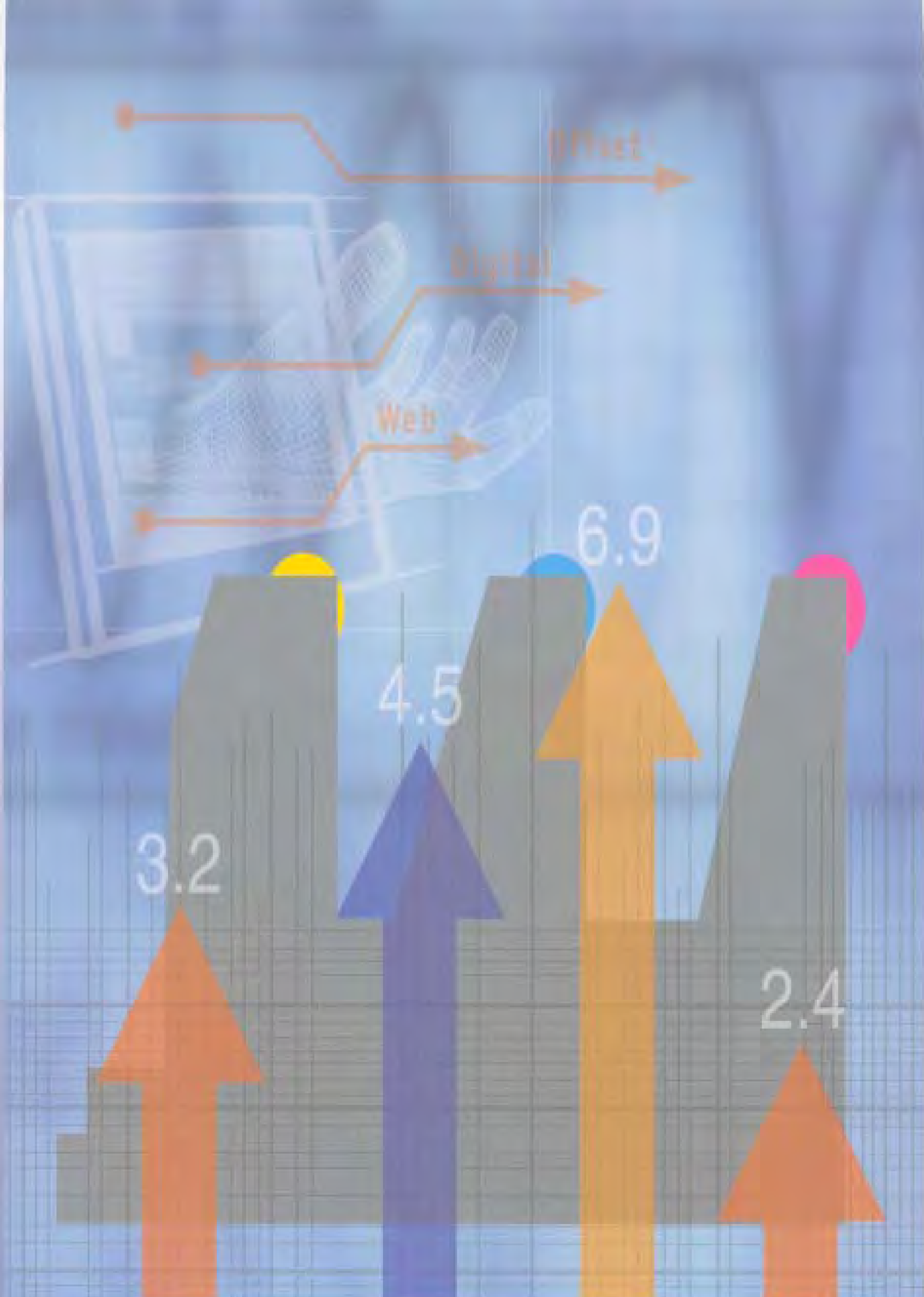
PRINTING INDUSTRY TRENDS

PRINTING INDUSTRIES ASSOCIATION of AUSTRALIA



March Quarter 2011

TRENDS

Volume 25 Number 1

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 2011 quarter, questionnaires were distributed to 295 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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Overview of Results

National Results

Industry activity levels were largely subdued during the March 2011 quarter according to the Printing Industry Trends Report. Seasonal influences combined with general softness in economic conditions no doubt had an impact on overall industry trading conditions. As a consequence business sentiment remains considerably weaker compared to the situation a year earlier.

Key March 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 but increased investment in 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:

- Reasonable net balance increases in orders, production, sales and net profits during the June 2011 quarter;
- Modest net balance increases in investment 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 favourable across most states. The most optimistic state over the outlook period is Western Australia with a net balance of 54.6 per cent followed by Victoria with a net balance of 27.6 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 2011 quarter.

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

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

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

The most pessimistic forecasts are emanating from companies in Western Australia and Queensland with net balances of 36.4 per cent and 31.3 per cent respectively.

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

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

Respondents from most states reported that selling prices had fallen during the quarter. The largest net balance reductions were reported by respondents from Queensland and Victoria with net balances of 66.7 per cent and 34.5 per cent respectively.

Over the outlook period respondents from South Australia and New South Wales are forecasting increased selling prices, respondents from Victoria, Queensland and Tasmania are forecasting reduced selling prices, while respondents from Western Australia are forecasting no change.

Overview of Results

State Results

Net profits deteriorated during the March 2011 quarter according to respondents from New South Wales, Victoria and Queensland.

The largest net balance reported deteriorations took place in Queensland and Victoria with net balances of 61.1 per cent and 41.4 per cent respectively.

If forecasts materialise, there is likely to be improvements in profitability during the June 2011 quarter in all states with the exception of Tasmania.

Respondents from most states with the exceptions of Queensland and Western Australia (decline) reported increased investments in plant and machinery during the six months to March 2011.

Investment expectations in plant and machinery over the outlook period (June and September 2011 quarters) remain mixed.

Sectoral Results

Most sectors are forecasting improvements to take place in general business conditions during the next six months.

Going against the forecast include the Folding Cartons sector (deterioration forecast) and the Business Forms and Continuous Stationery, Books, Magazines, Periodicals and Newspapers and Trade Binding sectors which are forecasting no change.

Over the outlook period the most optimistic sectors are the Graphic Reproduction and Graphic Arts Machinery and Supplies.

According to the March 2011 quarter outcome capacity utilisation/activity levels were reported as being higher in the Labels, Graphic Reproduction, and Books, Magazines, Periodicals and Newspapers sectors.

Considerable levels of excess capacity were reported in the Screen Printing, Other Packaging and Paper Converting, and Folding Cartons sectors.

Overview of Results

Sectoral Results

With most sectors reporting increased investment or no change in plant and machinery, reported deteriorations were confined to the Greeting Cards, Calendars and Diaries and Trade Binding sectors during the six months to March 2011.

The product sectors are either forecasting increased investment or no change in plant and machinery over the next six months, while the Greeting Cards, Calendars and Diaries, General Promotional and Commercial and Screen Printing sectors are forecasting reduced investments.

Despite a significant number of sectors reporting increased material costs during the quarter, the moderating nature of material costs was once again evident during the quarter.

Two sectors comprising of Graphic Arts Machinery and supplies and Labels reported reduced material costs.

Over the outlook period most sectors on net balance basis are forecasting no change in material costs while five sectors comprising Business Forms and Continuous Stationery, Folding Cartons, Books, Magazines, Periodicals and Newspapers, General Promotional and Commercial and Digital Printing are forecasting increased material costs.

Wage cost pressures were reported to have increased by most sectors during the quarter and the majority of the sectors are forecasting increased wage levels during the June 2011 quarter.

With most sectors reporting either a decline or no change in average selling prices during the quarter, improvements were confined to the Labels sector which reported increased selling prices.

Over the outlook period, most sectors are either forecasting no change in selling prices or reduced selling prices while the Books, Magazines, Periodicals and Newspapers and Cheques and Securities sectors are forecasting increased selling prices.

Overview of Results

Sectoral Results

As reported improvements were once again confined to just the Cheques and Securities sector, cash flow management continued to remain an issue for most product sectors during the March 2011 quarter.

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

The most negative forecasts are emerging from the Greeting Cards, Calendars and Diaries and Trade Binding sectors.

Only a single sector comprising of Books, Magazines, Periodicals and Newspapers is forecasting improvements in the number of outstanding debtors.

Summary

Trading conditions were reported to have deteriorated during the March 2011 quarter caused by a combination of seasonal factors and 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 remained mixed with net balance falls reported for buildings but increased investment reported for plant and machinery.

Moderating cost pressures were once again evident during the quarter as both material costs and wages trended downwards.

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

Overview of Results

Summary

Over the outlook period, net balance improvements are being forecast 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 September 2011. Employment and overtime levels are forecast to decline.

Moderate 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

March Quarter 2011

Sustainable Green Print

YOUR PATHWAY TO ISO14001

Sustainable Green Print...

Your pathway to environmental sustainability and competitive advantage...

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Sustainable Green Print (SGP) is the Australian printing industry's own recognisable certification program designed to help printing companies meet their environmental responsibilities and go above and beyond compliance.

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Can you afford not to go 'green'?

PRINTING INDUSTRIES ASSOCIATION of AUSTRALIA

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