CBI Q4 2021 SUPPLY CHAIN HEATMAP

OVERVIEW

- This heatmap aims to be a helpful cross-economy contribution to the government's ongoing effort to tackle supply chain issues and will be updated with new sectors and additional insights on a rolling basis.
- These issues are affecting all sectors, but CBI insights suggests that the most serious supply chain disruption is being seen across freight/logistics, manufacturing, energy-intensive industries, and hospitality/leisure/tourism.
- These sectors are facing supply chain challenges, labour shortages and energy price rises, which are having a direct impact on production levels. They are also seeing significant cost pressures, caused by higher wages, as well as increased distribution, component, and energy costs, which are beginning to be passed on to consumers.

LATEST INSIGHTS

There is growing concern among firms, especially in the logistics, food and drink, manufacturing and retail sectors, that the rapid growth in Covid cases and absences in recent weeks may aggravate supply pressures and further disrupt firms' operating capacity at a crucial time in the run-up to Christmas.

Insights from the UK Financial Services and Risk Management sector:

- Cost pressures are compounding the challenges many firms are facing, as they manage their Covid liabilities whilst also dealing with ongoing supply chain disruptions.
- Insurers are concerned about being able to complete damage claims from adverse weather on time due to a shortage of raw materials. They are assessing risks across their portfolios, and whether they need to increase premiums for businesses so that they can fulfil claims.

Global insights from China, India, the United States, and the EU from the CBI's international offices and CBI members with international operations (see our Annex on p 20-26), with key insights showing:

- Labour shortages and increases in the costs of raw materials continue to drive persistent supply constraints and cost increases across the global economy.
- Increased logistics costs, particularly caused by container supply shortages and unloading delays at ports, continue to bite across global supply chains.
- A range of measures are being undertaken by businesses to address challenges at ports, including firms in India diverting operations to use European and American ports and the introduction of sanctions for delayed unloading of shipping containers in India and the US.

CROSS-CUTTING SOLUTIONS

Supply Chain Taskforce	***Short-term (in the next 6 months):*** • **Improve communication with businesses on the work of the Supply Chain Taskforce, including how their feedback is being used and what areas the group will be focussing on post-Christmas.**
Smoothing trade flows	***Short-term (in the next 6 months):*** • **Launch a small business awareness campaign to drive firms' understanding of the incoming customs controls for January and July 2022.**
Energy	**Provide short term relief for firms to support with policy and network costs while energy prices remain high. This could include:** ***Short-term (n the next 6 months):*** • **Introduce government-backed loan guarantees for sectors particularly affected.**
Labour/skills	**Targeting skills interventions and funding towards shortage areas so that skills supply matches economic demand:** ***Short-term (0-6 months):*** • **Accelerate the approvals and processing of HGV drivers by improving driver testing capacity and speeding-up licence turnaround times, including for re-issuing licences.** • **Maximise the use of the DfE's 8-12 week 'bootcamp' model to help people switch jobs or gain employability skills for sectors facing shortages such as warehousing, including targeting bootcamps for roles on the Shortage Occupation List.** • **Target the Lifetime Skills Guarantee and National Skills Fund at shortage occupations, including for roles requiring Level 2 qualifications and those on the Shortage Occupation List.** • **Introduce Equivalent and Lower Qualification exemptions for qualifications funded by the Lifetime Skills Guarantee.** ***Mid-term (in the next 6-12 months):*** • **Making the Apprenticeship Levy more flexible for employers so that it can fund more high-quality training for in-demand roles, including shorter modular courses, product training and more professional courses.** **Ensuring an agile migration system that is highly responsive to changes in economic demand and shortages of labour that the UK's own labour market cannot meet in the short-term:** ***Short-term (in the next 6 months):***

	• **Immediately commission the Migration Advisory Committee to start an annual review of the Shortage Occupation List, and report as early as possible.** • **Fully implement the outstanding recommendations from the most recent MAC review of the Shortage Occupation List in September 2020.** ***<u>Mid-term (in the next 6-12 months):</u>*** • **Put the MAC on a new footing, with a regular rhythm of meetings, adopting a status like the LPC, and adding industry and trade union representation alongside academics and economists.**

Sector	Supply side constraints	Cost pressures	Downstream effects/risks	Immediate (Q4), short-medium (Q1-Q2 2022) and medium-long (Q3 '22 – Q4 '22) expectations	Actions businesses are taking
NEW: Financial Services & Risk Management Input gathered from businesses and Trade Associations including: • Association of British Insurers • UK Finance	**Cashflow** Cost pressures are compounding the challenges businesses are facing into as they manage their Covid liabilities whilst dealing with supply chain challenges. **Raw materials** Insurers are worried about being able to fulfil claims on time (e.g. after natural weather events) due to the raw materials shortage.	**Overall costs** Businesses are reporting increasing insurance costs and rising costs associated with working capital. **Raw materials** Rising costs of materials makes it increasingly challenging for insurance companies to fulfil claims.	Cashflow challenges for businesses have been compounded. Storm and flooding damage will take longer to repairs, which risks buildings being left in disrepair for months. Risk of insurance companies having to put up their premiums in order to fulfil claims.	Supply chain pressures expected to last for the whole of 2022.	Insurers are considering their risk across their portfolios. Businesses are assessing their own financial risks.
Freight/logistics Input gathered from businesses and Trade Associations including: • Logistics UK & • Road Haulage Association	**Labour** Firms are concerned that changes to COVID rules on self-isolation and international travel in response to the Omicron variant will further reduce	**Logistics/distribution costs** Firms are preparing for further supply and cost pressures on their supply chain due to the introduction of import	Rising costs have meant higher prices being passed on, a reduced customer offering and managing	Not expecting issues to be resolved before late 2022/2023 at the earliest. *Chinese New Year is a key milestone.	Firms are setting up their own driver training academies to speed up onboarding of new drivers.

• UK Warehousing Association • CBI TA Network call **Rag rating: RED** **Employs: 1.1m**	the availability of HGV drivers. Vacancy challenges with HGV drivers - 69% of firms reporting severe/very severe issues in recruiting/retaining staff. Lack of forklift drivers and warehouse operatives in the lead up to the peak November period is exacerbating port issues. Comparing Q2 2019 with Q2 2021, Logistics UK reported a fall of 31.5% in forklift drivers and 14.7% in managers and directors in storage and warehousing. **Logistics** Arrival patterns are increasingly erratic, with some ships coming in with more containers than expected or in some cases allowed. Issues with port capacity and containers in wrong places - firms having to add extra days/weeks into delivery lead times.	controls from the EU on January 1st. Costs of shipping containers from China increased by up to 10x over the past year. *Firms speak of costs a year ago at $3k for a 40ft container, for 2022 it is up to $14k. Supply chain seeing hikes in costs of raw materials – contractors unable to deliver on commitments. **Wages and/or benefits** HGV driver shortage leading to 10-15% wage increases - expectation this will need to increase further.	customers' expectations. Local authorities can't pay drivers at competitive rates. This could have an impact on winter services, e.g. gritting. Waiting time at ports is taking around 12% of global shipping capacity at any given time.	Normally a quieter period afterward but haven't seen demand drop over the last two years. Expect levels of demand to remain. Could cause further bottlenecks at ports if HGV drivers not available. *Container rates have come down a little which is seen as a temporary Christmas lull but expected to go back up.	Industry significantly increasing wages to help retain and recruit staff for both HGV drivers and warehouse operatives. *Logistics firms pushing for greater engagement between logistics and port operators to help alleviate bottlenecks at certain ports. Warehousing industry supporting two industry-led career/job engagement programmes aimed to promote the industry and its roles: *Think Logistics* and *Tempus Novo*

	Regarding the global schedule reliability, (measured as turning up 24 hours or earlier from scheduled time), is down to lowest levels historically. Previously 85-90% in 2015. Currently around 30%. This doesn't include blanks or non-sails. **Warehousing** *Concerns from members about limited warehousing/ land available to build warehousing space, creating storage capacity issues in the UK in which to house stock. Land prices also rising as a result. **Raw material/components** Lack of supply of vehicle parts and whole vehicles is making it harder to fulfil/honour transport contracts.				

Food & drink retail Input gathered from businesses and Trade Associations including: • BRC • CBI TA Network call **Rag rating: AMBER** **Employs 1.5m**	**Labour** *Firms are concerned about the new self-isolation rules for confirmed contacts of Omicron cases, irrespective of vaccination status. There is a risk this could result in the closure of an entire store/supplier site (particularly now that social distancing measures are no longer in place). Covid means staff absences are already at double normal rate, aggravating already pressing shortages. Having to compete more than ever with manufacturing and hospitality for seasonal staff in the lead-up to Christmas. Beyond HGV, picking, process and packaging shortages also biting. Increased reporting of food waste due to labour shortages in fields such as butchery, and labour	**Raw materials/components** Cost of products has increased. Ongoing price escalation in agricultural markets is driving a lot of cost pressure. **Logistics/distribution costs** Food/drink and agricultural sectors are concerned by their smaller firms' readiness for new customs controls on EU imports, particularly for food and plant-based being introduced in January, which may result in increased cost and supply pressures. Significant disruption and cost increases anticipated. **Wages and/or benefits** Challenges around anticipated increases. **Other** Business rates, NI contributions,	Increases in the prices of goods Late inbound deliveries Inability to stock high volume/key items Substantially reduced stock levels of available goods Extended last mile (home or customer) delivery timescales Extended home delivery timescales	Foresee the challenges becoming more acute over the 'so-called' golden quarter (Q4 2021). Continued supply chain disruption, and reduced levels of stock volume/variety into H2 2022.	Incentives for new and existing staff, new training and technology to empower said staff and improve retention. In some cases, raising pay.

	shortages in food production/packing. **Logistics** Pressure on logistics (see 'Freight/Logistics' for more detail). **Raw materials** CO2 shortages – questions about what will happen in early 2022 when government support is due to expire.	potential for an online sales tax.			
Non-food retail Input gathered from businesses and Trade Associations including: • BRC • CBI TA Network call **Rag rating: AMBER** **Employs: 3m** **+ wholesale: 1.2m**	**Raw materials/components** Shortages of some products caused by upstream commodity price rises or disruption, such as lumber (furniture) and other components such as semiconductors (computing & electronics). **Labour** *Firms are concerned about the new self-isolation rules for confirmed contacts of Omicron cases, irrespective of vaccination status. This could result in the closure of an entire	**Raw materials/components** Cost of products has increased. **Logistics/distribution costs** Significant disruption and cost increases anticipated. *Large retailers previously able to book shipping containers in advance. Struggling to book now, so having to buy more on spot rates. Costs at $14k for a 40ft container on contract and around	Increases in the prices of goods Late inbound deliveries Inability to stock high volume/key items Substantially reduced stock levels of available goods Extended last mile (home or customer) delivery timescales	Foresee the challenges becoming more acute over the so-called 'golden quarter' (Q4 2021). Continued supply chain disruption, and reduced levels of stock volume/variety into H2 2022.	Incentives for new and existing staff, including new training and technology to empower said staff and improve retention. In some cases, raising pay.

	store/supplier site (particularly now that social distancing measures are no longer in place). Increasingly challenging to hire for shifts during 'antisocial' hours, despite premiums being paid for these shifts.	$16-17k for one box at on-the-spot rate. **Wages and/or benefits** HGV drivers/ fleet operator shortages have caused costs for these roles to jump by up to 40% in some instances, with substantial cash incentives being offered. **Other** Business rates, NI contributions, potential for an online sales tax.	Extended home delivery timescales		
Manufacturing Input gathered from businesses and Trade Associations including: • Food & Drink Federation • SMMT • AMEDA • CBI TA Network Call • NFU **Rag rating: RED**	**Labour** *Firms are concerned about the impact of some of the changes to domestic and international Covid rules. ○ The requirement to self-isolate if you have been identified as a close contact of an Omicron cases risks aggravating existing staff shortages. ○ Manufacturing firms who need to move specialist staff – such	**Logistics** Firms are preparing for further supply and cost pressures on their supply chain due to the introduction of import controls from the EU on January 1st. **Energy** Impact of rising agricultural commodities and energy prices – fertiliser has increased by 300% year-on-year.	Higher costs being passed on. Inability to fulfil order books of clients. Example: *Food manufacturers report making around 50 changes per week to their production plans because of supply chain issues. Currently causing	Challenges with availability of labour, higher commodity and forward energy/fertiliser prices means expectations are that these challenges persist well into 2022 at the very least. *Uncertainty about whether Covid measures will be	Growing evidence of firms being more flexible in accepting deliveries outside of working hours. Focus on enhanced recruitment and retention methods, including offers of upskilling and wage increases. Scaling-up apprenticeships,

Employs: 2.1m	as heating engineers – are worried that the new international testing rules will deter many from coming to service crucial systems. Staffing shortages are biting across the sector, especially HGV drivers, process/packaging and engineers. *Emerging evidence that manufacturing firms who have significantly increased wages commenting that pressure on drivers for their distribution centres is easing slightly but staffing warehouses becoming harder. Many older and EU workers that stopped working during the pandemic are not returning. Yet to be seen how recent visa allowances for HGV drivers will help, especially in the run up to Christmas.	Companies that are hedged until 2022 are still concerned about supplier failure and that they will need to renegotiate at much higher prices. **Raw materials** Raw materials costs are strongly influenced by commodity pricing, and increases are in the range 25-40%. **Wages/other benefits** Removal of furlough has further impacted the automotive sector considering the semi-conductor crisis, meaning no headroom - no HMRC deferments or loan schemes. *Members talking of steel prices being up 111% over last year, as a result they're having to increase their prices by 25%.	minimum of 1-day delays to client orders.	introduced (when, how, to what extent) is making workplace and workforce planning challenging for Q4 and Q1 2022. Semi-conductor shortages in the automotive sector may last until 2023.	but it will take time to feed through. into the labour force. Working closely with suppliers to maximise flexibility, including rescheduling and longer factory goods intake opening hours. Liaising closely with customers on demand-side changes which have rapid implications for deliveries due to delays. Food and Drink Industry working cross sector to understand the gap across the food supply chain.

	HGV driver shortage causing delays to product distribution. *Early signs of increased absences caused by a rising number of Covid cases, especially among unvaccinated staff having to self-isolate if contacted by Test & Trace. **Raw materials** Manufacturers are struggling to secure enough parts to fix / maintain factory machines and components. Global semi-conductor shortages are causing production stoppages and managed reductions in shift patterns in the automotive sectors. Production was down 30% in Aug and sales down 35% in September. On CO_2 shortages - which are crucial for food manufacturing - questions about what will happen in early 2022 when government support is due to expire.				

Energy Intensive Industries Input gathered from Trade Associations including: • Energy Intensive Users Group • UK Steel • British Glass **Rag rating:** **Employs: 0.2m**	**Energy** In the event of national energy supply shortfall this winter, firms are concerned that they will be among the first forced off the gas network. A sudden shutdown would risk threaten the viability of many businesses.	**Energy** Energy is normally 30-35% of production costs for many of these firms but now it may be up to around 65% in some cases. Many firms have already purchased energy for the upcoming winter and so will not have to fully pay the higher prices immediately. A small number of firms are already facing higher energy prices now – higher than paid by their international competitors – which is leading some to consider scaling back or pausing production. As high prices continue for longer, more firms will be affected. **Wages/benefits** HGV driver shortage adding to costs through having to pay	So far, EIIs have largely absorbed the significantly higher energy costs but with the continued escalation many producers have had to pass on temporary surcharges to their customers. Sustained high energy prices will cause firms to prioritise product lines based on the energy intensity of the process and not run some production facilities continuously to save costs. .	Expecting sustained high energy prices for at least the next six months, and possibly into H2 2022, based on the forward energy price.	Firms currently absorbing costs to keep production lines running.

		significantly increased salaries. **Raw materials** Slightly lower costs of some raw materials, any gain has been eradicated the soaring energy and transport costs.			
Construction Input gathered from Trade Associations including: • Build UK • FMB • CBI TA Network Call **Rag rating: AMBER** **Employs: 2.3m**	**Raw materials/components** Certain items – timber, cement, steel PVC products – remain in short supply. 82% of builders have delayed jobs due to a lack of materials, and 8% have been forced to cancel. *Example of firms having difficulty with accessing cement in Scotland. Having to ship cement from Northern Ireland to Scotland, creating additional cost and labour strains, plus emissions impacts. **Labour** Lack of skilled labour is exacerbated ahead of	**Overall costs** Prices may not yet have been fully felt by the construction supply chain due to its length and lead times. 97% of builders are facing material price rises, with 77% having been forced to raise their prices in the past quarter. *Fluctuating costs creating difficulties for firms to tender for government contracts. Unable to calculate cost of projects with longer lead-in times. For existing contracts, material prices and starting to impact profitability on key	Firms expect to start to feel the impact of increased energy costs for energy-intensive products like steel.	93% of builders are expecting material price rises to continue into Q4.	Contractors have so far been trying to cope with shortages by planning and ordering in advance. Contractors communicating the cumulative effect of rising costs to clients and explaining the impact on current / future projects.

	Christmas with increased competition from retail and hospitality. 60% of builders have delayed jobs due to a lack of skilled tradespeople, and 12% have been forced to cancel. Examples - 37% can't hire plasterers - 47% struggling to hire carpenters/joiners - 45% are struggling to hire bricklayers **Other** UKCA marking is an issue for construction products – lack of testing capacity is affecting approval of products such as radiators and boilers.	public sector works, with emerging evidence of members reporting projects to be loss making.			
Health & social care Input gathered from Trade Associations including: • ABPI • British Generic Manufacturers Association	**Logistics** Distribution difficulties due to delays at Felixstowe. **Raw materials/components** Scarce provision of disposable materials (e.g. packaging), ingredients and raw materials	**Logistics/distribution costs** Non reported, however, logistics and distribution are often outsourced, so reporting of additional costs may be delayed. **Labour**	Managed via business continuity plans.	Difficult to forecast how long shortages will last for. There is no obvious end to this situation at present.	Corporate business continuity plans, and contingency arrangements introduced where required.

• Private healthcare providers • CBI TA Network calls **Rag rating: AMBER** **Employs: 2.3m**	required for the production and batch release of biotech products. **Labour** General shortages of HGV lorries and drivers is slowing down deliveries of medical equipment. Shortages of staff across the health/care sector (nursing, care and dentistry) is driving up the sector's reliance on agency and temporary workers, who are themselves hard to source. *Care homes particularly impacted by labour shortages. Finding care staff moving to other areas within the NHS for alternative health-related work.	Having to pay more to agency/temporary workers. The mandating of vaccinations in parts of the sector is expected to have an impact on staffing availability and competition in some areas so further pay inflation would be required to attract and retain staff.			
Hospitality/Leisure/Tourism Input gathered from Trade Associations including:	**Raw materials/components** All hospitality firms are facing supply disruption – 1 in 5 products are missing from every delivery and	**Raw materials** Food and drink inflation running at 5-8% but most businesses being quoted 8-11% increases from Jan	75% of firms saying that they will have to pass on price increases to consumers.	Expectation that these challenges will last well in 2022, firms will need a big focus on financial resilience.	Closing premises for days of the week, restricting covers in restaurants and sale of beds in hotels to match

• UK Hospitality • CBI TA Network calls **Rag rating: RED** **Employs: 3.1m**	reduced deliveries from 3 to 1x a week. **Labour** There is growing concern in the sector about the 10-day self-isolation for confirmed contacts of Covid Omicron cases, irrespective of vaccination status. ○ 1 in 5 staff in the hospitality sector had to self-isolate during the summer 'Pingdemic'. ○ Any recurrence could seriously disrupt business operations and operating capacity in the run-up to Christmas. Hospitality has 10% vacancy rate – esp. chefs, senior mgmt. 25% businesses saying that they have had to close for at least 1 day a week. **Energy** Not seeing disruption to supply other than in CO_2. **Other**	2022 and anticipate that food and drink price inflation will peak at 13%. **Wages and/or benefits** Wage rate inflation in hospitality itself 11-13% - labour is 52% of operating costs so this has a huge impact, and most wages will increase by 6% in hospitality due to NLW increase and impact on differentials **Energy** Energy costs rising 50-100% at point of renegotiation for supply from April 2022 onwards.	Increases before April likely – many firms adjusted for VAT in October and are planning pre/post-Christmas increases, and again in April with the NLW/NIC increase.		demand to supply, foregoing event and forward bookings, restricting menus and activities.

	Cost of doing business going up by around 13% and margin eroded by a third. Impact on cashflow – esp. as govt support tapers at the same time re VAT, business rate relief and furlough.				
Energy/utilities Input gathered from Trade Associations including: • Energy UK • CBI TA Network calls **Rag rating: AMBER/RED** **Overall AMBER rating but RED for retail market** **Employs: c. 3.9m**	**Energy** Gas industry particularly impacted by cost increases and the sector issues should be looked at two-fold: 1. cost of gas and 2. the retail sector (caused from point 1 but has distinct consequences).	**Overall costs** Expecting to see more energy suppliers go out of business this winter due to sustained high energy prices. Once costs from the SOLAR process (taking on new customers from lost suppliers) has been neutralised across customers, estimated costs will be significant causing a further rise in consumer bills.	Increased costs of materials like steel expected to have an impact on development and maintenance of Offshore Wind farms. Further supply chain issues will materialise but industry unable to look at these due to cost pressures.	Gas prices are coming down slightly from their peak but are expected to remain high until Summer 2023. Expect prices to go up again in April 2022 when the domestic price cap is reset. Final costs should be lower than they are currently, but significantly higher than 2015-19.	Larger retail providers taking on customers from collapsed suppliers (SOLAR)
Housing, residential property & commercial property Input gathered from	**Raw materials/components** Constraints on development pipelines due to labour and	**Rental costs** The shortage of logistics space is putting upward pressure on rents in the sector.	Shortage of logistics space is having a knock-on consequence with occupiers not getting the	Concern logistics space will remain in very short supply into 2022 and possibly beyond. Land-use planning	At large end of development sector construction material shortages are being managed through supply

Trade Associations including: • British Property Federation • UK Warehousing Association • CBI TA Network calls **Rag rating: AMBER** **Employs: 580k**	construction material shortages. **Labour** Shortage of warehouse operators to accommodate increase in demand for warehouse facilities, such as e-commerce and firms looking to hold greater quantities of stock.	**Overall costs** Most acute for firms developing housing because of the volume/diversity of materials and trades involved in finishing a home and fitting it out. Materials and labour shortages creating cost inflation for the industry.	optimal space for their operations, either in terms of configuration, or location, creating negative impacts on productivity. Delays and inflexibility in planning process means acquisition of land for warehousing space is slow and not meeting demand.	has not adapted to the greater need for logistics space.	chain management, for example booking construction materials further in advance, typically doubling the lead times that would have previously been used. Skills shortages has accelerated adoption of modern methods of construction. Larger development sites establishing training facilities so developers can draw on the local workforce for filling vacancies.
Aerospace / Defence / Security and Space Input gathered from Trade Associations including: • ADS **Rag rating: AMBER**	Mixed impacts across sectors: **Aerospace civil side:** Is still experiencing a downturn in demand from the pandemic, so the impacts haven't been felt as strongly so far given relatively weak order	**Inputs costs** Cost of inputs have continued to rise, as energy prices rise, disruptions continue, and key components like aluminium, steel, copper and semiconductors see increased costs. This is	Concern that the extended lull in demand for civil aerospace some downstream firms will struggle to return to full scale when needed.	**Civil Aerospace** In short term, Dubai air show and a strong end to 2021 are expected for aircraft orders. Yet with international travel still not fully	Building in for time delays around moving goods. Working to identify the potential new skills required as technologies develop.

Employs 385k directly	books and lower demand for parts. **Defence and security sector:** some reports of impacts of chip shortage and concerns to the supply chain. **Logistics:** Businesses building in additional time in logistics owing to large freight forwarders warning of delays.	causing an increase in delays to orders. **Logistics/distribution costs** Logistics costs have been on the increase since the end of the Brexit transition period as new requirements have come into place.		recovered, industry not expecting a full return to aerospace manufacturing until 2024 with only marginal uptick in the rate of production until then. **Defence and security** Cost pressures expected to remain a concern in the short term and long term.	

• RAG ratings in this table are based on anecdotal evidence and survey data gathered from CBI Trade Association members and direct business input from the CBI's cross-economy membership base.

• Insights marked with an asterisk (*) come from individual members.

ANNEX

CBI INTERNATIONAL SUPPLY CHAIN HEATMAP

Country	Supply side constraints	Cost pressures	Downstream effects/risks	Immediate (Q4), short-medium (Q1-Q2 2022) and medium-long (Q3 '22 – Q4 '22) expectations	Actions businesses are taking	Action governments are taking
China Input gathered from: • global CBI members • CBI Beijing Office	**Energy** Expectation that the worst of China's energy crisis is over. Coal supply has risen, and prices fallen since mid-October 2021. China's largest grid operator confirmed supply and demand have returned to balanced levels in its coverage area. **Power supply** Have been extensive power supply issues in due to extreme flooding, a coal production deficit & increased global demand of manufactured and poor management (including pricing) of the country's electricity power grid.	*Real estate consultancies, designers, architectural firms are feeling the pinch with many ongoing property/construction projects either on hold or looking increasingly unviable due to economic growth slowdown	Unprecedented blackouts led to certain power-intensive industries limiting work and production for a few weeks, causing delays on products. Concern remain energy rationing may be brought back in should supply issues worsen during winter months. But good levels of communication between officials and FIEs in China. **Risks** Extreme weather continues could	**Immediate** December normally peak for energy /electricity consumption usage. Expectation of continuing zero-tolerance covid strategy and closed borders (impacting retail/leisure/hospitality) into 2022	Previously paused production when necessary to preserve limited energy provisions following September energy crisis. Regular dialogue between local authorities and foreign companies to update on when there may need to be a slowdown of activities.	

	Coal shortages created by the recent power cuts *Some companies in manufacturing and chemical/gases production have been told which days that they can operate on or have been told to expect power cuts through to the end of 2021. **Logistics** Zero COVID-19 ports policy means a single positive case in a port or neighbouring area shuts down the whole port and infrastructure. The congestion and delays caused by the pandemic and strong global demand will continue well into Q1 2022 and are unlikely to ease until Chinese New Year (end of Jan 2022) Port productivity (efficiency) has been suffering throughout 2021 and a lack of warehousing		continue to have an impact on supply. Has been heavy snowfalls in Beijing in early November. 3-4 weeks earlier than usual. With the zero COVID-19 cases at ports policy, this is creating additional paperwork and COVID checks on ships entering Chinese ports, slowing down turnaround times for cargo.			

	and containers are making a bad situation far worse. Feeder operators at ports in southern China are extending service suspensions by at least six weeks over the Lunar New Year holiday due to quarantine measures for shipping crews.					
European Union Input gathered from: • global CBI members • CBI Brussels Office	Supply-side constraints continue to bite across EU member states, with this cited as an area that could impact growth and/or recovery by 12/31 of BusinessEurope members. Labour shortages as an impediment to growth by 14/31 BusinessEurope members. Shortage of chips and some specific commodities, transport problems, delivery delays, rising prices of many commodities and energy, and the development of the coronavirus crisis are biting across Europe.	**Cost increases** 16/31 BusinessEurope members mentioned rising prices as a challenge, with 9 explicitly mentioning energy as the key driver. **Energy** Member state example – Bulgarian Industrial Association – Union of the Bulgarian Business (BIA): Key challenges for Bulgaria are electricity and gas prices that spiked significantly in 2021 – with 100% and 50% compared to 2020 levels. The industry is buying electricity on the Day-Ahead Market		Member state example – Croatia Employers Association: increase in prices is expected to cease in the first half of 2022 Member state examples – Cyprus Employers and Industrialists Federation (OEB): major challenges with inflationary pressures mainly caused by energy price increases and the rise in consumer prices and freight costs as Cyprus is an island that depends 95% on sea transport. – Poland: next year will bring fundamental change in polish taxation scheme – Polish Order –		**Energy** European Commission recently proposed a toolbox with short-term measures that member states can take to tackle energy prices (such as direct payments to vulnerable households, deferred payments, tax cuts, state aid for companies that are compatible with the EU state aid rules). On mid-term to long-term

	Member state examples – **Belgium:** Sectors particularly hit by supply chain disruption are chemical, construction, food and technology sectors. **Denmark:** For companies in industry and services, respectively 32.7 pct. and 24.2 pct. have reported output restrictions due to lack of employees. **Germany:** According to a business survey of ifo institute, 70% of manufacturing companies surveyed in August said that supply shortages were hampering their production - in the last 30 years the peak value was 20%.	and the households are part of the regulated electricity market until 2025. Member state examples – **Austria:** reached the highest inflation rate since November 2011 – 3,6% **Cyprus**: inflationary pressures mainly caused by energy price increases and the rise in consumer prices and freight costs a challenge as Cyprus is an island that depends 95% on sea transport.		to strengthen demand by increasing wages, mostly at the expense of increasing cost of labour for entrepreneurs.		measures, the toolbox refers to a number of already planned EU initiatives (such as the announced revision of the gas/hydrogen market regulatory framework or future guidance on how to accelerate permitting process for renewable energies) as well as new ideas (such as joint procurement and/or joint reserves of gas stocks). Member state examples - **Greece:** increasing minimum wage due to inflation pressures and high economic growth.

						Romania – a gas price cap was imposed as industry is starting to feel the higher energy prices impact productivity.
India Input gathered from: • global CBI members • CBI Dehli Office	**Raw materials/components** Shortages such as electronic components has impacted key industries like electronics and automobile manufacturers. Seen a double-digit drop in sales for some auto manufacturers in the last month. Supply shortage and long supply lead time of many electronic components (chips) from OEM's and steep increase in commodity costs continue to significantly impacted the production/manufacturing output. **Logistics** Impacted by international issues at ports. Port delays	**Energy costs** Oil and gas prices up by around 60%. **Fuel costs** Retail price of diesel has gone up by 17% over the last 12 months impacting logistics cost as India transports about 65% of freight and 80% passenger traffic by the roads **Raw materials/components** Increases in prices of commodities used in industrial production – steel, aluminium, copper and zinc and other alloying metals Average price of hot rolled coil (steel) rose 55% from ₹44,880 per tonne in November	Regular suppliers based in China shutting down due to local regulatory and energy supply issues, impacting supply chain Detention/demurrage charges on account of late clearances at ports and penalties for delayed customs duty payments on account of Indian Customs IT server connectivity issues are adding to the logistics costs for firms INR Currency Depreciation against USD and higher exchange rates being charged by different	Expecting container shortage to continue for the medium term.	Diverting operations to use Western ports, rather than Eastern ports to improve turnaround times. Firms actively looking to improve Just-in-Time supply-system to reduce the cost of production and keep cost of inventory down. Firms starting to focus on manufacturing investments and domestic value addition, enabled by policies like production linked	

	in China causing problems for freight. A container from a Chinese port to Mumbai previously took 15 to 18 days and now averagely takes up to 50 days. Indian ports not experiencing domestic issues with labour/skills shortages but backlog of clearing containers and shortages in accessing containers. **Labour** In the textile and garment industry, 25-30% of the staff have not returned to work after migrating to hometowns after the COVID-19 outbreak.	2020 to ₹69,600 a tonne in October 2021 International power outages impacting India's supply of coal creating prices increases. Increase in cost of forged parts and casting. Cost of forged parts and casting gone up significantly. **Logistics** Reports of increased logistics costs now adding 10% to manufacturing costs.	parties have Increased the total cost of Imports.		incentive schemes to de-risk their supply chains. Plus a significant focus on alternate delivery models to reduce distribution footprint to optimize costs.	
USA Input gathered from: • global CBI members • CBI Washington Office	**Logistics** Major shipping delays and backlogs at the Ports of Los Angeles and Long Beach. 40% of US maritime cargo arrives at these two ports. Port of LA continues to operate on reduced capacity, as over 115,000 empty containers remain		*Manufacturing firms concerned about some of their USA operations which are implementing "no jab, no job" policy. Some firms reporting 25% of staff vaccinated, which could cause issues in manufacturing output.	**Logistics** Florida reported a shortage of 3400 parking spaces for trucks in 2019. Due to population growth, the state predicts this will increase to 4900 by 2030. Annual driver retention for the biggest trucking	All 12 ports that make up the West Coast Terminal Operators Association have chosen to streamline or remove administrative fees upon arrival for carriers.	Four states are working together to build a long-distance truck parking network along the Interstate 10 highway. Arizona, California, New Mexico, and Texas are building a combined

	stationary at the port, with nowhere to go. Most remain on trucks, adding to the backlog for new containers arriving off ships. Across the US, truck driver shortages causing containers to stack up on docks with nowhere to unload new containers. Container ships resorting to waiting outside Ports. Can bas many as two weeks. Logistics problems first created by increased consumer demand (notably home appliances and electronics) outpacing industrial supply from key markets like China and Vietnam - strained capacity of shipping firms to transit goods. 80,000 truck driving shortage in the U.S., preventing West Coast ports from quickly offloading shipping containers and transportation.		Reports of potential US labour disruptions along the US West coast through Q1-Q2 2022 **Logistics** *Very high US consumer demand is exacerbating the situation and causing serious bottlenecks with turnaround delays, airside issues, lower capacity and containers being stuck in the wrong place across the globe. **Labour** There are several potential strikes scheduled by the port unions for Jan/Feb, with Long Beach and other ports up the western seaboard likely to be affected. Could become a nationwide issue if not resolved quickly.	firms in the U.S. is currently hovering around 10%, meaning that 9 in 10 workers will quit after one year. Ports on the US West Coast were operating on extremely tight margins before 2020 and were not prepared to react to a major economic shock, so not resilient to other shocks.	Additionally, the CMA CGN shipping company has offered any importer who unloads their containers from the port within 8 days between an extra $100-$200 per container. Some ports have implemented a fine system on unloaded containers not removed by truck, as much as $100 per day, per container.	online tracking system for the 550 parking spaces along the I-10 for truckers to access, but more work is needed to build new spaces. President Biden created a Supply Chain Disruption Task Force in June and negotiated with the port authorities and local unions to strike a deal allowing the Port of Los Angeles to run for 24 hours every day and the Port of Long Beach to add extended hours.