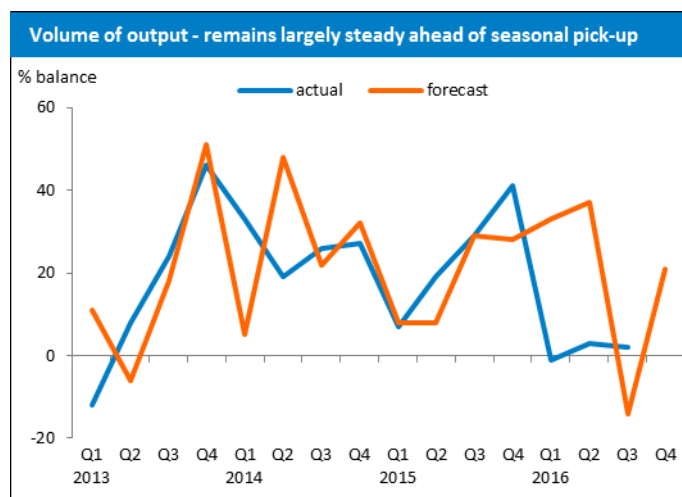


PRESS RELEASE

09 November 2016

PRINT BATTLES TO DEFY PESSIMISTIC FORECAST – SOME DEGREE OF SEASONAL BOOST EXPECTED IN Q4

The UK printing industry has not sunk to the pessimistic forecasts that were feared for Q3 – performance was still subdued but some degree of Q4 boost is expected to kick-in. The latest *Printing Outlook* survey reveals that almost two-fifths of printers (38%) maintained output levels in the third quarter of 2016, 30% experienced a fall in output and 32% were able to increase output. The resulting balance (the difference between the ups and the downs) was +2; marginally down from +3 in Q2 but some way above the forecasted balance of -14. However, this is the lowest Q3 balance for four years.



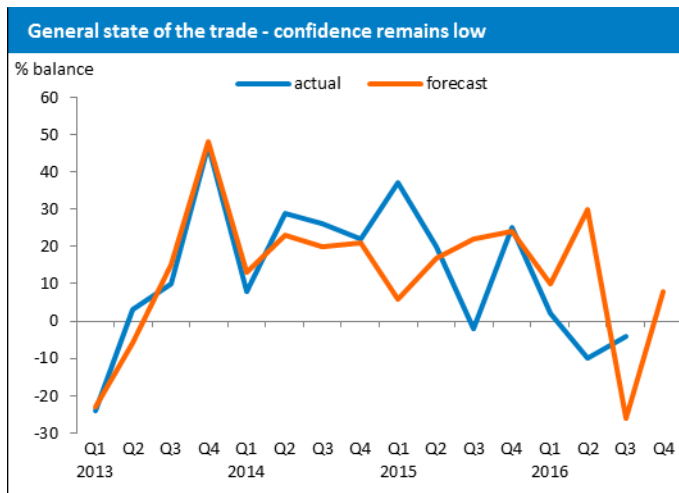
The output balance of +2 was well above the forecast of -14 for Q3. A balance of +21 is forecast for the coming three months.

With a seasonally busy Q4 period ahead, the industry is not now expected to dip into the negative zone again this year (in Q1 the balance was -1). Nearly two-fifths of respondents predict that they will increase output levels in Q4 and 46% expect output levels to hold steady; only 16% forecast that output will fall in Q4. The forecasted balance of +21 would, if realised, be a welcome turnaround in expectations. The 2016 Q4 forecast is admittedly lower than the Q4 forecasts and realised balances from recent years – however, it represents a significant turnaround in expectations from those for Q3.

The balance between those believing that the general state of trade improved, and those believing that it had deteriorated, was -4 in Q3; up from -10 in Q2, and some way above the

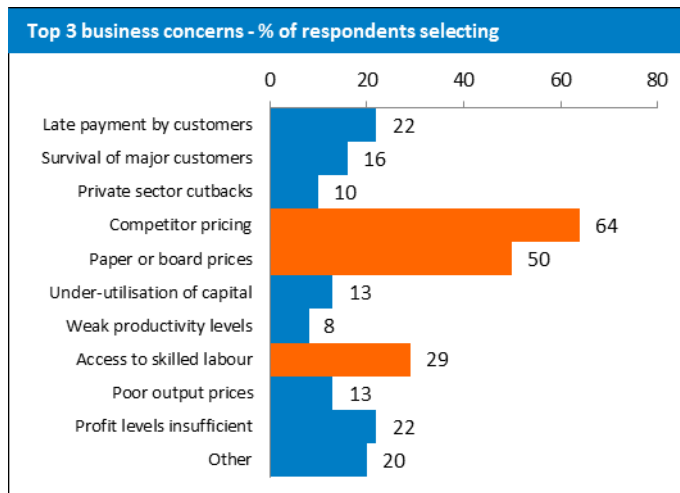
Q3 forecast of -26. The negative balance for Q3 has come from 28% believing the general state of trade in the printing industry had improved and 32% reporting that there had been deterioration. 40% reported no change in the general state of trade in Q3 2016. It is clear that confidence is down – however, as with output, the reality for Q3 in no way compares to the forecasts that were made in the immediate Brexit referendum outcome.

Confidence is looking more positive as we move into Q4; though is not expected to recover to the same extent as output and orders. An increased proportion of respondents, almost two-thirds, expect that the general state of trade in the industry will remain unchanged. However, more (21%) now forecast an improvement as opposed to a deterioration (13%) in the general state of trade in the UK printing industry in Q4 2016.



The balance of -4 was not as negative as the forecast of -26. A balance of +8 is forecast for the coming three months.

Competitors pricing below cost continues to be the most voiced business concern – collecting the same proportion as last quarter; it was selected by nearly two-thirds (64%) of respondents. The main change for this quarter has been a quick and significant rise in the proportion of respondents selecting paper and board prices as a top three concern. Six months ago paper and board prices were a top three concern for only 10% – this has now increased to 50%. Such a dramatic increase can most likely be accounted for by the effect the devaluation of sterling has on the price UK printers pay for their paper and boards, the vast majority of which are imported to the UK. Access to skilled labour has also increased share – to become the third ranked concern – with 29% of respondents selecting it in Q3; up from 24% in Q2.



Whilst the evidence for orders, output and business confidence tends to suggest that the forecasts made in the immediate EU referendum aftermath have proven to be overly pessimistic, it remains true that Brexit (and the effects surrounding Brexit) is still a major concern for printers. Further to the links from Brexit to paper and board prices and access to skilled labour; Brexit, and exchange rates, took the lion's share of selections in the 'Other' category.

Kyle Jardine, BPiF Research Manager, said:

"Confidence in the general state of trade in the printing industry has taken a knock that it hasn't yet recovered from. Whilst companies have reported some improvement in their output and orders there is less confidence for the wider industry. The Q2 report, in the immediate aftermath of the EU referendum, showed that confidence levels in 2016 have been lower than in recent years. There has been little improvement in Q3 – though a boost in Q4 is expected to lift confidence."

Charles Jarrold, BPiF Chief Executive, said:

"The print industry has shown a tremendous level of resilience and innovation; the climate is tough yet over half of respondents to Printing Outlook report that their own businesses are expanding. The industry is showing that it can be successful despite the numerous challenges thrown our way."

"Paper and board price rises – resulting from the devaluation in sterling that has been stimulated by the Brexit outcome in the EU referendum – is the latest challenge the industry is facing; it is not a new one. Some companies will be protected, to some degree, by their ability to target export markets; others may have paper price adjustments written in to some of their supplier contracts. However, many will have a decision to make about whether or not

they can pass cost increases on in higher prices, afford to take the hit in their margins or look to mitigate cost increases through their purchasing or through efficiencies elsewhere in their business. The industry is highly experienced in managing its costs carefully and that experience will be valuable as businesses face some difficult choices.”

Summary of key findings:

- The UK printing industry has not sunk to the pessimistic forecasts that were feared for Q3 – performance was still subdued but some degree of Q4 boost is expected to kick-in.
- Confidence in the general state of trade in the printing industry has taken a knock that it hasn't yet recovered from.
- Competitors pricing below cost continues to be the most voiced business concern – the main change has been a quick and significant rise in the proportion of respondents selecting paper and board prices as a top three concern.
- Capacity utilisation was markedly greater in October, compared to July; nearly two-thirds were operating in excess of 80% capacity.
- Recruitment was an area that did closely match the negative forecast for Q3.
- The UK printing industry continues to operate in a climate where prices are under downward pressure.
- A majority of respondents have continued to report stable input costs for most cost areas in Q3 – paper and board being the notable exception. However, there was still upward pressure on labour and ink costs.
- Downward pressure on margins continued, though was at least less severe than the forecast for Q3.
- The Q3 forecast for exports was overly pessimistic – the reality was only marginally negative. However, export orders were not stable for any respondents in Q3. Q4 is expected to be more positive.
- Intentions for investment in the year ahead have strengthened slightly in Q4.
- Both cost and availability of bank lending has continued to improve – however, bad debt has been a concern.
- Almost one-third (30%) of respondents reported that they had conducted a pay review in Q3; awarding increases averaging 0.6% (held low as some companies cut pay).
- UK demand for printing papers and boards decreased by 4.8% in H1 2016 in comparison to H1 2015.

Also in *Printing Outlook* this quarter:

- Costs – paper & board, ink, labour and energy.
- Pay Reviews – activity and average % changes.
- Investment – tracking intentions for plant & machinery, training & retraining, product & process innovation and buildings.
- Data on capacity, productivity, margins, access to finance, late payment and more.
- Consumables – paper consumption data and printing ink volumes and values.

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 3-16 October 2016 and received responses from 93 companies employing 3,454 people with a combined turnover of £373 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