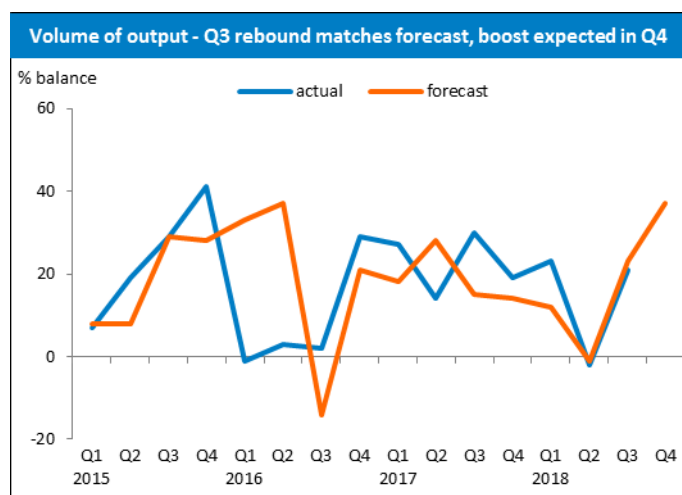


PRESS RELEASE – 22 November 2018

Q3 OUTPUT BOUNCED BACK TO JUSTIFY THE POSITIVE FORECAST – SEASONAL BOOST TO EXTEND INTO Q4 DESPITE FRAGILITY IN CONFIDENCE

The UK printing industry has rebounded from a lacklustre Q2 to match the positive Q3 forecast, as far as output volumes are concerned – upbeat expectations for Q4 reveal optimism, at least in the short-term future. The latest Printing Outlook survey shows 44% of printers increased output levels in the third quarter of 2018. A further 33% held output steady whilst 23% experienced a decline in output. The resulting balance (the difference between the ups and the downs) was +21; a significant turnaround on the -2 recorded in Q2 and just below the Q3 forecast of +23. The Q3 period has benefited from the traditional seasonal boost, though for some this has come later into the quarter than expected. There is no shortage of comments referring to the difficulty of trading in sectors subject to intense competition and rising cost pressures.

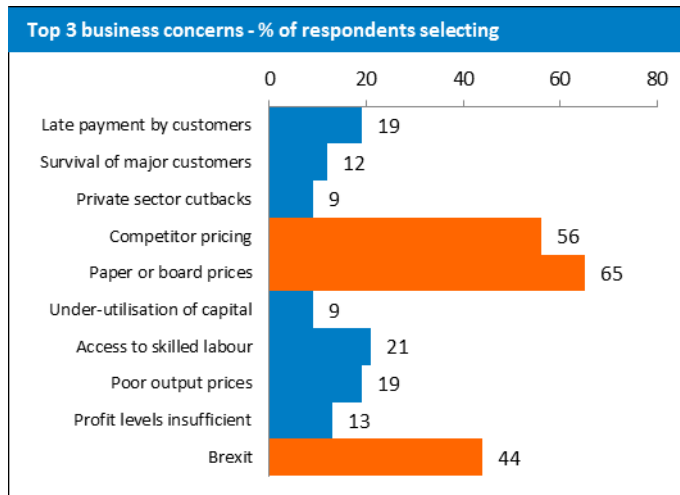
Printers are expecting to see their activity levels increase in Q4. Output growth is forecast to push on in Q4 for a majority of companies. 55% of respondents predict that they will increase output levels in Q4, a further 27% expect output levels to hold steady. That leaves 18% forecasting that output will fall in Q4. The forecasted balance of +37 would, if realised, be a seasonal boost similar to what used to be considered 'normal' and last experienced in 2015, prior to the EU referendum.



The output balance of +21 was just below the forecast of +23 for Q3. A balance of +37 is forecast for the coming three months.

For the very first time competitors' pricing below cost is not the most voiced business concern. With 56% of respondents selecting it as one of their top three business concerns; it

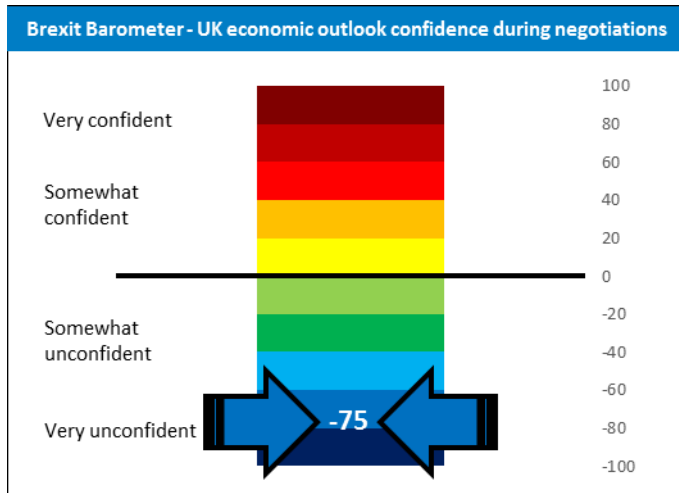
has been shunted down to become the second ranked concern. It is no surprise that the new top ranking concern is paper and board prices – this has now been selected by 65% of respondents (up from 62% last quarter).



Brexit has now surged through to become the third ranked concern for the first time. Access to skilled labour, late payment and poor output price levels were all further back in the ranking with selection from around 20% of respondents.

Looming negotiation deadlines, intensified political manoeuvring and heightened uncertainty surrounding Brexit has led to sheer bewilderment within a significant proportion of the UK printing industry. Diverse attitudes and outlooks do still exist but confidence has crashed through the floor. Both our Brexit Barometers have had to be re-scaled to account for nose-diving 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 exhibited a dramatic decline in Q4. In comparison to last quarter, fewer respondents (7%) are now ‘somewhat confident’ regarding the outlook for the UK economy; down from 18% in Q3. One-third (33%) are currently ‘neither confident nor unconfident’, up slightly from 31% previously. Almost two-fifths (38%) are ‘somewhat unconfident’; down from 42% in Q3. However, no respondents are in the ‘very confident’ category and 22% have now selected the ‘very unconfident’ category (up from 8% in Q3).

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 vastly outweigh the 'confident' returns, in fact the latest downward shift in confidence has been so pronounced the barometer has had to be re-scaled. The actual weighted balance is now -75 – which places the current Brexit Barometer for the UK economic outlook during the Brexit negotiation period deep in the negative side of the scale, and firmly in the 'very unconfident' zone. This is the lowest reading by some distance (previously -41 in Q4 2017). Domestic political squabbling, a lack of negotiation progress and the increased propensity for a 'no-deal' situation has ridden roughshod over business hopes that the Government would allay their concerns, clarify details on its negotiation position, make some progress with the EU and seek to minimise the uncertainty in the political and economic environment.

The *BPIF Printing Outlook Q4 2018* report goes into further detail.

Kyle Jardine, BPIF Research Manager, said:

"There's just no getting away from Brexit, and the industry will be hoping that the current political manoeuvres don't put the kibosh on the end-of-year seasonal boost. New questions to our survey have helped us pick-up that the printing industry is most concerned about further general cost inflation, the impact of both tariff and non-tariff barriers and labour shortages. There are also supply chain concerns – as a result a certain degree of targeted stockpiling has begun."

Charles Jarrold, BPIF Chief Executive, said:

"Stockpiling is not something all companies will have the desire, space or cash for, however it is prudent to be knowledgeable about the origins of supplies, the logistical path those supplies take and what measures suppliers are taking to maintain the security and efficiency of the supply chain. We have ramped up our Brexit-related advice – I urge the industry to visit britishprint.com to access this information."

Summary of key findings:

- The UK printing industry has rebounded from a lacklustre Q2 to match the positive Q3 forecast, as far as output volumes are concerned – upbeat expectations for Q4 reveal optimism, at least in the short-term future.
- Confidence in the general state of trade in the printing industry took a downward turn in Q3 – it ducked below the marginally positive forecast, expectations for Q4 show that confidence remains fragile.
- Competitors' pricing below cost has been shunted down to become the second ranked concern, it has been replaced by concern over paper and board prices.
- Looming negotiation deadlines, intensified political manoeuvring and heightened uncertainty surrounding Brexit has led to sheer bewilderment within a significant proportion of the UK printing industry.
- Three concerns stand apart regarding the impact Brexit may have on members' businesses – they are general cost inflation, tariff barriers and non-tariff barriers.
- A desire to maintain a reliable and timely supply chain has led to a certain amount of stockpiling. 17% of respondents are currently stockpiling some supplies; of the remainder, a further 25% have plans to stockpile.
- Employment increased slightly, on balance, in Q3 as more companies enlarged rather than shrank employee numbers.
- Average prices in Q3 remained stuck deep in negative territory – little improvement is expected for Q4.
- Costs have climbed further in Q3 – once again increases have been most pronounced for paper and board, but energy, ink and labour costs have all increased.
- Export orders exceeded 5% of turnover for 21% of respondents; for these companies export order growth was positive, on balance, in Q3.
- The levels of 'critical' and 'significant' financial distress experienced by the printing industry decreased during Q3. However, the number of insolvencies has increased.
- UK consumption of printing papers and boards was lower in Q2 2018 than in Q1, though did exhibit some growth in comparison to Q2 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 1-17 October 2018 and received responses from 125 companies employing 7,476 people with a combined turnover of over £930 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