

PRESS RELEASE

11 November 2021

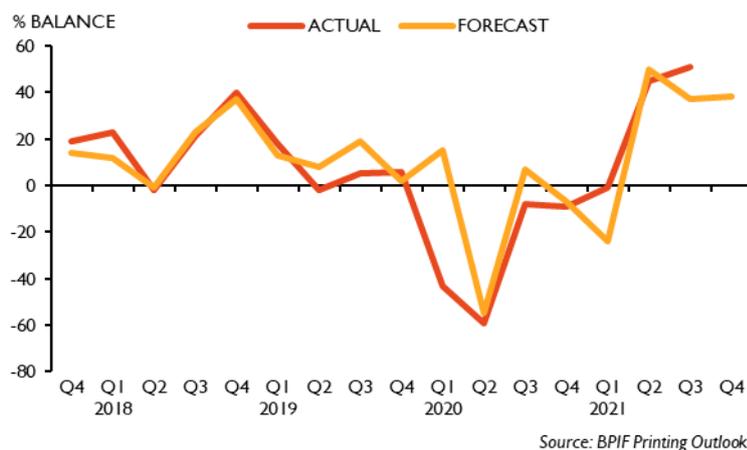
UK PRINTING INDUSTRY MOVES CLOSER TO PRE-COVID LEVELS AS RECOVERY GATHERS STRENGTH IN Q3 – GROWTH TO CONTINUE IN Q4 AMIDST MOUNTING SUPPLY CONSTRAINTS AND COST PRESSURES

The UK printing and printed packaging industry continues to rebound – a majority of companies improved their performance in Q3, and many expect to see further improvements in Q4. 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. As expected Q3 has experienced continued growth and increased activity levels; this trend is forecast to continue in Q4 – despite challenges in the supply chain and significant input price inflation.

The latest Printing Outlook survey reveals that 59% of printers managed to increase their output levels in the third quarter of 2021. A further 33% were able to hold output steady, whilst the remaining 8% suffered a decline in output. The resulting balance (the difference between the ups and the downs) was +51, a slight improvement from +45 in Q2, and well above the Q3 forecast (+37). The largest reported output balance for 14 years shows that the printing and printed packaging industry is recovering following a lengthy spell of curtailed production.

Anticipated disruption from Covid isolation pings did not materialise to any great extent, and companies were able to navigate through the August holiday season without too much of a drag on production.

VOLUME OF OUTPUT - STRONG RECOVERY CONTINUED IN Q3



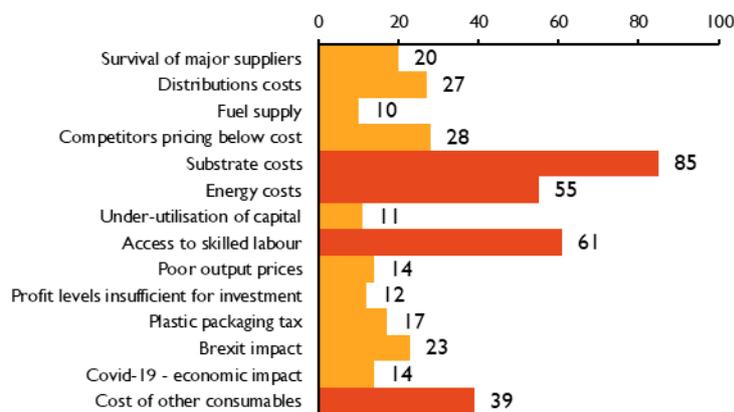
The output balance of +51 was above the forecast of +37 for Q3. A balance of +38 is forecast for Q4.

Strong activity levels are now expected to carry in to Q4 as many printers remain positive about output growth towards the end of the year. Output growth is forecast to increase for 48% of companies, and over two-fifths (42%) predict that they will be able to hold output levels steady in Q4. That leaves only 10% expecting output levels to decline. The resulting balance forecast is +38 for the volume of output in Q4. Now that the furlough scheme has ended businesses are hopeful that the economic recovery will continue to gather steam in Q4 and the

marketing activity surrounding Halloween and then Xmas will provide a real boost to help end the year with a bang.

Substrate cost is the top business concern for printing companies – for the second successive quarter. Dealing with the economic impact of Covid-19 has now fallen well down the priority of concerns ranking. Substrate costs (paper, board, plastics etc.) were selected by 85% of respondents, access to skilled labour was the second ranked concern, chosen by 61% of companies; Energy costs are now the third ranked concern, as selected by 55%. Dealing with the economic impact of Covid-19 has fallen all the way down to number 10, with only 14% of companies selecting it.

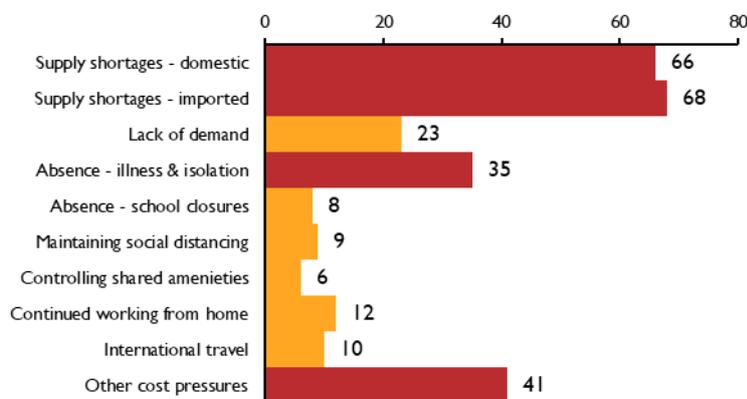
TOP BUSINESS CONCERNS - % OF RESPONDENTS SELECTING



Source: BPIF Printing Outlook

A supply shortage of raw materials is now the most challenging issue affecting companies’ ability to recover from the impact of Covid-19. A ‘lack of demand’ was previously the highest selected operational challenge back in Q1 – chosen by 60% of respondents. However, this fell to 44% in Q2 and 23% in Q3 – it is now only the fifth ranked challenge. Concern over supply shortages of imported inputs and raw materials has increased to become the most selected challenge; chosen by 68% of respondents; marginally ahead of the supply of domestic inputs. With ‘other cost pressures’ betting selected by 41% it is now the third ranked concern.

COVID-19 RECOVERY - OPERATIONAL CHALLENGES



Source: BPIF Printing Outlook

Companies in the printing and printed packing industry are experiencing a significant and unprecedented level of cost increases across all major cost areas in their business –

the upward pressure is forecast to mount in Q4. Increasing paper and board costs have continued to provide the most inflationary pressure in Q3. However, the current period remains characterised by unusually strong costs inflation across all areas.

Paper and board price increases are coming through stronger than any time in recent history. 93% of responding companies reported increasing paper and board costs in Q3 – this is the largest proportion reporting an increase in at least the last 15 years.

The BPIF Printing Outlook Q4 2021 report also features sections on industry confidence, the Covid-19 recovery, Brexit, capacity, paper and board – and much more.

Kyle Jardine, BPIF Economist, said:

“It is great to see that much of the industry has experienced healthy growth in Q3 and are feeling positive about activity levels in Q4. However, some sectors and many companies are not yet back to what they would consider to be ‘normal’ activity levels.

“Unfortunately, there are some clouds hanging over further recovery, particularly the supply chain constraints that are limiting stronger growth. Input price inflation has been a mounting concern in recent times – prices have increased before, but it is the pace and frequency of current increases that is currently troubling the industry. Printing Outlook has never reported on a period of such one-sided price movements across all cost areas before. But it’s not just the cost of inputs – supply shortages are biting and frustrating a full recovery for some companies that have strong demand levels.

Charles Jarrold, BPIF Chief Executive, said:

“Access to skilled and unskilled labour is a major concern and a contributing factor to production constraints. We’ve seen a strong increase in the take up of Apprenticeship Training, which is really encouraging, reflecting not only the current challenges of the market, but also a marked increase in business activity levels as the pandemic recedes. This apprenticeship training is supporting business needs ranging across both technical print roles, and the higher-level leadership and management development. We do however acknowledge that this is not a short-term fix, and we continue to represent industry challenges to Government and lobby for improved access to labour and support for skills development.”

Summary of key findings:

- The UK printing and printed packaging industry continues to rebound – a majority of companies improved their performance in Q3, and many expect to see further improvements in Q4.
- Strong activity levels are now expected to carry in to Q4 as many printers remain positive about output growth towards the end of the year.
- Confidence in the general state of trade continued to improve in Q3, slightly beyond expectations – the forecast for Q4 remains strongly positive.
- Substrate cost is the top business concern for printing companies – for the second successive quarter. Dealing with the economic impact of Covid-19 has now fallen well down the priority of concerns ranking.
- A supply shortage of raw materials is now the most challenging issue affecting companies’ ability to recover from the impact of Covid-19.
- The furlough scheme has now ended, and the vast majority (91%) of companies do not expect to make any redundancies before the end of December.

- The process of returning employees to the office environment has continued to gain momentum. 100% 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 December.
- The UK economy, and the printing industry, is moving past Brexit – however, there are still plenty of companies dealing with some of the adverse effects of Brexit; or other issues that have been exacerbated following Brexit. The main issues remain – supplies, barriers and costs.
- Industry capacity utilisation has continued to improve strongly; October capacity utilisation was greater than it was in July. Capacity levels are not the same as pre-pandemic levels – it's hard to argue that they are better or worse; they are different.
- Employment levels have continued to increase, on balance, in Q3 as more companies (than in Q2) recruited and slightly fewer decreased employment levels.
- Average price levels in Q3 increased from more companies than for any previous quarter in the last 15 years; even stronger price output inflationary pressure is expected to come in Q4.
- Companies in the printing and printed packing industry are experiencing a significant and unprecedented level of cost increases across all major cost areas in their business – the upward pressure is forecast to mount in Q4.
- The number of printing and packaging companies experiencing 'critical' financial distress fell in Q3. Those experiencing 'significant' financial distress also decreased back towards more 'normal' Q3 levels.

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.”

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 October 2021 and received responses from 114 companies employing 7,328 people with a combined turnover of £1 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