



What you need to know about the supply chain bottlenecks

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Supply chain snarls and labor shortages are driving prices higher and creating shortages as the economy struggles to adapt to a new phase of the coronavirus pandemic.

After slashing prices and laying off workers at the onset of COVID-19, manufacturers, suppliers and retailers have struggled for months to meet the quick rebound in demand unleashed by unprecedented federal aid and highly effective coronavirus vaccines.

Consumer prices rose 0.4 percent in September and 5.4 percent in the 12 months leading into it, according to data released Wednesday by the Labor Department. Much of the September jump came from rising food, energy and shelter prices — an economically challenging mix for Americans with tight budgets and a politically toxic combination for President Biden and Democrats.

Deepening backlogs at ports and worker shortages at nearly every point in the supply chain have also left shelves depleted of popular products — just as Americans begin planning out their holiday purchases.

“The demand is there. There's close to \$2 trillion in savings sitting in household accounts, the American consumer is flush with cash, and ready to move back towards what we might consider normal modes of consumption,” said Joe Brusuelas, chief economist at audit and tax firm RSM.

While the Biden administration is scrambling to ease the problem, Brusuelas warned that only time will fully normalize supply lines.

“At this point there's not much that the federal government can do to what can accurately be described as a behavioral shock,” he said.

Here's what you need to know about the supply chain challenges.

New habits die hard

Many economists believed the burst of inflation seen earlier in the year would quickly fade as supply chains kicked back into gear and workers came back into the labor force with the pandemic well under control. But as the delta variant caused a global resurgence in COVID-19 cases, supply chains buckled again while demand chugged along.

Brusuelas said that COVID-19 outbreaks in northeast and southeast Asian shipping and manufacturing hubs caused shutdowns similar to those during the onset of the pandemic in early 2020. Declines in energy production, as well as port and factory closures driven by surging cases, have severely limited the ability to meet recent demand.

“The issues around the supply chains are not driven exclusively by consumption, but rather by ports that are not open 24 hours a day, a lack of labor specifically within the trucking industry, to move goods from ports to warehouses to stores, and the lack of labor and the warehouses themselves, which are also not open 24 hours a day,” Brusuelas said.

Meanwhile, U.S. consumers have continued to spend, but not evenly across the economy.

While online stores, mega-retailers and furniture sales have benefited from the delta-driven shift, surging cases made it difficult for nearly every industry to hire enough workers to handle rising demand.

Employment growth fell from nearly 1 million jobs in July to 366,000 in August and 194,000 in September, leaving businesses scrambling to fill more than 10 million vacant positions. Though some economists expected the September lapse of federal unemployment benefits to fill the void, the recent jobs report confirmed the pandemic's inherent curb on the economy.

“These are all COVID-restriction related or COVID-disruption related things, and until we let all of that work out, this is not going to go away,” said Norbert Michel, a vice president at the Cato Institute, a libertarian think tank.

Holiday shopping season at risk

The persistent supply chain issues and worker shortages are not expected to be permanent features of the post-pandemic economy, but will likely take several months to fix. That means Americans can expect to pay more for their holiday spreads and have trouble finding certain gifts in time for December celebrations.

“I know you're hearing a lot about something called supply chains and how hard it is to get a range of things from a toaster to sneakers to bicycles to bedroom furniture,” Biden said in remarks Wednesday before meeting with business and labor leaders.

“With the holidays coming up, you might be wondering if gifts you planned to buy will arrive on time,” he said.

Analysts have stressed for months that Americans should knock off their shopping lists quickly to ensure gifts will arrive by the middle of December — and expect to pay more for them.

Chad Moutray, chief economist at the National Association of Manufacturers, said some companies have even purchased their own ships or flown in components of products to avert port backlogs and a lack of container space.

“All of that leads to higher prices. Much of that can be passed on to the consumer, but the overall cost of production here is going up pretty phenomenally, largely because of all the extra costs related to shipping but also to being able to navigate some of these supply chain issues,” Moutray said.

Food producers and suppliers have also boosted prices as they struggle to work through a range of obstacles, including processing plant closures, trucking shortages, and volatility within the restaurant and bar sector.

The consumer price index (CPI) for food rose 0.9 percent in September, making up more than one-fourth of the total monthly increase in inflation. The index for food at home rose 1.2 percent last month as prices for basic staples rose sharply.

Meat, poultry and fish prices rose 2.2 percent in September, with beef, bacon, ham and fresh fish rising by more than 2 percent each.

“Sometimes it's a processing issue, sometimes it's a labor issue, sometimes it's an import issue — it's a variety of things as we sort of recover from the pandemic and the shock that it provided globally to the food system,” said Agriculture Secretary [Tom Vilsack](#) in a Tuesday [interview with WAMU](#), the NPR affiliate in Washington, D.C.

“People were a little bit surprised at some of the increases that they saw,” he continued. “I think we're gonna see a moderation of that which is good. And from time to time there may be a shortage here or there, but I don't think people can be prevented from being able to feed their families nutritious food.”

Few easy fixes

Just hours before the release of the September inflation data, the White House announced that Walmart, FedEx and UPS will increase operations to 24 hours a day, seven days a week to keep goods moving. The administration also said the Port of Los Angeles will adopt a similar schedule, and that labor leaders are willing to make sure enough workers are on the job to handle the load.

Business groups are urging Congress to provide more funding for job training programs and allow for more temporary visas to fill vacant trucking jobs and other open positions. One of the best ways to make that happen, they argue, is through the \$1 trillion bipartisan infrastructure bill that would establish an advisory board to encourage women to enter the trucking industry and set up an apprenticeship program for truck drivers under the age of 21, in addition to revamping roads and bridges.

Others have called on Biden to activate the National Guard to help alleviate supply chain congestion, and incentivize states to use the Guard or open up U.S. Navy ports to help unload cargo.

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Even so, economists and business groups say it could take several months to see an impact on prices and shipping times as the country adjusts to life amid the evolving pandemic.

“Individuals are reassessing their professional careers and their lives following what is a shock that is equal to global wars or depressions that we all know from history,” Brusuelas said.

“Until we achieve a level of confidence within the public that they can go back to work, that they can go back to the stores, that they can attend social events without the risk of contracting disease, we're just going to be in this strange nether world where we're short of workers.”