BPF British Plastics Federation

Business Conditions Survey for the UK Plastics Industry

British Plastics Federation

June / July 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

Content

Sales Turnover: Predictions for the next 12 Months & Sales in July 2023 compared to July 2022

Export Sales Turnover: Predictions for the next 12 months

Profitability: Predictions for the next 12 Months

Capacity Utilisation: Average Capacity Utilisation Over the Next 12 Months

Staffing and Sills Needs: Prediction on recruitment for Next 12 months and employment of temporary workers

Investment Intentions in Plant and Equipment: Overview and usage of "Capital allowances: full expensing" scheme

Trading Issues: Problems Sourcing Polymer

Energy: Fuel switching and calculation of carbon footprint

Participation

The survey was conducted between 21st June – 7th July 2023, with the results published on the 11th July 2023.

The survey, which was open exclusively to members of the British Plastics Federation, was completed by 69 **firms.**

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

Plastics Processors	50%
Raw Materials Producers and Distributors	24%
Machinery and Equipment	13%
Recyclers	13%

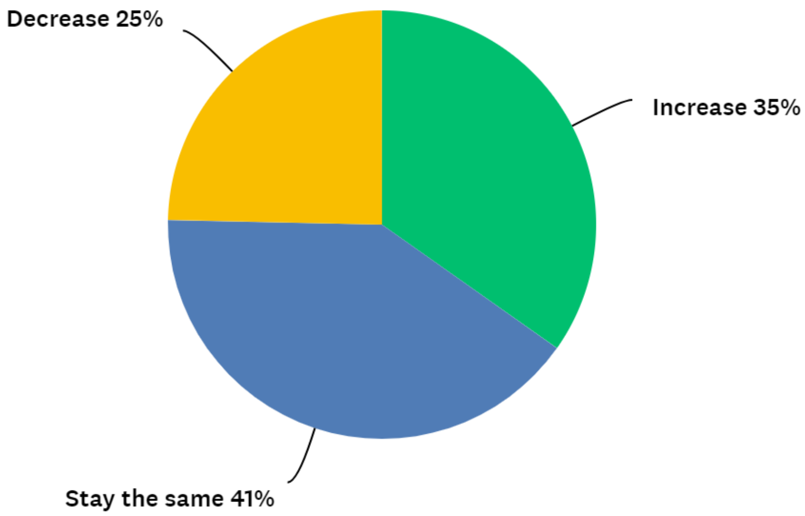
Plastic Industry Market Sectors

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:

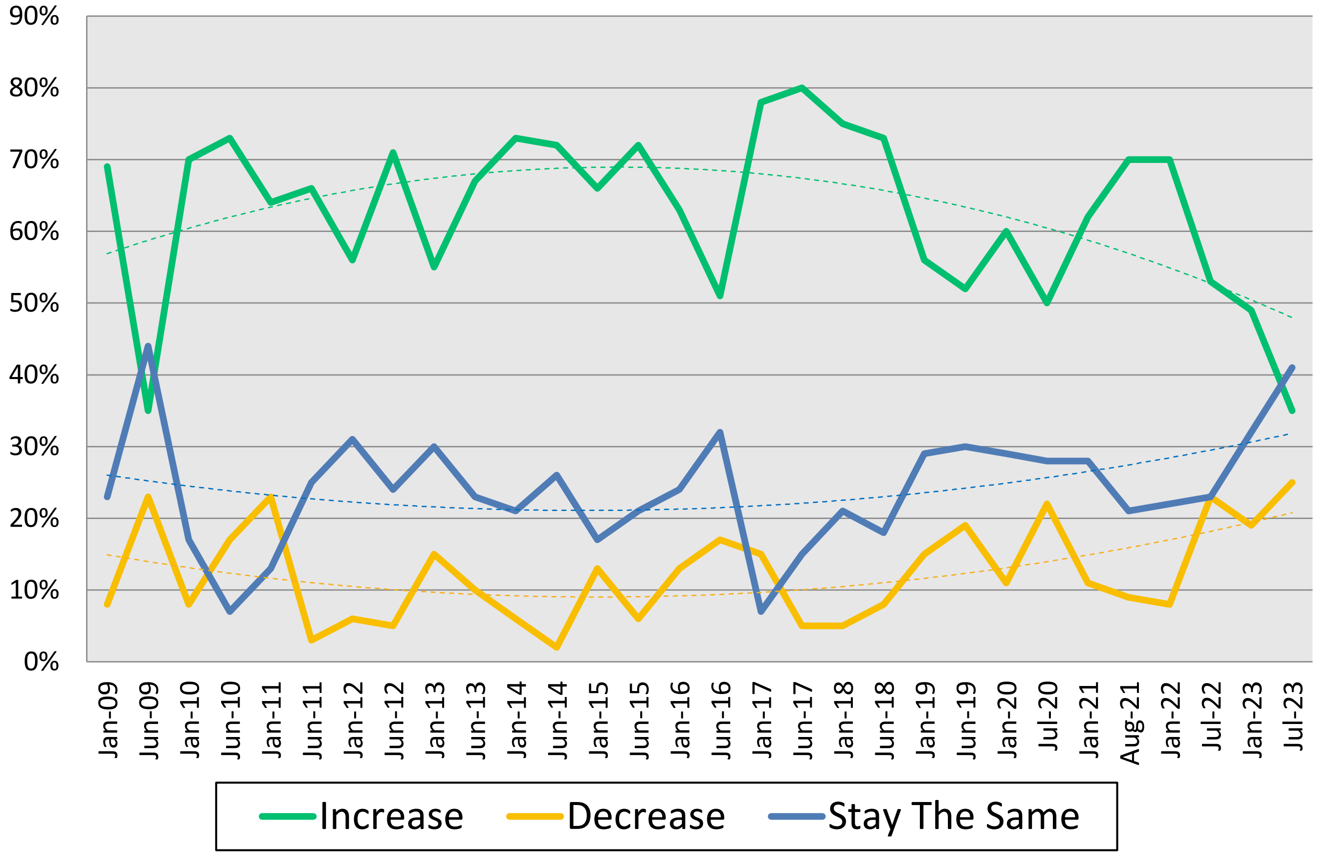
Construction	63%
Electrical and Electronic	42%
Packaging	60%
Automotive	48%
Healthcare	43%
General mechanical goods	31%

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 companies predicting a decrease or stagnation in overall sales turnover the most common reason given was a combination of low consumer confidence and/or spend compounded by high inflation rates and mortgage rates.

Throughout the survey a number of companies have stated that their customers are often slow or delay buying decision. A typical comment was *"(whilst we are) very busy with quotes…customers are very slow to make decisions."*

A number of companies pointed to high energy costs in the UK resulting in the loss of business to competitors in the EU who are paying lower energy bills.

Of those companies in the recycling group who provided further information on why they are predicting a decline (or stagnation) in sales turnover all of them stated that low virgin prices was the reason. One typical comment from a recycling company was *"When the price of prime polymer is as low as it currently is, there is very little stopping many manufacturers…from switching from recycled content to prime content, meaning that the support for recyclers is almost non-existent…. so the volume we are currently recycling has significantly declined given the low cost that prime manufacturers are selling for".*

On a scale of -100% to +100% please give a very rough indication of how your sales are performing compared to this time last year?

The average number given was ***-4.6%***

We have previously asked companies to rate their sales vs budget – below is a comparison of historic data..

Sales Vs Budget Predictions and Actuals from Recent Surveys

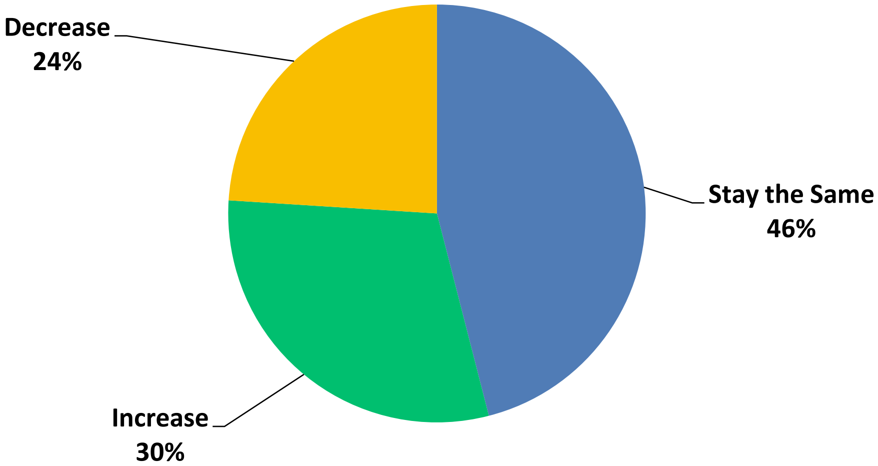
Predicted Sales vs Budget 2020 (July 2020 survey)	*Actual Sales vs Budget 2020 (January 2021 survey)*	*Performance Against Budget as of August 2021 (August 2021 survey)*	*Actual Sales vs Budget 2021 (January 2022 survey)*	*Predicted Sales vs Budget 2022 (July 2022 survey)*	*Actual Sales vs Budget 2022 (Jan 2023 Survey)*	*Sales in July 2023 compared to July 2022 (July 2023 Survey)*
-4%	*+8.68%*	*+14%*	*+17%*	*-1%*	*+3.1%*	*-4.6%*

Sales in July 2023 Vs Sales in July 2022 by Various Groups

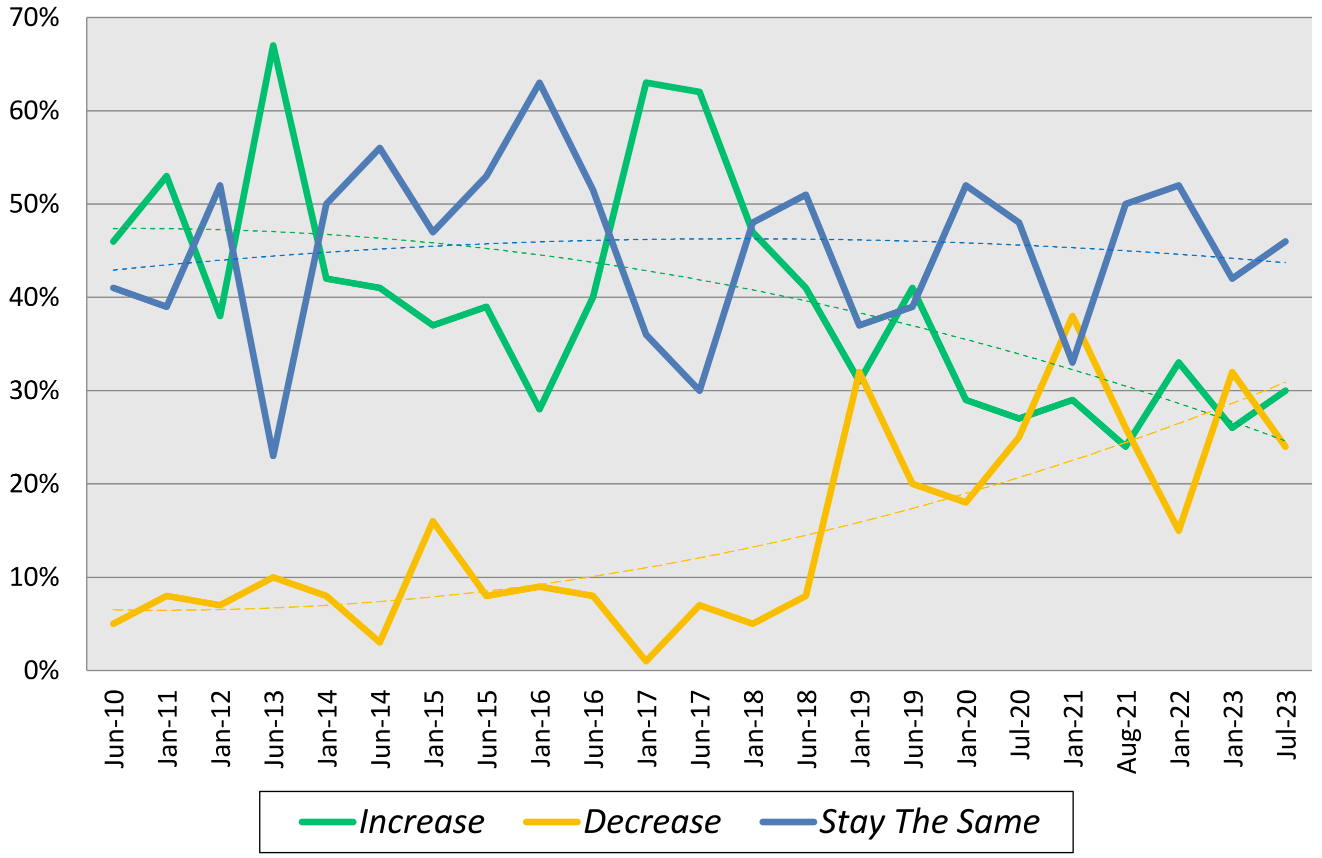
	Actual Sales vs Budget 2022 (Jan 2023 Survey)	*Sales in July 2023 compared to July 2022 (July 2023 Survey)*
Additives & Masterbatch Groups	-6.1%	+4.2%
Equipment	+5.1%	+14.9%
Moulders	+4.5%	-6.8%
Packaging	+1.7%	-2.1%
Pipes		-3.7%
Polymer Distributors & Compounders	+7%	-10%
Recyclers	-8.2%	-33.4%

Export Sales Turnover

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

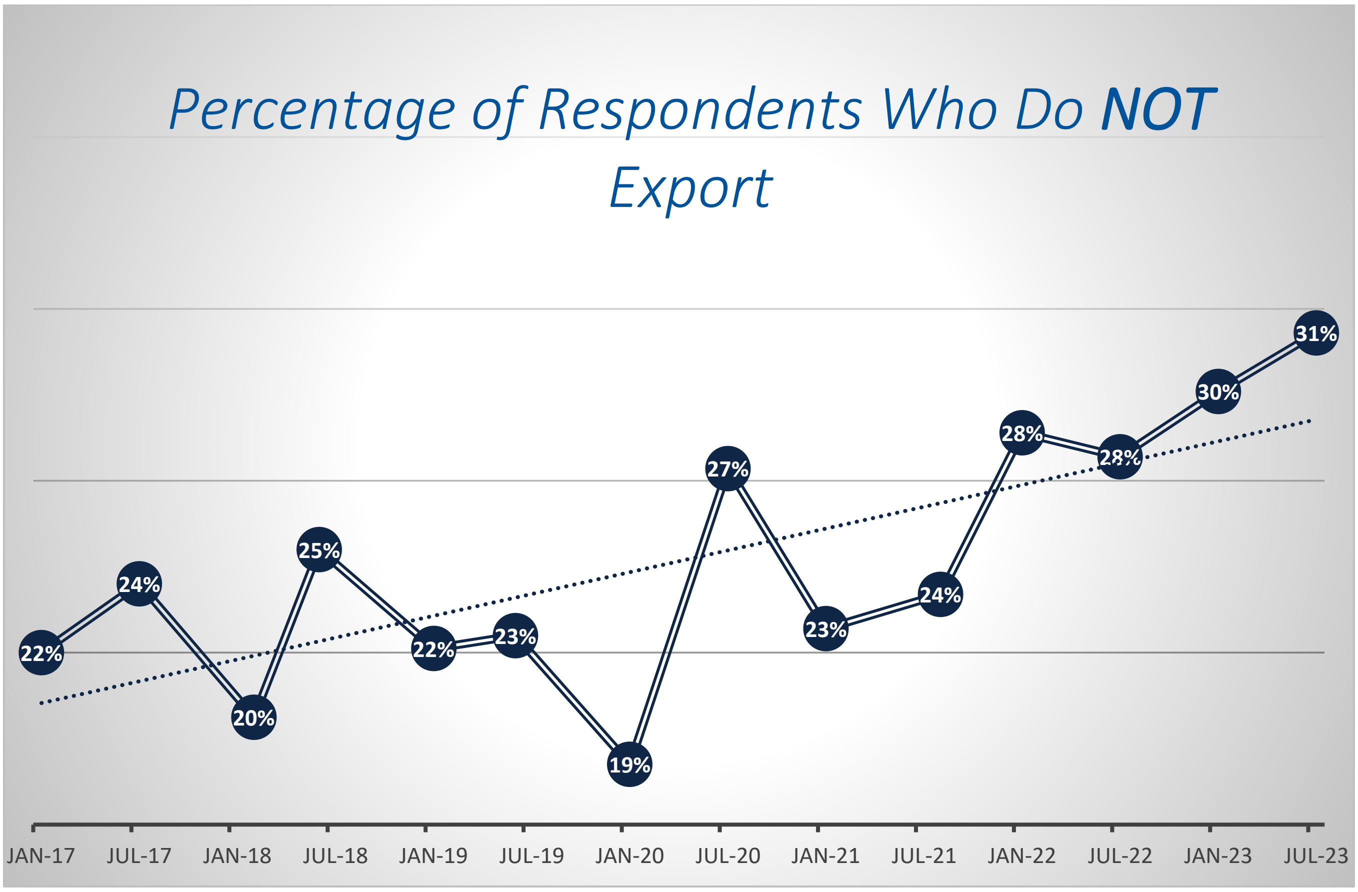


Percentage of Respondents Predicting Export Sales Will 'Increase', 'Decrease' or 'Stay The Same' Over the Next 12 Months



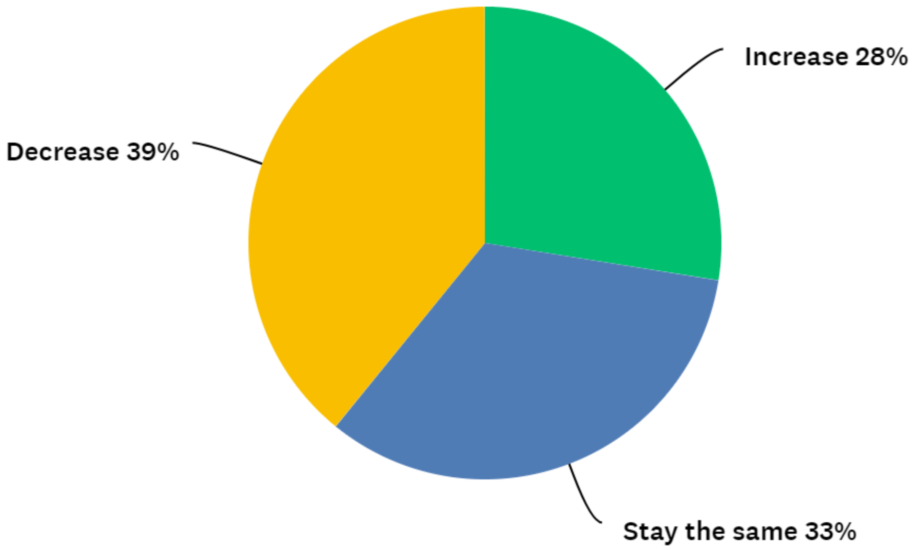
As can be seen in the previous graph there is a definite trend, ever since the EU Referendum of companies predicting a decline in export sales. Of those who stated they were seeing a decrease in exports a number mentioned Brexit (e.g. *"Brexit and additional freight / documentation charges"*) however it is worth noting that less companies than in the previous survey mentioned 'Brexit' specifically, potentially as they adapt to the new reality.

The graph below shows the numbers of companies in the survey, since the referendum, who don't export.

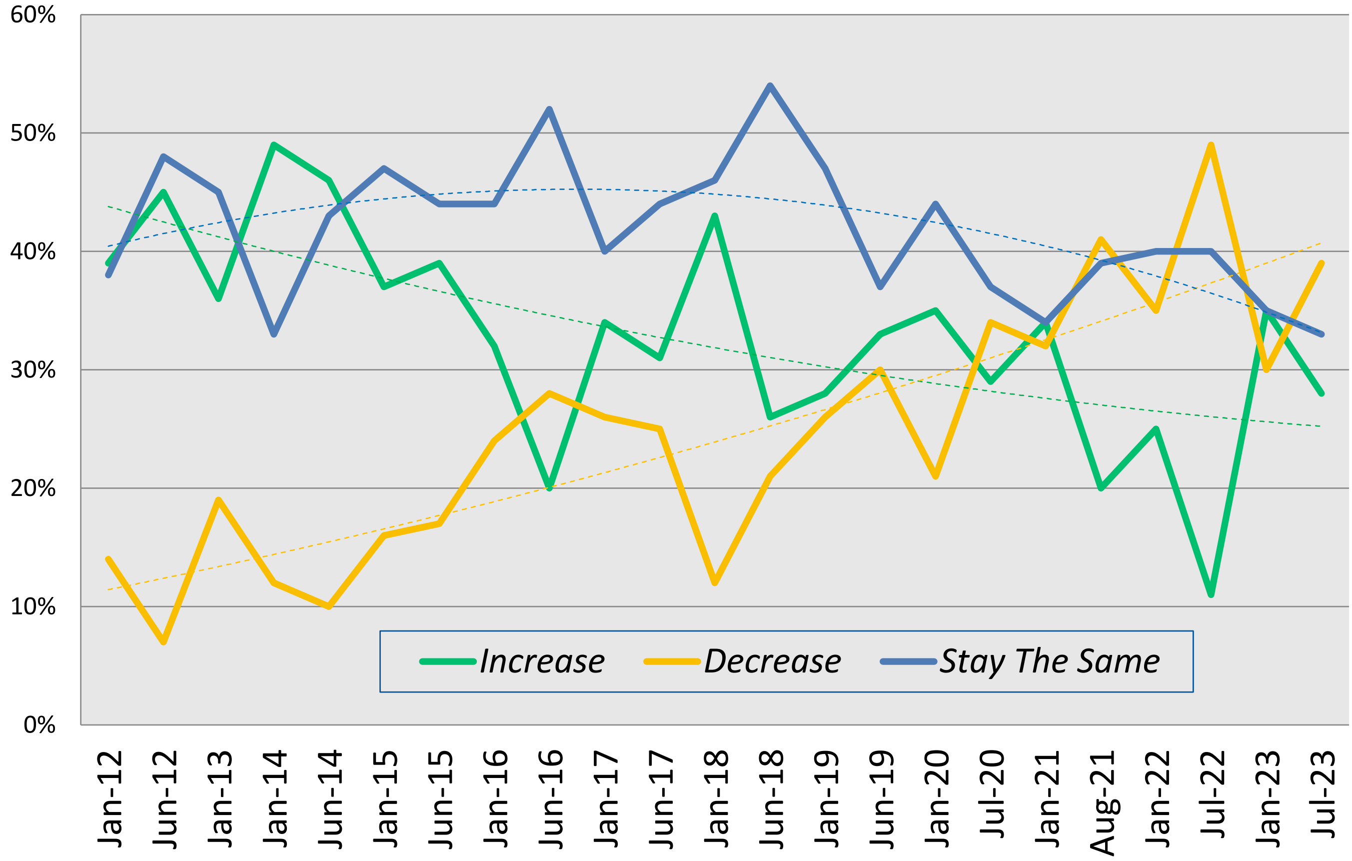


Profitability

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



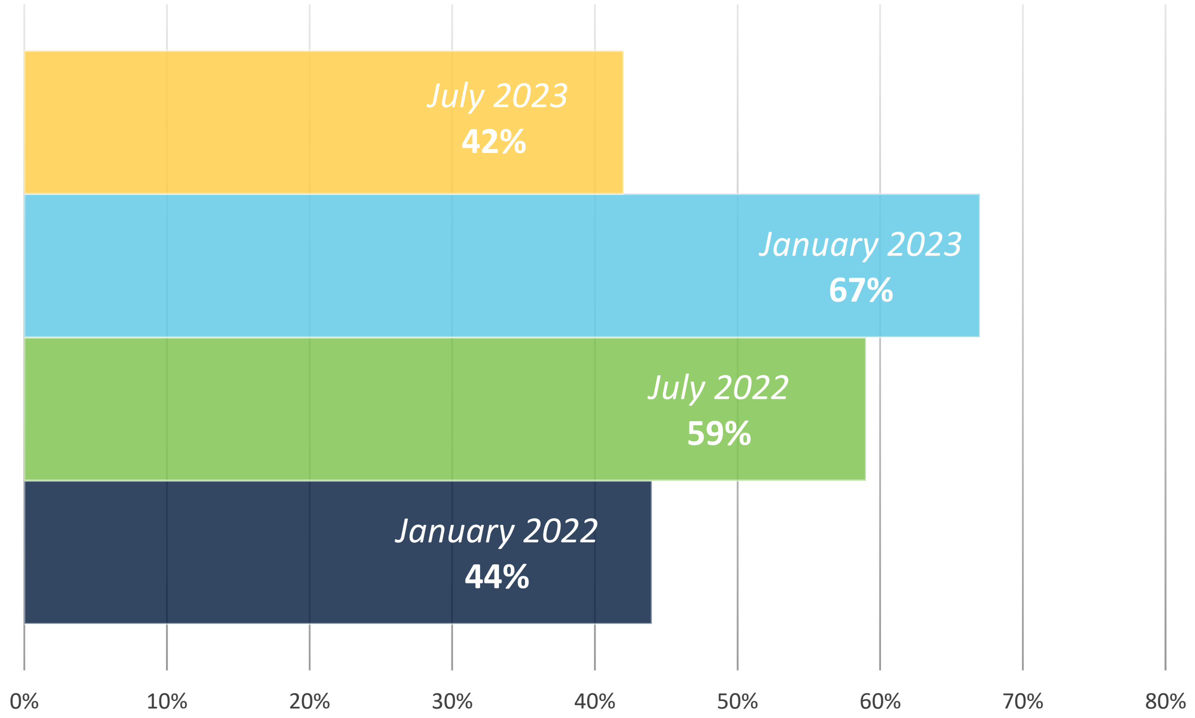
Percentage of Respondents Predicting Profit Margins Will 'Increase', 'Decrease' or 'Stay the Same' Over the Next 12 Months



BPF British Plastics Federation

Of those companies predicting a decrease or stagnation in profitability the most common response was *'energy prices'*. It is worth noting however that less companies mentioned 'energy prices' as a reason than in the last two surveys…

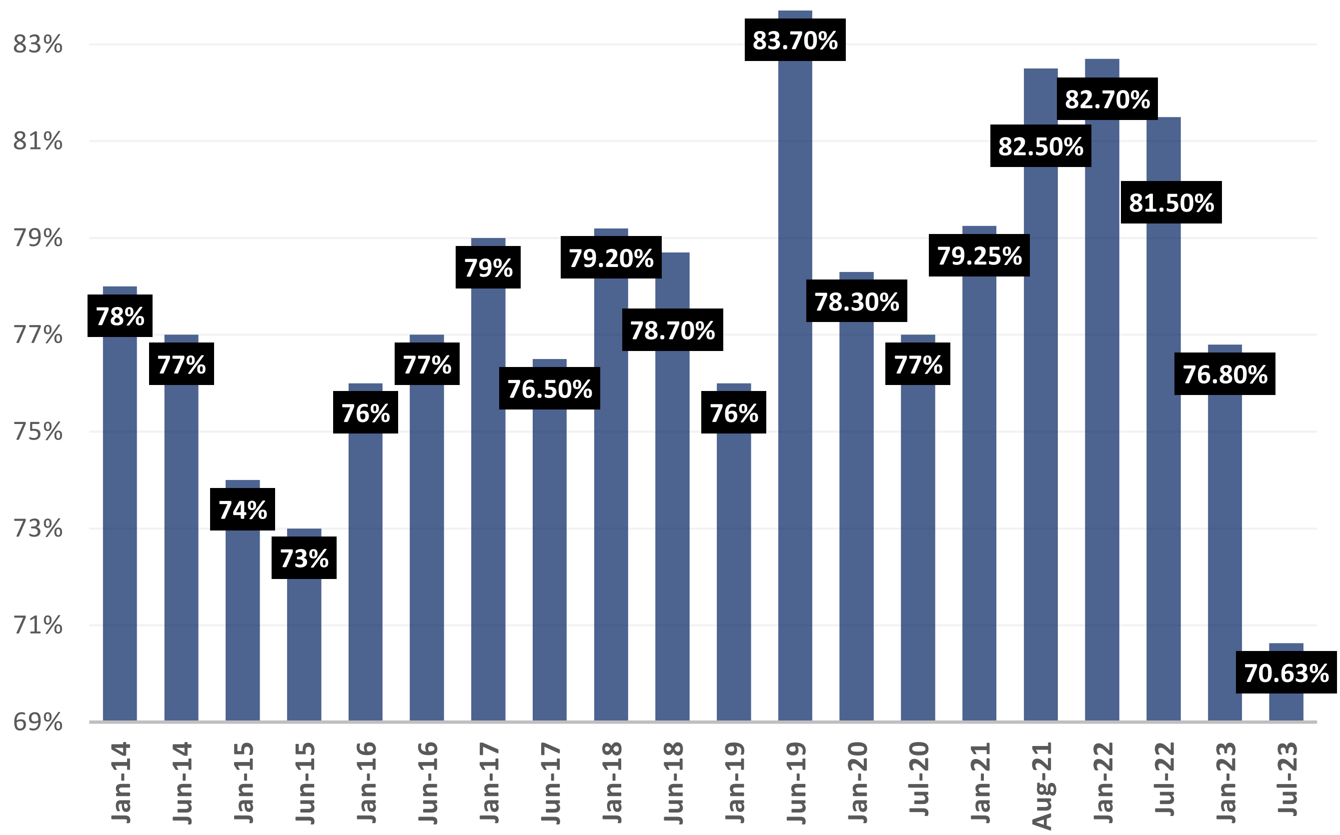
Percentage of Companies Predicting a Decrease in Profit Margins Over the Next 12 Months who Stated 'Energy' or 'Energy Prices' as a Specific Reason



Other reasons given were the impact of paying higher salaries as well as logistic costs. Of those companies who predicted an increase in profitability the most common reason was falling raw material costs.

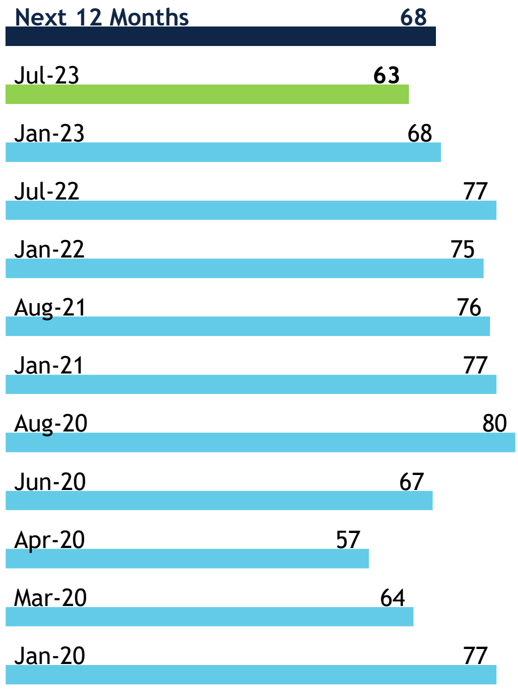
Capacity Utilisation

Average Capacity Utilisation Over the Next 12 Months

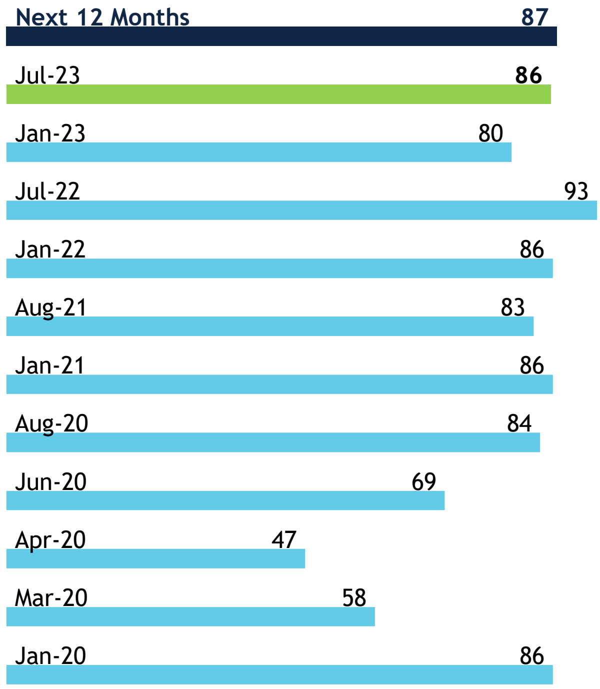


Capacities for Various BPF Membership Groups 2020-2023 (in percentage)

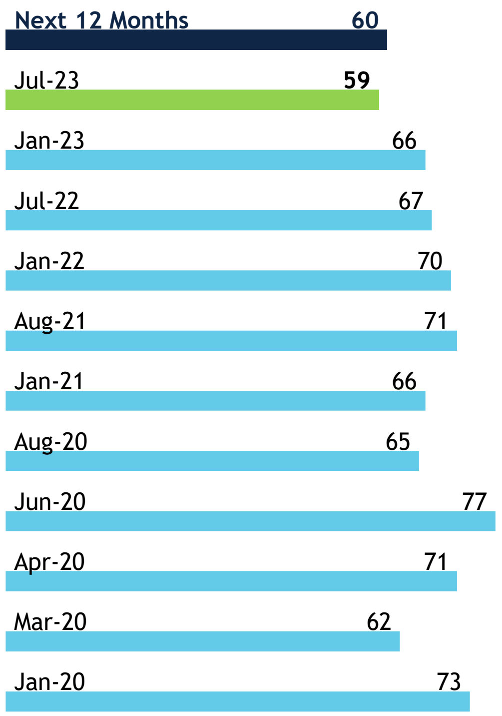
Additive & Masterbatch Groups



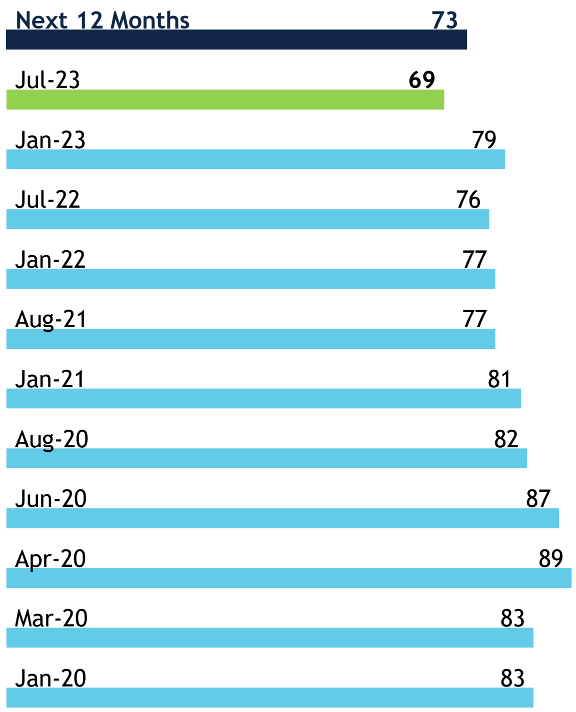
Equipment Group



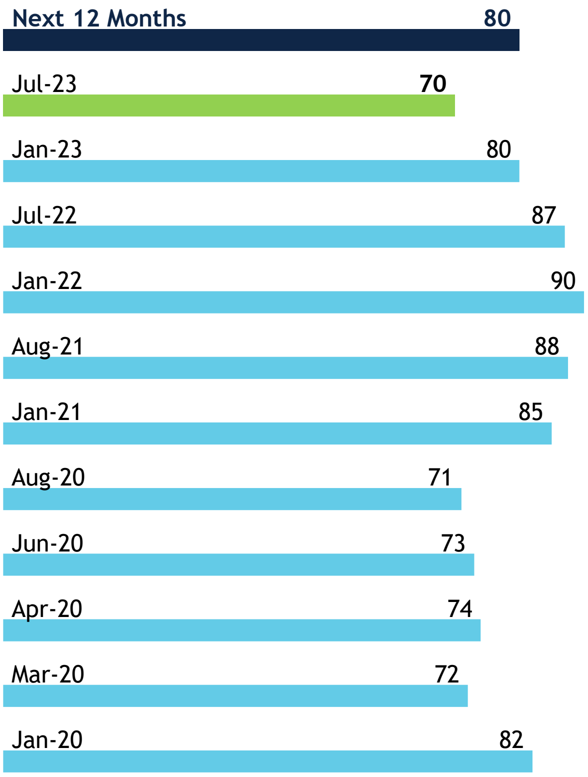
Moulders Group



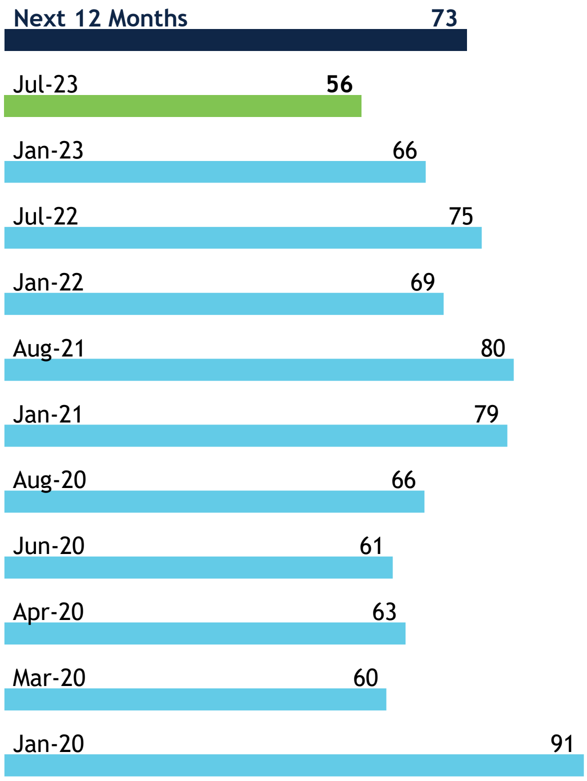
Packaging Group



Polymer Distributors and Compounders Group



Recycling Group



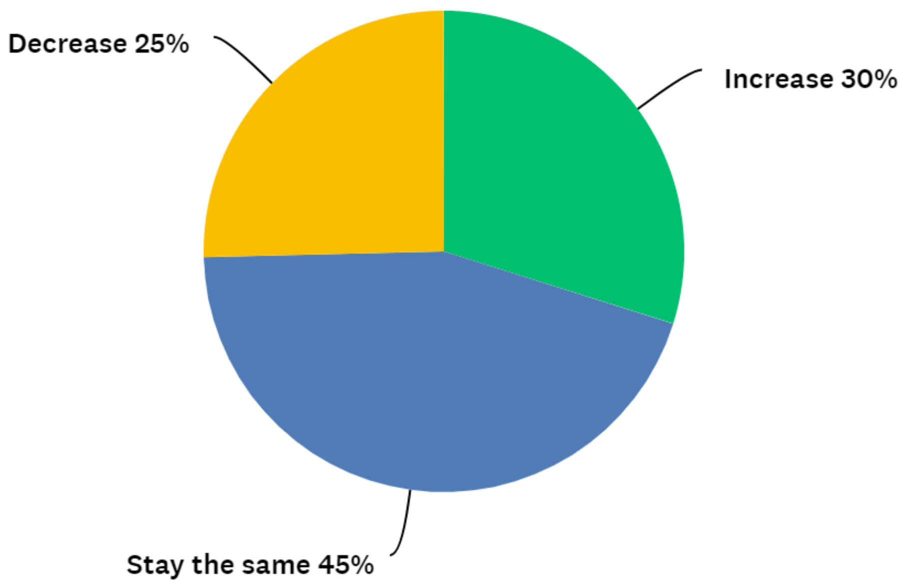
NOTE March, April and June 2020 data is taken from the BPF COVID-19 Supply Chain Monitors (SOURCE: WWW.BPF.CO.UK/SURVEYS). Other data is based on BPF Business Conditions Survey data (SOURCE: WWW.BPF.CO.UK/BCS). August 2021 data for Additives & Masterbatch Group and Polymer Distributors & Compounders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

Rolling Capacity Averages (January 2020 – January 2023) vs July 2023

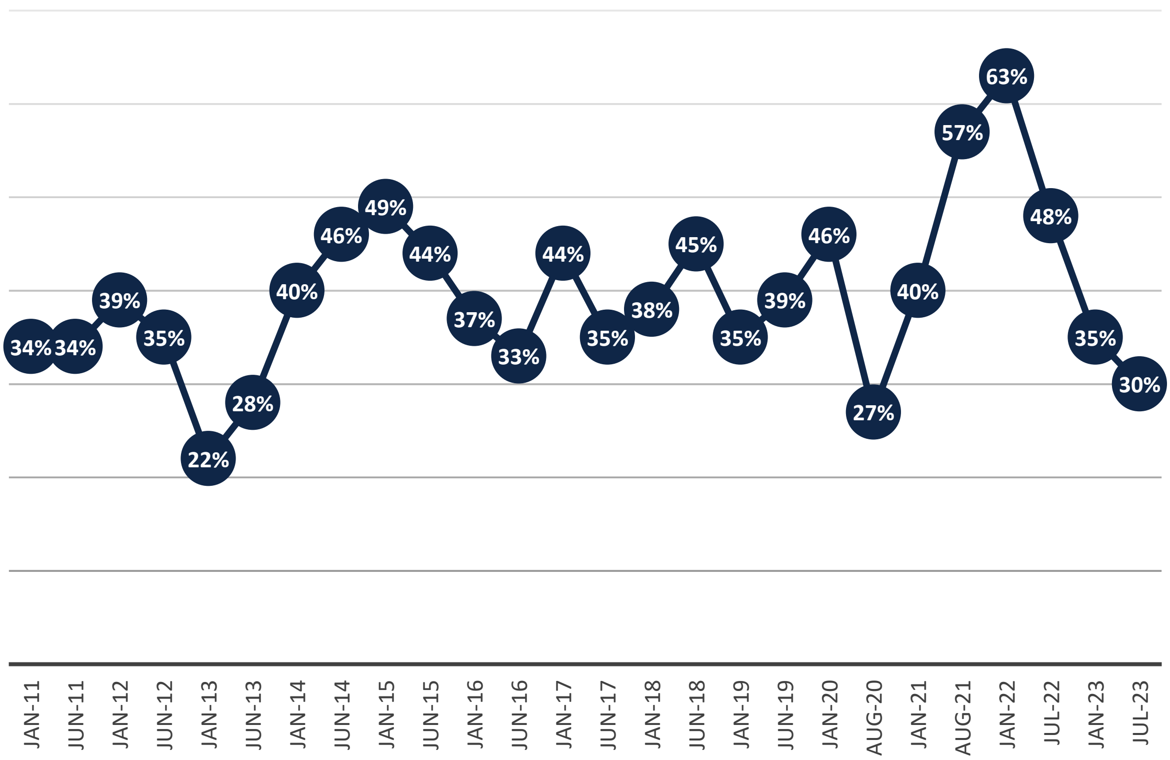
	Average (Jan 2020- July 2023)	*July 2023*	*Difference*
Additives & Masterbatch	71%	63%	-8%
Equipment	77%	86%	+9%
Moulders	68%	59%	-9%
Packaging	80%	69%	-11%
Polymer Distributors & Compounders	79%	70%	-9%
Recycling	70%	56%	-14%

Staffing and Skills Needs

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

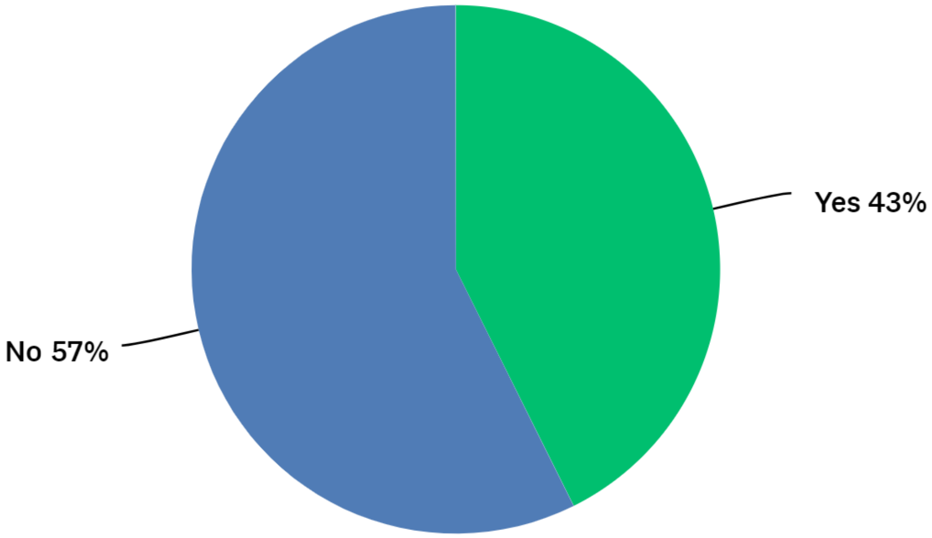


Percentage of Respondents Surveyed Looking to
Increase Staff Levels in the Next 12 Months

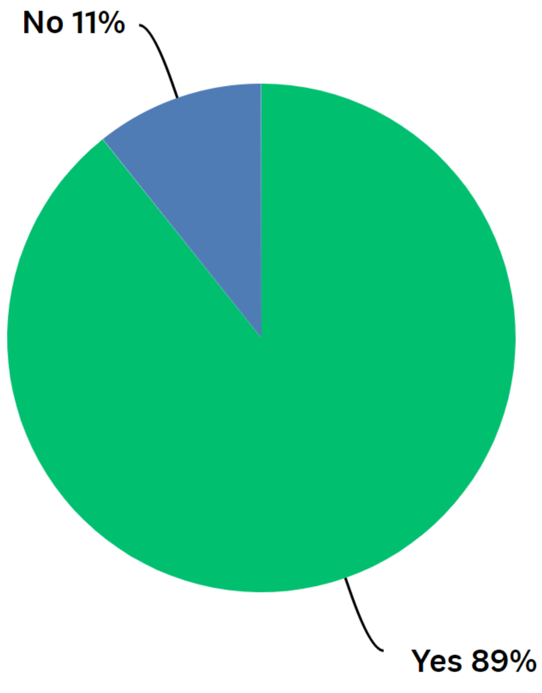


Some comments from recyclers included "We are going to try and stay the same, but if volumes stay as low as they are we may have to decrease numbers" and "Recently reduced operational headcount by 20% and reduced number of shifts operated".

Do you currently employ agency/temporary workers?



If YES do you try to keep them on as permanent staff?

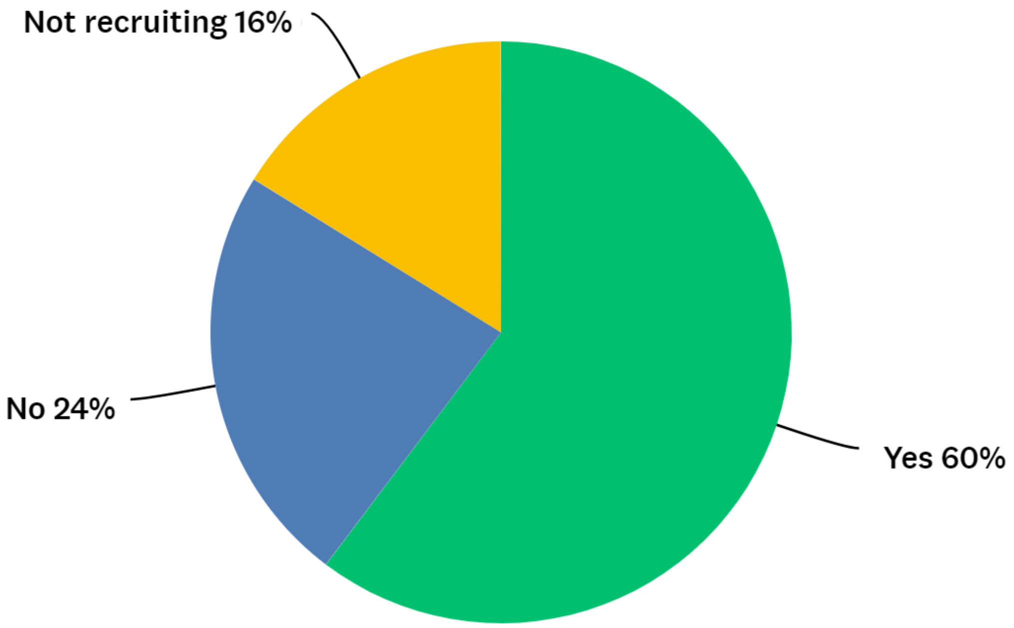


A typical comment was *"we always try to keep good staff , temps who are good will be offered a full time position".*

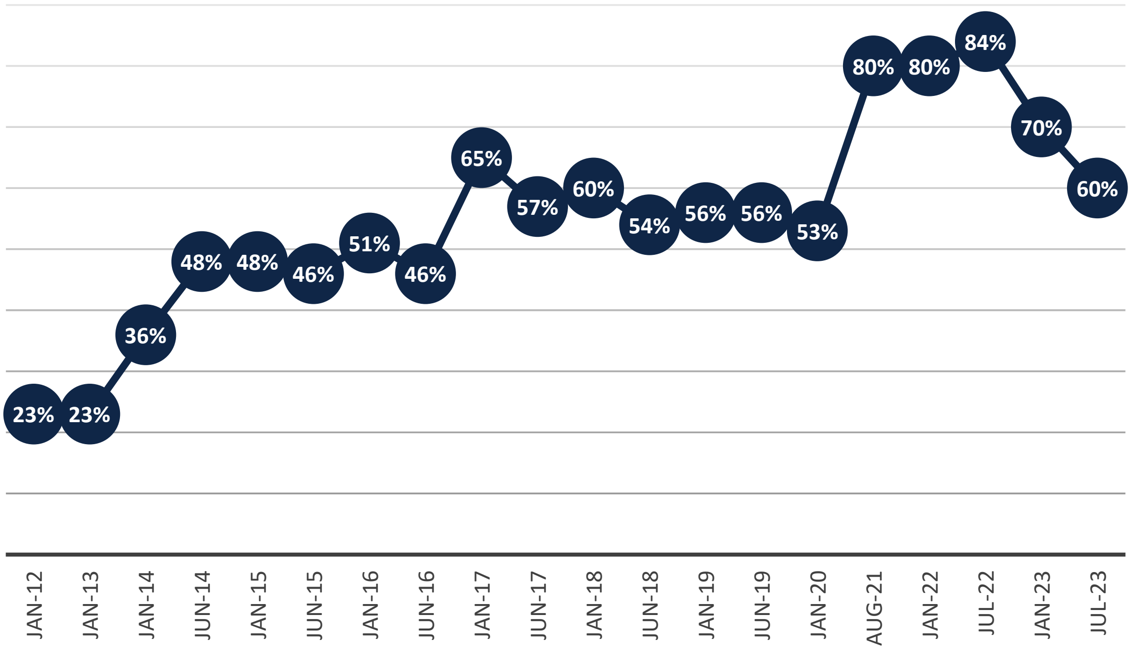
If YES roughly what percentage of them do you keep on?

38%

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

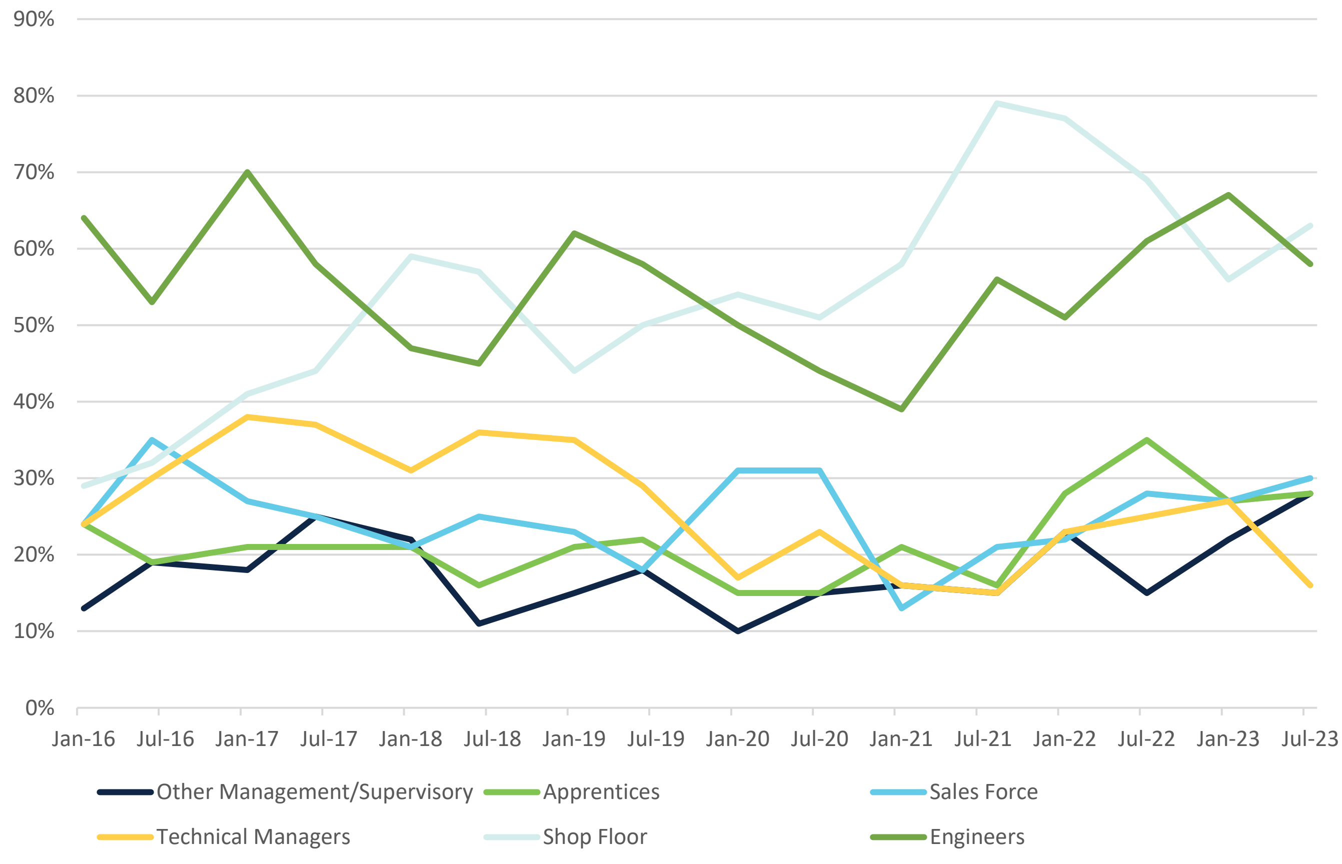


Some companies mentioned the ongoing difficulty in recruiting workers (specifically factory workers) post Brexit. Many commented on the general lack of skilled workers, typical comments included *"general lack of skills in the marketplace"*, *"lack of knowledge in plastics"* and *"technical staff shortage"*. One company noted "*people no longer want to work shifts, and the general attitude to working is 'so what'"*.

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

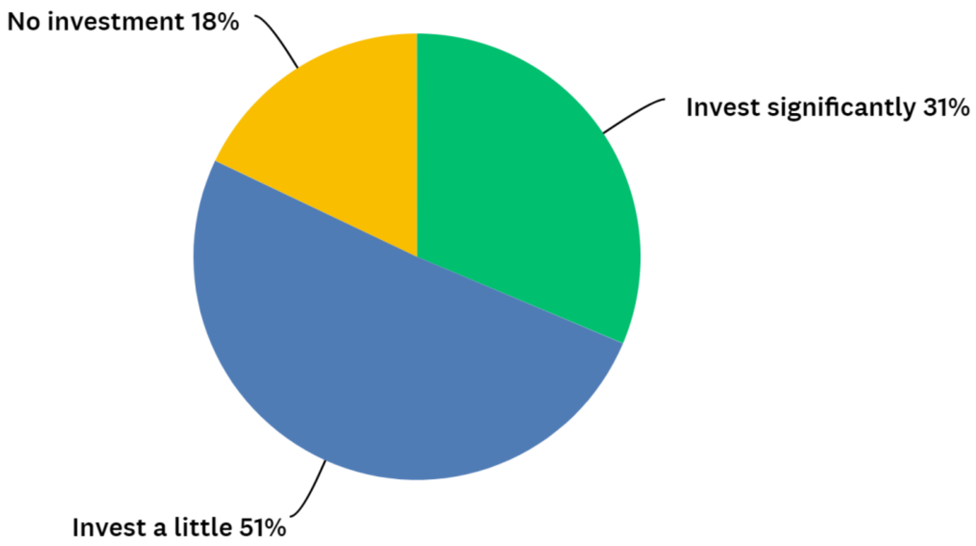
58% Engineers	
63% Shop Floor	
30% Sales Force	
16% Technical Managers	
30% Other Management/Supervisory	
28% Apprentices	

Percentage of Respondents Having Difficulty Recruiting for Various Roles

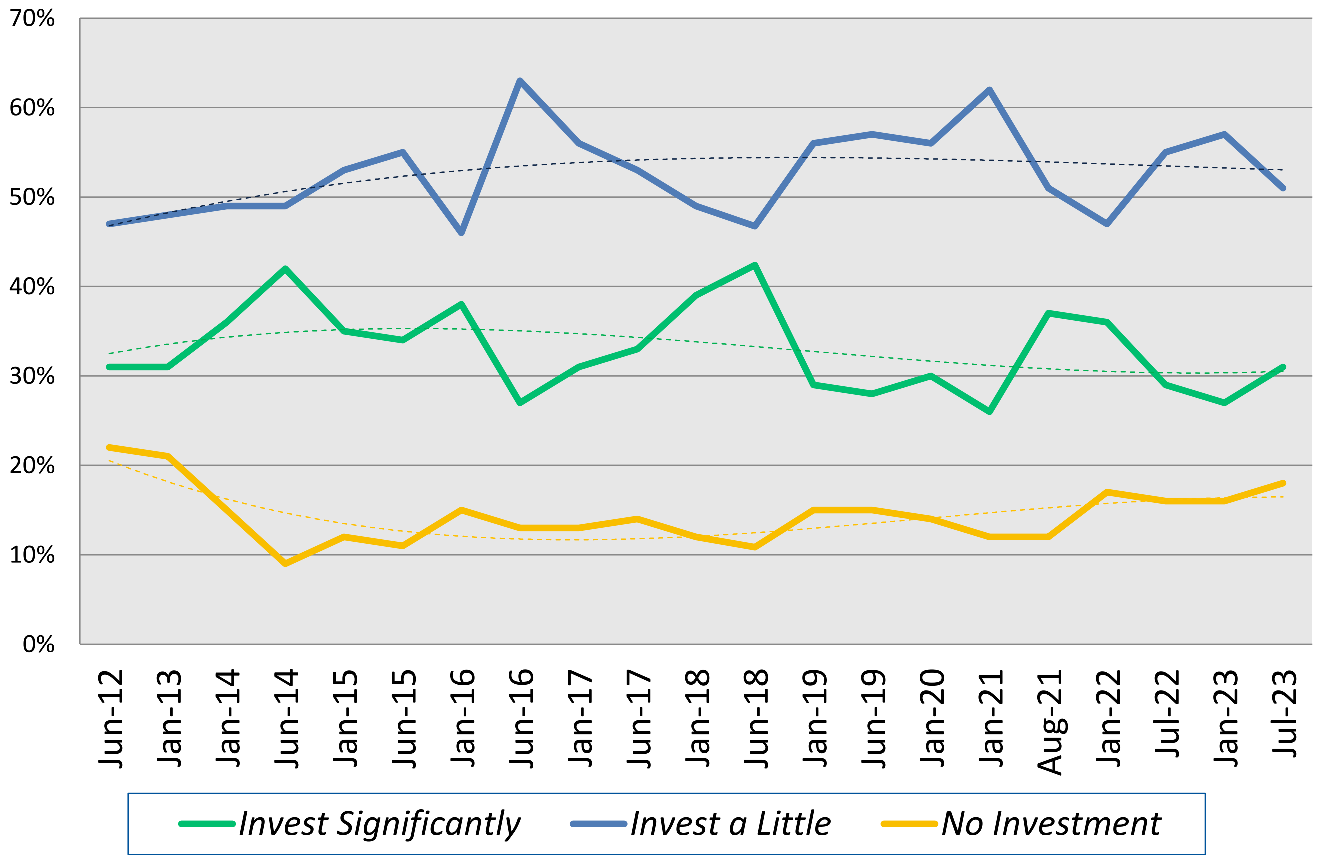


Investment Intentions in Plant and Equipment

Percentage of Respondents Surveyed that Plan to 'Invest Significantly', 'Invest a Little' or 'No Investment' in Plant and Equipment in the Next 12 Months



Percentage of Respondents Surveyed that Plan to 'Invest Significantly', 'Invest a Little' or 'No Investment' in Plant and Equipment in the Next 12 Months

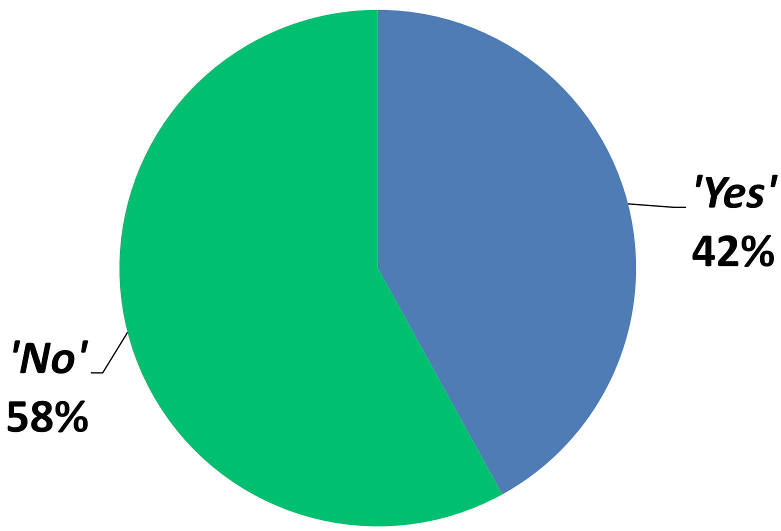


A number of companies (nearly a third) stated they planned significant investment including machinery, H&S and tooling. Some said they were doing so outside the UK (including Ireland and Italy) and one stated that the machine was on order but had a 12 month lead time.

Of those who stated they weren't investing or investing a little blamed current market conditions. Typical comments were *"we are investing as little as possible to keep the plant operational"*, *"we are preserving cash reserves in face of economic uncertainty"* and *"we have already made significant investment, but with market conditions so poor, we are now delaying further investment".*

One respondent who commented on the problem of borrowing stated *"we hope to be able to borrow to allow increased investment. this is becoming more difficult due to interest rates".*

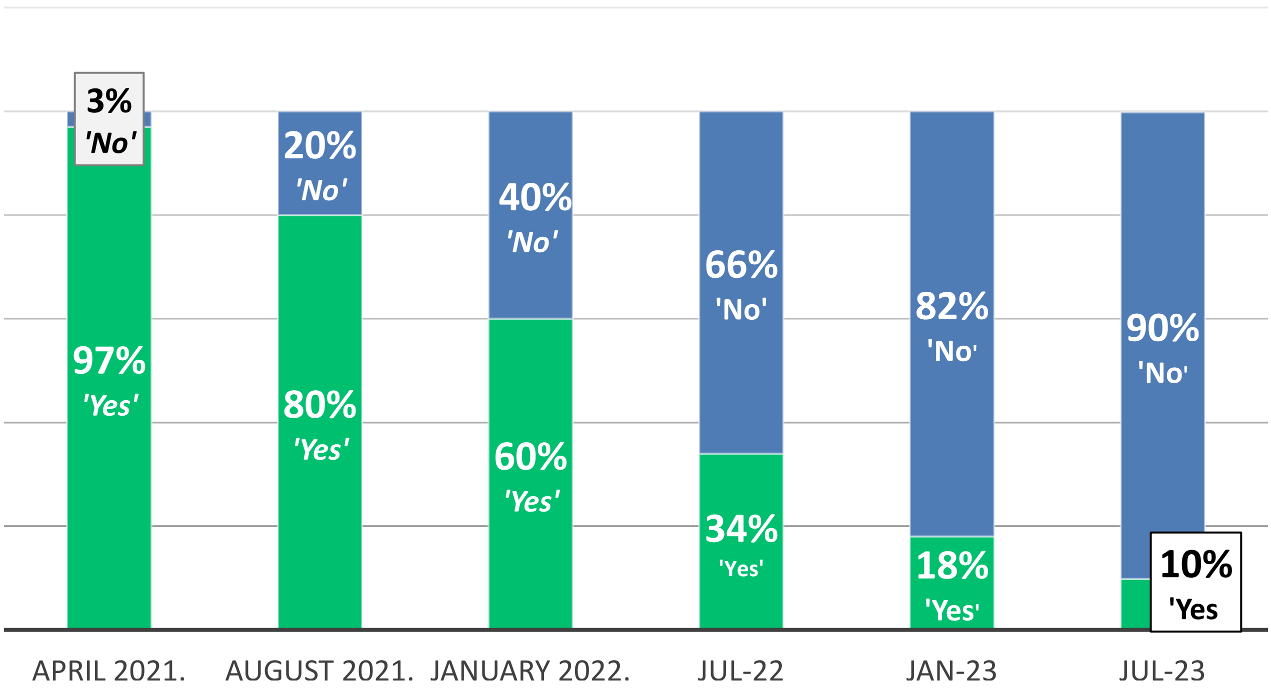
If applicable has your company used the new "Capital allowances: full expensing" scheme to buy (or help to sell) machinery?



NOTE: 21% of companies who answered this question stated that it was not applicable to them (i.e. they neither sold or bought machines).

Trading Issues

Percentage of Companies Currently Experiencing Problems Sourcing Polymer

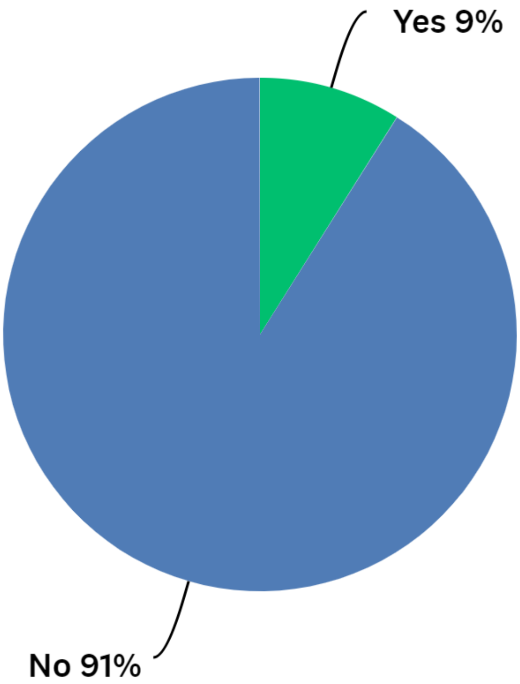


It is clear from the trend above that very few companies are having issues sourcing polymer, indeed two companies described supply as *'plentiful'*.

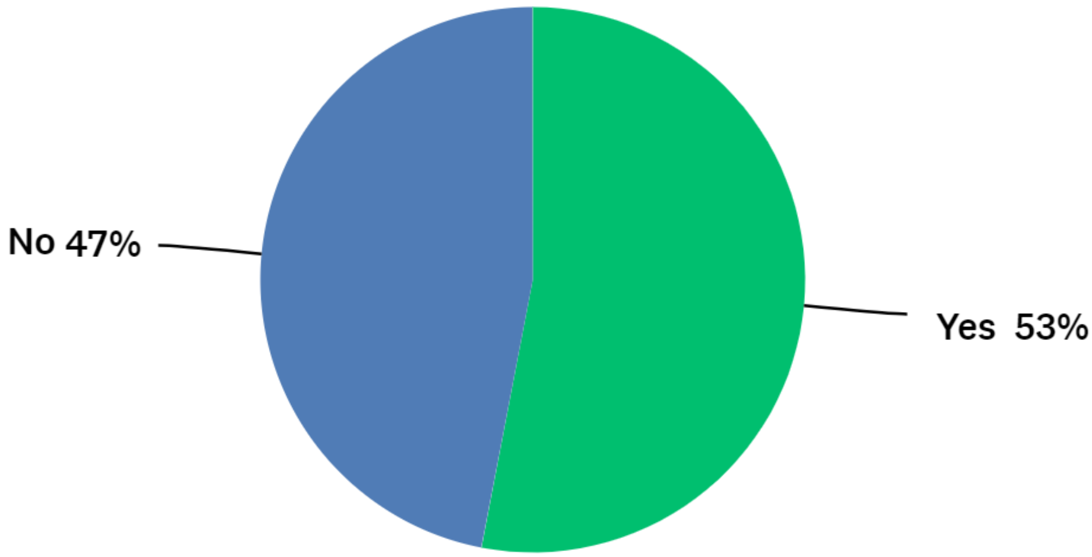
It is worth noting though that despite this highly positive trend some companies did state that for some speciality grades there are still long lead times and/or allocations are in place. In addition to comments on certain grades, a number of companies stated that it is still hard to source recycled polymer.

Energy

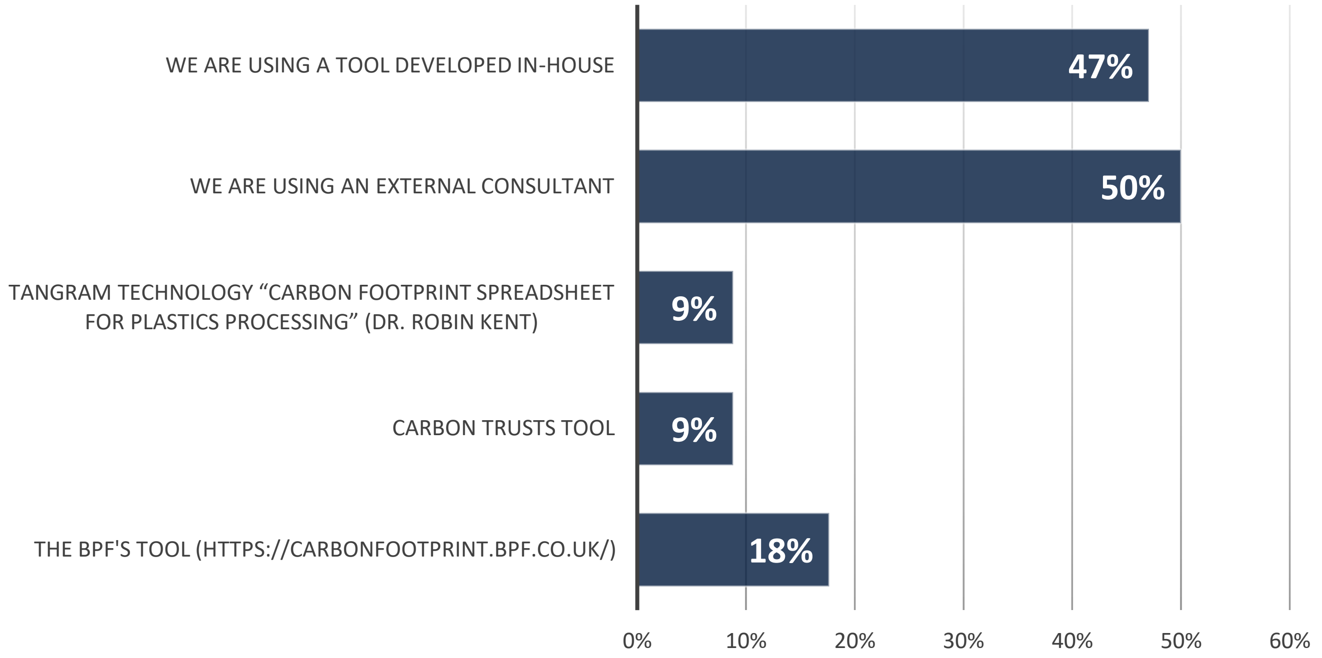
Have you considered fuel switching? i.e. to move from gas (for heating or processing) to hydrogen



Is your company currently calculating its carbon footprint?



If YES which of the following calculating tool(s) are you using...



British Plastics Federation

BPF House
6 Bath Place
Rivington Street
London
EC2A 3JE

Tel
020 7457 5000