

U.S. Trade Patterns in 1992
Commercial Printing
SIC 275

(in millions of dollars, percent)

Exports			Imports		
	Value	Share		Value	Share
Canada and Mexico	423	40.1	Canada and Mexico	164	37.2
European Community	222	21.1	European Community	160	36.2
Japan	183	17.3	Japan	37	8.4
East Asia NICs	67	6.3	East Asia NICs	58	13.2
South America	28	2.6	South America	1	0.1
Other	133	12.6	Other	22	4.9
World Total	1,056	100.0	World Total	442	100.0

Top Five Countries

Exports		Imports			
	Value	Share			
Canada	344	32.5	Canada	151	34.1
Japan	183	17.3	Germany	47	10.6
United Kingdom	83	7.9	United Kingdom	42	9.4
Mexico	79	7.5	Japan	37	8.4
Germany	47	4.4	France	33	7.5

See "Getting the Most Out of Outlook '94" for definitions of the country groupings.
SOURCE: U.S. Department of Commerce: Bureau of the Census; International Trade Administration.

calendars, stamps, playing cards, menus and coupons. Total shipments of these items in 1993 approached \$11.5 billion, representing 22 percent of the printing industry's aggregate receipts. Although some individual products reach national and international markets, most items are printed by small- to medium-sized firms in response to local or regional needs.

INTERNATIONAL COMPETITIVENESS

Some of the factors critical to success in capturing domestic markets for printed products, including plant productivity, production workers' wages, and costs of supplies and materials, are outweighed by geographic proximity and exchange-rate considerations when addressing international markets. In common with other industrialized nations, the U.S. has both a low ratio of imports to apparent consumption (1 percent) and a low ratio of exports to domestic production (2 percent). Given relative geographic accessibility and a favorable exchange rate, penetrating foreign markets for printed products depends on transportation costs, time constraints, trade barriers, and service availability.

Foreign markets for products of the U.S. commercial printing industry have expanded steadily since 1990, with exports in 1993 approaching \$1.2 billion. International demand for U.S. printing is split three ways: financial, legal, and security materials; trade advertising items, including catalogs and posters; and all other products, including decals, labels, playing cards, pictorial, and other items. Canada is by far the major market for U.S. printing, accounting for one-third of total exports, but combined shipments to Japan, the United Kingdom, Mexico, and Germany also represent one-third of total U.S. printed product exports.

Imports of printed products by the U.S. consist primarily of trade advertising materials, including tourist literature, posters, catalogs, and pictorial matter. The principal source is Canada, which accounts for 40 percent of the total, with combined shipments from Germany, the United Kingdom, and Japan representing another 25 percent. The United States imported printed products valued at \$465 million in 1993, an increase of slightly more than 5 percent over 1992 in nominal dollars.

Outlook for 1994

Demand for products of the U.S. commercial printing industry is expected to reach \$55.7 billion in 1994, an inflation-adjusted gain of 3 percent over 1993. Recovery from the recession should support higher levels of advertising spending by U.S. business, a strong determinant of printers' fortunes.

An improved economy should raise demand for virtually all printed products, but some sectors are expected to advance faster than others. New Food and Drug Administration food-labeling rules should increase shipments of label-printing firms. Greater expansion of U.S. businesses into international markets should aid printers of financial and legal materials.

The printing industry's cost structure is expected to change in 1994. Continued excess capacity at U.S. paper mills should inhibit price increases in this critical commodity, but prices of other items, such as ink, film, plates, and chemicals should rise in line with an improved economy. Recent changes in the tax code should support a higher level of capital expenditures in 1994, as printers seek to improve plant productivity. Higher postage rates are not anticipated in 1994, which should help printers of catalogs and direct-mail materials.

Employment in commercial printing should increase in 1994, with about 10,000 workers expected to be added to the industry's payrolls. Most of these new employees will be production workers; only a small increase is anticipated in the number of sales or administrative personnel. Even with moderate employment gains, the total number of employees (565,000 in 1994) will likely remain below the peak level of 580,000 attained in 1990.

Long-Term Prospects

As the economy continues to strengthen, commercial printers should find shipments increasing at an average annual rate of 3 percent through 1998 in constant dollars. Since advertising expenditures represent two-thirds of the industry's receipts, a return to higher levels of economic growth and improved business and consumer confidence are critical to the industry's long-term prospects.

Commercial printers' costs, held in check in the early 1990's as a result of the recession, are expected to rise during the balance of the decade. Hiring and training a more electronically oriented workforce will pit the industry against other manufacturing firms in competition for the best employees in what is anticipated to be a shrinking U.S. labor pool. As U.S. mills work off excess paper supply, paper prices should firm but essentially stabilize in response to competitive pressures from paper sources offshore. Anticipated postal rate increases during the period 1995-96 will add to the costs of printing and distributing catalogs and direct-mail materials. But the industry's largest cost increases are expected to come from meeting more stringent environmental standards. Greater expenditures for waste management, such as collecting and recycling printed products, will be added to already substantial expenses for air and water pollution control.

Printers' rising costs through 1998 should be mitigated by growth in demand for printed products. The U.S. population is forecast to increase by more than 12 million over the period 1993-98, thus enlarging the industry's markets. Approximately 5 million new U.S. households should be formed over this period, creating new markets for print advertising materials.