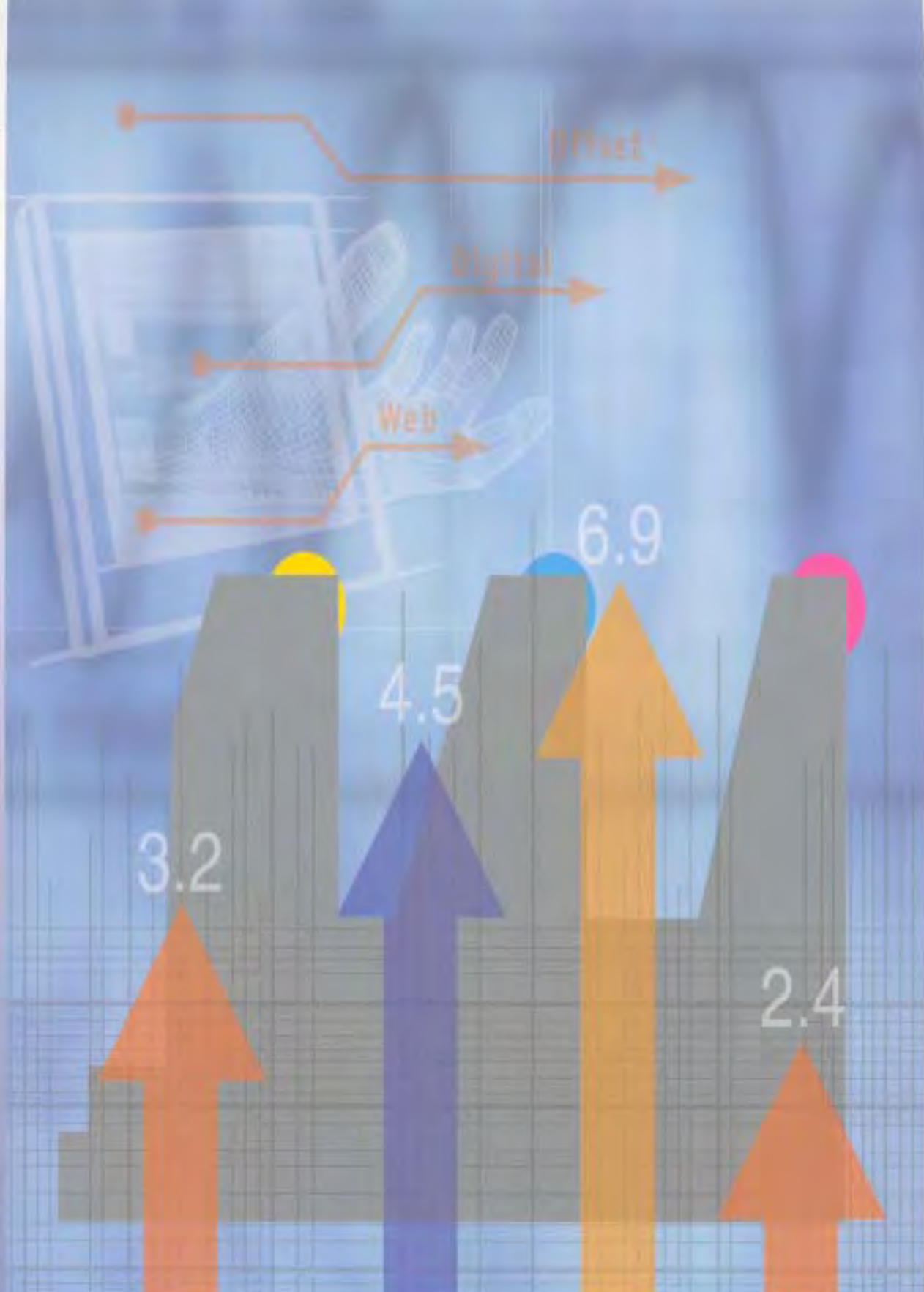




# PRINTING INDUSTRY TRENDS



**March Quarter 2007**

# TRENDS

**Volume 21 Number 1**

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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 March 2007 quarter, questionnaires were distributed to 285 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 March 2007 quarter reveals business confidence has improved on the back of a modest trading quarter.

The following are the key March 2007 quarter developments:

- Increased orders and production;
- Reduced sales and net profits;
- Reduced employment and overtime levels;
- Reduced selling prices;
- Reported increased investment in plant and machinery and buildings;
- Finance reported easier to obtain;
- Labour reported harder to obtain;
- Increased 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 June 2007 quarter;
- Increased investment in plant and machinery during the next six months;
- Further falls in selling prices;
- Reduced availability of labour;
- Increased availability of finance;
- Increased employment but reduced overtime levels;
- Further increases in all production cost categories - average wages, other labour costs, and average material costs;
- Reduced stock levels; and
- Reductions in the number of outstanding debtors.

### State Results

With the exception of Tasmania the outlook for general business expectations over the next six months remains favourable in the states.

The most optimistic state is Queensland with a net balance of 50.0 per cent followed by New South Wales with a net balance of 26.5 per cent.

## Overview of Results

### State Results

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

Based on expectations, improvements in orders and production over the outlook period are likely to occur in Victoria, Queensland, South Australia and New South Wales.

Respondents from most states reported increased material cost pressures during the March 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 Tasmania and New South Wales with net balances of 33.3 per cent and 18.2 per cent.

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

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

The largest net balance reported falls were reported by respondents from South Australia and Western Australia with net balances of 40.0 per cent and 25.0 per cent respectively.

Over the outlook period, companies from most states are expecting on net balance basis reduced selling prices or no change.

Defying the negative expectation are respondents from Victoria and Queensland who are expecting selling prices to improve during the June 2007 quarter.

## Overview of Results

### State Results

With the exception of Tasmania (no change) respondents from the remaining states reported on net balance basis increased investment in plant and machinery during the March quarter.

The forecasts for capital expenditure in plant and machinery are stronger over the outlook period with companies from most states forecasting further increases. Only respondents from Western Australia are forecasting no change in investment activity over the outlook period.

With the exception of respondents from Tasmania (improvement reported) and Western Australia and Victoria (no change reported), the profitability situation was reported to have deteriorated during the March 2007 quarter by a balance of respondents from the remaining states.

If forecasts hold, the June 2007 quarter may see improvements takes place in all states.

### Sectoral Results

Most product sectors are expecting either improvements or no change to take place in general business conditions during the June and September 2007 quarters.

The March 2007 quarter report reveals high capacity utilisation/activity rates were achieved by the Books, Magazines, Periodicals and Newspapers, Cheques and Securities, Other Packaging and Paper Converting, Quick Printing and Paper Merchant sectors.

Considerable levels of excess capacity seem to exist in the Business Forms and Continuous Stationery, Graphic Reproduction, Screen Printing, Greeting Cards, Calendars and Diaries, Desktop Publishing and Graphic Design, Folding Cartons and Digital Printing sectors.

Most sectors reported increased investment or no change in plant and machinery during the past six months. Two sectors – Folding Cartons and Graphic Reproduction reported reduced investments.

## Overview of Results

### Sectoral Results

Most sectors are either forecasting increased investment or no change in plant and machinery over the next six months, while the Folding Cartons sector is forecasting reduced investments.

While most sectors reported either increased material costs or no change during the March quarter, some sectors may have benefited from the stronger currency such as the Greeting Cards, Calendars and Diaries sector which reported an improvement.

Over the outlook period most sectors 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 June 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 – Cheques and Securities and Labels.

Over the outlook period most sectors are either forecasting reduced selling prices or no change, while respondents from the Screen Printing, Greeting Cards, Calendars and Diaries and Desktop Publishing and Graphic Design 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 March 2007 quarter, improvements were confined to the Other Packaging and Paper Converting sector.

Improvements in the number of outstanding debtors over the outlook period are likely given that respondents from most sectors are either anticipating reductions or no change over the June quarter.

Sectors forecasting improvements comprise of the Business Forms and Continuous Stationery, Folding Cartons, Books, Magazines, Periodicals and Newspapers, Screen Printing, Labels and Cheques and Securities.

## Overview of Results

### *Summary*

The March 2007 quarter turned out to be a modest trading quarter with reported improvements on net balance basis in a number of key indicators such as orders and production and there were reported increased investments in plant and machinery and buildings during the six months to March.

Other reported March quarterly developments include reported falls in sales and net profits, 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 net balance improvements to take place in a number of key indicators such as orders, production, sales and net profits.

With activity expected to increase during the June 2007 quarter, employment levels are forecast to increase but not overtime levels which implies the respondents are looking to employ additional people rather than exclusively meet the increased demand through increased levels of overtime.

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

Further increases across all production cost categories, reduced levels of material stocks, reduced availability of labour, increased availability of finance, further falls in selling prices, and reduced number of outstanding debtors round up the forecasts.



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