



“A World of Plastics Information”

Part news. Part views.

MAY- JUNE 2014
15TH YEAR

Dear Colleague:

Bringing back blazing business... reports coming in seem to reflect resumption of rejuvenated revenues. The macro economic view is that the global economy is both struggling and recovering but felt selectively and geographically. Thus we expect most economic indicators will all be pointing upwards...except for employment, as technology and productivity remain robust. Look for economic growth in the BRICS (Brazil, Russia, India, China and South Africa) to slow as these countries face setbacks in growth from austerity moves of their central banks, coupled with lower energy demand from their energy exporting segments. Inflation is expected to be held in check in most sectors, although our industry will continue to experience higher than average rates of increase as demand surges. GDP growth in the U.S. is forecast at 3-4% with spending cutbacks on a macro governmental basis, holding back full expansion.

Don't read too much into the recent wide swings in gasoline prices...African unrest, continuing Middle East uncertainty, refinery glitches, summer travel and other factors remain. Look for another uptick by July... price drops in April and May typically don't last – 2005 was last time. Natural gas remains priced low and it continues to perform as an alternate to oil for energy. Look for most metal prices to fall further as reduced demand by China, the globe's largest consumer, and slow growth in Europe have an affect. This of course lowers demand for new metal replacement applications by plastics as the economics continually shift in favor of ETP's supplanting historical metal applications, especially with regards to wear and temperature properties.

TRENDS:

Amazon Supply (AS), which started a mega online catalog of 500,000 MRO items for the business to business industrial and scientific market in 2012 is now listing over 2,500,000 line items. Significantly, starting with approximately 25,000 in plastics shapes and semi-finished products, that count has now trebled. They offer free shipping for orders over \$50.00 and one year return privilege. New this year is their attempt at providing some semblance of technical on line assistance with specification listings, along with property matrixes.

However the effect on traditional multi branch distributors with a brick and mortar presence continues to be remained to be seen. We understand that at least 5 Distributors in our industry may be supplying some or all of AS products. IBM researchers discover recyclable thermoset polymers called polyhexahydrotriazine (PHT) ...we'll be hearing much more about this breakthrough in future years!

Editor's Note: In our MARCH-APRIL 2014 issue we reported that analysis of IAPD members by our research team revealed some interesting statistics relating to typical branch sales, etc. **Please be advised that IAPD did not provide any data for the estimated numbers but were this publication's estimates solely.** *We regret the implication otherwise.*

OUTLOOK EUROPE: by Ralph Ammann, our special EuroZone correspondent.

Swiss-based EMS Group, whose companies are consolidated in the EMS-Chemie Holding AG, major global producer of high performance polymers, increased 1Q 2014 net sales by 11.8% compared to the same period of the previous year. The net operating income (EBIT) was also clearly higher than the previous year. EMS successfully pushed innovative specialty business and realized additional applications. Global market positions were strengthened and the centers of innovation in China further expanded.

Not so good were the results of 2013 of German-based manufacturer Simona AG. The group recorded a downturn in both revenue and earnings in the 2013 financial year. Operating in an economic climate impacted by sluggish investment spending, Simona saw its sales revenue decline by 2.4 per cent to €286.2 million (prev. year: €293.2 million). Although this figure was within the range projected by the company, it fell well short of the budgeted target of more than €300 million. According to the Germans having been adversely affected by product mix, pricing factors and increased energy costs, EBIT plunged to €8.2 million (prev. year: €14.1 million). The EBIT margin fell from 4.8 per cent in 2012 to 2.9 per cent. The company's financial base, however, is said to remain solid. Following strategic realignment and acquisitions in the US market, the global plastics-processing company will be looking to expand revenue and earnings in 2014.

Sales performance in the 2013 financial year was dominated by a lacklustre first half. "Despite a stable second half with an encouraging final quarter, we were unable to compensate for this downturn," said Wolfgang Moyses, CEO/Chairman of the Management Board of Simona AG. "We lost ground in our core market, Europe, where anaemic capital expenditure clearly took its toll. We are satisfied with the significant momentum generated in Eastern Europe, particularly by our fledgling subsidiary in Russia. Business development was stable in Asia, although we did fall short of our own expectations. Our sales performance in the United States was poor", said Moyses.

Elsewhere, Lanxess has launched a new polyamide 6 compound with 55 percent short glass fiber reinforcement that will be marketed in the future under the name Durethan BKV 55 TPX. According to the advantage of this material optimized for processing with Tepex is its very good flowability combined with high strength and stiffness. It offers processors a wide processing window. "We see great application opportunities particularly for thin-walled lightweight composite parts with large flow length/wall-thickness ratios," explained Dr. Martin Wanders, Head of Global Applications Development in the High Performance Materials business unit (HPM) of Lanxess.

Finally, after the trade fair K German distributor DimeLika Plast has started marketing and distribution activities for the products G-PAEK (PEK-Polyether Ketone) and GAPEKK (PEKK-Polyether Ketone Ketone) and GAZOLETM (ABPBIPolybenzimidazole) and their blends & their compounds for Garda Chemicals in Germany. The distributor, who has its focus on high performance polymers and technical resins, is distributing these products now in Germany. G-PAEK with a glass transition temperature of 152° C and a melting temperature of 372° C, delivers extended high temperature performance over standard PEEK polymer, while delivering all of the same advantages such as mechanical strength and chemical resistance at up to 20° C higher than PEEK. In addition, it shows better creep resistance and wear properties than standard PEEK. G-PAEKTM is available as unfilled, glass filled, carbon filled and lubricated grades.

GAPEKK with Tg 172° C & Tm 395° C, combines high temperature stability, strength, stiffness and ease of processing. GAPEKKTm, has highest temperature as well as highest resistance compared to other ketone based polymers. It is said to have excellent creep resistance, wear and radiation resistance and is also inherently low flammability.

OUTLOOK ASIA: by Mal Binnie, our Pacific Rim correspondent in Australia

During the last few months the Pacific countries have witnessed political disturbances. Thailand is currently under martial law but plastics manufacturing and exports continue, Vietnam had domestic riots against China but Taiwanese, Singaporean and South Korean companies manufacturing acrylic and other plastics were affected. Even in Australia the first Budget by the current Coalition Government has caused unrest, however the commitment to infrastructure and job creation will be positive for the local plastics industry. The Australian dollar continues steady at \$US 0.923 and interest rates at 2.5% which support the local plastics industry - add to this is the aim of the Government to support local industry who "move up the value chain".

The PMI continued below 50 and at a level of 47.9 was expected to improve in June. The Australian plastics distribution industry continues strongly with some of the major companies reported to be searching to add to their management and sales team. Exelis, aerospace and defence composites has confirmed that Melbourne will be HQ for its Asia Pacific operations. Amtcor Australia has announced a further expansion in Indonesia acquiring Bella Prima Packaging. With 3D printing on the rise, Melbourne will be holding 3D Printing Today Expo July 9-10. The Ausplas exhibition held in conjunction with National Manufacturing Week in Sydney in May was hailed as very successful for the Plastics industry. Food Pro, another Expo with opportunities for many plastics is planned for Melbourne June 22-25, food processing is one of Australia's future growth hotspots. PrintEx and Visual Impact expo will again cojoin in May 2015. New Zealand continues its strong growth even though the PMI for April was 55.2 down from 58.4 in March, still giving NZ 19 consecutive months of growth. The Sign Industry awarded Brendon Pattinson of Signbiz its Gold Medal as Apprentice of the Year. The Christchurch rebuilding project is providing real opportunities for plastics as lightweight and strong. Flight Plastics have introduced RPET a recyclable food safe plastic.

Vietnam riots have disappointed many observers after an excellent Plastics and Rubber Vietnam 2014 trade show. Vietnam has a strengthening economy with GDP growth 5.5% and exports of \$US1.8 million. Singapore with its high tech manufacturing and low tax rates is attracting interest from European and US investors as they turn from China. Singapore manufacturing grew for 10th month in a row. Medical and Chemicals grew, chemicals by 8.9%. Chinese manufacturing activity in May rose with a PMI of 49.7 up from 48.1 in April. The Chinese economy is still growing at 7 to 8% per annum. Chinaplas in April saw attendance grow by 15% and of the 130,000 who attended nearly 30% came from overseas. Chinese auto sales in March reached 2,200,000 a growth of 18% year on year. Sales of engineering plastics are growing rapidly as manufacturers, both Chinese and globally look to build lighter weight vehicles. Mulford Plastics China report the establishment of a vacuum forming workshop to take advantage of the growing markets of equipment housing and 3D formed parts for display/signage. Materials such as PC, PMMA, Kydex and PETG are used. Lesso Group, Foshan have increased sales by 20% as they benefit from the Central Governments infrastructure spend. Engel GmbH are reported to open a second plant in Changzhou. Windmoller & Hoelscher have set up a subsidiary in Taicang for sales and service. Tesla US electric car maker is reported to be planning manufacturing in China in the future. Celanese Corp has announced plans to expand its compounding capability with PPS compounds at its Nanjing site. Yangfeng Automotive has joined with Johnson Controls US to form the worlds largest auto interiors company. Q holdings and its QSR subsidiary are planning expansion in Dugguan. Polycast Plastics Suzhou reports steady growth. Dow Chemical's Pack Studios in Shanghai are designed to assist customers to bring new applications to market faster. Rigid plastics packaging will grow faster in China than in the rest of the world expected growth is 9.8%per annum.

PRICING: Most polyolefin commodity resins continue a slow but steady climb as costs move upward. ETP's and HIPS are also on an up cycle as demand continues to grow. Lucite acrylic sheet was taken upward last month in Europe and may follow in North America in June... look for PC to follow. Arkema/Altuglas increased PMMA resin by EUR 120/t in the Eurozone. Speaking of pricing, we recently came across Cadillac Plastic catalogs from the 1960's and were curious what clear acrylic sheet pricing was. Here it is: 1/8" thick ranged from .70/square foot to \$1.13/square foot (dependent on quantity of course) in 1963. Adjusted for inflation, that would be \$5.26/sf and \$8.49/sf today... what an inflation beater current MMA sheet prices are, and our industry is!

MANUFACTURER/DISTRIBUTOR BRIEFS:

In Memorium... Max Plumhoff, 81, passed away April 28, 2014. Long time contributor to our industry from Uniroyal to GE to Plastics Dynamics.

Evonik realigns distribution by creating one (SABIC) national distributor in U.S. Balance of the approximate 40 distributors left are assigned specific geographical coverage, limiting their reach. DuPont introduces new

President of its Performance Polymers unit...Patrick Lindner. Bayer MaterialScience seems poised to shed its Plastics business, including PC resin, sheet and films. It is restructuring to emphasize pharmaceutical business as it spends billions buying Merck units. Apparent suitors for its Plastics business could be Evonik and Styron. Lucite International lifts its force majeure on MMA in its U.K. plant. Curbell Plastics names Gerry Helbig as its new President. Began in sales in 1990 and served in many leadership roles, most recently as Interim President. Polyone/Spartech opens specialty engineered materials innovation center in China. Quantum Polymers announces availability of 8" dia. carbon and glass filled PEEK rod. Bayer MaterialScience introduces PC film line designed to meet demands of high security ID card markets. Also new sheet and film line for light and thermal management. Klockner Pentaplast, German based film producer's owner SVP, purported to be looking for a buyer. Cope Plastics achieving new profit center from recycling program...about 1.5 million pounds per year. DuPont Performance Polymers announces Patrick Lindner as its new President. Laird Plastics, has new Regional Manager for Canada, Ian Kalverda, formerly with Grainger. SABIC, in collaboration with Cima Nano Tech develops a clear, conductive, PC film...an industry first! Also highlights XHR2000 PC sheet for aircraft interiors.

MERGERS, ACQUISITIONS, ALLIANCES, DIVESTITURES AND EXPANSIONS:

Harrington Plastics, leading pipe distributor and a unit of Aliaxis SA, buys E&S Technologies, adding high purity products to its Harrington Pure division. Persistent reports have Bayer MaterialScience being considered for acquisition by Evonik and Styron (which ended its PC resin distribution agreement with Dow Chemical). ThyssenKrupp Cadillac Plastic opens new warehouse facility in Rennes, France. DuPont appoints Alfa Chemicals authorized distributor for all fluorocarbon products, including Teflon and Tefzel in the UK, and all Scandinavian countries. Zimmer buys Biomet in \$13 billion deal, consolidating two major orthopedic device makers...a major end user for our industry.

INDUSTRY INTERVIEWS: ... Don Loepp, Editor, *Plastics News*, the pre-eminent publication covering our industry, with a weekly circulation of about 45,000. We interviewed Don in person and by email at his office in Detroit. A graduate of the Medill School of Journalism at Northwestern University, Don worked at *The Milwaukee Journal*; *Daily Press and Times-Herald*, Newport News, VA. He joined *Plastics News* in 1991 and was promoted to News Editor in 1993, then Managing Editor in 1995 and Editor in 2011. Don has homes in Akron and Detroit.

*Q.: What's the history of *Plastics News*? When founded? By whom? Where located?*

A.: *Plastics News* was founded in 1989 – we will be celebrating our 25th anniversary this year. We have always been part of Crain Communications, a publisher of trade newspapers based in Detroit. PN was based in Akron, Ohio, until late 2013. Crain's Akron office is still home to two rubber-related publications: *Rubber & Plastics News* and *Tire Business*.

*Q.: What is your background? How long with *Plastics News*?*

A.: I have a bachelor's degree in journalism from Northwestern University, and I worked for daily newspapers in Wisconsin and Virginia for eight years before I joined *Plastics News* in 1991.

Q.: What's behind the relocation from Akron to Detroit?

A.: Moved to Detroit to take advantage of some of the resources that we have in our headquarters office. For example, Crain has a professional video studio in Detroit, which we now use for our weekly *Material Insights* video. We expect to use this, and other resources, more in the future.

...to be continued in the July/August issue.

Information contained in this newsletter has been taken from trade and statistical sources that we consider reliable but we cannot assure its accuracy or completeness. Any opinions expressed reflect our judgement as of this date and are subject to change.

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