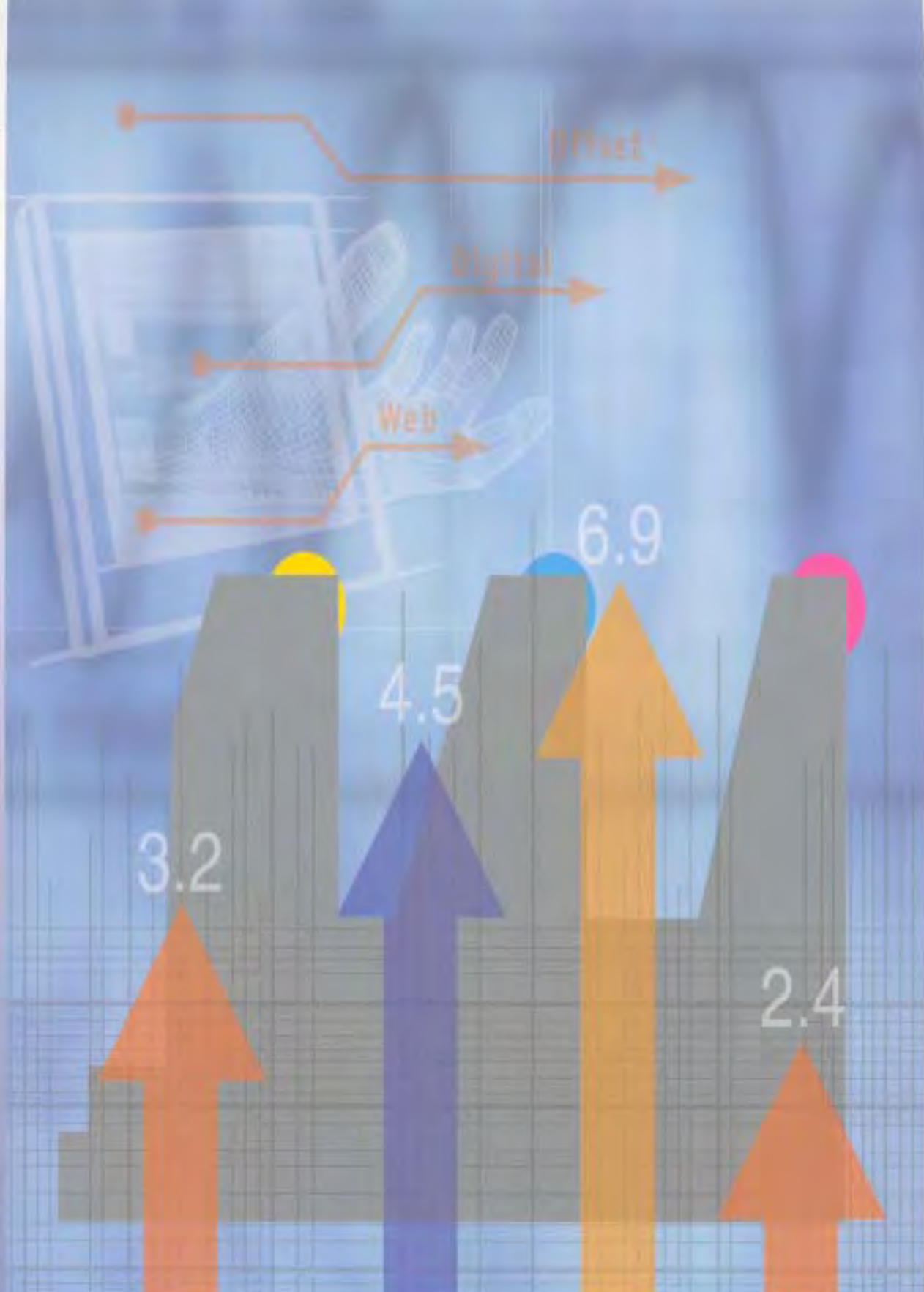




PRINTING INDUSTRY TRENDS



March Quarter 2009

TRENDS

Volume 23 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 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:

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 March 2009 quarter reveals significant deterioration in business confidence compared to the same period a year earlier.

Key March 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;
- Rising material cost pressures but moderating wage pressures; and
- Increased number of outstanding debtors.

According to expectations there should be:

- Net balance reductions in orders, production, sales and net profits during the June 2009 quarter;
- Decreased investment in plant and machinery during the next six months;
- Further reductions in selling prices;
- Reduced availability of finance;
- Increased availability of labour;
- Reduced 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 weak with respondents from all states with the exception of South Australia (improvement) forecasting deterioration.

The most pessimistic state is New South Wales with a net balance of 57.1 per cent followed by Western Australia with a net balance of 40.0 per cent.

Overview of Results

State Results

On net balance basis respondents from most states reported reduced levels of orders and production during the March 2009 quarter. Defying the downward trend were respondents from Tasmania who reported increased orders and production levels.

Based on expectations, orders and production are likely to fall over the outlook period across most states with the exception of South Australia (increase being forecast).

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 Western Australia and Queensland with net balances of 70.0 per cent and 52.6 per cent respectively.

Companies from all states reported increased average wages during the March quarter. Compared with other states, a higher proportion of companies from South Australia and New South Wales reported on net balance basis increased wages.

Based on projections, the June 2009 quarter may see wage pressures moderating in Tasmania, Western Australia and New South Wales.

Selling prices were reported to have fallen by respondents from all states during the March quarter. The largest net balance reductions were reported by respondents from Western Australia and Queensland with net balances of 70.0 per cent and 47.4 per cent respectively.

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

Respondents from Victoria defied the negative trend and reported on net balance basis increased investment in plant and machinery during the six months leading up to the March quarter.

Overview of Results

State Results

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

Selling prices were reported to have fallen by respondents from all states during the March quarter.

The largest net balance reductions were reported by respondents from Western Australia and Queensland with net balances of 70.0 per cent and 47.4 per cent respectively.

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

Sectoral Results

With only three sectors comprising of Cheques and Securities, Screen Printing and Graphic Arts Machinery and Supplies forecasting improvements, the vast majority of product sectors are expecting general business conditions to deteriorate during the June and September 2009 quarters.

The March 2009 quarter outcome shows capacity utilisation/activity levels were reported as being higher in the Paper Merchants, Labels, Folding Cartons and Business Forms and Continuous Stationery sectors.

Considerable levels of excess capacity exist in the Trade Binding, Cheques and Securities, 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 three sectors comprising of Business Forms and Continuous Stationery, Graphic Reproduction and Other Packaging and Paper Converting.

As for investment in buildings no sector reported increased investments during the past six months.

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 Screen Printing, Graphic Reproduction and Cheques and Securities sectors are forecasting increased investments.

All sectors reported increased material costs during the March quarter. Over the outlook period most sectors on net balance basis are forecasting further increases in material cost pressures.

The most pessimistic estimates are originating from the Folding Cartons, Quick Printing, Trade Binding, General Promotional and Commercial and Other Packaging and Paper Converting sectors.

Wage cost pressures seem to have moderated in the March quarter as only five sectors comprising of Business Forms and Continuous Stationery, Screen Printing, Digital Printing, Books, Magazines, Periodicals and Newspapers and General Promotional and Commercial reported increased wage levels.

A majority of sectors are forecasting no change in wage levels during the June 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 just two sectors comprising of Cheques and Securities and Paper Merchants.

Over the June quarter most sectors are either forecasting no change or reduced selling prices.

With the vast majority of sectors reporting increases in the number of outstanding debtors during the March 2009 quarter, not a single sector reported improvements.

The sectors over the outlook period are either anticipating further increases or no change while the Quick Printing sector is the only sector forecasting reduced number of outstanding debtors.

Overview of Results

Summary

Activity levels remained depressed during the March 2009 quarter due to the ongoing economic downturn in the Australian economy.

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 material costs but moderating wages, increased difficulty in obtaining finance, further falls in selling prices and rising number of outstanding debtors no doubt caused by the deteriorating cashflow position of print clients.

Capital expenditure in both buildings and plant and machinery was reported to have declined on a net balance basis.

Labour availability was reported to have increased on the back of industry wide cutbacks to the labour force.

Over the outlook period, the respondents are expecting further net balance deteriorations to take place in a number of key industry indicators including orders, production, sales, net profits, selling prices, employment and overtime levels.

Capital expenditure intentions remain negative for the June and September 2009 quarters despite the Federal Government's tax break for new investments.

Further 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.



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