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

SECTOR REPORT 2018
(SUMMARY)

AMAPLAST

ITALIAN PLASTICS AND RUBBER PROCESSING MACHINERY AND MOULDS MANUFACTURERS' ASSOCIATION

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SECTOR REPORT 2018
(SUMMARY)

EXTRACT OF THE FULL VERSION PRESENTED ON JUNE 25, 2019
AT THE ANNUAL ASSEMBLY OF AMAPLAST MEMBERS.

by AMAPLAST Study Department

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SOURCES:
AMAPLAST, FEDERMACCHINE, ISTAT
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AMAPLAST

ASSOCIAZIONE NAZIONALE COSTRUTTORI DI MACCHINE
E STAMPI PER MATERIE PLASTICHE E GOMMA

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MARKET TRENDS

The trend in the main economic indicators for the Italian plastics and rubber processing machinery, equipment, and moulds industry for the ten-year period 2009-2018 is positive, as reflected in the following growth figures: production up by 1,1%, exports by 2,6%, imports by 5,1%, the domestic market by 0,7%, and the overall positive balance of trade by 1,7%.

Not only that, but the upward trend has gained momentum in recent years. The double-digit growth in 2017 set records for the industry, which were consolidated in 2018.

Year-end results for 2018 show further, albeit modest, growth in production over the historical record set the previous year, while exports, which have always been the driving force for the sector, held relatively steady with only a slight contraction.

Furthermore, stability was recorded in imports and sales on the domestic market, the latter most likely reflecting the positive influence of the investment incentives implemented in the Industry 4.0 plan. It is thus not surprising that many manufacturers in the industry saw their order books swell even in the second half of 2018.

Italian manufacturers of plastics and rubber processing machinery may thus consider themselves completely satisfied with the market in 2018, reaffirming their position of international pre-eminence as suppliers of advanced technology.

A brief geographical analysis of exports (to be expanded below) reveals the following:
- stagnation in Europe, historically the number one market for Italian manufacturers. Sales to EU member states make up a decreasing portion compared to sales increases to other European countries, excluding the important Russian market, which continues to shrink
- good overall performance of the NAFTA countries, especially Mexico, while South American countries have lost ground, mainly due to the unsatisfying trend in the two principal markets, Brazil and Argentina
- rather lacklustre sales to Asia, where the Far East shows modest growth in spite of the fact that significant sales increases to India were not enough to counterbalance the losses in China, and an abrupt drop in sales to the Middle East due to the decline of the all main markets, Saudi Arabia and Iran first and foremost
- a positive overall trend in Africa, although we must distinguish between the Mediterranean countries (with a robust increase in sales especially to Morocco) and the Sub-Saharan countries, which as a whole, have dropped back significantly, as seen in South Africa.

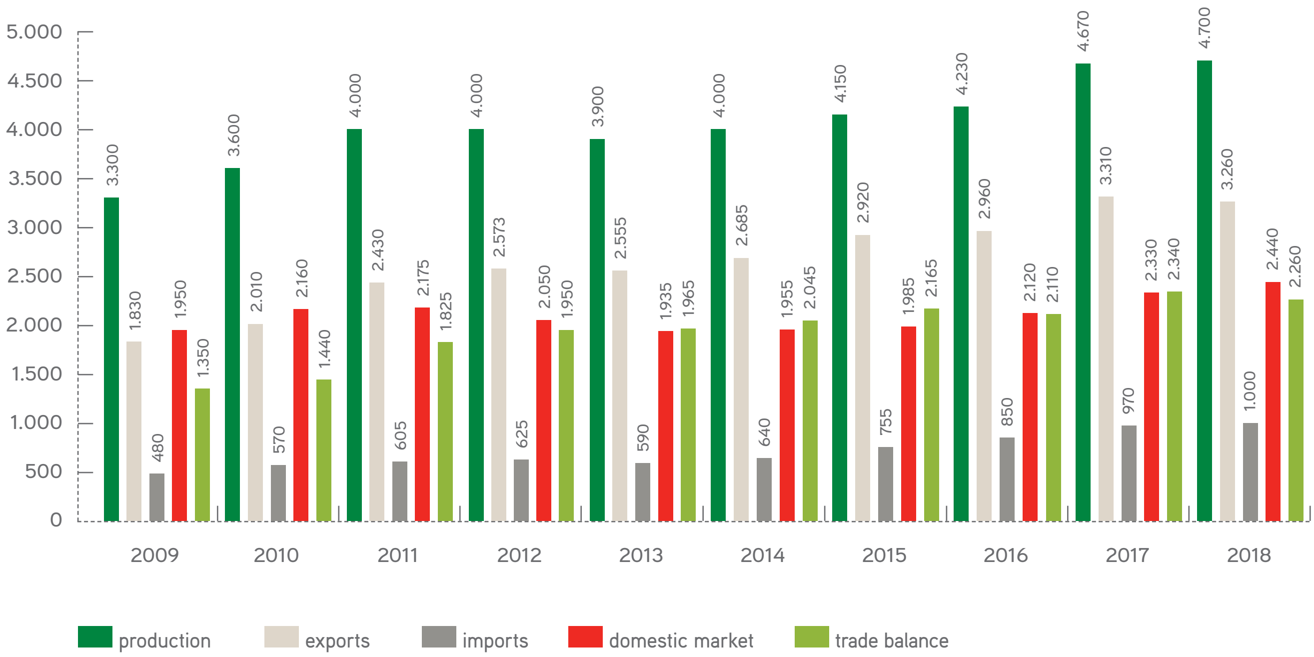
TABLE 1

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

	2016	2017	2018	Δ % 18/17	average Δ % three years	average Δ % ten years
production	4.230	4.670	4.700	0,6	4,2	1,1
exports	2.960	3.310	3.260	-1,5	3,7	2,6
imports	850	970	1.000	3,1	9,8	5,1
domestic market	2.120	2.330	2.440	4,7	7,1	0,7
trade balance (positive)	2.110	2.340	2.260	-3,4	1,5	1,7

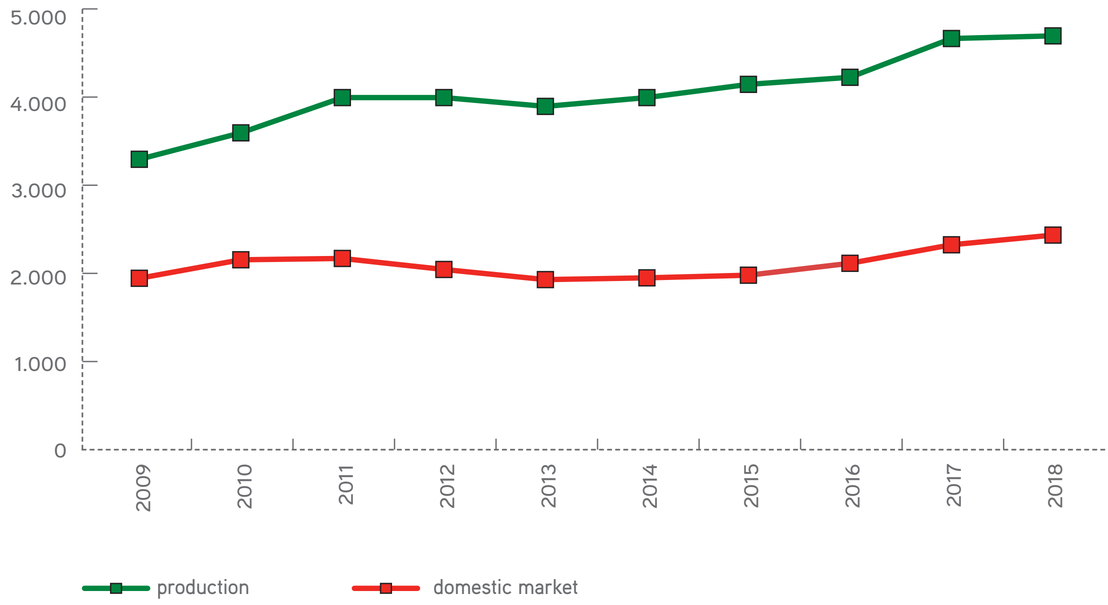
GRAPH 1

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



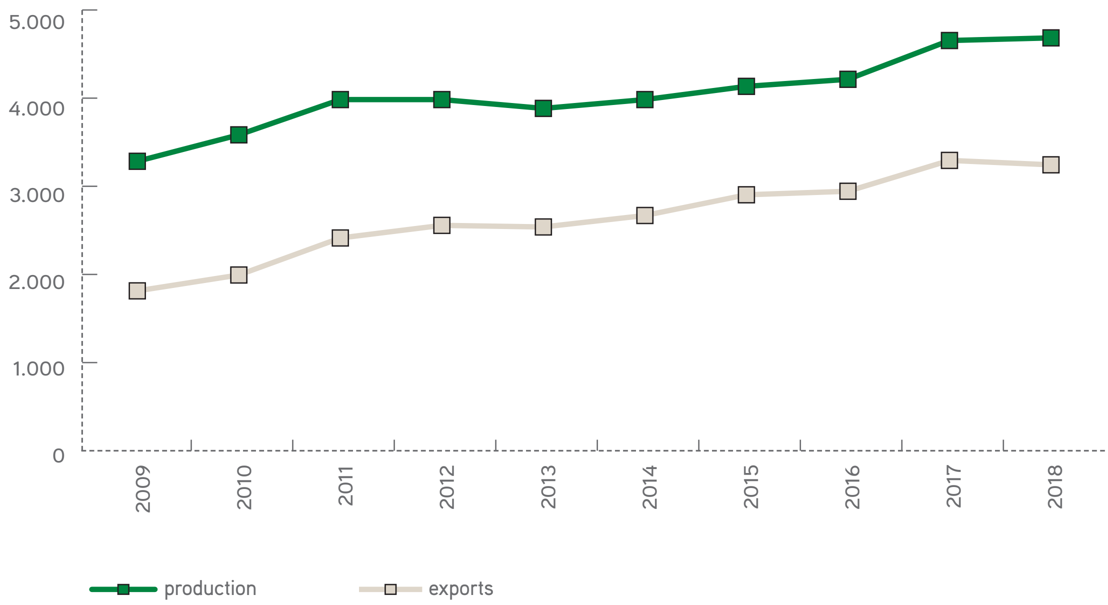
GRAPH 2

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



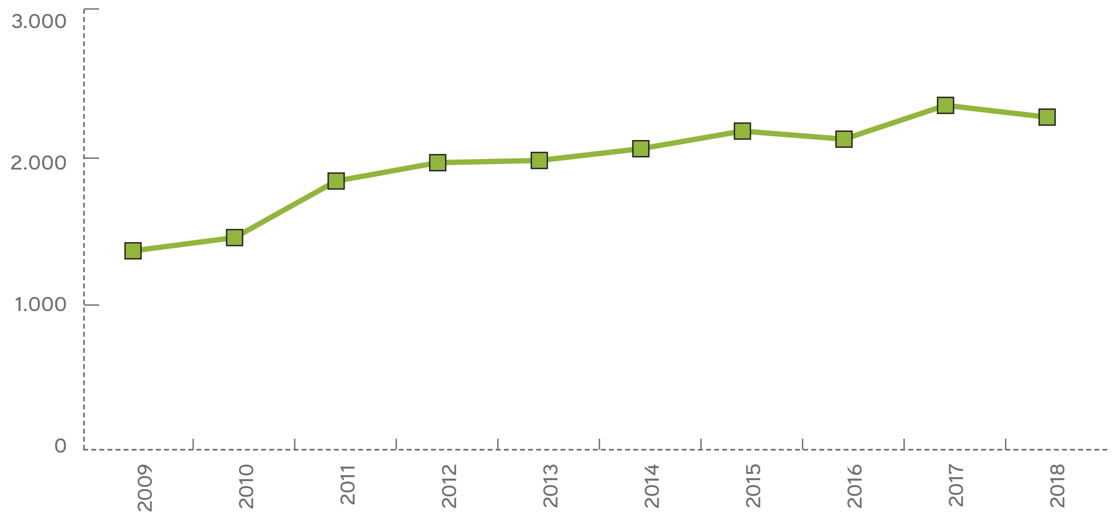
GRAPH 3

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 2016-2018

To complete the presentation initiated above regarding Italian imports and exports of plastics and rubber processing machinery, tables 2-5 provide a more detailed aggregate analysis of products and geographical markets.

As regards machinery types, the trend in both imports and exports of core machinery (primary conversion) is better on the whole than that for auxiliaries and moulds. Here, the trend in exports once again illustrates that international buyers have high regard for Italian-made machines with high added value.

As regards purchases from abroad, the significant increases for various types of machinery witnessed between 2017 and 2018, in some cases ranging into the double digits, represent a return on the investments made by Italian converters, most probably supported by the partial renewal of incentives. This is further confirmed by improvement in the objective macroeconomic indicator “domestic market” (production + imports – exports). However, the positive trend in imports became less pronounced toward the end of the year.

Germany, China and Austria hold the top three slots as origin countries for Italian imports in the sector, although there is some difference as regards the type of products imported from the two European countries and those imported from China, the former providing mainly machinery for primary conversion:

- in decreasing order: injection moulding machines, blow moulding machines, and extruders from Germany, for a total of nearly 100 million euros (as opposed to less than 70 million in 2017), plus just under 112 million euros of moulds
- injection machines and extruders from Austria worth respectively over 40 million euros and over 7 million euros, and approximately 19 million euros in moulds.

Imports from Chinese manufacturers, on the other hand, consisted mainly of moulds at a value of over 85 million euros, with injection moulding machines trailing far behind at just under 9 million euros. Imports from China have shown the greatest overall increase, also reflected in the numbers of injection moulding machines.

As regards Italian exports for the sector, the average contraction of -1,6% is the result of a drop in exports of auxiliaries and secondary-processing machines, whereas sales of core machinery have held steady. Indeed the latter have witnessed growing demand on certain markets, including Spain, Austria, and Switzerland in Europe, the United States and Mexico in North America, and India, Indonesia, and Malaysia in the Far East.

A more detailed look at extruders (the most representative among primary conversion machinery, approaching a value of 390 million euros in 2018, +5,5% over 2017) shows a boom in exports to the United States (from 20 to 51 million euros) and a significant increase to Germany (from 17 to 26 million euros), China (from 11 to 17 million euros), and South Korea (from just over 330 thousand to over 11 million euros).

The trend in Italian exports of moulds, which has historically represented a significant share of the total, also deserves closer examination. The primary destination market is Germany, at a value of nearly 270 million euros, although this marks a significant decrease with respect to the 310 million euros in 2017. Germany is followed by the Czech Republic and the United States, at 62 and 52 million euros, respectively.

TABLE 2

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

	imports					exports				
	2016	2017	Δ % 17/16	2018	Δ % 18/17	2016	2017	Δ % 17/16	2018	Δ % 18/17
flexographic printing machines	33.049	21.520	-34,9	19.353	-10,1	165.910	198.744	19,8	190.808	-4,0
plants for mono- and multifilaments	1.944	12.489	542,4	3.021	-75,8	56.036	45.809	-18,3	55.801	21,8
injection moulding machines	134.710	133.470	-0,9	146.276	9,6	116.858	119.525	2,3	128.145	7,2
extruders	32.167	27.282	-15,2	39.309	44,1	317.709	368.533	16,0	388.951	5,5
blow moulding machines	22.619	23.767	5,1	35.203	48,1	131.510	141.709	7,8	161.702	14,1
thermoforming machines	6.214	13.255	113,3	14.848	12,0	68.880	94.747	37,6	92.251	-2,6
presses for tyres and inner tubes	1.386	1.799	29,9	605	-66,4	38.301	35.939	-6,2	33.717	-6,2
presses	11.554	14.357	24,3	12.076	-15,9	89.268	86.768	-2,8	88.297	1,8
machines for moulding or forming	14.257	17.180	20,5	16.337	-4,9	129.197	125.448	-2,9	116.721	-7,0
machines for reactive resins	5.300	1.788	-66,3	3.368	88,4	33.718	42.199	25,2	35.530	-15,8
machines for foamed products	5.336	8.129	52,3	12.077	48,6	50.113	40.770	-18,6	29.438	-27,8
equipment for size reduction	4.245	4.124	-2,9	3.620	-12,2	22.953	34.483	50,2	30.558	-11,4
mixers	3.907	14.836	279,7	3.030	-79,6	34.622	50.546	46,0	31.469	-37,7
cutting, splitting and peeling machines	5.219	7.011	34,3	10.816	54,3	18.682	18.623	-0,3	13.680	-26,5
other machines	61.829	72.129	16,7	78.090	8,3	408.881	451.658	10,5	459.743	1,8
parts and components	195.758	210.050	7,3	227.219	8,2	459.688	493.010	7,2	485.520	-1,5
moulds	309.247	389.135	25,8	373.579	-4,0	819.233	960.812	17,3	915.197	-4,7
total	848.740	972.320	14,6	998.828	2,7	2.961.558	3.309.323	11,7	3.257.530	-1,6

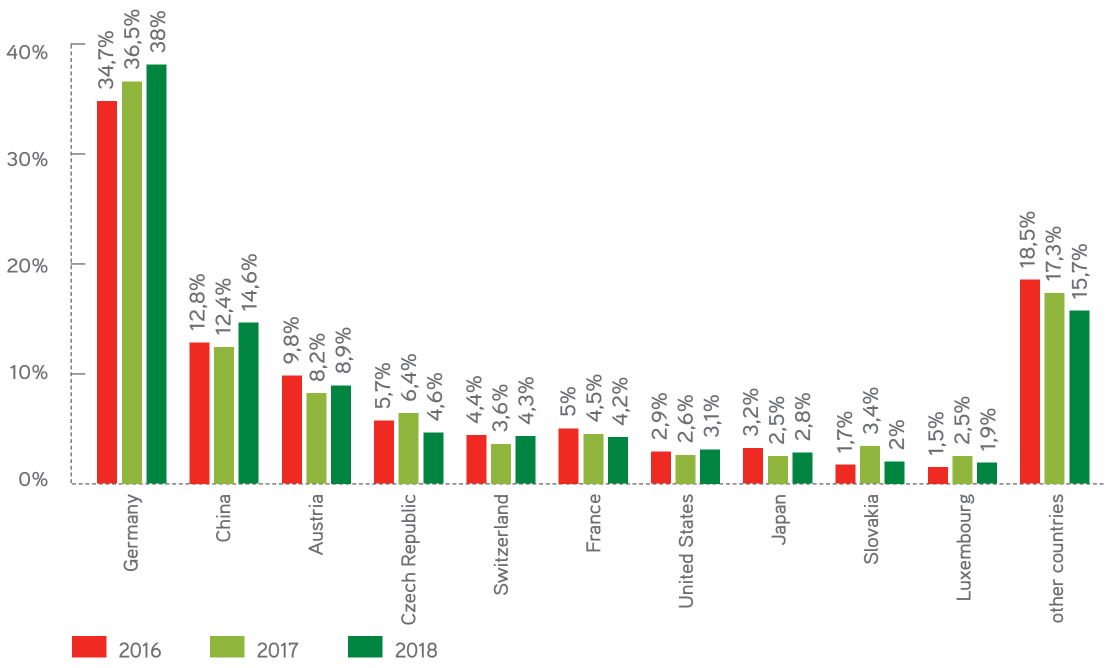
TABLE 3

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

	2016	% out of total 2016	Δ % 16/15	2017	% out of total 2017	Δ % 17/16	2018	% out of total 2018	Δ % 18/17
Germany	294.147	34,7	16,6	355.179	36,5	20,7	379.634	38,0	6,9
China	108.454	12,8	1,8	120.741	12,4	11,3	145.861	14,6	20,8
Austria	83.045	9,8	20,0	79.496	8,2	-4,3	89.092	8,9	12,1
Czech Republic	47.967	5,7	43,7	62.150	6,4	29,6	45.558	4,6	-26,7
Switzerland	37.472	4,4	-20,5	34.586	3,6	-7,7	42.932	4,3	24,1
France	42.180	5,0	37,9	44.221	4,5	4,8	42.057	4,2	-4,9
United States	24.937	2,9	5,2	25.503	2,6	2,3	30.794	3,1	20,7
Japan	26.780	3,2	46,4	24.618	2,5	-8,1	27.560	2,8	12,0
Slovakia	14.179	1,7	11,0	33.467	3,4	136,0	19.735	2,0	-41,0
Luxembourg	12.588	1,5	-19,7	23.826	2,5	89,3	18.875	1,9	-20,8
other countries	156.991	18,5	7,5	168.533	17,3	7,4	156.730	15,7	-7,0
total	848.740	100,0	12,3	972.320	100,0	14,6	998.828	100,0	2,7

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)

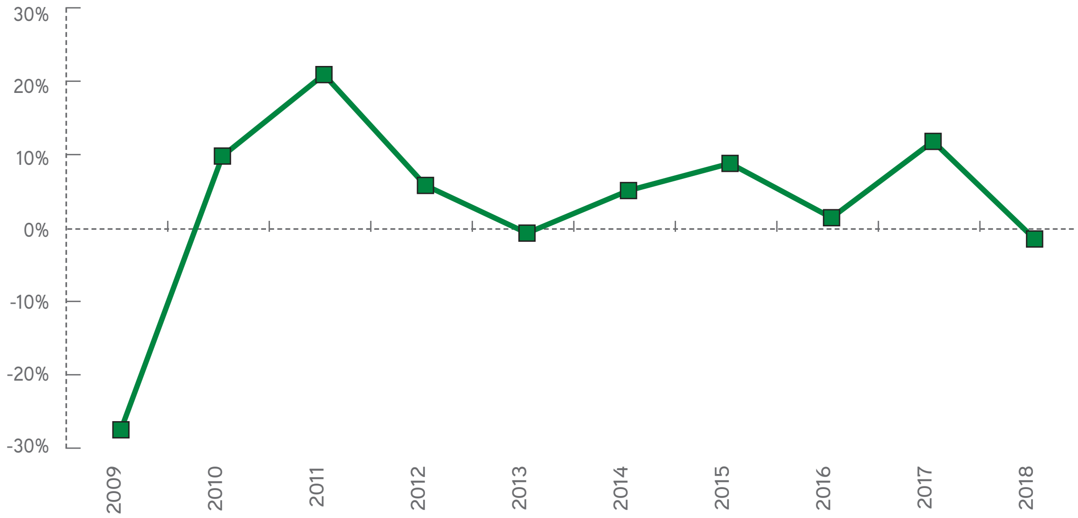


TABLE 4

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

	2016	% out of total 2016	Δ % 16/15	2017	% out of total 2017	Δ % 17/16	2018	% out of total 2018	Δ % 18/17	average Δ % 16-18
UE	1.465.658	49,5	0,6	1.717.952	51,9	17,2	1.642.592	50,4	-4,4	4,1
NAFTA	426.811	14,4	7,3	453.473	13,7	6,2	491.822	15,1	8,5	7,3
Far East	362.438	12,2	10,2	376.822	11,4	4,0	386.570	11,9	2,6	5,5
other Europe	271.472	9,2	-11,3	294.584	8,9	8,5	314.937	9,7	6,9	0,9
South America	138.688	4,7	-11,0	155.950	4,7	12,4	140.566	4,3	-9,9	-3,4
North Africa	75.050	2,5	-5,6	89.770	2,7	19,6	108.172	3,3	20,5	10,8
Middle East	113.834	3,8	16,1	98.288	3,0	-13,7	72.241	2,2	-26,5	-9,7
other Africa	65.595	2,2	24,7	70.300	2,1	7,2	66.034	2,0	-6,1	7,9
Central America	24.912	0,8	39,1	30.146	0,9	21,0	20.424	0,6	-32,2	4,5
Oceania	17.100	0,6	-30,3	22.038	0,7	28,9	14.172	0,4	-35,7	-16,7
world	2.961.558	100,0	1,5	3.309.323	100,0	11,7	3.257.530	100,0	-1,6	3,7

GRAPH 7

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

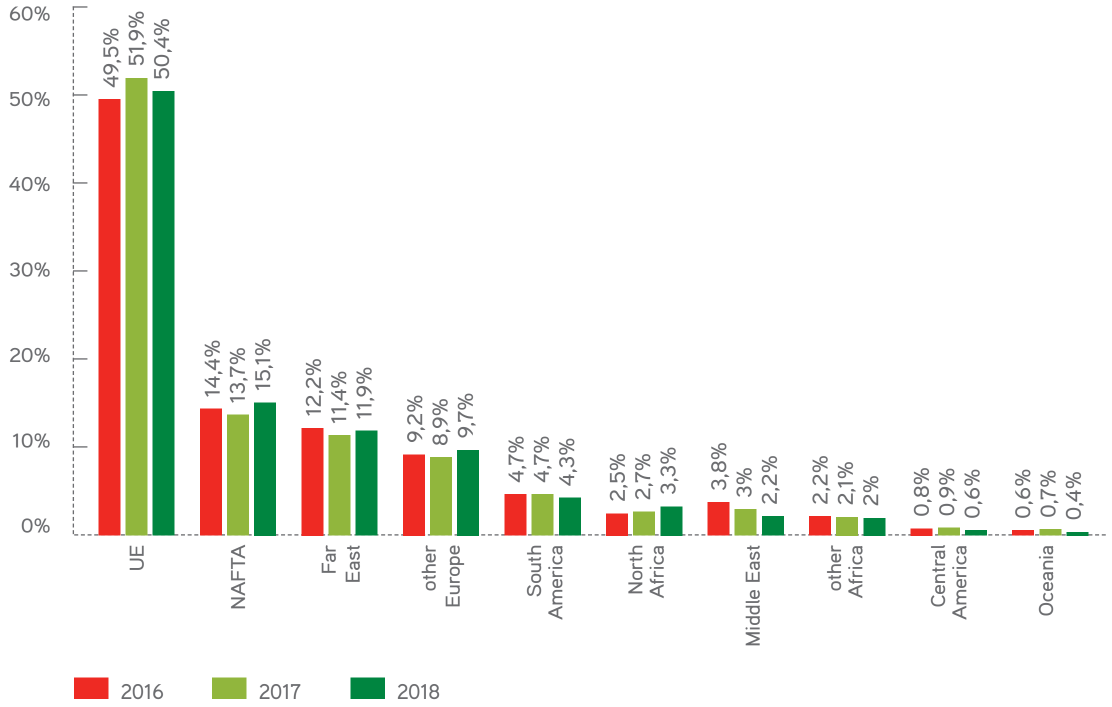


TABLE 5

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

	2016	% out of total	Δ % 16/15		2017	% out of total	Δ % 17/16		2018	% out of total	Δ % 18/17
Germany	402.200	13,6	1,7	Germany	482.826	14,6	20,0	Germany	470.747	14,5	-2,5
United States	229.339	7,7	-11,9	United States	275.590	8,3	20,2	United States	293.792	9,0	6,6
France	131.356	4,4	0,8	France	159.868	4,8	21,7	France	163.558	5,0	2,3
Mexico	171.223	5,8	13,7	Mexico	142.294	4,3	-16,9	Mexico	159.250	4,9	11,9
Spain	137.017	4,6	17,8	Spain	148.676	4,5	8,5	Spain	153.707	4,7	3,4
Poland	164.962	5,6	68,8	Poland	159.486	4,8	-3,3	Poland	152.847	4,7	-4,2
United Kingdom	118.058	4,0	11,6	United Kingdom	119.769	3,6	1,4	United Kingdom	121.659	3,7	1,6
China	137.631	4,6	6,2	China	133.170	4,0	-3,2	China	116.719	3,6	-12,4
Czech Republic	100.637	3,4	5,4	Czech Republic	127.409	3,9	26,6	Czech Republic	108.228	3,3	-15,1
Turkey	98.657	3,3	-30,4	Turkey	89.612	2,7	-9,2	Turkey	92.964	2,9	3,7
Russia	56.928	1,9	-20,0	Russia	94.448	2,9	65,9	Russia	84.978	2,6	-10,0
India	70.056	2,4	4,5	India	65.821	2,0	-6,0	India	82.381	2,5	25,2
Rumania	56.676	1,9	45,2	Rumania	97.106	2,9	71,3	Rumania	71.204	2,2	-26,7
Austria	50.393	1,7	16,4	Austria	58.021	1,8	15,1	Austria	67.101	2,1	15,6
Switzerland	56.082	1,9	-10,8	Switzerland	52.207	1,6	-6,9	Switzerland	65.082	2,0	24,7
Slovakia	47.010	1,6	-1,5	Slovakia	66.672	2,0	41,8	Slovakia	56.717	1,7	-14,9
Hungary	31.704	1,1	-38,5	Hungary	51.344	1,6	61,9	Hungary	51.703	1,6	0,7
Brazil	37.814	1,3	99,9	Brazil	51.934	1,6	37,3	Brazil	51.203	1,6	-1,4
Portugal	69.173	2,3	-29,7	Portugal	51.437	1,6	-25,6	Portugal	50.388	1,5	-2,0
Canada	26.249	0,9	25,6	Canada	35.589	1,1	35,6	Canada	38.780	1,2	9,0
total top 20	2.193.165	74,1	5,0	total top 20	2.463.279	74,4	12,3	total top 20	2.453.009	75,3	-0,4
other countries	768.393	25,9	-7,5	other countries	846.044	25,6	10,1	other countries	804.521	24,7	-4,9
world	2.961.558	100,0	1,5	world	3.309.323	100,0	11,7	world	3.257.530	100,0	-1,6

2019 OUTLOOK

World manufacturing appears headed towards a phase of slower growth after a period of expansion that benefited international trade, recording figures in the range of 3–4% in the years 2017 and 2018. The first months of 2019 have already shown weakening in trade, partially as the result of protectionist measures implemented by world leaders.

In Europe, the Brexit situation has produced lasting confusion and uncertainty, and the outcome of the May elections could also create instability. Tensions are not abating between China and the United States and there are still economies in varying degrees of crisis (Argentina, Turkey, Venezuela). Meanwhile, sanctions are still in place regarding exports to major markets (Russia and Iran), and Chinese imports appear to have slowed.

Italian exports are beginning to feel the effects of this situation. Forecasts based on orders from abroad remain weak, at least for the first part of the year.

Historically, exports have represented the pillar of the Italian manufacturing industry. Stagnation in exports, combined with continuing weakness in the domestic market, pose challenges for the Italian industrial system, which must cope with the lack of long-term structural economic policies to provide adequate incentives to investment.

The outlook for the Italian domestic market is rather uncertain. Based on CONFINDUSTRIA surveys, the industrial production index slipped into negative territory on several occasions, and even more worrisome is the drop in orders. Prospects for investments and consumption are uncertain, the trend in employment is not rosy, and credit extended to businesses is in decline. The faith of manufacturers shows signs of faltering and the overall outlook appears weak and largely devoid of favourable prospects.

An inversion of trend is thus forecast for the Italian plastics and rubber processing machinery, equipment and moulds industry after overall positive performance in 2018. After eight years of an upward trajectory, the cyclical nature of the economy leads us to expect a downturn. Some companies have begun to express concerns in this regard.

Decreases are expected both in the domestic market and in exports for the current year. The impact will be different on different types of production: manufacturers of complex systems requiring long order times (6–9 months or more) already have orders covering almost all of 2019, with the coming trough likely to be felt in 2020. The first ones to feel the effect will probably be businesses with a more generic product line and shorter order times.

In the most recent surveys undertaken by AMAPLAST among its member companies, the number of companies reporting improvements in their order books is declining with respect to those who report stability.

In any case, even though the automotive industry, an important sector of application, has recorded a significant downturn in recent months, it is still too early to speak of a recession.

As regards exports for the sector - which have always been the leading source of income for companies in the industry - we may envisage the following trends by geographical area:

- weak exports to European markets following the slight slowdown at year-end 2018 and uncertainties in continental economies, both in and outside of the EU, with Russia as the main question mark. The moderate slowdown in the German economy is beginning to be felt (historically the main trading partner for Italian machinery builders) and this is compounded by the prospects for a messy Brexit
- substantial stability in North America thanks to the impulse from the two principal players, the United States and Mexico, however we must not underestimate the potential negative effects of additional U.S. protectionist measures
- strong uncertainty in South America due to the continuing weakness of recovery in Brazil (where one of the factors is the increasing presence of Chinese operators) and the negative situation in Argentina. The other South American countries, absorbing smaller portions of Italian exports, have historically shown an oscillating trend
- volatility in Africa, which is characterized by two very different zones. On the one hand, the historical, consolidated markets in the zone north of the Sahara, which exhibit relative stability in demand for plastics and rubber processing machinery, on the other, “new” export markets with a certain potential for development but characterized by the lack of a well developed processing industry. There, the economic landscape features a few multinationals and a range of small and micro-businesses that produce products with low added value and thus are neither interested nor able to invest in quality machinery
- further negative performance in the Middle East, where, for various reasons, the economic instability of the principal markets - Saudi Arabia, United Arab Emirates and Iran - continues to exert its effects
- overall weak growth in the markets of the Far East, with China beginning to show some uncertainty in demand (caused particularly by the slowdown in the automotive segment) and India which could capitalize on the clear electoral victory of President Modi. Meanwhile, South Korea has shown constant and sustained growth in recent years, also strengthening its position as exporter of plastics and rubber processing machinery and moulds. It is more difficult to forecast performance for the other Italian export markets such as Indonesia, Thailand and Vietnam, which have shown oscillating trends in recent years.

Environmental issues and the question of the circular economy are increasingly relevant issues. Plastics are now subject to constant attacks, at times the object of misleading media campaigns.

The approval rating of plastic as an indispensable everyday material has fallen globally as the result of generalizations that neglect the fact that there are different families of polymers with completely different chemical, physical and mechanical properties, and also different applications and options for recycling.

It is clearly necessary to increase the level of awareness and the environmental education of people to prevent improper use, excessive consumption, and waste.

The media also tend to overlook the effective environmental footprint of alternative materials, as well as the progressive increase in the collection and recycling of post-consumer plastic packaging, which, according to Corepla (National Consortium for the Collection and Recycling of Plastic Packages), exceeded 643.000 tons in 2018 for a 9,7% increase over 2017.

Furthermore, again in 2018, the Consortium sent to energy recovery process over 383.000 tons of waste plastic. This is an important alternative route (although the plants do not currently have sufficient capacity) for reusing recovered polymers, which cannot be wholly reused to make new products, both for the significant quantities and for their mixed composition.