



## Plastics Information Europe

The newsletter for decision makers · Twice a month

### ■■■ ITALY

#### **Plastics prosper in 1998 despite slowdown in national economy / Consumption up 5.5%**

Real consumption of plastics in Italy rose by an estimated 5.5% to nearly 6.3bn t in 1998 despite the sluggish performance of the national economy, according to the latest multi-client study by **Plastic Consult** (Via Savona 97, I-20144 Milano). This was almost three times the increase in overall industrial production and close to four times that of GNP.

The consultants say the good performance reflects the ongoing trend towards substitution, but also strong Italian exports of manufactured goods. Polymer output, up 5.8% to nearly 4m t, was stimulated by the start-up of new industrial-scale PE and PET plants during 1997, which reached full run in 1998. To fill the material gap left by export outflow (up 6% to 1.47m t), Italian plastics converters had to rely on a "substantial import flow" (up 5.4% to 3.8bn) amounting to 60% of total consumption.

Rising 5.8% to 5.7bn t, growth in Italian consumption of thermoplastics improved at almost three times the rate of thermosets, which picked up by 2% to 510m t. Preliminary figures show the five major polymers, LDPE/LLDPE, HDPE, PP, PVC and PS, accounting for about 77% of total plastics use and almost 85% of demand for thermoplastics.

Posting average growth close to 9%, HDPE consumption (675m t) profited from "very satisfactory" business in practically all of its end markets, except gasoline tanks, which suffered from a downward trend in car manufacture.

#### **Consumption of thermoplastics in Italy (1,000t)**

	1995	1996	1997	1998
LL / LDPE	1,040	1,135	1,190	1,260
HDPE	530	580	620	675
PP	1,075	1,135	1,295	1,385
PVC	920	940	945	950
PS / EPS	490	510	535	570

Source: Plastic Consult

The performance of PS – up 8% to 570m t – exceeded all expectations in 1998. However, prices remained depressed throughout the year and fell to "unprecedented" levels in December. Extruded sheet for packaging led the upturn in demand. Following on "strong development" in 1997, EPS demand fell back to "more normal" growth rates of around 2%, with thermal insulation applications out front.

PP demand also fell back to normal levels following a peak in 1997. With growth rates averaging 7% (1.4bn t), packaging film led by BOPP was responsible for most of the positive trend.

Demand for LDPE/LLDPE grew by just under 6% in 1998 to 1.26bn t, with LLDPE clearly the winner. Its use widened by 17%, compared with only 0.6% for LDPE, and accounted for almost 35% of total low density demand. Strongest sector was stretch films, up 21%, followed by lamination/coextrusion, up 15%.

#### ■ THIS WEEK'S TOPICS ■

**German plastics machinery: Good prospects**

**UK: Polyethylene films break 1m ton barrier**

**BP Amoco / Elf Atochem: Plans for jv in PP**

**DuPont: Massive job cuts in polyester sector**

**RPC: Acquires Italian plastics sheet business**

**Engel: License for "Mucell" foam process**

**Standard thermoplastics: Current prices**

**Russia: Enormous growth in packaging**

**Statistics: Plastics recycling in W Europe**

## The Italian plastics processing industry

	1996	1997	1998	1998/97 (%)
Companies (number)	5,200	5,300	5,300	-
Factories (number)	6,700	6,800	6,900	+ 1,5
Total employees (number)	120,000	124,000	127,000	+ 2,4
Sales (billion ITL)	24,800	26,200	26,500	+ 1,1
Added value (billion ITL)	13,100	13,600	14,400	+ 5,9
% added value/sales *)	52.8	51.9	54.3	+ 4,6
Sales per employee (million ITL)	206.7	211.3	208.7	- 1,2
Added value per employee (million ITL)	109.2	109.7	113.4	+ 3.4

\*) Added value is calculated as the difference between sales price and raw materials cost

Source: Plastic Consult

PVC was the "odd one out" again in 1998, Plastics Consult says. Final figures were expected to show real consumption virtually flat at around 950m t. The trend over the year was "erratic," the study notes, with a "marked decline" in the first and third quarters, growth in the second and "basic stagnation" in the final three month period.

### Major outlets for plastics

Packaging continued to be the most important outlet for plastics in Italy again in 1998. Its share of consumption rose to 45.4%, gaining more than two percentage points since 1995. Overall demand rose by nearly 9%, with rigid packaging performing better than flexible uses (up almost 11% against 8%). Within the rigid category, bottle manufacture (up 15%) was the market driver. Films consumption increased 7.5% on average, with both PP and PS advancing by more than 10% each. Flexible applications were dominated by stretch and shrink film (up 12-13%).

Demand from the construction sector improved by around 3%. Pipe material also developed well, due mostly to renovation applications. HDPE and PP led the way forward at the expense of PVC, which remained flat. Depressed by shrinking exports, which represent the bulk of sales, window profile consumption was again soft. By contrast, insulation sales were "rather satisfactory," the consultants say.

The plastics furniture market, accounting for 5% of plastics demand in Italy, picked up by 3% in 1998, while total plastics consumption by the domestic automobile sector sank 5%, due to lower new car production. Without higher demand for spare parts and exports of components, the downturn would have been greater, the study points out. As weight

per unit declined, so did the use of plastics by the electrical appliance industry, but plastics continued to make considerable inroads into the medical and sanitary sector.

### Trend to PET benefits plastics processing

Total production of finished plastics goods rose by more than 7% in 1998, thanks for the most part to a 6% upturn in domestic demand against 1997. However, brisk exports by Italian converters helped lift the net trade balance by more than 12% in volume. The sharp rise in raw materials prices and the corresponding decline in selling prices for plastics goods held the turnover increase to 1%. Blow moulding applications outperformed the others in 1998, thanks to booming demand for PET bottles. Extrusion and injection moulding both showed above average growth, with extruded sheet and film performing "better than the average."

## GERMAN PLASTICS MACHINERY

### Output increased / Producers optimistic about 1999 / Asian recovery could revitalise exports

German manufacturers of plastics and rubber machinery are optimistic that the Asian crisis has bottomed out and that the European slump in the second half of 1998 was only temporary. Speaking at a meeting of the plastics and rubber committee in the industry association VDMA (Lyoner Str. 18, D-60528 Frankfurt) committee president *Dr. Helmut Eschwey (Battenfeld)* told the press that while financial crises in important customer markets depressed exports in 1998, home demand took up the slack.

German output rose 6% to a value of EUR 3.7bn, down from the 9% estimated earlier (see PIE 04, 1999). Adding moulds, tools and other related equipment, the total was EUR 5.7bn. Earnings stabilised at a high level, with average returns above 2%. The 17.5% rise in home sales – to EUR 1.5bn – and a 28% rise in new orders from Germany contrasted with flat export trade worth EUR 2.7bn. The US was the most important foreign customer, followed by the UK, at the same time the leading European customer. Poland replaced Russia as largest eastern European customer.

Injection moulding machinery was again the largest production segment (27%), followed by extrusion (17%), compounding (7.5%) and blow moulding (6%). Machinery producers on the VDMA committee's executive board predicted growth rates averaging more than 5% for their segments. Growth of 10% is projected for stretch blow moulding machinery for PET, as well as for spunbond nonwovens.

**Reader Service:** Speech by Eschwey, including charts and tables (German): **PIE-No. 43876.**

### PLASTICS INFORMATION EUROPE

- PIE is published twice a month by Kunststoff Information Verlagsgesellschaft mbH, Bad Homburg, Germany. Editor: Helmut Hertsch. Editorial staff: Dede Williams, Stefanie Ziegler, Daniel Stricker, Ulrike Mau. Editorial administrator: Elke Rühl. Phone editorial offices: +49-6172-9606-30, Fax +49-6172-9606-99.
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- http://www.kunststoffweb.de/pie
- ISSN 0944-1395
- © 1999

## ■■■ PRICES MONITOR

### **Standard thermoplastics beginning of June: Prices leap forward by as much as 6 cents as inventories grow tighter / Feedstocks for polyolefins also short and expensive**

Buyers of standard thermoplastics had better brace themselves for a hot summer. Not only is the outside temperature warming up, producers have turned on the heat! "Prices have been so low for so long that increases were inevitable" one player remarked to PIE in a talk during the 23rd calendar week. As outlined in considerable detail in PIE 11, the supply situation is growing worse and sellers are limiting deliveries of commodities. To make matters worse, inventories of polyolefin feedstocks ethylene and propylene on spot markets are tight and expensive.

According to research by "Plastics Information Europe", the following average prices were current at the beginning of June 1999 (23rd calendar week) for normal grades of standard thermoplastics (EUR and DEM/kg for large users of natural material in 20-tonne lots; end of May in brackets).

<b>S-PVC</b>		<b>Euro/kg</b>
Pipe grades	0.49 - 0.52	(0.48 - 0.50)
High quality grades (for film, cable, etc)	0.53 - 0.56	(0.51 - 0.54)

While it's true that some European customers are still paying less than the prices shown in the PIE table, their numbers are shrinking and the gap to the above table, too. Traders' material is priced close to that of western Europe-produced PVC. Exports (to Asia and the Middle East in particular) also seem to be more lucrative than sales to European customers.

<b>LDPE</b>		<b>Euro/kg</b>
Extrusion grades (mainly for film)	0.67 - 0.71	(0.62 - 0.65)
Injection moulding grades	0.71 - 0.74	(0.66 - 0.69)

The price range shown above may have shifted somewhat around the middle of the month. Producers expected to take advantage of supply bottlenecks and expensive feedstocks and raise the ante. Traders' material has been selling more or less within our table's range. At the moment, Eastern European material does not look like an especially good buy.

<b>LLDPE</b>		<b>Euro/kg</b>
(Butene-based)		
Extrusion grades	0.64 - 0.66	(0.58 - 0.61)
Injection moulding grades	0.67 - 0.71	(0.64 - 0.67)

Since the beginning of June, linear low density has become even tighter than its sister product, and some traders have been unable to supply customers. As a consequence, the gap between LDPE and LLDPE has narrowed to three euro cents.

<b>HDPE</b>		<b>Euro/kg</b>
Blow moulding grades	0.62 - 0.67	(0.57 - 0.61)
Injection moulding grades	0.59 - 0.62	(0.55 - 0.59)

Price hikes that wouldn't fly in May appeared to be doing so in early June, and numbers rose considerably. As a matter of course at the beginning of a rising phase, notations varied

widely. By the end of the month, however, producers hope selling prices will be more in balance and – if possible – higher. Traders' material has been priced at slightly below the level shown above.

<b>PS</b>		<b>Euro/kg</b>
Standard	0.61 - 0.66	(0.60 - 0.65)
High impact	0.66 - 0.72	(0.65 - 0.71)

Polystyrene is still having difficulty moving ahead with the other commodities. Some producers have tried valiantly to jack numbers up, but – thwarted by special offers priced below the above price range – have met with little success. The market is now waiting for third quarter styrene contract closings, to see if they provide fuel for possible increases.

<b>PP</b>		<b>Euro/kg</b>
(Injection and extrusion)		
Homopolymers	0.53 - 0.57	(0.50 - 0.55)
Block copolymers	0.58 - 0.63	(0.55 - 0.60)

Compared to PE, notations for PP have risen only moderately. The price range shown in the table has been undercut from time to time (especially by large consumers). However, this phenomenon can be expected to disappear by the end of June. Here, too, there are definite signs of shortness (supply delays on the part of individual producers, for example) and the situation for feedstock propylene is similar to that for ethylene. On the propylene spot market a noticeable upward trend in prices against contract levels already has been observed.

## ■■■ RUSSIA

### **Packaging market growing at 60-70% annually / Demand for plastic bottles expected to escalate / Devalued rouble pushes up import prices**

Under previous administrations packaging has not been a priority in Russia, accounting for a mere 0.2% of GNP in 1990, for example. In both of the last two years, however, there has been growth of 60-70%, with both plastics and paper accounting for a third of imported packaging materials in 1997, which were valued, in total, at USD 1,040m. At the same time there has been a move to a much wider local infrastructure for the packaging industry as the quadrupling in the exchange rate for the rouble to the US dollar has made many imports too highly priced for Russian customers.

All packaging equipment used in Russia is imported from Western countries, although there is an import tax of only 5% compared with the 10-15% that is normal for industrial equipment. Technology remains at a relatively low level, with film production limited to single-layer blown PE and all demand for multi-layer, barrier films being met by imports.

The blow moulding market is more developed. An estimated 70% of demand for PET preforms is now satisfied by local industry, compared with 70% being imported two years ago. This transition has been aided by a customs policy that does not favour the import of PET bottles: preforms carry 33% tax compared with 25% average for plastics products. All PET raw materials are imported, carrying 10% taxation.

Russia was one of the first countries to fill standard PET bottles with beer – a flourishing market – and is expected to move to a longer life three-layer bottle in the foreseeable future. Some 80% of vegetable oils are packaged in plastic bottles and demand is also good for mayonnaise and ketchup. With only 3% of the population drinking bottled water, compared to 96% in most Western countries, demand for plastic bottles, currently growing by 26% annually, is expected to remain high and to be increasingly satisfied by local production.

Leading suppliers to Russia's packaging market are Germany, Finland, Italy, Switzerland and Poland. In 1997 packaging film imports were valued at USD 117m, preforms at USD 97.4m, PE and PVC cling films at USD 71m and expanded PS foam packs were worth USD 62m. Imports of plastic closures totalled USD 33m. Growth markets include milk, where PE packs have a 38% share, yoghurts/sour creams and ice cream. Sales of fruit juice and carbonated drinks have declined.

A market research study in 1998 showed that of 400 Russian companies interviewed, 48% were using some form of plastic packaging, of which nearly two-thirds used local suppliers. More than 50 companies were planning to invest in their own in-house packaging operations. The increasing popularity of plastics is also demonstrated by first quarter import statistics for 1999: there were 636 declarations for plastic bottles, over 50% more than for glass bottles which had 405 declarations.

#### ■■■ STATISTICS

##### **Product flows and plastic recycling / APME report for western Europe 1997**

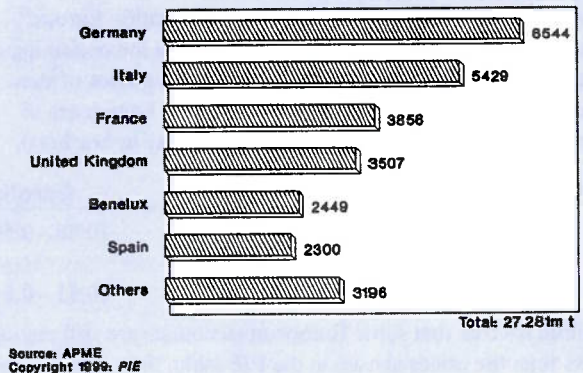
Germany continues to be the biggest exporter of plastic waste and recyclate in Europe, while the Netherlands is the biggest European importer and processor of these materials. The product flows in the field of plastic recycling have now been documented for the first time by the **Association of Plastics Manufacturers in Europe** (APME, Avenue E. Van Nieuwenhuysse 4, B-1160 Brussels) in a report on the consumption and recovery of plastics in Western Europe in 1997. According to APME, the processed volume of plastics rose by 8% in 1997 to a record 27.98m t. Total consumption amounted to 35.72m t, of which 5.47m t were thermosets. PET was the big star, with a growth of +19%.

According to APME's statistics, the amount of plastic waste generated in western Europe was 17.45m t. This repre-

sents about 0.7% by wt of total waste. As in the previous year, around 25% of all plastic waste is recycled. According to the report, 2.58m t was incinerated for energy production, 1.44m t mechanically recycled and 334,000t used in feedstock recycling – the latter almost exclusively in Germany. Over 12m t of used plastics are still being dumped.

**Reader Service:** "Insight into plastics consumption and recovery in Western Europe 1997" (English): **PIE-No. 43717**.

##### **Plastics processors consumption by country, Western Europe 1997 (1,000t)**



#### ■■■ ANNUAL REPORTS

##### **Companies provide details on products and financial performance in 1998**

Company annual reports often give a broader and yet more detailed insight into companies' performances than the strings of numbers reported in the daily financial press. PIE has a selection of reports published by European companies in the plastics industry in English that can be ordered – from us directly – by interested readers.

The **Borealis** report (**PIE-No. 43892**) outlines product performance, along with highlighting changes in its organisation and the acquisition of PCD. The annual report of **EVIC International** (**PIE-No. 43587**) focuses in detail on the performance of its various PVC businesses in a "difficult year". In its report, **Perlos** (**PIE-No. 43894**), Finland's leading injection moulding group, looks back on a year of "buoyant growth". **Perstorp** (**PIE-No. 43895**) spotlights product performance as well as its corporate realignment scheme.

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