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**THE WALL STREET JOURNAL.**

[WSJ.com](http://WSJ.com)

JULY 23, 2009, 10:27 A.M. ET

## UPS Profit Slides on Economic Weakness

By **BOB SECHLER**

**United Parcel Service Inc.**'s second-quarter income fell 49% on continued weak demand, with the shipping bellwether warning that conditions have yet to improve substantially and forecasting discouraging third-quarter results.

The most optimistic view that UPS executives offered is that business trends appear to be stabilizing.

Chief Financial Officer Kurt Kuehn said the broad economy isn't getting "dramatically worse," but he noted that UPS remains "cautious" on its outlook because few signs of an imminent rebound are evident.

The package-delivery company projected third-quarter earnings of 45 cents to 55 cents a share, below Wall Street's consensus forecast of 59 cents per share, according to Thomson Reuters.

UPS said it expects average daily domestic package volumes to be down about 4.6% in the third quarter, equal to the second quarter slide. And it sees average daily international export volumes likely down 4% to 6%, after falling 7.3% in the second quarter.

The earnings warning is the latest for UPS, which like nearly every industry linked to freight has seen steep declines in volume.

Earlier Thursday, German shipping company Deutsche Post AG reported that its volumes "may have seen the bottom," but it also said it doesn't expect world trade to make a substantial recovery in coming months. **FedEx Corp.** warned last week it was bracing for soft demand into next year.

As a diversified transportation company that moves everything from documents to building materials, UPS, along with rival FedEx, is considered a barometer for the state of the U.S. economy.

In a post-earnings conference call, Mr. Kuehn said the "stagnant economic activity around the world negatively impacted all of our business segments" in the second quarter. He added that the company is bracing for more of the same until it sees clear indications of improvement.

UPS posted second-quarter income of \$445 million, or 44 cents a share, down from \$873 million, or 85 cents a share, a year earlier. The latest quarter included five cents in currency and other charges. In April, the company projected earnings of 45 cents to 55 cents per share, below analysts' estimates at the time.

Revenue decreased 17% to \$10.83 billion. Operating margin fell to 8.3% from 11.2%, while average revenue per package fell 11%.

U.S. package revenue fell 12%, while international package segment revenue dropped 24%.

—Kerry Grace Benn contributed to this report.

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