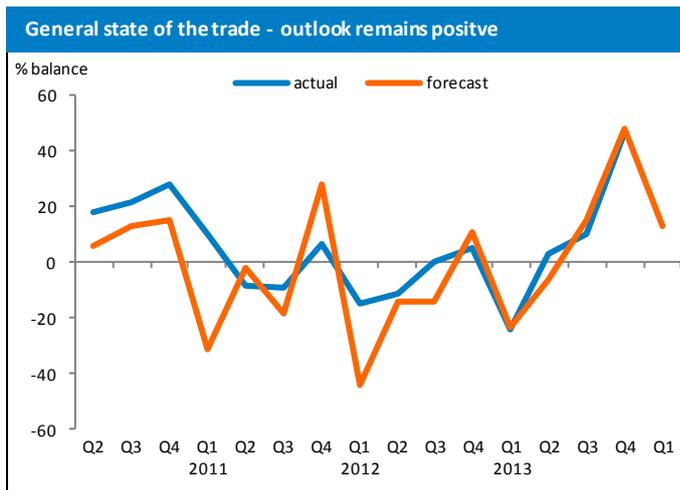


PRESS RELEASE

7 February 2014

OUTPUT LEVELS AT A SIX-YEAR HIGH – Q1 TO BE QUIETER BUT CONFIDENCE REMAINS BUOYANT

Confidence is clearly returning within the UK printing sector, according to the latest BPIF *Printing Outlook* survey. When questioned regarding the general state of trade during the final quarter of 2013, more than half (55%) believed that the market improved with just 8% reckoning the situation had worsened. The results are the best for five and seven years respectively.



The balance of +47 almost matched the prediction of +48. A balance of +13 is forecast for the coming three months.

As shown graphically, sentiment has continued to improve from the most recent nadir in Q1 2013. While confidence is lower in respect of expectations for the current quarter, the fact that there is a positive balance between ups and downs is notable for a period that normally sees a less optimistic forecast. In terms of trading prospects compared with a year earlier, 38% believe that the first quarter of 2014 will be better compared with 12% that is fearful of a weakening.

For the second quarter running, demand for print matched the forecast; this meant that the final quarter of 2013 was a busier time for many. The level of new business increased for more than half of survey respondents (52%). This was the highest figure for three years and comfortably outweighed the 9% that suffered a drop in orders. Activity traditionally rises

during the final three months of a year (a fall in demand during 2012 being the exception rather than the rule) but this time around the sector also appears to be benefiting from the pick up in the general economy and rising business confidence.

As expected, output levels rose in tandem with the increase in demand. In fact, the number of printers that saw a rise in production (58%) was the highest for six years.

The main business concern among printers remains the issue of competitors pricing below cost to attract custom. Almost three quarters highlight this process as being detrimental to growth. Replacing the worry that profit levels are not sufficient to allow for investment as the second key concern is the impact of expected paper and board prices on profitability. Also rising into third place and very much linked to the chief concern among firms is the financial effect of poor output prices. Late payments by customers, under-utilisation of capital equipment, survival of major customers and pre-pack administrations also feature highly among the main anxieties.

Kathy Woodward, BPIF CEO, said:

“It is heartening to see the optimism created by the stronger trading at the end of 2013 continuing into the current year. Whilst there are still significant challenges to face the industry is looking at across the board investment to increase productivity and maintain and improve operating margins. 2014 promises to be an exciting year.”

Summary of key findings:

- More than a half of UK printers reported rising demand with output levels at a six-year high. A traditionally quieter Q1 is forecast.
- Confidence levels are the highest for a number of years; vast majority of firms report that they are expanding or stabilising.
- Little overall change in capacity utilisation levels or lead times despite a busier period for many.
- Changes in employment levels at the most positive since Q2 2005.
- Downward pressure on output prices remains a constant for a quarter of print firms and continues to be a key concern.
- Input costs generally remained stable in Q4 with the prime exception of further rises in energy charges. Energy and paper price inflation is predicted by some during Q1.
- Downward pressure on margins but situation is less marked than in previous quarters.

- Overall levels of profitability still give cause for concern.
- Export market remains stable, prospects for growth improve.
- Improvement in the availability of bank lending noted by some. The cost of bank lending and the level of but bad debt has also been a concern but less so at the end of 2013.
- Investment intentions are positive for 2014; in particular for product and process innovation and training and retraining – but also for plant and machinery.

New in *Printing Outlook* this quarter:

- Web to Print - just how much of printing companies turnover is currently derived through Web to Print?
- How do respondents view the current position of their business?
- Pre-packs - how many companies have been directly affected by the activities of a pre-pack?
- A more in-depth look at energy costs.

Printing Outlook is available (free to BPIF members and £35 to non-members) from the BPIF website: www.britishprint.com/printingoutlook/

ENDS

Editors' Notes

The online trading trends survey was carried out during 2-21 January 2014 and received responses from 103 companies employing 9,596 people with a combined turnover of £1.1 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