British Plastics Federation

Business Conditions Survey for the UK Plastics Industry

January 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. Trends in the plastics industry can therefore be regarded as representative of manufacturing as a whole, if not UK business in general, and this survey is an excellent barometer of conditions in the grass roots of the UK's manufacturing economy.

The British Plastics Federation (BPF) carries out surveys of business trends every six months. The following survey is the first Business Conditions Survey since the UK left the EU on 31 December 2020.

For previous BPF Business Conditions Surveys go to:

www.bpf.co.uk/bcs

Participation

The survey was conducted in January 2021, with the results published in February 2021.

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

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

Plastics Processors	**55%**
Recyclers	**10%**
Raw Materials Producers and Distributors	**22%**
Machinery and Equipment	**14%**

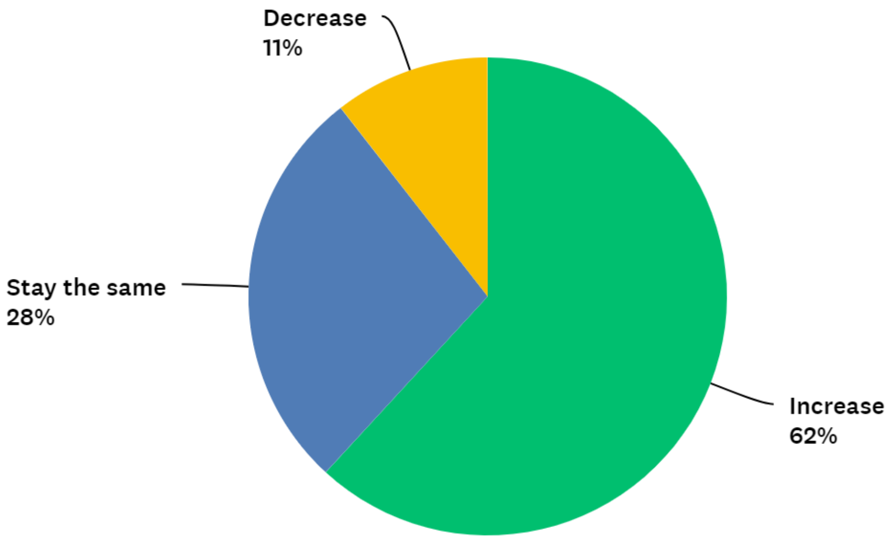
Plastic Industry Market Sectors

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	**52%**
Automotive	**44%**
Electrical and Electronic	**34%**
Packaging	**70%**
General mechanical goods	**34%**
Healthcare	**44%**

Sales Turnover

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



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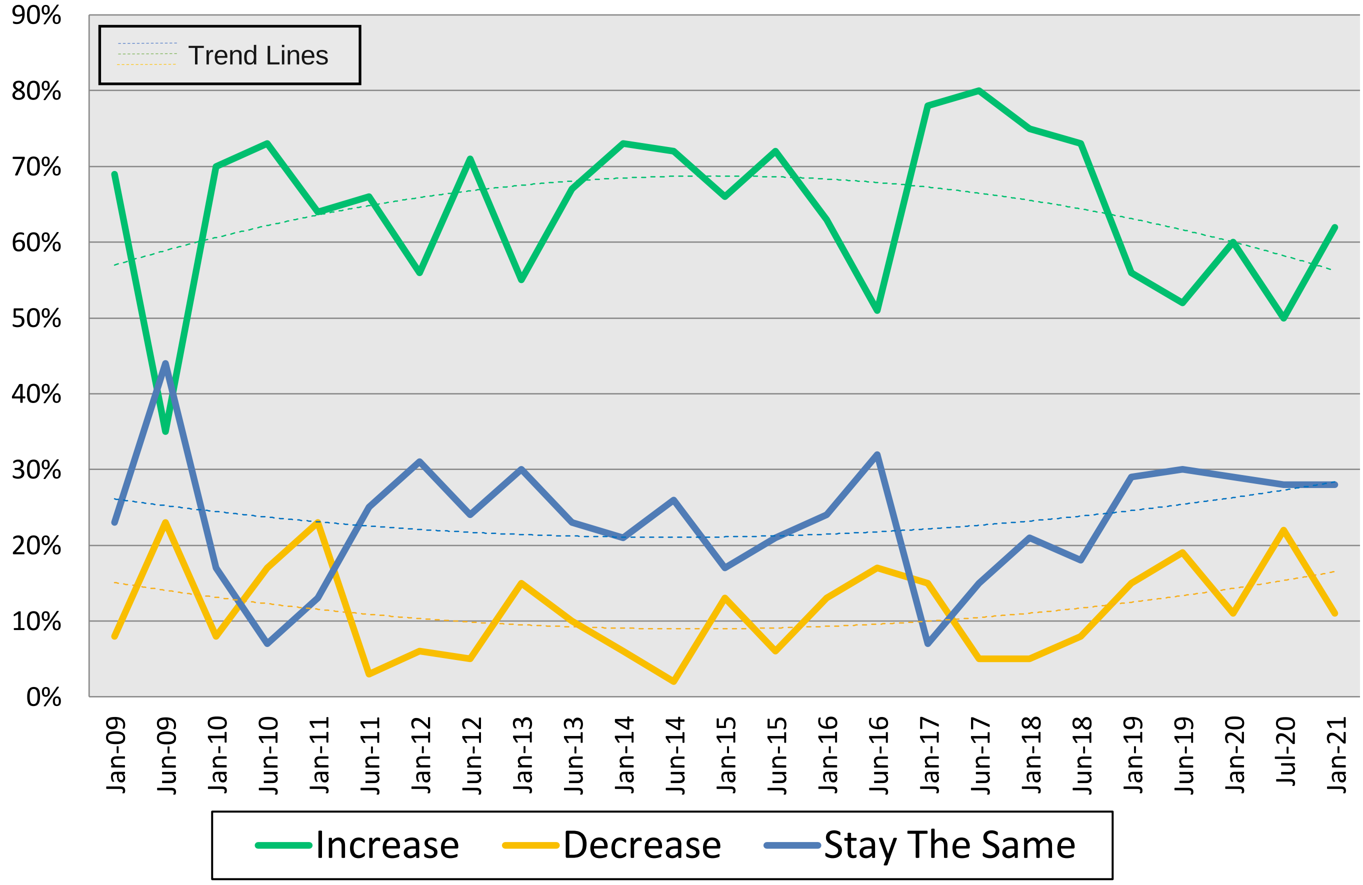


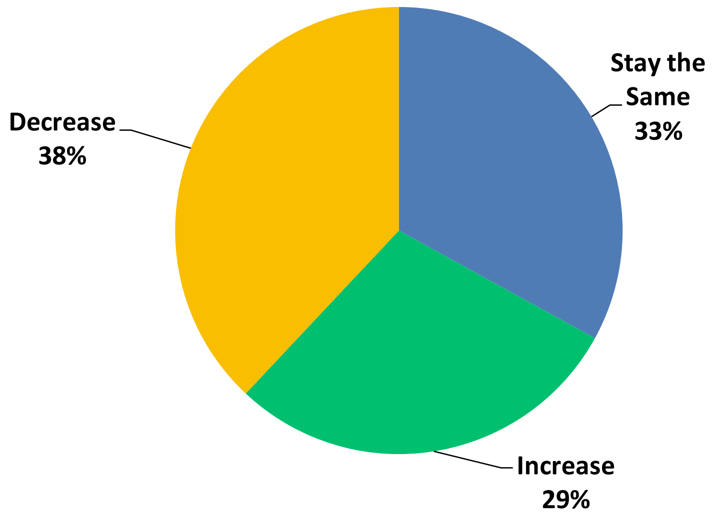
The survey shows an improvement in the outlook since the last survey was carried out six months ago, when the highest number of companies in nearly a decade (22%) predicted a decrease in sales turnover and the lowest number of companies in over a decade (50%) predicted an increase. Instead, the predictions are back in line with pre-pandemic (January 2020) levels.

When asked to provide specific details for those predicting a decrease, the most common response, from 75% of companies, was "*COVID-19*". 50% of companies mentioned "*Brexit*" and 25% of companies mentioned a shortage of polymer.

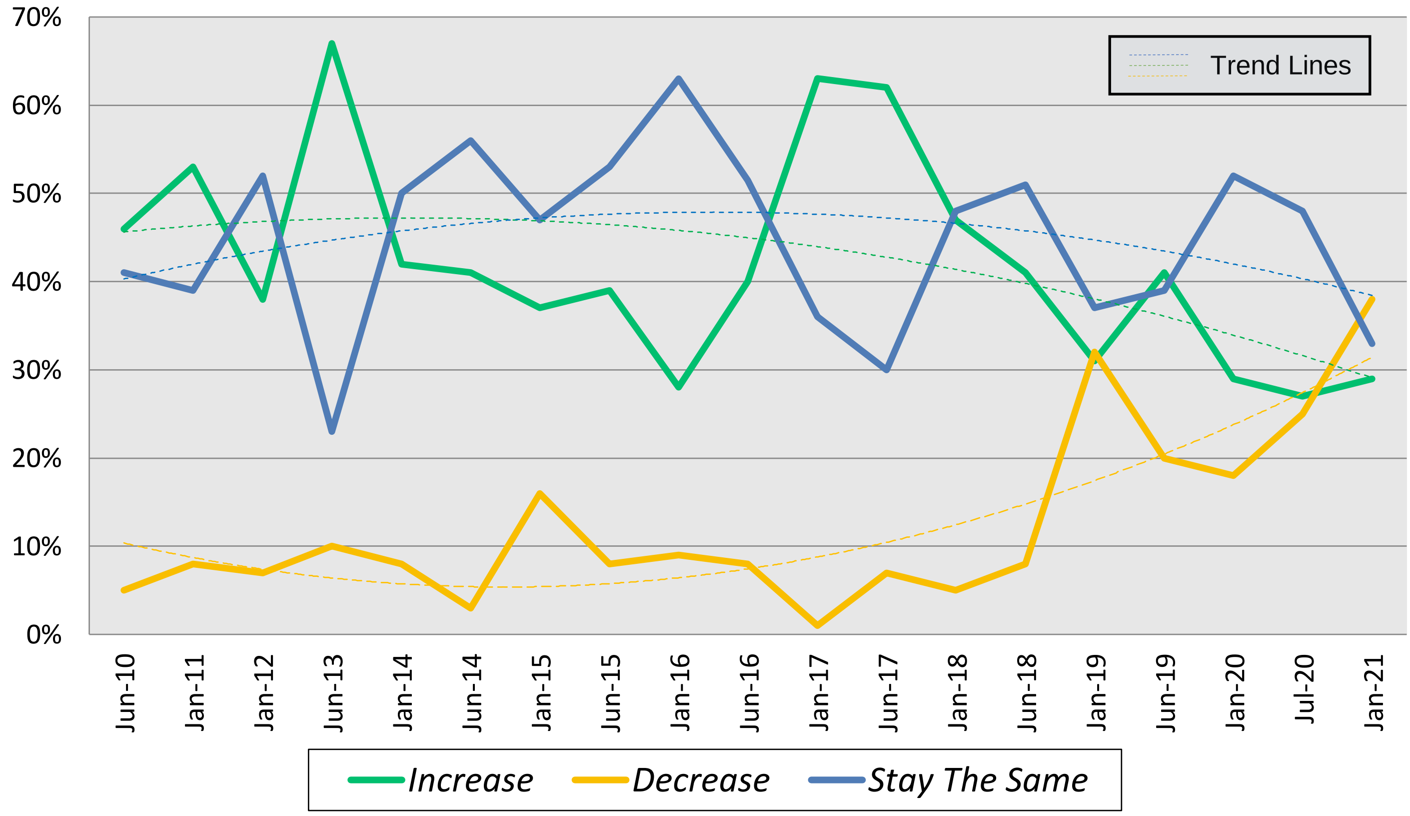
Of those predicting increases or for sales turnover to remain the same, several companies talked about increases in demand from various sectors affected by COVID-19 including packaging, medical devices and PPE. Companies also mentioned the positive impacts of Brexit such as *"increased demand for domestic UK production due to increased challenges post-Brexit for imports into UK"* or that orders would increase as *"customers are wary about ordering from Europe"*. One mentioned the availability of labour, which ties in with a below average number of companies having difficulty recruiting (see page 12).

Export Sales Turnover

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



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



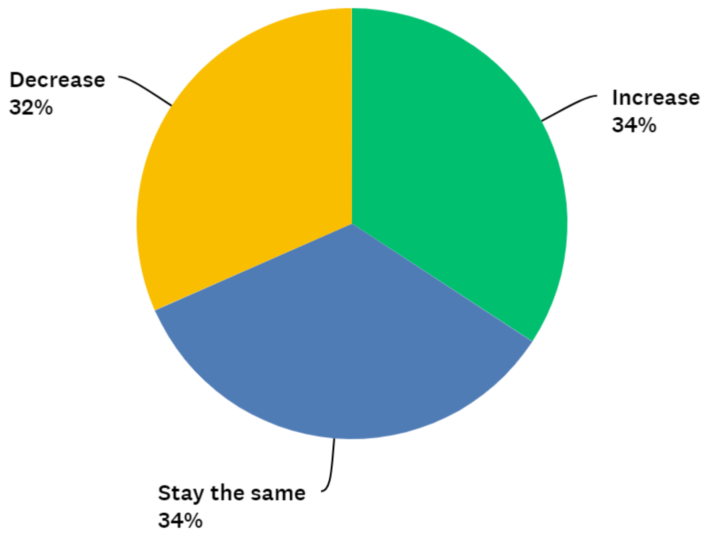
**Note: Companies who state they "do not export" (23% in this survey) are removed from results*

Worryingly, the number of companies that predicted a decrease in export sales was at the highest level we have ever seen in this survey.

When asked to provide further details, 94% of companies who did blamed Brexit. Specifically, they mentioned "*red tape*", "*chaos*", "*paperwork*", "*additional charges*", "*complexity*" and "*bureaucracy*". Companies also mentioned that business was now moving to the EU to either their own facilities or to competitors. One simply stated "*exporting is a nightmare at the moment. It is likely that European customers will look elsewhere for supply*".

Profitability

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



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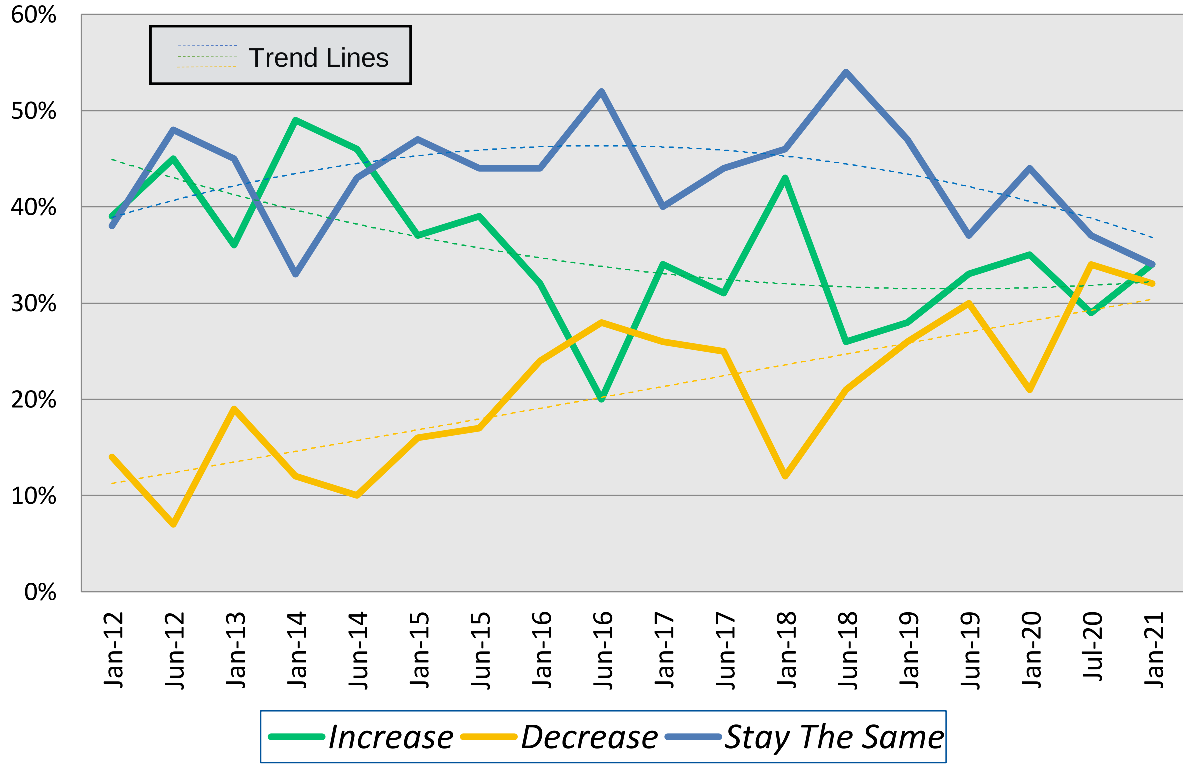


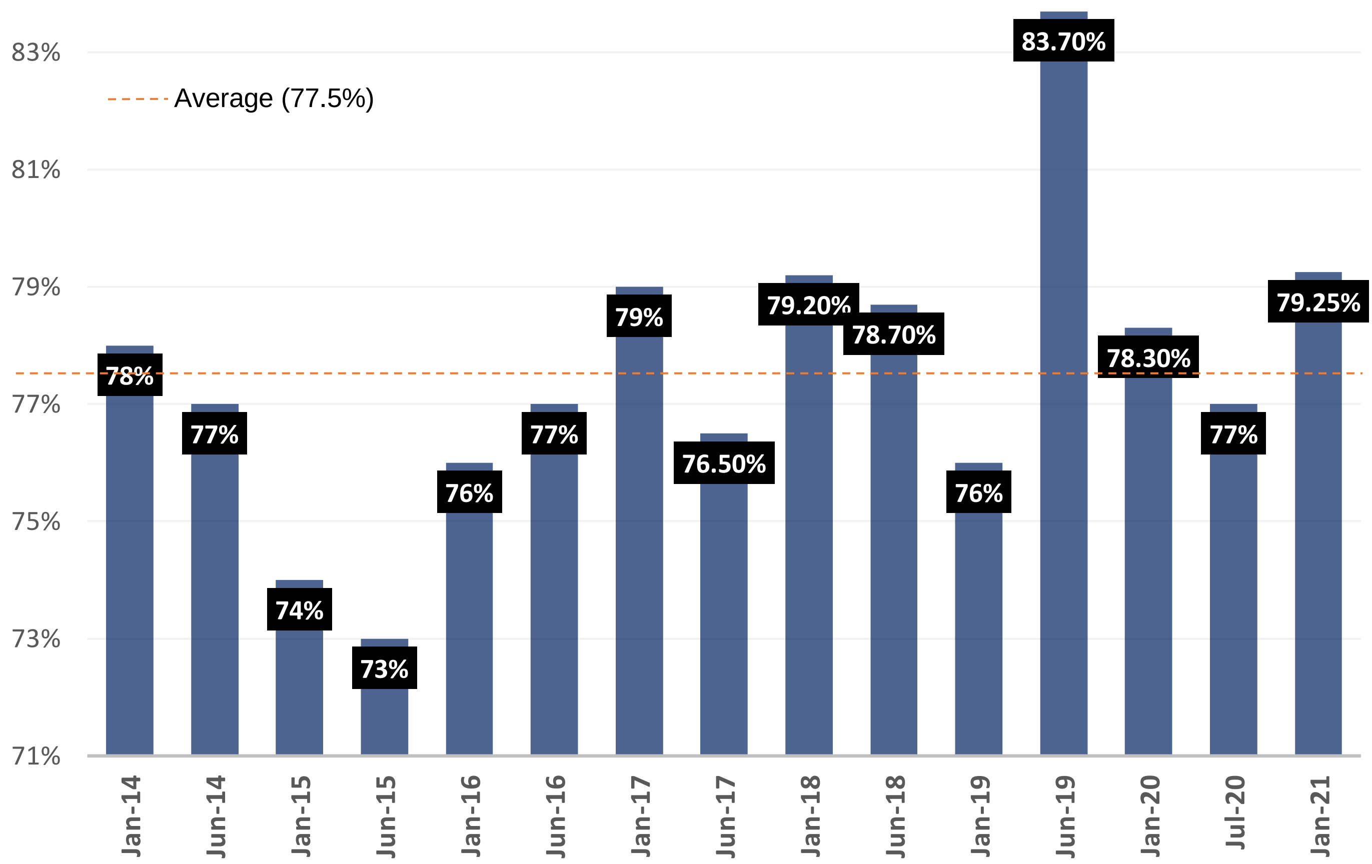
With 34% of firms predicting an increase in profitability over the next 12 months, respondents were more confident than they were six months ago, when only 29% were predicting an increase. There was also a corresponding drop in the number of companies predicting a decrease (from 34% to 32%).

Of those companies predicting a decrease, the most common reason given was Brexit (by 54% of respondents) followed closely by the rising costs of raw materials/polymers (given by 50% of companies). Only 13% of respondents mentioned COVID-19 as a special factor contributing to a potential decrease in profitability.

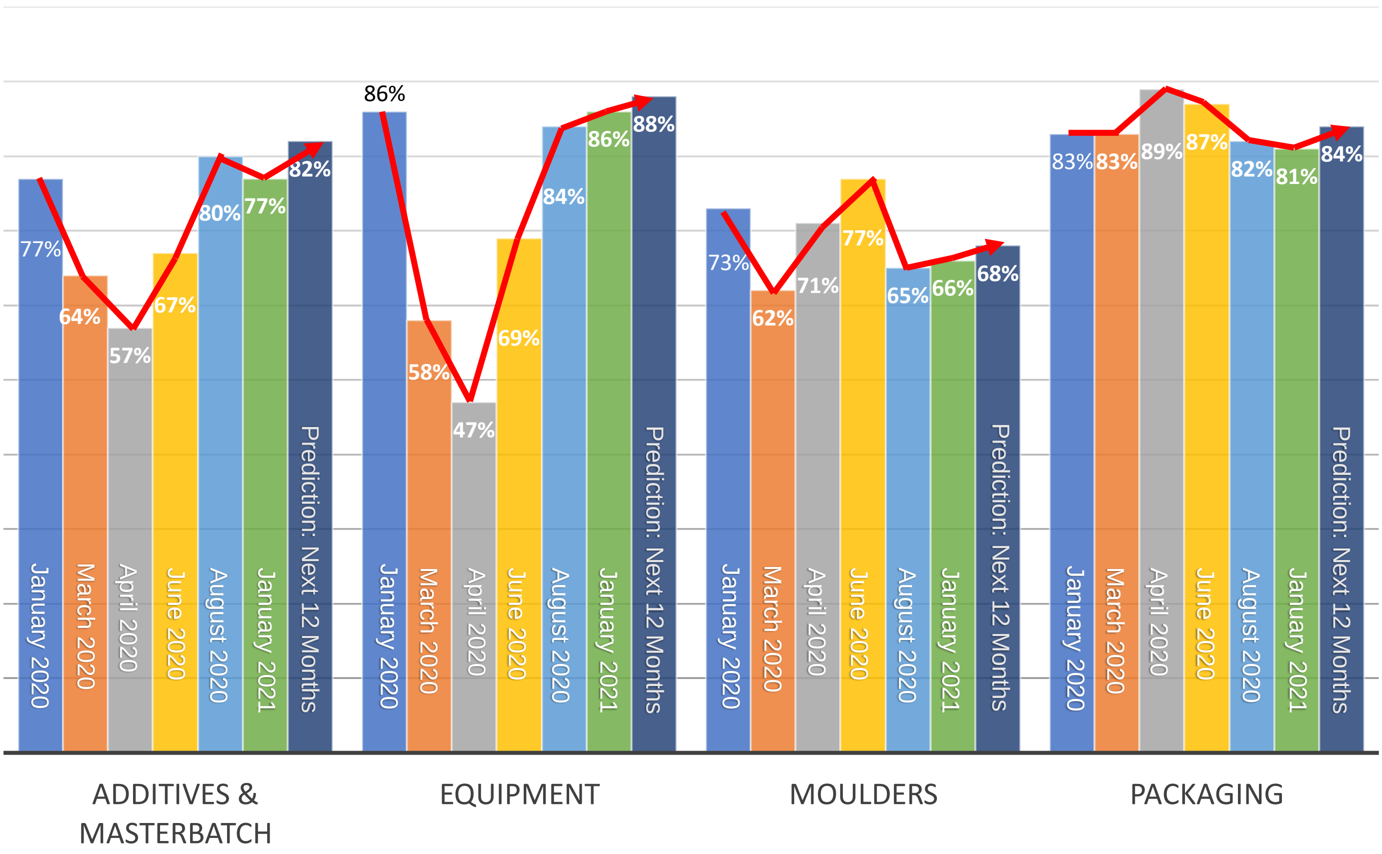
Capacity Utilisation

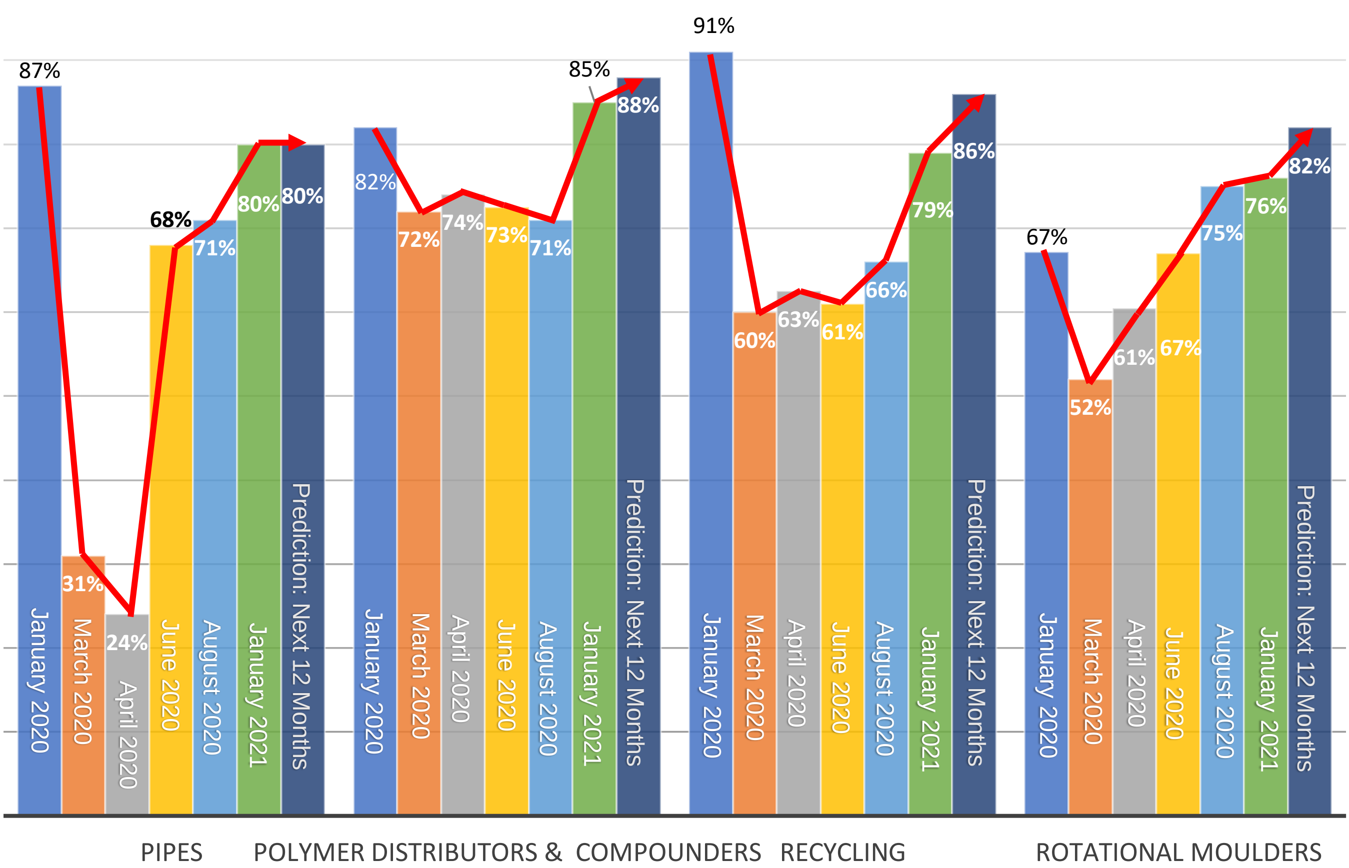
The BPF asked companies how much capacity they thought would be utilised over the next 12 months (on average). Of those that responded, the average predicted capacity utilisation was 79.25%, which is the second highest capacity utilisation predicted.

Average Capacity Utilisation Over the Next 12 Months



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

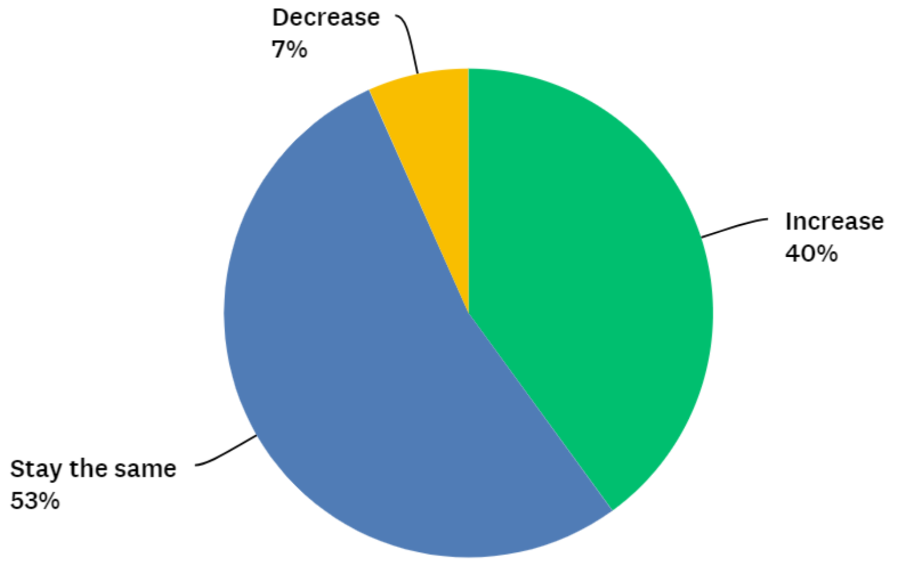




NOTE: January 2020 is based on companies' predictions given in the BPF Business Conditions Survey Jan 2020 (based on predicted average capacity for the next 12 months). March, April and June data is taken from the BPF COVID-19 Supply Chain Monitors and based on current capacities at the time of asking (26 March-2nd April, 15th-17th April and 1st-3rd June). August data is based on the Business Conditions Survey July/August 2020.
Note: Pipes Group capacity predictions for Jan 2021 are based on a low number of completed datasets. However, they are included for consistency.

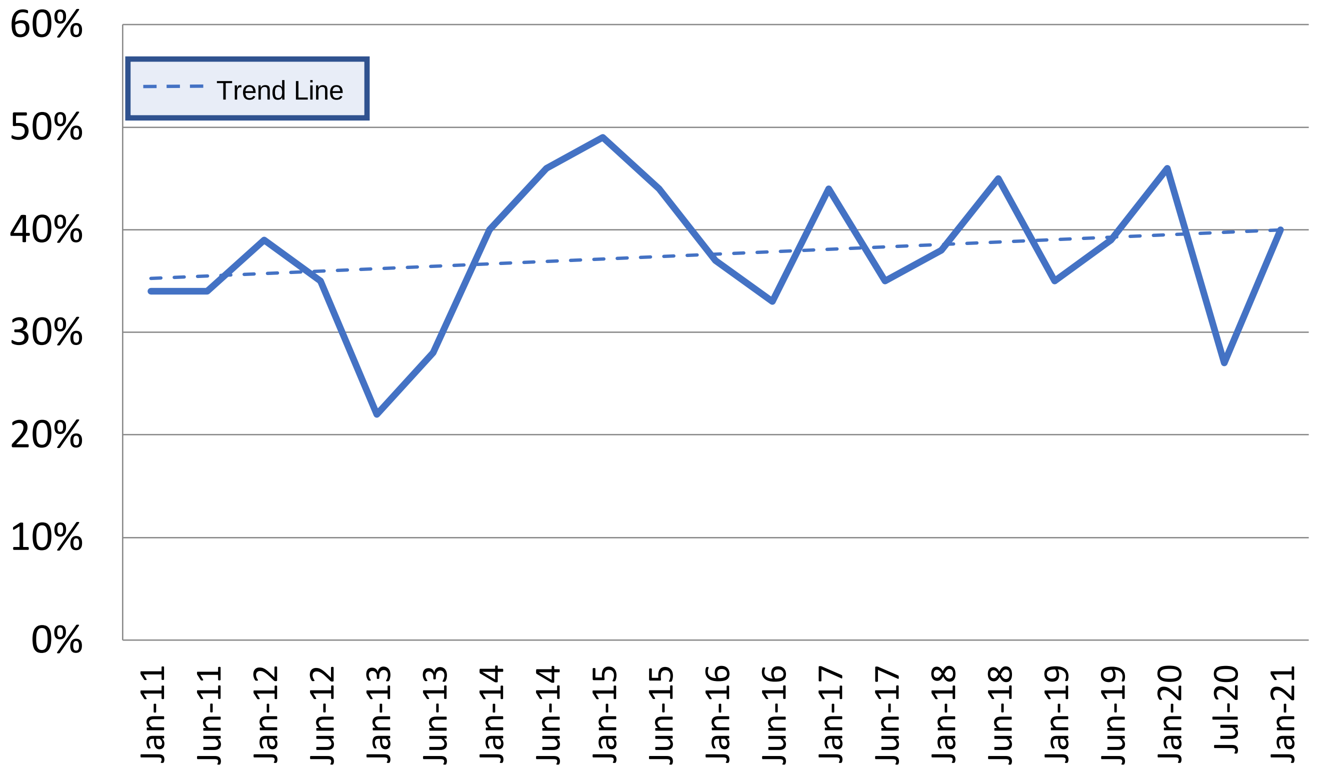
Staffing

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



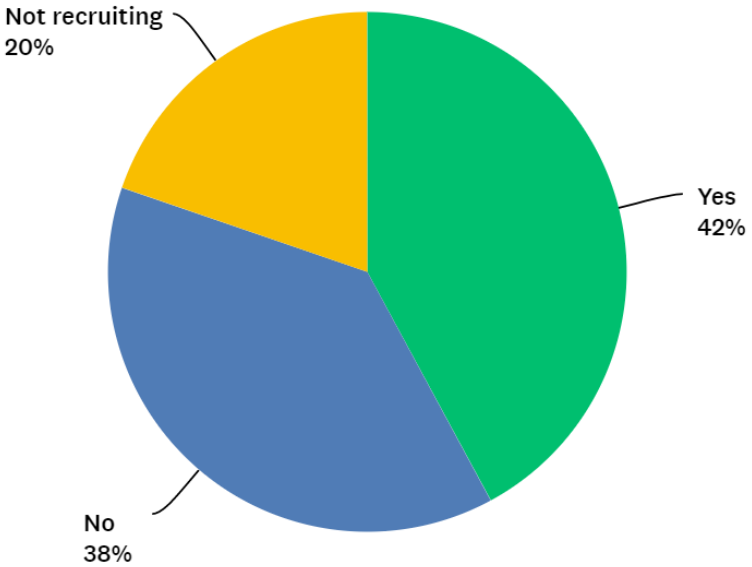
The above data shows a clear sign of stabilisation in the industry in terms of staffing. When the BPF last surveyed members six months ago, 22% of companies were looking to decrease staff levels over the next 12 months; this time it was only 7% (which is the lowest number we have seen in this survey).

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

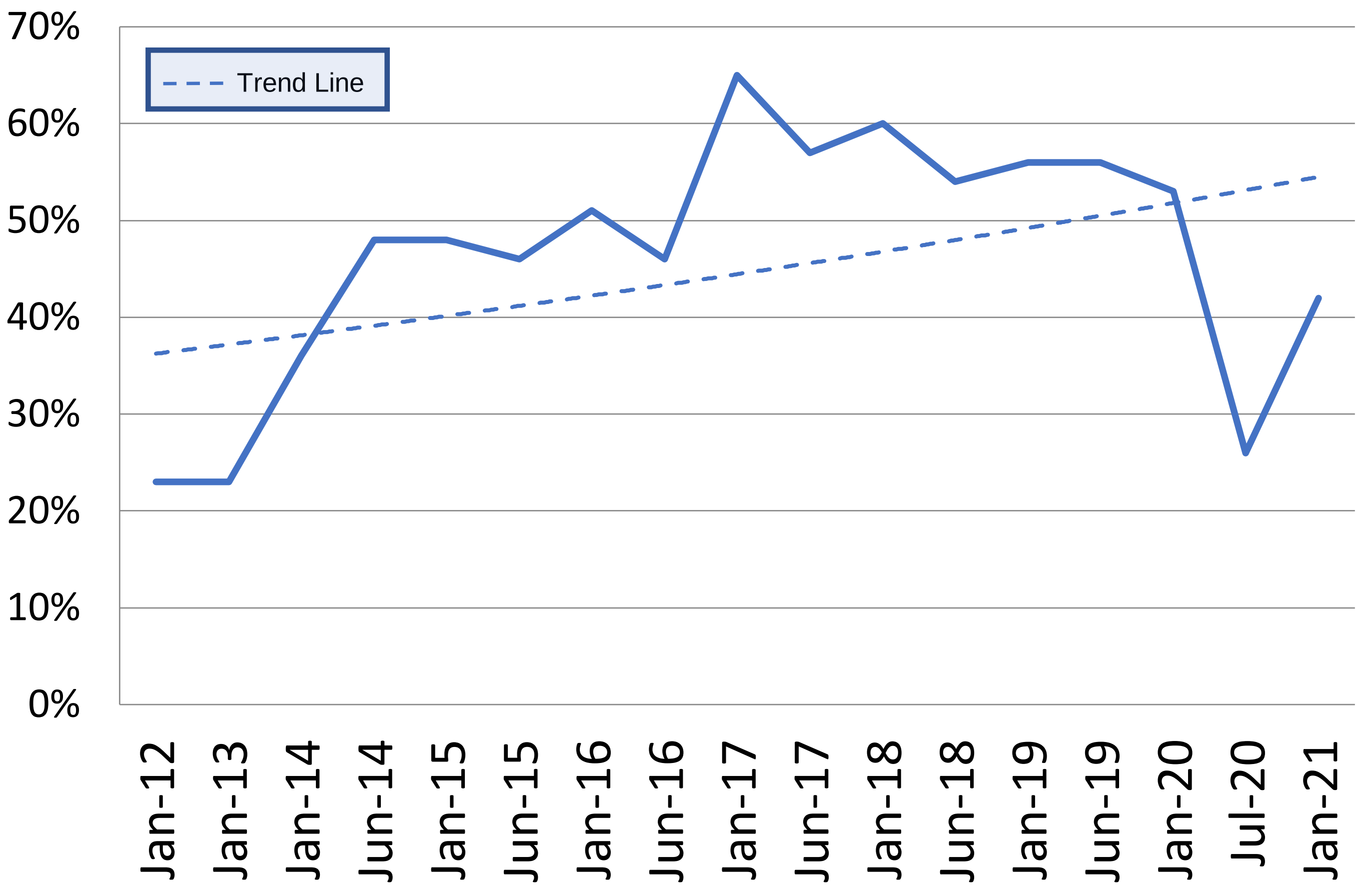


Skills Needs

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

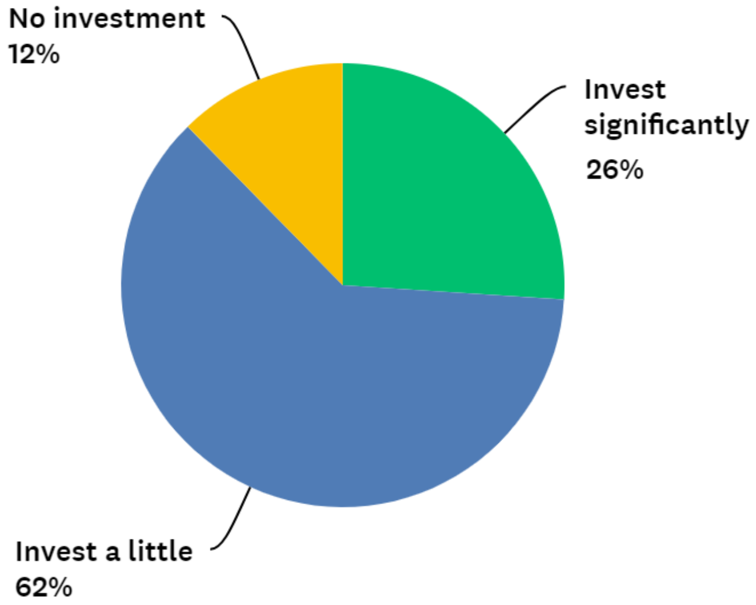


The BPF asked those having difficulties which types of staff were hard to recruit (note people could choose multiple options):

16% Other Management/Supervisory
21% Apprentices
13% Sales Force
16% Technical Managers
58% Shop Floor
39% Engineers

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



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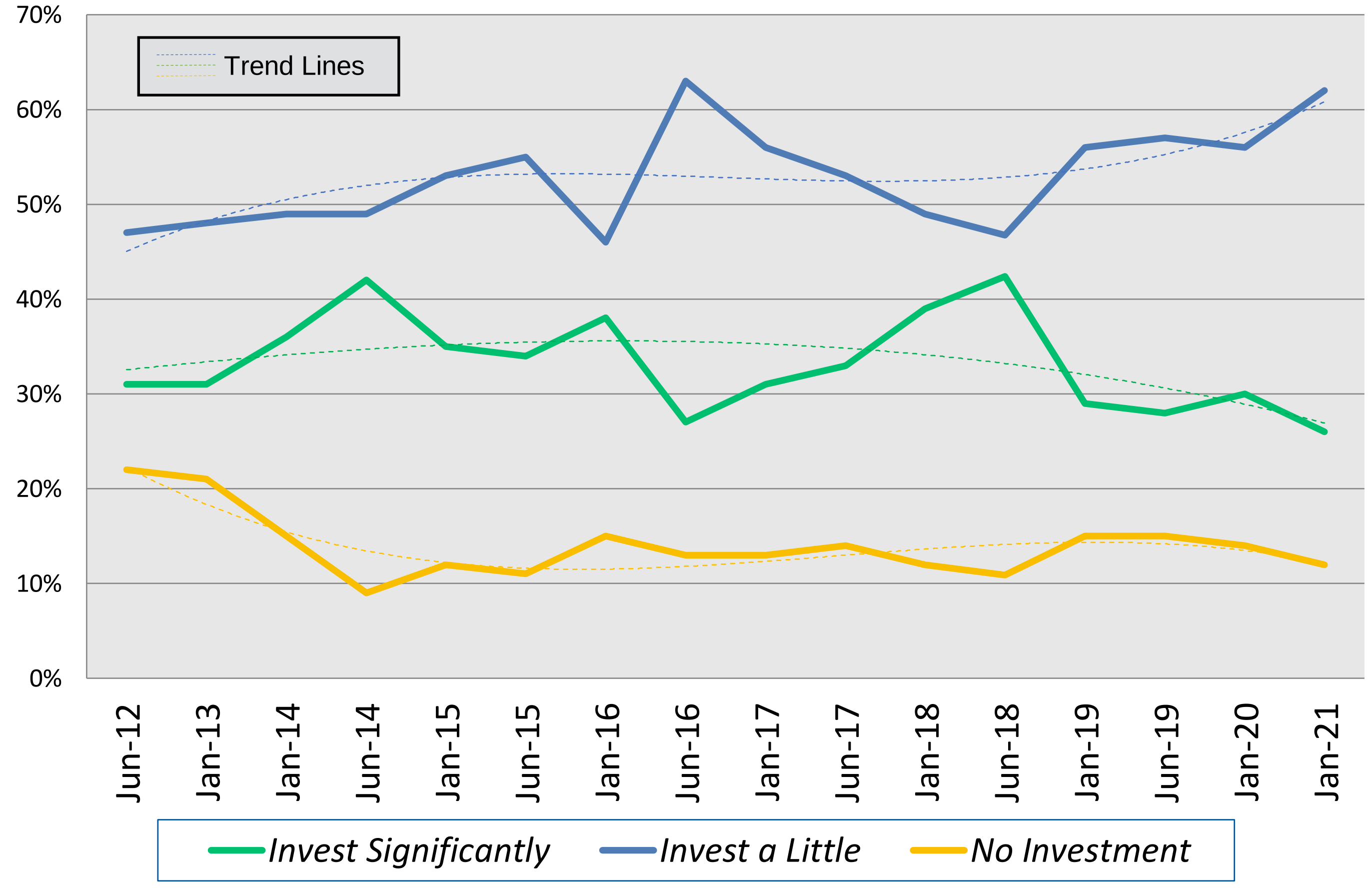
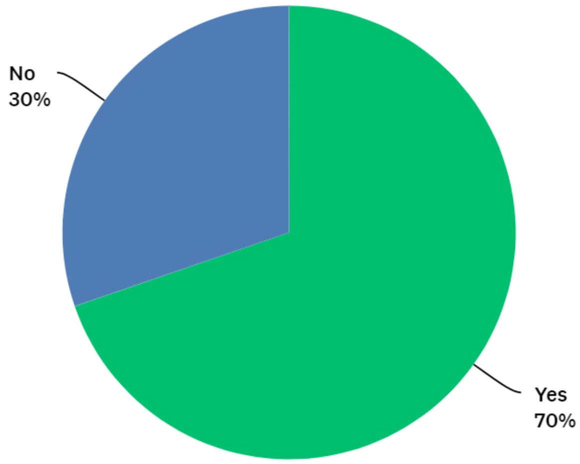


Unfortunately, this survey showed the lowest number of companies stating that they planned to invest significantly than we have ever seen. When asked for reasons, the most common response was general uncertainty either due to COVID-19 or Brexit.

Brexit

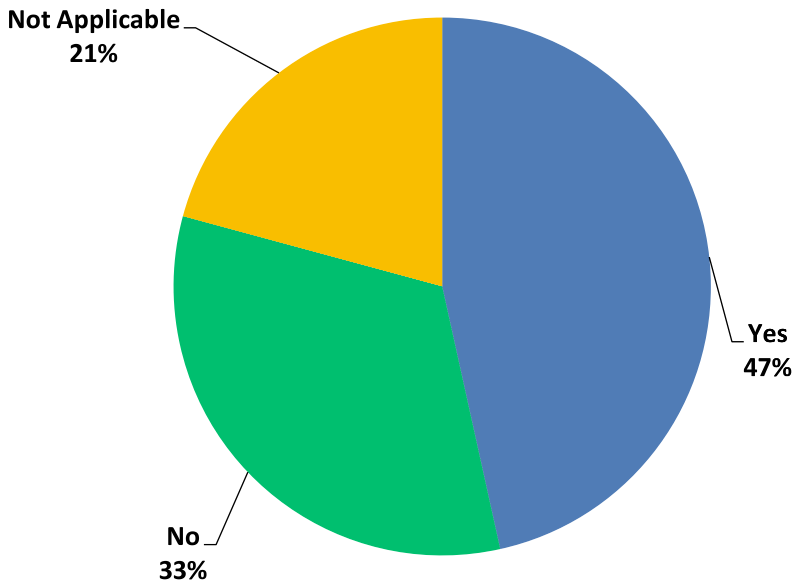
Did your company stockpile any product or material prior to the end of the transition period on 31 December 2020?



In the July/August survey the BPF asked respondents: *"Does your company have plans to stockpile any product or material prior to the end of the transition period on 31st December 2020?*".49% said "*Yes*" and 51% said "*No*". We asked companies again in December 2020 if they planned to stockpile and by then 70% said "*Yes*" and 30% "*No*", which was mirrored exactly in this survey.

In the comments one company summed up this decision by stating: *"Good job we did. Ports chaos now becoming a major issue"* and another added *"Thank goodness (we did) as cross border trade is currently severely compromised".*

So far have you used Rules of Origin (RoO) to successfully avoid tariffs on UK-EU trade?

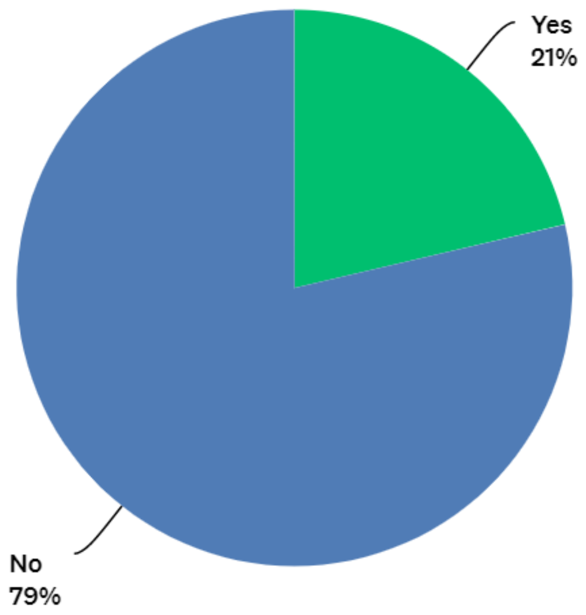


This survey ran from mid to late January so was an early indication of whether companies were successfully applying RoO (unsurprisingly over the period that companies completed the survey the number of companies that had used RoO increased). Some noted that they would be doing so but had not done so yet and one mentioned “w*e are still learning how to deal with the new rules but are confident we will continue to trade without tariffs.”*

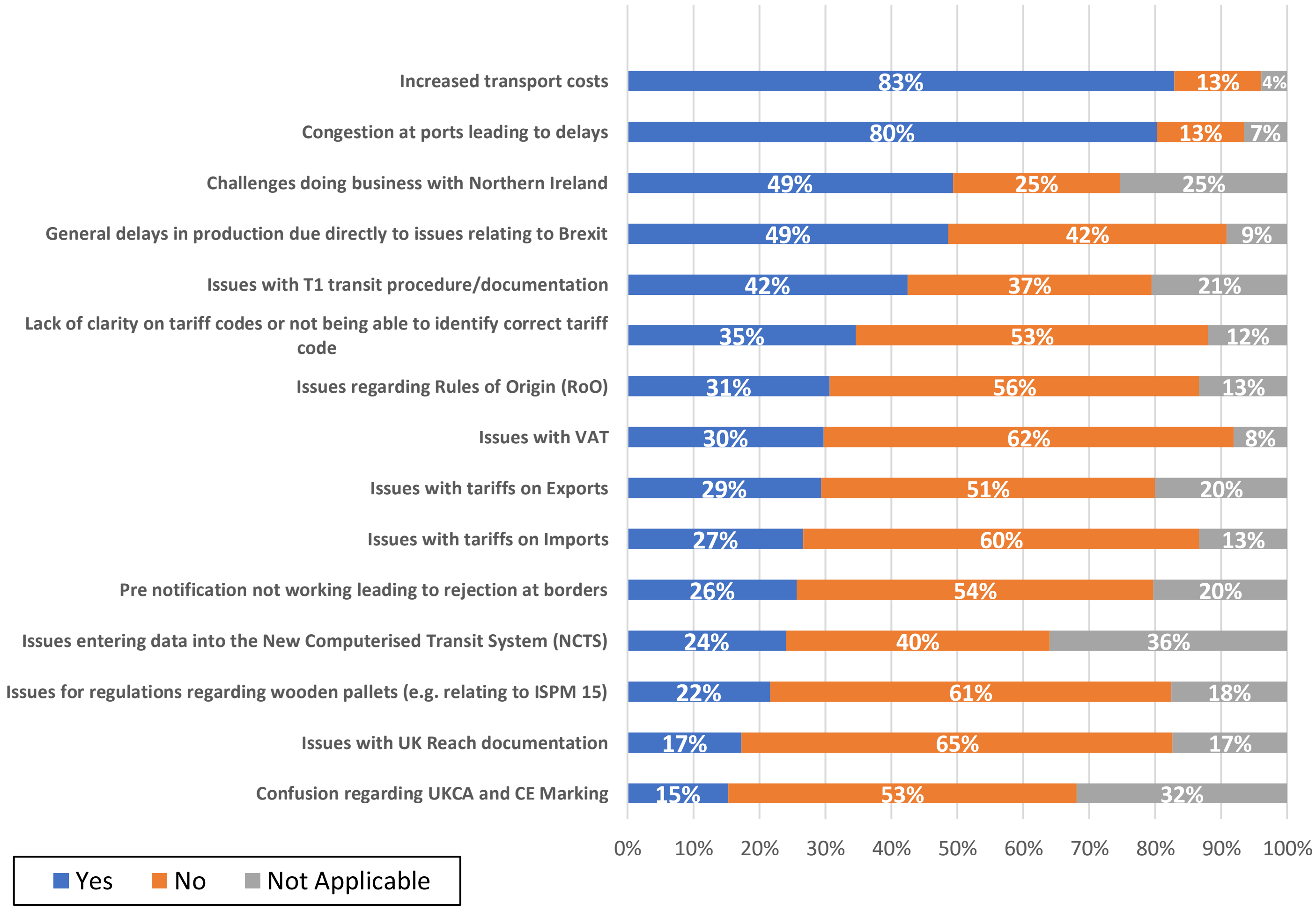
Although RoO does allow companies to ensure no tariff is paid, the non-tariff barriers are clearly costing businesses. One company noted “*but that does not allow us to escape massively increased bureaucracy and additional charges on import/export documentation with no benefit to compensate for it.”*

Summing up a number of companies’ perspective on interpreting Rules of Origin, one company simply noted they were “v*ery complicated and bureaucratic*”.

Since January 1 2021 have you encountered any issues with market access in the EU on regulatory grounds (i.e. CE marking and conformity assessment problems etc)?



Please indicate below by simply stating 'Yes', 'No' or 'Not Applicable' whether you have experienced any of the following now that the UK is not part of the EU?



Is there any good news? If Brexit has led to increases in sales, investment or in any other way positively affected your business, please let us know in the box below?

This was an open-ended question but the majority of companies answered it.

Whilst the most common answer (given by 25% of all respondents) was a simple one word answer – "*no*" – others more optimistically stated that it was "*too early*" (to tell) or simply *"not yet".*

In terms of good news, one company stated they were "l*ooking forward to operating in a dynamic economy not burdened by EU bureaucracy*" and another stated that due to companies stockpiling they had seen an increase in sales at the end of the year. Some companies pointed to an increase in sales but said it was hard to tell what the driving factor was and how much of it was down to Brexit alone. One looked positively at investment in infrastructure, stating "*More UK building projects planned following Brexit*" but urged some caution, adding "*but COVID costs may slow the government realising money to start some projects 2021/22*". One company specifically said it had seen "*some reshoring*" and added that it "*could be a direct result of Brexit*".

The majority of companies were less positive, however. Some typical comments are below.

"Yet to hear of any manufacturer who have benefitted from Brexit."

"Absolutely no good news whatsoever. Increased cost. Increased delays. Worried customers. Increased administration. Increased staffing costs."

"None, it's a complete disaster."

"Never did and still don't expect any good news. 100% Brexit is bad for UK business."

"We can´t see a single advantage that Brexit will have for our business."

How has the latest COVID-19 lockdown affected your business?

Again this was an open-ended question, which the vast majority of respondents answered.

The most common response given were:

- Increases in absenteeism and increased numbers of employees self-isolating
- The ongoing impact of working from home/home working
    - Including issues of onboarding new staff, difficulty in collaborating and reduced efficiencies
- Issues with visiting customers

In addition to the above issues, many companies stated they were simply "*not affected*", with one stating simply they were "*well versed now in what to do*".

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