

Press Release

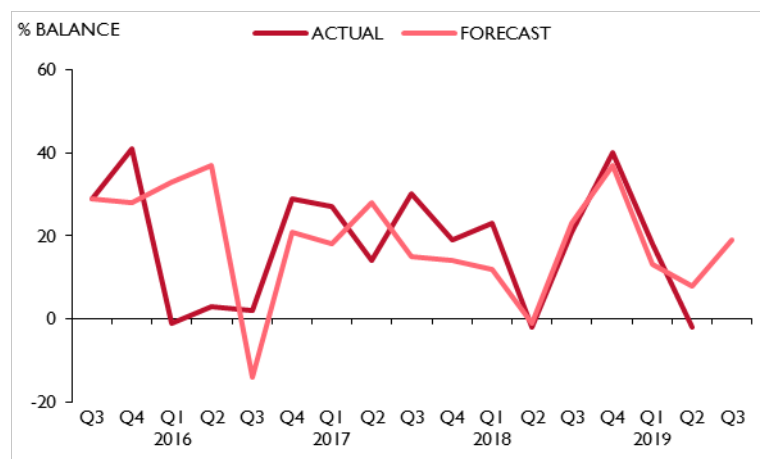
22.08.19

GROWTH AND CONFIDENCE HIT IN Q2 – OUTPUT EXPECTED TO RECOVER IN Q3 BUT RESTORING CONFIDENCE WILL TAKE LONGER

The UK printing industry was not immune to the economic turmoil in the second quarter of 2019 – both output and orders suffered a contraction to duck below the forecasts and into negative territory. Orders are expected to remain subdued in Q3 but output is expected to bounce back. The latest *Printing Outlook* survey shows 32% of printers increased output levels in the second quarter of 2019. The remaining respondents were split evenly; 34% held output steady and 34% experienced a decline in output. The resulting balance (the difference between the ups and the downs) was -2, a continuation of the decline experienced in Q1 that followed the Q4 seasonal boost. This was an underperformance in comparison to the forecast for Q2 (the forecasted balance was +8).

As commented on last quarter, this year's late Easter provided a boost to Q1 and a drag to Q2. Furthermore, whilst the Brexit extension provided a late boost to Q1 as clients were keen to get work ordered and invoiced before March financial year-ends, the hangover to this was a contraction of output in Q2. Perhaps exacerbated by a perceived reduction in the necessity to stockpile and even a stimulated desire to run down some stocks.

VOLUME OF OUTPUT - Q2 SUFFERED BUT SOME IMPROVEMENT EXPECTED IN Q3

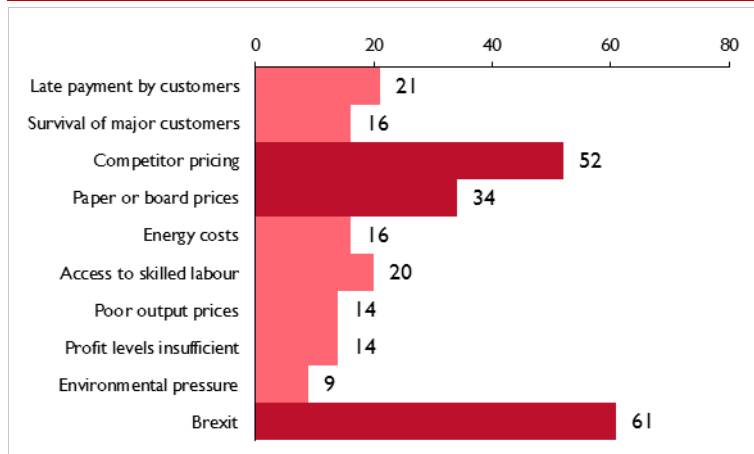


The output balance of -2 was below the forecast of +8 for Q2. A balance of +19 is forecast for the coming three months.

Printers' output forecasting accuracy deserted them in Q2 – understandably given the wider economic and political climate and the demands on the printing industry. Looking ahead to Q3, printers are expecting to see their activity levels increase. Output growth is forecast to increase for over two-fifths (42%) of companies. 35% of respondents predict that they will be able to hold output levels steady in Q3, and 23% expect output levels to fall. That leaves a forecasted balance of +19 for the volume of output in Q3, which would be a welcomed return to growth following a disappointing second quarter.

Brexit remains the most voiced business concern, on this occasion 61% of respondents selected it as one of their top three business concerns (down from 70% in Q2). Competitor pricing is once again held to the second ranking with selection from 52% of respondents (up slightly from 50% last quarter).

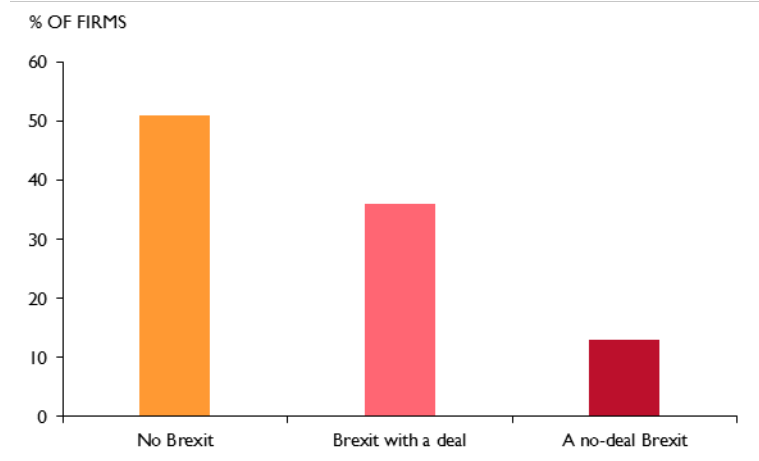
TOP 3 BUSINESS CONCERNS - % OF RESPONDENTS SELECTING



Paper and board prices completes the top three, with 34% of respondents selecting it (quite a bit fewer than the 47% selecting it last time). Late payment by customers was further back in fourth, closely followed by access to skilled labour.

With a new deadline of 31 October the reality of Brexit is drawing closer – again. So far a no-deal Brexit has been avoided by simply extending the deadline. The prospects of this happening again are diminishing, not least due to Boris Johnson being installed as the new Prime Minister. In the latest survey respondents were asked what their preference was – no Brexit, Brexit with a deal, or a no-deal Brexit. No Brexit topped the poll with the smallest of majorities, 51%. Brexit with a deal attracted a 36% share of respondents, whilst a no-deal Brexit received a 13% share.

BREXIT - OVER HALF OF RESPONDENTS PREFER NO BREXIT, 13% BACK NO-DEAL



The *BPIF Printing Outlook Q3 2019* report goes into further detail.

Kyle Jardine, BPIF Economist, said:

“Input cost inflation has continued to add to the pressure companies are under in Q2 – for the first time in three years paper and board has not been the main culprit. On this occasion labour, energy and ink costs all exerted more upward pressure.”

“The second quarter of the year is the period which has traditionally been when many companies review wages, and it still remains a popular period for reviews and pay awards to be introduced. It is now also the period when National Minimum Wage and National Living Wage rate increases come into force – as a result more companies now conduct a pay review slightly earlier – in Q1, or early in Q2, with a view to activating any changes in Q2.”

“Almost half (48%) of respondents reported that they had conducted a pay review in Q2. The target for many companies offering increases remains around 2%.”

Charles Jarrold, BPIF Chief Executive, said:

“Printing Outlook makes it clear that printers are concerned about the effect Brexit, and the continuing pre-Brexit limbo, is having on their clients and general confidence. There are also concerns about currency weakness, administration burdens and stockpiling complications and costs related to building up stocks, running them down and then building them up again in advance of the next deadline. Not to mention sheer frustration with the length of time this pre-Brexit period is lasting.”

“We are continuing to have discussions with other industry organisations and Government to ensure that the concerns of our industry are taken into account.”

Summary of key findings:

- The UK printing industry was not immune to the economic turmoil in Q2 2019 – both output and orders suffered a contraction to duck below the forecasts and into negative territory. Orders are expected to remain subdued in Q3 but output is expected to bounce back.
- Confidence in the general state of trade in the printing industry in Q2 left its temporary stay in the positive zone and ducked below the negative forecast.
- Brexit remains the most voiced business concern, on this occasion 61% of respondents selected it as one of their top three business concerns (down from 70% in Q2).
- With a new deadline of 31 October the reality of Brexit is drawing closer – again. In the latest survey respondents were asked what their preference was – no Brexit, Brexit with a deal, or a no-deal Brexit. No Brexit topped the poll with the smallest of majorities, 51%. Brexit with a deal attracted a 36% share of respondents, whilst a no-deal Brexit received a 13% share.
- The primary Brexit concern is maintaining a reliable and secure supply chain, there is a realisation that many inputs (in particular paper) do not originate in the UK. Supply chain security was selected by 76% of respondents.
- Overall capacity utilisation was down slightly in July in comparison with April.
- As expected, average prices fell back into negative territory in Q2 following two consecutive quarters in which the average price movements have been positive.
- Input cost inflation has continued to add to the pressure companies are under in Q2 – for the first time in three years paper and board has not been the main culprit. On this occasion labour, energy and ink costs all exerted more upward pressure.
- Margins have been exhibiting a growing degree of stability in the last nine months but the improvement has faltered slightly in Q2.
- Export orders exceeded 5% of turnover for 21% of respondents; for these companies export order growth remained positive, on balance, in Q2.
- Almost half (48%) of respondents reported that they had conducted a pay review in Q2. The resulting average (mean) increase in basic pay was 2.1% (down from 2.5% in Q1).
- UK consumption of printing papers and boards in Q1 2019 grew slightly in comparison to Q1 2018, but was lower in comparison to Q4 2018.

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 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