

# Supply chain disruption in the chemicals and petrochemicals industry

**Puneet Goel**

Associate Director, India Oil & Gas Industry Practice

November 26, 2021



# COVID-19 has been affecting chemicals and petrochemicals businesses. Unfortunately, what we see today might only be the beginning

**Decreased output in global chemicals industry maximum for Asia Pacific region**

**Lowering of production runs by 20-30%**

**Possibilities of companies going out of business and rising unemployment levels**

**Government stimulus continues to support markets**

**Fall in industry value pool as a consequence of slowing demand growth, and under utilization**

**EBITDA margins for many companies have declined by several % points (2020 vs 2019)**

**Covid-19 pandemic has highlighted demand side dependencies on global supply chains**

**Muted recovery predicted till 2023, causing further decline in value pool**

# Companies are facing challenges due to disruptions due to the pandemic, geopolitical causes, trade sanctions etc.



**Decreased demand from end use segments like automotive, construction sectors due to pandemic**



**Reduced feedstock produced in refineries due to steep decline in demand of transportation fuels during the pandemic**



**Supply disruptions due to trade wars, trade sanctions can cause imbalances in global supply chains**



**Dependency and concentration on limited supplier network, JIT models to avoid excess inventory caused supply chain disruptions creating massive supply shocks during the pandemic**



**Limited availability of ships, leading to global logistics delays and rising freight costs**

# Companies are facing supply side and demand side challenges

## Supply side challenges

### Shortage of supply of raw materials:

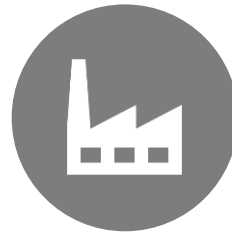
Chemicals and petrochemicals remain in short supply mostly due to reduced feedstock from refineries (a result of pandemic created supply shock in transportation fuels)

### Logistics challenges:

Due to lesser availability of ships, global supply chains are being affected, and container freight space remains in short supply with rising freight costs

### Challenges to global supply chain:

Global supply chains are getting disrupted due to Covid-19 pandemic, creating supply shocks



## Demand side challenges

### Bearish demand sentiment:

- Automotive and construction applications saw steepest declines in demand
- Demand in packaging (for medical applications, food and sanitary products) remained robust

### Supply chain inflation:

- Factors like equipment shortage, increase in inflation and consequently rise in price of raw materials are leading to decreased demand from end use customers

# Thank you

[pwc.com](https://www.pwc.com)

© 2021 PwC. All rights reserved. Not for further distribution without the permission of PwC. “PwC” refers to the network of member firms of PricewaterhouseCoopers International Limited (PwCIL), or, as the context requires, individual member firms of the PwC network. Each member firm is a separate legal entity and does not act as agent of PwCIL or any other member firm. PwCIL does not provide any services to clients. PwCIL is not responsible or liable for the acts or omissions of any of its member firms nor can it control the exercise of their professional judgment or bind them in any way. No member firm is responsible or liable for the acts or omissions of any other member firm nor can it control the exercise of another member firm’s professional judgment or bind another member firm or PwCIL in any way.