

Sector Performance Report

2nd Quarter 2023

Address By The POTRAZ Director General
Dr. G. K. Machengete



The Director General of the Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ), hereby presents the key trends observed in the Postal and Telecommunication sectors during the second quarter of 2023 as follows:

Major highlights in mobile, Internet and data subscriptions and fixed telephone subscriptions

The second quarter of 2023 saw a 0.7% decline in active mobile subscriptions from 14,051,251 to 13,955,937. This translates to a 0.7% decline in mobile penetration rate to reach 91.9% from 92.6% recorded in the first quarter of 2023. Furthermore, the sector recorded a 0.2% decline in the total number of active Internet and data subscriptions to reach 9,902,500 from 9,920,847 recorded in the first quarter of 2023. In this regard, internet penetration rate declined by 0.2% to reach 65.2% from 65.4% recorded in the previous quarter. 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.

Growth in Internet & data usage

The aftermath of the Covid-19 pandemic which is now characterised by remote working and e-learning coupled with an ever-increasing smartphone penetration worldwide has seen Internet and data usage growth in recent years. This is not an exception for the sector as it recorded a 11.6% increase in internet and data usage to reach 42,058.3 Terabytes (TB) in the second quarter, 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.

A decline in PSTN Fixed Voice Traffic vis-a-vis growth in Mobile Voice Traffic

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. On the other hand, 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. The decline in fixed voice and marginal growth in mobile voice traffic may be attributed to voice substitution with over the top (OTT) communication such as WhatsApp and Facebook that are affordable as they ride on data.

Growth in Postal and Courier Volumes

Postal and courier volumes have been on an upward trend in recent trading quarters. The sector realised a 2% growth after recording 536,986 items in the second quarter of 2023, from 526,305 items in the first quarter of 2023.

Growth in revenue and rising operating costs across all markets.

The second quarter of 2023 saw both revenues and costs increasing in every segment. Notably, costs increased by greater margins as compared to revenues growth, with exception of mobile market.

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.

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.


CHALLENGES

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 revenue 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 in real terms have drastically decreased due to reduced revenue to cost ratios (RCR). The situation is attributed to an eroded tariff in real terms coupled with high inflation during the trading period. These challenges call for policy and strategic intervention at both sector and national levels.

INDUSTRY OUTLOOK

The Regulator and sector remain optimistic that a positive sector growth can be realised in the coming quarters of the years. 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 which could also boost operator revenues in real terms. The appreciation of the local currency against USD is expected to reduce the nominal import prices of bandwidth, network equipment and software.

Furthermore, 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 operational costs related to backup power. Service uptake is expected to rise in the forthcoming quarter leading to growth of the sector in the third quarter of the year as the sector continues to be an anchor for other sectors of the economy as espoused in the Government's National Development Strategy (NDS1).


The Director General
June 2023

