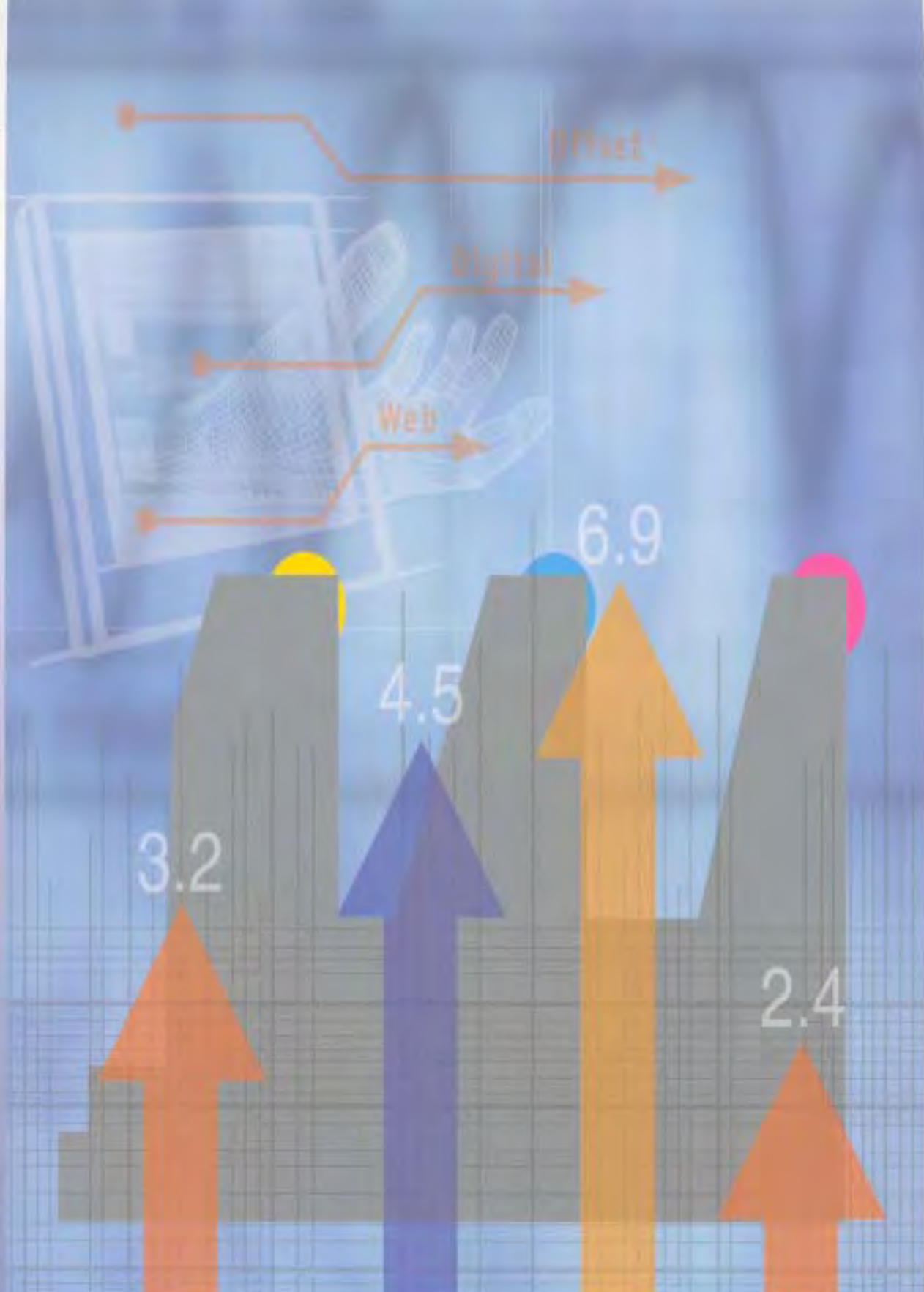




PRINTING INDUSTRY TRENDS



June Quarter 2011

TRENDS

Volume 25 Number 2

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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 June 2011 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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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

Industry activity levels remained subdued during the June 2011 quarter according to the Printing Industry Trends Report.

The general softness in economic conditions continues to negatively impact overall industry trading conditions. As a consequence business sentiment remains significantly weaker compared to the situation a year earlier.

Key June 2011 quarter developments were:

- Reduced orders and production;
- Reduced sales and net profits;
- Reduced employment and overtime levels;
- Reduced selling prices;
- Reduced investments in buildings and plant and machinery;
- Finance and Labour reported harder to obtain;
- Reduced levels of material stocks;
- Moderating material and wage cost 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 2011 quarter;
- Modest net balance increases 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 mixed with respondents from Victoria, South Australia and New South Wales forecasting improvements, Queensland and Tasmanian respondents forecasting deterioration, while respondents from Western Australia expect no change.

Overview of Results

State Results

On net balance basis respondents from most states reported reduced levels of orders and production during the June 2011 quarter. Going against the negative trend was South Australia which reported improvements in the production indicators.

Based on expectations, orders and production levels are forecast to increase over the outlook period across all states.

Material costs pressures were reported to have increased across New South Wales, Queensland, Victoria and South Australia. Respondents from Western Australia reported reduced material costs pressures during the quarter, while no change was reported by Tasmanian respondents.

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 South Australia and Queensland with net balances of 38.5 per cent and 36.8 per cent respectively.

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

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

Respondents from all states reported falling selling prices during the June quarter. The largest net balance reductions were reported by respondents from Victoria and New South Wales with net balances of 37.9 per cent and 33.3 per cent respectively.

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

Overview of Results

State Results

Net profits deteriorated during the June 2011 quarter according to respondents from all states with the exception of South Australia (improvement reported).

The largest net balance reported deteriorations took place in Victoria and Western Australia with net balances of 62.1 per cent and 60.0 per cent respectively.

If forecasts materialise, there is likely to be improvements in profitability during the September 2011 quarter in all states with the exception of Victoria (no change) and Queensland (deterioration expected).

With respondents from most states reporting reduced investments in plant and machinery during the six months to June 2011, reported improvements were limited to South Australia and Tasmania.

The outlook for plant and machinery over the next six months remains optimistic.

Sectoral Results

While most sectors are forecasting improvements or no change to take place in general business conditions during the next six months, two sectors comprising of Folding Cartons and Books, Magazines, Periodicals and Newspapers are forecasting deterioration in business conditions.

Over the outlook period the most optimistic sectors are the Graphic Reproduction and Other Packaging and Paper Converting.

Relatively higher capacity utilisation/activity levels were reported in the Graphic Reproduction, Books, Magazines, Periodicals and Newspapers, Business Forms and Continuous Stationery sectors.

Considerable levels of excess capacity were reported by the Screen Printing, Other Packaging and Paper Converting and Cheques and Securities sectors.

Overview of Results

Sectoral Results

With most sectors reporting reduced investment or no change in plant and machinery, reported improvements were confined to just two sectors - Trade Binding and Folding Cartons during the six months to June 2011.

The product sectors are either forecasting no change or reduced investment in plant and machinery over the next six months, while the Labels, Business Forms and Continuous Stationery, Graphic Reproduction and Digital Printing sectors are forecasting increased investments.

Despite half of the sectors reporting increased material costs during the quarter, the moderating nature of material costs was once again evident during the quarter as four sectors comprising of Graphic Reproduction, Other Packaging and Paper Converting, Graphic Arts Machinery and Supplies and Paper Merchants reported reduced material costs.

Over the outlook period most sectors on net balance basis are forecasting either increased material costs or no change, while the Graphic Reproduction sector is forecasting reduced material costs.

Wage cost pressures were reported to have increased by most sectors during the quarter. Only a single sector - Other Packaging and Paper Converting reported reduced wage pressures.

The majority of the sectors are forecasting increased wage pressures during the September 2011 quarter.

The sectors either reported a decline or no change in average selling prices during the June quarter.

Over the outlook period, most sectors are either forecasting no change in selling prices or reduced selling prices while the Screen Printing, Digital Printing and Folding Cartons sectors are forecasting increased selling prices.

Overview of Results

Sectoral Results

With reported improvements being confined to a few sectors such as the Cheques and Securities and Labels, cash flow management continued to remain an issue for most product sectors during the June 2011 quarter.

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

The most negative forecasts are emerging from the Graphic Arts Machinery and Supplies, Screen Printing, Trade Binding and Graphic Reproduction sectors.

Summary

Trading conditions remained subdued during the June 2011 quarter caused mainly by a general softness in economic conditions. Net balance deteriorations were reported for a number of pivotal industry indicators including orders, production, sales, net profits, selling prices, employment and overtime levels.

Capital expenditure also fell with net balance falls reported for both buildings and plant and machinery.

The respondents reported once again moderating cost pressures during the quarter for both material costs and wages.

Labour and finance were reported as being difficult to obtain and cash flow continued to come under pressure due to a reported rise in the number of outstanding debtors.

If forecasts materialise, then the outlook period should see net balance improvements taking place for a number of key industry indicators including orders, production, sales, and net profits.

Remaining very modest are expenditure intentions in plant and machinery over the six months to December 2011. Employment and overtime levels are forecast to decline.

Overview of Results

Summary

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

June Quarter 2011



Printing Industries Association of Australia

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