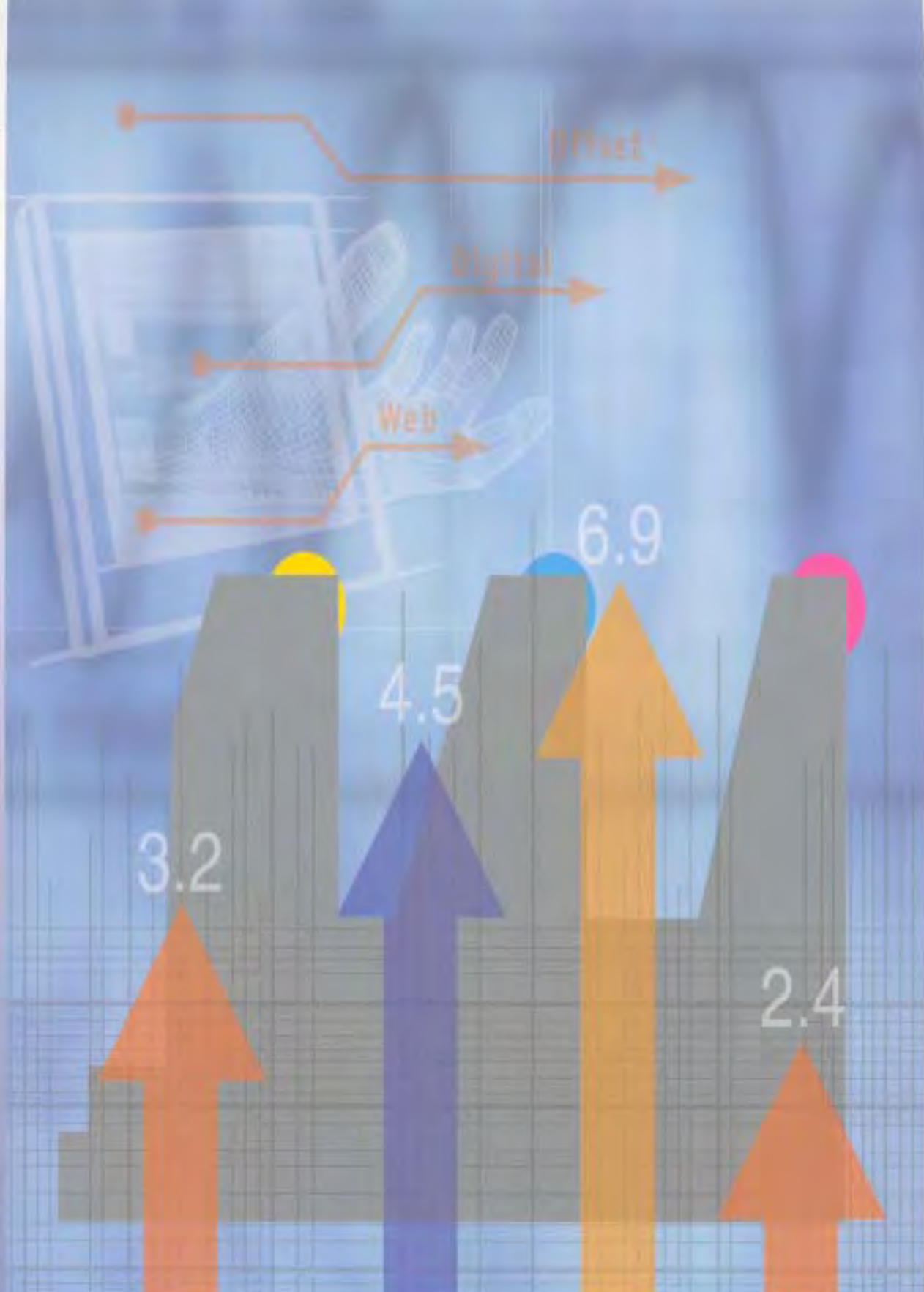




PRINTING INDUSTRY TRENDS



June **Quarter 2007**

TRENDS

Volume 21 Number 2

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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 June 2007 quarter, questionnaires were distributed to 280 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 June 2007 quarter reveals business confidence has surged to the highest level since September quarter 1994 despite another modest trading quarter.

The following are the key June 2007 quarter developments:

- Increased orders and production;
- Increased sales but reduced net profits;
- Reduced 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 September 2007 quarter;
- Increased investment in plant and machinery and buildings during the next six months;
- Further falls in selling prices;
- Reduced availability of labour;
- Increased availability of 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 Victoria with a net balance of 63.9 per cent followed by Queensland with a net balance of 60.0 per cent.

Overview of Results

State Results

Respondents from New South Wales and Queensland reported on net balance basis increased levels of orders and production during the June 2007 quarter.

Based on expectations, improvements in orders and production over the outlook period are likely to occur in all states.

Respondents from most states reported increased material cost pressures during the June 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 Queensland and Western Australia with net balances of 33.3 per cent and 25.0 per cent.

Companies from most states reported increases in average wages during the June 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 September 2007 quarter will see increased wage pressures across most states.

Companies from all states with the exception of Western Australia (no change) reported falls in selling prices during the June quarter.

The largest net balance falls were reported by respondents from New South Wales and South Australia with net balances of 30.3 per cent and 27.3 per cent respectively.

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

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

Overview of Results

State Results

As for investment in buildings, respondents on balance reported either increased activity or no change with the exception of respondents from New South Wales and Victoria who reported reduced activity.

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 stronger over the outlook period with companies from all states forecasting further increases.

With the exception of respondents from Queensland (improvement reported) and New South Wales and Tasmania (no change reported), the profitability situation was reported to have deteriorated during the June 2007 quarter by a balance of respondents from the remaining states.

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

Sectoral Results

All product sectors are expecting improvements to take place in general business conditions during the September and December 2007 quarters.

The June 2007 quarter report reveals high capacity utilisation/activity rates were achieved by the Cheques and Securities, Labels, Quick Printing, Graphic Arts Machinery and Supplies and Paper Merchant sectors.

Considerable levels of excess capacity seem to exist in the Book Binding, Screen Printing, Graphic Reproduction, Desktop Publishing and Graphic Design, Digital Printing and Greeting Cards, Calendars and Diaries sectors.

Most sectors reported increased investment or no change in plant and machinery during the past six months. Three sectors – Folding Cartons, Screen Printing and Business Forms

Overview of Results

Sectoral Results

and Continuous Stationery reported reduced investments.

Most sectors are either forecasting increased investment or no change in plant and machinery over the next six months, while the Folding Cartons, Other Packaging and Paper Converting and Greeting Cards, Calendars and Diaries sectors are forecasting reduced investments.

With most sectors reporting increased material costs or no change during the June quarter, two sectors – Cheques and Securities and Books, Magazines, Periodicals and Newspapers 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.

Increased wage cost pressures were reported by most product sectors during the quarter. A significant number of sectors are forecasting further increases during the September 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 just two sectors – Screen Printing and Labels.

Over the outlook period most sectors are either forecasting reduced selling prices or no change, while respondents from the Digital Printing and General Promotional and Commercial sectors are forecasting increased selling prices.

With the majority of sectors either reporting increases or no changes in the number of outstanding debtors during the June 2007 quarter, improvements were confined to the Screen Printing, Business Forms and Continuous Stationery and Cheques and Securities 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 September quarter.

Overview of Results

Sectoral Results

Forecast improvements over the outlook period are limited to just three sectors comprising of Book Binding, Business Forms and Continuous Stationery and Quick Printing.

Summary

On net balance basis, the June 2007 quarter turned out to be another modest trading quarter with improvements reported in a number of key indicators such as orders, production and sales. There were also reported improvements in investments in plant and machinery during the six months leading to the June quarter.

Other reported June quarterly developments include falls in net profits and selling prices, difficulty in obtaining labour, increased material costs, wages and other labour costs, increased availability of finance, 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. The forecasts for orders, production and sales are at their most optimistic levels since December quarter 1994.

With activity expected to pick up during the September 2007 quarter, both employment and overtime levels are 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, increased availability of finance, recovery in selling prices, and increased number of outstanding debtors round up the forecasts.



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