

Gas price rise to have minimal impact on gloves

PETALING JAYA: The impact of the recent natural gas price hike on rubber glove manufacturers is likely to be minimal as it accounts for only about 10% of the glove manufacturing cost.

Rubber glove makers are likely to absorb most of the cost increase amid falling price trends and the influx of supply coming to the market, said analysts.

TA Securities said the glove average selling price (ASP) movements are currently supply-driven, which is expected to drop by 8% to 10% month-on-month in the coming months before normalising in the first half of 2022.

It has made no changes to its earnings estimates for the glove companies under its coverage at this point.

On Monday, Gas Malaysia Bhd announced

that the average natural gas selling price for the fourth quarter (Q4) of 2021 was RM36.42 per million British thermal units (MMBtu), representing a 21.3% increase compared with RM30.03 per MMBtu for Q3 of 2021.

As such, the average natural gas selling price for 2021 is at RM28.86 per MMBtu. Compared to 2020, the average natural gas selling price has decreased from RM33.65 per MMBtu or lower by RM4.79 per MMBtu in 2021, noted TA.

Meanwhile, Maybank Investment Bank Research said the higher gas tariff in Q4 of 2021 was likely due to the higher gas cost from Petroliaam National Bhd (Petronas), given that the distribution tariff was unchanged quarter-on-quarter and the tariff surcharge was discontinued.

“While the higher gas cost would have a positive impact on Gas Malaysia’s spread, there is possible earnings offset from the movement control order-induced volume weakness in Q3 of 2021,” it said in a report on the company.

The research house said apart from directly impacting the end tariff, the higher gas cost also raised retail margins, and was thus positive for Gas Malaysia all else being equal.

It is keeping its earnings forecasts and RM2.80 a share target price for the company.

It added that every five sen per MMBtu change to its spread assumption would move its financial year 2021 net profit forecast by 3.8%.