Third Quarter Data—Some Good News and Some Bad

On December 1, 2008, the National Bureau of Economic Research said that “the U.S. has been in a recession since December 2007, making official what most Americans have already believed about the state of the economy” and what the NPES equipment shipment data has been showing since December 2006. NPES shipment data includes prepress, lithographic presses and bindery and finishing equipment sold in the U.S. The 3rd quarter shipment data came in at 361.9 million which was down 5.6% from 2007 levels. Unfortunately... that’s the good news and the bad all rolled into one. It was good that things didn’t get any worse despite the fact that the U.S. economy has clearly deteriorated, but it was bad that we didn’t get a boost from sales at drupa 2008.

We’re still looking at total year-end shipments of approximately $1.42 billion which was the outlook after the 2nd quarter data was released. If you look at Figure 1 above, which shows the quarter over quarter percentage change since our last “good” year which was 2006, you see that the rate of decline quarter over quarter is slowing, which indicates that we may be nearing the bottom. Continuing on the positive side, the 4th quarter of the year has historically been the best quarter for equipment shipments, however this may be tempered by the continued deterioration of the overall U.S. economy.

Moving to Graphic Arts Supplies shipments, which includes film, plates, proofing products and the related chemistries, the 3rd quarter totaled $262.8 million which was down 9.7% from 2007 levels. We’re looking at year-end consumable shipments to total approximately $1.1 billion, which would be 4.7% down from 2007. As we have discussed before, the long term trend with supplies has been a steady decline in the aggregate as the printing industry continues the shift from analog workflows to digital. Printers have transitioned from computer to film to computer to plate and computer to press using less consumable materials and hence, the long-term decline.

However, somewhat more disturbing is the size of the decline witnessed in the 3rd quarter. As shown in Figure 2,

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**FIGURE 1:**

<table>
<thead>
<tr>
<th>U.S. Printing Equipment Shipments</th>
<th>1st qtr.</th>
<th>2nd qtr.</th>
<th>3rd qtr.</th>
<th>4th qtr.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>45.1</td>
<td>14.4</td>
<td>17</td>
<td>2.5</td>
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<tr>
<td>2007</td>
<td>-30.4</td>
<td>-14.8</td>
<td>-12.7</td>
<td>-31.6</td>
</tr>
<tr>
<td>2008</td>
<td>4</td>
<td>-24.8</td>
<td>-5.5</td>
<td>n/a</td>
</tr>
</tbody>
</table>

**FIGURE 2:**

<table>
<thead>
<tr>
<th>U.S. Graphic Arts Supplies Shipments</th>
<th>1st qtr.</th>
<th>2nd qtr.</th>
<th>3rd qtr.</th>
<th>4th qtr.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>-0.4</td>
<td>1.1</td>
<td>4.8</td>
<td>-0.2</td>
</tr>
<tr>
<td>2007</td>
<td>-5.4</td>
<td>-4.5</td>
<td>-3.3</td>
<td>-4.3</td>
</tr>
<tr>
<td>2008</td>
<td>-0.7</td>
<td>-3.9</td>
<td>-9.7</td>
<td>n/a</td>
</tr>
</tbody>
</table>

*continued on page 2*
chairman’s perspective

Hank A. Brandtjen, III
NPES Chairman
President, Brandtjen & Kluge, Inc.

New Year’s Resolutions

On New Year’s Eve, somewhere between the dinner and the toast at midnight, I suspect many of you thought about your New Year’s resolutions. A recent study I read said that 90% of all New Year’s resolutions are not kept. A whopping 65% never even get an effort! Those must be the ones we make after that last glass of champagne. This year, I decided to beat those odds and formulate my resolutions as follows:

1. Listen more than I talk.
   For those who know me, you can see how this resolution won’t be easy to keep! But by listening more, I have no doubt that I can be more productive at work and more involved at home. We are all born with two ears and one mouth, so I figure that two-to-one ratio of listening to speaking is about right.

2. Think outside the box.
   A member of my NPES Leadership Forum is Steve Metcalf of Air Motion Systems. Steve is the most forward-thinking person I know and his business is quite successful. When I talk—to Steve, I realize his success is due in large part to thinking outside the box and approaching things from a new angle. For instance, a walled-in GRAPH EXPO stand with only one door, hosting a UV seminar in Vegas that he did not advertise as being his, e-mail tracking of show prospects, and bringing his manufacturing VP to the NPES Annual Conference are all ideas that Steve has implemented to great success.

3. Look past the trees to see the forest.
   Too often I spend almost an entire day bogged down with one problem. By learning to delegate and letting others work through solutions, I can focus on the bigger picture. These larger issues, if approached correctly, will mean a brighter future for everyone in my company.

4. Take better care of me.
   I am blessed to have many friends within our wonderful industry. At drupa, I had the chance to visit with one of them, David Wright of Martin Automatic who, post show, had plans to travel with his wife. Unfortunately, those plans were cut short because he needed to have a stent put in. As a result of this “wake-up call,” David is now committed to, and recommends for others, daily exercise and better eating habits...super advice from a great person.

The article I read about New Year’s resolutions said that most are not worth the thought and effort that one puts into making them. I guess that all depends on your state of mind and level of commitment. What I do know is that the world economy this year won’t make things any easier. But despite all the gloomy predictions, I believe that by listening better, thinking outside the box, looking beyond the moment and taking better care of myself, 2009 will be a good year.

Remember, it is never too late to make your own resolutions—and commit to seeing them through.

NPES and GASC Launch E-Newsletter on Global Graphic Communications Industry


Each month, PRINT® World News will offer an overview of the key stories from around the world that address vital trends and emerging issues within, or affecting, the graphic communications industry. The December issue, for example, discusses the boost that printers in India have experienced from the global economic slowdown, how North America’s oldest newspaper has taken advantage of Internet competition from Google, new business ventures in the educational publishing sector, and more.

Third Quarter continued from page 1

the 9.7% quarter over quarter decline is almost double even the largest quarterly decline of the past three years. This points to the likelihood that print volumes for the 3rd quarter took a stronger negative decline as well. PIA flash data shows traditional lithographic printing was down .7% for the 3rd quarter which one could have expected to be down by a greater margin given the NPES supplies data. This will all become clearer when final 2008 Printing Industries of America and NPES data are released.

Stay tuned for the 4th quarter data which will be released in late February.
New International Standard for Equipment Graphical Safety Symbols

A new international standard specifying graphical symbols for use on printing press and bindery equipment was published in October. ISO/TR 15847, Graphic technology — Graphical symbols for printing press systems and finishing systems, including related auxiliary equipment, defines graphical symbols for use on or near equipment in printing systems and finishing systems. These symbols are intended to identify the use of, or to indicate the function and/or state (condition/mode) of, the controls used in the operation of the equipment. They are intended for use on equipment controls, including pushbuttons, touch screens, keypads, etc. A copy can be purchased from NPES at http://www.npes.org/standards/orderform.html, or by contacting the NPES Publications Department at phone: 703/264-7200.

A series of international standards for the safety of graphic technology equipment are in various stages of approval. The ISO 12643 series of standards define safety requirements for printing presses equipment and systems, binding and finishing equipment and systems, converting equipment and systems and stand-alone platen presses.

The first three parts of this series, which address general requirements, press equipment and binding/finishing equipment, are existing standards that are undergoing revision. The primary purpose of the revision is to bring them into compliance with the new European Machinery Directive, which goes into effect the end of 2009. Two additional parts addressing converting equipment and platen presses are new.

Balloting on the five parts of the series began in November. U.S. comments on these standards will be solicited from participants on the ANSI B65 Committee and the U.S. Technical Advisory Group (US TAG) to ISO TC 130 (Graphic Technology), both of which are administered by NPES.

The formal U.S. vote and comments on each of these draft standards will be submitted to the International Organization for Standardization (ISO) through the American National Standards Institute (ANSI), the U.S. voting member of ISO.

If you are interested in participating in, or following, this work, please contact Mary Abbott, NPES Director of Standards Programs, at phone: 703/264-7229 or e-mail: mabbot@npes.org.

NPES 2009 Industry Summit

PRINT OUTLOOK® • PRIMIR℠ • NPES®

MARCH 23-25, 2009 • WASHINGTON D.C.

Where can you get all the industry and economic trend updates you need now to plan for the months and years ahead? At the NPES 2009 INDUSTRY SUMMIT, a three day “mega” event that brings together PRINT OUTLOOK 09 with the PRIMIR Spring Meeting and NPES Board of Directors Meeting. The co-location of these events at a single venue will enable you to enhance your industry knowledge and maximize your networking opportunities while minimizing your time away from the office.

PRINT OUTLOOK 09, slated for March 23-24, is the ideal educational and networking experience for industry executives and managers with a stake in marketing, sales finance, research, manufacturing and operations. Attendees will benefit from this conference by gaining answers they need about the state of the economy, pivotal trends in the marketplace and information on business prospects for the future.

Previewing our powerhouse of speakers are:
• Alan Beaulieu, President and Chief Executive Officer, Institute for Trend Research on “Economic Reality—The Recession...how deep?...how long?”
• Andrew Paparozzi, NAPL Chief Economist on “The Outlook for Commercial Printing 2009”
• Jade West, Senior Vice President-Government Relations, National Association of Wholesaler-Distributors on “The Outlook for Business Under the New Administration”
• A Panel Discussion moderated by Gary Jones, Director, Environmental Health & Safety Affairs, Printing Industries of America on “The Greening of Print—Printers Adapt and Prosper with the New Reality of Sustainability” with invited panelists: Connie O’Keefe, Manager, The John Roberts Company; Howie Swerdloff, Sr. VP, Human Resources, Sandy Alexander, Inc.; Jim Duffy, President, ALONZO; and, David P. Podmayersky, Sustainability Director, EarthColor.
• Ronnie Davis, Chief Economist, Printing Industries of America on “How Printers are Adjusting to the Realities of the 21st Century”

Members can further hone their competitive edge by participating in the PRIMIR Spring Meeting immediately following PRINT OUTLOOK. Each year, PRIMIR conducts several of the industry’s most comprehensive research studies on topics of critical strategy concern to manufacturers, suppliers and printers. Be at the Spring Meeting for an insider’s preview of the newest PRIMIR studies:
• Media Mix and the Impact on Print
• Sourcing Behavior of North American Print Originators

FOR PROGRAM DETAILS AND TO REGISTER NOW VISIT: www.npes.org/conferences.
What does the future hold for newspapers? This is the critical question examined in the latest research report from PRIMIR Ltd (Print Industries Market Information and Research Organization), “The Future of the North American Newspaper Industry.”

In existence well before the Internet, television and radio, newspapers have enjoyed an illustrious history. But people need only look to the December 2008 bankruptcy filing by the Tribune Co., which owns one of the nation’s largest daily newspapers, The Chicago Tribune, to know that the newspaper industry is now experiencing tremendous pressure. With multimedia competition—such as 24-hour cable news and mobile devices that essentially provide news on-demand—and pressures on newspapers’ traditional revenue sources (in the form of free Internet listing services such as Craig’s List, for example), most newspaper executives report that the newspaper industry must change to survive.

The PRIMIR study examines the forces shaping the North American newspaper industry. These include changing marketing strategies and the emergence of digital media—from wireless devices to e-readers to social networks—that are affecting newspaper advertising revenues. Research has found, for example, that the greater the penetration of the Internet and broadband access, the more display and classified revenues fall for the newspaper industry. (On the plus side, revenues from newspapers’ digital products will help combat the erosion of printed newspaper revenues. Predicts one publisher, “Within three years, 50% of [our] revenue will be from digital.”) Figure 1 above demonstrates that as Internet penetrations grow (horizontal axis), so the variance in advertising (vertical) declines, in both display and classified.

“The Future of the North American Newspaper Industry” also offers a forecast on what the industry will look like by 2020, which will allow suppliers to appropriately plan for the future. The study does find that newspaper circulation and revenues from traditional sources will decline significantly over the next 12 years. Circulation for dailies is, in fact, already declining at a rate of 2%. Circulation on Sunday editions of newspapers is weakening at a rate of 4%. By 2020,

continued on page 5
the report predicts that circulation for daily newspapers will have eroded by 26%, and Sunday circulations will have declined by about 40%. Companies servicing the newspaper business can expect an industry that will likely be a third smaller in revenue and about half the size it currently is, in terms of volume of materials consumed.

Newspapers themselves will look slightly different from those of today, as well. Readers most likely will be buying newspapers that are smaller in size and have fewer pages. The quality of printing, not to mention the paper, may be more upscale than current iterations, however. Meanwhile, coverage may lean more toward local news than ever before. One publisher predicts that premium journalists will be “fighting like crazy” to snare the big stories, “but people will be interested in the small, local and relevant.” The industry is already expressing interest in more niche and versioned editions to really serve the local markets.

Despite all these changes, the study concludes that great opportunities do exist for suppliers to the newspaper industry. It is expected that many newspapers will outsource non-core competencies, including printing and IT, which may provide opportunities for suppliers to step in and delve more into the service industry. Consumables vendors, for their part, may be able to encourage publishers to adopt higher standards on paper, inks and more to ensure quality publications. Because of the potential for versioning in the future, plate suppliers may actually see an increase in plate consumption by the newspaper industry over the next 12 years. Other opportunities reportedly abound for those vendors willing to think progressively.

Data for the report was gathered from interviews with CEOs, editors and other senior managers at the top newspaper companies in North America (approximately 70% of the industry), as well as interviews with other key industry players, including media academics, suppliers, financial analysts and functional specialists. Econometric modeling of industry financials and volumes, as well as benchmarks from the European newspaper industry, provided additional data for the report.

The 136-page “The Future of the North American Newspaper Industry” is free for PRIMIR and NPES members. NPES members may contact Aaron Allenza at 703/264-7200 to obtain a copy of the report.
NPES will put a special focus on the needs of smaller businesses during the 111th Congress. This was the direction given by members of the Association’s Government Affairs Committee who met at GRAPH EXPO 2008. This course was recommended because the majority of NPES member companies are themselves smaller businesses, and because a majority of the customers of NPES members—both large and smaller—are also smaller firms, which make up a majority of the graphic communications industry. Smaller businesses are the proven engines of job creation and economic growth, and will play an essential role in a return to economic prosperity. NPES will continue its leadership in the Mail Moves America coalition by educating policy makers at all levels of government about the vital role that printed commercial communications disseminated through the U.S. Postal Service play in the nation’s economy. And the Association will continue to advocate for many other ongoing NPES government affairs priorities, but will focus its efforts through the prism of smaller businesses’ everyday needs and concerns, especially during these exceedingly challenging economic times. These priorities include:

- tax policy that enables firms to perpetuate and expand their business,
- healthcare policy that supports an employer’s ability to offer coverage to its workers without mandates that would jeopardize a business’s competitiveness or even its very existence,
- trade policy that facilitates access to global markets and insures fair competition in the U.S. domestic market,
- environmental policy that promotes sustainable economic development and prudent stewardship of natural resources,
- business regulations and labor laws that insure fairness and stability in the workplace, but do not inhibit the ability of businesses to thrive and provide jobs, and
- support for printed commercial communications disseminated through the U.S. Postal Service.

The imminent economic recovery stimulus package, along with other legislation now being crafted in the opening days of the new Congress, will provide the first opportunities to advance these priorities with this new focus.

In the area of tax policy, NPES will continue to advocate for expensing and accelerated depreciation of capital investment, along with more globally competitive research and development incentives. These are policies that have proven track records of success in strengthening the economy. Additionally, the Association will work to permanently reform the Estate Tax, currently scheduled to come back in full force in 2011, by increasing the exemption level and reducing the rate of taxation on estates above that level.

NPES will continue its leadership in the Mail Moves America coalition…"

Smaller businesses are the proven engines of job creation and economic growth, and will play an essential role in a return to economic prosperity.”

"NPES will continue its leadership in the Mail Moves America coalition…"

For more information contact NPES Government Affairs Director Mark J. Nuzzaco at phone: 703/264-7235, fax: 703/620-0994, or e-mail: mnuzzaco@npes.org.
A Student’s Point of View

CAREERS IN GRAPHIC COMMUNICATIONS—IMAGINE THE POSSIBILITIES!

Innovative new print workflow and production technologies coupled with approaching retirements have created an urgency like never before to attract and build a new skilled workforce to maintain and grow the graphic communications industry. The good news is the Bureau of Labor Statistics projects significant industry job growth in production, management, customer service and a range of support positions through 2014.

To help meet our industry’s demand for a well-trained workforce the Graphic Arts Education and Research Foundation (GAERF®) is working to increase the number of PrintED accreditation programs and boost student enrollment. To promote the many exciting career opportunities in the graphic communications industry and also showcase the extraordinary talent of our youth, GAERF has challenged graphic communications students to design and produce a marketing product to be used to promote the spectrum of careers within our industry.

The GAERF 2009 National Student Design Competition themed “Careers in Graphic Communications...Imagine the Possibilities!” is open to all students attending a recognized secondary or post-secondary institution studying in a graphic communications/printing, advertising, graphic design or interactive media program. Their entries must be completed during the 2008-2009 school year and submitted by May 1, 2009. Participants are being encouraged to be creative as they craft their design from concept to finished product.

Qualified entries will be judged at the PIA Summer Teachers Conference in Sewickley, PA. The total of six winning entries will include awards for first, second and third place winners from the secondary level, and first, second and third place awards for winners at the post-secondary level. First place award winners will receive $2,000 plus a two-day all-inclusive paid trip for the students and their instructors to attend PRINT 09 in Chicago, IL; second place award winners will receive $1,500; and, third place award winners will receive $1,000. First place winners will receive their awards at PRINT 09 on Career Awareness Day, September 16, 2009. For complete details visit: www.gaerf.org.

PrintED Certification Awarded to Prison Inmate

For the first time ever, the Graphic Arts Education and Research Foundation (GAERF®) awarded an inmate PrintED® certification. John Phillips, 41, an inmate at the Northern Regional Jail and Correctional Facility in Moundsville, WV received a certification in Offset Press Operations after passing an online national standardized PrintED examination.

As with most prisons, inmates at the Northern Regional Jail and Correctional Facility are not allowed access to the Internet. So, when Instructor Eric Dye took charge of the graphic communications program in July of 2007, he was determined to change that obstacle so that inmates could participate in PrintED certification examinations.

Though initially hesitant to allow online testing, the prison warden finally gave permission for inmate Phillips to register to take the examination, but only under the strict supervision of Jeannette Donohew, lead teacher and Office of Institutional Education Programs (OIEP) Correctional Educational Association accreditation process manager.

Thus it was Donohew who registered Phillips for the testing, and on the day of the test, accessed the online test site as Phillips’ proctor, input his pass code and clicked through the initial test pages to the first question. It was the first time ever that a prison inmate had taken an online PrintED certification examination.

Phillips is now preparing to take the Introduction to Graphic Communications and the Digital File Preparation examinations.

Phillips has found employment in the correctional industries print shop, operating a Sakurai two-color press to produce print jobs up to four colors. Donohew says his training and PrintED certification helped him land a position in the prison’s competitive job environment. “We try to approximate the normal work place as much as we can,” she explained. “Inmates have to apply and interview for these jobs. John was hired because of his skills and qualifications coming out of our PrintED program. The momentum is beginning to build, and we will have more and more students working toward this achievement,” Dye observed.

“Regardless of the length of their sentences, these inmates can’t go on every day without a sense of hope,” Donohew explained. “If inmates do get their sentences reduced and are released, their hope and our hope is that they’re prepared to be productive citizens.”

“We applaud John Phillips on his PrintED achievement and his efforts to further his career even while incarcerated. We also commend the WV Department of Education and their prison educational programming staff for going the extra mile in securing such opportunities for their inmates,” said Ralph J. Nappi, GAERF president.

In 2003, the Northern Regional Jail and Correctional Facility became the first PrintED-accredited correctional facility in the state of West Virginia, and this new milestone shows it is continuing to set the bar on how prison career training programs can—and should—operate. There are currently nine PrintED-accredited prison programs in the country.
HURLEY’S TRADE-WISE DO TELL INTEL

Manufacturing Slumps around the World

Manufacturing activity around the world fell sharply in December suggesting that the U.S. recession will extend well into 2009 and that un-employment will rise globally. Separate surveys of manufacturing activity around the world released recently were also bleak. Manufacturing activity contracted in Germany, France, Italy and Spain pushing the Markit Economics survey of euro-zone manufacturing last month to the lowest level in its 11-year history. In Russia, the VTB Ban Europe manufacturing index fell to its lowest level since it began in September 1997.

Countries such as India and China, heralded for their rapid growth, are cooling as demand for their goods weakens. Chinese manufacturing activity in December posted its second lowest reading since 2004. Both new orders and employment in China fell for the fifth month in a row. Indian employment and manufacturing activity in December fell to their lowest levels since 2005. The simultaneous woes of manufacturing in rich and poor countries are something new in the global economy. In the past, weaknesses in the U.S. and European manufacturing meant a windfall for developing economies which took up the slack.

The spreading and deepening manufacturing slump has some experts worried that the global economy in 2009 won’t fare much better than last year. The recently released J.P. Morgan global manufacturing index, compiled from surveys in 19 countries, reached a new low in December, consistent with a severe 17% annualized contraction in global activity. Global output is estimated to decline 4% in the last three months of 2008 compared to the previous quarter, reflecting reduced spending and available financing on autos, housing and capital equipment. Manufacturers around the world have already begun layoffs to conserve cash and reduce production.

“Manufacturers around the world have already begun layoffs to conserve cash and reduce production.”

Sources: J.P. Morgan Global Manufacturing Index, Markit Economics Survey, Wall Street Journal

Manufacturers around the world have already begun layoffs to conserve cash and reduce production. Greatly increasing spending. However, European nations, more concerned about budget deficits, have been more reluctant to adopt such tactics.

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