

# Chemical and Pharma Industries Business Continuity Plan

across countries in COVID-19 situation



Impact of COVID-19 on chemical and pharma industries

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Top 10 chemical industries in the world by revenue

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Percentage change in chemical production due to COVID-19 worldwide between December 2019 & February 2020 by region

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Business Continuity Plan for chemical and pharma companies

# Impact of COVID-19 on chemical and pharma industries

**T**he sad news about Coronavirus is its effect on the global economy and financial markets to the tune of \$2.7 Trillion. This could lead to a recession in the United States, Europe, and Japan. Also, the annual global GDP growth is projected to drop to 2.4% in 2020.

Dr. Panos Kouvelis, director of The Boeing Center at Washington University in St. Louis, estimates, “a \$300+ billion impact on the world’s supply chain that could last up to two years”.

Due to the lockdown across borders, the world is experiencing a price hike of pharmaceutical raw materials and medicines. China and India are amongst the two largest pharmaceutical manufacturers in the world and due to the outbreak of COVID-19 in China, the world suffered a setback in the supply chain of drugs and chemicals.

This has led to a shortage of some antibiotics and important drugs across the globe. In fact, some chemical companies have the surplus raw material, however, they do not have the manpower to produce the final product. With the outbreak of COVID-19, the world is now experiencing a wide gap between the supply and demand of chemical drugs and pharma ingredients.



# Top 10 Chemical Industries in the world by revenue



Companies & Countries	Revenue in U.S Billion Dollars
BASF - Germany	68.45
Bayer - Germany	50.17
Dow - U.S	47.36
Du Pont de Nemours - U.S	36.41
Lyondellbasell Industries - U.S	35.42
Mitsubishi Chemical Holdings - Japan	35.16
Linde - Germany	26.96
LG Chem - South Korea	24.28
Air Liquide - France	24.01
Toray Industries - Japan	21.30

# Percentage change in chemical production due to COVID-19 worldwide between December 2019 and February 2020 by region

COVID-19 effect on the chemical industry across the globe has led to a decrease in global chemical production by 2.4% in February 2020. The following table shows the comparison of the global chemical production of various countries between Dec 2019-Jan 2020 (pre-COVID-19) and Jan 2020-Feb 2020 (post-COVID-19)

Country	Dec 2019 - Jan 2020	Jan 2020 - Feb 2020
China	-2.1%	-6.4%
Asia-Pacific	-1.5%	-3.9%
India	-4.8%	-1.9%
Mexico	+0.9%	-1.3%
Latin America	-0.1%	-0.3%
North America	+0.2%	-0.1%
Africa & Middle East	+0.2%	-0.1%
Europe	-0.1%	0%
The former Soviet Union	+0.6%	+1.2%
Global	-0.8%	-2.4%

# Business Continuity Plan for chemical and pharma companies

Most of the companies were ill prepared for a pandemic, and on a go-forward basis it's imperative that business continuity plans include all kinds of disasters including pandemics. To counter the impact of Coronavirus on supply chain, a new and innovative Business Continuity Plan is required for the chemical industry and should address:

- **Primary tasks to ensure minimal impact to business operations**
- **Presence in multiple countries to minimize impact**
- **Backup production facilities**
- **Potential business threats**
- **Information on organization backup - data and website**
- **Details of where to go plan for personnel if any disaster event takes place**
- **Executive sponsorship**
- **Buy-in from everyone in the company**

As stated earlier, COVID-19 has disrupted the supply chain of medical products across the globe. However, there may be some operational activities that one may not be able to avoid, and so it's important to proactively plan and minimize operational risk. Here are a few proactive steps that an organization may take to plan for a second COVID wave in the fall of 2020.

## Reviewing Existing Business Continuity Plan

As the world was unaware of COVID-9 and its effect on business earlier, no one anticipated the impact. But armed with the knowledge, it is crucial to examine an organization's current BCP strategy and make necessary changes. Executive sponsorship is critical to implement this revised plan. Post implementation, evaluation of the results and further amendments of the plan are some critical points to consider.

Due to lockdown in most countries, the supply of raw material has declined, which has led to the reduction in production of chemicals and bulk drug intermediates. It is that time when companies need to devise a strategy to ensure the efficient use of the stocked raw material. BCP should include guidelines to authorize appropriate stocking and utilization of raw material to maintain production.

## Utilize Raw Material

## Geographical Risk Mitigation

Chemical companies should mitigate risk by having presence or partners in multiple geographies and build a coordination strategy to distribute manufacturing scale. Factory units which are in working conditions can be utilized with maximum potential. BCP plan needs to provide guidelines to various departments on how to coordinate and maintain production. It is critical to address how, when, where, and who will be working on specific tasks and implement backup.

Most countries have restricted their import and export businesses. This means the supply chain will get hindered due to the lack of raw material to support downstream production processes. To mitigate some of this risk, it's important to partner with vendors who are not co-located and can supply raw material in the face of a disaster.

## Vendor Partners in Multiple Geographies

## Regulatory Concerns

Procuring permissions from regulatory bodies for a skeleton crew to support production is important. Ensuring logistics like travel, food and safety of the employees is paramount.

In US alone, COVID-19 is resulting in a loss of \$25B USD per day. Economists are continuing to debate on the magnitude of the recession and the shape of recovery. Is it short term with maximum damages or is it a long term recession that will affect the global economy for years?

Business Continuity Plan adds leverage to the working of any firm as it acts as an anchor at the most vulnerable times. COVID-19 has shaken the world economy to its final phase and its critical for every company to implement backup operational plans to minimize revenue impact, and reduce business losses.