



PRICE GUIDANCE
Disposable Glove Market
September 2020

Prices for disposable gloves are continuing to rise. Based on data from dozens of manufacturers across Malaysia, Thailand, Vietnam, and China and interviews with industry analysts, the imbalance between supply and demand in the disposable glove industry continues unabated. That trend will continue at least through Q1 of 2021 based on even the most conservative forecasts.

Average sales prices (ASPs) of disposable gloves, regardless of material type—nitrile, latex, and vinyl—are going up. Latex and nitrile are also constrained by shortages of raw materials, which puts additional pressure on pricing.

Demand continues to be driven by the increased need for gloves worldwide, due to both the COVID-19 pandemic and a greater general awareness of health, safety, and hygiene. Industry estimates predict that we will not see a reprieve in pricing for the next six to nine months. Supply is constrained by glove manufacturing's inherent limitations—raw materials, labor, and capacity shortages.

DEMAND CONTINUES TO SURGE WORLDWIDE

COVID-19 is still increasing worldwide. The pandemic is driving demand for personal protective equipment in general and disposable gloves in particular. Any vaccine or other relief methods (antivirals, plasma, etc.) are still months away. Even when they are broadly available, it will take additional months for their impact to cycle through society and become meaningful.

At the same time, countries across the globe are ramping up their use of disposable gloves. Even marginal increases relative to pre-COVID numbers will continue to result in a significant rise in demand for several reasons. First, general awareness of health, safety, and hygiene across all industries is at an all-time high and is likely to remain so. Second, due to COVID-19, worldwide demand for disposable gloves has increased by 3-4 times.

Third, the need for disposable gloves will continue to remain high, even post-COVID, driving companies to prepare.

Depending on the estimate, glove consumption worldwide before the pandemic had the U.S. (the leader in glove use per capita) using between 150 and 280 gloves per capita. In Europe, that number was between 100 and 150 per capita. Contrast that with China, between 6 and 9 per capita, and India, between 2 and 3. Then consider that worldwide demand is skyrocketing. In a country like China, with a population of nearly 1.4 billion, or India, with 1.35 billion, even a small increase in use per capita will result in many more gloves needed. Worldwide production capacity at the end of 2019 was less than 300 billion gloves and is slated for only marginal increases in 2020.

Industry estimates show that the maximum capacity added by the end of 2021 will be around 20 to 25 percent, resulting in an additional 30 to 50 billion gloves. The added capacity may seem like a significant number; however, all extra capacity is spoken for through advance orders.

SUPPLY CONTINUES TO BE HIGHLY CONSTRAINED

Glove manufacturers are facing several industry-specific challenges that prevent them from meeting demand. Due to multiple factors, gloves are not like other PPE—masks, gowns, or even sanitizer—which are much easier to produce in various locations

with minimal startup costs. Gloves can be made only in certain parts of the world and require a greater sophistication level in manufacturing.

First, there is a shortage of raw materials. While synthetic rubber is not naturally constrained, nobody expected to produce it at such increased volumes so fast. It will take months for the production of synthetic rubber to ramp up.

Second, labor shortages, especially in Southeast Asia, are limiting the ramp-up of glove production. Most employees at a glove factory require extensive training. In addition to some experience in chemistry, it requires specific expertise that, in many ways, makes it more of an art than a science. Many chemical variables involved in glove production take months, if not years, to master.

Third, factories cannot be built overnight, and production takes a long time to ramp up. Even if it were faster, the shortages of materials and labor would slow any efficiency gains. There is even a scarcity of feasible land for new large facilities. Therefore, the increase in production capacity is not expected until the end of 2021 at the earliest. Glove manufacturing is currently dominated by Malaysia and Thailand, with almost 90% of world production. Setting up manufacturing in the U.S. is cost-prohibitive to any reasonable investor and would require major government intervention, similar to the project undertaken to produce synthetic rubber during World War II.

China is a potential wild card and is interested in expanding production, especially of nitrile

and latex gloves. Upstart Chinese manufacturers face the same issues as other glove-producing countries—shortages of raw materials and highly trained labor—and massive demand from its internal market. China can produce more vinyl gloves, but it still takes months to get more factories up and running. Capacity for all leading glove manufacturers are full through 2021—if you are able to place an order with a factory, then you are likely outbidding and displacing someone else's order. This is in contrast to historical lead times of one to two months.

CONCLUSION: WHAT TO EXPECT NEXT

We surveyed all of the leading glove manufacturers, suppliers, and research analysts, and none of them expect disposable glove prices to peak until, at the earliest, Q1 of 2021.

As to what happens next, estimates vary. Some experts say that the prices may come down quickly, while others predict a slower decline, or not come down at all for two to three years. The reality is, nobody knows for sure.

Demand is so strong, and supply is so constrained, that we advise our clients to purchase inventory available to them now. We do not expect any bargains this year. Disposable glove prices are highly unlikely to be lower at any point in Q4 of 2020. Our recommendation is to immediately take the best deal you can find from any reputable source.