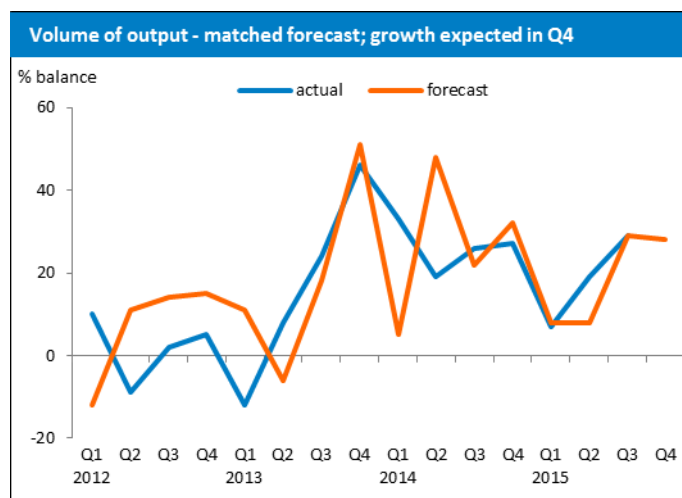


PRESS RELEASE

11 Dec 2015

CONFIDENCE HIT IN Q3 DESPITE GROWTH IN OUTPUT AND ORDERS – SPEEDY RECOVERY EXPECTED IN Q4

Positive growth in the third quarter of the year ensured that output exactly matched the forecast provided in Q2; similarly the orders forecast was equally accurate, although here orders growth was lower in Q3 than in Q2. According to the latest *Printing Outlook* survey, more printers in Q3 were able to increase output (49% compared to 41% in Q2). This was greater than forecast – however, with 31% holding output steady and 20% reporting a decline, the Q3 improvement (the balance between ups and downs) was, at +29, exactly equal to the forecast for the period. Indeed, it has turned out to be the most positive output recording so far in 2015.



The output balance of +29 was exactly equal to the forecast provided for Q3. A balance of +28 is forecast for the coming three months.

Some caution is advisable with the Q3 output results. Anecdotal evidence suggests that activity in Q3 was noticeably split for many companies – with a busy September being preceded by quieter times in July and August.

Output is expected to hold reasonably steady into Q4. 46% of respondents expect to increase output levels; 36% predict that output levels will remain the same - and 18% expect output to decline in Q4. The forecasted balance of +28 would be very marginal drop on Q3, if

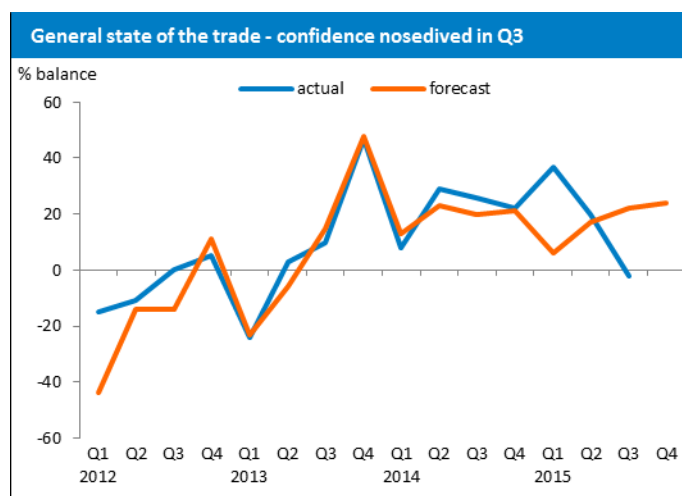
realised it would ensure that output performance remains broadly level with Q4's activity level last year.

Confidence in the general state of trade in the printing industry took a bit of a hit in Q3. A two-and-a-half-year period of improving confidence has been brought to a halt with a negative balance on the general state of trade.

The balance between those believing that the general state of trade improved, and those believing that it had deteriorated, was -2 in Q3; significantly lower than the +20 in Q2, and even further below the now optimistic Q3 forecast of +22. It has come from 25% believing the general state of trade in the printing industry had improved and 27% reporting a deterioration. 48% reported no change in the general state of trade in Q3 2015.

Despite the negative sentiment, expectations for Q4 are significantly more positive (not surprisingly given the seasonal boost that many expect to experience in the Q4 period). Almost half (47%) believe that the general state of trade in the industry will remain unchanged. Of the remaining respondents: 38% compared with 14% believe that the UK printing industry will improve, rather than deteriorate, in Q4.

Last quarter's report did indeed point out that the Q3 forecasts, whilst more positive, were more polarised than they had been in Q2 i.e. fewer respondents were reporting stability and therefore a larger proportion are either upbeat or pessimistic. As it turned out, it is the forecasts of the more pessimistic minority that appear to have been realised. However, it hasn't had too much of a dampening effect on the positive Q4 forecasts.



The balance of -2 was well below the forecast of +22. A balance of +24 is forecast for the coming three months.

Competitors pricing below cost continues to be by far the most voiced business concern – on this occasion almost four-fifths (78%) of respondents reported that this was one of their top three business concerns. Concerns regarding access to skilled labour have continued to grow, this has remained the second ranked concern – but has now been selected by 43% of respondents (up from 36% last quarter). The remaining concerns are some way back – ahead of the chasing pack though was late payment but customers, this was selected by 16% of respondents.

Kyle Jardine, BPIF Research Manager, said:

“Comments picked up from respondents this quarter suggest that it was very much a tale of two halves. A quiet start to the quarter was supplanted by a much busier period for many firms.

“This two-gear situation, along with some emerging concerns regarding the local, national and worldwide economy are likely explanations for what will hopefully be a short-lived decline in industry confidence.”

Charles Jarrold, BPIF Chief Executive, said:

“*Printing Outlook* is a fantastic resource available to all involved in our industry. It is also invaluable in helping the BPIF represent our industry. I strongly urge all our members to support it by taking a few minutes every quarter to respond to the online survey.

“This quarter we will be mailing printed copies of the *Printing Outlook* report to all BPIF members. However, in the future, responding to the survey will be the only way to ensure that you receive a printed copy of *Printing Outlook*.”

Summary of key findings:

- Positive growth in the third quarter of the year ensured that output exactly matched the forecast provided in Q2 - the orders forecast was equally accurate, although orders growth was more subdued in Q3.
- Confidence in the general state of trade in the printing industry took a bit of a hit in Q3.
- Competitors pricing below cost remains, by far, the most voiced business concern; concerns regarding access to skilled labour have continued to grow.
- Capacity utilisation in October was concentrated between 80% and 99%.
- More companies have continued to recruit in Q3.
- Output prices have been under severe pressure in Q3.

- The trend of stability in input costs has continued, for the majority of respondents, in Q4; as in each of the last four quarters, the main cost pressure in Q3 was from labour. Respondents predict that average energy and ink costs will fall, on balance, in Q4; but that paper, board and labour costs will increase.
- Margins have just managed to bounce back into positive territory in Q3.
- Export orders growth in Q3 was marginally positive.
- Printing companies are continuing to plan and commit to investment in equipment, training and product and process innovation.
- Access to finance has continued to improve throughout 2015; in particular access to bank lending and, despite some concerns, the availability of credit lines.
- Two-fifths of respondents conducted pay reviews in Q3; awarding increases averaging 1.3%.
- UK demand for printing papers and boards decreased (-3.6% comparing H1 2015 to H1 2014).

Also in *Printing Outlook* this quarter:

- Pay Reviews – activity and average % changes.
- Web to Print - just how much of printing companies turnover is currently derived through Web to Print?
- Data on capacity, productivity, costs, margins, investment and more.
- 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

Endorsements:

*“In everyday life we get a raft of information thrown at us. The thing I like about *Printing Outlook* is the fact its questions are written by people who understand our industry, they are addressed to people working at the heart of our industry and they are presented back to us by people who represent the members of our industry. It’s clear, well laid out and with relevant narrative and interpretation.”*

Miles Linney

Managing Director, Linney Group

“Duplo used the data provided by the BPIF to map the UK Print Industry, and this coupled with the overlaying of our own CRM data, we were able to create a picture which formed the cornerstone of our sales and marketing strategy regarding our higher-end production equipment. The results of which attributed to 20% sales growth in one year. Thank you BPIF!”

Peter Jolly

Managing Director, Duplo

“The BPIF Outlook report has become a reliable barometer for Kodak to gauge the condition and trends of the printing industry. As well as an in depth read the report also expresses the data with easy to understand graphic charts which can be quickly digested and explained to an audience. It helps define decision-making and market approach – which is so crucial to a company like Kodak.”

David McGuinness

Marketing Manager, Kodak UK & Nordics

Editors' Notes

The online trading trends survey was carried out during 1-20 October 2015 and received responses from 97 companies employing 3,985 people with a combined turnover of £455 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