

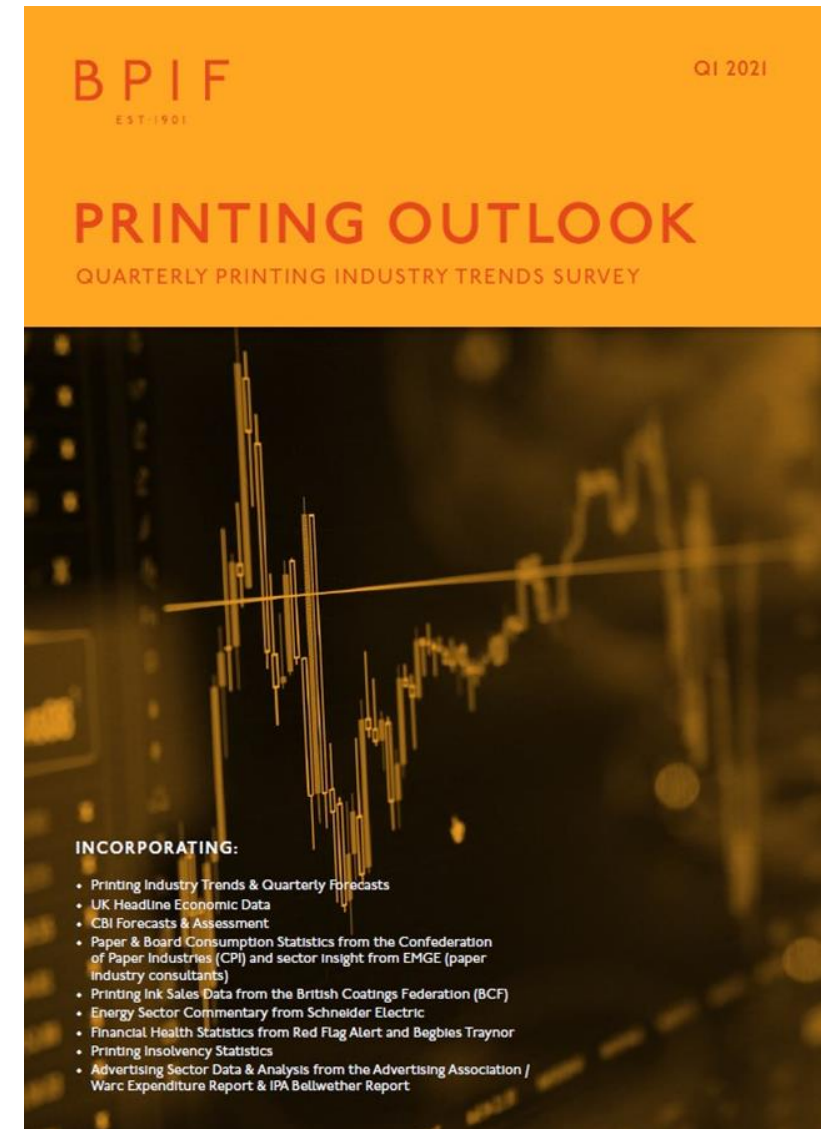
# Printing Outlook & Input Costs 2021

**Economic resilience in global supply chains**  
**Book Chain Project**

**July 2021**

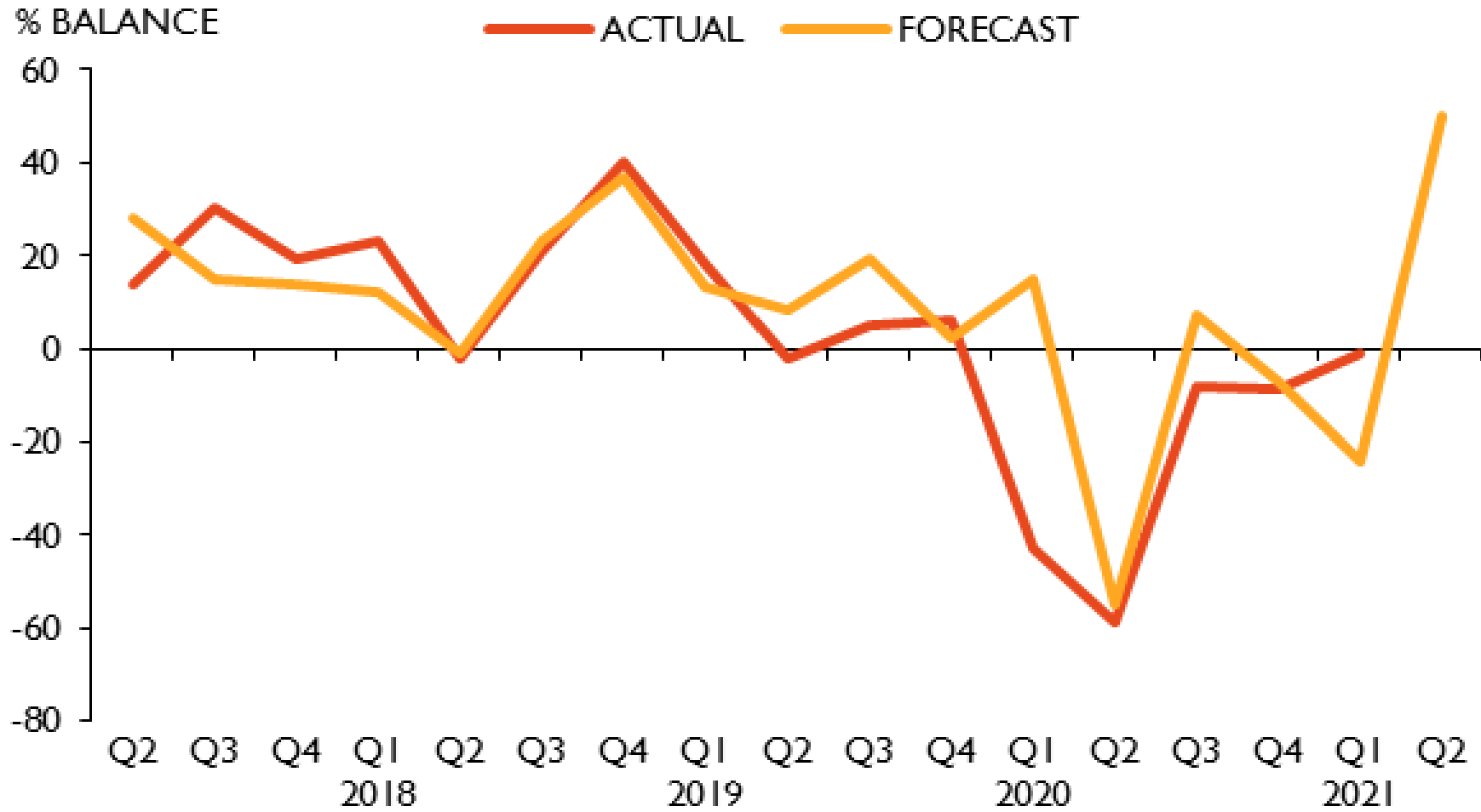
**Contact:**

Kyle Jardine – BPIF Economist



## PRINTING INDUSTRY STABILISED IN Q1 – OUTPUT, ORDERS AND CONFIDENCE TO RECOVER IN Q2 BUT COST PRESSURES INTENSIFY SQUEEZE ON MARGINS

- The UK printing and printed packaging industry achieved a steady balance in Q1 and is expected to take strong strides up the recovery path, with significant increases in output and orders in Q2.
- Dealing with the economic impact of Covid-19 remains the most important business concern for businesses, just; it was selected by almost half (48%) of respondents.
- Continued restraints on demand as a result of the Covid-enforced slowdown remains the most voiced challenge frustrating the businesses.
- Average costs have surged, in-line with the forecasts from last quarter – the upward pressure is not expected to subside in Q2.

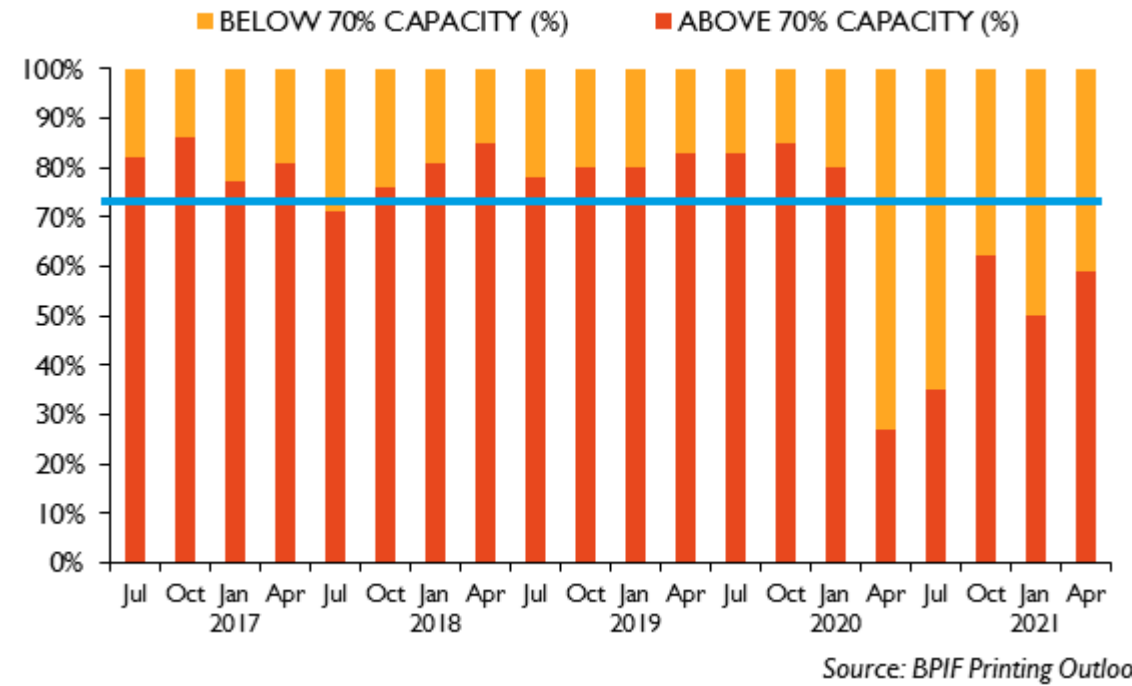
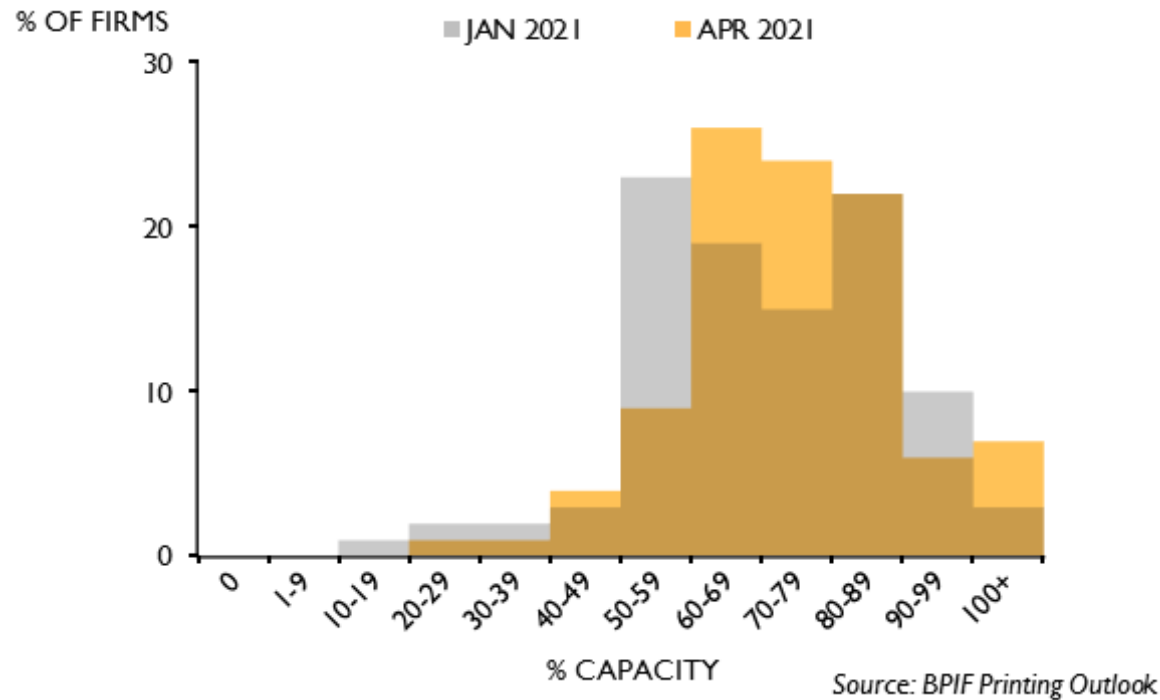


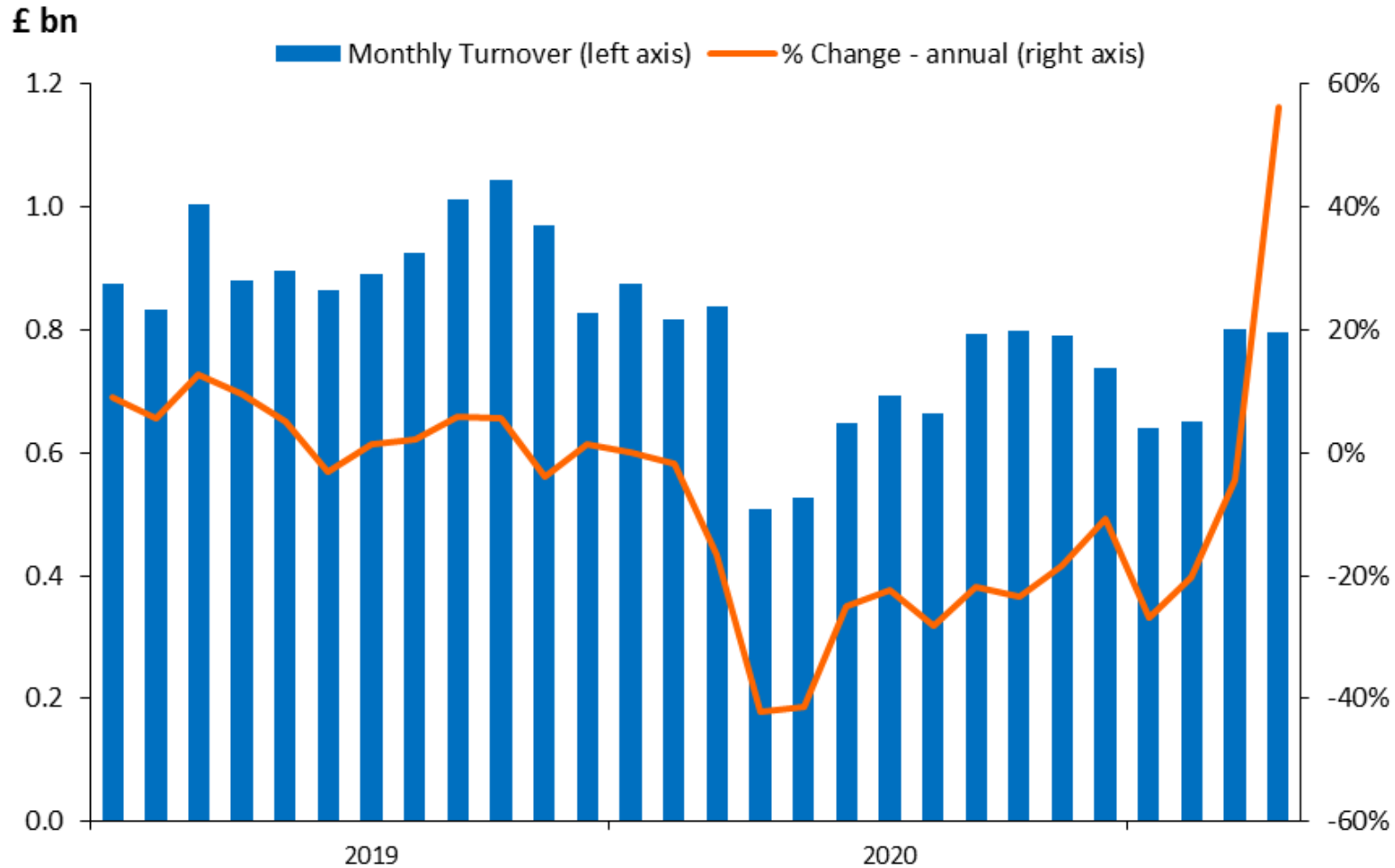
**VOLUME OF OUTPUT –  
RECOVERY TO IMPACT  
IN Q2**

Source: BPIF Printing Outlook

**CAPACITY – UTILISATION HAS IMPROVED, ONLY 1-IN-20 BELOW 50%**

**% FIRMS ABOVE 70% MOVED CLOSER TO THE 5-YEAR AVERAGE**





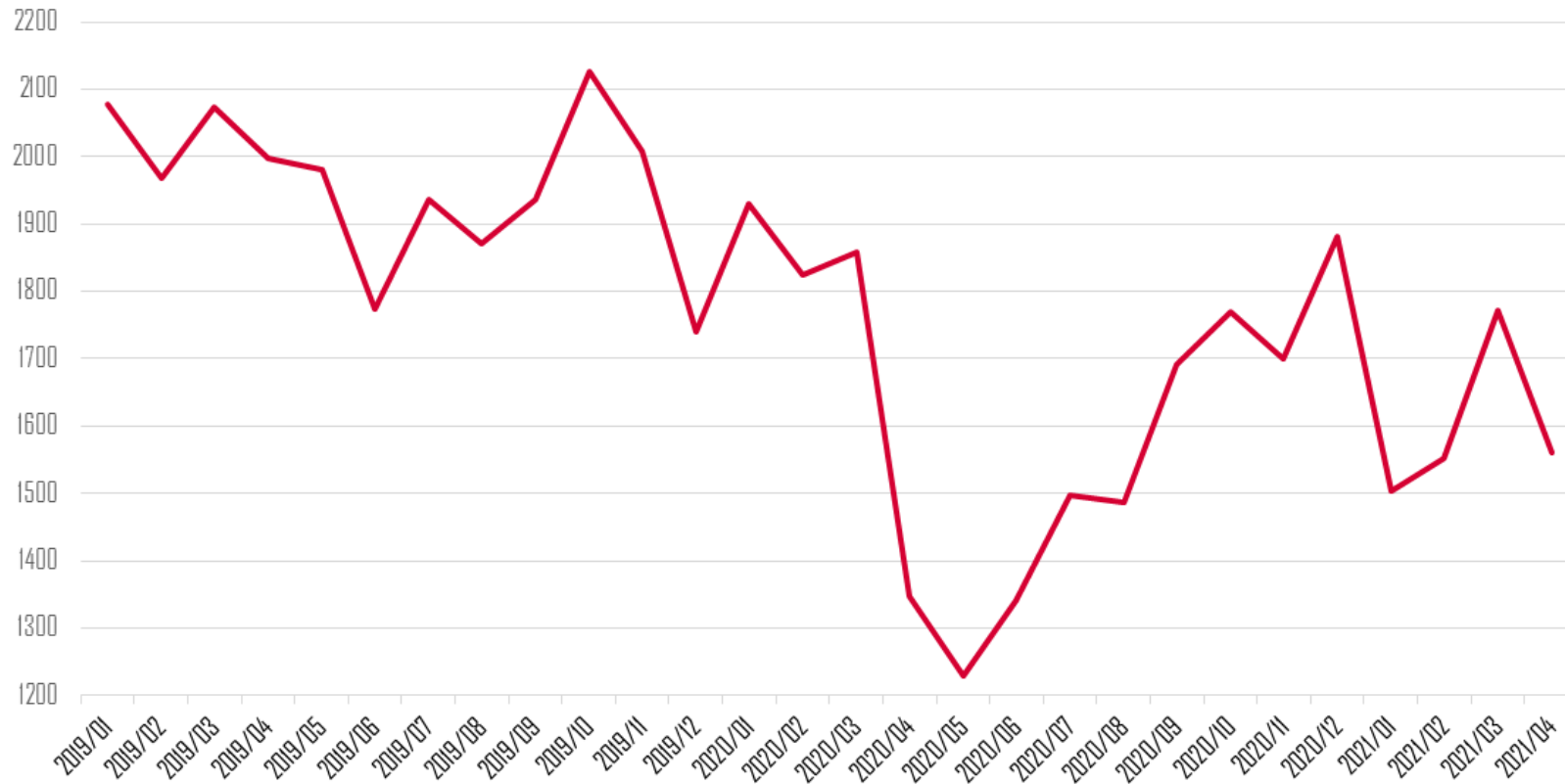
Source: BPIF Research analysis of ONS data

**PRINTING TURNOVER**  
(SIC 18 – excludes cartons, labels and paper stationery)

Dec 2021 showed a decline, Jan a deeper contraction – then some recovery in Feb and stronger growth in Mar and a flattening in Apr.

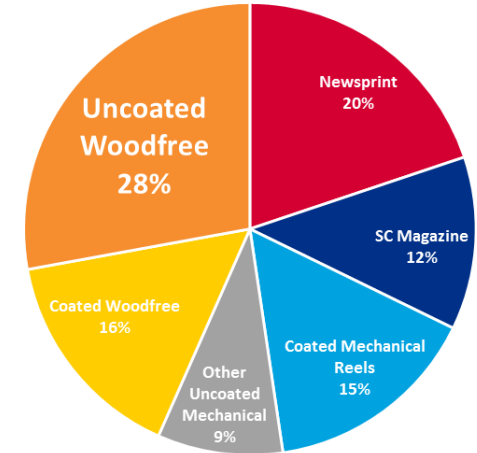
Turnover 21% down in 2020 (17% when Packaging factored in).

### Graphic Paper Consumption, Europe (000s tonnes) - 2019 to 2021



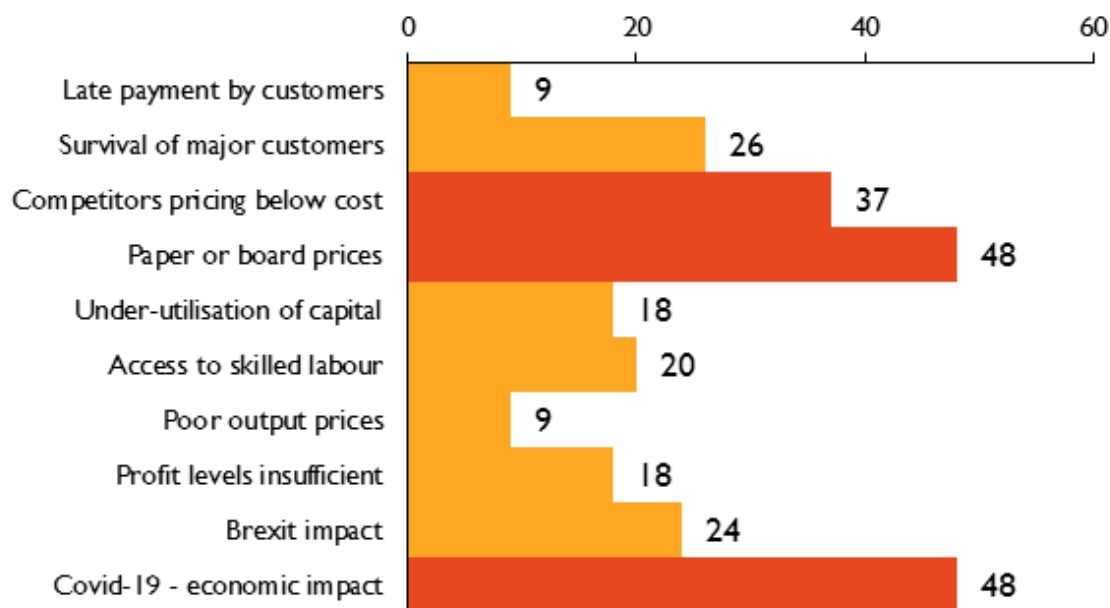
Source: BPIF/Intergraf analysis of data available from Fastmarkets RISI

### Graphic Paper Consumption, Europe - April 2021

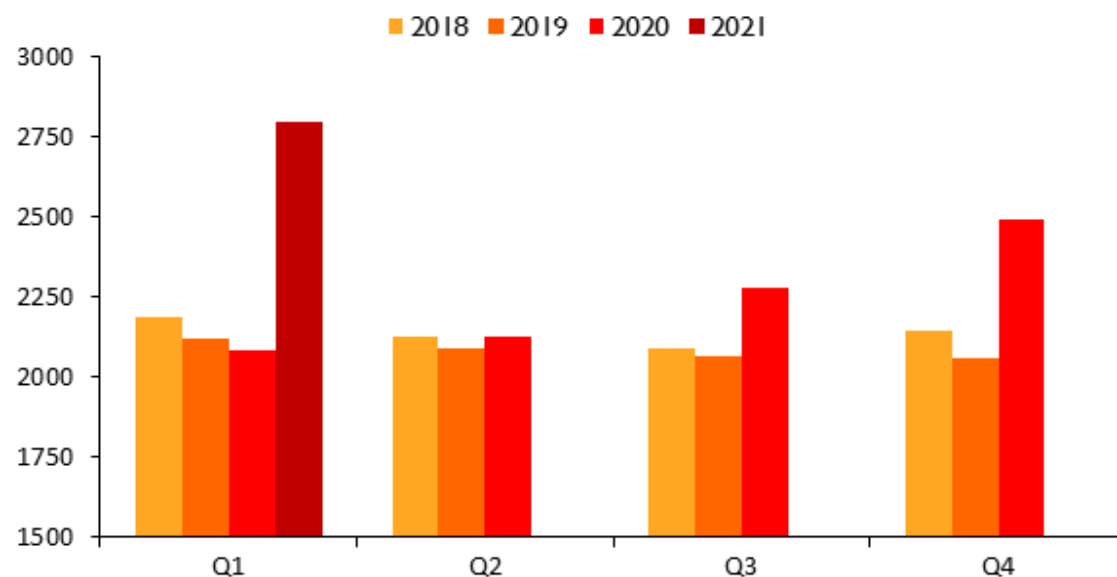


Source: BPIF/Intergraf analysis of data available from Fastmarkets RISI

# Top Business Concerns and Stress Levels

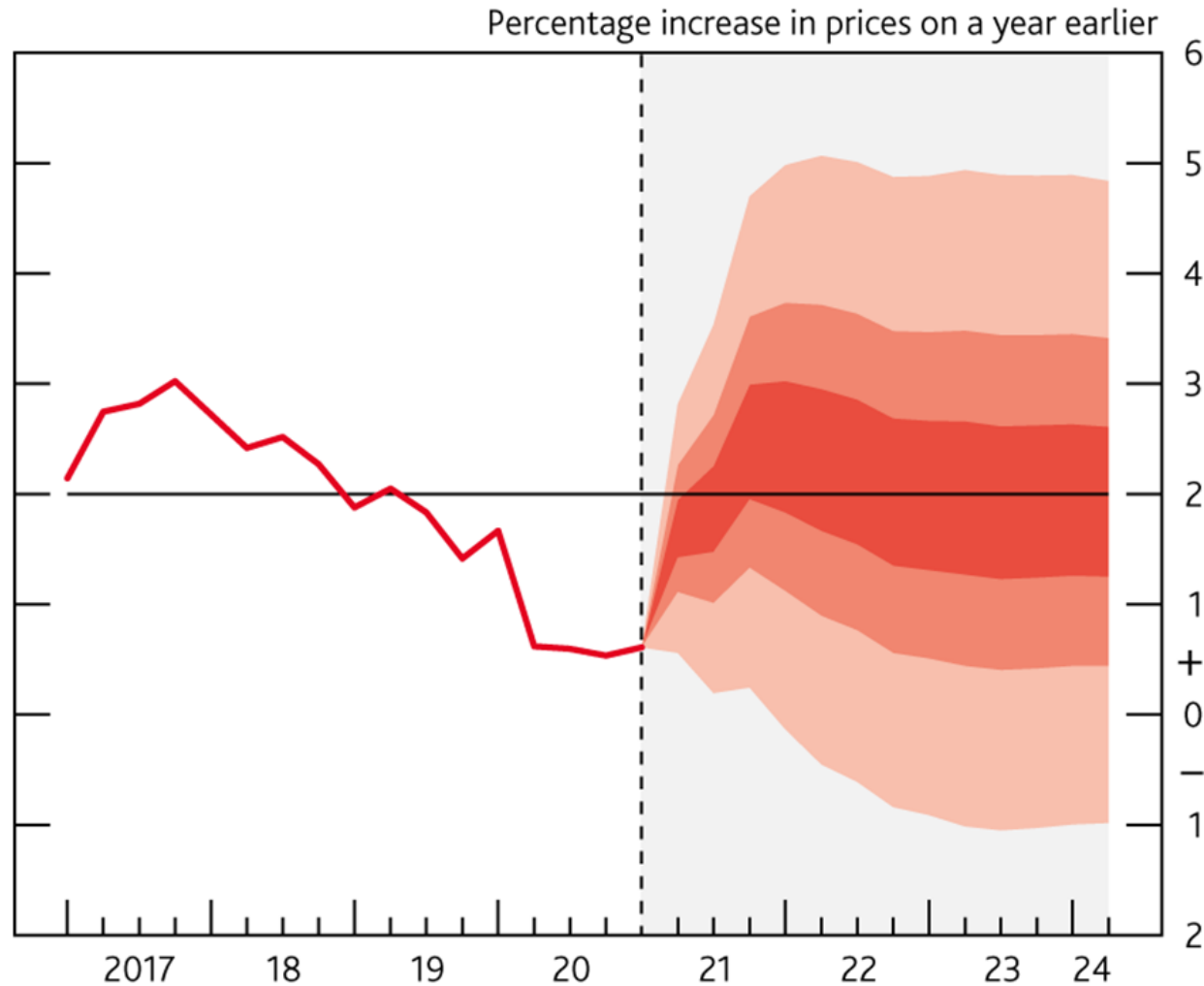


Source: BPIF Printing Outlook



Significant: court action and/or poor, insolvent or out of date accounts

Source: Begbies Traynor Red Flag Alert Statistics



## CPI Inflation

Bank of England projections

The Consumer Prices Index (CPI) rose by 2.1% in the 12 months to May 2021, up from 1.4% growth to April (and 0.7% in March).

### Upward contributions from:

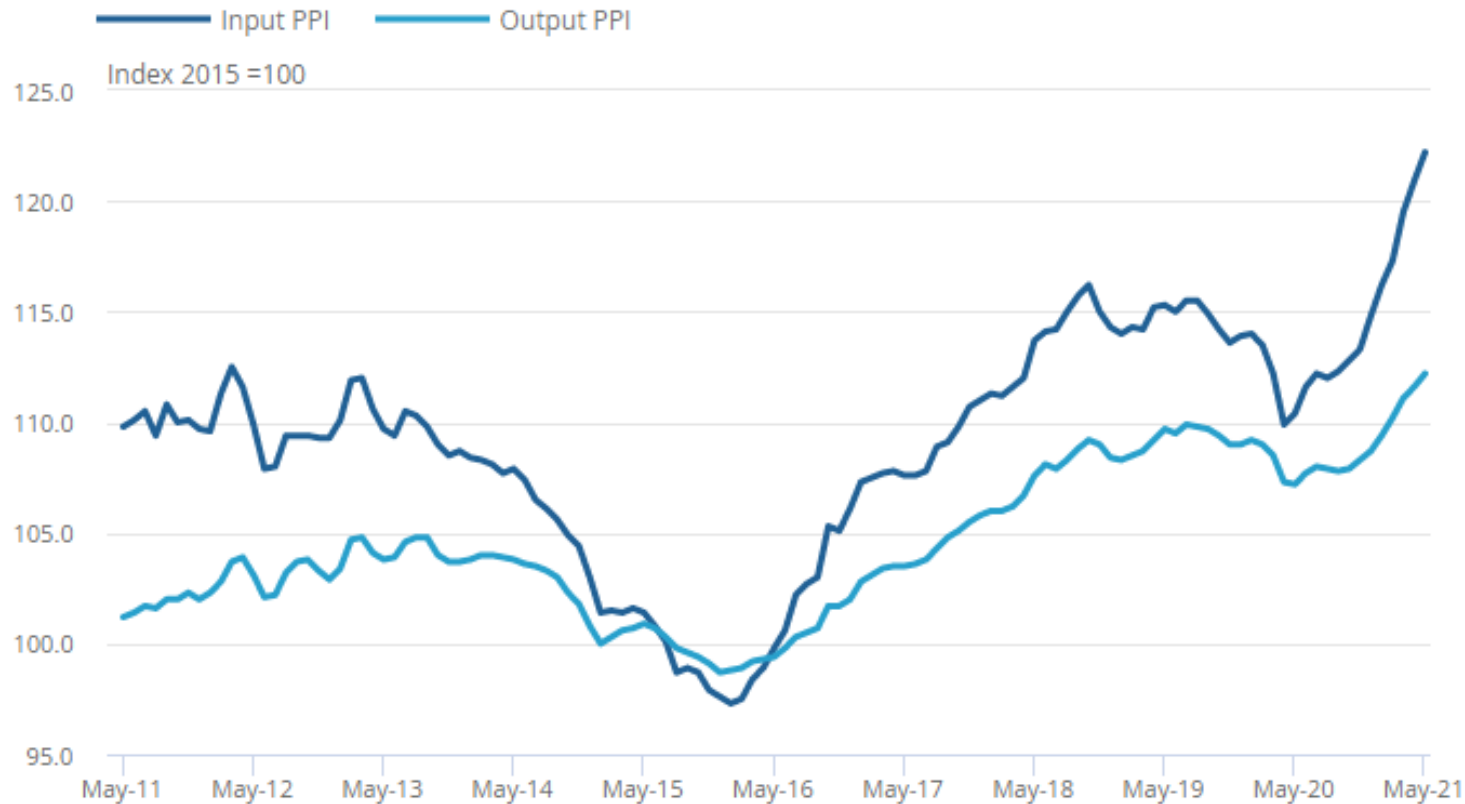
Transport (biggest contributor)

Also - clothing, recreational goods, eating & drinking out.

*(Note: some of the upward effect is due to the comparison with last year when some prices fell – an effect of the first Covid lockdown.)*



## Input and output PPI, UK, May 2011 to May 2021



## Producer Price Indices

### What are they?

Producer Price Indices (PPIs) come from a monthly survey that measures the price changes of goods bought and sold by UK manufacturers; they provide a key measure of inflation, alongside other indicators such as the Retail Price Index (RPI) and the Consumer Price Index (CPI).

The [input price](#) indices measure change in the prices of materials and fuels bought by UK manufacturers for processing. These are not limited to just those materials used in the final product, but also include what is required by the company in its normal day to day running.

The [output price](#) indices measure change in the prices of goods produced by UK manufacturers (these are often called 'factory gate prices').

### Source:

*The Office for National Statistics (ONS).*

**Table 1 Price Indices of Materials & Fuel purchased: All Manufacturing & Selected Industries (CPA 2.1)<sup>2</sup>**

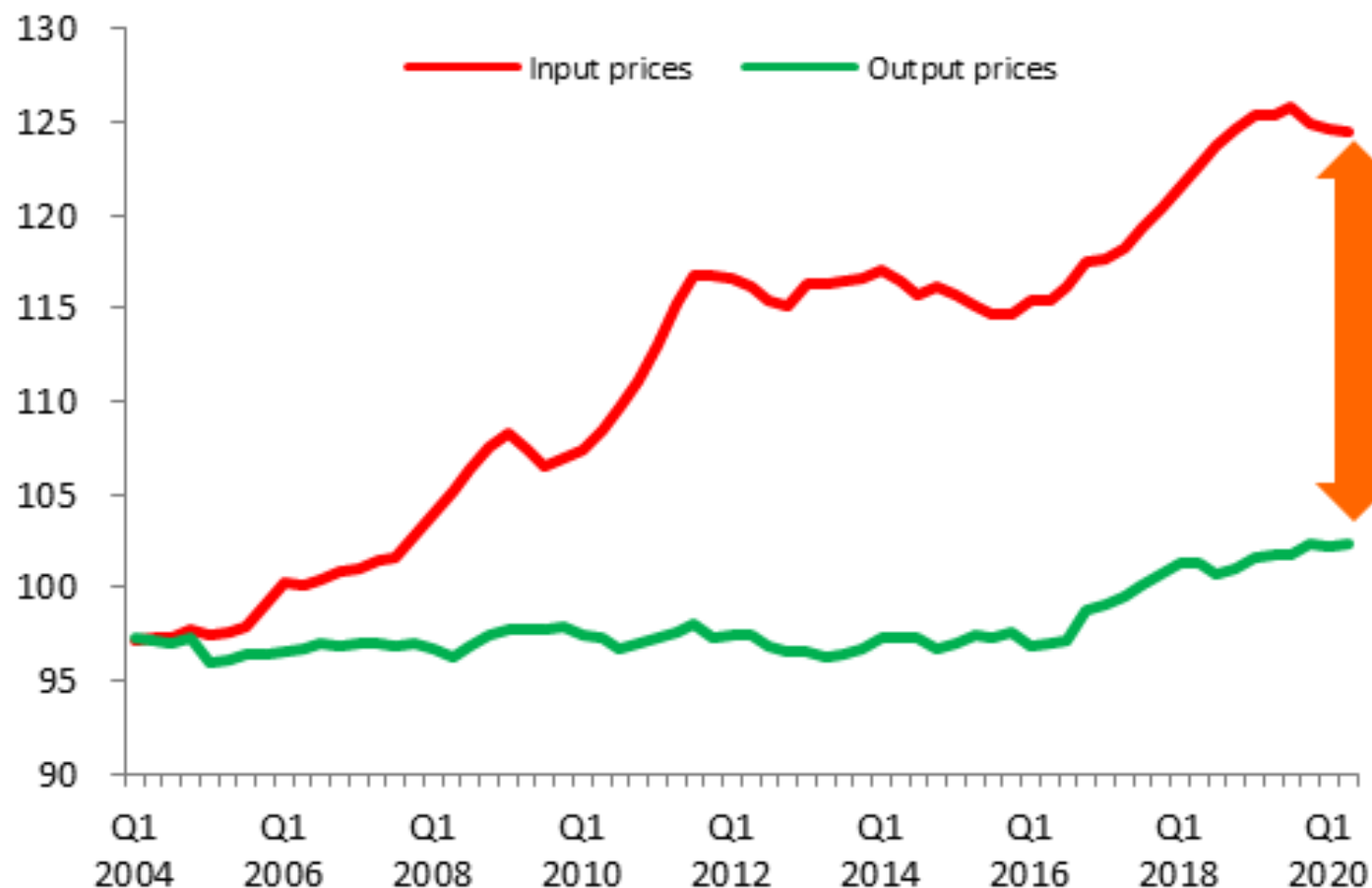
			Producer Prices Index: 2015=100, CPA 2.1							Annual	
			2020	2020	2020	2021	2021	2021	2021	2021	Average <sup>1</sup>
			Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	2020
<b>Gross sector</b>											
Purchases of materials and fuels for All Manufacturing	GHIP	7390333333	112.8	113.3	114.8r	116.2r	117.3r	119.5	120.9p	122.2p	112.4
Manufacture of pulp, paper, paper products, recording media & printing services	GHHZ	7390888892	109.0r	109.0r	109.6	109.5r	109.8	110.4	111.2p	112.1p	108.7
Paper & paper products, excluding Climate Change Levy	GHFJ	7390170000	110.6	110.5	111.2r	111.2	111.4	112.0	113.1p	113.9p	110.1
Printing and reproduction services of recorded media, excluding Climate Change Levy	GHFL	7390180000	107.0	107.1	107.5	107.4	107.7	108.2	108.9p	109.6p	106.9

Source: Office for National Statistics

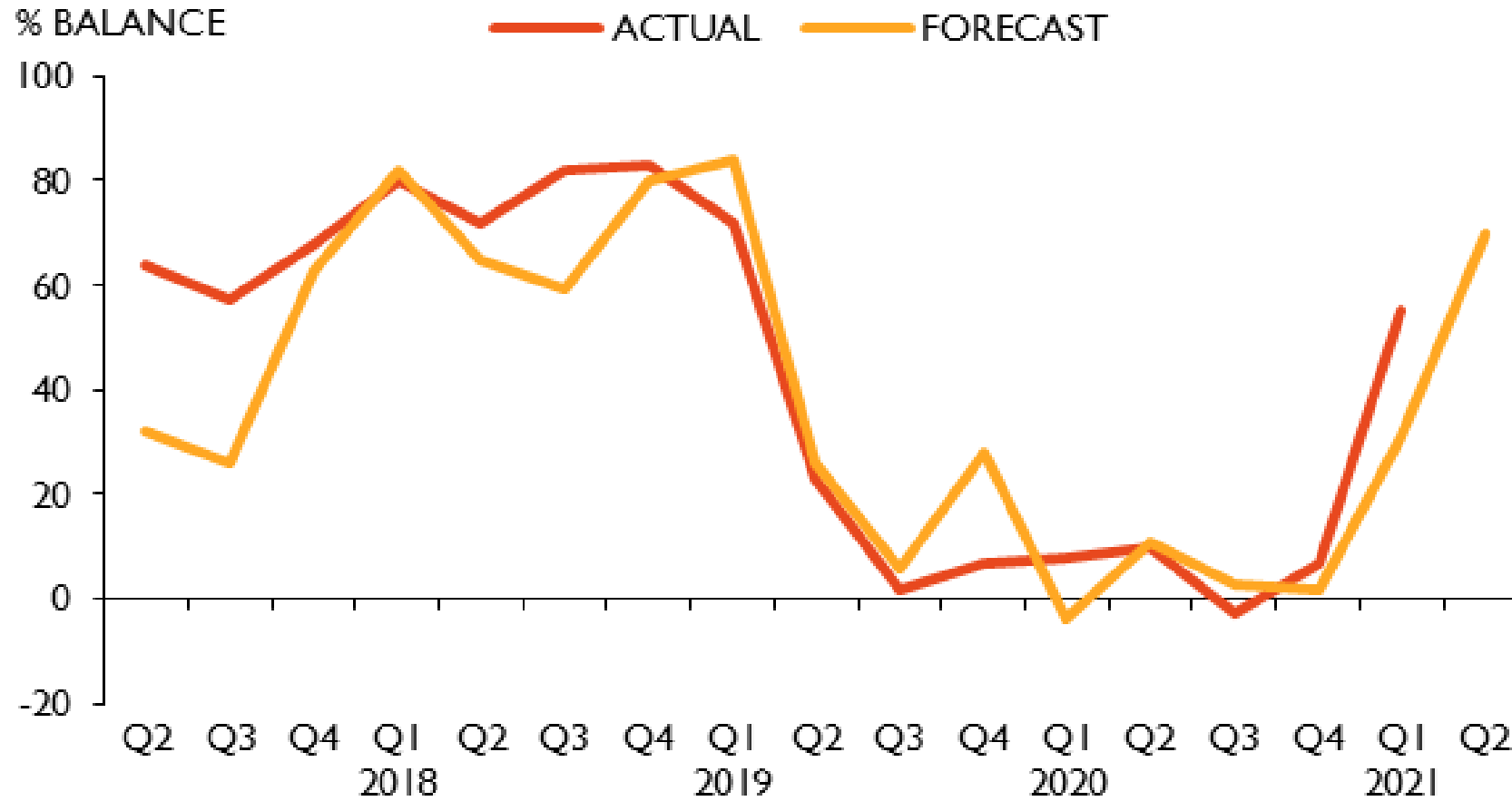
**Table 2 Price Indices of United Kingdom Output: All Manufacturing & Selected Industries (CPA 2.1)**

			Producer Prices Index: 2015=100, CPA 2.1							Annual	
			2020	2020	2020	2021	2021	2021	2021	2021	Average <sup>1</sup>
			Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	2020
<b>Gross sector</b>											
Output of all manufactured products, excluding duty	GB7S	6150333333	107.9	108.3	108.7r	109.4	110.2	111.1	111.6p	112.2p	108.2
Paper & paper products	G6SR	6140170000	106.5	106.5	106.5	106.1	106.3	106.9	108.0p	109.3p	106.6
Printing & reproduction services of recorded media	G6SS	6140180000	102.2	102.5	102.5	103.3	103.4	103.4	103.4p	103.5p	102.4

## Printing Industry Producer Price Indices: Inputs v Outputs (2000 = 100)

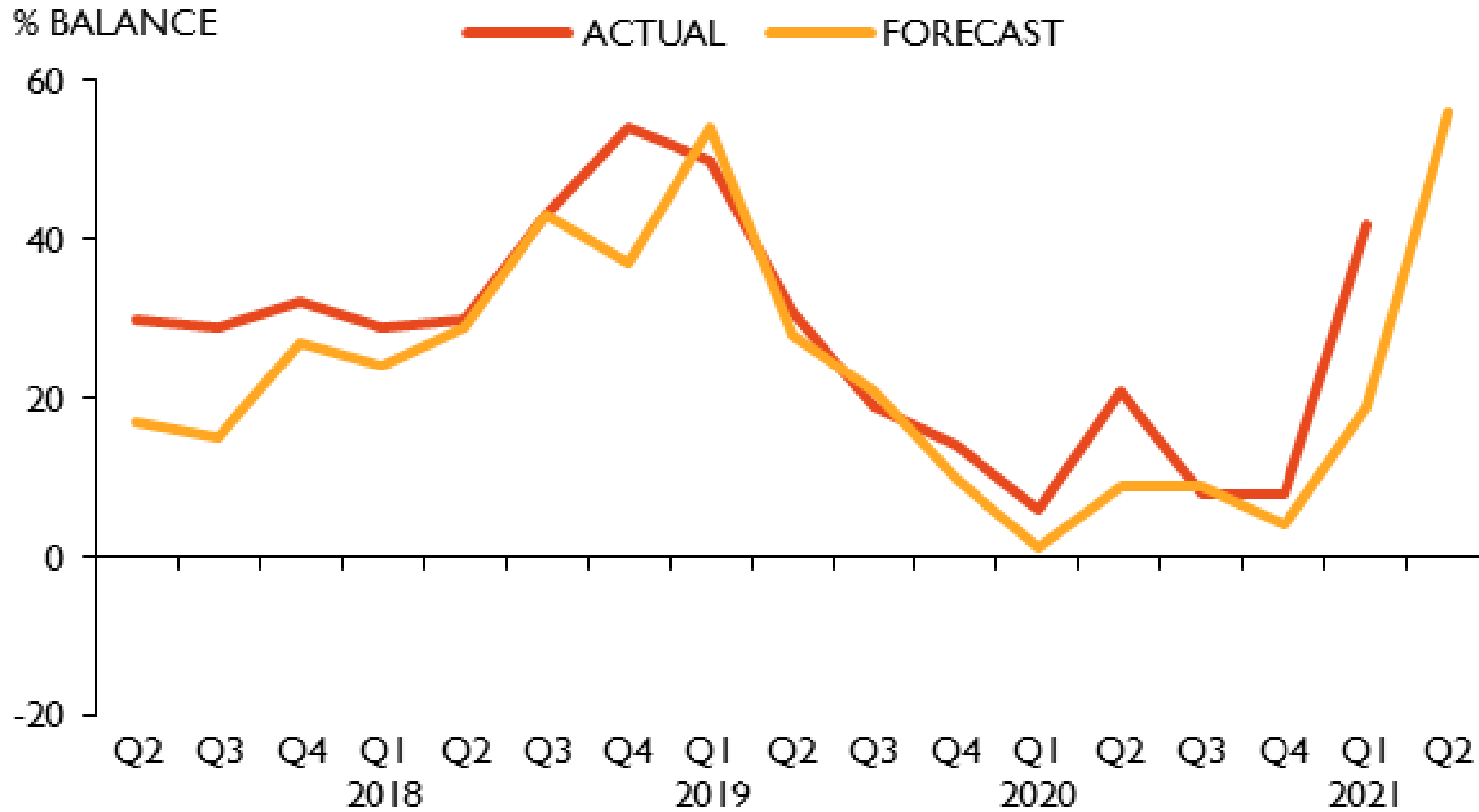


Source: BPIF Research, based on ONS PPI data for SIC 18



**COST OF PAPER & BOARD - INCREASED FOR MOST IN Q1, MORE HIKES EXPECTED IN Q2**

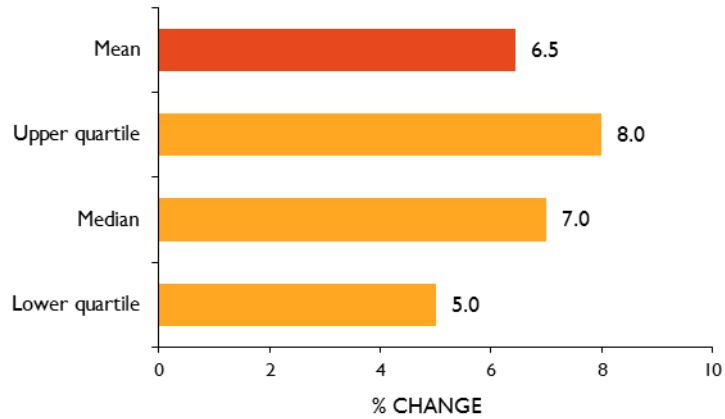
Source: BPIF Printing Outlook



**COST OF INK -  
SIGNIFICANT  
INCREASES IN Q1  
AND Q2**

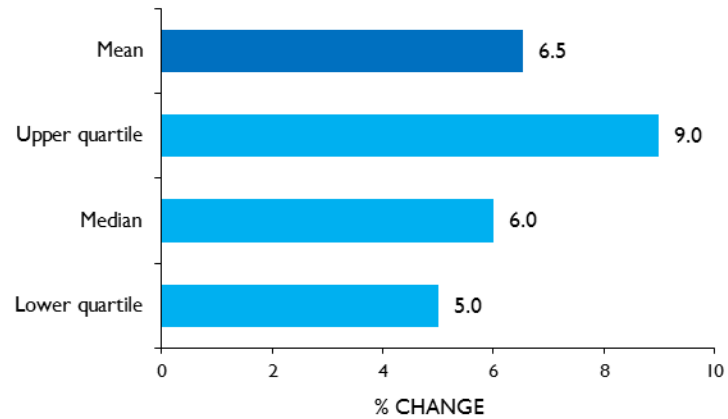
# INPUT PRICE MOVEMENTS - Q1 2021

## PAPER



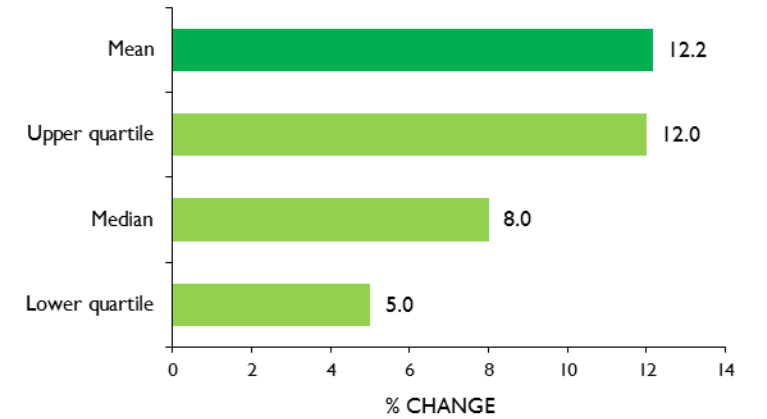
Source: BPIF Printing Outlook

## BOARD



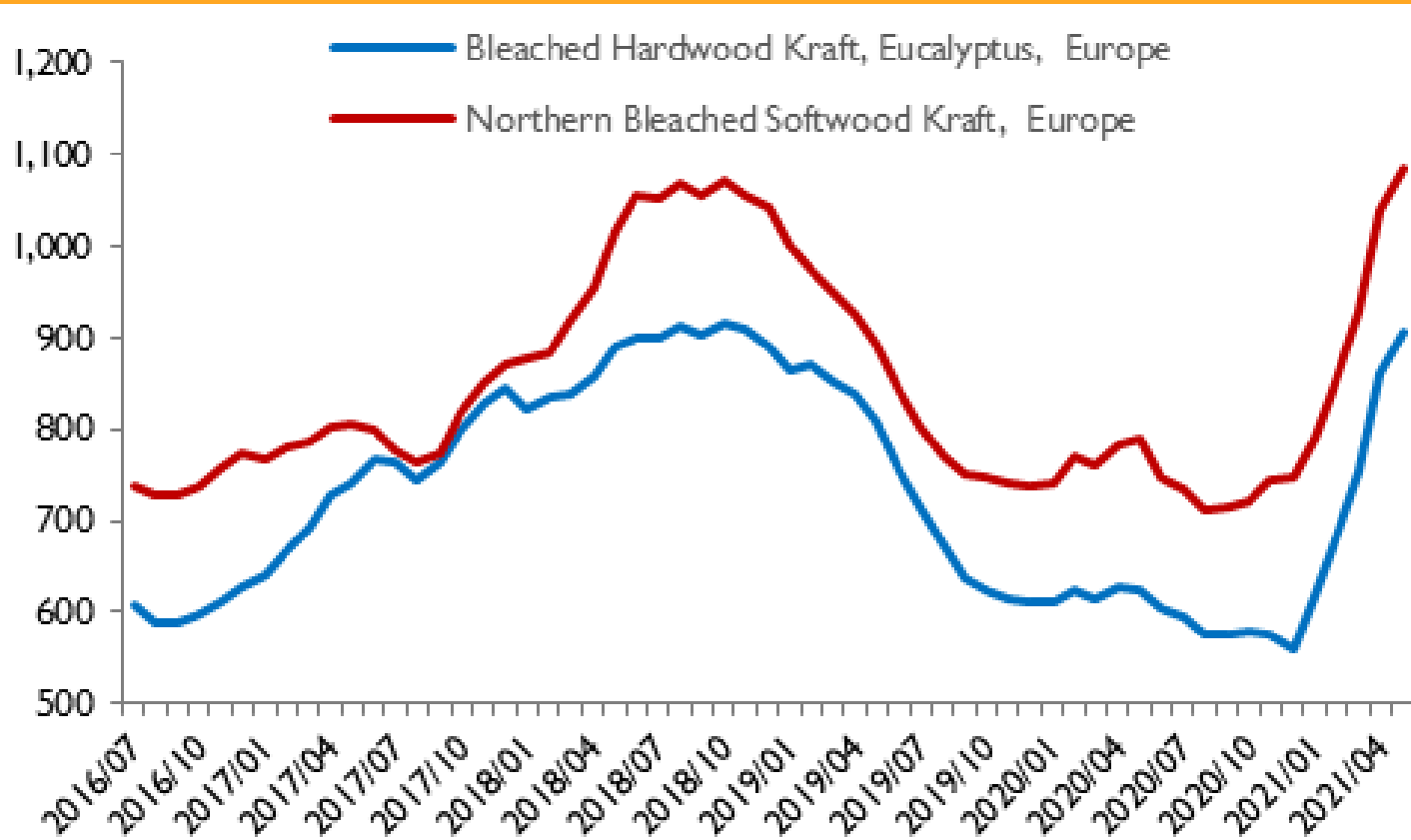
Source: BPIF Printing Outlook

## OTHER SUBSTRATES



Source: BPIF Printing Outlook

**European pulp prices (€/tonne)**

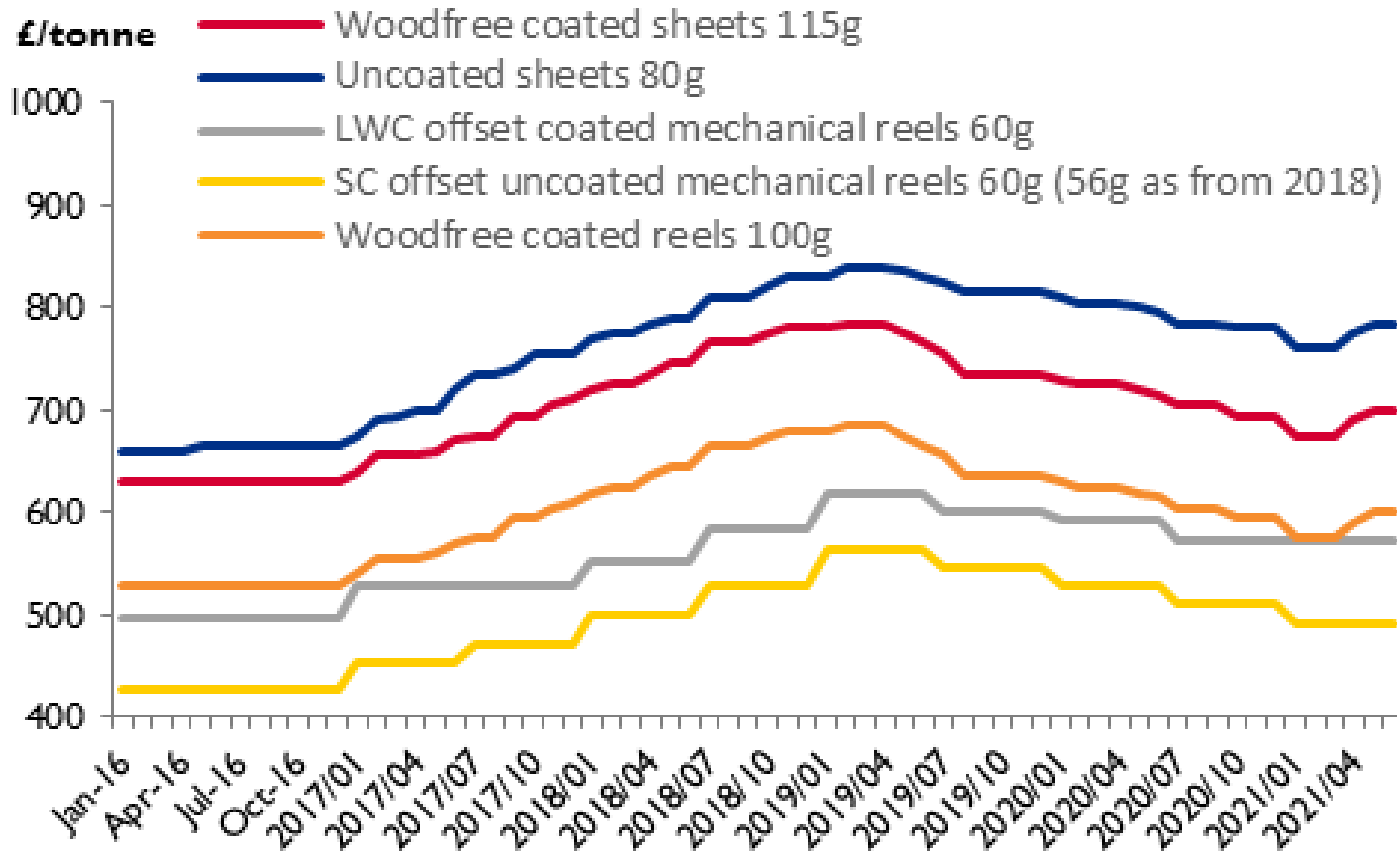


Source: BPIF/Intergraf analysis of data from Fastmarkets RISI

**Pulp prices  
(NBSK, BEK), in €/tonne**

Hardwood pulp price increased by 47% since January 2021, softwood by 37%. The massive pulp price increases which started in January are due to supply limitations, solid demand and large gap between prices in Europe and other global regions. Further price hikes are expected.

**UK paper prices - selected grades (£/tonne)**



Source: BPIF/Intergraf analysis of data available from Fastmarkets RISI

**Graphic paper prices**

Uncoated sheets increased by 3.3% in the last three months.

Woodfree coated sheets increased by 3.7%.

Contract negotiations for the second half of 2021 have started, some have been finalised at higher prices.

Woodfree coated paper producers are expected to negotiate further price increases in July due to their increasing costs for raw materials and freight rates.



## Printing Industry Research

<https://www.britishprint.com/industry-involvement/research/industry-research/>

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### MEGA TRENDS IMPACTING PRINT DEMAND



DEMOGRAPHICS



RETAIL CHANGES



SUSTAINABILITY



BRAND CHANGES



CONSUMER  
PREFERENCES



INCREASINGLY  
CONNECTED WORLD



ADVERTISING  
CHANGES

Source: Smithers