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Supply Chain Disruptions May Follow Manufacturers Right into 2023

According to the National Association of Manufacturers third quarter survey, just 10.8% of manufacturers expect the current supply chain issues to be cleared up by the end of the year.

It's no secret that supply chain disruption followed the nation's manufacturers right into 2022, and that they've persisted in some form or another ever since. With the fourth quarter right around the corner, companies continue to grapple with inflation, labor constraints, rising costs and myriad other challenges that have persisted through much of the year.

According to the National Association of Manufacturers' third quarter *Manufacturers' Outlook Survey*, more than 78% of manufacturers identify supply chain disruptions as a "primary business challenge," and just 10.8% see relief occurring by the end of 2022.

"Three out of four manufacturers still have a positive outlook for their businesses, but optimism has certainly declined," said NAM President and CEO Jay Timmons. "The majority of respondents are expecting a recession this year or next, and it's clear the challenging environment is taking its toll. Manufacturers have shown incredible resilience through multiple crises, but the challenges of inflation, supply chain strains and the workforce shortage are taking a toll."

Key Report Findings

Due to the consistent economic headwinds, manufacturers' confidence has declined, with 75.6% of the NAM survey respondents having a positive outlook for their company, the lowest since Q4 2020. NAM's report also revealed that:

- Attracting and retaining a quality workforce (76.1%), increased raw material costs (76.1%), and transportation and logistics costs (65.9%) ranked among the biggest supply chain challenges that manufacturers are facing right now.
- More than three-quarters of manufacturers felt that rising material costs were a top business challenge (tied with workforce challenges and slightly below supply chain worries).
- 40.4% said that inflationary pressures were worse today than six months ago. In addition, 53.7% noted that higher prices were making it harder to compete and remain profitable.
- Manufacturers pinpointed the top sources of inflation as increased raw material prices (95.2%), freight and transportation costs (85.4%), wages and salaries (81.7%), energy costs (54.4%), and health care and other benefits costs (49.0%), with 21% also citing the war in Ukraine and global instability.
- When asked about what aspects of the CHIPS and Science Act were most important to supporting manufacturing activity, 69.6% of respondents cited strengthening U.S. leadership in energy innovation and competitiveness.

"This is a clear indication that we need urgent action to beat back the macroeconomic problems that are causing headwinds and preventing manufacturers in the U.S. from their full potential," Timmons pointed out.

Individual manufacturers are also coming forward with their own stories and painting a picture of a challenging year for the sector. In September, for example, Ford revealed that its supply chain costs had gone up by about $1 billion during the third quarter. According to *CNBC*, the large automaker blamed the increase on inflation and supply chain issues.

"Ford said supply problems have resulted in parts shortages affecting roughly 40,000 to 45,000 vehicles, primarily high-margin trucks and SUVs that haven't been able to reach dealers," CNBC reports, noting that automakers have been dealing with supply chain issues since the global pandemic emerged in early 2020. "Demand continued to be strong despite ongoing issues with the availability of parts, specifically, semiconductor chips," it added.

Some Positive Signs

According to *IndustryWeek*, there are also some glimmers of hope beginning to shine through despite the cloudy, unpredictable economic conditions. For example, the Global Supply Chain Pressure Index maintained by the Federal Reserve Bank of New York has "eased considerably over the past four months," it says, and in August ISM's Supplier Deliveries Index posted its best number since January 2020.

On the transportation front, spot rates for containers being shipped from Shanghai to Los Angeles have fallen by a quarter since June. "On the whole," *IndustryWeek* reports, "global supply chains aren't as messy as they were during the early days of the pandemic or after the Ever Given blocked the Suez Canal in the spring of 2021."