

INJECTION MOLDING MACHINERY

CURRENT TRENDS

- Notwithstanding slowing sales from August through October 2021, total U.S. vehicle sales increased 9.1% to over 158.6 million units year to date through October 2021 driven by a surge in the spring and early summer.
- Despite positive 2021 year-to-date sales trends, some estimates suggest automotive production may not return to pre-pandemic levels until 2025.
- Demand is steady for smaller tonnage late-model machines but is decreasing for older machines from the 1990s and earlier.
- Market demand for used late-model 400- to 600-ton injection molding machinery is expected to grow slowly.
- The largest-capacity machines will continue to struggle to maintain consistent demand and sales price levels.

PROJECTED VALUES (12-MONTH OUTLOOK)



GORDON BROTHERS BY THE NUMBERS

\$25B

plastics assets appraised & disposed

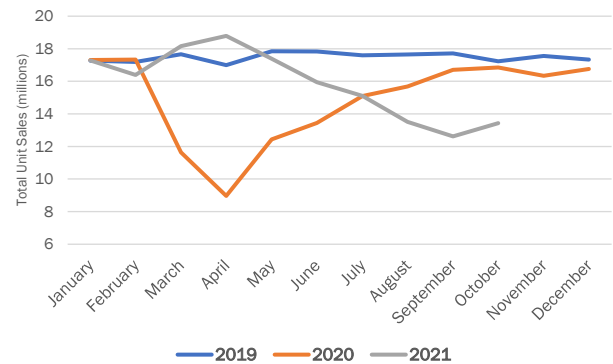
1,600+

plastics engagements

1,700+

plastics data points in proprietary database

U.S. TOTAL VEHICLE SALES



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RETURN TO GROWTH: The U.S. injection molding machinery market is heavily dependent on vehicle sales to drive associated plastics manufacturing machinery demand. Total vehicle unit sales fell 14.9% from 2019 levels following supply chain shutdowns in early 2020, according to U.S. Bureau of Economic Analysis data. Despite slowing sales from August through October, total vehicle sales increased 9.1% to over 158.6 million units year to date through October 2021 driven by a surge in the spring and early summer.

However, given the many supply chain issues facing auto makers, production levels may not return to pre-pandemic monthly unit totals of 17 million or more until 2025. While current new vehicle sales are still faring better than 2020, the most recent data from Statista shows a continuing decline in new vehicle sales growth.

Although sales trends can easily shift, it is expected overall sales levels should continue to see positive gains into 2022 given the reduction in new inventory availability over the past 12 months. Despite current import and export factors affecting the delivery of automotive components and vehicles, year-over-year growth beyond the first quarter of 2022 is difficult to predict. While new car sales volumes have been below historical levels, demand for aftermarket parts has increased as consumers are keeping vehicles longer.

Given this shift, Tier 1 and Tier 2 automotive suppliers should see less demand from car manufacturers but increased demand for aftermarket parts. As a result, any decrease in demand and value for injection molding machinery should be limited and consistent with historical value depreciation.

MACHINERY DEMAND TRENDS: Smaller tonnage late-model machines are seeing steady demand, while sales of machines from the 1990s and older continue to fall. Forecasts indicate increasing demand for some specific classes of machinery, such as water and pharmaceutical bottle manufacturers, while plastic food-related packaging demand will continue to be level with moderate growth. This should continue to support stable demand for later-model injection molding machines in this class.

Market demand for used late-model 400- to 600-ton injection molding machinery will be stable with the potential for increased demand because of the fluctuation in automotive production as supply chain issues are slowly mitigated. Demand for this molding machine category is improving based on the most recent auction data and discussions with market.

Given the mostly positive outlook for automotive production going forward based on dealer sentiment, value trends for these machines have stabilized at higher levels than those seen in 2020. The largest-capacity machines will continue to struggle to maintain consistent demand and sales price levels as these machines serve a much smaller market segment than smaller-capacity machines.

It is always important for lenders to partner with an appraiser that has up-to-date information on value trends given the changing landscape for injection molding machinery across a range of sizes and types. Gordon Brothers' proprietary database contains millions of auction records, and appraisers

monitor current sales performance and value trends daily so appraised values reflect real-world results.

INDUSTRY BENCHMARK: North American shipments of new plastics machinery decreased 6.9% from the first to the second quarter of 2021 primarily because of manufacturers' delays in filling new orders. Delays were driven by part and component shortages, according to industry publication Plastics News. However, total shipments of injection molding machines increased 19.5% for the second quarter over the same period in 2020.

Shipments of single- and twin-screw extruders increased 37.8% and 32.3%, respectively, for the second quarter of 2021 over 2020. Demand and shipment increases should continue through the end of 2021 and into 2022 as shortages recede and auto manufacturers return to pre-pandemic production levels.

RESIN COSTS AFFECTING CAPITAL FOR INVESTMENT: Machinery values have also been affected, albeit to a lesser extent, by resin prices. Resin availability issues caused pricing to increase 30% to 50% for some products in 2020. As a result of pandemic-related production issues, major hurricane events that shut down multiple chemical and polymer plants, and already tight supply levels of Polyethylene (PE) and polypropylene (PP), higher resin pricing was inevitable.

According to survey data from consulting firm Alix Partners, 60% of manufacturers reported resin shortages as of September 2021. Limited inventory and increased resin pricing in 2020 increased raw material costs and reduced molders' operating margins, limiting the availability of capital to invest in equipment. However, pricing for some major categories has more recently stabilized according to a mid-October 2021 report from Plastics Today.

PP and commodity grade PE resins saw declines of just \$0.06 per pound and \$0.03 per pound, respectively, for two consecutive weeks in early October 2021. Additionally, some resin producers have put proposed pricing increases on hold. For some, pricing may decrease because of these held inventories, pushing some producers to "chase" buyers to salvage gross margins.

BRAND IMPACTS VALUE: Brand recognition is an important factor in determining injection molding machine value. Top manufacturers Husky, Engel, Milacron, Krauss-Maffei, Nissei, Toshiba and Sumitomo (SHI) Demag are known for their high-end quality and strong brand recognition, which improves expected liquidation recoveries since buyers favor machines and brand names they recognize.

INDUSTRY LANDSCAPE: The injection molding machinery market is highly competitive and dominated by large international players because of its capital-intensive nature. Automotive and medical related industries will continue to drive demand for injection-molded products.

FORECAST STABLE: Secured lenders should continue to monitor the trajectory and pace of the automotive industry's growth and production and how resin prices can affect plastic product manufacturers' profitability. Automotive suppliers are expected to continue investing in multicomponent technology and moving to reduce weight, so the automotive industry will continue to be a market driver going forward.

While current conditions and projections for resin pricing, automotive production and other underlying elements are expected to remain stable, demand for injection molding machinery may decrease with the slow automotive production return through 2022. Longer term, demand should increase as supply shortages resolve and resin prices stabilize.

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The Expert: Tim Randall



With over 20 years of experience in the industry, Tim Randall is an expert in the field of machinery and equipment valuation. During his career, he has managed hundreds of unique appraisal projects across an array of industries, including plastics, CNC and metalworking, scrap processing, and aggregate and batch plants, among others. Read his full bio [here](#).



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