

BASA Bulletin

INFORMED COMMENT FROM THE BRITISH ADHESIVES & SEALANTS ASSOCIATION



**BOOK
NOW**

BASA Annual Dinner, Saturday 2nd December 2023

Bookings Open!

This year's BASA Annual Dinner will be returning to the Chester Grosvenor Hotel on Saturday 2nd December 2023.

We last held the annual dinner here in November 2019 and we are looking forward to seeing BASA Members embrace the Christmas spirit and join us for a night of good food and good company.

We know our members are all working really hard so this is a chance to let your hair down and have some well deserved entertainment and a night of social networking and festivity.

New Members in 2023

ADVATAC
Adhesives for Industry

Star Uretech

Fix-A-Floor®

EU to drop ban of hazardous chemicals after industry pressure

The European Commission is poised to break a promise to outlaw all but the most essential of Europe's hazardous chemicals, leaked documents show.

8

UK REACH

What are my options under UK REACH if we (GB based company) choose to import a new substance?

10

Economic Update

Read Roger Martin-Faggs latest update.

16

Open Industry Forum Registration Now Open - Free to BASA members

Registration is now open for the BASA Open Industry Forum on **Thursday 2nd November 2023 at the Sketchley Grange Hotel, Hinckley.**

The morning starts with Tea & Coffee at 9:00 am followed by 3 scheduled sessions on: Standards and Products Information, Environmental Issues & BASA Member Benefits and Consultants round-up of current issues. There will be a buffet lunch with networking and poster presentations at 13:15.

Don't miss an excellent opportunity to send any new starters to this free networking event to learn about the industry and make contacts.



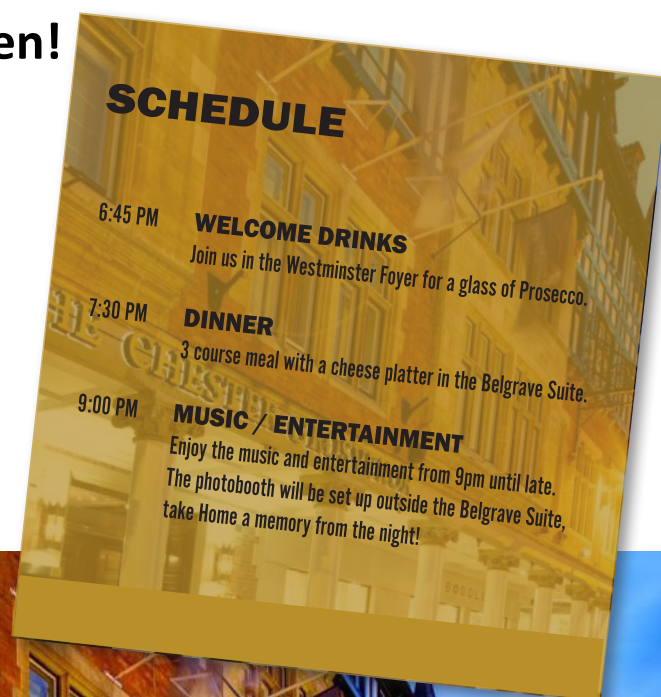
Full draft programme and booking here

Annual Dinner Bookings Now Open!

For this years BASA Annual Dinner we will be returning to the CHESTER GROSVENOR Hotel on Saturday 2nd December 2023.

The event was last held here in November 2019, we are looking forward to seeing BASA Members embrace the Christmas spirit and join us for a night of good food and good company.

You are all working really hard so this is a chance to let your hair down and have some well deserved entertainment and a night of social networking and festivity.



Want to be a Gold Sponsor of the Chairman's Drinks Reception and support the association?

Sponsorship Package includes;

- Social media promotion
- Publicity in the BASA Bulletin
- A one page advert in the 2024 BASA Members Handbook
- Table of 8

There are only 3 Gold Sponsorships available for this event.

Book here.



Book now

Sad News in the Industry



Dr. Henrik Follmann, John Young, Dr. Thomas Damerau and Chris Young (from left)

John Young died peacefully in his sleep at the hospice earlier this year.

John spent the majority of his life in the industry and was even served as president when the BASA association was formally known as BAMA.

He was the MD of Swift in the 70's when he was in his early 30's and went on to become MD of Monach adhesives.

After leaving Monach he started his own business, John Young adhesive systems, before setting up Sealock Ltd in 1983 manufacturing Hotmelt and aqueous Adhesive for the UK market.

Sealock established a further sister adhesive manufacturing company in France to support the French and Southern Europe markets in the 1990s and further expansion included a manufacturing company in Poland and Russia to support local geographical markets.

The business was sold by the young family in 2018.

John is survived by his wife, Brenda who he had been married to for 61 years and his two sons Peter and Chris.



Nadine Williams & David Williams

BASA's late, former Secretary, David Williams' wife, Nadine Williams sadly passed away on 25th February 2023 aged 83, shortly after being diagnosed with Cancer.



Darren Ogden

Sadly Darren Ogden lost his battle against cancer on Friday evening (10th March), aged 54.

Darren was known to many at Kenyon as our "glue stick expert", with over 13 years' service to the company.

He was a lot more than just an employee – he was a good friend, classed as a "glue family member" and will be very much missed by not only us and his family, but by all who knew him or ever had the privilege to meet him.

Darren was very much into his sports, playing golf, squash, cricket and a keen runner – he even won the BASA Glue Pot Trophy in 2012 – a coveted trophy in the glue world.

He was a bright character, as colourful as his shirts, with a quick wit sense of humour and a heart of gold, who would do anything to help someone out, sadly taken from us way too early.





GLOBAL CHEMICAL REGULATION CONFERENCE – LONDON

- 🕒 Thursday, October 5, 2023
- 📍 Renaissance London Heathrow Hotel



Scan the QR code to find out more

On October 5, CIRS Group, a leading product safety and regulatory consulting firm will be hosting its Global Chemical Regulation Conference in London.

The one-day event will bring together global industry experts and members of the CIRS international team to cover a variety of topics:

Topic	Speaker
Chemicals Policy in the EU – Hot topics and Trends.	Marko Susnik, Senior Advisor - Austrian Federal Economic Chamber (WKO).
Planet, People and Profit: 3Ps of the Triple Bottom Line and the Ecovadis Sustainable Rating.	Sebastien Chaigneau, EHS Director - BMI Group.
Regulatory Experiences of Single Wall Carbon Nanotubes (SWCNTs).	Gunther Van Kerckhove, H&S Lead Manager -OCSiAl Group.
Latest EU CLP and Global GHS updates.	Michel Hemberg, CEO - Lisam Systems.
Global Trade and Supply Chain for UK Companies.	Alastair Gardner, Trade Specialist (Chemical) -Dep for Business and Trade, UK.
An Introduction to Korea-REACH and Korea-BPR.	Junho Lee and SeoWon Kim - CIRS Korea.
Exploring the Chemical Management Regulations in China.	Dean Winder, Senior Regulatory Consultant - CIRS Europe.
Overview of Challenges Facing UK Chemicals Companies.	Ian Cranshaw, Head of International Trade and Regions - Chemical Industries Association (CIA).
How to Prepare for KKDIK (Turkey REACH) Registration Deadline?	Elif Koç, Managing Partner – Chemleg.

There will also be two panel discussions focused on sustainable development and supply chain challenges.

Together with some of the speakers, panellists include:

- Greta Waissi, Vice President and Head of Regulatory Affairs at NordShield, Chair of the Finnish Society of Toxicology (FST);
- Pierre Germain, Technical and Regulatory Affairs Manager at the European Association of Chemical Distributors (Fecc);
- Dara Hun, Senior Director R&D, Incubator & Open Innovation, Indie Brand Integration, Coty.

The event will provide attendees with plenty of opportunities to ask questions about the regions and jurisdictions.

It is open to all professionals in the chemicals industry, including manufacturers, distributors, regulatory affairs managers, and especially those looking to move into new markets or trying to understand their obligations in the ever-changing regulatory landscape.

We are delighted to offer BASA Members the early bird price of €199.

Scan the QR code to register and find out more. Or contact Bryan Zhou, deputy general manager of CIRS Europe via Bryan.Zhou@cirs-group.com or +353 1 477 3710.

Scott Bader Turkey established

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

The new Turkish office, based in Istanbul, has been established to offer Scott Bader's key distribution partners and customers local expertise in the growing composite, adhesive and functional polymer markets in Turkey and Central Asia.

Whilst working in partnership with key Turkish distributors such as Telateks-Metyx Composites for composites and SAFIC ALCAN for functional polymers, Scott Bader Turkey will also drive growth in strategic local markets such as automotive and food packaging.

Scott Bader Joins Forces with Biesterfeld

UK headquartered chemicals company, Scott Bader, has entered into a new partnership with Biesterfeld - Germany's leading distributor of composites, rubber and specialty chemicals.

The global manufacturer has secured Biesterfeld's support within two segments - CASE and Performance Products - across several European regions, where the group will take its resins, gelcoats and acrylic dispersions to market. Specifically focusing on Scott Bader's composite and adhesives range, as well as functional polymers used widely in coatings, adhesives, sealants and elastomers (CASE), Biesterfeld will be working with customers across a number of industrial markets on Scott Bader's behalf - covering everything from building and construction through to land transportation and pipe relining.

"The alignment between the two companies was clear from the start," says Scott Bader's Sales and Marketing Director, Marie Elliot. "As a long-standing, family-owned business with like-minded values the partnership makes perfect sense in terms of their capability and moral commitment. We have every confidence that Biesterfeld can impeccably represent Scott Bader's interests in Germany, Austria and Switzerland and beyond, and look forward to leveraging their connections on the ground."

With both companies being operational some 100 years and benefiting from a strong family influence on either side, the partnership was naturally forged. As an employee-owned organisation Scott Bader's unique structure and charitable arm means that the group has to be especially scrupulous when it comes to building its network. Ensuring that any new arrangements reflect a similar sustainability



Marie Elliott, Scott Bader's Group Sales and Marketing Director, said: "We are delighted to commit to the growing Turkish market with the formation of Scott Bader Turkey. The new office gives us the opportunity to work even closer with our key distribution partners to build on the success they have already delivered. We look forward to welcoming our new colleagues to the Scott Bader Group."

As part of the establishment of Scott Bader Turkey, the Scott Bader Commonwealth has donated to the DEC Turkey - Syria Appeal to help support victims of the recent earthquakes that devastated parts of southern Turkey and Syria.

Scott Bader Turkey's official company name is: SCOTT BADER TR ÖZEL KİMYASALLAR SANAYİ VE TİCARET LİMİTED ŞİRKETİ.

stance, code of practice and shared values. As part of the Biesterfeld Group, Biesterfeld Spezialchemie offers extensive market knowledge and tailor-made, application-based technical advice across eight business units, including CASE and Performance Products, and is active worldwide.

The Performance Products segment consists of three divisions; Composites & Tooling, Adhesives & Lubricants, as well as Electric, Electronic & Energy. The specialty offerings and tailor-made solutions enhance the performance of industrial and consumer products worldwide, improve production processes and application properties. "We're thrilled to offer Scott Bader's exceptional composites portfolio, featuring top-of-the-line polyester resins, gelcoats, and adhesives that are specifically designed for the marine and railway industries, among others," says Dr. Johannes Martin, Product Manager. "Their unique fire, smoke and toxicity fume (FST) system, Crestafire, for example, sets them apart in the rail industry, providing added safety and reliability to our customers."

Biesterfeld's CASE segment offers additives for coatings, adhesives, sealants, and elastomers for a broad spectrum of applications and has a specialist sales team represented all over Europe. "We are very excited about the new collaboration with Scott Bader. The products from Scott Bader complement our portfolio very well and allow us even more scope and possibilities", says Saadet Bozat, Product Manager at Biesterfeld.



Scott Bader and the Biesterfeld CASE team together at the European Coatings Show 2023

On the composites side, Biesterfeld will be responsible for Scott Bader's premium Crestafire FST resins and Crestapol urethane acrylate resins, as well as its Crystic resins and gelcoats, Crestomer urethane acrylate structural adhesives and Crestafix bonding pastes and will be responsible for the DACH region. In parallel, Biesterfeld's CASE segment will drive sales of Scott Bader's Texipol rheology modifiers, Crestacryl solvent acrylic resins, Crestakyd alkyd resins and Texicryl acrylic dispersions and will be responsible for DACH, Poland, Czechia, Slovakia, Spain, Portugal, and the Baltic States.

"We're pleased to announce the partnership ahead of JEC World in April as we strengthen our presence in core European markets and look forward to speaking with customers, old and new, about the benefits this coalition will bring," concludes Scott Bader's Marie Elliot.

Scott Bader is exhibiting at JEC World in Paris 25-27 April on Stand M27 in Hall 6.

FEICA[®] 2023

**Tarragona,
Spain**

FEICA European Adhesive & Sealant Conference and EXPO 2023

13-15 September 2023

PortAventura Convention Centre



www.feica-conferences.com

Is your business passionate about supporting charities?
Is your corporate social responsibility strategy at the heart of your business model?
Do you want to help inspirational people achieve extraordinary things?

What is the Social Purpose Project?

The Social Purpose Project (SPP) is a pioneering social enterprise which provides specialist public affairs and public relations support for charities, campaigns, and causes. These services are delivered at no cost to the recipient organisation thanks to sponsors from the business community. During a difficult period of instability for the third sector, the SPP model gives charities and not-for-profit organisations access to skilled professionals who will help further their social impact and make a difference to society.

What problem are we solving?

In recent years, operational costs have increased abruptly, and this has had a devastating impact on the third sector and not-for-profit organisations especially. The most recent NCVO almanac found that staffing costs account for 37% of total charity sector expenditure. The majority of charities in Britain are small and lack the resources to bring in specialist communications support. Public affairs and public relations play a pivotal role in determining how successful an organisation is in promoting their cause, raising funds and achieving social impact. Some of the most important causes and inspirational charities are failing to maximise their potential due to a lack of expertise in these specialist areas.

How do charities and not -for-profit organisations benefit?

The SPP has an experienced and talented team of professionals who will support recipient organisations by becoming an extension of their team. By embedding ourselves in the organisation and understanding the mission, we create a strategic plan that effectively supports the organisations public affairs and public relations activity in a way that works for them. We bring the valuable expertise, innovative ideas, and the high standard of professionalism that is needed to successfully achieve set objectives. The SPP guarantee that each individual recipient organisation will receive a minimum of 10 hours of specialist support per week.

The SPP will work closely with the recipient organisation to:

PUBLIC RELATIONS:

- Develop an informed communications strategy.
- Secure national and regional media coverage.
- Plan a diverse mix of creative multimedia campaigns.
- Manage crisis communications and reputation management.
- Provide expert social media support.
- Organise events.

PUBLIC AFFAIRS:

- Engage with government and officials.
- Organise meetings with MPs and Peers.
- Provide detailed policy research and political intelligence.
- Organise a parliamentary reception.
- Lead a stakeholder engagement plan.
- Help influence policy and debate.

How to become a sponsor?

Your business can become SPP sponsor by making an unrestricted contribution of £25k. This sponsorship will allow the SPP team to support a charity or not-for-profit organisation for 12 months. We guarantee 100% of the contribution will be spent on directly supporting the aims and objectives of the recipient organisation. As a sponsor, you can nominate the recipient organisation or select one from the list presented by the SPP. You will then receive quarterly reports on the progress and impact that is being achieved because of your sponsorship. Sponsors will also receive an official SPP pack which includes assets that can be used to promote your involvement.

Your business can become an **ELITE SPONSOR** by making an unrestricted contribution of £100k. This sponsorship will allow us to support four charities or not-for-profit organisations.

The sponsorship contribution has been purposely calculated so it provides exceptional value against the rates across the UK PR sector. According to PR Insider, a London-based boutique agency with a staff team of under 50 will typically charge a monthly retainer fee between £5k- £10k per month. The SPP sponsorship costs just £2,083 per month.

Supporting inspirational people to achieve extraordinary things.

For more information on the benefits of the Elite Sponsor package, please email daniel@socialpurposeproject.com | socialpurposeproject.com

Call for comments and evidence – UV-328, UV-327, UV-350, UV-320

ECHA is calling for comments and evidence on;

- UV-328 (2-(2H-benzotriazol-2-yl)-4,6-ditertpentylphenol)
- UV-327 (2,4-di-tert-butyl-6-(5-chlorobenzotriazol-2-yl)phenol)
- UV-350 (2-(2H-benzotriazol-2-yl)-4-(tert-butyl)-6-(sec-butyl)phenol)
- UV-320 (2-benzotriazol-2-yl-4,6-di-tert-butylphenol)

(EC numbers 247-384-8, 223-383-8, 253-037-1, 223-346-6)

(CAS numbers 25973-55-1, 3864-99-1, 36437-37-3, 3846-71-7)

Call for comments on the draft screening report on the presence and risk of the four phenolic benzotriazoles in articles.

Deadline for comments is the 18th August 2023.

BASA does not intend to submit comments to this consultation – so please either submit your own comments – or urgently get in touch if you wish BASA to support your case.

Weblink:
<https://echa.europa.eu/calls-for-comments-and-evidence/-/substance-rev/73501/term>

BASA members information relating to EU Chemicals Legislation - CARACAL Summary

The FEICA Chemicals Legislation working group have posted a summary from CARACAL on CLP and joint REACH/CLP relevant sections.

Employees working for BASA member companies can access the full posting by following the weblink. You must log in to your members account. If you do not have a BASA members website account yet, follow the instructions in the weblink.

If you are not a BASA member company, [why not apply to become one of our Member companies?](#)

UK Government announces extension of CE mark recognition for businesses - but not for construction products, yet

**CE MARKING USE
Extended.
NOT FOR
CONSTRUCTION
PRODUCTS**

The Department for Business and Trade has today announced an indefinite extension to the use of CE marking for UK businesses. UKCA marking for construction products is managed by DLUHC and as of today's date DLUHC still intend to cease recognition CE marking in June 2025, which is confusing. BASA's view is that DLUHC are likely to eventually concede that UKCA marking of construction products is unnecessary for products that are not safety critical.

Please note that this announcement only refers to CE/UKCA marking of products covered under the Department of Trade and the announcement does not yet include construction products.

This comes as part of a wider package of smarter regulations designed to ease business burdens and help grow the economy by cutting barriers and red tape. Following extensive engagement with industry, British firms will be able to continue the use of CE marking alongside UKCA.

The Business Secretary acted urgently on this issue, to prevent a cliff-edge moment in December 2024 when UKCA was set for entry. This intervention will ensure businesses no longer face uncertainty over the regulations and can cut back on unnecessary costs freeing them up to focus on innovation and growth.

The page for [Construction products guidance](#) continues to confirm that the DLUHC intention is to end recognition of the CE mark in GB on 30 June 2025.

In light of today's news from DBT we await any updates regarding construction products. BASA will update members as soon as we have additional information.

EU to drop ban of hazardous chemicals after industry pressure

The European Commission is poised to break a promise to outlaw all but the most essential of Europe's hazardous chemicals, leaked documents show.

On 11th July 2023, it was reported by Business Matters that it was understood that the EU's executive is on the brink of a climbdown under heavy pressure from Europe's chemical industry and rightwing political parties.

The industry-led backlash is causing internal disquiet over the threat to public health and policymaking. One EU official said: "We are being pushed to be less strict on industry all the time."

A leaked legislative document seen by the Guardian proposes three options that would restrict 1%, 10% or 50% of products containing hazardous chemicals currently on the market. The EU typically selects the middle option.

The leaked 77-page impact study forms part of a revision of targets in the EU's Reach regulation covering chemicals law, which is dated 13 January 2023 and due to be launched by the end of this year. The text could be altered but officials say the options under consideration have not substantially changed.

An EU official speaking on condition of anonymity said efforts to dilute the legal revision were helped by "a complete change in the wave of support for consumers and the environment" in Brussels, as MEPs in EU president Ursula von der Leyen's European People's party (EPP) became queasy about environmental reform.

Read the full story here:
<https://bmmagazine.co.uk/news/eu-to-drop-ban-of-hazardous-chemicals-after-industry-pressure/>



International Adhesives & Sealant Day

29 September is 'International Adhesive & Sealant Day'!

This is a request from the British Adhesives & Sealants Association to its member companies to send your sustainability news to FEICA so that they can add stories on the bespoke website FEICA is creating, that will launch on 29 September 2023.

These stories (without naming your brand) will be highlighted on a dedicated page (still under construction) www.internationaladhesiveandsealantday.com/innovations

International Adhesive & Sealant Day was globally recognised at the 2022 World Adhesive and Sealant Conference (WAC 2022). Its purpose is to promote adhesives and sealants as enablers of a sustainable future and to improve the general public's knowledge of our products.

The idea is that on 29 September FEICA's members, and the individual FEICA National Associations Member Companies (and others in the A&S industry) will share the FEICA posts (referring to the Int. A&S website) and highlighting how their (your) innovations specifically contribute to sustainable development!

In this way we will create a real buzz about our entire industry.

Please send your news/brochures etc. to i.alenus@feica.eu before 8 September 2023!

29 September is International Adhesive & Sealant Day

www.internationaladhesiveandsealantday.com

Celebrating the binding force that shapes our world.

Think Sustainable Future.
Think Adhesives & Sealants.

Sep 16 2026

WAC 2026 LONDON

WORLD ADHESIVE & SEALANT CONFERENCE

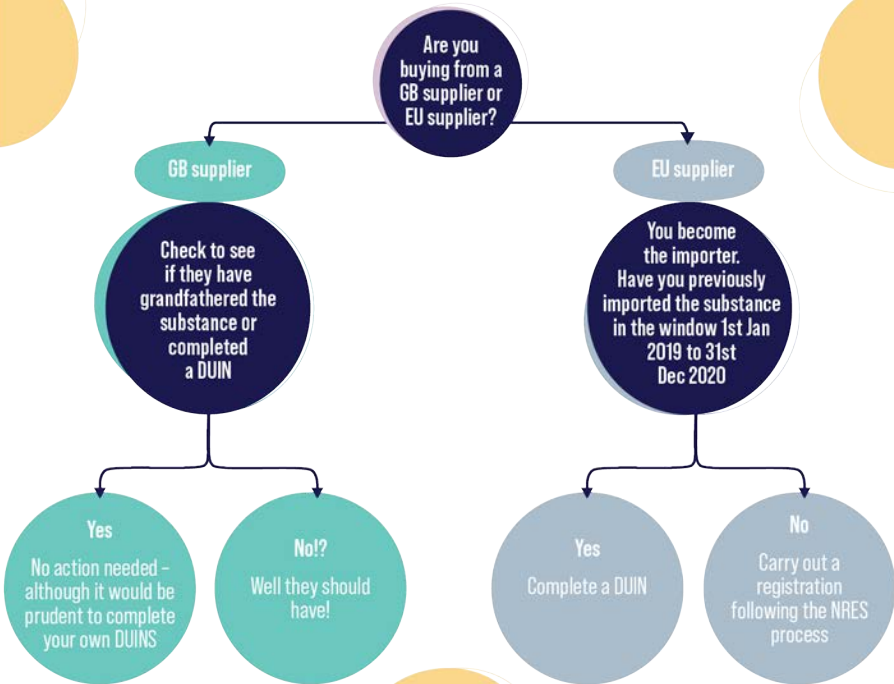
16-18 September 2026
The QEII Centre
London, UK

Hosted by: **FEICA** Co-organised by: **ASC ARAO**

BASA UK REACH – what are my options under UK REACH if we (GB based company) choose to import a new substance?

1. The best solution for you is for your supplier to pick up the UK REACH obligations. So, check if they have done a DUIN, Grandfathering, appointed an Only Representative.
2. Can you keep your imports under one tonne per annum? If so, you do not have to do a REACH registration. Note this is one tonne per annum per substance – (not per product, look at the individual substances in the product and work out if it is under one tonne per annum (you will have to look at the total tonnage of this substance across your whole product portfolio)).
3. Have you previously imported this substance in the 2 years prior to 1 January 2021? So in 1st Jan 2019 to 31st December 2020. Then you can submit a DUIN. A sample counts as a previous import.
4. If you are considering a new substance from a supplier that has not previously been registered under EU REACH, or for a substance that you had not previously imported in the two years prior to the 31st December 2020. (ie 1st Jan 2019 to 31st December 2020). You cannot benefit from the delayed registration process. You will need to follow the NRES process. For anything new since 1st Jan 2021 you would need to complete a NRES.

I am a GB based company and I want to buy a new substance – what do I need to do under UK REACH?

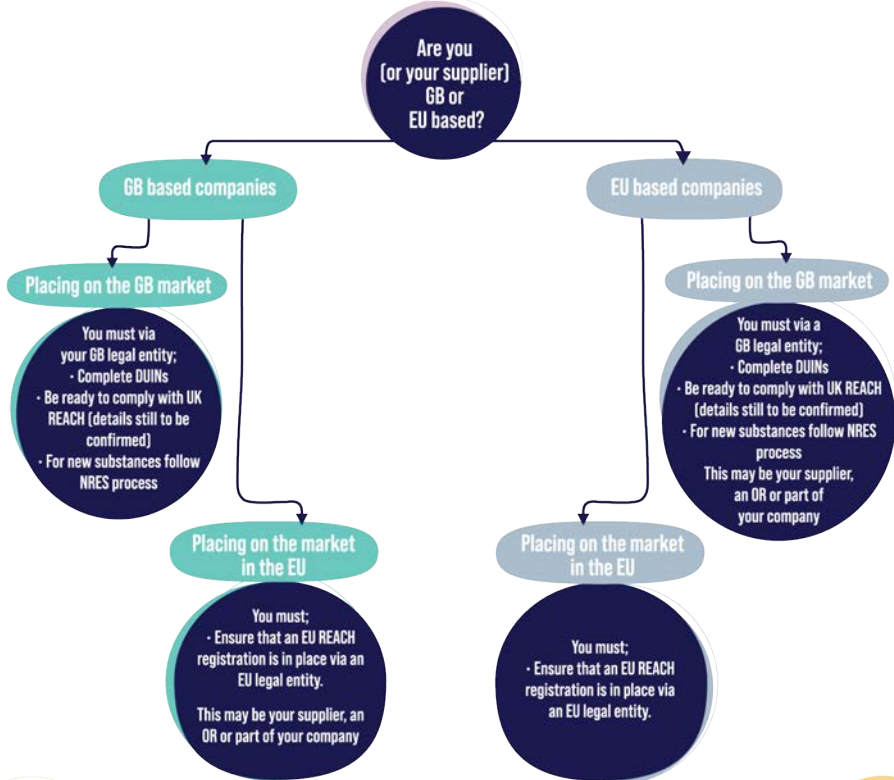


What are my (and my supplier's) obligations under EU and GB REACH?

New Registration of an Existing Substance (NRES).

- The system is not yet in place to allow purchase of letters of access to dossiers or data from lead registrants or substance groups
- Nor is it easy to complete full data requirements for existing substances.
- Not possible to purchase access to dossiers/data from substance groups.
- So there are deferred deadlines for full registration data (similar to DUIN/grandfathering).

- The steps are;
- Submit Inquiry dossier (including substance identity information).
 - After Inquiry, HSE will inform if any deferred registration applies.
 - Submit a registration dossier with data waivers.
 - Pay registration fee to HSE.
 - Manufacture/import may now commence.



Note for NI follow the requirements for EU

CLP in GB, NI and EU

This table summarises what needs to be done under the classification, labelling and packaging of chemical substances and mixtures regulation (CLP) in Great Britain, Northern Ireland and the European Union.

It is not a complete list – if there is anything missing that you need to know let Caroline Raine know!



	EU	GB	NI
Mandatory classifications	EU Annex VI	GB CLP mandatory classification list (Divergence from ATP 16 onwards)	EU Annex VI
Addresses on labels and SDS	EU address	GB address	EU or NI address. However, GB supplier information may be considered as supplemental information in accordance with Article 25(3), and included along with the EU/NI supplier(s) information on the CLP label as long as it does not contradict or cast doubt on the validity of the information required by CLP Article 17 (1) (a) to (g), nor makes it more difficult to identify such information.
Poison centre notifications (for more information see BASA poison centres user guide)	Mandatory – through the EU portal. You will need an EU legal entity to submit. Note some countries charge a fee.	Voluntary – SDS or i6z file to NPIS	Mandatory – must follow EU format – i6z file – sent directly to NPIS
Safety Data Sheet	New format by end of Dec 2022 – new version of REACH Annex II - Commission Regulation (EU) 2020/878, came into force on 1 January 2021	Officially still old version of REACH Annex II – Commission Regulation (EU) 2015/830. HSE should be pragmatic and accept SDS in both formats. Be careful where substances fall under the 16 th ATP onwards (possible different classification)	New format by end of Dec 2022 – new version of REACH Annex II - Commission Regulation (EU) 2020/878, came into force on 1 January 2021
REACH	EU REACH - registration via an EU legal entity	UK REACH – Registration (eventually) via a GB legal entity. For now DUINs and NRES.	EU REACH - registration via an EU legal entity NI DUINs

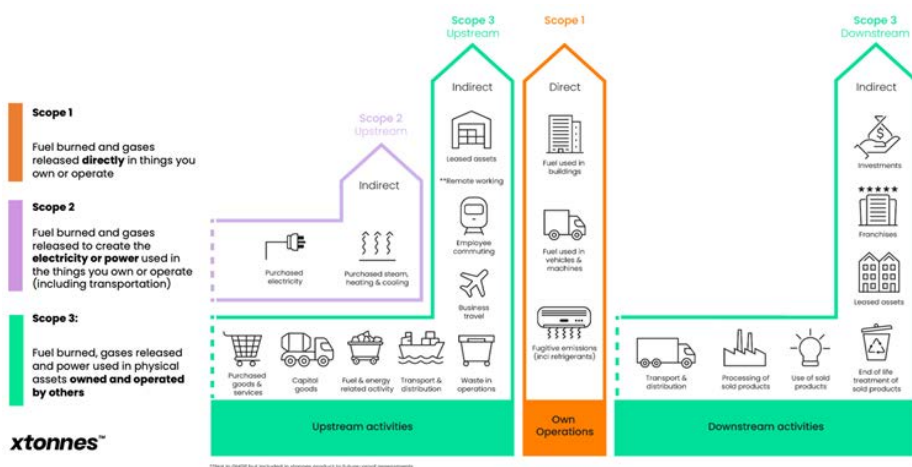
Step-by-step guide: How to start carbon accounting

As the urgency of addressing climate change grows, businesses and organisations are increasingly turning to carbon accounting as a crucial tool to measure, manage, and reduce their carbon emissions.

Carbon accounting is the first step towards adopting sustainable practices and fulfilling environmental responsibilities. In this step-by-step guide, created by [xtonnes](#), we will walk you through the process of starting carbon accounting, empowering you to take meaningful strides towards a more sustainable future for your organisation.

Step 1: Define your scope and identify emission sources

Begin by defining the scope of your carbon accounting initiative. This involves determining what activities, processes, and emissions sources you want to include. Will you focus solely on your organisation's direct emissions (Scope 1) and indirect emissions from purchased energy (Scope 2), or will you also incorporate emissions from other indirect sources (Scope 3)? What will your materiality threshold be to determine which categories of Scope 3 are most relevant and impactful to your organisation?



Assess all potential sources of carbon emissions within your defined scope. This could include energy consumption, transportation, manufacturing processes and more. Collaborate with relevant departments to ensure a comprehensive understanding of your entire value chain and emissions landscape.

Clearly defining these boundaries early on will help to provide a framework for your accounting efforts.

Step 2: Choose a carbon accounting standard

Select a carbon accounting standard that

aligns with your organisation's goals and resources. Common standards include the [Greenhouse Gas Protocol](#) and [ISO 14064](#). Each provides guidelines for measuring and reporting emissions, helping you maintain consistency and credibility.

Step 3: Carbon accounting tools and software

Invest in [carbon accounting tools or software](#) that streamline the process. These tools automate data collection, emissions calculations, and reporting. They not only save time but also reduce the risk of errors associated with manual calculations.

Step 4: Data collection and calculation

Gathering accurate data is the foundation of effective carbon accounting. Collect data on energy usage, fuel consumption, travel distances and any other relevant metrics. If you're worried about data quality, start with what you have and make a plan to improve it as your process matures.

To help this process, engage with business areas and ensure that they recognise the

per unit of activity. Various industry standards and databases provide emission factors to ensure accurate calculations.

Step 5: Establish baseline emissions

Create a baseline of your organisation's emissions to serve as a starting point for future comparisons. This baseline will be invaluable for tracking progress and evaluating the effectiveness of your emission reduction initiatives.

Step 6: Monitor and report

Transparent carbon reporting builds trust with stakeholders, both internal and external, and demonstrates your commitment to decarbonisation. This means that it is important to continuously monitor your emissions data, track progress against your baseline and regularly report your findings.

Disclosing your carbon footprint, as well as your accounting methodology, externally means sharing your emissions data and related information with the public. This demonstrates accountability and can be done through various channels, such as annual reports, sustainability reports, a page on your website, or platforms like the [Carbon Disclosure Project \(CDP\)](#).

When it comes to communicating about climate action within your organisation, reporting information on a regular basis, for example as part of quarterly progress updates, is a good opportunity to relay performance, engage employees and gain extra buy-in.

Step 7: Set reduction targets

Based on your emissions data and analysis, set ambitious yet achievable carbon reduction targets. These targets will guide your efforts to minimise your carbon footprint and drive continuous improvement. Standards, such as the [Science Based Targets initiative](#), ensure that targets help prevent the worst impacts of climate change.

Step 8: Create emission reduction strategies

Creating an effective emissions reduction strategy to achieve your carbon targets involves a systematic approach that is based on data-driven insight. It is key that any plan aligns with your organisation's specific business goals, operations and sustainability objectives. At [xtonnes](#), we recommend creating a long list of interventions, focussing on 'mean', 'lean' and 'green' categories.



Number of things in the inventory

n

Mean

Eliminate whole or parts of assets and activities (e.g., get rid of cars)

xtonnes™

Amount of a type of asset or activity consumed or used

A

Lean

Improve assets or activities, increasing efficiency and decreasing waste (e.g., optimise routes or increase fuel efficiency)

Emissions Factor

B

Green

Change the inputs or suppliers to reduce the impact of using an asset or doing an activity (e.g., change to electric cars)

x

Once you have identified a long list of company-specific interventions that will lead to carbon savings, you can then prioritise these actions based on the potential carbon impact, operational feasibility and capital costs. This information will form the basis of your decarbonisation plan and help to determine whether actions should take place in the short-, medium- or long-term.

Don't forget to also consider enablers – the things that will help you achieve your actions, for example employee skills, governance or budgetary requirements.

Step 9: Implement emission reduction strategies

Implement your decarbonisation plan to achieve your reduction targets. This might

involve energy efficiency improvements, transitioning to renewable energy sources, optimising transportation and adopting circular economy practices.

Make sure to refer back to your emissions data regularly. This will help you measure progress, identify trends and make informed decisions as your strategy evolves over time.

Step 10: Engage stakeholders and communicate

In addition to regularly reporting your emissions, it is important to continuously engage employees, customers, investors and other stakeholders in your carbon accounting journey. Decarbonisation touches every part of your organisation. By engaging internal and external

stakeholders, you bring your people onboard and gain their support to take climate action together.

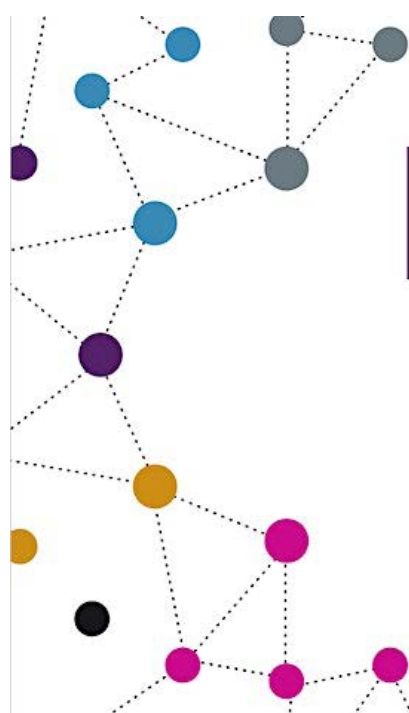
Transparent communication about your carbon reduction efforts builds support, fosters accountability, and showcases your commitment to sustainability. Your employees, suppliers, partners and investors will need to be engaged as part of your data collection process, and as you work to improve your data quality and granularity, you will need to further engage these stakeholders. Supplier engagement will be particularly important when it comes to improving your Scope 3 emissions (purchased goods and services) data over time.

Carbon accounting to benefit your organisation

Carbon accounting is a powerful tool that empowers organisations to take actionable steps towards reducing their emissions. By following our step-by-step guide, you can initiate and navigate the carbon accounting process with confidence.

xtonnes will be attending the BASA Open Industry Forum in November to speak more about carbon accounting, with tips on how to get started or build on what you have done already.

In the meantime, **reach out to the xtonnes expert team, who will be happy to answer any questions you may have or give you a demo of their carbon accounting software.**



Circular Chemical Economy

Summer School 2023

5th - 7th September 2023

The Catalyst, Newcastle upon Tyne



Chemique Adhesives launches new updated website

After months of preparation, Chemique Adhesives, a UK manufacturer of industrial adhesives and application equipment, has recently launched a new, updated website aimed at enhancing user experience and simplifying the process of finding the ideal adhesive for specific application needs.

The all-encompassing website now includes a fresh, updated design with user-friendly navigation which allows visitors to the site to easily browse through different menus and view specific pages such as industries, brands, engineering services, latest news, blog posts, case studies and literature downloads.

“We’re really excited about the launch of the new website.” commented Jennie Mayou, Marketing Executive at Chemique Adhesives & Sealants Ltd. “The aim of the updated website was to create a platform that would cater to the needs of our diverse customer base whilst still providing relevant and informative content. The fresh design and simplified site navigation ensures that a user can gain a better understanding of our comprehensive



product range and discover an adhesive solution for their specific requirements.”

The new website also includes a number of new features including industry specific pages and recommended application equipment that will help a user to make

informed decisions about their adhesive needs.

To visit the new website, please click on the link below:

www.chemiqueadhesives.com

Chemique Adhesives announces latest expansion news

Following continued year-on-year growth, Chemique Adhesives, a UK manufacturer of industrial adhesives and supplier of adhesive application equipment, has implemented its expansion plan and moved into a new 1200m2 facility. The new unit is being utilised for raw material and finished goods storage, and extra racking has also been installed, creating over 700 pallet spaces.

The new storage facility has allowed for additional space to be created in production areas, where newly purchased state-of-the-art mixers have been installed, leading to an increase in manufacturing output.

The new mixers will enable the production of new and toll-manufactured products ranging from filled 1K and 2K PU, structural PU, hot melt, epoxy, and various water-based formulations.

The expansion has also included a new QC laboratory, along with the upgrading of fume and powder extraction systems in production and laboratory areas.

Simon Cashmore, operations manager at Chemique Adhesives, commented, *“We have made a significant investment in new equipment, and the expansion of our premises demonstrates our commitment to growth and our dedication to providing quality products for our valued customers.”*

Following the approval of planning permission, a proposal is already in place for 2024 to source more equipment and increase our bulk storage capacity further, improving efficiencies, reducing various waste streams, and increasing productivity.”



Beardow Adams develops new eco-friendly, semi-pressure sensitive labelling adhesive

Beardow Adams has developed a new adhesive for labelling, that supports the move towards greater sustainability in the packaging and labelling sectors.

The new adhesive, BAM 2537, allows returned bottles to be washed in a caustic solution, separating them from their labels, as well as the adhesive, before being returned to the market. This reuse loop can take place between ten to fifteen times, before the bottle is fully recycled – drastically, helping to reduce the number of single-use plastics in use today.

The innovative semi-pressure sensitive formulation, BAM 2537 works on all types of containers, but especially with highly carbonated bottles as it provides a more aggressive bond, resistant of the stresses caused by the expansion of PET bottles under pressure.

Its residual tack also allows labels to be pressed back into the desired position should the label peel away, satisfying both, manufacturers who need to protect their brands, and end-users who benefit. The adhesive is suitable for low- and high-speed running machines (an average of 26,000 bottles per hour), and easily

produces the required adhesion between PET-label and PET-bottle.

Fully aligned with the growing introduction of deposit return schemes, BAM 2537 is approved by circular economy bodies, Returpack and PETCycle, and forms part of an eco-friendly range of adhesives from Beardow Adams that also includes bio-based, vegan friendly, and pallet stabilisation adhesives.

BAM 2537 is also FDA approved, allowing it to be used in the manufacturing of food and drink labelling and packaging.

If you would like more information regarding our semi pressure sensitive labelling adhesive, please contact: marketing@beardowadams.com



BEARDOW ADAMS™
Unique Adhesives

Grolman Group Receives Ecovadis Platinum Demonstrating Strong Commitment to Sustainability

The Grolman Group is honoured to announce a significant achievement – the attainment of a Platinum rating from EcoVadis, reflecting its unwavering commitment to sustainable practises. This award places the Grolman Group in the top 1% of companies committed to environmental and social responsibility.

The company's vision, "We want to sell chemicals to save the planet", is validated by EcoVadis' Platinum rating. This recognition underlines the

company's progress in implementing this principle.

Florian Grolman, CEO of the Grolman Group, explains: "The path to this remarkable achievement was marked by conscientious efforts. From transparent reporting to active stakeholder engagement to implementing sustainable practises in the supply chain, every step has contributed to this milestone."

Grolman

International Distribution

Our success also speaks to the dedication of our team. The commendable efforts of all stakeholders and especially our CLIMATE team have contributed significantly to this achievement. The platinum rating from EcoVadis is both an endorsement and an inspiration for our continued commitment to sustainability."

www.grolman.earth

ECONOMIC UPDATE JUNE 2023

If I arrived on the earth from another planet and knew nothing of Covid, Trump, Truss, Sturgeon, Boris or Putin whilst considering the macroeconomic data for the G7, I would be close to certain that the G7 would be in recession in 2024.

But I have been around a long time, and seen the economic events of recent years. All is not as it seems. In this update I will try to explain what the data is telling us, and give an opinion on the likely outcomes.

We begin with the difference between monetary policy and fiscal policy. Monetary policy is setting interest rates to influence the behaviour of commercial banks and their customers. Interest rates are raised to reduce the demand for loans, and hence the growth rate in the money supply.

Lower growth in money supply primarily affects the price of real estate in all its forms, which, if falling, hits household confidence, and those with mortgages who find upon renewal that their discretionary income is significantly reduced.

Fiscal policy is primarily changing tax rates and Government spending to redistribute income from those in work, to those retired. And to fund infrastructure, health, defence and education. And, exceptionally, to support employment and business owners during a pandemic.

The problem is that fiscal and monetary policy are not independent of each other. During Covid, there was a massive expansion in Government debt, all of which was financed by the central bank. So Covid drove both expansionary fiscal and monetary policy.

The expansion was \$17 trillion globally, of which \$900 bn was in the UK. The inevitable result has been a surge in average price levels of everything, including land, buildings, labour, materials, food, energy, IP, equities.

However, G7 Governments are currently expecting their central banks to bring inflation down, whilst fiscal policy still remains expansionary. Fiscal policy is expansionary if Governments are running budget deficits.

Currently, the UK Government is spending £45bn more than its income from taxes. The USA is spending \$1.5 trillion more. And their central banks are raising interest rates because excess demand is causing inflation.

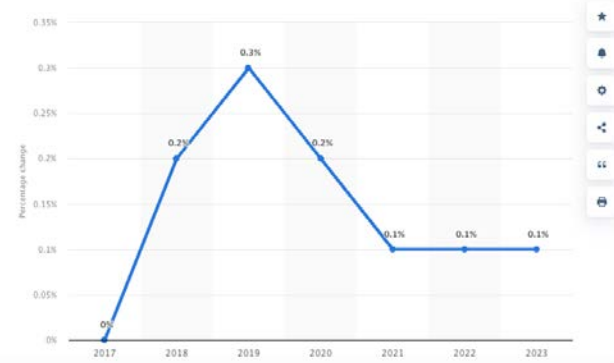
So Government has its foot on the fiscal accelerator while the central banks are on the monetary brake. No wonder there are mixed signals from business owners and their customers.

Imagine you are driving a car, you have your foot on the accelerator; your passenger their foot on the brake.....how fast forward will the car go, if at all?

If the UK Government seriously wanted inflation back to 2% asap, they would raise income tax by 5p, create a recession and prices (after a time lag) would stop rising (except for imported products). Or cut Government expenditure by up to £45bn. Neither of these actions is, of course, politically acceptable. So we are left with the hope that higher interest rates will do the job without causing a recession.

The core U.K. problem is a lack of productive capacity. The output gap is an estimate of how much spare capacity there is in the economy. It's currently estimated at 0.1% of GDP. This means that, overall, the UK has virtually no spare capacity.

Forecast UK output gap 2017 – 2023



Up until 2008, the average real growth rate for the UK was 2.3%; between 2008 and 2016 it was 1.3%; since 2016 it has been 1.1%

Our productive capacity has barely grown since 2016, due to a collapse in investment, plus demographics.

The key question is - can the UK grow faster than 1.1% per annum without inflation running above 2%?

The answer is no.

This is why.

If Governments are serious about taking inflation back to 2% as soon as possible, they must reduce demand. We cannot 'magic up' more labour supply. Investing in capacity creation takes time and simultaneously increases the demand for labour, which isn't available.

A recession would drive out zombie businesses, creating more resource for others. We know this is not current Government Policy. So all the emphasis is placed on Monetary Policy. Currently money supply is growing at 3.2%. This could, in theory, finance 1% real growth and 2% inflation by the end of next year. And this is in line with the belief of many forecasters.

So there is no need to raise interest rates beyond the current 5% unless wage awards still run in excess of 5%. However, regular pay in the first part of this year was up 7.2%. UK productivity is currently estimated at 1.3%. So arithmetically, we are looking at core inflation running at 5-6%. Therefore the 2% inflation rate target is unrealistic.

Next year, real GDP could be minus 2% or plus 1%. I expect plus 1%. Why? Because although new money is running at 3.2%, we still have Covid support money in the system. Around 125Bn. This would be sufficient to finance 5% inflation, plus 1% real growth, even if money supply fell back to 2% growth.

If Government presses the B of E to hit the target of 2%, I can see 6% base rate and a 2 year recession. Bluntly, we need unemployment to be around 7% to ensure employers can pick from a stock rather than poach from others. Even then, there will still be wage inflation in Fintech, IT, and high-end engineering.

Over the next ten years our home grown labour supply will manage to expand by about 200,000 a year. This year it will grow by 500,000.

Unless there is significant immigration, our growth rate can only exceed 1.1% if every business has a mission to automate, and implements it quickly. This is effectively 'needs must'.

AI AND AUTOMATION

How good is AI? Can it deliver the required productivity gains? I used Chat GPT to summarise our discussion so far. I cannot find fault with it.

It is important to note that while governments can influence inflation, there are also external factors such as global economic conditions, commodity prices, and market expectations that can affect inflationary trends. Therefore, controlling inflation is often a complex task that requires a combination of prudent monetary, fiscal, and supply-side policies.

AI is a supply side component and so I asked Chat GPT to give an overview of supply side technologies. This is its response:

As of my knowledge cutoff in September 2021, here are some of the latest productivity-enhancing technologies that were gaining traction:

- 1. Artificial Intelligence (AI) and Machine Learning (ML):** AI and ML technologies are being applied to various areas to automate tasks, optimize processes, and provide intelligent insights. They can assist with data analysis, customer service automation, predictive analytics, and more.
- 2. Robotic Process Automation (RPA):** RPA involves using software robots to automate repetitive and rule-based tasks. It can significantly reduce manual effort and increase efficiency in areas such as data entry, invoice processing, and HR onboarding.



3. Internet of Things (IoT): IoT enables the connection of physical devices to the internet, allowing data collection, monitoring, and automation. This technology has applications in smart homes, industrial automation, asset tracking, and energy management, among others.

4. Cloud Computing: Cloud computing offers scalable and on-demand access to computing resources, eliminating the need for on-premises infrastructure. It enables organizations to store, process, and access data and applications more efficiently, leading to increased collaboration and productivity.

5. Collaboration Tools and Project Management Software: There are numerous tools and software available that facilitate team collaboration and project management. These platforms enable remote work, real-time communication, task tracking, document sharing, and seamless coordination among team members. Virtual and Augmented Reality (VR/AR): VR and AR technologies are being utilised in various industries to enhance productivity. They provide immersive training experiences, virtual meetings, remote assistance, and interactive visualisation for design and simulations.

6. Wearable Technology: Wearable devices, such as smartwatches and fitness trackers, can help individuals monitor their health and activity levels, manage schedules, receive notifications, and access information on the go. These devices can contribute to improved personal productivity.

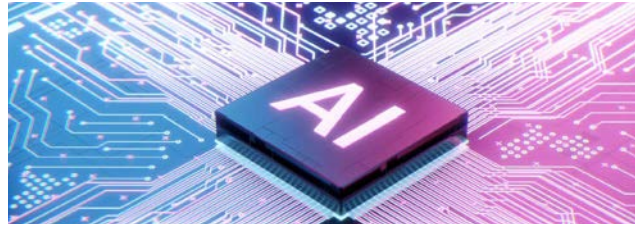
7. Automation and Robotics: Industrial automation and robotics continue to advance, streamlining manufacturing and logistics processes. Automated systems and robotic machinery can handle repetitive tasks, leading to increased productivity and precision.

Please note that technological advancements are continually evolving, and new productivity-enhancing technologies may have emerged since my knowledge cutoff in September 2021.

This is a good example of how AI has increased my productivity. I would normally spend the best part of a day scanning the web for the data in italics. It took 3 mins.

We know that since 2021 further advances have been made in automation of health care, drug design and back office processes.

Proponents of AI argue for its potential to solve big problems by developing new drugs, designing new materials to help fight climate change, or untangling the complexities of fusion power. To others, the fact that AI's capabilities are already outrunning their creators' understanding, risks bringing to life the science-fiction disaster scenario of the machine that outsmarts its inventor, often with fatal consequences.



The degree of existential risk posed by AI has been hotly debated. Experts are divided. In a survey of AI researchers carried out in 2022, 48% thought there was at least a 10% chance that AI's impact would be "extremely bad" (e.g., human extinction). But 25% said the risk was 0%; the median response put the risk at 5%. The nightmare scenario is that an advanced AI causes harm on a massive scale, by creating poisons or viruses, or persuading humans to commit terrorist acts. It need not have evil intent: researchers worry that future AI may have goals that do not align with those of their human creators.

My opinion is that AI is the solution to the labour supply shortage in the Western World. It will enable productivity growth, and thus expand the tax base which will be required to support health and wellbeing of the aged.

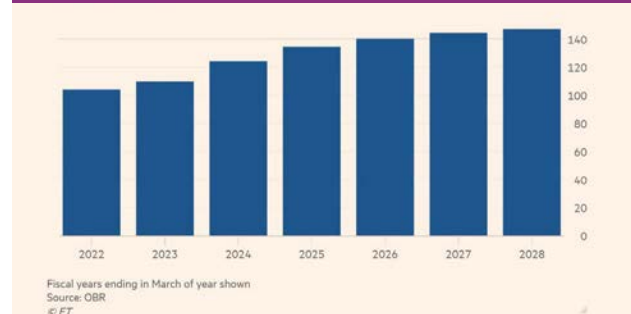
THE USA

Inflation is now 4% Wages are growing by 4.3%, so real incomes are improving. Base rate is 5.25%, so the real cost of money is positive, unlike in the UK, where the real cost of money, based on base rate, is around minus 4%. All US mortgages are fixed for at least 10 years and most are fixed for 30 years. So higher current interest rates only affect new mortgages. The US property market is less vulnerable to rate changes compared to the UK.

Even so, in the UK since 2014, any borrower would have shown they could maintain their lifestyles if rates rose by up to 3%. The 3% has been breached in the past two months.

Money supply growth is minus 5%, primarily due to the Fed's unwinding QE. Bank lending is growing by 1%. This data suggest the USA will slow, but thanks to the big federal deficit, the USA will avoid recession.

State pension spending is expected to rise by a third over the next five years



THE EU

The Euro area inflation rate is 7%, base rate 3.75% so, as in the UK, the real rate of interest is still negative, and with wage growth at 4.4%, real wages are falling. The data suggests that in the last quarter of 2022 and first quarter of this year, the Eurozone shrank by 0.1%. Which, frankly, is neither here nor there, and well within accepted statistical error.

THE OUTLOOK FOR INFLATION

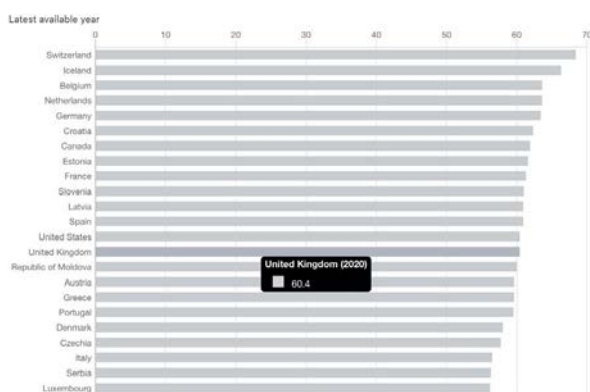
In the past 12 months, energy prices have fallen by 33% (oil); 60% (gas). Food commodities are around 33% higher, except for wheat which is down a third. Metals, except iron ore, are still rising. But steel is back to pre-Covid prices.



Labour produces output. The share of the added value it creates is shown in this chart.

Taking the nation as a whole, those who do the work get around 60% of the value created. The owners - i.e. shareholders and landlords, get 40%. Demographics in the U.K. is a driver of this shift.

By definition, those who are retired are living off rents and Government tax transfers from those working. By definition, anyone on state benefits is living off the work of others.



The UK needs more producers and fewer recipients of money from the efforts of others.

HOW TO DO THIS?

Raise the retirement age, cut state benefits to the bare minimum for survival. Increase taxation on capital gains, including on property.

The politics of this distribution is - Labour would like to increase the worker %; Conservatives the shareholders/landlord %.

Since the eighties there has been a shift in the U.K. We have an increasing number who live off the ownership of assets, and a reducing number of those who live by producing.

In other words there are more inhabitants of working age choosing to receive income from having property and shares rather than from producing. To grow an economy we need more doers and fewer 'owners'.

This will require a significant societal shift which I do not think will happen. That is, until the rentiers no longer can survive on the income from owning, and then have to start doing!

The fact that 100k of the 600k early retirees are back producing may be just the beginning.

THE PROPERTY MARKET

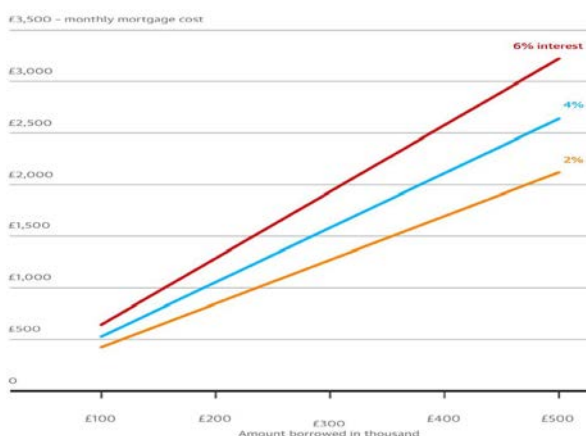
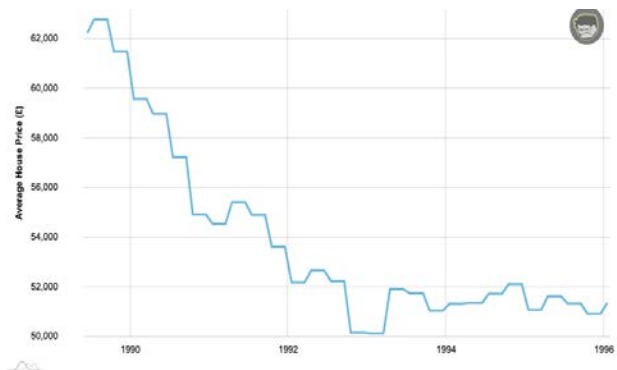
Monetary policy is concerned with using interest rates to influence the supply and demand for money. Currently, the supply of money growth rate has dropped to 3.2% yoy. This is because both the demand for, and the supply of, mortgages has softened, and banks are more cautious about lending to business.

In the literature on the impact of higher interest rates, economists talk of inflationary expectations and argue that rising interest rates and expectations of further increases should moderate wage demands. In a tight labour market, the opposite seems to happen. Employees, particularly if changing jobs, will demand higher wages to cover their mortgages, and desperate employers pay up. The increase is then put on their selling price, thus maintaining, rather than reducing inflation. All the evidence suggests that inflationary wage demands only moderate when the supply of jobs falls – e.g. a sharp reduction in order books.

Can higher interest rates deliver a slowdown, or worse, a recession? The so called money transmission mechanism is much debated but the consensus is that it primarily works via the housing market.

The thinking is this: Most Brits hold their wealth in their primary residence. It gives them a place to live and a tax free capital gain. Ever-rising house prices increases perceived wealth and confidence that the country is doing well. There is evidence that if property prices are increasing, consumer confidence moves in line and spending flows.

And this can work in reverse, it did in the early nineties. Inflation in 1990 was just under 10%, base rate was 14%, so typical mortgage was 16%; wages were growing by 10.6%. Unemployment was 5.6%. House prices were falling by 1.5%. By 1992, unemployment was 10%, base rate hit 15% and the UK left the ERM. Inflation was 3.2%. House prices were flat, having dropped 18% in two years.



Many journalists are suggesting that there will be a repeat of the early nineties. However they have missed a key component.

The collapse in prices in 1990-92 was primarily because Nat West and Barclays were insolvent and calling in loans, pushing firms out of business and repossessing 300,000 homes, which they dumped onto the market, willing to accept any price, so long as it covered the debt.

A headline last week trumpeted repossessions up 50% in Q1. The number 750.

I strongly believe that we will not see a repeat of the nineties.

Firstly, UK banks are well capitalised, they have enough capital to cover delinquent borrowers without repossession. So there will be no auctions of repossessed properties to depress average prices.

Secondly, the labour market is much tighter than in the early nineties and any increase in unemployment will not push it above 5%

Thirdly, average earnings are up 7.2%, and will still be rising by 5% at year end.

Fourthly, energy bills will be lower than expected in the autumn

Fifthly, there is still 125Bn of excess deposits in the bank of Mum and Dad

Most importantly, 80% of mortgages are joint. So presumably two incomes, both of which are likely to be going up 5-10%, depending on job and location. 8.8 million were earning at least £52,000pa in 2022. 9 million households – just 30% - have a mortgage. At the end of 2022, the monthly average mortgage payment was £2000 per month. By the end of this year it will be around £2300 a month. The average mortgage is 185k. In the first quarter of 2023, only 38% of house purchase was debt, the rest cash. Pre-Covid, the figure was 47%. We know that for the 1.6 million who will have to renew over the next 12 months, it will be a challenge as they shift from 2% to 6-8%. We also know that 95% mortgages are difficult to obtain.



THE BIG QUESTION IS WILL THE MARKET CRASH?

My judgement is it will not. Average real prices have actually fallen by 12% since the post covid peak. We can expect a further fall of 9%. Prices moved up until May, and now are flat (this is normal in the selling cycle). Journalists are fond of comparing prices to the previous peak, which was last August, and they are currently 3.7% below that.

In nominal terms, on average, I expect prices to reduce by 3% by the end of this year.

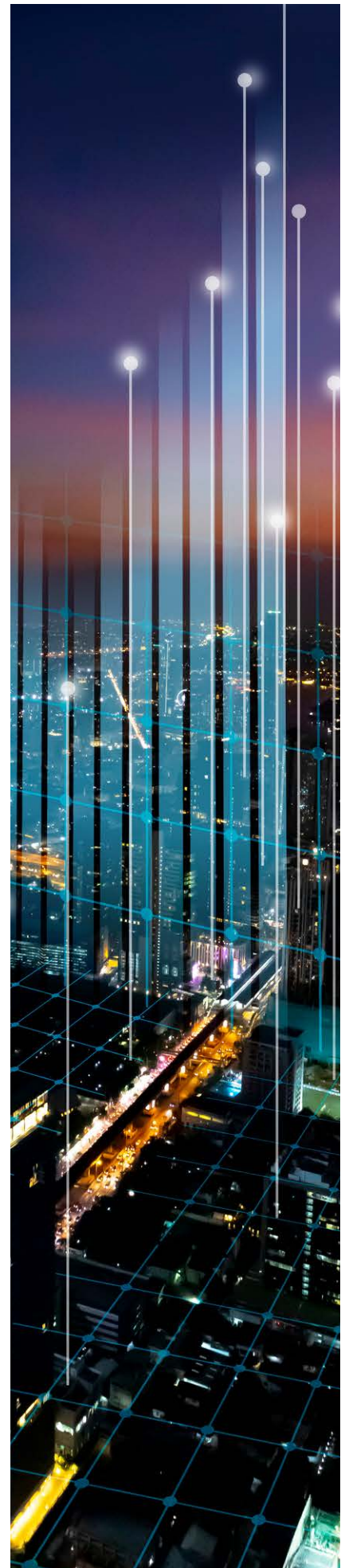
Transactions peaked in March and fell to 82,000 in April. I guess year-end we will see a figure of 850,000 for the year, 23% below the norm.

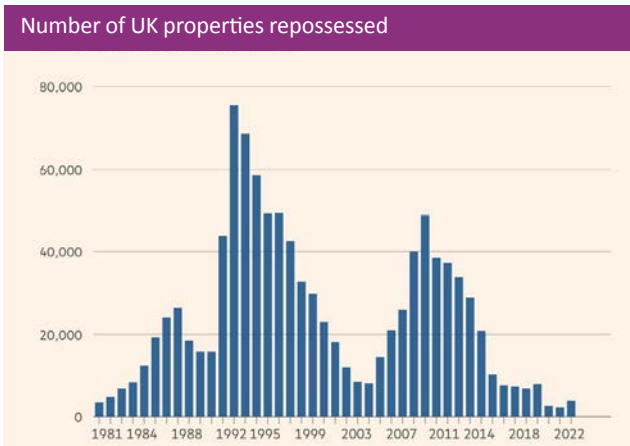
Given that we still expect to run at full employment, that average wages will increase by 5% and that the Bank of Mum and Dad still have considerable funds, I do not expect a repeat of the early nineties, or 2008-12.

In fact, because the UK has a structural housing shortage, for every person unwilling or unable to buy, there will be someone who can, and will, buy.

Will the 1.6 million faced with much higher outgoings on mortgage finance create a recession?

The answer is no. I suspect any supplier to middle market consumers will experience some impact. I guess skiing, long distance holidays and possibly larger SUV demand might soften, but not by much.





More than 80% of UK economic activity and hence employment is in the service sector.

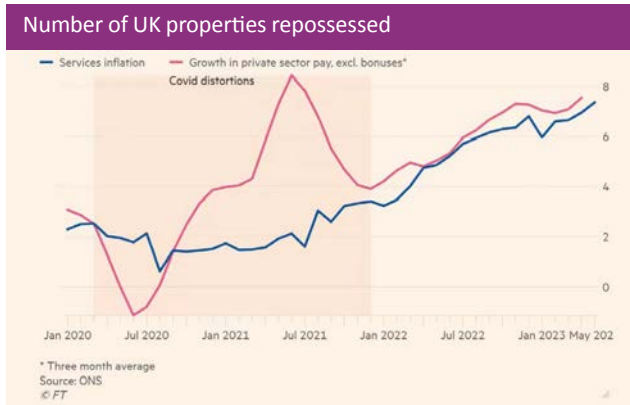
The chart below shows the UK wage price spiral at work. Ideally, this spiral would be broken by the wholesale application of AI to raise service sector productivity, whilst simultaneously reducing the overall demand for people. But this will take a number of years. If the Government is serious about getting inflation down to 2%, we will have to have a recession to reduce the demand for services, and after a year, rising unemployment should break the wage price spiral.

The only way to do it is hit the pockets of those earning over 50K pa by reducing allowances to zero. But the majority of these will be Tory voters so it will not happen.

Current policy appears to be as follows:

Tell the B of E to raise rates, blame them for the ensuing property crash, falling asset prices increase precautionary savings, so demand for services decreases, and with a time lag of 18 months, the wage bargaining climate shifts in favour of employers.

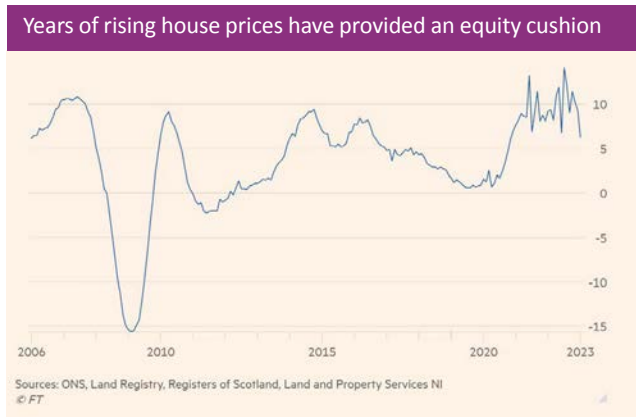
In the middle of all this, a general election has to be called.



THE EXCHANGE RATE

As I write this \$1.27 is the rate which I forecast at the end of the year. Its noticeable that the forex markets didn't move following the 5% interest rate announcement. They had already priced it in. If the rate moves towards \$1.33-35 over the next three months, it strongly suggests that the markets think the Bank will raise base rate beyond 5%. Who knows!

The Euro rate is 1.17 and I doubt if it will go beyond 1.18 this year.



CONCLUSIONS

The UK non-inflationary real growth rate is 1.1% until productivity improves. The Bank of England will keep interest rates around 5%, until inflation falls to 3%. This is unlikely to be achieved for a number of years because labour shortages will ensure wage competition and poaching.

The 'normal' rate of interest is real GDP growth rate, plus 2.5%. So 3.5% is the lowest we will see in the future.

Any growth above 1.1% will require significant labour substituting investment, using AI.

This investment would have taken place since 2016 but for Brexit. It's now an imperative, even though the cost of capital has increased. To repeat, the demographics show labour supply barely growing over the next ten years

The demise of zombie businesses will release some capacity, but continuing labour shortage will keep wage growth around 5%

The housing market will not collapse unless base rate goes above 5%

Lower than expected energy bills in the autumn will give some relief, and support consumer spending before Christmas.



At last the B of E is admitting what some of us have known for years. Their model has a poor record of forecasting inflation because it doesn't include equations which properly reflect the impact of money supply on activity. And the MPC committee members are well respected academics who have little or no understanding how a business works.

If I was in charge, I would ensure 6 out of the 8 MPC members were SME owners. I would have a food producer, (not an importer), a manufacturer, a logistics company, a construction company, an AI creator, and a training/education business. Only two of them would be from London and the SE.

I think the real economy will still manage to avoid recession. We will experience stagflation. A period of very low, or no growth, with persistent domestically-generated price pressures.

The next 18 months is very difficult to forecast accurately. Primarily because human behaviour is volatile and strongly influenced by the media, which has already started to tout the R word.

Rishi Sunak is perhaps hoping that media misery will cause households to reduce their non-essential spend, increase their just-in-case saving, and reduce demand. Thus reducing wage inflation via softer demand for employees.

The only advice I can offer to a business owner is: look at all your processes and ruthlessly search for efficiencies to reduce your demand for scarce and expensive employees. The next 10 years will be labour-shortage years. Businesses which invest heavily in process re-engineering will reap considerable benefits. We all know the biggest obstacle is the human resistance to change, especially when current performance appears to be ok. It there was ever a time for inspiring leadership, it's now.

Prepared June 23 2023
Rmfagg@aol.com



Roger Martin-Fagg

Roger is a graduate of the University of Leicester. He has worked in the New Zealand Treasury, at the Bank of England and, for many years, was Client Director at Henley Management College where he worked with a wide range of businesses. He is a behavioural economist who believes that economic forecasting is an art, not a science and that it is crucial to estimate the nature, size and impact of 'animal spirits' when looking forwards. He believes that Government cannot control the economy; it can only influence the behaviour of economic agents. He was one of the few who forecast the depth of the recent recession based on his anticipation of the behaviour of the banking system. He thinks it is better to be broadly right than precisely wrong when forecasting the future!