

Macro Roundup Article

Headline: [Global Supply Chains: The Looming “Great Reallocation”](#)

Article

Link: https://www.kansascityfed.org/Jackson%20Hole/documents/9747/JH_Paper_Alvaro.pdf

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Summary: Rather than signaling a trend towards deglobalization, the available data hints at a looming “great reallocation” of US supply chain activity. This shift is marked by a decline in direct US sourcing from China, with a corresponding rise in import share from low-wage locations, chiefly Vietnam, and regional trade areas, particularly Mexico. Recent policy efforts may ultimately not succeed in their objective to reduce US dependence on supply chains tied to China. Despite a decrease in US direct reliance on China, there has been an increase in China’s import share in “friendly” nations, including the EU, Mexico, and Vietnam. Chinese firms are stepping up FDI and production facilities in Vietnam and Mexico in critical sectors, albeit from a low base. This suggests that plants in which China is the ultimate owner may continue to play a significant role in US value chains.

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Primary Topic: Trade (not deficits)

Topics: Academic paper, GDP, Trade (not deficits)

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