

SECTOR PERFORMANCE REPORT

1ST QUARTER 2021



Remarks By
The POTRAZ Director General
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'creating a level playing field'

The Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ) continues to observe social distancing measures owing to the COVID-19 pandemic. Hence, the traditional Director General's Sector Performance Press Conferences remain suspended until further notice. Accordingly, the Director General hereby presents the key trends observed in the Postal and Telecommunication sectors during the first quarter of 2021 as follows:

Growth in active internet & data subscriptions and decline in fixed and mobile subscriptions

The total number of active Internet and data subscriptions increased by 1.7% to reach 9,029,644, from 8,875,649 recorded in the fourth quarter of 2020. As a result, the Internet penetration rate increased by 0.2% to reach 61.1%, from 60.9% in the previous quarter. On the other hand, active fixed telephone lines declined by 1% to record 249,486, from 252,067 recorded in the fourth quarter of 2020. However, the fixed tele-density remained at 1.7%. Active mobile telephone subscriptions also declined by 1.7%, to 13 million subscribers in the first quarter of 2021, from 13.2 million recorded in the fourth quarter of 2020. Accordingly, the mobile penetration rate declined by 2.7% to reach 87.8%, compared to 90.5% in the last quarter of 2020. Active subscriptions have been experiencing seasonal fluctuations over the past year due to the impact of the Covid-19 pandemic on demand and consumer behaviour.

Growth in Mobile Voice Traffic & a decline in Fixed Voice Traffic

Total mobile voice traffic increased by 3.5% to record 1.56 billion minutes in the first quarter of 2021, from 1.51 billion minutes in the fourth quarter of 2020. Fixed telephone voice traffic declined by 13% to record 85.5 million minutes in the first quarter of 2021, from 98.2 million recorded minutes in the fourth quarter of 2020. Fixed voice service continues to face competition from Voice-over-Internet Protocol (VoIP) which is increasingly being adopted by corporates, hence the fluctuations.

Growth in Internet & data usage

Mobile Internet and data traffic increased by 29.9% to record 21,865 Terabytes in the first quarter of 2021 from 16,834 Terabytes recorded in the fourth quarter of 2020. Used international incoming bandwidth capacity also increased by 9.3% to record 174,645Mbps from 159,665Mbps recorded in the fourth quarter of 2020. Internet and data traffic are expected to continue growing due to the increased adoption of e learning, telecommuting, and e-conferencing.

Growth in postal and courier volumes

Total postal and courier volumes improved by 21.8%, to record 483,391 items, from 396,975 items recorded in the fourth quarter of 2020. This is largely attributable to COVID-19 restrictions that affected the channelling of mail, resulting in a huge dip in mail volumes, which in the future are set to improve as lockdowns get relaxed globally.

Growth in revenue vis-à-vis rising operating costs across all markets

Total mobile operator revenues grew by 12.3% to record ZWL13.8 billion, from ZWL12.3 billion recorded in the fourth quarter of 2020. On the other hand, operating costs grew by 32.9% to record ZWL7.6 billion, from ZWL5.7 billion recorded in the fourth quarter of 2020. Revenue generated by the

fixed telephone network grew by 11.6% to record ZWL1.57 billion, from ZWL1.4 billion. On the other hand, fixed network operating costs increased by 76.1% to record ZWL1.37 billion, from ZWL775.2million recorded in the fourth quarter of 2020. IAP revenues grew by 48.9% to record ZWL6.8 billion, from ZWL4.6 billion. Meanwhile, total operating costs for IAPs grew by 26.6% to record ZWL3.2 billion from ZWL2.5 billion. Postal and courier revenues increased by 5.1% to record ZWL158.4 million, from ZWL150.7 million recorded in the previous quarter. Operating costs grew by 31.7% to record ZWL187 million, from ZWL142 million recorded in fourth quarter of 2020.

CHALLENGES

The inflationary environment, as evidenced by the rising cost of service provision has not spared operators in the sector. The credit crunch as well as foreign currency challenges have negatively affected network expansion and maintenance as spare parts, equipment and vendor support fees require foreign currency. The high cost of International Internet Connectivity remains a challenge, as Zimbabwe is a landlocked country, accessing bandwidth from undersea cables via Mozambique and South Africa.

INDUSTRY OUTLOOK

The COVID-19 pandemic has served to magnify the significance of ICTs in all aspects of life, as it has triggered an exponential rise in Internet usage through activities such as e-learning, e shopping, e worshipping and e-health amongst others. Indeed, the pandemic has magnified the urgent need for accelerating digital transformation. The necessity for greater investment in digital technologies, skills and innovation can never be over-emphasised. Accordingly, there is an urgent need to accelerate digital transformation in line with the National Development Strategy (NDS1), which identifies the digital economy as a key pillar.

Notwithstanding the above, foreign currency shortages will continue to bedevil the economy at large, with implications on network expansion, upgrade and maintenance. This negatively affects quality of service standards, which will further be compromised by anticipated increase in demand, in particular for data/Internet. Foreign currency constraints will also continue to stall universal access/service projects targeted at rolling out connectivity in unserved and underserved areas, most of which are in rural areas.

The COVID-19 pandemic will not to go away soon, but its spread may be curtailed by the ongoing vaccinations across the globe and at national level. The anticipated increase in economic activity will bring about a further surge in demand for communication services, in particular data and courier volumes as consumers adapt to the new normal. Hence, the need to scale up digitalisation.

STAY SAFE. COVID-19 IS REAL. PREVENTION IS BETTER THAN CURE!

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POTRAZ