

**POSTAL AND TELECOMMUNICATIONS REGULATORY
AUTHORITY OF ZIMBABWE
(POTRAZ)**



'creating a level playing field'

**ABRIDGED POSTAL & TELECOMMUNICATION
SECTOR PERFORMANCE REPORT**

SECOND QUARTER 2018

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
Mbps	Megabits per second
VoIP	Voice Over Internet Protocol

1. MAJOR HIGHLIGHTS

1. Fixed telephone subscriptions increased by 1.7% to reach 263,962 compared to the first quarter of 2018. The fixed tele-density remained at 1.9%.
2. The mobile penetration rate increased by 3.1% to reach 87.7% following a 3.6% growth in active mobile subscriptions.
3. The internet penetration rate increased by 2.8% to reach 51.9% following a 5.7% growth in active internet subscriptions.
4. Fixed voice traffic increased by 10.9% to record 116.4 million minutes compared to 105 million recorded in the first quarter of 2018.
5. Mobile voice traffic increased by 9.1% to record 1.2 billion minutes from 1.1 billion recorded in the first quarter of 2018.
6. Mobile Internet data usage increased by 16.9% to record 6.1 million MB, from 5.2 million MB recorded in the first quarter of 2018.
7. Used international incoming internet bandwidth capacity increased by 44.1% to record 80,546Mbps from 55,885Mbps recorded in the first quarter of 2018.
8. Used international outgoing internet bandwidth capacity increased by 56.6% to record 24,733Mbps in the second quarter of 2018 from 15,790Mbps recorded in the first quarter of 2018.
9. International incoming and outgoing traffic reduced by 6% and 13% for the fixed operator and 10% and 11% for mobile operators respectively.
10. Inbound and outbound roaming traffic decreased by 28% and 24% respectively compared to the first quarter of 2018.
11. Active mobile money subscriptions grew by 6%, with value of mobile money transactions registering a 66% increase from the previous quarter.
12. Revenue by the fixed telephone network increased by 22% to record \$34.5 million from \$28.3 million recorded in the previous quarter.
13. Revenue by mobile operators increased by 19.7% to record \$292.9 from \$244.7 million recorded in the first quarter of 2018.
14. Revenues by IAPs declined by 21.4% to record \$62.4 million from \$79.5 million recorded in the previous quarter.

15. Revenue by Postal and Courier operators declined by 1.1% to record \$9 million from \$9.1 million recorded in the first quarter of 2018.

2. FIXED TELEPHONE SERVICE

2.1 SUBSCRIPTIONS

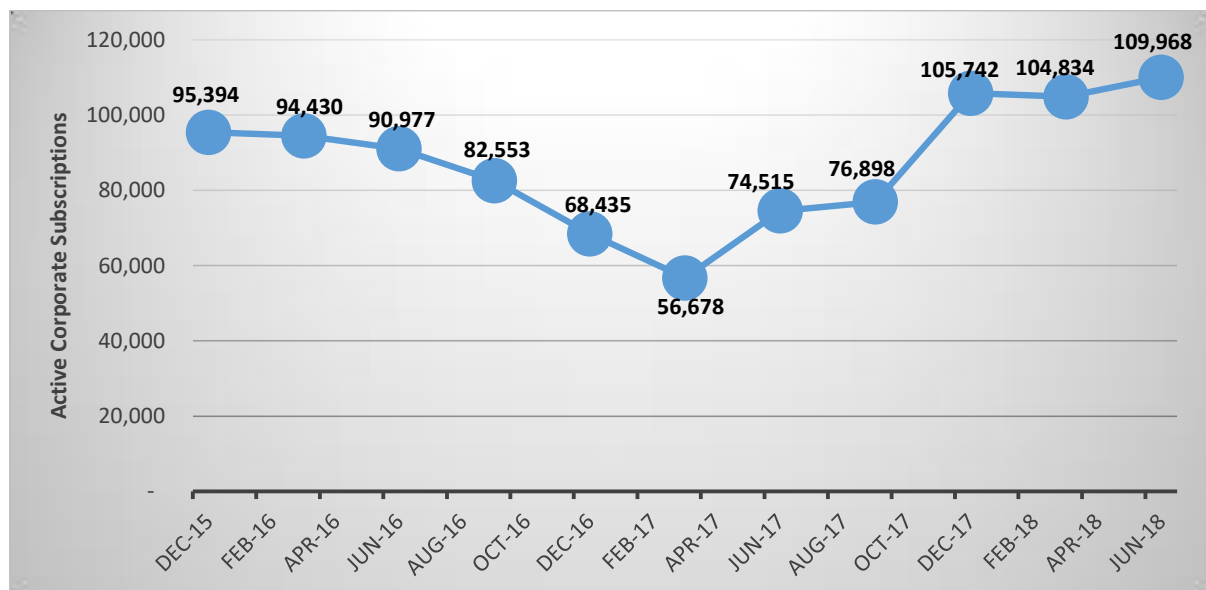
The total number of active fixed telephone lines increased by 1.7% to reach 263,962 from 259,438 recorded in the previous quarter. The breakdown of fixed telephone subscriptions by type of subscription is shown in Table 1 below:

Table 1: Fixed telephone subscriptions

Traffic category	1st Quarter 2018	2 nd Quarter 2018	% Growth
Residential	154,604	153,994	-0.4%
Corporate	104,834	109,968	4.9%
Total Active	259,438	263,962	1.7%

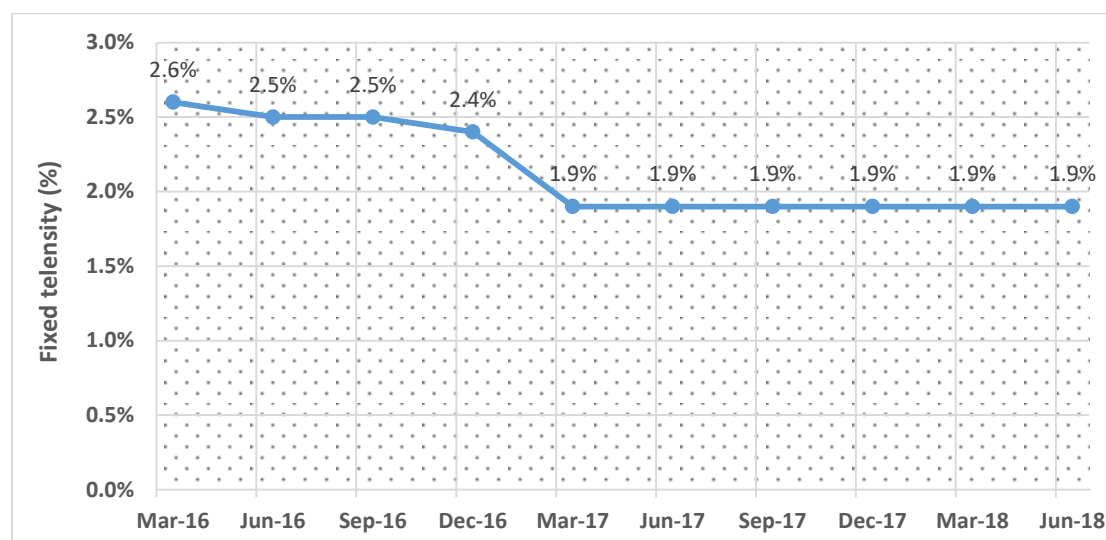
The growth in corporate subscriptions is attributable to the improved uptake of ADSL internet. Corporate fixed telephone started to show a growth trend since the second quarter of 2017 as shown in Figure 1 below.

Figure 1: Corporate fixed telephone subscriptions



Using a population figure of the 13,864,768 for 2018 as per ZIMSTAT projections, the fixed tele-density remained at 1.9%. The fixed tele-density has been stagnant at 1.9% since March 2017 as shown below in Figure 2 below:

Figure 2: Fixed teledensity



The fixed tele-density of 1.9% is the lowest recorded since the year 2000. Fixed telephone subscriptions have become lower over the years as mobile telephony has been more widely adopted.

2.2 FIXED NETWORK TRAFFIC

A total of 116.4 million minutes of voice traffic were processed by the fixed telephone network in the second quarter of 2018. This represents a 10.9% growth in voice traffic from 105 million minutes recorded in the first quarter of 2018. The quarterly growth per voice traffic category is shown in Table 2 below.

Table 2: Fixed Voice Traffic

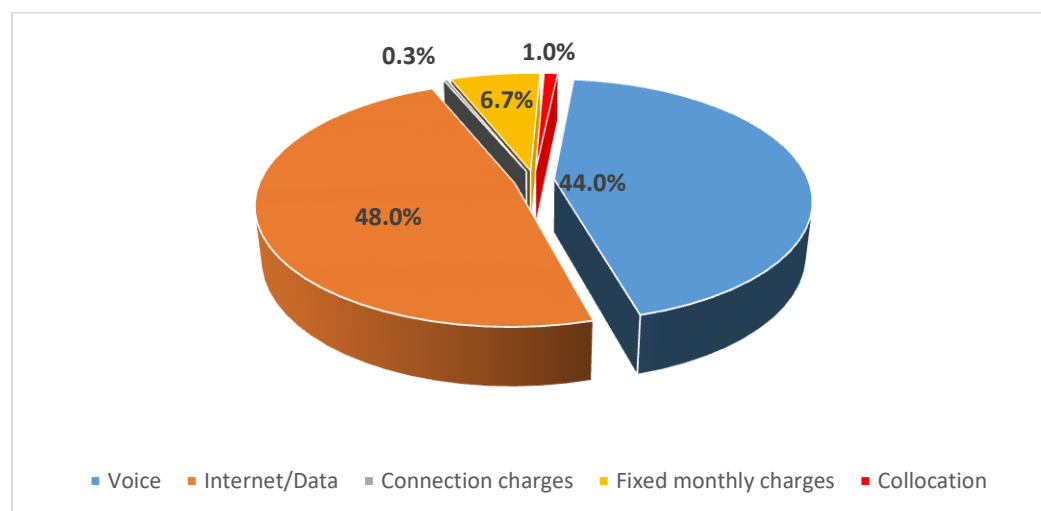
Traffic category	1st Quarter 2018	2 nd Quarter 2018	% Growth
Net on Net	21,356,422	34,331,568	60.8%
Outgoing to Mobile	66,657,839	66,054,545	-0.9%
Incoming from Mobile	6,357,640	6,091,067	-4.2%
Incoming from IAPs	1,208,479	1,236,783	2.3%
Outgoing to IAPs	751,929	779,877	3.7%
International Incoming	5,642,417	5,296,607	-6.1%
International Outgoing	3,004,696	2,611,141	-13.1%
Total traffic	104,979,422	116,401,588	10.9%

As shown above the growth in net-on-net traffic buoyed up total fixed voice traffic. Both categories of international voice traffic declined; this is attributable to the growing use of Over-the-Top applications for making international calls.

2.3 FIXED TELEPHONE REVENUES, INVESTMENT & COSTS

There was an overall improvement in the fixed network's revenue in the quarter under review. TelOne's telecommunications revenue increased by 20.1% to record \$34,474,622 from \$28,258,466 recorded in the first quarter of 2018. On the other hand, the fixed network also recorded a 20.1% to record \$38,830,656 from \$32,280,840 recorded in the first quarter of 2018. The contribution to fixed telephone revenue by each service is shown in Figure 3 below:

Figure 3: Contribution to revenue by service



As shown above, internet/data revenues exceeded voice service revenues. For a second consecutive quarter the contribution of data and internet services revenues to total revenue has exceeded voice service revenue, an indication that TelOne's business is now more data centric. A comparison with the previous quarter shows that the contribution of data increased by 1.8% whereas the contribution of voice declined by 2.2%. The contribution of fixed monthly charges and collocation declined by 0.8% and 0.2% respectively whereas the revenue contribution of connection charges remained at 0.3%.

3. MOBILE TELEPHONY

3.1 MOBILE SUBSCRIPTIONS

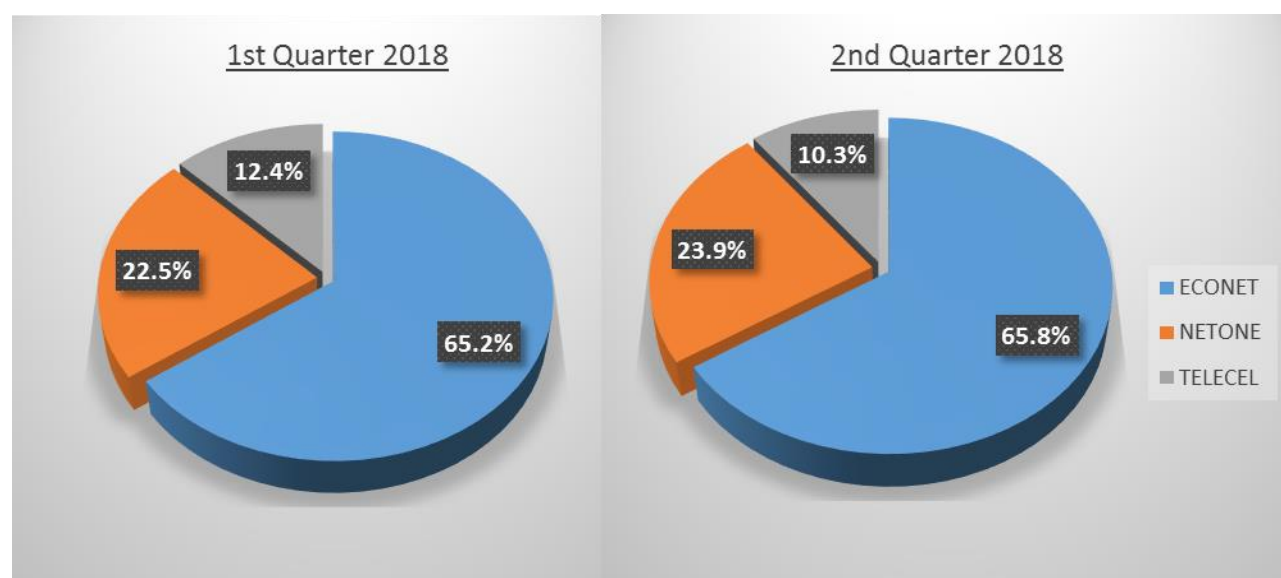
The total number of active mobile subscriptions increased by 3.6% to reach 12,152,471 from 11,728,478 recorded in the previous quarter. As a result, the mobile penetration rate increased by 3.1% to reach 87.7% from 84.6% recorded in the first quarter of 2018. Active mobile subscriptions per operator are shown in Table 3 below.

Table 3: Active Mobile Subscriptions

Operator	1st Quarter 2018	2nd Quarter 2018	% Change
Econet	7,651,312	7,998,657	4.5%
NetOne	2,634,137	2,900,433	10.1%
Telecel	1,443,029	1,253,381	-13.1%
Total	11,728,478	12,152,471	3.6%

As shown above, Telecel was the only operator to register a decline in active subscriptions. Based on the subscriber statistics, the market share of active mobile subscribers was as follows:

Figure 4: Market share of mobile subscribers



Telecel lost 2.1% market share whereas Econet and NetOne gained market share by 0.6% and 1.4% respectively. Prepaid lines constituted 98.1% of total mobile telephone subscriptions.

3.2 MOBILE TRAFFIC AND USAGE PATTERNS

3.2.1 MOBILE VOICE TRAFFIC

A 9.1% growth in total mobile voice traffic was recorded in the second quarter of 2018.

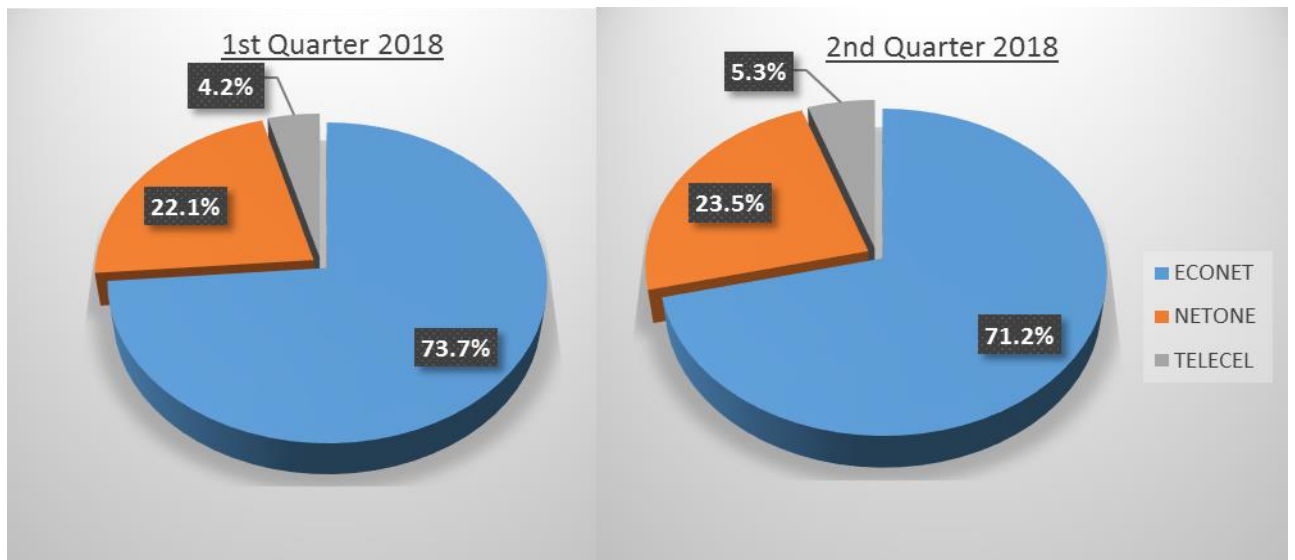
Mobile voice traffic is broken down per category in Table 4 below:

Table 4: Mobile voice traffic in minutes

Traffic Category	1 st Quarter 2018	2 nd Quarter 2018	Variance (%)
Net on Net	775,019,268	886,669,391	14.4%
Mobile to Fixed	6,338,444	6,091,067	-3.9%
Incoming from Fixed	66,929,797	66,054,545	-1.3%
Mobile to Other Mobile (by termination)	175,376,219	171,735,196	-2.1%
Outgoing to IAPs	1,283,432	1,392,824	8.5%
Incoming from IAPs	15,786,330	16,650,398	5.5%
TOTAL NATIONAL	1,040,733,490	1,148,593,421	10.4%
International Incoming	40,659,807	36,660,842	-9.8%
International Outgoing	20,768,381	18,437,078	-11.2%
Inbound Roaming	1,785,612	1,287,389	-27.9%
Outbound Roaming	741,482	564,839	-23.8%
Total Traffic	1,104,688,772	1,205,543,569	9.1%

Net-on-Net mobile voice traffic recorded the highest growth of 14.4%. This is attributable to the various promotions offering bonus minutes for net-on-net calls. On the other hand roaming traffic declined considerably. As more and more people adopt OTT communication platforms for international communication, international traffic and roaming traffic is expected to decline. A quarterly comparison of the mobile voice traffic market-share is shown in Figure 5 below.

Figure 5: Voice Traffic Market Share

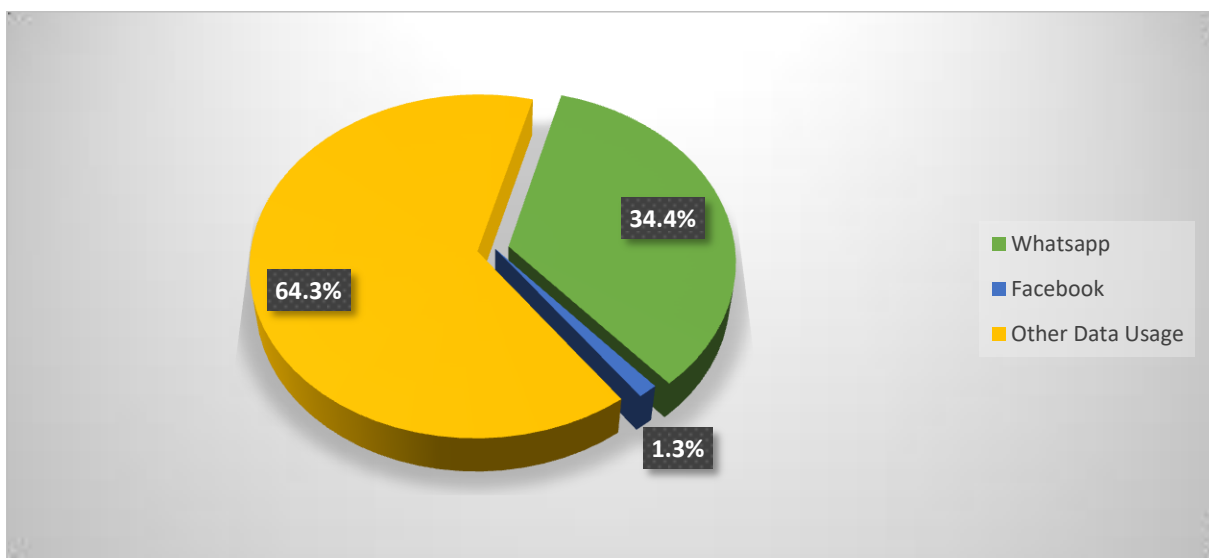


As shown above, Econet is the dominant operator in terms of mobile voice service with over 70% market share. However, in the quarter under review, Econet lost 2.5% voice traffic market share whereas Telecel and NetOne gained 1.1% and 1.4% respectively.

3.2.2 MOBILE INTERNET & DATA TRAFFIC

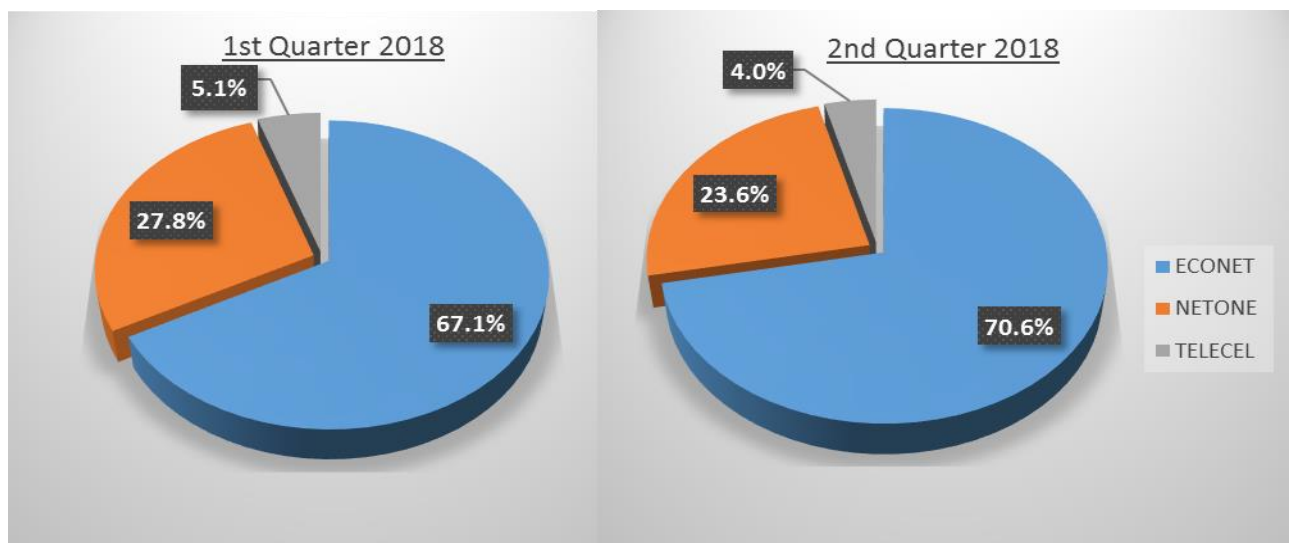
Mobile internet and data usage increased by 16.9% to record 6,104TB from 5,220TB recorded in the previous quarter. Data utilisation from WhatsApp bundles constituted 34.4% of total mobile internet and data utilisation as shown in Figure 6 below:

Figure 6: Growth in mobile internet and data traffic



The growing popularity of social media is expected to drive data usage in the coming years. The market share of mobile internet and data use was as follows:

Figure 7: Market Share of Internet & data traffic

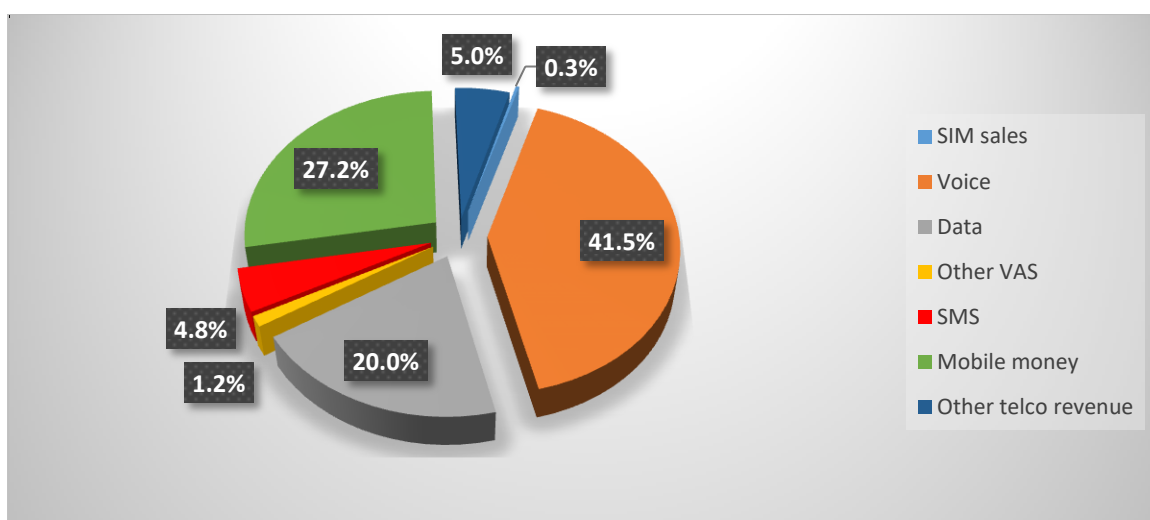


The market share of mobile internet and data is comparable to the market share of mobile voice traffic with Econet dominating the market with over 70% market share and the rest being shared by the other 2 operators.

3.3 MOBILE REVENUES, COSTS & INVESTMENT

Total revenue by mobile operators was \$292,875,967. This represents a 19.7% growth from \$244,677,944 recorded in the previous quarter. Operating costs also fell by 28.2% to record \$133,454,066 in the second quarter of 2018 from \$185,888,970 recorded in the first quarter of 2018. This is attributable to deliberate operator efforts to contain expenditure. The mobile operators' revenue contribution per service is shown in Figure 8 below:

Figure 8: Revenue Contribution



The contribution of voice and SMS declined by 3.5% and 0.4% respectively. On the other hand, the revenue contribution of data, mobile money and other VAS increased by 0.7%, 1.9% and 0.2% respectively. The revenue contribution of SIM Card sales remained constant at 0.3%.

There was an overall improvement in the financial performance of the mobile services subsector in terms of the Average Revenue per User (ARPU). The aggregate Average Revenue per User per month increased by 15.6% to record \$5.86 from \$5.07 recorded in the first quarter of 2018. On the other hand total capital expenditure by the mobile operators declined by 55.2% to record \$6,244,731 in the second quarter of 2018 from \$13,950,789 recorded in the first quarter of 2018.

3.4 MOBILE TELEPHONY INFRASTRUCTURE

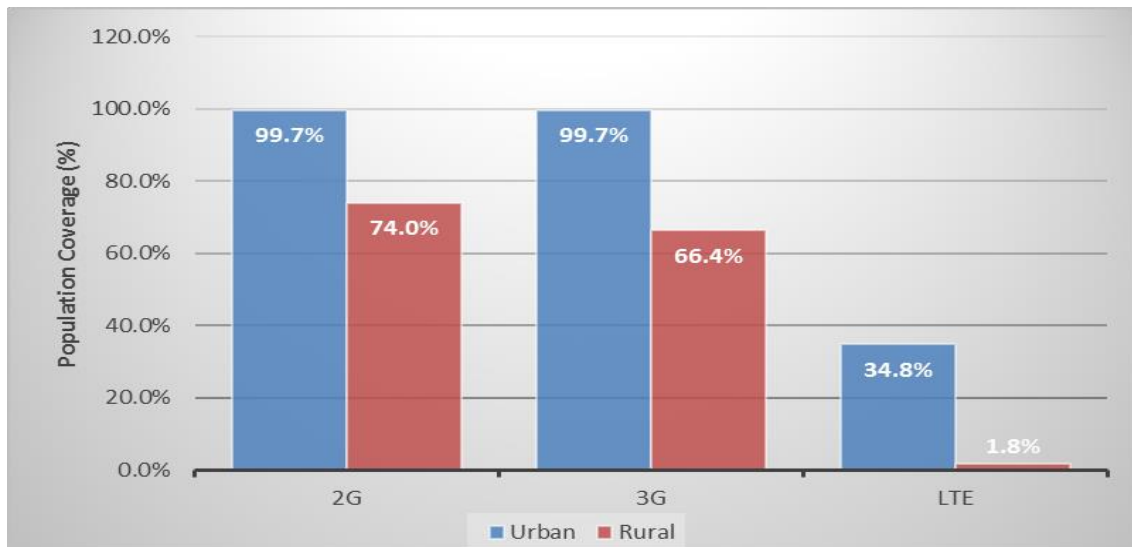
The total number of base stations in the country was 8,570 as at 30 June 2018. This represents a 1.1% growth from 8,473 recorded in March 2018 following the deployment of 97 additional base stations. The number of base stations per technology is broken down by operator in Table 5 below:

Table 5: Mobile Base Stations

Operator	2G			3G			LTE		
	Q1 2018	Q2 2018	Net Addition	Q1 2018	Q2 2018	Net Addition	Q1 2018	Q2 2018	Net Addition
Econet	2,493	2,501	8	1,539	1,545	6	647	647	-
Telecel	655	656	1	403	408	5	17	17	-
NetOne	1,680	1,681	1	752	824	72	287	291	4
Total	4,828	4,838	10	2,694	2,777	83	951	955	4

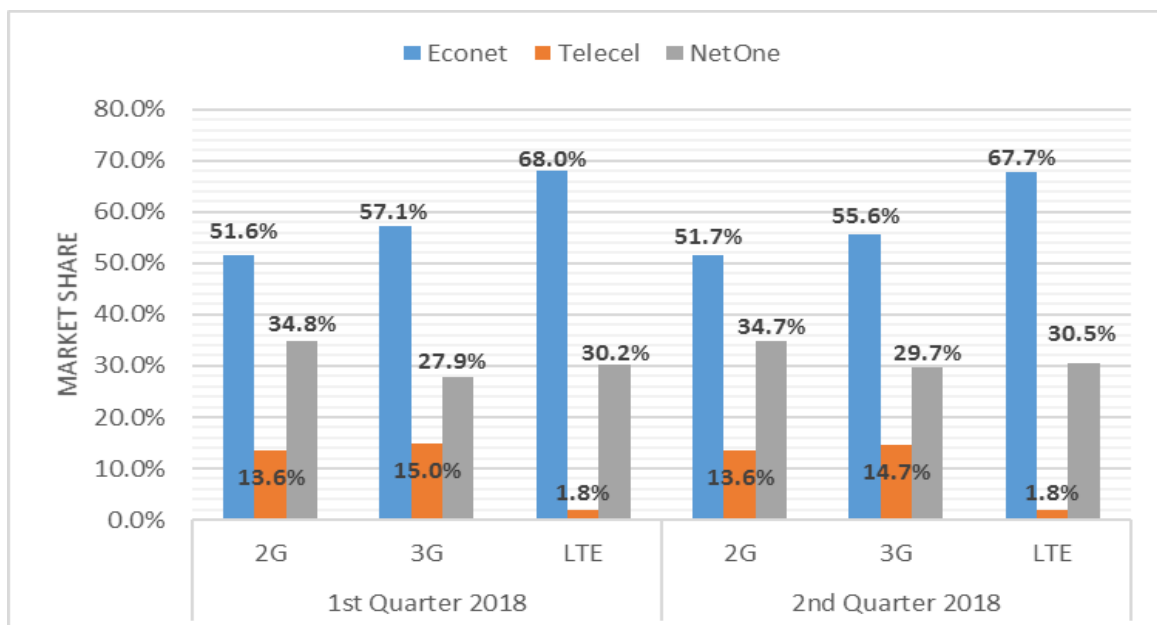
Rural areas continue to lag behind urban areas in terms of deployment of telecommunication services infrastructure. The disparity between rural areas and urban areas in the population coverage per network technology is shown in Figure 9 below:

Figure 9: Population Coverage



As shown above the disparity increases as the technology advances. More still needs to be done to improve rural connectivity. There was no significant change in the market share of base station infrastructure as shown below:

Figure 10: Market share of mobile base stations



3.5 MOBILE MONEY

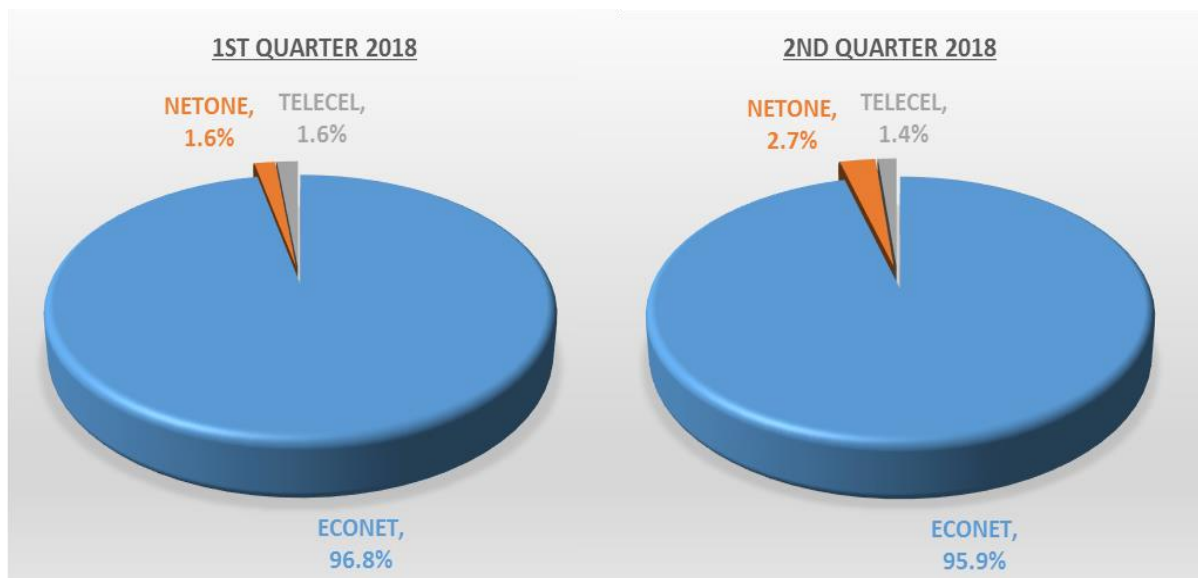
The total number of active mobile money subscriptions increased by 12.6% to reach 5,634,511 from 5,005,625 recorded in the previous quarter. All the mobile operators experienced growth in the number of mobile money subscriptions as shown in Table 6 below:

Table 6: Active mobile money subscriptions

OPERATOR	1 st Quarter 2018	2 nd Quarter 2018	% Growth
ECONET	4,847,014	5,402,393	11.5%
TELECEL	79,643	79,703	0.1%
NETONE	78,968	152,415	93.0%
TOTAL	5,005,625	5,634,511	12.6%

The number of active mobile money subscriptions is expected to continue growing as mobile money has become an effective mode of transaction given the cash shortages in the economy. As shown above, NetOne experienced the biggest leap in active mobile money subscriptions by 93%; hence the 1.1% growth in their market share to reach 2.7% from 1.6% recorded in the previous quarter as shown in Figure 11 below:

Figure 11: Market share of active mobile money subscriptions



The number of mobile money agents increased by 19.9% to reach 41,764 from 34,841 recorded in the first quarter of 2018. The breakdown of mobile money agents is shown in table 7 below:

Table 7: Mobile Money agent network

Operator	Indicator	1 st Quarter 2018	2 nd Quarter 2018	% Growth
ECONET	Active Agent Outlets in Rural Areas	8,270	9,697	17.3%
	Active Agent Outlets in Urban Areas	18,365	20,605	12.2%
	Total Active Mobile Money Agent Outlets	26,635	30,302	13.8%
TELECEL	Active Agent Outlets in Rural Areas	231	197	-14.7%
	Active Agent Outlets in Urban Areas	503	429	-14.7%
	Total Active Mobile Money Agent Outlets	734	626	-14.7%
NETONE	Active Agent Outlets in Rural Areas	1,494	2,167	45.0%
	Active Agent Outlets in Urban Areas	5,978	8,669	45.0%
	Total Active Mobile Money Agent Outlets	7,472	10,836	45.0%
TOTAL	Active Agent Outlets in Rural Areas	9,995	12,061	20.7%
	Active Agent Outlets in Urban Areas	24,846	29,703	19.5%
	Total Active Mobile Money Agent Outlets	34,841	41,764	19.9%

The introduction of bank to wallet transfers has spurred mobile money usage. The growth in mobile money transactions is shown in Table 8 below:

Table 8: Mobile money transactions

	1 st Quarter 2018	2 nd Quarter 2018	Variance
Cross-network transfers	\$215,692	\$120,247	-44.3%
Airtime, Bill & Merchant Payments	\$772,307,418	\$1,122,496,703	45.3%
Number of transactions	292,405,485	403,097,744	37.9%

As shown above, cross-network transfers declined by 44.3%. Cross-network transfers have been declining over the past years. The integration of all mobile money platforms with ZIPIT will facilitate wallet-to-wallet interoperability which may result in growth of cross network transactions.

4. DATA & INTERNET SERVICE

4.1 SUBSCRIPTIONS

Active internet subscriptions increased by 5.7% to reach 7,197,279 from 6,810,847 recorded in the first quarter of 2018. The internet penetration rate increased by 2.8% to reach 51.9%

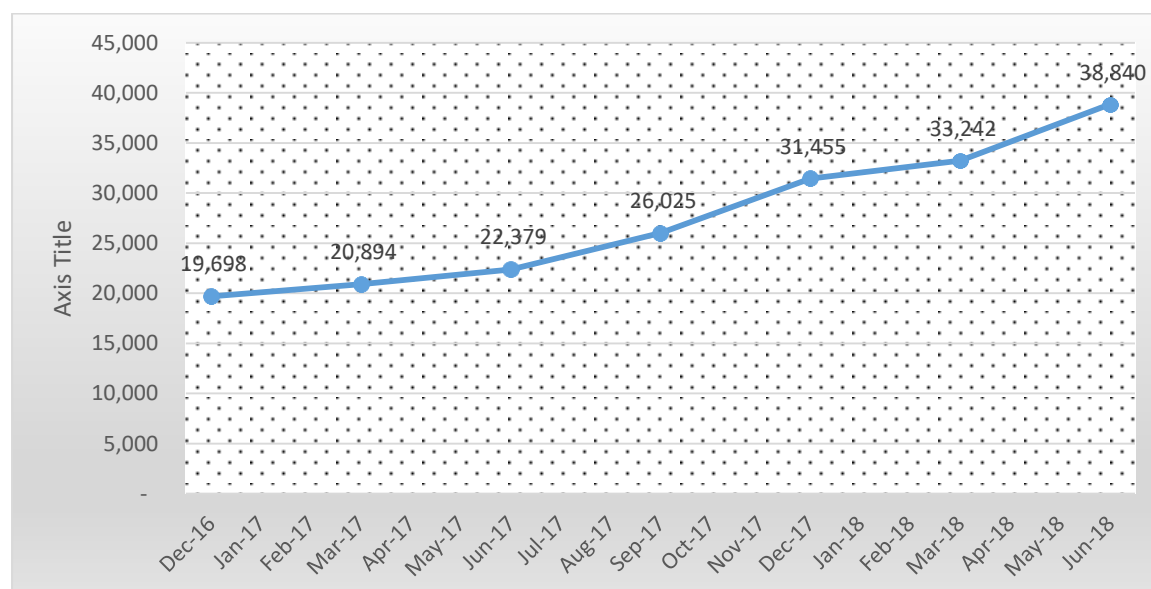
from 49.1% recorded in the previous quarter. This is largely attributable to the 17% and 6% increase in active fibre and mobile subscriptions respectively. The growth in internet subscriptions per service category is shown below:

Table 9: Active Internet Subscriptions

Technology	1 st Quarter 2018	2 nd Quarter 2018	Quarterly change
3G/HSDPA/LTE	6,650,911	7,029,055	5.7%
Leased Lines	2,480	2,409	-2.9%
Dial up	-	-	-
DSL	84,883	88,963	4.8%
WiMAX	5,976	5,240	-12.3%
CDMA	29,976	29,365	-2%
VSAT	3,379	3,407	0.8%
Active Fibre subscriptions	33,242	38,840	16.8%
Total	6,810,847	7,197,279	5.7%

Fibre recorded the highest growth in subscriptions as shown above. Fibre deployments in residential areas and the citizens` appetite for faster internet speeds have fuelled the rapid growth in fibre subscriptions as shown in Figure 12 below:

Figure 12: Growth in fibre subscriptions



4.3 INTERNATIONAL INTERNET CONNECTIVITY

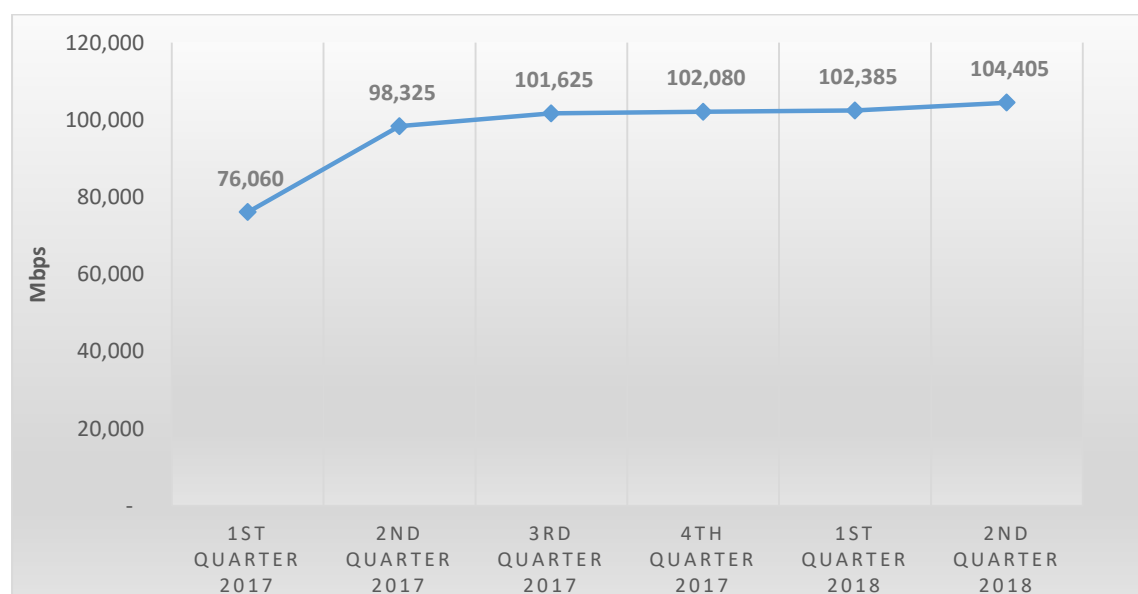
The total equipped incoming international internet bandwidth capacity increased by 2% to reach 104,405Mbps from 102,385 recorded in the first quarter of 2018. The growth in equipped and used international incoming internet bandwidth capacity for each of the IAPs with international internet connectivity is shown in Tables 10 and 11 below:

Table 10: Equipped international internet bandwidth

Operator	Equipped Internet Bandwidth Capacity (Mbps)	Incoming International Bandwidth Capacity	Market Share of International Internet Bandwidth Capacity			
	Q1 2018	Q2 2018	%Variation	Q1 2018	Q2 2018	% Variation
Liquid	80,000	80,000	0.0%	78.1%	76.6%	-1.5%
TelOne	17,360	17,360	0.0%	17.0%	16.6%	-0.3%
Powertel	2,790	3,410	22.2%	2.7%	3.3%	0.5%
Dandemutande	1,925	2,170	12.7%	1.9%	2.1%	0.2%
Africom	310	465	50.0%	0.3%	0.4%	0.1%
Total	102,385	104,405	2.0%	100%	100%	-

Due to the growing demand in internet and data, operators have to regularly increase their bandwidth capacities. The growth in international incoming bandwidth capacity over time is shown below:

Figure 13: Equipped Incoming International Internet Bandwidth Capacity



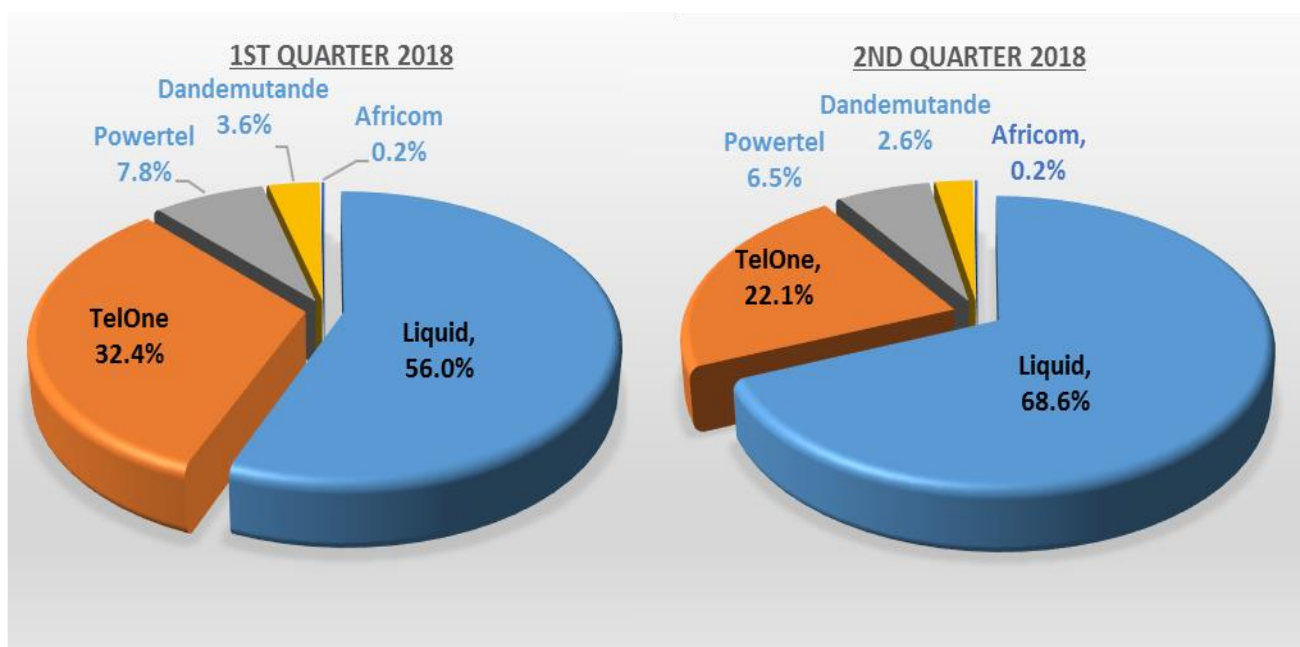
There was also significant growth in the used international internet bandwidth as shown in Table 11 below:

Table 11: Used International Internet Bandwidth Capacity

Operator	Used Internet (Mbps)	Incoming Bandwidth	International Capacity	Used Internet (Mbps)	Outgoing Bandwidth	International Capacity
	Q1 2018	Q2 2018	%Variation	Q1 2018	Q2 2018	% Variation
Liquid	33,570	57,498	71.3%	6,538	14,709	125.0%
TelOne	17,360	17,360	0.0%	5,860	5,930	1.2%
Powertel	2,790	3,410	22.2%	2,790	3,410	22.2%
Dandemutande	2,009	2,109	5.0%	573	648	13.1%
Africom	156	169	8.3%	29	36	24.1%
Total	55,885	80,546	44.1%	15,790	24,733	56.6%

The huge increase in used outgoing international internet bandwidth signifies an increase in local content accessed abroad. This may be attributable to the global interest in the local political environment. A comparison of the market share of used international internet bandwidth capacity is shown below:

Figure 14: Growth in Used International Incoming Bandwidth Capacity



4.3 IAP REVENUES & INVESTMENT

The total revenue generated by Internet Access Providers (IAPs) declined by 21.4% to record \$62,410,1200million from \$79,450,535million recorded in the first quarter of 2018. The quarterly variance in IAP revenue market share is shown in Table 12 below:

Table 12: IAP revenues market share

Operator	Revenue Market Share		
	Q1 2018	Q2 2018	% change
Liquid	64.9%	54.3%	-10.6%
TelOne	20.0%	27.5%	7.5%
Powertel	8.6%	10.5%	1.9%
Dandemutande	3.6%	4.4%	0.8%
Africom	2.1%	2.2%	0.1%
Telecontract	0.8%	1.1%	0.3%
Total	100.0%	100%	-

Investment by IAPs also declined by 7% to record \$20,395,011 from \$21,929,291 recorded in the previous quarter.

5. POSTAL & COURIER

5.1 POSTAL & COURIER VOLUMES

A quarterly comparison of the postal and courier volumes by category is shown in Table 13 below:

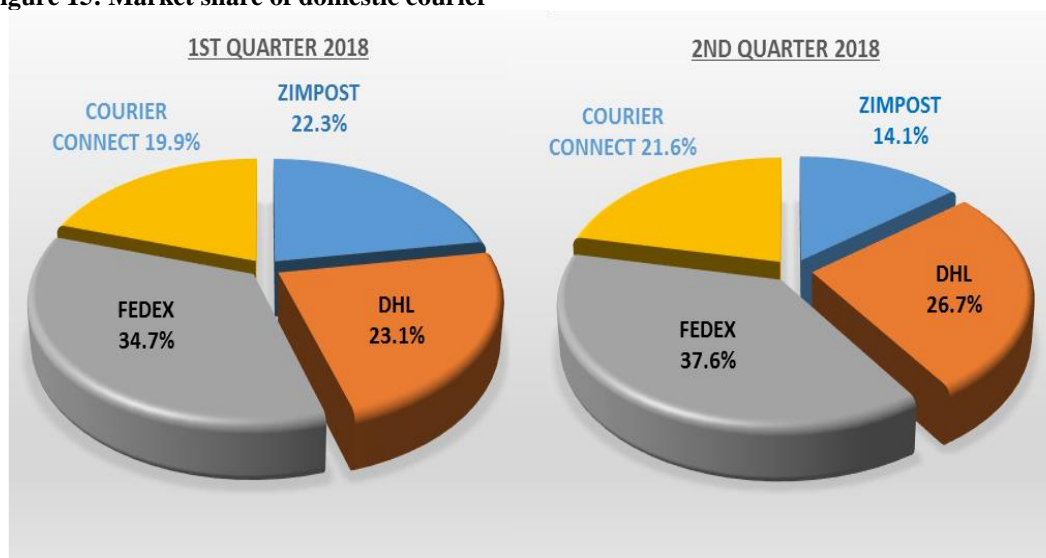
Table 13: Postal and courier volumes

Postal and Courier Service	1 st Quarter 2018	2 nd Quarter 2018	% Growth
Domestic postal letters	1,295,605	1,271,498	-1.9%
Domestic courier	140,137	129,414	-7.7%
International incoming courier	314,065	445,140	41.7%
International outgoing courier	81,328	57,076	-29.8%
Total Postal & Courier	1,831,135	1,903,128	3.9%

International incoming courier was the only category to record growth in volumes in the second quarter of 2018. Domestic postal and courier volumes declined; as more people use

alternatives such as email, the domestic letters and documents business is likely to be negatively affected. A quarterly comparison of the market share of domestic courier services is shown below:

Figure 15: Market share of domestic courier



As shown above, ZIMPOST lost market share by 8.2% whereas FedEx, DHL and Courier Connect gained market share by 2.9%, 3.6% and 1.7% respectively. The movement in the market share of international incoming and international outgoing courier volumes is shown in the table below:

Table 14: Market share of International Outgoing Postal & Courier

Operator	International incoming courier			International outgoing courier		
	Q1 2018	Q2 2018	% change	Q1 2018	Q2 2018	% change
ZIMPOST	97.5%	98%	0.5%	76.2%	64.7%	-11.5%
DHL	0.5%	0.4%	-0.1%	16.5%	24.9%	8.4%
FedEx	0.9%	0.7%	-0.2%	6.2%	8.8%	2.6%
Skynet	0.2%	0.1%	-0.1%	0.3%	0.9%	0.6%
Courier Connect	0.1%	0.1%	-	0.6%	0.5%	-0.1%
UPS	0.8%	0.7%	-0.1%	0.2%	0.3%	0.1%

As shown above, ZIMPOST processes more international incoming and outgoing courier than all the other operators.

5.2 POSTAL & COURIER REVENUES & INVESTMENT

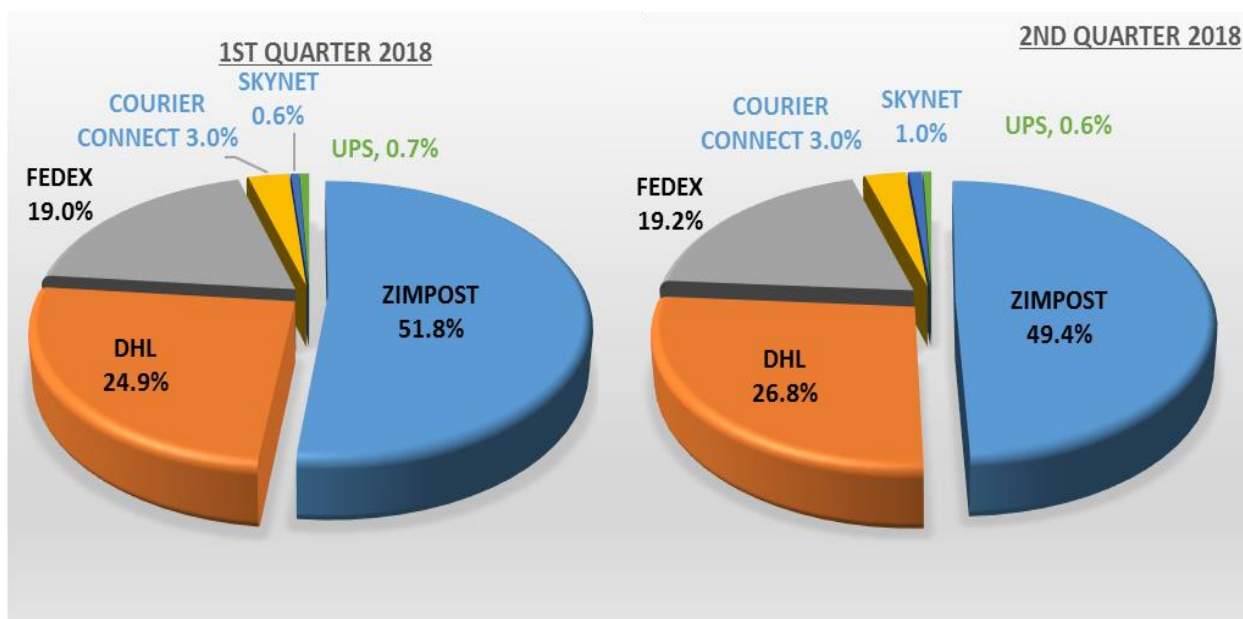
The postal and courier sector recorded an overall decline in performance characterised by a decline in revenue vis-à-vis growth in operating costs as shown in Table 15 below:

Table 15: Postal & Courier Revenues, Costs & Investment

	1st Quarter 2018	2 nd Quarter 2018	% Growth
REVENUES	\$9,133,022	\$9,033,823	-1.1%
OPERATING COSTS	\$9,426,520	\$9,618,882	2.0%
INVESTMENT	\$218,722	\$305,254	39.6%

ZIMPOST and UPS lost revenue market share by 2.4% and 0.1% respectively whereas FedEx, DHL and Skynet gained 0.2%, 1.7% and 0.4% respectively as shown in Figure 16 below:

Figure 16: Market Share of Postal & Courier Revenue



6. OUTLOOK

Industry growth will continue to be driven by data and internet services. 2018 usage traffic for data and internet services is expected to exceed 2017 internet and data traffic by more than 100%. The continued growth in data and internet traffic will continue to be largely stimulated by innovation related to non- traditional business models. In the near future, growth in the use of Internet of Things (IOTs) applications will take centre stage, driven by consumer appetite for digital solutions that are convenient and affordable. Such solutions will revolve around mobile payments such as payment of utility bills, parking fees and the increased use of plastic money as well as mobile banking. Other government driven initiatives such as e-government, tele-medicine and e-learning will also help boost demand and usage of data and internet services. Fibre to the Home (FTTH) deployment and network upgrades are expected to take centre stage as operators try to keep up with increased demand for high speed internet.

Penetration rates for all subscription based markets are expected to grow marginally. As a result, telecommunications operators are also expected to focus more heavily on customer retention and preventing subscriber churn. Operators will continue to face competition from global Over-the-Top services. Promotions and new products will continue to be offered as operators try to reduce the negative effects of OTTs on revenues. Cutting costs will remain a crucial step for many operators in order to compensate for financial losses from traditional voice.

The integration of the mobile money platforms with ZIPIT and Zimswitch has increased the scope of mobile money services. Volumes of mobile money payments are expected to maintain an upward trend due to the significant increase in the number of financial services offered on mobile money platforms. Mobile money will continue to play a key role of bridging the financial divide by providing safe, secure, convenient and cheap financial services in areas where many Zimbabweans have no access to formal banking systems.

The postal and courier sector continues to record depressed service volumes and revenues. The impact of e-substitution on the postal and courier business is expected to continue as the

data revolution gathers momentum. E-commerce needs to be supported, as it is a key driver of international courier volumes and revenues.