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Achilles Supply Chain Resilience Index Q3 data shows worsening conditions for supply chains

November 4, 2021

Data indicates no improvement in sight

The latest Achilles Supply Chain Resilience Index has been published for Q3, and the overall outlook for supply chains is worsening, with no improvement in sight.

Measuring 45.4 for the three months ending in September, as compared to 49.1 in Q2 and 56.1 in Q1 of 2021, this demonstrates that supply chain resilience has fallen by a notable 10.7 points over the course of the year. From extreme weather events to changing consumer patterns, negative sentiment around supply chains continues to increase and supply chain risk moves deeper into the high-risk range.

Key data points include:

– Price pressure: commodity price index has increased 68% since January 2021

– HGV driver shortage continues to impact not just the UK, but Europe wide, with an estimated shortage of 400,000 drivers, with the UK responsible for 25% of this driver shortage.

– Key shortages in the supply chain include 200mm wafers essential to the manufacturing of microchips, with lead times for some electronic components averaging 22 weeks and peaking at 12 months, impacting supply chains well into 2022 and beyond.

– Shipping reliability fell another 23% in Q3 signalling continued distress for global logistics

Regional highlights:

– Europe: while the short-term risk of disruption is high, the medium-term outlook for Supply Chain Resilience is good, as the underlying structural conditions facing Europe are stable

– APAC: a bellwether for global supply chain health, the region has been hit by supply shortages, production cuts and port disruptions, all of which will have a knock-on impact across the world in the coming months. Manufacturing output in both Japan and China has weakened in the three months ending September 2021.

– Americas: as COP26 convenes, it's notable that it is extreme weather in this region that is having a negative impact on supply chains, leading to reduced agricultural yields in key commodities such as coffee and sugar.

– US: since establishing the new Supply Chain Disruption Task Force, the Biden administration has been focussed on early identification of problems across supply chains. They are currently 'laser focussed' on the semi-conductor chip shortage, underlining the magnitude of this issue and the potential for impact on the US economy.

Katie Tamblin, Chief Product Officer for Achilles, said: "Whilst there are glimmers of good news in the Q3 results, the overall prognosis for supply chains is not good. The perfect storm that started with the pandemic continues to rage across supply chains with no region unaffected.

"Ongoing media reports around HGV driver shortages, shipping delays and commodity prices drive unpredictable buying behaviours as both industry buyers and consumers are spooked. The topic garnering the greatest attention in manufacturing sectors remains the pronounced and likely prolonged semiconductor chip shortage, which underlines just how serious and far reaching this issue could be.

"In a world where we have come to depend on electronics in every aspect of our life, this could have serious implications for both cost and availability over the next 18-24 months."

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