BPF Business Conditions Survey

British Plastics Federation survey results

January 2024

Overview

British Plastics Federation survey results – January 2024

The survey was conducted between 10th and 29th January 2024.

The 84 respondents are all members of the British Plastics Federation.

For some survey results “net balance” figures are reported - this is the proportion of respondents reporting an increase minus the proportion of respondents reporting a decrease on a particular measure.

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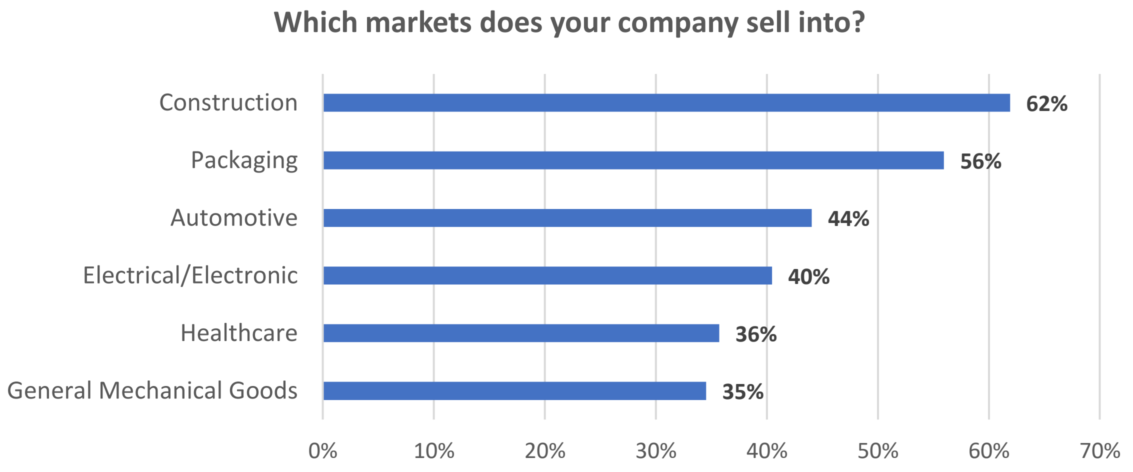
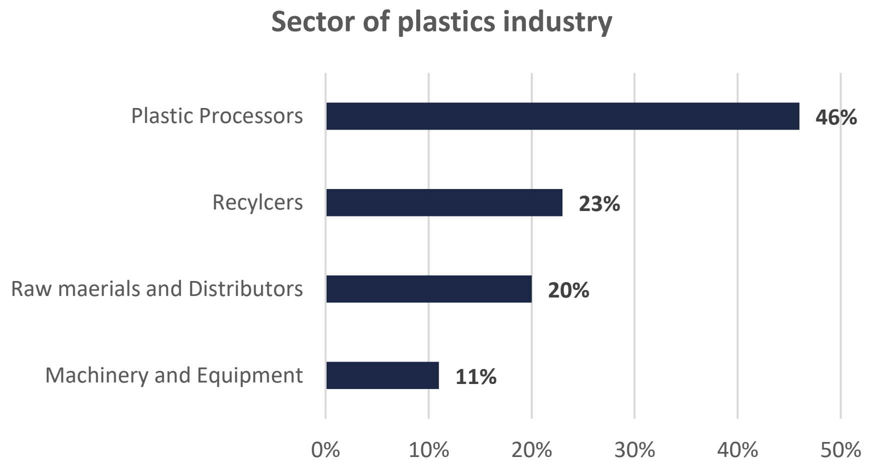
Respondent characteristics

Responding firms typically sold into multiple markets, with construction being the top market.

The largest sector from the plastics industry drawn on was ‘plastics processors’





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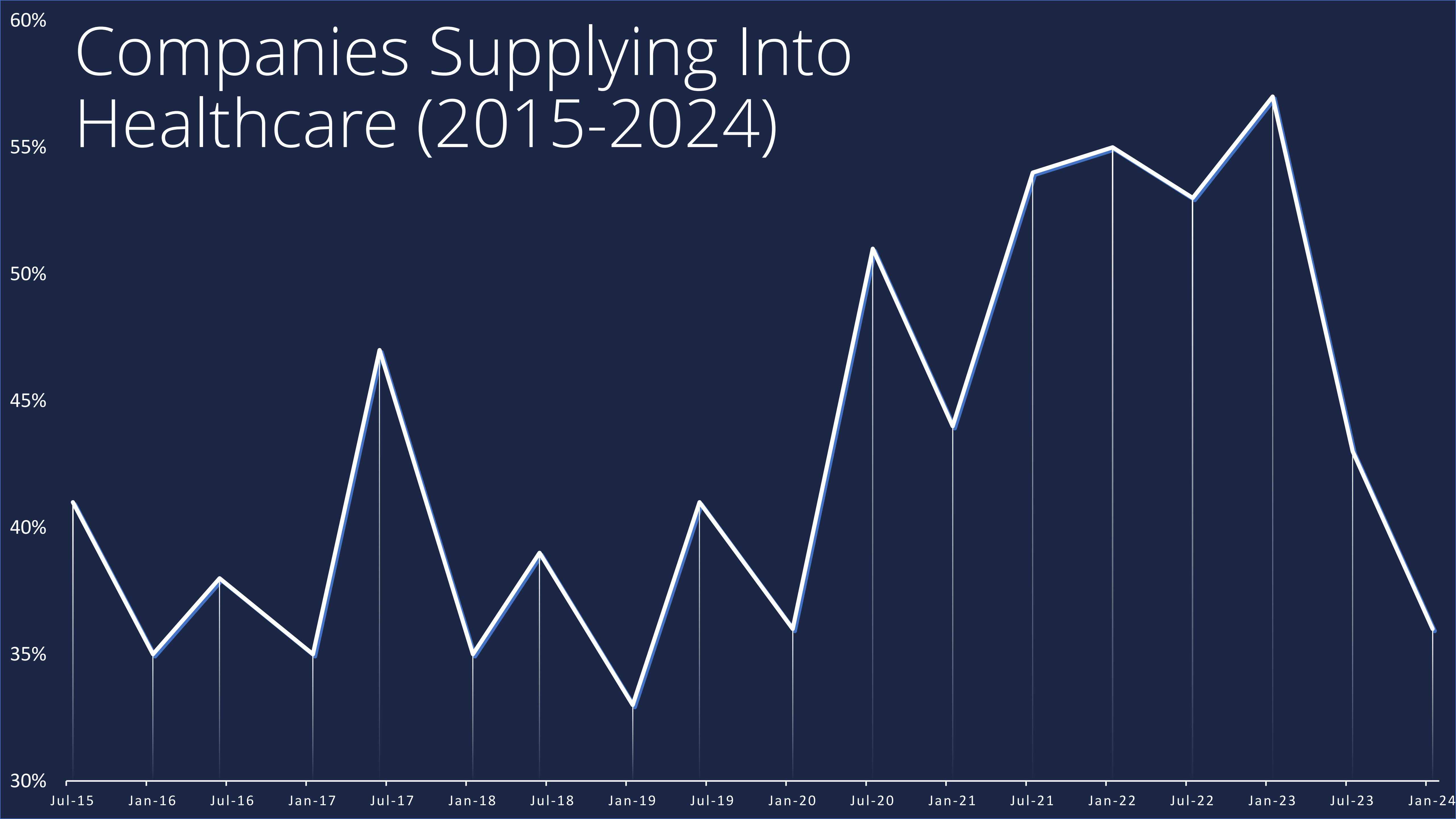
Companies Supplying Into Healthcare (2015-2024)
60%
55%
50%
45%
40%
35%
30%
Jul-15
Jan-16
Jul-16
Jan-17
Jul-17
Jan-18
Jul-18
Jan-19
Jul-19
Jan-20
Jul-20
Jan-21
Jul-21
Jan-22
Jul-22
Jan-23
Jul-23
Jan-24

Summary

Key messages

- **A good outlook for turnover.** Expectations of increased turnover are the strongest for two years.
- **A mixed picture for profit.** As many firms think profit margins will increase as think they will decrease, but the trend is for profit margins being under pressure since the pandemic.
- **Investment Intentions**. Intentions for significant investment have reduced, and the proportion of firms not expecting to invest at all is at historically high levels.
- **Export sales are expected to be steady.** With a low proportion of firms expecting decrease in sales overseas.

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Key messages

- **Workforce pressures are easing.** Recruitment difficulties are not as high as they were, and a low proportion of firms are expecting to increasing staffing levels.
- **Spare capacity in the industry.** The results for capacity utilisation are at historically low levels
- **Problems sourcing polymer have eased.** Reported difficulties in sourcing polymer are the lowest since data began to be collected in April 2021.
- **Half of respondents are optimistic about business conditions**. Despite this, respondents thought the Government was performing badly at providing sector support and a majority thinks that Brexit has had a negative impact on their business.

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Sales vs Budget

Predicted Sales vs Budget 2020	Actual Sales vs Budget 2020	Performance Against Budget as of August 2021	Actual Sales vs Budget 2021	Predicted Sales vs Budget 2022	Actual Sales vs Budget 2022	Sales in July 2023 vs July 2022	**Sales in Jan 2024 vs Jan 2023**
-4%	+8.68%	+14%	+17%	-1%	+3.1%	-4.6%	**-1.5%**

Data used from previous Business Conditions Surveys as follows from left to right: July 2020, January 2021, August 2021, January 2022, July 2022, January 2023, July 2023. Source: www.bpf.co.uk/bcs

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	Actual Sales vs Budget 2022 **(Jan 2023 Survey)**	Sales in July 2023 vs July 2022 **(July 2023 Survey)**	Sales Jan 2024 vs Jan 2023
Additives & Masterbatch Groups	-6.1%	+4.2%	**+16.5%**
Equipment	+5.1%	+14.9%	**+4.2%**
Moulders	+4.5%	-6.8%	**-5.9%**
Packaging	+1.7%	-2.1%	**-1%**
Pipes	N/A	-3.7%	**+0.75%**
Polymer Distributors, Compounders & Volume Suppliers	+7%	-10%	**+11.2%**
Recyclers	-8.2%	-33.4%	**-7.7%**

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Sales turnover

Headline results

- **There has been a marked improvement in turnover expectations**. More than half of firms (54%) expect their sales turnover to increase in the next 12 months, compared to just over a third of firms (35%) in July 2023.

- **Expectations of increased turnover are the strongest for two years**. A much larger proportion of firms are reporting expectations of increased turnover than are reporting expectations of decreased turnover. This gap between increased expectations and decreased expectations is the widest since January 2022.

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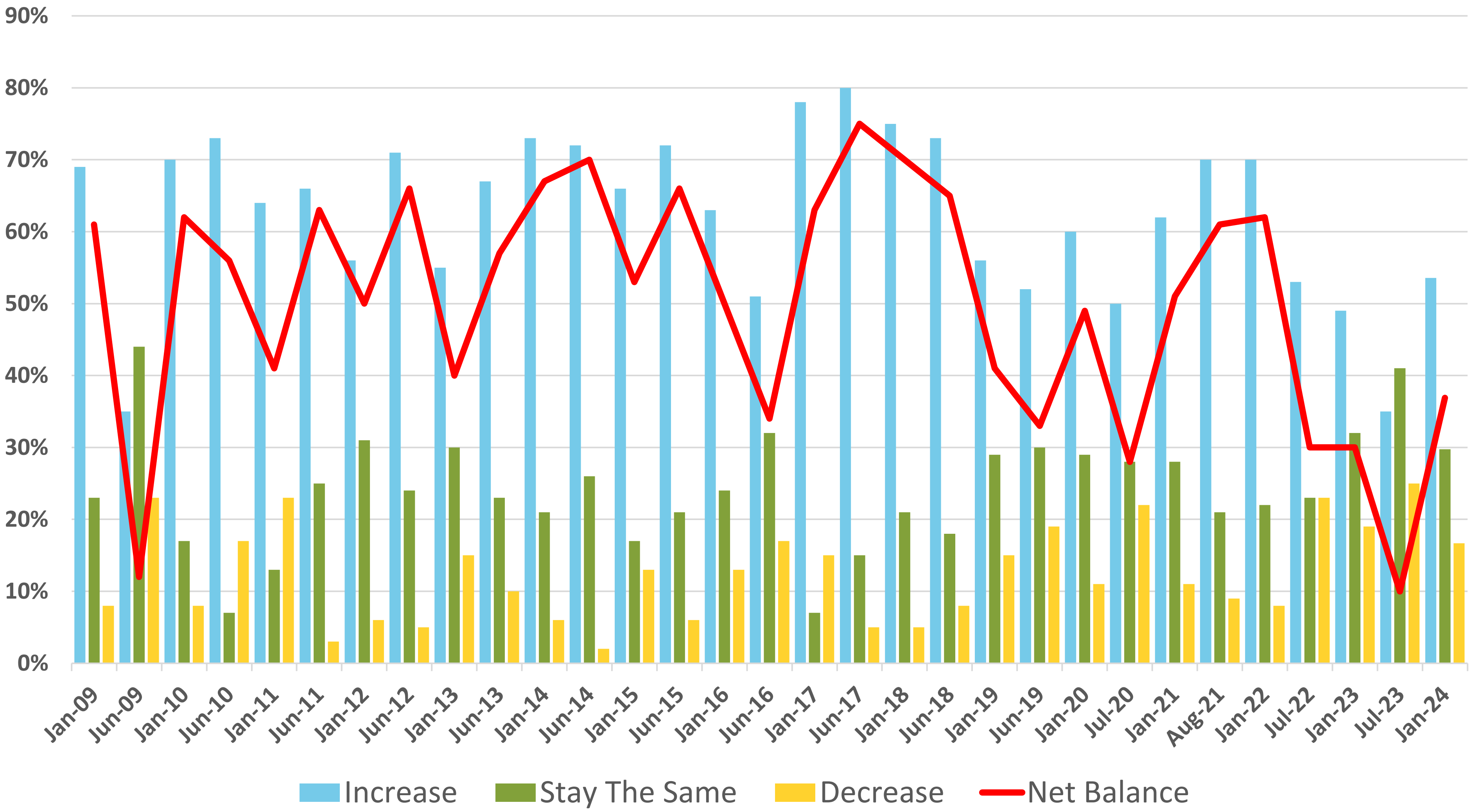
Over the next 12 months do you expect sales turnover to increase/decrease/stay the same?



Factors affecting sales turnover – key quotes

“Factory gate inflation (commodities, labour inflation, energy etc), consumer disposable Income and confidence and retailer pricing policy.”

“Low growth, Red Sea issues resulting in delayed cargo arrivals and increased cost, Asian imports from FTA countries.”

“Increases in energy costs have affected processors in the UK to be competitive on price against other regions especially Far East.”

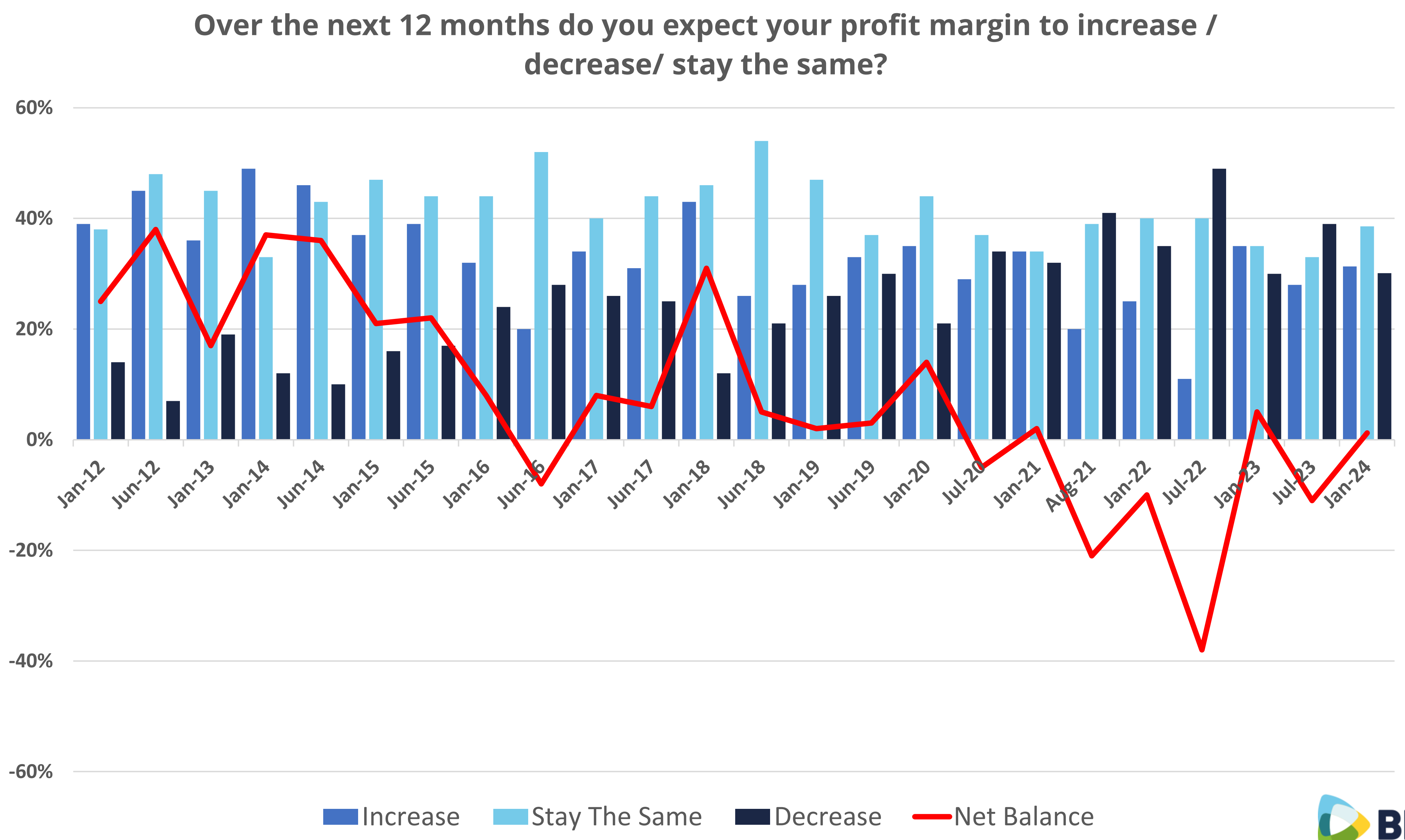
“Confidence in the market should increase, postponed investments should materialise.”

Profit margins

Headline results

- **Roughly as many firms think profit will increase as think it will decrease**. Just under a third (31%) expect profit margins to increase in the next year, with around the same proportion thinking margins will decrease (30%). Around four in ten (39%) expect profit margins to stay the same.

- **Profit margins have been under pressure since the pandemic**. In five of the seven surveys since March 2020, a greater proportion of firms expected decreased profit margins than expected increased profit margins. This had only happened only once in the 16 surveys prior to the pandemic, dating back to 2012.



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Factors affecting profit margins – key quotes

"Global polymer oversupply. Domestic haulage costs. Post Brexit export haulage prohibitive."

"The whole industry was overstocked - especially the medical supply chain where volumes dropped. We expect this destocking and price drops to stabilise."

"Increased investment in energy saving equipment offset by increased labour costs and inability to pass on price increases."

"Wage inflation - especially the minimum wage increasing by 9.7%. This has repercussions further up the pay scale."

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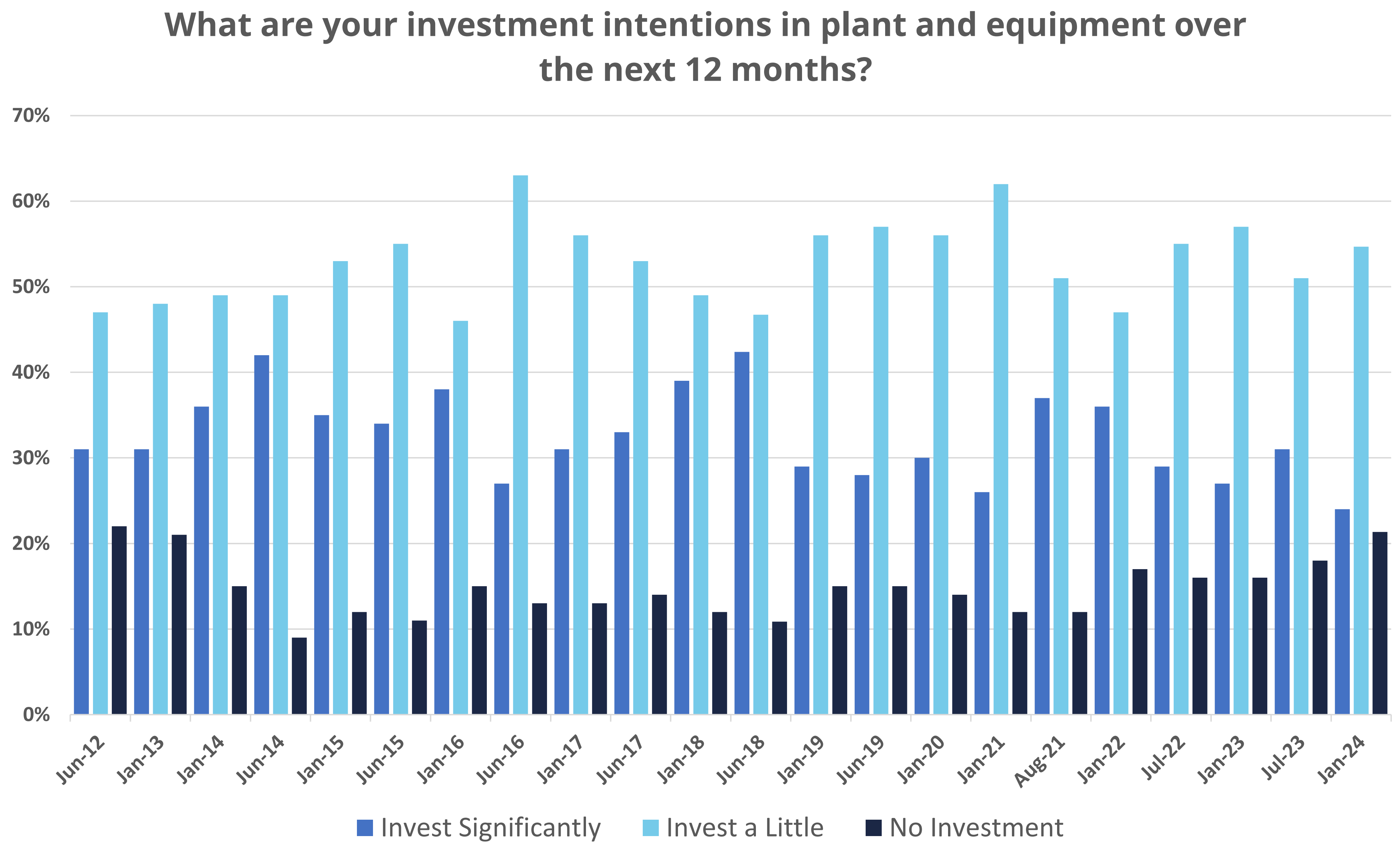
Investment in plant and equipment

Headline results

- **Intentions for significant investment have reduced since mid-2023**. Only 24% of firms state that they will invest significantly, compared to 31% of firms in July last year. There has, however, been an uptick in smaller investment – the proportion of firms saying they will "invest a little" rose from 51% to 55% between the surveys.

- **The proportion of firms not expecting to invest at all is at historically high levels**. More than a fifth (21%) of respondents state that there will be no investment over the next 12 months. This is the weakest result since January 2013.


What are your investment intentions in plant and equipment over the next 12 months?
70%
60%
50%
40%
30%
20%
10%
0%
Jun-12
Jan-13
Jan-14
Jun-14
Jan-15
Jun-15
Jan-16
Jun-16
Jan-17
Jun-17
Jan-18
Jun-18
Jan-19
Jun-19
Jan-20
Jan-21
Aug-21
Jan-22
Jul-22
Jan-23
Jul-23
Jan-24
Invest Significantly
Invest a Little
No Investment

Comments on investment – key quotes

"Our UK site will be investing quite heavily into a new films process, specific for the UK market. Most of our group investment budget (over 60%) however will be overseas in our European and Far Eastern Plants."

"Energy efficient machinery, enhanced automation, upgraded material handling equipment."

"Investing in replacing ageing equipment and some new technology to improve efficiency."

"Upgrades to current machinery, investment in digital infrastructure and skills."

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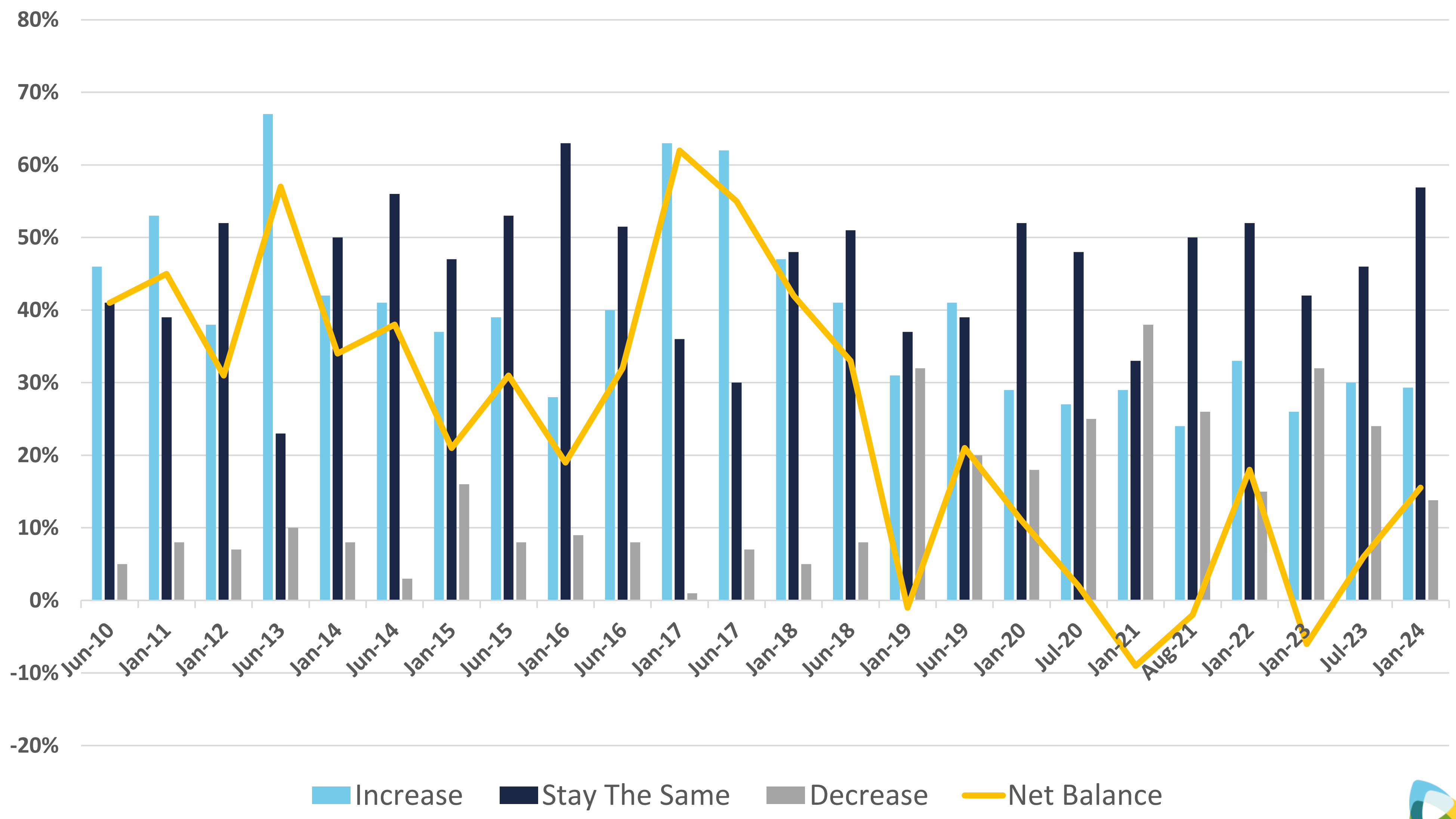
Exporting activity

Headline results

- **Export sales expectations are similar to those of July 2023**. Almost one-third of firms (29%) expect that export sales will increase in the next 12 months, compared to 30% of firms six months ago.

- **Expectations that export sales will decrease are the lowest for six years**. In this survey, only 14% of firms report the expectation of decreasing export sales. The last time this result was lower – standing at 8% - was in the middle of 2018.

If you export, do you expect export sales in the next 12 months to increase / decrease / stay the same?



Factors affecting export sales – key quotes

“Continued Brexit issues.”

“Very difficult border controls causing long delays. Other countries have much less friction so puts us in an uncompetitive position.”

“Reshoring / transfer or work packages that are currently exported from China to EU and US will now be exported from UK to EU and US.”

“Growing and emerging markets abroad.”

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Workforce considerations

Headline results

- **Recruitment difficulties are easing.** Only 48% of firms report difficulty in recruiting, continuing falls from a peak of 84% of firms in July 2022. This is the lowest recorded percentage of recruitment difficulties since June 2016 (when the result was 46%).

- **Expectations of increasing staff levels remain low.** Only 32% of firms report that they expected to increase staff levels in the next year. While this is marginally higher than the July 2023 survey (a result of 30%), the average over the 13 years of the survey is 39%.

- **The greatest difficulty in recruiting is with on the shop floor and with engineers**. Of those experiencing recruitment difficulties, 73% report that they had issues with shop floor staff and 50% said they had difficulty in finding engineers. Third on the list was finding members of the sales force team at 35%.

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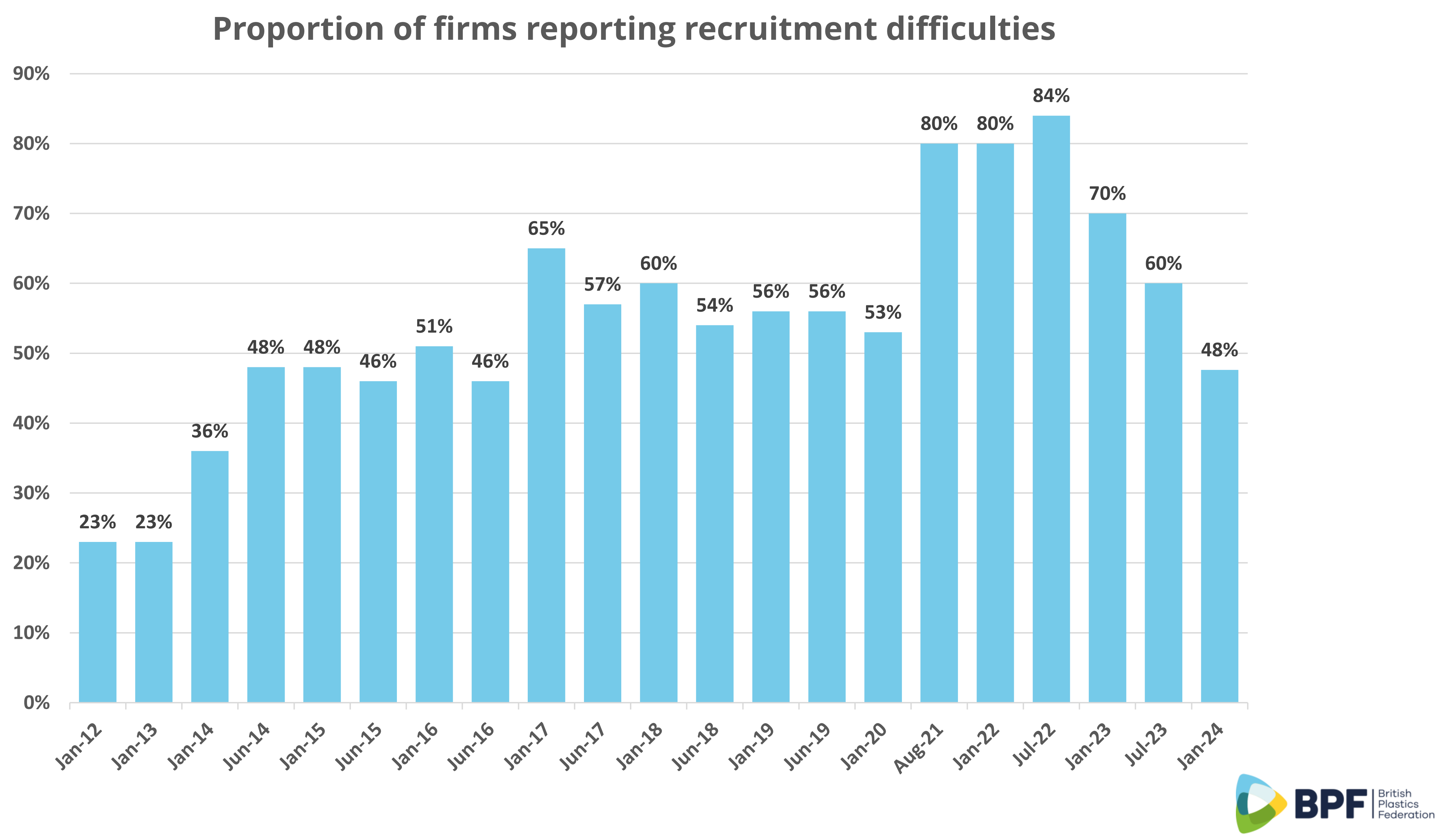

Proportion of firms reporting recruitment difficulties
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
23%
23%
36%
48%
48%
46%
51%
46%
65%
57%
60%
54%
56%
56%
53%
80%
80%
84%
70%
60%
48%
Jan-12
Jan-13
Jan-14
Jun-14
Jan-15
Jun-15
Jan-16
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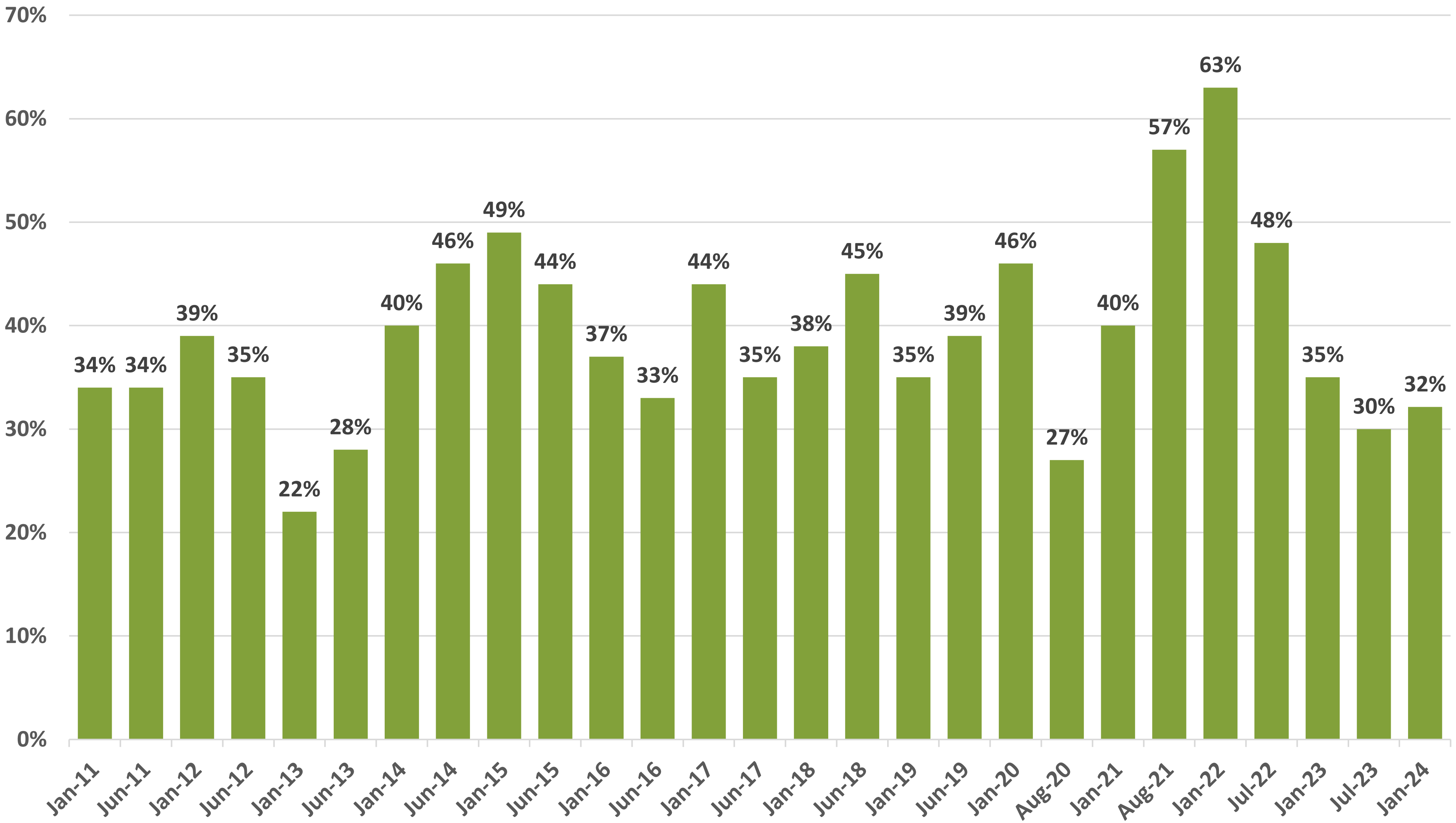
Proportion of firms expecting to increase staff Levels in the next 12 months



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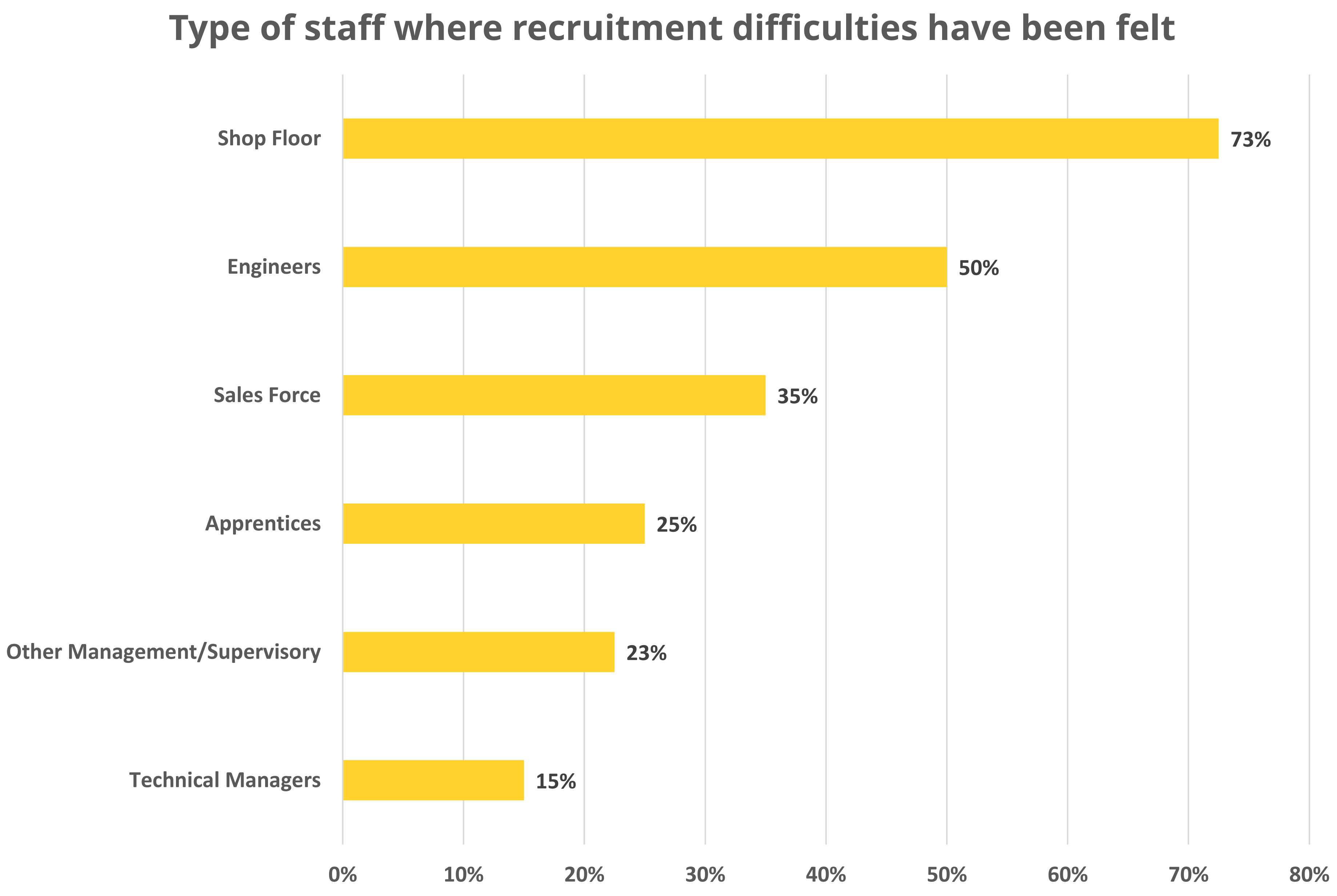
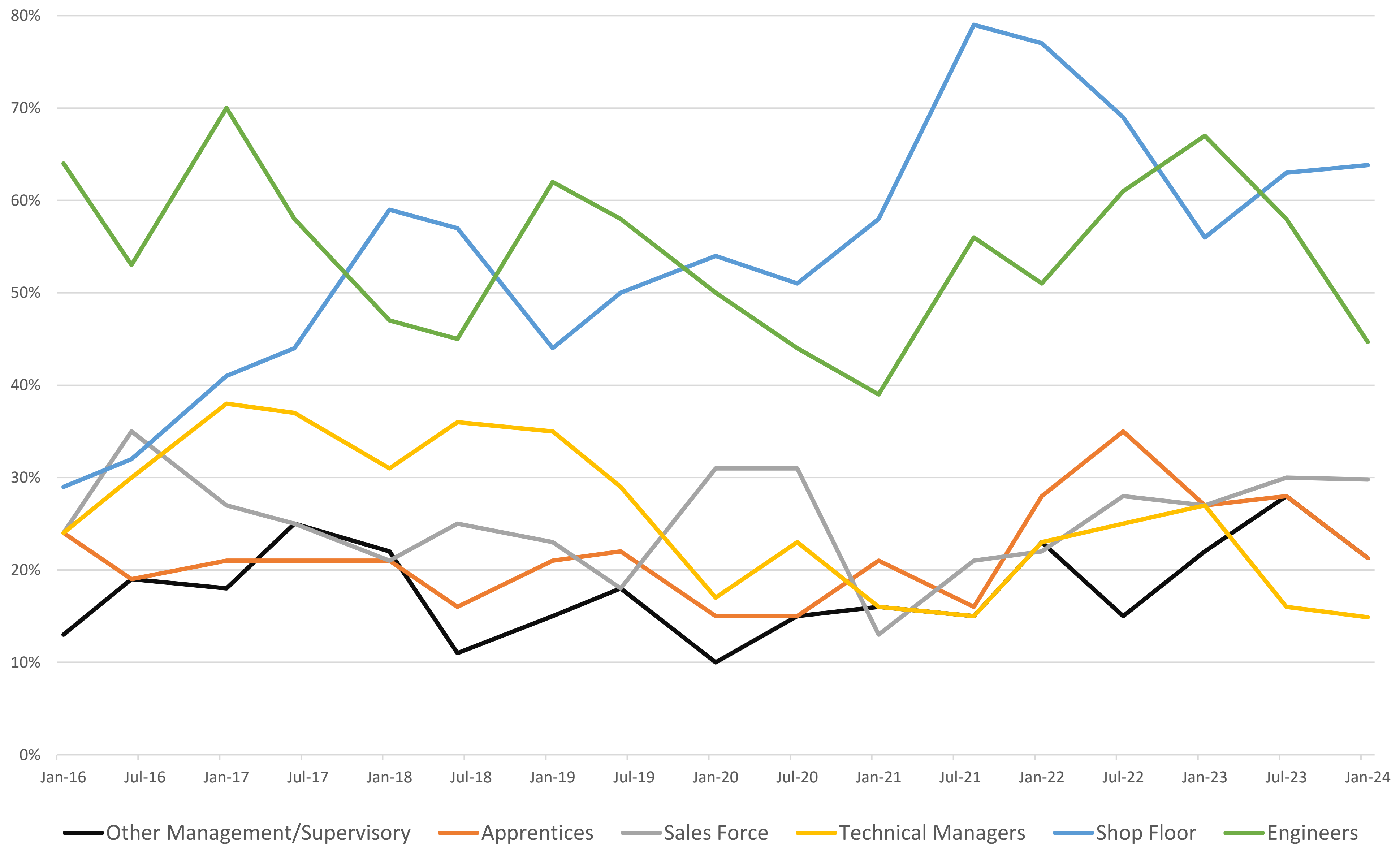

Type of staff where recruitment difficulties have been felt
Shop Floor
73%
Engineers
50%
Sales Force
35%
Apprentices
25%
Other Management/Supervisory
23%
Technical Managers
15%
0%
10%
20%
30%
40%
50%
60%
70%
80%

Type of Staff Where Recruitment Difficulties Have Been Felt (2016-2024)



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Factors affecting the workforce – key quotes

"Recruiting the right talent has become a little easier (shown through in a lower labour turnover compared to last year), although in some areas is still tight."

"Difficulties continue in recruiting quality staff and retaining them."

"It has taken 2 years to find a suitable service engineer."

"Problems in retaining staff. Constant approaches from other companies due to shortage of skilled workforce in the region."

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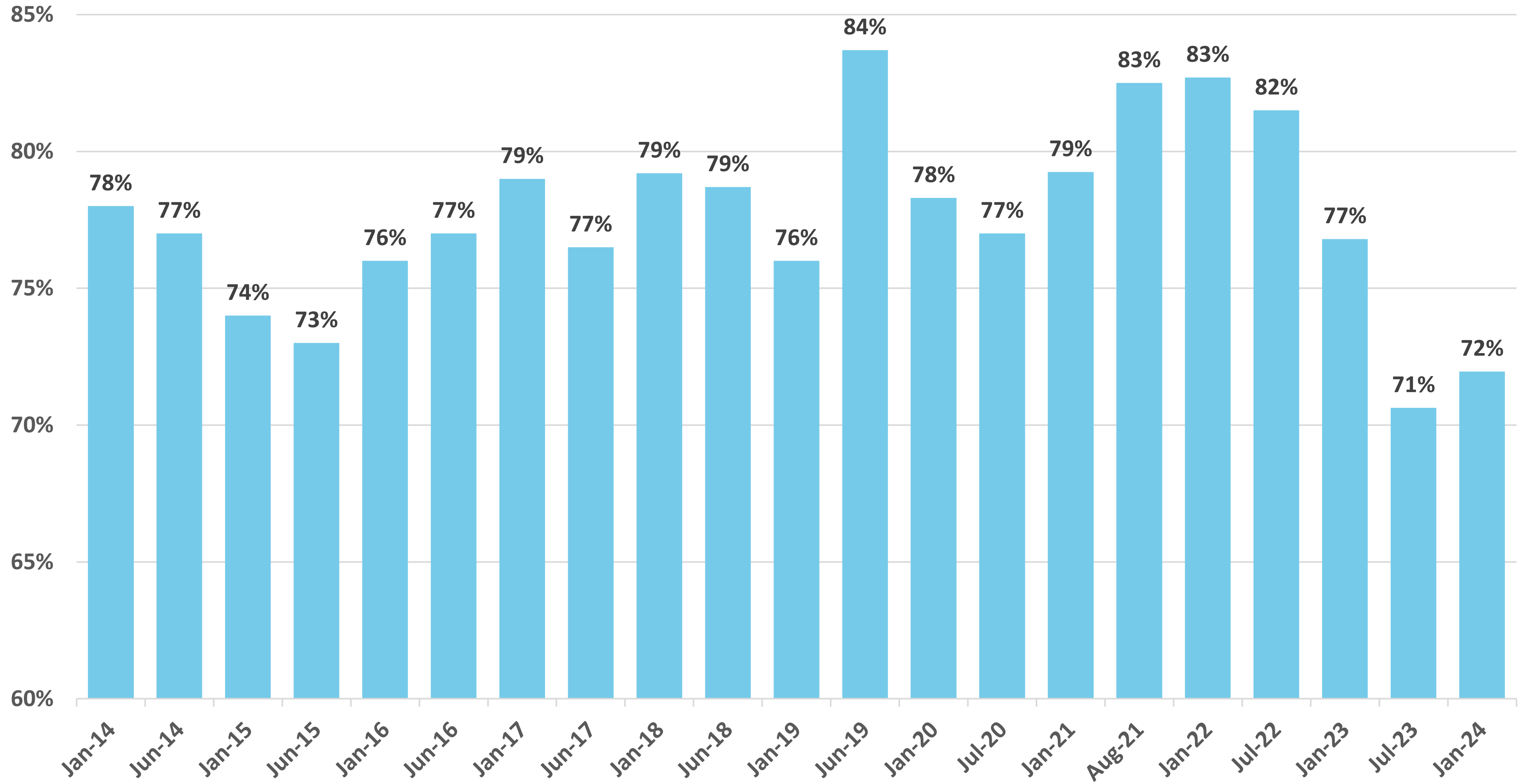
Capacity utilisation

Headline results

- **Capacity utilisation is expected to be relatively low for the next year.** Firms expect to utilise just under three-quarters (72%) of capacity in the next 12 months, marginally up from the mid-2023 figure of 71%. These last two results are the two lowest recorded since data began to be collected in 2014.

On average, how much of your capacity is expected to be utilised in the next 12 months?



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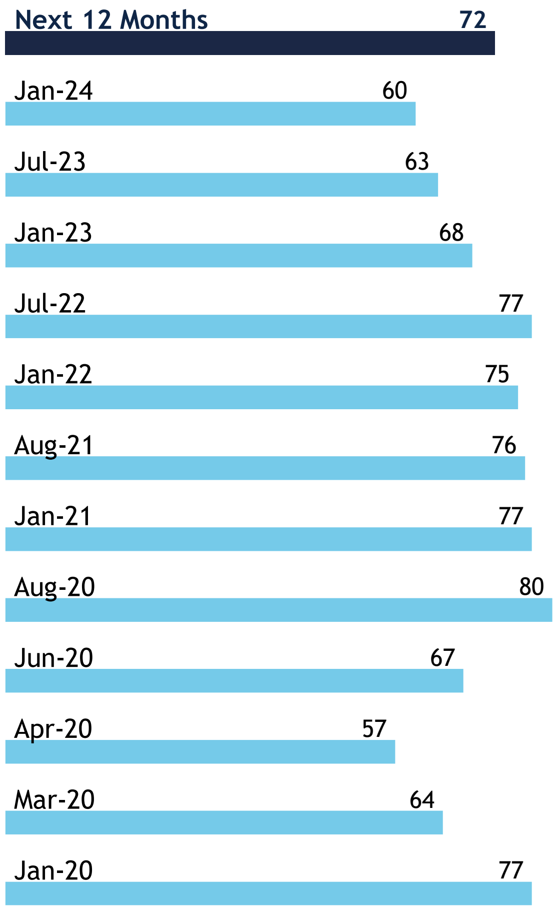
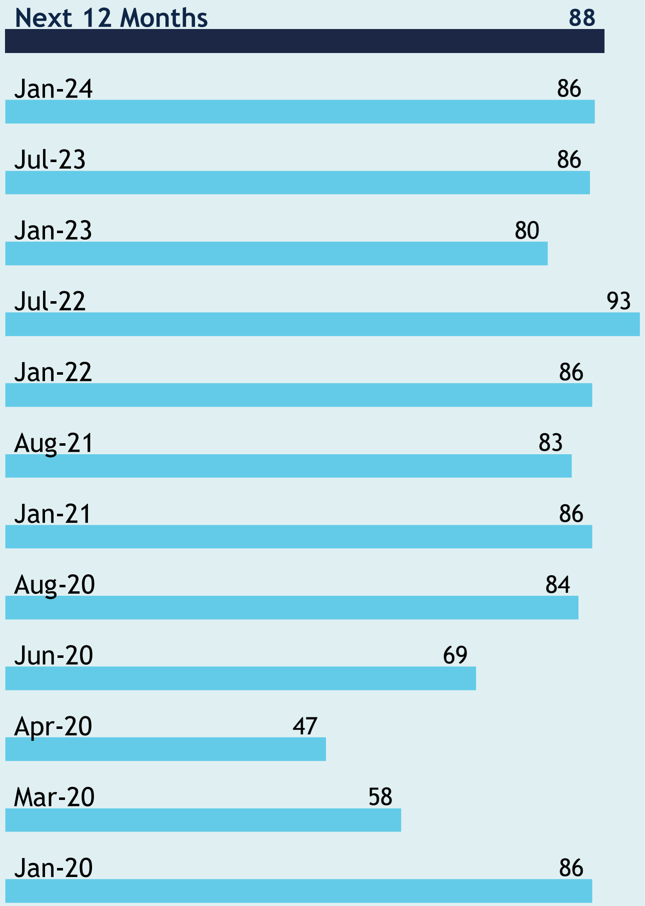
Capacity utilisation by group

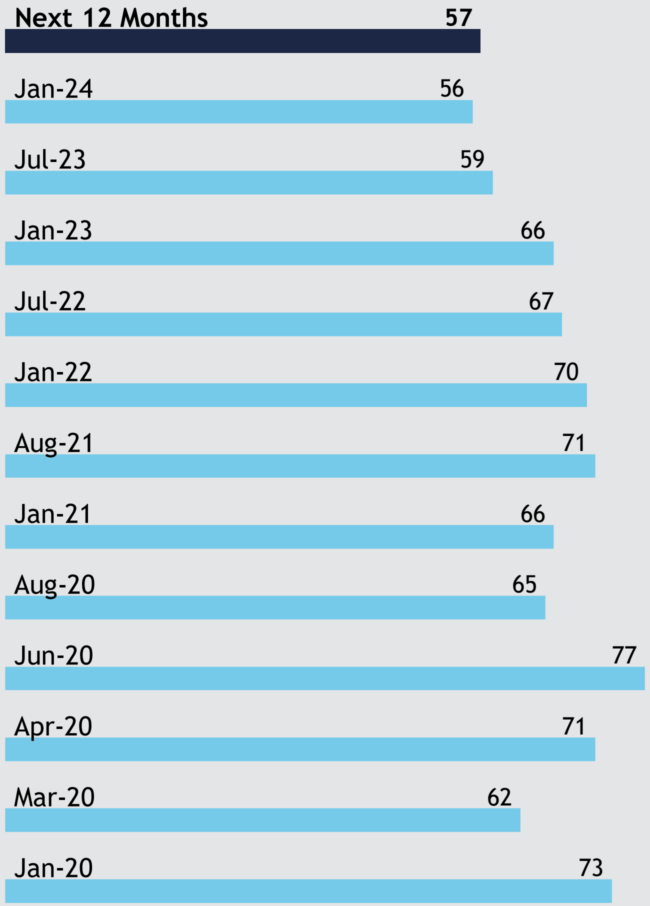
Additives & Masterbatch



Equipment



Moulders



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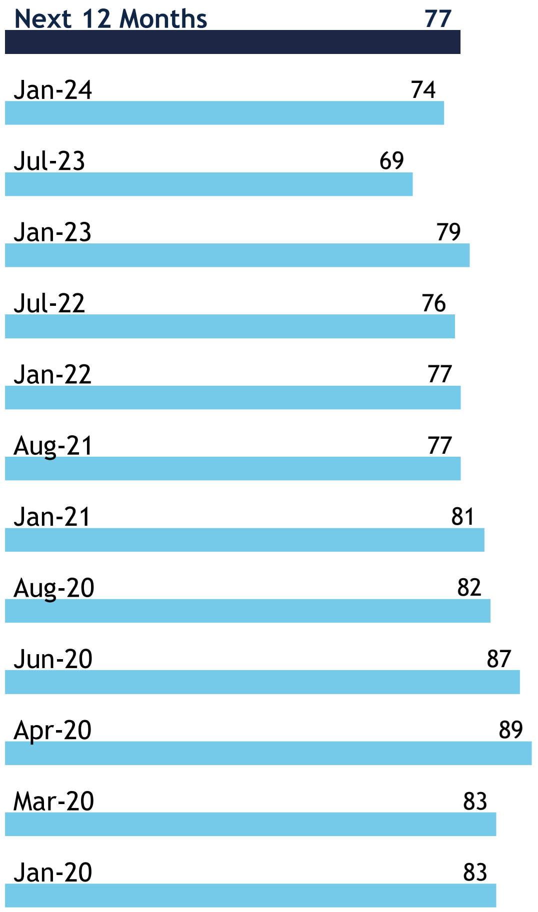
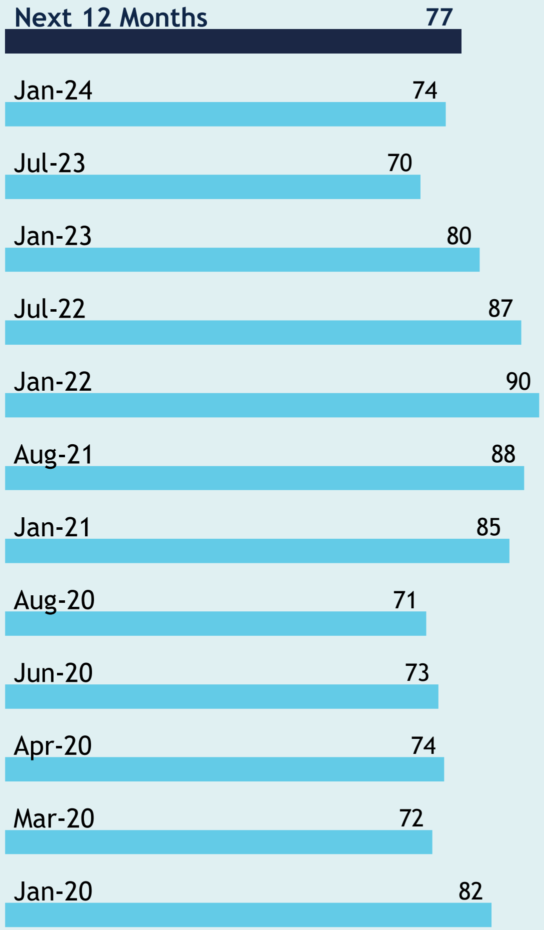
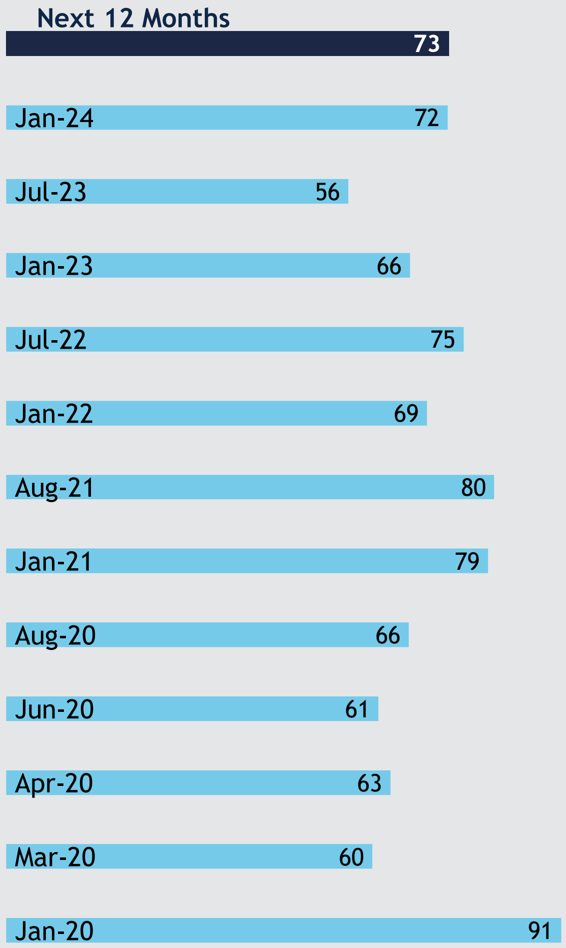
Packaging



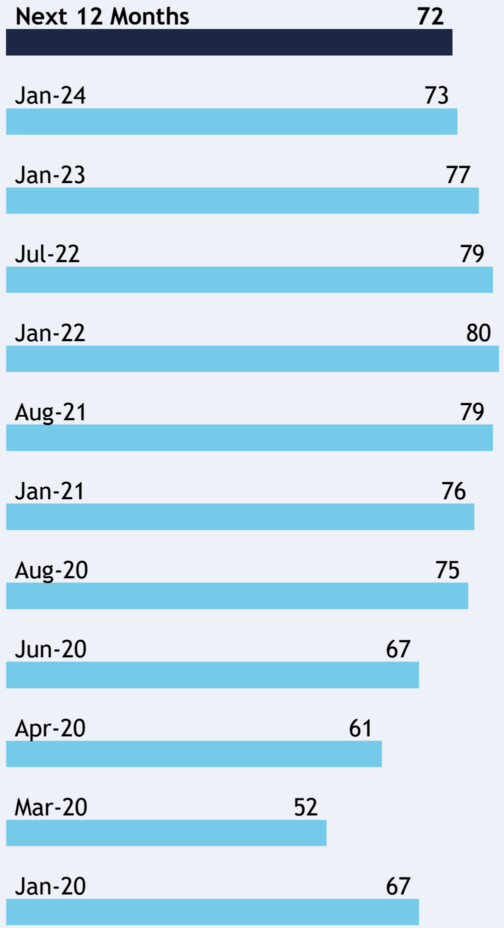
Polymer Distributors



Recyclers



Rotational Moulders



Sourcing of polymer

Headline results

- **The difficulties in sourcing polymer have eased.** Only 6% of firms report that they had experienced difficulties in sourcing polymer, down from 10% in July 2023.
- **The difficulties in sourcing polymer are the lowest since data began to be collected.** In April 2021 – the start of the data set – 97% of firms reported difficulties in sourcing polymer. This figure has reduced every survey to reach the 6% in the latest survey.

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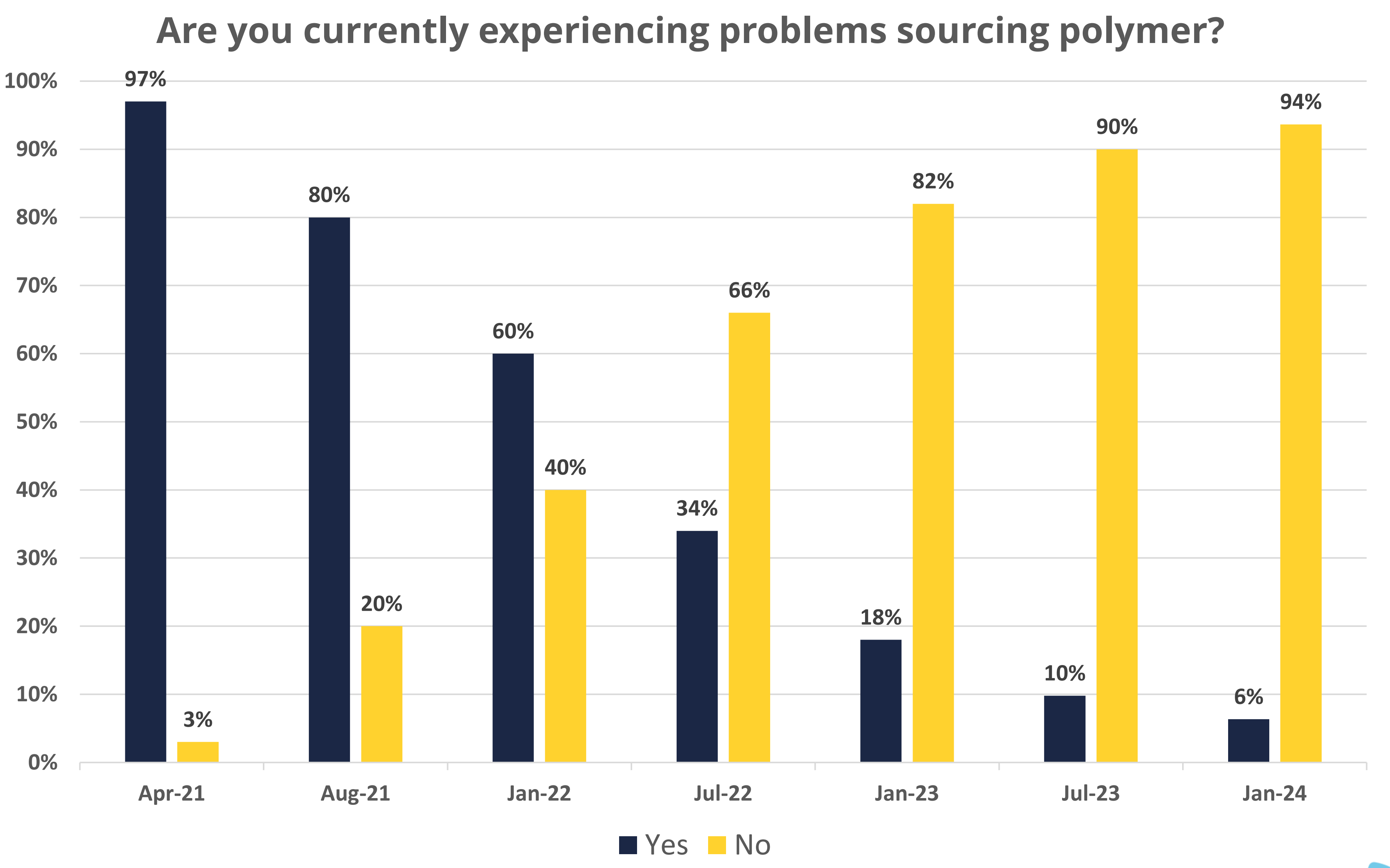

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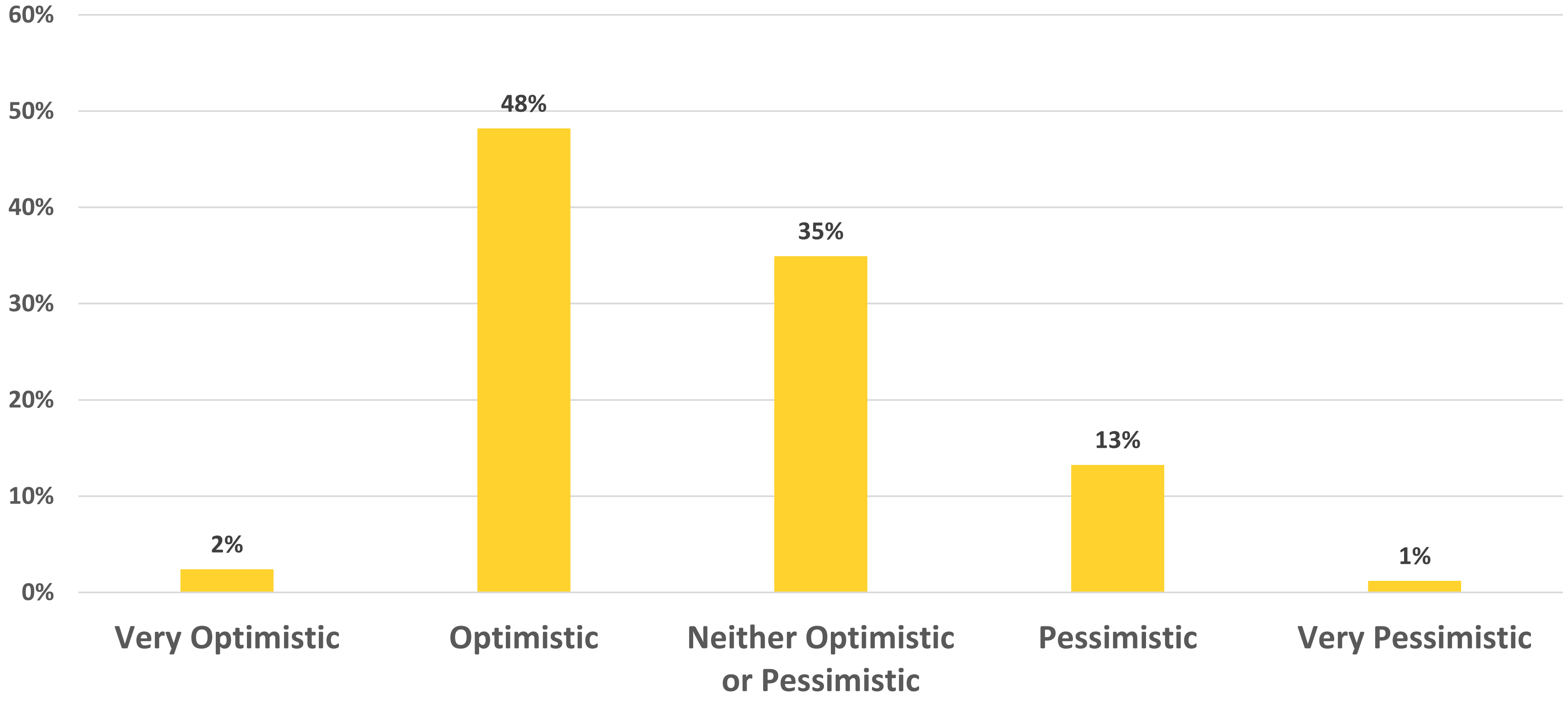
Business environment and Government support

Headline results

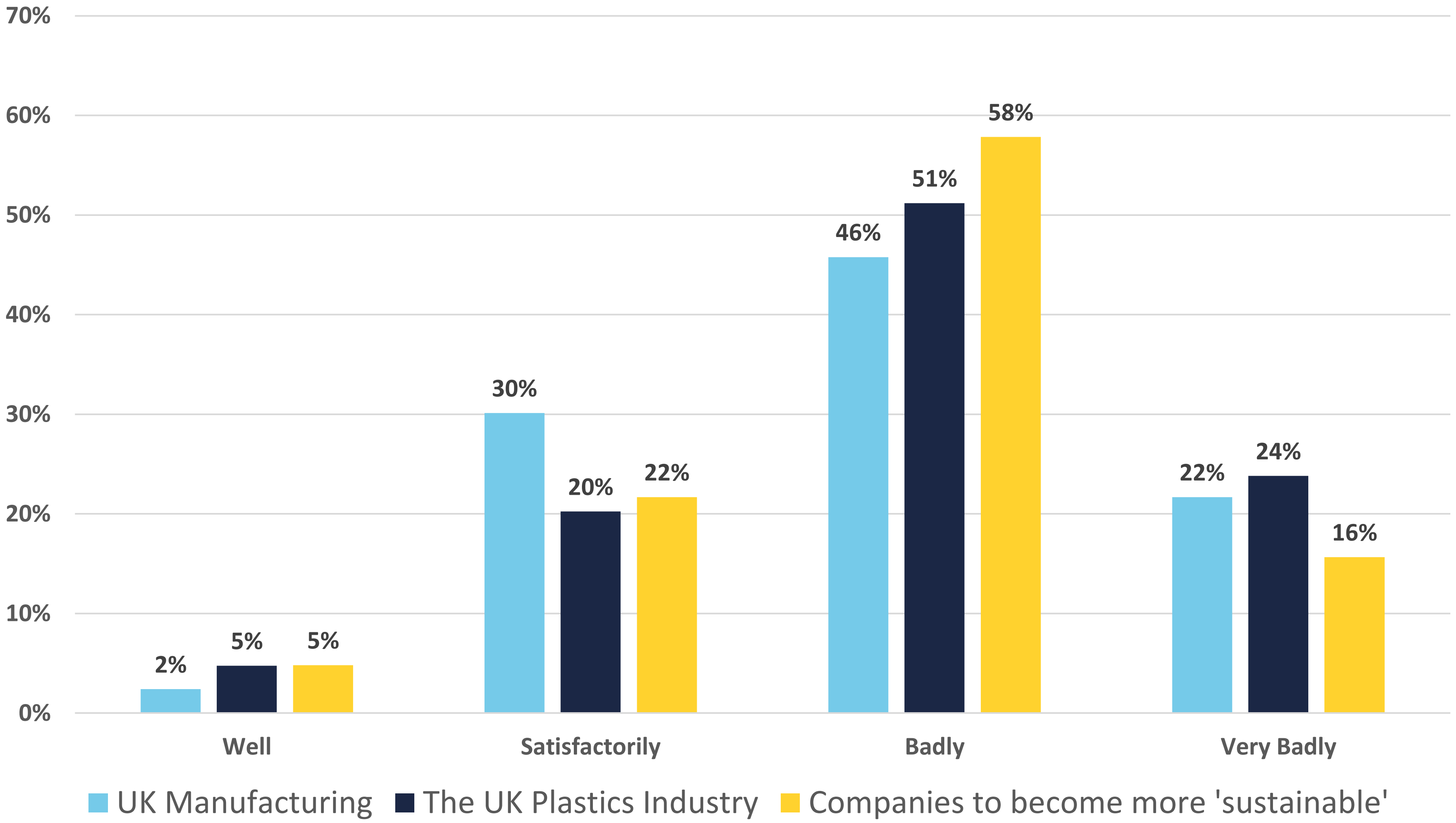
- **Half of respondents (50%) are optimistic about business conditions, when compared to 2023**. Just over a third (35%) are neither optimistic or pessimistic compared to 2023 and 14% were pessimistic.

- **Respondents thought the Government was performing badly at providing sector support.** Two-thirds (67%) of respondents think that the Government was doing with 'badly' or 'very badly' in terms of support for UK manufacturing. This figure rose to three-quarters (75%) when respondents considered support for the UK plastics industry.

Compared to 2023 how are you feeling about overall business conditions for your company this year?



How do you feel the UK Government is supporting UK Manufacturing / UK Plastics Industry / Sustainability?



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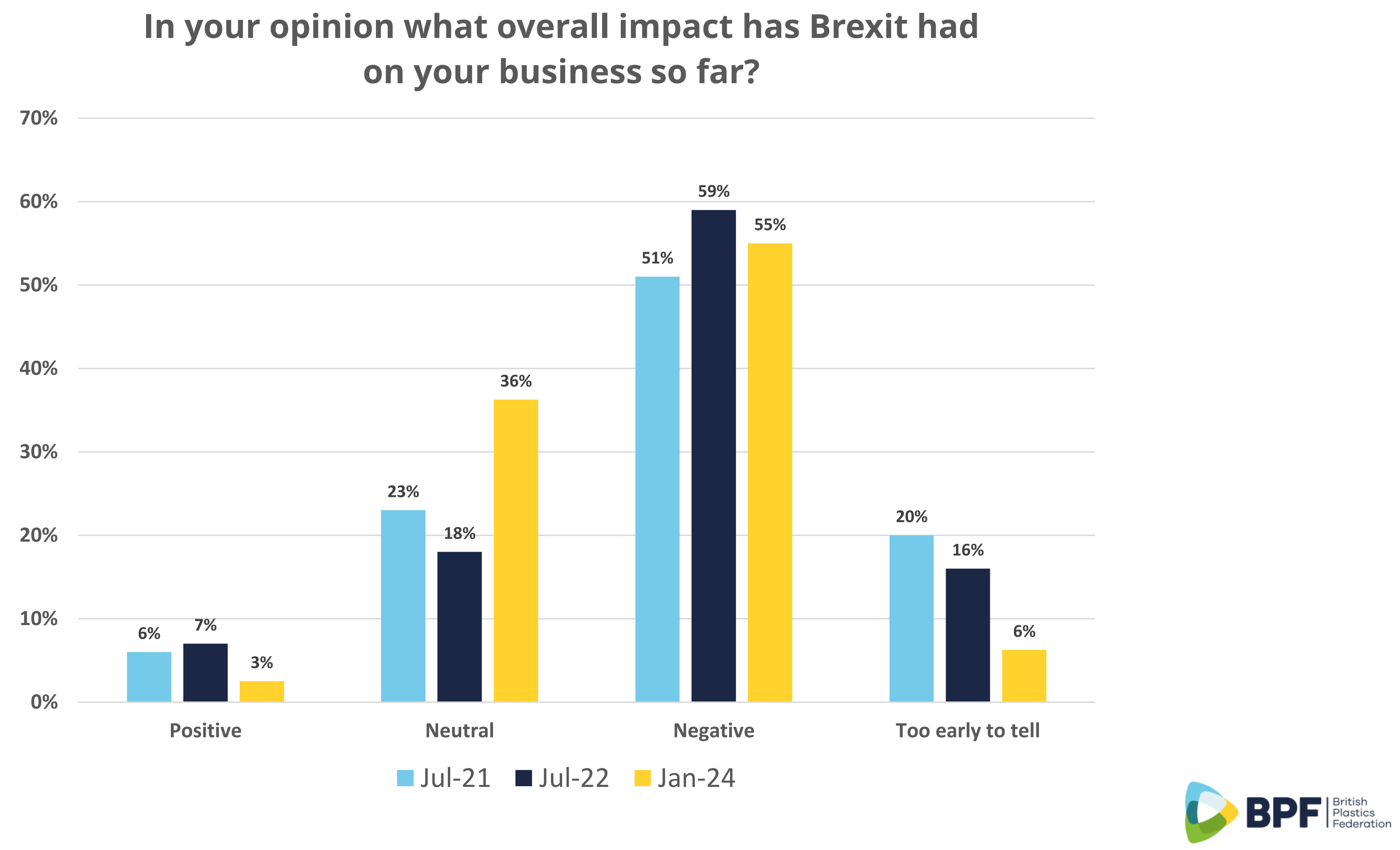
Brexit impact

Headline results

- **Within this survey majority thinks that Brexit has had a negative impact on their business.** More than half (55%) thought that leaving the EU had had a negative impact. Just over a third (36%) were neutral. While very few thought that it had had either a positive (3%) or that it was too early to tell (6%).

- **Views on the impact of Brexit are slowly changing.** In July 2021 one-fifth of respondents thought that it was “too early to tell” what the impact of Brexit was. This figure is now 6%.



In your opinion what overall impact has Brexit had on your business so far?
70%
60%
50%
40%
30%
20%
10%
0%
6%
7%
3%
23%
18%
36%
51%
59%
55%
20%
16%
6%
Positive
Neutral
Negative
Too early to tell
Jul-21
Jul-22
Jan-24
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