The impact of the global financial crisis on Chinese printing industry

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The Peoples Republic of China is one of the biggest media markets in the world.
In particular for suppliers to the print media industry i.e. German enterprises for printing engineering and increasingly for German publishing houses China is becoming more and more important. The development rates in packaging and in illustration printing are the results of better infrastructures becoming more highly attractive for German suppliers. Besides these effects, the Chinese printing capacity is used for orders from Germany. In this article a glance at present and future perspectives is thrown at the Chinese printing industry from a Chinese point of view.

1. General situation of the Chinese printing industry

For a long time China was a big winner from globalization. Therefore the global financial and economic crisis hit China very hard. Since the beginning of the new millennium the Chinese printing industry gained double-digit expansion rates year by year. Last year the Chinese printing industry showed only single digit expansion rates, some branches actually stagnated. According to analysts the Chinese market shows the same characteristics as the industrialized countries during economic crisis: consolidation, competitive threats and shrinking profits.

The world financial crisis hit the Chinese printing media very hard. Without the special measures introduced by the Chinese government the whole Chinese printing sector could not have survived the crisis.

Special measures and relief programs have been rather different worldwide, thus the support by the Chinese government helped the Chinese media and cultural sectors pretty well. The printing industry as one of the pillars of the media industry showed an accrual gain alongside the crises in 2009.

The table 1 shows the steady growth of the Chinese printing industry.

The world financial crisis changed the situation of the Chinese printing industry significantly and lead to a critical state which is only negotiated particularly.

The double negative influences of on the one hand the financial crisis and on the other hand the greater use of the new media lead to decreasing sale rates of newspapers at 2,4 % in 2008. In 2009 there was no improvement in the newspaper sector, in some sectors it was getting even dramatically worse.

(in Billion RMB; Source: Weicong Printing)

Year	2003	2004	2005	2006	2007	2008	2009
GDP	230.9	280.0	310.0	380.0	440.0	475.0	515.0

Table 1:
GDP of the total Chinese printing industry

	year 2009	Percentage of total
Pre Press	26	5.05%
Periodicals	95,5	18.54%
Newspaper Printing	55	10.68%
Packaging Printing	171,5	33.30%
Publication Printing	16,5	3.20%
Job Printing	19	3.69%
Order Printing from abroad	50	9.71%
Label printing	13	2.52%
Screen printing	11,5	2.23%
Large Format Printing	6	1.17%
miscellaneous	51	9.90%
total	515	100%

Table 2:
GDP Chinese Printing industry (in Billion RMB; Source: Weicong Printing)

The Chinese printing plant engineering and construction (incl. copying machinery)

experienced a decrease of 45,8% in the first quarter of 2009, followed by 27,1% in the second and an extreme 51,7% in the third quarter.

Rapidly decreasing printing orders from abroad and less export products

reduced the economic efficiency of the enterprises. The net margins shrunk more than the volume of sales.

The decline of sales in packaging printing is a result of reduced export orders rather larger than the decline in publishing printing. But newspaper printing has shown declining rates since the economic and political opening up of China.

The negative influence of the world financial crises hit the small and medium sized enterprises harder than the big and state-owned enterprises. Due to regional distinctions enterprises in eastern China are much more affected than enterprises in the western part of China.

The decline in sales in the printing supplier industry is much bigger than the decline in the printing industry. Plant engineering and construction has suffered significantly.

2. Special arrangements for media and cultural industries during the world financial crisis

The Chinese government introduced the following measures for media and cultural industries

- Reduced export tax for print products
- Reduced customs duties for imports of printing line equipment
- Corrective actions for cultural industries
- The demands and claims for direct investments from Macao and Hongkong have been fairly reduced.
- Exclusively export based Chinese printing plants obtained special investment conditions
- Small and medium-sized enterprises obtained special conditions on investments as well.

The rising unemployment lead to many tensions in Chinese society. To cool down these tensions the small and mid-sized enterprises are prompted for short-time work and enhancements of their product portfolios to prevent them from mass dismissal. As reported in the annual report of 2009 from the Bureau of Statistics due to these measures only 186 printing companies went into insolvency.

3. Consequences

From 3rd quarter 2009 the whole Chinese economy recovered from the global economic crisis. Fortunately the Chinese printing industry shows the same positive development. To a certain extent, it is important to implement the proposed measures fast and consequently to gain positive responses. Experts have assessed that the Chinese printing industry does not reach double digit growth rate at the present time

4. Current situation of the Chinese printing industries

a. Developments within the Chinese printing sectors is not balanced.

The Chinese government does have a big interest in cultural spheres. This effects the publication printing directly, state funding does work. In the first half of 2009 the book order figures increased by about 18%. In 2007 an ambitious project was set in a 15-year plan: By 2010 20000 new libraries in country regions were to be established. There are plans that by the year 2015 comprehensive libraries shall be established nationwide in all villages. A thousand books is expected to be ordered for each new library. More than 20 million extra books have to be produced in 2009 and 2010. Although the publication printing is less affected by the crises on one hand, on the other hand the publication printing as a cultural good still benefits much more from the planned economy of China. According to experts the publishing area will reach higher sales than the remaining sectors of the printing industry. The Chinese government does have a big interest in cultural spheres. This effects the publication printing directly, state funding does work. In the first half of 2009 the book order figures increased by about 18%. In 2007 an ambitious project was set in a 15-year plan: By 2010 20000 new libraries in country regions were to be established. There are plans that by the year 2015 comprehensive libraries shall be established nationwide in all villages. A thousand books is expected to be ordered for each new library. More than 20 million extra books have to be produced in 2009 and 2010. Although the publication printing is less affected by the crises on one hand, on the other hand the publication printing as a cultural good still benefits much more from the planned economy of China. According to experts the publishing area will reach higher sales than the remaining sectors of the printing industry.

b. Press engineering recovers slowly from the crisis.
Compared with the printing sector press engineering is still lagging behind. The reason is that the Chinese press engineering can not respond to the structural changes taking place within the Chinese printing industry.

The market development of Chinese press engineering is far from being stable.

In the year 2009 small format offset printing machines were so strongly demanded by the market that companies like Dazhuguanhua, Huaguangjinggong et al. benefited from double digit sales rates. It will be exciting to observe the future development of the Chinese press engineering sector.

c. The domestic production rate of goods in the print supplying industry is growing.
As more and more foreign manufacturing enterprises have settled in China, there are a greater variety of providers of high quality printing materials. The Chinese printing supplying industries has been supplying its own products to the market for a long time and is still developing more high quality goods. Combined with China based produced foreign goods, the supplying industry offers a fairly complete product portfolio of its own. Pure imported goods are becoming less and less.

d. Exports still in stagnation.
According to the report by the Chinese Bureau of Statistics total Chinese exports have gone down by 21,3 % in the first 3 quarters of 2009. Imports went down by 20,4 % in the same period. The Chinese printing industry is affected the same way as the whole Chinese economy. For Shanghai the export rates of 283 Printing companies fell about 7 % in the first six months of 2009, in Zhejiang province they showed a downward trend of about 16,3 %. From Guangzhou province no figures are known but it is assumed that the export rates declined much more.

According to the fair organizer China Printing 2009 and the positive signs from the foreign exhibitors the Chinese printing industry is strongly demanding modern press machinery. While the printing machinery market is stagnating outside of China, the complete world press engineering companies are concentrating on the Chinese market. The competitive situation in this sector is getting harder.

e. The speed of change in the Chinese printing industry slows down.
The slogan “big printing enterprises are not strong and small one are not excellent” is still valid for the Chinese printing industry.

An investigation by the Chinese magazine “Printing Manager” reports that 100 of the biggest and most important printing companies are generating 15 % of total Chinese sales. For comparison two of the biggest Japanese printing enterprises generate 50 % of the annual sales of Japanese printing. Within the Chinese market there are no powerful printing enterprises in a leadership role which serve as a supporting pillar in the Chinese printing industry.

The printing sector is affected by the economic and financial crises, the big structural problems and the sometimes rather strange and irrational systems of the Chinese printing industry.

The productivity rates of Chinese printing enterprise are still far below the productivity rates in the US, Japanese and German markets.

Conditioned by geographic situations the Chinese printing industry has development deficiencies especially in south eastern and western regions.

Three quarters of the total volume of printing products are produced in the south eastern region of China

Beside the business-as-usual problems the traditional print media industry in China is confronted with the rising digitalized cross-media developments. The Chinese printing industry suffers from the strongest intensification of competition since the opening of China. Most affected by this intensification is Chinese newspaper printing.

As reported by the Chinese Press Association the circulation of newspapers in the year 2008 declined by 2, 45 % in comparison with the previous year. Outside the provinces Xinjiang, Xizang, Sichuan and Shandong the circulations declined at a 10 -15 % rate. An analyst reports that beside the world financial crises and the changes in the market affected by new media one of the reasons was the rising price of paper.

Due to “experts views” the newspaper sector before the 2008 Beijing Olympics should have grown very strongly but in truth it has declined by more than 10 %.

5. Current problems facing the Chinese printing industry

a) Missing innovative capability
In the last 20 years the biggest development in the Chinese printing industry has been the development of imaging technology for Chinese characters. The worldwide core technologies like computer-to-plate, digital-print etc. are still dominated by European, Japanese and American enterprises. The Chinese printing industry mostly slept through those developments.

The Chinese printing industry is reliant on imports of high-quality printing machinery. German enterprises continue to are play a leading role as the world’s largest manufacturers in this sector.

b) Missing capability of market development
The Chinese markets for the Chinese printing industry are multifaceted. Potentially there are a lot of Chinese areas and portfolios which can be newly explored. But there is a missing innovative and entrepreneurial spirit in Chinese printing firms. In the value chain of manufacturing industries the Chinese printing industry ranks very low. The export orientated print products are merely exported to the “old” neighbors Hongkong, Macao, Taiwan.

c) Missing qualified staff and training initiatives
No other industry is so rapidly affected by new technologies as the printing industry. More highly developed press engineering needs even more highly qualified employees.

For quite a while the printing industry has suffered from a significant lack of qualified personnel. Additionally basic management training and a lack of expert knowledge is missing. Professional training is completely underdeveloped and vocational training is missing.

d) Missing quality of products
Due to outdated press machinery, and a lack of qualified personnel there are a lot of Chinese print products with significant quality defects on the market. Particularly in publication printing, nearly completely government controlled, effective end control is missing and the quality of the products is relatively poor.

6. New Developments
At the end of 2010 the Central Press and Information Bureau in Beijing and its municipal pendant the Press and Information Bureau of Shanghai initialized a main project for the Chinese printing industry situated in Shanghai.

In the Jinshan area (south of Shanghai one of the most modern printing centers of China) it is planned to settle down more than 50 “Green Field Printing” companies in the upcoming decade. These companies will use flexographic printing, digital printing, offset printing and security printing technologies.

Beside this it is planned to start an R & D center and a University of Printing and Media. These centers shall connect “innovation and creativity” with “Green Field Printing”.

7. Summary
The Chinese print market will continue to be a growth market with big opportunities for German enterprises.

The global crisis and changed user behavior has strong impact on the market situation. This market is still volatile and characterized by drastic changes.

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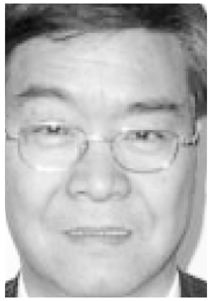

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