British Plastics Federation

Business Conditions Survey for the UK Plastics Industry

July/August 2020

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. Therefore trends in the plastics industry can be regarded as representative of manufacturing as a whole, if not UK business in general, and this survey is an excellent barometer of conditions at the grass roots of the UK's manufacturing economy.

The British Plastics Federation carries out surveys of business trends every six months. The following survey is the first Business Conditions Survey the BPF has carried out since the COVID-19 pandemic.

For previous BPF Business Conditions Surveys go to:

www.bpf.co.uk/bcs

Participation

The survey was conducted during July–August 2020, with the results published in August 2020.

The survey, which was open exclusively to members of the British Plastics Federation, was completed by 105 companies.

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

Plastics Processors	**66%**
Recyclers	**16%**
Raw Materials Producers and Distributors	**11%**
Machinery and Equipment	**7%**

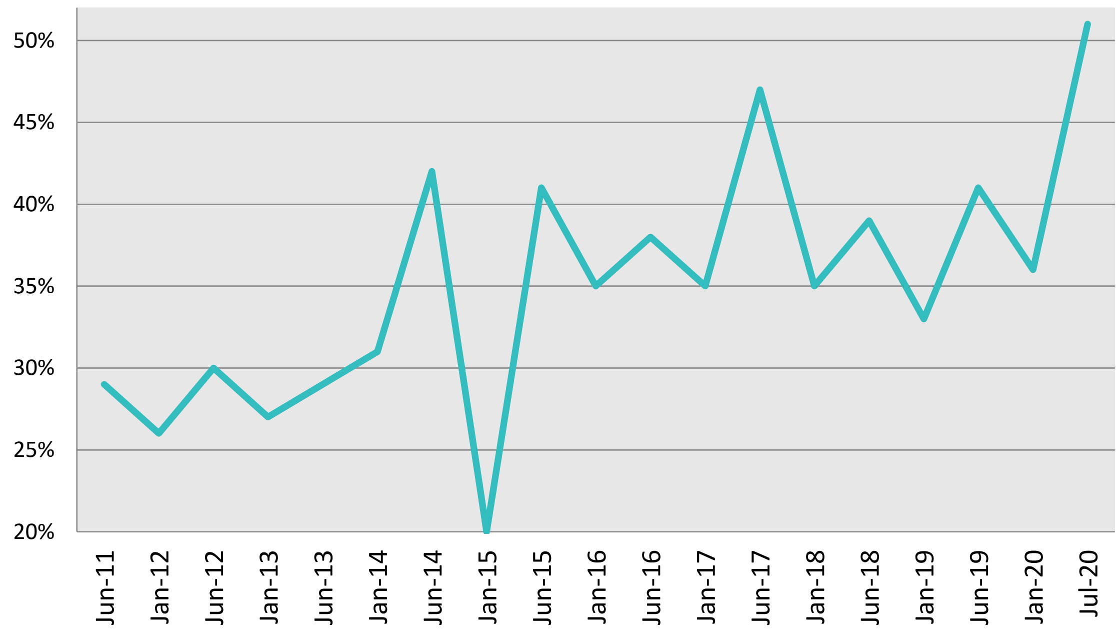
Plastic Industry Market Sectors

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	**52%**
Automotive	**45%**
Electrical and Electronic	**33%**
Packaging	**69%**
General mechanical goods	**29%**
Healthcare	**51%**

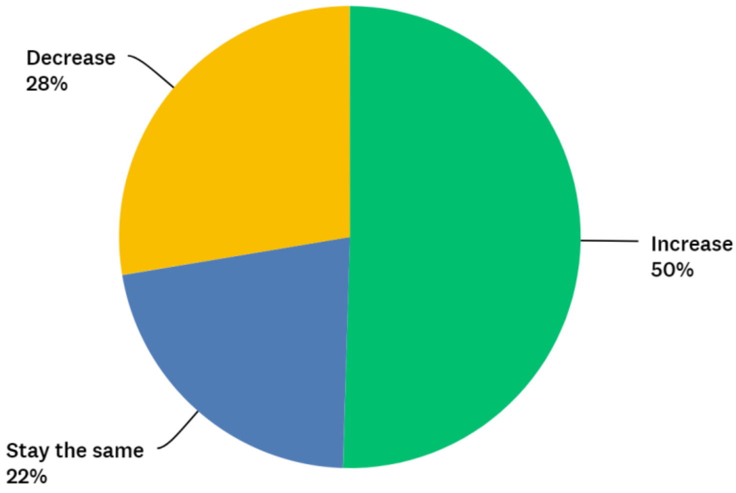
Unsurprisingly, given the current pandemic and the critical role that plastics played, this survey saw a record 52% of firms stating that they were supplying into the healthcare sector. This is a significant increase from an average of 34% over the past nine years.

Percentage of Respondents Serving the Healthcare Market (June 2011-July 2020)



Sales Turnover

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



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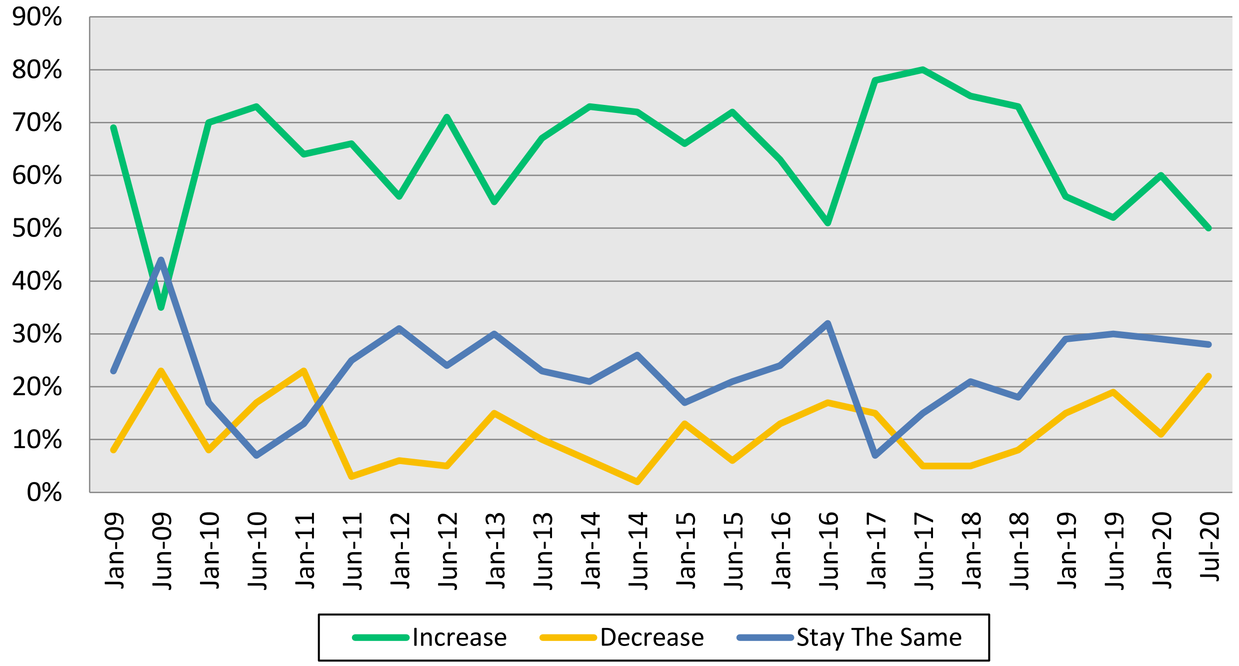


The survey showed the highest number of companies (22%) predicting a decrease in sales turnover and the lowest number of companies (50%) predicting an increase in sales turnover since June 2009.

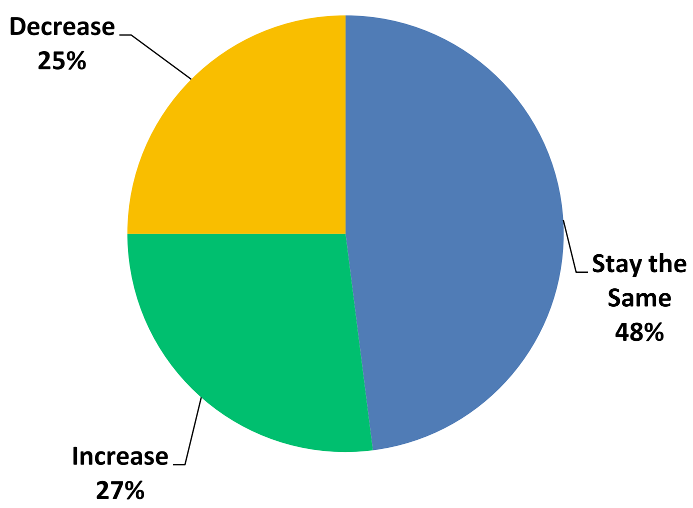
When asked for more information, of those companies predicting a decrease in sales turnover, the vast majority (80%) mentioned the impacts of COVID-19 and related factors (e.g the decrease in demand for automotive, aerospace and construction as a result of the pandemic). In addition, other companies mentioned the looming tariffs on raw material (typically 6.5%), which would be the result of 'no deal' with the EU. Others mentioned the impact on demand for some 'single use' plastics packaging items following public and political pressure.

On the scale below please give a rough indication of how you expect your company sales to perform against budget for the year 2020?

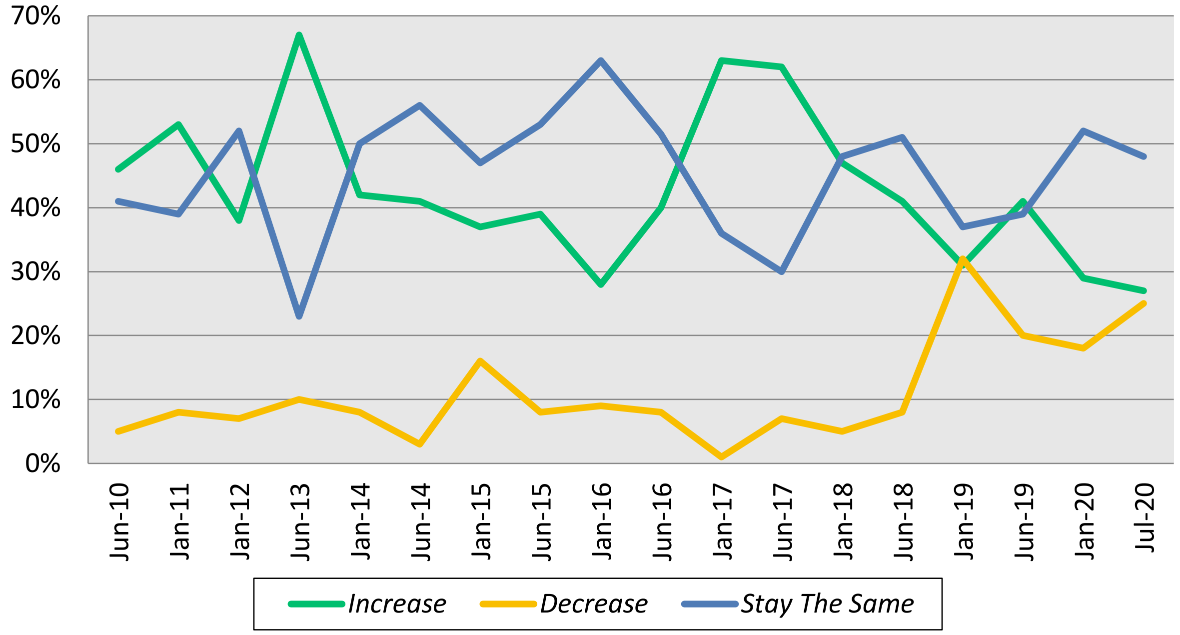
BPF Membership Group	Predicted Sales vs Budget 2020
Additives	-17%
Polymer Distributors & Compounders	-12%
Equipment	-6%
Expanded Polystyrene	-14%
Masterbatch	-17%
Moulders & Rotational Moulders	-2%
Packaging	**+10%**
Pipes	-16%
Recyclers	-14%
Rotational Moulders	-7.6%
Windows	-11%
AVERAGE FOR ALL MEMBERS	**-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**

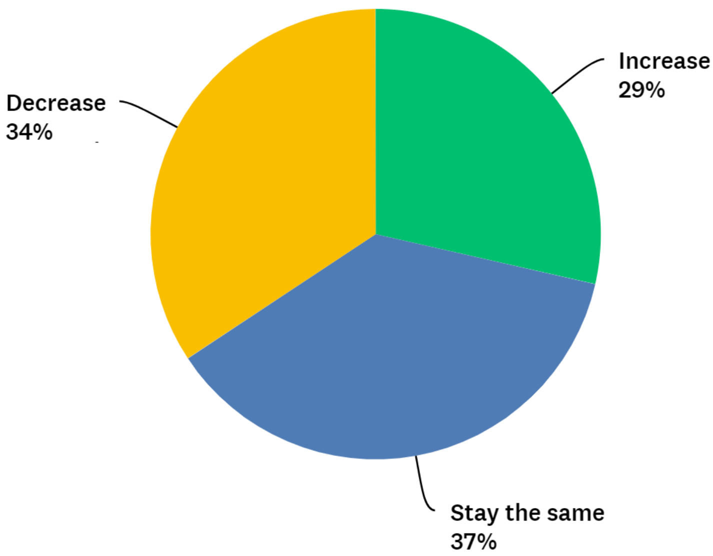


**Note: Companies who state they 'do not export' (27% in this survey) are removed from results*

With 27% of companies stated that they predicted an increase in export sales in the next 12 months, this is the most pessimistic prediction of export sales since the survey started a decade ago. Of those companies providing a reason for a decrease in export sales, 90% stated that this was due to Brexit. More specific reasons included the fact that Brexit has led to customers moving production outside of the UK and that if 'no deal' was to be reached there would be tariffs on raw material imports from the UK.

Profitability

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



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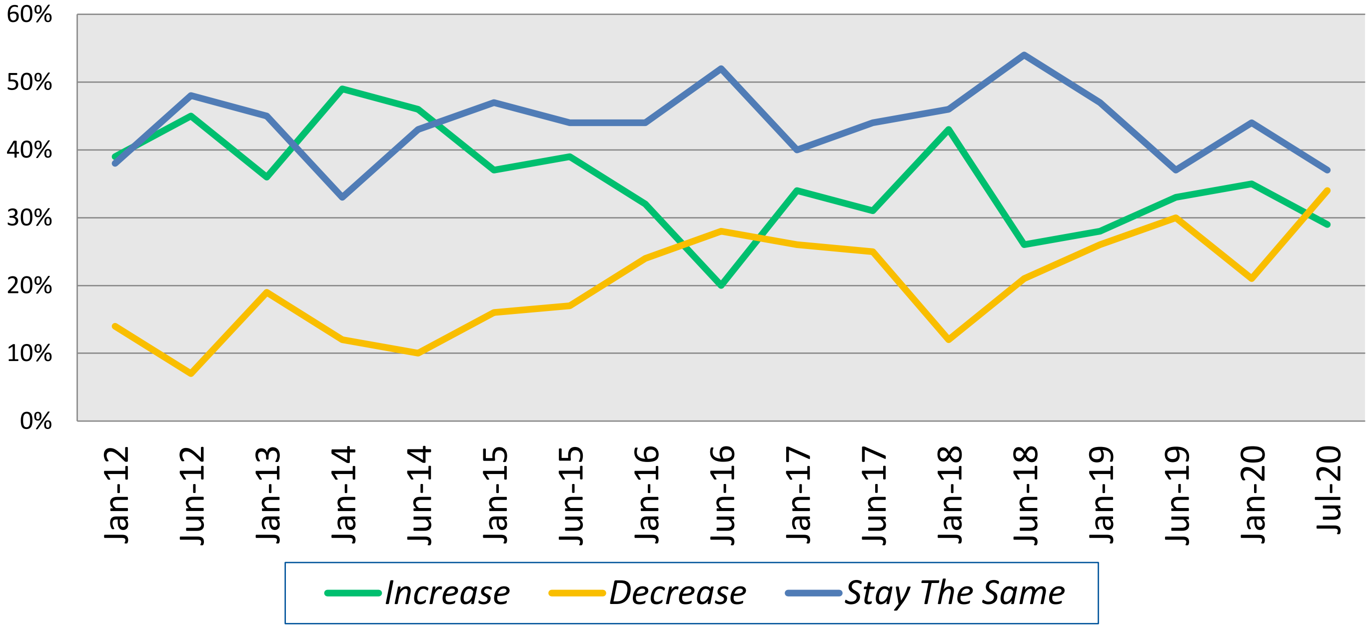


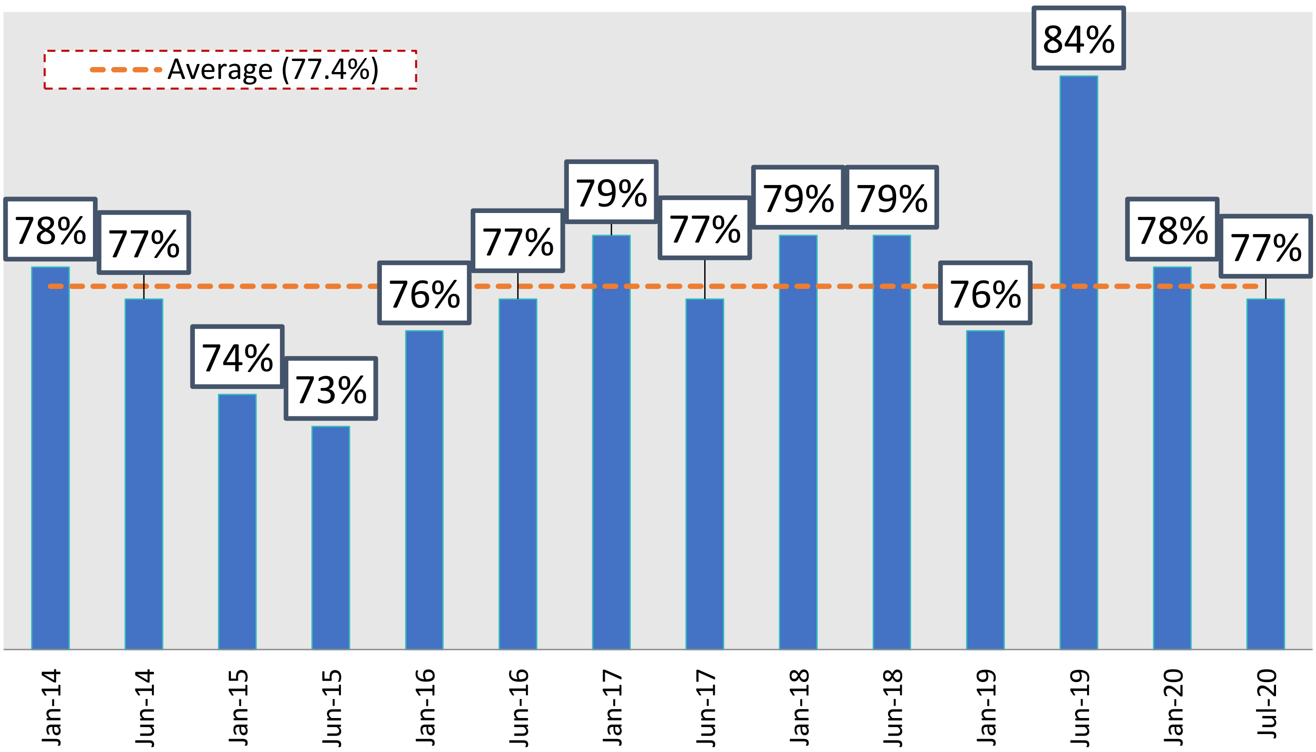
In line with companies' predictions on export sales and sales turnover, the July Business Conditions Survey saw the highest percentage of companies ever predicting a decrease in profit margins over the next 12 months, with 34% of companies predicting a decrease in profitability, compared to just 21% in January 2020.

Of the companies that provided details about why they were predicting a decrease in profitability, the vast majority either pointed towards the impacts of COVID-19 or potential impacts of no-deal and the subsequent impact of tariffs on raw material. Of the companies providing details for potential increases, the most common answers given were an increase in certain products due to COVID-19 (such as sanitation and cleaning products) and lower travel costs, again due to COVID-19.

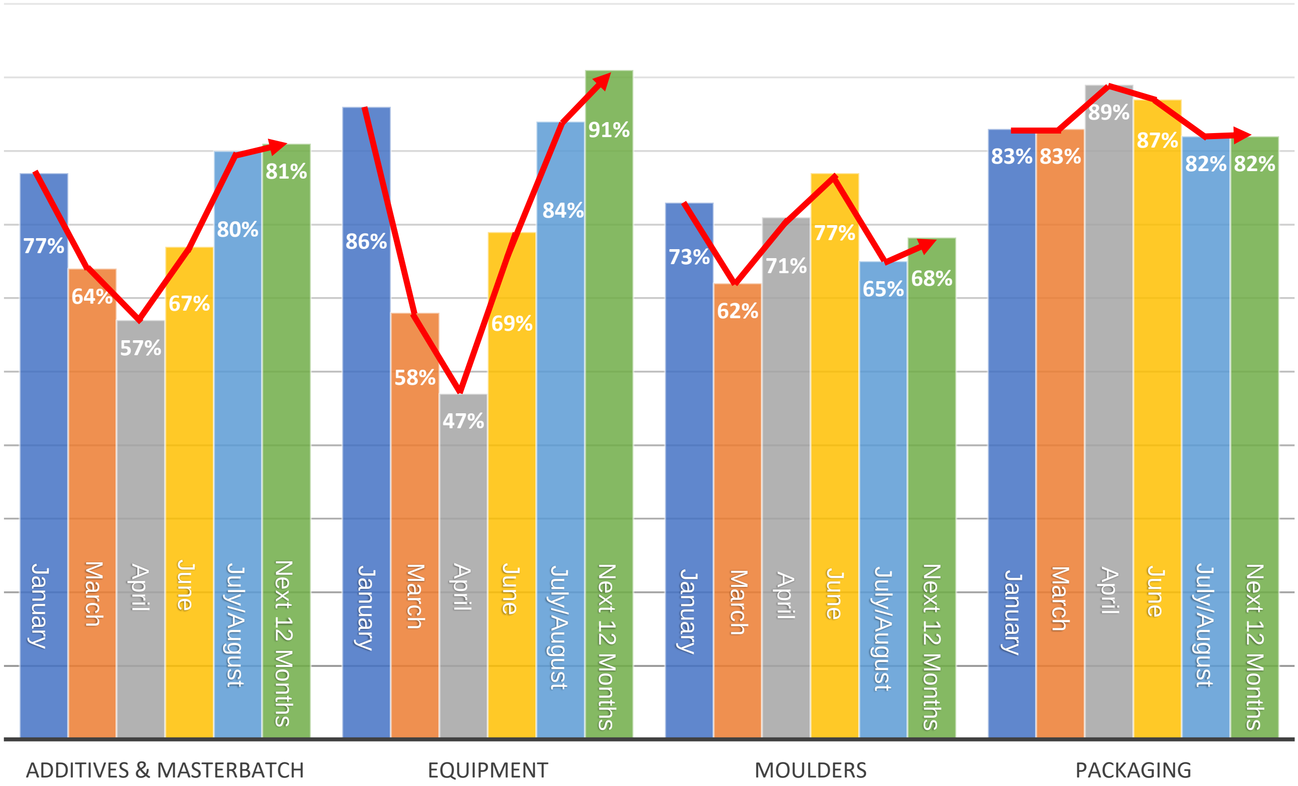
Capacity Utilisation

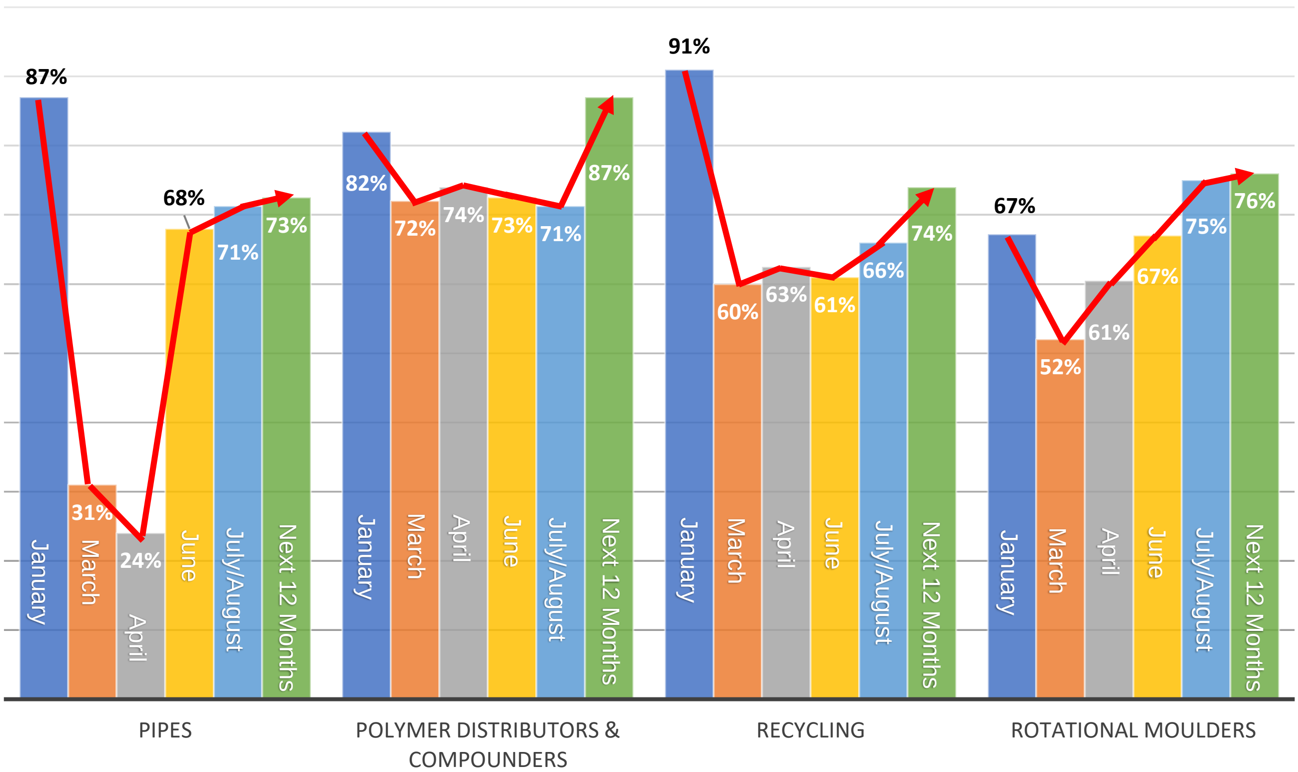
The BPF asked companies how much capacity they thought would be utilised over the next 12 months (on average). Of those that responded, the average predicted capacity utilisation was 77%, which is largely in line with the average capacity prediction since 2014 (which is 77.4%). Companies were also asked what current capacity they were operating at; the average was 74.3%.

Average Capacity Utilisation Over the Next 12 Months



Capacities for Various BPF Membership Groups January, March, April, June, July/August 2020 and Predictions for Average Capacity for the Next 12 Months

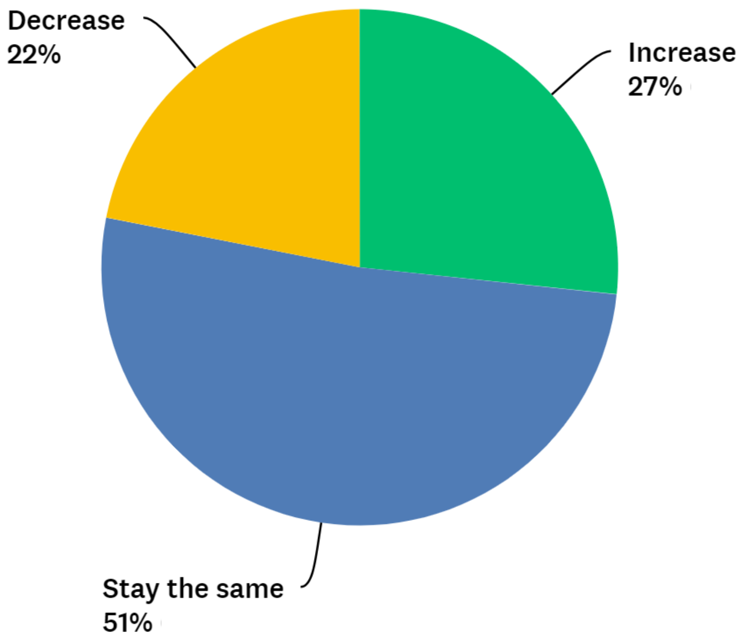




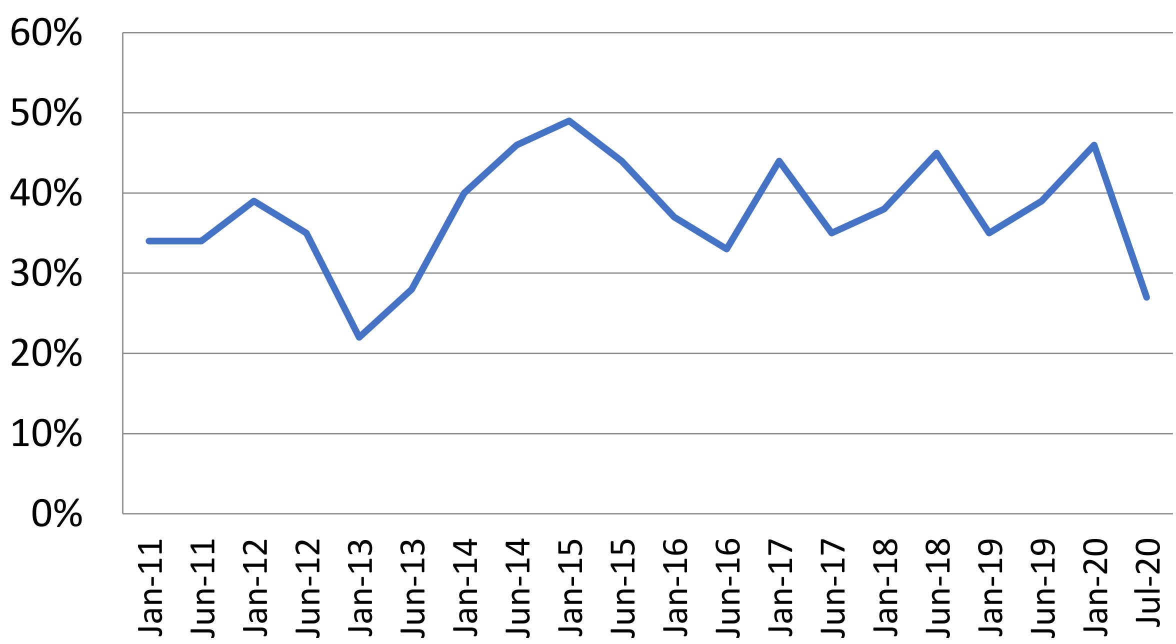
NOTE: January 2020 is based on companies' predictions given in the BPF Business Conditions Survey Jan 2020 (based on predicted average capacity for the next 12 months). March, April and June data is taken from BPF COVID-19 Supply Chain Monitor and is based on current capacities at the time of asking (26 March-2nd April, 15th-17th April and 1st-3rd June)

Staffing

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

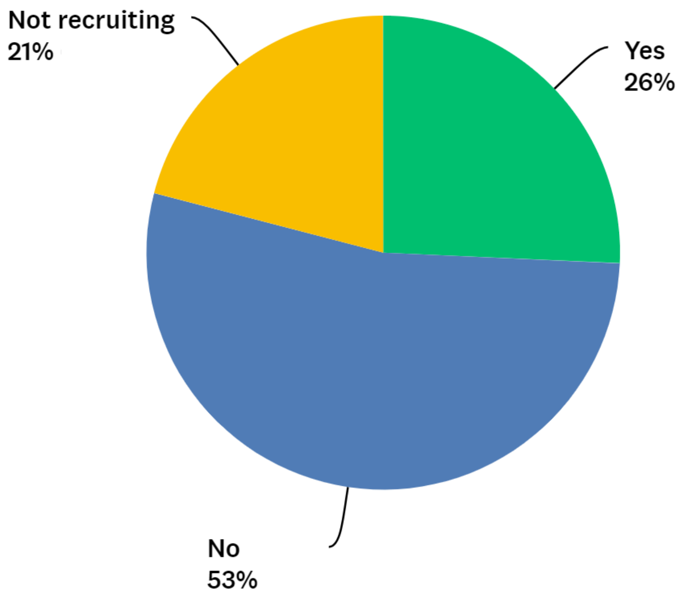


Percentage of Respondents Surveyed Looking to 'Increase Staff Levels' in the Next 12 Months

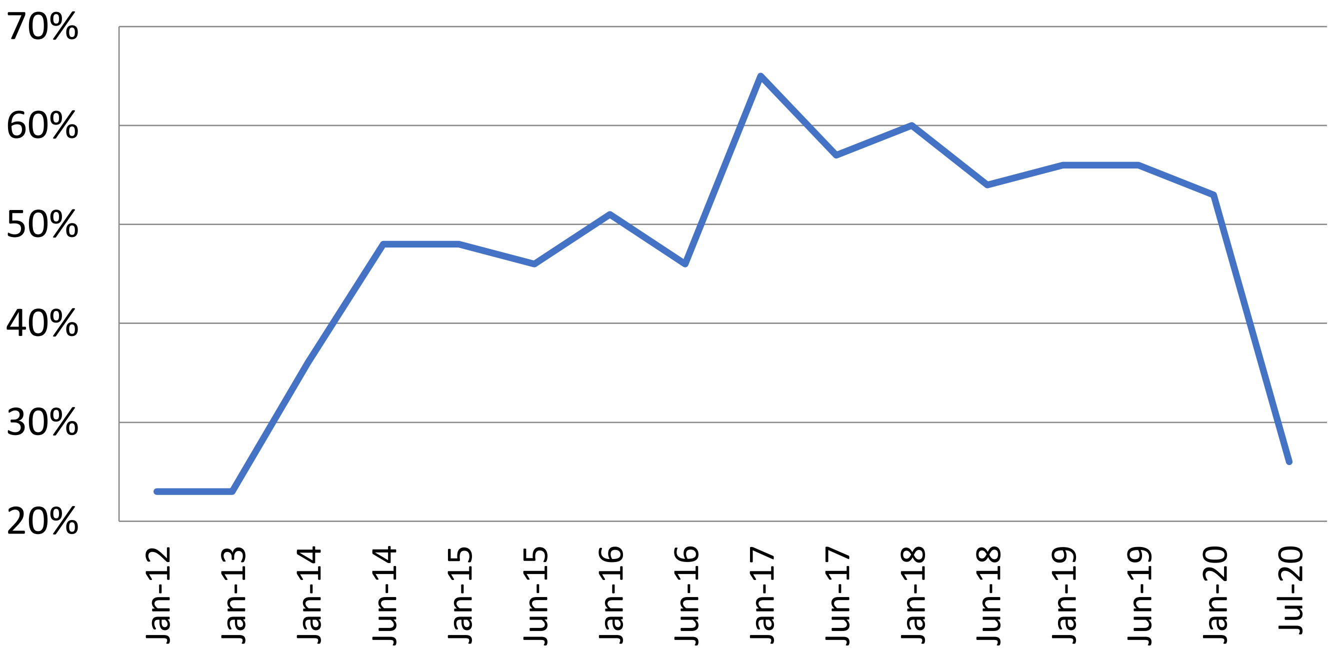


Skills Needs

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



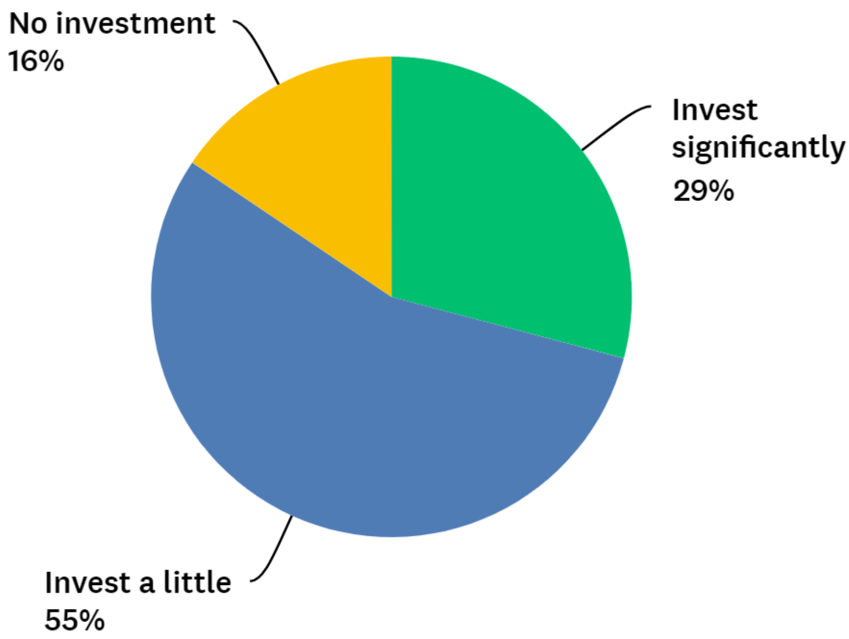
The above chart shows a significant decrease in the number of companies having difficulty recruiting staff. Whereas an average of 52% of companies have reported difficulties in recruiting staff for the past five years, this survey showed a dramatic decline to only 26% of companies having difficulties. This is partly due to the corresponding decline in the number of companies recruiting staff but also, as a number of companies commented, down to the increased labour pool (due to redundancies) available to companies.

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

15% Other Management/Supervisory
15% Apprentices
31% Sales Force
23% Technical Managers
51% Shop Floor
44% Engineers

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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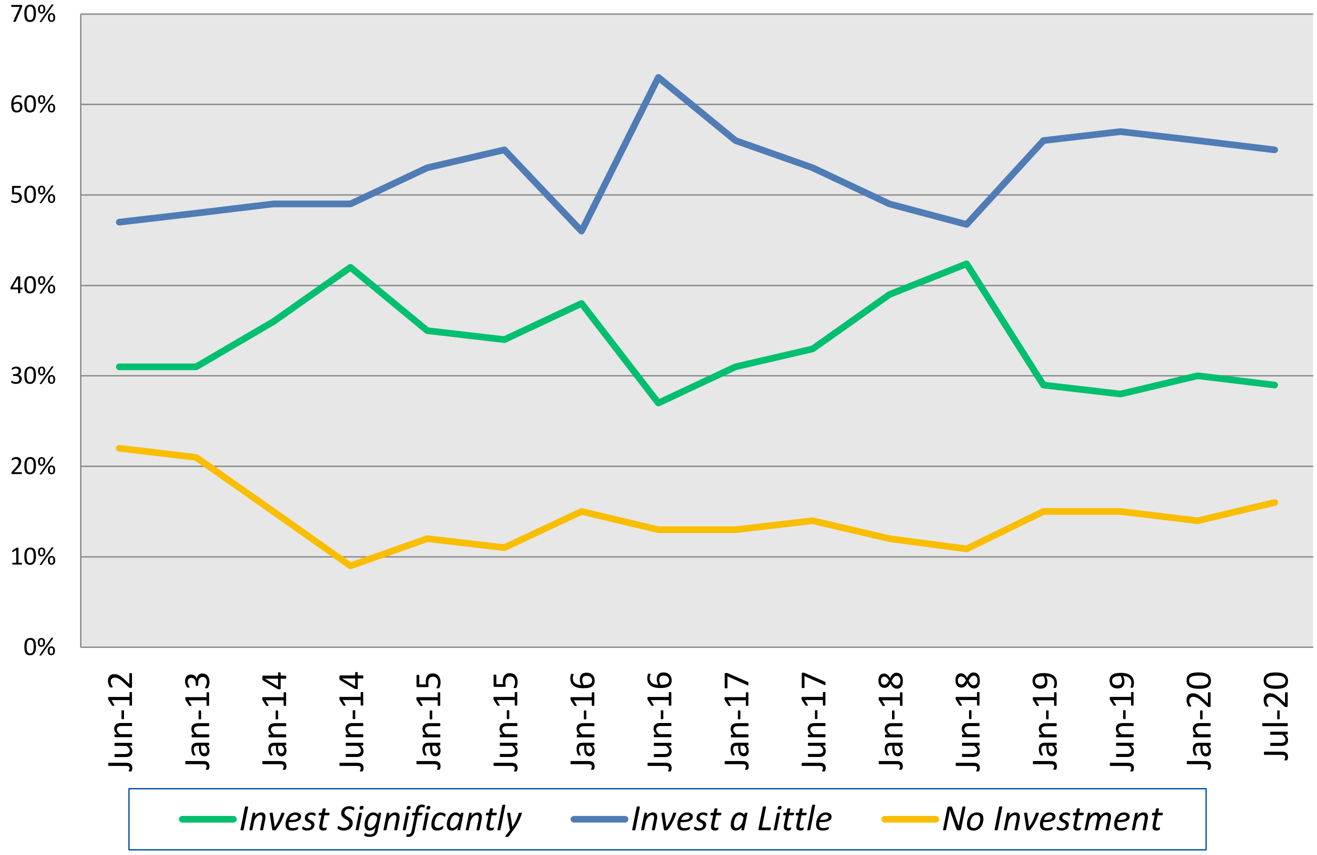
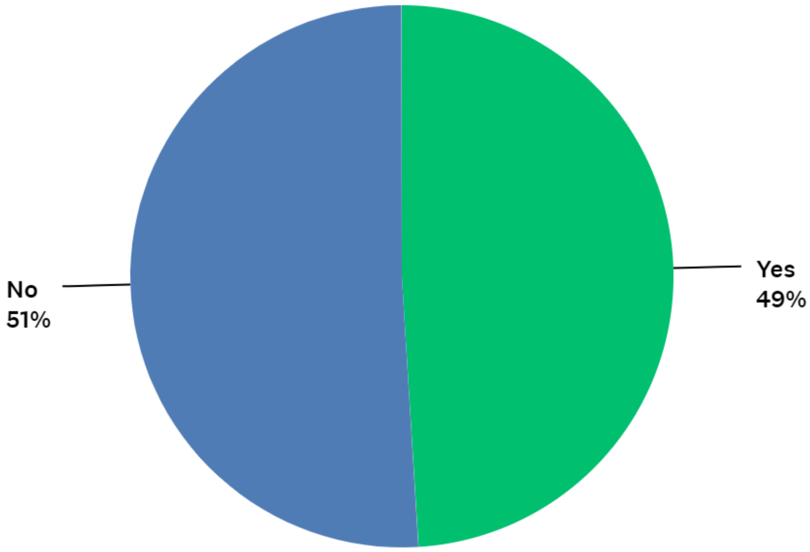


Brexit

Does your company have plans to stockpile any product or material prior to the end of the transition period on 31 December 2020?



When asked to comment, a number of companies stated that they would be stockpiling "raw material". The main reasons given for stockpiling raw material/polymer were to do with concerns over logistics. '*To avoid delivery issues'* and *'avoid port queues*' were typical responses. Other companies stated that stockpiling would have 'the additional benefit' of avoiding tariffs (even if just in the short term).

One company, which said it *would* stockpile, warned that it thought that "the pandemic and transition period are a recipe for disaster".

Some of the companies that said they would not stockpile stated that they had done it previously and were not willing to do it again. Typical comments on this included: "*We have done this twice already. We may not bother this time and just take the risk*" and "*We did it twice before and it was a complete waste of time, resources and money, so even if we were able to, I think we would still take the decision not to stockpile*."

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