

War in Ukraine continues to disrupt the global supply chain

Article

The news: Beyond the surge in gas prices and resulting rising inflation rates, the war in Ukraine is sending shockwaves to an already fragile global supply chain, [per](#) The Register.

Why it's worth watching: Rising electricity costs in Europe, longer chip delivery times, and airspace bans disrupting cargo routes are further compounding already delicate technology

supply chains. They could result in a cascading effect of inflation and scarcity constraining growth.

- "In just a few days, the prices of energy and commodities have skyrocketed, and the supply chain has become even more vulnerable," said **Trang Pham, a market analyst at Canalys**. "These are issues that could fuel inflation and limit growth for Western Europe and the world."
- The global chip and semiconductor crisis, which was expected to ease in 2022, will likely be exacerbated by the war. "Ukraine supplies more than half of the world's neon gas, vital for semiconductor production," Pham said.

By the numbers: The Ukraine-Russia war and its impact on inflation.

- The cost of logistics has risen steeply with freight rates **jumping \$13 per kilogram** between Hong Kong and North American hubs. Surging gas prices are expected to drive up costs of transporting goods.
- The airspace ban by and against Russia, which has 11 time zones, will **increase the cost of transportation** of goods in and around Europe and overseas.
- The **Semiconductor Industry Association** noted that while Russia accounts for less than 0.1% of global chip supplies, continued conflict will drive up prices for **oil, nickel, aluminum, platinum, palladium, and neon produced in the region**, per the Sydney Morning Herald.

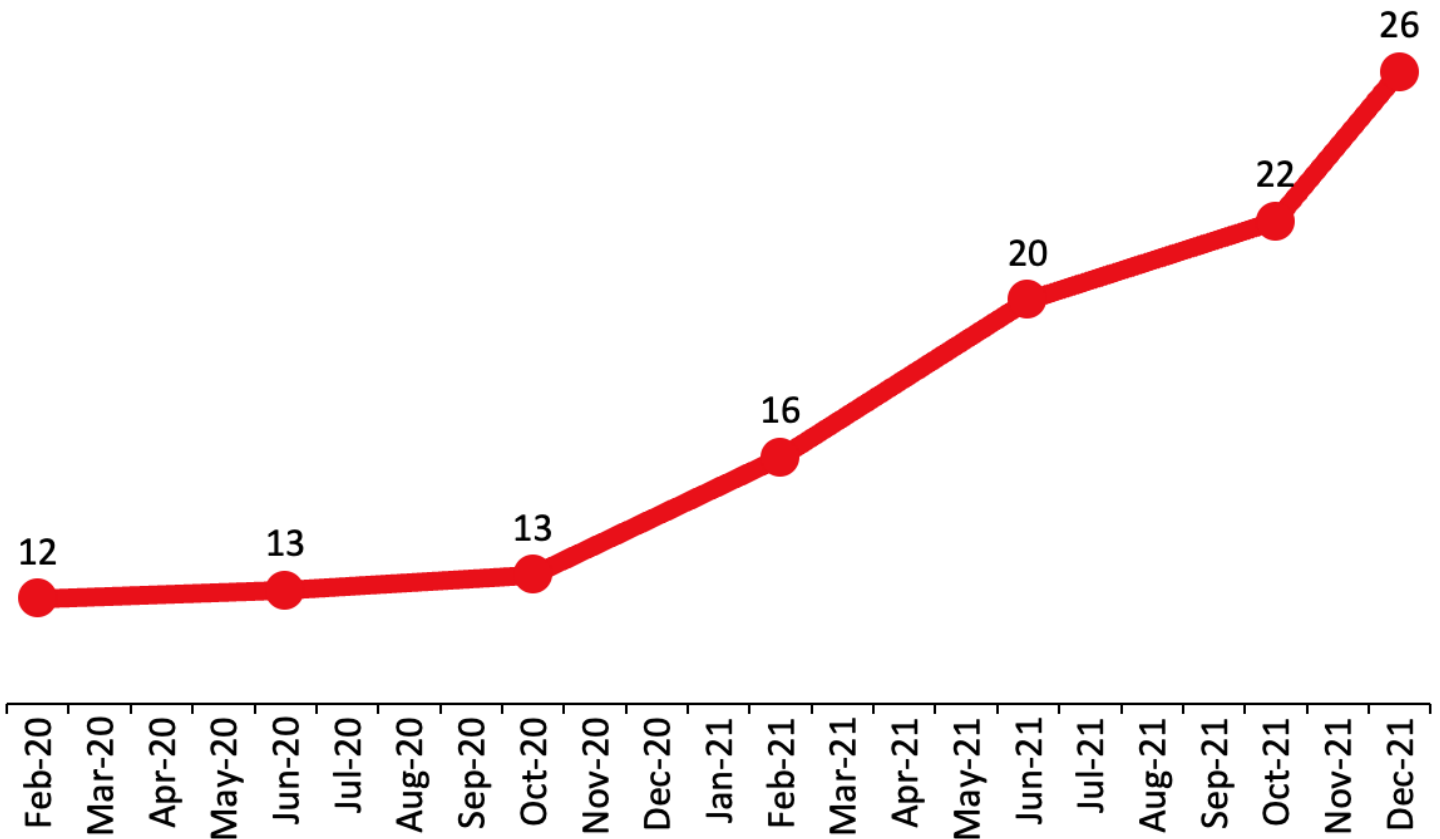
The bigger picture: The war in Ukraine is threatening to disrupt entire industries and global supply chains relying on raw materials, logistics, oil, and transportation.

Some companies have secured enough components to maintain production output, but once supplies run dry, scarcity will drive up prices.

- Various smartphone and PC makers who have managed to stockpile chips and components will need to adjust their production output in anticipation of resulting shortages.
- Supply chain disruptions could delay smartphone, PC, and automotive releases later in the year, as well as shrink device output as supplies run out.
- Higher costs of minerals, production, and logistics will inevitably be passed on to consumers. For example, new cars and trucks—already up in prices due to high demand resulting from the pandemic— are expected to become even more expensive. **Palladium, aluminum, and steel** are up **61%, 25%, and 40%** respectively, per Time.

What's next? Various industries are bracing for the war's domino effect on global production and delivery of chips and components. Possible solutions, like the decentralization of processes like [neon production](#) could take years to establish elsewhere.

Gap Between Ordering a Chip and Delivery (In weeks)



Source: Susquehanna Financial Group, 2022

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