

Inflation, subdued consumer confidence and interest rate turnaround weigh on Swiss Post's quarterly result

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As expected, Swiss Post's first quarterly result of 2023 is down significantly year-on-year. At 70 million francs, the Group result (EBIT) at the end of March 2023 is around 75 million francs below the previous year's figure. The result reflects the challenging environment in which Swiss Post currently finds itself: fewer parcels and letters, short-term negative effects of the interest rate turnaround and persistently high inflation. However, Swiss Post achieved a number of important further steps in its strategy in the first quarter: a new regional parcel center, completely carbon neutral delivery in Zurich and Bern, and milestones in secure digital communication, for example in e-voting and communication with public authorities. Thanks to its strong financial foundation, additional efficiency measures and the price increases it is seeking, Swiss Post is well equipped to meet the challenges it currently faces.

Swiss Post's result for the first quarter of 2023 was impacted by difficult, volatile geopolitical and economic conditions. As expected, it was significantly lower than the very strong first quarter of the previous year: from January to March 2023, Swiss Post generated a Group result (EBIT) of 70 million francs, down 75 million francs year-on-year. At the same time, there was a slight increase in operating income, at 1,769 million francs. Group profit stood at 41 million francs, also well below the previous year's figure of 160 million francs. However, it's important to note that Swiss Post's sale of its subsidiary Swiss Post Solutions (SPS) in the first quarter of 2022 had a considerable impact on profit. "We knew that 2023 was going to be a very challenging year for Swiss Post. The first-quarter result now reflects this clearly", says

Alex Glanzmann, Head of Finance at Swiss Post. "So it's all the more important that we keep sight of the long-term perspective", he underlines. "We need to continue working consistently towards growth and development, sustainability, price adjustments and efficiency improvements, with the latter two elements of our strategy now particularly important."

Subdued consumer confidence, high inflation and negative effects of the interest rate turnaround

The lower quarterly result was due to four key factors. First, subdued consumer confidence in Switzerland, which remains well below the long-term average. People are doing less of their shopping online, and parcel volumes were down 3.6% compared

to the prior-year period. Second, the trend towards digitization caused a further decline in the number of letters sent (−4.4% compared to the first quarter of 2022) and a sharp drop in inpayments at post office counters (−19% compared to the same period in 2022). Third, the high level of inflation also had a major impact on Swiss Post, as costs for fuel, energy, transport and materials rose significantly. A socially responsible employer, Swiss Post pays its employees wages and salaries adjusted for inflation. And fourth, the turnaround in interest rates had a negative impact on PostFinance's quarter-on-quarter business performance. In the first quarter of 2022, PostFinance was still generating income from customer asset fees and the interbank money market. Since interest rates turned upwards, income from customer asset fees has completely disappeared, with PostFinance's operating profit of 53 million francs in the first quarter down by 35 million francs year-on-year. On the other hand, the same period saw new income from interest on balances at the Swiss National Bank and higher returns on financial assets in interest operations. In the medium term, PostFinance expects interest income on financial assets to rise as a result of the turnaround in interest rates, although it will take some time for its positive impact to be reflected in Swiss Post's results. PostBus benefited from a strong recovery in public transport following the coronavirus pandemic, carrying almost 45 million passengers in the first three

months of the year, more than ever before in the first quarter. This helped produce a rise of 8 million francs in operating income at the Mobility Services unit, despite higher operating costs as a result of inflation.

Regional parcel processing, carbon neutral delivery and digital services: important further steps in the strategy implemented In the first quarter, Swiss Post took a number of important further steps in its "Swiss Post of tomorrow" strategy. In March, Swiss Post started operations at a new regional parcel center in Pratteln, bringing Swiss Post closer to households and companies in the greater Basel area, further shortening delivery routes and making a contribution to the environment. In terms of sustainability, Swiss Post reached another important milestone in the first quarter: since February, the company has been delivering letters and parcels in Zurich and Bern exclusively with electric vehicles. In its efforts to bring the principle of mail secrecy into the digital age, Swiss Post also achieved important milestones in the first quarter. In collaboration with the Canton of Bern, it introduced the digital letter box for the people of Bern. And Swiss Post's e-voting system is now also ready and available for the votes to be held in June in the cantons of Basel-Stadt, St. Gallen and Thurgau.

Focus on efficiency and pricing measures Swiss Post has a strong equity base, which is needed to help the company overcome the

challenges of today's demanding environment and continue on its growth path despite a difficult operating framework. "This growth is essential in allowing Swiss Post to offset the ongoing declines in letters and over-the-counter payment transactions. It's the only way we'll be able to fulfil our public service mandate for the Swiss people and economy, and continue to provide a self-financed service in the future", says Alex Glanzmann. At the same time, the path Swiss Post has chosen with the "Swiss Post of tomorrow" strategy means that, in the

environment in which it finds itself, the company can focus more closely on the pillars of efficiency and prices. Swiss Post has to tighten its belt and step up its implementation of the efficiency measures that it is able to influence. However, the company also needs to be able to go ahead with the price increases required. This is the only way it will be able to offset the declines in letter and parcel volumes as far as possible, and absorb the costs of particularly high inflation.

Source: [Swiss Post](#)