

**Pan-American Day Conference**

# **Brazilian Printing Industry Overview**

**reflections on apparent  
contradictions**

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# Brazilian Economy Overview

Year	2004	2005	2006	2007*
% Growth GDP	4,94%	2,28%	2,7%	4,5%
Population	181.5m	184.2m	188 m	189.5m
Population Economically active	69.8m	69.8m	70.9m	73.1m
Unemployment	9,60%	8,30%	8,40%	9,70%

Year	2004	2005	2006	2007*
Currency Dollar Exchange average	2,92	2,43	2,17	1,87
Interest rate	17,75%	18,00%	13,25%	10,75%
Inflation	6,13%	5,05%	2,81%	3,95%

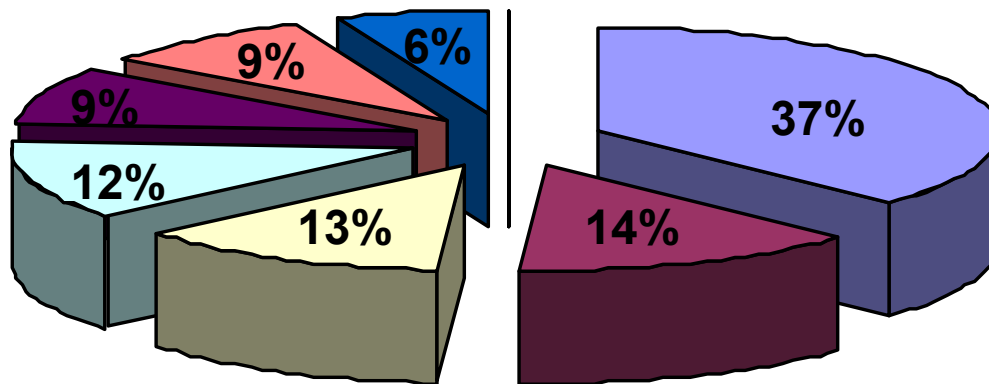
## Top 20 economies by GDP in 2005

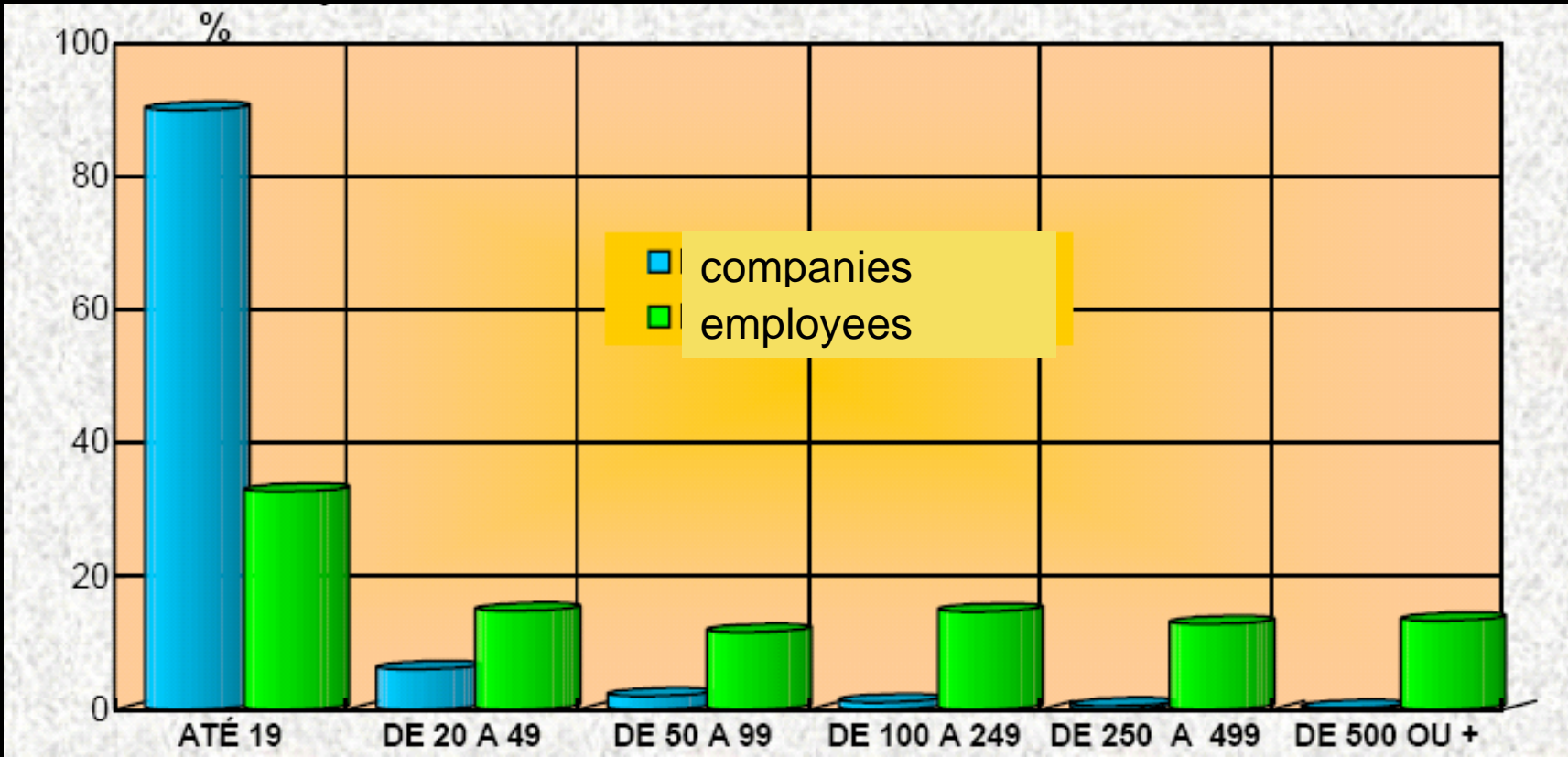
1. **USA** US\$12,452 trillions
2. **Japan** US\$ 4,672 t
3. **Germany** US\$ 2,799 t
4. **UK** US\$ 2,196 t
5. **French** US\$ 2,113 t
6. **China** US\$ 1,909 t
7. **Italy** US\$ 1,718 t
8. **Spain** US\$ 1,124 t
9. **Canadá** US\$ 1,106 t
10. **Corea** US\$ 799 t

11. **Brazil** US\$ 795 b
12. **Russia** US\$ 772 b
13. **Mexico** US\$ 758 b
14. **India** US\$ 746 b
15. **Australia** US\$ 683 b
16. **Holland** US\$ 622 b
17. **Belgiun** US\$ 365 b
18. **Switzerland** US\$ 364 b
19. **Sweden** US\$ 354 b
20. **Turkey** US\$ 353 b

	2005	2006
<b>REVENUES</b>	<b>R\$15.84 b</b>	<b>R\$16.22 b</b>
<b>Δ%</b>	<b>6.2%</b>	<b>2.4%</b>
<b>REVENUES</b>	<b>US\$6.7 b</b>	<b>US\$7.5 B</b>
<b>Δ%</b>	<b>27%</b>	<b>12%</b>
<b># COMPANIES</b>	<b>17,364</b>	<b>18,371</b>
<b># EMPLOYESS</b>	<b>183.276</b>	<b>191.357</b>
<b># EXPORTS</b>	<b>US\$180 M</b>	<b>US\$212 m</b>
<b># IMPORTS</b>	<b>US\$176 m</b>	<b>US\$269 m</b>

# Revenue per segment

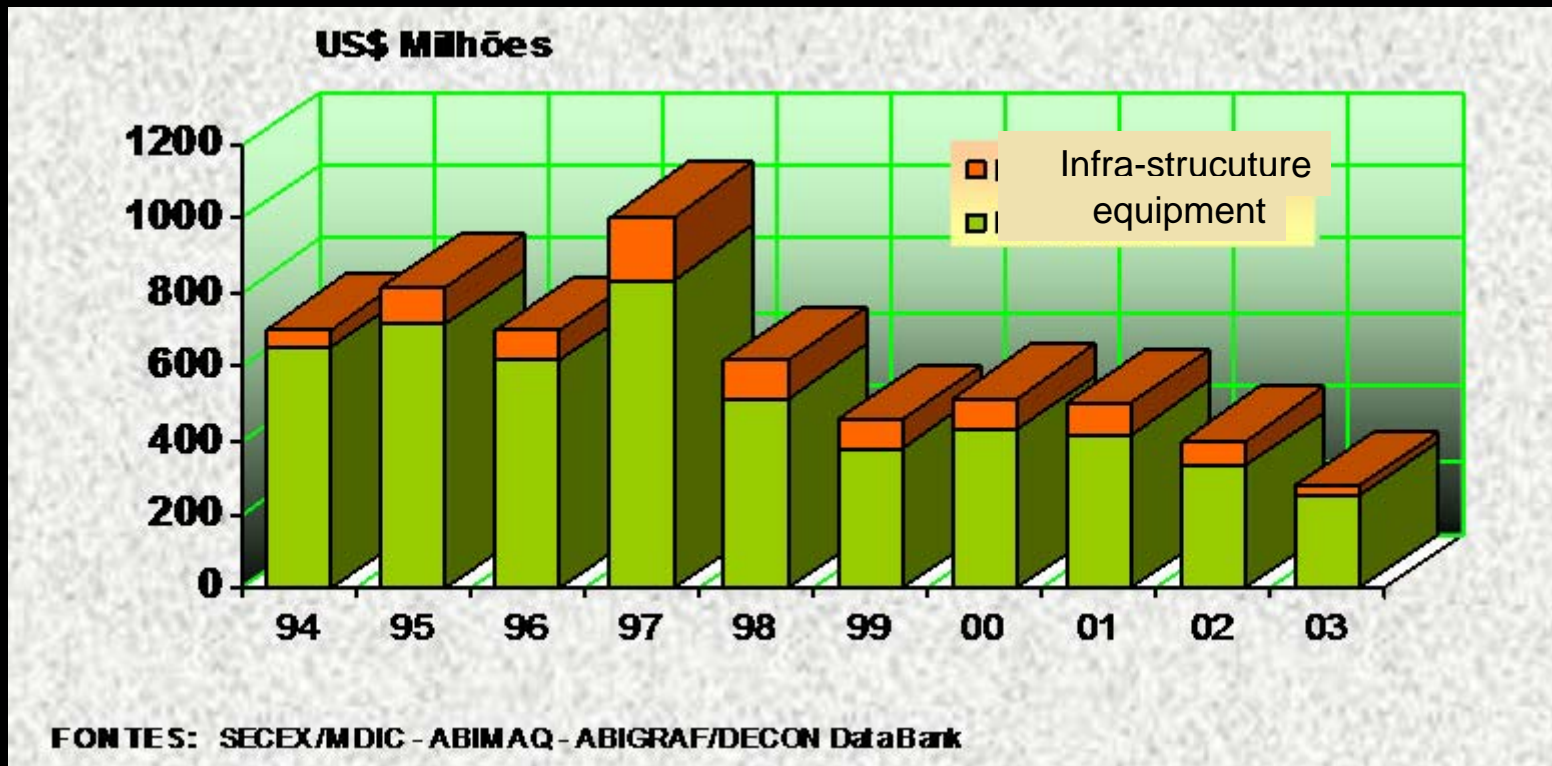




**18.300 COMPANIES**

**190.000 EMPLOYESS**

- Global trends: the number of printing companies is shrinking
- In Brazil is growing:
  - 16.529 en 2004
  - 17.364 en 2005
  - 18.371 en 2006
- Consolidation is not effective as in USA and Europe



- Equipment imports has grown fantastically in the last years:

2004: US\$ 198 m

2005: US\$ 282 m

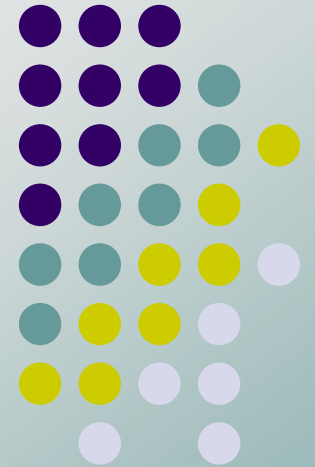
2006: US\$ 414 m.

45% rate!

- From the second part of the last year are being installed more than **700 towers of printing presses**. It means a fantastic amount of 4, 5, 8 or 10 color sheet fed presses.
- **Mostly ½ or ¼ sheet**
- Add CTPs, Prepress and finishing lines
- Sales equivalent to year 2000 the most successful one.
- At least **6 new heat set web** presses mostly for 48 pages in a market with more than 160 webs, some of them idle part of the year.
- **For a market that is growing close to GDP!!**

# The Future: the World Wide Market for Print

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# Key countries

- Size and growth vary across countries
- Mature N. America, Japan, W. Europe biggest but real declines
- **Developing markets growing more strongly**
- Print demand leads machinery /consumables /inks /substrates (to a degree)
- Some bright spots

# Print market rankings, 2000-11

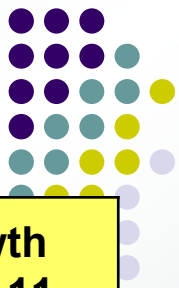


- US ranks one, ahead of Japan
- China has moved up from 5<sup>th</sup> to 3<sup>rd</sup>, overtaking the UK and Germany
- India (population: 1.2bn) and Indonesia (pop: 225mn) emerging as significant print markets with great long term potential
- Other fast movers include Russia, moving up from 37<sup>th</sup> in 2000 to 22<sup>nd</sup> into 2006

Country	2000	2005	2006	2011	Country	2000	2005	2006	2011
United States	1	1	1	1	India	11	11	12	8
Japan	2	2	2	2	Australia	13	13	13	14
China	5	4	3	3	Netherlands	14	14	14	15
Germany	3	3	4	4	South Korea	18	15	15	16
UK	4	5	5	5	Sweden	17	16	16	18
France	6	6	6	6	Indonesia	21	20	17	13
Italy	7	7	7	7	Belgium	19	17	18	19
Canada	8	8	8	10	Austria	20	19	19	21
Spain	10	9	9	12	Hong Kong	15	18	20	20
Brazil	9	12	10	9	Norway	22	21	21	24
Mexico	12	10	11	11	Russia	37	24	22	17

Source: PRIMIR 'World Wide Market for Print' study by Pira International, 2007

# Leading print markets, 2006-2011 (US\$ million, current prices)



Rank	Country	2006	Growth 2005-06	2011	Growth 2006-11
1	United States	\$182,000.7	2.8%	\$196,722.7	8.1%
2	Japan	84,976.0	-3.3%	88,363.7	4.0%
3	China	41,200.0	17.0%	65,934.1	60.0%
4	Germany	38,794.2	1.5%	43,329.9	11.7%
5	UK	34,937.0	4.0%	39,030.6	11.7%
6	France	23,251.5	2.9%	26,731.4	15.0%
7	Italy	23,096.3	2.6%	26,000.4	12.6%
8	Canada	16,136.4	11.6%	17,792.2	10.3%
9	Spain	13,856.0	4.1%	16,074.4	16.0%
10	Brazil	12,552.2	18.5%	19,192.2	52.9%
11	Mexico	12,277.5	7.1%	16,550.4	34.8%
12	India	12,131.0	7.8%	20,990.7	73.0%

Source: PRIMIR 'World Wide Market for Print' study by Pira International, 2007



# Key growth markets

- Nine key markets with significant potential identified: China, **Brazil**, India, Mexico, Indonesia, Russia, Poland, Turkey and the Ukraine
- Combined population of 3.27 billion in 2006, rising to 3.42 billion by 2011
- Combined print market value rising by US\$54 billion to US\$148 billion over the same period

- Ultimate Abigraf's survey: digital printing is 4% of the Brazilian printing industry revenue
- Forecast: increasing 38% next 3 years
- More than 3 times the industry average
- Global trend: growing faster

- Text Books bought by government 2007: **134 million. Peak year. Next two years: valley**
  - Less the 350 million books at total. Less than 1997
  - **Most publishers print in their own printing plant**
  - 78% of the books are printed by publishers, 21% printed in the market, 1% imported\*
  - Market growth: 2%
  - Global trends: More titles, runs smaller.
- USA: First of the main printing market to be **51% digital in the next three years**

\* source: CBL

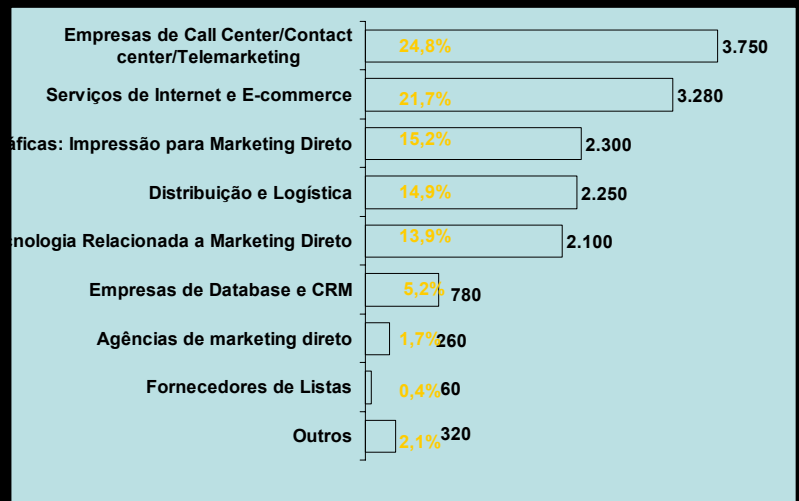
- 2005 and 2006: same amount of printed magazines : **394 millions.**
- Ads increased 4%
- As reference: the production peak was 453 millions in 2001
- 15% more than 2006.
- Forecast 2007: **same numbers**

Source: ANER

- Paper and cardboard packaging 2006 production: **US\$ 5.63 billion.** 2% over 2005
- Not all is inside the printing industry statistics
- Forecast 2007: **2%**
- Conversion: Self adhesive label segment is growing faster.

Source: ABRE

- Direct mail market raised 18% last year.
- Printed material raised 9.5% from 2005 to 2006 (US\$100m)
- 2006: US\$1 b
- Decreased its share from 16.4% to 15.2%



- Where so many new machines are going to be used?
- Will we see the same motion picture again?

# Reflections on contradictions

- Industry Increasing US\$500 millions of revenue per year in a even more fragmented market, job runs turning down, stimulates small companies
- The equipment import numbers mostly due to small sheet fed sizes show that middle and small size companies are renewing their equipments
- Better income per capita increases printing goods consumptions as a derivate demand

- Industry is bigger than show regular statistics
- Conversion segments and new processes impacts like digital printing are not well surveyed
- Dollar devaluation (equipments less expensive), economy stability, easier access to bank credit and demand for new technology drive the investments
- It will survive those more innovative companies

- The face the Brazilian Printing Industry is gradually changing
- No more market boundaries. Some printing and communication production are melding in different ways.
- Digital solutions are coming up fast.
- In the conversion side, new materials and production processes adapt to new customer needs

- There is an industry natural movement for renewing technology, increasing the offer and facing demand problems.
- Otherwise there is a plenty of companies improving their processes and developing innovative new business models that are making them grow consistently over the industry average.
- That's absolutely not a Brazilian exclusivity. It's happening in many different countries. Our way to look at the industry and understand its transformation has to change.