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ITALY

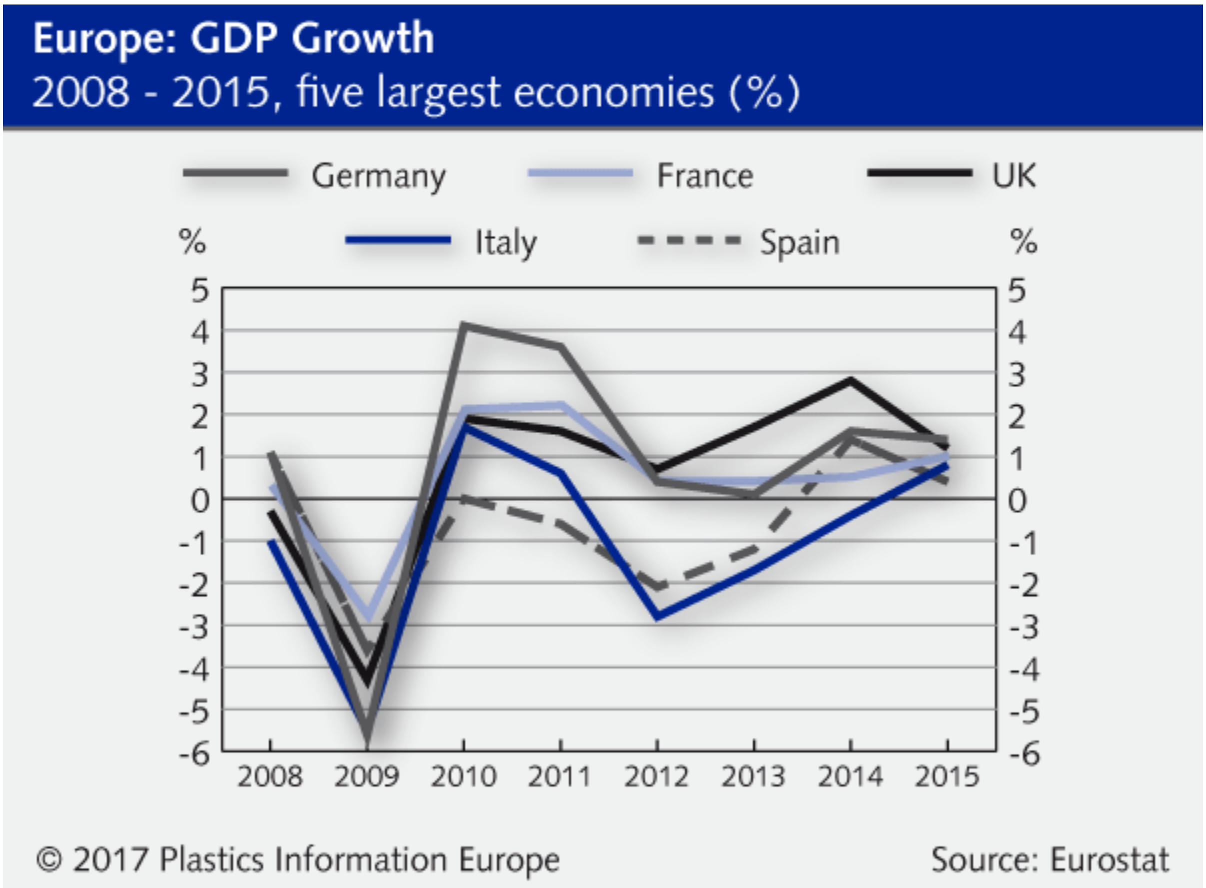
A country muddles through the swamp / Political warfare inhibits progress / Plastics consumption rises in 2016 / Auto industry orders more engineering thermoplastics / Can it compete internationally?

Things have gone fairly quiet in Italy since the constitutional referendum in December 2016, when prime minister *Matteo Renzi* – like *David Cameron* in the UK before him – catapulted himself out of office with a failed referendum and did his country a disservice par excellence. Former foreign minister *Paolo Gentiloni*, as Renzi's successor, will hold the reins until the Italians return to the polls – at the latest in May 2018.

Nevertheless, the mood in Italy's plastics processing segment in the first half of 2017 is fairly positive. After recording reasonable volume growth at the last count of more than 2.6% to reach 5.65m t, the first few months of this year point to further growth of around 2%. The members of the Italian trade association **Assocomaplast** (Milan; www.assocomaplast.org) are also predominantly optimistic about the current year. 43% of those questioned in the latest survey expect to see better business in the first six months of 2017 than in the period from July to December 2016 (see PIEWeb of 23.03.2017).

There are nevertheless a few downsides. The reasonable figures for plastics processing and plastics machinery construction cannot gloss over the generally difficult situation in which Europe's fourth-largest national economy currently finds itself – not just because of the new prime minister, who, according to Italian media reports, is seen as little more than a placeholder for the old one.

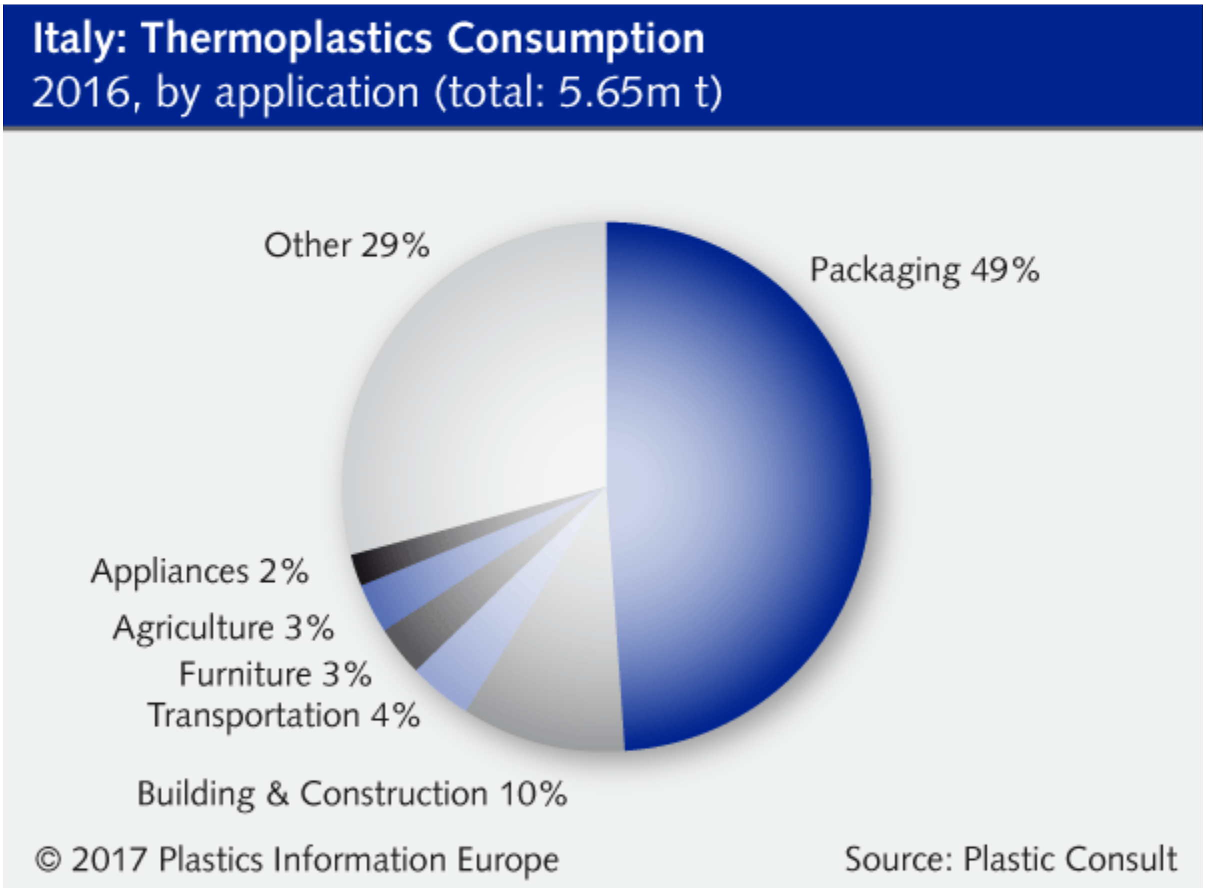
In this respect, the situation remains Italian, that is, politically chaotic and unpredictable. There is good reason why the established policy – no matter which political orientation – is called simply "la palude" or "the swamp". The best example of this is that in the current period of legislation alone, 181 of 630 deputies have switched parties – many of them several times. And while trench warfare is common here, the country is slipping further down, as the growth in GDP in recent years shows.



Even if the Italian chemical association, **Federchimica** (www.federchimica.it), sees its companies progressing since 2012, and even though their index is well above the country's other manufacturing sectors, they are still a long way from the level at which they were before the economic crisis of 2009. Italy must exist amongst tougher international competition against countries like China, Poland and Turkey, and is finding it difficult. But any sensible restructuring strategy tends to sink into the swamp because of the frequently changing majorities, most of which only serve personal interests. In this respect – and in complete contrast to the fairly predictable election results in The Netherlands and France – in 2018, Italy could very easily become a real testing block for the European Union.

But before then, we have 2017. A year for which **Plastic Consult** (Milan / Italy; www.plasticconsult.it), in its latest market assessment, forecasts plastics consumption to remain at its previous year's level, primarily due to investments in machinery and equipment. In the opinion of the Milan specialists, this will come from government support measures such as higher depreciation allowances and the ever-present "Industry 4.0". As part of this, plastics processing should also grow, especially engineering thermoplastics.

While the share of engineering polymers in total Italian production is fairly small – the only large manufacturer is the **Radici Group** (Bergamo / Italy; www.radicigroup.com) – compounders such as **SO.F.TER** (Forli / Italy; www.softergroup.com) and **Nilit** (Rho / Italy; www.nilit.com), which are now part of **Celanese** (Dallas, Texas / USA; www.celanese.com), as well as **Finproject** (Morrovalle / Italy; www.finproject.com) should benefit.

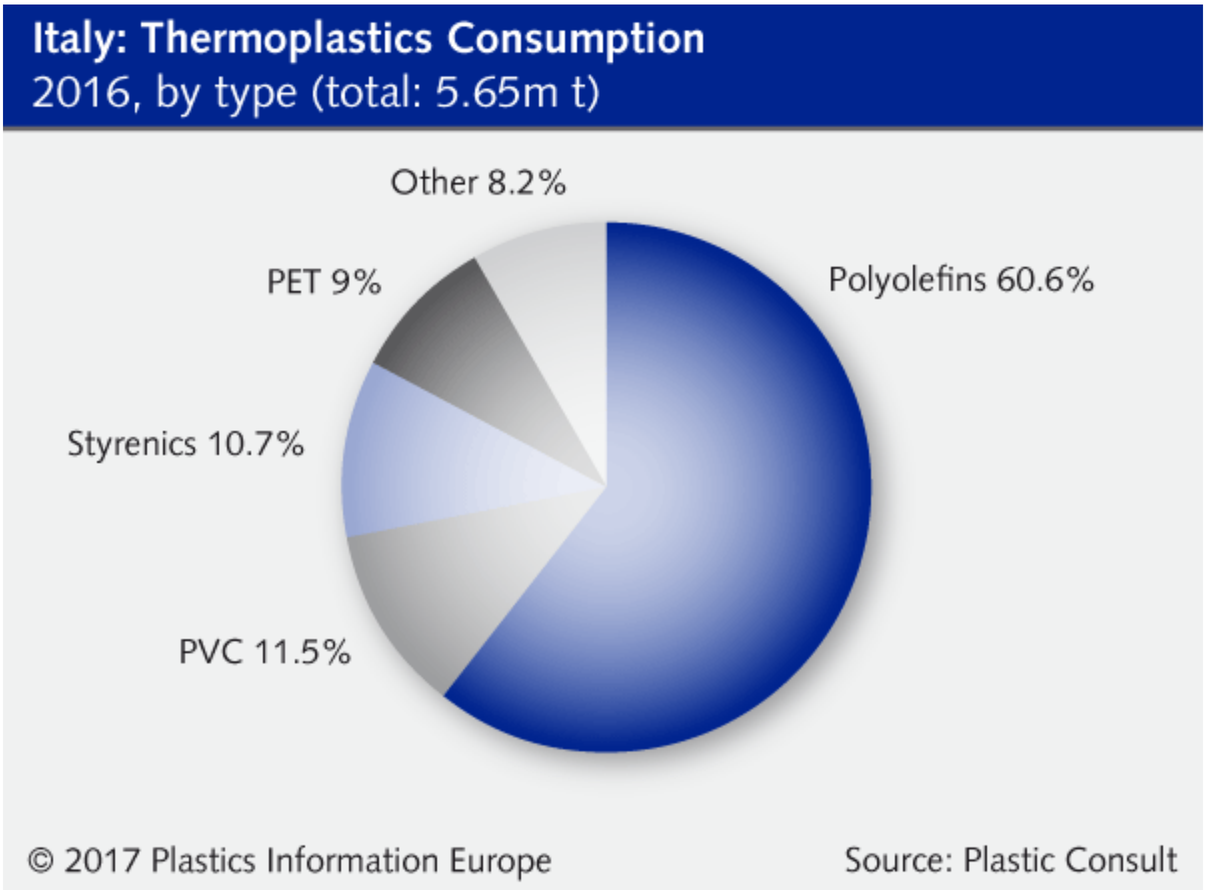


From the profitability point of view, however, companies in the plastics industry are still under pressure and are currently also battling problems with the availability of some types of polymer like PA, PU and PC. *Paolo Arcelli*, director of Business Insight at Plastic Consult, nevertheless anticipates a good year in terms of the quantity of primary plastic materials processed.

The short-term indicators are regarded as positive, even though the national economy is not currently providing any particularly strong impulses – more to the contrary, in fact. The building and infrastructure segments seem to be stagnating, and there is also a definite uncertainty on the international market.

After a dynamic first half, 2016 witnessed a certain fall in demand after the summer. Nevertheless, the general growth trend continued for the third year in succession. According to Plastic Consult, the last time this happened was in the years 2002 - 2004.

Nearly all thermoplastic types showed increases in consumption compared with 2015. At the top of the list were the standard plastics, especially PP, which showed a rise of more than 3%. LDPE and LLDPE also grew by nearly 2%. HDPE, on the other hand, declined slightly. PVC, despite the significantly lower demand from the building and infrastructure segments, was able to assert itself fairly well.



Engineering polymers, which are listed together in the graph under "Others", grew significantly but at a low level. The strong demand from the automotive industry especially boosted the use of ABS and polyamides and, to a small extent, other engineering plastics. High-performance thermoplastics, on the other hand, played only a minor role.

The consumption figures for the various applications changed only slightly in 2016. Packaging, with 49% of volume consumption, was still by far the biggest consumer. The building segment was some way behind with 10%, ahead of transport, agriculture and E&E, which accounted for more or less equal shares.

30.05.2017 PIE [236862-0]

Date of print: 07/06/2017
Ref: xi31mu55trjvbu55ujonrhzc
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URL: https://pieweb.plasteurope.com/Default.aspx?pageid=199&docid=236862