

Market Update

An Update Regarding Current Market Conditions

October 2017

As your trusted supplier, we wish to inform you about the most up-to-date market conditions associated with the products we manufacture, import and distribute. As our valued customer, we are pleased to offer you this timely update on the current market conditions that will affect the markets.

We will continue to monitor the changing market conditions and provide information that will assist with your supply chain management.

Please do not hesitate to contact your local sales representative should you need further information.

Thank you for your business.

In China, the Environmental Protection Agency (EPA) is not letting up on polluting manufacturers. The agency is continuing to enforce their policies through a five step process: supervision, handling, inspection, interviews and special supervision.

Weather Impact

Outside of manufacturing processes, the weather will have an impact on pollution levels in the coming months. Forecasters have suggested that warmer temperatures in the Arctic, as well as higher pressure over the Pacific Ocean, will likely keep the air more stagnant than normal and temperatures higher than normal. This combination will push air pollution levels back up to levels seen a few years ago.

Emission Targets Set

For the first time, the Chinese government set emission targets for cities in the Beijing-Tianjin-Hebei region and nearby areas for the winter season. The enforcement of the targets has started and will continue until the end of March in 2018. A detailed accounting system was released that holds city government officials responsible for failing to achieve emission-reduction targets. The new targets are from an action plan by the State Council announced in September 2013, which was touted as the most serious pollution-attack plan in history. It stated that the Beijing-Hebei-Tianjin area, Yangtze River Delta and Pearl River Delta would have to have their levels cut by about 25%, 20% and 15% respectively by the end of 2017.

Gloves

Pressure on glove manufacturers is continuing to mount. Many of the supply issues related to plant shutdowns and shipping issues have not changed. Vinyl glove pricing is still rising due to the challenges of upgrading facilities while trying to meet the demand of the marketplace and securing raw materials.

Paper

Paper pricing is continuing to increase. The increases have affected all grades of printing and writing paper, thermal paper, specialty paper and packaging including duplex board. The paper manufacturers have been able to keep pricing stable the last few years, however, costs have been steadily increasing for pulp, chemicals, additives and logistics which many suppliers can no longer continue to absorb. The increases are being forecasted to continue into 2018.

A major supplier of leuco dye, a key ingredient to the coating used for thermal register rolls, carbonless paper and packaging films, has been forced to shut down by the Chinese government due to environmental issues. With roughly 35% to 40% of the global supply coming from this single facility, we expect the shutdown will force mills to reduce their production which will create supply shortages and most likely lead to price increases. Additionally, a major US paper mill filed chapter 11 earlier this week which we expect to negatively impact market supply of paper.

Other Markets Affected

Many of the changes the Chinese EPA have enacted are affecting different types of manufacturers. In addition to rubber and plastic suppliers, textile, leather, chemical, metal and coating suppliers have been forced to make changes to their manufacturing processes to be compliant with the new laws and regulations. Many of the changes the EPA is enforcing were documented recently, and with low levels of transparency, market analysts are having a hard time determining when these changes will be enforced.