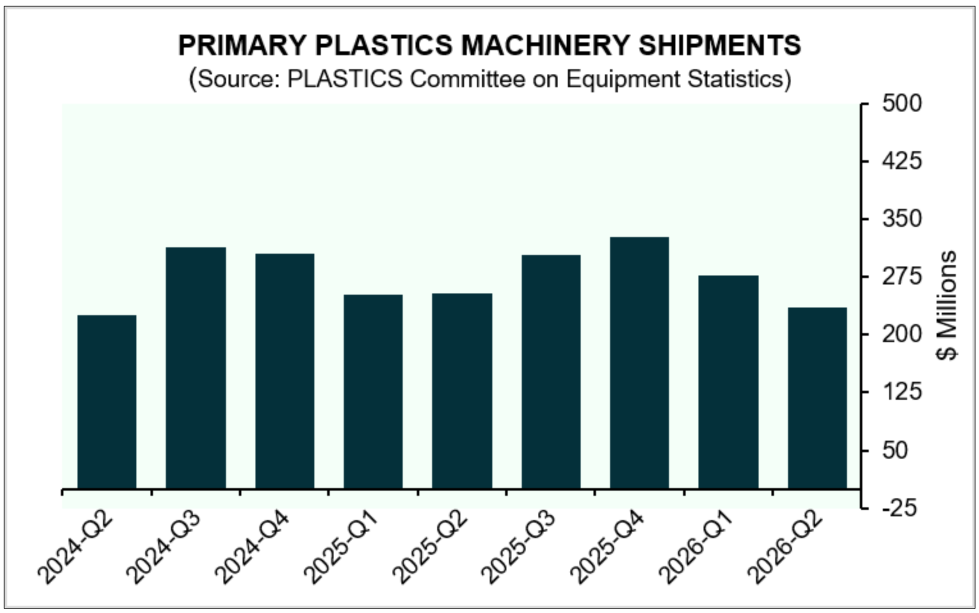
Plastics Machinery Shipments Trail Economy's Broader Equipment Investment

The Plastics Industry Association's Committee on Equipment Statistics (CES) released its second-quarter shipment data for primary plastics machinery in North America, including injection molding and extrusion equipment. While new orders increased in Q2, shipments totaled an estimated $235.8 million, down 14.8% from Q1 and 7.2% year over year (YoY).

The 25.4% quarterly increase in twin-screw extrusion shipments was offset by declines in single-screw extrusion and injection molding shipments of 21.7% and 16.0%, respectively. YoY, twin-screw and single-screw extrusion shipments declined 60.1% and 35.0%, respectively, while injection molding shipments increased 4.5%.



The continued weakness in shipments primarily reflects the normal lag between new orders and deliveries for capital equipment. "An order is recorded when the customer commits to the equipment, while the shipment occurs later, after engineering, production, testing, and delivery," said Perc Pineda, Ph.D., Chief Economist at PLASTICS.

The second-quarter CES survey also showed a cautious near-term outlook but greater confidence over the next 12 months. For Q3, 35% of respondents expect improvement, while 35% anticipate deterioration, compared with 32% and 20%, respectively, in Q1. Over the next 12 months, 39% expect conditions to improve, while 28% anticipate deterioration. The results suggest continued near-term uncertainty but stronger longer-term expectations, consistent with the increase of new orders in Q2.

In U.S. plastics machinery trade, exports totaled $755.8 million and imports $275.5 million, resulting in a $480.3 million trade surplus, a 24.1% increase from a year earlier.

U.S. economic growth moderated in Q2, with advance GDP estimates showing 1.5% growth following 2.1% growth in Q1. Real gross private investment in equipment, however, increased 27.7% in Q2, annualized, following a 4.7% increase in Q1. "The combination of strong industrial equipment orders and modest shipments could be interpreted as a sign of strengthening pipeline demand rather than immediate weakness in market conditions. The lag between orders and shipments helps explain the softer shipment numbers," said Pineda.