



'creating a level playing field'

PRESS RELEASE

SECTOR PERFORMANCE REPORT 3rd Quarter- 2020



The Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ) continues to observe social distancing measures owing to the COVID-19 pandemic. This means that the traditional Director General's Sector Performance Press Conferences remain suspended until further notice. Accordingly, the Authority hereby presents the key trends observed in the Postal and Telecommunication sectors during the third quarter of 2020.

Growth in active internet & data subscriptions and decline in fixed and mobile subscriptions

Active internet and data subscriptions grew by 5.6% to reach 8,726,904 from 8,267,268. As a result, the Internet penetration rate increased by 3.2% to reach 59.9% from 56.7% recorded in the previous quarter. Active fixed telephone lines declined by 1.6% to record 256,356 from 260,542; the fixed tele-density remained at 1.8%. The total number of active mobile subscriptions declined by 0.1% to reach 12,783,785 from 12,798,298; hence, the mobile penetration rate declined by 0.1% to reach 87.7% from 87.8% recorded in the previous quarter. Growth in active subscriptions is expected in the fourth quarter as consumption at household and industry level improves following the relaxation of Covid-19 restrictions on the formal and informal sector.

Growth in Voice Traffic

Total mobile voice traffic grew by 18.7% to record 1.56 billion minutes in the third quarter of 2020 from 1.31 billion minutes recorded in the previous quarter. Fixed voice traffic also increased by 12% to record 90.6 million minutes in the third quarter of 2020 from 80.9 million minutes recorded in the second quarter of 2020. The bulk of fixed voice traffic was generated by corporates lines. The growth in traffic is attributable to the upscaling of business operations and the increased number of workforce back at work following the relaxation of Covid-19 restrictions.

Growth in internet & data usage

Mobile internet and data traffic grew by 43% to record 14,878TB in the third quarter of 2020 from 10,407TB recorded in the second quarter of 2020. Used International Internet Bandwidth Capacity also increased by 16.8% to record 149,665Mbps from 128,173Mbps recorded in the previous quarter. Internet and data traffic is expected to continue growing due to the increased adoption of e-learning, telecommuting, and e-conferencing.

Growth in postal and courier volumes

Total postal and courier volumes increased by 28.1% to record 297,680 items in the third quarter of 2020 from 232,468 items recorded in the second quarter of 2020. Despite the growth recorded in the quarter under review, postal and courier volumes are still way below the quarterly average of over 1 million preCovid-19. Postal and courier operators still face challenges in channelling items to and from several destinations because of Covid-19 policies in different countries.

Growth in revenue vis-à-vis rising operating costs across all markets

Revenue generated by the mobile telephone networks grew by 194.7% to record ZWL8.9billion from ZWL3 billion; On the other hand, mobile network operating costs grew by 23.6% to record ZWL2.5 billion from ZWL2.1 billion recorded in the previous quarter. IAP revenues grew by 148.6% to record ZWL2.85 billion from ZWL1.15 billion meanwhile, total operating costs for IAPs also grew by 109.3% to record ZWL1.9 billion from ZWL916.8 million recorded in the second quarter of 2020. Revenue by postal and courier operators also grew by 115.9% to record ZWL149.9 million from ZWL69.4 million; operating costs also grew by 86.9% to record ZWL109.7 million from ZWL58.7 million recorded in the second quarter of 2020.

CHALLENGES

Operators in the sector have not been spared by the inflationary environment as evidenced by the rising cost of service provision. The credit crunch as well as foreign currency challenges have negatively affected network expansion and maintenance as spare parts, equipment and vendor support fees require foreign currency. The high cost of International Internet Connectivity remains a challenge as Zimbabwe is a landlocked country, accessing bandwidth from undersea cables via Mozambique and South Africa.

INDUSTRY OUTLOOK

Telecommunications infrastructure and services play a critical role in keeping businesses, governments, and societies connected and running. The sector has kept the global economy moving during this Covid-19 era by providing connectivity and resilience, facilitating work-from-home arrangements and keeping individuals and societies connected and informed, with access to essential services. As a result, many telecom players providing broadband have benefitted from a surge in the internet and data traffic. Data and internet services will continue to drive industry growth.

The performance of the sector continues to be dependent on the economic environment. The economic environment impacts the sector through service demand and consumption levels, operating costs, investment et.al. Given the dual pricing policy, fluctuations on the foreign currency auction market will have a direct impact on service tariffs for the sector. Operating cost containment will remain crucial for operators to maintain profitability given the current inflationary pressures in the economy.

Subscriber retention will be crucial for operators going forward, given the fluctuations in active subscriptions. Competition in the various service markets is expected to intensify; operators will compete on products and service offerings as well as prices. However, the current levels of market concentration are expected to remain, with Econet and Liquid maintaining dominance of the mobile and Internet Access Provider markets respectively. There will be continued momentum around innovation in non-traditional business models such as Internet of Things applications in order to tap into new revenue streams.

The Covid-19 pandemic hit the postal and courier sector the hardest as evidenced by low volumes across all service categories. The pandemic exacerbated the substitution of paper communication by electronic methods (e-substitution). Despite the growth recorded in the quarter under review, postal and courier volumes are still way below the quarterly average of over 1 million preCovid-19. Although international courier volumes improved in the third quarter of 2020, postal and courier operators still face challenges in channelling items to and from several destinations because of Covid-19 policies in different countries. Postal and courier volumes are expected to improve in the coming quarters as restrictions are eased globally and industry fully reopens.

We would like to implore our valued consumers to continue complying with the measures introduced by the Government and to take all precautionary measures in order to stop the spread of the virus and where possible utilise the existing technologies and conduct business online to avoid physical contact.


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POTRAZ Director General
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