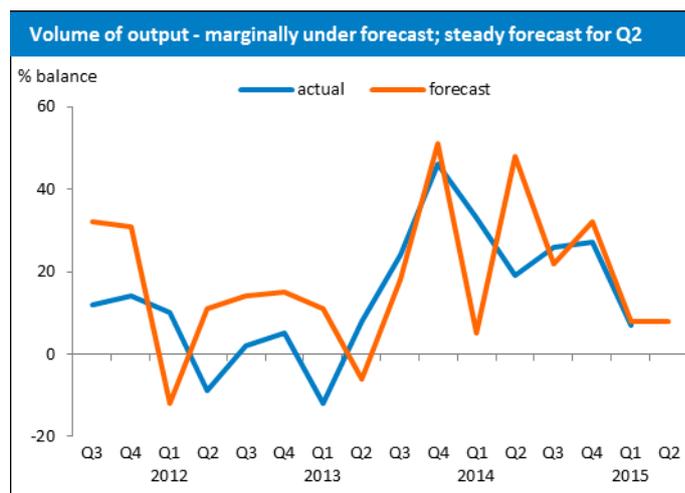


PRESS RELEASE

19 May 2015

OUTPUT AND ORDERS EXHIBIT GROWTH IN Q1 – OPTIMISM FOR Q2 IS TEMPERED BY SOME UNCERTAINTIES

The year kicked-off almost precisely as expected in terms of output; and significantly better with regard to the number of orders. One-third of printers increased output in Q1, marginally more than had expected to, according to the latest *Printing Outlook* survey. Two-fifths were able to hold output steady whilst 26% reported a decline in output – again, slightly more than had expected to. The overall Q1 improvement (the balance between ups and downs) was +7; well below the Q4 seasonal high of +27, but just less than the +8 that had been forecast for the quarter. The positive run for output has now extended to two years.



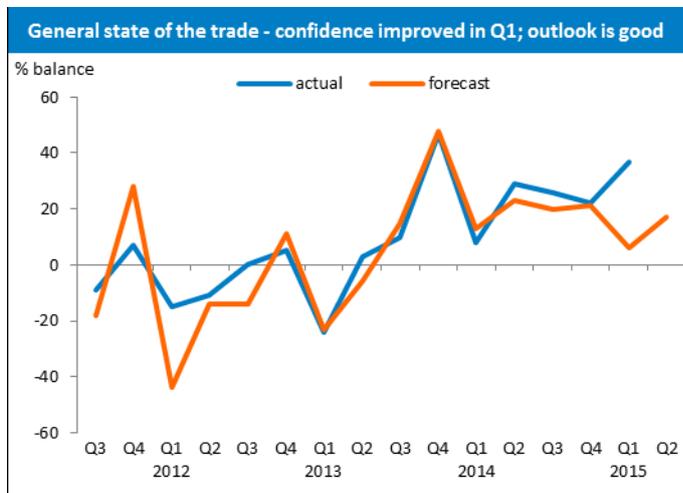
The output balance of +7 was just below the forecast of +8. A balance of +8 is forecast for the coming three months.

Printers largely expect that the output situation from Q1 will be replicated in Q2. 34% of respondents expect to increase output levels; 41% predict stable output and 26% expect output to decline in Q2. The forecasted balance of +8 would be only just a marginal improvement on Q1 – it doesn't display the confidence that existed in Q2 2014; though that was only partially realised. Some printers will have benefitted from work generated by the general election, though the uncertainty surrounding the outcome has been a voiced concern; as have worries regarding paper supply in the wake of Paperlinx UK's administration.

Confidence in the general state of trade in the printing industry improved in Q1. Performance in Q1 was at least as good as expected for the majority of printers. When asked about their view of the general state of trade in the industry there were similarly positive reports. Yet there are a few areas that could cause concern in Q2.

The previously supplied Q1 forecast was not overwhelmingly positive – however these expectations were confounded by the Q1 actual reports. The balance between those believing that the general state of trade improved, and those believing that it had deteriorated, was +37 in Q1. This was an improvement from +22 in Q4, and well above the Q1 forecast of +6. As with orders and output this is now the eighth consecutive positive result. It has come from 45% believing the general state of trade in the printing industry had improved, whilst only 8% reported a deterioration. 47% reported no change in the general state of trade in Q1 2015.

The forecast for Q2 is less upbeat – though it does remain positive. Over two-thirds (69%) believe that the general state of trade in the industry will remain unchanged. Of the remaining respondents: 24% compared with 7% believe that the UK print market will improve rather than worsen.



The balance of +37 was significantly above the forecast of +6. A balance of +17 is forecast for the coming three months.

Competitors pricing below cost continues to be the main business concern among printers – on this occasion more than two-thirds (67%) of respondents reported that this was one of their top three business concerns. Concerns regarding poor output price levels have increased to make this the second ranked concern – being selected by 34% of respondents. Access to skilled labour has now become the third ranked concern – as selected by 33%.

Further concerns were raised regarding the profit levels and the survival of major suppliers. The latter largely in response to uncertainties surrounding the Paperlinx administration and the resulting concerns regarding maintaining and sourcing paper supply. Other recurring concerns related to election uncertainty, customers retaining work in-house and major retailers exerting excessive pressure on their supply chain.

Kyle Jardine, BPIF Research Manager, said:

“The industry has seen some benefit from a relatively stable cost platform in recent times and, despite continued pressure on prices, some companies have been able to repair margins last quarter. Unfortunately there are signs that costs may not remain dormant for much longer; some attempts to increase paper prices have been announced and there will be upward pressure on wages coming through now.”

Charles Jarrold, BPIF Chief Executive, said:

“75% of respondents reported either increased or steady output in Q1, and expect the same in Q2, while nearly 90% also reported increased or steady order levels. This is encouraging positive feedback about the state of the industry. I'm also pleased to hear that more than two-fifths of our respondents are expanding their businesses with almost another 40% being steady - on the whole, the sector has adapted well.

“In terms of concerns, two of the top three are pricing related - an ongoing challenge as printers look to ensure that their work is properly valued. The third area matches anecdotal feedback as well as the statistics on confidence in this report - access to skilled labour is the third of the top 3 concerns. With 94% investing in training, and some major initiatives here at the BPIF and with our new government looking to invigorate Apprenticeship Schemes, the supply of skilled labour should improve.”

Summary of key findings:

- 2015 kicked-off almost precisely as expected in terms of output; and significantly better with regard to the number of orders.
- Confidence in the general state of trade in the printing industry improved in Q1. However, there are some potential areas for concern in Q2.
- Competitors pricing below cost continues to be the main business concern among printers; output price levels and access to skilled labour are the next most common worries. There was also uncertainty surrounding the Paperlinx administration and concerns regarding maintaining and sourcing paper supply.

- Capacity utilisation was higher in April (compared to January); the majority of firms continue to operate in the 70-89% ranges.
- Employment levels defied the negative forecast as many printers recruited in Q1.
- Output prices continue to be under pressure in Q1.
- Input costs have remained stable for the majority; the main cost pressure in Q1 was from labour. Respondents predict that average energy costs will fall, on balance, in Q2; but that paper and board, labour and ink costs will increase.
- Expectations were well and truly confounded when the change in margins moved into positive territory in Q1.
- Exports remain under pressure in Q1, despite the continued positive expectations.
- Capital investment plans, for equipment, training and innovation, remain strong.
- Access to finance appears to have continued to improve so far in 2015; however, the level of bad debt remains a concern.
- UK demand for printing papers and boards decreased slightly (-1.5%) in 2014.

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/

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Editors' Notes

The online trading trends survey was carried out during 1-22 April 2015 and received responses from 89 companies employing 3,878 people with a combined turnover of £420 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