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Market Insights Summary

An overview of the key issues affecting each product and service category

General logistics and supply chain issues

- Fears over ongoing Covid Infections continue to affect production in China, with Individual Ports being temporarily closed in response to small numbers of case outbreaks. Backlogs are still occurring in many Ports worldwide.
- There still continues to be HGV driver shortages due to Covid-19 isolation and recruitment issues, alongside a shortage in container availability which is causing delivery delays and increased costs of distribution. All of these factors are also driving price increases.
- There continues to be increases in Bank of England's interest rates, energy pricing, packaging costs and staff wages and more suppliers are requesting price increases. Expect this to continue well into 2022.
- Increased energy costs are negating any drop in commodity pricing following items becoming more available.
- Plastic Packaging Tax, coming into force from 1st April, will affect any manufacturer or imports for greater than 10 tonnes of plastic packaging with a recycled content of lower that 30%.

Energy

- Global energy prices continue to hit supply chain costs and in particular the EU and UK, where gas and power wholesale pricing remain very high primarily due to low European storage levels and escalation of the conflict in Ukraine. Carbon and oil have also seen significant gains affecting the whole supply mix.
- Supplier failure, regulatory methodology and current high energy prices are impacting the non-commodity element of UK gas delivered prices. This is adding circa 5% to fully delivered pricing.
- The oil market remains unsettled, where prices are up 50% in the last year
- An increase in carbon pricing from €33 per tonne to €96 per tonne will be impacting supply chains across the EU but especially those in the UK in the UK-ETS scheme who were only recently able to purchase top ups to their carbon allowance.

For weekly market updates from our dedicated energy consultant; Dukefield Energy please take a look at our energy news feed.

CPC's dedicated Energy Consultant; Dukefield Energy are here to support and help our members with their energy contracts. They have a number of suppliers offering a variety of products to help manage the risk of high prices and a volatile market. Please visit our Utilities Supplies and Services framework page for more information including contact details for the team.

AV and ICT

AV

- Chip shortages are having an impact on supply of electronic devices such as controllers, switchers, display screens, processors & audio processors. Lead times with products that would previously be delivered within 1-2 weeks are now on a 6 month lead time. This is applicable throughout the product range.

Computing

- The IT Hardware market is expected to continue to grow throughout 2022. Lead times for devices have increased due to component shortages; widely reported as "Chipaggedon." Logistics costs remain high due to reduced capacity in both the air and on the water
- The increase in demand for computing equipment and chips is likely to continue to contribute to price pressure in the supply chain. Industry-wide global demand remains strong and above available supply, which is driven by the hybrid working and hybrid education 'new normal'.
- Ukraine's two leading suppliers of neon, who produce about 50% the world's supply of the key ingredient for making chips, have halted their operations due to Russia's attack on the country, threatening to raise prices and aggravate the semiconductor shortage.

AV and ICT

<u>**Computing**</u>

- Notebooks are generally taking around 15-25 weeks to build built-to-order systems manufactured in the Far East. CTO desktops and most monitors are between 6 (best case) and 12 (worse case) weeks lead time from order. All-in-One (AIO) desktops are closer to 12-24 weeks depending upon the spec.

Telecoms and Networking

Telecoms

- Supply chain shortages are affecting the telecoms market for routers and networking equipment. There are significant business opportunities for equipment manufacturers such as Ericsson and Nokia in Telecoms, following Huawei's withdrawal from "non-friendly markets."

Networking

- There are 2-to-3-month lead times on common items. Some material shortages continue. The higher costs brought on by the current semiconductor shortage will continue to affect components, with campus, routing, switching, and data centre products affected.

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Office equipment and supplies

- Securing stock of printers and Multifunctional Devices (MFD’s) has been and continues to be a challenge, however manufacturers seem to be cutting down the size of their ranges and funnelling the available components into a smaller number of product ranges to help with stock predictions. In regards to delivery of Printers & MFD’s, there are some models available 1 or 2 weeks, while others are on similar lead times to built-to-order laptops i,e: 3 months. The problem seems to also relate to touch screens as well as processors. In terms of pricing, raw material/component prices have increased.
- The paper market is currently experiencing significant turmoil. 15% of traditional “imports” from America and Asia are no longer available as increased demand in these territories has resulted in these mills serving their home markets, leading to a higher demand on European based mills.

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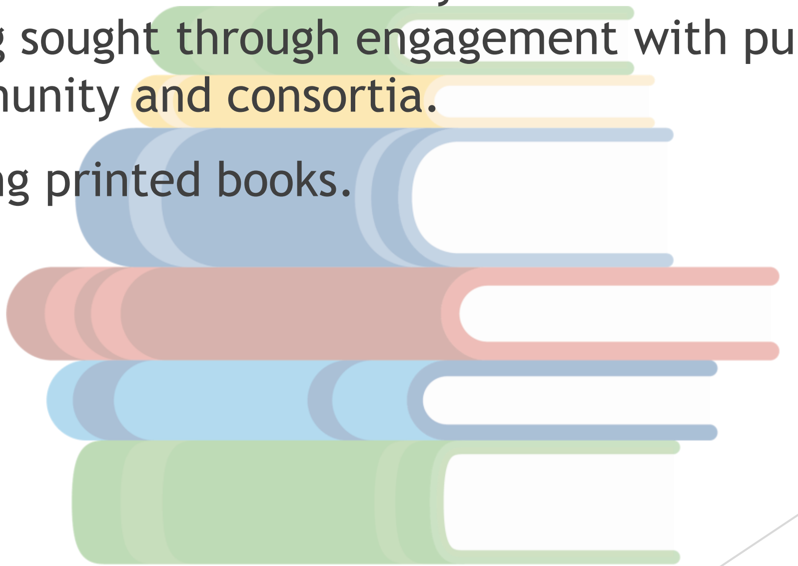
Library Resources

- E-textbooks are likely to continue to increase in demand as the pandemic continues.
- New VAT regulations are being applied to e-Resources and institutions will be required to understand how this is applied to deals.
- E-Textbook pricing rose between 4% and 6% in January 2022. Affordable pricing models for e-Textbooks are being sought through engagement with publishers and stakeholders by the library community and consortia.
- Price issues on Paper are affecting printed books.



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Catering

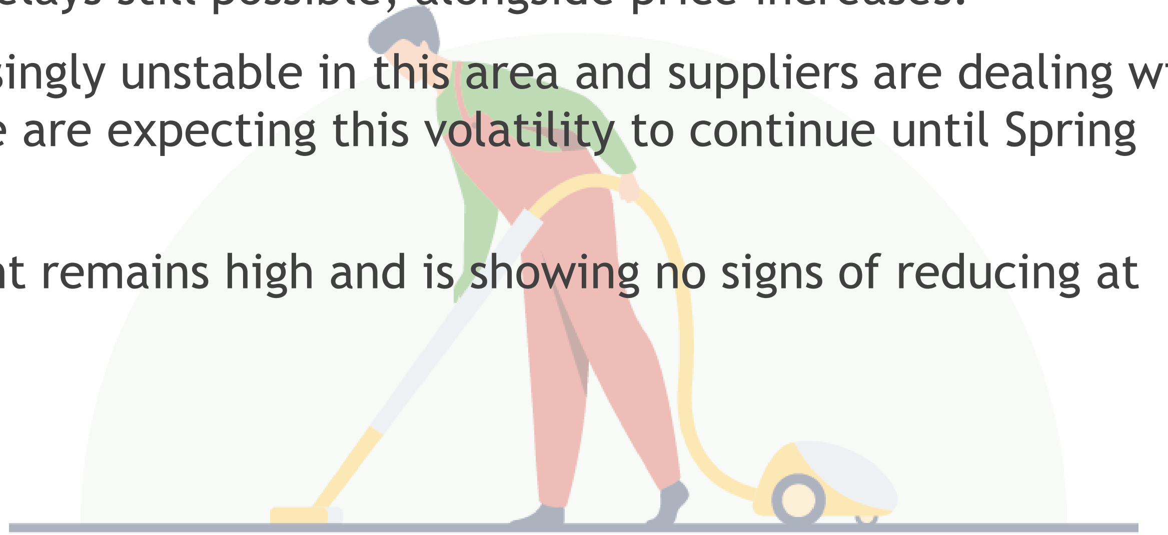
- There are delays with exotic fruit & vegetable entering the country – therefore suppliers are requesting that customers provide them with extra ordering time for these products.
- Scottish Wholesalers Association have advised of potential problems with deliveries from manufacturers (was previously day 1 for day 3, now day 1 for day 10-15).
- Due to extreme weather, wheat prices are up 20% from this time last year. Ukraine and Russia are also responsible for a significant amount of the world's fertiliser and wheat production, so we expect to see a drop in yield across agricultural outputs and a subsequent inflation in the cost of food.
- Oats have also doubled in price in the last 12 months and due to a drought in Brazil, coffee has increased 56% and sugar is up by 26%.
- Red Tractor Poultry and Halal Chicken is in short supply and becoming increasingly difficult to source.
- Reduced fishing quotas and extreme weather has also led to price increases for some fresh fish & seafood products.
- UK lamb rumps/racks are under serious pressure and there is a possibility that they will be unavailable if the current labour issues continue. This shortage of lamb is therefore pushing up prices to source it.

Catering

- We are still experiencing a year-on-year decline in UK beef cattle numbers. Therefore, once again, the lack of availability of beef is also pushing prices up.
- There are still difficulties in recruiting and retaining staff in this sector. Driver availability continues to be challenging but is improving. Catering suppliers are also having to pay additional costs to maintain and employ staff.
- The increase in oil prices is effecting fuel prices and therefore increasing delivery cost for customers.
- The new ‘plastic’ taxes to be introduced from the 1st of April 2022 will also put additional pressure on prices.

Cleaning and Janitorial Supplies

- There are issues and delays with plastic spray bottles, toilet roll, bin bags and other containers and disposable paper products due to production shortage. Availability of these items is stable but delays still possible, alongside price increases.
- Pricing has become increasingly unstable in this area and suppliers are dealing with weekly price increases. We are expecting this volatility to continue until Spring 2022.
- The cost of shipping/freight remains high and is showing no signs of reducing at present.



Estates and Facilities

Construction and building materials

- Steel prices remain volatile, with steel reinforcing having risen by 47%. Further increases in Quarter 2 of 2022 are expected due to increases in carbon prices and the removal of import tariffs in the USA, pushing global demand.
- The high market demand for mineral wool/insulation, (with Class A1 being specified post-Grenfell) mean that lead times are extending from 5 days to 16 weeks and pricing is rising by up to 40% with further increases likely, due to staffing and energy costs
- Timber pricing is now recovering after autumn 2021 highs due to better availability.
- Plasterboard and other drywalling prices rose between 17% and 45% in 2021 and are liable to increase further this year due to energy costs.
- The increased demand for seating and booths/pods has resulted in some fabric shortages, with some suppliers quoting significantly extended lead-times for some fabrics and colours. If you're looking for options on where to source these items, please take a look at our School & Academies Furniture framework

If you have any upcoming building or refurbishment projects planned for your institution, and have your own incumbent supplier you'd like to use, why not consider using our own Minor Works DPS?

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Estates and Facilities

Security

- Changes in training regulated by the Security Industry Authority (SIA) are causing staff members to not renew their accreditations and leave the industry causing recruitment and retention issues. Pricing has become increasingly unstable in this area and suppliers are dealing with weekly price increases. This volatility is expected to continue until at least Spring 2022.
- Pricing of Security Services is expected to be affected by increasing costs of living and additional training/licensing costs.

Flooring

- A major yarn manufacturer has announced that they are ceasing their manufacturing operations. This and a general shortage of materials (due to Brexit and Covid, weather effects on crops in America) and increased production and distribution costs have led to an increase in product pricing.

Professional services

Recruitment

- Companies are finding difficulty with recruiting skilled resource; particularly for hospitality, audit and financial services. Suppliers are looking at the international market to meet recruitment needs.
- There are issues with ‘gig economy’ or filling zero hours contract type roles, as people look for employment opportunities with secured and set income following the last two years of uncertainty.
- Costs of recruiting are increasing due to availability of candidates.

Insurance

- Some organisations may struggle with supply depending on risk profile.
- Higher scrutiny of claims and information is being required by underwriters. Insurers may be more assertive in policy term extensions, coverage and limits. Many firms are also removing cyber cover for new and existing customers and/or vastly increasing premiums.
- Some Insurers are charging higher costs and offering less flexibility on policies

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Professional services

Audit

- There are higher demands for personnel with specialist audit skills.
- Tighter regulations in place due to high profile corporate failures. BEIS Audit Reform Consultation proposing radical changes to audit and governance reform.
- Fees are higher due to specialist resources required. Some firms can’t be competitive due to organisationally set fees.

Printing

- There is a change in customer demand as the profile of the industry changes. These include changes in working patterns (no office printing) and sustainability considerations. This is where our new Print and Design Services framework can help you meet your requirements.
- There is a clear decline in areas of printed media such as catalogues and flyers, with a move to longer print runs. However, some areas of the market remain stable such as greeting cards and textile printing.
- Capacity in the market has reduced with mills either being mothballed, or being utilised for other products, such as cardboard; for which demand has risen during COVID, owing to the increase in demand for home deliveries.