

PRESS RELEASE

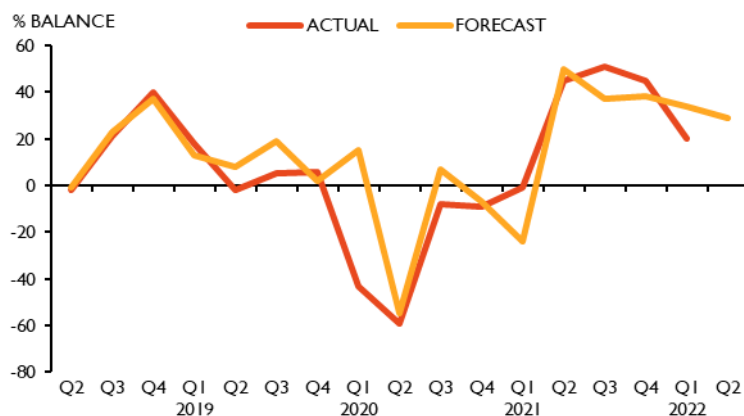
18 May 2022

UK PRINTING INDUSTRY OUTPUT CONTINUES TO RECOVER – BUT OUTPUT PRICE INCREASES NOT ENOUGH TO OFFSET ENERGY, MATERIAL AND WAGE COST INCREASES AND RESTORE MARGINS

The UK printing and printed packaging industry has continued to grow in 2022, but the pace of that recovery has taken a setback in Q1 – output and orders are expected to continue to improve in Q2. The Q1 improvement came amidst the lifting of the Government's 'Plan B' measures in January, following their introduction in December to help dampen the rate of Covid infections. Covid infections did spike in early January but then dropped quickly before a subsequent (but lower) spike in late March. Risks to further recovery remain high, particularly from the cost explosion for energy and materials, increased pressure on labour costs, and the heightened uncertainty linked to global unrest and the war in Ukraine.

The latest *Printing Outlook* survey reveals that 41% of printers managed to increase their output levels in the first quarter of 2022, a further 38% were able to hold output steady. However, the remaining 21% did experience a fall in their output levels. The resulting balance (the difference between the ups and the downs) was +20, well below the +45 in Q4, and below the Q1 forecast (+34). Whilst the lifting of the 'Plan B' restrictions came quite early in the quarter, the restrictions did still have a limiting effect on the pace of recovery – as of course has the disruption caused by continued workplace absences due to Covid infections. However, a fourth consecutive quarter of positive output growth means that, for the first time in four years, output has increased for a full 12-month period.

VOLUME OF OUTPUT - GROWTH SLOWED IN Q1 BUT Q2 MORE POSITIVE



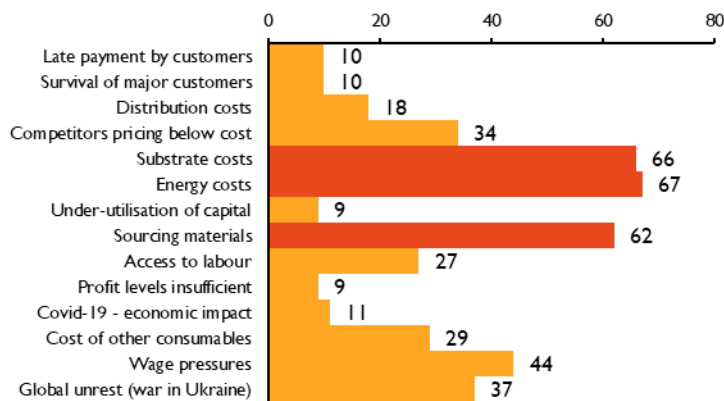
Source: BPIF Printing Outlook

The output balance of +20 was below the forecast of +34 for Q1. A balance of +29 is forecast for Q2.

Activity levels are expected to pick-up slightly in Q2. Output growth is forecast to increase for 43% of companies, with the same proportion predicting that they will be able to hold output levels steady in Q2. That leaves 14% expecting output levels to fall. The resulting balance forecast is +29 for the volume of output in Q2. This Q2 forecast is based on expectations from printers that the industry can continue a steady recovery path, at least in the immediate short-term.

Energy costs have now become the top business concern for printing companies – just ahead of substrate costs. Energy costs were selected by 67% of respondents, and substrate costs (paper, board, plastics etc.) by 66% of companies. A little further back in third position was sourcing materials and supply lead times – selected by 62% of respondents. Two new concerns have now come on to the radar – upward pressure on wages has now become the fourth ranking concern, with 44% of respondents selecting it. Global unrest, in particular the war in Ukraine, has been selected as a top five business concern by 37% of respondents.

TOP BUSINESS CONCERNS - % OF RESPONDENTS SELECTING

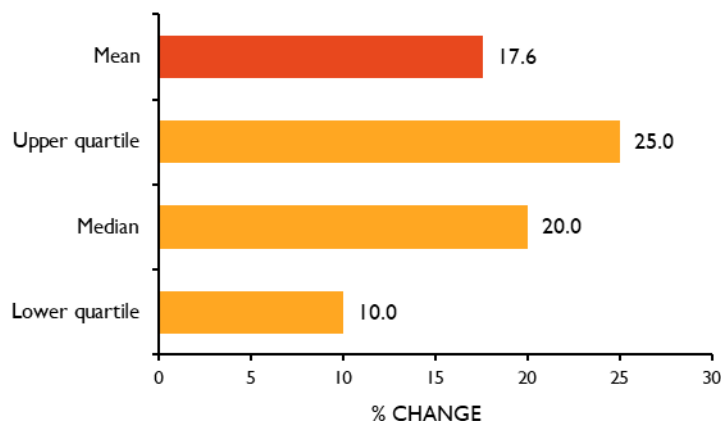


Source: BPIF Printing Outlook

Companies in the printing and printed packing industry continue to be faced with climbing costs throughout their businesses. Paper and board costs increases have continued to affect companies the most in Q1. However, the current period remains characterised by unusually fierce cost inflation in all areas.

In Q1 2022 the vast majority (85%) of respondents reported an increase in paper prices, 84% in board prices and 85% reported increases in the cost of other substrates. The overall effect on average (mean) prices reported in Q1 were +17.6% for paper, +17.4% for board and +14.4% for other substrates.

PAPER PRICE MOVEMENTS – Q1 2022



Source: BPIF Printing Outlook

The BPIF Printing Outlook Q1 2022 report also features sections industry turnover, business confidence, capacity, costs, pay reviews, paper and board – and much more.

Kyle Jardine, BPIF Economist, said:

“The UK printing industry is bouncing back, the 9% recovery in the printing industry in 2021 is ahead of the 7.4% for UK economic growth that has been announced for 2021. We do expect the printing industry to recover further this year, perhaps to over £14 billion. Though this may be tempered as global inflationary pressures intensify and economic growth forecasts are downgraded.

Rising costs are a critical concern for the industry, we may have now reached the point where continued rising costs, particularly energy, paper and board, and other consumables, will cripple further recovery and growth.”

Summary of key findings:

- The UK printing and printed packaging industry has continued to grow in 2022, but the pace of that recovery has taken a setback in Q1 – output and orders are expected to continue to improve in Q2.
- The latest monthly turnover data reveals that in February industry turnover, at just over £1 billion, was 16.3% greater than February 2021, but 1.7% below the pre-Covid comparison to February 2020.
- It is looking likely that March and April will see some stronger growth, assisted by an Easter boost, before a downturn in May. Importantly, March this year may post a monthly turnover that is several per cent better than the last pre-Covid report – in March 2020.
- Fragile confidence has taken a bigger than expected hit in Q1, but the general state of trade is expected to improve in Q2.
- Energy costs have now become the top business concern for printing companies – just ahead of substrate costs.
- Industry capacity utilisation in April, whilst not as high as in January, has become more concentrated in the 80-89% range.
- The most significant reported capacity constraint was supply chain issues – 56% of companies reported that this was constraining their capacity; by between 5% and 15% in most cases.
- Despite recruitment challenges, employment levels have continued to increase, on balance, in Q1 as more companies (than in Q4) employed new workers.
- Average price levels in Q1 increased for more companies than for any previous quarter on record; surpassing the record set last quarter – continued inflationary output price pressure is expected in Q2.
- Companies in the printing and printed packing industry continue to be faced with climbing costs throughout their businesses.
- More than two-fifths (42%) of respondents reported that they had conducted a pay review in Q1, the resulting average (mean) change in basic pay was 4.5%.
- When it came to assessing what the top business concerns, resulting from the war in Ukraine, are; there were two stand-out issues – the cost of energy, and general cost inflation.
- Most of the printing industry is at least aware of Plastic packaging Tax (PPT), 98% reported that they were aware of the new tax. However, there are varying degrees of preparedness within the industry.
- The number of printing and packaging companies experiencing ‘critical’ financial distress increased in Q1 2021. Those experiencing ‘significant’ financial distress decreased slightly, back to a level very similar to Q1 in 2020 and 2019.
- UK consumption of printing papers and boards has continued its slow and steady recovery throughout 2021. Consumption in Q4 2021 was greater than in Q3 2021, and Q4 2020. However, consumption remains 13% below pre-pandemic consumption levels (in Q4 2019).

Featured in *Printing Outlook* this quarter:

- Output and orders – last quarter and forecast for this quarter.
- Turnover – annual and monthly turnover analysis and forecasts.
- Business confidence and concerns.
- Capacity – utilisation and constraints.
- Costs – paper & board, ink, labour, and energy.
- Trend data on employment, prices, costs, and margins.
- Profits and productivity.
- Pay Reviews – activity and average % changes.
- Exports – orders and price trends.
- War in Ukraine – impact and concerns.
- Plastic Packaging Tax – awareness and preparedness.
- Industry insolvency and financial health statistics.
- Consumables – paper consumption and printing ink data.
- Energy – sector update and comment.

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:

"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 McGuiness

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 1-20 April 2022 and received responses from 102 companies employing 7,145 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