

# Nonwovens Markets

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## Ontex opens first US production facility; narrows focus on hygiene partner brands and healthcare business

Earlier this month, Belgian hygiene giant Ontex Group NV announced the opening of a new facility in Stokesdale, North Carolina. This marks the company's second major investment in the state in recent years, following the acquisition of diaper and feminine hygiene production assets from Albaad Massuot Yitzhak Ltd. in May 2020. The Stokesdale facility is a greenfield project and complements Ontex's plant in Tijuana, Mexico, as the company is committed to growth in North America as part of a refocus on its partner brand and healthcare business.

"We are proud to invest in local production within the United States to meet the growing demand for our essential »» continued on page 7

## Synthetics continue to lead fiber supply in 2021, while cellulose reach an all-time high in volume

The Fiber Year GmbH recently published the [2022 edition of its annual The Fiber Year report](#), which showed world fiber supply continues to be driven by manmade fibers, but overall growth in fiber supply was off of its century average for the third consecutive year. According to the report, continued adverse market conditions make recovery to traditional growth rates questionable at best.

Andreas Engelhardt, the report's author and president of The Fiber Year GmbH, said world fiber supply in 2021 rose less than 4% to 127 million tonnes, equal to an average 15 kg per capita consumption. He said the largest segment, with 64% share, was synthetic »» continued on page 9

## Essity says price increases helped drive record net sales for Q2; bets big on growth in leakproof apparel

Essity had a busy month leading up to the reporting of its Q2 financials, with the acquisition of two leakproof apparel companies positioning it for strength in what it defines as the Intimate Hygiene category. And while Essity reported that raw material, energy and distribution costs continued to present challenges in Q2, it was able to effectively leverage price increases during the quarter to drive its net sales higher by 31%.

"I'm pleased to report the strongest sales growth quarter that we have ever seen, and a large part of this is price increases, also the highest price increases that we've ever seen in a quarter by far," said Magnus Groth, Essity's president and CEO, during his company's Q2 earnings call. »» continued on page 11

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transformation initiated in 2021, will endure for years to come.”

Ontex did not offer comment on available production capacity or specific details on the equipment located in its new Stokesdale production facility.

## The Fiber Year

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fibers with polyester and nylon expanding almost 10% each, polypropylene inching up 1%, and acrylic fibers contracting for the 10th consecutive year by 2%. Growth was also noted in small-scale segments, such as aramid, carbon and spandex fibers.

Engelhardt said the second-largest sector, with 24% share, was natural fibers, though the sector experienced sharp declines in cotton and flax production in 2021 due to pandemic-induced inventory accumulation in the year before.

He said the softness in cotton and flax was offset by cellulosic fibers, which continued a multi-decade growth phase and marked a new all-time high, with 6% share of the overall fiber market. Cellulosics experienced gains in all areas, with the fastest growing fibers being modal and lyocell, which Engelhardt said both experienced double-digit growth rates in 2021.

Notably, Engelhardt said spunlaid nonwovens declined for the first time in three decades, which was not a surprise due to the outsized demand for hygiene products in 2020. The 2020 boom in spunlaid materials led to a 7% decrease in supply in 2021, with spunlaid’s share in world supply accounting for almost 7%. Most global sources refer to the fiber size only when characterizing spunlaid nonwovens, but Engelhardt said the market size of spunlaid nonwovens is estimated to be in the range of 1 kg per capita consumption.

Although performance in 2021 was mostly characterized by

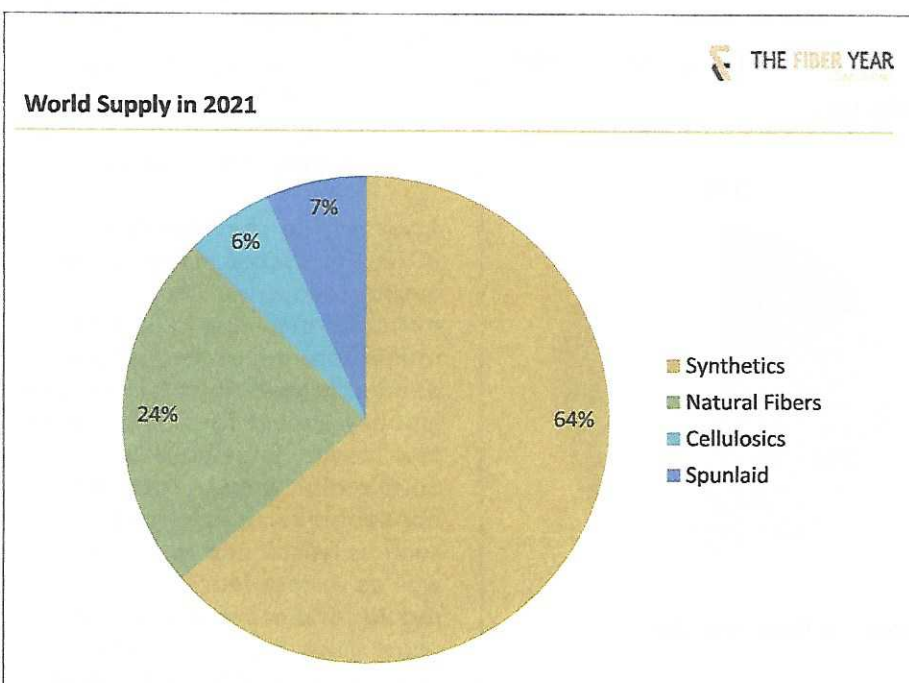
positive growth across the fiber industry, Engelhardt said growth was not broadly based, and a return to a long-term growth path appears ambitious for 2022. He said geopolitical instability along with adverse economic and logistical conditions will hinder growth in 2022 and likely for some years thereafter. This century’s average annual growth rate amounted to 3.8%, but, as noted earlier, it has underperformed for three consecutive years, with an accumulated volume of almost 8 million tonnes lost. This year’s return to the long-term growth rate appears rather unlikely as an expansion rate of 7% would be required.

Engelhardt said world supply was lifted in 2021 due to a 9% expansion in manmade fibers, which currently holds nearly 70% share of the market. In regional terms, the top-five manmade fiber producing countries within the Greater European region including all European states, Turkey and CIS countries, amounted to a 90% share.

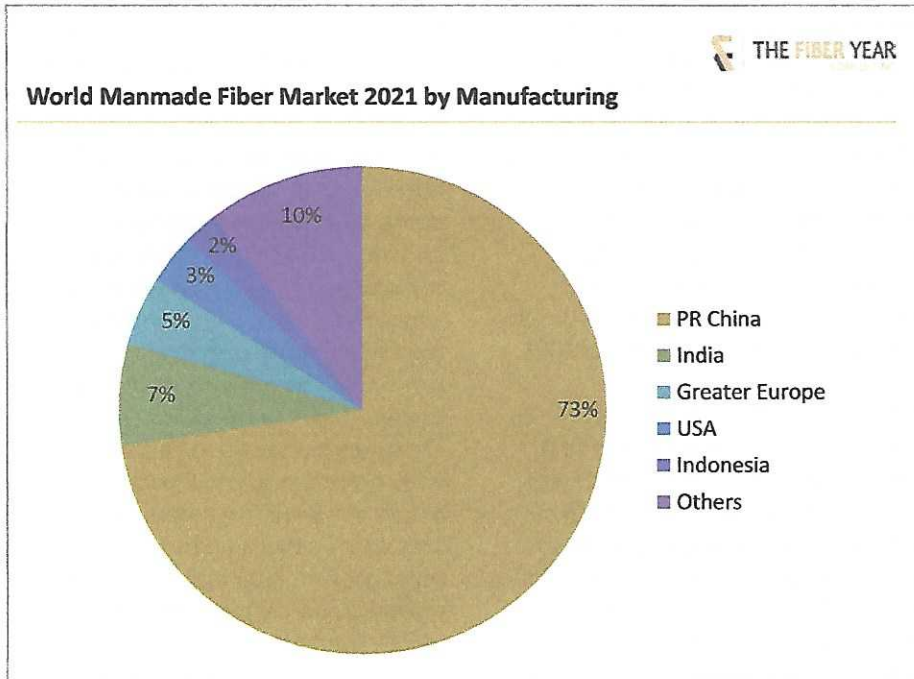
Engelhardt said China’s fiber industry recorded 8% growth to 64 million tonnes in 2021, reaching a new all-time high following strong gains in polyester, nylon and spandex, while polypropylene modestly rose and acrylic fibers continued a five-year contraction.

A similar growth rate was realized in India, as it reached 6 million tonnes in 2021. However, Engelhardt said the country remained below 2018/19 levels due to weak polyester demand, while nylon and wood-based cellulosics hit new peaks.

Greater Europe experienced an 11% rebound to 4 million tonnes thanks to above-average







increases in Turkey, while the 27-nation EU improved, but remained at its second-lowest level in the quota-free period.

The U.S. expanded 8% to 3 million tonnes, even though labor shortages and extended

lockdowns in the Caribbean region prevented higher operating rates.

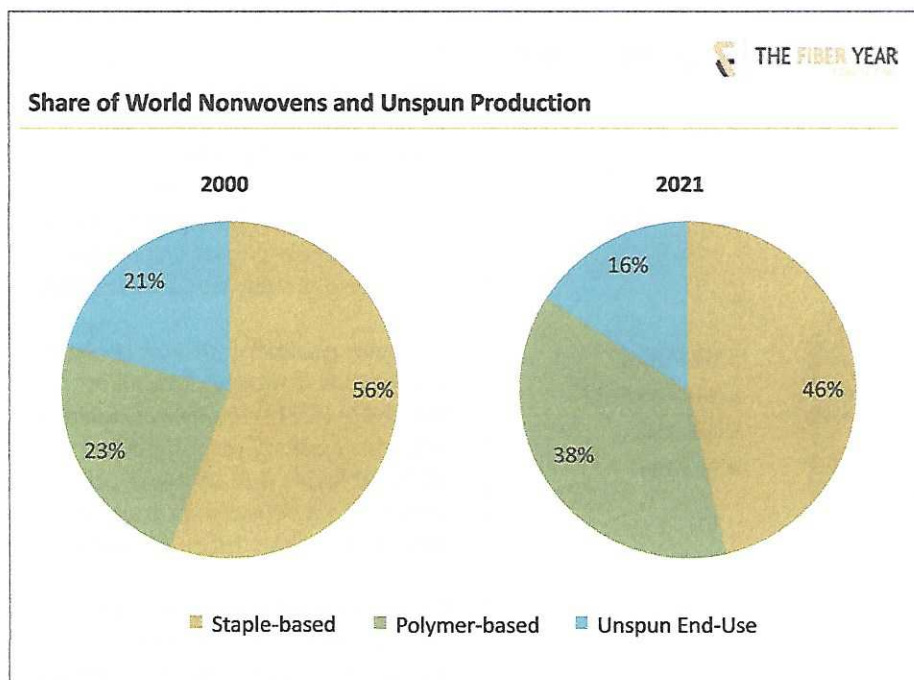
Indonesia witnessed an 18% boost to 2 million tonnes, which Engelhardt said was due in part to a market correction after a steep contraction in the year before.

The remaining global markets grew by 11% to 9 million tonnes. In total, the world beyond China jointly rebounded at a faster pace in 2021 (almost 11%) to return to a pre-pandemic level. Improvements in Europe and the U.S. were reportedly slowed due in part to high freight costs, port congestion, supply disruptions and unreliable delivery times, which minimized the sourcing of material from Asia.

For the first time ever, *The Fiber Year* report segmented wood-based cellulosics by spinning process.

The market for wood-based lyocell fibers came to a halt in 2020 due to the pandemic, but prospects for future growth quickly returned. Notably, Engelhardt said the lyocell market is projected to experience accelerated growth in 2022 and beyond, driven by global investments, superior fiber properties (including biodegradability), growing awareness around plastic waste from oil-based fibers, improved security of supply over natural fibers, and limitless raw material supply, which has become increasingly important in light of recent supply chain challenges.

According to *The Fiber Year 2022*, the viscose industry saw output recovering 7% to 7 million tonnes, due in part to manufacturing exceeding pre-pandemic levels in most industries globally, except for China, Japan and Taiwan. Engelhardt said double-digit growth rates were noticeable for specialty fibers such as lyocell and modal, as well as viscose filaments, while regular and eco-friendly fibers came close to pre-pandemic levels, growing 6%, and acetate





tow realized growth, slowing in the prime market of cigarette filters while benefiting from expansion in textile end-uses.

Engelhardt said world production of nonwovens and unspun end-uses softened nearly 1% to 23 million tonnes, which was the first decrease in the century. Staple fiber-based nonwovens rose 4% to 10 million tonnes, while spunlaid nonwovens declined by 7% to almost 9 million tonnes. Unspun applications, including a significant volume of acetate tow for cigarette filters, advanced 3% to almost 4 million tonnes. The entire sector experienced an average annual growth rate of 6% since 2000 compared to nearly 4% in fiber and filament output, with the natural fiber segment climbing 1% and manmade fiber business expanding 5%.

*The Fiber Year 2022 is the 22nd edition of The Fiber Year GmbH's annual study reporting on and projecting trends in the global fiber industry. With 400 pages of detailed market data, this year's edition has been enriched by subdividing the dynamic viscose staple fiber market. Authored by The Fiber Year GmbH president Andreas Engelhardt, The Fiber Year 2022 covers all of the major fiber categories and markets with special contributions from leading fiber-related subject matter experts worldwide. For more details and to order The Fiber Year 2022, visit [thefiberyear.com](http://thefiberyear.com).*

## Essity's Q2 report

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**Q2 highlights.** One of the areas highlighted during Essity's half-

year report was Health & Medical, which saw a 10.9% sales growth in Q2 compared to the same quarter in 2021. Organic sales represented 7.9% of Essity's Health & Medical sales growth in the quarter.

Fredrik Rystedt, chief financial officer and executive vice president for Essity, said Health & Medical is typically the business area within Essity least affected by raw materials, but in the past several quarters, this has been the business area most affected by raw material cost.

Rystedt pointed specifically to fluff pulp, superabsorbent polymer (SAP) and plastic-based materials in general, primarily for incontinence products, for driving raw material increases. He said while Essity has been able to compensate somewhat for the increase in raw material costs with price increases, the process of implementing price changes in Health & Medical is much slower than it is in other business areas due to the length and structure of contracts. "So therefore, compensation or price increases is a much longer process," he said. "So we have ventured into that. We have raised prices quite significantly, also sequentially in this quarter, and we will continue to do so going forward. We expect raw material to significantly increase also for Q3 sequentially and versus last year."

Turning to Consumer Goods, Rystedt said Q2 saw significant increases in all categories and all geographies, with a nearly 15% average price increase in Q2 compared to the same quarter in 2021. Rystedt said this price increase combined with product mix led to organic sales growth of nearly 18% year over year in Q2.

From a volume perspective, Rystedt said Essity's Baby category saw a noticeable decline in Q2 due to the company's decision to stop its diaper production in Colombia. As the company gradually exits Colombia, Rystedt said Essity expects to see negative volume impact on its Baby business going forward. In addition, Rystedt said Essity's Baby category has been negatively impacted by the ongoing Russia-Ukraine conflict, which resulted in much lower sales volume in Russia in Q2. Essity announced in April of this year its plan to exit the Russian market, noting that business conditions in the country had worsened, impairing the company's assets by approximately SEK 1.4 billion. In 2021, Essity's net sales in Russia amounted to approximately SEK 2.8 billion, corresponding to about 2% of total consolidated net sales for the year. At the time of this announcement, Essity said the company retained SEK 1.3 billion in trade receivables, cash and cash equivalents from its operations in Russia, where it has three production facilities and 1,300 employees.

"So, [in Consumer Goods] you can see the impact from raw material is the highest of our business areas," said Rystedt. "So 14.5% margin impact if you compare to one year ago. And we will see also here in this area significant cost increases sequentially and compared to last year as we go forward. We have executed on a lot of price increases and we'll see additional benefits from the already agreed price increases as we go forward now into Q3, and we will continue of course the journey on increasing prices as we go forward."