

ECONOMIC TRENDS REPORT 2012-2013**Short overview of the general economic situation of the country:**

The Austrian GDP growth was +0.8% in 2012 and is expected to be at +1% in 2013. Inflation was at 2.4% in 2012 and is expected to be at +2% in 2013.

Trends in the printing industry:**• Trends in turnover and reference to the level of recovery from the economic crisis**

The Austrian printing industry recovers very slowly after the crisis, with a mere 0,2 % growth in 2012 (NACE 18.1).

• Trends in specific market segments

In 2012, newspapers printing grew by 2.9% and the other sectors grew by 0.2%.

• Trends in the employment level, labour market and training

The workforce continued to shrink.

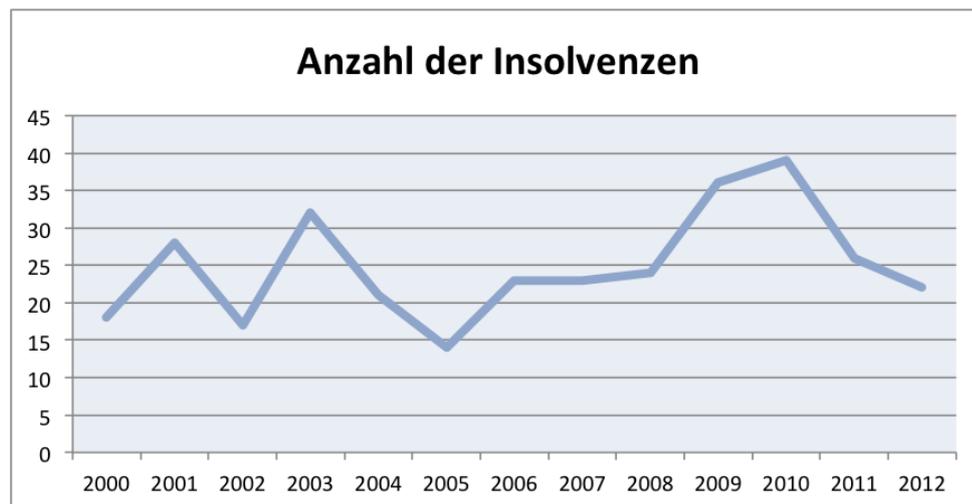
• Unemployment rate in the printing industry

2012 showed an increase of 5% in unemployment.

• Trends in concentration of companies, number of operating companies and number/proportion of bankruptcies

There were additional mergers in 2012. The number of bankruptcies seemed to be back at the same level as before the crisis.

Number of bankruptcies:

**• Trends in foreign trade**

In 2012, imports grew by 0.9% whereas exports shrunk by 5.6%.

• Specific developments which affected the competitiveness of the printing industry

Weekly working time rose from 37 hours to 38.5 hours; this helped Austrian printers to gain a competitive advantage.

Short overview of the general economic situation of the country:

As an open and private-enterprise-based economy, Belgium has capitalised on its central geographic location, highly developed transport network, and diversified industrial and commercial base. With few natural resources, it imports substantial quantities of raw materials and exports a large volume of manufactures, making its economy vulnerable to volatility in world markets. Roughly 3/4 of Belgium's trade is with other EU countries and Belgium has benefited most from its proximity to Germany. In 2011, Belgian GDP grew by 1.8%, the unemployment rate decreased slightly to 7.2% from 8.3% the previous year and the government reduced the budget deficit from a peak of 6% of GDP in 2009 to 4.2% in 2011 and 3.3% in 2012. 4th quarter GDP growth in 2012 was at -0.1%, the 3rd consecutive quarter of negative growth. This brought economic growth for the whole of 2012 to a negative 0.2%.

It also left Belgium on the edge of a possible recession at the end of 2012. However, at the end of the year, the government appeared close to meeting its 2012 budget deficit goal of 3% of GDP. Despite the relative improvement in Belgium's budget deficit, public debt hovers around 100% of GDP, a factor that has contributed to investor perceptions that the country is increasingly vulnerable to spillover from the euro zone crisis. Belgian banks were severely affected by the international financial crisis in 2008 with 3 major banks receiving capital injections from the government, and the nationalisation of the Belgian retail arm of a Franco-Belgian bank.

This contracted GDP by an annual average of 0.2%, which is mainly the result of a fall in domestic demand. More particularly, the decline in private consumption and investment in housing persisted in 2012, in a context of stagnating purchasing power, considerable uncertainty among households, and a deterioration in the labour market. During the year, some 16 600 jobs were lost and the number of unemployed increased by 25 000 units. The employment rate was steady at 67.2%, while the target for 2020 was set at 73.2%.

Firms slashed their investment, as the weakness of domestic demand coincided with a marked slowdown in exports. Imports slowed even more sharply than exports, so that the balance of current transactions improved slightly.

Much of the decline in GDP during 2012, namely 0.4 %-point, was attributable to the contraction of domestic demand, caused essentially by the fall in the volume of household expenditure, since households cut both their consumption and their investment.

In parallel with the weakness of private consumption expenditure, investment in housing also displayed a downward trend for the second consecutive year. It dropped by 2.9% in 2012, having already fallen by 5.3% in 2011.

In addition, fiscal consolidation curbed general government final expenditure which virtually stagnated in 2012 with a volume growth of 0.1%.

Sluggish demand both in Belgium and in other European markets, combined with the pessimistic demand outlook in a highly uncertain environment caused by the crisis in the euro area, led firms to curb their investment substantially as from mid-2011. Thus, after a rebound of more than 8% in 2011, investment expanded by only 0.4 % on average during 2012; this positive growth rate being mainly attributable to the level effect due to the strong acceleration of investment observed at the beginning of the previous year. Since then, the slackening pace of activity has caused the capacity utilisation rate in the manufacturing industry to decline quarter after quarter.

Therefore, under-utilisation increased throughout the year, as is evident from the constantly widening gap with respect to the average utilisation rate seen since 1980.

The worsening economic conditions also seriously injured the operating profitability of companies. After 2 years of expansion, their gross operating surplus was down by 3.5%, owing to a small contraction in the volume of sales, on the one hand, but, above all, to the sharp fall in the gross operating margin per unit of sales. The modest reduction in the volume of sales was largely attributable to the weakness of domestic demand, whereas exports recorded slightly positive growth in 2012. Owing to the widespread weakening of demand, companies were unable to pass on the whole of their increased production costs in their selling prices: costs per unit of sales increased by 2.7% in 2012, while selling prices rose by only 1.8%. It was mainly costs of domestic origin, and in particular labour costs, that depressed corporate operating margins. Thus, unit labour costs rose by 4% in 2012, owing to the still sustained increase in hourly wages and the decline in hourly productivity, as the volume of labour used in firms did not fall to the same extent as output.

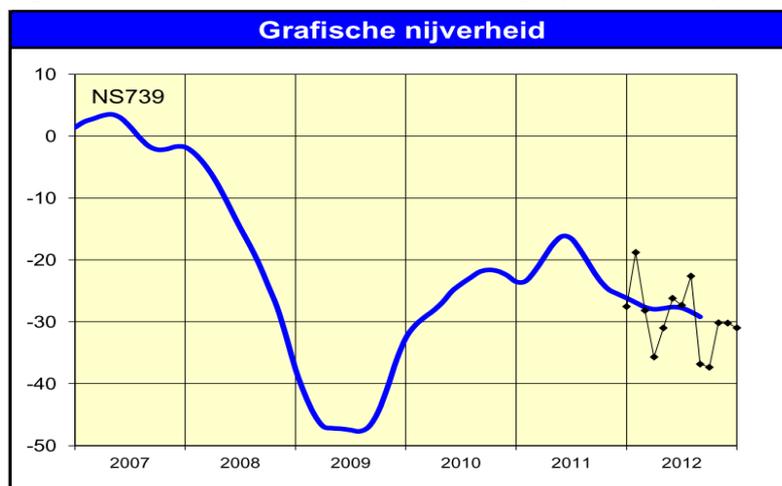
The slowdown in economic activity gradually spread across the various branches of activity, although the pattern was specific to each branch. Industry, which accounts for 16% of the value added of the economy as a whole and is generally more sensitive to the business cycle, clearly suffered from the weakening of economic activity which began in the spring of 2011. Quarterly growth of value added in this branch of activity moved into negative territory in the first half of 2012, thus continuing the trend which had begun in the second quarter of 2011.

Trends in the printing industry:

- **Trends in turnover and reference to the level of recovery from the economic crisis**

The outlook for the 1st quarter of 2012 was not in the least very hopeful because several organisations (IMF, OECD, NBB...) predicted a negative growth rate for at least the 1st half of 2012 and there were also reports that recession was to be expected at the 2nd half of 2012. This negative prognosis of recession appeared not to be correct but it undeniable had nevertheless a negative impact on the entrepreneurial confidence in the printing industry as is showed at the business outlook curve of the National Bank of Belgium (figure 1).

Figure 1: Business outlook curve in the graphic industry (Source: NBB)



In a context of (near) recession, the figures for the 1st half of the year (figure 2) are indeed sombre so it is already clear that, once again, 2012 was not the year of recovery.

Figure 2: Turnover in the graphic industry in Belgium in million euro (Source: SPF Economie)

	Printing of newspapers	Other printers	Pre-press and pre-media	Binding and related services	Total (newspapers excl.)	Total (newspapers incl.)
2006	548	2.754	516	56	3.326	3.874
2007	483	2.789	561	61	3.411	3.894
2008	302	2.648	590	60	3.298	3.600
2009	281	2.392	537	52	2.981	3.262
2010	269	2.223	539	58	2.820	3.089
2011	234	2.263	535	60	2.858	3.092
6m 2011						1.541,1
6m 2012						1.386,5

Accordingly, the degree of capacity of utilisation diminished for the 3rd year in a row with an average of 80.58% in 2012.

Figure 3: Degree of capacity utilisation (Source: NBB)

year	degree (%)
2006	86.5
2007	86.1
2008	83.88
2009	79.5
2010	81.4
2011	80.89
1/01/2012	82.52
1/04/2012	82.48
1/07/2012	78
1/10/2012	79.3
1/10/2013	73.3

- **Trends in specific market segments**

Based on all economic parameters in the 1st half of 2012, the printing industry as a whole is worsening. Printing businesses are postponing investments in spite of relatively low interest rates. In comparison with the 1st half of 2011, investments decreased with 5%.

- **Trends in the employment level, labour market and training**

The employment rate decreased in all segments of the printing industry in the 1st quarter of 2012 (figure 4). Thereby, it is likely that the decrease of temporary unemployment from April until September could be explained by a rise of the number of discharges (figure 5).

Figure 4: Employment in the graphic industry in Belgium (newspaper printers excl.)(Source: RSZ/ONSS)

	2006	2007	2008	2009	2010	2011	Q1 2012
Binding and related services	741	750	791	768	694	691	652
Other printers	12.691	12.420	12.541	11.707	10.935	10.567	10.487
Pre-press and pre-media	2.565	2.584	2.236	2.224	2.066	2.000	1931
Total	15.997	15.754	15.568	14.699	13.695	13.258	13.070

Figure 5: Loss of jobs in the first 11 months of 2012 (newspaper printers excl.)

	2011	11m 2012
Binding and related services	4	122
Other printers	108	369
Pre-press and pre-media	21	20
Total	133	511

- **Trends in concentration of companies, number of operating companies and number/proportion of bankruptcies**

The sector is not only undergoing economic and financial problems due to the crisis since 2008 but is, more importantly, also facing some serious structural problems (overcapacity, ...). However, the number of enterprises that faced bankruptcy is rather low (figure 6).

Figure 6: Number of bankruptcies in the graphic industry (newspaper printers excl.)(Source: FOD Economie/SPF Economie)

	2010	2011	11m 2012
Binding and related services	4	3	6
Other printers	31	34	29
Pre-press and pre-media	28	26	13
Total	61	63	48

- **Trends in foreign trade**

Based on the figures for the first 8 months of 2012, imports and exports seem to increase slightly. The Belgian printing industry continues to have a positive trade balance for printed products but the gap between both continues to become smaller.

- **Moves towards new media services and digitalisation**

The printing industry in global has not found the real answers yet to the use of new technologies and new media services such as internet. It is still looking for its right place in a new modernised landscape. Some companies are trying to be creative by using new technologies and related opportunities, e.g. the possibilities internet is offering to launch e-commerce, web-to-print,... . In some cases, marketing techniques, commercial and business models are even built on those new opportunities. Other companies are fully exploring the evolution of (digital) printing to be innovative. This mainly is an attempt to survive and to stay competitive by facing fierce competition from emerging countries.

- **Specific developments which affected the competitiveness of the printing industry**

Besides labour costs, which is a general problem in Belgian economy, the main problem in the graphic industry remains over-capacity. For many years, companies were involved in a sort of race to constantly invest in the latest machinery which is able to produce better and faster. Once the demand no longer coincide with the offer, prices are dropping, profit margins are decreasing, mutual competition is ruthless and (temporary) unemployment increasing.

Against this background, many companies are also complaining about the abuse of the bankruptcy legislation and the law about bankruptcy protection under the so called 'chapter 11' (Loi sur la continuité des entreprises) which is undeniable a disruption of the free market system.

Furthermore, massive administrative obligations in Belgium remain a burden on entrepreneurship, while emerging countries are attracting businesses with efficiency, incentives, funding,

- **Trends in prices for raw materials (paper and ink), for energy and in any other relevant developments in services relevant to the printing industry (e.g. post, insurance, transport)**

The current structure of costs is in general characterised by a rise of the prices. Rising energy and transportation costs in Europe, political instability, speculation – a major factor influencing some raw materials – as well as volatile oil prices and weakened currency rates against the euro, all contribute in keeping raw material prices robust. Prices of raw materials, energy, transport, are consequently going up.

Companies are facing a real dilemma. If they adapt their prices themselves, they run the risk of losing clients; if they don't, the profit margins will be smaller.

ECONOMIC TRENDS REPORT 2012-2013**Short overview of the general economic situation of the country:**

Despite the achieved 0.3% growth of GDP in 2012, national economic indicators continued to decrease. Statistical data show a number of negative values, such as a decline in industrial production by 4.7%, a rise of the inflation by 3.4%, a reduction of employees by about 100 000, an average capacity utilisation rate of only 63%, a drop in orders from abroad by 46%, a drop in domestic orders by 19%, an average provision with work orders for 5 months, a production capacity excess of about 12%. Among the most significant reasons limiting business activities are: the uncertain economic environment, difficult and almost inaccessible funding, including European funds, unfair imports of goods, weaker demand for goods in the country and abroad, very low purchasing power of the population. Data for the 1st quarter of 2013 remain poor, which means that there is no prospect of overcoming the crisis in the Bulgarian economy. The industrial production decreased by 1.8% compared to the same period of last year, the exports decreased by 3.9%, the unemployment rate is still increasing, mostly young people are jobless.

The extremely difficult economic situation led to mass protests across the country, forcing the government to resign in February 2012.

Trends in the printing industry:**• Trends in turnover and reference to the level of recovery from the economic crisis**

According to the National Statistical Institute in 2012, the number of printing companies has been reduced by 57 compared to 2011. There are 880 printing companies in Bulgaria. The number of employees has been reduced by 326. 6872 persons are currently working in the Bulgarian printing industry.

The volume of print production in 2012 was about 510 million BG Leva (i.e. 260 million €), which is about 8% less than in 2011. The volume of print production is dramatically decreasing, the only exception is in the field of packaging production. Printing is one of the least exporting industries in Bulgaria.

• Trends in specific market segments

As a whole, printed products had an annual decline of 11% compared to 2011. Only printed packaging: solid, flexible, board, metal, polymer, etc. show a growth of 6%. The volumes of security printing, personalised cards and brands printing have been preserved.

• Trends in the employment level, labour market and training

In 2012, the unemployment rate in the industry has exceeded the average unemployment level of the country and has reached 12.9%. A further increase is expected in 2013. In Bulgaria, there are print media faculties in 3 universities as well as 1 graphic arts professional school and of the number of young professionals and of graduated young people. As a result, most printing companies' managers are training their staff to new different printing techniques.

• Unemployment rate in the printing industry

A serious consequence of the economic crisis is the high unemployment level in the country. According to 2012 statistics, more than 500 000 people were jobless. Nearly 780 000 have left the country and are working abroad. The national unemployment rate for 2012 was 12.6% (the average in the EU was 11%). Especially alarming is the high unemployment of young people up to 35 years, in 2012 it was more than 25%.

• Trends in concentration of companies, number of operating companies and number/proportion of bankruptcies

In 2012, 2 companies, members of the Bulgarian printing association, ceased their activities and 9 companies withdrew their membership. Over 80% of the companies are in a very difficult situation and on the edge of survival.

- **Trends in foreign trade**

All our members have understood that in order to escape the crisis, they have to export either in the EU or to third countries. Most of them have the potential for exporting printed products but it is getting more and more difficult to find markets. This is evident from the data for 2012: the income from exports for the industry is only about € 9 million. It is mainly export of packaging, soft foils, paper bags and labels for drinks. The strong competition, the shrinking European market and the invasion of Chinese and Turkish producers are part of the reasons for the reduction in export of Bulgarian printed products.

- **Moves towards new media services and digitalisation**

The year 2012 clearly showed the trends in new communications. Despite the of the print media part in the world of communication, information and data transfer, new technologies of 3D printing and nanotechnology are promising a good future. Many members of the Bulgarian association have introduced in their investment programmes the realising of these new progressive technical and technological solutions.

- **Specific developments which affected the competitiveness of the printing industry**

Due to the stagnation in 2012, no company made significant innovative capital investments. Companies have been looking for efficient use of the available capacities and for cooperation with other companies from the industry.

- **Trends in prices for raw materials (paper and ink), for energy and in any other relevant developments in services relevant to the printing industry (eg post, insurance, transport)**

During the year 2012, the prices for raw materials, energy and almost all input materials increased. These added to the reduction in consumption led to a decrease in investments. Imports of paper, board, printing inks and chemicals decreased by about 33% in 2012. There was no import in machinery in 2012. Despite the continuous increase in the prices of consumables and materials in 2012, the prices of printed products did not change and remained competitive compared to European prices.

Trends in the printing industry:**Production index of the printing industry in decline in 2012**

After a growth in the production index in 2010 of +3%, followed by a further moderate increase in 2011 of 1.6%, the index of production for 2012 displays a decline in the printing industry of -3.1% compared to the same period the previous year. It is of little comfort that the production volume of the industry as a whole, as well as the metal industry, stagnated in 2012, while the chemicals industry had to accept losses of -2.1%. Only the investment goods industry and thus machine engineering saw gains for the third successive year, of 1.3% and 1.8% respectively.

The index value for the printing industry in 2012 was at 99.4, in other words just under the base value of 2010 = 100. The industry in general, on the other hand, managed to increase its value to 106.8, a growth of 6.8% compared to 2010, with machine engineering even growing by 14.7%.

With its production index value of 99.4, the printing industry in 2012 has not yet reached its 2008 pre-crisis value of 106, while industry as a whole almost managed to do so as early as 2011, with a value of 107.4, but dipped below that value again in 2012, with 106.8.

The growth rates of the production volume of the leader sector, the chemical industry, which have been negative since August 2011, indicated an end to the good economic growth of 2011, when the German real gross domestic product had grown by 3%. By February 2013, the production index had declined to 97.3 and is therefore 1.7 %-points beneath the value of 2008.

The corrected growth prognoses for the 2013 German gross domestic product as issued by the economic research institutes, the federal government and the council of experts are between 1.5% and under 2.4%.

(Source: [http://www.arbeitgeber.de/www/arbeitgeber.nsf/res/BIP.pdf/\\$file/BIP.pdf](http://www.arbeitgeber.de/www/arbeitgeber.nsf/res/BIP.pdf/$file/BIP.pdf)).

Employment figures

The number of employees liable for social insurance contributions sank for the fourth consecutive year in 2012. The decline was 3,139 jobs, which corresponds to -2%. This means that fewer jobs were lost than in previous years. In 2011; the decline was -2.7%, in 2010 -4.3 % and in 2009 -4.1%. However, the number of companies going out of business was marked by an increase. In 2012, this number was 343, or -3.5%. In comparison: in 2011 it was 297 businesses or -3%.

Since 2000, the number of companies in the sector has declined by 4,519, which represents 32%. This development is reflected in the employment figures. These declined by 71,506 employees liable for social insurance contributions, which also represents 32%.

According to available results, the figures for short-term work in the printing industry stabilised at a low level up to June 2012. The number of businesses that have applied for short-term work has declined by 76% compared to the 1st half of 2011. However, the number of employees affected by short-term work, at 1,080 in the 1st half of 2012, is still on average more than half as the figure before the crisis in the 1st half of 2008.

Insolvency figures up to the 3rd quarter 2012 were 133, and therefore below the findings of the previous year, when 151 insolvency proceedings were reported. 1,884 employees are affected by insolvencies, which is 50.9% less than the previous year. The figure is caused above all by the large number of staff affected by the insolvency of the Schlott Gruppe AG in the 2nd quarter of 2011.

Yet the insolvency figures were qualified by the number of exits from the market. The currently available annual results for 2011 reveal 202 insolvency proceedings and 297 businesses that are no longer operating with social insurance-labile employees in the printing industry market.

Producer prices

The situation relating to producer prices in the printing industry has stabilised. They not only grew by 1.4% in 2011, but also by 1% in 2012, having declined continuously since 2003. Energy price increases remain the strongest cost drivers. The prices also increased by a further 4% in 2012.

The prices for sales catalogues have suffered the greatest losses. Their index of 84 shows price losses of 16 % compared to the base year 2005. Since 2002, the last year with a price increase, the losses have amounted to 20%.

- **Clearly declining production volumes in 2012**

The production value of all products and services of the German printing industry sank in 2012 by 3.3 % to 15,752 billion, having increased by 2.5 % in the previous year. The value of printed products sank by 2.7 %, having increased in 2011 by 2.3 %. The decline in printing services is considerably higher, at -7.9 % (see attached table).

88.1 % of the entire production volume of the printing industry represents printed products, and accordingly 11.9 % are printing services. These are divided 55 % to 45 % between pre-press and pre-media and post-press finishing. Post-press finishing even declined in double figures, by -12.4 %, while pre-press and pre-media dropped by -3.8 %.

Among the printed products, only catalogues managed to increase, by 1.4%, because the production volume of digitally printed catalogues rose by 55%, having already risen the previous year by 27%. Daily newspapers also managed to grow, by 2.6 %, weekly and Sunday newspapers by 1.7%, calendars by 1%, the general category "other prints" by 1.3% and greeting cards by 8%.

Production losses were particularly clear in the case of annual reports, at 7.8%, "other advertising prints" at 4.9% (largest production share of 29.5%), magazines at 7.7%, continuous forms at 12.7% and admission tickets at 6.4%. The drops in these positions (except other advertising prints and continuous forms) could also be seen almost to the same degree in 2011.

It should be mentioned that packaging printing has been recorded only to a certain extent via sticker production. This was one of the few areas of growth until 2011, but even here there was a decline of -3.7 % in 2012.

Displays/trays made from cardboard were also included in the evaluation; however their printed volume was not recorded by official statistics, but instead only their production volume. This position demonstrated considerable growth in 2011, of 25.6%, and 2010, of 13.1%, which however decreased again in 2012 to the level of stagnation (-0.4%). This position is probably also reflected in printing, but this cannot be quantified.

- **Growth in catalogues, decline in advertising printing**

Catalogues/advertising prints are the most significant position at 41% production share, followed by the collective position "other printed products" at 13%, newspapers/advertising gazettes and magazines at 9.7%, business stationery at 9.2%, printed stickers at 8.3%, and books/map products at 8.3%.

Catalogue production grew by 1.4% compared to the previous year, with an increase of 55% alone in digitally printed catalogues. However, their share is only 11%, while gravure printed catalogues make up 24% and those printed with offset methods have a share of 65%. The production value of gravure printing sank by 4.1% and offset printing by 2.3%.

Poster production stagnated at 0.6% and offset printing also stagnated. Only digitally printed catalogues managed to grow by 5.1%. Here, at least, digital printing has a share of 16%, while offset clearly dominates at 74%. Annual reports continued to lose production volume by a further 7.8%, after 6.6% the previous year. The most important collective position "other advertising prints", with a volume of 4 billion Euros, lost 4.9%.

In all, catalogues and advertising prints sank by 3.4% in 2012, having grown in the previous year by 4.1%. With a share of 40.9%, they still form the largest value category of the production share.

- **Newspapers increase, magazines with clear losses**

In third position with regard to production share, after advertising prints and the general category "other prints", are newspapers and advertising gazettes, as well as magazines, with a production share of 9.7%. Daily newspapers increased by 2.6%, periodicals by +1.7%, advertising gazettes lost 2.4%, resulting in an overall growth of 1.6% for the whole group comprising newspapers and advertising gazettes.

Having declined by -7.3% in 2011, magazines sank by a further 7.7% to an annual production value of 1,339 billion Euros. Gravure printed magazines lost the most, with -18.7%. 38% of all magazines continue to be printed with gravure methods, and 58% in offset (+0.8%).

In all, published products declined by 2.6% compared to 2011.

- **Business stationery in decline**

The product group business stationery, with a production share of 9.2%, is in fifth place in the production values (results for securities - e.g. official papers with embossed or printed stamps, bank notes, shares and other bonds) are no longer published for reasons of confidentiality). Its production results declined in comparison to 2011 by 4.8%, having grown in 2011 by 2.5%.

The sub-category "other prints for commercial purposes", with a production value of 961 million Euros, declined by 2.2%. Continuous forms lost 12.7% of their production value.

▪ **Book and sticker production sink**

The last two important positions among printed products are held by stickers and books, each with a share in production value of 8.3%. In 2000, the share of sticker production was only 4.8%. In 2012, sticker production, with 1,146 billion €, has almost drawn equal with book production, at 1,145 billion €.

Sticker production lost 3.7%, had increased in 2011 by 4.3% and by 5.8% in 2010, and even managed to exceed the 2008 pre-crisis value of 1,119 billion € by 2.3%. The more significant position of self-adhesive stickers stagnated at a production value of 80 million Euros, after a growth in 2011 of 3.6%. The general category "other printed stickers" lost 11.4% after a growth of 6% in 2011. 70% of the production volume of stickers is represented by self-adhesive stickers, while a 30% share is held by "other printed stickers".

The results for book production in 2012 showed a decline of 0.8%. In 2011, book production stagnated at -0.2%. The largest sub-category, "other books", which are mostly printed with offset, lost 4.9% in 2012. Digitally printed books have a share of only 2.4% and their growth was 0.3% in 2012 compared to 2011. In second place within the sub-category is the group "books, brochures in loose leaves", which increased by a further 4%, having grown in 2011 by 2.9%.

▪ **Pre-press, pre-media and post-press finishing in decline**

Printing services declined in general in 2012 by 7.9%, after a growth of 3.8% in 2011. The services of pre-press and pre-media sank by 3.8%, while post-press even lost 12.4% of its production value. Pre-press and pre-media services have a production share of 55%, and post-press finishing has a 45% share.

The production share of printed products in the entire production volume of the companies is 88.1%, while that of printing services is 11.9%.

Production volume of the German printing industry 2012

Production values	million EUR 2012*	Changes compared to previous year in %	
		2012	2011
Advertising prints/catalogues	5,675	-3.4	4.1
of which: catalogues	1,203	1.4	0.2
Posters	423	0.6	3.3
Annual reports	60	-7.8	-6.6
other advertising prints and brochures	4,088	-4.9	5.5
Business stationery	1,272	-4.8	2.5
Magazines	1,339	-7.7	-7.3
Newspapers/advertising gazettes	1,352	1.6	3.5
of which: daily newspapers	901	2.6	4.3
weekly, Sunday newspapers	223	1.7	12.8
Notices/small ads journals	228	-2.4	-6.5
Books/map products	1,145	-0.8	-0.2
Printed stickers	1,146	-3.7	4.3
Calendars/cards	138	0.7	6.0
other printed products	1,805	1.3	3.8
Sum of printed products	13,873	-2.7	2.3
Pre-press and proofs	1,038	-3.8	5.0
Post-press finishing	841	-12.4	2.5
Sum of all printing services	1,879	-7.9	3.8
Sum of all products/services	15,752	-3.3	2.5

*) : temporary results

Reporting population: quarterly production survey of businesses 20+

Source: Federal Statistics Office; calculations: bvdM

▪ **Production volume according to printing method**

The product breakdown also indicates the printing methods used for most products. The degree of coverage is almost 60% of the entire production volume. Long-term comparisons are difficult, due to structural discontinuities, as changes were made in 2002 and 2009 in the recording of product categories and printing methods. Digital printing was recorded for the first time by the Federal Statistics Office in 2009, and the results should still be treated with caution.

According to production methods, illustration gravure printing declined by a further 11.4% in 2012 after sinking by 5.6% the previous year, and has a share of only 8%. Offset printing, with a share of 47%, continues to be the most important printing method. It lost 2.6% compared to the previous year, when it grew by 3%. Digital printing increased by 13% and its recorded production share is still very low, at 2.4%. Screen printing, with a 0.3% share, and letterpress printing, with 0.8%, together with 1% "other methods" complete the printing methods spectrum.

Table 1: Production volume according to printing method, 2012

Production volume in thousand Euros	2012	compared to previous year in %	Share in %
Illustration gravure printing	1,242,926	-11.4	8.0
Offset	7,398,858	-2.6	47.0
Digital printing	375,641	13.0	2.4
Screen printing	41,187	-2.6	0.3
Letterpress printing	126,516	-1.0	0.8
other methods	160,765	-7.2	1.0
Sum of all printing methods	9,345,893		59.3
Sum of all products and services	15,751,832	-3.3	100.0

Source: Federal Statistics Office, calculations: bvdm

▪ **Advertising volume for print media continues to sink clearly**

Almost 2/3 of the production volume of printed media is dependent upon advertising. For this reason, the development of the advertising market has a key importance for the printing industry.

Catalogues and promotional prints, magazine and newspapers/advertising gazettes can no longer benefit from increasing advertising expenditure as in previous boom periods.

In terms of advertising expenditure, the prospects of print advertising remain pessimistic. According to Nielsen Media Research, by March 2013 it sank by a further 5.6%, whereby newspaper advertising declined the most, with 11%, followed by the losses incurred by popular magazines at -5.4% and specialist journals at -3.8%. Only outdoor advertising increased, by 17%, but this has a share of only 5.3%. Television and radio advertising, on the other hand, grew by 3.5% and 12% respectively, while internet advertising lost 0.6%.

Trends in the printing industry:

- **Trends in turnover and reference to the level of recovery from the economic crisis**

There is no sign of recovery for the industry. The country is in recession for the 6th year. All printing market segments are showing decreasing turnover; more particularly in commercial printing where the decrease is 40% or more.

- **Trends in specific market segments**

Labels and packaging is going smooth with a better trend. The commercial printing segment is going worse and worse. Newspapers and magazines are as at a level as low as commercial.

- **Trends in the employment level, labour market and training**

The unemployment rate for all industrial sectors is more than 25%.

- **Unemployment rate in the printing industry**

The 5 last years the manpower in the graphic industry reduced by more than 50%. The unemployment rate is high. Many employees try to find work in different sectors of the economy.

- **Trends in concentration of companies, number of operating companies and number/proportion of bankruptcies**

There are not many bankruptcies because of complicated law. Many companies are almost inactive.

- **Trends in foreign trade**

Healthy printing companies try to export printed products. Exports have increased during the past 2 years.

- **Moves towards new media services and digitalisation**

A lot of companies had invested in new technologies (digital printing ...). Now most of them are not able to keep these investments and banks cannot support them any longer so most of this equipment is going back to sellers.

- **Specific developments which affected the competitiveness of the printing industry**

The Collective Agreement of the printing industry is not valid any longer. Minimum salaries are regulated by the government. Salaries in the printing sector decreased by more than 20%.

- **Trends in prices for raw materials (paper and ink), for energy and in any other relevant developments in services relevant to the printing industry (eg post, insurance, transport)**

Prices for raw materials are following international trends. Printing companies now have very limited or no credit from suppliers. Electricity costs are more than 10% higher. Diesel for central heating increased by 30%.

Short overview of the general economic situation of the country:

The Danish economy remains stable. GDP has hardly grown for the past 2 years. It is estimated that, overall, fiscal policy will increase growth by $\frac{1}{4}$ of a %-point in 2013 and $\frac{1}{2}$ a %-point in 2014. Growth prospects for the near future are quite uncertain. Production remains well below the structural level. The expected start of economic improvements is forecasted to close the output gap gradually by 2018. Normalisation of the economic situation is expected through an increase in consumption and investments. Both are presently at very low levels.

Trends in the printing industry:

- **Trends in turnover and reference to the level of recovery from the economic crisis**

2008	-1 %
2009	-17 %
2010	-4 %
2011	+1 %
2012	-5 %

Turnover is lower than before the financial crisis. 2012 showed a negative trend after a stabilising trend in 2011.

- **Trends in specific market segments**

Packaging, large format outdoor, labels and graphic design markets have seen growth, while all other printed product categories in the market have declined.

- **Trends in the employment level, labour market and training**

Employment in printing companies fell as a result of industry consolidation. In 2012, the number of workers in the graphic collective agreements decreased by 9%. The decline was greatest among bookbinders with approximately 13%. Employment of technical employees, such as graphic designers fell by 13%. Employment in administration, including sales and office persons, fell by 4% in 2012. The Danish education system is generally challenged due to a decrease in the number of apprentices for students in companies.

- **Unemployment rate in the printing industry**

The unemployment rate for graphic employees is higher for unskilled printing workers (about 10-15% depending on geographic location) and lower for graphics workers in design, prepress and IT (5-10% depending on geographic location).

- **Trends in concentration of companies, number of operating companies and number/proportion of bankruptcies**

7% of companies in the industry have disappeared every year since 2008. Of these, 50% discontinued or went bankrupt, and the other half was involved in a merger. The industry is moving towards fewer printers but stronger conglomerates, more business specialisation and stronger niches.

- **Trends in foreign trade**

Since 2009, imports have been decreasing, which was initially due to the crisis and to lower demand, but in the past 2 years, exports have also increased. The Danish graphic industry is thus improving. In 2012, the export deficit almost reduced by half, but Denmark still has the trade deficit especially in terms of advertising material for household distribution.

- **Moves towards new media services and digitalisation**

Most printing companies now offer digital media services within their business except printed niches such as packaging, labels, finishing etc. An increasing number of graphic companies make efforts in their marketing to change their image from print production to delivery of print and digital solutions.

- **Specific developments which affected the competitiveness of the printing industry**

The Danish printing industry is still struggling against a new tax on unaddressed printed advertising. The tax has not yet been approved by the European Commission. Furthermore, the case of VAT freedom of magazines printed outside the EU is not yet resolved. There is a totally unfair competitive inequality that has arisen because of the high Danish VAT on magazines (25 %). The resolution of this matter is blocked due to the European Commission's handling of a fee, which the Danish postal service used for the treatment of trays. The question is whether this fee is contrary to international conventions. In January 2013, GA formulated a solution in cooperation with a private distributor that solves fee issue, and politicians are considering the solution.

The crisis has led to historically low salary increases. Salary developments in Denmark have now been lower than in other countries, but it came after a 10-year period during which Danish competitiveness was severely deteriorated. Looking at the trend over a 10-year period, Danish salaries in manufacturing companies were higher than in other countries until 2010. From 2006 until the crisis of 2008, salaries were twice as high in Denmark than in other countries. Since 2010, it remained below the level of other countries. Today, it is half the level of other countries and clearly lower than 10 years ago. It has in the past few years led to an improvement in the Danish graphic industry and thus a smaller trade deficit.

- **Trends in prices for raw materials (paper and ink), for energy and in any other relevant developments in services relevant to the printing industry (eg post, insurance, transport)**

Prices of paper have been stable in the last 6 months though paper merchants have tried to increase the prices. Paper consumption is declining. Prices of distribution and transportation are also stable.

Brief overview of the general economic situation of the country

In Italy the recession that began in the second half of 2011 continued throughout 2012, bringing about a 2.4% decrease in the GDP as a result of a very weak economic situation during the entire year and particularly in the last quarter. The increased tax burden resulting from the measures adopted by the Monti government, intended to rebalance the public accounts, was accompanied by a credit crunch, negatively conditioning domestic demand. The drop in national consumption in 2012 was very sharp (-3.9%) and concerned household spending in particular (-4.3%), while fixed gross investments in 2012 registered a sharp decline (-8%). While the export trend was positive (+2.3%), the weakness of the domestic demand was reflected in a noticeable decrease in imports (-7.7%). Industrial production fell considerably in 2012 (-6.1%) owing to a widespread decline affecting all main industrial sectors.

The recession had significant repercussions on the labour market: if overall employment showed only a slight decrease (-0.3%), the unemployment rate instead rose sharply from 8.4% in 2011 to 10.7% in 2012.

The outlook for Italy's GDP in 2013 is still negative, albeit less in comparison with 2012: in its "Economics and Finance Document" of April 2013, the national government forecasts a 1.3% decrease in the gross domestic product, while the estimates of the leading international bodies vary between -1% and -1.5%.

Trends in the printing industry:**• Trends in turnover and reference to the level of recovery from the economic crisis**

Based on the Osi (Printing and Packaging Observatory) survey of the Assografici Statistical Department, 2012 closed with a 12.8% decrease in turnover compared with 2011, reflecting the negative trend that worsened in the second half of the year.

The estimated turnover for 2012 therefore amounts to € 7,894 million.

An analysis of business results shows that 93% of the companies suffered a drop in turnover averaging 14.4%, while just 7% of the companies showed an increase in turnover averaging 13.9%.

• Trends in specific market segments

In 2012, production in the printing industry fell by 11.8% compared to 2011 due to a remarkable decrease of 14.6% in advertising and commercial printing and a smaller decrease in publishing printing (-8.7%), due to the decrease in volume of books (-9.7%) and magazines (-7.8%), which were mainly affected by the decrease in households spending (-4.3%), including cultural products (-4.4%). In the area of books, sales made through the channel of mass distribution and in traditional bookshops registered a sharp downturn, while online sales increased. In 2012, the process of erosion of publishing printing continued, due to the development of new electronic media, and to the spread of devices by now available at affordable prices.

As regards magazines, the reduced production in 2012 is tied to the decline in consumption and to the closing of some magazines with negative economic results but above all to the decrease in print runs and fewer pages caused by the deep crisis of Italy's advertising market, which also continues in the early months of 2013: specifically referring to the Press area, advertising decreased 18.4% in periodicals. Also influencing the magazine market, the number of newspaper kiosks decreased, some online kiosks appeared.

The advertising collapse also partially explains the double-digit production downturn of the advertising and commercial printing segment in 2012. Due to economic difficulties and uncertainties, mass distribution and businesses in general implemented a policy of considerably reducing investments in brochures and printed advertising in 2012: the print runs were smaller, due to more effective door-to-door distribution and mailing; at the same time, the number of pages and the number of products offered decreased. Spending decreased remarkably for direct mail communication (-18%) and bill posting (-12.5%). Notwithstanding the occasional positive effect of the 9th Census of Industry and Services of September 2012, forms, but also lists and catalogues, continued a massive switch from paper to digital, both in the private and public sectors.

In the early months of 2013, a recovery was observed in advertising and commercial printing production, while the drop in production of publishing printing continues, especially in magazines, linked to the continuous crisis of the advertising market and to the declining consumption trend.

- **Trends in the employment level, labour market and training**

The printing industry is experiencing a long phase of hardship because of continuous low levels of demand, which is leading to a pronounced restructuring and rationalisation of the supply and the bankruptcies of less robust companies with poor performances, at the same time reducing the over-capacity.

Assografici therefore estimates a significant overall drop of around 4% in 2012 of employees in the printing industry.

With regards to training, the requests of businesses continue to be oriented toward skilled workers, technicians and managers expert in the sector.

- **Unemployment rate in the printing industry**

Italy witnessed a sharp increase in the unemployment rate, which rose from 8.4% in 2011 to 10.7% in 2012, with pronounced growth especially in the final months of the year. In view of the general decline, Assografici believes that the unemployment rate has also risen in the printing industry.

On the front of welfare support provisions, the number of authorised hours within the scope of the Wage Integration Fund for the “Publishing, Printing and Reproduction of Recorded Supports” sector increased by 8.2% in 2012 in comparison with 2011, amounting to around 18.4 million hours.

- **Trends in concentration of companies, number of operating companies and number/proportion of bankruptcies**

The Infocamere data for 2012 reports that 19,615 companies are active in the printing and reproduction of recorded supports sector; however, over 80% of them are micro-companies, family businesses and craftsperson. 579 of these companies went into business and 1,361 went out of business. In 2012, quite a few companies in the sector engaged in mergers, acquisitions or strategic alliances to cope with the crisis.

- **Trends in foreign trade**

In terms of value, 2012 indicates a downward trend in imports (-3.4%) totalling € 582 million against a decrease in exports (-4.5%) totalling € 1,305 million. This resulted in a trade surplus of € 723 million, i.e. a decline of 5.4% compared with 2011.

Analysing the imports in terms of value and by product, a decrease is observed in imports of magazines (-2.7%) and in all other minor printed products, while imports of advertising and commercial printed matters grew slightly (+1.3), so did books (+0.8%). From the geographic standpoint, an analysis of the 5 leading countries of origin shows that imports from Germany decreased (-2.5%), those from the United Kingdom grew remarkably (+40.1%) and those from China grew slightly (+1%), imports from France registered a sharp drop (-23.7%); imports from the United States also decreased (-14%).

Considering export values by product, all main products showed a downtrend, i.e. magazines (-14.6%), books (-9.3%) and advertising and commercial printed matters (-4.7%), while exports of other minor printed matters performed better. Geographically, exports to France decreased considerably (-13.5%) but increased to the other most important countries, namely Germany (+4%), the United Kingdom (+3.8%), Switzerland (+10.3%) and Spain (+15.9%). Taking a look at the top 15 countries of destination, in addition to Spain, the export companies showed a robust growth of exports to Poland (+65.5%) and the Czech Republic (+40.9%), while exports to Russia scaled down (-35%) after an important growth in 2011.

- **Moves towards new media services and digitalisation**

In 2012, the erosion of the printing market continued due to the introduction of the new electronic media: the process of digitalisation of various publishing products continued, while an increase was observed in the diffusion of electronic devices such as smartphones, tablets and e-readers, now available at affordable prices for large segments of the population due to competition among producers. The e-book market has yet to take off in Italy (with a market share of between 1% and 2%), but the number of titles offered by publishers continued to grow in tandem with the development of new online sale platforms.

Within an extremely depressed advertising market, internet is the only medium that turns out to be growing in terms of investments (+5.3%); it ranks 4th in importance, with 8.9% of total advertising investments.

The more innovative printing companies, in line with the decisions of the leading publishers, are trying to transform themselves into multimedia (or cross-media) service structures. They must have a thorough knowledge of the languages used in communication and of integrated media and must develop new technologies such as QR-codes or Augmented Reality. They may as well specialise in print-on-demand using digital printing, especially inkjet, to meet the growing demand for printed matters with smaller runs and personalised services.

- **Specific developments which affected the competitiveness of the printing industry**

In 2012, as in 2011, tension on operating margins of printing companies remained high due to the increase of late payments and customer insolvency associated with the prolonged economic crisis. Moreover, companies struggled to procure credit and loans to finance innovation.

The serious crisis of the advertising market in Italy weighs heavily on demand in the printing industry. According to Nielsen, 2012 was the worst year in the last two decades in terms of investments in advertising, closing with an aggregated negative performance of -14.3%. For the first time since 2003, turnover in terms of current prices decreased below the benchmark of € 8 billion, while after inflation there was actually a return to 1991 levels; the average price of advertising also decreased. The change in the advertising market might therefore be structural rather than linked to the current business climate. The downturn in advertising applied to all media with the exception of internet (+5.3% but experiencing difficulty at the end of 2012). Looking at various sectors, cuts in advertising budgets involved nearly all industries of importance in terms of spending, such as food, telecommunications and automotive sectors. Specifically, advertising in the press decreased by 18.4% in periodicals and 17.6% in newspapers. Moreover, advertising in 2012 halved in the free press (-54.7%), a medium that in the last 2 years has undergone severe downsizing. Spending in direct mail communication (-18%) and billposting (-12.5%) likewise decreased noticeably.

As regards investments in the sector, the Argi Association observed an important decrease in investments in printing machinery and equipment in 2012 compared to 2011: -26.2% (excluding digital printing) and -20.4% (including digital printing). Breaking them down by category and on the basis of the segment of destination, a double-digit drop in investments was registered in printing machinery and equipment (-27.5%), post-printing machinery and equipment (-33.7%) and binding (-22.6%). In 2012, after a positive 3-year period, investments in machinery and equipment for paper converting also decreased (-8%). Investments in digital Printing registered a less pronounced decrease (-3.1%). Notwithstanding the Drupa Fair of May 2012, the pronounced investment crisis begun in 2008 lasted throughout 2012, due to the continuing situation of weak domestic demand, the restructuring underway in the vending sector and in the printing industry, and the credit crunch.

- **Trends in prices for raw materials (paper and ink), for energy and any other significant developments in services relevant to the printing industry (e.g. post, insurance, transport)**

A decrease is observed in the prices of the main types of paper used for printing, averaging from -2% to -8% based on surveys conducted by the Chamber of Commerce of Milan. Specifically, the prices of paper for forms fell by 5%, uncoated paper prices fell by 6%, and coated paper prices decreased from -2% to -8% in the various typologies.

The cost of inks grew by 10% on the average.

While over the year, the price of oil was around \$ 112 per barrel and thus in line with the 2011 quotation, energy costs rose by about 8% and transport costs rose by around 5%. This put printing companies in a difficult situation especially as energy costs in Italy remained about 20% higher than the European average.

In 2013, inflation should remain low in more advanced countries since a decrease is foreseen in the prices of energy, food and industrial commodities, tied to the persistent weakness of demand.

Short overview of the general economic situation of the country:

As a whole, the financial developments in Norway are satisfactory. However, there is a distinct split in the Norwegian industry as the oil industry is performing extremely well while the none-oil sector is struggling.

Trends in the printing industry:

- **Trends in turnover and reference to the level of recovery from the economic crisis**

The situation is more stable than during the financial crisis, but the industry is still facing very tough competition from abroad.

- **Trends in the employment level, labour market and training**

It is difficult to get skilled employees as the unemployment rate is generally very low in Norway. The printing industry struggles with competing with the oil and gas industry.

- **Unemployment rate in the printing industry**

Skilled employees tend to get jobs elsewhere than in the printing industry (i.e. oil industry).

- **Trends in concentration of companies, number of operating companies and number/proportion of bankruptcies**

The situation is rather stable with some bankruptcies and mergers.

- **Moves towards new media services and digitalisation**

More and more companies are considering a digital approach in addition to traditional printing.

Short overview of the general economic situation of the country:

According to the Spring Economic Bulletin released by Bank of Portugal, the Portuguese economy presented financing capacity in 2012, with the current and capital accounts balance moving from a deficit of 5.8% of GDP in 2011 to a surplus of 0.8%. This evolution represents a significant feature of the process of correcting the external imbalance, after very large deficits over a prolonged period. The Portuguese economy recorded a contraction of 3.2% in 2012, reflecting the sharp decline of all components of domestic demand. The evolution of private consumption and Gross Fixed Capital Formation (GFCF) should be highlighted, deepening in 2012 the contraction of the previous year. The negative impact of domestic demand on economic activity, together with a marked fall in imports, was partially offset by export growth, which continued to gain significant market share over the year. However, the trend in 2012 was marked by the sharp deceleration in nominal export of goods, similarly to what happened in other countries of the euro area.

The current Bank of Portugal forecast for the Portuguese economy points to a contraction of the economic activity of 2.3% in 2013 (-3.2% in 2012). Behind this contraction lies a strong fall in domestic demand, in the context of reducing the prospects of permanent income.

Exports are expected to slowdown in 2013, although maintaining a positive growth despite the fall in external demand. Very low inflationary pressures will mark the year, either internal or external, resulting in an increase in consumer prices just below 1%.

This projection only considers the budget consolidation measures included in the State Budget for 2013, given the absence of additional detailed measures, particularly for 2014. In this context, domestic demand is expected to stabilise in 2014, after the sharp fall in the previous years. This development should be accompanied by acceleration in exports, as it allows an economic activity recovery in the main markets of Portuguese exports.

So there is a growth forecast for the economic activity of 1.1% in 2014 (the Portuguese Government is currently studying additional measures that will have a negative impact in the economic activity, so the forecast for 2014 might not yet be positive as stated by the bank of Portugal.) As in 2013, the inflationary pressures are expected to remain globally low and the inflation rate should again be low. The Portuguese economy is conditioned by the process of correcting the macroeconomic imbalances, which implies a recessive impact with negative consequences on the labour market. In the public sector, the correction of imbalances involves the need to maintain the budgetary consolidation process. In the private sector, the current forecast is consistent with a reduction in the level of debt and with continuing the gradual and orderly deleveraging process of the banking sector. Under the current forecasts, the Portuguese economy strengthens its financing ability regarding the rest of the world in the next 2 years, after stopping in 2012 a succession of very high external deficits recorded over an extended period.

Trends in the printing industry:**• Trends in turnover and reference to the level of recovery from the economic crisis**

Year	Month	% (When comparing same month last year)	% (Last 12 months average)
2012	October	-10,1%	-10,3%
2012	November	-9,7%	-10,6%
2012	December	-13,1%	-11,1%
2013	January	-8,8%	-11,5%

Source: INE (Portuguese National Statistical Institute) NACE Rev. 2.1 – 18 – Printing and reproduction of recorded media

• Trends in the employment level, labour market and training

Year	Month	% (When comparing same month last year)	% (Last 12 months average)
2012	October	-7,7%	-8,8%
2012	November	-8,6%	-8,9%
2012	December	-5,8%	-8,7%
2013	January	-8,4%	-8,6%

Source: INE (Portuguese National Statistical Institute) NACE Rev. 2.1 – 18 – Printing and reproduction of recorded media

- **Unemployment rate in the printing industry**

Available data do not allow to determine the unemployment rate in the printing industry alone. In March 2013, there were 4008 unemployed workers from NACE Rev. 2.1 added categories 17- Paper Industry and 18 – Printing and reproduction of recorded media (Source: IEFPP).

- **Trends in concentration of companies, number of operating companies and number/proportion of bankruptcies**

Last available figures (source: Ministry of Justice; Bank of Portugal), dating from 2011, show a decrease of 115 operating companies.

Regarding bankruptcies, according to the last figures available (COSEC report of bankruptcies in Portugal – 2012) a total of 6688 bankruptcies were registered, 1.6% are in paper industries (107 enterprises).

Source: COSEC

- **Trends in foreign trade**

Foreign trade - variation in turnover

Year	Month	% (When comparing same month last year)	% (Last 12 months average)
2012	October	-23,3%	-22,8%
2012	November	-24,6%	-27,4%
2012	December	28,7%	-23,7%
2013	January	-0,4%	-22,2%

Source: INE

- **Moves towards new media services and digitalisation**

Trends are similar as previous years. For the majority of companies, digitalisation is a daily reality. There is a fall in books' sales but the reason lies in the economic situation and not so much on migration to e-books, according to the publisher's federation.

New media services - web-to-print, augmented reality, QR codes – are still in progress.

- **Specific developments which affected the competitiveness of the printing industry**

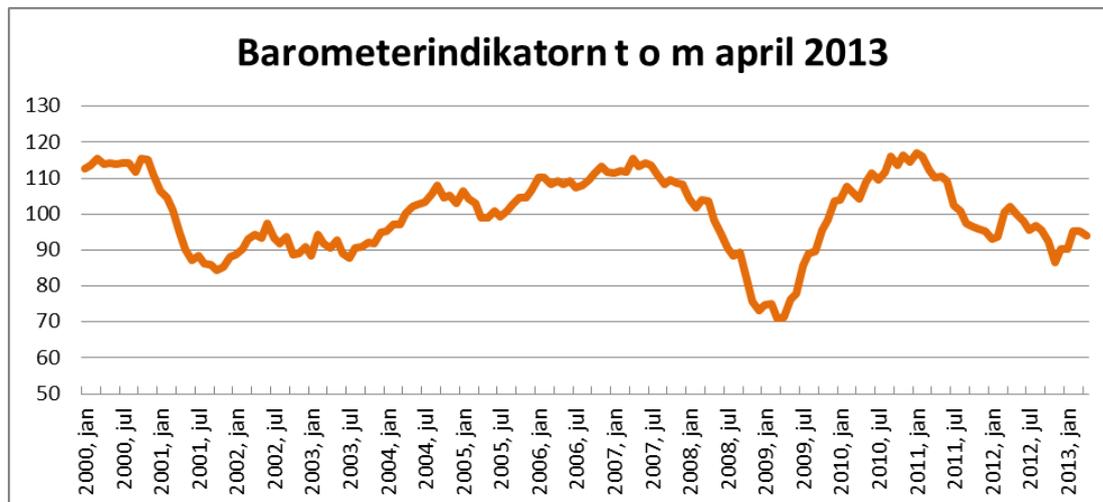
The impact of the European economic situation combined with the on-going Economic and Financial Adjustment Programme are affecting in a most dramatic way the competitiveness of the economy and also of the Portuguese printing industry. Bank credit access remains very difficult and expensive.

- **Trends in prices for raw materials (paper and ink), for energy and in any other relevant developments in services relevant to the printing industry (eg. post, insurance, transport)**

Energy prices increased again in 2012, so did paper prices. There was also an increase in the postal prices, which did not change in the recent years.

ECONOMIC TRENDS REPORT 2012-2013

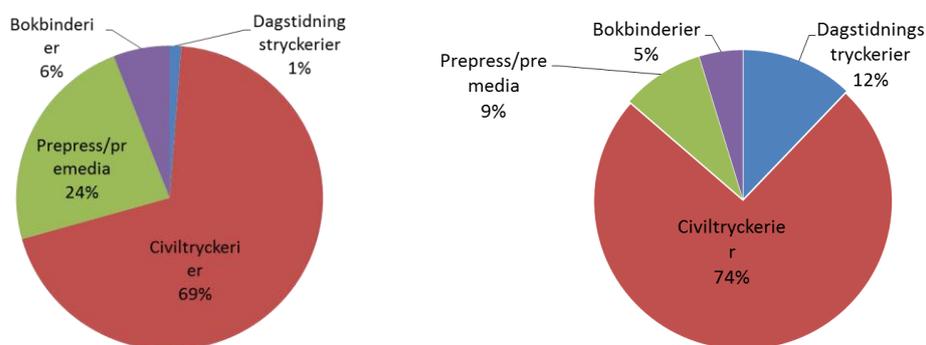
Short overview of the general economic situation of the country:



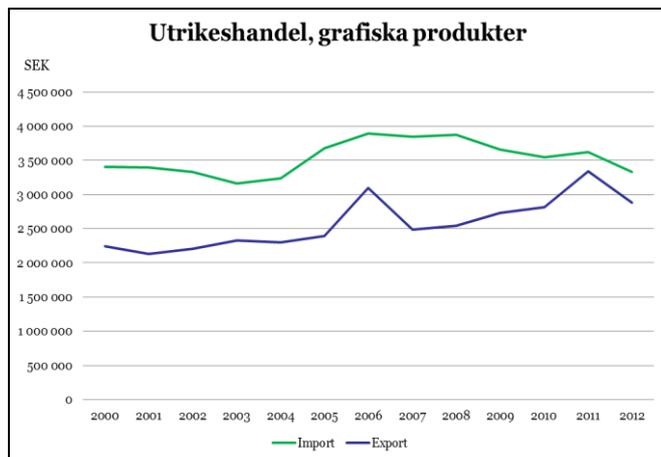
The tendency indicator measures business and consumer confidence in the economy and provides a view of the overall economic situation. The tendency indicator fell back in April, after having risen for 4 consecutive months. The indicator is less than 6 points below its historical average (100), indicating that growth in the Swedish economy is weaker than normal. The decrease can be attributed to the retail and the private service sector. For other sectors, among others the manufacturing industry, the situation improved slightly compared to March.

Trends in the printing industry:

- Trends in concentration of companies, number of operating companies and number/proportion of bankruptcies



- Trends in foreign trade



Imports of graphic products exceed exports, but the trade balance has declined since 2008 by reducing imports and increasing exports. This means that the balance of trade has developed positively.



- **Moves towards new media services and digitalization**

Printing companies that are profitable are all working with new media services in one way or another. Many have web-to-print solutions, either own built, customised or off the shelf versions. Cross media is commonly used since most companies are working with web and tablet publishing along with print. The shift from offset and other traditional printing to digital presses and printers continue. The interest increases for new technologies such as augmented reality, 3D-print, printed electronics etc.

- **Specific developments which affected the competitiveness of the printing industry**

The change of VAT rate for printed matter has given the industry a boost through tax returns. Some printers notice a "retro trend" where customers have tried digital publishing (web, tablets etc.) and think that print still is better. There is also an increased knowledge regarding sustainability where myths regarding print being worse for the environment than digital devices are being challenged.

- **Trends in prices for raw materials (paper and ink), for energy and in any other relevant developments in services relevant to the printing industry (eg post, insurance, transport)**

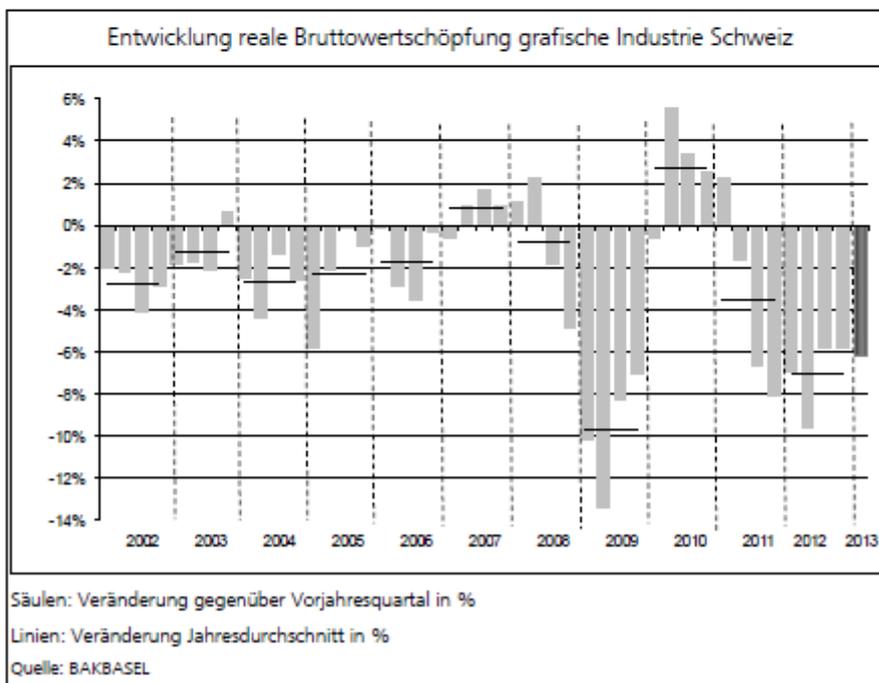
Prices for paper from March 2012 to March 2013 decreased by 4% and prices for electricity decreased by 2.1% during that same period.

Reale Bruttowertschöpfung grafische Industrie Schweiz

Ungebremster Rückgang der Nachfrage im 2013

Gemäss dem Viscom-BAK-Index ist die reale Bruttowertschöpfung in der schweizerischen grafischen Industrie im ersten Quartal 2013 im Vorjahresvergleich um 6,2 Prozent zurückgegangen. Damit setzte sich die stark negative Wertschöpfungsentwicklung des Jahres 2012 fort. Das gilt sowohl für die vom Auslandsgeschäft als auch für die vom Inlandsgeschäft abhängigen Wertschöpfungsbereiche.

Der Importdruck hat an Dynamik verloren. So sind die realen Importe grafischer Erzeugnisse im ersten Quartal 2013 leicht zurückgegangen. Im Jahr 2012 waren die Importe noch kräftig gestiegen, obwohl sich die Schweizer Nachfrage nach grafischen Erzeugnissen insgesamt negativ entwickelte. Die grafische Industrie leidet weiterhin unter konjunkturellen und strukturellen Problemen.



Anhaltender Wertschöpfungsrückgang

Die schweizerische grafische Industrie befindet sich nach wie vor in einer tiefen Rezession. Gemäss dem Viscom-BAK-Index lag die reale Bruttowertschöpfung zum Jahresauftakt um 6,2 Prozent tiefer als im entsprechenden Vorjahreszeitraum. Damit setzte sich die stark negative Wertschöpfungsentwicklung des Jahres 2012 fort. Das gilt sowohl für die vom Auslandsgeschäft als auch für die vom Inlandsgeschäft abhängigen Wertschöpfungsbereiche.

Die realen Exporte grafischer Erzeugnisse lagen im ersten Quartal 2013 um fast 20 Prozent tiefer als im entsprechenden Vorjahreszeitraum. Seitens der grossen inländischen Auftraggeber grafischer Erzeugnisse, der Werbeindustrie und dem Verlagswesen deuten die erneut um rund 12 Prozent rückläufigen Inseratevolumina vom ersten Quartal ebenfalls auf eine ungebrochene Nachfrageschwäche hin. Gleichzeitig fielen die Nachfrageimpulse des Schweizer Handels, eines weiteren wichtigen inländischen Nachfragers grafischer Erzeugnisse, zum Jahresauftakt 2013 nicht mehr so kräftig aus wie in den vorangegangenen Quartalen.

Der negative Einfluss der schwierigen wirtschaftlichen Rahmenbedingungen auf die laufende Produktion wird auch an der anhaltend negativen Importentwicklung wichtiger Vorleistungsgüter wie Papier und ähnlich gelagerten Produkten deutlich. Im ersten Quartal 2013 lagen diese in realer Rechnung um rund 4 Prozent unterhalb des entsprechenden Vorjahreswertes. Gegenüber den Vorquartalen hat der Importdruck an Dynamik verloren. So sind die realen Importe grafischer Erzeugnisse im ersten Quartal 2013 leicht zurückgegangen. Im Jahr 2012 waren die Importe noch kräftig gestiegen, obwohl sich die Schweizer Nachfrage nach grafischen Erzeugnissen insgesamt negativ entwickelte.

Entwicklung 2012

Für das vergangene Jahr 2012 zeigt der Viscom-BAK-Index einen kräftigen Wertschöpfungsrückgang von 7,1 Prozent an. Damit setzt sich der 2011 eingeleitete Abwärtstrend (-3,5 Prozent) deutlich beschleunigt fort.

Bei der aussenwirtschaftlichen Nachfrage verstärkten sich die bereits 2011 feststellbaren Rückgänge, während das Importwachstum grafischer Erzeugnisse weiterhin kräftig ausfiel. Der grosse Unterschied zum Jahr 2011 ist aber darin zu sehen, dass im Jahr 2012 auch die Binnennachfrage nach grafischen Erzeugnissen deutlich zurückgegangen ist.

ECONOMIC TRENDS REPORT 2012-2013

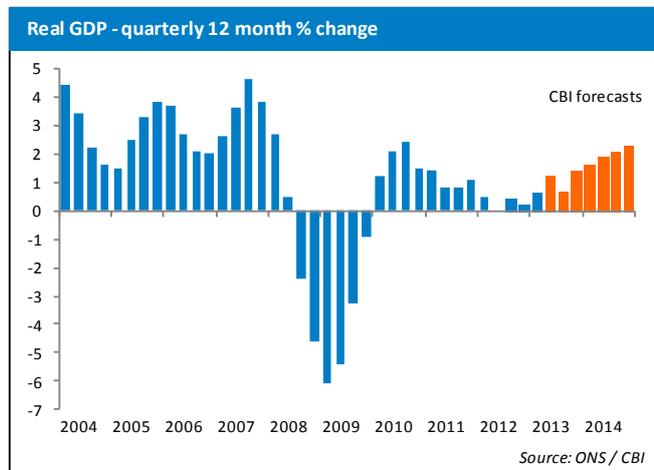
Short overview of the general economic situation of the country:

From Printing Outlook – April 2013; content supplied by the CBI:

UK GROWTH PROSPECTS STILL SUBDUED - GLOBAL ECONOMIC OUTLOOK HAS FILTERED

The economy faced challenging conditions in 2012, and GDP expanded only marginally. However, this disguises a stronger expansion in the domestic economy, counterbalanced by a significant drag from net trade, due in part to global weakness. We expect a subdued pace of expansion to persist throughout this year in the UK, but for GDP growth to be somewhat stronger than last, due to a more supportive global backdrop. The situation in the euro area continues to be the most significant risk to the outlook, and is likely to keep a lid on confidence through the year. Inflation is expected to rise higher by mid-year, while the MPC is aiming to bring inflation back to target over a longer than usual horizon to support output and employment.

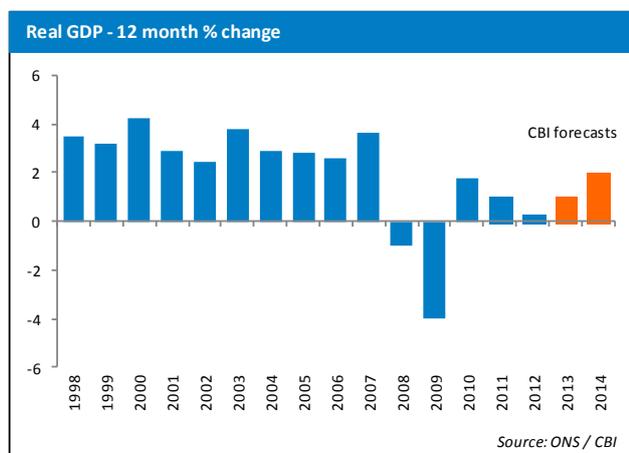
UK Assessment



2012 proved to be a difficult year for the UK economy, with output expanding by only 0.3%. Nevertheless, last year's poor performance disguised a modest expansion in domestic demand (+ 1.4%) which was driven by household consumption, business investment and also growth in government consumption. However, this modest growth in the domestic economy was largely offset by a drag from net trade, which deducted 0.9 percentage points from growth. This reflected continued weakness in the global economy, particularly in the euro area.

The year ended on a disappointing note, with output contracting by 0.3% in the fourth quarter, falling short of our modest expectations of slight growth. The ONS suggests, however, that some exceptional factors impacted on the pace of growth during the quarter. The unwinding of the boost from the Olympic ticket sales, which augmented the level of GDP by around £600mn in the third quarter, and extended maintenance in the North Sea's largest oil field, were each estimated to have subtracted 0.2 percentage points from the Q4 quarterly growth rate. This implies that the pace of growth in underlying activity was modestly positive and so consistent with the generally flat underlying conditions apparent over the last two years.

Our assessment, based on the flow of survey and official data that the UK economy will avoid a 'triple-dip' recession has proven correct. The ONS has now revealed that GDP increased by 0.3% in Q1 2013. By far the largest contribution to growth came from the service sector; partially offset by a contraction in construction. Production provided a small upward contribution assisted mainly by growth in mining & quarrying which offset a small decline in manufacturing.



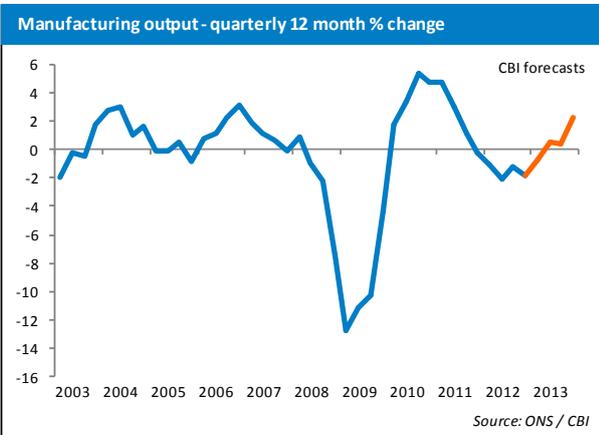
CBI Economic Forecast

Our outlook for the year ahead is broadly unchanged from the previous forecast. Headwinds to growth will persist: fiscal tightening; impairments to the credit system; relatively weak demand in some major UK export markets; and constrained household income growth will restrain the pace of

expansion.

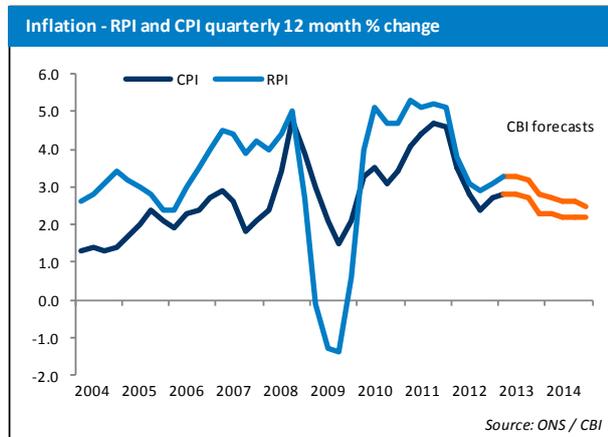
Growth in 2013 is expected to be stronger than in 2012, but still slow overall. Our GDP forecast has been lowered to 1.0%, from 1.4% previously, though this mainly reflects the impact on the growth rate from the unexpectedly weak outturn for the fourth quarter of last year. We expect the domestic economy to expand at a similar subdued pace to last year, with further modest contributions from household spending and business investment. However, we expect net trade to act as considerably less of a drag on growth this year, reflecting an expectation that the global economy will strengthen through the year.

Manufacturing output slumped 1.5% last year, reflecting the slowdown in the global economy, but



also suggesting that a domestic manufacturing-led recovery is continuing to prove elusive. Looking ahead, there are indications that the pace of growth should improve, with the latest Industrial Trends Survey pointing to a marked improvement in output expectations for the next three months.

In February, CPI inflation rose to 2.8% and remained there in March, having stood at 2.7% since October, with higher utility bills and petrol prices exerting upward pressure in February and audio-visual equipment and recorded media in March. We expect inflation to rise further, breaching 3% in June, partly due to base-effects related to sharp, and unusually early discounting on the high street last June. By the end of the year, we expect inflation to have eased back, but to remain at an above-target rate through to the end of the forecast period in 2014.

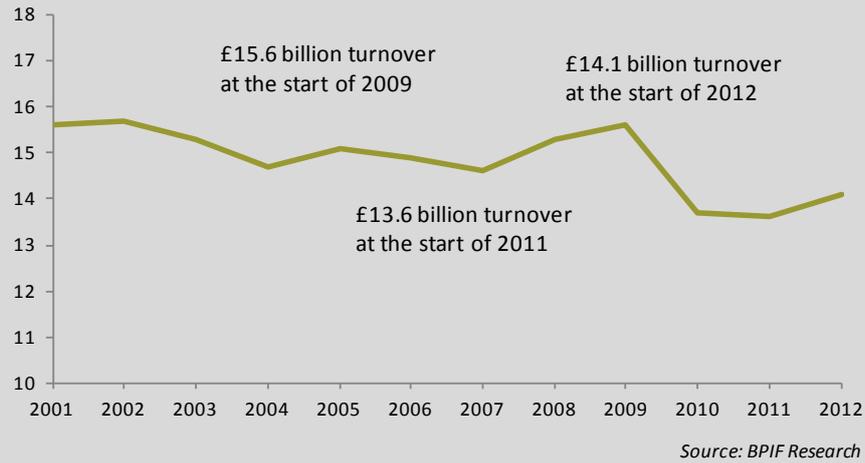


The main risks around the outlook continue to be on the international front. If the pick up in global growth fails to materialise, net trade may once again act as a substantial drag on GDP growth. Meanwhile, the scope for policy error in the euro area, and a renewed flare-up in tensions, is likely to keep a lid on confidence throughout the year.

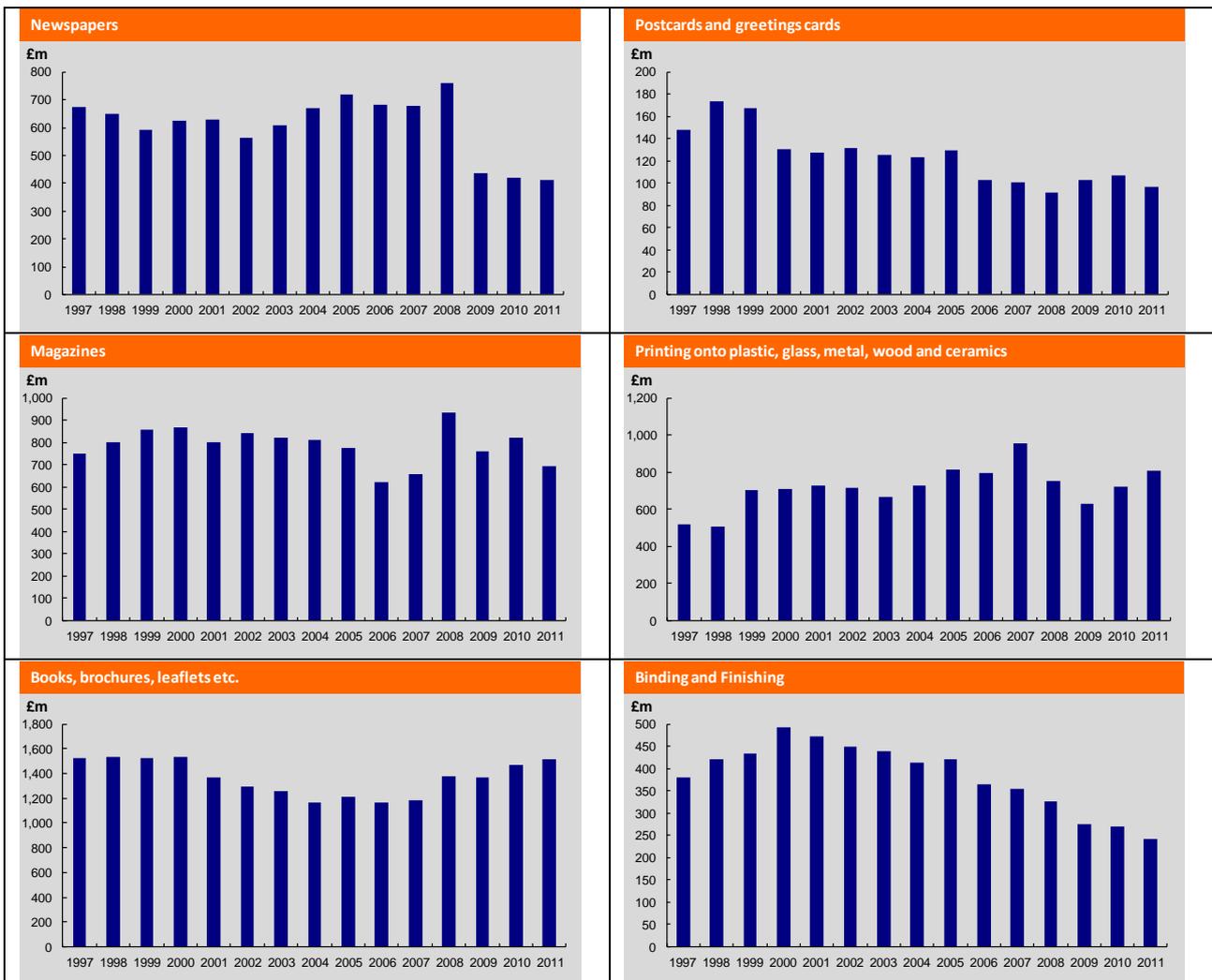
Trends in the printing industry:

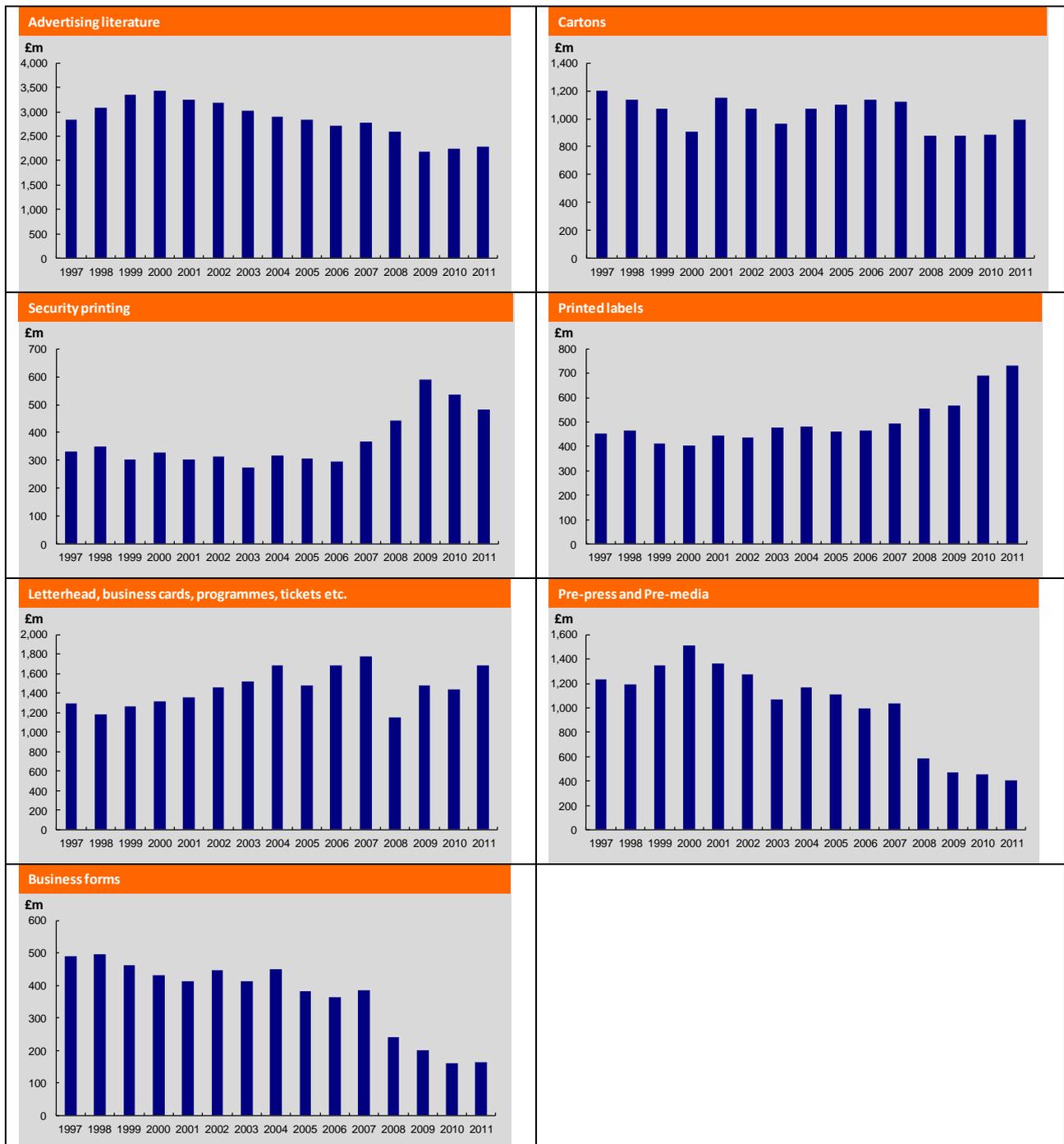
Trends in turnover and reference to the level of recovery from the economic crisis

UK Printing Industry - turnover (£bn) 2001-2012

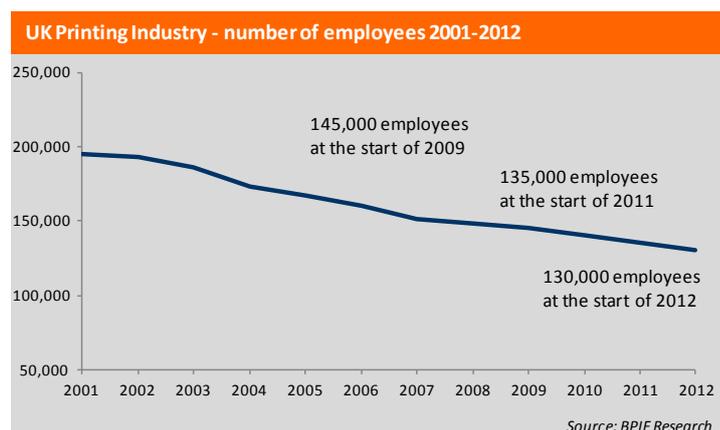


Trends in specific market segments

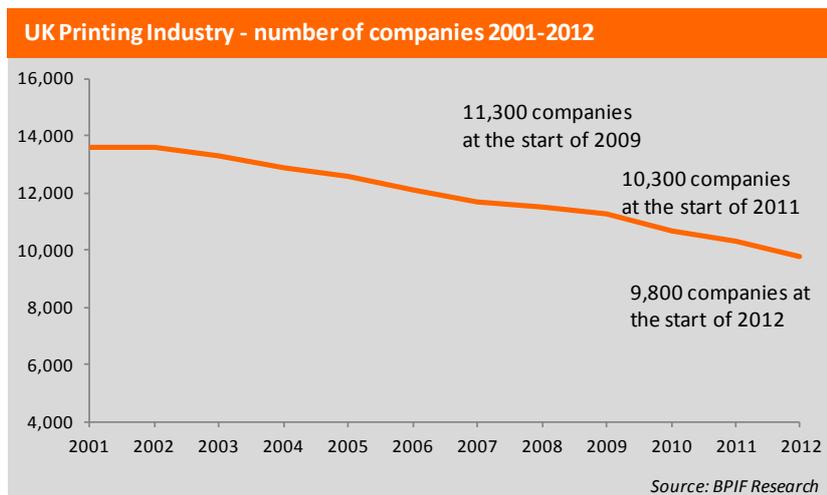




Trends in the employment level, labour market and training



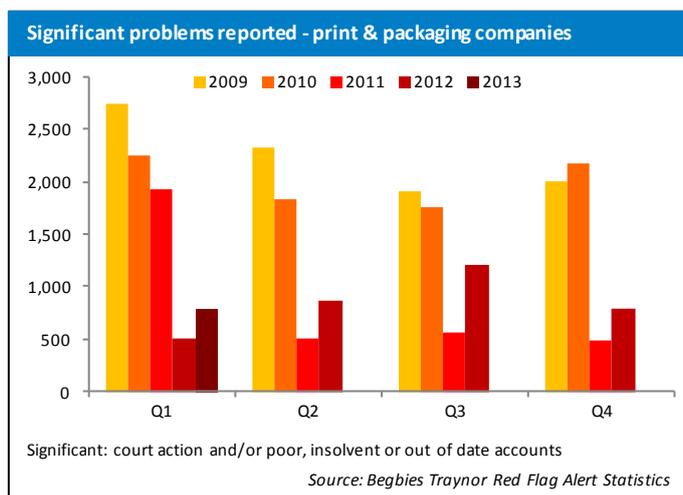
Trends in concentration of companies, number of operating companies and number/proportion of bankruptcies



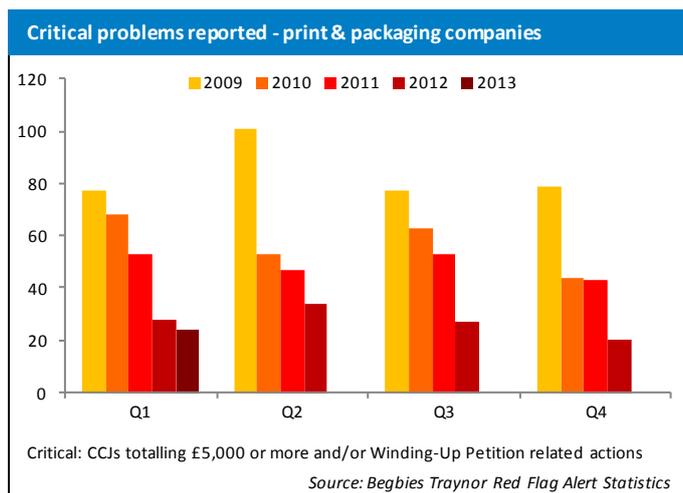
The following sections are taken from *Printing Outlook* – April 2013:

Red Flag Alert Statistics

The level of financial distress experienced by the printing and packaging sector has elevated slightly into 2013. Begbies Traynor has now published their Red Flag Alert statistics for the first quarter of 2013.

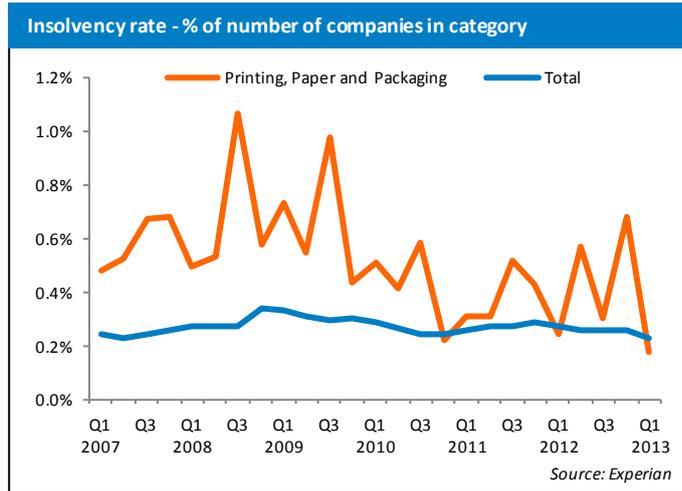


The number of 'significant' problems reported at print and packaging companies (facing court actions and/or displaying poor, insolvent or out-of-date accounts) was 791 in January to March. The reported figure is slightly more than reported for the previous quarter and greater than the equivalent quarter in 2012. However, it remains significantly less than all the reported figures prior to 2011.



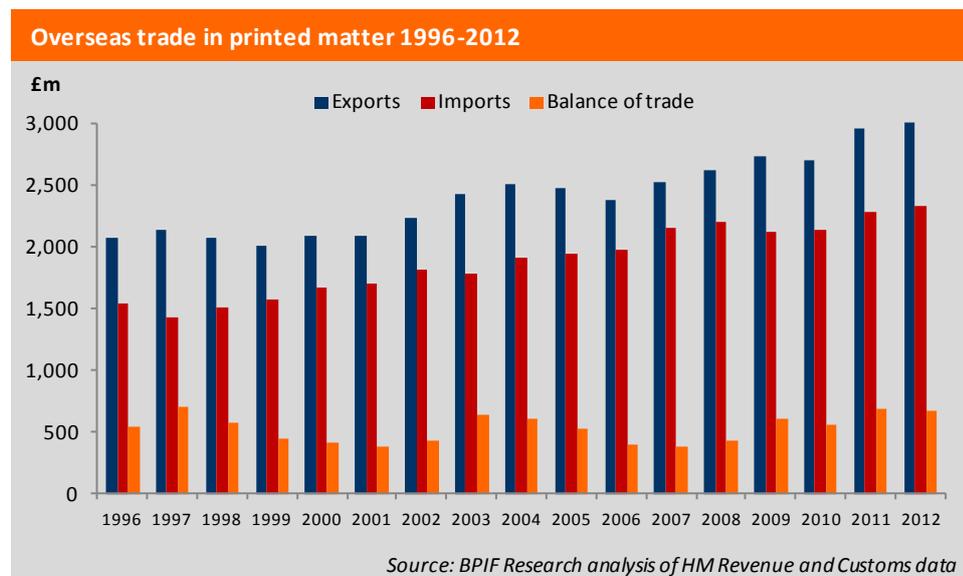
'Critical' reports (County Court Judgements totalling £5,000 or more and/or Winding-up Petition related actions) increased to 24 in the first quarter of 2013, from 20 previously. However, Q4 2012 aside, the Q1 figure is the lowest reported level since the third quarter of 2007.

Insolvencies



The quarterly insolvency rate for companies involved in printing, paper and packaging fell to 0.18% in Q1 2013 (from 0.68% in Q4 2012), according to the latest data from Experian. The chart below shows that the latest Q1 is the lowest reported figure for the industry in the six-year period covered in the chart. The insolvency rate for the printing, paper and packaging sector has now fallen below the national total for only the third time in the last six years.

Trends in foreign trade



▪ Moves towards new media services and digitalisation

Digital is estimated to have been 16% of the total value of the UK printing industry in 2012, up from 14% in 2011 and is forecast to rise to 24% by 2017.

In November 2012 the BPIF performed some research into Short Run Printing:

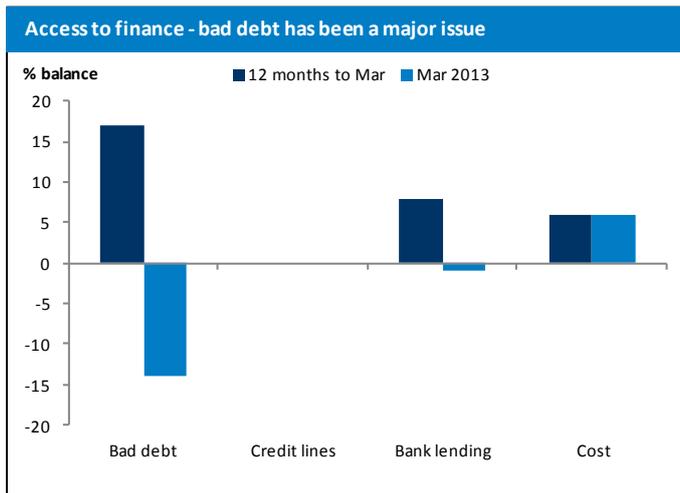
Key Findings

- Majority view the trend of reduced run lengths positively
- Almost all seek to expand and exploit short run printing
- Companies are willing to put their money where their mouth is and invest
- Digital is a main focus for investment but there are some limitations
- Digital/litho crossover for most split between run lengths of 250-499 and 500-999

▪ Specific developments which affected the competitiveness of the printing industry

From Printing Outlook – April 2013

Financing and Credit Conditions

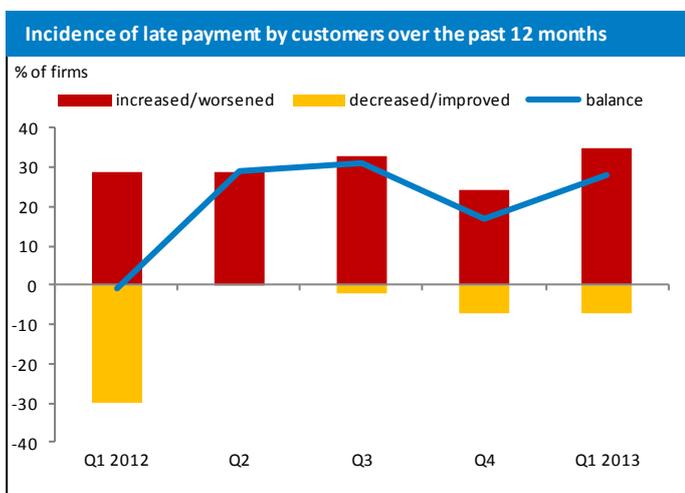
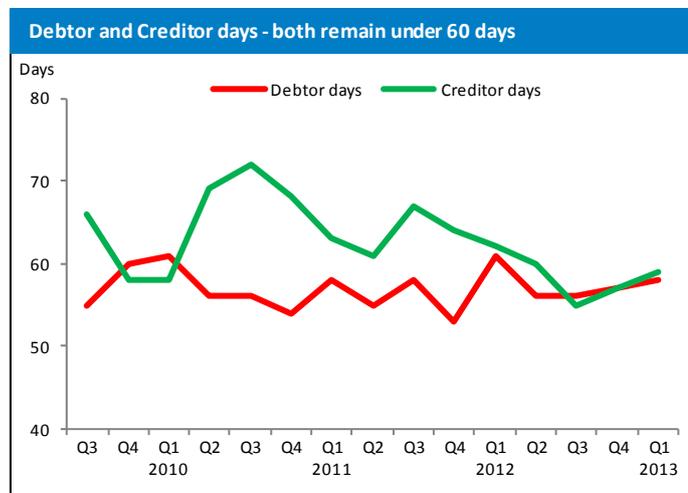


Bad debt has resurfaced as an issue for many printers in the last quarter. In January the incidence of bad debt, as reported by respondents, was reported to be on the decline. However, the spike in the chart below suggests that an increasing number of companies were affected by bad debt, particularly in January and February. The following chart shows the balance between those reporting an increase and those reporting a decrease for a number of factors relating to access to finance.

The level of bad debt increased significantly (+17% on balance) in the last 12 months; though improved in March (-14% on balance). An equal proportion of

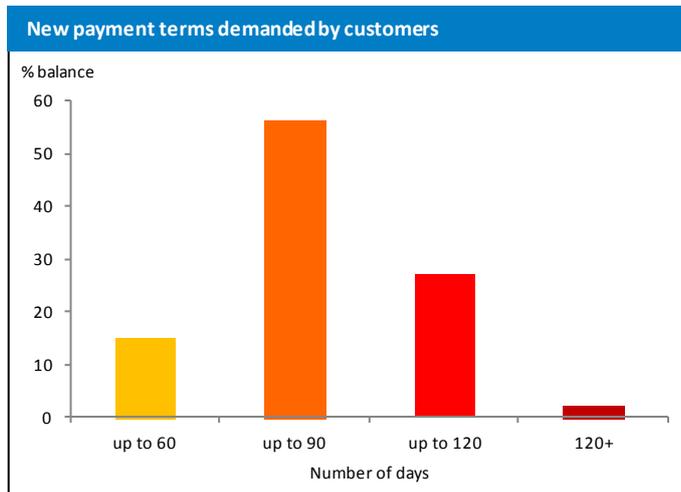
respondents (10%) reported improving or deteriorating credit lines with suppliers in the last 12 months, ensuring that the resulting balance (0%) failed to trouble the chart above. The same outcome was reported for March (with 5% shifts both positive and negative cancelling each other out). The availability of bank lending improved for a small proportion (+8% on balance) in the last year but the cost of this increased for more firms than decreased.

Average debtor days increased by one day to 58 days. 25% of respondents reported debtor days to be less than 50 whilst 25% reported them to be greater than 62 days. Creditor days also increased, but by a greater amount; to 59 days. 25% of respondents reported creditor days to be less than 50; for another 25% they were greater than 66.



Late payment is a big concern for many in the industry; 35% of respondents reported an increase in the incidence of late payments by customers in the past 12 months and 7% reported an improvement. The chart below attempts to show how the resulting balance (28% in Q1 2013) is derived from the increases and decreases since this question was introduced to the survey in 2012.

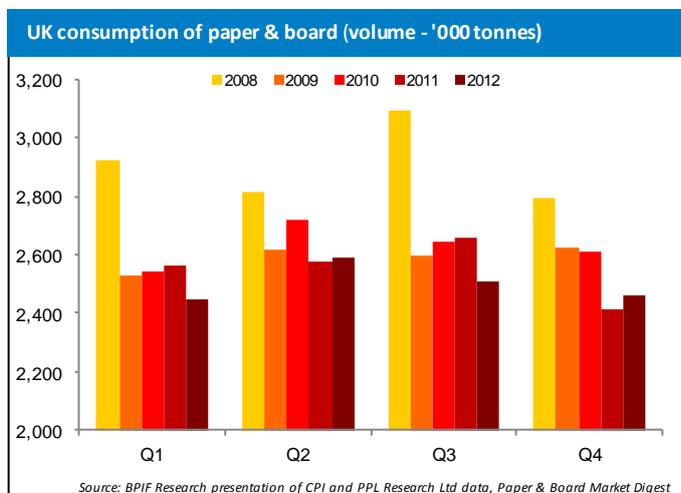
Almost half of respondents (47%) reported that they had been obliged to accept longer payment terms from customers in the past 12 months in order to help retain or secure business. Of these 15% were for terms up to 60 days, 56% for up to 90 days, 25% up to 120 days and 2% for in excess of 120 days.



- Trends in prices for raw materials (paper and ink), for energy and in any other relevant developments in services relevant to the printing industry (eg post, insurance, transport)

From Printing Outlook – April 2013:

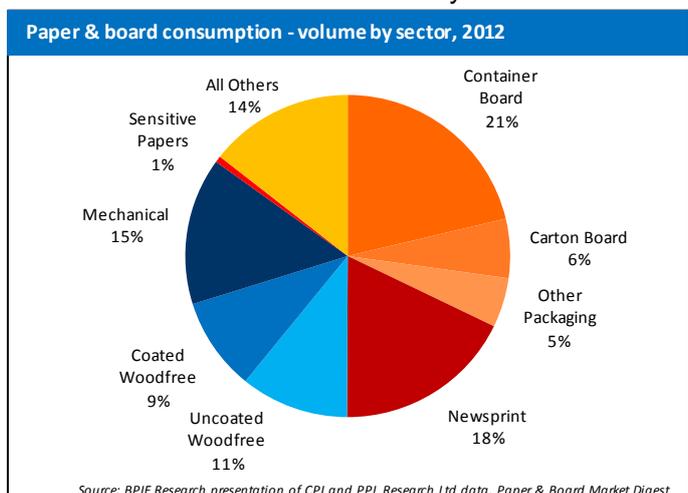
Paper and Board



Full year figures covering paper and board demand revealed a second consecutive annual decline in 2012. Purchases dropped by an overall 2.8% (-290,730 tonnes) in the year. The weakness was primarily in demand for graphic papers, with the market having softened by 4.6% (-260,285 tonnes). Further breakdown shows declines in purchases of sensitive papers (-26.3%), newsprint (-7.8%), uncoated woodfree (-5.5%), coated woodfree (-4.3%) and uncoated mechanical (-4.0%). In contrast, the coated mechanical paper sector showed healthy growth for the third year running of 3.6% with the volume of

purchases at a record level. The main negative driver for the graphic paper market is the competition from electronic media in its various guises, a situation that looks sure to intensify.

The packaging paper and board segment also saw a drop in demand during the year, albeit by a marginal 0.4% (-26,950 tonnes). The decline reflected softness in the markets for carton board (-4.4%), wrappings & sack (-3.6%) and to a lesser degree container board (-0.2%). Consumption of packaging grades closely follows the movement within the domestic manufacturing economy and the signs at present are that 2013 is unlikely to see a rebound in the sector. The chart below show the proportion the various paper sectors had of total consumption in 2012.



The first quarter of this year saw a downward adjustment in prices of all publication paper types which contrasted with general stability within the fine paper sector. Suppliers are intent on pushing up prices for both coated and uncoated woodfree papers during Q2 although over-capacity in the

former market is a particular burden to overcome.

Most packaging paper and board prices were unchanged through Q1 with the exception of waste-based container boards which saw an increase in the period. Pressure is building for hikes across all grades during the second quarter.

