British Plastics Federation

# Business Conditions Survey for the UK Plastics Industry

## Conducted June/July 2011

Stronger Together

# 1 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, electronic, 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. In this Survey companies were asked to forecast their expectations for the remainder of 2011.

For previous BPF Business Conditions Surveys go to:

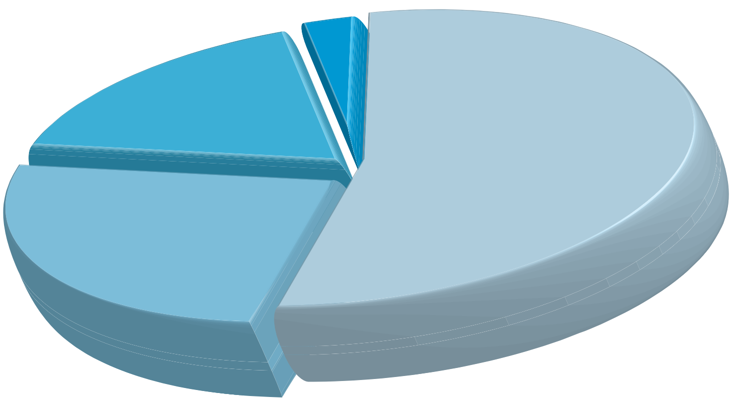
www.bpf.co.uk/bcs.aspx

# 2 Participation

The survey was conducted throughout June and July 2011 and the results published in July.

The survey, which is open exclusively to British Plastics Federation Members, was completed by 100 firms, representing an estimated 25% of the UK plastics industry's turnover and 43,000 employees.

The respondents were drawn from the following Plastics Industry sectors represented by the BPF:



| | |
|---|---|
| PLASTIC PROCESSORS | 54% |
| RAW MATERIALS DISTRIBUTORS, ADDITIVES & MASTERBATCH SUPPLIER | 26% |
| RECYCLERS | 17% |
| MACHINERY AND EQUIPMENT | 3% |
| | 100% |

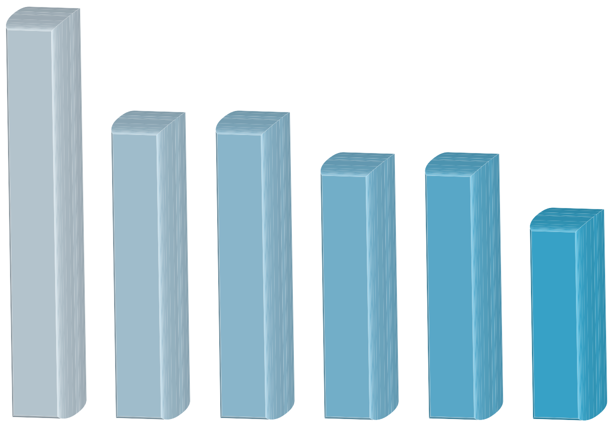
# 3 Plastic Industry Market Sectors

Respondents were asked which market sectors their companies supplied into.

With the exceptions of those operating in packaging and consutruction companies often supply more than one market sector as a means of spreading risk.

Frequently raw material distributors will supply specialised materials tailor-made for one market or another

The top markets were as follows:



| | |
|---|---|
| CONSTRUCTION | 58 RESPONDENTS |
| AUTOMOTIVE | 43 RESPONDENTS |
| PACKAGING | 43 RESPONDENTS |
| ELECTRICAL AND ELECTRONIC | 37 RESPONDENTS |
| GENERAL MECHANICAL GOODS | 37 RESPONDENTS |
| HEALTHCARE | 29 RESPONDENTS |

# 4 UK Sales Turnover

For the next 12 months a healthy 66% of respondents were predicting an increase in sales turnover. Of these:

| |
|---|
| 18% EXPECTED TURNOVER TO INCREASE BY 2 – 5% |
| 20% EXPECTED TURNOVER TO INCREASE BY 6 – 10% |
| 17% EXPECTED TURNOVER TO INCREASE BY 11 – 20% |
| 11% EXPECTED TURNOVER TO INCREASE BY 21% PLUS |

In addition to turnover we asked about sales volume. Of the few that answered some said high raw material prices and energy costs meant turnover did not reflect volume growth.

25% of respondents expected no growth in turnover and only 3% expected a decrease. These results are roughly similar to our last survey in January 2011.

The most positive sectors were Moulders, Rotomoulders, Recyclers, Additives Supplier and PolymerDistributors. New products, new business, expansions into new markets and exports, and acquisitions were all cited as reasons for growth.

Half the Construction products respondents were predicting no increase in turnover. Local Authority and NHS cost cutting, flat volumes and saturated markets were mentioned by many as key background factors.

## 5 Profitability

We asked about profitability over the next twelve months.

Most, 45%, expected no change. 29% were anticipating an increase:

| |
|---|
| **13% OF ALL EXPECTED 2 – 5% INCREASE IN PROFITABILITY** |
| **10% OF ALL EXPECTED 6 – 20% INCREASE IN PROFITABILITY** |
| **6% OF ALL EXPECTED 21% PLUS INCREASE IN PROFITABILITY** |

Some mentioned better cost control and ease of passing on price increases as key factors encouraging improved performance.

12% expected a decrease in profitability. High raw material and energy costs were cited as principal reasons.

## 6 Staffing

We asked about changes to full time staff over the next twelve months.

Most respondents, 49%, planned to maintain current staff levels. 34% planned increases to their staff. This is up on our January survey where 23% planned to increase staff. In this survey:

| |
|---|
| **16% OF ALL WOULD INCREASE STAFF BY 2 – 5%** |
| **13% OF ALL WOULD INCREASE STAFF BY 6 – 10%** |
| **5% OF ALL WOULD INCREASE STAFF BY 11% PLUS** |

It was noticable that many Recyclers appeared to be increasing staff.

Only 3% of respondents planned to decrease staff.

## 7 Export Sales

For those respondents exporting we asked about turnover trends for the next 12 months in their overseas markets.

28% did not export, and these tended to be in construction products and packaging.

For those exporting, Western Europe was the top market. 35% of all exporters were predicting an increase in turnover with 20% expecting it to remain the same.

Respondents were also positive about export business in Eastern Europe with 25% of all predicting an increase and there with 13% expecting it to remain the same.

Other Export markets:

| | INCREASE IN TURNOVER | SAME |
|---|---|---|
| ASIA | 17% | 16% |
| CHINA | 13% | 14% |
| NORTH AMERICA | 12% | 15% |

Few respondents did business in South America and Africa.

In all Export markets very few predicted a decrease in business.

## 8 Finance for Research and Development

We wanted to gauge Plastics companies' awareness of and success in applying for public funds for Research and Development.

We asked respondents if they had applied for public funding for R&D over the last three years. A very high proportion, 88%, had not, and only 9.6% had. The rest did not respond. Half of the latter were Plastics Recycling companies.

We asked if respondents were aware of R&D Tax Credits, 60% were aware and 35% were not.

We asked respondents if they had successfully obtained public funding for R&D. Only 17% were successful whereas the majority 70% were not. This reflects the high number of companies that had not applied for funding in recent years.

## 9 Raw Materials and Additives availability

We wanted to get some facts on availability problems and firstly asked respondents if they were having difficulties getting supplies of plastics raw materials and additives.

55% of respondents were indeed having difficulties whereas 42% were not, with the construction products sector noticeable amongst the latter.

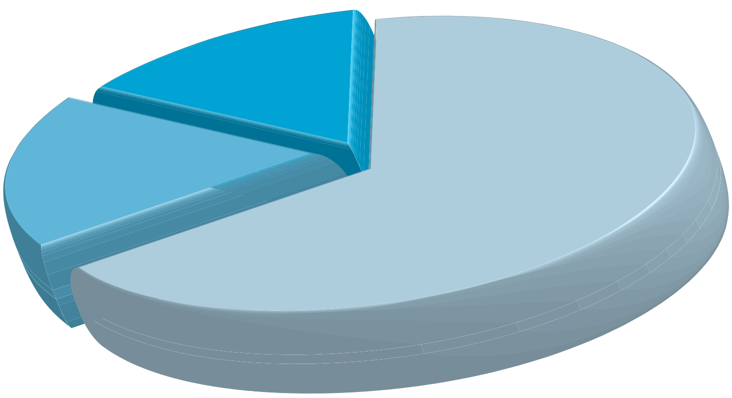
We asked what materials respondents were having difficulties obtaining. They gave us a substantial list including: PET, HDPE, LDPE, PC, Acrylics, Elastomers and Pigments including Titanium Dioxide.

Recyclers were having difficulties obtaining: used PE film, PET, PVC, PS, PP, and mixed bottles.

We asked if companies were experiencing price increases. **All respondents** were experiencing raw material price increases.

Of all respondents:

**59% CITED PRICE INCREASES UP TO 20%**
**16% EXPERIENCED INCREASES OF 21 – 30%**
**13% EXPERIENCED INCREASES OF 31% AND OVER**



A few respondents stressed the price increases were over a 12 month period, others said it was hard to keep up with the increases and hard to pass on to customers.