

NATIONAL PRINTING RESEARCH COUNCIL

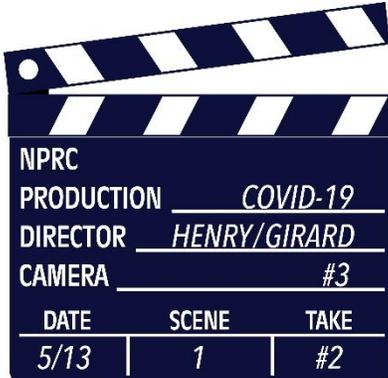
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Covid-19 "Take #2"

PPP Payments Outpace Stimulus Checks 2:1



The National Printing Research Council (NPRC) continues to serve the printing, mailing and sign industries with a series of statistical surveys designed to keep owners informed regarding major industry trends. Of course nothing has had a greater impact on our combined industries than the current Covid-19 Pandemic! (**To download a 11-page PDF copy of this report** [click here.](#))

In fact, no single event in the past 100 years has had more impact on our industry than the current pandemic. As a result, NPRC launched its first Covid-19 Survey in mid-March and published the results on its website on March 26th. ([Click here](#) to read the previous report.)

It didn't take long for it to become apparent that we would need a second and most likely a third survey if we were to meet the needs of our industry. So on May 5th NPRC launched its 2nd survey called **Covid-19 "Take #2."**

The survey ran for seven days, closing on May 12th and attracted 253 participating firms, closely matching the 279 responses we received on our 1st survey about a month ago.

Stimulus Checks vs. PPP Disbursements

As a general rule, printers appear to have had far greater success in receiving PPP loans than they have in receiving their \$1,200 stimulus checks by almost exactly a 2:1 rate. According to our data, and based upon 253 responses received between May 7-12, only 39% of our survey respondents told us they had received their \$1,200 checks, while 61% told us they were still waiting. Somewhat ironic considering no applications or forms were required for the latter while an application process was established for PPP disbursements.

As for PPP applications and disbursements, approximately 92% of printers told us they had applied for the Federal Government's Payroll Protection Plan, and that 78% of those that had applied have already received the PPP funds.

Interesting too is that approximately 38% of the industry has applied for and received either an advance payment or full disbursement on their EIDL SBA Disaster Loan. (See Chart #18) Once again, contrast that with the fact that 61% of participants are still waiting for their stimulus checks. Granted, there are far more of the latter to be disbursed, but the disbursement process is much simpler and subject to far less variables than what can be a complex loan application.

Covid-19 & General Industries Trends

One of our first series of questions sought out participants and asked them to estimate or project the percent decline in total employees for three specific periods of time. We asked them about the number of employees currently employed as well as the number of employees they projected for two periods in the future. Below are the results uncovered as of May 12th:

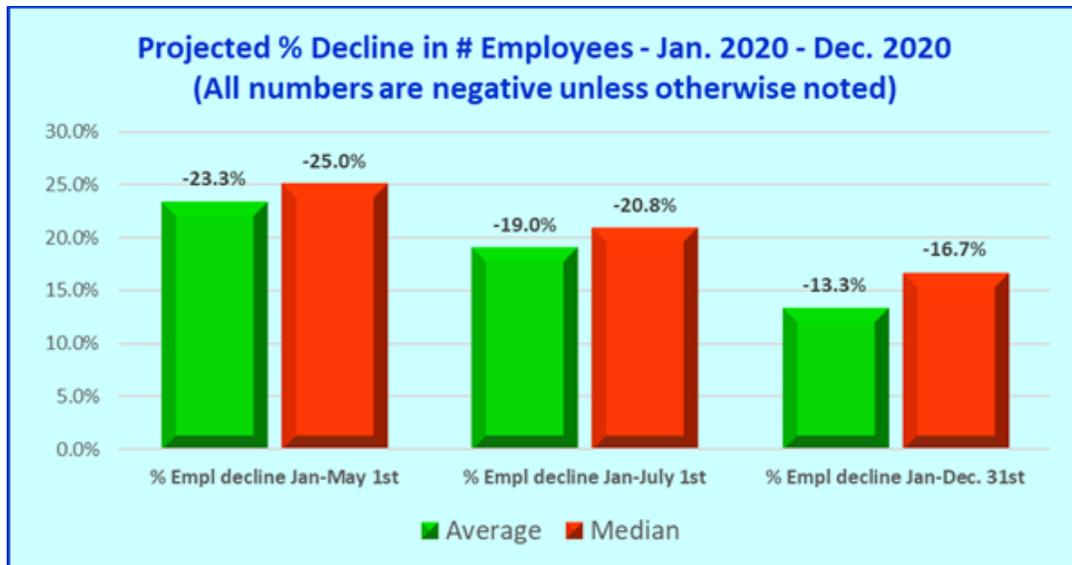


Chart #1 - % Declines in Employment

As you can see (See Chart #1), it appears that many printers seem to be implying that the worst is possibly now behind us. The first two bars (average & median) reflect the decline in sales over a four-month (Jan-April), however, most of the decline in staffing appears to have occurred in March and April, the last two months of that time-frame.

It is likely, but not assured, that in a next few months we will look back on 2020 and view the March-April time-frame as the worst two months in 2020. Of course, we still have no idea what May or June 2020 will bring, but the consensus seems to be *"it can't be any worse than what we have already seen."*

We also asked participants to predict the impact that Covid-19 will have on their employee staffing as it relates to both the first six months of 2020 as well as on total employment for all 12 months in 2020.

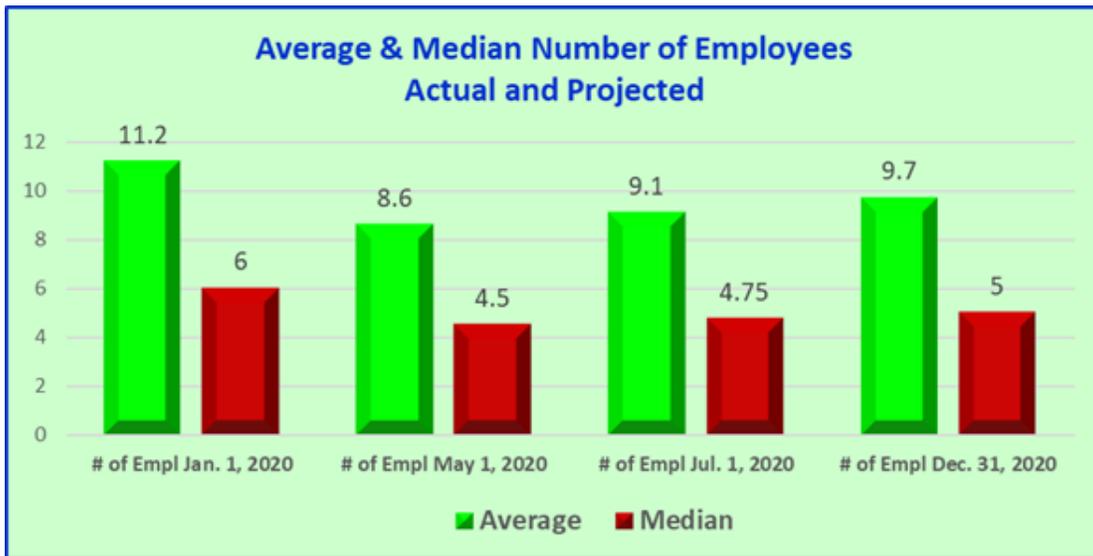


Chart #2 - Employees

Chart #2 above reflects answers to our survey question asking participants to tell us their current and projected staffing levels as we approach the end of the 1st six months of 2020 as well how we will finish out the year. Overall, it appears that owners are predicting that by year-end 2020 total staffing will have declined by approximately 13-17% from what it was in January 2020.

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Business as Usual?

Chart #3 provides the answers to the question, "Based upon state or county regulations or laws currently in effect, what is your current business status as of May 8, 2020?" According to our data, it appears that approximately 70% of the industry is back to "normal" in terms of being open for business. However, being open for business is not the same as a return to business as usual. Many participants told us that customers are simply staying home and are certainly not venturing outside to place orders.

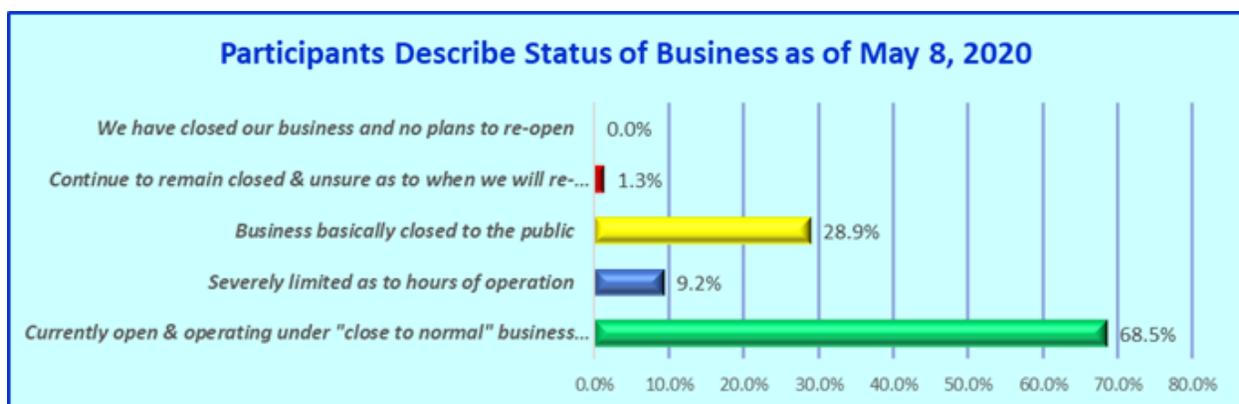


Chart #3 – Currently “open” or “closed”

With significant declines in raw business volume, something has to give, and we asked survey participants to tell us how they were handling their payroll and staffing demands in light of much lower sales. As you can see (Chart #4) approximately 46% told us they are currently paying employees full-pay.



Chart #4 - Employee Payroll Status

Payroll Status for Specific Firms - Question #4 of our survey asked, "If you are temporarily closed, or operating under limited hours of operation, how are you handling payroll?" As you can see, 46% of those responding firms said they were continuing to pay employees at "full" pay. The remainder (*remember these are firms that are still closed or operating under limited hours*) turned to paying employees only for hours actually worked.

Employed vs. Furloughed? Question #5 asked respondents what percent of their total work forces is currently working at their physical plant as opposed to furloughed? Question #6 asked how many employees have been furloughed as a result of Covid-19. We clarified that question by noting that "furloughed" meant "*temporarily sent home for a period of time without pay.*"

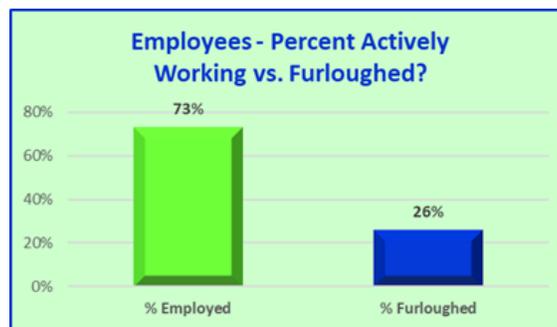


Chart #5-6 Employed or Furloughed

Chart #5-6 illustrates that employers have, on average, retained approximately 73% of their work force. The bad news, of course, is that approximately 26% of the workforce in our industry has indeed been laid-off or furloughed and we suspect that most of them will never be rehired.

Healthcare Coverage

Healthcare premiums and furloughed employees - What are owners doing in regard to continuing healthcare premiums for laid-off/furloughed employees was a popular question among owners who pay such for employees. For approximately 33% of participants, this question was not an issue since that coverage is not offered.

As you can see, at least as of May 8th, approximately 24% of employers continue to pay premiums for all employees. Unfortunately, approximately 11% of employers ceased (as of May 8 or before) paying healthcare premiums for inactive or furloughed employees.

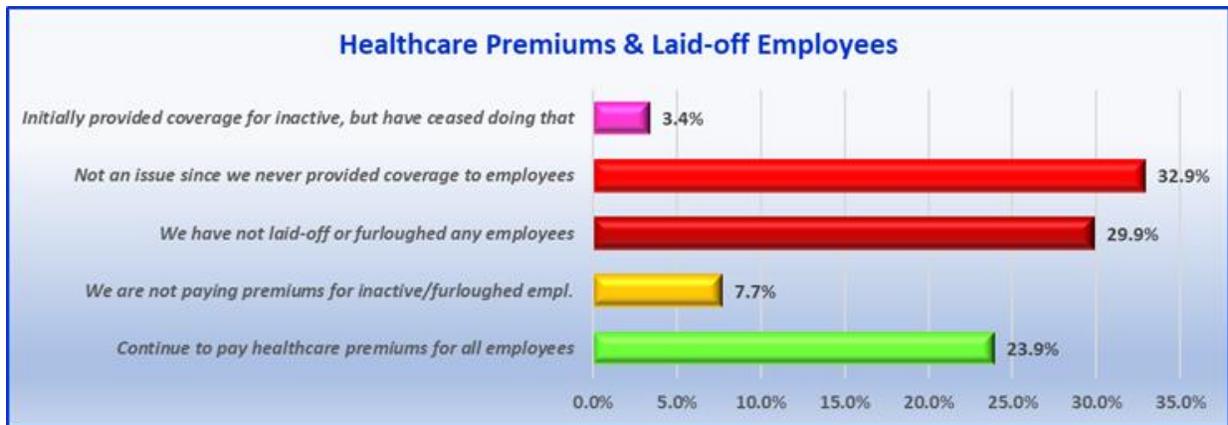
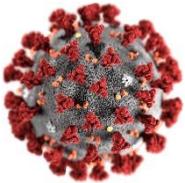


Chart #7 - Handling Healthcare Premiums

Major Sales Declines Predicted

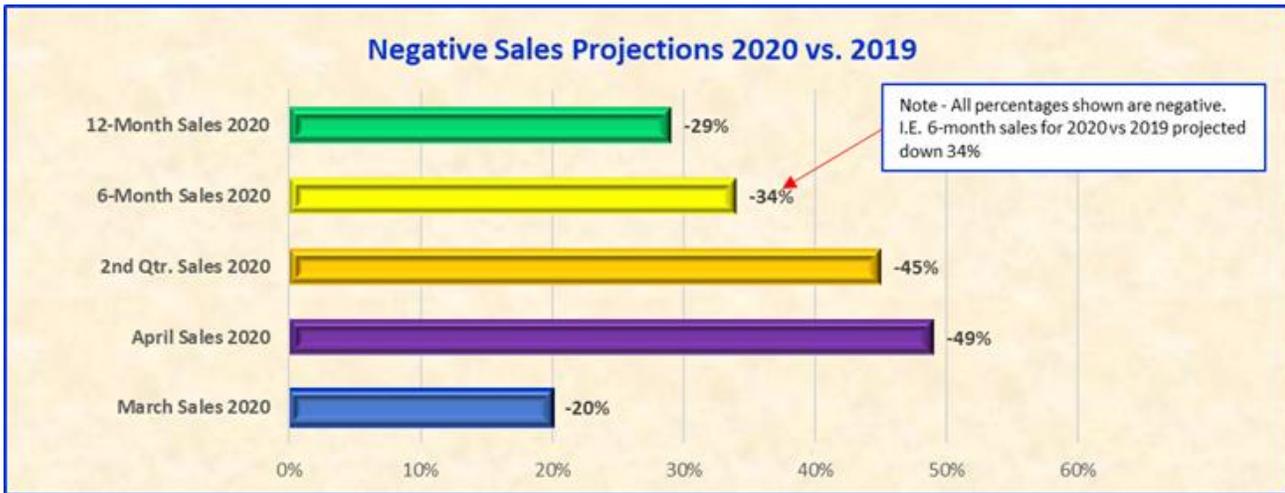


Our Covid-19 Take #2 survey offered up 5 distinct time frames (**See graph #8-12 below**) and asked participants to indicate the percentage that sales were either up or down. Suffice it to say, not a single participant indicated any UP or positive sales for the time periods reported or projected.

The graph below (Questions #8-#12) illustrates the tendency and belief at least among many survey participants that the "worst is behind us" in terms of impact on future sales. The further we go out in the future the lower the predicted cumulative negative impact on sales.

Nonetheless, printers are still predicting a 29% decline in sales for the 12 months ending Dec. 31, 2020. Note the devastating impact Covid-19 had on April sales, with printers predicting a decline of -49% on April 2020 sales compared to April 2019. The negative trend clearly carries over into the 2nd quarter of 2020 with a predicted decline of -45%.

Had we asked about predictions for 2021 we are convinced that we would continue to have seen negative numbers, but we will leave that for a future survey. For right now, suffice it to say we are indeed looking at a dismal picture in terms of both sales and profits for not only the rest of 2020 but into 2021.



Questions #8-12 - Sales Projections

Stimulus Checks & Other Loan Options



#14 - A Stimulus Check?

Our Covid-19 Take #2 survey asked five specific questions dealing with various stimulus legislation such as stimulus checks, PPP applications and EIDL/SBA Disaster Loans. Our first question was the simplest and yet the results were the most shocking.

Question #14 asked whether survey participants had (Yes or No answer required) received their individual stimulus check or deposit of \$1,200 per person (with qualifications and restriction). The question was flawed in a sense that the question assumed those that answered would be qualified to receive one.

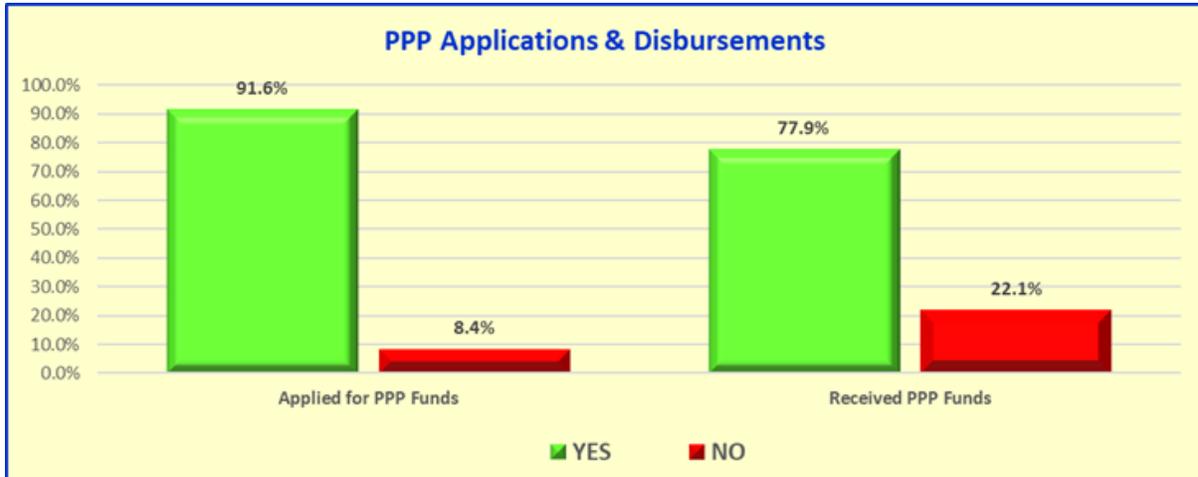
Nonetheless, we believe that most printers and most participants would indeed be qualified to receive a stimulus check of some \$\$\$ amount. With that said, 61% of respondents as of May 8, 2020 told us they had not received a check.

As a result, we were surprised when we began checking out the survey data. What was supposed to be the most transparent, the quickest and the simplest of the many federal bailout programs now appears to have run into some major delays if not roadblocks. When we asked folks if they had received (as of May 8th) their stimulus checks we were surprised to hear that 61% of our respondents told us "No."

(SPECIAL NOTE: As noted previously, we realized this question and our comments that followed was flawed, in that not every owner/spouse would be qualified to receive a stimulus check. Our question should have been more specific, to allow for the fact that not everyone was qualified to receive such.)

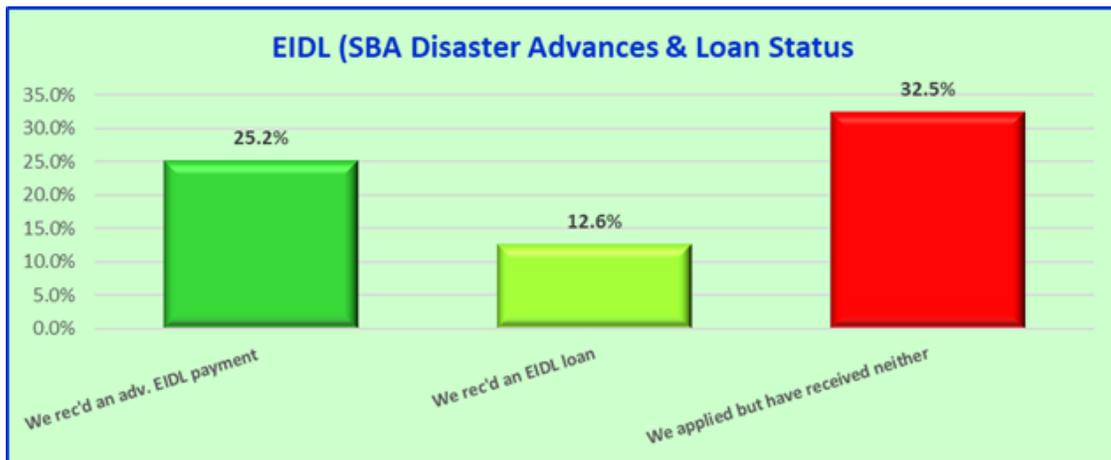
PPL Funds and Applications - The good news came when we asked about PPP funds. According to our survey data, almost 92% of the printing industry applied for PPP Funds, and even more surprising is that *approximately 78% told us* they had in fact received payments under the government's Payroll Protection Plan. (See graph - Questions #15-17)

PPP Funds Forgiven? When asked about "forgiveness" of loans, participants told us they expected that 73.4% of the loan amount would be forgiven. The median was 95% of the loan amount.



#15-17 PPP Applications & Loans

EIDL - SBA Disaster Loans - Since this has turned out to be another popular Covid-19 era loan program, we thought we would ask participants if they have applied for a loan and whether or not they have actually received an advance and/or the full loan amount. Their answers appear below. Note that the cumulative total of the responses below (70.3%) represents to the total percent of survey participants who indicated they applied for an EIDL loan.



#18 EIDL Loan Disbursements

Cash Reserves - How Much & How Little - We asked participants to take into account steps and expenditures they have already taken, to tell us how many additional weeks or months did they feel they could survive under the current Covid-19 economy. (See Graph #19)

We must confide that the 33% of printers who told us they had enough cash reserves to last them at least six months was a refreshing bit of news considering all of the negative stats we had received. Even more encouraging was the fact that another 13% of respondents told us they could last at least one year.

Unfortunately, another 31% of printers told us they only have enough cash reserves to last them two months or less. Considering the fact that most owners predict that the negative business climate and the severe decline in demand will extend well into late summer (if not the Fall or Winter), it appears that a significant portion of the printing industry is in deep trouble.



#19 - Cash Reserves

Predicting modest recovery by Spring 2021?

Overall Business Confidence Level - Question #20 of our Covid-19 "Take #2" Survey posed the following question: *"Taking into account everything that has transpired in the past three months, how would you rate your confidence level that your business will be somewhat back to 'normal' by April 2021."*

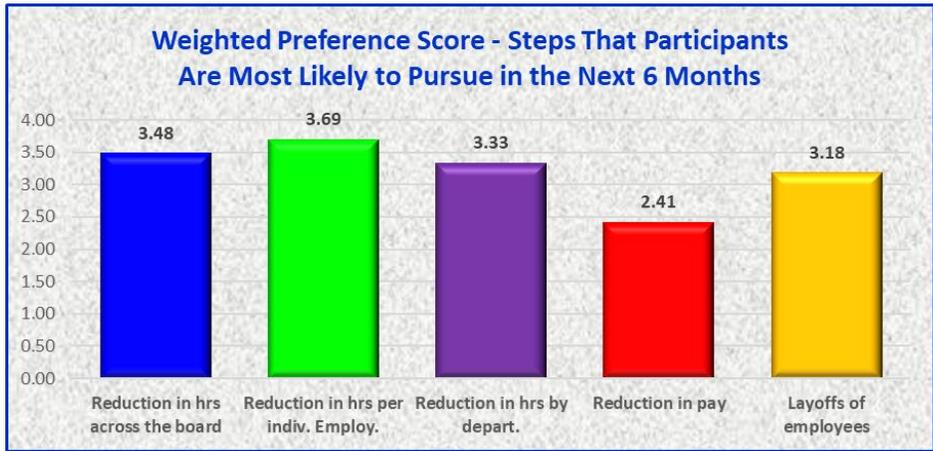
We provided a slider that moved through a scale from left to right. On the far left, we displayed a -100 and identified it as (Very Doubtful). In the middle we displayed a 0 and labeled it "about 50/50". On the far right we displayed +100 and labeled it "Extremely Confident."

The final score was +16! In hindsight, we should have simplified the scale and its interpretation. Nonetheless, we interpret the +16 to be a slightly (very slight) positive indication or feeling that their business will possible be approaching normal by Spring of 2021.

Controlling Labor Costs

Preferences for Controlling Labor Costs - Question #21 was a complex question asking readers to provide a "weighted" answer to five possible steps that might be taken to reduce or control labor costs. We provided five options they could take, and then basically asked them to tell us how likely or unlikely they were to pursue each option. The options ranged between *"We will not consider"* to *"Will like implement."*

As a result, we were able to produce the following graph. As you can tell, printers are very reluctant to institute a *"Reduction in Pay."* At the other end of the spectrum, printers are far more likely to pursue a *"Reduction in hours for individual employees"* followed closely by a general *"Reduction in hours across the board."*



#21 - Controlling Labor Costs

Handling Accounts Payable?

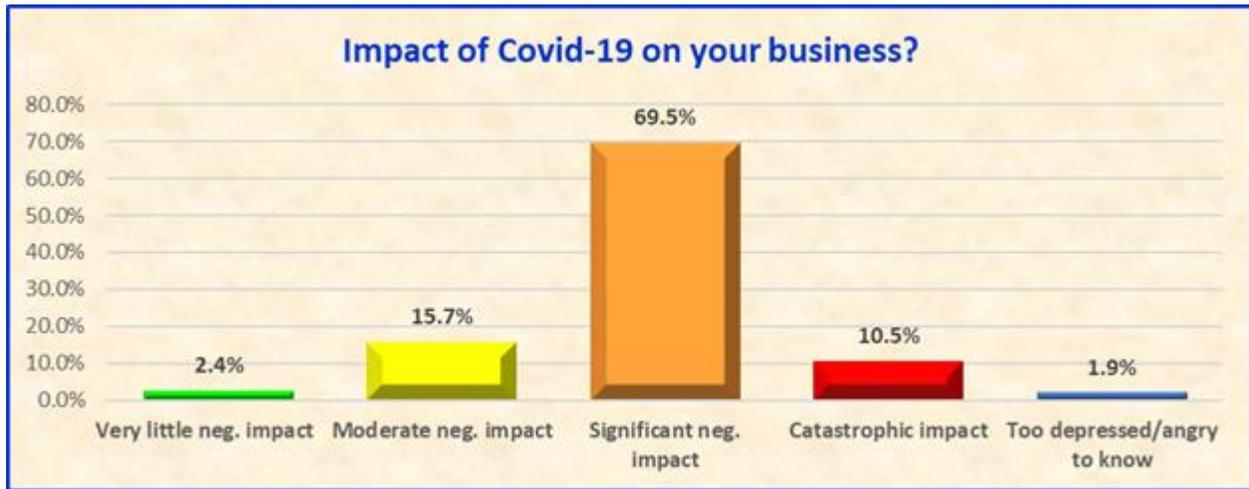
Dealing with Accounts Payable - Recognizing the critical importance of improving and maintaining cash flow, we asked participants what if any steps they have taken to delay or slow down payments to vendors.

One option that we initially had not even considered in our first draft but was added later was the option stating that the owner has not delayed or slowed payments to vendors at all. Surprisingly, as it turned out, this option dominated all of the other responses. Almost 60% of respondents told us they have not delayed or slowed payments to their vendors.



#22 Dealing With Accounts Payable

Prospects for the future of your business - We could have just as easily put this question at the beginning or the end, but we basically wanted printers to tell us how Covid-19 has impacted their business. As expected, approximately 70% told us Covid-19 is having a "significantly negative impact" on their business, while another 10.5% tell us it has been "catastrophic." (Graph #23)

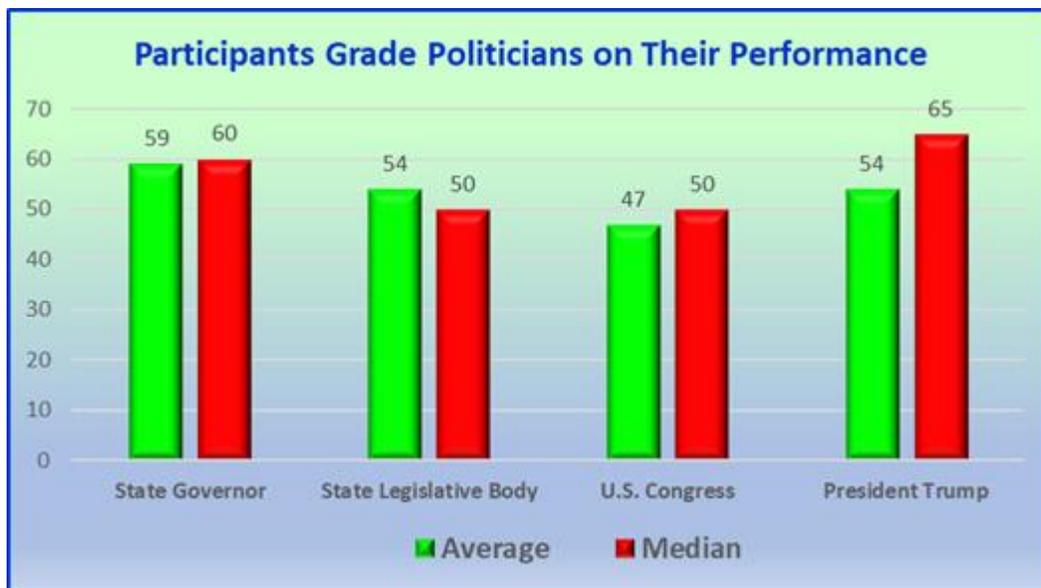


#23 - Prospects for the Future?

The Role of Politics

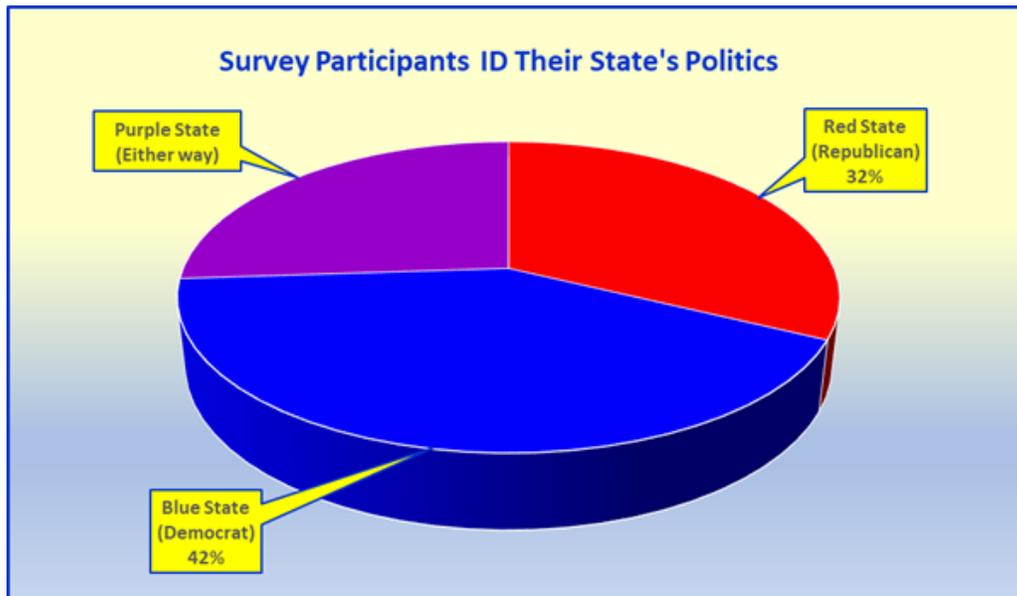
Support for Governors, Congress & the President - Since politics plays such a major role in everything these days, the last five questions of our survey attempted to gauge the support and ratings offered by participants for their governors, state legislatures, the U.S. Congress and President Trump. Participants were provided a scale ranging from 0 (Totally Opposed) to 50 (Neutral) to 100 (Fully Support).

Accurate Reporting on this data was imperative and we thus calculated both average and median figures. Our take? Too close to call out any big "winners" or "losers" in this contest!



Questions #24-27

Red States vs. Blue States - As a foundation for question #23, we asked participants to define the political nature of their own state. Where they in "Red," "Blue," or "Purple" state. The answers appear below. Our "gut" expected the "Red" state percentage to be slightly higher than the 32% shown, but all of that will only really matter when November rolls around.



#28 - Red State vs. Blue State

Our Sincere Thanks - We want to sincerely thank those of you who took the time to participate in our most recent industry survey. Rest assured it will not be our last, but we will be honest with you that we need your continuing support, not only as a survey participant but also as a financial supporter.

We would also like to thank the following two individuals for their help and advice in creating this industry survey: (1) John Henry, owner of Speedway Press, Oswego, NY and founding board member of NPOA, and (2) Armand Girard, owner of Curry Printing & Marketing, Auburn, ME and also a founding board member of NPOA.

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Remember to drop us a line and give us your suggestions for future surveys, especially those dealing with the current and future impact of Covid-19! We love to hear from you.

John Stewart, Executive Director, NPRC

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