



# Postal, Paper & Logistics Update

May, 2023

The USPS reported dismal second-quarter results in May, with both revenue and volume down. The paper market outlook appears cautiously brighter as all paper grades are readily available. Steadily improving diesel prices cheer the freight market despite a couple worrying labor negotiations. Keep reading for more news.

Quad is a significant mailing industry partner, printer and transportation services provider, uniquely positioned to share accurate information on topics related to postal, paper and logistics. Our goal is to provide clarity and share best practices so our clients can more confidently address the latest developments. These are especially challenging times for our industry. Contact your Quad representative if you have any questions or concerns. They'll ask our in-house experts to investigate and share answers for all.

## Postal

In May, the U.S. Postal Service reported another eye-popping loss as for the second quarter of fiscal 2023, as mail volumes declined across all categories except for "other."

The USPS's net loss was \$2.5 billion for the three months ended March 31 compared to a loss of \$639 million for the same quarter last year. Revenue slipped 2.4% to \$19.6 billion from \$19.8 billion in the same period last year (SPLY).

First-Class Mail revenue increased \$33 million, or 0.5%, on a volume decline of 1.1 billion pieces, or 8.1%, compared to the same quarter last year. Marketing Mail revenue fell \$161 million, or 4.3%, on a volume decline of 1.7 billion pieces, or 11.0%. Shipping and Packages revenue decreased \$162 million, or 2.1%, on a volume decline of 89 million pieces, or 5.0%, compared to the same quarter last year.



## Second Quarter Fiscal Year 2023 Operating Revenue and Volume by Service Category Compared to Prior Year

(revenue in \$ millions; volume in millions of pieces)	Revenue		Volume	
	2023	2022	2023	2022
<b>Service Category</b>				
First-Class Mail	\$ 6,295	\$ 6,262	11,938	12,989
Marketing Mail	3,578	3,739	14,093	15,842
Shipping and Packages	7,622	7,784	1,684	1,773
International	402	422	83	87
Periodicals	224	223	737	804
Other	1,181	1,356	68	63
<b>Total operating revenue and volume</b>	<b>\$ 19,302</b>	<b>\$ 19,786</b>	<b>28,603</b>	<b>31,558</b>

USPS Chief Financial Officer Joe Corbett cited rising operating costs due to inflation, high retirement expenses and lower package shipping volume from peaks during the COVID-19 pandemic as reasons. He noted that the revenue and income numbers were based on generally accepted accounting principles (GAAP).

On a non-GAAP basis, which adjusts numbers to exclude costs outside of management's control (including workmen's compensation and continuing retiree benefits expense), the USPS Q2 loss was \$498 million compared to income of \$427 million in the SPLY.

The accelerating revenue losses break with the USPS historical pattern in which rate increases resulted in small declines in volume but higher revenues. The rapid postal rate increases starting in 2021 appear to have reversed that.

### Miscellaneous updates

- For an overview of the rate increases scheduled for July, and steps you can take to mitigate their impact, see this recap of the [Quad Postal Solutions Summit](#) in April.
- The USPS launched its [public performance website](#) on May 19. The requirement to develop such a website was part of the Postal Service Reform Act of 2022. It is intended to provide ZIP code-level service performance information to the public.
- In an interview with *The Washington Post* April 26, Postmaster General Louis DeJoy said he was committed to continuing to increase postal rates, explaining that the USPS has kept unhealthy businesses alive because of its low rates and "that has to change."

## USPS delivery performance

The USPS has processed mail at a rapid pace over the last couple of months, mainly because volume is low. Currently, there are few transportation issues and weather hasn't been an issue.

Below are the average in-home curves for Letter mail over the last four weeks. Note: Flat mail is not included in these results, as USPS April data was not complete. May data will include the results of Flat mail processing.

Mail is expected to move quickly throughout most of summer, as overall mail volume is predicted to remain low. We will be watching for changes in mail processing the remainder of this year as the USPS continues to implement network changes.

	Week of 4/24	Week of 5/1	Week of 5/8	Week of 5/15
<b>Early</b>	38%	20%	25%	29%
<b>Day 1</b>	59%	48%	59%	56%
<b>Day 2</b>	82%	80%	83%	82%
<b>Day 3</b>	94%	90%	92%	93%
<b>Day 4</b>	98%	97%	97%	97%
<b>1 Day Late</b>	99%	98%	99%	99%

## USPS volume

Mail volume for the week ended May 13, compared to last year		
Total Mail Volume	<b>Down 15.0%</b>	▼
Packages	<b>Up 2.8%</b>	▲
Single Piece	<b>Down 5.1%</b>	▼
Presort First Class	<b>Down 4.9%</b>	▼
Marketing Mail	<b>Down 20.0%</b>	▼
Periodicals	<b>Down 6.4%</b>	▼

Mail volume for the week ended May 6		
Total Mail Volume	<b>Down 10.9%</b>	▼
Packages	<b>Up 0.2%</b>	▲
Single Piece	<b>Down 12.3%</b>	▼
Presort First Class	<b>Down 3.5%</b>	▼
Marketing Mail	<b>Down 18.8%</b>	▼
Periodicals	<b>Down 18.7%</b>	▼

Mail volume for the week ended April 29		
Total Mail Volume	<b>Down 11.1%</b>	▼
Packages	<b>Up 1.8%</b>	▲
Single Piece	<b>Down 10.9%</b>	▼
Presort First Class	<b>Down 3.2%</b>	▼
Marketing Mail	<b>Down 15.6%</b>	▼
Periodicals	<b>Down 15.7%</b>	▼

Mail volume for the week ended April 22		
Total Mail Volume	<b>Down 8.3%</b>	▼
Packages	<b>Up 2.5%</b>	▲
Single Piece	<b>Down 7.1%</b>	▼
Presort First Class	<b>Down 2.9%</b>	▼
Marketing Mail	<b>Down 12.7%</b>	▼
Periodicals	<b>Up 41.5%*</b>	▲

Mail volume for the week ended April 15		
Total Mail Volume	<b>Down 12.1%</b>	▼
Packages	<b>Down 4.5%</b>	▼
Single Piece	<b>Down 18.2%</b>	▼
Presort First Class	<b>Down 3.5%</b>	▼
Marketing Mail	<b>Down 8.8%</b>	▼
Periodicals	<b>Down 41.7%*</b>	▼

Mail volume for the week ended April 8		
Total Mail Volume	<b>Down 13.2%</b>	▼
Packages	<b>Up 0.7%</b>	▲
Single Piece	<b>Down 9.5%</b>	▼
Presort First Class	<b>Down 10.3%</b>	▼
Marketing Mail	<b>Down 14.4%</b>	▼
Periodicals	<b>Down 30.6%</b>	▼

\* Note that the week ended April 15 Periodicals volume was down 41.7% and the following week it was up 41.5%, likely timing issue with SPLY

# Quad

## Paper Market

All paper grades are readily available with shorter lead times than were experienced during 2022. Paper mill operating rates are down considerably for the first four months of 2023 as compared to the same period last year. Three notable paper plant updates are below.

- In mid-April, Billerud idled their coated paper mill in Escanaba, Mich. as a precautionary measure to protect the health and safety of its employees and contractors due to the blastomycosis fungal infection outbreak. This mill was scheduled to restart May 8<sup>th</sup> when no fungi spores were found during the cleaning and inspections.
- There was a landslide at Norske Skog's Saugbrugs uncoated paper mill in Norway on 27 April 2023. No one was injured, but this event has had a material impact on building structures, cranes, and other machinery and equipment relating to the mill's PM6 paper machine, which will result in a production stop for a longer period. The mill continued to make some supercalendered uncoated papers on their PM4 machine.
- Port Hawkesbury Paper Wind, a sister company of Port Hawkesbury Paper, received approval to begin construction on a 29-turbine wind farm. This project could be completed by summer of 2025. The location will produce an estimated 130.5 megawatts of electricity that will feed into the Nova Scotia Power transmission system, supplying up to 40% of the paper mill's electricity needs.

## Logistics

Again this month there wasn't much news in the freight and logistics sector, which generally is a good thing.

The cost of diesel is continuing to move lower. The average U.S. on-highway price was \$3.883 on 5/22/23, according to the Energy Information Administration ([eia.gov/petroleum/gasdiesel](http://eia.gov/petroleum/gasdiesel)), down -0.014 from the prior week and down -1.688 YOY.

The industry is following news about potential strikes this summer. There is potential market impact from these labor issues, with UPS most at risk.

We are keeping tabs on several current and pending negotiations.

- There has been some progress in talks between the International Longshore and Warehouse Union (ILWU) talks and the Pacific Maritime Association (PMA), which have been going on for almost year. In late April the two sides said they had reached a tentative agreement on "certain key issues."
- Talks between trucking carrier Yellow and the Teamsters representing 22,000 Yellow employees look less positive, as both sides criticize each other in the press.
- Talks between the Teamsters and LTL carrier ABF Freight seem to be going better as they seek to reach a new agreement to succeed their current contract which expires June 30.

As always, your Quad representative will work diligently to find you the lowest rates with the most efficient transportation available.

**1 (866) 824-2869**  
**info@quad.com**  
**Quad.com**