

# POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE (POTRAZ)



*'creating a level playing field'*

## ABRIDGED POSTAL & TELECOMMUNICATIONS SECTOR PERFORMANCE REPORT

**THIRD 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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## TABLE OF CONTENTS

LIST OF TABLES .....	2
LIST OF FIGURES .....	2
LIST OF ACRONYMS .....	3
MAJOR HIGHLIGHTS .....	4
1. FIXED TELEPHONE SERVICE .....	5
1.1 SUBSCRIPTIONS .....	5
1.1.1 FIXED VoIP MARKET SHARE.....	6
1.2 FIXED VOICE TRAFFIC .....	6
1.2.1 PUBLIC SWITCHED TELEPHONE NETWORK (PSTN) VOICE TRAFFIC.....	6
1.2.2. FIXED VoIP TRAFFIC .....	7
2. MOBILE TELEPHONY.....	8
2.1 MOBILE SUBSCRIPTIONS .....	8
2.2 MOBILE VOICE TRAFFIC .....	9
2.3 MOBILE INTERNET & DATA.....	11
2.4 MOBILE REVENUES, COSTS & INVESTMENT.....	12
2.4.1 MOBILE REVENUES .....	12
2.4.2 MOBILE NETWORK OPERATING COSTS.....	12
2.4.3 CAPITAL EXPENDITURE.....	13
2.5 MOBILE TELEPHONY INFRASTRUCTURE.....	14
3. DATA & INTERNET SERVICES .....	15
3.1 SUBSCRIPTIONS .....	15
3.2 INTERNATIONAL INTERNET CONNECTIVITY .....	16
3.3 IAP REVENUES, OPERATING COSTS & INVESTMENT .....	17
4. POSTAL & COURIER.....	18
4.1 POSTAL & COURIER VOLUMES.....	18
4.3 POSTAL & COURIER REVENUES, COSTS & INVESTMENT .....	20
5. OUTLOOK .....	21

## LIST OF TABLES

Table 1: Fixed Telephone Subscriptions.....	5
Table 2: Fixed Voice Traffic.....	7
Table 3: Fixed VoIP traffic .....	7
Table 4: Active Mobile Subscriptions .....	8
Table 5: Mobile Telephone Traffic.....	9
Table 6: Mobile Network Capital Expenditure.....	13
Table 7: Mobile Base Stations .....	14
Table 8: Active Internet & Data Subscriptions.....	15
Table 9: Equipped International Internet Bandwidth Capacity (Mbps).....	16
Table 10: Used International Internet Bandwidth Capacity .....	17
Table 11: IAP Revenues, Operating Costs (ZWL) .....	18
Table 12: Postal and Courier Volumes .....	19
Table 13: Postal & Courier Revenues, Costs & Capital Expenditure .....	20

## LIST OF FIGURES

Figure 1: Active Fixed Telephone Subscriptions.....	5
Figure 2: Market Share of Fixed VoIP Subscriptions.....	6
Figure 3: Market Share of Mobile Subscribers.....	8
Figure 4: Mobile Voice Traffic.....	10
Figure 5: Voice Traffic Market Share.....	10
Figure 6: Mobile Internet & Data Usage .....	11
Figure 7: Market Share of Internet & Data Traffic .....	11
Figure 8: Mobile Revenue Contribution per Service.....	12
Figure 9: Mobile Network Operating Costs.....	13
Figure 10: Distribution of Mobile Base Stations .....	14
Figure 11: Market Share of Mobile Base Station Infrastructure.....	15
Figure 12: Equipped Incoming International Bandwidth Capacity .....	16
Figure 13: Market Share of Equipped International Internet Bandwidth Capacity .....	17
Figure 14: IAP Revenue & Costs.....	18
Figure 15: Postal & Courier Volumes .....	19
Figure 16: Distribution of Post Offices.....	20

## **LIST OF ACRONYMS**

<b>2G</b> .....	Second Generation
<b>3G</b> .....	Third Generation
<b>ACPU</b> .....	Average Cost per User
<b>AMPU</b> .....	Average Margin per User
<b>ARPU</b> .....	Average Revenue per User
<b>ADSL</b> .....	Asymmetric Digital Subscriber Line
<b>GB</b> .....	Gigabyte
<b>LTE</b> .....	Long Term Evolution
<b>MB</b> .....	Megabyte
<b>PSTN</b> .....	Public Switched Telephone Network
<b>TB</b> .....	Terabyte
<b>Mbps</b> .....	Megabits per second
<b>VoIP</b> .....	Voice Over Internet Protocol

## MAJOR HIGHLIGHTS

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

- Total active fixed telephone lines increased by 2.8% to reach 290,810 from 282,843; the fixed tele-density increased by 0.06% to reach 1.92%, from 1.86%.
- Total active mobile subscriptions increased by 4% to reach 14,562,242; up from 14,006,034. Hence, the mobile penetration rate increased by 3.6% to reach 95.9%, from 92.3%.
- Total active Internet and data subscriptions increased by 4.3% to reach 9,700,385, from 9,300,560. The Internet penetration rate increased by 2.6% to reach 63.9%, from 61.3%.
- Total fixed telephone voice traffic increased by 1% to record 84.6 million minutes, from 83.7 million minutes.
- Mobile voice traffic totalled 3.08 billion minutes. This represents a 31.2% growth from 2.35 billion minutes.
- Mobile Internet & Data traffic totalled 32,473.1 Terabytes, which is 26.1% up from 25,755.9 Terabytes.
- Used Incoming International Internet Bandwidth Capacity increased by 4.3% to record 230,677Mbps, from 221,181Mbps.
- Total postal and courier volumes increased by 4.5% to record 547,125 items, from 523,342 items recorded in the second quarter of 2022.
- Total mobile operator revenues grew by 103.9% to record ZWL61.39 billion, from ZWL30.1 billion; whilst operating costs grew by 97.1% to record ZWL48.6 billion from ZWL24.7 billion.
- Revenue generated by the fixed telephone network grew by 122% to record ZWL11.43 billion, from ZWL5.15 billion; whilst operating costs increased by 73.8% to record ZWL9.9 billion from ZWL5.7 billion.
- IAP revenues grew by 104.8% to record ZWL30.86 billion, from ZWL15.07 billion; whilst operating costs for IAPs grew by 52.9% to record ZWL18.25 billion, from ZWL11.93 billion.
- Total revenue generated by the postal and courier sector increased by 49.4% to record ZWL3.9 billion, from ZWL2.6 billion; whilst operating costs increased by 40.5% to record ZWL2.9 billion, from ZWL2.08 billion.

# 1. FIXED TELEPHONE SERVICE

## 1.1 SUBSCRIPTIONS

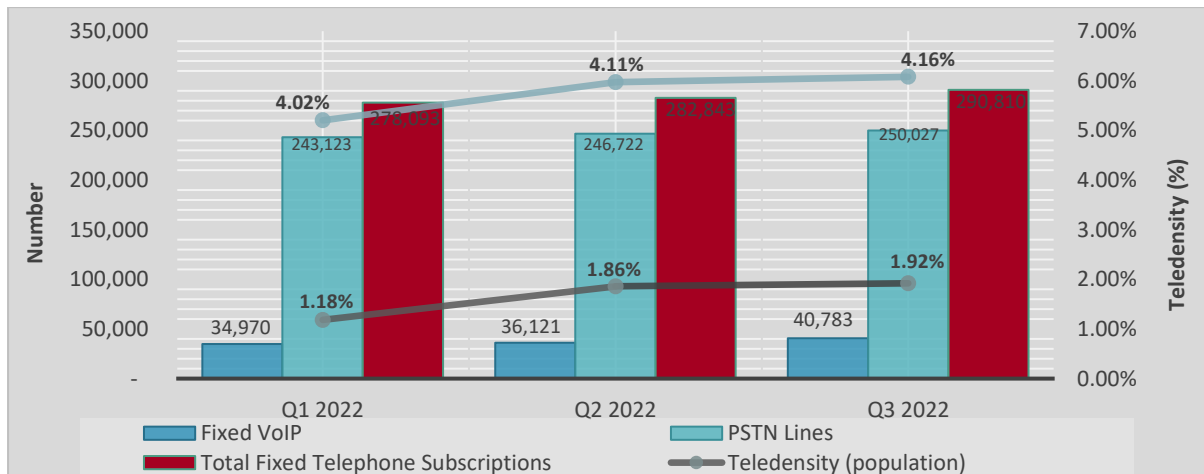
The total number of active fixed telephone subscriptions increased by 2.8% to reach 290,810 as of 30 September 2022, from 282,843 recorded as of 30 June 2022. The growth in the traditional PSTN lines and fixed VoIP lines is shown in Table 1 below:

**Table 1: Fixed Telephone Subscriptions**

Subscriber category	Q2 2022	Q3 2022	% Growth
PSTN Lines	246,722	250,027	1.3%
Fixed VoIP	36,121	40,783	12.9%
<b>Total</b>	<b>282,843</b>	<b>290,810</b>	<b>2.8%</b>

As shown above, VoIP lines grew by a bigger margin than the growth in PSTN Lines. The traditional PSTN continues to face competition from VoIP service, characterised by substitution, especially in the corporate market. Total active fixed telephone lines, and consequently the tele density, have been on a consistent upward trend over the course of year as shown in Figure 1 below:

**Figure 1: Active Fixed Telephone Subscriptions**



The upward trend is being driven by VoIP. In the quarter under review, the tele density<sup>1</sup> in relation to the population increased by 0.06% to reach 1.92% in the third quarter of 2022, from 1.86% recorded in

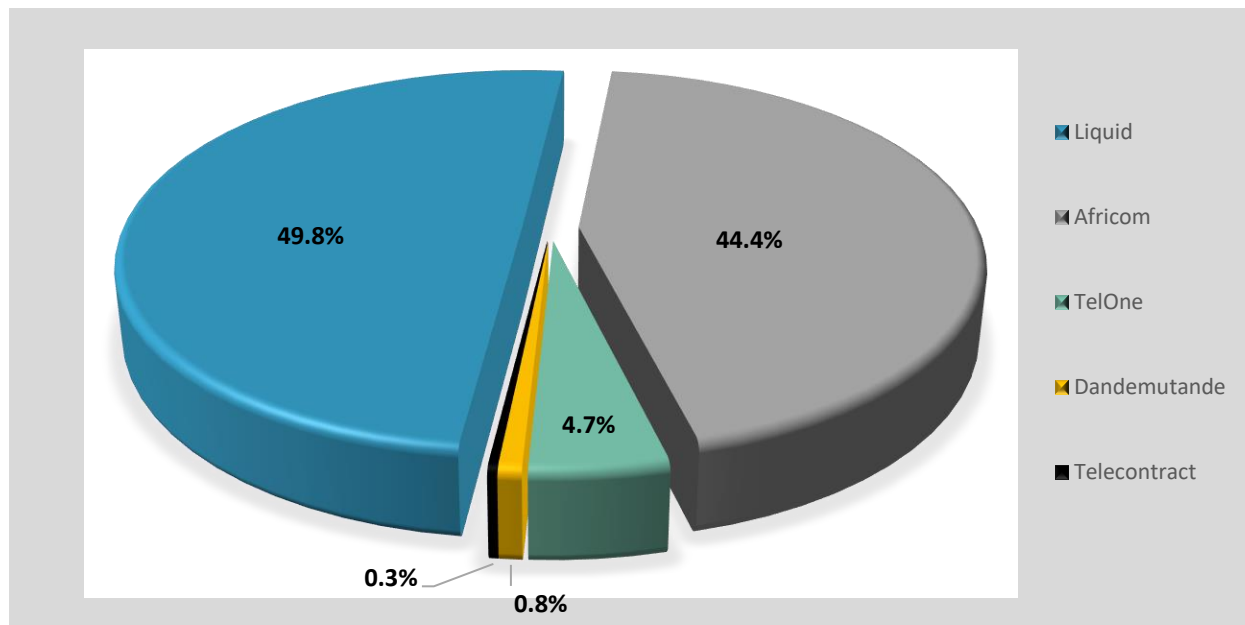
<sup>1</sup> The teledensity has been recalculated to incorporate fixed VoIP as per ITU Guidelines.

the second quarter of 2020. The tele density in relation to households also increased by 0.05 to reach 4.16% from 4.11% recorded in the previous quarter.

### 1.1.1 FIXED VoIP MARKET SHARE

Whilst all the traditional fixed lines belonged to TelOne, the fixed VoIP subscriptions were divided amongst five Internet Access Providers as follows:

**Figure 2: Market Share of Fixed VoIP Subscriptions**



As shown above, Liquid had the highest market share of active subscriptions in relation to the other four Internet Access Providers offering fixed Voice-over-Internet Protocol (VoIP).

## 1.2 FIXED VOICE TRAFFIC

### 1.2.1 PUBLIC SWITCHED TELEPHONE NETWORK (PSTN) VOICE TRAFFIC

Total Public Switched Telephone Network voice traffic increased by 1% to record 84.6 million minutes in the third quarter of 2022, from 83.7 million minutes recorded in the second 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	Q2 2022	Q3 2022	Variance (%)
Net on Net	8,776,746	8,501,909	-3.1%
Outgoing to Mobile	65,160,001	66,495,745	2.1%
Incoming from Mobile	4,799,560	4,992,302	4.0%
Incoming from IAPs	691,070	665,291	-3.7%
Outgoing to IAPs	757,070	761,024	0.5%
<b>Total National Voice Traffic</b>	<b>80,184,447</b>	<b>81,416,271</b>	<b>1.5%</b>
International Incoming	1,815,057	1,345,681	-25.9%
International Outgoing	1,734,426	1,847,556	6.5%
<b>Total traffic</b>	<b>83,733,930</b>	<b>84,609,508</b>	<b>1.0%</b>

As shown above, international incoming traffic recorded the biggest decline (25.9%), whereas international outgoing traffic recorded the biggest increase (6.5%). This implies a decline in foreign currency earnings from international voice service in the period under review.

### 1.2.2. FIXED VoIP TRAFFIC

Table 3 below shows a quarterly comparison of the total voice traffic by the local fixed VoIP providers:

**Table 3: Fixed VoIP traffic**

Traffic category	Q2 2022	Q3 2022	Variance (%)
Net on Net	549,863	583,428	6.1%
Outgoing to Mobile	25,702,033	26,195,378	1.9%
Incoming from Mobile	2,302,033	2,391,042	3.9%
VoIP to other VoIP	31,974	32,558	1.8%
Incoming from PSTN	757,070	761,024	0.5%
Outgoing to PSTN	691,078	665,291	-3.7%
<b>Total National Voice Traffic</b>	<b>30,024,051</b>	<b>30,628,721</b>	<b>2.0%</b>
International Incoming	28,980	30,589	5.6%
International Outgoing	165,288	196,010	18.6%
<b>Total traffic</b>	<b>30,218,319</b>	<b>30,855,320</b>	<b>2.1%</b>



As shown above, traffic grew across all categories, except for outgoing traffic to the PSTN. The overall growth may be attributable to the growth in subscriptions.

## 2. MOBILE TELEPHONY

### 2.1 MOBILE SUBSCRIPTIONS

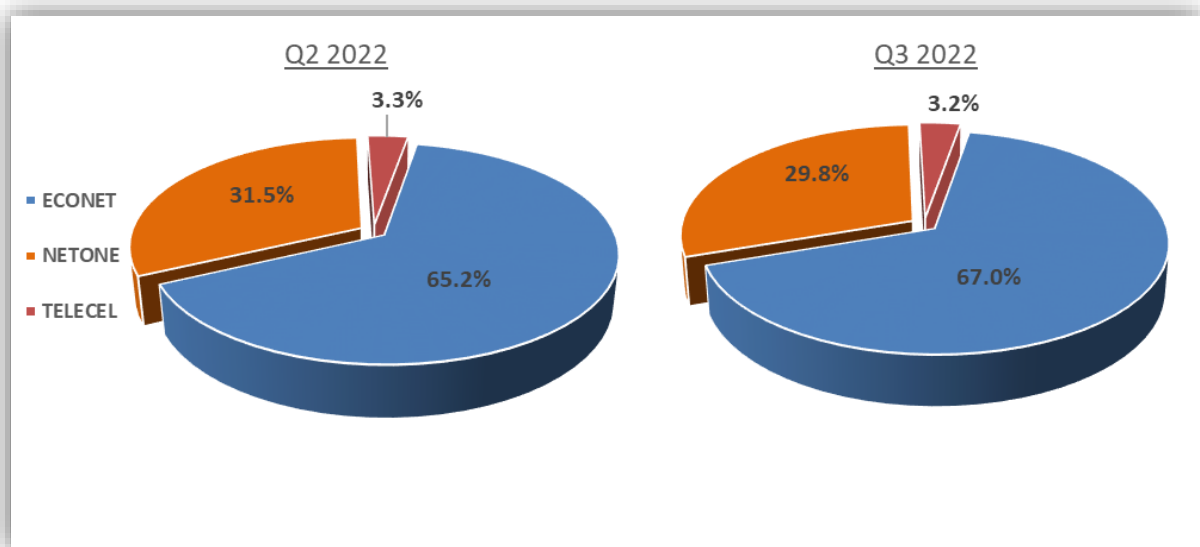
A 4% growth in total active mobile telephone subscriptions was recorded in the third quarter of 2022, as active subscriptions reached 14,562,242, from 14,006,034 recorded in the second quarter of 2022. Table 4 below shows a quarterly comparison of active subscriptions per operator:

**Table 4: Active Mobile Subscriptions**

Traffic category	Q2 2022	Q3 2022	Variance (%)
Econet	9,125,792	9,753,620	6.9%
NetOne	4,411,239	4,339,133	-1.6%
Telecel	469,003	469,489	0.1%
<b>Total</b>	<b>14,006,034</b>	<b>14,562,242</b>	<b>4.0%</b>

As shown in the table above, NetOne was the only mobile operator to record a decline in active subscriptions in the quarter under review. A quarterly comparison of the market share of active mobile subscriptions is shown in Figure 3 below:

**Figure 3: Market Share of Mobile Subscribers**



As shown above, Econet gained subscriber market share by 1.8%. Conversely, Netone and Telecel lost subscriber market share by 1.7% and 0.1% respectively in the third quarter of 2022.

## 2.2 MOBILE VOICE TRAFFIC

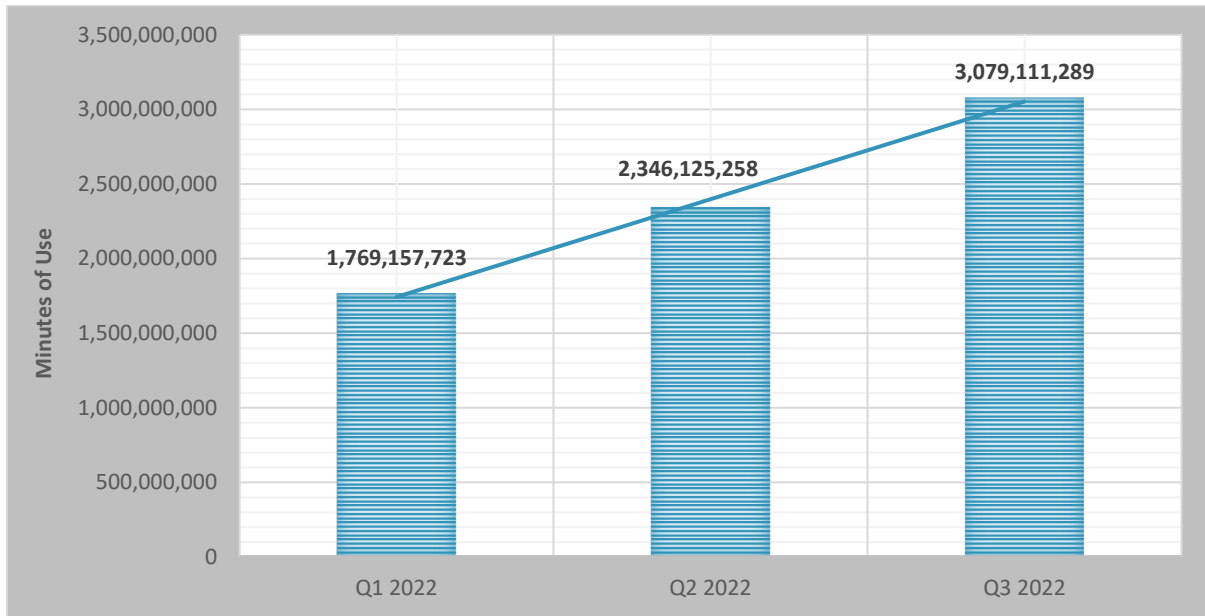
The third quarter of 2022 was characterised by significant growth in mobile voice traffic. Mobile voice traffic increased by 31.2% to record 3.08 billion minutes, from 2.35 billion minutes recorded in the second quarter of 2022. The traffic per mobile voice category is shown in the Table 5 below:

**Table 5: Mobile Telephone Traffic**

Traffic category	Q2 2022	Q3 2022	Variance (%)
<b>Net on Net</b>	1,556,862,729	2,327,135,420	49.5%
<b>Mobile to Fixed</b>	4,799,560	4,992,302	4.0%
<b>Incoming from Fixed</b>	65,160,001	66,495,745	2.0%
<b>Mobile to Other Mobile</b>	661,454,142	623,153,759	-5.8%
<b>Outgoing to IAPs</b>	2,309,917	2,391,042	3.5%
<b>Incoming from IAPs</b>	25,702,033	26,195,378	1.9%
<b>TOTAL NATIONAL</b>	<b>2,314,141,599</b>	<b>3,050,244,766</b>	<b>31.8%</b>
<b>International Incoming</b>	25,358,029	24,042,987	-5.2%
<b>International Outgoing</b>	5,659,624	4,018,330	-29.0%
<b>Inbound Roaming</b>	813,786	694,318	-14.7%
<b>Outbound Roaming</b>	152,220	110,887	-27.2%
<b>Total</b>	<b>2,346,125,258</b>	<b>3,079,111,289</b>	<b>31.2%</b>

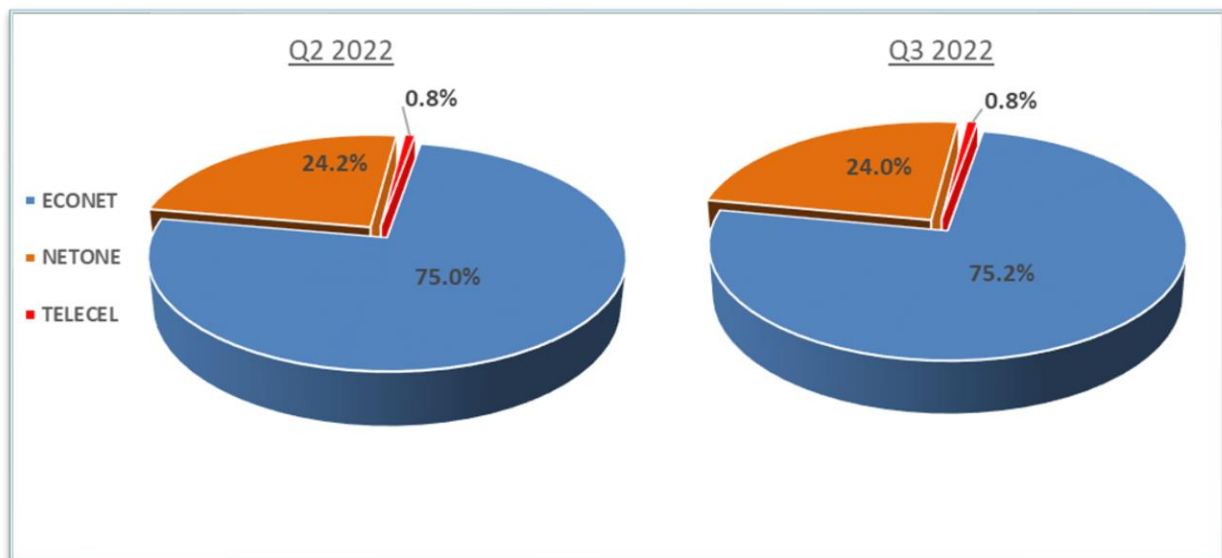
The increase in overall mobile voice traffic was driven by net-on-net traffic due to promotional offerings. On the other hand, international voice as well as roaming traffic recorded significant decline. Nevertheless total mobile voice traffic has been increasing over the year as shown below:

**Figure 4: Mobile Voice Traffic**



A quarterly comparison of the voice traffic market share, based on the volumes per operator, is shown in Figure 5 below:

**Figure 5: Voice Traffic Market Share**

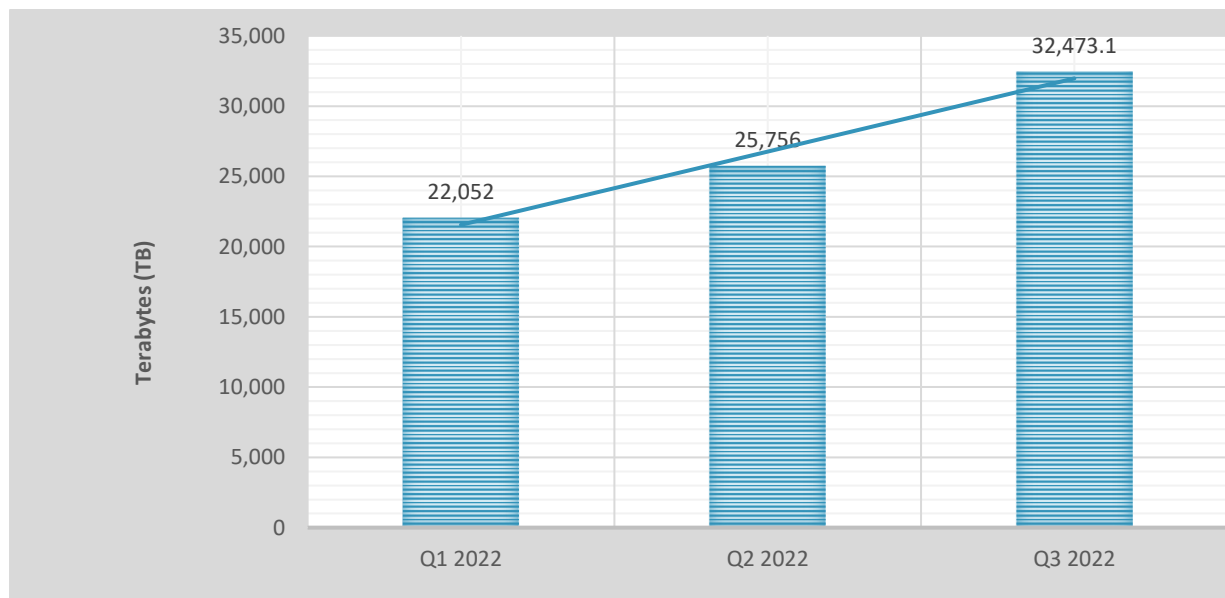


As shown above, Econet gained voice traffic market share by a margin of 0.2%, NetOne lost market share by 0.2%, whereas Telecel's market share remained constant.

## 2.3 MOBILE INTERNET & DATA

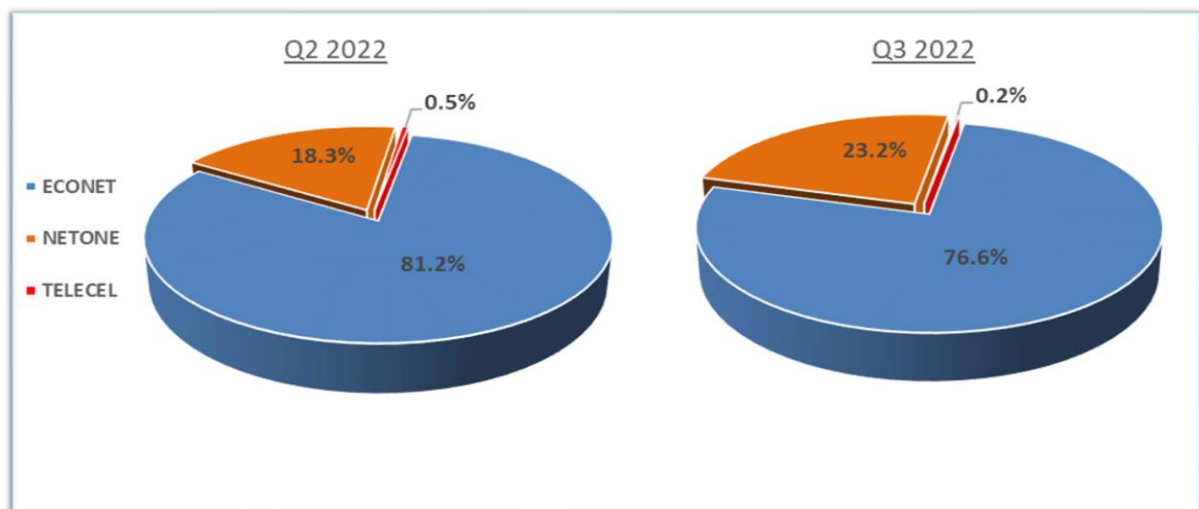
Mobile Internet and data usage increased by 26.1% to record 32,473.1TB in the third quarter of 2022, from 25,756TB recorded in the second quarter of 2022. Total mobile Internet and data traffic has been consistently growing during the year as shown in Figure 6 below:

**Figure 6: Mobile Internet & Data Usage**



The trend is expected to continue as access improves and the scope of services increases. A quarterly comparison of the mobile Internet and data traffic market share is shown in Figure 7 below:

**Figure 7: Market Share of Internet & Data Traffic**



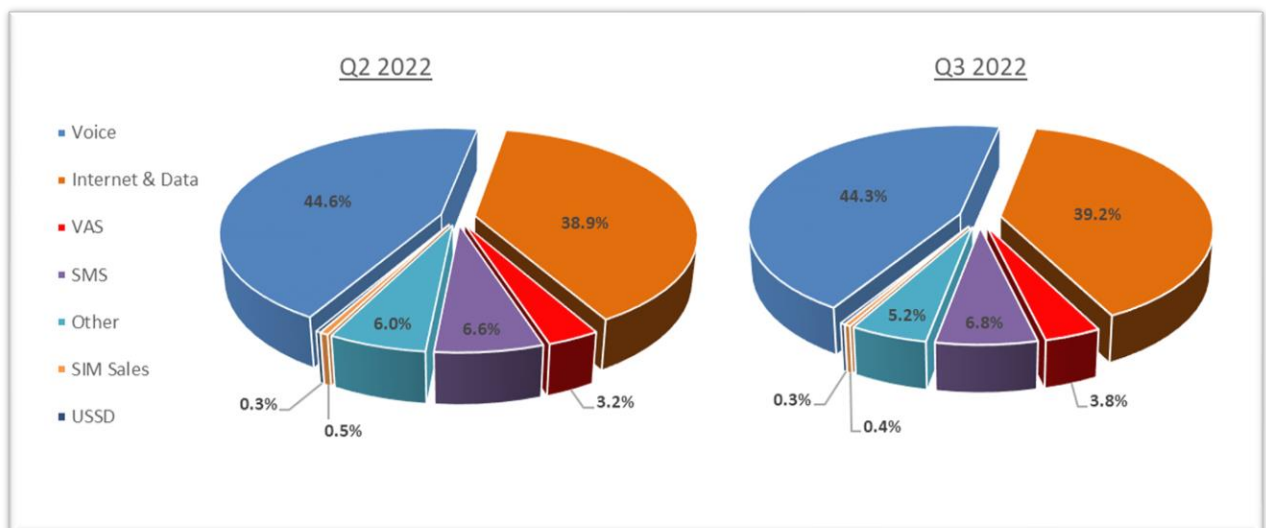
In the quarter under review, NetOne gained Internet and data usage market share by a margin of 4.9%, in line with the growth in traffic. On the other hand, Econet and Telecel lost market share by 4.6% and 0.3% respectively.

## 2.4 MOBILE REVENUES, COSTS & INVESTMENT

### 2.4.1 MOBILE REVENUES

Mobile revenues grew by 104.3% to record ZWL79.5 billion in the third quarter of 2022, from ZWL38.9 billion recorded in the second quarter of 2022. 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 8 below:

**Figure 8: Mobile Revenue Contribution per Service**



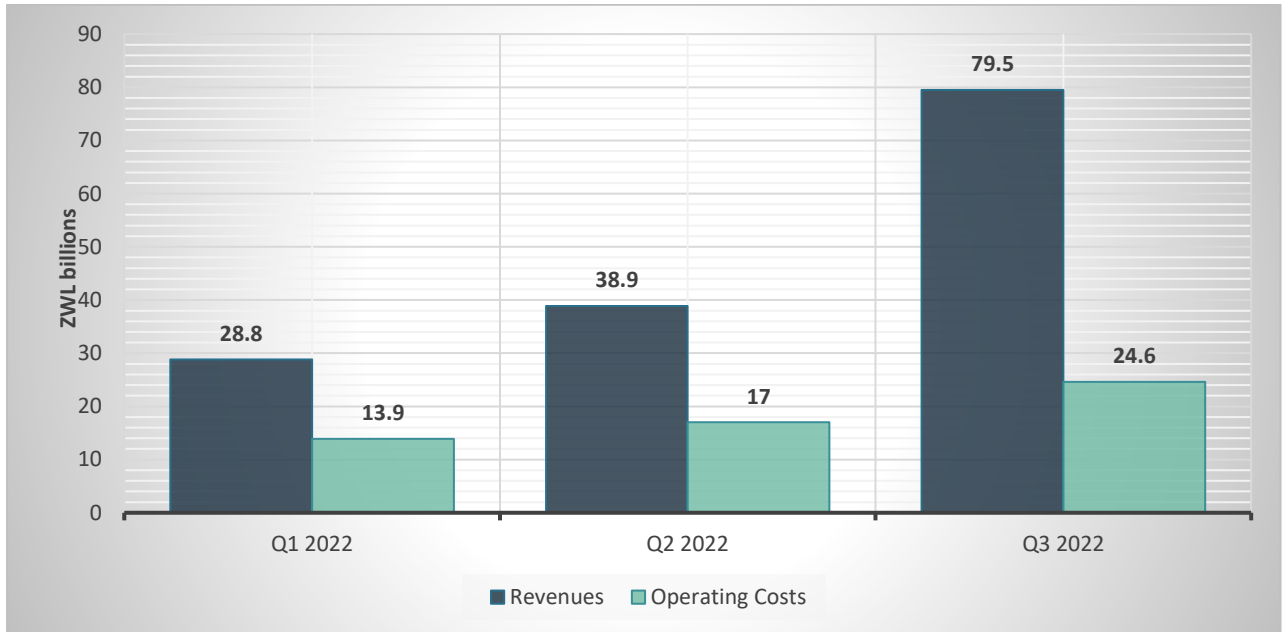
Voice is still the main revenue contributor for the mobile network operators as shown in Figure 10 above. However, its contribution has been declining gradually over the years, with the contribution of Internet & data rising and steadily replacing voice. This trend continued into the third quarter of 2022.

### 2.4.2 MOBILE NETWORK OPERATING COSTS

Operating costs incurred by the mobile network operators increased by 97.1% to record ZWL48.6 billion in the third quarter of 2022, from ZWL24.6 billion recorded in the second quarter of 2022. Bandwidth costs constituted the bulk of operating costs by mobile operators

(30.1%), followed by staff costs (19%). The trend of rising costs is attributable to the inflationary pressures in the economy, from which the sector has not been spared. Figure 9 below shows a comparison of operating costs and revenues over the year.

**Figure 9: Mobile Network Operating Costs**



As illustrated above, the growth in revenues was higher than the growth in operating costs in the third quarter of 2022.

### 2.4.3 CAPITAL EXPENDITURE

Capital expenditure by mobile operators amounted to ZWL2.15 billion in the second quarter of 2022, up 615% from ZW300.5 million invested in the second quarter of 2022.

**Table 6: Mobile Network Capital Expenditure**

	Q2 2022 (ZWL)	Q3 2022 (ZWL)	Variance (%)
<b>Total</b>	300,462,951	2,147,668,273	615%

The capital expenditure by the mobile operators was mainly in national switching.

## 2.5 MOBILE TELEPHONY INFRASTRUCTURE

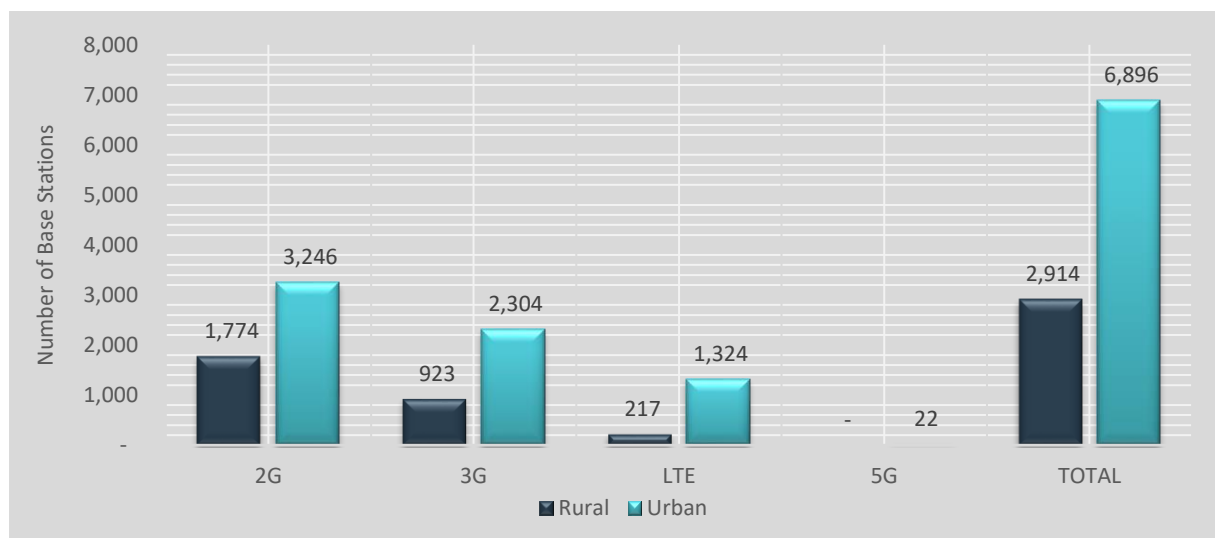
Base station deployments during the third quarter of 2022 are disaggregated by technology as shown in table 7 below:

**Table 7: Mobile Base Stations**

	2G			3G			LTE			5G		
	Q2	Q3	Net	Q2	Q3	Net	Q2	Q3	Net	Q2	Q3	Net
	2022	2022	Addition	2022	2022	Addition	2022	2022	Addition	2022	2022	Addition
<b>Total</b>	5,029	5,020	-9	3,088	3,227	139	1,421	1541	120	22	22	-

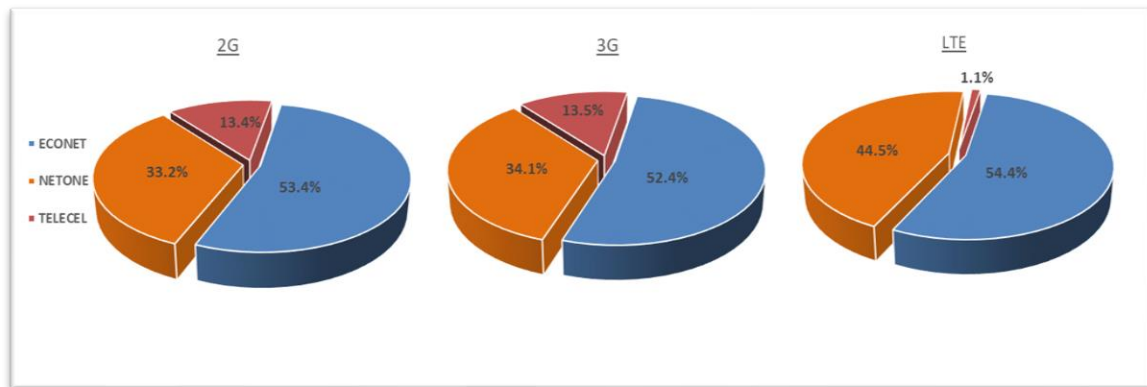
3G technology had the highest number of deployments (139) as shown above. The installation of an additional 120 LTE eNode Bs was also considerable. The decline in 2G base stations is attributable to an upgrade exercise, where some 2G base stations were decommissioned and replaced with 3G. The distribution of mobile base stations is shown in Figure 10 below:

**Figure 10: Distribution of Mobile Base Stations**



The distribution of the mobile base stations reflects the digital divide between rural and urban areas, especially in relation to broadband technologies i.e., 3G, LTE and 5G. The market share of mobile base stations was as follows:

**Figure 11: Market Share of Mobile Base Station Infrastructure**



There have been no major shifts in base station market shares over the years. The positions remain constant, with EConet being dominant in all technologies i.e., 2G, 3G and LTE. They are also the first operator to roll out 5G. Nevertheless, NetOne has been making strides in improving their 3G and LTE coverage.

### 3. DATA & INTERNET SERVICES

#### 3.1 SUBSCRIPTIONS

The total number of active Internet and data subscriptions increased by 4.3% to reach 9.7 million in the third quarter of 2022, from 9.3 million recorded in the second quarter of 2022. The growth in active data and Internet subscriptions by technology is shown in table 8 below:

**Table 8: Active Internet & Data Subscriptions**

Technology	Q2 2022	Q3 2022	Variance (%)
<b>3G/HSDPA/LTE</b>	9,101,949	9,505,628	4.4%
<b>Leased Lines</b>	2,573	2,620	1.8%
<b>DSL</b>	109,743	105,396	-4.0%
<b>WiMAX</b>	7,141	7,306	2.3%
<b>CDMA</b>	8,165	6,855	-16.0%
<b>VSAT</b>	3,289	4,282	30.2%
<b>Active Fibre Subscriptions</b>	67,700	68,298	0.9%
<b>Total</b>	9,300,560	9,700,385	4.3%

CDMA and DSL were the only two categories to record a decline in active subscriptions in the third quarter of 2022. CDMA has been declining over the years, as consumer are switching to



other technologies. VSAT recorded the biggest growth in subscriptions. This may be attributable to new deployments under the Community Networks Project funded by the Universal Services Fund.

### 3.2 INTERNATIONAL INTERNET CONNECTIVITY

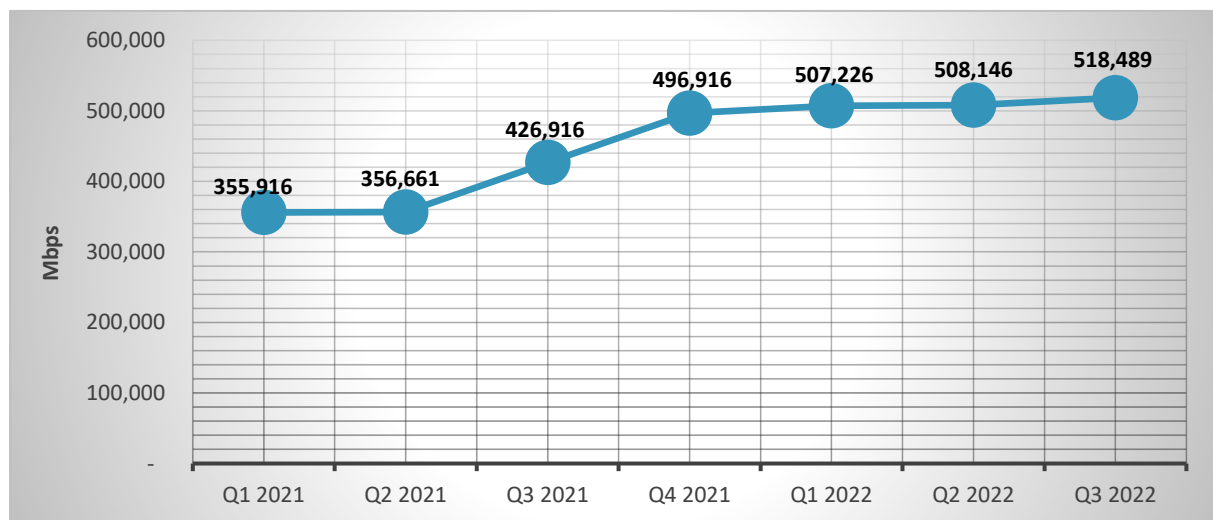
The equipped international Internet bandwidth capacity was 518,489Mbps, as of 30 September 2022. This represents a 2% growth from 508,146Mbps recorded as of 30 June 2022. Equipped capacity per provider is shown in table 9 below:

**Table 9: Equipped International Internet Bandwidth Capacity (Mbps)**

	2 <sup>nd</sup> Quarter 2022	Q3 2022	Variance (%)
<b>Liquid</b>	400,000	400,000	0.0%
<b>TelOne</b>	97,500	107,500	10.3%
<b>Powertel</b>	5,000	5,000	0.0%
<b>Dandemutande</b>	5,646	5,980	5.9%
<b>Total</b>	<b>508,146</b>	<b>518,489</b>	<b>2.0%</b>

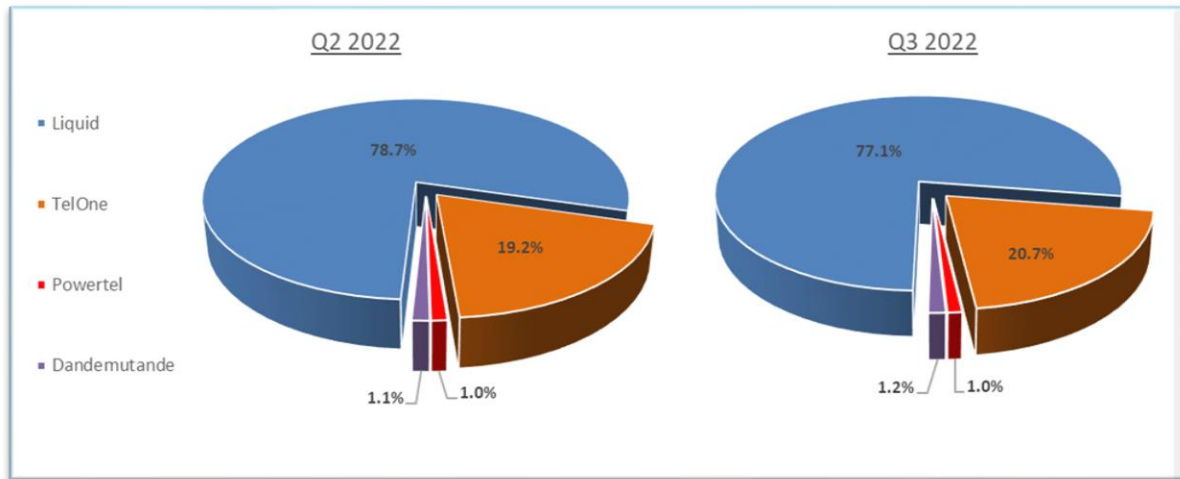
Dandemutande and TelOne increased their equipped capacity as shown above. Operators have been increasing their capacities to cater for growing demand. The growth in the total equipped capacity over the past quarters is shown in Figure 12 below:

**Figure 12: 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 13 below:

**Figure 13: Market Share of Equipped International Internet Bandwidth Capacity**



Liquid lost market share by 1.6%, whereas TelOne and Dandemutande market shares increased, by 1.5% and 0.1%, respectively, 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**

	2 <sup>nd</sup> Quarter 2022	Q3 2022	Variance (%)
<b>Incoming</b>	221,181	230,677	4.3%
<b>Outgoing</b>	91,978	88,902	-3.3%

As shown above, there was growth in used incoming international Internet bandwidth capacity, but a decline in the used outgoing international Internet bandwidth capacity.

### 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)**

	2 <sup>nd</sup> Quarter 2022	Q3 2022	Variance (%)
<b>Revenue</b>	15,072,942,520	30,863,372,861	104.8%
<b>Operating Costs</b>	11,928,010,020	18,245,474,450	52.9%
<b>Capital Expenditure</b>	1,282,183,201	2,520,795,714	96.6%

As with the fixed and mobile sub-sectors, the growth in IAP revenues was higher than the growth in operating costs in the third quarter of 2022.

**Figure 14: IAP Revenue & Costs**

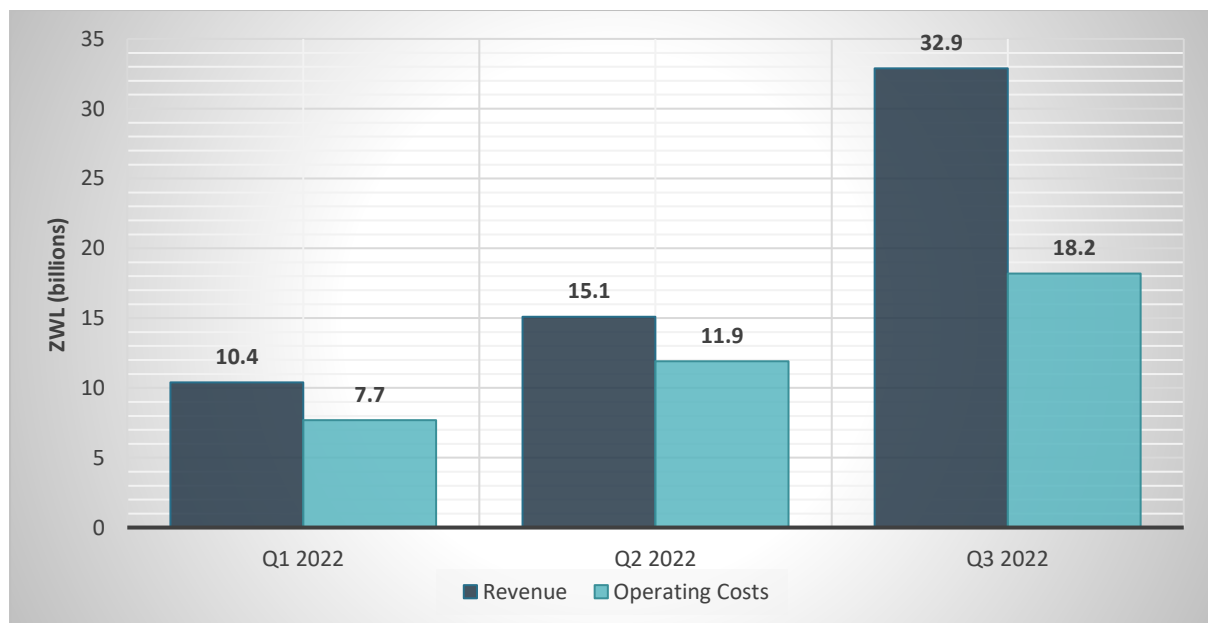


Figure 14 above illustrates growing revenues and operating costs, though the increase in operating costs is lesser than revenue growth. This could be a signal for an improved economic environment, attributable to currency stability.

## 4. POSTAL & COURIER

### 4.1 POSTAL & COURIER VOLUMES

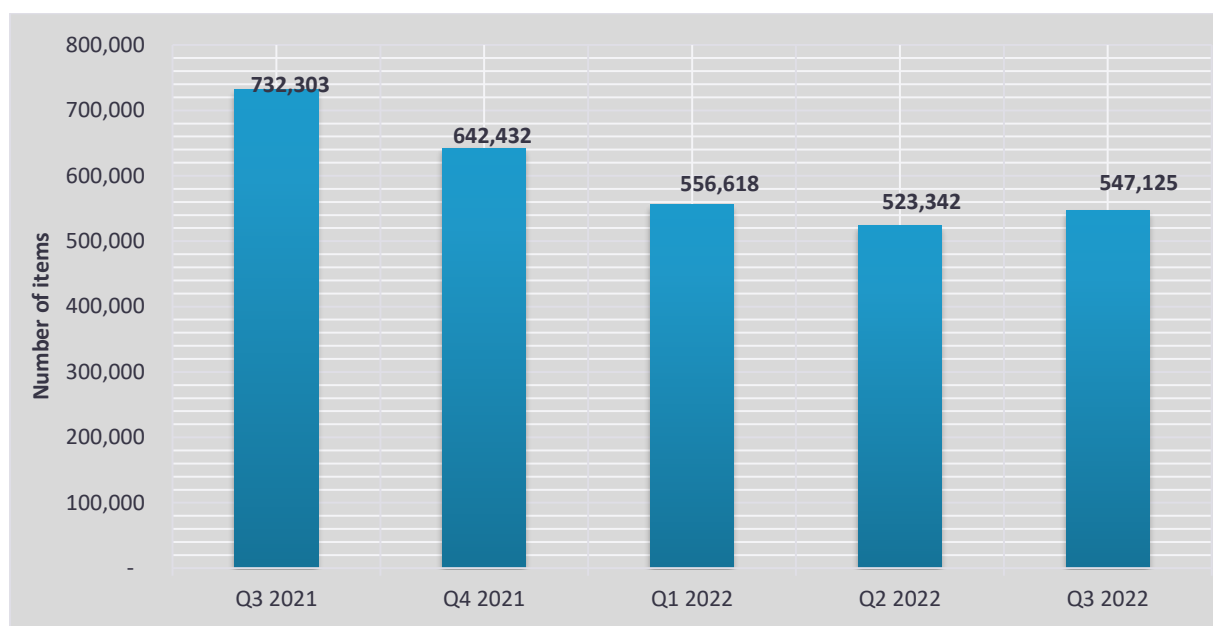
A 4.5% growth in total postal and courier volumes was recorded in the third quarter of 2022 as shown in table 12 below:

**Table 12: Postal and Courier Volumes**

	Q2 2022	Q3 2022	% Growth
<b>Domestic postal letters</b>	202,697	280,994	38.6%
<b>Domestic courier</b>	128,542	138,640	7.9%
<b>International incoming courier</b>	166,725	133,980	-19.6%
<b>International outgoing courier</b>	25,378	25,330	-0.2%
<b>Total Postal &amp; Courier</b>	<b>523,342</b>	<b>547,125</b>	<b>4.5%</b>

There was growth in domestic postal and courier volumes, but a decline in international volumes. The growth in total mail volumes experienced in the quarter under review comes after consecutive periods of persistent contraction as shown in Figure 15 below:

**Figure 15: Postal & Courier Volumes**

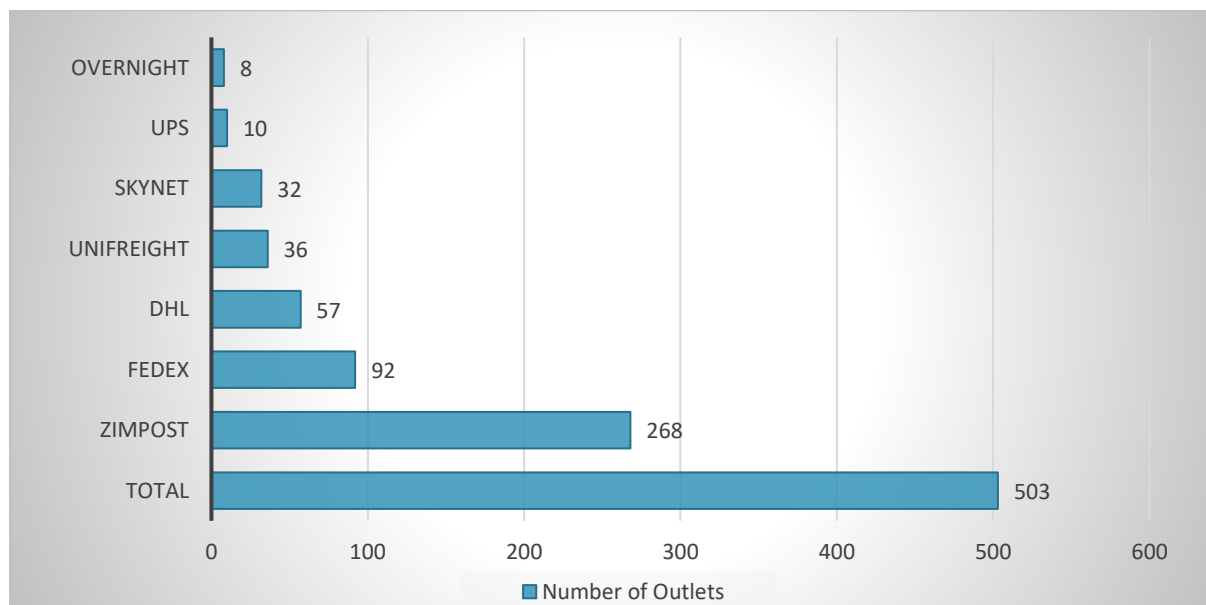


The scenario as illustrated above could be a sign of recovery for the postal and courier sector after a period characterised by economic instability owing to currency depreciation that was rampant during the first half of 2022.

## 4.2 POSTAL ACCESS

The total number of operational postal and courier outlets by the licensed operators remained 503; 268 for the designated postal operator and 235 for the courier operators. The distribution of postal and courier outlets was as follows:

**Figure 16: Distribution of Post Offices**



More still needs to be done to expand the footprint of postal and courier network. Access to postal and courier outlets is critical success factor for the adoption of e-commerce.

## 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 & Capital Expenditure**

	Q2 2022	Q3 2022	% Growth
<b>Revenues</b>	2,582,144,835	3,856,726,785	49.4%
<b>Operating Costs</b>	2,079,031,556	2,921,591,549	40.5%
<b>Capital Expenditure</b>	68,923,562	92,273,125	33.9%

As shown above postal and courier revenues increased by 49.4% in the third quarter of 2022. Although there was growth in absolute revenue, it is also notable that the growth rate was lower as compared to the telecommunications subsectors i.e., fixed, mobile and IAPs. Operating costs spiked by 40.5%, in line with the inflationary operating environment; the postal and courier sector's operating structure is labour-intensive, often accounting for 70% of total costs.

## **5. OUTLOOK**

The sector has continued to grow as more services move to the digital space, contributing to increased demand and consumption of telecommunication services. This growth has been supported by the availability of the Internet, which is increasingly becoming more accessible across the country. The sector is expected to grow exponentially with increased adoption of ICTs, operator investment and innovation efforts, as well as the Authority's efforts to close the digital divide.

The sector will continue enabling other sectors as envisioned in Government's National Development Strategy 1 (NDS1). One main hurdle to overcome in the remainder of the year is the pressure on the profitability and overall financial sustainability of the sector. As this report has shown, although operating revenue increased in the third quarter of 2022, expenditure also rose across all subsectors. Prioritisation of the sector in terms of government expenditure, power availability, protection against vandalism, resource mobilisation, foreign currency availability amongst other issues, is pertinent.

There is still great scope for the postal and courier sector. As the world becomes ever more connected and digitized, the postal and courier network, with good quality-of-service standards and practices, can serve as the physical connector of choice for e-commerce. However, this will require greater financial commitment from government, more tailored regulation, improved performance by operators, more consumer awareness programs and greater interoperability with other sectors.