British Plastics
Federation

Business Conditions Survey for the UK Plastics Industry

August 2021

Introduction

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, electronics, aerospace and healthcare to name but a few. Hence trends in the plastics industry can be regarded as 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.

Since 2009, the Federation has carries out this survey of business trends every six months and wherever possible previous data is shown in order to better understand industry trends.

For previous BPF Business Conditions Surveys go to:

www.bpf.co.uk/bcs

And for results of other BPF member surveys visit…

www.bpf.co.uk/surveys

Participation

The survey was conducted in August/September 2021 and the results published in September 2021.

The survey, which was open exclusively to members of the British Plastics Federation, was completed by 76 firms.

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

Plastics Processors	**71%**
Recyclers	**7%**
Raw Materials Producers and Distributors	**11%**
Machinery and Equipment	**11%**

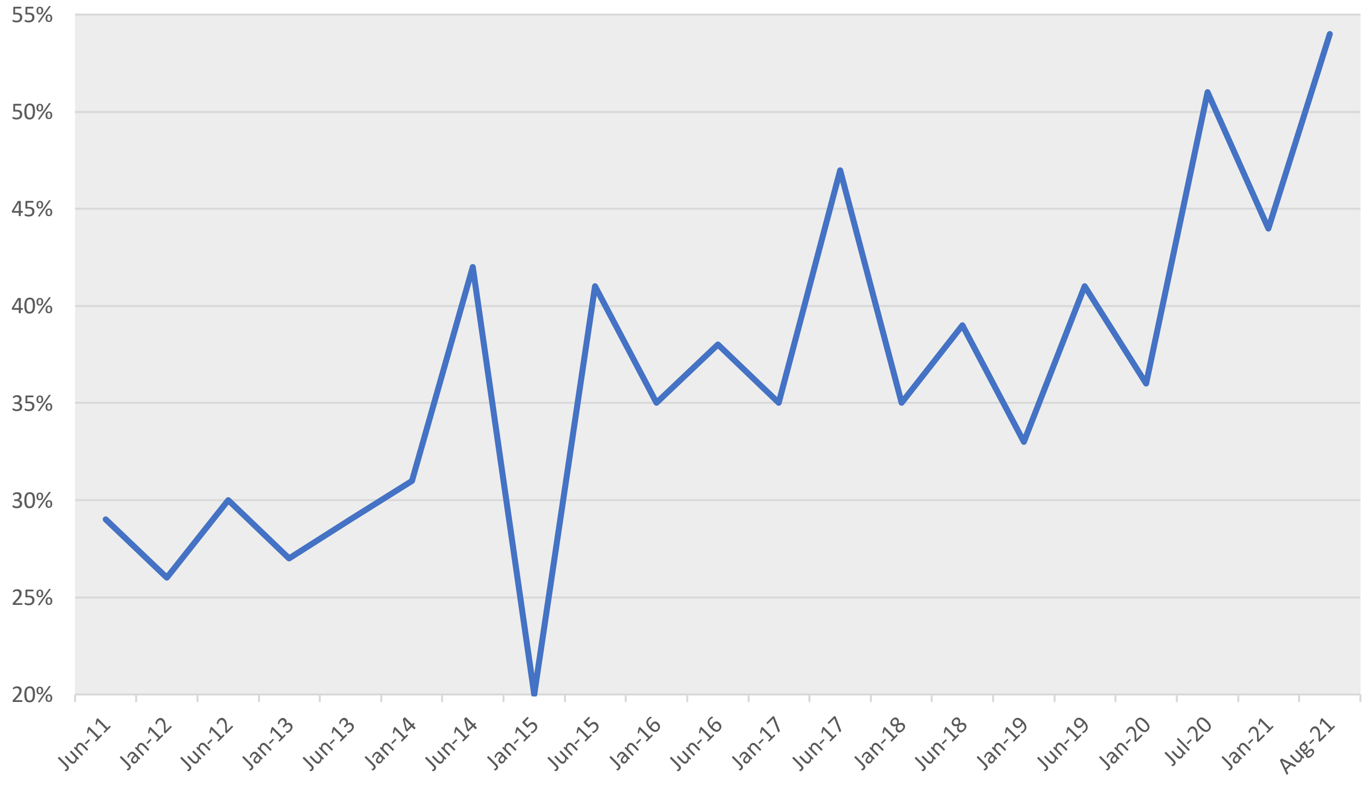
Plastic Industry Market Sectors

Respondents were asked which market sectors their companies supplied into. As is the nature of the plastics industry, most companies are supplying into more than one market and the results are shown below.

Construction	**55%**
Automotive	**51%**
Electrical and Electronic	**44%**
Packaging	**67%**
General mechanical goods	**40%**
Healthcare	**54%**

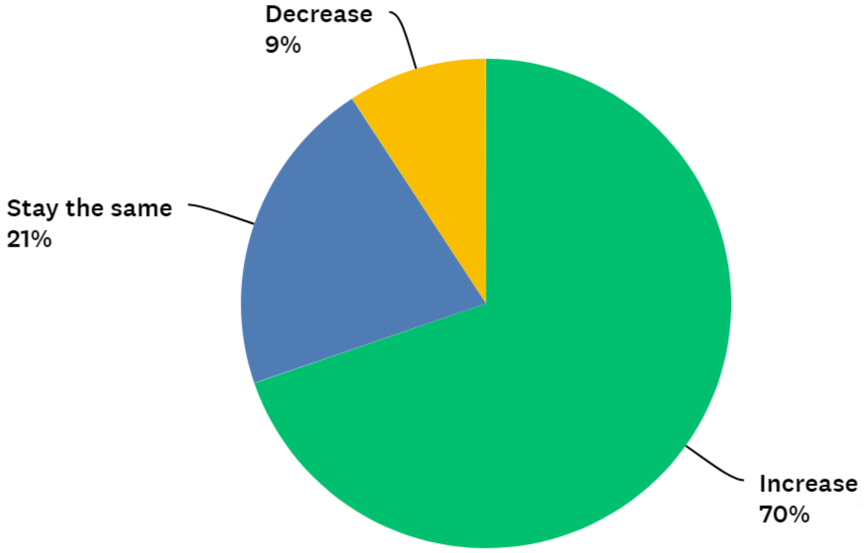
It is worth noting that in this survey 54% of firms reported selling products into the healthcare sector which is the highest number ever reported. This is considerably higher than the average 34% which was reported for the nine years prior to the pandemic.

Percentage of Respondents Serving the Healthcare Market (June 2011-August 2021)

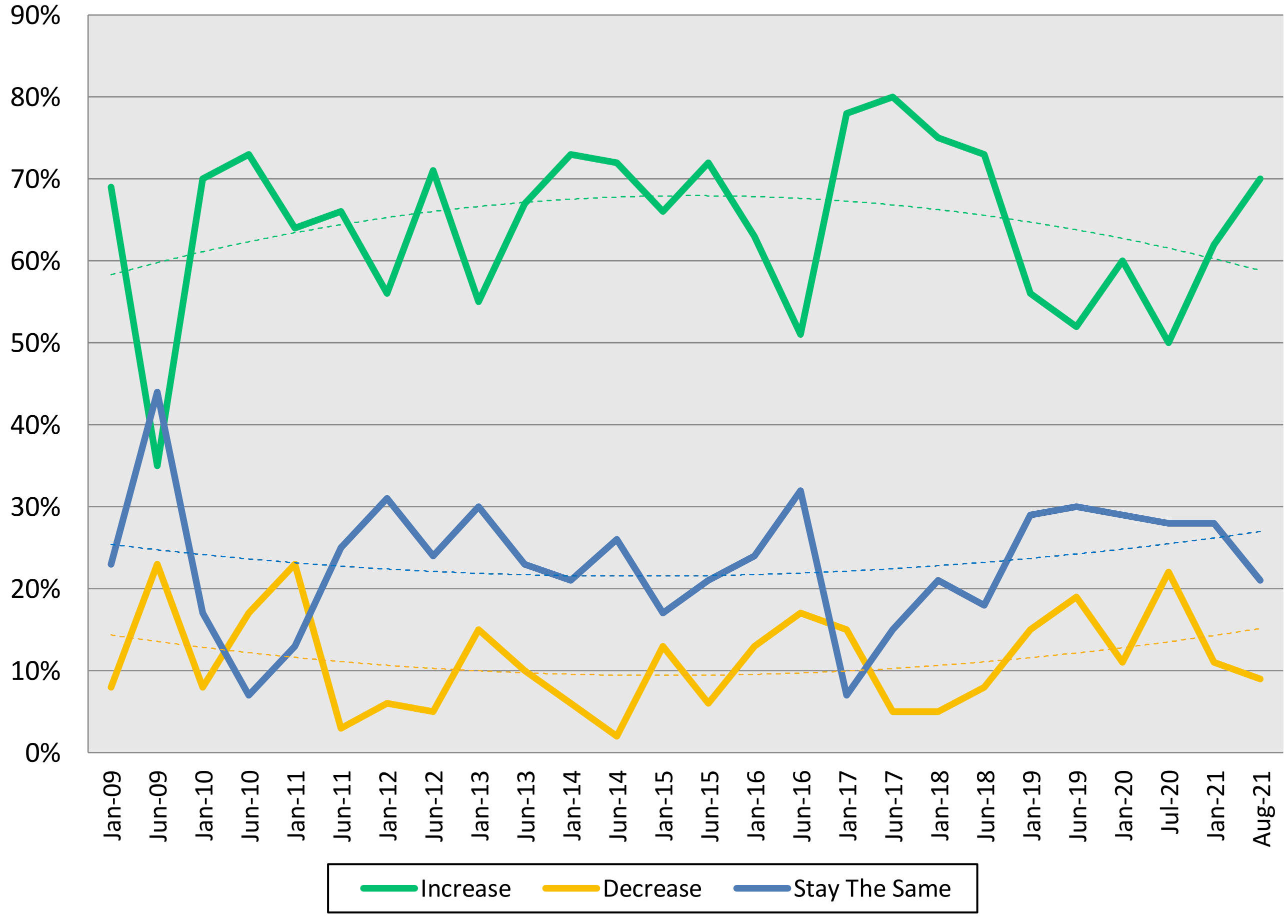


Sales Turnover

Percentage of Respondents Predicting Sales Turnover Will 'Increase', 'Decrease' or 'Stay The Same' Over the Next 12 Months



Percentage of Respondents Predicting Sales Turnover Will 'Increase', 'Decrease' or 'Stay The Same' Over the Next 12 Months



The survey showed a significant increase of companies stating that they were predicting sales turnover to increase, with 70% of firms predicting increased turnover in the next 12 months (up from 62% in the last survey).

A variety of reasons were given for these positive predictions including companies mentioning *'re shoring'* and *'increased domestic demand post-Brexit'* as well as a projected pickup of business as the country '*exits Covid'*. One company simply stated *"we are unsure of the driver but demand is far higher than expected".*

Those predicting decreases typically pointed to various supply chain issues including shortages of semi conductors, labour, HGV drivers and of course raw material.

As of August 2021 how has your company's sales have performed against budget so far this year?

Average Number Given…

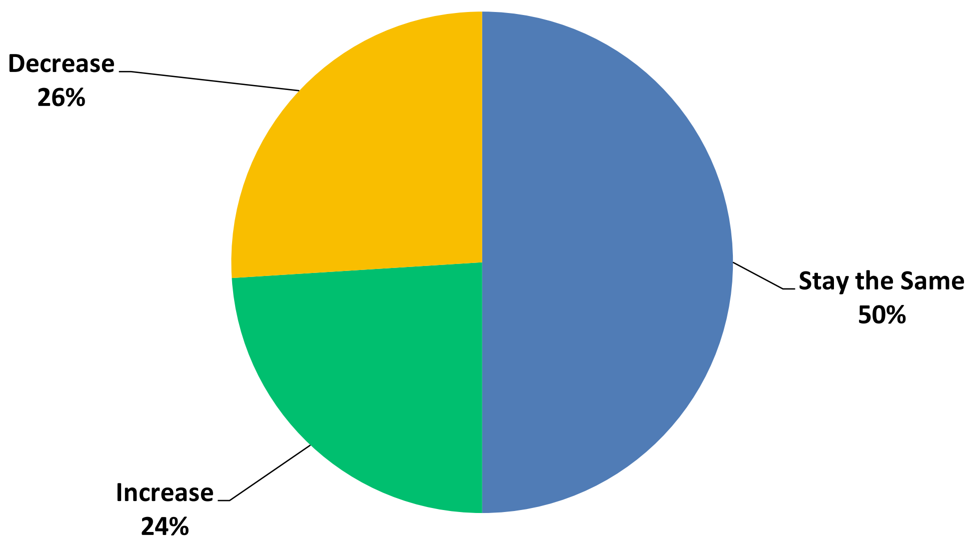
+14%

We have asked this question in a number of recent surveys – below is how this compares to previous surveys…

Predicted Sales vs Budget 2020 *(July 2020 survey)*	*Actual Sales vs Budget 2020* *(January 2021 survey)*	*Performance Against Budget as of August 2021* *(August 2021 survey)*
-4%	***+8.68%***	***+14%***

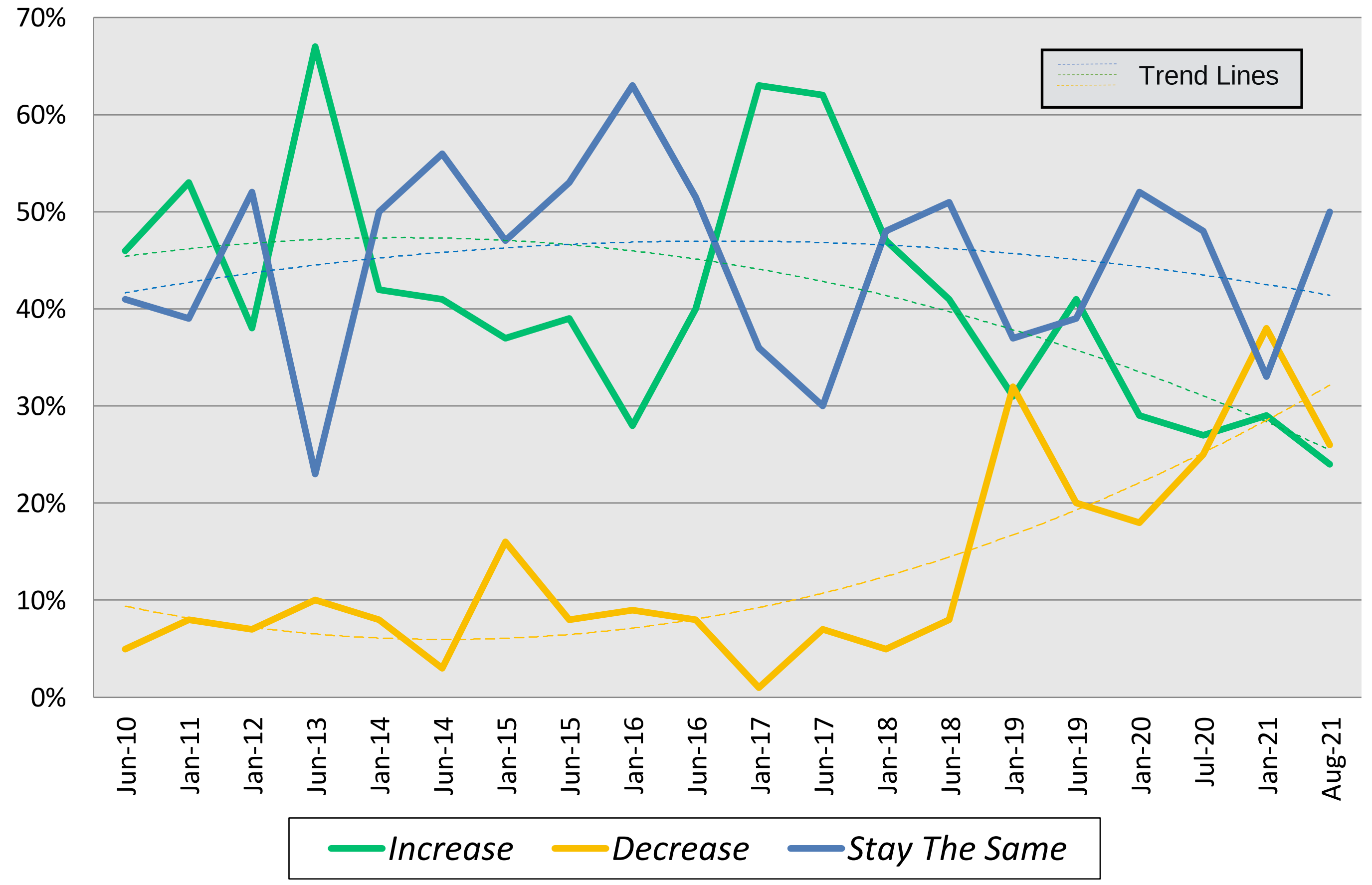
Export Sales Turnover

Percentage of Respondents Predicting Export Sales Will 'Increase', 'Decrease' or 'Stay The Same' Over the Next 12 Months



**Note: Companies who state they "do not export" (23% in this survey) are removed from results*

*Percentage of Respondents Predicting Export Sales Will 'Increase', 'Decrease' or 'Stay The Same' Over the Next 12 Months**



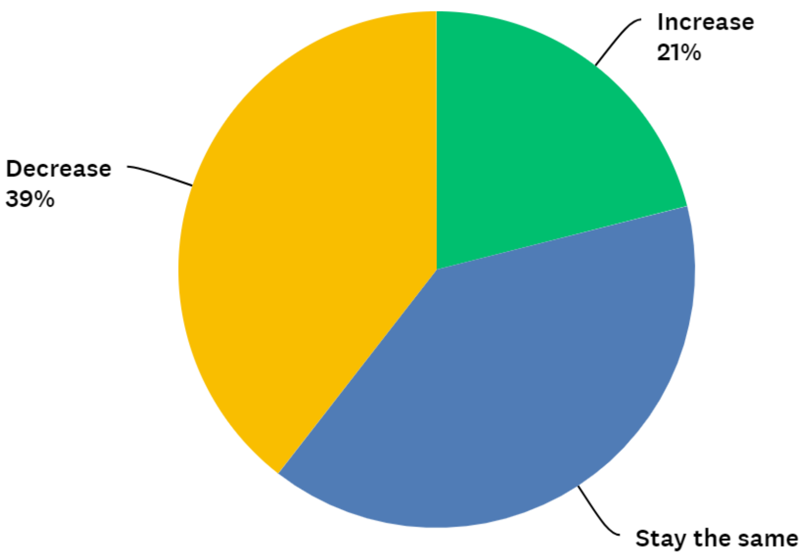
This survey saw the lowest number of companies ever predicting an increase in export sales with the vast majority of those companies pointing to issues relating to Brexit, typical examples of comments were..

- *“Delays at ports”*
- *“Administrative burdens”*
- *“Brexit paperwork”*
- *“Brexit has made export sales more challenging”*
- *“Complexities of the process post-Brexit”*

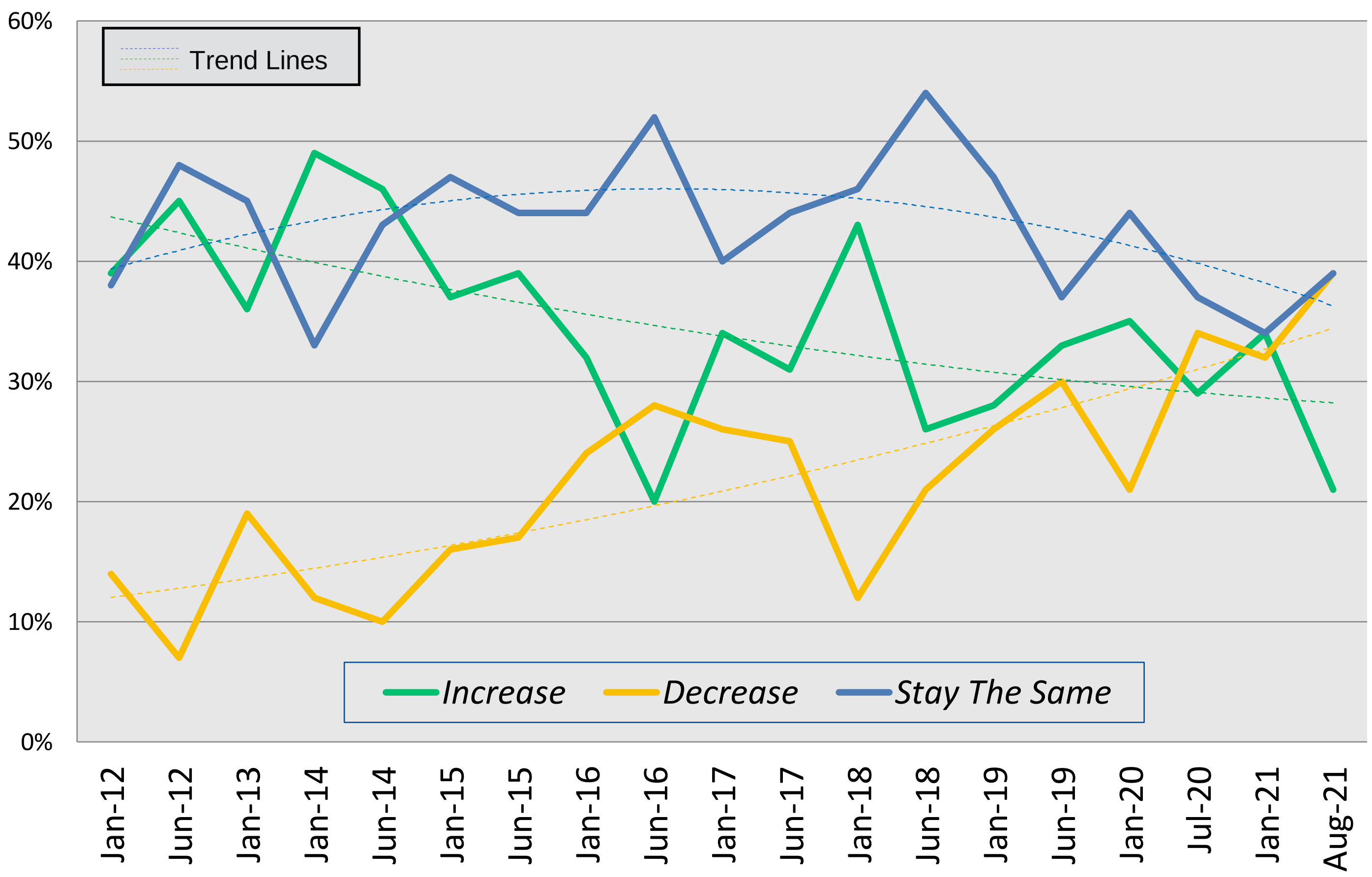
One company stated *“Sales within our main export market has declined by over a third in the last twelve months owing to our company becoming less competitive (vs other European operators); mainly due to Brexit related costs. We do not expect to recover this market share in the short-term.”*

Profitability

Percentage of Respondents Predicting Profit Margins Will 'Increase', 'Decrease' or 'Stay The Same' Over the Next 12 Months



Percentage of Respondents Predicting Profit Margins Will 'Increase', 'Decrease' or 'Stay the Same' Over the Next 12 Months



This survey saw a sharp drop in the number of companies predicting an increase in profitability with only 21% of firms predicting an increase compared to 34% in the survey 6 months ago and a record 39% predicted a decrease.

In the vast majority of cases companies cited increased costs as the reason for a predicted decrease in profitability.

The most cited cost increases were…

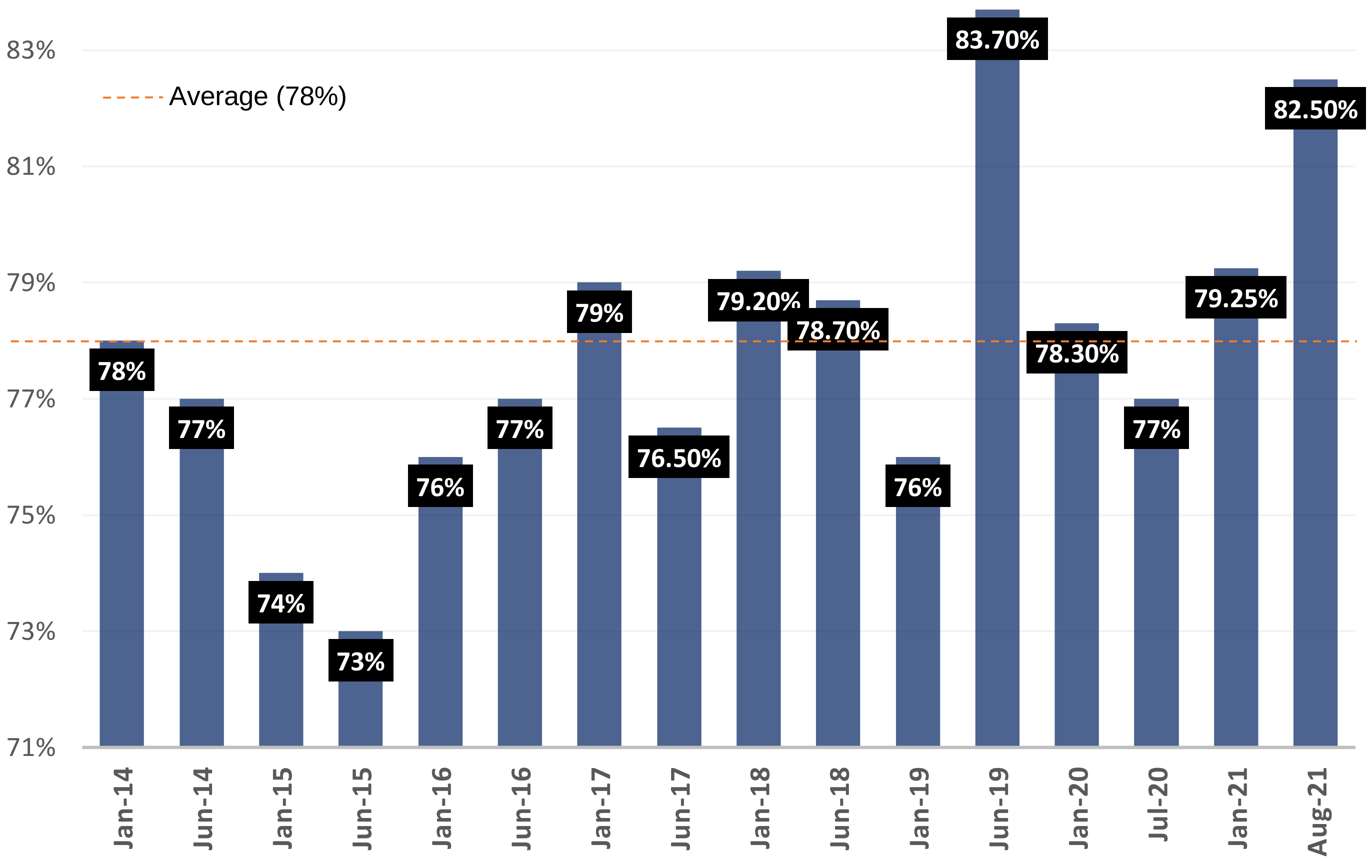
- **Raw material costs** (the most commonly cited reason for poor profitability predictions)
- **Labour costs**
- **Transport/logistic costs** (some companies also specified increased import/export costs as a result of Brexit)
- **Energy costs**

In addition to the above three companies specifically talked about the issue of the upcoming plastic packaging tax with one stating *"inability to pass on the plastic tax will probably negatively impact profitability*" and another that "*the introduction of the plastic packaging tax will affects our products, not just packaging".*

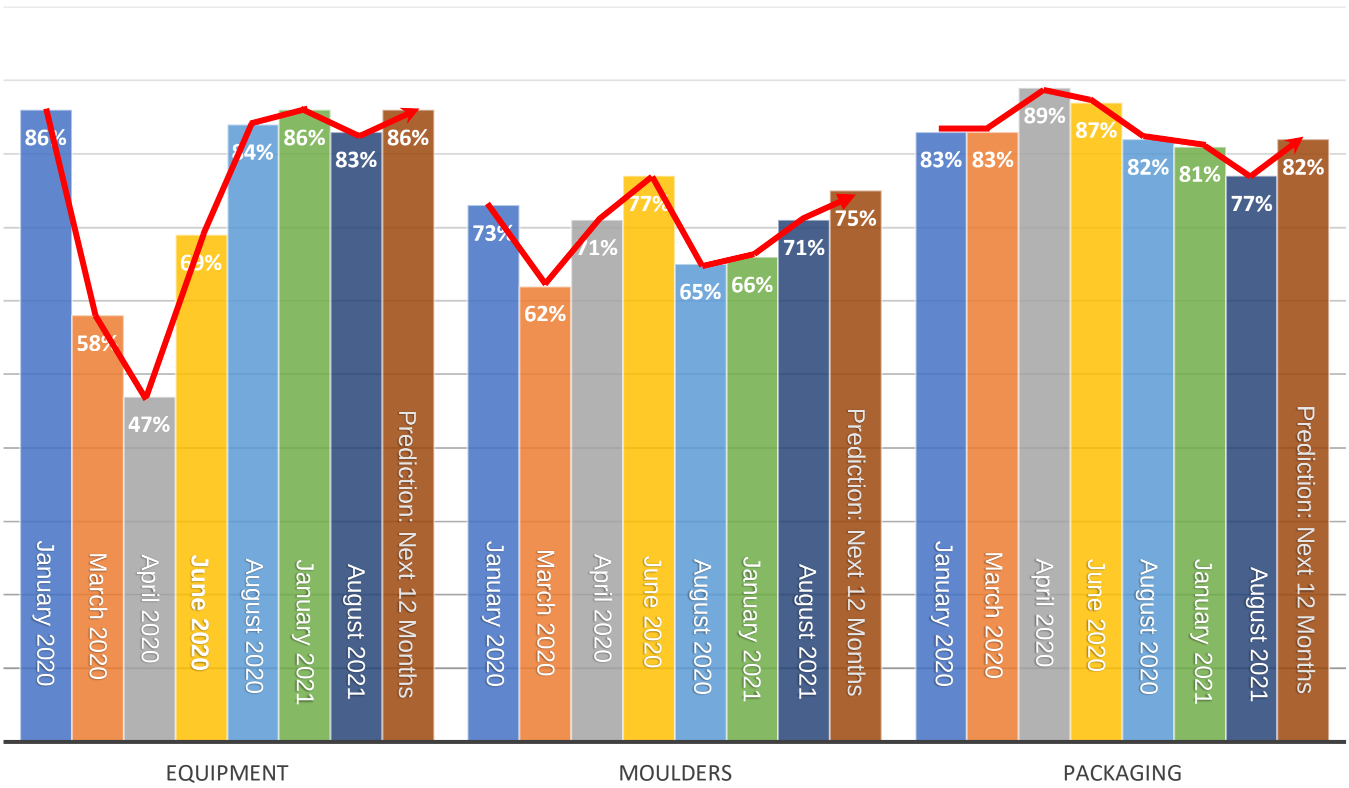
Capacity Utilisation

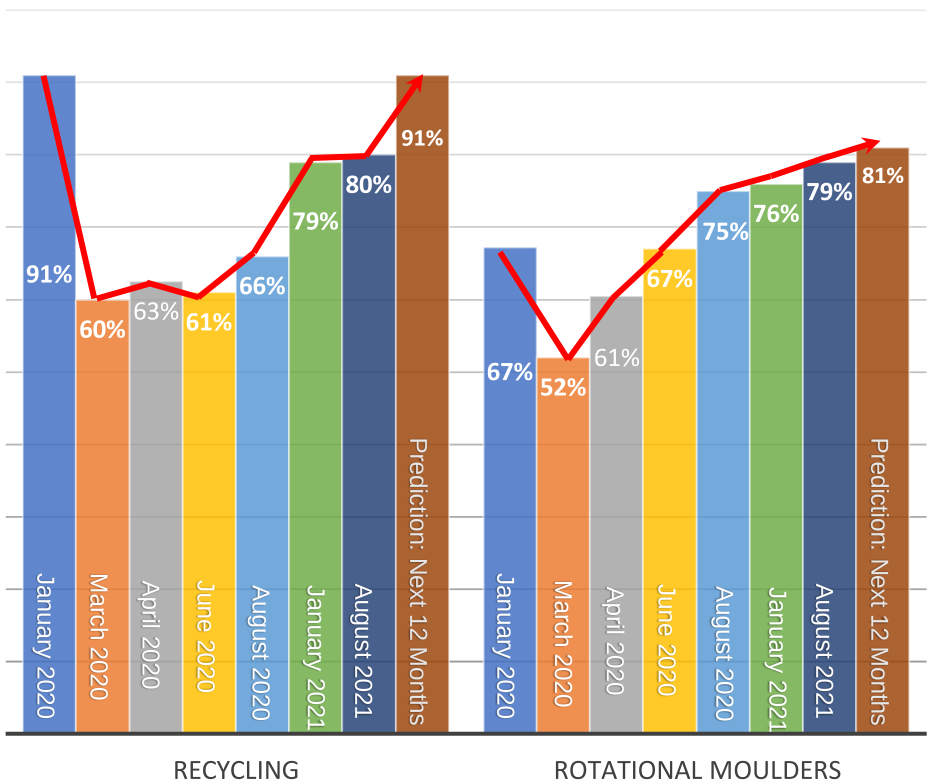
The BPF asked companies how much capacity they thought would be utilised over the next 12 months (on average). Of those that responded, the average predicted capacity utilisation was 82.5% which is the second highest capacity utilisation predicted.

Average Capacity Utilisation Over the Next 12 Months



Capacities for Various BPF Membership Groups January, March, April, June, August 2020, January, August 2021 and Predictions for Average Capacity for the Next 12 Months

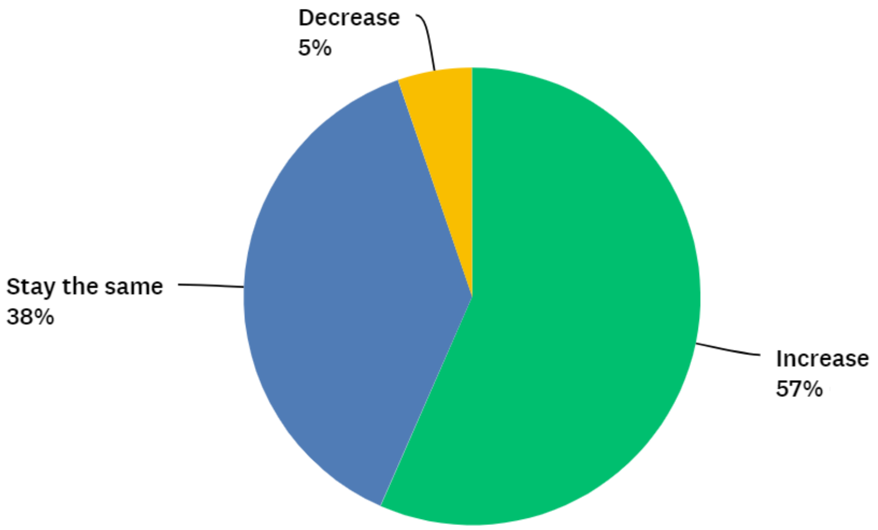




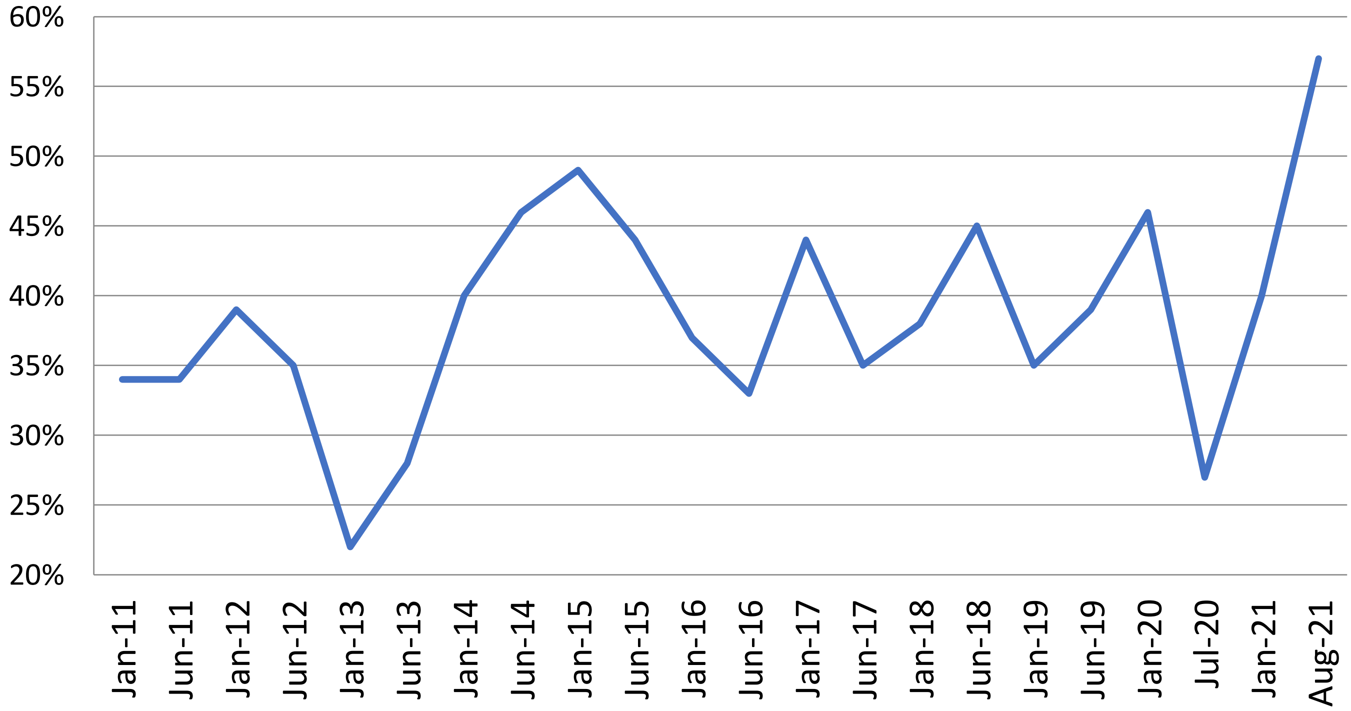
NOTE: January 2020 is based on companies' predictions given in the BPF Business Conditions Survey Jan 2020 (based on predicted average capacity for the next 12 months). March, April and June 2020 data is taken from the BPF COVID-19 Supply Chain Monitors and based on current capacities at the time of asking (26 March-2nd April, 15th-17th April and 1st-3rd June). All other data is based on BPF Business Conditions Survey data.

Staffing

Percentage of Respondents Surveyed Looking to
"Increase", "Decrease" or "Maintain Staff Levels" in the Next 12 Months



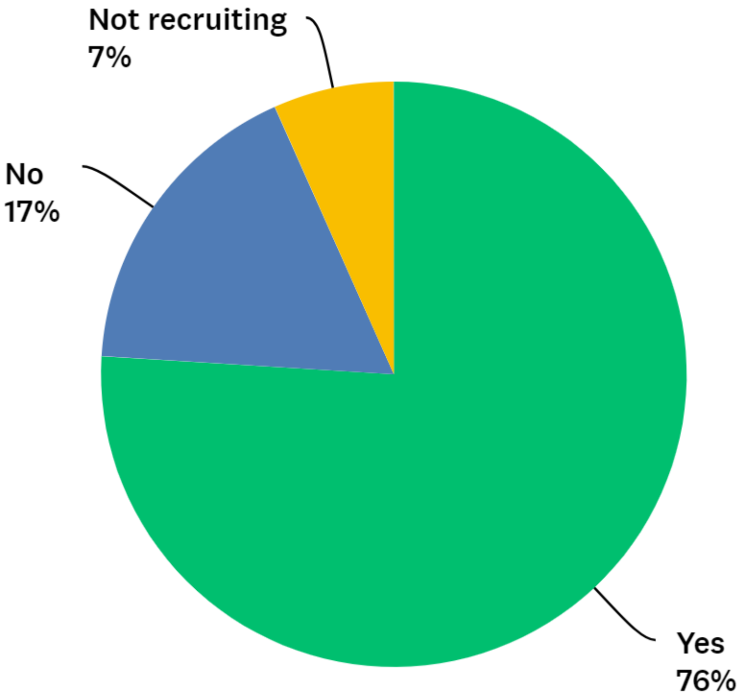
Percentage of Respondents Surveyed Looking to
"Increase Staff Levels" in the Next 12 Months



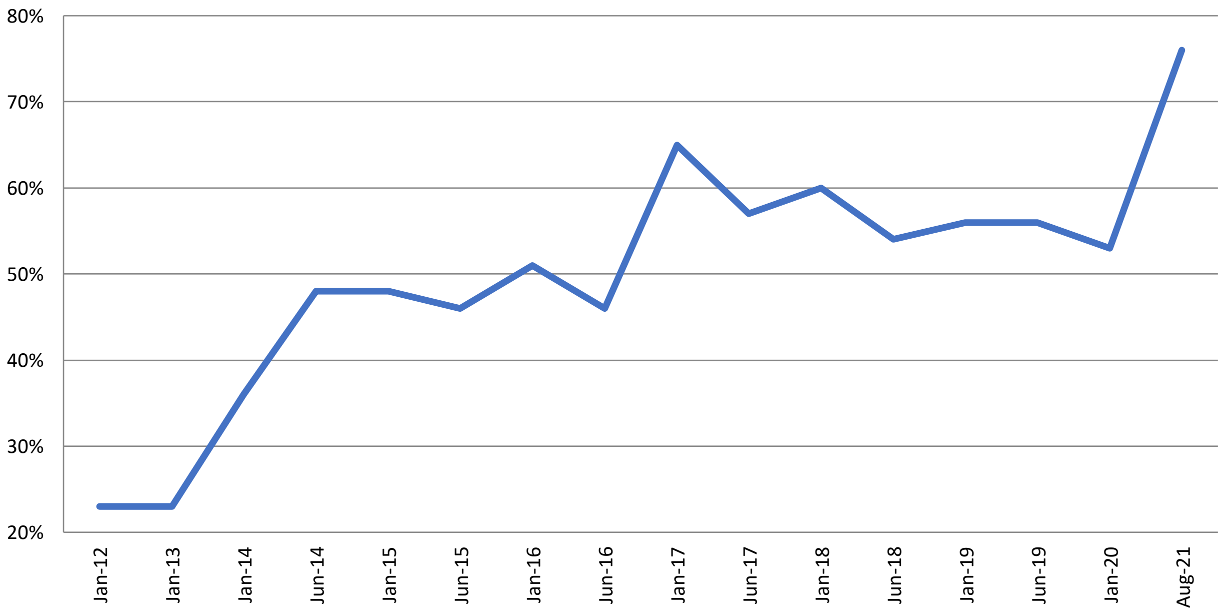
This survey saw a record 57% of companies looking to increase staff levels.

Skills Needs

Percentage of Respondents Who Responded "Yes", "No" or "Not Recruiting" When Asked if They Were Having Difficulty Recruiting Staff



Percentage of Respondents Surveyed Having Difficulty Recruiting Staff



This survey saw a record number of firms (76%) reporting difficulty in recruiting staff which is a massive jump from the average level of 49% we have seen since Jan 2012.

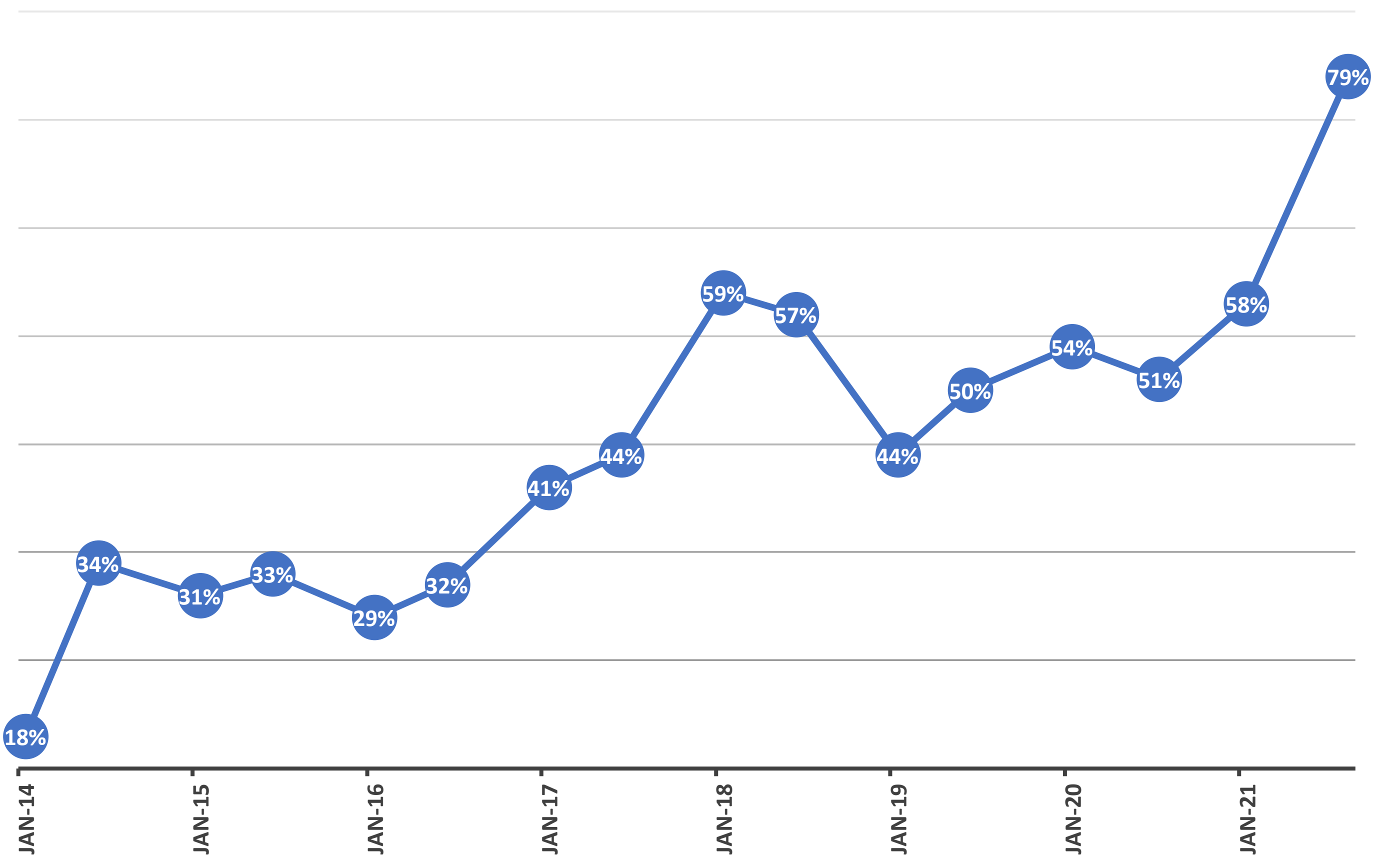
When asked for further information many companies stated that they were having difficulty recruiting staff 'at all levels' including skilled and unskilled labour. Some companies talked about the fact they have pushed up wages in order to attract/keep staff and another simply that there were more jobs than people willing to work. One provided an insight from a recruitment agency stating "*agencies are suggesting that there are six vacancies for every unskilled applicant and ten for every skilled applicant*".

The BPF asked those having difficulties which types of staff were hard to recruit (note people could choose multiple options):

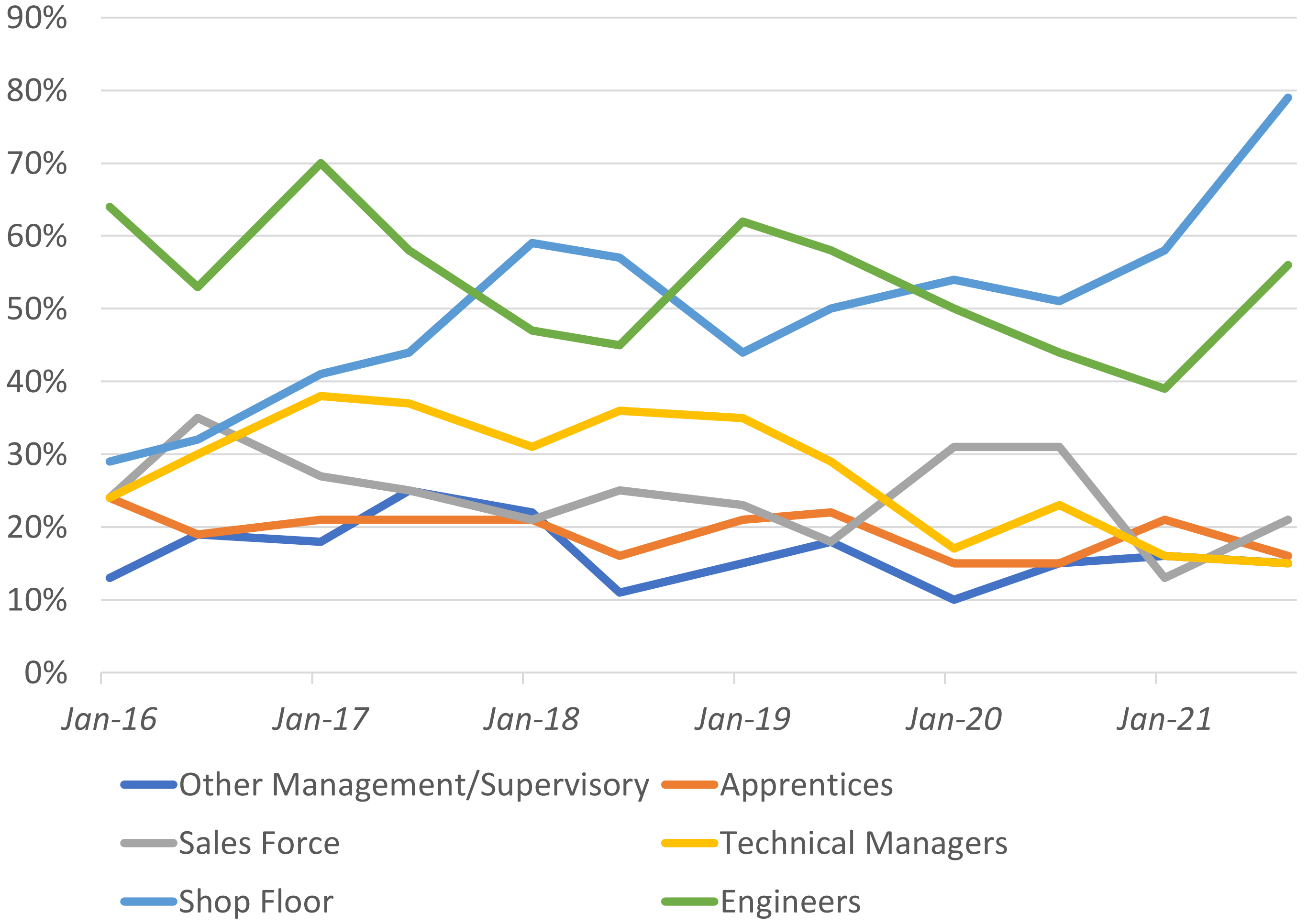
15% Other Management/Supervisory
16% Apprentices
21% Sales Force
15% Technical Managers
79% Shop Floor
56% Engineers

The results above show a significant increase in the number of companies reporting difficulties hiring shop floor workers, as can be seen in the graph below…

Percentage of Respondents Having Difficulty Recruiting for Shop Floor Positions
(Results from Bi-Annual Business Conditions Surveys Jan 2014-August 2021)

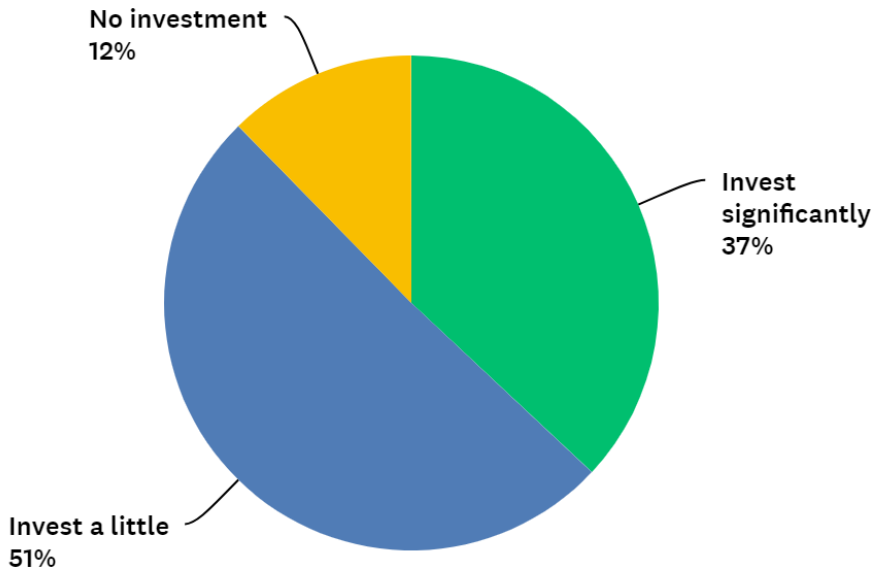


Percentage of Respondents Having Difficulty Recruiting for Various Roles
(Results from Bi-Annual Business Conditions Surveys Jan 2014-August 2021)

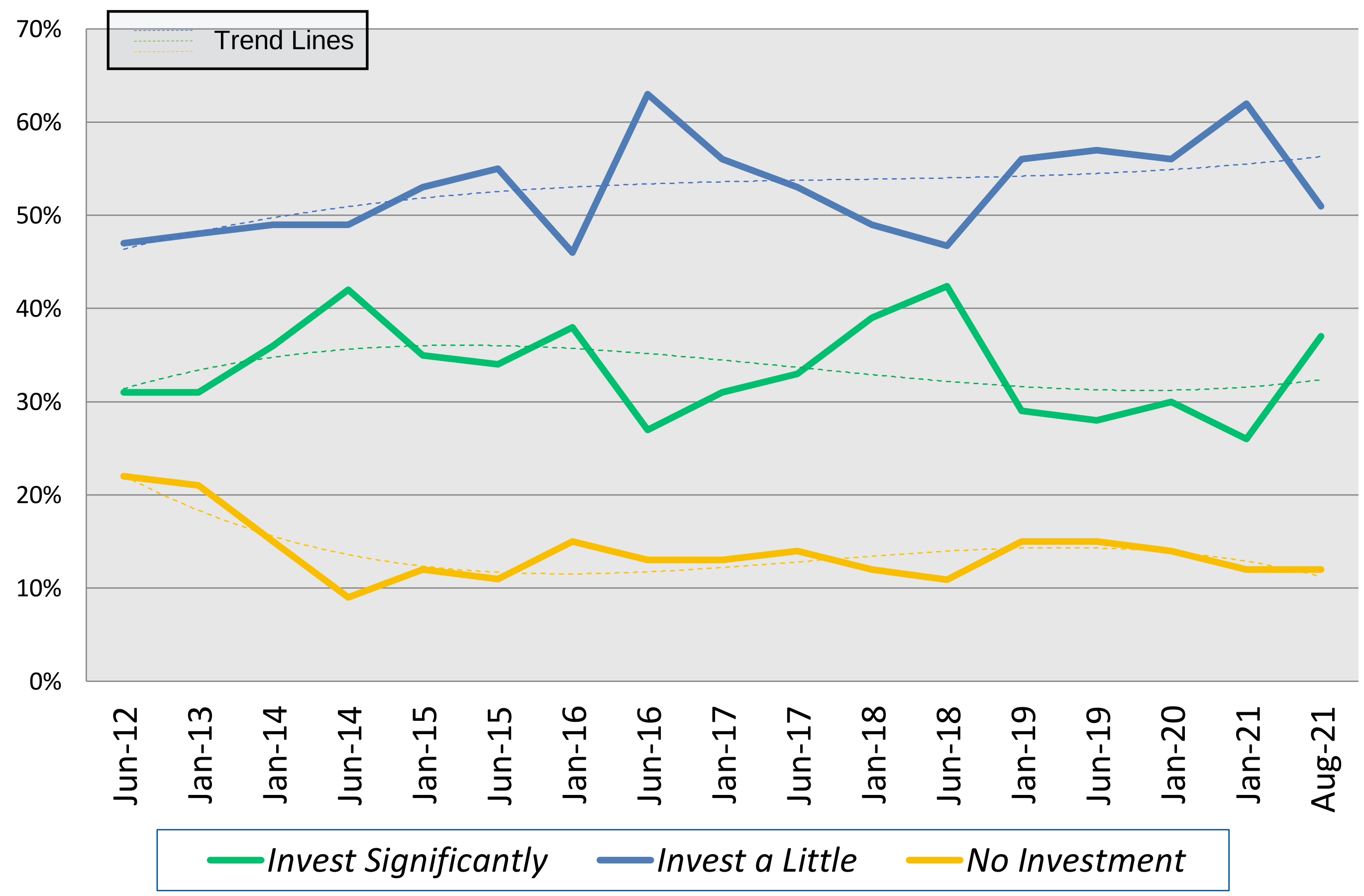


Investment Intentions in Plant and Equipment

Percentage of Respondents Surveyed that Plan to "Invest Significantly", "Invest a Little" or "No Investment" in Plant and Equipment in the Next 12 Months

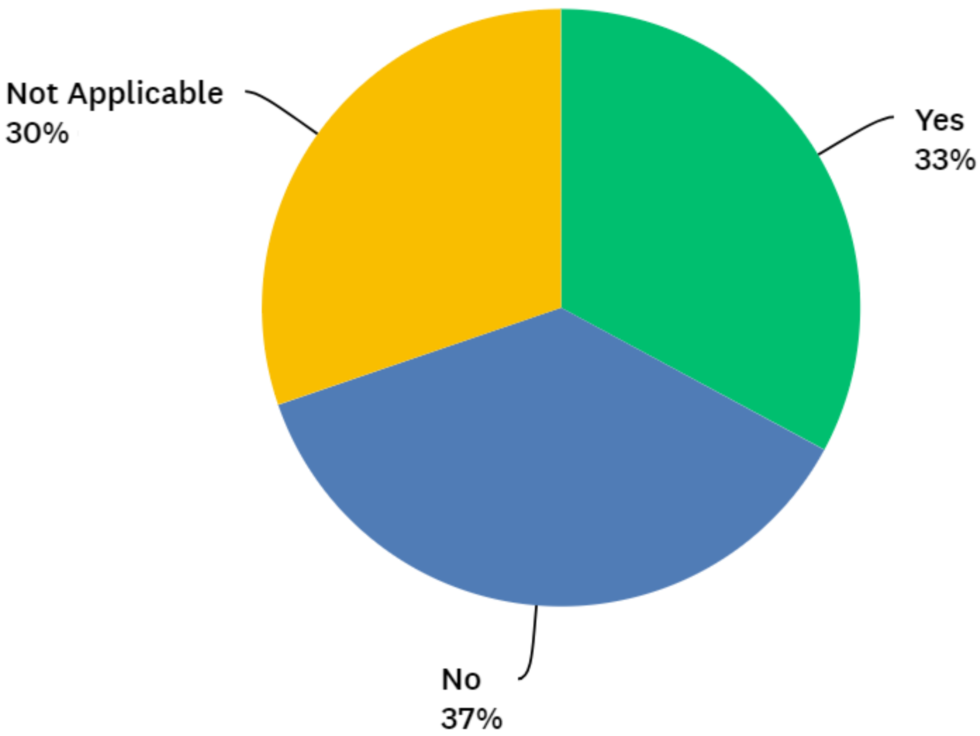


Percentage of Respondents Surveyed that Plan to "Invest Significantly", "Invest a Little" or "No Investment" in Plant and Equipment in the Next 12 Months



Northern Ireland

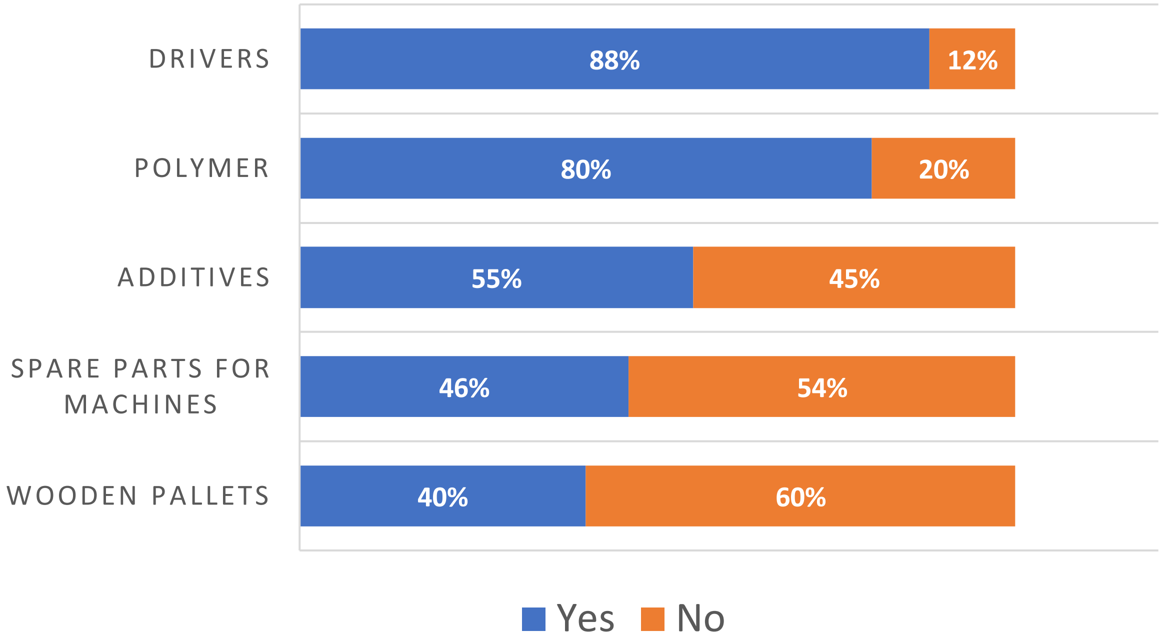
Since 1st January 2021 has your company experienced problems trading with Northern Ireland?



The results above showed that 47% of firms who were actually doing business with Northern Ireland are having problems trading.

When asked for more details, unsurprisingly firms pointed to issues around Brexit such as '*additional paperwork*', '*declaration of origin issues'*, '*import delays'*, issues with '*customs clearance*', '*administrative red tape'* and '*delays at the port'*. One company stated "*We no longer trade with Northern or Southern Ireland too difficult, so have lost market share to other companies".* Another simply said "*What a disaster. Not only is it very complex from a customs perspective, but transport delays are significant. As it is easier to supply NI from the EU27, we have effectively handed this business over".*

Are you experiencing problems sourcing any of the following...



We previously asked members in April 2021 if they were experiencing problems sourcing polymer and an over whelming 97% stated they were. With only 80% of firms stating a problem in this survey it appears the problem is easing. One company stated in this survey that *“polymer supply issues during first quarter have now stabilized”* and another that “*it's mainly the price, not availability that's the problem for us”.*

British Plastics Federation

BPF House
6 Bath Place
Rivington Street
London
EC2A 3JE

Tel
020 7457 5000