British Plastics Federation

Business Conditions Survey for the UK Plastics Industry

Conducted Jan/Feb 2015

Stronger Together

The British Plastics Federation's Business Conditions Survey

The British Plastics Federation (BPF) is the trade association for the United Kingdom's Plastics Industry. It was founded in 1933 and its membership embraces producers and distributors of plastics materials and additives, suppliers of machinery and equipment, manufacturers of semi-finished and finished plastics products, recyclers and service providers to the Plastics Industry.

Business trends in the Plastics Industry have much wider implications beyond the confines of the sector. Plastics are used in an extraordinarily wide range of customer sectors:retail, building and infrastructure, automotive, electronic, aerospace and healthcare to name but a few. Hence trends in the Plastics Industry can be held to be representative of manufacturing as a whole if not UK business in general. Therefore, this survey is an excellent barometer of conditions in the grass roots of the UK's manufacturing economy.

The Federation carries out surveys of business trends with a six monthly frequency. In this survey, companies were asked to forecast their expectations for the 12 months following January 2015.

For previous BPF Business Conditions Surveys go to:

www.bpf.co.uk/bcs.aspx

Participation

The survey was conducted throughout January and February 2015 with the results published in March. The survey, which was open exclusively to members of the British Plastics Federation, was completed by 93 firms.

The respondents were drawn from the following plastics industry sectors represented by the BPF:

Plastics Processors	63%
Recyclers	17%
Raw Materials Producers and Distributors	10%
Additives and Masterbatch	7%
Machinery and Equipment	3%

1 Plastic Industry Market Sectors

Respondents were asked which market sectors their companies supplied into. As is the nature of the Plastics Industry, the vast majority of companies are supplying into more than one market and the results are shown below:

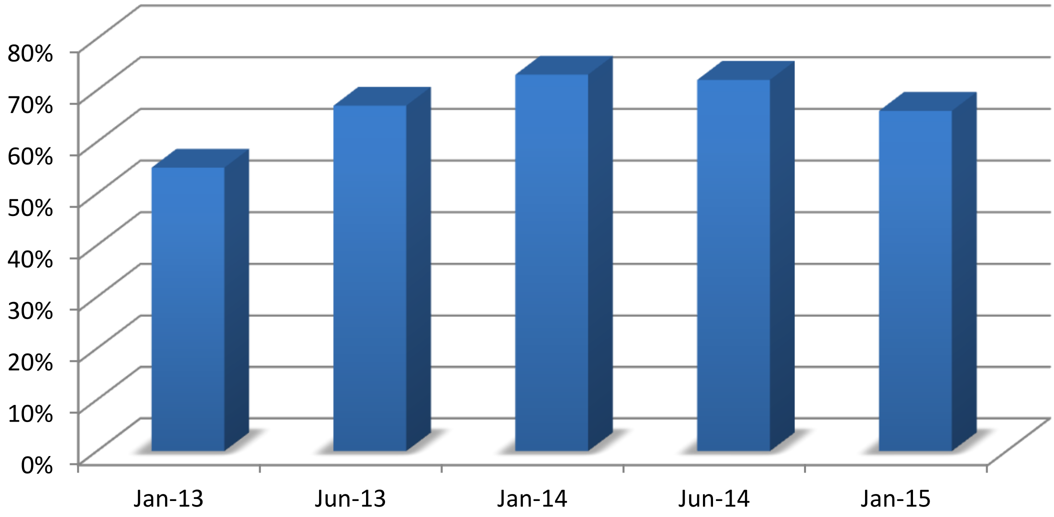
Construction	**55 respondents**
Automotive	**38 respondents**
Electrical and Electronic	**33 respondents**
Packaging	**30 respondents**
General mechanical goods	**22 respondents**
Healthcare	**19 respondents**

2 UK Sales Turnover

Companies were asked whether they predict their sales turnover will ‘decrease’, ‘increase’ or ‘stay the same’ over the next 12 months.

Two thirds (66%) of respondents forecasted an increase demonstrating a decrease in optimism from the last survey in June 2014 where 72% of firms predicted an increase in sales turnover.

Percentage of Respondents Predicting an
Increase in Sales Turnover in the Next 12 Months



Of those predicting an increase....

20%	Expected turnover to increase by	2 - 5%
22%	Expected turnover to increase by	6 - 10%
10%	Expected turnover to increase by	11 - 20%
10%	Expected turnover to increase by	21% +
3%	Expected turnover to increase but did not specify or did not know %	
66%		

Of those surveyed, the most optimistic were firms involved in construction with 100% of windows and pipes companies predicting an increase in sales turnover (with the average predicted increase of 7%).

The least optimistic was the polymer distributors with only 40% of those firms predicting a likely increase in sales turnover.

17% of respondents were expecting no change over the next 12 months, compared to 26% in the June 2014 survey. More strikingly 13% were predicting a decrease, compared to 2% in the survey of 6 months ago. This is the highest level seen since January 2013 when 15% were predicting a decrease in UK sales turnover.

Of those firms predicting a decrease in sales turnover nearly half mentioned the drop in polymer price as a key reason.

3 Export Sales Turnover

Companies were asked whether they predict their export sales will ‘decrease’, ‘increase’ or ‘stay the same’ over the next 12 months. Of those surveyed 95% of respondents answered this question meaning virtually all are engaged in some way with exports.

Of those that did respond, 37% expected export sales to increase over the next six months, down from 41% recorded in the June 2014 survey.

47% expected export sales to stay the same and 16% expected it to decrease (up from 8% in the last survey).

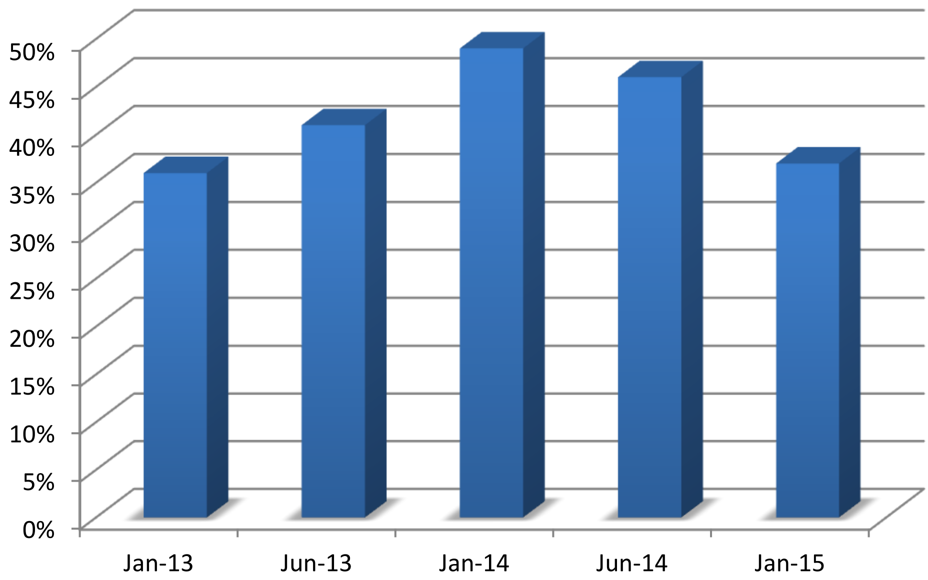
Of those respondents who were expecting an increase in export sales turnover over the next 12 months...

11%	**Expected turnover to increase by**	**2 - 5%**
11%	**Expected turnover to increase by**	**6 - 10%**
1%	**Expected turnover to increase by**	**11 - 20%**
5%	**Expected turnover to increase by**	**21% +**
10%	**Expected turnover to increase but did not specify or did not know %**	
37%		

4 Profitability

37% of respondents expected their profitability to increase in the next 12 months, down from 46% in the June 2014 survey and the lowest since January 2013.

Percentage of Respondents Predicting an Increase in Profitability in the 12 Months



Of those respondents who were expecting an increase in profitability in the next 12 months...

13%	Expected their profit margin to increase	2 - 5%
13%	Expected their profit margin to increase	6 - 10%
4%	Expected their profit margin to increase	11 - 20%
3%	Expected their profit margin to increase	21% +
13%	Expected profitability to increase but did not specify or did not know %	
46%		

47% expected profitability to remain the same and 16% expected a decrease in profitability (an increase from 10% in the June 2014 survey and the highest level since January 2013).

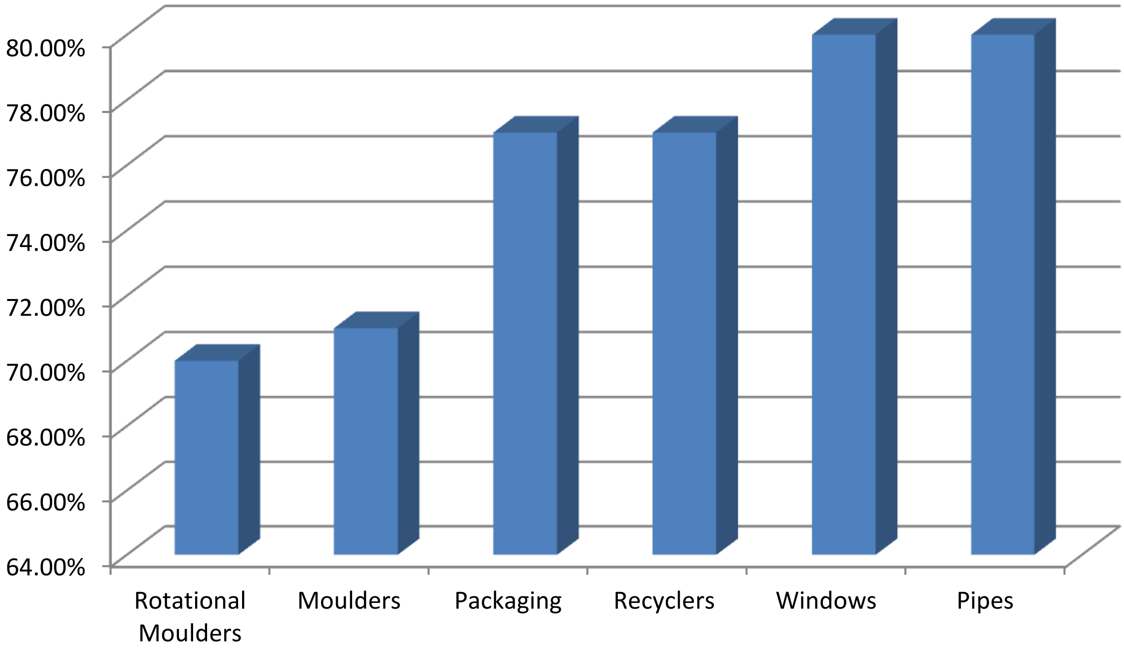
5 Capacity Utilisation

We asked companies how much capacity will be utilised over the next 12 months, overall, of those who responded, the average predicted capacity utilisation was 74% (down slightly from 77% in June 2014).

Of those that responded…

3%	Would utilise capacity at	100%
14%	Would utilise capacity at	86 - 99%
28%	Would utilise capacity at	80 - 85%
31%	Would utilise capacity at	70 - 79%
12%	Would utilise capacity at	60 - 69%
7%	Would utilise capacity at	50 - 59%
5%	Would utilise capacity at	Under 50%

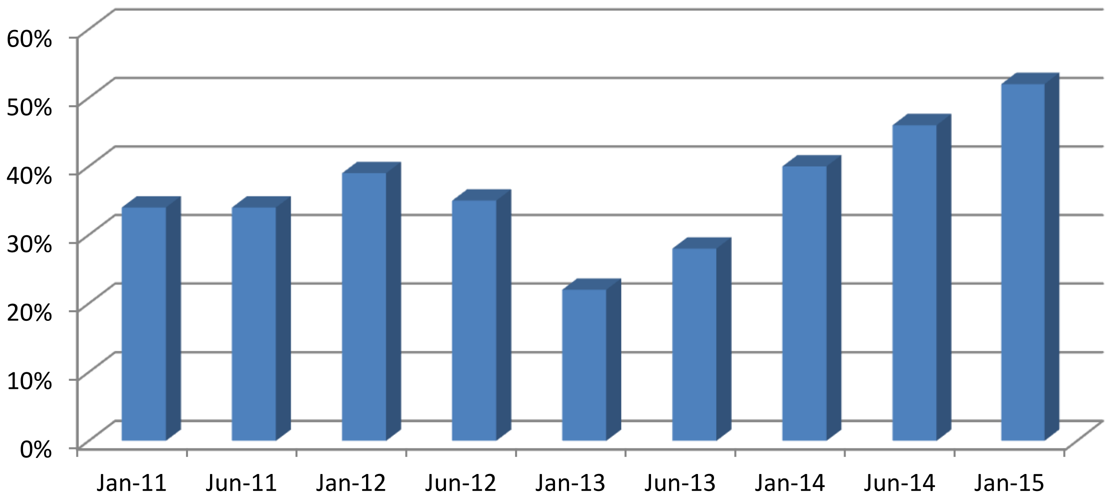
Average Capacity Utilisation of
Various BPF Member Groups



6 Staffing

We asked companies if they expected the number of full time employees to ‘increase’, ‘decrease’ or ‘stay the same’ in the next 12 months. Over half (52%) were expecting to increase staff levels in the next 12 months, which is the highest level seen in four years.

Percentage of Firms Surveyed Looking to
Increase Staff Levels in the Next 12 Months



The breakdown of those planning to increase, decrease and maintain the same staff numbers is shown below...

29%	Increase staff by	1 - 5%
11%	Increase staff by	6 - 10%
6%	Increase staff by	11 - 25%
6%	Increase staff but unsure by what percentage	
37%	Stay the same	
11%	Reduce staff numbers	

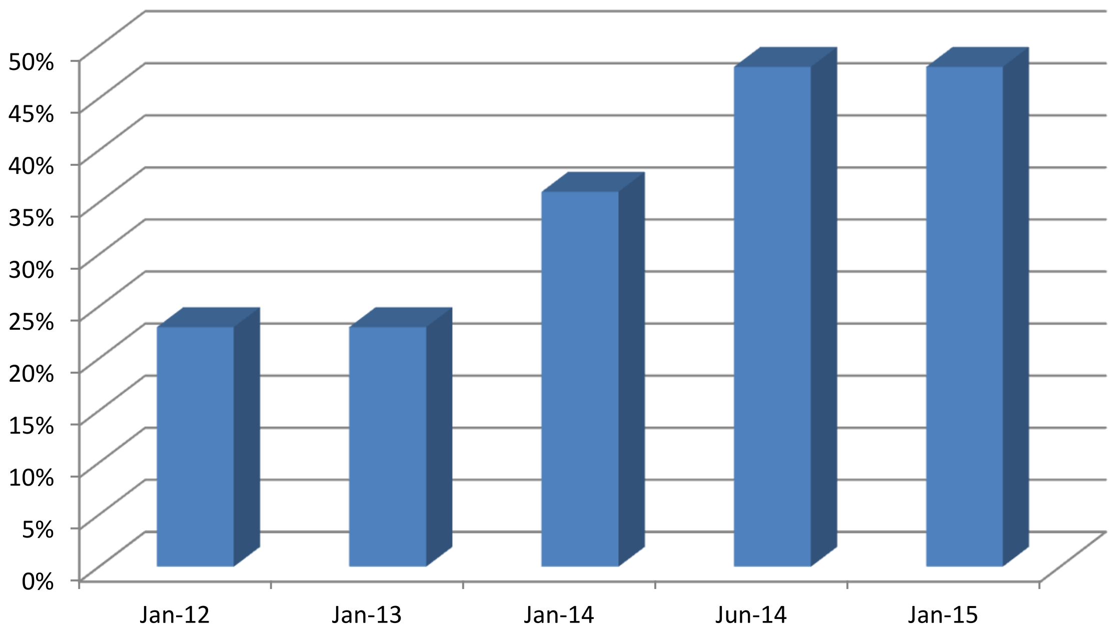
7 Skills Needs

We asked respondents if they are having difficulty recruiting staff:

44% of respondents had no difficulty
48% were having difficulties
8% were not recruiting

The numbers of companies having difficulty recruiting continues to be a worrying sign for the industry and is a clear indication of the growing skills shortage which shows no sign of improvement.

Percentage of Firms Surveyed Having Difficult Recruiting Staff



We asked those having difficulties which types of staff were hard to recruit:

For 67% Technical Managers were hard to recruit
For 31% Shop Floor staff were hard to recruit
For 29% Sales Force were hard to recruit
For 24% Other Management/Supervisory were hard to recruit
For 21% Apprentices were hard to recruit

8 New Bank Lending

We asked respondents if obtaining loans was a problem at present:

Yes	12%
No	88%

We asked if they had been refused a loan:

Yes	6%
No	94%

We asked if they were impacted by high Bank charges:

Yes	28%
No	72%

9 Investment intentions in Plant and Equipment

We asked respondents what their investment intentions in plant and equipment were for the next 12 months...

53% will invest a little
35% will invest significantly
12% plan no investment

This question highlighted a slight decrease from the June 2014 survey where 42% of firms were planning to "invest significantly" in plant and equipment.

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