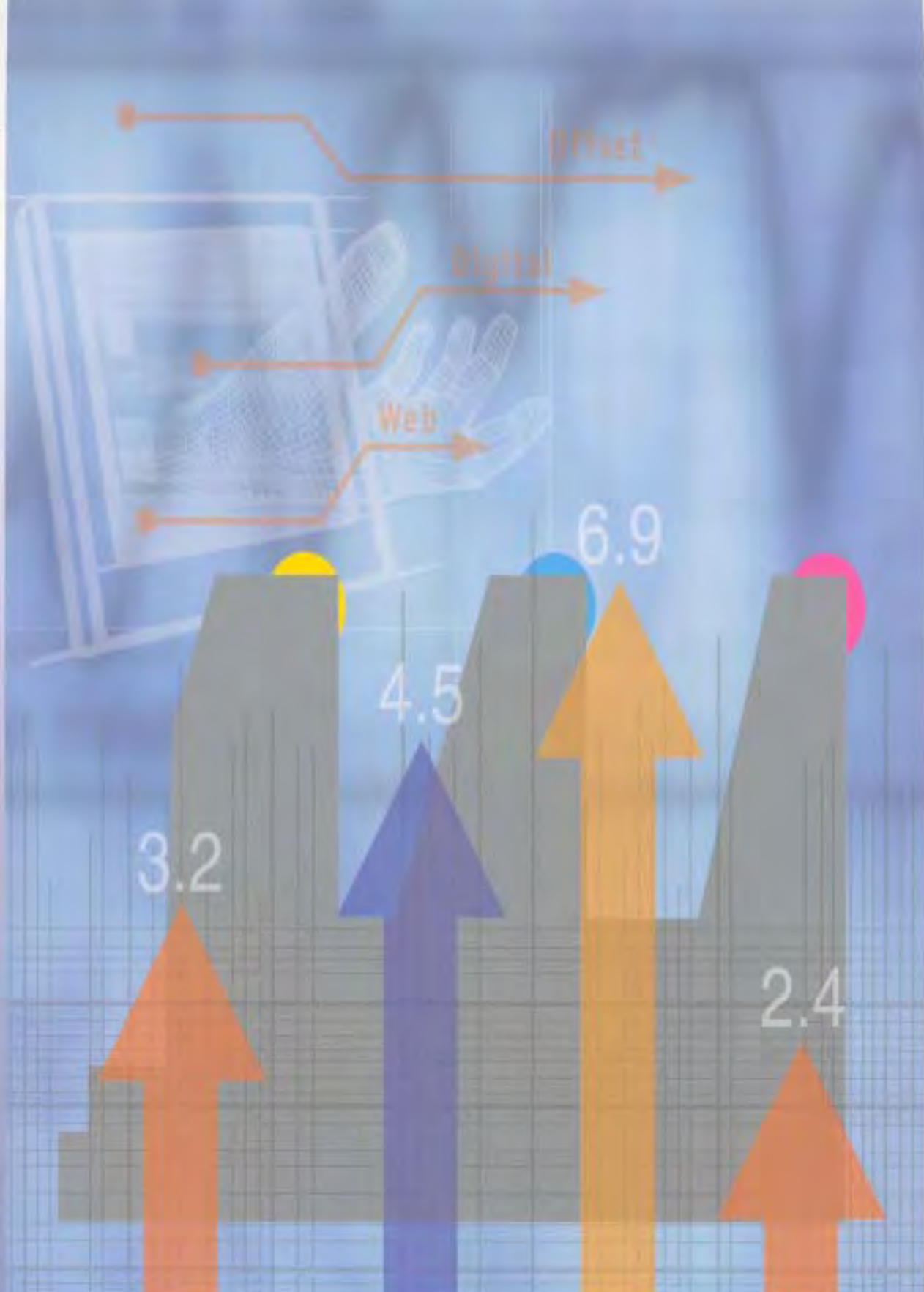




PRINTING INDUSTRY TRENDS



September Quarter 2010

TRENDS

Volume 24 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 2010 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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WARNING

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 were reported to have increased during the September 2010 quarter according to the Printing Industry Trends Report. The improvement however had no impact on business confidence levels which registered a slight deterioration compared to the previous quarter. Despite the reported deterioration, business sentiment is now marginally higher than the corresponding period a year earlier.

Key September 2010 quarter developments were:

- Increased orders and production;
- Increased 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;
- 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 December 2010 quarter;
- Increased investment in plant and machinery investments over the next six months;
- Further reductions in selling prices;
- Reduced availability of finance and labour;
- Increased 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 continues to be South Australia with a net balance of 50.0 per cent followed by Victoria with a net balance of 38.7 per cent.

Overview of Results

State Results

On net balance basis respondents from most states reported increased levels of orders and production during the September 2010 quarter.

Based on expectations, orders and production levels are forecast to increase over the outlook period across most states with the exception of Tasmania (reductions being forecast for orders and no change in production levels).

Material costs pressures were reported to have increased across most states during the September 2010 quarter.

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

The most pessimistic forecasts are emanating from companies in Queensland and South Australia with net balances of 40.0 per cent and 30.0 per cent respectively.

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

Based on forecasts, further net balance wage increases may take place during the December 2010 quarter across all states.

Respondents from most states indicated 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 37.5 per cent and 22.6 per cent respectively.

Defying the downward trend were respondents from Western Australia which reported increased selling prices.

Over the outlook period respondents from Victoria and Queensland are forecasting reduced selling prices, while no change is being anticipated by respondents from the remaining states.

Overview of Results

State Results

Net profits improved during the September quarter according to respondents from South Australia and Victoria. Respondents from three states – Tasmania, New South Wales and Queensland reported reduced net profits while no change was reported by respondents from Western Australia.

The largest net balance reported falls took place in Tasmania and Queensland with net balances of 25.0 per cent and 18.8 per cent respectively.

If forecasts materialise, there is likely to be widespread improvements in profitability during the December 2010 quarter, as only respondents from Tasmania are forecasting deterioration in profitability during the next quarter.

Respondents from two states – South Australia and Western Australia reported increased investments in plant and machinery during the September 2010 quarter.

The forecasts for capital expenditure in plant and machinery remain strong over the outlook period as companies from most states with the exception of Tasmania are forecasting increases.

Sectoral Results

The vast majority of sectors are once again forecasting improvements to take place in general business conditions during the next six months.

The Other Packaging and Paper Converting, Greeting Cards, Calendars and Diaries and Business Forms and Continuous Stationery (no change forecast) are deviating from the generally optimistic forecasts.

The September 2010 quarter outcome shows capacity utilisation/activity levels were reported as being higher in the Cheques and Securities, Labels, and Paper Merchants sectors.

Considerable levels of excess capacity were reported in the Screen Printing, Graphic Reproduction, Folding Cartons, General Promotional and Commercial, and Digital Printing 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 General Promotional and Commercial, Screen Printing, and Greeting Cards, Calendars and Diaries sectors during the six months to September 2010.

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 and Books, Magazines, Periodicals and Newspapers sectors are forecasting reduced investments.

Despite most sectors reporting increased material costs during the quarter, the moderating nature in material costs was evident during the quarter. Two sectors – Graphic Arts Machinery and Supplies and Other Packaging and Paper Converting reported reduced material costs.

Over the outlook period most sectors on net balance basis are forecasting further increases in material costs while three sectors comprising of Other Packaging and Paper Converting, Cheques and Securities and Paper Merchants are forecasting reduced material costs.

Wage cost pressures were reported to have increased by most sectors during the quarter. With the vast majority of the sectors forecasting increased wage levels during the December 2010 quarter, wage cost pressures are once again becoming an issue for businesses.

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

Over the outlook period, most sectors are either forecasting no change or reduced selling prices, while the General Promotional and Commercial, Labels and Graphic Reproduction sectors are forecasting increased selling prices.

Overview of Results

Sectoral Results

As reported improvements were confined to just two sectors – Cheques and Securities and Folding Cartons, cash flow management continued to remain an issue for most product sectors during the September 2010 quarter.

Over the December 2010 quarter outlook period, the vast majority of product sectors are forecasting either increased number of outstanding debtors or no change.

A single sector – Digital Printing is going against the general negative trend and forecasting reduced number of outstanding debtors and improvements in cash flow position.

Summary

Modest improvements were reported in industry activity levels during the September 2010 quarter. Net balance improvements were reported for a number of pivotal industry indicators including orders, production, sales, and net profits.

Other key indicators such as employment, overtime and selling prices registered net balance falls.

The survey respondents also reported increased wage cost pressures as labour availability continued to deteriorate. The stronger currency seems to have played a part in helping to moderate material cost increases.

Finance was once again reported as being difficult to obtain and cash flow continued to come under pressure due to rising number of outstanding debtors.

Capital expenditure in buildings was reported to have declined but there was a modest net balance improvement for investment in plant and machinery.

Over the outlook period, net balance improvements are being forecast for a number of key industry indicators including orders, production, sales, net profits, employment and overtime.

Also remaining reasonably strong are expenditure intentions in plant and machinery over the six months to March 2011.

Overview of Results

Summary

Increased 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

September Quarter 2010



**Sustainable
Green Print**

YOUR PATHWAY
TO ISO14001

Sustainable Green Print...

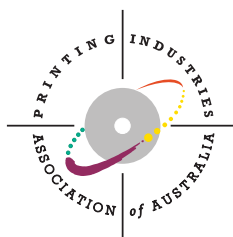
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