



British Plastics Federation

Business Conditions Survey for the UK Plastics Industry

Conducted January 2012

Stronger
Together

1 The British Plastics Federation's Business Conditions Survey

The British Plastics Federation (BPF) is the trade association for the United Kingdom's plastics industry. It was founded in 1933 and its membership embraces producers and distributors of plastics materials and additives, suppliers of machinery and equipment, manufacturers of semi-finished and finished plastics products, recyclers and service providers to the plastics industry.

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, electronic, aerospace and healthcare to name but a few. Hence trends in the plastics industry can be held to be 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 with a six monthly frequency. In this Survey companies were asked to forecast their expectations for 2012.

For previous BPF Business Conditions Surveys go to:

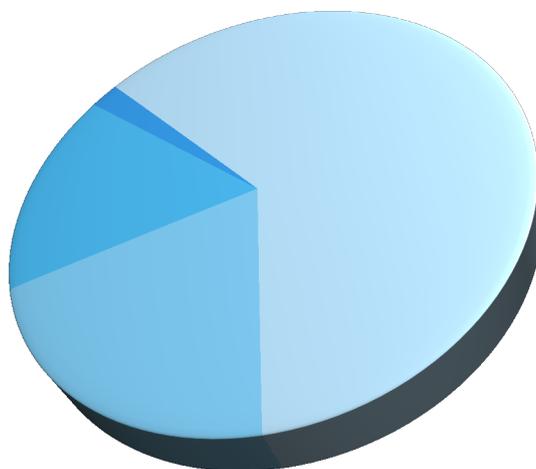
www.bpf.co.uk/bcs.aspx

2 Participation

The survey was conducted throughout January 2012 and the results published in February.

The survey which is open exclusively to British Plastics Federation member companies was completed by 90 firms.

The respondents were drawn from the following Plastics Industry sectors represented by the BPF:



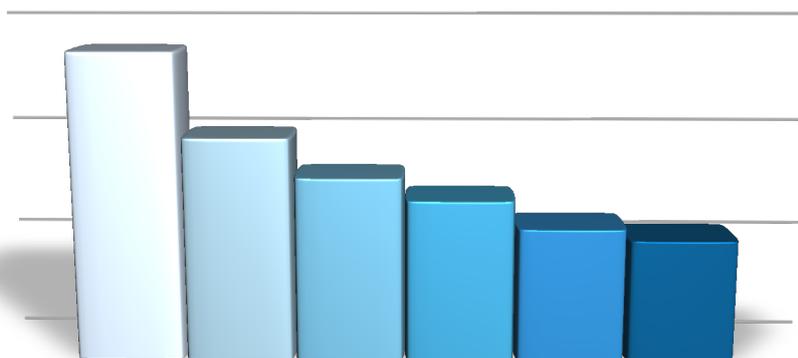
Plastics Processors	61%
Raw Materials Distributors	21%
Recyclers	16%
Machinery and Equipment	2%
	100%

3 Plastic Industry Market Sectors

Respondents were asked which market sectors their companies supplied into. Most companies are supplying more than one market to spread risk.

The exception to this is those firms in the packaging and construction markets.

The top markets were as follows:



Construction	55 respondents
Automotive	40 respondents
Packaging	33 respondents
Electrical and Electronic	29 respondents
Healthcare	24 respondents
General mechanical goods	22 respondents

4 UK Sales Turnover

For 2012 56% of respondents were forecasting an increase in UK sales turnover. This is down on the January 2011 survey (64%) and the June 2011 survey (66%) and indicates a small reduction in optimism.

Of those predicting an increase:

12%	Expected turnover increase by	2 – 5 %
22%	Expected turnover increase by	6 – 10 %
13%	Expected turnover increase by	11 – 20%
9%	Expected turnover increase by	21% plus
56%		

31% of respondents expected no growth in turnover and 5.5% a decrease. Both are up compared to the January and June 2011 surveys.

The most positive sectors were: Moulders, Polymer Distributors & Compounders and Recyclers. They spoke of: expanding markets; new business; recovery in the automotive sector. Most Packaging and Pipes companies expected no growth.

5 Export Sales Turnover

73% of respondents answered this question indicating not all are engaging in Export.

Of those that did respond the majority 52% expected Export Sales to remain the same in 2012. This is up on our January 2011 survey where 39% expected Export Sales to remain the same. With Western Europe the top export market, Eurozone turmoil has undoubtedly affected confidence.

38% expected Export Sales to increase in 2012. Of these respondents:

12%	Expected turnover to increase by	2 – 5 %
14%	Expected turnover to increase by	6 – 10%
5%	Expected turnover to increase by	11 – 20%
7%	Expected turnover to increase by	21% plus
38%		

These respondents spoke of expanding sales and new business overseas.

7% of respondents predicted a decrease in Export Sales. Market slowdown in China was mentioned.

6 Profitability

We asked about profitability in 2012.

39% expected an increase in profitability which is up on the June 2011 survey of 29% predicting increased profitability.

Respondents spoke of increased volume and efficiencies; restoring profit margin; improved cost management and reduction; increased productivity. Polymer Distributors & Compounders were particularly bullish.

Of those respondents:

15%	Expected profitability to increase by	2 – 5%
16%	Expected profitability to increase by	6 – 10%
7%	Expected profitability to increase by	11 – 20%
1%	Expected profitability to increase by	21% plus
39%		

Slightly less, 38% of respondents expected profitability to be unchanged in 2012. Many of these were construction products processors.

14% predicted a decrease and mentioned: margin erosion; increased competition; increase of raw material costs. The remainder did not respond.

7 Staffing

45% of respondents expected no change in their staffing levels in 2012. This is less than the January 2011 survey (60%) and the June 2011 survey (49%).

39% were planning to increase staff in 2012, up on January 2011 (23%) and June 2011 surveys (34%).

Of those planning to increase staff:

15%	increase staff by	2 – 5%
16%	increase staff by	6 – 10%
7%	increase staff by	11 – 20%
1%	increase staff by	21% plus
39%		

Moulders and Recyclers were prominent amongst those planning to increase staff.

12% were planning to reduce staff. The remainder did not respond.

Respondents were asked what their Average pay settlement was for 2012

Of those that responded:

35%	average pay settlement was	No increase
20%	average pay settlement was	1 – 2%
35%	average pay settlement was	2.5 – 3%
10%	average pay settlement was	4% plus

8 Skills Needs

We asked respondents if they are having difficulty recruiting staff.

50%	of respondents had no difficulty
23%	were having difficulties
27%	were not recruiting

Of those who were experiencing difficulties in recruiting staff:

70%	found Technical Managers hard to recruit
30%	found shop floor staff and other management hard to recruit
25%	were finding apprentices hard to get
20%	found sales force hard to recruit

We asked respondents if, to meet staff vacancies they used Agency Workers or recruited staff from overseas:

48% used Agency workers, but only 6% had recruited staff from overseas.

9 Capital investment

We asked respondents if they had plans for capital investment in 2012:

56% said Yes. This is down on our survey a year ago when 64% of respondents were planning Capital Investments for 2011.

The most positive companies with capital investment plans were in the: Moulders, Pipes, Packaging, Composites and Recycling sectors.

44% were not planning capital investment this year. This included respondents in Polymer Distributors & Compounders, Masterbatch and Windows sectors.

10 Significant factors putting UK Plastics at a competitive disadvantage

Respondents were given a list of nine factors and asked to grade them according to their significance in affecting the competitiveness of the UK Plastics Industry.

Many of our respondents are part of European or multi-national groups, or have extensive overseas experience and are well able to make comparisons on these factors.

A high 84% the majority cited **“Energy Supply and Cost”** as the most significant factor. Only 60% cited this in our January 2011 survey so concern has risen on escalating energy prices and fears that UK energy supply might not meet demand in the near future.

44% said **“Environmental Taxes and Regulation”** were significant, slightly more than in our January 2011 survey. This reflects business concern about the extra costs of for example greatly increasing the plastic packaging recycling targets to unrealistic levels.

39% said **“Employment Law”** placed the UK at a disadvantage and 38% said **“Carbon Reduction Taxes and Regulation”** also did. This latter finding reflects business concern at the UK having higher carbon reduction targets than the EU and the consequent negative effect on business.

31% felt **“Support for Business Investment”** was lacking. This is slightly up on the findings in our survey a year ago and reflects a lack of confidence by some investors.

Of lesser significance but in order of priority were:

- Health and Safety Regulation
- Obtaining finance at reasonable cost
- Lack of skilled workforce
- Poor Transport infrastructure