

POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE (POTRAZ)



'creating a level playing field'

ABRIDGED POSTAL & TELECOMMUNICATIONS SECTOR PERFORMANCE REPORT

FIRST QUARTER 2024

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
TPI	Telecommunications Price Index

MAJOR HIGHLIGHTS

The following are the main sector trends for the first quarter of 2024, compared to the fourth quarter of 2023:

- Active mobile subscriptions decreased by 1.56% from 14,973,816 to 14,739,613 resulting in a 1.56% decline in the mobile penetration rate from 97.7% to 96.14%.
- Mobile operator revenue grew by 98.11% in nominal terms, or 65.60% in real terms, to record ZWL 2.27 trillion (approximately ZiG 910.46 million) from ZWL1.15 trillion, whilst operating costs for Mobile Network Operators grew by 188.28% in nominal terms or 140.97% in real terms from ZWL699.8billion to ZWL 2.02 trillion (approx. ZiG807.6 million).
- Mobile voice traffic decreased by 1.32% from 3.11 billion minutes to 3.07 billion minutes.
- Total number of active fixed telephone subscriptions contracted by 5.97% to 291,160 from 309,645. This contraction in active fixed telephone subscriptions resulted in a 0.12 % decline in fixed tele-density to reach 1.90%, from 2.02%.
- International outgoing and International Incoming traffic declined by 19.94% and 13.26% respectively and this is largely attributable to the substitution effect of Over-The Top calling services.
- The total number of active data / Internet subscriptions grew by 2.78% to reach 11,552,928 from 11,240,969. Resultantly, the Internet penetration rate gained 2.06% from 73.30% to 75.36%.
- Mobile Internet / data traffic grew by 24.90% from 46.79 Petabytes to 58.44 Petabytes.
- Fixed voice Public Switched Telephone Network (PSTN) traffic decreased by 3.17% to 66.87 million minutes from 69.06 million minutes.
- Public Switched Telephone Network revenue grew by 90.45% in nominal terms or 59.20% in real terms, to reach ZWL348.8 billion (approximately ZiG139.63 million) from ZWL183.2 billion.
- Equipped International Internet bandwidth capacity for Internet Access Providers increased by 0.97% to record 1,039,705 Mbps from 1,029,705 Mbps.
- Used incoming international bandwidth capacity increased by 1.23% from 367.447 Mbps to record 371,971 Mbps, while used outgoing international bandwidth capacity declined by 5.87% from 102,370 Mbps to record 96365 Mbps.
- IAP revenues grew by 95.52% in nominal terms or 63.43% in real terms, from ZWL576.2 billion to ZWL 1.12trillion (approximately ZiG 451 million). Operating costs on the other hand increased by 114.07% in nominal terms or 78.94% in real terms to reach ZWL927.8

billion (approximately ZiG 371.4 million), from ZWL433.4 billion recorded in the previous quarter. IAP capital expenditure grew by 36.27% in nominal terms or 13.91% during the same period.

- Postal and Courier volumes declined by 29.48% to record 264,856 items from 375,599 items.
- Postal & Courier revenues grew by 94.41% in nominal terms whilst operating costs and capital expenditure grew by 172.22% and 73.46% respectively. In real terms, the postal revenues increased by 62.51%, while costs increased by 127.55%. On the other hand, capital expenditure in real terms increased by 45%.

MOBILE TELEPHONY

1.1 ACTIVE MOBILE SUBSCRIPTIONS

The sector recorded a 1.56% contraction in active mobile subscriptions from 14,973,816 recorded in the fourth quarter of 2023 to 14,746,943 in the quarter under review. This resulted in a 1.56% decline in mobile penetration rate from 97.7% recorded in the fourth quarter of 2023 to 96.14% recorded in the first quarter of 2024. The following table shows active mobile subscriptions recorded in the fourth quarter of 2023 compared to the first quarter of 2024:

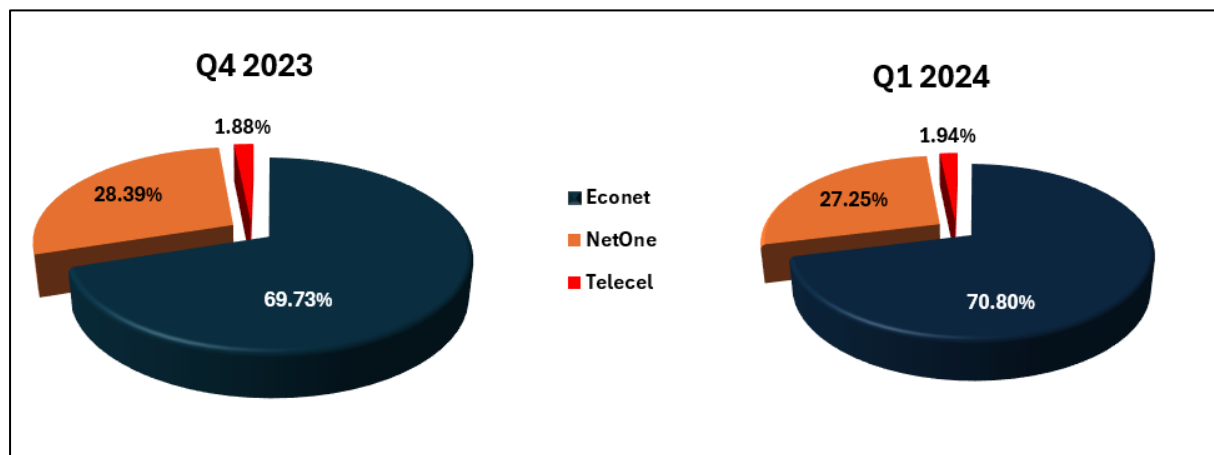
Table 1: Active Mobile Subscriptions

Operator	Q4 2023	Q1 2024	Change (%)
Econet	10,440,693	10,436,233	-0.04%
NetOne	4,251,791	4,017,167	-5.52%
Telecel	281,332	286,213	1.73%
Total	14,973,816	14,739,613	-1.56%

The table above shows that greater decline of active mobile subscriptions emanated from NetOne which contracted by 5.52%.

Econet recorded a slight decline in active mobile subscriptions of 0.04%. Only Telecel registered a 4.34% growth in active mobile subscriptions. Figure 1 below shows a quarterly comparison of market shares of active mobile subscriptions by the three Mobile Network Operators (MNOs):

Figure 1: Market Share of Mobile Subscribers



Econet continued to dominate the active subscriber market share as it gained 1.07% from 69.73% registered in the fourth quarter of 2023 to 70.80% in the quarter under review. Telecel slightly gained in market share as it gained 0.06%. It is worth noting that gains of Econet (1.07%) and Telecel (0.06%) arose from a reduction in NetOne’s market share which contracted by 1.14% from 28.39% in the previous quarter to 27.25% in the quarter under review.

1.2 MOBILE VOICE TRAFFIC

Total mobile voice traffic contracted by 1.27% from 3.11 billion minutes recorded in the fourth quarter of 2023 to 3.08 billion minutes recorded in the first quarter of 2024. The following table shows a comparison of mobile telephony traffic for first quarter of 2024 and fourth quarter of 2023:

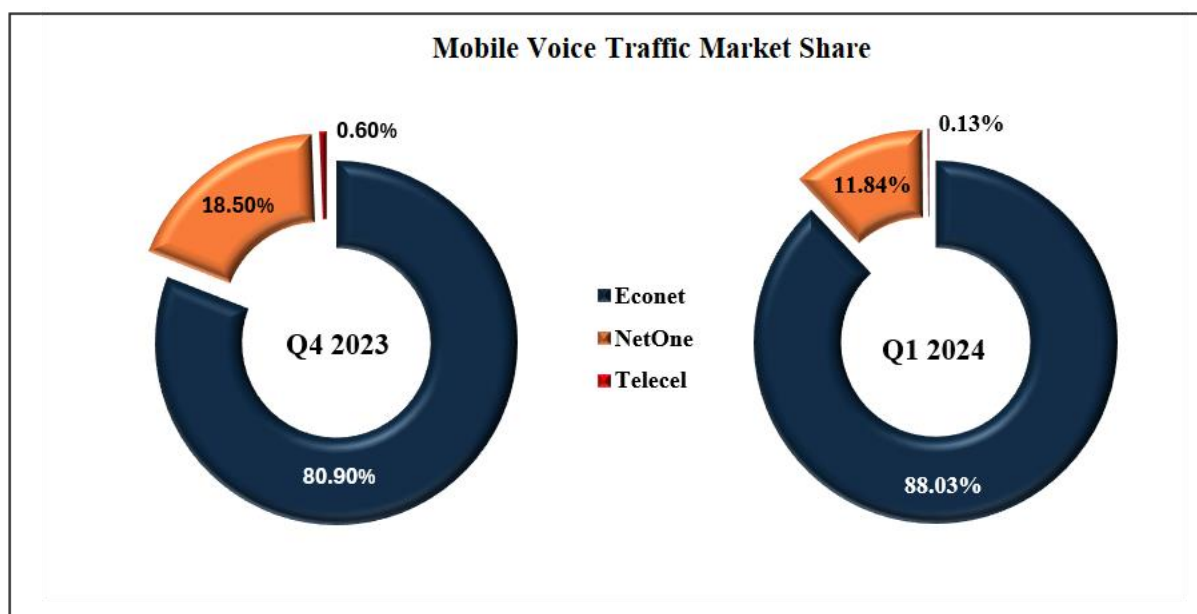
Table 2: Mobile Telephone Traffic

Traffic category	Q4 2023 (minutes)	Q1 2024 (Minutes)	Change (%)
Net on Net	2,552,275,703	2,454,006,172	-3.85%
Mobile to Fixed	4,909,171	4,619,299	-5.90%
Incoming from Fixed	51,989,734	54,176,917	4.21%
Mobile to Other Mobile	446,296,369	506,296,369	13.44%
Outgoing to IAPs	2,789,844	2,892,076	3.66%
Incoming from IAPs	28,122,941	28,678,614	1.98%
Total National	3,086,383,762	3,050,669,447	-1.16%
International Incoming	21,233,052	18,417,123	-13.26%
International Outgoing	6,496,142	5,279,450	-19.94%
Inbound Roaming	575,054	617,622	7.40%
Outbound Roaming	184,298	206,297	11.94%
Total	3,114,872,308	3,075,189,939	-1.27%

From the above table, International Outgoing and International Incoming traffic declined by 19.94% and 13.26% respectively. This may be attributed to the continuous popularity of Over-the-Top (OTT) messaging, voice, and video applications such as WhatsApp, Skype, FaceTime which provide more affordable alternatives to traditional international calling routes. Growth in traffick was however recorded for mobile to mobile category which increased by 13.44% as well as incoming traffic from fixed operator which increased by 4.21%.

In terms of MNO traffic market shares, Econet continued to dominate in the mobile voice traffic market share followed by NetOne and Telecel as indicated below:

Figure 2: Mobile Voice Traffic Market Share



As indicated above, NetOne market share contracted by 6.66% from 18.50% which was recorded in the fourth quarter of 2023 to 11.84% recorded in the first quarter of 2024. In addition, the market share for Telecel continued a downward trend as it contracted by 0.47 % from a market share of 0.60% to 0.13% recorded in the quarter under review. It is worth noting that the losses in market share recorded by NetOne and Telecel went to Econet. Econet gained 7.13 % to record 88.03% in the quarter under review from 80.90% which was recorded in the previous quarter.

1.2 MOBILE INTERNET/ DATA TRAFFIC

Mobile Internet / data traffic grew by 24.90% from 46.79 Petabytes recorded in fourth quarter of 2023 to 58.44 Petabytes in the first quarter of 2024. An analysis of quarterly data traffic per mobile network operators is shown in Table 3 below:

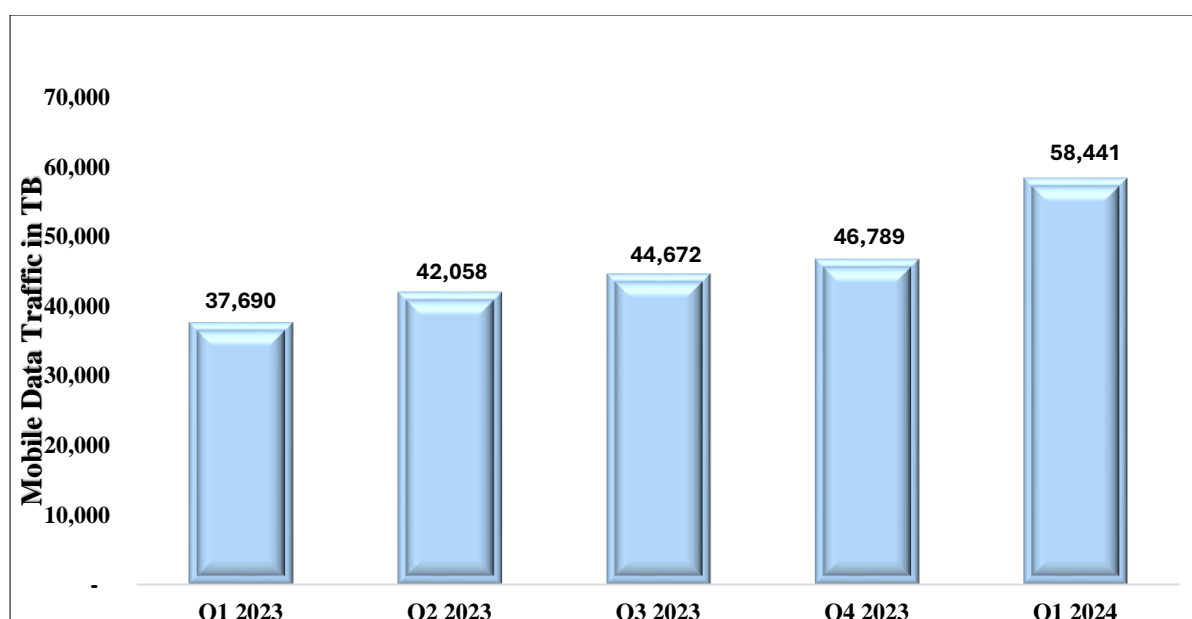
Table 3: Mobile Internet & Data Traffic

Operator	Q4 2023 (MB)	Q1 2024 (MB)	Change (%)
Econet	39,181,626,105	43,798,127,501	11.78%
NetOne	7,443,080,321	14,438,527,898	93.99%
Telecel	164,050,164	204,683,611	24.77%
Total	46,788,756,590	58,441,339,010	24.90%

An analysis of Internet/ data usage from the table shows that during the first quarter of 2024, all mobile operators recorded a surge in mobile Internet/data traffic. NetOne, recorded the biggest jump of 93.99% growth in traffic, followed by 24.77% registered by Telecel and 11.78% growth recorded by Econet.

The growth in mobile and data traffic has been an ongoing trend as users continue to shift from consumption of voice centric services to data centric services, coupled with increased expansion of digital services, remote working, online learning, growing Internet connectivity and streaming services amongst other factors. The growth in Internet and data usage over the past year is shown in Figure 3 below.

Figure 3: Mobile Internet and data Traffic.



The market shares for Internet and data traffic are shown in Table 4 below:

Table 4: Market Share of Internet & data Traffic

Operator	Q4 2023	Q1 2024	Change - in %
Econet	83.74%	74.94%	-8.80%
NetOne	15.91%	24.71%	8.80%
Telecel	0.35%	0.35%	0.00%

Whilst NetOne market share of mobile data and Internet traffic grew by 8.80 percentage market share, Econet remained in pole position, commanding more than 70% of the market share. Telecel market share remained stagnant, below 1% as shown in the table above.

1.3 MOBILE REVENUES, COSTS & INVESTMENTS

During the period under review, nominal total revenue for Mobile Network Operators grew by 98.11% to reach ZWL 2.27 trillion (approximately ZiG 910.46 million) from ZWL1.15 trillion recorded in the previous quarter. However, given the fact that the local currency depreciated by 72.32% in the quarter under review from the previous quarter coupled with rising trend for the average annual inflation in the first quarter of 2024 of around 45.90%, real growth in revenue was approximately 65.60%.

During the period under review, aggregate operating costs for Mobile Network Operators grew by 188.28% from ZWL699.8 billion which was recorded in the fourth quarter of 2023, to ZWL 2.02 trillion (approximately ZiG 807.37 million) which was recorded in the first quarter of 2024. However, in real terms, total operating costs grew by approximately 140.97% from the fourth quarter of 2023 to the first quarter of 2024.

The increase in the cost structure of MNOs was spurred by constant depreciation of the local currency against the USD for the period between the fourth quarter of 2023 and first quarter of 2024 as the local currency depreciated by about 261.29%. This means more of local currency was required to access USDs in the first quarter of 2024 as compared to the fourth quarter of 2023. Resultantly the costs in local currency increased significantly.

MNOs total capital expenditure amounted to ZWL 162.96 billion (approximately ZiG 65.22 million) showing 39.10% rise from ZWL 117.11 billion recorded in the previous quarter. In real terms, total capital expenditure for MNOs grew by 16.31%.

A lower real growth rate in total investments can be pointed to the depreciation of the local currency as much of the investments in the sector are carried out in foreign currency (USD) which became very expensive to acquire in the quarter under review as compared to the previous quarter.

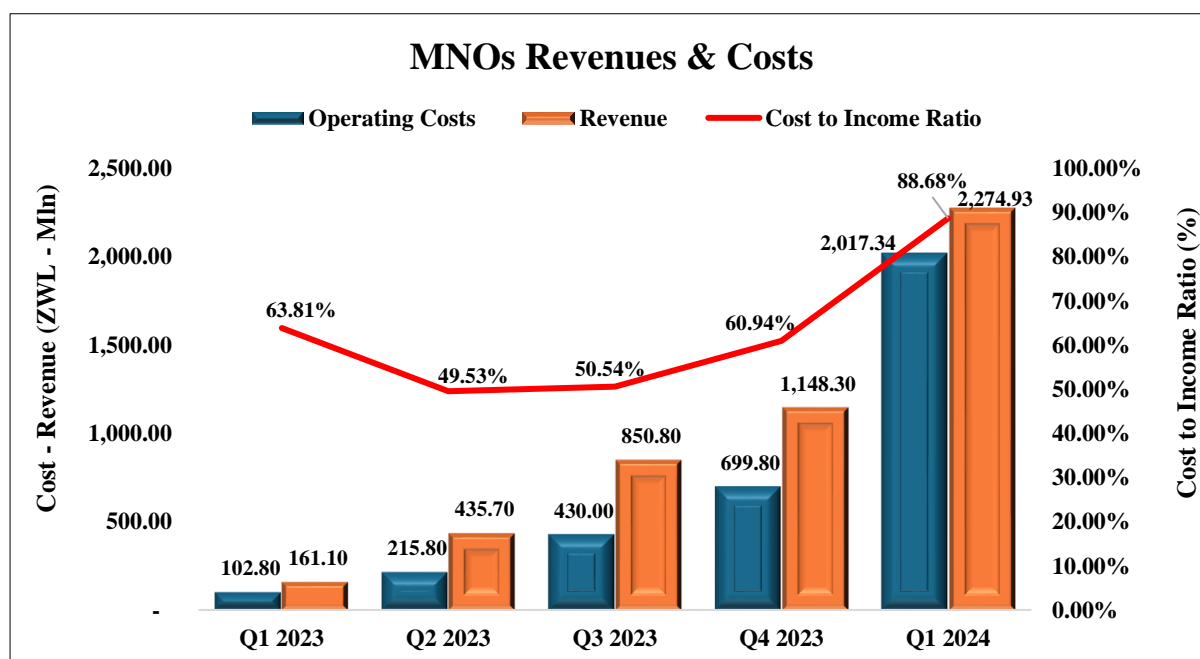
The following table shows nominal growth rates for total revenue, operating costs and capital expenditure in the first quarter of 2024 compared to the fourth quarter of 2023:

Table 5: Mobile Operator Revenues, Operating Costs and Capital Expenditure

Operator	Q4 2023 (ZWL)	Q1 2024 (ZWL)	Q1 2024 Nominal Change (%)	Q1 2024 Real Change (%)
Revenue	1,148,326,705,563	2,274,928,986,097	98.11%	65.60%
Costs	699,790,279,126	2,017,340,013,118	188.28%	140.97%
CAPEX	117,113,808,869	162,955,533,327	39.14%	16.31%

Analysis of cost and revenue trends showed that between fourth quarter 2023 and first quarter 2024, the sector’s nominal revenue grew by 98.11%, whilst costs increased by 188.28%. This shows that 1% increase in revenue was accompanied by a more than proportionate increase in costs of around 1.92%. It became undebatable that the financial soundness of operators in terms of profitability was being eroded at a faster rate. The following diagram shows a trend of revenues, operating costs, and cost to income ratios:

Figure 4: MNOs Revenue, Costs & Cost to Income Ratio



The MNOs’ revenue proportion necessary to cover operating costs grew by 27.74 % to record 88.68% in the quarter under review from 60.94% recorded in the previous quarter. This indicates a deterioration in business viability for the sector.

1.5 MOBILE TELEPHONY INFRASTRUCTURE

The number of base stations increased following the deployment of 109 new base stations by the 3 MNOs in the country, compared to 161 new base stations which were deployed in the fourth quarter of 2023 as shown on the following table:

Table 6: Mobile Base Stations

Base stations (Total)	Q4 2023	Q1 2024	Net Addition	Change
2G	4,965	4,956	-9	-0.18%
3G	3,478	3,544	66	0.019%
LTE	2,289	2,341	52	0.02%
5G	27	27	0	0

Digital transformation is fast becoming a reality as evidenced by a surge in data consumption through increased use of online trading, e-government, other digital platforms, and Internet of Things (IoT). This trend has necessitated the apparent preference by MNOs to deploy higher data capacity 3G and 4G (LTE) base stations compared to 2G base stations. A total of 66 3G and 52 LTE base stations were deployed during the quarter under review.

2.0 FIXED TELEPHONY

2.1 SUBSCRIPTIONS

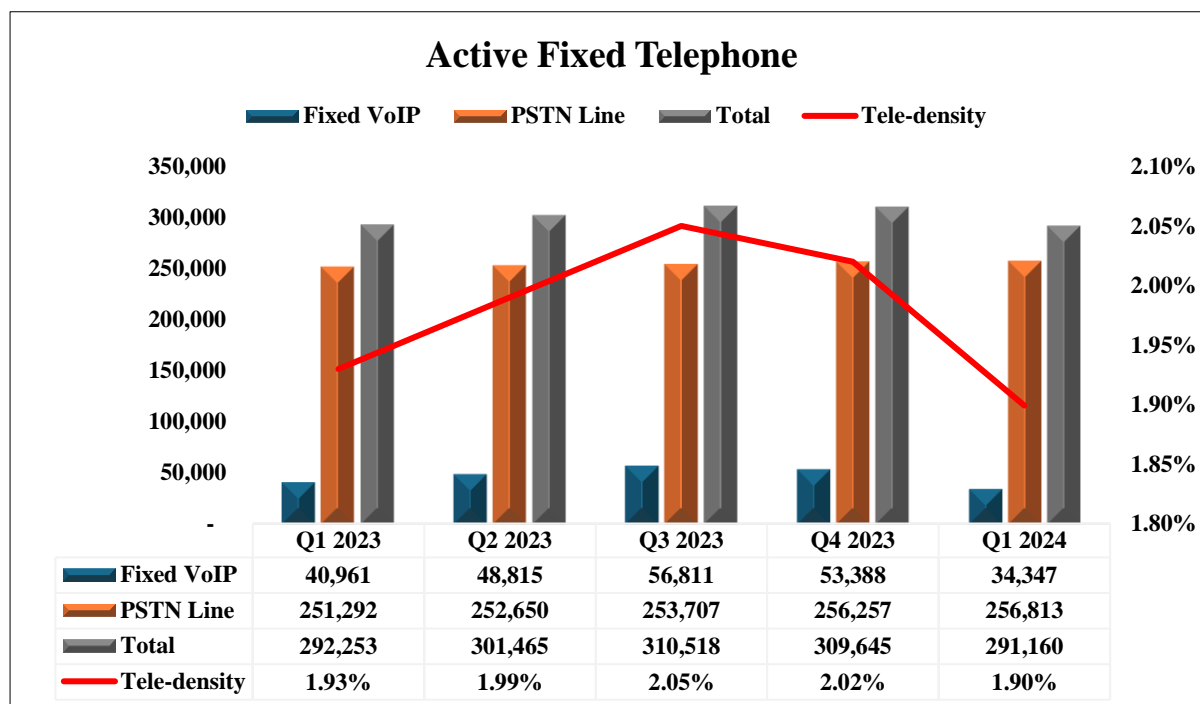
The total number of active fixed telephone subscriptions contracted by 5.97% in the first quarter of 2024, reaching 291,160 from 309,645 recorded in the fourth quarter of 2023. This contraction in active fixed telephone subscriptions resulted in a 0.12 % decline in fixed tele-density to reach 1.90%, from 2.02% recorded in the fourth quarter of 2023 as shown in the table below:

Table 7: Fixed Telephone Subscriptions

Subscriber Category	Q4 2023	Q1 2024	Change (%)
PSTN Lines	256,257	256,813	0.22%
Fixed VoIP	53,388	34,347	-35.67%
Total	309,645	291,160	-5.97%

Contraction in fixed telephone subscriptions may be attributed to mobile substitution due to increasing popularity and widespread adoption of mobile phones, which offer mobility convenience. The shrinkage in fixed telephony subscriptions and tele density is shown in the Figure below:

Figure 5: Active Fixed Telephone Subscriptions



2.1.1 FIXED VoIP MARKET SHARE

The market shares for fixed VoIP subscriptions are shown in the table below:

Table 8: Market Share for Fixed VoIP Subscriptions.

Operator	Q4 2023	Q1 2024	Change
Liquid	39.10%	61.11%	22.01%
TelOne	3.60%	5.65%	2.05%
Dandemutande	3.70%	8.62%	4.92%
Africom	53.30%	24.20%	-29.10%
Telco	0.30%	0.42%	0.12%

Liquid continued to dominate the market share for fixed VoIP subscriptions with 61.1%, followed by Africom with 24.20% market share. All other operators gained in market shares save for Africom which lost 29.10 % in the first quarter of 2024.

2.2 PSTN VOICE TRAFFIC

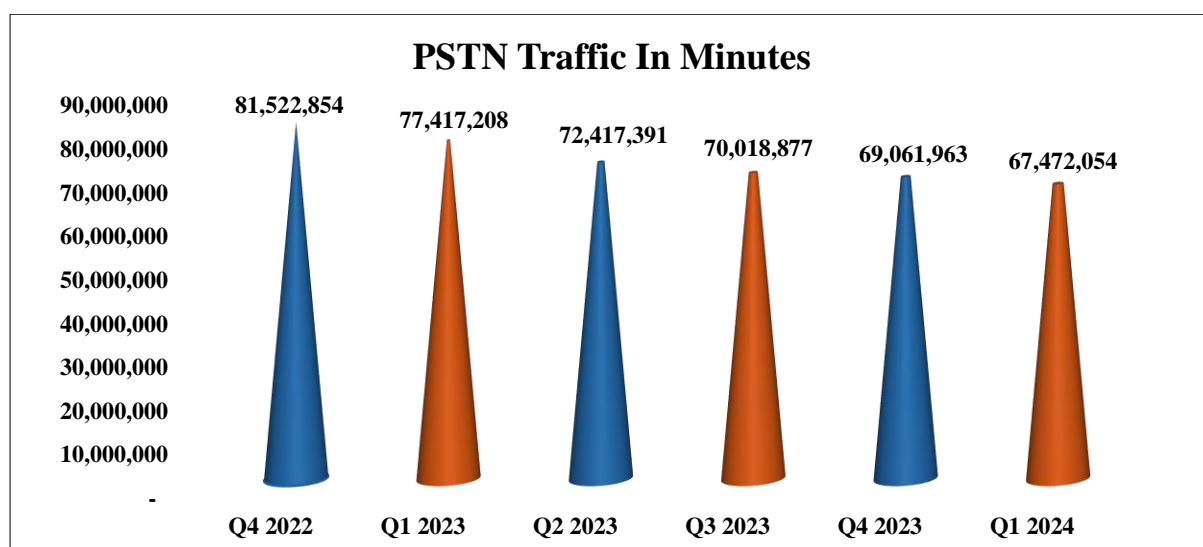
Total voice traffic by the Public Switched Telephone Network (PSTN) Operator contracted by 2.30% to record 67.47 million minutes from 69.06 million minutes recorded in the prior period. The following table shows an analysis of PSTN traffic per service category:

Table 9: Fixed Voice Traffic (PSTN Traffic)

Traffic category	Q4 2023	Q1 2024	Change (%)
Net on Net	6,098,740	5,944,237	-2.53%
Outgoing to Mobile	54,472,995	53,763,679	-1.30%
Incoming from Mobile	4,890,569	4,852,316	-0.78%
Incoming from IAPs	546,422	545,598	-0.15%
Outgoing to IAPs	706,148	970,362	37.42%
Total National Voice Traffic	66,714,874	66,076,192	-0.96%
International Incoming	1,274,751	764,243	-40.05%
International Outgoing	1,072,338	631,619	-41.10%
Total traffic	69,061,963	67,472,054	-2.30%

All traffic categories contracted except for outgoing traffic to IAPs which grew by 37.42%. The following diagram shows a quarterly trend of PSTN traffic:

Figure 6: Total PSTN Voice Traffic



The above diagrammatical presentation shows that Public Switched Telephone Network (PSTN) voice traffic has contracted by 13.62% in the first quarter of 2024 compared to the previous quarter. This shows that PSTN traffic has been contracting at an average rate of 3.87% per quarter since the fourth quarter of 2022 to date. This may be attributed to the substitution effect of Over-The-Top communication applications which use the Internet to offer relatively cheaper communication options.

3 DATA & INTERNET SERVICES

3.0 DATA/ INTERNET SUBSCRIPTIONS

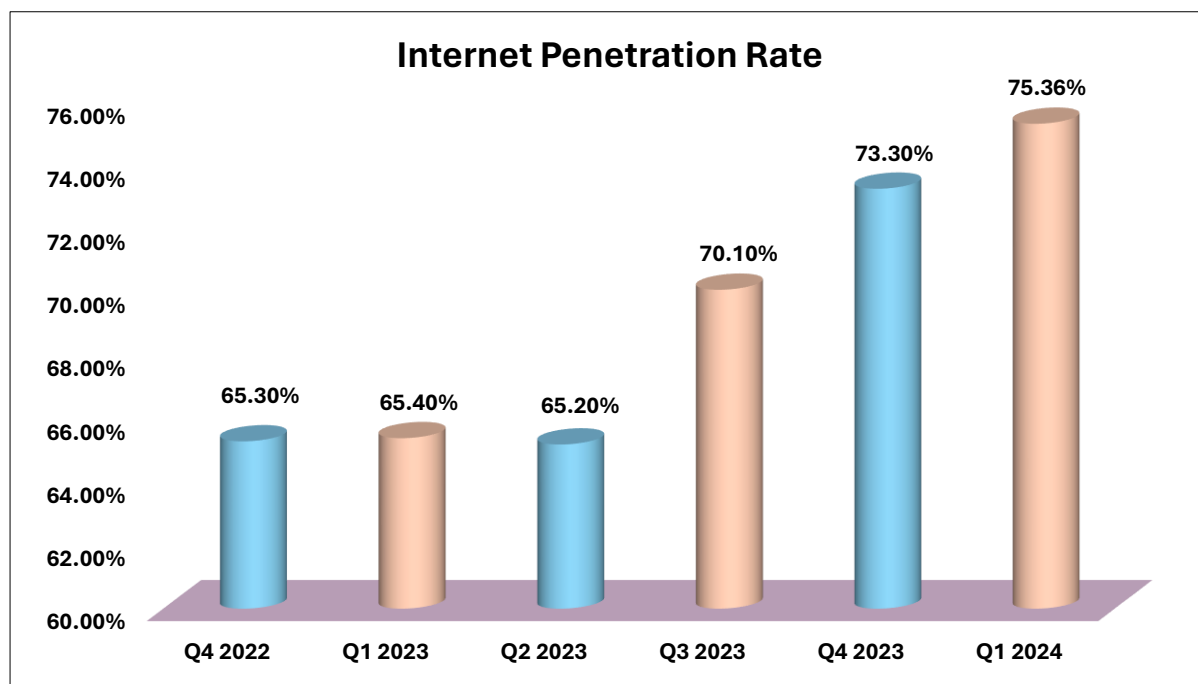
The total number of active data /Internet subscriptions grew by 2.78% to reach 11,552,928 from 11,240,969 recorded in the fourth quarter of 2023. The following table shows a comparison of active data and Internet subscriptions:

Table 10: Active Internet & Data Subscriptions

Technology	Q4 2023	Q1 2024	Change (%)
Mobile Internet Subscriptions	10,971,779	11,275,921	2.77%
Fixed LTE	72,756	77,865	7.02%
Leased Lines	2,870	2,805	-2.26%
DSL	104,463	102,892	-1.50%
WiMAX	9,359	9,975	6.58%
CDMA	170	107	-37.06%
VSAT	5,073	5,600	10.39%
Active Fibre Subscriptions	74,499	77,763	4.38%
Total	11,240,969	11,552,928	2.78%

Active VSAT subscriptions increased the most by 10.39% followed by Fixed LTE 7.02% and WiMAX which increased by 6.58% from the previous quarter. On the other hand, CDMA active subscriptions contracted by 37.06% followed by leased lines active subscriptions which contracted by 2.26% from the previous quarter. The changes in Internet/data subscriptions resulted in a increase in the Internet penetration rate which gained 2.06 % from 73.30% recorded in the previous quarter to 75.36% as shown below:

Figure 7: Internet Penetration Rate



Internet Penetration rate has been on an upward trend spurred by the continuous uptake of Internet/data centric services as well as increased investment in infrastructure, like fibre-optic cables and the rollout of LTE and 5G mobile networks. In addition, the Government has implemented programs and policies aimed at increasing Internet access and usage, such as the National ICT Policy and the Digital Transformation Strategy. Furthermore, Zimbabweans now rely on the Internet for activities like e-commerce, online banking, education, and entertainment, resulting in increased adoption of Internet services.

3.1 IAP REVENUES, OPERATING COSTS & INVESTMENT

During the quarter under review IAP revenue, operating costs and capital expenditure increased by 95.52%, 114.07% and 36.27% respectively. In real terms, this translates to 63.43%; 78.94% and 13,91% respectively as shown in the table below:

Table 11: IAP Revenues, Operating Costs & Capital Expenditure (ZWL)

Metric	Q4 2023	Q1 2024	Q1 2024 Nominal Change (%)	Q1 2024 Real Change (%)
Revenue	576,175,745,033	1,126,511,969,853	95.52%	63.43%
Operating Costs	433,404,922,643	927,786,975,967	114.07%	78.94%
Capital Expenditure	69,390,698,434	94,557,662,246	36.27%	13.91%

Operating costs grew at a faster rate in comparison to the growth of generated revenue. This is a clear indication that the sector’s profitability contracted during the period under review. This was due to inflationary pressure which was witnessed in the economy emanating from the depreciation of the local currency which triggered inflation in the country.

3.2 INTERNATIONAL INTERNET CONNECTIVITY

3.2.1 EQUIPPED INTERNATIONAL INTERNET BANDWIDTH CAPACITY

Equipped international Internet bandwidth capacity for Internet Access Providers increased by 0.97% to record 1,039,705 Mbps in first quarter of 2024, from 1,029,705 Mbps recorded in the prior period as shown in the table below:

Table 12: Equipped International Incoming Internet Bandwidth Capacity (Mbps)

Operator	Q4 2023	Q1 2024	Change (%)
Liquid	850,000	850,000	0.00%
TelOne	165,000	165,000	0.00%
Powertel	5,000	5,000	0.00%
Dandemutande	7,385	17,385	135.41%
Telecontract	1,700	1,700	0.00%
Africom	620	620	0.00%
Total	1,029,705	1,039,705	0.97%

Dandemutande is the only operator which upgraded its equipped international incoming internet bandwidth capacity in the quarter under review with an additional 10,000Mbps. In the meantime, Liquid continued to dominate the market share of equipped international internet bandwidth capacity, controlling 81.80%. Dandemutande is only one that gained gained market share by 1%, as shown in the table below:

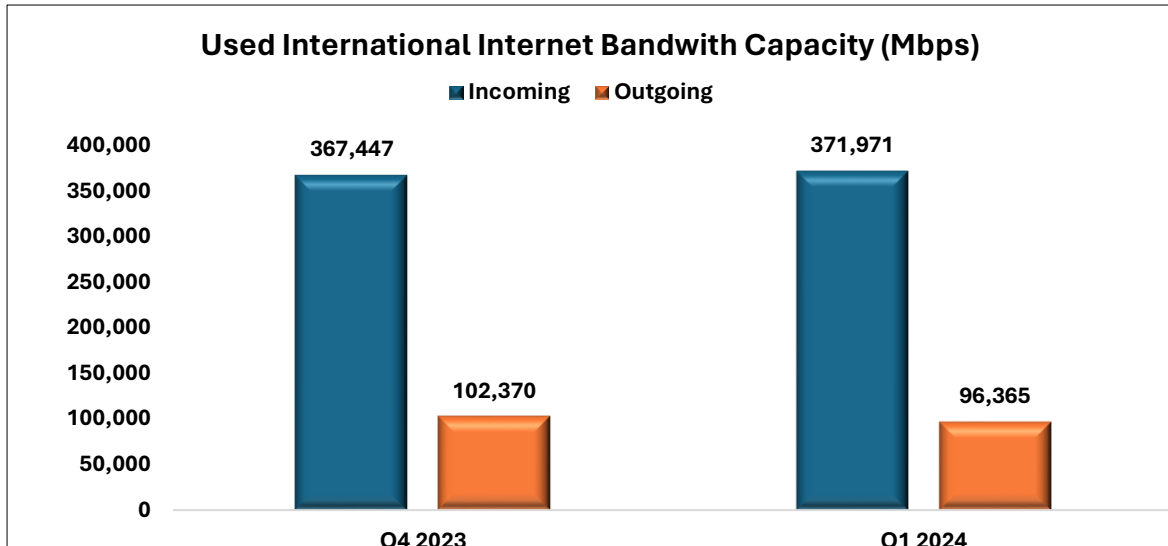
Table 13: Market Share of Equipped International Internet Bandwidth Capacity

Operator	Q4 2023	Q1 2024	Change
Liquid	82.5%	81.8%	-0.8%
TelOne	16.0%	15.9%	-0.2%
Dandemutande	0.7%	1.7%	1.0%
Powertel	0.5%	0.5%	0.0%
Telecontract	0.2%	0.2%	0.0%
Africom	0.1%	0.1%	0.0%

3.2.2 USED INTERNATIONAL INTERNET BANDWIDTH CAPACITY

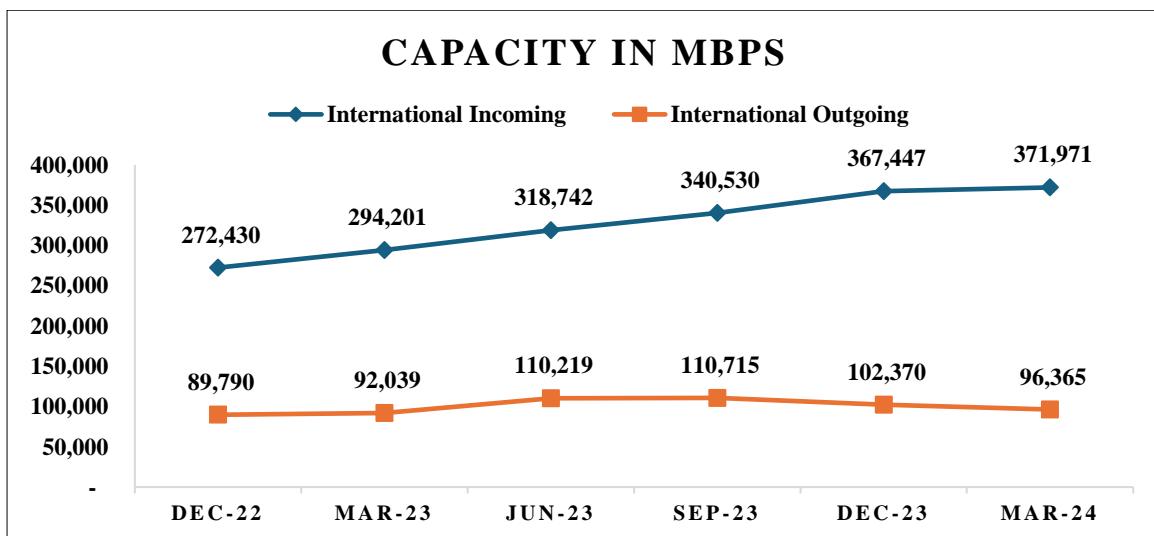
A quarterly comparison of used international incoming and outgoing bandwidth capacity is shown below:

Figure 8: Used International Internet Bandwidth Capacity (Mbps)



Used incoming international bandwidth capacity increased by 1.23% from 367.447 Mbps recorded in the fourth quarter of 2023 to 371,971, whereas used outgoing international bandwidth capacity declined by 5.87% from 102,370 Mbps recorded in fourth quarter of 2023 to reach 96,365 Mbps. This means consumption of online foreign content increased in the quarter under review, whilst upload of local content online shrunk, calling for increased content creation. The growth in used international bandwidth capacity is shown below:

Figure 9: Growth in Used International Internet Bandwidth Capacity



4.0 POSTAL & COURIER

4.1 POSTAL & COURIER VOLUMES

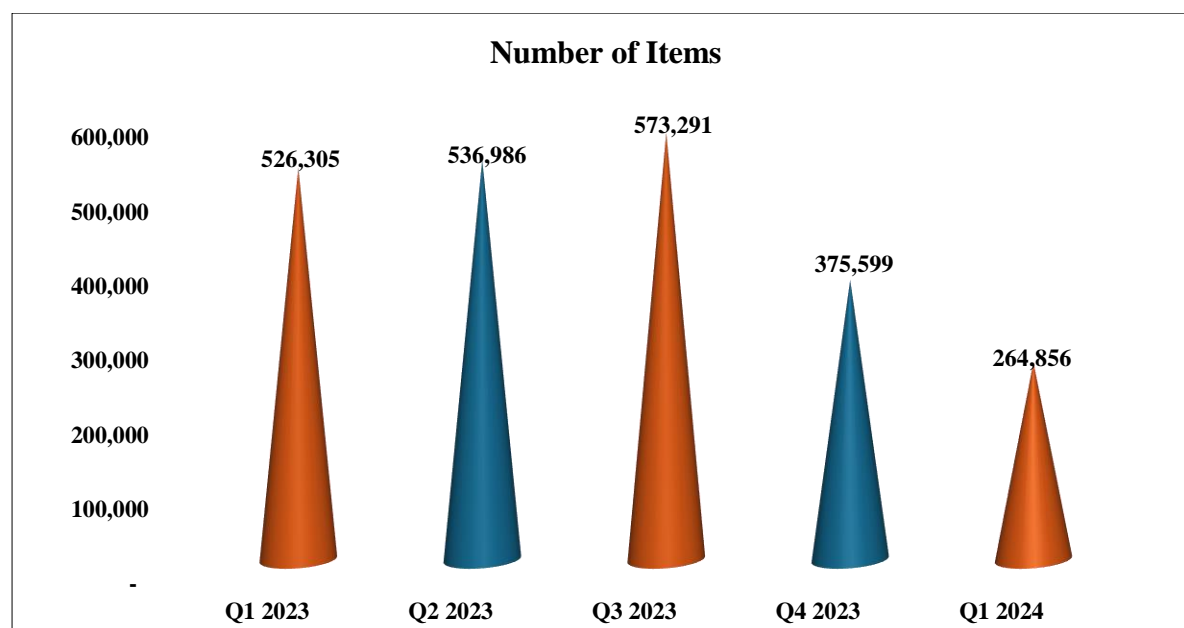
In the quarter under review, postal and courier volumes declined by 29.48% to record 264,856 items from 375,599 recorded in the previous quarter as shown in Table below:

Table 14: Postal and Courier Volumes

	Q4 2023	Q1 2024	Change (%)
Domestic postal letters	212,909	138,743	-34.83%
Domestic courier	125,321	64,975	-48.15%
International incoming courier	21,266	48,886	129.88%
International outgoing courier	16,103	12,252	-23.91%
Total Postal & Courier	375,599	264,856	-29.48%

The decline in postal and courier volumes has been a trend in most countries. This can be attributed to a surge in the use of digital communication facilities, e-commerce, and electronic payments which have reduced reliance on traditional postal and courier services for such services like letter delivery and bill payments. The following diagram shows Postal and Courier volumes trends:

Figure 10: Postal & Courier Volumes



Postal and courier volumes contracted by 29.48% (375,599 items) from the previous quarter to 264,856 items.

4.2 POSTAL DENSITY

The total number of operational postal and courier outlets by the licensed operators remained unchanged from the fourth quarter of 2023 to the first quarter of 2024 as shown in the table below:

Table 15: Distribution of Postal & Courier Outlets

Organisation	Q4 2023	Q1 2024	Change (%)
Overnight	8	8	0%
UPS	15	15	0%
Skynet	32	32	0%
Unifreight	36	36	0%
DHL	59	59	0%
Fedex	87	87	0%
ZIMPOST	268	268	0%
Total	505	505	0%

All operators maintained their outlets and resultantly the postal density remained unchanged during the first quarter of 2024.

4.3 POSTAL & COURIER REVENUES, COSTS & INVESTMENT

During the period under review, postal and courier revenues grew by 94.41% in nominal terms whilst operating costs and capital expenditure grew by 172.22% and 73.46% respectively. However, in real terms total postal and courier revenue grew by 62.51% as shown in the table below:

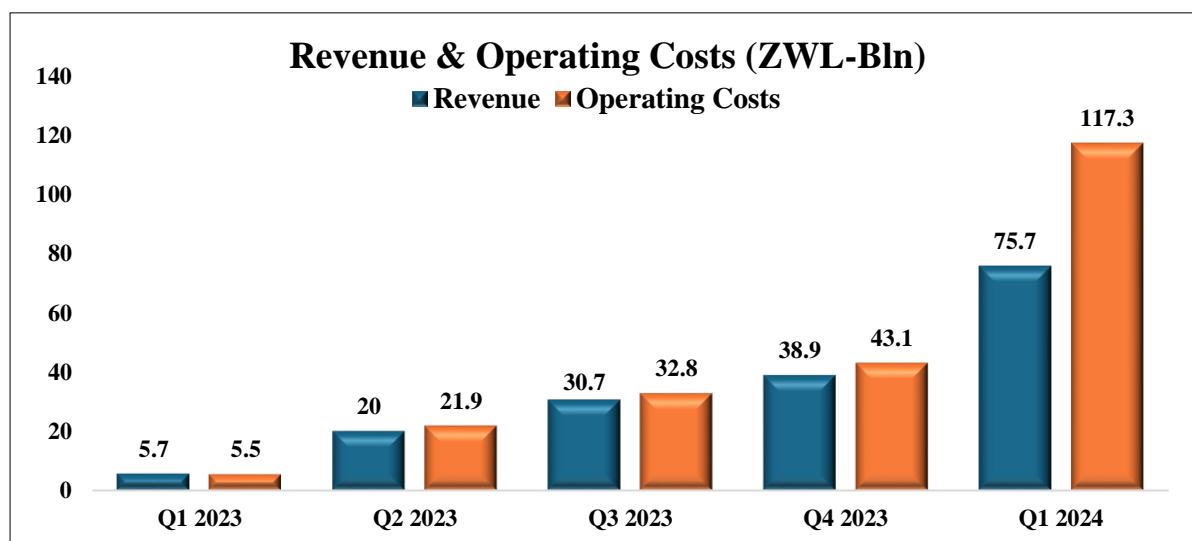
Table 16: Postal & Courier Revenues, Costs & Capital Expenditure

Metric	Q4 2023	Q1 2024	Q1 2024 Nominal Change (%)	Q1 2024 Real Change (%)
Revenues	38,931,039,571	75,684,377,995	94.41%	62.51%
Operating Costs	43,106,068,508	117,344,395,279	172.22%	127.55%
Capital Expenditure	771,229,062	1,337,776,793	73.46%	45.00%

Operating costs for the postal and courier sector increased at a faster rate as compared to the growth in the revenue both in nominal and in real terms. This largely attributable to the drastic

depreciation of the local currency against the USD which was recorded in the first quarter of 2024. The following Figure shows a trend in revenue and costs in the Postal and courier sector:

Figure 11: Postal & Courier Revenues & Operating Costs (ZWL)



5.0 OUTLOOK

The period under review marked the end of ZWL as the trading currency, when Government through the Reserve Bank of Zimbabwe launched a new structured currency, the ZiG. The introduction of the ZiG currency in Zimbabwe has implications for the telecommunication sector, impacting transactional processes, pricing strategies, and cost structures. Telecom operators have been adapting to the transition to the new currency, addressing challenges related to currency conversion, financial reporting, and customer billing. Going forward, the turbulence experienced by the sector in the first quarter is expected to subside on account of improved macroeconomic stability following the introduction of the new ZiG currency, which to date has remained stable.

However, on the demand side, the sector may suffer the negative spill-over effects of the El Nino induced drought which is likely to reduce aggregate demand. Hence demand for telecommunication services may contract as consumers prioritise food against data. The drought is likely to result in reduced disposable incomes, especially for agro-based businesses at both the primary and secondary production levels, thereby forcing consumers to cut back on discretionary spending on data-centric ICT applications such as Netflix, YouTube and other social media platforms, amongst others. This may result in reduced consumption of services.

On the supply side, the El Nino induced drought may impact on power generation, as the water levels at Kariba Dam have not risen. This has an indirect effect on the sector, as it heavily relies on commercial power for the provision of telecommunication services. Power cuts owing to depressed power generation impact quality of service and increase cost of service provision for operators as they are forced to rely on alternative sources of power.

On a more positive note, the prospects for effective competition are gaining traction as evidenced by the number of licence applications received for various licences under the converged licensing regime. Accordingly, we envisage a significant increase in the number of operators, which is set to enhance competition in the sector, spurred by a high appetite for innovative digital services. Indeed, the sector is set for increased investment, competition, and innovation, albeit the negative effects of the El Nino induced drought.