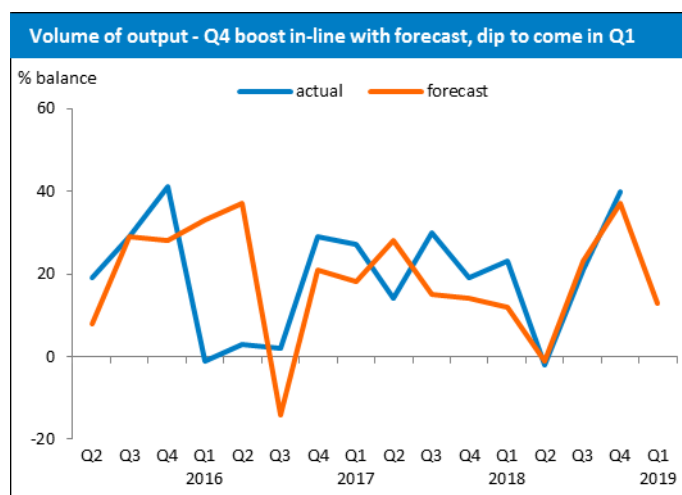


PRESS RELEASE – 13 February 2019

## SEASONAL BOOST STIMULATES SLIGHT RECOVERY IN CONFIDENCE – EXPECTED TO SUBSIDE IN Q1 AS OUTPUT AND ORDER GROWTH RECEDES

**A healthy seasonal boost ensured 2018 finished stronger than it started, at least as far as the volume of output and orders are concerned – however, expectations are more pragmatic for Q1.** The latest Printing Outlook survey shows 53% of printers increased output levels in the fourth quarter of 2018. A further 34% held output steady whilst 13% experienced a decline in output. The resulting balance (the difference between the ups and the downs) was +40; a significant add-on to the boost that started in Q3 and marginally above the Q4 forecast of +37. The Q4 period has benefited from the strongest seasonal boost for three years, but not reached the levels last seen in the years preceding the 2008 financial crisis. Numerous comments from survey respondents have referred to turmoil, uncertainty and unpredictability and whilst a number of companies have traded well there are common perceptions that they are ‘bucking the trend.’

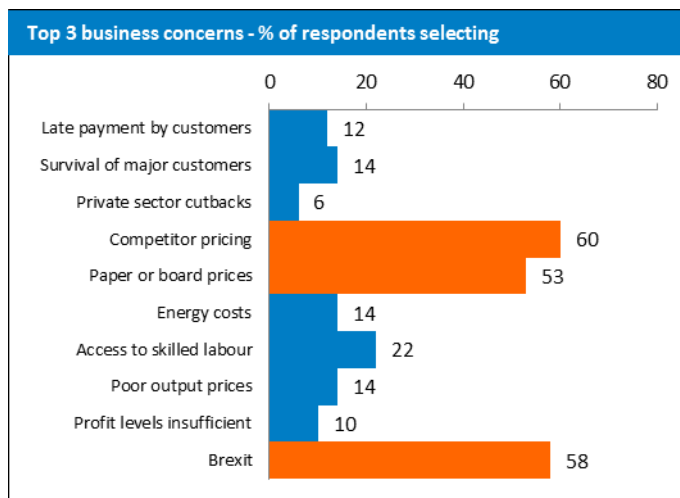
Fewer printers are expecting to see their activity levels increase in Q1. However, output growth is forecast to increase for just over one-third (34%) of companies. 45% of respondents predict that they will be able to hold output levels steady in Q1, a further 21% expect output levels to fall. That leaves a forecasted balance of +13 for the volume of output in Q1 – similar to last year’s Q1 forecast, which was proven to be overly negative.



*The output balance of +40 was just above the forecast of +37 for Q4. A balance of +13 is forecast for the coming three months.*

Competitors pricing below cost has returned to become the most voiced business concern. With 60% of respondents selecting it as one of their top three business concerns; it has just

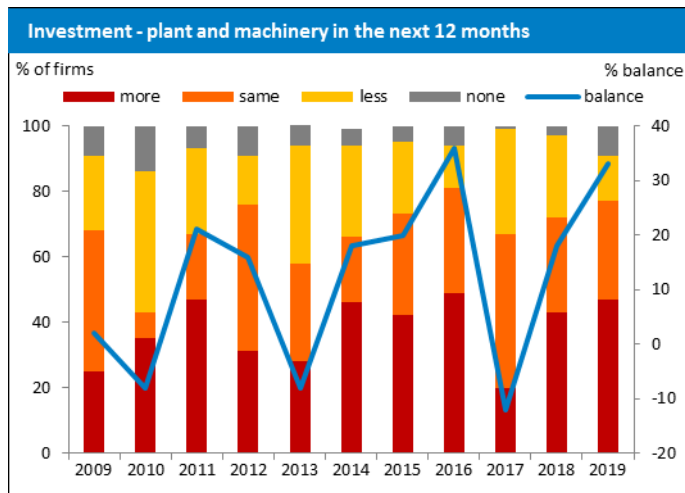
kept its notoriety ahead of Brexit, which has continued to climb the rankings. Brexit has now been selected by 58% of respondents (up from 44% last quarter).



Paper and board prices completes the top three, with 53% of respondents selecting it. Access to skilled labour, energy costs and poor output price levels were all further back in the ranking.

Investment intentions for plant and machinery in 2019 have picked-up following a period of curtailed expenditure plans. Training and retraining plans have also been boosted, whilst intentions for product and process innovation remain positive.

Most companies (91%) plan to make some investment in plant and machinery in the year ahead. Almost one-third (30%) intend to maintain current investment levels and 14% expect to reduce investment to a lower level. However, that leaves almost half (47%) that anticipate higher levels of investment directed towards plant and machinery in 2019. The resulting balance (+33 – the blue line in the investment chart, which is read from the right-hand axis) is above the level recorded in each of the last two years.



Printers are continuing to report that they are under pressure to accept longer payment terms by some customers. Almost half (48%) of respondents reported that they had been obliged to accept longer payment terms from customers in 2018 in order to help retain or secure business. Of these, 12% were for terms up to 60 days and 64% for up to 90 days. 22% felt obliged to accept payment terms of up to 120 days (a significant increase from 7% last year) and a further 2% in excess of 120 days.

The *BPIF Printing Outlook Q1 2019* report goes into further detail.

**Kyle Jardine, BPIF Research Manager, said:**

“Many respondent comments refer to sheer frustration that the uncertainty surrounding Brexit has still not been removed, a loss of faith in our politicians and concern over ‘no-deal’ becoming a reality by default. However, there were still numerous more positive comments expressing a desire to just get it done and that, after a period of adjustment, it will be better for UK businesses to leave the EU.”

**Charles Jarrold, BPIF Chief Executive, said:**

“The printing industry has become adept at dealing with change – it has had to in order to survive. It is welcoming to see strengthening investment intentions as a willingness to invest is a vital component for improving the ability to change.

“However, it is a concern to see a surge in late payments and added pressure on printers to accept extended payment terms – which can only add increased pressure on cashflow and a higher risk of payment default. I urge all companies to keep a really close eye on outstanding debts and maintaining their cashflow.”

### **Summary of key findings:**

- A healthy seasonal boost ensured 2018 finished stronger than it started, at least as far as the volume of output and orders are concerned – however, expectations are more pragmatic for Q1.
- Confidence in the general state of trade in the printing industry took a positive step in Q4 – it turned around to reach positive territory for the first time since 2017.
- Competitors pricing below cost has returned to become the most voiced business concern, Brexit is the second ranked concern, with paper and board prices a close third.
- Stubbornly lingering uncertainty surrounding Brexit has led to widespread exasperation within a significant proportion of the UK printing industry – the Brexit Barometers are very negative.
- Maintaining a reliable and secure supply chain now comes through as the top concern regarding the impact Brexit may have on members' businesses – further behind are general cost inflation and non-tariff barriers.
- 34% of respondents are currently stockpiling some supplies.
- Average prices in Q4 have crept into positive territory for the first time in over eight years – respondents are forecasting some further increases in Q1.
- Input costs have continued to increase in Q4 – once again increases have been most pronounced for paper and board, with ink, energy and labour costs all following behind.
- Export orders exceeded 5% of turnover for 21% of respondents; for these companies export order growth was positive, on balance, in Q4.
- Investment intentions for plant and machinery in 2019 have picked-up following a period of curtailed expenditure plans.
- Access to finance has generally improved in the last 12 months, however a dramatic increase in the level of bad debt is a concern.
- The number of printing and packaging companies experiencing 'critical' financial distress decreased in Q4, whilst those under 'significant' financial distress increased.
- UK consumption of printing papers and boards was greater in Q3 2018 than in Q2, though was static in comparison to Q3 2017.

### **Featured in *Printing Outlook* this quarter:**

- The BPIF's Brexit and Post-Brexit Barometers.
- Costs – paper & board, ink, labour and energy.
- Investment and Finance – annual update.
- 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](http://www.britishprint.com/printingoutlook)**

**ENDS**

## 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 McGuiness**

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**

Operations Director, CDS

**Editors' Notes**

The online trading trends survey was carried out during 2-18 January 2019 and received responses from 132 companies employing 7,638 people with a combined turnover of over £962 million. For more information on Printing Outlook, visit [www.britishprint.com/printingoutlook/](http://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](http://www.britishprint.com)