

# TOP GLOVE EXPECTS RAW MATERIAL PRICES TO REBOUND

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KUALA LUMPUR (April 30): Top Glove Corp Bhd, the world's largest rubber glove manufacturer by production capacity, said the price of crude oil-based nitrile or synthetic rubber is expected to reverse its downtrend in line with higher crude oil prices.

"Nitrile [is] expected to reverse its downtrend and trend upwards in line with higher crude oil prices," the glove maker said in its latest investor presentation.

"[For natural rubber] latex: [The price] uptrend will continue and normalise after the wintering season ends in May," Top Glove added.

The company said the price of nitrile is expected to rise to US\$1.17 (about RM5.09) a kg in May from RM1.08 last December.

Meanwhile, the price of natural rubber latex is expected to rise to US\$1.59 a kg in May, compared with US\$1.18 last August, according to Top Glove.

The company noted that raw materials accounted for the largest portion of 44% of its cost structure in the second quarter ended Feb 28, 2022 (2QFY22).

Among others, labour and fuel accounted for 12% each of the 2QFY22 cost structure.

Top Glove also said the natural gas tariff had increased by approximately 3.5% from April 1, while the electricity tariff is 17% higher since Feb 1.

The company is also mindful of the revised minimum salary for workers at RM1,500, effective from Sunday (May 1) as set by the Malaysian government, from RM1,200 previously.

The higher natural gas price, electricity price and wages impacted around 4% of total production cost, according to the glove maker.

Top Glove, which employs over 22,000 workers, said it had an annual glove production capacity of 100 billion pieces as of April.

According to the company, it has 49 factories comprising 32 glove manufacturing facilities in Malaysia, three in Thailand and one each in China and Vietnam, as well as 12 non-glove factories.

Global crude oil prices have risen past US\$100 a barrel on supply constraint concerns due to the Russia-Ukraine war which began on Feb 24.

Russia is a major crude oil producer, hence the anticipation of crude oil supply disruption after it invaded Ukraine as investors weigh the impact of the ban on Russian crude oil by other countries.

"[Crude oil] futures rose this week on the increased likelihood that Germany will join other European Union member states in an embargo on Russian oil," *Reuters* reported on Saturday.

"Russian oil production could fall by as much as 17% this year, an Economy Ministry document seen by *Reuters* showed on Wednesday, as Western sanctions over Russia's invasion of Ukraine hurt investments and exports," *Reuters* reported.

Top Glove closed unchanged at RM1.68 on Friday, with a market value of about RM13.46 billion.

The company has 8.01 billion outstanding shares, according to the latest quarterly financial report.

*The Edge Markets*