

## **PRICE VOLATILITY: FLEXIBLE PU FOAM IS NO EXCEPTION**

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European consumers notice it every day: inflation is hitting us all hard. The Eurozone inflation rate was 7.5% in March 2022 on a yearly basis, with some EU countries approaching the 10%. Largely linked to the international context and more particularly to oil and gas, the price of many products made with chemicals has also increased sharply. Hence, so has the price of flexible polyurethane foam.

The raw material shortages that characterised the second half of 2020 and most of 2021 in our industry have now given way to unprecedented price increases for all supplies, covering not only incoming chemicals, but also energy and a wide range of other materials, as well as the cost of logistics.

The price instability in the crude oil and natural gas markets trigger the introduction of phenomena that our industry has not seen for decades. These include surcharge demands for the transport of chemicals, ranging from 300 to 1000 EUR per ton depending on the product, according to *Plastics Information Europe* (PIE). Adding to this, PIE marks the price of all main raw materials used to make polyurethane foam with a “sharply increasing” note for April, while highlighting that supply and demand in the market is balanced.

But these are just some input parameters. Add to these price increases in additives, in energy for foam factories, in transport ex-factory and also in operating costs... it then becomes easily understandable that the price of foam becomes volatile and price increases may be sought.

Speaking about the situation, Bart ten Brink, President of EUROPUR, commented: “We are for the moment confronted with a sort of “cultural price-revolution” in all foam markets, which is marked by the end of the relatively long-term stable pricing in foam supply contracts. Forced by current circumstances, players in the supply chain must adapt to the volatility of prices and foresee the need for corrective mechanisms. Of course, this is not easy for mattress/furniture producers and automotive foam users who are not used to this and cannot always adapt their prices on almost a weekly basis. As the rest of the economy adapts to the current circumstances, our supply chain will need to find ways too. The question that nobody has yet answered is whether this situation is temporary or disruptive in such a way that it is ‘there to stay for some time.’

We, as an association, will try to keep you informed on these unprecedented changes in our supply chain.

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