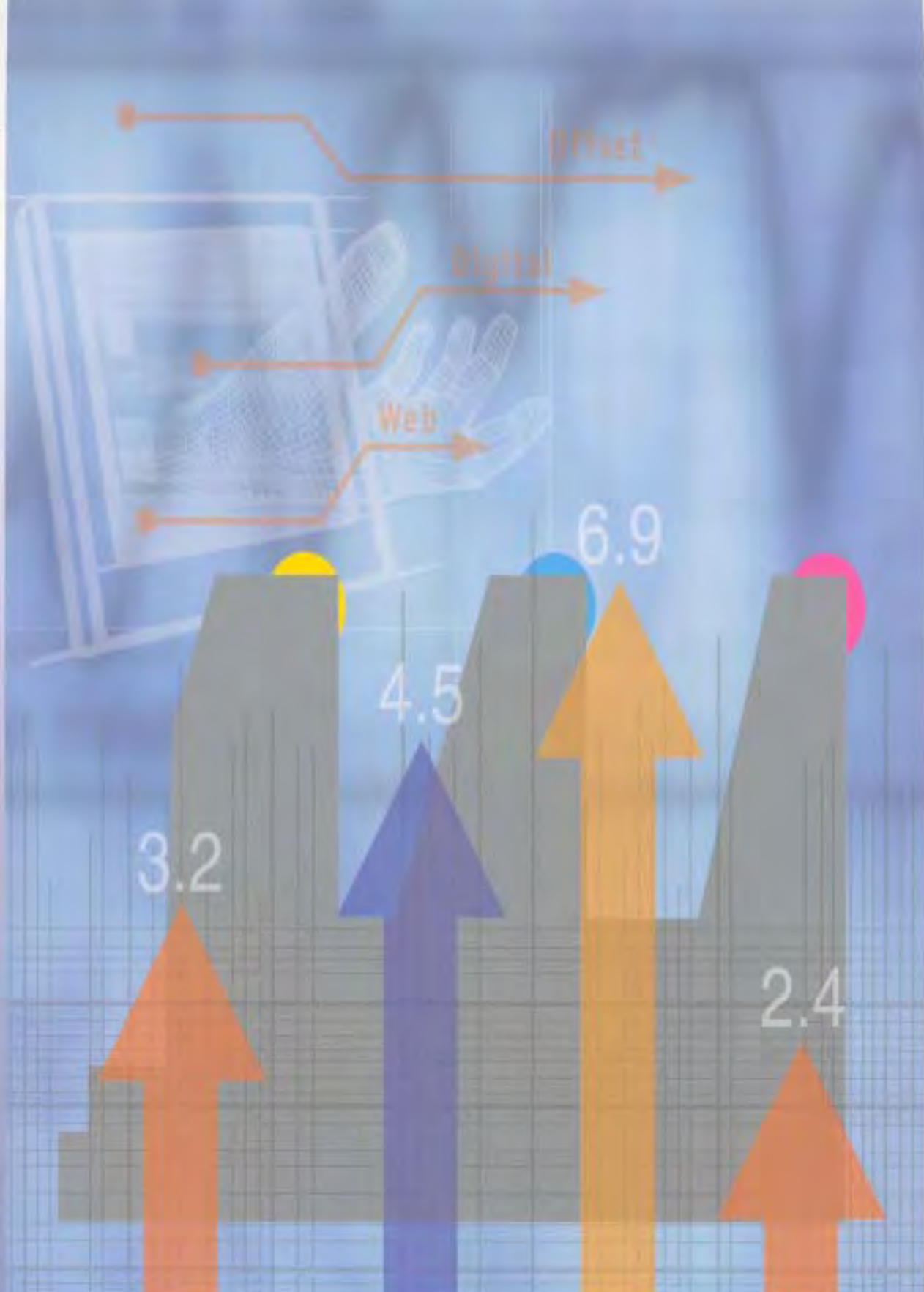




# PRINTING INDUSTRY TRENDS



September **Quarter 2008**

# TRENDS

**Volume 22 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 2008 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 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 September 2008 quarter reveals significant deterioration in business confidence compared to the same period a year earlier.

Key September 2008 quarter developments include:

- Reduced orders and production;
- Reduced sales and net profits;
- Reduced employment and overtime levels;
- Reduced selling prices;
- Modest reduction in plant and machinery investments;
- Finance and Labour reported harder to obtain;
- Reduced levels of material stocks;
- Rising cost pressures 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 December 2008 quarter;
- Decreased investment in plant and machinery during the next six months;
- Modest fall in selling prices;
- Reduced availability of labour and finance;
- Reduced employment and overtime levels;
- Further 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 mixed with respondents from only three states - Victoria, South Australia and Tasmania expecting improvements. The most optimistic state is Tasmania with a net balance of 14.3 per cent followed by Victoria with a net balance of 10.7 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 2008 quarter. Defying the downward trend were respondents from South Australia who reported increased orders and production levels.

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

Increased material cost pressures were reported by respondents from all states during the quarter.

Over the outlook period, companies from all 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 71.4 per cent and 66.7 per cent respectively.

Companies from all states reported increases in average wages during the September 2008 quarter.

Compared with other states, a higher proportion of companies from Western Australia, Queensland and New South Wales reported on net balance basis increased wages. Based on projections, the December 2008 quarter will see increased wage pressures across all states.

Selling prices were reported to have fallen by companies from most states during the September 2008 quarter.

The largest net balance falls were reported by respondents from Western Australia and Tasmania with net balances of 41.7 per cent and 14.3 per cent respectively.

The only state that reported increased selling prices was Queensland.

Over the outlook period, with the exception of respondents from Tasmania (no change being forecast) and Queensland and South Australia

## Overview of Results

### State Results

(increase being forecast) respondents from the remaining states are expecting on net balance basis reduced selling prices.

Respondents from Victoria and South Australia reported on net balance basis increased investment in plant and machinery during the September quarter while respondents from Western Australia reported reduced investments.

The forecasts for capital expenditure in plant and machinery are also weak over the outlook period with companies from only South Australia and Tasmania forecasting increases.

Given the ongoing reported deterioration in selling prices as well as rising cost pressures, it was not surprising to see respondents from all states with the exception of South Australia (no change reported) experienced lower levels of net profits during the September quarter.

Compared to other states, the largest net balance reported deteriorations took place in Western Australia and Queensland.

If forecasts materialise, improvements during the December 2008 quarter may occur in Victoria, South Australia and New South Wales.

### Sectoral Results

Most product sectors are expecting either no change or for improvements to take place in general business conditions during December 2008 and March 2009 quarters, while four sectors comprising of Screen Printing, General Promotional and Commercial, Folding Cartons and Books, Magazines, Periodicals and Newspapers are forecasting deterioration.

The September 2008 quarter report shows capacity utilisation/activity rates were reported as being higher in the Books, Magazines, Periodicals and Newspapers, Quick Printing and General Promotional and Commercial sectors.

Considerable levels of excess capacity seem to exist in the Other Packaging and Paper

## Overview of Results

### Sectoral Results

Converting, Screen Printing, Trade Binding, Labels and Graphic Reproduction sectors.

With most sectors reporting no change or reduced investment in plant and machinery, improvements were limited to just three sectors comprising of Trade Binding, Quick Printing and General Promotional and Commercial during the past six months.

The product sectors are either forecasting reduced investment or no change in plant and machinery over the next six months, while the Labels sector is the sole sector forecasting increased investments.

All sectors with the exception of the Business Forms and Continuous Stationery sector (no change) reported increased material costs during the September quarter. Over the outlook period most sectors on net balance basis are forecasting further increases in material costs.

Increased wage cost pressures were reported by the vast majority of product sectors during the September 2008 quarter. A significant number of sectors are forecasting further increases during the December 2008 quarter.

As most sectors reported either a decline or no change in average selling prices during the quarter, improvements in selling prices were confined to just five sectors comprising of Business Forms and Continuous Stationery, Greeting Cards, Calendars and Diaries, Quick Printing, Paper Merchants and Books, Magazines, Periodicals and Newspapers.

Over the outlook period most sectors are either forecasting no change or reduced selling prices. Improvements in selling prices are being forecast by the General Promotional and Commercial and Paper Merchants sectors.

With the majority of sectors reporting increases in the number of outstanding debtors during the September 2008 quarter, improvements were confined to just the Quick Printing sector.

Major improvements in the number of outstanding debtors over the outlook period are unlikely given that respondents from most

## **Overview of Results**

### **Sectoral Results**

sectors are either anticipating further increases or no change over the December quarter.

Forecast improvements over the outlook period are limited to just two sectors – Quick Printing and Cheques and Securities.

### ***Summary***

As activity levels in the Australian economy moderate, traditional seasonal influences in the printing industry once again failed to materialise during the September 2008 quarter thus condemning the industry to very difficult trading conditions.

Deteriorations were reported in a number of key industry indicators including orders, production, sales, net profits, employment and overtime levels. Other reported developments included increased cost pressures, increased difficulty in obtaining labour and finance, further falls in selling prices and rising number of outstanding debtors.

Capital expenditure in both buildings and plant and machinery was reported to have declined on a net balance basis.

Over the outlook period, the respondents are expecting modest net balance improvements to take place in a number of key industry indicators such as orders, production, sales and net profits. Despite the forecast pick up in industry activity during the December 2008 quarter, both employment and overtime levels are forecast to decline.

Capital expenditure intentions remain negative for December 2008 and March 2009 quarters.

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



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