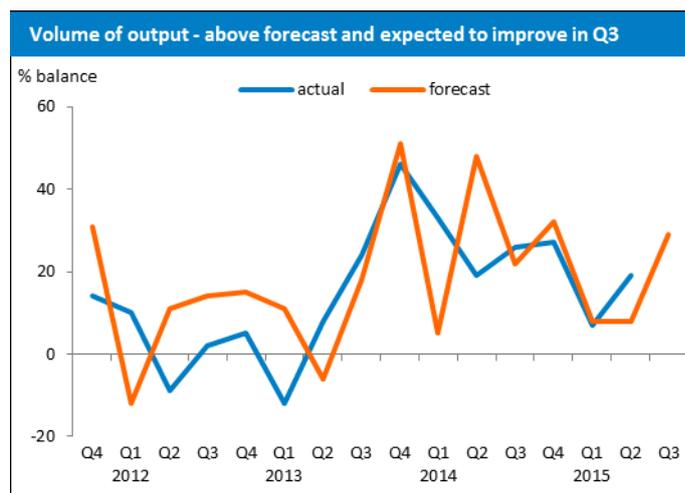


PRESS RELEASE

30 July 2015

GROWTH MAINTAINED AT EXPENSE OF PRICES AND MARGINS – CAUTIOUS OPTIMISM PERMEATING TOUGH CLIMATE

The second quarter of the year pushed on with an improved output performance – above expectations – but a slower rate of growth in orders. Compared to Q1, more printers in Q2 were able to increase output (41% compared to 33%), according to the latest *Printing Outlook* survey. This surpassed the Q2 forecast and, with 37% holding output steady and 22% reporting a decline, ensured that the Q2 improvement (the balance between ups and downs) was +19; below many recent quarterly recordings, but above Q1 and above the Q2 forecast. Furthermore it extends the positive run for output to over two years.



The output balance of +19 was well above the forecast of +8. A balance of +29 is forecast for the coming three months.

As expected, some printers have reported receiving a boost from work related to the general election. However, concerns have been raised regarding price sensitivity – particularly in commercial printing sectors

A further improvement in output is expected to carry through to Q3. 43% of respondents expect to increase output levels; an equivalent 43% predict that output levels will remain the same - and 14% expect output to decline in Q3. The forecasted balance of +29 would be a healthy improvement on Q2 and, if realised, would bring output performance for Q3 in line with Q3 reports from the last two years.

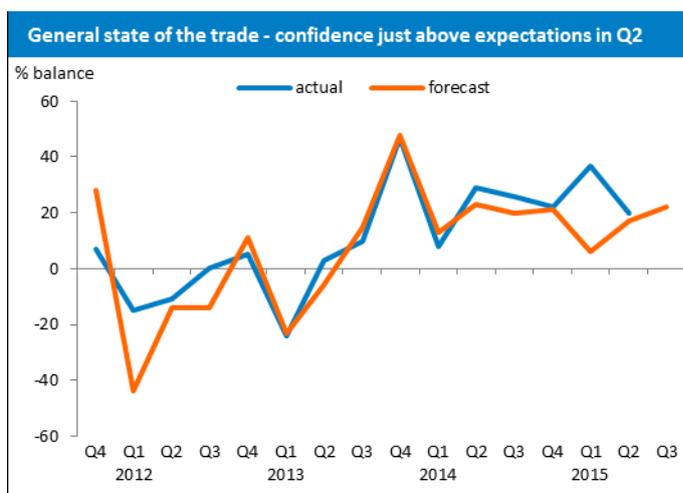
The positive output forecast comes despite some voiced concerns over future demand levels and managing labour throughout the holiday period.

Confidence in the general state of trade in the printing industry continued to improve in Q2. Following last quarter's unexpectedly upbeat surge in confidence, the Q2 data is more in-line with the forecast.

The balance between those believing that the general state of trade improved, and those believing that it had deteriorated, was +20 in Q2; down from +37 in Q1 but nonetheless a relatively positive depiction, and above the Q2 forecast of +17. As with orders and output, this lengthens the run of positive sentiment to over two years. It has come from 41% believing the general state of trade in the printing industry had improved and 21% reporting a deterioration. 38% reported no change in the general state of trade in Q2 2015.

Expectations for Q3 are slightly more positive (reflecting output confidence rather than orders concern). More than half (55%) believe that the general state of trade in the industry will remain unchanged. Of the remaining respondents: 34% compared with 12% believe that the UK print market will improve rather than worsen.

The forecasts for Q3, whilst more positive, are more polarised than they were in Q2 i.e. fewer respondents are reporting stability and therefore a larger proportion are either upbeat or pessimistic. Comments picked up in the survey also reflect this and it is not just a distinction between packaging and commercial printing but also related to the specific climates and markets that major clients are operating within.



The balance of +20 was above the forecast of +17. A balance of +22 is forecast for the coming three months.

Unsurprisingly competitors pricing below cost remains, by far, the most voiced business concern – on this occasion more than four-fifths (83%) of respondents reported that this was one of their top three business concerns. Concerns regarding access to skilled labour have continued to increase, this is now the second ranked concern – being selected by 36% of respondents. Under-utilisation of capital equipment (perhaps exacerbated by the holiday period) has now become the third ranked concern – as selected by 32%.

Once again there were concerns regarding the profit levels and late payment. Other recurring concerns mentioned were regarding austerity measures muting demand, excessive business rates and credit lines becoming restricted.

Kyle Jardine, BPIF Research Manager, said:

“Firms are working extremely hard; many have been able to grow output and the vast majority remain optimistic about the state of trade in the industry. However, there is no getting around that fact that there is no respite for prices and margins on the horizon.

“Fortunately consumable costs have continued to remain largely stable for most companies - and improving financing and credit conditions should help companies manage their cashflow.”

Charles Jarrold, BPIF Chief Executive, said:

“The availability of and access to skilled labour has become a growing concern for many sectors; not just in our industry. The BPIF is working hard to enhance the Government’s commitment to apprenticeships, and ensure that our own training portfolio – from apprenticeships through to Masters level – continues to improve and develop, so that we can help equip the industry with the skills it demands. The reported strong levels of investment – on machinery, training and innovation – will help to address this.”

Endorsements:

“Duplo used the data provided by the BPIF to map the UK Print Industry, and this coupled with the overlaying of our own CRM data, we were able to create a picture which formed the cornerstone of our sales and marketing strategy regarding our higher-end production equipment. The results of which attributed to 20% sales growth in one year. Thank you BPIF!”

Peter Jolly

Managing Director, Duplo

“The BPIF Outlook report has become a reliable barometer for Kodak to gauge the condition and trends of the printing industry. As well as an in depth read the report also expresses the data with easy to understand graphic charts which can be quickly digested and explained to an audience. It helps define decision-making and market approach – which is so crucial to a company like Kodak.”

David McGuinness

Marketing Manager, Kodak UK & Nordics

Summary of key findings:

- The second quarter of the year pushed on with an improved output performance – above expectations – but a slower rate of growth in orders.
- Confidence in the general state of trade in the printing industry continued to improve Q2.
- Competitors pricing below cost remains, by far, the most voiced business concern; access to skilled labour is now the second ranked concern, followed by the under-utilisation of capital equipment.
- Capacity utilisation in July was concentrated in the 80-89% range.
- Companies have continued to recruit in Q2.
- Output prices remain under firm pressure.
- Input costs have continued to remain stable for the majority of respondents; as in each of the last three quarters, the main cost pressure in Q2 was from labour. Respondents predict that average energy costs will fall, on balance, in Q3; but that paper and board, ink and labour costs will increase.
- Margins appear to have returned to a more normal, if depressing, reality in Q2 following a brief period of respite in Q1.
- Following two quarters of decline, export demand bounced back in Q2.
- Capital investment plans, for equipment, training and innovation, remain strong.
- Access to finance is continuing to improve in 2015; in particular access to, and the cost of, bank lending.
- More than half of respondents conducted pay reviews in Q2; awarding increases averaging 2%.
- UK demand for printing papers and boards decreased very slightly (-0.6% comparing Q1 2015 to Q1 2014).

Also in *Printing Outlook* this quarter:

- Pay Reviews – activity and average % changes.
- Web to Print - just how much of printing companies turnover is currently derived through Web to Print?
- Data on capacity, productivity, costs, margins, investment and more.
- Consumables – paper consumption data and printing ink volumes and values.
- A more in-depth look at energy costs.

Printing Outlook is available (free to BPIF members and £40 to non-members) from the BPIF website: www.britishprint.com/printingoutlook/

ENDS

Editors' Notes

The online trading trends survey was carried out during 1-16 July 2015 and received responses from 108 companies employing 5,229 people with a combined turnover of £580 million. For more information on Printing Outlook, visit www.britishprint.com/printingoutlook/

The BPIF is the principal business support organisation representing the UK print, printed packaging and graphic communication industry. We are one of the country's leading trade associations and we strive to ensure our members' requirements come first. Through listening to their needs we have developed an unrivalled range of products and services that go well beyond those provided by a traditional trade association.

We provide the highest standard of support for printers to grow and develop healthy, sustainable and profitable businesses, aiming to provide an environment geared towards their businesses' success. Here at the BPIF we offer practical, value-adding solutions for all areas of a print organisation, ranging from Health, Safety, Environmental and Quality issues; with the implementation of HR requirements; provide resolutions of technical or legal issues; as well as advice and support on marketing, sales and finance. This is all delivered by individuals and teams of highly skilled and experienced print and media industry specialists.

We also offer a wide range of opportunities for networking both regionally and nationally, including prestigious events, special interest groups, seminars, conferences, workshops, training and short courses on a wide range of topics and skills.

For more information on the BPIF, visit www.britishprint.com