

PRESS RELEASE

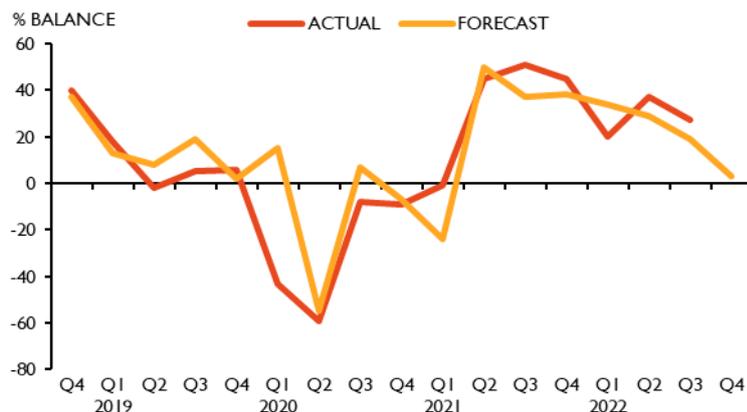
9 November 2022

PRINT OUTPUT AND ORDERS HELD FIRM IN Q3 – EXPECTATIONS FOR Q4 HAVE DETERIORATED AS CONFIDENCE FALTERS

Stronger than expected growth in orders and output helped the UK printing and printed packaging industry’s continued recovery in Q3 – but the forecast for Q4 is downbeat as confidence expectations continue to slide. Frequent input cost increases, shocks over the cost of new energy supply contracts and heightened uncertainty due to political and economic turmoil in the UK has damaged confidence ahead of a normally bullishly anticipated Q4 period.

The latest *Printing Outlook* survey reveals that 43% of printers managed to increase their output levels in the third quarter of 2022, a further 41% were able to hold output steady. However, the remaining 16% did experience a decline in their output levels. The resulting balance (the difference between the ups and the downs) was +27, below the +37 in Q2, but above the Q3 forecast (+19). A sixth consecutive quarter of positive output growth is very welcome but is of course attributed to the sharp Covid-enforced decline in 2020, and the continued recovery from that.

VOLUME OF OUTPUT - GROWTH IN Q3 BUT Q4 FORECAST IS FLAT



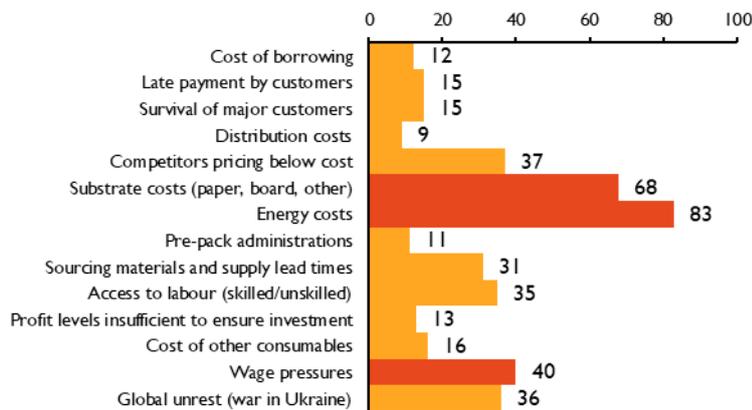
Source: BPIF Printing Outlook

The output balance of +27 was above the forecast of +19 for Q3. A balance of +3 is forecast for Q4.

Output is now only expected to be marginally positive in Q4. Output growth is forecast to increase for 28% of companies, 47% predict that they will be able to hold output levels steady in Q4. That leaves 25% expecting output levels to fall. The resulting balance forecast is +3 for the volume of output in Q4. This Q4 forecast is backed by concern that increasing costs, and output prices, are going to curtail demand below what might have normally been expected in the Q4 period – which, in more normal times, would often see a seasonal boost at the end of the year.

Energy costs are the top business concern for printing companies for the third running quarter, and on this occasion further ahead of substrate costs. Energy costs were selected by 83% of respondents, up from 68% last quarter. Substrate costs (paper, board, plastics etc.) have been selected by 68% of companies. Energy costs attract concerns beyond their direct impact on energy bills to printers as companies are aware of a very strong link between the cost of energy and the cost of the paper and board supplies they purchase.

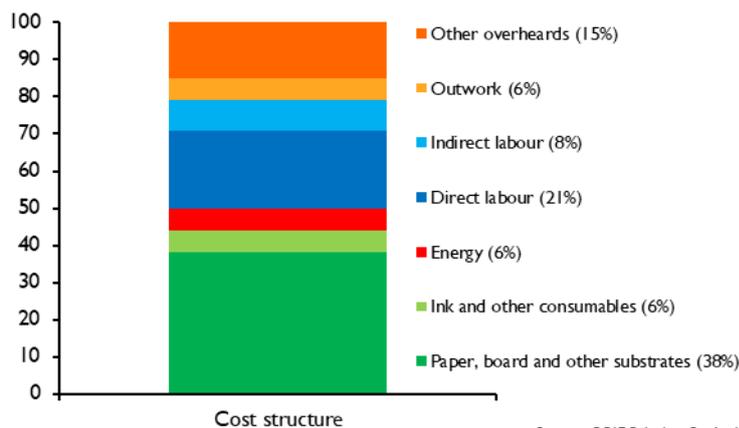
TOP BUSINESS CONCERNS - % OF RESPONDENTS SELECTING



Source: BPIF Printing Outlook

Paper, board, and other substrate costs is the largest cost component with a 38% share, on average, of total costs. Direct labour was the next largest component, with 21%. Indirect labour accounted for 8% of costs, on average – meaning that altogether labour was 29%. Ink and other consumables had a 6% share, as did both energy and outwork.

COST STRUCTURE - AVERAGE % BY COST CATEGORY



Source: BPIF Printing Outlook

The BPIF Printing Outlook Q4 2022 report also features sections industry turnover, business confidence, capacity, costs, pay reviews, paper and board – and much more.

Kyle Jardine, BPIF Economist, said:

“It would be easy to question why energy costs are currently in the spotlight, given that they only amount to 6% of costs on average. However, a closer inspection on the energy costs component revealed a significant variance in energy costs amongst respondents – from as low as 2% to as high as 30%. Only some of this variance is explained by energy usage patterns across sectors and type of companies – a bigger influence is the timing of energy contracts; companies that have recently come out of an energy contract have been subject to some extreme price increases.”

Summary of key findings:

- Stronger than expected growth in orders and output helped the UK printing and printed packaging industry's continued recovery in Q3 – but the forecast for Q4 is downbeat as confidence expectations continue to slide.
- Turnover forecasts for the remainder of the year have been downgraded, but some growth is still expected to show in September and October.
- Confidence, in Q3, dipped almost in line with expectations – but did remain marginally positive, supported by better-than-expected output and orders. However, confidence in the general state of trade is now forecast to see a deeper deterioration in Q4.
- Energy costs are the top business concern for printing companies for the third running quarter, and on this occasion further ahead of substrate costs.
- Industry capacity utilisation in October was broadly similar to that in July, though there were fewer companies operating at excess of 100% capacity.
- Continued recruitment challenges haven't prevented a continued increase in employment levels in Q3 as more companies, on balance, employed new workers.
- Average price levels continued to increase for most companies in Q3, with a majority also expecting to raise their output prices further in Q4.
- Persistent cost pressure remains a dominant feature affecting companies in the printing and printed packing industry.
- Paper, board, and other substrate costs is the largest cost component with a 38% share, on average, of total costs.
- Cost inflation has continued to outweigh output price inflation and squeeze margins further in Q3.
- Once again printers have reported a broad profit distribution in October, and one that is also slightly less positive than last quarter.
- Over one-quarter (28%) of respondents reported that they had conducted a pay review in Q3, the resulting average (mean) change in basic pay was 4.1%.
- Export orders exceeded 5% of turnover for 19% of respondents in October, up from 15% in July; for these companies export growth turned slightly negative, on balance, in Q3.
- The number of printing and packaging companies experiencing 'critical' financial distress decreased in Q3 2022. Those experiencing 'significant' financial distress increased slightly but remains comparable to previous Q3 levels.
- UK consumption of printing papers and boards recovered slightly from a poor Q1 to show some growth in Q2. Consumption in Q2 2022 was greater than in Q1 2022, and in Q2 2021.

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, energy and average cost structure.
- Trend data on employment, prices, costs, and margins.
- Profits, cash flow and productivity.
- Pay Reviews – activity and average % changes.
- International trade – export orders, price trends and challenges.
- 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 3-18 October 2022 and received responses from 118 companies employing 6,801 people with a combined turnover of just over £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