

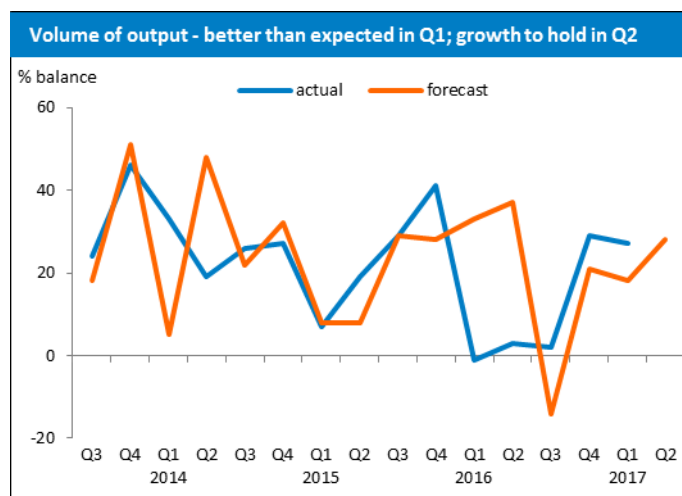
PRESS RELEASE

15 May 2017

A BETTER THAN EXPECTED START TO 2017 FOR PRINTING AND PACKAGING – **OUTPUT GROWTH TO CONTINUE IN Q2 BUT COSTS ARE CLIMBING**

2017 got off to a better than expected start as both output and orders outperformed expectations – growth is predicted to continue in Q2. The latest *Printing Outlook* survey shows 45% of printers increased output levels in the first quarter of 2017 – promising as Q1 often experiences a seasonal downturn following a traditionally busy Q4 period. A further 37% held output steady whilst 18% experienced a decline in output. The resulting balance (the difference between the ups and the downs) was +27; only marginally down from +29 in Q4. The latest Q1 balance compares very favourably to last year's equivalent Q1 balance of -1, in fact it is the most positive Q1 report for three years.

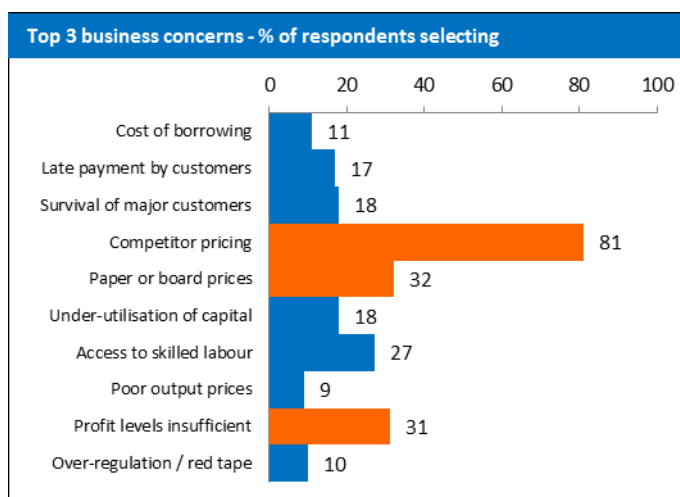
Output growth is expected to hold steady into Q2 with respondents being relatively positive about their work volumes. Exactly two-fifths of respondents predict that they will increase output levels in Q2, a further 49% expect output levels to hold steady. Just over one-tenth (12%) forecast that output will fall in Q2. The forecasted balance of +28 would, if realised, be the most positive Q2 for at least twelve years. Conversely to last year – where Q2 trade suffered in the pre-EU referendum – this year's Q2 trade could be supported by the shock election announcement.



The output balance of +27 was above the forecast of +18 for Q1. A balance of +28 is forecast for the coming three months.

Confidence in the general state of trade in the printing industry has continued to improve from the lows experienced in mid-2016. Output and orders growth has remained positive, on balance, and confidence in the general state of trade amongst survey respondents continues to improve. As previously reported – the Q2 and Q3 reports, in the immediate aftermath of the EU referendum, showed that confidence levels took a hit; however, confidence exhibited an improvement in Q4 which has been extended in Q1.

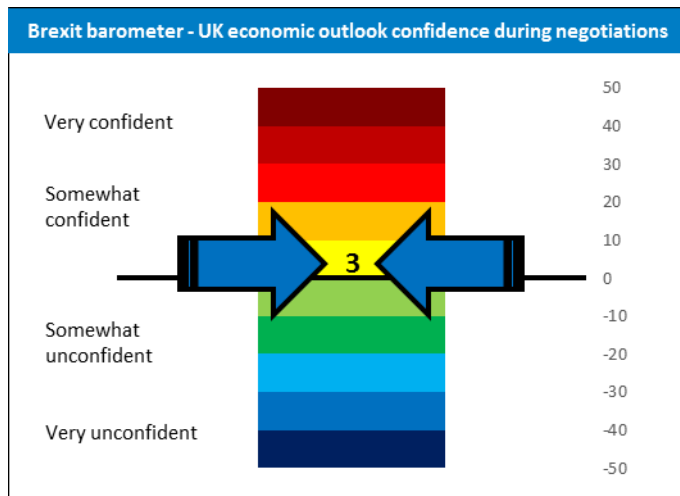
Competitors pricing below cost continues to be the most voiced business concern – this was selected by over four-fifths (81%) of respondents, up from 76% previously, and the survey continues to pick-up comments referring to price concerns stimulated by the activities of trade print websites and a view that they are undervaluing print. Paper and board prices remains the second ranked concern; this was selected by 32% of respondents (down from 39% last quarter). Concern that profit levels are insufficient to provide for sustained investment has now supplanted access to skilled labour as the third ranked concern.



Now that Article 50 has been triggered and the negotiation clock is ticking, survey respondents have become less confident regarding the outlook for the UK economy during the Brexit negotiation period. Recently introduced questions to the survey have established that nearly one-quarter of respondents (24%) are now 'somewhat confident' regarding the outlook for the UK economy; down from 36% in Q1. Almost half (47%) are currently 'neither confident nor unconfident', up from 31% previously; and just over one-fifth (21%) are 'somewhat unconfident'. The remaining respondents were split evenly between 'very confident' (4%) and 'very unconfident' (4%) in Q2.

Using these figures we have established a *BPIF Brexit Barometer*. Similar in construct to our usual balances approach we have produced a weighted balance where the 'very' and

‘somewhat’ confident returns offset the equivalent unconfident returns. The resulting balance is then scaled so that we can monitor confidence changes over time.



It is evident that the ‘confident’ returns only outweigh the ‘unconfident’ returns by a small margin. The actual weighted balance is 2 – which places the current Brexit barometer for the UK economic outlook during the Brexit negotiation period just into the positive side of the scale; and at the lower range of the ‘somewhat confident’ zone. This represents a downward shift in confidence from the 14 reported in Q1. It seems likely that the barometer will rise and fall as we move through Brexit negotiations.

Kyle Jardine, BPIF Research Manager, said:

“On one side it’s very promising that the *Printing Outlook* survey picks-up that demand for printed products is fairly strong and that printing companies are well placed to satisfy that demand. However, the flip side is that many companies feel real pressure from operating in a climate of rising costs and sticky prices.”

Charles Jarrold, BPIF Chief Executive, said:

“It’s emerging that the pre-election atmosphere, combined with early Brexit negotiations will be somewhat of a confidence rollercoaster. The forthcoming election will provide a short-term, and welcome, boost to some printers. As for Brexit? Long-term that remains to be seen but our *Brexit Barometers* are currently indicating a short-term wobble in confidence regarding the UK economy. We will continue to monitor this with interest and will be using this information in our lobbying activities.”

Summary of key findings:

- 2017 got off to a better than expected start as both output and orders outperformed expectations – growth is predicted to continue in Q2.

- Confidence in the general state of trade in the printing industry has continued to improve from the lows experienced in mid-2016.
- Now that Article 50 has been triggered and the negotiation clock is ticking, survey respondents have become less confident regarding the outlook for the UK economy during the Brexit negotiation period.
- Competitors pricing below cost continues to be the most voiced business concern – paper and board prices remains the next highest ranked concern.
- Capacity utilisation for April was spread differently though not necessarily higher or lower overall in comparison to January; as the Easter period impacted on some schedules.
- Recruitment was considerably more positive than had been expected in Q1.
- The hopeful positive forecast failed to materialise as downward price pressure persisted; the prediction for Q2 is less positive.
- Pressure on all the main cost areas ramped up in Q1 – with paper, board and ink leading the way.
- The margins quandary shows no sign of ending, as the pressure continues in Q1.
- Export orders exceeded 5% of turnover for 16% of respondents; for these companies export order growth was positive, on balance, in Q1.
- Intentions for plant and machinery investment in the year ahead have strengthened slightly in Q2.
- Availability and cost of finance has shown some improvement in the last 12 months.
- One-quarter (25%) of respondents reported that they had conducted a pay review in Q1, 56% expect to do so in Q2.
- UK demand for printing papers and boards continued to decrease in 2016.

Featured in *Printing Outlook* this quarter:

- The BPIF's new Brexit and Post-Brexit barometers.
- Costs – paper & board, ink, labour and energy.
- Pay Reviews – activity and average % changes.
- Investment – tracking intentions for major categories.
- Data on capacity, productivity, margins, access to finance, late payment and more.
- Consumables – paper consumption data and printing ink volumes and values.

For further information on *Printing Outlook* go to 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 3-24 April 2017 and received responses from 95 companies employing 4,243 people with a combined turnover of £463 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