



Yardi Matrix

# National Industrial Report

---

April 2024



# Supply Chains Back in Spotlight

---

- The major bottlenecks that plagued supply chains in 2021 and 2022 have long since dissipated, but recent events that interrupted global shipping lanes in Baltimore and the Panama Canal serve as a reminder of the ripple effects caused by disruptions.
- The collapse of the Francis Scott Key Bridge in Baltimore will impact trade of goods and commodities and increase traffic at other ports along the Eastern Seaboard, but it won't lead to massive disruptions in the global supply chain like those that occurred when the Ever Given got stuck in the Suez Canal in 2021. Overall, the Port of Baltimore is the East Coast's fifth busiest and the top port for automobile imports. Its status as the nation's farthest inland port also makes it a leader in imports of farm equipment and exports of coal. Ships are being rerouted to other coastal ports, and temporary openings have allowed some smaller ships that were stuck to leave. While the port's main channel is set to fully reopen at the end of May, reconstruction of the bridge will take much longer. Truck shipping in the region will remain muddled, and some firms may continue rerouting cargo in order to avoid issues transporting items once they are removed from ships.
- While the impact of the bridge collapse will remain mostly localized along the East Coast, other significant threats to global supply chains have emerged this year. Two of the world's key shipping corridors currently face huge disruptions. The Panama Canal has been operating at reduced capacity this year due to a drought in the region, which has reduced availability of water to fill the canal's locks. The average number of daily ship crossings through the canal was down by roughly 33% year-over-year during the first quarter. As Central America begins its rainy season, supply-chain managers are holding their breath in hopes that the drought will come to an end. Even if it does, however, activity isn't likely to return to normal before the end of the year. Across the globe, the Yemen-based Houthi militia has been firing missiles at ships in the Red Sea and the Gulf of Aden.
- Firms that learned lessons about supply-chain resiliency during the COVID-19 pandemic will be more prepared for these mounting challenges. While these risks do not yet appear to be a major cause for concern, they are worth monitoring. Not only did supply-chain disruptions create imbalances in the industrial sector but they were also a major driver of inflation reaching levels not seen in four decades. If supply-chain disruptions cause inflation to rise once again, a soft landing becomes much less feasible and the chance of a recession is higher.

