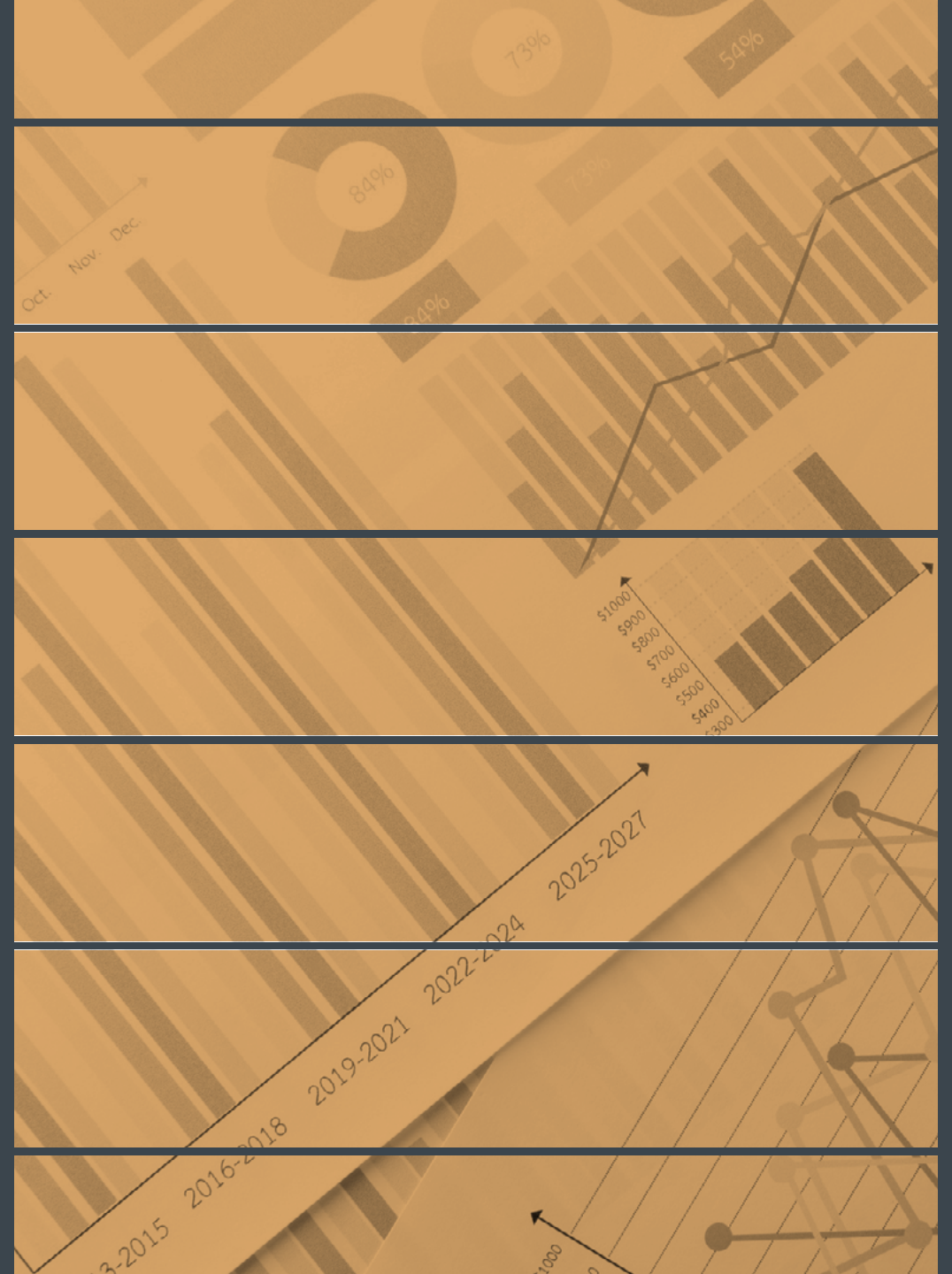


Q4 -2022
Quarterly Index Report

SUPPLY CHAIN STABILITY INDEX



ABOUT THE INDEX

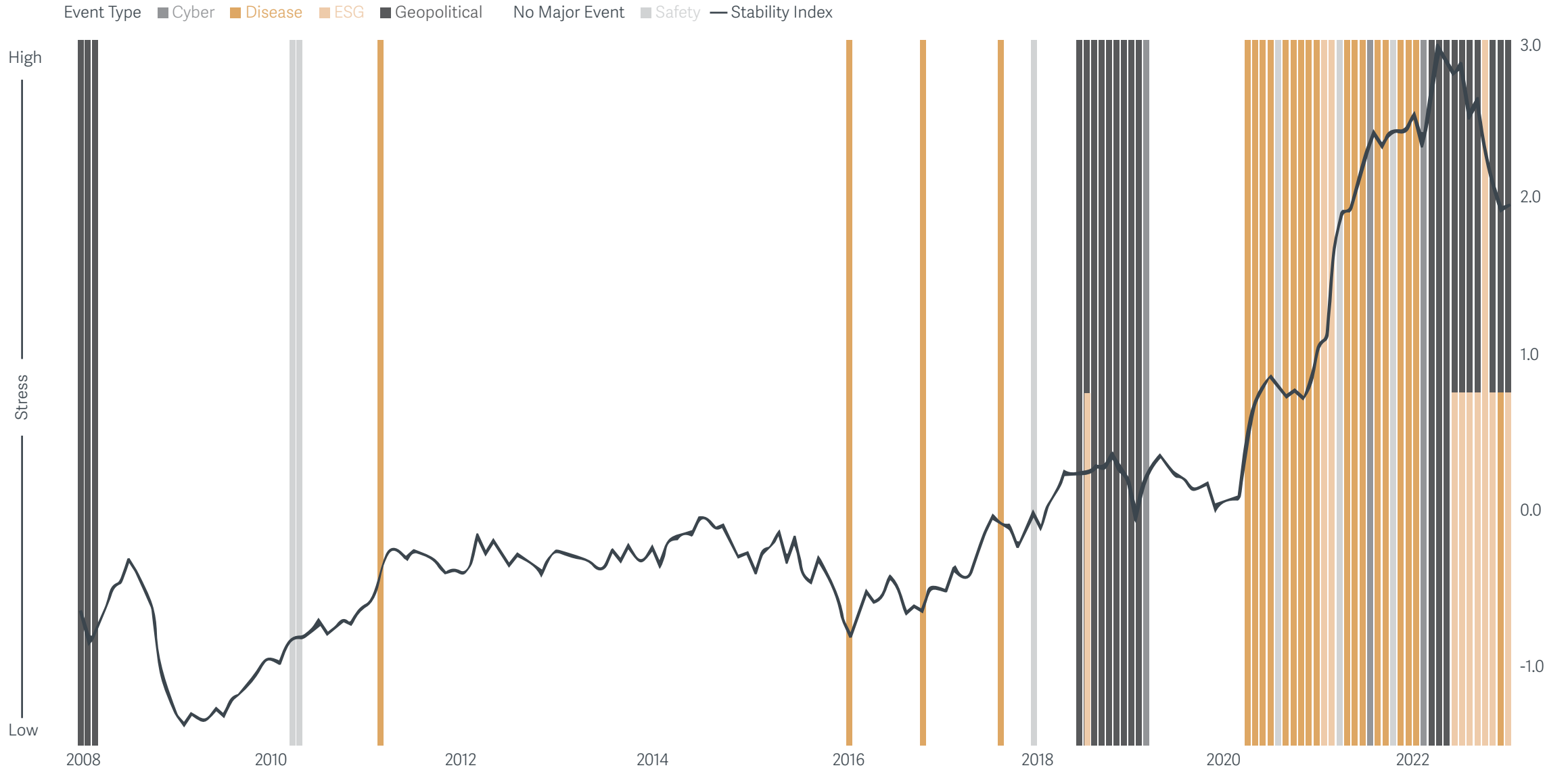
KPMG LLP and the Association of Supply Chain Management (ASCM) have joined forces to deliver new insights into supply chain performance variability in an era of market volatility. The KPMG Supply Chain Stability Index, in association with ASCM, is used to assess the stability of U.S. supply chains and serves as a helpful barometer for the greater supply chain community.

Summary

In Q4 2022, there was a minor shift toward supply chain stabilization compared to the previous quarter and the launch of the index in September 2022. However, overall supply chain stress remains high at 1.88 as December came to a close. The number of job openings also remains high across supply chain functions but has stabilized. Meanwhile, the US unemployment rate for December reported in at 3.5%. Unfulfilled orders continue to increase, which also illuminates the impact of the labor shortage on service levels.

Key variables making up the category of freight and labor remain the largest contributors to instability, especially supply chain job openings. Manufacturing unfilled orders is still increasing, even during this time of stress. The Purchase Price Index for processed goods and unprocessed goods waned a bit, yet still remain at high levels.





INSIGHTS

The index both visualizes stability and quantifies it by providing data-driven insights that substantiate the evolving behavior of supply chains. In this report, we share these insights, which include:

The root of all stress.

Labor and Freight is the predominant cause of supply chain stress, accounting for 92% of variability, followed by supply (7%) and capacity (1.5%).

The driver in the driver's seat.

Freight cost has become a top driver of customer service level, as they have the potential to positively affect order fill rate by more than 100%.

People make the difference.

Availability of skilled logistics and manufacturing professionals is a critical enabler of stability, driven by the need to mitigate supply constraints and adapt to volatile consumer demands.



MARKET APPLICATION

Supply chain stability feeds an organization's strategic and operational resilience. With severe potential impacts to both service levels and costs represented within various factors of the index, we recommend focusing on three organizational supply chain competencies:

1. Optimize supply chain networks:

Organizations must create optimal flows to balance trade-offs, provide real-time insights and dynamically shift networks and the flow of goods and services. These capabilities enable organizations to achieve high levels of customer service, protect total supply chain management costs and reduce environmental impacts. Scenario modeling to enable swift decisions is critical to success. An in-depth review and enablement of multi-modal logistics optimization can deliver significant return on investment.

2. Advance inventory strategy:

Effective inventory management has never played a more critical role. A plan for every part must be integrated within the organization's processes, particularly sales and operations planning (S&OP) strategy. This will help ensure that supply is not the major constraint to achieving the demand plan.

3. Attract critical labor:

Investment in talent represents a clear return on –education, with factors such as less attrition and employee satisfaction being benefits of a thoughtful talent plan. Even as macro-economic factors such as recession and inflation loom, people remain an organization's most valuable assets. Becoming the employer of choice, particularly for entry-level workers, requires a laser-focus on talent acquisition and retention, as well as training and education.

MARKET PROJECTIONS

During the last quarter of 2022, the U.S. experienced a bifurcation in the supply chain labor market. Manufacturing operations continued to suffer a tight market, while transportation and warehousing began to loosen with a gradual decrease in job openings coupled with an increase in the unemployment rate. As of January 2023, job openings in both markets have seemingly plateaued while unemployment has risen. As the Federal Reserve continues to dampen inflation, it remains to be seen whether or not this serves as an actual turning point for the supply chain labor market.

About ASCM

The Association for Supply Chain Management (ASCM) is the global pacesetter of organizational transformation, talent development and supply chain innovation. As the largest association for supply chain, ASCM members and worldwide alliances fuel innovation and inspire accountability for resilient, dynamic and sustainable operations.

ASCM is built on a foundation of world-class APICS education, certifications and career resources, which encompass award-winning workforce development, relevant content, groundbreaking global standards and a diverse community of professionals who are driven to create a better world through supply chain.

ASCM solution sets address your organization's biggest challenges while accelerating transformation initiatives. Mentoring and capability training from ASCM will fast-track your team's strategic improvement projects. Through specially designed learning programs from entry-level positions through our APICS certifications, your teams will be better equipped to help streamline operations and drive transformation across your end-to-end supply chain.

To learn more, visit [ascm.org](https://www.ascm.org)



Douglas Kent
Executive Vice President
of Strategy and Alliances
ASCM
dkent@ascm.org

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KPMG is a global provider of supply chain advisory services, with over 1,500 operations professionals in the Americas and more than 3,500 practitioners around the world. Our services span the areas of Strategy & Analytics, Supply Chain Planning, Supply Chain Execution, and Logistics & Distribution.

KPMG is widely recognized for being a great place to work and build a career. Our people share a sense of purpose in the work we do, and a strong commitment to community service, inclusion and diversity, and eradicating childhood illiteracy.

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Jim Lee
Managing Director
Supply Chain, Advisory
KPMG LLP
jimslee@kpmg.com