



British Plastics Federation

Business Conditions Survey for the UK Plastics Industry Conducted January 2014

Stronger
Together

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 2014.

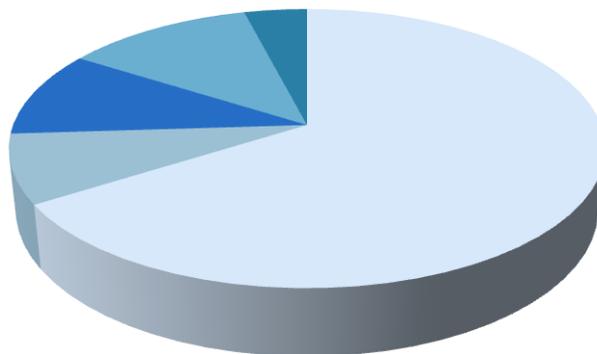
For previous BPF Business Conditions Surveys go to

www.bpf.co.uk/bcs.aspx

Participation

The survey was conducted throughout January 2014 and the results published in February. The survey which is open exclusively to British Plastics Federation member companies was completed by 108 firms.

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



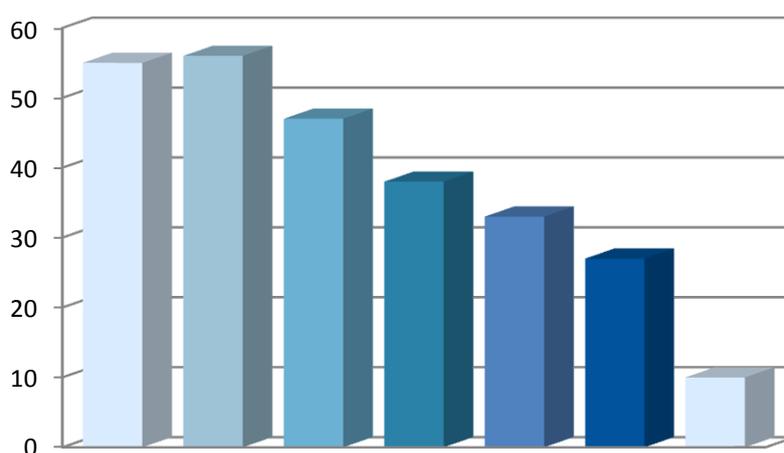
Plastics Processors	66%
Raw Materials Producers and Distributors	8%
Additives and Masterbatch	10%
Recyclers	12%
Machinery and Equipment	4%

1 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; Construction and Building markets.

The top markets were as follows:



Construction	55 respondents
Packaging	56 respondents
Automotive	47 respondents
Electrical and Electronic	38 respondents
Healthcare	33 respondents
General mechanical goods	27 respondents
Furniture	10 respondents

2 UK Sales Turnover

For 2014 73% of respondents were forecasting an increase in UK sales turnover. This is an increase on our June 2013 survey where 67% were forecasting an increase and substantially up on our January 2013 survey a year ago where 55% were forecast an increase.

Of those predicting an increase:

25%	Expected turnover to increase by	2 - 5%
26%	Expected turnover to increase by	6 - 10%
14%	Expected turnover to increase by	11 - 20%
8%	Expected turnover to increase by	21% +
73%		

The most optimistic sectors were Moulders, Rotational Moulders, Recyclers, Masterbatch and Machinery and Equipment suppliers. Moulders mentioned: market and customer growth; product development; new business; increasing customer confidence. Construction products manufacturers were forecasting increases in the 5% - 7% range, the most optimistic forecast for a long time.

21% of respondents were expecting no change in 2014 and only 6% a decrease but it was notable that some packaging manufacturers featured among these.

3 Export Sales Turnover

86% of respondents answered this question indicating not all are engaged in Export.

Of those that did respond the majority 50% expected Export Sales to remain the same for 2014. Down from our June 2013 survey (57%).

42% expected Export Sales to increase in 2014, up on our June 2013 survey (36%).

Those respondents expecting an increase this year:

14%	Expected turnover to increase by	2 - 5%
16%	Expected turnover to increase by	6 - 10%
9%	Expected turnover to increase by	11 - 20%
3%	Expected turnover to increase by	21% +
42%		

The most optimistic were Pipes and Moulders. New customers and products were mentioned by the latter.

8% of respondents predicted a decrease in Export Sales. Several mentioned the exchange rate adversely affecting sales.

4 Profitability

49% of respondents expected their profitability to increase in 2014.

This is up on our June 2013 survey (41%).

30%	expected their profit margin to increase	2 - 5%
9%	expected their profit margin to increase	6 - 10%
5%	expected their profit margin to increase	11 - 20%
5%	expected their profit margin to increase	21% +
49%		

Moulders and Specialist Processors were the most optimistic sector on profitability.

39% expected it to remain the same and 12% expected their profitability to decline, but only by small amounts.

5 Capacity Utilisation

We asked respondents for the first time how much of their capacity will be utilised in 2014 as the recovery takes hold. 27% of respondents did not reply but here are the results for the majority that did:

10%	would utilise capacity	100%
11%	would utilise capacity	86 - 99%
30%	would utilise capacity	80 - 85%
14%	would utilise capacity	70 - 79%
17%	would utilise capacity	60 - 69%
8%	would utilise capacity	50 - 59%
10%	would utilise capacity	Under 50%

Most respondent firms 51% are operating at the 80%+ level which is normal to retain some flexibility to meet new orders.

Only 10% are operating at full capacity. 35% are operating at below 70% capacity. Recyclers and half the Moulders and Specialist Processors were generally utilising most capacity. These results may also indicate a trend for lower stock holding, shorter lead times and just in time production to be able to respond quickly to win new business.

6 Staffing

52% expected no change in 2014 in their staffing levels, very similar to our June 2013 survey (51%) but up on our January 2013 survey (47%).

40% of respondents were expecting to increase staff, substantially up on our June 2013 survey (28%).

Of those planning to increase staff:

26%	increase staff by	2 - 5%
8%	increase staff by	6 - 10%
3%	increase staff by	11 - 20%
3%	increase staff by	21% +
40%		

Machinery and Equipment manufacturers and Recyclers were notable for planning to increase staff. 7% expected to reduce staff levels, less than 15% in our June 2013 survey. Some packaging respondents were notable for planning to reduce staff.

Pay Settlement

We asked respondents what pay settlement they had decided for 2014.

Of those that replied:

12%	Average pay settlement	No increase
9%	Average pay settlement	1 - 2%
72%	Average pay settlement	2 - 3%
7%	Average pay settlement	4 - 5%
100%		

This is an improvement on a year ago where in January 2013 23% of respondents were giving no pay increase and 37% were having an average pay settlement of 2-3%.

Workforce

We asked all respondents how many Whole Time Equivalents (WTE) staff they were employing. 78 companies replied and said they were employing a total of 16,404 WTE staff. As might be expected the largest workforces are to be found in: Moulders; Packaging and Pipes.

Apprentices

We asked all respondents how many apprentices they would be employing in 2014. Of those replying 66% are employing apprentices. This is considerably up on our survey a year ago when only 37% of companies were going to employ apprentices.

64 companies will employ 232 apprentices
33 companies are employing none.

Of those employing Apprentices the most notable sectors were:

Moulders and Specialist Processors	66 apprentices
Packaging	50 apprentices
Pipes	43 apprentices

7 Skills Needs

We asked respondents if they are having difficulty recruiting staff:

44% of respondents had no difficulty
36% were having difficulties
20% were not recruiting

This is a marked change on a year ago where 64% had no difficulty recruiting and 23% were having difficulties. It indicates a growing skills shortage.

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

For 70% Technical Managers were hard to recruit
For 36% Sales Force were hard to recruit
For 28% Other Management/Supervisory were hard to recruit
For 18% Shop Floor staff were hard to recruit
For 18% Apprentices were hard to recruit
For 18% Engineers were hard to recruit
For 5% Toolmakers were hard to recruit

The shortage of Technical Managers was common across all sectors.

8 New Bank Lending

We asked respondents if obtaining loans was a problem at present:

Yes	11%
No	89%

We asked if they had been refused credit:

Yes	5%
No	95%

We asked if they were impacted by high Bank charges:

Yes	28%
No	72%

No particular sector seems to be having difficulties.

9 Investment intentions in Plant and Equipment

We asked respondents what their investment intentions in plant and equipment were for 2014:

49% will invest a little
36% will invest significantly
15% plan no investment

This is a little more positive than our January 2013 survey. But it is surprising with the recovery that there are not more significant investment plans.

Moulders and Specialist Processors, Masterbatch, and Recyclers were the most positive on investment plans.

10 Energy Supply

We asked about respondents' awareness of the risk of power cuts for companies in the next few years, as stated by OFGEM.

We asked how serious a concern to the company was the risk of power cuts:

Very concerned	43%
Little concerned	42%
Not concerned	15%

We asked did they have plans/equipment to avoid power cuts:

Yes	25%
No	62%
Don't know	13%

We asked could the risk of power cuts affect their UK investments?

Yes	51%
No	32%
Don't know	17%

Processing sectors showed more awareness and concern than others.

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