

Our three calls on supply chain frictions for 2022

The good news is that supply chain problems will begin to ease next year. But it's going to take a while. Semiconductor production won't be back to normal for many months.



Chips for many electronic goods have been in short supply. Pictured, an Apple store in Beijing

1 Supply chain frictions will start to ease but not until well into 2022

We expect input shortages and transportation issues to abate only after the Chinese New Year. Earlier improvements in Asian countries will first be used for domestic destinations before going overseas. Consequently, global supply chains should expect another few months of extreme market conditions. International transportation should improve throughout the year, while it could take well until the end of the year before microchip production is back to normal. With an enormous backlog for industry and richly-filled order books, shipping prices will remain elevated; prices for key inputs that are in shortage at the moment are set to remain well above pre-crisis levels.

2 No rush towards deglobalisation in 2022

Don't expect any swift advances as far as deglobalisation is concerned. Any reshoring activity is

set to be marginal despite pandemic disruptions. Sure, some businesses will move production back to Europe and the US but the vast majority is expected to keep globalised production in place. Firms generally expect a more normalised global economy within a year or so and that means they're willing to take the current supply-chain issue pain now rather than move to areas where consumption is highest as such relocations carry significantly higher costs.

3 Input shortages likely to remain a key theme in 2022 but oversupply could return

Current extreme shortages and price pressures are not here to stay indefinitely. Some key inputs currently causing problems such as semiconductors, plastics and chemicals are likely to remain problematic for most of 2022; in some cases supply is set to pick up substantially only by early 2023. The big question is when the turnaround will be. Current estimates of supply in certain critical markets are improving, think of semiconductors and containers, but demand is overstretched at the moment due to hoarding effects from businesses. This could result in a quick turnaround in prices once demand drops off to more regular levels.

Author

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

Inga Fechner

Senior Economist, Germany, Global Trade

inga.fechner@ing.de

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.