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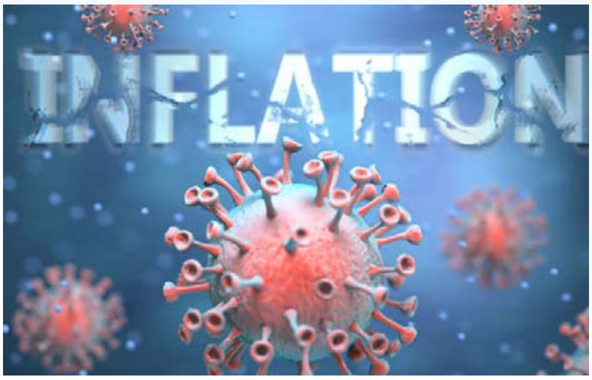
Omicron, supply chain, inflation 3 main risks facing businesses now



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London-based Euromonitor International has identified three challenges that are likely to affect businesses the most in 2022: omicron, supply chain bottlenecks and inflation. The weak economic start to the year due to omicron can affect 2022's overall growth outlook. Risk factors beyond the control of companies will pose a threat to supply chains.

Transportation bottlenecks and rising shipping prices being the main issues in global supply chain, apart from lack of shipping capacity, rising energy costs and truck driver shortage in the largest economies.

Global inflation is predicted to rise from 4.3 per cent in 2021 to 4.6 per cent in 2022. Inflationary pressures will remain high in most key economies.

The strategic market research firm's 2022 real gross domestic product (GDP) growth forecasts for the world and most key economies in the first quarter (Q1) of 2022 represent a downgrade from forecasts made in Q4 2021.

One of the main concerns with omicron is that it has caused staff shortages in many countries, as employees become infected and need to self-isolate. In the United States, for example, omicron is exacerbating the problem of worker shortages, while businesses in the country have already struggled to fill a record number of vacancies, Eurominitor International said in a press release.

As omicron leads to a delay in normalisation of the labour market and supply chains, it also adds risks to inflation. If consumers do not shift part of their spending to services, the rise in prices of global goods could be more persistent than previously expected, the company said in a latest report.

The global manufacturing sector is predicted to recover in 2022 and exceed pre-pandemic production output levels. Industrial production data forecasts indicate that output should increase in the second half of the year. This suggests that suppliers will have greater capacity to increase production volumes. Moreover, recovering investments and trade value also indicate that global supply chains are set to recover in 2022. However, transportation problems are predicted to ease in 2023 when a higher number of shipping vessels will be constructed, and shipping capacity will improve.

China's zero-COVID-19 policy is another risk factor that could impact global supply chains in 2022. The lockdown measures in China largely affect companies purchasing hi-tech goods, textiles and household goods from Chinese suppliers, as the country accounts for 30 per cent of global exports in these industries.

Restrictions on economic activities and border closures could also impact manufacturers in neighbouring Asian countries, such as Vietnam or Thailand. However, the risks are anticipated to be short-lived as COVID-19 infection cases are forecast to begin declining in the second half of 2022.

Companies are also expected to feel an increased shortage of workers and competition for input materials. The faster spread of the Omicron variant and consequently higher numbers of employees on healthcare leave will further add to

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the labour market problems in the first half of 2022.
These shortages would primarily hit agriculture and food processing industries, as these sectors remain relatively labour-intensive, and not all processes can be automated.
Rising geopolitical uncertainties in Europe (particularly surrounding the Russia-Ukraine conflict) and elsewhere are a main downside risk, placing further pressure on energy prices.
Heightened inflationary pressures could trigger central banks in some economies to tighten their monetary policies in 2022, while consumer behaviour could change due to rising costs, the research firm said.
Business will continue to be confronted by the two-fold impact of inflation. On one hand, rising energy, material and freight prices are weighing on companies’ production costs and profit margins. On the other, consumer income and thus spending, can be eroded by higher inflation, impacting sales.

Link

https://www.fibre2fashion.com/news/textiles-policy-news/omicron-supply-chain-inflation-3-main-risks-facing-businesses-now-279116-newsdetails.htm

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Higg Rolls Out Social and Labor Benchmarking Framework

CREDIT: Higg

The pressure to improve environmental and social transparency is heating up.

In 2020 alone, companies poured $35 trillion into improving and tracking their impact on people and planet—and since then, that number has risen 15 percent as investors increasingly require data-based findings in order to fund these firms, according to the Global Sustainable Investment Alliance. Consumers are also interested in knowing about the values and commitments behind the products they purchase.

This week, Higg released new benchmarks for social impact and labor that the industry can use to track and gauge performance. The comprehensive environmental, social and governance (ESG) solution is first to combine environmental metrics like carbon emissions, water use and waste management with working conditions, expanding the Facility Social and Labor Module (FSLM) audit tool's capabilities and Higg Facility Environmental Module (FEM) assessment.

"We're innovating for a world where everything is made with the lowest environmental impact and greatest social benefit possible," Higg CEO Jason Kibbey said, and "to do this, businesses must understand the impacts across their value chain." Adding human impact into the Higg framework provides a holistic view of a company's effects on the world, as "choosing only one or two areas to invest in won't move us to where we need to be," he added.

Users can chart their own environmental and social progress and benchmark their performance against peers, helping brands to identify "specific areas that need action gives businesses the information they need to speed up their progress," Kibbey said.

These richer insights can inform strategic decision-making around sustainability goals. Meanwhile, wide-ranging and in-depth ESG insights can help companies identify low-performing areas within their organizations or supply chains, and measure improvement as changes took effect. Higg users can filter manufacturing facilities by industry or region, helping brands to manage factory compliance against country-specific labor requirements.

These capabilities are bolstered by a partnership with the Social and Labor Convergence Program (SLCP), a nonprofit dedicated to aggregating insights about working conditions across multiple stakeholders in order to reduce the time and cost of auditing. The group recognizes the industry-wide phenomenon of "audit fatigue," and wants to give manufacturers control of their own reporting based on a specific, comparable data set.

That system, known as the Converged Assessment Framework (CAF), gives manufacturers the opportunity to release data on a number of fields of impact interpreted and verified by SLCP-selected "accredited hosts." There is no score or value judgment associated with the data, though the group helps suppliers formulate action plans for improvement in areas that necessitate attention.

"To create better conditions for workers in the fashion industry, businesses need data they can trust and Higg is helping make this possible" by providing access to SLCP data, SLCP executive director Janet Mensink said. "By offering additional benchmarking services, Higg will help users see how their efforts compare against others and will spotlight opportunities for improvement."

Higg wants these findings to serve as a launching point for more collaborative work with manufacturers to improve labor standards. A Social Science Research Network study shows that suppliers are more likely to improve their facility conditions when clients are willing to work with them on sustainable solutions.

While factory managers are often charged with completing audits, "the best auditors are the workers themselves," Higg said. Brands should take a more active role in gathering worker feedback and addressing staff concerns. Higg said on-the-ground interactions using tools like mobile phone surveys, hotlines and off-site interviews can make workers feel comfortable sharing their on-the-job experiences.

The need for comprehensive data-gathering is "more timely than ever," Higg said.

"The consumer goods industry, and especially apparel, must overcome challenges not only with greenwashing, but also with sometimes misinterpreted claims of negative environmental and social impacts," it added. "Today's investors are focused on credible data-backed sustainability programs, and laying the foundational groundwork today will support investor and due diligence requirements in the future."

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https://sourcingjournal.com/topics/sustainability/higg-social-labor-esg-social-labor-convergence-program-327936/

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New York becomes first US state to ban OFRs in electronic displays

Law also covers flame retardants in mattresses, upholstered furniture

New York state has approved a nationally unprecedented ban on the sale of electronic displays containing organohalogen flame retardants (OFRs), as part of broader bipartisan legislation to limit several of these compounds in various consumer goods.

The inclusion of electronics aligns New York with the EU, outdoing Maine, Rhode Island, Maryland, Nevada and California, which have established their own OFR restrictions over the past few years. New York's ban occurs as Washington state plans to reduce flame retardant applications even further, riding state-level momentum on a set of substances the federal government has yet to act on (see box).

The New York bill (S 4630-B/A 5418-B) – which unanimously cleared the legislature in June and was signed into law on 31 December – will prohibit the sale of mattresses and upholstered furniture containing halogenated, organophosphorous, organonitrogen and nanoscale flame retardants, amid concerns over their link to endocrine disruption, neurological damage and cancer. In a nationwide first, it will also prohibit OFRs in the enclosures or stands of residential electronic displays measuring at least 15 square inches, including televisions and computer monitors.

Governor Kathy Hochul enacted the bill after lawmakers agreed to extend its compliance periods, specify OFR minimum thresholds and mandate compliance certificates. Those chapter amendments will be introduced once the new legislative session kicks off tomorrow.

Although the final timelines will only become clear after the amendments' adoption, the restrictions currently on the books would start to take effect on 1 January 2023, with the electronics restriction following a year later. And from 31 December 2022, the measure would require sellers to annually disclose to the state's Department of Environmental Conservation (DEC) all flame retardants in electronic display casings or stands.

Violators will face up to $2,500 in penalties each day for recurring offences.

"Far too many household items contain toxic chemicals that put our children and first responders at risk for serious illness," Ms Hochul said. "We can now ensure that when these items are sold in New York, they will be free of hazardous materials."

According to a memo accompanying her decision, the substances "have limited value in preventing or suppressing fires", as safety has not deteriorated in states that removed them from articles.

Meanwhile, New York State Assembly member and bill sponsor, Steve Englebright, said flame retardants can contaminate indoor dust, and can generate compounds like hydrogen cyanide that can cause harm when inhaled.

Industry response

The North American Flame Retardant Alliance (Nafra) of the American Chemistry Council (ACC), however, stressed that "restricting the use of an entire class of chemicals without scientific justification is deeply disappointing and could potentially put residents and businesses at increased fire risk".

New York's statute contradicts the National Academies of Sciences (NAS) recommendation against such a sweeping class-based approach, Nafra said, and implementation and enforcement will be hard since the prohibition addresses electronics intended for homes.

Ben Gann, the ACC's chemical products and technology director, told Chemical Watch the ban could push companies to look into modifying their offerings to keep them on the market. But those replacements sometimes do not match OFRs' performance, he said, and "might not be appropriate because the plastic being used determines the type of FR".

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"You have to reengineer the product accordingly, using a different type of resin system to accommodate a different flame retardant system," Mr Gann said.

Bigger changes ahead

Public health interests countrywide supported New York’s measure, calling it a signal of greater action to come.

According to Sarah Doll, Safer States’ national director, "this is another clear demonstration of state policies leading the nation". More states will join New York, particularly on electronics, she told Chemical Watch.

Avinash Kar, senior attorney and director of state health policy within the Healthy People & Thriving Communities Program of the Natural Resources Defense Council (NRDC), said businesses can shift to the same non-OFR options adopted in Europe. "Manufacturers should make every effort to avoid regrettable substitution," he said.

Mike Schade, director of the Mind the Store campaign under Toxic-Free Future (TFF), added that "retailers and television manufacturers, who have been lagging for years, should move quickly to eliminate these toxic chemicals in televisions sold across the nation".

At federal level, Liz Hitchcock, director of TFF programme Safer Chemicals Healthy Families, emphasised the need for the Consumer Product Safety Commission (CPSC) to swiftly regulate the compounds.

The CPSC released guidance asking producers to get rid of OFRs in 2017, after deciding to grant an NGO petition to initiate rulemaking to possibly prohibit more than a dozen subclasses in mattresses, upholstered furniture, children’s products and plastic electronic casings. But years later, the agency is still analysing the threat the substances pose, in order to inform its rule proposal.

Correction: This article was updated on 5 January to clarify that only OFRs will be prohibited from electronic casings.

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https://chemicalwatch.com/398287/new-york-becomes-first-us-state-to-ban-ofrs-in-electronic-displays

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