

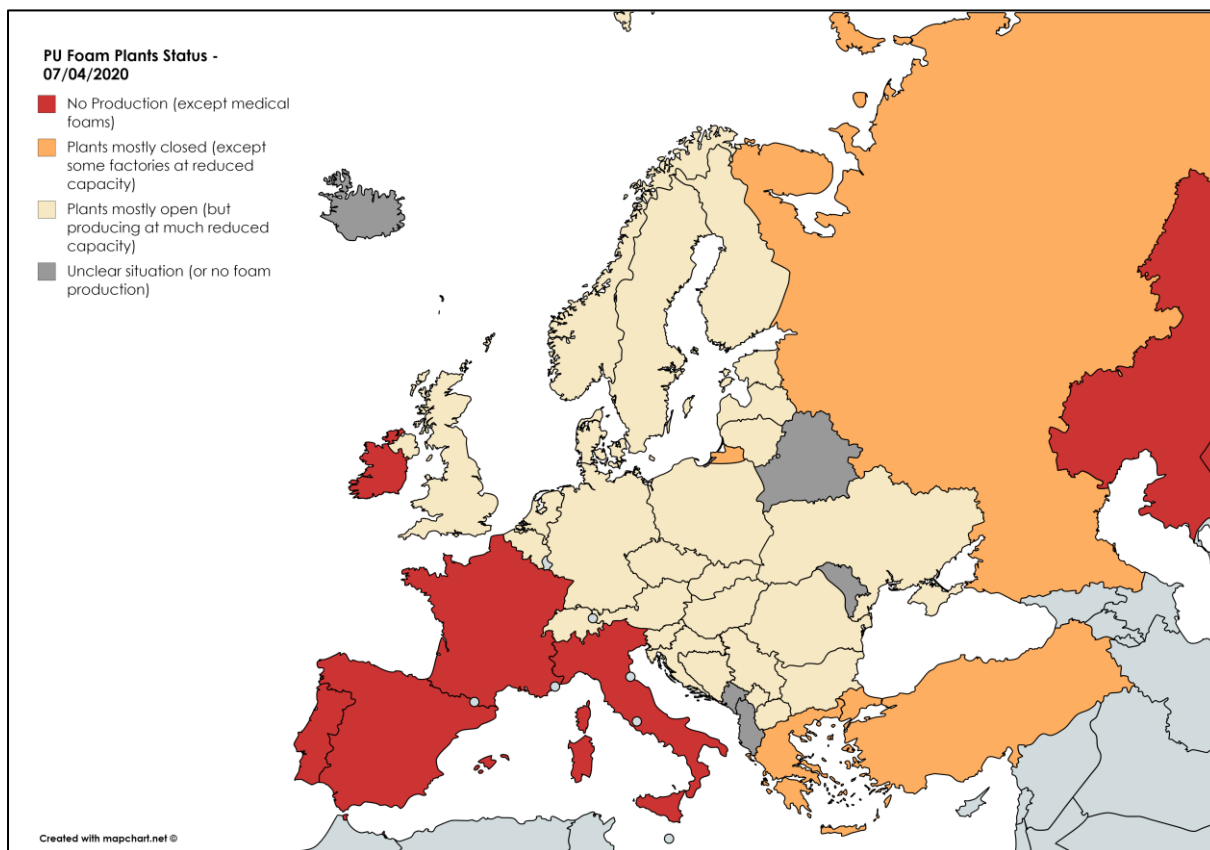
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## **COVID 19 - FLEXIBLE POLYURETHANE FOAM PLANTS (SLABSTOCK) STATUS**

Following an earlier note shared on 31 March, and based on continued interviews of our members and experts of the foam industry, the situation in Europe's foam industry to date can be summarized as follows:

- In most of Europe, there have been no government orders demanding the closure of foam plants. They can in theory operate normally provided that measures to protect their workforce are taken. In reality, production is drastically reduced due to lack of demand for foam and progressive closure of companies further down the supply chain.
- Foam plants serving the automotive industry are nearly all closed but internal preparations are being made for restarts. Some OEMS have announced plans to reopen their plants around 20 April and have asked their suppliers to make adequate preparations. Considering that lockdowns may be extended in parts of Europe and that the automotive supply chain is among the most integrated globally, it is as of yet quite uncertain that this planned timeline can be met. Some companies are reporting the re-start of technical foams exportation to Asia.
- Foam plants serving the mattress and furniture industry generally expect production to be reduced between 30 to 90% in April with retail closed in most of Europe. Many foam producers are active in the production of materials for medical mattresses. Online sales of mattresses and furniture are reported to be holding ground. Such volumes are however not compensating drastic drops in demand elsewhere. Overall our estimate is that across Europe production will be down 60-70% in April. The strong reduction in activity is prompting some plants to announce short periods of closure of a week or so, notably around the Easter holidays. Even if plants are not producing foam, they usually continue shipments of foam from their existing stock, which means the low demand across Europe can be fully satisfied.

The following paragraphs give more detail on the current situation in the various regions of Europe, as obtained from our member companies. Countries are classified amongst the regions we normally use for our statistics reporting.



### **AUSTRIA, GERMANY AND SWITZERLAND – OPERATING AT MUCH REDUCED CAPACITY**

PU foam plants can remain open but operate at much reduced capacity. Most PU foam produced is for special orders (e.g. medical mattresses) or online sales.

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### **FRANCE – FOAM PLANTS ARE CLOSED**

There is no formal government order imposing the closure of industries. However due to lack of demand, all companies are almost completely closed currently, save some orders for medical foams.

### **GREECE, BALKANS AND CYPRUS – MOST OPERATING AT MUCH REDUCED CAPACITY**

There is no formal government order imposing the closure of industries. However due to lack of demand, all companies are currently operating at reduced capacity. In the region's largest country, Greece, most foam plants serving the comfort sector are closed.

### **HUNGARY, CZECHIA, CROATIA, SLOVAKIA, SLOVENIA – OPERATING AT MUCH REDUCED CAPACITY**

There is no formal government order imposing the closure of industries. However due to lack of demand, all companies are currently operating at much reduced capacity.

## **IBERIA – MOST FOAM PLANTS ARE CLOSED**

In Spain, the government decided to extend the lockdown for the general population until 26 April but as from 9 April non-essential industrial businesses will be allowed to open again. With retail to remain closed until the end of the month, this reopening should however not trigger huge demand for foam as supply chains are largely stopped. In the meantime, all but 2 foam producers are completely closed and the ones that remain open operate at very low volume for specific applications (mostly sponges, medical mattresses).

In Portugal, although there is no government order formally forcing them to, all but one foam plants are closed according to the information we received. The foam plant that is still open is focusing on the production of medical foams mostly, at strongly reduced volumes. Portugal's foam industry is strongly export-oriented and therefore much depending on customers located in Spain and France notably. Some plants indicate plans to reopen around mid- April while others await for the situation in Spain and France to stabilize to do so.

## **ITALY – FOAM PLANTS ARE CLOSED**

The current lockdown has been extended until 12 April but is likely to be prolonged. The government imposed a closure of all non-essential businesses 3 weeks ago but the plastics and rubber industry was among the industries that could remain operating. The (non-medical) mattress and furniture industries are however not on the list of essential businesses. Therefore foam plants voluntarily stopped foaming progressively due to lack of demand and disruption of supply chains. Some foam plants however provide support to local initiatives to produce medical equipment.

## **POLAND – OPERATING AT MUCH REDUCED CAPACITY**

There is no government order imposing the closure of foam plants. They can therefore operate provided some precautionary measures are taken. However, Poland being a strong exporter, it is badly affected by reduction in demand from other parts of Europe. Foam plants operate at much reduced capacity.

## **ROMANIA AND BULGARIA – OPERATING AT MUCH REDUCED CAPACITY**

There is no government order imposing the closure of foam plants. They can therefore operate provided some precautionary measures are taken. But – similar to Poland – reduction in demand has strongly affected local players who are producing at much reduced capacity.

## **TURKEY – MOST PU FOAM PLANTS ARE CLOSED**

Nearly all Turkish PU foam plants were closed last week. The country's largest foam producer is resuming activity this week at much reduced capacity as part of precautionary measures to protect the workforce. Another foam producer is also open for business, also at much reduced capacity. All others are closed for at least a further week according to the information we received.

## **SCANDINAVIA AND THE BALTICS – OPERATING AT MUCH REDUCED CAPACITY**

There are no government orders restricting production. PU foam plants can remain open but operate at reduced capacity. The reduction in production seems to be somewhat less dramatic than in other regions of Europe.

### **UK AND IRELAND – OPERATING AT MUCH REDUCED CAPACITY**

In Ireland, all non-essential businesses were closed as of 28 March, but the country's foam industry is continuing reduced operations to produce foams for medical equipment. UK plants are operating, but at much reduced capacity with demand having largely dried out there also.

### **UKRAINE, RUSSIA, BELARUS, KAZAKHSTAN – MIX OF OPEN AND CLOSED PLANTS**

In the course of last week, the Russian government extended the national holidays it had initially imposed for one week until 30 April. But the government's decision leaves it to each State of the Russian Federation to decide whether companies can open or close depending on the local spread of the virus. The situation is therefore changing very often. Our understanding at this moment is that most PU foam plants are closed but that some have obtained authorization from local authorities to remain in operation. In Kazakhstan foam plants are closed by order of the government. In Ukraine, foam production is strongly reduced.

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