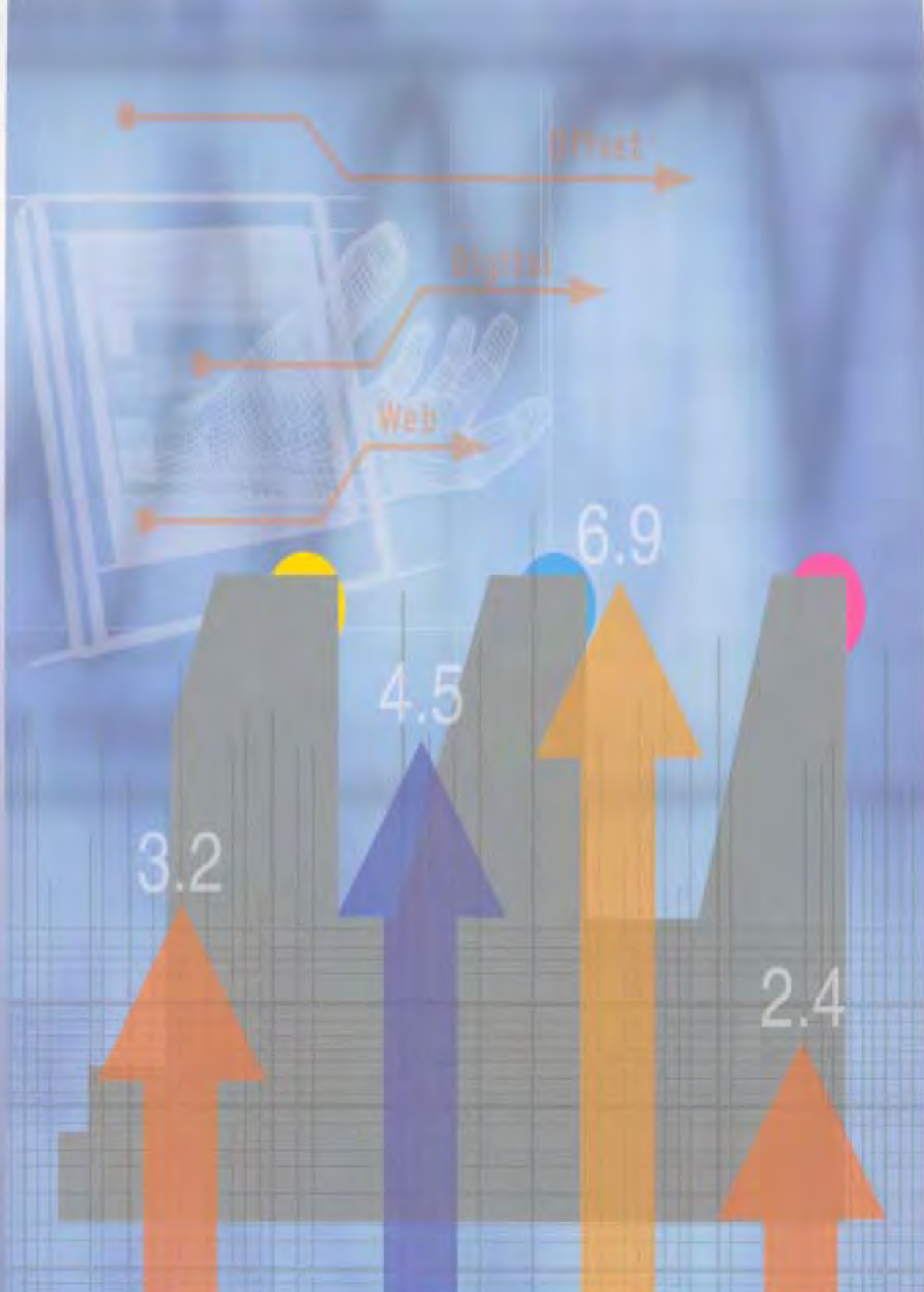




PRINTING INDUSTRY TRENDS



December Quarter 2010

TRENDS

Volume 24 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 2010 quarter, questionnaires were distributed to 290 companies.

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 7361.

* 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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WARNING

Whilst every care and attention has been taken in the preparation of this document, no responsibility can be taken by the Printing Industries Association of Australia for any decisions which are based on the information contained herein.

Overview of Results

National Results

Solid increases in industry activity levels were reported during the December 2010 quarter according to the Printing Industry Trends Report. The improvement however had no impact on business confidence levels which registered a significant deterioration compared to the previous quarter. Due to this reported deterioration, business sentiment is also now noticeably lower than a year earlier.

Key December 2010 quarter developments were:

- Increased orders and production;
- Increased sales and net profits;
- Increased employment and overtime levels;
- Reduced selling prices;
- Reduced investments in buildings but increased investment in plant and machinery;
- Finance and Labour reported harder to obtain;
- Increased levels of material stocks;
- Moderating material and wage cost pressures; and
- Increased number of outstanding debtors.

According to expectations there should be:

- Very modest net balance increases in orders, production sales and net profits during the March 2011 quarter;
- Increased investment in plant and machinery investments over the next six months;
- Further reductions in selling prices;
- Reduced availability of finance and labour;
- Reduced employment and overtime levels;
- Further net balance increases in all production cost categories - average wages, other labour costs, and average material costs; and
- Increased number of outstanding debtors.

State Results

The outlook for general business expectations over the next six months remains favourable across most states. The most optimistic state over the outlook period continues to be South Australia with a net balance of 27.3 per cent followed by Victoria with a net balance of 20.0 per cent.

Overview of Results

State Results

On net balance basis respondents from all states reported increased levels of orders and production during the December 2010 quarter.

Based on expectations, orders and production levels are forecast to increase over the outlook period in South Australia, New South Wales and Victoria.

Material costs pressures were reported to have increased across most states during the December 2010 quarter.

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

The most pessimistic forecasts are emanating from companies in New South Wales and South Australia with net balances of 27.6 per cent and 27.3 per cent respectively.

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

Based on forecasts, further net balance wage increases may take place during the March 2011 quarter across all states.

Respondents from most states reported that selling prices had fallen during the quarter.

The largest net balance reductions were reported by respondents from Tasmania and Victoria with net balances of 33.3 per cent and 25.0 per cent respectively.

Defying the downward trend were respondents from Western Australia who reported increased selling prices.

Over the outlook period respondents from Western Australia and South Australia are forecasting increased selling prices, while respondents from the remaining states are forecasting reduced selling prices.

Overview of Results

State Results

Net profits improved during the December quarter according to respondents from South Australia, Western Australia, Tasmania and New South Wales.

The largest net balance reported improvements took place in Tasmania and Western Australia with net balances of 83.3 per cent and 45.5 per cent respectively.

If forecasts materialise, there is likely to be improvements in profitability during the March 2011 quarter in Victoria, South Australia and Western Australia.

Respondents from most states with the exception of Tasmania (decline) reported increased investments in plant and machinery during the six months to December 2010.

Investment expectations in plant and machinery over the outlook period (March and June 2011 quarters) remain strong as respondents from only Queensland are forecasting a decline.

Sectoral Results

While a significant number of sectors are forecasting improvements to take place in general business conditions during the next six months, the Paper Merchants, Folding Cartons, General Promotional and Commercial, Books, Magazines, Periodicals and Newspapers, and Trade Binding sectors are forecasting deterioration.

Over the outlook period the most optimistic sectors are the Digital Printing and Other Packaging and Paper Converting.

The December 2010 quarter outcome shows capacity utilisation/activity levels were reported as being higher in the Cheques and Securities, Labels, Paper Merchants and Greeting Cards, Calendars and Diaries sectors.

Considerable levels of excess capacity were reported in the Screen Printing, Business Forms and Continuous Stationery, and Other Packaging and Paper Converting sectors.

Overview of Results

Sectoral Results

With most sectors reporting increased investment or no change in plant and machinery, reported deteriorations were confined to the Greeting Cards, Calendars and Diaries and Screen Printing sectors during the six months to December 2010.

The product sectors are either forecasting increased investment or no change in plant and machinery over the next six months, while the Greeting Cards, Calendars and Diaries and Screen Printing sectors are forecasting reduced investments.

Despite a significant number of sectors reporting increased material costs during the quarter, the moderating nature of material costs was evident during the quarter.

Three sectors comprising of Graphic Arts Machinery and Supplies, Trade Binding and Other Packaging and Paper Converting reported reduced material costs.

Over the outlook period most sectors on net balance basis are forecasting further increases in material costs while three sectors comprising of Other Packaging and Paper Converting, Trade Binding and Graphic Arts Machinery and Supplies are forecasting reduced material costs.

Wage cost pressures were reported to have increased by most sectors during the quarter. With the vast majority of the sectors forecasting increased wage levels during the March 2011 quarter, wage cost pressures are persisting as an issue for most businesses.

With most sectors reporting either a decline or no change in average selling prices during the quarter, improvements were confined to the Other Packaging and Paper Converting, Greeting Cards, Calendars and Diaries and Labels sectors.

Over the outlook period, most sectors are either forecasting reduced selling prices or no change, while the Graphic Reproduction, Cheques and Securities and Other Packaging and Paper Converting sectors are forecasting increased selling prices.

Overview of Results

Sectoral Results

As reported improvements were confined to just the Cheques and Securities sector, cash flow management continued to remain an issue for most product sectors during the December 2010 quarter.

Over the March 2011 quarter outlook period, the vast majority of product sectors are forecasting increased number of outstanding debtors.

The most negative forecasts are emerging from the Business Forms and Continuous Stationery, Greeting Cards, Calendars and Diaries and Folding Cartons sectors.

Summary

Solid improvements were reported in industry activity levels during the December 2010 quarter. Net balance improvements were reported for a number of pivotal industry indicators including orders, production, sales, and net profits.

Other key indicators such as employment and overtime levels also registered net balance increases.

On the downside, net balance falls were reported for selling prices and investment in buildings. Capital expenditure in plant and machinery registered a rise.

Moderating cost pressures were evident during the quarter as both material costs and wages trended downwards. Labour and finance were reported as being difficult to obtain and cash flow continued to come under pressure due to rising number of outstanding debtors.

Over the outlook period, very modest net balance improvements are being forecast for a number of key industry indicators including orders, production, sales, and net profits.

Overview of Results

Summary

Remaining reasonably strong are expenditure intentions in plant and machinery over the six months to June 2011. Employment and overtime levels are forecast to decline.

Increased cost pressures across all production cost categories, lower selling prices, reduced availability of labour and finance, and increased number of outstanding debtors round up the forecasts.

**QUARTERLY SURVEY OF
PRINTING INDUSTRY TRENDS**

NATIONAL REPORT

December Quarter 2010



**Sustainable
Green Print**

YOUR PATHWAY
TO ISO14001

Sustainable Green Print...

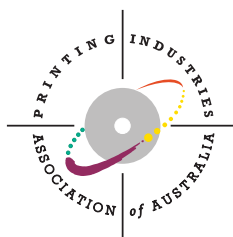
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