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ITALIAN PLASTICS AND RUBBER
PROCESSING MACHINERY AND MOULDS
MANUFACTURERS' ASSOCIATION

Associated with:
CONFINDUSTRIA,
FEDERMACCHINE and EUROMAP

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2010 OVERVIEW OF THE ITALIAN PLASTICS AND RUBBER PROCESSING MACHINERY INDUSTRY (summary)

Excerpt from the full version presented on 15 June 2011 at the annual Assembly of ASSOCOMAPLAST Members.

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SOURCES: ASSOCOMAPLAST, ISTAT and other statistical institutes of the mentioned countries

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FOR FURTHER INFORMATION: Mario Maggiani: tel. (+39) 02 82283741;
e-mail: m. maggiani@assocomaplast.org



Assocomaplast
Centro Direzionale Milanofiori - Palazzo F/3
Casella Postale 124 - 20090 Assago (Milano)
Tel (+39) 02 8228371 - Fax (+39) 02 57512490
<http://www.assocomaplast.org>
e-mail: info@assocomaplast.org
codice fiscale 80134430158



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Industry trends 2008-2010

It is quite hard to produce an accurate summary of what happened in 2008-2010 given the financial turmoil affecting Europe and global markets. Over a period of some thirty months, the global economy suffered a collapse unlike anything previously seen in history and the consequences are still not entirely clear.

While the world economy had maintained performance in line with 2007 figures through September 2008 (indeed 2007 marked the Italian plastics and rubber machinery industry's best performance in the current century in both production and exports), the Lehman Brothers bankruptcy triggered a wholly unprecedented crisis.

In 2009 production dropped by 21.4% (from 4.2 to 3.3 billion euros) while sales abroad fell 25.1% (from 2.447 to 1.833 billion euros). It bears pointing out that the latter set of figures is very important for Italian companies, who export an average of 60% of their production, with peaks of 80-90% for a considerable number of firms.

In line with the above trend, Italian imports of machinery, equipment and moulds also suffered a 20% reduction with respect to 2008 (from 605 to 484 million euros). And there is little consolation in the fact that other segments of the Italian mechanical industry (such as machine tools, just as an example) recorded a 40-50% shrinkage in production and sales.

The even more considerable percentage losses suffered by the German competitors are further proof of the unprecedented nature of this crisis.

All players thus focused their recovery expectations on 2010. And indeed, a recovery did take place: in comparison with the "annus horribilis" (2009) production in the sector grew by 9.1% and exports by 10%, with imports recording no less than +17%. Of course, if we disregard the impressive percentages and look at values, 2010 is still far from the records set in 2007 and the first three quarters of 2008.

In other words, the road back to pre-crisis levels is still quite long; we will have to wait at least until the end of 2011 before we can draw up an accurate balance sheet.

Having outperformed the Italians on the downward trend in production and exports, the Germans also outperformed them on the way back up. In particular, their exports grew by 25% in 2010 over 2009 (versus the +9.8% posted by their Italian counterparts).

Purely on an empirical level, we might suppose that the flexibility typical of medium and especially small Italian companies has allowed them to better absorb the repercussions of the severe crisis. However, the better-structured German companies have been able to more successfully exploit the uptrend in the market during the recovery phase.



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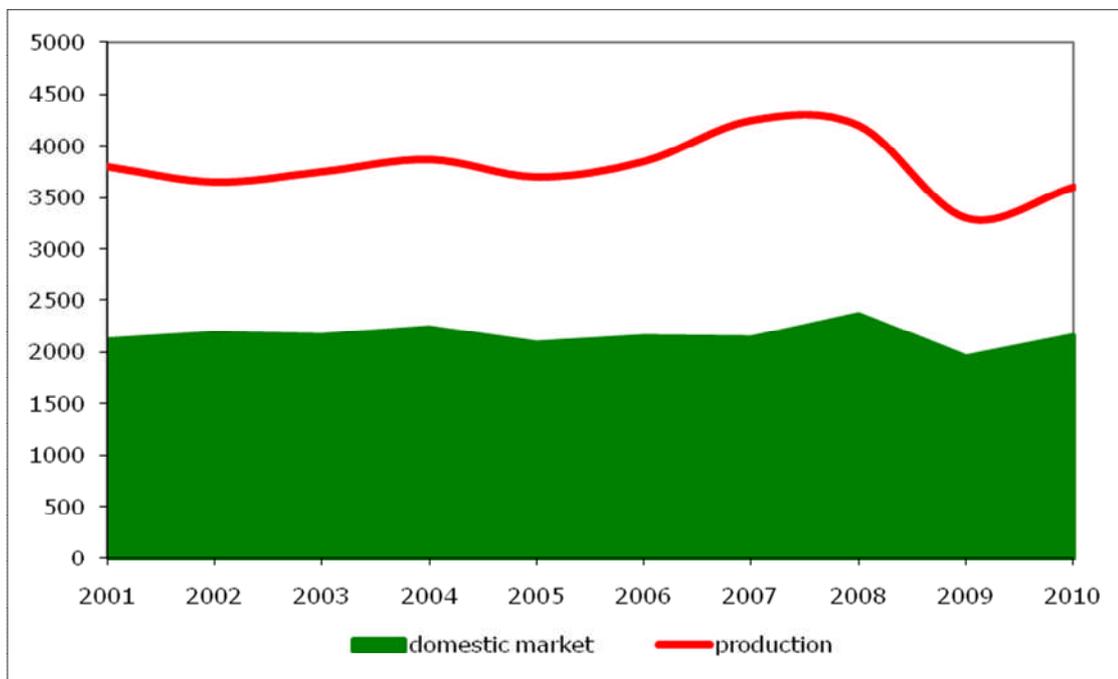
Table 1 - Italian market of plastics and rubber processing machinery, equipment and moulds (million euros)

	2008	Δ% 08/07	2009	Δ% 09/08	2010	Δ% 10/09	average Δ% 08-10
production	4,200	-1.2	3,300	-21.4	3,600	9.1	-5.4
export	2,447	-8.4	1,833	-25.1	2,012	9.8	-9.9
import	605	-4.4	484	-20.0	567	17.1	-3.7
domestic market	2,358	7.1	1,951	-17.3	2,155	10.5	0.4
trade balance (positive)	1,842	-9.5	1,349	-26.8	1,445	7.1	-12.0

The following two graphs highlight the production vs. domestic market and production vs. exports trends in the period 2001-2010. The third chart illustrates the trend in the balance of trade. Without needing to examine the details of each graph, the 2010 upturn is quite clear, as is the general positive trend of the curves.

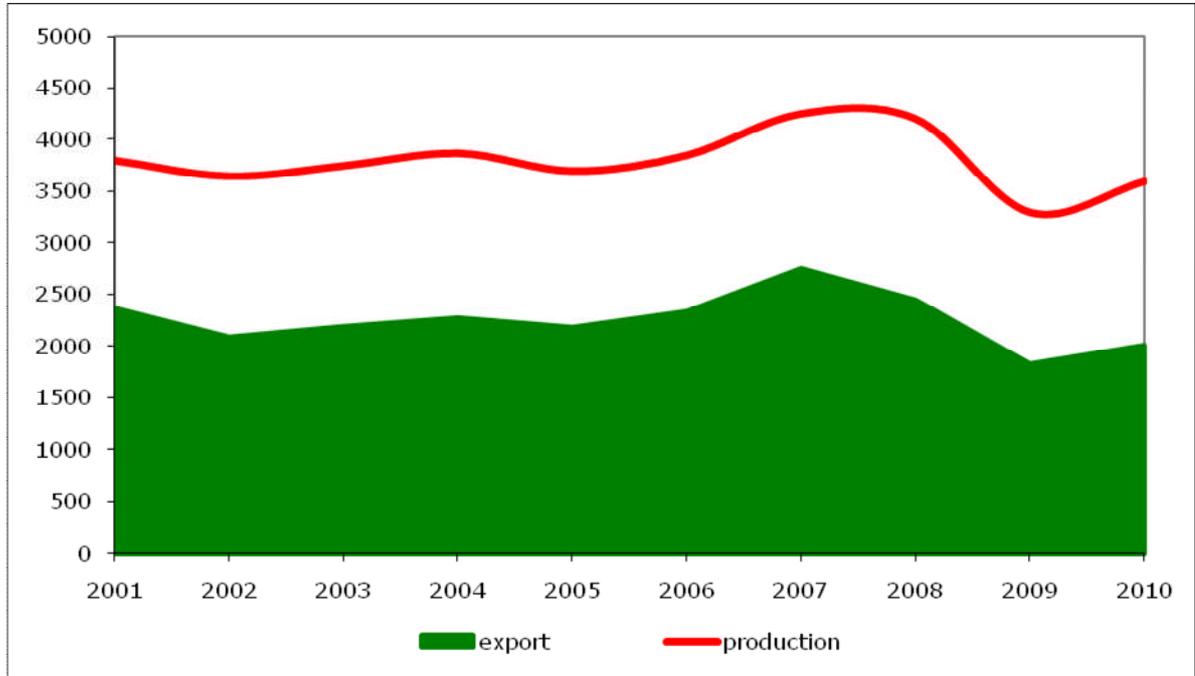
Regarding the domestic market, it is worth mentioning that the governmental stimulus package boosted the recovery somewhat. Unfortunately, the positive effects dried up in June 2010 when, despite joint action by FEDERMACHINE and ASSOCOMAPLAST, the decree was not re-funded.

Chart A – 2001-2010 trend for Italian production and domestic market for plastics and rubber processing machinery, equipment and moulds (million euros)

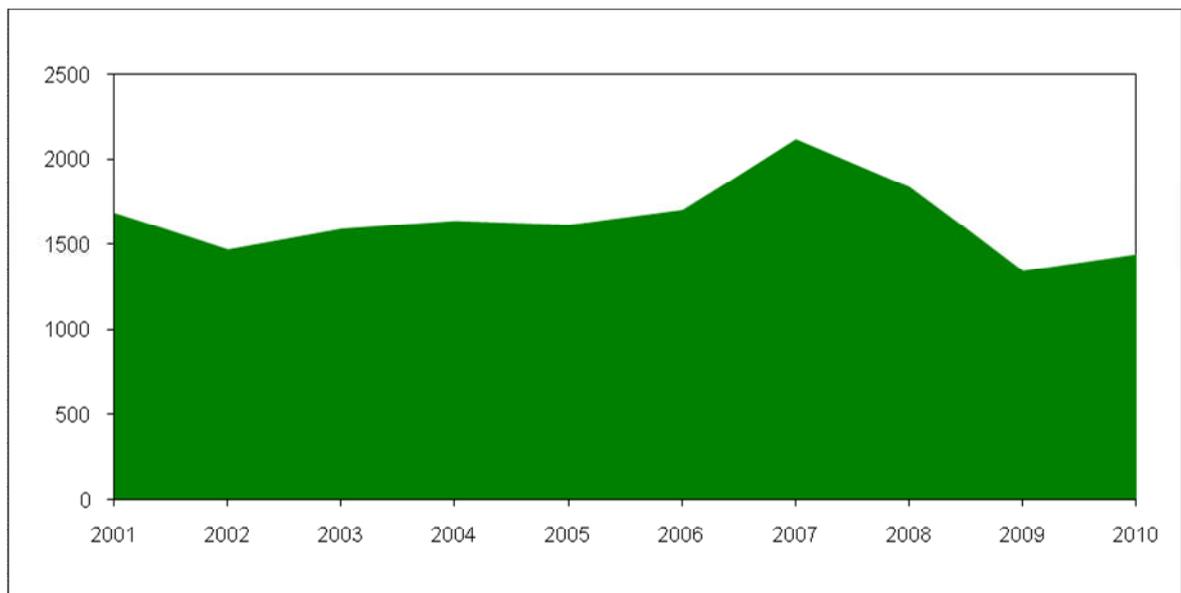


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**Chart B – 2001-2010 trend for Italian production and export
for plastics and rubber processing machinery, equipment and moulds (million euros)**



**Chart C – 2001-2010 trend in Italian trade balance
for plastics and rubber processing machinery, equipment and moulds (million euros)**





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Italian foreign trade in 2008-2010

Table 2 summarizes the aggregate import and export values for individual product categories.

Table 2 - Italian import-export of plastics and rubber processing machinery, equipment and moulds (000 euros)

	import			export		
	2008	2009	2010	2008	2009	2010
flexographic printing machines	12,544	12,009	17,538	126,687	79,052	117,643
plants for mono- and multifilaments	8,452	948	2,134	50,761	55,291	23,199
injection moulding machines	74,645	50,690	65,571	115,073	66,980	79,329
extruders	33,757	28,276	23,422	310,370	183,408	238,481
blow moulding machines	20,096	24,426	27,716	155,786	123,114	118,924
thermoforming machines	13,056	7,252	10,056	35,019	23,938	39,846
presses for tyres and inner tubes	5,344	6,161	2,288	22,066	19,171	17,790
presses	24,015	14,641	21,673	102,502	54,737	57,038
machines for moulding or forming	18,429	12,058	11,745	146,457	139,997	98,635
machines for reactive resins	1,890	1,573	590	33,979	20,031	27,250
machines for foamed products	7,351	6,193	4,945	36,001	13,424	17,913
equipment for size reduction	5,014	2,775	3,488	30,540	16,159	16,366
mixers	4,832	4,023	2,059	24,054	17,070	14,662
cutting, splitting and peeling machines	4,857	4,404	4,474	10,417	7,813	9,857
other machines	36,209	26,375	32,341	312,913	217,907	308,303
parts and components	124,143	91,775	130,044	371,169	244,079	302,124
moulds	210,840	190,161	206,696	563,459	551,021	524,415
total	605,474	483,740	566,780	2,447,253	1,833,192	2,011,775

Effective January 1, 2010, the customs code 8420 1050 (calenders and laminators used in plastics and rubber industry) was eliminated and its contents merged into code 8420 1080 (other calenders and laminators). These codes are no longer considered in sector surveys because they include other types of calenders in addition to those used in the plastics and rubber industry. This code has also been eliminated from 2008 and 2009 data so as not to skew the comparative results.

Regarding imports, it is worth distinguishing between European and non-European flows.

Germany, Austria, France and Switzerland represent some 60% of imports.

As usual, Germany ranks first among source countries for Italian imports, providing just over one third of the total.

In spite of the continuing weakness in signs of recovery from the Italian processing industry (excluding the exceptions of highly specialized niche markets) German sales to Italy rose by 34.1% from 2009 to 2010. Although representing a lower volume (10% of the total), the percentage was even higher for Austria at +53%, followed by France at +6% (8% of the total volume). Swiss exports to Italy, on the other hand, declined by 20%.



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Looking outside Europe, we find China, now third largest supplier for Italian processors, with almost a 9% share and a 17% increase over 2009. While US sales to Italy recorded almost negligible growth (less than +2%), imports from Japan fell off by approximately 13%.

Table 3 - Main source countries for Italian imports of plastics and rubber processing machinery, equipment and moulds (000 euros)

	2008	%	Δ% 08/07	2009	%	Δ% 09/08	2010	%	Δ% 10/09
Germany	188,977	32.1	-15.6	150,897	31.2	-20.2	202,327	35.7	34.1
Austria	48,742	8.3	8.3	37,478	7.7	-23.1	57,312	10.1	52.9
China	51,126	8.5	35.5	42,704	8.8	-16.5	50,087	8.8	17.3
France	47,720	8.1	-4.4	44,552	9.2	-6.6	47,285	8.3	6.1
Switzerland	62,124	10.5	-6.8	39,030	8.1	-37.2	30,980	5.5	-20.6
Spain	18,405	3.1	95.2	20,395	4.2	10.8	23,028	4.1	12.9
Czech Republic	19,209	3.3	-13.3	17,618	3.6	-8.3	20,085	3.5	14.0
United States	27,878	4.7	18.7	19,525	4.0	-30.0	19,872	3.5	1.8
Benelux	17,545	3.0	-31.7	16,947	3.5	-3.4	18,627	3.3	9.9
Japan	12,726	2.2	14.3	16,456	3.4	29.3	14,281	2.5	-13.2
other countries	111,023	16.2	15.5	78,136	16.3	-29.6	82,895	14.7	6.1
world	605,474	100.0	-1.0	483,740	100.0	-20.1	566,780	100.0	17.2

After the slump in 2009, a remarkable sign of recovery in exports was recorded in 2010 with sales abroad increasing by 10% (or 14% if we exclude the product categories "moulds" and "parts and components").

This trend varied by technology. Concentrating on the principal machine types, decidedly good results were recorded for extruders (+30%), flexographic printing machines (nearly +50%), injection moulding machines (+18%) and thermoforming machines (+66%), while blow moulding machines moved in the other direction with a 3.4% drop. A negative trend also characterized moulds with exports falling by almost 5%.

Of course it must be pointed out that, as always, a completely balanced comparison between the past year and previous years cannot be made, since data from the earlier years (through 2009) have been adjusted by ISTAT, leading to an increase in figures for imports and a reduction in those for exports, particularly within the EU.

It is not surprising, geographically speaking, that Europe is the main destination for Italian exports. Nor is it odd that sales here grew by only 1.3%, considering that the recovery of the processing industry in the Old Continent is still weak. Among other things, the important Russian market, which had performed so well in the past, seems to be struggling more than other BRIC countries to pull itself back to normal levels (-20.4% with respect to 2009).

On the other hand, and not surprisingly, exports towards Asia and the Americas have grown, at +15.6% and +37.6% respectively. Sales have rebounded particularly strongly in China (+37.2%), the United States (+40.3%) and Brazil (+80.5%). A negligible increase has been logged in exports to Africa (+3%) while Australia and Oceania are too distant to be of much interest to Italian manufacturers.

General rankings by region are presented in Chart D and Table 4, while Table 5 provides details of the top 20 export countries.

Chart D - Italian exports of plastics and rubber processing machinery, equipment and moulds by region (total % for 2008-2010)

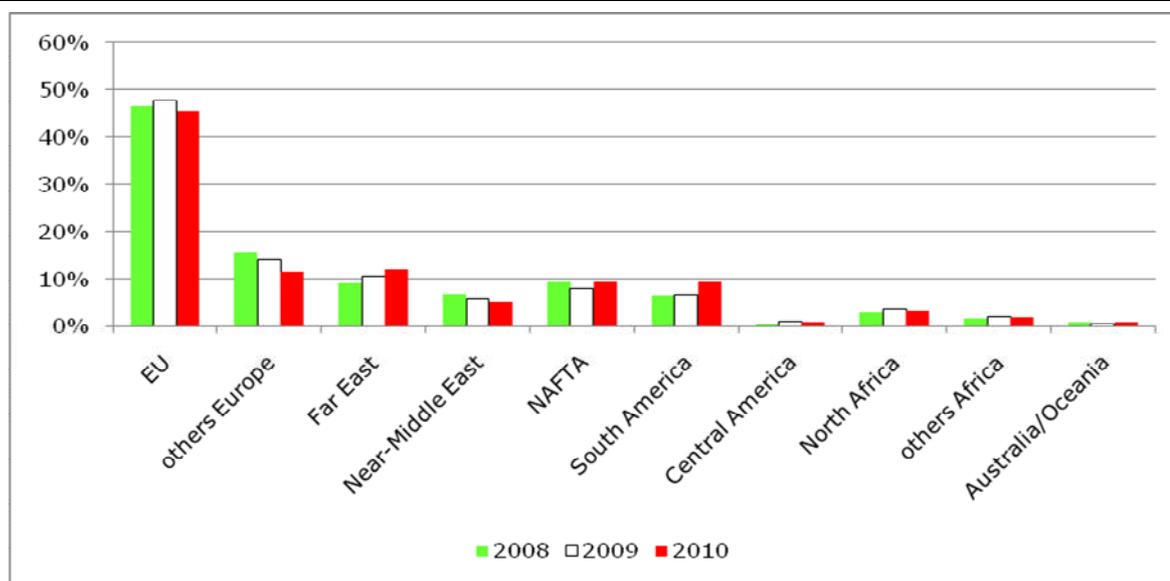


Table 4 - Italian exports of plastics and rubber processing machinery, equipment and moulds by region (million euros)

	2008	% of total	$\Delta\%$ 08/07	2009	% of total	$\Delta\%$ 09/08	2010	% of total	$\Delta\%$ 10/09	average $\Delta\%$ 08-10
EU	1,141	46.6	-13.1	875	47.7	-24.1	916	45.4	4.7	-11.4
others Europe	387	15.8	-13.3	259	14.1	-23.7	233	11.6	-10.0	-19.5
Far East	223	9.1	-19.0	196	10.7	-34.3	244	12.1	24.3	-4.0
Near-Middle East	168	6.8	6.9	105	5.7	-12.8	104	5.2	-0.9	-12.8
NAFTA	230	9.4	-9.6	147	8.0	-25.5	189	9.4	29.1	-9.3
South America	161	6.6	1.7	122	6.7	-39.1	190	9.5	55.3	6.3
Central America	7	0.3	-48.9	18	1.0	133.2	16	0.8	-11.3	3.8
North Africa	75	3.1	37.1	65	3.6	-15.2	64	3.2	-1.8	5.4
others Africa	39	1.6	-29.5	37	2.0	-8.1	41	2.1	11.0	-9.7
Australia/Oceania	16	0.7	-29.7	9	0.5	-54.7	15	0.7	59.4	-14.4

Table 5 - Main source countries for Italian imports of plastics and rubber processing machinery, equipment and moulds (000 euros)

	2008	% of total	Δ% 08/07		2009	% of total	Δ% 09/08		2010	% of total	Δ% 10/09	average Δ% 08-10
Germany	315,395	12.5	-20.3	Germany	281,941	13.8	-10.6	Germany	310,478	15.4	10.1	-6.9
Russia	175,136	6.9	-13.6	France	122,549	6.5	-27.1	China	121,560	6.0	37.2	5.9
France	168,145	6.7	9.8	China	88,578	4.9	-1.9	France	118,665	5.9	-3.2	-6.8
United States	127,978	5.1	-10.7	Russia	88,341	4.8	-49.6	United States	112,325	5.6	40.3	-2.6
Poland	119,039	4.7	0.1	Spain	84,201	4.3	-24.9	Brasil	98,245	4.9	80.5	33.1
Spain	112,824	4.6	-20.9	United States	80,047	4.4	-37.5	Spain	87,400	4.3	3.8	-14.0
China	90,277	3.6	-17.6	Poland	72,235	3.8	-39.3	Poland	76,159	3.8	5.4	-11.3
Brazil	74,456	3.0	45.6	Turkey	67,362	3.7	-6.7	Turkey	71,836	3.6	6.6	-8.0
Mexico	72,977	2.9	8.2	Brasil	54,422	3.1	-26.9	Russia	70,280	3.5	-20.4	-27.9
Turkey	72,238	2.9	-23.9	UK	54,246	2.9	-14.8	UK	67,450	3.4	24.3	-7.2
Switzerland	67,424	2.7	-2.4	Mexico	50,176	2.8	-31.2	Mexico	54,386	2.7	8.4	-4.9
Saudi Arabia	63,746	2.5	-6.2	Switzerland	48,023	2.6	-28.8	Switzerland	48,220	2.4	0.4	-10.3
UK	63,693	2.5	-31.0	India	44,664	3.1	8.1	India	41,233	2.1	-7.7	4.9
Romania	51,760	2.1	-16.3	Czech Rep.	36,642	1.9	3.9	Czech Rep.	34,565	1.7	-5.7	-5.3
India	41,304	1.6	14.2	Belgium	33,089	1.9	5.8	Saudi A.	33,365	1.7	4.0	-17.3
Iran	38,736	1.5	9.5	Saudi A.	32,088	1.8	-49.7	Argentina	31,475	1.6	153.9	30.3
Czech Rep.	35,269	1.4	-14.0	Austria	27,654	1.4	-10.8	Rumania	29,408	1.5	19.2	-16.5
Greece	32,357	1.3	25.7	Rumania	24,670	1.7	-52.3	Austria	28,687	1.4	3.7	-8.2
Belgium	31,270	1.2	-14.8	Egypt	23,035	1.3	-24.9	Belgium	27,831	1.4	-15.9	-8.3
Austria	30,998	1.2	-17.6	Iran	22,852	1.2	-41.0	South Africa	25,275	1.3	41.6	-2.5
total "top 20"	1,785,022	70.9	-13.3		1,336,815	71.9	-25.1		1,488,843	74.2	11.4	-9.0
other countries	662,231	29.1	-4.7		496,377	28.1	-25.1		522,932	25.8	5.3	-8.2
world	2,447,253	100.0	-8.4		1,833,192	100.0	-25.1		2,011,775	100.0	9.8	-7.9



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Prospects for 2011

While it was almost impossible to give any reliable forecast for the economy after the crisis hit in late 2008, throughout 2009 and in the first months of 2010, conditions have now stabilized somewhat and we can afford to be a little more venturesome.

It seems clear, and the latest statistics support this, that the worst is over and the figures have resumed an upward trend. However, as is normal after a major and sudden recession, the climb back out is long and difficult.

Metaphors aside, according to the most optimistic economists, it is going to take at least three years to regain pre-crisis levels—assuming, of course, that no external factors dampen the recovery.

Just to give an example, the Greek debt (to be re-financed by the EC?) is one of those variables that could have a significant negative impact on the continent's economic health. If these troubles spread to other countries (the remaining three of the ill-famed PIGS) the effects could be destabilizing.

If we also consider fluctuations in the euro/US\$ exchange rate (with implications for projects that continue over the course of months), it is clear that the recovery rests on still fragile foundations.

Moreover, competition is getting tougher and even the German manufacturers have started competing on price (which was unthinkable up until a few years ago).

Operating margins for Italian businesses have narrowed drastically, customers are increasingly demanding (especially regarding delivery time) and, in spite of the fact that the recovery is now well established, there are still difficulties in purchasing some components.

Furthermore, many operators do not see this as a passing phase, but rather the long-term outcome of a crisis that has heavily altered the arena in which companies work.

According to surveys by the German Association VDMA, the German competitors' order books have burgeoned (at reported rates as high as 75%) in late 2010-early 2011. The Association is therefore particularly confident regarding possible results for 2011, while showing significantly more caution in making pronouncements for sales in 2012.

The Chinese industry, as affirmed by the latest CHINAPLAS exhibition, is already fully recovered and off again at a fast clip. Although Chinese machinery is mainly absorbed by the domestic market, exports are growing rapidly. After overtaking Italy as the world's second ranked exporter, China will soon challenge the leadership historically held by Germany.

This trend is also boosted by the Chinese government's policy of deliberately undervaluing their currency (yuan), which is thus prevented from fluctuating freely on the currency market.

And although there is still a considerable technological gap between Chinese and European machinery, especially for certain types of plants, the Chinese are closing it very quickly.

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