

POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE (POTRAZ)



'creating a level playing field'

ABRIDGED POSTAL & TELECOMMUNICATIONS SECTOR PERFORMANCE REPORT

SECOND QUARTER 2022

Disclaimer:

This report has been prepared based on data provided by service providers. The information provided in this quarterly report is subject to alteration in case of any revisions or updates from the service providers. Whilst the Authority has taken effort to ensure accuracy of the data contained in this report, it is not liable for the inaccuracy of any information.

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LIST OF ACRONYMS

2G	Second Generation
3G	Third Generation
ACPU	Average Cost per User
AMPU	Average Margin per User
ARPU	Average Revenue per User
ADSL	Asymmetric Digital Subscriber Line
GB	Gigabyte
LTE	Long Term Evolution
MB	Megabyte
TB	Terabyte
Mbps	Megabits per second
VoIP	Voice Over Internet Protocol

MAJOR HIGHLIGHTS

The following are the main sector trends for the second quarter of 2022 compared to the first quarter of 2022:

- Active fixed telephone lines increased 1.5% to reach 246,722 in the second quarter of 2022, from 243,123 recorded in the first quarter of 2022; the fixed tele-density increased by 0.03% to reach 1.63%, from 1.6%.
- The total number of active mobile subscriptions declined by 2% to reach 14,006,034 in the second quarter of 2022, from 14,289,085 recorded in the first quarter of 2022; Hence, the mobile penetration rate declined by 1% to reach 92.3% from 93.3%.
- The total number of active Internet and data subscriptions declined by 3.5% to reach 9,293,560, from 9,644,271 in the first quarter of 2022; the Internet penetration rate declined by 1.6% to reach 61.3% from 62.9%.
- Total fixed telephone voice traffic declined by 9% to record 83.7 million minutes in the second quarter of 2020, from 92 million minutes recorded in the first quarter of 2022.
- Mobile voice traffic totalled 2.35 billion minutes in the second quarter of 2022. This represents a 32.6% growth from 1.77 billion minutes recorded in the first quarter of 2022.
- Mobile Internet & Data traffic totalled 25,756 terabytes, 16.8% up from 22,052 terabytes consumed in the first quarter of the year.
- Used Outgoing International Internet Bandwidth Capacity increased by 4.6% to record 91,978Mbps, from 87,924 recorded in the first quarter of 2022.
- Total postal and courier volumes declined by 6% to record 523,342 items in the second quarter of 2022, from 556,618 items recorded in the first quarter of 2022
- Total mobile operator revenues grew by 35.1% to record ZWL38.9 billion in the second quarter of 2022, from ZWL28.8 billion recorded in the first quarter of 2022; On the other hand, operating costs grew by 44.9% to record ZWL24.7 billion from ZWL17.01 billion.
- Revenue generated by the fixed telephone network grew by 38.2% to record ZWL5.15 billion, from ZWL3.72 billion recorded in the first quarter of 2022; operating costs increased by 79.9% to record ZWL5.7 billion from ZWL3.17 billion recorded in the previous quarter.
- IAP revenues grew by 45.5% to record ZWL15.07 billion in the second quarter of 2022, from ZWL10.36 billion recorded in the first quarter of 2022; meanwhile, operating costs for IAPs grew by 55.9% to record ZWL11.93 billion from ZWL7.65 billion recorded in the previous quarter.
- Total revenue generated by the postal and courier sector increased by 34.9% to record ZWL1.5 billion in the second quarter of 2022 from ZWL1.1 billion recorded in the first quarter of 2022; operating costs increased by 43% to record ZWL1.28 billion from ZWL895.3 million recorded in the first quarter of 2022.

1. FIXED TELEPHONE SERVICE

1.1 SUBSCRIPTIONS

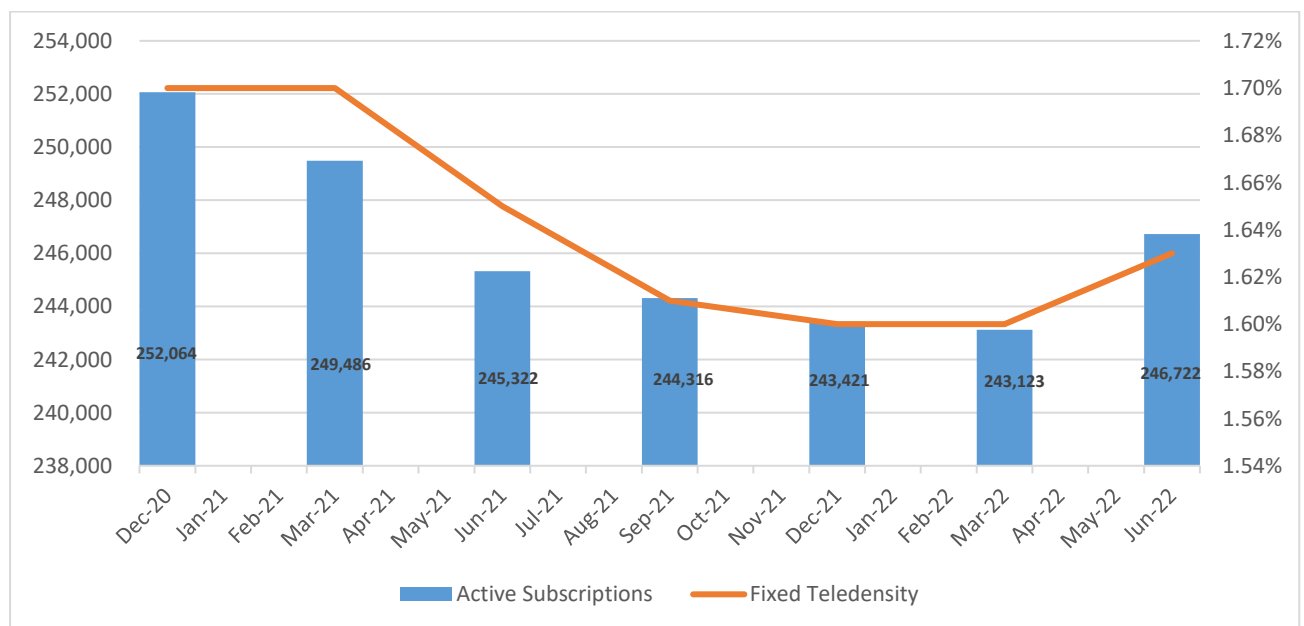
Growth in fixed telephone subscriptions was recorded in the quarter under review, as active subscriptions soared by 1.5% to reach 246,722 from 243,123 recorded in the first quarter of 2022. The growth emanated from a 3% increase in residential subscriptions as shown in table 1 below:

Table 1: Fixed Telephone Subscriptions

Subscriber category	1 st Quarter 2022	2 nd Quarter 2022	% Growth
Residential	142,512	146,784	3.0%
Corporate	100,611	99,938	-0.7%
Total Active	243,123	246,722	1.5%

The overall 1.5% growth in fixed telephone subscriptions led to a 0.03% growth in the fixed teledensity to reach 1.63% from 1.6% recorded in the first quarter of 2022. The fixed telephone has been experiencing seasonal fluctuations in subscriptions as show below:

Figure 1: Active Fixed Telephone Subscriptions



Competition with VoIP, especially on the corporate market, has been increasing hence the fluctuations in active fixed telephone subscriptions over the years.

1.2 FIXED VOICE TRAFFIC

Total fixed telephone voice traffic declined by 9% to record 83.7 million minutes in the second quarter of 2022, from 92 million minutes recorded in the first quarter of 2022. The quarterly variation in fixed voice traffic per category is shown in table 2 below:

Table 2: Fixed Voice Traffic

Traffic category	1 st Quarter 2022	2 nd Quarter 2022	Variance
Net on Net	9,486,567	8,776,746	-7.5%
Outgoing to Mobile	72,044,064	65,160,001	-9.6%
Incoming from Mobile	4,638,879	4,799,560	3.5%
Incoming from IAPs	729,518	691,070	-5.3%
Outgoing to IAPs	818,677	757,070	-7.5%
Total National Voice Traffic	87,717,705	80,184,447	-8.6%
International Incoming	2,507,901	1,815,057	-27.6%
International Outgoing	1,756,954	1,734,426	-1.3%
Total traffic	91,982,560	83,733,930	-9.0%

As shown above, all voice traffic categories, except for incoming traffic from mobile networks, recorded a decline in volumes. The decline in fixed voice traffic may be attributable to the decline in corporate lines; the bulk of fixed voice traffic is generated by corporate lines.

2. MOBILE TELEPHONY

2.1 MOBILE SUBSCRIPTIONS

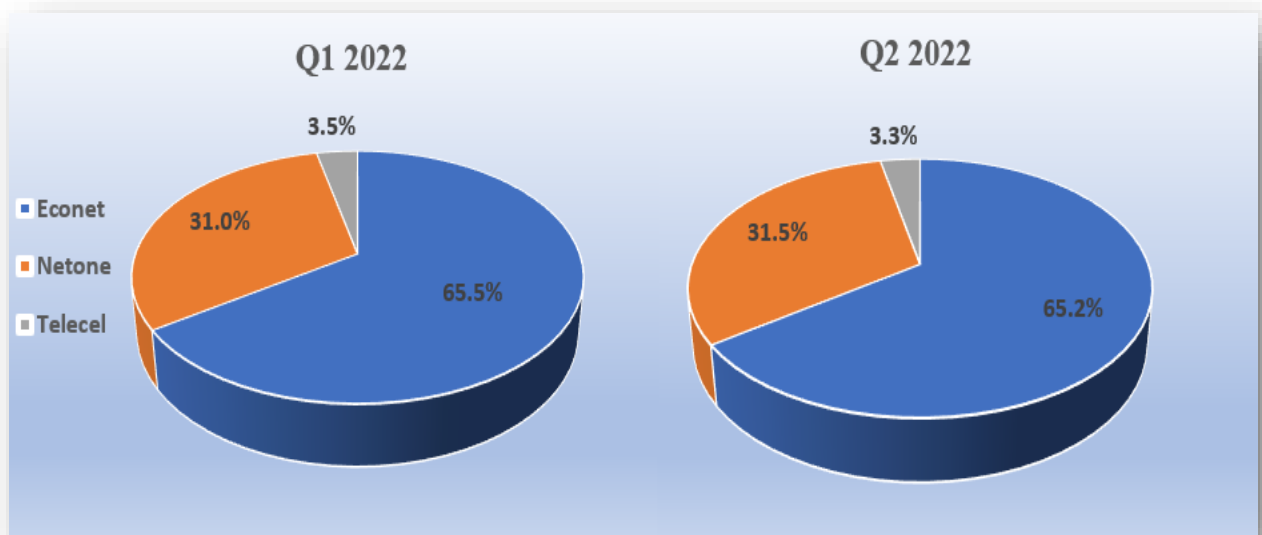
The total number of active mobile telephone subscriptions as of 30 June 2022 was 14,006,034. This translates to a 2% decline from the 14,289,085 recorded in the first quarter of the year. A quarterly comparison of active subscriptions per operator is shown in table 3 below:

Table 3: Active Mobile Subscriptions

Operator	1 st Quarter 2022	2 nd Quarter 2022	Variance (%)
Econet	9,359,485	9,125,792	-2.5%
NetOne	4,422,595	4,411,239	-0.3%
Telecel	507,005	469,003	-7.5%
Total	14,289,085	14,006,034	-2.0%

As shown in the table above, all the mobile operators recorded a decline in active subscriptions in the quarter under review. Econet, NetOne and Telecel subscriber bases declined by margins of 2.5%, 0.3% and 7.5% respectively. Telecel subscriptions have been consistently declining; however, the decline in Econet and NetOne active subscriptions is atypical. The phenomenon is not expected to continue. A quarterly comparison of the market share of active mobile subscriptions is shown in Figure 2 below:

Figure 2: Market Share of Mobile Subscribers



Econet and Telecel lost subscriber market share by 0.3% and 0.2% respectively. Conversely, NetOne gained subscriber market share by 0.5% in the second quarter of 2022.

2.2 MOBILE VOICE TRAFFIC

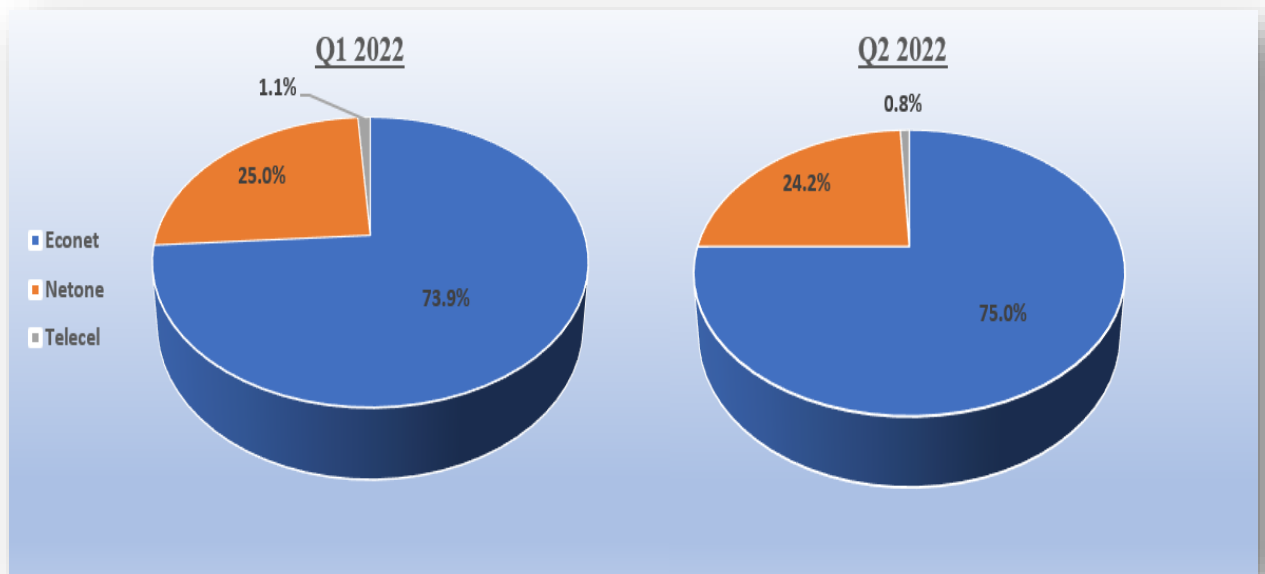
The second quarter of the year presented a significant growth in mobile voice traffic. Mobile voice traffic totalled 2.35 billion minutes in the second quarter of 2022. This represents a 32.6% growth from 1.77 billion minutes recorded in the first quarter of the year. The traffic per mobile voice category is shown in the following table:

Table 4: Mobile Telephone Traffic

Traffic Category	1 st Quarter 2022	2 nd Quarter 2022	Variance (%)
Net on Net	1,180,319,765	1,556,862,729	31.9%
Mobile to Fixed	4,638,879	2,647,394	-42.9%
Incoming from Fixed	72,044,064	65,165,385	-9.5%
Mobile to Other Mobile	451,726,153	661,454,142	46.4%
Outgoing to IAPs	2,435,718	2,309,917	-5.2%
Incoming from IAPs	26,087,319	25,702,033	-1.5%
TOTAL NATIONAL	1,737,251,898	2,314,141,599	33.2%
International Incoming	25,413,755	25,358,029	-0.2%
International Outgoing	5,461,268	5,659,624	3.6%
Inbound Roaming	814,492	813,786	-0.1%
Outbound Roaming	216,310	152,220	-29.6%
Total	1,769,157,723	2,346,125,258	32.6%

The increase in overall mobile voice traffic is attributable to stable tariffs which were obtaining in the quarter under review; no base tariff review was effected throughout the second quarter of 2022. Net on net traffic appeared to be the major driver of the quarterly growth, recording a 31.9% categorical growth. Likewise, mobile to mobile traffic had a significant impact on total traffic as it recorded a 46.4% growth. However, roaming traffic continued to decline, with inbound and outbound roaming traffics recording declining by 0.1% and 29.6% respectively. A quarterly comparison of the voice traffic market share, based on the volumes per operator, is shown in Figure 3 below:

Figure 3: Voice Traffic Market Share



As shown above, Econet gained voice traffic market share by a margin of 1.1%, whereas Telecel and NetOne lost market shares by 0.3% and 0.8% respectively. Econet continued to dominate the mobile voice traffic market in the quarter under review.

2.3 SMS

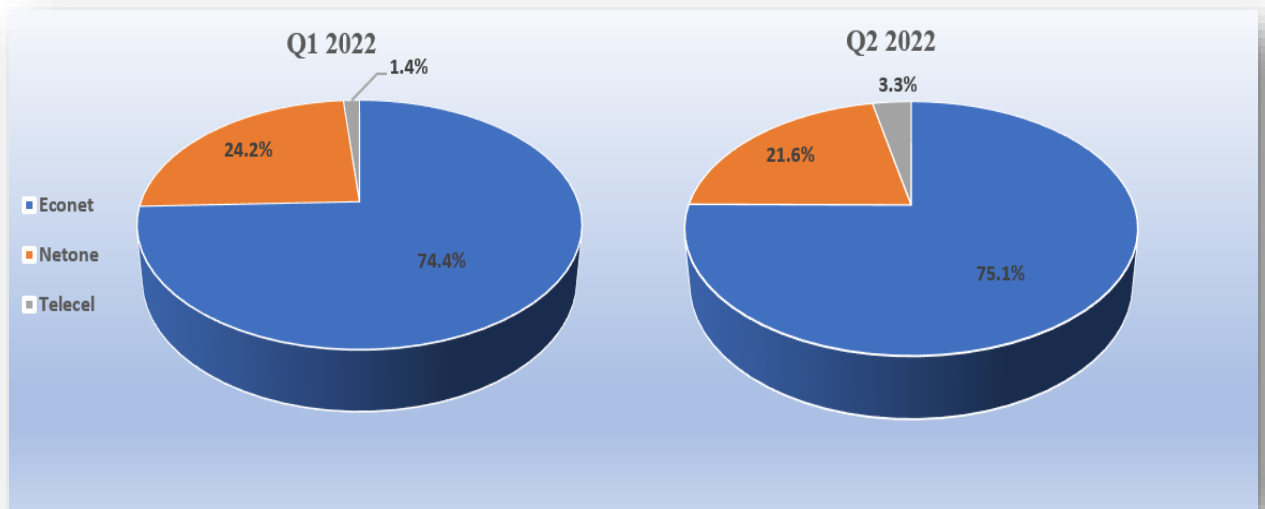
The second quarter of 2022 recorded a 3.1% increase in total SMS traffic. All SMS categories, except for international incoming traffic recorded significant positive growths. The total traffic per SMS category is shown in the following table:

Table 5: SMS Traffic

Traffic Category	1 st Quarter 2022	2 nd Quarter 2022	Variance (%)
Net on Net	1,722,133,893	1,779,907,945	3.4%
Off-net	692,204,625	713,489,028	3.1%
International Incoming	17,045,129	12,708,557	-25.4%
International Outgoing	2,393,550	2,558,777	6.9%
Total	2,433,777,197	2,508,664,307	3.1%

The mobile networks recorded an increase in SMS traffic in the quarter under review. A quarterly comparison of the SMS traffic market share, based on the volumes per operator, is shown below:

Figure 4: SMS Traffic Market Share



As shown above, Econet and Telecel gained market share for SMS traffic by 0.7% and 1.9% respectively, whereas NetOne lost market share by a margin of 2.6%.

2.4 MOBILE INTERNET & DATA

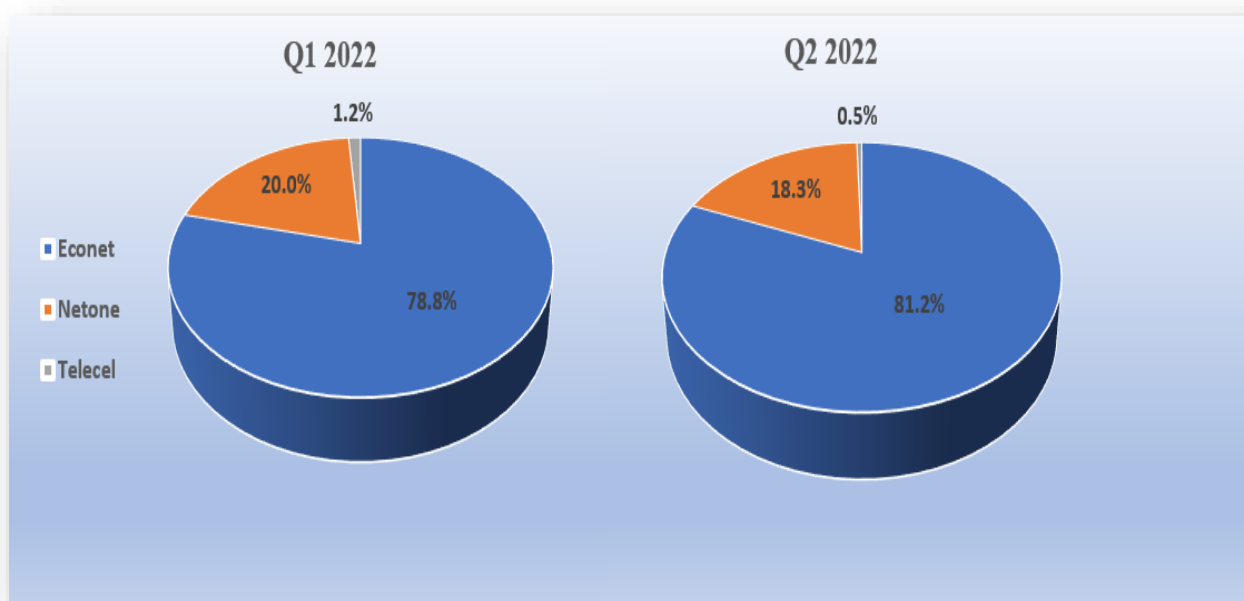
A total of 25,756 terabytes of mobile Internet and data were consumed in the second quarter of 2022. This represents a 16,8% increase in Internet and data traffic from 22,052 terabytes consumed in the first quarter of the year. A quarterly comparison of mobile Internet and data traffic per mobile network is shown in Table 6 below:

Table 6: Mobile Internet & Data

Operator	1st Quarter 2022 (MB)	2nd Quarter 2022 (MB)	Variance (%)
Econet	17,366,747,262	20,929,638,023	20.5%
NetOne	4,417,666,610	4,703,004,198	6.5%
Telecel	267,624,775	123,305,100	-53.9%
Total	22,052,038,647	25,755,947,321	16.8%

Econet and NetOne recorded growth in Internet and data traffic by margins 20.5% and 6.5% respectively as Telecel recorded a huge downturn by a margin of 53.9%. A quarterly comparison of the Internet and data traffic market share is shown in Figure 5 below:

Figure 5: Market Share of Internet & Data Traffic



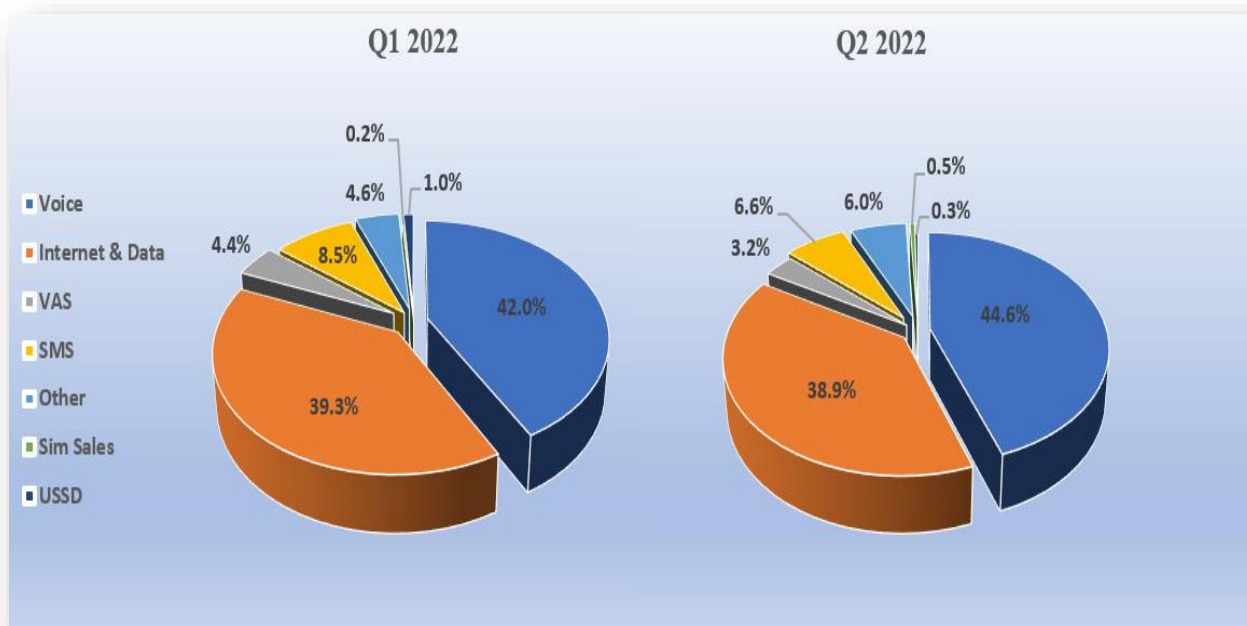
Econet continued to dominate the market share for Internet and data traffic. In the quarter under review, Econet gained market share by a margin of 2.4% while Telecel and Netone lost market shares by 0.7% and 1.7% respectively. Econet’s continued share growth can be attributable to their huge numbers of active mobile subscribers and their wide network coverage across the country.

2.5 MOBILE REVENUES, COSTS & INVESTMENT

2.5.1 MOBILE REVENUES

Mobile revenues grew from ZWL28,801,881,271 generated in the first quarter of 2022, to record ZWL38,921,037,353 in the second quarter of 2022. This translates to a 35.1% quarterly increase in revenues. In absolute terms, all mobile networks recorded significant increases in revenues in the quarter under review. The revenue contribution per mobile telecommunications service is shown in Figure 6 below:

Figure 6: Mobile Revenue Contribution per Service

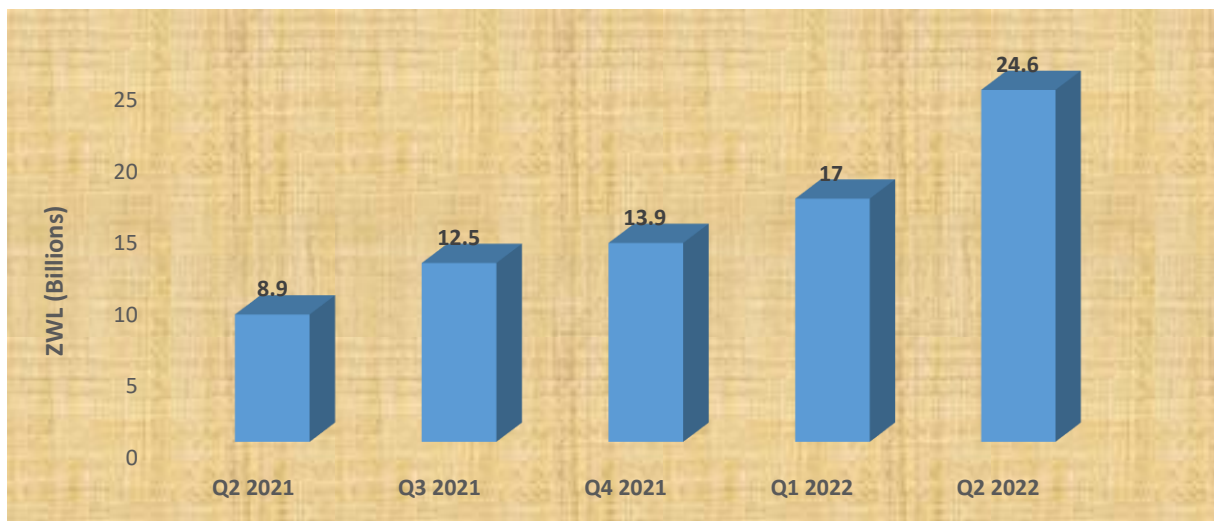


As with the first quarter of 2022, voice service contributed a greater share of revenue for mobile network operators with 44.6%, from a previously recorded 42%. Internet and data continued to make second highest contribution towards aggregate revenue, recording 38.9%, down from a Q1 record of 39.3%. Contributions from SMS and VAS declined by margins of 1.9% and 1.2% respectively.

2.5.2 MOBILE NETWORK OPERATING COSTS

Operating costs grew by 44.9% in the second quarter of 2022, to record ZWL24.6 billion from ZWL17 billion recorded in the first quarter of 2022. The growth in operating costs surpassed the growth in aggregate revenue. The trend of rising costs is attributable to the inflationary pressures in the economy, the sector has not been spared. Figure 7 below shows the growth in operating costs over the past year.

Figure 7: Mobile Network Operating Costs



Mobile network operating costs continued to increase, with staff costs, bandwidth costs and depreciation being the main cost drivers for mobile operators.

2.5.3 CAPITAL EXPENDITURE

Capital expenditure by mobile operators amounted to ZW300.5 million in the second quarter of 2022, down from ZWL1.7 billion recorded in the first quarter of 2022. The capital expenditure by mobile operators was mainly in national switching, national transmission as well as hardware and software.

2.6 MOBILE TELEPHONY INFRASTRUCTURE

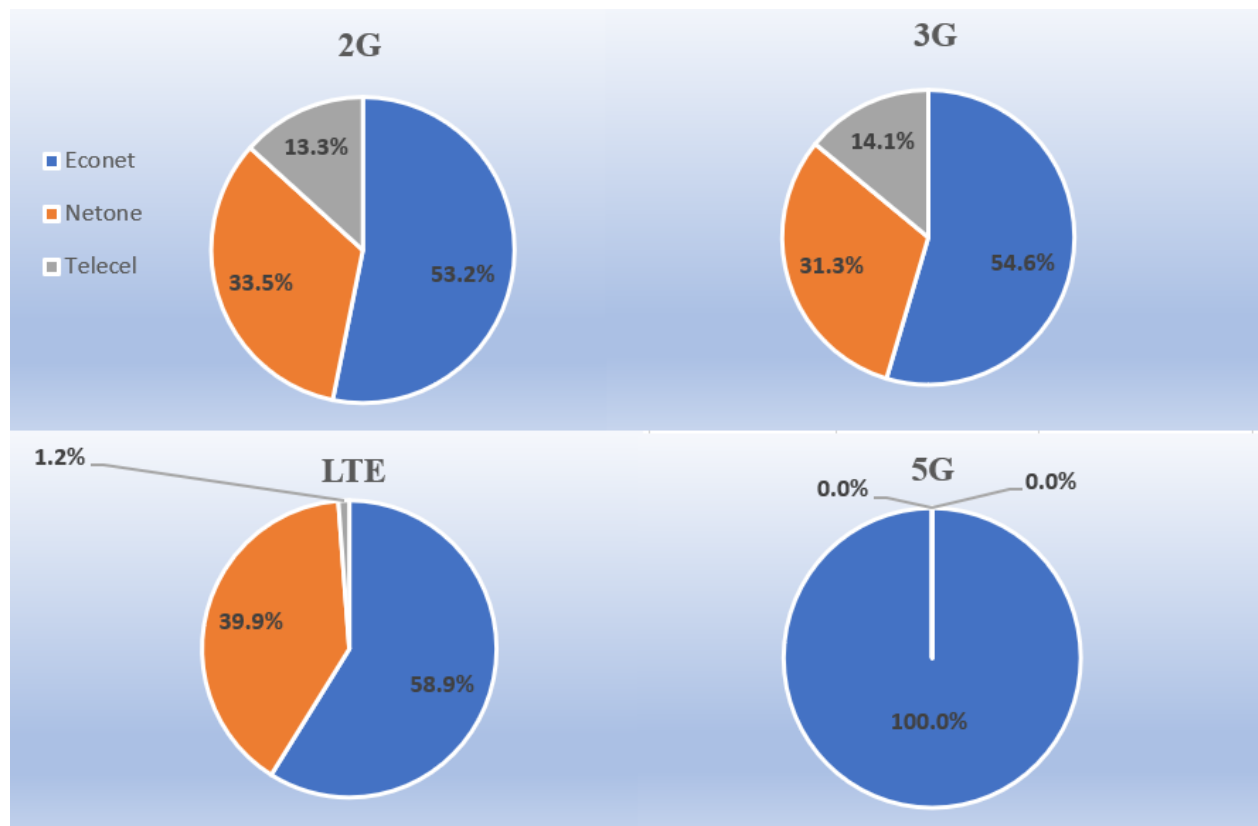
A total of 146 base stations were deployed in the second quarter of 2022. The growth in base stations per mobile operator is shown in Table 7 below:

Table 7: Mobile Base Stations

Operator	2G			3G			LTE			5G		
	Q1	Q2	Net	Q1	Q2	Net	Q1	Q2	Net	Q1	Q2	Net
	2022	2022	Addition	2022	2022	Addition	2022	2022	Addition	2022	2022	Addition
Total	5,008	5,029	21	3,032	3,088	56	1,364	1,421	57	10	22	12

LTE had the highest number of deployments (57) as shown above; 3G also had a notable number of new deployments (56). Twelve (12) new 5G base stations were also deployed by Econet in the quarter under review, as part of the Proof of Concept (POC) trial. The market share of mobile base stations was as follows:

Figure 8: Market Share of Mobile Base Station Infrastructure



As shown above, Econet dominates the market in terms of 2G, 3G and LTE. They are also first operator to roll out 5G.

3. DATA & INTERNET SERVICES

3.1 SUBSCRIPTIONS

The total number of active Internet and data subscriptions declined by 3.5% to reach 9,300,560 as of 30 June 2022, from 9,644,271 recorded as at 31 March 2022. The growth in active data and Internet subscriptions by technology is shown in table 8 below:

Table 8: Active Internet & Data Subscriptions

Technology	1st Quarter 2022	2nd Quarter 2022	Variance (%)
3G/HSDPA/LTE	9,441,662	9,101,949	-3.6%
Leased Lines	2,527	2,573	1.8%
DSL	108,270	109,743	1.4%
WiMAX	6,772	7,141	-1.4%
CDMA	9,474	8,165	-87.7%
VSAT	2,730	3,289	20.5%
Active Fibre Subscriptions	62,836	67,700	7.7%
Total	9,634,271	9,300,560	-3.5%

Mobile Internet & data, WiMAX and CDMA were the two categories to record negative growth as shown above. The Internet penetration rate declined by 1.6% to reach 61.3% from 62.9% recorded in the previous quarter.

3.2 INTERNATIONAL INTERNET CONNECTIVITY

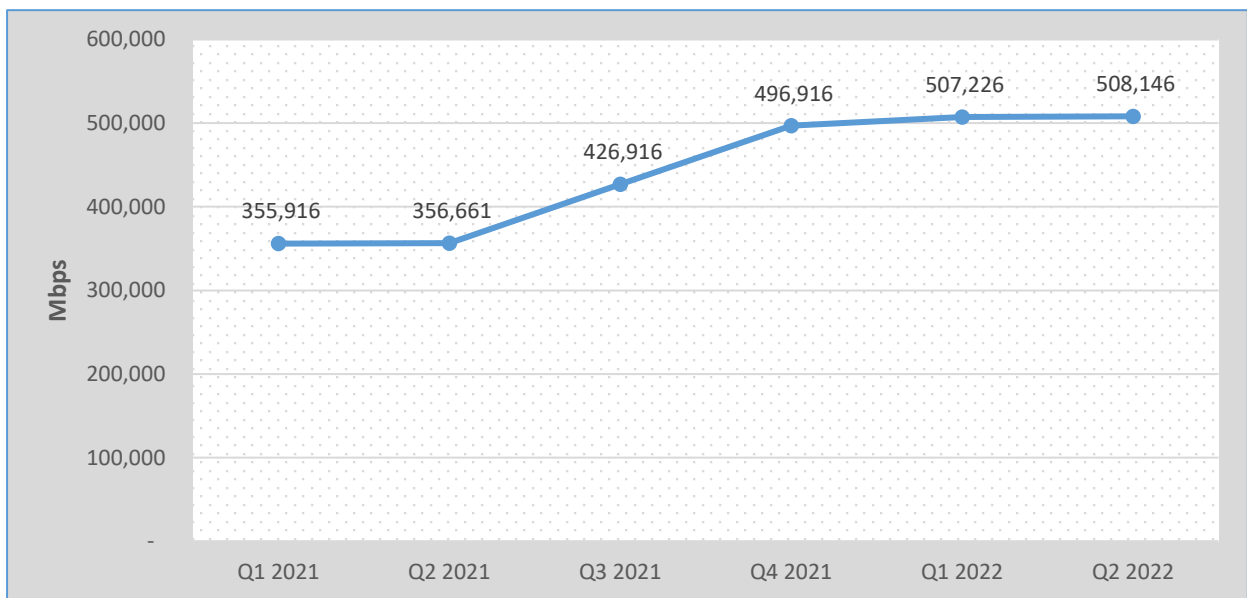
The equipped international Internet bandwidth capacity increased by 0.2% to reach 508,146Mbps as of 30 June 2022, from 507,226Mbps recorded as of 31 March 2022 as shown in table 9 below:

Table 9: Equipped International Internet Bandwidth Capacity (Mbps)

	1 st Quarter 2022	2 nd Quarter 2022	Variance (%)
Liquid	400,000	400,000	-
TelOne	97,500	97,500	-
Powertel	5,000	5,000	-
Dandemutande	4,726	5,646	19.5%
Total	507,226	508,146	0.2%

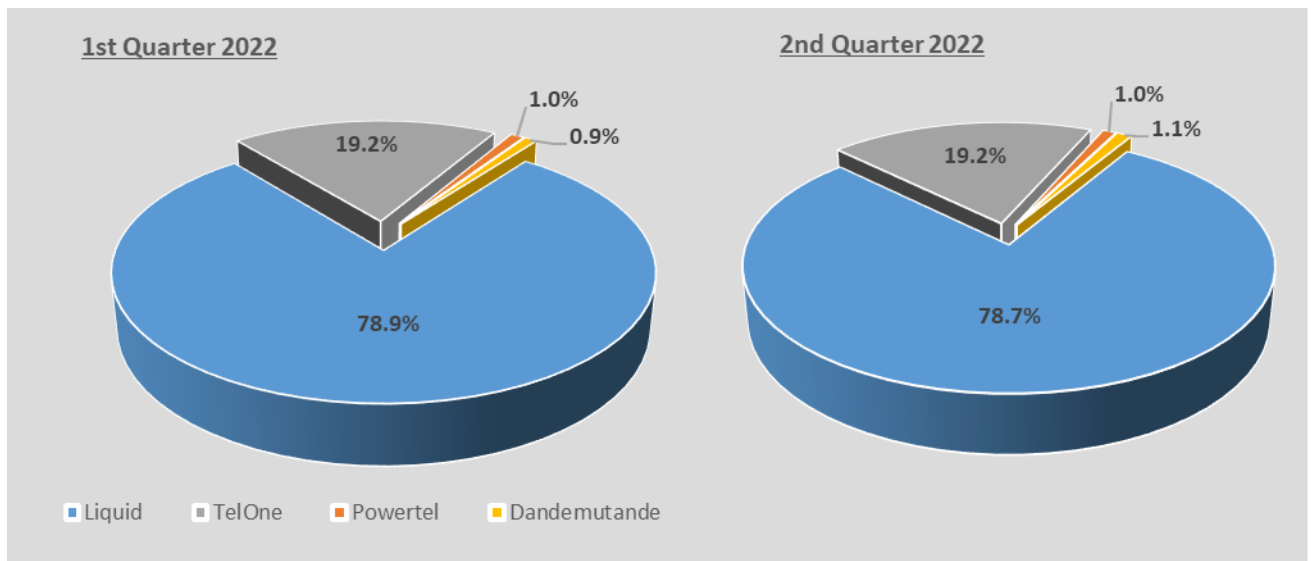
Dandemutande was the only operator to increase their equipped capacity as shown above. The growth in the total equipped capacity over the past quarters is shown in Figure 9 below:

Figure 9: Equipped Incoming International Bandwidth Capacity



IAPs have been increasing their bandwidth capacities to meet the increasing demand for Internet and data services. A quarterly comparison of the market share of equipped international Internet bandwidth capacity is shown in Figure 10 below:

Figure 10: Market Share of Equipped International Internet Bandwidth Capacity



Liquid lost market share by 0.2%, whereas TelOne and Powertel’s market shares remained constant. Dandemutande’s market share increased, in line with the increased international Internet bandwidth capacity. Used international incoming bandwidth capacity also increased as shown in table 10 below:

Table 10: Used International Internet Bandwidth Capacity

	1 st Quarter 2022	2 nd Quarter 2022	Variance (%)
Incoming	219,232	221,181	0.9%
Outgoing	87,924	91,978	4.6%

The growth in used outgoing international Internet bandwidth is notable as it signifies growth in the consumption of local content abroad.

3.3 IAP REVENUES, OPERATING COSTS & INVESTMENT

The growth in revenue, operating costs and capital expenditure by Internet Access Providers is shown in table 11 below:

Table 11: IAP Revenues, Operating Costs (ZWL)

	1st Quarter 2022	2nd Quarter 2022	Variance (%)
Revenue	10,358,981,753	15,072,942,520	45.5%
Operating Costs	7,652,798,315	11,928,010,020	55.9%
Capital Expenditure	852,091,281	1,282,183,201	50.5%

As with the fixed and mobile sub-sectors, the growth in IAP operating costs was higher than the growth in IAP revenues. This is reflective of the prevailing inflationary operating environment.

4. POSTAL & COURIER

4.1 POSTAL & COURIER VOLUMES

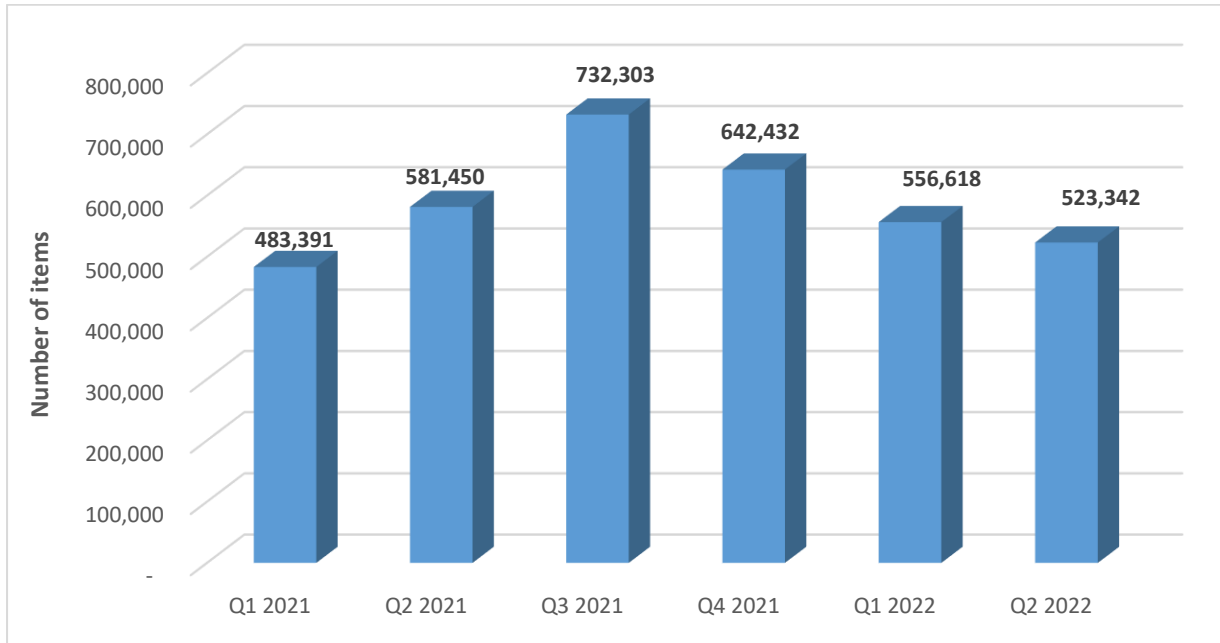
Total postal and courier volumes declined by 6% to record 523,342 items in the second quarter of 2022, from 556,618 items recorded in the first quarter of 2022 as shown in table 12 below:

Table 12: Postal and Courier Volumes

	1st Quarter 2022	2nd Quarter 2022	% Growth
Domestic postal letters	227,095	202,697	-10.7%
Domestic courier	121,324	128,542	5.9%
International incoming courier	178,907	166,725	-6.8%
International outgoing courier	29,292	25,378	-13.4%
Total Postal & Courier	556,618	523,342	-6.0%

Postal and courier volumes have been fluctuating owing to e-substitutions, which was exacerbated by the global COVID-19 pandemic. The fluctuation in postal and courier volumes is shown in figure 11 below:

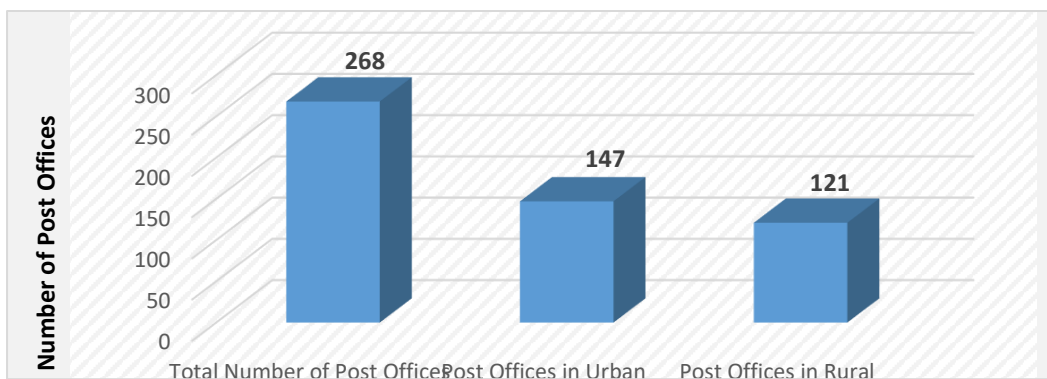
Figure 11: Postal & Courier Volumes



4.2 POSTAL DENSITY

The total number of operational post offices remained 268; hence the postal density was 56,638:1. This implies that there is one post office available for every 56,638 inhabitants. The distribution of post offices was as follows:

Figure 12: Distribution of Post Offices



Of the total number of post offices, only 152 had Internet connectivity. More still needs to be done to digitise the postal network.

4.3 POSTAL & COURIER REVENUES, COSTS & INVESTMENT

Total revenue, operating costs and capital expenditure by the postal and courier sector is shown in Table 13 below:

Table 13: Postal & Courier Revenues, Costs & Investment

	1 st Quarter 2022	2 nd Quarter 2022	Variance
REVENUES	1,082,871,915	1,460,292,940	34.9%
OPERATING COSTS	895,267,209	1,279,788,299	43%
INVESTMENT	4,123,613	1,462,285	-64.5%

As shown above revenues increased by 34.9%. However, operating costs grew by an even greater margin of 43%, whilst capital expenditure declined by 64.5%.

5. OUTLOOK

The telecommunications sector has continued to connect people, facilitate ecommerce, remote working, e-learning, e-health as well as access to financial services. The sector remains intrinsic to the country's economic growth and has become an essential enabler for other sectors. The sector is expected to continue enabling other sectors as envisioned in Government's National Development Strategy 1 (NDS1). There is need for concerted efforts in the consolidation of strategies that deliberately focus on ICT development, executing smart policies, e-governance and effective processes that embolden investments in ICTs and digital skills and embracing emerging technologies that are crucial to the digital economy.

Enhanced growth can be achieved through government intervention and innovative public-private partnerships aimed at improving the digital landscape by assuring access, equity, and affordability of telecommunication services to all. Particular attention needs to be paid to rural areas where broadband coverage of technologies such as LTE is still sparse. Operators also need to innovate and explore sustainable revenue generation and cost containment avenues considering the current economic climate. On the other hand, prioritisation of the sector in terms of foreign currency allocation is encouraged, given the capital-intensive nature of the industry. Review of policies, such as customs and excise levies, will improve affordability of devices and services, thus enhancing overall demand and sector revenues.