

PRESS RELEASE

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ORDERS AND OUTPUT EXCEED Q2 EXPECTATIONS - FORECAST NOW MORE UPBEAT FOR Q3

Activity within the UK print trade was more buoyant than expected during the second quarter of 2013, according to the latest BPIF *Printing Outlook* report. The July survey showed that whilst a majority of 53% of companies reported no change in demand levels; more than a quarter (28%) said that the volume of domestic orders had improved. This outweighed a figure of 19% that suffered deterioration and also exceeded expectations from last quarter.

It was the first time that the actual performance of printers was ahead of forecast for over two years and coincided with signs that the general UK economy improved further during the period. The overall balance between ups and downs also moved into positive territory for the first time in five quarters and, at +9, it was the highest reading since Q4 2010.

The overall quarterly improvement has given rise to increased optimism regarding demand during the third quarter. Again, most firms do not expect any change to order levels but those anticipating a pick-up in the market are not inconsiderable, at 31% of survey respondents.

Confidence in the general state of trade in the industry has also improved beyond last quarter's downbeat expectations. Over a quarter, or 27%, believed that the general state of the market had improved in the three-month period. Whilst this was the highest reading for nine quarters it is tempered by the fact that a similar amount of firms, at 24%, reported deterioration. The overall small positive result suggests a gradual return in confidence rather than complete belief that trade is firmly on the up.

'Competitors pricing below cost' remains the issue most frequently chosen by companies as one of their top three business concerns. This concern was selected by 80% of respondents in July and remains significantly greater than any other concern. 'Under utilisation of capital equipment' has become the second ranked concern, selected by 34% of respondents. 'Late payment by customers' is now the third ranked concern, 24% of respondents selected it.

While the majority of printers saw no change in numbers employed, more of the remainder cut jobs than took on new staff. The changes, a response to a weak start to 2013, were made at a time when trading conditions were actually on the up and came as something of a surprise given the recent trend and an earlier forecast of static employment levels. Signs of positivity in the market suggest that the overall shedding of staff during Q2 will prove to be a blip.

Despite little overall change in terms of paper & board and a marginal increase for ink, there was marked movement in terms of energy and labour costs. Over a quarter of firms reported paying more for energy in Q2. This continued a long term upward trend with overall increases having been recorded in each of the past 11 quarters. Further energy price inflation is forecast for the current period. Upward movements in the average cost of labour reflected the outcome of annual pay review negotiations. Many companies still follow the traditional April review period. Q3 is expected to see a more stable labour cost environment.

Investment intentions place particular emphasis on product/process innovation, training and plant & machinery. A significant 92% of survey respondents expect to spend either more or the same on the former as they seek to boost sales. Likewise, 91% see the benefits of training with more or similar expenditure allotted over the coming year. A total of 87% is allocating funding for plant & machinery with the level of investment expected to run along the same lines as before with those spending more and less balancing each other out.

The raising of efficiency is the prime focus of capital expenditure with it ranked in either first or second place by 71% of respondents. The ability to offer a new product or service is also a major reason for investment with 46% rating it within the top two factors. Replacement of machinery was important for 37% and capacity expansion for 23%.

Kathy Woodward, BPIF CEO, said:

“Printing companies, and the wider industry, is working incredibly hard and creatively to develop the future for the printing industry. It’s welcomed to see a slight improvement in demand and confidence - not just in the printing industry but in the general UK economy.

“Driving efficiency is crucial; it’s the primary investment focus for almost three-quarters of respondents to the latest Printing Outlook survey which shows that there is continued investment in kit, training and product and process improvement in our industry.

Summary of key findings:

- Print demand rose above expectation in Q2 2013 with renewed optimism for third quarter.
- Confidence starting to rebuild.
- Capacity better utilised and some lengthening in lead times.
- Surprise fall in employment levels.
- Falling output prices still affecting many.
- Energy and labour costs rise but other costs generally stable including paper and board despite earlier fears of hikes.
- Margins narrow on balance but number of firms affected on the decline.
- Export trade slows but prospects appear brighter.
- Capital expenditure plans remain key for most printers.

ENDS

Editors' Notes

The online trading trends survey was carried out during 1-12 July 2013 and received responses from 91 companies employing 6,771 people with a combined turnover of £0.7 billion. 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 association 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