

PPAI

The Mark of a Professional.®

3RD
QUARTER

MARKET OUTLOOK REPORT

2018

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

 ITR ECONOMICS

77 Sundial Ave.
Manchester, NH 03103
E-mail: ppai@itreconomics.com

Market Outlook Report Executive Summary

PPAI Total Members' Association Summary

- The September PPAI Total Members Index annual average was 6.8% above the year-ago level.
- The annual rate-of-change generally plateaued over the last two quarters. Currently, April 2018 marks a tentative business-cycle peak, but select leading indicators imply that the Index could reach a new peak during the next two quarters (see page 8 for details).
- However, our analysis suggests that the Index is likely to remain in Phase C, due to robust growth during the last quarter of 2017 that will mute the year-over-year comparison. This expectation is consistent with the trend in the US Small Business Optimism Index.

Index	Current	Phase
Total	6.8%	C
Suppliers	6.2%	B
Distributors	7.4%	C

PPAI Supplier Members' Association Summary

- The PPAI Suppliers Index was up 6.2% on a year-over-year basis in September.
- Results were within the forecast range, but we revised our two-year-old forecast to reflect the latest leading indicator trends and our updated outlook for the US macroeconomy. Annual rate-of-change expectations were lifted for 2018 and 2019 but lowered for 2020, as the two upcoming business-cycle turning points were advanced by about two quarters each.
- Expect the Suppliers Index to rise into the second half of 2019. Brief, mild decline will then take hold into early 2020. Subsequent rise will return around mid-2020 and extend through at least the end of that year.

Supplier Outlook

2018:	6.0%
2019:	2.6%
2020:	2.1%

PPAI Distributor Members' Association Summary

- The September PPAI Distributors Index annual average was up 7.4% on a year-over-year basis.
- Results were within the range of our two-year-old forecast. Leading indicator evidence and our new outlook for the US economy suggested that the Index was likely to track the upper end of the forecast range through 2018 before deviating in 2019; we updated the forecast accordingly.
- The Distributors Index is expected to generally rise through at least 2020, with a plateau in the first half of 2020.

Distributor Outlook

2018:	5.6%
2019:	2.5%
2020:	3.1%

PPAI Members' Competitive Environment Summary

- With the exception of Internet Advertising, our expectations for Media Advertising Expenditures are unchanged.
- The Internet Advertising Expenditures forecast was revised due to unprecedentedly sharp rise in recent months.
- Outdoor Advertising Expenditures are virtually flat compared to one year ago.
- Annual total Print (Magazine and Newspaper) Advertising Expenditures are expected to decline through at least 2020 as digital counterparts become more prevalent.
- Rising trends in TV Advertising Expenditures may be muted as TV faces competition from on-line streaming services.

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:

Mo Das, PPAI Research Manager
Email: MoD@ppai.org or Research@ppai.org
Direct: (972) 258.3058



About PPAI

Promotional Products Association International (PPAI) has been the trusted authority in the promotional products industry since 1903. With over 15,000 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.