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French election victory reduces supply chain risk in Europe

- Western & Central Europe's contribution to global supply chain risk has fallen to 29.94% in Q2 2017 from 30.14% last quarter
- A reduction in risk in France was the biggest factor, with five other countries in the region also seeing reduced risk
- This prompted an improvement in global supply chain risk to 81.27 compared to 81.90 last quarter

SHORT HILLS, N.J., Aug. 1, 2017 /PRNewswire/ -- Western and Central Europe's contribution to global supply chain risk fell in Q2 2017 to 29.94%, compared with 30.14% in Q1, according to the CIPS Risk Index, powered by Dun & Bradstreet.

The Index, produced for the Chartered Institute of Procurement & Supply (CIPS) by Dun & Bradstreet economists, tracks the impact of economic and political developments on the stability of global supply chains.

The main driver of this fall in risk is France, following Emmanuel Macron's victory in the French presidential elections. Macron's victory brings greater clarity, following fears that Macron's main opponent, Marine Le Pen, would withdraw France from international trade agreements and the EU, and immediately suspend France's membership of Europe's Schengen border-free zone.

The new EU trade deal with Japan is also good news for supply chain risk, with trade tariffs due to be removed for key sectors including automotive and agriculture. This new deal comes after the US withdrew from the Trans-Pacific Partnership, leaving room for the EU to fill the gap.

However, the outcome of elections in Italy and Austria are unclear, and if parties that are unsupportive of the EU and keen to leave the single market rise to power, this could lead to supply chain disruption if more countries leave the single market. Italy's elections are due to be held in 2018, and the Eurosceptic Five Star party, which has previously promised to pull Italy out of the Euro, has been gaining support.

Positive developments in Western and Central Europe put downward pressure on global supply chain risk, but were also counteracted slightly by an increase in risk in the Middle East and North Africa. The increase is largely due to the severing of diplomatic and trade ties between Qatar and each of Saudi Arabia, Bahrain, Egypt and UAE. These events are having a significant impact on Qatar, limiting the flow of goods to and from the country and forcing it to re-route supply chains through Oman. As a result, the Middle East and North Africa contributed 6.91% to global supply chain risk in Q2 2017, up from 6.87% in Q1.

Additionally, large-scale protests took place in Romania following the government's decision to amend the Penal Code of Romania to weaken anti-corruption laws. This led to a rise in Eastern Europe and Central Asia's contribution to global supply chain risk to 7.58% in Q2 2017 from 7.55% the previous quarter.

Overall, global supply chain risk fell to 81.27 in Q2 2017 from 81.90 in Q1, though the underlying risk trend is on the rise.

John Glen, CIPS Economist and Director of the Centre for Customised Executive Development at The Cranfield School of Management said:
"European economies are performing well, and the EU is capitalising on new opportunities for trade deals, as shown by the recent agreement with Japan. This is good news for supply chains in the Eurozone, but the threat of populism to the European project remains in the background.

"Overall, the global economy is undergoing a period of change. Although there appears to have been little movement in supply chain risk since last quarter, we could be experiencing the calm before the storm. The re-shaping of global trade, with Brexit and various, long-standing trade agreements such as NAFTA being negotiated, could disrupt supply chain integrity in the future."

Bodhi Ganguli, Lead Economist, Dun & Bradstreet:
"Global supply chain risk continued to improve in Q2, driven by two main factors: A strengthening global economy with improved near-term forecasts and a decline in political risk over recent months, particularly in Europe.

"Nevertheless, potential changes to global trade agreements remain a major risk to cross-border supply chains, as NAFTA renegotiations could start as early as late August, and Brexit negotiations start in earnest. Q2 also saw a number of major cyber security incidents, with this becoming a serious and evolving threat and a more significant operational risk."

Notes to Editors:

About the CIPS Risk Index, powered by Dun & Bradstreet:
First launched in April 2014, the CIPS Risk Index, powered by Dun & Bradstreet, 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 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.

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