

TOP GLOVE: DEMAND-SUPPLY MISMATCH TO BALANCE OUT IN 2023

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Top Glove says average selling prices are expected to improve this year. – Bernamapix

In February, the ASP per carton for nitrile gloves was US\$25, latex gloves US\$20-21 and powder-free gloves US\$36-37. In March the ASP for natural rubber gloves will increase by 4- 5%.

Lim conceded that there is an oversupply in the market on the back of aggressive expansion by nitrile glove manufacturers from China, which have doubled their capacity in a short period of time.

He believes the current supply and demand situation will correct itself in due course as part of the glove business cycle, which will improve quicker due to faster information flow facilitated by the internet.

“For this time, the oversupply situation will be balanced out by early next year,” he told the media during the group’s virtual briefing yesterday.

“With the increase in raw material prices, we believe the ASP has hit bottom or close to bottom and it is likely to move up in the next few quarters.”

The group’s executive director, Lim Cheong Guan, projected a less aggressive pricing competition moving forward as the higher raw material price has resulted in much faster price adjustment.

Nonetheless, he did not discount the potential for further price adjustment although he believes the quantum will be lower as glove makers would have cleared their excess stocks.

“For Top Glove, our increased sales into the US will help increase our utilisation rate and sales volume.”

For its second-quarter 2022 (Q2'22), total sales to North America improved by 115% quarter-on-quarter following the resolution of the forced labour allegations raised by the US Customs and Border Protection that had led to a withhold release order (WRO) of its goods.

The group's managing director, Datuk Lee Kim Meow, revealed that it has recovered 80-90% of its business following the lifting of the WRO order.

"Some of our customers have not placed orders with us not because they are not comfortable but a lot of them stated they still have stocks and want to lower their stock level down to a more comfortable level before buying again," he said.

Lee said Top Glove did not lose any of its key US customers, as they have long-standing business relationships and most of its customers in the region are fully aware of the situation when the issues with the US agency cropped up.

"We are confident that by the middle of this year, the majority of them will come back to us and start placing orders."

In regard to the situation in Eastern Europe, he stated that Ukraine and Russia are markets that it has covered but the two countries account for less than 5% of Top Glove's total contribution and mitigation measures have been put in place.

"We are very careful, especially on the payment side, in view of the developments in the banking industry. We have kept in touch closely with our customers to find out what is the best way to handle the situation."

For its second quarter ended Feb 28, 2022 the group's net profit fell 96.9% to RM87.55 million from RM2.87 billion in the corresponding quarter of the previous year, attributed to a normalised average selling prices closer to pre-pandemic levels which offset an uptick in sales volume.

Revenue for the quarter stood at RM1.45 billion, a 73% drop from RM5.37 billion previously.

For the half-year period, its net profit declined 94.77% to RM273.27 million against RM5.23 billion in the same period of the previous year.

Revenue for the period was down 70.04% to RM3.03 billion from RM10.12 billion previously.

The Sun Daily