



# Business Conditions Survey for the UK Plastics Industry

Conducted July 2009

An illustration in the bottom right corner shows two hands shaking. The hand on the left is dark blue, and the hand on the right is white. The text "STRONGER TOGETHER" is written in white capital letters across the clasped hands. The background of the entire page is a dark blue gradient with a vertical light blue bar on the right side.

# British Plastics Federation - Business Conditions Survey

Conducted: June 2009

Respondents: 43 companies – Categorised as follows:

- Plastic Processors 60%
- Polymer Distributors 15%
- Polymer, Additives, Masterbatch Producers and Compounders 13%
- Recyclers 10%
- Machinery & Equipment 2%

Taking all the respondents 37% were supplying the Construction & Building sectors; 16% were supplying the Automotive sector and 14% were Packaging processors.

## 1. UK Sales Turnover for 2009-10

For the next 12 months 44% of respondents expected UK Sales Turnover to remain the same, an improvement on the January survey (16%).

35% of respondents expected UK sales turnover to increase (only 8% in January survey), mostly in the 5-10% range. Some emphasized this was growth from a low base.

23% expected sales turnover to decrease (69% in January survey) – most of them by -10-20%.

Most companies supplying the Automotive sector expected further declines in business over the next twelve months whereas those supplying the Construction and Building sector were more mixed with half expecting a slow recovery from a low base.

## 2. Export Sales 2009-10

For the next twelve months 39% of respondents expect their export sales to remain the same (25% in January survey). 32% expect an increase, on average +15% but several higher than this. The weakness of sterling is given as an advantage. This is higher than the January survey where 27% expected an increase of an average 7%.

Only 12% expect export business to decline.

## 3. Staffing 2009-10

Over the next 12 months 42% of respondents expect no change to their staffing levels compared to 35% in the January survey. Only 14% expected to increase staff by an average of 3-5%.

37% of respondents expected to reduce staff, half by an average of 4-9% and the other half by 10-15%.

Although this is less than the January survey of 56% reduction of staff, it does indicate continuing job losses in the industry

From the January survey we estimated possible losses of 9,300 jobs in the UK plastics industry. There may be some double counting but this survey could indicate a further 6,800 job losses.

#### 4. Credit from Banks

Obtaining credit - Not a problem for 72% but it is for 16%. (January survey 56% and 29% respectively)

Refusal of credit - Not a problem for 58% but is for 9%. (January survey very similar)

High Charges – Not a problem for 40% but is for 37% (broadly similar to January survey).

#### 5. Credit Insurance

Obtaining Credit Insurance has become a more serious problem since the January survey. 79% of respondents were experiencing problems (only 48% were in January) and 11% do not have a problem (25% in January).

Respondents wrote that Insurers won't take risks, forcing companies to take uninsured business and there were many cases of refusal of cover to certain customers. Other quotes stated, "It is virtually impossible to get insurance for anyone in the construction sector"; "certain automotive customers are not being given any credit"; Government top-up scheme too expensive" and "our costs are up dramatically."

#### 6. Energy Prices

Looking ahead 12 months respondents were quite split on how their energy costs would move. Much depends of course on what kind of a deal they have with their energy supplier and when it finishes or starts.

28% of respondents expected energy costs to go up in the 5-10% range. 35% expected their energy costs to remain the same.

32% expected their energy costs to decrease. 14% to about 5-15%, 12% to over 30%. The others did not declare a percentage decrease.

#### 7. Commodity Prices

Asked how they expect Commodity or Raw Material prices to move in the next twelve months, 63% said upwards. Of those 34% said the increase would be + 3% - 7% and 29% felt it would be higher, + 10%-20%.

8. **Capital Allowances**

Respondents were asked if the Government's temporary increase in first year Capital Allowances from 20%-40% would increase their capital spending over the next 12 months.

Surprisingly 88% said no and only 12% yes. However companies are undoubtedly being cautious on expenditure plans and may have difficulties accessing finance anyway.

9. **Government Recession Initiatives**

We wanted to test whether respondents were aware of various Government Recession initiatives and had they used them.

Only two scored highly for awareness and almost none of the respondents had used them.

**Enterprise Finance Guarantee Scheme**

58% were aware of it, none had used it

**Capital for Enterprise Fund**

Only 35% were aware of it and only one company had used it.

**Loan Guarantees to the Automotive Industry**

Only 19% were aware of it and none had used it.

**Car Scrappage Scheme**

We asked respondents were they aware of the scheme and would it help those in the automotive supply chain.

A very high 93% were aware of the scheme. Not surprisingly as it has secured the most media coverage compared to other Government initiatives.

Asked will it help, 25% of respondents said yes, 37% no and the rest didn't know. Those plastic companies supplying the automotive sector were the most positive but acknowledged that sales of small cars, mostly not UK manufactured, would benefit and it was only a short term initiative.

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Ref: BPF&Affiates file