

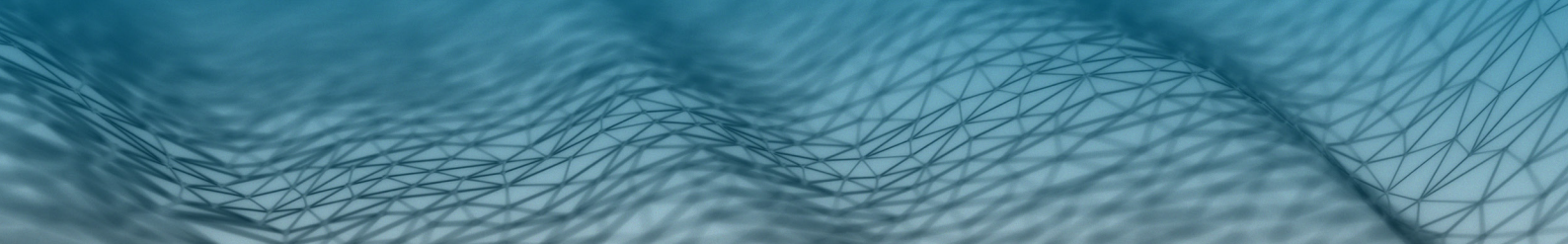


Australian Government
**Department of Industry, Science,
Energy and Resources**

Hand Sanitiser in Australia

Market insights

July 2020



At the outset of the COVID-19 pandemic, as demand for hand sanitiser grew, the Hon Karen Andrews, Minister for Industry, Science and Technology brought together Australia's domestic hand sanitiser manufacturing industry, including elements of the supply chain, to understand production capacity and capability. This work enabled a market-based response which saw supply expand to meet the growing demand for hand sanitiser.

The Department of Industry, Science, Energy and Resources (DISER) worked with industry to analyse the market for hand sanitiser, including identifying supply chain constraints and regulatory issues. The analysis was informed by roundtable discussions, one-on-one interviews and a short survey of producers. This summary shares insights and information from the analysis to support efficient market outcomes, as industry continues to meet Australia's demand for hand sanitiser.

This brochure can be read in conjunction with DISER's Regulatory and Market Update Brochure issued on 16 June 2020 which summarises regulatory changes to support industry during the COVID-19 pandemic.

The Commonwealth as represented by the Department of Industry, Science, Energy and Resources has exercised due care and skill in the preparation and compilation of the information in this publication. The analysis in this report is based on qualitative data collected in early April 2020 from interviews with industry and consumers, publicly available data, and assumptions about recovery scenarios. The Commonwealth does not guarantee the accuracy, reliability or completeness of the information contained in this publication. Interested parties should make their own independent inquiries and obtain their own independent professional advice prior to relying on, or making any decisions in relation to, the information provided in this publication. The Commonwealth accepts no responsibility or liability for any damage, loss or expense incurred as a result of the reliance on information contained in this publication. This publication does not indicate commitment by the Commonwealth to a particular course of action.

Market snapshot

Before the COVID-19 pandemic, Australians used approximately 20 million litres (ML) of hand sanitiser each year, with supply approximately evenly divided between domestic and international manufacturers.

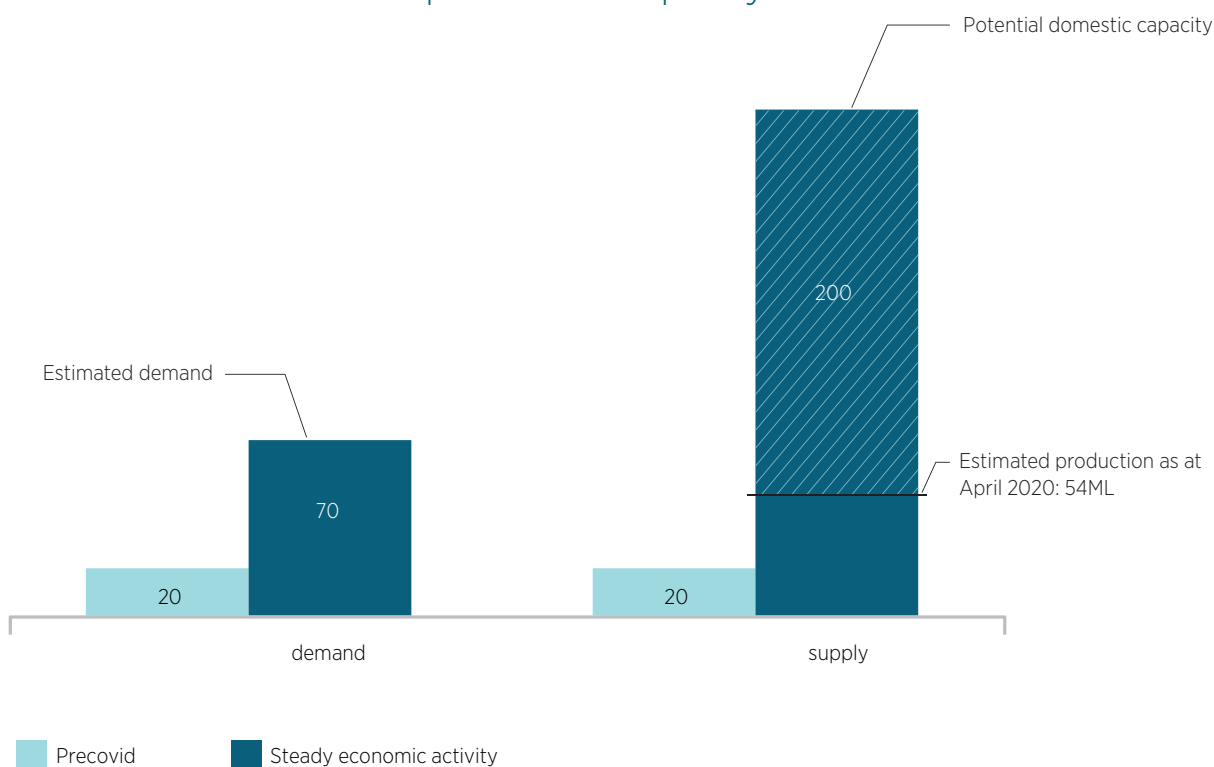
COVID-19 resulted in a significant increase in demand for hand sanitiser. With international supply chains also disrupted, hand sanitiser and its inputs were temporarily in short supply.

In response, established **domestic manufacturers increased their production of hand sanitiser** while **many new entrants retooled to enter the market. Flexibility from the Therapeutic Goods Administration (TGA) supported the increased supply of hand sanitiser by streamlining approvals processes.**

Demand for hand sanitiser is expected to remain elevated over the next 12 months, at up to 77 ML per year¹. This increased demand is expected to be met through strong domestic production and the resumption of imports as global markets resume. It is also expected that some domestic producers will pivot back to their previous activities.

COVID-19 revealed Australia's very strong domestic production capacity for hand sanitiser and demonstrated the agility of Australia's supply chain.

Hand sanitiser domestic production capacity



¹ Estimates of demand are based on assumptions around dosage, frequency and likelihood of use. However, demand may also be affected by external factors including the speed of transition out of lockdown, as well as the community level of concern about transmission risk.

Supply

Pre-COVID demand was met through a roughly 50/50 mix of imports and domestic production. Scale and mix of supply has changed rapidly since March, and continues to shift as market adjusts to new conditions. To better understand the rapidly changing market, DISER surveyed the hand sanitiser sector in April 2020. The survey attracted 51 responses – 40 manufacturers, 6 importers and 5 packaging companies. Of these respondents, almost 30 per cent were existing producers, while the rest were new entrants. Domestic producers reported that they could increase capacity to 200ML per year if needed. However, this depends on the availability of imported inputs such as thickeners, bottles and pump closures, for which there are still some shortages.

By April 2020, domestic production as a share of Australia's total hand sanitiser supply grew from 50 per cent to around 70 per cent (with imports falling to 30 per cent). **Total domestic production capacity for hand sanitiser had increased from approximately 10 ML per year to 54 ML.** Existing producers were able to increase production while new entrants (for example, cosmetic manufacturers, distillers, paint manufacturers and packaging companies) were able to pivot operations and start producing hand sanitiser. Due to international supply chain interruptions, some existing producers faced shortages of some imported inputs. New entrants generally focussed on the simpler WHO formula, for which the majority of ingredients are available domestically².

The shortages of raw materials and packaging seen over March and April have eased, and the market appears to be stabilising. However, some producers may continue to face difficulty sourcing smaller bottle sizes and pump closures over the coming months as these products continue to be in high demand globally.

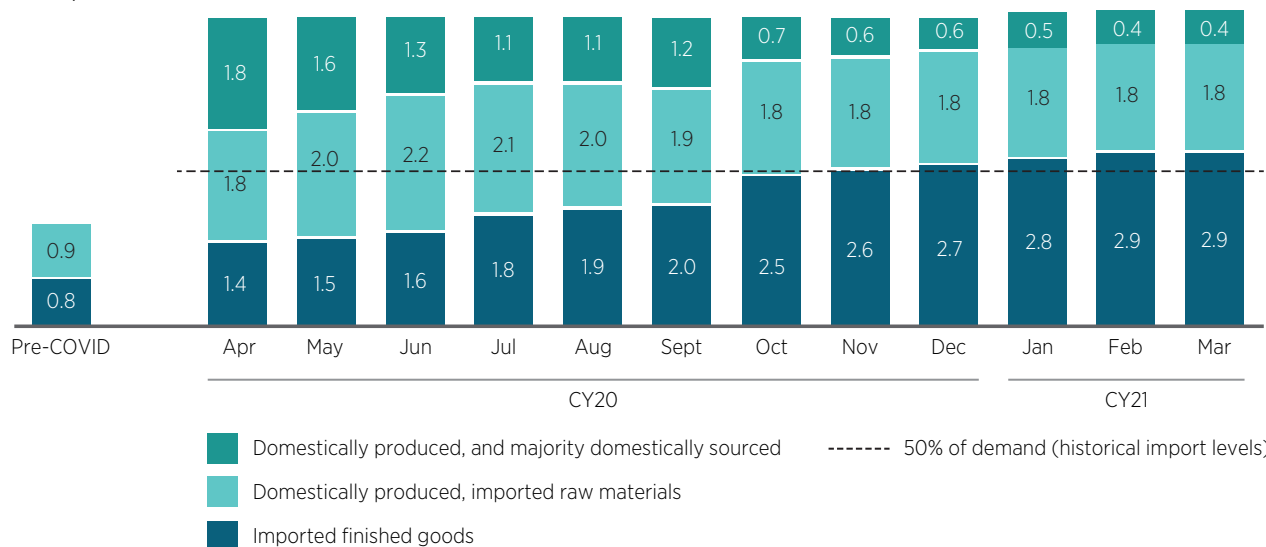
Analysis suggests that **increased domestic capacity and increasing imports of hand sanitiser will be sufficient to meet elevated demand over the medium term.** In the longer term, the mix of supply from domestic production and international imports will depend on a range of normal market drivers, including the cost competitiveness of Australian producers and consumer preferences. **Some new entrants will remain competitive and stay in the market and some may pivot back.**

A targeted survey of 50 manufacturers of hand sanitiser in early April found that on average, respondents reported issues with the availability (price and freight) of ethanol, thickeners, bottles and pump closures.

Ethanol is the key anti-microbial agent in alcohol-based hand sanitiser. Domestic higher grade ethanol production increased, helping to reduce supply pressures.

Illustrative Australian hand sanitiser supply mix over time

ML/month



² World Health Organisation (WHO) issued a hand sanitiser formulation with only four ingredients, which was exempted from TGA regulation (product formula and testing) from 28 March 2020 for the duration of COVID-19. This formula was critical in enabling new entrants to start supplying hand sanitiser.

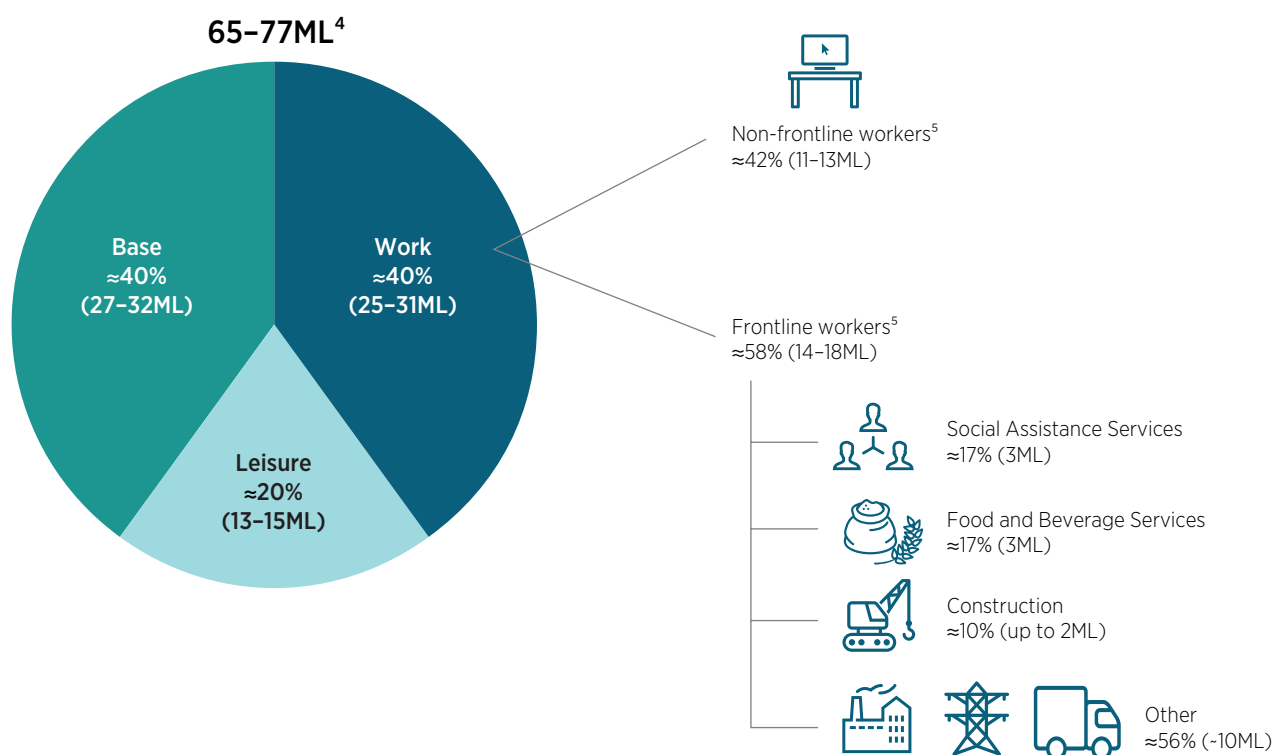
Demand

As the economy returns to steady activity and businesses reopen, it is expected that demand for hand sanitiser will increase. Approximately 60 per cent of the increase in demand is anticipated to be driven by consumers undertaking essential and leisure activities. The remaining growth is anticipated to be driven by workplaces, with the three highest-use commercial sectors projected to be social assistance services, food retailing and construction service. Frontline workers span a range of critical industries including agriculture, broadcast, education, electricity and gas supply, grocery and liquor sale, transport and logistics, various types of manufacturing, and fuel retail. Health workers account for around five percent of front line demand and less than one per cent of total demand.

At the end of April 2020, a survey of 1,022 consumers found that:

- 84 per cent increased use of hand sanitiser outside the house
- 86 per cent were using publicly provided hand sanitiser
- They were using hand sanitiser 3.4 times a day on average, but planned to reduce to 2.6 times a day when restrictions were lifted
- In order of importance, consumers made purchasing decisions based on the price, container size, alcohol content, formulation, container type, and closure
- Consumers preferred hand sanitiser in small bottles with high alcohol content, gel formulation and pump action

Estimated breakdown of hand sanitiser demand³



³ Demand has been split into three categories: work, leisure and base activities. Base activities are essential activities outside of the home e.g. grocery shopping and doctor's visits. Leisure activities include non-essential activities like going to the gym, attending pubs and restaurants.

⁴ Range reflects differing usage volumes.

⁵ Frontline workers = working out of home during lockdown, Non-frontline workers = working from home during lockdown.

