Printing Industries Association of Australia

PRINTING INDUSTRY TRENDS

March Quarter 2008

TRENDS

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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 March 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.

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

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

Key March 2008 quarter developments include:

- Reduced orders and production;
- Reduced sales and net profits;
- Increased employment but reduced overtime levels;
- Reduced selling prices;
- Reported increased investment in plant and machinery;
- Finance and 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 2008 quarter;
- Increased investment in plant and machinery during the next six months;
- Recovery in selling prices;
- Reduced availability of labour and finance;
- Increased employment but reduced overtime;
- 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 most states.

The most optimistic state is South Australia with a net balance of 36.4 per cent followed by Western Australia with a net balance of 9.1 per cent.

Respondents from only two states – South Australia and Tasmania on net balance basis reported increased levels of orders and production during the March 2008 quarter.

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

Overview of Results

State Results

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 Queensland and Tasmania with net balances of 43.8 per cent and 42.9 per cent respectively.

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

Compared with other states, a higher proportion of companies from Tasmania and Victoria reported on net balance basis increased wages. According to projections, the June 2008 quarter will see increased wage pressures across all states.

Companies from all states reported falls in selling prices during the March 2008 quarter. The largest net balance falls were reported by respondents from Tasmania and Queensland with net balances of 28.6 per cent and 18.8 per cent respectively.

Over the outlook period, companies from Queensland and Victoria are expecting on net balance basis increased selling prices.

Respondents from most states reported on net balance basis increased investment in plant and machinery during the March quarter while respondents from Western Australia reported reductions.

As for investment in buildings, respondents from all states on balance reported either no change or reduced investment. Investment expectations in buildings over the outlook period remain weak with respondents from only New South Wales forecasting increased investment activity.

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

With the exception of respondents from South Australia and Tasmania (improvements reported) the profitability situation was reported to have deteriorated during the March 2008 quarter by a balance of respondents from the remaining states.

Overview of Results

State Results

If forecasts materialise, the June 2008 quarter may see profitability improvements takes place in most states.

Sectoral Results

Most product sectors are expecting either improvements or no change to take place in general business conditions during the June and September 2008 quarters, while four sectors comprising of Other Packaging and Paper Converting, Graphic Reproduction, General Promotional and Commercial and Trade Binding are forecasting deterioration.

The March 2008 quarter report shows high capacity utilisation/activity rates were reported by the Other Packaging and Paper Converting, Cheques and Securities and General Promotional and Commercial sectors.

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

Most sectors reported increased investment or no change in plant and machinery during the past six months. The Other Packaging and Paper Converting reported reduced investments.

As for investment in buildings, most sectors either reported no change or reduced investment during the past six months while the General Promotional and Commercial sector reported increased investment activity.

The sectors are either forecasting increased investment or no change in plant and machinery over the next six months, while the Other Packaging and Paper Converting sector is forecasting reduced investments.

With most sectors reporting increased material costs during the March quarter the Labels sector went against the trend and reported reduced material costs. Over the outlook period most sectors on net balance basis are forecasting further increases in material costs.

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

Overview of Results

Sectoral Results

As most sectors reported either a decline or no change in average selling prices during the quarter, improvements in selling prices was confined to just two sectors – Quick Printing and Other Packaging and Paper Converting.

Over the outlook period most sectors are either forecasting no change or increased selling prices while respondents from the Books, Magazines, Periodicals and Newspapers, Folding Cartons and Labels sectors are forecasting reduced selling prices.

With the majority of sectors either reporting increases or no changes in the number of outstanding debtors during the March 2008 quarter, improvements were confined to a limited number of sectors comprising of Screen Printing and Cheques and Securities.

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

Forecast improvements over the outlook period are limited to just three sectors comprising of Business Forms and Continuous Stationery, Digital Printing and Paper Merchants.

Summary

The March 2008 quarter was characterised by difficult trading conditions. While some of the downturn could be attributed to seasonal factors, the magnitude of the reported deteriorations compared to the same period a year earlier suggest that other influences were at play as well.

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

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

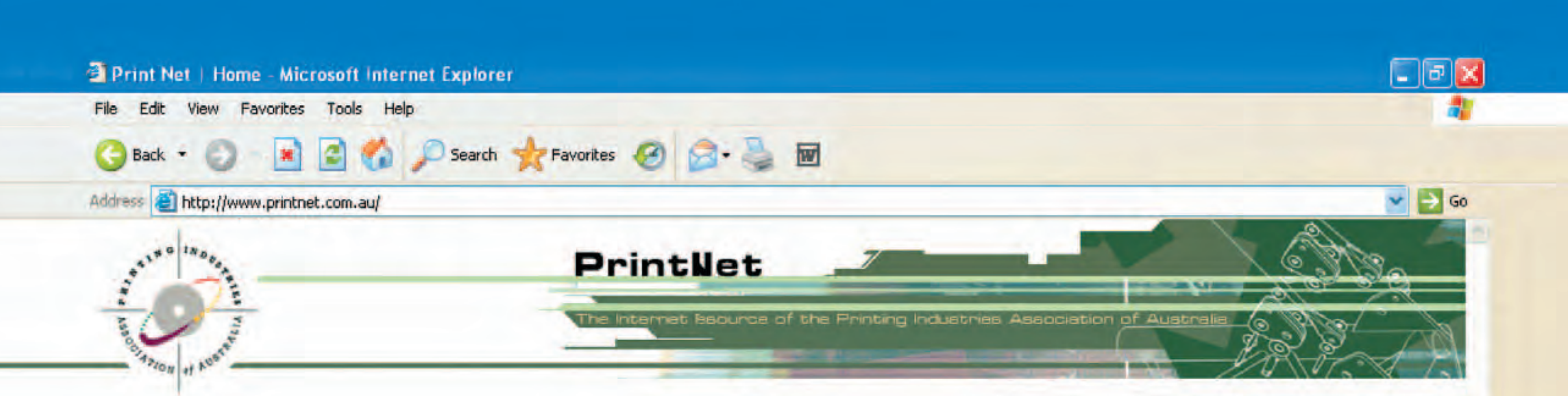
While investment in buildings was reported to have deteriorated investment in plant and machinery was once again positive.

Overview of Results

Summary

Over the outlook period, the respondents are expecting sizeable net balance improvements to take place in a number of key indicators such as orders, production, sales and net profits. With activity expected to pick up during the June 2008 quarter, employment levels are being forecast to rise.

Capital expenditure intentions remain favourable during the June quarter with increased investments being forecast for plant and machinery. Further increases across all production cost categories, reduced levels of material stocks, reduced availability of labour and finance, recovery in selling prices, and increased number of outstanding debtors round up the forecasts.



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