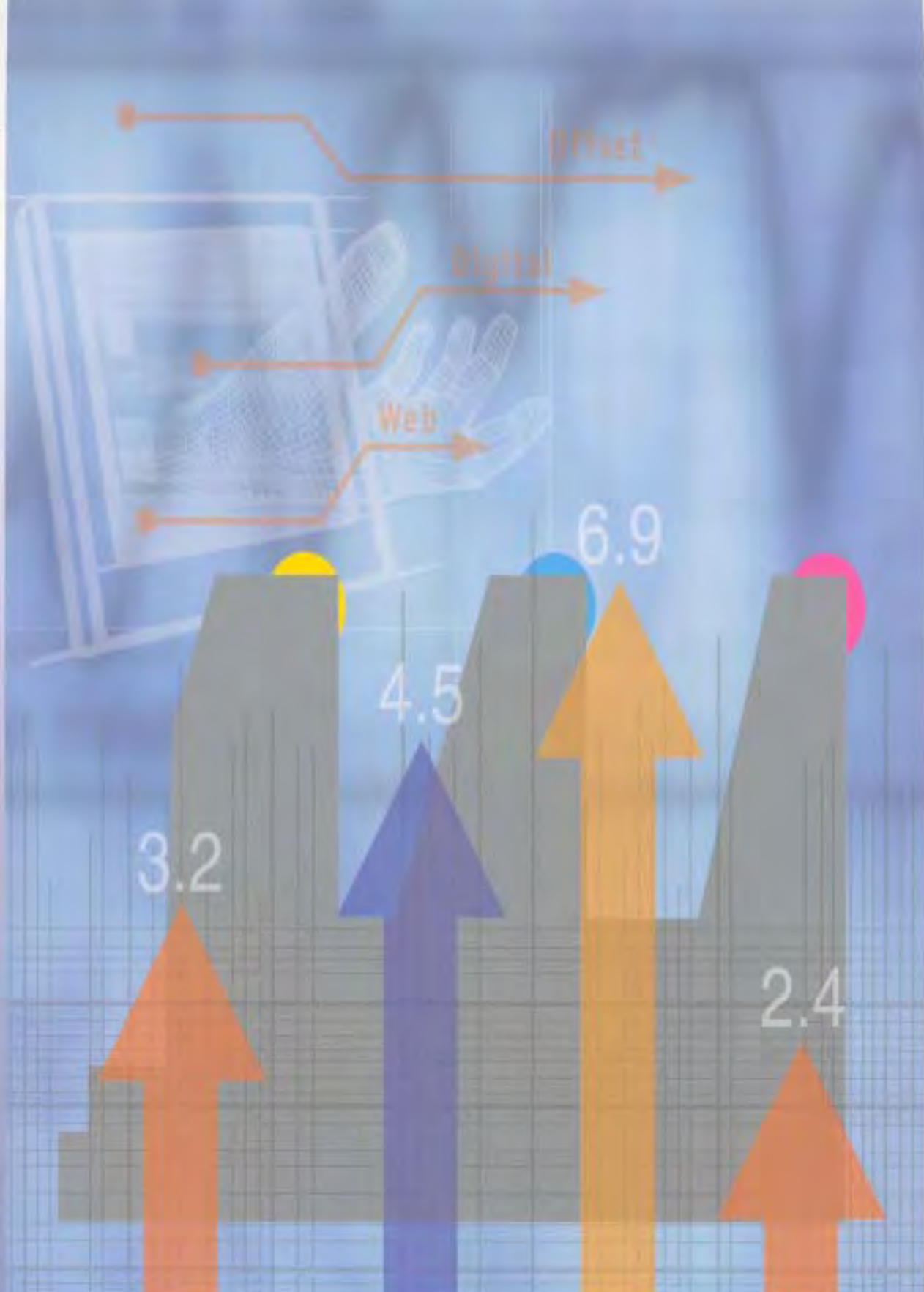




# PRINTING INDUSTRY TRENDS



**December Quarter 2009**

# TRENDS

**Volume 23 Number 4**

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The Printing Industries Association of Australia has undertaken quarterly surveys of the paper, paper products, printing and publishing industry since 1987. For the December 2009 quarter, questionnaires were distributed to 285 companies. With 110 companies responding the survey response rate was 38.6 per cent.

### Survey methodology and interpretation of survey results

\* Reference in the survey is made to net balance or results obtained on balance. These results are obtained by subtracting the number of ups from downs for a given survey question. For example, if 40 per cent of survey respondents report sales have improved while 30 per cent report sales have deteriorated, then the resulting net balance result is a positive 10 per cent (40 per cent minus 30 per cent).

*In the example above the positive net balance of 10 per cent does not mean that sales have increased by 10 per cent. What it means however is that the proportion of respondents reporting improvements in sales outnumbered those respondents reporting deterioration in sales by 10 per cent. While net balance outcomes do not measure the magnitude of change for a given indicator they present the directional movement (emerging trends) of key indicators.*

\* Copies of the **Printing Industry Trends** survey can be obtained by contacting:  
**Hagop Tchamkertenian**, National Manager – Policy and Government Affairs on (02) 8789 7300.

\* The annual subscription rates for four issues are: \$60 members; \$120 non-members.  
Individual hard copies are also available on request: \$20 members; \$40 non-members.  
Electronic copies are also available on request: \$20 members; \$40 non-members.  
More detailed reports can also be prepared on request.

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## Overview of Results

### National Results

Industry activity levels picked up during the December 2009 quarter according to the Printing Industry Trends Report. Despite deterioration in business confidence levels compared to the previous quarter, business sentiment is significantly higher than the corresponding period a year earlier.

Key December 2009 quarter developments were:

- Increased orders and production;
- Increased sales and net profits;
- Reduced employment but increased overtime levels;
- Reduced selling prices;
- Reduced investments in buildings and no change reported in plant and machinery;
- Finance reported harder to obtain;
- Labour reported easier to obtain
- Reduced levels of material stocks;
- Moderate material and wage cost pressures; and
- Increased number of outstanding debtors.

According to expectations there should be:

- Net balance increases in orders, production and sales during the March 2010 quarter;
- No change on net balance basis in plant and machinery investments during the next six months;
- Further reductions in selling prices;
- Reduced availability of finance;
- Increased availability of labour;
- Reduced employment and overtime levels;
- Further moderate net balance increases in all production cost categories - average wages, other labour costs, and average material costs;
- Reduced stock levels; and
- Increased number of outstanding debtors.

### State Results

The outlook for general business expectations over the next six months remains favourable across all states. The most optimistic state over the outlook period is Tasmania with a net balance of 40.0 per cent followed by Western Australia with a net balance of 30.0 per cent.

## Overview of Results

### State Results

On net balance basis respondents from most states reported increased levels of orders and production during the December 2009 quarter.

Based on expectations, orders and production may recover over the outlook period across most states with the exceptions of South Australia, Western Australia and Queensland (reductions being forecast).

With the exceptions of Queensland (decline reported) and Western Australia (no change reported) respondents from the remaining states reported increased material cost pressures during the December quarter.

Over the outlook period, companies from most states on net balance basis are forecasting further moderate increases in material cost pressures.

The most pessimistic forecasts concerning material costs are emanating from companies in Tasmania and Victoria with net balances of 16.7 per cent and 6.1 per cent respectively.

Companies from most states reported increases in wages during the December quarter. A higher proportion of companies from Queensland and South Australia reported on net balance basis increased wages.

Based on projections, wage increases may take place during the March 2010 quarter in New South Wales, Victoria and Tasmania while wage pressures may ease in Queensland.

Selling prices were reported to have fallen by respondents from most states during the December quarter.

The largest net balance reductions were reported by respondents from Queensland and South Australia with net balances of 43.8 per cent and 41.7 per cent respectively.

Over the outlook period respondents from Victoria, South Australia and Queensland are forecasting reduced selling prices.

## Overview of Results

### State Results

Net profits were reported to have improved during the December quarter according to respondents from South Australia, Western Australia and Victoria.

Compared to other states, the largest net balance reported improvements took place in Western Australia and South Australia.

If forecasts materialise, there is likely to be either no change or deterioration in profits during the March 2010 quarter. Only respondents from New South Wales are forecasting improved profitability.

Respondents from South Australia, Tasmania and New South Wales reported increased investments in plant and machinery during the December 2009 quarter.

The forecasts for capital expenditure in plant and machinery remain weak over the outlook period as companies from only Western Australia and New South Wales are forecasting increases.

### Sectoral Results

The sectors are almost equally divided when it comes to forecasting either improvements or no change in general business conditions during the March and June 2010 quarters. Two sectors comprising of Other Packaging and Paper Converting and Labels are forecasting deterioration over the outlook period.

The December 2009 quarter outcome shows capacity utilisation/activity levels were reported as being higher in the Books, Magazines, Periodicals and Newspapers, Cheques and Securities, Labels and Graphic Arts Machinery and Supplies sectors.

Considerable levels of excess capacity were reported in the Business Forms and Continuous Stationery, Graphic Reproduction, Screen Printing and Greeting Cards, Calendars and Diaries sectors.

While a significant number of sectors reported reduced investment or no change in plant and machinery, seven sectors comprising of Digital Printing, Greeting Cards, Calendars and Diaries,

## Overview of Results

### Sectoral Results

Trade Binding, Business Forms and Continuous Stationery, Labels, Books, Magazines, Periodicals and Newspapers and Screen Printing reported improvements during the six months to December 2009.

The product sectors are either forecasting increased investment or no change in plant and machinery over the next six months, while the General Promotional and Commercial and Screen Printing sectors are forecasting reduced investments.

Most sectors reported increased material costs during the December quarter. Over the outlook period most sectors on net balance basis are forecasting either no change or further increases in material cost pressures. Only a single sector – Greeting Cards, Calendars and Diaries is forecasting reduced material cost pressures.

Wage cost pressures were reported to have increased by most sectors during the December quarter.

With majority of the sectors forecasting either no change in wage levels or increases during the March 2010 quarter, the labels sector was the only sector to offer a different forecast.

The sectors reported either a decline or no change in average selling prices during the quarter. Defying the trend were the Labels and Screen Printing sectors who reported increased selling prices.

Over the outlook period most sectors are either forecasting reduced selling prices or no change whilst the Trade Binding, Books, Magazines, Periodicals and Newspapers and Labels sectors are forecasting increased selling prices.

As for outstanding debtors reported improvements were confined to the Cheques and Securities sector as majority of the sectors reported increases in the number of outstanding debtors during the December 2009 quarter.

Over the outlook period most product sectors are forecasting no change or increases in the number of outstanding debtors while the

## **Overview of Results**

### **Sectoral Results**

Folding Cartons, Trade Binding and Labels sectors are deviating from the general forecast and are forecasting reduced levels of outstanding debtors during the March 2010 quarter.

#### ***Summary***

Activity levels were reported to have improved during the December 2009 quarter. Net balance increases were reported for a number of key industry indicators including orders, production, sales, net profits and overtime levels. Employment was marginally down on net balance basis and further falls were reported in selling prices.

While the survey respondents reported moderate increases in material costs, the reported net balance increase in wages suggests that wages may have started to trend up. Finance was once again reported as being difficult to obtain and cash flow came under pressure due to a reported rise in the number of outstanding debtors.

Capital expenditure in both buildings and plant and machinery remained depressed on a net balance basis. Labour availability was reported to have increased on the back of ongoing cutbacks to the labour force.

Over the outlook period, the respondents are expecting modest net balance improvements to take place in a number of key industry indicators including orders, production and sales. Employment, overtime and selling prices are forecast to fall. Expenditure intentions in plant and machinery remain weak over the six months to June 2010.

Further moderate increases across all production cost categories, reduced levels of material stocks, increased availability of labour but reduced availability of finance, and increased number of outstanding debtors round up the forecasts.



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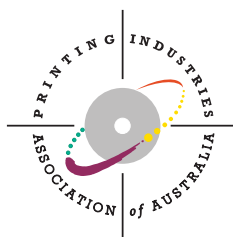
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