

PRESS RELEASE

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IMPROVEMENT IN ORDERS AND OUTPUT ACHIEVED – CONFIDENCE HIGH FOR A STRONG SEASONAL BOOST

The third quarter lived up to UK printer expectations according to the results of the latest BPIF *Printing Outlook* survey. More firms saw a pick up in demand rather than a fall with 31% benefiting from an increase in the volume of orders versus 15% that suffered a drop - the balance between ups and downs was the highest for 11 quarters and the best Q3 reading for nine years. The results mimic the forecast three months earlier and suggest that the UK printing industry is recovering in line with the general economy.

It was a similar story in terms of production; in fact, the results were even more positive. More than a third of companies that took part in the survey stated that output had risen in the three-month period thanks to a rise in new business.

The fourth quarter traditionally tends to be a busier period and many printers are confident that demand will improve through to the year end. Almost half of all firms expect levels of new business to rise which compares favourably with just 6% that foresees deterioration. The prediction is the most optimistic for three years with more firms actually anticipating improvement than stability.

Confidence in the general state of trade in the industry is continuing to improve. For the second quarter running the number of firms that reported improved trading conditions outweighed those that saw a weaker sector. It would appear that the printing industry is in sync with the general mood among UK manufacturers that business prospects are improving. This is borne out by the fact that over half (54%) expect further recovery during the fourth quarter; the highest level for five years. While this is partly due to expectations of a seasonal pick-up, it also reflects rising confidence in the market generally.

The prime business concern of respondents remains 'competitors pricing below cost'; almost three-quarters (74%) of survey participants believe that competitors are taking on work at levels below cost in order to win business. The other two issues chosen most frequently by

companies as one of their top three business concerns were 'profit levels insufficient to encourage investment' and 'pre-pack administrations'.

The latest reading covering numbers employed suggests that the reduction in staffing levels seen during Q2 was something of a blip with overall employment rising once again during the third quarter. Looking towards Q4; the balance outlook (which will include new positions for seasonal work) is the most optimistic forecast covering employment in the printing industry since Q1 2005.

Cost pressures were more benign during Q3. The vast majority of printers recorded no change in input prices in the period but there were still cost areas where those paying more outweighed those paying less. The most significant was again energy with 23% reporting higher charges and none a reduction. This continues a worrying trend and will come as no surprise to consumers in general. The latest news surrounds another round of hikes as winter approaches.

There has been some improvement in the availability of bank lending facilities in the most recent quarter. Whilst the majority of respondents continue to report no change in all aspects of access to finance a notably greater proportion reported an improvement in the availability of bank lending than a deterioration. This was particularly evident in the last month (September) where 11% reported an improvement and no one reported a deterioration.

A perceived improvement in the availability of bank lending is good news – however, the cost of this lending is reportedly increasing for more respondents than it is decreasing. Furthermore, bad debt and late payment are issues for companies. 14% of respondents reported that bad debt has increased in the last 12 months and almost a quarter of respondents reported an increase in the incidence of late payments by customers in the past 12 months.

Almost half of respondents (48%) reported that they had been obliged to accept longer payment terms from customers in the past 12 months in order to help retain or secure business. Of these 24% were for terms up to 60 days, 66% for up to 90 days, 9% up to 120 days and 2% for in excess of 120 days.

Kathy Woodward, BPIF CEO, said:

“It’s great news that productive output and confidence is returning to the printing industry. Not just for companies operating within the industry but the wider economy from which our varied clients come.

“It’s also important for us to report back that the BPIF works hard to minimise the impact of issues that our *Printing Outlook* survey highlights. For example, pre-packs and energy costs - we remain active in seeking to reform the legislation on pre-pack administrations and recently met the Government appointed review chairman. We’re also aware of the impact of rising energy costs so we’ve been collaborating with other trade associations to review the Government’s Electricity Market Reform Bill and influence energy policy, as well as working with specialists in energy management so that we can get best practice advice and guidance for BPIF members.”

Summary of key findings:

- Orders and output and rose as expected in Q3 2013 with further improvement anticipated.
- Sentiment improving as trading conditions pick up.
- Higher rate of capacity utilised with knock-on effect for lead times.
- Increased activity expected to boost employment levels.
- Cut-throat competition leads to further pressure on selling prices for some.
- Costs generally stabilised in the third quarter. Increases in energy prices are the main concern for Q4.
- Stable margins reported by the vast majority; but pressure remains to squeeze margins further.
- Pick up in the export market after weak Q2.
- More investment earmarked for training and innovation.
- Improvement in bank lending noted by some; but bad debt, late payment and extended payment terms on the rise.

ENDS

Editors' Notes

The online trading trends survey was carried out during 1-14 October 2013 and received responses from 110 companies employing 10,835 people with a combined turnover of £1.3 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