

PRESS RELEASE

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Printing Outlook cites autumn improvement but with poorer prospects ahead

Print benefited from a further expansion in trade during the autumn but trade is expected to weaken during the winter period, according to the latest Printing Outlook report published by the BPIF today (14 January). The latest industry trading trends survey results cover the three month period ending 30 November. It was carried out online during the period 1-17 December 2010, and consists of 98 companies employing 11,917 people with a turnover of £1.3 billion.

The report reveals that not only was trade better than in the summer, with more companies reporting an improvement than a weakening in trade on balance, but that it was also above expectations. The positive balance between those companies that reporting improvement compared to those reporting deterioration was +28:- the highest reading since autumn last year and the second highest over the past three years.

Almost half of survey respondents (46%) saw trade pick up, which compares favourably with 18% that had expected improvement. On the negative side, 18% reported a slow-down. This is the highest reading since last winter and compares with only 3% that had anticipated a weaker period at the time of the previous forecast. Prospects for the winter months are not promising though with trade predicted to slow in the period. While around a half of firms (48%) expect market stability, a further 42% forecast deterioration.

Utilisation rates are beginning to rise for those operating at lower capacity levels, with more than half reportedly operating at between 80-89% of capacity during the autumn. Lead times are also generally lengthening, with 63% reporting three weeks or more compared with 54% three months ago. The majority of printers report output levels, with 54% of companies boosting production in the period under review. Just 10% reported lower output and this positive balance of +44 compares with a longer-term average increase of +27 for the period. Order levels improved for no less than 64% of printers during the autumn, the highest level for three years.

Worryingly though, printers failed to benefit from higher demand through increased domestic prices, which remained little changed over the past three months for two-thirds of print firms. Jobs too suffered, with 31% of companies recorded a fall in numbers employed compared with 18% that took on more staff. This continues the recent trend of negative employment balances being registered for the third consecutive survey.

There were no surprises for printers when it came to paper and board costs. More than three-quarters (77%) paid more over the past three months, pretty close to the 81% that had predicted increases. Three-fifths of respondents expect to pay higher charges in the coming three months, with more than a third anticipating increased prices for ink and just under a third expecting to pay more for energy.

The results covering margins on sales came in close to levels predicted three months earlier: a slight overall increase of +1 was recorded, which compares with a forecast of +4. Predictions for the winter period suggest a continuation of this trend, with no less than four-fifths of firms expecting margins to remain constant. Similarly, the past three months saw a marked improvement in profit levels, with more than two-third of print firms recording earnings of 4.5% and above. This compares with slightly over a half at the time of the last survey.

Investment intentions are looking more upbeat. 93% of printers are set to invest in plant and machinery over the next 12 months, with 47% expecting to spend more than last year. Almost a half of printers expected to invest in plant and machinery, up from a third three months ago. A fourth quarter decline in print and packaging insolvencies has kept the annual total below the 2008 and 2009 levels.

It is clear from the survey results that the comprehensive spending review and government cutbacks will affect the printing industry; indeed the uncertainty surrounding this has already had an impact. Over three-fifths (62%) of those companies that did printing for the public sector had noted a decline in the value of public sector work obtained in the three months to the end of November and they estimate that over one-third (33.5%) of the value of public sector work has already been lost at these companies.

Access to finance improved for some, with a balance of 13% of respondents recording an improvement in the availability of credit lines with suppliers in the year

to November. However 75% recorded no change from what would historically be poor availability. In the year to November 20% of respondents experienced an improvement in the availability of bank lending facilities and 12% a reduction in the cost of bank lending. Unfortunately this was offset by 19% of companies reporting a decline in bank lending and 19% an increase in the cost of borrowing from banks. The level of bad debt remains an issue too: although 11% reported an improvement, the balance reporting an increase fell from the 13% reported in the previous quarter to 5% this time. Debtor days, which have been at 56 days in the previous two quarters, fell to 54 days, while creditor days shrank to 68 days from the 72 recorded in the previous quarter.

Respondents were asked to cite their top business concerns currently. Predatory pricing featured top of the list, with 65% of respondents citing 'competitors pricing below cost'. 'Paper or board prices' (55%) came a close second, with 'survival of major customers' being selected by 18% of respondents, followed very closely by 'private sector cutbacks', 'public sector cutbacks' and 'late payment by customers'.

BPIF Corporate Affairs Director Andrew Brown welcomed the upturn in trade reported in Printing Outlook but warns "this is traditionally a better time of year for printers and the latest result is exactly in keeping with the average positive reading recorded during the autumn months over the past 10 years. As was the case with all of our more recent surveys, any improvement, while very welcome, is from a very low base compared with pre-recession levels. The forecasts for the winter months are less promising. It is clear that public sector spending cutbacks are taking their toll on our sector and we are also concerned at the number of respondents who are forecasting deterioration in trade during the period to end February."

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Notes to Editors:

The British Printing Industries Federation (BPIF)

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

They 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. The BPIF 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 industry specialists.

New services recently launched include BPIF Insurance Service and the BPIF Financial Alliance to add to a wide range of business support services including healthcare and pensions. They also offer a wide range of opportunities for networking both regionally and nationally, including prestigious events, special interest groups and popular short courses on a wide range of topics.

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