



POSTAL NEWS

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U.S. Postal Service Reports First Quarter Fiscal Year 2023 Results

- *Operating revenue grew by \$206 million*
- *Elevated inflation continues to impact operating expenses*
- *Continued progress on implementation of Delivering for America plan*

WASHINGTON - The U.S. Postal Service today announced its financial results for the first quarter of fiscal year 2023 (Oct. 1, 2022 - Dec. 31, 2022). The Postal Service's operating revenue was \$21.5 billion for the quarter, an increase of \$206 million, or 1.0 percent, on a volume decline of 1.7 billion pieces, or 4.8 percent, compared to the same quarter last year.

Shipping and Packages revenue increased \$203 million, or 2.4 percent, on a volume decline of 70 million pieces, or 3.5 percent, compared to the same quarter last year. The volume decline reflects the continued abatement of the pandemic-related surge in e-commerce. However, Shipping and Packages volume remains higher than pre-pandemic levels.

First-Class Mail revenue increased \$95 million, or 1.5 percent, on a volume decline of 587 million pieces, or 4.5 percent, compared to the same quarter last year. The volume decline reflects on-going migration from mail to electronic communication and transaction alternatives. First-Class Mail volume remains lower than pre-pandemic levels.

Marketing Mail revenue decreased \$106 million, or 2.4 percent, on a volume decline of 879 million pieces, or 4.7 percent, compared to the same quarter last year. Revenue declined at a lesser rate than volume due to price increases. Marketing Mail has been challenged by commercial mailers' increasing use of digital and mobile advertising, which was accelerated by the pandemic. Nevertheless, Marketing Mail has generally proven to be a resilient marketing channel, and its value to U.S. businesses remains strong due to customer returns on investment and better data and technology integration.

"We are making demonstrable progress with our *Delivering for America* plan. We continue to focus on service reliability for the American public as we modernize our outmoded and aging postal network to move mail and packages in an integrated network and deliver to nearly 165 million delivery points six days a week while covering our costs," said Postmaster General and CEO Louis DeJoy.

"Our initiatives in cost reduction and revenue growth are underway. However, in addition to facing the same inflation and other post-Covid economic realignment issues that every business is facing, we continue to operate in an administrative environment beyond our control that slows the pace of improvement," DeJoy added.

The Postal Service's operating expenses decreased \$129 million, or 0.6 percent, compared to the same quarter last year. However, excluding costs outside of our control such as the prior year's retiree health benefit expense eliminated by the Postal Service Reform Act (PSRA), the retiree benefits expense for the amortization of underfunded Civil Service Retirement System (CSRS) and Federal Employee Retirement System (FERS) plans, and workers' compensation expenses caused by actuarial revaluation and discount rate change, expenses increased by \$1.1 billion, or 5.3 percent.

Compensation and benefits expense increased \$642 million, or 4.8 percent, primarily due to wage increases in our labor agreements tied to inflation and, in particular, the impacts of cost-of-living adjustments.

Transportation expense and other operating expenses increased \$321 million, or 5.8 percent as inflationary pressures have led to higher average jet fuel prices for air transportation, higher average diesel prices for long-haul transportation, higher average fuel prices for delivery vehicles and utilities, and higher rent costs.

The net loss for the quarter totaled \$1.0 billion, a decrease in net loss of \$519 million, compared to a net loss of \$1.5 billion for the same quarter last year. Controllable income excluding all retiree health benefit expense was \$187 million, compared to controllable income excluding all retiree health benefit expense of \$880 million for the same quarter last year.

"Elevated inflation continues to have a significant impact on our results," said Chief Financial Officer Joseph Corbett. "Higher costs as a result of inflation slowed our plan toward break-even operations in 2023. However, excluding costs outside of our control, expenses grew by 5.3 percent, which is lower than the average annual inflation in December 2022. We continue to manage costs within our control by focusing on maximizing labor productivity and optimizing our network. However, we also need Civil Service Retirement System reform to achieve financial predictability and sustainability."

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

The following table presents revenue and volume by category for the three months ended December 31, 2022 and 2021:

	Revenue		Volume	
	2022	2021	2022	2021
<i>(revenue in \$ millions; volume in millions of pieces)</i>				
Service Category				
First-Class Mail	\$ 6,527	\$ 6,432	12,604	13,191
Marketing Mail	4,360	4,466	17,925	18,804
Shipping and Packages	8,840	8,637	1,935	2,005
International	463	531	105	114
Periodicals	239	258	800	920
Other	1,070	969	179	192
Total operating revenue and volume	\$ 21,499	\$ 21,293	33,548	35,226

Selected First Quarter Fiscal Year 2023 Results of Operations and Non-GAAP measures

This news release includes *controllable income (loss)* which is not calculated and presented in accordance with generally accepted accounting principles in the United States (GAAP). This non-GAAP measure is calculated as net loss adjusted for workers' compensation expenses caused by actuarial revaluation and discount rate changes and the amortization of the Postal Service Retiree Health Benefits Fund (PSRHBF), CSRS, and FERS unfunded liabilities.

This news release references *controllable income excluding all retiree health benefits expense* which is not calculated and presented in accordance with GAAP. This non-GAAP measure is calculated as controllable income (loss) adjusted for the impact of the retiree health benefits expense associated with normal costs which were eliminated by the PSRA in April 2022.

These non-GAAP measures provide meaningful information to assist users of the Postal Service's financial statements in more fully understanding the financial results and assessing the Postal Service's ongoing performance because they exclude items that may not be indicative of, or are unrelated to, underlying operations.

Non-GAAP financial measures should be considered in addition to, and not as an alternative for, the Postal Service's reported results prepared in accordance with GAAP. This adjusted financial information does not represent a comprehensive basis of accounting.

The following table reconciles GAAP net loss to our non-GAAP financial measures for the three months ended December 31, 2022 and 2021:

(results in \$ millions)

	2022	2021
Net loss	\$ (1,028)	\$ (1,547)
PSRHBF unfunded liability amortization expense ¹	—	250
Workers' compensation non-cash (benefit) expense ²	(35)	288
CSRS unfunded liability amortization expense ³	775	464
FERS unfunded liability amortization expense ⁴	475	350
Controllable income (loss)	\$ 187	\$ (195)
Normal cost of retiree health benefits ⁵	—	1,075
Controllable income excluding all retiree health benefits expense	\$ 187	\$ 880

¹ Expense for the accrual for the annual payment that was expected to be due to the PSRHBF by September 30, 2022, as calculated by the U.S. Office of Personnel Management (OPM), to amortize the unfunded PSRHBF retirement health obligation. This payment was eliminated in April 2022 by the PSRA.

² Represents workers' compensation non-cash (benefit) expense resulting from fluctuations in discount rates, changes in assumptions, valuation of new claims, revaluation of existing claims, and the administrative fee paid to the U.S. Department of Labor, less current year claim payments.

³ Expense for the annual payments due September 30 of the respective year, calculated by OPM to amortize the unfunded CSRS retirement obligation. Payments are to be made in equal installments through 2043.

⁴ Expense for the annual payment due September 30 of the respective year, calculated by OPM to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

⁵ Expense for the accrual for the annual payment that was expected to be due to the PSRHBF by September 30, 2022 for actuarially determined normal cost of retiree health benefits for current employees. This payment was eliminated in April 2022 by the PSRA.

Financial results in the Form 10-Q are available at <http://about.usps.com/what/financials/>.

Forward-Looking Statements

Forward-looking statements contained in this release represent the Postal Service's best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this release use such words as "may," "will," "could," "expect," "believe," "plan," "estimate," "project," or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of COVID-19 on the Postal Service's business, financial condition, and results of operations. The Postal Service has no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

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The United States Postal Service is an independent federal establishment, mandated to be self-financing and to serve every American community through the affordable, reliable and secure delivery of mail and packages to nearly 165 million addresses six and often seven days a week. Overseen by a bipartisan Board of Governors, the Postal Service is implementing a 10-year transformation plan, [Delivering for America](#), to modernize the postal network, restore long-term financial sustainability, dramatically improve service across all mail and shipping categories, and maintain the organization as one of America's most valued and trusted brands.

The Postal Service generally receives no tax dollars for operating expenses and relies on the sale of postage, products and services to fund its operations.

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