

## COMMERCIAL PRINTING REPORT: KEY RESULTS

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- Sales increased 16.7%, on average, in 2022 for commercial printers surveyed, growing 10.0% or more for nearly three-quarters and 20.0% or more for better than two-fifths. Much of the growth, however, reflected cost pass-through rather than increased production: Real (inflation-adjusted) sales were up a moderate 4.3%. And while sales increased for nearly 90.0%, pre-tax profitability increased for less than 60.0%.
- The majority of the participants in our research have diversified beyond commercial printing, with the highest percentages adding graphic and sign (wide-format) production and promotional product printing. Diversification has not been a golden ticket: Many who have diversified are struggling and many who haven't are excelling.
- Material shortages, labor shortages, and the cost inflation they create continue to be major concerns across commercial printing. Among companies surveyed, 57.3% are very concerned about maintaining profitability and 40.6% are very concerned about maintaining cash flow, up from 53.3% and 32.7%, respectively, one year ago.
- Plans to build margins in 2023 include raising prices, at 74.6% cited most frequently, capital investment, cited by 59.7%, and workforce development, cited by 51.5%. Nearly 37.0% plan to build margins through both capital investment and workforce development.
- Optimism has increased since last fall: 30.7% of our research panel now expect business conditions to be better in 2023 than they were in 2022, up from 25.4%, while 26.4% expect business conditions to be worse, down from 34.3%. Reasons for improvement include an easing of labor shortages and greater "supply chain stability." Reasons for decline include "inflation, interest rates, and recession" and the continued loss of print to electronic alternatives.
- Although still positive, the PRINTING United Alliance index of leading business indicators suggests the commercial printing industry will slow with the American economy during the second half of 2023. Whether a full-fledged recession or not, the slowdown will be significant and commercial printers should begin preparing.
- Nearly 60.0% of companies surveyed plan to make capital investments this year, 11.6% do not plan to invest, and 29.0% are not sure if they will invest. Among companies planning to invest, nearly half plan to invest 1.0%-4.0% of sales. Among companies not sure if they will invest, 65.9% are concerned about the economy, 54.5% are concerned about business conditions in their markets, and 31.8% are not sure which investments to make.
- Bindery and finishing systems, cited by 63.4%, top the list of most desired capital investments by a wide margin. Commercial inkjet (38.8%) and mailing capabilities (29.9%) follow.
- Increasing productivity (83.5%), increasing production speed (59.4%), and automation (50.4%) are the three most frequently cited capital investment objectives for 2023.
- Products expected to grow fastest over the next three years include banners/soft signage/flags, posters/presentation graphics, and window graphics. Among traditional commercial printing products, only direct mail and marketing collateral make the top 10.
- Markets expected to be strongest this year include conferences/in-person events, healthcare providers, and medical/pharmaceutical manufacturing. Markets expected to be weakest include real estate and ad agencies.

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If you have any questions, please contact [researchteam@printing.org](mailto:researchteam@printing.org).