

TRANSITIONS

WHERE'S MY STUFF? EXPLAINING SUPPLY CHAIN DISRUPTIONS

The words, “supply chain,” “bottlenecks,” “supply chain disruptors,” are all words that seem to have become familiar household phrases. Supply chain disruptors are typically not words that we think about on a daily basis, that is until a pandemic hit, and exposed the fragility of the whole enterprise of goods and services reaching final consumers via supply chains.

November serves as a time of the year that brings families together to share in the celebration of family traditions over delectable family dishes. December serves as a time of remembrance and the celebration of life through the representation of gifting. However, the looming deadlines for ordering food and stocking stuffers for the holiday season is rapidly approaching and it's quite possible, we just may not be able to get everything on our list this year. Leaving us and millions of Americans all perplexed about “Why?” and “Where's My Stuff?”

The faltering of supply chains is partly because of the staggering effects that Covid has had on global economies. The Pandemic created one of the world's deepest recessions followed by one of its' strongest recoveries all in the matter of a few months. This dynamic created a perfect storm of supply-demand imbalances. Restarting the economy has been almost as disruptive as shutting it down. Dramatic changes in consumer demand expectations have resulted in substantial mismatches between supply and demand. For example, as the global economy re-opened and businesses struggled with material and labor shortages, the increased demand for goods and services placed additional pressure on tenuous supply chains.

The initial impact was first felt in China due to the role it played in global manufacturing. China is also a major consumer of global commodities and agricultural products. Disruptions to manufacturing in China rippled through global supply chains. Cargo was backlogged at China's major container ports, travel restrictions led to a shortage of truck drivers



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to pick up containers, and ocean carriers canceled sailings. The port terminals, particularly that of Los Angeles and Long Beach significantly lag Chinese rivals when it comes to port efficiency. The Biden Administration is doing everything in their power to help push through the logjams at the ports.

Moving goods around the globe has been one of the causes of supply chain constraints and the increased costs of shipping is also having an impact on supply chain disruptions. Shortages are rising across sectors, including raw materials, rubber products, plastics products, medical and pharmaceutical supplies, electrical equipment, motor vehicles, semiconductor chips, and lumber to name just a few sectors. The increase in lumber prices have had a direct impact on the housing market due to the construction of new homes and the DIY boom.

However, where there is disruption, there is also opportunity for longer term improvement in the way companies manage their supply chain management. With high prices resulting from supply chain bottlenecks taking longer than expected to resolve, demand could remain firm and some of the longer-term factors that have helped keep inflation low may be at risk. But the ongoing disruptions to supply have brought the risks of using global supply chains into focus, with a new push to develop domestic capabilities and goods, especially around technology. Arguably, this would create a degree of needed independence in the supply of essential medicines and technology goods because nearly 80% of active components in pharmaceutical medicines are produced overseas.

Easing of the supply-chain bottlenecks is key to our near-term forecast for U.S. manufacturing production, inventory replenishing, and easing in inflationary pressures. Until we are able to fully address the economic challenges the supply shortages have caused, we will continue to be left debating, "Where's My Stuff?"

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