

POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE (POTRAZ)



'creating a level playing field'

ABRIDGED POSTAL & TELECOMMUNICATIONS SECTOR PERFORMANCE REPORT

FOURTH QUARTER 2018

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

1. MAJOR HIGHLIGHTS

- The total number of active fixed telephone lines increased by 1% to reach 268,849 from 263,962 recorded in the third quarter of 2018. The fixed tele-density remained at 1.9%.
- Fixed voice traffic declined by 3.3% to record 113 million minutes from 116.8 million minutes recorded in the third quarter of 2018
- Fixed telephone revenue increased by 9.8% to record \$38 million from \$34.5 million recorded in the third quarter of 2018.
- Active mobile subscriptions increased by 1.3% to record 12,908,992 from 12,748,551 recorded in the third quarter of 2018. The mobile penetration rate increased by 1.2% to reach 93.1% from 91.9% recorded in the third quarter of 2018.
- Mobile voice traffic increased by 4.1% to record 1.32 billion minutes from 1.27 billion minutes recorded in the third quarter of 2018.
- Mobile internet and data usage increased by 15.7% to record 7,395TB from 6,104TB recorded in the third quarter of 2018.
- Mobile telephone revenue declined by 13.3% to reach \$287,035,249 from \$331,165,401 recorded in the third quarter of 2018.
- Mobile network operating costs increased by 5% to record \$174.8 million from \$166.5 million recorded in the third quarter of 2018.
- Active internet subscriptions grew by 13.4% to reach 8.7 million from 7.7 million recorded in the third quarter of 2018. The internet penetration rate increased by 7.5% to reach 62.9% from 55.4% recorded in the third quarter of 2018.
- Used incoming international internet bandwidth capacity also grew by 0.8% to reach 84,683Mbps from 85,333Mbps recorded in the third quarter of 2018.
- IAP revenues increased by 13.2% to record \$69.7 million from \$61.6 million recorded in the third quarter of 2018.
- Postal and courier volumes increased by 11.5% to record 2.1 million from 1.9 million recorded in the third quarter of 2018.
- Postal and courier revenues increased by 6.9% to record \$8.8million from \$8.3million recorded in the third quarter of 2018.

2. FIXED TELEPHONE SERVICE

2.1 SUBSCRIPTIONS

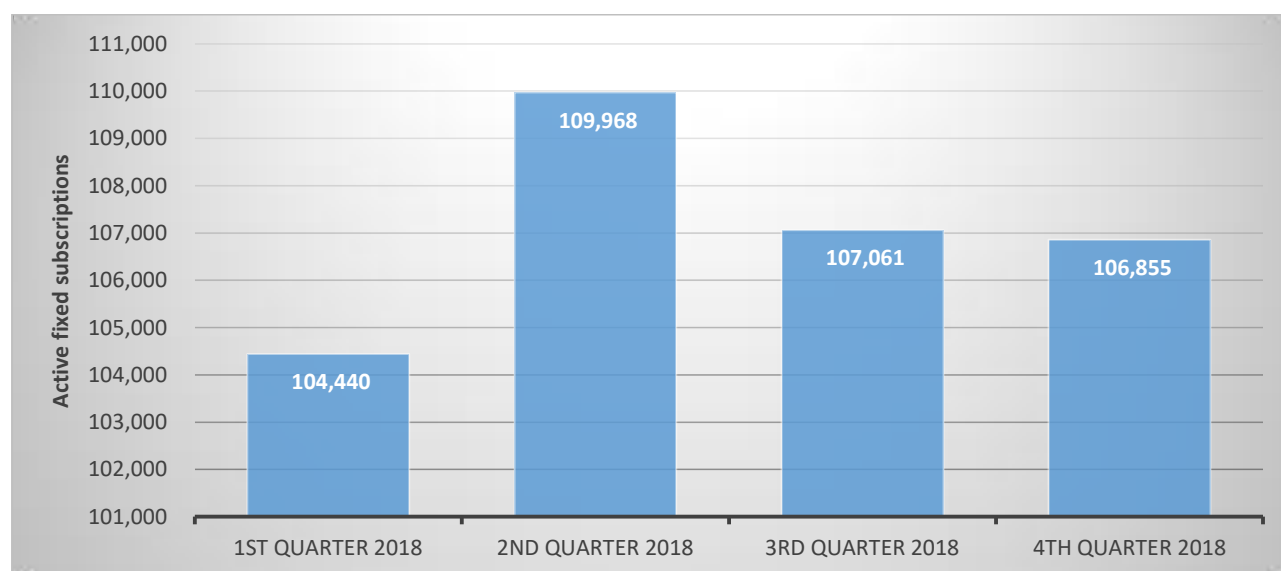
The total number of active fixed telephone lines grew by 1% to record 268,849 as at 31 December 2018 up from 266,219 recorded as at 30 September 2018. The fixed tele-density remained at 1.9%. The overall growth is attributable to the increase in residential subscriptions as shown in Table 1 below:

Table 1: Fixed telephone subscriptions

Traffic category	3 rd Quarter 2018	4 th Quarter 2018	% Growth
Residential	159,158	161,994	1.8%
Corporate	107,061	106,855	-0.2%
Total Active	266,219	268,849	1%

An annual comparison shows a 1.8% growth to reach 268,849 in 2018 from 264,150 recorded in 2017. Active corporate fixed telephone lines have been fluctuating over the course of the year as shown in Figure 1 below:

Figure 1: Corporate fixed telephone subscriptions



The fluctuations are attributable to competition from VoIP providers. Corporates are increasingly adopting VoIP which is cheaper than traditional fixed telephony.

2.2 FIXED NETWORK TRAFFIC

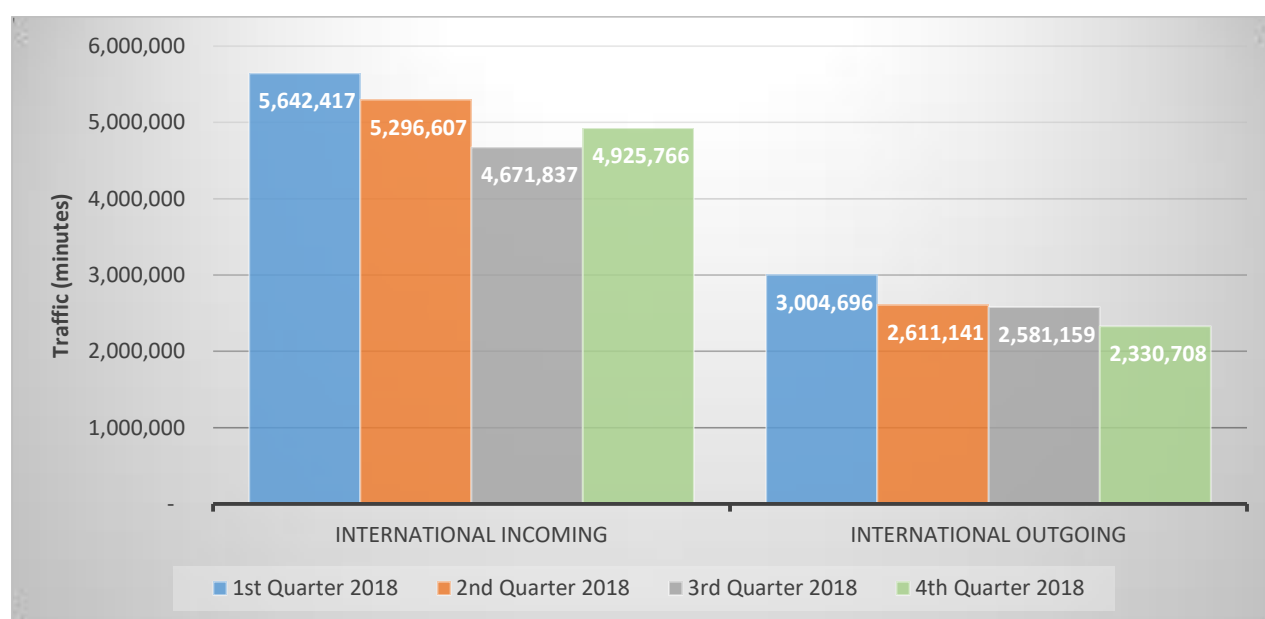
The total number of voice traffic processed by the fixed network declined by 3.3% to record 113 million minutes from 116.8 million minutes recorded in the third quarter of 2018. The quarterly growth per voice traffic category is shown in Table 2 below.

Table 2: Fixed Voice Traffic

Traffic category	3 rd Quarter 2018	4 th Quarter 2018	% Growth
Net on Net	34,058,473	27,414,939	-19.5%
Outgoing to Mobile	67,277,513	70,888,385	5.4%
Incoming from Mobile	5,970,950	5,368,377	-10.1%
Incoming from IAPs	1,129,027	1,117,829	-1.0%
Outgoing to IAPs	831,149	928,636	11.7%
International Incoming	4,671,837	4,925,766	5.4%
International Outgoing	2,581,159	2,330,708	-9.7%
Total traffic	116,820,108	112,974,640	-3.3%

As with the previous quarter, outgoing traffic to mobile networks and outgoing traffic to Internet Access Providers were the only two national traffic categories to record growth. This was the only quarter of the year to register growth in international incoming traffic as shown in Figure 2 below:

Figure 2: Decline in international voice traffic



The growth in international incoming traffic in the last quarter of the year is a regular trend and is attributable to the festive season.

2.3 FIXED TELEPHONE REVENUES, INVESTMENT & COSTS

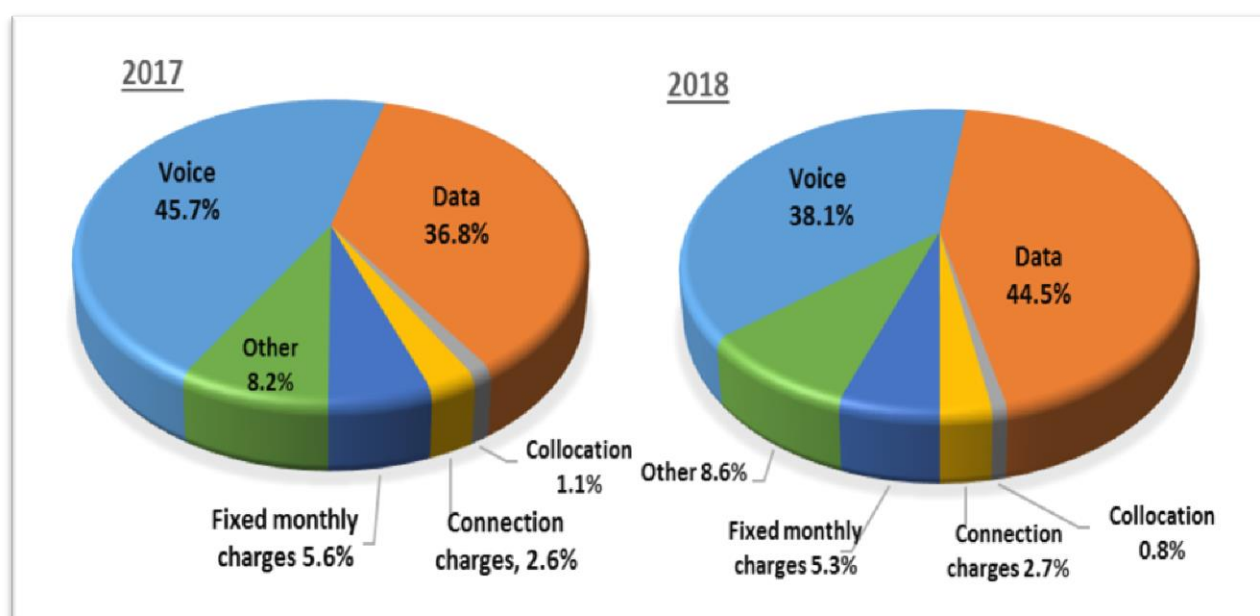
TelOne recorded growth in revenue and a decline in capital expenditure as shown in Table 3 below:

Table 3: Fixed Voice Revenue, Investment & Costs

	3 rd Quarter 2018	4 th Quarter 2018	% Variation
Revenue	\$34,648,297	\$38,040,623	9.8%
ARPU per month	\$43.51	47.36	8.8%
Investment	\$7,085,136	1,645,926	-76.8%

The fixed network operating costs increased by 9.4% in the quarter under review. An annual comparison shows that fixed network revenues increased by 16.2% to record \$135,422,008 in 2018 from \$116,571,070 recorded in 2017. Investment declined significantly by 61.2% to record \$22,412,620 from \$57,784,667 recorded in 2017. A comparison of the contribution to revenue by service in 2017 and 2018 is shown in Figure 3 below:

Figure 3: Contribution to revenue by service



As shown above, the contribution of data increased by 7.7%, overtaking the contribution of voice which declined by 8.9%. This phenomenon is consistent with the exponential growth of data and is also expected to be experienced in the mobile subsector in the near future as the industry becomes more data-centric.

3. MOBILE TELEPHONY

3.1 MOBILE SUBSCRIPTIONS

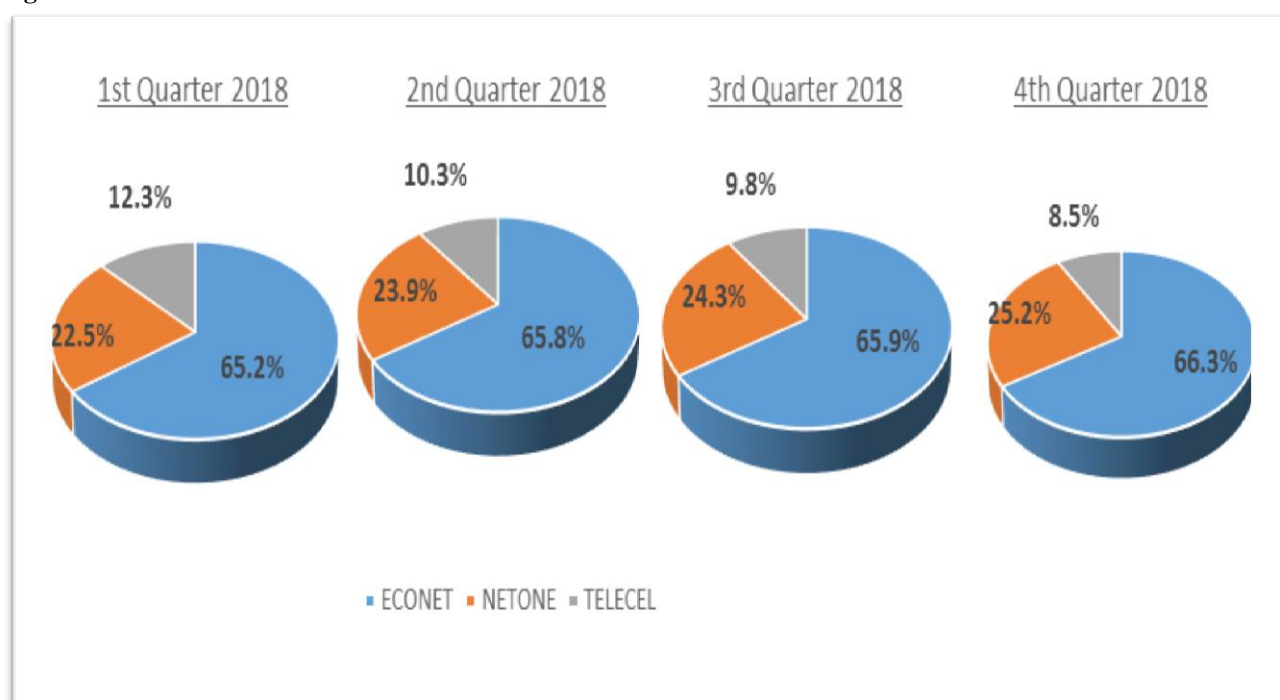
Active mobile subscriptions increased by 1.3% to record 12,908,992 from 12,748,551 recorded in the third quarter of 2018. All the mobile networks, with the exception of Telecel, recorded growth in active subscriptions as shown in Table 4 below:

Table 4: Active Mobile Subscriptions

Operator	3 rd Quarter 2018	4 th Quarter 2018	% Change
Econet	8,396,728	8,552,289	1.9%
NetOne	3,097,077	3,256,592	5.2%
Telecel	1,254,746	1,100,111	-12.3%
Total	12,748,551	12,908,992	1.3%

An annual comparison shows that total active mobile subscriptions declined by 8.4% to reach 12,908,992 from 14,092,104 recorded in 2017; hence, the mobile penetration rate declined by 9.6% to reach 93.1% from 102.7% recorded in 2017. The movement in the market share of active mobile subscribers over the course of the year was as follows:

Figure 4: Market share of mobile subscribers



As shown above, Telecel lost subscribers over the course of 2018 whereas Econet and NetOne recorded gains in their subscriber bases, with Econet maintaining its dominant position.

3.2 MOBILE TRAFFIC AND USAGE PATTERNS

3.2.1 MOBILE VOICE TRAFFIC

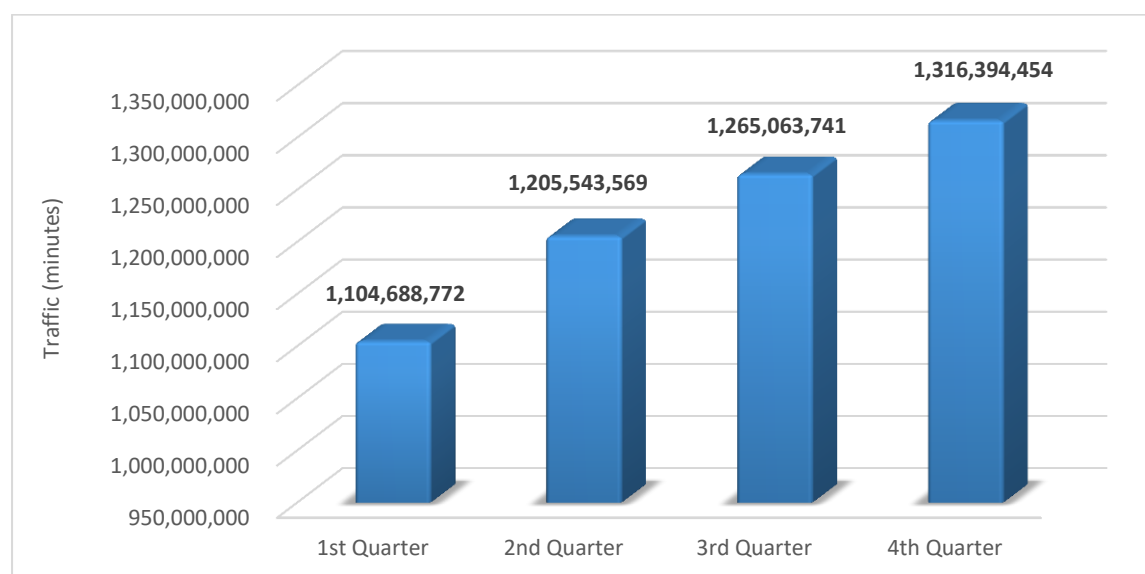
There was an overall growth in mobile voice traffic in the fourth quarter of 2018 as shown in Table 5 below:

Table 5: Mobile voice traffic in minutes

Traffic Category	3rd Quarter 2018	4 th Quarter 2018	Variance (%)
Net on Net	922,820,454	958,459,438	3.9%
Mobile to Fixed	5,970,950	5,368,377	-10.1%
Incoming from Fixed	67,277,513	70,888,385	5.4%
Mobile to Other Mobile (by termination)	188,735,307	202,997,307	7.6%
Outgoing to IAPs	1,592,455	1,609,755	1.1%
Incoming from IAPs	17,461,807	17,783,274	1.8%
TOTAL NATIONAL	1,203,858,486	1,254,666,293	4.2%
International Incoming	38,583,365	38,783,910	0.5%
International Outgoing	20,168,997	20,329,201	0.8%
Inbound Roaming	1,618,727	1,598,658	-1.2%
Outbound Roaming	834,166	1,016,392	21.8%
Total Traffic	1,265,063,741	1,316,394,454	4.1%

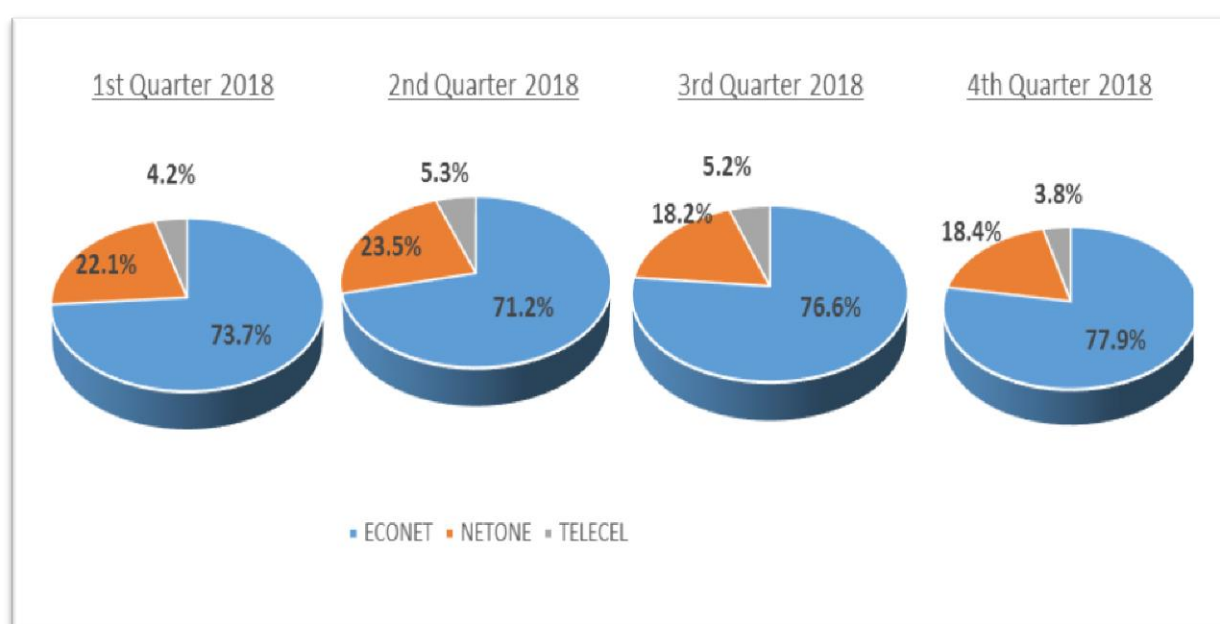
As shown above, all traffic categories, with the exception of mobile to fixed and inbound roaming traffic, recorded growth. Voice traffic has been consistently growing over the course of 2018 as shown in Figure 5 below:

Figure 5: Growth in mobile voice traffic



An annual comparison shows that mobile voice traffic grew by 27% to record 4.89 billion minutes in 2018 from 3.85 billion recorded in 2017. The overall growth in mobile voice traffic is mainly attributable to the 26% annual growth in on-net traffic because of promotions. The changes in the market share of active mobile subscribers over the course of the year is shown in Figure 6 below.

Figure 6: Voice Traffic Market Share

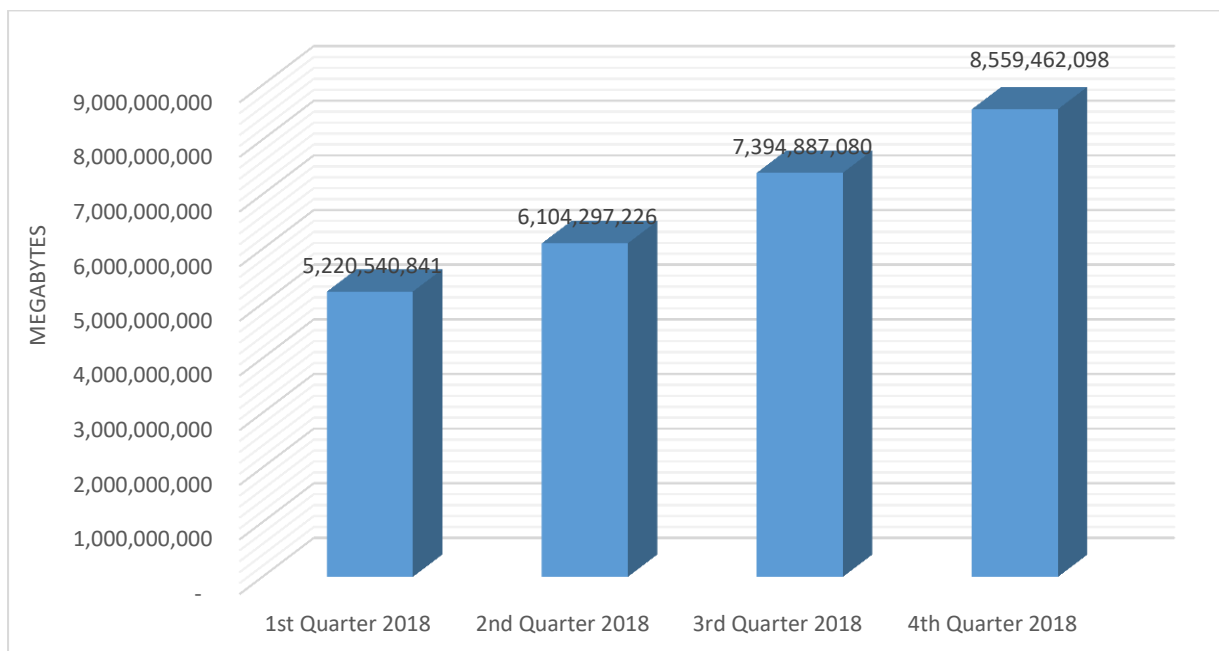


As shown above, Econet`s dominance increased over the course of the year, whereas Telecel and NetOne`s market shares declined. The decline in Telecel`s voice traffic market share is consistent with the decline in their subscriber base.

3.2.2 MOBILE INTERNET & DATA TRAFFIC

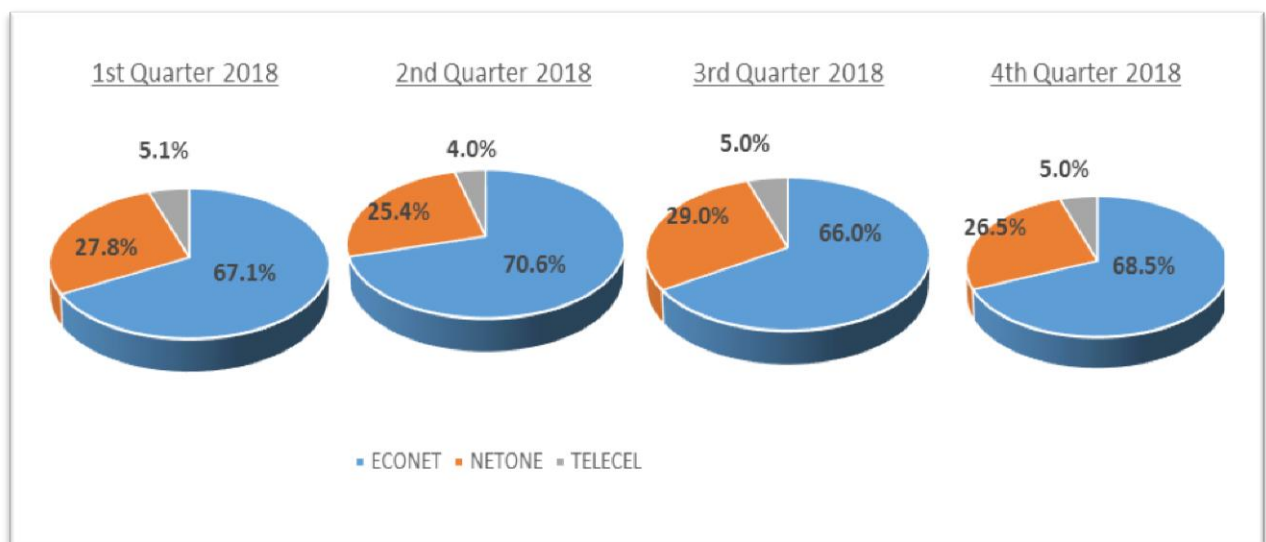
Mobile internet and data utilisation increased by 15.7% in the quarter under review as all the mobile operators recorded growth in mobile internet and data usage. Mobile internet and data usage has been consistently increasing during the course of the year as shown in Figure 7 below:

Figure 7: Growth in mobile internet & data



At 27,278TB, mobile internet and data consumption in 2018 grew by 77.6% from 15,361 consumed in 2017. The market share of mobile internet and data use was as follows:

Figure 8: Market Share of Internet & data traffic



As shown above, all the mobile operators experienced fluctuations in market share of internet and data.

3.3 MOBILE REVENUES, COSTS & INVESTMENT

A quarterly growth in mobile operator revenues and operating costs is shown in Table 6 below:

Table 6: Mobile operator revenues and costs

	3 rd Quarter 2018	4 th Quarter 2018	Variance
Revenues	331,165,401	287,035,249	-13.3%
Operating Costs	166,472,388	174,783,920	5%

As shown above, there was an overall decline in mobile revenues vis-à-vis a growth in operating costs during the quarter under review. However, annual comparison shows that mobile network revenues increased by 36% to record \$1,155,754,561 in 2018 from \$849,880,489 recorded in 2017. Operating costs also grew by 25.3% to record \$660,599,344 in 2018 from \$527,345,083 recorded in 2017. An annual comparison of the Average Revenue per User per month (ARPU), Average Cost per User per month (ACPU) and the Average Margin per User per month (AMPU) is shown in Figure 10 below:

Figure 9: ARPU, ACPU, AMPU

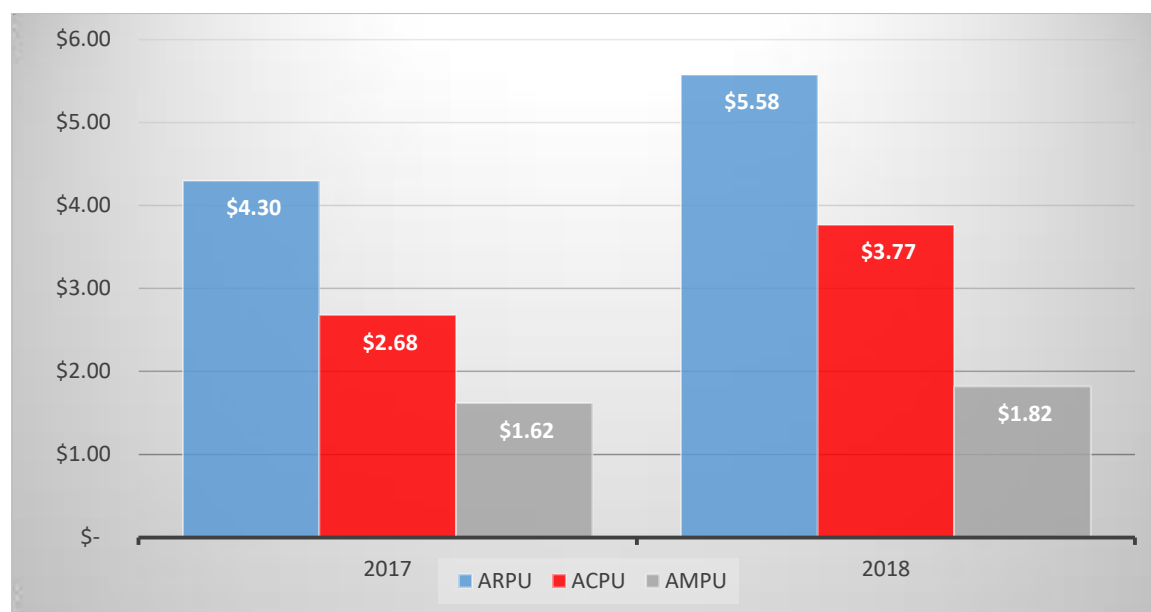
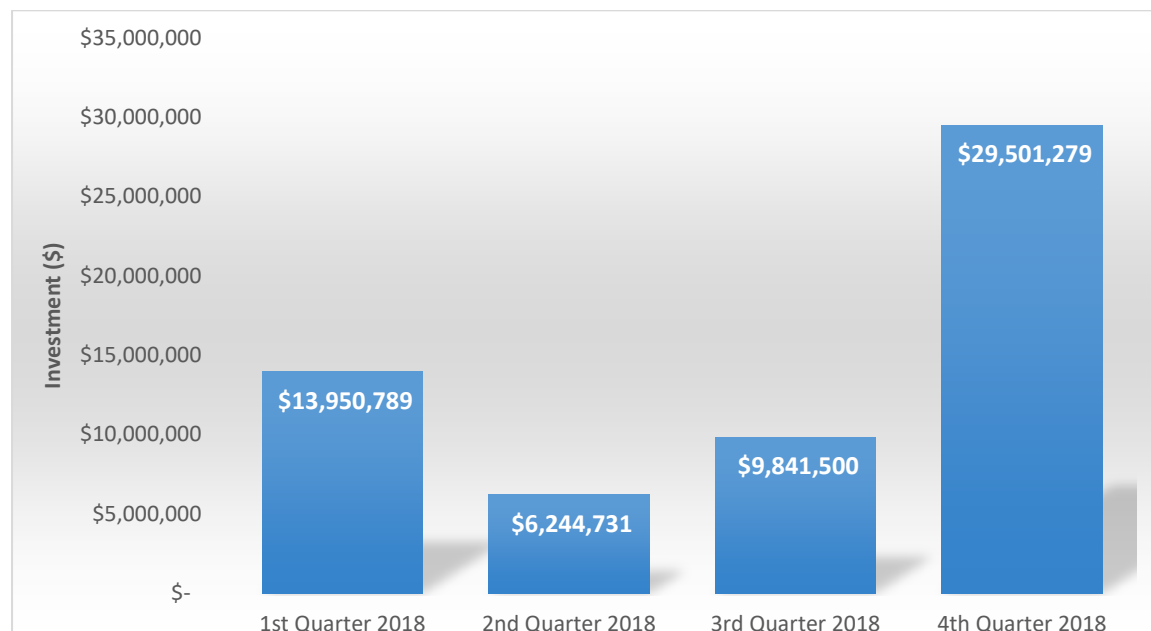


Figure 10 above shows a growth in revenue per user (29.8%) vis-à-vis an even bigger growth in costs per user (40.7%). Capital expenditure by mobile operators grew by 199.8% to record \$29,501,279 in the quarter under review from \$9,841,500 recorded in the previous quarter.

However an annual comparison shows a 41% decline in annual capital expenditure by mobile operators to record \$59,538,288 in 2018 from \$100,853 recorded in 2017.

Figure 10: Investment by mobile operators



The fourth quarter of 2018 recorded the highest growth in capex as shown above. The capital expenditure was mainly on national transmission.

3.4 MOBILE TELEPHONY INFRASTRUCTURE

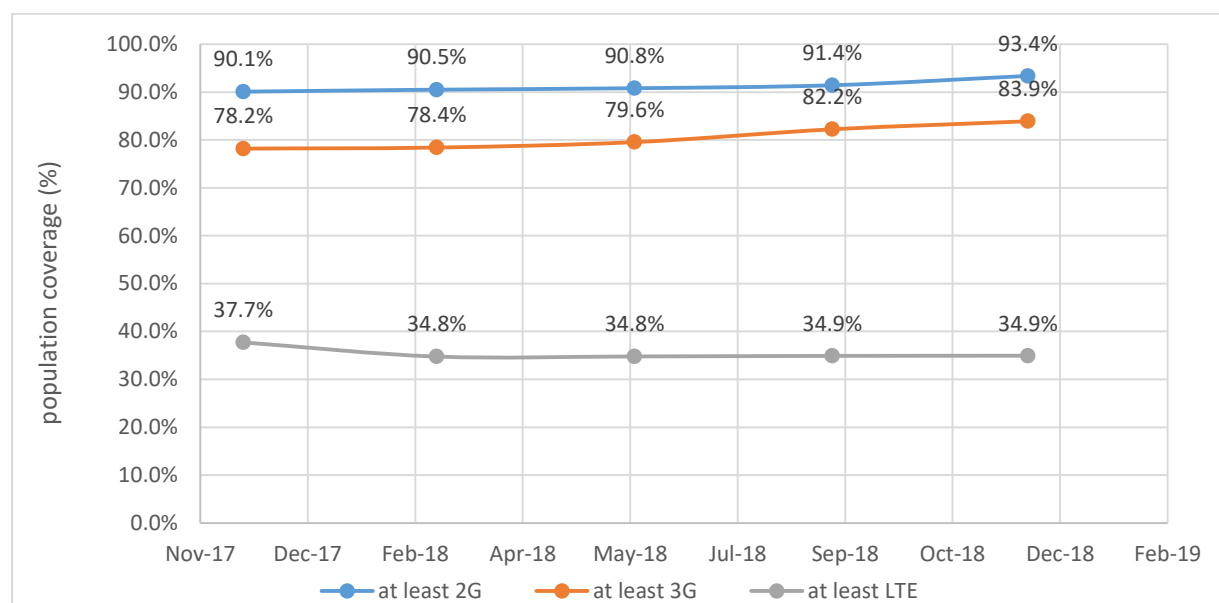
The total number of base stations in the country was 8,796 as at 31 December 2018, up from 8,662 recorded in the third quarter following the commissioning of 134 additional base stations. The number of base stations per technology is broken down by operator in Table 7 below:

Table 7: Mobile Base Stations

Operator	2G			3G			LTE		
	Q3 2018	Q4 2018	Net Addition	Q3 2018	Q4 2018	Net Addition	Q3 2018	Q4 2018	Net Addition
Total	4,876	4,934	58	2,818	2,856	38	968	1,006	38

An annual comparison shows that 130 2G base stations, 213 3G base stations and 75 LTE eNode Bs were commissioned in 2018. This has led to improved network population coverage as shown in Figure 12 below:

Figure 11: Population Coverage



As shown above, the country is yet to attain 100% population coverage. This means that more still needs to be done ensure that all areas are covered.

3.5 MOBILE MONEY

3.5.1 MOBILE MONEY SUBSCRIPTIONS

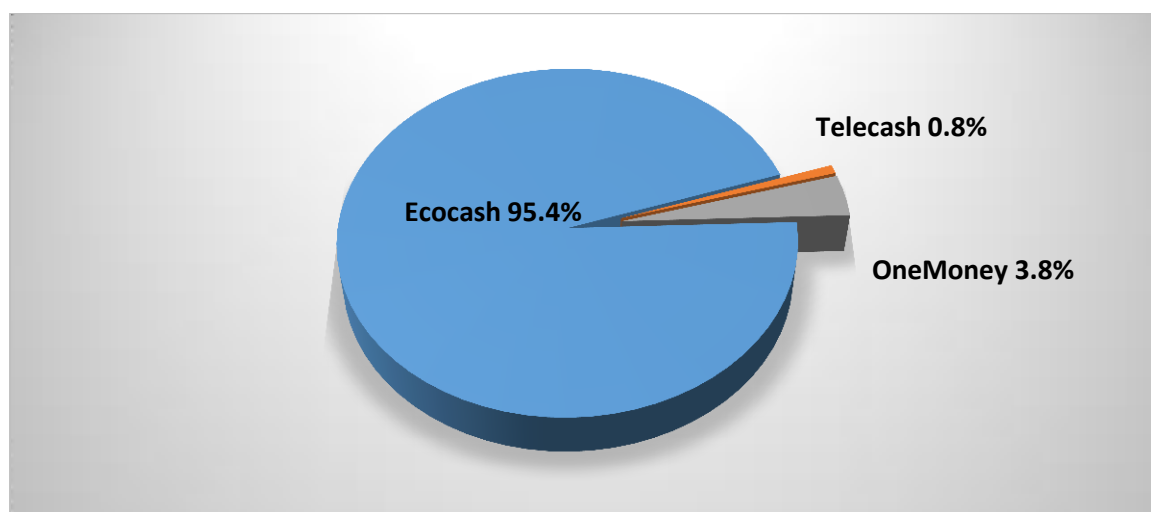
The total number of active mobile money subscriptions was 6,352,552 as at 31 December 2018. This represents 1.6% growth from 6,252,538 recorded in the third quarter of 2018. The growth in mobile money subscriptions per operator is shown in Table 8 below:

Table 8: Active mobile money subscriptions

OPERATOR	3 rd Quarter 2018	4 th Quarter 2018	% Growth
ECOCASH	6,017,685	6,057,594	0.7%
TELECASH	52,863	53,392	1%
ONE MONEY	181,990	241,566	32.7%
TOTAL	6,252,538	6,352,552	1.6%

As shown above, all the mobile networks recorded growth in active mobile money subscriptions with OneMoney recording the highest growth rate of 32.7%. An annual comparison of total active mobile money subscriptions shows a 35% growth from 4,706,778 recorded as at 31 December 2017. The market share of mobile money subscriptions is shown in Figure 13 below:

Figure 12: Market share of active mobile money subscriptions



There was no major change in the market share of mobile money subscriptions over the course of the year.

3.5.2 MOBILE MONEY AGENTS

There was an overall growth in mobile money agents in the quarter under review as shown in Table 9 below:

Table 9: Mobile Money agent network

OPERATOR	3 rd Quarter 2018	4 th Quarter 2018	% Growth
ECOCASH	25,168	26,529	5.4%
TELECASH	549	486	-11.5%
ONEMONEY	12,700	15,002	18.1%
TOTAL	38,417	42,017	9.4%

The decline in Telecash's active agents is attributable to the liquidity challenges in the economy as cash float is required by agents to facilitate transactions.

3.5.3 MOBILE MONEY TRANSACTIONS

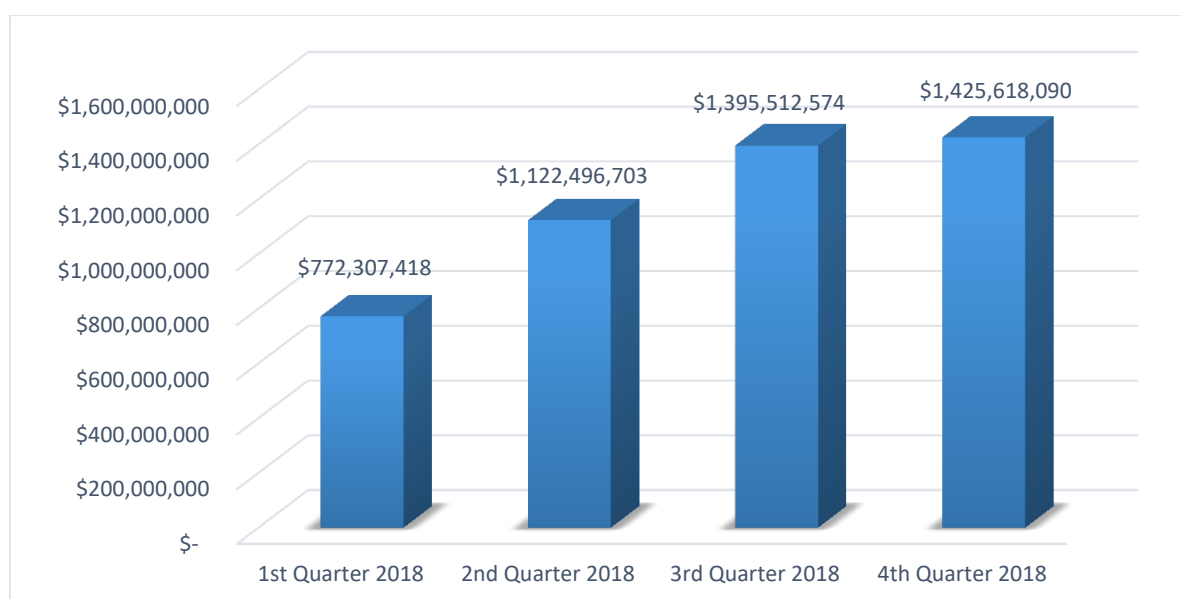
A quarterly comparison of the value and volumes of mobile money transactions is shown in Table 10 below:

Table 10: Mobile money transactions

	3 rd Quarter 2018	4 th Quarter 2018	Variance
Cash In	\$1,070,206,108	\$1,051,832,591	-1.7%
Cash Out	\$796,837,342	\$837,760,820	5.1%
Airtime, Bill & Merchant Payments	\$1,395,512,574	\$1,425,618,090	2.2%
Cross Network	\$239,700	\$98,092	-59.1%
Number of transactions	492,712,512	456,781,697	-7.3%

As shown above, there was growth in cash out, airtime and merchant payments in the quarter under review. On the other hand, there was a decline in the value of cash-in transactions as well as the total number of transactions. The decline in cash-in transactions is attributable to liquidity challenges in the economy. Cross-network transactions have been declining and this is attributable to the lack of comprehensive wallet to wallet interoperability amongst the three mobile money providers. Mobile money has become an important channel for effecting Person to Business (P2B) transactions as shown by the growth in the value of merchant mobile money transactions as shown below:

Figure 13: Growth in airtime and merchant mobile money transactions



An annual comparison shows that airtime and merchant payments grew by 190.5% to record \$4,715,934,785 in 2018 from \$1,623,469,563 recorded in 2017. Cash-In transactions grew by 146.5% to record \$3,806,534,842 from \$1,544,100,162 recorded in 2017. Cash-out transactions also grew by 105.6% to record \$2,843,488,072 from \$1,382,968,270 recorded in 2017. On the other hand, cross-network transactions declined by 46.7% to record \$683,732 from \$1,282,318 recorded in 2017.

4. DATA & INTERNET SERVICE

4.1 SUBSCRIPTIONS

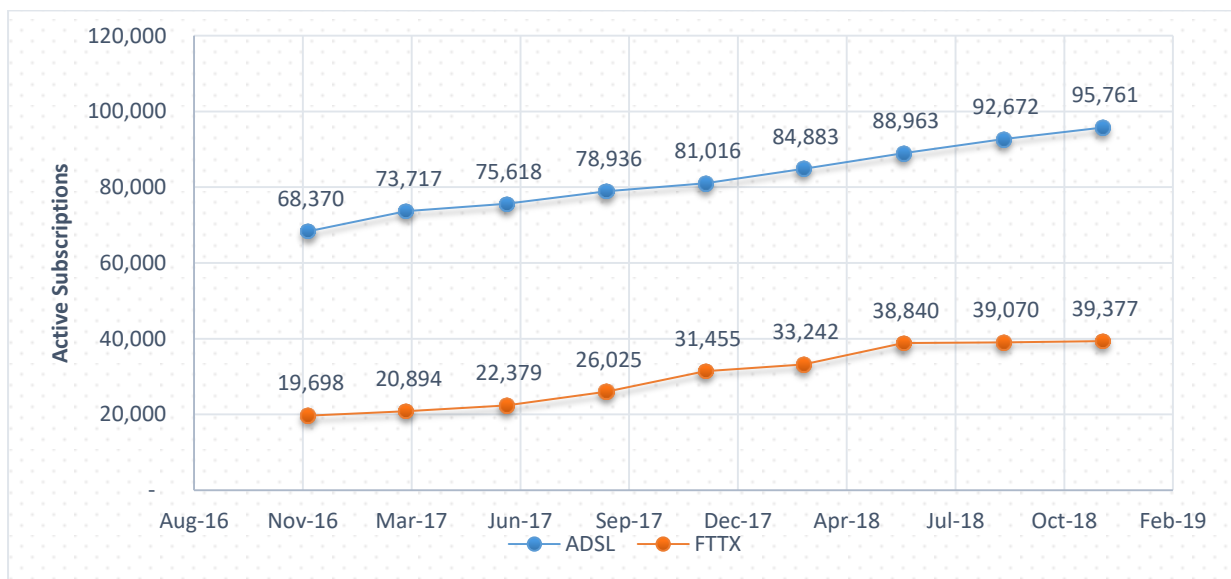
The total number of active internet subscriptions as at 31 December 2018 was 8,723,242. This represents a 13.4% growth from 7,690,134 recorded in the third quarter of 2018. The growth in internet subscriptions per service category is shown in Table 11 below:

Table 11: Active Internet Subscriptions

Technology	3rd Quarter 2018	4th Quarter 2018	Variation (%)
3G/HSDPA/LTE	7,519,693	8,550,186	13.7%
LEASED LINES	2,310	2,026	-12.3%
DSL	92,672	95,761	3.3%
WiMAX	3,876	3,414	-11.9%
CDMA	28,992	28,489	-1.7%
VSAT	3,521	3,989	13.3%
ACTIVE FIBRE SUBSCRIPTIONS	39,070	39,377	0.8%
TOTAL	7,690,134	8,723,242	13.4%

The internet penetration rate increased by 7.5% to reach 62.9% from 55.4%. Leased lines and WiMAX subscriptions have been gradually declining as the uptake of ADSL and Fibre improves. The growth in Fibre and ADSL is shown in Figure 15 below:

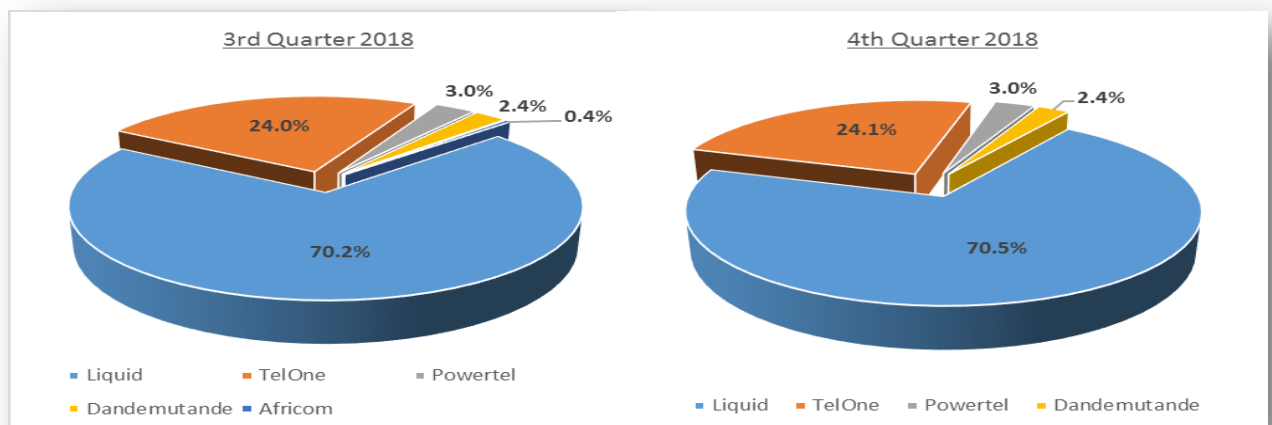
Figure 14: Growth in fibre subscriptions



4.2 INTERNATIONAL INTERNET CONNECTIVITY

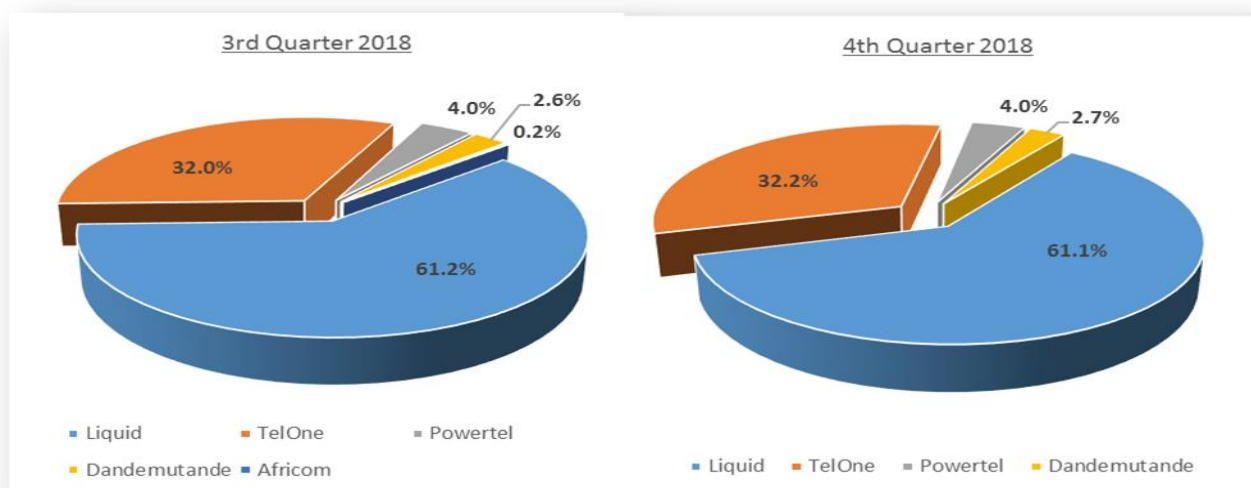
The total equipped incoming international internet bandwidth capacity declined by 0.4% to record 113,405Mbps from 113,870 recorded in the third quarter of 2018. Used incoming international internet bandwidth capacity also declined by 0.8% to reach 84,683Mbps from 85,333Mbps recorded in the third quarter. The quarterly variation in the market share of equipped capacity is shown in Figure 16 below:

Figure 15: Market share of equipped international bandwidth capacity



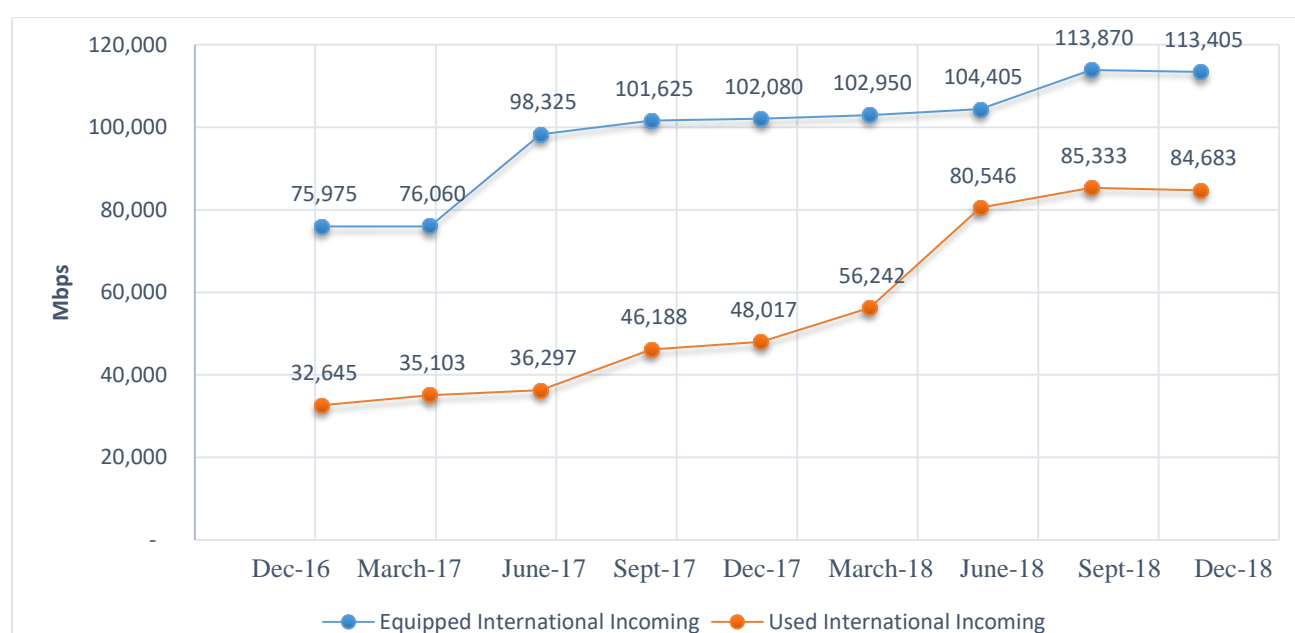
The market share of used international internet bandwidth capacity is shown in Figure 17 below:

Figure 16: Market Share of Used International Incoming Bandwidth Capacity



An annual comparison shows that equipped incoming international internet connectivity grew by 11.1% to record 113,405Mbps in 2018 from 103,080Mbps recorded in 2017. Used international incoming internet bandwidth capacity also grew by 76.4% to reach 84,683Mbps in 2018 from 48,017 Mbps recorded in 2017. The growth in equipped and used international internet bandwidth over the years is shown below:

Figure 17: International Internet Bandwidth Capacity



4.3 IAP REVENUES & INVESTMENT

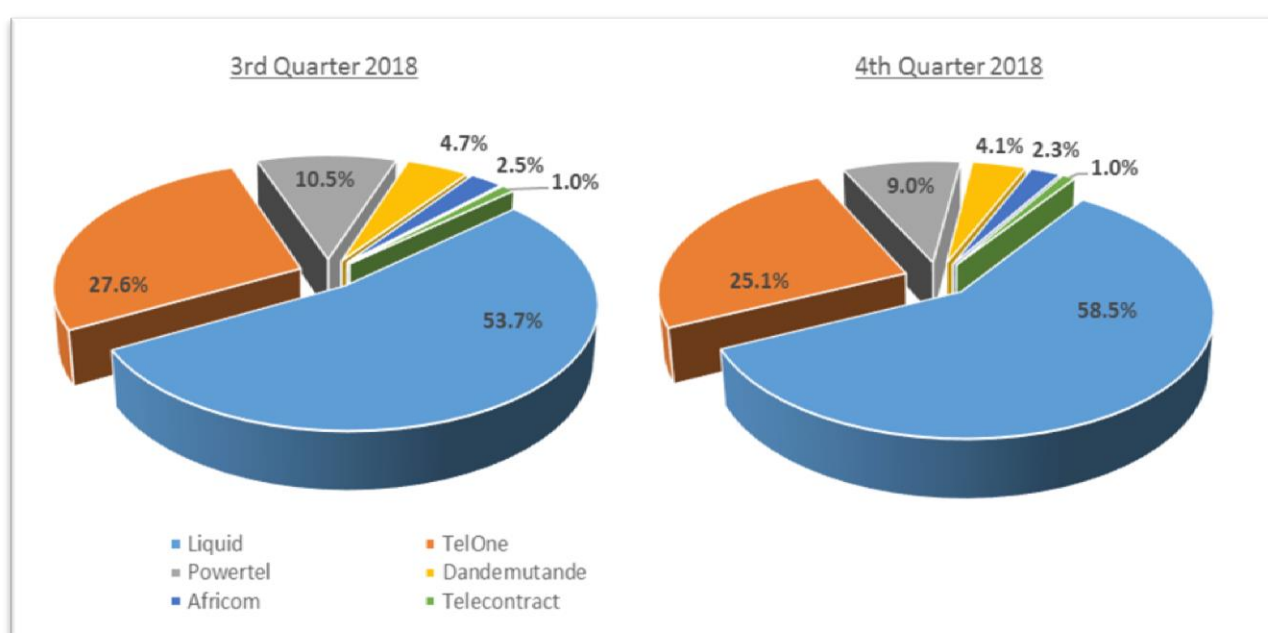
There was an overall growth in IAP revenue and investment in the quarter under review. On the other hand, operating costs also grew as shown in Table 12 below:

Table 12: IAP revenues market share

	3 rd Quarter 2018	4 th Quarter 2018	Variation (%)
Revenue	61,566,500	69,671,412	13.2%
Investment	14,398,684	20,835,029	44.7%
Operating Costs	39,417,447	45,123,822	14.5%

The growth in IAP revenues is attributable to the growth in data and internet usage. The quarterly variation in the market share of IAP revenues is shown in Figure 19 below:

Figure 18: Market share of IAP revenue



As shown above, there were no major changes in the market share of IAP revenue in the quarter under review.

5. POSTAL & COURIER

5.1 POSTAL & COURIER VOLUMES

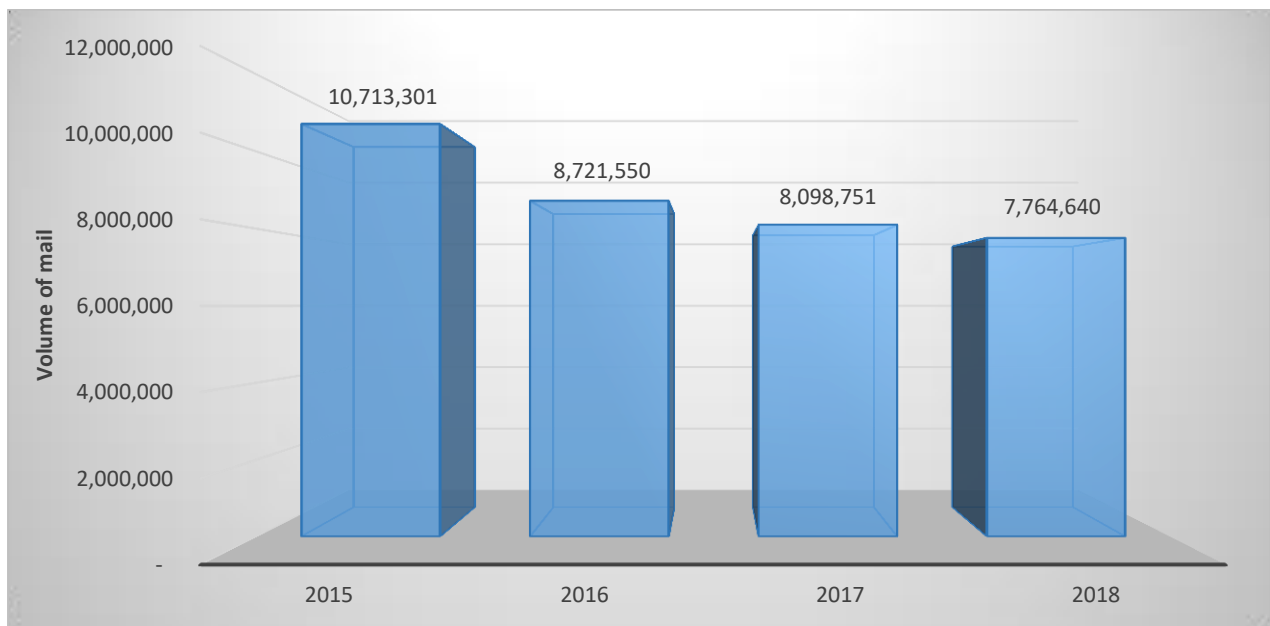
There was overall growth in postal and courier volumes in the quarter under review. The growth in volumes per category is shown in Table 13 below:

Table 13: Postal and courier volumes

Postal and Courier Service	3rd Quarter 2018	4th Quarter 2018	% Growth
Domestic postal letters	1,439,054	1,445,128	0.4%
Domestic courier	137,813	131,575	-4.5%
International incoming	258,160	371,717	44%
International outgoing courier	70,484	176,446	150.3%
Total Postal & Courier	1,905,511	2,124,866	11.5%

The growth in postal and courier volumes, in particular international incoming and outgoing courier, is attributable to the festive period. However, an annual comparison shows a 4.1% decline in total postal and courier volumes to record 7,764,640 in 2018 from 8,098,751 recorded in 2017. Postal and courier volumes have been gradually declining over the years as shown in Figure 20 below:

Figure 19: Postal & Courier Volumes



The gradual decline in postal and courier traffic is attributable to e-substitution as technology provides alternative channels for the transmission of information.

5.2 POSTAL & COURIER REVENUES, COSTS & INVESTMENT

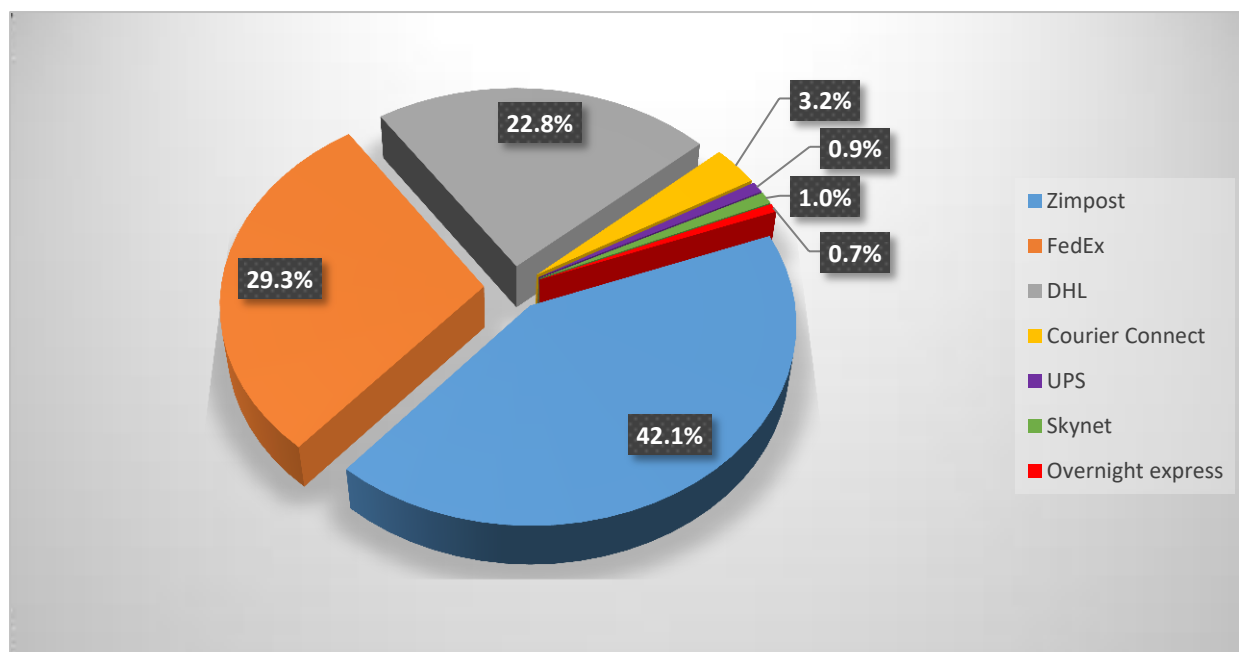
Total revenue, operating costs and investment by postal and courier operators is shown in Table 14 below:

Table 14: Postal & Courier Revenues, Costs & Investment

	3 rd Quarter 2018	4 th Quarter 2018	% Growth
REVENUES	\$8,268,603	\$8,839,285	6.9%
OPERATING COSTS	\$9,852,167	\$9,969,349	1.2%
INVESTMENT	\$107,142	\$677,139	532%

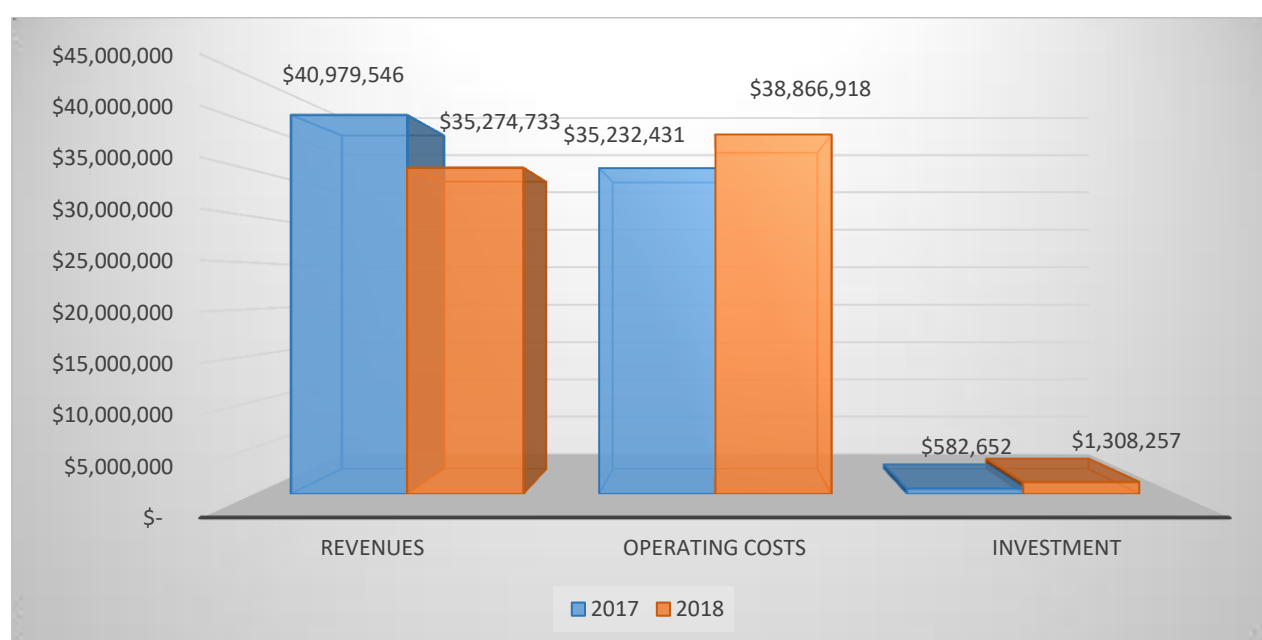
The significant growth in capital expenditure emanates from the purchase of a building by FedEx. Total revenue by postal and courier operators grew by 6.9% during the quarter under review. Nevertheless, operating costs exceeded revenues. However, there was no major change in the market share of revenue as shown in Figure 21 below:

Figure 20: Market Share of Postal & Courier Revenue



An annual comparison shows a decline in revenue; growth in operating costs and growth in capital expenditure as shown below:

Figure 21: Postal & Courier Revenues, Costs & Investment



Postal and Courier services revenue declined by 13.9% to record \$35.3 million in 2018 from \$41 million recorded in 2017. On the other hand, operating costs increased by 10.3% to record \$38.9 million from \$35.2 million recorded in 2017. Capital expenditure increased by 124.5% to record \$1.3 million from \$582,652 recorded in 2017.

6. OUTLOOK

The performance of the sector in 2019 will be dependent on the general economic environment. The economic environment impacts the sector through service demand and consumption levels, operating costs, investment et.al. Given the current inflationary pressures in the economy, operating cost containment will be even more crucial for operators to maintain profitability. The growth of operating costs poses a threat to operator viability and puts pressure on prices. This may in turn impact demand for postal and telecommunication services as consumers reduce usage.

Competition in the various service markets is expected to intensify; operators will compete on products and service offerings as well as prices through promotional offerings in order to retain subscribers and stimulate demand. However the current levels of market concentration are not expected to change significantly, with Econet and Liquid maintaining dominance of the mobile and Internet Access Provider markets respectively. There will be continued

momentum around innovation in non-traditional business models such as Internet of Things applications in order to tap into new revenue streams.

Data and internet services will continue to drive industry growth, exceeding the revenue contribution of voice service. The use of Over-the-Top services is expected to grow as consumers cut back on personal expenditure. The decline in postal volumes is expected to continue. The principal cause of the decline in letter volumes has been the substitution of paper communication by electronic methods (e-substitution). On the other hand, parcel traffic is expected to grow due to e-commerce. The growth of e-commerce will largely be determined by the availability of foreign currency.