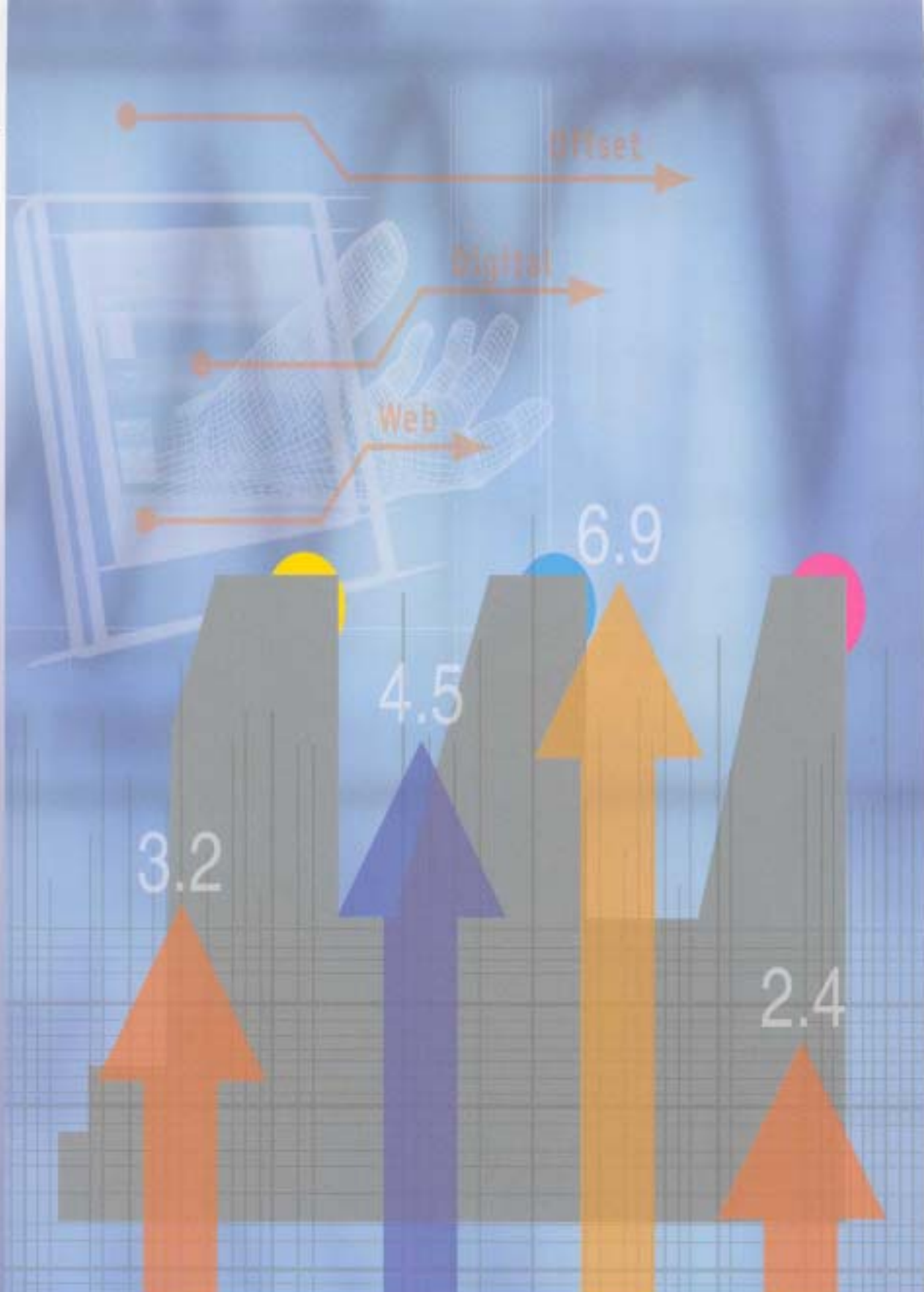




# PRINTING INDUSTRY TRENDS



**March Quarter 2006**

# TRENDS

**Volume 20 Number 1**

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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 March 2006 quarter, questionnaires were distributed to 270 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**, Manager, Industry and Commercial Policy 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 survey for the March 2006 quarter reveals business confidence remains positive on the back of a disappointing trading quarter.

The following are the key March 2006 quarter developments:

- Reduced orders and production;
- Reduced sales and net profits;
- Reduced employment and overtime levels;
- Reduced selling prices;
- Reported increased investment in plant and machinery;
- Finance reported easier to obtain;
- Labour reported harder to obtain;
- Reduced levels of material stocks;
- Reported increases 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 June 2006 quarter;
- Increased investment in plant and machinery during the next six months;
- Further falls in selling prices;
- Reduced availability of labour;
- Increased availability of finance;
- Increased employment and overtime levels;
- Further 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 three states – New South Wales, Victoria and Queensland, while respondents from the remaining states expect no change in business conditions.

## Overview of Results

### **State Results**

The most optimistic state is Queensland with a net balance of 33.3 per cent of survey respondents forecasting improvements.

Respondents from all states with the exception of Tasmania (increase) reported on net balance basis reduced levels of orders and production during the March 2006 quarter.

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

Respondents from all states reported increased material cost pressures in the March quarter.

Over the outlook period, companies from all states with the exception of those from Western Australia (no change) are forecasting increased material cost pressures.

The most pessimistic forecasts on material costs are emanating from companies in Tasmania and Queensland with net balances of 50.0 per cent and 46.7 per cent.

Companies from most states reported increases in average wages in the March quarter. Compared with other states, a higher proportion of companies from Victoria and Queensland reported on net balance basis increased wages.

According to projections, the June 2006 quarter will see increased wage pressures across most states with the exception of Western Australia (no change).

Companies from all states reported falls in selling prices during the March quarter. The largest net balance reported fall was from respondents from South Australia with a net balance of 50.0 per cent.

Over the outlook period, companies from most states are expecting on net balance basis further declining selling prices.

Defying the downward expectations are respondents from Tasmania who are expecting selling prices to improve during the June 2006 quarter.

## Overview of Results

### State Results

With the exception of South Australia (decline) and Tasmania (no change), respondents from the remaining states reported on net balance basis increased investment in plant and machinery.

The forecasts for capital expenditure in plant and machinery are even stronger over the outlook period with companies from all states forecasting further increases.

With the exception of respondents from Western Australia and Tasmania (no change reported), the profitability situation was reported to have deteriorated during the March 2006 quarter by a balance of respondents from the remaining states.

If forecasts hold, the June 2006 quarter may see improvements in all states with the exception of Western Australia.

### Sectoral Results

With the exceptions of Paper Merchants and Labels (deterioration) most product sectors are expecting improvements to take place in general business conditions over the next six months.

According to the March 2006 quarter reported results, high capacity utilisation/activity rates were achieved by the Greeting Cards, Calendars and Diaries, Other Packaging and Paper Converting, and Paper Merchants sectors.

Considerable levels of excess capacity seem to exist in the Business Forms and Continuous Stationery, Graphic Reproduction, Screen Printing, Desktop Publishing, Book Binding and Quick Printing sectors.

Most sectors reported increased investment in plant and machinery during the past six months.

Most sectors are either forecasting increased investments or no change in plant and machinery over the June-September 2006 outlook period.

## Overview of Results

### Sectoral Results

The material cost situation deteriorated further during the March quarter with the majority of sectors reporting increases. Over the outlook period most sectors are forecasting further increases in material costs.

Increased wage cost pressures were reported by most product sectors during the March 2006 quarter. A significant number of sectors are forecasting further increases during the June 2006 quarter.

With the sectors reporting either a decline or no change in average selling prices during the March quarter, no sector reported improvements.

Over the outlook period most sectors are either forecasting no change or declining selling prices while three sectors - General Promotional and Commercial, Other Packaging and Paper Converting, and Screen Printing are confident of achieving higher selling prices.

The majority of sectors reported reduced levels of net profits during the March 2006 quarter. Defying the downward trend were the Graphic Arts Machinery and Supplies and Greeting Cards, Calendars and Diaries sectors which reported increased levels of profits during the quarter.

Over the June 2006 quarter, improvements in profitability are being anticipated by eight sectors comprising of Cheques and Securities, Greeting Cards, Calendars and Diaries, Other Packaging and Paper Converting, General Promotional and Commercial, Quick Printing, Desktop Publishing, Screen Printing and Folding Cartons.

With the majority of sectors reporting increases in the number of outstanding debtors during the March 2006 quarter, the cash flow situation would have deteriorated since no sector reported any improvements.

Significant improvements in the number of outstanding debtors over the outlook period seem unlikely.



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