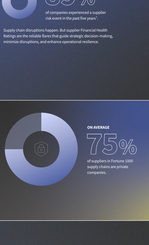
RAPIDRATINGS

Snapshot: Global supply chain vulnerabilities



89%

of companies experienced a supplier risk event in the past five years[1]

Supply chain disruptions happen. But supplier Financial Health Ratings are the reliable flares that guide strategic decision-making, minimize disruptions, and enhance operational resilience.

ON AVERAGE

75%

of suppliers in Fortune 1000 supply chains are private companies.

THE FINE*

To assess the levels of distress in supply chains, we've used aggregated Financial Health Rating (FHR) data[2] obtained by analyzing the financial statements of 16,000 companies. Of these companies, 75% companies include suppliers in the industries we describe.

*For more detailed statistical breakdowns

High risk vs. low risk
Who's who in your supply chain?

Identifying suppliers with strong Financial Health Ratings is critical for resilient supply chains. Our analysts uncovered concentration risk in key supplier cohorts, revealing which suppliers are likeliest to cause disruptions and which stand to be your best allies in challenging times.

Auto Manufacturing

WHAT PERCENTAGE OF THESE SUPPLIERS POSE A HIGH OR VERY HIGH RISK TO YOUR BUSINESS?

- 22% — Plastics and Rubber Products Manufacturing
- 30%
- 23% — Electrical Equipment, Appliance, and Component Manufacturing

STRONGEST MOST RESILIENT SECTORS

AA/AAA RF	AA/A RF	AA/A RF
67.1	**62.9**	**62.6**
Professional, Scientific, and Technical Services	Fabricated Metal Product Manufacturing	Merchant Wholesalers, Durable Goods
LOW RISK	LOW RISK	LOW RISK

Risky: How can you tell?

Financial risk underpins all other risk categories. It's the canary in a coalmine for risk and resilience management. Financial Health Ratings expose the vulnerabilities beneath the surface—so you can identify risky suppliers quickly.

- Operating margin
- Leverage
- Cash ratio

TRANSPORTATION EQUIPMENT MANUFACTURING

HIGHER RISK			LOWER RISK	
-2%	28%	10%	8%	33%	38%

55%

of manufacturing companies listed increasing visibility in their supply chain a business priority[3]

Aerospace and Defense

WHICH SECTORS PRESENT THE HIGHEST RISK TO YOUR OPERATIONS?

- 36% — Aerospace Product and Parts Manufacturing
- 28% — Software Publishing
- 23% — Electrical Equipment, Appliance, and Component Manufacturing

STRONGEST MOST RESILIENT SECTORS

AA/A RF	AA/A RF	AA/A RF
63.7	**62.9**	**62.6**
Computer Systems Design and Related Services	Fabricated Metal Product Manufacturing	Merchant Wholesalers, Durable Goods
LOW RISK	LOW RISK	LOW RISK

84.6%

of respondents cited increased cost of working as the primary impact of supply chain disruption[4]

Technology

ARE THESE HIGH-RISK SUPPLIERS IN YOUR SUPPLY CHAIN?

- 23% — Communications Equipment Manufacturing
- 28%
- 24% — Electrical Equipment, Appliance, and Component Manufacturing

Zoom in on the risk and resilience divide

Financial Health Rating scored the disparity in financial ratios between high- and low-risk companies.

- Operating margin
- Leverage
- Cash ratio

SOFTWARE PUBLISHING

HIGHER RISK			LOWER RISK		
-24%	28%	10%	13%	8%	87%

STRONGEST MOST RESILIENT SECTORS

AA/AAA RF	AA/A RF	AA/A RF
67.1	**66.9**	**62.6**
Professional, Scientific, and Technical Services	Telecom	Fabricated Metal Product Manufacturing
LOW RISK	LOW RISK	LOW RISK

79%

of companies with high-performing supply chains achieve greater revenue growth than the average for their industry[5]

Financial Services

WHICH VENDORS ARE HIGH-RISK AND LIKELY TO COMPROMISE YOUR OPERATIONS?

- 33% — Data Processing, Hosting, and Related Services
- 28% — Software Publishing
- 21% — Electrical Equipment, Appliance, and Component Manufacturing

STRONGEST MOST RESILIENT SECTORS

AA/AAA RF	AA/A RF	AA/A RF
73.1	**66.9**	**66.3**
Management, Scientific, and Technical Consulting Services	Telecom	Administrative and Support Services
LOW RISK	LOW RISK	LOW RISK

63%

of companies do not use any technology to monitor their supply chain performance[6]

Healthcare and Pharma

DO YOU HAVE HIGH-RISK SUPPLIERS HIDING IN PLAIN SIGHT?

- Software Publishing — 28%
- Scientific Research and Development Services — 24%
- Machinery Manufacturing — 21%

STRONGEST MOST RESILIENT SECTORS

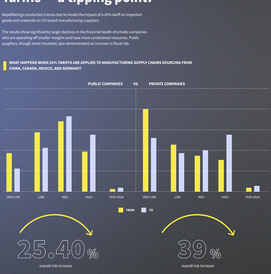
AA/AAA RF	AA/A RF	AA/A RF
66.2	**63.7**	**62.9**
Administrative and Support Services	Computer Systems Design and Related Services	Fabricated Metal Product Manufacturing
LOW RISK	LOW RISK	LOW RISK

Tariffs — a tipping point?

RapidRatings conducted a stress test to model the impact of a 25% tariff on imported goods and materials on US-based manufacturing suppliers.

The results show significantly larger declines in the financial health of private companies who are operating off smaller margins and have more constrained resources. Public suppliers, though more insulated, also demonstrated an increase in fiscal risk.

WHAT HAPPENS WHEN 25% TARIFFS ARE APPLIED TO MANUFACTURING SUPPLY CHAINS SOURCING FROM CHINA, CANADA, MEXICO, AND GERMANY?



25.40% overall risk increase

39% overall risk increase

Results show that 25% tariffs cause a significant **decrease in financially stable companies**, and an **increase in risky ones**.

In fact, 25% tariffs causes a **significant increase in the numbers of high risk and very high risk companies**.

WHEN A 25% TARIFF IS APPLIED WE SEE A SIGNIFICANT INCREASE IN THE NUMBERS OF HIGH RISK AND VERY HIGH RISK COMPANIES

THE NUMBER OF HIGH-RISK COMPANIES INCREASES BY:

THE NUMBER OF VERY HIGH-RISK COMPANIES INCREASES BY:

The takeaway

Different industries have different thresholds for safe and increased costs for imported goods and materials will lead to higher operational risks, reduced competitiveness and financial instability. Businesses who are low-risk have the ability to handle the stress. Those that are high-risk, overall, Viability—especially non-private companies that make up the majority of suppliers in your supply chain—will be increasingly challenged in maintaining resilience.

RapidRatings' FHR risk management solution analyzes and rates both public and private companies, based on their actual financial statements - giving you the answers and guidance to keep your organization running successfully.

FHR 0-19	FHR 20-39	FHR 40-59	FHR 60-79	FHR 80-100
VERY HIGH RISK	HIGH RISK	REGULAR RISK	LOW RISK	VERY LOW RISK

Uncover vulnerabilities in your supply chain.

CONTACT US

[1] Interos Annual Global Supply Chain Resilience Outlook

[2] FHR, or Financial Health Rating, ranges from 1 to 100

[3] RapidRatings Global Resilience Report 2021 Results

[4] The Middle-Size Supply Chain Management Challenge | Michigan Technological University

[5] The Middle-Size Supply Chain Management Challenge | Michigan Technological University