

## PRESS RELEASE

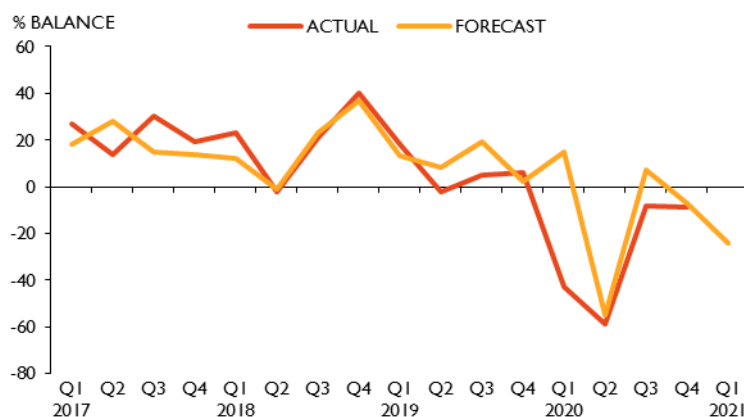
26 Feb 2021

### CONFIDENCE ERODED AS Q4 OUTPUT AND ORDERS CURTAILED – A FURTHER DOWNTURN IS NOW UNDERWAY IN Q1 BUT VACCINE ROLL-OUT PROVIDES HOPE

**The recovery in the UK printing and printed packaging industry suffered a setback in Q4 and is now expected to see a decline on the volume of orders and output in Q1.** The Covid-19 outbreak hit at the end of Q1, Q2 bore the brunt of the impact and whilst Q3 exhibited a recovery, of sorts, Q4 experienced a halt on that recovery path. Unfortunately forecasts for Q1 suggests that the Covid-19 resurgence and resulting mix of lockdown measures and post-Brexit disruption will be a drag on recovery for many businesses.

The latest *Printing Outlook* survey reveals that 29% of printers managed to increase their output levels in the final quarter of 2020. One-third (33%) were able to hold output steady, whilst 38% were adversely affected by a decline in output. The resulting balance (the difference between the ups and the downs) was -9, only just below the -8 reported in Q3 and just much in-line with the Q4 forecast (-7). Output has yet to return to the positive zone (where more companies report an improvement rather than a decline). This is the first instance output in the fourth quarter has reported a negative balance, and as such it is the first occasion that *Printing Outlook* has displayed a negative output balance for four consecutive quarters.

#### VOLUME OF OUTPUT - RECOVERY CUT-OFF IN Q4 AHEAD OF EXPECTED Q1 DECLINE



Source: BPIF Printing Outlook

*The output balance of -9 was just below the forecast of -7 for Q4. A balance of -24 is forecast for Q1.*

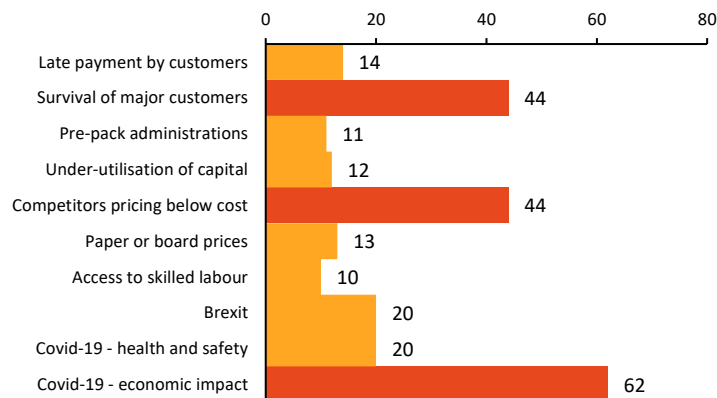
#### **Printers are now expecting activity levels to take a turn for the worse in Q1 2021.**

Output growth is forecast to increase for 21% of companies, and just over one-third (34%) predict that they will be able to hold output levels steady in Q1. However, almost half (45%) expect output levels to decline. That leaves a forecasted balance of -24 for the volume of output in Q1. It is worth noting that not all of this downturn is related to Brexit or Covid-19 issues; for example many packaging companies, that have been operating at a generally high level of capacity, will experience a normal seasonal downturn in Q1.

The vaccine roll-out does provide hope that the economic recovery will indeed gather steam in 2021 and that companies will be able re-open for business with a reduced threat from continued severe lockdowns.

**Dealing with the economic impact of Covid-19 remains the most important business concern for businesses; it was selected by over three-fifths (62%) of respondents.** There is also a growing concern about the survival of major customers (selected by 44% of respondents) and, after some time out of the top three concerns, competitor pricing below cost has reappeared in the top three (also with 44%).

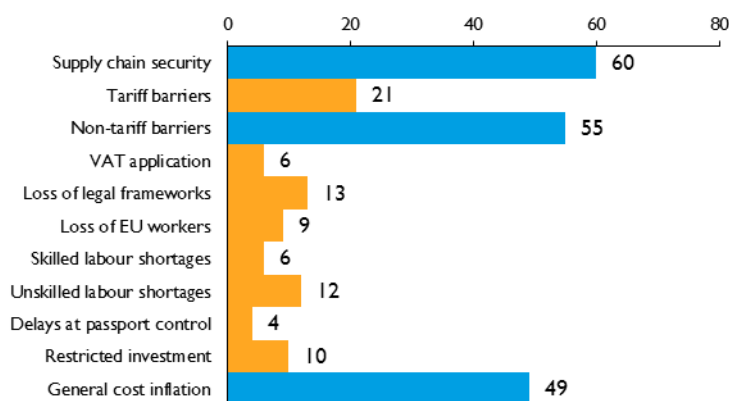
#### TOP 3 BUSINESS CONCERNS - % OF RESPONDENTS SELECTING



Source: BPIF Printing Outlook

**Companies continue to express a range of concerns regarding the impact Brexit may have on their business; however there are now three clear priorities – supplies, barriers and costs.** The primary concern remains maintaining a reliable and secure supply chain, there is an awareness that many inputs (in particular paper and board) do not originate in the UK. Supply chain security was selected by 60% of respondents. Now that Brexit has occurred, non-tariff barriers have attracted more attention – this came through as the second most pressing concern (selected by 55% of respondents), ahead of general cost inflation (with 49%).

#### TOP 3 BREXIT CONCERNS - % OF RESPONDENTS SELECTING



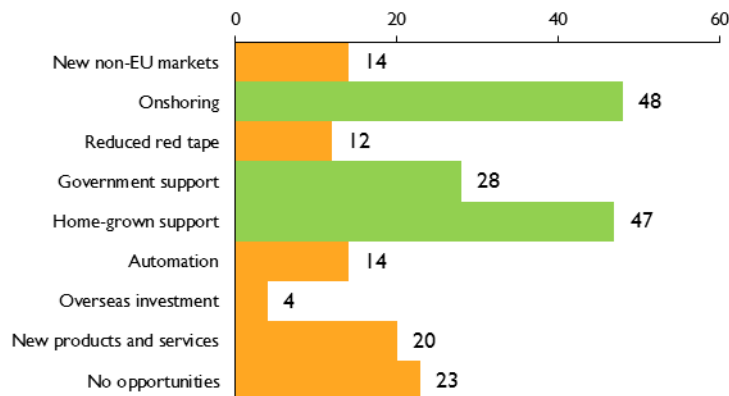
Source: BPIF Printing Outlook

Brexit has contributed to the cloud of uncertainty above the business environment in recent years – hopefully now at last some of that cloud will dissipate. There is likely to be some adjusting but there will also be opportunities to exploit.

**The number one ranked opportunity following Brexit, selected by 48% of respondents, was that there would be a boost to business from onshoring – i.e. business returning to the UK as a result of increased costs or greater obstructions around placing work in the**

**EU.** The next ranked opportunity, selected by 47% of all respondents, was that there would be a general swelling of home-grown support for British business. The third ranked opportunity was that there would be increased Government support due to extra pressure to support small and medium sized businesses. However, 23% of respondents felt that there are no opportunities for them to exploit.

#### TOP 3 BREXIT OPPORTUNITIES - % OF RESPONDENTS SELECTING



Source: BPIF Printing Outlook

Brexit-related comments from companies do suggest a polarisation to the impact of Brexit upon the industry. Understandably companies serving local clients and markets are not too concerned, so long as their supplies are able to maintain flow and costs. However, companies in Northern Ireland (and those trading with companies in Northern Ireland and into the EU) have been more vocal in the disruptions they are facing. Companies have reported delays to the movement of goods through customs, difficulty finding hauliers and couriers, confusion over new paperwork, rules or origin and disputes over trading arrangements and VAT responsibilities with clients.

**The BPIF Printing Outlook Q1 2021 report also features sections on the Covid-19 restart, investment, financing and credit conditions – and much more.**

#### **Kyle Jardine, BPIF Economist, said:**

*“The economic climate has been challenging - high levels of debt will force adjustments, and investment (weak for a while now) will require support if productivity is to improve. However, the high level of uncertainty should start to fade as the vaccine roll-out progresses and businesses progress past the Brexit-related turmoil.”*

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

- The recovery in the UK printing and printed packaging industry suffered a setback in Q4, unfortunately forecasts for Q1 suggests that the Covid-19 resurgence and resulting mix of lockdown measures and post-Brexit disruption will be a drag on recovery for many businesses.
- The confidence rollercoaster looks set to continue into 2021 as confidence faltered in Q4 2020 and looks set to dive in Q1 2021.
- Dealing with the economic impact of Covid-19 remains the most important business concern for businesses; it was selected by over three-fifths (62%) of respondents.

- Restraints on demand as a result of the Covid-enforced slowdown continues to be the most voiced challenge blocking the road to recovery.
- Extensions and flexibility in the Government's furlough scheme has had the effect of filtering redundancy decisions by companies over a period of time. Many redundancy decisions have already been made (and actioned) whilst some have been put on hold until there is more certainty around the future details on the job retention scheme.
- Businesses have been vocal about the lack of support for the supply chain to hospitality, retail and leisure sectors and a mixed and inconsistent response from local authorities with regard to accessing their discretionary funds.
- Companies continue to express a range of concerns regarding the impact Brexit may have on their business; however there are now three clear priorities – supplies, barriers and costs.
- The number one ranked opportunity following Brexit, selected by 48% of respondents, was that there would be a boost to business from onshoring – i.e. business returning to the UK as a result of increased costs or greater obstructions around placing work in the EU.
- Industry capacity utilisation has faltered in January, in comparison with October – but remains above the restricted levels reported in July and May last year.
- For the vast majority of companies cost inflation continued to remained largely subdued in Q4, though pressure from increases seems to be intensifying.
- Investment intentions for plant and machinery in 2020 will have been radically altered as the year's events unfolded; intentions for 2021 are now broadly flat. Training and retraining investment plans are only a little more positive, whilst investment towards product and process innovation is set to attract the most attention this year.
- Late payment remains a concern for many companies in the printing industry and printers are continuing to report that they are under pressure to accept longer payment terms from some customers.
- One quite worrying side-effect of the pandemic is that there have been instances of clients pressurising printers to discount and re-invoice for work that has already been done, delivered and invoiced yet not been paid for.

**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.
- Investment – 2021 intentions for plant & machinery, training & retraining and innovation.
- Financing and credit conditions – access to finance, debtor days and late payment.
- 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](http://www.britishprint.com/printingoutlook)**

**For any queries on this release please contact [kyle.jardine@bpif.org.uk](mailto: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 4-19 January 2021 and received responses from 149 companies employing 10,491 people with a combined turnover of over £1.6 billion. 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)

## **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](http://www.britishprint.com)