

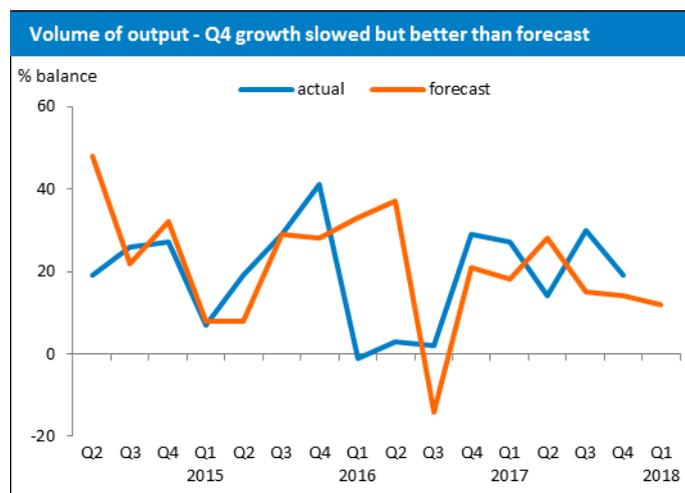
PRESS RELEASE

6 February 2018

MUTED GROWTH IN Q4 BUT NO SEASONAL BOOST – CONFIDENCE REMAINS LOW AMIDST CONTINUED COST PRESSURES AND LINGERING UNCERTAINTY

A noticeable absence of a seasonal upturn and the worst fourth quarter output report for five years, yet the reality turned out to be slightly better than the subdued expectations – the forecast for Q1 remains positive but subdued. The latest *Printing Outlook* survey shows 40% of printers increased output levels in the final quarter of 2018. A further 40% held output steady whilst 21% experienced a decline in output. The resulting balance (the difference between the ups and the downs) was +19; up on the forecast of +14 for Q4 but down on the +30 recorded in Q3. The Q4 period often sees a seasonal upturn, so it is disappointing to see a Q4 period reporting lower growth than the preceding Q3 period; as well as undercutting the Q4 periods from recent years.

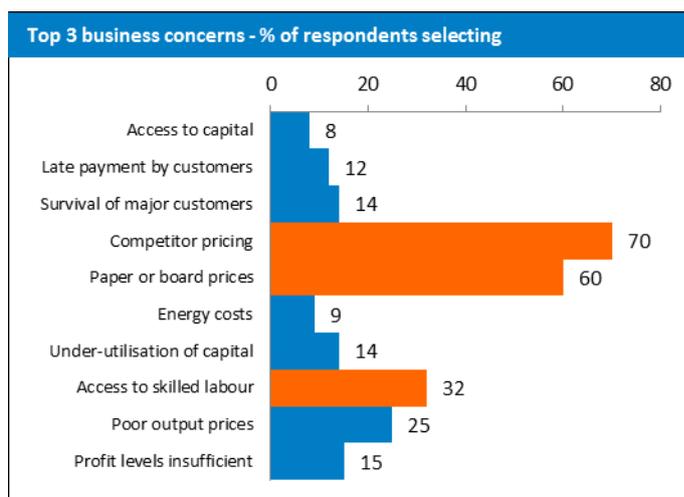
Whilst the forecast for Q1 is subdued, it is not unduly so for the Q1 period. As the industry laments the absence of a Q4 seasonal boost it would welcome the absence of a Q1 downturn. Almost two-fifths of respondents (37%) predict that they will increase output levels in Q1, a further 38% expect output levels to hold steady. However, one-quarter forecast that output will fall in Q1. The forecasted balance of +12 would be a slight slowdown in growth from the underperforming Q4 but compare favourably with historic actual Q1 performances.



The output balance of +19 was above the forecast of +14 for Q4. A balance of +12 is forecast for the coming three months.

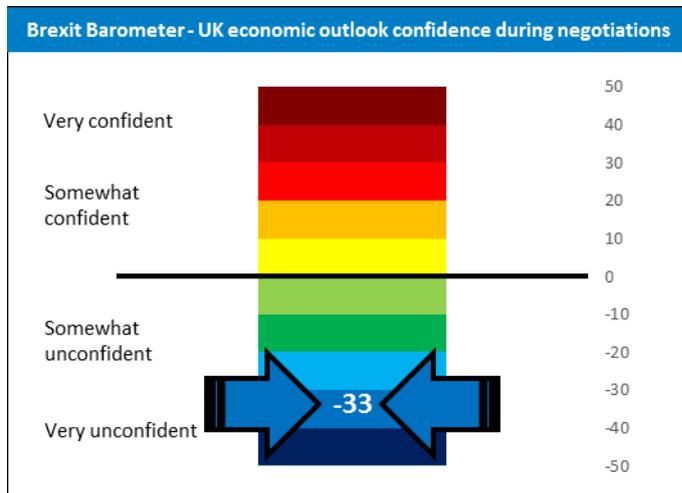
Confidence in the general state of trade in the printing industry deteriorated in Q4, though not quite to the depth that was forecast – the outlook for Q1 is similarly depressive. The Q3 rebound in confidence in the general state of trade was short-lived as the actual report for Q4 tracked the forecast. Whilst respondents’ views on individual company performance remain subdued but positive, on balance – opinions on the general state of trade are more circumspect.

There is no escape from competitors’ pricing below cost being the most voiced business concern – the proportion selecting it this quarter increased. On this occasion competitors pricing was selected by 70% of respondents, up from 65% previously (it was 70% and 81% in the preceding quarters). Paper and board prices remains the second ranked concern; this was selected by 60% of respondents, up from 47% last quarter (and 42% and 32% prior to that). Access to skilled labour remains the third ranked concern, with 32% of respondents selecting it, putting it above poor output prices which has replaced late payment by customers as the fourth-ranked business concern.



The printing industry has welcomed December’s progress in the negotiations and the move to phase two of the Brexit talks, as confidence becomes slightly less negative. The Brexit Barometers continue to report low confidence levels regarding the outlook for the UK economy during the Brexit negotiation period following UK withdrawal from the EU, however the barometers are less negative than they were in Q4. In comparison to last quarter, slightly more respondents (18%) are now ‘somewhat confident’ regarding the outlook for the UK economy; up from 17% in Q4. Just over one-third (34%) are currently ‘neither confident nor unconfident’, up from 27% previously. Just over two-fifths (41%) are ‘somewhat unconfident’; down from 50% in Q4. Few respondents (1%) are in the ‘very confident’ category and 6% have now selected the ‘very unconfident’ category.

Using these figures we have established a *BPIF Brexit Barometer* so that we can monitor confidence changes over time.



It remains the case that the ‘unconfident’ returns continue to outweigh the ‘confident’ returns by a significant margin. The actual weighted balance is -33 – which places the current Brexit Barometer for the UK economic outlook during the Brexit negotiation period firmly in the negative side of the scale; and now in the upper echelons of the ‘very unconfident’ zone. Whilst this represents the first recorded upward shift in confidence (from the -44 reported in Q4), it is the second lowest reading since the Barometer was introduced in Q1 2017.

Kyle Jardine, BPIF Research Manager, said:

“Additional comments provided by respondents suggests some conflicting pressures affecting companies. Increasing paper prices and unfavourable exchange rates for paper purchases are adversely affecting companies yet some have also reported considerable extra new work to clients that are exporting. Brexit uncertainty has also been raised – as has the belief that a slight reduction in this uncertainty, as negotiations moved to phase two, has improved the business climate.”

Charles Jarrold, BPIF Chief Executive, said:

“Brexit continues to provoke a wide range of opinions from printers. Ranging from boredom and disinterest to concern over lack of knowledge, clarity and certainty. We are picking up both fear and anticipation over the implications and effects of Brexit. What is certain is that more needs to be done to research and prepare – whatever the outcome of the next phase of negotiations. We will continue to monitor Brexit confidence in Printing Outlook, represent the industry and lobby on its behalf. As negotiations progress we will be having a closer look as to how the likely outcomes will affect the UK printing industry.”

Summary of key findings:

- A noticeable absence of a seasonal upturn and the worst fourth quarter output report for five years, yet the reality turned out to be slightly better than the subdued expectations – the forecast for Q1 remains positive but subdued.
- Confidence in the general state of trade in the printing industry deteriorated in Q4, though not quite to the depth that was forecast – the outlook for Q1 is similarly depressive.
- There is no escape from competitors' pricing below cost being the most voiced business concern – the proportion selecting it this quarter increased.
- The printing industry has welcomed December's progress in the EU negotiations and the move to phase two of the Brexit talks, as confidence becomes slightly less negative.
- It is no surprise that capacity utilisation for January was lower in comparison to October.
- Recruitment picked up from Q3 to surpass the expectations for Q4.
- Average prices plunged well below the forecast for Q4 – the pressure, although less intense, is expected to continue in Q1.
- There was no let-up to the intensifying cost pressures during Q4 – with paper and board increases hitting the majority of printers.
- The squeeze on margins is displaying no signs of letting up.
- Export orders exceeded 5% of turnover for 11% of respondents; for these companies export order growth was extremely positive, on balance, in Q4.
- Intentions for plant and machinery investment have strengthened for 2018; plans for product and process innovation have also improved.
- Just over one-quarter (27%) of respondents reported that they had conducted a pay review in Q4.
- UK consumption of printing papers and boards continued to decrease in the first three quarters of 2017.

Featured in *Printing Outlook* this quarter:

- The BPIF's Brexit and Post-Brexit Barometers.
- Costs – paper & board, ink, labour and energy.
- Pay Reviews – activity and average % changes.
- Data on capacity, productivity, margins, and more.
- Consumables – paper consumption and printing ink data.

For further information on *Printing Outlook* go to www.britishprint.com/printingoutlook

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Endorsements:

"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

"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

"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

"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

"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

"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

“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

“The BPIF Printing 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

“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

Editors' Notes

The online trading trends survey was carried out during 2-17 January 2018 and received responses from 119 companies employing 8,417 people with a combined turnover of over £1 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 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