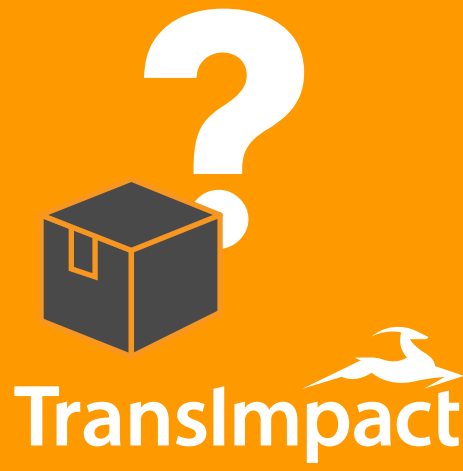


Our Predictions on the FedEx and UPS GRIs Were Right Last Year, So Here's What We See for 2023

PREDICT

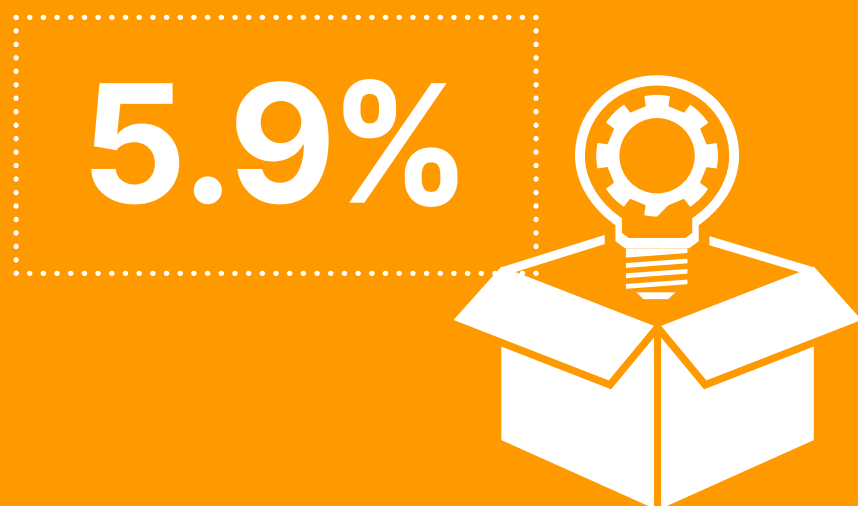


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Our
Predictions
on the FedEx®
and UPS® GRIs
Were Right
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How did we get our **predictions** for last year's record-breaking General Rate Increases so close in a chaotic year for small parcel shipping?

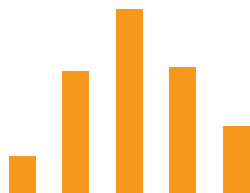
It took some **out-of-the-box thinking** and detailed cost modeling — especially considering the 2022 GRIs' average of 5.9% broke the trend of GRIs pegged at 4.9% every year going back to 2013. Very few in the parcel industry saw such a big increase coming for 2022, and **TransImpact was one of even fewer to speak up and predict the increase with accuracy.**



The good news is that the team of experts at TransImpact is at it again, and **this report is a preview of what we think the carriers will announce.** The bad news is our prediction is for another record-breaking GRI from UPS and FedEx. To help you prepare and make the best of a bad situation, we've got the details behind the anticipated increases so you can strategize to avoid as many of them as possible.

Keep reading to get the details on the increases TransImpact's models predict based on the current market conditions relating to the carriers' business operations, capacity, demand, and shipping trends.

We've also added a few BOLD non-GRI predictions for 2023 at the end of the report that you'll want to read.




What's Influencing Business Most for FedEx and UPS Right Now?

It's not you;
it's **THEM**
(the carriers, that is).



Both small parcel carriers have to deal with many of the same challenges as other businesses. **Generally high inflation, rising labor costs, and fluctuating fuel costs are all real pressures** on their business operations.



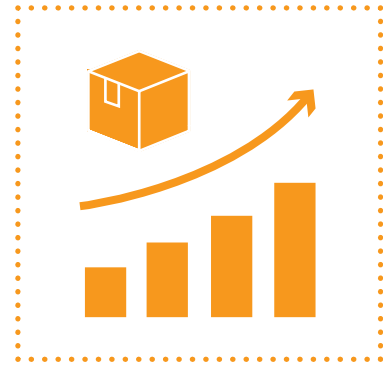


Remember that many of the business costs FedEx and UPS had in mind with last year's increases are even worse today. In July, the U.S. Bureau of Labor Statistics reported an increase in the "all items" Inflation Index of 8.4% over the prior 12 months. This comes after the U.S. government's Energy Index rose 41.6% over the prior 12 months in June (the largest 12-month increase since 1980).

There is a business shift happening that is at play for FedEx and UPS, as well. These higher operating costs are on top of several years spent investing in their delivery networks and efficiency, as well as a necessary adaptation to the market shift towards ecommerce and more residential deliveries. Both carriers have also stated that they are focused on future growth through "quality" revenue.

Taken all together, it's not hard to see where the carriers are likely heading with their 2023 GRIs — but it's not quite so simple. As with every GRI, it's the details that matter.





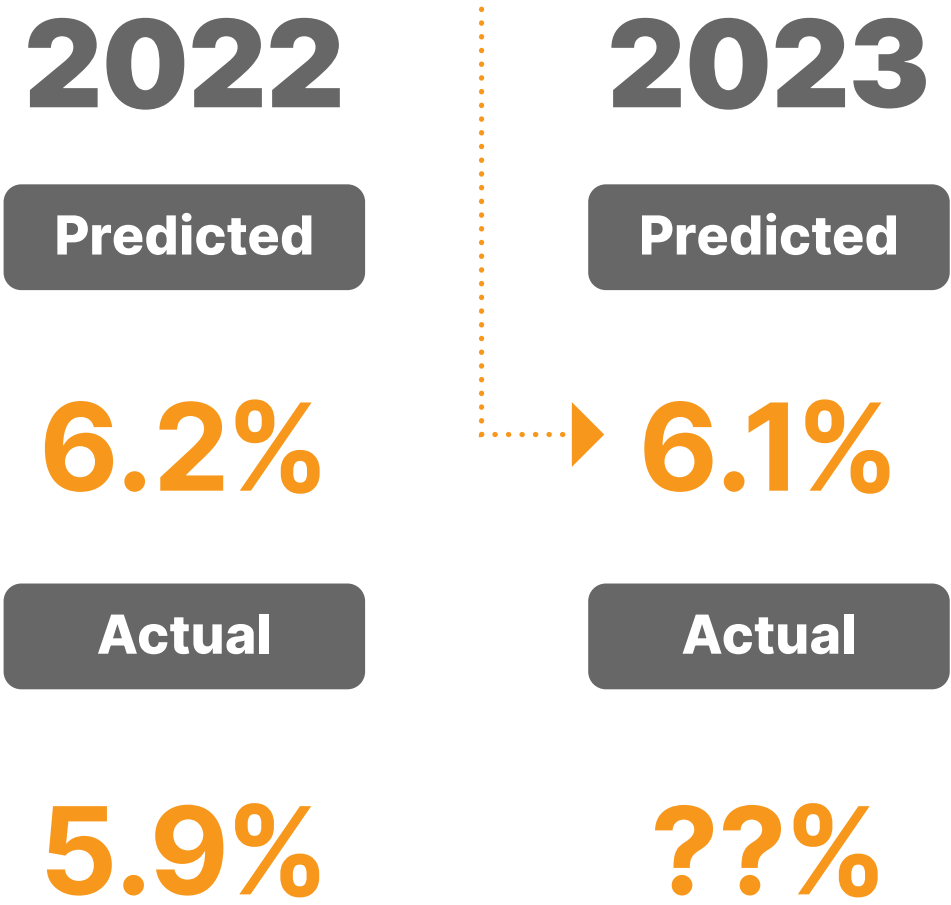
Our **PREDICTION** 2023 GRI

As we've stated, conditions are right for another record GRI from FedEx and UPS in 2023. While capacity is improving, inflation, labor costs, and fuel remain high. And since both carriers' GRIs end up averaging the same, we're making a single prediction.



TransImpact predicts a GRI for 2023 of 6.1%, higher than last year's 5.9% increase.

6.1%



Predicting The Details of the 2023 GRIs

PREDICT



Predicting the Details of the 2023 GRIs

Keep in mind that even though FedEx and UPS both announced a 5.9% GRI for 2022, most shippers' actual costs increased by 7%–8% on average. The announced increases, whether 4.9%, 5.9%, or more, are just an average. It is the category-specific increases within the announcements that impact a company's costs most, because no two shippers are the same.



Here's where TransImpact sees the **largest increases** coming...

FedEx Express Minimums

Our prediction is the FedEx 2 Day and Express Saver Minimums will have the most significant percentage increases (11.9%) of any FedEx Minimums in 2023. The FedEx Priority Minimum will go up by 9.1%.

	5yr Avg Increase	2023 % Increase	2022 Min	2023 Min
Priority Overnight	7.60%	9.10%	\$34.14	\$37.24
Standard Overnight	6.40%	8.50%	\$31.22	\$33.88
2 Day AM	9.60%	11.90%	\$23.52	\$26.31
2 Day	4.70%	4.90%	\$21.02	\$22.05
Express Saver	10.20%	11.90%	\$19.57	\$21.90



UPS Minimums

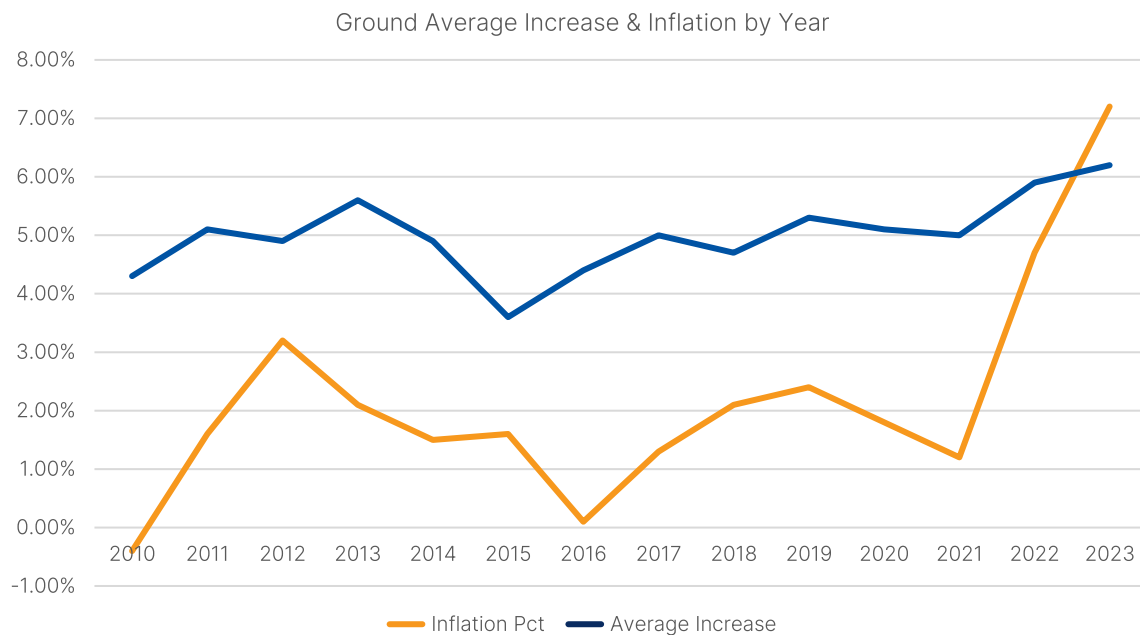
Noteworthy is that over the past five years, both carriers have increased most of their Minimums far more than the typical annual GRI — this year, it could be double at 12.6% for UPS 3 Day.

	5yr Avg Increase	2023 % Increase	2022 Min	2023 Min
Next Day	7.10%	9.10%	\$34.50	\$37.63
Next Day Saver	6.90%	8.60%	\$31.54	\$34.26
2 Day AM	7.60%	7.80%	\$23.13	\$24.94
2 Day	4.70%	4.90%	\$21.23	\$22.27
3 Day	9.00%	12.60%	\$13.57	\$15.28



Ground Average Increase

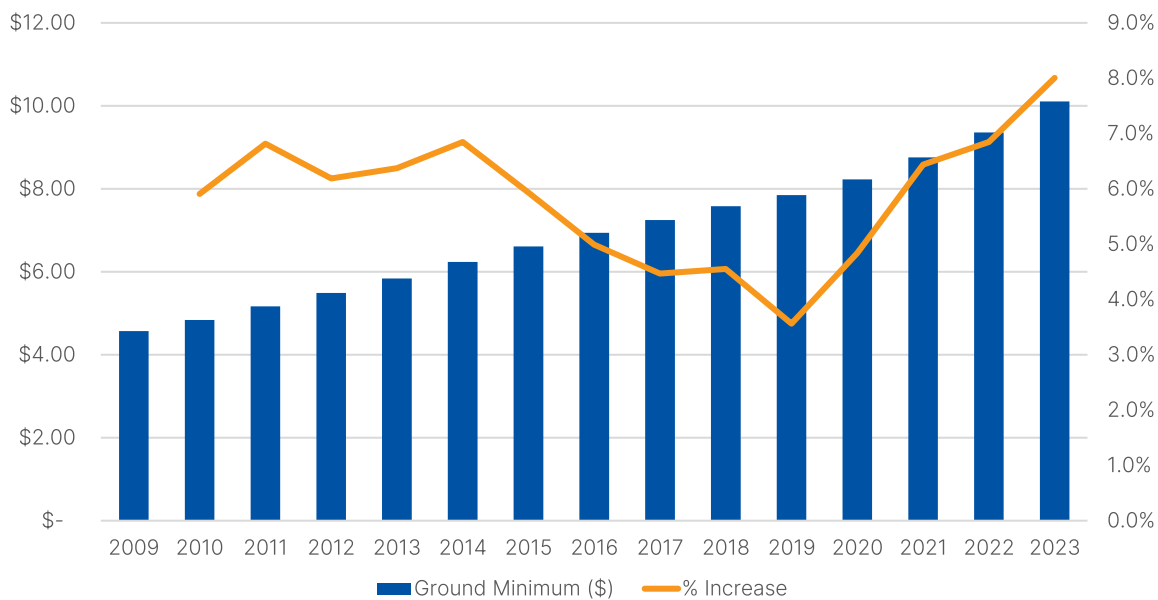
Our model shows that both parcel carriers will implement the highest Ground rate increase in over 12 years, with a cumulative increase of at least 6% in 2023.





Ground Minimum Recent Trend

Ground Minimum increases have been accelerating since 2019 for both carriers, and we're predicting in 2023 it'll go up double digits for both FedEx and UPS.



\$10.11

**Forecasted Ground
Minimum in 2023**



FedEx Accessorial Projections

As a positive, we predict that FedEx will be less aggressive with its Accessorial increases in the 2023 GRI, but most will still exceed 6%.

	2022 Increase	2023 Projected Increase
DAS Extended Ground Economy	61%	21%
DAS Ground Economy	53%	19%
Non Machineable Charge	50%	15%
Oversize Charge – Ground	24%	9%
Oversize Charge – Home Delivery	19%	10%
Additional Handling – Length	19%	9%
Additional Handling – Pkging	18%	9%
Additional Handling – Weight	13%	7%
Hazardous Material Ground	13%	7%
Unauthorized OS Ground	11%	7%
DAS Extended Comm Ground	11%	7%
DAS Express	11%	7%
DAS Extended Comm Express	10%	7%
DAS Extended Resi Express	10%	8%
DAS Comm Ground	10%	6%
DAS Comm Express	9%	6%
Residential (HDS)	9%	7%
Address Correction	8%	6%
Residential (Express)	7%	6%

Surcharge increases will be less aggressive overall in 2023 than in 2022.

FedEx Ground Economy surcharges remain aggressive while others are north of the headline increase.



UPS Accessorial Projections

Also positive is that we predict less aggressive Accessorial increases by UPS, although some Additional Handling and Large Package Surcharges may get baked into base rates. So, while the Accessorial itself may not increase, you'll still be paying more.

	2022 Increase	2023 Projected Increase
DAS SurePost	45%	19%
DAS Extended SurePost	39%	18%
Additional Handling – Length	19%	9%
Large Package – Comm	15%	5%
Additional Handling – Weight	13%	7%
Hazardous Material Ground	13%	7%
Large Package – Resi	12%	11%
DAS Resi Ground	12%	7%
Over Max	11%	7%
DAS Extended Comm Ground	11%	7%
DAS Resi Air	11%	7%
DAS Extended Comm Air	10%	7%
DAS Extended Resi Ground	10%	8%
DAS Comm Ground	10%	6%
DAS Comm Air	9%	6%
Residential (Ground Resi)	9%	7%
Non-Machineable Charge	9%	11%
Additional Handling – Pkging	9%	6%
Residential (Air)	7%	6%

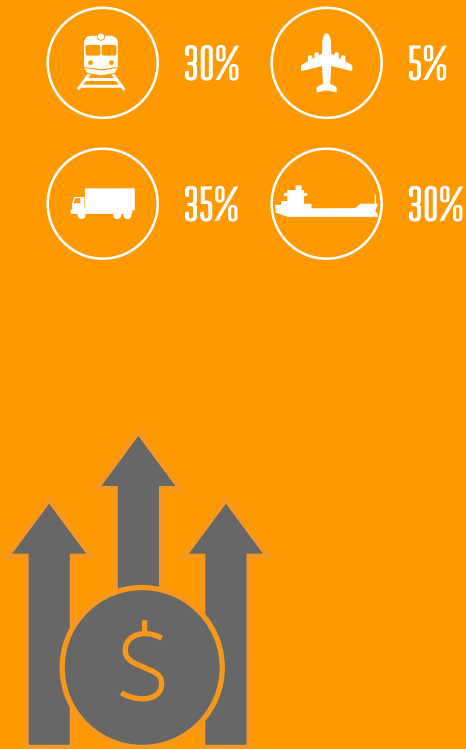
**2023 UPS surcharge increases
will be softer overall than in 2022
with SurePost fees near 20%.**

**UPS could bake AHS & LPS
demand surcharges into
2023 base surcharge rates.**

As a final prediction, the biggest impact on International packages will be felt in the APAC region because it's been the slowest to recover from the pandemic. As with some Accesorials, the carriers may incorporate specific Demand Surcharges into their 2023 base rates.

PREDICTIONS

With peak shipping season approaching, there are other important costs shippers should also be watching this time of year. The carriers are pretty good at burying the lede regarding rate increases, as we all know.



It's possible due to the increase in ecommerce residential deliveries that new Sunday Delivery, Metro Area, and Gated Community Surcharges may be on the way. And, as some of the Demand Surcharges presently in place expire, there may be new charges coming. This could include a SurePost Surcharge and increases to Additional Handling and Large Package Surcharges by UPS.



Finally, the off-again, on-again situation with Service Guarantees is something we're all watching. With **UPS service levels hitting mid-to-high 90%** on time but FedEx's delivery performance lagging, we're predicting UPS will be the first carrier to reinstate the guarantees in 2023.

90%



Some Advice

As our report shows, 2023 is shaping to be a big one regarding the General Rate Increases from FedEx and UPS. And, it's the changes to Minimums and Accessorials that companies need to be on the lookout for first.

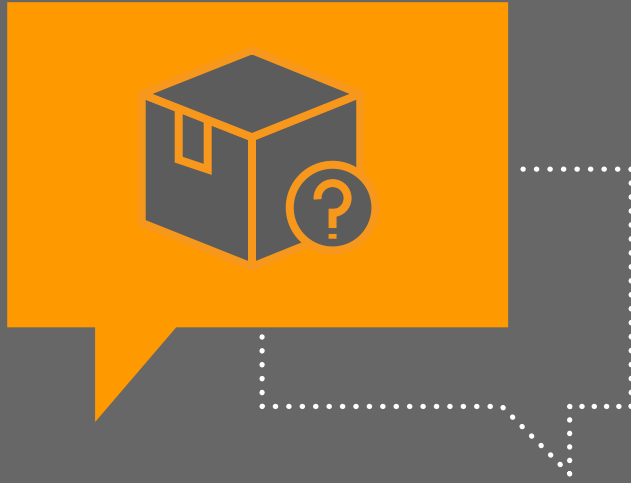
Here are a few tips to think about now to make sure your company is well-positioned to deal with the 2023 GRIs.

Do you have a rate cap?

While a rate cap is contract language usually reserved for large-volume shippers, it is something that all shippers should ask for in their agreements. This can limit the amount that specific charges can increase despite a GRI, but if you ask for a rate cap, make sure it applies to all Minimums, Services, and Accessorials.

The contract language around these details is complex. So, note that many rate caps have expiration dates that are different than other discounts.





It's never a bad time to renegotiate.

It's becoming a buyer's market again in transportation. You probably feel like other companies — that the carriers have been taking advantage of a difficult few years. Your rates must reflect the fact that rates everywhere in shipping are softening, and parcel is no different.

There is still time to renegotiate your small package contracts with FedEx and UPS before the peak season surcharges and GRIs go into effect.

Here is where TransImpact can help.

Contact us at
info@TransImpact.com
for a free analysis of what
your parcel rates **SHOULD** be
in the current market and a
plan to secure a new
agreement to get them.



TransImpact
Parcel Contract Negotiation



TransImpact.com

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