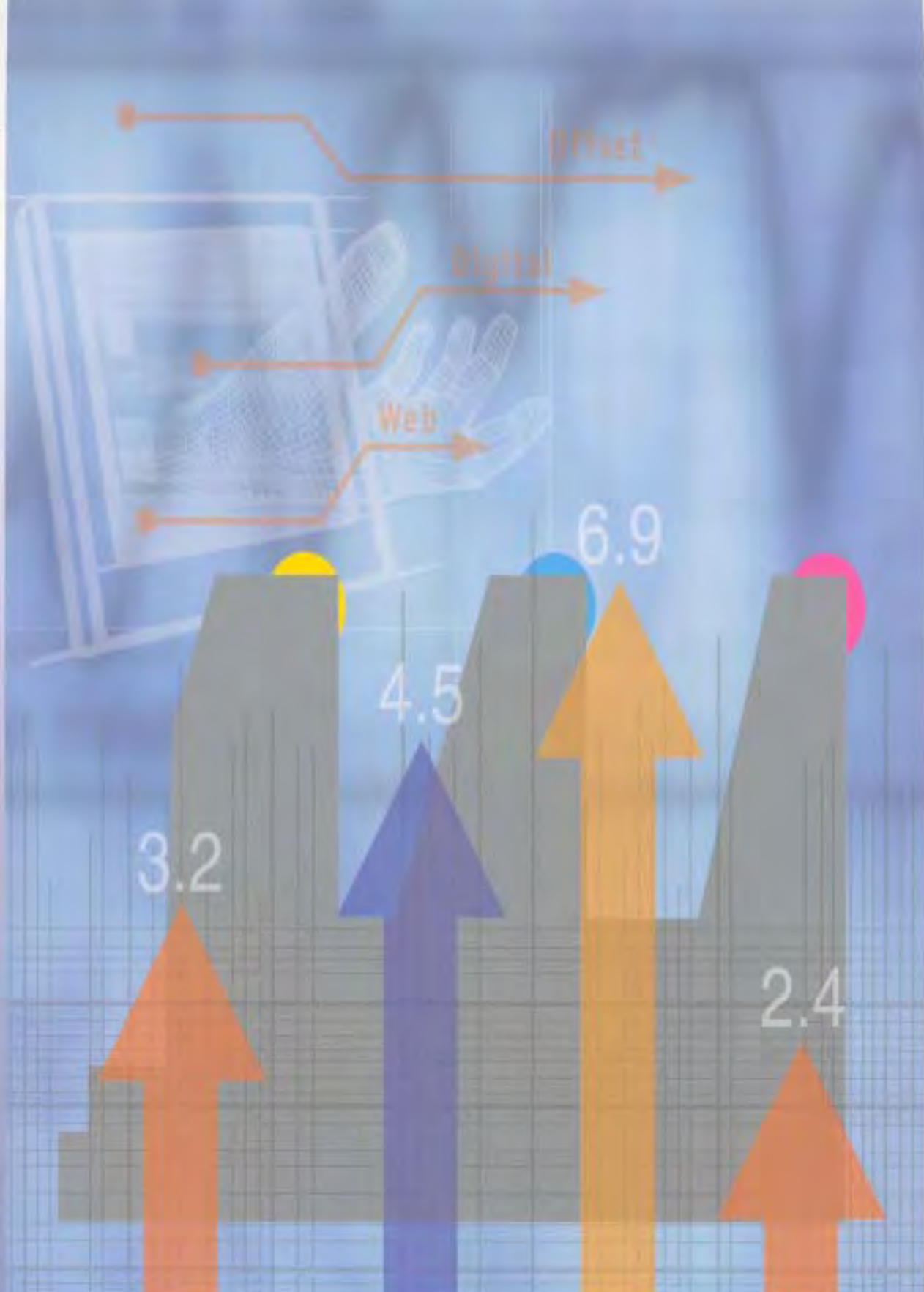




# PRINTING INDUSTRY TRENDS



**GYdhYa VYf Quarter 2009**

# TRENDS

**Volume 23 Number 1**

# Survey Contents

	Page
Overview of Results.....	2-4
National Report.....	5-9
State Report.....	10-13
Product Report.....	14-17
Appendix 1: Analysis by Size of Establishment.....	18-19
Charts:	
■ General Business Expectations.....	6
■ Availability of Labour and Finance.....	6
■ Capital Expenditure .....	7
■ Level of Employment.....	7
■ Level of Overtime .....	7
■ Orders Received.....	7
■ Level of Production .....	8
■ Level of Sales .....	8
■ Average Material Costs .....	8
■ Average Wages .....	8
■ Selling Prices .....	8
■ Net Profits.....	9
■ Raw Material Stocks .....	9
■ Number of Outstanding Debtors.....	9
■ General Business Expectations - by Size of Establishment .....	19
■ Level of Employment - by Size of Establishment.....	19
■ Capital Expenditure - by Size of Establishment.....	19

The Printing Industries Association of Australia has undertaken quarterly surveys of the paper, paper products, printing and publishing industry since 1987. For the September 2009 quarter, questionnaires were distributed to 290 companies. With 111 companies responding the survey response rate was 38.3 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 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

Whilst activity levels continues to remain depressed, the Printing Industry Trends Report for the September 2009 quarter shows a significant improvement in business confidence compared to the same period a year earlier as well as the previous quarter.

Key September 2009 quarter developments were:

- Reduced orders and production;
- Reduced sales and net profits;
- Reduced employment and overtime levels;
- Reduced selling prices;
- Reduced investments in plant and machinery and buildings;
- Finance reported harder to obtain;
- Labour reported easier 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:

- Net balance increases in orders, production, sales and net profits during the December 2009 quarter;
- Modest net balance increase in plant and machinery investments during the next six months;
- Further reductions in selling prices;
- Reduced availability of finance;
- Increased availability of labour;
- Reduced employment but increased overtime levels;
- Further moderate net balance 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 with the exception of Tasmania where respondents are forecasting deterioration. The most optimistic state over the outlook period is Western Australia with a net balance of 70.0 per cent followed by Victoria with a net balance of 58.6 per cent.

## Overview of Results

### State Results

On net balance basis respondents from most states reported reduced levels of orders and production during the September 2009 quarter.

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

With the exception of Western Australia (decline reported) increased material cost pressures were reported by respondents from all states during the September quarter. Over the outlook period, companies from most states on net balance basis are forecasting further moderate increases in material cost pressures. Respondents from New South Wales and Victoria are forecasting reductions.

The most pessimistic forecasts concerning material costs are emanating from companies in South Australia and Western Australia with net balances of 27.3 per cent and 20.0 per cent respectively.

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

Based on projections, moderate wage increases may take place during the December 2009 quarter across most states while wage pressures may ease in Western Australia.

Selling prices were reported to have fallen by respondents from all states during the September quarter. The largest net balance reductions were reported by respondents from Western Australia and South Australia with net balances of 70.0 per cent and 66.7 per cent respectively.

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

## Overview of Results

### State Results

Net profits were reported to have fallen by respondents from all states during the September quarter.

Compared to other states, the largest net balance reported deteriorations took place in Western Australia and South Australia. If forecasts materialise, there is likely to be improvements during the December 2009 quarter across most states.

Respondents reported either no change or reductions in investments in plant and machinery during the September 2009 quarter.

The forecasts for capital expenditure in plant and machinery are somewhat stronger over the outlook period as companies from Victoria, Western Australia and Queensland are forecasting increases.

### Sectoral Results

Most sectors are forecasting general business conditions to improve during the December 2009 and March 2010 quarters.

Only two sectors comprising of Other Packaging and Paper Converting and Business Forms and Continuous Stationery are forecasting deterioration in business conditions while Quick Printing and Folding Cartons are forecasting no change.

The September 2009 quarter outcome shows capacity utilisation/activity levels were reported as being higher in the Books, Magazines, Periodicals and Newspapers, Folding Cartons, Labels and Quick Printing sectors.

Considerable levels of excess capacity were reported in the Cheques and Securities, Business Forms and Continuous Stationery, 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 two sectors comprising of Digital Printing and Labels.

## Overview of Results

### Sectoral Results

The product sectors are either forecasting increased investment or no change in plant and machinery over the next six months, while the Quick Printing, General Promotional and Commercial, Folding Cartons and Business Forms and Continuous Stationery are forecasting reduced investments.

Most sectors reported increased material costs during the September quarter. Over the outlook period most sectors on net balance basis are forecasting either further increases or no change in material cost pressures.

A significant number comprising of Cheques and Securities, Paper Merchants, Screen Printing, Graphic Arts Machinery and Supplies, Business Forms and Continuous Stationery and Labels are forecasting reduced material cost pressures.

Wage cost pressures continued to remain moderate during the September quarter. Three sectors – Trade Binding, Books, Magazines, Periodicals and Newspapers and Quick Printing reported reduced wage levels on net balance basis. Majority of sectors are forecasting no change in wage levels during the December 2009 quarter.

The sectors reported either a decline or no change in average selling prices during the quarter. Over the outlook period most sectors are either forecasting reduced selling prices or no change whilst the Cheques and Securities, Labels and Folding Cartons sectors are forecasting increased selling prices.

With the vast majority of sectors reporting increases in the number of outstanding debtors during the September 2009 quarter, reported improvements were confined to the Books, Magazines, Periodicals and Newspapers, Cheques and Securities and Quick Printing sectors.

Over the outlook period most product sectors are forecasting increases in the number of outstanding debtors while the Trade Binding sector is deviating from the general forecast by forecasting reduced levels of outstanding debtors.

## **Overview of Results**

### ***Summary***

Despite activity levels continuing to remain depressed during the September 2009 quarter the reported deteriorations were not as profound as in previous quarters due to improvements in the general economic situation. Modest net balance deteriorations were reported for a number of key industry indicators including orders, production, sales, and net profits.

Significant net balance deteriorations were reported in employment and overtime levels. The respondents also reported moderate increases in material costs and wages, increased difficulty in obtaining finance, further falls in selling prices and rising number of outstanding debtors.

Capital expenditure in both buildings and plant and machinery remained depressed on a net balance basis. Labour availability was reported to have increased on the back of ongoing industry wide cutbacks of the labour force.

Over the outlook period, the respondents are expecting net balance improvements to take place in a number of key industry indicators including orders, production, sales, net profits and overtime levels. Selling prices and employment however are not expected to recover.

Capital expenditure intentions in plant and machinery remain at best modest over the six months to March quarter 2010. Further moderate 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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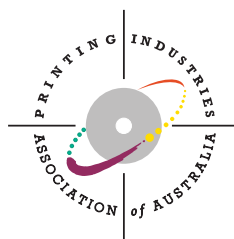
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