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From left, Brian Sall, Jeffrey Rossi, Matthew Hummel

FINANCE

Inflation, the Supply Chain and What It Means for Manufacturing

Kelli Freeman, Contributing Writer | Thursday, December 1, 2022

The three biggest challenges facing the industrial sector today are labor, supply chain and uncertainty of where we are and where we are going, according to panelists at a Nov. 10 webinar hosted by the New York–based U.S. national accounting and advisory firm **Marcum LLP**. The discussion included financial professionals from Cleveland-based **KeyBank**, one of the largest banks in the U.S. The focus was on the "Fight to Control Inflation and What It Means for Business" and how the Fed is using interest rates to manage inflation and the impact these actions could have on businesses.
The U.S. Dollar Index shows that its value is at about a 20-year high relative to the global markets.

The Job Openings and Labor Turnover Survey reports that there are two open jobs for every available worker domestically. Enterprise Commercial Payments, Head of Commercial Liquidity Brian Sall of KeyBank said, “Some theories say the labor market runs in a six-month lag relative to Fed actions, so if you back that up to June, we may feel ramifications of these Fed moves in the next month or two.”

NE Consumer & Industrial Products Leader Jeffrey Rossi at Marcum said, “I think even with interest rates being as high, a lot of folks in the industrial sector are going to look to innovation and they’re going to make investments in automation and upgrade their technology very significantly.”

Matthew Hummel, market president and team leader at KeyBank,listed the top-of-mind issues as “inflation, specifically wage inflation, and attracting and retaining key employees and trying to get them back to work.”

Added Rossi, “With high freight costs, it’s very disadvantageous to be sourcing overseas, so a lot of companies across the country are looking local. Reshoring is most definitely here, so hurray for manufacturers across the country. I love the Made in America flag—great to see the uptick in the reshoring effort.”

The panel agreed that to avoid risks, companies should communicate often and honestly with their financial advisers, look at IRS regulations specific to interest limitations, and forecast and find out if that high interest rate, for example, is deductible.