

# Kearney Supply Chain Navigator

An aerial night-time photograph of a large container ship docked at a port. The ship is illuminated with a mix of blue and red lights, creating a dramatic atmosphere. The deck is covered with numerous colorful shipping containers in shades of blue, red, and green. The ship's superstructure, including the bridge and various cranes, is visible on the left side. The water in the foreground shows light trails from moving vessels, suggesting a busy port environment.

Insights, foresights, and  
actions for operations  
strategy and execution

Q3 2024 outlook

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## Executive summary

## Kearney Supply Chain Navigator

A period of mild uncertainty persists, with costs gradually rising. ESG, AI, and network restructuring continue taking center stage as value drivers.

In the inaugural Kearney Supply Chain Navigator, supply chain (SC) fundamentals predicted a **forecasted rise of up to 1% quarter over quarter; actual cost increases came in at 0.5% increase** (99% forecast accuracy.)

The forward global outlook through **Q1 2025 based on algorithms and analysis predicts a range of -1% decline to 2% cost increase**, indicating a period of continued gradual cost increases of **up to 4% when annualized** ([see details here](#)).

Two components drive the forecast:

- 1) **Supply chain fundamentals based on metrics across plan, source, make, and deliver predict an increase of 0-2% through Q1 2025**, with most metrics largely stable, except for commodity prices increases and container costs which remain elevated ([see details here](#)).
- 2) **Consumer and business sentiment predicts a rise of 2% over Q3, followed by a flat position related to Q2 through Q1 2025**; SC professionals expect an increase in transportation costs ([see details here](#)).

In public conversations, ESG, AI, network rewiring, and disruptions continue to make top headlines. This quarter's report features two vignettes:

- **Practical ESG efforts yielding results.** While globally countries are woefully behind on 2030 Paris agreement targets, SC professionals agree that the quickest way to **achieve GHG goals** is through a **combination of operational projects that have potential to yield results within 6-12 months** ([see details here](#)).
- **Making smarter investments in AI based technology.** The rise of **AI adoption** is evident across industries. Companies that invest more are getting higher and better ROIs, and there are some hidden gem use cases that leaders have uncovered ([see details here](#)).



# State of global supply chains

What is top of mind for supply chains today?

How stable is the supply chain environment?

What is the sentiment of supply chain professionals?

What is the go-forward outlook for costs?

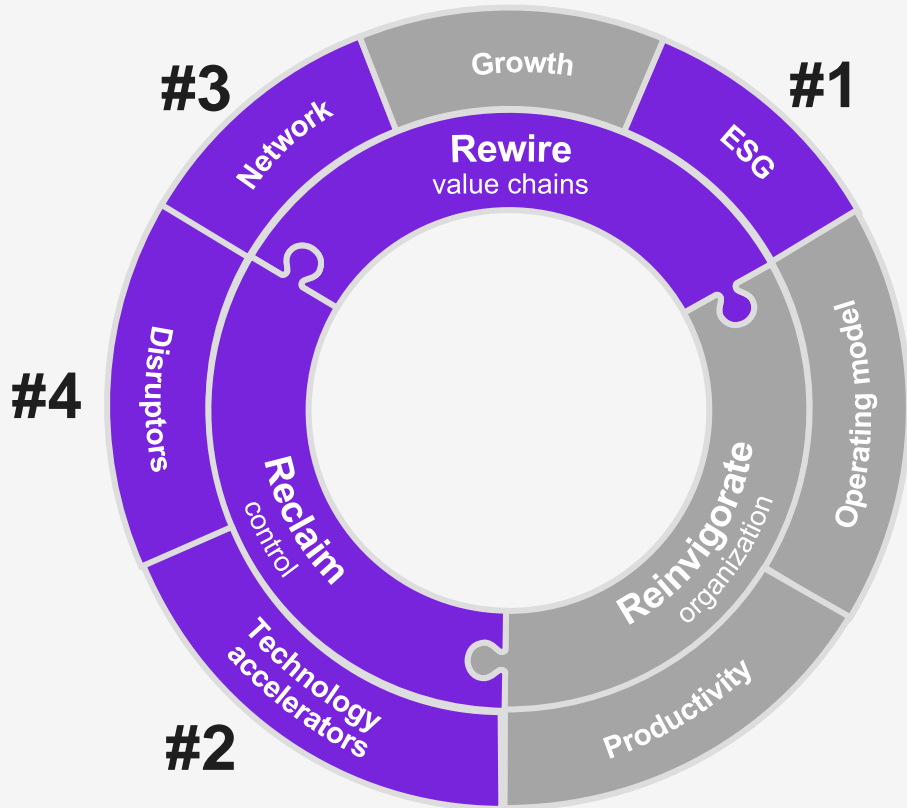
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# Top of mind: globally, progress on ESG, AI adoption, and network restructuring maintain mindshare, driving ~40% of all news

% of total supply chain news

**Kearney supply chain meta trends: 2024 Q2 global news highlights**  
(details on page 9)



## #1 – ESG 15%

Rise in setting up alliances for decarbonization

ESG is finally moving from strategy to action with various companies setting alliances for success: H&M and Rondo Batteries (heat storage); Gap, H&M, Mango, and Bestseller (supplier decarbonization financing), Maersk and Nike (biofuels); Daimler, Kawasaki, ENEOS, and Mitsubishi (study on hydrogen); Honda and BuyCo (ocean freight).

## #2 – Technology 12%

AI adoption rising in operations

92% of companies see budget for innovation increasing. Testing AI applications and driving value is on the rise. Leading companies are powering their ops with AI, including Pfizer, Heineken, and Kraft Heinz (demand and production planning), Danone (defect detection), and Bayer (network optimization).

## #3 – Network 10%

Supply chain diversification efforts continue boosting resilience

Countries collaborate for diversification and economic resilience/security (e.g., G7 leaders' joint monitoring on non-market policies). Inbound FDI in China is dropping gradually. In China, while textiles, power tools, and electronics decline, EVs and renewable energy are developing fast.

## #4 – Disruptors 6%

Natural disasters and other crises threatened global supply chains

A range of disruptors from natural events (e.g., Taiwan earthquake and Brazil Flood) to accidents (e.g., Baltimore bridge collapse) and cyberattacks (e.g., Seattle-Tacoma airport shutdown) continue to maintain a backdrop of volatility for supply chains.

Notes: Every quarter, global SC news is scanned for the mega trends. 6,800+ total news articles scanned for insight, which is more than the sum of parts (i.e., the meta trends above). Sources: Factiva Supply Chain News, Microsoft CoPilot, [Three keys to a regenerative supply chain](#); Kearney analysis

# Supply chain fundamentals

Overall rank



Neutral sentiment

Costs continuing to rise gradually.

Global inventory levels showed a typical increase in Q2 compared to Q1 with manufacturing outputs, commodity prices, and container rates showing targeted increases.

Manufacturing outputs, labor costs, and local truckload rates are showing a healthier trend toward improvement.

		One-quarter change	One-year change	Q2 Insights <i>(detailed trends on pages 12–19)</i>
Plan	Global inventory levels	+3%	-1%	– Inventory levels have seen an uptick in the most recent quarter, primarily driven by production activity in China.
	Commodity prices	+4%	+5%	– QoQ increases driven by metals (+14-15%) and energy (+3%) while food and raw materials (e.g., timber) remained relatively steady.
Source	Manufacturing GDP	+5%	+7%	– China led QoQ GDP growth at 11% while other major countries studied showed neutral growth.
	Manufacturing labor cost index	+1%	+8%	– Slight slowdown in labor cost increase; US, Mexico, and China labor rates saw gradual QoQ increase (1-2%); Germany saw highest increase at +6%.
Make	Container rates	+16%	+149%	– Post Red Sea disruptions from Q1, rates remain elevated due to longer routes and resulting global container shortages.
	Truckload rates	-2%	-1%	– China and Mexico are experiencing a minimal increase in truckload rates due to rising manufacturing activity, while other countries face a softening market.
Deliver				

● Cost/output at risk ● Cost/output deteriorating ● No impact ● Cost/output improving ● Cost/output drastically improving

# Supply chain sentiment

Overall rank



Slight optimism

Overall sentiment is **one of cautious optimism**: businesses and consumers continue to feel relatively neutral about the economy with global inflation declining, and consistent interest rates (e.g., US).

However, despite the ease of supply chain disruptions, costs continue to increase gradually.

**Fixed investment continues to rise** at a steady pace, reinforcing an optimistic outlook.

(detailed trends on pages 12–19)

		Current sentiment	One-quarter change	One-year change
<b>Consumer and business opinion</b>	Expected business performance	Mostly neutral	+0%	+0%
	Consumer economic outlook	Mostly neutral, with slight pessimism	-0%	+1%
	Inventory cost sentiment	Slight uptick expected	+0%	+6%
	Transportation cost sentiment	Decrease expected	-2%	+67%
	Manufacturing activity sentiment	Slight increase expected	+2%	+2%
<b>Investment</b>	Fixed investment	Slight increase expected	+4%	+3%

● Pessimistic outlook ● Slight pessimism ● Neutral sentiment ● Slight optimism ● Optimistic outlook

Source: expected business performance: OECD Business Confidence Index – Global Index; consumer economic outlook: OECD Consumer Confidence Index – Global Index; inventory costs: US Logistics Manager – US; transportation costs: US Logistics Manager – US; manufacturing activity: Purchasing Manager Index – US, China, Germany, India; fixed investment: Oxford Economics – China, Germany, India, Mexico, US; Kearney analysis

# Diving deeper – hot topics for Q2

What are the implications of the biggest news?

Deep dives:

- ESG: path to decarbonization
- Technology accelerators in supply chain

Supply chain fundamentals and sentiment metric deep dives:

- 5-year trailing insights
- Country-level breakdowns

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# Deep dive of top headlines: decarbonization and AI advances persist globally

Selected topic deep dives

		Quarterly highlights	What it means for SC leaders
ESG	Decarbonization partnerships across sectors	<ul style="list-style-type: none"> <li>– H&amp;M will explore opportunities for its global factories to replace fossil fuels with <b>Rondo heat batteries</b>.</li> <li>– Nike is increasing its use of biofuels in ocean transportation by partnering with <b>Maersk</b>.</li> <li>– For road freight transportation in Europe, <b>Daimler and Kawasaki</b> will jointly study liquefied hydrogen SCs.</li> </ul>	<ul style="list-style-type: none"> <li>– <b>Consideration for strategic partnerships</b> with suppliers and peers on decarbonization from supply to deliver</li> <li>– <b>Expanding the role and responsibility</b> of sourcing functions from compliance to improvement</li> </ul>
Technology accelerators	Rising AI usage to optimize supply chains	<ul style="list-style-type: none"> <li>– <b>58% companies</b> have already integrated Gen AI and ML into their operations (Nucleus Research survey of 1,700 SCM leaders on tech spending and future investments).</li> <li>– <b>Better connectivity outside the company, e.g.</b>, through venture capitalists, innovation forums, connectivity to start-ups drives greater success.</li> </ul>	<ul style="list-style-type: none"> <li>– <b>When deploying AI, ensuring three building blocks are built:</b> technology; underlying data architecture; and fit-for-purpose AI strategy and operating model</li> <li>– Understanding the <b>proven ROI of AI applications from the early investors, has the power to uncover hidden gems (page 11 deep dive on AI applications)</b></li> </ul>
Network	Supply chain reconfiguration unfolds gradually	<ul style="list-style-type: none"> <li>– <b>Western nations loosening China’s grip on supply chains</b> – G7 leaders’ coordination on non-market efforts, global biopharma alliance, US-Korea SCCD, and Australia-EU critical minerals pact are <b>some examples</b>.</li> <li>– <b>Inbound FDI in China</b> dropped 28% in the first five months of 2024, with May the 12th straight monthly decline.</li> </ul>	<ul style="list-style-type: none"> <li>– <b>Using the current opportunity to reset global network footprints to better manage global risk and volatility</b></li> <li>– <b>Creating a fit for purpose footprint strategy</b> – e.g., <b>consider various options</b> (automate non-China manufacturing, contract manufacturing and JVs in China, and greenfield expansion outside China).</li> </ul>
Disruptions	New supply chain woes keep piling up	<ul style="list-style-type: none"> <li>– <b>Cargo prices stay</b> high after the Red Sea crisis</li> <li>– <b>Labor strike fears</b> across US, Germany, Canada</li> <li>– <b>Taiwan earthquake</b> threatened <b>semiconductor</b> supply and <b>Brazil floods</b> threatened <b>agriculture</b> supply chains</li> <li>– <b>Baltimore bridge collapse</b> affected USEC logistics</li> </ul>	<ul style="list-style-type: none"> <li>– Building end-to-end resilience requires 5 key strategies as outlined in a <b>WEF-Kearney study</b> 1) shift <i>from global to globally connected, multi-local value chains</i>; 2) “doing” digital to “being” digital across E2E ops; 3) move from economies of scale to <b>economies of skill</b>; 4) regulatory compliance to <b>innovative sustainability</b>; and 5) being cost-driven to being <b>customer value-driven</b>.</li> </ul>

Notes: SCCD is supply chain commercial dialogue. VC is value chain.  
Sources: Factiva Supply Chain News; Kearney analysis

# More articles from Kearney operations thought leaders in the past quarter

Non-exhaustive

Operations-wide insights are available on the [Kearney Supply Chain Institute \(KSCI\) webpage](#).

Tower	Article Title	Topics covered	Link
Plan	More than seventy percent of planning transformations fail—start recovery now!	E2E vision, functional excellence, change management	<a href="#">Link</a>
	The key elements of a successful long-term inventory optimization journey	Inventory governance and culture, , system foundation, collaboration	<a href="#">Link</a>
	Interview: Current challenges in supply chain planning	Conflicting goals in SCM, tech	<a href="#">Link</a>
Source	Is mastering procurement the key to navigating airlines' modern challenges?	Airlines' procurement transformation	<a href="#">Link</a>
	Cost-competitive and resilient supply chains? It's not either-or; it's yes-and	Resilience as a part of the company strategy	<a href="#">Link</a>
	6x6: six initiatives companies can implement in the next six months to reduce carbon—and costs	Logistics network, energy management, sustainable sourcing, etc.	<a href="#">Link</a>
Make	Why is a SSOT indispensable for the next leap in I4.0?	Benefits of embracing an SSOT	<a href="#">Link</a>
	How the Kearney–AWS partnership helps manufacturers accelerate an AI transformation	Kearney+ AWS and Novotek	<a href="#">Link</a>
	Leaning into the future	Automation and digitalization	<a href="#">Link</a>
	Made in America: Here to stay?	2024 Reshoring Index	<a href="#">Link</a>
	R2R is a real opportunity for closer connection with the consumer.	Ecodesign in consumer electronics – Philips	<a href="#">Link</a>
Deliver	Waiting for the tide to turn	2024 State of Logistics (USA)	<a href="#">Link</a>
	Reimagining logistics: business models of tomorrow	India's logistics landscape	<a href="#">Link</a>
	How can you unlock savings with a distribution network redesign?	Project case study	<a href="#">Link</a>
End-to-end	Navigating toward new horizons in pharma operations: the end-to-end transformation imperative	Six trends reshaping the industry	<a href="#">Link</a>
	AI for supply chain and operations: three building blocks for success	Tech, data architecture, and AI strategy and op model	<a href="#">Link</a>
	From Disruption to Opportunity: Strategies for Rewiring Global Value Chains	Supply chain reconfiguration (WEF)	<a href="#">Link</a>

# Thank you

**Suketu Gandhi**  
Partner  
suketu.gandhi@kearney.com  
+1 630 240 9342  
Chicago



**Gillis Jonk**  
VP, Strategy and M&A  
gillis.jonk@kearney.com  
+31 650645630  
Amsterdam



**Haley Dunbrack**  
Americas Mktg. Sr. Coordinator  
haley.dunbrack@kearney.com  
+1 312 638 6811  
Chicago



**Michelle Chan**  
Associate  
michelle.chan@kearney.com  
+1 647 471 8508  
Toronto



**Rupal Deshmukh**  
Associate Partner  
rupal.deshmukh@kearney.com  
+1 864 553 0477  
Austin



**Sachin Narang**  
Sr. Global Knowledge Manager  
sachin.narang@kearney.com  
+1 416 596 3661  
Toronto



**Qing Zhou**  
Manager  
qing.zhou@kearney.com  
+1 312 223 6683  
Chicago



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