

Sector Performance Report

- 1st Quarter 2022

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



The Director General of the Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ), hereby presents the key trends observed in the Postal and Telecommunication sectors during the first quarter of 2022 as follows:

Trends in mobile, Internet/data and fixed telephone subscriptions

Active mobile subscriptions increased by 0.2% to reach 14,257,590 as of 31 March 2022, from 14,289,085 recorded as of 31 December 2021. However, owing to the 1.5% annual growth in the population, the mobile penetration rate declined by a margin of 1.1% to record 93.3%, from the previously recorded 94.4%.

The total number of active Internet and data subscriptions increased by 1.2% to reach 9,644,271, from 9,526,421 recorded in the fourth quarter of 2021. The Internet penetration rate fell by 0.2% due to a 1.5% annual population growth. The total number of active fixed telephone lines declined by 0.1%, from 243,421 recorded in the fourth quarter of 2021 to 243,123 in the first quarter of 2022. The fixed tele-density remained 1.6%.

Decline in Internet & data usage

The aftermath of the COVID 19 national lockdown has been characterised by a decline in demand for mobile data as most of the interactions that were confined to be held virtually can now be conducted physically. Resultantly, the sector recorded a 14.9% decline in mobile data usage from 25,902 TB recorded in the fourth quarter of 2021, to 22,052TB in the first quarter of 2022. On the other hand, used international incoming bandwidth capacity increased by 12.3% to record 219,232Mbps in the first quarter of 2022, from 195,158Mbps recorded in the fourth quarter of 2021.

A decline in Fixed Voice Traffic & Mobile Voice Traffic

Fixed telephone traffic declined by 0.1% to record 91.98 million minutes in the first quarter of 2022 from 92.1 million minutes recorded in the last quarter of 2021. Total mobile traffic also declined by a margin of 2.3%, to record 1.77 billion minutes in the first quarter of 2022, from 1.81 billion minutes recorded in the fourth quarter of 2021. Voice traffic has been fluctuating over the years due to competition from Over-the-Top services such as WhatsApp, Viber amongst others.

Decline in postal and courier volumes

Postal and courier volumes have been continuously declining due to e-substitution, driven by technological advancements. Accordingly, postal and courier volumes declined by 13.4%, to record 556,618 items in the first quarter of 2022, from 642,432 items recorded in the fourth quarter of 2021.

Growth in revenue and rising operating costs across all markets

The first quarter of 2022 was characterised by growth in both revenues and costs across all market segments. The fixed telephone network generated ZWL 3.71 billion in the first quarter of 2022. This represents an 18.5% increase, from ZWL 3.14 billion generated in the previous quarter. On the other hand, fixed network operating costs increased by 8.5% to record ZWL3.17 billion from ZWL2.92 billion recorded in the previous quarter.

Total mobile operator revenues grew by 10% to record ZWL28.8 billion in the first quarter of 2022, from ZWL26.17 billion recorded in the fourth quarter of 2021; total mobile

operating costs grew by 22.7% to record ZWL17.01 billion from ZWL13.87 billion.

Internet Access Provider (IAP) revenues grew by 11.6% to record ZWL10.36 billion in the first quarter of 2022, from ZWL9.28 billion recorded in the fourth quarter of 2021, whilst operating costs for IAPs grew by 39% to record ZWL7.65 billion from ZWL5.51 billion recorded in the previous quarter.

Total revenue generated by the postal and courier sector increased by 38.1% to record ZWL646.8 million in the first quarter of 2022 from ZWL468.26 million recorded in the fourth quarter of 2021 whilst operating costs increased by 46% to record ZWL586.8 million from ZWL401.94 million recorded in the fourth quarter of 2021.

CHALLENGES

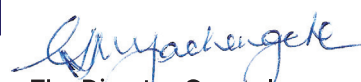
The sector continues to be negatively affected by the economic meltdown, which is characterised by inflation, depressed consumption, foreign currency shortages, credit crunch amongst other challenges. The constantly rising inflation has seen market players losing revenue in real terms as operating costs are increasing at a rate that surpasses revenue growth.

These challenges call for policy and strategic intervention at both sector and national levels. Over and above, Monetary Authorities should consider foreign currency prioritization of the sector considering the capital-intensive nature of the ICT sector.

INDUSTRY OUTLOOK

The postal and telecommunications sector is undergoing huge transformation driven by changing consumer behaviour, technological advancements, and increased competition from non-traditional players. Compounded to this, is the harsh economic climate, characterised by mounting inflation and exchange rate instability, resulting in business uncertainty. This calls for policy interventions at government level to restore business confidence. Fiscal interventions to curb the dwindling trend of disposable incomes should be prioritised to enhance service affordability and boost demand in the sector.

The postal and telecommunications sector remains intrinsic to the country's economic growth; it has also become an essential enabler for other sectors. The sector is expected to continue enabling other sectors as envisioned in Government's National Development Strategy 1 (NDS1). There is need for concerted efforts in the consolidation of strategies that deliberately focus on ICT development, executing smart policies, e-governance and effective processes that embolden investments in ICTs and digital skills and embracing emerging technologies that are crucial to the digital economy.


The Director General
07 July 2022

