Supply chain issues have improved but …

42% indicate 2022 concerns remain

- Supply chain issues continue to impact members’ ability to control costs, grow and compete
- Costs to comply with regulations and tariffs are significant and holding back key investments
- Workforce challenges are a top issue
- Ocean freight and truck transportation issues remain in play

<table>
<thead>
<tr>
<th>April 2021</th>
<th>August 2021</th>
<th>February 2022</th>
<th>July 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fielded April 5 – 16</td>
<td>Fielded Aug. 9 – Sept. 3</td>
<td>Fielded Jan. 18 – Feb. 4</td>
<td>Fielded July 31– August 21</td>
</tr>
<tr>
<td>Sent to 400 member contacts</td>
<td>Sent to 401 member contacts</td>
<td>Sent to 405 member contacts</td>
<td>Sent to 398 member contacts</td>
</tr>
<tr>
<td>10% response rate</td>
<td>13% response rate</td>
<td>12% response rate</td>
<td>12.5% response rate</td>
</tr>
</tbody>
</table>
NAFEM members’ top business challenge 2023

- Recruiting and retaining employees is the top business challenge, followed closely by regulations.
Workforce challenges are impacting businesses’ ability to …
Despite a challenging labor market, NAFEM members plan to increase their workforce in 2024 and have open positions of less than 20%.

Do you plan to increase your workforce in 2024?

Yes
No
Unsure

What percentage range below represents your current number of open positions?

0% - 10%
11% - 20%
No recruiting or retention challenges
31% - 40%
21% - 30%
41% - 50%
Supply chain business impact

- Supply shortages and section 301 tariffs top business impact.
- Shipping costs are still the #2 concern for over 50% of respondents.
Supply chain outlook for 2023/2024 is expected to stay the same or improve from 2022

Profile of respondents' 2022 supply chain concerns (from 2021)

- Increased: 33%
- Same: 55%
- Fewer: 2%
- None: 2%

Profile of respondents' 2023 supply chain concerns from 2022

- Fewer concerns than 2022: 8%
- Same concerns from 2022: 42%
- Increased concerns from 2022: 50%
- No concerns: 0%
Transportation issues have lessened somewhat

- Slight reduction in delays across all modes
- Ocean freight and truck transport remain an issue, but overall respondents report decreased operational impacts of transportation

Which modes of transportation have impacted your ability to operate?

Which modes of shipping/transportation have impacted your ability to operate?

Shipping challenges continue to impact respondents' abilities to compete (34%), grow (26%), fulfill orders (62%) and control costs (66%).
Removing section 232 and 301 tariffs will provide relief

Would tariff removal provide supply chain relief?

- Yes: 52, 58, 30.61, 35.1
- No: 24, 22, 14.29, 35.42
- Unsure: 24, 20, 14.29, 25

2023 - 232 2023 - 301 2022 - 232 2022 - 301
Global supply chain issues impact operating methods

- Companies look for new suppliers, reshore and relocation opportunities
Regulatory challenges: volume, cost, timelines, lack of agency coordination

- Increasing volume of regulations
- Cost of compliance vs perceived customer benefit
- Compliance timelines
- Lack of agency coordination on regulations impacting the same product
- Overall feasibility including technological compliance capabilities.

[Bar chart showing percentages for each category, with indicators for 1, 2, 3, 4, and 5.]
If regulatory compliance spending were reduced companies would …

- Purchase new equipment
- Hire more employees
- Increase wages and benefits
- Other (please specify)
- Expand facilities
- Increase community philanthropy
Over 40% of the companies participating indicated they will pay more than $40,000 in compliance costs in 2023, with more than half of those paying greater than $100k.
Regulatory challenges pose an existential threat for smaller companies. Many do not have the resources to dedicate to tackling these burdensome regulations in the time we have been given.

We are not against these regulations, we are simply asking for more time to comply.

We are very much concerned about the increased energy standards passed by various states. In some states, the increased regulations have outpaced industry resulting in many common products that do not and will not meet the new standards.

Paying a 25% tariff on 430 stainless steel when US mills don't want to make this metal, makes no sense.
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