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Cost and Procurement impacts on Space Programmes linked to high inflation and world-wide scarcity of
components and materials (6)

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HIGH INFLATION AND SUPPLY CHAIN DISRUPTION

Abstract

Inflation measures the rate of rising prices in the economy. Inflation in the supply chain can cause an increase on prices, resulting in an increase in production costs, such as wages, raw materials, utilities, and transportation. Despite prices do not always equilibrate supply and demand, in today's economy it is quite obvious that a disequilibrium is observable in the form of shortage of materials. Inflation and shortage of materials are thus part of the dynamic adjustment of prices to macroeconomic and political shocks, but if uncontrolled, inflation can result in a severe loss of purchasing power. Consequently, Organizations together with Industry, need to act now to be resilient to the new reality. This is specially needed in countries with a sharply higher than average inflation trend such as Estonia, Lithuania, Slovakia, Bulgaria and others. Measures that Organizations and Industry in those countries can work on together range from advance procurements, which helps to offset rising costs, to establishing price change mechanisms to better control the unavoidable increases.