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The “Great Crisis” and Posts Green and Red Shoots and Yellow Weeds

Post Expo's World Postal Business Forum – Economy
Hannover, Tuesday 29 September 2009

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Outline

Summer 2007

Expected Red Shoots vs. Expected Green Shoots

2007/2008: Quarterly Analysis – First UPU Survey

Red Shoots vs. Green Shoots

2008/2009: Quarterly Analysis – On going Second UPU Survey

Green Shoots or Yellow Weeds?

The Long View: 2010 Onwards...

“Square Root” Growth?





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Summer '07: Red Shoots

- 3 In preparation of U.N. Chief Executives Board Meeting
- 3 UPU macro note: ex ante expectations of a deep crisis
 - 3 A systemic transmission of a possible subprime mortgage debacle
 - 3 Lasting depressed stock markets (DJI 13,239.54)
 - 3 Lack of trust in the financial system and high risk aversion
 - 3 Lack of good financial markets governance, both private and public
 - 3 Increasingly restricted access to credit for households and firms
 - 3 The risk of highly leveraged households and a lasting and sharp decrease of U.S. consumption and elsewhere
 - 3 A lasting and sharp decrease of emerging countries exports/protectionism
 - 3 Severe crisis for developing/EM countries with structural macro weaknesses





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Summer '07: Red Shoots

- 3 Ex ante: negative impacts on the postal sector

- 3 UPU macro note: expected postal red shoots
 - 3 Steep absolute decline of direct mail volumes (particularly in the U.S.)

 - 3 Steep absolute decline of money transfers

 - 3 Higher price sensitivity (own and cross price elasticity)





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Summer '07: Green Shoots

- 3 Ex ante: positive impacts on the postal sector

- 3 UPU macro note: expected postal green shoots
 - 3 Fly to trust and safety

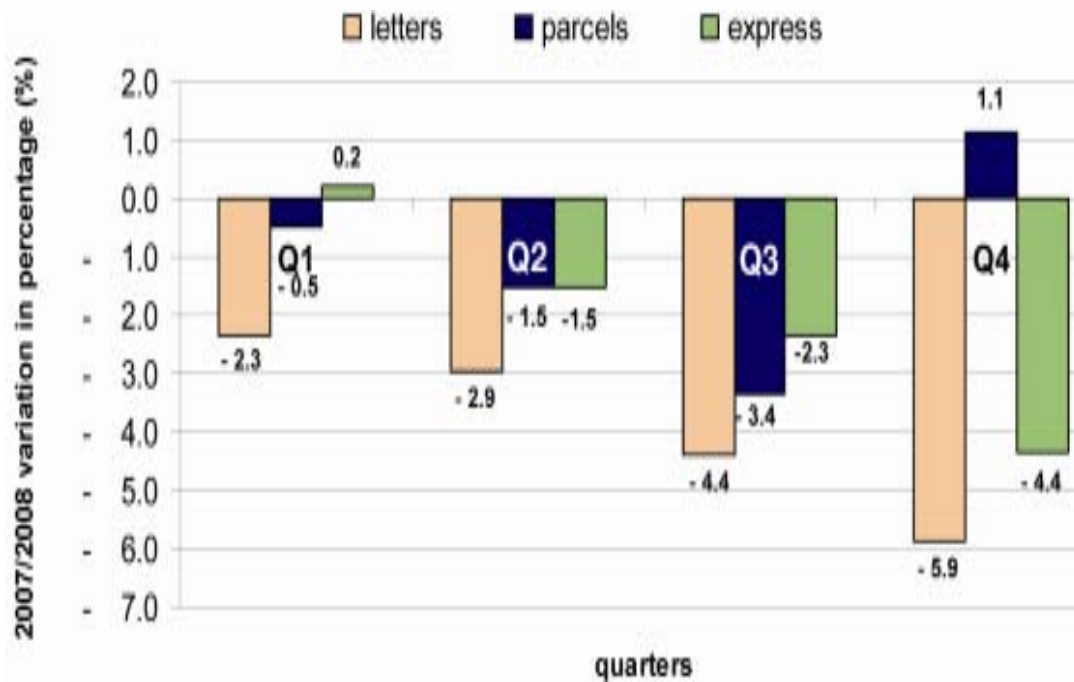
 - 3 Run to postal savings

 - 3 Migration from high end to medium and low end products





2007/2008 Red Shoots



World domestic volumes:

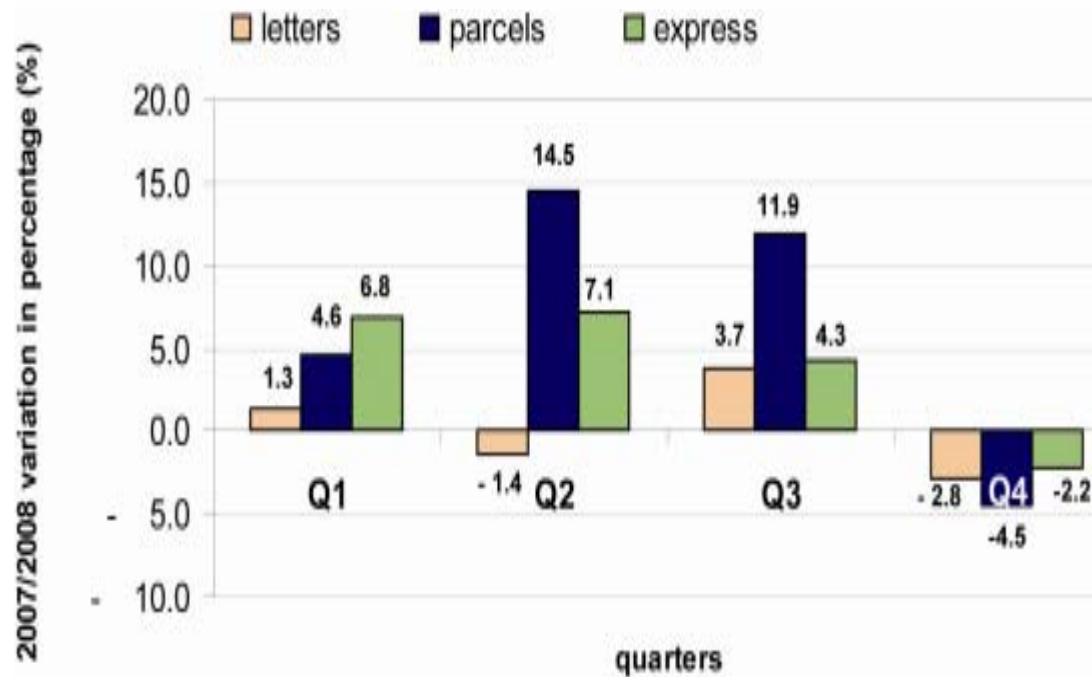
The worldwide 2008 impact of the crisis strongest in the domestic letter post segment

Domestic parcel traffic volumes suffered the least from the crisis





2007/2008 Red Shoots



Global international volumes:

International market segments surprisingly (lag?) more resilient in the initial economic downturn than domestic segment...

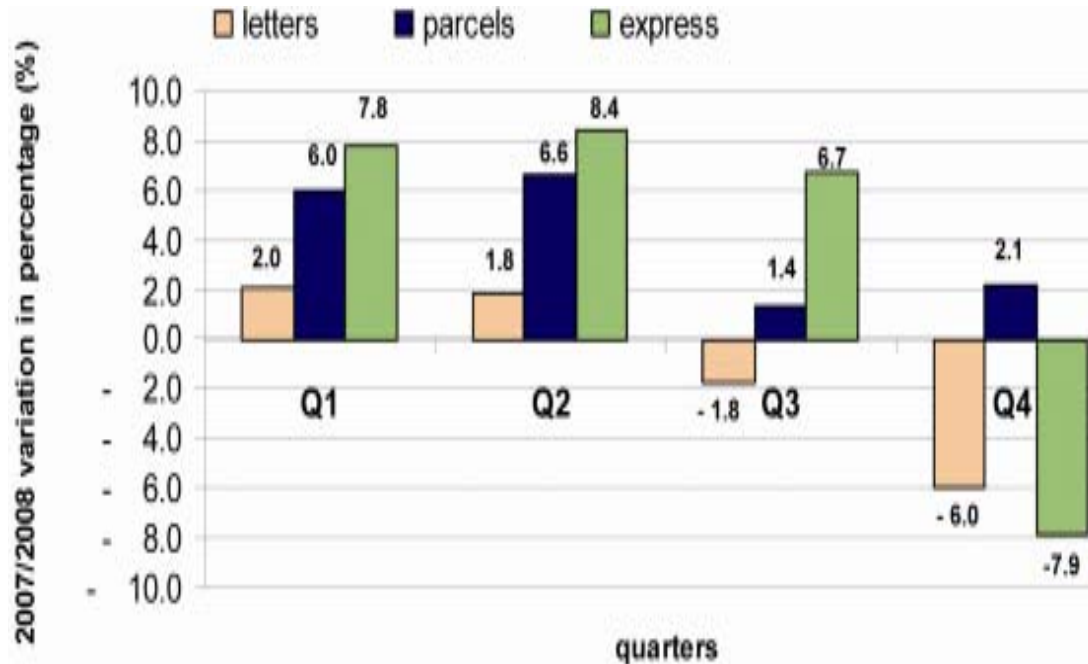
but

very rapid deterioration (volatility? prices not reflecting market conditions?) in international postal traffic volumes growth from Q3 to Q4





2007/2008 Red Shoots



World postal revenues:

Express activities suffered the most from the crisis with a decline in revenue reaching 7.9% in Q4:2008 vs. Q4:2007

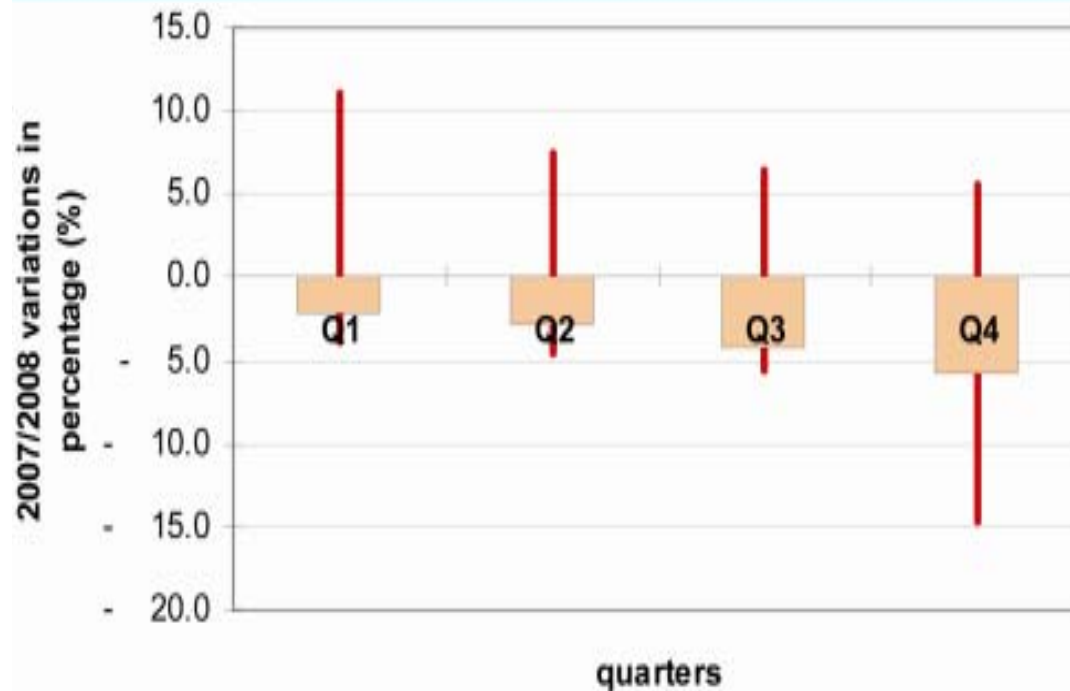
The aggregate domestic and international parcels traffic generated positive revenue growth throughout 2008





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Moving more and more red



Range of variation of domestic volumes (letter post):

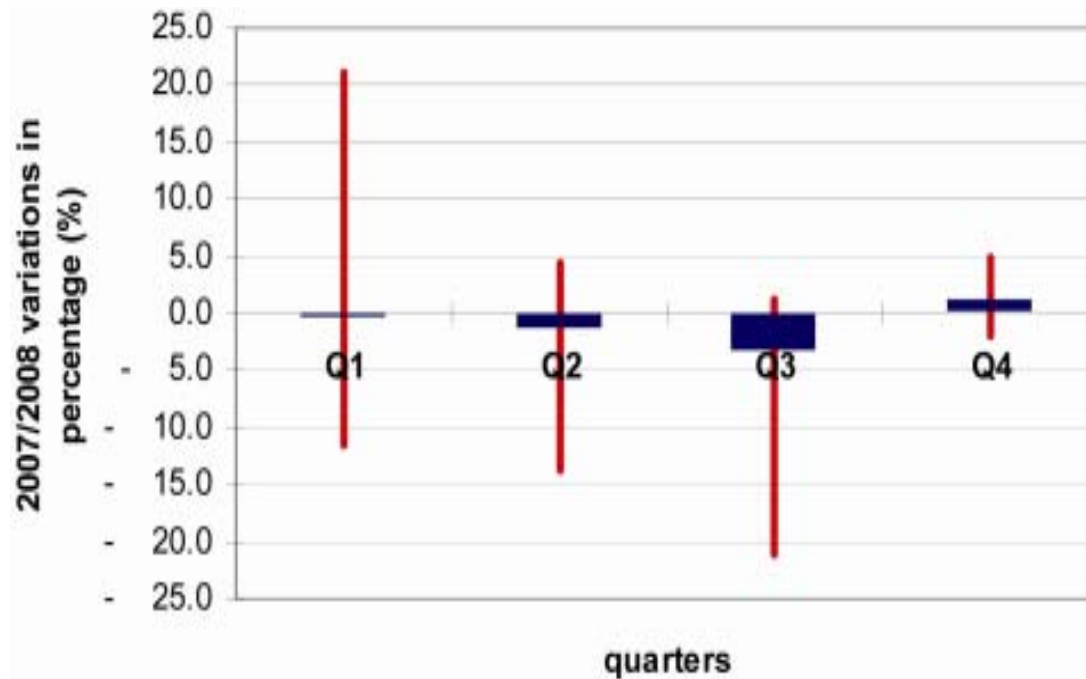
In the domestic letter post segment, the variation in performance between operators was widening substantially in Q4:2009 following a more homogeneous pattern in Q1, Q2 and Q3





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2007/2008 first green shoot



Range of variation of domestic volumes (parcels):

In the domestic parcels segment, the variation in performance mostly positive between operators was narrowing substantially in Q4:2009 following a more heterogeneous pattern in Q1, Q2 and Q3

Record e-commerce sales in Q4





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Financial Green Shoots

In 2008, PostFinance, the financial branch of Swiss Post

The number of new customers increased by 55 %

The number of new accounts grew at a rate of 71 %

The amount of deposits achieved an annual growth rate of 12.8 %

The French Postal Bank

also achieved a remarkable 7 % growth in the total amount of deposits

In Germany, the postal bank has also reported record numbers

New savings are up 58 % compared to the previous year (2007)

Its market share is up 9.4 %



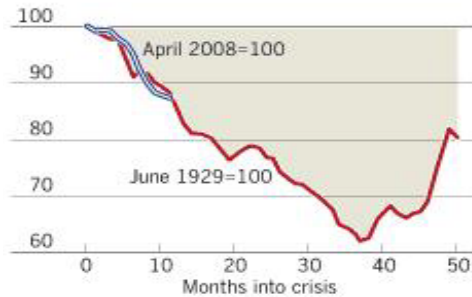


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Replicating Great Depression?

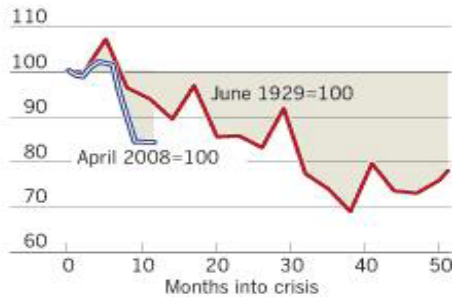
Industrial output

Global, indices rebased



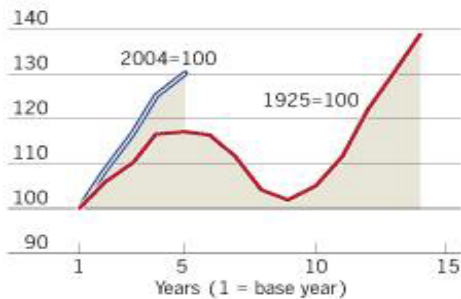
Trade volume

Global, indices rebased



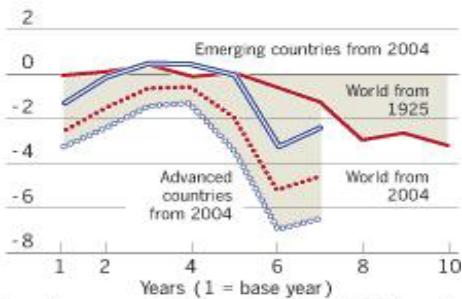
Money supply*

Global, indices rebased



Fiscal balances**

% of GDP



* 19-country aggregate ** Figures include 2009-10 forecasts

Sources: IMF; Bordo et al. (2001); Eichengreen & O'Rourke (2009)

Financial Times figures (www.ft.com)

The "Great Crisis" started replicating the Great Depression figures of the '30's ...

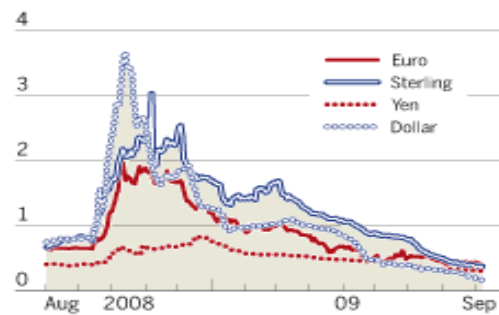
But this time, money supply was not contracted and fiscal stimulus packages introduced earlier on



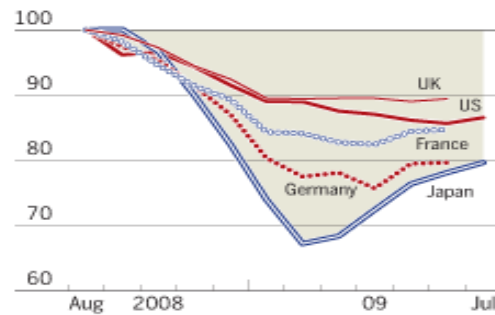


Economy: Green Shoots!

Libor - OIS spreads
Percentage points



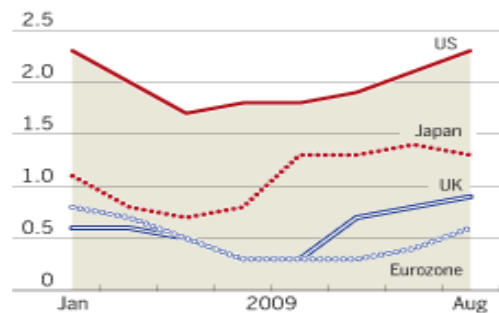
Industrial output
Indices rebased



Risk aversion closer to pre Lehman levels

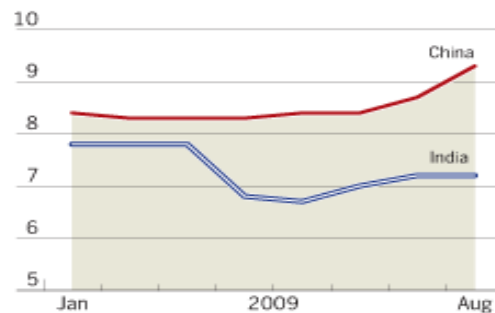
Industrial production rebound (inventories, what's next? W?)

2010 GDP forecasts
By forecast date (annual % change)



Sources: Thomson Reuters Datastream; Consensus Economics

2010 GDP forecasts
By forecast date (annual % change)



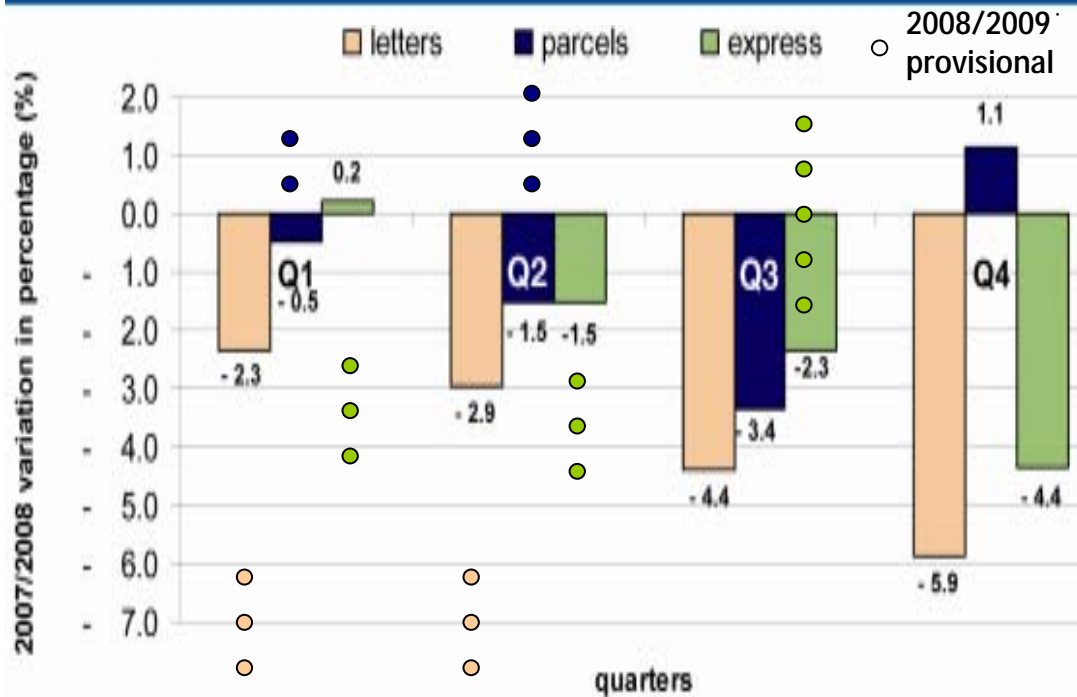
Financial Times figures (www.ft.com)

Improved GDP forecasts both in industrialized and emerging economies





And Posts? Green Shoots?



World domestic volumes in 2009 vs. 2008:

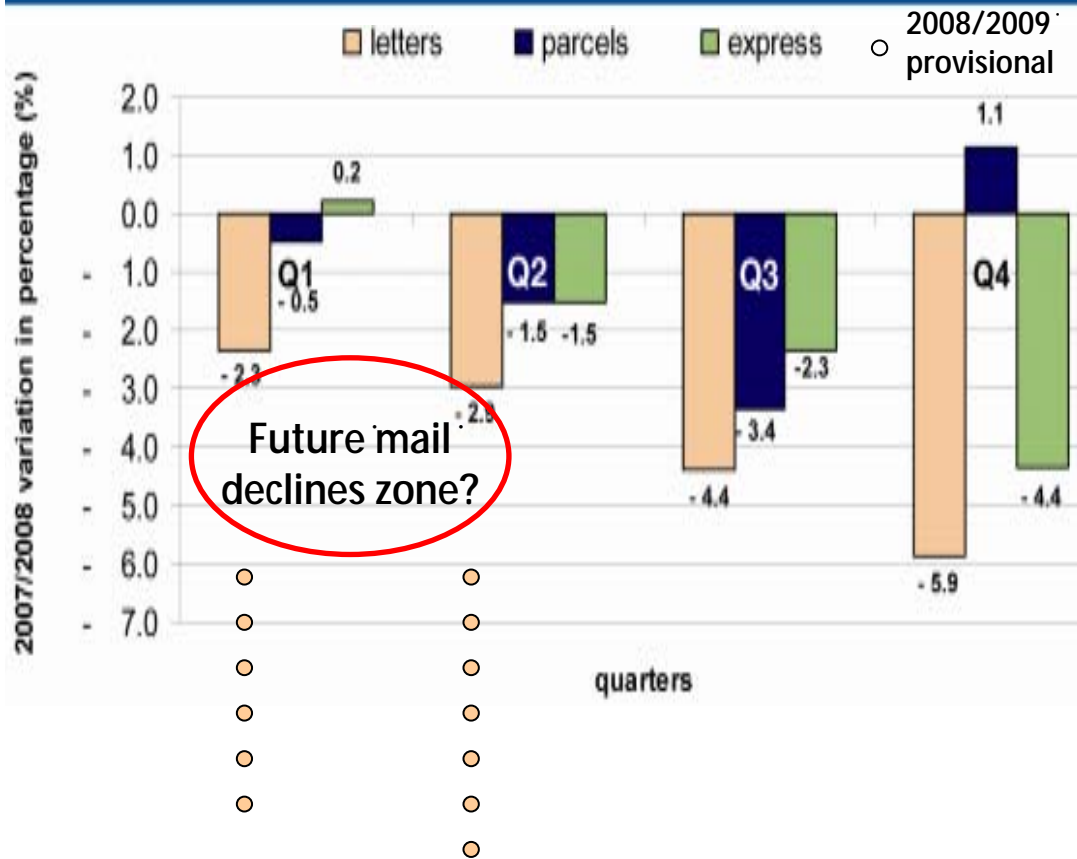
Mail volumes do not seem to benefit much from stimulus led growth and unorthodox monetary easing

Parcels much more resilient and even slightly growing, express on way of "green shooting" in Q3





And Posts? Green Shoots?



World domestic mail volumes in 2009 vs. 2008:

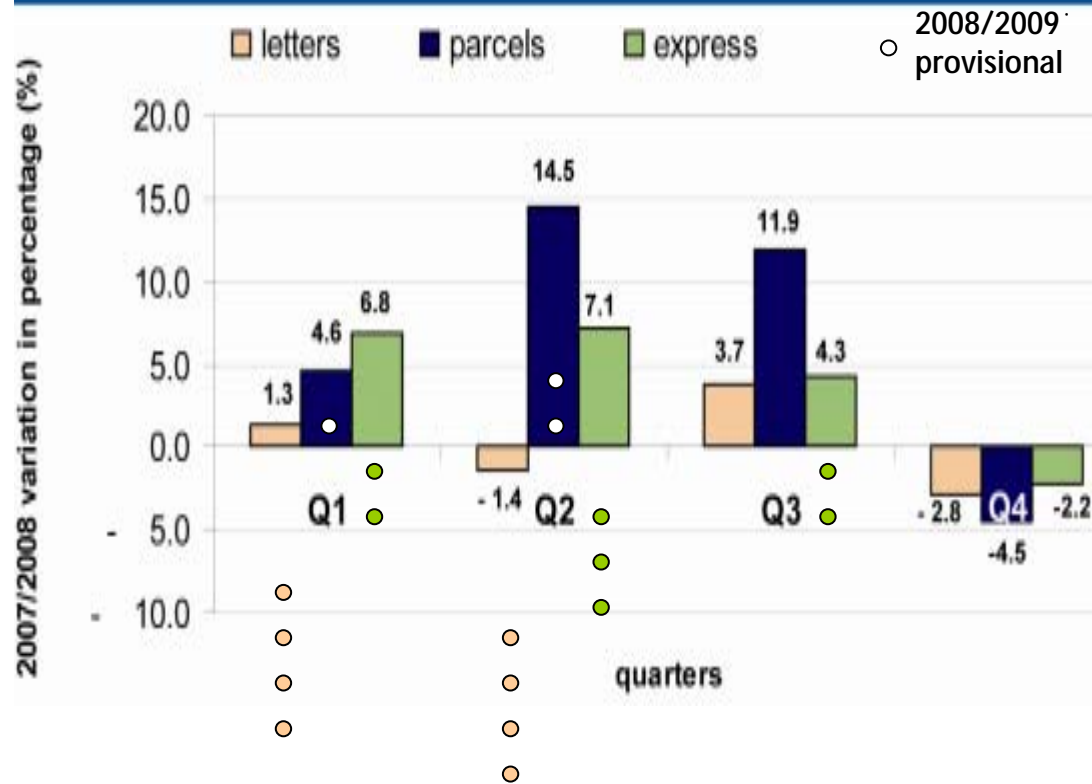
Q1 and Q2 2009 may provide a ceiling for future declines rates: not above 6 to 10%

Q1 and Q2 2008 may well provide the floor at constant parameters: not below 1 to 2%





And Posts? Green Shoots?



Global international traffic volumes 2009 vs 2008:

Similar pattern to international trade, but not all "green shooting" yet (in Q2) unlike international trade ... and parcels

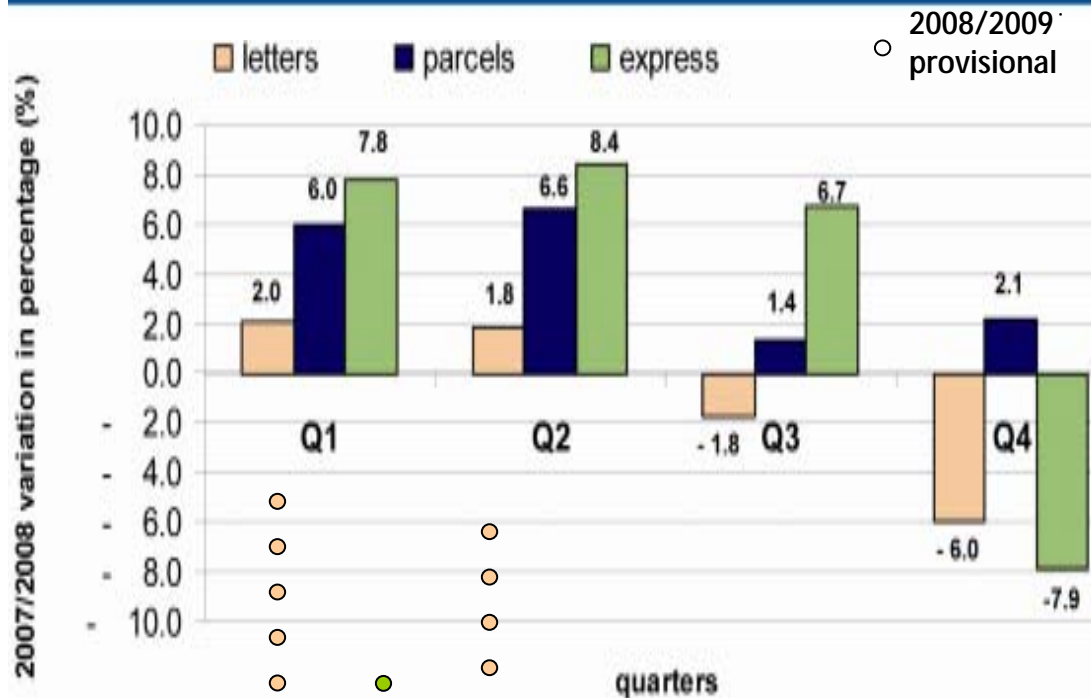
International traffic volumes more cyclical and volatile than domestic where losses are more structural





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And Posts? Green Shoots?



World postal revenues in 2009 vs. 2008:

Decline in letter post revenues not seen since the Great Depression of the '30's

Express revenues strongly reduced due to fuel surcharges adjustments

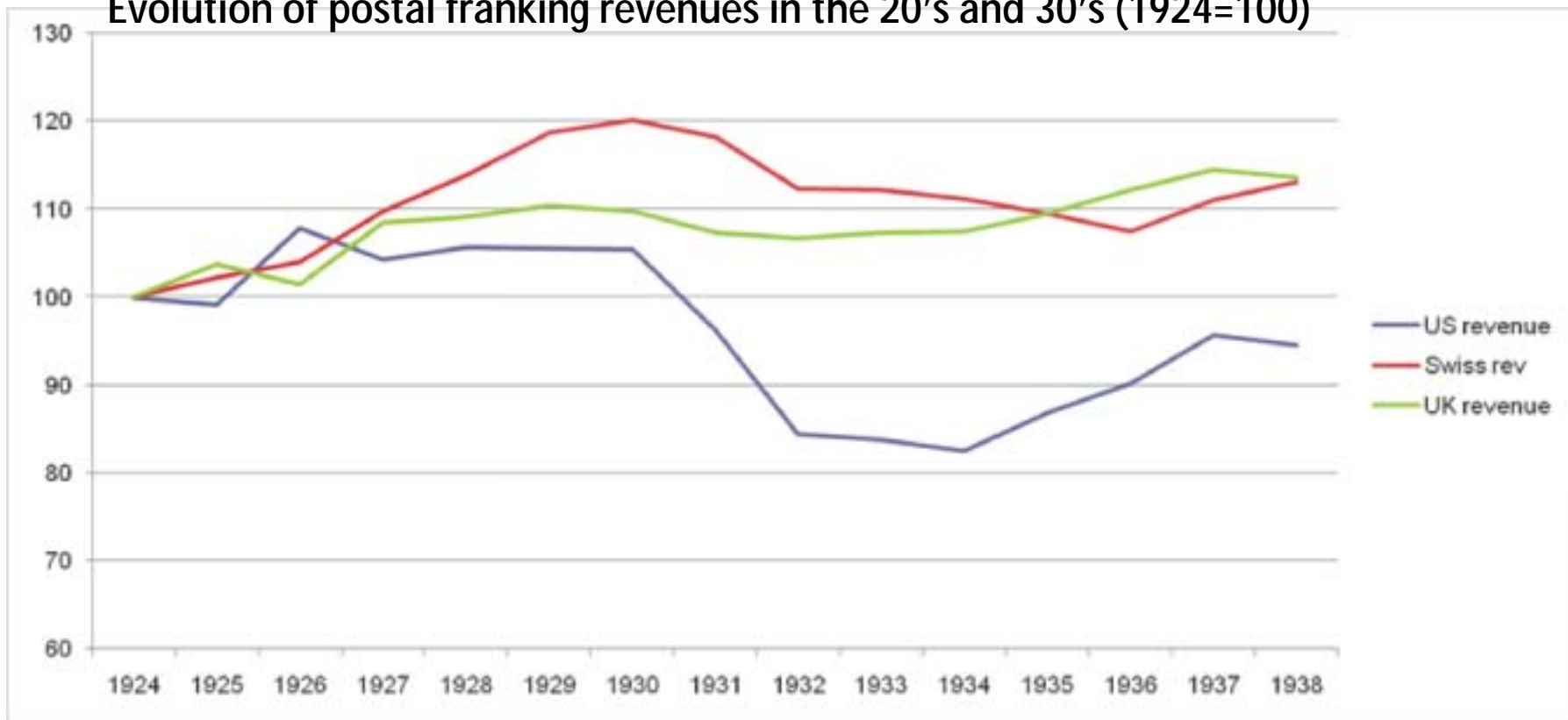




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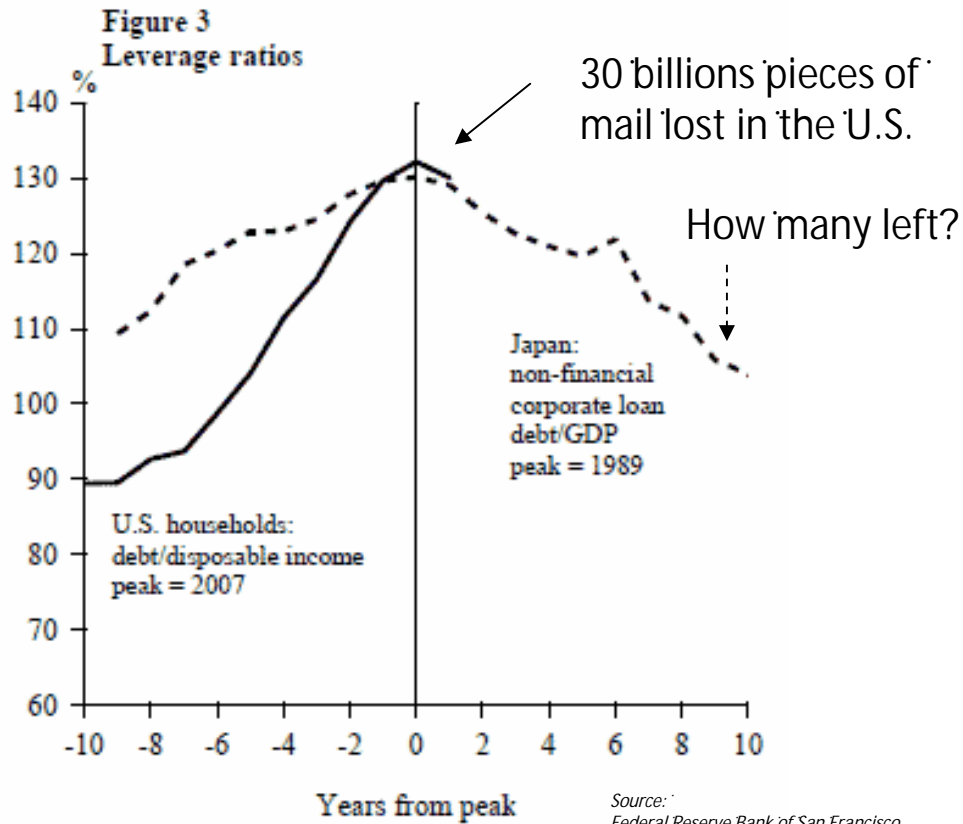
Green Shoots? '30's Insights

Evolution of postal franking revenues in the '20's and '30's (1924=100)





Yellow Weeds for Mail...



B2C direct mail development threatened in terms of volumes (not necessarily in value)

Full deleveraging of highly indebted American households may last a decade or so > lost DM mail habits?

Effects of lasting weak consumption to be added to progressive electronic substitution of mail





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Green Shoots: for whom?

	Delivery mix+qualit	Payments Banking	Interna tional biz.	Costs reduction	Prospects
Operator 1	●	●	●	●	●
Operator 2		●		●	●
Operator 3	●		●	●	●
Operator 4				●	●

Postal competitiveness:

optimal delivery mix and quality of service

payments/banking integrated options

successful diversification in international activity

costs reduction and efficiency including green gains

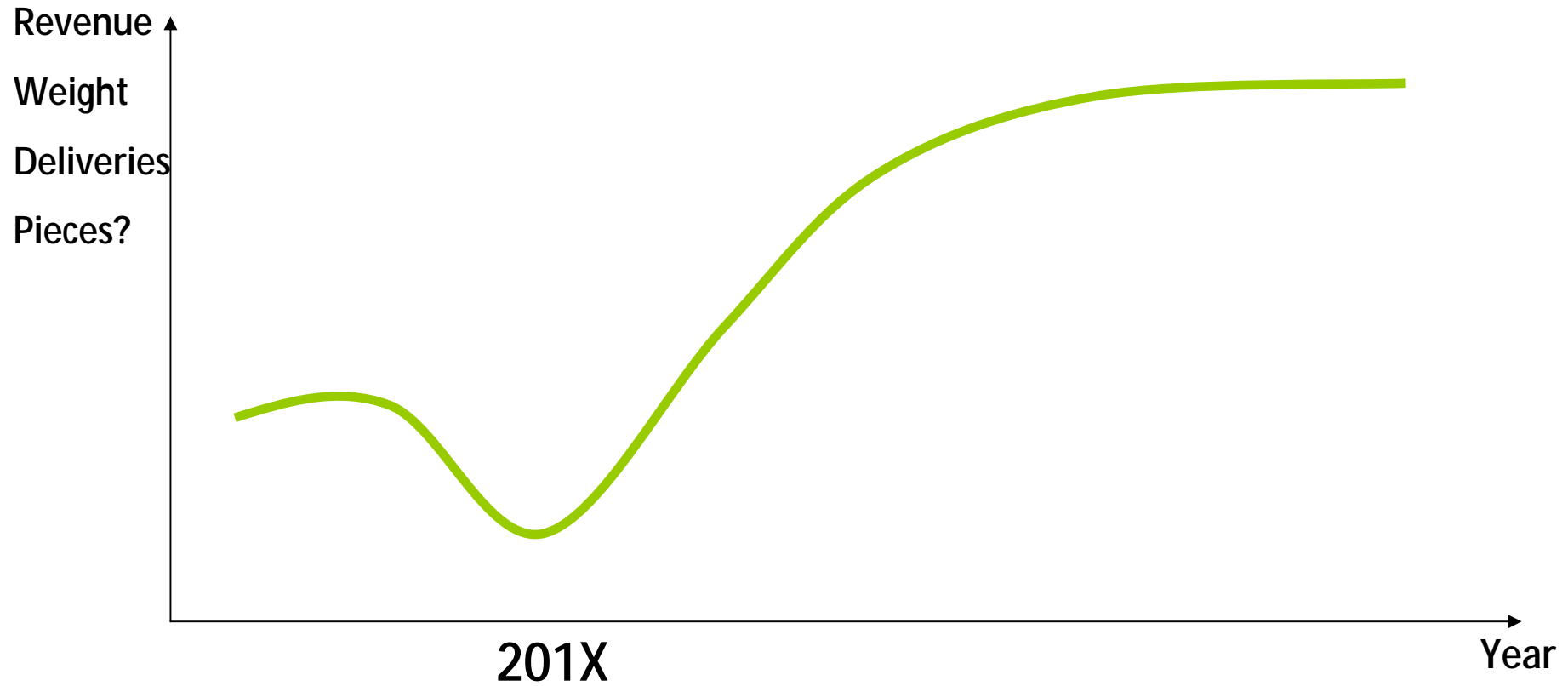
will determine future prospects > UPU Postal Competitiveness Index (forthcoming)





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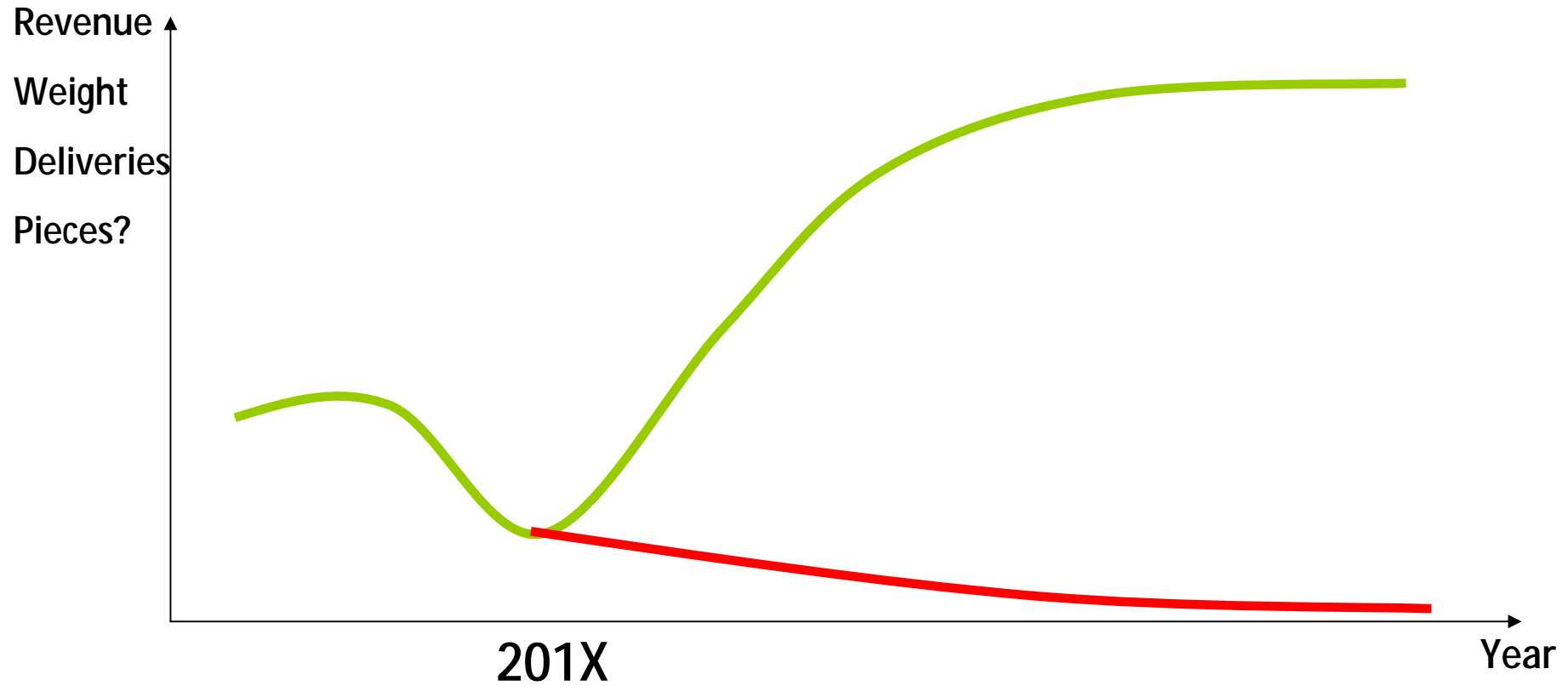
“Square Root” Growth?





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Or Declining Industry?





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Thank you and wishing you every success and many green shoots ...

More information in the brochures:

The global economic and financial crisis: initial insights into its impact on the postal sector (UPU International Bureau, March 2009)

The global economic and financial crisis: new insights into its impact on the postal sector (UPU International Bureau, forthcoming November 2009)

Available on UPU website:

http://www.upu.int/postal_economics/en/the_global_economic_and_financial_crisis_en.pdf

