

COVID-19: Supply Chain Assessment



May 28, 2021 | Vol. 2, Issue 5

As businesses and offices across the country continue to re-open, the market is seeing healthy interest in new sales and projects. Sales, especially in the commercial sector, are expected to increase, but supply chain disruptions from the past year will take time to resolve and are still having major impacts on the market. Ongoing shipping delays, the shortage of shipping containers, high product demand, raw material shortages, and price fluctuations continue to push equipment prices higher and delay project timelines. Copper pricing, in particular, is so volatile that price quotes are only valid for seven days. All this, combined with staffing shortages, is straining distributors' ability to efficiently participate in incentive programs as employees are being pulled in multiple directions.

Findings

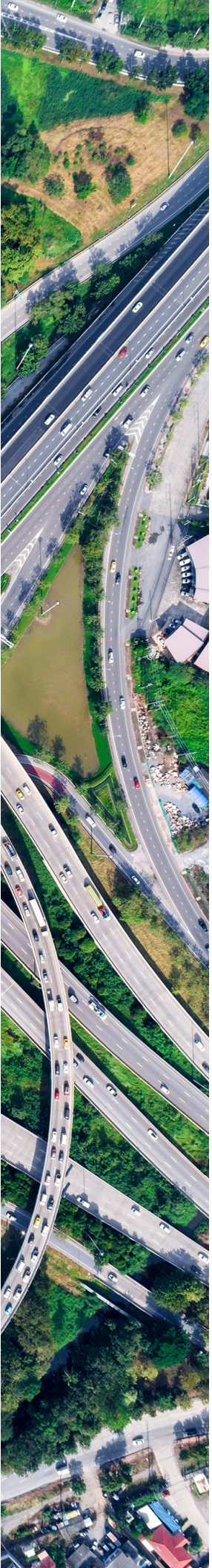
1. Product Availability

- a. **HVAC** — Multiple manufacturers announced additional price increases of 6–9% on residential and commercial equipment due to supply chain complications. A residential distributor noted that outdoor units have long lead times, up to 4 months.
- b. **Water Heating** — Impacts from the February storms in Texas continue to disrupt the supply chain, having interrupted production as well as damaged specialized equipment at petrochemical plants that produce the resin required for water heating product insulation. Some manufacturers who rely on these materials are delivering only 50–70% of their usual output with historically high lead times. A distributor reported that tankless water heaters are “almost impossible to get” due to the microprocessor shortage and a fire at an overseas factory in late March. Storage water heaters are generally available without large lead times or back orders for some distributors and specific manufacturers.
- c. **Foodservice** — Dealers are reporting manufacturer lead times stretching between 8–16 weeks. Dealers expect these shortages to remain for the “rest of the year” and that it will “affect all models.” Dealers are placing bulk orders on popular products, such as fryers, to remain competitive on price.

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	77
Foodservice	13	88
Water Heating	17	68
Pumps	8	34
Lighting	11	49
Total	74	316

Table 1.



- d. **Lighting** — Pipe and wire shortages, coupled with difficulties in getting commodities such as zinc, aluminum, steel, and copper, are all placing a strain on distributors and manufacturers. One distributor noted that backordered items had a one-month delay.
- e. **Pumps** — Distributors stated no delays or back orders for ECM pumps.
- f. **Life Sciences** — Manufacturers have noted remarkably improved lead times on ultra-low temperature freezers with delays dropping from an average of 70 business days to 20.

2. Equipment Sales

- a. **Across Technologies** — Distributors note the market is doing better and that quote volume is healthy, but it has been “tough to quote anything” due to dynamically changing lead times, freight logistics and prices, and equipment price increases.
- b. **HVAC** — Manufacturers reported strong sales and revenue for Quarter 1 of 2021 for commercial and residential products. Distributors noted a major uptick in packaged terminal air conditioners (PTAC) and vertical terminal air conditions (VTAC) unit sales as the lodging industry is preparing for business to surge.
- c. **Foodservice** — Sales of convection ovens, combi ovens, and hot food holding cabinets have picked up within the education sector. Distributors relayed that tent sale events are back and have been keeping them busy.
- d. **Lighting** — Distributors noted that sales for high bays, troffers, and exteriors have picked up.
- e. **Life Sciences** — As equipment needs for major vaccine centers have been fulfilled, high demand for ultra-low-temperature freezers has begun to stabilize. Manufacturers anticipate that the growing demand for other lab-grade refrigeration will continue.

3. Service Providers / Contractors

- a. **HVAC** — The demand for indoor air quality services continues to grow as preparation for occupants to return to offices and other buildings increases.

4. Administrative / Application Submittal

- a. **Across Technologies** — Distributors are resource constrained and are prioritizing staff to focus on the uptick in quoting and sales. For many, product shortages and shipping delays are holding up claim submissions as required information, such as invoice number, is not available until an item ships.

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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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