

CONFIDENCE AND REVENUE RISING IN THE US PRINT MARKET

In last year's overview of the US print market, an article by Ford Bowers (CEO of PRINTING United Alliance) heralded 'pockets of positivity', as events and businesses began to return to fairly normal operation. In this article, Bowers discusses prospects for 2023



Ford Bowers, CEO of PRINTING United Alliance

As supply chain issues stabilise and printer revenues grow, optimism from 2022 continues into 2023. However, challenges, such as price hikes and inflation, threaten to dampen the industry's high spirits.

REVENUES UP AGAINST RISING COSTS

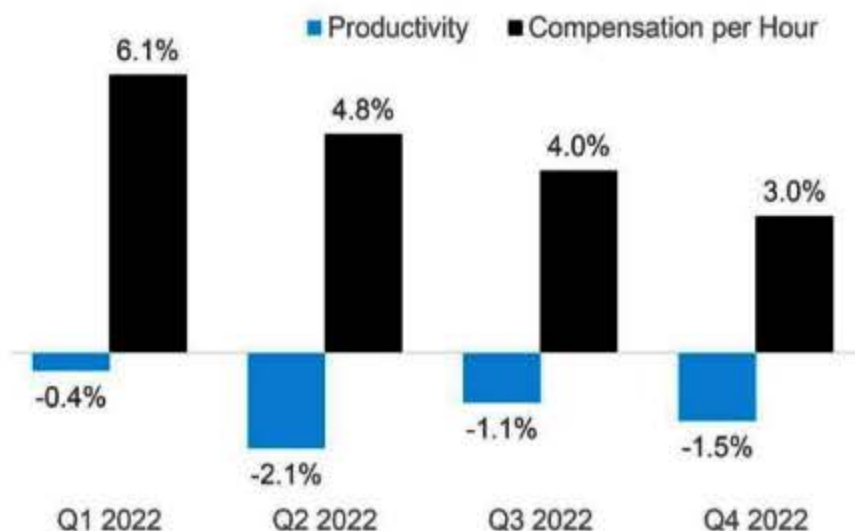
In the recent *State of the Industry Survey*, from PRINTING United Alliance, there was good news to report on the post-Covid rebound. For the year end, December 2022, a 14.2% increase in revenue among the Alliance's panel members was seen. This was an average

"Printer confidence, despite the modest revenue news, is improving"

across the various types of printers surveyed (including commercial, packaging, apparel and wide format). The single factor mitigating this good news, coming as no surprise, was that costs were up by 11.8%, providing a modest, but still agreeable, inflation-adjusted growth of 2.4%. That lies squarely in the 'acceptable' category, considering the ups and downs of the previous two years.

	Feb 2023	Oct 2022
Better than last year	38.4%	24.7%
About the same	39.9%	52.9%
Worse	21.7%	22.3%

Expectations for business conditions in 2023



Productivity and compensation per hour

Figure 1: Per cent change compared to one year earlier. Data for non-farm businesses (Source: US Bureau of Labor Statistics)

THE CHALLENGE OF INFLATION

Printer confidence, despite the modest revenue news, is improving. This is true despite the spectre of inflation that has proven to be harder than had been hoped (see Figure 1). Wages are rising faster than productivity.

"Four of the top five issues identified were labour, substrate, transportation and energy costs"

When this happens, there is more money available to buy fewer goods. This makes inflation harder to tame. It also means that the Federal Reserve will need to work harder to reduce consumption to bring down rising prices. This can be achieved by raising interest rates and the attendant effects on borrowing, spending, hiring and employment. As of this writing, the Federal Reserve just increased interest rates by another 25 basis points, even

after the failure of several banks due to the quickly rising interest rates.

Costs were, in fact, the single biggest concern among panel members. Four of the top five issues identified were labour, substrate, transportation and energy costs.

In addition, ranking in the top five, was the difficulty in finding skilled labour.

Regardless of concerns about rising costs and persistent inflation, optimism about overall business conditions in 2023 has increased since last autumn. The increase reflects stabilising supply chains, moderating cost inflation, less uncertainty and increased confidence that carefully crafted plans to build margins will pay off.

We will invest to increase productivity and production speed	60.9%
We will invest to increase automation	56.4%
We are growing and will invest to expand production capacity to support growth	43.2%
We are diversifying and will invest to add capabilities our new markets require	28.0%
We have invested heavily over the last few years and so do not need much now	18.1%
We are limiting/delaying investment because of concern about the economy or business conditions in our markets	16.5%
We have been delaying investments and need to catch up	7.4%
Other	5.3%

Accurate options for companies' capital investment plans for 2023

COMPLEX AND VARIED OPTIONS

In order for print service providers (PSPs) to handle rising costs, 71.7% plan to increase prices; 65.5% plan to control costs more efficiently, and 58.6% plan to invest more capital to increase productivity. These were the top three choices that reflect some combination of dealing with an inflationary climate.

Drilling down into investments, responses to a question about capital-expenditure objectives, reinforced the industry-wide focus on maximising productivity, speed and automation.

The complexity of trying to preserve margins, in an environment of rising costs, is particularly difficult. In fact, while 78.4% of participants in the 2022-23 *State of the Industry Survey* increased sales last year, just 48.8% increased pre-tax profitability. Those that did increase pre-tax profitability, did so by an average of 7.5%, while those that did not, lost an average of 3.5%. That is a significant variance between those that are managing well and those that are not.

It should come as no surprise, that there is no single 'thing' that can be done. It is the aggregation of many things, done well, that will lead to better outcomes. This has always been the case. But probably, most important, is the ability not to be distracted by the individual crisis and to continue to work on all aspects of a business in total.

ADVOCACY LANDSCAPE

On the advocacy front, along with other associations, PRINTING United Alliance has some concerns on how specific legislation is developing. Many US states are introducing legislation to ban specific substances – mostly PFOS and PFAS as classes of compounds. In addition, Extended Producer Responsibility legislation is being imposed in half a dozen states, with another 18 or more working on introducing the same.

These two issues are unrelated and the details of legislation and the industry's responses are very different in each case. However, they are similar in a particularly troubling way. Namely, that in each case the legislation is being developed at state level, rather than Federal. Additionally, as expected, the states are not co-ordinating their legislative responses. The result is a muddle of laws and regulations that will create confusion, barriers and inefficiencies.

Finally, last year, the American printing industry welcomed the passing of the Postal Reform Act, which did much to alleviate some onerous balance-sheet issues with the United States Postal Service (USPS). This was a much needed, first step to reinvigorating this critical part of the US' national infrastructure. The relief of that moment has now given way to some concerns over the speed at which postal rates are increasing every six months. Rate increases are tied to Federal Reserve interest rate increases and have pushed postage rates faster than at any time in US history. The hope is that the USPS will drop back to more adequately spaced rate increases. Otherwise, the effects on print volume may become irreversible.

PRINTING UNITED EXPO 2023

Last year, the PRINTING United Expo had a wonderful renaissance after a three-year hiatus. It was the largest printing show in North America for 20 years. This year, the conference is outpacing bookings from last year by more than 10%. In May, registration opens and the organisers look forward to hosting some 30,000 visitors in Atlanta in October.

The Alliance's *State of the Industry Report* is free to members of the Alliance and is €182 (\$199) for non-members. Copies can be obtained at www.printing.org/publication/2022-23-state-of-the-industry-report

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