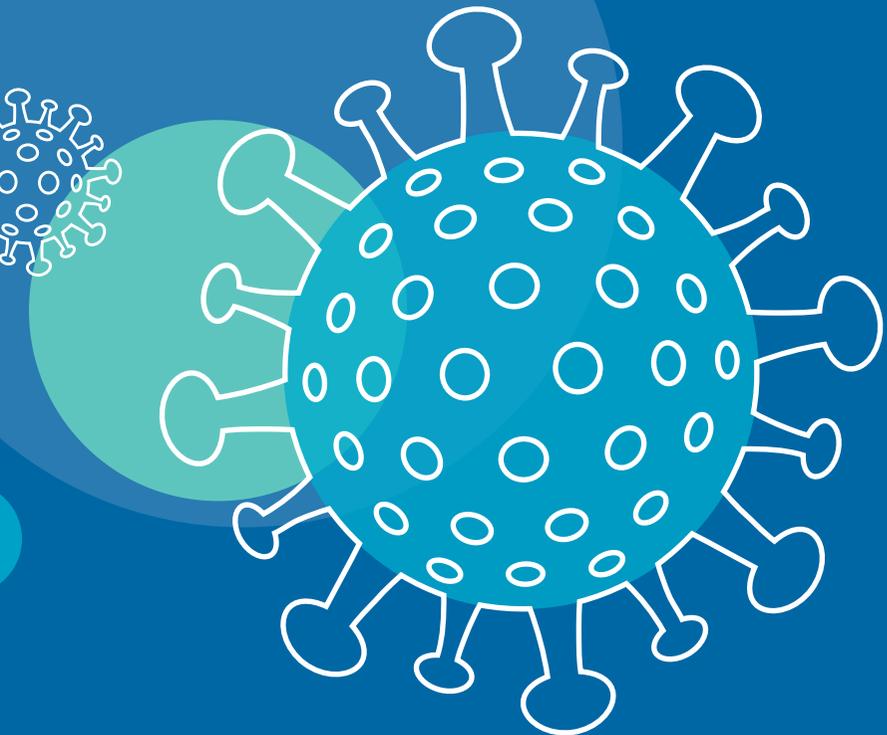




# COVID-19

## Impact on Supply Chain



## Executive summary

For week commencing 8 June 2020

7 million cases of COVID-19 have been confirmed worldwide, circa 402,000 deaths and circa 3.1 million recoveries. The number of new cases continues to rise in India, Mexico, Russia, Peru and Chile. Brazil has recorded as many new cases as the US in the last few days. A second wave in Iran is being feared with the number of new cases raising again.

Restrictions are gradually being released in Europe with borders reopening between members, but the international borders remaining closed until 1 July<sup>1</sup>. Italy has started to open historical monuments to the public. Greece will authorise flights from the EU from 15 June. In the UK, the government has announced the rules around international travel. A quarantine will apply to any travellers to the UK with a few exceptions including road haulage and freight workers<sup>2</sup>. The measures will be reviewed by the end of June.

The FTSE100 continues to increase reaching 6500 points against 7500 pre-Covid-19<sup>3</sup>. Economists have forecasted various types of recovery from V shape to W shape depending on how restrictions are lifted, and a second wave is avoided. Dow Jones has seen a sharp increase in the last two weeks reaching November 2019 level.

### **The main supply chain risks remain:**

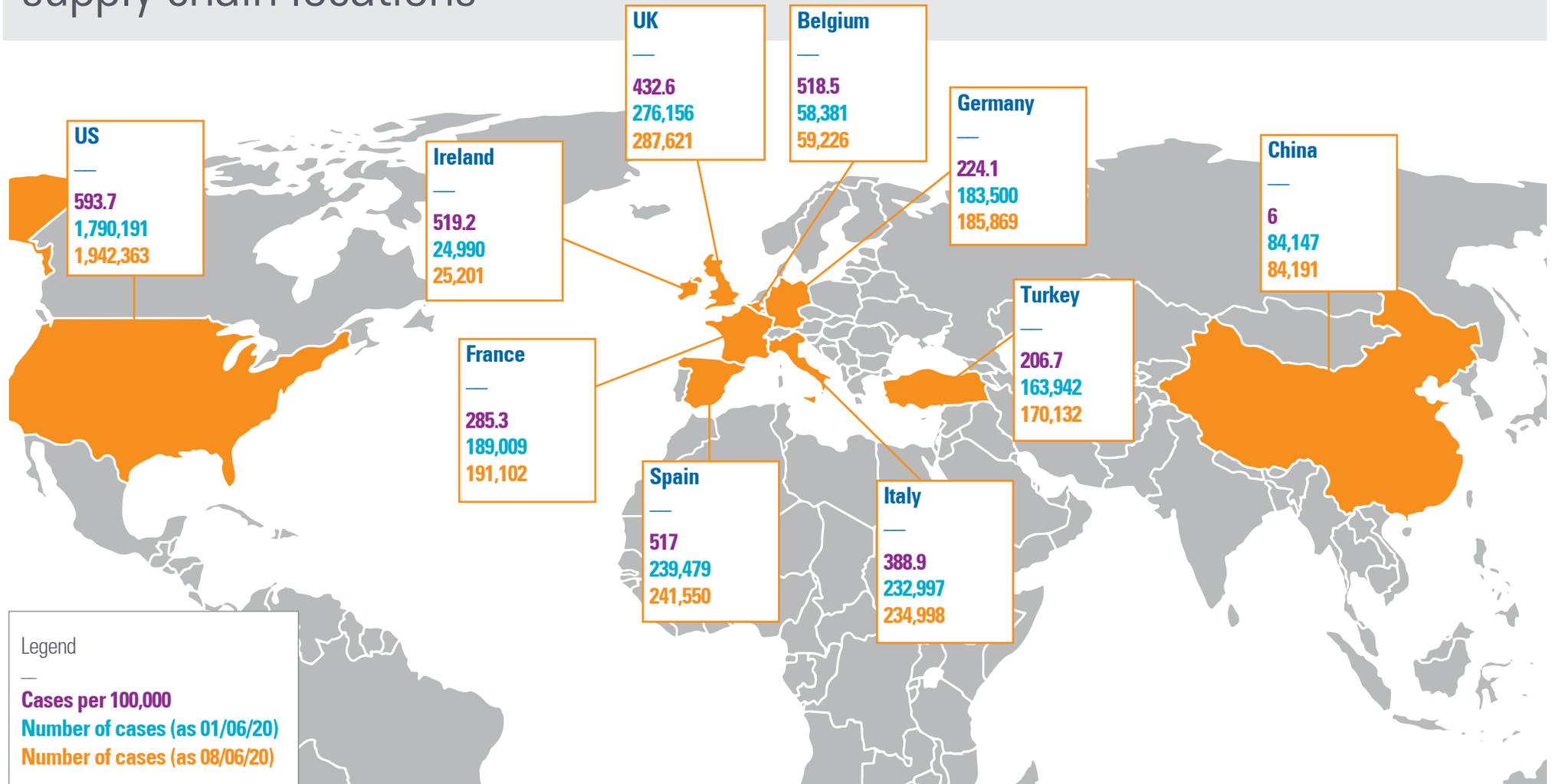
- » Insolvency in the supply chain
- » Disruption to supply chain logistics and transportation
- » Shortages and delays to delivery of materials due to reduce stocks availability
- » Reduced labour resources on site (employees, agency staff or subcontractor staff)

<sup>1</sup> <https://www.theguardian.com/world/2020/jun/05/eu-pledges-to-lift-internal-border-controls-by-end-of-month>

<sup>2</sup> <https://www.bbc.co.uk/news/explainers-52544307>

<sup>3</sup> <https://tradingeconomics.com/united-kingdom/stock-market>

# Impacted countries – supply chain locations<sup>4</sup>



For more information on the impact of Covid-19 per country, please refer to Financial Times article from 08/06/2020, here.

<sup>4</sup> <https://news.sky.com/story/coronavirus-the-infection-numbers-in-real-time-11942138>

## Impact by markets

### **PPE and hygiene products** – updated 08/06

- » PPE and hygiene products had been impacted by the requirement to support the NHS. The government announced from 15th June 2020 it is mandatory for all people travelling on public transport must have their face covered.

### **Steel Reinforcement** – no update since 01/06

- » Demand is down c. 60% and new business is down c. 70%. Current framework rate for Cut & Bent reduced to £480 from £500 per tonne, as a result of normal winter down-turn exacerbated by Covid-19 lockdown.
- » Prefabricated supply chain is fully operational with lead times operating between 15 to 20 working days. Overall demand is down by c. 50%.
- » Supply chain expect to see an influx of delayed projects start along with planned projects in 2020, this will likely result in significant price increases c. 15 to c. 20%.

### **Quarry products and surfacing** – updated 08/06

- » Our quarry and surfacing supply chain partners are now operating between 45% (ready-mix & concrete) and 80% (aggregates & asphalt and contracting) capacity across the UK, with geographical variations depending on customer demand.
- » Our supply chain has established a 'Critical Network' of assets with the purpose of providing access to materials across UK.
- » Forecast for return to pre Covid-19 volumes is increasingly optimistic.

### **Building Fabric and Envelope** – updated 08/06

- » Key Drylining manufacturers are open at a reduced capacity, in line with anticipated demand and government guidelines. Some suppliers have increased product stock and distribution capacity to 80% of pre-covid levels. Allocation continues to remain in place.
- » Drylining and insulation distributors continue to operate at reduced capacity however more branches are opening steadily as demand increases. Distributors are committed to prioritising supply to critical projects and deliver to non-critical sites where capacity and availability of materials allow. For plasterboard and plaster, distributors confirm that material allocation is increasing weekly. There are extended lead times for various insulation products.
- » Timber material suppliers continue to run at a reduced number of branches open across the UK. There are signs of price inflation although suppliers believe it is opportunist rather than core fundamentals driving up prices. Direct contact by phone or email is required with national sales teams or local branches prior to placing orders on a delivery only basis. PEFC or FSC wood specifications sources are available through select building merchants.
- » Aluminium curtain walling, windows and door profile manufacturers continue to operate and supply materials; some at a reduced capacity. Minimal impacts to projects are expected as manufacturers have good levels of stock (built up for Brexit) and continue to supply operating fabricating subcontractors.

**Subcontractors** – no update since 26/05

- » Concerns have been raised across the industry regarding the medium to long term impact on subcontractors. SME are particularly at risks of bankruptcy however Government funds have started to be released but this still remains a risk.
- » There is potential to have supply issues in the earth moving sub-contract towards 2021 due to high profile work (HS2) taking capacity in plant operatives and earthwork supervisors specifically.
- » Currently there seems to be no issue in the market with work in London/M4 corridor for example continuing in line with Covid-19 Site Operating Procedures.

**Building merchants** – updated 08/06

- » Our strategic building merchants are operating a reduced capacity and service at between 20% to 50% capacity across UK. Overall market demand mirrors this capacity.
- » Civils & Merchants supply chain is increasing production.

**M, E & P** – no update since 02/06

- » The MEP supply chain is slowly de-furloughing staff and increasing production as the focus moves away from 'only essential projects' with more sites recommencing work.
- » Stock levels in Wholesalers remains very good. Sales staff continue to work from home using IT to process orders and call on customers.

**Labour** – no update since 01/06

- » Government payments of furlough pay is running smoothly.
- » Projects are starting to open across the industry and focus has been on enabling projects with health and safety rigour.
- » Key vendors are requesting timeline information of projects re-opening to source the right labour at the right time due to market demand.

**FM, Plant & Fleet** – updated 01/06

- Plant** – The plant industry continues to operate and support Balfour Beatty. Most Plant Hire providers have between 80 – 100% branches & depots open. We may start to see OEMs re-structuring business due to fall in demand<sup>5</sup>
- Fuel** – Brent Crude Oil remains steady at 32 euros per barrel.

<sup>5</sup> <https://www.expressandstar.com/news/business/2020/05/15/jobs-at-risk-as-crisis-halves-jcb-demand/>