

PRESS RELEASE

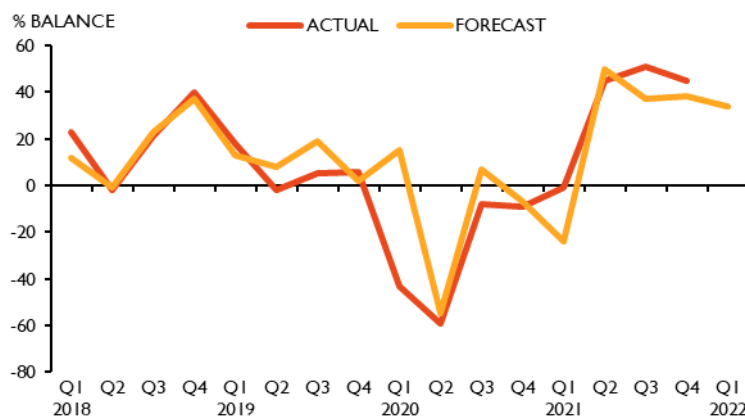
14 February 2022

COST CRISIS AND SUPPLY SHORTAGES TO UK PRINTING INDUSTRY CONSTRAIN GROWTH IN Q4 – RECOVERY EXPECTED TO CONTINUE IN Q1 BUT CONFIDENCE IS FRAGILE

The UK printing and printed packaging industry has continued its recovery in Q4 – a majority of companies increased their output and order performance, and many expect to see further improvements in Q1. The Q4 improvement came despite the introduction (in December) of the Government's 'Plan B' measures, in an attempt to dampen the spread of the Omicron Covid variant. Threats to future recovery and growth remain prominent, especially from increased Covid disruption and the spiralling costs of supplies, labour and energy.

The latest Printing Outlook survey reveals that 63% of printers managed to increase their output levels in the fourth quarter of 2021. A further 19% were able to hold output steady, however the remaining 18% did suffer a decline in output. The resulting balance (the difference between the ups and the downs) was +45, not quite as good as the +51 in Q3, but above the Q4 forecast (+38). Whilst the imposition of 'Plan B' came quite late in the quarter it did still have a considerable limiting effect for those companies that work with clients in the events and hospitality sectors.

VOLUME OF OUTPUT - GROWTH MAINTAINED IN Q4



Source: BPIF Printing Outlook

The output balance of +45 was above the forecast of +38 for Q4. A balance of +34 is forecast for Q1.

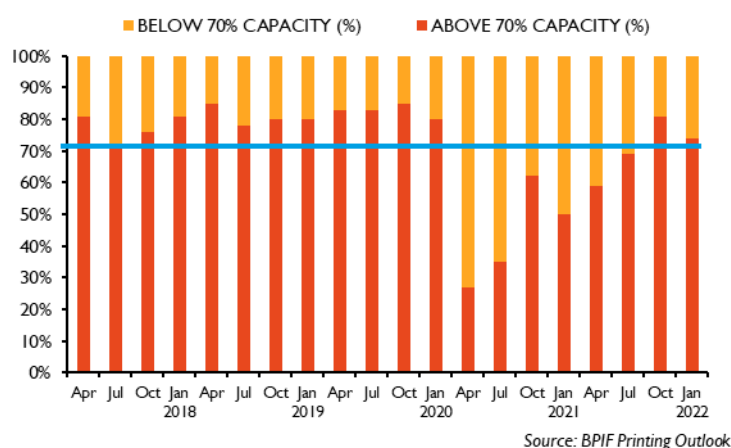
Activity levels are expected to remain positive, but not quite as strong as we move through Q1 2022. Output growth is forecast to increase for 51% of companies, and almost one-third (32%) predict that they will be able to hold output levels steady in Q1. That leaves 17% expecting output levels to decline. The resulting balance forecast is +34 for the volume of output in Q1. This Q1 forecast is historically high for the time of year, but of course much of the industry is still working towards full recovery in the face of some severe disruptions. The industry will be hoping that the easing of restrictions once more will encourage further recovery and help stimulate growth in the most disrupted sectors.

Substrate costs remains the top business concern for printing companies – for the third successive quarter. Energy costs have now moved up to second place in the priority ranking. Substrate costs (paper, board, plastics etc.) were selected by 78% of respondents, energy costs by 58% of companies, and competitors pricing below cost is now the third ranked concern – selected

by 43% of respondents. Access to skilled labour is just a little behind, with 41% of respondents selecting it. Dealing with the economic impact of Covid-19 has resurfaced, with 29%.

Industry capacity utilisation was not quite as strong in January as it was in October. A period of 'Plan B' restrictions and supply shortages (materials and in some cases labour) have been limiting factors – however, capacity levels have perhaps held up better than could have been expected. 51% of companies were operating at less than 50% capacity back in May 2020, this decreased to 8% in January 2021. This January only 3% of companies were operating below 50% capacity.

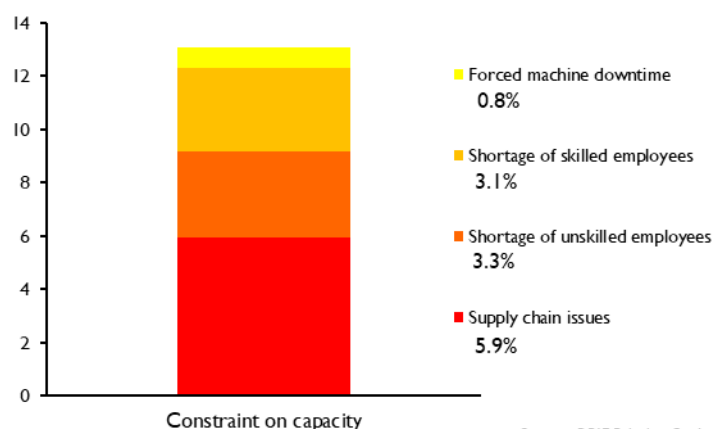
CAPACITY - % OF FIRMS IN EXCESS OF 70% REMAINS ABOVE THE 5-YEAR AVERAGE



74% of companies were operating at capacity levels above 70%, down from 81% in October – but still greater than the three quarters prior to that. This latest capacity level remains just above the average level for the last five years (71%). However, it is still slightly below the 80% of companies reported in January 2020 that were working at above 70% capacity.

The latest survey included some questions to help establish the extent of some potential constraints on capacity. Such as: supply chain issues affecting the availability or timely delivery of material inputs; a shortage of skilled employees; a shortage of unskilled employees; and machine downtime due to failures, extra maintenance or parts and service delays. The most significant of these constraints was supply chain issues – 51% of companies reported that this was constraining their capacity; by between 10% and 15% in most cases.

CONSTRAINTS ON CAPACITY - AVERAGE % CAPACITY RESTRICTION



The constraints on capacity chart shows the average estimate capacity has been restricted for each of the identified constraints. An overall average has been calculated, also taking into account those companies that reported no constraint. Together these constraints are estimated to have restricted the UK printing industry's capacity by around 13%.

The BPIF Printing Outlook Q1 2022 report also features sections on costs, investment, financing and credit conditions, paper and board – and much more.

Kyle Jardine, BPIF Economist, said:

“The continued recovery of the printing industry is certainly something to be positive about – orders, output and capacity levels are building. Unfortunately, so too are the headwinds that are acting to constrain a faster and fuller recovery – and we are still in recovery.

“However, the Government survival schemes must get some credit – the financing and credit condition status is currently healthier than might have been feared. Importantly, investment intentions are more positive than for the last two years.”

Charles Jarrold, BPIF Chief Executive, said:

“It's encouraging to have seen the increases in output in quarter 4, and a sense of optimism about that continuing into Q1 this year. However, there are some significant challenges, particularly in the availability and cost of supplies, adding to pressure from higher energy prices and increases to National Insurance and the National Minimum Wage. We are combining efforts with our European counterparts to highlight how vital supply chains to food, beverages and pharmaceuticals are being restricted by supply shortages and the risk to these from prolonged strikes at mills overseas, and continue to highlight to UK government the really intense cost pressure on the sector, particularly those arising from policy decisions.”

“I'd like to welcome Canon on board as a new sponsor of the Printing Outlook report – starting with this issue respondents will be getting their own printed version of the full report. We'll be working with Canon to promote Printing Outlook and remain proud to commit to the secure, confidential and fiercely independent nature of the Printing Outlook research.”

Tony Wills, Country Director, Document Solutions Canon UK & Ireland, said:

“We're delighted to be partnering with the BPIF to sponsor this year's quarterly series of its Printing Outlook report. This in-depth analysis of market leading data has become an integral tool for allowing BPIF members to gauge and understand the conditions and trends affecting our industry today.

“To enable BPIF to continue to share this valuable insight with its members, we're also excited to be using our pioneering imagePRESS C10010VP technology to print the Outlook reports. The imagePRESS C10010VP Series is one of our flagship ranges which boasts enhanced automation and extensive media-handling capabilities. The device sets new standards in productivity and application diversity. And, with its high speed, high quality output, is ideal for high volume print as well as print on-demand environments.

“We would like to thank the BPIF for this partnership and hope this is the first of many exciting projects we will collaborate on in the future.”

Summary of key findings:

- The UK printing and printed packaging industry has continued its recovery in Q4, and many expect to see further improvements in Q1.

- The latest monthly turnover data (for November 2021) at almost £1.2 billion is the highest since November 2019 but remains 5.5% lower than that pre-Covid comparison (to November 2019).
- Activity levels are expected to remain positive, but not quite as strong as we move through Q1.
- Confidence in the general state of trade did continue to improve in Q4, just not for as many respondents as in Q3 – the forecast for Q1 is less confident but does still remain positive.
- Substrate costs remains the top business concern for printing companies – for the third successive quarter. Energy costs have now moved up to second place in the priority ranking.
- Industry capacity utilisation was not quite as strong in January as it was in October.
- A supply shortage of raw materials remains the most challenging issue affecting companies' ability to recover from the impact of Covid-19.
- The vast majority (96%) of respondents do not expect to make any redundancies before the end of March.
- The process of returning employees to the office environment took a bit of a setback – following December's 'Plan B' restrictions and the reintroduction of the 'work from home' guidance.
- Employment levels have continued to increase, on balance, in Q4 as more companies (than in Q3) recruited new employees. The forecast for Q1 suggests the industry is still looking to recruit new employees.
- Companies in the printing and printed packing industry continue to be faced with unprecedented levels of cost increases across all major cost areas in their business. Paper and board costs continued to provide the most inflationary pressure in Q4.
- In 2022, more Companies are looking at targeting investment to help them adjust to the new growth opportunities and ride cost exposures. Top three investment targets are – workflow and automation, bindery and finishing, and management information systems.
- Throughout the course of the pandemic many companies have struggled to deal with significantly curtailed trading levels, cashflow pressures, and rising debt levels – however the evidence suggests that the Government schemes have helped provide some much-needed stability to financing and credit conditions.
- UK consumption of printing papers and boards has continued to steadily recover throughout 2021 – in Q3 2021 consumption was greater than in Q2 2021, and Q3 2020. However, consumption remains 15% below pre-pandemic consumption levels (in Q3 2019).

Featured in *Printing Outlook* this quarter:

- Investment – intentions for the year ahead.
- Financing and credit conditions – including access to finance and late payment
- 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

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 6-23 January 2022 and received responses from 98 companies employing 6780 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