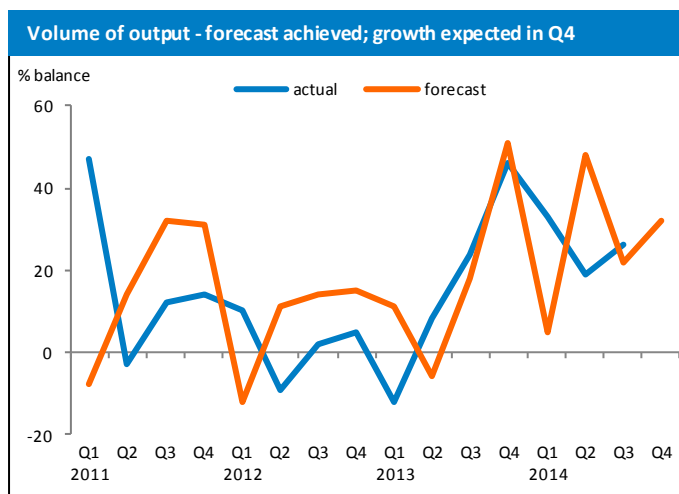


PRESS RELEASE

2 Dec 2014

STEADY AS SHE GOES FOR OUTPUT AND ORDERS – CONFIDENCE REMAINS POSITIVE DESPITE PRICING CONCERNS

Q3 proved to be a positive environment for growth in output and orders – both showed a slight improvement on their Q2 status. Almost half (49%) of printers increased output in the third quarter of 2014 according to the latest BPIF Printing Outlook survey. A further 29% held output levels steady whilst 23% experienced a fall in output. The overall improvement (the balance between ups and downs) was +26; slightly above the forecasted +22. The Q3 results have extended the run of consecutive positive quarterly reports to a year and a half.



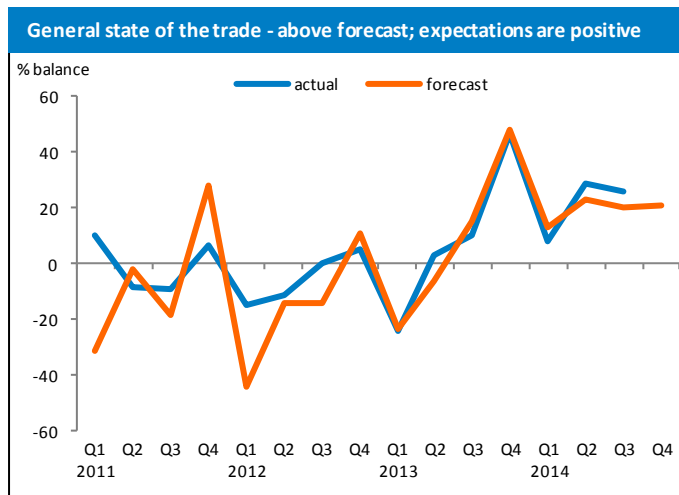
The output balance of +26 was marginally above the forecast of +22. A balance of +32 is forecast for the coming three months.

The output forecast for Q4 is for a further improvement on Q3's performance. 38% of respondents expect to increase output levels; 56% predict stable output and only 6% expect output to decline in Q4 – a traditionally busy period for many printers.

Whilst not booming, confidence in the general state of trade in the printing industry is improving at a stable rate. The balance between those believing that market activity rose rather than fell was, at +26, a slight retraction from +29 in Q2 – but above the Q3 expectation of +21. As with orders and output this is now the sixth consecutive positive result

and has come from 43% believing the general state of trade improved; whilst 17% reported a deterioration of trade in the industry, and 40% no change.

The forecast for the fourth quarter is very similar to the previous quarter's forecast - a majority of 55% believe that trading activity will stay the same. That leaves 33% compared with 12% believing that the UK print market will improve rather than worsen.



The balance of +26 was higher than the forecast of +20. A balance of +21 is forecast for the coming three months.

Competitors pricing below cost remains the main business concern among printers – on this occasion 64% of respondents noted that this was one of their top three business concerns. Concerns regarding the ability of profit levels to sustain required investment levels have grown to become the second ranked concern – with 24% of respondents selecting this. Access to skilled labour has now become the third ranked concern – as selected by 20%. Further concerns were raised regarding the future direction of paper and board input prices and the poor level of output prices that can be achieved.

Kyle Jardine, BPIF Research Manager, said:

“The third quarter of 2014 extended the recent growth trend and output in particular has largely matched the forecasts in *Printing Outlook*. The forecasts for Q4 are positive, though not terribly optimistic, and perhaps justified by current capacity levels and order book activity. 87% of printers reported having better than normal or normal order books for the time of year. Of course each individual's perception of ‘normal’ will vary, but it remains clear that – despite concerns over factors such as pricing, profit levels and payment terms – there is some positive sentiment in the printing industry.”

Summary of key findings:

- Output and orders improved slightly in Q3 and are expected to increase further in Q4.
- Confidence in the general state of trade in the printing industry was above expectations in Q3; the outlook for Q4 remains positive – though not wildly so.
- Competitors pricing below cost continues to be the biggest concern for firms; profit levels and access to skilled labour are other significant worries.
- Capacity utilisation improved in Q3; vast majority of firms were operating at 80%+ capacity.
- Employment levels continued to exhibit a positive recruitment balance in Q3; slightly below expectations but further recruitment planned for Q4.
- Downward force on selling prices has persisted; there is some hope for improvement in Q4.
- Costs have continued to be stable for the vast majority – though there has been wages pressure as labour costs increase for some.
- The squeeze on margins is persisting and profitability is under threat.
- Exports have been, and are expected to continue to be, largely stable in the short-term.
- Capital investment plans remain positive; in particular for product and process innovation.
- The availability of bank lending facilities improved in September but credit lines with suppliers retracted.
- UK demand for printing papers and boards largely unchanged between the first half of 2013 and the first half of 2014. Prices also remained stable.

Also in *Printing Outlook* this quarter:

- Pay Reviews – what have companies done and what do they expect to do?
- 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?
- 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 1-20 October 2014 and received responses from 87 companies employing 5,289 people with a combined turnover of £0.6 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