BPF Business Conditions Survey

British Plastics Federation survey results

May/June 2024

Contents

Overview

British Plastics Federation survey results – May/June 2024

The survey was conducted between 25th May and 21st June 2024.

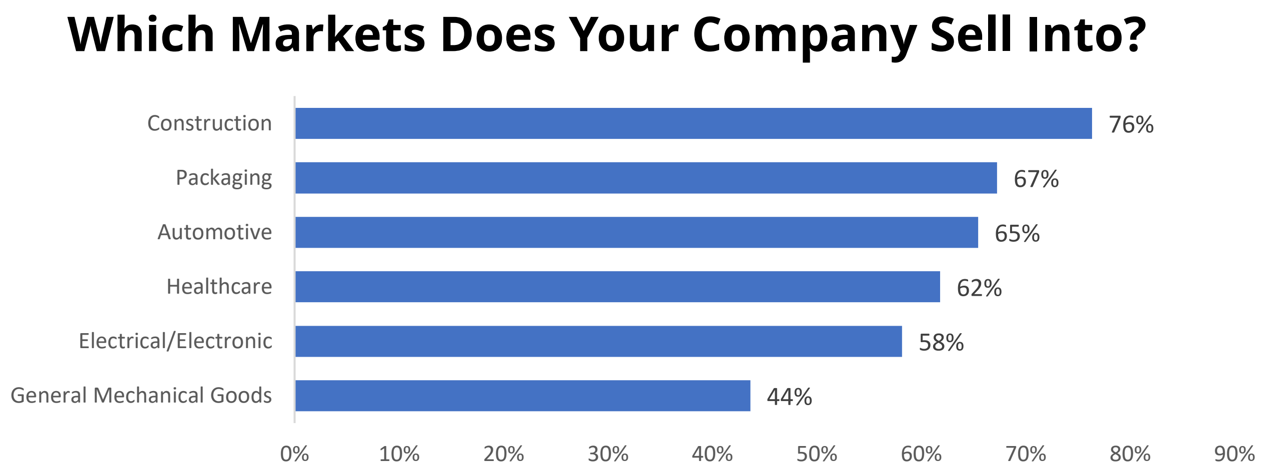
The 61 respondents are all members of the British Plastics Federation.

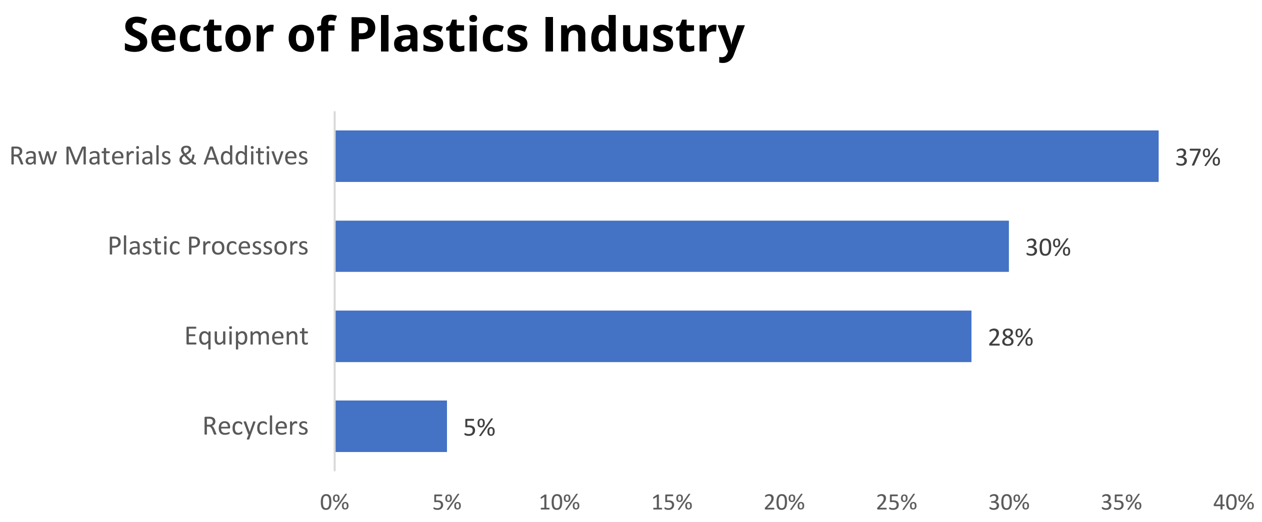
For some survey results “net balance” figures are reported - this is the proportion of respondents reporting an increase minus the proportion of respondents reporting a decrease on a particular measure.

Respondent characteristics

Responding firms typically sold into multiple markets, with construction being the top market.

The largest sector from the plastics industry drawn on was ‘plastics raw materials and additives’ followed by ‘plastic processors and ‘equipment’





Summary

Key messages

- **A good outlook for sales.** Expectations of increased turnover are the strongest for five years.
- **Profit margins recovering strongly.** Profit margins have been under pressure since the pandemic but are recovering with the strongest expectation of increased profit margins seen for 6 years.
- **Investment Intentions**. Intentions for significant investment in plant & equipment remain in line with the previous surveys and are at historically low levels.
- **Export sales are expected to increase.** Predictions on export sales had been historically low since Brexit but are picking up with a large increase in the numbers of companies predicting an increase in export sales over the next 12 months.

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Key messages

- **Workforce pressures continue to ease.** Recruitment difficulties remain not as high as they were, companies are beginning to recruit following a period of low recruitment levels.

- **Capacity levels rising.** Record lows were reported in capacity levels a year ago, overall industry capacity now appears to be back at pre-pandemic levels

- **Optimism on business conditions is going up.** Two thirds of respondents are either optimistic or very optimistic about business conditions. This is up from 50% six months ago.

Sales vs Budget

Predicted Sales vs Budget 2020	Actual Sales vs Budget 2020	Performance Against Budget as of August 2021	Actual Sales vs Budget 2021	Predicted Sales vs Budget 2022	Actual Sales vs Budget 2022	Sales in July 2023 vs July 2022	Sales in Jan 2024 vs Jan 2023	**Sales in June 2024 vs June 2023**
-4%	+8.68%	+14%	+17%	-1%	+3.1%	-4.6%	-1.5%	**+7.7%**

Data used from previous Business Conditions Surveys as follows from left to right: July 2020, January 2021, August 2021, January 2022, July 2022, January 2023, July 2023. Source: www.bpf.co.uk/bcs

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	Actual Sales vs Budget 2022 (Jan 2023 Survey)	Sales in July 2023 vs July 2022 (July 2023 Survey)	Sales Jan 2024 vs Jan 2023	**Sales June 2024 vs June 2023**
Additives & Masterbatch Groups	-6.1%	+4.2%	**+16.5%**	**+13.8%**
Equipment	+5.1%	+14.9%	**+4.2%**	**+14.3%**
Expanded Polystyrene	-	-	-	**-52%**
Moulders	+4.5%	-6.8%	**-5.9%**	**-0.8%**
Packaging	+1.7%	-2.1%	**-1%**	**-7.8%**
Pipes	-	-3.7%	**+0.75%**	**-**
Polymer Distributors, Compounders & Volume Suppliers	+7%	-10%	**+11.2%**	**+17.8%**
Recyclers	-8.2%	-33.4%	**-7.7%**	**-3%**

Sales turnover

Headline results

- **Continued marked improvement in turnover expectations**. Three quarters of firms are predicting an increase in sales turnover over the next 12 months

- **Expectations of increased turnover are the strongest for six years**. A much larger proportion of firms are reporting expectations of increased turnover (74%) than are reporting expectations of decreased turnover (8%).

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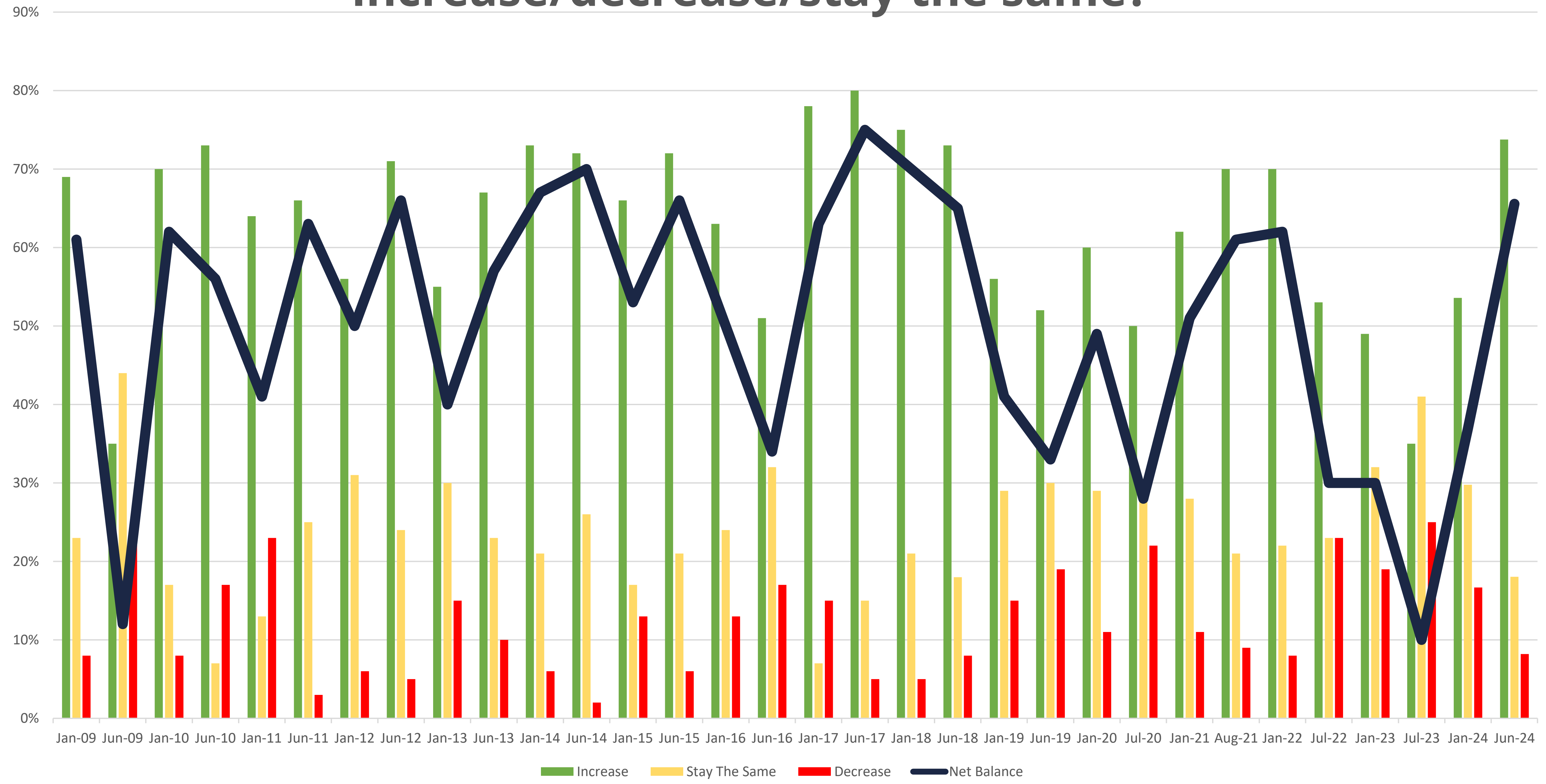
Over the next 12 months do you expect sales turnover to increase/decrease/stay the same?



Factors affecting sales turnover – key quotes from those predicting an **increase**…

“We expect the market to recover during the 2nd half of 2024”

“Returning confidence in the market (a little)”

“last year was a poor year, we are hoping for some recovery with dropping pricing, still operating at a loss”

“Market trends towards more sustainable solutions (recyclable, made from renewable resources)”

“New offerings that are more sustainable”

“Positive signs of increasing confidence leading to investment in equipment”

Factors affecting sales turnover – key quotes from those predicting a **decrease** or **stay the same**…

"Loss of major automotive projects, the replacement model will not start until 2025"

"Imports purporting to be 30% recycled content, avoiding ppt"

"PRN Pricing"

"Squeeze on manufacturers budgets, uncertainty in UK economy"

"Market confidence, high competition from the far east"

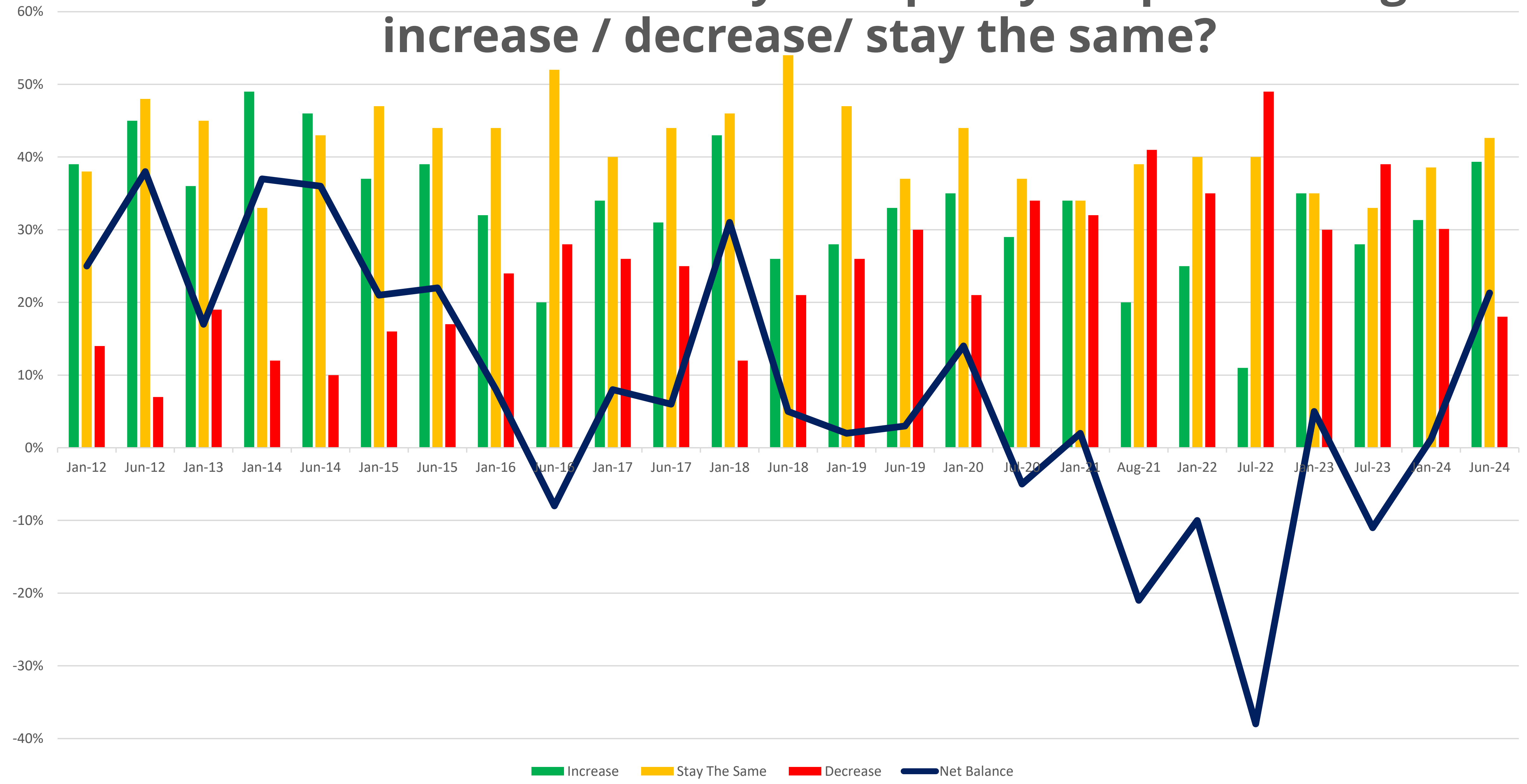
Profit margins

Headline results

- **Around half as many firms think profit will increase as think it will stay the same**. Just over a third (39%) expect profit margins to increase in the next year, with around the same proportion thinking margins they will stay the same (42%). Around a fifth (18%) expect profit margins decrease – this is down from 30% in the previous survey.

- **Profit margins had been under significant pressure since the pandemic**. In the cast majority of surveys since March 2020, a greater proportion of firms expected decreased profit margins than expected increased profit margins. This result was only seen once in the 16 surveys prior to the pandemic, dating back to 2012.

Over the next 12 months do you expect your profit margin to increase / decrease/ stay the same?



Factors affecting profit margins – key quotes from those predicting an **increase**…

“New sustainable products”

“Supply and demand”

“Market prices for polymer raw materials have bottomed out”

“Market is showing signs of improving, a long way to go before it feels 'normal'”

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Factors affecting profit margins – key quotes from those predicting a **decrease**…

"Increased cost of sea freight "

"PRN pricing and abuse of PRN's"

"High overheads, additional expectations from customers regarding documentation support"

"Pressure of increased costs adding to the end selling cost"

"Labour Cost, Material Cost, Transport Cost"

"Raw material and energy prices, market trends"

"Raw material price inflation shipping increase costs red sea etc"

"Low demand with high competition in the sector"

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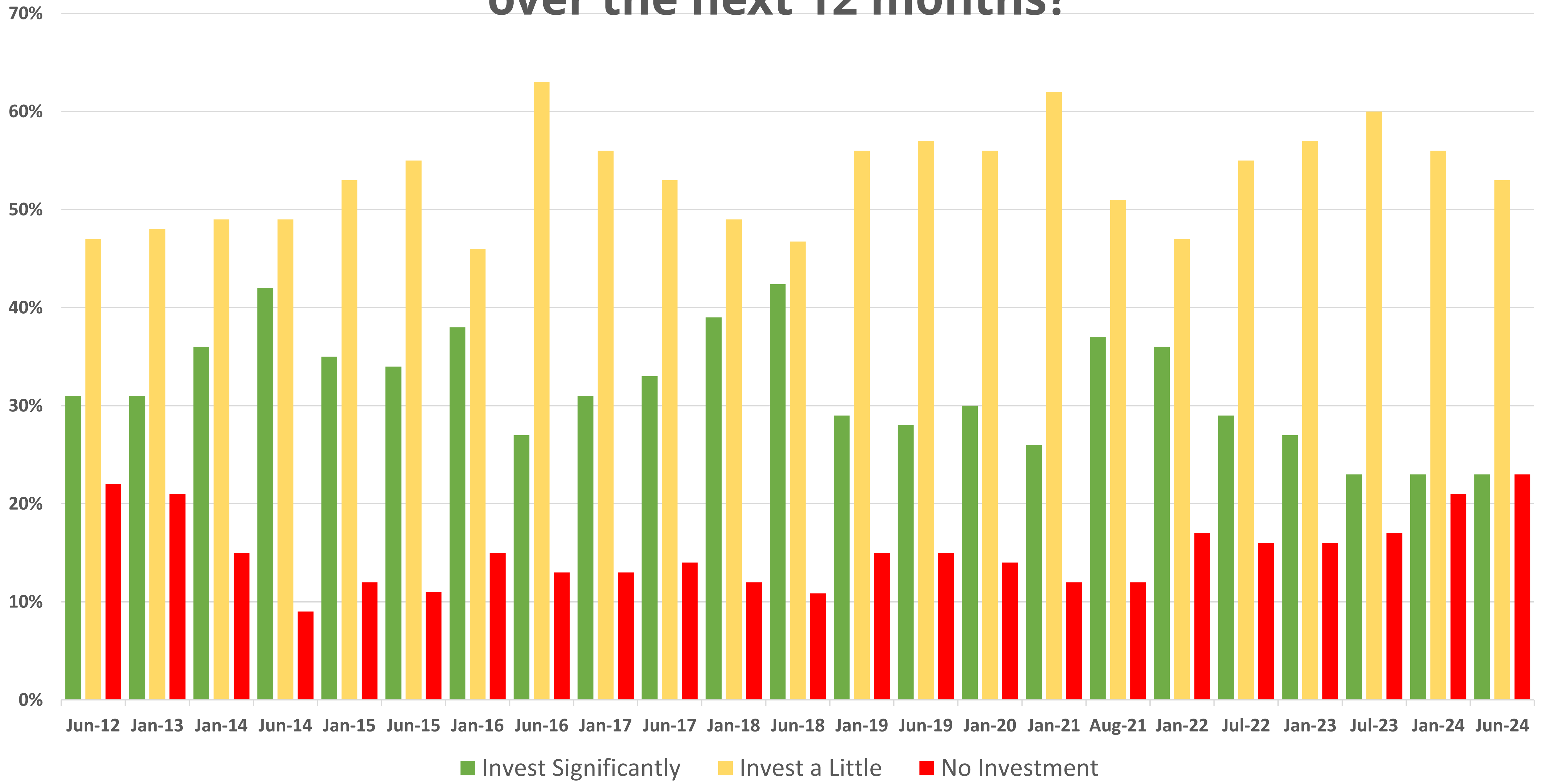
Investment in plant and equipment

Headline results

- **Intentions for significant investment significantly declined since August 2021**. Only 24% of firms state that they will invest significantly – this is the same as we saw in the previous survey and down from 31% of firms in July last year.

- **The proportion of firms not expecting to invest continues to be at historically high levels**. Nearly a quarter (23%) of respondents state that there will be no investment over the next 12 months. This is the weakest result ever seen in the survey.

What are your investment intentions in plant and equipment over the next 12 months?



Factors affecting investment– key quotes from those looking to invest significantly or invest a little…

"updating equipment and installation of new equipment. investment in safety"

"New layout to moulding facility to support growth and create increased storage capacity."

"Investment in automation for process efficiency and cost reduction. "

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Factors affecting investment– key quotes from those looking to not invest…

“Investing overseas as corporation tax does not support large capital investment in UK“

“High interest rates stifling our investment plans”

“Unless the 30% import issue (on PPT fraud)…is addressed we will not be investing”

Exporting activity

Headline results

- **Export sales expectations have increased significantly**. Half of firms expect that export sales will increase in the next 12 months compared to 29% six months ago.
- **Expectations that export sales will decrease are the lowest for a decade**. In this survey, only 3% of firms report the expectation of decreasing export sales. The last time this result was this low was in the middle of 2014.

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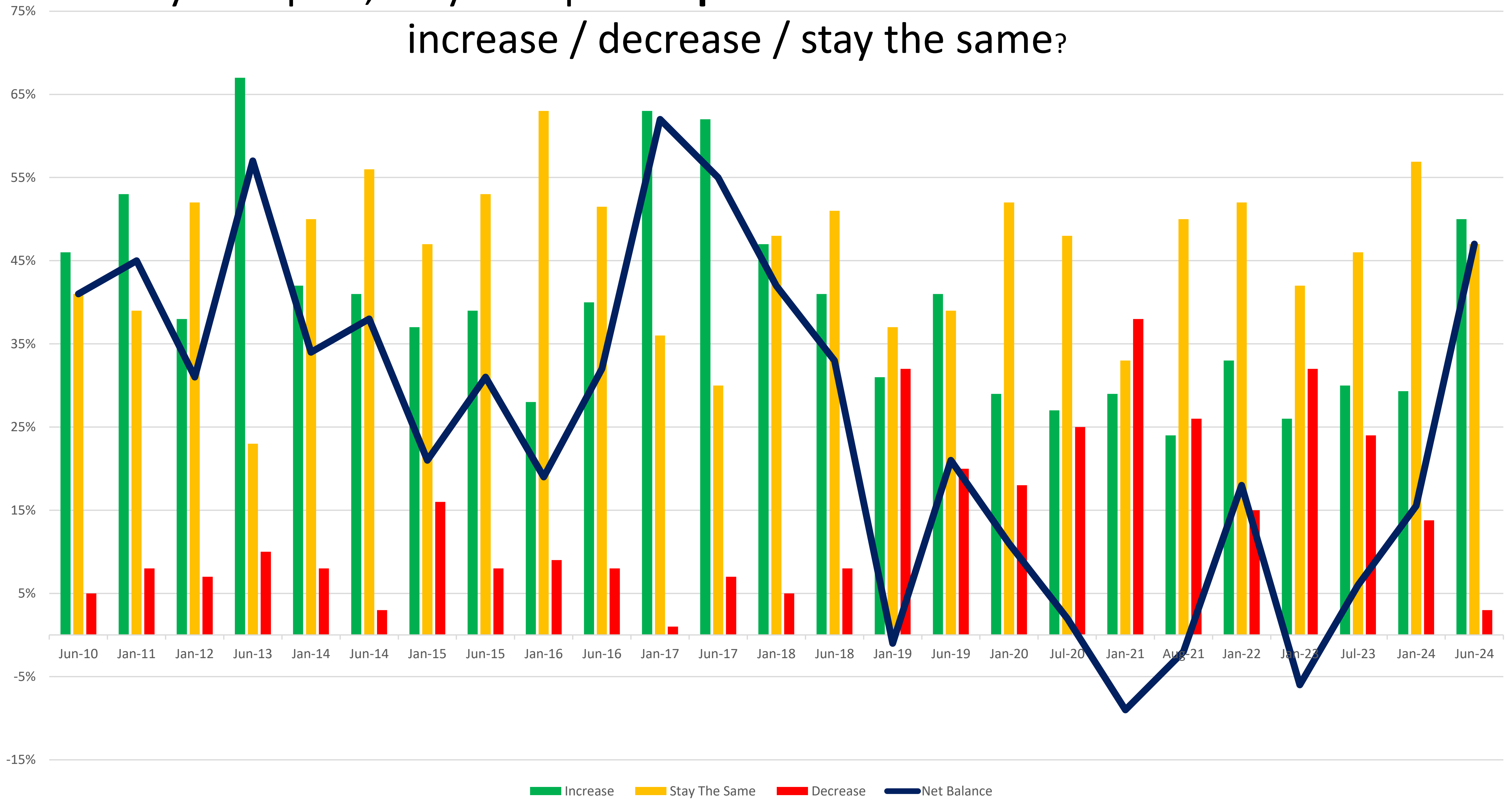
If you export, do you expect **export sales** in the next 12 months to increase / decrease / stay the same?



Factors affecting export – key quotes from those predicting an **increase**…

“Reshoring of Aerospace work packages.”

“New product range in Medical products”

“Strong demand in Ireland”

More demand in India.

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Factors affecting export – key quotes from those predicting a **decrease or stay the same…**

“Increased regulation and paperwork at customs are affecting business “

“A global footprint that, where possible, manufactures product in the nearest facility to the customer”

“Since Brexit no exports”

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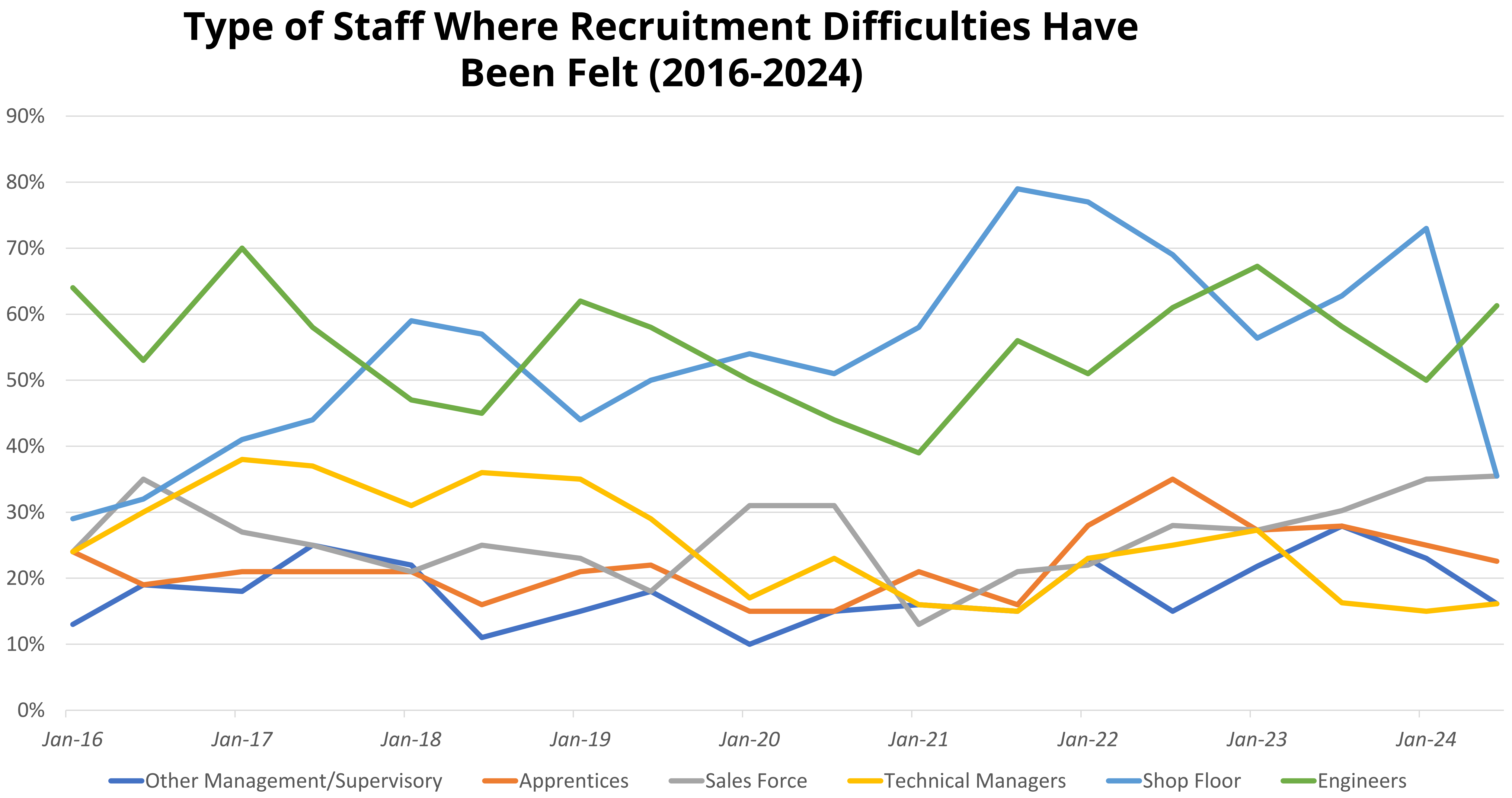
Workforce considerations

Proportion of firms expecting to increase staff Levels in the next 12 months

Proportion of firms reporting recruitment difficulties


Type of Staff Where Recruitment Difficulties Have Been Felt (2016-2024)
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Jan-16
Jan-17
Jan-18
Jan-19
Jan-20
Jan-21
Jan-22
Jan-23
Jan-24
Other Management/Supervisory
Apprentices
Sales Force
Technical Managers
Shop Floor
Engineers

Factors affecting recruitment – key quotes

"Skilled people are becoming harder to find. Also, Plastics industry is not attractive to young people"

"Chemical sector is ageing, attracting new younger people into the sector is challenging"

"Governments don't want manufacturing so give a negative message to young people. Schools actively discourage careers in manufacturing"

"Applicants are of low calibre and often just don't bother to turn up at interview"

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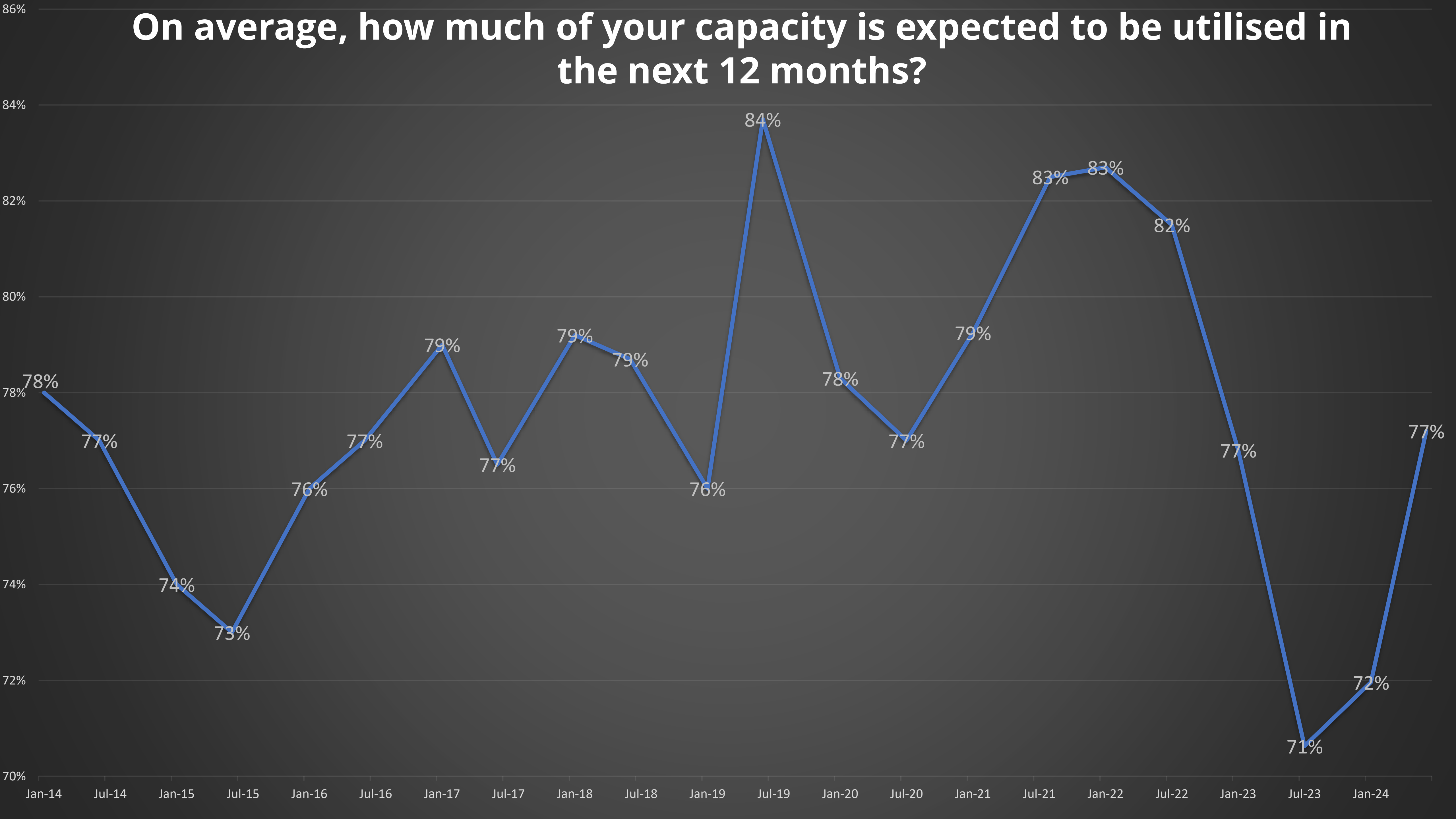
Capacity utilisation


On average, how much of your capacity is expected to be utilised in the next 12 months?
86%
84%
82%
80%
78%
76%
74%
72%
70%
78%
77%
74%
73%
76%
77%
79%
77%
79%
79%
76%
84%
78%
77%
79%
83%
83%
82%
77%
71%
72%
77%
Jan-14
Jul-14
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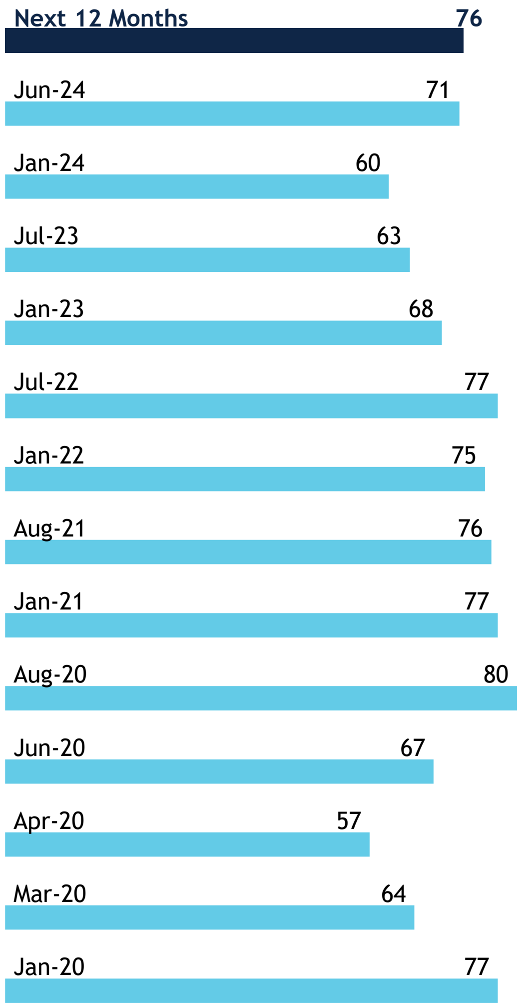
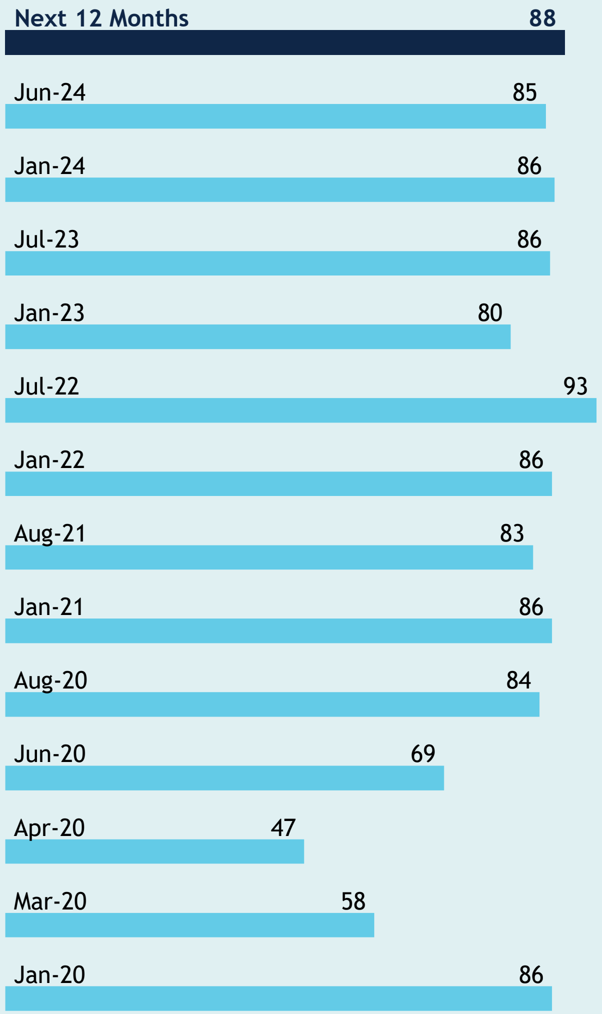
Jul-23
Jan-24

Capacity utilisation by group

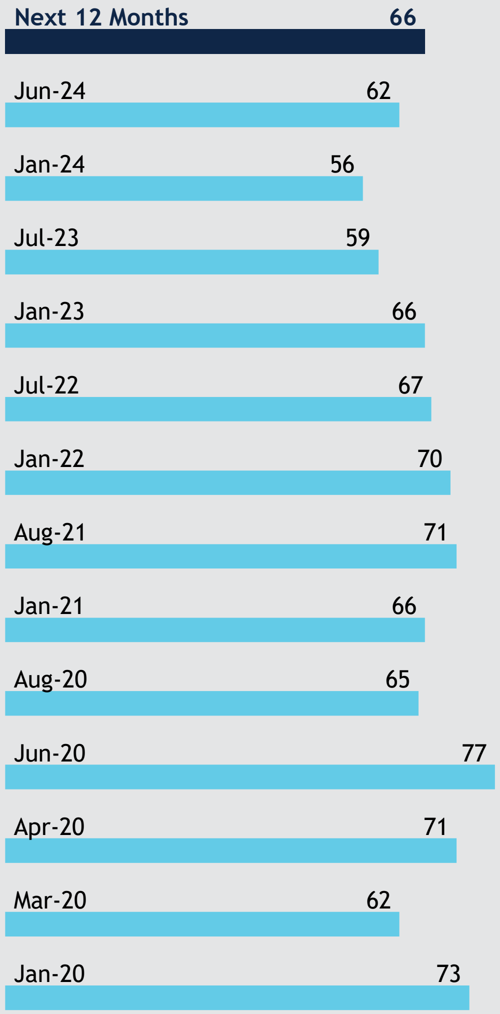
Additives & Masterbatch



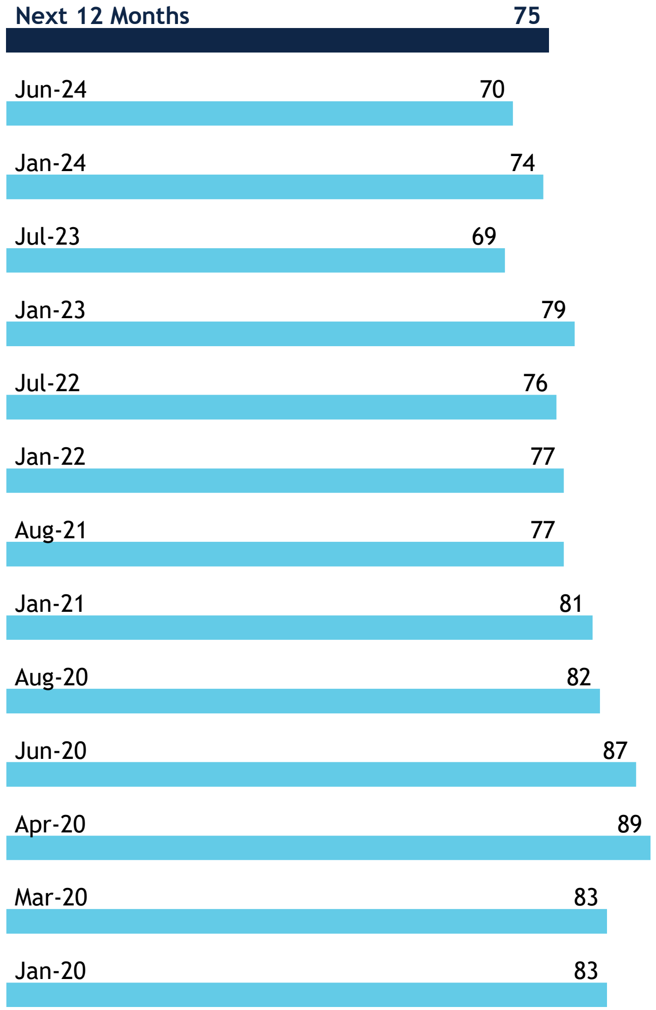
Equipment



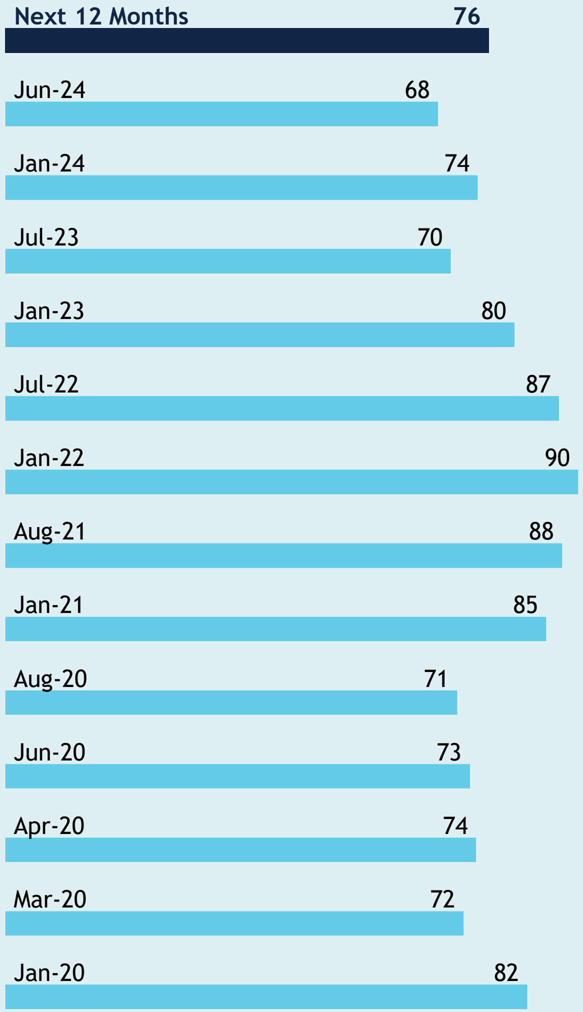
Moulders



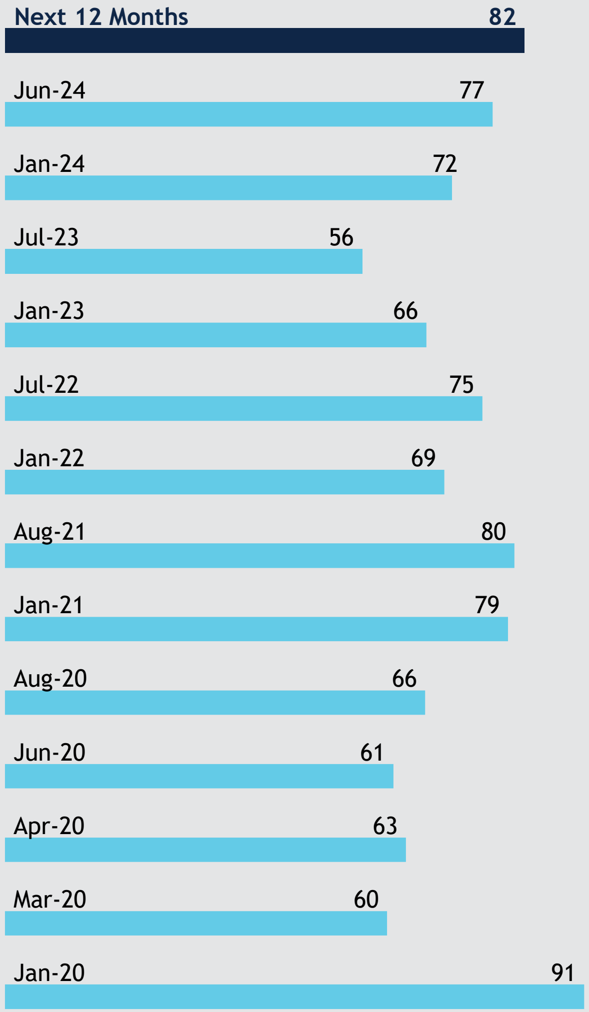
Packaging



Polymer Distributors

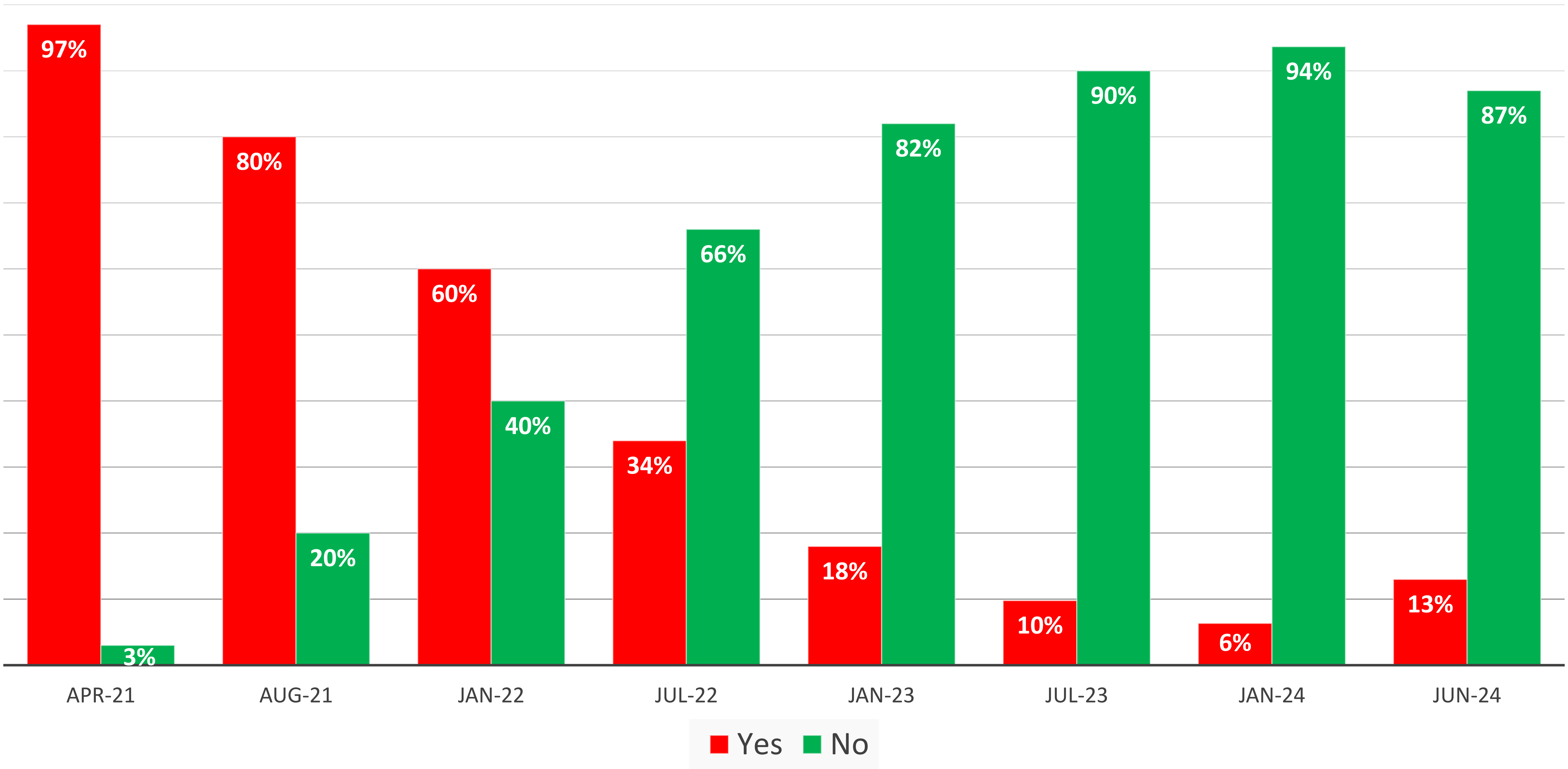


Recyclers



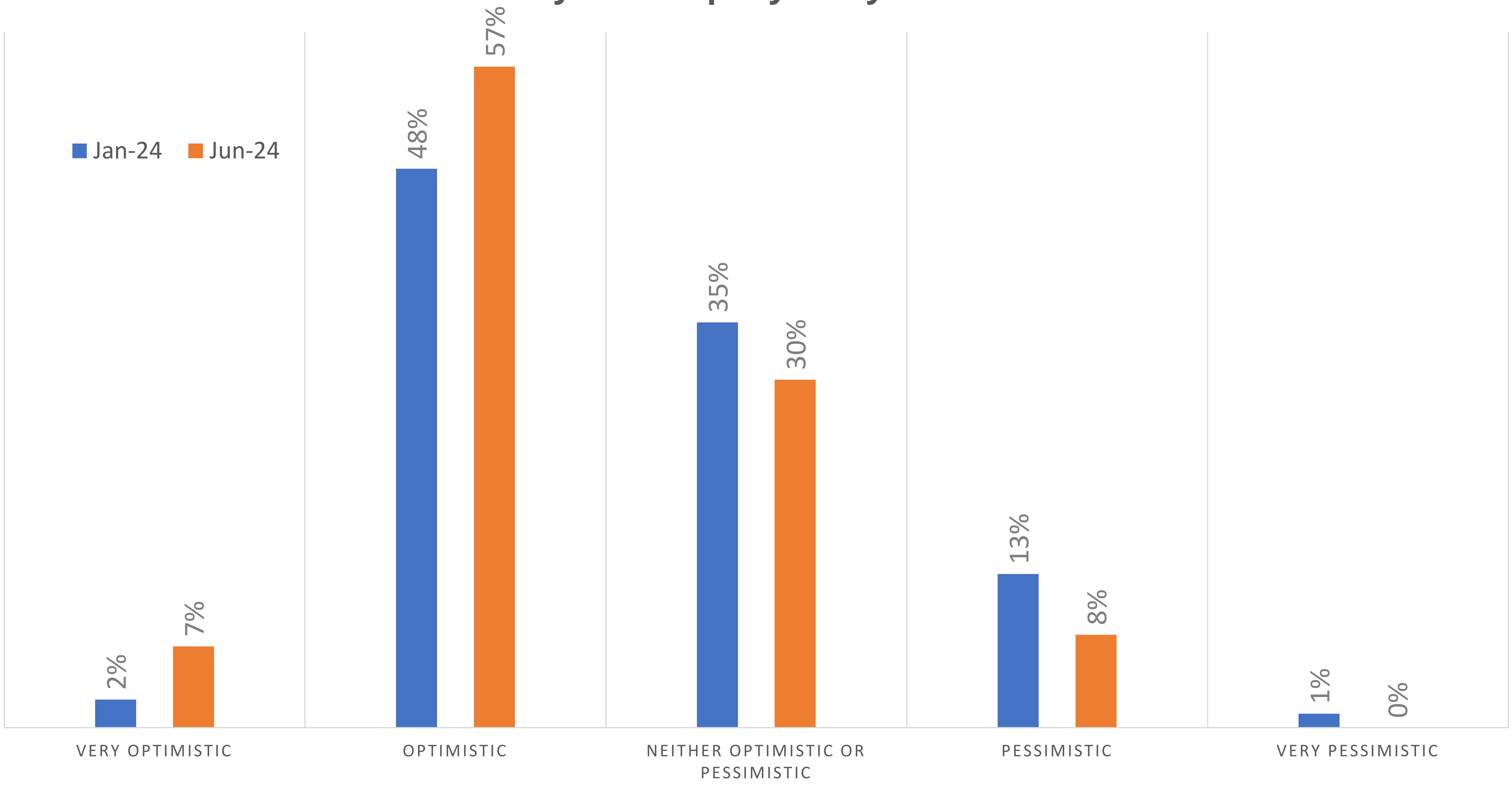
Sourcing of polymer

Are you currently experiencing problems sourcing polymer?



Optimism Vs Pessimism

Compared to the previous year, how are you feeling about overall business conditions for your company this year?



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Download previous surveys at

www.bpf.co.uk/bcs