

POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE (POTRAZ)



'creating a level playing field'

ABRIDGED POSTAL & TELECOMMUNICATIONS SECTOR PERFORMANCE REPORT

SECOND QUARTER 2023

Disclaimer:

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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 2023, compared to the first quarter of 2023:

- Total active fixed telephone lines increased by 3.2% to reach 301,465 in the second quarter of 2023, from 292,253 recorded in the first quarter of 2023; As a result, the fixed teledensity increased by 0.06% to record 1.99%, from 1.93% recorded in the previous quarter.
- The total number of active mobile subscriptions declined by 0.7%, to reach 13,955,937, from 14,051,251 recorded in the first quarter of 2023. Hence, the mobile penetration rate declined by 0.7%, to reach 91.9%, from 92.6% recorded in the previous quarter.
- The total number of active Internet and data subscriptions declined by 0.2% to reach 9,902,500, from 9,920,847 recorded in the first quarter of 2023. The Internet penetration rate declined by 0.2% to reach 65.2%, from 65.4% recorded in the previous quarter.
- PSTN fixed voice traffic declined by 6.5% to record 72.4 million minutes in the second quarter of 2023, from 77.4 million minutes recorded in the first quarter of 2023.
- Mobile voice traffic increased by 0.2% to record 2.53 billion minutes in the second quarter of 2023, from 2.52 billion minutes recorded in the first quarter of 2023.
- Mobile Internet and data traffic increased by 11.6% to record 42,058.3 Terabytes in the second quarter of 2023, from 37,690.4 Terabytes recorded in the first quarter of 2023.
- Used Incoming International Internet Bandwidth Capacity increased by 8.3% to record 318,742Mbps, from 294,201Mbps recorded in the first quarter of 2023.
- Total postal and courier volumes increased by 2% to record 536,986 items in the second quarter of 2023, from 526,305 items in the first quarter of 2023.
- Total mobile operator revenues grew by 170.5% to record ZWL435.7 billion, from ZWL161.1 billion recorded in the previous quarter. On the other hand, operating costs grew by 109.9% to record ZWL215.8 billion, from ZWL102.8 billion recorded in the first quarter of 2023.
- IAP revenues grew by 136.9% to record ZWL191.2 billion, from ZWL80.7 billion recorded in the first quarter of 2023; meanwhile, operating costs for IAPs grew by 428.8% to record ZWL224 billion, from ZWL42.4 billion recorded in the previous quarter.
- Total revenue generated by the postal and courier sector increased by 249% to record ZWL20 billion, from ZWL5.7 billion recorded in the first quarter of 2023; operating costs increased by 300.8% to record ZWL21.9 billion, from ZWL5.5 billion recorded in the first quarter of 2023.

1. FIXED TELEPHONE SERVICE

1.1 SUBSCRIPTIONS

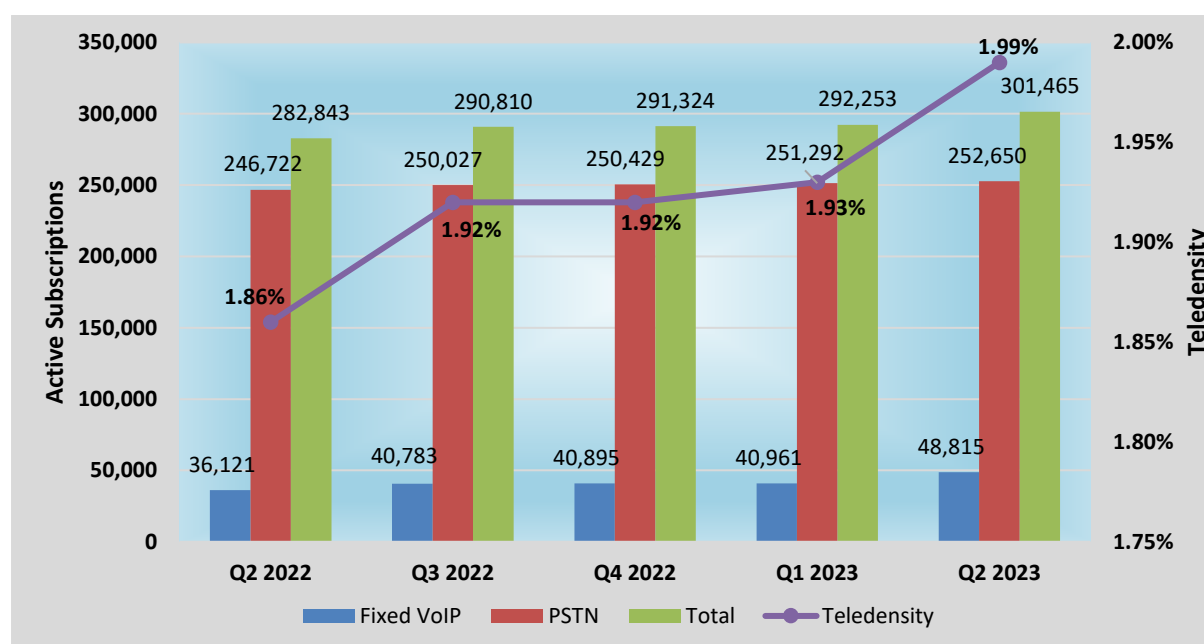
The total number of active fixed telephone subscriptions increased by 3.2% to record 301,465 in the second quarter of 2023 as compared to 292,253 recorded in the first quarter of the year. This translates to a 0.06% increase in the fixed teledensity from 1.93% attained in the first quarter to 1.99% in the quarter under review. The growth in the traditional PSTN lines and fixed VoIP lines is shown in Table 1 below:

Table 1: Fixed Telephone Subscriptions

Subscriber Category	Q1 2023	Q2 2023	% Growth
PSTN Lines	251,292	252,650	0.5%
Fixed VoIP	40,961	48,815	19.2%
Total	292,253	301,465	3.2%

As shown above, the growth in fixed subscriptions was hugely influenced by significant growths in fixed VoIP subscriptions, as corporates and households continued to adopt more VoIP lines than traditional PSTN lines due to their reliability and convenience. Active fixed telephone subscriptions, together with the fixed teledensity have been on an upward trend as shown in Figure 1 below:

Figure 1: Active Fixed Telephone Subscriptions

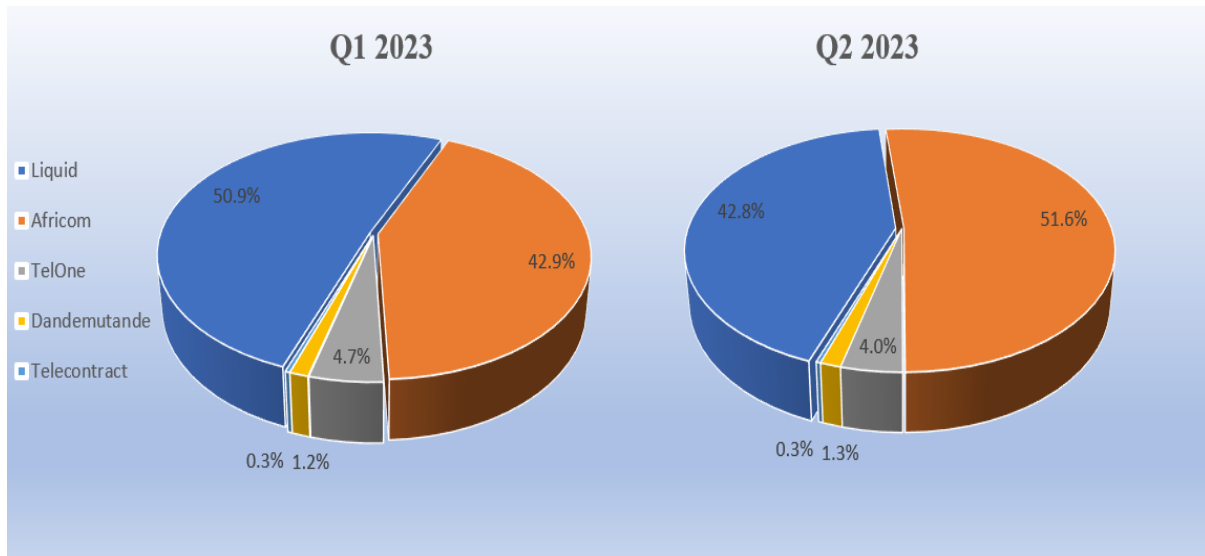


Fixed VoIP uptake, particularly by corporates, is expected to continue growing as it is a low-cost alternative to the traditional telephone system.

1.1.1 FIXED VoIP MARKET SHARE

The market share of fixed VoIP subscriptions in the second quarter of 2023 is shown in Figure 2 below:

Figure 2: Market Share of Fixed VoIP Subscriptions



As shown above, Africom gained market share by 8.7% whilst Liquid and TelOne lost by 8.1% and 0.7% respectively. Dandemutande gained subscriber market share by 0.1% whilst Telecontract remained at 0.3%.

1.2 FIXED VOICE TRAFFIC

1.2.1 PSTN VOICE TRAFFIC

Total voice traffic by the Public Switched Telephone Network Operator declined by 6.5% to record 72.4 million minutes in the second quarter of 2023, from 77.4 million minutes recorded in the first quarter of 2023. The quarterly variation in fixed voice traffic per category is shown in Table 2 below:

Table 2: Fixed Voice Traffic (Minutes of Use)

Traffic category	Q1 2023	Q2 2023	Variance (%)
Net on Net	7,730,660	6,910,196	-10.6%
Outgoing to Mobile	62,189,262	57,773,806	-7.1%
Incoming from Mobile	4,754,132	4,412,833	-7.2%
Incoming from IAPs	657,029	604,259	-8.0%
Outgoing to IAPs	698,363	653,753	-6.4%
Total National Voice Traffic	76,029,446	70,354,847	-7.5%
International Incoming	744,184	1,209,237	62.5%
International Outgoing	643,578	853,307	32.6%
Total Traffic	77,417,208	72,417,391	-6.5%

The quarter under review saw growth in International incoming and outgoing traffics as shown in the tabular exposition above. However, outgoing traffic to mobile networks continued to decline resulting in a significant decline in national traffic by a margin of 7.5%. The decline in fixed voice traffic is a recurring phenomenon as shown in Figure 3 below:

Figure 3: PSTN Voice Traffic



The decline in fixed voice traffic over the past year is largely attributed to substitution of traditional voice with Over-the-Top and VoIP. Corporates and households continue to move

away from PSTN lines, and this has accounted for a continuous decline in fixed voice traffic over the year.

2. MOBILE TELEPHONY

2.1 MOBILE SUBSCRIPTIONS

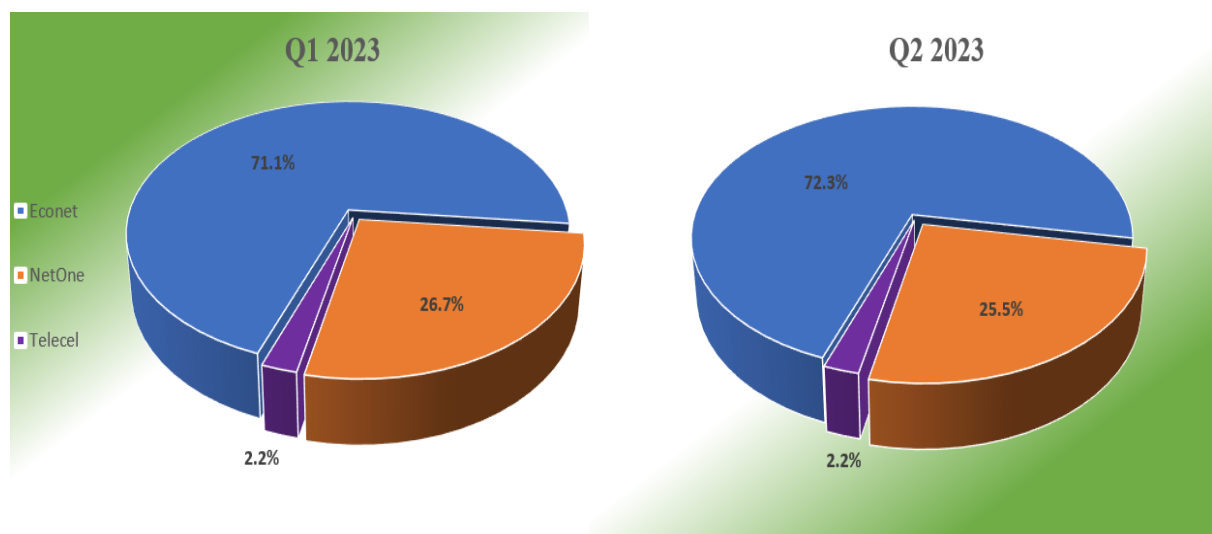
The total number of active mobile telephone subscriptions declined by a margin of 0.7% to reach 13,955,937 as of 30 June 2023, from 14,051,251, recorded in the previous quarter. As a result, the mobile penetration rate declined by 0.7% to reach 91.9% as of 30 June 2023, from 92.6% recorded as of 31 March 2023. The quarterly variation in mobile subscriptions per operator is shown in Table 3 below:

Table 3: Active Mobile Subscriptions

Traffic category	Q1 2023	Q2 2023	Variance (%)
Econet	9,996,255	10,094,328	1.0%
NetOne	3,747,201	3,554,075	-5.2%
Telecel	307,795	307,534	-0.1%
Total	14,051,251	13,955,937	-0.7%

Only Econet recorded subscriber growth in the quarter under review. However, the growth was offset by the decline recorded by NetOne and Telecel in the same quarter. A quarterly comparison of the market share of active mobile subscriptions is shown in Figure 4 below:

Figure 4: Market Share of Mobile Subscribers



Econet gained subscriber market share by 1.2%, whilst NetOne lost its market share by the same margin and Telecel's share remained unchanged in the second quarter of 2023. Econet's dominance continued in the quarter under review taking almost three-quarters of total mobile subscriptions in the sector.

2.2 MOBILE VOICE TRAFFIC

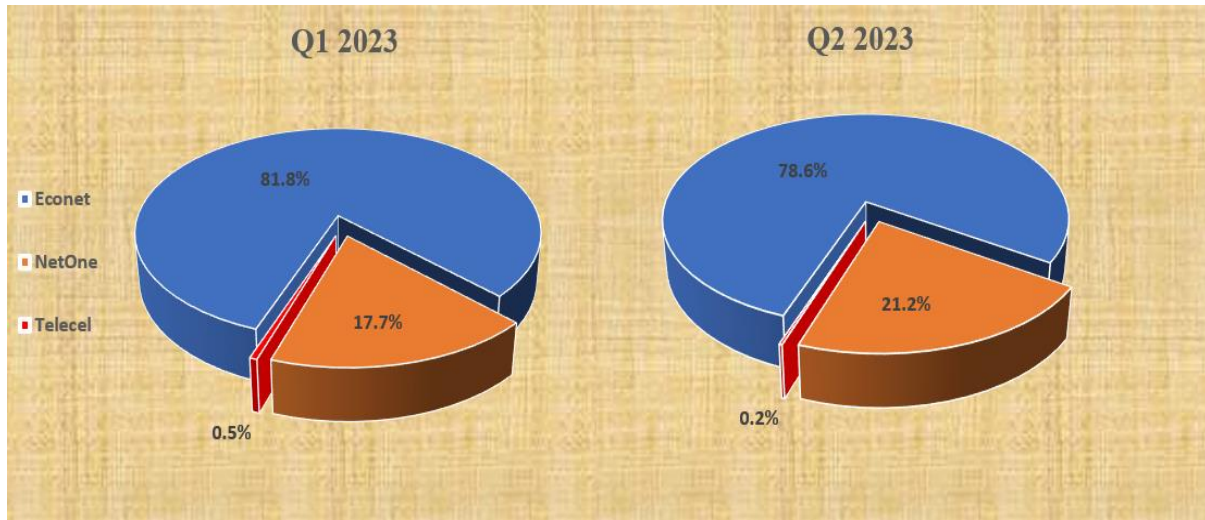
Mobile voice traffic grew by 0.2% to record 2.53 billion minutes from 2.52 billion minutes recorded in the first quarter of 2023. The disaggregation of mobile telephony traffic for the quarter under review is shown in the Table below:

Table 4: Mobile Telephone Traffic

Traffic category	Q1 2023 (In Minutes)	Q2 2023 (In Minutes)	Variance (%)
Net on Net	1,870,405,840	1,852,919,158	-0.9%
Mobile to Fixed	4,871,750	4,331,334	-11.1%
Incoming from Fixed	62,211,015	54,660,222	-12.1%
Mobile to Other Mobile	525,686,123	557,579,895	6.1%
Outgoing to IAPs	2,086,177	2,068,415	-0.9%
Incoming from IAPs	27,582,513	27,980,616	1.4%
Total National	2,492,843,418	2,499,539,641	0.3%
International Incoming	21,603,398	21,138,350	-2.2%
International Outgoing	6,179,649	5,874,952	-4.9%
Inbound Roaming	507,056	576,332	13.7%
Outbound Roaming	140,552	163,039	16.0%
Total	2,521,274,073	2,527,292,313	0.2%

The growth, however marginal, is attributed to a 6.1% growth in mobile to other mobile traffic. Net on Net and Mobile to Fixed traffic has been on a downward trend over the past quarters. This maybe attributed to substitution of voice with data for communications across the globe. Substitution of traditional voice with Over-the-Top VoIP also plays a significant factor. The quarterly variation in the market share of mobile voice traffic is shown below:

Figure 5: Mobile Voice Traffic Market Share



As shown above, Econet and Telecel lost voice market share by 3.2% and 0.3% respectively. Conversely, NetOne gained voice traffic market share by 3.5%.

2.3 MOBILE INTERNET & DATA

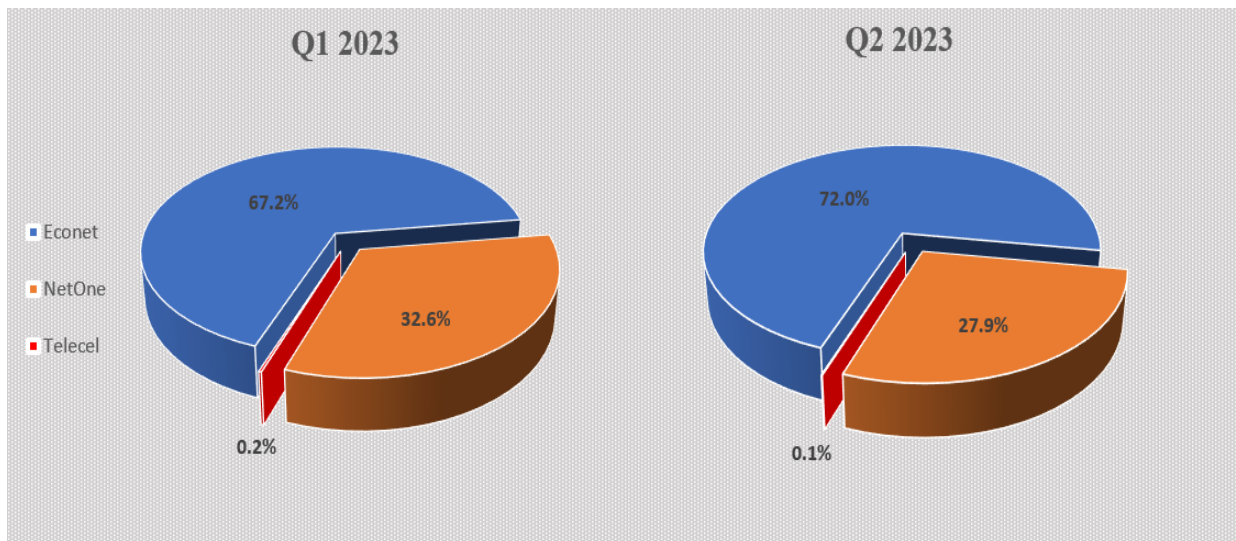
Mobile Internet and data traffic increased by 11.6% to record 42,058.3 Terabytes in the second quarter, from 37,690.4 Terabytes recorded in the first quarter of 2023. A quarterly comparison of mobile Internet and data traffic is shown in Table 5 below:

Table 5: Mobile Internet & Data

Operator	Q1 2023 (MB)	Q2 2023 (MB)	Variance (%)
Econet	25,322,587,980	30,299,361,678	19.7%
NetOne	12,308,896,099	11,733,294,296	-4.7%
Telecel	58,893,856	25,625,283	-56.5%
Total	37,690,377,935	42,058,281,257	11.6%

Only Econet recorded growth in mobile Internet and data traffic in the quarter under review as shown above. Conversely, NetOne and Telecel recorded declines in traffic by margins of 4.7% and 56.5 % respectively. However, total Internet and data traffic for mobile network operators increased by a significant margin, owing to growth in traffic by Econet. Internet and Data traffic market shares are shown in Figure 6 below:

Figure 6: Market Share of Internet & Data Traffic



Econet’s market share of Internet and data traffic grew by 2.8%, whereas NetOne and Telecel lost Internet and data traffic shares by 4.7% and 0.1% respectively as shown above.

2.4 MOBILE REVENUES, COSTS & INVESTMENT

The growth in mobile revenues, operating costs, and capital expenditure in the first quarter of 2023 is shown in Table 6 below:

Table 6: Mobile Operator Revenues

	Q1 2023 (ZWL)	Q2 2023 (ZWL)	Variance (%)
Revenue	161,071,914,936	435,677,203,957	170.5%
Operating Costs	102,768,465,340	215,750,435,440	109.9%
Capital Expenditure	14,219,224,107	26,657,538,681	87.5%

As shown in the tabular exposition above, operator revenues, operating costs and capital expenditure grew by significant margins. However, this cannot be a true reflector of growth to the sector due to hyperinflation which was experienced in the quarter under review. Operating costs continued to spike owing to depreciation of the local currency in the second quarter of 2023. This has reduced operator profits and has had detrimental effects on the viability of the sector.

2.5 MOBILE TELEPHONY INFRASTRUCTURE

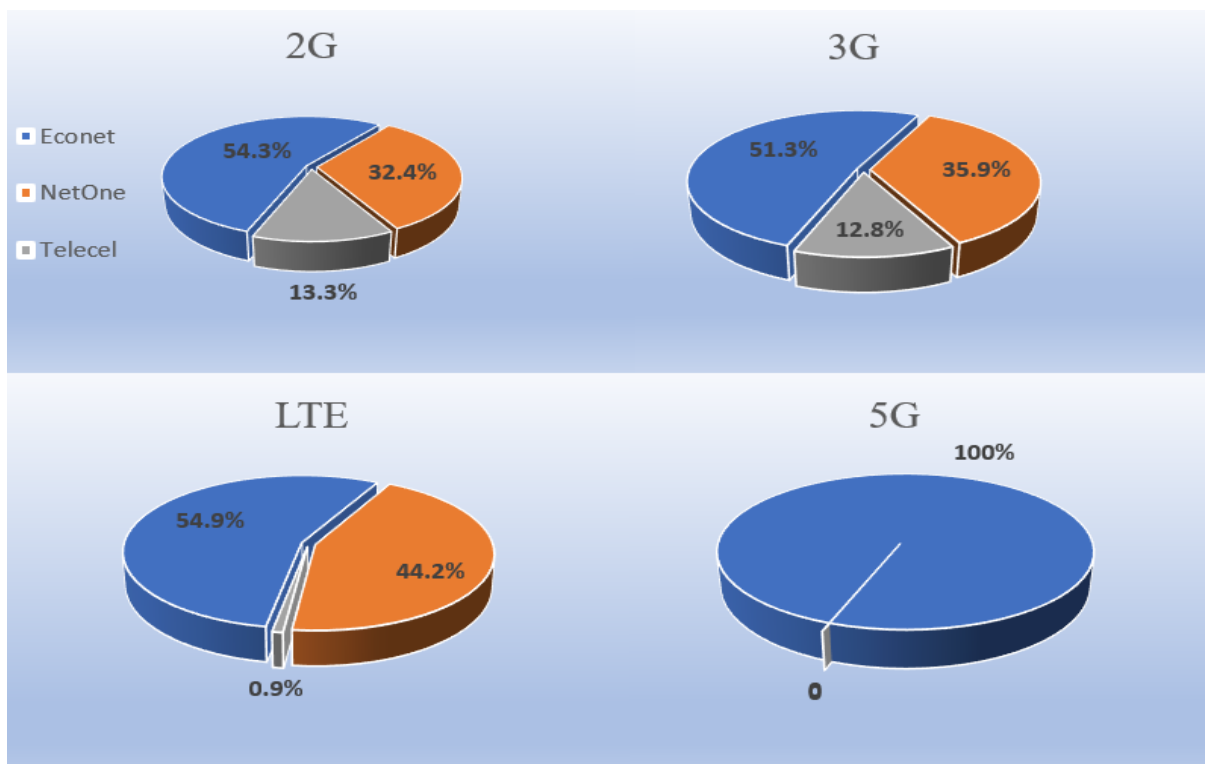
A total of 363 new base stations were deployed in the second quarter of 2023, as compared to 86 base stations deployed in the first quarter. The deployments per mobile network technology are disaggregated as shown in Table 7 below:

Table 7: Mobile Base Stations

	2G			3G			LTE			5G		
	Q1	Q2	Net	Q1	Q2	Net	Q1	Q2	Net	Q1	Q2	Net
	2023	2023	Addition	2023	2023	Addition	2023	2023	Addition	2023	2023	Addition
Total	5,021	5,058	37	3,309	3,392	83	1,719	1,962	243	22	22	-

As the world moves towards faster technologies, the sector has been moving away from deployment of 2G and 3G technologies in favour of LTE which offers high capacity, and faster download and upload speeds. This is evidenced by 243 LTE deployments made in the quarter under review by mobile network operators. Per-operator number of mobile base stations across all technologies for the second quarter of 2023 are shown in Figure 7 below:

Figure 7: Market Share of Mobile Base Station Infrastructure



Currently, Econet is the only mobile network operator with 5G infrastructure, hence the 100% market share. Telecel is lagging in the deployment of Next Generation Networks, with only 1% market share of LTE deployments.

3. DATA & INTERNET SERVICES

3.1 SUBSCRIPTIONS

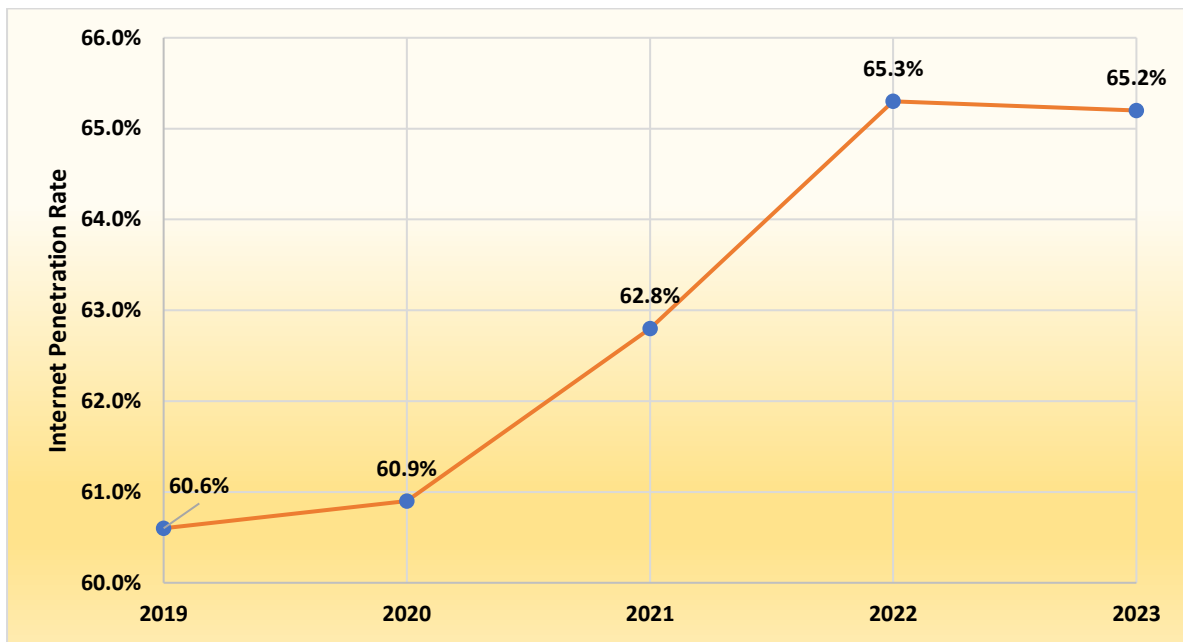
The total number of active Internet subscriptions declined by 0.2% to reach 9,902,500 as of 30 June 2023, from 9,920,847 recorded at the end of the first quarter of the year. The growth in active data and Internet subscriptions by technology is shown in Table 8 below:

Table 8: Active Internet & Data Subscriptions

Technology	Q1 2023	Q2 2023	Variance (%)
3G/HSDPA/LTE	9,726,839	9,713,219	-0.1%
Leased Lines	2,702	2,759	2.1%
DSL	104,982	104,823	-0.2%
WiMAX	7,796	1,520	-80.5%
CDMA	4,727	2,907	-38.5%
VSAT	6,064	6,491	7.0%
Active Fibre Subscriptions	67,737	70,781	4.5%
Total	9,920,847	9,902,500	-0.2%

As shown above, the sector recorded a marginal decline in total active internet subscriptions in the quarter under review. WiMAX and CDMA recorded biggest declines of 80.5% and 38.5% respectively. The decline in total active internet subscriptions meant that Internet penetration rate decline by 0.2% from 65.4% attained in the first quarter to 65.2% attained in second quarter of 2023. VSAT continued to record growth in subscriptions which can be attributable to new deployments under the Community Information Centres (CICs) Project funded by the Universal Services Fund. Fibre subscriptions also grew positively which points to increased fibre connections to households and corporate users. Internet Penetration Rate movements from 2019 to date are as shown below:

Figure 8: Internet Penetration Rate



Although the Internet Penetration rate declined in the second quarter of 2023, it is expected to grow in smaller margins in the final two quarters of the year.

3.2 INTERNATIONAL INTERNET CONNECTIVITY

3.2.1 EQUIPPED INTERNATIONAL INTERNET BANDWIDTH CAPACITY

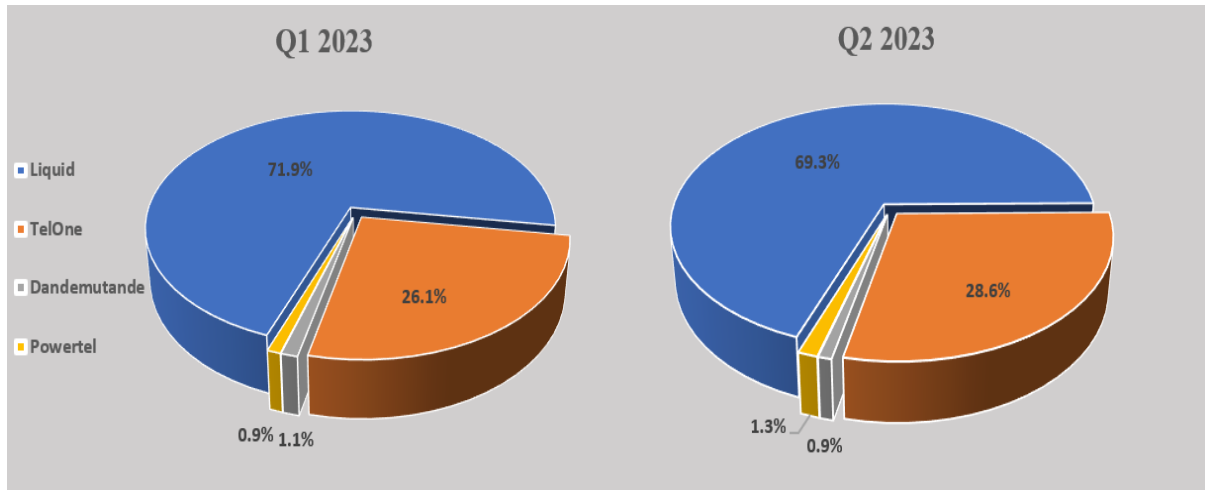
The equipped international Internet bandwidth capacity was 577,285Mbps as of 30 June 2023. This translates to a 3.8% increase from 556,200Mbps recorded in the first quarter of the year. Equipped capacity per provider is shown in Table 9 below:

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

Operator	Q1 2023	Q2 2023	Variance (%)
Liquid	400,000	400,000	0.0%
TelOne	145,000	165,000	13.8%
Powertel	5,000	5,000	0.0%
Dandemutande	6,200	7,285	17.5%
Total	556,200	577,285	3.8%

TelOne and Dandemutande increased their equipped international Internet bandwidth capacity by 13.8% and 17.5% respectively in the quarter under review, whereas Liquid and Powertel remained constant. A quarterly comparison of the market share of equipped international Internet bandwidth capacity is shown in Figure 9 below:

Figure 9: Market Share of Equipped International Internet Bandwidth Capacity



There has not been any major change in the market share of equipped capacity over the years, with Liquid continuing to lead the market. In the quarter under review, TelOne and Powertel gained market shares by margins of 2.5% and 0.4% respectively whereas Liquid and Dandemutande lost market shares by 2.6% and 0.2%.

3.2.2 USED INTERNATIONAL INTERNET BANDWIDTH CAPACITY

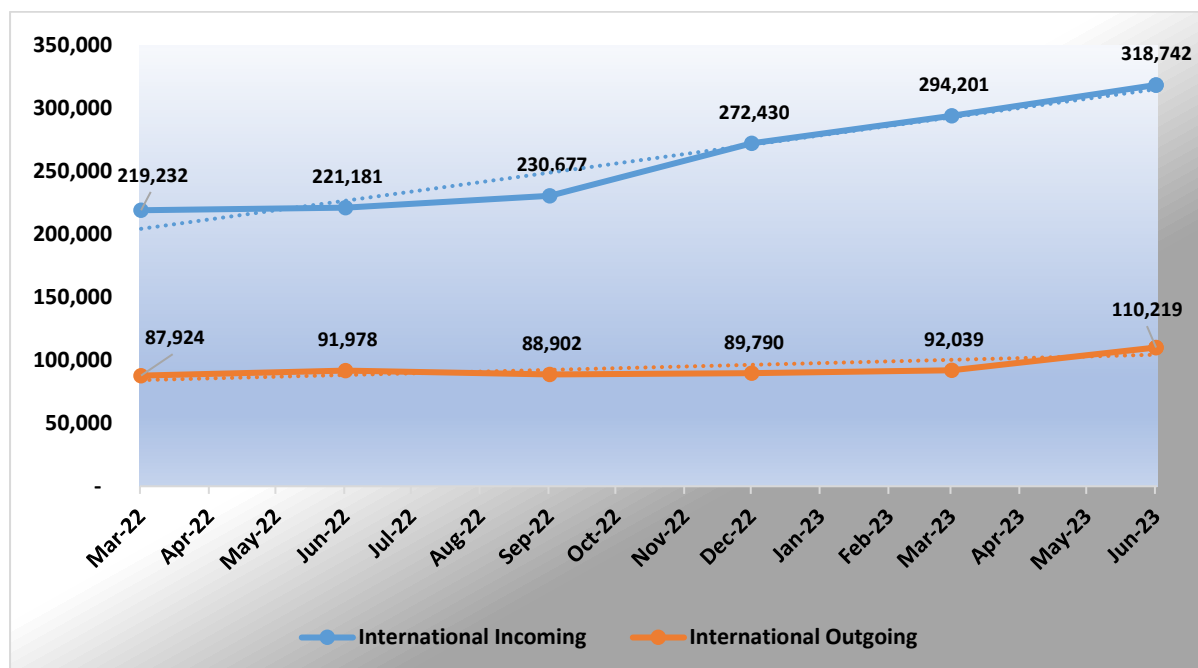
Used international incoming bandwidth capacity also increased in the second quarter of 2023 as shown in Table 10 below:

Table 10: Used International Internet Bandwidth Capacity (Mbps)

	Q1 2023	Q2 2023	Variance (%)
Incoming	294,201	318,742	8.3%
Outgoing	92,039	110,219	19.8%

Both Used incoming and outgoing international bandwidth capacities increased in the second quarter of 2023. However, consumption of foreign content online (incoming) remains greater when compared to local content (outgoing). The growth in used international bandwidth capacity is shown in Figure 10 below:

Figure 10: Growth in Used International Internet Bandwidth Capacity



The growth in used international incoming bandwidth capacity has always been higher than the growth in used international outgoing bandwidth capacity, as shown above. There is need to promote the development of local online content, to help boost adoption and use of the Internet.

3.3 IAP REVENUES, OPERATING COSTS & INVESTMENT

The growth in IAP aggregate revenue, operating costs, and capital expenditure in the second quarter of 2023 is shown in Table 11 below:

Table 11: IAP Revenues, Operating Costs (ZWL)

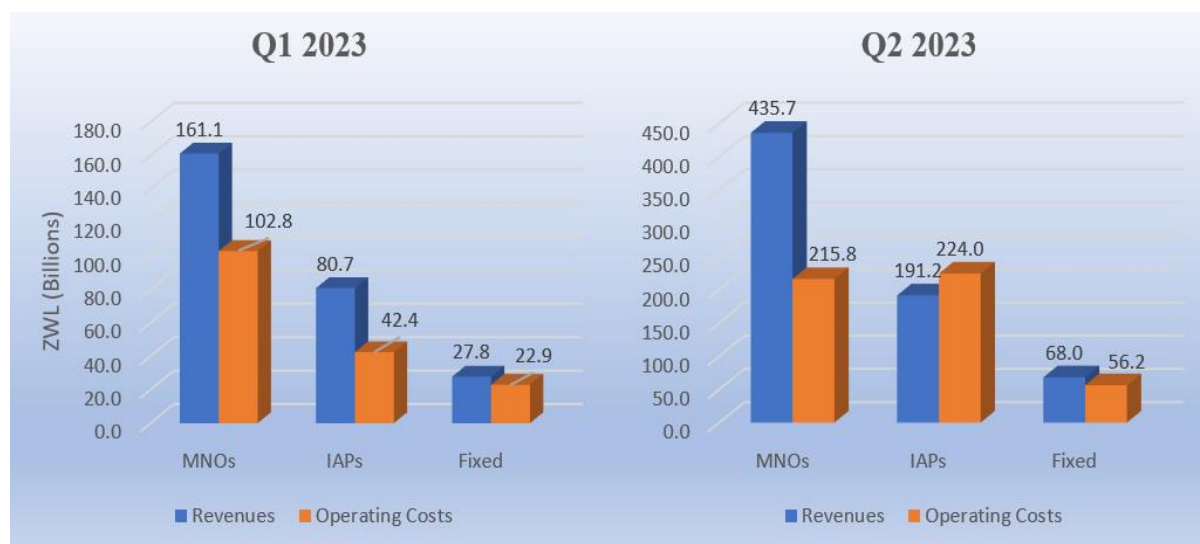
	Q1 2023	Q2 2023	Variance (%)
Revenue	80,691,196,167	191,162,750,673	136.9%
Operating Costs	42,367,723,845	224,023,650,067	428.8%
Capital Expenditure	3,951,158,125	16,941,464,662	328.8%

The growth in IAP operating costs continued to be higher than the growth in revenues, signifying reduced viability in the quarter under review. Revenue to Cost Ratio (RCR)

continued to fall signalling erosion of IAP operator profits. Bandwidth costs, depreciation, administration, and staff costs continued to constitute the bulk of IAP operating expenses.

Revenue to Cost Ratios (RCR) across the sector, particularly on IAPs continued to fall drastically in the quarter under review as shown in Figure 11 below.

Figure 11: Revenue to Costs Ratios (RCR)



4. POSTAL & COURIER

4.1 POSTAL & COURIER VOLUMES

An overall 2% growth in postal and courier volumes was recorded in the second quarter of 2023, as shown in Table 12 below:

Table 12: Postal and Courier Volumes

	Q1 2023	Q2 2023	% Growth
Domestic postal letters	240,194	257,438	7.2%
Domestic courier	129,751	121,937	-6.0%
International incoming courier	132,905	134,367	1.1%
International outgoing courier	23,455	23,244	-0.9%
Total Postal & Courier	526,305	536,986	2.0%

The growth, however small, is positive as postal and courier volumes continued an upward trend in 2023 as shown below:

Figure 12: Postal & Courier Volumes

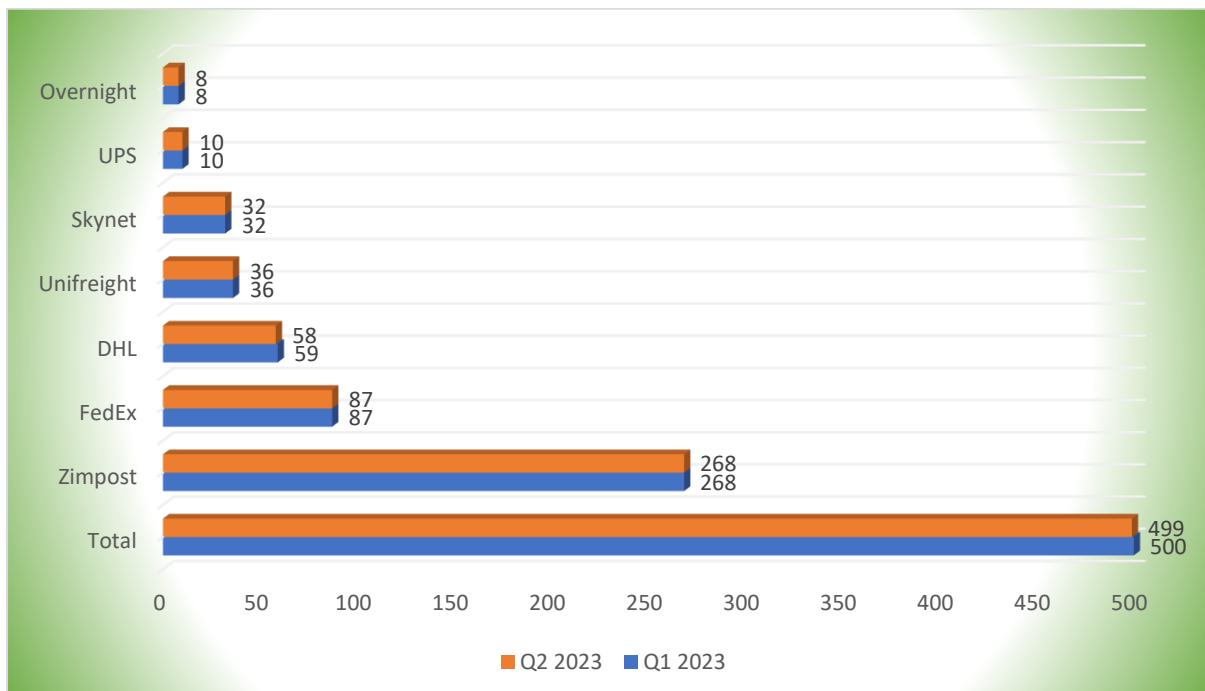


The impact of digital transformation is manifest in postal and courier demand and supply. Hence, Postal and courier operators must improve the delivery experience, while pivoting on new more efficient business models.

4.2 POSTAL DENSITY

The total number of operational postal and courier outlets by the licensed operators as of 30 June 2023 was 499, down from 500 operational outlets as of 31 March 2023. The distribution of postal and courier outlets is shown in Figure 13 below:

Figure 13: Distribution of Postal & Courier Outlets



DHL reduced its footprint by 1 outlet in the quarter under review. As a result, the postal and courier density increased by 0.2% to reach 30,419, from 30,358 per postal establishment as of 31 March 2023. This implies reduced access as the proportion of people per postal/courier outlet has increased.

4.3 POSTAL & COURIER REVENUES, COSTS & INVESTMENT

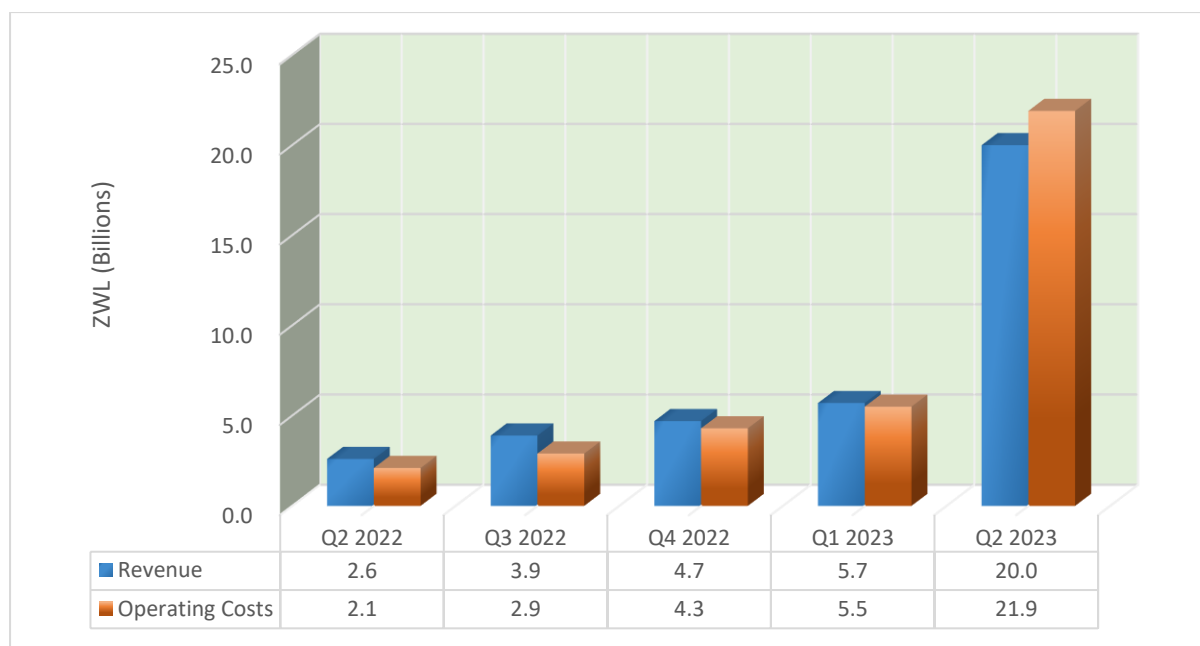
Total revenue, operating costs and capital expenditure by the postal and courier sector is shown in Table 13 below:

Table 13: Postal & Courier Revenues, Costs & Capital Expenditure

	Q1 2023	Q2 2023	% Growth
Revenues	5,744,506,854	20,049,342,271	249.0%
Operating Costs	5,454,675,258	21,859,859,315	300.8%
Capital Expenditure	133,485,083	317,939,945	138.2%

As with other subsectors, the growth in operating costs was higher than the growth in revenue. Postal and courier operators have not been immune to the trend of rising operating costs as shown below:

Figure 14: Postal & Courier Revenues & Operating Costs (ZWL)



The spike in operating costs and revenues is attributable to the inflationary operating environment. For the quarter under review, Postal and Courier operating costs were greater

than revenues generated by operators which is a sign that immediate interventions should be made to salvage the situation in the next quarter.

5. OUTLOOK

The quarter under review was characterised by high inflationary temperatures that were felt across all the sectors. The sector operator revenues and operating costs surged by margins over 100% across all sub-sectors of the postal and telecommunications industry. Most of the operators incurred operating costs growth which was more than their revenues growth in the second quarter of 2023. This directly means that most operators made losses in the trading quarter. As in its nature, the telecoms industry requires huge capital outlays across networks, this cannot be achieved whilst the sector operators are running losses. Investments per operator have drastically decreased due to reduced revenue to cost ratios (RCR). This situation is attributed to an eroded tariff coupled with high inflation during the trading period.

In light of all the challenges that did not affect only the sector but the economy as a whole, the Regulator and sector remains optimistic that a positive sector growth can be realised in the coming quarter notwithstanding post-election expectations. The recent policy measures taken by the Ministry of Finance during the last month of second quarter have brought stability on exchange rate and the inflation rate. Tight monetary and fiscal policy measures are expected to further stabilize the macroeconomic environment. Inflation is also expected to ease further into the remainder of the year subject to policy consistence which could also boost operator revenues in real terms. The appreciation of the local currency against USD is expected to reduce the import prices of bandwidth, network equipment and software. Improvement in power supply owing to the commissioning of the Hwange unit 7 and 8 power stations is expected to enhance the overall quality of service whilst reducing costs related to backup power on base stations. Service uptake is expected to rise in the forthcoming quarter hence growth of the sector in the third quarter of the year.