

PRESS RELEASE

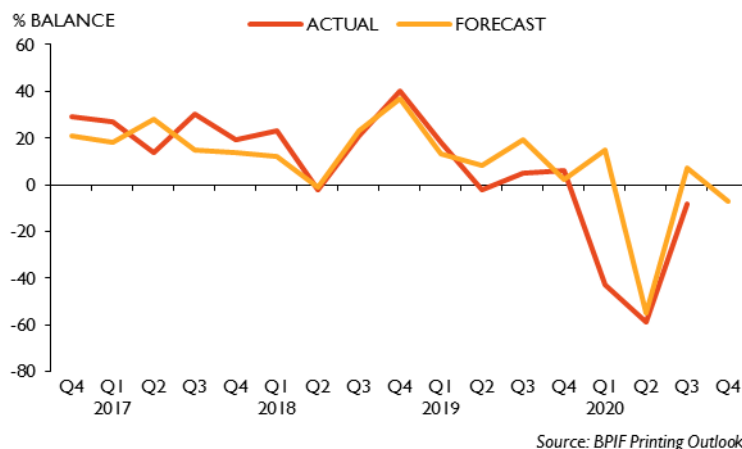
10 Nov 2020

CONFIDENCE IMPROVED AS OUTPUT AND ORDERS RALLIED IN Q3 – UNFORTUNATELY ROAD TO RECOVERY BLOCKED IN Q4

UK printing and printed packaging has rebounded from the second quarter's record low – it just hasn't bounced back high enough yet. The Covid-19 outbreak hit at the end of Q1, Q2 bore the brunt of the impact and Q3 has exhibited a recovery; of sorts. Forecasts for Q4 suggest that, in light of the Covid-19 resurgence, enforced regional lockdowns and climaxing Brexit uncertainty, the path ahead will now take a dip for the worse and risk turning the recovery "V" in to a "W".

The latest *Printing Outlook* survey reveals that 35% of printers managed to increase their output levels in the third quarter of 2020. However, fewer (22%) were able to hold output steady, and 43% were adversely affected by a decline in output. The resulting balance (the difference between the ups and the downs) was -8, much improved from the -59 reported in Q2 but below the Q3 forecast (+7) and still in the negative zone (meaning more companies have reported a decline rather than an improvement).

VOLUME OF OUTPUT - Q3 PICK-UP FALLS SHORT OF FORECAST AND POSITIVE ZONE



The output balance of -8 was below the forecast of +7 for Q3. A balance of -7 is forecast for Q4.

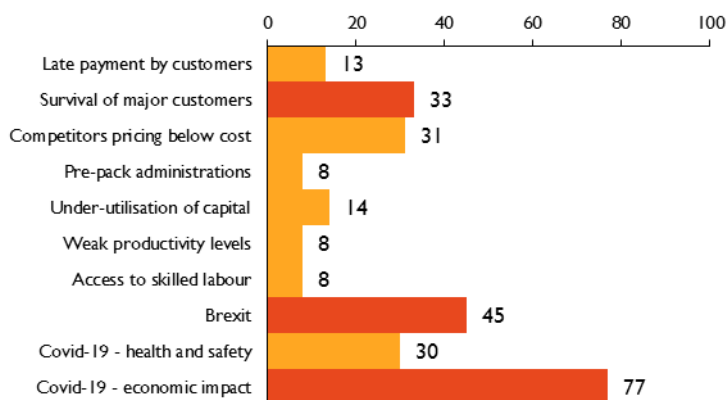
Now that we have entered Q4, printers are not expecting activity levels to continue to improve along the same trend path. Output growth is forecast to increase for 23% of companies. Almost half (47%) predict that they will be able to hold output levels steady in Q4. However, almost one-third (30%) expect output levels to fall. That leaves a forecasted balance of -7 for the volume of output in Q4. If realised, this will ensure that output remained in the negative zone throughout all of 2020. The industry has not experienced four consecutive quarters of negative output balances since Printing Outlook's records began.

Q3 has seen a more turbulent recovery for a significant number of companies. A challenging summer period and concerns over the 'second wave' of Covid-19 is affecting confidence and order placement. As companies are being weaned off Government support measures before activity levels

have recovered there is a stark realisation that costs need to be further adjusted accordingly, and rising concerns about keeping skilled workforces intact.

Dealing with the economic impact of Covid-19 remains, by far, the most important business concern for businesses; it was selected by over three-quarters (77%) of respondents. However, Brexit has resurfaced to become the second ranked concern with a 45% share of respondents (increased from 24% last quarter and 6% prior to that). The top three has been completed by the survival of major customers (33%) - competitors pricing below cost and Covid-19 – health and safety concerns followed very closely behind.

TOP 3 BUSINESS CONCERNS - % OF RESPONDENTS SELECTING



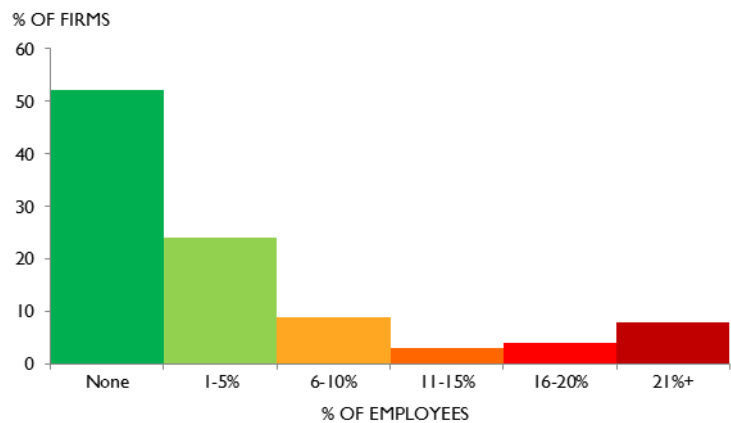
Source: BPIF Printing Outlook

The latest edition of *Printing Outlook* also features a section on the Covid-19 restart.

Insufficient demand levels to sustain business continues to be the standout issue preventing a more complete recovery from the Covid-enforced slowdown. A 'lack of demand' was by far the most commonly selected operational challenge. Concerns over employee absence – due to illness have increased for it to become the second most commonly selected challenge. Maintaining social distancing in the workplace was the third ranked challenge.

One of the most striking findings from the latest *Printing Outlook* survey is that companies are now anticipating that they will be forced to make redundancies before the end of the year. Almost half (48%) expect to make some redundancies – 24% anticipate that they will need to make 1-5% of their workforce redundant, 9% of firms are faced with redundancies in the range of 6-10%, 3% of companies expecting to make 11-15% redundant, 4% are considering 16-20% of their workforce and 8% anticipate that over 21% of their employees are going to be made redundant before the end of December. **Extrapolating this data suggests that printing industry redundancies could hit 5,000 in the last quarter of this year alone.**

COVID-19 RESTART - REDUNDANCIES BY END OF DECEMBER



Source: BPIF Printing Outlook

Companies continue to express a range of concerns regarding the impact Brexit may have on their business. **The primary Brexit concern remains maintaining a reliable and secure supply chain.**

This quarter we asked respondents to highlight what the potential opportunities they felt their business could potentially benefit from. **The number one ranked Brexit opportunity was that there would be a general swelling of home-grown support for British business.** The next ranked opportunity was onshoring – i.e. that an increased cost of doing business with the EU would encourage business to return to the UK. Just sneaking in as the third ranked opportunity was that there would be increased Government support due to extra pressure to support small and medium sized businesses.

The BPIF Printing Outlook Q4 2020 report goes into further detail.

Kyle Jardine, BPIF Economist, said:

“The Brexit Transition Period will have ended by the time the next Printing Outlook survey goes live. On 1 January 2021 we will have left the official transition. So far no trade deal has yet been made, so it would seem logical that the UK Government will implement a further internal transitioning period to help business and society adjust; but what we will be adjusting to? As yet that remains unclear.

“Recently much has been made of the one thing business least likes – uncertainty! Unfortunately this year we’ve had that in spades. Many will be eager to put 2020 behind us, push a reset button and go again in 2021.”

“This latest edition of Printing Outlook has achieved its best ever response coverage; 161 companies employing almost 12,000 people and a combined turnover of over £1.8 billion. A big thanks to all those who provided their time, data and opinions to help us represent our industry.”

Summary of key findings:

- UK printing and printed packaging has rebounded from the second quarter's record low – it just hasn't bounced back high enough yet. The Covid-19 outbreak hit at the end of Q1, Q2 bore the brunt of the impact and Q3 has exhibited a recovery; of sorts. Forecasts for Q4 suggest that, in light of the Covid-19 resurgence, enforced regional lockdowns and climaxing Brexit uncertainty, the path ahead will now take a dip for the worse and risk turning the recovery "V" in to a "W".
- Confidence improved in Q3, following its crisis in Q2, as more firms were able to pick-up orders, build capacity and boost output as clients' business activity stepped-up. However, the recovery didn't quite match the forecast and, in light of a predicted rise in unemployment, expectations have now weakened for Q4.
- Dealing with the economic impact of Covid-19 remains, by far, the most important business concern for businesses; it was selected by over three-quarters (77%) of respondents. However, Brexit has resurfaced to become the second ranked concern with a 45% share of respondents
- Insufficient demand levels to sustain business continues to be the standout issue preventing a more complete recovery from the Covid-enforced slowdown.
- One of the most striking findings from the latest Printing Outlook survey is that companies are now anticipating that they will be forced to make redundancies before the end of the year. Almost half (48%) expect to make some. The data suggests that printing industry redundancies could hit 5,000 in the last quarter of this year alone.
- Nine-in-ten businesses expect to have at least 50% of their employees, who are currently working from home, back in the office – at least to some regular degree – by the end of December.
- Almost half (48%) of respondents have reported that their business intends to facilitate continued working from home for at least one day a week.
- The most common theme across all the Covid-related comments to the survey relates to the lack of support for the supply chain to hospitality, retail and leisure sectors.
- Companies continue to express a range of concerns regarding the impact Brexit may have on their business. The primary concern remains maintaining a reliable and secure supply chain.
- The number one ranked Brexit opportunity was that there would be a general swelling of home-grown support for British business.
- Industry capacity utilisation has continued to improve in October, in comparison with July and May – but remains below the levels from last year.

Featured in *Printing Outlook* this quarter:

- Covid-19 restart – challenges, back to office and redundancies.
- Brexit – challenges and opportunities.
- Costs – paper & board, ink, labour and energy.
- Exports – orders and price trends.
- 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

For any queries on this release please contact kyle.jardine@bpif.org.uk

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."

Terry 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 1-15 October 2020 and received responses from 161 companies employing 11,887 people with a combined turnover of over £1.8 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

The British Printing Industries Federation (BPIF)

The BPIF is a thriving, best-in-class trade association invigorating a modern, progressive print industry. We inspire those within the UK print, printed packaging and graphic communication industries to see opportunities for growth. Our members form a diverse and influential community and together we ensure the industry's voice is heard in Government.

We help solve business problems and drive strategic change providing the highest standard of support so our members can grow and develop healthy, sustainable and profitable businesses.

For more information on the BPIF, visit: www.britishprint.com