



Letter prices in Europe

Up-to-date international
letter price survey

2020

19th edition



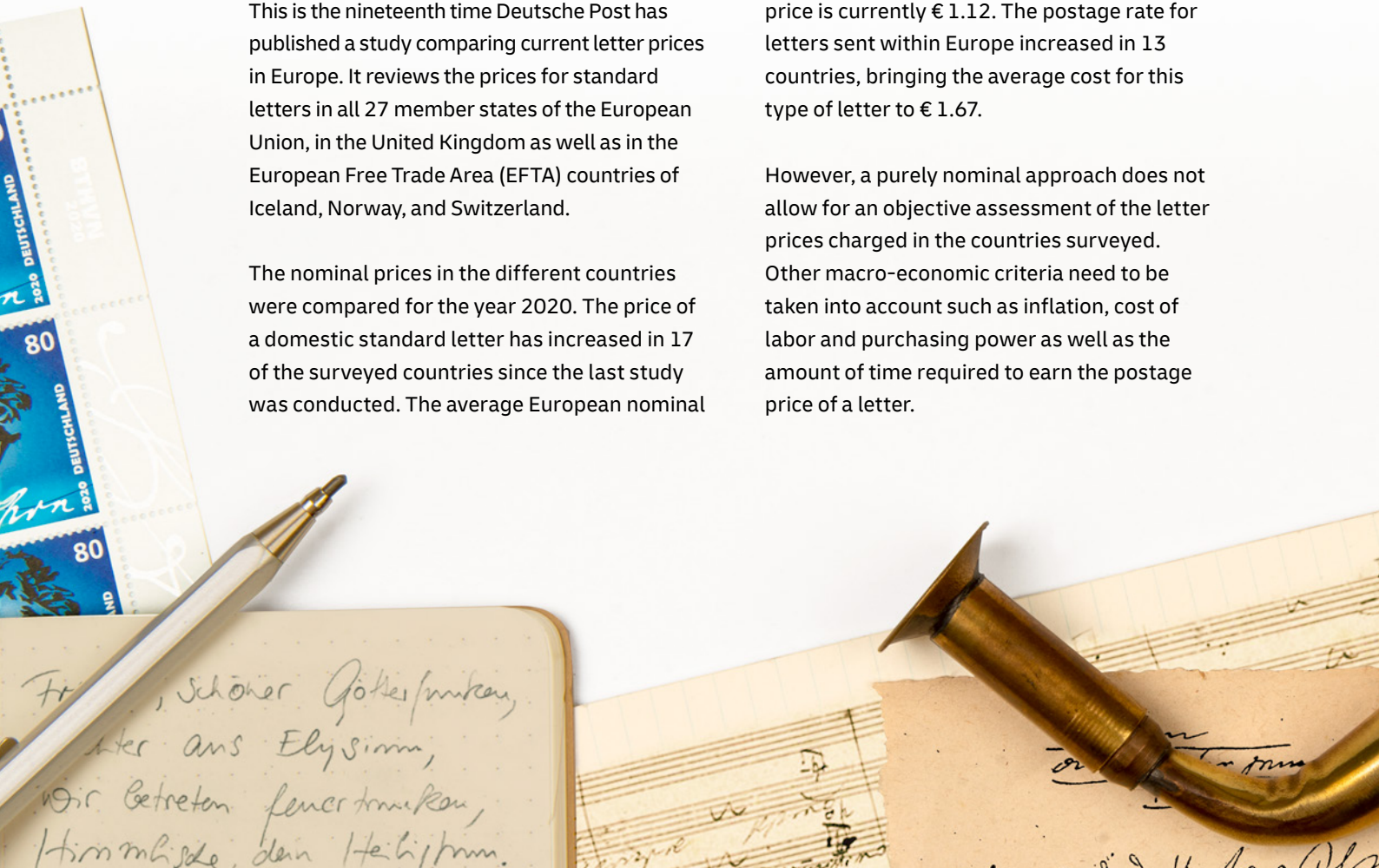
1 Summary

This is the nineteenth time Deutsche Post has published a study comparing current letter prices in Europe. It reviews the prices for standard letters in all 27 member states of the European Union, in the United Kingdom as well as in the European Free Trade Area (EFTA) countries of Iceland, Norway, and Switzerland.

The nominal prices in the different countries were compared for the year 2020. The price of a domestic standard letter has increased in 17 of the surveyed countries since the last study was conducted. The average European nominal

price is currently € 1.12. The postage rate for letters sent within Europe increased in 13 countries, bringing the average cost for this type of letter to € 1.67.

However, a purely nominal approach does not allow for an objective assessment of the letter prices charged in the countries surveyed. Other macro-economic criteria need to be taken into account such as inflation, cost of labor and purchasing power as well as the amount of time required to earn the postage price of a letter.



In Germany, the postage rate for a domestic standard letter is still € 0.80, a price far lower than the nominal European average. The consolidated comparison of postage rates presented here, which incorporates differences in labor costs and purchasing power, once again clearly demonstrates that Deutsche Post charges a very affordable price for a standard letter, one that is significantly below the average rates charged in all other countries in this study. More affordable letter mail postage rates can be found in only five, generally much smaller countries. More expensive prices for letter mail, viewed in real terms, are paid by customers in 25 nations.

The highest consolidated postage rates can be found in Denmark and Italy. The country charging the lowest letter price continues to be Malta.

Adjusted for inflation, postage rates for letters in Germany have gone up by just under 30 % since 2010. The European average, however, is by nearly 75 %.

Even when the number of working minutes needed to cover the price of a domestic letter in the countries surveyed is taken into consideration, German letter prices still remain extraordinarily competitive. Only in Switzerland and Malta are somewhat fewer working minutes needed to earn the postage rate of a standard letter.

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2 Comments on methodology

This study begins by comparing prices for domestic standard letters and international letter mail within Europe in the 27 member states of the European Union, the United Kingdom and the EFTA countries of Iceland, Norway, and Switzerland. For domestic letters, it considers the fastest letter mail product in all countries under review, which according to current product specifications generally carries a next-day delivery target (D+1). The primary concern here is comparability, i. e., services with quality criteria allowing for real comparison, in particular with regard to transit times.

This method is also applied to countries such as Denmark, Finland and Italy where a substitution-related decline in demand has led them to raise prices for letters with a transit time of D+1 dramatically compared to products with lower transit times, in some instances with special services such as basic item tracking.

For letter mail within Europe, only Latvia Post offers a graduated pricing system of four different rates depending on the destination country. In this case, the price valid for most countries was used in the nominal comparison.

In countries where value-added tax (VAT) is levied on the letter services considered for this comparison, the study uses the gross price, i. e., the letter price including VAT. This is because the most relevant factor in such a comparison is the actual price that the consumer has to pay for a letter.

This study considers standard letters only, as this product represents the lion's share of all letters sent by private customers and therefore best reflects actual consumer behavior in the letter market.

Nominal letter prices and the nominal price development in Europe over the last five years will be presented first, followed by the development of letter prices from 2010 to 2019, adjusted for inflation. Next, the average number of minutes industrial workers have to work in the individual countries to earn the price of a standard letter is examined. Finally, a comparison will be made of letter prices in each country under review, adjusted for factors such as labor costs and differences in purchasing power. Here the relevant values for Germany and the other countries are compared as required by the respective factors to be adjusted for. The calculated ratios are multiplied by the nominal letter prices of the relevant countries which results in the adjusted letter prices.

This study takes into account all applicable postage rates or officially announced price changes as of March 1, 2020, in the countries under review. The data on the individual countries was taken from both Eurostat and postal companies in the nations surveyed. To adjust the letter prices so that they reflect labor costs, statistical data was used that most closely corresponds to the sector under consideration (i. e., postal, courier, and express services). In order to calculate the “work in minutes per letter,” the study used data identified by the Cologne-based German Economic Institute (IW), namely the hourly wages of a worker in the manufacturing industry.

In some cases, the exchange rate had an impact on letter prices shown here. For example, the price of a domestic letter in Switzerland rose after its conversion into euros even though there has been no de facto price increase in that country.



3 Review of nominal prices



3.1 Domestic letter mail

The average price of a domestic standard letter in Europe is currently € 1.12, which is € 0.15 more than in the previous year's study. Germany ranks far below the average thanks to Deutsche Post's domestic standard letter price of € 0.80, improving its mid-range position from last year by four places to 18th together with Luxembourg, Austria and Slovakia.

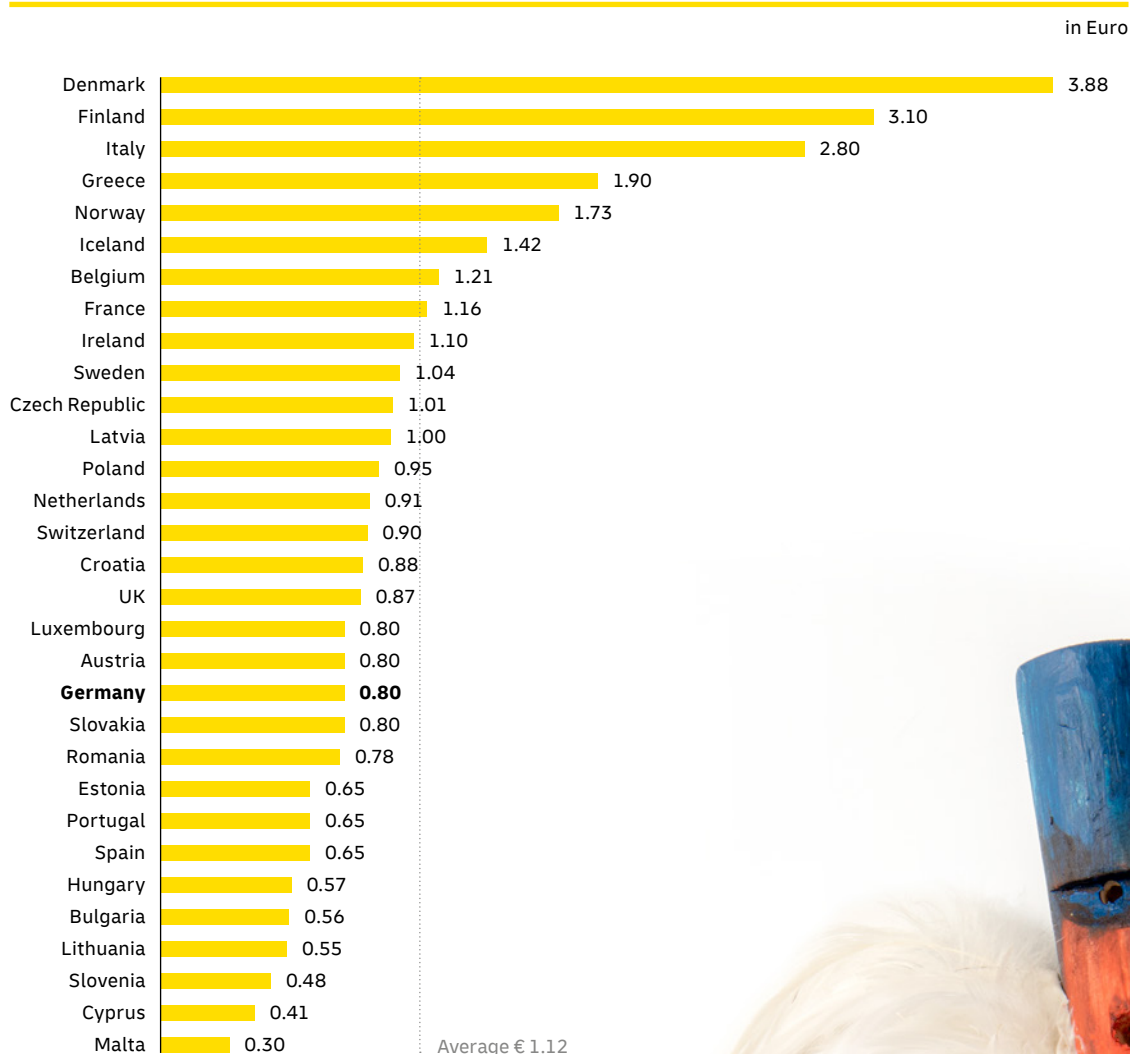
Since the June 2019 study, the price of a domestic standard letter has increased in 17 countries. Price increases of less than 10 % occurred in France, the Netherlands, Norway, Spain, the

United Kingdom and Malta. The price hike in France marked the eleventh consecutive annual increase that has been recorded in this study. Price increases in the double-digit percentages were registered, for example, in Belgium (from € 1.00 to € 1.21), Sweden (from 9.00 to 11.00 kronas) the Czech Republic (from 19 to 26 korunas) and Latvia (from € 0.57 to € 1.00). Conversely, dramatic price increases of more than 100 % were reported in Finland and Greece. In Finland, the price was raised from € 1.50 to € 3.10, with proof of delivery now included. In Greece, the price last year for a standard letter was € 0.72, whereas today it costs € 1.90.

Fluctuations in exchange rates sometimes result in the nominal price, which is converted into euros, deviating from the figure for the previous year, even though the price in the respective national currency has remained stable. In Switzerland, for example, the converted price in euros for a standard letter is three cents higher despite no change in the nominal Swiss franc price. The converted letter price in Iceland, in contrast, fell by € 0.11 although Íslandspóstur, the national postal service, did not lower the price in the local currency.



Nominal price for a domestic standard letter



Denmark still leads the list of domestic nominal prices, with a letter price that converts to € 3.88. Second place is now newly held by Finland for its drastic price hike to € 3.10. Italy now ranks third for “Posta1”, the standard letter used in this comparison, which costs € 2.80. Proof of delivery is also offered for this product.

Owing to its considerable price increase, Greece has taken a major leap up the table from 19th place to fourth. Latvia now occupies 12th, 13 places higher than last year. Improvements could be seen in such places as Croatia, which fell from 10th place to 16th, and in Poland, which dropped from ninth to 13th.

A domestic standard letter still costs less than € 0.50 in only three countries: Slovenia (€ 0.48), Cyprus (€ 0.41) and Malta (€ 0.30). Malta has occupied last place without interruption since 2008, offering the lowest nominal domestic letter price recorded in this study.





3.2 Price developments since 2015

Viewed over a five-year period, the price for a domestic standard letter has risen considerably in numerous countries. On average, the nominal prices for the domestic letter in local currencies have increased by nearly 62 % since 2015.

This development can also be clearly seen in the respective European average prices. In 2015, the average price for a domestic letter in Europe was € 0.66; currently that same letter costs – as described – € 1.12. That corresponds to an increase of 70 %.

The price development in percentage, however, varies widely in the countries under review. In Italy, the price has been increased in nominal terms by 250 % since 2015, in Denmark by 190 % and in Finland by 182 %.

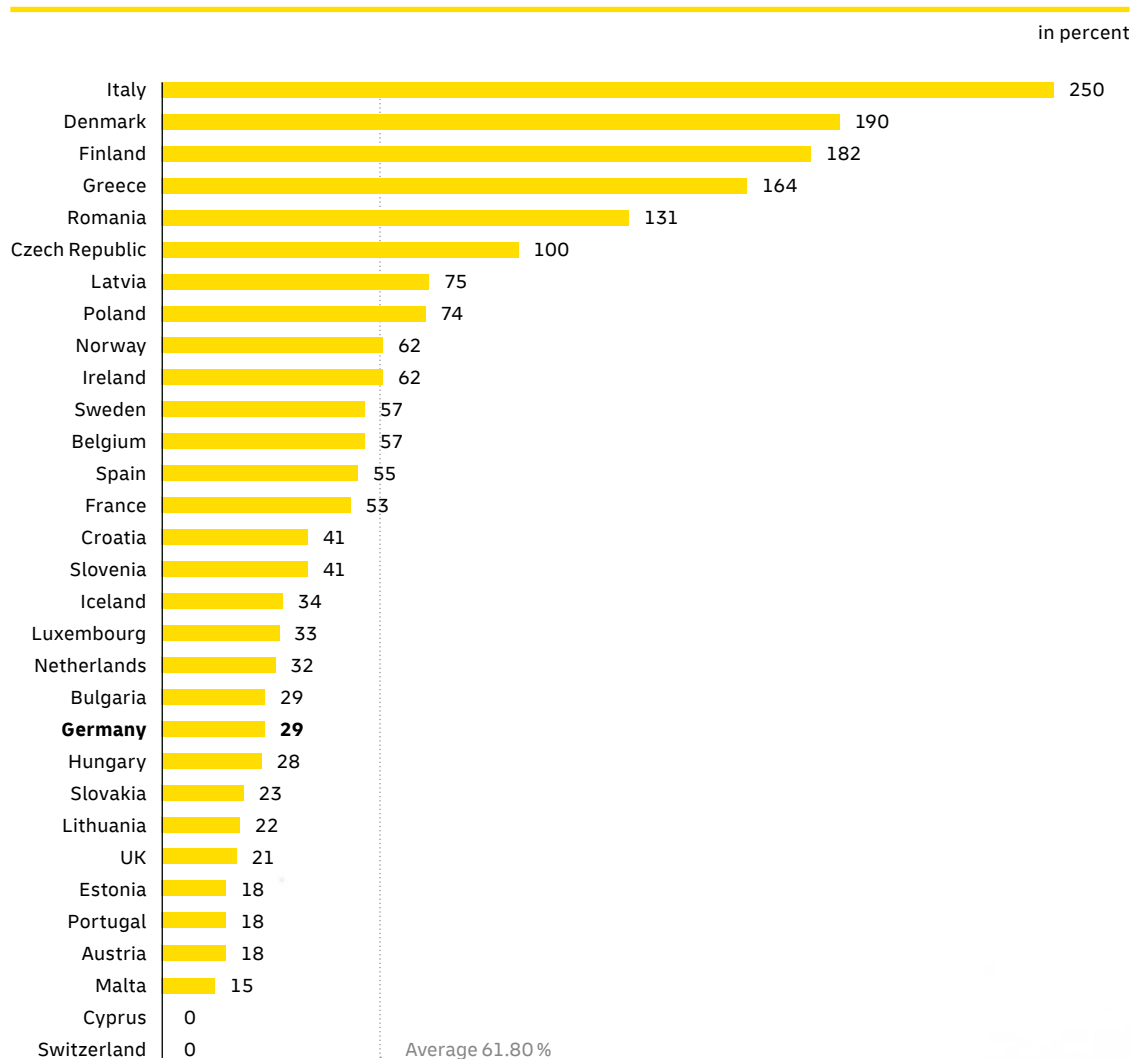


Greece, Romania and the Czech Republic also had values of 100 % or more. At the other end of the table where Cyprus and Switzerland can be found, the nominal price has remained unchanged over the past five years.

Germany's nominal increase in the letter price of 29 % equates to less than half of the European average. In terms of price developments, Germany's letter mail rate now ranks 20th. That means letter prices have risen more sharply in 19 other European member states over the last five years than they have in Germany.



Price developments 2015 – 2020



3.3 Letter mail within Europe

Since the most recent study last year, the price for sending a standard letter to another European country has risen in 13 of the 31 countries under review. In all of these countries, postal service providers also raised the rates for domestic letters. In four countries price hikes were limited to domestic letter mail. In 18 countries, the postage rate for letters sent within Europe has remained stable since the last study.

The average price for sending letters within Europe is currently € 1.67, which is € 0.09 more than last year. Twelve countries have prices higher than the European average; 19 have lower ones.

A substantial increase in the cost for letters within Europe occurred in Greece, where the price jumped from € 0.90 to € 2.00, the equivalent of around 120 %. In Latvia, that rate rose nearly 75 %, up from € 0.78 to € 1.35. Hungary increased its price by nearly 50 %, from 445 to 650 forints. Marginal price increases of only a few percent

for letters to other European countries were registered, for example, in Ireland, Norway and the Netherlands.

Exchange rate fluctuations also had an impact on letter mail within Europe. In Poland, the nominal price for the intra-European letter did not change in the local currency, but its euro conversion resulted in a one-cent drop.

In nearly all countries, it costs more to send a letter within Europe than to send one domestically. The only exception is Finland, where a standard letter to another country in Europe costs € 1.70, but its domestic dispatch (with proof of delivery) € 3.10. On average, however, the price for the intra-European letter is 1.7 times higher than the price for a domestic standard one. In Germany, where letters within Europe cost € 1.10, the difference between European and domestic mail equates to a factor of nearly 1.4.

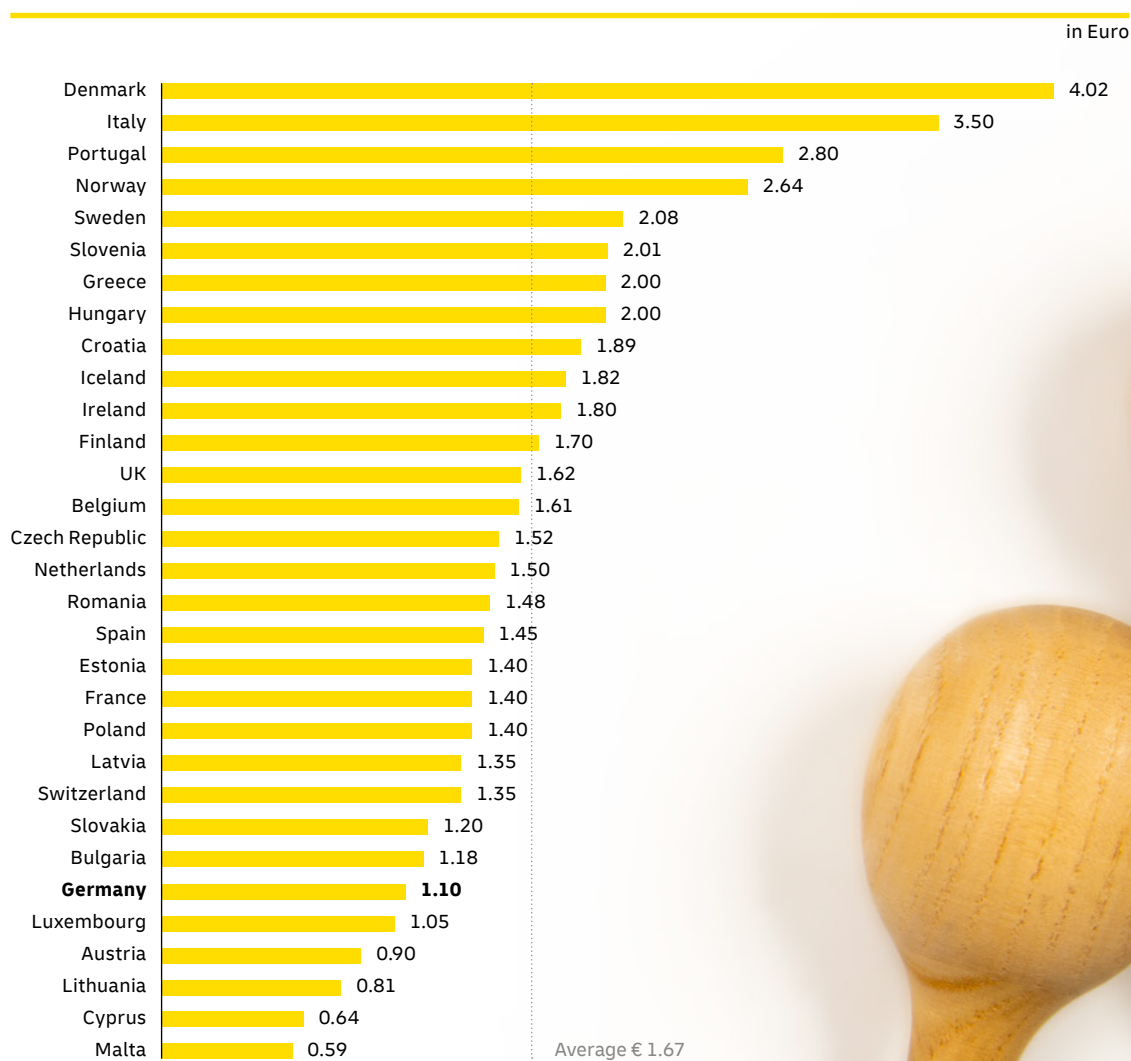
Denmark, at € 4.02 (converted), continues to have the highest nominal price for an intra-European letter. Italy and Portugal still rank second and third respectively. Greece, owing to a considerable price hike, jumped from 26th to seventh place, a position it shares with the country ranked 17th last year, Hungary. Estonia and Slovakia both slipped two places, to 19th and 24th respectively. In both countries, the prices for letters sent within Europe have remained stable since the last study.

Very low in the ranking (26th) is Deutsche Post's own considerably below average price for its standard letters to other European countries. The group of countries with international European postage of less than one euro comprises Austria, Lithuania, Cyprus and in last place Malta, whose rate is just € 0.59.





Nominal price for letter mail within Europe



4 Adjustment for inflation since 2010

Any meaningful comparison of letter prices in Europe must also take the different rates of inflation into account. For example, a letter price that is nominally unchanged in a country will rise or fall annually at the rate of inflation when that price is viewed in real terms. By providing an account of the inflation-adjusted price trends over the last ten years in the 31 countries under review, it is possible to obtain a useful overview of the impact of the different rates.

In the period from 2010 to 2019, the average rate of inflation in all European countries surveyed was approx. 1.5 %. The lowest average rates of increase below one percent were found in Switzerland (0.1 %), Ireland (0.4 %), Greece (0.8 %) and Cyprus (0.9 %). Prices rose the most in Romania (2.8 %), Estonia (2.6 %) as well as in Iceland and Hungary (both 2.5 %). In Germany, the average rate of inflation over the past ten years was 1.4 %, in Belgium 1.8 % and in the United Kingdom 2.1 %.

When inflation is taken into account, the price of a standard domestic letter in the countries surveyed has risen on average by 73.39 % over the last ten years.



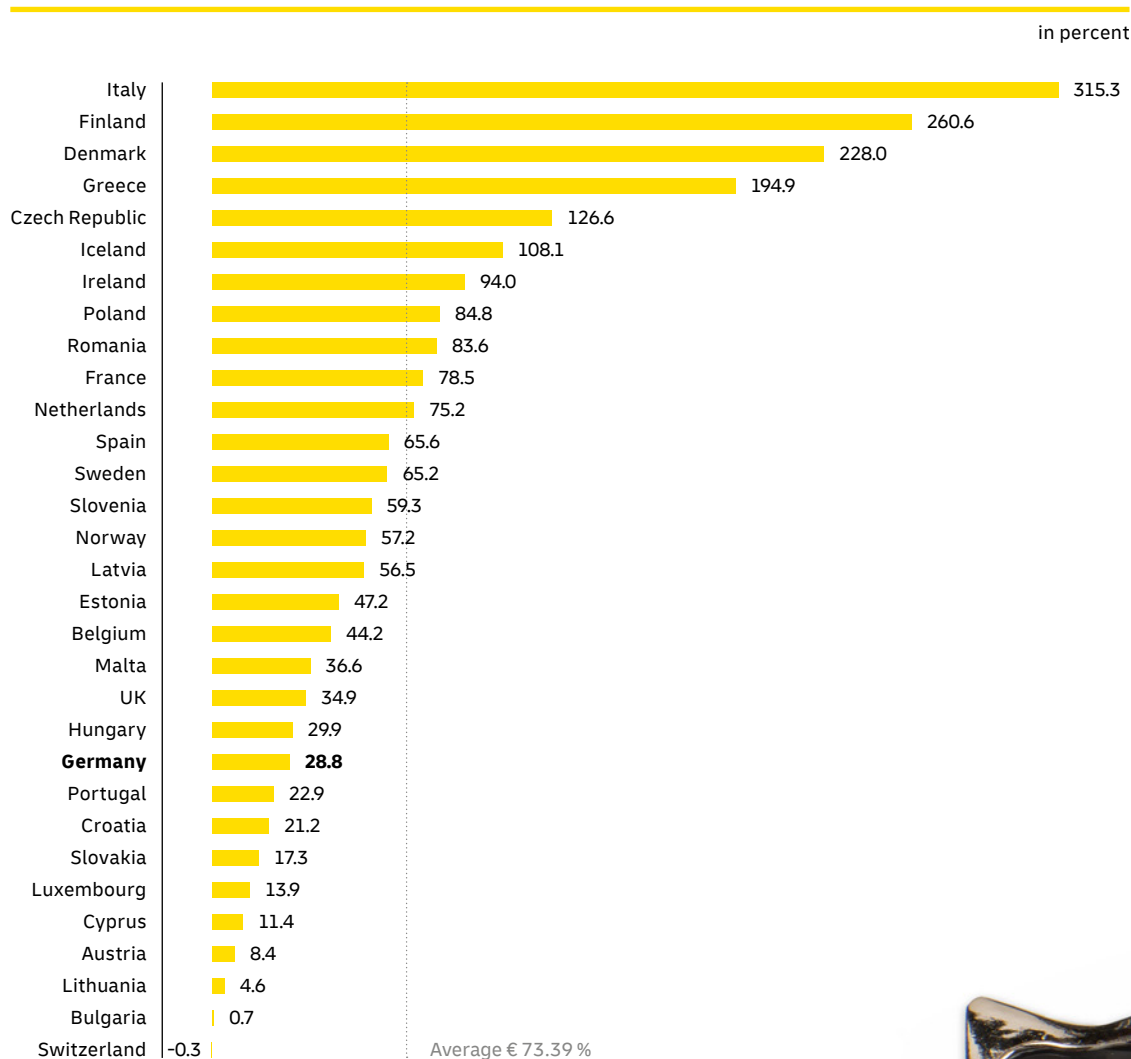
Italy and Finland hold the top two spots on this table, with 315.3 % and 260.6 % respectively. Last year's number one, Denmark, slipped to third place with a rate of 228 %. Greece, ranked fourth in this table, had an inflation-adjusted price increase of nearly 200 %.

With a rate of approximately 75 %, the Netherlands improved its ranking by five places in this overview and now holds 11th position. Sweden rose four places to 13th. In contrast, Portugal improved its ranking by three places and now occupies 23rd position.

Bulgaria, where the inflation-adjusted letter mail price only rose marginally by 0.7 % over the last ten years, ranks second to last. Switzerland is the only country where the adjusted price for inflation has declined since 2010, in this case by 0.3 %.



Inflation-adjusted change in letter prices 2010 – 2019



The inflation-adjusted postage rate in Germany has increased by 28.8 % since 2010, which is significantly below average. Germany currently ranks 22nd on this list.





5 Work in minutes per letter price



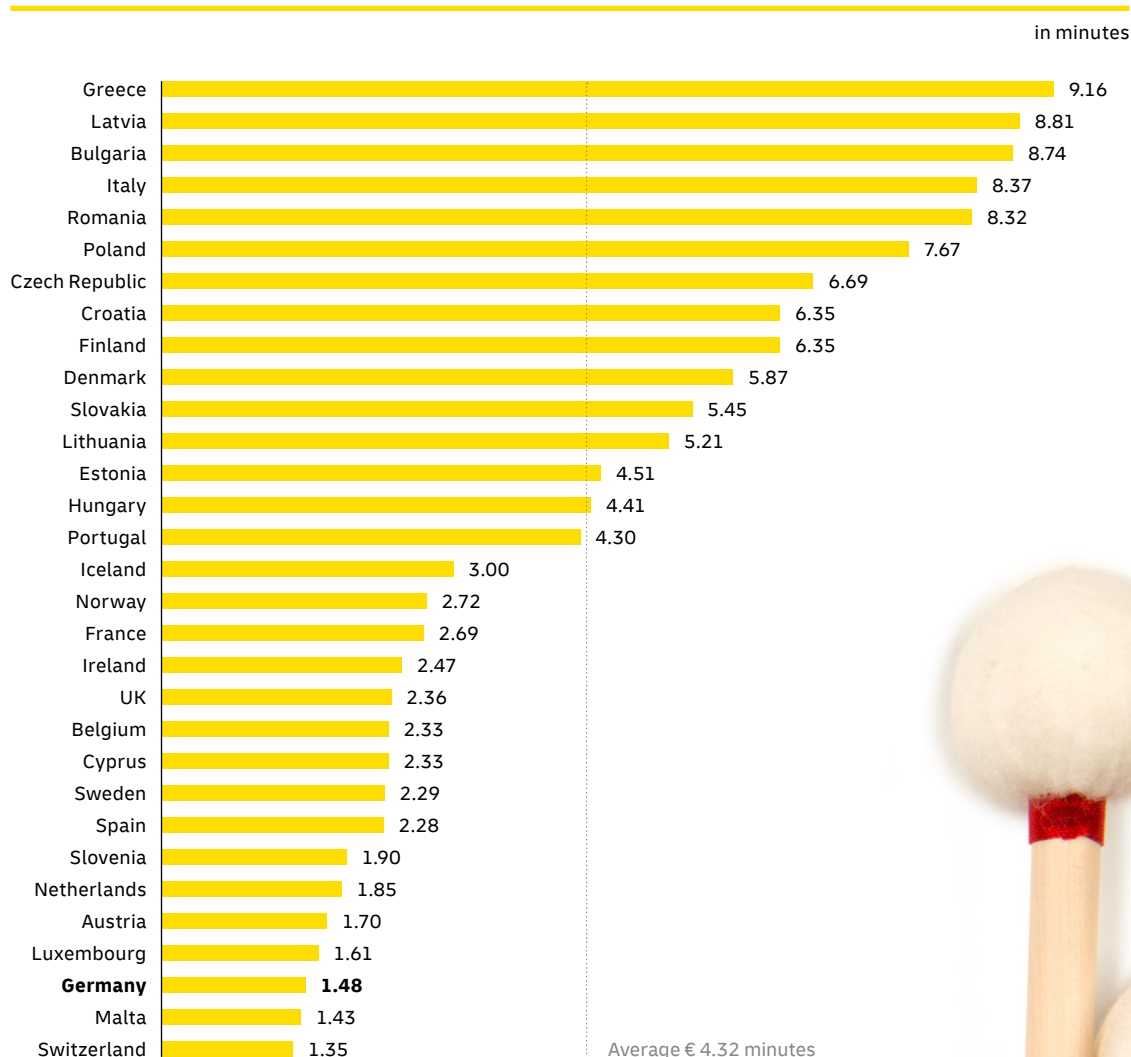
According to the European Union's Postal Services Directive, prices for universal service products must be "affordable" in the member states of the European Union. Affordability in the individual European countries can only be assessed, however, if the different wage levels are also taken into account. The amount of working time needed to earn the equivalent of the respective letter price proves to be a good benchmark for this assessment.

This calculation is based on the hourly wage of an industrial worker. Once again, information on the hourly rates for workers in the manufacturing industry was provided by the German Economic Institute and postal service providers, and has served as a consistent and reliable data base for this study.

The country where workers have to work the longest to cover the cost of a domestic standard letter is now Greece, with over nine minutes. The dramatic price increase made by the country since last year is especially noticeable in this change in the rankings: In the prior-year study, Greece was placed 14th. A postage hike in Latvia put that country in second place following its eighth place ranking last year. Bulgaria continues to hold third ahead of Italy and Romania, all three of which need over 8 minutes of working time.

On average, a worker in Europe currently has to dedicate 4.32 minutes of working time to earn the cash equivalent of a standard letter. This average time has risen significantly compared with the prior year. In 2019, the average was 3.66 minutes, which corresponds to an increase of 18 %.

Work in minutes per letter price



Once again, the least amount of time needed to cover postage costs was the 1.35 minutes found in Switzerland. Germany continues to be third from the bottom in this ranking with the very low time of 1.48 minutes per letter. The working time criterion, in other words, also demonstrates the particular affordability of the Deutsche Post letter price.





6 Adjustment for labor costs

Despite automation, mail transport continues to be highly labor intensive compared with other sectors, especially in the area of delivery. This in turn is reflected in the high percentage of staff costs to total costs.

The cost of labor, however, varies greatly from country to country. As a result the individual European postal companies are subject to significantly different labor cost burdens. Letter prices in high-wage countries such as Germany or Switzerland can only be meaningfully compared with those in lower-wage countries if these different labor costs are taken into account.

The first step is to recognize that staff costs only comprise a certain percentage of the overall costs of mail transport. As a result, only this percentage is factored into the cost adjustment, while the rest remains unaffected.

For the adjustment, ratios are calculated using the labor costs for Germany and the respective countries, which are then multiplied by the share of the letter price accounted for by staff costs. To this end, statistics on the cost of labor in the postal, courier, and express services sector in the countries surveyed were used.



The average European price calculated using this method is currently € 1.56, making it € 0.15 higher than in the previous year and € 0.76 more than the price charged by Deutsche Post. This average value is exceeded in 13 countries, while the letter price rate adjusted for labor costs is below average in 18 of them.

Denmark, at € 3.39, and Finland, with € 3.11, occupy first and second place on this table. Latvia, with over € 3.00, ranks third. Greece made a significant leap in this overview as well, from 17th to 5th place.



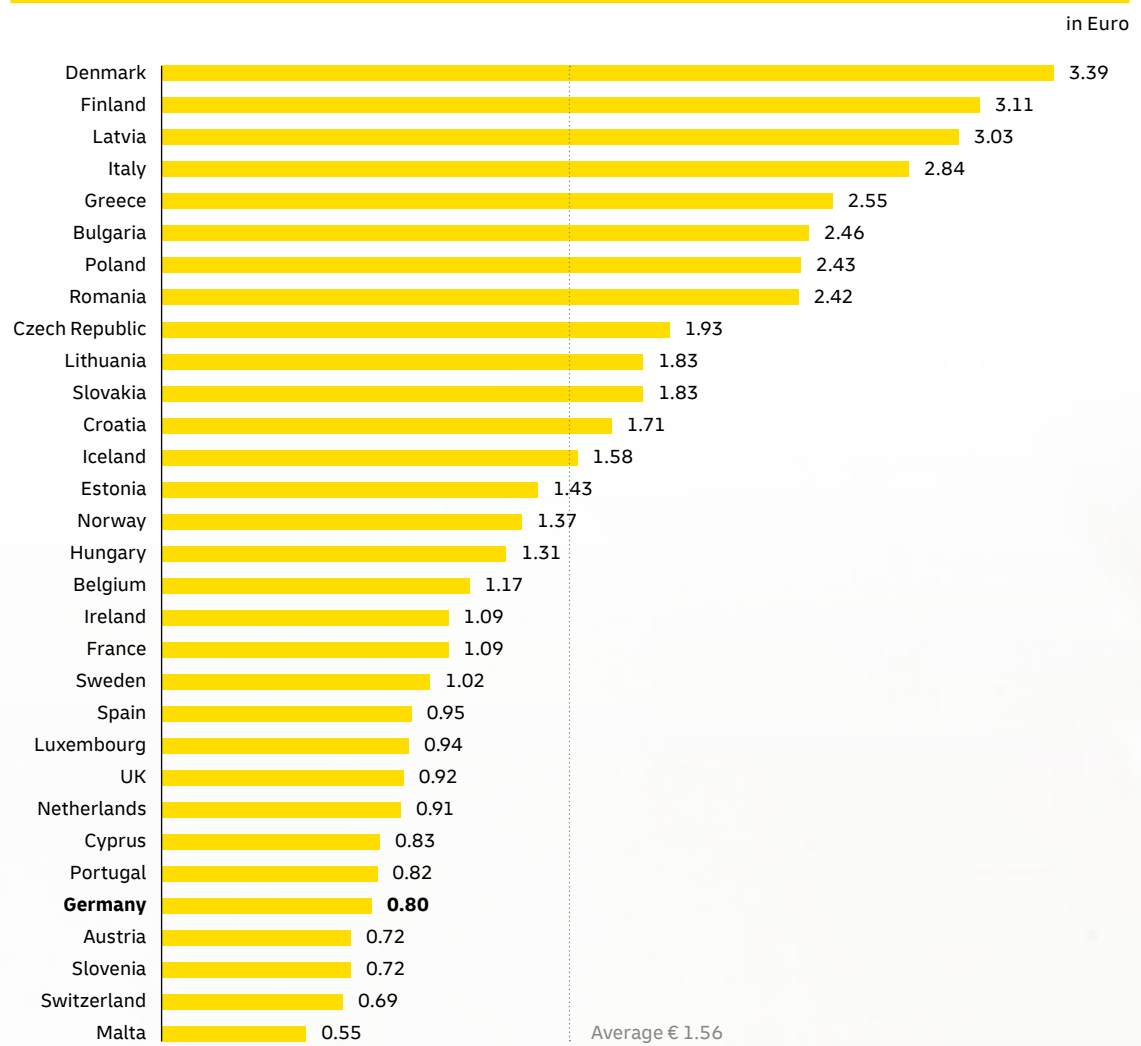


Poland, however, improved its ranking from fourth to seventh place by lowering its labor-adjusted letter price by € 0.11 to € 2.43. A similar development occurred in Lithuania, where the corresponding rate fell from € 1.92 to € 1.83. The Czech Republic, however, is now ranked 9th after moving up four places. It currently has a labor-adjusted letter price of € 1.93, which is € 0.46 more than last year.

At € 0.80, Germany continues to occupy one of the lowest ranks. A lower letter price is offered only in Austria, Slovenia, Switzerland and Malta, when labor costs are taken into consideration.



Letter prices adjusted for labor costs



7 Adjustment for purchasing power differences

Levels of income and social prosperity vary in European countries, making it also necessary to take national purchasing power into account when comparing letter prices. This is the only way to carry out a sound assessment of the affordability of the letter price in the individual countries.

By taking purchasing power into account, the macro-economic conditions that differ in the countries under review are taken into consideration. It also compensates for the differences in price levels in individual countries which emerge when currencies are converted.

To factor in these power differentials, letter prices are divided by the countries' purchasing power relative to Germany. This means that letter prices in countries with a relatively high purchasing power, compared to Germany, are cheaper and vice versa. The adjustment is based on purchasing power parities published by the EU statistical office, Eurostat. The comparative price levels are used as a basis and represent the actual price of the same representative basket of consumer goods and services in each country in a comparable currency unit.

The average price of a domestic standard letter in the 31 European countries surveyed, adjusted for purchasing power differences, is € 1.24, € 0.17 more than in 2019. In 21 countries the letter price is below this average; in ten others it is above this threshold.

The table of letter mail prices adjusted for purchasing power continues to be dominated by Denmark, which has a converted postage rate of

€ 3.16. In Italy, too, the price for a standard letter was still over € 3.00 when purchasing power differences are considered. Fifth-ranked Poland has been outstripped in this overview by Finland and Greece. The Latvian letter price adjusted for purchasing power rose considerably from € 0.88 in 2019 to the value of € 1.50 registered in this year's study. That moves Latvia from 18th place in the prior year to its current rank of 8th.

In some countries, however, the standard letter price adjusted for purchasing power dropped slightly. In Lithuania, for example, the price fell



three cents to € 0.90, in Croatia and Estonia by two cents to € 1.44 and € 0.89 respectively and in Portugal by one cent to € 0.83.

Germany, with a postage rate of € 0.80, remains at the lower end of the ranking after sliding from 22nd to 24th place. The price of Deutsche Post's domestic standard letter is thus € 0.44 below the European average when adjusted for purchasing power. Letter prices for postal customers continued to be particularly affordable in the island nations of Cyprus and Malta, at € 0.50 and € 0.38 respectively.

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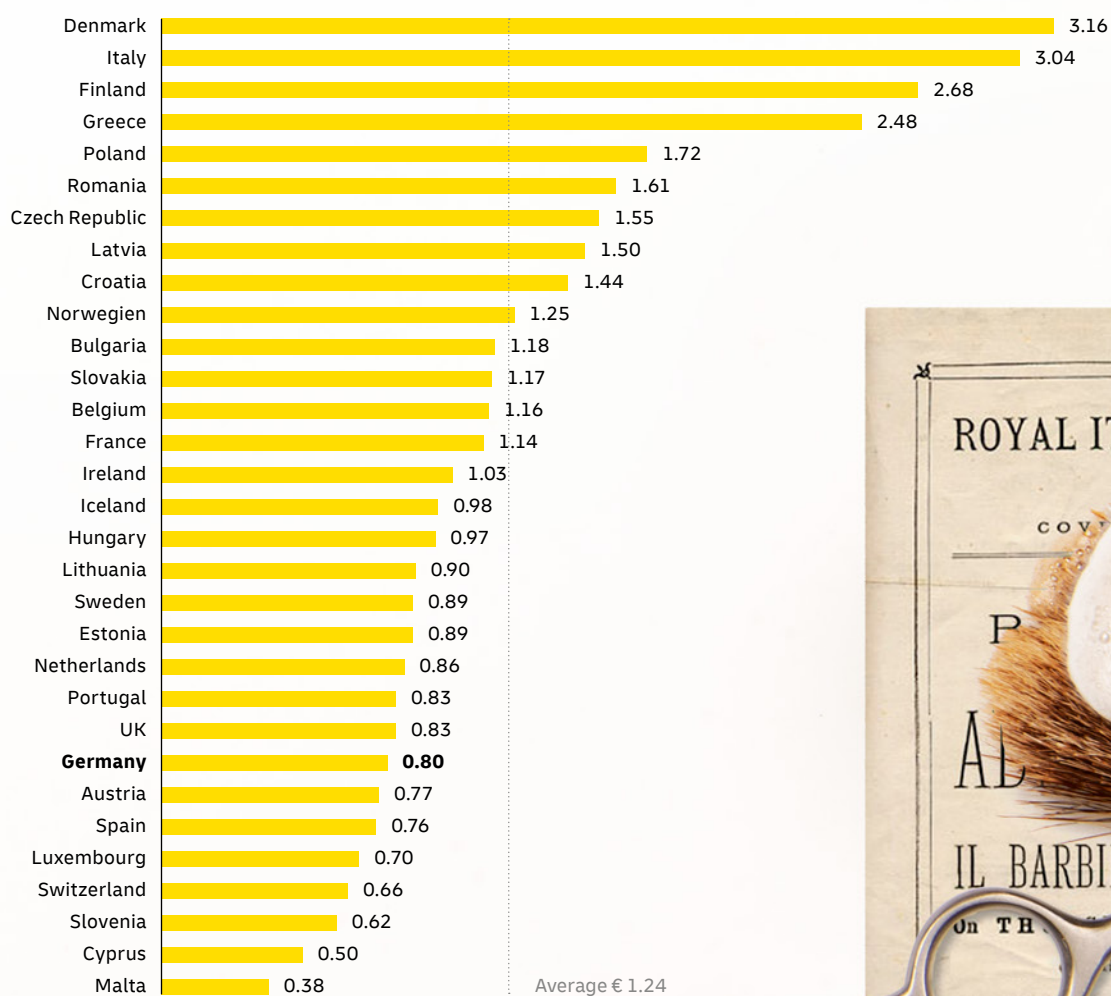
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Letter prices adjusted for purchasing power differences

in Euro





8 Consolidated results

In the final step, the letter prices are adjusted for the macro-economic factors of both labor costs and purchasing power and are then consolidated into an overall result. The value determined in this way provides a particularly good orientation when assessing European letter prices. The average consolidated letter price calculated using this method is now € 1.40, which is € 0.16 more than last year. Consolidated letter prices are above this average value in 11 countries and below it in 20 others.

The first two places are once again occupied by Denmark and Italy, with Finland and Greece holding third and fourth place. Latvia moved up from ninth place to fifth and Poland dropped from third to sixth.

The mid-range of rankings saw only a few changes compared with last year.

Iceland slipped from eleventh to 14th owing to a drop in the consolidated letter price from € 1.35 to € 1.28. Belgium rose from 18th to 14th place as a result of a € 0.20 increase in its consolidated letter price to € 1.17.



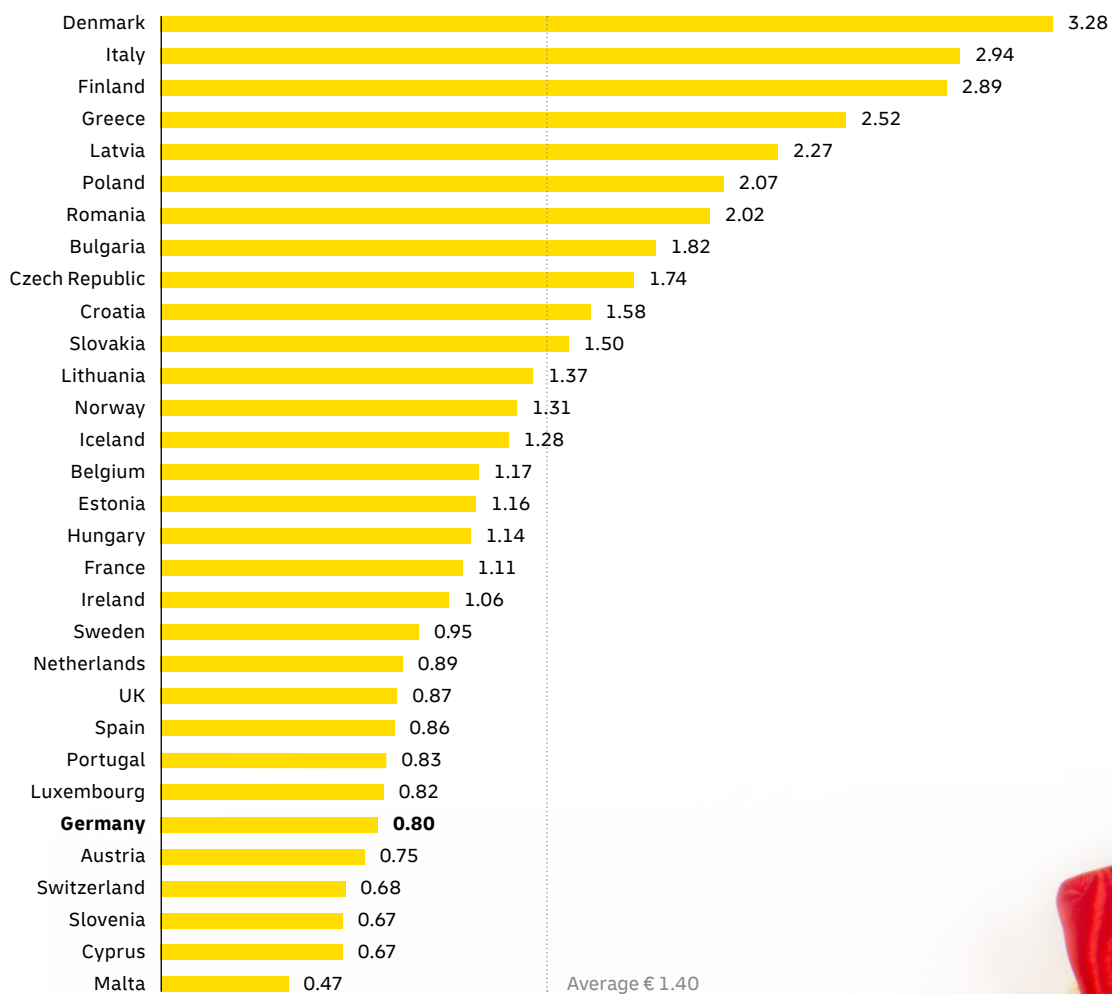
Germany ranks near the bottom of this table in 26th place, two places lower than last year. Cheaper consolidated letter prices than in Germany were found in only five generally much smaller countries: Austria, Switzerland, Slovenia, Cyprus and Malta. In 25 countries, however, postage is less affordable than in Germany.

The adjustment of prices for labor costs and purchasing power in a European comparison makes it particularly clear that Deutsche Post's domestic postage is a very cost-effective and affordable offer with an outstanding price-performance ratio.



Consolidated overall result

in Euro



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