



GLOVE OVERVIEW: ONGOING SUPPLY AND PRICING ISSUES

Medicom Glove Price Increases Explained

As you are aware, the price of medical grade examination gloves has increased significantly in recent months and we expect the trend to continue throughout 2021.

The price increases are a result of **global market conditions** and elevated costs from our **vendors and suppliers**.

Labour & Manufacturing Impact

Manufacturers are managing labour availability limitations due to border controls, movement restrictions and a second wave of COVID-19 cases in Malaysia, Sri Lanka and elsewhere. As a result, highly publicized plant shutdowns will limit available supply.

Global demand

The global supply shortfall of disposable gloves is estimated to be ~200 billion pieces. Supply is constrained by manufacturing capacity and raw material availability. Despite supply shortages, demand continues to rise, largely attributed to incremental glove usage in new sectors due to the pandemic and government stockpiling. Third-party suppliers are offering production capacity to the highest bidders and defaulting on long-term production commitments in favor of more lucrative short-term opportunities or "spot buys".

Raw Material Shortage

High demand and limited supply of the raw materials used to make medical grade examination gloves are driving significant cost increases. Since the beginning of 2020, the market price for nitrile raw material (NBR) has more than doubled. Prices for all raw materials and finished goods, including natural rubber latex (NRL) and chloroprene, are increasing in line with nitrile as vendors shift to produce products with alternative polymers in response to NBR shortages.

High Logistics and Transportation Costs

Container vessel capacity is constrained by pandemic-related route cancellations and heavy export. Demand for container space on shipments from Asia to the Americas is exceeding available capacity, inflating transportation costs.

Market dynamics continue to change at a rapid pace. Medicom is monitoring recent reports of positive COVID-19 cases in glove manufacturing facilities in Malaysia, including reports some manufacturers will be temporarily shutting down factories in response to workers testing positive. We will make every effort to offset lost production or shipment delays to ensure ongoing supply.

The following factors are expected to result in supply shortages and price increases for the next 12-18 months:



Labour and Manufacturing Impact

- Limited labour availability due to border controls and movement restrictions in Malaysia, one of the world's major glove producers.
- Labour availability further limited by factory closures due to local virus outbreaks.
- Container vessel capacity is limited due to pandemic-related route cancellations and heavy exports due to the escalating trade conflict between the US and China.



Global Demand Spikes

- Global demand remains high as more workers and members of the public wear gloves for protection against the virus.
- After being caught off-guard during the ongoing crisis, governments, health systems and industrial customers are stockpiling gloves for future outbreaks.
- Vaccination programs are expected to generate demand for up to 18 billion gloves per year.



Bidding Wars

- Nitrile manufacturers with supply are offering production capacity to the highest bidders.
- Many manufacturers are defaulting on long-term production commitments in favor of more lucrative short-term opportunities or spot deals, which are trending around 2x higher than market price for nitrile gloves and NBR.
- Many manufacturers are charging spot prices for incremental volume above historical demand.



Raw Material Shortage

- NBR (acrylonitrile butadiene rubber) used to make nitrile gloves is in short supply, with no additional capacity expected before 2022.
- As NBR prices reach 2-3x times historical levels, many manufacturers are switching to natural rubber latex (NRL) and other polymers.

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SafeTouch[®]

Hedy[®]

Ocean Pacific[®]

References

[RHB says vaccine deployment could generate demand for up to 18 billion pieces of gloves a year](#)
[Outlook of glove makers seen unaffected near term](#)
[Major PPE Maker Shuts Factories After Nearly 2,500 Workers Test Positive For Covid-19](#)
[Glove counters rise in morning trade as Covid-19 cases climb](#)