

POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE (POTRAZ)



'creating a level playing field'

POSTAL & TELECOMMUNICATIONS ABRIDGED SECTOR PERFORMANCE REPORT

FOURTH QUARTER 2023

Disclaimer:

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LIST OF ACRONYMS

2G	Second Generation
3G	Third Generation
5G	Fifth 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
PB	Petabyte (1PB = I Billion Megabytes)
Mbps	Megabits per Second
VoIP	Voice Over Internet Protocol
MNO	Mobile Network Operator
IAP	Internet Access Provider
RCR	Revenue to Cost Ratio

MAJOR HIGHLIGHTS

The following are the main sector trends for the fourth quarter of 2023, compared to the third quarter of 2023:

- The total number of active mobile subscriptions grew by 1.2%, to reach 14,973,816, from 14,794,579. Meanwhile, the mobile penetration rate increased by 0.2%, to reach 97.7%, from 97.5%.
- Total mobile operators' revenue grew by 35.0% to record ZWL1.1 trillion, from ZWL850.8 billion. On the other hand, operating costs grew by 68.2% to record ZWL699.8 billion, from ZWL430.0 billion.
- Mobile voice traffic declined by 7.6% to record 3.04 billion minutes from 3.29 billion minutes.
- The total number of active Internet and Data subscriptions increased by 5.6% to reach 11.2 million, from 10.6 million. The Internet penetration rate increased by 3.2% to reach 73.3%, from 70.1%.
- Mobile Internet/Data traffic increased by 4.7% to record 46,79 Petabytes, from 44,67 Petabytes.
- Used Incoming International Internet Bandwidth Capacity increased by 7.9% to record 367,447Mbps, from 340,530Mbps.
- PSTN fixed voice traffic declined by 3.0% from 70.0 million minutes to 67.9 million minutes.
- Total active fixed telephone lines declined by 0.3% to reach 309,645, from 310,518. As a result, the fixed tele density decreased by 0.03% from 2.05% to 2.02%.
- IAP revenues grew by 28.2% to record ZWL576.2 billion, from ZWL449.3 billion recorded in the third quarter of 2023; meanwhile, operating costs for IAPs grew by 69.1% to record ZWL433.4 billion, from ZWL256.2 billion recorded in the previous quarter.
- Total postal and courier volumes declined by 34.5% to record 375,599 from 573,291 items.
- Total revenue generated by the postal and courier sector increased by 26.63% to record ZWL38.9 billion, from ZWL30.7 billion. Operating costs increased by 31.45% to record ZWL43.1 billion, from ZWL32.8 billion.

1.0 MOBILE TELEPHONY

1.1 ACTIVE MOBILE SUBSCRIPTIONS

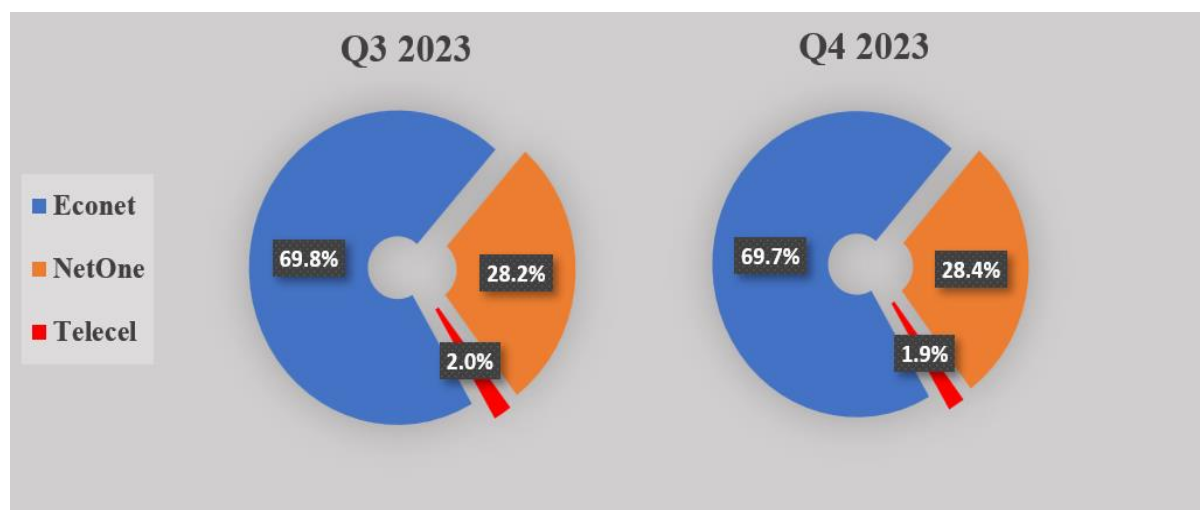
The sector recorded 14,973,816 active mobile subscriptions in the fourth quarter of 2023. This translates to a 1.2% increase from 14,794,579 recorded in the third quarter. As a result, the mobile penetration rate grew by 0.2% to record 97.7% from 97.5% recorded in the previous quarter. The quarterly variation in mobile subscriptions per operator is shown in Table 1 below:

Table 1: Active Mobile Subscriptions

Operator	Q3 2023	Q4 2023	Variance (%)
Econet	10,319,991	10,440,693	1.2%
NetOne	4,171,224	4,251,791	1.9%
Telecel	303,364	281,332	-7.3%
Total	14,794,579	14,973,816	1.2%

Telecel's active subscriber base continued on a downward trend as evidenced by a 7.3% decline in active subscribers. Conversely, NetOne and Econet grew in subscribers by 1.9% and 1.2% respectively in the quarter under review. A quarterly comparison of the market share of active mobile subscriptions is shown in Figure 1 below:

Figure 1: Market Share of Mobile Subscribers



NetOne gained subscriber market share by 0.2% in the fourth quarter of 2023, whilst Econet and Telecel lost theirs by 0.1% each. However, Econet continued to dominate the market in terms of subscribers with close to 70% share of the total subscribers.

1.2 MOBILE VOICE TRAFFIC

Total mobile traffic in minutes declined by 7.6% in the fourth quarter of 2023 to record 3.04 billion minutes from 3.29 billion minutes recorded in the previous quarter. The disaggregation of mobile telephony traffic per category for the quarter under review, compared to the previous quarter is shown in Table 2 below:

Table 2: Mobile Telephone Traffic

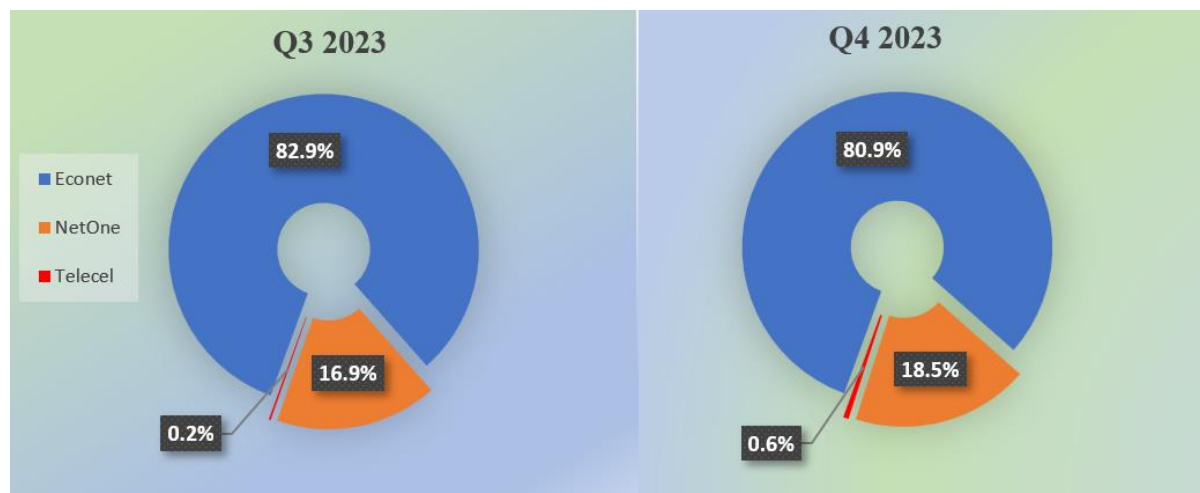
Traffic category	Q3 2023 (In Minutes)	Q4 2023 (In Minutes)	Variance (%)
Net on Net	2,548,006,022	2,552,275,703	0.2%
Mobile to Fixed	5,276,729	4,909,171	-7.0%
Incoming from Fixed	55,000,462	51,989,734	-5.5%
Mobile to Other Mobile	620,341,734	367,936,699	-40.7%
Outgoing to IAPs	2,379,730	2,789,844	17.2%
Incoming from IAPs	26,927,193	28,122,941	4.4%
Total National	3,257,931,870	3,008,024,092	-7.7%
International Incoming	20,789,470	21,233,052	2.1%
International Outgoing	6,325,648	6,496,142	2.7%
Inbound Roaming	1,062,465	575,054	-45.9%
Outbound Roaming	288,656	184,298	-36.2%
Total	3,286,398,109	3,036,512,638	-7.6%

The sector recorded a 7.6 % decline in mobile telephony traffic in the quarter under review. A significant decline in mobile to other mobile traffic was the major driver in the decline in the total traffic, with a 40.7% decline from 620.3 million minutes recorded in the previous quarter to 367.9 million minutes in the quarter under review, across mobile networks.

The prominence of OTTs which traditionally have had a negative impact on international incoming and outgoing voice traffic over the years due to their affordability, have spilled over to impact local voice calls negatively. Largely adopted social media platforms, such as WhatsApp and Facebook have been offering communication platforms that are affordable and reliable. The introduction of video and voice calling functions on these apps has a detrimental effect on the use of voice telephony services.

In terms of the market share for mobile voice traffic, Econet continued in the pole position, commanding 80.9% of the market, which is a decline of 2% from the previous quarter. The quarterly comparison of the mobile voice traffic market share is shown in Figure 2 below:

Figure 2: Mobile Voice Traffic Market Share



As shown above, NetOne and Telecel gained voice traffic market share by 1.6% and 0.4% respectively whereas Econet lost market share by 2.0%.

1.3 MOBILE INTERNET/ DATA TRAFFIC

Mobile Internet/ Data traffic increased by 4.7% to record 46,79 Petabytes in the fourth quarter, from 44,67 Petabytes recorded in the third quarter of 2023. A quarterly comparison of mobile Internet/ Data traffic per mobile network is shown in Table 3 below:

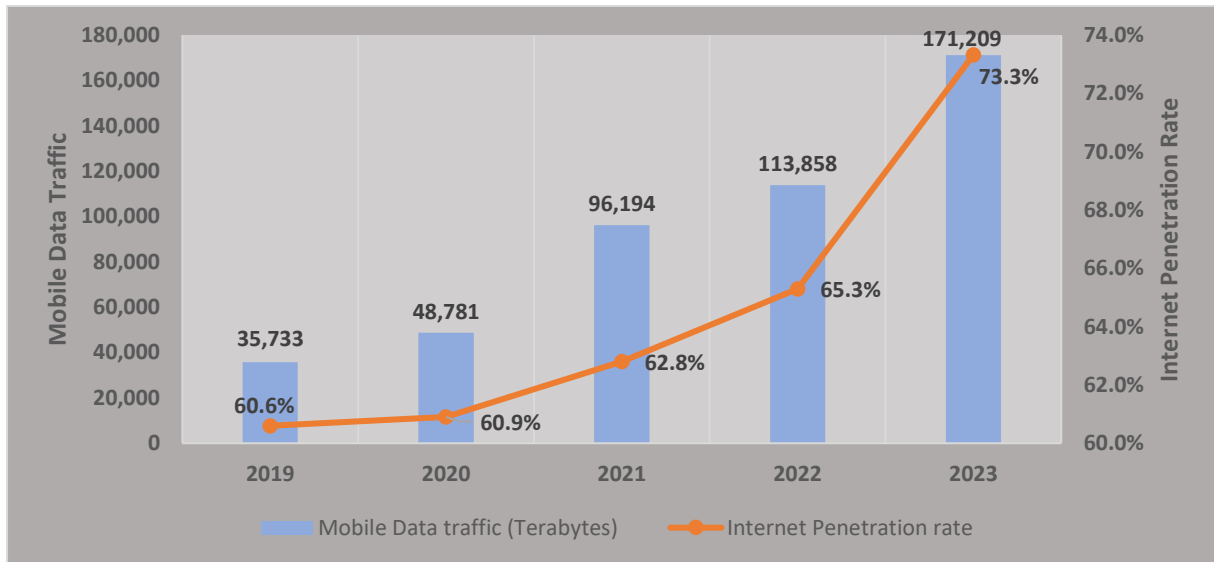
Table 3: Mobile Internet/ Data Traffic

Operator	Q3 2023 (MB)	Q4 2023 (MB)	Variance (%)
Econet	34,985,422,241	39,181,626,105	12.0%
NetOne	9,512,579,282	7,443,080,321	-21.8%
Telecel	174,494,454	164,050,164	-6.0%
Total	44,672,495,977	46,788,756,590	4.7%

Internet/data usage by Telecel and NetOne subscribers declined by 6.0% and 21.8% respectively during the fourth quarter. However, these declines in Internet/data usage were compensated by Econet's 12.0% growth.

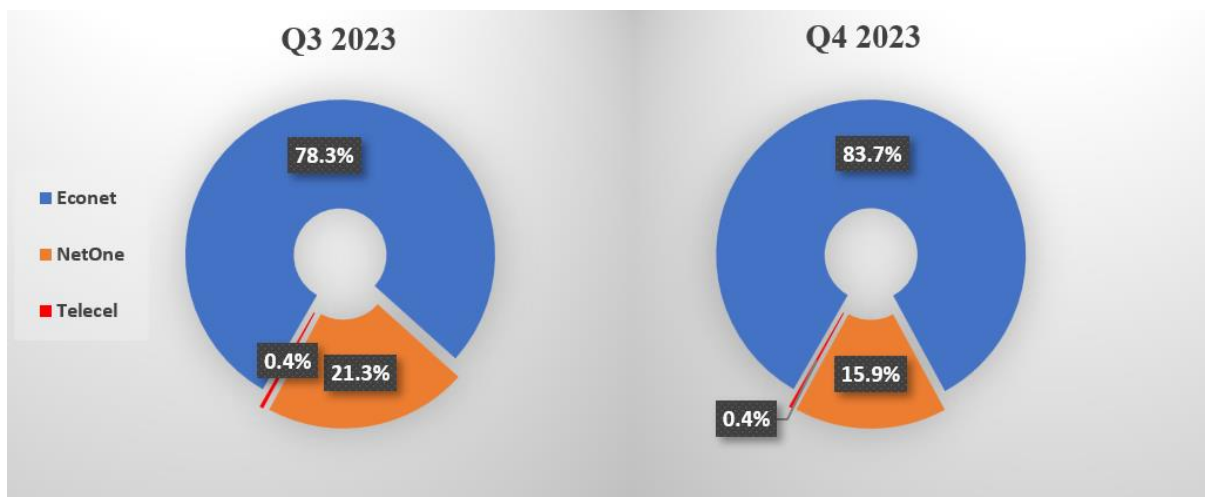
As the world has gone digital in almost everything i.e., education, business, entertainment, Zimbabwe has not been left behind. This is evidenced by a continuous growth in Internet/ data usage and its penetration in recent years as illustrated on Figure 3 below.

Figure 3: Mobile Internet and data Traffic



Internet/ Data traffic market shares are shown in Figure 4 below:

Figure 4: Market Share of Internet & Data Traffic



Econet continued to push more than three quarters of mobile Internet/ data usage as evidenced by 83.7% market share. NetOne saw a decline in their market share whilst Telecel maintained its share in the quarter under review.

1.4 MOBILE REVENUES, COSTS & INVESTMENT

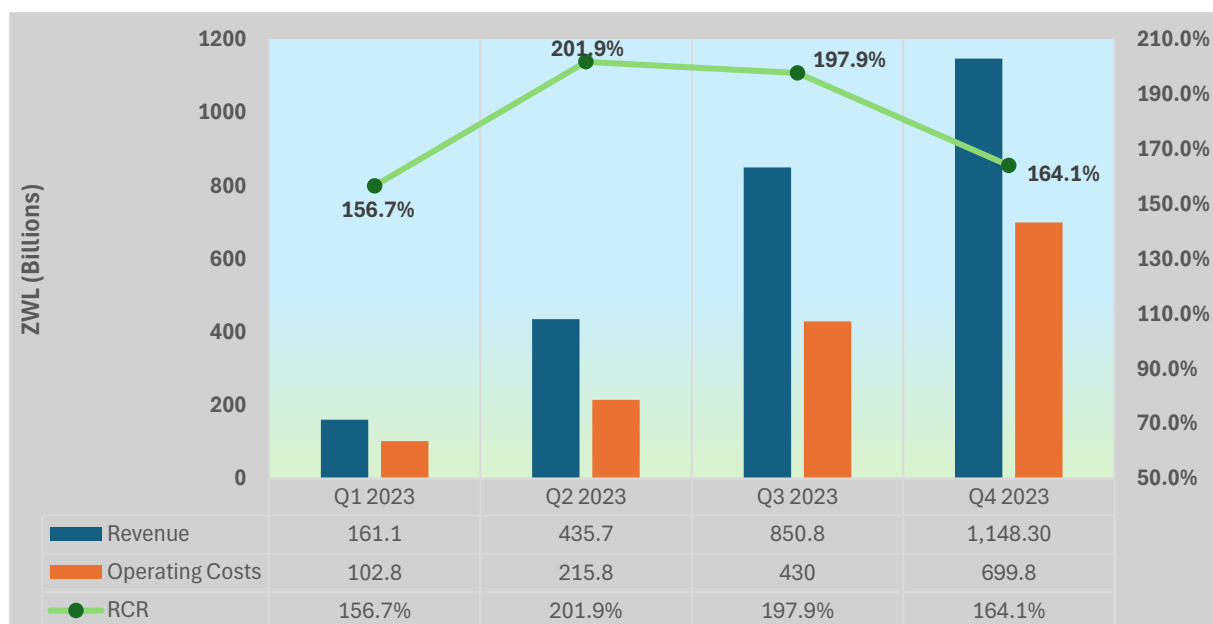
The growth in mobile revenues, operating costs and capital expenditure in the fourth quarter of 2023 is shown in Table 4 below:

Table 4: Mobile Operator Revenues, Costs and Investment

Operator	Q3 2023 (ZWL)	Q4 2023 (ZWL)	Variance (%)
Revenue	850,809,558,494	1,148,326,705,563	35.0%
Operating Costs	429,962,632,016	699,790,279,126	62.8%
Capital Expenditure	33,885,724,199	117,113,808,869	245.6%

As shown in the tabular exposition above, total operating costs grew by 62.3%, a margin that surpasses revenue growth by 27.8%. This shows a decline in Revenue-to-Cost Ratios (RCRs) which indicates that operating costs are closing in on revenue which can pose operational challenges. Nominally capital expenditure grew by 245.6% in the quarter under review. However, in real terms this may not reflect significant growth in mobile operator investment due to hyper-inflation. Revenue, Operating costs and RCR variations are shown in Figure 5 below:

Figure 5: MNOs Revenue, Costs & RCR



As shown above, Revenue to Cost Ratios saw a downward trend since the second quarter of 2023.

1.5 MOBILE TELEPHONY INFRASTRUCTURE

A total of 161 new base stations were deployed in the fourth quarter of 2023, as compared to 164 base stations deployed in the previous quarter. The deployments per operator for the different mobile technologies is disaggregated as shown in Table 5 below:

Table 5: Mobile Base Stations

	2G			3G			LTE			5G		
	Q3	Q4	Net	Q3	Q4	Net	Q3	Q4	Net	Q3	Q4	Net
	2023	2023	Addition	2023	2023	Addition	2023	2023	Addition	2023	2023	Addition
Total	4,962	4,965	3	3,435	3,478	43	2,179	2,289	110	22	27	5

As the world moves towards faster technologies, the sector has been moving away from deployment of 2G and 3G technologies in favour of new generation technologies which offer high capacity, and faster download and upload speeds. This is evidenced by 110 LTE deployments and 5 additional 5G deployments versus 46 combined 2G and 3G deployments made in the quarter under review.

2.0 DATA/ INTERNET SUBSCRIPTIONS

2.1 SUBSCRIPTIONS

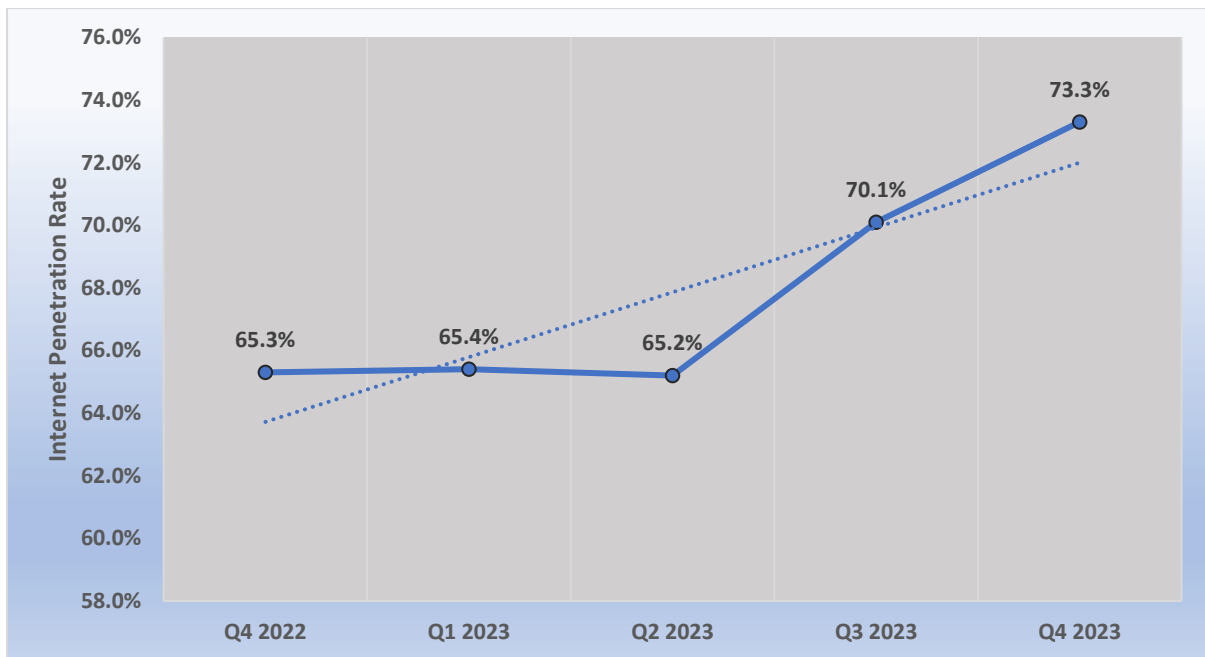
The total number of active data /Internet subscriptions increased by 5.6% to reach 11,044,535 in the fourth quarter, from 10,452,445 recorded in the previous quarter. The growth in active data and Internet subscriptions per technology is shown in Table 6 below:

Table 6: Active Internet & Data Subscriptions

Technology	Q3 2023	Q4 2023	Variance (%)
Mobile Internet Subscriptions	10,381,345	10,971,779	5.7%
Fixed LTE	71,100	72,756	2.3%
Leased Lines	2,826	2,870	1.6%
DSL	104,945	104,463	-0.5%
WiMAX	8,128	9,359	15.1%
CDMA	288	170	-41.0%
VSAT	4,924	5,073	3.0%
Active Fibre Subscriptions	73,634	74,499	1.2%
Total	10,647,190	11,240,969	5.6%

As shown above, the sector recorded a 5.6% growth in active Internet subscriptions, which saw an increase in the Internet penetration rate by 3.2% to record 73.3% in the fourth quarter, from 70.1% recorded in the previous quarter. Operators continued to decommission CDMA technology in favour of next generation technologies. A 41.0% decline in CDMA subscriptions is indicative of the substitution of the technology with other technologies as illustrated by the tabular exposition above. Internet penetration rate movements throughout the year is shown below:

Figure 6: Internet Penetration Rate



Internet Penetration rate has been on an upward trend in recent years due to global digitalization which has fuelled Internet adoption in business, education, entertainment, etc. Growth in smartphone penetration rate has also contributed to the surge in Internet usage and subscriptions in the sector.

3.0 FIXED TELEPHONY SERVICE

3.1 SUBSCRIPTIONS

The total number of active fixed telephone subscriptions dropped by 0.3%, reaching 309,645 compared to 310,518 recorded in the third quarter of 2023. This translates to a 0.03% decline

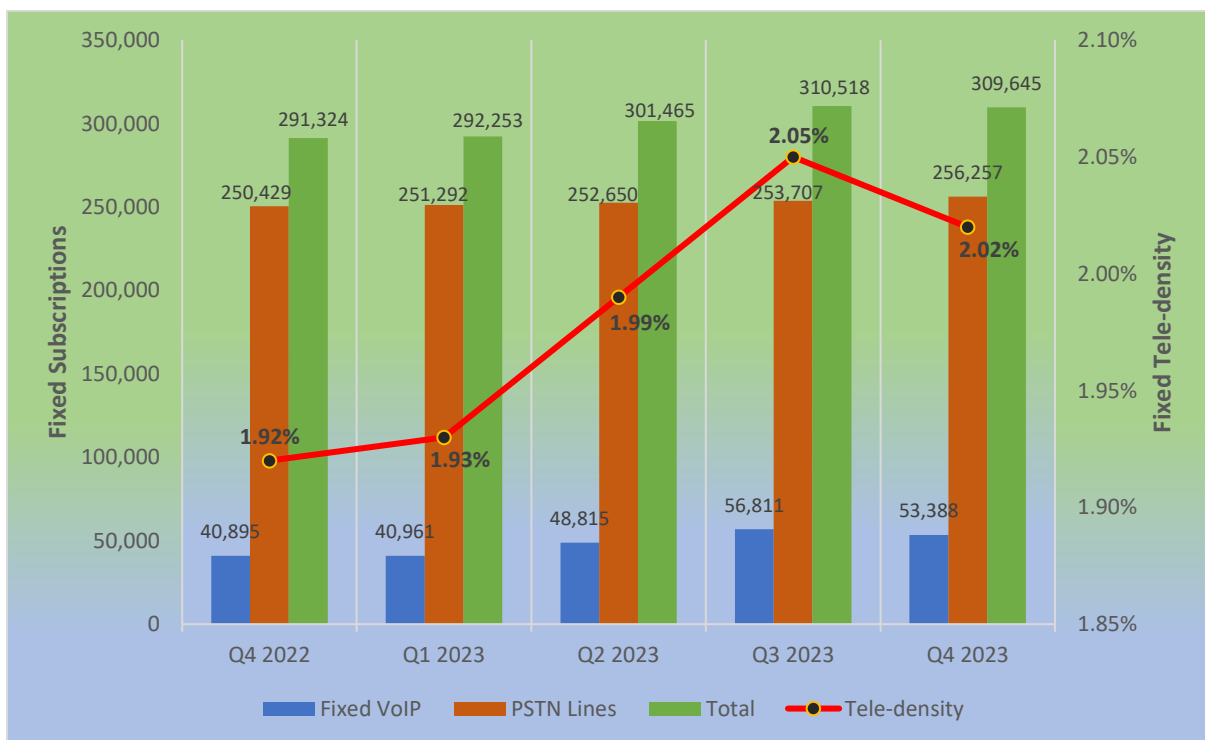
in fixed tele-density from 2.05% recorded previously to 2.02% in the fourth quarter of 2023. The growth in PSTN and VoIP lines is shown in Table 7 below.

Table 7: Fixed Telephone Subscriptions

Subscriber Category	Q3 2023	Q4 2023	(%) Growth
PSTN Lines	253,707	256,257	1.0%
Fixed VoIP	56,811	53,388	-6.0%
Total	310,518	309,645	-0.3%

There has been a substitution of fixed services with mobile services. Consumers of Telecommunication services are opting for mobile services as they offer flexibility, convenience, and mobility. This has resulted in a decline in fixed telephony subscriptions. The trends of active fixed subscriptions for the past one year are illustrated in Figure 7 below.

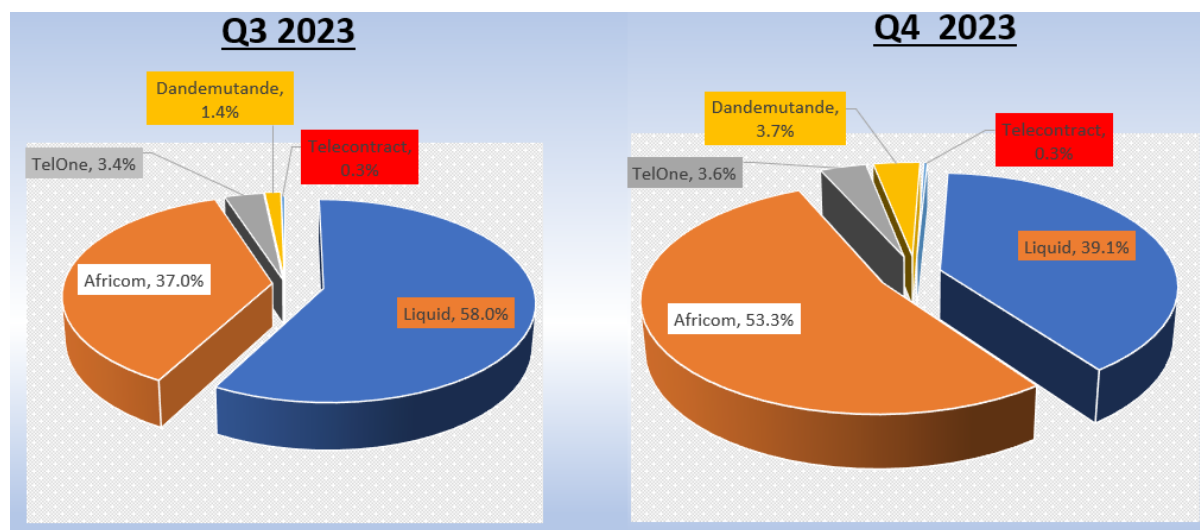
Figure 7: Active Fixed Telephone Subscriptions



3.1.1 FIXED VoIP MARKET SHARE

The market share of fixed VoIP subscriptions in the fourth quarter of 2023 is depicted in Figure 8 below:

Figure 8: Market Share of Fixed VoIP Subscriptions.



As shown above, Africom, TelOne and Dandemutande gained market shares by 16.3%, 0.2% and 2.3% respectively. Liquid experienced a decline in its market share by 18.9%. Telecontract maintained its market share of 0.3%.

3.2 PSTN VOICE TRAFFIC

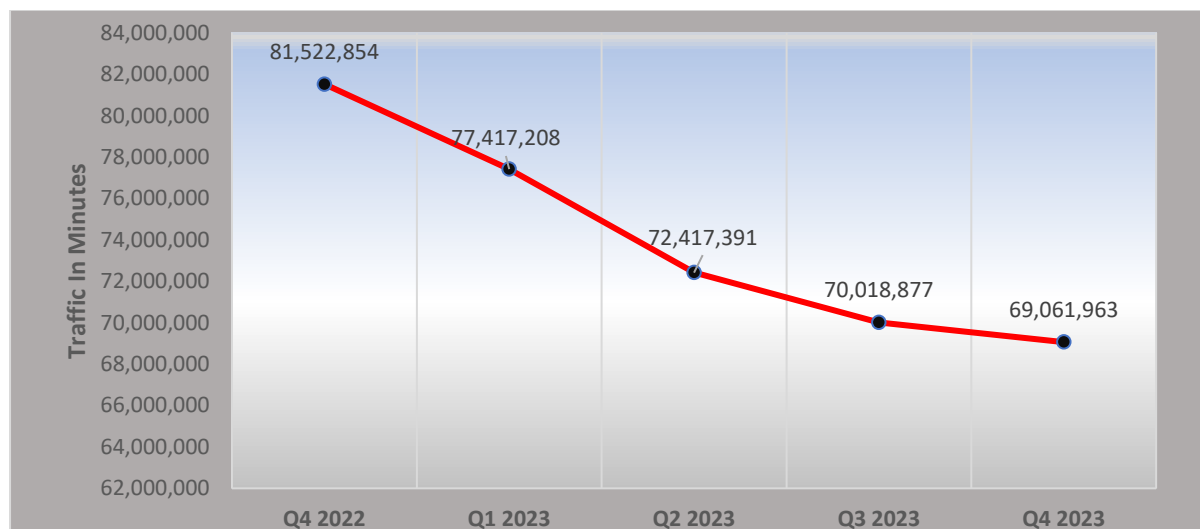
Total voice traffic by the Public Switched Telephone Network Operator continued a downward trend as indicated by a 1.4% decline in the fourth quarter of 2023, to record 69.1 million minutes, down from 70.0 million minutes recorded in the third quarter of 2023. The quarterly variation in fixed voice traffic per category is shown in Table 8 below:

Table 8. Fixed Voice Traffic (PSTN Traffic)

Traffic category	Q3 2023	Q4 2023	Variance (%)
Net on Net	6,271,536	6,098,740	-2.8%
Outgoing to Mobile	55,023,689	54,472,995	-1.0%
Incoming from Mobile	4,654,733	4,890,569	5.1%
Incoming from IAPs	559,991	546,422	-2.4%
Outgoing to IAPs	648,738	706,148	8.8%
Total National Voice Traffic	67,158,687	66,714,874	-0.7%
International Incoming	1,568,678	1,274,751	-18.7%
International Outgoing	1,291,512	1,072,338	-17.0%
Total traffic	70,018,877	69,061,963	-1.4%

All the traffic categories, save for incoming from mobile and outgoing to IAPs, posted negative growths. The decline in fixed voice traffic is a consistent trend, as graphically shown in Figure 9 below:

Figure 9: PSTN Voice Traffic



Public Switched Telephone Network (PSTN) voice traffic has been on a downward trend in the recent past owing to competition from Over-The-Top (OTT) communication applications that utilize the Internet to provide all sorts of communication facilities. These services are also considered to be affordable by masses, hence the substitution of the traditional way of communicating by OTTs. Also noteworthy is that the fixed operator has been moving away from offering voice centric services to data centric services.

4.0 INTERNET ACCESS PROVIDERS (IAPs)

4.1 IAP REVENUES, OPERATING COSTS & INVESTMENT

The growth in IAP aggregate revenue, operating costs, and capital expenditure in the final quarter of 2023 is shown in Table 9 below:

Table 9: IAP Revenues, Operating Costs & Capital Expenditure (ZWL)

	Q3 2023	Q4 2023	Variance (%)
<i>Revenue</i>	449,336,674,500	576,175,745,033	28.2%
<i>Operating Costs</i>	256,231,347,710	433,404,922,643	69.1%
<i>Capital Expenditure</i>	32,644,439,312	69,390,698,434	112.6%

In contrast to the previous quarter, the growth in revenue was outpaced by the growth in operating cost as indicated by growth rates of 28.2% and 69.1% respectively for revenues and operating costs. This indicates a decline in Revenue to Costs Ratio and the total profitability of Internet Access Providers. Considering the profitability challenges faced, the IAPs went on to increase their capital outlays by 112.6% in the quarter under review. However, the amount invested in the quarter may not be something to celebrate considering the hyper inflationary operating environment.

4.2 INTERNATIONAL INTERNET CONNECTIVITY

4.2.1 EQUIPPED INTERNATIONAL INTERNET BANDWIDTH CAPACITY

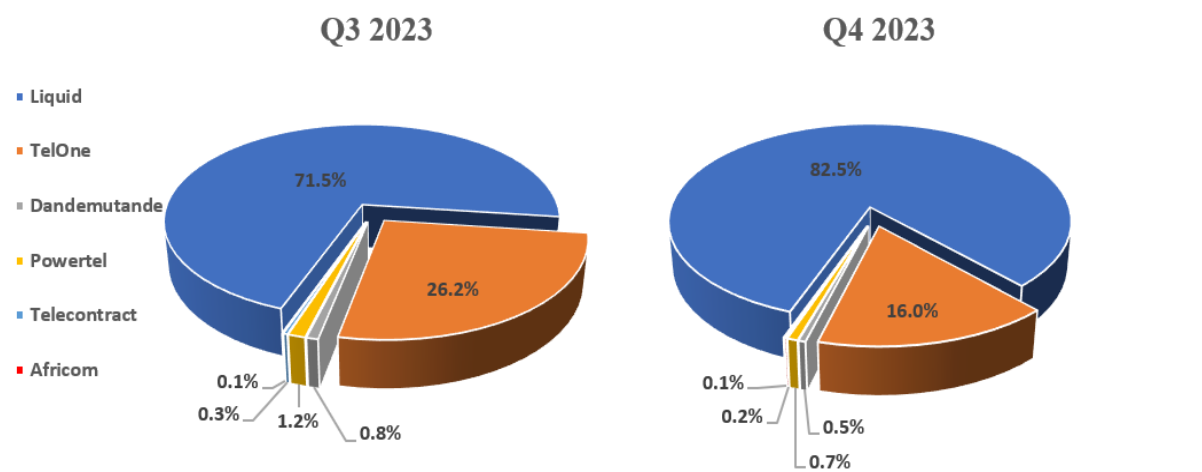
Equipped international Internet bandwidth capacity for Internet Access Providers increased by 63.6% to record 1,029,085Mbps at the end of the fourth quarter of 2023, from 629,085Mbps recorded in the previous quarter. Equipped International Internet bandwidth capacity per provider is shown in Table 10 below:

Table 10: Equipped International Incoming Internet Bandwidth Capacity (Mbps)

Operator	Q3 2023	Q4 2023	Variance (%)
Liquid	450,000	850,000	88.9%
TelOne	165,000	165,000	0.0%
Powertel	5,000	5,000	0.0%
Dandemutande	7,385	7,385	0.0%
Telecontract	1,700	1,700	0.0%
Africom	620	620	0.0%
Total	629,085	1,029,085	63.5%

Only Liquid upgraded its Equipped International Incoming Internet Bandwidth Capacity in the quarter under review. With an additional 400,000Mbps of capacity, Liquid continued to dominate the market as evidenced by 82.5% market share as shown in Figure 10 below:

Figure 10: Market Share of Equipped International Internet Bandwidth Capacity



Liquid Intelligent Technologies gained capacity market share by 11%, whereas TelOne lost its capacity share by 10.2% as depicted above.

4.2.2 USED INTERNATIONAL INTERNET BANDWIDTH CAPACITY

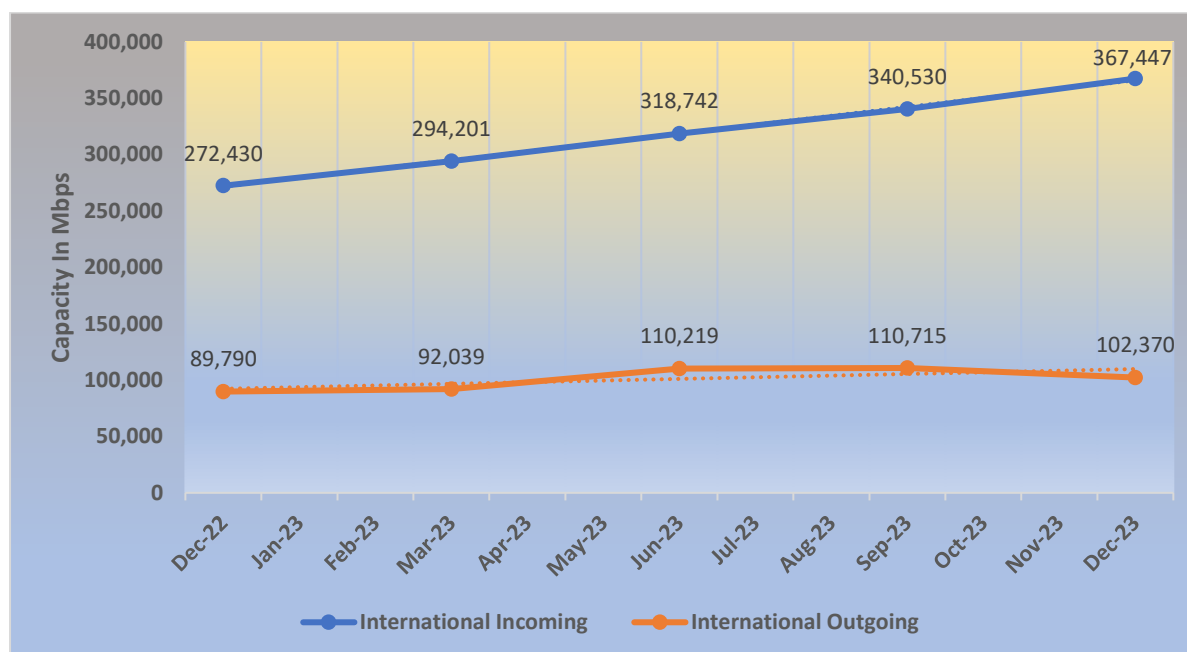
A quarterly comparison of used international incoming and outgoing bandwidth capacities is shown in Table 11 below:

Table 11: Used International Internet Bandwidth Capacity (Mbps)

	Q3 2023	Q4 2023	Variance (%)
Incoming	340,530	367,447	7.9%
Outgoing	110,715	102,370	-7.5%

Used incoming international bandwidth capacity increased by 7.9%, whereas used outgoing international bandwidth capacity declined by 7.5% in the fourth and final quarter of 2023. Growth in used incoming bandwidth capacity signifies growth in downlink traffic from the rest of the world. This means consumption of online foreign content has been on the rise whilst consumption of local content online still needs efforts through increased Internet content creation. The growth in used international bandwidth capacity is shown in Figure 11 below:

Figure 11: Growth in Used International Internet Bandwidth Capacity



As indicated above, the sector recorded more downlink traffic than uplink traffic in the quarter under review. Transmission of local content to the rest of the world has been lagging over the year as evidenced by the trend shown.

5.0 POSTAL & COURIER

5.1 POSTAL & COURIER VOLUMES

Postal and Courier volumes declined by 34.5% to record 375,599 items from 573,291 recorded in the previous quarter as shown in Table 12 below:

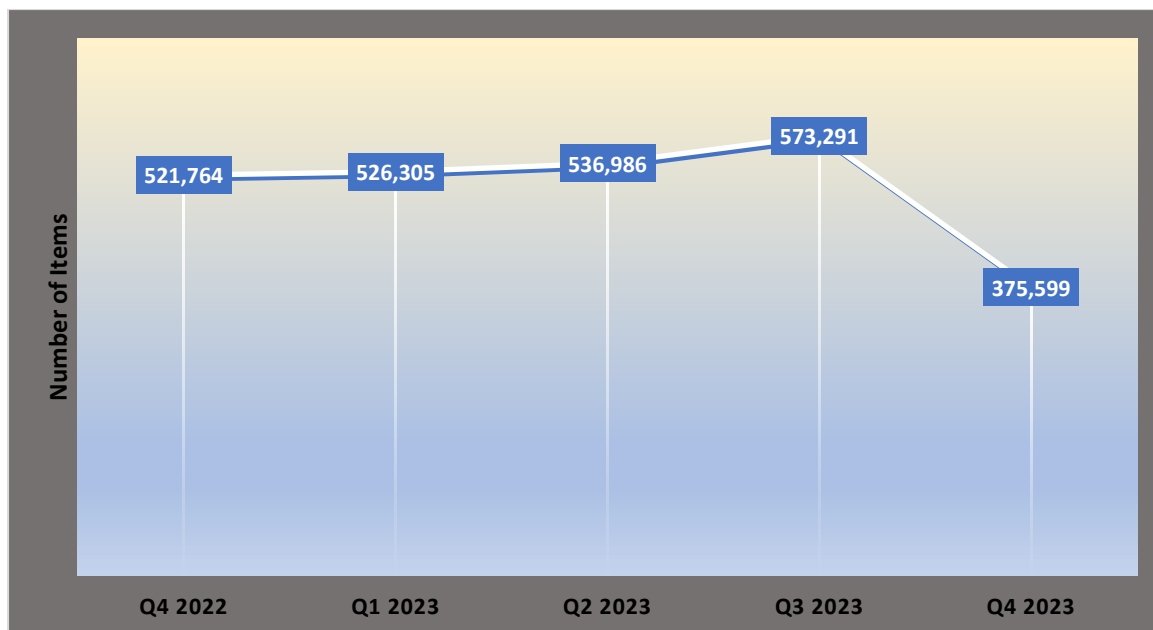
Table 12: Postal and Courier Volumes

	Q3 2023	Q4 2023	% Growth
Domestic postal letters	437,081	212,909	-51.3%
Domestic courier	109,553	125,321	14.4%
International incoming courier	21,521	21,266	-1.2%
International outgoing courier	5,136	16,103	213.5%
Total Postal & Courier	573,291	375,599	-34.5%

The decline in postal and courier volumes has been a trend in most countries. This is attributed to increased adoption of digital communication channels, such as social media, online document sharing, emails, and instant messaging. As the world moves towards e-commerce,

the volume of paper mail, physical invoices and statements have been dropping consistently over the years. This trend has not spared our own postal and courier sector. However, the sector experienced a short-lived growth in volumes in the first three quarters of the year before recording a 34.5% decline in the final quarter of the as shown in Figure 12 below:

Figure 12: Postal & Courier Volumes

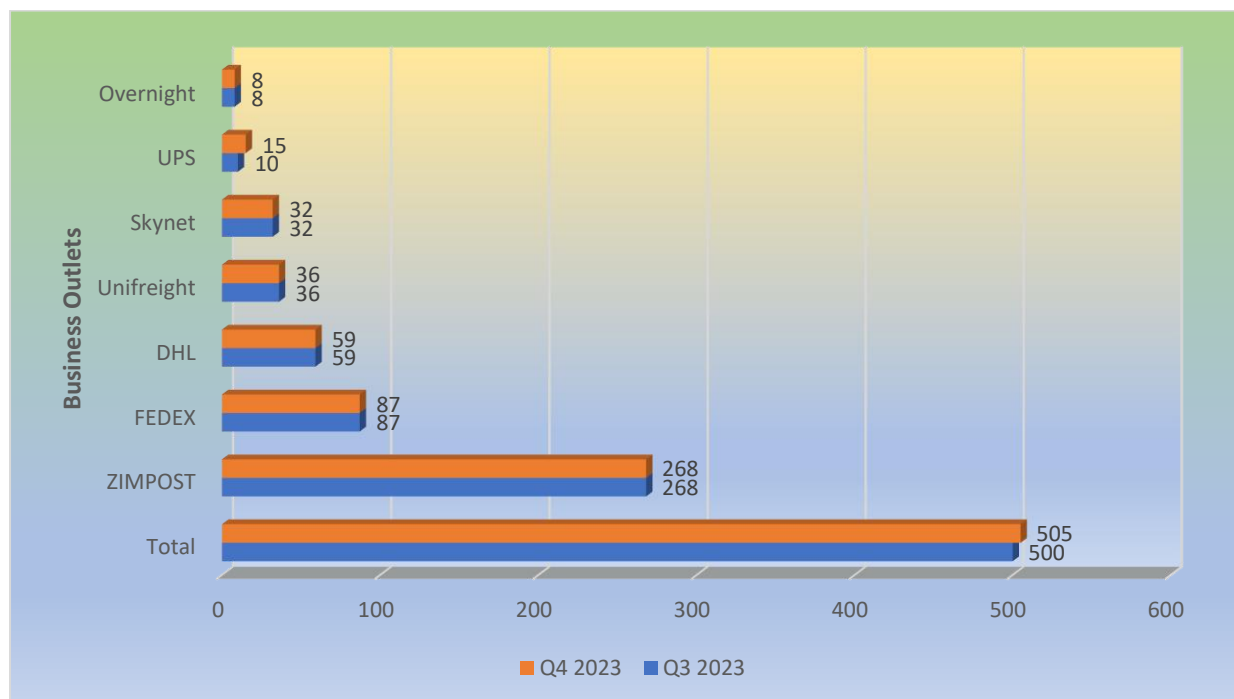


There is need to invest in customer-centric initiatives to provide an exceptional customer experience. This can include user-friendly online platforms for tracking packages, communication regarding delivery updates and flexible delivery options. Additionally, sector players need collaborations with e-commerce platforms, local businesses, and other logistics companies to create a comprehensive and integrated supply chain, which can lead to improved delivery networks and boost volumes.

5.2 POSTAL DENSITY

The total number of operational postal and courier outlets by the licensed operators grew by 5 outlets to record 505 in the fourth quarter of 2023, from 500 outlets recorded in the previous trading quarter. The distribution of postal and courier outlets is shown in Figure 13 below:

Figure 13: Distribution of Postal & Courier Outlets



UPS increased its footprint by 5 business outlets in the quarter under review. The postal and courier density however remained at 30,358 per postal establishment in the fourth quarter of 2023. The sector needs to establish more outlets to enhance efficiency and effectiveness in postal and courier delivery.

5.3 POSTAL & COURIER REVENUES, COSTS & INVESTMENT

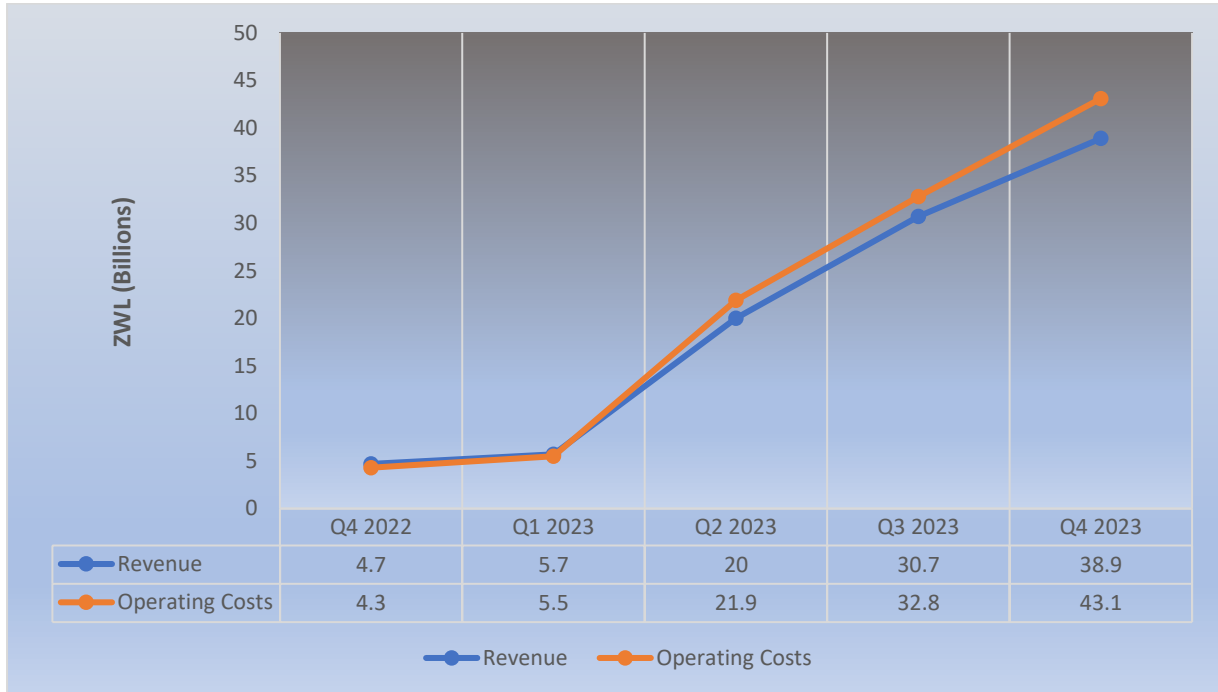
Total revenue, operating costs, and capital expenditure by the postal and courier sector in the fourth quarter is shown in Table 13 below:

Table 13: Postal & Courier Revenues, Costs & Capital Expenditure

	Q3 2023	Q4 2023	% Growth
Revenues	30,744,816,813	38,931,039,571	26.63%
Operating Costs	32,793,049,017	43,106,068,508	31.45%
Capital Expenditure	325,520,680	771,229,062	136.92%

As with most subsectors, the growth in operating costs was higher than the growth in revenue. Postal and courier operators have not been immune to the trend of rising operating costs as shown in Figure 14 below:

Figure 14: Postal & Courier Revenues & Operating Costs (ZWL)



A decrease in volumes resulted in businesses not being able to generate sufficient revenue to cover the operating costs in the fourth quarter of 2023 as illustrated on the chart above. The unfavourable operating environment characterized by hyper-inflation saw operators operating at a loss in the quarter under review.

6.0 OUTLOOK

The hyper – inflationary environment in the quarter under review posed significant challenges across the sector. The pressures which have not spared any sector of the economy, have seen the general price level skyrocketing, which has seen operating costs spiking for all the operators. Revenue to Cost Ratios have diminished for most operators, which is a signal for profitability loss across the sector.

Diminished profits in real terms have had detrimental effects on investment in network infrastructure and next generation equipment necessary to keep up with the ever-evolving global technological community. Operators have gone slow in terms of infrastructural expansion and innovation, which has contributed to poor quality of service and lagging in terms of keeping up with the international community in digital transformation.

Considering the foregoing, pricing of Telecommunications, Postal and Courier Services has been difficult to establish. The situation calls for consistent monitoring of inflation indicators, sector trends and the costs of service delivery. Regular tracking and use of pricing models that consider real time trends such as the USD indexation can be the way to go to promote viability of the sector.

For the postal sector, there is need to stimulate increased adoption and promotion of e-commerce by postal and courier operators to revive the postal and courier sector. E-commerce provides buying and selling platforms over the Internet that can be capitalized upon by operators to boost postal and courier volumes.