

## **PARCEL CARRIERS FACE HUGE EXCESS CAPACITY IN PEAK OF 2022**

**September 19, 2022:** ShipMatrix demand supply model shows that the parcel industry dominated by FedEx, UPS, USPS and Amazon will face huge excess capacity during the peak season of 2022.

ShipMatrix predicts that the demand of 92 million parcels per day will be a minimal increase from peak of 2021 due to several changes in consumers behavior that include: more shopping at stores which results in ten parcels delivered to residences converting to one parcel delivered to a retail store, reduced spending on items shipped by carriers due to more outlay on travel and entertainment, inflationary pressures and an extra shipping day between Thanksgiving and Christmas.

While Covid 19 pandemic related demand stalled in late 2021 some carriers continued to add capacity which will be in excess of 110 million parcels per day during peak of 2022. Even with UPS's focus on sweating the assets, the Postal Service has aggressively increased its capacity from 53 million to 60 million per day, which amounts to 54 percent of capacity while having 38 percent of market share by volume. This will result in excess capacity by 18 million parcels per day and financial challenges for the carriers if they do not cut back hiring for this peak season.

It is in sharp contrast from the peak seasons of 2020 and 2021 when ShipMatrix model had correctly forecasted the demand to exceed capacity by 7.2 million and 1.3 million parcels per day respectively.

The silver lining from this demand v. capacity reversal is that the carriers can eliminate peak period hiring of temporary workers, the retailers should experience lower cost in shipping charges by avoiding certain peak season surcharges, and the consumers should experience a higher level of on-time delivery performance.

### **About ShipMatrix, Inc.:**

ShipMatrix is used by hundreds of customers across the country who collectively ship millions of parcels weekly from over 100,000 locations. In addition, ShipMatrix leadership has unmatched parcel industry experience as founders of FedEx Ground and advisers to all major carriers.

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