



## The Printing Industry in Latin America in 2014 The Challenge of Achieving Sustainable Growth

The 2014 Latin American GDP is projected at 3.1%. The projected growth rates are much higher than the advanced economies but below the average of emerging market economies.

The printing companies will face the dual challenge of improving their productivity and adding various value-added services, to offset some weakness in domestic demand and the progressive competitive impact of digital media. The slow global economic recovery in 2013 has weakened domestic consumption in most countries and has exposed chronic problems of excess capacity.

### Trends in the global environment

In 2014 the world economy will be characterized by growth in advanced economies and slowing growth in emerging markets, according to the International Monetary Fund analysis . The IMF has projected a GDP growth at 3.1% for Latin America in 2014. The 3.1% rate is higher than the projected GDP growth for advanced economies (2.6 % for the U.S. and 1% for the Euro area), but lower than the projected average for emerging economies (5.1%). (IMF World Economic Outlook, October, 2013)

The gradual recovery of the U.S. economy will positively impact Mexico, where GDP will move from a weak 1.2% in 2013, to a robust 3% in 2014. In addition, the US recovery will also benefit Central America and Colombia with 2014 growth rates of 3.9% and 4.2%, respectively. The Euro zone economy will grow by a meager 1% and has been slowed by the weak economies of the periphery versus the core. China and India projected growth rates for 2014 are 7.3% and 5.1%, respectively. These growth rates are lower than the recent cyclical peak rates. The lower growth rates in China will impact its regional trading partners - Brazil, Chile and Peru.

### Regional GDP, Inflation and Printing Growth (1)

Selected Countries	2013 GDP	2014 GDP	2014 Inflation	2014 Printing
México	1.2	3.0	3.0	2.0
Argentina	3.5	2.8	11.4	1.0
Brasil	2.5	2.5	5.8	1.5
Chile	4.4	4.5	2.5	3.0
Colombia	3.7	4.2	3.0	2.0

Perú	5.4	5.7	2.5	3.0
Venezuela	1.0	1.7	38.0	0.5
Central America (2)	3.9	3.9	4.4	2.5
Latin America & Caribbean (3)	2.7	3.1	6.5	

(1) The figures for GDP and Inflation come from the World Economic Outlook, October 2013, International Monetary Fund. Printing growth figures are estimates of the author.

(2) Central America including Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

(3) Latin America and Caribbean economies including Mexico and the Caribbean, Central America and South America.

The expected growth of the printing industry in Latin America for 2014 is placed below the national GDP in all countries. The market size of the printing industry is undergoing a moderate contraction in all countries with the exception of Brazil, Argentina and Venezuela who are experiencing significant contraction. In Brazil the contraction is a result of the weakness of domestic markets and the loss of print to electronic publishing.

### **Advertising and Electronic Publishing**

The global advertising market has been recovering slowly since the fall of 2009. Latin America is projected a growth rate of 9% in advertising spending in 2014. Brazil and Argentina are situated just outside the top ten countries with the most advertising per capita according to research firm ZenithOptimedia. Internet ad spending will represent about 23% of the total advertising spend in 2015. It should be noted that this growth is being achieved at the expense of print media, and as a result, growth in print advertising will be moderate.

The growth in Internet ad spending is challenging printing companies and many will find it difficult to reach organic growth rates of the past. Industry analysts have shown the correlation between the mass availability of Internet services and broadband and the reduction in demand for commercial printing. The information and services available on the internet has made many forms of printing irrelevant. In addition the cost of digital services, platforms and equipment is decreasing steadily making print less competitive.

The publishing world also shows the progression of the digital trend. In 2012, 16.9% of new records in the International Standard Book Number (ISBN) database were for electronic titles. In 2003, 4% of the new records were for electronic titles in the ISBN. Brazil, Mexico, Argentina and Colombia account for the vast majority of registered titles in electronic format in Latin America as reported by the Regional Centre for Book Development in Latin America and the Caribbean.

### **Mexico, Brazil, Argentina and Colombia**

The Mexican printing growth in 2014 is estimated at 2% assuming an economic recovery in the GDP with growth of 3.0%. The printing industry will not reach the projected growth of 3.0% made for 2013 reflecting the economic growth downgrade during the year. The revised GDP estimate is at 1.2% down from a

projected 3.5% in 2012. The gradual adoption of the government mandate for electronic invoicing has had a negative impact on printing volumes eliminating the need for forms, receipts and invoices.

In the 2013-2014 school year, Mexico distributed nearly 234 million copies of free textbooks and educational materials with most printed on post-consumer recycled paper. Mexico, Colombia and Argentina are the leading producers of books in the region. Between 2000 and 2011, Mexico, Colombia and Argentina increased their export of publishing and printing services by 32%, of which 67% represented intra-regional trade and 24% in sales to the United States (Cerlalc Collaboration Space Book 2012).

The Brazilian printing growth will moderate in 2014 to 1.5 %. The IMF estimates GDP at a moderate 2.5% in 2014. The GDP growth is helped by the devaluation of the real, recovery in consumption and economic policies that promote investment. Associação Brasileira da Indústria Graphics (Abigraf) projects a decrease in the printing industry of 2.4%. Abigraf projects a 1.7% growth for the package printing sector. These rates reflect lower than expected household consumption and an increase in consumable costs. Fabio Arruda Mortara, president of Abigraf said "2014 will be a year of challenges for print companies. A turbulent political environment could affect the economy but we believe that the printing industry will achieve a modest increase in production. "

Abigraf is lobbying for the elimination of a tax (9.25%) on industrial production that includes school supplies. The industrial production tax on school supplies makes domestic producers less competitive with books imported from China. In addition the association is also seeking to establish a margin of preference of 25% for domestic printers when competing with foreign printers.

The emerging markets in Brazil and Mexico are gaining momentum in the world marketplace. Globo in Brazil and Televisa in Mexico, have been recognized as the top thirty global media companies. (ZenithOptimedia Top Thirty Global Media Owners. July, 2013). These companies are large buyers of print media and are important factors in the printing economies.

The Argentina printing growth is estimated at 1% in 2014. The IMF forecasts GDP at 2.8% in 2014 with an inflation rate of 11.4%.The Argentina Industrial Union (UIA) estimated in July 2013 that the manufacturing industry grew by 3.2% year over year. The paper and board industry contracted by 2.4% and the publishing and printing industry grew by 1.2%.

The Colombia print growth is estimated at 2% in 2014. The Industrial Opinion Survey performed by Andigraf and ANDI reported moderate decreases in both printing publishing and the label and packaging sectors in the first half of 2013, and a positive performance of advertising and commercial printing. Several policy initiatives have created conditions conducive to the increase in the printing industry. Columbia has established free trade agreements with the U.S. and the European Economic Community. Columbia has also joined the Pacific Alliance, a free trade agreement with Chile, Peru and Mexico. The Pacific Alliance when combined represent the 8th largest economy, the 7th largest exporter worldwide and 36% of the total gross domestic output in Latin America.

## **Packaging**

In 2012, The Brazil Graphic Industry Report ([www.abigraf.org.br](http://www.abigraf.org.br)) indicated that the label and packaging sector represents 43.9% of the printing industry. This is a significant increase over the historical paradigm that the packaging sector represents 33% of printing industry. It is estimated that by the end of this decade the Latin American packaging sector will follow the Brazilian model and will represent at least 40% of the print industry.

According to a report published in the Packaging & Converting journal ([www.elempaque.com](http://www.elempaque.com)), the growth rates for label converting in Latin America decreased in the first quarter of 2013 as a manifestation of the weakness of the economic recovery across the region. However key indicators such as productivity, investment levels and profitability, showed resilience. 57% of total respondents (122 label converters companies from 15 countries of the region) said that the profitability of their operation remained stable and 25% reported that profits had increased.

## **Conclusion**

The Brazilian Graphic Industrial Institutional Publications claim that the performance of its industry increasingly resembles that of the advanced countries with modest GDP growth. One must conclude that the challenges for the printing industry are increasing in all countries in Latin America.

Print publishing is being challenged by the convergence of digital printing and conventional offset printing and the migration to electronic publications. In the dynamic world of commercial printing increased productivity and innovation in products and services are the key to survival. Package printing requires specialization, increased productivity and integration of printing and finishing systems. The increase in the number of hybrid plants that combine both digital and conventional is providing a competitive edge for innovative companies.

The printing industry must respond coherently to the requirements of environmental sustainability and, of course benefit from it. To enable the change Norberto Pleśniak of the Gutenberg Foundation suggests a new management style. "Incorporating the potential of the company, the individual capacity of its members, their willingness to use intelligence to create and improve their knowledge. It will be the only way to survive, when the increasing global competition influences our markets, or if a local competitor is successful in implementing these principles. "

( \* ) The author: Carlos Silgado is technical and business consultant for the printing industry . He was editor of publications for information - B2Bportales Carvajal . He can be reached at [carlos.silgadobernal @ gmail.com](mailto:carlos.silgadobernal@gmail.com)