Printing Industries Association of Australia

PRINTING INDUSTRY TRENDS

June Quarter 2010

TRENDS

Volume 24 Number 2

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 June 2010 quarter, questionnaires were distributed to 300 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 reported to have declined once again during the June 2010 quarter according to the Printing Industry Trends Report. The deterioration however had no impact on business confidence levels which climbed higher compared to the previous quarter. Business sentiment is now significantly higher than the corresponding period a year earlier.

Key June 2010 quarter developments were:
- Reduced orders and production;
- Reduced sales and net profits;
- Reduced employment and overtime levels;
- Reduced selling prices;
- Reduced investments in buildings and 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 September 2010 quarter;
- No change on net balance basis in plant and machinery investments during the next six months;
- Further reductions in selling prices;
- Reduced availability of finance and labour;
- Increased employment but reduced overtime levels;
- Further 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 across most states. The most optimistic state over the outlook period is South Australia with a net balance of 63.6 per cent followed by Victoria with a net balance of 48.2 per cent.

Overview of Results

State Results

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

Based on expectations, orders and production may recover 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 intensified across most states during the June 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 New South Wales and South Australia with net balances of 51.7 per cent and 45.5 per cent respectively.

Companies from three states – Queensland, Victoria and New South Wales reported increases in wages during the June quarter. A higher proportion of companies from New South Wales and Victoria reported on net balance basis increased wages.

Based on forecasts, with the exception of South Australia (no change), further net balance wage increases may take place during the September 2010 quarter in the remaining states.

Selling prices were reported to have fallen by respondents from most states during the June quarter. The largest net balance reductions were reported by respondents from Queensland and Tasmania with net balances of 66.7 per cent and 40.0 per cent respectively.

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

Over the outlook period respondents from New South Wales and Western Australia are forecasting increased selling prices, while no change is being anticipated by respondents from Victoria and South Australia.

Overview of Results

State Results

Net profits were reported to have deteriorated during the June quarter according to respondents from all states. Compared to other states, the largest net balance reported falls took place in New South Wales and Queensland with net balances of 41.4 per cent and 40.0 per cent respectively.

If forecasts materialise, there is likely to be improvements in profits during the September 2010 quarter, as only respondents from Tasmania and Queensland are forecasting no change in profitability while respondents from the other states are forecasting increases.

Respondents from most states reported increased investments in plant and machinery during the June 2010 quarter. The forecasts for capital expenditure in plant and machinery remain weak over the outlook period as companies from only the larger states of New South Wales and Victoria 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 (deterioration forecast) and Screen Printing sectors (no change forecast) are deviating from the generally optimistic forecasts.

The June 2010 quarter outcome shows capacity utilisation/activity levels were reported as being higher in the Books, Magazines, Periodicals and Newspapers, Cheques and Securities, Folding Cartons and Screen Printing sectors.

Considerable levels of excess capacity were reported in the Quick Printing, Trade Binding, Graphic Reproduction, Digital Printing, and Other Packaging and Paper Converting sectors.

With most sectors reporting reduced investment or no change in plant and machinery, reported improvements were confined to the Labels, Cheques and Securities, Folding Cartons, Graphic Reproduction and Quick Printing sectors during the six months to June 2010.

Overview of Results

Sectoral Results

The product sectors are either forecasting reduced investment or no change in plant and machinery over the next six months, while the Cheques and Securities, Books, Magazines, Periodicals and Newspapers, and Greeting Cards, Calendars and Diaries sectors are forecasting increased investments.

Cost pressures were on the rise during the June 2010 quarter with the vast majority of sectors reporting increased material costs. Over the outlook period all sectors on net balance basis are forecasting further increases in material cost pressures.

Wage cost pressures were reported to have increased by most sectors during the June quarter. With majority of the sectors forecasting increased wage levels during the September 2010 quarter, 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 Screen Printing, Cheques and Securities, Labels, Books, Magazines, Periodicals and Newspapers and Paper Merchants sectors who all reported increased selling prices.

Over the outlook period, most sectors are either forecasting no change or reduced selling prices, while the Books, Magazines, Periodicals and Newspapers, Business Forms and Continuous Stationery, Screen Printing, Labels, and Paper Merchants sectors are forecasting increased selling prices.

As reported improvements were confined to a single sector – Trade Binding, cash flow management no doubt remained a problem for most product sectors during the June 2010 quarter.

Over the September 2010 quarter outlook period, the vast majority of product sectors are forecasting either no change or increased number of outstanding debtors. A single sector – Cheques and Securities is going against the general trend and forecasting reduced number of outstanding debtors.

Overview of Results

Summary

Activity levels were reported to have deteriorated once again during the June 2010 quarter. Net balance declines were reported for a number of pivotal industry indicators including orders, production, sales, selling prices, net profits, and employment and overtime levels.

The survey respondents also reported increased material and wage cost pressures. 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 and plant and machinery was reported to have declined.

Tight labour market conditions resulted in further reported deterioration in labour availability during the June 2010 quarter.

Over the outlook period, the respondents are confident of net balance improvements taking place in a number of key industry indicators including orders, production, sales, and net profits.

Employment is forecast to register a very modest net balance rise but overtime expectations continue to remain poor. Also remaining weak is expenditure intentions in plant and machinery over the six months to December 2010.

Increased cost pressures across all production cost categories, reduced levels of material stocks and lower selling prices, reduced availability of labour and finance, and increased number of outstanding debtors round up the forecasts.

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