

ITALY

Consolidation accelerates amid weak performance / Recyclate consumption eases as virgin prices hit rock bottom / Upturn unlikely before 2024

30 October 2023

A bleak macroeconomic environment is taking a heavy toll on the plastics industry in Italy, where recyclate consumption has taken a major hit, according to local market players.

Reduced consumer spending due to high inflation, especially for food and beverages, is a key factor hindering Italian plastics industry development, said *Paolo Arcelli*, director of the **Plastic Consult** (Milan; www.plasticconsult.it), a local think-tank. Current borrowing costs following 10 straight interest rate hikes by the **European Central Bank** have also been impacting industrial investment policies by putting further pressure on households, for example through increased costs for mortgage and personal loans.

The negative impact was expected and affects all the most relevant end-use sectors, including rigid and flexible packaging, building and construction, agriculture, furniture, white goods, and more. Almost no business is stable this year, Arcelli said.

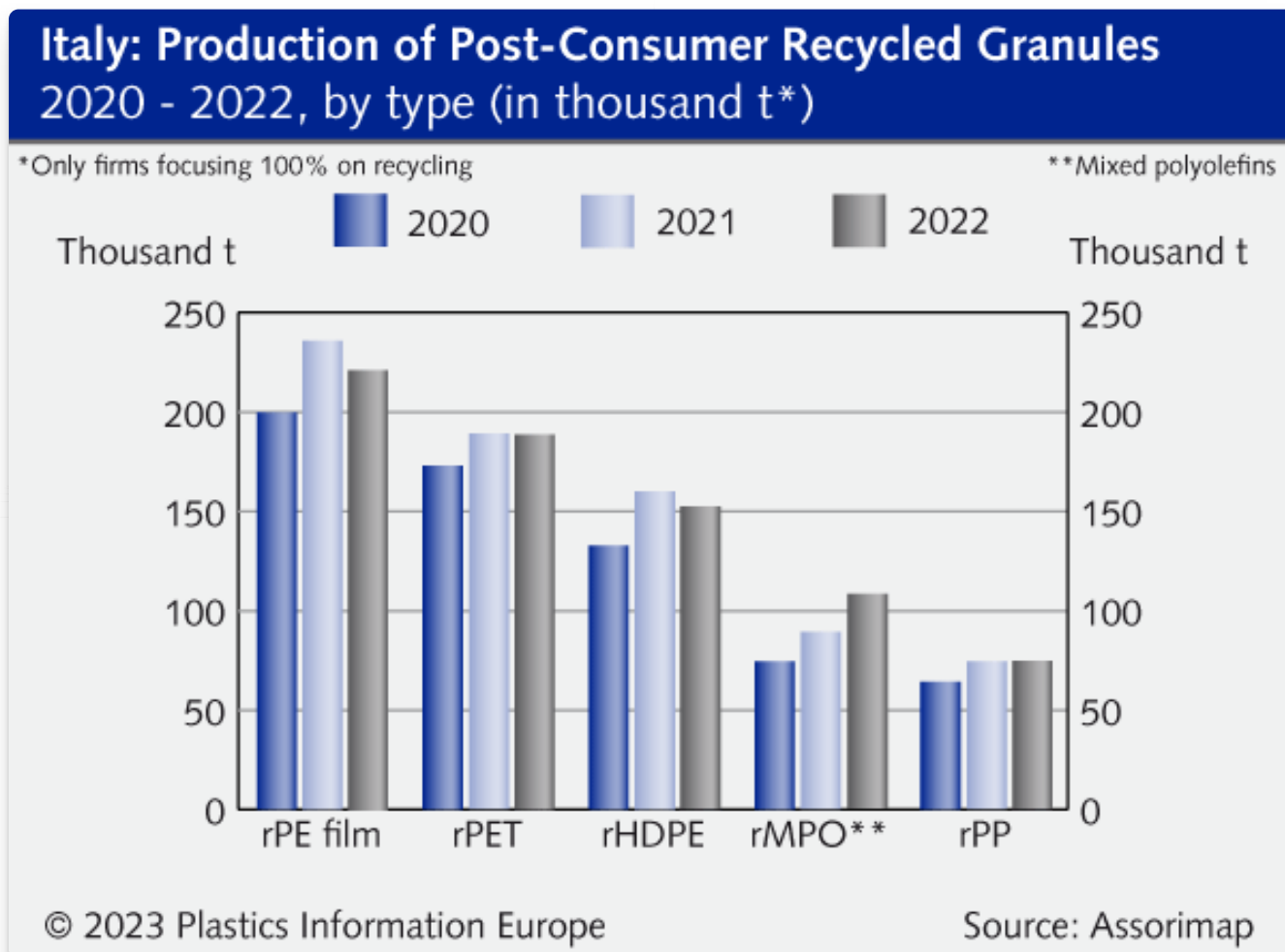
Aggregate national consumption has been falling in 2023, but not as sharply as in several other European countries such as Germany for example, according to Plastic Consult information, Arcelli said, adding that the organisation expects domestic thermoplastic consumption down to decline 4-5% this year.

"The sector remains dynamic anyway, especially on the M&A side: we're noticing a concentration process at different levels of the supply chain," he said. "Acquisitions and mergers involve polymer distribution companies, compounders, plastic processors, converters, and recyclers. Operations are particularly, as one might expect during this period, 'sustainability-related'; for example, Novamont was acquired by Versalis and Mepol by LyondellBasell," Arcelli said.

Trouble strikes recycling sector

Recyclates suffered severely in 2023, mainly due to the rock-bottom low prices of virgin polymers, according to observers.

In 2021, the Italian plastics recycling sector bounced back from the pandemic low, and this trend continued in the first half of 2022, said *Marilena De Brino*, director of the Italian recyclers association Assorimap (Rome; www.assorimap.it).



“However, the economic shock resulting from the Russian–Ukrainian conflict has caused serious problems for energy–intensive companies,” De Brino explained, adding that the industry’s financial performance was robust despite a 1.5% contraction in secondary raw materials production. This disparity is primarily attributed to a hike in sales prices, which was inevitable to deal with a surge in operation costs.

“The increase in prices of recyclers’ products in 2022 was necessary, even if companies already knew what they would face later,” she said.

Related: [Italian recyclate consumption rises in 2022](#)

In recycling markets, when there is a lack of enforcement mechanisms that oblige manufacturers to use recycled plastics, sales prices are always exposed to the fluctuations in virgin polymer costs, and in some ways, they depend on them, De Brino explained. The only secondary raw material that does not follow this logic is, in fact, recycled PET, which has a more consolidated market also thanks to the targets of the Single Use Plastics Directive set for 2025 and 2030.

She said price increases for reclaimed material have driven recycling companies out of business as their customers – manufacturers – go back to virgin polymers.

In this climate of uncertainty, it is impossible for recycling companies – mostly SMEs – to plan for the medium to long term. “We are living in a paradoxical situation: all the recycling targets already foreseen at the European level and which should be relaunched through the next PPWR cannot be achieved if primarily recycling companies do not produce at full speed and do not increase their recycling installed capacity,” she warned.

The negative trends persist in 2023. The crisis has nearly halved sales prices compared to the previous year.

Related: [Rome to fund 75 recycling plants](#)

The plastics industry has witnessed exponential growth in imports of low-cost materials from outside the EU, such as China, India and Turkey. In the lack of controls, the risk is that fake recycled pellets will enter the EU, thanks to prices lower even than the virgin polymers, De Brino said.

Another factor hindering recyclers and the goal of meeting the reclaim targets and mandatory recycled plastics content in the PPWR is a potential lack of waste due to inflation, which is reducing demand, De Brino added. In particular, there is a lack of waste volumes from supply chains other than packaging, upon which the attention of the EU legislator is focused.

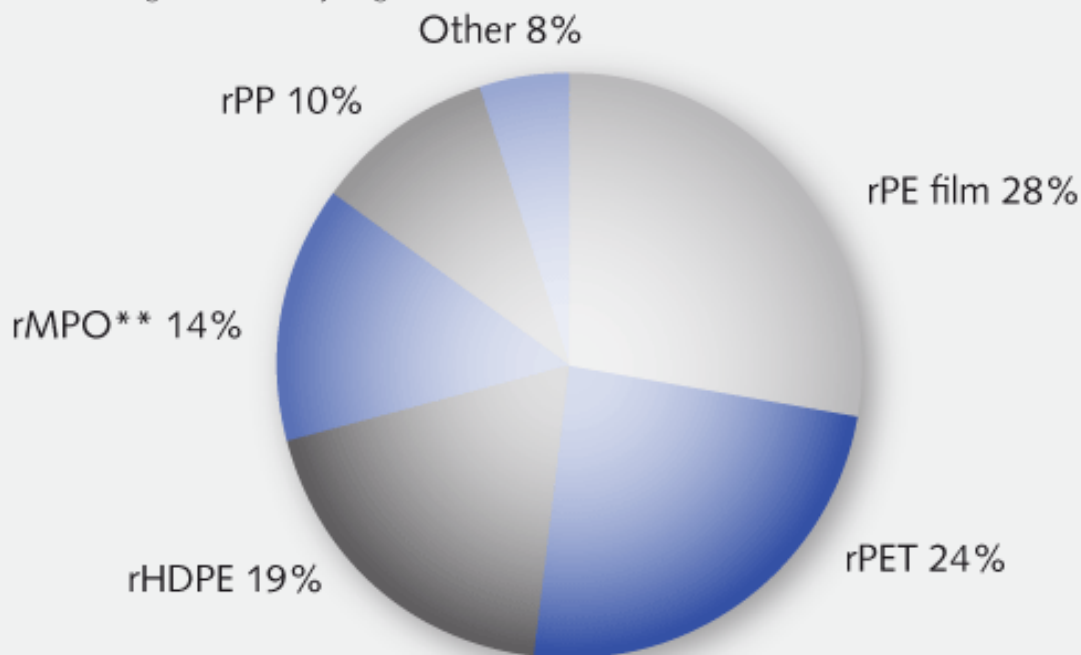
On the other hand, there are signs improvements may be on their way, as with higher September price demands, the industry is witnessing rising activity in the market, according to Arcelli.

“Nonetheless, the previous slowdown for recyclate demand created a gap too big to be closed in a couple of months,” he said, “so we’re expecting negative figures for recyclates as well.”

Italy: Production of Post-Consumer Recycled Granules 2022, by type (total of 785,000 t*)

*Only firms focusing 100% on recycling

**Mixed polyolefins



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Source: Assorimap

Grim outlook

A fundamental change for both the Italian and the European plastics industry can hardly be expected, at least until 2024.

“Economic restraints are, in fact, still in place, with consumer spending still at very low levels,” Arcelli said, noting that the main macro and operational indicators suggest it will take until spring of 2024 to see “something that resembles a recovery or an upturn for the Italian plastics processing industry.”

Uncertainty, which contributes to the current mood, is also related to the EU legislative framework: the most relevant is the PPWR, which, while still under discussion, in its current version has not found favour of the within the packaging industry and related supply chains.

“There are many other question marks, such as taxonomies, CBAM mechanism, quality standard for recyclates, and so on, that probably will add other challenges for the plastics industry,” Arcelli said. “Anyway, if only for comparison with the 2023 depressed demand, we expect next years to see positive numbers for Italian plastics consumption.”

The near future also looks highly uncertain for the Italian plastics recycling sector. The target set by Europe to improve its performances in terms of plastics recycling and use of reclaimed materials indicates a positive path for mechanical plastics recycling companies as the deadline of the Single Use Plastics Directive approaches, De Brino said. These targets will undoubtedly increase the availability of materials to be recycled. The next few months will also be pivotal for the PPWR, which will introduce requirements for recyclability and mandatory recycled content for all plastic packaging.

It should also be remembered that Brussels has requested that EU member states pay the plastics tax (Eur 0.80/kg) for all plastic packaging placed on the market and not recycled, De Brino said. All these elements give recycling companies a leading role in the ecological transition. The Italian plastic industry is also braced for the introduction of the plastic packaging tax.

“Our hope is that Europe and member states will be able to identify measures that protect recycling companies against the slowing factors seen so far,” Arcelli said. “But to get out of the current crisis, significant aid is urgently needed to counter energy costs and to implement a traceability system of recycled materials which can prevent illegal imports.”

He noted that 2024 will be a “pivotal year” for ensuring the recovery of the mechanical plastics recycling sector.