Assocomaplast
ITALIAN PLASTICS AND RUBBER
PROCESSING MACHINERY AND MOULDS
MANUFACTURERS' ASSOCIATION

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CONFINDUSTRIA,
FEDERMACCHINE and EUROMAP

June 2012
MM/DG

2011 OVERVIEW
OF THE ITALIAN PLASTICS AND RUBBER PROCESSING MACHINERY INDUSTRY
(summary)

Excerpt from the full version presented on 28 June 2012 at the annual Assembly of ASSOCOMAPLAST Members.

SOURCES: ASSOCOMAPLAST, ISTAT and other statistical institutes of the mentioned countries
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Market evolution 2009-2011

In 2011, the Italian industry of machinery, equipment, and moulds for plastic and rubber continued the economic recovery that had initially been recorded in 2010.

After the quite rightly termed "annus horribilis" of 2009 (production down by 21.4%; exports down by 25.1%), the industry rebounded in 2010, increasing production by 9.1% and sales abroad by 10%.

This trend grew stronger throughout 2011. The year closed with production up by 11% and, most notably, with increase in exports of nearly 21%.

This last figure should not come as a surprise, considering the fact that the Italian domestic market has not shown effective signs of recovery (indeed, imports grew by "only" 6.1% in 2011 with respect to the previous year) and, as a natural consequence, Italian manufacturers were forced to strengthen their presence on foreign markets.

It is also true that the EU market, albeit with some exceptions, has not shown particularly brilliant performance (the Greek crisis, the attack on the euro, and other factors have not been encouraging to prospective investors: the current stance is to wait and see how things develop) but a number of member states have not suffered from the crisis (or felt only minimal effects) and continue to grow and develop.

In addition to the now prominent B.R.I.C.S. countries (Brazil, Russia, India, China, and South Africa), there is already talk of the new markets nicknamed the "Next 11" (coined by Goldman Sachs): Bangladesh, South Korea, Egypt, the Philippines, Indonesia, Iran, Mexico, Nigeria, Pakistan, Turkey, and Vietnam.

Actually, the data for 2011 do not differ greatly from those for 2007, the best year ever: 4 billion euros as opposed to 4.2 for production, and 2.4 billion vs. 2.7 for exports.

However, it should be emphasized that in 2011, with 5.7 billion euros in foreign sales, the German competition outdid their historical record of 5.1 billion recorded in 2008, putting the crisis behind them (at least from a purely statistical standpoint).

In these years of strong turbulence, while Italy and Germany have exhibited similar trends, it should be noted that German manufacturers have enjoyed more markedly positive percentage variations in exports than their Italian counterparts, both during the crisis and in the recovery phase.

Without venturing into complex analyses, we may also imagine that the extreme flexibility of Italian companies, coupled with their relatively small dimensions (the average ASSOCOMAPLAST Member company has 54 employees and revenues of 15 million euros), enhanced their ability to withstand the global crisis.

However, this same dimensional factor (to which we must add the well known rigidity of the Italian labour market) exerted a drag after recovery had effectively begun. The Germans were able to take better advantage of improving conditions thanks to their significantly larger dimensions and a better performing national economy.

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

	2009	Δ% 09/08	2010	Δ% 10/09	2011	Δ% 11/10	average Δ% 09-11
production	3,300	-21.4	3,600	9.1	4,000	11.1	-1.6
export	1,830	-27.5	2,010	9.8	2,430	20.9	-1.2
import	480	-20.9	570	18.8	605	6.1	0.0
domestic market	1,950	-14.6	2,160	10.8	2,175	0.9	-1.6
trade balance (positive)	1,350	-29.5	1,440	6.7	1,825	26.7	-1.7

Comparative trends for production vs. domestic market and production vs. exports for the years 2002-2011 are illustrated in the following figures. The final figure regards the trend in the balance of trade.

As described above and made clear in this visual representation, the significant increase in production was mirrored by an analogous trend in exports, while the domestic market remained substantially flat.

Chart 1 - 2002-2011 trend for Italian production and domestic market for plastics and rubber processing machinery, equipment and moulds (million euros)

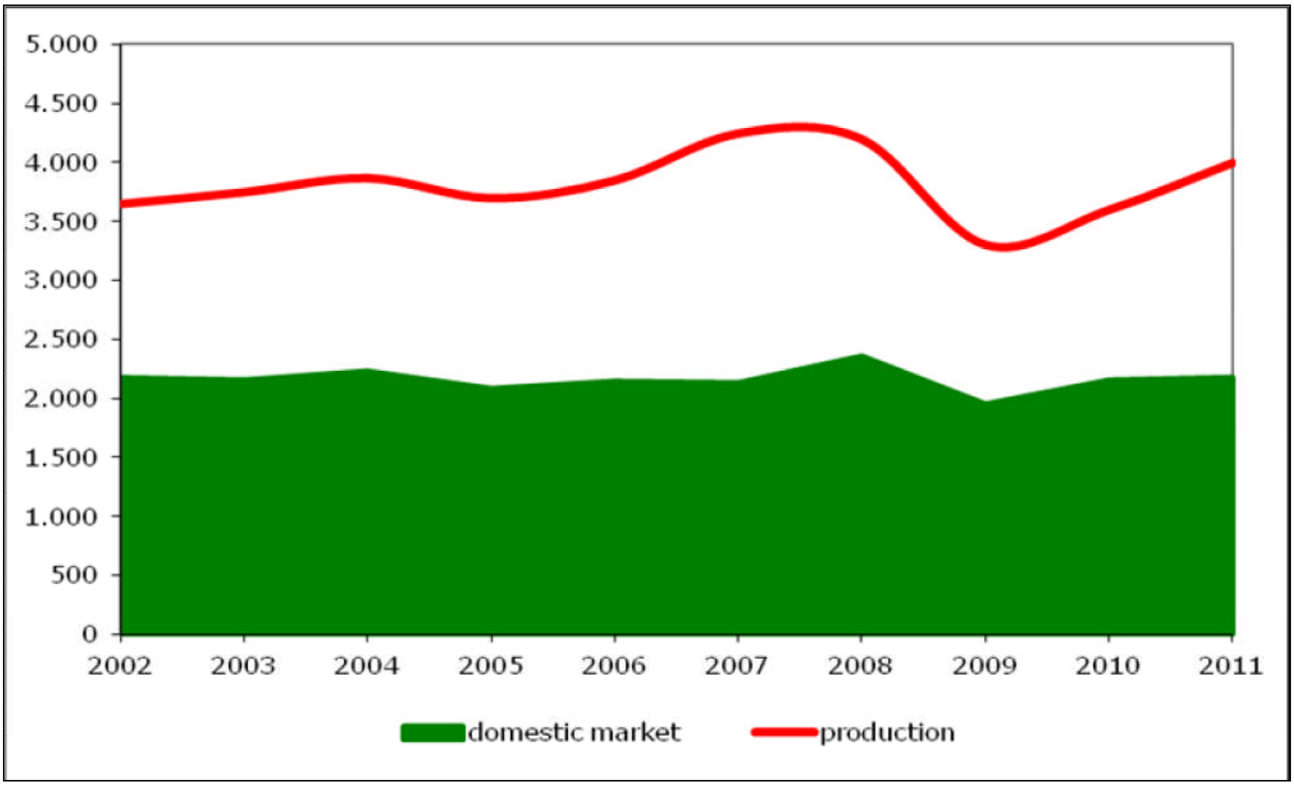


Chart 2 - 2002-2011 trend for Italian production and export for plastics and rubber processing machinery, equipment and moulds (million euros)

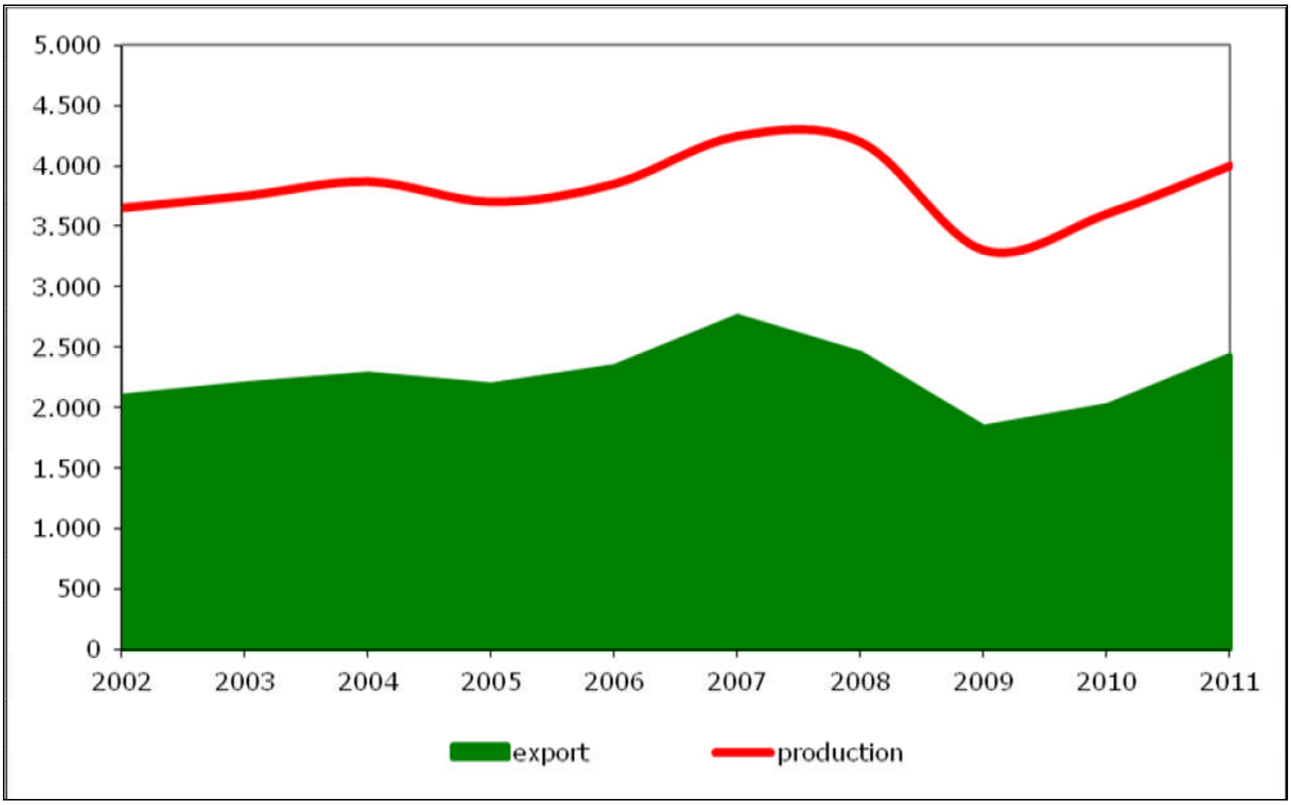
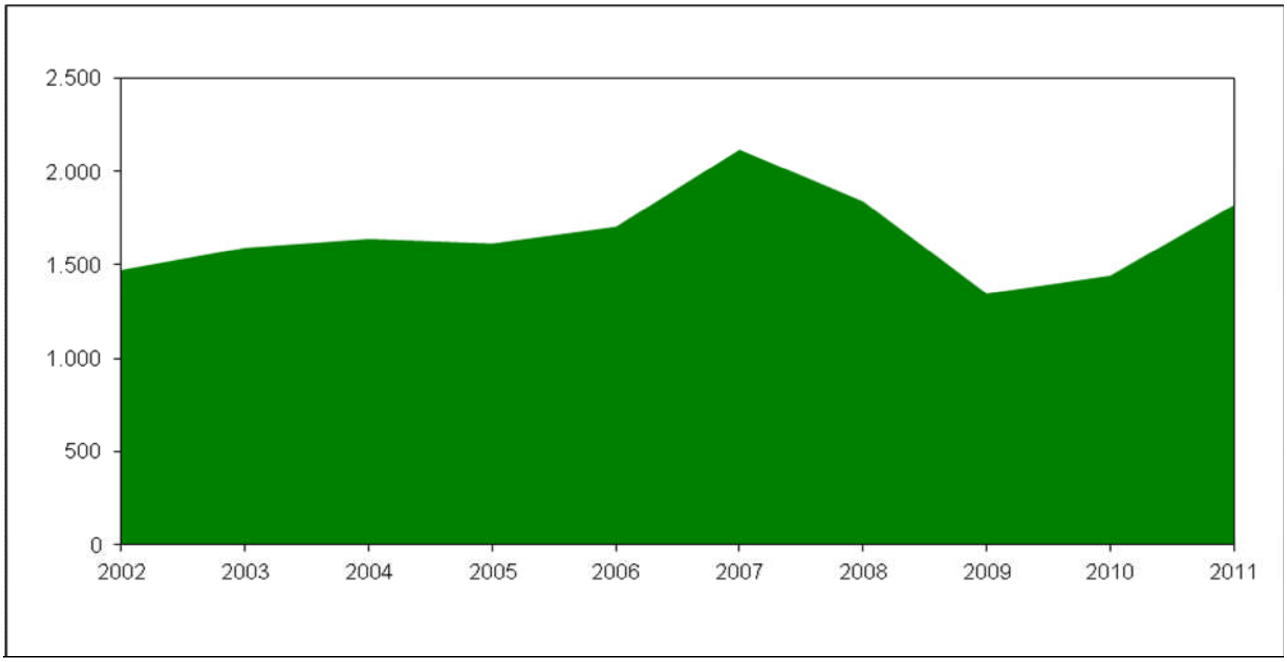


Chart 3 - 2002-2011 trend in Italian trade balance for plastics and rubber processing machinery, equipment and moulds (million euros)



Italian foreign trade in 2009-2011

For the sake of brevity, the reader is referred to table 2 for a detailed breakdown of imports and exports in the sector. This table highlights the aggregate values for both flows.

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

	imports			exports		
	2009	2010	2011	2009	2010	2011
flexographic printing machines	12,009	19,132	22,773	79,052	117,643	119,287
plants for mono- and multifilaments	948	2,139	3,238	55,291	23,190	56,302
injection moulding machines	50,690	66,312	82,786	66,980	79,329	120,339
extruders	28,276	23,490	24,955	183,408	238,496	287,704
blow moulding machines	24,426	27,716	16,693	123,114	118,924	129,613
thermoforming machines	7,252	10,067	4,837	23,938	39,846	76,369
presses for tyres and inner tubes	6,161	2,288	1,514	19,171	17,790	32,780
presses	14,641	21,673	17,251	54,737	57,022	73,220
machines for moulding or forming	12,058	11,745	13,311	139,997	98,612	145,910
machines for reactive resins	1,573	590	1,044	20,031	27,262	30,023
machines for foamed products	6,193	5,009	5,165	13,424	17,913	30,729
equipment for size reduction	2,775	3,548	3,472	16,159	16,366	21,213
mixers	4,023	2,059	7,107	17,070	14,662	26,813
cutting, splitting and peeling machines	4,404	4,474	3,127	7,813	9,795	10,023
other machines	26,375	32,361	24,157	217,907	308,413	333,118
parts and components	91,775	130,822	138,933	244,079	302,037	349,972
moulds	190,161	207,260	237,065	551,021	524,766	585,960
total	483,740	570,685	607,428	1,833,192	2,012,065	2,429,376

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, the overall figure for purchases by Italians in 2011 witnessed an increase of more than 6% over 2010, which in turn recorded an increase of 18% over 2009, a year which, as we well know, showed strongly negative results across the board.

In reference to Italian imports from Europe, those from Germany, Austria, France, and Switzerland represent 59% of imports. Germany has confirmed its status as the principal supplier of Italian plastics and rubber processors, providing just over a third of all imports.

Evidencing the deep crisis of the Italian plastics and rubber processing industry, purchases from German manufacturers grew by "only" 7.1% in 2011, as opposed to the 40.4% increase from 2009 to 2010.

Regarding extra-European imports, Italian imports from China grew by 24% (up from 16.6% from 2009 to 2010), maintaining China’s role as Italy’s third supplier country. The increase is principally explained by the very low prices of Chinese machinery (with the inevitable and well known consequences in terms of quality).

During periods of deep crisis, such as the current one, relatively short-sighted buyers let themselves be tempted by the allure of low prices.

Above and beyond the strictly technological aspects of machinery arriving from the Far East inspected by the Italian Customs Agency (in keeping with the agreement signed seven years ago with ASSOCOMAPLAST to verify compliance with safety standards), significant instances of non-compliance have almost always been found, particularly regarding essential safety requisites established by the EU Machinery Directive.

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

	2009	% out of total	Δ% 09/08	2010	% out of total	Δ% 10/09	2011	% out of total	Δ% 11/10
Germany	144,150	29.8	-23.7	202,327	35.5	40.4	216,634	35.7	7.1
Austria	36,594	7.6	-24.9	57,312	10.0	56.6	61,946	10.2	8.1
China	41,821	8.6	-18.2	48,768	8.5	16.6	60,510	10.0	24.1
France	44,322	9.2	-7.1	47,285	8.3	6.7	45,870	7.6	-3.0
Switzerland	39,247	8.1	-36.8	30,980	5.4	-21.1	33,397	5.5	7.8
Czech Republic	15,999	3.3	-16.7	20,085	3.5	25.5	26,308	4.3	31.0
Spain	20,366	4.2	10.7	23,028	4.0	13.1	17,892	2.9	-22.3
United States	19,543	4.0	-29.9	19,872	3.5	1.7	16,317	2.7	-17.9
Japan	16,456	3.4	29.3	14,281	2.5	-13.2	11,613	1.9	-18.7
Slovakia	3,235	0.7	-42.4	3,439	0.6	6.3	11,091	1.8	222.5
other countries	102,007	21.1	-17.0	103,308	18.1	1.3	105,851	17.4	2.5
world	483,740	100.0	-20.1	570,685	100.0	18.0	607,428	100.0	6.4

As amply emphasized, Italian exports recorded a very comforting recovery in 2011 (+21% with respect to 2010), compensating for the collapse in domestic demand.

Among the most important technologies sold abroad, the value of sales of injection-moulding machines registered an increase of 50% with respect to 2010. This figure must be examined within the context of a decade-long downtrend in Italian exports for this particular segment. The average variation over the 10-year period 2002-2011 is -8%. Obviously, the hope is that the positive values recorded in 2010 and 2011 represent an enduring reversal of trend.

International buyers maintain their interest in extruders (+20%) although the percentage increase has not kept step with 2010 levels (+30%).

Increases in sales of blow-moulding machines remained below average for the industry: +9% over 2010 (a year in which, it should be noted, sales fell off by 6.5% with respect to 2009). The average global variation for the ten-year period was positive at +2%.

Mention should also be made of sales of moulds in 2011 (representing approximately 24% of Italian exports for the plastics and rubber processing industry), which progressed by 11.7% with respect to 2010.

Regarding the geographical destinations for the Italian industry's exports, while Europe absorbed the largest share of Italian exports in terms of aggregate value (46% of the total), the B.R.I.C.S. countries show growing interest, absorbing nearly 20% of sales in 2011, the highest level recorded in over ten years.

Other sales worthy of mention are those to Russia (+60%) and India (+63%). And although it registered a decrease of 8 percentage points, Brazil is still an important market, which has continued to grow without interruption throughout the long crisis period.

Chart 4 - Italian exports of plastics and rubber processing machinery, equipment and moulds by region (total % for 2009-2011)

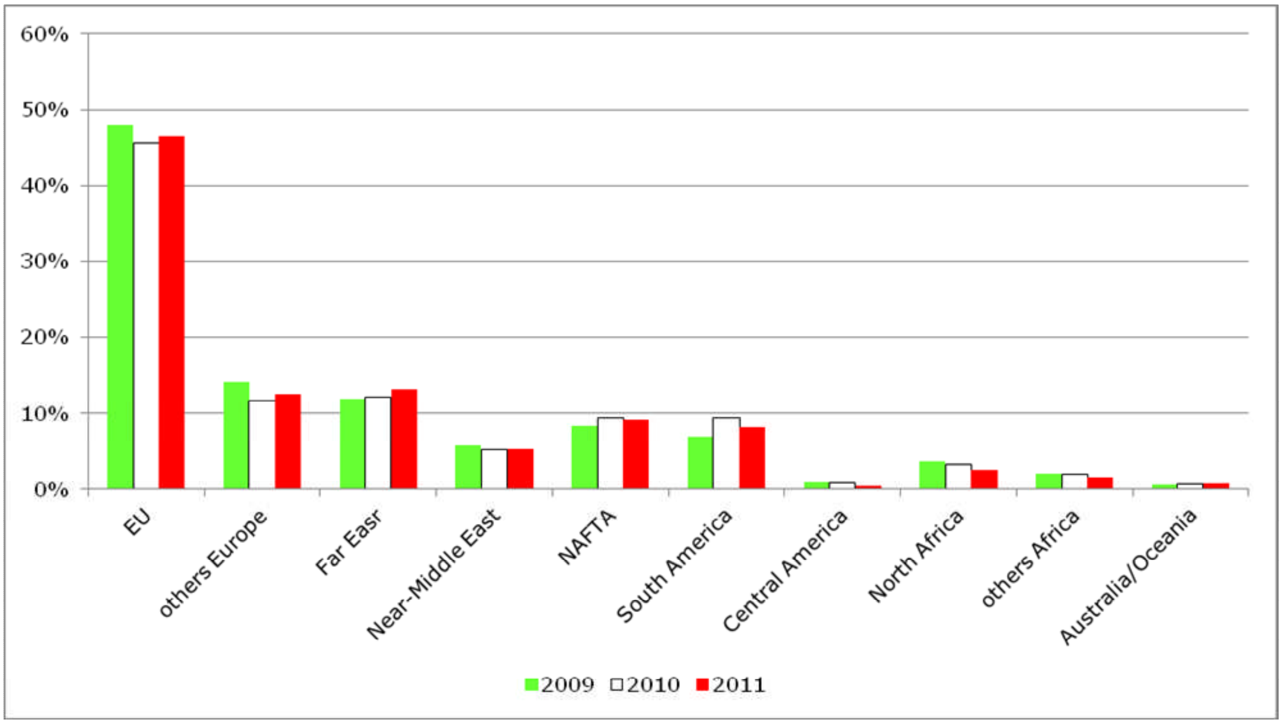


Table 4 - Italian exports of plastics and rubber processing machinery, equipment and moulds by region (million euros)

	2009	% out of total	Δ% 09/08	2010	% out of total	Δ% 10/09	2011	% out of total	Δ% 11/10	average Δ% 09-11
EU	874	47.7	-24.1	916	45.5	4.8	1,127	46.4	23.0	-0.7
others Europe	259	14.1	-34.3	233	11.6	-10.0	302	12.4	29.8	-8.4
Far East	196	10.7	-23.7	244	12.1	24.2	321	13.2	31.9	7.7
Near-Middle East	105	5.7	-37.7	104	5.2	-1.1	128	5.3	22.9	-8.8
NAFTA	147	8.0	-39.1	190	9.4	29.0	222	9.1	16.9	-2.8
South America	122	6.7	-25.5	190	9.4	55.3	199	8.2	4.5	6.5
Central America	18	1.0	133.2	16	0.8	-11.1	12	0.5	-24.1	16.3
North Africa	65	3.6	-15.2	64	3.2	-1.9	61	2.5	-4.6	-7.4
others Africa	37	2.0	-8.1	41	2.0	10.9	40	1.6	-2.2	-0.1
Australia/Oceania	9	0.5	-54.7	15	0.7	59.4	17	0.7	18.6	-5.0

Regarding exports by nation, details for the top 20 countries are presented in table 5.

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

	2009	% out of total	Δ% 09/08		2010	% out of total	Δ% 10/09		2011	% out of total	Δ% 11/10	average Δ% 09-11
Germany	281,941	15.4	-11.0	Germany	310,992	15.5	10.3	Germany	351,403	14.5	13.0	3.5
France	122,549	6.7	-27.1	China	121,532	6.0	52.8	France	156,481	6.4	31.7	-2.4
Russia	87,962	4.8	-50.7	France	118,773	5.9	-3.1	China	147,982	6.1	21.8	12.2
Spain	84,201	4.6	-25.4	United States	112,310	5.6	40.3	United States	120,046	4.9	6.9	-4.0
United States	80,047	4.4	-40.9	Brazil	98,245	4.9	80.5	Russia	112,702	4.6	60.2	-14.2
China	79,525	4.3	-24.2	Spain	87,456	4.3	3.9	Poland	107,466	4.4	41.1	-3.8
Poland	72,235	3.9	-40.2	Poland	76,181	3.8	5.5	Turkey	96,104	4.0	33.9	9.3
Turkey	67,362	3.7	-8.4	Turkey	71,789	3.6	6.6	Brazil	90,138	3.7	-8.3	6.6
Brazil	54,422	3.0	-26.9	Russia	70,351	3.5	-20.0	Spain	85,751	3.5	-1.9	-8.7
UK	54,246	3.0	-15.8	UK	67,472	3.4	24.4	Mexico	73,966	3.0	36.5	-1.2
Mexico	50,176	2.7	-34.6	Mexico	54,205	2.7	8.0	India	67,271	2.8	63.2	11.3
Switzerland	48,023	2.6	-29.3	Switzerland	48,214	2.4	0.4	UK	64,594	2.7	-4.3	0.1
India	44,664	2.4	-8.4	India	41,229	2.0	-7.7	Czech Rep.	56,361	2.3	63.0	16.9
Czech Rep.	36,642	2.0	3.9	Czech Rep.	34,571	1.7	-5.7	Rumania	53,321	2.2	81.2	-2.1
Belgium	34,440	1.9	10.1	Saudi Arabia	33,355	1.7	4.0	Austria	43,150	1.8	50.2	11.6
Saudi Arabia	32,088	1.8	-49.7	Argentina	31,473	1.6	154.7	Saudi Arabia	42,063	1.7	26.1	-13.0
Austria	27,654	1.5	-10.9	Rumania	29,423	1.5	19.3	Slovakia	39,743	1.6	123.4	22.0
Rumania	24,670	1.3	-56.6	Austria	28,731	1.4	3.9	Switzerland	39,673	1.6	-17.7	-16.4
Egypt	23,035	1.3	-26.9	Belgium	27,845	1.4	-19.1	Argentina	33,494	1.4	6.4	6.9
Iran	22,852	1.2	-41.4	South Africa	25,275	1.3	41.7	Belgium	32,417	1.3	16.4	1.2
total 'top 20'	1,328,735	72.5	-27.6	total 'top 20'	1,489,423	74.0	12.1	total 'top 20'	1,814,127	74.7	21.8	-0.4
others	504,457	27.5	-26.7	others	522,642	26.0	3.6	others	615,249	25.3	17.7	-3.7
world	1,833,192	100.0	-27.3	world	2,012,065	100.0	9.8	world	2,429,376	100.0	20.7	-1.2

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Prospects for 2012

Given the uncertainty of the international situation in this period, it is rather difficult to provide a forecast for short-term developments in the industry. In a globalized economy, the high level of uncertainty regarding the political and especially financial future of countries like Greece, Ireland, Spain (and also Italy) strongly conditions any hypothesis we might formulate.

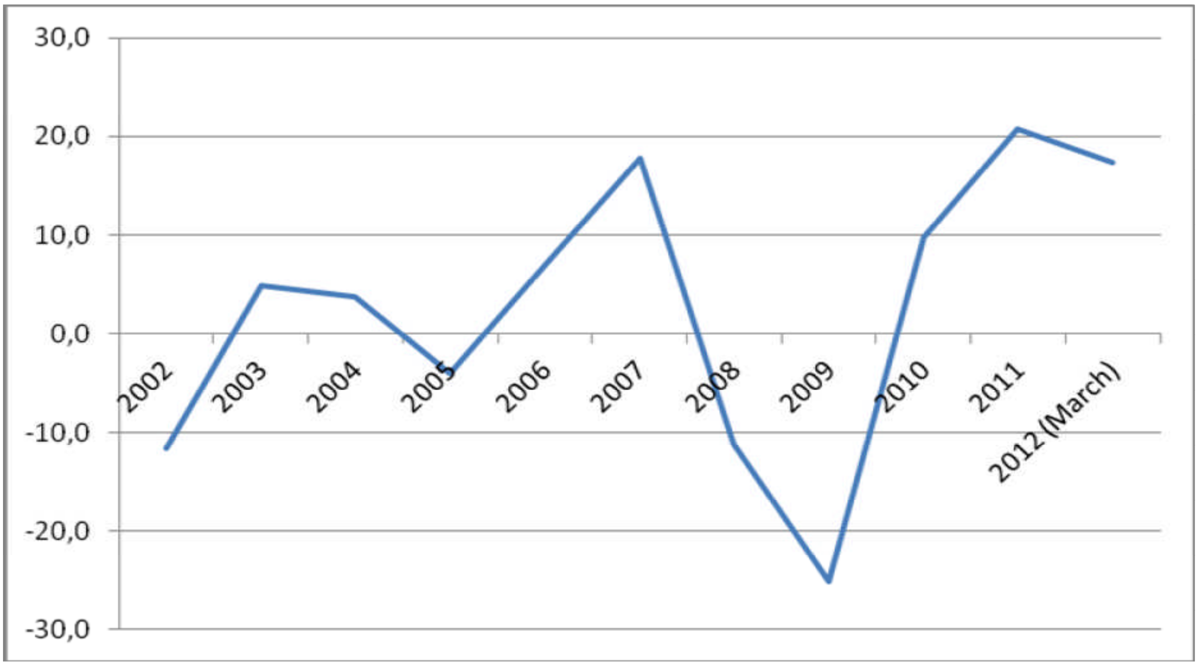
In the specific context of Italy, there are additional difficulties (which we will not explore for the moment) which make the outlook even more uncertain. If we add into the mix such unpredictable variables such as the recent earthquake in Emilia Romagna (which has also impacted ASSOCOMAPLAST Member companies), we certainly cannot be very optimistic, especially regarding the trend in the domestic market.

In light of the above, it is clear that it is necessary to continue to strengthen the inclination of companies toward exports (where very encouraging results have already been observed for 2011).

It is also clear that in terms of efforts of an organizational, financial, or other nature, it is anything but simple to compensate for the low revenues generated on the domestic market with an increase in sales abroad.

From a purely statistical standpoint, available data for January-March 2012 still exhibit significant growth in exports (+17% with respect to the same period in 2011), but this has depended largely on orders filled prior to the end of 2011.

Chart 5 - Trend of the percentage change of the Italian exports



Venturing some forecast, it is possible that the increase in sales abroad will slowly diminish (in terms of percentage) in the second half of the year.

In any case, given all the above issues and uncertainties, a year-end result for 2012 more or less in line with 2011 levels would already represent a positive result.

In addition to the final result, the things that currently are most worrisome for entrepreneurs in the industry are a reduction in margins (partially the result of German competitors who sell at "Italian prices") and the impossibility of developing a clear strategy, since no one can see clearly beyond a 2-3-month horizon.