

MALAYSIA: Rubber glove players have upped prices - Rising raw material costs, weakening US dollar cited as reasons

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Rubber glove players have already increased their glove prices in accordance with the rising raw material costs and continued weakening of the US dollar.

The other day, the Malaysian Rubber Glove Manufacturers' Association (Margma) told its members to increase prices as the price of natural rubber latex had increased by about 19% from an average of 657.25 sen per kg in January to close at a new record high of 782 sen per kg on 15 Oct.

Under such circumstances, Supermax Corp Bhd executive chairman and group managing director Datuk Seri Stanley Thai said it was mandatory for all latex glove manufacturers operating in Malaysia and other countries to raise latex glove prices.

Top Glove Corp Bhd had increased its glove prices by between 4% and 5% last week. It will continue to monitor the situation and make the necessary price adjustments.

Kossan Rubber senior manager of group corporate affairs Edward Yip said it was raising its prices only to capture the additional cost from the weakening of the foreign exchange and the increase in raw material prices.

Latexx Partners Bhd chief executive officer and managing director Lau Bok Tek said it had also increased its glove prices.

"We have a mechanism to adjust our prices based on the exchange rate and raw material cost. We have to increase prices, otherwise we would have to bear the cost ourselves. Our buyers understand the situation," said Lau.

On the issue of supply outstripping demand, glove players said this was due to consumers holding back for lower prices.

For the recent reporting season, glove manufacturers' earnings pulled back about 4% in the quarters ending June to August.

CIMB Research head Terence Wong said the slowdown in demand, coupled with slower than expected cost pass through due to high latex prices and the weak US dollar, could lead to a continuation of weak earnings trend for glove makers. "We continue to view this as a temporary situation as growing hygiene awareness and increase in healthcare spending should give glove demand a big helping hand," he said.

Another analyst from a local research is not so positive, as he feels that demand has normalised. In the last few years, with issues like the H1N1 virus and the swine flu, demand jumped tremendously.

"Times are now better and everyone has expanded. I think the good old days of glove makers enjoying margins of 12% to 13% are over. The last quarter's average margins of 8% is more realistic," he said.

He added that big players would probably be able to sit through rising rubber prices, but smaller players without the economies of scale might suffer.

He acknowledged the issue of overcapacity, but said orders for November was already improving.

"Customers are now pulling back because rubber prices are high. Hence, they are buying on a hand to mouth basis. Most customers bought below their actual needed inventory levels. Once rubber prices reverse, this situation will resolve by itself," he said.

Top Glove executive director Lim Cheong Guan said the current soft demand for rubber gloves is mainly due to the normalising effect, as the H1N1 outbreak is no longer a concern. "We expect this softening in demand to be temporary and demand is expected to pick up again as customers, particularly from the healthcare sector, replenish their stock regardless of rubber latex prices," said Lim.

Thai said more latex glove manufacturers were converting their production lines to produce synthetic nitrile gloves as the price of synthetic nitrile latex and super thin nitrile gloves are now about equal or lower than the price of regular standard latex gloves.

(Syed Rashid Ali, Karachi, Pakistan)

Adresse:

<http://www.gupta-verlag.com/rubber/news/industry/8858/malaysia-rubber-glove-players-have-upped-prices---rising-raw-material-cos>

