

PRESS RELEASE

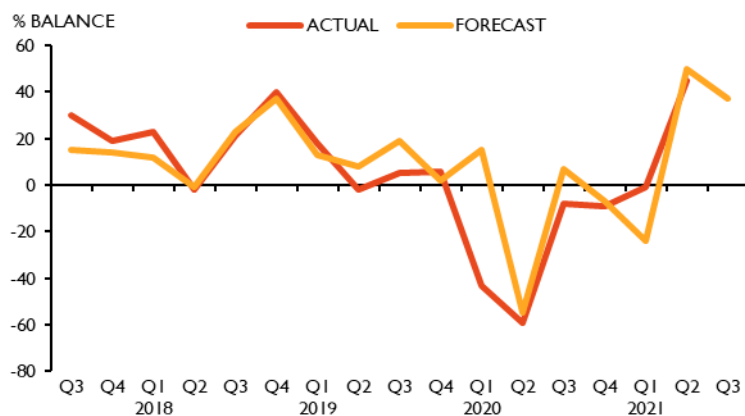
02 Aug 2021

STRONG RECOVERY IN UK PRINTING INDUSTRY IN Q2 BUT ACTIVITY STILL SHORT OF PRE-COVID LEVELS – Q3 IMPROVEMENTS EXPECTED DESPITE INTENSE COST PRESSURES, PINGS AND HOLIDAYS

The forecasted strong recovery in the UK printing and printed packaging industry was realised in Q2 and is expected to carry into Q3 – though at a slightly lower rate as holidays and isolation pings disrupt the revival. 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 and Q1 saw some moderate improvements as an equilibrium was achieved between the ups and the downs. It has taken until Q2 this year for significant improvements in workloads to come through, now the Covid-19 lockdown restrictions are being lifted and more of the economy is opening-up. Q3 is expected to see continued growth and increased activity levels.

The latest *Printing Outlook* survey reveals that 58% of printers managed to increase their output levels in the second quarter of 2021. A further 29% were able to hold output steady, whilst the remaining 13% suffered a decline in output. The resulting balance (the difference between the ups and the downs) was +45, a significant jump up from -1 in Q1, and only a little short of the Q2 forecast (+50). The largest report output balance for seven-and-a-half years has ensured that output has now returned to the positive zone (where more companies report an improvement rather than a decline) after 15 months in negative territory.

VOLUME OF OUTPUT - RECOVERY GATHERED STRENGTH IN Q2



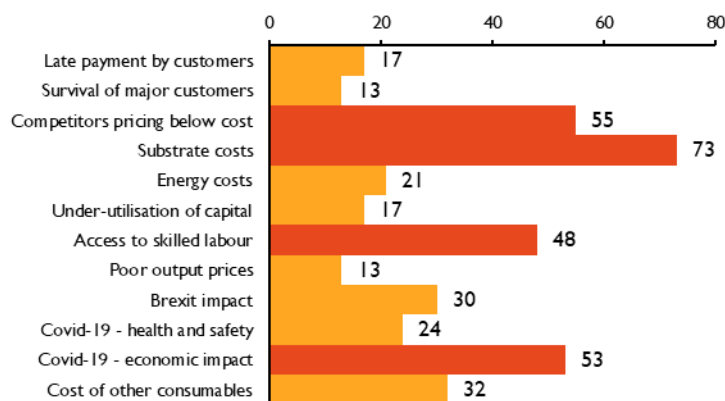
Source: BPIF Printing Outlook

The output balance of +45 was just below the forecast of +50 for Q2. A balance of +37 is forecast for Q3.

Activity levels look set to show continued growth in Q3 as many printers remain positive about output growth in the summer period. Output growth is forecast to increase for 50% of companies, and well over one-third (37%) predict that they will be able to hold output levels steady in Q3. That leaves only 13% expecting output levels to decline. The resulting balance forecast is +37 for the volume of output in Q3. The third quarter is often restricted by workforce holidays, and now we have the added complication of the isolation pings coming from the Covid apps. However, if the Q3 forecast is realised it would be the most positive Q3 balance for over 15 years. Though, as last quarter, it is of course coming from a very low base level comparison.

Dealing with the economic impact of Covid-19 is no longer the top business concern for printing companies; it has been usurped by the cost of printing substrates (paper, board, plastics etc.). Competitors pricing below cost was the second ranked concern – this has pushed dealing with the economic impact of Covid-19 down to number three. Access to skilled labour was another area of significant concern.

TOP BUSINESS CONCERNS - % OF RESPONDENTS SELECTING

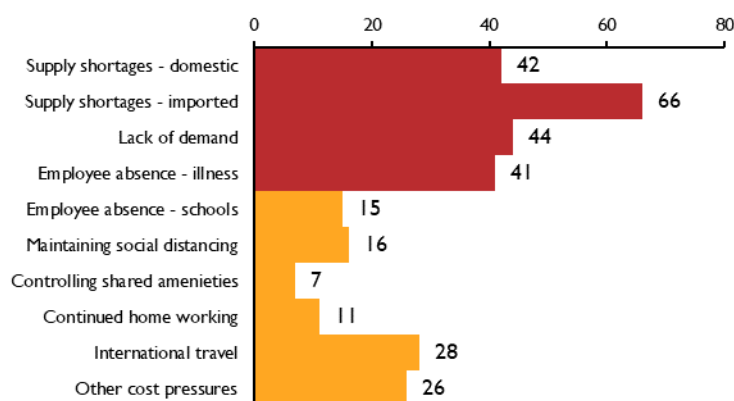


Source: BPIF Printing Outlook

Operational challenges have shifted slightly as economic activity picks-up – supply shortages of raw materials is now the most challenging issue affecting companies' ability to recover. A 'lack of demand' was previously the highest selected operational challenge back in Q1. However, this is now the second ranked challenge. Concern over supply shortages of imported inputs and raw materials has increased to become the most selected challenge.

Concern regarding supply shortages for domestically supplied inputs and raw materials has also increased; it is now the third ranking operational challenge obstructing recovery from Covid-19.

COVID-19 RECOVERY - OPERATIONAL CHALLENGES



Source: BPIF Printing Outlook

Another noticeable change in the ranking of operational challenges is a surge in concern over employee absence. Absence enforced by illness related to Covid-19 or the enforced isolation requirements resulting from close contact was selected as an operational challenge by 41% of respondents; 15% also indicated that absence due to school closures was also challenging.

Average costs have continued to soar, marginally above the expected rate – the upward pressure is expected to intensify in Q3. Increasing paper and board costs have been providing the most inflationary pressure in Q2. However, in what is an unusual strongly one-sided period for rising costs, significant inflation has been reported across all cost areas.

The BPIF Printing Outlook Q2 2021 report also features sections on industry confidence, the Covid-19 restart, Brexit, capacity, paper and board – and much more.

Kyle Jardine, BPIF Economist, said:

“There is plenty in the survey to be positive about – a strong economic recovery, stimulated by vaccinations and the easing of restrictions. Orders, output, confidence and capacity have all grown strongly. However, the printing industry hasn’t yet recovered to pre-pandemic levels, cost pressures have intensified, the supply of certain materials is under threat, recruitment is being stifled by availability and the printing industry has not escaped the pandemic.”

“Despite the challenges, expectations remain positive for further recovery in the period ahead. The furlough scheme is winding down and more employees are becoming economically active. Also, the financial health of many companies in the industry is strong and secure; ready to face the new challenges that lie ahead.”

Summary of key findings:

- The forecasted strong recovery in the UK printing and printed packaging industry was realised in Q2 and is expected to carry into Q3 – though at a slightly lower rate as holidays and isolation pings disrupt the revival.
- A significant improvement in confidence came through in Q2 – just shy of the forecast, expectations for Q3 remain strongly positive.
- Dealing with the economic impact of Covid-19 is no longer the top business concern for printing companies; it has been usurped by the cost of printing substrates.
- Operational challenges have shifted slightly as economic activity picks-up – supply shortages of raw materials is now the most challenging issue affecting companies’ ability to recover.
- The process of returning to office has continued to gather steam. 98% of 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 September. However, a hybrid model will become the template from many for some time.
- Opinions and impacts continue to be polarised regarding Brexit - for some it’s an annoyance that is still gets mentioned; others are struggling to trade effectively across new borders. The main issues remain – supplies, barriers and costs.
- The number one ranked opportunity following Brexit 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 continued to improve; July capacity utilisation is greater than it was in April – whilst capacity utilisation has not yet returned to pre-pandemic levels; it is much closer that it has been.
- Employment levels increased, on balance, in Q2 as more companies (than in Q1) recruited and slightly fewer decreased employment levels. However, the positive employment balance did not reach the expected level.
- Price levels displayed some upward movement in Q2; further inflationary pressure is expected to come through in Q3.
- Average costs have continued to soar, marginally above the expected rate – the upward pressure is expected to intensify in Q3. Increasing paper and board costs have been providing the most inflationary pressure in Q2. However, in what is an unusual strongly one-sided period for rising costs, significant inflation has been reported across all cost areas.

- The number of printing and packaging companies experiencing 'critical' financial distress increased only marginally in Q2. Those experiencing 'significant' financial distress decreased considerably but remains historically high.

Featured in *Printing Outlook* this quarter:

- Covid-19 recovery – 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

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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 12-23 April 2021 and received responses from 127 companies employing 10,858 people with a combined turnover of over £1.6 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