

Postal economic outlook 2018

Key transformations affecting the sector

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Foreword

The postal sector is part of everyone's daily life. It is so much more than letters and stamps, providing inclusion in a wide array of areas, beyond the mere delivery of physical items. Take, for example, the fact that as early as the 19th century, postal operators were providing financial services to individuals, well before banks and insurers had achieved the scale they have today.

In other words, postal services play a key role in promoting and enabling social and economic development. It is therefore useful for governments, regulators, postal operators, electronic retailers, United Nations agencies, academics and the public at large to have access to in-depth knowledge about the key transformations affecting the postal sector, globally and regionally. Drawing on a wealth of data collected and analyzed by the UPU's research team, this report aims to achieve just that.

As you will see in this report, the research conducted at the UPU shows that many of the trends that had been building up over the past few years have continued to intensify, under the effect of either long-term factors such as digitalization or short-term improvements such as the upswing in global gross domestic product (GDP) and trade in 2017.

With the powerful effect of burgeoning e-commerce sales, postal traffic in new segments has soared. Unfortunately, this has not necessarily helped expand, or even helped sustain in many cases, the revenues of postal operators. This postal–GDP decoupling constitutes a considerable threat for the sector, all the more so because the development disparities between and within regions persist.

Nevertheless, there are no inevitabilities in these trends. In all UPU regions, there are champions that outperform their regional peers as well as other sectors. Greater convergence can be achieved through stronger investment, policies better tailored to the postal sector, and diversified strategies for operators.

Indeed, in order to achieve the vision of the Istanbul World Postal Strategy, which is to be "seen as an enabler of inclusive development and an essential component of the global economy", the postal sector has to adjust (and be adjusted) to new global and regional trends. In doing so, it will help achieve the United Nations' Sustainable Development Goals.

As far as the postal sector is concerned, the UPU remains the only platform – a provider of affordable technical solutions and a knowledge centre with a truly global reach. It can therefore play a key role in supporting governments, regulators, postal operators and other key stakeholders in the transformations ahead.

Bishar A. Hussein
Director General

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Executive summary

Macroeconomic context

After years of subpar growth in the aftermath of the global financial crisis, global gross domestic product (GDP) and trade are solidly back on track. After reaching 3.2% in 2016 (in purchasing power parity – PPP), slightly less than in 2015, global output is projected to increase by 3.5% and 3.6% in 2017 and 2018 respectively. Similar positive projections have also been made for the evolution of trade, which should increase by over 4% in 2017. Potential protectionist forces, which were a global concern at the beginning of 2017, have therefore not yet materialized.

As global GDP growth and trade recover, access to the Internet continues to expand, becoming ever more pervasive and a key factor in transforming the way the world economy functions, affecting a range of elements from consumer behaviour to the production and distribution of goods and services. According to the latest estimates by the International Telecommunication Union (ITU), global Internet penetration is set to reach 48% in 2017. Among younger populations (15–24), this rate jumps to 70.6% worldwide and up to 94.3% in developed regions.

Postal revenues

At the global level, the risks of this increasing connectivity for the postal sector seem to be prevailing over the potential benefits. Indeed, the aggregated real revenues of designated operators have grown modestly over the past decade, at an average of nearly 2% per year. This is much lower than the rate of global GDP growth over the same period, which has averaged 3.4%, indicating a trend of "postal–GDP decoupling".

Yet these global trends mask regional disparities in terms of revenue segmentation, with three main models emerging: (1) accelerated diversification beyond parcels and logistics, (2) diversification into parcels and logistics while maintaining the core of letters, and (3) increased reliance on letter post. Africa, the Arab region and Asia-Pacific appear to be veering towards the first model. In industrialized countries and in Latin America, the second model is prevailing, while the third is more predominant in Eastern Europe and the Commonwealth of Independent States (CIS).

Postal traffic

It is true that traffic is expanding in some areas thanks to e-commerce. However, this is not translating into increased revenues, thus signalling the higher level of competition and the potentially lower profitability in the new segments that are being opened and increasingly eyed by postal operators. Moreover, domestic and international markets do not seem to be necessarily following the same path.

Indeed, domestic letter-post items have continued their decline in global volumes, falling on average by 3.4% in 2016. By contrast, domestic parcel items have been growing steadily (global increase by 12.5% between 2015 and 2016) but not everywhere. Although it still accounts for less than 1.5% of global volumes, international traffic continues to increase, both for letter post (up by 1.7% in the past year) and parcel post (up by 4.5% last year, after growing by an average of over 8% between 2011 and 2014). International postal exchanges, as expressed by transported tonnage, are even displaying double-digit growth rates (over 13.6% in 2016).

Postal infrastructure

In addition to being a transaction-intensive sector, the postal sector continues to possess a wide infrastructure network, with a global number of permanent post offices estimated at 677,347 in 2016, more than half of which are in Asia-Pacific. Yet the trend of outsourcing these establishments has been increasing, especially in industrialized countries.

In terms of delivery modes, the reality between regions can vary considerably. In some, well over 95% of the population gets their mail delivered at home, while in others this rate barely reaches 65%. More worryingly, in some areas, over 10% of the population remains without any access to postal services.

To service the existing network, designated operators still employ over 5.3 million staff, a slight decrease compared to previous years. The drop in the total workforce following the financial crisis in 2008 has not yet been overcome, with an increasing share of part-time workers (20.5% in 2016). Three regions alone (industrialized countries, Asia-Pacific, and Europe and CIS) account for almost 94% of global staff. However, the picture for staff productivity does not follow the same path.

Postal development

As shown in the Integrated Index for Postal Development (2IPD) published earlier in 2017, there are still considerable gaps in postal development across the globe. So far, only a minority of countries have managed to build fully reliable, well-connected, relevant and resilient postal services. A systematic lack of investment in national postal infrastructure could be one of the main reasons for this state of affairs.

In all regions, there are champions that outperform their regional peers as well as other sectors. This shows that, in spite of the challenges, there are no inevitabilities in the face of postal–GDP divergence. Greater convergence can be achieved through stronger investment, policies better tailored to the postal sector, and diversified strategies for postal operators.

Indeed, in order to achieve the vision of the Istanbul World Postal Strategy, which is to be "seen as an enabler of inclusive development and an essential component of the global economy", the postal sector has to adjust (and be adjusted) to new global and regional trends. In doing so, it will help achieve the United Nations' Sustainable Development Goals.

Key facts and figures

Postal revenues

All segments, in nominal terms

246.3 BILLION SDR
2015-2016: +1.1%

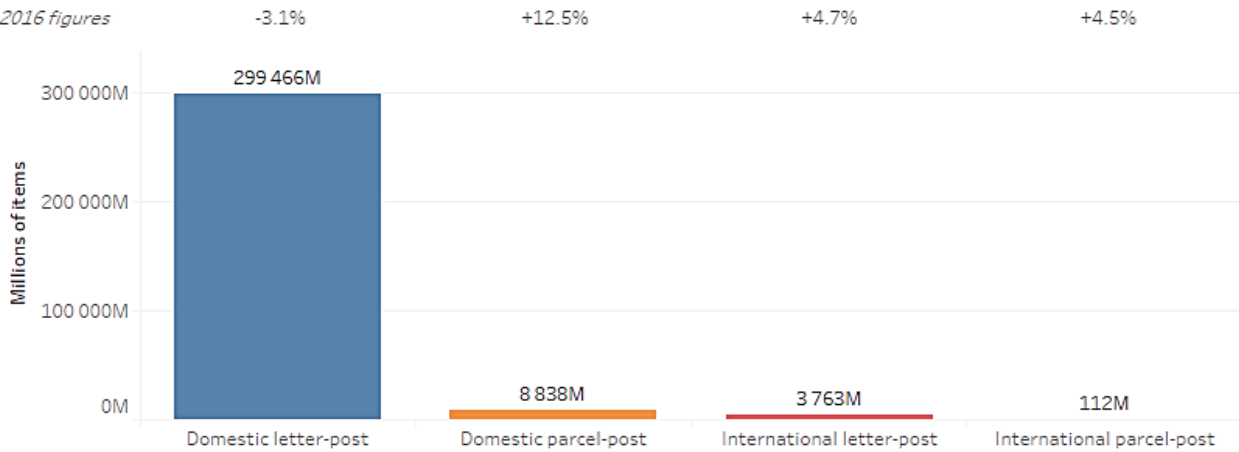
Revenues by segment

Letters (share of total)
2006: **48.3%**
2016: **38.9%**

Parcels (share of total)
2006: **14.3%**
2016: **22.8%**

Postal traffic

2016 figures



Postal infrastructure

Internal offices

Outsourced offices

Access to postal services

Postal staff

438'182 post offices
2015-2016: 1.6%

239'163 post offices
2015-2016: -2.6%

80.4% of population
receiving mail at home

5.32 million employees
2015-2016: -0.4%

Postal development



I. Macroeconomic context

Among the greatest trends affecting the performance of the postal sector are economic growth and trade as well as connectivity. Expansion in gross domestic product (GDP) and exports have an impact on the sector inasmuch as these variables create a potential demand for postal services. With respect to connectivity, expressed in terms of the rate of Internet penetration, the impact may also be strong, as digitization potentially triggers mail substitution, while opening up room for the growth of e-commerce. Full-year figures for 2017 will only be available later in 2018, but the macroeconomic trend is clear: global economic prospects have improved considerably over the past year.

Economic growth and trade

Global economic growth in 2016 was lower than expected, reaching 3.2% (in purchasing power parity – PPP), slightly less than in 2015. Trade was even more sluggish, declining by -0.1% in 2016, after a clear slump in 2015 (-1.8%). Yet most of the data in 2017 has shown more encouraging signs. According to the consensus forecast of a number of international organizations, global output growth should reach 3.5% in 2017 and 3.6% in 2018. Similar positive projections have also been made for the evolution of trade in 2017, which should increase by over 4% in 2017. Potential protectionist forces, which were a global concern at the beginning of this year, have therefore not yet materialized. In 2018, the expansion is expected to continue almost everywhere, even though some underlying risks (such as indebtedness) have not yet been fully mitigated.

Figure 1 – Average GDP growth by region



Source: International Monetary Fund, World Bank, UPU calculations

In Africa, between 2010 and 2014, GDP growth was very strong, at approximately 5% per year. However, the trend reversed in 2015, with economic growth in the region considerably below the global average. Trade followed a similar pattern: as global exports declined by 1.8% and 0.1% respectively in 2015 and 2016, exports from Africa fell even further (-11.9% in 2015 and -1.4% in 2016). The significant drop in commodity prices over the period was mostly to blame for this reversal of fortunes, which indicates continuing sensibility to external shocks. As the global economy recovers from the post-financial crisis stagnation, growth and trade in Africa are also expected to rise in the coming years.

In the Arab region, economic growth has resisted downward pressures more strongly than in other developing regions, averaging 3.3% per year over the 2011–2016 period, in spite of the drop in commodity prices. However, trade slumped in 2015 (-12.4%) and did not recover fully in 2016 (-1.0%). Regional GDP growth is, moreover, expected to decelerate in 2017 before recovering in 2018.

In Asia-Pacific, GDP growth has continued to surpass the global average, at over 6% per year. The region's share in global output grew from barely 20% in 1996 to 37% in 2016. This impressive catch-up process was mainly driven by growth in trade. However, although exports slowed down sharply in 2015 and 2016 compared with historical levels, this was not sufficient to hamper the region's economic growth. In 2017 and 2018, Asia-Pacific is set to remain the fastest growing region by far, although the risks of rising indebtedness have not yet been fully mitigated.

In the Eastern Europe and CIS region, following sustained average annual growth of 4.5% between 2000 and 2014, GDP expansion slowed down considerably in 2015 and only partly recovered in 2016. Although exports resisted the downward global trend in 2015, they slightly declined the following year. In terms of GDP growth forecast, the region is expected to follow the global trend in 2017 and 2018, expanding by 2.6% and 2.7% respectively.

In industrialized countries, 2016 is considered to have been a disappointing year, with GDP growth declining to 1.6% after achieving 2.1% in 2015. However, export growth remained positive over the period in spite of an unfavourable global environment. In 2017 and 2018, the economies of industrialized countries are expected to grow by 2.0% and 1.9%, with exports expanding by 3.9% and 3.5%

In Latin America and the Caribbean, GDP contracted in 2016 (-0.2%), after two years of already disappointing figures (+0.3% in 2015 and -4.8% in 2014). Commodity prices and political uncertainty were the main factors behind this performance. After declining by more than 7% in 2014, exports grew by 3.0% and 3.3% in the following two years. This expansion should continue in 2017 and 2018, as growth picks up in most of the region's large economies. However, risks resulting from increasing political instability could still materialize, thus hampering the recent recovery.

Table 1 – Overview of macroeconomic indicators

Indicator	2005	2010	2015	2016	2017	2018
World real economic output index (GDP in constant international \$, PPP, base 100 = world in 1996)	140.0	168.0	197.0	204.0	211.0	218.0
Total GDP (in trillions)	75.1	90.1	106.0	110.0	114.0	118.0
Annual GDP growth rate (in %)	4.7	5.2	3.3	3.2	3.5	3.6
World trade index (total exports in constant \$, base 100 = world in 1996)	187.0	220.0	252.0	252.0	262.0	272.0
Trade-GDP gap (percentage points)	-47.0	-53.0	-55.0	-48.0	-51.0	-54.0
Total exports (in trillions)	22.5	26.6	30.4	30.4	31.6	32.8
Annual export growth rate (in %)	9.4	13.3	-1.8	-0.1	4.0	3.9
Global connectivity: worldwide average number of Internet users per 100 people	16.0	29.0	43.0	46.0	48.0	

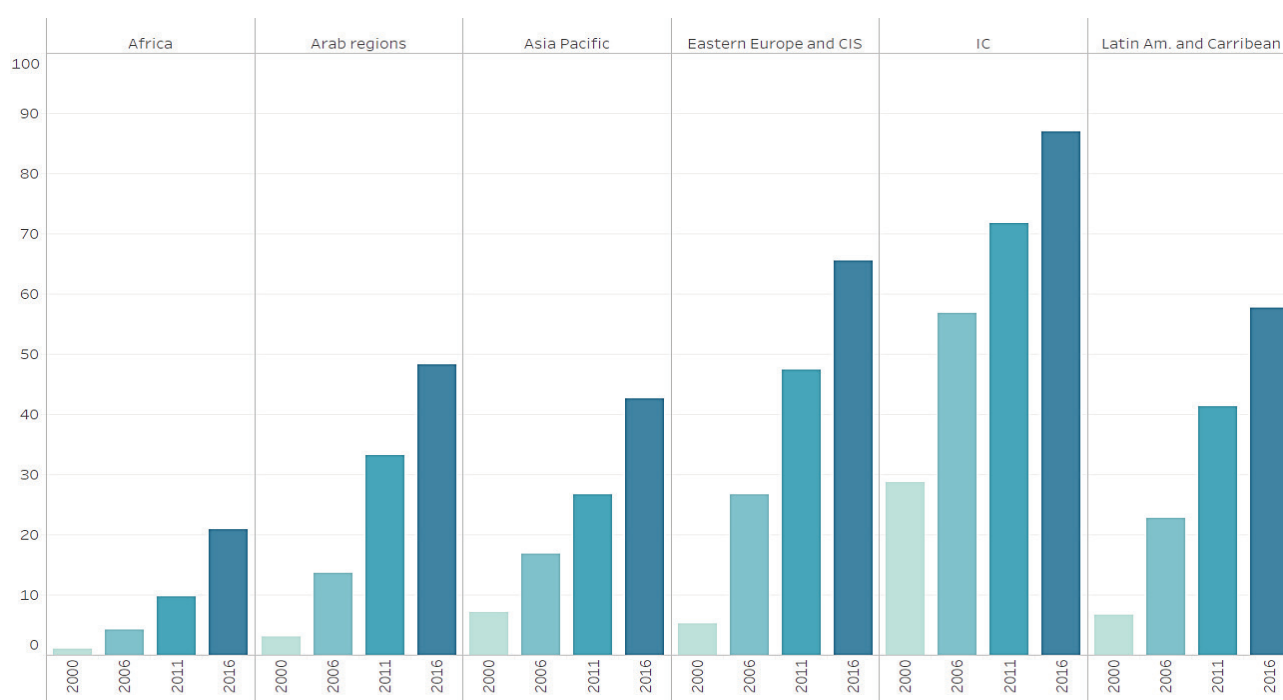
Source: World Bank, International Monetary Fund, ITU, UPU calculations

Connectivity

As global GDP growth and trade recover, access to the Internet continues to expand, becoming ever more pervasive and a key factor in transforming the way the world economy functions, affecting a range of elements from consumer behaviour to the production and distribution of goods and services. According to the latest estimates by the International Telecommunication Union (ITU), global Internet penetration is set to reach 48% in 2017. Among younger populations (15–24), this rate jumps to 70.6% worldwide and up to 94.3% in developed regions.

In another recent ITU report, participating United Nations agencies – including the UPU – recognized that information and communication technologies (ICTs) constitute both a risk and an opportunity in achieving the United Nations' Sustainable Development Goals. The traditional postal sector, represented by designated operators, is at the crux of this trend: as Internet pervasiveness intensifies physical mail substitution, it also opens up opportunities for expanding into new segments, including parcel delivery, payments and remittances, and e-government services.

Figure 2 – Proportion of individuals using the Internet (average number of Internet users per 100 people)



Source: ITU, UPU calculations (for regions)

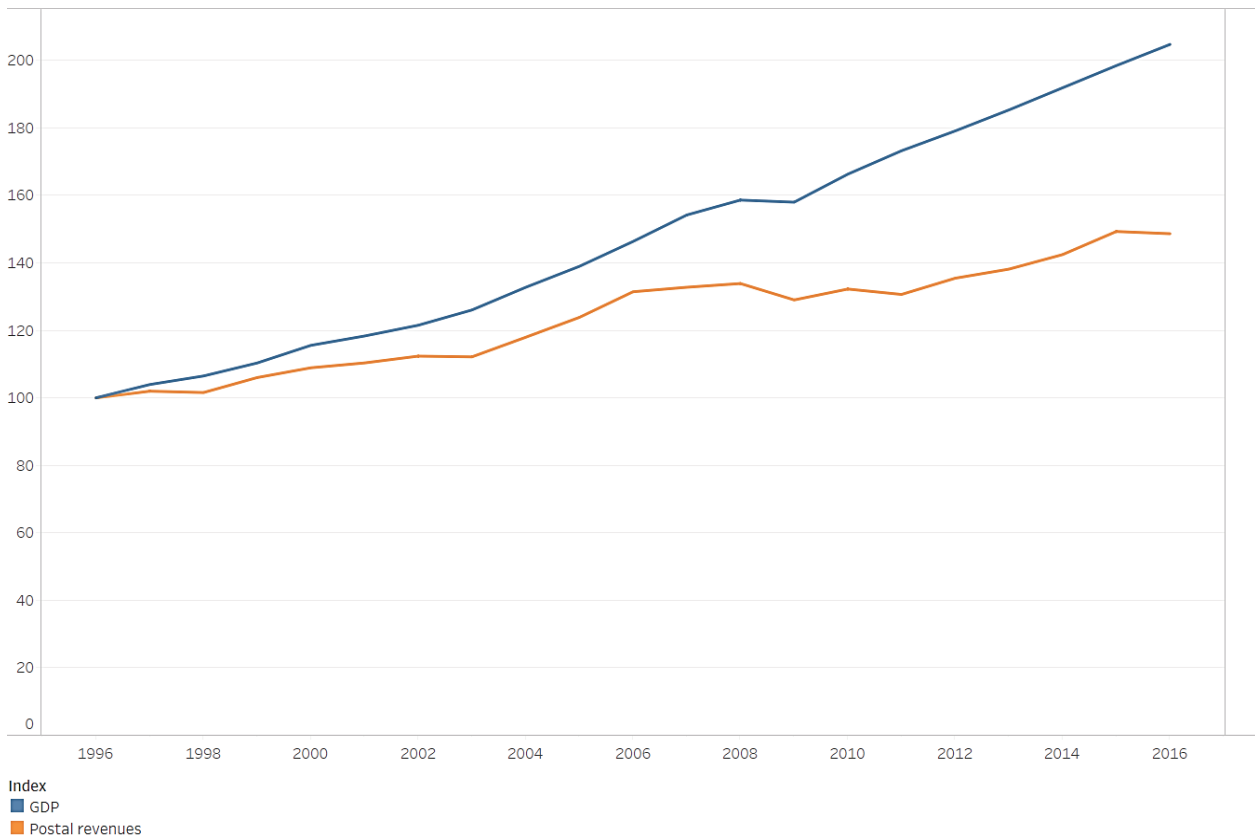
II. Postal revenues

Although the macroeconomic environment is creating considerable opportunities, the economic impact on postal operators, in terms of revenues, appears to be falling short of expectations. In the attempt to seize the potential, there are important disparities between and within regions. Overall, there is no clear and uniform pattern for revenue segmentation, with not one but several business models emerging.

Growth of postal revenues

At the global level, the risks of connectivity for the postal sector seem to be prevailing over the potential benefits. Indeed, the aggregated real revenues of designated operators have grown modestly over the past decade, at an average of nearly 2% per year. This is much lower than the rate of global GDP growth over the same period, which has averaged 3.4%, revealing a trend of "postal–GDP decoupling".

Figure 3 – Postal revenues vs GDP growth (PPP, 1996 =100)



Source: UPU calculations and statistics, International Monetary Fund, World Bank

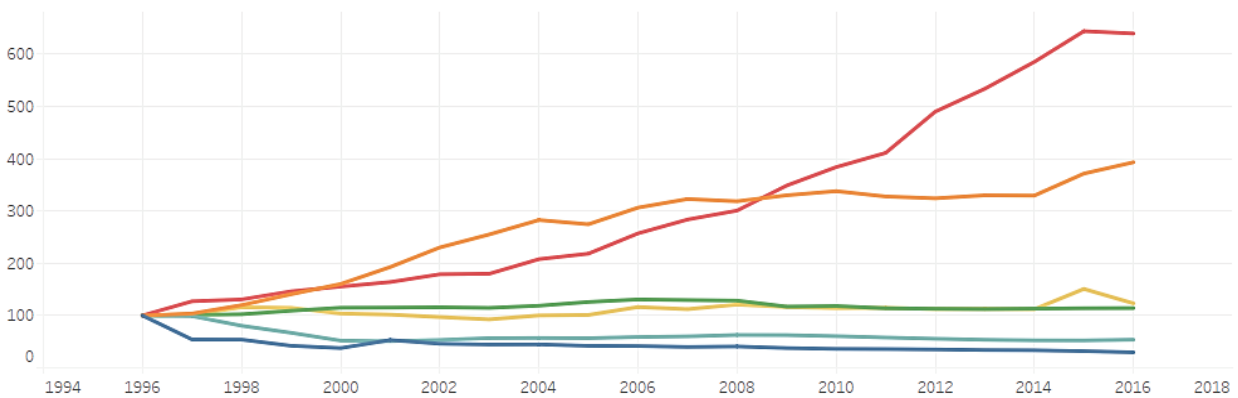
In these circumstances, the bulk of global postal revenue growth over the past 10 years was driven by Asia-Pacific. Indeed, in this region, the sector has been expanding at a faster rate than economic growth, with an average increase of over 10.5% per year since 2005. As a result, the region's share of global postal revenues jumped from 13.7% in 2005 to 32.6% only 10 years later.

In the Arab region, postal revenue growth was more erratic over the period, contracting in some years and then expanding strongly in others.

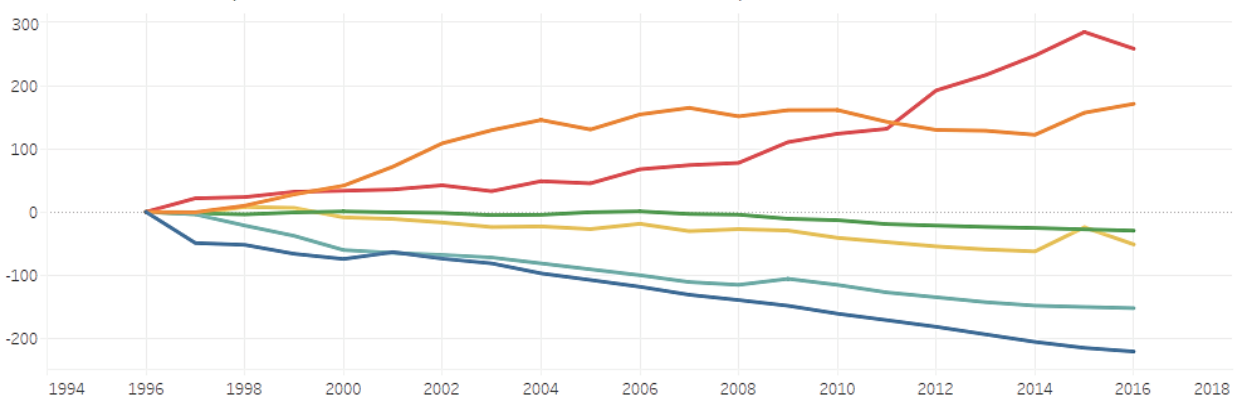
In all other regions, postal revenues have tended to decline and/or to underperform economic growth. In Africa, the postal sector has been on a steady decline since 2005, with postal revenues decreasing by an average of 2.9% per year. In the Eastern Europe and CIS region, postal revenues declined by nearly 4% annually from 2010 to 2014, and the recovery in 2015 was rather modest, at only 0.5%. In industrialized countries, postal growth stagnated from 2005 to 2016. In Latin America and the Caribbean, postal revenues have swung continuously, but have generally followed a downward trend.

Figure 4 – Regional postal revenues and GDP

Postal revenue growth, in PPP (1996=100)



Postal output gap (i.e. GDP vs postal economic growth, in PPP); 1996=100



Region Africa Arab Asia-Pacific Eastern Europe... IC LA_Caribbean

Source: UPU calculations and statistics, International Monetary Fund, World Bank

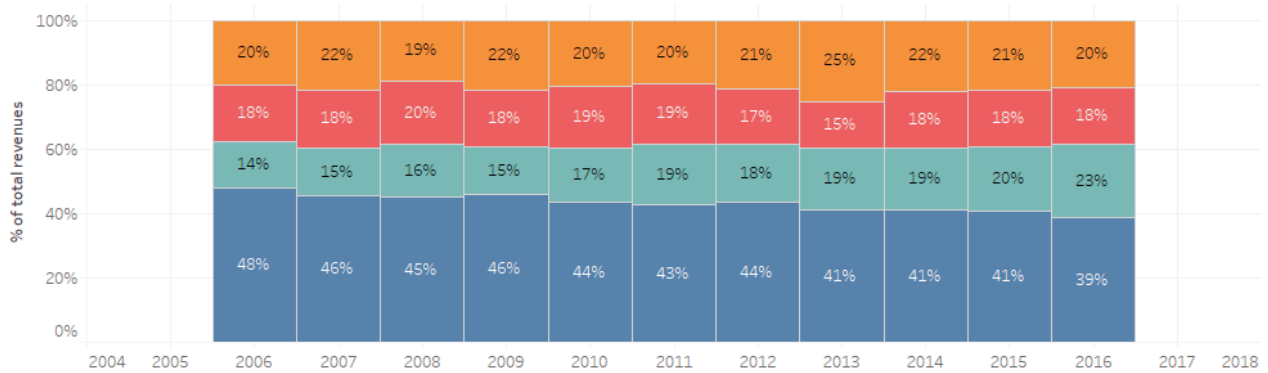
Postal revenues by segment

When looking closely at the composition of the revenues of designated postal operators, one realizes that a shift in business models is under way, although not as drastically as would be expected given the emergence of e-commerce. Indeed, even though they are declining in importance, letter-post items still accounted for 39% of total postal revenues in 2016 (compared with 48% 10 years ago). The share of parcels and logistics has reached 23%, up from 14% in 2006; this is a significant expansion, which nonetheless still dwarfs the double-digit growth rates of e-commerce and online sales. Over the same period, postal financial services and other products have remained stable,¹ revealing some degree of persistence in the traditional business models of Posts worldwide.

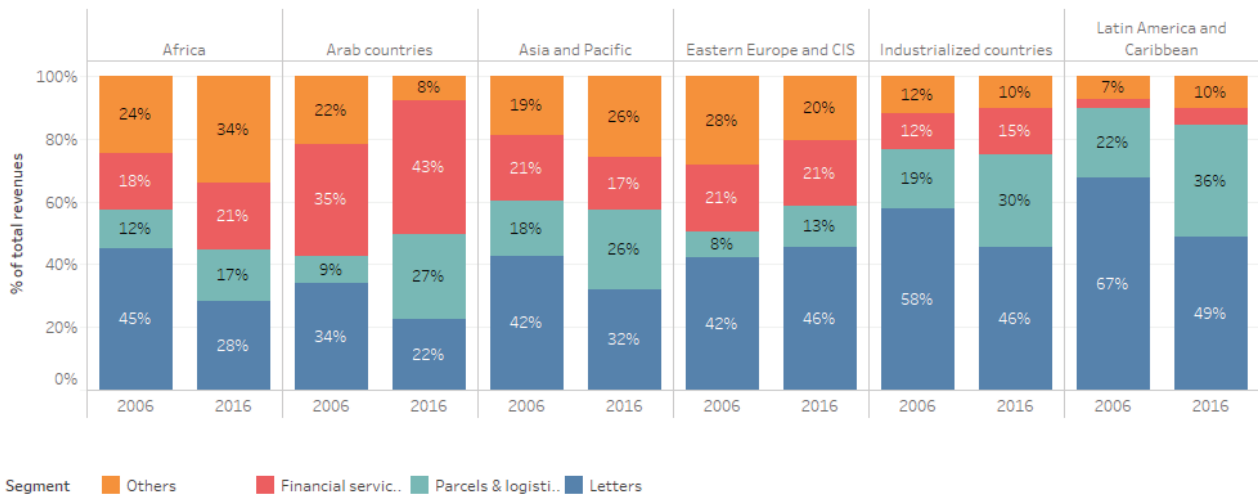
¹ The figures are not weighted by volume. Moreover, the Japan Postal Bank contribution has not been taken into account.

Figure 5 – Breakdown of postal revenues by segment (% of total)

Global breakdown



Breakdown in different regions



Source: UPU statistics

However, these global trends mask regional disparities. Three models are emerging:

- Accelerated diversification beyond parcels and logistics: In Africa, the Arab region and Asia-Pacific, the movement away from the core business of letter post is well under way, with this segment now representing less than 40% of total revenues, coupled with a growing share of financial services and other products.
- Diversification into parcels and logistics while maintaining the core of letters: In industrialized countries and in Latin America and the Caribbean, although postal operators have diversified into other segments, the letter-post business still accounts for nearly 50% of total revenues.
- Increased reliance on letter post: In the Eastern Europe and CIS region, the growth of e-commerce has not enabled postal operators to diversify. Contrary to the trend in all other regions, the share of letter post in total revenues increased to 46% in 2015, up from 38% a decade earlier.

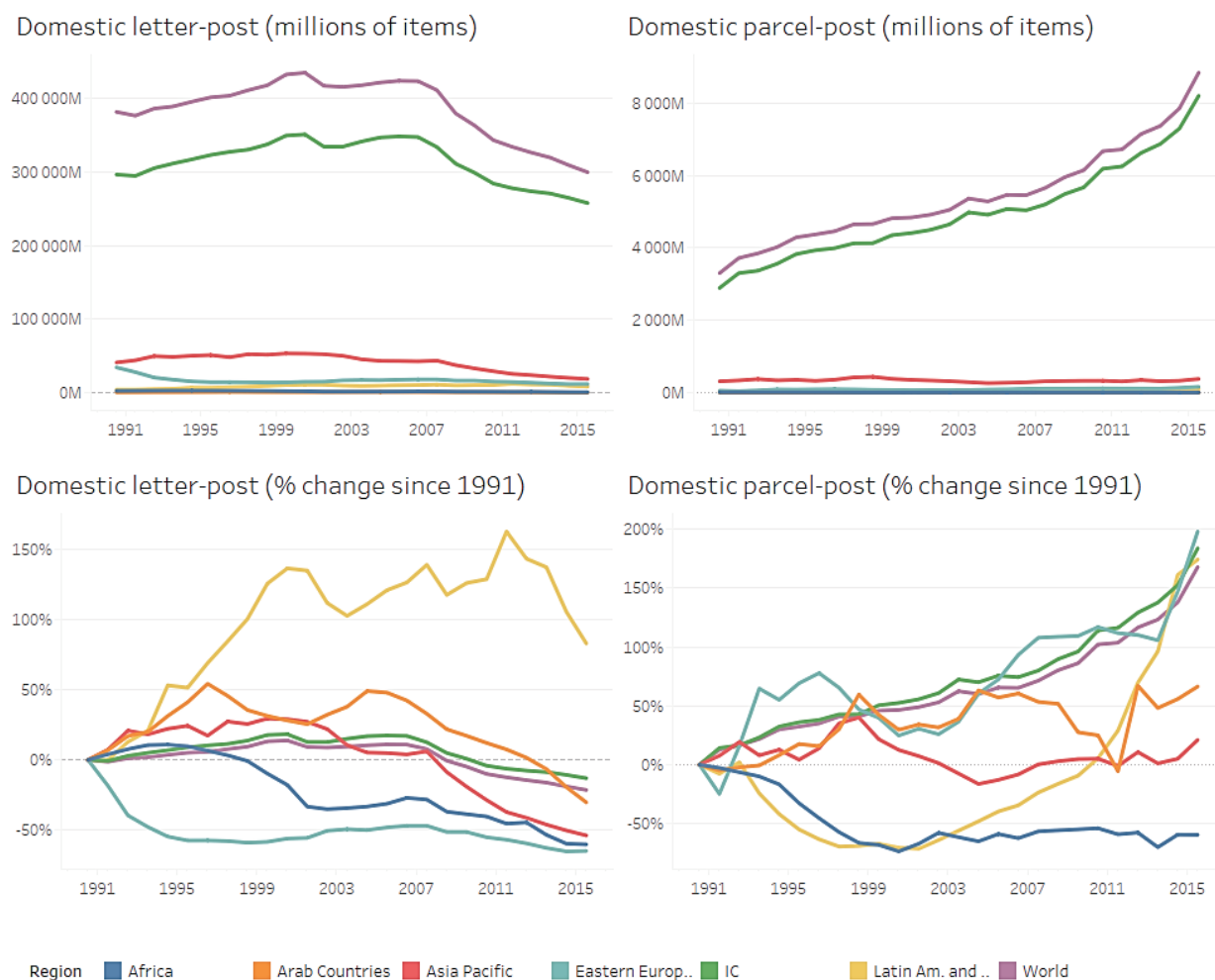
III. Postal traffic

The analysis of postal traffic brings additional insights to the analysis of postal revenues presented in the previous chapter. Indeed, although traffic may be expanding in some areas, this may not be translating into increased revenues, thus signalling the higher level of competition and the potentially lower profitability in the new segments that are being opened through e-commerce. Moreover, domestic and international markets do not seem to be necessarily following the same path.

Domestic

Domestic letter-post items have continued their decline in global volumes, falling on average by 3.4% in 2016. Although this drop is less sharp than during the financial crisis of 2007–2009, it does not seem to have slowed down over the past few years. In the Arab region and in Latin America, there have even been drastic two-digit decline rates over the last three years. In industrialized countries, where domestic traffic still accounts for around 86% of global volumes, there has been a drop of 2.6% over the same period. In this context, the only region with relatively stable volumes for letter post is the Eastern Europe and CIS region.

Figure 6 – Evolution of domestic postal traffic



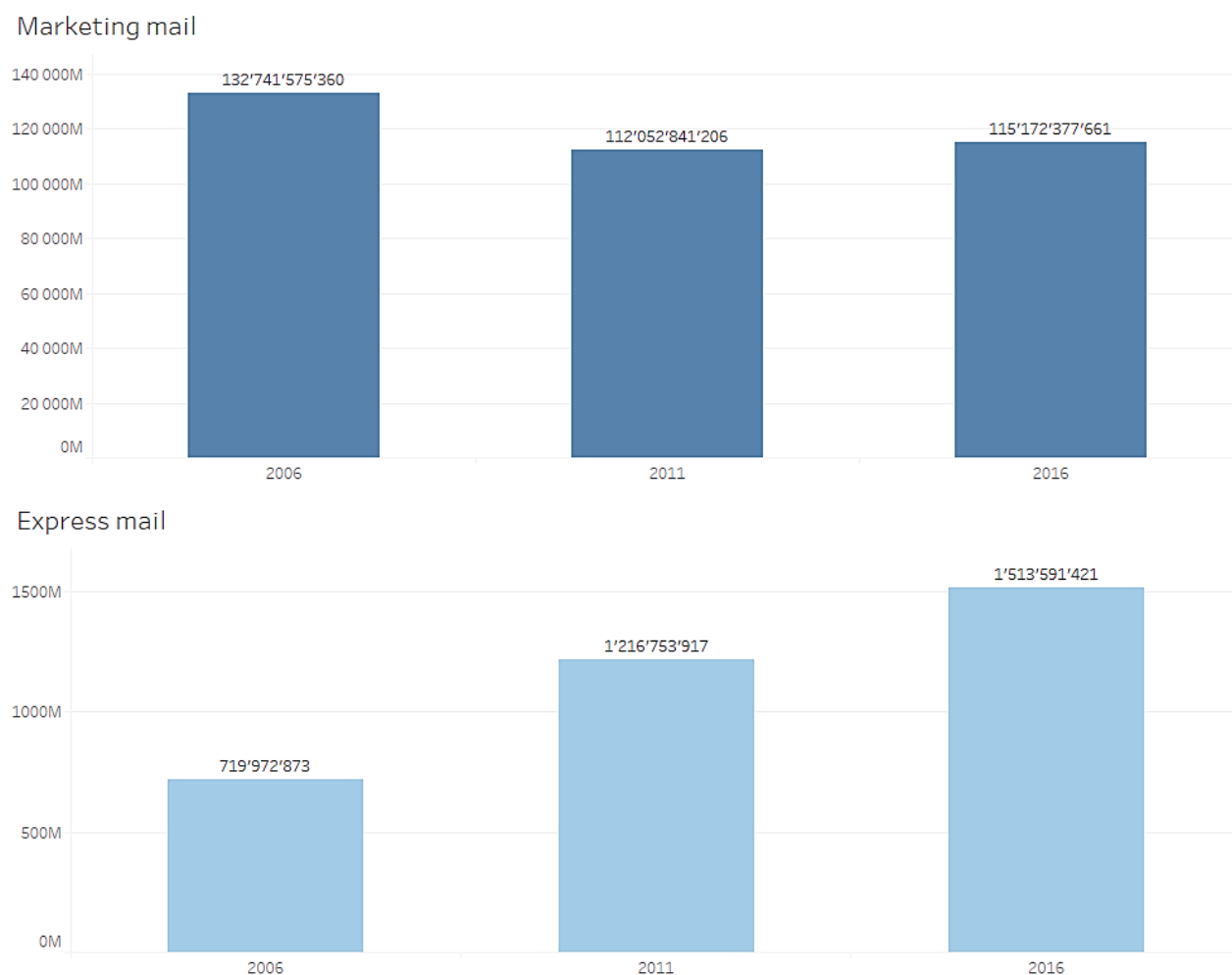
Source: UPU statistics

The sharp contraction in domestic letter-post traffic cannot be contained by marketing mail alone. Indeed, based on a comparable sample of countries, this sub-segment appears to have declined by around 15% over the last 10 years (compared with 32% for overall domestic letter-post volumes).

Domestic parcel-post items have been growing steadily (global increase of 12.5% between 2015 and 2016) but not everywhere. While the segment has expanded at double-digit growth rates in industrialized countries and in Eastern Europe, the evolution in the rest of the world has been more erratic. This may indicate that the potential of the existing market is not supported by a suitable infrastructure and consequent strategy.

Moreover, a comparable sample of 57 countries shows that the growth of express items seems much faster than that of parcels. According to UPU estimates, while domestic parcel traffic grew by 62%, express items soared by 110% over the past 10 years.

Figure 7 – Evolution of marketing and express mail (number of items)



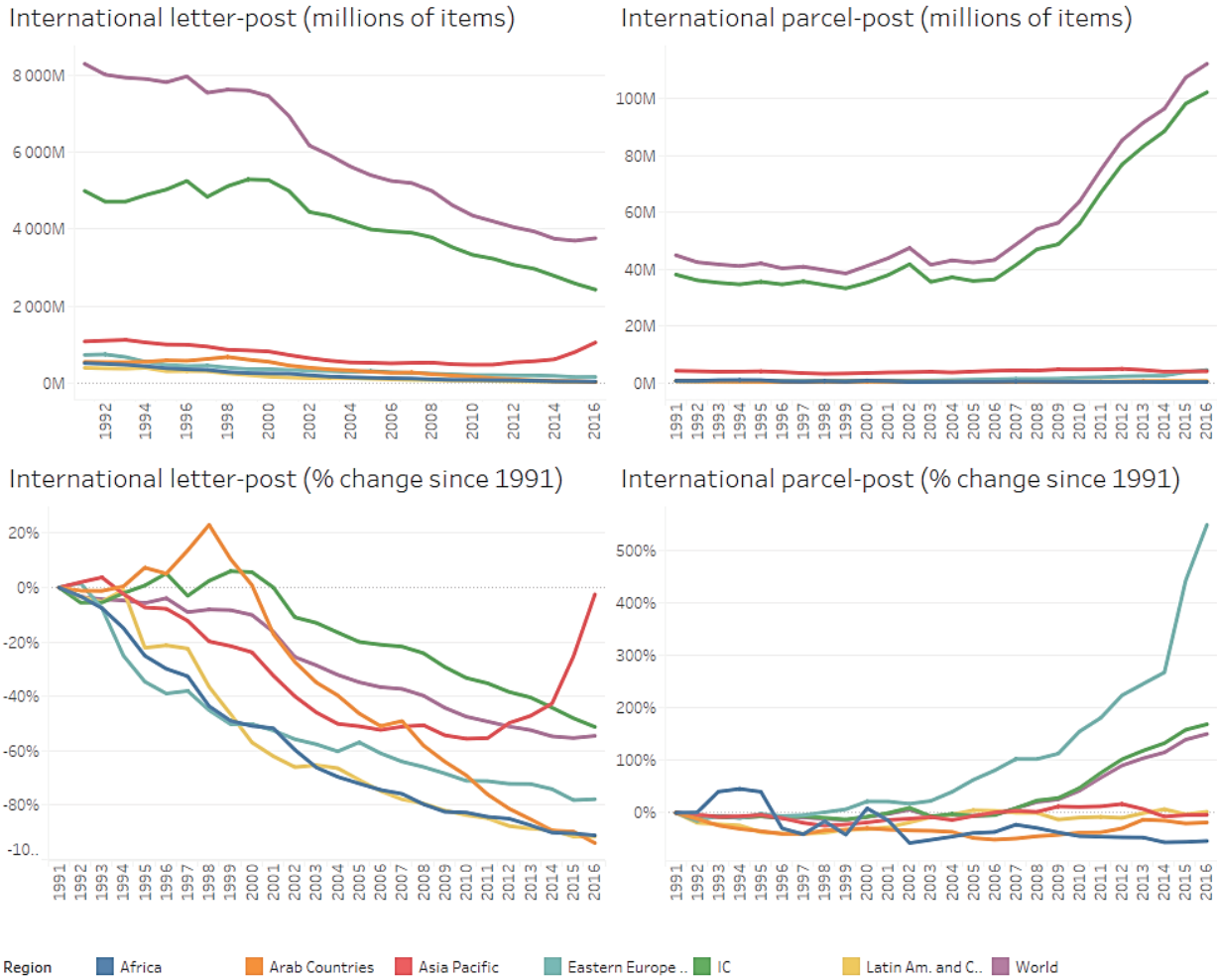
Source: UPU statistics

International

International letter post accounts for 1.2% of global letter-post volumes. Unlike the trend observed at the domestic level, international letter post has grown by 1.7% in the past year. This increase is mainly driven by Asia-Pacific, where the segment has been rapidly expanding, most probably owing to small packets with e-commerce-related merchandise. Everywhere else, with the exception of Eastern Europe, the international letter-post segment is declining, even more rapidly than at the domestic level (in industrialized countries, for instance, it is contracting by 6.1%).

International parcel post represents 1.3% of total parcel volumes, with a growth of 4.5% in this segment over the past year. Although this rate is lower than for the domestic parcel segment, the average rate over the period 2011–2014 is higher at 8.8% (compared with 3.4% for domestic parcels). A very rapid growth can be observed in Eastern Europe – most probably owing to the e-commerce-related warehouses that have been constructed in this region. The surprising evolution of international parcels in Asia-Pacific could be explained by the assigning of e-commerce merchandise to the letter-post category (which, as stated above, also explains its slight growth).

Figure 8 – Evolution of international postal traffic



Source: UPU statistics

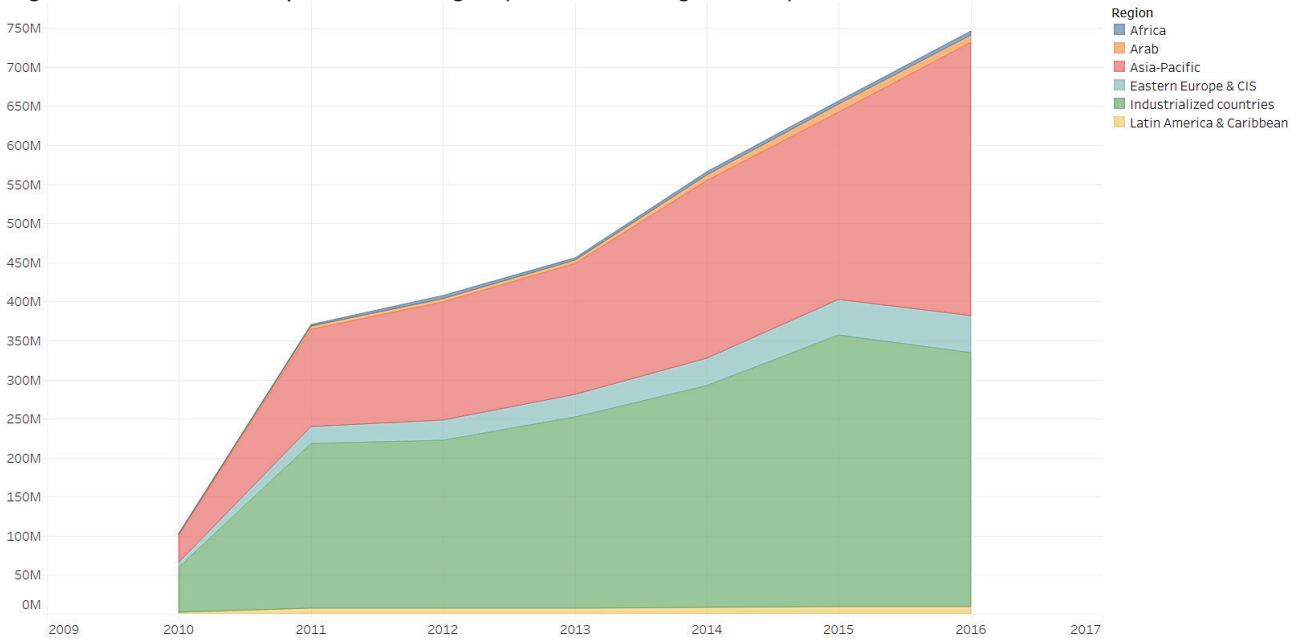
International postal exchanges can also be considered from the perspective of transported tonnage, which shows tremendous growth over the past few years (see chart below). This data originates from UPU tracking systems and three categories of tracked mail: letter post, parcels, and express items.

Outbound postal exchanges are growing at double-digit rates almost everywhere. In Africa, international postal exchanges grew by 20% per year between 2011 and 2016. Double-digit expansion has also been seen in the Eastern Europe and CIS region and in Asia-Pacific, where the annual growth rate reached 45.6% in 2016.

In the Arab region, years of vigorous expansion were followed by strong contraction (e.g. 32.8% in 2015 and -8.3% in 2016). In industrialized countries, international postal exchanges have grown, but at single-digit rates, with occasional sharp contractions, such as in 2011 (-13.1%). In Latin America and the Caribbean, these exchanges have expanded, especially after 2011, but the rate of increase has been more modest than the double-digit figures seen in other developing regions.

In spite of the regional disparities, there is a global trend that shows that international activities could be fundamental to sustaining postal revenues in the future.

Figure 9 – International postal exchanges (millions of kilogrammes)



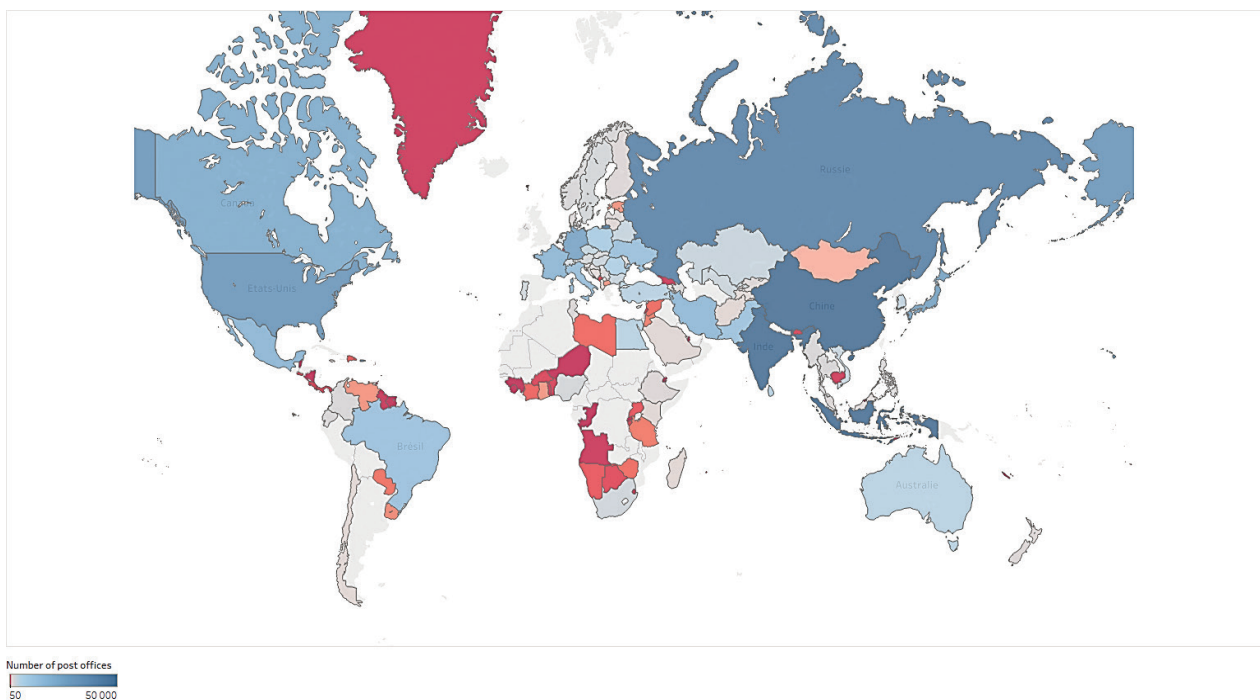
Source: UPU tracking systems

IV. Postal infrastructure

Post offices

The global number of permanent post offices in 2016 was estimated at 677,347. More than half of them (338,348) are located in Asia-Pacific and, within this region, almost half (154,910) are in India. This figure has been relatively stable over the past few years. However, there are regions that are experiencing a slight decrease in the total number of offices: industrialized countries, Africa, Latin America and the Arab region.

Figure 10 – Number of post offices worldwide (2016, available data)



Source: UPU statistics

Given the fact that the latter three regions have a relatively low density of postal offices, a continued reduction of the network could lead to further erosion of postal services and their perception.

Table 2 – Number of post offices by region

Region	Total number of permanent postal offices or agencies	Number of people served by one postal office	Number of postal offices per 1000 km2
Africa	11'596	82'959	0.58
Arab region	13'667	30'302	0.95
Asia and Pacific	338'348	11'789	14.59
Eastern Europe and CIS	104'501	4'697	4.31
Industrialized countries	168'755	5'579	4.96
Latin America and Caribbean	40'480	15'666	1.98
World	677'347	10'971	4.97

Source: UPU statistics

In the last few years, there has also been a tendency to outsource postal offices (especially in industrialized countries). However, a 2016 estimate shows slightly different figures, which are also visible on the chart: a drop in outsourced agencies and an increase in offices staffed by the operator. The future will show if this effect is lasting.

Access to postal services

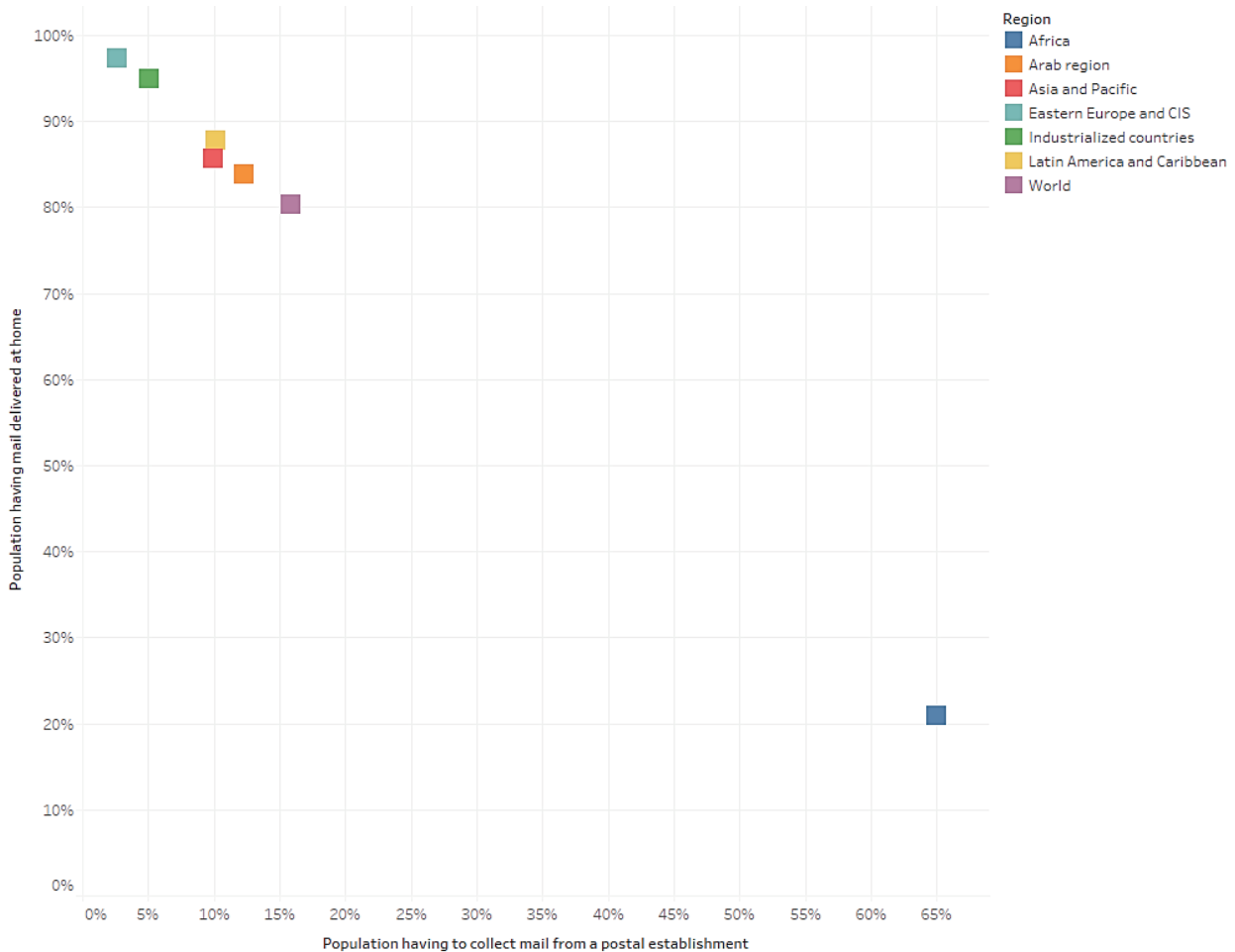
Access to postal services is estimated based on a sample of 122 member countries that communicated their figures. The proportions are weighted by the population of these countries.

Table 3 – Access to postal services by region

Region	Population having mail delivered at home	Population having to collect mail from a postal establishme..	Population without postal services
Africa	20.9%	65.0%	14.1%
Arab region	83.9%	12.3%	3.8%
Asia and Pacific	85.7%	9.9%	4.4%
Eastern Europe and CIS	97.4%	2.6%	0.0%
Industrialized countries	94.9%	5.1%	0.0%
Latin America and Caribbean	87.8%	10.1%	2.1%
World	80.4%	15.8%	3.8%

Source: UPU statistics

Figure 11 – Mode of access to mail in different regions



Source: UPU statistics

There are considerable disparities in mail delivery modes around the world. In Africa, almost 65% of the population collects mail from postal establishments and only 20.9% get it delivered at home. The remaining 14.1% are without postal services. In the Arab region, the proportion of the population receiving their mail at home has increased over the last five years, from 76% to around 84%.

The highest rates of access to postal services are observed in Eastern Europe and the CIS, as well as in industrialized countries, even though there has been a slight increase in the proportion of the population having to collect mail in this region.

Overall, in the 122 countries covered in the sample, almost 80.4% of the population have mail delivered to their homes. This sample covers a global population of around 3.414 billion.² Assuming that these countries are representative of the global situation (around 7.431 billion in 2016), it is possible to estimate that almost 1.17 billion had to collect mail from postal establishments and 282 million were not served by postal operators.

Postal staff

Designated postal operators employed 5.32 million staff members in 2016, a decrease of 0.39% compared with 2015. As shown in the graphs below, the decrease in staff that followed the financial crisis in 2008 has not yet recovered. Moreover, part-time workers account for 20.5% of the total workforce, a share that has been increasing steadily over the years.

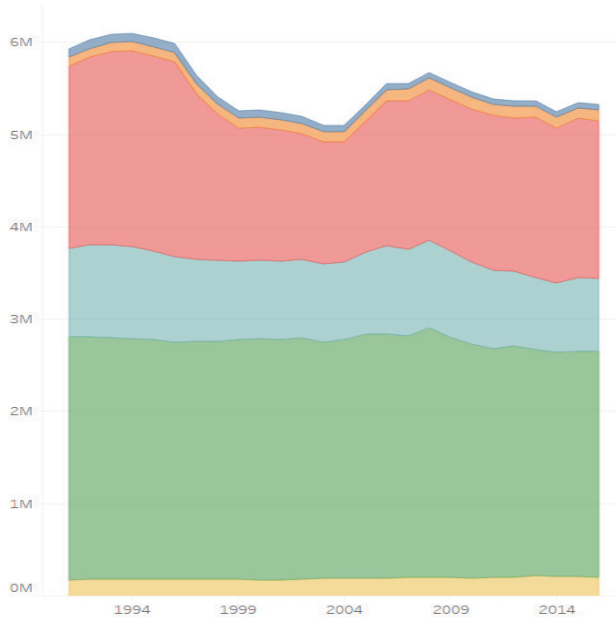
² For this specific indicator, data for China (People's Rep.) and India was not received.

However, there are some regional differences: whereas employment decreased in Asia-Pacific (-1.66%), Eastern Europe and the CIS (-0.8%), and Latin America (-2.87%), it increased in industrialized countries (+0.22%), Africa (+4.97%), and the Arab region (+5.6%).

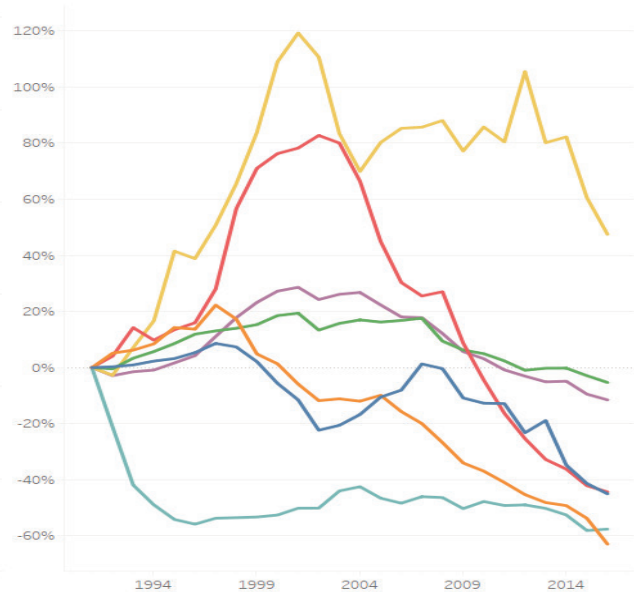
The largest employers are designated operators in industrialized countries (46% of total staff). If we add Asia-Pacific as well as Europe and CIS, the proportion of postal workers amounts to almost 94% of global staff. However, if we look at staff productivity, expressed as the total number of domestic and exported postal items per staff head, the picture is different.

Figure 12 – Size and productivity of postal workforce

Postal staff by region (in millions)



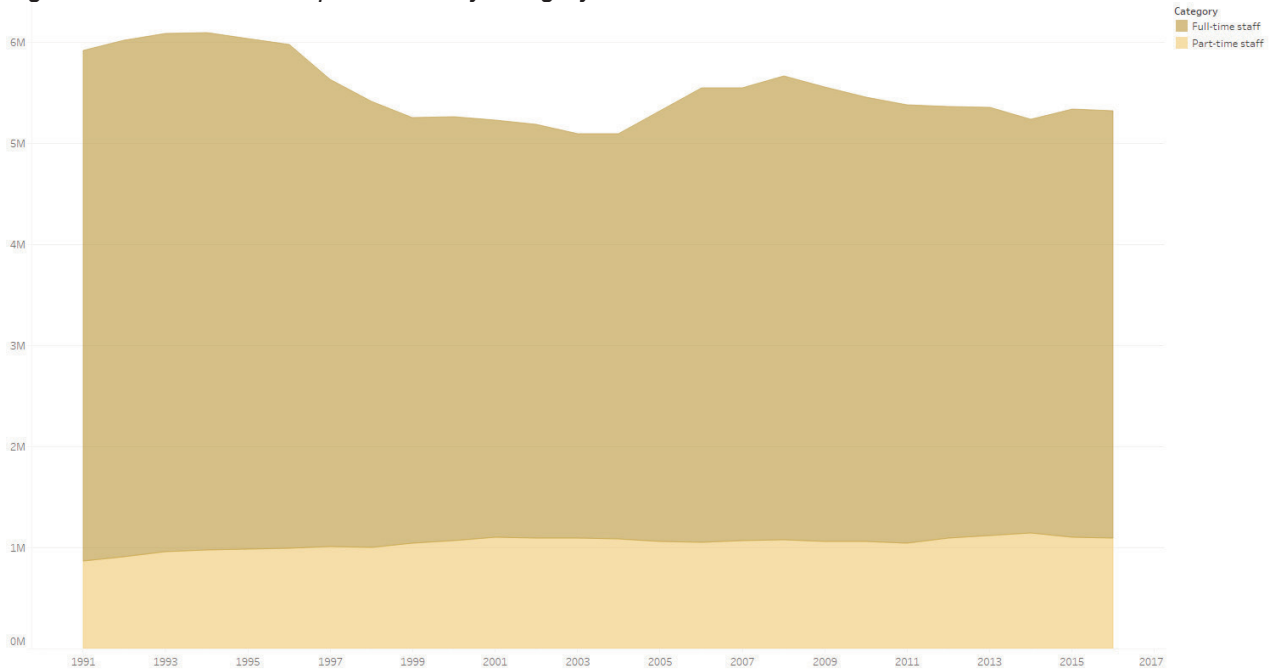
Postal staff productivity by region (number of items per staff member, % change since 1991)



Region Africa Arab Countries Asia Pacific Eastern Europe and CIS IC Latin Am. and C.

Source: UPU statistics

Figure 13 – Distribution of postal staff by category

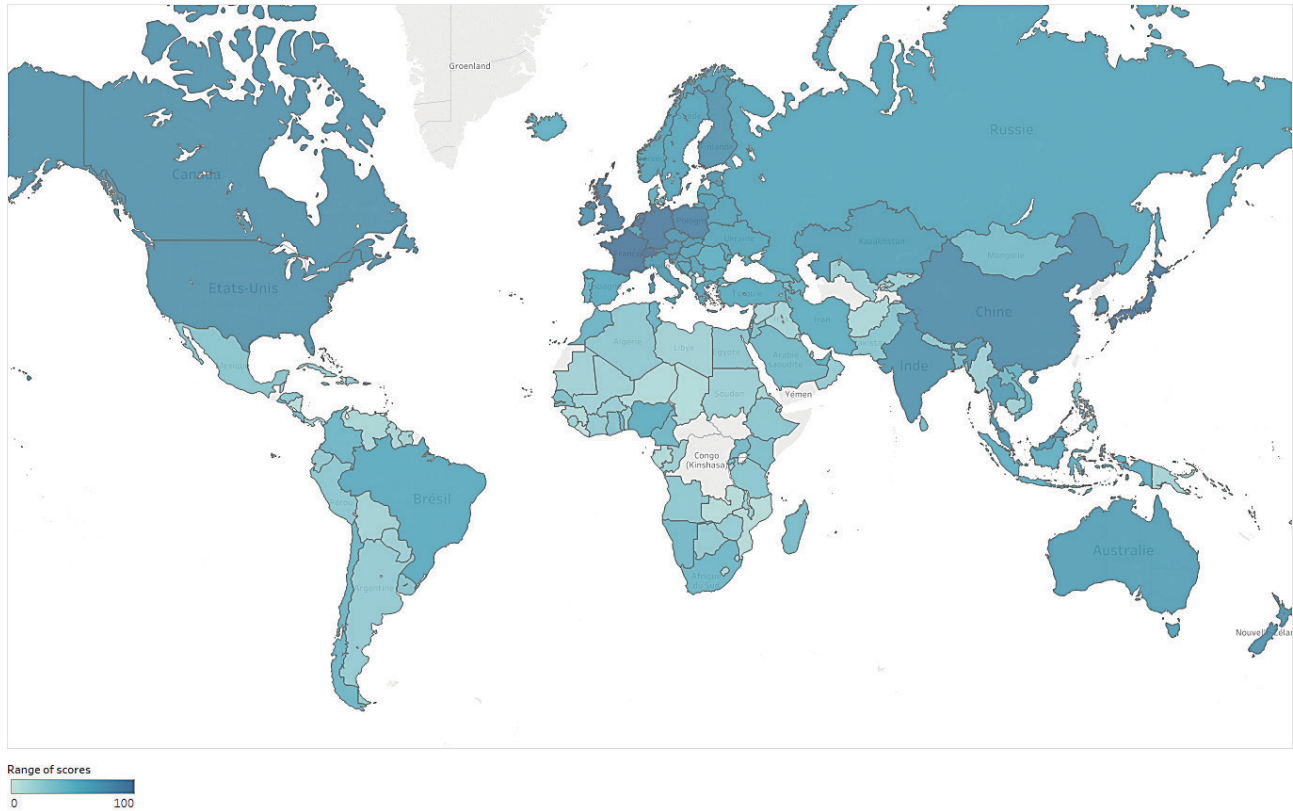


Source: UPU statistics

V. Postal development

For all their benefits, revenue diversification and double-digit growth in international exchanges are no panacea. These trends will only enable postal operators to realize their potential if structural issues are addressed. Indeed, as shown in the Integrated Index for Postal Development (2IPD), published earlier in 2017, there are still considerable gaps in postal development across the globe. So far, only a minority of countries have managed to build fully reliable, well-connected, relevant and resilient postal services. A systematic lack of investment in national postal infrastructure could be one of the main reasons for this state of affairs.

Figure 14 – Integrated Index for Postal Development – 2IPD (country scores, out of 100)



Source: UPU

Performance in Africa, with an average score of 25.4 (out of 100) in the 2IPD, is in line with the region's level of logistical infrastructure (as expressed by the World Bank's Logistics Performance Index, or LPI). Yet it displays a very weak level of relevance and reach, hindering the region's considerable potential in the era of e-commerce.

With an average score of 27.5, postal services in the Arab region also face significant challenges, underperforming in terms of the region's logistical infrastructure and achieving a very low relevance score. The latter is closely linked to the current low number of postal transactions processed by postal networks in the region, preventing operators from achieving larger economies of scale.

In Asia-Pacific, postal services are performing at the benchmark (LPI), demonstrating that operators are seizing the opportunities offered by the improving logistical infrastructure. However, at 11.6, the relevance score remains rather low. This shows that, in spite of the region's impressive aggregated catch-up process in recent decades, a number of designated operators in the region still have considerable potential to expand in scale.

In the Eastern Europe and CIS region, national Posts are actually outperforming the region's logistical infrastructure, leading to a general score of 55.1 and a reliability score of 74.7, almost as high as in industrialized countries. However, as in the case of Asia-Pacific, relevance remains at a rather low level (12.2), thus signalling continued untapped potential in increasing economies of scale, namely, seizing the opportunities offered by the double-digit growth of international postal exchanges.

With an average score of 67.4, industrialized countries perform the best in terms of postal development. However, national Posts are underperforming to a considerable degree when compared with the region's robust infrastructure. Of course, this general comment masks disparities within the group, as some countries – such as the top five in the world ranking (Switzerland, France, Japan, the Netherlands and Germany) – perform extremely well, while others display results below what would be expected given their level of economic development.

Latin America and the Caribbean is the least successful region in the 2016 ZIPD ranking, underperforming in terms of the logistical infrastructure and recording very weak relevance scores, a sign of a lack of economies of scale resulting from the very low number of postal items and transactions processed in most countries. In other words, the region's considerable potential seems to have remained largely untapped.

In all these regions, there are champions that outperform their regional peers as well as other sectors. This shows that, in spite of the challenges, we cannot speak of inevitabilities in the face of postal–GDP divergence. Greater convergence can be achieved through stronger investment, policies better tailored to the postal sector, and diversified strategies for postal operators.

Indeed, in order to achieve the vision of the Istanbul World Postal Strategy, which is to be "seen as an enabler of inclusive development and an essential component of the global economy", the postal sector has to adjust (and be adjusted) to new global and regional trends. In doing so, it will help achieve the United Nations' Sustainable Development Goals.

Table 4 – Performance in different indices

Region	ZIPD score	Reliability	Reach	Relevance	Resilience	World Bank LPI	World Bank EoDB
Africa	25.40	30.90	26.50	0.10	46.50	21.50	25.60
Arab region	27.50	33.40	37.30	0.60	41.40	30.10	35.00
Asia-Pacific	38.90	52.00	47.70	13.30	41.00	40.20	48.40
Eastern Europe & CIS	55.10	74.70	58.70	12.20	67.50	41.40	74.40
Industrialized countries	67.40	79.40	68.20	44.30	66.10	83.20	86.90
Latin America & Caribbean	24.50	26.30	31.10	2.90	41.60	34.10	44.90
World	38.60	47.80	43.40	11.60	50.20	40.50	50.40

Source: UPU, World Bank

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