PLASTICS CUSTOM RESEARCH SERVICES
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THE STATE OF THE NORTH AMERICAN PLASTICS PROCESSING BUSINESS: REVIEW AND OUTLOOK

The North American plastics industry experienced unprecedented turbulence over the first decade of the 2000s. The period was book-ended by the mini-recession of 2001 and the Great Recession of 2008-2009. The U.S., Canadian and Mexican economies are now in recovery mode. Yet they are registering growth rates lower than the historical record would have predicted. Uncertainty abounds as to whether the regional economy will regain its former growth dynamic or whether a "new normal" obtains.

Set against that background we have undertaken a comprehensive analysis of the current and likely future state of the North American plastics processing business – taken as a whole and segmented by individual processing methods. One of our first objectives was to determine the current size of the regional plastics processing business. We approached this issue in two ways. We initially adopted a "top-down" approach, drawing on data from institutional sources – that is, U.S., Canadian and Mexican government agencies and plastics industry organizations. Then we adopted a far more detailed "bottom-up" approach, drawing from the data in the PCRS Plastics Processing Report Series and information in the plastics industry trade literature relating to individual plastics processing businesses. The two approaches yielded an estimated size of the regional plastics processing business in the narrow range of $224-229 billion as of 2011.

In order to project this value into the future we brought together data on the recent trend of sales in all the major and many of the minor plastics processing businesses in this region over the period 2000-2011. The objective was to determine whether there are recent trends which one could plausibly extrapolate forward. First of all we segmented the business by reference to thermoplastic and thermoset material processing methods. For example, based on a large sample of companies in the major thermoplastic processing businesses we determined the average annual growth in the aggregate value of output was 2% over the period 2000-2011. However, growth in 2010 and 2011 has averaged 6.9%. The thermoset plastics processors experienced even more challenging market conditions over the course of the past decade, yet they have enjoyed even more robust sales growth since the Great Recession ended.

We then probed deeper and studied the trend in the value of output of plastics processors in the region producing either structural or non-structural plastic parts and final products. A major component of the non-structural plastic part market is packaging, and the regional producers of plastic packaging – bottle blow molders, film producers, injection molders of caps and closures, thermoformer of blisterpacks and trays – experienced a collective sales setback in 2009. Yet by 2010 and 2011 they had all regained the growth momentum experienced prior to the recession. The processors of structural parts suffered a much deeper sales slump in 2008 and 2009, but they realized a much stronger sales recovery in 2010 and 2011. This variation in the pace of recovery of the different segments of the regional plastics processing business influences any projection of likely future growth for the whole industry.

Based on recent trends in the various segments of the regional plastics processing business we project the value of this business growing 4.0% in real (volume) terms and 6.0% in nominal (sales) terms to attain a total of $273.5 billion by 2014. Most of this growth will be driven by the sustained recovery in regional demand for structural or durable manufactured goods.

August 2013

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Dr. Peter J. Mooney is the founder and president of Plastics Custom Research Services (PCRS). Dr. Mooney holds a Ph.D. in economics from the University of North Carolina, and he has covered the plastics industry as a technical/economic market research analyst and consultant since 1981. He is a member of several plastics industry associations such as the Society of the Plastics Industry and the Society of Plastics Engineers, and he serves on the board of directors for the SPE rotational molding division. He has researched and written over 100 multi-client reports, as well as over 100 single-client reports, in the field of plastics and related industries. He has also organized, chaired, and made presentations to numerous regional and international conferences addressing issues of importance to global plastics industry participants.

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