British Plastics Federation

Business Conditions Survey for the UK Plastics Industry

Conducted June/July 2016

Stronger Together

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.aspx

Participation

The survey was conducted in June and July 2016, with the results published in July. The survey was sent to members on the morning of 24th June (following the announcement of the result of the EU Referendum) and closed on Thursday 14th July.

The survey, which was open exclusively to members of the British Plastics Federation, was completed by a record 120 firms.

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

Plastics Processors	**66%**
Recyclers	**11%**
Raw Materials Producers and Distributors	**13%**
Additives and Masterbatch	**5%**
Machinery and Equipment	**5%**

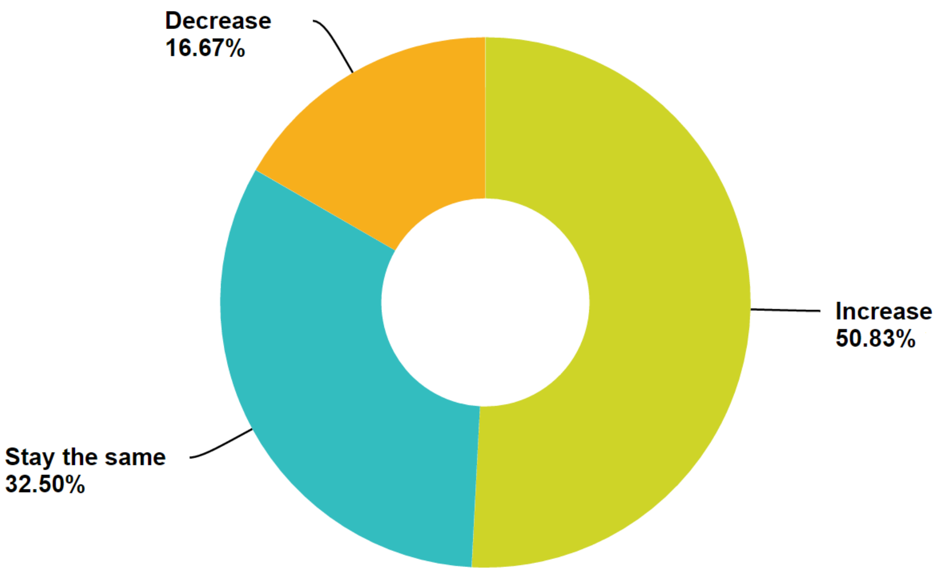
1 Plastic Industry Market Sectors

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:

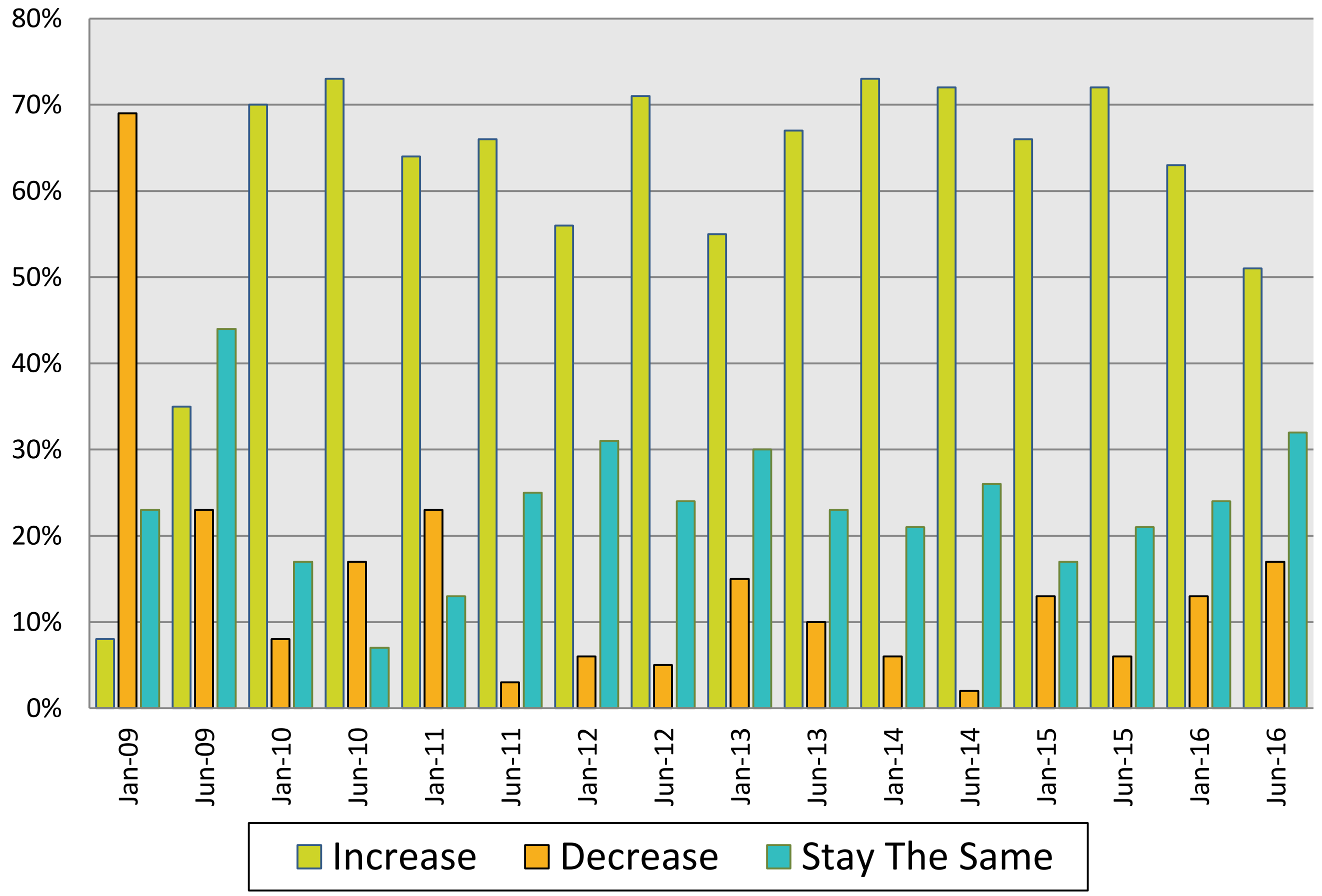
Construction	**71 respondents**
Automotive	**56 respondents**
Electrical and Electronic	**41 respondents**
Packaging	**71 respondents**
General mechanical goods	**41 respondents**
Healthcare	**46 respondents**

2 UK Sales Turnover

Percentage of Respondents Predicting Sales Turnover Will 'Increase', 'Decrease' or 'Stay The Same' Over the Next 12 Months (June/July 2016)



Percentage of Respondents Predicting Sales Turnover Will 'Increase', 'Decrease' or 'Stay The Same' Over the Next 12 Months (Jan '09-June '16)



Of those predicting an increase....

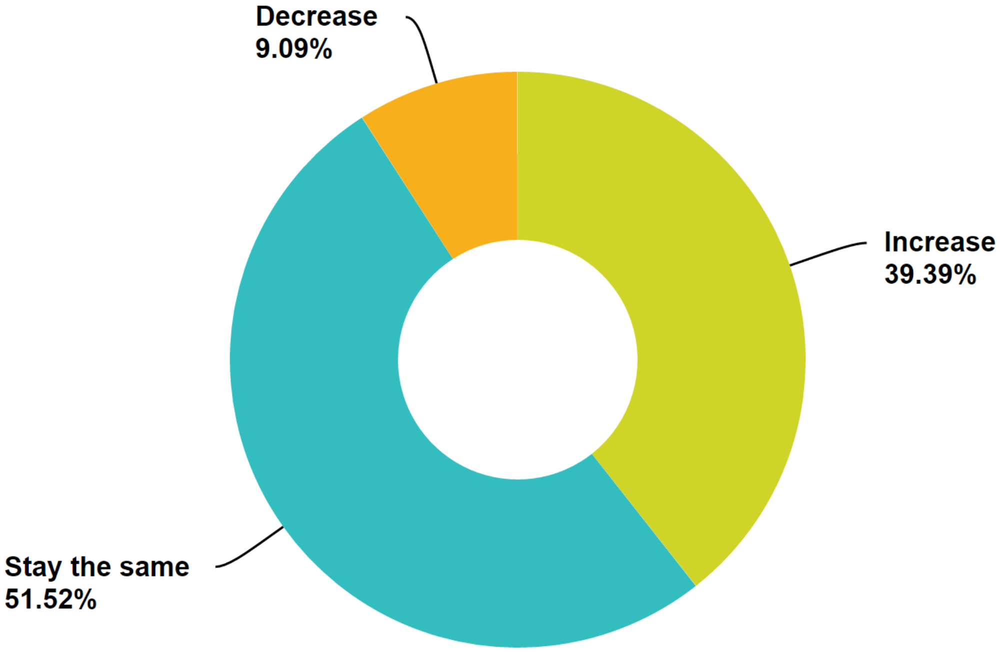
20%	**Expected turnover to increase by**	**2 - 5%**
14%	**Expected turnover to increase by**	**6 - 10%**
9%	**Expected turnover to increase by**	**11 - 20%**
4%	**Expected turnover to increase by**	**21% +**
4%	**Expected turnover to increase but did not specify or did not know %**	
51%		

32.5% of respondents were expecting no change over the next 12 months – compared to 24% in the January 2016 survey and 17% were predicting decrease, compared to 13% six months ago.

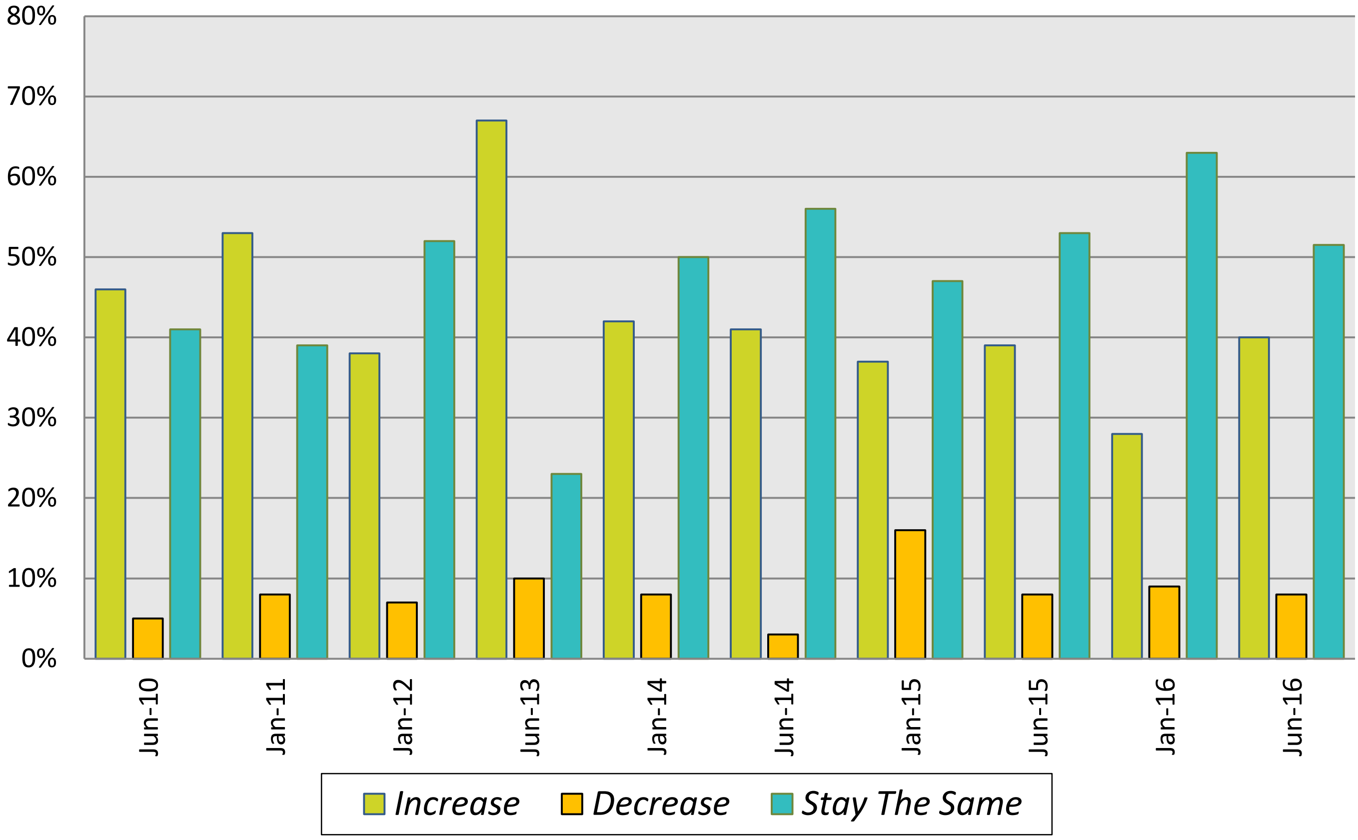
When asked whether there were any special factors affecting their predictions in sales turnover, of those who predicted a decrease or continuing at the same level, over half stated that this was down to ‘Brexit’, with a number of others mentioning GBP/EUR exchange rates.

3 Export Sales Turnover

Percentage of Respondents Predicting Export Sales Will 'Increase', 'Decrease' or 'Stay The Same' Over the Next 12 Months (June/July 2016)



Percentage of Respondents Predicting Export Sales Will 'Increase', 'Decrease' or 'Stay The Same' Over the Next 12 Months (June 2010-June 2016)



40% expected export sales to increase over the next 12 months – up significantly from 28% seen in the previous survey.

51% expected export sales to stay the same and 8% expected them to decrease.

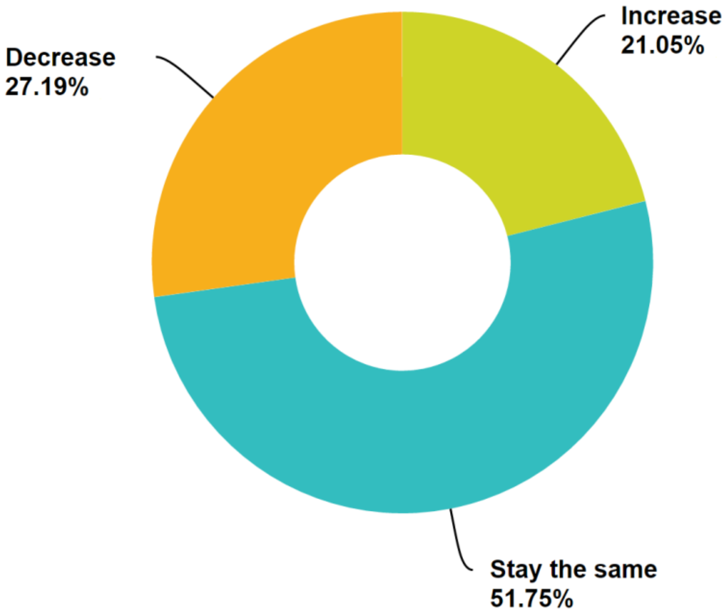
Of those respondents that were expecting an increase in export sales turnover over the next 12 months...

14%	**Expected turnover to increase by**	**2 - 5%**
9%	**Expected turnover to increase by**	**6 - 10%**
7%	**Expected turnover to increase by**	**11 - 20%**
3%	**Expected turnover to increase by**	**21% +**
6%	**Expected turnover to increase but did not specify or did not know %**	
39%		

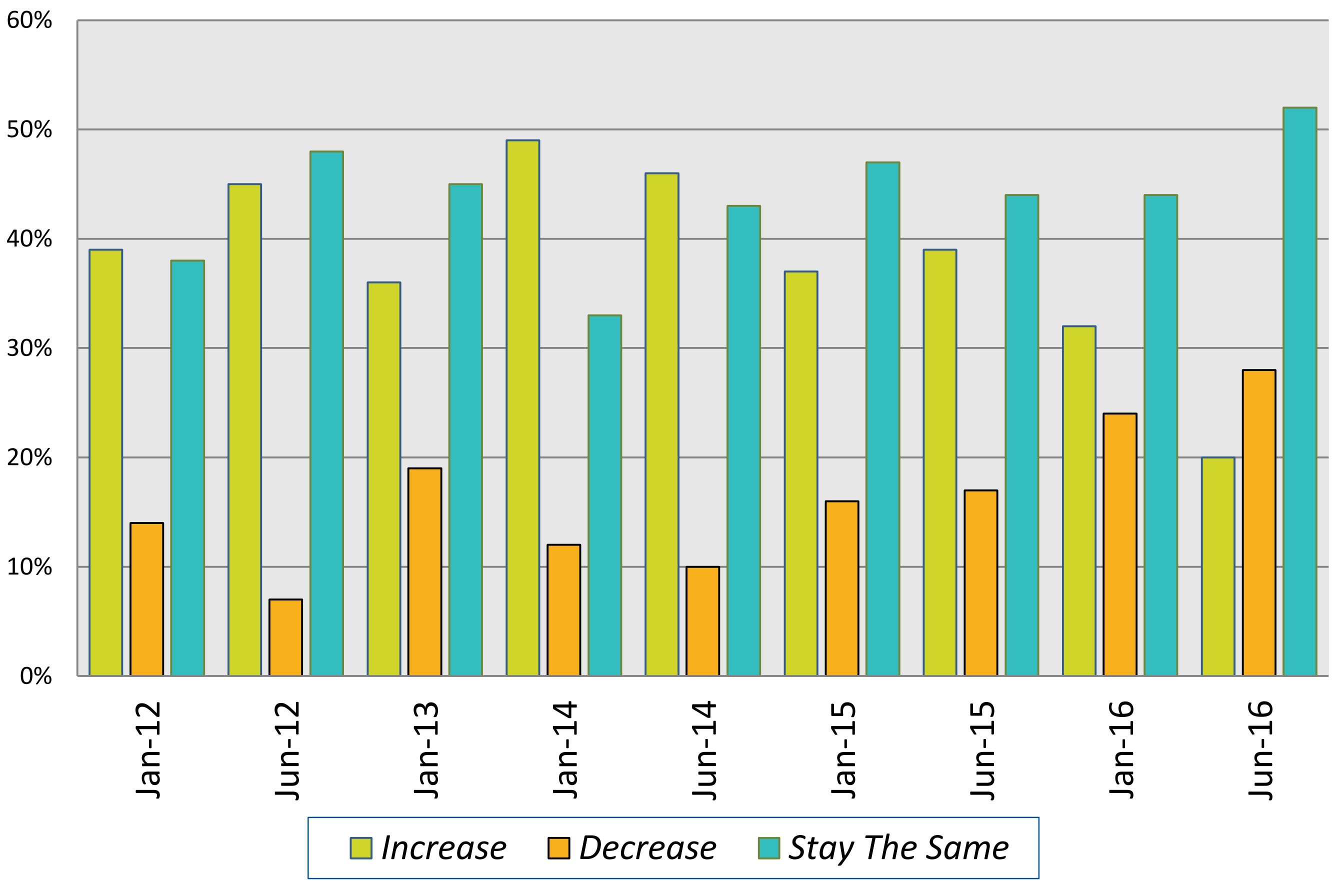
The BPF also asked whether there were any ‘special factors’ affecting their predictions and out of those who stated that they expect export sales to increase, 75% highlighted the weakness of the GBP as a competitive advantage. However, one company which stated that if exported nearly 100% of its products, commented that “*the notion that a low GBP exchange rate vs USD and EUR is helpful has not historically been demonstrated to be true”.*

4 Profitability

Percentage of Respondents Predicting Profit Margins Will 'Increase', 'Decrease' or 'Stay The Same' Over the Next 12 Months (June/July 2016)



Percentage of Respondents Predicting Profit Margins Will 'Increase', 'Decrease' or 'Stay The Same' Over the Next 12 Months (Jan 2012 – June 2016)



Of those respondents that were expecting an increase in profitability in the next 12 months...

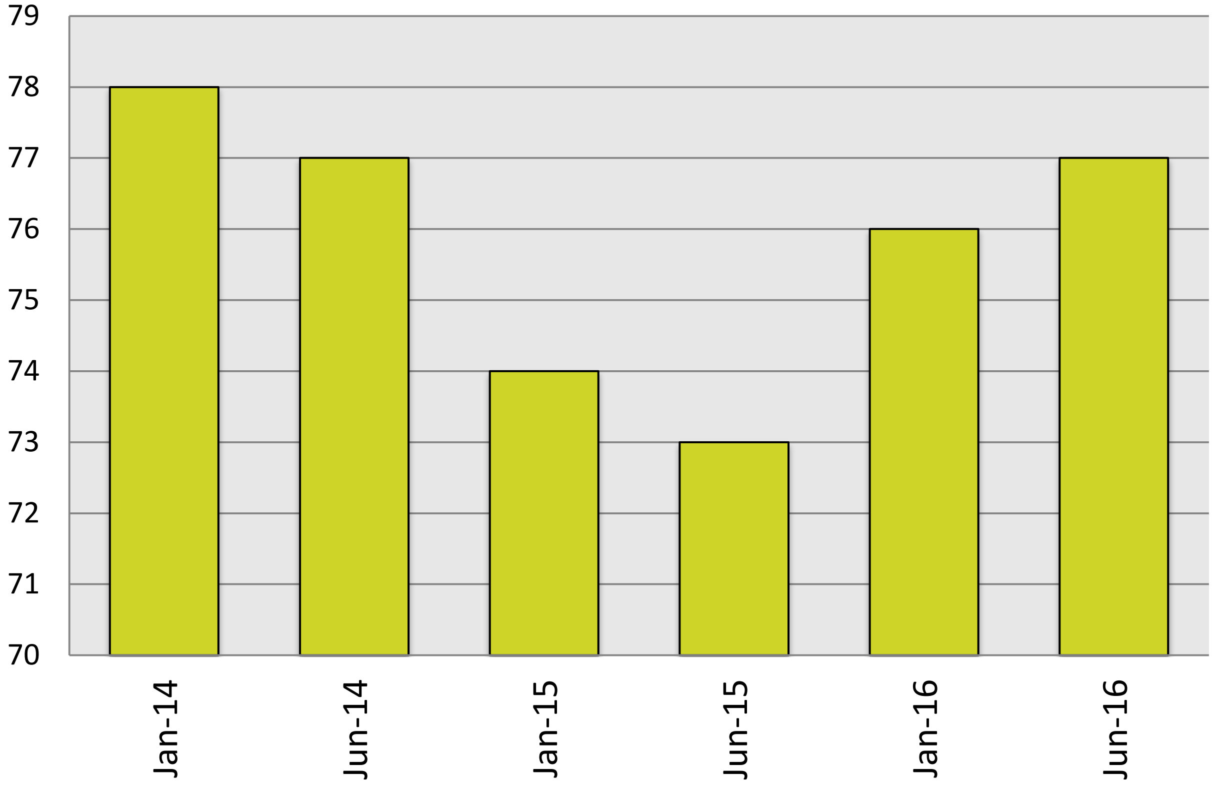
7%	**Expected their profit margin to increase**	**2 - 5%**
5%	**Expected their profit margin to increase**	**6 - 10%**
3%	**Expected their profit margin to increase**	**11 - 20%**
2%	**Expected their profit margin to increase**	**21% +**
5%	**Expected profitability to increase but did not specify or did not know %**	
22%		

When asked whether there were any special factors affecting profitability, over 60% of the firms highlighted exchange rates as a reason, with a number of companies mentioning the impact this will have on the cost of raw material.

5 Capacity Utilisation

The BPF asked companies how much capacity will be utilised over the next 12 months. Of those that responded, the average predicted capacity utilisation was 77%.

Average Capacity Utilisation Over the Next 12 Months

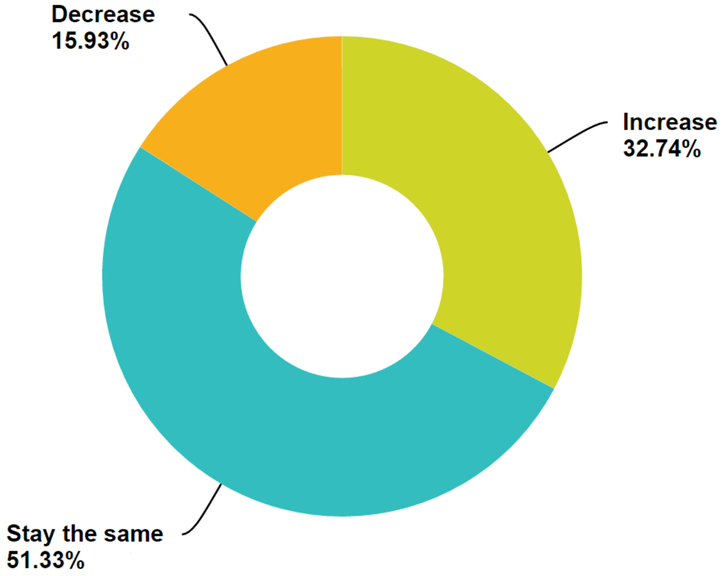


Below are the average capacity utilisations for various groups…

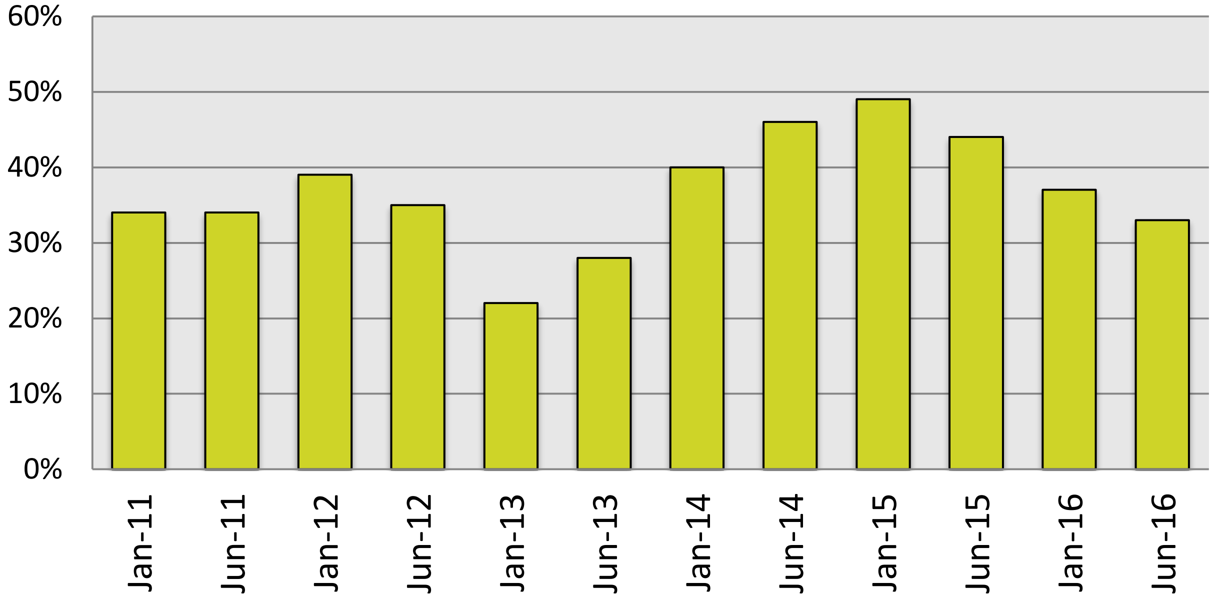
Packaging	**80%**
Recyclers	**80%**
Injection Moulders	**77%**
Rotational Moulders	**75%**
Windows	**69%**

6 Staffing

Percentage of Firms Surveyed Looking to
Increase, Decrease or Maintain Staff Levels in the Next 12 Months (June/July 2016)



Percentage of Firms Surveyed Looking to
Increase Staff Levels in the Next 12 Months (Jan 2012-June 2016)

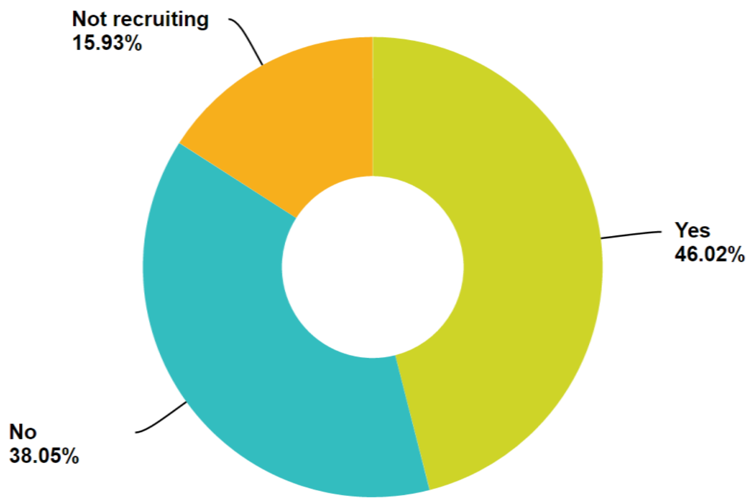


The breakdown of those planning to increase, decrease and maintain the same staff numbers is shown below...

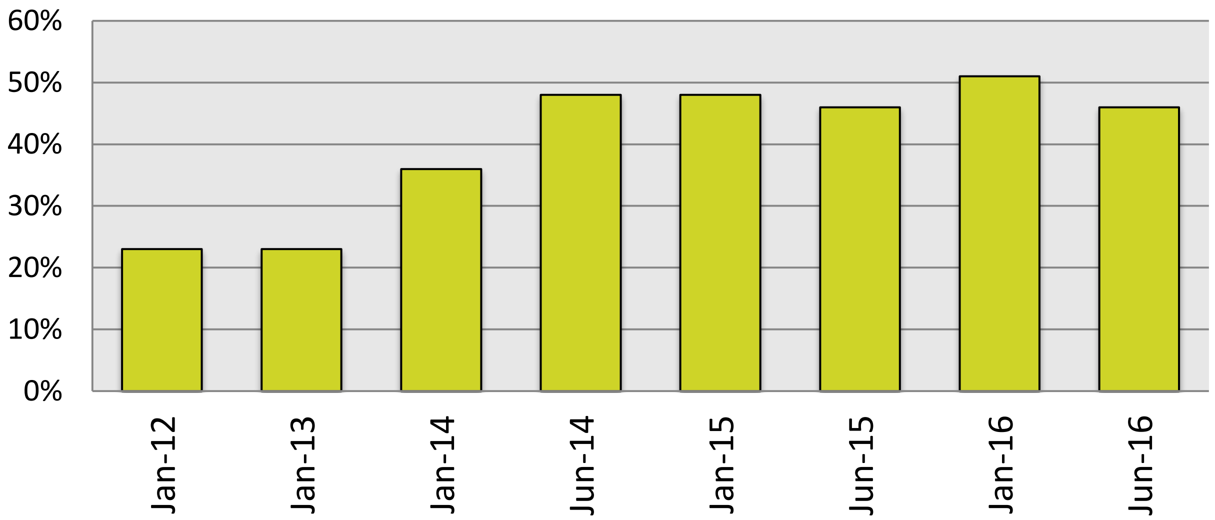
15%	Increase staff by	1 - 5%
5%	Increase staff by	6 - 10%
2%	Increase staff by	11 - 20%
10%	Increase staff but unsure by what percentage	
52%	Stay the same	
16%	Reduce staff numbers	

7 Skills Needs

Percentage of Respondents Who Responded 'Yes', 'No' or 'Not Recruiting' When Asked if They Were Having Difficulty Recruiting Staff (June/July 2016)



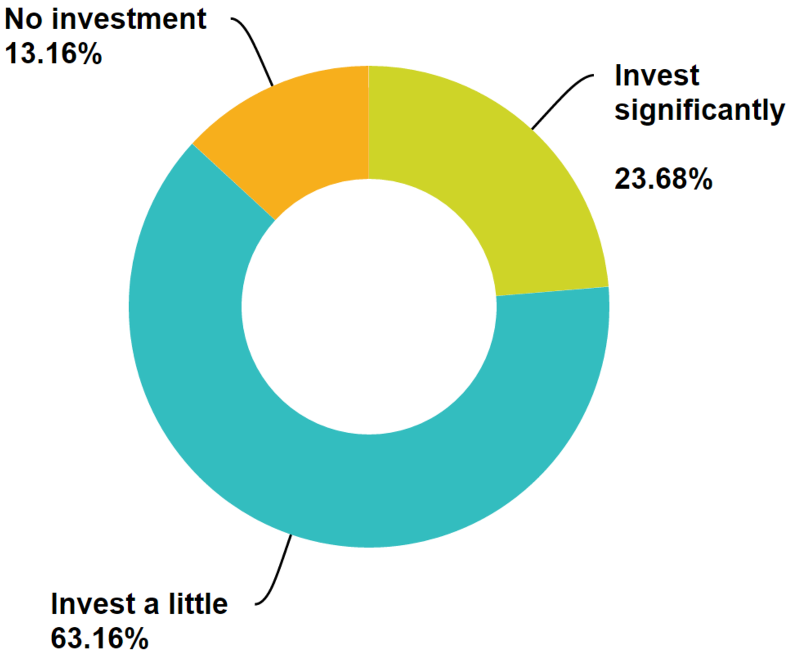
Percentage of Firms Surveyed Having Difficulty Recruiting Staff (Jan 2012-June 2016)



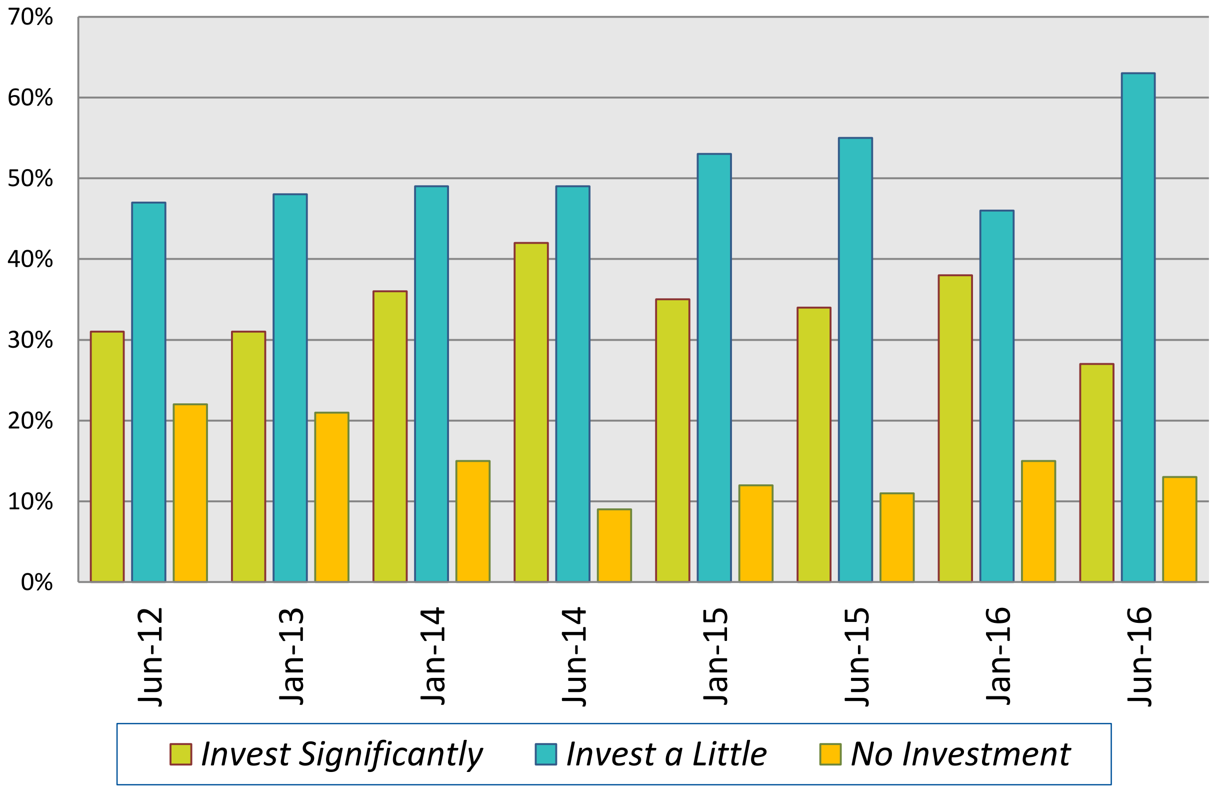
The BPF asked those having difficulties which types of staff were hard to recruit:

For 30% Technical Managers were hard to recruit
For 53% Engineers were hard to recruit
For 32% Shop Floor staff were hard to recruit
For 19% Apprentices were hard to recruit
For 35% Sales Force were hard to recruit
For 19% Other Management/Supervisory were hard to recruit

Percentage of Firms Surveyed that Plan to 'Invest Significantly', 'Invest a Little' or 'Not Invest' in Plant and Equipment in the Next 12 Months (June/July 2016)



Percentage of Firms Surveyed that Plan to 'Invest Significantly', 'Invest a Little' or 'No Investment' in Plant and Equipment in the Next 12 Months (June 2012 - June 2016)



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