



STATE OF THE POSTAL SECTOR 2025

Postal power reimagined:
scale, service and survival

EXECUTIVE SUMMARY



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EXECUTIVE SUMMARY

The global postal sector in 2025 faces a paradox: while cross-border e-commerce volumes have never been higher, the infrastructure carrying them has fragmented into a costly patchwork of parallel systems. This ninth edition of the State of the Postal Sector report examines how this fragmentation emerged, measures its impact on postal development worldwide, and charts a path toward a more integrated and resilient future.

The fragmentation crisis

The COVID-19 pandemic served as both catalyst and revealer. When passenger flights vanished overnight in 2020, taking with them the belly-hold capacity that had carried much of the world's international mail, the sector's response inadvertently created lasting structural damage. What had been 30–50 high-frequency postal corridors in 2019 splintered into over 150 different pathways by 2025, each with its own labels, tracking systems, and pricing structures.

The transformation was swift and profound. Between 2020 and 2024, the global third-party logistics market doubled in size, Amazon alone doubled its fulfilment capacity in just 24 months, and micro-fulfilment centres were projected to grow by over 4000% by 2031. This explosive growth in parallel infrastructure came at a steep price: a documented 25% increase in total air freight emissions and a 6–19% rise in carbon intensity per tonne-kilometre on intercontinental routes. What emerged was not progress but regression – a return to the inefficiencies that multilateral cooperation had solved a century and a half ago.

Our analysis reveals that this fragmentation imposes measurable welfare costs through four channels: eroded economies of scale in transportation; increased border compliance friction; constrained market access for small exporters; and reduced network resilience. The burden falls disproportionately on developing countries, whose thin traffic volumes cannot justify direct routes and whose businesses depend on affordable postal services to reach international markets.

The empirical evidence is stark. Total international letter-post tonnage fell 66.5% between 2019 and 2025, while barcoded items declined an even steeper 75%. EMS volumes contracted 43% by weight and 59% by item count. Even international parcel post, the supposed bright spot, saw tonnage drop 16% despite a 38% increase in items – revealing a shift toward lighter, less profitable shipments concentrated in a handful of intra-

European lanes. Meanwhile, the volume clustering analysis exposes an hourglass-shaped network: 12 mega-corridors move 28% of global weight, 94 large flows carry another 31%, while over 5,000 micro-lanes struggle with volumes too thin to sustain direct routing. This structure pushes the Gini coefficient on tonne-kilometres to 0.81 – a level of inequality that would be considered extreme in any other context.

The decoupling challenge

Beyond infrastructure fragmentation lies a more fundamental disruption: the historic relationship between postal revenues and economic growth has broken down. While global GDP grew by 75% between 2006 and 2023, postal revenues increased by only 4% – creating an unprecedented 71-percentage-point performance gap. This decoupling threatens the very sustainability of universal service provision.

The break is visible across every region and development level. In industrialized countries, the median postal operator saw revenues decline even as economies expanded. In Europe and CIS nations, the gap averaged 50 percentage points. Even in dynamic Asia-Pacific markets, only a handful of operators – led by China's remarkable 9.9% annual growth – managed to keep pace with their economies. The visual evidence is compelling: scatter plots comparing postal and GDP growth rates show that, while pre-2006 observations hugged the 45-degree line indicating rough parity, the post-2006 cloud shifts dramatically downward, with the fitted slope flattening to just 0.6.

Yet our econometric analysis of 118 postal operators reveals remarkable heterogeneity in outcomes. The critical finding: every 10-percentage-point reduction in letter-post dependence improves performance by 0.5% annually, while network consolidation through post office closures actually worsens the gap by 1.7% per standard deviation increase. Success requires both revenue diversification and maintained physical presence – operators pursuing only one strategy consistently underperform.

The data exposes three crucial patterns. First, the type of diversification matters far less than its breadth – whether operators shift to parcels, financial services or other activities yields similar benefits. Second, physical networks generate positive externalities that pure cost-cutting approaches fail to capture. Morocco's deliberate expansion of rural post offices, despite global consolidation trends, contributed to its 3% outperformance versus model

predictions. Third, initial conditions matter: operators that entered the digital age with already-diversified portfolios, particularly those offering financial services, maintained lasting advantages throughout the transition period. These findings fundamentally challenge conventional wisdom about postal economics and point toward a more nuanced understanding of network value in the digital age.

The development divide

The 2025 Integrated Index for Postal Development assessment of 180 countries exposes persistent and widening disparities. The gap between the highest-performing region (industrialized countries at 94.4) and the lowest (Latin America and Caribbean at 32.3) exceeds 60 points. Most developing regions score well below the global median of 50.8.

The four-pillar framework reveals where gaps are most acute. In reliability, industrialized and Europe and CIS operators achieve median scores above 90, while Latin America and Caribbean Posts cluster in the mid-40s – translating directly into delivery delays that constrain e-commerce growth. For international reach, the disparities are equally stark: industrialized countries maintain connectivity scores near 90, while African operators average just 42, effectively excluding their businesses from global value chains. The relevance dimension shows the widest gaps, with industrialized economies reaching 65 while most developing regions struggle to break 10 – indicating vast untapped potential for service diversification. Resilience scores follow a similar pattern, with a 45-point gap between top and bottom regions determining which postal systems can weather economic shocks and which collapse under pressure.

However, strategic investments can overcome structural constraints. Countries like Estonia, Thailand and Mauritius demonstrate that targeted modernization – automated sorting, digital services, expanded networks – can propel middle-income operators to world-class performance levels. Conversely, our natural postal development analysis reveals numerous countries delivering results 75% or more below what their geography and income would predict, indicating massive untapped potential.

The success stories share common elements. Estonia's Omniva achieved reliability scores above 95 through automated sorting hubs and a parcel locker density exceeding four units per 10,000 residents. Thailand Post now earns nearly half its revenue from parcel logistics and digital services, with its "Prompt Post" platform becoming the default channel for banks and government agencies. Mauritius leveraged its position to become a mini-hub for Asia–Africa parcel flows while transforming suburban post offices into digital service centres for identity documents and business registration. Even under extreme duress,

Ukraine's Ukrposhta maintained 90% reliability while operating in conflict conditions through mobile post offices and real-time tracking systems serving 35,000 online sellers. These examples prove that geography and income need not determine postal destiny.

The path forward

The evidence points toward three interconnected solutions:

1. A distributed postal grid:

Implementation of a polycentric hub-and-corridor architecture with at least three accredited hubs per major trading region. This would restore scale economies while preventing monopolistic control, potentially reducing routing permutations from 176 to 54 and lifting average freighter load factors by 9%.

The technical specifications are precise. Each hub must demonstrate continuous IMPC operations, audited compliance with security protocols, real-time publication of performance metrics, and adherence to cost-plus pricing ceilings. Corridors between hubs would operate as "common carrier" routes where any operator meeting data and security standards can book capacity at published rates. A solidarity levy on transit volumes would fund scanner installations, software upgrades, and training for smaller operators – recycling the benefits of scale throughout the network. This architecture directly addresses the Hirschmanian dependency trap by ensuring every spoke has multiple routing options, making credible exit threats that discipline hub behaviour.

2. Strategic diversification:

Enabling postal operators to become multi-service platforms offering parcels, financial services, e-government solutions, and digital identity services. The type of diversification matters less than its breadth – what counts is reducing letter dependence while maintaining network density.

The evidence for this strategy is overwhelming. Japan Post's evolution into a financial giant with hundreds of trillions of yen in deposits shows how postal trust translates into service expansion. Swiss Post's operation of national e-health platforms and secure digital identity systems demonstrates the natural fit between postal reliability and digital government needs. Tunisia's blockchain-based e-Dinar platform and mobile payment systems illustrate how Posts can leapfrog traditional banking in financial inclusion. Even basic diversification yields results: operators that

reduced letter dependence by the median 18 percentage points avoided 15% of potential decline – enough to eliminate one-fifth of the typical performance gap.

3. Targeted development support:

Focusing investments on the four pillars that determine postal success: reliability (service quality); reach (international connectivity); relevance (market adaptation); and resilience (shock absorption). Countries excelling in all four achieve postal development levels 8–10; weakness in any pillar keeps operators trapped in lower tiers.

The investment priorities are clear from the data. Reliability improvements through automated sorting and route optimization can cut delivery times by 30–50%, as Montenegro demonstrated with its GPS-equipped fleet modernization. International reach expands rapidly with electronic data exchange and customs pre-clearance – Bosnia and Herzegovina added 11 exchange partners simply by digitalizing declarations. Relevance grows through systematic service expansion: Kazakhstan's conversion of rural post offices into one-stop government service points lifted its relevance score by eight points while advancing financial inclusion. Resilience requires both organizational reforms and technological upgrades – Latvia's installation of disaster-recovery systems and fleet electrification exemplifies the dual approach needed.

Following the precedent of the 2019 Extraordinary Congress, which implemented self-declared rates, these changes need only a two-thirds majority to enter into force – avoiding lengthy parliamentary ratification processes.

National:

Modernize universal service obligations from static access requirements to dynamic capability mandates, recognize postal networks as platforms for innovation rather than cost centres, and enable broad commercial freedom within appropriate safeguards.

The policy implications challenge orthodox thinking. Traditional universal service obligations that mandate minimum outlet densities and uniform tariffs were designed for a letter-centric era – our coefficient of -0.00005 per additional inhabitant per office proves that network thinning carries measurable growth penalties. Yet simple preservation is insufficient. Regulators should shift to capability-based obligations where Posts earn credit for parcel lockers, digital identity enrolment points, or recycling collection – aligning incentives with actual demand. Scope restrictions must give way to technology-neutral permissions that allow Posts to experiment across insurance, e-commerce warehousing, identity verification, and even drone delivery. The European experience proves the point: incumbents that leveraged networks for retail banking consistently outperformed those restricted to traditional services.

Implementation imperatives

The transformation requires coordinated action across multiple levels:

International:

Adopt differentiated multilateral rules that align obligations with capacity, implement the distributed postal grid through the 2026-2029 UPU cycle, and establish funding mechanisms that recycle scale economies to support network upgrades.

The proposed governance architecture balances ambition with realism. A two-tier convention would create tier-A licences for hub operators accepting heavy obligations – 24-hour operations, audited compliance, performance transparency – while tier-B operators face only baseline requirements to transmit standardized data and use common labels. Implementation requires just three Convention amendments defining "accredited hub" and "open-access corridor", modifying transit provisions for cost-plus pricing, and establishing accreditation and audit regulations.

Operational:

Maintain physical networks as the foundation for digital services, invest in automation and data capabilities, and develop partnerships that extend service portfolios beyond traditional mail.

The operational transformation extends beyond technology to business model innovation. Leading Posts are reimagining their role: from delivery companies to enablers of digital commerce and social inclusion. This means preserving post offices while transforming them into multi-service hubs, investing in IT backbones that support real-time tracking and electronic payments, and building ecosystems of partnerships with banks, government agencies, and e-commerce platforms. The rising stars – Ukraine, Sri Lanka, Uruguay – prove that even resource-constrained operators can achieve dramatic improvements through focused execution. Their common approach: fix reliability first to restore trust, expand digital capabilities to serve modern needs, and build resilience to weather inevitable shocks.

The stakes

The window for transformation is narrowing but not yet closed. As global e-commerce approaches 8 trillion USD by 2030 and societies grapple with digital divides, postal networks offer unique capabilities: physical presence where digital infrastructure remains weak; trusted relationships with citizens; and last-mile expertise that pure-play logistics providers cannot replicate.

The numbers tell a compelling story. The world's 679,125 post offices form humanity's most extensive and internationally connected retail network – dwarfing bank branches, mobile phone stores, or any other physical service infrastructure. The sector's 4.6 million employees possess unmatched knowledge of local addressing and delivery conditions. In rural and remote areas where private operators fear to tread, postal workers provide the only reliable connection to the broader economy. This infrastructure, built over centuries, cannot be replicated – but it can be lost through neglect.

The social implications extend far beyond commerce. In an era of rising inequality and digital exclusion, postal networks serve as critical equalizers. They bring financial services to the world's 1.7 billion unbanked adults, connect remote producers to global markets, and ensure that essential services – from medicines to government benefits – reach every citizen. During crises, from pandemics to natural disasters, postal networks have repeatedly proven their value as resilient channels for social support. These capabilities will only grow more vital as climate change and geopolitical instability create new vulnerabilities.

The choice facing the sector is stark: evolve into multi-functional platforms that lower transaction costs, expand market access, and strengthen social cohesion – or accept permanent marginalization in the digital economy. History shows that postal services have successfully navigated previous technological disruptions. The difference today is that adaptation must be faster, more comprehensive, and globally coordinated.

The historical precedents offer both warning and encouragement. The fragmentation crisis of the 1850s, when bilateral transit charges pushed Geneva–Berlin parcel costs up 300%, was resolved through the multilateral Treaty of Berne – proving that collective action can overcome seemingly intractable coordination failures. The successful adaptation to airmail in the 20th century shows how Posts can embrace new technologies while maintaining universal service. Even recent history provides positive examples: the rapid deployment of track-and-trace systems, the expansion into financial services, and the integration with e-commerce platforms all demonstrate the sector's latent capacity for innovation.

Yet delay carries mounting costs. Every year of continued fragmentation entrenches inefficient routing patterns and drives more volume to proprietary channels. Each round of network consolidation without service innovation pushes Posts further from customers' daily needs. The proliferation of incompatible data standards and customs procedures raises barriers that become harder to dismantle over time. Most critically, as digital natives become the dominant consumer demographic, postal services risk permanent irrelevance if they fail to meet evolving expectations for speed, transparency and convenience.

This report provides the empirical foundation for that transformation. It quantifies both the costs of inaction and the benefits of strategic reform. Most importantly, it demonstrates that postal excellence remains achievable for operators at every development level – provided they make the right choices today. The 2026–2029 UPU strategic cycle presents a critical opportunity to secure the postal sector's future as an enabler of inclusive prosperity in the digital age.

The evidence assembled across three analytical sections – infrastructure fragmentation, revenue decoupling, and development measurement – converges on a single conclusion: the global postal sector stands at an inflection point where coordinated action can reverse decline and unlock enormous social value. The technical solutions exist, the successful examples provide roadmaps, and the multilateral frameworks stand ready for modernization. What remains is the political will to act decisively before the window of opportunity closes. For policymakers, operators and international organizations, the message is clear: the time for incremental adjustment has passed. The postal sector needs transformational change, and it needs it now.



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