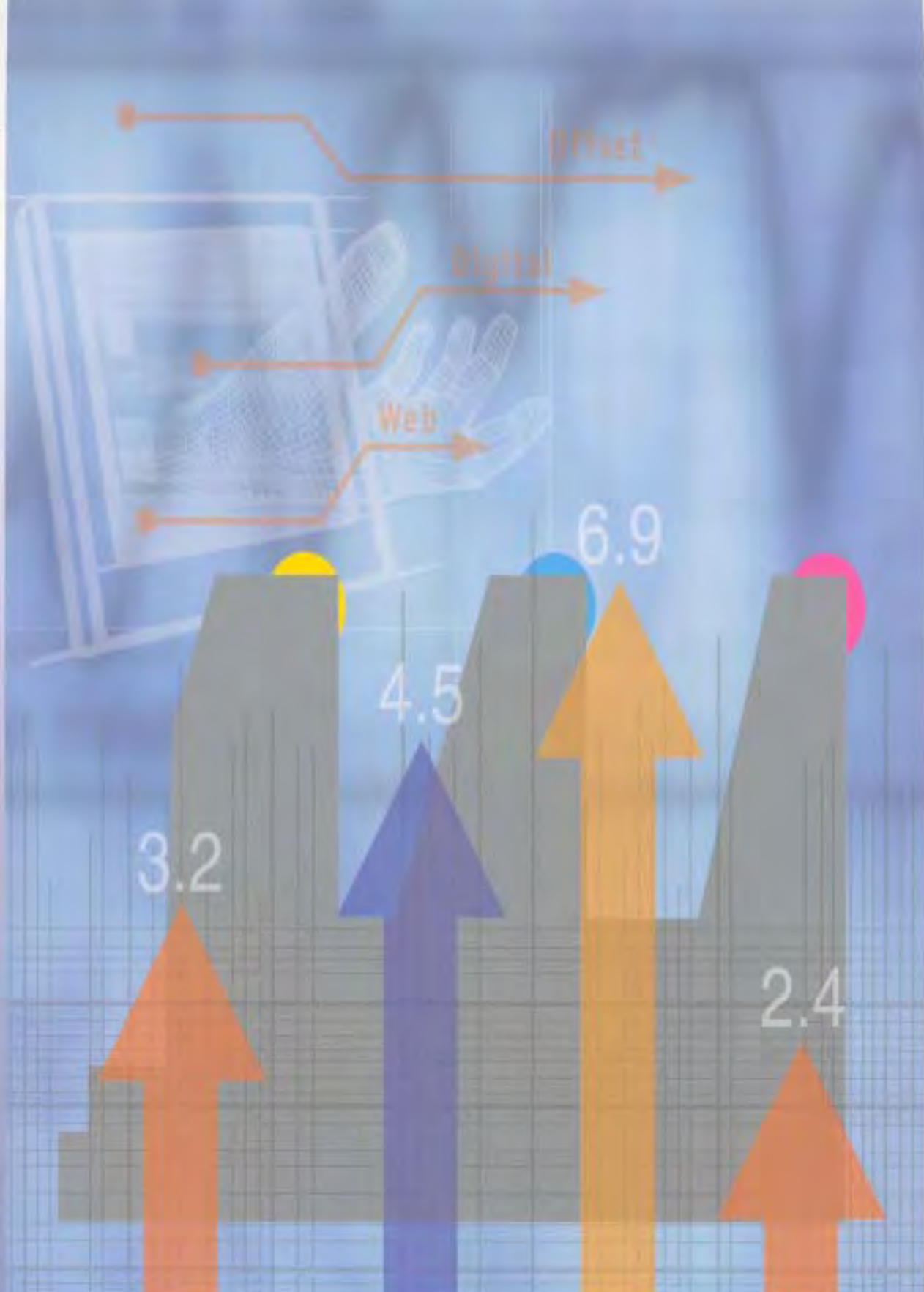




PRINTING INDUSTRY TRENDS



September Quarter 2007

TRENDS

Volume 21 Number 3

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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 September 2007 quarter, questionnaires were distributed to 275 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 Policy & Research Manager 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 September 2007 quarter reveals a slight deterioration in business confidence compared to the same period a year earlier.

The following are the key September 2007 quarter developments:

- Increased orders and production;
- Increased sales and net profits;
- Increased 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 December 2007 quarter;
- Increased investment in plant and machinery and buildings during the next six months;
- Recovery in selling prices;
- Reduced availability of labour and finance;
- Increased employment and overtime;
- Further 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 in all the states.

The most optimistic state is Tasmania with a net balance of 60.0 per cent followed by New South Wales with a net balance of 43.2 per cent.

Overview of Results

State Results

Respondents from all states with the exception of those from South Australia (decline reported) on net balance basis reported increased levels of orders and production during the September 2007 quarter. Based on expectations, improvements in orders and production over the outlook period are likely to occur in all states.

Respondents from all states reported increased material cost pressures during the quarter. Over the outlook period, companies from most states are forecasting further increases in material cost pressures.

The most pessimistic forecasts on material costs are emanating from companies in Western Australia and New South Wales with net balances of 28.6 per cent and 24.3 per cent respectively.

Companies from most states reported increases in average wages during the September 2007 quarter. Compared with other states, a higher proportion of companies from Western Australia and Queensland reported on net balance basis increased wages.

According to projections, the December 2007 quarter will see increased wage pressures across most states.

Companies from Queensland reported increased selling prices while respondents from South Australia, New South Wales and Western Australia reported falls in selling prices during the September 2007 quarter. The largest net balance falls were reported by respondents from Western Australia and South Australia with net balances of 42.9 per cent and 27.3 per cent respectively.

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

With the exceptions of South Australia and Western Australia (no change) respondents from the remaining states reported on net balance basis increased investment in plant and machinery during the September quarter.

Overview of Results

State Results

As for investment in buildings, respondents from all states on balance reported no change.

Investment expectations in buildings over the outlook period remain weak with respondents from only Victoria 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 New South Wales and South Australia (deterioration reported) and Western Australia (no change reported), the profitability situation was reported to have improved during the September 2007 quarter by a balance of respondents from the remaining states.

If forecasts materialise, the December 2007 quarter may see improvements takes place in all states.

Sectoral Results

Most product sectors are expecting improvements to take place in general business conditions during the December 2007 and March 2008 quarters.

The September 2007 quarter report shows high capacity utilisation/activity rates were achieved by the Cheques and Securities, Labels, Desktop Publishing and Graphic Design and General Promotional and Commercial sectors.

Considerable levels of excess capacity seem to exist in the Book Binding, Books, Magazines, Periodicals and Newspapers, Business Forms and Continuous Stationery, Graphic Reproduction, Screen Printing and Folding Cartons sectors.

Most sectors reported increased investment or no change in plant and machinery during the past six months.

Overview of Results

Sectoral Results

Four sectors comprising of Folding Cartons, Greeting Cards, Calendars and Diaries, Graphic Reproduction and Books, Magazines, Periodicals and Newspapers reported reduced investments.

Most sectors are either forecasting increased investment or no change in plant and machinery over the next six months, while the Graphic Reproduction and Greeting Cards, Calendars and Diaries sectors are forecasting reduced investments.

With most sectors reporting increased material costs or no change during the September quarter, two sectors – Greeting Cards, Calendars and Diaries and Other Packaging and Paper Converting perhaps benefiting from the stronger currency reported lower material costs.

Over the outlook period most sectors on net balance basis are forecasting further increases in material costs while the Folding Cartons, Graphic Reproduction and Other Packaging and Paper Converting are forecasting reduced material cost pressures.

Increased wage cost pressures were reported by most product sectors during the quarter. A significant number of sectors are forecasting further increases during the December 2007 quarter.

With the sectors reporting either a decline or no change in average selling prices during the quarter, improvements in selling prices were confined to five sectors – Other Packaging and Paper Converting, Cheques and Securities, Labels, Digital Printing and Desktop Publishing and Graphic Design.

Over the outlook period most sectors are either forecasting reduced selling prices or no change, while respondents from the Paper Merchant, General Promotional and Commercial, Cheques and Securities and Desktop Publishing and Graphic Design sectors are forecasting increased selling prices.

Overview of Results

Sectoral Results

With the majority of sectors either reporting increases or no changes in the number of outstanding debtors during the September 2007 quarter, improvements were confined to the Digital Printing, Business Forms and Continuous Stationery, Labels and General Promotional and Commercial sectors.

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

Forecast improvements over the outlook period are limited to just two sectors comprising of Screen Printing and Cheques and Securities.

Summary

Based on net balance reported outcomes, the September 2007 quarter turned out to be a reasonably good trading quarter with improvements reported in a number of key indicators such as orders, production, sales and net profits. There were also reported improvements in investments in plant and machinery during the six months leading to the September quarter.

Other reported September quarter developments include increased employment and overtime levels, difficulty in obtaining labour, increased material costs, wages and other labour costs, increased availability of finance, falling selling prices and rising number of outstanding debtors.

Over the outlook period, the respondents are expecting substantial improvements to take place in a number of key indicators such as orders, production, sales and net profits.

Overview of Results

Summary

With activity expected to pick up during the December 2007 quarter, both employment and overtime levels are also being forecast to rise.

Capital expenditure intentions remain favourable over the outlook period with increased investments being forecast.

Further increases across all production cost categories, increased 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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