

COVID-19: Supply Chain Assessment



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As reported in last month's issue, raw material shortages, ongoing staffing restrictions, illnesses, and weather complications have disrupted supply chain patterns. Adding to that, the Ever Given famously blocked the Suez Canal for six days and the effects from the disruption of one of the world's most important waterways are still emerging. Products manufactured internationally continue to be delayed on ships waiting in the floating traffic jams or at customs. One distributor reported that barges were being used in the San Francisco port to alleviate the backlog.

Floating traffic jams aren't just holding up finished goods -- raw materials needed for production are in short supply. Manufacturers and distributors continued to report delays and shortages of everything from steel to copper, plastics, electronics, lumber, and wiring. Meanwhile, manufacturers are still required to purchase minimum quantities of other components, increasing their carrying costs. Once the supply chain issues are resolved, we anticipate that there will be an aggressive push on certain products as manufacturers push to recoup their investments. Stakeholders across all technology supply chains agree that due to these factors, price increases will be the norm for the foreseeable future.

Findings

1. Product Availability

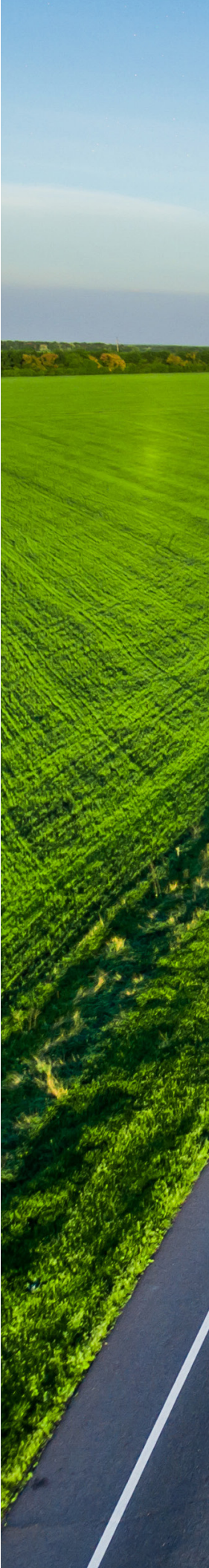
- a. **HVAC** — A distributor reported equipment order delays of eight to ten weeks.
- b. **Water Heating** — Multiple distributors reported a “tough time getting heaters right now”, with impacts felt across all product types but especially with standard efficiency and tankless products. Smaller supply houses are having difficulty replenishing stock. One distributor noted that water heater product prices have gone up about 37% so far this year. Products are backordered roughly five to ten weeks. One bright spot - product availability for heat pump water heaters remains strong.
- c. **Foodservice** — Manufacturers relayed the increased cost of steel, freight, and shipping will likely translate to price increases in July 2021. Distributors reported long lead times on products and multiple staggered price increases. Products are backordered anywhere from six to twenty-two weeks.

For these updates, the Trade Ally Team has communicated with the following number of market actors per technology area:

	This Issue	Communications to Date – Vol. 2
HVAC	25	52
Foodservice	29	75
Water Heating	23	51
Pumps	11	26
Lighting	12	38
Total	100	242

Table 1.



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- d. **Lighting** — Manufacturers report the increased cost of copper, brass, and other required materials have triggered price increases. Lead times currently stretch eight to sixteen weeks. Distributors have confirmed that their stocked inventories are now compliant with Design Lights Consortium (DLC) V5.0 updates, designed to improve the quality of light, connectivity, and realized energy savings of DLC listed products.

2. Equipment Sales

- a. **Water Heating** — A distributor relayed that tankless units are growing in popularity. Strong sales continue despite elevated prices, with customers willing to pay marked up prices.
- b. **Foodservice** — Sales in the grocery store and restaurant sectors have been “rolling along”, bolstered by regions that have reopened. Curbside pickup options are still available, though more counter and tent sales are happening now.
- c. **Lighting** — Distributors are seeing an increase in customer interest in fixtures and products with controls.
- d. **Life Sciences** — Sales and quoting activity remain strong.

Energy Solutions recently sat down with the Hydraulic Institute to talk about opportunities for pumps for their Pump Systems Quarterly newsletter. [Read the full interview here.](#)

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Ultra Low Temperature Freezers are still a hot topic. Check out this feature by DTE about their point-of-sale program rebates available for high-efficiency ultra-low temperature freezers. [Read the feature here.](#)

3. Service Providers / Contractors

- a. **HVAC** — Contractors are seeing increasing demand for office building and school sector projects in preparation for occupants to return. Residential demand is also ramping up in anticipation of the cooling season.
- b. **Foodservice** — Many contractors reported being busy with commercial retrofits and new construction installs at grocery stores, office buildings, and restaurants. Sales for fryers and convection ovens have remained strong.
- c. A major **HVAC** and **Water Heating** distributor relayed they have been advising their contractors that “equipment shortages could stay in play for the next six months and perhaps longer”.

To learn more about Energy Solutions’ programs and services, contact Jeff Johnston at: jjohnston@energy-solution.com | www.energy-solution.com

Disclaimer: The COVID-19 pandemic is an evolving situation, and this report reflects our best estimate of market impacts at this time with the information available. We will be continually updating this forecast and adding details as more information becomes available and the actual impacts of the pandemic on the markets are felt. These updates will be versioned and dated so you can know at what time they apply.

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