Business Conditions Survey for the UK Plastics Industry

British Plastics Federation
July 2022

BPF British Plastics Federation

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. 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 29th June – 25th July 2022, with the results published on the 26th July.

The survey, which was open exclusively to members of the British Plastics Federation, was completed by **101 firms.**

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

Plastics Processors	59%
Raw Materials Producers and Distributors	18%
Machinery and Equipment	15%
Recyclers	8%

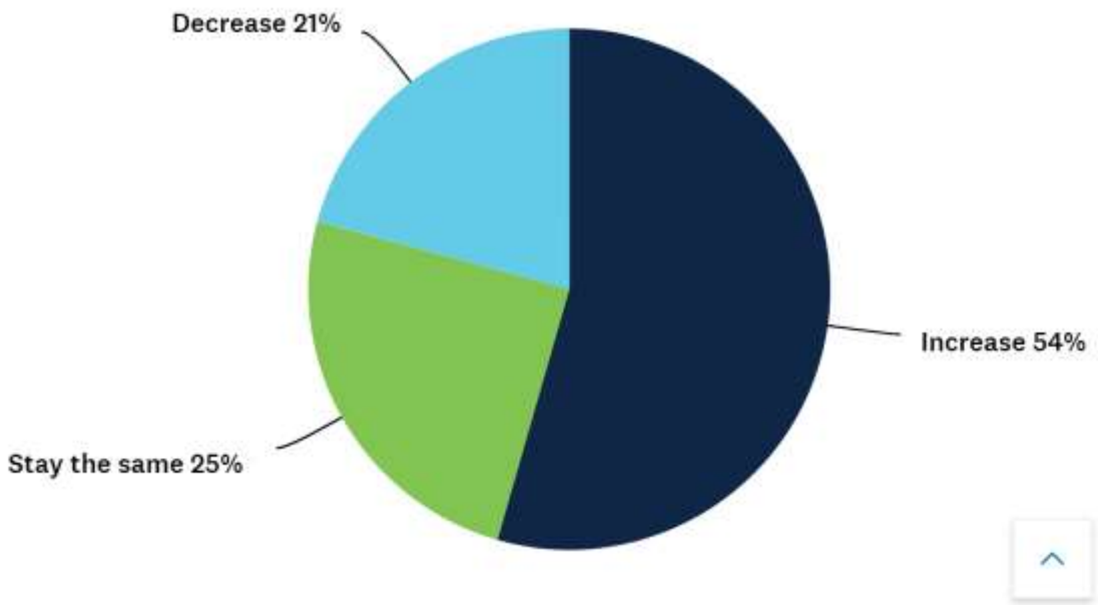
Plastic Industry Market Sectors

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:

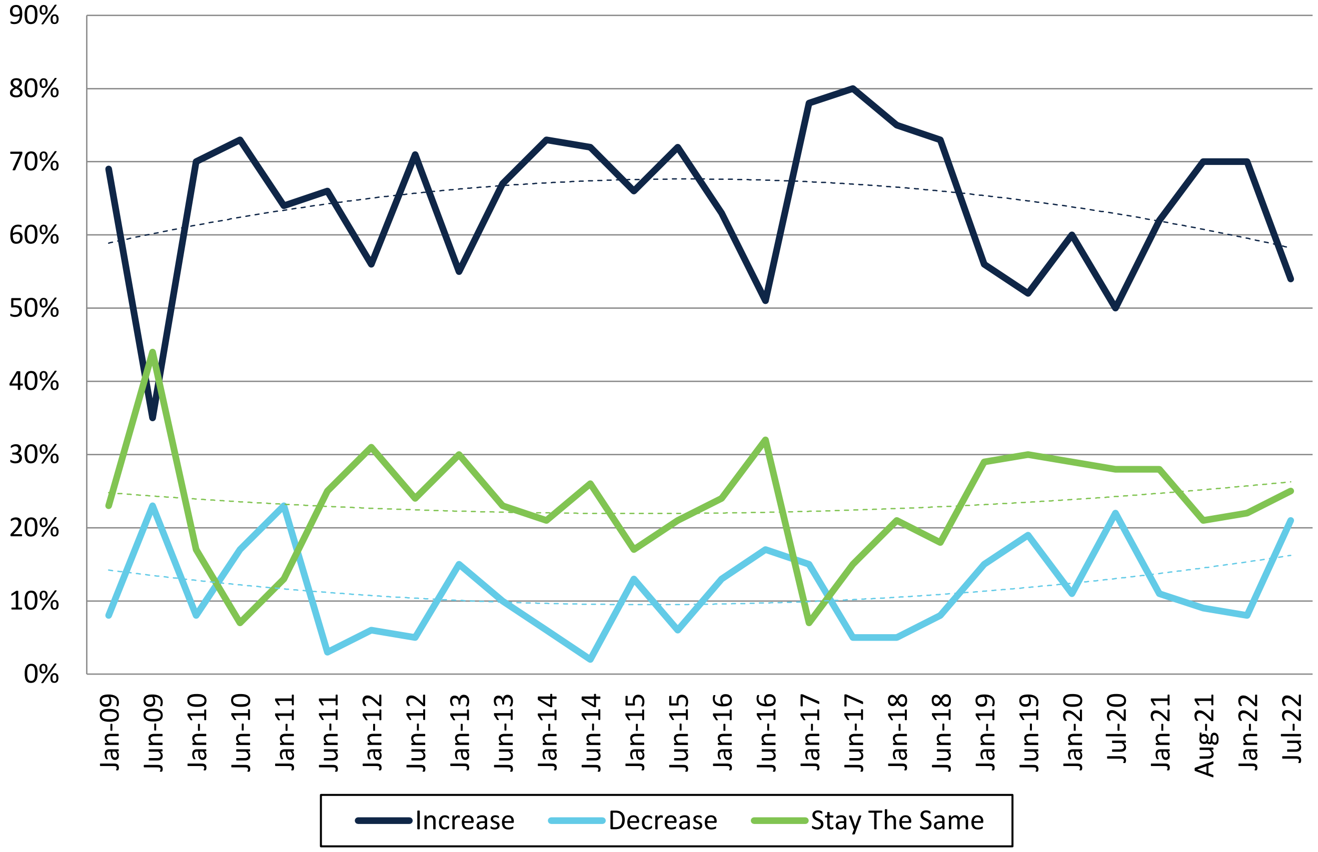
Construction	64%
Automotive	56%
Packaging	56%
Healthcare	53%
Electrical and Electronic	41%
General mechanical goods	40%

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



Of those predicting a decrease in overall sales, many commented on a general slowdown in the market. Typical comments were *"a clear slowdown in volume from Q1 into Q2"*, "*demand is falling*", "*general market cooling*", "*global slowdown*" and "*reducing demand*". In addition to these comments, several companies commented on the likelihood of a recession.

Similarly to the previous survey, the vast majority of companies who were predicting overall sales turnover increases stated that this was not linked to volume of sales but merely due to increased overheads (with energy and raw material prices being the most cited) and the impact of inflation.

One typical comment summing this up was *"increases in raw material prices and energy costs have led to increased unit sales prices. Whilst volume sales will be relatively static, turnover will increase due to these necessary increases"*.

Sales Vs Budget Predictions and Actuals from Recent Surveys

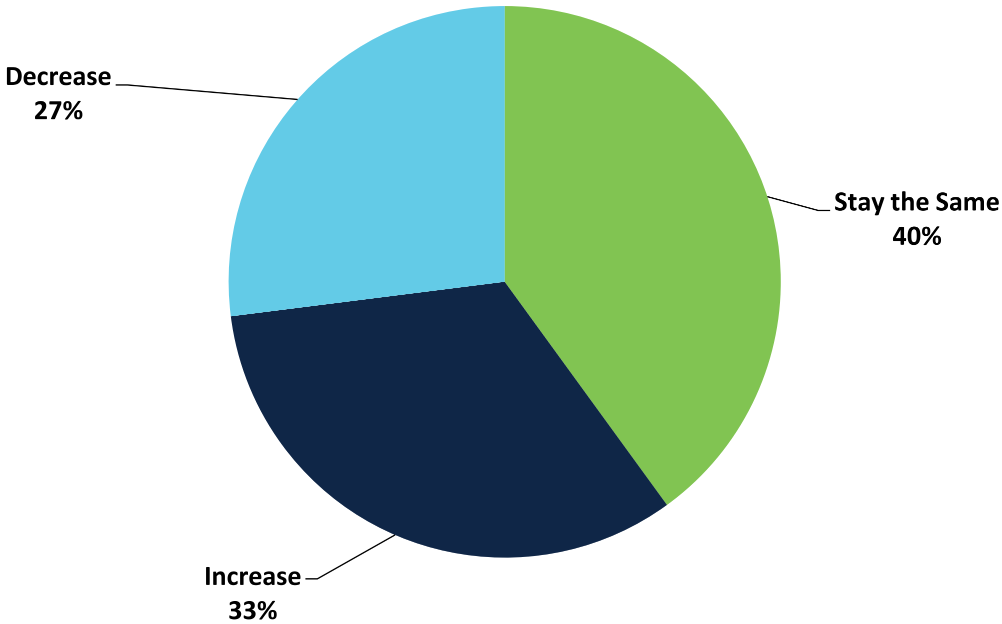
Predicted Sales vs Budget 2020 (July 2020 survey)	*Actual Sales vs Budget 2020 (January 2021 survey)*	*Performance Against Budget as of August 2021 (August 2021 survey)*	*Actual Sales vs Budget 2021 (January 2022 survey)*	*Predicted Sales vs Budget 2022 (July 2021 survey)*
-4%	*+8.68%*	*+14%*	*+17%*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

Sales Vs Budget Predictions for 2022 by Various Groups

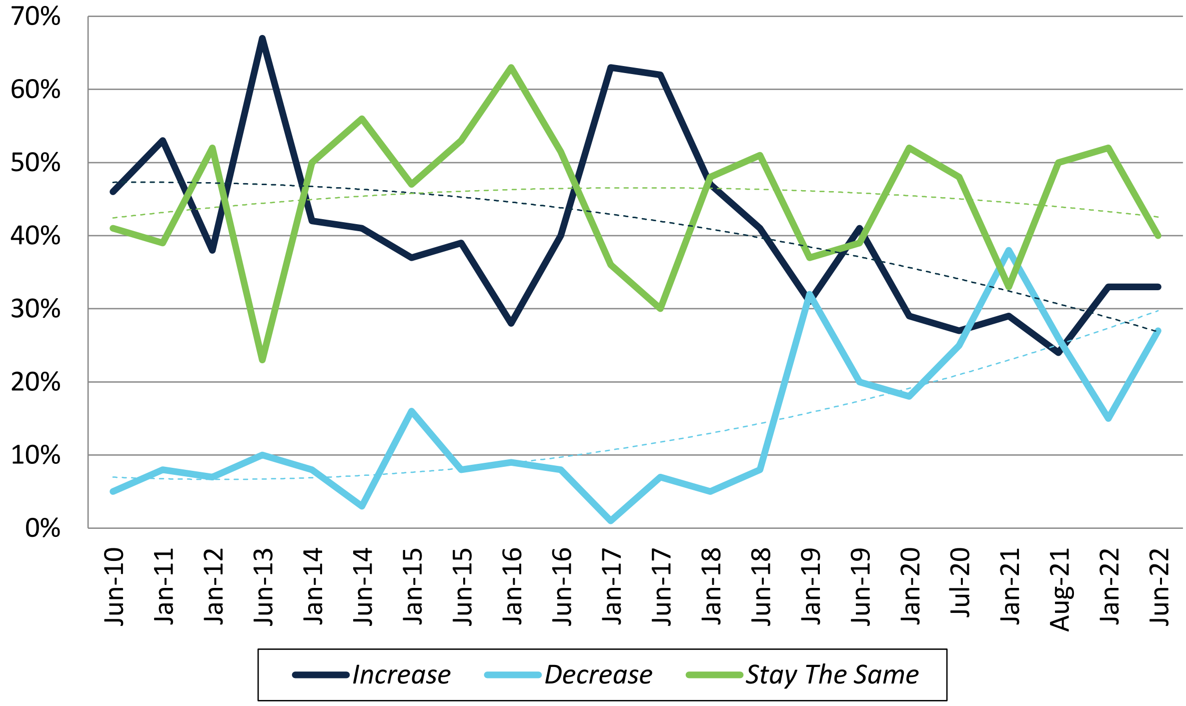
Additives & Masterbatch Groups	+2%
Equipment	+6%
Moulders	-4%
Packaging	-1%
Polymer Distributors & Compounders	-12%
Recyclers	-14%
Rotational Moulders	+8.20%

Export Sales Turnover

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



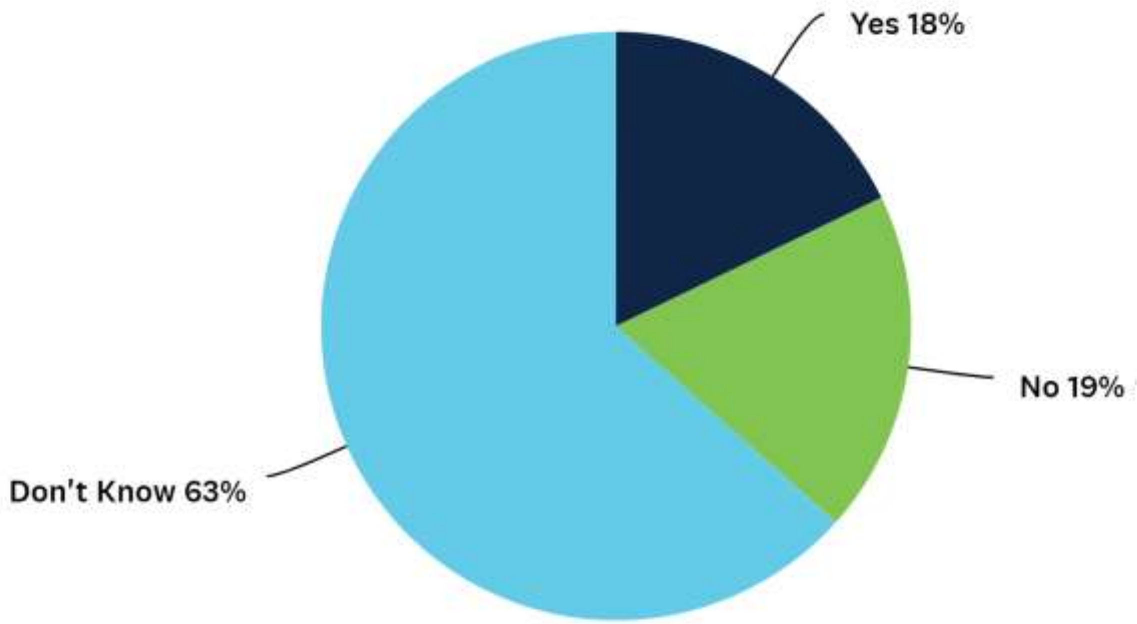
Percentage of Respondents Predicting Export Sales Will 'Increase', 'Decrease' or 'Stay The Same' Over the Next 12 Months



Of those companies predicting a decrease in export sales, the vast majority mentioned Brexit as a cause for this. Companies talked of *'bureaucracy'*, *'paperwork'*, *'Brexit red tape'*, *'post-Brexit complications'* and *'having to complete customs clearances through an archaic system'.* One stated *'we have reduced our exports to EU and moved manufacturing from the UK to our plant in Poland to support EU customers"* and another that *"similar products are cheaper across Europe'.* A typical comment was *"Brexit is a significant administrative and cost burden".*

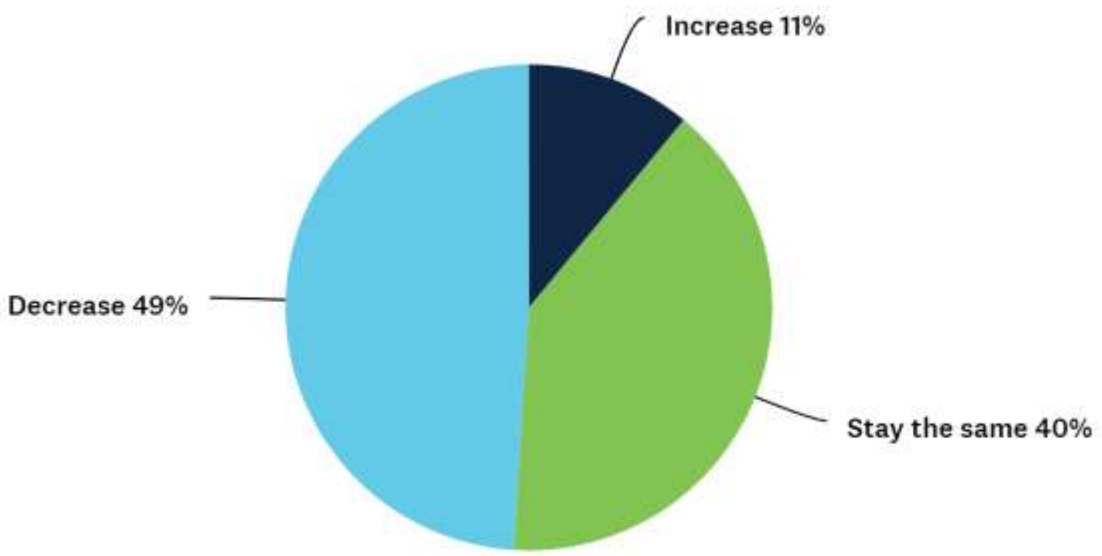
Of those that were predicting an increase in export sales, companies talked about the fact that they had invested in additional sales resources or new technologies and had developed new projects. One stated that *"we are taking advantage of marketplaces that we have not previously exploited."*

Do you think an EU Carbon Border Adjustment Mechanism (CBAM) would impact your company's ability to trade with the EU?

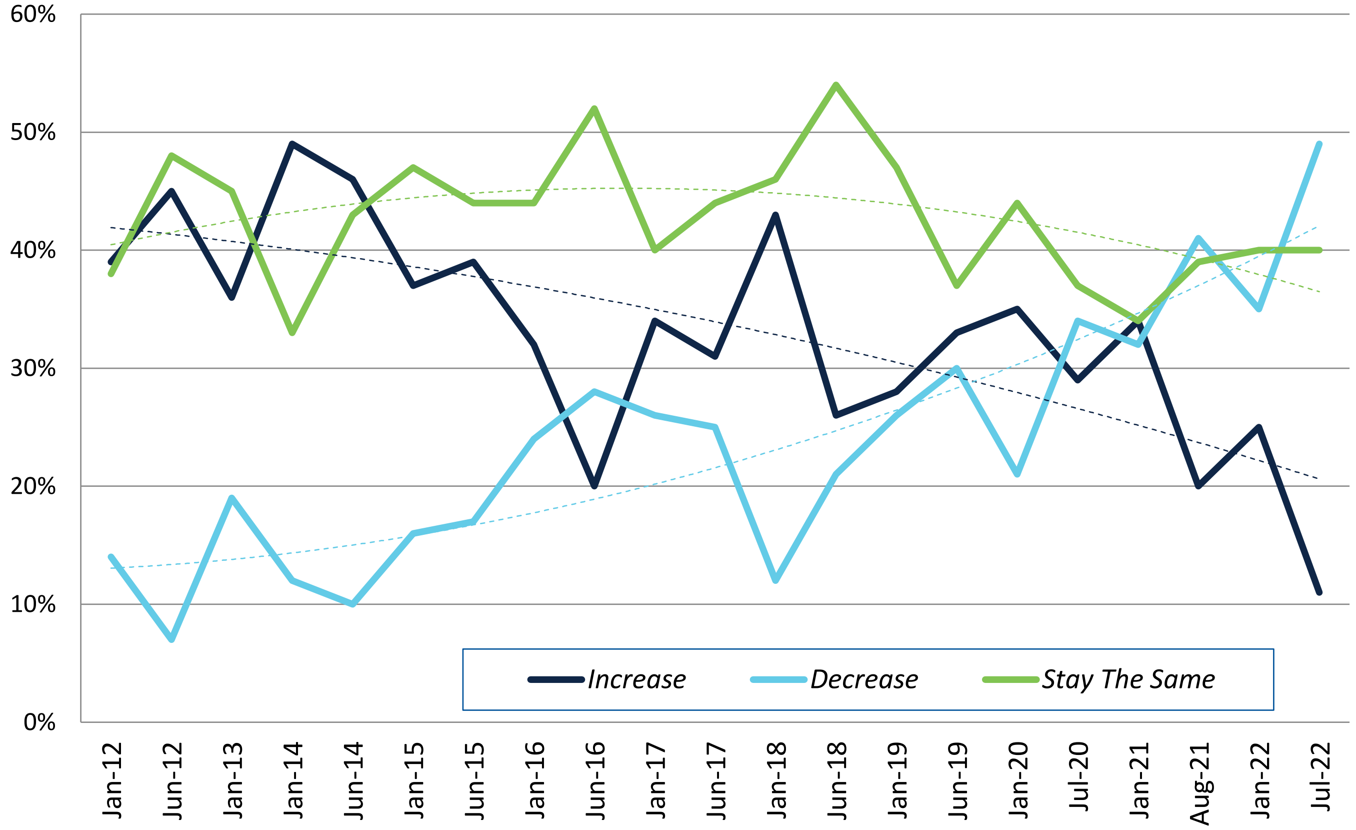


Profitability

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



Percentage of Respondents Predicting Profit Margins Will 'Increase', 'Decrease' or 'Stay the Same' Over the Next 12 Months (Jan 2012 – Jul 2022)



As can be seen in the previous graph, this survey shows the lowest number of companies predicting increase in profitability and the highest number predicting a decrease that we have ever seen.

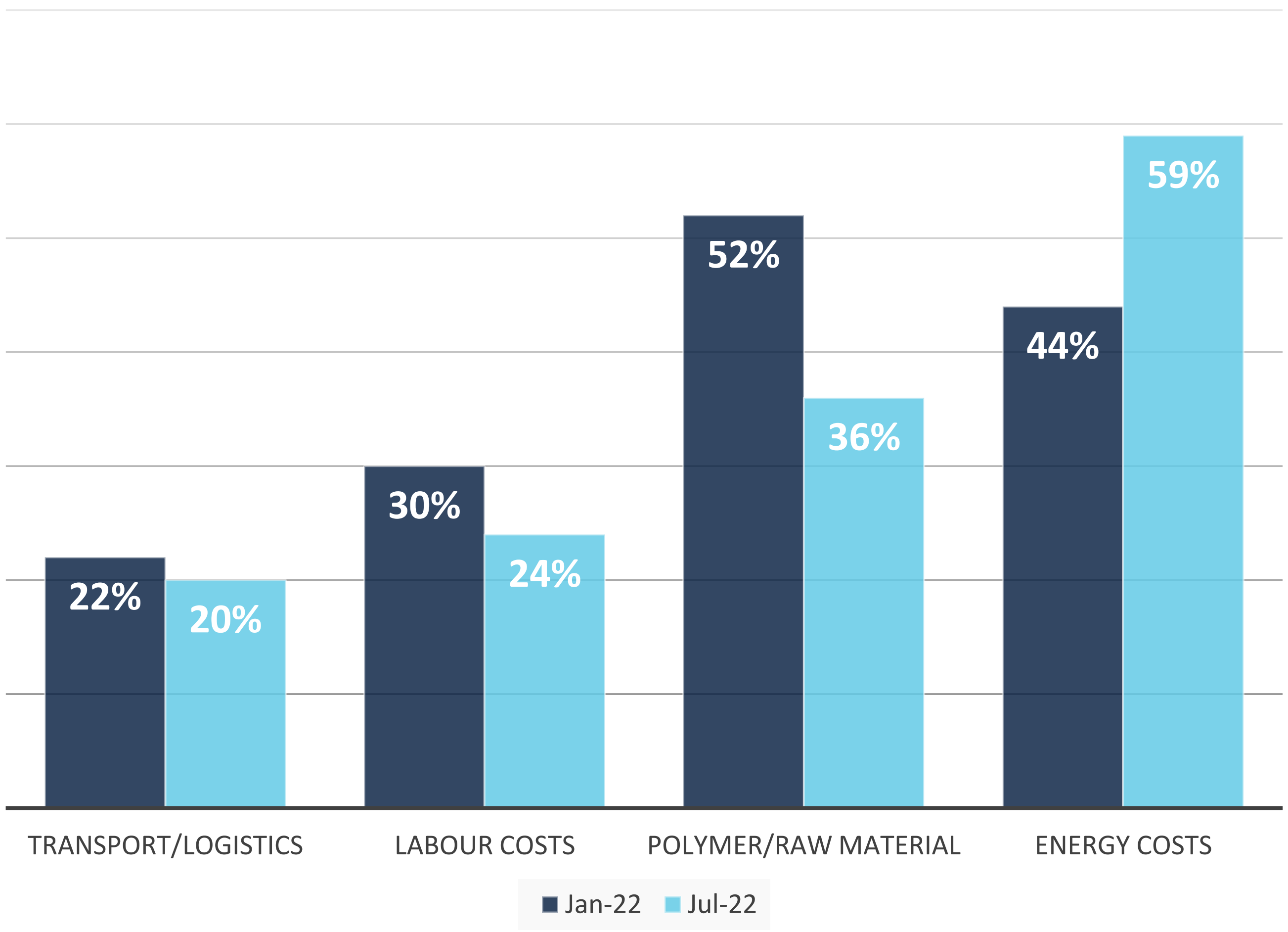
When asked for details, one company simply referred to *'crippling cost rises'*, with another stating that '*energy and raw material cost pressures are the most intense in living memory*'.

In the additional comments provided by companies, there is a significant increase in those mentioning energy as a key reason for profit margins being squeezed, with one company stating their energy prices had gone up 150% and another that they had gone up 300%.

Worryingly, a number of companies mentioned that it was getting increasingly harder to pass prices on to customers, some typical comments on this are below…

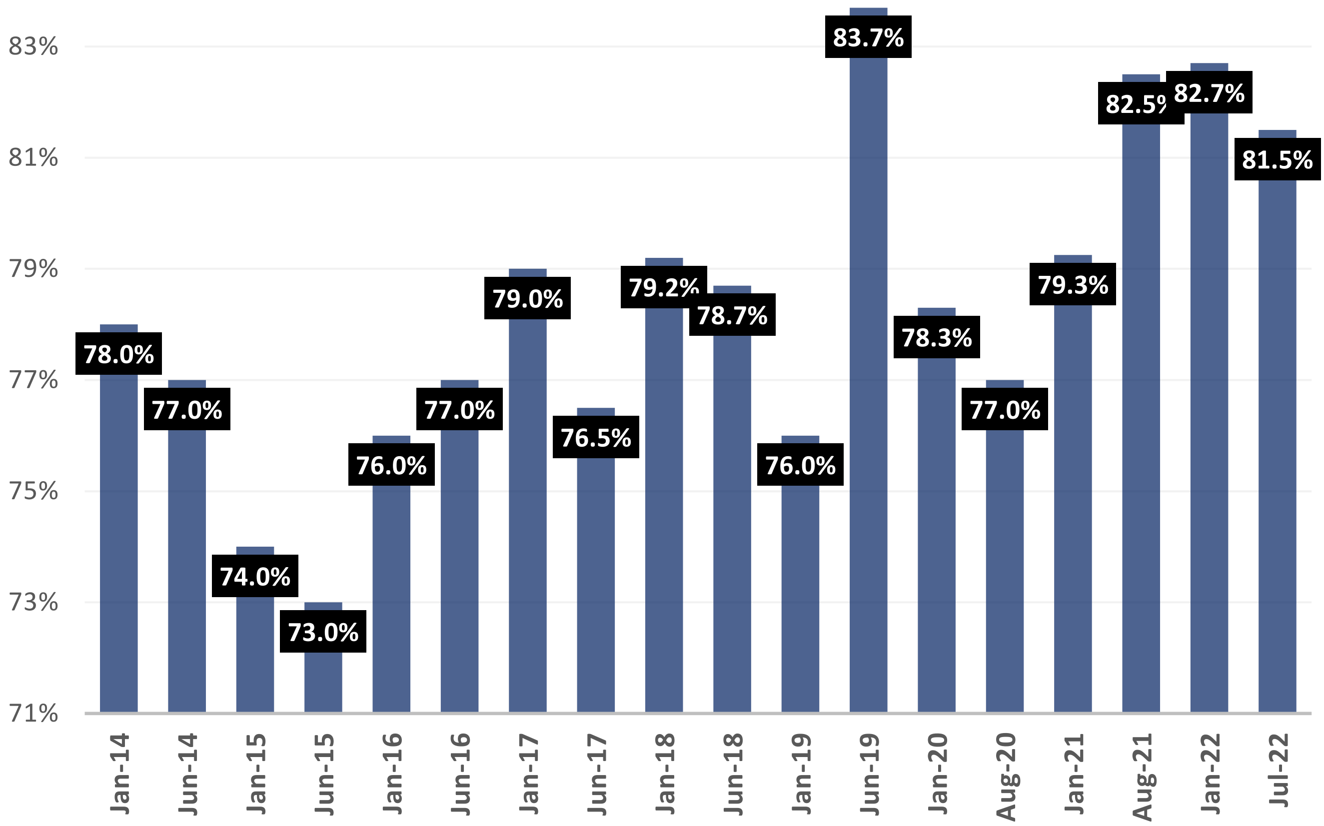
- *'We are unable to push price increases through fast enough to customers'*
- *'Increasing resistance from customers on selling price increases'*
- *'Rising costs and customer resistance to price change'*

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



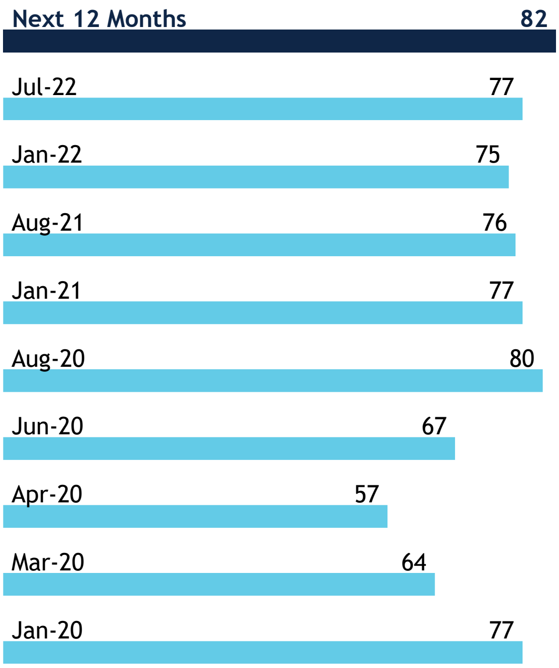
Capacity Utilisation

Average Capacity Utilisation Over the Next 12 Months

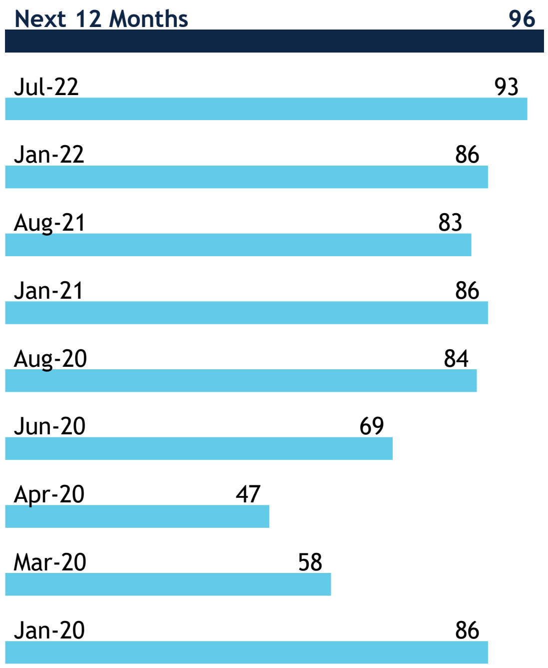


Capacities for Various BPF Membership Groups 2020-2022 (in percentage)

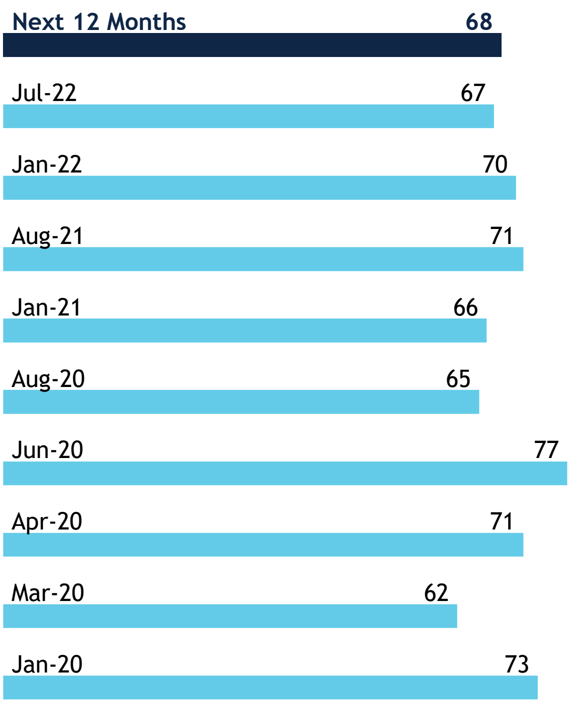
Additive & Masterbatch Groups



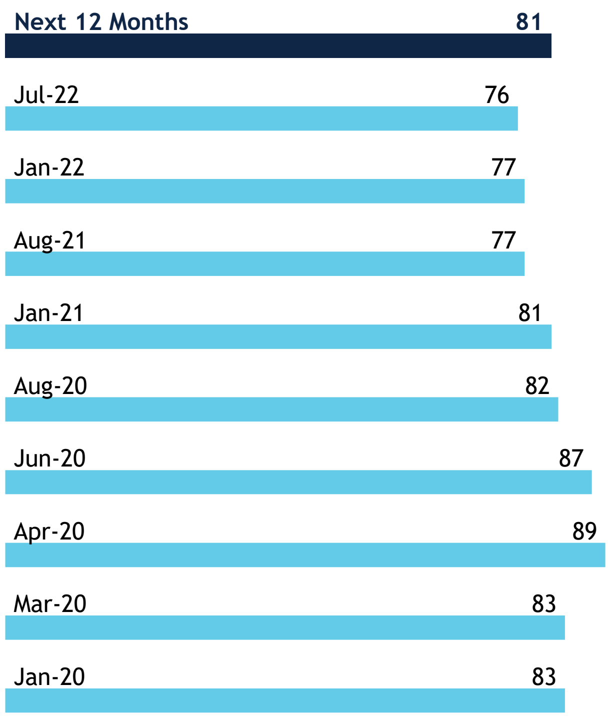
Equipment Group



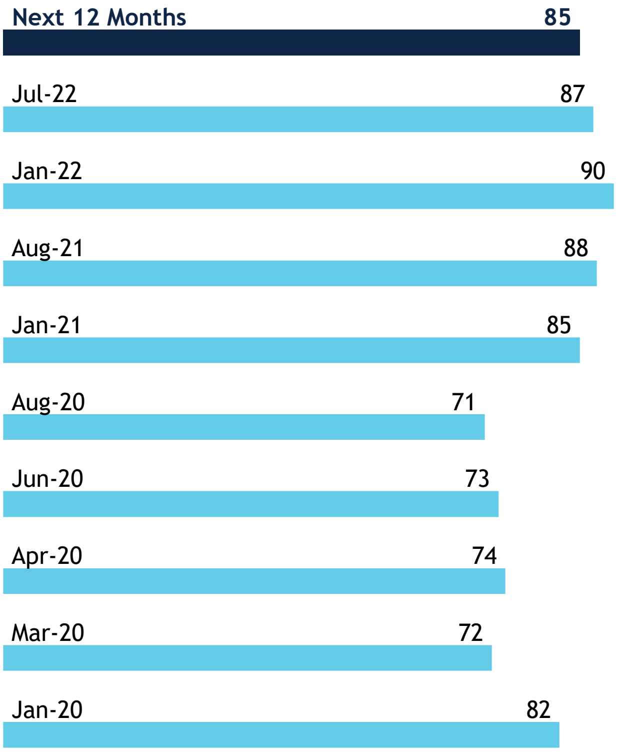
Moulders Group



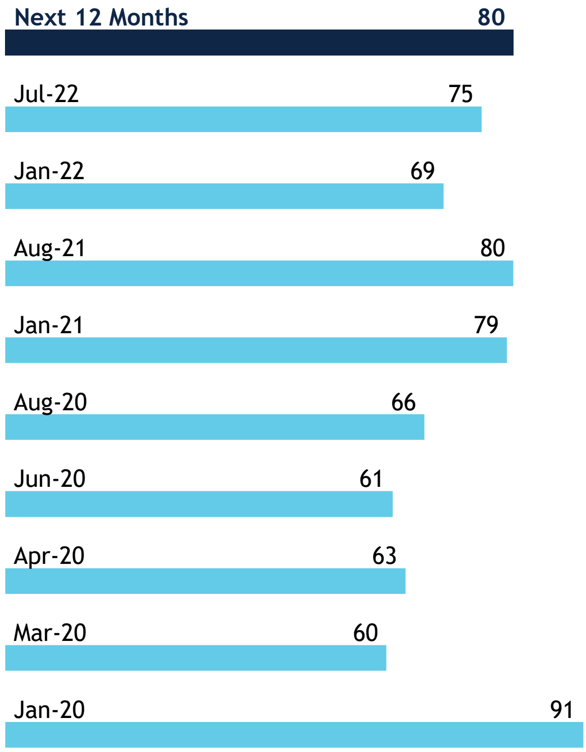
Packaging Group



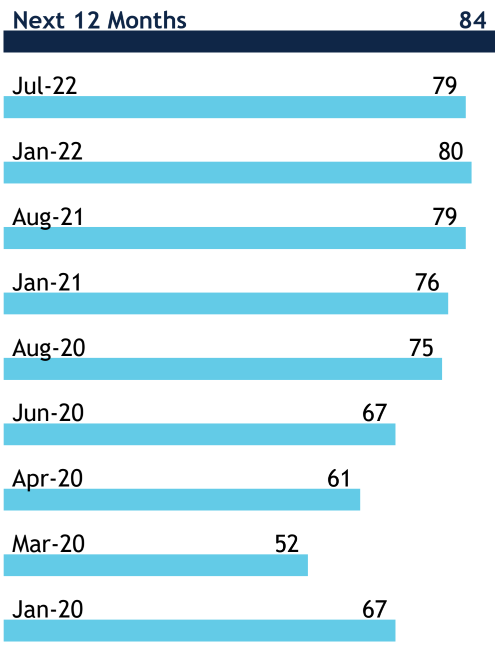
Polymer Distributors and Compounders Group



Recycling Group



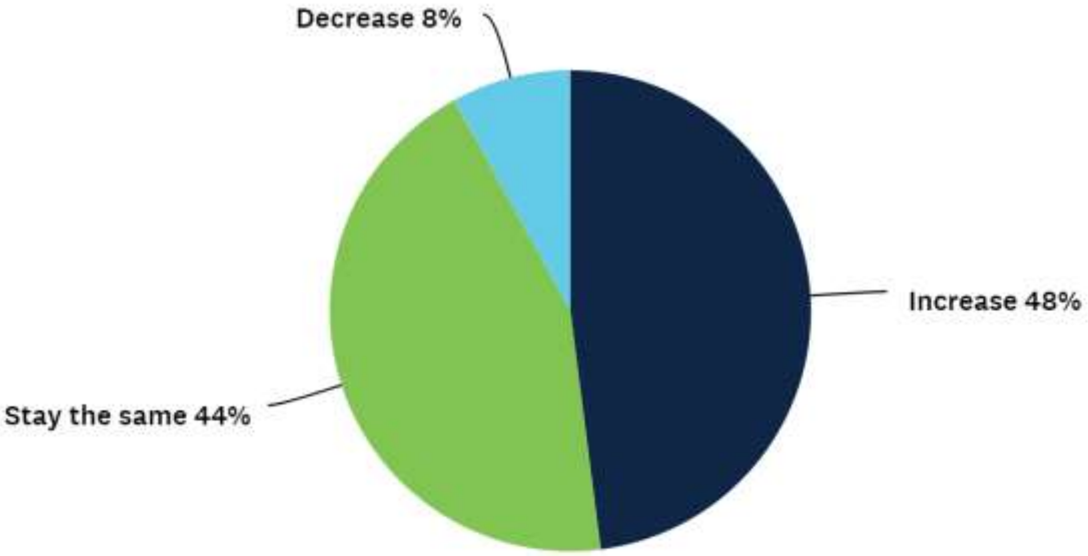
Rotational Moulding Group



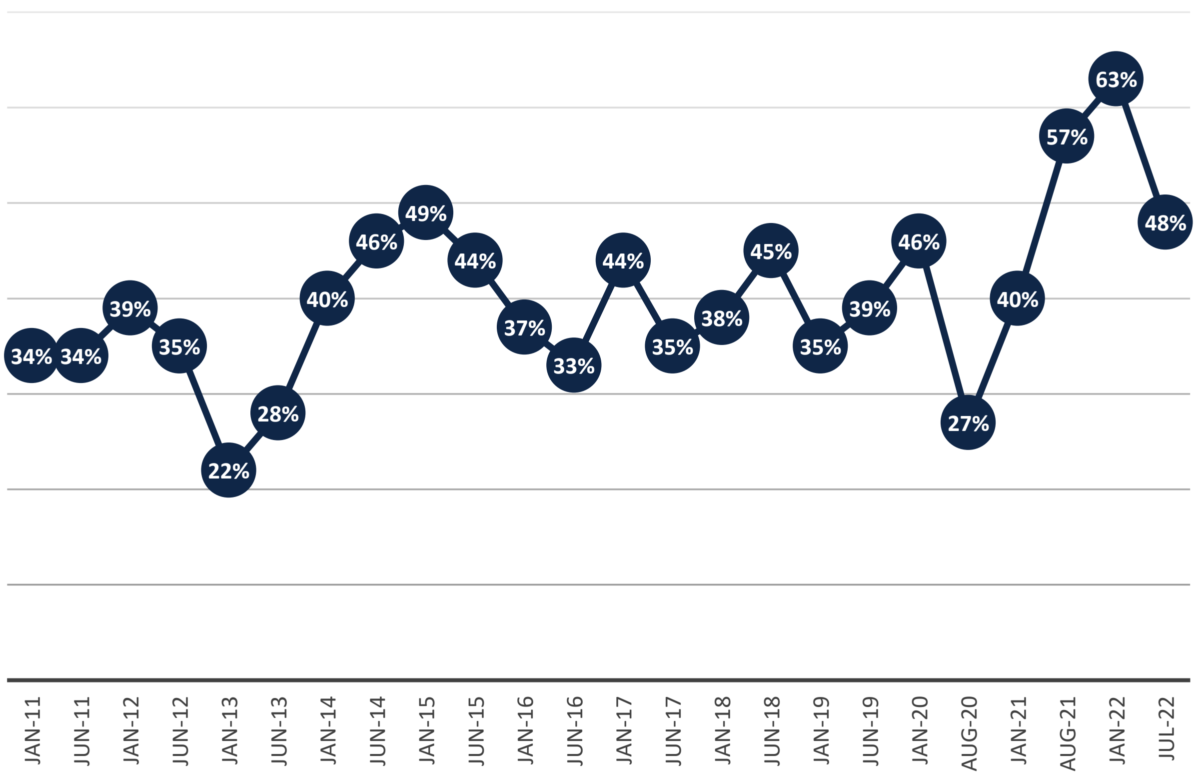
NOTE March, April and June 2020 data is taken from the BPF COVID-19 Supply Chain Monitors (SOURCE: WWW.BPF.CO.UK/SURVEYS). Other data is based on BPF Business Conditions Survey data (SOURCE: WWW.BPF.CO.UK/BCS). August 2021 data for Additives & Masterbatch Group and Polymer Distributors & Compounders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

Staffing

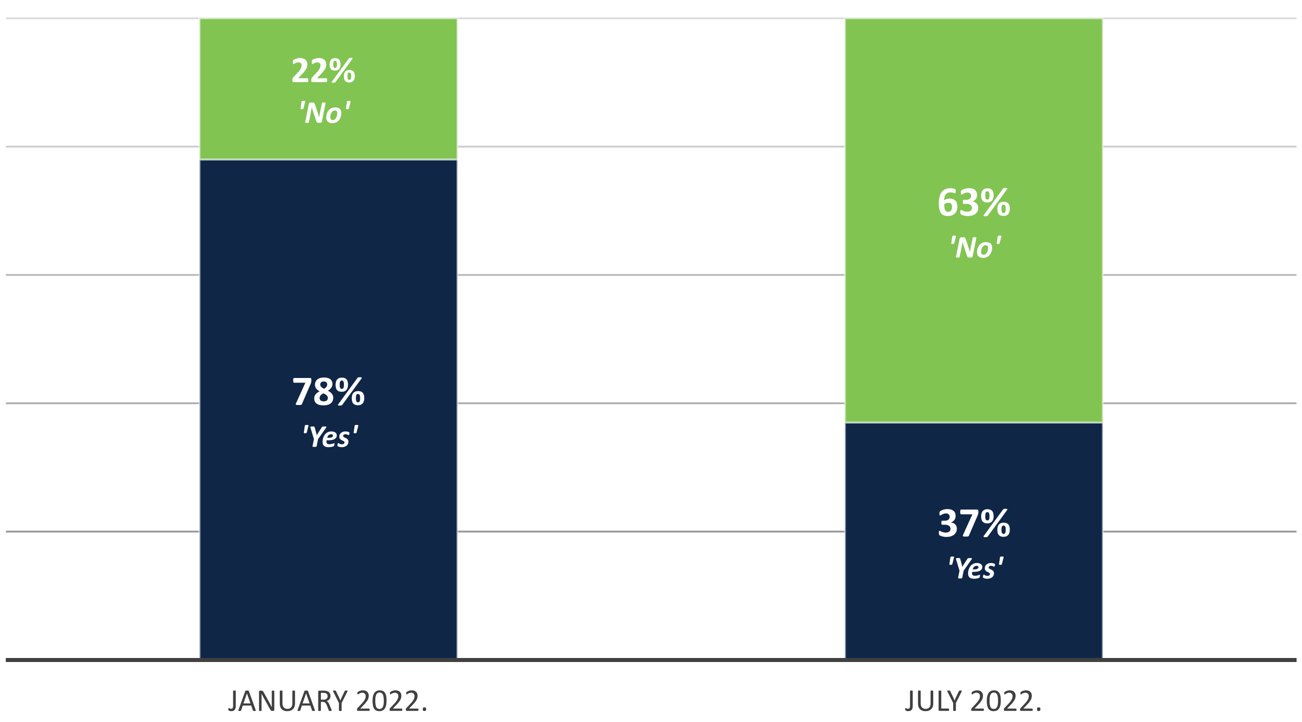
Percentage of Respondents Surveyed Looking to 'Increase', 'Decrease' or 'Maintain Staff Levels' in the Next 12 Months



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



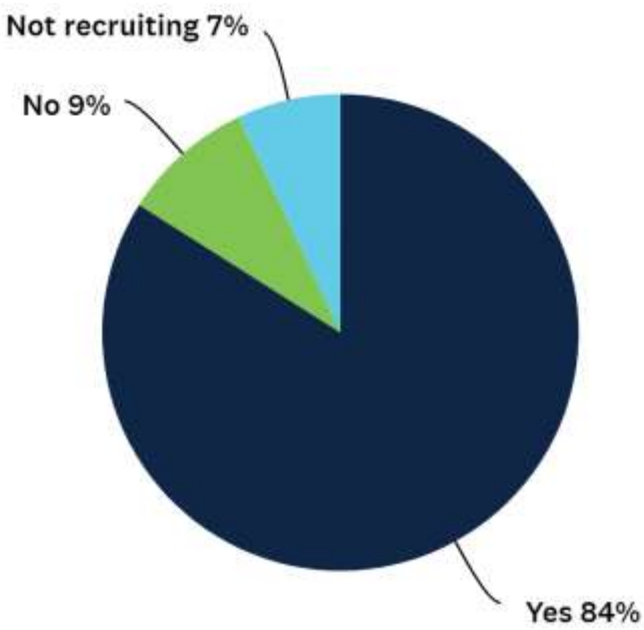
Percentage of Companies Reporting any Members of Staff Currently Not at Work as Result of COVID-19



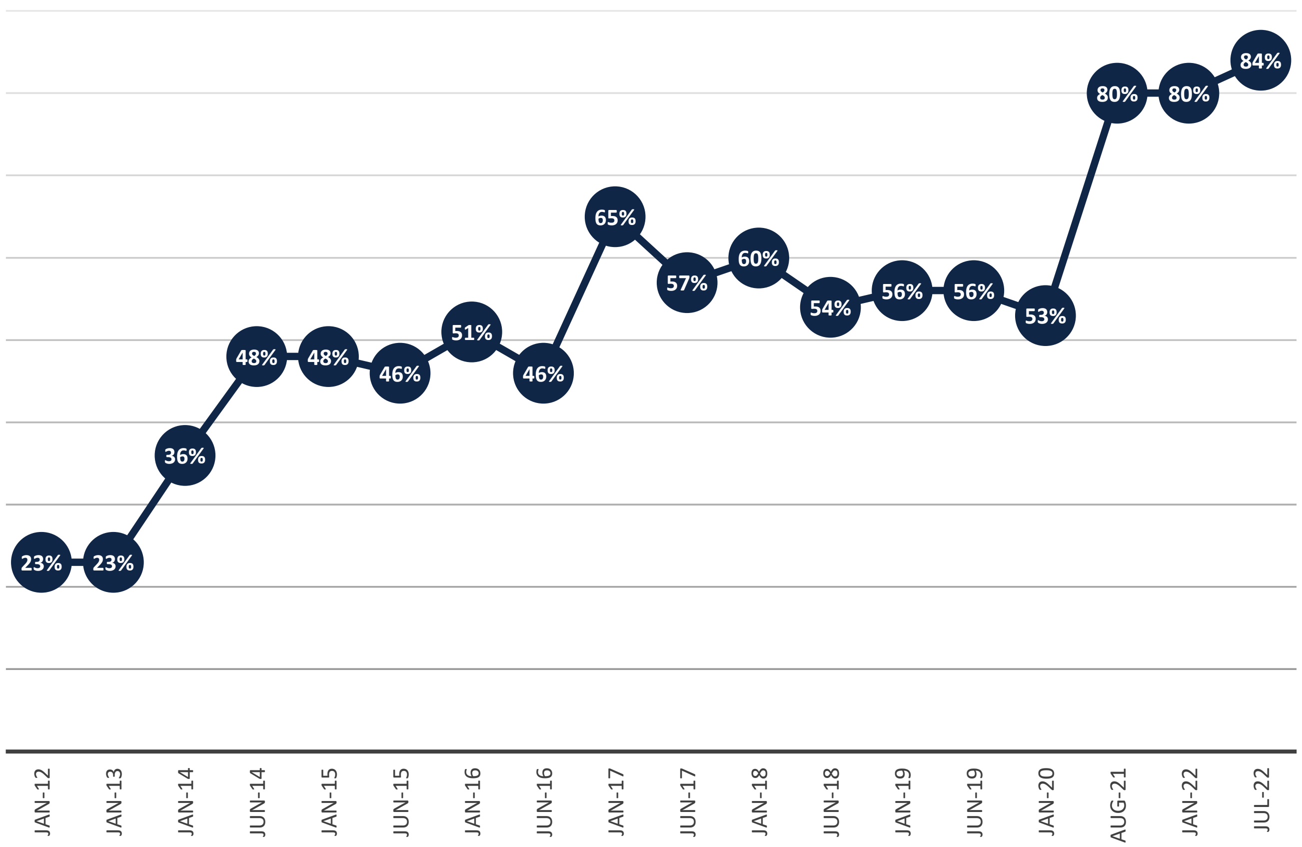
If 'Yes' roughly what percentage of your workforce is this?...

Skills Needs

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



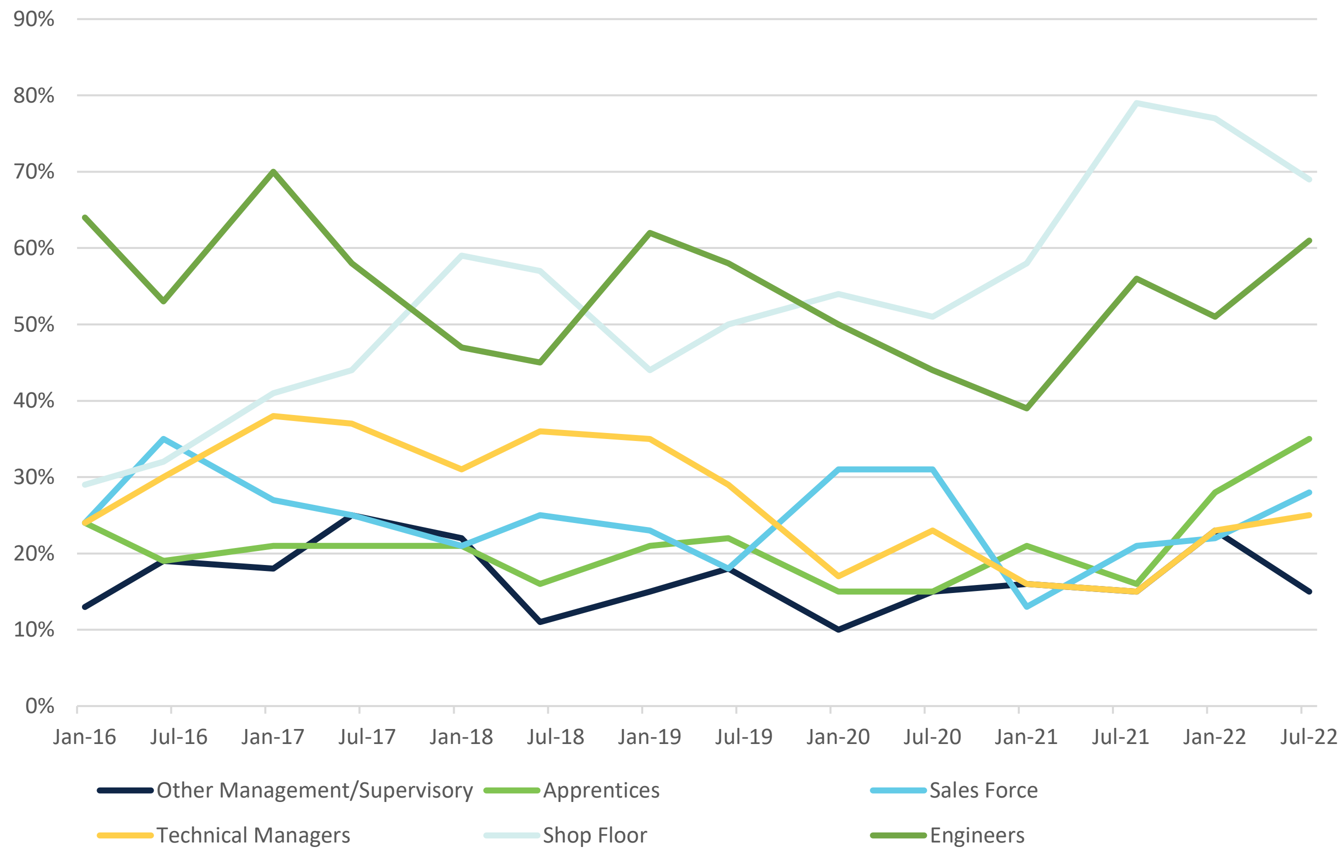
Percentage of Respondents Surveyed Having Difficulty Recruiting Staff



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

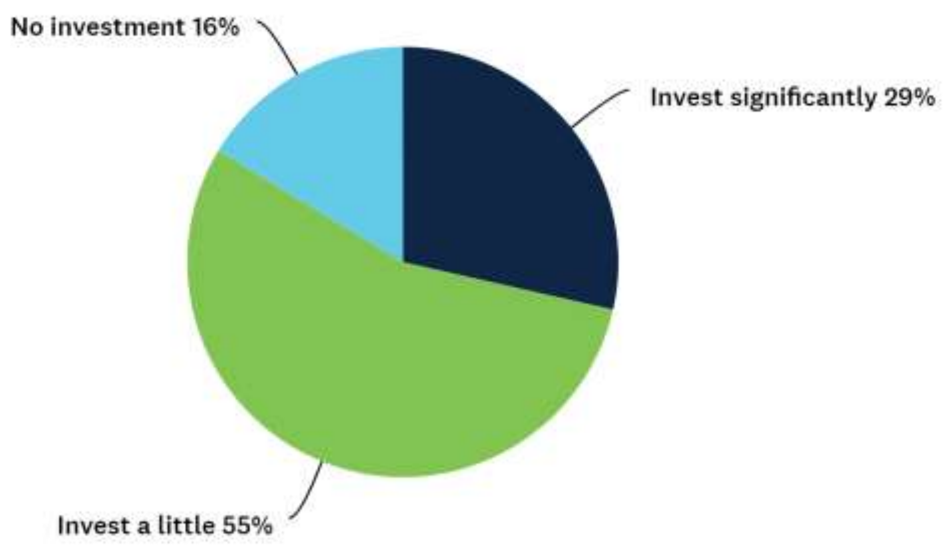
69% Shop Floor
61% Engineers
28% Sales Force
25% Technical Managers
15% Other Management/Supervisory
15% Apprentices

Percentage of Respondents Having Difficulty Recruiting for Various Roles (Jan 2016-Jul 2022)



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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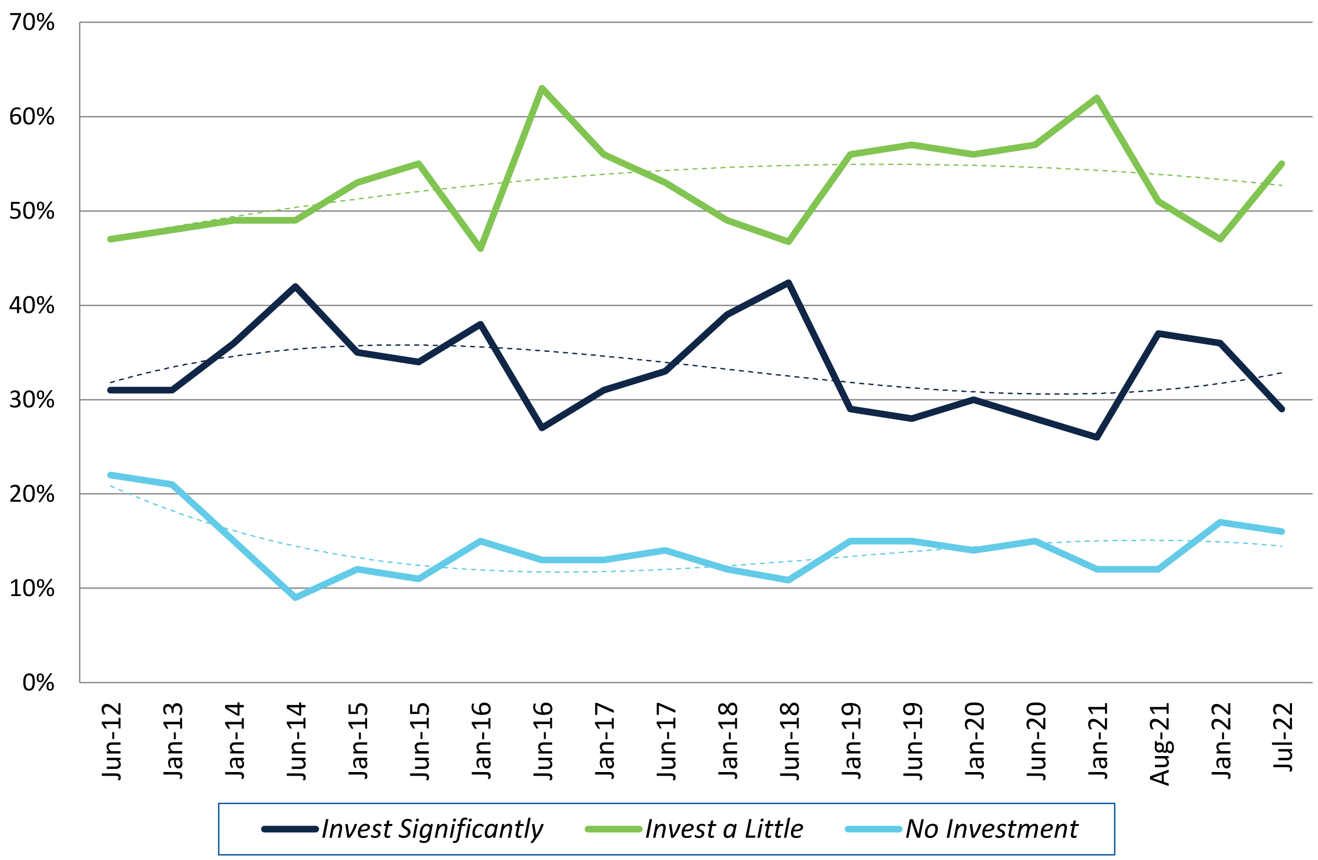


Whilst the results of this survey show a slightly higher than average level of companies planning no investment in plant and equipment, it is lower than what might be expected given the squeeze on profitability and the general uncertainty in the economic landscape.

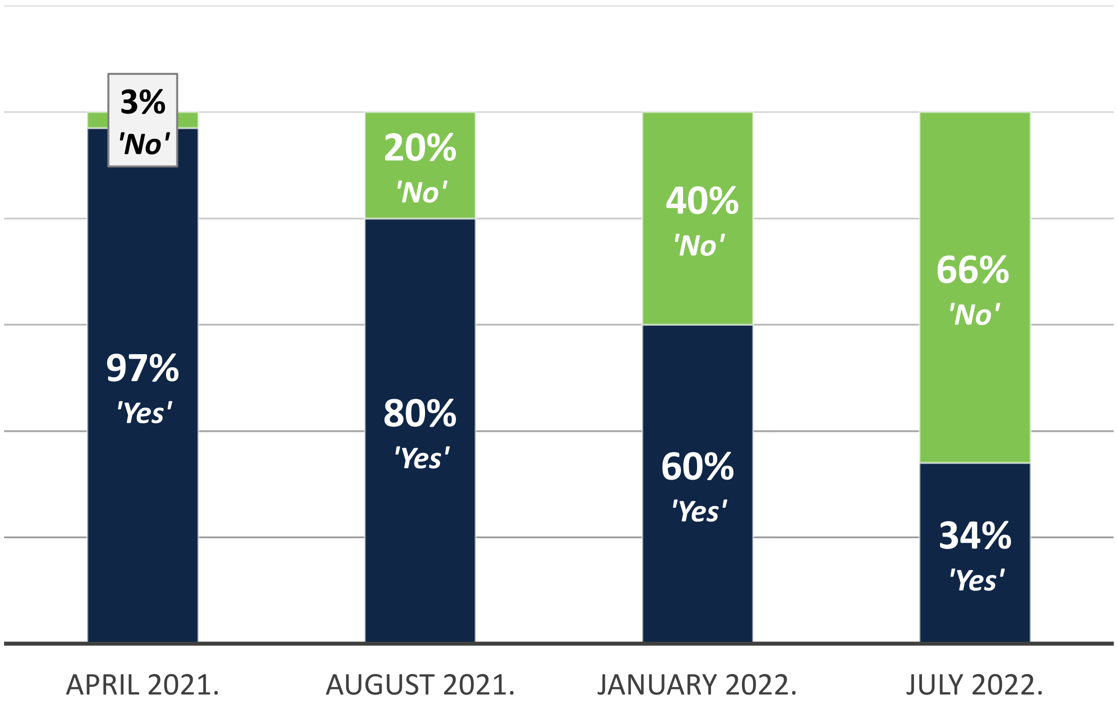
Whilst this trend was mentioned by a number of companies predicting a decrease in investment in plant and equipment, it appears that other factors (energy price rises and increased labour costs are also driving investment).

There were a number of companies predicting a decrease in investment and one equipment supplier said that "*increased customer operating costs/lower profitability are holding back investment*". This was also the case for a number of processors completing the survey. One moulder stated "*price increases have affected budgets for investment*" and a packaging company that "*plans for redevelopment of our manufacturing division are progressing cautiously, we will not fully commit to investment until we can see how future markets settle*".

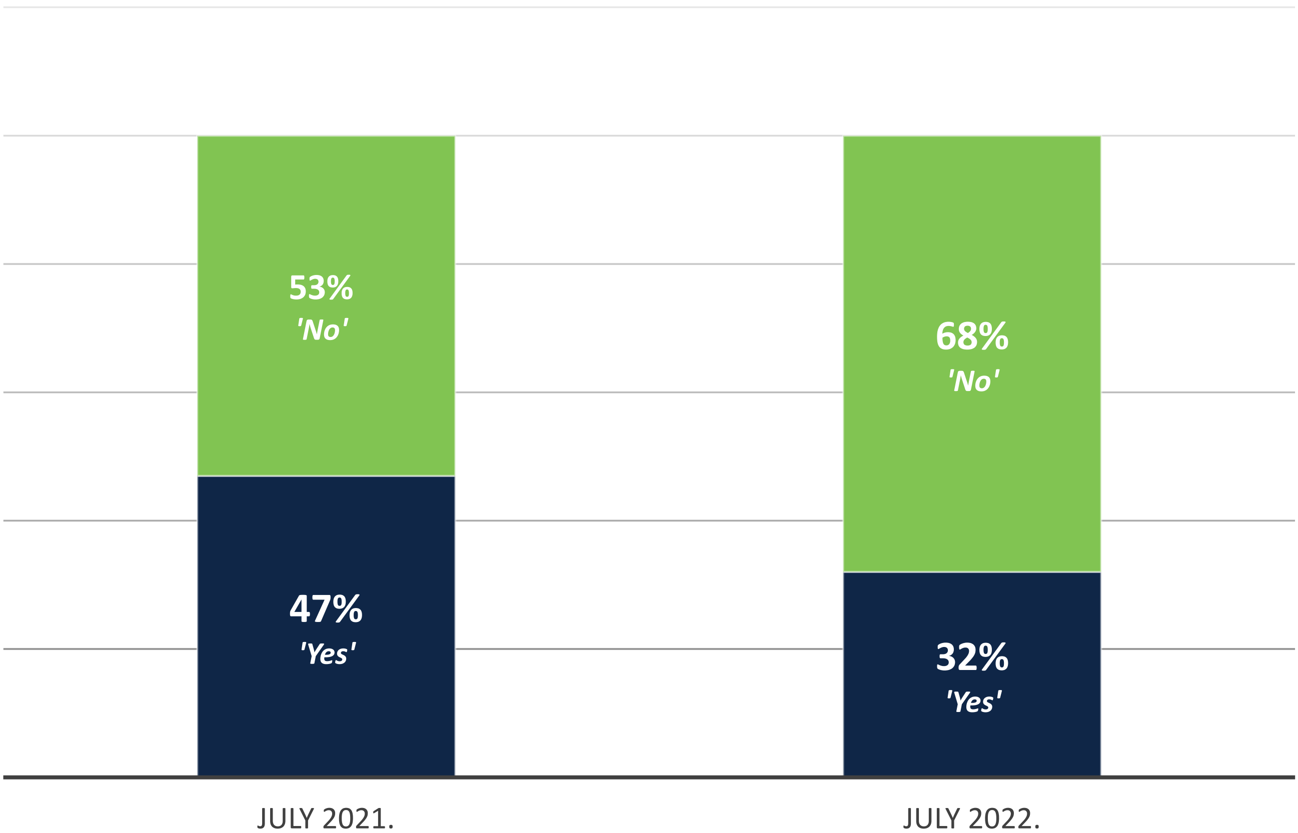
Of those companies planning to invest significantly, one gave the reason simply that they would do "*anything to reduce energy use"* and a number of other companies stating that they plan to invest significantly also cited energy costs as the main reason. Labour was also mentioned, and one company stated that they had a '*drive to look at automation for processes due to current labour market in the UK and other areas'*.

Trading Issues

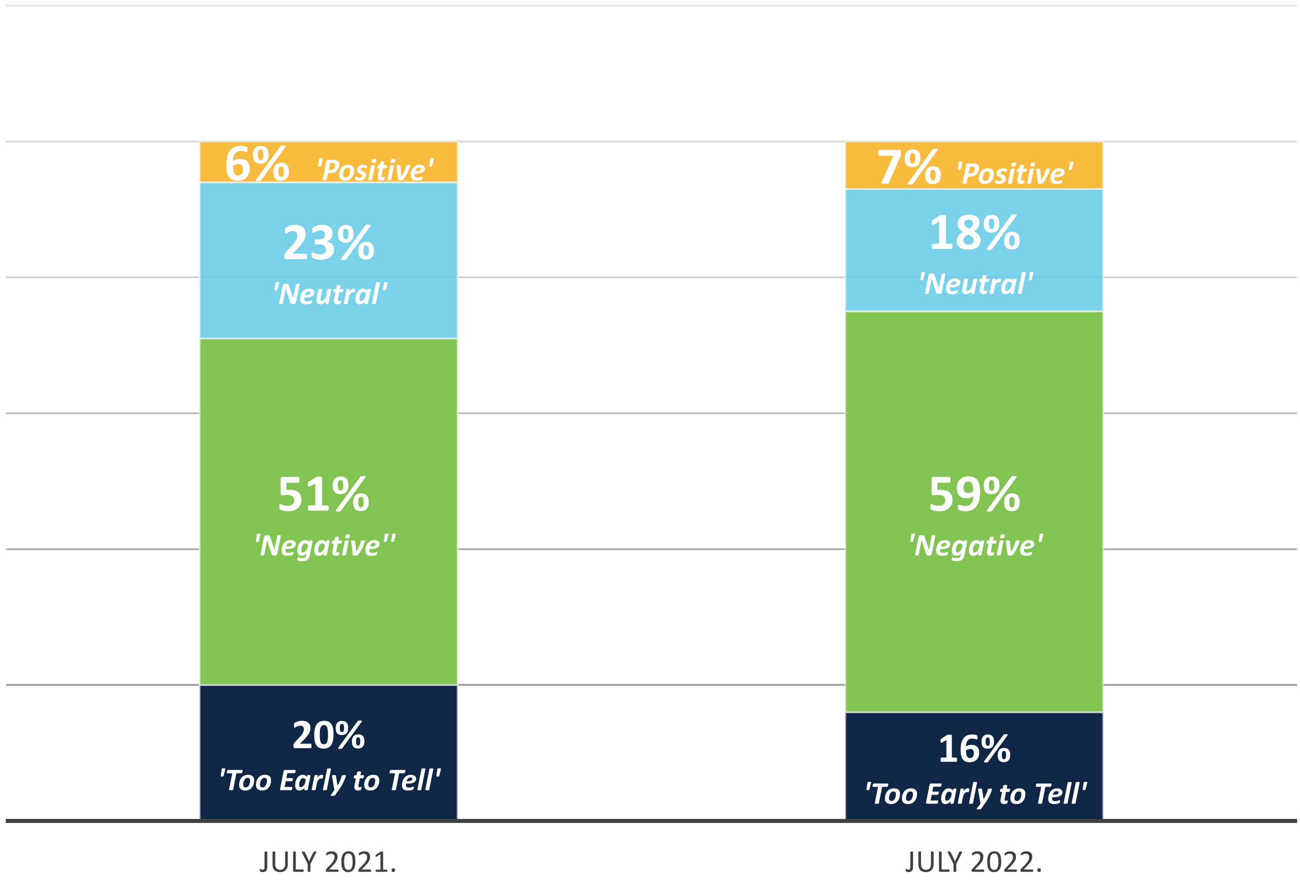
Percentage of Companies Currently Experiencing Problems Sourcing Polymer



Percentage of Companies Experiencing Problems Trading with Northern Ireland (Since 1st January 2021)



Percentage of Companies Stating the Overall Impact Brexit Has Had on Their Business Was Either 'Positive', 'Negative', 'Neutral' or 'Too Early to Tell'



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