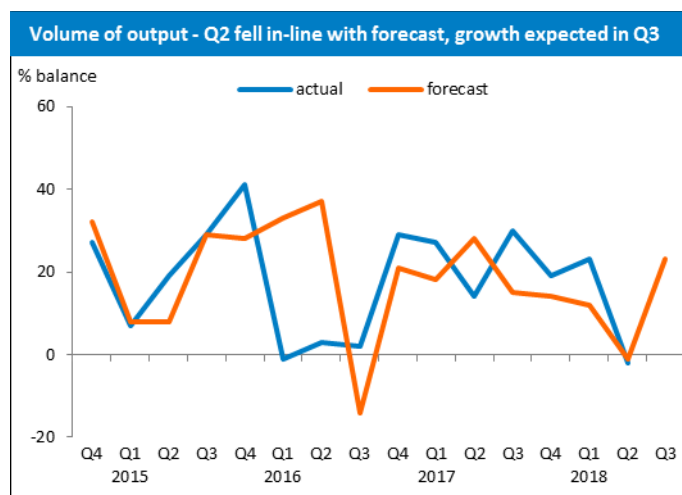


PRESS RELEASE – 07 August 2018

Q2 OUTPUT AND ORDERS MATCHED THE DOWNBEAT FORECAST – BOOST EXPECTED IN Q3 DESPITE CONFIDENCE AND COST CONCERNS

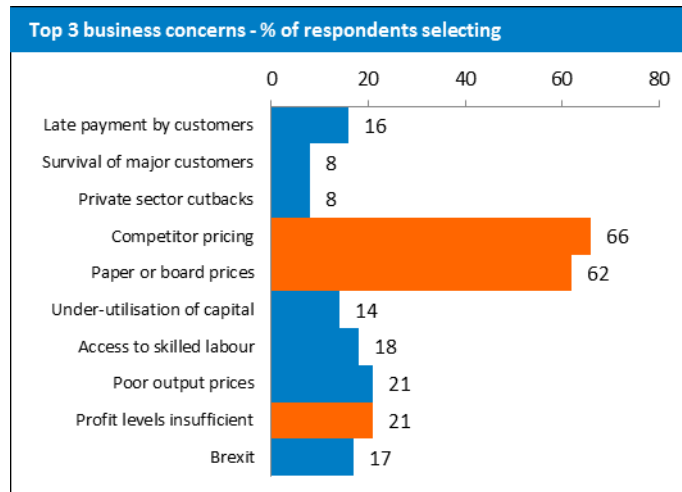
The UK printing industry almost exactly matched the downbeat expectations for Q2, as far as output and orders are concerned – fortunately the forecasts for Q3 suggests some growth ahead. The latest *Printing Outlook* survey shows 33% of printers increased output levels in the second quarter of 2018. A further 32% held output steady whilst 35% experienced a decline in output. The resulting balance (the difference between the ups and the downs) was -2; down on the +23 recorded in Q1 and just undercutting the Q2 forecast of -1. The Q2 period seems to have been characterised by fluctuating periods of activity and inactivity with significant dependence on the performance of clients' markets. However, there also appears to have been a consistent reduction in commercial print run-lengths and an increase in ordering delays. Anecdotally, the packaging sector has exhibited more stability but client performance and levels of uncertainty remain a concern.

A poor performance in Q2 has not restricted the forecast for Q3. Printers expect output growth to bounce back in Q3 with a strong performance. 41% of respondents predict that they will increase output levels in Q3, a further 41% expect output levels to hold steady. That leaves only 18% forecasting that output will fall in Q3. The forecasted balance of +23 would, if realised, be a significant upturn from Q2 and surpass the Q3 output growth balance in the last two years.



The output balance of -2 was just below the forecast of -1 for Q2. A balance of +23 is forecast for the coming three months.

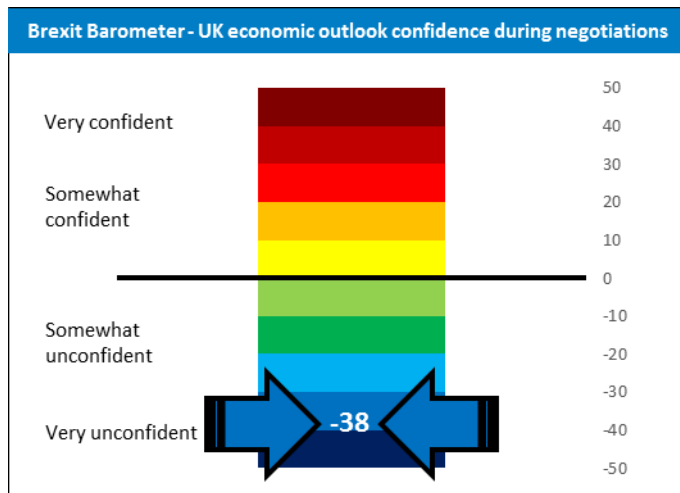
Competitors' pricing below cost continues to be the most voiced business concern, though only just – the proportion selecting it this quarter is down from last quarter; to 66% (it was 70%, 65%, 70% and 81% in the preceding quarters). Paper and board price concerns remains the second ranked concern; this was selected by 62% of respondents, down very slightly from 63% last quarter (and 60%, 47%, 42% and 32% in the quarters prior to that).



Profit levels being insufficient to ensure investment has maintained its 21% from last quarter, yet jumped to the third concern. The remaining vote allocation splits across poor output prices, access to skilled labour, Brexit and late payment.

Stresses and tensions related to Brexit are ramping up in the UK printing industry – whilst diverse attitudes and outlooks do exist there is no escape from the topic, and no denial that confidence is on a downward swing. Both our Brexit Barometers continue to report negative confidence levels – regarding the outlook for the UK economy during the Brexit negotiation period, and following UK withdrawal from the EU. The barometer for during negotiations has turned in Q3, to increase in its negativity since Q2. In comparison to last quarter, fewer respondents (18%) are now 'somewhat confident' regarding the outlook for the UK economy; down from 26% in Q2. Just under one-third (31%) are currently 'neither confident nor unconfident', down from 35% previously. Over two-fifths (42%) are 'somewhat unconfident'; down from 33% in Q2. Few respondents (1%) are in the 'very confident' category and 8% have now selected the 'very unconfident' category.

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.



The 'unconfident' returns continue to outweigh the 'confident' returns, and now by an increasing margin. The actual weighted balance is -38 – which still places the current Brexit Barometer for the UK economic outlook during the Brexit negotiation period deep in the negative side of the scale; now around the middle of the 'very unconfident' zone. Almost back to the low achieved in Q4 2017 (-41). It is necessary to point out that the recent resignations from the Government's Brexit team came right in the middle of the survey period; this will have affected confidence. The message we are picking-up is; if the Government is able to allay concerns from businesses, add to the detail on its negotiation position, make some progress with the EU and advise as to the potential outcomes and ramifications of these – then confidence will improve and our barometer will warm up.

The *BPIF Printing Outlook Q3 2018* report goes into further detail.

Kyle Jardine, BPIF Research Manager, said:

"Brexit was noted to be lurking in the background during last quarter's report. It's fair to say that Brexit is now demanding more attention. Whilst the range of attitudes and opinions are varied the consensus is clearly fearful of what lies ahead and concern over how business might contend with the potential shocks and disruptions. We have been actively examining the impact on our industry and representing the industry to Government, now our focus must also turn to developing advice back to the industry."

Charles Jarrold, BPIF Chief Executive, said:

"Capacity, pricing, costs and margins are interconnected and causing pain for many companies in the industry. What can you do? Invest, innovate, improve productivity, limit and flex your costs – by flex I mean, can you make fixed costs in any way variable? Really focus on pricing, look after and value your customers, how can you develop your business? Not just adding work but focusing on what jobs you are making money on, what type of business

you need to grow and how might you help your clients' businesses. Unfortunately this is easier to say than do."

Summary of key findings:

- The UK printing industry almost exactly matched the downbeat expectations for Q2, as far as output and orders are concerned; forecasts for Q3 suggests some growth ahead.
- Confidence in the general state of trade in the printing industry continued to flatline in Q2 – yet it has remained above the negative forecast, and expectations for Q3 show that the confidence outlook has shown a small improvement.
- Competitors' pricing below cost continues to be the most voiced business concern, though only just – the proportion selecting it is down from last quarter; to 66%.
- Stresses and tensions related to Brexit are ramping up in the UK printing industry – whilst diverse attitudes and outlooks do exist there is no escape from the topic, and no denial that confidence is on a downward swing.
- Overall capacity utilisation polarised in July compared to April as a proportion shifted to higher utilisation whilst others saw their utilisation fall.
- Employment fell, on balance, in Q2 as more companies reduced rather than increased employee numbers.
- Average prices in Q2 have continued to under-cut the strongly negative forecasts – expectations for the period ahead have declined to the lowest level for four years.
- Costs have continued to escalate in Q2 – most extremely for paper and board, but labour, energy and ink costs are all increasing too.
- The further erosion of margins in Q2 brings the current spell of uninterrupted decline to two and a half years.
- Printers have reported a lower stacked profit distribution in July, with more in the red zone in comparison to April.
- Export orders exceeded 5% of turnover for 22% of respondents; for these companies export order growth was positive, on balance, in Q2.
- More than two-fifths (42%) of respondents reported that they had conducted a pay review in Q2 – 15% expect to do so in Q3.
- UK consumption of printing papers and boards fell in Q1 2018, though packaging cartonboard did hold above its Q1 2017 level.

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 3-20 July 2018 and received responses from 146 companies employing 8,710 people with a combined turnover of over £1.2 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