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War in Ukraine will compound global supply chain problems

Article

The news: The conflict in Ukraine is expected to have a domino effect on various supply chains as global companies close factories during the Russian invasion.

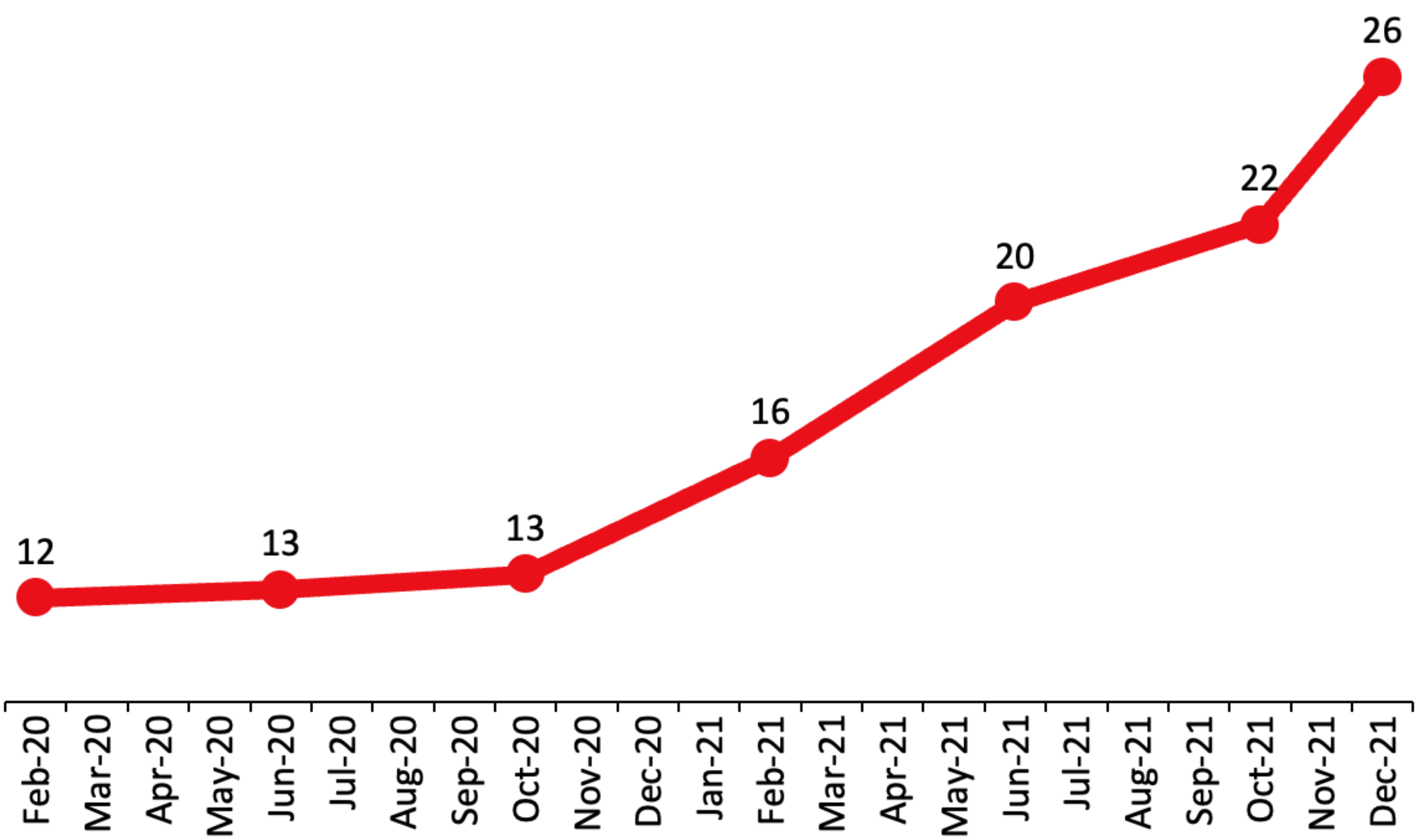
What this means: We're already seeing the Ukraine conflict's effect on gas prices, and now everything from **food** to materials for **chip** and **automotive production** could be disrupted, per Bloomberg.

- Various multinational companies have shuttered their factories and offices in Ukraine, halting the production and shipment of goods and components.
- Ukraine and Russia together account for nearly **a third of the world's wheat market**, **19% of the world corn supply**, and **80% of exported sunflower oil**, per Insider.
- Russia is the third-largest supplier of **nickel** for **lithium-ion** batteries.
- The two countries also lead the global production of **copper** and **platinum**. In context the trading price of palladium, a necessary component of chip manufacturing, is up **80%** since mid-December, per The Conversation.

The bigger picture: Russian aggression in the region is expected to further deepen the chip crisis and fracture supply chains that are already reeling from the effects of the coronavirus.

- Larger chip manufacturers expect minor supply chain disruptions due to stockpiling and diversified procurement of components, but long-term impact of the conflict could further extend the shortages.
- "Disruptions to the flow of any of these materials would have a costly effect around the world, particularly in Europe and North America," Fitch Solutions Country Risk & Industry Research said.

Gap Between Ordering a Chip and Delivery
(In weeks)



Source: Susquehanna Financial Group, 2022

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