

The PPAI

1st Quarter 2019

# Market Outlook Report

A Quarterly Snapshot of the Promotional Products Industry

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

## Key Points:

- Slowing growth evident in US Retail Sales and PPAI member Sales data
- Growth is likely in most states in the coming quarters
- Revised Suppliers Index forecast; Distributors outlook unchanged
- Expect a 2Q20 cyclical low for Distributors and Suppliers
- Look to markets relatively insulated from the macro-economic business cycle like education and health care

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## Section I: Overview of National and Regional Economic Environment

- Many measures of the US economy have entered slowing growth trends, including US Total Retail Sales and US Industrial Production. Leading indicators, such as the proprietary ITR Leading Indicator™, point to further business cycle decline (Phase C or D) in at least the next two to three quarters.
- State-by-state leading indicators suggest growth ahead for most of the US. Mild contraction is possible in a few states, particularly in the Central US.

## Section II: PPAI Total Members Summary

- The PPAI Total Members Index is in Phase C, consistent with trends in US Retail Sales.
- Leading indicators, such as the ITR Retail Sales Leading Indicator™, point to further business cycle decline (Phase C or D) in the Total Members Index into at least early 2020.

Index	Current	Phase
<b>Total</b>	5.3%	C
<b>Suppliers</b>	4.7%	C
<b>Distributors</b>	5.4%	C

## Section III: PPAI Supplier Members Summary

- The PPAI Suppliers Sales Index during the 12 months through March was up 4.7% from the year-ago level.
- The Suppliers Index was below the forecast range following an abnormally weak first quarter and an earlier-than-anticipated peak in the annual growth rate. We revised the forecast accordingly.
- Plan for the annual average Suppliers Index to be generally flat into mid-2020. Rise will define the second half of 2020 and most of 2021.

### Supplier



### Outlook

<b>2019:</b>	-0.2%
<b>2020:</b>	0.9%
<b>2021:</b>	3.4%

## Section IV: PPAI Distributor Members Summary

- The PPAI Distributors Sales Index during the 12 months through March was up 5.4% from one year ago. The Index is in a slowing growth trend.
- The Distributors Index was within the forecast range, and our analysis of economic trends indicates that no changes are needed to the forecast.
- The Distributors Index annual average is forecast to rise in the near term and then plateau into mid-2020. The Index will then rise through at least 2021.

### Distributor



### Outlook

<b>2019:</b>	2.5%
<b>2020:</b>	3.1%
<b>2021:</b>	5.2%

## Section V: Industry Financial Results

- Revenue growth in 2018 and during the first quarter of 2019 was more robust among larger Distributors than smaller Distributors (defined as under \$2.5 million in 2018 revenue).
- We are currently unable to provide data for PPAI Suppliers but hope to do so in the future.

## Section VI: PPAI End Use Markets and Comparative Markets

- During this period of cyclical decline, maximize your growth by focusing on end-use markets, such as education and healthcare, that do not have as strong of a cyclical relationship to the US economy. When the macroeconomic business cycle turns up in the second half of 2020, pivot back to markets with a stronger cyclical relationship to the macroeconomy such as business services, financial services, and manufacturing.
- Media Spending on Internet (up 21.9% year over year) and Radio (3.9%) are growing at the fastest pace while Consumer Magazines (down 16.2%) and Newspaper (down 8.2%) are laggards.



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.

## About PPAI

Promotional Products Association International (PPAI) has been the trusted authority in the promotional products industry since 1903. With over 15,500-member companies worldwide, PPAI delivers essential knowledge, resources and community to ensure the success of its members and the promotional products industry itself.

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 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](http://www.itreconomics.com) for more information.

