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New study: 96% of companies move manufacturing closer to home amid supply chain disruptions

January 24, 2023



DP World joins TradeLens platform, jointly developed by Maersk and IBM.

The newest Trade in Transition survey, commissioned by DP World and led by Economist Impact, recorded the opinions of industry executives who have to manage the recent disruptions to global trade, ranging from the war in Ukraine to inflation and extended Covid-19 lockup policies in various markets across the world.

The research's primary conclusion is that the vast majority of 96% of companies believe that geopolitical events are causing changes in their supply chain networks. In just a year, the number of corporations moving production and suppliers - either to their home markets or nearby - has more than doubled since 2021, as part of efforts to save expenses and reduce the risk of interruption.

However, the shifts are not even. While 27% of companies said they were decreasing the length of their supply chains due to geopolitical events such as the war in Ukraine, another 33% plan to expand into more stable and transparent markets.

Additionally, a significant 30% of executives believe that the continuing threat of inflation will have the most negative impact on trade over the next two years. Input prices - due to supply limitations - and transportation - due to high energy costs and shipping capacity limits - are experiencing inflationary pressures, according to the study.

If inflationary pressures persist, exports to the Middle East and South America are likely to fall by 3.52% and 2.74%, respectively, according to the research. Only Africa is predicted to witness a marginal 0.26% increase in exports.

Beyond the Ukraine war, tensions between the United States and China, as well as cyber warfare, are impeding the effective operation of the global economy, said the study.

As a result, more precautionary measures, such as the US Infrastructure Bill and the CHIPS and Science Act, which aim to incentivise and prioritise US and North American industry, are being implemented. Similar policies are emerging across the world aiming to further protect the global trading system.

The global survey of 3,000 company executives found that companies in North America and Europe are most likely to outsource more than half of their services within their region. This is followed by 40% of companies in South America, 36% in the Middle East, 32% in Asia-Pacific and 18% in Africa, outsourcing within their regions.

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