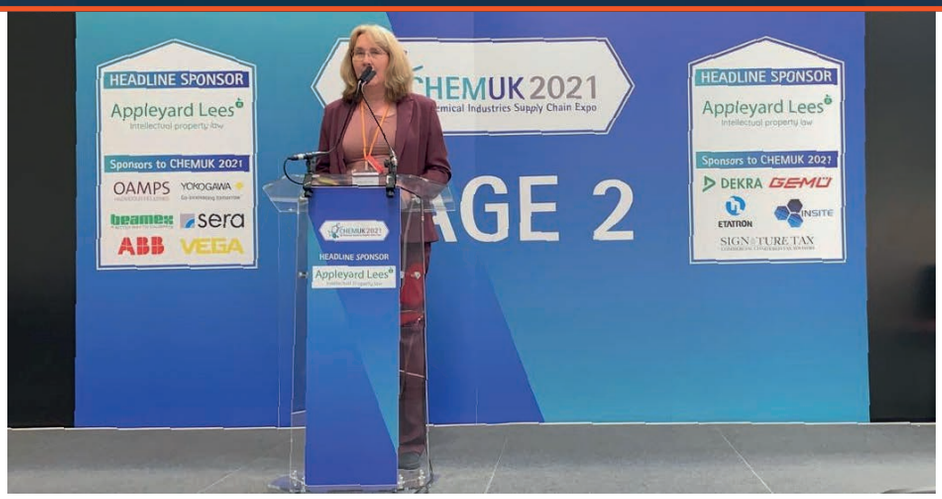
Issue 94 Online

October 2021

BASA Bulletin

INFORMED COMMENT FROM THE BRITISH ADHESIVES & SEALANTS ASSOCIATION



The UK's Chemical Industries reunite at CHEMUK 2021, NEC Birmingham

Lorna Williams, BASA Executive Officer and General Secretary

As one of the first post-lockdown 'national trade show' events scheduled at NEC Birmingham, **CHEMUK 2021, the UK's Chemical Industries Supply Chain Expo**, opened its doors on Wednesday 15th & Thursday 16th Sept, prompting delight and enthusiasm from across the sector. CHEMUK 2021 Expo followed on its hugely successful inaugural event, held in Harrogate in 2019 and represents the UK's only dedicated national supply chain expo for the chemicals industries. BASA was present at stand L41, and it was great to see a selection of BASA Members attending over the two days.

A packed 'free to attend' 2-day speaker programme presented 2021 attendees with some 150+ expert speakers, across the four integrated show floor stages, including feature session & panels discussing the big trends, challenges, opportunities & innovations affecting the UK's chemical industries. BASA gave three presentations over the two days.

Ian Stone, MD of event organisers **UK Industry Events** commented "In the wake of unprecedented challenges and disruptions thrown up to all industries, with the outbreak of the global Covid-19 pandemic, the CHEMUK team were so delighted to see attendee groups from across all segments of the Chemical Industries, as well as representation from across all regions…it was so satisfying to bring the industry back together again!"

Showcasing some **350+ exhibiting companies** representing literally hundreds of product, technology and service brands supporting the broad Chemicals, Chemical formulated products and Chemical-using industries, the busy 10,000 sqm expo floor **welcomed some 2,400+ visitors** (and a further 1,000+ from across exhibiting teams) over the 2 days, creating a combined 3,500+ attendance.

. . . . dates for Diary: **CHEMUK 2022, 11-12 May 2022 (NEC Birmingham)**

Continued on page 2

INSIDE THIS ISSUE:

BIM

We would like to welcome BASA's newest member- **BIM United Kingdom Ltd**
View BIM's profile here.

Secretary:
Lorna
Williams

Email: secretary@basa.co.uk

Secretariat update

I would like to take you back to March 2018, to the times when we could meet, and to BASA's AGM and Industry Lunch at Twickenham where many BASA Member Company's enjoyed a great day out, some got heckled by Matt Dawson for leaving early, and many of you enjoyed a wonderful tour of the stadium before a sumptuous lunch sponsored by BASA Members Rakem.

Stuart Carlyon from DHL gave a fascinating presentation on managing disruption to the supply and I hope that perhaps some of you had taken on board Stuart's advice and had plans in place to cope with the raw materials crisis we have been reporting on in the last Bulletin and the first edition of the BASA Digest published for the ChemUK Exhibition. Although Stuart focussed on KFC's lack of chicken after DHL was awarded the complete supply contract for all the franchises, perhaps you may also remember his comment that at any one time there is only 24 hours of petrol and diesel being stored in the UK fuel stations!

Fast forward to September 2021 and retailers were emptying their tanks as fast as they could for the switchover to E10 fuel. It is not clear why they felt the need to do this as the legislation that the Government put in place to introduce E10 allowed fuel retailers to still use existing stocks until 1 November as part of a gradual change, so there was no apparent need to empty storage tanks. A sudden surge in panic buying triggered by a very unhelpful 'leak' to the media quickly drained the remaining stocks. Far more serious than the toilet roll and pasta panic buying at the start of the Coronavirus pandemic, there were long queues at petrol stations as many people who actually did not need to fill their cars, jerry cans or plastic drinking bottles with fuel but all decided that they ought to 'just in case', leaving those workers who really needed to be able to get their normal fill up unable to get to work. The reality is that what we have seen was not in fact caused by a shortage of HGV drivers at all, but rather was an unfortunate consequence of the E10 switchover coupled with irresponsible leaking of 'information'. The lack of drivers means that the supply chains have not been able to recover as quickly as they need to.

By September 16 – a week before panic-buying began – average stock levels had fallen from 40 per cent to 34%. By 23rd, the day of the notorious leaked BP warning that supplies were running low due to a lack of HGV drivers, stock levels were already at 32%. The data available suggests that sales and deliveries were steady until the sales surged amid panic buying. The doubling of demand (daily fuel sales of 15000L per station to 35000L on 24th) meant that because most retailers needed to replenish their stocks at the same time, this placed enormous stress on supply chains which broke.

For years, supply chains have focused on reducing inventory levels and cutting costs by embracing lean, just-in-time management in their logistics plans. These efforts negatively impacted the resilience and agility of the supply chain. In a recent article by Forbes they say that 'Almost two-thirds of shippers …. (68%) believe supply chains have become too global and must be balanced towards more regional and local/domestic ecosystems.'

I found it slightly disconcerting that at the recent joint BASA-BCF UKREACH workshop for downstream users the representative from DEFRA asked, 'Why would a manufacturer want to purchase from more than one supplier?' . We were trying to explain the costs of registration if downstream users had all the registration obligations. It was clear that government departments do not (in the main) understand the chemical supply chain complexities that you all have to deal with.

I hope you enjoy reading the various features in this issue. We are still producing the BASA Bulletin as an online version, so all the previous issues are available on the publications section of the website.

To conclude – I really hope that we are seeing a sustained return to normality and that I can welcome you all back to BASA's Industry Lunch next March and we can hold the 2022 AGM in person and finally see each other again.

The UK's Chemical Industries reunite at CHEMUK 2021, NEC Birmingham

(continued from page 1)

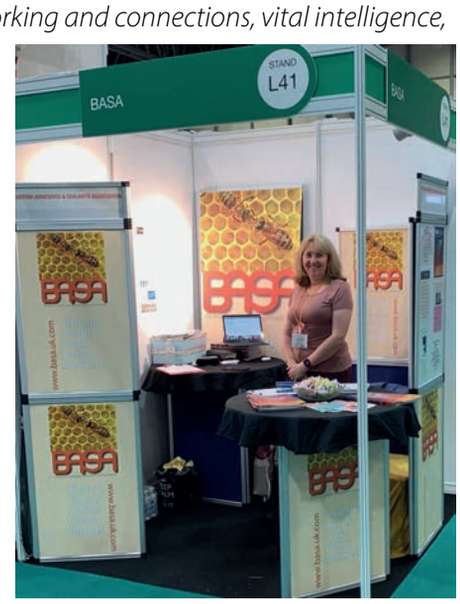
On Wednesday BASA had two presentation slots and Jenny Barnett, SHEQ Manager, F Ball and Co Ltd, gave an excellent case study on recycling. Jenny looked at how manufacturers can be responsible for what they produce once products leave their site. It considered aspects such as extended producer responsibility, a demand for zero avoidable waste on construction sites and a life cycle approach for manufacturers of adhesives and sealants.

I gave a presentation prepared with the assistance of BASA's Technical Officer Jim Palmer and Sustainability Consultant Tony Bingham on the performance demands for sustainability, energy efficiency and the circular economy. I talked about the broad topic of sustainability and the effect on the performance demands for adhesives and sealants, considering the intended function of the adhesives and sealants, including long term durability concerns. I talked about how it might be possible to match this up with circular economy demands for debonding, dismantleability and re-use of materials.

On Thursday I gave a second presentation, this time on the challenging topic of the demands of regulation on a downstream adhesive or sealant user. I looked at the key chemical and product regulations that effect the manufacturers and users of adhesives and sealants and discussed how the regulations are developing and the cost to industry. I reviewed the EU and UK (GB!) regulatory landscape to understand the effects of any changes, and to try to clarify the extra burden any divergence from existing regulations places on manufacturers.

On this year's attendance, Ian Stone comments *"With strong pre-registration levels and a great 'buzz' across industry & social channels, the industry's eagerness to engage again in a dynamic physical trade show environment was palpable and borne out as soon as the doors opened on Day 1"*

Summing up, Ian Stone commented *"Nothing beats the 'live' trade show experience for networking and connections, vital intelligence, ideas, inspiration, and just soaking up your sector's current position. You can also see what is happening immediately 'over the horizon' as well as longer term, in a dynamic, spontaneous, and visually engaging way; empowering and informing those crucial next steps…. Can't wait to welcome the industry back in 2022!"*



Scott Bader launch Crestaform® 3D printing resins

Scott Bader Co Ltd is excited to launch Crestaform, a new range of high-performance 3D printing resins available to both individual consumers and businesses.

This is Scott Bader's first ever product range for 3D printing and therefore it has created much excitement and anticipation. 3D printing is a rapidly growing market that Scott Bader identified as an area for new product development using their vast experience and expertise in resin manufacture, dating back over 70 years. That expertise led to the development of Crestaform high performing 3D printing resins that exhibit superior mechanical performance and excellent reactivity.

Scott Bader's Crestaform 3D printing resins can be used in most stereolithography 3D printers and are cured by laser or light. The level and quality of detail that can be achieved is staggering when using Crestaform resins to produce a 3D print. The opportunities truly are endless.

Crestaform 3D printing resins are supplied in recyclable bottles that are available to individual consumers via Amazon. Scott Bader will share more information on how to easily clean the bottles for recycle. Larger bulk orders are available directly from Scott Bader.

Jonathan Stowell, Scott Bader's Commercial Director, said: *"Entering the 3D printing market is an exciting new venture for Scott Bader. We have used our in depth experience in resin development to create market leading 3D printing resins that are easy to use and effortlessly produce highly detailed prints."*

SCOTT BADER TO INVEST $16 MILLION IN A NEW PRODUCTION SITE IN NORTH CAROLINA

Mocksville, North Carolina, U.S.A, 11th October, 2021 - Global chemical company, Scott Bader, has acquired a new facility in North Carolina as it strives to meet growing domestic and global demand for its market leading structural adhesives and gelcoats.

The investment sees the acquisition of a 110,000 square foot industrial unit on a 15-acre site in Mocksville, North Carolina which with further investment will be developed into a state-ofthe-art gelcoat and structural adhesives manufacturing facility. This will be the company's second North American manufacturing site; the new development is expected to create 27 new jobs locally, with 21 in manufacturing and the other roles shared across HR, R&D, commercial support and applications.

The new premises was specifically selected to tap into the State's growing advanced manufacturing sector. The facility will be built with modern design principles and operate to GMP conditions, manufacturing a range of innovative Scott Bader products. The plant aims to be fully operational by Q1 2023.

Commenting on Scott Bader's investment in the area, Terry Bralley, President of the Davie County Economic Development Commission, said: *"We're delighted a company with the pedigree of Scott Bader has chosen our county to invest in and expand their offering nationally and overseas. The new infrastructure will be a great addition to the area and the creation of 27 immediate new jobs is a real economic boost."* He continues: *"I hope Scott Bader and our region mutually benefit from one another for many years to come."*

Commenting on the latest expansion plans, Art Murphy, Sales Director for Scott Bader North America said: *"This latest investment makes clear our commitment to the North American market, as well as to our global growth strategy."* He continues: *"It comes as we also invest $2million in Canada. We now have the additional capacity we need to be more responsive to customer needs and leverage the interest in our primer-less structural adhesives - amplifying the success we've already had with the portfolio. "*

Scott Bader's international presence now totals seven manufacturing sites, 17 offices and two joint ventures worldwide, with future expansion plans firmly focused on establishing its innovative composite and adhesive products in North America and Asia.

In keeping with Scott Bader's 2036 vision to steer towards sustainable growth, while increasing its global footprint - environmental impact has been a key consideration throughout the North Carolina development and will remain central to the investments in its new site. Investing in people and technology to ensure both the build and ongoing operations are as efficient as possible.

For further information visit scottbader.com

SCOTT BADER

CELEBRATING 60 YEARS OF SERVICE TO THE SEALANT AND COATING INDUSTRIES

Since 1961, the name DH Industries has been synonymous with the manufacture and supply of specialist machinery to the paint, chemical and sealant industries. From the outset, DH have always worked closely with customers to design machines which will best meet their individual requirements. The company ethos is to provide the perfect solution for all customers. From a purpose-built factory in Essex, DH are also able to provide process trials with clients in their well-equipped test laboratory.

DH provide a wide range of process equipment solutions, from laboratory and pilot equipment up to full scale production machines. The mixers and equipment DH supply are predominantly for processing heavy, difficult and viscous materials. These include mixers such as Planetary, Butterfly dispersers and Universal triple shaft mixers. All these can be supplied under vacuum and to ATEX and DSEAR (Dangerous Substances and Explosive Atmospheres Regulations).

Planetary Mixer

DH Industries supply powerful hydraulic extruder presses or pumping systems to move your product to the next part of the production line. To complete the process, a range of world class cartridge and container filling equipment is available in both semi and fully automatic options.

In short, DH Industries are a one stop shop for all your industrial mixing and filling processing needs. With 60 years of technical know-how at your disposal, you can be assured your project will be designed, managed and delivered professionally, efficiently and to a specification that meets your individual requirements.

Hydraulic Extruder Press

Automatic KA Filling Machine

DH also manufacture Jenag strainers for industrial products which are designed to give a combined straining and pumping system in one compact and mobile unit. They provide a totally enclosed, self-cleaning system for the removal of oversized particles from a wide range of liquid products. They can also re-circulate suspensions to prevent settling of particulates in pipework during stoppages.

Jenag 1800

Jenag 1200

Jenag 600

The unique and highly effective continuous self-cleaning system with environmentally friendly reusable mesh ranging down to 20 microns, instead of costly disposable media, assures an uninterrupted throughput and consistent quality. The range of strainers can provide throughputs from 0-6,000 litres per hour and can be connected direct to filling machines or vessels for further processing.

DH Industries Limited SS15 6TD - UK Contact: Mark Sullivan,
Phone: 01268 410 666 Mobile: 07951 709 393 Email: dh@dhi.co.uk Website: processing.dhi.co.uk

Plastic Packaging Tax

Updated Plastic Packaging Tax guidance - published 24 Sept 2021

To tackle the pressing global issue of plastic pollution, the government is committed to introducing a world leading tax on plastic packaging from April 2022. The Plastic Packaging Tax will create a clear economic incentive for businesses to use recycled plastic material in the production of plastic packaging, in turn stimulating increased levels of recycling and collection of plastic waste and diverting it away from landfill or incineration.

The tax will be paid by manufacturers and importers of plastic packaging (including plastic packaging filled on importation) that contains less than 30% recycled plastic and will be set at a rate of £200 per tonne.

To ensure the tax does not disproportionately impact small businesses, those that manufacture or import less than 10 tonnes of plastic packaging each year will not need to register or pay the tax. All businesses above this threshold must register, including businesses who already include more than 30% recycled plastic in their packaging.

To support businesses, HMRC published 'Get your business ready for the Plastic Packaging Tax' guidance on GOV.UK, which provides an overview and further information on the tax. The 'Further information for businesses' part of the guidance has recently been updated to provide further detail on:

- The types of plastic packaging subject to the tax, including single-use products, such as carrier bags, sandwich bags and disposable cups.
- Who is liable for the tax and when it is charged, by clarifying what is considered 'last substantial modification'.

HMRC has also produced two 'decision tree' documents to provide a step-by-step guide to help business determine if plastic packaging is in scope of the tax, and who is required to account and potentially pay the tax. The decision trees are attached to this email.

Queries?

More detailed guidance and support to businesses will be provided in the coming months. Any queries on the tax should be directed to HMRC, using the contact details in the guidance.

Guidance Documents

Liability to register guide

Scope decision tree guide

www.360environmental.co.uk

Can Patents Blunt the 2023 Corporation Tax Spike?

In March 2021 Rishi Sunak confirmed HMRC's intention to increase corporation tax from 19% to 25%. This presents a significant challenge to many industries adjusting to a post-Brexit economy during the midst of the coronavirus pandemic. The sealants and adhesives sector knows these difficulties all too well, with bureaucratic quagmires such as the ongoing REACH problems exacerbating the more widespread foes of supply chain disruption and raw material cost fluctuation.

Nevertheless, help may be at hand in the unlikely form of patents. As many readers might recall, HMRC launched its Patent Box scheme in 2013 which slashes corporation tax from 19% to 10% on profits from patented technology1. What might come as a surprise is that the lower rate of 10% applies even when the main rate jumps to 25%. A single qualifying intellectual property right (for example a UK patent) can be used to reduce corporation tax on all worldwide profits relating to sales of a qualifying item.

This presents an extraordinary saving and could see enormous future tax relief given that well over £1Bn of relief is already claimed annually at the current level of corporation tax (Figure 1). This will be especially valuable to the chemical industry, which has been one of the major beneficiaries under the patent box scheme (Figure 2, falling under category C).

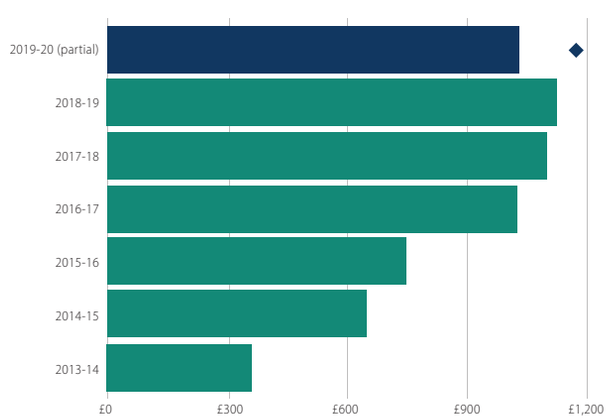


Figure 1: Total relief claimed year-on-year

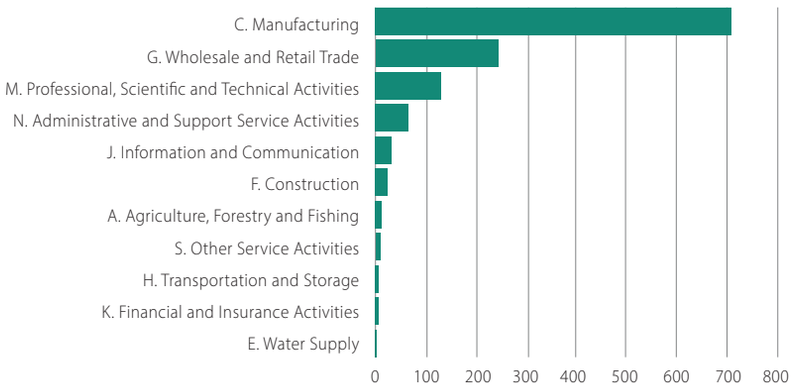


Figure 2: Patent box uptake based on industry sector

It is important to keep in mind that skilfully prepared patents can be granted for incremental advances in technology rather than being restricted to moments of paradigm shift. Moreover, a patent covering a substances or additive can, under the correct circumstances, be used to reap tax relief on more complex products incorporating the substance or additive. For example, there have been examples of patents to a wing mirror being used to claim tax relief on the sales of a car. This logic can also be applied to the adhesives and sealants sector and could magnify tax relief considerably.

With the sticky(!) problem of a looming corporation tax hike, now might be the time to view patents as a revenue stream instead of a necessary cost centre.

For more information on this and other patent topics, please contact:

Dr Greg Stepney is a specialist chemical patent attorney and Partner at European patent firm Withers & Rogers LLP. gstepney@withersrogers.com

Dr Philippa Roberts is a specialist chemical patent attorney and Associate at European patent firm Withers & Rogers LLP. PRoberts@withersrogers.com

---

1 = subject to further qualifying criteria, see www.gov.uk/government/statistics/patent-box-reliefs-statistics

Attend BASA's Open Forum on 4th November to hear directly from Greg and have an opportunity to ask questions.

withers & rogers

UK Cost of Carbon - NET ZERO CARBON, WHAT ON EARTH DOES IT MEAN?

Lorna Williams, BASA Executive Officer

In an explanatory article authored by Jane Thornback Sustainability Policy Advisor at CPA (**found here**). Jane explains that at its simplest, 'Net Zero' mathematically means that input and output are matched, there is no net gain, so Net Zero Carbon means that total carbon emissions are equal to (or less) than the emissions removed from the atmosphere.

The UK, through the Climate Change Act, has a Net Zero Target by 2050 compared to 1990 levels; it also has several intermediate milestones such as 68% reduction by 2030, and 78% reduction by 2035. Scotland has a target of Net Zero by 2045. Wales of 80% by 2050. In addition, it should be remembered that individual businesses that supply BASA Members may also have their own targets in terms of when they want to achieve net zero as an organisation.

The UK Government is seeking to get companies, both large and small to sign up to the Race to Zero Commitment, and to promote UK plc green innovations, and drive export markets.

The SME Climate Hub is a pioneering global initiative that aims to create a tipping point for mainstreaming climate action and building business resilience. The SME Climate Hub is an initiative of the **International Chamber of Commerce**, the **Exponential Roadmap Initiative**, the **We Mean Business coalition** and the **United Nations Race to Zero campaign.**

If you decide to make a commitment, the SME Climate Hub will get in touch with tools to help you understand your emissions, how to tackle them, and how to share what you're doing with your customers and community. In the following months they will keep you up to date with ideas, support and incentives to help you meet your commitment. This commitment is for small businesses in the UK. Small businesses from **outside the UK** can also make the commitment on the main page of the **SME Climate Hub**. Bigger businesses in the UK and from around the world can also do their part at **Race to Zero**.

Your suppliers may also be tracking their carbon cost using tools like the **Ember Daily Carbon Prices**. 'Carbon pricing' is designed to reduce greenhouse gas emissions by adding a cost to the creation of emissions. 'Carbon pricing' is primarily a policy tool for combatting net emissions and is the name used for any method which aims to reduce emissions or increase the capture of greenhouse gases by adding a cost to those creating emissions, and in so doing encouraging the take up of alternatives and/or making the polluter pay for the damage.

There are two main methods of carbon pricing: a direct tax on emissions generated by a business or a system of allowances or permits to pollute, tradeable on a secondary market, referred to as an 'emissions trading scheme' (ETS) or 'cap-and-trade' system. Before the end of the Brexit transition period, the UK was part of the EU's ETS. In the summer of 2020, as the UK prepared to leave the EU's ETS, the UK consulted on whether to set up its own ETS or to impose a 'carbon emissions tax' (CET). In December 2020, the UK government announced that it would be proceeding with a UK ETS from 1 January 2021.

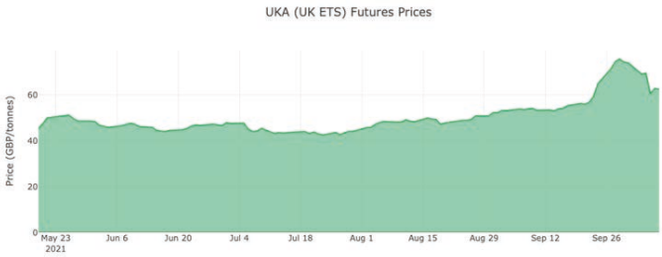
The scheme was established with 5% fewer allowances in circulation than the UK had under the EU scheme and allowances was subject to a transitional auction reserve price of £22. The idea behind these measures was to make allowances – and therefore emissions – more expensive than they were for UK emitters under the EU ETS, signalling the UK's intent to lead from the front.

Reuters reported on May 19th 2021 that Britain's Emissions Trading System (ETS) kicked off as the UK strives to eliminate net emissions by 2050, with carbon prices reaching over £50 per tonne and making the cost of polluting in Britain higher than in the EU. The ETS is a method of charging power plants and other industrial entities for each tonne of carbon dioxide they emit. Britain launched its own market to replace the European Union's ETS after it left the bloc. **Read more here.**

Currently, the UK deals with the problem of carbon leakage by giving free credits to certain businesses which compete with businesses in countries not subject to carbon pricing. However, in terms of reducing emissions, this defeats the object of having a carbon price in the first place – as the emissions escape pricing altogether.

Daily Carbon Prices

If Members are interested, the daily Carbon prices under both the EU and UK Trading System can be tracked and downloaded here:
https://ember-climate.org/data/carbon-price-viewer/



Data source: **ICE (Intercontinental Exchange)**

One EUA or UKA gives the holder the right to emit one tonne of carbon dioxide, or the equivalent amount of two more powerful greenhouse gases, nitrous oxide (N2O) and perfluorocarbons (PFCs)

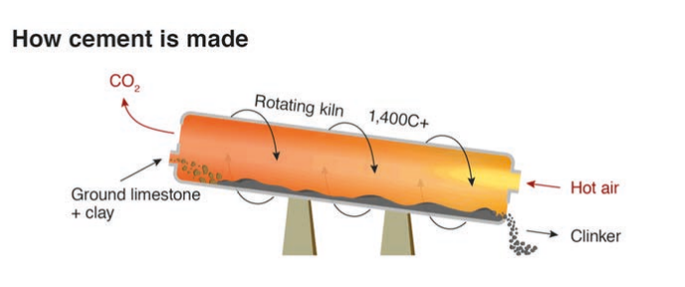
The challenges and opportunities of decarbonisation are likely to be different for each company. For energy Intensive industries (such as cement, steel, and ceramics) the priority is how to replace fossil fuel in the manufacturing process, for other sectors, such as flooring it may be how to reduce the amount of waste that goes to landfill. BASA members will have elements of all the aspects as their raw material sources may come from the cement industry, they may have their own energy and production challenges, or they may have a large packaging footprint to deal with.

A brief look at Cement - 'Clinker' - the big polluter

Many BASA Members are involved in cementitious products so in this feature we will take a quick snapshot of the issues.

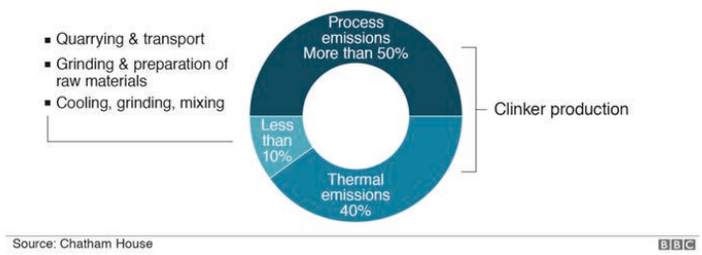
As reported by Reuters on October 12th, global cement and concrete makers laid out steps to cut carbon dioxide emissions 25% by 2030 and to reach zero net emissions by mid-century, relying on more carbon-free energy, new chemistry and manufacturing technology, and carbon capture. Cement accounts for about 7% of global carbon emissions, and the Global Cement and Concrete Association (GCCA) accounts for 80% of concrete made outside of China, and some companies within China.

A BBC article in 2018 looked at the issue of **Concrete as a massive CO2 emitter.**



In 2016, world cement production generated around 2.2 billion tonnes of CO2 - equivalent to 8% of the global total. More than half of that came from the calcination process.

Together with thermal combustion, 90% of the sector's emissions could be attributed to the production of clinker.



About two-thirds of those total emissions result from calcination, the chemical reaction that occurs when raw materials such as limestone are exposed to high temperatures as shown in the McKinsey & Company figure below.

Why does cement production emit so much CO2?

The large scale of manufacturer and use of concrete makes it a top contributor to global greenhouse gas emissions—the industry was responsible for 7% of worldwide CO2 emissions in 2018 according to a Scientific American article.

As I have already indicated, the majority of concrete's carbon footprint comes from the production of clinker and this production results in chemical and thermal combustion processes called calcination creating 50% of the processes' greenhouse gas emissions. Because this CO2 comes from a chemical reaction, it can't be eliminated by switching to more energy-efficient fuels. Today there are a few options for low carbon cement mixes that either eliminate or decrease the amount of clinker in cement mixes. Substitutes such as fly ash and blast-furnace slag are used instead.

High fuel requirements are another big contributor to cement production's big carbon footprint. Heating the kilns to high temps required to make cement is responsible for another 40% of emissions created.

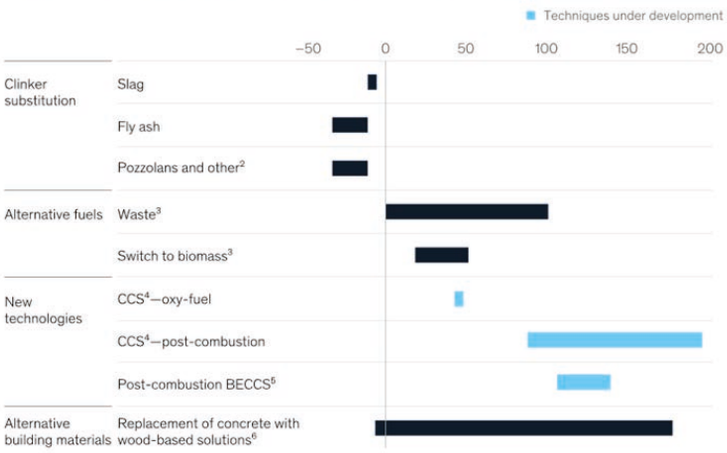
How much CO2 is produced per ton of cement?

The CO2 emission from the concrete production is directly proportional to the cement content used in the concrete mix; 900 kg of CO2 are emitted for the fabrication of every ton of cement, accounting for 88% of the emissions associated with the average concrete mix.

The McKinsey abatement cost curve below estimates the costs of several large-scale investments to reduce one ton of CO2 (based on assumed future costs, CO2 prices, and abatement volumes). A negative abatement cost—such as for clinker substitutes—implies a benefit to the producer rather than a reduction in cost.

Decarbonizing cement requires large-scale investments in technologies, bringing down both fuel and process emissions.

Range of abatement cost[1] of various cement decarbonization levers, $/tCO$_2$



[1] Globally assumed cost, can vary locally.
[2] Limestone, kaoline, and other.
[3] Depending on availability, quality of material, and cost to dispose.
[4] Carbon capture and storage.
[5] Bioenergy with carbon capture and storage.
[6] Includes abatement coming from displacement from steel.

McKinsey & Company

Abatement costs indicate ranges, as the exact price of goods depend on regional and future availability. For example, as the steel and energy sectors step up their decarbonization efforts, the availability of clinker substitutes such as pulverized fuel ash (fly ash) and granulated slag will decrease. The same holds true for biomass, which is likely to experience rising demand from other industries.

With the abatement costs of certain levers higher than CO2 prices, cement manufacturers are faced with a dilemma: there is pressure from the public and financial investors to abate quickly, even though there is no economic rationale to do so. Not only do the economics seem far from stellar, but the required investment needs to be directed toward cost-reduction measures for cement producers to maintain their value share in the broader construction industry.

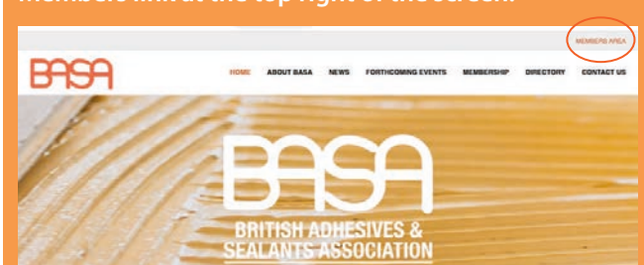
In a last comment in January 2020 Redburn, the equity research house stated that decarbonisation will drive a 'dramatic' rise in cement prices, from the middle of the decade, as the costs to produce cement will rise by some 61% when the industry invests in technology to capture and store carbon. The emissions trading schemes will initially benefit cement manufacturers (although with the UK ETS running higher than the EU ETS the UK will benefit less than the EU initially as the UK scheme beds in) but as the schemes become stricter and a border tax is introduced, carbon capture technology will become necessary for cement manufacturers to reduce emissions.

BASA will be looking at the UK's Net Zero objectives at out Open Industry Forum on 4th November and are pleased to welcome a speaker from BEIS. We will be looking at what resources we can have available for Members in future to help them in their journey to net zero.

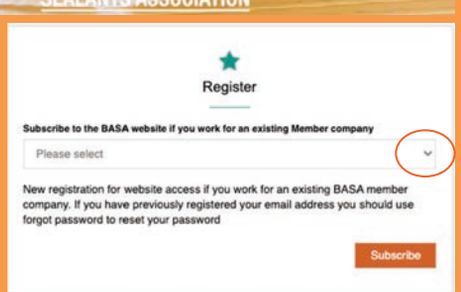
How many of your colleagues from you company have access to the BASA website?

We actively encourage as many 'eyes' from each Member Company to have website access as possible. There is so much information being generated in terms of regulation, business information, trends, and guidance that it is beneficial not to just have one contact. A member company can have unlimited subscribers under the one annual subscription fee so it really makes sense and will enable the maximum membership benefit.

The process is simple – all you need to do is go to the website www.basa.uk.com and click on the orange Members link at the top right of the screen:

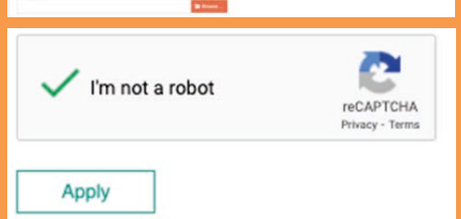


At the next screen, click on the drop down arrow to select your company:



Then fill in your details, choosing a password according to the rules:

And click on the 'I'm not a robot' box and Apply:



There is no costs to adding subscribers – and it is a great way to keep up to date – so please feel free to encourage your colleagues to subscribe today!

BASA FOCUS ON UKREACH FOR MIXTURES

Hopefully you have read my recent article in the new BASA Digest, a publication that combines some of the usual BASA Bulletin stories with a Member Directory Section at the back. This was issued in print at the recent ChemUK exhibition, but if you missed it then it is always available digitally on the BASA publications page here: www.basa.uk.com/Home/SiteContent/4/590

We also held a successful joint workshop on UKREACH for Downstream Users with the British Coatings Federation on 7th September and it is clear than many BASA and BCF members are struggling to understand the intricacies of UKREACH duties for GB downstream users, many of whom will become importers and will need to register or the first time. I am sure I am not the only one who is finding it difficult to see any value in the exercise for existing EU REACH registered substances!

This special feature is having a look at some of the key questions we are asked and hopefully giving you some useful answers. Don't forget if you want to have a chat with other members, please join us for the informal BASA Members drop-in Clinic every Friday at 10:00. This is a great Friday networking opportunity, and we all learn something each week. The last session we were even treated to Sam's interesting Friday Facts and learned about Stephenson's Rocket and have decided we want this as a regular weekly feature so we are interested to see Sam from Hodgson Adhesives future facts.

Three important points to remember:

UKREACH duties only fall to GB legal entities, and they are the only ones who can meet any obligations.

UKREACH is for all the substances in any mixtures you purchase/use (ie all substances in mixtures must be UKREACH registered if imported over 1T per annum).

In the same way as EU REACH operates, it is one substance one registration BUT only suppliers who hold a UKREACH registration will comply with the UKREACH obligations. Grandfathering or DUINs will defer the full UKREACH registration obligations for 2,4 or 6 years. All GB manufacturers will need to be a part of any substance group that submits a joint registration to share the data costs (but all must pay the appropriate registration fee). If there is no GB manufacturer then either a GB importer or a GB Only Representative (OR) would need to be part of the substance group to share the joint data costs (again each entity will pay the appropriate registration fee and it is only the data costs that are shared.

YOUR Q&A

Q CAN MY EU SUPPLIER REGISTER THE MIXTURES HE SUPPLIES ME?
A No

Only substances can be registered AND the obligation for UK REACH registration is for a GB legal entity ONLY – either a GB Manufacturer or a GB Importer or a GB OR appointed by the EU supplier.

Q CAN MY EU SUPPLIER APPOINT A SINGLE GB ONLY REPRESENTATIVE FOR MULTIPLE EU MANUFACTURER LEGAL ENTITIES?
A Yes

In this situation there are three options that would allow their GB customers to comply with the UK REACH duties:

1. EU manufacturer supplies as much formulation information on the substances in the mixtures he supplies as possible, and the GB customer submits a DUIN. Every GB customer would also need to do this. This only defers the registration obligations for 2, 4 & 6 years (depending on the volume each GB customer imports) at some point the full registration will need to be submitted by each
2. customer.
   If the EU supplier has a GB legal entity, they can act as the importer and submit one DUIN for the substances in all the
3. mixtures imported by all the EU legal entities*.
   The EU supplier appoints a GB OR who acts for all of the EU legal entities, but they would need to submit a DUIN to represent each of the EU legal entities covered. (ie if there were 4 EU legal entities then 4 DUINS would be needed). The DUINS would all be submitted by the one GB OR. This is managed by the GB OR setting up his own 'parent' Comply with REACH IT account and then once they have signed into the service, they set up 4 'child' accounts one for each of the 4 EU legal entities represented (as per my example).

** We are waiting for HSE to confirm exactly what role the GB 'importer' must take to be classed as the importer. Depending on their answer, it may be that the GB legal entity of the EU supplier must be appointed as the GB OR under option 3 instead.*

Q IF MY EU SUPPLIER SAYS THAT THE SUBSTANCES OR SUBSTANCES IN THE MIXTURES HE SUPPLIES ME ARE ALL UKREACH COMPLIANT SHOULD I STILL SUBMIT A DUIN?
A Yes

We would strongly recommend that Downstream users submit a DUIN to cover all of the substances and substances in mixtures supplied by an EU supplier. This is because submitting the DUIN will allow all your future suppliers of this substance to be covered under your DUIN. Doing this gives you a choice to use additional non-GB suppliers of this substance under your own DUIN and avoiding the need for an immediate registration.

Q SHOULD I STILL SUBMIT A DUIN IF I DON'T KNOW THE SUBSTANCES IN MY MIXTURE?
A Yes

The advice is to submit on the basis of you best guess regarding the substances I your mixture. This is particularly true for polymers, where you are unlikely to be able to get information on the monomers from the SDS. Use your best guess and please feel free to contact BASA for advice. Doing this will give you an opportunity to update the DUIN at a later date if you are able to get additional information and still benefit from the deferred dates for full registration. Provide as much information as you can, even if you cannot support by analysis.

Beyond ECHA – Additional Compliance Requirements

ECHA
EUROPEAN CHEMICALS AGENCY

Six countries have not yet joined their internal IT systems to ECHA. Any information submitted via the ECHA portal will not be available within the country in an emergency – so anyone calling the poison centres in these countries won't get any information or advice.

In order to be compliant with Annex VIII the notifications must be submitted via the national processes rather than via ECHA. This has been requested by the member state and is mandatory for Annex VIII compliance.

Country	For Annex VIII - countries that have not connected to the ECHA system and so for compliance we must notify directly to the country
Belgium	National process must be used
Bulgaria	National process must be used
Iceland	National process must be used
Lichtenstein	National process must be used
Luxembourg	National process must be used
Slovakia	National process must be used

The countries below are accepting notifications via the ECHA portal, however they have additional requirements to be fully compliant with Annex VIII.

Country	For Annex VIII - to be compliant the below is mandatory, in addition to the ECHA notification
Austria	Information must be sent directly to member state
Croatia	Information must be sent directly to member state and a fee must be paid
Hungary	Member state requires payment of a fee
Northern Ireland	Information must be sent directly to member state
Ireland	Information must be sent directly to member state and a fee must be paid
Italy	Member state requires payment of a fee
Latvia	Information must be sent directly to member state
Spain	Information must be sent directly to member state

The countries below have mandatory national reporting requirements. These involve a one-off notification and regular tonnage reporting. We are aware that the authorities are carrying out compliance checks on the below.

Country	Other legislative requirement in addition to Annex VIII ECHA notification – Tonnage declarations
Denmark	Executive Order No. 1794 of 18 December 2015 - Notification to Denmark Product Registry plus tonnage declarations every 2 years
Finland	Finnish Chemicals Act 08.09.2013/599 - Notification to Finland Chemical Product Register plus tonnage declaration every year
Norway	Norwegian Regulations on Labelling of Chemicals to the Product Register (deklareringsforskriften) - Notification for Norway Declaration Regulation plus tonnage declaration every year
Sweden	KIFS 2005:7 Classification and Labelling Regulations - Notification to Swedish Products Register plus tonnage declaration every year
Latvia	Cabinet of Ministers of the Republic of Latvia No. 795, plus tonnage declaration every year

With thanks to NCEC for providing this information.

NCEC
Part of Ricardo

In other poison centre news the portal will be updated in October and should give companies the ability to edit dossiers. Up until now, dossiers are similar to pdf files and are locked. The portal update will allow users to unzip the files and gain access to datasets.

The Carriage of Dangerous Goods and Use of Transportable Pressure Equipment Regulations 2009 amended

The Carriage of Dangerous Goods and Use of Transportable Pressure Equipment Regulations 2009 has been amended by the Radiation Emergency and Consultation Regulations 2021.

The Radiation Emergency and Consultation Regulations 2021 come into force on the 1st of November 2021 and amend both the Carriage of Dangerous Goods and Use of Transportable Pressure Equipment Regulations 2009 and The Radiation (Emergency Preparedness and Public Information) Regulations 2019.

The regulations have been requirement due to the fact that Public Health England (PHE) has been abolished. The UK Health Security Agency (UKHSA) is taking on the relevant functions of the PHE. The Radiation Emergency and Consultation Regulations 2021 replaces references to Public Health England (PHE) with references to the UK Health Security Agency (UKHSA).

Read 'The Radiation Emergency and Consultation Regulations 2021' here:
www.legislation.gov.uk/uksi/2021/1110/regulation/1/made

50 FEICA® 2022

Hamburg, Germany

SAVE THE DATE

FEICA European Adhesive & Sealant Conference and EXPO 2022

14-16 September 2022

Grand Elysée Hamburg

Stain-free sealing for natural stone flooring with **illbruck FA880**

Formulated to complement the natural beauty of stone, illbruck FA880 helps the trade achieve great looking joints, without any compromise on design.

This neutral curing silicone comes with the reassurance of an illbruck guarantee that it will not cause migratory staining to natural stone.

FA880 is also available in an extensive range of colours to achieve a perfect match for projects, while a contemporary matt finish brings a stylish finish underfoot.

To maintain its attractive surface, FA880 also includes a fungicide to prevent mould growth, making it the perfect partner for sanitary and swimming pool surround applications.

Alistair Inglis, Sales Director for Construction Products Group (CPG) UK's Sealing, Bonding & Insulation division – which includes the illbruck brand - said: "FA880 is a high-performance silicone sealant, developed specifically for the jointing of natural stone, as well as other surfaces.

"It has been formulated for the long-term elastic sealing of movement joints between natural stone such as granite, slate, terrazzo, porphyry, limestone, travertine, sandstone, quartzite and marble, as well as for joints with other construction materials including concrete, ceramics, metals, glass, PVC and primed wood.

"FA880 offers good resistance to UV light, ageing and weathering and its rapid curing formulation means that it skins within 10-20 minutes."

"We are also the only manufacturer with guaranteed no staining to have achieved a 50% classification under the BS 8449 Movement Accommodation Factor."

Offering sealing and bonding products for floors, windows, façades, interiors, and exteriors, illbruck is one of CPG's portfolio of leading construction product brands, which also includes the renowned flooring brand Flowcrete, as well as Tremco, Vandex, Nudura and Dryvit and Nullifire.

These high-performance building materials - including roofing and waterproofing solutions, as well as sealing, bonding, insulation, fire protection systems and modern methods of construction – together provide a single source for specifiers and contractors.

As well as exceptional products, CPG customers also have access to enhanced resources, including technical support from industry experts, new product development opportunities and access to pioneering technologies.

Full training, including CPDs, application training (both practical and theory) and on-site support such as surveys, complete the service package.

More details at:
www.illbruck.com/en_GB/product/fa880-premium-natural-stone-silicone-matt/

ISO TC 59 SC8 Sealants Meetings
Virtual Events 28th – 29th September

Two long days of Zoom meetings had most of the participants keen to have a face-to-face set of meetings in 2021! We all miss the coffee breaks and social events around the meetings. We hope to meet in the US in 2022 all being well, after a 2-year break.

I chair two WG's – WG24 which updated ISO 9046 (new version now published), so is now disbanded, and WG5 – which is looking at higher movement.

Please join the Sealants WG to find out more, and a flavour of virtual meetings was shared by the Chinese secretariat of ISO TC 59 SC8, where the Chinese delegation were all in the meeting room whilst the rest of us managed the time zones!

Written by Lorna Williams, Chair of BSI mirror Committee B/547 and UK expert head of delegation (of 1 currently)

28 Tuesday	29 Wednesday
ISO TC59 SC8 Opening Meeting & Welcome Zoom Meeting ID: 92349928818 Key 821058	
ISO TC59 SC8 WG5 Zoom Meeting ID: 92349928818 Key: 821058	**ISO TC59SC8 WG 21** Zoom Meeting ID: 93861262791 Key: 559041
	ISO TC59SC8 AHG13 Zoom Meeting ID: 96925997860 Key: 158205
ISO TC59 SC8 WG6 Zoom Meeting ID: 93936538794 Key: 785821	
ISO TC59 SC8 WG7 Zoom Meeting ID: 98897831322 Key: 395608	**ISO TC59SC8 SR on ISO 11618 and test methods 19862/3** Zoom Meeting ID: 96925997860 Key: 158205
ISO TC59SC8 WG23 Zoom Meeting ID: 93293898846 Key: 188433	
ISO TC59SC8 WG22 Zoom Meeting ID: 92246752195 Key: 586048	**TC59/SC8 Plenary Meeting** Zoom Meeting ID: 96925997860 Key: 158205
ISO TC59SC8 WG24 Meeting ID: 95296468996	
ISO TC59SC8 WG12 Zoom Meeting ID: 95353356047 Key: 559041	
ISO TC59 SC8 Review of ISO 10593 Zoom Meeting ID: 95353356047 Key: 559041	
ISOTC59SC8 Review of ISO 11432 Zoom Meeting ID: 95353356047 Key: 559041	

BASA Virtual Open Industry Forum – via Microsoft Teams

Join us at 09:30 on November 4th 2021 for a packed OIF programme dealing with the current hot topics!

After the usual welcome from BASA's Technical officer Jim Palmer, Alistair Gardner, Department for international Trade (DIT) will start the day off with a look at trade and import-export trends post Brexit.

Department for International Trade

Department for Environment Food & Rural Affairs

Our second speaker Julie Mayhew, Senior Policy Advisory from DEFRA will then take us through a review of the grandfathering process (completed) and give us the first view of the DUIN process (which ended on 27th October). **This is an opportunity to ask your questions so please think about what concerns you most and what additional help you need.**

Office for Product Safety & Standards

In the third session before your virtual coffee break, we have Michael Kearney and Krish Govinden from the Office for Product Safety and Standards (OPSS) talking to us about how OPSS and trading standards will approach market surveillance in regards to UKCA marking of construction products. **Save those questions about the actual UKCA marking of adhesives and sealants for the last session, though!**

FEICA®

You can then all have a well-earned (quick) coffee break! But make sure you are back in time to hear Kristel Ons from FEICA give us a European post-Brexit view.

CryptoCycle™

Followed by our first speaker on the environmental aspects of the sector, who will be talking about Championing Circularity. Continuing from the last OIF where we started talking to you all about Extended Producer Responsibility, as a sector we are going to need to look at what we can do together to reduce the impact of our packaging waste and Tony McGurk, Chairman & Founder, Cryptocycle has some interesting ideas for ways of dealing with packaging from different suppliers/brand owners to mitigate against the costs.

Department for Business, Energy & Industrial Strategy

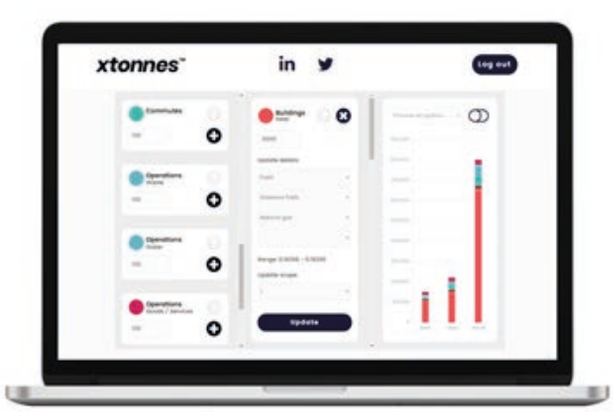
In our 6th presentation we have Stephen Cummins from BEIS who is going to start our discussion about industrial decarbonisation. This is a topic that many of you will definitely be feeling if you are using cement in your adhesives. After Stephens presentation you have all earned your second cup of coffee, but part 2 of the decarbonisation discussion after the break and something that you will all be interested in.

xtonnes™

In the last session, Vanessa Macdougall and Charlie Zhu will be joining from xtonnes; the next generation software to help manufacturing businesses take control of their carbon emissions.

Manufacturers are facing increasing pressure from regulation, investors and customers to decarbonise, however current solutions, normally consultancy, are incredibly expensive.

The xtonnes mission is to make carbon management intuitive and affordable. Their software has been built with designers and manufacturers, to take you through the crucial steps of carbon management and create a Net Zero reduction strategy.



In their session they'll give an overview of the steps businesses need to take, options available to do so, and provide a demo of the xtonnes software in action.

For anyone who can't make it but would like more information, head to www.xtonnes.com, or email vanessa.m@xtonnes.com. xtonnes will also be at Digital Manufacturing Week on Innovation Alley, so anyone attending should stop by and say hello!

The second presentation in this last session is by me! Unfortunately, DLUHC (formally MHCLG!) were unable to field a speaker for the event so with an extension to the intended date to cease recognition of CE marking in GB to 1st January 2023, I will pass on the latest information from DLUHC about both the intended future legalisation changes to cease the recognition of CE marking and other thorny issues like historical test reports.

withers & rogers

Finally, something a bit lighter to end on – we have Dr Greg Stepney, Partner, European and UK Patent Attorney, Withers & Rogers who would like to start the discussion about monetising patents. With all the groundbreaking development work needed to find innovative solutions to the current environmental challenges then wouldn't it be nice if your work also had added value in its own right?

Jim Palmer will have a final word with us all, and you will have a last opportunity to ask any questions and then that's another year of Open Forum's over.

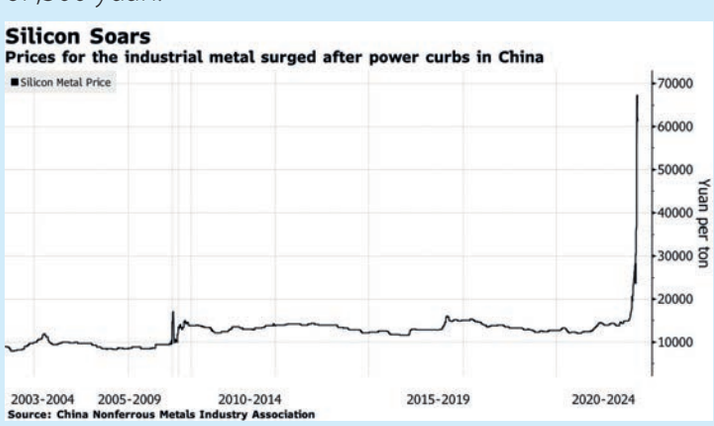
We will have held three virtual OIFs in 2021 – so it would be useful if you can let us know if you feel that this is something you would like to see continuing in the post-Covid world? Please drop me an email with your thoughts if you were not able to join the OIF on 4th November, and we are aiming to run a survey for booked attendees after the event to gather feedback.

Written by Lorna Williams, Executive Officer and General Secretary, BASA.

300% surge in Silicon price sends yet another blow to the adhesives & sealants market

If you are trying to purchase silicone polymers you may have been told that the polymer is not available or will take a while to arrive or that the price has rocketed. So, what's causing the silicone shortage? Last year, during the height of the COVID-19 pandemic, several major monomer suppliers halted their operations. In China, a joint venture was closed for an extended period and in the US, a facility that produced fumed silica went off-line. Today, there are too few North America facilities that make silicone and globally, demand for silicone is higher than it was in 2020, when many advanced economies were consumed with the pandemic.
Consequently, producers in Asia need to fill both higher regional demand and increased Northern American and European orders. Meanwhile, a shortage in silicon metal triggered by a production cut in China due to massive restrictions on electricity usage is the latest in a series of supply chain disruptions that creates a damaging mix for adhesives and sealant manufacturers and customers.

Silicon metal is made by heating common sand and coke in a furnace. For most of this century, the price of it has ranged between about 8,000 and 17,000 yuan ($1,200- $2,600) a ton. Then producers in Yunnan province were ordered to cut production by 90% below August levels from September through December amid electricity curbs. Prices have since shot up as high as 67,300 yuan.



Prices are expected to remain elevated around current levels through next summer, until more production comes online in the second half of the year, said Yang Xiaoting, senior analyst at Shanghai Metals Market. Demand is growing from sectors like solar power and electronic equipment.

Economic Update October 2021

My regular readers will remember that I was adamant we should expect significant labour supply issues once lockdowns ended. And this is where we are today. The blame game is in full swing, with Brexit the often quoted culprit but its more complicated than this. My objective is to think through the likely pattern of events we should expect over the next 18 months.

But as always we must begin with recent history.

The Money Tree

Before covid hit the World, Western Governments had finally realised that the mediocre or non-existent productivity growth of major economies since 2008 was partly due to austerity measures. In particular the collapse in public sector investment.

The private sector needs an efficient and effective base on which to operate. Its needs power, water, sewage disposal, telecoms, space, port facilities, a supply of labour with the necessary basic skills, and an effective diplomatic core to facilitate global trade and influence.

Many countries such as the USA, Germany, India and the UK have significantly underinvested in their domestic infrastructure. Those countries which did invest have performed better eg Singapore, China, UAE and Sweden. The UK announced in 2019 100Bn capital spend each year for 5 years. This to be financed by issuing gilts which are purchased by local and international pension funds. If higher growth results the arithmetic is straightforward: nominal GDP rises faster than the cost of borrowing and there is a net gain. Investment spending boosts nominal GDP. It is Modern Monetary Theory in action. If for whatever reason the pension funds are reluctant to buy the gilts at an acceptable yield, the Bank of England steps in and buys.

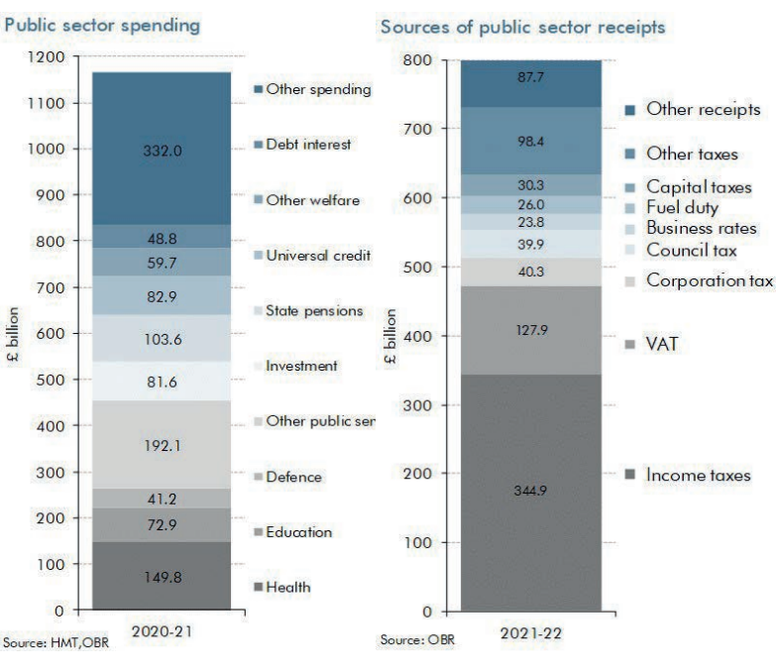
Before covid, to borrow for capital spending is considered sound, but to borrow to finance social spending (such as pensions) was considered to be irresponsible.

Then covid hit and for 18 months the view changed. Spend whatever it takes to find a vaccine, prevent death, and maintain productive capacity in lock downs. The result is a massive increase in the global money supply, and a much smaller increase in the volume of goods and services. As markets work to balance supply and demand, the inevitable consequence is price increases across the board. My view is that we have excess demand due to the $19 trillion of new money created by central banks. There is no way supply can rise fast enough to match this, so inflation is not a blip, but will remain in the system until purchasing power is eroded and demand slows to match rising supply. This will certainly take another two years.

In the UK the Government has begun to shift back to raising tax to fund social spending. National Insurance will rise from next April. This tax redistributes income form the healthy to the sick and elderly. It does not change the amount of money in the system. But if private companies notice their sales are falling below budget and they then take steps to reduce their outgoings we have the beginnings of a recession.This is why some people are forecasting a sharp slowdown or even a recession.

They are unduly pessimistic. The excess money in our system is 300Bn, the NIC increase will take out 13Bn a year from employers and employees. It will however remain in the system unless social spending is reduced by the same amount ie 13Bn AND the Bank of England sells 13Bn of its bond holding to the market AND then writes 13Bn out of its balance sheet.Thus destroying some of the 400Bn it created beginning April 2020. There are no signs it will do this.

In summary tax increases used to increase Government spending do not reduce the total amount of money in the system, they redistribute it. This year the Government will pay out £103.6 Bn to pensioners.



Demographics

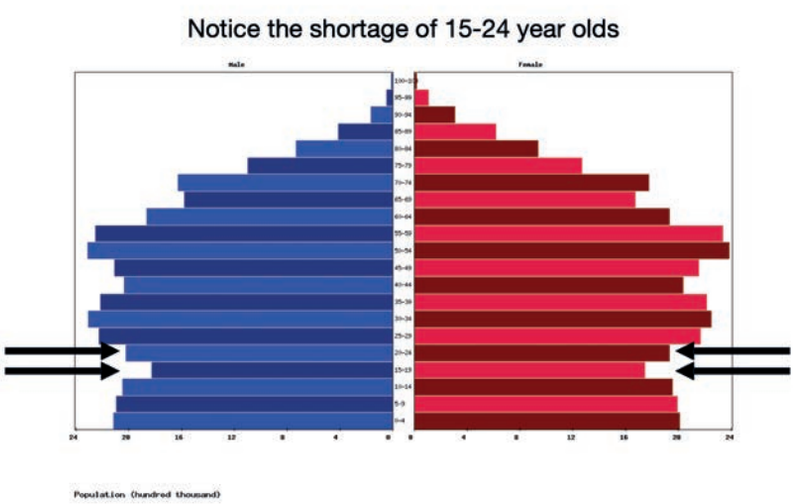
We now know the UK Government believe that allowing EU workers into the UK since 2005 has depressed wages to the extent that nearly 3 million people in work are also claiming universal credit. Although unstated they are hoping that

wages will rise sufficiently to remove the remaining 3 million from the benefits register. They also believe that a persistent labour shortage will drive innovation when the wage bill becomes prohibitive.

A look at the type job in high demand raises some question marks. We are some way off from self driving trucks and vans (although Ocado the online grocer is expecting to have driverless electric delivery vans in 2 years time). There are robot hoovers and lawn movers but most gardening jobs from my experience will still require humans. In warehousing there is significant innovation and fully automated warehouses are nearly with us. In Manufacturing there is a lot of scope and many manufacturers are innovating. The construction industry is fairly traditional and our housing stock is old. There is plenty of automation in prefabricated building, but repointing a 1880 chimney I suspect will always require a human.

In hospitality there are opportunities particularly for self service. If wages rise sufficiently then a meal out with human table service may well become a luxury.

BUT LOOK AT THE CHART:



We are 1.2 million short of 15-19 year olds, and 600,000 short of 20-24 year olds. This partly explains 100K starting salaries for newly qualified solicitors with the big six firms in London. Those who state the labour shortage little to do with Brexit are deluded. Professor Portes estimates 1.3 million EU workers have left the country since Brexit. As many of them were in their early twenties its clear why business is short of suitable workers.

There will significant wage inflation as companies poach from each other. The 3 million in work but claiming UC will earn more. Will the remaining 3 million enter the work force? This is doubtful. Of this 3 million 1.7 million are presumed to be actively looking for work. Arithmetically this matches the demographic shortfall but in practice it will be a question of skills, attitude and location. So a good match is unlikely. This is why we define full employment exits when 5% are unemployed.

The chart also shows us why the demand for family homes has been strong, but will fall away from 2028. And the demand for I bedroom flats from 2025 will weaken.

It's clear that wages will rise faster than normal in the private sector. The Government limit rises in the public sector and will quite rightly be excoriated for this. There will be an exodus from public to private sector by the more talented. Apparently if its a hard Winter the roads will not be gritted because there has been exodus of HGV drivers to the private sector.

Wage growth in excess of productivity will lock in inflation. Productivity gains will prove elusive particularly in social care and activities where person to person interaction cannot be substituted. It's worth noting that by 2028 there will be a million more 85 year olds.

The Money Supply

Please take a look at the chart below. When there is no QE by the Bank of England, the black line and red line move almost in tandem because the black line is commercial bank lending which creates new money out of thin air which then appears in the red line. The red line can only be above the black line if either foreigners decide to buy sterling and hold in a London account
(possibly because they are laundering) and or the Bank of England is creating money.

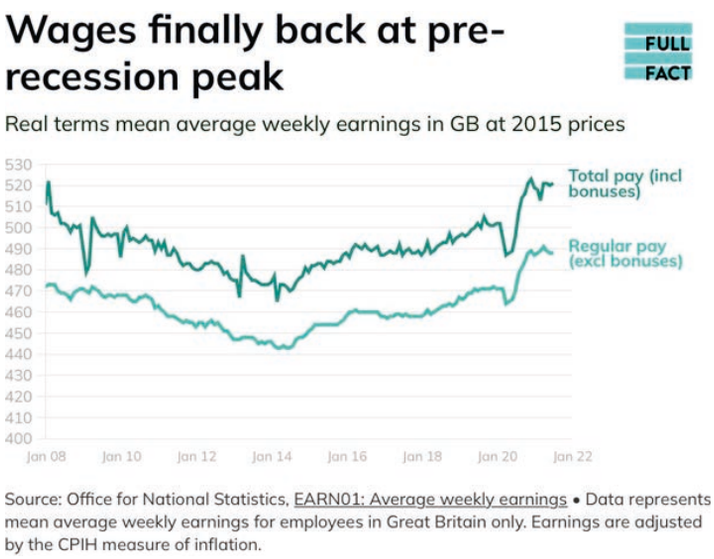
Typically, UK money supply grows by 100Bn a year. Changes in the rate of interest are designed to control its rate of growth. In the last 18 months it has grown by 400Bn, the 300Bn excess growth has come from the Bank of England operating QE. There is 300Bn sloshing around our system. it can only leave our system if its spent overseas, commercial banks call in loans, or the bank of England's unwinds its bond holding. If the latter, then the long run rate of interest will rise from the current 1% to closer to 3%. And the mortgage rate would soon follow.

There is enough money in our system to finance a 5% inflation rate. Indeed currently earnings are growing close to 5% but productivity by 1%.

Economic Update continued

Last year output per worker fell 10% but wages didn't. We have an inflationary gap. This gap could be filled by big increases in output (unlikely), or price inflation which is what the UK and the rest of the World are experiencing. In short inflation is the process by which excess money is absorbed.

Paying people wages for no output is inherently inflationary. Furlough has been hugely successful in maintaining capacity but there has been no increase in capacity.



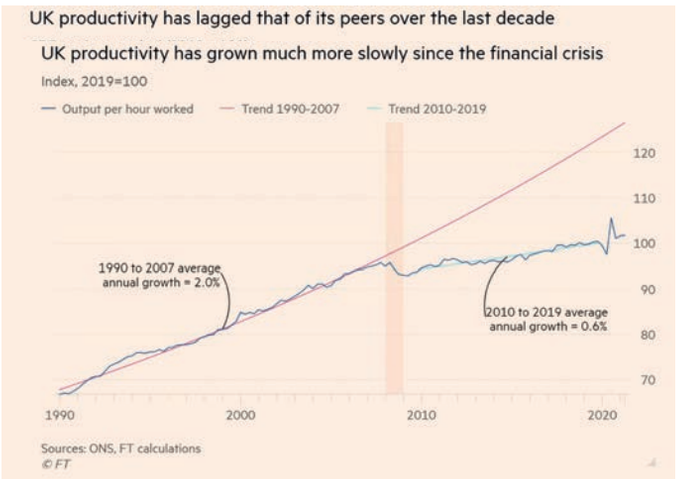
The productivity issue

The UK has a record of poor productivity when compared to our neighbours. Total productivity is the same as France but output per hour of work is about 15% less. There are many arguments as to why this should be so. The favoured one is that much higher minimum wages drive higher levels of automation in France.

My opinion is the difference is primarily cultural. And the rise of home working will improve our performance. In the UK on arrival in the workplace there is an expectation that one chats about the football, the rugby, the appalling traffic etc usually with the first coffee of the day. This loses 15 mins……and then in an office environment people leave their terminal regularly for a chat with others. I have not witnessed the same behaviour in France or Germany. And at 5 pm in both countries offices are empty, not so in the UK as people stay later to catch up on the work they should have done instead of chatting!

However we must look at other issues. There is a long tail of small businesses which are best described as lifestyle businesses where labour resource could be more effectively deployed but by choice is not. Over the next few years it is likely many of these will fail, releasing much needed resources for others to employ.

There is also the fact that from 2008 there has been more uncertainty than previously. Banks were calling in loans and reluctant to lend, then the Brexit debacle, and now covid. All three have clearly damaged confidence and the willingness to invest in productive capacity (but not property!) despite record low interest rates.



The next 18 months.

I reckon central banks will tolerate above target inflation for the next 18 months and therefore although interest rates will rise they will be kept below the level required. Central banks will cease creating new money but not reduce the amount of QE. So an inflationary growth period is the likely outcome. Stagflation, slumpflation or a recession is are all unlikely.

The 80/20 rule will apply to households. The bottom 20% will suffer, their real income will fall. Due to the loss of £20 pounds a week for this on UC. And their food bill will rising by 10%, their energy by 30%. The remaining 80% will enjoy wage awards (not public sector) at least in line with inflation and cover their energy and food bills from excess savings (there is 170Bn sitting in households accounts). They will keep spending. The bottom 20% of earners spend 20% of their income on food and energy. For the rest the % steadily drops. Half UK earners pay 10% of their income on food and energy.

Government will boast falling deficits as tax receipts rise strongly. The real growth rate of the major economies will revert to trend when they reach pre-covid levels of output in the next 6 months. There will shortages of certain products and this will be exacerbated by media driven buying frenzies.

There is the issue of the oil price. It's currently at $80. Under normal circumstances I would begin to worry that this would soften growth. If it stays around $80 then we need not worry about growth. Why? The prices will be passed on, and some of the excess money will be absorbed. Consumers will pay more but not buy less. If we see more than $100 and stays there then all bets are off.
Looking ahead to 2022 I expect the following for the UK

(assuming no lock downs!)
Nominal GDP (ie spending) up 8%, inflation 5% real growth 3%
Wage growth 6%
Interest rate 1.0% but long run rate 1.8%
Exchange rate 1.18 euro, 1.37 dollar
Oil price $85

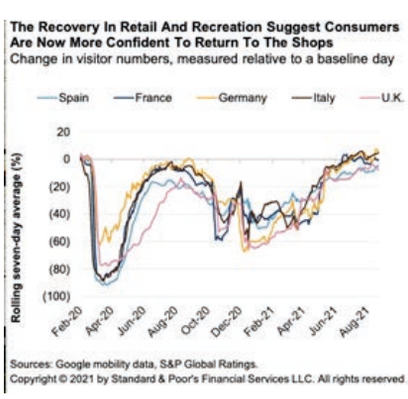
The Rest of the World

It's clear to me that most of the price pressure in the World is due to excess demand. The USA illustrates this best. The chart shows the actual spend on consumer durables. Pre-covid the spend was $1.5Trn. After the Biden stimulus it rose to a peak of $2.150Trn. I very much doubt if any durables manufacturer predicted this surge and therefore of course there is insufficient supply. Latest GDP data indicates the USA growing at 12.3% . Trend growth since 1950 is 3%.

The $4Trn of new money is flooding through the the USA and driving up global prices. It is estimated that 50% of US money supply flows abroad via imports of goods and services and exports of capital.

The EU

The EU has recovered more quickly than I or anyone else expected. Real GDP will exceed pre- covid level by the end of this year. This chart shows the change in visitor numbers shops. You will see the UK is the lowest. This is because we use on-line shopping for 30% of our purchases. In the EU its 15%.

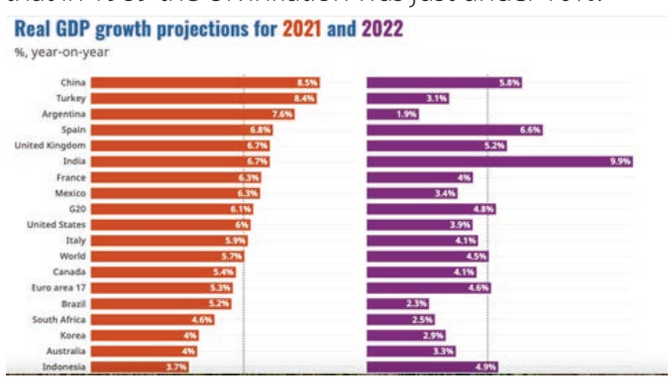


China

I use energy consumption data to assess China's growth. Its GDP Q2 grew by 9% on this basis. But Q3 and Q4 will be significantly less because of electricity rationing. And shortages of a wide range of products will persist.

Global growth

If the forecasts shown in the chart are accurate, or even close, we should expect shortages throughout 2022. And with it will be a higher than forecast global inflation rate. I repeat, individual market prices are mopping up the excess money supply present in the global system. There is $19 trillion.
Perhaps a better illustration is the current price of US equities: 30% high than pre-covid. Private equity has $2.5 trillion looking for deals. They are currently paying 45% above the market for companies they wish to buy. The number of UK buyouts is 60% above the same period in 2019. The loads of money of the late 1980's is back with a vengeance. Its worth noting that in 1989 the UK inflation was just under 10%!



Conclusion

UK demography shows us why there are labour supply problems. These will persist. Global supply issues are primarily due to the post lockdown recovery being much stronger than the mainstream forecasters expected. (but if you are regular reader, we fully expected it!). The current levels of inflation are not a blip, although Government and central banks wish to believe it is. They will be too slow to reduce the quantity of money they have created. Commercial bank money creation is not excessive, the problem is with central banks. Perversely increases in base rate will increase the cost of working capital for business, but it will not reduce the rate of commercial bank lending.

Scare stories of slumpflation or recession are wide of the mark and best ignored. We will experience inflationary growth. But the press will be full of business failure horror stories. Remember that business failures always increase with economic recovery primarily due to over trading. And the banks know they will get their money back so they play hard ball. There are many of you who kept your staff on, increased training in the slack periods, innovated, and believed in the upside. You should be beginning to reap the benefits now.

Finally, we now know what the Governments' strategy is: it's to encourage productivity growth through wage inflation, borrow 100Bn a year for infrastructure, ensure house prices continue to grow, and berate business for not adapting quickly enough. So if it all goes wrong it will be the fault of UK business.

Written by Roger Martin-Fagg (Rmfagg@aol.com)

Synthomer Announce Acquisition of **Eastman Chemical Company Adhesive Resins Business**

Synthomer plc today announces it has agreed to acquire the Adhesive Resins business ("Adhesive Technologies") of Eastman Chemical Company ("Eastman"), which develops, manufactures and sells tackifying resins and additives for adhesive products, with a strong focus on attractive end markets such as hygiene, packaging and high performance tyre additives.

Read more: https://www.synthomer.com/index.php?id=932

Scott Bader Italia established

Scott Bader is pleased to announce the formation of Scott Bader Italia.

Scott Bader Italia has been established to ensure they serve their growing base of Italian customers operating in various markets including, marine, land transportation and building & construction.

The Scott Bader Italia office will continue to work closely with their strategically positioned Italian distributors for the distribution of their innovative composite, adhesive and functional polymer product ranges.

Antonio Giampà, Sales Manager for Scott Bader Italia, joined Scott Bader in early 2021. He is an Aerospace Engineer with 15 year's experience in the composites market.

He said: "I am delighted that Scott Bader Italia has been established and I look forward to working with our key customers and distributors in the region. I will put all my knowledge, expertise and passion to turn Scott Bader Italia into a successes."