A resilient supply chain has the capability to withstand and effectively respond to a disruption or disaster to ensure the entity's continued operations. This Risk Index provides data and analysis on global business continuity risks, threats, and trends to help organizations understand where the risks lie and how to mitigate them.
Migrant Crisis and Border Closures Continue to Hamper Trade in Europe

The massive influx of refugees fleeing conflict in Iraq, Syria and other conflict zones made headlines throughout 2015, as European governments struggled to cope with large numbers of asylum-seekers entering their borders. Less remarked upon, however, was how the flows of people into the continent interacted with and sometimes hampered the normal flow of cargo in Europe. By the start of 2016, the migrant crisis had led to the re-imposition of checks at eight different previously open borders, cost the economy of the United Kingdom alone at least $1 billion, and seriously threatened the free movement of cargo and people across European borders.

Controls at Europe’s previously open borders have caused delays ranging from between 15-30 minutes to as much as several hours in some cases. On average, these delays cost shippers $59 per hour, per truck. Belgian shippers estimated that checks at the French border alone cost them $200,000 per day and as much as $3.48 million in November and December. Some countries, including Austria, France, and Germany, have announced that they will extend border checks well into 2016, adding to costs. If the controls along the Austria-Germany border alone were extended until mid-2016, they would cost businesses at least $109 million. Border checks tend to have a cascading impact as well, as checks at the German border prevents cargo from Italy, a major trade partner, from quickly moving through Austria.

Labor Unrest in China Grows, Impacting Heavy Manufacturing, Electronics, and Garments

China saw a record number of strikes at factory and manufacturing sites this year, causing disruptions for a number of industries. Factory strikes increased 58.3 percent in 2015, as factory owners struggled to pay workers due to a slumping economy, leading to protests and walk-offs. Withholding of wages was cited as a grievance in 75 percent of strikes in 2015, compared to only 41 percent in 2014.

Guangdong Province, the manufacturing powerhouse in China’s south, accounted for 30 percent of strikes in 2015, more than any other province. Jiangsu, the province with the second-most strikes, accounted for only 9.7 percent of labor actions. The greatest number of strikes in 2015 occurred in heavy manufacturing, such as steel and machinery, accounting for just over a quarter of all strikes. Electronics factories accounted for 17.5 percent of strikes, garment and textiles accounted for 16.9 percent of strikes, and consumer goods and retail manufacture accounted for 11.1 percent of strikes.

The seasonality of strikes in China has also become more pronounced as their number has increased, with the greatest numbers of strikes occurring in the three months at the end of the year. Conversely, very few strikes occur in the first two months of the year, as this is a low season for orders and workers are returning home for the long Chinese New Year holiday. Strikes tend to increase somewhat, but hold relatively steady, during the summer months when factories are flush with orders and typically experiencing fewer problems paying workers.
Garment Worker Strikes Increase Slightly in Cambodia, More Labor Unrest May Occur in 2016

Cambodia has become an increasingly popular sourcing location for the garment and textile industry, with exports growing around 10 percent in the first quarter of 2015 and the number of factories in the country growing 21 percent between 2013 and 2015. Though the amount of labor unrest in the garment industry has fallen from an all-time high in 2013, the number of strikes in 2015 increased 9.26 percent versus 2014. Towards the end of the year, BSI began to record a greater number of strikes, including one involving 39 factories in December 2015.

While wages have historically been a major cause of strikes in Cambodia, workers in recent strikes have also cited more specific grievances such as the cost of living, labor contracts, and working conditions. A new labor law could prove to be a driver of strikes in 2016, as workers’ advocates have criticized the reform for making it more difficult to form unions and restricts the ability to strike.

Extreme Weather Events Disrupting Business Worldwide

The El Nino weather phenomenon resulted in a number of extreme weather events that caused billions of dollars of damage for businesses in locations around the world. Many of these disasters occurred in areas that were ill-equipped to quickly respond to and recover from natural disasters. Torrential rains in Chennai, India, for example, resulted in financial...
losses of between $1.3 and $2.2 billion, and caused disruption to air, rail, sea, and ground transportation modalities in addition to preventing factory production for longer than one week in some cases. In contrast, Storm Desmond in the United Kingdom, which similarly brought heavy rains, cost around $750 million and most disrupted factories were back online within five days.

Extreme weather is likely to continue to have impacts well into 2016. In the Philippines, an estimated 85 percent of provinces are expected to see drought conditions by April 2016, which could impact production at farms and fisheries. Indonesia is likely to experience decreased agricultural yields, as crops were planted late last year due to a lack of rain. As a result, palm oil output, a key input for many food products, is expected to drop at least 3 percent. This may result in increased costs for food producers, for whom palm oil is a key input.

Different types of extreme weather events can be expected in 2016 if 2015’s El Nino is followed by the La Nina weather phenomenon, which has been the case in 40 percent of recorded cases. The Australian Bureau of Meteorology indicates that there is around a 40 percent chance of La Nina weather events occurring by the second quarter of 2016. La Nina years typically experience the opposite effects of El Nino years, which means an increase in cyclone landfall in China, fewer severe storms in the Indian Ocean, wet weather in Southern Africa and accompanying dry weather in East Africa.