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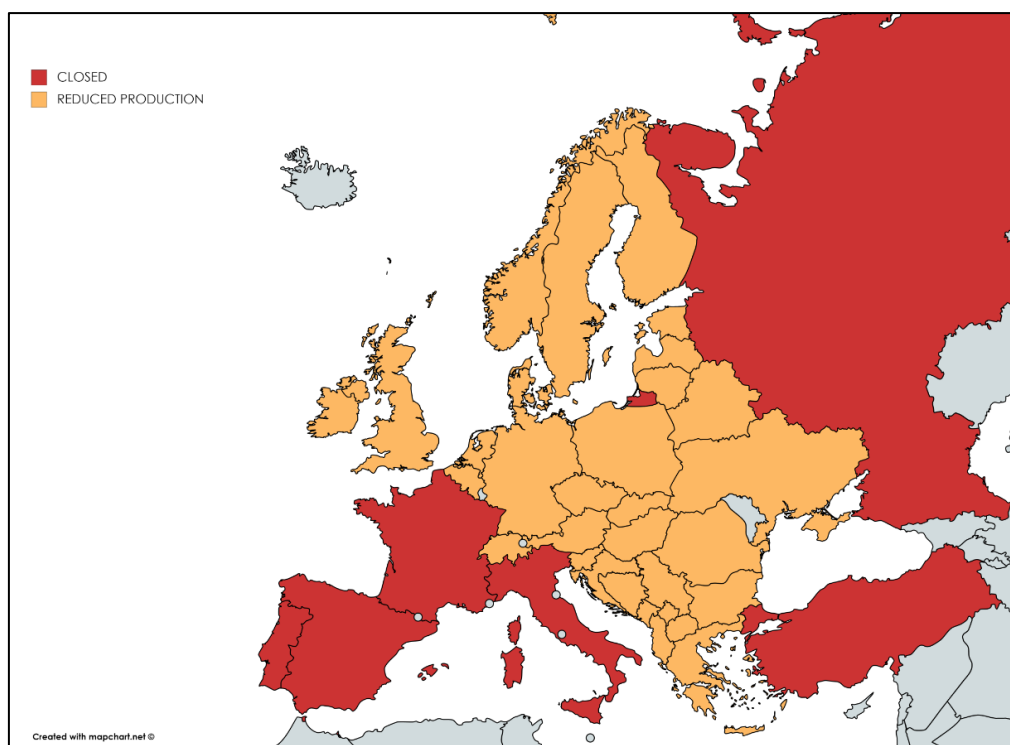
COVID 19 - FLEXIBLE POLYURETHANE FOAM PLANTS (SLABSTOCK) STATUS

This document aims at providing an overview of the current situation in Europe with regards to flexible polyurethane foam plants operations due to the Covid-19 epidemic. It was drafted with our best knowledge to date based on > 30 interviews and exchanges with foam producers and suppliers to the industry. As the situation is evolving almost daily, we expect to provide updates to this document as needed.

Generally, the situation can be summarized as follows: production was nearly normal across Europe until mid-March but then the situation deteriorated very rapidly due to lack of demand, reduced workforce availability or government decisions. By now, all foam plants dedicated to serving the automotive industry are closed across Europe. Foam plants serving mostly the bedding and furniture industry are largely closed in the South of Europe and operating at much reduced capacity elsewhere, with most of them focusing their production on items for online sales or medical mattresses. These volumes are nowhere close to compensating production volumes lost for other applications. Among the companies producing medical mattresses, some are starting to report difficulties in sourcing covers. Some machinery manufacturers are also reporting difficulties in sourcing spare parts from countries under lockdown. Furthermore, also for the coming weeks, disruptions in the foam supply-chain from raw materials up till end-products are expected, caused by border-closings, availability of workforce and more stringent and severe controls on border-crossings, which could cause delays in shipments.

Among the companies still producing, all that answered our questionnaire expect the situation to further worsen in April, indicating they expect their production to be down between 30% to nearly 80% compared to normal. This reduction in activity might encourage more plants to temporarily close voluntarily even if there is no government order forcing them to. In most countries companies can obtain some sort of support from national governments for temporary unemployment.

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.

BENELUX – OPERATING AT MUCH REDUCED CAPACITY

Production was more or less normal til mid-March but had strongly reduced since then. PU foam plants can remain open provided additional precautions are taken. All are operating at much reduced capacity. Most PU foam produced is for special orders (e.g. medical mattresses) or online sales. A further drop in demand is expected in April with most companies expect to produce well less than 50% compared to a normal month. Some companies indicated they may decide to close operations if demand becomes too low. Companies producing mattresses issues regarding availability of covers and other materials for (medical) mattresses but have so far been able to find ways to work around the issue.

Both the Belgian and Dutch government have put support measures in place. In Belgium, the government allows workers (both blue and white collar) to be put on temporary unemployment under a very simplified procedure. In the Netherlands, companies can obtain support for the payment of wages in case of significant drop in turnover.

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 – 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, with some reporting greater reductions than others depending on the end markets they serve. All expect the situation to worsen in April. Plants in the region are also reporting logistical issues with trucks being delayed due to increased controls at border and quarantine measures for incoming transport imposed by some countries. Some countries in the region are taking measures to support their industries, but the modalities are reported to remain largely unclear.

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 – FOAM PLANTS ARE CLOSED

Production in the regions was more or less normal until mid-March. But as the region is strongly affected by the spread of the virus, drastic measures have been taken by companies and governments.

Spain: Most foam plants had closed voluntarily around 23 March. Some remained open at reduced capacity to serve mostly the medical mattresses and the online sales markets. A government decree adopted over the week-end imposes the closures of all non-essential businesses as from 30 March and until 11 April, so now all PU foam plants are closed in the country save for some limited medical foams. Given the situation in the country and learning the lessons from elsewhere, some foam plants are planning to remain closed until +/- mid-May. The government has adopted measures to allow for workers to be put on temporary unemployment. Workers can since this WE also be put on paid vacation, with the time to be recovered either by working longer hours when the lockdown ends or reduced summer holidays.

Portugal: Although there is no government order formally forcing them to, all foam plants are closed according to the information we received. Some plants indicate plans to re-open in the second week of April, although whether this will be possible is not entirely sure yet.

ITALY – FOAM PLANTS ARE CLOSED

The government imposed a closure of all non-essential businesses 2 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 over the past two weeks to protect their workers, and 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. All foam plants report a significant drop in demand over the past two weeks, up to 50% currently compared to a normal month of March. They all expect April to be worse, some expecting to produce only 20% of what they would normally produce. The government has announced a “crisis shield” to support companies affected by the crisis, covering up to 40% of direct and indirect costs if staff is not laid off. There are additional conditions attached and it is unclear at this stage for foam companies whether they will be able to benefit from it.

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

Production was more or less normal until mid-March. Most foam plants are closed until 6 April but considering the situation in the country, it is unclear whether they will be able to re-open at that stage.

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

Production was more or less normal until mid-March but has drastically reduced since then. All UK plants are still open and are producing at 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. Some plants producing medical mattresses are reporting difficulties to obtain covers while others state they have sufficient stock for the time being.

UKRAINE, RUSSIA, BELARUS, KAZAKHSTAN – RUSSIA CLOSED / OTHERS OPERATING AT MUCH REDUCED CAPACITY

Production was more or less normal until mid-March but has drastically reduced since then. On 28 March, Russia entered a one week national paid holiday except for the medical sector and plants producing on a continuous basis such as the chemical sector. In other parts of the region, all plants are still open for the time being and are producing at reduced capacity.
