

LATIN AMERICAN PRINTING INDUSTRY

Despite dealing with all the difficulties related to an emerging market – in addition to the Covid-19 pandemic – Latin America is a place of opportunities for those who understand the transformation that the print communication industry is going through, reports Hamilton Terni Costa



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Latin America is the set of Spanish and Portuguese-speaking countries within the American continent, from Mexico to the north going to Argentina to the south including Central America, the Caribbean and South America. The area comprises 20 countries plus 13 Caribbean countries with a total population of 586 million inhabitants.

Often associated with economic crises, dictatorships and underdeveloped nations, the region has changed a lot in recent decades. It has been urbanised in impressive cities such as Mexico City, São Paulo, Rio de Janeiro, Buenos Aires, Bogotá or Santiago, with a rich cultural life, award-winning gastronomy, cutting-edge financial sectors and entrepreneurship. However, the region still presents economic and personal income inequalities, although most countries are struggling to equalise this situation.

The six most important Latin American economies are Brazil, Mexico, Argentina, Colombia, Chile and Peru. The GDP of Brazil and Mexico together is 57.5% of the total.

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According to statistics from Conlatingraf (the confederation of Latin American printing industries), the region had 60,000 printing companies in 2017, with an estimated

turnover of US\$40 billion. In 2019, Anidigraf, an association of suppliers in Mexico, identified 24,600 companies in that country, with annual revenues of US\$16.3 billion. In the same year, Abigraf do Brasil – the Brazilian association of the printing industry – pointed to 19,142 companies for an annual turnover of US\$12.2 billion. For the first time in years, Mexico surpassed Brazil in this sector, although the Brazilian GDP is significantly

higher than Mexican. Dollar valuation in Brazil is the answer for this.

The profile of the Latin American printing industry is not very different from other regions. Let's take Brazil as an example. Considering the number of employees, 97.1% of the companies are of small size, ranging from 1–49 employees.

“For the first time in years, Mexico surpassed Brazil in the printing industry sector”

Medium-sized companies, with up to 250 employees, correspond to 2.5%, while large companies with more than 250 employees account for only 0.4% of the total.

Average print growth in the region over the last decade to 2019 was 2.3% CAGR (compound annual growth rate) according to Smithers. Even so, some countries like Peru have experienced growth of more than 9% CAGR in consecutive years.

Drupa's 7th 2020 Trends Report indicated that the South and Central American printing industry performed poorly on margins, pricing and equipment utilisation compared to other regions of the world except Africa. This is a relevant issue, as productivity is one of the weakest points in the sector. Intensive training and education are needed to fill these gaps.

Yet there is no shortage of state-of-the-art graphics, with cutting-edge technology



Comprised of Spanish and Portuguese-speaking countries within the American continent, Latin America has a population of 586 million people, and in 2017 the region contained 60,000 printing companies

and high quality, including international companies such as Quad Graphics, Smurfit Kappa, CCL and many others, mainly in the packaging market. It is part of the contrast we can find in places where development has not reached all levels.

IMPACT OF THE COVID PANDEMIC

No country in the Latin American region has gone through the pandemic without getting hurt. To varying degrees, they all faced lockdowns, work from home, unemployment, government benefit plans – some good, some bad. In most cases, the printing industry was considered essential to the economy so it was allowed to open and operate. The question for many, however, was how to keep customers and what to print. No different from other regions around the world.

Latin American commercial and editorial business sectors dropped in 2019 and 2020. Packaging remained active. Many stores were closed; others merged. There was a recovery in 2021, but not enough to return to the previous level. The number of printing companies has shrunk by about 10% by closing or merging. In Brazil, 17,671 companies are now accounted for. Costa Rica, Colombia, Chile, Peru and Mexico have similar percentages.

In Brazil, for example, commercial printing and publishing, with the good exception of books, dropped an incredible 37.9% in 2020 compared to 2019. In 2021 this segment grew by 31.2%, still not enough to reach the same level of two years ago. Carton and cardboard packaging increased by 1% in 2020, while flexible packaging increased by 6.5%. In 2021, they grew by 4.5% and 1.6%, respectively.

The same scenario is seen in other countries where packaging is becoming a new option for commercial printers. This transformation, however, is not so easy. The packaging segment is very competitive and forces companies to rethink their business model and strategy, reorient sales and invest in additional equipment, especially in finishing. Specialisation in packaging is a requirement to be competitive.

Furthermore, with many supply chains for all types of raw materials failing during the Covid pandemic, the industry has been dealing with rising costs, facing material shortages, and experiencing difficult negotiations with its customers.

ECONOMY

Inflation is another issue that brings a new variant to business. In 2020, the CPI in Mexico was 7.6%, Chile 7%, Peru 5.5%, Colombia 5.5%, Brazil 10%, and explosive in Argentina: 50%. The 2022 forecast for all of these countries is smaller figures, but still higher than previous years. In a scenario like this, productivity is a key point to stay competitive.

It's not all bad news. Investments have not stopped. The fact is that many printers are taking advantage of this time to invest in new automated printers, workflows, digital communication, e-commerce and expanding customer relationships and getting more involved with their needs, projects and developments. The industry must move forward. This is the best plan of action – progressing to being part of the solution demanded by their customers and target market.

Latin America, despite dealing with all the difficulties related to an emerging market, is still a place of opportunities for those who understand the transformation that the print communication industry is going through. ■

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