



8th drupa Global Trends Report 2022 Executive Summary

Welcome to the 8th drupa Global Trends Report Executive Summary. The report series is unique in tracking key economic and market developments across the print industry globally, regionally and within markets. After a two-year gap caused by the Covid pandemic, which also caused the cancellation of drupa 2020 and made drupa 2021 to be online only, we are delighted to be back.

With no opportunity to recruit fresh panel members at drupa 2020 and with the two-year gap, we were not surprised to find participation levels fall, but we still have a unique global sample of over 500 panel members, both printers and suppliers, who very kindly gave us a detailed insight into how they had prospered through and since the Covid pandemic and the other global and regional shocks that have occurred since. We sincerely thank them.

We circulated two separate surveys to printers and suppliers in April and May this year, which share many questions, but ensure that their differing interests are addressed. With a smaller overall data set, we have been careful to be transparent in the report, not drilling down into very small data sets and we spell out where we have used marginal data sets, so that readers can decide for themselves how useful the findings are. We hope and expect participation numbers to climb again next year, as we start the build up towards drupa 2024.

The findings show that confidence levels are recovering across the globe as economic momentum builds post Covid, but that major socio-economic challenges lie ahead for all. As always, those that look ahead and invest accordingly will thrive best, and our panel's forecast and their brief comments given in the survey show the industry is up for the challenge.

Messe Düsseldorf, in its role as drupa organiser, must thank Printfuture (UK) and Wissler & Partner (Switzerland) for conducting and authoring this report series. We are confident you will find the resulting report insightful. We would be pleased to receive any feedback, so send us an email to drupa-expert-panel@drupa.de.

The drupa team
September 2022

drupa Global Trends September 2022



8th drupa Global Trends Report 2022 - Executive Summary

Welcome to the 8th drupa Global trends Report Executive Summary. A lot has happened since the last one was drafted in Spring 2020! Covid pandemic, global supply chain difficulties, regional wars, trade wars, rising inflation, climate change - the list goes on. But so does

life and the print industry is remarkably resilient. So strikingly, printers globally were on average slightly more confident about their companies than they were in 2019 and have strong expectations for 2023.

drupa Printer Barometer of economic confidence 2022 by region

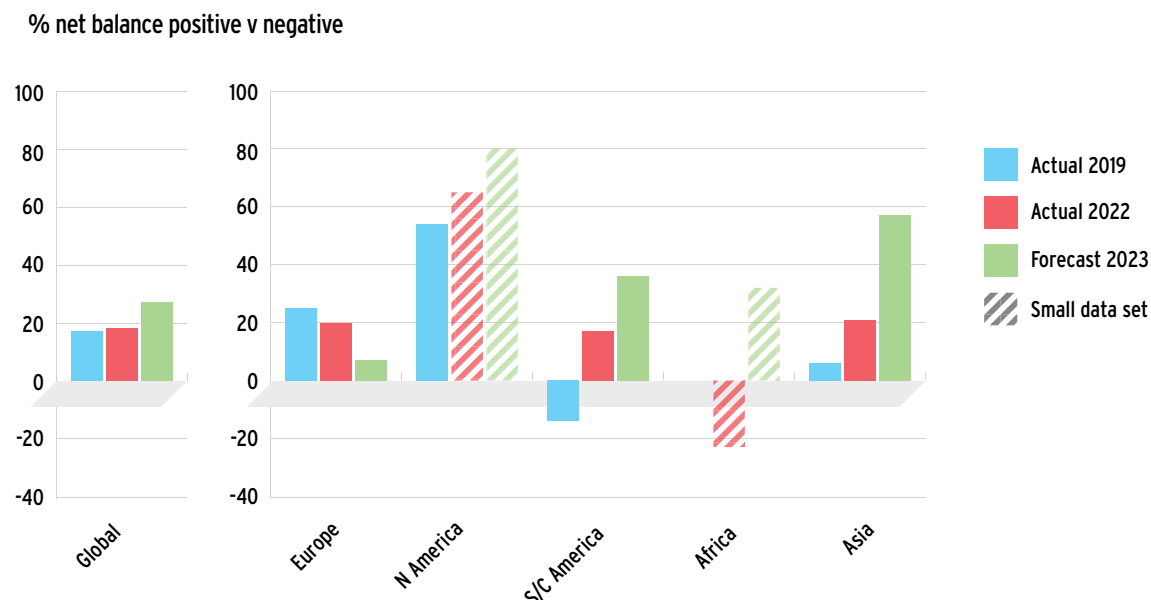


Chart A: How do you rate your company's current economic situation? What are your expectations for the next 12 months?

Globally in 2022 34% of the printer panel stated their company current economic condition to be 'good' and 16% described it as 'poor', a net positive balance of +18%. It is this net balance, positive or negative that is used in many of the charts. The detailed breakdown of printers and suppliers by market and region is given in the full report's Appendix, but the data sets for Australia/Oceania and the Middle East were too small to use separately, though they are included in the global data. The same applies to Functional

printers. Where small data sets have been included e.g. North America and Africa, attention is drawn to this limitation in both the text and the charts.¹

1. Column gaps in any chart indicate a nil result.

We can see striking variations in optimism e.g. between Europe - cautious and South/Central America or Asia - optimistic. Looking at the data by market, Packaging printers show increasing confidence, Publishing printers show a recovery from a poor result in 2019 while Commercial printers reported a small decline in confidence this year but have expectations of recovery in 2023.

"Raw materials availability, rising inflation rates and rising product prices, declining margins, ruinous price wars between competitors [combine to be the biggest threat over the next 12 months]." **Commercial printer, Germany**

"Take advantage of economy growth after pandemic times. Communicate our innovation and sell our added value products to new customers and markets." **Packaging printer, Costa Rica**

Suppliers were more confident, a global net positive of +34% for 2022 and notably more

positive for Europe for 2023. Whilst they were a little more cautious for the Commercial and Publishing markets for 2022 - down 4 or 5% on 2019, they have strong positive forecasts for all market sectors for 2023 (net positive balances for Publishing +36%, Commercial +38%, Packaging +48%, Functional +51%).

Between 2013 and 2019, more printers dropped prices than raised them by an average of -12% despite ever increasing paper/substrate prices. Then suddenly in 2022 there is an unprecedented positive net balance of +61% in favour of those raising rather than lowering prices. Yes, there were heavy paper/substrate price increases, but those never prompted such price increases to end customers in the past. What is going on? What is more, this pattern is global, applying to most regions and markets. It should be noted that margins remain under pressure for almost everybody - so some things stay the same.

Global printer financial performance over time

% net balance positive v negative

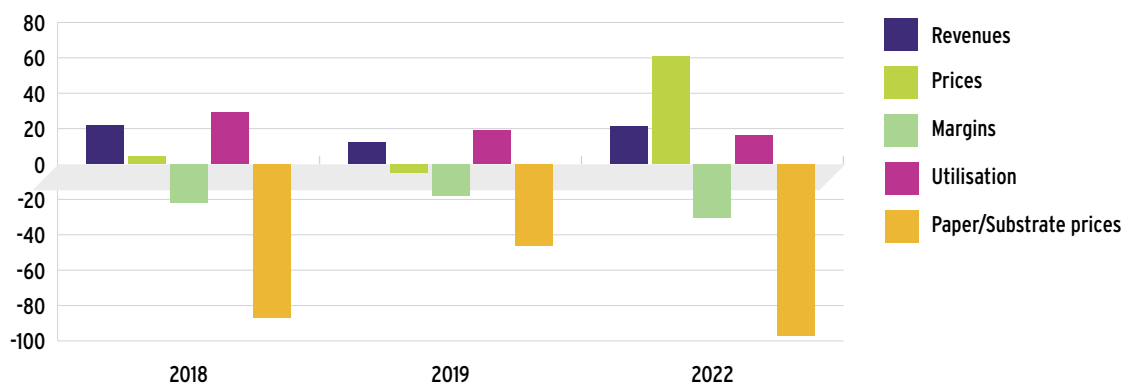


Chart B: How have your company's revenues/prices/margins/utilisation/substrate prices changed over the last 12 months?

It is a similar story for Suppliers with a +60% net increase in pricing - previously the highest was +18% in 2018. Clearly emerging from Covid, pricing behaviour has changed radically and this has implications for inflation if repeated across other industries.

Turning to printer operational measures, one key metric that has been tracked since 2014 is the volume of print produced by the huge variety of print technology. The Appendix of the main

report provides this in full, but Chart C gives the headlines, shown as net positive or negative net balances in volume of printed material. A large drop in Sheetfed offset in Commercial was almost matched by an increase in Packaging. It is worth remembering that the first negative net balance in Commercial was only in 2018 and then only very small. The other standout features are the huge growth in Flexo for Packaging and substantial gains in Digital toner cutsheet colour and Digital inkjet rollfed colour.

Print volume 2022 by technology

% net balance positive v negative

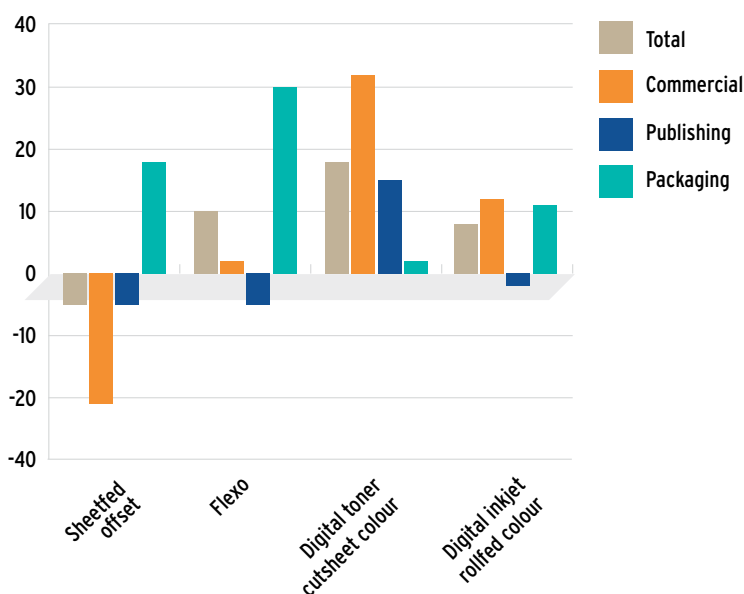


Chart C: How would you assess your printing volume in the following technologies over the last 12 months?

One trend we would expect to have seen sustained through the pandemic is the growth of digital print as a % of total turnover. Yet this appears to have stalled globally between 2019 and 2022 - except in Commercial print which grew modestly.

Next, we must report a real puzzle. There has been a steady decline in the % of printers reporting they operate a Web-to-Print/Digital storefront from a peak of only 27% in 2017 to

23% in 2019 and 20% in 2022. For Commercial printers this has dropped from 38% in 2017 to 26% in 2022, while Publishing grew to 33% this year, but Packaging fell from 15% in 2019 to 7% in 2022. We acknowledge the reduction in sample size, but the numbers are still good globally. We will just have to see if next year shows a recovery.

% of those with web-to-print with > 25% of turnover W2P

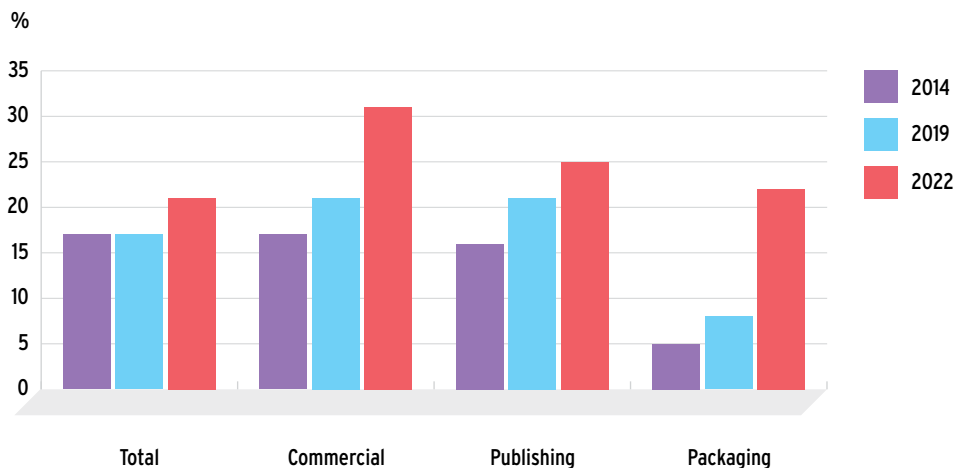


Chart D: What % of total turnover by value was handled by Web-to-Print over the last 12 months?

However, for those with Web-to-Print installations, the Covid period saw a substantial increase in turnover via that channel (Chart D). Pre Covid this growth had stalled with no significant growth globally across all markets

between 2014 and 2019 (just 17% of the panel with Web-to-Print reporting that more than 25% of turnover came that way in both years). But since then, it has shot up to 26% and the increase is across all markets.

Cap Ex Printers 2022 Global and by market

% net balance positive v negative

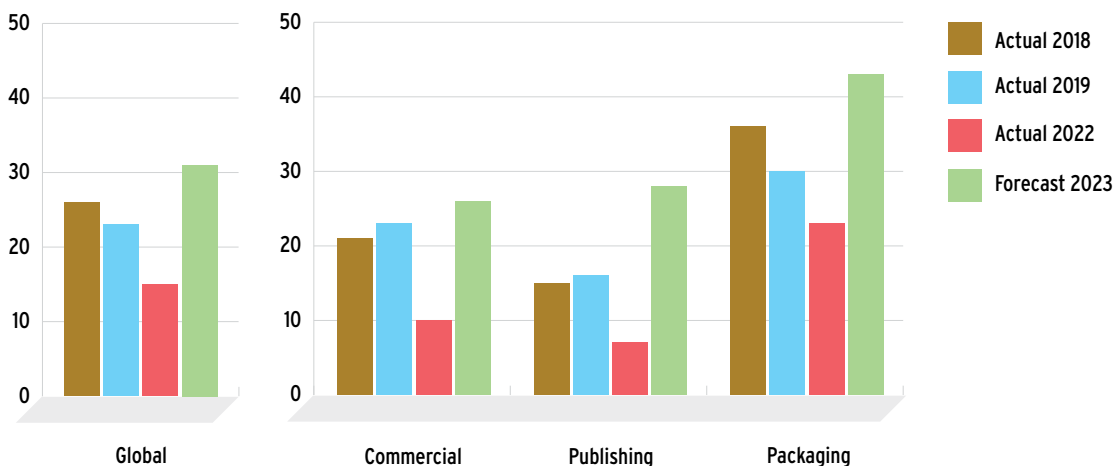


Chart E: How has capital investment changed over the last 12 months? Over the next 12 months will your company's capital investment ?

Not surprisingly Capital expenditure has fallen back since 2019 both globally and in all markets, but the prospects for 2023 and beyond are good. Regionally all regions forecast growth next year, except Europe with a flatline forecast. Finishing equipment and print technology were by far the most popular targets.

Regarding print technology, the clear winner in 2023 will be Sheetfed offset (31%), followed by Digital toner cutsheet colour at 18% and Digital inkjet wide format and Flexo both at 17%. It is very striking that Sheetfed offset remains the favourite target in 2023, despite a clear decline in volume

of print by that means in some markets. For some it is to consolidate, reduce labour and wastage, for others it is to grow capacity. What is more the popularity of Sheetfed Offset remains for all three markets - see table 1.

Strikingly when asked about long term (5 year) investment plans, top came Digital Print at 62% then Automation at 52%. Conventional print was still listed as the third most important likely investment 32%, this is not to overlook the fact that the Digital technologies are growing fast if we collate the various technologies together.

2023 Print technology investment targets - Global and by market				
	Global	Commercial	Publishing	Packaging
1st choice	Sheetfed offset 31%	Sheetfed offset 30%	Sheetfed offset & Digital toner cutsheet colour 27%	Flexo 39%
2nd choice	Digital toner cutsheet colour 18%	Digital toner cutsheet colour 26%		Sheetfed offset 34%
3rd choice	Flexo & Digital inkjet wide format 17%	Digital inkjet wide format 25%	Coldset offset 24%	Gravure, Digital inkjet rollfed colour and hybrid offset/flexo/ digital 14%

Table 1: In which of the following print technologies do you plan to invest in the next 12 months?

As for suppliers, they reported a net positive balance +15% for Cap Ex in 2022 and a net positive of +31% in 2023. Investment forecasts for 2023 were more muted in Commercial and Publishing but strong in Packaging and Functional.

Looking at the emerging strategic challenges, both printers and suppliers have been struggling with supply chain difficulties (paper/substrates and consumables for printers and raw materials for suppliers) and they expect these to continue into 2023.

41% of printers and 33% of suppliers also reported labour shortages. Wage/salary rises have been and/or will be the result.

Environmental, Social and Governance issues are increasingly important across the globe for both printers, suppliers and their customers.

Considering short term constraints on the Print Market globally, the traditional issues dominate: Strong competition and Lack of sales/Demand - the former highlighted more by Packaging

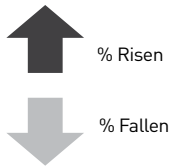
printers, the latter more by Commercial printers. Looking to the next 5 years, the impact of Digital media is highlighted by both printers and suppliers followed almost equally by Lack of specialist skills and Overcapacity in the industry.

When we started the Trends Report series, we paid only modest attention to broader socio-economic issues. However, given the increasing impact these were having on the print market, we introduced questions on this in 2019. Given Covid and the other challenges that have come fast and furious since, this was a wise move. Globally 52% highlighted the impact of pandemics either directly or on the economy and 42% chose Economic recession in their country or region. But there were some noticeable regional variations. For example, 62% of Asian printers chose pandemic impact versus 52% globally; 58% of South/Central American printers chose Economic recession versus 42% globally; and 32% of European printers chose regional physical wars versus 21% globally. And there was a clear majority (59%) that thought socio-economic pressures were either more important than or of equal importance to market pressures.

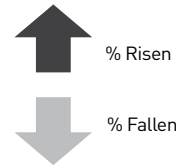
In conclusion we were encouraged by the broadly positive outlook that printers and suppliers had both of trading in 2022 and the prospects for 2023. Indeed, perhaps the single most striking result of the survey was that globally the Barometer of Economic Confidence was slightly higher in 2022 than in 2019 before Covid struck. Then again, most regions and markets forecast better trading in 2023. This was not universal and there are strong headwinds to make things more difficult – some global, some regional.

Clearly investment fell during the Covid pandemic and companies have taken time to recover. Nevertheless, printers and suppliers report a determination to grow their businesses, investing as necessary, starting in 2023. As there are few signs that market and broader economic pressures will lessen, this is just as well. For only those companies who invest wisely, bring their costs down by raising productivity, diversify and innovate and invest in their team, will prosper. This is well summarised in a quote from a printer in Portugal.

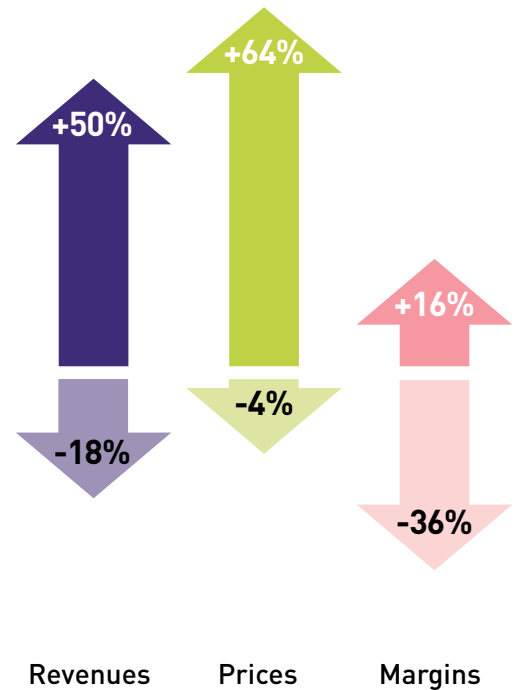
“Looking for the biggest opportunity, my company must be alert, be patient and look for new demands... The Covid pandemic, and the Russia/ Ukraine war will bring new disruptions in market, but equally may create new opportunities. [These] could be found in markets where innovation and rehabilitation [reform] could happen. For that, my company will look essentially for digital operations... (labelling, digital printing - wide format and medium format).” **Commercial, Packaging and Functional printer, Portugal**



Key financial measures for printers 2022

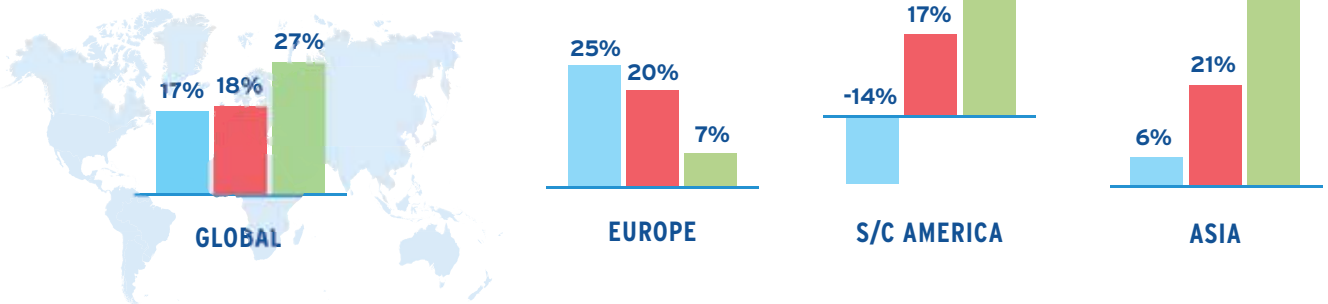


Key financial measures for suppliers 2022

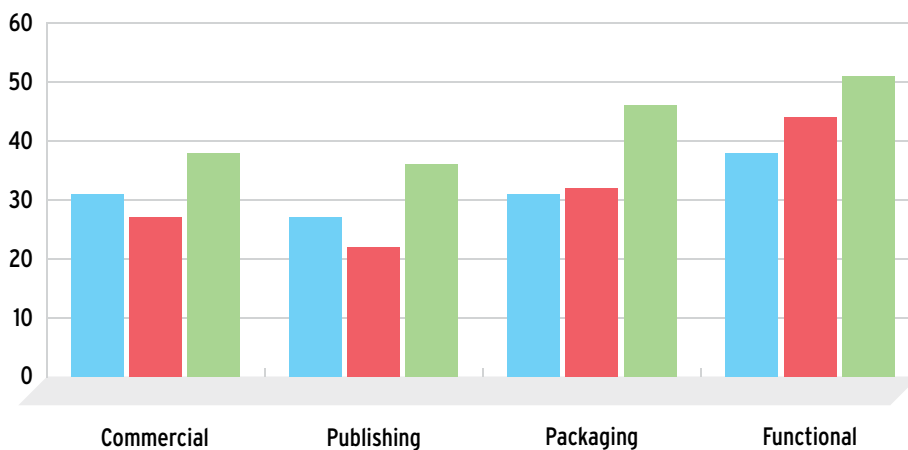


drupa Printer Barometer economic confidence 2022 Global and by region

% net balance positive v negative

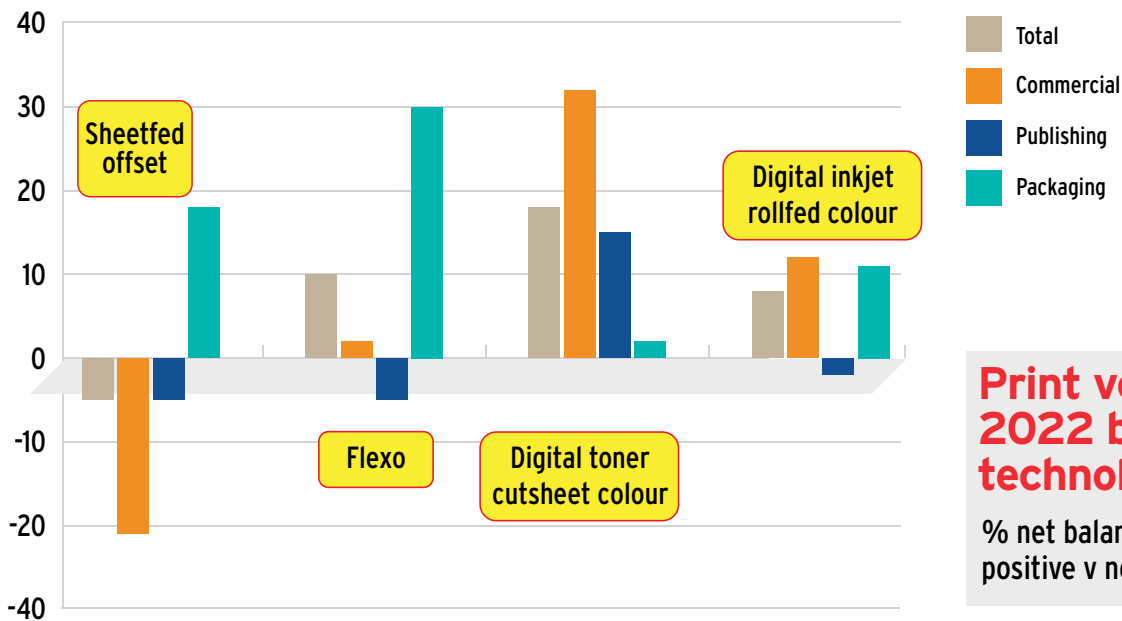


Actual 2019 Actual 2022 Forecast 2023



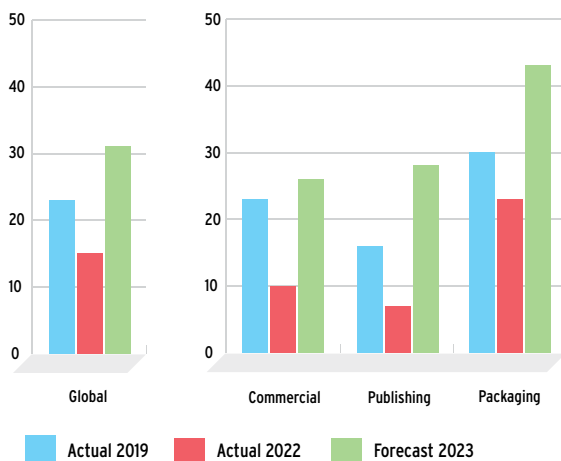
drupa Supplier Barometer economic confidence 2022 by market

% net balance positive v negative

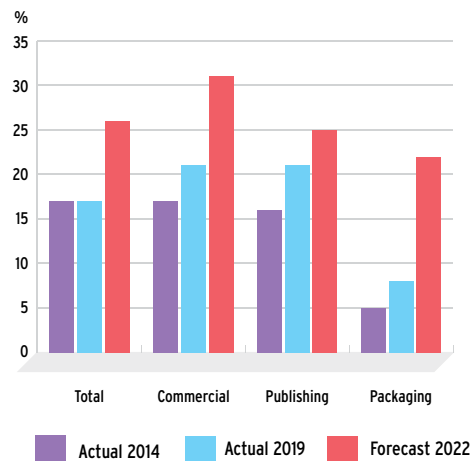


Cap Ex Printers 2022 Global and by market

% net balance positive v negative



% of those with web-to-print with >25% turnover W2P



Top two print technology investment plans by market 2022

Global total

Sheetfed offset **31%**

Digital toner cutsheet colour **18%**

Packaging -

Flexo **39%**

Sheetfed offset **34%**

Publishing -

Digital toner cutsheet colour **27%**

Sheetfed offset **27%**

Commercial -

Sheetfed offset **30%**

Digital toner cutsheet colour **26%**