



Q3 Disposable Glove Market Update

July 2024



The Right Glove for The Job™

The current state of the disposable glove market is defined by several factors that have become common over the last few years.

On the surface, the market appears to be in good shape. Acute glove shortages are behind us, pricing has returned to favorable levels, the supply chain has seen many broken links repaired, and there is no longer a sense of emergency weighing heavily on the entire glove trade.

That said, several nuances have played diverse roles in dictating the market's course since 2020 and remain in place today.

Manufacturers in Southeast Asia, who could not produce gloves quickly enough four years ago, have more recently faced a different obstacle: excess inventory has sent factory utilization rates below 50% capacity. It likely will take well into 2025 for factories to achieve consistent profitability.

Several challenges are ongoing: labor shortages, rising raw materials cost, energy prices, and operational obstacles. Add logistics, from local transport to ocean shipping to last-mile delivery. Then add increased competition—especially from China—and the disposable glove market continues to be relatively unpredictable.

Uncertainties about China's long-term role in the disposable glove market have to do with potential trade tariffs. In the short term, Chinese manufacturers appear to be focused on growing their market share.

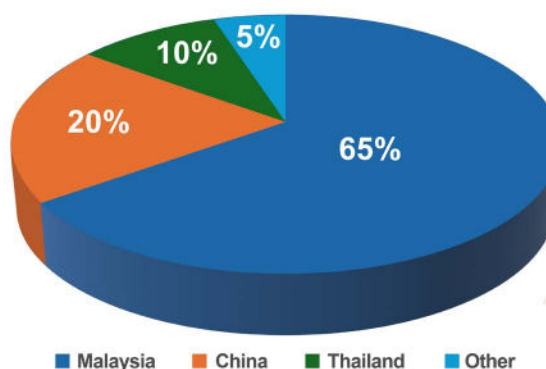
Overall, the demand in the U.S. disposable glove market is strong. There continues to be a heightened awareness regarding health, hygiene, and safety. People continue to use more disposable gloves in the post-pandemic world.

FACTORY UTILIZATION, RAW MATERIALS, AND DEMAND

Disposable glove factories, especially in Southeast Asia, [continue to optimize](#) their production lines. Some of the world's largest makers of disposable gloves are working to return to profitability and expect that it will take well into 2025 to do so.

Kenanga, a Malaysian investment bank, has hinted that it [expects an uneven recovery](#) for the industry. Its analysis of manufacturers' performance in Q4 of 2023 showed dissatisfaction with some of the largest glove makers' profitability because of reduced sales volume and continued high cost of raw materials, and predicted continued volatility in 2024.

Disposable Glove Production by Country



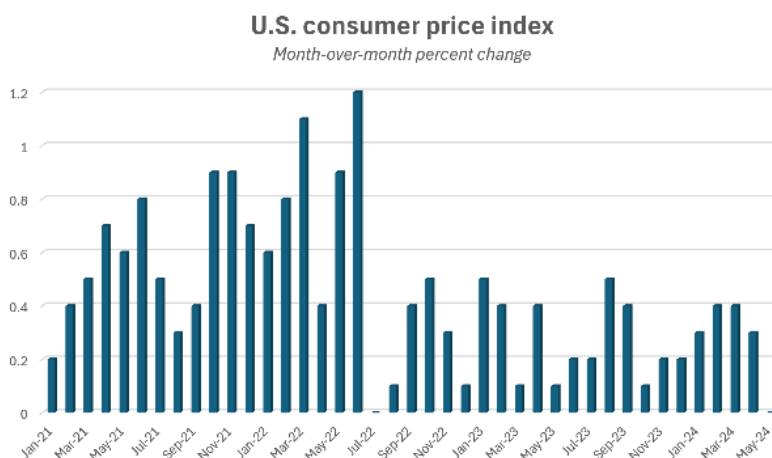
Many SE Asia manufacturers are optimizing their operations: closing their oldest factories, retrofitting others, and automating as many tasks as possible to produce gloves more efficiently. Production routines that a decade ago might have required eight or 10 workers now are being performed with two. As profits have been down the last few years, glove makers are finding new ways to revive and revamp revenue streams.

Post-pandemic prices for raw materials declined but are now moving higher. Pricing of nitrile butadiene rubber (NBR), the primary ingredient in the world's most popular disposable glove material, has surged by 20% in Q2 of 2024 compared with Q1. Looking ahead to Q3, more increases are expected. Plus, a significant increase in latex costs of over 25% is likely to be passed on from manufacturers to buyers.

At the same time, demand for disposable gloves continues to be strong and is projected to grow for years to come. For 2024, the [researchers expect](#) demand for gloves to rise 30% to 390 billion pieces and resume organic growth of 15% year over year thereafter.

LOGISTICS, INFLATION, CURRENCY EXCHANGE

[Spot rates for ocean freight](#) from SE Asia to the U.S. have been rising recently and are expected to continue that trend until Chinese New Year in early 2025. Longer transits around the Red Sea because of attacks by Houthi rebels—which resulted in a shipping container capacity shortage and canceled sailings from Asia—are stoking spot ocean freight rates.



Regarding inflation, insurance rates continue to be one of the main contributors. U.S. commercial insurance prices [continued their upward climb](#) in the first quarter of 2024, rising 6.3% in the aggregate over the fourth quarter of 2023, according to a survey of U.S. property & casualty insurers by WTW.

The commercial property & casualty insurance market has endured significant price fluctuations in recent years, according to WTW. Aggregate prices spiked nearly 10% in most of 2020, then declined to just below 5% in 2022, but prices have since risen steadily.

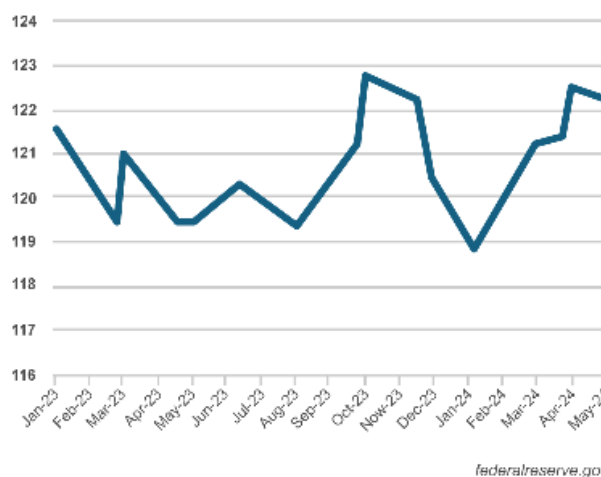


The price of motor vehicle insurance, which especially impacts last-mile deliveries, rose more than 22 percent in the year through April, the fastest pace since the 1970s, according to a report from the Bureau of Labor Statistics.

Rising insurance rates may be a prominent factor in [preventing overall inflation from](#) cooling more quickly, which could force the Federal Reserve to keep interest rates higher for longer even as the prices for many other essential goods and services have slowed.

The U.S. dollar has performed well against other currencies. Southeast Asian currencies have all struggled to gain ground on their U.S. counterpart, but there is no guarantee that such levels will hold throughout the year, and it is likely that the dollar will fluctuate for the rest of 2024. Things are OK for now—but keeping a close watch on the strength of the U.S. greenback is advisable.

Currency Exchange – Weighted Average
Per U.S. dollar



INFLUENCE OF CHINA AND POTENTIAL TRADE TARIFFS

Since 2020, China has significantly increased its prominence in the disposable glove industry, emerging as a pivotal player in the global market. This rise is attributable to robust manufacturing capabilities, strategic investments, and evolving global trade dynamics. It has enabled China to showcase aggressive pricing and ramped-up capacity to compete head-on with SE Asia manufacturers.

The country produces approximately 90 billion disposable gloves annually, capturing over 20% of the global market share. Chinese manufacturers benefit from economies of scale, enabling them to produce high volumes at lower costs.

Meanwhile, [Malaysian rubber glove manufacturers](#), which have experienced lower average selling prices caused by intensive competition, may benefit from a trade war and be able to export more to the U.S. in the future. President Joe Biden [announced](#) plans to raise tariffs on Chinese medical and surgical gloves from 7.5% to 25% beginning in 2026. It is likely that tariffs on Chinese goods will rise [regardless of who](#) captures the White House in the fall of 2024.

While it is too early to determine the precise impact that tariffs on gloves from China will have on the overall market, it will likely lead to higher prices for disposable gloves throughout the industry. Tariffs will likely cause a shift of production between countries, reorganization of supply chains, and greater competition for raw materials and labor at various locations.

AMMEX sources a minimal amount of medical gloves from China in addition to factories in such SE Asia countries as Malaysia, Thailand, Vietnam, and Indonesia. We do not source surgical gloves.



MANAGING MARKET DYNAMICS

It is difficult to predict with any precision what the rest of 2024 holds, but several factors we described in this update point to potential increases in product costs. The glove market is stabilizing. Expect disposable glove manufacturers to keep making adjustments in the quest to return to profitability. Rising costs for raw materials and logistics, as well as exchange rates and trade wars, will continue to be a factor. We remain committed to keeping our clients informed about the latest market changes and prepared for changing market conditions. We continue to emphasize our core value propositions in every customer interaction:

- **Fill rates:** AMMEX's 98%-plus fill rates on our top products are driven by our broad network of manufacturers.
- **Quality control:** We insist upon 100% in-person factory inspections of every shipment.
- **Compliance standards:** You can be confident that your gloves are ethically sourced and meet required compliance standards.
- **Customer service:** Our goal is not only to support the transactional part of the business, but to build long-term relationships with our clients.

Plus, as we've noted in the past in [our annual report](#), we remain committed to our sustainability efforts designed to effectively measure and reduced carbon emissions.

Our team at AMMEX is always looking forward to helping you and your customers navigate the disposable glove market.

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