

FedEx battles slowdown with sizeable rates hike, cost-cutting measures

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Last week, the company reported preliminary revenue and earnings for the first three months of its current financial year (June-August 2022) that fell some way short of expectations and these results were confirmed in a statement yesterday.

FedEx reiterated that its Q1 consolidated operating results were adversely impacted by global volume softness that accelerated in the final weeks of the quarter due to weakening economic conditions.

Rates increases

Effective January 2, 2023, FedEx Express, FedEx Ground and FedEx Home Delivery rates will increase by an average of 6.9%. FedEx Freight rates will increase by an average of 6.9%-7.9% dependent on the customer's transportation rate scale. The company is the first of the big carriers to announce US price adjustments for next year, ahead of UPS, USPS and DHL Express.

Cost savings

Turning to the cost-cutting programme, in fiscal 2023 (the current financial year), the

company expects to generate total savings of \$2.2-2.7 billion.

This consists of \$1.5-1.7 billion at FedEx Express, including reducing flight frequencies and temporarily parking aircraft; \$350-500 million at FedEx Ground, including closing select sort operations, suspending certain Sunday operations, and other linehaul expense actions; and \$350-500 million across shared and allocated overhead expenses, including reducing vendor utilization, deferring certain projects, and closing certain FedEx Office and corporate office locations.

In the first quarter, the company realized approximately \$300 million of these savings and expects to realize approximately \$700 million in savings in the second quarter.

Source: [CEP-Research](#)