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UPDATE ON PACCOR'S SUPPLY SITUATION

Resins such as Polypropylene (PP), Polyethylene (PE), Polystyrene (PS) and Polyvinyl Chloride (PVC) are main components of PACCOR's products (approx. 60-70 %). Since December 2020 the prices across all the above-mentioned materials increased significantly (by 50-80 %) and the supply has become extremely scarce.

At this moment, the European plastics converting industry is facing severe shortages of raw materials and extreme price increases that are not only threatening the economic survival of numerous SMEs (Small and Mid-sized Enterprises) but endanger the production of countless products, ranging from applications in the building and automotive industry to essential goods for the food and pharmaceutical supply chains.

Manufacturers of plastic products are experiencing serious bottlenecks in the supply of raw materials since the beginning of this year. Delivery problems have become increasingly widespread: raw materials such as Polypropylene, Polyvinyl Chloride and Polyethylene and special additive plastics such as Phthalates that give unique properties to products and are crucial in the recipes. The serious market disruptions currently taking place all over Europe are a symptom of the structural imbalance in Europe between the local production of and demand for raw materials and additives. Without restoration of that balance, periodic recurrence of gross disruption of the production chain is highly likely. Ultimately, the end customers also suffer damage due to disruptions in the delivery of (semi-)finished products.

Europe is a net importer for rubber and plastic raw materials and is therefore extra vulnerable to market disruptions. The current shortages are caused by the improving global economy in combination with exports of plastics from Europe to Asia and North America. Logistical problems due to a shortage of containers to Europe also contribute, as does the lower production of plastics in the USA. Furthermore, the demand for certain raw materials used for protective articles against COVID-19 is extremely high. On top, we see an unprecedented great number of declarations of force majeure.

EuPC, the professional representative body of plastics converters in Europe, has put forward all these arguments in a letter to the EU Commission a few days ago.

This extreme shortage of resins on the market is also significantly affecting PACCOR's business. In the first quarter of 2021, PACCOR's operations continued to run at full speed. At the beginning of the second quarter, we see that the situation is not improving and we are maximizing our efforts to secure supply. The goal is clear for PACCOR: Continuously produce our products and secure supply to our customers.

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