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money



NAB supply chain insights – special report

Business impacts, how they are being
addressed and strategies to deal with
future supply chain issues

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≡ Supply Chain Insights Special Report

Supply chains remain a “significant” issue for almost 3 in 10 SMEs, rising to almost 1 in 2 in Wholesale. 1 in 4 SMEs still expect supply chain to be a significant concern in 12 months’ time. Almost 7 in 10 SMEs believe greater investment in local manufacturing facilities is a key response.

The COVID pandemic has caused significant challenges for supply chains across the globe, and Australian SMEs have not been immune. In this survey around 760 SMEs were asked about the impact on their business of supply chain disruptions, how they were addressing these issues and what they believed Australia should do to deal with future supply chain issues. The survey was conducted between 21 February and 10 March 2022.

Almost 3 in 10 (28%) SMEs said supply chains were currently a “significant” issue for their business (scoring 8 pts or higher). By state, this climbed to 35% in WA, followed by 1 in 4 SMEs in NSW (24%), SA (24%) and TAS (25%). By industry, it was a “significant” issue for almost 1 in 2 (47%) Wholesale SMEs, and was also particularly problematic in Manufacturing (44%), Retail (37%) and Construction (30%). Of concern around 1 in 4 (or 23%) SMEs expect supply chain will still be a significant issue in 12 months, with those in VIC most concerned (27%). By industry, concern was highest for most SMEs in Manufacturing (36%), Wholesale (31%), Construction (30%), Retail (28%) and Transport & Storage (28%).

What strategies are SMEs implementing or have implemented to help overcome the impact of supply chain issues? The most common (according to 4 in 10 SMEs), is managing customer expectations (41%) and sourcing multiple suppliers (38%). Around 3 in 10 were looking to/had already raised prices (30%) or holding more stock, raw materials or products (27%). Other common strategies include sourcing local suppliers (23%), sourcing new distribution providers or channels (23%), supporting COVID prevention and new ways of working (21%) and improving demand forecasting or scheduling agility (20%). Only 4% said there was nothing they could do.

Managing customer expectations, sourcing multiple suppliers and raising prices were the most commonly used strategies in most industries; managing customer expectations ranged from 58% in Manufacturing to 21% in Finance & Insurance; sourcing multiple suppliers ranged from 58% in Manufacturing to 12% in Finance & Insurance; and raising prices from 52% in Wholesale to 15% in Business Services. Holding more stock of raw materials and products was among the most commonly used strategies in Manufacturing (51%), Wholesale (50%) and Retail (39%). Supporting COVID prevention and new ways of working however ranked more highly in Health (29%), Business Services (19%) and Finance & Insurance (12%). Technology & digitisation was the main strategy in Finance &



Insurance (26%) and Property (21%) & Business Services (19%), while SMEs in Accommodation were more likely to try to source cheaper alternatives (18%). A significant number of SMEs in Finance & Insurance (44%), Property (38%) & Business Services (31%), Transport & Storage (27%) and Health (24%) did not have an issue.

Finally, SMEs were asked what strategies they believed Australia as a country should implement to deal with current and future issues. Overwhelmingly (almost 7 in 10 or 68%), said investment in local manufacturing facilities was key. Around 1 in 2 pointed to improved road, rail, sea & air infrastructure (52%) or investing in technologies that reduce time, materials energy & labour (48%). Over 4 in 10 highlighted investment in education & training (44%) and a relaxation of immigration policies, while 1 in 3 cited fostering greater international cooperation, new trade agreements (35%) and a relaxation of isolation rules for those COVID positive (34%). Around 1 in 20 (5%) simply did not know, and only 1% believed there was nothing Australia as a nation could do.

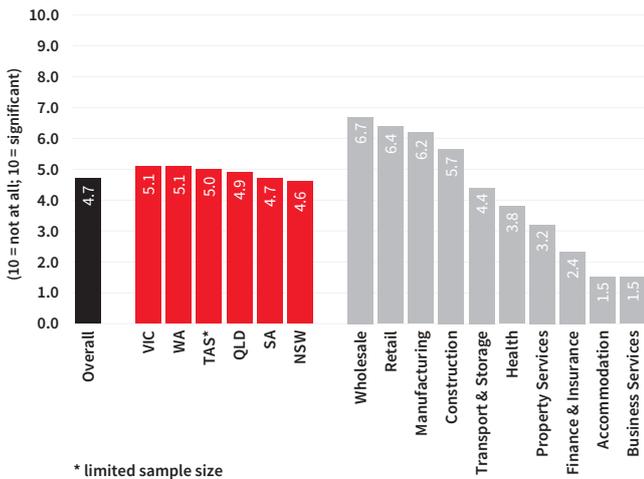
By industry consensus was high, with investing in local manufacturing the priority for most SMEs, particularly in Construction (81%) and Accommodation (40%). Improved road, rail, sea & air infrastructure was also deemed critical, ranging from 6 in 10 in Wholesale (60%), Construction (59%), Retail (59%) and Transport & Storage (58%) to 1 in 3 (32%) in Accommodation. Investment in technologies to reduce time, materials, energy & labour were led by Construction (56%), Finance & Insurance (56%), Transport & Storage (55%) and Business Services (55%). Education and training was led by Transport & Storage (58%), while a relaxation of immigration policies was particularly supported by those in Finance & Insurance (51%) and Property Services (51%).

Main report

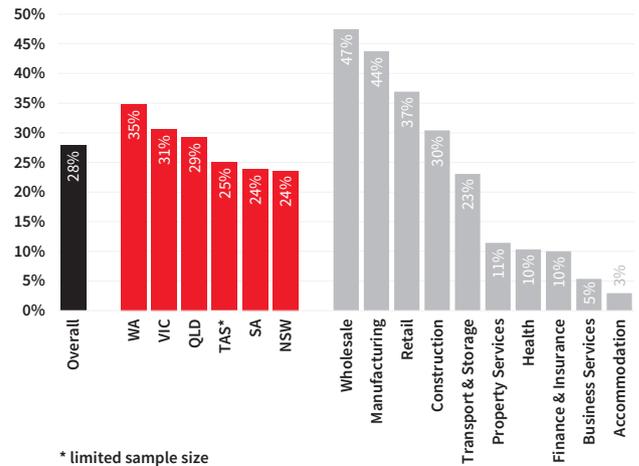
The global COVID pandemic has caused significant challenges for supply chains across the globe, and many Australian SMEs have not been immune from the threats and challenges the disruption has caused. When SMEs were asked to rate the extent their supply chain (for receiving and distribution of goods) was currently an issue for their business, on average they scored a “modest” 4.9 pts out of 10 (10 is significant), with scores ranging from 5.1 pts in VIC and WA to 4.6 pts in NSW. By industry however, the impact was more severe for SMEs in the Wholesale (6.7 pts), Retail (6.4 pts), Manufacturing (6.2 pts) and Construction (5.7 pts) sectors. NAB’s survey also found SMEs expect the impact of supply chain disruptions to moderate slightly over the next year, scoring 4.7 pts when asked the extent supply chain will be an issue for their business. The industry split also suggests Wholesale (6.3 pts), Manufacturing (6.0 pts), Retail (5.9 pts) firms, will remain most affected (though a little less so than now), with the situation for SMEs in Construction (5.7 pts) unchanged.

But the average score masks differences in the number of SMEs that have been impacted by supply chain. In total, almost 3 in 10 (28%) SMEs said supply chains were currently a “significant” issue for their business (scored 8 pts or higher). By state, it climbed to 35% in WA, compared to 1 in 4 SMEs in NSW (24%), SA (24%) and TAS (25%). By industry, it was a “significant issue” for almost 1 in 2 (47%) SMEs in Wholesale, and also problematic for a large number in Manufacturing (44%), Retail (37%) and Construction (30%). Looking forward, slightly fewer SMEs (around 1 in 4 or 23%) expect supply chains will still be a significant issue in the next 12 months, with that number falling in all states (particularly WA to 21%), and be highest in VIC (27%). Fewer SMEs in Manufacturing (36%), Wholesale (31%) and Retail (28%) believe it will still be a “significant” issue for their business, with that number unchanged in Construction (30%) but noticeably higher in Transport & Storage firms (28%) than it is now.

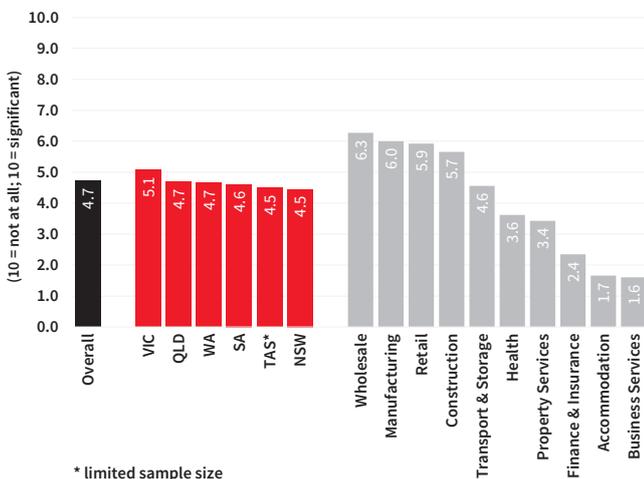
Extent supply chain currently an issue for your business



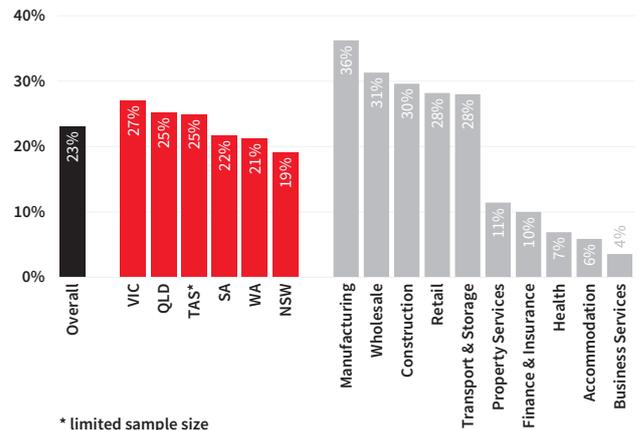
Extent supply chain currently an issue for your business (% scored “significant”)



Extent supply chain is expected to be an issue for your business in next 12 months



Extent supply chain is expected to be an issue for your business in next 12 months (% scored “significant”)

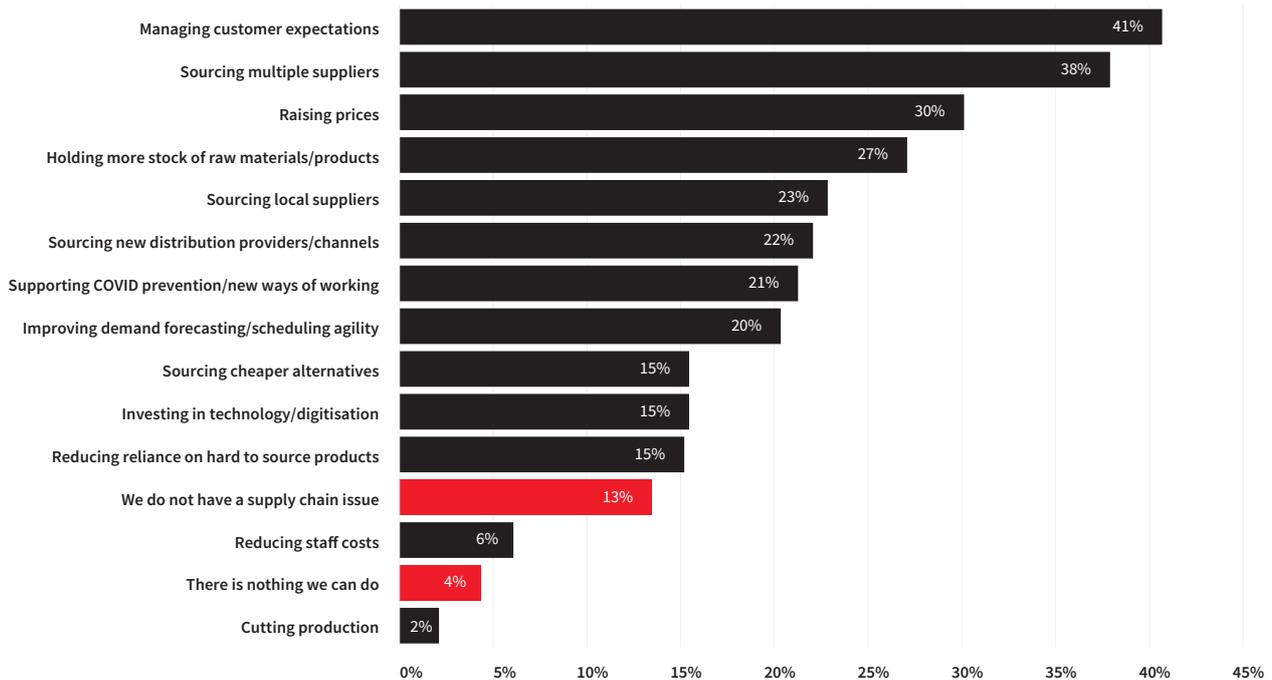


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SMEs were also asked about the strategies their ‘businesses’ were looking to implement or had already implemented to help overcome the impact of supply chain issues. The most common strategies according to around 4 in 10 SMEs were managing customer expectations (41%) and sourcing multiple suppliers (38%). Around 3 in 10 were looking to or had already raised prices (30%) or holding more stock or raw materials or

products (27%). Other more common strategies included sourcing local suppliers (23%), sourcing new distribution providers or channels (23%), supporting COVID prevention and new ways of working (21%) and improving demand forecasting or scheduling agility (20%). But nearly 1 in 8 (13%) SMEs said they did not have a supply chain issue, and 4% indicated there was nothing they could do.

Which of these strategies is your business looking to implement or already implemented to help overcome the impact of supply chain issues: All SMEs



Strategies to help overcome impact of supply chain issues: Industry

	All SMEs	Manufacturing	Construction	Retail	Wholesale	Transport & Storage	Finance & Insurance	Business Services	Property Services	Accommodation	Health
Managing customer expectations	41%	58%	53%	52%	50%	33%	21%	27%	25%	14%	34%
Sourcing multiple suppliers	38%	58%	56%	55%	45%	33%	12%	11%	19%	15%	27%
Raising prices	30%	46%	41%	32%	52%	30%	7%	15%	9%	17%	15%
Holding more stock of raw materials/products	27%	51%	36%	39%	50%	12%	0%	3%	6%	7%	17%
Sourcing local suppliers	23%	32%	39%	32%	25%	15%	5%	9%	13%	10%	12%
Sourcing new distribution providers/channels	22%	20%	31%	35%	34%	15%	9%	9%	8%	14%	12%
Supporting COVID prevention/new ways of working	21%	23%	27%	24%	26%	12%	12%	19%	13%	10%	29%
Improving demand forecasting/scheduling agility	20%	31%	30%	26%	27%	15%	5%	8%	9%	11%	12%
Investing in technology/digitisation	15%	22%	9%	8%	20%	15%	26%	19%	21%	8%	20%
Sourcing cheaper alternatives	15%	20%	24%	15%	18%	15%	5%	2%	9%	18%	17%
Reducing reliance on hard to source products	15%	16%	26%	22%	20%	18%	0%	5%	4%	8%	12%
We do not have a supply chain issue	13%	1%	6%	0%	1%	27%	44%	31%	38%	10%	24%
Reducing staff costs	6%	9%	6%	9%	5%	3%	2%	1%	4%	11%	7%
There is nothing we can do	4%	2%	3%	9%	7%	6%	5%	0%	4%	4%	2%
Cutting production	2%	4%	4%	1%	2%	0%	0%	1%	0%	3%	5%

The table above highlights the top 3 strategies used by SMEs in each industry to help overcome the impact of supply chain.

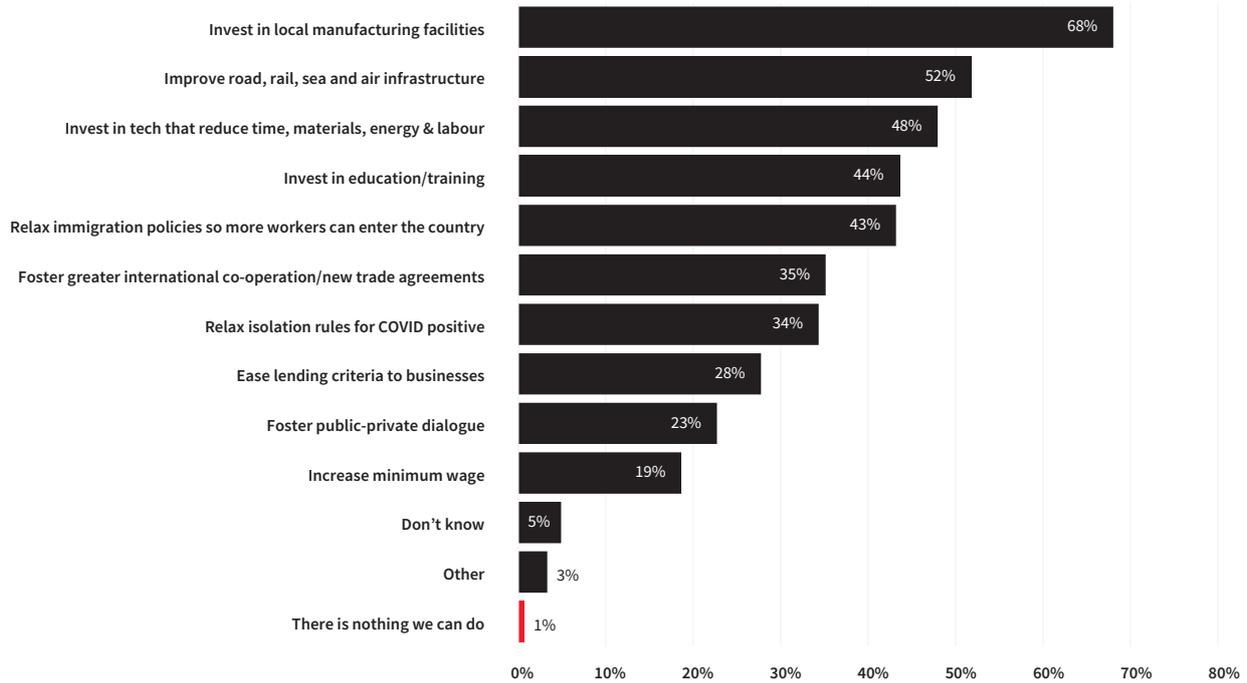
Managing customer expectations, sourcing multiple suppliers and raising prices were the most commonly used strategies employed in most industries - though the number of SMEs trying to manage customer expectations ranged from 58% in Manufacturing to 21% in Finance & Insurance, sourcing multiple suppliers from 58% in Manufacturing to 12% in Finance & Insurance, and raising prices from 52% in Wholesale to 15% in Business Services.

Holding more stock of raw materials and products was among the top 3 most commonly used strategies in the Manufacturing (51%), Wholesale (50%) and Retail (39%) sectors. Supporting COVID prevention and new ways of working however ranked in the top 3 by SMEs in the Health (29%), Business Services (19%) and Finance & Insurance (12%) sectors. Investing in technology and digitisation was the main strategy used in the Finance & Insurance sector (26%), but also ranked in the top 3 in the Property Services (21%) and Business Services (19%) sectors, while SMEs in the Accommodation sector tried sourcing cheaper alternatives (18%).

A significant number of SMEs operating in the Finance & Insurance (44%), Property Services (38%), Business Services (31%), Transport & Storage (27%) and Health (24%) industries said they did not have a supply chain issue.



As a country, what strategies do you believe Australia should be implementing to deal with current & future supply chain issues: All SMEs



Finally, SMEs were asked what strategies they believed Australia as a country should be implementing to deal with current and future supply chain issues.

Overwhelmingly most - almost 7 in 10 or 68% - SMEs said investment in local manufacturing facilities was key. Around 1 in 2 pointed to improved road, rail, sea and air infrastructure (52%) and investing in technologies that reduce time, materials, energy and labour (48%).

Over 4 in 10 also highlighted investment in education and training (44%) and a relaxation of immigration policies so that

more workers can enter the country, while 1 in 3 believed fostering greater international cooperation and new trade agreements (35%) and a relaxation of isolation rules for COVID positive (34%) would help.

Around 1 in 20 (5%) simply did not know, but encouragingly only 1% believed there was nothing Australia as a nation could do.

The table below - which highlights the top 3 strategies Australia should implement to deal with current and future supply chain issues - suggests a high level of industry consensus around what strategies the nation should adopt.

Investing in local manufacturing facilities was the priority for most SMEs in all industries, with the number ranging from 81% in the Construction sector to 40% in Accommodation. Improved road, rail, sea and air infrastructure was also deemed critical in most industries, ranging from around 6 in 10 respondents in Wholesale (60%), Construction (59%), Retail (59%) and Transport & Storage (58%) to 32% in Accommodation.

Investment in technologies that reduce time, materials, energy and labour were widely touted, led by SMEs in the Construction (56%), Finance & Insurance (56%), Transport & Storage (55%) and Business Services (55%) sectors. Investment in education and training was also identified as key in many industries, led by Transport & Storage (58%), and a relaxation of immigration policies so more workers could enter the country, particularly in the Finance & Insurance (51%) and Property Services (51%) sectors.

The highest number of SMEs that did not know what Australia could do were in the Health (15%) and Wholesale sectors.



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Strategies Australia should be implementing to address current and future supply chain issues: Industry

	All SMEs	Manufacturing	Construction	Retail	Wholesale	Transport & Storage	Finance & Insurance	Business Services	Property Services	Accommodation	Health
Invest in local manufacturing facilities	68%	75%	81%	77%	69%	70%	70%	53%	66%	40%	63%
Improve road, rail, sea and air infrastructure	52%	56%	59%	59%	60%	58%	51%	48%	40%	32%	39%
Invest in technologies that reduce time, materials, energy and labour	48%	47%	56%	47%	40%	55%	56%	55%	51%	29%	49%
Invest in education/training	44%	43%	52%	48%	36%	58%	51%	43%	42%	24%	44%
Relax immigration policies so more workers can enter the country	43%	47%	46%	41%	40%	42%	51%	42%	51%	31%	49%
Foster greater international co-operation/new trade agreements	35%	35%	41%	39%	38%	45%	35%	30%	38%	18%	29%
Relax isolation rules for COVID positive	34%	42%	38%	36%	34%	45%	35%	22%	40%	28%	27%
Ease lending criteria to businesses	28%	25%	33%	34%	23%	39%	16%	27%	40%	17%	20%
Foster public-private dialogue	23%	15%	28%	22%	19%	33%	30%	22%	25%	13%	34%
Increase minimum wage	19%	14%	22%	21%	12%	33%	14%	19%	23%	15%	20%
Don't know	5%	4%	4%	5%	10%	0%	5%	2%	4%	3%	15%
Other	3%	4%	3%	6%	1%	0%	2%	7%	2%	0%	5%
There is nothing we can do	1%	0%	1%	0%	1%	0%	2%	2%	0%	0%	0%



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