

ITALY

Recession impacts consumption of polymers / Solid growth for plastics machinery sales in 2018 / Agreement with China could lead to investments in Italian ports

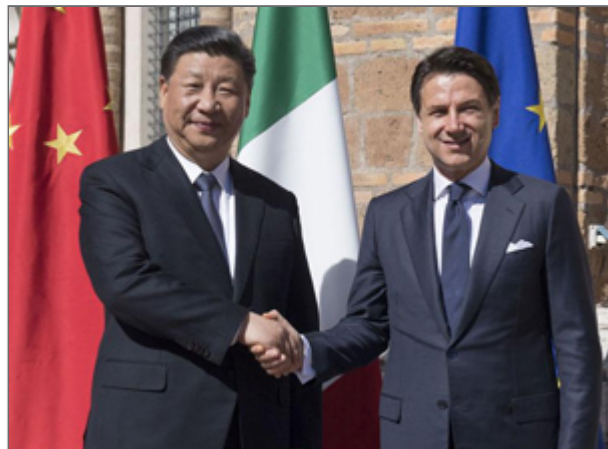
Italy has recorded the slowest annual GDP growth rate of the EU countries, trumping even the UK amid all the Brexit chaos. According to the **European Commission's** DG for Economic and Financial Affairs, GDP growth in Italy was at 1.6% in 2017 and 1% in 2018, with growth in 2019 forecast to drop to 0.2% – which would again be the lowest in the EU.

The domestic construction industry continues to be characterised by persistent stagnation. There are also no particularly encouraging signs regarding industrial production and end-use consumption.

Uncertainty of European elections

In addition, the upcoming European elections in May 2019 are adding another layer of uncertainty to European, and particularly Italian, businesses as populist parties are showing strong gains. Depending on the election results, this summer could prove to be a turning point for the direction of EU politics – and it is not clear which path Italy will take.

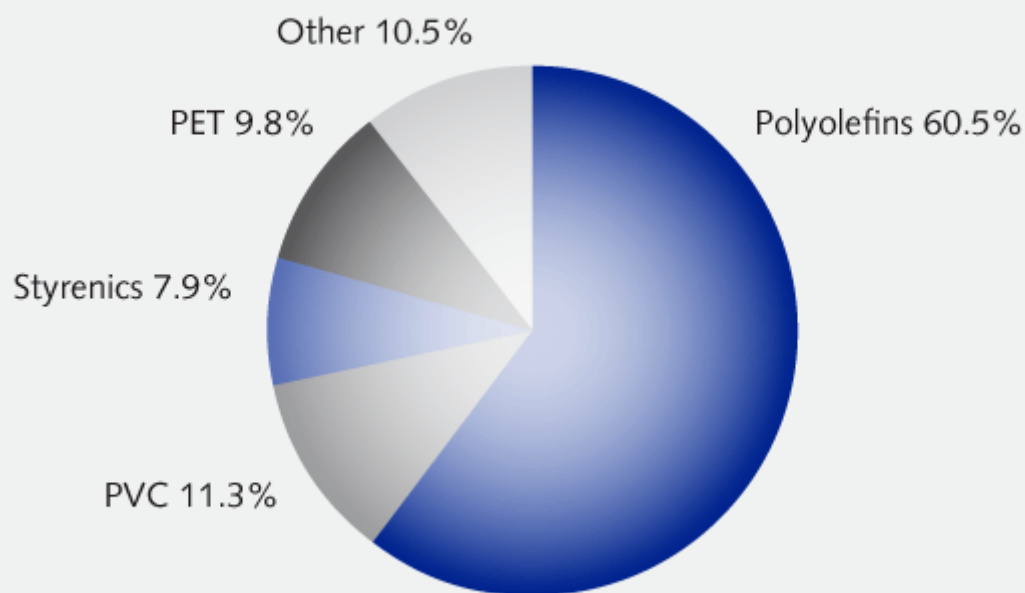
It remains to be seen to what extent Italy's signing of an agreement with China on its "Belt and Road" initiative will affect the state of the economy in the medium term. The initiative, also referred to as the "New Silk Road", includes enormous infrastructure investments to move Chinese goods and resources throughout Asia, Africa and Europe. Italy, with its crushingly high debt, hopes to boost its lagging economy by exporting goods to China and inviting more Chinese investment. Among the 29 other agreements signed were two port management deals regarding the ports of Trieste, situated in the northern Adriatic Sea, and Genoa, Italy's biggest seaport. While Genoa is a well-established port, Trieste is strategically important for China as it offers a pathway from the sea to landlocked countries in Central and Eastern Europe, all of which are markets it hopes to reach through its Belt and Road programme.



Italian prime minister Giuseppe Conte (right) and China's president Xi Jinping signed an agreement for the "New Silk Road" initiative in Rome (Photo: Governo Italiano)

Italy's recession has had an impact on its plastics industry as well. Demand for virgin polymers, expressed in sales volumes, returned to below 5.8m t in 2018. That year witnessed a two-speed trend. In the first six months, growth rates indicated growing demand, while a slowdown was recorded in the second half of 2018. Starting in July, Italy's international, particularly European, export markets showed signs of weakness, heavily affecting order volumes in the third and fourth quarters of 2018.

Italy: Thermoplastics Consumption 2018, by type (total of 5.75m t)



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Source: Plastic Consult

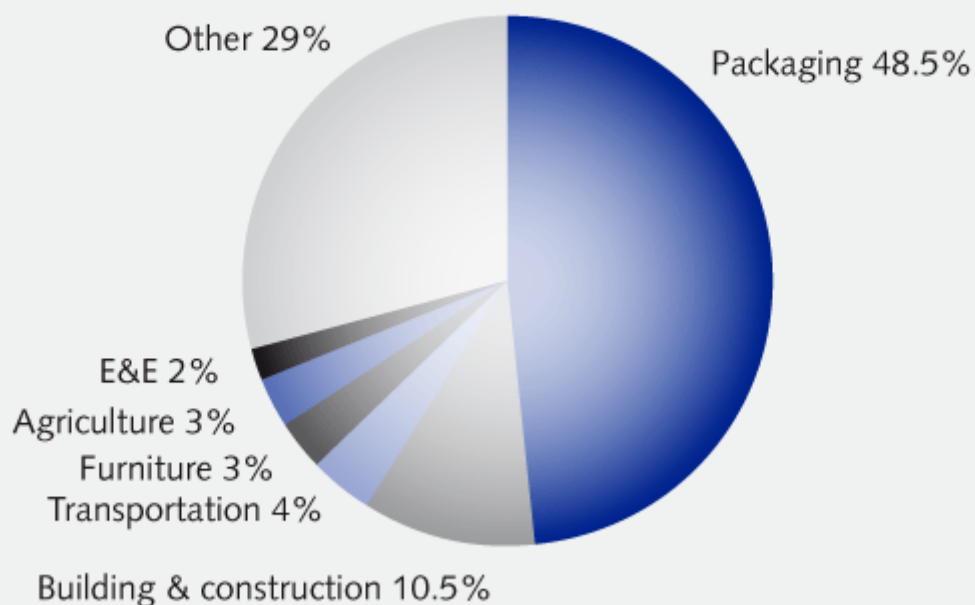
Overall polymer demand down

After four consecutive years of growth, consumption of thermoplastics declined by 1%, according to Italian consulting firm **Plastic Consult** (Milan; www.plasticconsult.it). Notably, the contraction in consumption also involved polypropylene, a polymer that typically remains relatively stable even in times of crises, thanks to its versatility. While most of the polymers recorded only a slight negative trend, polystyrene hit a record low and was down more than 4%.

In sharp contrast, PET recorded a 3% increase compared to the previous year. This is due to a favourable trend in the consumption of blown containers, such as for bottled water or other liquid products, combined with the stellar performance of extruded sheets through thermoforming.

Demand for engineering plastics fell, largely because of the slowdown in the automotive sector, a trend that is causing concern both in terms of internal and external demand with regard to foreign manufacturers – see PIEWeb of [09.04.2019](#).

Italy: Thermoplastics Consumption 2018, by application (total of 5.75m t)



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Source: Plastic Consult

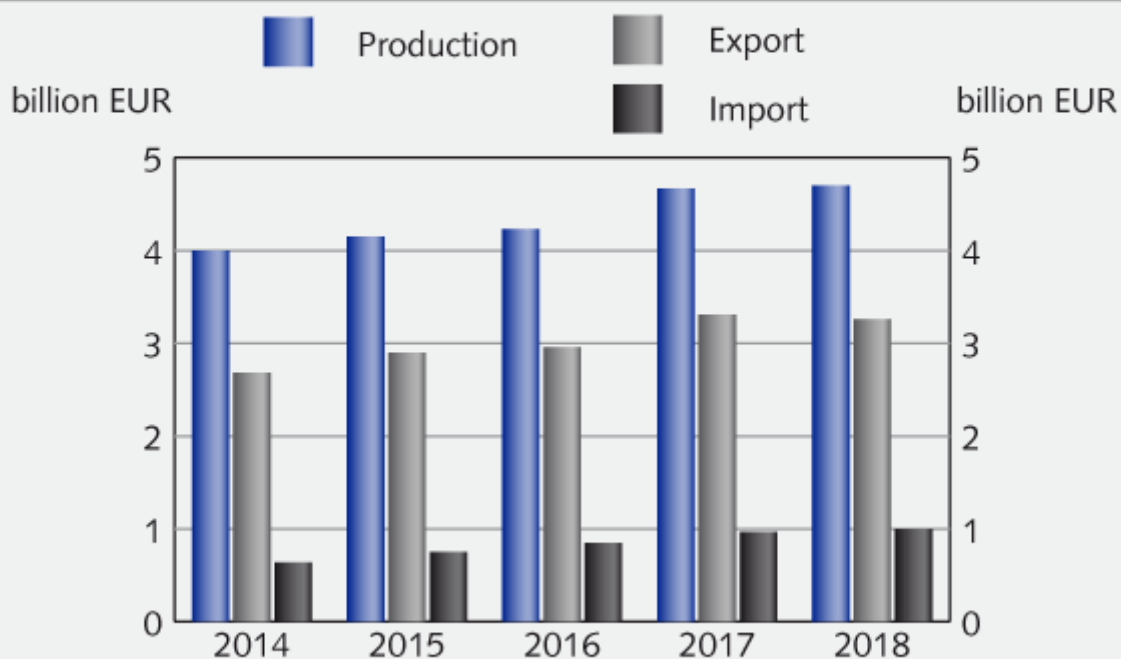
Breaking down the market by application, there was a slight downsizing in the volumes destined for packaging, which fell below 49%, despite remaining the most important end-user segment in Italy. The building and construction sectors were stable at around 10.5%, followed by other applications. According to *Paolo Arcelli*, director of Plastic Consult's Business Insight division, the Italian plastics processing industry witnessed a good start to 2019, although the mood is not generally optimistic for the remainder of the year – see [PIEWeb of 10.04.2019](#).

Year of consolidation for plastics processing machinery manufacturers

Italian plastics and rubber machinery association **Amaplast** (Milan; www.amaplast.org) has reported on foreign trade data for 2018, provided by the Italian **National Institute of Statistics** (Istat, Rome; www.istat.it). The end-of-year results for 2018 continued the positive trend already seen in the record-setting year of 2017 – see [PIEWeb of 29.03.2018](#).

Production volumes continued to grow while exports contracted slightly. The latter was due mostly to stagnating European destination markets, traditionally the most important for Italian machinery manufacturers.

Italy: Plastics and Rubber Machinery Market 2014 - 2018, production and trade



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Source: Amaplast

Generally, non-EU European countries outperformed those in the EU. The exception to this trend was Russia, where sales continued to decrease, falling by 19.6% in 2018 with respect to the first nine months of 2017. Germany and France remained the top two European export markets for Italian plastics machinery, although witnessing year-on-year declines of 2.2% and 2.5%, respectively. North American countries continued to perform well, with Mexico (up 11.6%) being the frontrunner, while sales to South America saw a decrease, mostly due to slowdowns in Argentina and Brazil. Asia experienced only modest growth, while the Middle East showed a sudden drop in demand, especially markets in Saudi Arabia and Iran – see PIEWeb of [11.01.2019](#). Africa, on the other hand, showed a positive overall performance, although there was a high deviation across countries. Mediterranean Africa, and Morocco in particular, saw a significant increase in sales, while the opposite held true for Sub-Saharan countries, as well as South Africa.

Regarding imports and the domestic plastics machinery market, no major changes were recorded. According to Amaplast, the latter could likely be explained by the investment support measures implemented in the Stability Law. Many Italian manufacturers experienced another period of full order books in the second half of 2018.

Amaplast president *Alessandro Grassi* commented that “on the whole, ... we are happy with the results from the previous year.” However, “2018 may turn out to be a transition year. Beyond the normal realm of economic cycles, which leads us to expect an inversion of trend in 2019 after eight years of positive growth, companies are beginning to show signs of concern regarding the effects of the new governmental budget policies and the general trend in the economy.”



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