

Just in time for the holidays, the supply chain is returning to normal

Article

The news: The global supply chain is in its best position in several years, which means the array of challenges that emerged last holiday season will be less of a factor for many retailers in Q4.

- Consulting firm RSM's [US Supply Chain Index](#)—which aims to provide a near real-time look at the elements of transportation, manufacturing, sales, and labor that underscore the

manufacturing and service sectors—**rose above neutral for the first time in nearly three years in July.**

- Flexport's **Ocean Timeliness Indicator**—which measures the amount of time it takes an item to make its way from Asia to North America—**last week fell to the lowest level since Aug. 1, 2021.**
- The **Baltic Dry Index**—which tracks the cost of shipping goods worldwide—**last Friday fell to its lowest level since December 2020.**

Supply Chain Disruptions According to Chief Supply Chain Officers (CSCOs) Worldwide, Q1 2022

% of respondents

Demand volatility	80%
Increased cost of transportation and logistics	77%
Transportation and logistics availability	76%
Employee wage inflation	74%
Manufacturing and production interruptions	73%
Supply base inventory availability	64%

Note: in the past 2 years

Source: IBM Institute for Business Value, "The Resilient Digital Supply Chain" commissioned by Celonis, April 28, 2022

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Pointing in the right direction: Even retailers that have experienced significant supply chain disruptions are growing increasingly optimistic about the trend lines.

- **Walmart's** lower-than-expected supply chain costs was one of the factors that helped the retailer **beat expectations**, said CEO **Doug McMillon**, during the retailer's earnings call.
- While **Sally Beauty** lost an estimated \$15 million in sales in Q2 due to raw material shortages, the retailer's issues have started to improve and will be back to normal in its fiscal 2023 that begins Oct. 1, said CEO **Denise Paulonis**.
- **The Children's Place** CEO **Jane Elfers** pointed to the Georgia Port Authority's expectation that it will be back to "normal" by the middle to end of September as one reason that it will have its holiday inventory earlier than last year without having to incur the increased costs of last year.

Challenges remain: While many indicators are pointing in the right direction, some issues remain.

- The New York Federal Reserve's [Global Supply Chain Pressure Index](#) said that **global supply chain pressures remain at historically high levels** even after declining in July.
- **High temperatures in China forced some manufacturers to shut down production** because of government-planned power cuts, per CNBC.
- **A pileup of German import containers is expected to extend into Q1 2023.**
- Meanwhile, **truckers protesting** their inclusion in a California worker classification law last month **led to a pileup at the Port of Oakland that's expected to take a month to clear**, per Sourcing Journal.

The big takeaway: While it takes time to untangle a global supply chain, the trend lines are moving in the right direction.

- That said, if the past few years have taught us anything it is that disruptions can quickly upend even the best-laid plans. That's why retailers would be wise to continue seeking ways to diversify their supply chains.

Go further: [For more on The Era of Uncertainty, read our report here.](#)

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