in 2016.
- The global 5G value chain will generate **\$3.5 trillion in output** and support **22 million jobs** in 2035. This figure is larger than the value of today's entire mobile value chain. It is approximately the combined revenue of the top 13 companies on the 2016 Fortune Global 1000—a list that includes Walmart, State Grid, China National Petroleum, Royal Dutch Shell, ExxonMobil, Volkswagen, Toyota, Apple, Berkshire Hathaway, and Samsung.
- The 5G value chain will **invest an average of \$200 billion** annually to continually expand and strengthen the 5G technology base within network and business application infrastructure; this figure represents nearly half of total US federal, state, and local government spending on transportation infrastructure in 2014.
- Moreover, 5G deployment will fuel sustainable long term growth to global real GDP. From 2020 to 2035, **the total contribution of 5G to real global GDP will be equivalent to an economy the size of India**—currently the seventh largest economy in the world.

To date, mobile technology has progressed from a predominantly people-to-people platform (3G) toward people-to-information connectivity on a global scale (4G). 5G will leverage and extend the research and development (R&D) and capital investments made in prior mobile technologies to advance mobile to a platform that delivers the much-needed ubiquity, low latency, and adaptability required for future uses. 5G will make possible new classes of advanced applications, foster business innovation and spur economic growth. The emergence of 5G is a fulcrum in the evolution of mobile technology from a technology that had transformative impact on personal communications to a true GPT that promises to transform entire industries and economies.

## How will 5G be used?

### Enhanced Mobile Broadband (EMBB)

Two key facets of EMBB will drive adoption and value creation in the 5G economy. The first is extending cellular coverage into a broader range of structures including office buildings, industrial parks, shopping malls, and large venues. The second is improved capacity to handle a significantly greater number of devices using high volumes of data, especially in localized areas. These improvements to the network will enable more efficient data transmission, resulting in lower cost-per-bit for data transmission, which will be an important driver for increased use of broadband applications on mobile networks.

### Massive Internet of Things (MIIoT)

5G will build upon earlier investments in traditional Machine-to-Machine (M2M) and IoT applications to enable significant increases in economies of scale that drive adoption and utilization across all sectors. 5G's improved low-power requirements, the ability to operate in licensed and unlicensed spectrum, and its ability to provide deeper and more flexible coverage will drive significantly lower costs within MIIoT settings. This will in turn enable the scale of MIIoT, and will drive much greater uptake of mobile technologies to address MIIoT applications.

### Mission Critical Services (MCS)

MCS represents a new market opportunity for mobile technology. This significant growth area for 5G will support applications that require high reliability, ultra-low latency connectivity with strong security and availability. This will allow wireless technology to provide an ultra-reliable connection that is indistinguishable from wireless to support applications such as autonomous vehicles and remote operation of complex automation equipment where failure is not an option.

## 5G will transform mobile into a GPT

Following an incubation period, a GPT hits an adoption tipping point that leads to transformational, and often disruptive, changes to industries and entire economies (see sidebar: GPTs have profoundly changed industries and economies).

GPTs share some common attributes including pervasive use traversing many industries, continual improvement over time, and the ability to spawn new innovations. GPTs lead to deep and sustained impacts across a broad range of industries that often redefine economic competitiveness and transform societies. IHS Markit anticipates that as 5G technology advances and becomes embedded within devices, machines, and processes, wireless communication will be elevated to the pantheon of GPTs.

Digital mobile technology has steadily progressed from interconnecting people to serving up the data people depend on in both their personal and professional lives. For example, mobile technology is often cited as playing a basic yet essential role in connecting remote citizens in emerging economies to vital services, such as the rise of mobile banking in Nigeria. Accordingly, many of the advancements in mobile technology to date have delivered increasingly higher bandwidth necessary to provide nearly ubiquitous voice and data coverage. While some M2M and early IOT applications have emerged, these applications typically employ older technologies for specific use cases. Driven by media and investor hype for companies at the mobile vanguard such as Uber, mobile technologies are still primarily used to address consumer and enterprise use cases, and have yet to make significant inroads in radically transforming the industrial or public sectors of economies. While these early mobile generations have been foundational for mobile technology's journey to ubiquity, 5G

will be the technology platform that connects cars and cities, hospitals and homes, and people to everything around them in more meaningful ways.

The planned advancements for 5G are expected to explicitly address the incredibly diverse set of use cases present in IOT. Different aspects of the standard are being “purpose built” to address the MIIoT-type applications, as well as mission-critical use cases that include autonomous vehicles, industrial automation, and telehealth. This expansion of capabilities is being implemented as part of one unified design, which means that the same 5G infrastructure can be used to support a wide range of use cases. The widening diffusion across industries and processes where wireless currently has limited penetration will position mobile technologies for a deep and sustained impact across a broad range of sectors.

The 5G economy will introduce a new level of complexity to policymaking and regulation as new business models emerge and the old ways of delivering goods and services are either dramatically altered or abandoned completely. Areas where policy and regulatory modernization will be required for a 5G-ready world include public safety, cyber security, privacy, spectrum allocation, public infrastructure, healthcare, spectrum licensing and permitting, and education, training and development. The challenge for policymakers in the 5G economy is that they must be prepared to address the ubiquity of 5G in everyday life without creating regimes that stunt the continued innovation that will be critical to the success of the 5G economy. Policies that safeguard the ability of firms to take risks, make investments, and continue the relentless pursuit of innovation—particularly rules governing intellectual property protection—are the optimal vehicle for leveraging and capturing the full value of the 5G economy.

By 2035, the ubiquity of 5G will result in impacts that advance beyond the capability of existing technologies, platforms and industries; yet the proliferation of 3G and 4G mobile technology provide important analogs as the 5G economy blossoms. As large as 5G private sector-led investment is expected to be, it is nonetheless additive to the infrastructure investment and R&D spending that was preceded by 3G and 4G. The prospect of 5G ubiquity is a continuum of 3G and 4G investments that emerge from technology and spectrum licensing dynamics that incentivized R&D and big economic wagers on the prospect of an increasingly wireless-reliant economy. Policies and incentives that encourage investments and the availability of risk capital, aided by strong intellectual property protections, will maintain the hospitable environment that will allow the 5G economy to flourish.

The IHS Markit analysis of the 5G economy assesses both a technology perspective—how 5G improves upon existing and enables new use cases—and how 5G technology will impact the global economy. Ultimately, the test of any investment is how much it improves the quality of life globally. The IHS Markit analysis documents how 5G technology will improve the ability for people and machines to interact with each other and more quickly share information to achieve greater return on their time and capital in pursuit of their personal and professional goals and outcomes. **The economic effect of new investment, R&D and technological innovation alone indicates 5G will have a profound and sustained impact on global growth. IHS Markit further asserts that the diffusion of 5G technologies across wide swaths of the global economy represents one of the fundamental contributors to expansion in the global economy over the next two decades.**

## **GPTs have profoundly changed industries and economies**

Gutenberg invented the printing press around 1440. Prior to this, books had to be laboriously hand copied one at a time. With the printing press, books could be mass-produced, helping spread ideas throughout Europe as it entered the Renaissance in the early sixteenth century.

Before the steam engine, large factories needed to be located near rivers, which were not always reliable sources of power for equipment. The steam engine broke that dependency while also allowing factories to be located closer to raw inputs or transportation routes.

Electricity took it a step further. In steam-driven factories, equipment still needed to be organized around a system of belts that delivered power. Electricity allowed machinery to be designed with integrated power supplies. This allowed new, more efficient configurations of machines, including the assembly line, which redefined manufacturing practices and competitive dynamics on a global scale.

Prior to the widespread use of the telegraph in the 1860s, long distance communications could travel only as fast as a physical asset could carry a message from Point A to Point B. The telegraph virtually eliminated the time constraints of long-distance communications, setting the world on the path that led to today's sophisticated, instantaneous telecommunications infrastructure.

Other technologies that qualify as GPTs include: rail systems, the automobile, and the internet.

## Introduction: The 5G economy

5G mobile networks represent the next major phase of mobile telecommunications standards beyond the current 4G Long Term Evolution (LTE) standards. 5G technology will do far more than usher in new service opportunities for mobile network operators (MNOs). Indeed, IHS Markit expects 5G will act as a catalyst that turns mobile into a robust and pervasive platform that fosters the emergence of new business models and transforms industries and economies around the globe. 5G technology will advance mobile networks by heightening the mobile broadband experience while evolving to address the emergent requirements of MIIoT and MGS applications.

Initially, 5G deployments will likely center on EMBB applications that address human-centric needs for access to multi-media content, services, and data. EMBB use cases will include new application areas, requirements for improved performance and an increasingly seamless user experience beyond what is possible using existing mobile broadband applications. For example, many future wide area coverage applications will require seamless coverage, medium-to-high mobility, and a much-improved user data rate compared with existing data rates. Further, EMBB applications may require hotspots, areas characterized by high user density, very high traffic capacity, low mobility and user data rates higher than that of wide area coverage. These improvements to the network will enable more efficient data transmission, resulting in lower cost-per-bit for data transmission, which will be an important driver for increased use of broadband applications on mobile networks.

As integration of 5G progresses, industry and governments—as much as consumers—will be chief drivers of 5G deployments. MGS will include autonomous vehicles, many drone applications, and telemedicine. These applications will require ultra-reliable and low latency communications, with stringent requirements for capabilities such as throughput, latency, and availability. Many industries and municipalities will also deploy MIIoT—applications characterized by large numbers of connected devices typically transmitting relatively low volumes of low priority data. Enabled by low-cost, long-life modules with sensors and connectivity, MIIoT applications will range from asset tracking to smart cities to the monitoring of utilities and vital infrastructure.

IHS Markit assessed three facets of potential economic contribution 5G could make to the global economy by 2035, assuming that the regulatory environment is favorable to growth. The first is potential sales of products and services that will be enabled by the pervasive use of 5G across a broad spectrum of industries to both optimize their core processes and establish new business models. Second, a vibrant 5G value chain will continually deepen the underlying 5G technology base through focused R&D efforts, infrastructure investments and application development. Finally, mobile technology enhanced by 5G holds the potential to drive long-term, sustainable growth of global GDP—the ultimate gauge of healthy economic progress.

When at the cusp of an era that promises transformational technological change and a revamping of countless activities within everyday life, public policy is often strained to keep pace with technology advancements. The 5G economy will introduce a new level of complexity to policymaking and regulation as new business models emerge and the old ways of delivering goods and services are either dramatically altered or abandoned completely. In the 4G era, the policy challenges born of the “sharing economy” with disruptors such as Uber and Airbnb are emblematic of the nascent tidal wave of policy challenges that will emerge in the 5G economy.

To realize the economic potential of the 5G economy, it will be necessary to sustain the investment and R&D that drive innovation and advance new generations of technology. Hastening the journey to the 5G economy requires that policymaking bodies:

- Enable firms to make long-term investments and R&D
- Engender public-private cooperation on development of 5G standards
- Ensure regulation and permitting keep pace with the rate of innovation

The challenge for policymakers in the 5G economy is that they must be prepared to address the ubiquity of 5G in everyday life without creating regimes that stunt continued innovation. This was less the case in prior generations of wireless technology that addressed the requirements of voice, data, and digital content via mobile devices. As 5G diffuses across



home and business, leisure and workplace activity, and public and private spaces, modernization of policy becomes essential.

Furthermore, policymaking will be affected at all levels of government—national, state/provincial, and local. The pervasiveness of 5G technology and pace of technology change evident in the use-cases outlined in this study places an even greater burden on policymakers to try to keep up with the ways that 5G will transform lives and industries. Public safety, cyber security, privacy, public infrastructure, healthcare, spectrum licensing and permitting, and education, training and development are merely a few of the areas where policy and regulatory modernization is required for a 5G-ready world.

In summary, while consumers and industry have voted with their spending with respect to integrating more technology into day-to-day existence, policymakers will be under new challenges to adapt policies and regulations to the many innovations engendered by 5G technology. In the mid-twentieth century, government investment led the way in transforming the global economy through massive investments in public infrastructure. Early in the twenty-first century, private investment in technology infrastructure is shaping how goods and services are delivered, and private investment will likely continue to transform the global economy. Policy frameworks that safeguard the ability of firms to take risks, make investments and continue the relentless pursuit of innovation are important vehicles for continuing on the path to the 5G economy and ensuring growth.

On the trek to the 5G economy, policymakers should ensure adequate intellectual property protections for standardized technology in order for growth to materialize over the investment cycle. Firms at the vanguard of 3G and 4G mobile technology invested heavily in R&D based on an investment risk calculus that factored in adequate intellectual property protections for innovations. To realize the investment and economic potential of the 5G economy, similar conditions that stimulate continued R&D and risk capital must endure.

## 5G technology and use cases

### 5G overview

5G mobile networks will be the next major phase of mobile telecommunications standards beyond the current 4G LTE deployments. LTE is entering its second half decade of deployment, and still has planned improvements in its roadmap, specifically LTE Advanced (LTE-A) and LTE Advanced Pro (LTE-A Pro). In fact, many of the enhancements in LTE Advanced Pro are essential building blocks for 5G, and will enable many of the critical features and early use cases for 5G.

Each successive generation of mobile network technology has improved to address the voice experience as well as the data throughput, efficiency, and capacity challenges presented by the current set of mobile broadband applications. The current technical roadmap for 5G is expected to take this a step further—not only improving the mobile broadband experience, but also evolving to address the particular requirements of MIIoT deployments and MCS use cases.

Some of the initial benefits of 5G are expected to be realized because of technical features that will enhance the mobile broadband experience. EMBB addresses the human-centric use cases for access to multi-media content, services, and data. In particular, video is expected to play an important role, across a broad range of MBB devices. One of the key benefits of 5G is that it will also enable mobile networks to operate more efficiently, driving a lower cost-per-bit for data transmission. This will be critical for mobile network operators to address new use cases that are media and data intensive, such as AR and VR applications. The EMBB usage scenario will come with new application areas and requirements in addition to existing mobile broadband applications for improved performance and an increasingly seamless user experience. This covers a range of cases, including wide area coverage and hotspot, which have different requirements:

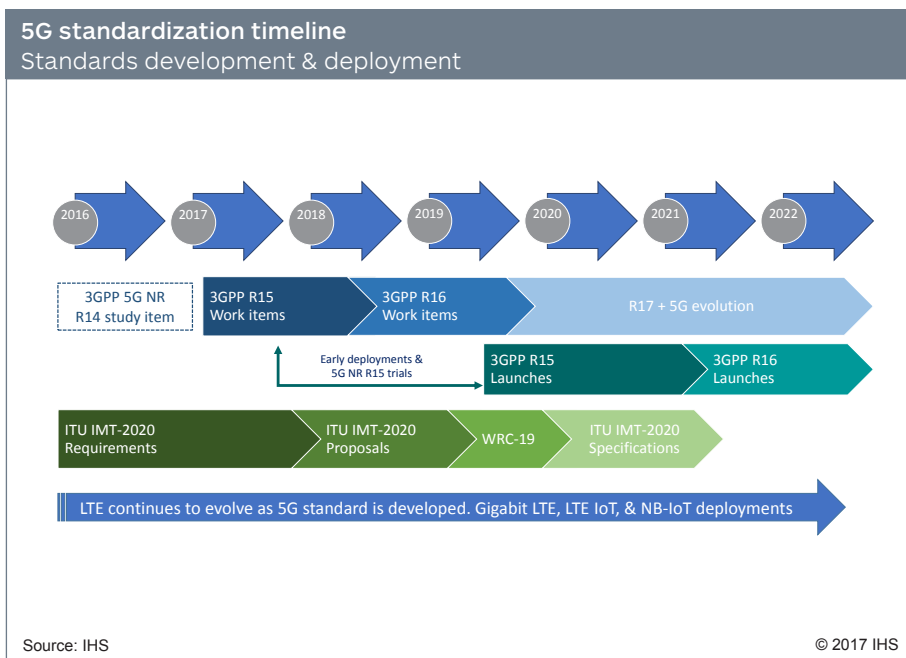
- Hotspots are areas with high user density: very high traffic capacity is needed, the requirement for mobility is low, and the user data rate is higher than that of wide area coverage.
- Wide area coverages need seamless coverage: medium to high mobility are desired, with a much-improved user data rate compared with existing data rates. However, the data rate requirement may be relaxed compared with hotspots.

Beyond the EMBB use cases, the proposed 5G specifications also include features that will significantly extend the capabilities of current mobile technologies. These will allow 5G to address a range of use cases including MCS and MIIoT applications.

MCS use cases require ultra-reliable and low latency communications, with stringent requirements for capabilities such as throughput, latency, and availability. Some examples include autonomous vehicles, wireless control of industrial manufacturing or production processes, telemedicine, and distribution automation in a smart grid.

While the MCS use cases require extremely high performance, the MIIoT use cases are characterized by a very large number of connected devices typically transmitting a relatively low volume of non-delay-sensitive data. Consequently, these devices are required to be low cost and have a very long battery life.

There are several important standards efforts underway for 5G. The 3<sup>rd</sup> Generation Partnership Project (3GPP) has been working towards Release 15, which should be finalized in 2018, and is expected to be the first specification for a new 5G wireless air interface (5G New Radio or 5G NR) and next-generation network architecture (5G NextGen). The development work for 5G will continue into 3GPP Release 16 and beyond, but Release 15 will enable commercial 5G deployments starting in 2019 based on this global standard. Concurrently, the International Telecommunications Union (ITU) chose IMT-2020 as its official designation for what will be specified as 5G. The work that is being done currently by the 3GPP will be submitted into the ITU efforts ahead of the release of the formal IMT-2020 specifications, which will be finalized in 2020. It is important to note that while these specifications are being finalized, there will be pre-standard 5G commercial deployments starting earlier.



There is already significant pre-commercial work underway by the entire mobile ecosystem, from chipset and device suppliers to network infrastructure players. Some carriers have already made public announcements about when they expect to field test 5G networks, US carrier Verizon stating it will start in 2017, and South Korean carriers SK Telecom and Korea Telecom targeting for 2018.

For the purpose of this study, specifically the issue of looking at an assessment of the economic impact of 5G networks, the decision was made to use 2035 as the measurement point. This is based on the following assumptions:

- The 5G standard development milestones continue to be met.
- The pre-standard development work will accelerate development of 5G capable chipsets and devices.
- Standards-compliant 5G radio access network deployments begin in 2019 and are widely commercially available from 2022 onward.
- Prices on 5G radios for end devices (all types – EMBB, MCS, and MIIoT) are very competitive, driven in part by economies of scale.

Based on these assumptions, IHS Markit expects that by the year 2035, 5G will have had over 10 years of broad commercial availability. By this point even the new use cases targeting markets like industrial, which has historically been slower to adopt new technologies, are expected to be in heavy use.

## 5G use cases

For this study, IHS Markit assessed the technological diffusion cycle, adoption, and potential long-term economic contribution of 21 foreseeable 5G use cases described below, which fall into the three broad classifications of EMBB, MIIoT, and MCS. This is not intended to be an exhaustive list of likely 5G use cases, merely a representative sample that highlights what the technical innovations of 5G will make possible. The following sections provide a brief overview of each use case segment, with a detailed description for all 21 use cases located in Appendix A of this report.

## **Enhanced Mobile Broadband (EMBB)**

Two key facets of EMBB will drive adoption and value creation in the 5G economy. The first is extending cellular coverage into a broader range of structures including office buildings, industrial parks, shopping malls, and large venues. The second is improved capacity to handle a significantly greater number of devices using high volumes of data, especially in localized areas. The net result of these two improvements is that end users will have an improved, and more consistent, experience using mobile broadband applications, regardless of location.

- Enhanced indoor wireless broadband coverage
- Enhanced outdoor wireless broadband
- Fixed wireless broadband deployments
- Enterprise teamwork / collaboration
- Training / education
- Augmented and virtual reality (AR/VR)
- Extending mobile computing
- Enhanced digital signage

The EMBB use cases are most likely to have a near-term impact. These are largely an extension of the existing 4G value proposition, and should see relatively quick uptake in the market as 5G networks become commercially available. While there are going to be significant impacts to global economic activity as a result of the EMBB use cases, because these are largely enhancements to existing services, the net economic impact of 5G will be less transformative than with the MIIoT and MCS cases.

## **Massive Internet of Things (MIIoT)**

5G builds upon earlier investments in M2M and traditional IoT applications to enable significant increases in economies of scale that drive adoption and utilization across all sectors. Improved low-power requirements, the ability to operate in licensed and unlicensed spectrum, and improved coverage will all drive significantly lower costs within the MIIoT. This will in turn enable the scale of MIIoT, and will drive much greater uptake of mobile technologies to address MIIoT applications:

- Asset tracking
- Smart agriculture
- Smart cities
- Energy / utility monitoring
- Physical infrastructure
- Smart homes
- Remote monitoring
- Beacons and connected shoppers

The MIIoT use cases are where we start to see the transformative impact of 5G. Many of these applications are being serviced today by a mix of older generations of cellular technologies as well as low-power wireless technologies operating in unlicensed spectrum. The current roadmap for LTE includes purpose built cellular technologies such as Cat-M1 (eMTC)

and Cat-NB1 (NB-IoT), which are starting to incorporate low-power improvements to address the growing cellular IoT market. These technologies are establishing the foundation for 5G MIIoT, which will continue to improve upon the extended low-power operation capabilities, as well as the ability to utilize both licensed and unlicensed spectrum. IHS Markit believes that 5G has the potential to address a much larger segment of the M2M and IoT markets, as well as reducing costs because of economies of scale. The use cases outlined below are expected to see uptake in the near to mid-term, with faster growth once 5G MIIoT modules are widely commercially available.

### **Mission Critical Services (MCS)**

MCS represents a potentially huge growth area for 5G to support applications that require high reliability, ultra-low latency connectivity with strong security and availability, including:

- Autonomous vehicles
- Drones
- Industrial automation
- Remote patient monitoring / telehealth
- Smart grid

The use cases outlined in this section highlight many genuinely new applications for mobile technologies. The potential to support applications with high reliability, ultra-low latency, widely available networks with strong security creates significant growth opportunities. Many of the use cases are still emerging markets (autonomous vehicles, commercial drones, remote medical treatment), so growth will be dependent on market innovation and development of appropriate regulation as well as the deployment of 5G networks. As a result, growth may take longer to accelerate, but given the broad implications of some of these use cases, the overall impact to society is expected to be tremendous.

## **5G ecosystem development**

There are several factors that will contribute to the overall success and relative growth of the 5G ecosystem. These include issues related to the development of the standard, to policy questions around spectrum allocation and use, to market and application-specific drivers and inhibitors. The following section looks at these factors in more detail.

### **5G standard development**

To support emerging new scenarios and applications for 2020 and beyond—including EMBB, MCS (ultra-reliable and low-latency communications), and MIIoT, all presented earlier in this report—new technologies and functionalities are required, and the development of a new air interface and next-generation network architecture is necessary.

As the global 5G standard is being developed, there are a number of technical issues that are trying to be addressed by this new design. Some of the items currently being worked on as part of the 3GPP efforts include scalable orthogonal frequency-division multiplexing (OFDM)-based waveforms, a new flexible framework for lower latency and forward compatibility, and new advanced antenna techniques to make use of higher spectrum bands.

While there are technical challenges that still need to be resolved with regard to the 5G standard, the current level of extensive R&D, as well as the advancements in LTE-A and LTE-A Pro, should lead to solutions without causing any delays in the proposed timeline outlined in the previous section of this report.

### **5G spectrum**

One of the unique features of 5G will be the ability to utilize both licensed and unlicensed spectrum, as well as shared spectrum. This combination of features should help to make better use of existing spectrum resources including the high frequency bands (above 24GHz), the mid bands (1GHz to 6GHz), and the low or sub-GHZ bands. As with many

other features in 5G, the foundational work for shared spectrum use actually began with LTE and work that was done for licensed-assist access (LAA), Wi-Fi link aggregation (LWA), and licensed shared access (LSA). While the more efficient and flexible use of existing spectrum utilizing these capabilities is important, making new spectrum available for 5G is also critical for future development.

To that end, there are a number of different initiatives globally that are looking at opening up spectrum in a variety of bands for 5G use. This includes activities by the European Commission for the European Union (EU), the Asia Pacific Telecommunity for the Asia Pacific (APAC) region, and the Federal Communication Commission (FCC) in the United States.

## **5G network deployments**

LTE networks are now in their eighth year of deployment. As of October 2016, the Global Mobile Suppliers Association (GSA) reports that there are 537 total commercial LTE networks that have been launched. This represents a significant amount of capital expenditure (Capex) for mobile network operators over much of the past decade, and they are all actively working to realize a return on that investment. There is strong interest in 5G and its expanded capabilities, and the fact that many of the enhancements and improvements from LTE-A and LTE-A Pro can act as a foundation for future 5G network upgrades is a significant benefit. While IHS Markit expects some operators to take a conservative approach with regard to network upgrades, there is also an increasing awareness that the key difference between 5G and the previous generations of mobile technologies is that, more than ever before, this newest iteration of mobile will enable a significantly broader number of use cases. Where previous generations targeted improving the user experience for consumers (and to some extent enterprise users), 5G is targeting the industry. If mobile network operators and other 5G ecosystem players are able to educate and engage companies in industry sectors like manufacturing, energy, healthcare, and transportation (among others), they have the potential to drive sufficient interest in 5G and its capabilities to warrant a more aggressive network upgrade cycle.

## **5G adoption by industry**

5G technology will allow mobile to move beyond consumer and enterprise use services into industry, thereby allowing humans to interact with the physical world like never before. As previously discussed, the technical specifications and capabilities of 5G are significantly different from the generations that came before. There are multiple classes of radios that can be used in a wide range of end devices, to accomplish diverse set of tasks. The standard has the potential to utilize not only licensed and unlicensed spectrum, but also shared spectrum, as well as operating on private and public networks. This incredible flexibility means that 5G will be able to address an unprecedented number of industrial use cases. What will be critical in order for mobile ecosystem players to penetrate these markets successfully is developing a deep understanding of the different industries and use cases they are trying to address. Many of these markets will have device lifecycles that will span 10 years or more. Others may have network requirements that necessitate either a private network, or a guaranteed slice of spectrum.

This diversity of use cases and device types is one of the key factors in the economic impact assessment, and why there is more rapid uptake in some markets than others. Mobile ecosystem players that understand the full potential of 5G and all of the different enhancements, and that develop a strong understanding of the target vertical applications they are going after, are more likely to succeed and establish an important foothold in the market.

## **5G will transform mobile into a GPT**

The steam engine, telegraph, and harnessing of electricity are examples of a special class of breakthrough innovations known as GPTs. Following an incubation period, a GPT hits an adoption tipping point that leads to transformational, and often disruptive, changes to industries and entire economies. GPTs share some common attributes including pervasive use traversing many industries, continual improvement over time, and the ability to spawn new innovations. GPTs lead to deep and sustained impacts across a broad range of industries that often redefine economic competitiveness and transform societies.

IHS Markit anticipates that as 5G technology advances and becomes embedded within devices, machines and processes, wireless communication will similarly have a transformative effect across industries and geographies and help spur a new age of innovation and economic advance.

Digital mobile technology has steadily progressed from interconnecting people to serving up the data people depend on in both their personal and professional lives. Accordingly, many of the advancements in mobile technology to date have delivered increasingly higher bandwidth necessary to provide nearly ubiquitous voice and data coverage. Despite media and investor hype for companies at the mobile vanguard such as Uber, mobile technologies have yet to make significant inroads in radically transforming the industrial or public sectors of economies.

IHS Markit views 5G as the focal development that will put mobile technology solidly into the realm of GPTs. The planned advancements for 5G are expected to explicitly address an incredibly diverse set of use cases. The widening diffusion across industries and processes where wireless currently has limited penetration will position mobile technologies for a deep and sustained impact across a broad range of sectors and geographies.

## The economic contribution of 5G

Businesses around the globe will leverage 5G technologies to grow sales through increased efficiency, engage existing and new customers, and launch new business models. As discussed in the “5G technology and use cases” section, the 5G economy will be characterized by efforts to continually strengthen the infrastructure and technology base in the early years followed by an ever-deepening global deployment of the 5G use cases. While early deployments will be skewed toward EMBB applications, MIIoT and MCS applications will gain traction in the medium-to-long term as 5G drives mobile deeper into industrial and municipal applications.

To understand the extent and timing of the economic impact of 5G deployments, experts at IHS Markit analyzed 16 major industry sectors. These sectors were based on the International Standard Industrial Classification of All Economic Activities, Revision 3 system (ISIC). Developed by the United Nations, ISIC is a global industry classification system that provides standardized reporting of economic indicators regardless of country (definitions of the ISIC industries are provided in Appendix B). The World Industry Service (WIS), a proprietary product of IHS Markit, is also consistent with ISIC, allowing additional economic information to be easily integrated into the analysis, as needed.

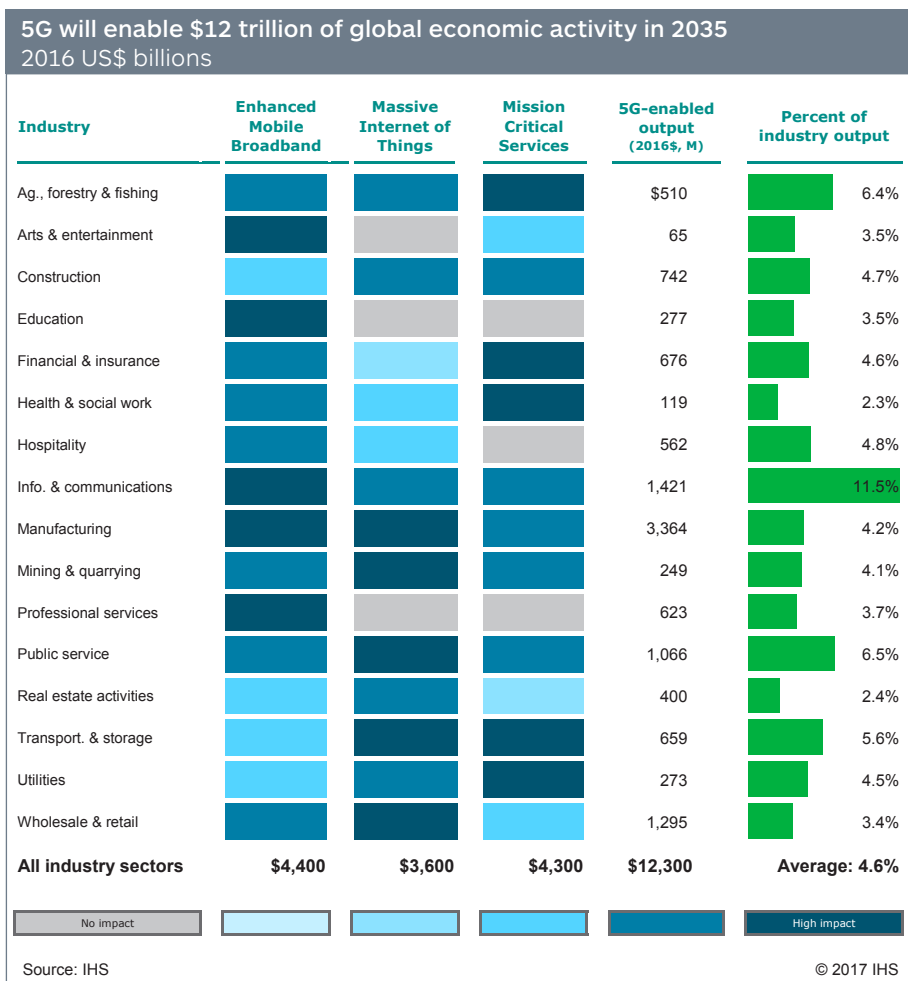
To understand the global economic impact of the 5G Economy, IHS Markit, in partnership with David Teece, Chairman and Principal Executive Officer of the Berkeley Research Group and the Thomas W. Tusher Professor in Global Business at the Haas Business School at the University of California at Berkeley and Kalyan Dasgupta, Principal at the Berkeley Research Group, developed an economic model of the potential global sales activity across multiple industry sectors (please refer to Appendix C for a discussion of the modeling methodology).

### **Global output: the \$12.3 trillion global opportunity**

5G deployments will positively affect virtually every industry sector. Indeed, adoption and integration across many industry sectors will solidify the role of 5G in transforming mobile technology into a GPT. Different industries have their own economic and regulatory structures that will affect the timing and adoption of the new business models that 5G will enable, which is why IHS Markit focused on the longer term horizon and chose 2035 as the analysis year. Assuming the standards process, regulatory environment, and industry adoption proceed as discussed earlier in this report, IHS Markit estimates the potential global sales activity across multiple industry sectors enabled by 5G could reach \$12.3 trillion in 2035. This represents about 4.6% of all global real output in 2035.

The infographic on the next page presents the consolidated findings. Manufacturing will see the largest share of 5G-enabled economic activity in 2035—almost \$3.4 trillion or 28% of the \$12.3 trillion in sales enablement. At first, this may appear high, until one considers that implementing any of the 5G use cases will stimulate, at a minimum, complementary spending on equipment, all of which are produced by the manufacturing sector. For example, drones will enable sales within the transportation sector. However, this will require the transportation sector to buy additional drones from the manufacturing sector. Medical use cases will require complementary spending on 5G-ready equipment from the manufacturing sector. The same line of reasoning applies to the information and communications sector, which will see the second largest share of 5G-enabled economic activity, at more than \$1.4 trillion. Implementing any of the 5G use cases will require spending on communication services.





While 5G could enable about 4.6% of global real output in 2035, the enablement percentage by industry will vary from a high of 11.5% in the information and communications sector to a low of 2.3% in the hospitality sector. The sheer size of the manufacturing sector, which will account for nearly 30% of global real output in 2035, along with the fact that much of the 5G-enabled manufacturing sales will be secondary (i.e., equipment sales in support of use case) will lead to a percentage (4.2%) that is slightly below the overall average. More notable is the fact that 5G could enable 6.5% of public service (government) and 6.4% of agricultural output in 2035, supported by smart city and smart agriculture deployments, respectively.

To put these findings in a broader context, one must also consider how many industries will be truly affected by each use case. For example, the availability of autonomous vehicles and drones will do more than stimulate sales of driverless cars and unmanned aerial vehicles (UAVs) to consumers. They will also be deployed in agricultural and mining applications ranging from surveillance of remote natural resources to autonomous transport of ores to self-driving tractors. They will be widely used in the transportation sector for driverless transport and delivery of commercial and consumer goods. Municipalities will integrate autonomous vehicles into their transit systems while using drones for monitoring functions. In manufacturing, autonomous vehicles will also be used in intra-plant stocking and retrieval systems. Finally, autonomous vehicles will also positively affect the insurance industry as vehicle accident rates decrease.

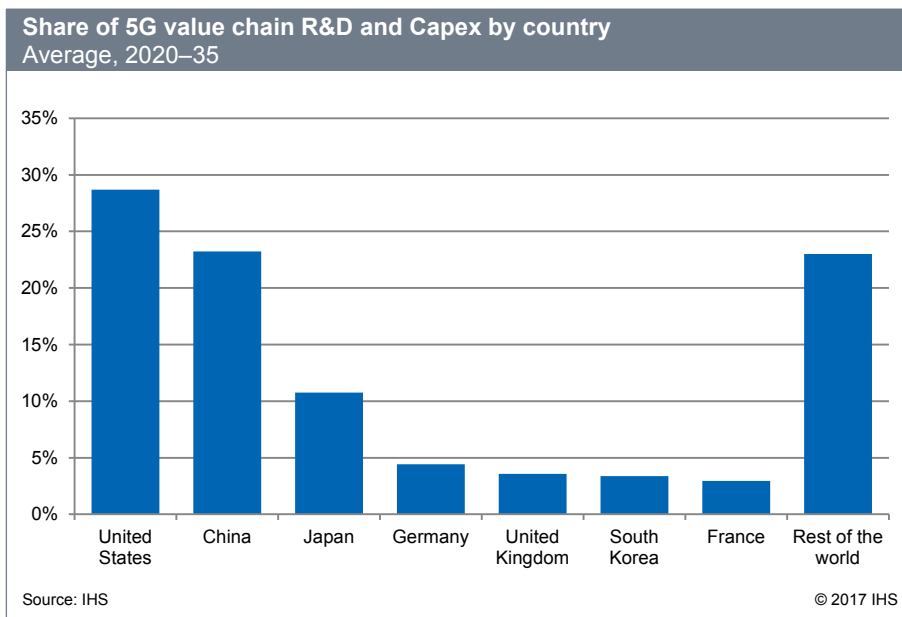
## The 5G value chain in 2035: \$3.5 trillion in output and 22 million jobs

Achieving the output enablement potential of 5G will require on-going investments by firms in the 5G value chain to continually improve and strengthen the foundational technology base. The 5G value chain will encompass a broad spectrum of technology firms, including but not limited to:

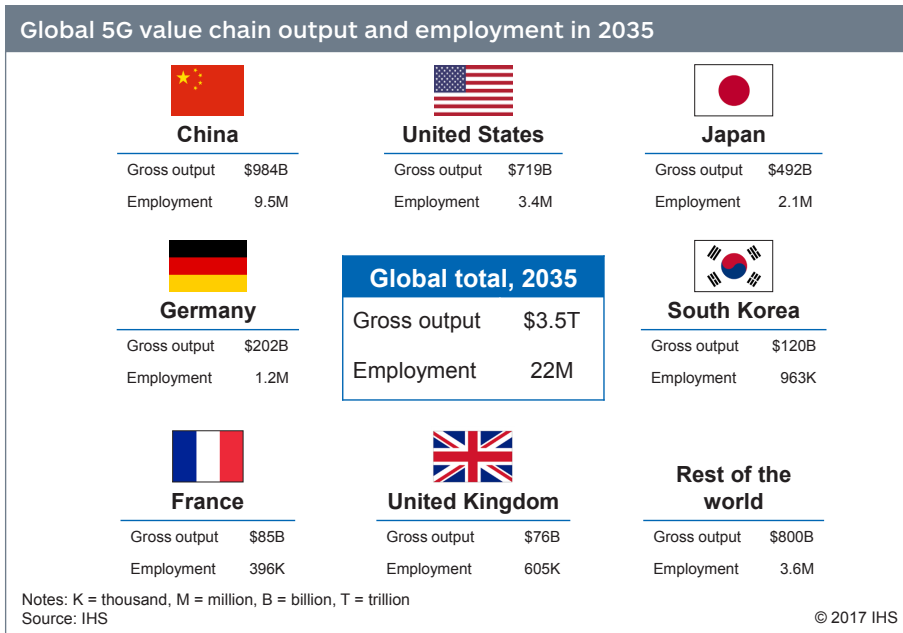
- Network operators
- Providers of core technologies and components
- OEM device manufacturers
- Infrastructure equipment manufacturers
- Content and application developers

IHS Markit modeled the economic activity of the 5G value chain for seven countries that are expected to be at the forefront of 5G development: the United States, China, Japan, Germany, South Korea, the United Kingdom, and France. From 2020 to 2035, IHS Markit anticipates the collective investment in R&D and Capex by firms that are part of the 5G value chain within these countries will average over \$200 billion annually. In the early years, foundational R&D and network infrastructure deployments will dominate 5G investment activities. Subsequently, IHS Markit expects the overall investment in R&D and Capex to slowly taper. During this period, the focus of the investments will shift from primarily infrastructure towards development of applications and services that exploit the unique capabilities of 5G. The sustained investment cycle is another indicator that 5G is a “long game” that will see investment priorities shift as infrastructure is deployed, new business models come online, the underlying technology base is continually strengthened, and replacement cycles for many of the use cases are lengthened.

The United States and China are expected to dominate 5G R&D and Capex, investing a total of \$1.2 trillion and \$1.1 trillion, respectively, over the 16-year time horizon of this study. IHS Markit estimates that the United States will account for about 28% of global 5G investment, followed by China at 24%. While not a primary focus of this study, spending beyond the seven core countries will make up about 23% of the global 5G investments. Additional details on the methodology are provided in Appendix C.



Ultimately, the investments in R&D and Capex will help bring the 5G use cases online, thereby enabling sales across virtually all industry sectors while also driving sales throughout the 5G value chain and its associated supply networks. IHS Markit estimates that, by 2035, the 5G value chain alone will drive \$3.5 trillion of economic output and support 22 million jobs. Not surprisingly given the relative size of the population and the investments made, 5G will support the highest number of jobs in China. The analysis also shows how investments made by these seven countries, will impact on the rest of the world. Many developing and emerging economies are already leapfrogging older technology and becoming more mobile oriented, and 5G will have significant economic impact on these mobile-enabled economies. Economic activity stimulated in the rest of the world is slightly higher than those for the United States (the biggest investor in 5G).

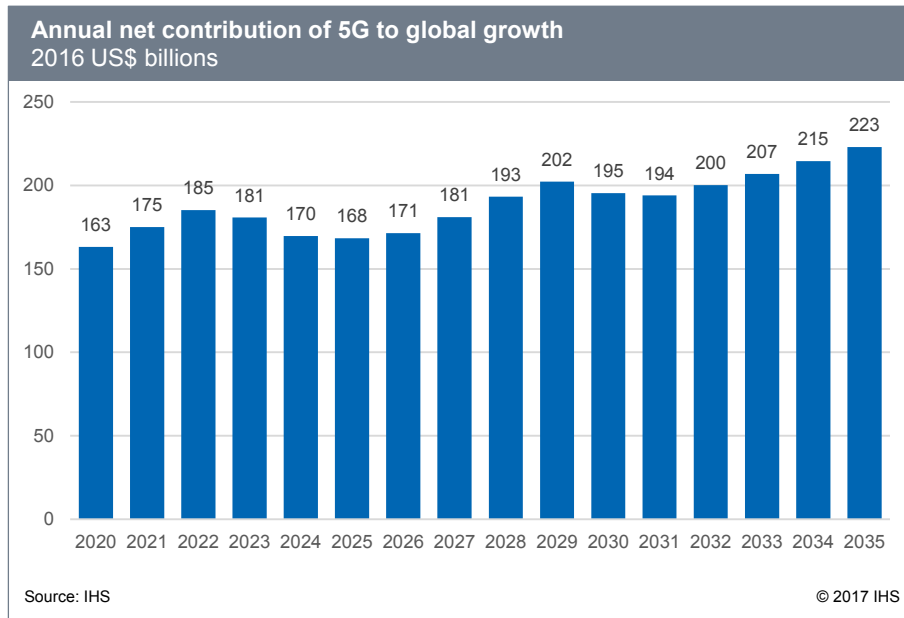


## Sustainable global economic growth

Another measure of the economic contribution 5G will make to the global economy is an assessment of its net effect on global GDP. The sales enablement and value chain activity, while extremely large and positive, may have offsetting effects because of investments and spending that otherwise might have occurred in other sectors of the global economy as well as positive productivity effects in other sectors. If a net positive contribution is made on the global macroeconomic level, then 5G can be considered a source of global expansion and growth.

IHS Markit used its proprietary Global Link Model (GLM), a system that captures the inter-connected nature of the global economy. IHS Markit exercised the GLM with two primary sets of inputs. The first was the annual investments made by the 5G value chain within each of the seven countries that were the primary focus of the IHS Markit research for the 2020–35 period. This captures the effects of strengthening the country-level economy by making investments that deepen their country’s respective capital stock. The second set was the use case productivity improvements (determined as part of the sales enablement analysis). This captures the economic knock-on effects attributable to companies increasing their efficiency and launching new business models enabled by 5G technology.

For the 2020–35 period, IHS Markit forecasts global real GDP will grow at an average annual rate of 2.9%, of which 5G will contribute 0.2% of that growth. In other words, global real GDP would expand at a slower pace of 2.7%, absent the deployment of 5G (i.e., add 7% to the overall GDP growth rate). From 2020 to 2035, the annual GDP contributions of 5G, as shown in the following graph, total \$3.0 trillion. While this figure is in real (inflation-adjusted) dollars, a simple sum does not factor in potential global risk. Therefore, IHS Markit took the net present value of the GDP contributions, discounted at a modest 3% rate, to derive a risk-adjusted value of \$2.1 trillion. To put that in perspective, from 2020 to 2035, the total contribution of 5G to real global GDP growth will be equivalent to the current GDP of India—the seventh largest economy in the world.



## Conclusion

Based on the analysis of the expected technical contributions, IHS Markit translated the development and deployment of 5G technology into economic inputs. IHS Markit used these inputs to assess the economic impact through three different lenses (at both the micro and macro levels). The models revealed that 5G technology would contribute very large and sustainable economic benefits across all sectors of the global economy. Like prior generations of mobile technologies, 5G will have a profound effect on how people live, work, and interact, but 5G will transcend the communications field and help fundamentally alter how a vast and diverse group of industries operate. IHS Markit therefore views 5G as a catalyst that will thrust mobile technology into the exclusive realm of GPTs. By 2035, mobile applications will experience pervasive adoption across multiple industries, initiating transformative changes that will redefine work processes and spur innovations that rewrite the rules of competitive economic advantage. These innovations will have extraordinary effects on human and machine productivity and ultimately may help elevate living standards for people around the world.

IHS Markit evaluated the potential of 21 unique 5G use cases that will drive productivity improvements and enhance economic activity across a broad range of industry sectors. Further, IHS Markit assessed the central role the 5G value chain will play in continually strengthening and expanding the current mobile technology platform. Finally, IHS Markit determined that, in large part because of 5G, use of mobile technology will lead to sustainable economic growth on a global basis.

The 5G economy will introduce a new level of complexity to policymaking and regulation as new business models emerge and the old ways of delivering goods and services are either dramatically altered or abandoned completely. Areas where policy and regulatory modernization will be required for a 5G-ready world include public safety, cyber security, privacy, public infrastructure, healthcare, spectrum licensing and permitting, and education, training and development. The challenge for policymakers in the 5G economy is that they must be prepared to address the ubiquity of 5G in everyday life without creating regimes that stunt continued innovation. The policy frameworks that safeguard the ability of firms to take risks, make investments and continue the relentless pursuit of innovation are the important vehicles for continuing on the path to the 5G economy.

In conclusion, the emergence of 5G signals a tipping point in the evolution of mobile from a mostly personal-technology dominated phenomenon to a platform that enables new classes of advanced applications, fosters business innovation, and spurs economic growth. IHS Markit concludes that, by 2035, 5G has the potential to stimulate \$12.3 trillion in global sales activity across a broad spectrum of industries and use cases, will support a global value chain ecosystem that generates \$3.5 trillion in output, will support 22 million jobs, and will make long-term sustainable contributions to the growth of global GDP.

## Appendix A: 5G use case descriptions

### **Enhanced Mobile Broadband (EMBB)**

**Enhanced indoor wireless broadband coverage** – 5G will address the challenges many buildings face to provide consistent coverage, even with complex and sometimes-expensive small cell and commercial WLAN deployments.

Benefits include improved cellular coverage in structures of any size, allowing for wireless broadband coverage for a range of devices and applications. In terms of industry impact, this is expected to be far reaching, since the benefits are neither industry nor application specific. For the purposes of this study, this use case was analyzed separately from fixed wireless broadband, which is discussed in more detail below.

**Enhanced outdoor wireless broadband** – Includes applications like streaming high-definition (HD) infotainment to cars, improved capacity for outdoor events and highly populated urban centers. This includes improving internet access on mass transit systems, which would allow more users to work online during transit time.

Benefits include improved coverage and capacity for densely populated urban areas. This has the potential to reduce traffic congestion by encouraging citizens to use mass transit, and will improve coverage and capacity for live events. As with the indoor wireless broadband coverage, the benefits are neither industry nor application specific, and are expected to positively impact a wide range of industries.

**Fixed wireless broadband deployments** – Going beyond what is already being done today with LTE networks with variable results, 5G will offer a better consumer experience. The main benefit for this use case is allowing carriers to offer more services without costly Capex investments.

Some specific use cases include underserved rural areas and emerging markets with little/no-fixed infrastructure, but high wireless penetration. In developed markets, this is expected to be used to address last mile deployments (as a lower cost alternative to fiber for example), as well as in dense urban areas where it is costly and/or impractical to use a wired solution.

**Enterprise teamwork / collaboration** – As companies become increasingly global and rely more on virtual and remote teams, the ability to collaborate using a broader range of enterprise communications tools becomes more essential.

Benefits for this use case will be realized because of the combination of streaming ultra-high definition (UHD), AR/VR, video telepresence, and tactile internet. These will enhance existing enterprise communications solutions and encourage more dynamic interactions between team members and clients/end-users. This could affect a broad range of professional service industries and the overall ICT industry.

**Training / education** – Applies to both enterprise users (training) and traditional education (both K-12 and higher education), including remote and/or underserved areas.

While the overall benefits are similar to the previous use case, the specific benefit to society is the ability to expand the number of students significantly that can get access to general and specialized education and training.

**Augmented and virtual reality (AR/VR)** – The ability to support dynamic AR content at scale will require a 5G interface. The reduced latency and multiple Gb per second speeds will enable computationally heavy AR/VR user interactions. Specific use cases include field support and telehealth.

There are two clear benefits to this use case. First, mobilized AR/VR (otherwise referred to as smart glasses) will benefit users by providing a virtual display in any environment or surface—negating the need for additional hardware or a display.

Second, this will mean reduced costs for field support workers, creating the ability to have a core team of highly trained and experienced workers that are centrally located to support a much larger field support team.

There are any number of industries that could benefit from this, ranging from industrial and manufacturing to construction and service firms and even social services.

**Extending mobile computing** – Combined with significantly larger wireless data pipes and easily accessible Cloud computing, 5G smartphones will be able to take on productivity tasks that have been the province of laptop/desktop computers. This is really an extension of a trend that has been in existence since the beginning of digital mobile technologies. The benefits of 5G specifically are being able to deliver a robust mobile computing experience regardless of device form factor.

**Enhanced digital signage** – Using a combination of UHD and AR, 5G will support a variety of applications ranging from improving the retail experience to smart cities applications. Digital signage has become increasingly common, and improvements in UHD and AR support, as well as 5G, could significantly increase the number of use cases that are supported. This could serve as a key differentiator in retail environments, which continue to struggle to find a way to compete with online shopping. Other applications that could benefit from this use case include real estate and home improvement, hospitality and service industries, transportation, and smart cities, all of which have come to rely on digital signage.

## Massive Internet of Things (MIoT)

**Asset tracking** – monitoring the distribution of assets (and people) over large areas. This would include applications such as people tracking and high value goods in transit, which are well-established M2M markets today. However the (relatively) high cost of connectivity has limited the growth of the market. It is expected that 5G will offer additional benefits in terms of deep coverage, low power and low cost (economies of scale), as well as being a 3GPP standard technology.

These improvements offered by 5G would include optimization of logistics in a wide range of industries, as well as improved worker safety and increased efficiency in locating and tracking assets, thereby minimizing losses. It would also expand the ability to track a wider range of goods in transit dynamically. As more shopping shifts to online retailers, asset tracking will become increasingly important.

**Smart agriculture** – 5G will lead to increased use of connected sensor technologies in farming/agriculture for applications ranging from basic tank monitoring to specialized sensors that can monitor the moisture levels and chemical composition of the soil. The use of connected sensor technologies in farming/agriculture has increased significantly over the past few years, driven in part by the increased availability and attractive price point of low-power wide-area networks (LPWAN) networks.

Benefits include optimization of watering and feeding schedules, as well as growing and harvesting scheduling. This leads to increases in farm operational efficiency, leading to less need for manual labor. Additionally, there can be improved reporting and accountability for “farm to market” allowing greater transparency for consumers.

As with many other use cases, smart agriculture is not strictly a MIoT use case. Given the broad range of applications within agriculture, there are actually several different ways that IHS Markit expects to see 5G being used. This will include autonomous agricultural equipment that is leveraging the MCS features of 5G, as well as drones with sophisticated camera and sensor packages being used to monitor crops and herds in real time, leveraging the EMBB capabilities of 5G. These are just a few of the many ways that 5G is expected to provide tangible benefits in efficiency and productivity for agricultural activities.

**Smart cities** – An area of growing interest for cellular operators, smart cities will offer opportunities for many different types of applications and potential new business models. Smart cities is a very broad term; some of the key technology applications include lighting, security, energy/utilities, physical infrastructure environmental monitoring, and transportation/mobility.

The main benefit of introducing 5G is to lower costs, improve Quality of Service (QoS) and reliability, and to establish a standard for the market. One of the key reasons for this is the expectation that smart cities applications will be able to leverage existing carrier infrastructure as opposed to heavier Capex investment to deploy a dedicated proprietary network. By utilizing network slicing techniques, a guaranteed QoS could be provided for applications that are more essential (street lighting).

There are two important points to note with the smart cities use case. First, although it has been included in the MIoT segment for the purposes of this study, the reality is that the wide range of use cases that could be included in the overall smart cities category includes applications that would rely on the EMBB and MCS capabilities of 5G. For example, dynamic traffic management and control is a smart cities application (closely related to transportation) that would leverage many of the MCS features of 5G. Similarly, utilizing both security drones and fixed cameras as part of a safe cities solution would require the capabilities offered by the EMBB features of 5G.

The second key point is that even in 2035, smart cities will still be in a relatively early stage of development. Consequently, IHS Markit has based its economic impact assessment on the fact that smart cities applications will be widely deployed, but not pervasive. As this market matures beyond 2035, mobile technologies and 5G are expected to play an even more important role.

**Energy / utility monitoring** – Historically, utility markets are heavily regulated and fragmented, so 5G has the potential to enable a more unified connectivity platform that address a wide range of use cases, which could provide economies of scale.

Smart meter deployments currently utilize a wide range of technologies, including cellular (2G/3G), LPWAN, Zigbee, and proprietary radio technologies. Consolidating on a single technology platform would allow for significant cost savings because of economies of scale. The ability for 5G to allow for private networks, use licensed and unlicensed spectrum and radio hopping/mesh mean that it will be incorporating all of the strengths of the competitive technologies. This will potentially make smart metering (all utilities types) more accessible to more types of utilities worldwide.

**Physical infrastructure** – The features of MIoT can be combined with connected sensors to significantly improve the monitoring of physical structures such as bridges and overpasses to smaller structures such as elevators. Beyond this, geotagging can allow AR to be used for visitors to large cities to improve the tourism experience.

Many countries are dealing with challenges around aging infrastructure, and benefits of utilizing 5G would include the ability to deploy wireless sensors to monitor structures such as bridges, roadways, train tracks, and overpasses in real time and prioritize repairs/improvements.

**Smart homes** – 5G could revolutionize how smart home devices are deployed and serviced, as it will address core consumer complaints including difficulties with device set-up, device unreliability, and high latency.

As the smart home market moves more to a do-it-yourself (DIY) model, it will become even more important for consumers to have a very easy set-up and configuration experience right out of the box. Leveraging cellular connectivity via 5G instead of relying on consumer's knowledge of how to correctly configure their home WLAN and firewall correctly will allow for a more streamlined user experience and more secure devices.

**Remote monitoring** – Largely an industrial automation application spanning a wide range of industries, the main focus is using pervasive sensing for incremental performance improvements and predictive maintenance of equipment. Current solutions rely heavily on wired technologies, which are difficult to retrofit. The potential for 5G is to provide a robust alternative that can be used to provide solutions for both new and existing equipment.

There are numerous benefits to pervasive sensing, which can be used to help prevent safety risks such as explosions, leaks, physical monitoring, and maintenance in sometimes inhospitable environments, etc. Pervasive sensing is also a key component of predictive maintenance solutions, which help to decrease down time and increase efficiency and output.

**Beacons and connected shoppers** – Enhancing current retail technology trends to use beacons and smartphones to enhance the brick-and-mortar shopping experience, 5G would create the potential for not only retailers, but also products/brands to interact with consumers in a more dynamic fashion. In addition, beacons are starting to gain traction in industrial applications, and a more robust wireless connectivity solution will be key to the growth of this market. Beacons today are largely using Bluetooth, but the potential is there to leverage a low-power variant of 5G.



## Mission Critical Services (MCS)

**Autonomous vehicles** – A broad category that includes both consumer and commercial applications. The fundamental assumption is that 5G will be used to enable all forms of extra-vehicle communication (V2X), initially to provide more sophisticated advanced driver assistance systems (ADAS), and eventually leading to fully autonomous self-driving vehicles.

It should be noted that while the overall autonomous vehicles use case has been included in the MCS segment for the purpose of this study, the reality is that the EMBB features of 5G will also play an important role. While the 5G MCS features of ultra-low latency, high reliability, and high availability are vitally important for the autonomous vehicle market to succeed, the EMBB features will also be important for many data intensive, but less mission-critical activities. This would include the ability to receive and offload large amounts of mapping, sensor, and delay tolerant or less time critical data. In addition, by 2035 Stage 5 fully autonomous vehicles should be in wide use in developed countries. Since these vehicles will not rely on a human operator at all, the ability to provide media-rich content for passengers will be essential.

There are significant benefits related to autonomous vehicles ranging from safer roadways to reduced impact on the environment from more efficient vehicle operation. Autonomous vehicles will also reduce costs associated with collisions such as down time, injuries/rehabilitation, repair, and insurance. Using 5G technology to enable this will also help to reduce costs and investment into infrastructure, which would be required by alternative technologies “dedicated” to just automotive applications (as for the 802.11p).

Looking specifically at the commercial and industrial applications, there are even more benefits, with additional cost savings for reduced operating expenditures (Opex) resulting from fewer drivers, as well as anticipated benefits from more efficient routes and longer hours of operation with fewer breaks.

From an economic impact assessment standpoint, this is one of the use cases that should have broad overall impact, especially when considering commercial vehicles and off-road equipment (farming, mining, construction, etc.). The ability to safely operate equipment for extended periods at a lower operational cost is significant, and will have a transformative impact on some industries.

**Drones** – The widespread use of commercial drones has the potential to benefit multiple industries including commercial transport, agriculture, construction, manufacturing, and public safety among others. As drone technology improves, demand for UAVs will increase from corporations and governments.

There are numerous benefits to using drones for commercial and industrial applications. These include minimized time and risk, enhanced functionality and effectiveness, and reduced costs compared to the fees being paid to vehicle operators currently. Potential uses of drones by governments could include police reconnaissance, anti-terrorism, riot control, patrolling, search and rescue, tracking, public safety, traffic regulation, exploration surveys, and weather monitoring.

There are examples of commercial drones in use today, although most of these are still in the trial phase. As the use of drones increases in commercial and industrial applications, it will be necessary to leverage several features of 5G to address the breadth of use cases fully. As with autonomous vehicles, IHS Markit has included drones in the MCS segment of use cases because the low latency, high reliability, and high availability will be essential for reliably and safely operating commercial fleets of drones. However, as the use of HD cameras and sensors packages on drone’s increases, enhanced mobile broadband capabilities of 5G will also be critical for handling large volumes of data being generated.

**Industrial automation** – While the vast majority of infrastructure on the factory floor will continue to rely on wired connectivity, creating smarter factories, augmenting workers, and supporting mobility of assets on the factory floor creates opportunities for a high bandwidth, secure wireless solution, which could be addressed through 5G.

There are two specific areas where the benefits of mission-critical 5G could offer specific benefits: real-time close loop communication and hands-free machine monitoring and control. The real-time close loop communication supports remote control of equipment and manufacturing processes. This can include connectivity of machines, robots, and mobile equipment in order to maximize overall equipment effectiveness (OEE).

Using 5G to enable hands-free machine monitoring and control would allow workers to monitor machine and production line performance while keeping their hands free for safety and/or sterility purposes. Assuming sufficient improvements in latency, workers could also use wearables and gesture control for remote operation.

**Remote patient monitoring / telehealth** – 5G will help eliminate the current reliance on disparate connection strategies between patients, care providers, and monitoring equipment. HD image quality should lead to increased use of many applications including dermatology and wound care.

There are a broad range of applications that fall within this use case. This includes ubiquitous access to imaging and medical records, advanced telemedicine (including remote surgery and treatment using robotics and AR/VR), and remote clinical care. 5G would also enable health care workers to perform controlled substance management using wearables (has the potential to dramatically improve pain management as well as providing a tool to help minimize the risks of abuse).

There are several benefits using 5G for these applications, including standardized connectivity platforms that will lead to greater ease of use, higher implementation, and lower costs. In addition, medical professionals will have faster, more secure access to records for patients on their devices, easier file management, and access for providers in any location. Finally, the increased use of outpatient monitoring and the ability to reduce in-hospital stays will offer both reduced costs and greater patient comfort.

**Smart grid** – The low latency of 5G should be attractive in this environment where uptime is heavily regulated and, in more developed economies, downtime is penalized.

If 5G enables a push to bring cheaper, more ubiquitous low-latency radios to the market, this would have the potential to unlock an enormous use case for automated real-time grid switching. The economic impact could be significant, as this would essentially create a more reliable grid.

## Appendix B: ISIC industries

### **(A) Agriculture, forestry, and fishing**

This sector includes the activities of growing of crops, raising and breeding of animals, harvesting of timber and other plants and animals or animal products from a farm or their natural habitats.

### **(B) Mining and quarrying**

This sector includes the extraction of minerals occurring naturally as solids (coal and ores), liquids (petroleum), or gases (natural gas). Extraction can be achieved by different methods such as underground or surface mining, well operation, seabed mining, etc. This sector also includes supplementary activities aimed at preparing the crude materials for marketing, for example, crushing, grinding, cleaning, drying, sorting, concentrating ores, liquefaction of natural gas, and agglomeration of solid fuels.

### **(C) Manufacturing**

Manufacturing includes the physical or chemical transformation of raw materials, substances, or components into new products. Substantial alteration, renovation, or reconstruction of goods is also considered to be manufacturing. Assembly of the component parts of manufactured products is considered manufacturing.

### **(D) Electricity, gas, steam, and air conditioning supply**

Electricity, gas, steam, and air conditioning supply includes the operation of electric and gas utilities, which generate, control and distribute electric power or gas as well as the provision of steam and air conditioning supply. This includes the provision of electric power, natural gas, steam, hot water, and the like through a permanent infrastructure (network) of lines, mains and pipes as well as the distribution of electricity, gas, steam, hot water, and the like in industrial parks or residential buildings.

### **(E) Water supply, sewerage, waste management, and remediation activities**

Water supply, sewerage, waste management, and remediation activities include activities related to the management (including collection, treatment, and disposal) of various forms of waste, such as solid or non-solid industrial or household waste, and contaminated sites. Activities of water supply are also grouped in this section, since they are often carried out in connection with, or by units also engaged in, the treatment of sewage.

### **(F) Construction**

Construction includes general construction and specialized construction activities for buildings and civil engineering works. It includes new work, repair, additions and alterations, the erection of prefabricated buildings or structures on the site, and construction of a temporary nature. General construction is the construction of entire dwellings, office buildings, stores, other public and utility buildings, farm buildings or the construction of civil engineering works such as motorways, streets, bridges, tunnels, railways, airfields, harbors and other water projects, irrigation systems, sewerage systems, industrial facilities, pipelines and electric lines, sports facilities, etc. Also included are the repair of buildings and engineering works, specialized construction activities, the erection of steel structure, building finishing, and building completion activities.

### **(G) Wholesale and retail trade, repair of motor vehicles and motorcycles**

This sector includes wholesale and retail sales (i.e. sales without transformation) of any type of goods and the rendering of services incidental to the sales of these goods. Also included in this section are the repair of motor vehicles and motorcycles. A sale without transformation is considered to include the usual operations associated with trade, for example sorting, grading and assembling of goods, mixing (blending) of goods, bottling, packing, breaking bulk, and repacking for distribution in smaller lots, storage, cleaning and drying of agricultural products and cutting out of wood fiber boards or metal sheets as secondary activities.

## **(H) Transportation and storage**

Transportation and storage includes the provision of passenger or freight transport, whether scheduled or not, by rail, pipeline, road, water, or air and associated activities such as terminal and parking facilities, cargo handling, storage, etc. Included in this section is the renting of transport equipment with a driver or an operator. Also included are postal and courier activities.

## **(I) Accommodation and food service activities**

Accommodation and food service activities include the provision of short-stay accommodation for visitors and other travelers and the provision of complete meals and drinks fit for immediate consumption.

## **(J) Information and communications**

Information and communications includes the production and distribution of information and cultural products, the provision of the means to transmit or distribute these products, as well as data or communications, information technology activities, and the processing of data and other information service activities.

## **(K) Financial and insurance activities**

Financial and insurance activities include financial service activities, including insurance, reinsurance, pension funding activities and activities that support financial services. This sector also includes the activities of holding assets, such as activities of holding companies and the activities of trusts, funds, and similar financial entities.

## **(L) Real estate activities**

Real estate activities include acting as lessors, agents and/or brokers in one or more of the following: selling or buying real estate, renting real estate, and providing other real estate services such as appraising real estate or acting as real estate escrow agents. Also included is the building of structures, combined with maintaining ownership or leasing of such structures. This sector includes real estate property managers.

## **(M) Professional, scientific, and technical activities**

Professional, scientific, and technical activities require a high degree of training, making specialized knowledge and skills available to users.

## **(N) Administrative and support service activities**

Administrative and support services activities include a variety of activities that support general business operations. These activities differ from those in professional, scientific, and technical since their primary purpose is not the transfer of specialized knowledge.

## **(OSTU) Public administration and defense, other services (O,S,T,U)**

Public administration and defense, other services includes activities of a governmental nature, normally carried out by the public administration. This includes the enactment and judicial interpretation of laws and their pursuant regulation, as well as the administration of programs based on them, legislative activities, taxation, national defense, public order and safety, immigration services, and foreign affairs and the administration of government programs. This section also includes compulsory social security activities.

Note, the legal or institutional status is not, in itself, the determining factor for an activity to belong in this section, rather that the activity is of a nature specified in the previous paragraph. This means that activities classified elsewhere in ISIC do not fall under this section, even if carried out by public entities. Similarly, non-government units may carry out some activities described in this section.

ISIC segment S (as a residual category) includes the activities of membership organizations, the repair of computers and personal and household goods and a variety of personal service activities not covered elsewhere in the classification. Notably, it includes personal services such as washing and (dry-) cleaning of textiles and fur products, hairdressing and other beauty treatments and funeral and related activities.

ISIC segment T includes the activities of households as employers of domestic personnel such as maids, cooks, waiters, valets, butlers, laundresses, gardeners, gatekeepers, stable-lads, chauffeurs, caretakers, governesses, babysitters, tutors, secretaries, etc. Also included is the undifferentiated subsistence goods-producing and services-producing activities of households. Households should be classified here only if it is impossible to identify a primary activity for the subsistence activities of the household.

ISIC segment U includes the activities of international organizations such as the United Nations and the specialized agencies of the United Nations system, regional bodies, etc., the International Monetary Fund, the World Bank, the World Customs Organization, the Organisation for Economic Co-operation and Development, the Organization of Petroleum Exporting Countries, the European Communities, the European Free Trade Association, etc. Also included are activities of diplomatic and consular missions when being determined by the country of their location rather than by the country they represent.

### **(P) Education**

Education includes training at any level or for any profession, oral or written as well as by radio and television or other means of communication. It includes education by the different institutions in the regular school system at its different levels as well as adult education, literacy programs, etc. Also included are military schools and academies, prison schools, etc. at their respective levels. The section includes public as well as private education.

### **(Q) Human health and social work activities**

Human health and social work activities include the provision of health and social work activities. Activities include a wide range of activities, starting from health care provided by trained medical professionals in hospitals and other facilities, over residential care activities that still involve a degree of health care activities to social work activities without any involvement of health care professionals.

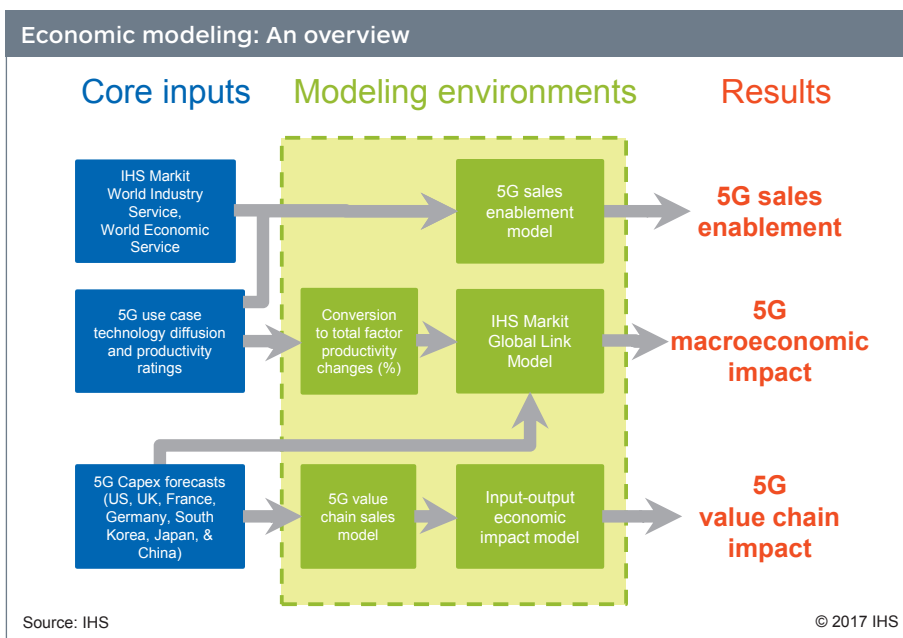
### **(R) Arts, entertainment, and recreation**

Arts, entertainment, and culture include a wide range of activities to meet varied cultural, entertainment, and recreational interests of the general public, including live performances, operation of museum sites, gambling, and sports and recreation activities.

## Appendix C: Economic modeling

The economics team of IHS Markit analyzed the micro and macroeconomic impacts expected for 5G technologies. Through multiple conversations with the internal technology experts of IHS Markit and external experts, it was determined that, from an economic perspective, the two main drivers of impact would come through the investments made in 5G technology and the productivity improvements enabled by the technology. Productivity improvements are expected to be both direct—technological advances in speed, latency, and capacity—and indirect—enabling new, more efficient business models and higher valued services.

The IHS Markit microeconomic impact analysis considered two questions: How much economic activity is generated by the 5G value chain? In addition, what will be the impact of the use of 5G technology on all other industries? The IHS Markit macroeconomic impact assessment also asked the broader question of how much will 5G technology contribute to the overall growth of the global economy? The following provides an overview of the methodology for the three assessments.



### Economic impact analysis: value chain

The mobile value chain will develop and deploy 5G technology. Companies within the value chain thus provide the direct economic impact of 5G technology through the investments these companies make. The economics team of IHS Markit quantified the economic contribution of the global 5G value chain using standard input-output (IO) analysis<sup>[1]</sup> techniques. IHS Economics built an international IO model using data from the World Input-Output Database (WIOD) Project, which was funded by the European Commission as part of the 7<sup>th</sup> Framework Programme, Theme 8: Socio-Economic Sciences and Humanities. The WIOD Project developed a set of harmonized country-level supply and use tables, which were then integrated with data on international trade to create intercountry (world) input-output tables. The WIOD data was supplemented with employment and wage data from the IHS Markit WIS and World Economic Service (WES).

At its core, an input-output table is a two-dimensional matrix that traces the extent to which a given industry both relies on other industries for supplies and serves as a supplier to downstream industries and final consumers. This structure captures the inter-industry relationships within an economic region. The WIOD World IO tables expand this concept to

• 1 IO analysis traces back to the seminal work of Harvard economist Wassily Leontief in 1941, when he calculated an IO table of US economy. Leontief ultimately earned the Nobel Prize in Economics in 1973.

encompass the economic inter-relationships of 35 industries across 41 countries. This was of particular importance to this study as IHS Markit examined a core set of seven countries: China, France, Germany, Japan, South Korea, the United Kingdom, and the United States. Building the model using the WIOD data allows, for example, IHS Markit to trace how sales in the United Kingdom stimulate downstream economic activity in China.

IO analysis is particularly well-suited for assessing how sales transactions initiate ripples of economic activity throughout an economic region and thus answer the question of “How much economic activity is generated by the 5G value chain?”

IHS Markit estimated the direct sales activity within the 5G value chain based on a structure initially put forth by Boston Consulting Group.<sup>[2]</sup> First, the technology team of IHS Markit generated country-level forecasts for 5G-related Capex by the mobile operators through 2040. The complementary Capex for the other links in the value chain were then estimated to be consistent with the BCG analysis. Finally, historical ratios of Capex to sales were applied to estimate the expected country-level sales for each link in the 5G value chain. These estimated sales figures served as the direct inputs to the IO model.

The IO model calculates the downstream economic output resulting from the 5G value chain sales. The employment and wage data from WIS and WES were then applied to estimate employment and wage effects across each of the seven core countries plus the aggregate rest of the world.

## Economic impact analysis: Global sales enablement in 2035

The next piece of the analysis was to better understand qualitatively and then quantify how 5G technology will affect all other industries as it gets adopted and used in industries to produce goods and services more efficiently and create new goods and services. Thus, the approach was twofold. First, IHS Markit used a structured approach, detailed next, to gather the collective input from experts at IHS Markit on what the foreseeable use cases for 5G technology would be within three broad categories that 5G is expected to improve and enable: EMBB, MIoT, and MCS applications. IHS Markit then took the qualitative data provided by the technology team and translated this to economic quantities using data from the WIS and historical patterns.

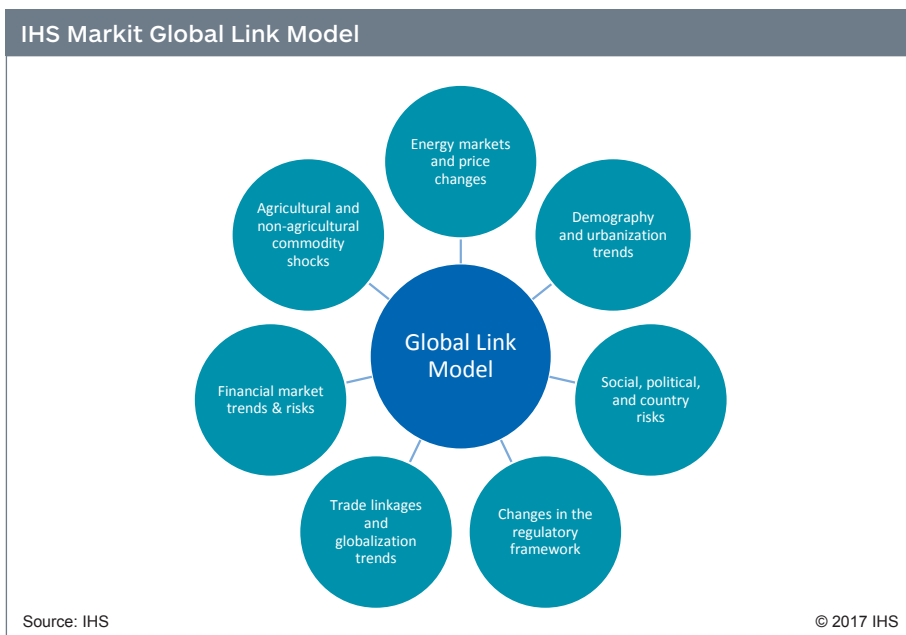
As detailed in the “5G technology and use cases” section, the technology team conducted an extensive analysis of 21 5G use cases, including the development of technology diffusion cycles for use case that account for both application ramp-up times and the potential impact on productivity levels across 16 core industry sectors. The technology team used a semi-quantitative assessment using a 1 to 5 scale (no impact to full deployment and high impact). The uses cases for each of the three broad categories were then averaged to calculate an overall rating for the category. The three categories were then aggregated to determine an overall rating for the potential impact of 5G on each of the 16 industries. Furthermore, recognizing that some use cases could potentially be implemented in existing technology, a similar assessment was done for 4G. The net impact of 5G on each industry was calculated as the difference between these assessments, the ratings for the 16 industries ranged from 0 to 10 (in the aggregate the rating could be higher than 5). Based on guidance from the technology experts of IHS Markit and historical patterns, this translated to a rating of 10 being equivalent to enabling about 1.0% of an industry’s sales.

Next, using industry-level output data from the IHS Markit WIS, a weighted average rating was calculated. The weights were the ratio of industry’s projected sales in 2035 to overall global sales. IHS Markit conferred with the Berkeley Research Group to ensure the diffusion cycle estimates and final results were reasonable based on its knowledge of the academic literature concerning the impact of information technology on economic output.

## Economic impact analysis: global macroeconomic growth

The first two analyses are partial equilibrium in that they estimate the impact on a particular sector or group of sectors without accounting for where else in the economy the resources for developing, deploying, and adopting 5G could have been used. Thus, the first two analyses do not answer the question of whether and to what extent 5G technology will contribute to sustainable economic growth and development for the global economy. The last piece of the analysis answers this question.

• 2 Boston Consulting Group, The Mobile Revolution, January 2015



The economics team of IHS Markit used its proprietary Global Link Model (GLM) to assess how the investments in and productivity improvements enabled by 5G technology would affect the trajectory of global economic growth.

The GLM is the most comprehensive global macroeconomic model commercially available. It includes 250-500 time series per country and 68 countries, covering every region of the world. It is in the class of dynamic general equilibrium models and therefore accounts for how investments in one area require re-allocation from other areas. Thus, the impact on the global economy is a net effect. Positive improvements show that the investments produced a higher value than their next best opportunity (from where they were re-allocated).

In order to perform the analysis, the economics team of IHS Markit took as inputs the yearly capital investments made by the mobile value chain in each of the seven countries analyzed. These inputs were used to adjust the overall fixed private investment in equipment variables in the GLM. Since investments in 5G are already beginning, the investment variables were adjusted each year beginning in 2017. The second adjustment was to each of the seven countries' Total Factor Productivity (TFP) variable. This was done to assess the contribution 5G technology will have on global economic growth via its expected improvements in productivity. The technology team of IHS Markit again provided assumptions on the improvement; they analyzed how the use cases would evolve over time using a 1 to 5 rating to assess how the diffusion would impact upon productivity. The economics team of IHS Markit then translated the 1 to 5 rating into a percent improvement in labor productivity number. The translation relied on a literature review of how GPTs affect labor productivity over time. The most relevant study used for the translation was Jorgensen and Vu (2016)<sup>[3]</sup> and on guidance from Dr. David Teece and Kalyan Dasgupta from the Berkley Research Group who are experts in the field to ensure that the labor productivity assumptions were in line with proper expectations. The percentage improvements in labor productivity were then converted to overall improvements in TFP using the GLM's country-specific relationship between labor productivity and TFP. By using the model's assumption, the global labor productivity improvement was varied by country based on the country's structure and relative efficiencies. Analysis of the model results show that the productivity improvements start contributing to global economic growth around 2025.

Nariman Behraves, Chief International Economist of IHS Markit also reviewed the results to ensure that they were within the feasible range for the global economy given historical technological transformations and assumptions regarding the long-term trajectory of the global economy.

• 3 Jorgensen, Dale W. and Vu, Khuong M. (2016) "The ICT revolution, world economic growth, and policy issues." *Telecommunications Policy* 40, p. 383-397.



## About IHS Markit

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

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Note: Unless otherwise stated, monetary units are 2016 US dollars.

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