Business Conditions Survey for the UK Plastics Industry

British Plastics Federation
January 2023

Introduction

Business trends in the plastics industry have much wider implications beyond the confines of the sector as 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.

The Federation carries out surveys of business trends every six months.

For previous BPF Business Conditions Surveys go to:

www.bpf.co.uk/bcs

Participation

The survey was conducted between 11th – 30th January 2023, with the results published on the 2nd February 2023.

The survey, which was open exclusively to members of the British Plastics Federation, was completed by **72 firms.**

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

Plastics Processors	46%
Raw Materials Producers and Distributors	25%
Machinery and Equipment	22%
Recyclers	7%

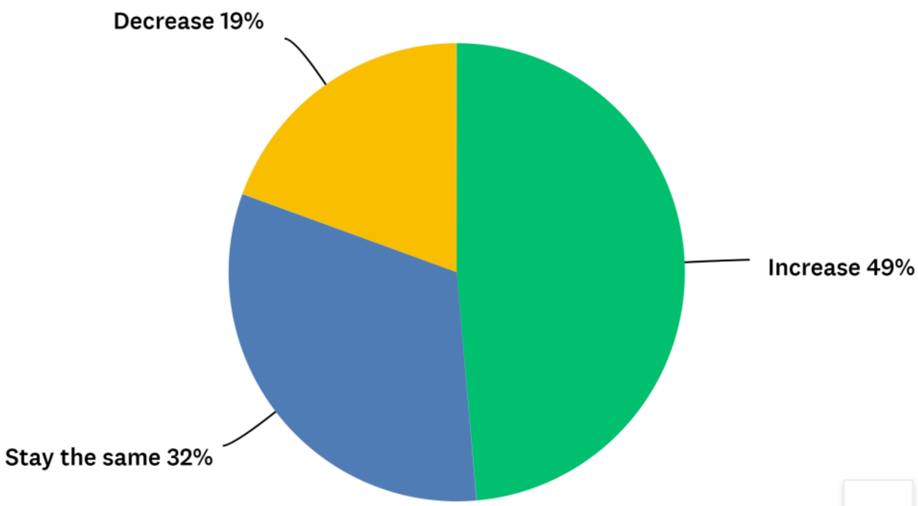
Plastic Industry Market Sectors

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:

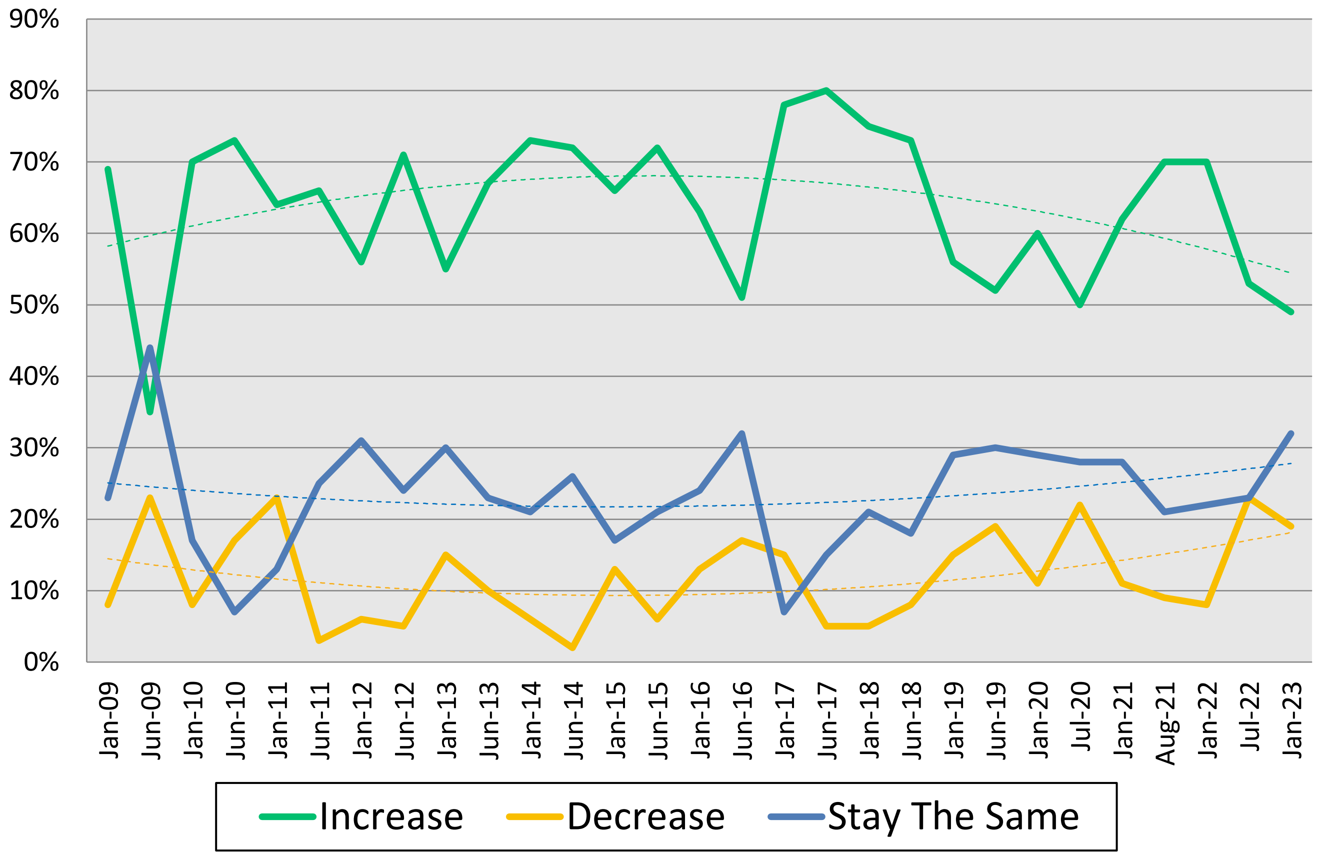
Construction	69%
Electrical and Electronic	62%
Packaging	60%
Automotive	59%
Healthcare	57%
General mechanical goods	49%

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



Many reasons were given by companies who were predicting an increase in sales turnover; reasons included development of new sectors, new product ranges, and new contracts.

Of those companies predicting a decrease in sales turnover the overwhelming reason given was energy costs (mentioned by 63% of firms, followed by inflation (27%) and an overall decrease in demand (11%).

Sales Vs Budget Predictions and Actuals from Recent Surveys

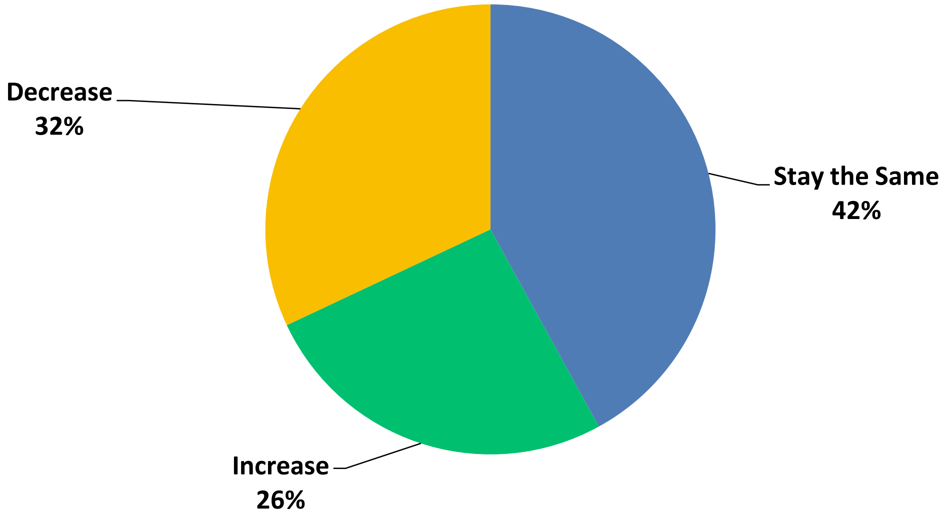
Predicted Sales vs Budget 2020 (July 2020 survey)	*Actual Sales vs Budget 2020 (January 2021 survey)*	*Performance Against Budget as of August 2021 (August 2021 survey)*	*Actual Sales vs Budget 2021 (January 2022 survey)*	*Predicted Sales vs Budget 2022 (July 2021 survey)*	***Actual Sales vs Budget 2022** (Jan 2023 Survey)*
-4%	*+8.68%*	*+14%*	*+17%*	*-1%*	*+3.1%*

Sales Vs Budget Predictions for 2022 by Various Groups

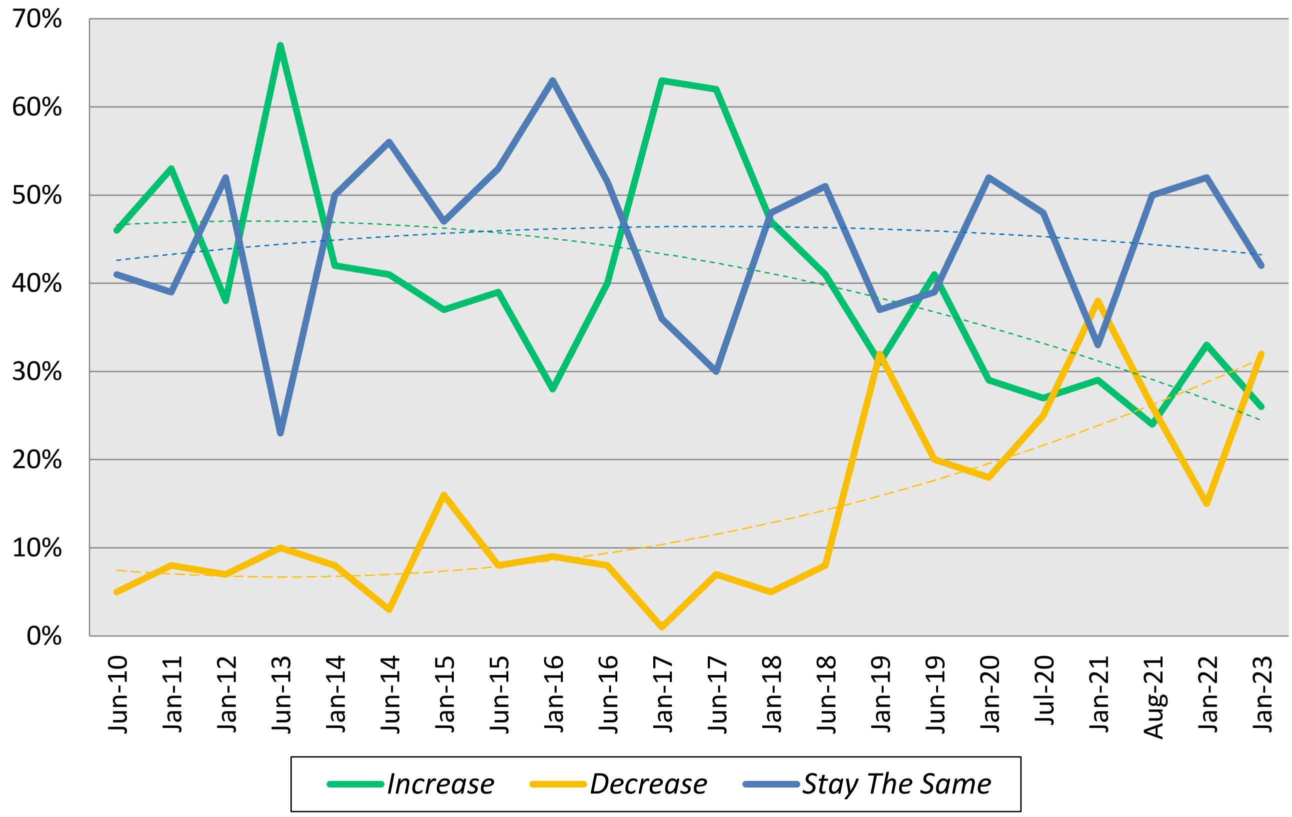
	Predicted Sales vs Budget 2022 (July 2021 survey)	***Actual Sales vs Budget 2022** (Jan 2023 Survey)*
Additives & Masterbatch Groups	+2%	**-6.1%**
Equipment	+6%	**+5.1%**
Moulders	-4%	**+4.5%**
Packaging	-1%	**+1.7%**
Polymer Distributors & Compounders	-12%	**+7%**
Recyclers	-14%	**-8.2%**

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

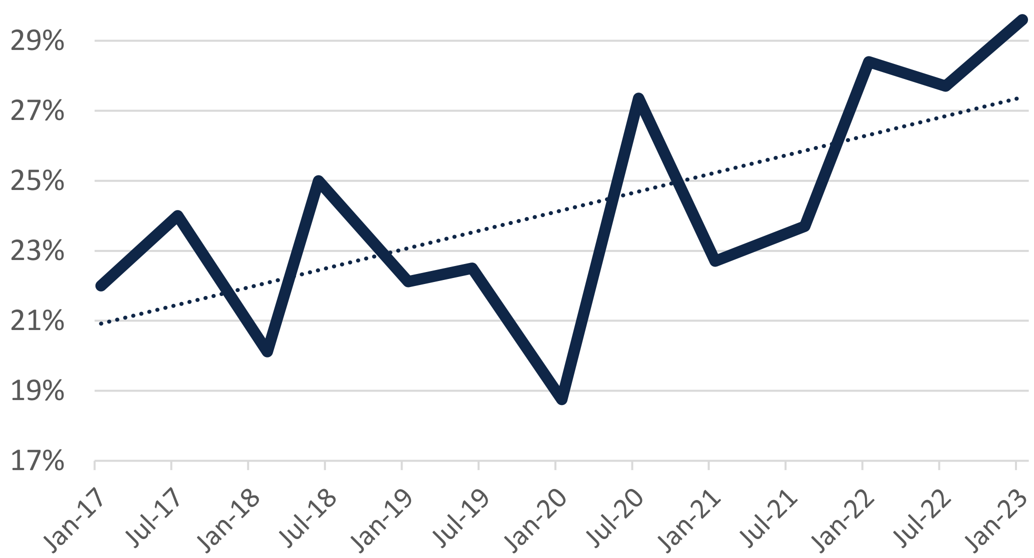


As has been seen in all recent surveys, of those who are predicting a decrease in export sales the most common reason given is Brexit. Some examples of typical comments include…

- *"Brexit bureaucracy and European customers buying from EU suppliers."*
- *"Brexit impacts have led to us drastically reduce our exports from the UK. We have moved work for European customers to our factory in Eastern Europe."*
- *"It's too difficult!!"*
- *"Brexit shipping costs and duty charges"*
- *"Delays in transport time and increased paperwork"*

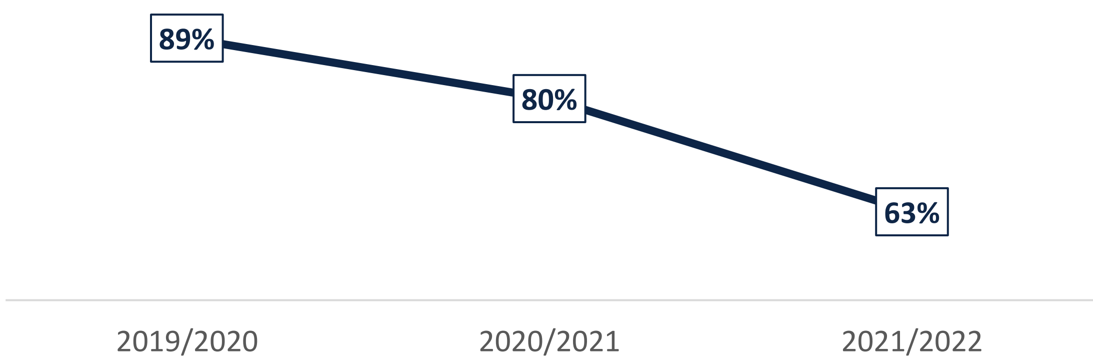
It is worth noting that since the referendum we are seeing an overall trend of less companies exporting. The graph below shows the percentage of firms in recent surveys who stated that do not export…

*Percentage of Respondents Who Do **NOT** Export*



This information seems to reflect what we are seeing in other surveys, including the BPF's Moulders Benchmarking survey with the following information included here for reference…

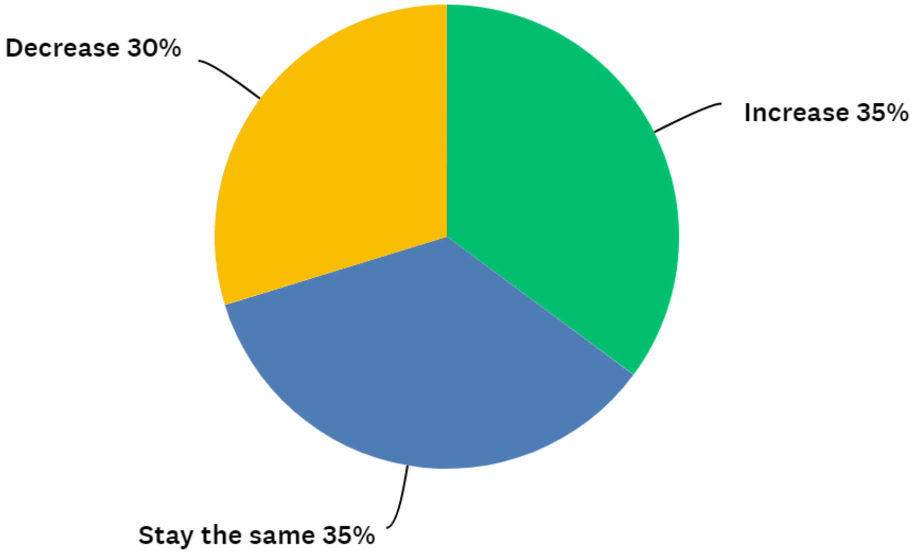
*Percentage of Moulders who **DO** Export*[1]



[1] Results taken from the BPF Moulders Benchmarking Surveys 2019-2022, an annual survey of the BPF Moulders Group

Profitability

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



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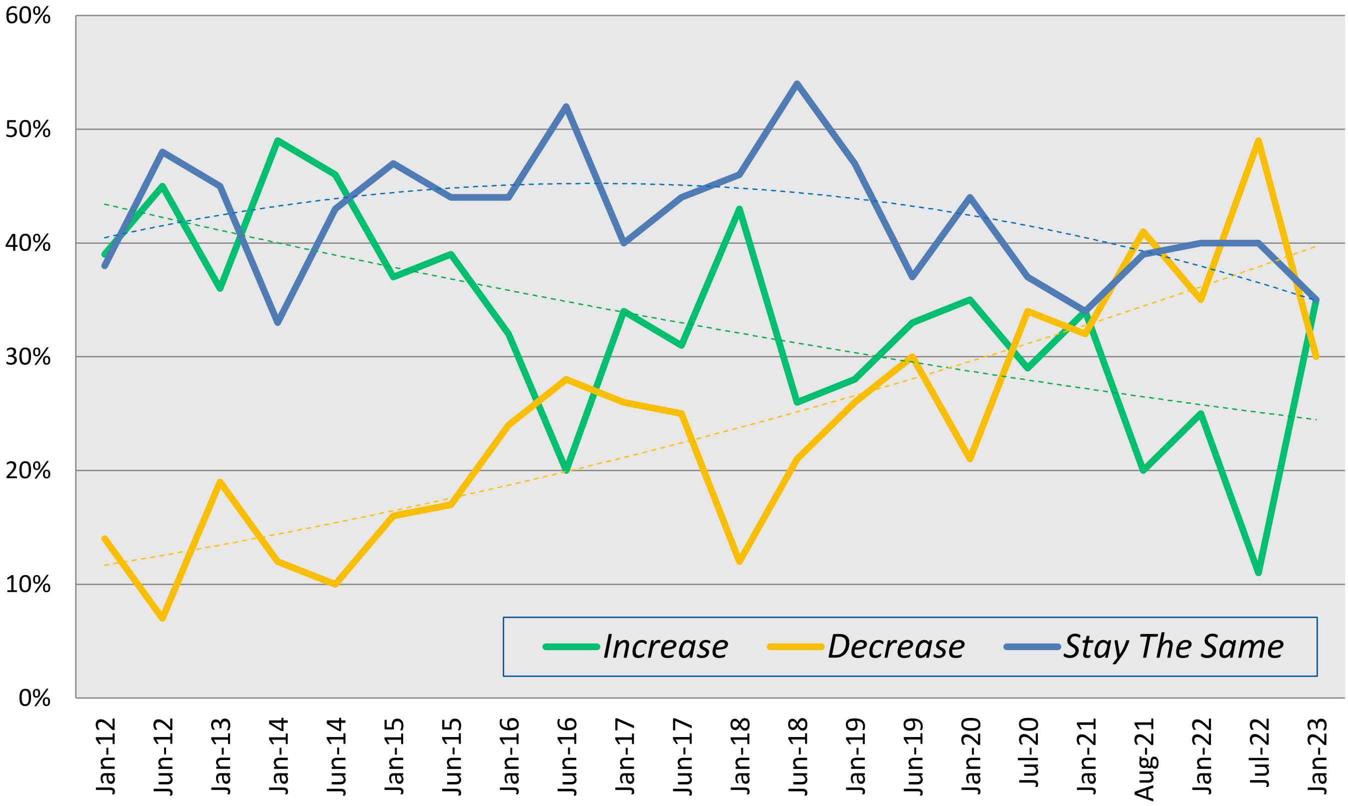


Whilst it is certainly good news that this survey shows a significant improvement in the number of companies predicting an increase in profitability over the next 12 months it is worth noting that this is a predicted increase in profitability from the record lows seen last year.

Of those predicting an increase in profitability, the most common reason given was improvements made through investment in plant and equipment. The second most common reason given was lower material costs vs 2022.

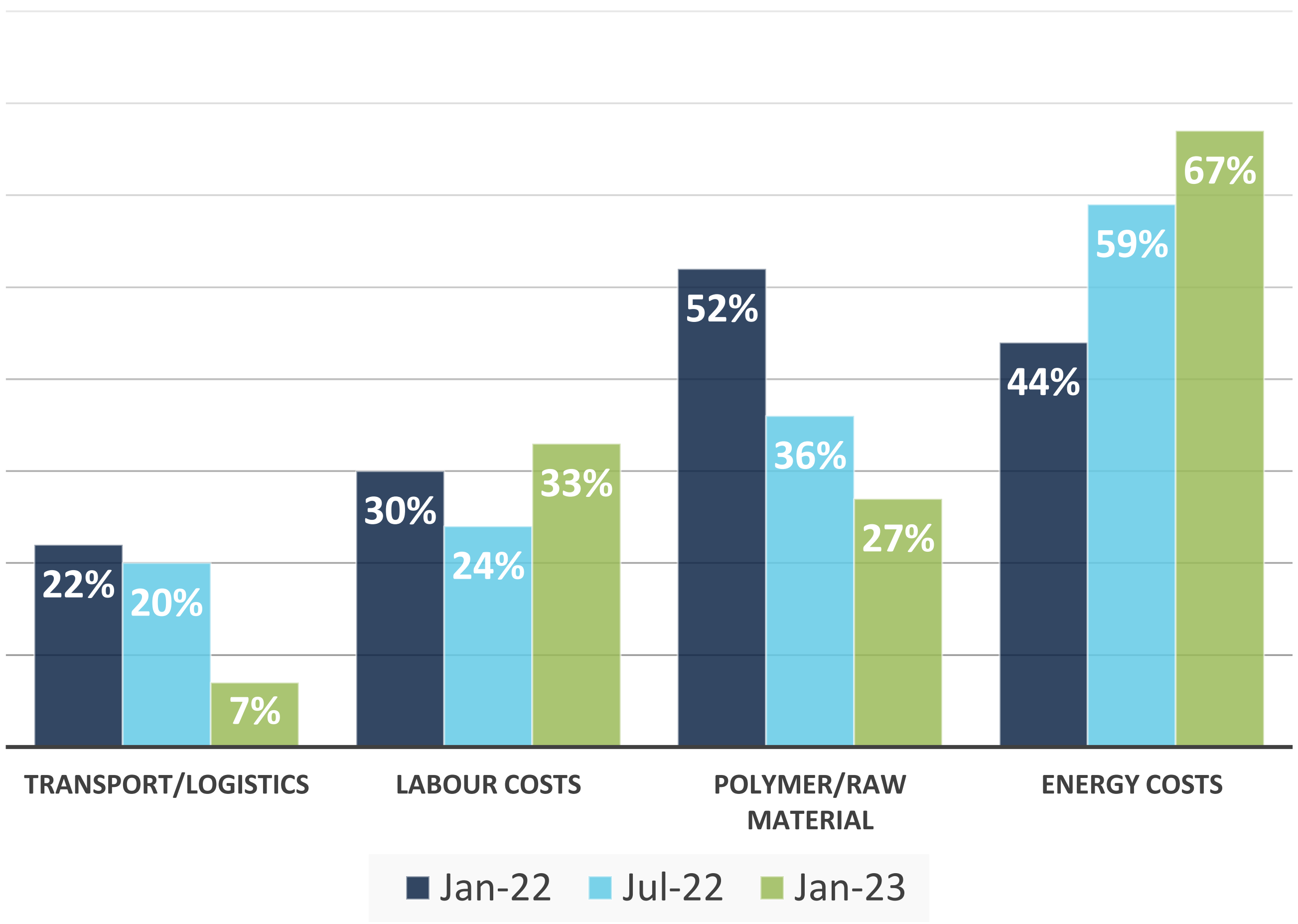
Of those predicting a decrease in profit margins, by far the most common reason was increased energy costs. The frustration seen in the previous survey (June 2022) continues, with a typical comments being…

"Energy prices have increased over 5 times from what they were 2 years ago and the market will not absorb this increase. We have done many energy improvement projects but none can reverse this energy increase. This will result in losses of many jobs."

"Raw material and component global price increase as well as energy. Cannot pass on all costs. Worrying."

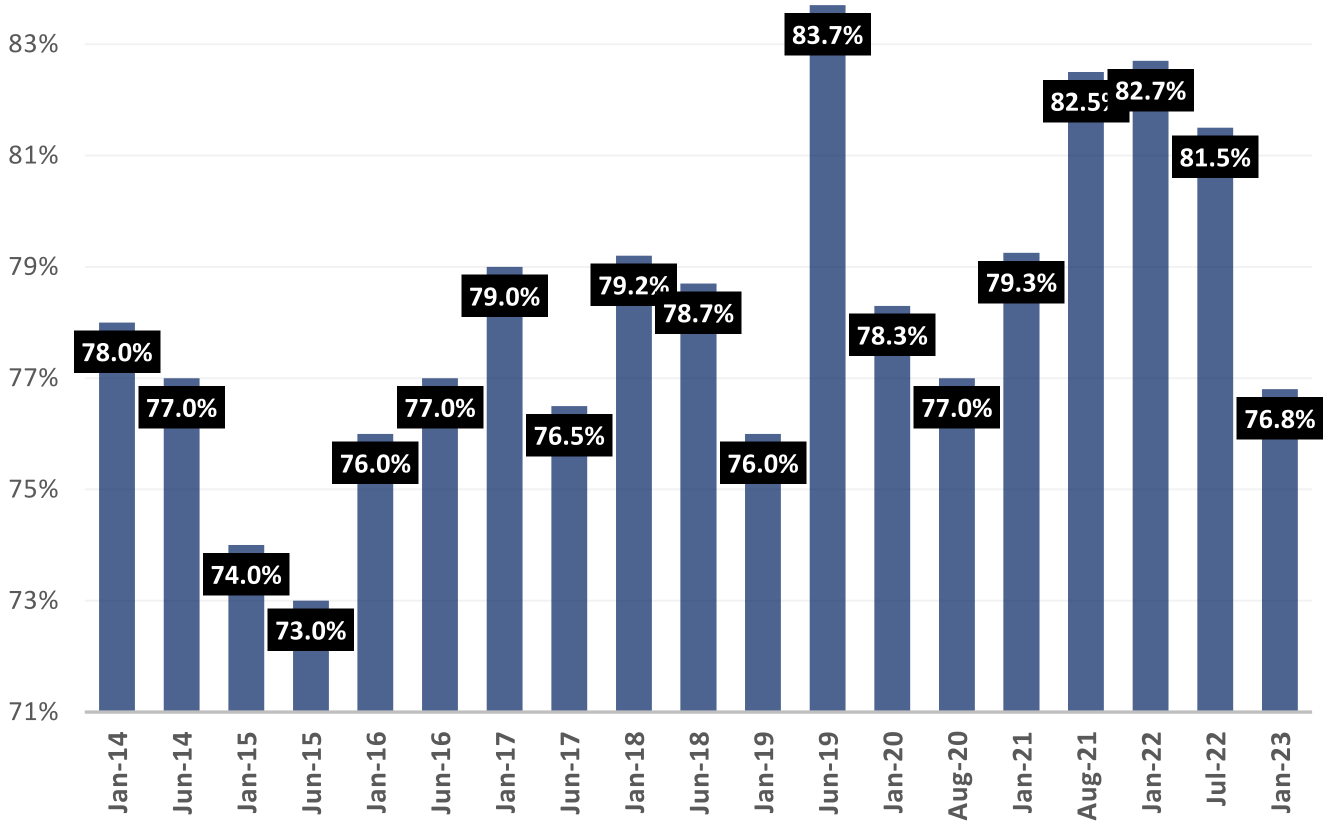
The below graph really highlights how energy has significantly overtaken other concerns and is now clearly the dominant one from those companies predicting a decrease in profit margins…

Most Common Reason Given by Companies who are Predicting a Decrease in Profit Margins Over the Next 12 Months



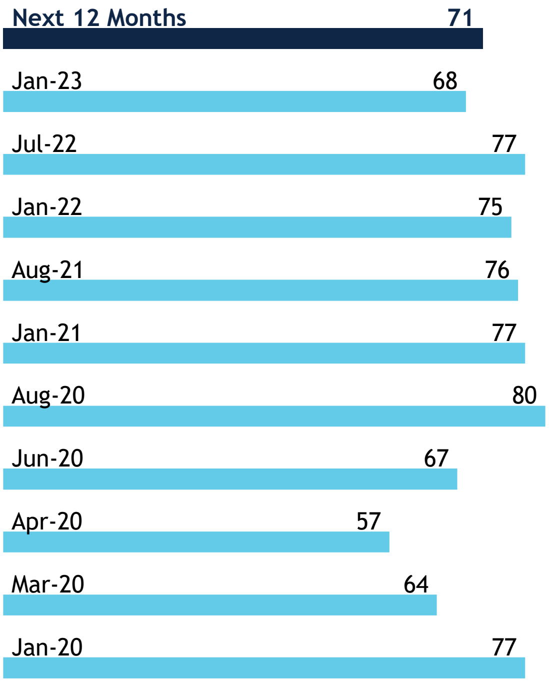
Capacity Utilisation

Average Capacity Utilisation Over the Next 12 Months

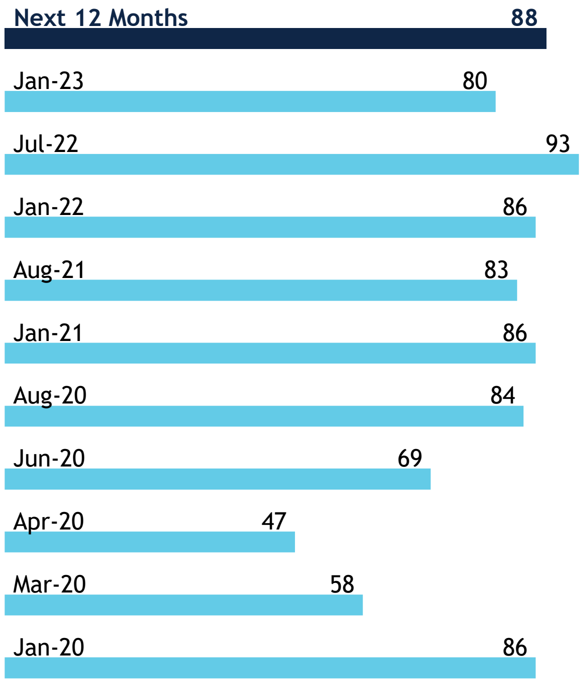


Capacities for Various BPF Membership Groups 2020-2023 (in percentage)

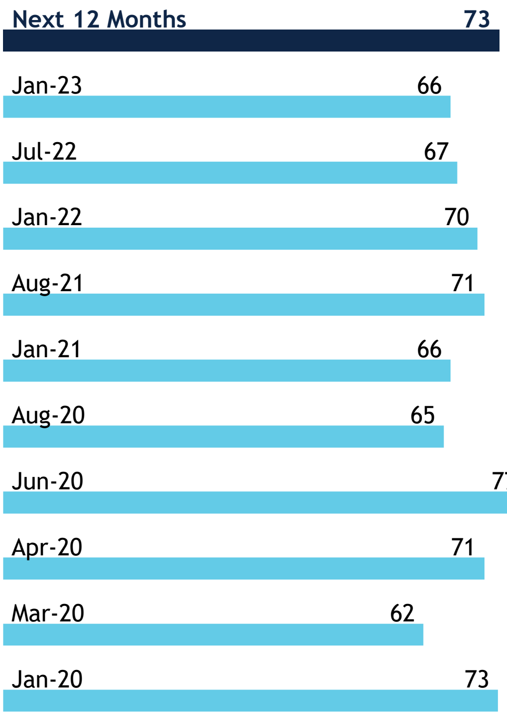
Additive & Masterbatch Groups



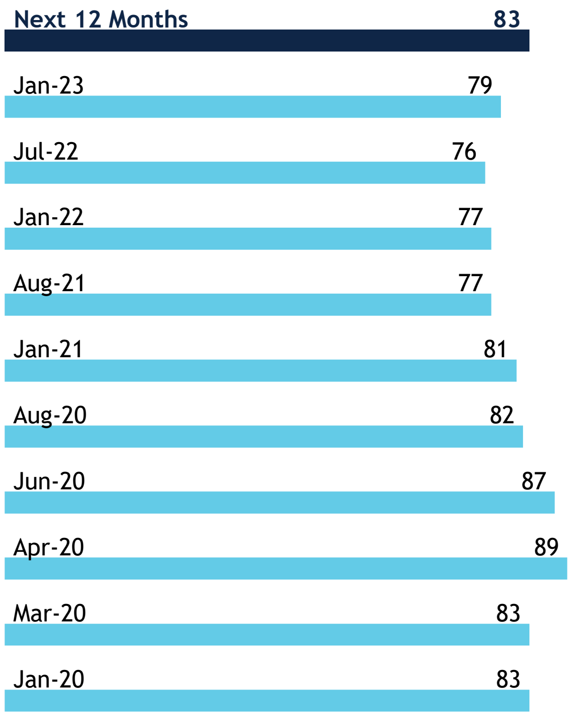
Equipment Group



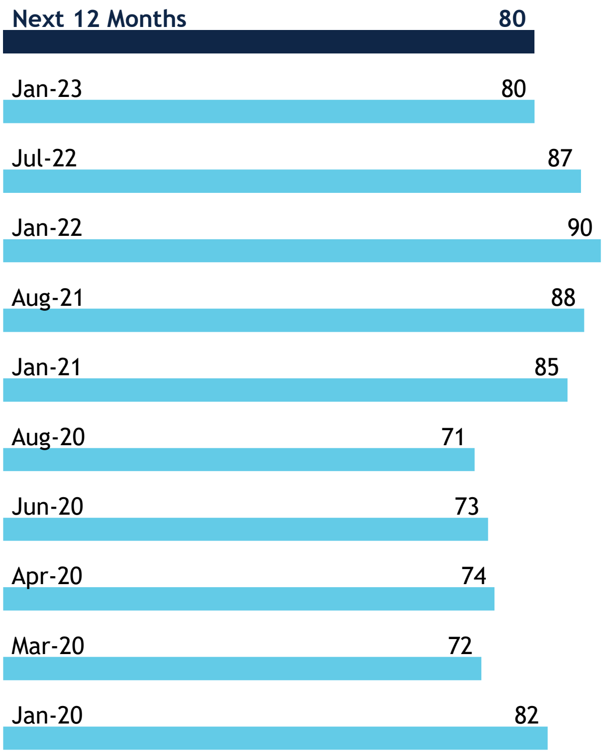
Moulders Group



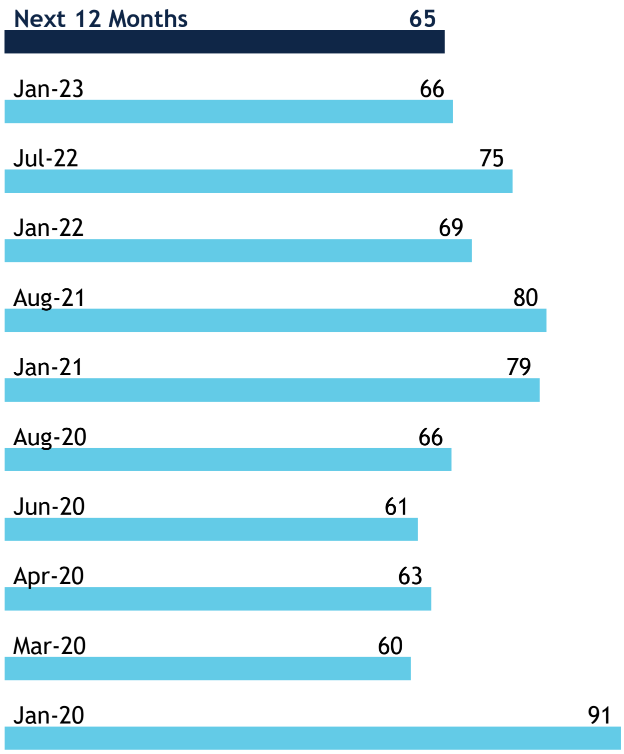
Packaging Group



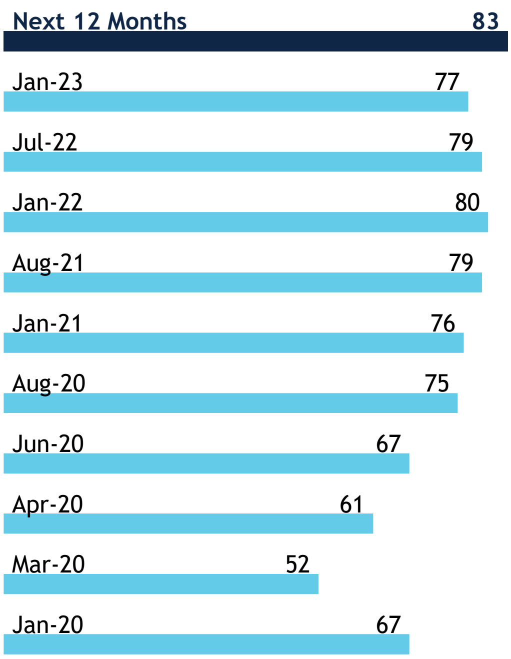
Polymer Distributors and Compounders Group



Recycling Group



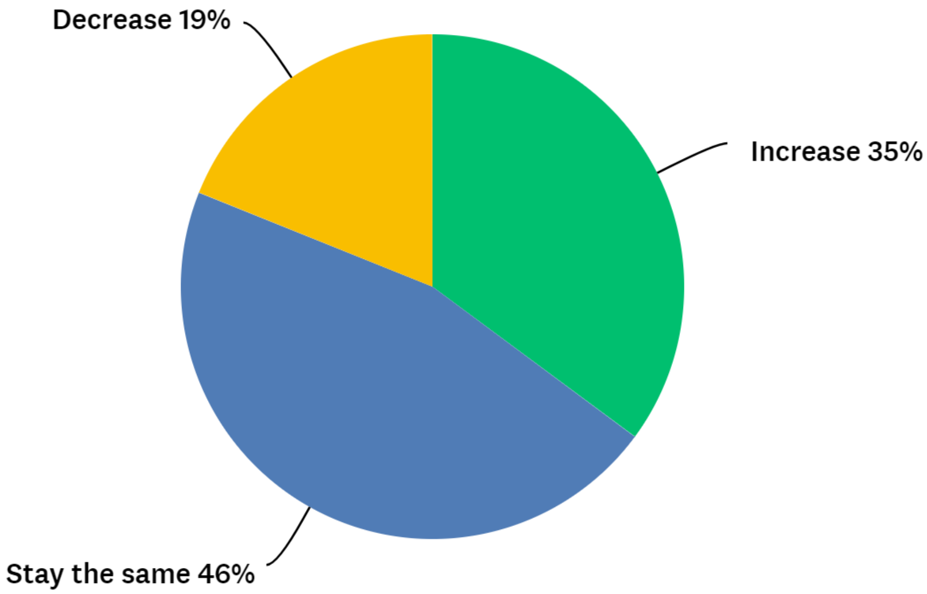
Rotational Moulding Group



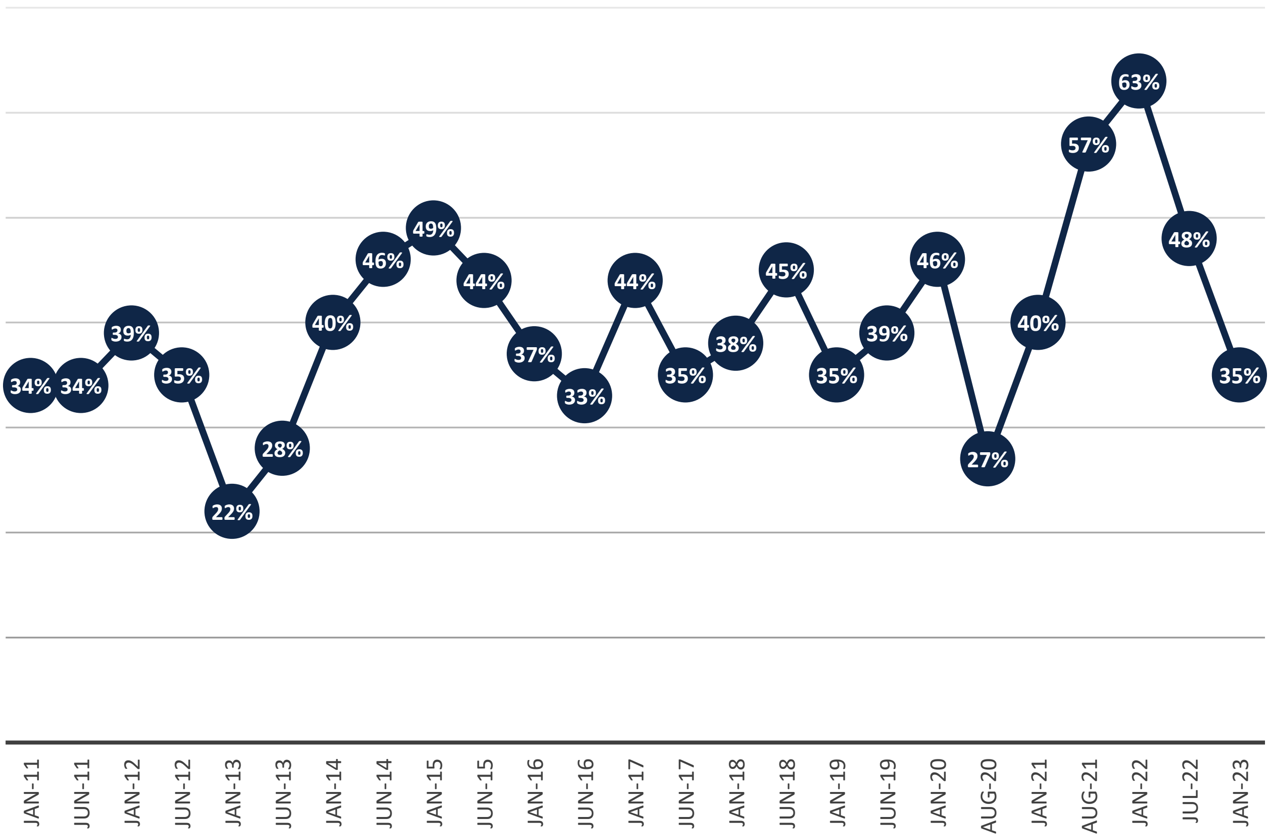
NOTE March, April and June 2020 data is taken from the BPF COVID-19 Supply Chain Monitors (SOURCE: WWW.BPF.CO.UK/SURVEYS). Other data is based on BPF Business Conditions Survey data (SOURCE: WWW.BPF.CO.UK/BCS). August 2021 data for Additives & Masterbatch Group and Polymer Distributors & Compounders Group is created by an average as volume of data not being statistically significant.

Staffing

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

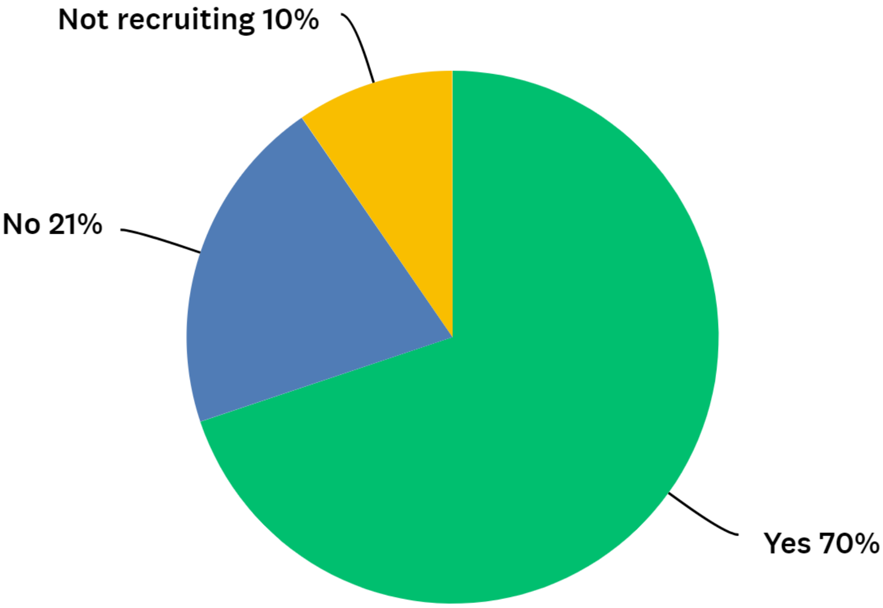


Percentage of Respondents Surveyed Looking to Increase Staff Levels in the Next 12 Months

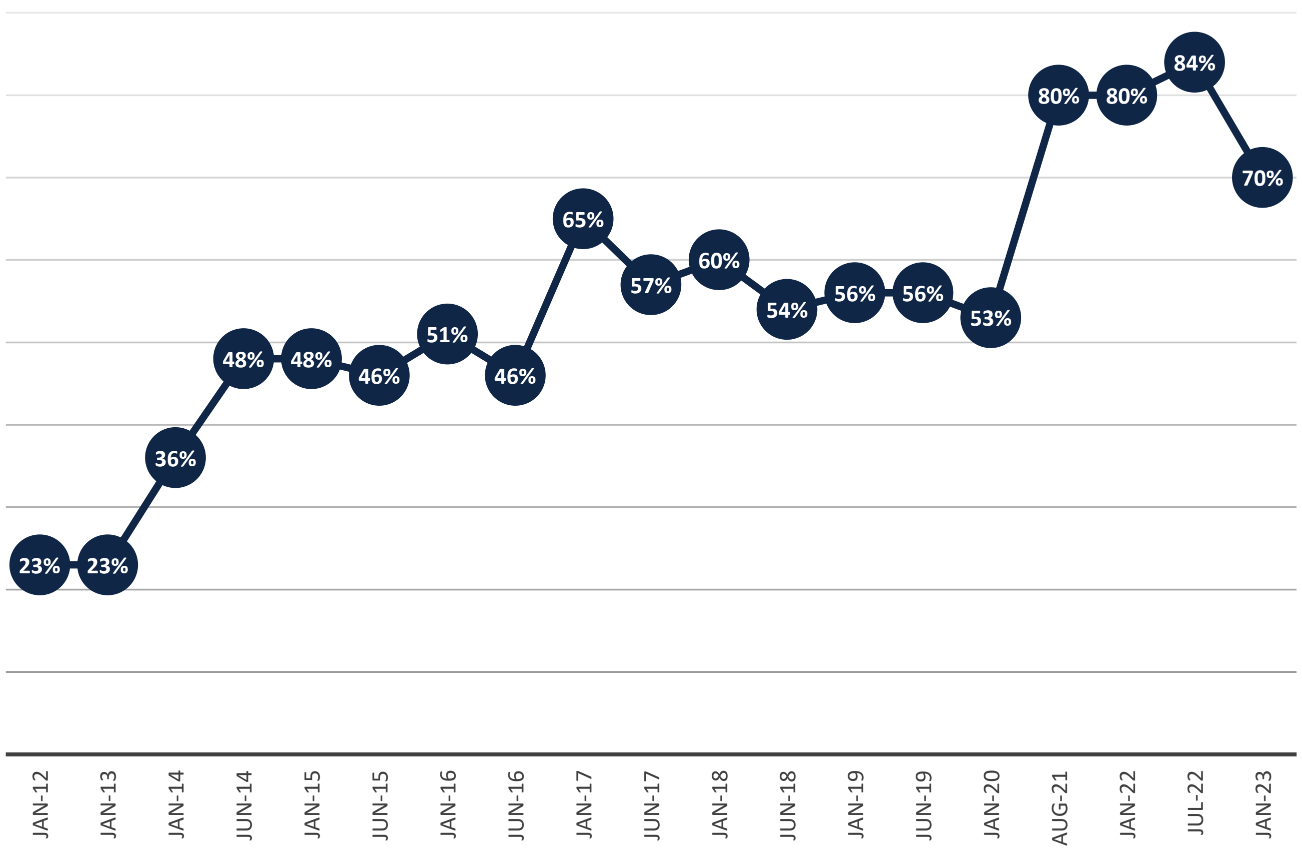


Skills Needs

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



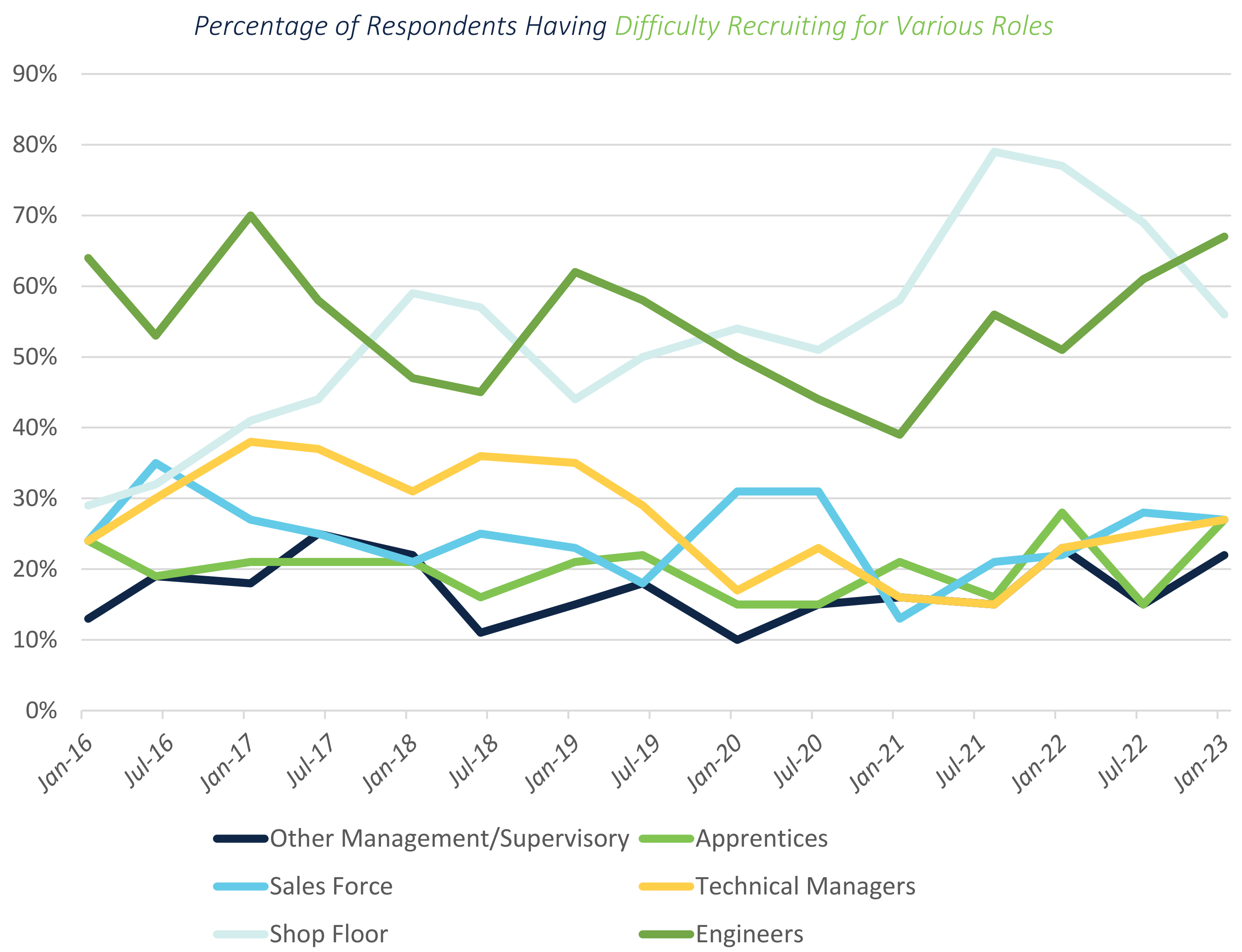
Percentage of Respondents Surveyed Having Difficulty Recruiting Staff



A number of companies provided comments when asked about the difficulty in recruiting; typical comments from those who said the situation is getting better were *“the recruitment situation seems to have eased a little compared to mid-2022”* and *“we believe that the environment is changing and hope it becomes easier to recruit people”*.

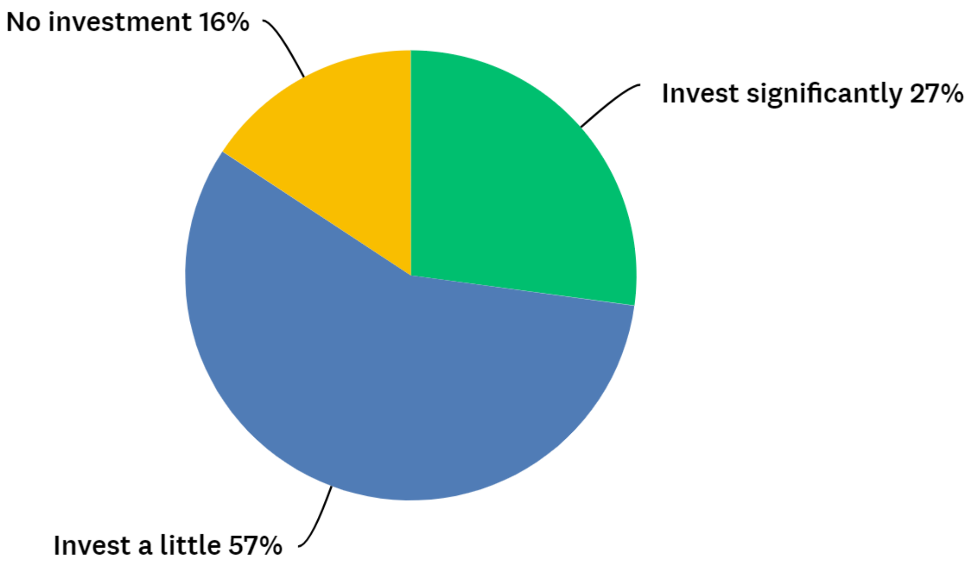
The BPF asked those having difficulties which types of staff were hard to recruit (note, respondents could choose multiple options):

67% Engineers
56% Shop Floor
27% Sales Force
27% Technical Managers
22% Other Management/Supervisory
27% Apprentices



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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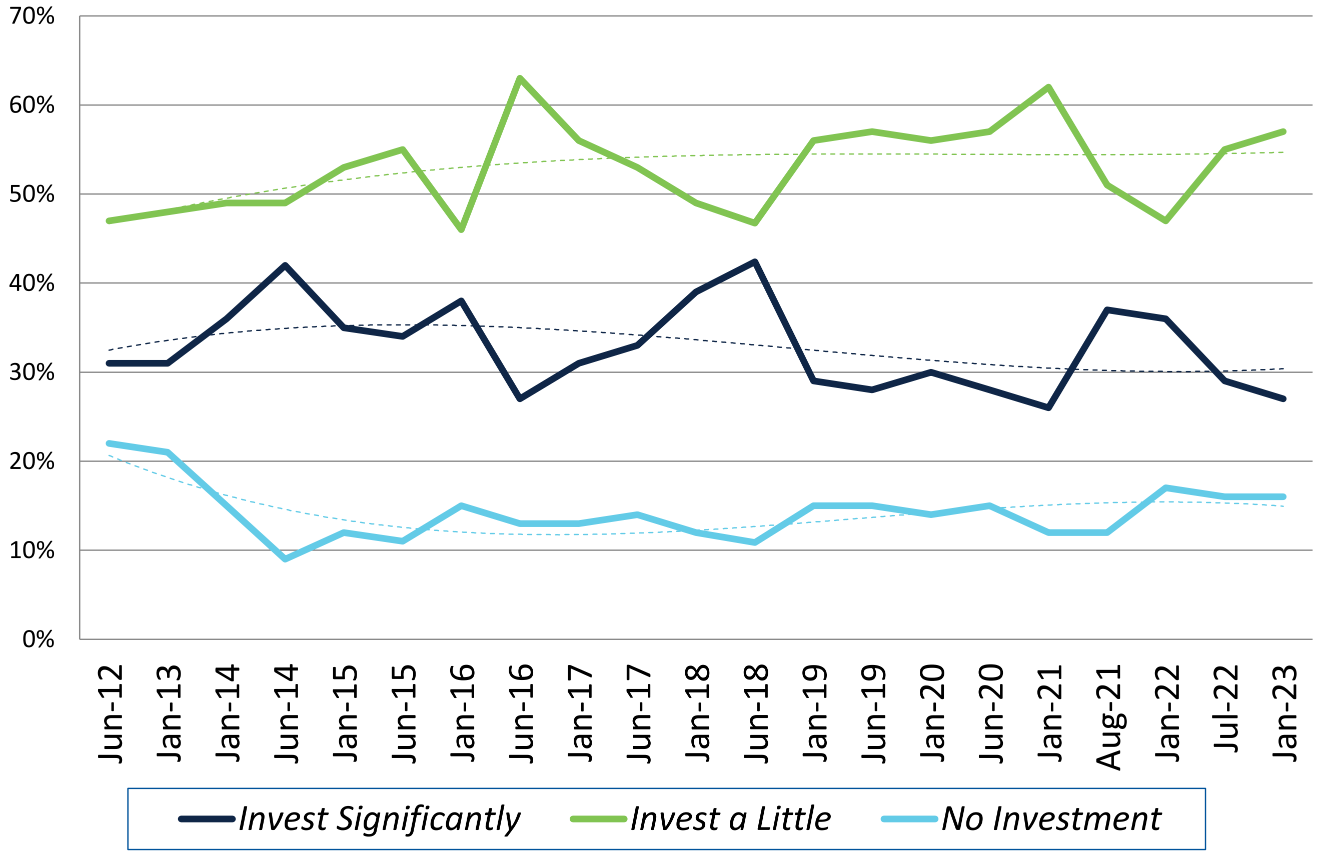
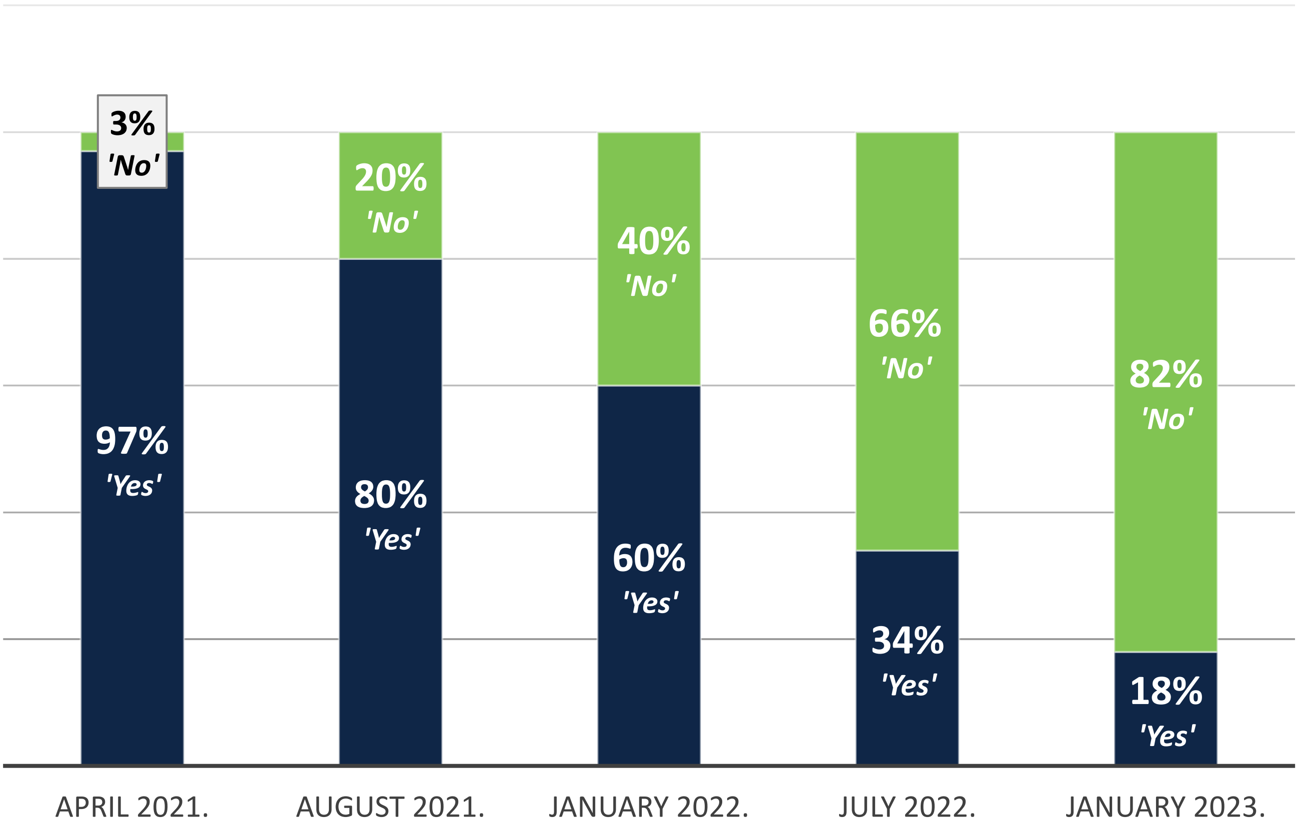


Trading Issues

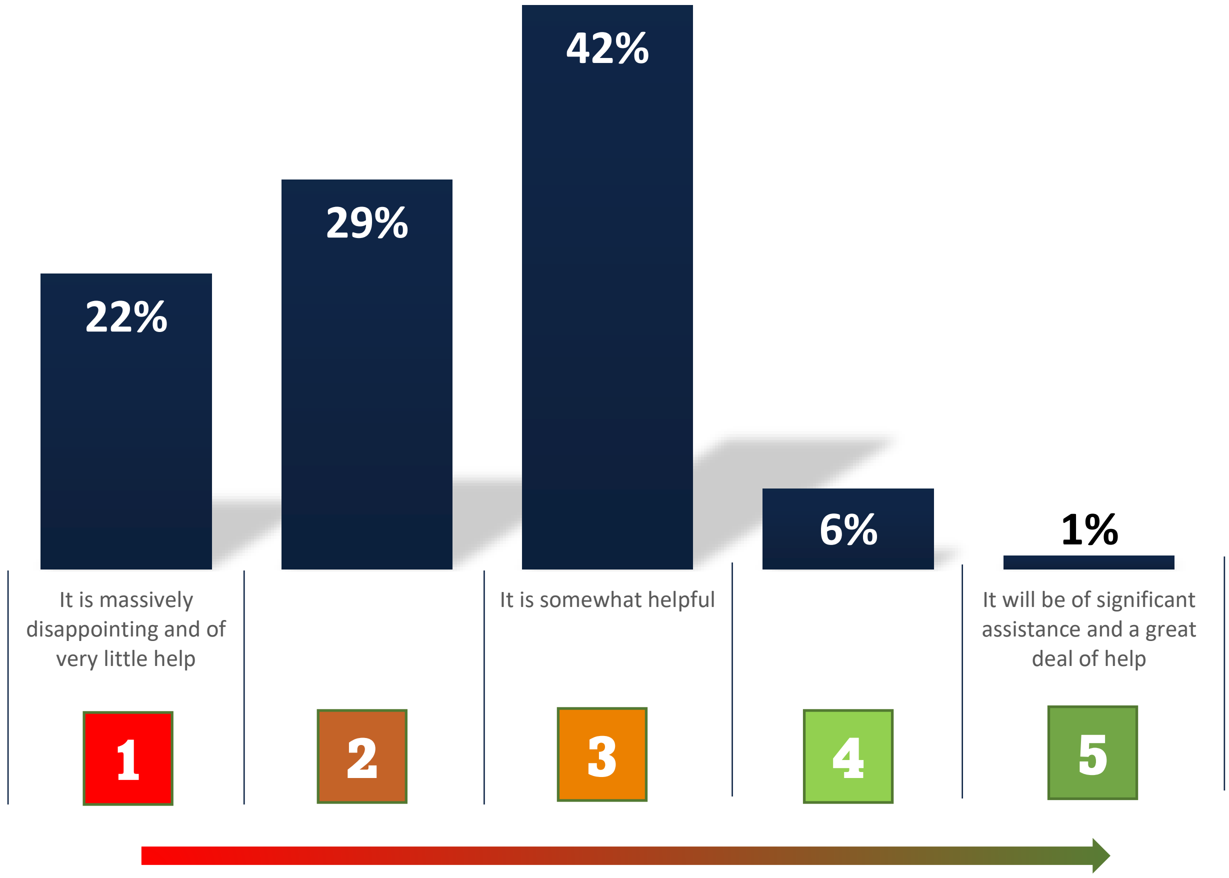
Percentage of Companies Currently Experiencing Problems Sourcing Polymer



Energy Bills Discount Scheme?

The 'Energy Bills Discount Scheme' was announced on the 9th January (two days before the survey was launched) so we asked members for their feedback on the scheme…

On the scale below (1-5) what are your initial reactions to the newly announced Energy Bills Discount Scheme?



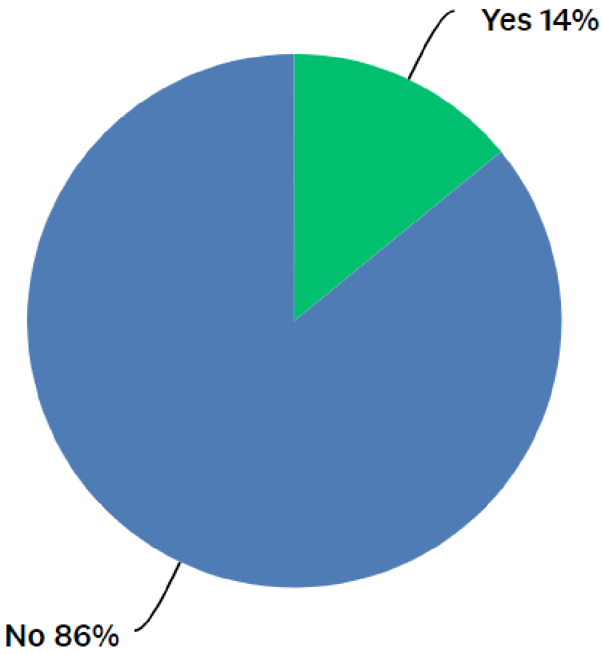
In general it was clear that companies were not impressed with the scheme, even though a large percentage of the plastic industry[2] were including in the scope of Energy and Trade Intensive Industries (ETII) which enables them to apply for far greater discounts than companies on the 'universal' scheme.

Comments were wide ranging from angry ('*Government does not understand manufacturing or worse does not care*') to understanding ('*there is little we as a Government can afford to do to assist*'). Although the plastics industry in general is not a major gas user, a number of companies in the industry are. Those that were gas users were quite outspoken about how the scheme is unsupportive i.e. '*for electricity the supported price is reasonable but the supported gas price is much higher than under the current EBRS. We are very high users of gas - therefore this is very disappointing - for gas - the scheme is*

[2] 20.16 Manufacture of plastics in primary forms, 22.21 Manufacture of plastic plates, sheets, tubes and profiles, 22.22 Manufacture of plastic packing goods, 22.23 Manufacture of builders' ware of plastic and 22.29 Manufacture of other plastic products

of little support to us' and 'Supported price for Gas (even for ETII) has way to high a threshold to be of help'.

Have your investment intentions changed as a result of the announcement of the Energy Bills Discount Scheme ?



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