

# Supply chain snapshot

## Uncovering opportunities despite disruption

### What's disrupting supply chains globally?



#### Geopolitics are creating new flash points

The invasion of Ukraine is an extreme example, but the emergence of two preeminent global ecosystems (centred around the US and China) could hasten supply chain reorganisations and even lead to reshoring.



#### Covid-19 hit manufacturing, too

A short-lived drop in demand caused manufacturers to scale back production. When demand picked up again, it was hard to keep pace, which pressured delivery times and prices.



#### Deglobalisation in some sectors is gaining steam

Amid ongoing trade disputes, protectionism is rising and countries are looking to be more self-sufficient. China is pushing consumer spending at home while continuing to promote its manufacturing prowess internationally.



#### Other unexpected events

Supply chains have been hit hard by severe floods in Europe, a winter storm in Texas and a six-day blockage of the Suez Canal, a major shipping artery.

### How are broken supply chains affecting consumers and companies?



#### Energy costs soaring

Higher hydrocarbon prices in the wake of the Russia-Ukraine crisis have made it harder to obtain – and afford – many products and raw materials.



#### Precious metals pressured

Russia is a big producer of the palladium and nickel used in many high-tech products, and the energy transition is prompting a surge in demand for industrial metals overall.



#### Semiconductor shortages

Semiconductor factories had capacity issues before Covid-19, but the pandemic made it worse. Demand recovered faster than anticipated, and these key parts soon were in short supply for car makers and others.



#### Food costs rising

Food prices are at record highs, with the geopolitical crisis in one of the world's bread baskets fanning prices for everything from sunflower oil to cereal.

## 4 supply chain stories we're watching



### Booming data centres

These facilities are in high demand, thanks to increasingly complex supply chains, growth in online shopping and the work-from-home revolution.



### Growth in agricultural tech

Soaring food prices mean more interest in food security, opening the way for more investment in agricultural technology and water irrigation equipment.



### A surge in renewable energy

Surging hydrocarbon prices and sanctions against Russia will likely mean increased focus on renewable energy – not just in Europe, but around the world.



### A robotics revolution

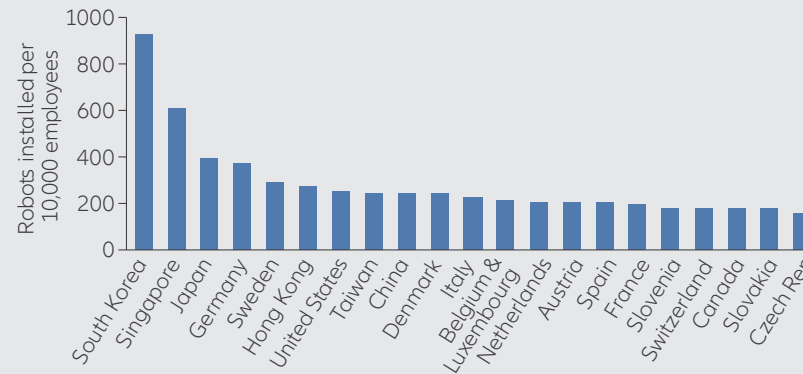
Businesses are turning to robots to find new ways to move goods to customers, and to future-proof their operations against supply and cost risks.

## Investors should think strategically about what supply chain issues mean to portfolios

### Seek out companies that are responding well to supply chain challenges

- To confront surging transport costs and delays in accessing materials, companies are embracing “nearshoring” – transferring manufacturing and other needs to a nearby country.
- Some firms have overhauled “just-in-time” models (once a best practice in supply chain management) in favour of “just-in-case” models (which require holding more inventory).
- Advanced analytics can help companies plan and navigate supply chain risks, and robotics can help streamline routine tasks such as inventory and fulfilment.

### Global disparity in robot density in the manufacturing industry shows the potential for further investment



Source: World Robotics 2021

Robot density nearly doubled globally – International Federation of Robotics (ifr.org)

### Look for ways to combat inflation

The supply chain story is an inflationary one. Look to combat inflation with investments in, for example:

- Commodities
- Value (rather than growth) investments
- US high-yield bonds

### Learn more

For more insights into supply chain disruption, read "Unpacking opportunities from supply chain innovation", available here: [ap.allianzgi.com](https://ap.allianzgi.com)

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