

The PPAI

2nd 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:

- Softening economic conditions are reflected in Phase C, Slowing Growth, trends for PPAI Suppliers and Distributors
- Leading indicator evidence backs our expectation that annual growth rates for the PPAI Distributors and Suppliers Indexes will move downward into mid-2020
- Nascent rise in selected leading indicators tentatively points to a business cycle upswing during the second half of 2020
- Look for ways to reduce near-term costs and protect profit margins without losing sight of the next cyclical rising trend

Brought to you by PPAI and ITR Economics™



Section I: Overview of National and Regional Economic Environment

- US Gross Domestic Product (GDP) rose at an accelerating pace through early 2019. However, measures of business-to-business activity, industrial activity, wholesale trade, and retail spending are all in Phase C, Slowing Growth.
- We expect US GDP growth to generally slow into early 2020, reaching the lowest growth rate since the Great Recession early next year. Select leading indicators have started to show early signs of turning up, which bodes well for a stronger second half of 2020.
- Growth potential over the next six months will likely be strongest in the West, Mountain, and South Central regions. Growth in the Northeast, Mid-Atlantic, and Midwest may be less robust.

Section II: PPAI Total Members Summary

- The Total Index is in a slowing growth trend. Tougher economic conditions during the second half of the year and in the first half of 2020 will likely impact the majority of PPAI members.

Index	Current	Phase
Total	5.4%	C
Suppliers	2.2%	C
Distributors	6.2%	C

Section III: PPAI Supplier Members Summary

- The Suppliers Index annual average declined mildly during the second quarter. The annual average is expected to be relatively flat through mid-2020.
- The forecast is unchanged. The majority of leading indicators point to softening market conditions in the coming quarters.
- Plan for 2021 to be a better year than either 2019 or 2020. Develop a plan now for taking full advantage of this business cycle upswing.

Supplier Outlook



2019:	-0.2%
2020:	0.9%
2021:	3.4%

Section IV: PPAI Distributor Members Summary

- The Distributors Index is showing signs that it could trend slightly above the forecast range in the coming quarters. The US Non-Manufacturing Business Activity Index confirms this possibility. However, this indicator, an outlier, is more optimistic than the vast majority of other indicators relevant to the Distributors Index that we analyze. The forecast is unchanged.
- The Distributors Index annual average will likely plateau into mid-2020 before rising through at least 2021.
- Closely monitor your profit margins but be mindful that your clients may become more price-sensitive as the economy moves along the back side of the business cycle.

Distributor Outlook



2019:	2.5%
2020:	3.1%
2021:	5.2%

Section V: Industry Financial Results

- Orders size may be increasing more rapidly for smaller distributors than larger distributors, but the Number of Orders results show the opposite.

Section VI: PPAI End Use Markets and Comparative Markets

- Growth opportunities in business services, financial services, and manufacturing will likely diminish in tandem with cyclical movement in the economy. Education and healthcare markets may help offset weaker conditions in the aforementioned markets. Growth in 2021 is projected be stronger than in 2019 and 2020 for all but the Education market.
- Outdoor, Radio, and Cable TV Media Spending will likely to rise in the near term. Internet Media Spending is up 13.6% year over year but shows signs of potential decline in the near term. Print Media Spending is struggling.



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:

Mo Das, PPAI Research Manager
Email: MoD@ppai.org or Research@ppai.org
Direct: (972) 258-3058



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.

