



Building resilience in the Great Supply Squeeze era



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Summary

What's happening? After decades of cheap liquidity combined with low and stable inflation, the global economy is moving into a fundamentally different era. A Great Supply Squeeze is underway, in which supply scarcity is set to become the main driver of economic outcomes. This economic regime shift will increase volatility, cost and valuation pressures for companies. It will also create opportunities for those that can navigate and build resilience against these pressures to gain a competitive edge.

What are the implications? In the next 5-10 years, companies will face tighter supply in three key areas: (1) credit/liquidity, (2) labor, and (3) energy and commodities. Growing trade frictions and a retreat from globalization will also increasingly constrain access to these key factor inputs.

This Supply Squeeze will have profound business implications, including:

- Margin erosion from intensifying structural cost pressures
- Growing volatility of input cost inflation, making business and capital planning more challenging
- Intensifying financial and market valuation pressures, particularly for firms that are highly leveraged, capital-intensive, or have long-duration assets and business models
- Increasingly complex supply chain management, notably for inventories and for visibility into supply interdependencies and potential points of failure

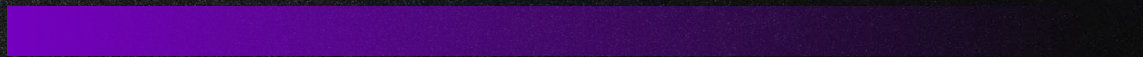
How should companies respond? An environment of structurally higher cost pressures, interest rates and volatility reinforces the need for companies to reinvent their business and operating models to remain competitive and profitable. This includes a renewed emphasis on:

- Fundamental cost reinvention to protect against margin erosion, including through productivity gains from leveraging AI, robotics and automation
- Talent transformation and organizational innovation to navigate growing labor supply pressures and skills gaps
- Scenario planning to anticipate and manage persistently higher cost volatility
- Supply chain reinvention to build greater resilience and enhance capabilities to anticipate future shocks
- Government relations capabilities and industry partnership frameworks to leverage government support for on/near-shoring of production and supply





**What's
changing?**



The long era of global stability and abundance is over

For more than three decades leading up to 2020, companies had become accustomed to operating in a global economic environment of stable growth, low inflation and few supply constraints (Figure 1). This period, often referred to as the Great Moderation, was highly conducive to business investment and profit growth. It was underpinned, among other things, by:

- **Low interest rates.** A global savings glut (much of it from China), coupled with central banks' ultra-loose monetary policy and unprecedented quantitative easing in the aftermath of the 2008-09 global financial crisis (Figure 2), drove a sustained decline in interest rates globally to historic lows. Securing liquidity and cheap capital to finance growth or wider business initiatives was therefore relatively easy and low-risk.
- **Highly globalized economy.** Reduced trade barriers enabled free-flowing and globally integrated supply chains to keep input cost inflation low. Labor costs, in particular, were driven down by outsourcing to low-cost locations, reducing labor bargaining power. As a result, the share of national income (GDP) paid out to workers fell in most major economies, while the share captured as profit by companies grew (Figure 3).
- **Abundant low-cost energy and commodities.** Significant fossil fuel and commodity investments in the 1990s and 2000s (supported by limited environmental constraints in emerging markets) led to excess supply and capacity after the global financial crisis weakened demand.¹ This supply abundance (culminating with the US shale revolution) kept energy generation and commodity input costs low, helping companies sustain higher margins.

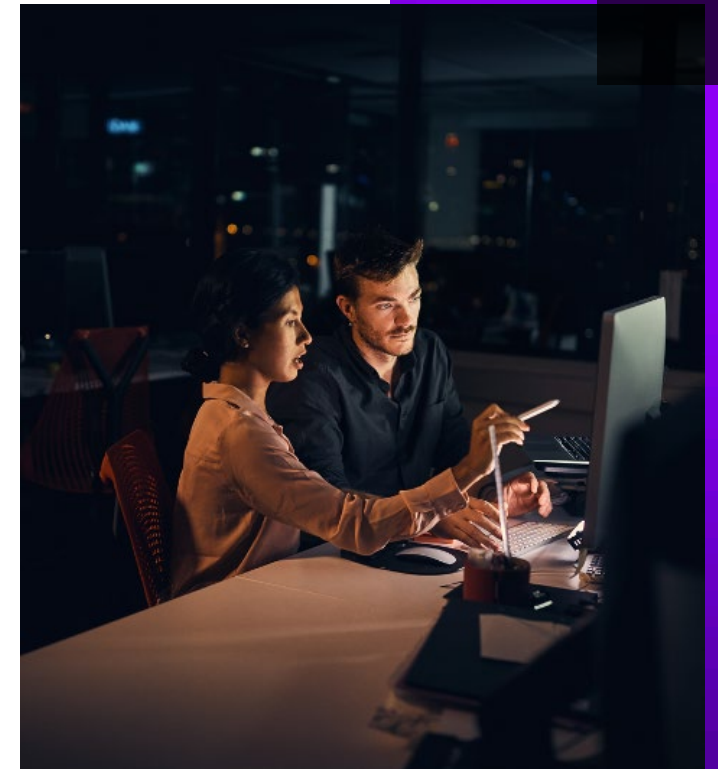
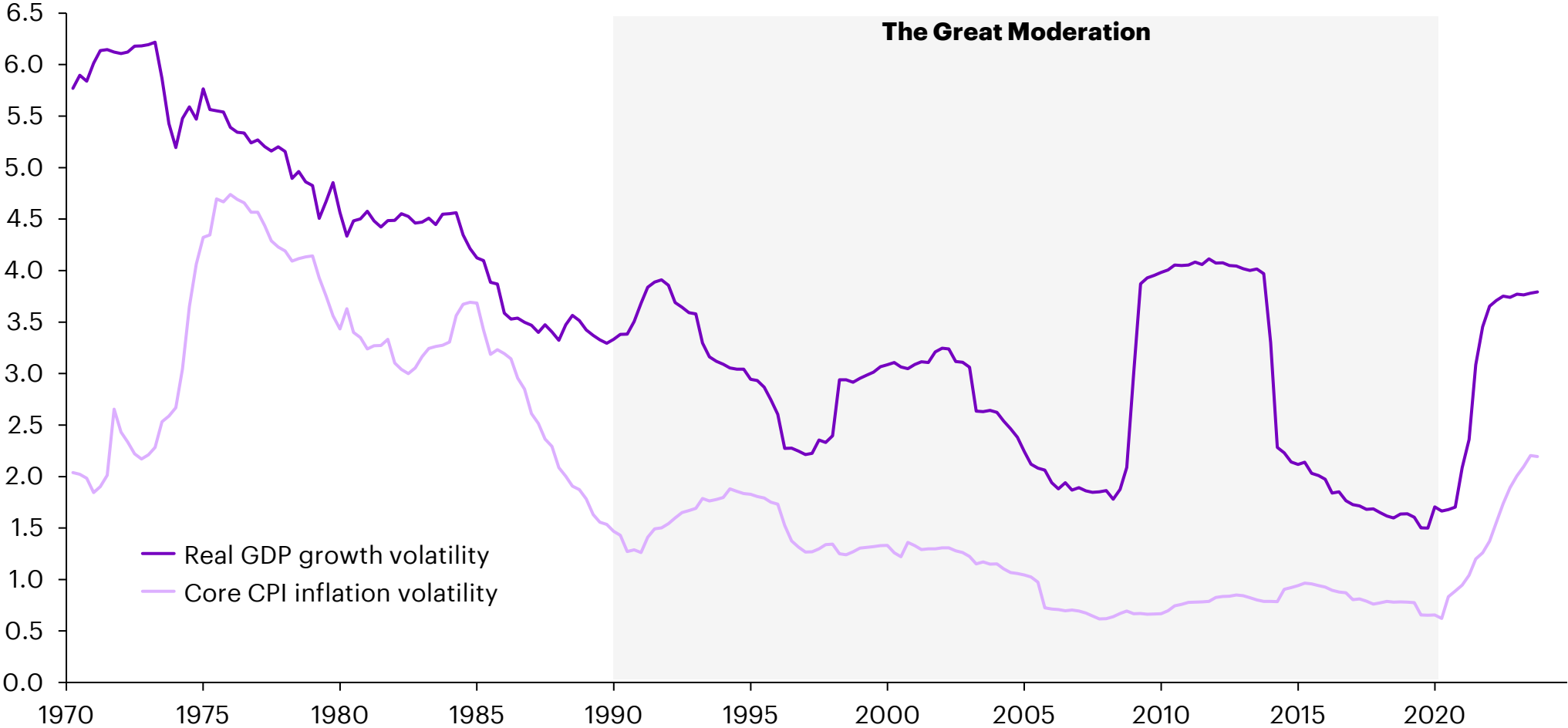


Figure 1: GDP growth and inflation volatility in major advanced economies

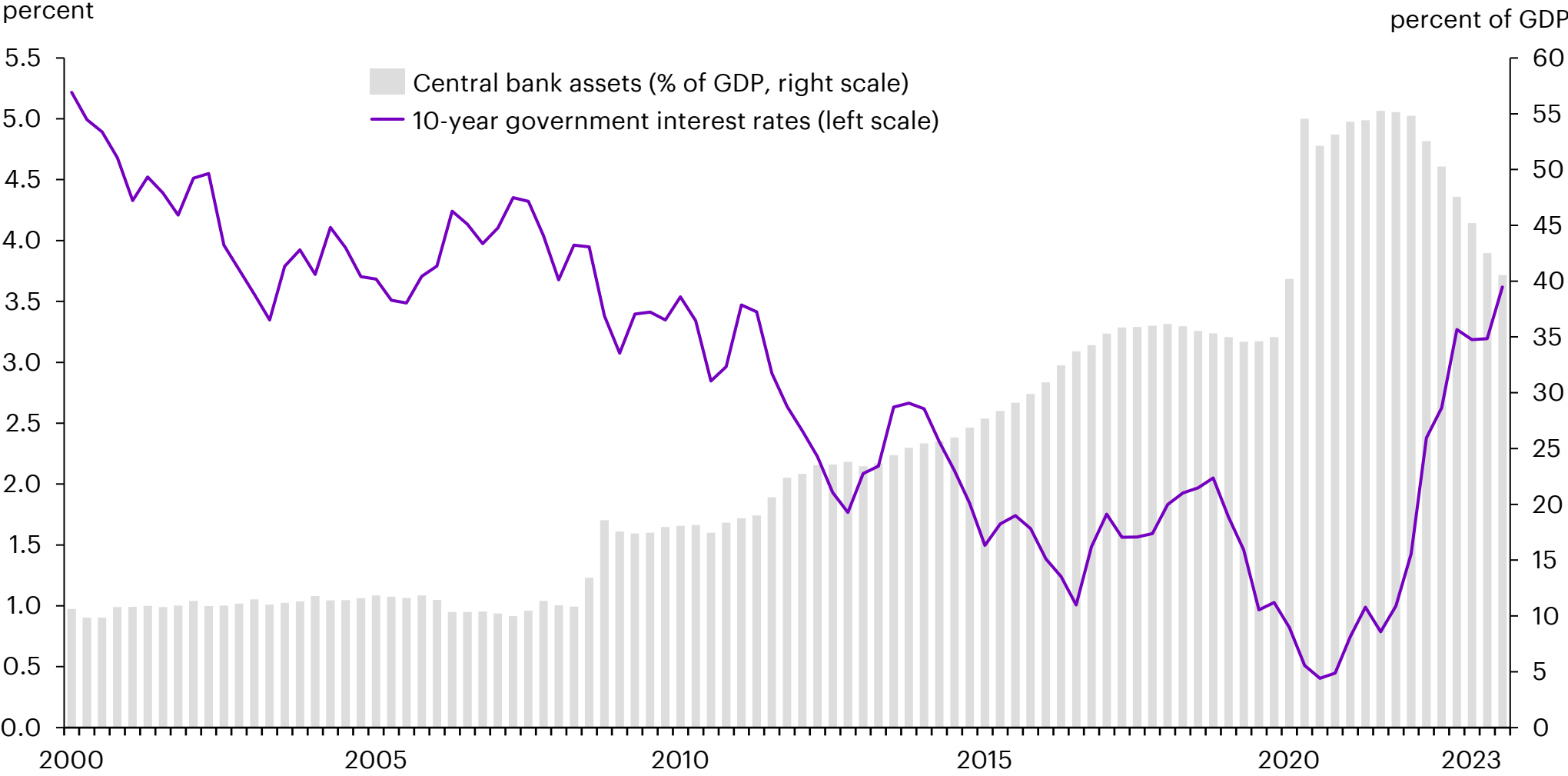
Standard deviation (percentage points)



Note: Data is based on average of 9 major advanced economies: Australia, Canada, France, Germany, Italy, South Korea, Japan, United Kingdom and United States; Volatility is expressed as the rolling 5-year standard deviation of the annualized quarterly percent changes in real GDP and core CPI (ex. food and energy). Calculations exclude the initial COVID-19 pandemic period (2020 Q1 to 2020 Q3) to control for distortionary outliers. Sources: Haver Analytics, OECD, Accenture Strategy analysis



Figure 2: Interest rates and central bank liquidity expansion in major advanced economies



Note: Data based on combined central bank assets of US Federal Reserve, European Central Bank, Bank of England, Bank of Canada, Bank of Japan, Swiss National Bank, and Reserve Bank of Australia. 10-year interest rates are weighted average of US, Euro area, UK, Canada, Japan, Switzerland and Australia. Sources: National central banks, Haver Analytics, Accenture Strategy analysis



The sheer longevity of this period meant that, at the start of this decade, many companies had never experienced any other kind of operating environment. Consider that, in the US, more than half (54.3%) of businesses operating today are less than 10 years old.² In other countries like the UK, the figure is even higher, with nearly three-quarters (72.1%) of businesses having been established in the last decade.³

The implication? Today's leaders may not have the right business or operating models in place, nor the financial resilience, to help their companies thrive in a more challenging economic environment.

Figure 3: Average labor and corporate profit shares of GDP among G20 countries



Note: Calculated are derived from GDP income accounts and based on the share of national income paid as employee compensation (i.e., labor) and the share accruing as operating surplus and mixed income (an approximation of corporate profits). Values presented are the average for the G20 group of countries. Sources: OECD, Accenture Strategy analysis.

The Great Supply Squeeze has started

The 2020s have marked a turning point in the global economy. This decade has already seen a global pandemic, geopolitical conflicts such as the Russia-Ukraine war, global supply chain disruptions and more. The economic turmoil triggered an inflation shock and led to tightening monetary policy globally. While some of the underlying supply challenges were already emerging pre-2020, there's little doubt the past four years represent an abrupt shift in the global business environment.

This is the era of The Great Supply Squeeze. It's characterized by growing supply pressures across three core dimensions, amplified by an overarching shift towards deglobalization:

- **The Financial Squeeze.** Structurally higher interest rates and tighter liquidity conditions are raising financing costs.
- **The Labor Squeeze.** Shrinking labor supply and growing labor power are driving up labor costs.
- **The Energy and Commodities Squeeze.** Falling investment in oil and gas means spare capacity is limited, while growing demand is squeezing the supply of critical minerals.
- **The Deglobalization Squeeze.** The fragmentation of global production and trade is eroding the previously low-friction flow of labor, goods and services, energy, and finance around the world.

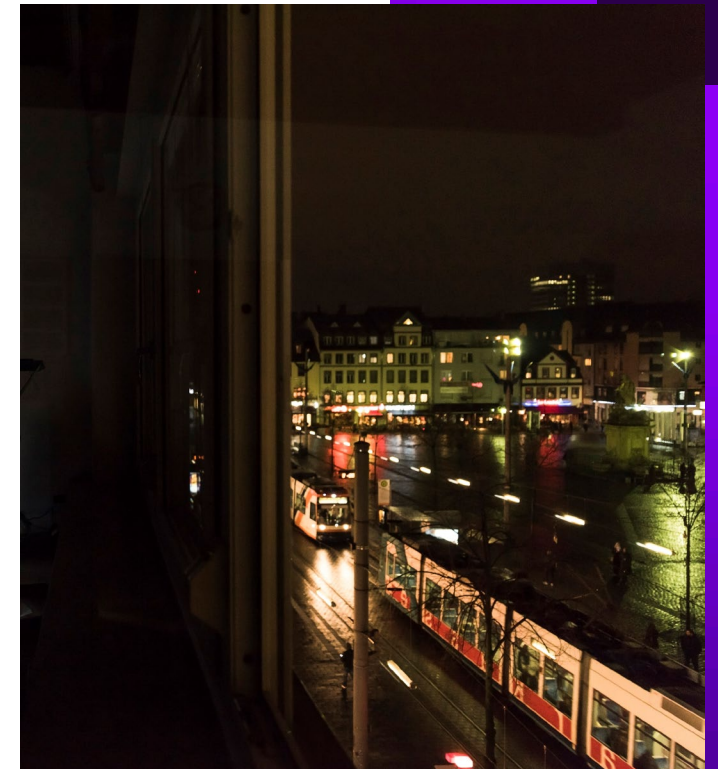
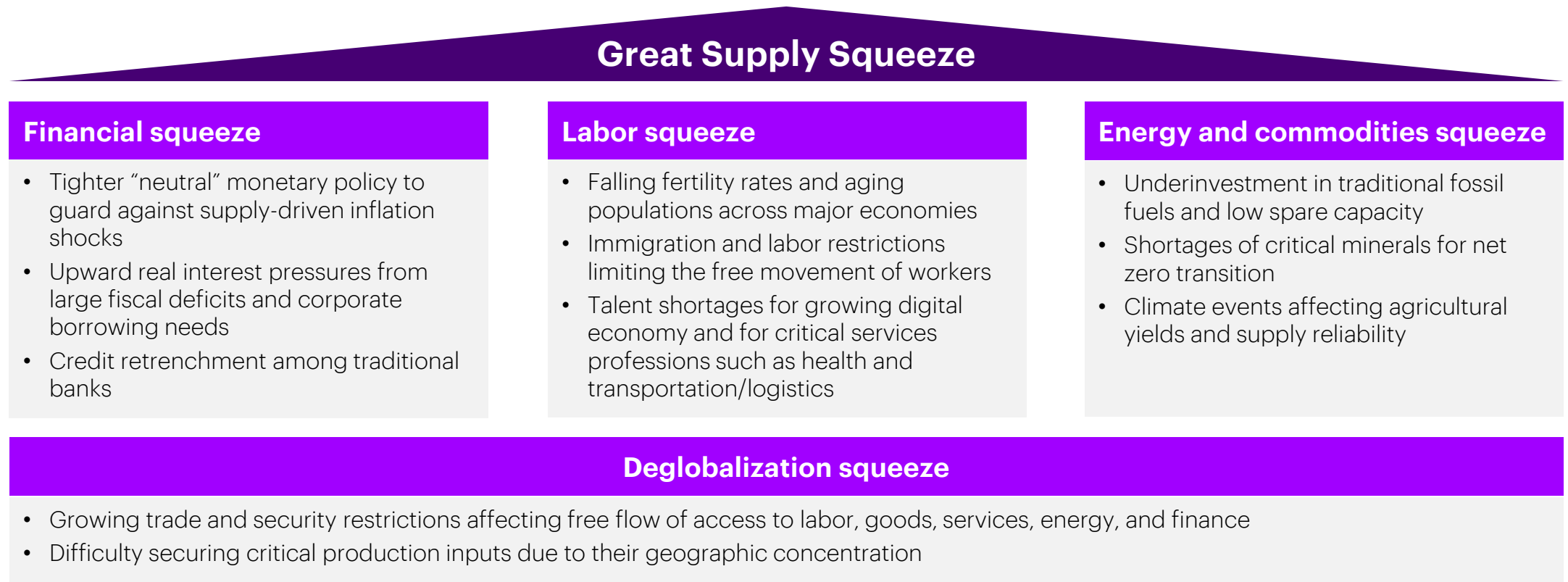


Figure 4: Summary of the Great Supply Squeeze



Source: Accenture Strategy analysis

The Financial Squeeze

Upward pressure on long-term interest rates will come from mounting fiscal deficits globally, driven by factors such as higher defense spending, more active industrial policies, and increasing healthcare and aging-related expenditures.



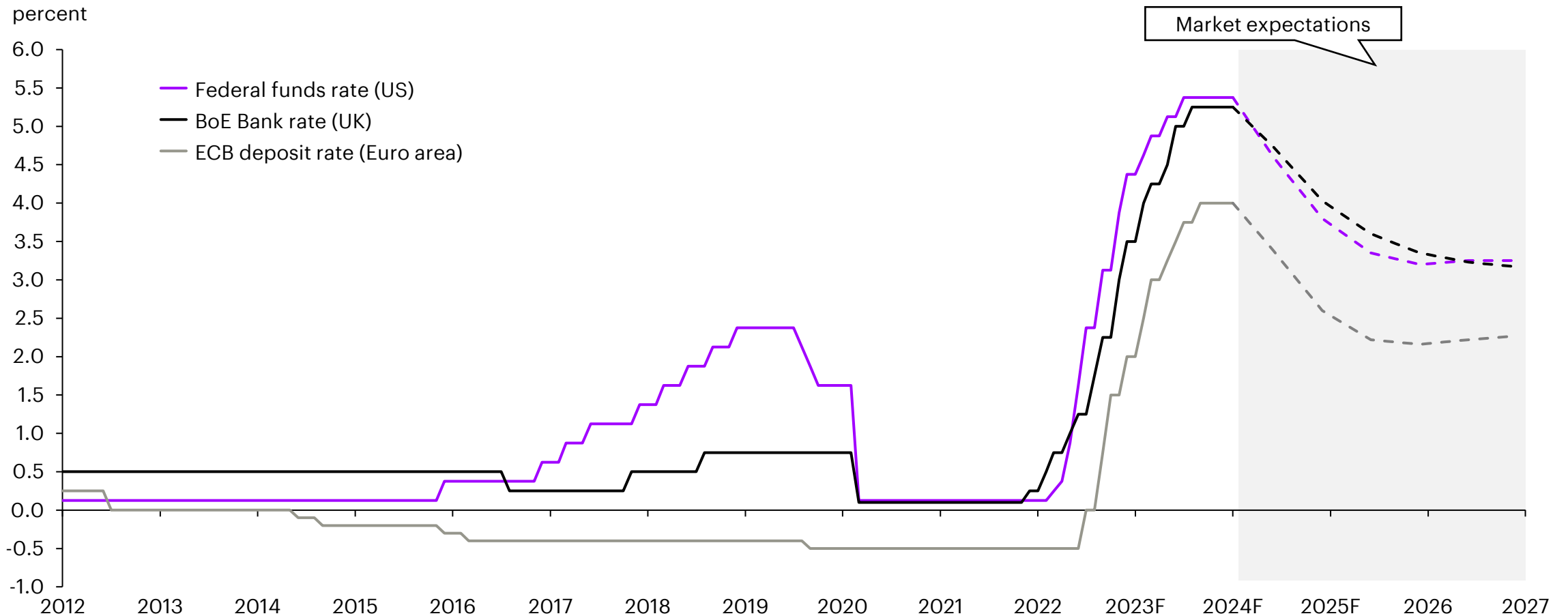
The Financial Squeeze is evident in two key areas in particular: an increase in the cost of financing and a more constricted supply of credit.

Financing costs. While some central banks may start to cut policy rates in 2024 as inflation recedes from its 2022-23 peaks, rates are likely to remain well above their pre-pandemic lows for an extended period. Central banks are likely to consider this more restrictive monetary policy as a necessary step to guard against supply shocks reigniting inflation. Many will also be unwinding their quantitative easing programs and selling off their large bond portfolios, putting further upward pressure on interest rates.

Prospects for a return to lower rates in the longer term are also limited. Upward pressure on long-term interest rates will come from mounting fiscal deficits globally, driven by factors such as higher defense spending (given growing geopolitical tensions), more active industrial policies, and increasing healthcare and aging-related expenditures. The need for companies to invest in areas such as artificial intelligence, digital transformation, sustainability (underscored by net-zero commitments), and supply resilience will add to the upward pressure. Markets are already pricing in a “higher for longer” interest rate regime (Figure 5).

Credit constraints. In the near term, credit retrenchment within the financial sector is likely, as traditional financial institutions such as banks adapt to stricter regulatory requirements and higher competition for deposits. This may constrain their lending capacity or result in stricter lending terms. In turn, companies will increasingly have to seek alternative avenues, such as non-bank finance and private credit, but at a potentially higher cost, particularly in countries where these markets are less developed.

Figure 5: Market expectations of higher-for-longer interest rates



Note: Forward rates curves as of February 1, 2024 based on: (1) Fed funds rate – Federal Reserve Bank of Atlanta market probability tracker; (2) ECB deposit rate – €STR swaps; (3) BoE Bank rate – SONIA swaps.

Sources: Bloomberg, Bank of England, Federal Reserve, Federal Reserve Bank of Atlanta, Accenture Strategy analysis.



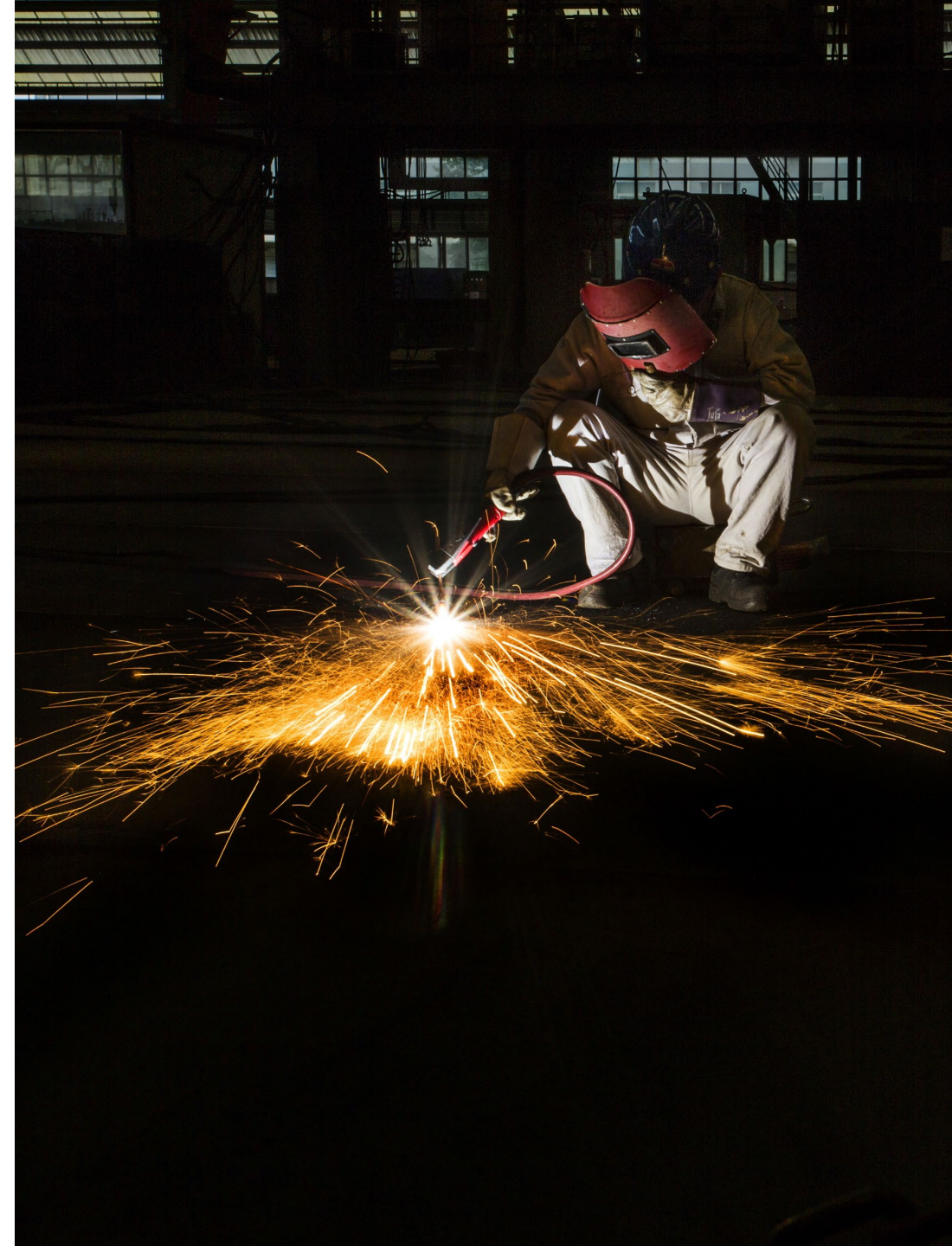
The Labor Squeeze

Labor supply is being squeezed from many angles, including aging populations, changing immigration dynamics, and growing skills mismatches. [Companies will need to get creative in accessing talented workers.](#)

Firstly, falling fertility rates and aging populations are reducing the proportion of working age individuals in mature economies (Figure 6). This trend has been prevalent for some time in certain Asia-Pacific countries, such as Japan and South Korea, but is increasingly now impacting Western economies. A dwindling pool of working-age individuals amplifies the bargaining power of those in the labor force and increases competition for labor. This not only complicates the acquisition of skilled workers but also increases labor costs, often significantly.

Historically, mature economies have relied on immigration to supplement domestic labor supply. But this is becoming harder to maintain as the global economy fragments. Immigration and labor restrictions are limiting the free movement of workers, further diminishing labor pools and adding to pressure on supply.

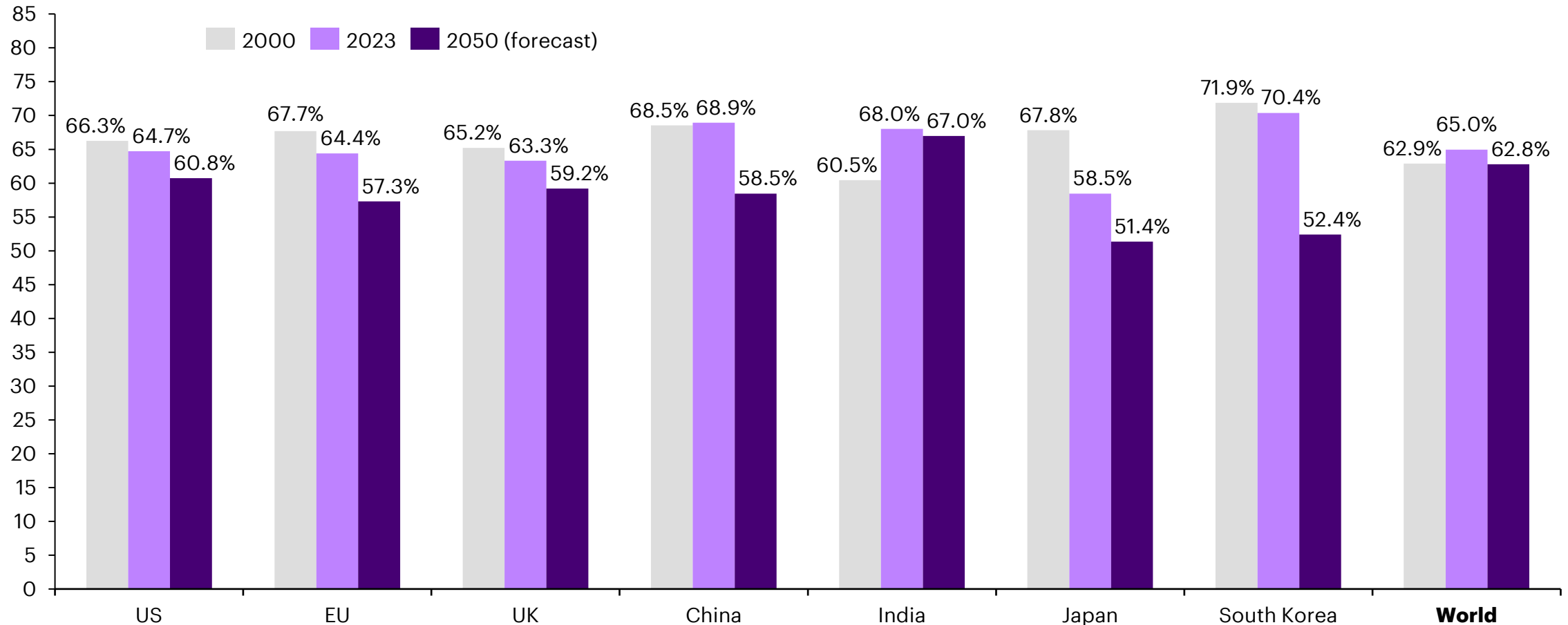
However, the Labor Squeeze is not merely a question of working population size. Growing skills mismatches are another important factor. Since the pandemic, structural talent shortages in critical services professions such as health and transportation and logistics have become increasingly evident.



Ongoing technological transformation within economies and companies—leveraging automation and advanced technologies such as [generative AI](#)—is also driving a surge in demand for new skills and abilities that are often lacking in the current workforce, both in terms of technical know-how and educational background. Resolving this mismatch will take time and investment, with much of the associated costs either absorbed directly by employers or passed onto them through workers’ higher earnings expectations.

Figure 6: Projected declines in working age populations globally⁴

Working age population (ages 15-64), percent of total



Sources: United Nations, Accenture Strategy analysis



The Energy and Commodities Squeeze

With the [energy transition](#) in full flow, driven by a combination of government policies, regulations and market forces, the supply of traditional energy sources is being increasingly squeezed. New investment in upstream oil and gas production has been falling for nearly a decade and remains depressed (Figure 7), resulting in low global spare production capacity. Looking ahead, the combination of weak capacity growth and potential for additional supply disruptions due to geopolitical conflicts is likely to keep oil and gas markets tight and prices elevated.

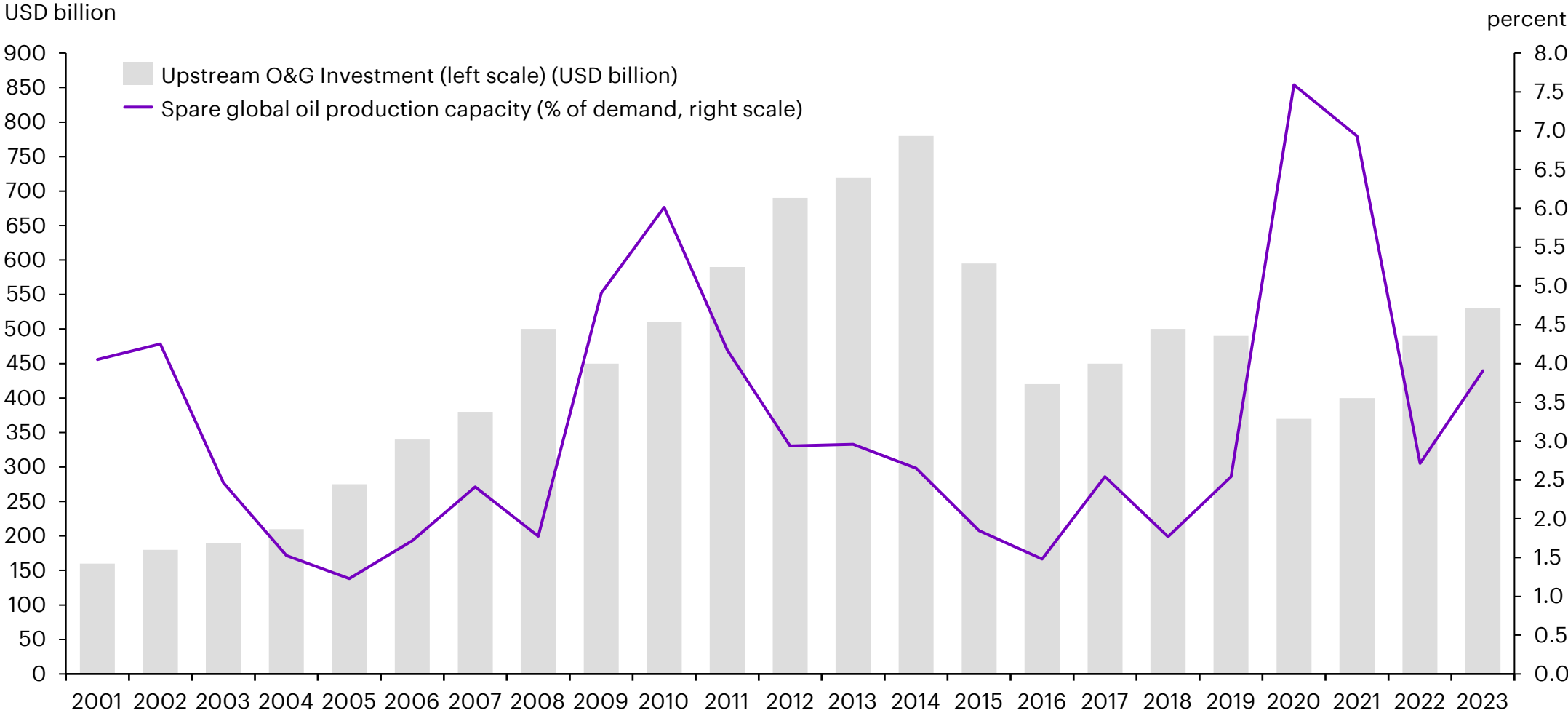
Meanwhile, the supply of metals and minerals critical for the energy transition (such as lithium, copper and cobalt) is also likely to come under increased pressure, falling short of estimated future demand under most transition scenarios (Figure 8). Bridging this projected shortfall will require significant

expenditure in new mineral exploration, or innovations in sustainable technologies to reduce mineral usage.

The Supply Squeeze extends to agricultural commodities, where climate shocks are increasingly disrupting production globally. Consider that 2023 was not only the hottest year on record, but also saw a high incidence of floods, wildfires, and extreme swings in temperatures that wreaked havoc on agricultural supply chains.



Figure 7: Declining investment and spare production capacity for traditional fossil fuels⁵

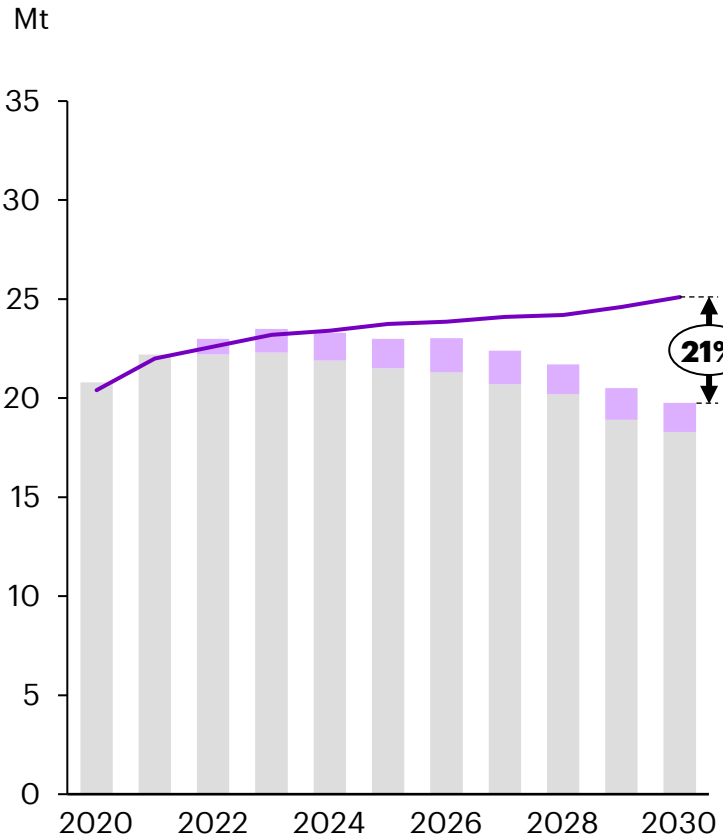


Sources: International Energy Agency (IEA), U.S. Energy Information Administration (EIA), Accenture Strategy analysis

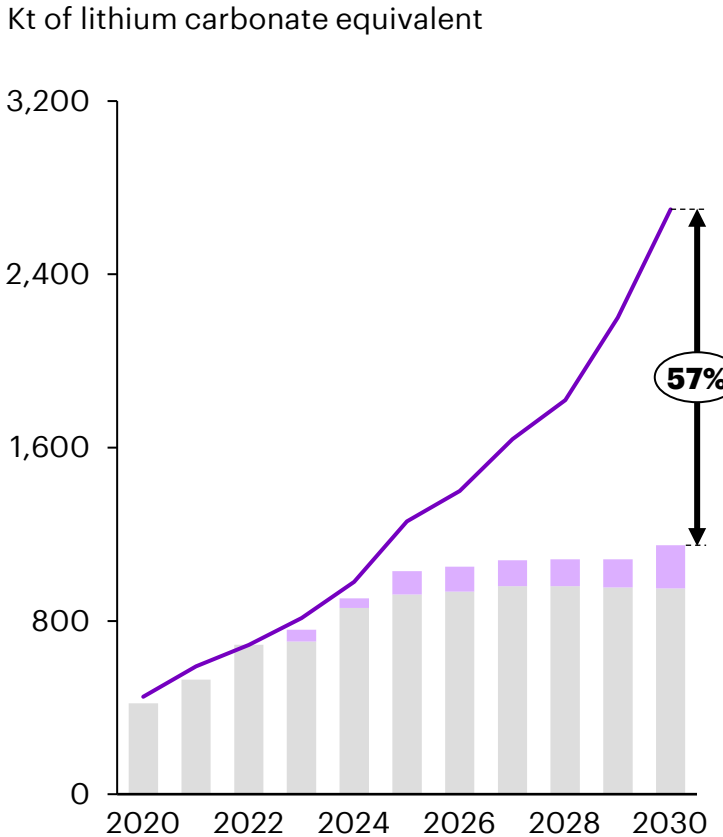


Figure 8: Expected supply shortages of selected critical minerals for energy transition⁶

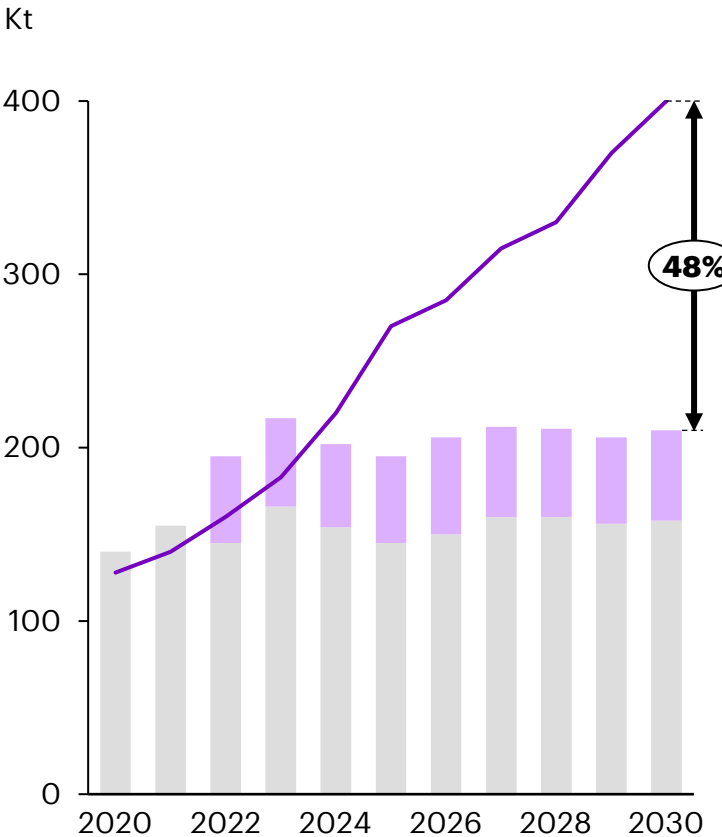
Copper



Lithium



Cobalt



— Demand (sustainable development scenario) ■ Production (under construction) ■ Production (currently-operating)

Notes: SDS represents demand under the Sustainable Development Scenario, understanding what will be needed to meet sustainable energy goals in full
 Sources: International Energy Agency (IEA), Accenture Strategy analysis



The Deglobalization Squeeze

For companies, this not only means higher sourcing costs but also greater operational complexity from having to navigate an array of sanctions, import quotas and regulations.



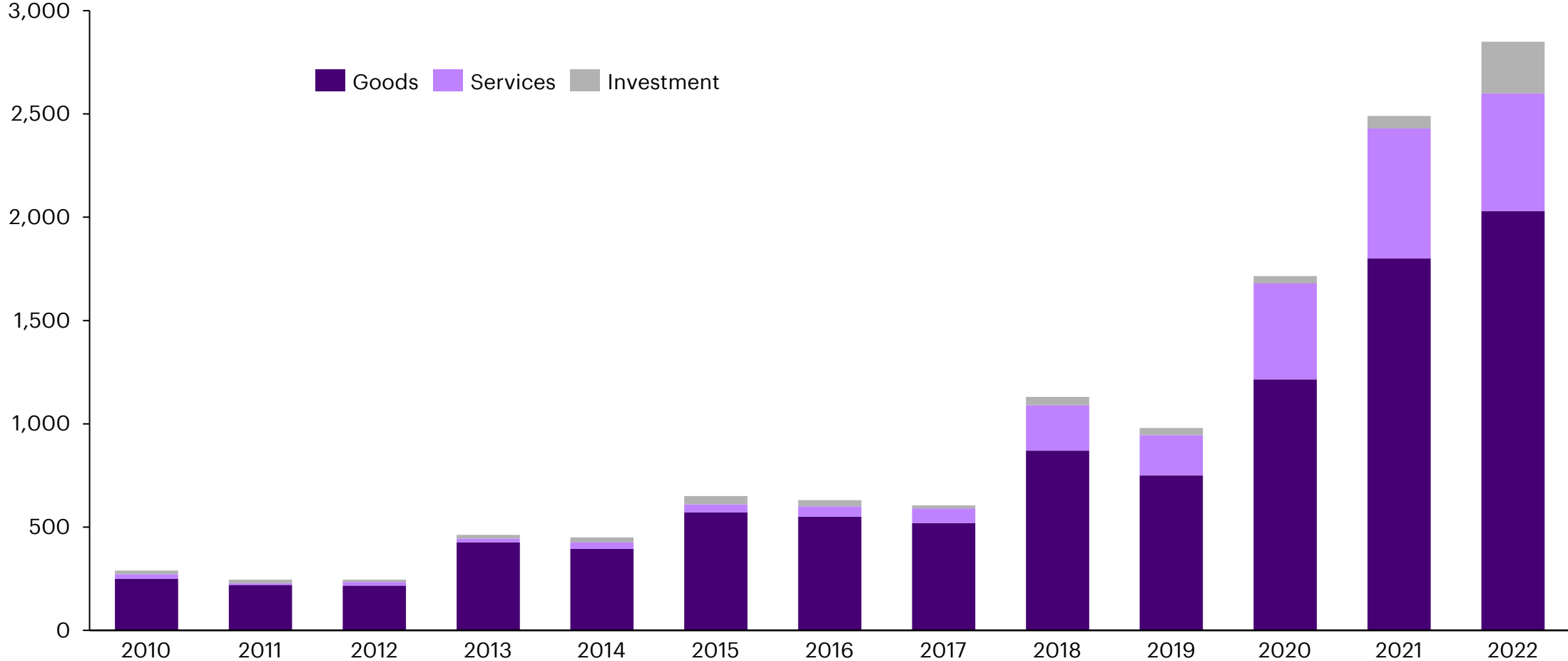
Recent years have shown an emerging shift away from globalization, reflected in a significant increase in global trade restrictions (Figure 9). Often geopolitically motivated, these restrictions are increasingly limiting the free flow of labor, goods, services, energy and finance. For companies, this not only means higher sourcing costs but also greater operational complexity from having to navigate an array of sanctions, import quotas and regulations. But it also provides an opportunity to adopt the best sourcing strategy and identify new production facility locations to [bolster resiliency](#).

Supply challenges are likely to be especially pronounced for commodities that are highly concentrated geographically, such as the metals and minerals critical for the energy transition (Figure 10). China controls the lion's share of global extraction of key resources such as gallium (98%), rare earths (70%), silicon (69%), and graphite (65%), and an even larger share of the refining capacity.⁷ If globalization recedes further, sourcing many of these inputs will become increasingly challenging and expensive.

Governments are aware of these difficulties, and many are ramping up their industrial policies in response. Examples include the US Inflation Reduction Act, US CHIPS Act, European CHIPS Act and Critical Raw Materials Act. These all aim to improve domestic capacity for critical inputs to reduce external supply chain reliance and business exposure. However, such measures will take time to bear fruit. And while they may relieve some supply constraints, they may worsen others such as labor costs. Meanwhile, supply risks and vulnerabilities for companies remain high and they will need to learn to enhance their resilience.

Figure 9: Trade restrictions imposed worldwide annually by target category⁸

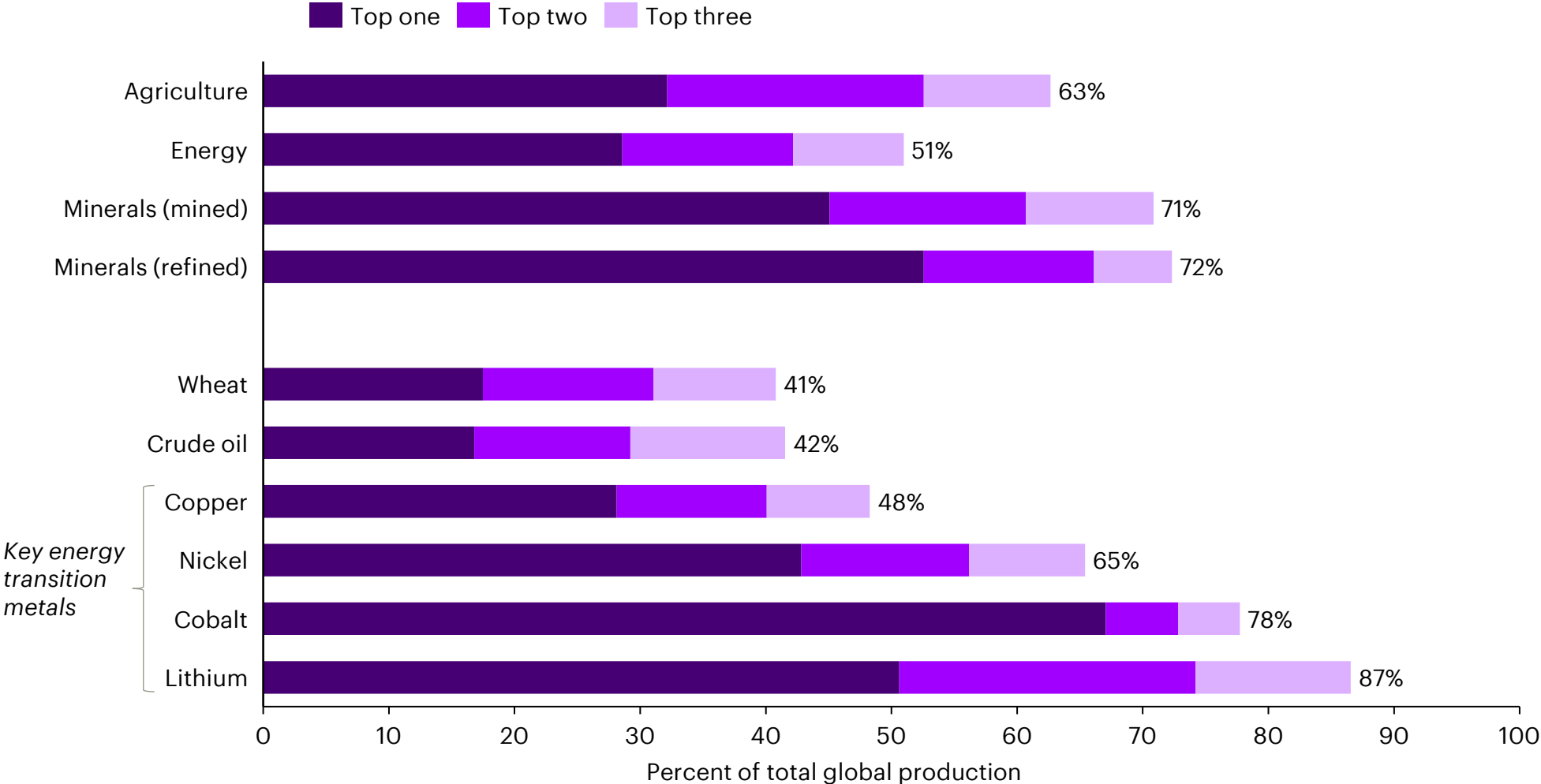
Number of trade restrictions



Sources: International Monetary Fund (IMF), Accenture Strategy analysis



Figure 10: Average share of top three countries in world production of key commodities⁹




Sources: International Monetary Fund (IMF), Accenture Strategy analysis





**What does
this mean for
businesses?**



What are the key channels of impact?

1. Margin erosion

Structurally higher costs represent a clear threat to corporate margins. Labor costs are a particular source of pressure, as the combination of greater worker bargaining power and workforce shortages drive many companies to pay higher wages. This is all the more relevant in industries with limited opportunities for automation.

At the same time, weakening economic conditions in many major economies means consumer demand is softening and price sensitivity is rising. Companies are therefore constrained in their ability to pass higher input costs on to consumers, compounding the risk of margin erosion.

2. Cost volatility

Companies can generally plan and prepare for higher input cost inflation, as long as it is stable and predictable. But economic, geopolitical and other external factors are making it increasingly hard to forecast price movements. This amplified uncertainty and volatility complicates business and capital planning considerably. Plans and forecasts will need to be reevaluated and revised more frequently, while hedging strategies and risk management may incur higher costs.

3. Market valuation pressure

Higher interest rates and tighter financial conditions pose a particular challenge for highly leveraged or capital-intensive companies, which may also be under broader cost pressure from other dimensions of the Great Supply Squeeze. Such companies will likely need to focus on refinancing or finding new sources of capital, potentially at much higher rates.

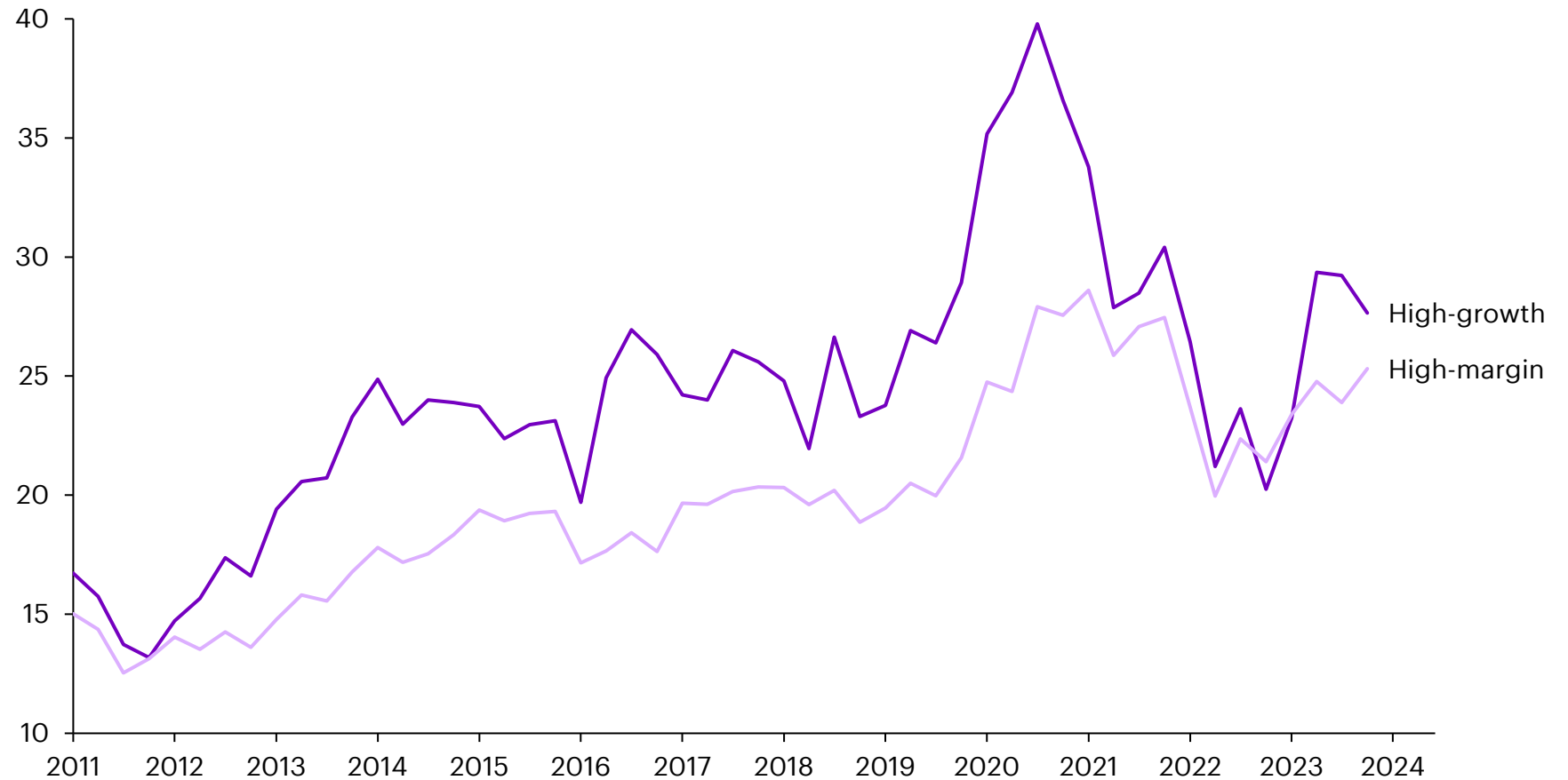
All of these dynamics will have profound and wide-ranging business implications. Four key pressure points stand out.

Market valuation dynamics also tend to shift in an environment of higher interest rates and input cost inflation. Investors place greater value on profitability (high and stable margins) versus top-line growth. They also tend to favor shorter-duration business models that can generate near-term cash flows.

Already, the market valuation premium in the US for high-growth vs. high-margin companies—a characteristic feature of the past decade—has narrowed considerably (Figure 11). This trend is expected to continue globally, creating headwinds for fast-growing but unprofitable companies, which are likely to find it increasingly difficult to raise capital at the costs and on the terms they were accustomed to.

Figure 11: Market valuation dynamics for high-growth and high-margin companies in US

Forward (next 12 months) price-to-earnings ratio



Note: Data is based on S&P 500 companies. High-growth companies are defined as those with >10% annual sales growth and high-margin companies as those with a >15% net income margin (NIM). These thresholds are roughly equivalent to the 70th percentile of the respective distributions of average net income margins and sales growth among S&P 500 companies over the 2011-2023:Q3 period. Sources: Refinitiv, Goldman Sachs Global Investment Research, Accenture Strategy analysis

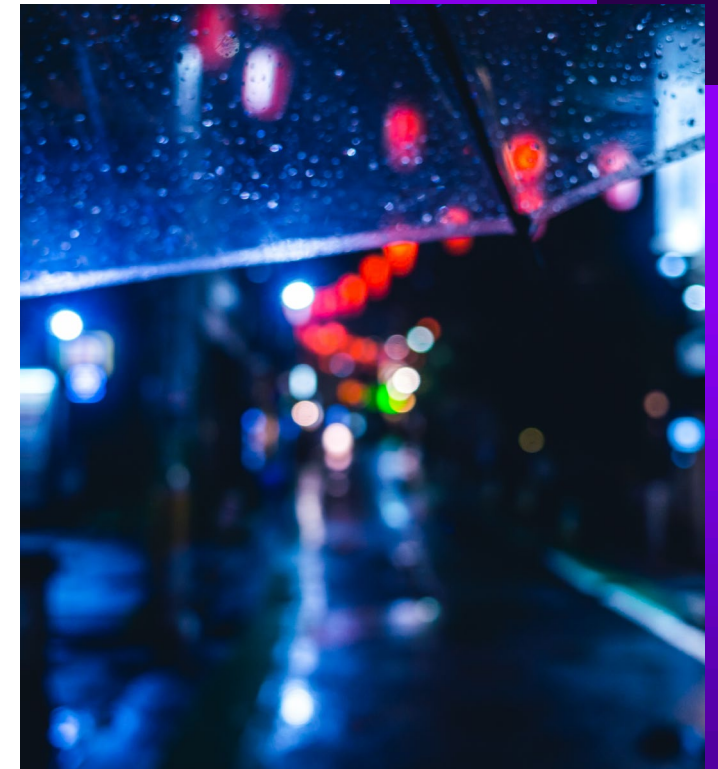
4. Supply chain management complexity

An environment of higher interest rates and growing geopolitical risk and trade fragmentation introduces additional complexity to supply chain management, especially for inventory strategies and for visibility into supply interdependencies and potential points of failure.

For inventory management, the challenge arises from the need to bolster resilience against supply shocks at a time when inventory carrying costs are increasing due to higher interest rates (i.e., a higher opportunity cost of capital). This presents companies with an increasingly difficult trade-off between minimizing inventory costs—via leaner

inventories and just-in-time strategies—and building precautionary stocks through just-in-case supply chain approaches.

For broader supply chain management, maintaining visibility on different tiers of suppliers and their respective risks and interdependencies becomes inherently more difficult in a world of elevated geopolitical and trade uncertainty. This will challenge companies to re-assess their supply chain vulnerabilities, [re-imagine their stress-testing processes and scenarios](#), and improve their agility to respond to more frequent global supply shocks.



Which companies are most vulnerable?

Some industries are inherently more exposed to the Great Supply Squeeze than others. Our analysis of 19 key industries provides a high-level view of which ones appear most vulnerable to the Supply Squeeze overall, as well as the four dimensions within it—financing, labor, energy and commodities, and supply chain fragmentation (Figure 12). See the Appendix for the methodology and data underpinning this analysis.

Figure 12: Dimensions of impact across Accenture industries¹⁰

Low vulnerability  High vulnerability

| Industry | Vulnerability to Supply Squeeze dimensions | | | | Average net income margin | Overall vulnerability |
|---------------------------|--|--------|----------------------|--------------|---------------------------|-----------------------|
| | Financing | Labor | Energy / commodities | Supply chain | | |
| Aerospace & Defense | Orange | Yellow | Orange | Orange | 7-8% | Yellow |
| Automotive | Red | Yellow | Orange | Red | 6-7% | Orange |
| Banking | Green | Red | Green | Green | 28-30% | Green |
| Capital Markets | Green | Red | Green | Green | 10-15% | Green |
| Chemicals | Red | Yellow | Red | Yellow | 5-6% | Orange |
| Comms & Media | Red | Orange | Yellow | Orange | 6-7% | Red |
| Consumer Goods & Services | Orange | Green | Orange | Orange | 8-10% | Yellow |
| Energy | Yellow | Green | Red | Red | 3-5% | Red |
| Health | Orange | Red | Yellow | Red | 3-5% | Red |
| High Tech | Orange | Red | Orange | Red | 7-10% | Orange |
| Industrial | Yellow | Yellow | Red | Orange | 5-6% | Orange |
| Insurance | Green | Red | Green | Green | 4-5% | Green |
| Life Sciences | Yellow | Orange | Yellow | Yellow | 10-15% | Yellow |
| Natural Resources | Red | Yellow | Red | Red | 3-5% | Red |
| Public Service | Green | Orange | Orange | Green | N/A | Yellow |
| Retail | Yellow | Yellow | Yellow | Yellow | 2-3% | Orange |
| Software & Platforms | Yellow | Red | Green | Green | 20-25% | Green |
| Travel | Red | Yellow | Orange | Green | 3-5% | Orange |
| Utilities | Orange | Yellow | Red | Red | 7-8% | Orange |

Note: Considerations in the analysis include indicators of: % of debt that is investment grade, % of debt maturing before 2028, worker compensation % of gross output, AI potential of tasks, energy usage and supply chain sensitivity. These are blended with qualitative assessments from internal subject matter experts. See Appendix for methodological details.

Sources: S&P Global, U.S. Bureau of Economic Analysis, EuroMonitor, Accenture Research, Accenture Strategy analysis



Our analysis reveals not only widespread vulnerabilities, but also large variance among industries. Some are vulnerable across all dimensions, while others face more concentrated exposure. The financial services sector, for example, is heavily impacted by labor cost pressures given its relatively high labor intensiveness, but has low vulnerability in other areas (although it may experience second-order effects through impacted client industries). Healthcare companies are most exposed to the labor squeeze, in part due to more limited opportunities for AI automation compared to other industries, but also face heightened cost pressures in other supply dimensions and have a small net income margin to absorb these pressures—hence a high overall vulnerability score.

Communications, media and technology companies (CMT) are typically exposed more broadly. Within this CMT cluster, high-growth tech companies with no short-term path to profitability—which attracted high valuations in recent years—are likely to face much greater valuation pressure (even if PE/VC owned) in a

higher interest rate environment. Financing risks are particularly acute for comms and media companies due to high upcoming debt maturities and large capital requirements for new technology deployment. The CMT cluster as a whole will be challenged by technology talent shortages and ongoing supply chain vulnerabilities, particularly for semiconductors, though software and platforms companies have a higher margin buffer to cushion supply-related cost increases.

Resources companies (chemicals, energy, natural resources, and utilities) are among the most vulnerable overall. Many of the most critical materials and electronic components for industrial infrastructure in this sector are sourced from Asia, creating supply vulnerabilities. Furthermore, the energy-intensive natures of these companies leave them highly exposed to increases in direct energy costs, evidenced by the massive hit many such companies took at the onset of the Russia-Ukraine war.



Spotlight: Implications for mining industry

Mining companies are particularly vulnerable to the Great Supply Squeeze. This is due to their highly capital-intensive operations (requiring significant debt financing), as well as their large labor forces of predominantly manual workers. These companies also have significant fuel and energy requirements owing to intensive operations and machinery usage and are exposed to market volatility through the array of commodities used in their processes. The highly complicated and globalized nature of mining supply chains adds to the vulnerability.

To get a quantitative sense of the potential financial implications, we modeled the impact of cost increases linked to each key dimension of the Supply Squeeze on the net income margin (the 2010-2019 average) of a representative mining company.* The illustrative cost shock assumptions were:

- Financing: A 150bp increase in borrowing costs, which is roughly the difference between current

US 10-year interest rates and their 2010-19 average, and thus an approximation of a higher-for-longer rate scenario

- Labor: a 2-percentage point increase in annual labor cost growth, relative to the 2% average growth rate observed in the mining industry from 2010-19
- Energy: a 4-percentage point increase in annual industrial energy cost growth relative to the 2% average growth from 2010-19; this is equivalent to half the 8-percentage point increase observed during the height of the Russia-Ukraine energy supply disruptions
- Supply chain: a 3% increase in general supply chain expenses, based on some recent studies on the corporate budgetary impact of growing trade restrictions**

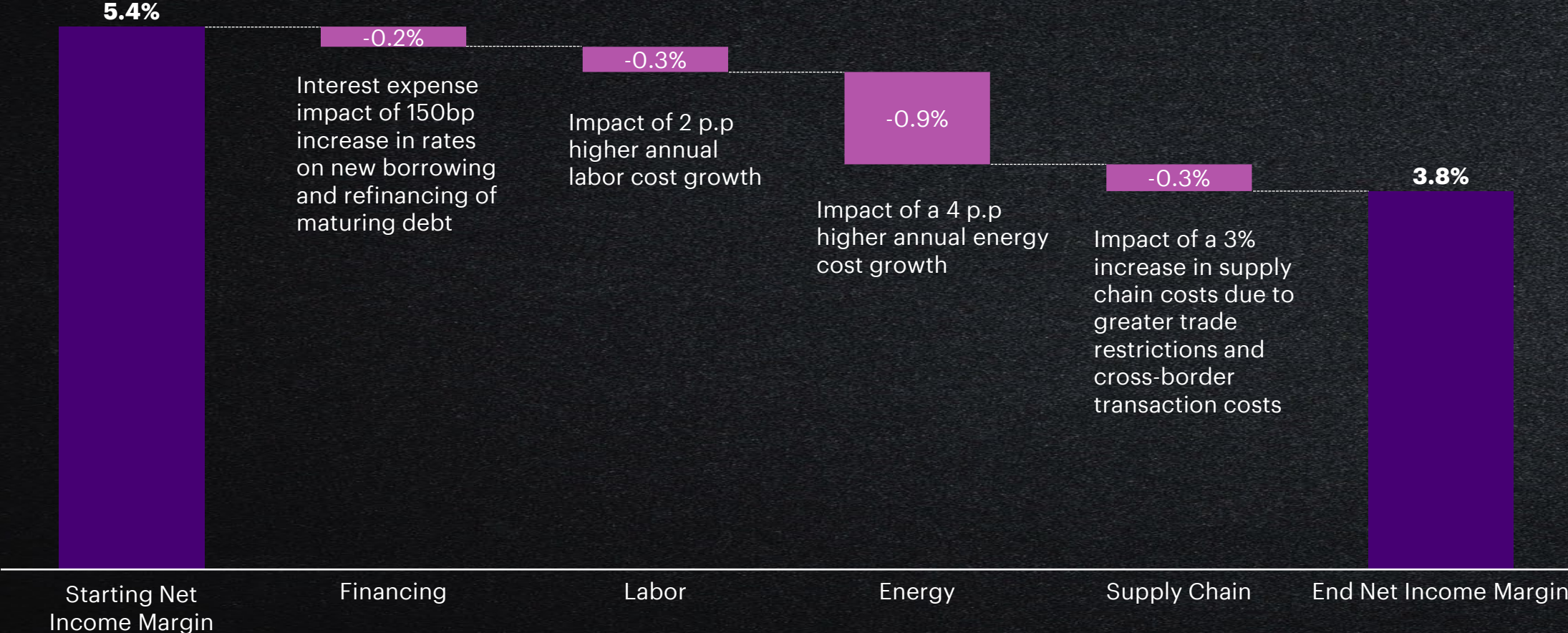
*The representative income statement used for the modeling was based on an average of several large global mining companies and refined with other mining industry cost analysis.

**See, for example, [Vizient \(2023\)](#) and [Supplychaindive \(2024\)](#).



Based on the mining company's debt and cost structure and some additional assumptions about the pass-through of these cost shocks to specific line items of the income statement (e.g., direct energy costs, interest expense), this analysis suggest that industry margins could shrink by around 1.6 p.p. compared to their pre-Supply Squeeze era norms (Figure 13). This would represent a significant hit to an already fairly low-margin industry, though some of it would be offset by the additional revenue from higher metals and minerals prices in the context of the Supply Squeeze.

Figure 13: Illustrative impact of the Great Supply Squeeze on mining industry margins



Source: Accenture Strategy analysis





How to adapt and build resilience

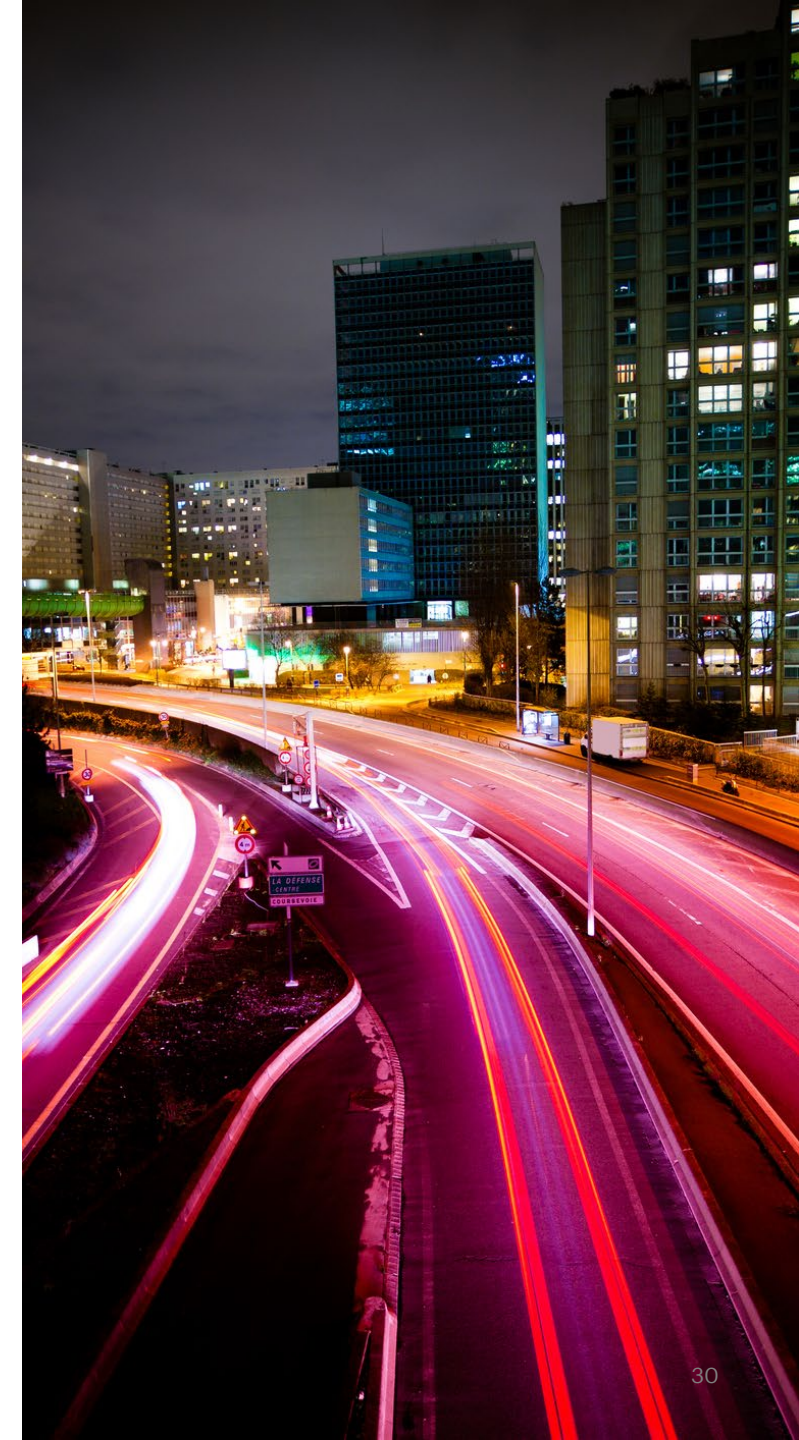


The structural nature of the Supply Squeeze means that building resilience will require companies to be strategic, holistic and long-term minded in their approach and in the capabilities they cultivate. Tactical tinkering to paper over vulnerabilities in the short-term will not be sufficient.

For some companies, especially those with business models geared to the profit-conducive conditions of the Great Moderation era, more fundamental enterprise reinvention will be necessary to achieve durable profitability in the Supply Squeeze era. For others, the focus may be more on addressing vulnerabilities to specific dimensions or impacts of the Supply Squeeze. In both cases, there are several key strategic and operational levers to consider, many of which can help address multiple challenges (Figure 14).

Figure 14: Key levers to address Supply Squeeze challenges

| | |
|---|---|
| <p>Margin erosion</p> <ul style="list-style-type: none"> • Fundamental cost reinvention and productivity improvements • Broad-based scenario planning • Talent transformation and organizational innovation • Industrial policy alignment and ecosystem partnerships | <p>Cost volatility</p> <ul style="list-style-type: none"> • Broad-based scenario planning • Supply chain reinvention |
| <p>Market valuation pressure</p> <ul style="list-style-type: none"> • Fundamental cost reinvention and productivity improvements | <p>Supply chain management complexity</p> <ul style="list-style-type: none"> • Fundamental cost reinvention and productivity improvements • Supply chain reinvention • Industrial policy alignment and ecosystem partnerships |



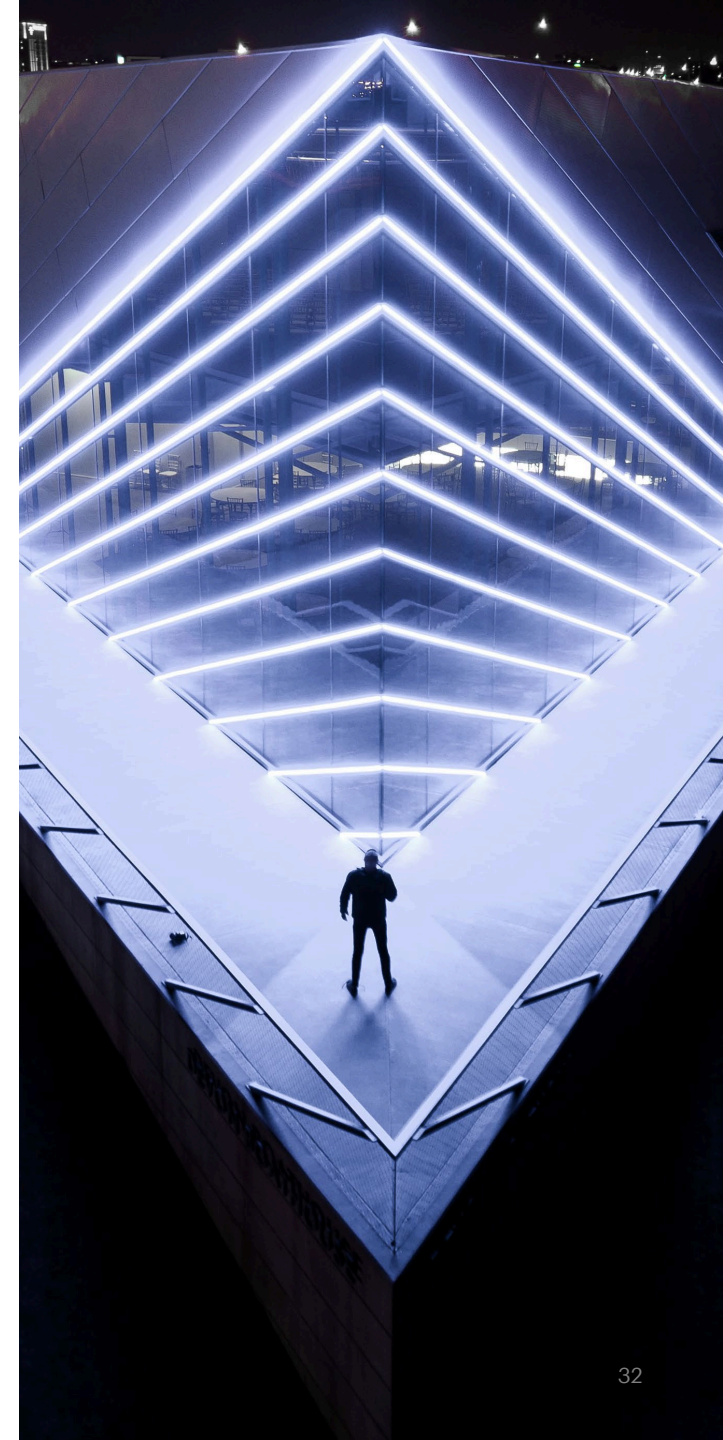
Key levers to address Supply Squeeze challenges

Cutting costs alone isn't enough. Allocating financial and human capital where it will create the most value long-term will help reinvent cost and productivity.



1. **Fundamental cost reinvention and productivity improvements.** Companies pulled various short-term levers to manage the inflationary shock of recent years, but as cost pressures become more structural, more durable savings and efficiency gains will be needed. To this end, companies should sharpen their focus on rationalizing duplicative activities, trimming pet projects to redirect resources towards profit-driving initiatives, and implementing AI and automation across relevant processes. Greater debt and financial management discipline will also be essential to navigating a higher cost of capital environment. But cutting costs alone isn't enough. Allocating financial and human capital where it will create the most value long-term will help [reinvent cost and productivity](#).
2. **Talent transformation and organizational innovation.** In the face of growing labor supply scarcity and skills gaps and shifting working models, companies will need to rethink how they source, upskill, and retain talent to remain competitive and resilient. Such [talent transformation in a world of uncertainty](#) will require companies to cultivate a culture of learning that is continuous, inclusive, diverse and maximizes workers' potential. It will also entail [augmenting worker capabilities and productivity through GenAI](#) and more [tech-powered organizational models](#).

3. **Broad-based and systematic scenario planning.** By embedding scenario planning more broadly across the organization, companies are better able to anticipate the impact of various macroeconomic pressures on underlying business performance, financials and demand. Remedial actions can be proactively identified to fortify resilience or capitalize on opportunities that arise within each scenario.
4. **Supply chain reinvention.** In anticipation of the further retrenchment of globalization and increased fragmentation of supply chains, companies should consider wider de-risking exercises and [investing in the right mix of resiliency-focused capabilities](#) to mitigate future exposures. At the same time, they should take steps to enhance demand forecasting models and diversify suppliers, including exploring onshoring and nearshoring opportunities.
5. **Industrial policy alignment and ecosystem partnerships.** Governments' industrial policies to promote domestic supply independence and foster national champions create strategic opportunities for companies to mobilize funding to support their own on/near-shoring initiatives. They also provide mechanisms for co-investment and R&D collaboration with other industry stakeholders that can yield cost efficiencies and competitiveness gains. To effectively interface with industrial policies and leverage incentives, companies will increasingly need to strengthen their government relations capabilities and ecosystem partnership frameworks.





Conclusion

The Great Supply Squeeze is more than just a new business challenge. It's a crucial turning point for the global economy. To thrive in this new environment, companies will need to adapt to a new set of supply constraints—in financing, in labor, in energy and commodities—as well as greater fragmentation across global supply chains.

The risks associated with this shift are significant, including eroding margins and greater complexity in business, financial and supply chain planning. The market valuation of high-growth but unprofitable companies will also come under increasing pressure.

The good news is that business leaders have a series of levers they can and should now pull to mitigate these risks. These include cost reinvention and productivity improvements, talent transformation and organization innovation, broad-based scenario planning, and supply chain reinvention. Industry partnerships will also be key for companies to effectively leverage government industrial policy incentives and boost competitiveness.

These strategies will help companies not only adapt to the Great Supply Squeeze, but also reinvent their businesses to drive competitive advantage in the years ahead.

Appendix

Accenture's industry vulnerability index was created by analyzing the impact of the four dimensions of the Great Supply Squeeze on 19 industries as follows:

- **Financial squeeze.** Percent of outstanding debt that is investment-grade (to approximate the industry's overall credit worthiness) and share of debt coming due in medium term (before 2028) to gauge near-term refinancing needs/risks.
- **Labor squeeze.** Labor compensation share of total industry output (to evaluate relative labor-intensiveness of each industry) and automation potential of labor tasks within that industry (to approximate degree to which labor cost pressures can be mitigated through automation).
- **Energy and commodity squeeze.** Energy inputs as share of total industry output (to evaluate relative energy-intensiveness).
- **Deglobalization squeeze.** Composite measure of supply chain length and complexity.

Ratings in each of these four dimensions were then averaged to arrive at an overall industry exposure/vulnerability score, which was adjusted to take account of the average profit margin in each industry. This meant that, for the same degree of assessed vulnerability across the supply squeeze dimensions, lower-margin industries were assigned a higher overall vulnerability score.

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