



Q2 DISPOSABLE GLOVE MARKET UPDATE

April 2024



DISPOSABLE GLOVE MARKET CONDITIONS

In a unique way, the disposable glove market continues to work through an interesting set of circumstances initiated by the pandemic. The devil is always in the details and involves looking at operational factors beyond simple price comparisons.

While disposable glove factories produce ample supply and continue to optimize their utilization rates, they face challenges with labor, raw materials cost, energy, and operational challenges. Coupled with logistical challenges, increased competition, and declining profitability, these factors make the disposable glove market less predictable.

Also, prices at the end user level, especially in the United States, continue to be elevated across many channels. This dynamic creates churn and disconnects throughout the distribution chain, from factories to end users.

The good news is that the global disposable glove market is poised for continued growth—people continue to use more disposable gloves. We expect the challenges outlined above to continue to normalize over the next 12 to 18 months.

Industry observers have pointed to the end of 2023 as the potential low point in the market at the factory level. In 2024, they see utilization, margin, and volume upside across the industry. Manufacturers in China have ramped up production post-pandemic to gain market share, so volume is expected to rise before prices.

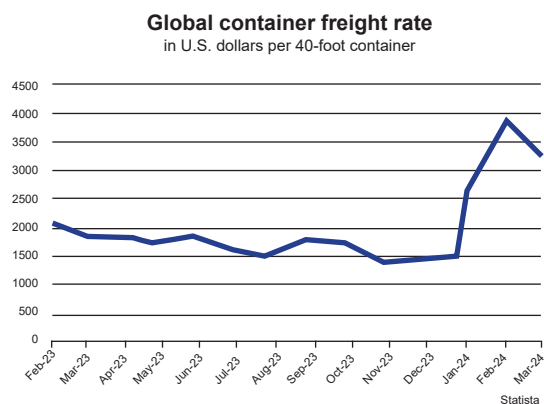
Excess inventory in the U.S., which deflated demand throughout 2023, is expected to be less of an issue in 2024. Demand from U.S. customers has improved as excess inventory was mostly cleared in the past year.

Labor, Operations, and Logistics

Disposable glove factories, especially in SE Asia, continue to optimize their production lines and face issues with labor availability. Some of the world's largest manufacturers of disposable gloves are working to return to profitability and have stated that it will take well into 2025 to do so.

If factory utilization remains below 50% capacity—a common benchmark for determining whether a glove maker breaks even—which it did for a substantial portion of 2023, profits at the factory level will remain elusive. Many industry insiders predict the utilization rate will bounce back to above 50% in 2024-25 and rebound to the historical average of over 75%, but they warn of short-term turbulence ahead.

Logistics costs and the impact of inflation are expected to come down in the coming months, albeit slowly. Both ocean and domestic shipping expenditures react quickly to any disruptions. For example, turbulence in the Red Sea—a reaction to the Israel-Gaza war—continues to cause delays as Houthi rebels in Yemen strive to disrupt shipping. It will impact market conditions for the foreseeable future, especially the lead times on the U.S. East Coast. The Panama Canal, which last year was forced to restrict passage due to dropping water levels, will be re-evaluated at the start of the 2024 rainy season.



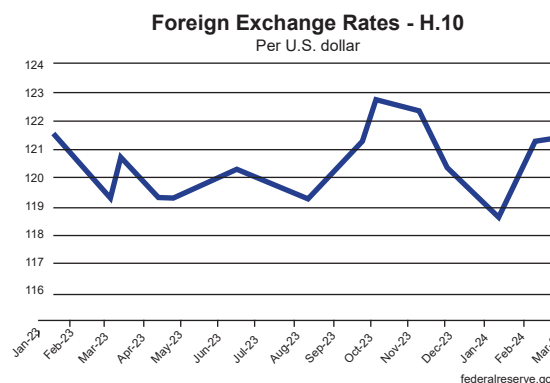
The recent collision of the container ship Dali with the Francis Scott Key Bridge outside Baltimore harbor may have extended consequences. The immediate impact on ocean shipping is difficult to predict, but is another example of how unpredictable events can impact logistics.

These challenges mean that suppliers like AMMEX carry more inventory and safety stock to support our customers, which helps maintain our 98%-plus fill rates on core products. AMMEX is also the only supplier in the industry with local teams conducting 100% in-person product inspections on all containers shipped.

Currency, Productivity, Raw Materials

Currency performance was mixed at the end of last year and the start of 2024. The Malaysian ringgit, the Singapore dollar, and the Thai baht declined against the U.S. dollar. The ringgit specifically is close to its lowest level to the U.S. dollar since the Asian financial crisis in January 1998.

A strong dollar meant more favorable glove prices at the factory level for U.S. buyers last year, but it is unpredictable if favorable currency scenarios will last. It is highly likely that the current impact will not be as favorable in the next 12-18 months.



One way glove manufacturers are looking to get back to profitability is through increased automation. Automation can improve efficiency and reduce labor and production costs for manufacturers. We expect this trend to continue and have a measurable impact on productivity over the next few years, which should help most large glove manufacturers get back to profitability post-pandemic.

As a general example, 15 to 20 years ago, on average, a disposable glove line at a factory would produce 170,000 cases of gloves a year while requiring approximately 8 employees. In 2024, modern lines produce around 380,000 cases of gloves per year (+125%) with up to 75% less labor force. It is reasonable to expect that new glove lines may add another 20-30% in productivity in the coming years. As they optimize utilization capacity and shut down many old lines, all major manufacturers continue investing in new, highly automated, and productive equipment.

Demand and prices for NBR—the main raw material used in glove production—are expected to remain high due to higher oil prices and the greater need for nitrile in most industries. Economic conditions including inflation rates, interest rates, and consumer purchasing power could also influence the affordability and availability of raw materials.

Sustainability, Quality, and Transparency

Unlike many other vendors in the disposable glove industry, AMMEX is focused on delivering products and solutions through sustainable processes for our customers and operating our business in a responsible way. In 2024, we are committed to an agenda of achieving measurable targets.

Our approach focuses on environmental sustainability that can be measured, reported, and validated. Specifically, we are pursuing science-based, emission-reduction targets aligned with climate science. This involves measuring our operational carbon emissions.

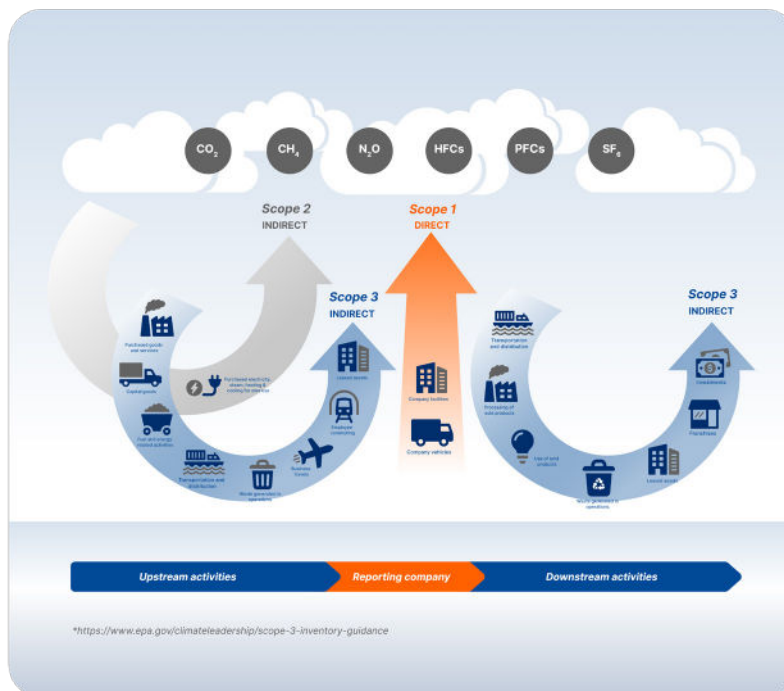
To do this, we have measured our direct Scope 1 emissions—which includes all emissions generated directly, such as company-owned equipment or vehicle fleets—with the help of third-party emissions-reporting experts. We have also worked with third-party experts to measure our greenhouse gas (GHG) emissions across all our direct operations—transportation, warehousing, travel, etc.—and utilized a GHG



Protocol that meets the standards for a comprehensive GHG emissions inventory for a company. In addition, AMMEX is a member of Sedex, an organization devoted to enabling businesses to assess their suppliers and improve working conditions and environmental performance in their supply chain. We participate in [Sedex Members Ethical Trade Audit](#) (SMETA), which helps to understand standards of labor, health and safety, environmental performance, and ethics within a business' own operations or at a supplier site.

We will continue to share our sustainability commitments and track ongoing efforts. ([See our Sustainability page here](#) and [download our Annual Sustainability Report here.](#))

GHG PROTOCOL SCOPES AND EMISSIONS*



Looking Ahead

We expect several market trends to continue throughout 2024: China's continued growth in the disposable glove market, particularly involving nitrile medical gloves. Technological transformation of glove manufacturing—more efficient and productive factories will make for a more competitive market. The market for disposable gloves will continue growth that started in the 1980s.

Overall, we see continuous importance for several factors—fill rates, quality control, compliance, and service levels—and are always focused on servicing our customers and differentiating our capabilities in those areas.

- **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 order and 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 with a dedicated team of experts and industry-leading tools.

Our team at AMMEX is always looking forward to helping you and your customers select the right glove for the job.