British Plastics Federation

Business Conditions Survey for the UK Plastics Industry

Conducted Jan/Feb 2016

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, electronics, 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.

For previous BPF Business Conditions Surveys go to:

www.bpf.co.uk/bcs.aspx

Participation

The survey was conducted throughout January and February 2016 with the results published in February. The survey, which was open exclusively to members of the British Plastics Federation, was completed by 95 firms.

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

Plastics Processors	66%
Recyclers	8%
Raw Materials Producers and Distributors	15%
Additives and Masterbatch	8%
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:

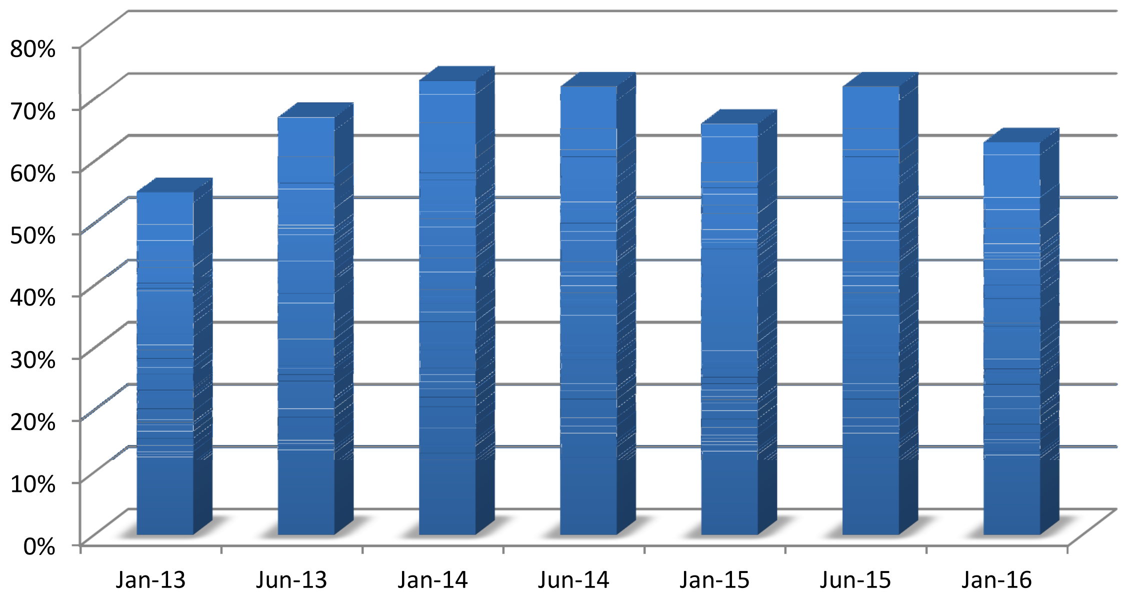
Construction	**62 respondents**
Automotive	**49 respondents**
Electrical and Electronic	**39 respondents**
Packaging	**41respondents**
General mechanical goods	**36 respondents**
Healthcare	**34 respondents**

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.

63% of respondents forecasted an increase which was down from 72% in the last survey.

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



Of those predicting an increase....

27%	**Expected turnover to increase by**	**2 - 5%**
17%	**Expected turnover to increase by**	**6 - 10%**
8%	**Expected turnover to increase by**	**11 - 20%**
5%	**Expected turnover to increase by**	**21% +**
6%	**Expected turnover to increase but did not specify or did not know %**	
63%		

24% of respondents were expecting no change over the next 12 months, compared to 21% in the June 2015 survey and 13% were predicting decrease compared to 6% six months ago.

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 that responded, 28% expected export sales to increase over the next 12 months down from 39% in the last survey.

63% expected export sales to stay the same (up from 53% 6 months ago) and 9% expected it to decrease (down significantly from 16% six months ago).

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

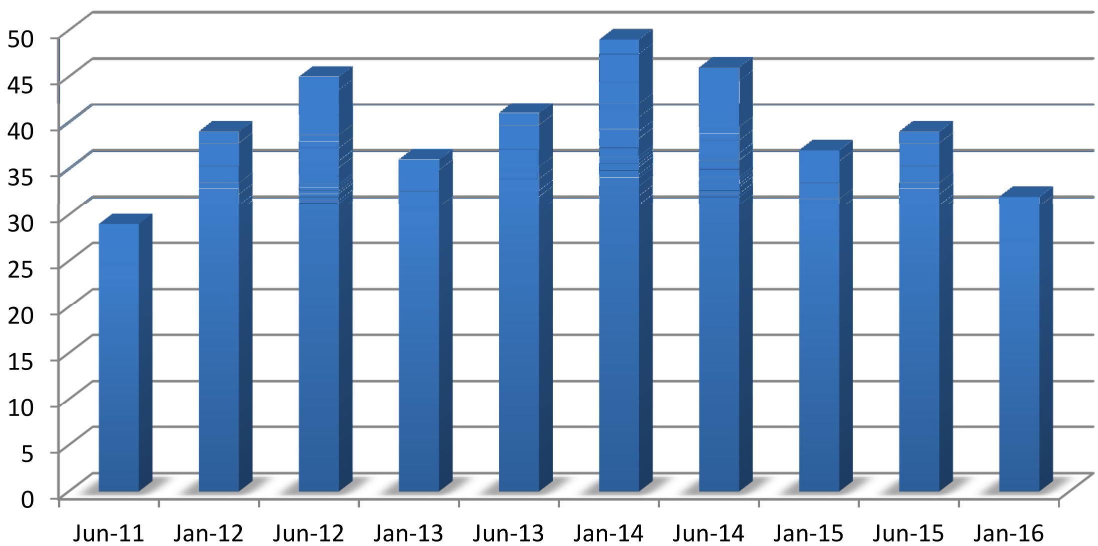
8%	Expected turnover to increase by	2 - 5%
6%	Expected turnover to increase by	6 - 10%
4%	Expected turnover to increase by	11 - 20%
4%	Expected turnover to increase by	21% +
6%	Expected turnover to increase but did not specify or did not know %	
28%		

Over half of those who gave a reason for a decline or a levelling of exports quoted volatile exchange rates as the reason.

4 Profitability

32% of respondents expected their profitability to increase in the next 12 months down from 39% in the June 2015.

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

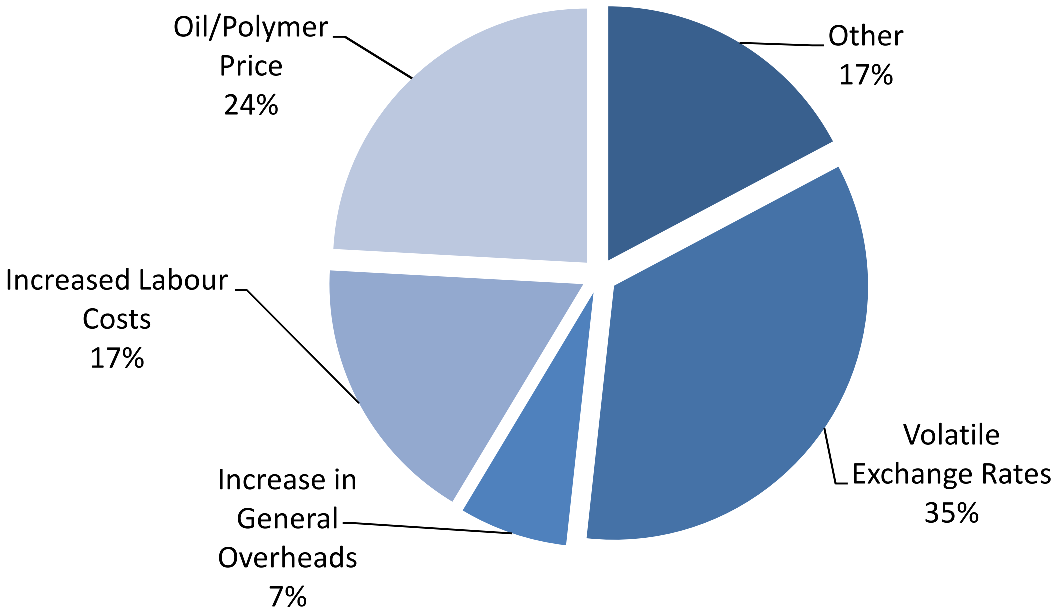


Of those respondents who were expecting an increase in profitability in the next 12 months...

15%	**Expected their profit margin to increase**	**2 - 5%**
6%	**Expected their profit margin to increase**	**6 - 10%**
3%	**Expected their profit margin to increase**	**11 - 20%**
2%	**Expected their profit margin to increase**	**21% +**
6%	**Expected profitability to increase but did not specify or did not know %**	
32%		

44% expected profitability to remain the same and 24% expected a decrease in profitability (up from 17% in the last survey)

Of the companies who gave a reason for either a decrease or a flattening of profitability the following were the reasons given…



5 Capacity Utilisation

We asked companies how much capacity will be utilised over the next 12 months. Of those who responded, the average predicted capacity utilisation was 76% (compared to 73% capacity declared 6 months ago).

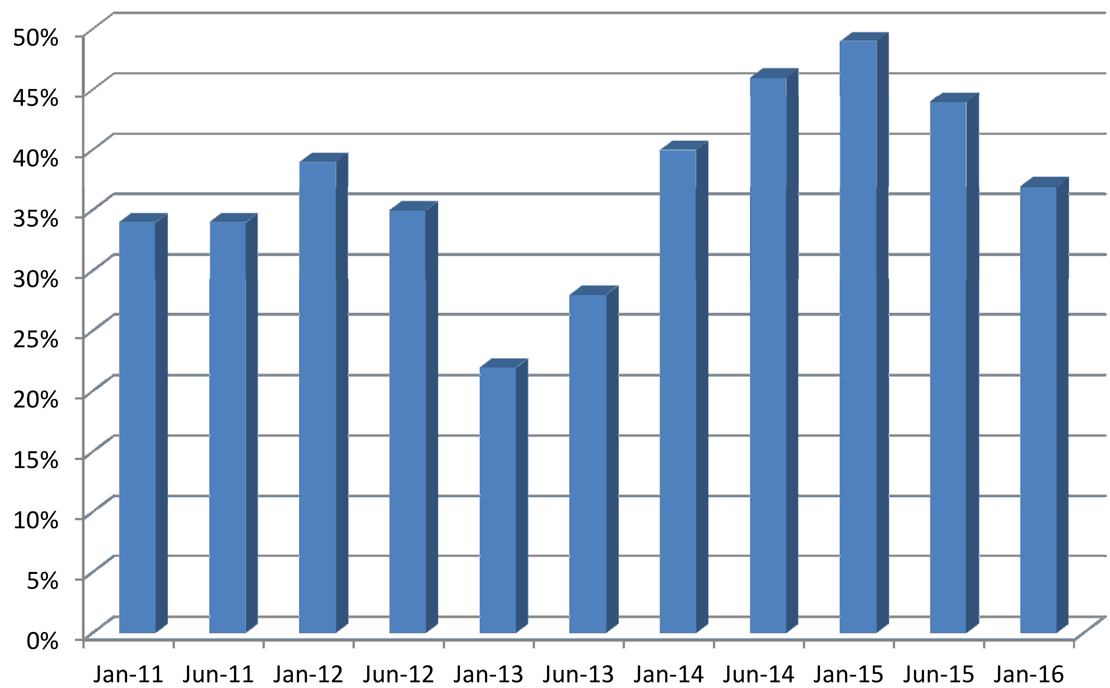
Of those that responded below are the average capacity utilisations for various groups…

Packaging	**80%**
Recyclers	**79%**
Injection Moulders	**76%**
Rotational Moulders	**74%**
Windows	**73%**

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. 37% of companies stated that they were expecting to increase staff levels in the next 12 months (down over 15% a year ago)

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...

14%	Increase staff by	1 - 5%
10%	Increase staff by	6 - 10%
5%	Increase staff by	11 - 25%
2%	Increase staff by	25% +
6%	Increase staff but unsure by what percentage	
51%	Stay the same	
12%	Reduce staff numbers	

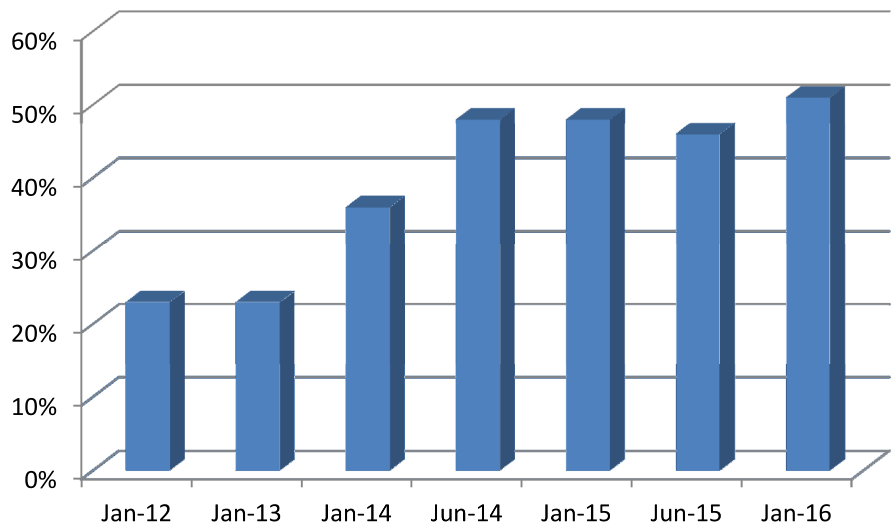
7 Skills Needs

We asked respondents if they are having difficulty recruiting staff:

36% of respondents had no difficulty
51% were having difficulties
13% were not recruiting

The numbers of companies having difficulty recruiting continues to be a worrying sign for the industry and shows no real 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 24% Technical Managers were hard to recruit
For 64% Engineers were hard to recruit
For 29% Shop Floor staff were hard to recruit
For 24% Apprentices were hard to recruit
For 24% Sales Force were hard to recruit
For 13% Other Management/Supervisory were hard to recruit

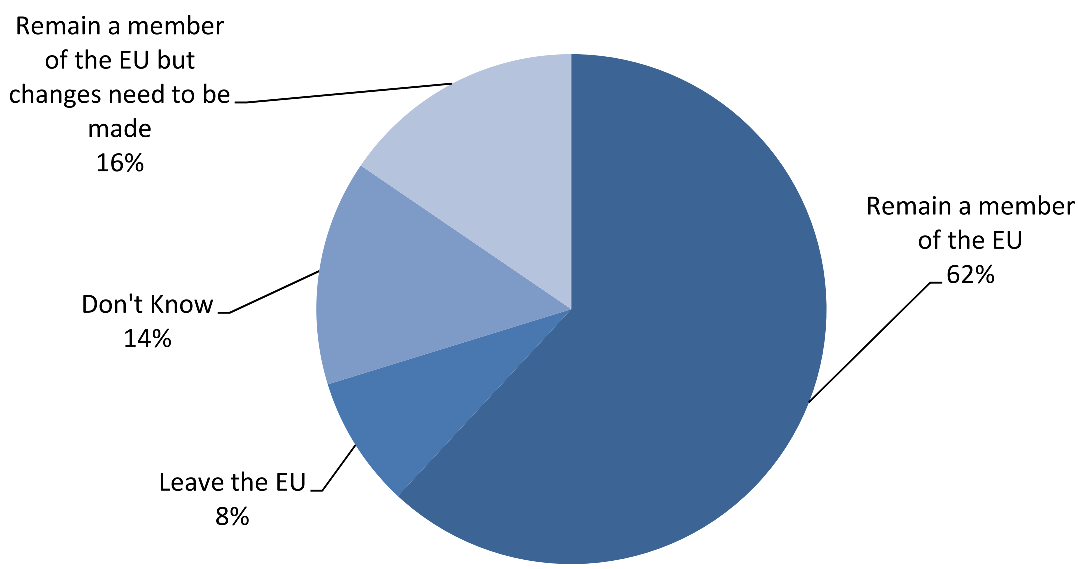
8 Investment intentions in Plant and Equipment

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

46% will invest a little
38% will invest significantly
15% plan no investment

9) Does your company think the UK should remain a member of the EU or leave the EU?

For the first time, and ahead of the upcoming referendum we asked members what they felt about EU Membership. The response is shown below…



Of those who stated they would like to see changes made, the majority cited less governance and bureaucracy as the changes they would like to see.

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