

5 Supply Chain Issues that May be Here to Stay



The pandemic brought to the surface a number of supply chain problems that companies didn't even know they had. Here are five that probably aren't going away anytime soon.

Product shortages, supply disruptions, cyberattacks, labor constraints and transportation capacity issues have all become commonplace in 2021 as companies also continue to work through the impacts of a global pandemic that just won't quit. Organizations are also dealing with high demand for their products, shifting customer habits and myriad other challenges that directly impact their supply chains.

If industry experts are on target with their predictions, companies may have to strap themselves in for the long haul and continue managing at least some of the issues that emerged in 2020 and that have carried into 2021.

In "[Supply chain issues are here to stay](#)," ING Senior Economist Joanna Konings says that even as more countries emerge from the pandemic, obtaining core products will continue to be difficult. In some cases, a policy environment geared toward reshoring and domestic production may be to blame for the shortages. In other situations, high demand for certain goods is creating interruptions that may be difficult for the world's supply chains to shake off.

Here are five potentially long-term supply chain problem areas that procurement professionals should pay attention to and prepare for:

1. Even more volatility and uncertainty. During the pandemic, world trade in goods has benefited from the global recovery in retail sales and industrial production, while other sectors remain much harder-hit by lockdowns and uncertainty, so much so that global trade's recovery has outpaced global gross domestic product (GDP), Konings writes. As one airfreight and ocean freight company stated during a [recent earnings call](#), "Currently we do not foresee any meaningful improvements to the operating environment over at least the remainder of the year, as the global infrastructure for moving freight seems nearly stretched to its limit."

2. A lack of ocean freight capacity. Ocean freight capacity has reached the limits of what it can deliver while health measures remain in place at ports, according to Konings, who says that the growth in traffic has reached a point where globally, the majority of ships are missing scheduled arrival times, and late ships are being delayed for around a week before new slots open up for them. "Having enjoyed outstanding financial results during the pandemic, shipping companies have placed record levels of new orders for container vessels during 2021," she writes. "But the companies also seem to have learned how to manage capacity better in their alliances. They may continue to take capacity out of the system at short notice, reducing the price-dampening impact of new capacity coming onstream."

3. Long order lead times. Right now, raw material shortages are occurring in many different sectors, including rubber, plastics, electrical equipment, motor vehicles, wood, computers and electronics. Industrial metals are in particularly high demand and short supply right now, with no immediate relief in sight. According to the [Institute for Supply Management](#), lead times are at record highs for most products. Lead times for production materials rose from 85 days in May to 88 days in June—the highest figure since ISM began collecting data in 1987. Lead time for maintenance, repair and operating supplies increased from 42 to 45 days during the same period.

4. High shipping costs. With peak shipping season now upon us (it usually runs from mid-August to Thanksgiving) buyers may wind up dealing with even more transportation capacity constraints and raw material shortages than they've seen so far this year. They may also wind up paying more for freight across all transportation modes. "Over the last six to eight months, shipping freight rates across transportation channels have gone through the roof," [Hellenic Shipping News](#) reports. "This has had a consequential impact on allied functions and industries, such as auto, manufacturing [and] others."

5. More onshoring and reshoring. With the ongoing supply disruptions bringing the risks of using global supply chains into focus, Konings is seeing a new push to develop domestic capabilities—especially in technology—and create a degree of independence in the supply of essential medicines and technology goods. "One consequence of more support for domestic production could be to bring down the relative costs of producing locally, which may tilt the balance for some supply chains to be brought home," she adds. "Still, reshoring is hard to do and not necessarily the right move for increasing resilience."