

Italy is Europe's second-largest polymer market after Germany. Phillip Townsend Associates examines how the domestic plastics industry is coping with the European recession

Mixed fortunes in Italy

The Italian plastics industry is one of the most important in Europe in terms of both production and consumption. Last year Italian processors consumed 4.8 million tonnes of thermoplastics, while domestic production stood at 3.7 million tonnes/year. A total of around 5,000 processors, employing more than 120,000 people, are active in Italy.

Despite the high volume of plastics used, Italian processors were pessimistic in 1996. The domestic economy slowed, with GDP growth at 2.6% and investment falling by 2.4%. Unemployment reached nearly 13% by the end of the year.

Thermoplastics demand declined in the first half of the year, and this trend was expected to continue into the second half. But, according to the Unione Nazionale Industrie Trasformatrici Materie Plastiche (Unionplast), the total plastics demand grew by 3% in 1996. In 1995, the market grew by 4.4% and in 1994 by 9.7%. Total Italian capacity for commodity materials increased by less than 2% compared to 1995.

A total of 800,000 tonnes each of PVC and PP were produced in 1996. These were followed in volume terms

CONSUMPTION OF MAJOR THERMOPLASTICS IN ITALY BY APPLICATION – 1996 (IN THOUSAND TONNES)

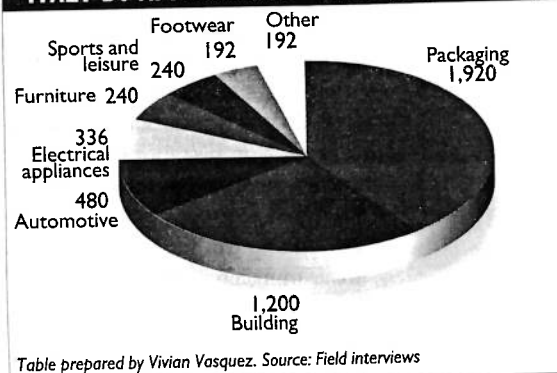


Table prepared by Vivian Vasquez. Source: Field interviews

by LDPE with 600,000 tonnes and HDPE and LLDPE with 400,000 tonnes each. Engineering polymer production only accounts for 6% of the total or 250,000 tonnes.

According to industry leaders, the majority of the engineering resins consumed were imported from other European countries. The five previously named materials and PS accounted for 88% of total polymer consumption.

Unionplast says that HDPE was the fastest-growing polymer in 1996 with consumption rising to reach 9.5% of the total. PVC consumption was static last year, despite the recession in the construction industry and competition from PET in the bottles sector. PP grew only slightly because of the recession in the automotive sector.

The shortfall in production kept imports buoyant. A total of 2.1 million tonnes – around 45% of consumption – was imported from other EU countries, with Germany and France topping the list. At the same time Italy exported about 1 million tonnes to western Europe, the US and Asia.

The plastics trade deficit last year was about US\$4,600 million: it is forecast to reach US\$5,000 million this year. Most of the imports were PP; exports were predominantly PE.

There was a healthy trade balance in plastics components, with exports outweighing imports. The bulk of these were in the automotive and footwear sectors, mostly to other western European countries and the US.

Italian thermoplastics exports formed an important part of the country's economy. But there are increasing concerns about the future of these because many key export economies are slowing down as the respective countries try to meet Maastricht criteria. However, producers are optimistic about domestic demand, which is expected to enjoy a renaissance after a long period of recession.

The packaging industry accounted for nearly 40% of Italy's polymer consumption and its importance continues to increase. PE and PP are widely used in this sector, with PE film in flexible packaging showing particular growth. Construction, the second-largest plastics sector, has also been in recession in Italy. Pipes and fittings, window profiles and thermal insulation, make up most of the plastics consumed in the building industry. Pipes and fittings use fell despite new applications for gas pipes. Window profiles have traditionally been exported to France and Germany but these exports fell because of the European construction sector's recession. Consumption in the insulation sector was stable. Plastics use in the automotive sector fell last year.

According to Sergio Pusca, manag-

HISTORICAL AND FORECAST CONSUMPTION OF MAJOR THERMOPLASTICS IN ITALY

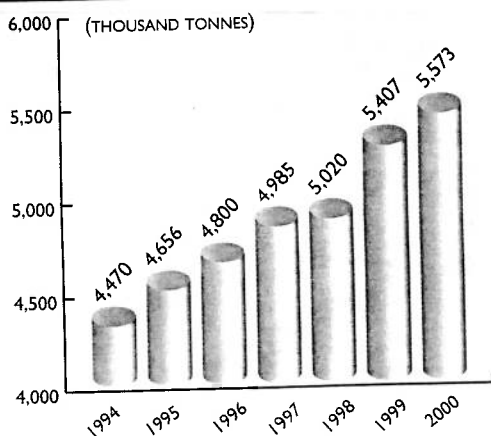


Table prepared by Vivian Vasquez. Source: Field interviews

ITALY MARKET ANALYSIS

ing director of Electrolux, Italy produces about 50% of all European domestic appliances and exports about 70% of production. This sector has also suffered a slowdown as a result of the European recession. A total of four large firms, Whirlpool, Ariston Merloni, Candy and Electrolux, make up the bulk of production in the appliance sector.

A total of 5% of materials demand came from the furniture sector. Sports and leisure and footwear, are increasing their market, mainly through export sales.

There has not been a significant increase in recycled materials in Italy for several reasons. Firstly the Italian recycling infrastructure is weaker than other countries, such as Germany or Austria. Secondly, some large users are emphasising alternatives to waste recycling such as reducing in-process waste. Alternatively, these firms are promoting incineration and energy recovery.

However, there are about 200 plastic recyclers in Italy, processing over 650,000 tonnes/year of plastics. These

CONSUMPTION OF PLASTICS IN ITALY BY RESIN (1996)

Polymer	Ktonnes	% of total
PP	1,075	22.4
LDPE	1,000	20.8
PVC	890	18.5
HDPE	520	10.8
PS	470	9.8
LLDPE	292	6.1
PET	180	3.8
ABS/SAN	120	2.5
PA	98	2.0
PMMA	61	1.3
PC	42	0.9
POM	28	0.6
PBT	24	0.5
TOTAL	4,800	100.0

Table prepared by Vivian Vasquez.
Source: Field Interviews.

are mainly PET, PVC, PE, PA and PP. Some companies such as Falck and Ecoltecnica are building recycling plants for electrical appliances. Also there is a trend in the automotive sector to recover plastics from scrapped cars. Montell Polyolefins says it has developed several approaches to recycle automotive instrument panels made from combinations of compatible materials. Fiat started operating a

recycling system that processed 200,000 cars scrapped in 1996.

The compounding industry has occupied an important place in the Italian plastics market. The largest compounders, such as Polimeri Europa for PE and Nyltech for PA, are back-integrated into polymer. Most Italian compounders are small- to medium-sized and operate locally. The most important of these include Radici Group, Lati Industria Termoplastici, Softer and Abi.

Several of these have decided to expand their international organisations. Lati has opened a sales office in South Carolina, US. The company plans to establish its own manufacturing facilities in that area within two or three years. This is expected to be followed by a second plant, this time in Asia by the year 2000.

**Phillip Townsend Associates is an international consulting company specialising in the plastics, automotive and chemical industries.*

Tel: +44 (0)181 399 3533.
Fax: +44 (0)181 399 3335.

TEKTEAM

TEKTEAM s.r.l.
Via Campazzi n.24
36016 Thiene (VI) • ITALY
Tel. +39.445/380972
Fax +39.445/381942

numerically controlled five axes machining center