

Global Glove Market Summary – June 2020

The COVID-19 pandemic continues to have a profound and lasting impact on the global supply chain. As efforts to minimize the spread of infection in healthcare, businesses, schools, and homes continues, demand for personal protective equipment (PPE) has increased drastically. Demand for disposable gloves, in particular, is up 5 to 10 times normal market conditions, according to some estimates. This unprecedented demand is driven by many factors including increased usage in public-facing service workers, adoption of use in unconventional industries and individual citizens, prioritization of medical application, and government agencies entering the market with significant demand. Manufacturer efforts to ramp up production continue and while supply has improved, the world's radical demand continues to outpace capacity. This is expected to linger for the foreseeable future with predictions stretching as much as 5-8 months.

SUPPLY

Lead times for products from China and Malaysia (mainly Vinyl, Nitrile, and Latex Gloves) have increased drastically. In some instances, supplier lead times have doubled, increasing to greater than 180 days. Historical normal range is 90 to 100 days.

On-hand inventories are as low as 25% of pre-COVID normal units. In-transit inventories are far less than expected while in-production inventories are at historic highs. Allocations continue and most suppliers are still not accepting new business on single use gloves or most forms of PPE.

Factors Influencing Supply

- raw material shortages
- government labor restrictions
- logistics log jams
- export restrictions
- manufacturing constraints

PRICING

As new capacity continues to be constrained through Q4 2020 and Q1 2021, prices in the market will be severely impacted. The market has seen factory pricing range up to 400% above normal market conditions. Some glove pricing is expected to face additional increases every 30 days until the market volatility subsides.

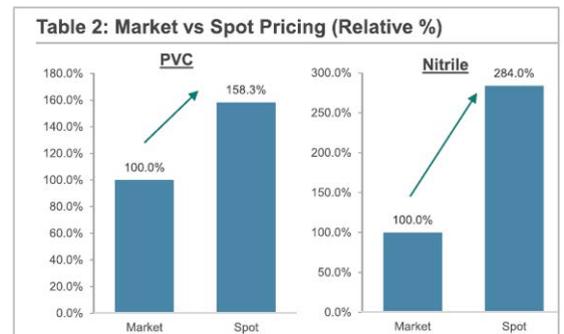
Glove Material	Primary Origin	Expected Price Increase June/July (source: multiple suppliers)	Summary
Nitrile/Latex	Malaysia	+30%	Highest demand for medical PPE, largest price increases and product shortages.
Vinyl	China	25-40%	Supply is tightening due to main substitution for nitrile.
Hybrid	China	20-25%	Leading alternative for foodservice applications. Viable substitution for vinyl.
Poly	China	5-25%	Leading alternative for foodservice applications. Viable substitution for vinyl. Capacity increasing.

Both product shortages and cost volatility are expected to normalize sometime in 2021.

INDUSTRY RESPONSE

As the market adjusts to supply and demand imbalances, the following conditions can be seen in the market place:

- Suppliers announce price increases for June and July
- No advance commitment on price
- New "spot market" emerging for buyers willing to pay significant premium for availability direct from the factory
 - Spot prices are approx. 3 to 5 times market for Vinyl gloves and Nitrile
 - Product can be inconsistent – sizes can vary, limited/cases mixed, limited inventories, and "suppliers" are often not established or experienced entities



Source: Credit Suisse research (AmerCareRoyal)