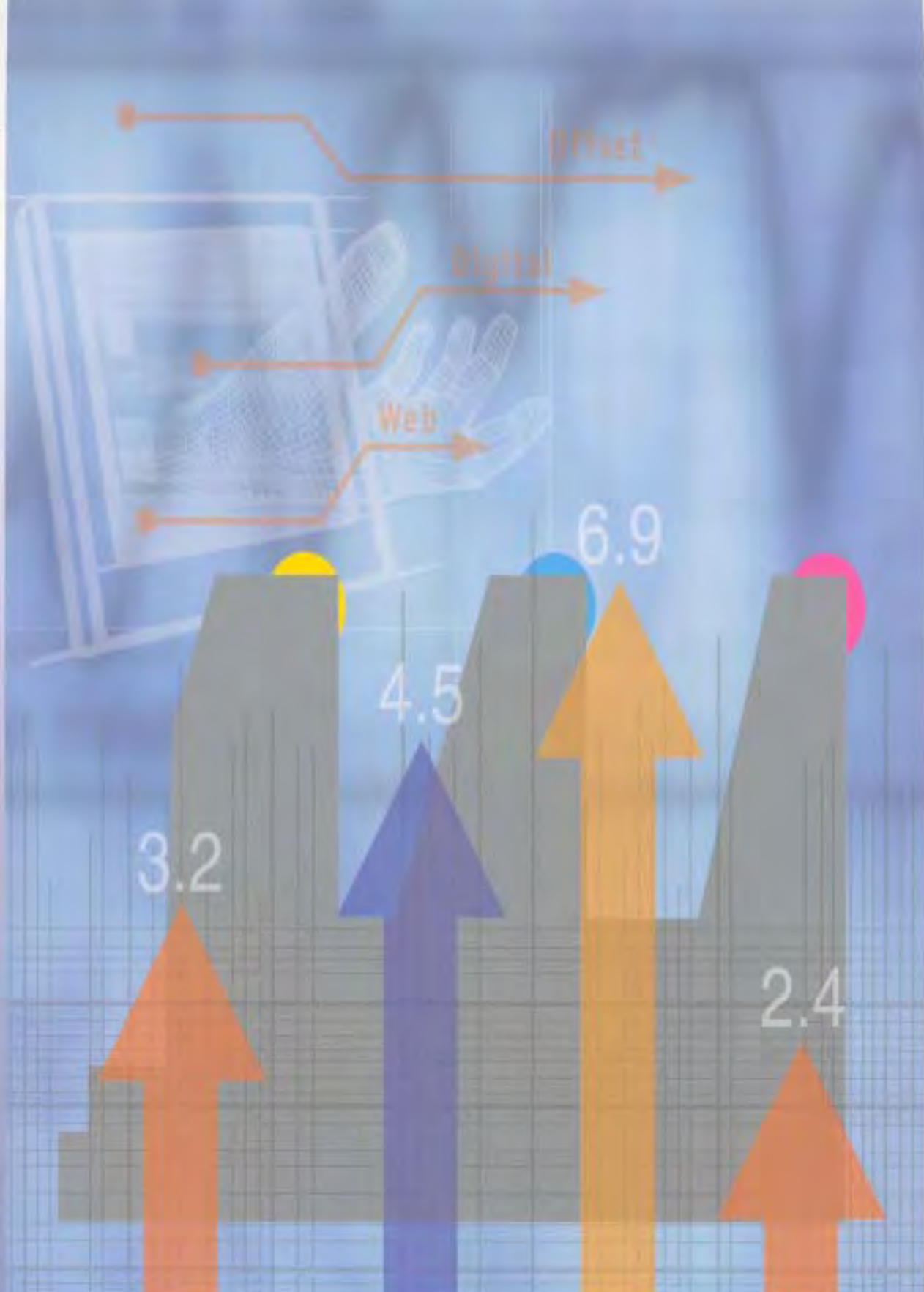




PRINTING INDUSTRY TRENDS



March Quarter 2010

TRENDS

Volume 24 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 2010 quarter, questionnaires were distributed to 300 companies. With 112 companies responding the survey response rate was 37.3 per cent.

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 declined during the March 2010 quarter according to the Printing Industry Trends Report. The seasonal driven deterioration however had no impact on business confidence levels which climbed higher compared to the previous quarter. Business sentiment is now also significantly higher than the corresponding period a year earlier.

Key March 2010 quarter developments were:

- Reduced orders and production;
- Reduced sales and net profits;
- Reduced employment and overtime levels;
- Reduced selling prices;
- Reduced investments in buildings but reported increases investment in plant and machinery;
- Finance and Labour reported harder to obtain;
- Reduced levels of material stocks;
- Increased 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 June 2010 quarter;
- No change on net balance basis in plant and machinery investments during the next six months;
- Recovery 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;
- Increased stock levels; and
- Increased number of outstanding debtors.

State Results

The outlook for general business expectations over the next six months remains favourable across all states. The most optimistic state over the outlook period is Western Australia with a net balance of 46.2 per cent followed by Queensland with a net balance of 43.8 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 2010 quarter.

Based on expectations, orders and production may recover over the outlook period across most states with the exception of Tasmania (reductions being forecast).

There were no exceptions this time as respondents from all states reported increased material cost pressures during the March 2010 quarter.

Over the outlook period, companies from all states on net balance basis are forecasting further increases in material cost pressures.

The most pessimistic forecasts concerning material costs are emanating from companies in New South Wales and South Australia with net balances of 40.6 per cent and 33.3 per cent respectively.

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

A higher proportion of companies from Tasmania and Western Australia reported on net balance basis increased wages.

Based on projections, with the exception of Tasmania (no change), wage increases may take place during the June 2010 quarter in the remaining states.

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 Queensland and Victoria with net balances of 37.5 per cent and 29.0 per cent respectively.

Over the outlook period respondents from Victoria and South Australia are forecasting increased selling prices, while no change is being anticipated by New South Wales respondents.

Overview of Results

State Results

Net profits were reported to have deteriorated during the March quarter according to respondents from all states with the exception of respondents from Western Australia who reported a modest net balance improvement.

Compared to other states, the largest net balance reported falls took place in Tasmania and New South Wales.

If forecasts materialise, there is likely to be improvements in profits during the June 2010 quarter, as only respondents from Tasmania are forecasting deteriorating profitability.

Respondents from all states reported increased investments in plant and machinery during the March 2010 quarter.

The forecasts for capital expenditure in plant and machinery are much stronger over the outlook period as companies from only Queensland and Tasmania are forecasting reductions.

Sectoral Results

The vast majority of sectors are forecasting improvements to take place in general business conditions during the June and September 2010 quarters. Two sectors comprising of Folding Cartons and Business Forms and Continuous Stationery are forecasting deterioration over the outlook period.

The March 2010 quarter outcome shows capacity utilisation/activity levels were reported as being higher in the Cheques and Securities, Labels and Graphic Arts Machinery and Supplies sectors.

Considerable levels of excess capacity were reported in the Business Forms and Continuous Stationery, Graphic Reproduction, Screen Printing, General Promotional and Commercial Printing, and Greeting Cards, Calendars and Diaries sectors.

With most sectors reporting increased investment or no change in plant and machinery, only a single sector – Business Forms and Continuous Stationery reported a fall in investments in plant and machinery during the six months to March 2010.

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 Graphic Reproduction, Cheques and Securities, Folding Cartons, Digital Printing and Quick Printing sectors are forecasting increased investments.

It seems that cost pressures are on the rise given that the vast majority of 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 while four sectors comprising of Trade Binding, Other Packaging and Paper Converting, Graphic Reproduction and Cheques and Securities are forecasting no change.

Wage cost pressures were reported to have increased by most sectors during the March quarter.

With majority of the sectors forecasting increased wage levels during the June 2010 quarter, cost pressures are once again mounting.

Most sectors reported a decline in average selling prices during the quarter. Defying the trend were the Labels and Paper Merchants sectors who reported increased selling prices.

Over the outlook period, most sectors are either forecasting no change or increased selling prices, whilst the Books, Magazines, Periodicals and Newspapers, Other Packaging and Paper Converting and Business Forms and Continuous Stationery sectors are forecasting reduced selling prices.

With reported improvements being confined to the Cheques and Securities and Quick Printing sectors, cash flow management continued to remain a problem during the March 2010 quarter. Over the June 2010 quarter outlook period, the vast majority of product sectors are forecasting increased number of outstanding debtors.

Overview of Results

Summary

Activity levels were reported to have deteriorated during the March 2010 quarter. Net balance declines were reported for a number of key industry indicators including orders, production, sales, selling prices, net profits, and employment and overtime levels.

The survey respondents reported increased material and wage cost pressures. Finance was once again reported as being difficult to obtain and cash flow came under pressure due to a significant reported rise in the number of outstanding debtors.

Capital expenditure in buildings continued to remain depressed but there was reported increased investment in plant and machinery.

With a tight labour market, labour availability was reported to have deteriorated during the March 2010 quarter, the first such outcome for six quarters.

Over the outlook period, the respondents are confident of net balance improvements taking place in a number of key industry indicators including orders, production, sales, selling prices and net profits. Employment and overtime are forecast to register modest falls. Expenditure intentions in plant and machinery remain weak over the six months to September 2010.

Increased cost pressures across all production cost categories, increased levels of material stocks, reduced availability of labour and finance, and increased number of outstanding debtors round up the forecasts.



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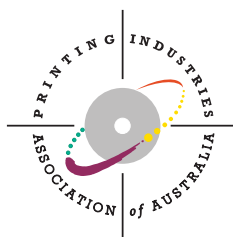
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