British Plastics Federation

Business Conditions Survey for the UK Plastics Industry

Conducted June 2010

Stronger Together

PF BUSINESS CONDITIONS SURVEY

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Respondents 59 companies

- Plastic Processors 56%
- Distributors & Compounders 12%
- Additives and Masterbatch 8.5%
- Polymer Producers 3.5%
- Machinery and Equipment 3%
- Recyclers 17%

Respondents were asked on all questions to forecast for 12 months ahead.

1. UK Sales Turnover for 2010

73% of all respondents are forecasting an increase in UK Sales Turnover over the next 12 months. This compares with 70% in the January survey.

24% expected a 2-5% increase, 29% a 6-10% increase and 20% an 11% and over increase. Many respondents said business volumes had not returned to pre-recession levels.

Moulders were the most optimistic on growth with acquisition of new business and recovery in the automotive industry mentioned.

Construction and building continues to be suffering with most predicting no increase in UK sales turnover.

Raw material price increases were mentioned by 15% as a factor and also worries on public spending cutbacks. 17% of respondents expected turnover to remain the same with only 7% predicting a decline.

2. Export Sales Turnover

46% expected Export Sales to increase over the next 12 months. This is slightly down from the January survey. 15% predicted a 2-5% increase; 14% a 6-10% increase and 16% an increase over 11%.

Reasons given were: sales to fast growing countries; investment in manufacturing in the Gulf Region and India; bringing back work from a sister plant in Europe; price increases; export markets recovering; Recycling of WEEE waste in China. A few mentioned the weaker Euro affecting growth.

41% of respondents expected Export business to remain the same and 5% expected a decrease.

3. Staffing in the next 12 months

46% of respondents are expecting to increase their staff. 24% will increase staff by 2-5%; 17% will increase by 6-15%.

47% expected to keep staff at the same level. This is a substantial change from the January survey where 59% of respondents planned to keep staff at the same level, and 31% would increase staff.

Only 5% planned to reduce staff compared to 56% in the June 2009 survey. Companies in the Construction and Building products and Recycling sectors were noticeably not planning to increase staff on the whole. Additives, Masterbatch, Rotomoulding were planning the biggest increases.

4. Credit from Banks

Overall this is an improvement on the January survey findings.

Obtaining Credit -This was not a problem for 81% but it was for 15% (17% in the January survey).

Refusal of Credit - This was not a problem for 83% but was for 4%.

High Charges – Not a problem for 59% of respondents but it was for 30%.

5. Trade Credit Insurance

The survey results indicate an improving situation, but obtaining credit insurance is still a problem for many companies.

Obtaining trade credit insurance was not a problem for 46% of respondents (27% in the January Survey). It was still a problem for 41% (56% in January).

Respondents commented that it's still difficult but improving and that the plastics sector is judged unfairly by insurers. Premiums and conditions have increased.

6. Capital Investment

The January survey showed new investment at the bottom of plastics companies' priorities for 2010.

In this survey we asked respondents what plans they had for Capital Investment over the next twelve months. The results do indicate increased confidence leading to a healthy level of planned capital investment.

61% of respondents were planning capital investments over the next 12 months. We asked what the reasons were:

34% stated	**Upgrade**
34% said	**Expansion**
22% said	**Energy Efficiency**
9% said	**Health & Safety**

Capital Investment plans were particularly strong amongst Moulders, Recyclers, Additives, and Masterbatch. Most construction products respondents were planning investments.

37% of respondents had no capital investment plans.

7. Burdensome & Unnecessary Regulation

The new Government intends to cut back Regulation on business. We asked plastics companies which particular regulations they found costly, burdensome and unnecessary.

44% of respondents had no comment.

54% did submit examples of burdensome regulation for their companies listed below in priority order:

Costly, burdensome & unnecessary Regulation in priority order

Health & Safety (57%)

Needs more commonsense and less red tape. 'Nit picking', 'time wasting', 'HSE Jobsworths', 'senseless set of rules and policies'.

Employment Law (37%)

Too complicated for small businesses. Introduction of changes means costly changes to company systems. Concern on impact of the Agency Workers Directive. National Minimum Wage.

Climate Change Levy/Carbon Reduction Commitment

Costly, burdensome, blunts UK competition. Seems to be a desire to raise cash rather than tackle climate change. Damages industry.

REACH/Waste and Packaging Regulations

A burden on the UK Industry which most of competitors outside Europe avoid. It blunts UK competition and growth. Waste licensing regulations, and increased regulation to facilitate 2020 packaging recycling targets.

REACH - Compliance requires significant internal company resources.

Payroll

SSP, SMP and SPP costly and onerous. Simplify the rules or abandon them altogether.

Inland Revenue

Financial information requests from them take excessive time to deal with. Simplify Tax Return remove the need to record interest and dividends (e.g. no need to declare less than £300).

VAT

Remove VAT recording of export and imports information and partial exemption requirements. Increase VAT Exemption limit to £200k. All input and output tax should be analysed under one code.

SME Annual Returns

Remove the need to create and file abbreviated accounts with Companies House for small companies.

Import/Export documents

Tariff changes cause problems. Few carriers' agents keep up to date.

Building Regulations

These have increased the cost of building extensions.

Peter Davis
Director General updated 9th July 2010