

PRESS RELEASE

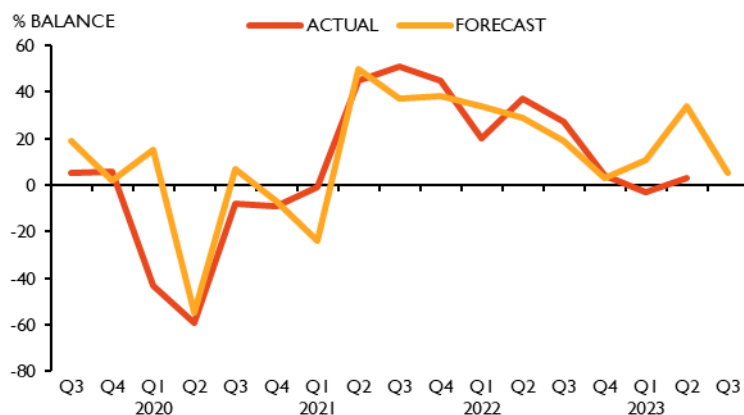
1 August 2023

PRINT INDUSTRY OUTPUT, ORDERS AND CONFIDENCE ALL FLATLINED IN Q2 – ONLY MARGINAL IMPROVEMENT FORECAST FOR Q3 DESPITE CONTINUED COST STABILISATION

Challenges for the UK's printing and printed packaging industry have continued into the second quarter of 2023 as orders and output did not rebound following poor performances in the previous two quarters. The previous forecast was that Q2 would experience an upturn in industry performance, this expectation has been thwarted following a fragile economic performance, prolonged concerns over inflation levels, for both consumers and businesses, and the continued upward trajectory for interest rates. Printers are focussing on controlling costs, increasing productivity, and managing sales more effectively. Cost pressures are easing but lower prices may be required to encourage output and orders to grow in Q3; and where pricing goes is a critical concern for many.

The latest *Printing Outlook* survey reveals that less than one-third (30%) of printers managed to increase their output levels in the second quarter of 2023, whilst over two-fifths (43%) were able to hold output steady. That left 27% that experienced a decline in their output levels. The resulting balance (the difference between the ups and the downs) was therefore +3, well below the over-optimistic +34 that was forecast, but a little improved from the -3 experienced in Q1. This lacklustre outcome at least reverses Q1's negative report, but it has clearly been a tougher quarter than was expected three months ago.

VOLUME OF OUTPUT - Q2 PERFORMS WELL BELOW EXPECTATIONS



Source: BPIF Printing Outlook

The output balance of +3 was well below the forecast of +34 for Q2. A balance of +5 is forecast for Q3.

Expectations for the period ahead have now been significantly dampened, in comparison to last quarter's forecast, as the challenging climate extends into Q3.

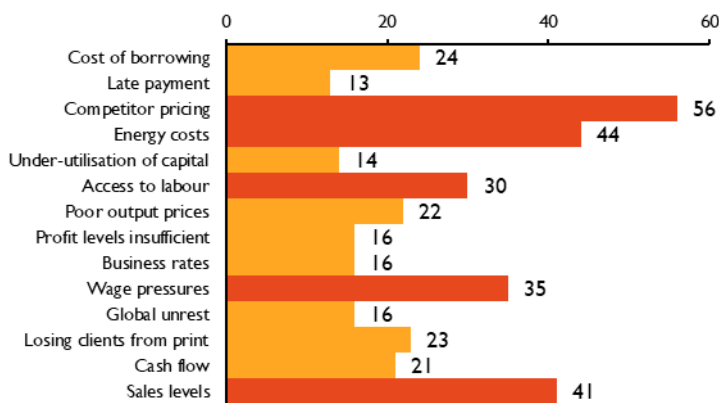
Output growth is forecast to increase for 32% of companies, 41% predict that they will be able to hold output levels steady in Q3. That leaves 27% expecting output levels to fall. The resulting balance forecast is +5 for the volume of output in Q3. This Q3 forecast has been formed amidst a sustained period of high levels of inflation, and expectations of several further increases to interest rates.

However, as the survey period closed new inflation figures revealed a drop in inflation, and now lower expectations for the ceiling in interest rates have formed. This may improve the outcome as we move through the second half of the year.

Competitor pricing levels – or rather the perception that some competitors are pricing below cost – has now become the top business concern for printing companies. Rising from a ranking of second last quarter, competitor pricing replaces energy costs as the most selected business concern. Energy costs, now the number two concern, was selected by 44% of respondents, down from 68% last quarter, 75% in January, and 83% in October. However, whilst the impact of energy costs appears to be waning for some companies there are still many that have been critically impacted by significant increases and uncertainty and unfortunate timing around energy contract renewals.

The third ranking concern is now sales levels, selected by 41% of companies. Companies are having to adapt and work differently or harder to maintain and grow sales in markets, and with clients that are also changing rapidly. Further back in fourth position is as wage pressures, with a selection from 35% of respondents. Most companies have already conducted their pay reviews this year. However, concerns do remain over wage pressures and the effect of minimum wage increases, and the knock-on effect that has on wage structures and pay differentials throughout businesses. Continued high levels of inflation, and the effect that has on pay review demands, means wage pressure concerns may will resurface at some point. Access to labour was ranked fifth in July.

TOP BUSINESS CONCERNS - % OF RESPONDENTS SELECTING



Source: BPIF Printing Outlook

The BPIF Printing Outlook Q3 2023 report features sections on industry turnover, business concerns, capacity, costs, pay reviews, paper and board, and much more.

Kyle Jardine, BPIF Economist, said:

“Like orders and output, the view of the general state of trade was significantly lower looking back at Q2 now, than the forecast was for Q2 – and confidence remains fragile in Q3. As previously identified, a period of lingering and extreme cost pressures, combined with economic uncertainty, had eroded earlier recoveries in confidence. Whilst more positive news on inflation (and industry costs) appears to be forming, it has not yet been enough to stimulate any significant improvements in confidence.”

Charles Jarrold, BPIF Chief Executive, said:

“Unsurprisingly, a slowing economy has had its impact on the sector, being as it is a bellwether. We are seeing some signs that the higher interest rates are impacting, not just on business, but also in reducing inflation. Against an uncertain economic backdrop, the cash flow analysis in the full report shows that much of the industry is in a reasonably strong financial position, 87% have either an excellent, good, or normal cash flow position. However, there is still a realisation that companies need to pay close attention to this; and devise and follow plans to improve their profitability. Controlling costs is key, the report highlights this and some other areas that companies are focussing on.”

Khalid Aziz, DP&S Marketing Director, Canon UK & Ireland, and sponsors of the Printing Outlook report, said:

“Having recently joined Canon as Digital Printing & Solutions (DP&S) Marketing Director for the UK and Ireland, I’m pleased to learn of the great job being undertaken by the BPIF. The BPIF’s consistency with delivering key data and trends for the print industry each quarter is laudable and I’m excited that, through our partnership, the Printing Outlook Report is making a great impact by helping businesses make informed decisions.

“We’re continuously developing new technologies and solutions to bring products and services to market for our valued customers and partners to help them meet their print demand, increase opportunities, and ensure high productivity.

“Once again, I’d like to use this opportunity to thank the BPIF and its members for this opportunity and hope we can further build on our work together throughout 2023.”

Summary of key findings:

- Challenges for the UK’s printing and printed packaging industry have continued into the second quarter of 2023 as orders and output did not rebound following poor performances in the previous two quarters.
- Expectations for the period ahead have now been significantly dampened, in comparison to last quarter’s forecast, as the challenging climate extends into Q3.
- Competitor pricing levels – or rather the perception that some competitors are pricing below cost – has now become the top business concern for printing companies.
- Industry capacity utilisation has continued to fall - in July capacity was slightly lower than April.
- Finding and securing adequate labour has been a frequently voiced concern this year, however more companies increased, rather than decreased, employment in Q2.
- Average price levels decreased, on balance, in Q2, though as predicted most companies managed to hold prices steady.
- Extensive and persistent cost pressure has been a dominant feature affecting companies in the printing and printed packing industry for the last two years. However, cost pressure has started to ease for some of the main cost components.
- Most printers have been able to hold margins steady but, on balance, margins have been squeezed as downward pressures on prices offset any benefits derived from cost reduction.
- More than three-fifths (61%) of respondents reported that they had conducted a pay review in Q2, the resulting average (mean) change in basic pay was 5.4%.
- UK consumption of printing papers and boards declined in Q1, as expected in comparison to Q4 last year, but was marginally above the level from Q1 2022.
- Printing ink sales continued its sharp contraction in Q1 2023 pushing annualised sales down to a new low level.

- The last few months have continued to see an easing in wholesale electricity and natural gas prices, as historically high gas storage tanks in Europe and a faltering global economy have combined to ease pressure on energy supplies in the short term.

Featured in *Printing Outlook* this quarter:

- Output and orders – last quarter and forecast for this quarter.
- Business confidence and concerns.
- Turnover – annual and monthly turnover analysis and forecasts.
- Capacity – utilisation and constraints.
- Costs – paper & board, ink, labour, energy and average cost structure.
- Trend data on employment, prices, costs, margins, profits, cash flow and productivity.
- Pay Reviews – activity and average % changes.
- International trade – export orders and price trends.
- Industry insolvency 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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Editors' Notes

The online trading trends survey was carried out during 30 June – 18 July 2023 and received responses from 107 companies employing 6,462 people with a combined turnover of just over £1 billion. For more information on *Printing Outlook*, visit www.britishprint.com/printingoutlook/

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, 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. Our experts specialise in offering practical, value-adding solutions for all areas of a business, ranging from HS&E and quality issues as well as giving advice and support on training, marketing, sales, and finance.

We are passionate about upskilling the industry, making it our mission to educate, inspire and equip the future generation of print. In addition, we offer a wide range of opportunities for networking both regionally and nationally, including prestigious events, special interest groups and popular short courses on a wide range of topics.

For more information on the BPIF, visit: www.britishprint.com