

POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE (POTRAZ)



'creating a level playing field'

ABRIDGED POSTAL & TELECOMMUNICATIONS SECTOR PERFORMANCE REPORT

FIRST QUARTER 2022

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.

TABLE OF CONTENTS

LIST OF TABLES	2
LIST OF FIGURES	2
MAJOR HIGHLIGHTS	4
1. FIXED TELEPHONE SERVICE.....	6
1.1 SUBSCRIPTIONS	6
1.2 FIXED NETWORK TRAFFIC.....	7
2. MOBILE TELEPHONY.....	8
2.1 MOBILE SUBSCRIPTIONS	8
2.2 MOBILE VOICE TRAFFIC.....	10
2.3 SMS.....	11
2.4 MOBILE INTERNET & DATA.....	13
2.5 MOBILE REVENUES, COSTS & INVESTMENT.....	14
2.5.1 MOBILE REVENUES	14
2.5.2 MOBILE NETWORK OPERATING COSTS.....	14
2.5.3 CAPITAL EXPENDITURE.....	15
2.6 MOBILE TELEPHONY INFRASTRUCTURE.....	15
3. DATA & INTERNET SERVICES.....	17
3.1 SUBSCRIPTIONS	17
3.2 INTERNATIONAL INTERNET CONNECTIVITY	18
3.3 IAP REVENUES, OPERATING COSTS & INVESTMENT	21
4. POSTAL & COURIER.....	21
4.1 POSTAL & COURIER VOLUMES.....	21
4.2 POSTAL & COURIER REVENUES, COSTS & INVESTMENT	23
5. OUTLOOK.....	23

LIST OF TABLES

Table 1: Fixed Telephone Subscriptions.....	6
Table 2: Fixed Voice Traffic.....	7
Table 3: Active Mobile Subscriptions	8
Table 4: Mobile Telephone Traffic.....	10
Table 5: SMS Traffic	12
Table 6: Mobile Base Stations	16
Table 7: Active Internet & Data Subscriptions.....	17
Table 8: Equipped International Internet Bandwidth Capacity (Mbps).....	18
Table 9: Used International Internet Bandwidth Capacity	19
Table 10: IAP Revenues, Operating Costs (ZWL)	21
Table 11: Postal and Courier Volumes	22
Table 12: Postal & Courier Revenues, Costs & Investment.....	23

LIST OF FIGURES

Figure 1: Active Fixed Telephone Subscriptions.....	6
Figure 2: Growth in Active Mobile Subscriptions.....	9
Figure 3: Market Share of Mobile Subscribers.....	9
Figure 4: Voice Traffic Market Share.....	11
Figure 5: SMS Traffic Market Share	12
Figure 6: Mobile Internet & Data Traffic	13
Figure 7: Market Share of Internet & Data Traffic.....	13
Figure 8: Mobile Revenue Contribution per Service	14
Figure 9: Mobile Network Operating Costs.....	15
Figure 10: Market Share of Mobile Base Station Infrastructure.....	16

Figure 11: Active Internet & Data Subscriptions	18
Figure 12: Market Share of Equipped International Internet Bandwidth Capacity	19
Figure 13: International Internet Bandwidth Capacity	20
Figure 14: Market Share of Used International Internet Bandwidth Capacity	20
Figure 15: Postal & Courier Volumes	22

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 first quarter of 2022 compared to the fourth quarter of 2021:

- Active fixed telephone lines declined by 0.1% to reach 243,123 in the first quarter of 2022, from 243,421 recorded in the fourth quarter of 2021; the fixed tele-density remained 1.6%.
- The total number of active mobile subscriptions increased by 0.2% to reach 14,289,085 in the first quarter of 2022, from 14,257,590 recorded in the fourth quarter of 2021; the mobile penetration rate declined by 1.1% to reach 93.3% from 94.4% in line with the 1.5% annual population growth rate.
- The total number of active Internet and data subscriptions increased by 1.1% to reach 9,644,271, from 9,526,421 recorded in the fourth quarter of 2021; the Internet penetration rate declined by 0.2% to reach 62.9% from 63.1% in line with the 1.5% annual population growth rate.
- Fixed telephone voice 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 fourth quarter of 2021.
- Total mobile voice traffic declined by 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.
- Mobile Internet and data traffic declined by 11.8% to record 22,052TB in the first quarter of 2022, from 25,902TB recorded in the fourth quarter of 2021.
- Total SMS traffic declined by 12.7% to record 2.4 billion messages in the first quarter of 2022, from 2.8 billion messages recorded in the fourth quarter of 2021.
- 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.
- Total 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.
- 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; On the other hand, operating costs grew by 22.7% to record ZWL17.01 billion from ZWL13.87 billion.
- Revenue generated by the fixed telephone network grew by 18.5% to record ZWL3.72 billion in the first quarter of 2022, from ZWL3.14 billion recorded in the fourth quarter of 2021; operating costs increased by 8.5% to record ZWL3.17 billion from ZWL2.92 billion recorded in the previous quarter.
- 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; meanwhile, 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; operating costs increased by 46% to record ZWL586.8 million from ZWL401.94 million recorded in the fourth quarter of 2021.
- Capital expenditure by the mobile network operators increased by 39.3% to record ZWL1.72 billion in the first quarter of 2022, from ZWL1.24 billion recorded in the fourth quarter of 2021.

1. FIXED TELEPHONE SERVICE

1.1 SUBSCRIPTIONS

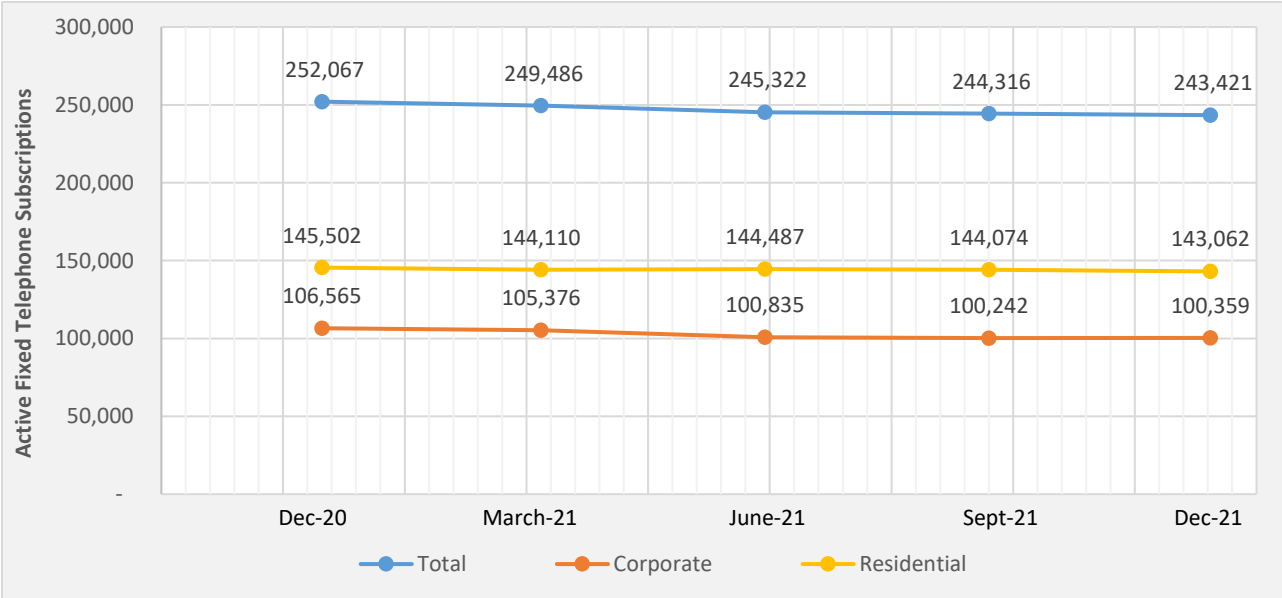
The total number of active fixed telephone lines declined by 0.1% to record 243,123 as of 31 March 2022, from 243,421 recorded as of 31 December 2021. A 0.4% decline in residential subscriptions and a 0.3% increase in corporate subscriptions was recorded as shown in table 1 below:

Table 1: Fixed Telephone Subscriptions

Subscriber category	4 th Quarter 2021	1 st Quarter 2022	% Growth
Residential	143,062	142,512	-0.4%
Corporate	100,359	100,611	0.3%
Total Active	243,421	243,123	-0.1%

The quarterly fluctuation in household and corporate fixed telephone subscriptions over the past year is shown in Figure 1 below:

Figure 1: Active Fixed Telephone Subscriptions



Competition with VoIP, especially on the corporate market, has been increasing hence the decline in active subscriptions over the years.

1.2 FIXED NETWORK TRAFFIC

A 0.1% decline in total fixed voice traffic was recorded in the first quarter of 2022. The quarterly movement in fixed voice traffic per category is shown in table 2 below:

Table 2: Fixed Voice Traffic

Traffic category	4 th Quarter 2021	1 st Quarter 2022	Variance
Net on Net	9,361,835	9,486,567	1.3%
Outgoing to Mobile	72,460,736	72,044,064	-0.6%
Incoming from Mobile	4,650,954	4,638,879	-0.3%
Incoming from IAPs	698,257	729,518	4.5%
Outgoing to IAPs	758,460	818,677	7.9%
Total National Voice Traffic	87,930,242	87,717,705	-0.2%
International Incoming	2,741,596	2,507,901	-8.5%
International Outgoing	1,410,492	1,756,954	24.6%
Total traffic	92,082,330	91,982,560	-0.1%

As shown above, international incoming traffic declined by 8.5%, whereas international outgoing traffic increased by 24.6%. This may be attributable to uncompetitive tariffs, where it is now cheaper for residents to call outside the country, than for foreign residents to make calls into the country. This results in a decline in foreign currency earnings from international voice traffic after settlement.

2. MOBILE TELEPHONY

2.1 MOBILE SUBSCRIPTIONS

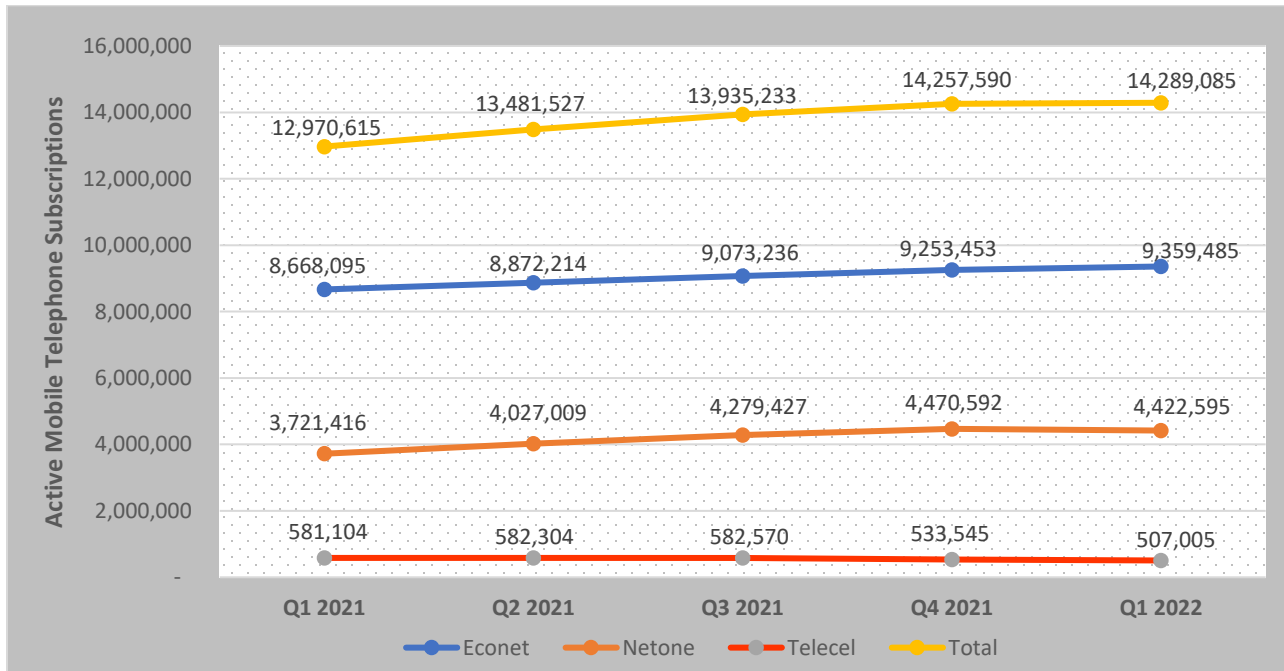
The total number of active mobile subscriptions was 14,289,085 as of 31 March 2022. This represents a 0.2% growth from 14,257,590 recorded as of 31 December 2021. The growth in active subscriptions per operator is shown in table 3 below:

Table 3: Active Mobile Subscriptions

Operator	4th Quarter 2021	1st Quarter 2022	Variance (%)
Econet	9,253,453	9,359,485	1.1%
NetOne	4,470,592	4,422,595	-1.1%
Telecel	533,545	507,005	-5.0%
Total	14,257,590	14,289,085	0.2%

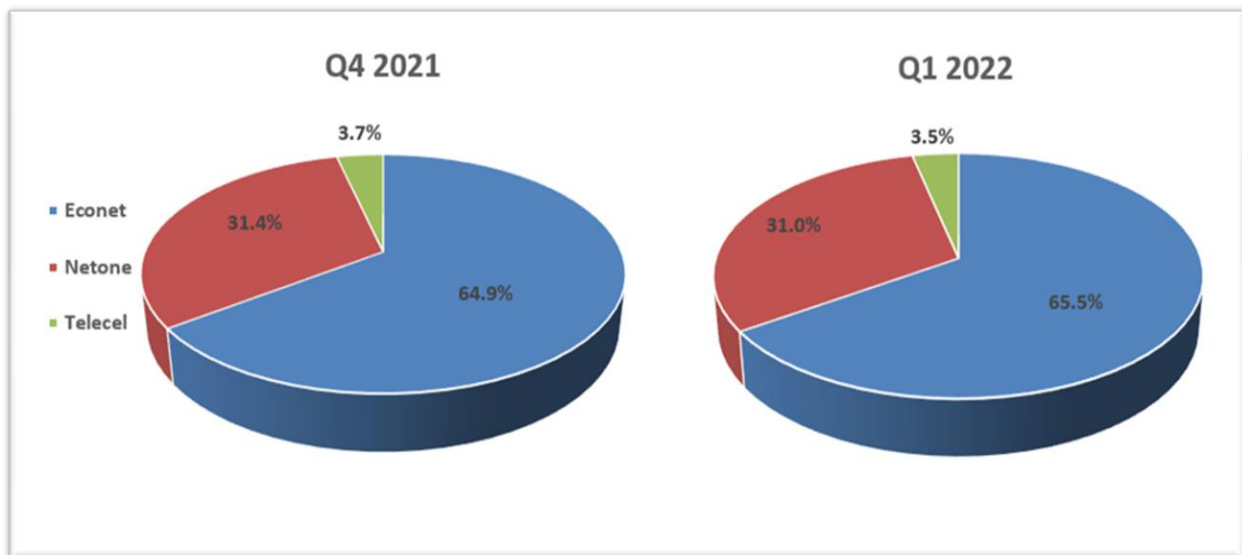
As shown above, Econet was the only mobile network to record growth in active subscriptions (1.1%) with NetOne and Telecel recording declines of 1.1% and 5% respectively. For NetOne, this is the first quarter over the past year, to record a decline in active subscriptions. Telecel's active subscriber base has been consistently declining as shown in Figure 2 below:

Figure 2: Growth in Active Mobile Subscriptions



A quarterly comparison of the market share of active mobile subscriptions is shown in Figure 3 below:

Figure 3: Market Share of Mobile Subscribers



As shown above, Netone and Telecel lost market share by margins of 0.4% and 0.2% respectively. On the other hand, Econet gained market share by 0.6%.

2.2 MOBILE VOICE TRAFFIC

A total of 1.77 billion minutes of voice traffic were recorded in the first quarter of 2022. This represents a 2.3% decline, from 1.81 billion minutes recorded in the previous quarter. The traffic per mobile voice category is shown in the following table:

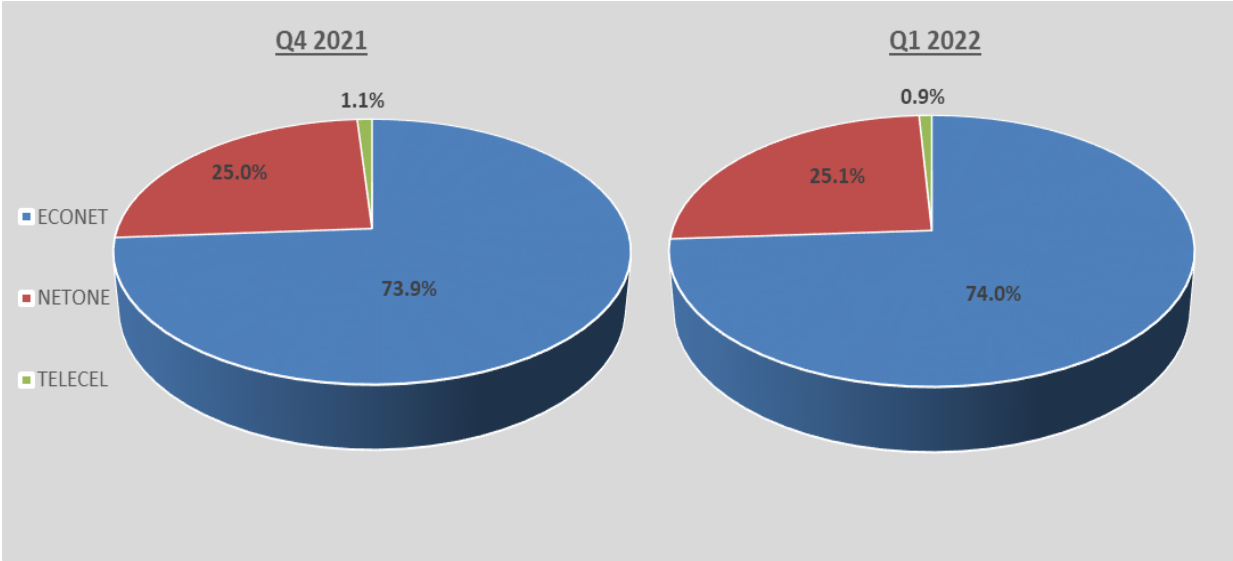
Table 4: Mobile Telephone Traffic

Traffic Category	4th Quarter 2021	1 st Quarter 2022	Variance (%)
Net on Net	1,246,304,596	1,180,319,765	-5.3%
Mobile to Fixed	4,650,954	4,638,879	-0.3%
Incoming from Fixed	72,460,736	72,044,064	-0.6%
Mobile to Other Mobile	422,774,399	451,726,153	6.8%
Outgoing to IAPs	2,235,053	2,435,718	9.0%
Incoming from IAPs	26,827,998	26,087,319	-2.8%
TOTAL NATIONAL	1,775,253,736	1,737,251,898	-2.1%
International Incoming	27,675,107	25,413,755	-8.2%
International Outgoing	6,227,437	5,461,268	-12.3%
Inbound Roaming	972,469	814,492	-16.2%
Outbound Roaming	245,105	216,310	-11.7%
Total	1,810,373,854	1,769,157,723	-2.3%

This is a consecutive quarter to record a decline in total mobile voice traffic; however the margin of decline (-2.3%) is much lower than that recorded in the previous quarter (-14.3%). Inbound roaming recorded the biggest decline of 16.2%. Roaming traffic usually peaks during the festive season, due to increased cross-border travel, and then declines thereafter. This partly explains the huge decline in both inbound and outbound roaming traffic in the first quarter of 2022. The trend

of declining international incoming and outgoing voice traffic continued into the quarter under review. This is partly attributable to the proliferation of Over-the-Top services. A quarterly comparison of the voice traffic market share, based on the volumes per operator, is shown in Figure 4 below:

Figure 4: Voice Traffic Market Share



As shown above, there was no major change in the market share of mobile voice traffic in the period under review. Telecel lost voice traffic market share by 0.2%, whereas NetOne and Econet gained 1%, individually.

2.3 SMS

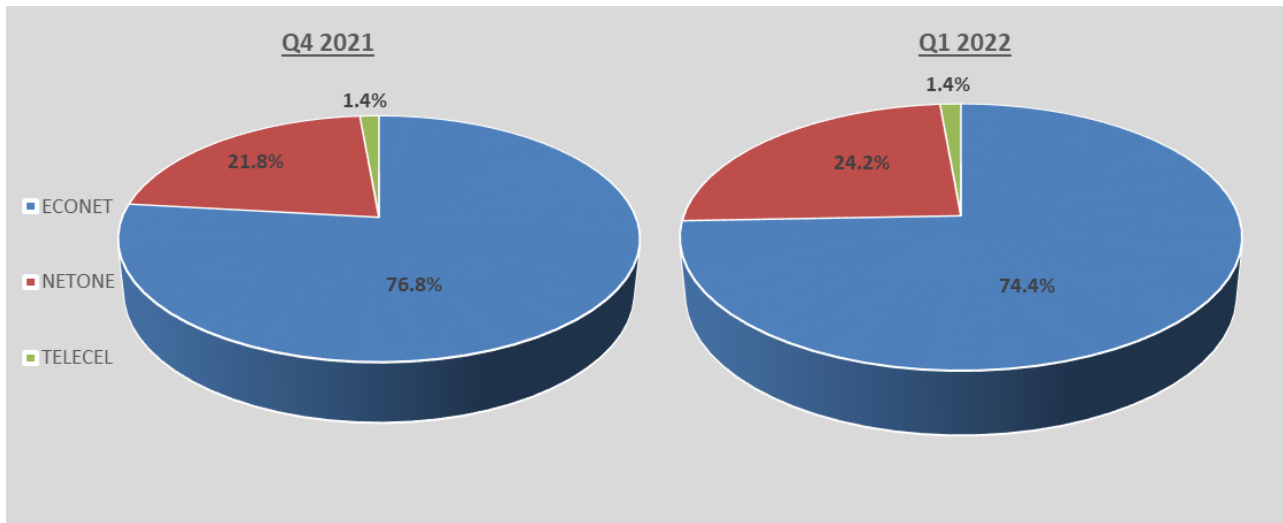
Total SMS traffic declined by 12.7% to record 2.4 billion messages in the first quarter of 2022, from 2.8 billion messages recorded in the fourth quarter of 2021. The traffic per SMS category is shown in the following table:

Table 5: SMS Traffic

Traffic Category	4th Quarter 2021	1st Quarter 2022	Variance (%)
Net on Net	1,978,736,427	1,722,133,893	-13.0%
Off-net	789,192,597	692,204,625	-12.3%
International Incoming	18,939,899	17,045,129	-10.0%
International Outgoing	2,319,453	2,393,550	3.2%
Total	2,789,188,376	2,433,777,197	-12.7%

Person to Person (P2P) traffic has been declining due to the proliferation of Over-the-Top services, such as WhatsApp and Telegram amongst others, offering cheaper and more convenient messaging alternatives. A quarterly comparison of the SMS traffic market share, based on the volumes per operator, is shown below:

Figure 5: SMS Traffic Market Share

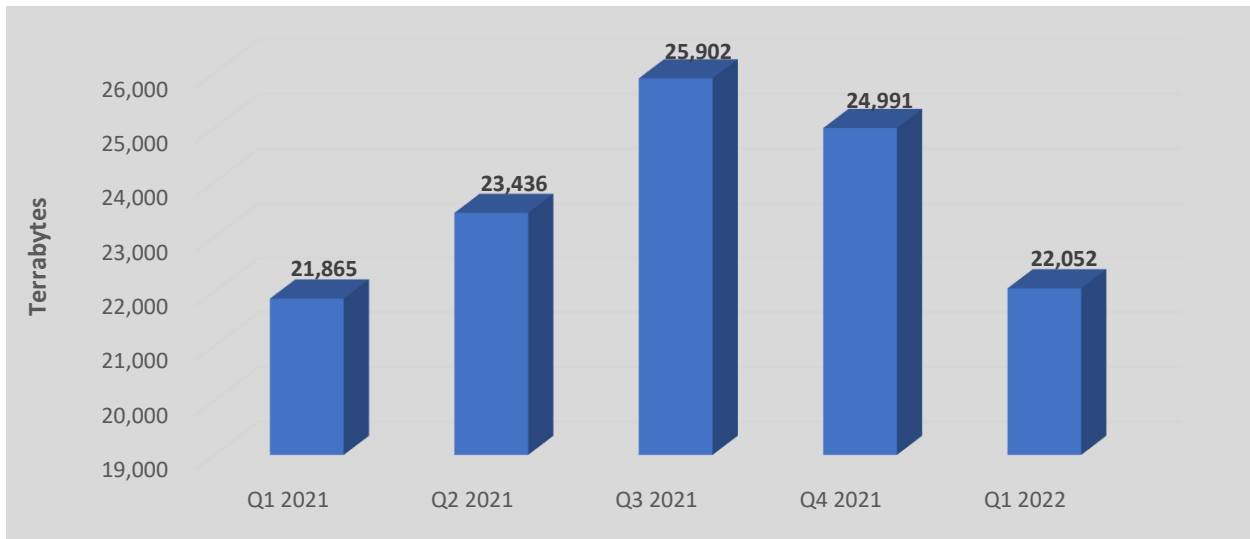


As shown above, NetOne gained market share by a margin of 2.4%; Econet lost 2.4% whereas Telecel`s market share remained constant.

2.4 MOBILE INTERNET & DATA

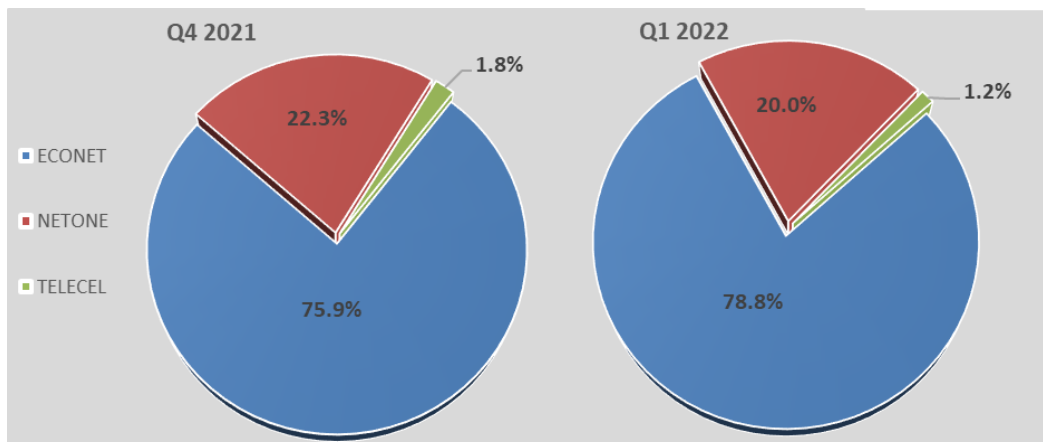
A total of 22,052 Terabytes of mobile Internet and data were consumed in the first quarter of 2022. This represents a 14.9 % decline in traffic from 25,902 Terabytes recorded in the fourth quarter of 2021. The decline in Internet and data traffic was experienced across all the three mobile networks. As with mobile voice, this was also a consecutive quarter to record a decline in mobile Internet and data traffic as shown below:

Figure 6: Mobile Internet & Data Traffic



The decline in Internet and data traffic may be attributable to declined data affordability because of declining disposable incomes. A quarterly comparison of the market share of mobile Internet and data usage is shown in Figure 7 below:

Figure 7: Market Share of Internet & Data Traffic



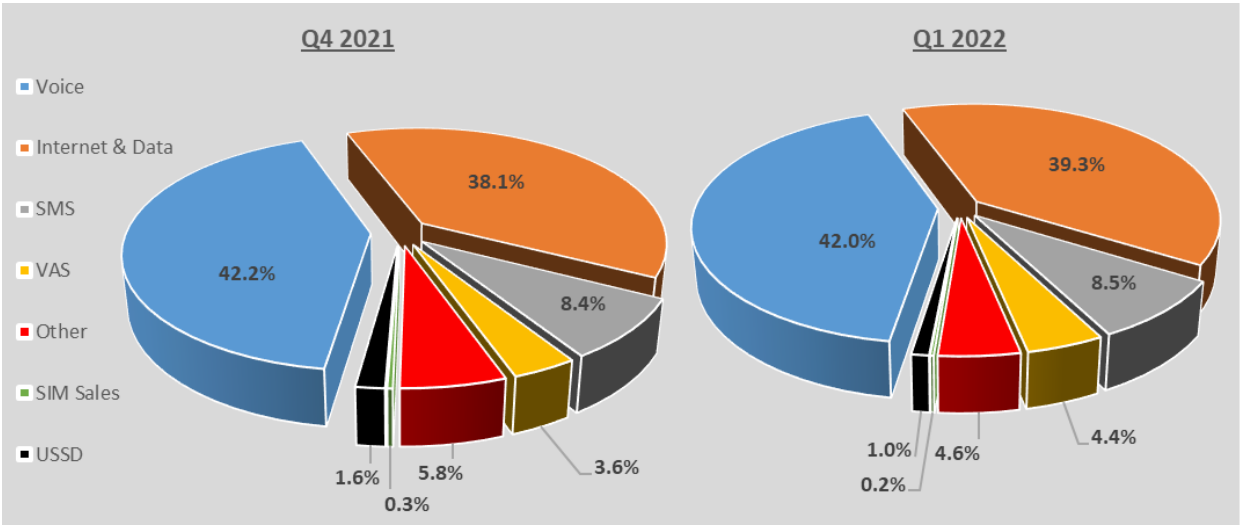
Econet gained market share by 2.9% as they recorded the smallest decline in mobile Internet & data traffic. On the other hand, NetOne and Telecel lost market share by 2.3% and 0.6% respectively.

2.5 MOBILE REVENUES, COSTS & INVESTMENT

2.5.1 MOBILE REVENUES

Total mobile network revenue was ZWL28.8 billion in the first quarter of 2022. This represents a 10% increase from ZWL26.2 billion recorded in the fourth quarter of 2021. The revenue contribution per mobile telecommunications service is shown in Figure 8 below:

Figure 8: Mobile Revenue Contribution per Service



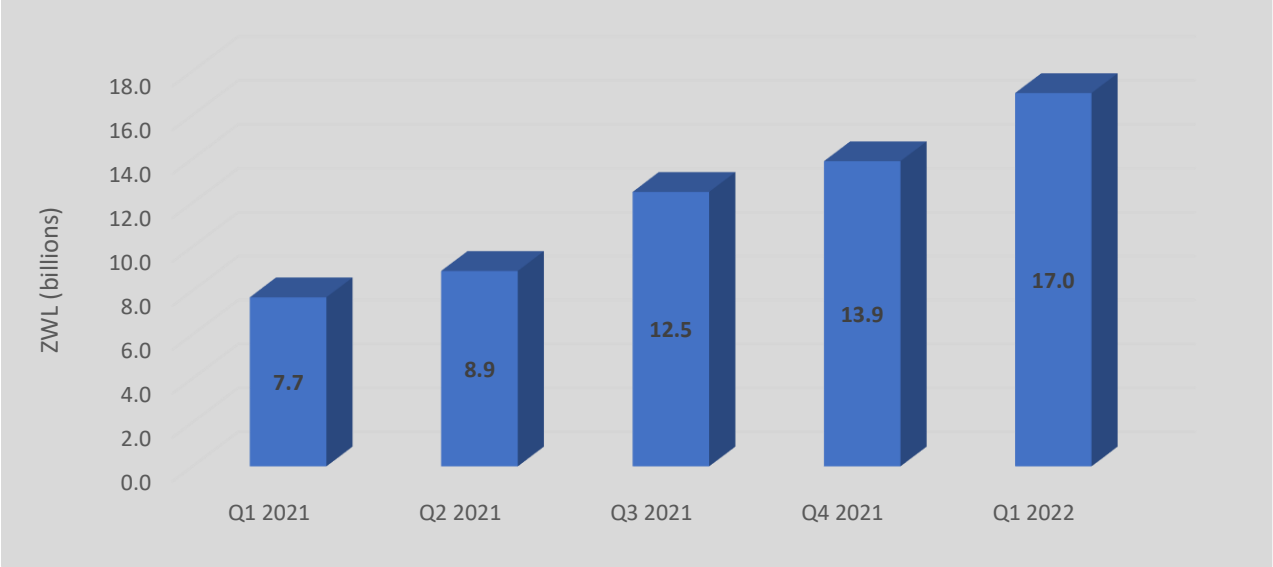
As shown above, the contribution of Internet and data service, VAS and SMS increased by 1.2%, 0.8% and 0.1% respectively; whilst the contribution of other services declined.

2.5.2 MOBILE NETWORK OPERATING COSTS

Operating costs grew by 22.7% in the first quarter of 2022, to record ZWL17 billion from ZWL13.1 billion recorded in the fourth quarter of 2021. The overall growth in operating costs

(22.7%) was much higher than the growth in revenue (10%). Given the inflationary operating environment, operating costs have been consistently on an upward trajectory as shown below:

Figure 9: Mobile Network Operating Costs



Bandwidth costs, staff costs and depreciation continued to be the main cost drivers for mobile operators.

2.5.3 CAPITAL EXPENDITURE

Capital expenditure by the mobile network operators increased by 39.3% to record ZWL1.72 billion in the first quarter of 2022, from ZWL1.24 billion recorded in the fourth quarter of 2021. The capital expenditure by mobile operators was in national switching, national transmission as well as hardware and software.

2.6 MOBILE TELEPHONY INFRASTRUCTURE

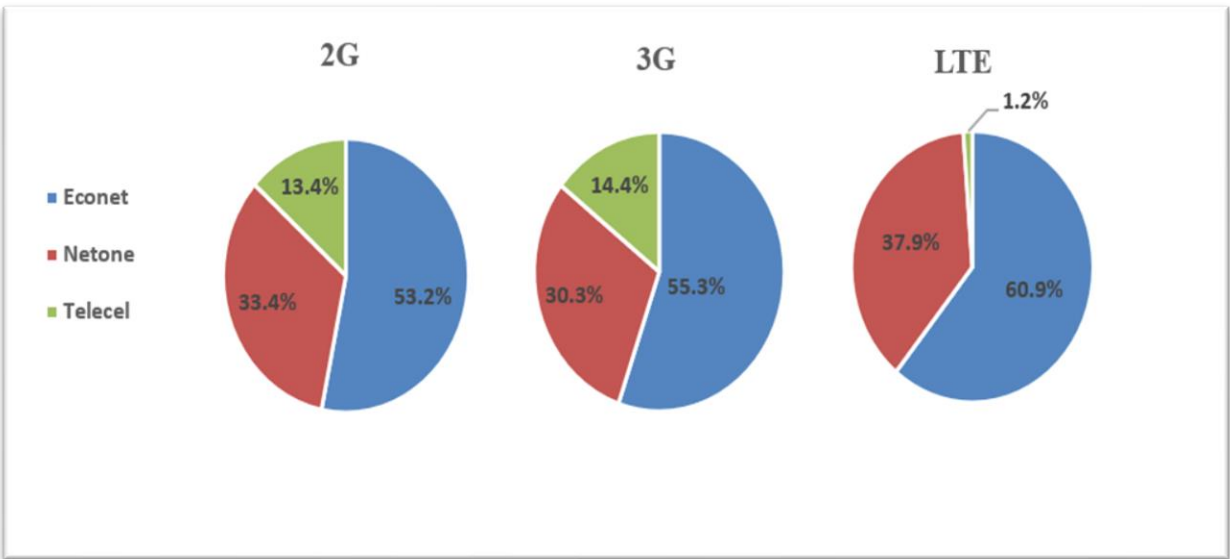
A total of 10 new 2G, 40 new 3G, 42 LTE eNode Bs and 10 new 5G base stations were deployed in the first quarter of 2022. The growth in base stations by technology is shown in Table 6 below:

Table 6: Mobile Base Stations

Operator	2G			3G			LTE			5G		
	Q4	Q1	Net	Q4	Q1	Net	Q4	Q1	Net	Q4	Q1	Net
	2021	2022	Addition	2021	2022	Addition	2021	2022	Addition	2021	2022	Addition
Total	4,998	5,008	10	2,992	3,032	40	1,322	1,364	42	-	10	10

Notably, a total of 23 of the 43 LTE eNode Bs, were deployed in the rural areas. All 5G base stations were deployed by Econet for a Proof of Concept (POC) trial. The market share of mobile base stations was as follows:

Figure 10: Market Share of Mobile Base Station Infrastructure



In comparison to the last quarter of 2021, there was no change in the market share for 2G. Econet and Telecel lost 3G base station market share by 0.5% and 0.1% respectively whereas NetOne gained market share by 0.6%. For LTE, Econet and Telecel lost market share by 0.5% and 0.1% whereas NetOne gained market share by 0.6%. For 5G, Econet had 100% market share.

3. DATA & INTERNET SERVICES

3.1 SUBSCRIPTIONS

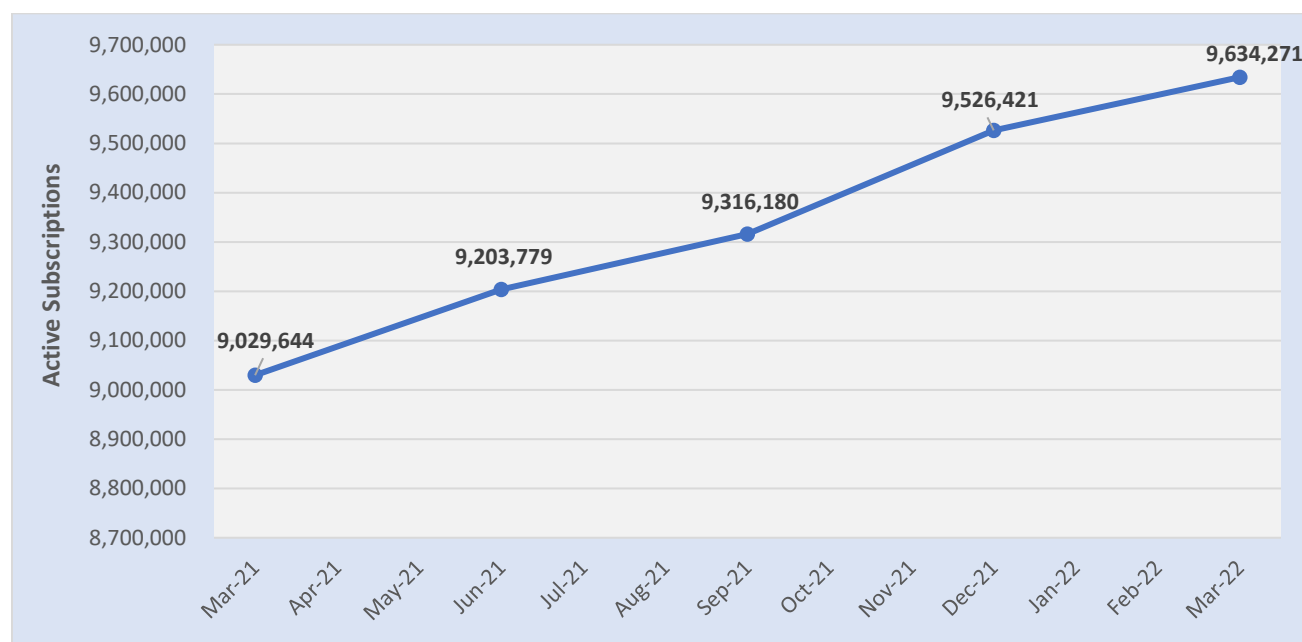
The total number of active Internet and data subscriptions increased by 1.1% to reach 9,644,271 as of 31 March 2022, from 9,526,421 as of 31 December 2021. The growth in active data and Internet subscriptions by technology is shown in table 7 below:

Table 7: Active Internet & Data Subscriptions

Technology	4th Quarter 2021	1st Quarter 2022	Variance (%)
3G/HSDPA/LTE	9,331,088	9,441,662	1.2%
Leased Lines	2,446	2,527	3.3%
DSL	111,701	108,270	-3.1%
WiMAX	6,185	6,772	9.5%
CDMA	10,344	9,474	-8.4%
VSAT	2,653	2,730	2.9%
Active Fibre Subscriptions	62,004	62,836	1.3%
Total	9,526,421	9,634,271	1.1%

DSL and CDMA were the two categories to record negative growth. This is a consecutive quarter to record a decline in CDMA and DSL subscriptions. Overall, Internet and data subscriptions show an upward trend as shown in Figure 11 below:

Figure 11: Active Internet & Data Subscriptions



The trend is expected to continue, with the proliferation of Internet of Things (IoTs), riding on 4G and the recently launched 5G technologies.

3.2 INTERNATIONAL INTERNET CONNECTIVITY

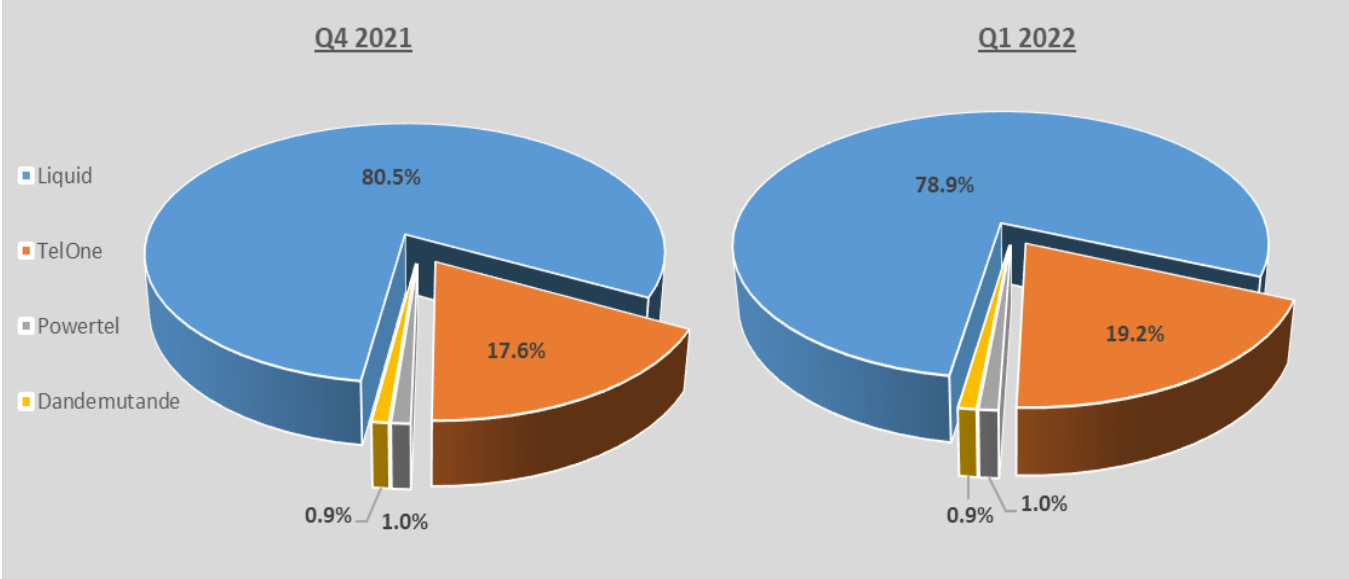
The equipped international Internet bandwidth capacity increased by 2.1% to reach 507,226Mbps as of 31 March 2022, from 496,916Mbps recorded as of 31 December 2021 as shown in table 8 below:

Table 8: Equipped International Internet Bandwidth Capacity (Mbps)

	4 th Quarter 2021	1 st Quarter 2022	Variance (%)
Liquid	400,000	400,000	0.0%
TelOne	87,500	97,500	11.4%
Powertel	5,000	5,000	0.0%
Dandemutande	4,416	4,726	7.0%
Total	496,916	507,226	2.1%

The growth in the total equipped capacity is attributable to TelOne and Dandemutande`s expansion as shown above. The change in the market share of equipped international Internet bandwidth capacity is shown in Figure 12 below:

Figure 12: Market Share of Equipped International Internet Bandwidth Capacity



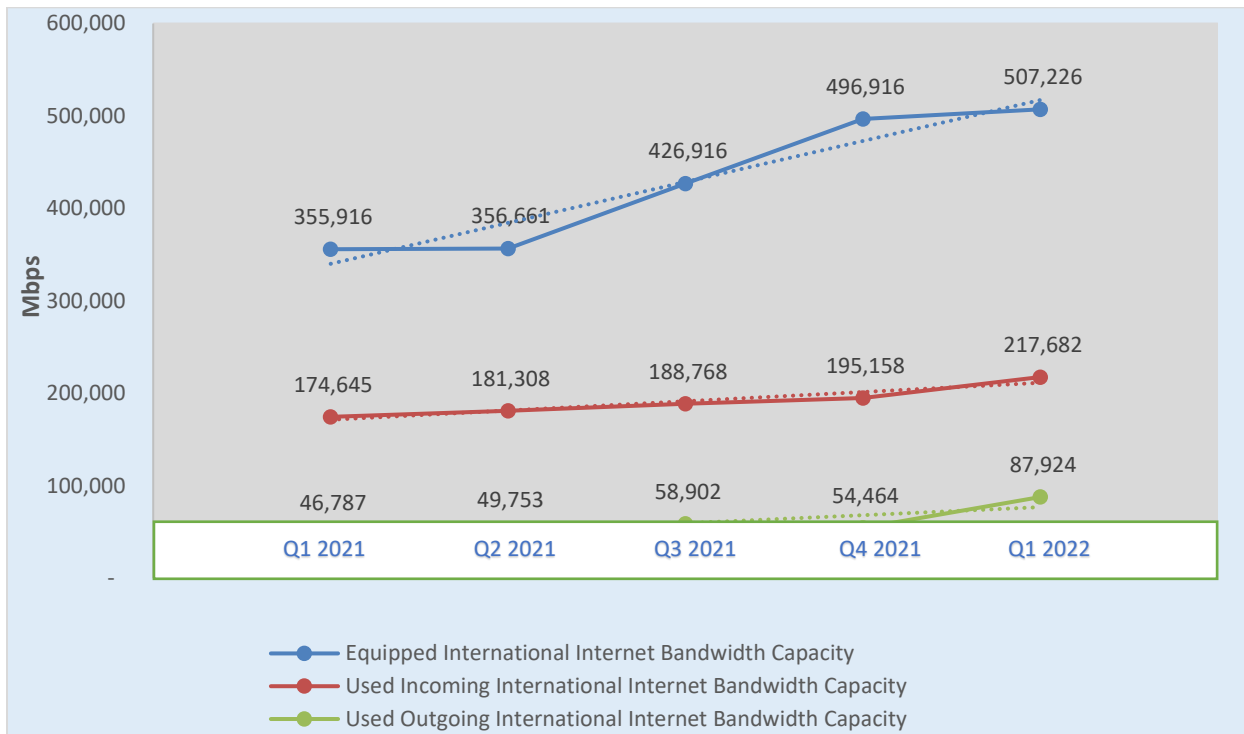
Liquid lost market share by 1.6%, whereas TelOne gained market share by 1.6%; The market shares of Powertel and Dandemutande remained constant. Used international incoming bandwidth capacity also increased as shown in table 9 below:

Table 9: Used International Internet Bandwidth Capacity

	4 th Quarter 2021	1 st Quarter 2022	Variance (%)
Incoming	195,158	219,232	12.3%
Outgoing	54,464	87,924	61.4%

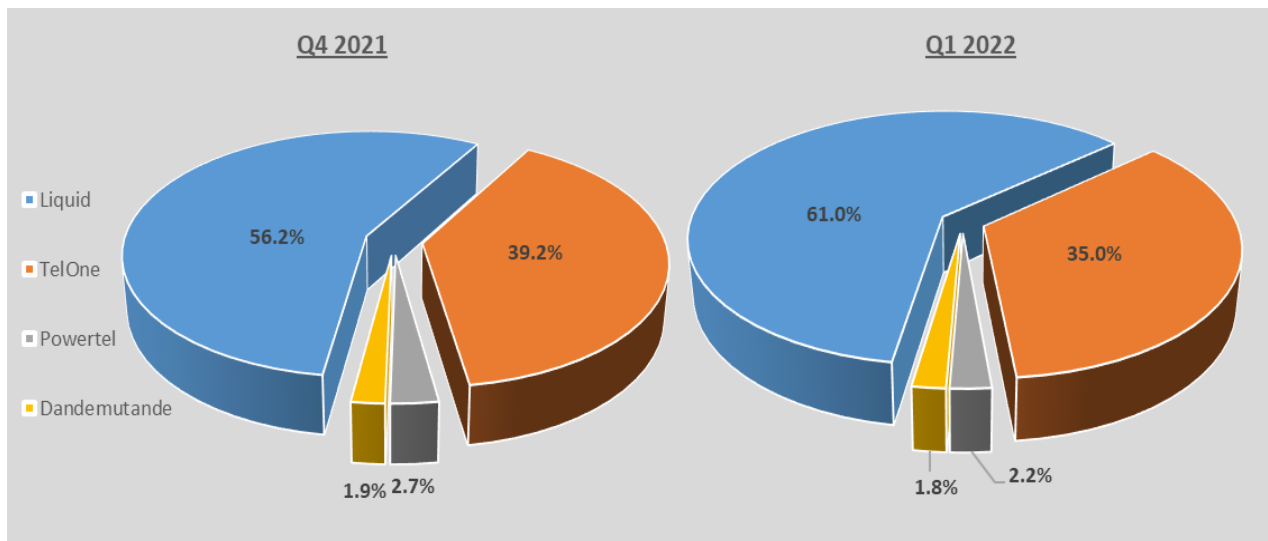
The growth in equipped and used international Internet bandwidth capacity over the past year is shown in Figure 13 below:

Figure 13: International Internet Bandwidth Capacity



Internet Access Providers have been expanding their equipped capacities, to meet the increased usage. The change in the market share of used international Internet bandwidth capacity is shown in Figure 14 below:

Figure 14: Market Share of Used International Internet Bandwidth Capacity



A comparison with the previous quarter`s market share shows that Liquid gained market share by 4.8%. On the other hand, TelOne, Powertel and Dandemutande lost market share by 4.2%, 0.5% and 0.1% respectively.

3.3 IAP REVENUES, OPERATING COSTS & INVESTMENT

The growth in revenue, operating costs and capital expenditure by Internet Access Providers is shown in table 10 below:

Table 10: IAP Revenues, Operating Costs (ZWL)

	4 th Quarter 2021	1 st Quarter 2022	Variance (%)
Revenue	9,284,401,505	10,358,981,753	11.6%
Operating Costs	5,505,662,036	7,652,798,315	39.0%
Capital Expenditure	335,779,094	619,280,017	84.4%

As shown above, the growth in IAP operating costs was higher than the growth in revenue. Capital expenditure was mainly in the national fibre backbone.

4. POSTAL & COURIER

4.1 POSTAL & COURIER VOLUMES

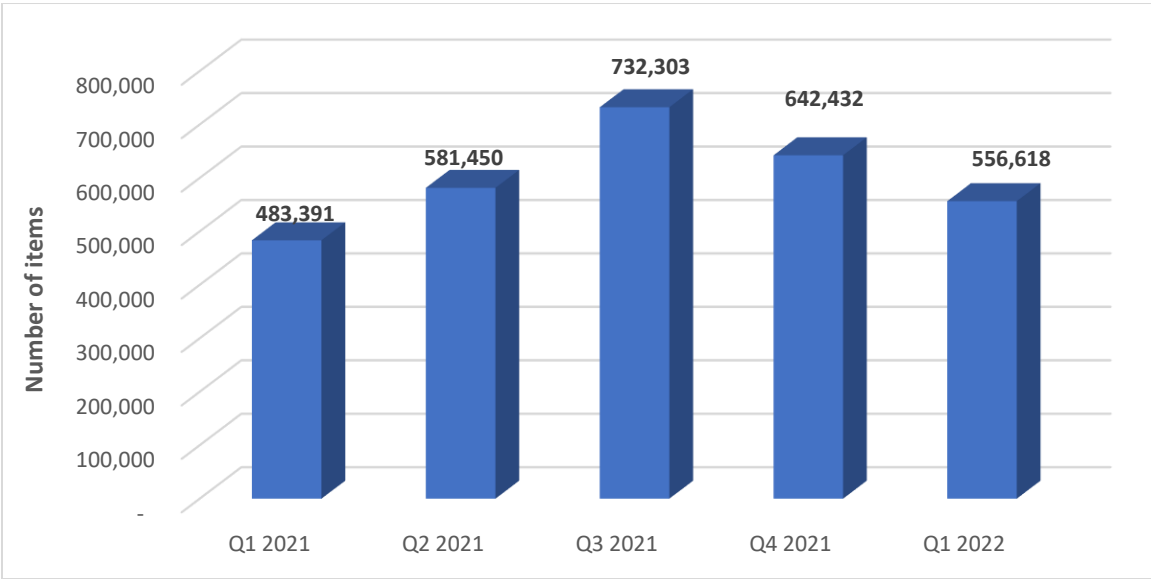
Total postal and courier volumes declined by 13.4% to record 556,618 items in the first quarter of 2022, from 642,432 items recorded in the fourth quarter of 2021 as shown in table 11 below:

Table 11: Postal and Courier Volumes

	4 th Quarter 2021	1 st Quarter 2022	% Growth
Domestic postal letters	301,189	227,095	-24.6%
Domestic courier	126,866	121,324	-4.4%
International incoming courier	175,654	178,907	1.9%
International outgoing courier	38,723	29,292	-24.4%
Total Postal & Courier	642,432	556,618	-13.4%

International incoming courier was the only category to register growth in volumes as shown above. Postal and courier volumes have been fluctuating owing to e-substitutions, exacerbated by the global COVID-19 pandemic. The fluctuation in postal and courier volumes is shown in figure 15 below:

Figure 15: Postal & Courier Volumes



As shown above, the sector looked to be on recovery in the first three quarters of 2021, only to register a drop in volumes in the two subsequent quarters. Such periodical fluctuations are likely to continue.

4.2 POSTAL & COURIER REVENUES, COSTS & INVESTMENT

Total revenue, operating costs and capital expenditure by the postal and courier sector is shown in Table 12 below:

Table 12: Postal & Courier Revenues, Costs & Investment

	4th Quarter 2021	1st Quarter 2022	Variance
REVENUES	468,262,927	646,803,270	38.1%
OPERATING COSTS	401,935,022	586,800,567	46.0%
INVESTMENT	6,857,881	4,123,613	-39.9%

As shown above revenues increased by 38.1%. The increase in revenue is attributable to increased foreign currency earnings from the increased international incoming volumes vis-à-vis reduced international outgoing mail. However, operating costs grew by an even greater margin (46%) and capital expenditure declined by 39.9%.

5. 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 economic climate, characterised by depressed consumption, inflation, foreign currency constraints, reduced network investment amongst other challenges. This is manifest in reduced traffic volumes, increased operating costs, and reduced capital expenditure in USD terms in the quarter under review. This calls for policy and strategic intervention at both the operator and fiscal levels.

On their part, operators need to innovate and explore sustainable revenue generation and cost containment avenues considering the current economic climate. On the other hand, monetary authorities need to consider the prioritisation of the sector in terms of foreign currency given the

capital-intensive nature of the industry. Review of policies, such as customs and excise levies, will improve affordability of devices and services, thus promoting overall demand and revenues. Also, fiscal interventions targeted at addressing dwindling disposable incomes are pertinent, at a time when inflationary pressures are mounting.

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 set 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.