British Plastics Federation

Business Conditions Survey for the UK Plastics Industry

Conducted June 2014

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 June 2014.

For previous BPF Business Conditions Surveys go to

www.bpf.co.uk/bcs.aspx

Participation

The survey was conducted throughout June 2014 and the results published in July. The survey, which was open exclusively to British Plastics Federation Member companies, was completed by 89 firms.

The respondents were drawn from the following Plastics Industry sectors represented by the BPF:

Plastics Processors	**67%**
Raw Materials Producers and Distributors	**14%**
Additives and Masterbatch	**5%**
Recyclers	**4%**
Machinery and Equipment	10%

1 Plastic Industry Market Sectors

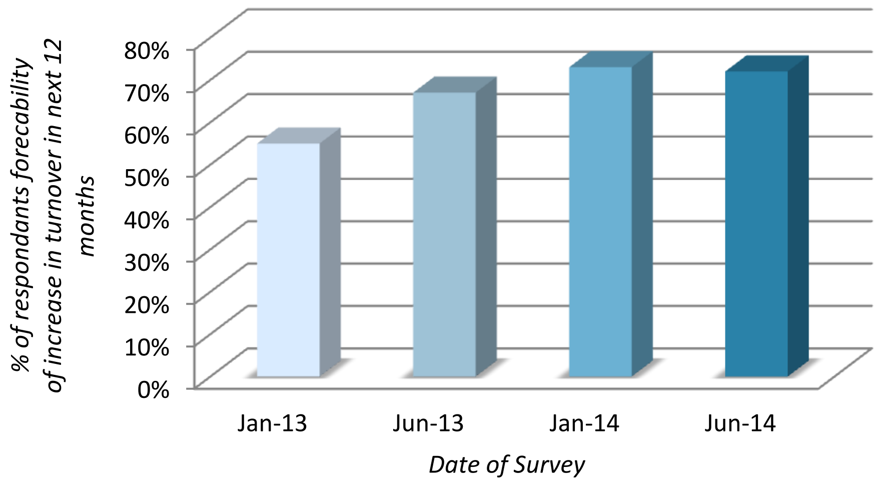
Respondents were asked which market sectors their companies supplied into and most companies are supplying more than one market.

The top markets were as follows:

Construction	**58 respondents**
Packaging	**41 respondents**
Automotive	**44 respondents**
Electrical and Electronic	**36 respondents**
Healthcare	**38 respondents**
General mechanical goods	**27 respondents**
Furniture	**15 respondents**

2 UK Sales Turnover

For the next 12 months, 72% of respondents were forecasting an increase in UK sales turnover. This is in line with the January 2014 survey, where 73% were predicting a sales increase, but it represents a sharp increase from June 2013 (67%) and January 2013 (55%). This seems to indicate that the growth levels in the plastics industry that we have seen over the last two years are beginning to plateau.



Of those predicting an increase....

17%	Expected turnover to increase by	2 - 5%
26%	Expected turnover to increase by	6 - 10%
17%	Expected turnover to increase by	11 - 20%
4%	Expected turnover to increase by	21% +
8%	Expected turnover to increase but did not specify or did not know %	
72%		

The most optimistic groups (with at least 80% of those surveyed predicting an increase in sales turnover) were injection moulders, windows, packaging and pipes companies.

Construction products manufacturers were the highest in terms of predicted increases with an average of 7.5%

26% of respondents were expecting no change over the next 12 months with only 2% predicting a decrease.

3 Export Sales Turnover

Only 74% of respondents answered this question indicating not all are engaged in export.

Of those that did respond 56% expected export sales to remain the same for 2014, up from 50% in our January 2014 survey.

41% expected Export Sales to increase in the next 12 months which was in line with the previous survey (42%) but up on our June 2013 survey (36%).

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

20%	Expected turnover to increase by	2 - 5%
5%	Expected turnover to increase by	6 - 10%
7%	Expected turnover to increase by	11 - 20%
4%	Expected turnover to increase by	21% +
5%	Expected turnover to increase but did not specify or did not know %	
41%		

The most optimistic were equipment manufacturers who reported an average export sales increase of 11.5%.

Only 3% of respondents predicted a decrease in export sales which is down from 8% in the previous survey.

4 Profitability

46% of respondents expected their profitability to increase in the next 12 months, down slightly from 49% in the previous survey.

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%		

43% expected profitability to remain the same and 10% expected a decrease in profitability.

Of those who predicted a decrease in the next 12 months...

5%	expected their profit margin to decrease	2 - 5%
1%	expected their profit margin to decrease	6 - 10%
0%	expected their profit margin to decrease	11 - 20%
1%	expected their profit margin to decrease	21% +
3%	Expected profitability to decrease but bid not specify or did not know %	
10%		

5 Capacity Utilisation

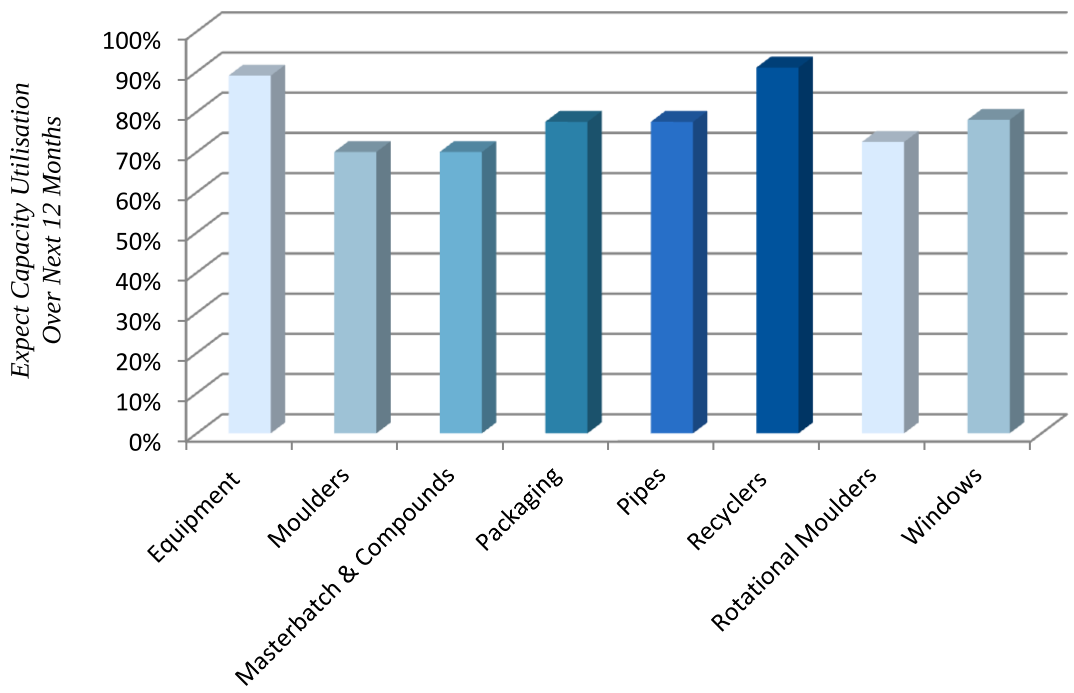
We asked companies how much capacity will be utilised over the next 12 months; 42% of respondents did not reply but here are the results for the majority that did:

8%	Would utilise capacity at	100%
22%	Would utilise capacity at	86 - 99%
27%	Would utilise capacity at	80 - 85%
16%	Would utilise capacity at	70 - 79%
16%	Would utilise capacity at	60 - 69%
8%	Would utilise capacity at	50 - 59%
4%	Would utilise capacity at	Under 50%

Overall, of those who responded, the average predicted capacity utilisation was <u>77%.</u>

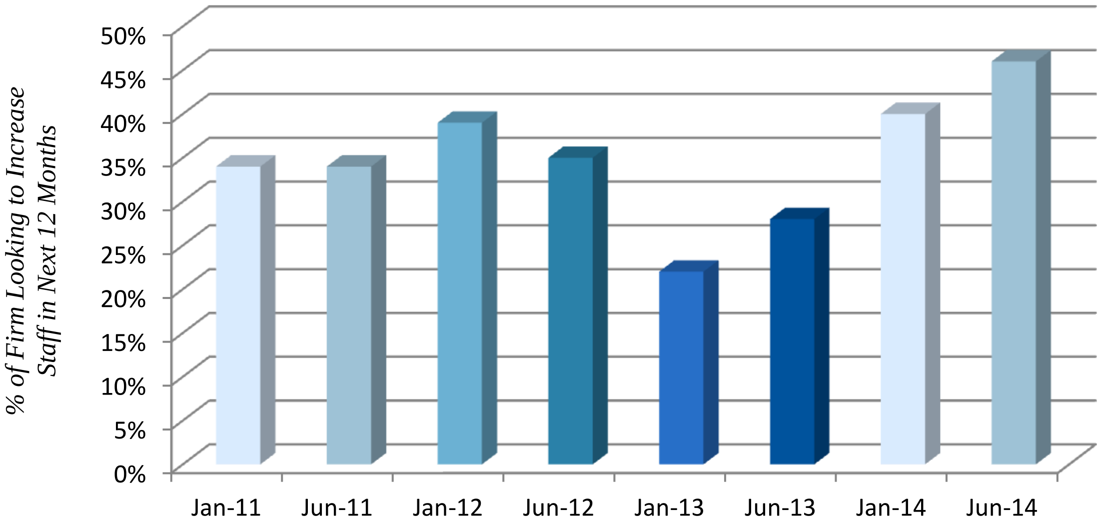
28% of respondent firms are operating at below 70% capacity (down from 35% in January 2014)

The average capacity utilisation of some of the different groups is shown below...



6 Staffing

46% were expecting to increase staff levels in the next 12 months, which is the highest level seen in four years...



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

15%	**increase staff by**	**2 - 5%**
7%	**increase staff by**	**6 - 10%**
11%	**increase staff by**	**11 - 20%**
12%	**Increase staff but unsure by what percentage**	
49%	**Stay the same**	
5%	**decrease staff by**	**2 - 5%**

49% expected no change in their staffing levels in the next 12 months, which was down slightly from January 2014 (52%).

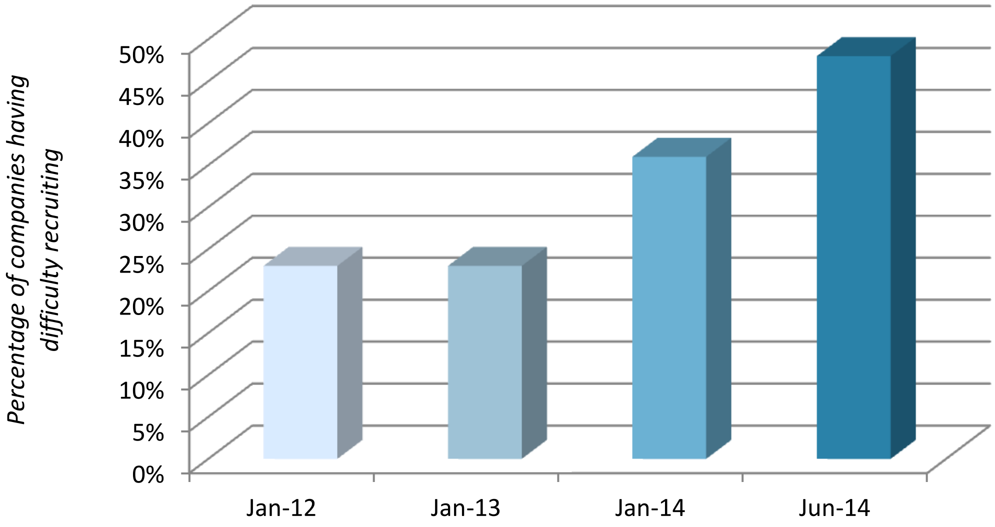
The Groups who were notable for staff increases were the injection moulders, with 55% of firms looking to increase numbers, and the polymer distributors and compounders, with 75% looking to raise headcount. The highest average increase in staffing numbers was reported by the distributors and compounders, who reported an average increase of 10%.

7 Skills Needs

We asked respondents if they are having difficulty recruiting staff:

43% of respondents had no difficulty
48% were having difficulties
10% were not recruiting

The numbers of companies having difficulty recruiting is worrying and is a clear sign of the growing skills shortage and the percentage has been increasing steadily over the last few years...



A positive sign is that only 10% of companies were not recruiting, which is down from 20% in January 2014 and shows a real sign of investment in people in the industry.

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

For 63% Technical Managers were hard to recruit
For 47% Sales Force were hard to recruit
For 32% Other Management/Supervisory were hard to recruit
For 34% Shop Floor staff were hard to recruit
For 24% Apprentices were hard to recruit
For 16% Engineers were hard to recruit

8 New Bank Lending

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

Yes	**7%**
No	**93%**

We asked if they had been refused a loan:

Yes	**1%**
No	**99%**

We asked if they were impacted by high Bank charges:

Yes	**18%**
No	**82%**

9 Investment intentions in Plant and Equipment

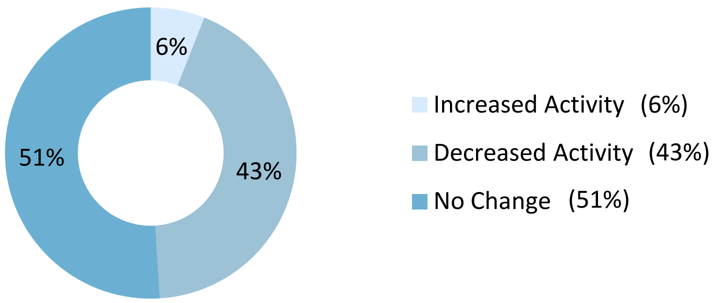
We asked respondents what their investment intentions in plant and equipment were for the next 12 months...

49% will invest a little
42% will invest significantly
9% plan no investment

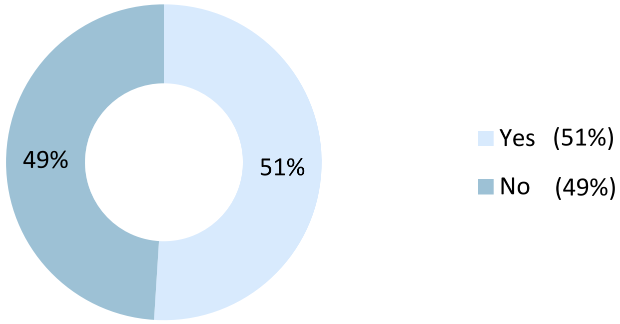
This question once again highlighted a trend for increasing investment from the industry with 42% planning significant investment compared to 36% in January 2014 and 31% in January 2013.

10 Mergers and Acquisitions

For the first time we asked participants what level of merger & acquisition activity they have seen in their sector in the previous 5 years:



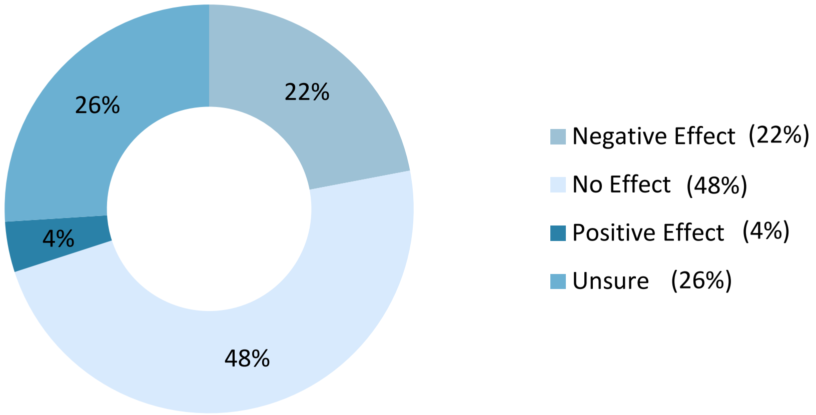
We then asked companies if they believed their industry segment would undergo significant consolidation in the next 3 years. The responses are shown below...



The most significant results were those of the packaging and windows groups. Both groups predicted significant consolidation over the next 3 years with 100% of windows companies and 80% of packaging firms answering 'yes' to this question.

11 Referendum on Scottish Independence

On 18th September 2014 the Scottish electorate will vote "Yes" or "No" to Independence and with this vote looming we asked fs *"If the vote leads to an independent Scotland, what effect do you think this will have on your business?"*



British Plastics Federation
BPF House
6 Bath Place
Rivington Street
London
EC2A 3JE

TEL
020 7457 5000
FAX
020 7457 5020
EMAIL
reception@bpf.co.uk
WEB
www.bpf.co.uk