

# COVIDCRISIS

## Communication #5

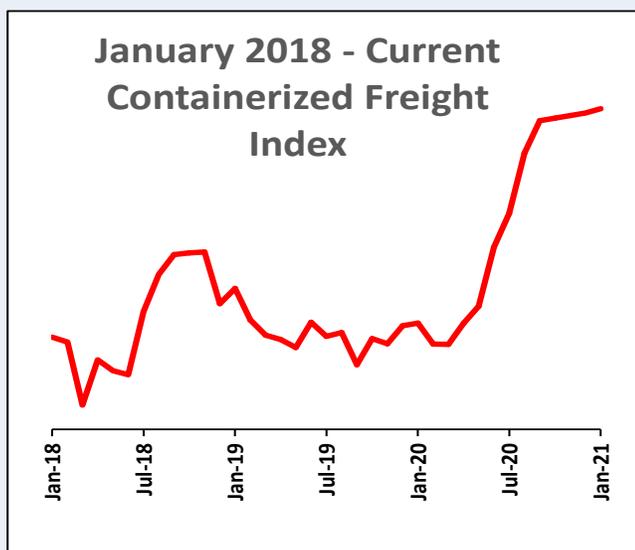


December 10, 2020

Covid-19 is having a significant impact on the global supply chain for PPE. Unfortunately, the strain on the supply chain will be felt well into 2021. This is your regular communication to keep you informed of the changes occurring in this dynamic situation.

### OCEAN FREIGHT IMPACT ON CONTINUED GLOVE SHORTAGE

The chart below illustrates the sharp rise in pricing of the containerized freight index since January 2020. Normal rate increases and decreases are reflected from Jan. 2018 to Jan. 2020 in the chart.

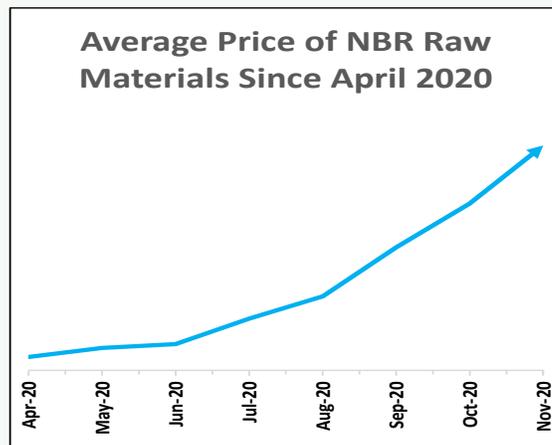


- Supply chains are facing a 'perfect storm to end all storms' as Asia container shortage worsens. The surge in US imports from Asia began in late June and shippers are still getting shut out today.
- Container freight rates have risen further based on equipment shortages which causes a ripple effect to other parts of the supply chain. Bottlenecks in the supply chain can mean surges in spot rates going forward.
- Shortages are still occurring in drivers, delivery vehicles, truck chassis, and warehouse space resulting in port congestion. Additionally, some shipping vessels have incurred quarantine issues.

- Bookings of containers currently is "like booking the hottest restaurant in town."
- There has never been anything in the industry like this and experts do not see it going away anytime soon. Shipping volumes will purportedly stay high at least through the Chinese New Year 2021.

### RISING RAW MATERIAL COSTS FURTHER DRIVE UP PRICING

The chart below illustrates the sharp rise in the average cost of key raw materials used in the making of nitrile gloves from April 2020 to current.

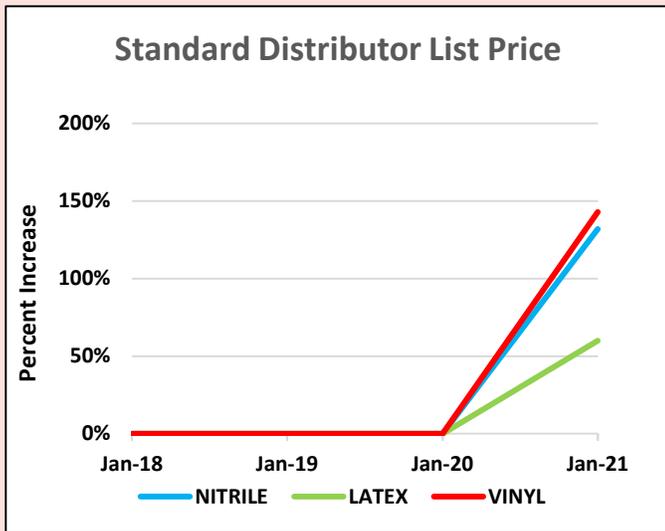


- The increase in pricing is a result of supply and demand.
- There are a fixed number of suppliers for these materials and the lack of supply is driving up the prices.
- Manufacturers have migrated away from the production of heavier weight nitrile gloves due to shortage of raw materials and the significant increases in the costs.



### EFFECTS OF THE COVID-19 PANDEMIC ON STANDARD DISTRIBUTOR LIST PRICING FOR DISPOSABLE GLOVES

The chart below illustrates the stability of the standard distributor list pricing for disposable gloves from Jan. 2018 to Jan. 2020.



- Prior to the pandemic, disposable glove pricing was relatively stable, only experiencing situational increases and decreases by the material.
- Since the start of COVID-19, glove manufacturers have experienced many issues that have caused a rapid, significant and unprecedented rise in the standard distributor list pricing for disposable gloves.
- Demand exceeding supply has been the chief contributor to these price increases.
- Additional factors influencing pricing have been raw material costs and shipping constraints felt industry wide.
- It is not known when or if pricing will return to pre-pandemic pricing.

### GLOBAL GLOVE INVENTORY IMPACT AND DEMAND

- The disposable glove industry has been plagued with ongoing issues resulting in a current grim outlook.
- Since the pandemic began, there have been US Customs Trade bans affecting the import of gloves from Malaysia.
- There have been Movement Control Orders (MCO's) restricting workers from traveling to factories to work.
- Factories have been shut down due to outbreaks of the virus.
- Many large producers have been affected which in turn then affects the world-wide supply of this PPE.



Although the current glove shortage environment is still very challenging, please know that Sempermed USA will continue to provide transparent and honest information to you through communications like this. We understand that this information is rather grim and difficult to read, but as your global glove expert we empathize with you and will support you in every way that we can.