

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

SECTOR REPORT 2015 **(SUMMARY)**



 **Assocomaplast**

ITALIAN PLASTICS AND RUBBER PROCESSING MACHINERY
AND MOULDS MANUFACTURERS' ASSOCIATION

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

SECTOR REPORT 2015 (SUMMARY)

EXTRACT OF THE FULL VERSION PRESENTED ON JUNE 28, 2016
AT THE ANNUAL ASSEMBLY OF ASSOCOMAPLAST MEMBERS.

by
ASSOCOMAPLAST Study Department

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DEVELOPMENTS IN THE SECTOR OVER THE PAST DECADE

The year 2015 may be defined as a year of clear consolidation and recovery for Italian plastics and rubber processing machinery, equipment and moulds manufacturers, who closed the period with a full array of positive statistical indicators, as clearly illustrated by the data presented in table 1.

The element most significantly boosting faith among Italian businesses – though neither a surprise nor news – is performance in exports, which once again have proven to be the driving force in the sector. A significant surge in the final months of 2015 boosted sales abroad above the threshold of 2,9 billion euros, setting a new historical record, surpassing the previous one of 2,75 billion set in 2007. Exports have now reached 70% of production, up from 67% in 2014.

Propelled by exports and the significant increase in revenues among ASSOCOMAPLAST Members – which represent the bulk of the total businesses in the sector in Italy – overall production in this market is estimated to be on the order of 4,15 billion euros, boosting the positive trend that began in 2010 after the strong negative impact of the recent world economic crisis.

The rebound in exports contributed to further improvement in the traditionally strong trade surplus, which exceeded 2,15 billion euros, the best ever. In detail, as regards goods categories we observe that the peaks in balances of trade correspond precisely to the types of machinery that are most likely to be sold abroad: extruders/extrusion lines, blow-moulding machines, and mould equipment.

A detailed analysis of the principal destination quadrants for Italian exports in the sector is presented in a dedicated section of this report. Here we provide a brief overview:

- the European Union once again strongly asserts its status as the main market of reference for Italian exporters, with sales reaching nearly 50% of the total, an increase of more than 10% over the previous year. Germany holds its historical position as the major export market for Italian-made goods in the sector, recording an increase for the year of 14%. Markets outside of the EU, on the other hand, are characterized by an overall slump, dragged down principally by the enduring recession in the Russian market, still reeling from economic and political turmoil
- the NAFTA countries have registered the most significant growth (+38%) with respect to 2014 – led principally by sales to US processors – adding new growth to the positive figures recorded from 2013 to 2014. This result is driven by the recovery of the US economy in general and by that of local manufacturing in particular. Growth on the order of 20% is also recorded for Mexico and Canada, both being strongly linked to the US market
- markets in the Far East witnessed an average increase in sales of 6% thanks to double-digit growth in Japan, India, Indonesia and Thailand; sales to China, on the other hand, dropped off by 5%, clearly affected by the slowdown in the local economy. On the basis of data from Chinese sources, overall imports of plastics and rubber processing machinery has fallen by an even higher amount; statistics from Germany indicate a

still greater decline in supplies to Chinese processors: approximately -17% with respect to 2014 (however, production by German manufacturers in Chinese territory has increased considerably).

Other geographical areas are characterized principally by contraction, as follows:

- South America, influenced primarily by the negative performance of purchases by Brazil, where the plastics and rubber processing industry has not been exempt from the recession gripping the country (according to the local trade association, production of goods in the sector fell by 8,7% in 2015). Another major historical market in the region, Argentina, continues to show signs of weakening; the new president has not been in office long enough for us to assess his influence on local economics. The small countries of Central America, who together take in less than 1% of Italian exports in the sector at a value of less than 20 million euros, show greater dynamism
- Africa, with stagnation in the Mediterranean rim countries and recession in the sub-Saharan area, following in the wake of the slowdown in 2014, is clearly an indicator light of the difficulty of approaching the interesting and dynamic but complex African markets
- Oceania (essentially Australia) records positive performance, with sales nearly doubling to 20 million euros (but still only 0,8% of the total).

An 18% increase in imports - adding to the +8% gain from 2013 to 2014 - supports the sensation of recovery in the Italian domestic market, as expressed on a number of occasions over the course of the year by operators in the sector and probably sustained by the beneficial effects of the investment incentives introduced with the 2016 Italian finance law ("Legge di Stabilità") and various other measures introduced at the regional level. In effect, the sum of production and imports less exports produces a value for domestic demand on the order of 2 billion euros, representing growth of 2,3% with respect to 2014. However, this result shifts into the negative numbers when assessed over a broader timeframe (three or ten years), revealing an enduring structural weakness in the Italian rubber and plastics processing industry.

A brief geographical analysis of purchases of foreign technology by Italian plastics and rubber processors places Germany in first place among source countries, with a third of the overall total and an increase of nearly twenty percentage points over 2014, consisting mainly of increased imports of flexographic printers and moulds. Imports from China and Austria also follow a positive trend with increases, respectively, in the purchases of moulds and injection moulding machines.

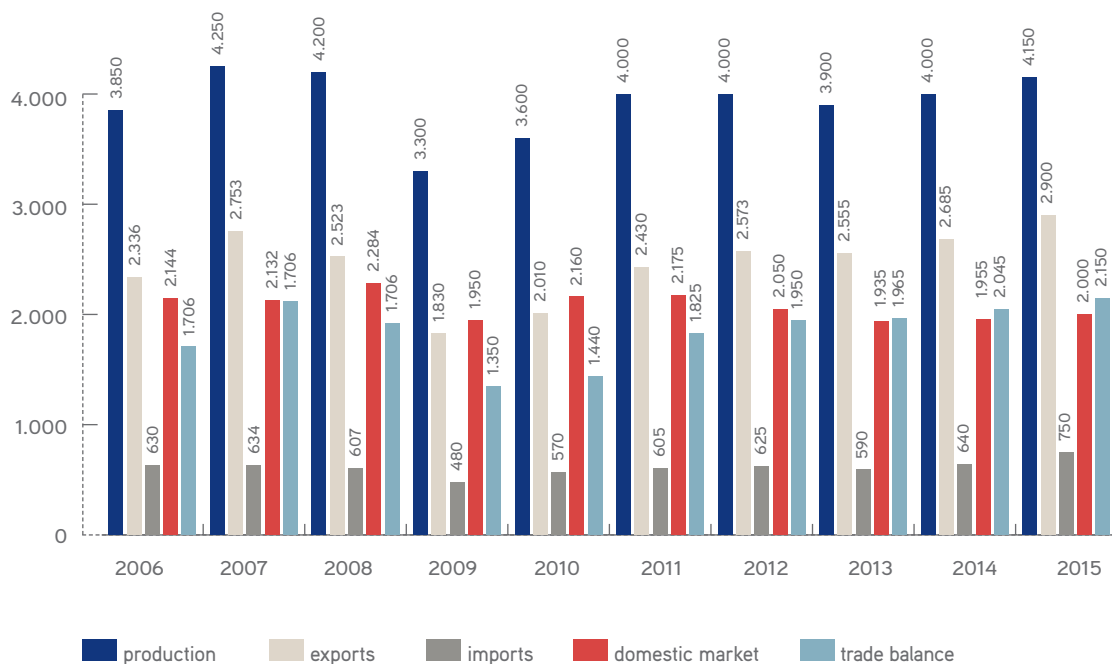
TABLE 1

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

	2013	2014	2015	Δ % 15/14	average Δ % three years	average Δ % ten years
production	3.900	4.000	4.150	3,8	1,2	1,2
exports	2.555	2.685	2.900	8,0	4,2	2,9
imports	590	640	750	17,2	6,5	2,9
domestic market	1.935	1.955	2.000	2,3	-0,9	-0,4
trade balance (positive)	1.965	2.045	2.150	5,1	3,4	2,9

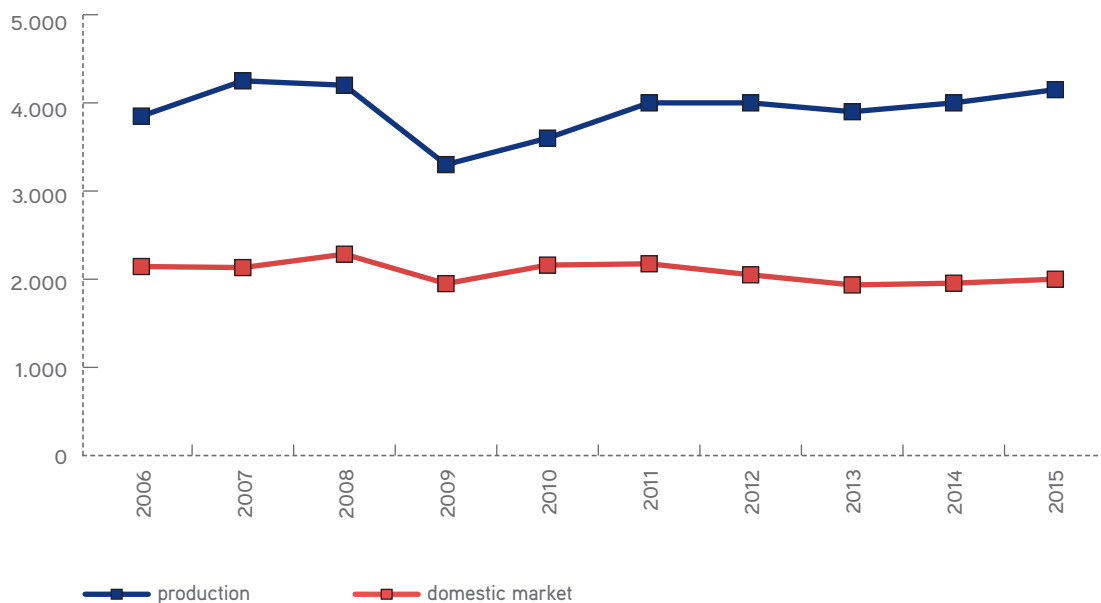
GRAPH 1

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



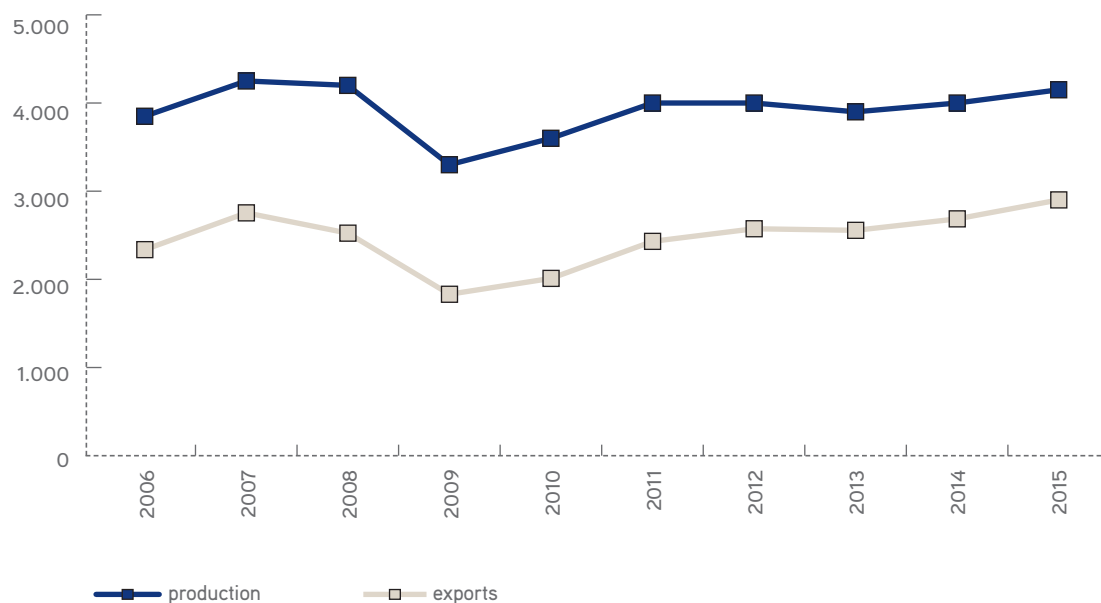
GRAPH 2

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



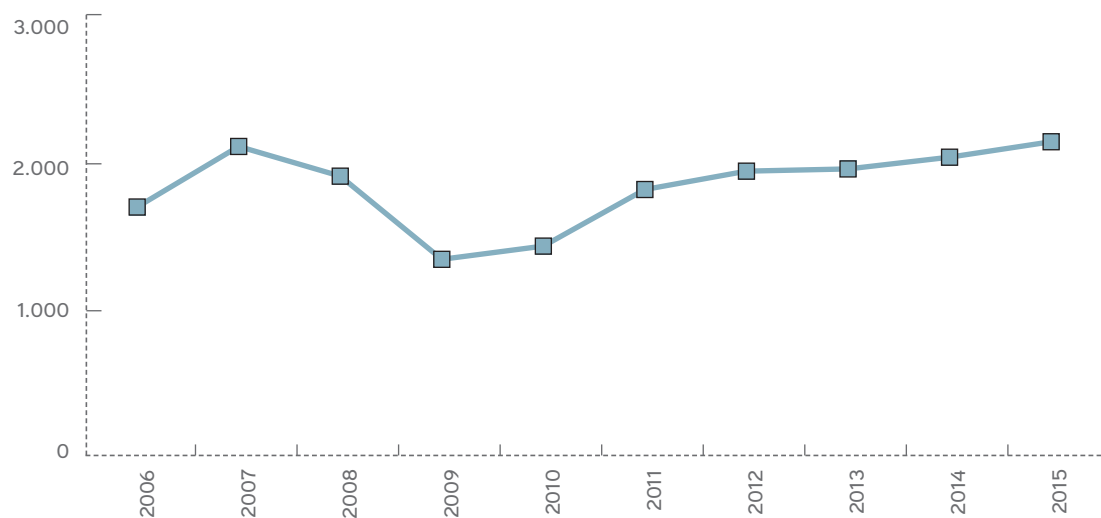
GRAPH 3

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 2013-2015

Complementing earlier reported aggregate values for Italian imports and exports of plastics and rubber processing machinery, tables 2-5 provide a more detailed analysis of goods categories and geographical zones.

The overall increase in imports to Italy was due first of all to the decidedly positive trend for certain types of machines whose purchases grew by more than twenty percentage points (limiting our examination to purchases exceeded 20 million euros and excluding the more generic and heterogeneous customs categories):

- injection moulding machines, which approached the historical record of 100 million euros in 2015. One third were ordered from German manufacturers and an analogous number from Austrian builders, while some 13-million-euros worth of machines were imported from Japan; only a marginal (approximately one million euros) amount was spent on imports from China
- extruders, with import values that confirmed and further boosted the growth trend that began in 2013. In this case, Germany is the primary supplier with nearly 45% of the total, followed by Austria at 23%
- flexographic printers, which, similarly to injection moulding machines, hit a historic record in imports for over 24 million euros; Germany and Switzerland provided 55% and 15% of the total, respectively.

A separate but certainly noteworthy case regards moulds, which represent almost 40% of total imports: Italian processors imported moulds for a value of nearly 300 million euros (+9% with respect to 2014), mainly from German suppliers (over 75 million, as opposed to 67 million in 2014) and Chinese suppliers (over 62 million, as opposed to just under 50 million in 2014).

We may look at the roles of the first five origin countries, listed in order, of imported machines in terms of goods categories:

- Germany provided primarily moulds, injection moulding machines, flexographic printers and extruders to the Italian importers
- China is essentially a supplier of moulds
- Austria, injection moulding machines and moulds
- Switzerland, moulds, thermoforming machines, injection moulding machines and flexographic printers
- the Czech Republic provides a strong preponderance of moulds. It should be pointed out that major machinery manufacturers, both European and non-European, maintain production facilities for a variety of products in the Czech Republic.

Regarding Italian exports, there is a certain stagnation in primary processing machinery; auxiliaries, on the other hand, show a significantly more dynamic trend in sales outside of Italy.

Focusing on injection moulding machines, extrusion lines and blow-moulding machines – no small por-

tion of the total – falling sales abroad are mainly attributable to:

- a slowdown in supplies to the United Kingdom, Poland and Iran for injection moulding machines
- a loss in market shares in Russia, Saudi Arabia, and India for extrusion lines
- slippage in the Russian and Brazilian markets for blow-moulding machines.

An analysis of flexographic printers over the past decade is worth some mention: the trough in 2008, at a mere 75 million euros, was followed by steady progress up to 157 million in 2015. The top three destination markets for this type of equipment are, in decreasing order, the United States, Spain and Poland.

Below are the highlights for the top five export destination markets for the overall Italian plastics and rubber processing technologies:

- Germany: approximately 60% of Italian sales to German processors traditionally consists of moulds
- United States, Poland and France: destinations principally for moulds, extrusion lines and flexographic printers
- China: with significant supplies of extrusion lines, moulds, thermoforming machines and blow-moulding machines.

TABLE 2

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

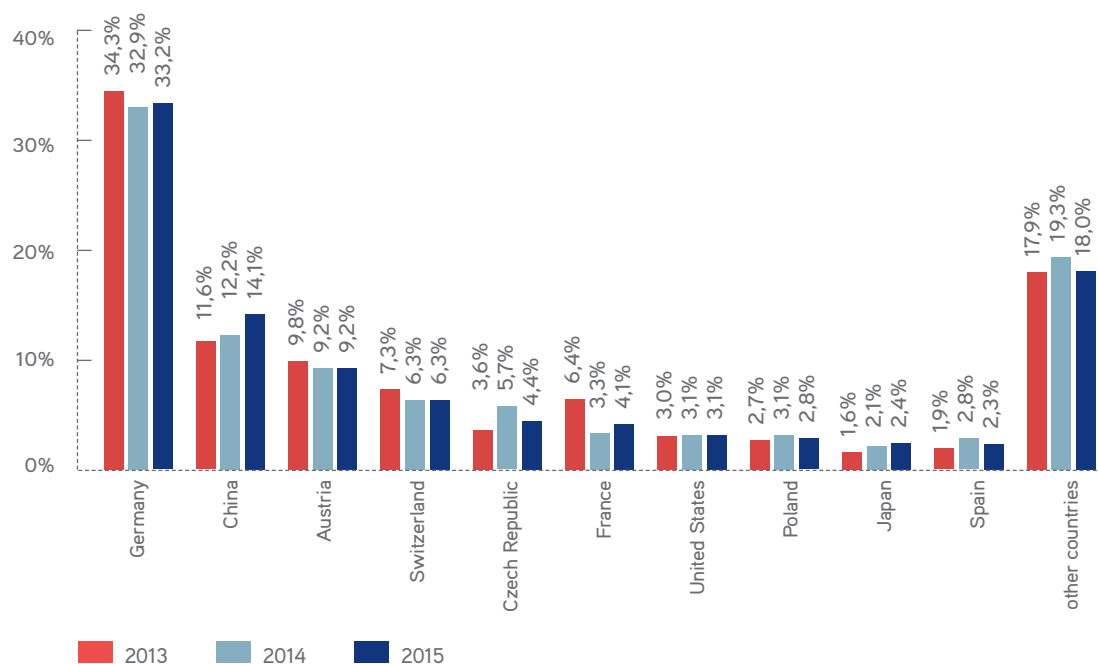
	imports					exports				
	2013	2014	Δ % 14/13	2015	Δ % 15/14	2013	2014	Δ % 14/13	2015	Δ % 15/14
flexographic printing machines	17.670	18.839	6,6	24.463	29,9	126.656	140.800	11,2	157.622	11,9
plants for mono- and multifilaments	1.381	3.467	150,9	2.769	-20,1	29.382	32.410	10,3	41.872	29,2
injection moulding machines	67.371	81.583	21,1	98.032	20,2	125.777	105.682	-16,0	98.850	-6,5
extruders	13.050	18.683	43,2	23.003	23,1	300.631	298.186	-0,8	294.371	-1,3
blow moulding machines	9.232	11.435	23,9	10.302	-9,9	133.640	149.111	11,6	147.647	-1,0
thermoforming machines	2.493	6.731	170,0	15.742	133,9	45.983	62.353	35,6	63.936	2,5
presses for tyres and inner tubes	1.975	613	-69,0	1.008	64,3	39.072	30.279	-22,5	58.527	93,3
presses	11.861	12.230	3,1	12.559	2,7	72.122	72.764	0,9	92.237	26,8
machines for moulding or forming	13.090	13.071	-0,2	12.368	-5,4	148.771	146.806	-1,3	146.566	-0,2
machines for reactive resins	2.906	2.895	-0,4	2.591	-10,5	41.996	41.037	-2,3	46.181	12,5
machines for foamed products	3.036	3.656	20,4	5.395	47,6	35.286	37.700	6,8	44.143	17,1
equipment for size reduction	3.015	3.012	-0,1	4.081	35,5	19.905	19.099	-4,0	21.246	11,2
mixers	1.637	4.499	174,8	5.576	23,9	27.146	33.608	23,8	40.136	19,4
cutting, splitting and peeling machines	2.763	4.274	54,7	4.536	6,1	10.175	12.713	25,0	16.905	33,0
other machines	38.152	40.693	6,7	55.492	36,4	347.055	362.280	4,4	453.265	25,1
parts and components	144.531	144.125	-0,3	183.107	27,0	359.805	385.937	7,3	401.661	4,1
moulds	256.362	268.856	4,9	292.721	8,9	691.021	752.705	8,9	783.727	4,1
total	590.527	638.662	8,2	753.745	18,0	2.554.426	2.683.470	5,1	2.908.892	8,4

TABLE 3ITALY - TOP TEN ORIGIN COUNTRIES FOR PLASTICS AND RUBBER PROCESSING MACHINERY, EQUIPMENT AND MOULDS
(000 EUROS)

	2013	% out of total 2013	Δ% 13/12	2014	% out of total 2014	Δ% 14/13	2015	% out of total 2015	Δ% 15/14
Germany	202.312	34,3	-5,4	209.983	32,9	3,8	250.544	33,2	19,3
China	68.241	11,6	-3,5	77.807	12,2	14,0	106.485	14,1	36,9
Austria	57.650	9,8	-0,7	58.986	9,2	2,3	69.085	9,2	17,1
Switzerland	43.340	7,3	12,2	40.261	6,3	-7,1	47.109	6,3	17,0
Czech Republic	21.305	3,6	-8,7	36.241	5,7	70,1	33.386	4,4	-7,9
France	37.942	6,4	-27,0	21.136	3,3	-44,3	30.592	4,1	44,7
United States	17.468	3,0	-27,2	20.036	3,1	14,7	23.702	3,1	18,3
Poland	15.954	2,7	12,3	19.487	3,1	22,1	21.168	2,8	8,6
Japan	9.188	1,6	41,4	13.136	2,1	43,0	18.291	2,4	39,2
Spain	11.317	1,9	-21,4	18.020	2,8	59,2	17.379	2,3	-3,6
other countries	105.810	17,9	-2,9	123.569	19,3	16,8	136.004	18,0	10,1
total	590.527	100,0	-5,5	638.662	100,0	8,2	753.745	100,0	18,0

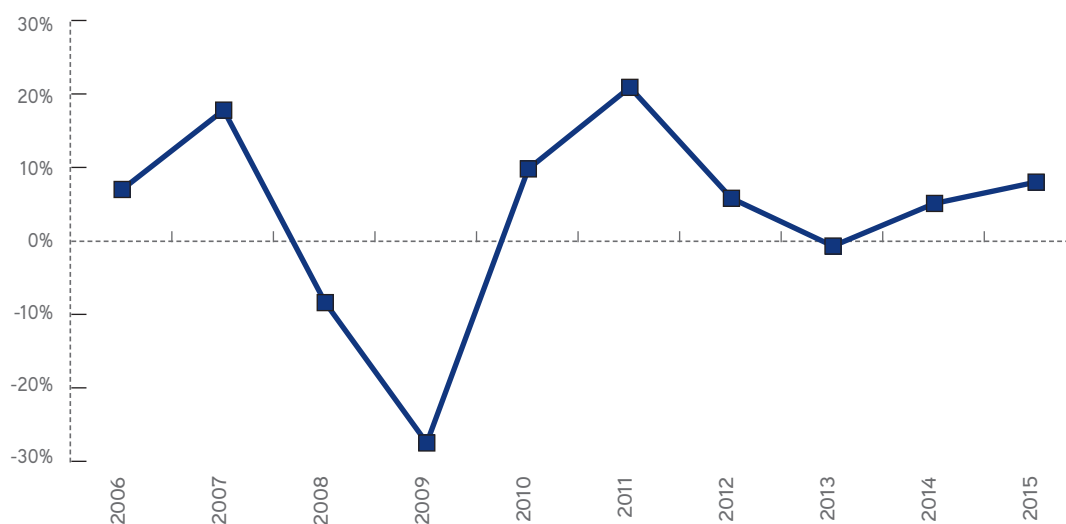
GRAPH 5

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
(000 EUROS)

	2013	% out of total 2013	Δ% 13/12	2014	% out of total 2014	Δ% 14/13	2015	% out of total 2015	Δ% 15/14	average Δ% 13-15
EU	1.187.987	46,5	-1,6	1.306.250	48,7	10,0	1.445.161	49,7	10,6	6,2
other Europe	316.593	12,4	-5,8	308.604	11,5	-2,5	306.318	10,5	-0,7	-3,0
Far East	305.986	12,0	0,3	311.502	11,6	1,8	330.461	11,4	6,1	2,7
NAFTA	250.470	9,8	-6,8	289.858	10,8	15,7	398.516	13,7	37,5	14,0
South America	209.168	8,2	9,5	178.720	6,7	-14,6	156.476	5,4	-12,4	-6,4
Middle East	102.938	4,0	3,6	118.964	4,4	15,6	98.075	3,4	-17,6	-0,4
North Africa	83.988	3,3	22,6	79.411	3,0	-5,4	79.474	2,7	0,1	5,1
other Africa	61.885	2,4	18,4	56.800	2,1	-8,2	52.021	1,8	-8,4	-0,1
Oceania	15.903	0,6	-34,3	16.702	0,6	5,0	24.557	0,8	47,0	0,5
Central America	19.509	0,8	-4,1	16.659	0,6	-14,6	17.833	0,6	7,0	-4,3
total	2.554.426	100,0	-0,7	2.683.470	100,0	5,1	2.908.892	100,0	8,4	4,2

GRAPH 7

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

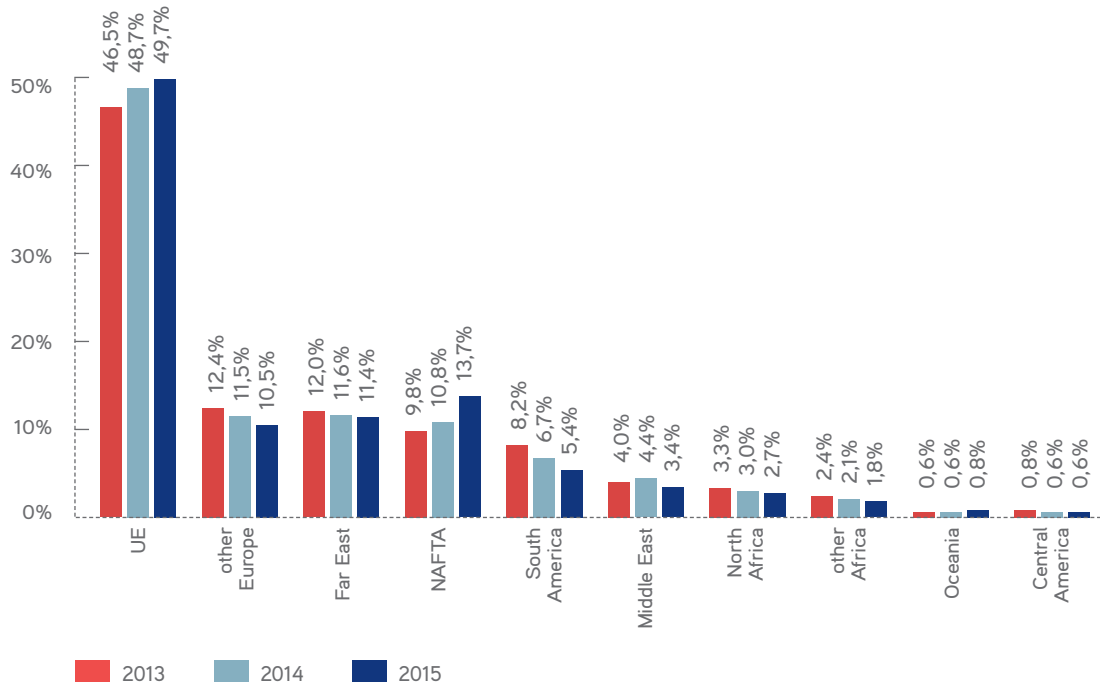


TABLE 5

 ITALY – TOP 20 DESTINATION COUNTRIES FOR EXPORTS OF PLASTICS AND RUBBER PROCESSING MACHINERY,
 EQUIPMENT AND MOULDS (000 EUROS)

	2013	% out of total 2013	Δ% 13/12		2014	% out of total 2014	Δ % 14/13		2015	% out of total 2015	Δ% 15/14
Germany	366.967	14,4	-2,6	Germany	346.676	12,9	-5,5	Germany	395.459	13,6	14,1
United States	143.449	5,6	-9,9	United States	173.854	6,5	21,2	United States	260.206	8,9	49,7
Poland	125.334	4,9	5,0	Poland	132.977	5,0	6,1	Poland	145.085	5,0	9,1
France	144.997	5,7	-16,7	France	139.056	5,2	-4,1	France	130.319	4,5	-6,3
China	120.874	4,7	-12,8	China	129.541	4,8	7,2	China	123.365	4,2	-4,8
Spain	85.673	3,4	-2,2	Spain	113.454	4,2	32,4	Spain	116.322	4,0	2,5
United Kingdom	93.411	3,7	8,0	United Kingdom	112.308	4,2	20,2	United Kingdom	112.031	3,9	-0,2
Mexico	79.209	3,1	-5,5	Mexico	85.156	3,2	7,5	Mexico	101.415	3,5	19,1
Czech Republic	64.776	2,5	4,9	Czech Republic	101.516	3,8	56,7	Czech Republic	94.731	3,3	-6,7
Turkey	83.017	3,2	-7,4	Turkey	94.312	3,5	13,6	Turkey	94.416	3,2	0,1
Rumania	43.691	1,7	-17,1	Rumania	45.514	1,7	4,2	Rumania	81.418	2,8	78,9
Russia	119.353	4,7	-9,4	Russia	105.358	3,9	-11,7	Russia	71.188	2,4	-32,4
Brazil	78.641	3,1	-3,1	Brazil	69.595	2,6	-11,5	Brazil	61.454	2,1	-11,7
Switzerland	43.386	1,7	22,8	Switzerland	44.029	1,6	1,5	Switzerland	56.939	2,0	29,3
Austria	40.492	1,6	-11,4	Austria	52.632	2,0	30,0	Austria	56.479	1,9	7,3
India	36.258	1,4	-31,4	India	41.591	1,5	14,7	India	48.248	1,7	16,0
Hungary	22.883	0,9	-13,0	Hungary	38.816	1,4	69,6	Hungary	45.080	1,5	16,1
Belarus	7.404	0,3	1,1	Belarus	8.755	0,3	18,2	Belarus	40.703	1,4	364,9
Slovakia	37.995	1,5	22,0	Slovakia	40.258	1,5	6,0	Slovakia	40.383	1,4	0,3
Canada	27.812	1,1	7,7	Canada	30.849	1,1	10,9	Canada	36.895	1,3	19,6
total 'top 20'	1.765.620	69,1	-5,4	total 'top 20'	1.906.248	71,0	8,0	total 'top 20'	2.112.136	72,6	10,8
other countries	788.806	30,9	11,8	other countries	777.222	29,0	-1,5	other countries	796.756	27,4	2,5
total	2.554.426	100,0	-0,7	total	2.683.470	100,0	5,1	total	2.908.892	100,0	8,4

THE OUTLOOK FOR 2016

ISTAT data for Italian industrial production show weak, intermittent yet steady growth for 2015 starting at the low point of 90,4 in January and reaching a value of 93,5 in December (base 100 = 2010). However, confidence among manufacturers began to show some signs of erosion in the final months of 2015 and in early 2016, providing further evidence of enduring obstacles to effective widespread economic recovery. Forecasts for growth in GDP in 2016 by the Italian Ministry of the Economy – and the associated rectifications, some by the European Commission – certainly do little to strengthen hopes for an imminent, clear and lasting reversal of trend in the national economy.

In an international context marked by uncertainty, ISTAT projects moderate growth of 0,4% in Eurozone Gross Domestic Product in each of the first three quarters of 2016, sustained by increasing domestic demand.

Renewed investment associated with the growing use of production capacity should grow over the course of the year, catalysed by low interest rates. Assuming stable oil prices around 40 dollars a barrel and a dollar/euro exchange rate of 1,12, inflation is expected to remain negative or only slightly positive.

The World Trade Organization forecasts growth in global trade of 2,8% for 2016, a rate in line with that in 2015 and in any case below the threshold of 3% for the fifth consecutive year. Progress is sustained by revived demand in the Asian markets and may grow stronger in 2017, with forecasts of +3,6%.

The aforementioned weakness in the euro should continue to boost Italian exports, and obviously also those of plastics and rubber processing machinery, which continue to represent the powerhouse for the sector.

At the same time, however, the international political and economic context remains fluid, conditioned by old and new events that make it truly difficult to venture predictions beyond the horizon of a few months.

The positive economic signals in Europe, mentioned above, are attenuated by uncertainties in the political sphere and the consequences of a possible suspension or revision of the Schengen Agreement under pressure from increasing immigrant flows. While these flows may boost consumption in the medium-to-long term and help to shore up Europe's state welfare system, they also represent a clear and unprecedented challenge to this system.

The exit of the United Kingdom from the European Union, according to the results of the referendum, which may have a powerful destabilizing impact on economic equilibria on the continent.

While, on the average, modest optimism is nevertheless observed in EU countries thanks to positive economic performance (mainly in the manufacturing sector) by members such as Germany and Poland, outside of Europe there remains the great unknown of Russia, where sanctions imposed because of the Ukraine conflict have ended up doing greater damage to its supplier partners (along with the collapse of oil and gas prices).

Elements of uncertainty are observed outside of the Old Continent in such important markets as China, where growth in the recent period has clearly slowed down and remains subject to the scarcely foreseeable/quantifiable effects of the series of economic measures introduced by the government, and Brazil, where investments have nurtured high expectations while the well known legal troubles of the country's present and past leadership have had exactly the opposite effect.

Iran's transition phase following the progressive reworking of the system of sanctions (which for Italian manufacturers and exporters essentially translated into inoperative banks) still has to be assessed. Until restrictions were imposed, the country had always been an important trading partner for Italy and one of the major export markets for Italian plastics and rubber processing machinery, thanks partially to the readily available economic resources of local operators. Sales to Iran grew steadily from 2000 to the peak in 2005 at just under 70 million euros. Even during the period when sanctions were in place, trade slowed significantly but never ceased altogether. The result for 2015 is 13 million euros.

The signals from North America tell a completely different story. The US locomotive – with its overwhelming influence on the phases of global recession – is currently traveling at high speed, towing behind it the Mexican and Canadian economies.

US manufacturers of plastics and rubber processing machines are quite optimistic for the current year, with swelling order portfolios for an industry characterized by growth across a range of indicators. With local production meeting only a portion of needs, the local manufacturers turn largely to European and Japanese suppliers, with imports from these geographical areas showing a significant increase.

If Mexico continues to boast Latin America's second largest but, most importantly, healthiest economy, this is due not only to the influence of its northern neighbour but also to the fact that, along with Brazil, the other South American countries are not basking in a favourable economic climate. A review of the primary markets sees Argentina awaiting the results of the measures introduced by the newly elected President Macri to favour a return of foreign investment and closer relations with the United States; Venezuela now appears to be swallowed up by a deep recession with no end in sight; Colombia, while appearing to be one of the more stable economies in the region, has to cope with periodic protests against the policies of the Santos government and demands for higher wages and improvements in healthcare.

The African continent is a case in its own right. The sub-Saharan area in particular has for some time now been the object of interest from European manufacturers, in whose eyes it is not yet ready for systematic investments in advanced technology: it is thus not surprising that imports from China are growing steadily. Unfortunately, South Africa is no exception and Italy and Germany have lost a great deal of ground with respect to the levels of exports they enjoyed a few decades ago.

Countries on the Mediterranean rim are still negatively impacted by political and social instability with no solution in sight.

To summarize, Italian manufacturers continue to show moderate optimism in 2016, expecting further, though not particularly great, progress in revenues and exports.

Their German counterparts, on the other hand, are less optimistic, envisioning zero growth.