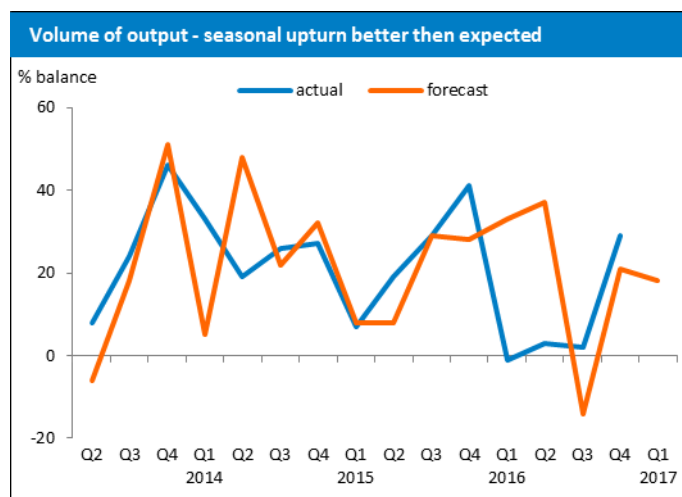


PRESS RELEASE

9 February 2017

PRINT INDUSTRY OPTIMISM PREVAILED IN Q4 AS FORECAST IS SURPASSED – Q1 SET TO HOLD POSITIVE COURSE

The Q4 seasonal upturn for the UK printing industry was better than expected – trade is forecast to, at least, hold steady for the majority in Q1. The latest *Printing Outlook* survey reveals that over two-fifths of printers (43%) increased output levels in the fourth quarter of 2016. A further 43% held output steady whilst 14% experienced a decline in output. The resulting balance (the difference between the ups and the downs) was +29; significantly improved from +2 in Q3. However, 2016's Q4 report was less positive than the previous year's equivalent Q4 balance of +41.



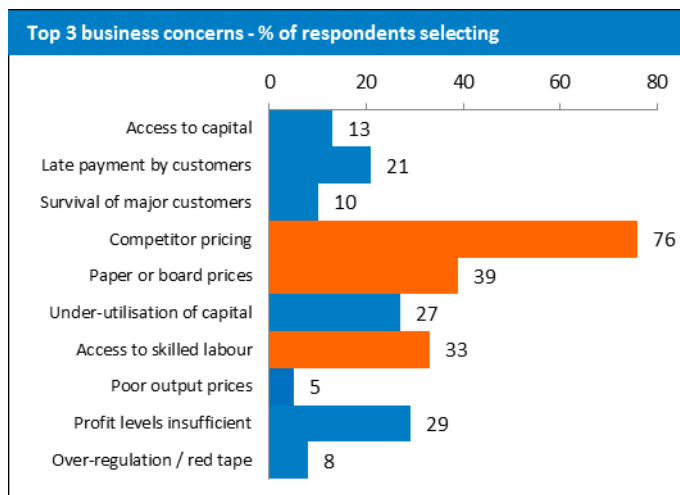
The output balance of +29 was well above the forecast of +21 for Q4. A balance of +18 is forecast for the coming three months.

Q1 will undoubtedly struggle in comparison with the seasonally busy Q4 period, but the Q1 forecast remains relatively positive. Exactly two-fifths of respondents predict that they will increase output levels in Q1 and 38% expect output levels to hold steady. Just over one-fifth (22%) forecast that output will fall in Q1. The forecasted balance of +18 would, if realised, be the most positive Q1 for three years. However, the Q1 period can often challenge businesses; and of course the forecasts.

Confidence in the general state of trade in the printing industry has improved but does remain subdued in comparison to recent Q4 periods. With many companies reporting a healthy improvement in output and orders there has been an improvement in confidence in

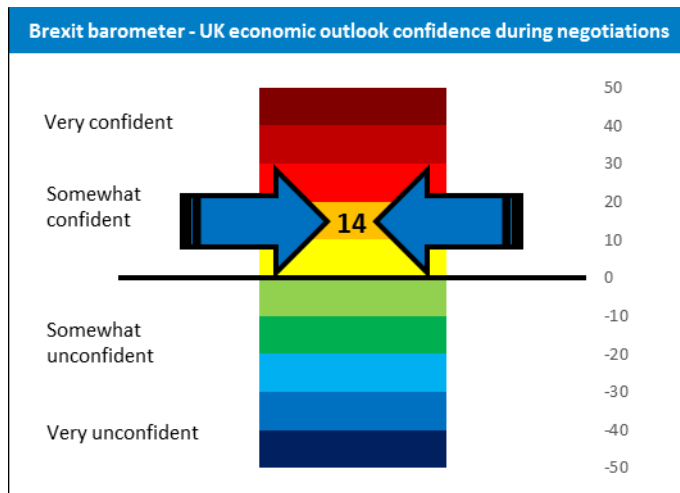
the general state of trade in the wider industry. The Q2 and Q3 reports, in the immediate aftermath of the EU referendum, showed that confidence levels took a hit – however confidence has exhibited an improvement in Q4.

Competitors pricing below cost continues to be the most voiced business concern – this was selected by over three-quarters (76%) of respondents, up from 64% previously, and there were additional comments referring to concerns over the effects of trade print sites offering undervalued print. Paper and board prices remains the second ranked concern; this was selected by 39% of respondents (down from 50% last quarter). Access to skilled labour continues to be the third ranked concern – with 33% of respondents selecting it in Q4; up from 29% in Q3.



Confidence regarding the outlook for the UK economy during the Brexit negotiation period appears to have improved amongst respondents. Newly introduced questions to the survey have established that over one-third of respondents (36%) are now 'somewhat confident' regarding the outlook for the UK economy. Less than one-third (31%) are 'neither confident or unconfident' and less than one-quarter (24%) are 'somewhat unconfident'. That leaves the extremities where 5% are 'very confident' and 4% are 'very unconfident'.

Using these figures we have established a *BPIF Brexit Barometer*. A weighted balance, where the 'very' and 'somewhat' confident returns offset the equivalent unconfident returns is then scaled so that we can depict the level of confidence in the industry on the economic outlook during Brexit negotiations and monitor how that confidence changes over time.



It is clearly evident that the 'confident' returns currently outweigh the 'unconfident' returns. The actual weighted balance is 14 – which places the current Brexit barometer for the UK economic outlook during the Brexit negotiation period on the positive side of the scale; and in the 'somewhat confident' zone.

Kyle Jardine, BPIF Research Manager, said:

"*Printing Outlook* is an extremely helpful report in supporting us to represent our industry. We are thankful and grateful that we have members that are involved in responding in an open and honest way to our surveys. However, there is always room for more respondents.

"Looking through the endorsements that we receive for *Printing Outlook* it is clear that those that participate in it and read it really value the view it provides, beyond their companies, of the state of our industry. Importantly, it is often acknowledged for its use in helping to shape strategy and inform decision-making."

Charles Jarrold, BPIF Chief Executive, said:

"The new *BPIF Brexit Barometer* provides further evidence of the resilience of the UK printing industry. Earlier BPIF research showed that there were many concerns about the impact of Brexit – but now that it is about to become a reality firms are clearly looking for opportunities with some optimism and confidence.

"We have also produced a *Post-Brexit Barometer* to help us gauge opinions on how the business environment might compare following Brexit. I'm sure it will be useful and interesting to keep an eye on these as Article 50 is evoked."

Summary of key findings:

- The Q4 seasonal upturn for the UK printing industry was better than expected – trade is expected to, at least, hold steady for the majority in Q1.
- Confidence in the general state of trade in the printing industry has improved but does remain subdued in comparison to recent Q4 periods.
- New Brexit barometer suggests confidence regarding the outlook for the UK economy during the Brexit negotiation period appears to have improved.
- Competitors pricing below cost continues to be the most voiced business concern – paper and board prices remains the next highest ranked concern.
- Capacity utilisation was understandably less in January compared to October; nearly three-fifths were operating in excess of 80% capacity.
- Recruitment was marginally more positive than had been expected in Q4.
- The UK printing industry continues to operate in an environment where prices are under persistent downward pressure but more printers are now predicting imminent increases.
- A majority of respondents have continued to report stable input costs in Q4; though only marginally for paper and board where a very significant minority have experienced increases.
- The pressure on margins has been unrelenting throughout 2016.
- Export orders exceeded 5% of turnover for 17% of respondents; for these companies export order growth was positive, on balance, in Q4.
- Intentions for plant and machinery investment in the year ahead have weakened in Q1.
- Availability and cost of finance was stable for the majority throughout 2016 – however, the cost of bank lending and the level of bad debt was a growing concern in December.
- Almost one-fifth (19%) of respondents reported that they had conducted a pay review in Q4; 38% expect to do so in Q1.
- UK demand for printing papers and boards continued to decrease in the first three quarters of 2016.

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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Endorsements:

“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

“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

“We are very happy to get the opportunity to associate ourselves with the BPIF and support Printing Outlook, it’s a fantastic report providing invaluable insights into the current state of UK printing.”

Bernard Cassidy

Marketing Development Manager, Konica Minolta

“We are sometimes in our own world trying to ensure our businesses are successful, printing outlook enlightens us as to what is actually happening in the rest of the Industry. It has clear and concise information that is easy to understand and it helps to enhance the decisions that may have to be made in the future. I am sure we all get a lot of publications that drop on our desks but Printing Outlook is a must read for me. Well done BPIF keep the Printing Outlook coming!”

Ian Wilton

Managing Director, Oxuniprint

"I read Printing Outlook in order to better understand the health and direction of the BPIF members and of the print industry. We cross-reference the reports with our own findings to compound our understanding of key industry trends."

"I contribute to Printing Outlook so that our views and experiences can be both shared with the Industry and also represented by the BPIF at different levels – which should make us collectively stronger. I find that the more one puts in, the more one gets out."

James Buffoni

Managing Director, Ryedale Group

"Any serious businessman needs to have an understanding of the market they are operating in. Printing Outlook delivers this in quite considerable detail – and knowing the manner in which it is put together, I know I can place reliance on its content. This information helps us all."

"I would ask that if you have not yet completed a survey, but are reading this article, please do so, but be as accurate as you can – then look at the results of the survey – I think you will be pleased you took part."

Nigel Lyon

Managing Director, Pinstripe Print Group

"Printing Outlook gives me an idea of how our industry as a whole is feeling. This is really important in this post-Brexit era in planning our marketing and any investments. This coupled with information from the BPIF acts as our barometer."

Terrye Teverson

Managing Director, KCS Trade Print

"I believe it's important to take part in responding to the BPIF Printing Outlook questionnaire - the more respondents there are the better the information coming back, so I feel we have a responsibility to do take part."

"The report itself it provides an interesting insight into the state of our industry and the immediate trends in a quick to understand, easy to use format - it helps us know where we are, and where our sector is in the mix."

Darren Coxon

Managing Director, Pensord

"The BPIF Printing Outlook report is a really useful tool for myself and co-Directors in viewing the performance of the print industry as a whole, keeping us up to date with current trends and offering a snapshot of member performance in an easy to digest format."

"Most importantly, the report acts as a trusted and valued voice of the marketplace, presenting a unique round up of the most crucial issues effecting members in this diverse and fast-paced industry."

Jacky Sidebottom-Every

Sales Director, Glossop Cartons

Editors' Notes

The online trading trends survey was carried out during 4-19 January 2017 and received responses from 80 companies employing 3,116 people with a combined turnover of £375 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