PRINTING INDUSTRY TRENDS

June Quarter 2009

TRENDS

Volume 23 Number 2

Survey Contents

The Printing Industries Association of Australia has undertaken quarterly surveys of the paper, paper products, printing and publishing industry since 1987. For the June 2009 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:
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* 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.

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

Despite another tough trading quarter, the Printing Industry Trends Report for the June 2009 quarter shows an improvement in business confidence compared to the same period a year earlier as well as the previous quarter.

Key June 2009 quarter developments include:

- Reduced orders and production;
- Reduced sales and net profits;
- Reduced employment and overtime levels;
- Reduced selling prices;
- Reduced investments in plant and machinery;
- Finance reported harder to obtain;
- Labour reported easier to obtain
- Reduced levels of material stocks;
- Moderating material cost pressures and falling wage pressures; 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 2009 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 in most states with the exception of Western Australia and Tasmania where respondents are forecasting deterioration.

The most optimistic state is Queensland with a net balance of 41.2 per cent followed by Victoria with a net balance of 35.5 per cent.

Overview of Results

State Results

On net balance basis respondents from all states reported reduced levels of orders and production during the June 2009 quarter. Based on expectations, orders and production are likely to recover over the outlook period across most states with the exception of Tasmania (further reductions being forecast).

Increased material cost pressures were reported by respondents from all states during the June quarter. Over the outlook period, companies from all states on net balance basis are forecasting further increases in material cost pressures.

While material costs are forecast to increase the forecasts are essentially for moderate net balance increases. The most pessimistic forecasts concerning material costs are emanating from companies in Tasmania and Victoria with net balances of 28.6 per cent and 12.5 per cent respectively.

Companies from most states reported either reduced average wages or no change during the June quarter. Only respondents from New South Wales reported increased average wages but even that was a modest net balance increase. Compared with other states, a higher proportion of companies from Tasmania and Western Australia reported on net balance basis reduced wages.

Based on projections, moderate wage increases may take place during the September 2009 quarter across most states while wage pressures may reduce in South Australia and New South Wales.

Selling prices were reported to have fallen by respondents from all states during the June quarter. The largest net balance reductions were reported by respondents from Western Australia and Queensland with net balances of 72.7 per cent and 47.1 per cent respectively.

Over the outlook period respondents from South Australia are forecasting no change while respondents from Queensland are forecasting increased selling prices.

Overview of Results

State Results

Net profits were reported to have fallen by respondents from all states during the June quarter.

Compared to other states, the largest net balance reported deteriorations took place in Western Australia and Victoria. If forecasts materialise, there is likely to be improvements during the September 2009 quarter across most states.

Respondents from Queensland reported on net balance basis increased investment in plant and machinery during the six months leading up to the June quarter, while respondents from the other states reported either no change or reductions.

The forecasts for capital expenditure in plant and machinery remain weak over the outlook period as companies from only Tasmania and Queensland are forecasting increases.

Sectoral Results

Most sectors are forecasting general business conditions to improve during the September and December 2009 quarters. Only two sectors comprising of Quick Printing and Business Forms and Continuous Stationery are forecasting deterioration in business conditions while Screen Printing and Paper Merchants are forecasting no change.

The June 2009 quarter outcome shows capacity utilisation/activity levels were reported as being higher in the Books, Magazines, Periodicals and Newspapers, Folding Cartons, Labels and Quick Printing sectors.

Considerable levels of excess capacity exist in the Cheques and Securities, Digital Printing, Business Forms and Continuous Stationery, Greeting Cards, Calendars and Diaries, Graphic Reproduction, Other Packaging and Paper Converting and Screen Printing sectors.

With most sectors reporting reduced investment or no change in plant and machinery, improvements during the past six months were limited to just two sectors comprising of Graphic Reproduction and Trade Binding.

Overview of Results

Sectoral Results

The product sectors are either forecasting reduced investment or no change in plant and machinery over the next six months, while the Folding Cartons, Trade Binding, Other Packaging and Paper Converting, Books, Magazines, Periodicals and Newspapers, and General Promotional and Commercial sectors are forecasting increased investments.

Most sectors reported increased material costs during the June quarter. Over the outlook period most sectors on net balance basis are forecasting either further increases or no change in material cost pressures. The most pessimistic estimates are originating from the Folding Cartons and Digital Printing sectors.

Wage cost pressures seem to have moderated in the June quarter as only four sectors comprising of Trade Binding, General Promotional and Commercial, Graphic Arts Machinery and Supplies and Labels reported increased wage levels.

Five sectors comprising of Folding Cartons, Digital Printing, Quick Printing, Other Packaging and Paper Converting and Business Forms and Continuous Stationery reported reduced wage levels.

Majority of sectors are forecasting no change in wage levels during the September 2009 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 the Trade Binding sector.

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

With the vast majority of sectors reporting increases in the number of outstanding debtors during the June 2009 quarter, not a single sector reported improvements. Over the outlook period some stabilisation may return as a significant number of product sectors are forecasting no change in the number of outstanding debtors.

Overview of Results

Summary

Activity levels continued to remain depressed during the June 2009 quarter due to the subdued economic situation.

Substantial deteriorations were reported in a number of key industry indicators including orders, production, sales, net profits, employment and overtime levels. Other reported developments included moderating material costs and reduced wages, increased difficulty in obtaining finance, further falls in selling prices and rising 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 industry wide cutbacks to the labour force.

Over the outlook period, the respondents are expecting net balance improvements to take place in a number of key industry indicators including orders, production, sales, and net profits which may imply that the worst is over. Selling prices, employment and overtime levels are not expected to recover.

Capital expenditure intentions remain weak for the six months to December 2009.

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.