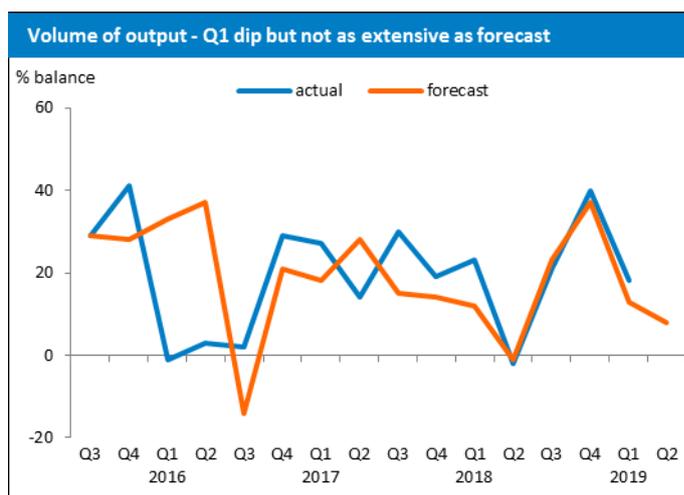


PRESS RELEASE – 22 May 2019

Q1 GROWTH SLOWED BUT HELD ABOVE FORECAST AS CONFIDENCE DEFIED NEGATIVE EXPECTATIONS – FORECASTS SUBDUED FOR Q2

The first quarter of 2019 experienced a slowdown in growth, following Q4's seasonal boost – however, the drop-off was not quite as extensive as the expectations for Q1 suggested it might be. Forecasts for Q2 suggest growth will be maintained but it will be at a further reduced level. The latest Printing Outlook survey shows 43% of printers increased output levels in the first quarter of 2019. A further 32% held output steady whilst 25% experienced a decline in output. The resulting balance (the difference between the ups and the downs) was +18, a significant decline following the seasonal boost from Q4 but not an unexpected one. In fact, Q1 has performed slightly better than forecasted (the forecasted balance was +13).

There were some concerns for performance in the Q1 period, and there appears to have been some polarisation in growth outcomes (i.e. more companies reporting improved output, more reporting deteriorating output and fewer reporting that output had remained stable). However, the aggregated balance still remains positive and above the forecasted level. The fact that Easter came late this year, and therefore fell outside the Q1 survey period, will have boosted performance in Q1, and will be likely to drag performance down in Q2.

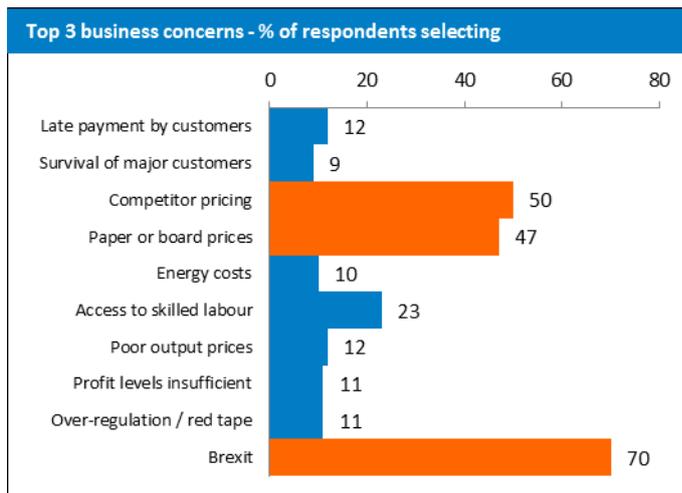


The output balance of +18 was above the forecast of +13 for Q1. A balance of +8 is forecast for the coming three months.

Printers have been extremely accurate over the last year in their output forecasts. Going into Q2, fewer printers are expecting to see their activity levels increase. However, output growth is forecast to increase for one-third (33%) of companies. 42% of respondents predict that

they will be able to hold output levels steady in Q2, and 25% expect output levels to fall. That leaves a forecasted balance of +8 for the volume of output in Q2, which would be greater than last year's Q2.

Brexit has reclaimed the most voiced business concern, with 70% of respondents selecting it as one of their top three business concerns (up from 58% in Q1). This is only the second time that competitor pricing has been forced from the number one position – now in second position with selection from 50% of respondents (down from 60% last quarter).

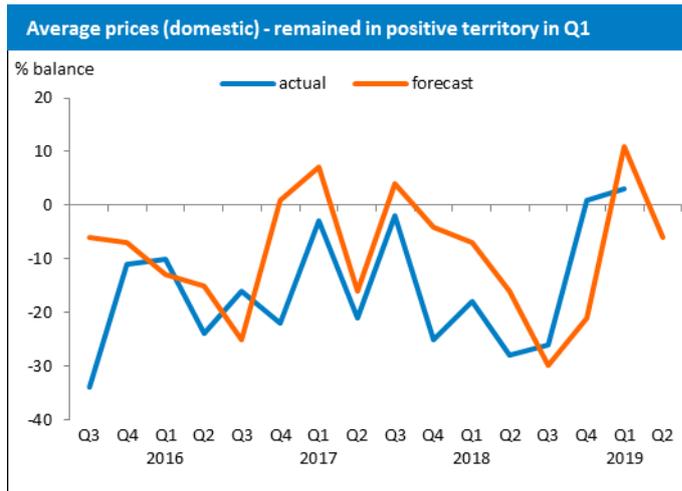


Paper and board prices completes the top three, with 47% of respondents selecting it. Access to skilled labour was some way behind in fourth place, whilst late payment and poor output prices were further back in the ranking.

Average prices remained in positive territory in Q1. It is the first time since the 2008 financial crisis that average price movements have been positive for consecutive quarters.

Respondents are not currently expecting this to continue into Q2. Just under one-fifth of them (19%) were able to increase prices in Q1, and almost two-thirds (65%) were able to hold them steady. That left 16% of respondents experiencing price reductions in Q1. The resulting Q1 balance (+3), whilst again only just positive, is a significant continuation of positive price movements and the first time this has occurred for 11 years.

Just under three-quarters (72%) of respondents, do not expect to see any change in domestic selling prices during Q2. 17% believe they will be forced to reduce prices, and 11% predict that they will be able to increase prices in Q2. The resulting forecasted balance is -6.



The domestic prices balance of +3 was below the forecast of +11. A balance of -6 is projected for the coming three months.

The *BPIF Printing Outlook Q2 2019* report goes into further detail.

Kyle Jardine, BPIF Economist, said:

“There are plenty of comments from survey respondents referring to suicidal pricing, material costs and of course turmoil and uncertainty related to Brexit. However, a number of companies have noted that whilst some clients had been holding back on placing jobs (due to Brexit uncertainty), the floodgates opened slightly as the Brexit timeline was extended and clients were keen to get work ordered and invoiced before the March financial year-ends.

“No matter one’s viewpoint, there aren’t many adjectives left to describe the latest Brexit shenanigans. As fascinating as it has all been there’s no getting around the fact that, whilst most businesses do not appreciate the prolonged uncertainty from the Brexit deadline extension, many are thankful to avoid no-deal, for now. However, there is also a significant proportion of business owners that have had enough and just want it sorted (deal or no deal in many cases).”

Charles Jarrold, BPIF Chief Executive, said:

“We know, through our lobbying and representation activities, that the Bank of England’s Monetary Policy Committee are closely monitoring industry surveys for signs of wage inflation, input prices inflation and these feeding through to output price inflation – rather than being absorbed by companies and eroding their margins.”

“As we are all too well aware, our industry has been experiencing climbing input prices and diminishing margins for some time – it is very interesting to see that, for the first time in 11

years, *Printing Outlook* is showing that there have been more increases than decreases in output prices over consecutive quarters. We will be sure to monitor this closely.”

Summary of key findings:

- The first quarter of 2019 experienced a slowdown in growth – however the drop-off was not quite as extensive as the expectations for Q1 suggested. Forecasts for Q2 suggest growth will be maintained but that the rate of growth will be at a further reduced level.
- Confidence in the general state of trade in the printing industry defied the very negative expectations to remain positive, just.
- Brexit has reclaimed the most voiced business concern, with 70% of respondents selecting it as one of their top three business concerns; this is only the second time that competitor pricing has been forced from the number one position.
- There’s no getting around the fact that, whilst most businesses do not appreciate the prolonged uncertainty from the Brexit deadline, many are thankful to avoid no-deal, for now. But a significant proportion of business owners that have had enough and just want it sorted (deal or no deal in many cases).
- Maintaining a reliable and secure supply chain was the top Brexit concern (selected by 77% of respondents), followed by general cost inflation (52% of respondents) and then non-tariff barriers (42%).
- 51% of respondents are currently stockpiling some supplies.
- Average prices remained in positive territory in Q1; it is the first time since 2008 that average price movements have been positive for consecutive quarters – respondents are not currently expecting this to continue into Q2.
- Input cost inflation remains a dominant feature in Q1 – especially paper and board, but ink, energy and labour costs have all faced upward pressure.
- Export orders exceeded 5% of turnover for 23% of respondents; for these companies export order growth was positive, on balance, in Q1.
- The number of printing and packaging companies experiencing both ‘critical’ and ‘significant’ financial distress decreased in Q1.
- UK consumption of printing papers and boards was greater in Q4 2018 than in Q3, but lower in comparison to Q4 2017.

Featured in *Printing Outlook* this quarter:

- The BPIF’s Brexit and Post-Brexit Barometers.
- Costs – paper & board, ink, labour and energy.
- Industry insolvency and financial health statistics.
- 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

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

"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

Operations Director, CDS

Editors' Notes

The online trading trends survey was carried out during 1-18 April 2019 and received responses from 131 companies employing 9,894 people with a combined turnover of almost £1.4 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