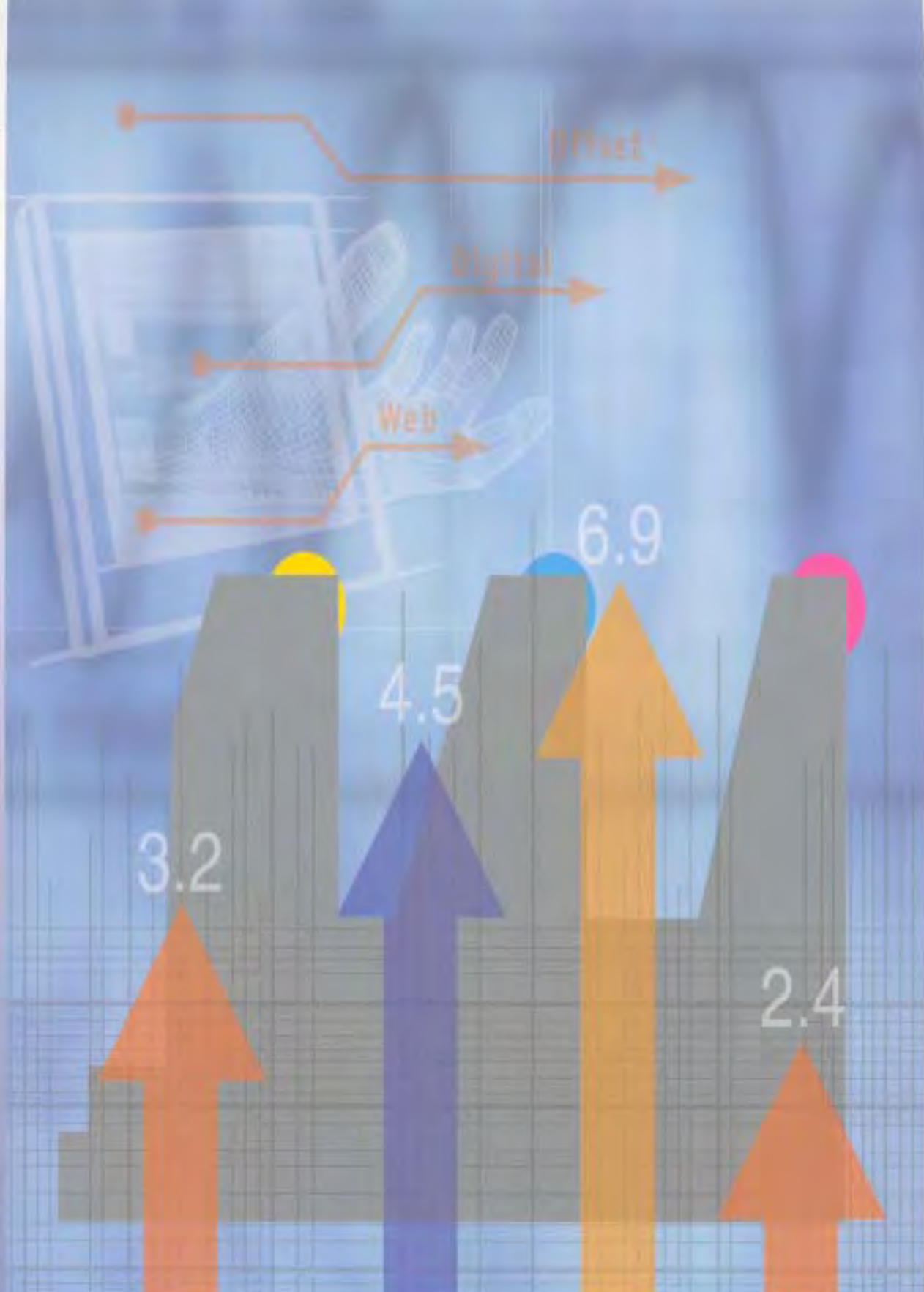




PRINTING INDUSTRY TRENDS



June **Quarter 2008**

TRENDS

Volume 22 Number 2

Survey Contents

| | Page |
|--|-------|
| Overview of Results..... | 2-4 |
| National Report..... | 5-9 |
| State Report..... | 10-13 |
| Product Report..... | 14-17 |
| Appendix 1: Analysis by Size of Establishment..... | 18-19 |
| Charts: | |
| ■ General Business Expectations..... | 6 |
| ■ Availability of Labour and Finance..... | 6 |
| ■ Capital Expenditure | 7 |
| ■ Level of Employment..... | 7 |
| ■ Level of Overtime | 7 |
| ■ Orders Received..... | 7 |
| ■ Level of Production | 8 |
| ■ Level of Sales | 8 |
| ■ Average Material Costs | 8 |
| ■ Average Wages | 8 |
| ■ Selling Prices | 8 |
| ■ Net Profits..... | 9 |
| ■ Raw Material Stocks | 9 |
| ■ Number of Outstanding Debtors..... | 9 |
| ■ General Business Expectations - by Size of Establishment | 19 |
| ■ Level of Employment - by Size of Establishment..... | 19 |
| ■ Capital Expenditure - by Size of Establishment..... | 19 |

The Printing Industries Association of Australia has undertaken quarterly surveys of the paper, paper products, printing and publishing industry since 1987. For the June 2008 quarter, questionnaires were distributed to 300 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 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

The Printing Industry Trends Report for the June 2008 quarter reveals significant deterioration in business confidence compared to the same period a year earlier.

Key June 2008 quarter developments include:

- Reduced orders and production;
- Reduced sales and net profits;
- Reduced employment and overtime levels;
- Reduced selling prices;
- Modest increases in plant and machinery investments;
- Finance and Labour reported harder to obtain;
- Reduced levels of material stocks;
- Rising cost pressures across all cost categories; and
- Increased number of outstanding debtors.

According to expectations there should be:

- Net balance increases in orders, production, sales and net profits during the September 2008 quarter;
- Very modest increases in plant and machinery investments during the next six months;
- Recovery in selling prices;
- Increased availability of labour but reduced availability of finance;
- Reduced employment and overtime levels;
- Further increases in all production cost categories - average wages, other labour costs, and average material costs;
- Increased stock levels; and
- Increased number of outstanding debtors.

State Results

The outlook for general business expectations over the next six months remains mixed with respondents from only three states - Victoria, South Australia and Western Australia expecting improvements. The most optimistic state is Western Australia with a net balance of 33.3 per cent followed by Victoria with a net balance of 29.4 per cent.

On net balance basis respondents from most states reported reduced levels of orders and production during the June 2008 quarter.

Overview of Results

State Results

Based on expectations, improvements in orders and production over the outlook period are likely to occur in all states.

Increased material cost pressures were reported by respondents from all states during the quarter.

Over the outlook period, companies from all states are forecasting further increases in material cost pressures.

The most pessimistic forecasts on material costs are emanating from companies in Tasmania and Queensland with net balances of 75.0 per cent and 68.8 per cent respectively.

Companies from all states reported increases in average wages during the June 2008 quarter.

Compared with other states, a higher proportion of companies from Western Australia, Queensland and New South Wales reported on net balance basis increased wages. According to projections, the September 2008 quarter will see increased wage pressures across all states.

Selling prices were reported to have fallen by companies from most states during the June 2008 quarter. The largest net balance falls were reported by respondents from New South Wales and Victoria with net balances of 26.9 per cent and 24.2 per cent respectively. The only state that reported increased selling prices was Western Australia.

Over the outlook period, with the exception of respondents from Victoria (no change being forecast) respondents from the remaining states are expecting on net balance basis increased selling prices.

Respondents from New South Wales, Western Australia and Tasmania reported on net balance basis increased investment in plant and machinery during the June quarter while respondents from Victoria and Queensland reported reductions.

The forecasts for capital expenditure in plant and machinery are also weak over the outlook

Overview of Results

State Results

period (September and December 2008 quarters) with companies from only Victoria and Tasmania forecasting further increases.

Consistent with the reported deterioration in selling prices and rising cost pressures, respondents from all states reported lower levels of net profits during the June quarter. Compared to other states, the reported net balance deterioration in net profits was more significant in New South Wales, Victoria and Queensland.

If forecasts materialise, the September 2008 quarter may see improvements takes place across all states with the exception of New South Wales where respondents are forecasting no change.

Sectoral Results

Most product sectors are expecting either improvements or no change to take place in general business conditions during the September and December 2008 quarters, while three sectors comprising of Screen Printing, Quick Printing and Business Forms and Continuous Stationery are forecasting deterioration.

The June 2008 quarter report shows high capacity utilisation/activity rates were reported by the Business Forms and Continuous Stationery, Cheques and Securities, Digital Printing and Quick Printing sectors.

Considerable levels of excess capacity seem to exist in the Trade Binding, Greeting Cards, Calendars and Diaries, Graphic Reproduction, Other Packaging and Paper Converting, General Promotional and Commercial and Screen Printing sectors.

Most sectors reported increased investment or no change in plant and machinery during the past six months. Four sectors comprising of Labels, Business Forms and Continuous Stationery, Greeting Cards, Calendars and Diaries and Folding Cartons reported reduced investments.

The sectors are either forecasting increased investment or no change in plant and machinery over the next six months, while the Labels, Business

Overview of Results

Sectoral Results

Forms and Continuous Stationery, Books, Magazines, Periodicals and Newspapers, Quick Printing and Screen Printing sectors are forecasting reduced investments.

All sectors reporting increased material costs during the June quarter. Over the outlook period all sectors on net balance basis are forecasting further increases in material costs.

Increased wage cost pressures were reported by most product sectors during the June 2008 quarter. A significant number of sectors are forecasting further increases during the September 2008 quarter.

With most sectors reporting either a decline or no change in average selling prices during the quarter, improvements in selling prices were confined to just four sectors - Cheques and Securities, Paper Merchants, Screen Printing and Digital Printing.

Over the outlook period most sectors are either forecasting no change or increased selling prices.

Given that the majority of sectors reported increases in the number of outstanding debtors during the June 2008 quarter, improvements were confined to a limited number of sectors comprising of Cheques and Securities and Business Forms and Continuous Stationery.

Significant improvements in the number of outstanding debtors over the outlook period are unlikely given that respondents from most sectors are either anticipating further increases or no change over the September quarter.

Forecast improvements over the outlook period were limited to just a single sector - Quick Printing.

Summary

With the Australian economy displaying visible signs of moderating, traditional seasonal influences in the printing industry failed to materialise during the June 2008 quarter thus condemning the industry to very difficult trading conditions.

Overview of Results

Summary

Deteriorations were reported in a number of key industry indicators including orders, production, sales, net profits, employment and overtime levels.

Other reported developments included increased cost pressures, increased difficulty in obtaining labour and finance, further falls in selling prices and rising number of outstanding debtors.

While investments in buildings were reported to have deteriorated, investments in plant and machinery rose by a very modest net balance.

Over the outlook period, the respondents are expecting reasonable net balance improvements to take place in a number of key industry indicators such as orders, production, sales and net profits. Despite the forecast pick up in industry activity during the September 2008 quarter, both employment and overtime levels are not forecast to rise.

Capital expenditure intentions remain positive but very modest for the September and December 2008 quarters with increased investments being forecast for plant and machinery.

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



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