

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



*'creating a level playing field'*

## **ABRIDGED POSTAL & TELECOMMUNICATIONS SECTOR PERFORMANCE REPORT**

**THIRD QUARTER 2019**

**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

<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>TB</b> .....	Terabyte
<b>Mbps</b> .....	Megabits per second
<b>VoIP</b> .....	Voice Over Internet Protocol

## **1. MAJOR HIGHLIGHTS**

The following are the main sector trends for the Third Quarter 2019 compared to the Second Quarter of 2019:

- **Mobile network revenues increased by 121% from \$375 million to record \$828.8 million, against a 202.7% increase in aggregate operating costs from \$233.7 million to \$707.4 million;**
- **Active mobile subscriptions grew by 4% from 12.4 million to 12.9 million; hence the mobile penetration rate increased by 3.4% from 84.8% to 88.2%;**
- **Marked 8% increase in national mobile voice traffic from 1.3 billion minutes to 1.4 billion minutes;**
- **International outgoing mobile voice traffic declined by 39.3% from 13,622,129 to 8,262,022 minutes; whilst International Incoming traffic declined by 0.7% from 36,222,428 to 35,970,868 minutes;**
- **Equipped Incoming International Internet Bandwidth Capacity increased by 8.7% to record 124,995Mbps from 114,995Mbps;**
- **Active internet subscriptions increased by 2.8% from 8,342,051 to 8,577,936; hence the internet penetration rate increased by 1.7% from 57.2% to 58.9%;**
- **Internet Access Provider revenues increased by 82.4% from \$137.7 million to \$251.2 million, against a 75% growth in operating costs from \$111 million to \$194.3 million;**
- **Postal and courier revenues increased by 64.5% from \$11.3 million to \$18.6 million against a 54.2% growth in operating costs from \$10.9 million to \$16.8 million;**
- **Postal and courier volumes declined by 25% from 1,335,849 to 1,002,058 items;**

## 2. MOBILE TELEPHONY

### 2.1 MOBILE SUBSCRIPTIONS

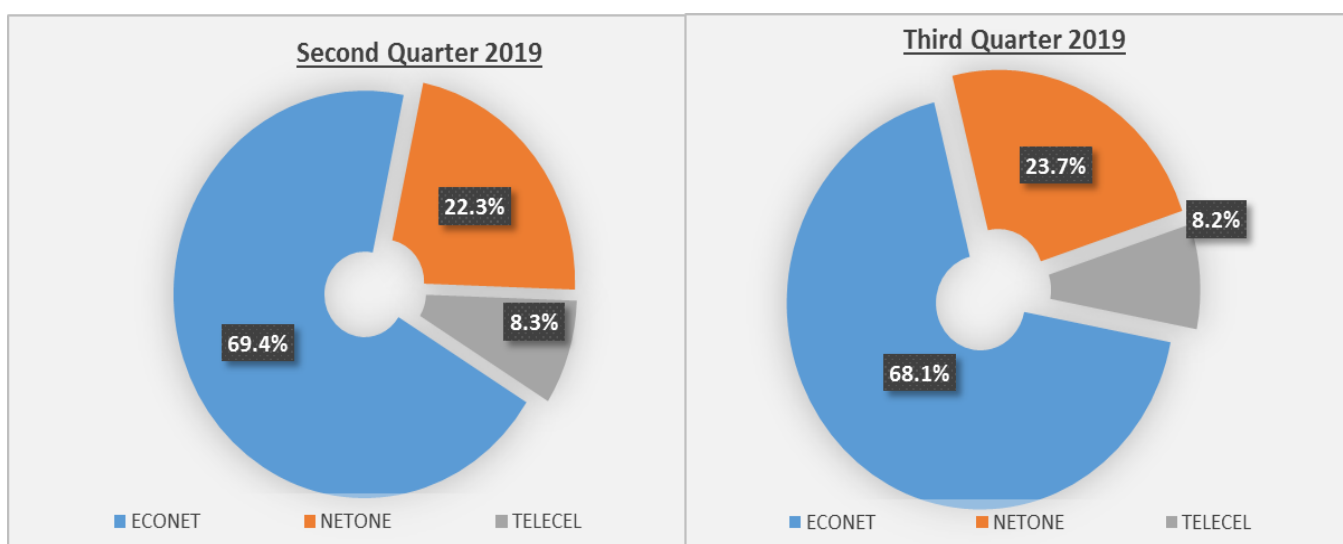
Active mobile subscriptions recorded a 4% growth to reach 12,853,615 from 12,354,315 recorded in the second quarter of 2019. The mobile penetration rate increased by 3.4% to reach 88.2% from 84.8% recorded in the previous quarter. All the mobile operators recorded growth in active subscriptions as shown in Table 1 below:

**Table 1: Active Mobile Subscriptions**

Operator	2 <sup>nd</sup> Quarter 2019	3 <sup>rd</sup> Quarter 2019	Variation
Econet	8,574,412	8,759,360	2.2%
NetOne	2,752,458	3,042,930	10.6%
Telecel	1,027,445	1,051,325	2.3%
<b>Total</b>	<b>12,354,315</b>	<b>12,853,615</b>	<b>4.0%</b>

As shown above, NetOne recorded the biggest growth in active subscriptions. The quarterly comparison of the market share of active mobile subscribers, based on Table 1 above, is as follows:

**Figure 1: Market Share of Mobile Subscribers**



As shown above, Econet and Telecel lost market share by 1.3% and 0.1% respectively whereas NetOne gained market share by 1.4%.

## 2.2 MOBILE TRAFFIC AND USAGE PATTERNS

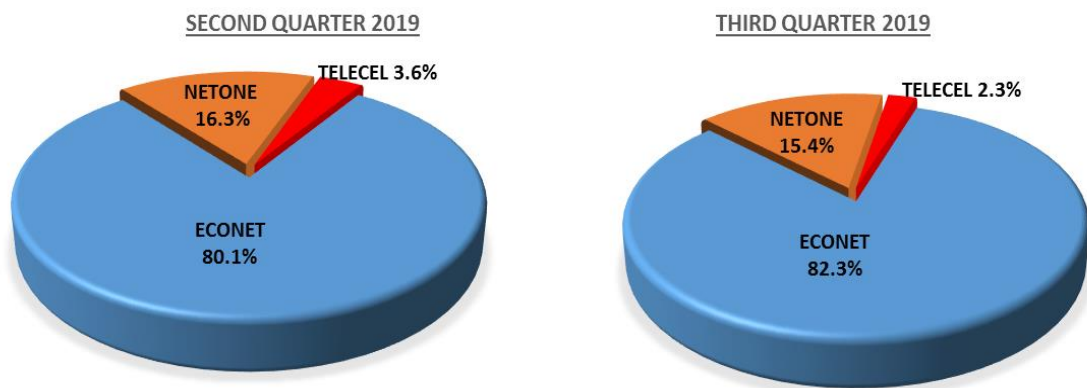
There was an overall growth in national voice traffic vis-à-vis a decline in international voice traffic. Mobile internet and data traffic also grew, but by a small margin. The quarterly variation in traffic by the mobile operators is shown in table 2 below:

**Table 2: Mobile Telephone Traffic**

<b>Traffic Category</b>	<b>2<sup>nd</sup> Q 2019</b>	<b>3<sup>rd</sup> Q 2019</b>	<b>Variance (%)</b>
<b>Net on Net</b>	1,014,705,924	1,076,628,401	6.1%
<b>Mobile to Fixed</b>	5,769,314	5,779,052	0.2%
<b>Incoming from Fixed</b>	73,026,232	78,231,226	7.1%
<b>Mobile to Other Mobile (by termination)</b>	220,470,698	258,382,428	17.2%
<b>Outgoing to IAPs</b>	1,849,397	1,871,419	1.2%
<b>Incoming from IAPs</b>	22,085,983	24,359,500	10.3%
<b>TOTAL NATIONAL</b>	1,337,907,548	1,445,252,026	8.0%
<b>International Incoming</b>	36,222,428	35,970,868	-0.7%
<b>International Outgoing</b>	13,622,129	8,262,022	-39.3%
<b>Inbound Roaming</b>	1,663,863	1,478,672	-11.1%
<b>Outbound Roaming</b>	538,334	529,211	-1.7%
<b>Mobile internet and data traffic</b>	9,367,297,994	9,684,480,378	3.4%

International outgoing voice traffic recorded the biggest decline for a consecutive quarter i.e. 42.7% in the second quarter of 2019 and 39.3% in the third quarter of 2019. International voice tariffs have been gradually increasing, hence the inevitable substitution of international voice calls with cheaper Over-the-Top services such as WhatsApp, Viber, Skype amongst others. National voice service traffic increased by 8% in spite of the 113% increase in the base tariffs implemented in August as various promotions offering discounted tariffs for national voice, continued to run in the quarter under review. The voice traffic market share was as follows:

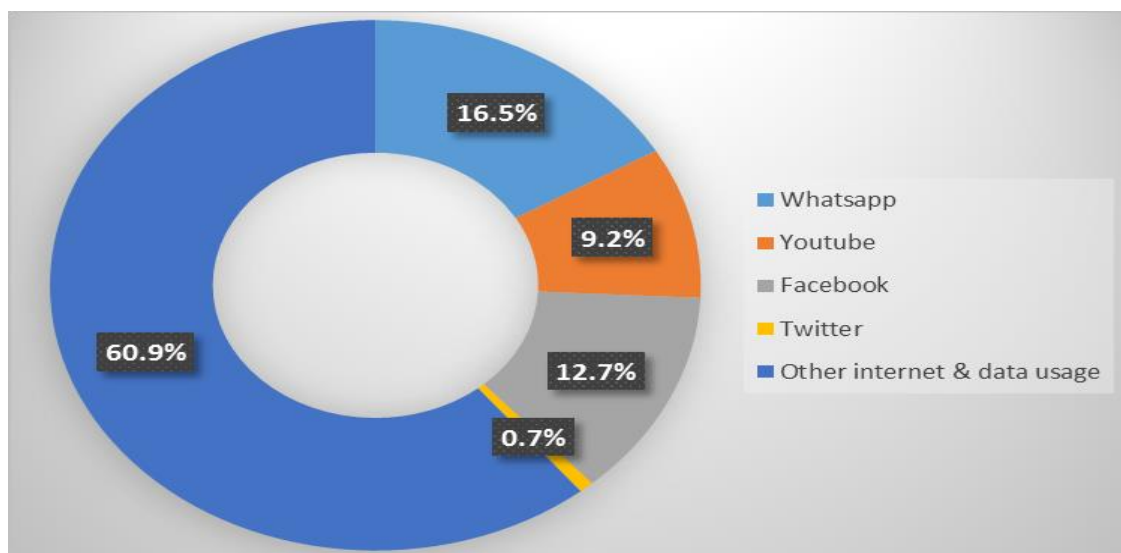
**Figure 2: Voice Traffic Market Share**



Econet's market share has been continuously increasing over the year, starting with a market share of 78.8% in the first quarter, recording 80.1% in the second quarter and 82.3% in the third quarter. On the other hand NetOne and Telecel's market shares have been consistently declining.

Mobile data and Internet usage registered a 3.2% growth, which is a marked improvement compared the 8.2% decline recorded in the previous quarter. The popular social media sites in Zimbabwe, WhatsApp, YouTube, Facebook and Twitter contributed 39.1% of total internet and data usage as shown in Figure 3 below:

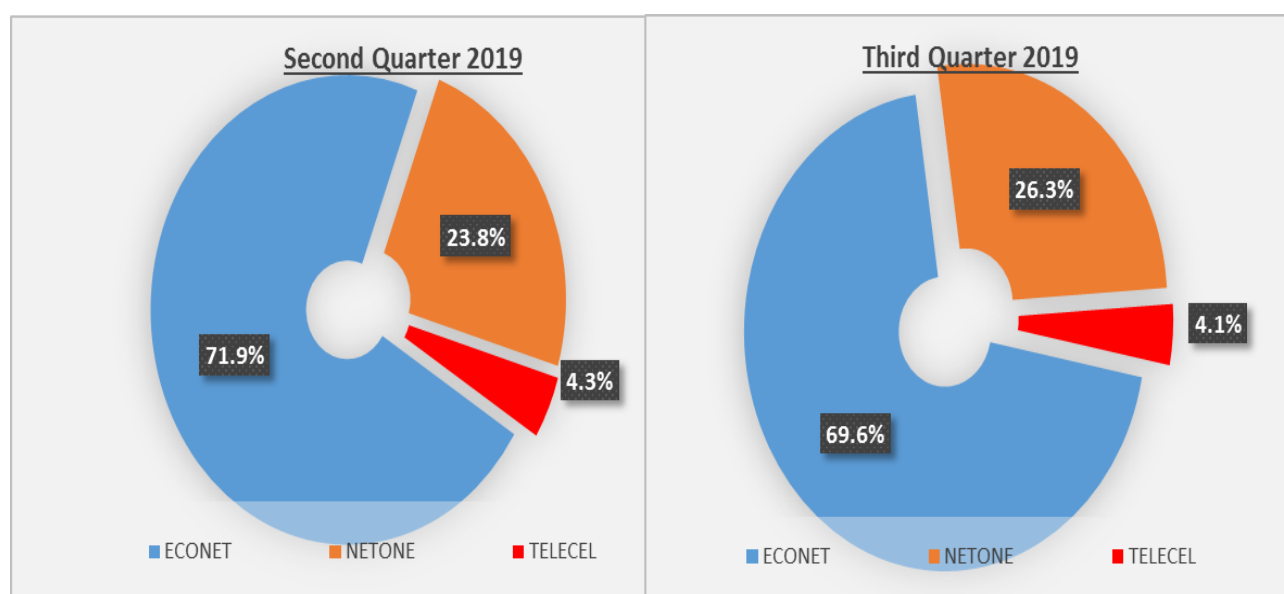
**Figure 3: Mobile Data & Internet usage**



YouTube is increasingly becoming a popular internet platform in Zimbabwe due to the growing interest in online video and the growing local content on YouTube. The quarterly variation in the market share of mobile internet and data usage was as follows:



**Figure 4: Market Share of Internet & Data Traffic**



As shown above, NetOne gained market share of internet and data usage by 2.5%. On the other hand, Ecomet and Telecel lost market share of internet and data usage by 2.3% and 0.2% respectively. This means that NetOne is slowly gaining market footprint for data/Internet services which could be the reason why its subscription base increased by 10% during the quarter under review.

### 3.3 MOBILE REVENUES, COSTS & INVESTMENT

Total mobile network revenue grew by 121% to record \$828,834,601 from \$375,028,782 recorded in the previous quarter. However, a more than proportionate growth in operating costs was recorded. Operating costs grew by 202.7% to record \$707,385,963 from \$233,660,532; the bulk of which being internet bandwidth costs and depreciation.

A quarterly comparison shows that the aggregate ARPU increased by 96.5% to record \$15.35 from \$7.81 recorded in the previous quarter; the ACPU increased by 91.5% to record \$10.19 from \$5.32; the AMPU also increased by 108.1% to record \$5.16 from \$2.48 recorded in the previous quarter.

Total investment by the mobile operators increased by 1,865.3% to record \$31,085,465 from \$1,085,465 recorded in the second quarter of 2019. The capital expenditure was mainly by

Econet who invested in national switching, mainly the upgrading of the core network and radio access network. Telecel made no investment during the period under review.

### 3.4 MOBILE TELEPHONY INFRASTRUCTURE

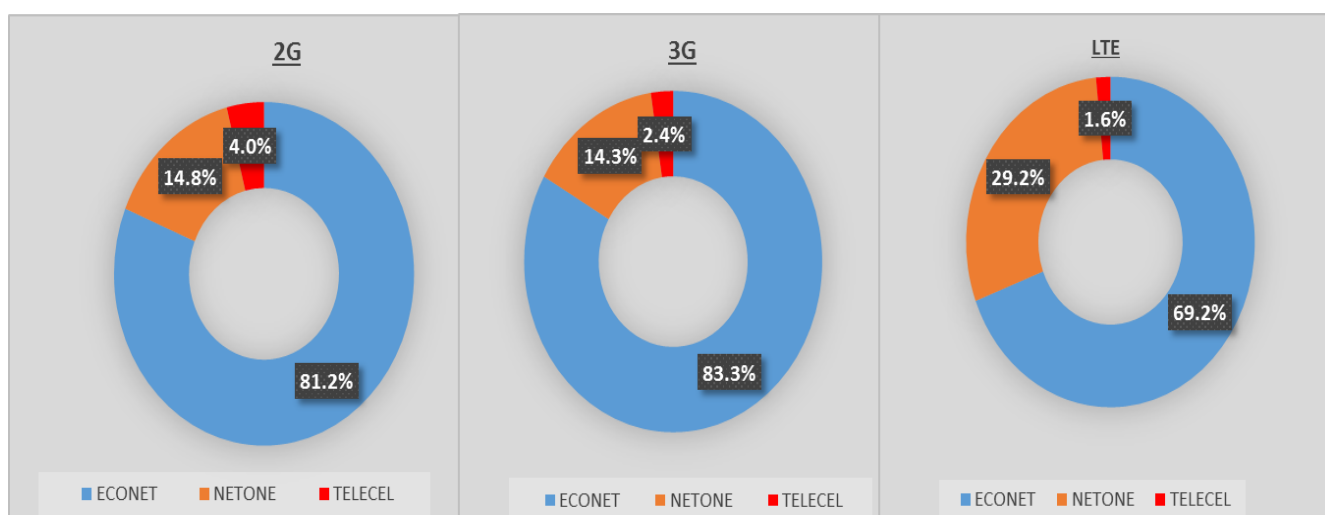
A total of five new LTE eNode Bs and 1 3G base station were deployed in the quarter under review. The number of base stations per technology by operator is shown in Table 3 below:

**Table 3: Mobile Base Stations**

Operator	2G			3G			LTE		
	Q2 2019	Q3 2019	Net Addition	Q2 2019	Q3 2019	Net Addition	Q2 2019	Q3 2019	Net Addition
<b>Total</b>	<b>4,973</b>	<b>4,973</b>	<b>-</b>	<b>2,890</b>	<b>2,891</b>	<b>1</b>	<b>1,033</b>	<b>1,038</b>	<b>5</b>

Econet still dominated the market in terms of 2G, 3G and LTE coverage. The market share of mobile base station infrastructure was as follows:

**Figure 5: Market Share of Mobile Base Station Infrastructure**



### 3.5 MOBILE MONEY

#### 3.5.1 MOBILE MONEY SUBSCRIPTIONS

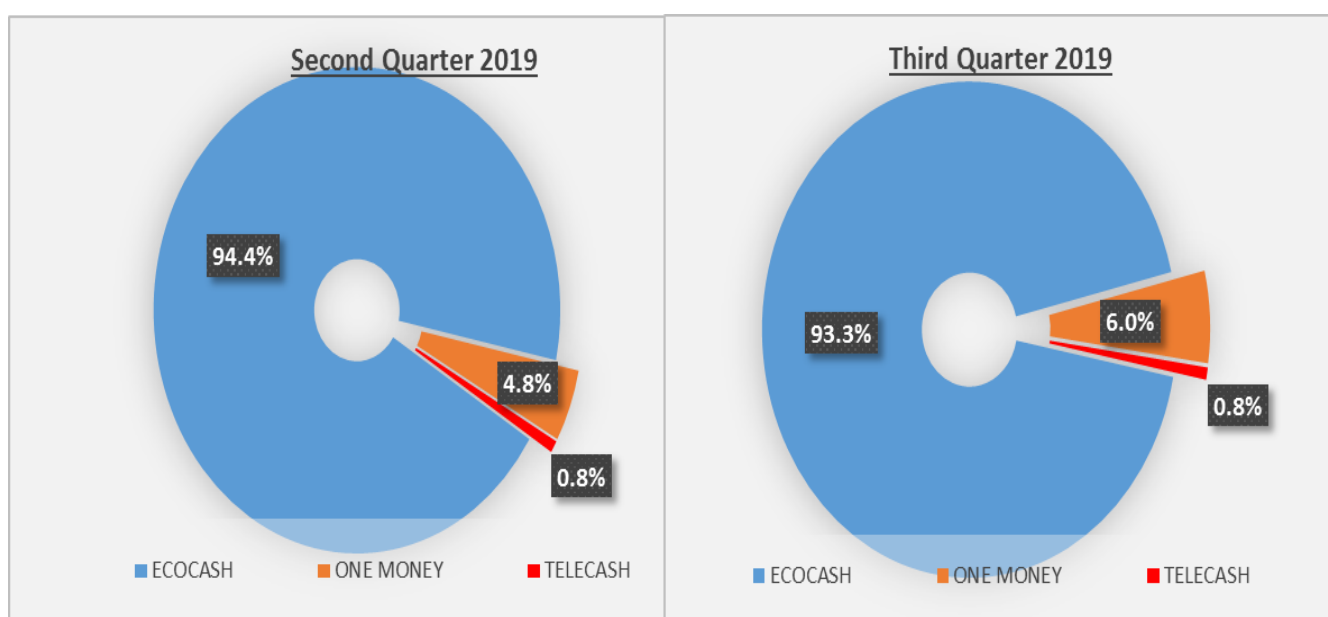
There was an overall growth in active mobile money subscriptions across all operators as shown in Table 4 below:

**Table 4: Active Mobile Money Subscriptions**

OPERATOR	2 <sup>ND</sup> Quarter 2019	3 <sup>RD</sup> Quarter 2019	Variance
ECOCASH	6,643,008	6,707,225	1%
TELECASH	54,190	54,399	0.4%
ONE MONEY	335,132	428,529	27.8%
TOTAL	7,032,330	7,190,153	2.2%

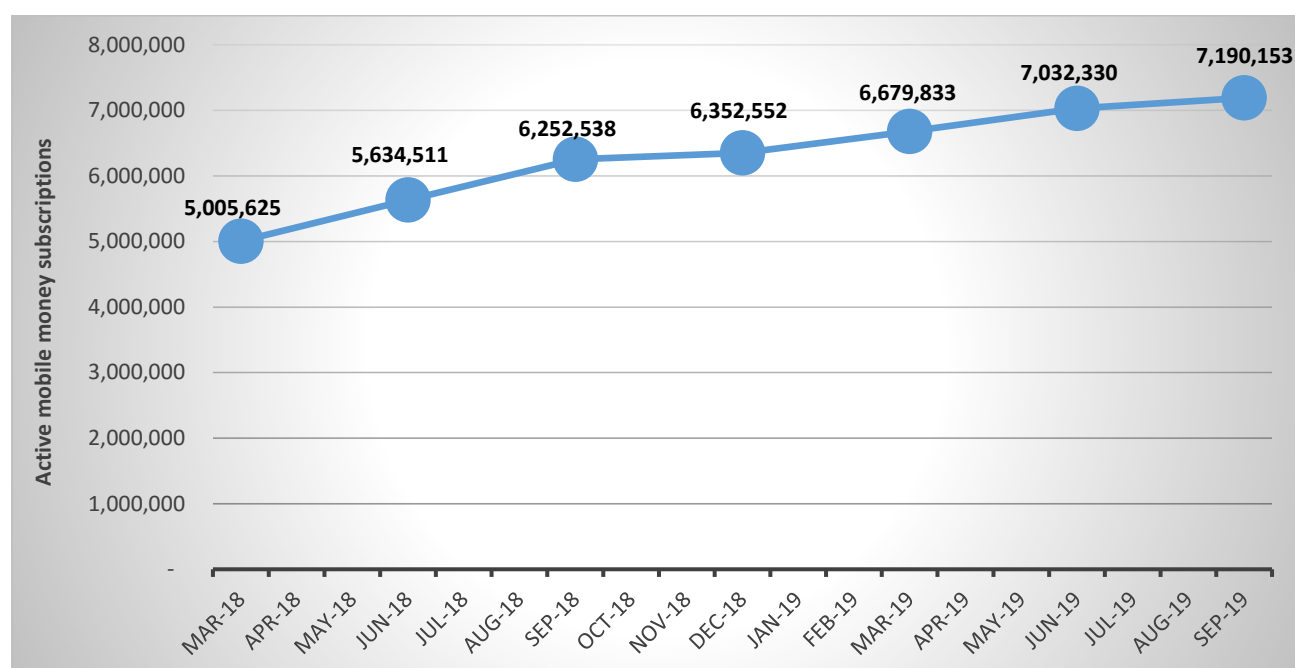
OneMoney recorded the highest growth in active mobile money subscriptions as shown above. The market share of mobile money subscriptions was as follows:

**Figure 6: Market Share of Active Mobile Money Subscriptions**



The adoption of mobile money has been continuously improving as mobile money provides a convenient alternative to making payments given the current cash shortages. The growth in active mobile money subscriptions is shown in Figure 8 below:

**Figure 7: Growth in Active Mobile Money Subscriptions**



### 3.5.2 MOBILE MONEY TRANSACTIONS

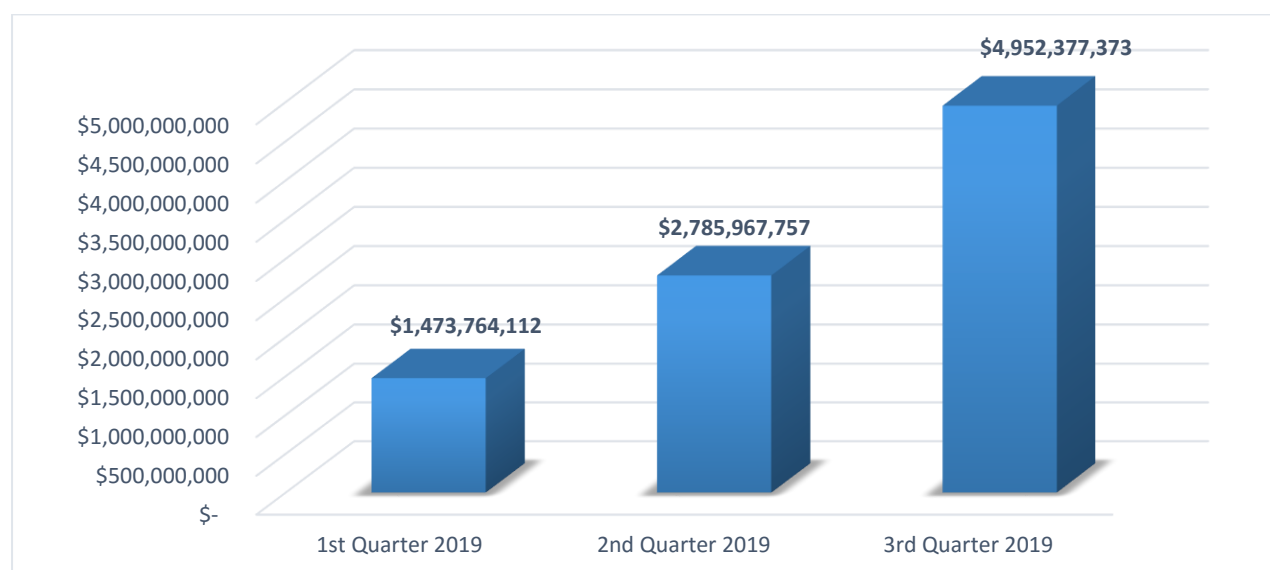
There was significant growth in the volume and value of mobile money transactions in the quarter under review as shown in Table 5 below:

**Table 5: Mobile Money Transactions**

	2 <sup>nd</sup> Quarter 2019	3 <sup>rd</sup> Quarter 2019	Variance
Cash In	\$2,440,827,098	\$5,031,386,291	106.1%
Cash Out	\$1,296,642,708	\$1,904,799,408	46.9%
Airtime, Bill & Merchant Payments	\$2,485,967,757	\$4,952,377,373	99.2%
Cross Network	\$123,575	\$197,152	59.5%
Number of transactions	477,420,480	575,391,530	20.5%

The growth in the value of transactions can be attributed to a number of factors such as the general increase in the cost of goods and services as well as the growth in the number of users and use cases. Mobile money has become an important channel for effecting Person to Business (P2B) transactions as shown by the growth in the value of airtime, bill & merchant mobile money transactions as shown below:

**Figure 8: Value of airtime, bill & merchant payments**



Ecocash processed 99.7% of the total value of transactions up from 99.6% recorded in the previous quarter as shown in Table 6 below:

**Table 6: Market Share of Mobile Money Transactions**

	2 <sup>nd</sup> Quarter 2019	3 <sup>rd</sup> Quarter 2019	Variance
<b>ECOCASH</b>	99.6%	99.7%	0.1%
<b>ONE MONEY</b>	0.3%	0.3%	-
<b>TELECASH</b>	0.1%	0.03%	-0.1%

## 2. FIXED TELEPHONE SERVICE

### 2.1 SUBSCRIPTIONS

The total number of active fixed telephone lines grew by 0.5% to reach 274,408 from 273,031 recorded in the second quarter of 2019. The growth in active fixed telephone subscriptions per type of subscription is shown in Table 7 below:

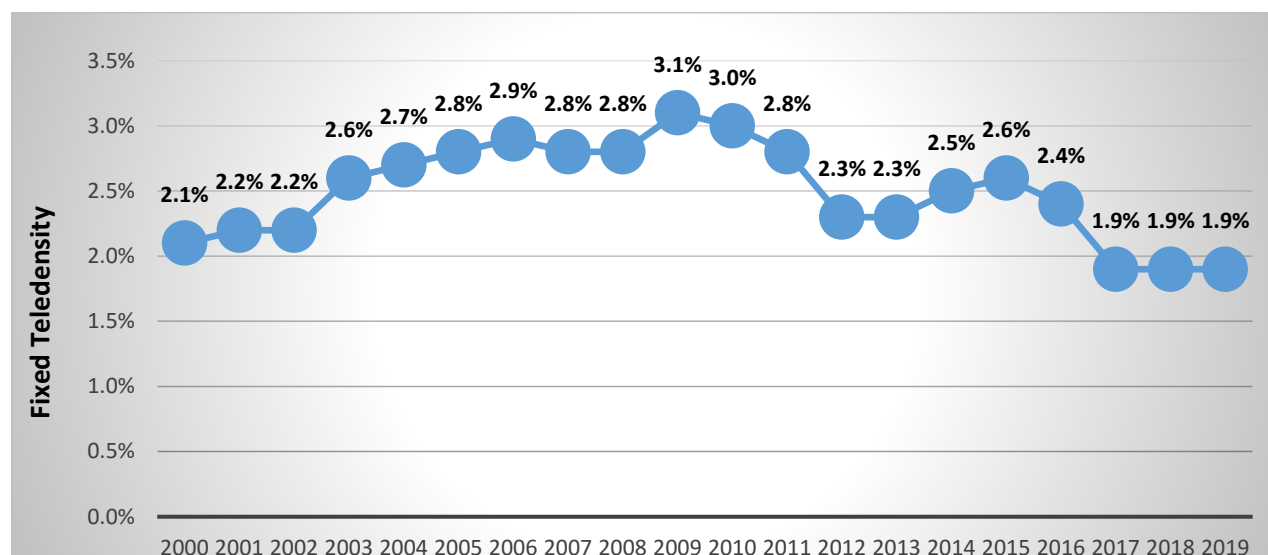
**Table 7: Fixed Telephone Subscriptions**

Subscriber category	2 <sup>nd</sup> Quarter 2019	3 <sup>rd</sup> Quarter 2019	% Growth
<b>Residential</b>	167,677	167,887	0.1%
<b>Corporate</b>	105,354	106,521	1.1%

<b>Total Active</b>	<b>273,031</b>	<b>274,408</b>	<b>0.5%</b>
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The fixed tele-density remained at 1.9%. The fixed teledensity has remained at 1.9% since 2017 as shown in Figure 10 below:

**Figure 9: Fixed Teledensity**



The fixed teledensity has remained stagnant over the years as people increasingly adopt mobile communication and corporates gradually adopt Voice over Internet Protocol (VoIP) for business communication.

## 2.2 FIXED NETWORK TRAFFIC

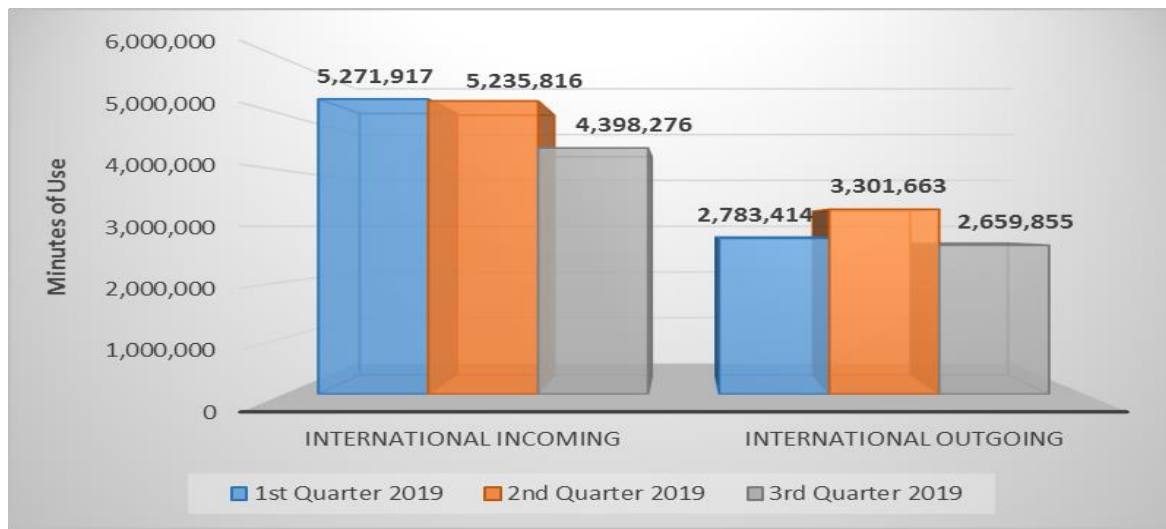
There was an overall decline in national fixed voice traffic as well as international fixed voice traffic in the quarter under review as shown in Table 8 below:

**Table 8: Fixed Voice Traffic**

Traffic category	2 <sup>nd</sup> Quarter 2019	3 <sup>rd</sup> Quarter 2019	Variance (%)
<b>Net on Net</b>	23,063,723	24,038,557	4.2%
<b>Outgoing to Mobile</b>	73,610,343	78,231,226	6.3%
<b>Incoming from Mobile</b>	5,833,368	5,779,052	-0.9%
<b>Incoming from IAPs</b>	1,306,166	1,303,612	-0.2%
<b>Outgoing to IAPs</b>	1,332,521	1,229,227	-7.8%
<b>Total National Voice Traffic</b>	105,146,121	110,581,674	5.2%
<b>International Incoming</b>	5,235,816	4,398,276	-16.0%
<b>International Outgoing</b>	3,301,663	2,659,855	-19.4%

As shown above, international voice traffic processed by the fixed network declined in the quarter under review. The decline is attributable to the increase in tariffs in the third quarter of 2019 as well as the substitution effect of other alternative communication procedures, in particular, WhatsApp. International incoming traffic has been consistently declining over the course of the year as shown in Figure 11 below:

**Figure 10: Decline in International Voice Traffic**



The decline in international incoming traffic signifies a decline in foreign currency earnings from international voice service.

## 2.3 FIXED TELEPHONE REVENUES, INVESTMENT & COSTS

Fixed telephone revenue, operating costs and capital expenditure for the quarter under review is shown in Table 9 below:

**Table 9: Fixed Voice Revenue, Investment & Costs**

	2 <sup>nd</sup> Quarter 2019	3 <sup>rd</sup> Quarter 2019	Variance
<b>Revenue</b>	\$67,299,665	\$120,698,910	79.3%
<b>Operating Costs</b>	\$60,015,471	\$90,701,494	66.1%
<b>Investment</b>	\$2,236,804	\$5,268,965	135.6%

The significant growth in operating costs is attributable to the inflationary pressures in the economy. The bulk of the capital expenditure was in upgrading the access network.

## 4. DATA/ INTERNET SERVICES

### 4.1 SUBSCRIPTIONS

The total number of active internet subscriptions increased by 2.8% to record 8,577,936 from 8,342,051 recorded in the previous quarter. The internet penetration rate increased by 1.7% to reach 58.9% from 57.2% recorded in the second quarter of 2019. The trend in internet subscriptions per service category is shown in Table 10 below:

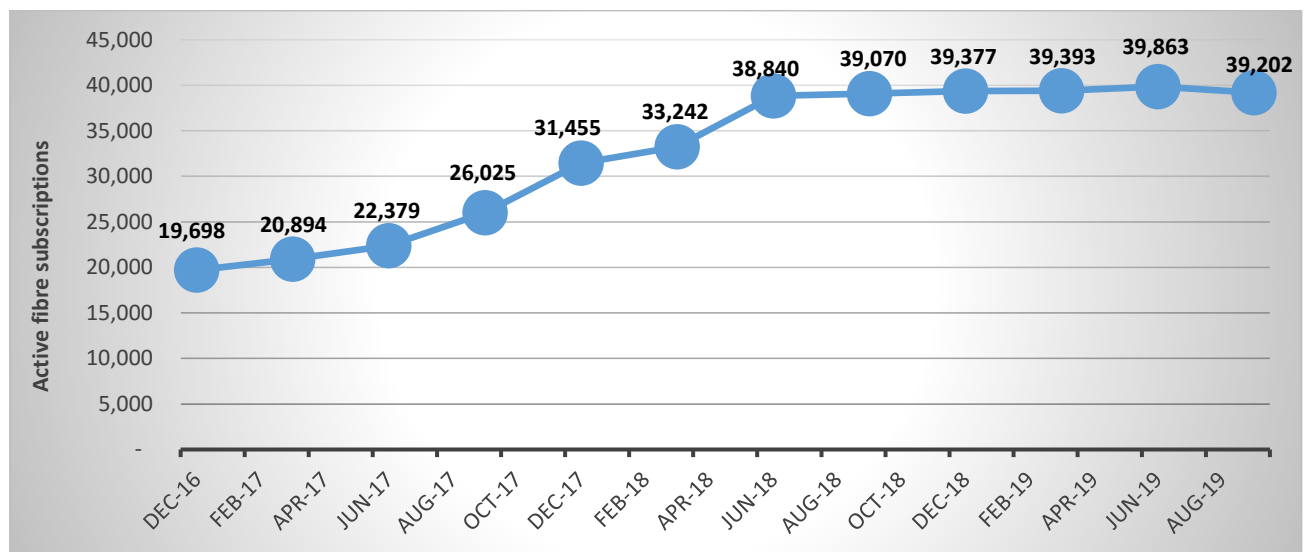
**Table 10: Active Internet Subscriptions**

Technology	2 <sup>nd</sup> Quarter 2019	3 <sup>rd</sup> Quarter 2019	Variation (%)
<b>3G/HSDPA/LTE</b>	8,165,771	8,402,316	2.9%
<b>Leased Lines</b>	2,120	2,121	0.0%
<b>DSL</b>	101,909	103,887	1.9%
<b>WiMAX</b>	2,947	2,164	-26.6%
<b>CDMA</b>	25,658	24,640	-4.0%
<b>VSAT</b>	3,783	3,606	-4.7%
<b>Active Fibre subscriptions</b>	39,863	39,202	-1.7%
<b>Total</b>	<b>8,342,051</b>	<b>8,577,936</b>	<b>2.8%</b>

Digital Subscriber Lines (DSL), leased lines and mobile internet were the only categories to record growth. Fibre, which has been the fastest growing fixed internet category, recorded a decline of 1.7% in active subscriptions in the quarter under review. The decline is attributable to the general increase in tariffs for fixed data packages hence a number of households discontinued their monthly fibre subscriptions. This is the first quarter, since 2016, to record a decline in active fibre subscriptions as shown in Figure 12 below:



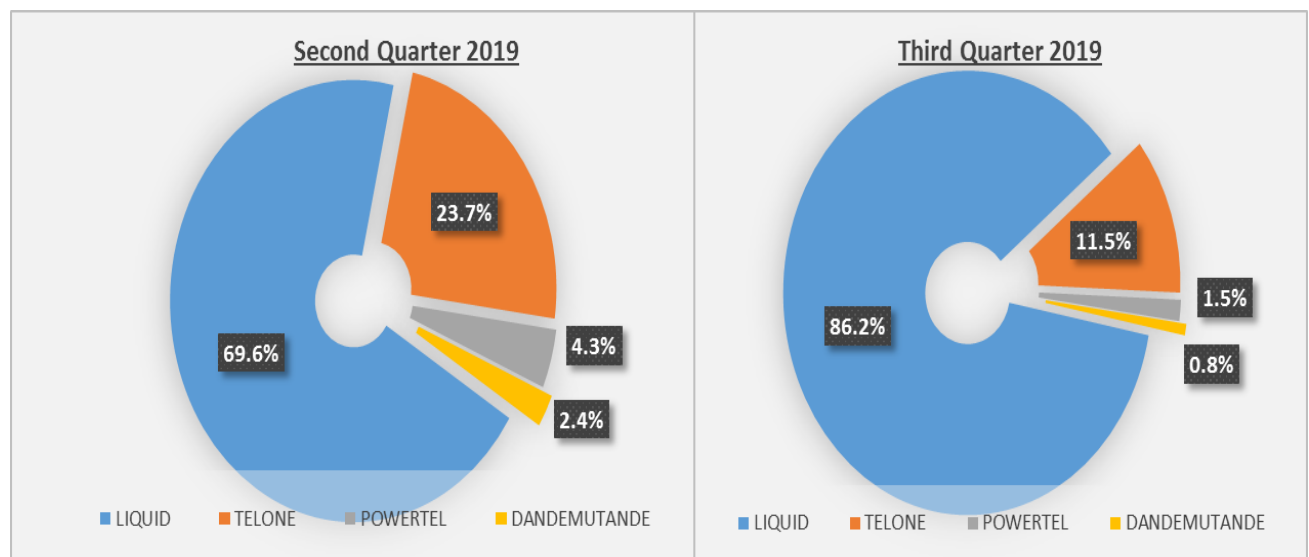
**Figure 11: Active Fibre Subscriptions**



## 4.2 INTERNATIONAL INTERNET CONNECTIVITY

The total Equipped Incoming International Internet Bandwidth Capacity increased by 8.7% to record 124,995Mbps from 114,995Mbps recorded in the second quarter of 2019, following the expansion in capacity by TelOne. The market share of Equipped International Internet Bandwidth Capacity is shown in Figure 13 below:

**Figure 12: Market Share of Equipped & Used International Internet Bandwidth Capacity**



Of the total Equipped Incoming International Internet Bandwidth Capacity, 107,975Mbps was used in the third quarter of 2019 from 87,720Mbps. On the other hand, Used Outgoing International Internet Bandwidth Capacity was 28,875Mbps. The market share of Used International Internet Bandwidth is shown in Table 11 below:

**Table 11: Market Share of Used International Internet Bandwidth Capacity**

	<b>Used Incoming Bandwidth</b>	<b>Market Share of Used Incoming Bandwidth</b>	<b>Used outgoing Bandwidth</b>	<b>Market Share of Used Outgoing Bandwidth</b>
<b>Liquid</b>	64,789	60.0%	22,794	65.6%
<b>TelOne</b>	37,280	34.5%	7,900	22.8%
<b>Powertel</b>	3,410	3.2%	3,410	9.8%
<b>Dandemutande</b>	2,496	2.3%	629	1.8%
<b>Total</b>	107,975	100%	34,733	100%

Used Outgoing International Internet bandwidth capacity is expected to increase as the availability of local content online improves.

### **4.3 INTERNET ACCESS PROVIDER (IAP) REVENUES, COSTS & INVESTMENT**

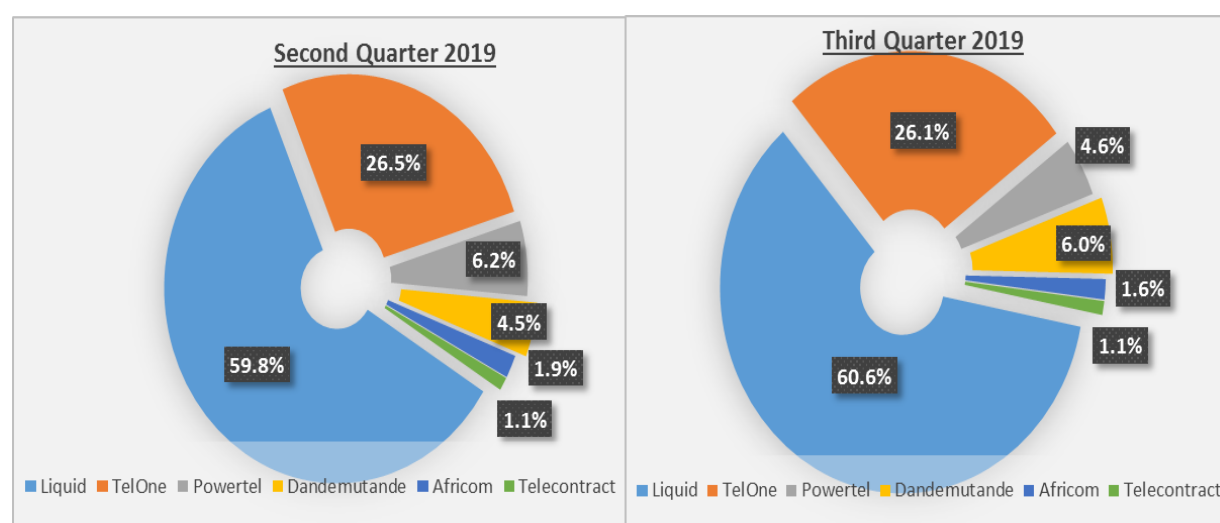
Revenues, operating costs and investment by Internet Access Providers for the quarter under review are shown in Table 12 below:

**Table 12: IAP Revenues, Costs & Investment**

	<b>2<sup>nd</sup> Quarter 2019</b>	<b>3<sup>rd</sup> Quarter 2019</b>	<b>Variation (%)</b>
<b>Revenue</b>	137,687,066	251,188,518	82.4%
<b>Operating Costs</b>	110,991,192	194,263,887	75.0%
<b>Investment</b>	9,437,004	26,612,798	182.0%

As shown above, whilst revenues grew by 82.4%, operating costs also grew significantly by 75%. A huge proportion of IAP operating costs consists of bandwidth costs which are paid in foreign currency. The quarterly variation in the market share of IAP revenues is shown in Figure 14 below:

**Figure 13: Market Share of IAP Revenue**



As shown above, Liquid and Dandemutande recorded growth in revenue market share whilst market shares for the rest of the IAPs declined.

## 5. POSTAL & COURIER

### 5.1 POSTAL & COURIER VOLUMES

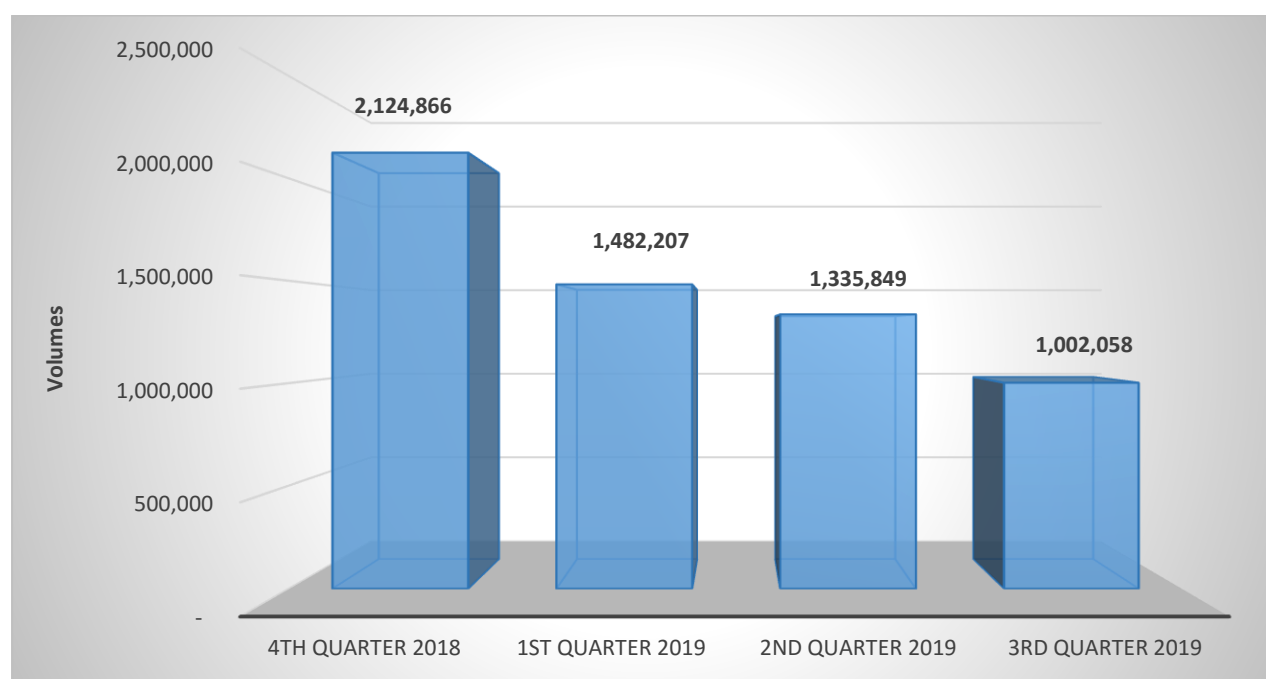
Total postal and courier volumes declined by 25% in the quarter under review. The quarterly variation in the volumes per postal and courier category are shown in Table 13 below:

**Table 13: Postal and Courier Volumes**

Postal and Courier Service	2 <sup>nd</sup> Quarter 2019	3 <sup>rd</sup> Quarter 2019	% Growth
Domestic postal letters	790,016	607,273	-23.1%
Domestic courier	101,296	99,031	-2.2%
International incoming	392,190	269,781	-31.2%
International outgoing courier	52,347	25,973	-50.4%
<b>Total Postal &amp; Courier</b>	<b>1,335,849</b>	<b>1,002,058</b>	<b>-25%</b>

The huge decline in international courier volumes implies a decline in e-commerce in the quarter under review. Postal and courier volumes have been consistently declining over the past year as shown in Figure 15 below:

**Figure 14: Postal & Courier Volumes**



The decline in postal volumes, in particular domestic, is attributable to e-substitution. The future of the postal and courier sector in Zimbabwe is dependent on growth in e-commerce.

## **5.2 POSTAL & COURIER REVENUES, COSTS & INVESTMENT**

Courier operators reviewed their tariffs for domestic and international courier in the quarter under review, hence the growth in revenue in spite of the decline in volumes. As with other subsectors, the postal and courier operators have not been spared by inflationary pressures which saw rising operating costs. Investment activity also declined significantly by 25% compared to the previous quarter. Total revenue, operating costs and investment by postal and courier operators is shown in Table 14 below:

**Table 14: Postal & Courier Revenues, Costs & Investment**

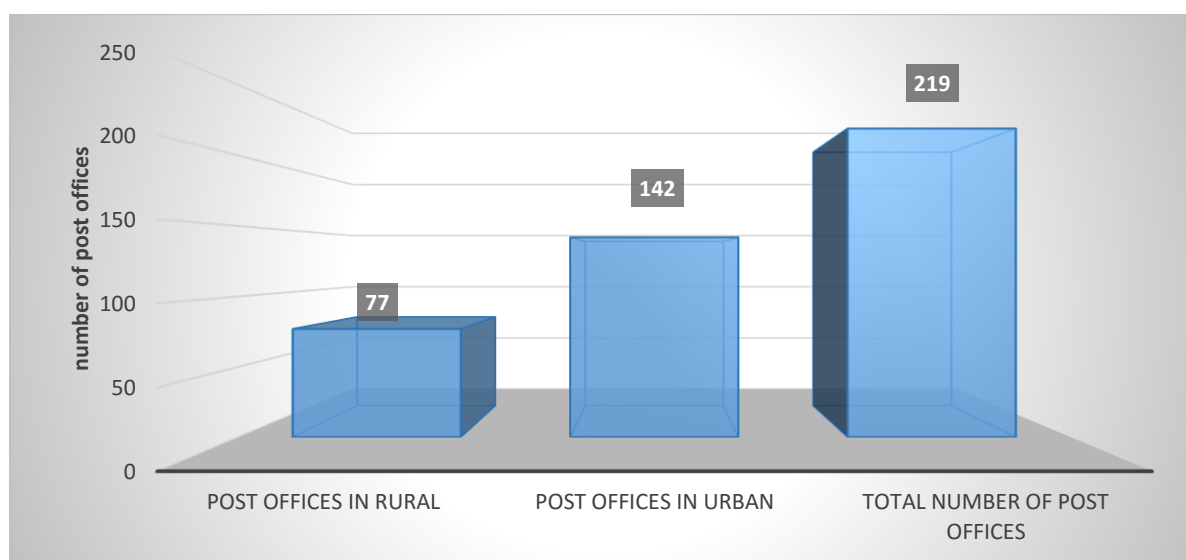
	2 <sup>nd</sup> Quarter 2019	3 <sup>rd</sup> Quarter 2019	Variance
REVENUES	11,323,476	18,630,645	64.5%
OPERATING COSTS	10,884,409	16,779,414	54.2%
INVESTMENT	704,574	525,551	-25.4%

The growth in overall revenues is attributable to the growth in income from international incoming courier, whose income is in foreign currency.

### 5.3 POSTAL DENSITY

The number of postal outlets remained at 219; hence the postal density was 66,539. This implies that there is 1 post office per 66,539 people, which is relatively high. The post offices are distributed as follows:

**Figure 15: Post Offices**



Of the total number of post offices, 152 had internet connection. More still needs to be done by the designated postal operator to connect all post offices. This will enable expansion in the scope of services offered within post offices especially e commerce and e –government.

## 6. OUTLOOK

The prevailing economic environment has negatively impacted on the performance of the sector in terms of service demand and consumption levels, operating costs and investment. Given the current inflationary pressures in the economy, operational cost containment will be even more crucial for operators to maintain profitability. The growth in 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. The incessant power supply challenges have negatively affected the sector in terms of service provision, lost potential revenue and increased costs brought about by the use of alternative power sources like generators, in an environment of rising fuel costs.

Data and internet services will continue to drive industry growth, however demand levels for fixed broadband at household level may be negatively impacted by the rising prices. The use of Over-the-Top services, such as WhatsApp, Skype and Viber, is expected to grow as consumers cut back on communication expenditure. The principal cause of the decline in postal letter volumes has been the substitution of paper communication by electronic methods (e-substitution). E-commerce needs to be supported as it is a pillar for postal reform.

Mobile money services are expected to continue playing a key role of bridging the financial divide by providing safe, secure and cheap financial services in areas where many Zimbabweans have no access to formal banking systems. 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.