British Plastics Federation

Business Conditions Survey for the UK Plastics Industry

June 2012

Stronger
Together

1 The 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.

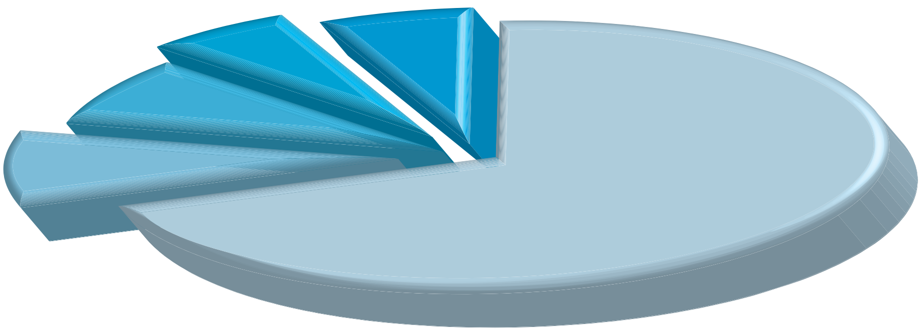
The Federation carries out Surveys of Business Trends with a six monthly frequency. In this Survey companies were asked to forecast their expectations for the next twelve months.

www.bpf.co.uk/bcs.aspx

2 Participation

The survey was conducted throughout June 2012 and the results published in July. The survey which is open exclusively to British Plastics Federation member companies was completed by 64 firms.

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



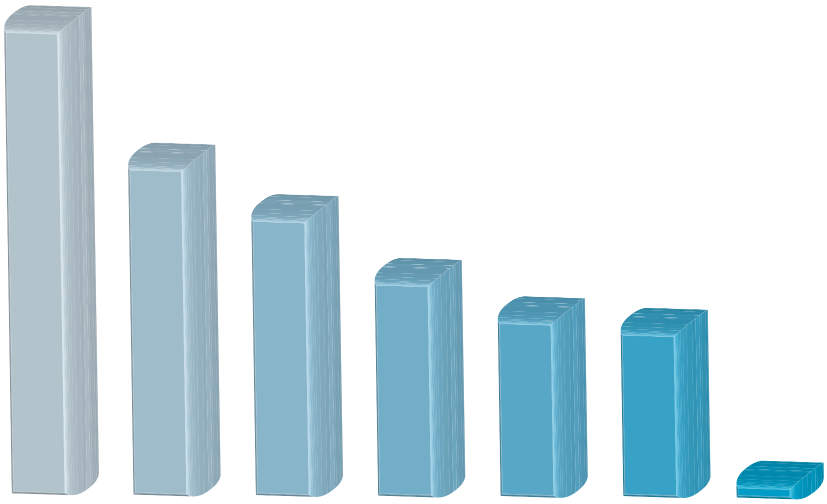
PLASTICS PROCESSORS	**45**
RAW MATERIALS PRODUCERS AND DISTRIBUTORS	**6**
MACHINERY AND EQUIPMENT	**5**
ADDITIVES AND MASTERBATCH	**4**
RECYCLERS	**4**
	64

3 Plastic Industry Market Sectors

Respondents were asked which market sectors their companies supplied into. Most companies are supplying more than one market to spread risk.

The exception to this are firms in the packaging and construction markets.

The top markets were as follows:



CONSTRUCTION	**39 RESPONDENTS**
PACKAGING	**28 RESPONDENTS**
AUTOMOTIVE	**24 RESPONDENTS**
HEALTHCARE	**19 RESPONDENTS**
GENERAL MECHANICAL GOODS	**16 RESPONDENTS**
ELECTRICAL AND ELECTRONIC	**15 RESPONDENTS**
FURNITURE	**2 RESPONDENTS**

4 UK Sales Turnover

For the next twelve months 71% of respondents were forecasting an increase in UK Sales Turnover.

This is considerably more optimistic than our January survey (56%).

Of those predicting an increase:

25%	**EXPECTED TURNOVER INCREASE BY 2 – 5 %**
21%	**EXPECTED TURNOVER INCREASE BY 6 – 10 %**
16%	**EXPECTED TURNOVER INCREASE BY 11 – 20%**
9%	**EXPECTED TURNOVER INCREASE BY 21% PLUS**

Moulders, polymer producers and recyclers were particularly optimistic.

24% of respondents expected no growth in turnover and 5% a decrease.

Compared to our January survey (31%) less are expecting turnover to decrease.

5 Profitability over the past year

We asked respondents how their profit margin had changed over the past twelve months.

Most respondents said their profit margin had increased:

INCREASED A LITTLE	42%
INCREASED SIGNIFICANTLY	12%

These respondents cited as reasons, in order of importance: new products and projects; management and cost efficiencies; reduced materials costs; ability to pass through price increases; focussing on more profitable markets and exchange rates.

15% OF RESPONDENTS HAD NO CHANGE IN THEIR PROFIT MARGIN.

Those who experienced a decrease in profit margin:

REDUCED A LITTLE	18%
REDUCED SIGNIFICANTLY	13%

These respondents gave as reasons for this: labour costs; Government/NHS cutbacks; increased cost of raw materials; weak Euro and energy costs.

5b Profitability over the next 12 months

We asked respondents for their future predictions on profitability.

Most respondents, 48%, were expecting no change. Reasons cited were: rising costs which cannot be passed on.

45%	WERE EXPECTING THEIR PROFIT MARGIN TO INCREASE:	
21%	EXPECTED THEIR PROFIT MARGIN TO INCREASE	1 – 5%
16%	EXPECTED THEIR PROFIT MARGIN TO INCREASE	6 – 10%
8%	EXPECTED THEIR PROFIT MARGIN TO INCREASE	11 – 20%

Reasons for the expected increase in order of importance: cost reduction; greater production efficiency and volume growth.

A small number of respondents expected a decrease over the next 12 months:

5% EXPECTED THEIR PROFIT MARGIN TO DECREASE 1-5%
2% EXPECTED THEIR PROFIT MARGIN TO DECREASE 6-10%

6 Staffing

53% of respondents expected no change in their staffing levels over the next twelve months. This is more than the January survey (45%) and the June 2011 survey (49%).

Many construction products and packaging respondents were not planning staff increases.

35% were planning to increase staff over the next 12 months, down on the January survey (39%).

Of those planning to increase staff:

17% INCREASE STAFF BY	2 – 5%
14% INCREASE STAFF BY	6 – 10%
4% INCREASE STAFF BY	11 – 20%

12% of respondents were planning to reduce staff.

7 Export Sales

For those respondents exporting we asked about turnover trends for the next 12 months.

39% did not export and these tended to be Packaging, Moulders and Construction Products firms.

Of the 61% who did export, most, as can be seen below, exported to W. Europe. Most expected business to remain at the same level but quite a few expected an increase. Few expected business in Eastern Europe to increase.

A large number of respondents were active in markets outside of Europe and as can be seen below expected their business to increase in North America, South America and Africa in particular.

Export Sales Turnover next 12 months (Figures represent companies)

	INCREASE	SAME	DECREASE
W. EUROPE	14	16	3
E. EUROPE	6	14	3
NORTH AMERICA	9	6	1
ASIA	9	7	1
CHINA	6	4	1
SOUTH AMERICA	7	2	0
AFRICA	8	1	0

In all export markets few predicted a decrease in business.

8 Raw Materials and Additives availability

We asked respondents if they are having difficulty getting supplies of plastics raw materials and additives.

84% were not having difficulties. This is a big change on our June 2011 survey where 55% were having difficulties and 42% were not. It shows supply difficulties have eased.

We asked if companies were experiencing price increases or decreases for raw materials and additives.

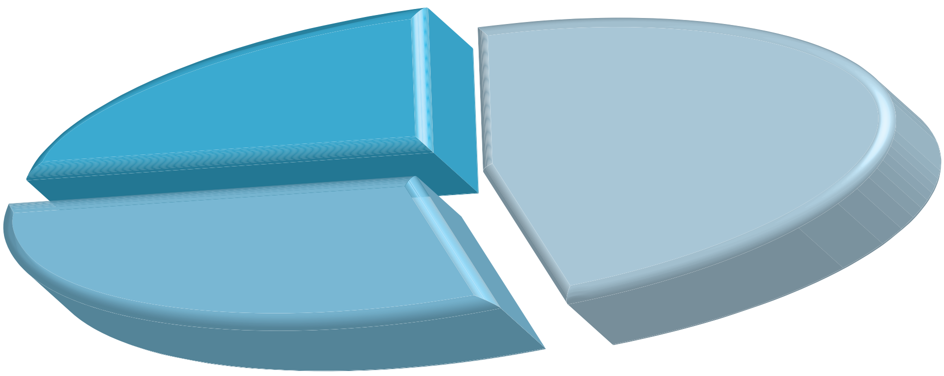
Responses were equally divided with many mentioning volatility in the market place.

26% were experiencing price increases and 25% decreases. For the remainder prices were unchanged. This is a substantial difference from our June 2011 survey where all respondents were experiencing substantial price increases.

9 Investment intentions in plant and equipment

We asked respondents what their investment intentions were over the next twelve months for plant and equipment:

47%	**WILL INVEST A LITTLE**
31%	**WILL INVEST SIGNIFICANTLY**
22%	**PLAN NO INVESTMENT**



By comparison, in our January survey 56% were planning capital investment this year, and 44% no investments. So this may indicate some improvement in confidence.

Significant investments were planned by Moulders and Composites particularly.