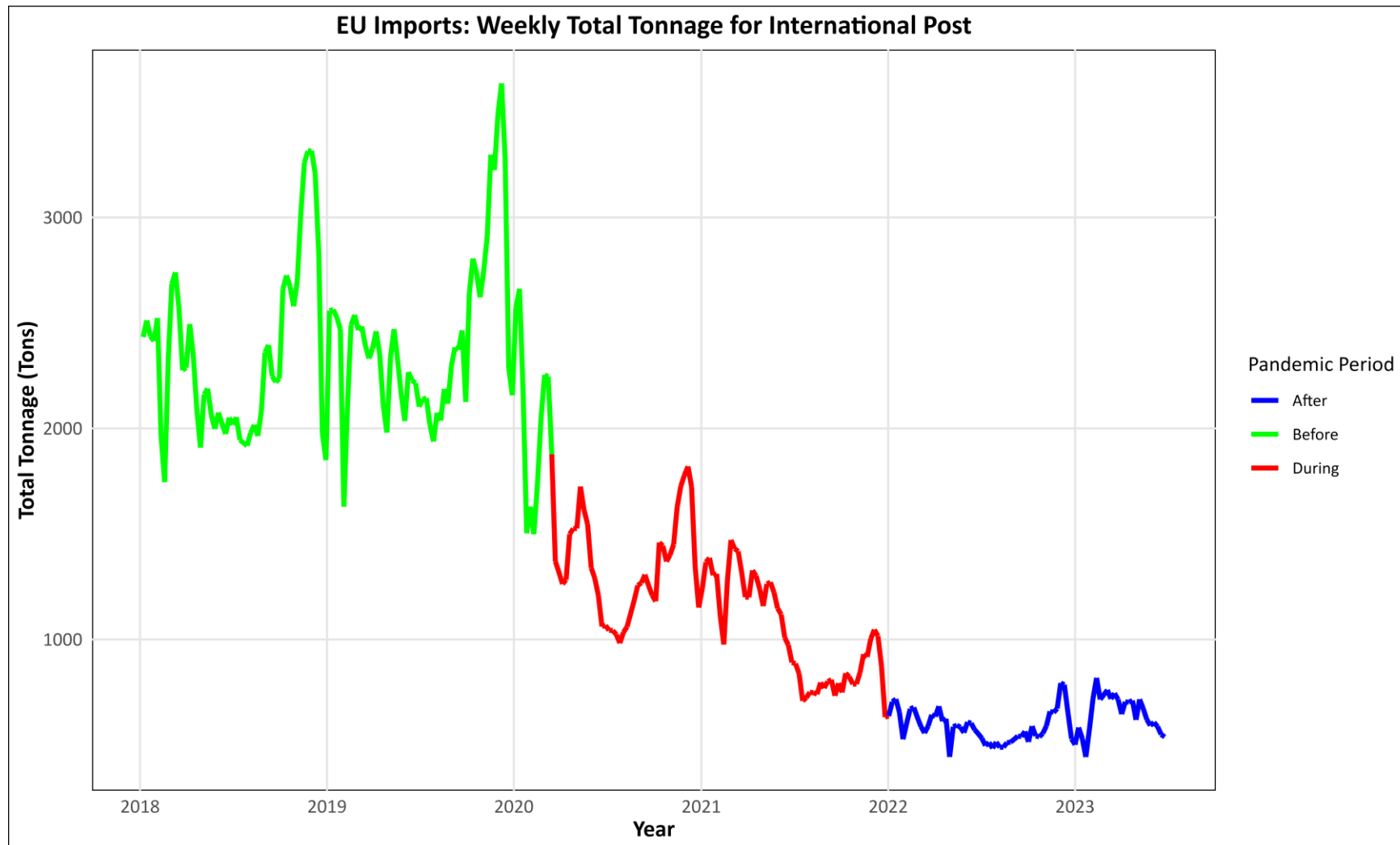




# **The EU's Role in International Postal Exchanges: Key Trends and Influences**



# Before and after Covid-19: EU-27 international postal inbound



Source: UPU Postal Big Data and UPU KCTT modelling and calculations

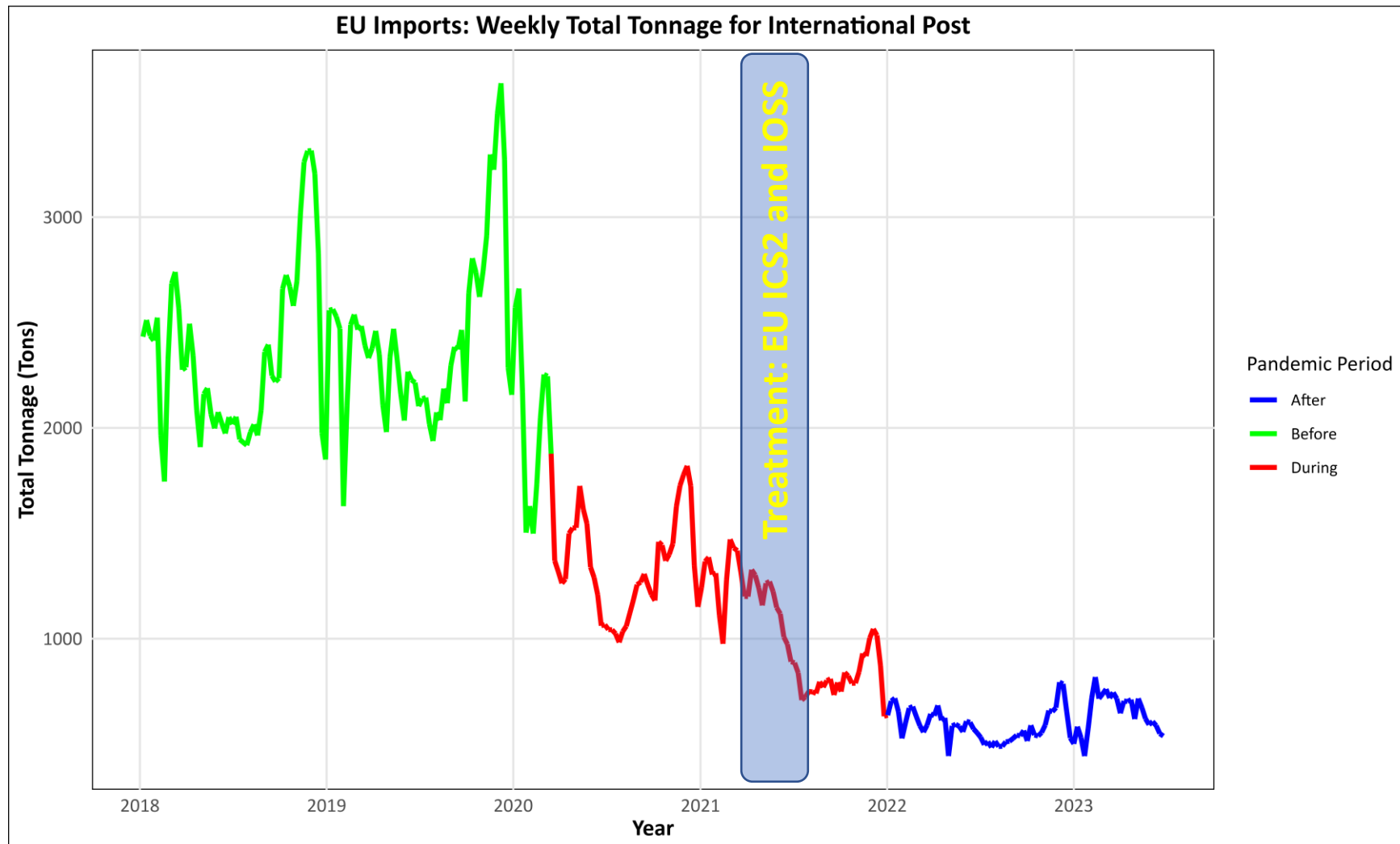
Q2:2023 vs Q2:2019  
- **71.5%**

**No strong post-pandemic recovery** in EU-27 international postal inbound volumes.

What were the **impacts** of the introduction of new EU-27 border security regulations – **ICS2 R1** – and VAT taxation – **IOSS** – regime **on imports?**



# Before and after Covid-19: EU-27 international postal inbound



Source: UPU Postal Big Data and UPU KCTT modelling and calculations

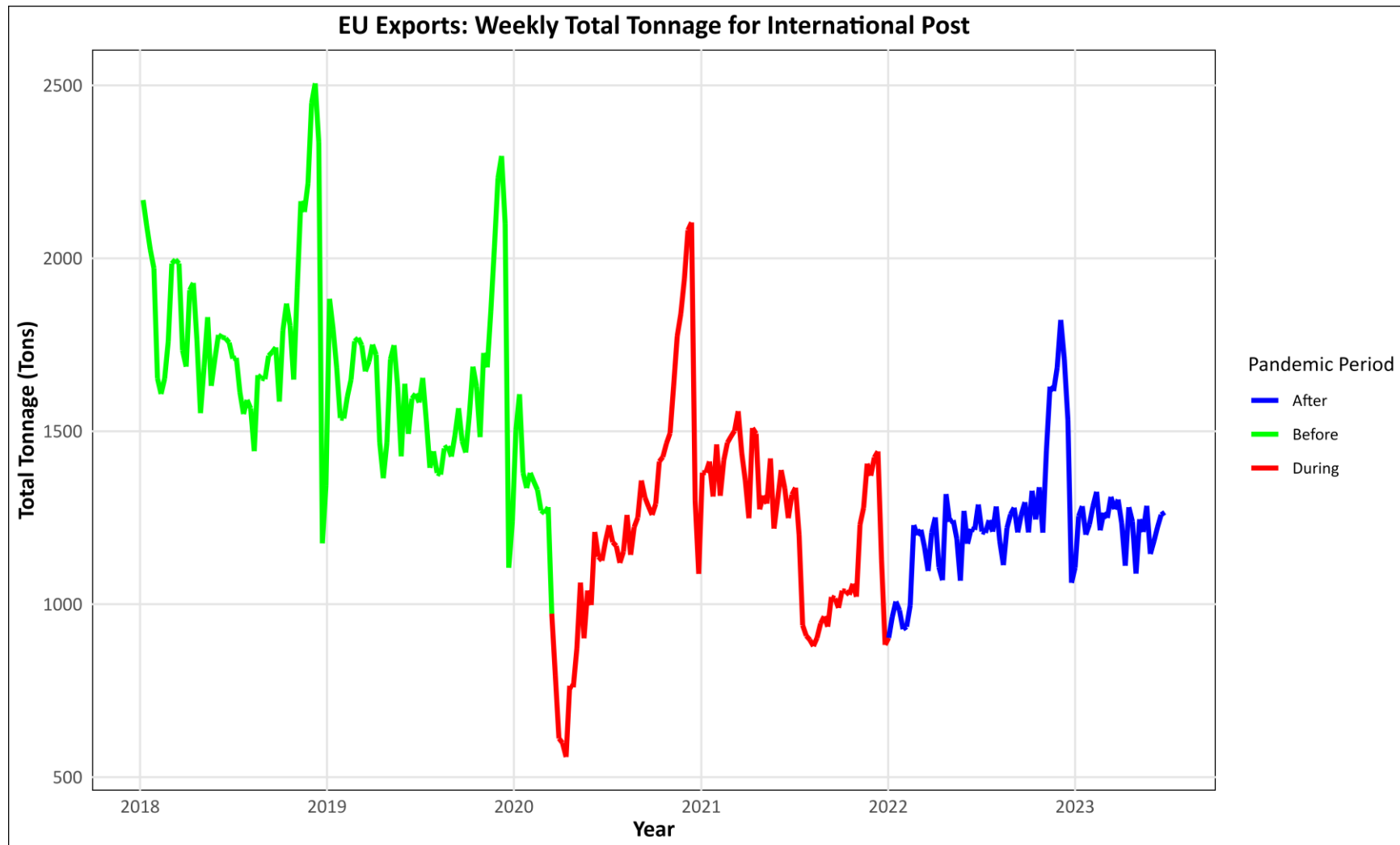
Q2:2023 vs Q2:2019  
- **71.5%**

**No strong post-pandemic recovery** in EU-27 international postal inbound volumes.

**The impacts** of the introduction of new EU-27 border security regulations – **ICS2 R1** – and VAT taxation – **IOSS** – regime **on e-commerce imports were negative.**



# Before and after Covid-19: EU-27 international postal outbound



Source: UPU Postal Big Data and UPU KCTT modelling and calculations

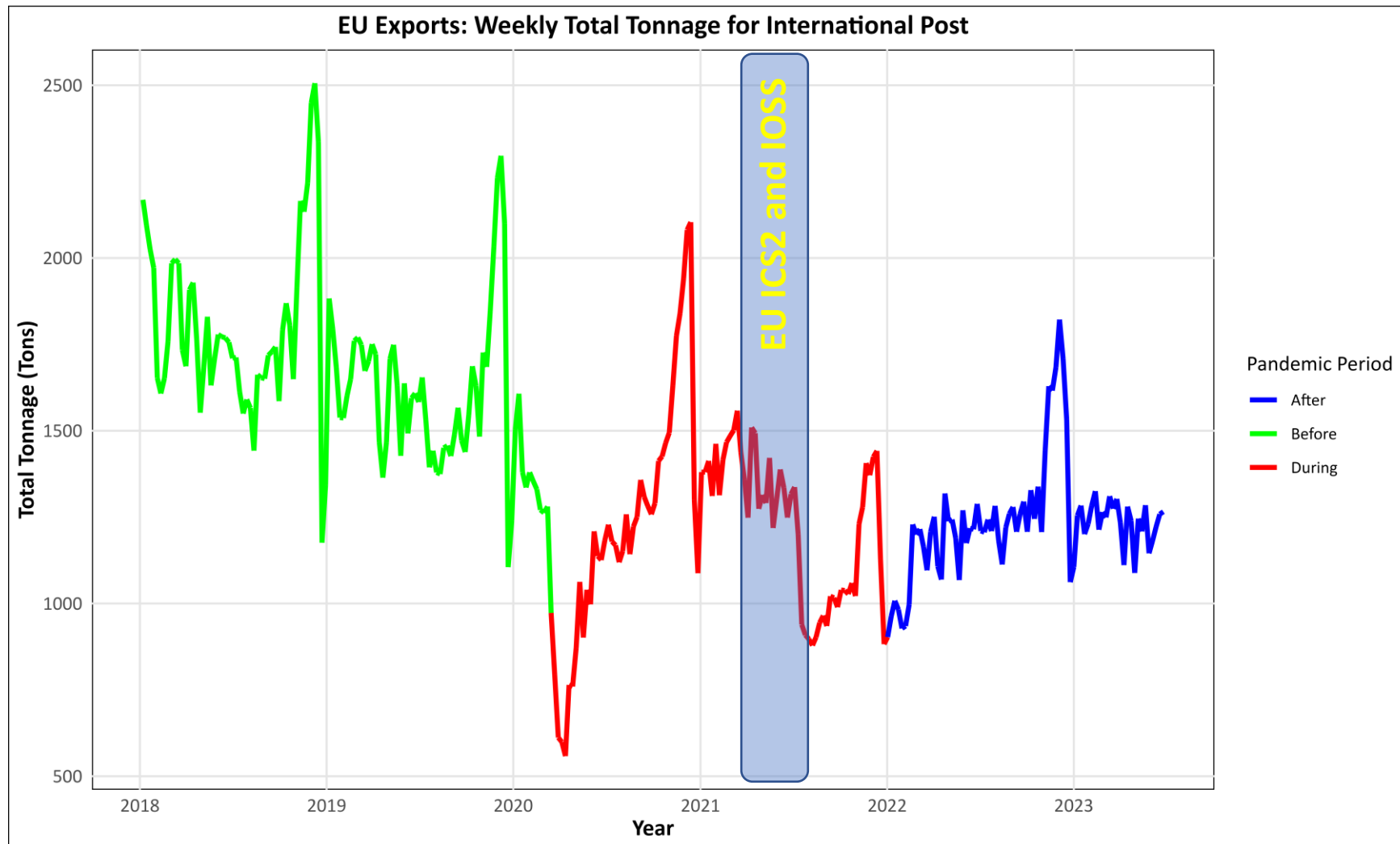
Q2:2023 vs Q2:2019  
- **22.9%**

**No strong post-pandemic recovery** in EU-27 international postal outbound volumes.

Were there **impacts** of the introduction of new EU-27 border security regulations – **ICS2 R1** – and VAT taxation – **IOSS** – regime **on exports, too?**



# Before and after Covid-19: EU-27 international postal outbound



Source: UPU Postal Big Data and UPU KCTT modelling and calculations

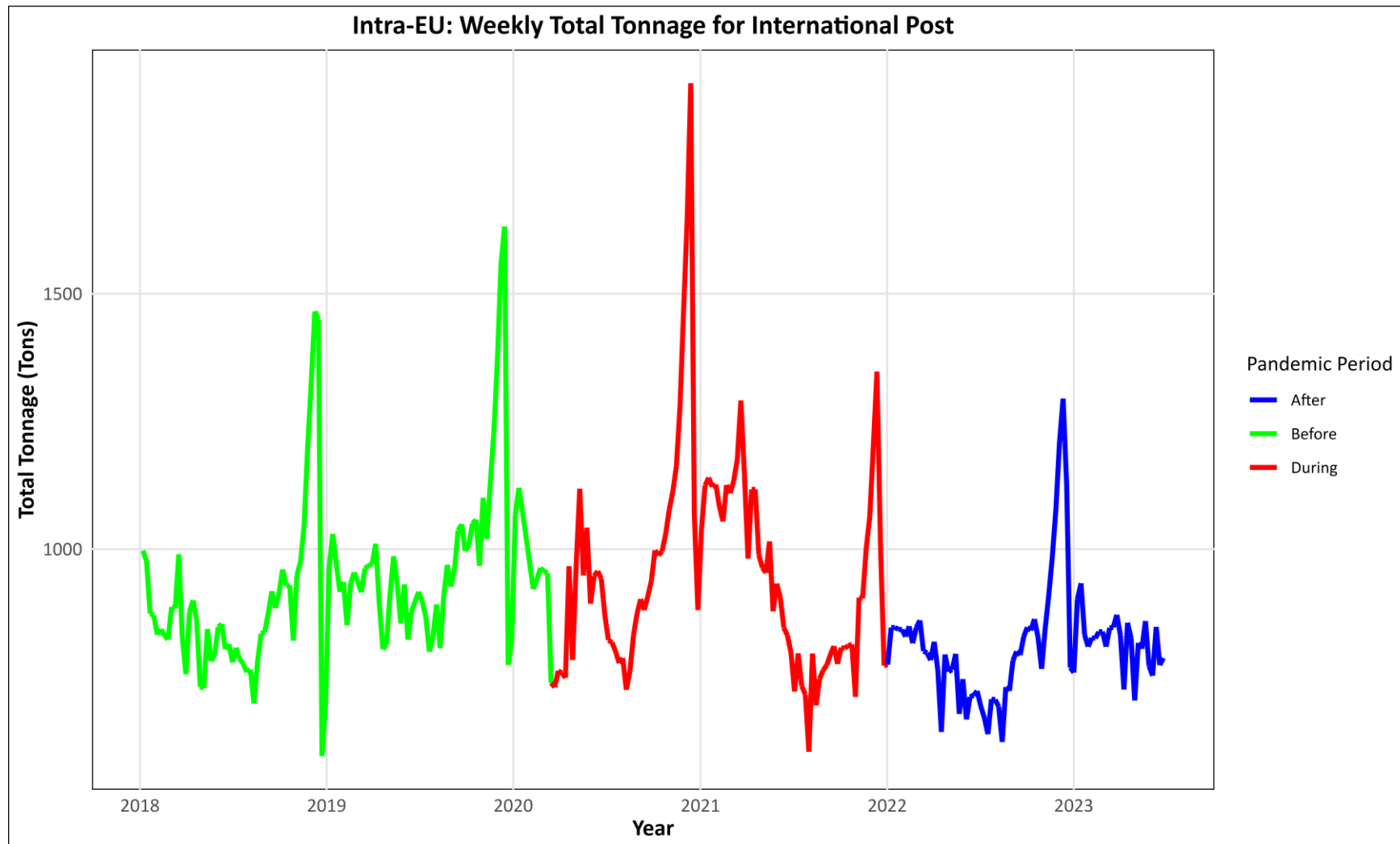
Q2:2023 vs Q2:2019  
- **22.9%**

**No strong post-pandemic recovery** in EU-27 international postal outbound volumes.

**The impacts** of the introduction of new EU-27 border security regulations – **ICS2 R1** – and VAT taxation – **IOSS** – regime **on e-commerce exports were also negative!**



# Before and after Covid-19: Intra EU-27 cross-border exchanges



Source: UPU Postal Big Data and UPU KCTT modelling and calculations

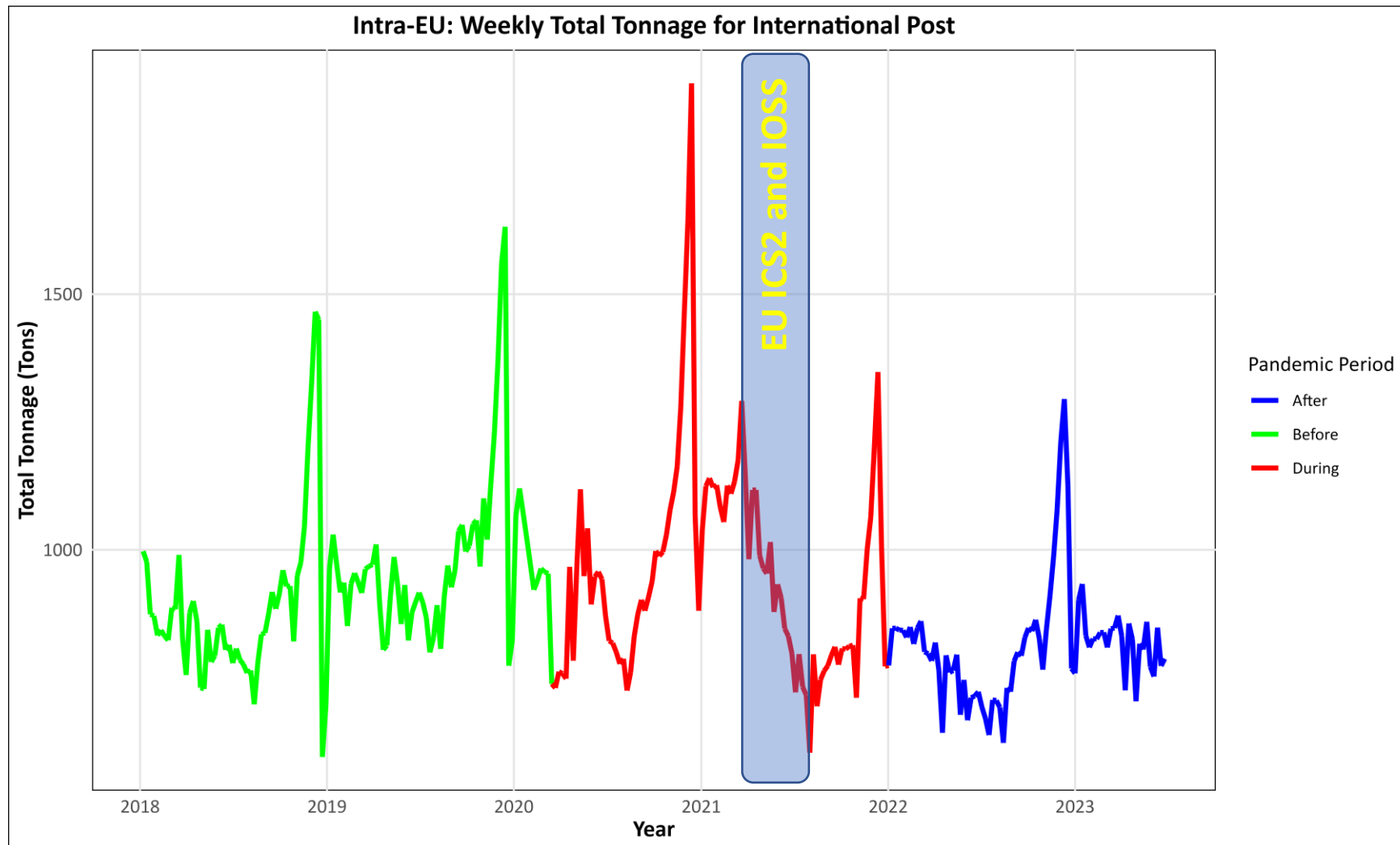
Q2:2023 vs Q2:2019  
- **11.1%**

**No strong post-pandemic recovery** in intra-EU 27 postal volumes as well!

What were the **impacts** of the introduction of new EU-27 border security regulations – **ICS2 R1** – and VAT taxation – **IOSS** – regime **on intra-European e-commerce?**



# Before and after Covid-19: Intra EU-27 cross-border exchanges



Source: UPU Postal Big Data and UPU KCTT modelling and calculations

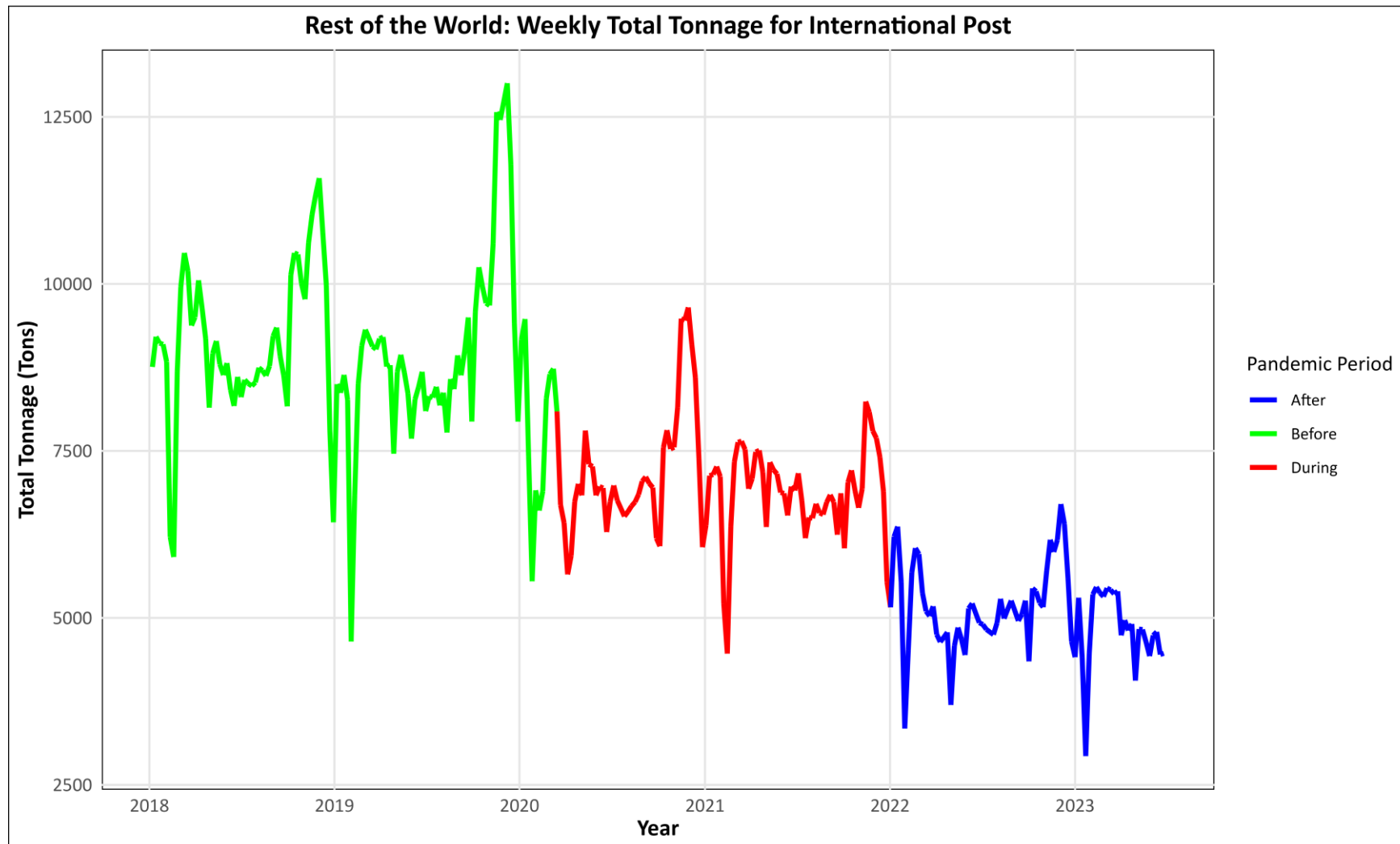
Q2:2023 vs Q2:2019  
- **11.1%**

**No strong post-pandemic recovery** in intra-EU 27 postal volumes as well!

**The impacts** of the introduction of new EU-27 border security regulations – **ICS2 R1** – and VAT taxation – **IOSS** – regime **on intra-European e-commerce were negative, too!**



# Before and after Covid-19: international postal exchanges between the ROW



Source: UPU Postal Big Data and UPU KCTT modelling and calculations

Q2:2023 vs Q2:2019  
- **44.9%**

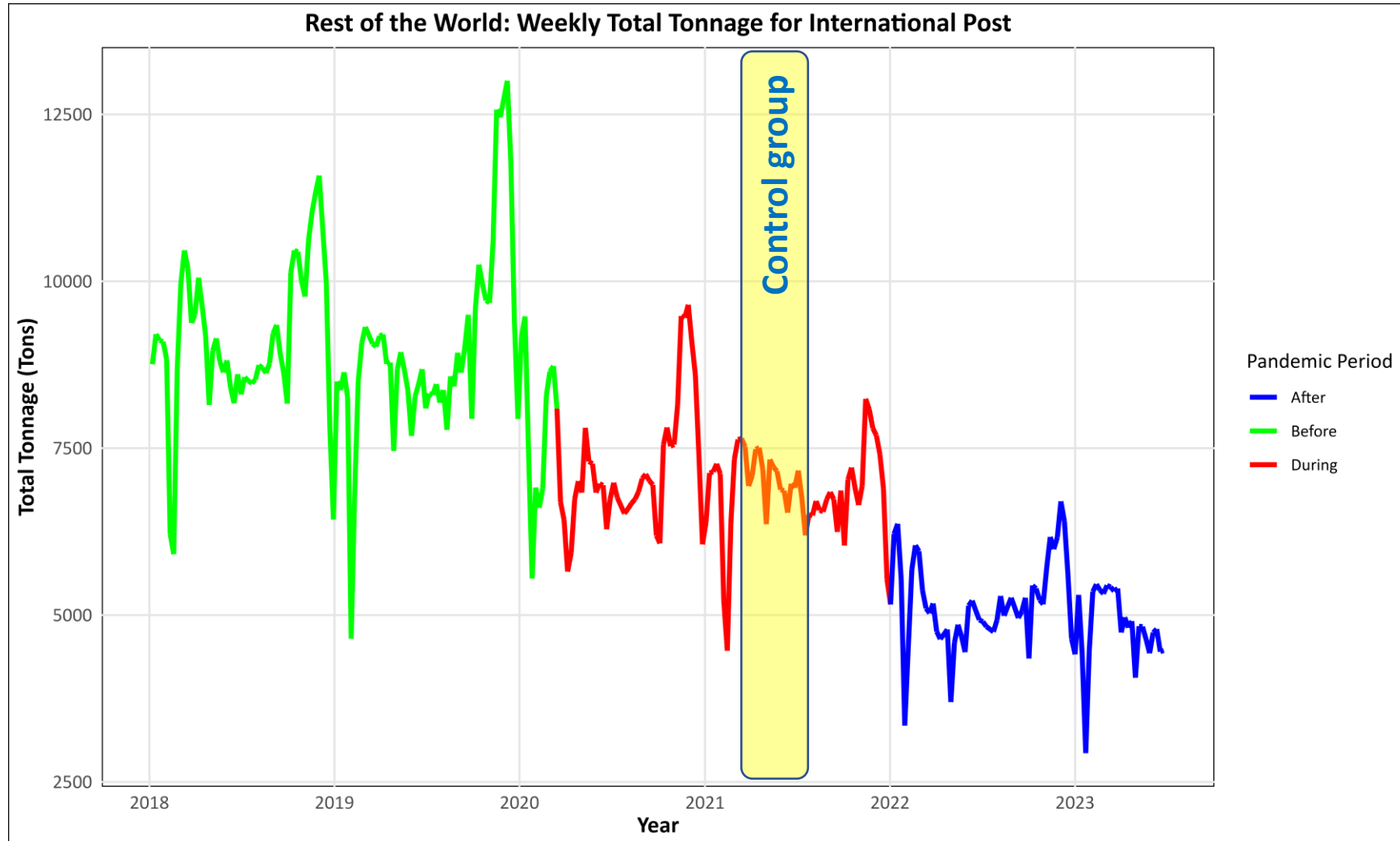
**No strong post-pandemic recovery** in international postal exchanges between the rest of the world.

Were there **impacts** of the introduction of new EU-27 border security regulations – **ICS2 R1** – and VAT taxation – **IOSS** – regime **on ROW's postal exchanges?**





# Before and after Covid-19: international postal exchanges between the ROW



Source: UPU Postal Big Data and UPU KCTT modelling and calculations

Q2:2023 vs Q2:2019  
- **44.9%**

**No strong post-pandemic recovery** in international postal exchanges between the rest of the world.

There were **no impacts** of the introduction of new EU-27 border security regulations – **ICS2 R1** – and VAT taxation – **IOSS** – regime **on ROW's postal exchanges.**



# Econometric model of the international post



Were the **identified negative impacts** just a coincidence?

Building an econometric model relying on more than **5,000 bilateral flows with monthly data from Jan 2018 to June 2022.**

**Dynamic panel data model** to deal with possible omitted variables and other statistical issues.



# Econometric results: impacts beyond Covid

## Average marginal effects

Shocks		Letter post	Parcel post	EMS	Cargo
COVID-19 (Feb 2020)		-28.4%	-24.0%	-25.9%	-20.4%
	New TDs (Jul 2020)	-36.8%	23.1%	13.9%	9.3%
STOP Act (Jan 2021)		-6.6%	-9.4%	-10.0%	4.7%
	ICS2 R1 (Mar 2021)	-20.4%	-7.0%	-3.0%	3.3%
EU VAT IOSS (Jul 2021)		-33.7%	-11.9%	-14.3%	-5.1%
	Ukraine conflict (Feb 2022)	-20.9%	-18.3%	-20.0%	-10.1%

Highest negative effect
  Highest positive effect

**Most identified shocks were having negative effects on international postal volumes.**

**At best a zero-sum game** between postal and cargo in terms of international volumes development.

**Eco-systemic effects were discovered.**



# Econometric results: EU-27 policies impacts

## Average marginal effects

Shocks		Letter post	Parcel post	EMS	Cargo
COVID-19 (Feb 2020)		-28.4%	-24.0%	-25.9%	-20.4%
New TDs (Jul 2020)		-36.8%	23.1%	13.9%	9.3%
STOP Act (Jan 2021)		-6.6%	-9.4%	-10.0%	4.7%
ICS2 R1 (Mar 2021)		-20.4%	-7.0%	-3.0%	3.3%
EU VAT IOSS (Jul 2021)		-33.7%	-11.9%	-14.3%	-5.1%
Ukraine conflict (Feb 2022)		-20.9%	-18.3%	-20.0%	-10.1%



Highest negative effect

Highest positive effect



**EU policy shocks among the most significant effects.**

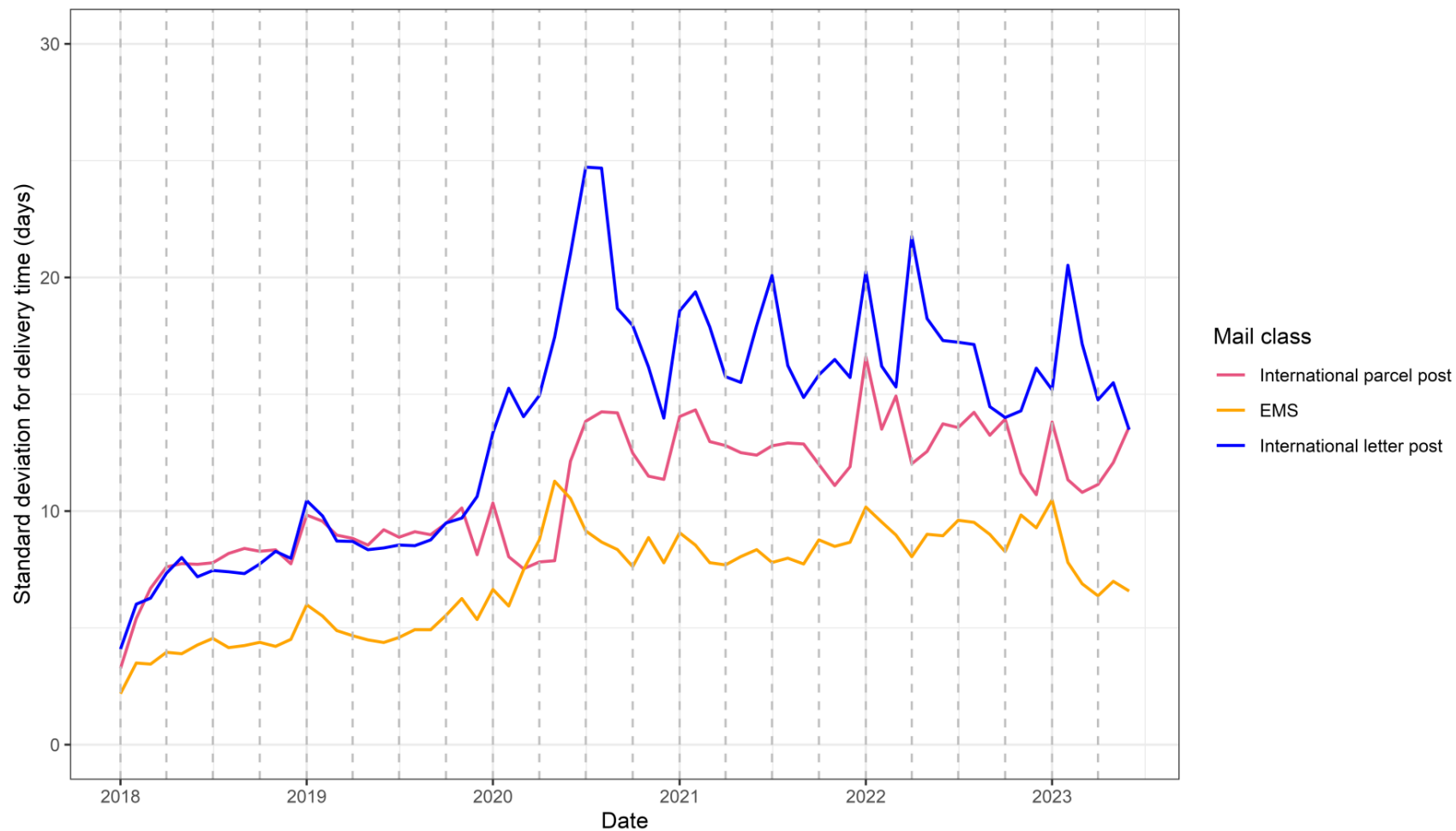
Beyond Covid-19 impact, **ICS2 R1 third most negative impact** and **EU VAT IOSS second most negative** marginal impact of all analyzed effects.

**Eco-systemic effects likely to particularly strong** in case of EU policies.



# The post-pandemic predictability challenge

Evolution of the variation of delivery times (in days) over time (bi-weekly basis)



The international post is confronted to a **new post-pandemic reliability challenge.**

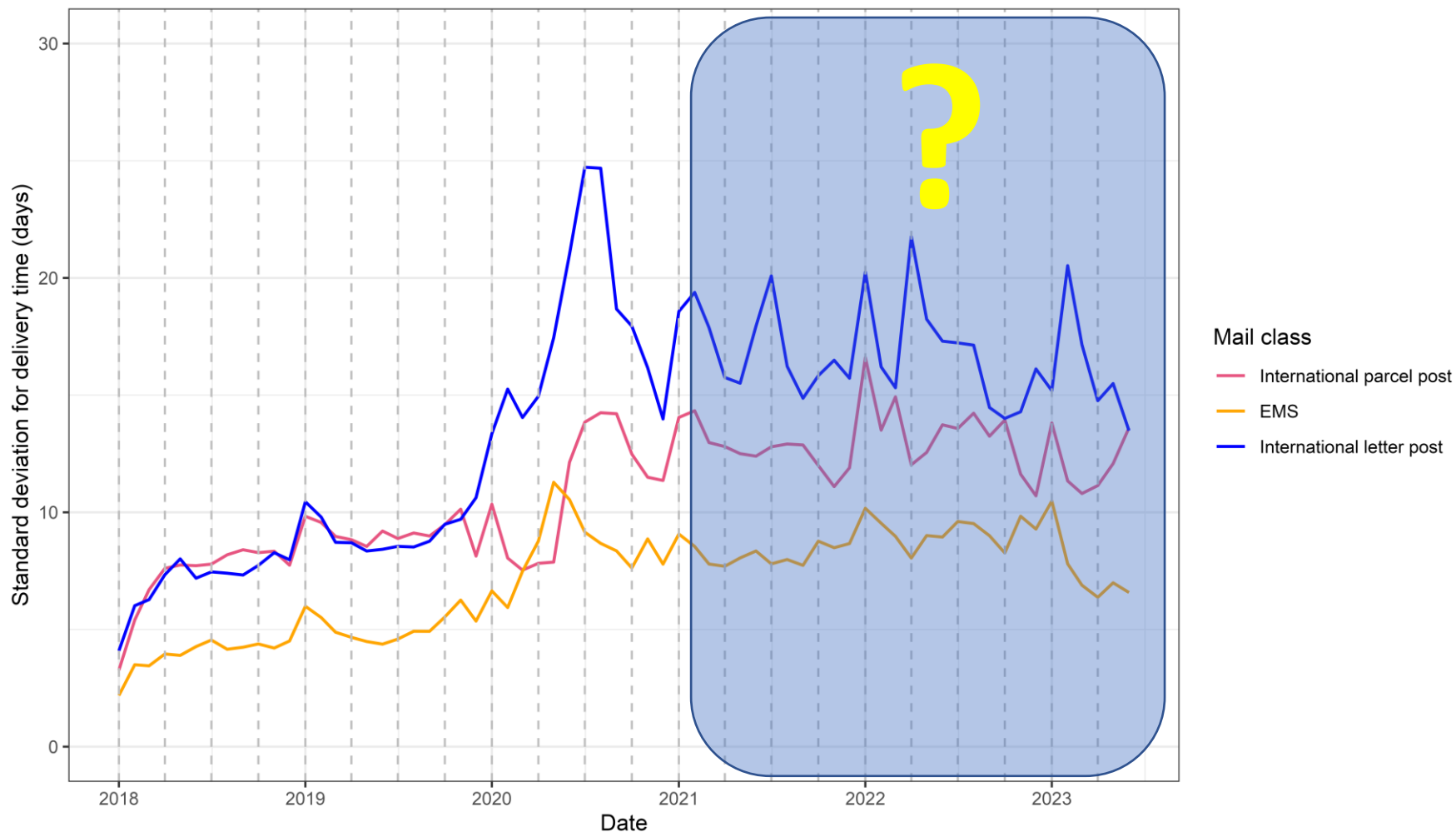
International delivery times **predictability not back to pre-pandemic levels yet.**

An open question: **what factors could be at play here?**



# Impact of EU-27 policies on predictability?

Evolution of the variation of delivery times (in days) over time (bi-weekly basis)



Source: UPU Postal Big Data and UPU KCTT modelling and calculations

Do European policies and regulations play a **pivotal role**?

What **implications** will the rollout of ICS2 R2 and ICS3 bring?

Are postal and logistics entities **prepared** for Europe's new electronic advanced data frameworks?

How many European **MSMEs** might see their digital trade prospects **curtailed**?



More insights in the **forthcoming**  
**“State of the Postal Sector 2023”**:  
report release on 5<sup>th</sup> October  
at UPU Strategy Summit  
during UPU 4<sup>th</sup> Extraordinary Congress  
in Riyadh (Saudi Arabia).

Contact: [thinktank@upu.int](mailto:thinktank@upu.int)