

PPAI

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4TH
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 PPAI Total Members' Index is in a slower growth trend (up 1.7% year-over-year).
- Rising macroeconomic indicators and a rising quarterly growth rate in the Index signal that 2017 is likely to be a better year than 2016 for most PPAI members.
- Our expectations for US Industrial Production and US Nondefense Capital Goods New Orders (excluding aircraft) are unchanged from the previous report. Expected 2017 growth in these indicators, which have moved in tandem with the PPAI Total Members' Index through past business cycles, bodes well for PPAI member sales in 2017.

Index	Current	Phase
Total	1.7%	C
Suppliers	0.7%	C
Distributors	2.2%	C

PPAI Suppliers Members' Association Summary

- The PPAI Supplier Members' Index finished 2016 up 0.7% from the 2015 level. This suggests that the typical PPAI supplier saw sales rise 0.7% in 2016 versus the 2015 level.
- Results are tracking in line with our forecast from the previous report, which is unchanged.
- The PPAI Supplier Members' Index forecast is extended to include 2019. Plan for 2019 to be a year of mild recession in the US macroeconomy and the PPAI Supplier Members' Index.
- "Large" suppliers (those with over \$60 million in 2015 sales) are generally outperforming "small" suppliers.

Supplier Outlook

2017:	4.1%
2018:	3.8%
2019:	-1.1%

PPAI Distributors Members' Association Summary

- The typical PPAI distributor experienced slower growth in sales in 2016, finishing the year up 2.2% from the 2015 level.
- The PPAI Distributor Members' Index forecast is unchanged. Plan for growth in 2017 and 2018, with mild decline expected in 2019.
- Leading indicator evidence, including rising Small Business Optimism and recovering US Industrial Production, suggests 2017 will be a better year than 2016 for distributors.

Distributor Outlook

2017:	6.0%
2018:	4.6%
2019:	-0.9%

PPAI Member's Competitive Environment Summary

- We downward revised the outlooks for Newspaper Expenditures. The internal trends in Expenditures unexpectedly faltered.
- The forecasts for Radio Expenditures, Network TV Expenditures, and Cable TV Expenditures were upward revised, in part, due to unusually-high levels of spending during the latest presidential election cycle.

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.