

"Don't Take Our Interconnected World for Granted" Warns Chartered Institute of Procurement & Supply as Global Supply Chain Risk Remains High

LONDON, UK -- (Marketwired) -- 11/18/15 --

- *CIPS Risk Index, powered by Dun & Bradstreet, stays near record high*
- *Re-introduction of border controls in Europe increases costs of doing business*
- *Middle Eastern supply chains move to sea freight as regional conflicts continue*
- *The end of sanctions on Iran and Cuba poses new opportunities and challenges to fleet footed supply chain managers*

Global supply chain risk remains stubbornly high in the Q3 2015 [Chartered Institute of Procurement & Supply](#) (CIPS) Risk Index, powered by [Dun & Bradstreet](#), as interconnected geopolitical developments threaten to redraw the supply chain map. The cross-border presence of ISIS throughout the Middle East, the subsequent re-introduction of border controls within Europe's Schengen zone and the easing of US sanctions on Iran and Cuba are starting to shift the global flow of products and services into new, unknown territory.

Dun & Bradstreet analysed 132 countries against a number of criteria, including level of exports, to assess issues and challenges along the supply chain to produce a global risk score. * Global supply chain risk stands at **79.1 in Q3 2015**, only slightly down from the record high of 82.4 two years ago and considerably higher than the pre-financial crisis level of just 40.4 in Q4 2003. In Q3 the reliability of global supply chains has been undermined by the rise of radical Islam, a more assertive Russia, unstable commodity prices and the prolonged fallout from the 2008 economic crisis. At the same time, the growth of longer and more complex supply chains allow regional disruptions to cripple supply chains hundreds of miles away.

Contribution to global supply chain risk in Q3 2015

[CIPS-Map](#)

Source: Dun & Bradstreet

Return of internal EU borders hinders trade

The borderless vision for Europe's Schengen zone took a backward step in Q3 as national governments acted to control the movement of refugees fleeing to the continent. Hungary has fenced off its border with Serbia and Croatia, while neighbouring Slovenia subsequently started work on a fence with Croatia on 11 November. The changes are having a direct impact on supply chains, with border crossings taking as long as 90 minutes in the countries involved, while livestock transports from Serbia to Croatia were halted entirely for several days in October. Perhaps the greatest impact has been on Austria and Germany, both of which rely on the affected countries for heavy automotive industries with German companies experiencing 10% cost increases from their logistics partners.

MENA supply chains move from land to sea

Supply chain risk in the Middle East rose marginally in Q3, remaining close to the all-time record for the region. The spread of IS and associated terrorist groups have made the safe passage of goods across land borders increasingly difficult. Tunisia, Bahrain and Kuwait all had their risk ratings elevated in Q3 following terrorist attacks and political repression. Supply chain managers in countries like Turkey are increasingly resorting to slower and more expensive sea freight services, a short term solution which threatens to have an impact on costs further up the chain or the quality of goods being produced at the bottom of it.

The end of sanctions opens up new opportunities

New supply routes are opening up through Iran and into Cuba as decades old international sanctions come to an end.

The end of sanctions against Iran could alleviate supply chain risk levels in the Middle East, as the world's 28th largest

economy opens up. The impact on supply chain risk is predicted to be rapid but fragile. Regional logistical infrastructure will quickly integrate Iran into global supply chains, but with the USA able to re-introduce sanctions in just 65 days, the situation could reverse just as quickly. With a business culture reliant on personal relationships and dominated by state and religious institutions, supply chain managers venturing into Iran for the first time will require new personal relationships and robust contingency plans in equal measure.

The easing of relations between Cuba and the rest of the world, meanwhile, are set to unlock new agricultural exports, while its telecommunication and financial links with the rest of the world catch up after 55 years of relative isolation.

John Glen, CIPS Economist and Senior Economics Lecturer at The Cranfield School of Management said:

"Supply chain risks have often felt remote and barely visible to even the most trained eye. In today's environment, risks affecting supply chains feature daily on our television screens. The European migrant crisis and conflicts in the Middle East mean that the risks are getting closer -- and are feeling more acute.

"For a long time we have taken for granted our interconnected world, enjoying its benefits for the most part. We are currently seeing the flip side of the coin. Supply chain managers will need their wits and skills about them if these uncertain times are to be navigated expertly.

"Dealing with global supply chain risk requires extensive skills. An ability to interrogate and innovate to provide solutions for businesses and customers will be paramount if we are to keep global supply chains flowing."

Warwick Knowles, Deputy Chief Economist at Dun & Bradstreet, said:

"Although global operational risk remains high, the index for Q3 actually indicated a slight reduction, which was contrary to the wider consensus. We believe the widely reported negative news around the economy has overshadowed the more promising developments in Europe, particularly in Spain, France and the Netherlands. The consensus estimates for next year are still pointing to a respectable acceleration in overall economic activity for the global economy."

* Calculations for the CIPS Risk Index is composed of multiple unique assessments undertaken by Dun & Bradstreet's in-house team of over 40 economists, data analysts and contributors working in-field across the world. In all, 132 countries (comprising 90+% of global economic activity) are assessed across nine categories, on a monthly basis. The individual country scores are then aggregated to calculate a global supply risk score. The weights used for each country is based on the contribution each country makes to total global exports (in theory, their individual contribution to global supply chains). The trade shares are anchored to data for 2010 to facilitate consistent comparison of the index scores over time. The regional scores are done in the same way, aggregating across all countries in the region based on their contribution to total exports.

To read the full report, please visit: <http://bit.ly/CIPS-reportQ315>.

Notes to Editors:

About the CIPS Risk Index:

The CIPS Risk Index is a composite indicator of pressures acting upon supply chains globally. The Index analyses the socio-economic, physical trade and business continuity factors contributing to supply chain risk across the world, weighting each score according to that country's contribution to global exports.

The Index helps sourcing professionals understand the risks to which to their supply chains are exposed, articulate questions and scenarios for key suppliers, inform assurance activities, check the readiness of contingency plans, support the negotiation of risk transfer in contracts, and establish factors which may impact the financial stability of tier one and sub-tier suppliers upstream. Regular production of this Index will help procurement and supply professionals communicate and justify risk-informed sourcing decisions and support effective Supplier Relationship Management.

About the Chartered Institute of Procurement & Supply:

The Chartered Institute of Procurement & Supply (CIPS) is the leading international body representing purchasing and supply management professionals. It is the worldwide centre of excellence on purchasing and supply management issues. CIPS has a global community of 115,000 in 150 different countries, including senior business people, high-ranking civil servants and leading academics. The activities of purchasing and supply chain professionals have a major impact on the profitability and efficiency of all types of organisation and CIPS offers corporate solutions packages to improve business profitability. www.cips.org, [@CIPSnews](https://twitter.com/CIPSnews).

About Dun & Bradstreet:

Dun & Bradstreet (NYSE: DNB) grows the most valuable relationships in business. By uncovering truth and meaning from data, we connect customers with the prospects, suppliers, clients and partners that matter most, and have since 1841. Nearly ninety percent of the Fortune 500, and companies of every size around the world, rely on our data, insights and analytics. For more about Dun & Bradstreet, visit [DNB.com](https://www.dnb.com).

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