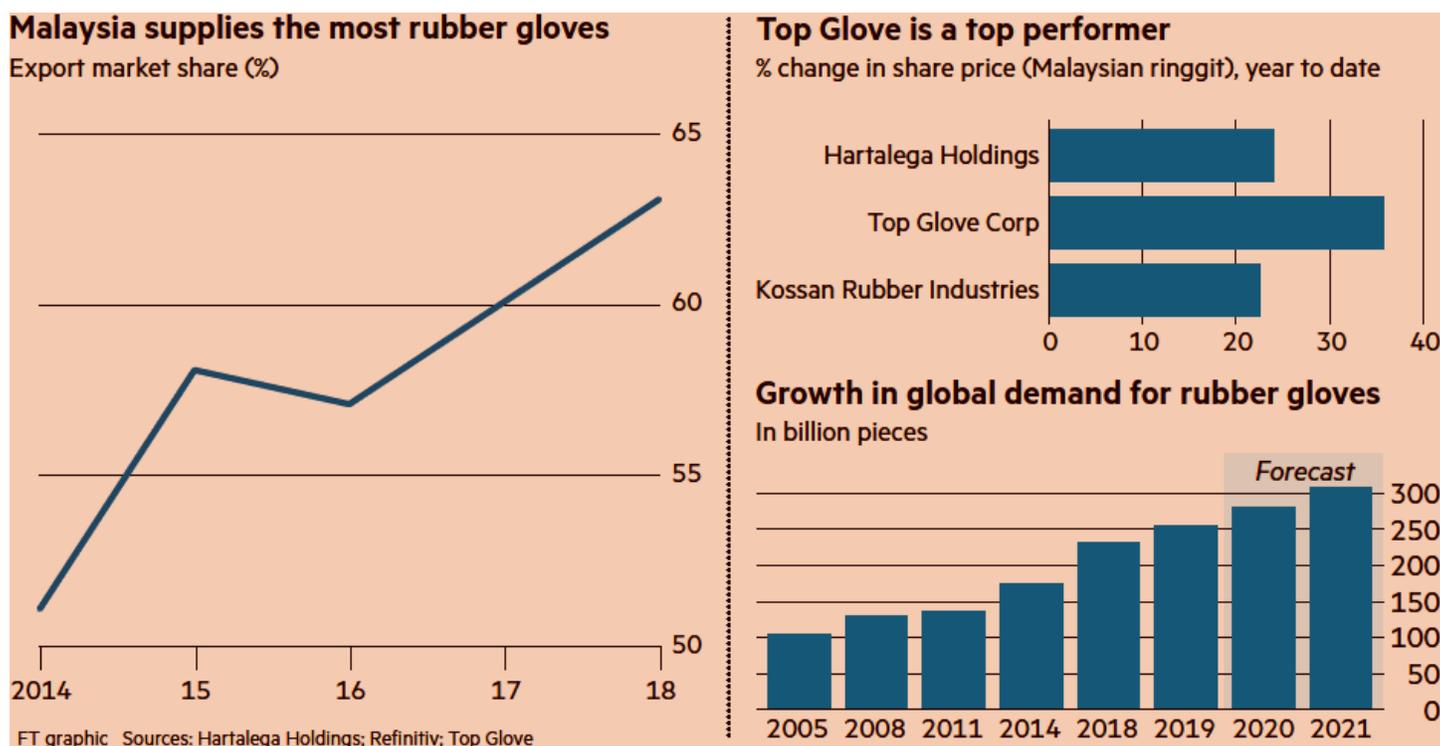


Medical gloves/Malaysia: the next shortage



The Asian nation supplies many of the world's rubber gloves and the coronavirus outbreak means these are in high demand. Consumption was already rising steadily. A supply squeeze in Malaysia, partly owing to the country's own lockdown, means that share prices of producers there have risen sharply this year. Hospitals around the world are struggling with shortages of critical medical supplies and equipment, such as masks and ventilators.

Medical gloves will join that list. Two-thirds of the world's supply is made in Malaysia, where the number of confirmed coronavirus cases has almost doubled in the past week.

Global orders reached double the full production capacity of Malaysia's glove-makers last week. This came as Malaysia started a lockdown of at least one month. Factories there — if open at all — are running at less than half capacity. Orders are backed up by as much as four months.

The country's abundant rubber plantations have meant low-entry barriers for small local competitors. These in turn have kept glove prices low. That is partly why few rival countries can stretch to meet the output of about 200bn gloves Malaysia makes each year. Mask and ventilator production is more geographically diverse. 3M has several surgical-mask production plants across the US and China. There are more than 10 big ventilator manufacturers globally.

Seasonal factors have made things worse. The price of latex rose 5 per cent in December owing to a fall in rubber yields from bark. Those prices are likely to stay high, as demand grows. Labour costs, which have increased, should rise further as a proportion of workers stays at home.

No surprise that the share price of Top Glove — Malaysia's largest producer — has soared 37 per cent this year. At a record 34 times forward earnings it trades well above local and regional rivals, reflecting the

surging demand. Its sales have nearly tripled in the past week. Analysts already expect a 35 per cent boost in operating profit in the year to August.

Even after the outbreak ends, demand should stay high, as medical departments worldwide replenish their depleted stock.

Coronavirus is painfully illustrating the risk of concentrating production of vital supplies geographically or in the hands of a few manufacturers. Comparative advantage has shown it has unexpected costs for customers.

After the epidemic, nations will ensure greater security of supply.