The collapse of the Francis Scott Key Bridge in Maryland is another reminder of the US vulnerability to supply-chain shocks, but this event will have greater economic implications for the Baltimore economy than nationally. We don’t anticipate that the disruptions to trade or transportation will be visible in US GDP, and the implications for inflation are minimal.

There will likely be some temporary disruptions to certain industries, including automakers, but nothing that warrants an immediate change to our baseline forecast. Ultimately, the duration of the disruptions at the Port of Baltimore, along with how quickly trade can be rerouted, will determine the economic costs. The good news is that the Ports of Virginia and New York/New Jersey were processing noticeably more containers in 2022 than their historical average (Chart 1). Therefore, odds are there is some capacity for rerouting from the Port of Baltimore.

A prolonged disruption could lengthen delivery times more than we anticipate and enough to leave a mark on our US supply-chain stress index via the transportation or pricing components (Chart 2).

The Port of Baltimore recently was the largest in the US for handling light trucks, construction machinery, automobiles, and imported gypsum. For autos, the good news is that the inventory situation isn’t as dire as it was during the worst of the pandemic-related supply-chain issues. US auto inventory-to-sales ratio has been rising but remains lower than that seen in 2019.

Trucking costs will likely rise as nearly 4,000 commercial trucks used the bridge, on average, per day according to the American Trucking Association. Detours will increase delivery times and fuel costs. There are large businesses with distribution facilities near the bridge, and among them are Amazon, FedEx, Under Armour and a few automakers. We don’t expect that the increase in transportation costs and disruptions will be widespread or large enough to lift either headline or core consumer prices.

Chart 1: Rerouting of cargo appears realistic

[Chart showing rerouting of cargo appears realistic]

Source: Oxford Economics/Haver Analytics
The economic costs of the Key Bridge collapse

There will be increased congestion as traffic is diverted to alternative routes because of the collapsed bridge, which has around 11 million vehicles go over it each year. This corridor is not as heavily trafficked as the I-95 and I-895 routes. Though not directly comparable, the fire caused part of I-95 to collapse in Northeast Philadelphia didn’t have a noticeable effect on the US economy, but that disruption lasted only six months. Repairing or replacing the Francis Scott Key Bridge will be an enormous task.

Chart 2: Bridge collapse a reminder of vulnerability to supply-chain shocks

The economic costs will be larger for the Baltimore metro area. Around $80 billion in cargo moves through the port annually, and a partial closure of the port could lead to direct and indirect temporary layoffs. Based on one study, the total economic value of the Port of Baltimore was around $5 billion in 2017, which equates to $2 million per working day (based on 250 working days per year). This accounts for less than 0.5% of daily output for the Baltimore metro area. This is likely a low-end estimate of the potential daily lost output from a full closure of the port but provides a rough approximation of how the economic costs could rise for the metro area.

Helping minimize the total economic cost for Baltimore is that the supply of fuel shouldn’t be disrupted because most of its fuel comes from pipelines rather than through the port. Separately, increase traffic congestion on artery roads could be a small drag on productivity, but the direct hit to employment will not be significant. The additional traffic will tax the infrastructure on the alternative routes, an additional cost of the bridge collapse for Baltimore. We will be monitoring the developments over the next several weeks to gauge if we need to make any forecast changes to our baseline forecast for the Baltimore metro area.