

POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE (POTRAZ)



'creating a level playing field'

ABRIDGED POSTAL & TELECOMMUNICATIONS SECTOR PERFORMANCE REPORT

THIRD QUARTER 2020

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TABLE OF CONTENTS

LIST OF TABLES	1
LIST OF FIGURES	1
MAJOR HIGHLIGHTS	3
1. MOBILE TELEPHONY	4
1.1 MOBILE SUBSCRIPTIONS	4
1.2 MOBILE VOICE TRAFFIC	5
1.3 MOBILE INTERNET & DATA	6
1.4 MOBILE REVENUES, COSTS & INVESTMENT	7
1.5 MOBILE TELEPHONY INFRASTRUCTURE	9
1.6 MOBILE MONEY	10
1.6.1 MOBILE MONEY SUBSCRIPTIONS	10
1.6.2 MOBILE MONEY TRANSACTIONS	12
2. FIXED TELEPHONE SERVICE	13
2.1 SUBSCRIPTIONS	13
2.2 FIXED NETWORK TRAFFIC	14
1.3 FIXED TELEPHONE REVENUES & COSTS	14
3. DATA & INTERNET SERVICE	15
3.1 SUBSCRIPTIONS	15
3.2 INTERNATIONAL INTERNET CONNECTIVITY	16
3.3 IAP REVENUES & OPERATING COSTS	17
4. POSTAL & COURIER	18
4.1 POSTAL & COURIER VOLUMES	18
4.2 POSTAL DENSITY	19
4.3 POSTAL & COURIER REVENUES, COSTS & INVESTMENT	20
5. OUTLOOK	20

LIST OF TABLES

Table 1: Active Mobile Subscriptions	4
Table 2: Mobile Telephone Traffic	5
Table 3: Mobile network operating costs.....	8
Table 4: Mobile Base Stations	9
Table 5: Active Mobile Money Subscriptions	10
Table 6: Mobile Money Transactions.....	12
Table 7: Market Share of Mobile Money Transactions	12
Table 8: Fixed Telephone Subscriptions	13
Table 11: Fixed Voice Traffic.....	14
Table 10: Active Internet Subscriptions	15
Table 11: Equipped International Internet Bandwidth Capacity.....	16
Table 12: Used Incoming International Internet Bandwidth Capacity	17
Table 13: IAP Revenues & Operating Costs.....	17
Table 14: Postal and Courier Volumes	18
Table 15: Postal & Courier Revenues, Costs & Investment	20

LIST OF FIGURES

Figure 1: Decline in Mobile Telephone Subscriptions	4
Figure 2: Market Share of Mobile Subscribers	5
Figure 3: Voice Traffic Market Share	6
Figure 4: Mobile Data & Internet usage	7
Figure 5: Market Share of Internet & Data Traffic	7
Figure 6: Mobile Revenue Contribution per Service.....	8
Figure 7: Base Stations in Rural Areas.....	9
Figure 8: Market Share of Mobile Base Station Infrastructure	10
Figure 9: Growth in Active Mobile Money Subscriptions	11
Figure 10: Market Share of Active Mobile Money Subscriptions	11
Figure 12: Active Fixed Telephone Subscriptions	13
Figure 12: Contribution to Revenue by Service.....	15
Figure 13: Market Share of Equipped International Internet Bandwidth Capacity.....	16
Figure 14: Market Share of IAP Revenue.....	18

Figure 15: Postal & Courier Volumes	19
Figure 16: Post Offices	19

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 third quarter of 2020 compared to the second quarter of 2020:

- Active fixed telephone lines declined by 1.6% to record 256,356 from 260,542; the fixed tele-density remained at 1.8%.
- The total number of active mobile subscriptions declined by 0.1% to reach 12,783,785 from 12,798,298; hence, the mobile penetration rate declined by 0.1% to reach 87.7% from 87.8% recorded in the previous quarter.
- Active Internet and data subscriptions grew by 5.6% to reach 8,726,904 from 8,267,268. As a result, the Internet penetration rate increased by 3.2% to reach 59.9% from 56.7% recorded in the previous quarter.
- Total fixed voice traffic increased by 12% to record 90.6 million minutes in the third quarter of 2020 from 80.9 million minutes recorded in the second quarter of 2020.
- Total mobile voice traffic increased by 18.7% to record 1.56 billion minutes in the third quarter of 2020 from 1.31 billion minutes recorded in the previous quarter.
- Mobile Internet and data traffic grew by 43% to record 14,878TB in the third quarter of 2020 from 10,407TB recorded in the second quarter of 2020.
- Used International Internet Bandwidth Capacity also increased by 16.8% to record 149,665Mbps from 128,173Mbps recorded in the previous quarter.
- Total postal and courier volume increased by 28.1% to record 297,680 items in the third quarter of 2020 from 232,468 items recorded in the second quarter of 2020.
- Revenue generated by the mobile telephone networks grew by 194.7% to record ZWL8.9billion from ZWL3 billion; On the other hand, mobile network operating costs grew by 23.6% to record ZWL2.5 billion from ZWL2.1 billion recorded in the previous quarter.
- IAP revenues grew by 148.6% to record ZWL2.85 billion from ZWL1.15 billion from; meanwhile, total operating costs for IAPs also grew by 109.3% to record ZWL1.9 billion from ZWL916.8 million recorded in the second quarter of 2020.

1. MOBILE TELEPHONY

1.1 MOBILE SUBSCRIPTIONS

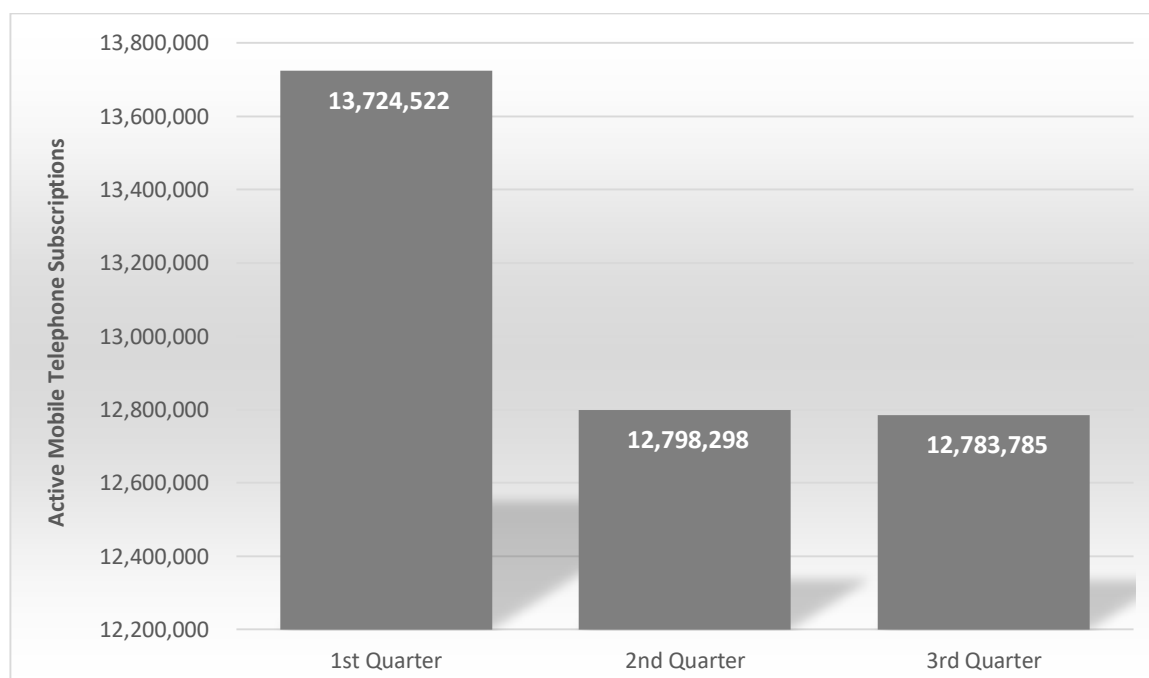
Active mobile telephone subscriptions declined by 0.1% to reach 12,783,785 as at 30 September, 2020, from 12,798,298 recorded as at 30 June, 2020. Hence, the mobile penetration rate declined by 0.1% to reach 87.7% from 87.8% recorded in the previous quarter. Econet was the only mobile operator to record a decline in active subscriptions as shown in the table below:

Table 1: Active Mobile Subscriptions

Operator	2nd Quarter 2020	3rd Quarter 2020	Variance (%)
Econet	8,766,968	8,603,084	-1.9%
NetOne	3,306,173	3,455,277	4.5%
Telecel	725,157	725,424	0.04%
Total	12,798,298	12,783,785	-0.1%

Total active mobile subscriptions have been consistently declining over the course of 2020 as shown below:

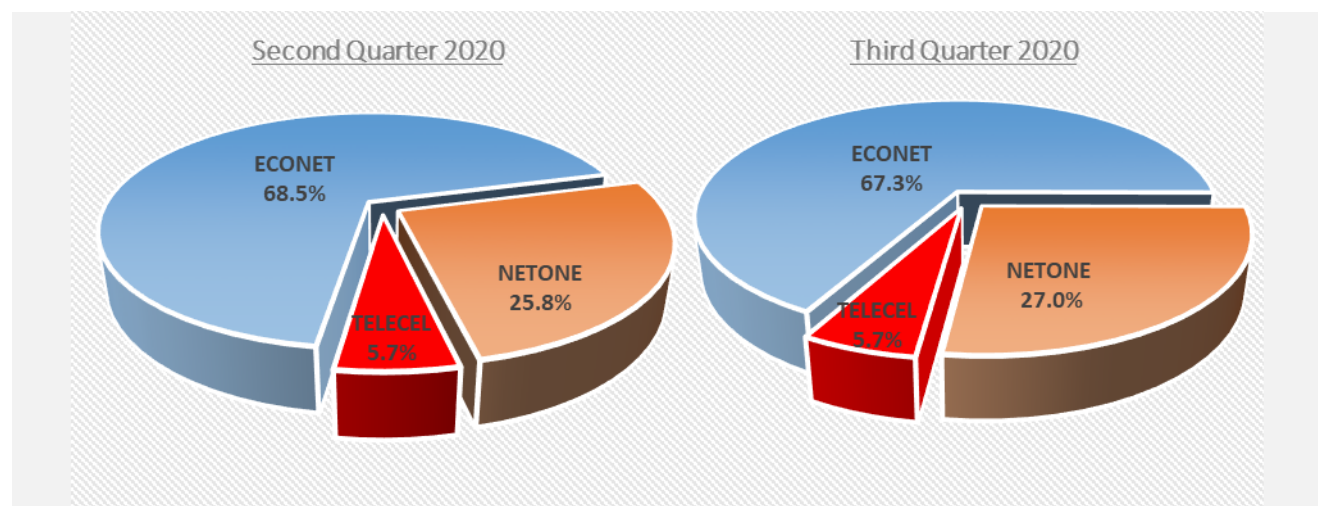
Figure 1: Decline in Mobile Telephone Subscriptions



The decline rate of 0.1% recorded in the third quarter of 2020 is significantly lower than the decline rate of 6.1% recorded in the second quarter of 2020; growth is expected in the fourth quarter as consumption at household and industry level improves following the relaxation of

COVID-19 restrictions on the formal and informal sector. Figure 2 below shows a quarterly comparison of the market share of active mobile subscriptions:

Figure 2: Market Share of Mobile Subscribers



As shown above, Econet lost subscriber market share by 1.8% whereas NetOne gained market share by 1.8%. Telecel's market share remained unchanged at 5.7%.

1.2 MOBILE VOICE TRAFFIC

Total mobile voice traffic grew by 18.7% to record 1.56 billion minutes in the third quarter of 2020 from 1.31 billion recorded in the second quarter of 2020. A quarterly comparison of the mobile voice traffic by category is shown in Table 2 below:

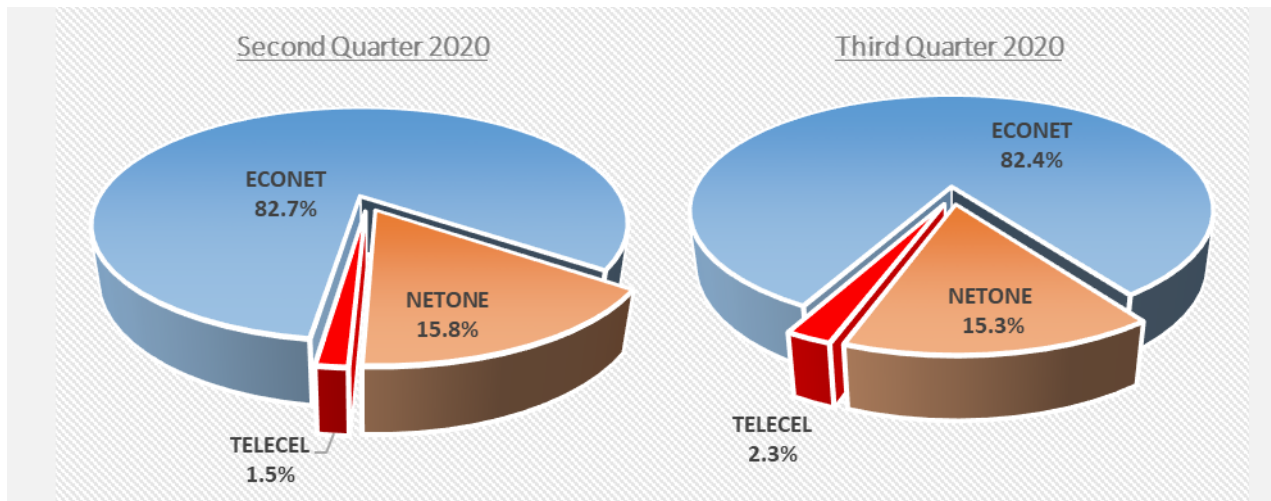
Table 2: Mobile Telephone Traffic

Traffic Category	2 nd Quarter 2020	3 rd Quarter 2020	Variance (%)
Net on Net	955,025,983	1,122,142,287	17.5%
Mobile to Fixed	3,970,193	4,816,400	21.3%
Incoming from Fixed	61,812,000	68,472,673	10.8%
Mobile to Other Mobile (by termination)	233,940,231	297,125,779	27.0%
Outgoing to IAPs	3,167,273	2,576,319	-18.7%
Incoming from IAPs	24,575,974	29,898,228	21.7%
TOTAL NATIONAL	1,282,491,654	1,525,031,686	18.9%
International Incoming	28,102,551	29,865,846	6.3%

International Outgoing	3,512,052	4,456,366	26.9%
Inbound Roaming	436,658	470,073	7.7%
Outbound Roaming	51,187	76,118	48.7%
Total	1,314,594,102	1,559,900,089	18.7%

The growth in mobile voice traffic is in sync with the growth of fixed voice traffic; the rise in consumption is attributable to the improved incomes following opening up of the formal and informal sector. Outbound roaming traffic recorded the biggest growth of 48.7%; this is attributable to improved intercountry movement of persons following the relaxation of travel restrictions. A quarterly comparison of the voice traffic market share is shown in Figure 3 below:

Figure 3: Voice Traffic Market Share



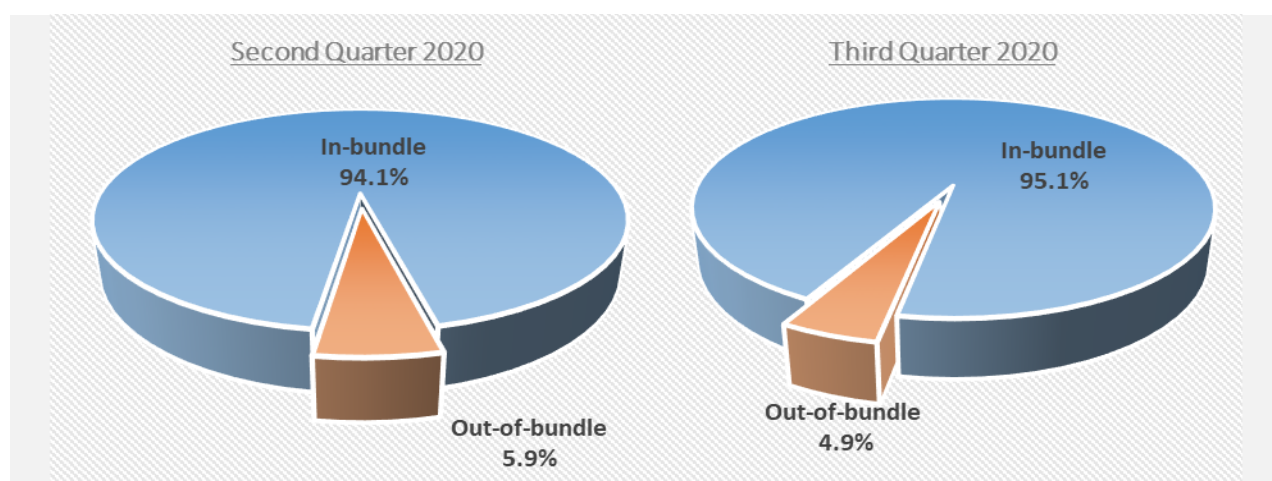
As shown above, Telecel gained market share of voice traffic by 0.8%, in line with the growth in their national traffic. On the other hand, NetOne and Econet lost market share by 0.5% and 0.3% respectively.

1.3 MOBILE INTERNET & DATA

Mobile Internet and data grew by a 43% to record 14,878 Terabytes from 10,407 Terabytes (TB) recorded in the second quarter of 2020. All the mobile operators recorded growth in Internet and data usage.

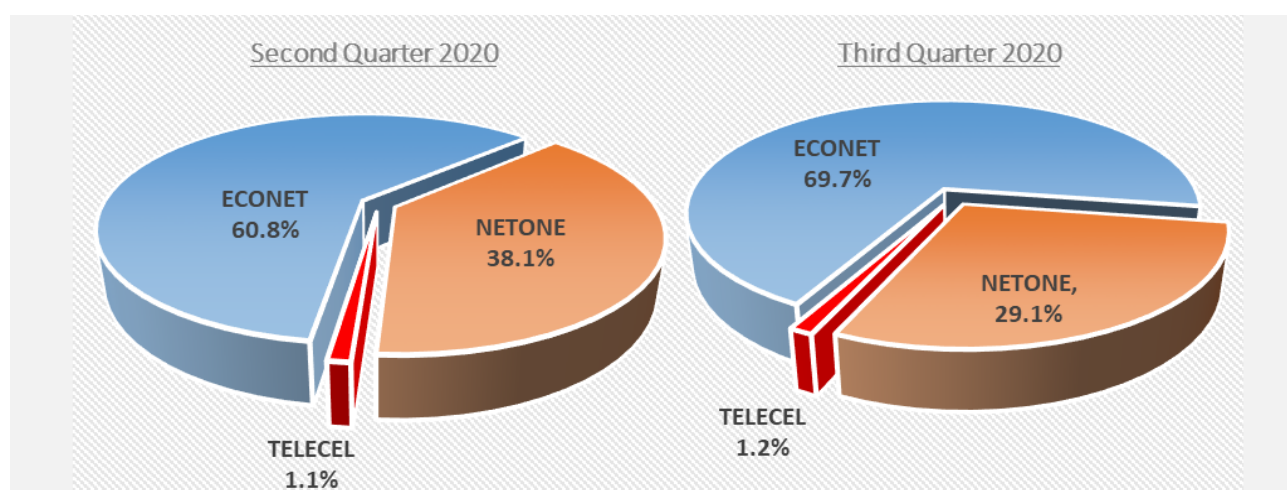
In-bundle data constituted 95.1% of total mobile Internet and data usage, up from 94.1% recorded in the second quarter of 2020. Consumers will always seek to maximise their utility with the cheaper promotional bundles instead of out-of-bundle data rates.

Figure 4: Mobile Data & Internet usage



A quarterly comparison of the market share of mobile Internet and data usage is shown in Figure 5 below:

Figure 5: Market Share of Internet & Data Traffic

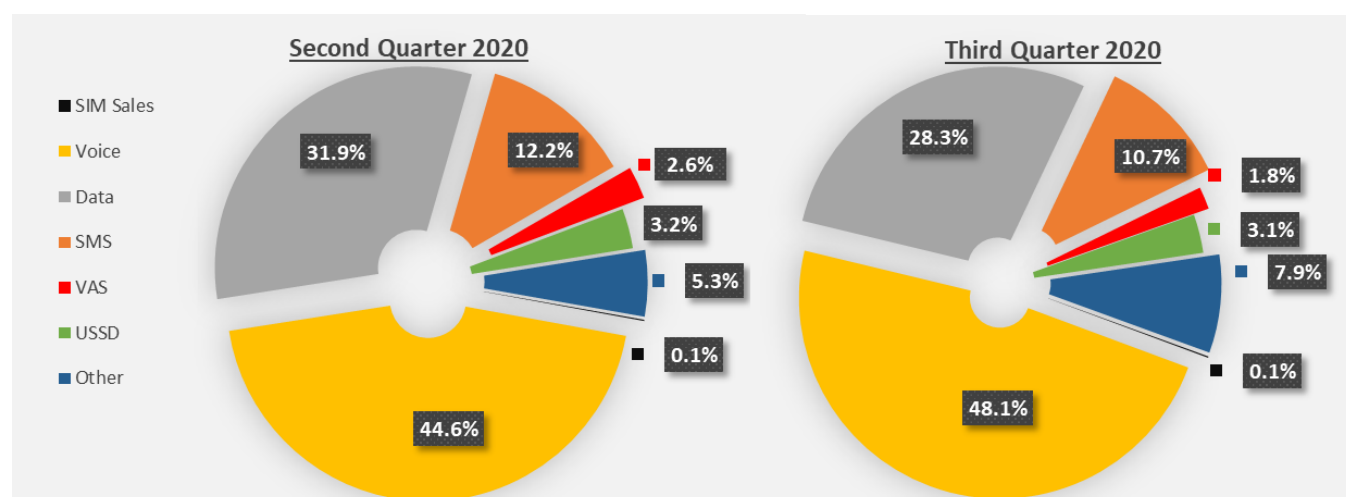


As shown above, Econet and Telecel gained 8.9% and 0.1% market share respectively, whereas NetOne lost market share by 9%.

1.4 MOBILE REVENUES, COSTS & INVESTMENT

Total mobile operator revenues grew by a record 194.7% to record ZW8,935,323,077 in the third quarter of 2020 from ZWL3,031,806,597 recorded in the second quarter of 2020. All the mobile operators recorded growth in the revenues. The growth in revenue is attributable to the growth in voice, Internet and data traffic as well as the increase in tariffs in July and September 2020. Revenue contribution per service is shown below:

Figure 6: Mobile Revenue Contribution per Service



As shown above, the revenue contribution of voice service increased in the quarter under review. This is attributable to the growth in traffic, particularly roaming and international traffic whose set off receivables are in foreign currency. Unlike the fixed network, voice service is still the biggest contributor to the bottom line of mobile operators.

Operating costs incurred by mobile operators in the third quarter of 2020 are shown below:

Table 3: Mobile network operating costs

	Operating costs			Operating costs		
	(exclusive of foreign currency losses)			(inclusive of foreign currency losses)		
	2 nd Quarter	3 rd Quarter	Variance	2 nd Quarter	3 rd Quarter	Variance
Total	2,050,067,775	2,533,700,425	23.6%	16,060,515,985	16,161,942,218	0.6%

Operating costs exclusive of foreign currency losses grew by 23.6% whereas operating costs inclusive of foreign currency losses only increased by 0.6% owing to the stabilisation of the exchange rate in the third quarter of 2020. Capital expenditure by the mobile operators declined by 86.8% to record ZWL9,777,643 in the third quarter of 2020 from ZWL74,059,483 in the second quarter of 2020.

1.5 MOBILE TELEPHONY INFRASTRUCTURE

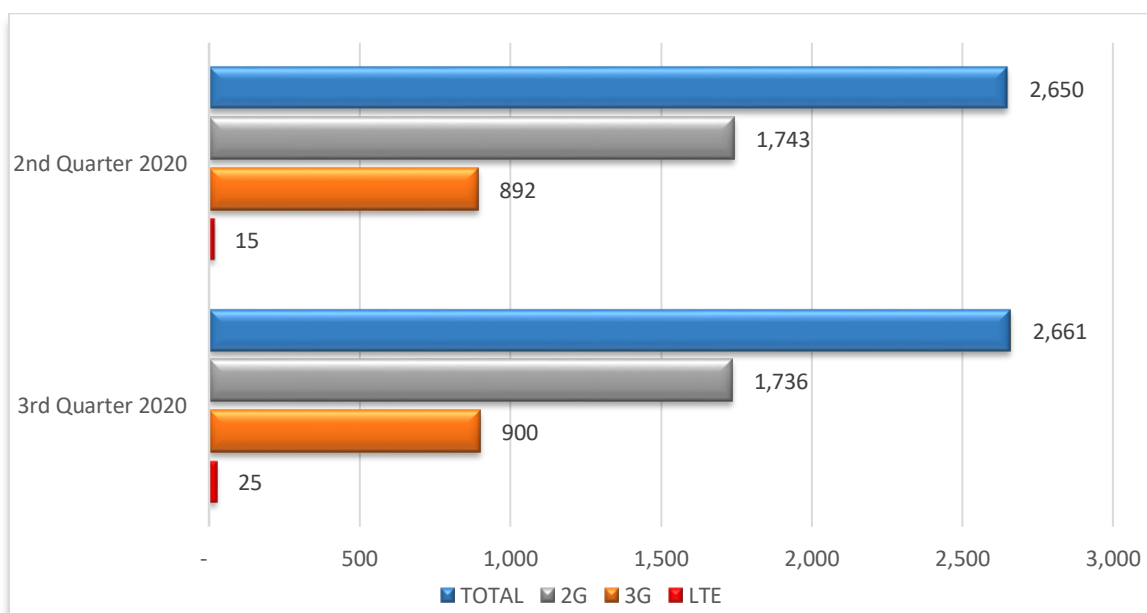
The growth in base stations per technology and per operator, in the third quarter of 2020 is shown in Table 4 below:

Table 4: Mobile Base Stations

Operator	2G			3G			LTE		
	Q2 2020	Q3 2020	Net Addition	Q2 2020	Q3 2020	Net Addition	Q2 2020	Q3 2020	Net Addition
Econet	2627	2,627	-	1,640	1,640	-	721	725	4
Telecel	663	664	1	433	435	2	17	17	0
NetOne	1,681	1,674	-7	821	830	9	297	330	33
Total	4,971	4,965	-6	2,894	2,905	11	1,035	1,072	37

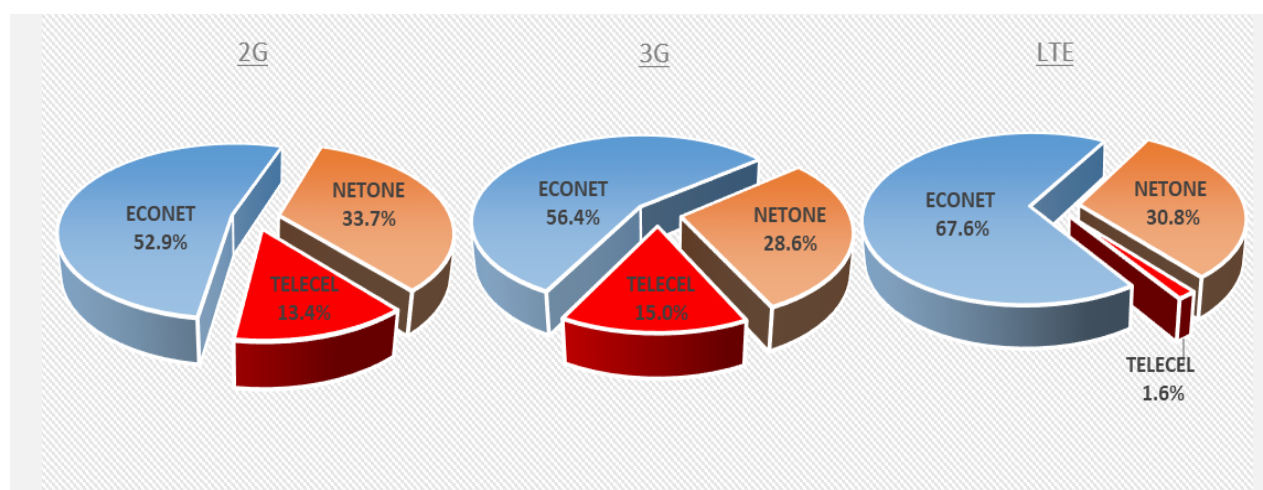
NetOne upgraded 7 2G base stations to 3G, hence the decline in the total number of 2G base stations. The total number of base stations in rural areas increased from 2,650 to 2,661 following the deployment of new base stations as shown below:

Figure 7: Base Stations in Rural Areas



As shown above, 8 new 3G base stations and 10 new LTE eNode Bs were deployed in rural areas in the quarter under review. The market share of mobile base stations was as follows:

Figure 8: Market Share of Mobile Base Station Infrastructure



There was no major change in the market share of base stations from the previous quarter. Econet dominated the market in terms of 2G, 3G and LTE coverage.

1.6 MOBILE MONEY

1.6.1 MOBILE MONEY SUBSCRIPTIONS

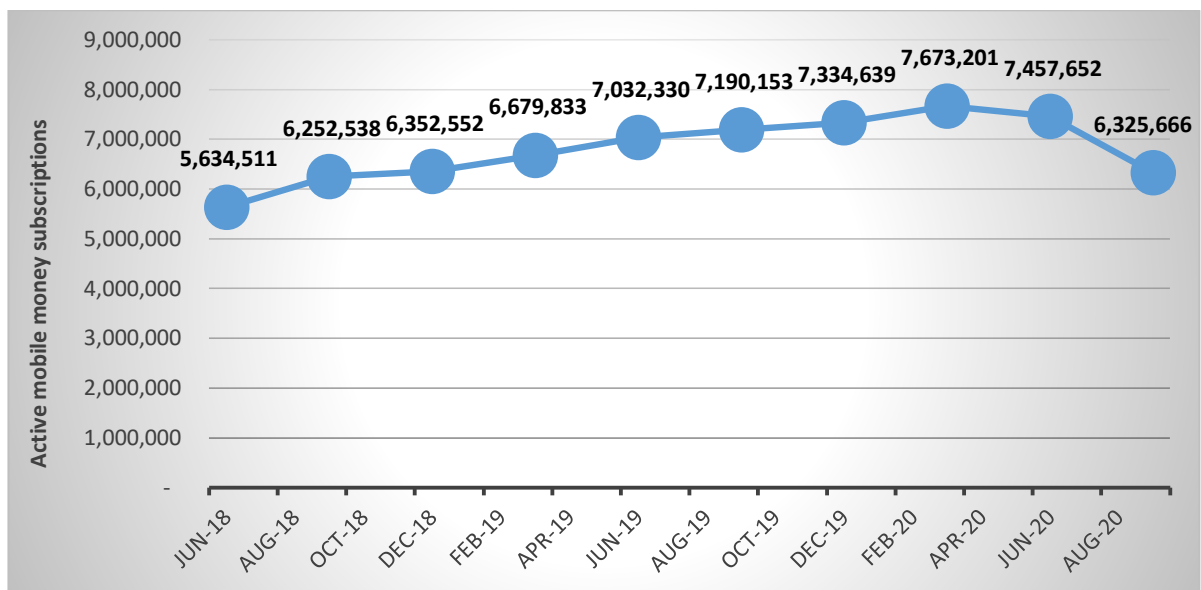
Active mobile money subscriptions declined by 15.2% to reach 6,325,666 as at 30 September, 2020, from 7,457,662 recorded as at 30 June, 2020. The decline was recorded across all operators as shown in Table 5 below:

Table 5: Active Mobile Money Subscriptions

OPERATOR	2 nd Quarter 2020	3 rd Quarter 2020	Variance (%)
ECOCASH	6,530,000	5,452,148	-16.5%
TELECASH	34,689	19,198	-44.7%
ONE MONEY	892,963	854,320	-4.3%
TOTAL	7,457,652	6,325,666	-15.2%

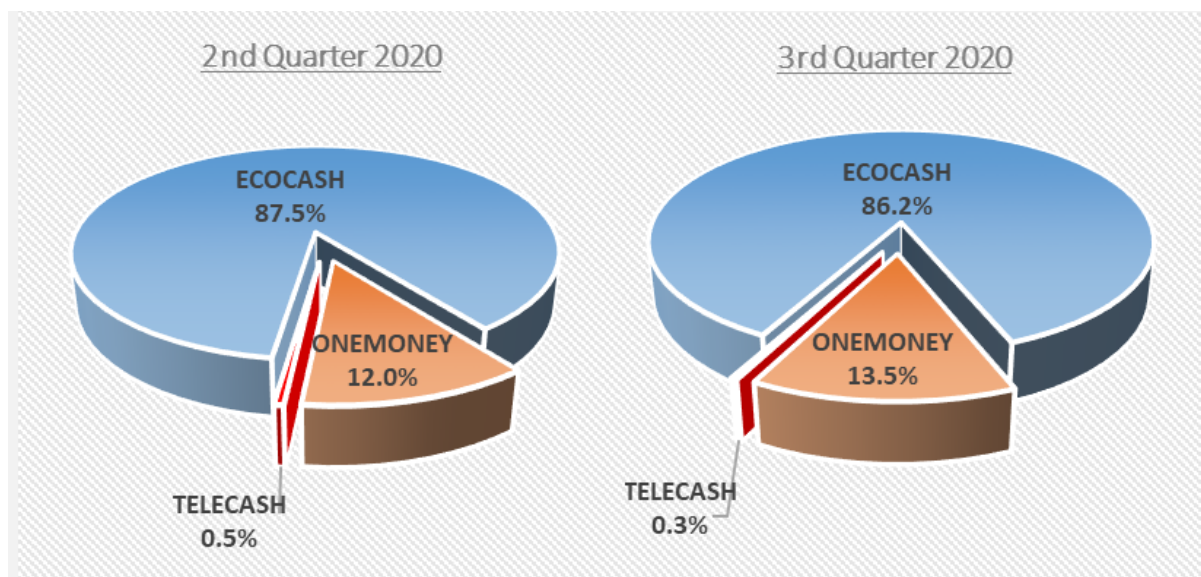
The decline in active mobile money subscriptions is attributable to the banning of mobile money agent lines by the Reserve Bank of Zimbabwe. Generally, active mobile money subscriptions have been declining over the course of 2020 as shown Figure 9 below:

Figure 9: Growth in Active Mobile Money Subscriptions



A quarterly comparison of the market share of mobile money subscriptions is shown in Figure 10 below:

Figure 10: Market Share of Active Mobile Money Subscriptions



As shown above, Econet and Telecel lost market share by 1.3% and 0.2% respectively in line with the huge decline in their active mobile money subscriptions. On the other hand, NetOne gained market share by 1.5%.

1.6.2 MOBILE MONEY TRANSACTIONS

There was an overall decline in the volume and value of mobile money transactions in the third quarter of 2020 as shown in the table below:

Table 6: Mobile Money Transactions

	2nd Quarter 2020 (ZWL)	3rd Quarter 2020 (ZWL)	Variance
Cash In	ZWL5,324,061,376	-	-
Cash Out	ZWL779,589,008	-	-
Airtime, Bill & Merchant Payments	ZWL16,257,790,815	ZWL12,799,339,473	-21.3%
Cross Network	ZWL1,382,539	ZWL200,833	-85.5%
Number of transactions	410,176,896	328,137,616	-20%

Cash-In and Cash-Out transactions are no longer being processed due to the banning of mobile money agents. The overall decline in the volume and value of mobile money transactions may be attributable to the decline in active subscriptions as well as introduction of mobile money transaction limits. Cross network mobile money transactions are expected to gradually grow as interoperability is fully implemented in line with Statutory Instrument 80 of 2020 on Banking Money Transmission, Mobile Banking and Mobile Money Interoperability Regulations. The market share of mobile money transactions is shown in Table 7 below:

Table 7: Market Share of Mobile Money Transactions

Operator	Number of Transactions			Value of Transactions		
	2nd Quarter	3rd Quarter	Variance	2nd Quarter	3rd Quarter	Variance
Ecocash	97.47%	98.26%	0.79%	92.17%	95.75%	3.58%
OneMoney	2.50%	1.71%	-0.79%	7.80%	4.16%	-3.64%
Telecash	0.03%	0.03%	-	0.03%	0.09%	0.06%
Total	100%	100%	-	100%	100%	-

As shown above Econet gained market share of volume and value of transactions in the quarter under review. NetOne lost market share whereas Telecel marginally gained market share of value of mobile money transactions.

2. FIXED TELEPHONE SERVICE

2.1 SUBSCRIPTIONS

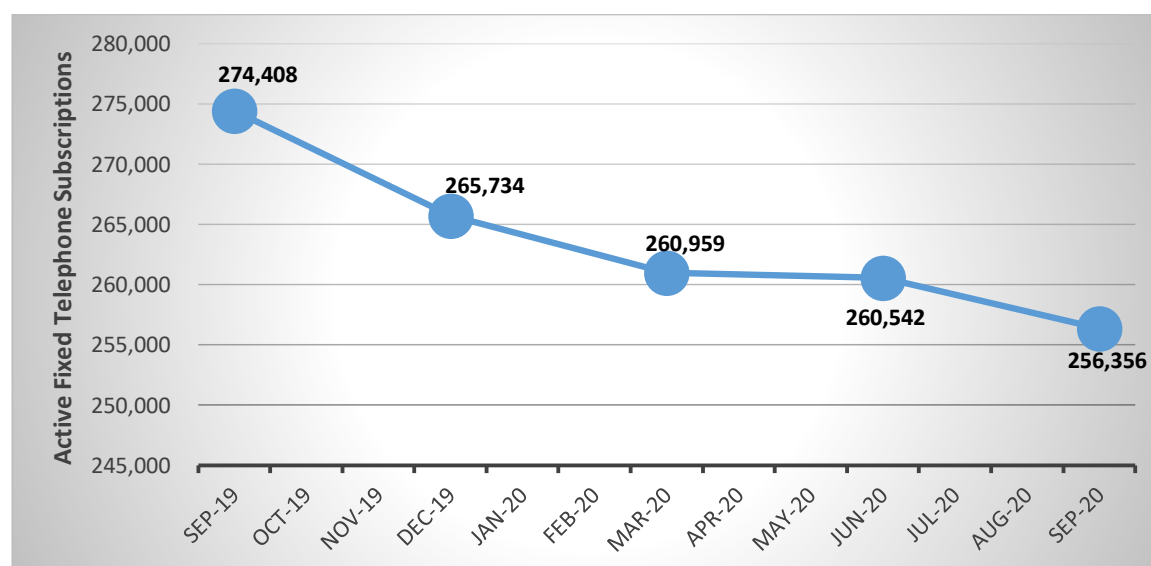
A 1.6% decline in active fixed telephone lines to reach 256,356 from 260,542 was recorded in quarter under review. The fixed teledensity remained 1.8%. There was a decline in both residential and corporate subscriptions as shown in Table 8 below:

Table 8: Fixed Telephone Subscriptions

Subscriber category	2 nd Quarter	3rd Quarter 2020	% Growth
Residential	151,784	147,398	-3.4%
Corporate	108,758	108,958	-0.5%
Total Active	260,542	256,356	-1.6%

There has been a consistent decline in total active fixed telephone subscriptions over the past four quarters as shown in Figure 12 below:

Figure 11: Active Fixed Telephone Subscriptions



Fixed telephone subscriptions have been declining over the years as the PSTN continues to face competition from mobile telephony, VoIP amongst other emerging technologies.

2.2 FIXED NETWORK TRAFFIC

Fixed telephone voice traffic grew by 12% to record 90.6 million minutes in the third quarter of 2020 from 80.9 million minutes recorded in the second quarter of 2020. All national voice traffic categories recorded growth whereas international voice traffic declined as shown in the following table:

Table 9: Fixed Voice Traffic

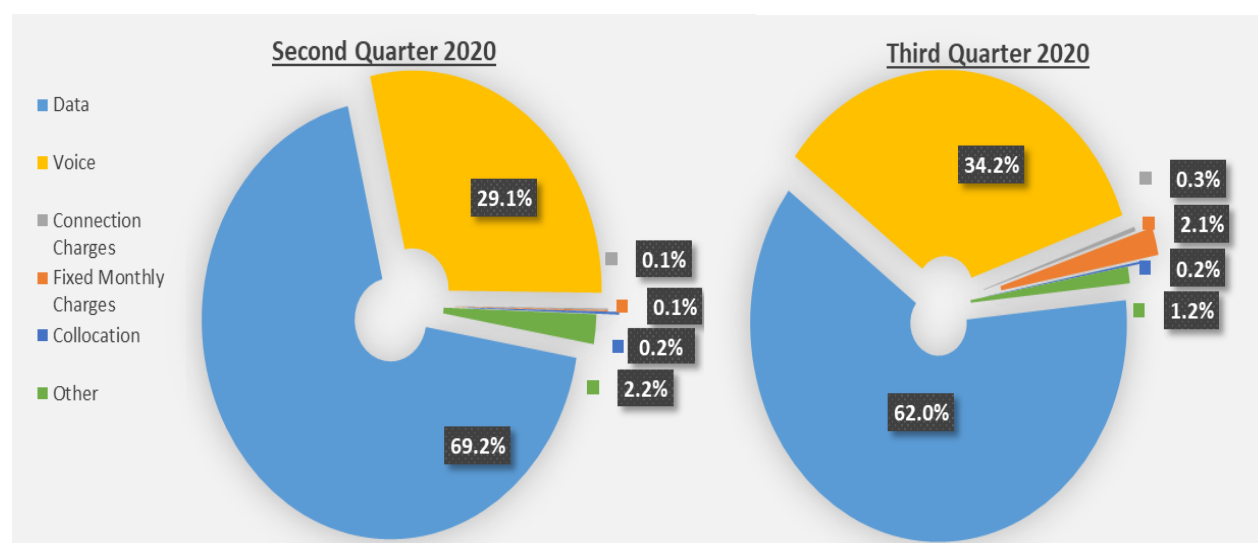
Traffic category	2nd Quarter 2020	3rd Quarter 2020	Variance
Net on Net	9,021,032	11,112,431	23.2%
Outgoing to Mobile	61,800,126	68,449,566	10.8%
Incoming from Mobile	4,002,765	4,868,073	21.6%
Incoming from IAPs	601,404	791,938	31.7%
Outgoing to IAPs	616,004	820,702	33.2%
Total National Voice Traffic	76,041,331	86,042,710	13.2%
International Incoming	3,258,387	3,077,507	-5.6%
International Outgoing	1,625,394	1,519,366	-6.5%
Total traffic	80,925,112	90,639,583	12.0%

The bulk of fixed voice traffic was generated by corporates lines. The growth in traffic is attributable to the upscaling of business operations and the increased number of workforce back at work following the relaxation of COVID-19 restrictions.

1.3 FIXED TELEPHONE REVENUES & COSTS

Fixed network revenue grew by 130.1%; operating costs also grew by 124.3% in the quarter under review. The huge growth in operating costs and revenue is attributable to the inflationary operating environment. The growth in revenue is also attributable to the growth in traffic. The contribution of voice service to total fixed telephone revenue increased in line with the 12% growth in voice traffic as shown in Figure 12 below:

Figure 12: Contribution to Revenue by Service



Despite the decline in the revenue contribution of data in the quarter under review, data continued to be the main revenue contributor for the fixed telephone network.

3. DATA & INTERNET SERVICE

3.1 SUBSCRIPTIONS

Active Internet and data subscriptions by 5.6% to reach 8,726,904 in the third quarter of 2020 from 8,267,268 recorded in the second quarter of 2020. As a result, the Internet penetration rate increased by 3.2% to reach 59.9% from 56.7% recorded in the previous quarter. Table 10 below shows a quarterly comparison of active data and Internet subscriptions by technology.

Table 10: Active Internet Subscriptions

Technology	2 nd Quarter 2020	3 rd Quarter 2020	Variance (%)
3G/HSDPA/LTE	8,081,986	8,547,844	5.8%
Leased Lines	2,056	1,646	-19.9%
DSL	110,981	110,586	-0.4%
WiMAX	1,927	1,953	1.3%
CDMA	21,080	15,313	-27.4%
VSAT	2,661	2,682	0.8%
Active Fibre subscriptions	46,577	46,880	0.7%
Total	8,267,268	8,726,904	5.6%

Leased lines, DSL and CDMA were the three Internet and data categories to record negative growth as shown above. In the quarter under review, the growth rate of mobile Internet subscriptions was higher than that of fixed Internet and data subscriptions.

3.2 INTERNATIONAL INTERNET CONNECTIVITY

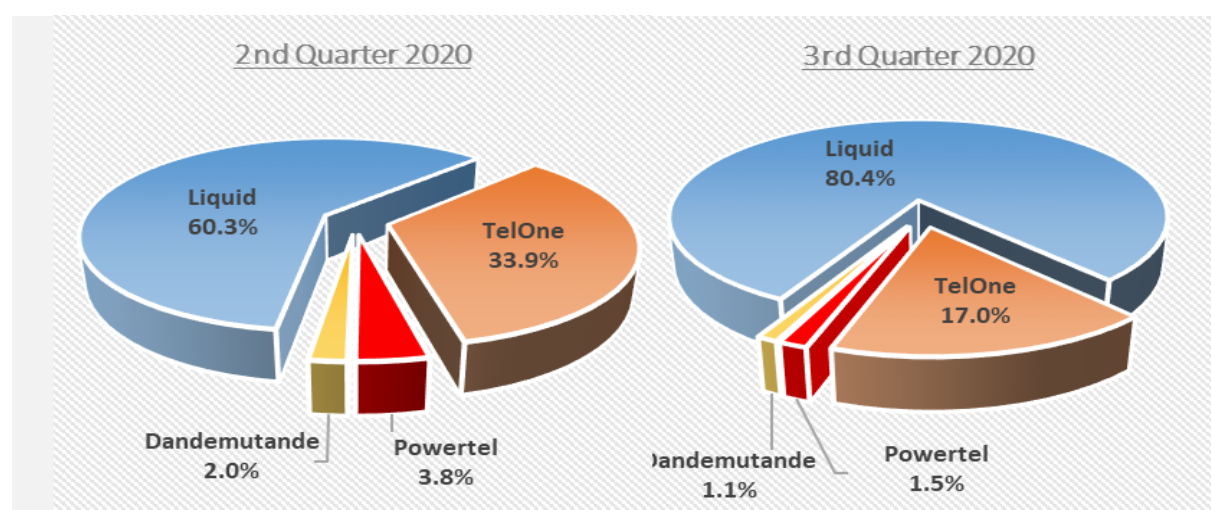
A huge growth in equipped international Internet capacity was recorded in the third quarter of 2020, following expansion by Liquid, TelOne and Dandemutande as shown in the following table:

Table 11: Equipped International Internet Bandwidth Capacity

	Second Quarter 2020	3 rd Quarter 2020	Variance (%)
Liquid	80,000	260,000	225.0%
TelOne	45,000	55,000	22.2%
Powertel	5,000	5,000	0.0%
Dandemutande	2,715	3,416	25.8%
Total	132,715	323,416	143.7%

As demand for Internet and data increases due to the adoption of e-learning, telecommuting, e-health etc. IAPs will need to continue expanding their bandwidth capacities to meet the demand. Liquid gained market share relative to the other Internet Access Providers, as a result of the huge expansion in the equipped international Internet bandwidth capacity as shown in Figure 1 below:

Figure 13: Market Share of Equipped International Internet Bandwidth Capacity



Used international incoming bandwidth capacity increased by 16.8% to record 188,093 in the third quarter of 2020 from 128,173Mbps in the second quarter of 2020. Used international outgoing bandwidth capacity also increased by 4.2% to reach 40,033Mbps in the third quarter of 2020 from 38,428Mbps recorded in the second quarter of 2020. Used international incoming bandwidth capacity per IAP is shown in the following table:

Table 12: Used Incoming International Internet Bandwidth Capacity

	Used international incoming bandwidth capacity	Used international outgoing bandwidth capacity
Liquid	89,072	26,528
TelOne	55,000	9,475
Powertel	3,410	3,410
Dandemutande	2,183	620
Total	149,665	40,033

Used international Internet bandwidth capacity is expected to continue increasing due to the growing demand for data and Internet services and the growing availability of local online content.

3.3 IAP REVENUES & OPERATING COSTS

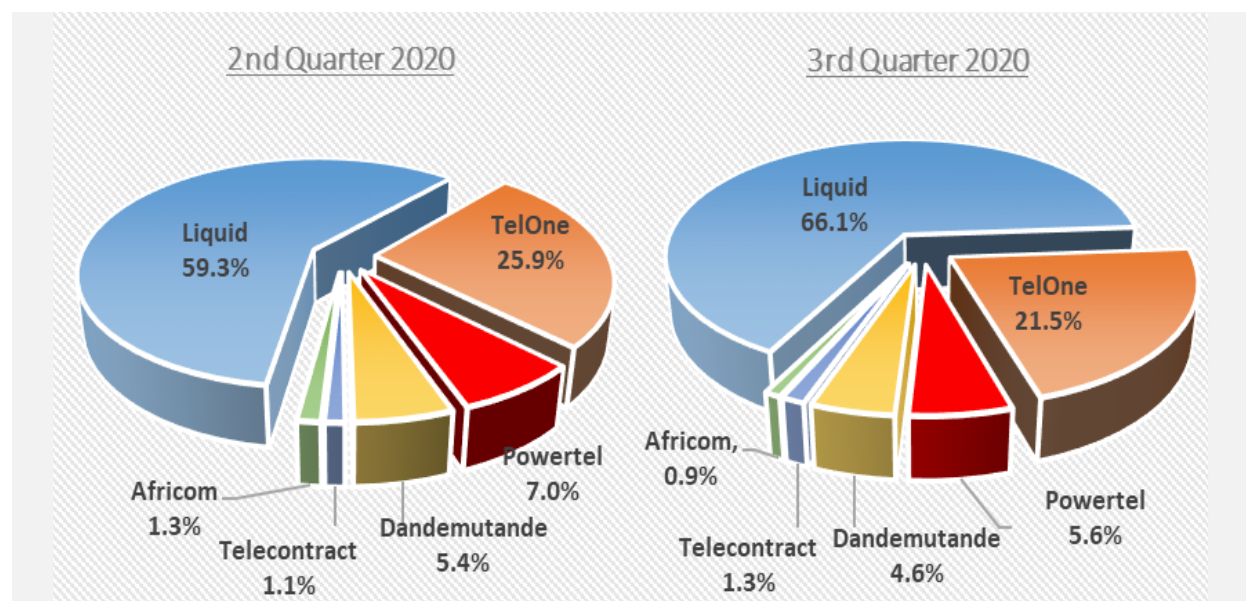
Internet Access Providers recorded growth in both revenues and operating costs as shown in Table 13 below:

Table 13: IAP Revenues & Operating Costs

	2nd Quarter 2020	3rd Quarter 2020	Variance (%)
Revenue	1,148,278,826	2,854,599,176	148.6%
Operating Costs	916,842,188	1,919,407,734	109.3%
Operating Costs incl. of foreign currency losses	11,167,521,626	11,287,793,541	1.1%
Capital Expenditure	35,031,659	87,261,701	149.1%

Capital expenditure grew considerably as IAPs expanded their networks and capacities. Operating inclusive of foreign currency losses grew by only 1.1% owing to the stabilisation of the exchange rate in the third quarter of 2020. A quarterly comparison of the IAP revenue market share is shown in Figure 14 below:

Figure 14: Market Share of IAP Revenue



As shown above, Liquid's market share increased by 6.8% to reach 66.1%. Telecontract also gained revenue market share by 0.2%. On the other hand, TelOne, Powertel, Dandemutande and Africom lost market share by 4.4%, 1.4%, 0.8% and 0.4% respectively.

4. POSTAL & COURIER

4.1 POSTAL & COURIER VOLUMES

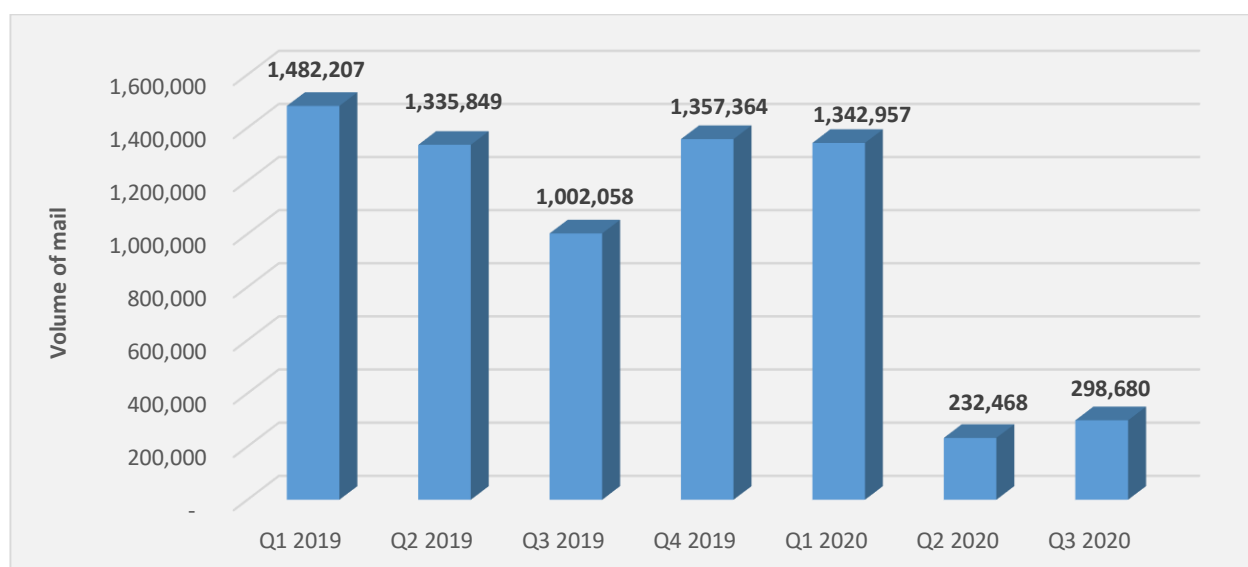
The postal and courier recorded a 28.1% growth in volumes in the quarter under review, an improvement from the steep decline recorded in the second of 2020. The growth in postal and courier volumes is shown in Table 14 below:

Table 14: Postal and Courier Volumes

Postal and Courier Service	2 nd Quarter 2020	3 rd Quarter 2020	% Growth
Domestic postal letters	126,244	156,939	24.3%
Domestic courier	53,548	78,375	46.4%
International incoming	50,472	52,185	3.4%
International outgoing courier	2,204	11,181	361.9%
Total Postal & Courier	232,468	297,680	28.1%

Despite the growth recorded in the quarter under review, postal and courier volumes are still way below the quarterly average of over 1 million preCOVID-19 as shown in Figure 15 below:

Figure 15: Postal & Courier Volumes

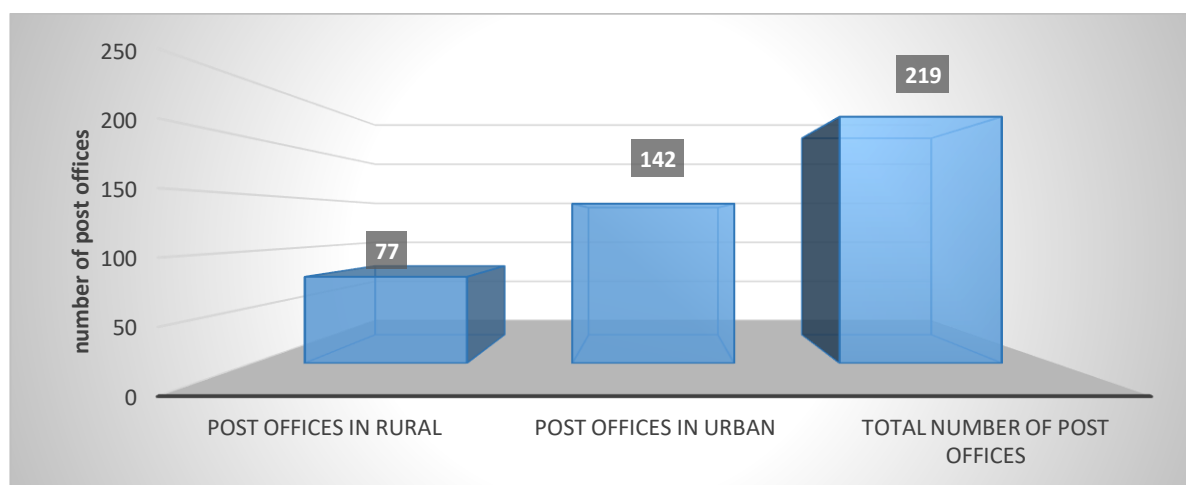


Although international courier volumes improved in the third quarter of 2020, postal and courier operators still face challenges in channelling items to and from several destinations because of COVID-19 policies in different countries.

4.2 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 broken down as follows:

Figure 16: Post Offices



The number of post offices with Internet connection remained 152. 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.

4.3 POSTAL & COURIER REVENUES, COSTS & INVESTMENT

Total revenue, operating costs and investment by postal and courier operators is shown in the following table:

Table 15: Postal & Courier Revenues, Costs & Investment

	2nd Quarter 2020 (ZWL)	3rd Quarter 2020 (ZWL)	Variance (%)
REVENUES	69,422,653	149,866,157	115.9%
OPERATING COSTS	58,672,170	109,668,308	86.9%
INVESTMENT	1,230,125	4,830,012	292.6%

Postal and courier revenues grew on the back of improved service volumes. As with other subsectors, the postal and courier operators have not been spared by inflationary pressures characterised by rising operating costs. The growth in capital expenditure mainly emanated from FedEx who invested in delivery vehicles.

5. OUTLOOK

The COVID-19 pandemic has demonstrated the critical importance that telecommunications infrastructure plays in keeping businesses, governments, and societies connected and running. The sector has been critical in keeping the global economy moving under the lockdown by providing business-critical connectivity and resilience, facilitating work-from-home arrangements and keeping individuals and societies connected and informed, with access to essential services during mandated social isolation. As a result, many telecom players providing broadband have benefitted from a surge in the traffic of data as shown in this report. Data and Internet services will continue to drive industry growth.

The performance of the sector continues to be dependent on the economic environment. The economic environment impacts the sector through service demand and consumption levels, operating costs, investment et.al. Given the dual pricing policy, fluctuations on the foreign currency auction market will have a direct impact on service tariffs for the sector. Operating

cost containment will remain crucial for operators to maintain profitability given the current inflationary pressures in the economy.

Subscriber retention will be crucial for operators going forward, given the fluctuations in active subscriptions. Competition in the various service markets is expected to intensify; operators will compete on products and service offerings as well as prices. However, the current levels of market concentration are expected to remain, 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.

The COVID-19 pandemic hit the postal and courier sector the hardest as evidenced by low volumes across all service categories. The pandemic exacerbated the substitution of paper communication by electronic methods (e-substitution). Despite the growth recorded in the quarter under review, postal and courier volumes are still way below the quarterly average of over 1 million preCOVID-19. Although international courier volumes improved in the third quarter of 2020, postal and courier operators still face challenges in channelling items to and from several destinations because of COVID-19 policies in different countries. Postal and courier volumes are expected to improve in the coming quarters as restrictions are eased globally and industry fully reopens.