THE ITALIAN PLASTICS AND RUBBER
PROCESSING MACHINERY, EQUIPMENT AND MOULDS INDUSTRY

SECTOR REPORT 2017
(SUMMARY)

AMAPLAST

ITALIAN PLASTICS AND RUBBER PROCESSING MACHINERY
AND MOULDS MANUFACTURERS' ASSOCIATION

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(SUMMARY)

EXTRACT OF THE FULL VERSION PRESENTED ON JUNE 14, 2018
AT THE ANNUAL ASSEMBLY OF AMAPLAST MEMBERS.

by AMAPLAST Study Department

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E STAMPI PER MATERIE PLASTICHE E GOMMA

ITALIAN PLASTICS AND RUBBER PROCESSING MACHINERY AND MOULDS MANUFACTURERS' ASSOCIATION

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TRENDS IN THE SECTOR

In the ten-year period 2008-2017, revenues for the Italian plastics and rubber processing machinery, equipment and moulds industry increased on average by 0,9%, exports by 1,9%, imports by 4,3%, and the domestic market by 0,9%; meanwhile the positive balance of trade improved by 1%.

In more recent years, production has increased, boosted not only by good performance in exports - which have historically represented approximately 70% of revenues - but also by growth of the domestic market. According to sources in the Italian Ministry of Economic Development, thanks to the implementation of the Industry 4.0 plan, investments have increased by 11%, also providing a boost to imports.

Fiscal year 2017 closed out with very positive results for the sector with double-digit growth over the previous year and new, all-time records for all indicators.

The salient points regarding exports, based on initial analysis of the principal destination markets – which will be discussed in greater depth in the following section - are listed below:

- the European Union represents the principal outlet market, with 51,7% of the total and an increase of +16,8% over 2016. Notable performance of +69% was recorded for Romania thanks to a strong upsurge that was particularly pronounced in the last quarter of the year, putting the country in tenth position among destination markets with a share of 2,9% and a value of nearly 96 million euros. The trend for historically important markets such as Germany and France was also very positive
- extra-EU markets represent close to nine percent of the total, driven mainly by strong recovery (+67,2%) in sales to Russia after years of declining performance due to the well known economic and political issues
- the NAFTA zone (13,7% of total export value) also produced positive results, with the United States recording +20,4%. Mexico's apparently worrisome -16,7%, on the other hand, may merely be "physiological" and must be evaluated in the light of its record numbers in 2015 and 2016
- exports to South America (4,7% share of the total) grew by 13%, led mainly by Brazil (+37,8% over 2016)
- Africa maintains its market share of 4,9%, corresponding to growth of 15,3%, in line with the overall double-digit growth in exports
- sales to the Middle East have dropped off somewhat (-13,6%, for a 3% share) because of a slump in exports to two major countries, Saudi Arabia and Iran, which was not counterbalanced by the excellent trends in sales to Israel
- the Far East, accounting for 11,5% of the total, approached growth of 5% in spite of the negative performance of China (-2,5%) and India (-6%). Japan, Thailand, and Malaysia, on the other hand, have witnessed a strong surge in demand
- Oceania, which has always been a marginal market for Italian manufacturers, maintains performance within the average for recent years.

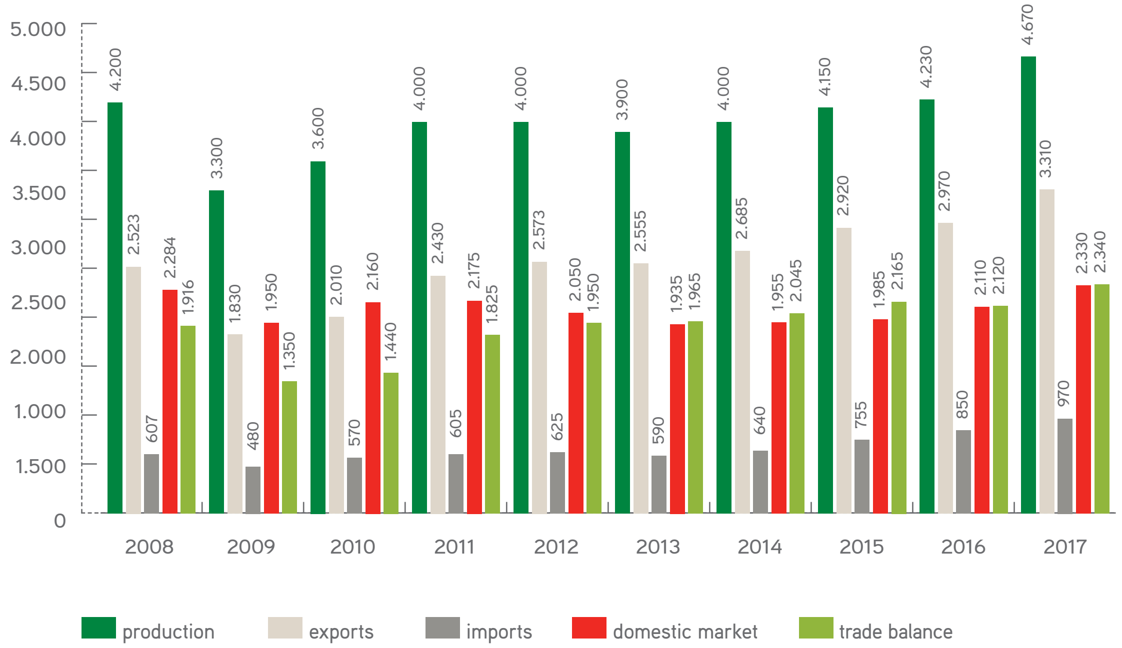
TABLE 1

ITALY - MARKET OF PLASTICS AND RUBBER PROCESSING MACHINERY, EQUIPMENT AND MOULDS (MILLION EUROS)

	2015	2016	2017	Δ % 17/16	average Δ % three years	average Δ % ten years
production	4.150	4.230	4.670	10,4	5,3	0,9
exports	2.920	2.970	3.310	11,4	7,2	1,9
imports	755	850	970	14,1	14,9	4,3
domestic market	1.985	2.110	2.330	10,4	6,0	0,9
trade balance (positive)	2.165	2.120	2.340	10,4	4,6	1,0

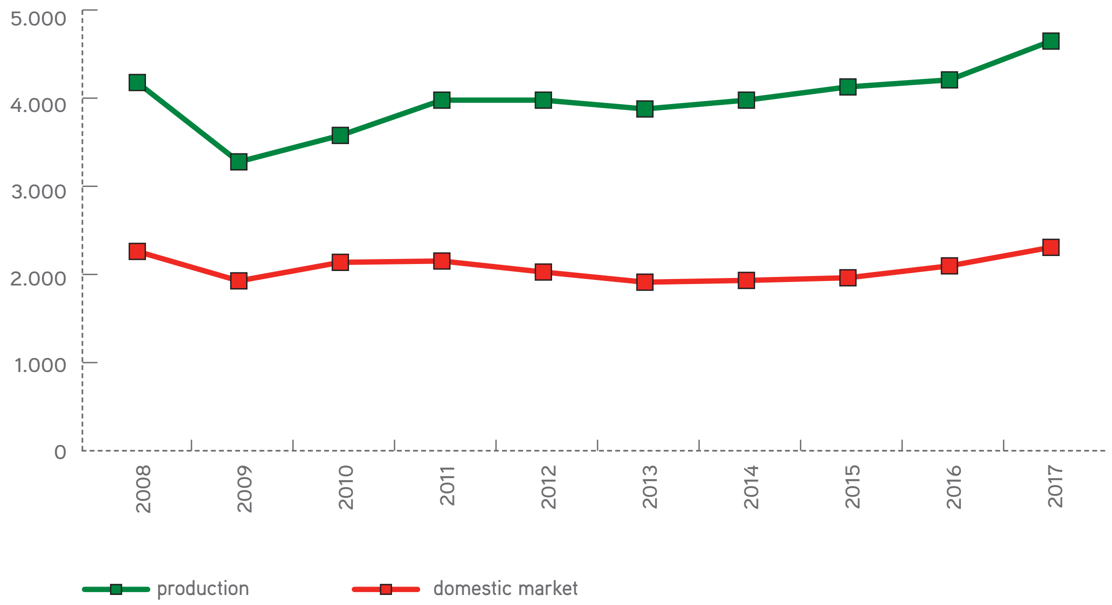
GRAPH 1

ITALY - TREND FOR PRODUCTION, EXPORTS, IMPORTS, DOMESTIC MARKET AND TRADE BALANCE (MILLION EUROS)



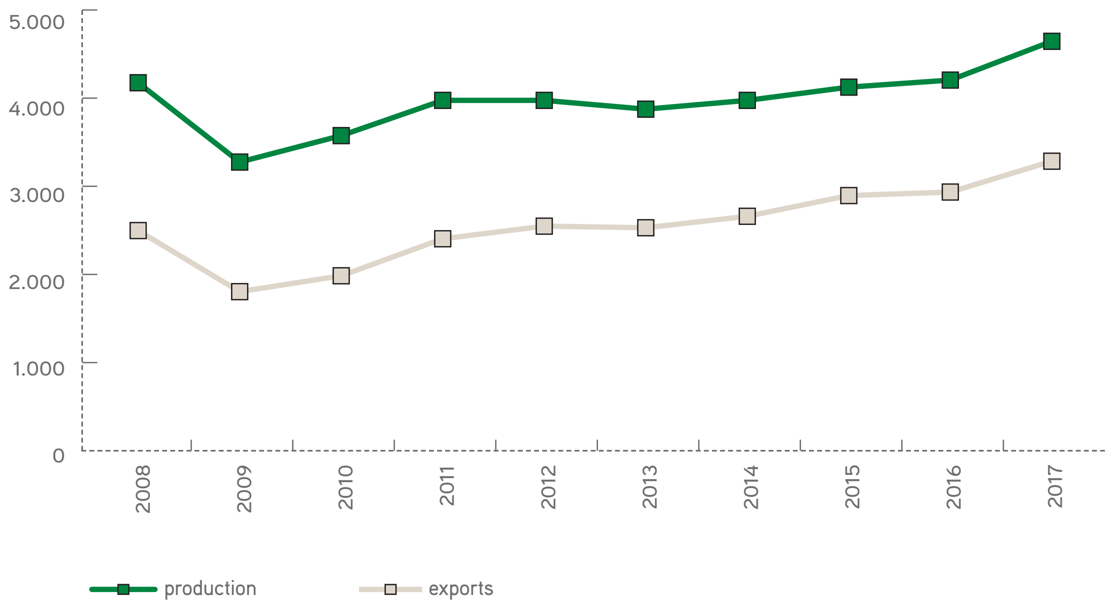
GRAPH 2

ITALY - TREND FOR PRODUCTION AND DOMESTIC MARKET (MILLION EUROS)



GRAPH 3

ITALY - TREND FOR PRODUCTION AND EXPORTS (MILLION EUROS)



GRAPH 4

ITALY - TREND FOR TRADE BALANCE (MILLION EUROS)

ITALIAN FOREIGN TRADE IN THE THREE-YEAR PERIOD 2015-2017

A more detailed analysis of the general figures presented above for imports and exports of plastics and rubber processing machinery and equipment is provided in tables 2-5, which contain aggregate values by goods categories and market geography.

Imports have increased by 14 percentage points over 2016 with rather significant differences among certain machinery types, although they represent a rather limited portion of the total.

In detail:

- purchases of plants for mono- and multifilament skyrocketed by 542%, reaching a value of over 12 million euros, reversing the trend observed in previous years. Almost all of these lines were imported from Germany
- imports of thermoforming machines increased by 113% to a value of over 13 million euros, reversing the negative trend in 2016. More than a third originated in Switzerland, with Germany following close behind
- imports of mixers witnessed a surge of 280% to a value of approximately 15 million euros, a good portion of them made in Germany.

The rankings of supplier countries for Italian converters see Germany and China dominating the field, as in previous years, with the highest level of growth in purchases from the latter.

Italian exports in the sector recorded a significantly positive trend in 2017 in all product categories.

Exports of the principal machinery types are analysed below:

- flexographic printers approached the threshold of 200 million euros, with a 6% share of total exports and growth of 20%, recording a significant improvement in the positive trend for 2016. The main outlet markets were the United States, Poland, and Spain
- injection moulding machines reached 120 million euros, 3,6% of the total, continuing a positive trajectory. Here the main outlet markets were Spain, the United States, and Mexico
- exports of extruders reached a total value of 368 million euros, just over 11% of the total, and corresponding to growth of 16 percentage points over 2016. The top destination market was Poland, followed by France and the United States
- sales of blow-moulding machines totalled 141 million euros, 4,3% of the total, corresponding to growth of nearly 8 percentage points. The top outlet markets were the United States, France, and Turkey
- exports of thermoforming machines also witnessed positive growth, reaching 95 million euros for 2,9% of the total, representing a 38% increase. The top three commercial partners were China, the

United States, and Canada
- sales of machines for moulding and forming, while slightly lower than 2016 levels (-2,8%), remained above 125 million euros. The main outlets were Germany the United States, and Mexico
- exports of moulds, representing 30% of the total, increased by 17% with respect to 2016. The main client countries were Germany, the United States, and the Czech Republic.

TABLE 2

ITALY - IMPORTS-EXPORTS OF PLASTICS AND RUBBER PROCESSING MACHINERY, EQUIPMENT AND MOULDS (THOUSAND EUROS)

	imports					exports				
	2015	2016	Δ % 16/15	2017	Δ % 17/16	2015	2016	Δ % 16/15	2017	Δ % 17/16
flexographic printing machines	26.463	33.049	24,9	21.520	-34,9	157.540	165.910	5,3	198.668	19,7
plants for mono- and multifilaments	2.769	1.944	-29,8	12.489	542,4	41.879	56.036	33,8	46.052	-17,8
injection moulding machines	98.026	134.710	37,4	133.395	-1,0	98.776	116.858	18,3	120.388	3,0
extruders	23.150	32.167	39,0	27.239	-15,3	302.272	317.709	5,1	368.538	16,0
blow moulding machines	10.368	22.619	118,2	23.767	5,1	147.581	131.510	-10,9	141.709	7,8
thermoforming machines	15.754	6.214	-60,6	13.255	113,3	63.936	68.880	7,7	95.049	38,0
presses for tyres and inner tubes	1.006	1.386	37,7	1.799	29,9	58.419	38.301	-34,4	35.553	-7,2
presses	12.559	11.554	-8,0	14.357	24,3	91.993	89.268	-3,0	86.768	-2,8
machines for moulding or forming	12.367	14.257	15,3	17.180	20,5	146.514	129.197	-11,8	125.575	-2,8
machines for reactive resins	2.591	5.300	104,6	1.788	-66,3	46.261	33.718	-27,1	42.199	25,2
machines for foamed products	5.395	5.336	-1,1	8.129	52,3	44.143	50.113	13,5	40.770	-18,6
equipment for size reduction	4.081	4.245	4,0	4.199	-1,1	20.552	22.953	11,7	34.483	50,2
mixers	5.573	3.907	-29,9	14.836	279,7	40.829	34.622	-15,2	50.075	44,6
cutting, splitting and peeling machines	4.536	5.219	15,1	7.011	34,3	17.090	18.682	9,3	18.663	-0,1
other machines	55.560	61.829	11,3	69.949	13,1	453.751	408.881	-9,9	452.503	10,7
parts and components	183.199	195.758	6,9	209.649	7,1	401.369	459.688	14,5	492.290	7,1
moulds	292.146	309.247	5,9	388.187	25,5	785.208	819.233	4,3	960.308	17,2
total	755.544	848.740	12,3	968.748	14,1	2.918.112	2.961.558	1,5	3.309.591	11,8

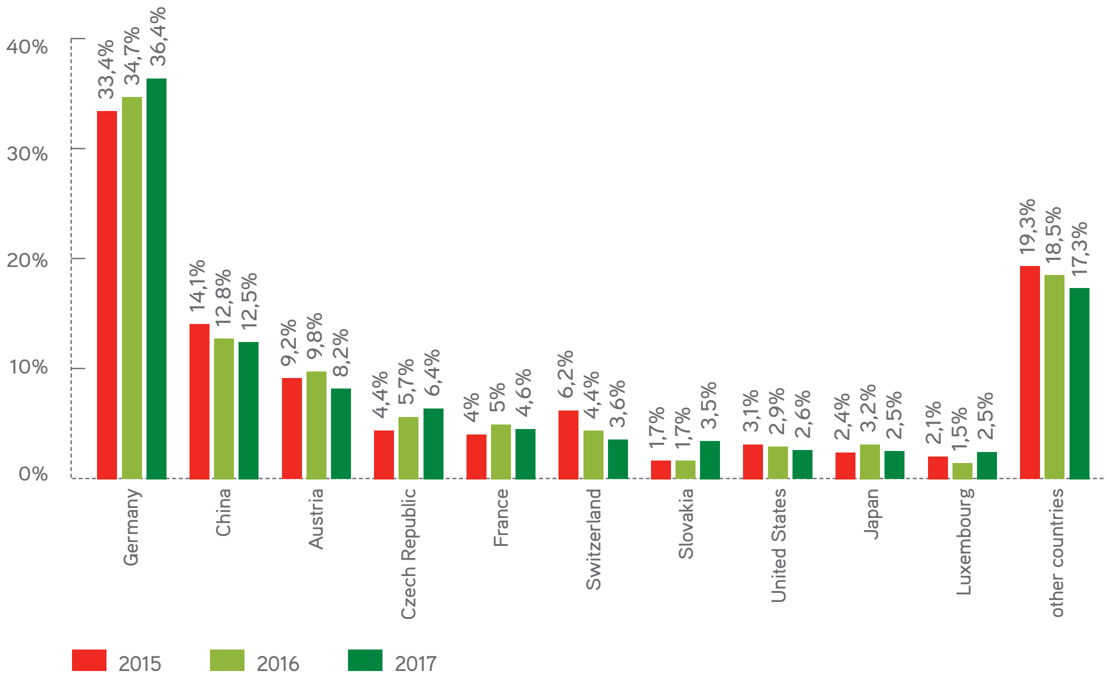
TABLE 3

ITALY – TOP TEN ORIGIN COUNTRIES FOR PLASTICS AND RUBBER PROCESSING MACHINERY, EQUIPMENT AND MOULDS (THOUSAND EUROS)

	2015	% out of total 2015	Δ % 15/14	2016	% out of total 2016	Δ % 16/15	2017	% out of total 2017	Δ % 17/16
Germany	252.321	33,4	20,2	294.147	34,7	16,6	352.239	36,4	19,7
China	106.485	14,1	36,9	108.454	12,8	1,8	120.742	12,5	11,3
Austria	69.180	9,2	17,3	83.045	9,8	20,0	79.418	8,2	-4,4
Czech Republic	33.387	4,4	-7,9	47.967	5,7	43,7	62.150	6,4	29,6
France	30.598	4,0	44,8	42.180	5,0	37,9	44.175	4,6	4,7
Switzerland	47.109	6,2	17,0	37.472	4,4	-20,5	34.586	3,6	-7,7
Slovakia	12.771	1,7	-6,0	14.179	1,7	11,0	33.467	3,5	136,0
United States	23.694	3,1	18,3	24.937	2,9	5,2	25.503	2,6	2,3
Japan	18.291	2,4	39,2	26.780	3,2	46,4	24.618	2,5	-8,1
Luxembourg	15.668	2,1	69,4	12.588	1,5	-19,7	23.821	2,5	89,2
other countries	146.039	19,3	5,6	156.991	18,5	7,5	168.029	17,3	7,0
total	755.544	100,0	18,3	848.740	100,0	12,3	968.748	100,0	14,1

GRAPH 5

ITALY - TOP TEN ORIGIN COUNTRIES FOR PLASTICS AND RUBBER PROCESSING MACHINERY, EQUIPMENT AND MOULDS (% OUT OF TOTAL)



GRAPH 6

ITALY – EXPORTS OF PLASTICS AND RUBBER PROCESSING MACHINERY, EQUIPMENT AND MOULDS
(Δ% YEAR OVER YEAR)

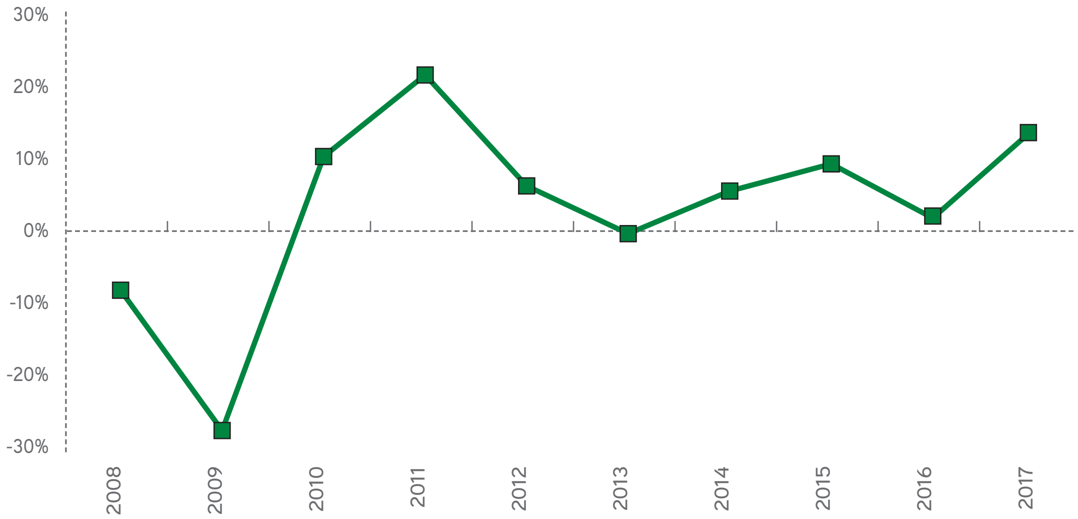


TABLE 4

ITALY - EXPORTS OF PLASTICS AND RUBBER PROCESSING MACHINERY, EQUIPMENT AND MOULDS BY REGION
(THOUSAND EUROS)

	2015	% out of total 2015	Δ % 15/14	2016	% out of total 2016	Δ % 16/15	2017	% out of total 2017	Δ % 17/16	average Δ % 15-17
UE	1.456.908	49,9	11,5	1.465.658	49,5	0,6	1.711.295	51,7	16,8	9,4
NAFTA	397.744	13,6	37,2	426.811	14,4	7,3	454.312	13,7	6,4	16,2
Far East	328.912	11,3	5,6	362.438	12,2	10,2	379.354	11,5	4,7	6,8
other Europe	306.129	10,5	-0,8	271.472	9,2	-11,3	295.362	8,9	8,8	-1,5
South America	155.857	5,3	-12,8	138.688	4,7	-11,0	156.667	4,7	13,0	-4,3
Middle East	98.037	3,4	-17,6	113.834	3,8	16,1	98.291	3,0	-13,7	-6,2
North Africa	79.469	2,7	0,1	75.050	2,5	-5,6	91.106	2,8	21,4	4,7
other Africa	52.594	1,8	-7,4	65.595	2,2	24,7	71.007	2,1	8,3	7,7
Central America	17.912	0,6	7,5	24.912	0,8	39,1	30.161	0,9	21,1	21,9
Oceania	24.550	0,8	47,0	17.100	0,6	-30,3	22.036	0,7	28,9	9,7
world	2.918.112	100,0	8,7	2.961.558	100,0	1,5	3.309.591	100,0	11,8	7,2

GRAPH 7

ITALY – EXPORTS OF PLASTICS AND RUBBER PROCESSING MACHINERY, EQUIPMENT AND MOULDS BY REGION (% OUT OF TOTAL)

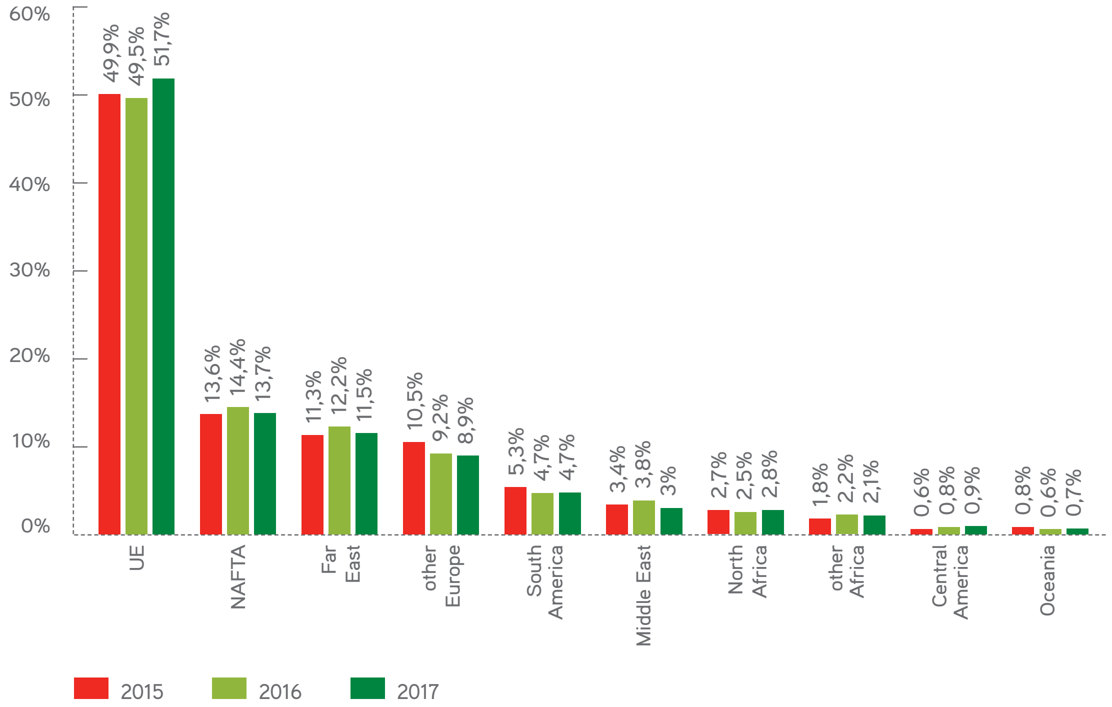


TABLE 5

ITALY – TOP 20 DESTINATION COUNTRIES FOR EXPORTS OF PLASTICS AND RUBBER PROCESSING MACHINERY, EQUIPMENT AND MOULDS (THOUSAND EUROS)

	2015	% out of total	Δ % 15/14		2016	% out of total	Δ % 16/15		2017	% out of total	Δ % 17/16
Germany	395.459	13,6	14,1	Germany	402.200	13,6	1,7	Germany	481.441	14,5	19,7
United States	260.206	8,9	49,7	United States	229.339	7,7	-11,9	United States	276.034	8,3	20,4
France	130.319	4,5	-6,3	France	131.356	4,4	0,8	France	159.624	4,8	21,5
Poland	145.085	5,0	9,1	Poland	164.962	5,6	13,7	Poland	158.893	4,8	-3,7
Spain	116.322	4,0	2,5	Spain	137.017	4,6	17,8	Spain	148.125	4,5	8,1
Mexico	101.415	3,5	19,1	Mexico	171.223	5,8	68,8	Mexico	142.688	4,3	-16,7
China	123.365	4,2	-4,8	China	137.631	4,6	11,6	China	134.191	4,1	-2,5
Czech Rep.	94.731	3,2	-6,7	Czech Rep.	100.637	3,4	6,2	Czech Rep.	126.717	3,8	25,9
United Kingdom	112.031	3,8	-0,2	United Kingdom	118.058	4,0	5,4	United Kingdom	119.370	3,6	1,1
Rumania	81.418	2,8	78,9	Rumania	56.676	1,9	-30,4	Rumania	95.544	2,9	68,6
Russia	71.188	2,4	-32,4	Russia	56.928	1,9	-20,0	Russia	95.154	2,9	67,1
Turkey	94.416	3,2	0,1	Turkey	98.657	3,3	4,5	Turkey	89.497	2,7	-9,3
India	48.248	1,7	16,0	India	70.056	2,4	45,2	India	65.882	2,0	-6,0
Slovakia	40.383	1,4	0,3	Slovakia	47.010	1,6	16,4	Slovakia	65.796	2,0	40,0
Austria	56.479	1,9	7,3	Austria	50.393	1,7	-10,8	Austria	58.213	1,8	15,5
Switzerland	56.939	2,0	29,3	Switzerland	56.082	1,9	-1,5	Switzerland	52.251	1,6	-6,8
Brazil	61.454	2,1	-11,7	Brazil	37.814	1,3	-38,5	Brazil	52.126	1,6	37,8
Portugal	34.608	1,2	-1,2	Portugal	69.173	2,3	99,9	Portugal	51.394	1,6	-25,7
Hungary	45.085	1,5	16,2	Hungary	31.704	1,1	-29,7	Hungary	51.320	1,6	61,9
Algeria	28.753	1,0	-16,6	Algeria	36.115	1,2	25,6	Algeria	46.829	1,4	29,7
total top 20	2.097.904	71,9	8,4	total top 20	2.203.031	74,4	5,0	total top 20	2.471.090	74,7	12,2
other countries	820.208	28,1	9,8	other countries	758.527	25,6	-7,5	other countries	838.501	25,3	10,5
world	2.918.112	100,0	8,7	world	2.961.558	100,0	1,5	world	3.309.591	100,0	11,8

THE OUTLOOK FOR 2018

After two years of lacklustre growth, global trade has resumed a healthy upward trend of +4,1% in 2017, sustained in part by the global investment cycle and, more generally, by recovery in manufacturing. Further growth of +3,5% is forecast for 2018.

March data from the World Trade Organization indicate steady economic recovery in the eurozone.

According to ISTAT data, in the first two months of the year, Italian industrial production increased by 3,4% with respect to the same period in 2017. “Machinery and equipment” was one of the best performing segments, recording a positive trend of 5,3%.

The new year got off to a bright start for the Italian plastics and rubber processing machinery industry. In spite of a slight slowdown in orders in the early months of 2018, the positive trend achieved in 2017 appears to be continuing with an increase in exports of 6,7% recorded in February.

Various manufacturers, especially those building the most complex production lines, which demand medium to long construction times, have already planned their production for the entire year 2018.

We are thus justified in expecting that this year will close out with continued positive growth both in terms of production and foreign trade, although the double-digit growth of 2017 will be difficult to replicate.

Orders are expected to grow by a few percentage points. We must not forget that the industry has experienced at least seven or eight years of constant positive growth (with the exception of a brief slowdown in 2013). Given the cyclic nature of the economy, it is not unlikely that a period of negative growth will be seen in the medium or perhaps even short term.

Overview of markets and prospects for exports:
- exports may be expected to grow in the European markets, driven in part by a recovery in sales to Russia, where the positive trend is expected to continue, the main threat being the risk of economic sanctions and political conflict with the United States
- favourable performance in North America, led by the United States, while Mexico faces the uncertainty of elections in July - in the middle of negotiations on the renewal of the NAFTA treaty and the threat of Trump’s wall - which typically cause investors to back off while waiting to see who will assume power
- in South America, Brazil’s recovery is expected to continue whereas Argentina has descended again into economic crisis. There is talk - perhaps overly pessimistic - of the risk of default, but the deva-

luation of the peso is certainly not an insignificant problem for the country's economy

- great potential for the African continent, although the dynamics are not yet clear. We can say that some countries are importing machinery at a rather constant and not insignificant rate
- in the Middle East, the situation in Iran continues to be conditioned by the conflict with the United States, exacerbated by Trump's unilateral withdrawal from the Iran nuclear deal. European countries are breaking with past tradition and distancing themselves from the U.S. position, but Washington's pressure on the banks will certainly make itself felt. It is still not clear what direction Saudi Arabia will take following the economic reforms and restrictive measures - also regarding the royal family - introduced by King Salman
- in the Far East, the Chinese government's plans will bring continuing and significant investments. The "One Belt One Road" initiative is in full implementation and the government has also enacted measures to stimulate local manufacturing, including plastics processing machinery. India continues to be a long-term challenge for Italian manufacturers. It is a market characterized by dynamics that are difficult to predict and complicated to manage. The other Southeast Asian economies exhibit impressive growth rates, but as things currently stand, only a limited number of companies are able to make significant investments.