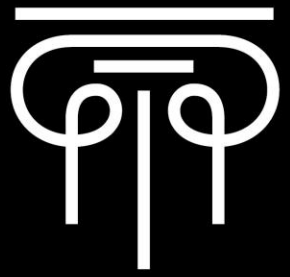
February 2024

Companies are doomed to repeat past disruption failings.

Chris Rogers,
Head of Supply Chain Research, S&P Global Market Intelligence (Bedford, UK)



Portfolio Construction **Forum**

Companies’ under-investment in supply chain resilience dooms them to repeat past failings when there are disruptions.

© 2024 S&P Global.

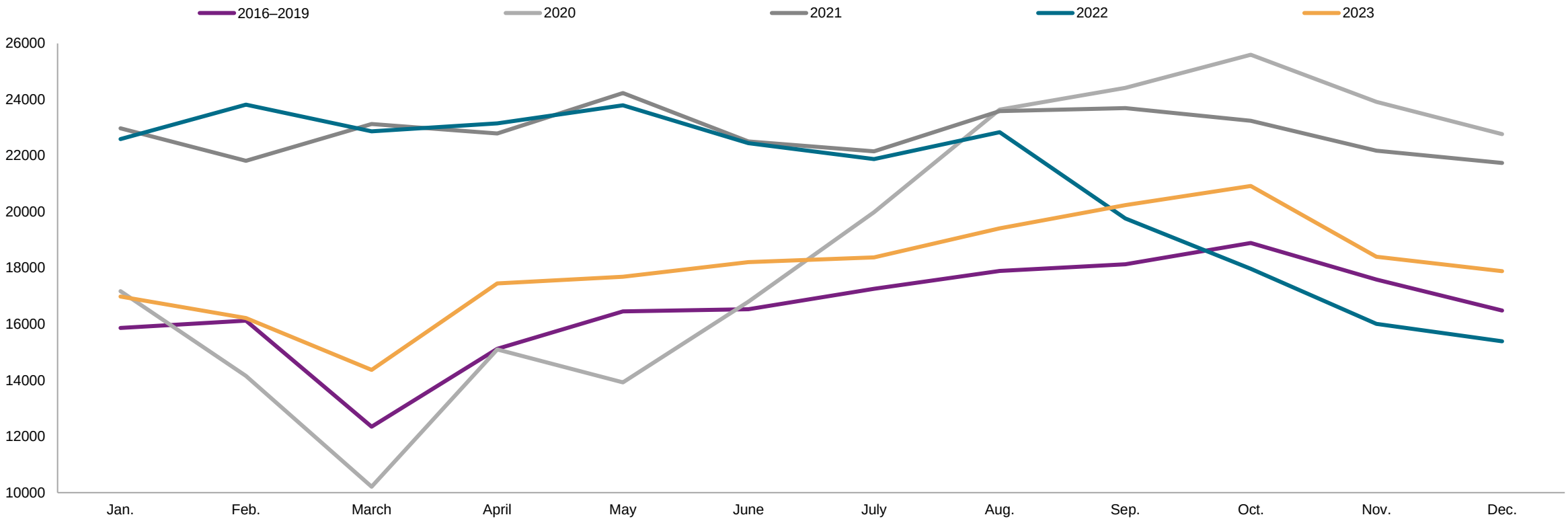
Companies' under-investment in supply chain resilience dooms them to repeat past failings when there are disruptions.

© 2024 S&P Global.

So, you think we're back to normal?

Shipping patterns back to historic norms

US seaborne, containerized imports of consumer discretionary goods, 20-foot equivalent units per day



Data compiled Jan. 8, 2023.

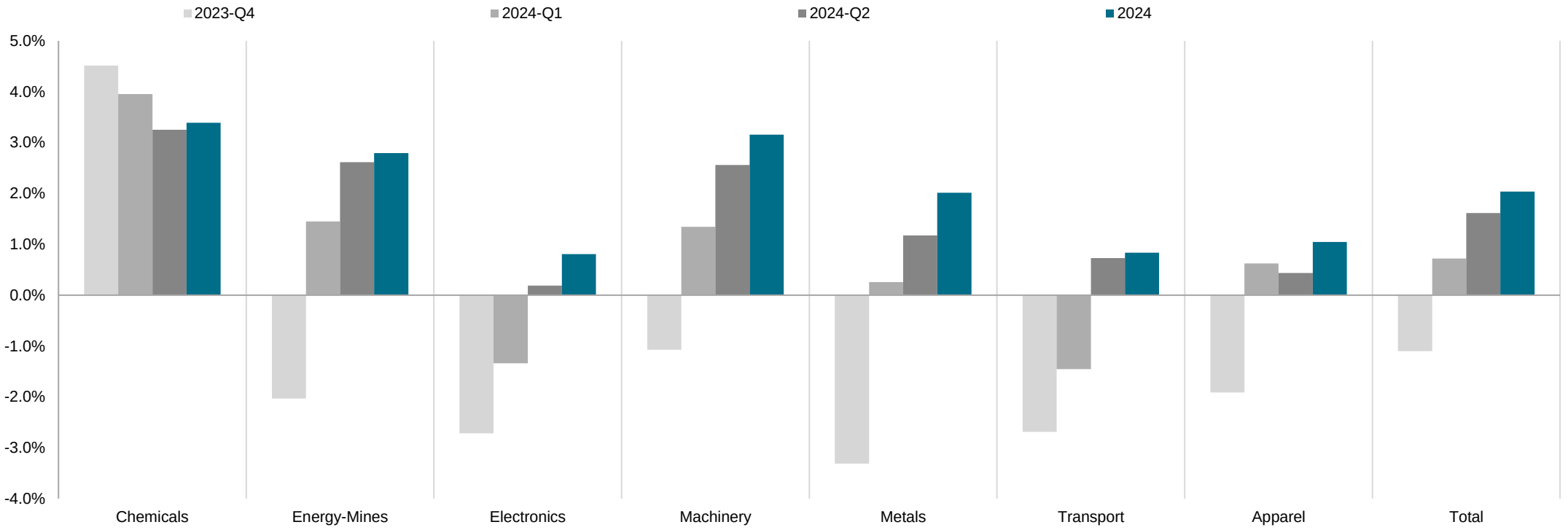
Source: S&P Global Market Intelligence, Panjiva.

© 2023 S&P Global.

Who’s ready for a quiet year for supply chains?

Slow recovery for most sectors

Year over year change in global trade, adjusted for inflation



Data compiled Feb. 5, 2024.

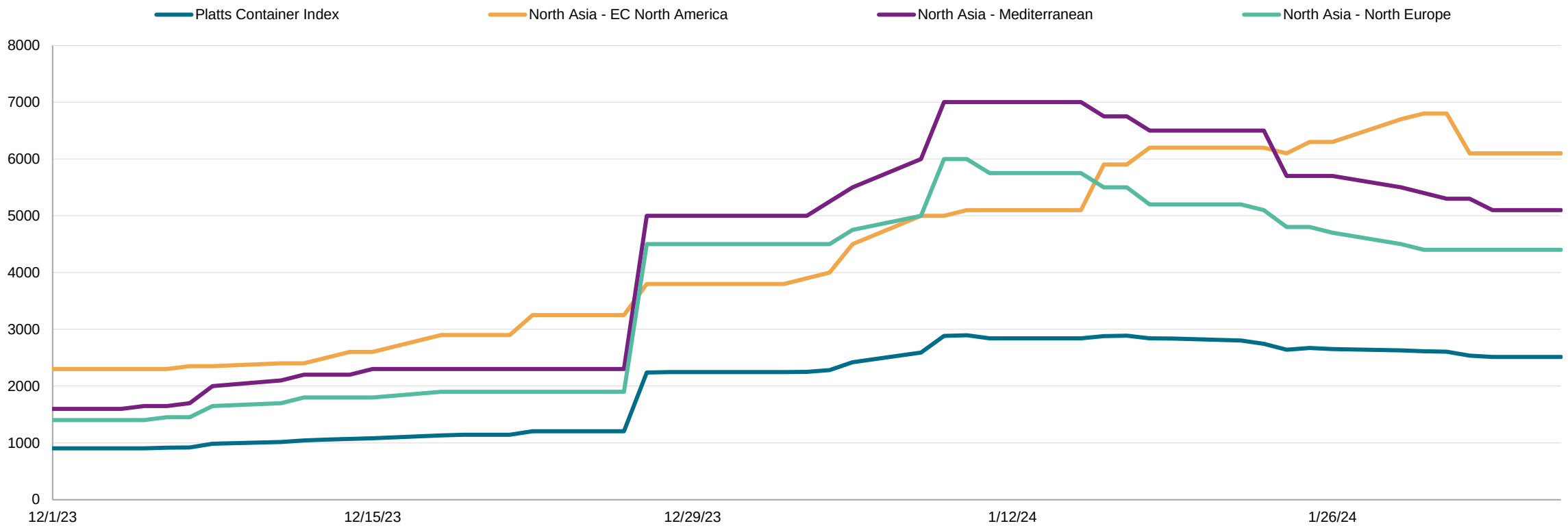
Source: S&P Global Market Intelligence.

© 2024 S&P Global.

Red Sea, Panama Canal remind us that disrupted logistics are normal

Shipping rates 3x their December levels on selected routes, but falling

Container shipping rates, US$ per forty-foot equivalent unit



Data compiled Feb. 9, 2024.

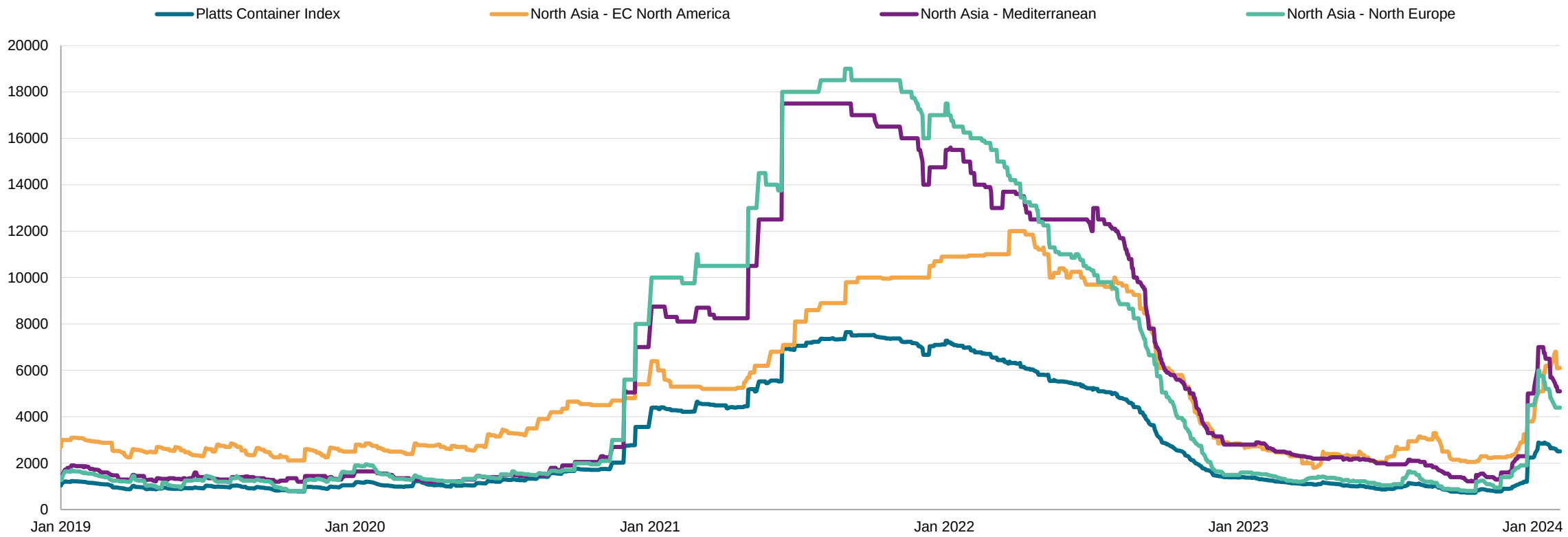
Source: S&P Global Commodity Insights.

© 2024 S&P Global.

Red Sea, Panama Canal remind us that disrupted logistics are normal

Shipping rates one-third their peak levels on selected routes, but falling

Container shipping rates, US$ per forty-foot equivalent unit



Data compiled Feb. 9, 2024.

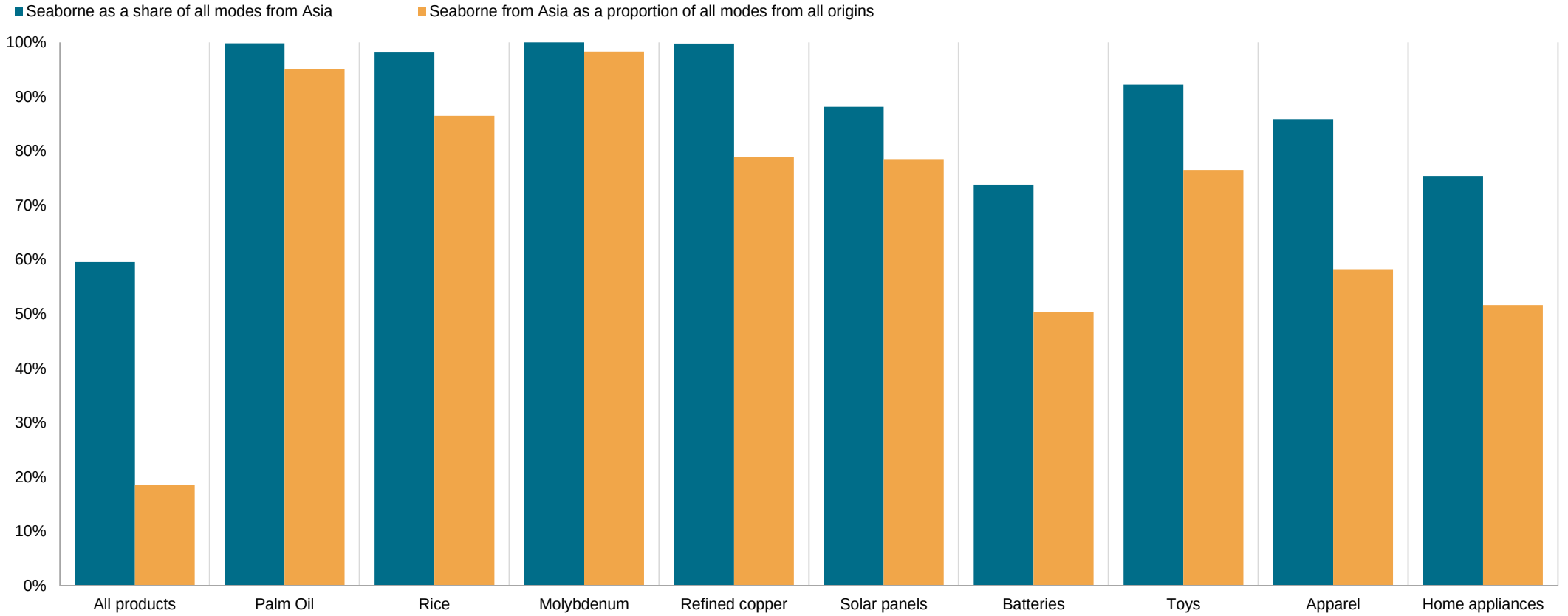
Source: S&P Global Commodity Insights.

© 2024 S&P Global.

Supply chain seasonality increases exposure to length of Red Sea disruptions

Nearly one-fifth of all US east coast imports come by sea from Asia

Share of US east coast imports by origin and mode, 12 months to Oct. 31, 2023



Data compiled Jan. 5, 2023.

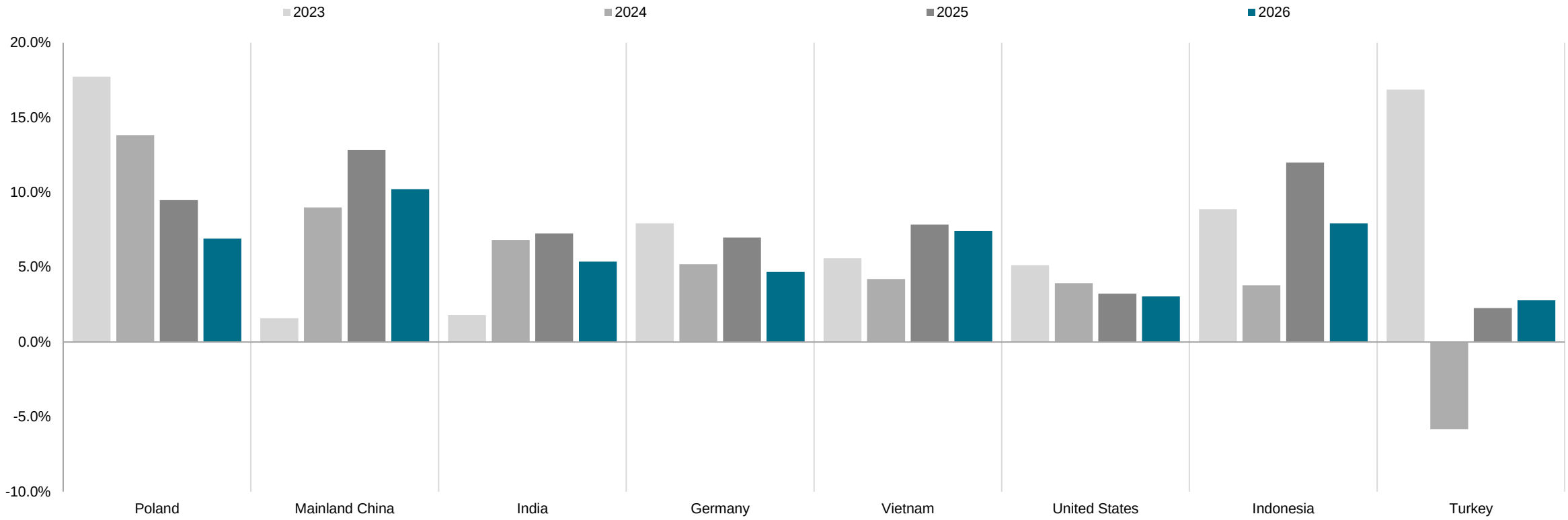
Source: S&P Global Market Intelligence.

© 2024 S&P Global.

Not your grandmother’s (or even your older sister’s) union action

US wage inflation slowing, other manufacturing centers rising faster or accelerate

Year-over-year change in manufacturing labor cost per hour, US$-denominated



Data compiled Dec. 18, 2023.

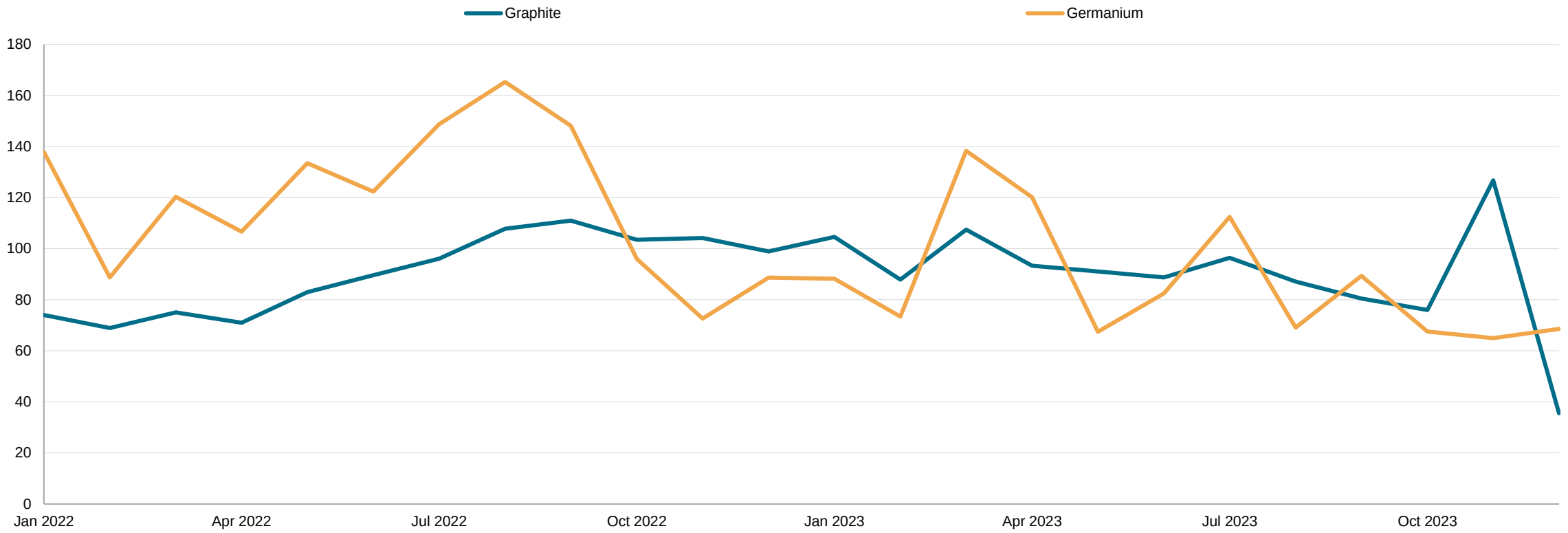
Sources: S&P Global Market Intelligence.

© 2023 S&P Global.

US / EU vs. China remains the defining political risk, China more assertive

Germanium drops after August restrictions, graphite slumps after December's

Mainland Chinese exports, rebased Q1'23 = 100



Data compiled Jan. 22, 2024.

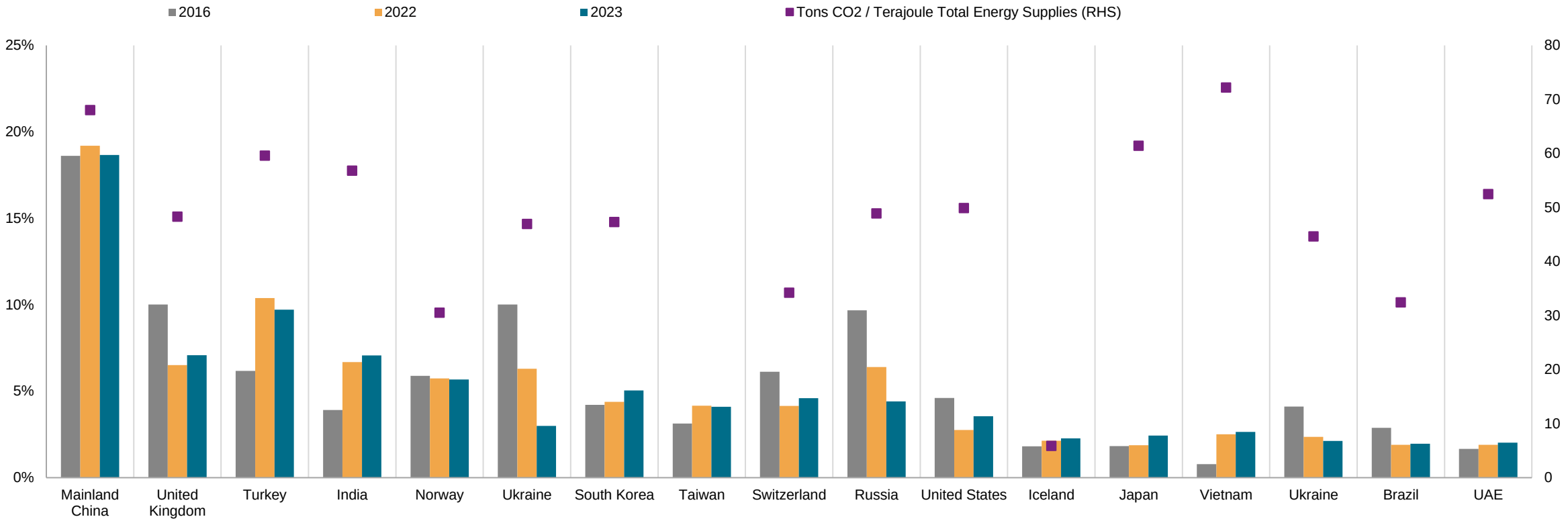
Source: S&P Global Market Intelligence.

© 2024 S&P Global.

Something new: Environmental costs moving from policy to hard cash

Little correlation between emissions and sourcing thus far

Share of EU imports of steel and aluminum versus country's CO2 emissions in 2021



Data compiled Jan. 19, 2024.

Source: S&P Global Market Intelligence GTAS, International Energy Agency.

© 2024 S&P Global.

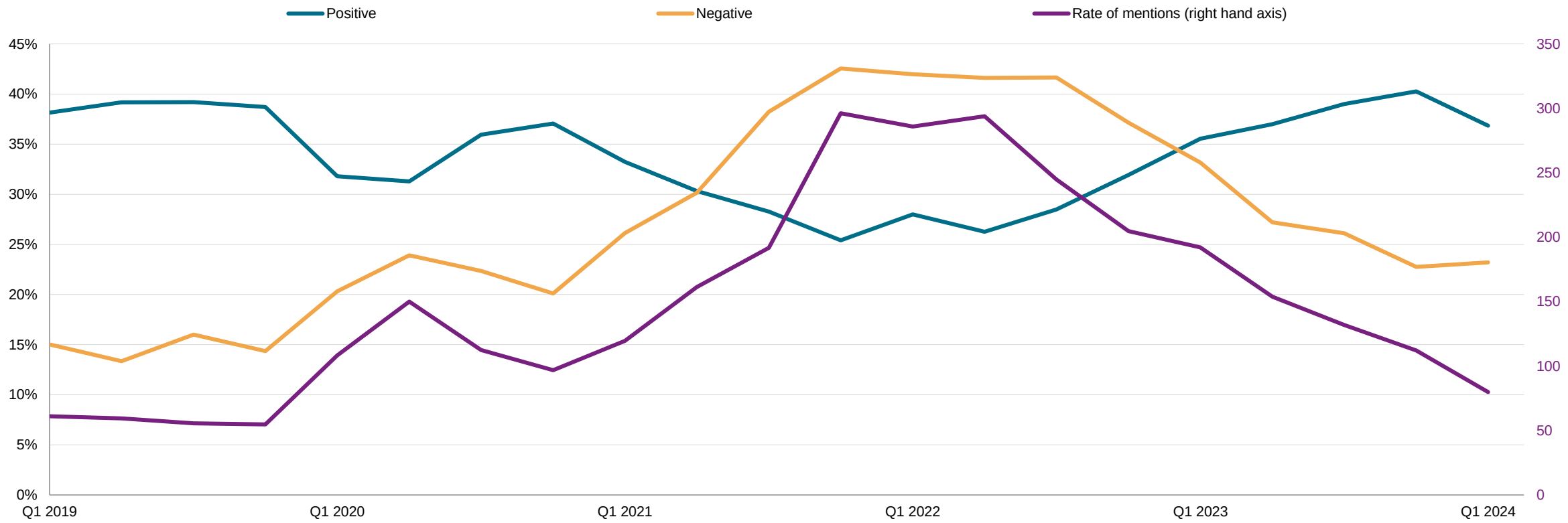
Companies' under-investment in supply chain resilience dooms them to repeat past failings when there are disruptions.

© 2024 S&P Global.

Wait, what? Supply chains are being a pain again?

Firms take several quarters to fully engage with a topic

Share of earnings calls mentioning supply chain concepts in positive or negative light



Data compiled Feb 9, 2024.

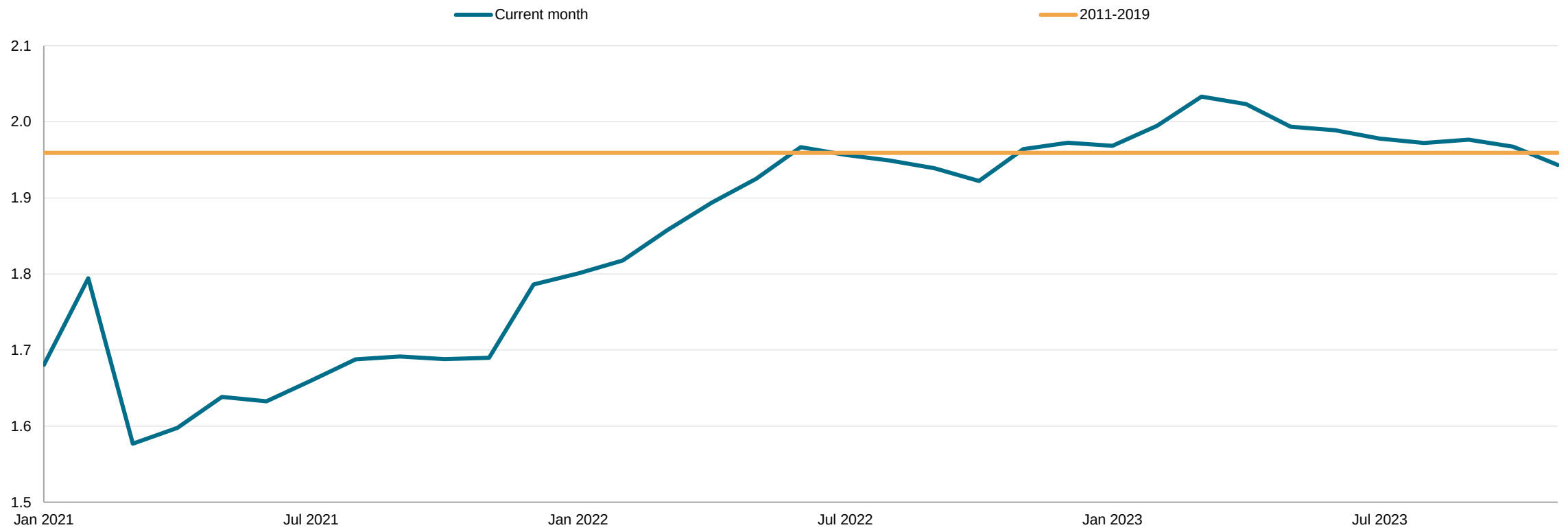
Source: S&P Global Market Intelligence, ProntoNLP.

© 2024 S&P Global.

Option 1: Build inventories (“but interest rates are high”)

Inventory levels back to pre-pandemic levels

Inventory / sales ratio - US consumer durables and apparel retailers



Data compiled February 9, 2024.

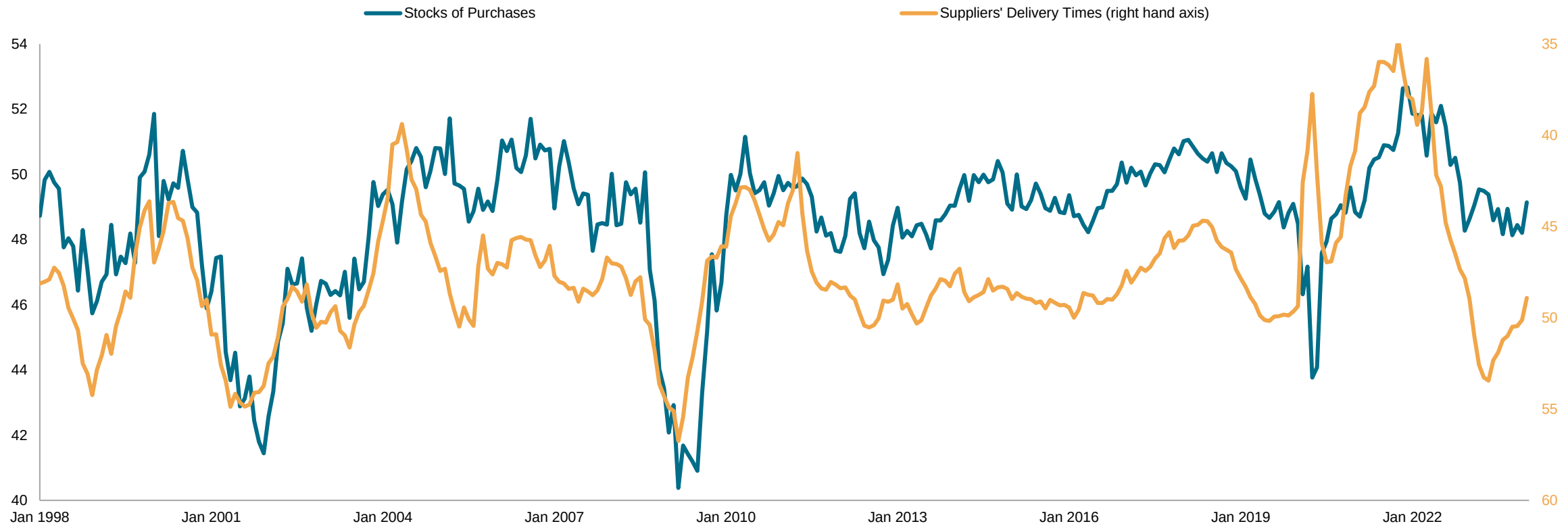
Source: S&P Global Market Intelligence.

© 2024 S&P Global.

Option 1: Build inventories (“but interest rates are high”)

Inventories cut every month since November 2022, supplier deliveries slowing

S&P Global World Manufacturing Purchasing Managers' Index (50 = unchanged)



Data compiled Feb. 9, 2024.

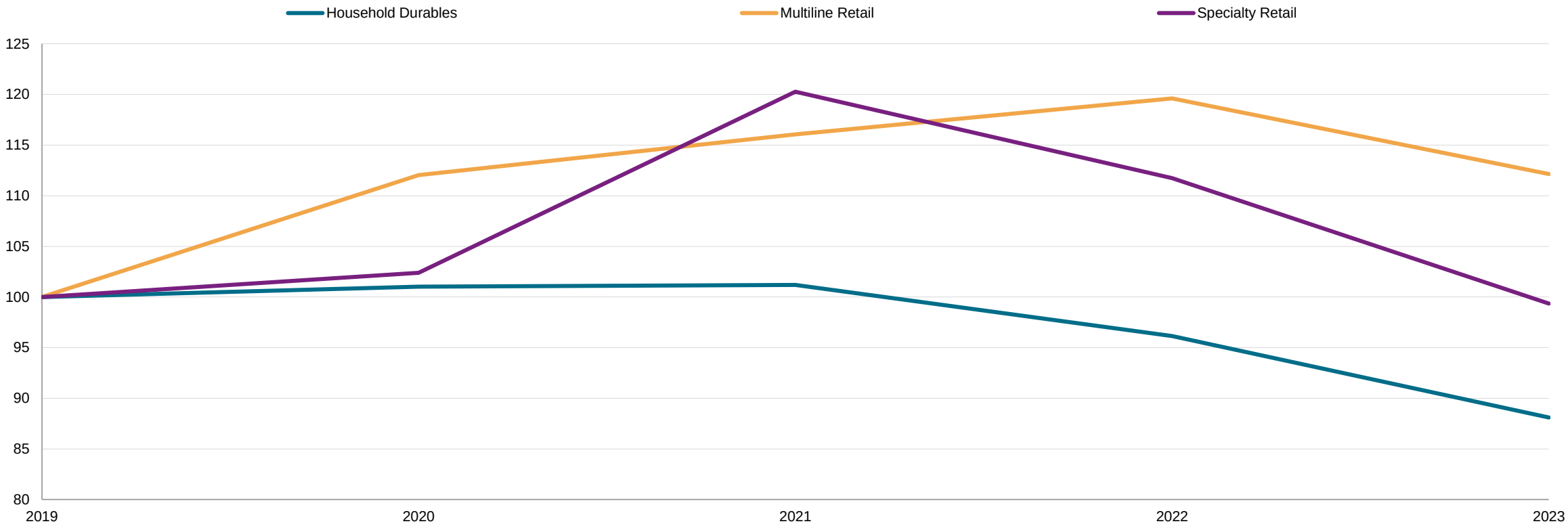
Source: S&P Global PMI.

© 2024 S&P Global.

Option 2: Diversify suppliers in current sourcing footprint (“cuts scale economies”)

Diversification of suppliers being cut back after pandemic-era shortages

US supply chain graph: shippers per consignee, rebased 2019 = 100



Data compiled Jan. 16, 2024.

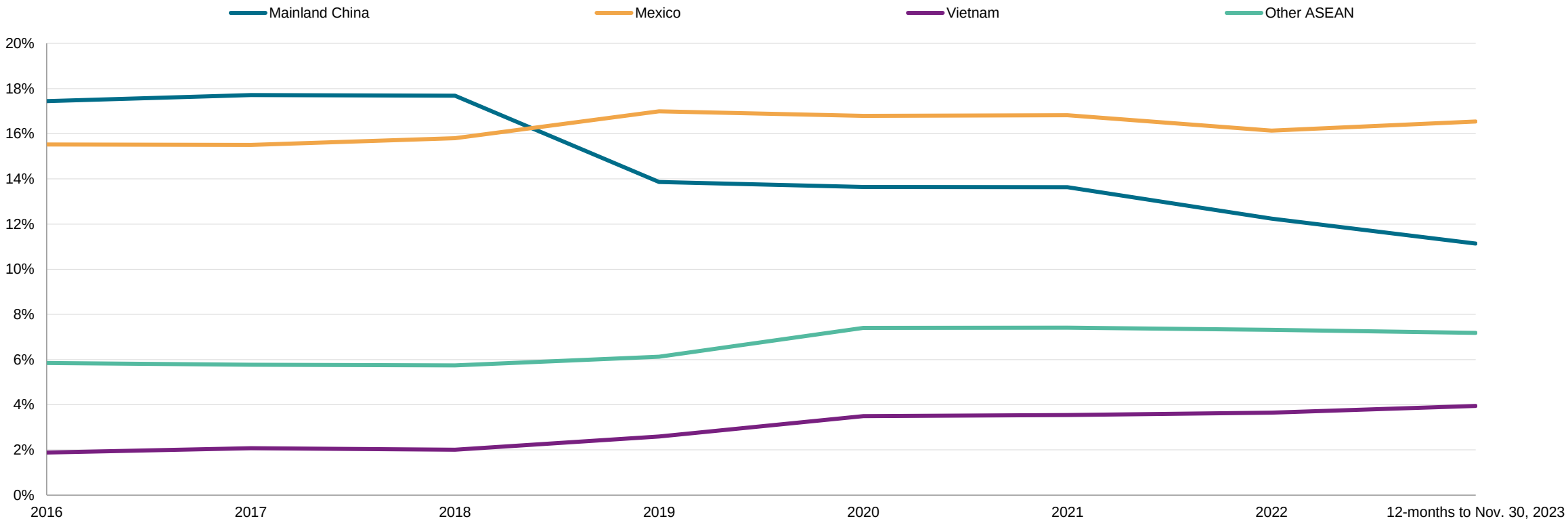
Source: S&P Global Market Intelligence.

© 2024 S&P Global.

Option 3: Reshoring remains in favor for its cost and risk benefits …

Mainland China loses market share to ASEAN, Mexico suppliers

Share of US imports covered by tariffs against Chinese imports under Section 301 program



Data compiled Feb. 5, 2024.

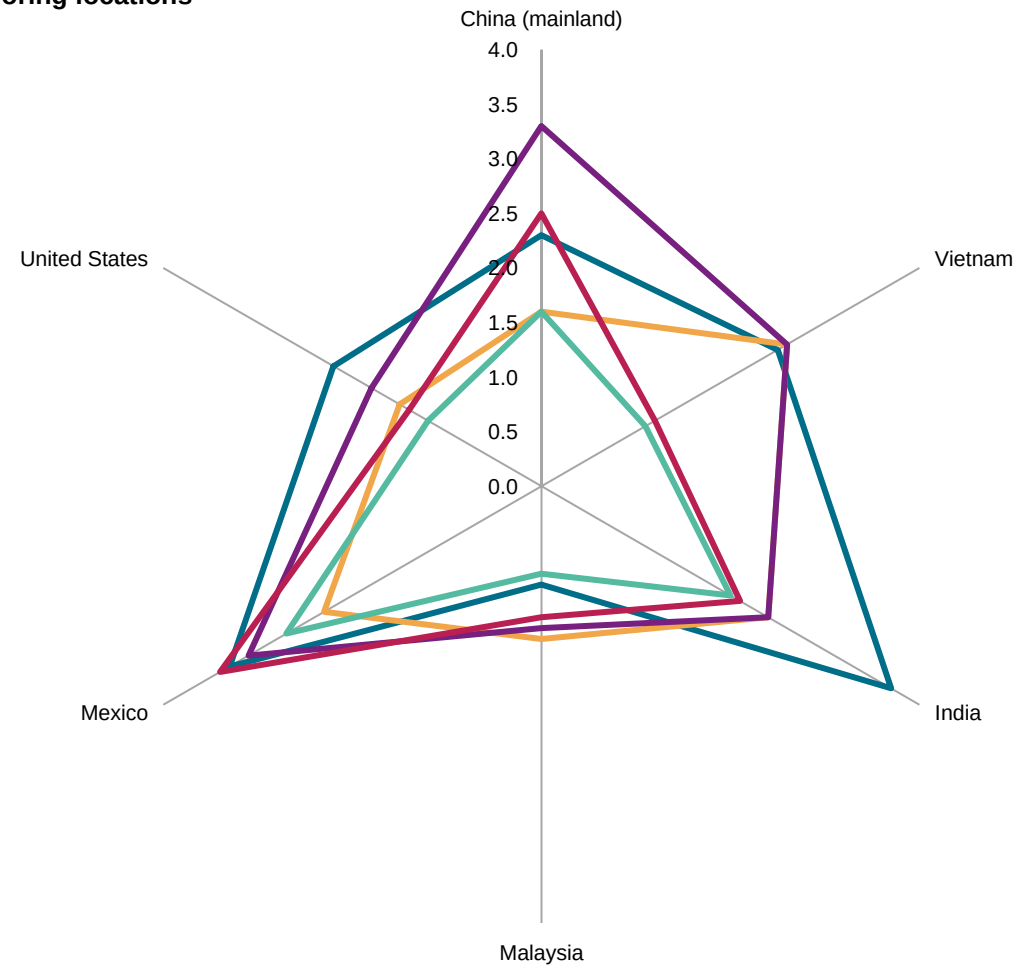
Source: S&P Global Market Intelligence.

© 2024 S&P Global.

… “but reshoring takes years, costs a fortune and doesn’t remove risk”

Trade-off between risk types necessary for most reshoring locations

Country risk score (0-10, log scale) as of Dec. 19, 2023



Data compiled Dec. 20, 2023.

Source: S&P Global Market Intelligence.

© 2023 S&P Global.

Companies' under-investment in supply chain resilience dooms them to repeat past failings when there are disruptions.

© 2024 S&P Global.

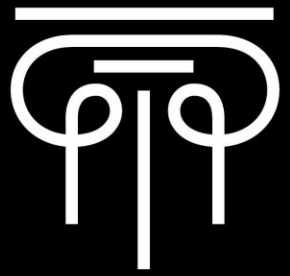
Copyright © 2024 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not endorse companies, technologies, products, services, or solutions.

S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its websites, www.standardandpoors.com (free of charge) and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.



Portfolio
Construction
Forum

specialist, independent, investment
continuing education, accreditation and certification

+61 2 9247 5536
mail@portfolioconstructionforum.edu.au

L12, 84 Pitt Street, Sydney, NSW 2000, Australia
PO Box R923, Royal Exchange, NSW 1225, Australia
portfolioconstructionforum.edu.au