

PPAI

The Mark of a Professional.®

3RD
QUARTER

MARKET OUTLOOK REPORT

2016

The full detailed report is available to study participants. Learn more on pg. 3

 ITR ECONOMICS

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Market Outlook Report Executive Summary

PPAI Total Members' Association Summary

- The annual data trend of the Total Members' Index has stagnated in recent months. However, it is up 2.3% from the year-ago level.
- The Distributor Market Index (annual growth rate at 3.0%) is outperforming the Suppliers Market Index (annual growth rate at 0.8%).
- The Total Members' Index quarterly growth rate (-1.6%) is declining and below the annual growth rate of 2.3%. This signals that further business cycle decline is likely to extend into at least early 2017.
- However, rising macroeconomic indicators support our expectation that 2017 will be a better year than 2016 for the US macroeconomy and for most PPAI members.

Index	Current	Phase
Total	2.3%	C
Suppliers	0.8%	C
Distributors	3.0%	C

PPAI Suppliers Members' Association Summary

- The PPAI Supplier Members' Index forecast was revised downward and the upcoming business cycle low was pushed out one quarter to reflect our expectations of a longer period of slower growth in US Retail Sales (deflated), in part due to pullback in US Light Vehicle Retail Sales.
- We expect the annual data trend of the PPAI Supplier Members' Index to generally rise into the second half of 2018. This will generally coincide with a rise in annual US Industrial Production, a benchmark for the US industrial sector, from late 2016 through late 2018.
- There is a diverging trend between the top-performing and bottom-performing members, driven by rise in the annual growth rate for the third quartile of Large Suppliers.

Supplier Outlook

2016:	0.3%
2017:	4.1%
2018:	3.8%

PPAI Distributors Members' Association Summary

- The average Distributor Member's Index for the 12 months through September is up 3.0% from the year-ago level. However, Index is down 1.5% in the third quarter from the third quarter of 2015.
- The forecast was downward revised on lower expectations of B2B activity. We expect an early 2017 low in the Distributor Members' Index annual growth rate.
- Seasonal shifts are evident in the Distributor Index. The fourth quarter remains the largest make up of annual activity. However, activity has picked up in the first quarter each year since 2010.

Distributor Outlook

2016:	2.9%
2017:	6.0%
2018:	4.6%

PPAI Member's Competitive Environment Summary

- Expenditures on traditional media sources (Network TV, in-print media) are generally declining as consumers switch consumption toward internet-based media and news.
- Radio Expenditures are in an accelerating growth trend, likely due to campaign advertising dollars.
- As the competitive landscape shifts toward newer, online media sources, PPAI members need to be prepared to compete by offering a streamlined, easy-to-use and easy-to-find website. Seek partnerships with online shopping or media platforms to increase the visibility of your brand, and consider investing in an improved website.

Market Outlook Report



The PPAI Market Outlook Report is a quarterly snapshot of the promotional products industry. In order to best provide resources to members, this report was created by ITR Economics to provide information on macroeconomic, industry, and competitive landscape trends. The goal of the report is to provide members with insight into current business cycle trends that affect member companies. This will allow members to make better business decisions in order to increase profitability and mitigate risk.

The PPAI Member Market Index is derived from sales data submitted by PPAI supplier and distributor members. Growth rates are calculated based on the submitted data, and an index is created based on the typical (median) growth rates submitted by PPAI members in a given month. The purpose of the PPAI Member Market Index is to allow PPAI members to see how their company's performance compares to industry trends. Graphs are included throughout the report and there are explanations on how to calculate your own company's performance and compare it against the industry. Members can see whether they are performing in the top quarter, middle two quarters, or bottom quarter of the industry. Members can also compare their results against all members, distributors or suppliers only, and distributors/suppliers by company size.

To access the detailed report in full and to help better capture the state of the industry, become a valued participant in our quarterly Market Outlook Survey. Find out how by contacting:

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About PPAI

Promotional Products Association International (PPAI) has been the trusted authority in the promotional products industry since 1903. With over 14,000 member companies worldwide, PPAI represents manufacturers, suppliers, decorators and distributors who market to advertisers to help better promote their brand. Visit www.ppai.org for more information.



About ITR Economics

ITR Economics provides clear, comprehensive action plans for capitalizing on business cycle fluctuations and for outperforming your competition. More than just analysis and forecasts, ITR Economics provides management with actionable options. ITR Economics uses a knowledge base of over six decades that encompasses an uncommon understanding of long-term economic trends and how leaders should react to critical changes in market conditions. Our reputation for excellent, independent, and objective analysis is indisputable. Visit www.itreconomics.com for more information.