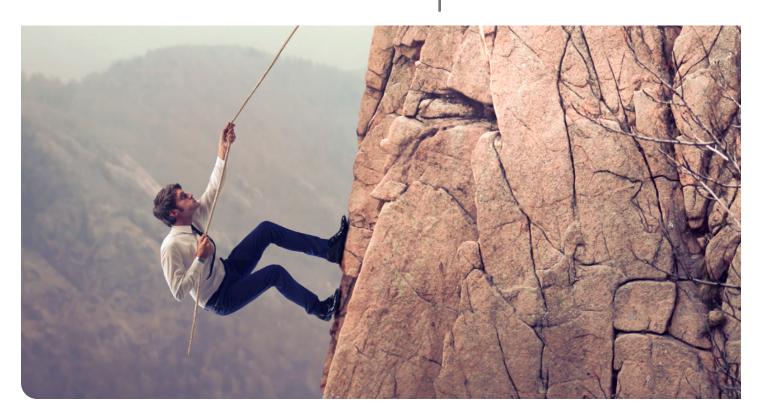


State of the Industry Update First Quarter 2023 EXECUTIVE SUMMARY





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JUNE 2023

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Executive Summary

The PRINTING United Alliance *State of the Industry Update, First Quarter 2023* is based on a survey of 331 companies from across the printing industry. Participants include commercial printers, graphic and sign producers, apparel decorators, package printers/converters, and functional printers. Annual sales range from less than \$250,000 to more than \$400 million.

Topics include how sales, cost inflation, prices, and pre-tax profitability are trending, what concerns printers most, lessons learned from the upheaval of the last two years and actions taken in response, expectations for major printing end markets, and sales per employee. Four must-do's – investigate AI applications for small businesses, step up risk management, create KRIs (key risk indicators), and calculate customer health scores – supplement analysis of the printing industry's performance and prospects.

PRINTING United Alliance members can download the State of the Industry Update, First Quarter 2023 here.



Canon U.S.A., Inc. is a leader in digital imaging and printing solutions with one of the broadest portfolios in the industry, offering solutions such as digital presses, production ink-jet presses, wide-format printers, workflow solutions and professional services. With approximately \$30.6 billion in global revenue, its parent company, Canon Inc. (NYSE:CAJ), as of 2021 has ranked in the top-five overall in U.S. patents granted for 36 consecutive years and was one of Fortune Magazine's World's Most Admired Companies in 2022. Canon U.S.A. is dedicated to its Kyosei philosophy of social and environmental responsibility.



SAMPLE FINDINGS

The slowdown has started. Sales grew 2.9% during the first quarter of 2023 for State of the Industry (SOI) participants, far short of last year's 12.8% gain. Fewer companies report growth – 52.0%, down from 79.2% – and more report decline – 31.2%, up from 8.9%. Strip price increases out of dollar sales and real (inflation-adjusted) sales, a measure of production, fell 2.0%, with reports of decline exceeding reports of increase 51.8% to 39.9%. Last year real sales grew 1.9%, increasing for 55.7% of our research panel and decreasing for 34.1%.

Figure 1: Sales, First Quarter 2023 and Full-Year 2022

How sales (all sources) and real (inflation-adjusted) sales compared with year-earlier levels for SOI participants.

		Compared to Year Earlier			Earlier
Indicator	Period	Average Change	Higher	Same	Lower
Sales (all sources)	Q1 2023	2.9%	52.0%	16.8%	31.2%
	FY 2022	12.8%	79.2%	11.8%	8.9%
Real (inflation-adjusted) sales	Q1 2023	-2.0%	39.9%	8.3%	51.8%
	FY 2022	1.9%	55.7%	10.2%	34.1%

n=331

Cost inflation has moderated but resistance to price increases has stiffened. Operating cost inflation averaged 6.4% and price increases averaged 5.5% through March, down from 11.1% and 11.4%, respectively, in 2022. Inflation has moderated largely because supply chains have stabilized: Just 15.3% of participants in our research are very concerned about material shortages, down from 85.6% at the start of 2022. Price increases have moderated because there's less cost inflation to pass through and because clients, while generally accepting price increases last year, are pushing back to protect their margins from still troublesome cost inflation and a weakened national economy.

Figure 2: Operating Cost Inflation and Prices, First Quarter 2023 and Full-Year 2022

How operating cost inflation and prices compared with year-earlier levels for SOI participants.

			Compared to Year Earlier		
Indicator	Period	Average Change	Higher	Same	Lower
Operating cost inflation	Q1 2023	6.4%	78.7%	21.3%	0.0%
	FY 2022	11.1%	88.4%	11.6%	0.0%
Prices	Q1 2023	5.5%	70.1%	25.9%	4.0%
	FY 2022	11.4%	89.5%	9.8%	0.7%



Challenging conditions expected to continue. Majorities of SOI participants list rising labor costs (58.9%), maintaining profitability (55.7%), and increasing sales (53.9%) as their biggest concerns heading into the second half of 2023. Additionally, 73.2% report credit conditions are tightening (40.4%) or that they expect them to later this year (32.8%), and 89.4% are seeing signs of an economic slowdown/recession (58.2%) or expect to later this year (31.2%).

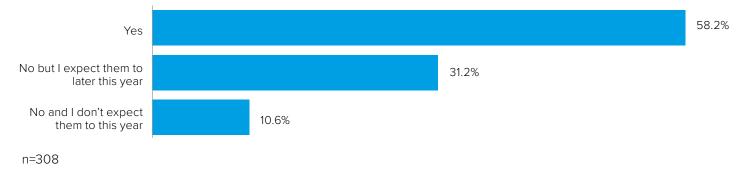
Figure 3: Credit Conditions and Economic Condition

How SOI participants responded to the questions below.

Are credit conditions tightening?



Are you seeing any signs of an economic slowdown/recession?



Conferences/in-person events expected to be strongest and real estate weakest. SOI participants forecasted how they expect their 2023 sales to each of their major end markets to compare with 2022 sales. Of 31 markets covered, conferences/in person events is expected to be strongest due to continued release of pent-up demand created during COVID-19 lockdowns, and real estate is expected to be weakest due to sharply higher interest rates.



Figure 4: End Market Outlook 2023

How SOI participants responded to this question: For each market you serve, how do you expect your total sales to that market in 2023 to compare with your total sales in 2022? Figures are for the three markets expected to be strongest and the three expected to be weakest.

Market	Number Forecasting	Average Growth Expected
Conferences/meetings/in-person events	142	2.8%-4.7%
Warehousing/storage/fulfillment centers	79	2.7%-4.5%
Corporate branding	182	2.6%-4.6%
Ad agencies	167	0.9%-2.3%
Wholesale trade	102	0.8%-2.6%
Real estate	126	0.2%-1.7%

Lessons learned and actions taken. Every market disruption is an opportunity to learn, improve, and be better prepared for the next one. Among the lessons SOI participants have learned from the disruptions of the last two years:

- Strengthen risk management. Assess vulnerabilities and how to minimize them, stress-test by working through worst-case scenarios, be prepared to "move before the market forces your hand" by beefing up strategic planning, market analysis, and leading economic indicators, "never sit back and assume all is well," and never assume because something isn't affecting you today, it isn't going to affect you tomorrow.
- Automate. Even with the economy weakening, "labor shortages are not going away anytime soon," so "automate, automate, automate everything that can be automated." Automation should extend companywide, include "process unification and streamlining," and boost job satisfaction and productivity by freeing employees to do what they were hired to do: "It's harder than ever to find employees so treat the ones you want to keep really well. Invest in good equipment that improves people's lives and raises productivity."
- **Prioritize company culture.** It can be a game changer: "Talent is valuable and turnover kills. So the #1 item is building company culture/values, which directly impact everything else."

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Members of the State of the Industry Panel have access to proprietary reports on the printing industry's performance, prospects, critical issues and defining trends and on how to make those issues and trends an opportunity rather than a threat.

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Participation in the panel requires completing a 10-minute State of the Industry Survey four times per year. All survey response are strictly confidential.

Follow the link below to join our business panel:



research.net/r/CV19PREX1



WHO WE ARE

PRINTING United Alliance is the new entity born of the merger between Specialty Graphic Imaging Association (SGIA) and Printing Industries of America (PIA). Marking a milestone in the printing industry, SGIA and PIA officially combined in 2020 to create the largest, most comprehensive member-based printing and graphic arts association in the United States.

Members have unparalleled access to preeminent education, training, workshops, events, research, government and legislative representation, safety and environmental sustainability guidance, as well as resources from the leading media company in the industry – NAPCO Media. For PRINTING United Alliance membership inquiries, visit printing.org.

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