



PRICE GUIDANCE

November 2020

Disposable glove prices have risen steadily throughout 2020 in response to COVID-19. Nearly a year into the global pandemic, prices are higher than ever—and they are only going up.

The coronavirus shows no signs of abating. Infections worldwide are in the tens of millions, with deaths surpassing 1 million. In the U.S., new COVID cases are expected to snowball with the arrival of fall and winter flu season.

There is a fundamental gap between supply and demand in the disposable glove market. The world needs several times the number of gloves that can be produced, and supply will be struggling to catch up for months, if not years.

All this means that the average sales price of all disposable gloves—especially those made of nitrile, the material most popular with end users—will not be dropping soon. Inventory of nitrile and latex gloves is also extremely difficult to obtain.

GLOVE SUPPLY WILL LAG FOR MANY MONTHS

Supply is hampered primarily by shortages of raw materials, labor, and capacity.

Consider the production of nitrile butadiene rubber, the key component in the world's most popular disposable glove material. This essential raw material is produced by only a handful of major companies worldwide, which until 2020 had never been required to increase output so massively and on such a short timetable.

Synthomer, a chemical concern based in the U.K., owns two NBR manufacturing facilities in Malaysia. Along with Kumho and

LG Chem, it is a major supplier of synthetic rubber to glove manufacturers in Malaysia and Thailand, and to a lesser extent China.

Currently operating at full capacity, Synthomer expects no further capacity additions until at least mid-2021. LG Chem also expects to add capacity, but not before late 2021. It typically takes about 18 months to build a plant and bring it online.

Synthomer initially expected 90,000 tons of new capacity at one of its plants added in 2019 to be filled over two years; however, the spike in demand for NBR has the company selling everything it can produce. With the industry not having additional capacity until sometime in 2021, Synthomer is aiming to operate the plants as close to 100% as possible—and it is still not enough.

In addition to raw materials, there are challenges involving logistics and labor that make rapid increases in glove production difficult if not impossible.

One of the biggest problems with the nitrile glove industry is that the barrier to entry is so great. Unlike other forms of personal protective equipment, glove manufacturing is complex and the raw materials are difficult to access in some parts of the world.

The shortage of qualified labor is another major impediment. Malaysian glove manufacturers rely heavily on foreign workers, but the government has placed limits on the use of non-native employees. There is also a substantial training curve involved in an industry that requires specific chemical expertise.

Even under normal conditions, manufacturing capacity industrywide can increase by only 10% to 15% per year. The

easiest way to do that is to add production lines. A modern disposable glove line can produce up to 300 million gloves annually, which may sound like a lot. But adding even 1,000 lines would increase the overall yearly capacity by only 20% to 25% and cost multiple billions in infrastructure investment.

DEMAND CONTINUES AT HIGH LEVELS

At the same time, demand remains strong. Since COVID first appeared in January 2020, worldwide demand has been estimated to increase by 3 to 4 times. With the uncertainty surrounding a vaccine and continuous struggles with testing across the U.S., any relief is delayed until at least mid- to late 2021. This ensures the need for all forms of personal protective equipment will continue to remain high.

In addition to the pandemic, a greater general awareness of health, hygiene, and safety drives demand. Gloves and face masks, commonly seen throughout COVID coverage, will only grow more ubiquitous as time progresses. Industry observers expect glove use to remain high even after a legitimate vaccine is developed.

Several of the world's largest producers of nitrile gloves are expected to aggressively raise their prices in the months ahead, some by as much as 40% to 50%. Some have said that demand remains at a "supernormal" level and is forecast to grow in excess of 25% in 2021 and 15% post-pandemic. It is difficult to predict trends in the current market.

The best advice for easing the sting of glove prices is to consider alternatives, especially thinner gloves and those made of vinyl.

Available in both exam and industrial grades, vinyl gloves deliver versatility and great value for numerous applications.

Hybrid gloves, which blend vinyl and nitrile to create a more affordable and available synthetic, provide some hope for reducing supply shortages. Some manufacturers are experimenting with such gloves, although expecting these products to make an immediate impact on the glove supply is unrealistic.

CONCLUSION

Until additional capacity for disposable glove production comes online, the balance with demand will not be reached, and prices will not move any lower. The road ahead is long and uncertain—be prepared for the unexpected.