

# Post-Election Shift: What's Next for Global Manufacturing and Supply Chains?



The reelection of former President Donald Trump will reshape global manufacturing and supply chains, alongside lessons learned from recent disruptions including the pandemic, weather events, and labor action. While policies are yet to be finalized and implemented, **trends from previous policy changes can provide clues to the future landscape.** 

Our research dives into global production and trade patterns, shedding light on how potential new tariffs might reshape the U.S. supply chains.

### We offer five drivers for the future:

# 1

**Consumption will remain the primary source of logistics real estate growth.** Evolving trade flows will naturally factor into the demand landscape in global gateway markets. However, most logistics real estate is located close to end consumers, with growth driven by the rise of e-commerce, supply chain modernization, and consumption patterns.

# 3

**Trade links with Asia will remain important, preserving existing trade routes.** China still anchors global manufacturing, but companies are diversifying into other Asian nations. This group has increased imports to the U.S. by 45%<sup>ii</sup> since 2019.

# 5

Onshoring and nearshoring will complement

**imports.** Recent U.S. manufacturing investments are concentrated in green industries, semiconductors and healthcare—industries that have high value, but limited implication for containerized shipping. Consequently, we expect that onshoring will be a source of net growth for U.S. logistics real estate demand.

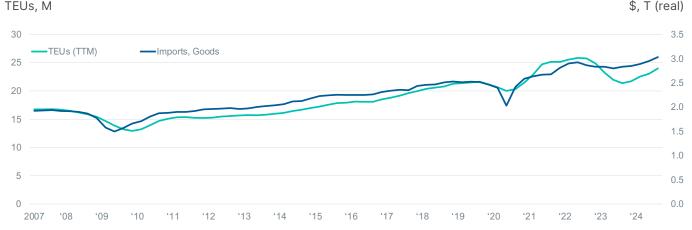
# 2

#### Imports must grow as consumption expands.

Imports into the U.S. have grown by 23% since 2019.<sup>1</sup> Offshore production must grow under a range of tariff scenarios, as many products remain prohibitively expensive to manufacture onshore.

## 4

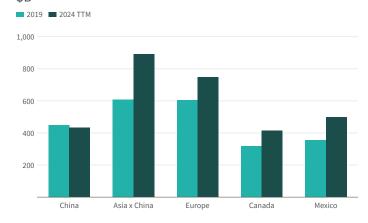
**Supply chain regionalization will continue, exemplified by the rise of Mexico's production capabilities.** Imports from Mexico grew 39%<sup>ii</sup> since 2019 and logistics real estate demand remains well above pre-pandemic levels. We expect further structural growth driven by near-shoring after a period of short-term uncertainty as the new U.S. administration renegotiates trade agreements.



### **GROWTH OF IMPORTS AND TEUs, U.S.**

### **Key trend: Asian diversification**

Tariffs have not reversed import growth, and supply chain diversification across Asia has considerable momentum. Asian countries, excluding China, are the fastest growing source of U.S. imports, up 45% since 2019" while total U.S. imports grew 28% on a nominal basis, and 23% on an inflation adjusted basis.<sup>1</sup> Asia ex-China now accounts for 28% of U.S. imported goods." Producers in Asia ex-China have cost advantages, labor availability, and rapidly improving supplier and transportation ecosystems. This shift is not new: China+1 and relocations date back more than a decade, as producers sought new locations for lowcost manufacturing as Chinese producers moved up the value chain. Tariffs simply accelerated the shift. In some cases, manufacturing still occurs in China, with subsequent value-added activities, like assembly, occurring in other Asian geographies. Examples show strategic diversification across the region, such as Vietnam's increased computer production, India's growing smartphone manufacturing and Indonesia's expansion in footwear and apparel. See our appendix for more detail.

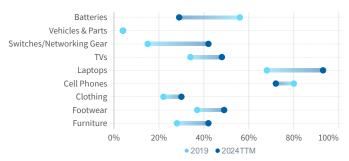


IMPORT VOLUMES, 2019 VS. CURRENT \$B

Source: U.S. Customs and Border Protection. Nominal.

**China has retained dominance in a range of product categories.** While production is shifting and imports from China to the U.S. have decreased, they are only down 4% since 2019.<sup>ii</sup> China remains the primary exporter to the U.S. across a range of goods, including smartphones, computers, clothing and appliances. These high proportions leave room for further change alongside the possible expansion of tariffs. Detail by product category, found in the appendix, reveals the categories shifting production to outside China (China+1) are predominantly low- and moderate-valueadded manufacturing products. New production hubs face initial challenges, including limited skilled labor, underdeveloped supplier networks, and gaps in energy infrastructure and transportation links, making the shift gradual rather than immediate. Any move away from global sourcing solely optimized for cost and scale could translate to higher initial costs for businesses and consumers.

#### SHARES OF IMPORTS FROM CHINA



Source: U.S. Census Bureau, Economic Indicators Division.

Chinese third-party logistics companies' (3PLs) growth facilitates the movement of goods from Asia to the U.S. in an era of shifting trade policies. In 2024, Chinese 3PLs accounted for roughly 20% of U.S. net absorption,<sup>iii</sup> with expansion concentrated in key trade gateways. While these companies have long operated in the U.S., their rapid growth coincides with the growth of crossborder e-commerce. While many of their underlying customers are China-based retailers and manufacturers, they have been (and increasingly will be) facilitating imports from across Asia, not just China.

Potential Impact of Eliminating De Minimis **Exemptions.** The de minimis provision currently allows imports under \$800 per day to enter the U.S. duty-free, a policy mirrored in Europe with a \$200 threshold. This exemption is increasingly seen as a tariff loophole, and we anticipate it may soon be eliminated. In 2023 alone, \$55 billion in imports entered the U.S. under de minimis, with 75% sourced from Asia. While companies like Shein and Temu—together accounting for an estimated 30% of de minimis volumes-would be most affected, the broader impact remains limited. Imports under de minimis represent only 2% of global volumes and 4% from Asia, relatively modest shares overall. Within this small volume, we could see a shift from air cargo reliance to supply chains that look more like traditional import-oriented retailers.

#### Key Insight: Production will further diversify

across Asia. Continued investment in non-China Asian nations will strengthen sourcing, production and transportation infrastructure across the region. At the same time, Asia's total share of U.S. imports is unlikely to change significantly, preserving key global trade routes and the importance of importrelated logistics networks in markets like Southern California, Seattle and New York/New Jersey.

# Key trend: Nearshoring, exemplified by Mexico

**Growth in U.S. imports from Mexico signifies growing supply chain regionalization**, or moving production closer to consumption to shorten supply routes. Imports from Mexico grew 39% since 2019. However, Mexico's share of U.S. imports is only 16% vs. 42% from Asia, reflecting the force of cost advantages and other benefits found in Asia over past decades.<sup>III</sup> Indeed, Mexico's growth over the last five years was led by the automotive industry, which benefits from an established supply chain infrastructure and is a sector not traditionally sourced from China. New growth industries are emerging, as Mexico also ramped up production of large, high-value and high-transportation-cost goods, including TVs and furniture.

Key Insight: Mexico's proximity to the U.S. positions it to benefit further from nearshoring as companies pursue regionalization in the most cost-effective locations. The renegotiation of trade relations under the Trump administration, which includes the upcoming renewal of the USMCA, introduces short-term uncertainties that will impact the pace of investment for a period of time.

### Key trend: Targeted onshoring

Domestic production has been rising in response to tariffs, trade protections, and security priorities. Initiatives like the CHIPS Act (which targets semiconductors) and the Inflation Reduction Act (focused on green industry) have been catalysts, stimulating manufacturing investment in relevant industries. These industries share common factors such as (a) high value and strategic importance, (b) structural growth drivers, and (c) limited existing import-driven supply chains. As a result of growing investment, manufacturers' demand for logistics real estate has grown, with new leasing activity up two to three times the historical norm. While this shift is notable, it is not enough to replace consumption as the primary driver of logistics demand, with manufacturers accounting for only 5% to 10% of new leasing.<sup>III</sup> Furthermore, manufacturing facilities are most often owned - not leased - and the positive impacts of onshoring on logistics real estate markets are mostly indirect. These includes the removal of distributionoriented supply through land or building purchase, as well as benefits to local consumption through high-skill job creation.

Key Insight: Onshoring is a net positive for U.S. logistics real estate markets. Domestic production is expanding strategically without replacing established import flows, increasing leasing by manufacturers and their suppliers, removing supply from competitive distribution stock and lifting local consumption potential.

### Conclusion

# Tariffs, disruptions and evolving economics are changing global sourcing patterns on the margin, but U.S. logistics real estate remains anchored by domestic consumption.

Global manufacturing and supply chains are changing, creating implications for logistics real estate markets. Production naturally responds to shifting costs and **tariffs will catalyze further changes**. To further underscore the extent of these changes, 86% of executives reported that economic instability and geopolitical pressures are influencing their manufacturing and storage decisions, according to a recent Harris poll on behalf of Prologis.<sup>iv</sup>

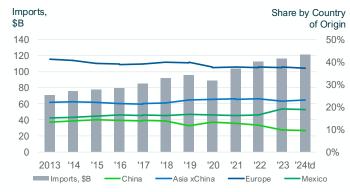
To manage costs and disruptions, companies are diversifying sourcing but with geographic and industry-level nuance, rather than a broad brush. Asian nations outside of China have benefited, holding the trade flow from Asia to the U.S. relatively constant. Near- and onshoring efforts have been concentrated in select industries, such as automative in Mexico and strategically important industries in the U.S. Both have benefits for local logistics markets. We expect these shifts will largely continue under additional tariffs, albeit with near-term uncertainty as policies are firmed up.

This view on global manufacturing and supply chains implies little aggregate change in how the U.S. logistics infrastructure processes goods for consumption. Since 2019, imports have risen by 23%, and the top three U.S. gateways—Southern California, New York/New Jersey and Laredo—continued to lead in volume.<sup>1</sup> The U.S. West Coast is favored for lower cost and speed to market while the East Coast will likely recover once the International Longshoreman (ILA) labor agreements are reached and ratified. While these shifts may influence a portion, ultimately, most U.S. logistics real estate demand will be determined by consumption patterns, rather than production.

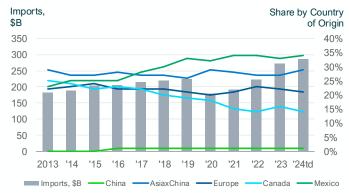


### Appendix

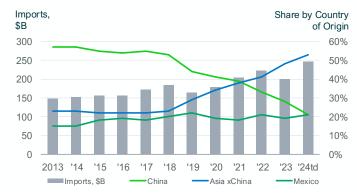
### **MEDICAL INSTRUMENT IMPORTS**



#### **VEHICLE IMPORTS**



### COMPUTERS AND PERIPHERALS



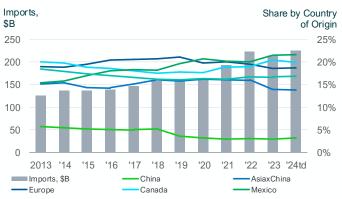
### **CLOTHING, FOOTWEAR, TEXTILES**



#### **SMARTPHONES IMPORTS**



#### **FOOD IMPORTS**



### FURNITURE AND APPLICANCES



#### **AUTO PARTS AND TIRES**



### Endnotes

- ii. U.S. Customs and Border Protection. Nominal.
- iii. CBRE, JLL, Cushman & Wakefield, Colliers, CoStar, CBRE-EA, Prologis Research.

iv. The Harris Poll.

### **Forward-Looking Statements**

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security. We are not soliciting any action based on this material. It is for the general information of customers of Prologis.

This report is based, in part, on public information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. No representation is given with respect to the accuracy or completeness of the information herein. Opinions expressed are our current opinions as of the date appearing on this report only. Prologis disclaims any and all liability relating to this report, including, without limitation, any express or implied representations or warranties for statements or errors contained in, or omissions from, this report.

Any estimates, projections or predictions given in this report are intended to be forward-looking statements. Although we believe that the expectations in such forward-looking statements are reasonable, we can give no assurance that any forward-looking statements will prove to be correct. Such estimates are subject to actual known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those projected. These forward-looking statements speak only as of the date of this report. We expressly disclaim any obligation or undertaking to update or revise any forward-looking statement contained herein to reflect any change in our expectations or any change in circumstances upon which such statement is based.

No part of this material may be (i) copied, photocopied or duplicated in any form by any means or (ii) redistributed without the prior written consent of Prologis.

### **About Prologis Research**

Prologis' Research department studies fundamental and investment trends and Prologis' customers' needs to assist in identifying opportunities and avoiding risk across four continents. The team contributes to investment decisions and long-term strategic initiatives, in addition to publishing white papers and other research reports. Prologis publishes research on the market dynamics impacting Prologis' customers' businesses, including global supply chain issues and developments in the logistics and real estate industries. Prologis' dedicated research team works collaboratively with all company departments to help guide Prologis' market entry, expansion, acquisition and development strategies.

### **About Prologis**

Prologis, Inc. is the global leader in logistics real estate with a focus on high-barrier, high-growth markets. As of September 30, 2024, the company owned or had investments in, on a wholly-owned basis or through co-investment ventures, properties and development projects expected to total approximately 1.2 billion square feet (114 million square meters) in 19 countries. Prologis leases modern logistics facilities to a diverse base of approximately 6,700 customers principally across two major categories: business-to-business and retail/ online fulfillment.

Prologis Pier 1, Bay 1 San Francisco, CA 94111 United States +1 415 394 9000 www.prologis.com Copyright © 2024 Prologis, Inc. All rights reserved.



i. U.S. Port Authorities.