Reshoring Initiative® 2023 Annual Report

Reshoring and FDI Job Announcements Reach 287K - Second Highest Year on Record

EV battery and semiconductor investments account for the largest share of job announcements.

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Executive Summary

Reshoring and foreign direct investment (FDI) trends are demonstrating strength and longevity, driven by risks associated with global politics, and climate change, and by supportive U.S. industrial policies. Investment in U.S. manufacturing has been rising, with a key focus on shortening supply chains.

Trend Highlights:

- Significant growth has been noted in "essential" industries supported by the Inflation Reduction Act (IRA) and other government subsidies, particularly in EV batteries, semiconductor chips, and solar energy. These industries drove about 39% of the announced jobs in 2023.

- As government subsidies run out, new reshoring and FDI announcements are slowing. The Congressional Budget Office just upped the budget deficit estimate for 2024 25% to $2 trillion and annually thru 2034 to 5.5% of GDP. Future progress will depend on new policies that make U.S. manufacturing cost competitive, rather than subsidize specific industries.

- Geopolitical Risk is a top driving force in the reshoring and FDI trends.

    - Europe: Russia's attack on Ukraine was and still is expected to drive FDI from Europe to the U.S. due to natural gas and electricity availability and pricing. The trend in reshoring and FDI from Europe is increasing again after a dip during the pandemic years. In 2021 and 2022 European origin cases constituted 13% of the total jobs announced compared to 34% in 2023 and a projected 37% in 2024.
    - Israel: The October 7 Hamas attack was too late in 2023 to impact 2023 data, but we anticipate it will have a ripple effect across various industries with broad economic and supply chain disruptions that will influence costs, availability of materials, and production schedules.
    - Taiwan: U. S. Chinese tension has been mounting for several years. Geopoliticians and corporate strategists are anticipating reshoring as insurance.

  - China: China has the highest combination of huge trade dependency, single sourcing and geopolitical risk. Reshoring and FDI from China are near historical highs, with reshoring alone at an all-time high of 87%.

- Skilled workforce is another top factor. The success or failure of training millions of workers could skew the outcome of the current reindustrialization momentum, in either direction. Trends are moderately positive, e.g. manufacturing apprenticeships up 83% in the last 10 years.

- With the majority of job announcements and investment, the Southern U.S. remains the most competitive manufacturing region, offering a blueprint for the rest of the country to follow.

- Nearshoring and trade with allies are becoming more prevalent in the shifting global dynamics.

- Wall Street is embracing reshoring, with mentions in earnings calls up sharply and a 300% increase in spending on reshoring and FDI data.

The report provides a detailed analysis of these trends, the underlying factors, and their projected impact on the U.S. manufacturing landscape.

Table of Contents

Introduction

This report provides data[1] and analysis on trends in U.S. reshoring by U.S.-headquartered companies and foreign direct investment (FDI) by foreign-headquartered companies shifting offshore production or sourcing to the U.S. The primary data is from 2023, with some cumulative data from 2010 to 2023 and preliminary data from 2024 referenced where noted.

The Reshoring Initiative has been collecting data on reshoring and FDI since 2010 and publishes annual and semiannual reports on these trends. The goal is to help companies and policymakers recognize and leverage the benefits of local production and sourcing. The report offers insights into various aspects of the trend, including job creation, influencing factors, geographical considerations, and more. Key subtopics include balancing the trade deficit and enhancing the country's competitiveness in manufacturing.

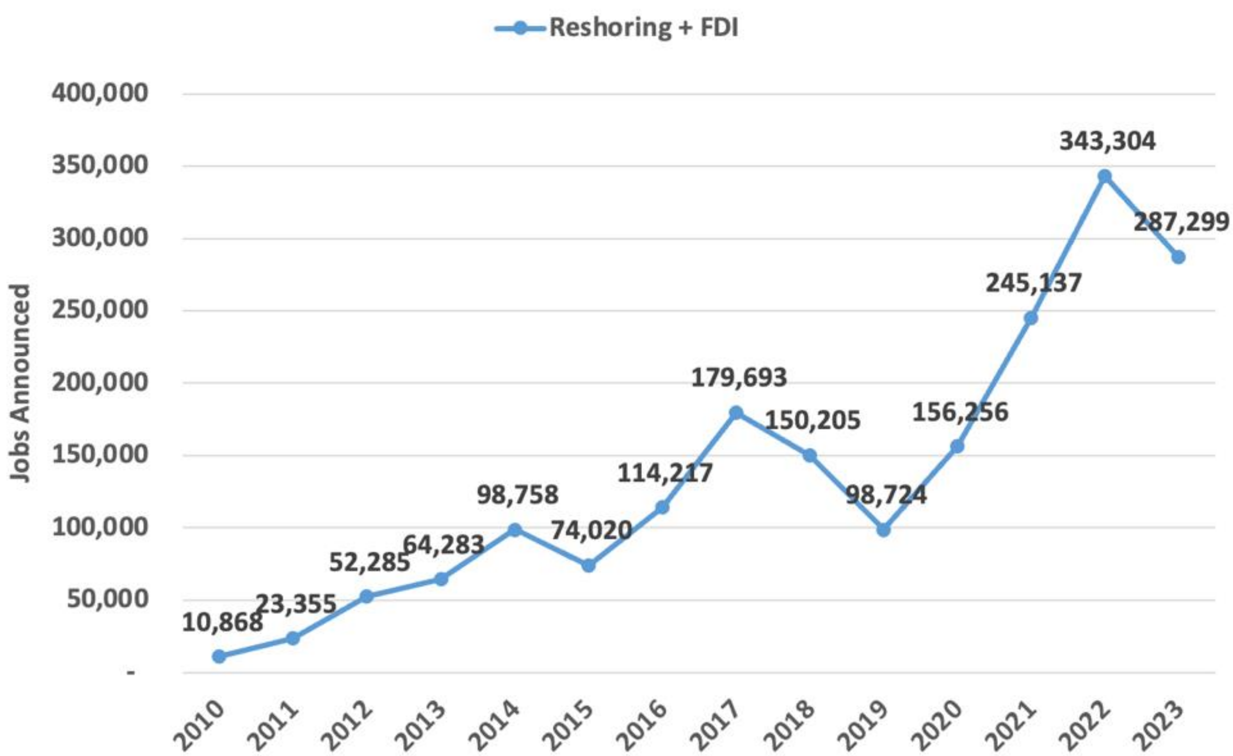
1. 2023 Manufacturing Job Announcements

Job announcements are the key metric in measuring reshoring and FDI because they directly reflect the long-term impact on employment and local economies. In contrast, investment dollars are a better measure of the short-term effects, which include construction spending. The 5 million manufacturing jobs lost to offshoring drove the demise of our industrial base, the decimation of the middle class, political instability, and the growth of our enormous trade deficit with and dependence on China. Reversing those job losses signals not just an economic recovery, but a revitalization of American manufacturing strength, a restoration of middle-class stability, a stronger defense industrial base and a strategic reduction in our dependence on foreign production.

[1] Unless otherwise noted, the data for all charts comes from the Reshoring Initiative's Reshoring Library of over 9,000 published articles, privately submitted Reshoring Case Studies, and some other privately documented cases. Reshoring and FDI are both motivated by the same logic: the financial advantages the company achieves by producing near the customer. Cases must refer to a specific company, product and location to be included. Job numbers are assigned to the year in which the numbers are first announced and can include current hiring, recent prior years' hiring and future hiring. We estimate that actual hiring lags, on average, 12 to 24 months behind the announcements, i.e. occurs one to two calendar years later.
We include work brought to an OEM's assembly plant and work newly outsourced to the domestic supply chain. The supply chain often receives more jobs than the assembly plant.
Job and company numbers are first tabulated and then adjusted for under-reporting, especially in the domestic supply chain. More information on our calculation process is available on request. Total job and company count varies from chart to chart since we do not have data for all chart topics from all cases.

In 2023, 819 reported cases of reshoring and FDI led to 287,000 jobs announced, making 2023 the second-highest year on record (Exhibit 1a)

Exhibit 1a | **Reshoring + FDI Job Announcements by Year, 2010-2023**

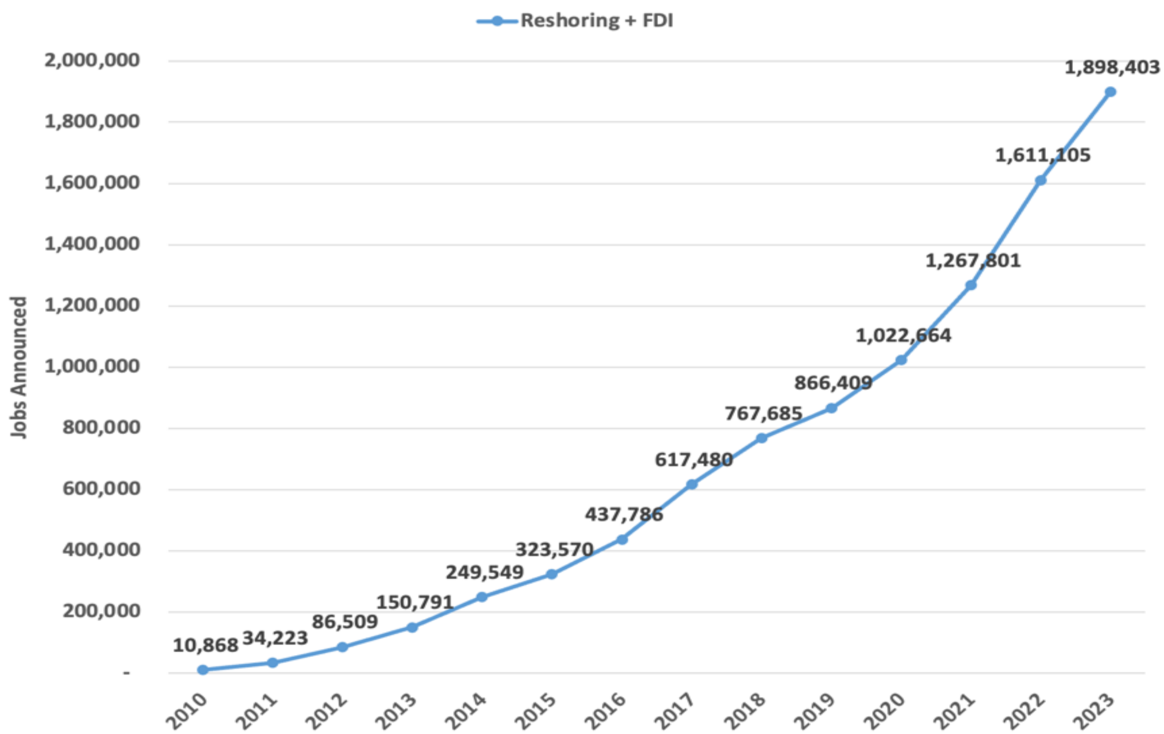


1H2023 data had projected another year-end record that did not materialize due to a slowdown in Q3 and Q4. The 2023 rate is down 16% from 2022, but up about 191% from 2019, and up a whopping 2500% from the manufacturing low and start of the reshoring trend in 2010.

The cumulative number of jobs brought back since 2010 is nearing two million (Exhibit 1b) - about 40% of what we lost to offshoring.

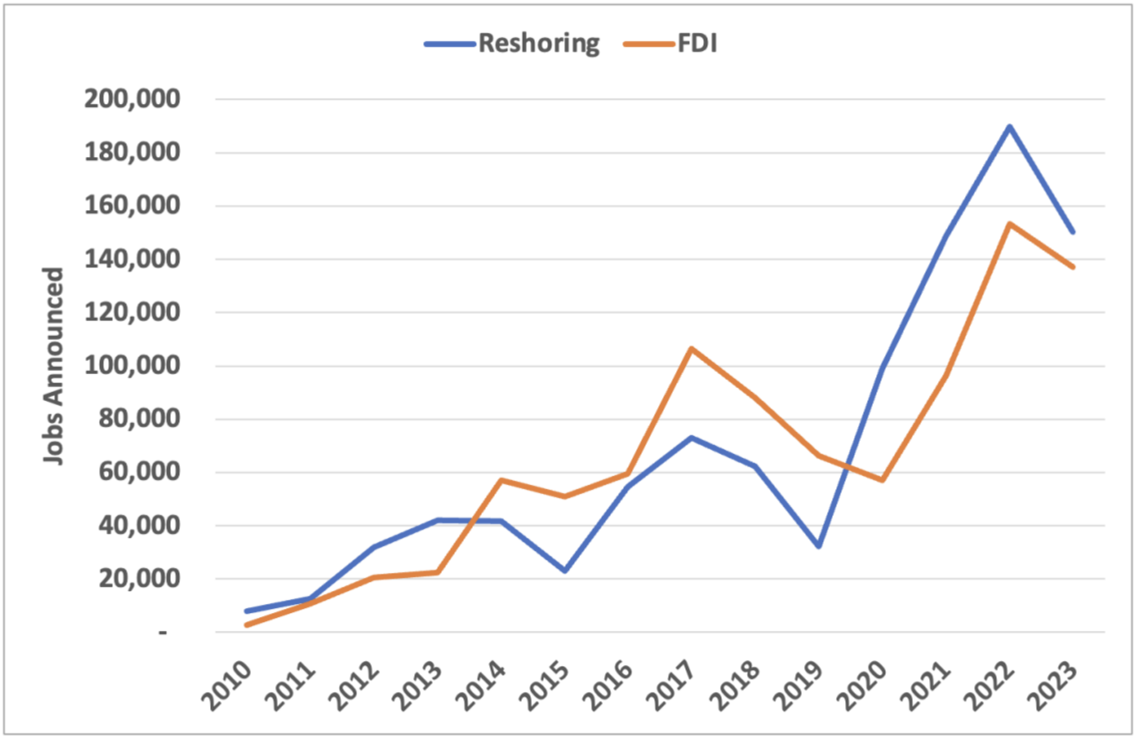
To put recent announcement rates into perspective: it took 11 years to add the first million jobs, but only 3 years to add the second million. The initial million jobs were driven primarily by a gradual recognition that numerous costs often outweighed the substantial differences in manufacturing costs and FOB prices. The recent acceleration was due to the added impact of massive government funding such as IRA and CHIPS and corporate recognition of the dramatically increasing levels of geopolitical risk.

Exhibit 1b | **Cumulative Jobs Announced, Reshoring + FDI, 2010-2023**



Since the pandemic, reshoring has been outpacing FDI (Exhibit 1c), indicating that the country and domestic companies finally recognize the value of local production that FDI recognized long ago.

Exhibit 1c | **Jobs Announced, Reshoring vs. FDI, 2010 - 2023**



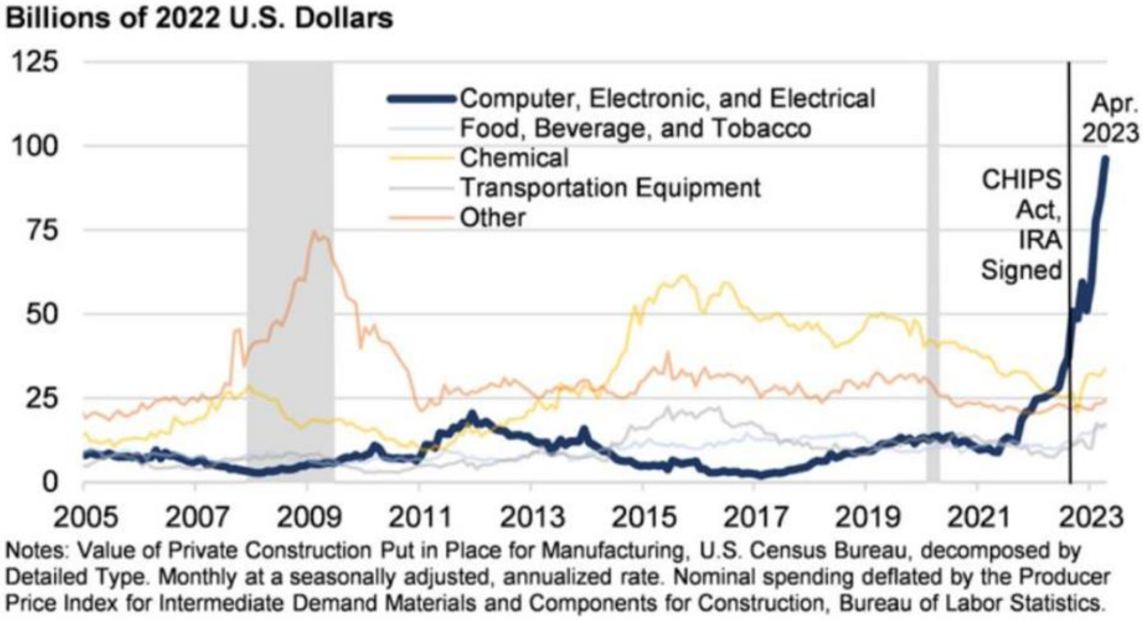
In 2023 (and Q12024) the gap between reshoring and FDI is closing.

Exhibit 1d | **2023 Jobs Announced, Reshoring vs. FDI**		
Category	**Jobs**	**% Jobs**
Reshoring	150,206	52%
FDI	137,093	48%
Total:	287,299	100%

Corroborating News and Parallel Findings

Several indicators reflect the U.S. reshoring and FDI boom. In the first quarter of 2023, spending on U.S. factory construction was more than double the average from the past 17 years. (Exhibit 1e)

Exhibit 1e | **Real Construction Manufacturing Spending by Type**



Source: Treasury Department

Independently conducted surveys on companies' reshoring actions (Exhibit 1f) also closely correlate with Reshoring Initiative data on jobs announced over the past 12 years (Exhibit 1g).

Exhibit 1f | **Percent of Companies Actively Reshoring**

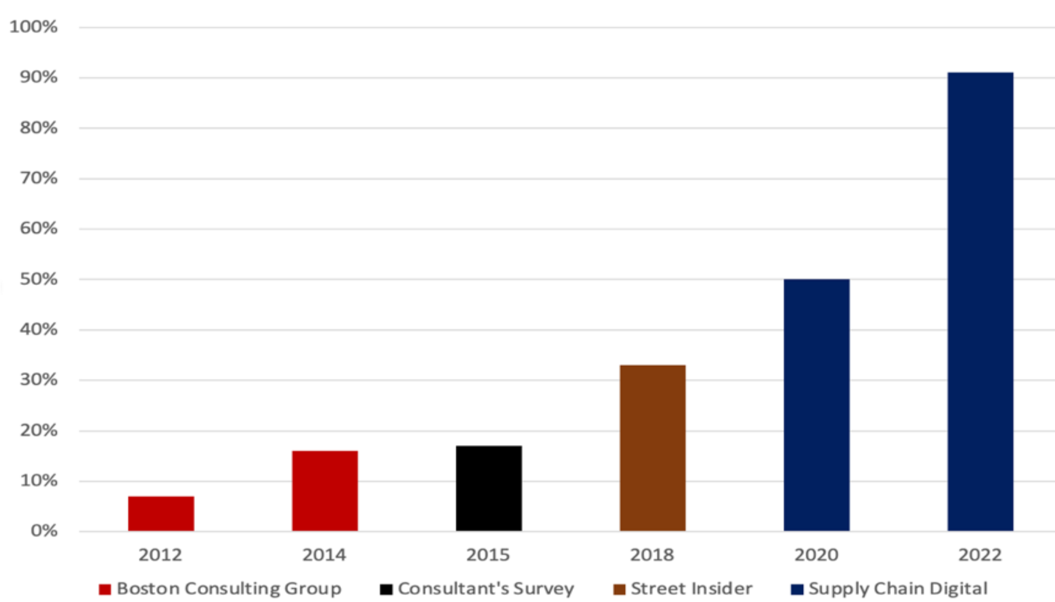
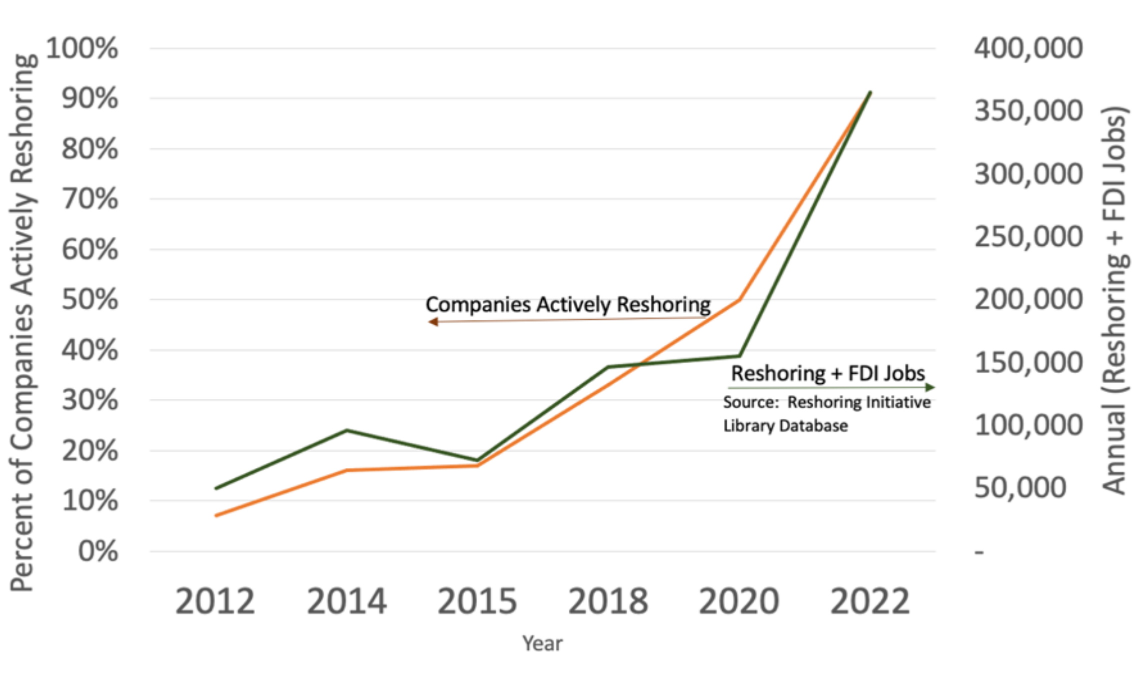


Exhibit 1g | **Percent Actively Reshoring:**

Survey Results vs. Reshoring and FDI Announcements in RI Data



For more see: [Reshoring Revolution: A Special Report]()

2. Top Industries, and the Products Driving Them

Overview

Electrical Equipment, driven by EV batteries, and Computer and Electronics, driven by chip and solar investments, remain the top job contributors. These essential-product industries and Chemicals (driven by pharmaceuticals and hydrogen) thrived in 2023 due to government funding and stimuli. See Trends and Predictions for our views on the sustainability of these trends.

Exhibit 2a | **Reshoring + FDI by Industry, 2023**					
Rank	**Industry**	**Jobs**	**Cases**	**Avg. Jobs/ Case**	**% of Total Jobs**
1	Electrical Equipment, Appliances & Components	105,557	311	339	37%
2	Computer & Electronic Products	77,150	295	262	27%
3	Transportation Equipment	31,367	150	210	11%
4	Chemicals	31,103	260	120	11%
5	Machinery	12,646	112	113	4%
6	Plastic & Rubber Products	5,909	49	122	2%
7	Primary Metal Products	4,273	70	61	1%
8	Fabricated Metal Products	3,663	49	75	1%
9	Medical Equipment & Supplies	3,024	82	37	1%
10	Furniture and Related Products	2,813	25	115	1%
11	Food & Beverage	2,351	21	112	1%
12	Apparel & Textiles	2,256	101	22	1%
13	Nonmetallic Mineral Products	2,165	23	96	1%
14	Wood & Paper Products	1,578	12	132	1%
15	Castings/Foundries - Subset of Primary Metal Products	1,355	16	85	0%
16	Miscellaneous and Hobbies	0	7	0	0%

Deeper dive

Electric vehicle batteries were the most actively reshored/FDI'd product in 2023, though down 5% from 2022. Since EV Batteries are categorized as Electrical Equipment by NAICS code, that category has taken the number one ranking from Transportation Equipment, even though the batteries are mostly transportation components. Investments in EV batteries have been booming as companies strive to secure a sufficient supply and reduce dependence on imports from Asia, particularly China. Electrical Equipment's share of jobs announced went from 3% in 2019 to 37% in 2023. In 2023, 53 battery-related cases accounted for 49,000 jobs announced. An interesting development within the industry is the significant number of investments in recycling programs, which offer import replacement, self-sufficiency, and green benefits.

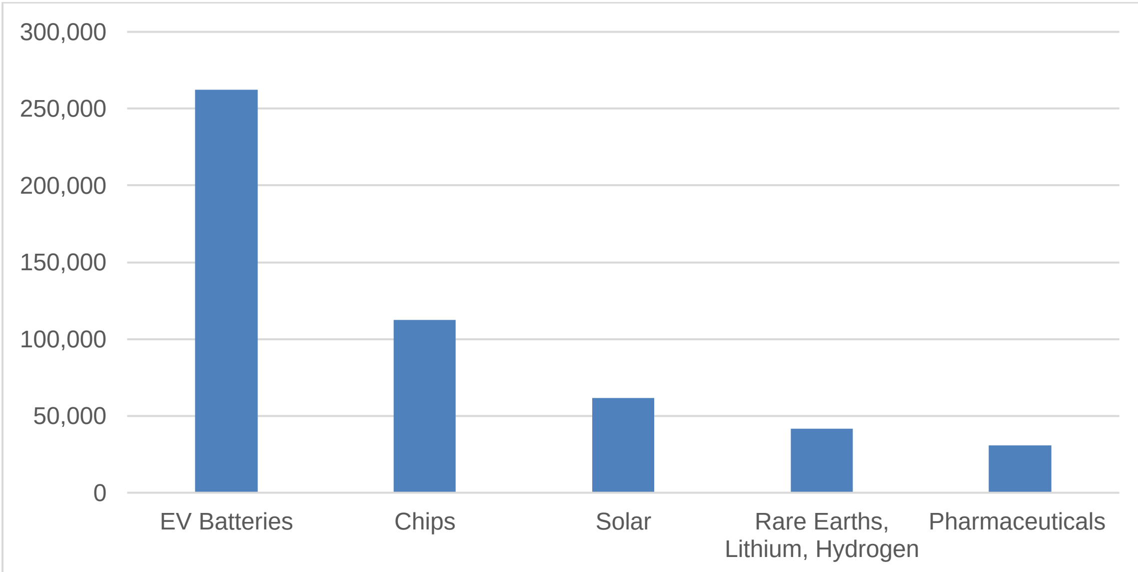
The second largest industry was Computer and Electronic Products, with 27% of jobs, a 1% increase over last year. This industry was driven by Semiconductor/chips, with 34 cases and 28,000 jobs announced, and by Solar with 34 cases and 11,700 jobs. In the short term, we expect chip investment and employment to continue to grow, but the chip industry will require much larger domestic markets to succeed over the long run. Much of U.S.' current chip production is exported, about 30% to China, to produce automotive infotainment systems, servers, electronic medical devices, laptops, controls for appliances, etc. All major and many minor countries are dramatically increasing chip production. China will want to use its own subsidized chips. To keep our additional chip capacity busy, the U.S. will have to reshore much of the assembly of the electronic products that use the chips.

Likewise, the success and longevity of U.S. solar production will depend upon creating a level playing field with China, which is selling products below production cost from huge, highly automated plants. Until that issue is resolved it will be difficult or impossible to compete.

Chemicals (with a 3% increase year over year) and Transportation (with a 4% increase) are essentially tied in 3rd place. The Chemical industry is driven by pharmaceuticals, renewable fuels like Hydrogen, and rare-earth-based chemicals required for batteries. Natural gas shortages and higher prices in Europe and other regions drive petrochemical refining to the U.S. This trend will likely strengthen plastic processors such as injection molders. In contrast, steel and aluminum are more expensive here, making it more difficult to reshore some metal products.
The Transportation industry saw an uptick due to foreign companies adding electric vehicle production in the U.S.

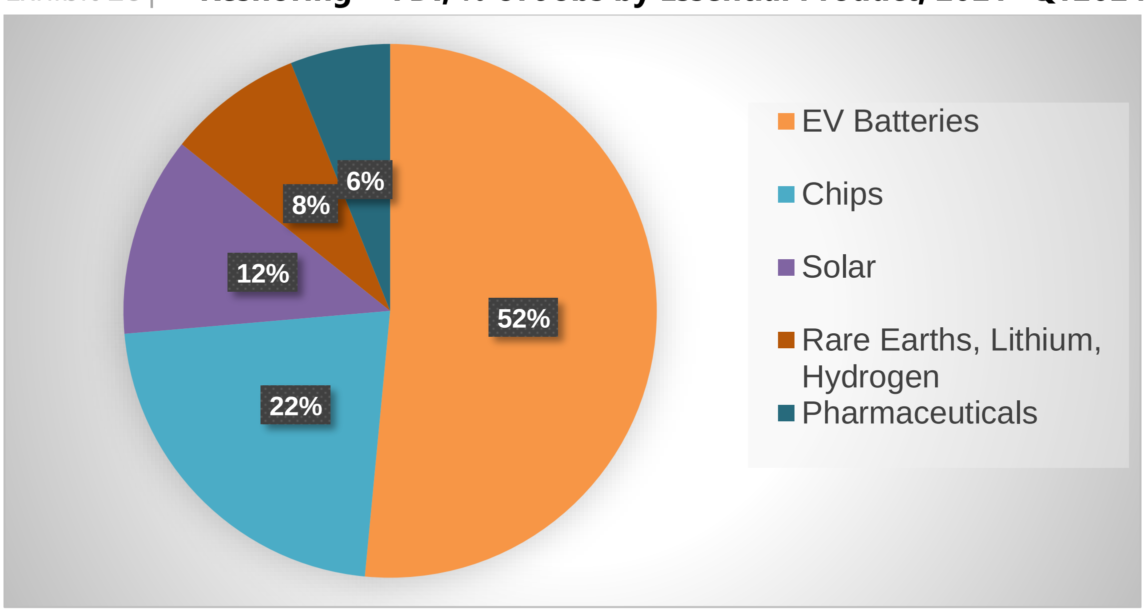
Reshoring and FDI of "essential products" have driven 500,000+ job announcements since the pandemic (Exhibit 2b), with EV Batteries and Chips driving nearly three quarters of the job announcements (Exhibit 2c).

Exhibit 2b | **Reshoring + FDI, Jobs by Essential Products 2021-Q12024**



Source: Reshoring Initiative Library data

Exhibit 2c | **Reshoring + FDI, % of Jobs by Essential Product, 2021- Q12024**



Source: Reshoring Initiative Library data

The U.S. has not significantly reduced its dependency on pharmaceutical imports over the past few years. The marginal gains we have seen through reshoring have not made a dent in imports. Instead, reliance on imports, particularly from China and India, has increased, with the import of ready-dosed drugs from China increasing from 1% in 2020 to nearly 8% in 2022 (PharmaNewsIntelligence) (Atlantic Council). This growth is part of a broader trend where the U.S. pharmaceutical trade with China has expanded significantly, extending China's role as a critical supplier for various medications, including antibiotics and generic drugs, which constitute about 90% of all prescriptions. Countries like China and India dominate the industry because they have much lower production costs and fewer regulatory hurdles. Until the U.S. finds more ways to compete, it will remain precariously reliant on imports for its pharmaceutical supply.

3. Factors Cited for Reshoring + FDI

Government incentives, Proximity to customers/market, Skilled workforce, Eco-system synergies (good local supply chain), and Supply chain interruption were the top reported reshoring and FDI factors in 2023.

Government Incentives – Short-Term Value, But Not Sustainable

As the data shows, U.S. industrial policies and subsidies have driven the recent surge in reshoring. Before 2022, incentives were smaller and mainly came from local and state governments, influencing the U.S. location rather than the decision to reshore. Since 2022, federal grants, like the IRA, have ensured the reshoring of essential products. While these policies have jump-started growth, they are temporary solutions rather than fostering a sustainable industry shift.

A comprehensive U.S. industrial policy is the best mechanism to make domestic manufacturing sustainable in the long run. Measures such as substantial workforce investment and improved competitiveness across various goods would minimize the need for subsidies.

A failure to enact these needed policies will either lead to ongoing subsidies for certain sectors, resulting in excessive government spending and increased national debt or to a weakened industrial base and subsequent national security risks. Given the strategical importance of domestic manufacturing, a robust industrial policy that supports competitiveness should be central to the broader U.S. economic strategy.

Exhibit 3a | 2023 Top 20 Factors Cited for Reshoring + FDI		
Rank	**Factor**	**# Cited**
1	Government Incentives*	720
2	Proximity to customers/market	410
3	Skilled workforce availability/training	397
4	Eco-system synergies	381
5	Social/ethical concerns, Impact on domestic economy, Green considerations	377
6	Supply chain interruption	291
7	Manufacturing/engineering joint innovation (R&D)	210
8	Infrastructure	202
9	Under-utilized capacity	192
10	Lead time/Time to market	177
11	Image/brand - Made in USA	174
12	Higher productivity	147
13	Automation/technology	95
14	Customization/Flexibility	67
15	Better Control of Process/Delivery/Factory	62
16	Raw Materials Cost	43
17	3D Printing/Additive Manufacturing	34
18	Quality/rework/warranty	33
19	Lean/other business process improvement techniques	27
20	Intellectual property risk	12

Source: Reshoring Initiative Library data

*in order of frequency reported: IRA, Chips Act, State tax incentives, Government contracts, Federal cost share, DoD, DoE, American Rescue Plan, Green Ex tax credit, Internet for All, Reimagining Energy and Vehicle Act, BARDA, LED Fast Start.

Other and Under-Represented Factors

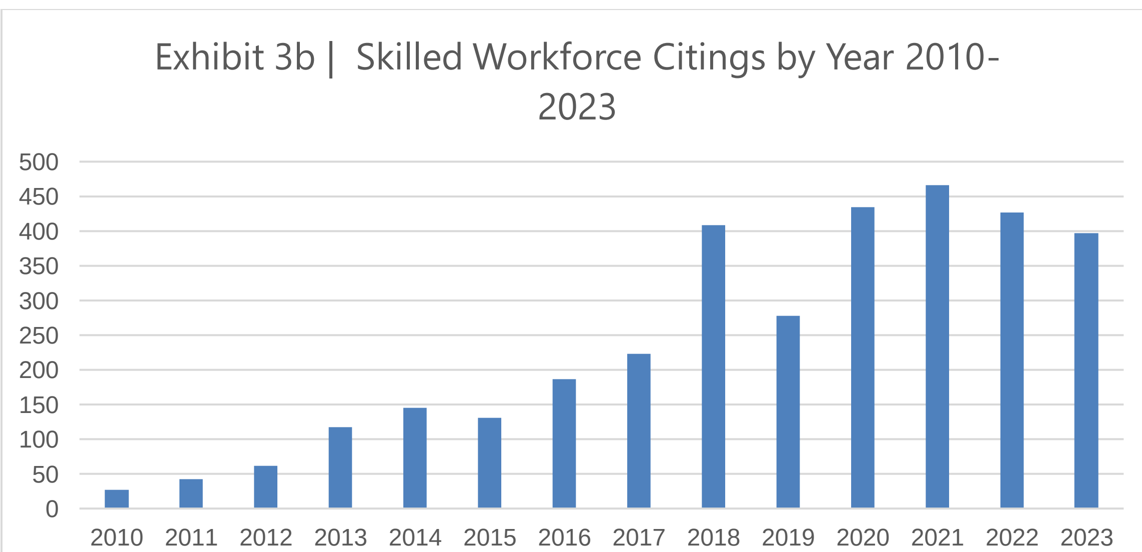
Tariffs

Tariffs are not highly reported as factors for reshoring. This fact could be an indication either that tariffs do not drive reshoring, which we find unlikely, or that the bulk of the tariff cost is being absorbed by the offshore supplier or domestic distributor. Both possibilities suggest that tariff percentages need to be larger to drive more reshoring. U.S. mfg. cost is about 40% higher than China's, on average. A maximum Section 301 25% tariff still leaves a 15% gap.

There are conflicting reports on whether or how much tariffs have contributed to inflation. One study showed that large appliance retail prices did not rise despite the tariff. For tariffs to be truly effective they need to be universal and permanent: all products, all countries, forever. With our current piecemeal system, China can export thru Vietnam or Mexico. Steel tariffs put U.S. machine shops at a material cost disadvantage relative to offshore suppliers. Companies fail to reshore, anticipating the tariffs will be removed.

Skilled Workforce

Skilled workforce availability is the #1 criterion for site selection and for reshoring site selection. Clearly, the U.S. skilled workforce lacks the quantity and quality needed for faster reshoring and is at a disadvantage relative to many other countries. Nevertheless, about 49% of cases mention skilled workforce availability as a reason they reshored, essentially tied for #2 with Proximity to Customers. The annual number of citings of workforce as a reason for reshoring has risen 4X since 2013, (Exhibit 3b) but so have the overall number of cases. In some industries, e.g. apparel, lack of workforce makes reshoring extremely difficult. We expect to see this factor become even more important as companies work to fulfil their massive commitments to domestic production.



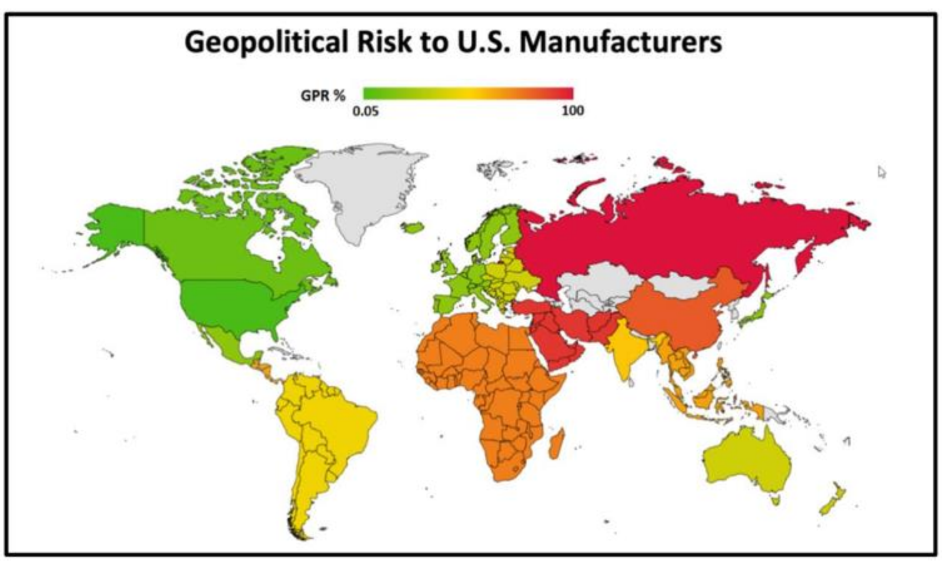
COVID-19

The pandemic still reigns in the minds of manufacturers. It is the second most frequently mentioned "timely" factor, now referenced as a reminder of the powerful impact future pandemics, wars, technology or climate events could have.

Geopolitical Risk

Most of the top factors for reshoring relate directly to supply chain optimization, which is focused on reducing costly risks from geopolitical and climate change events. Incidents such as COVID-19 shutdowns, the war in Ukraine, the Israeli/Hamas conflict, increasing tension over Taiwan and the possibility of decoupling with China highlight the urgent need for companies to consider reshoring and nearshoring as safeguards against catastrophic disruptions. Chief Executive magazine's 2023 survey ranked "Geopolitical risk exposure" as the #1 driver for reshoring operations. Exhibit 3c shows the level of risk, the annual probability of decoupling by country or region. A table includes for each country numerical values of geopolitical risk and detailed analysis.

Exhibit 3c | **Geopolitical Risk to U.S. Manufacturers**



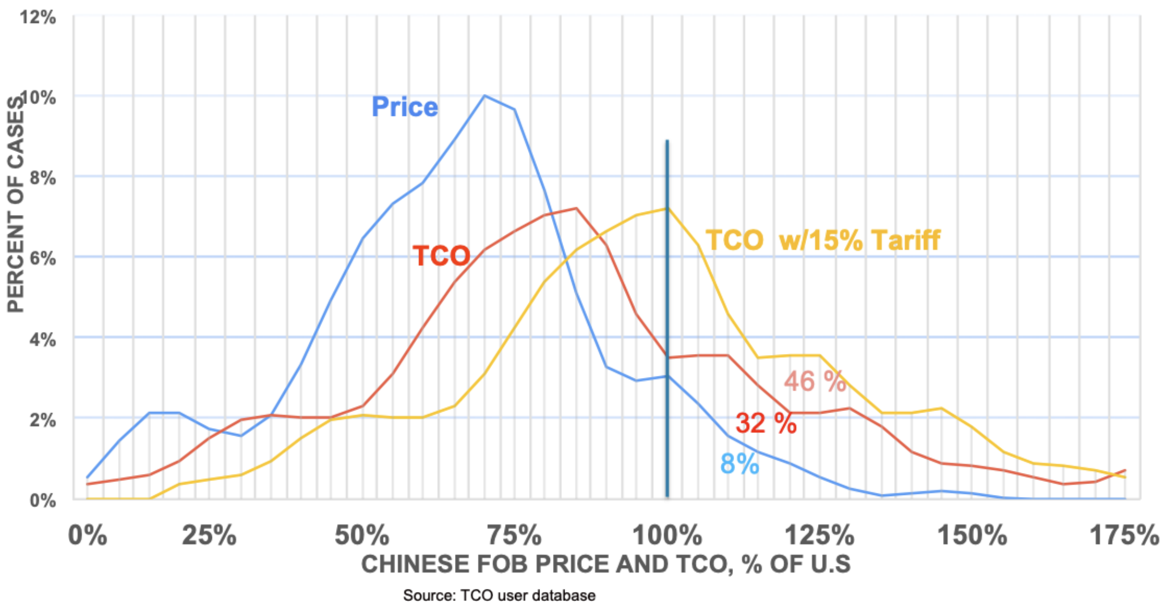
Calculating Risk with TCO

Companies can utilize the Reshoring Initiative's free TCO Estimator and Geopolitical Risk measure to compare alternative and local sourcing options. Geopolitical risk (GPR) is defined as the likelihood that, within one year, a significant disruption in trade will occur, causing the U.S. to stop importing goods from a particular country due to a negative geopolitical event.

A wide range of costs and risks can be quantified using the online Total Cost of Ownership Estimator®. TCO User data indicates that 20-30% of goods currently imported from China can be sourced domestically at equal or greater profitability. A revised TCO version, expected to be online in late 2024, will include the Geopolitical Risk factor and is anticipated to increase that percentage to well over 50%. The revised Estimator will incorporate geopolitical risk to calculate the expected value of lost margin on revenue lost due to stockouts of components or products. By including this cost in the Total Cost, users can determine whether it makes sense to "insure" their supply chain by reshoring.

The percentage of work more profitably sourced domestically rather than imported from China rises from 8% to 32% when the sourcing metric shifts from FOB price to TCO (Exhibit 3c). The reshorable percentage increases to 46% if a 15% Section 301 tariff applies. Section 301 tariffs are trade enforcement actions imposed by the U.S. under Section 301 of the Trade Act of 1974. These tariffs address the unfair trade practices by other countries, such as intellectual property theft, and can significantly increase the cost of imported goods, incentivizing domestic sourcing and reshoring. Use of the tariffs has increased in recent years. Initially implemented during the Trump administration in 2018, these tariffs were a response to findings that certain Chinese trade practices were unfair and detrimental to U.S. businesses. The tariffs, ranging from 7.5% to 25%, target various imports from China, including industrial supplies, consumer goods, and capital goods (Home | White & Case LLP) (CH Robinson).

Exhibit 3c | **Chinese Price & TCO As a Percentage of U.S. Price & TCO**



Under the Biden administration, these tariffs have not only been maintained but also expanded. The recent review by the Office of the United States Trade Representative (USTR) resulted in a decision to impose additional tariffs on products such as electric vehicles, solar cells, semiconductors, and medical supplies. These new tariffs are part of a broader strategy to protect U.S. manufacturers and address ongoing issues related to China's trade practices (Home | Holland & Knight).

The rationale behind maintaining and expanding these tariffs includes reducing dependency on Chinese imports and encouraging the reshoring of manufacturing to the U.S. This approach aligns with broader industrial policies aimed at boosting domestic production capabilities in critical sectors like green energy and technology (Home | White & Case LLP) (AAF).

4. Reshoring + FDI by Technology Level[2]

Reshoring and FDI continue to add more High-Tech jobs than Low-Tech ones, since many of the subsidized national essential products are in these categories. Higher-tech companies also tend to employ more people per company than lower-tech companies. In 2023, 87% of job announcements were in High or Medium-High product tech levels. This trend is significant since the U.S. has a large trade deficit in High-Tech products. In 2023, the U.S. experienced substantial trade deficits in advanced technology products, as highlighted in various reports from the Bureau of Economic Analysis. (BEA) (BEA).

Overall, the larger deficit in High-Tech products reflects the ongoing challenges the U.S. faces in competing with low-wage countries that have strong High-Tech manufacturing capabilities, such as China, other East Asian economies, and developed countries that have stronger skilled workforces, such as Japan, Germany, Switzerland, Taiwan and S. Korea. For this reason, the current reshoring of higher tech is a good sign. However, RI encourages the U.S. to become competitive across all tech levels to balance the trade deficit and employ a broader range of workers. High-Tech products represent too small a portion of our consumption for the U.S. or any large country to focus solely on High-Tech.

Trend highlights:

- Reshoring is stronger in High-Tech sectors, e.g. chips, while FDI is stronger in medium-high sectors due to the high percentage of transportation equipment involved.
- Government policy needs to shift focus to leveling the whole playing field to make all industries and products more competitive, not just subsidized ones.
- A key challenge is to upskill our workforce in order to function competitively in the more highly automated production of lower-tech products.

[2] Tech level ratings are based on classifications derived from: https://www.oecd.org/sti/ind/48350231.pdf, and https://read.oecd-ilibrary.org/science-and-technology/revision-of-the-high-technology-sector-and-product-classification_134337307632#page1

Exhibit 4 | 2023 Job Announcements by Technology Level						
	Reshoring		**FDI**		**Reshoring + FDI**	
Product Technology Level	**Jobs**	**Companies**	**Jobs**	**Companies**	**Jobs**	**Companies**
High	65%	38%	33%	23%	49%	33%
Medium-High	24%	31%	52%	48%	38%	37%
Medium-Low	9%	18%	13%	23%	11%	20%
Low	3%	13%	2%	6%	2%	10%
H+MH	89%	69%	85%	71%	87%	70%
ML+L	11%	31%	15%	29%	13%	30%

Source: Reshoring Initiative Library data

5. Country and International Region of Origin

Currently, most reshoring cases are “automatic reshoring” - new investments and production that offset extreme rates of import dependency. In these cases, Country of Origin is not often reported, but the displaced imports of many high-volume products such as EV batteries and solar are typically from China. Chips are frequently sourced in Taiwan. Therefore, we conclude that most reshoring where the country is “unknown” is coming from Asia.

When combining FDI with reshoring where Country of Origin is reported, the top five countries are Korea, China, Japan, Germany and the UK. (Exhibit 5a)

Korea and Japan are big exporters that have a lot of exposure to China risk. Subsequently, companies in both countries have increased their production in the U.S.

There were 36 cases of FDI by Chinese companies in 2023, just below the 10-year average of 39 cases per year. Chinese FDI in non-defense sectors is welcome, especially those that are supply chain gaps. However, Greenfield investments (building from the ground up) are of higher value and safer than acquisitions of existing U.S. factories and technology.

Exhibit 5a | **2023 Reshoring* + FDI by Country of Origin**					
Rank	**Country**	**Jobs**	**Cases**	**Average Jobs/Case**	**% of Total Jobs**
1	Korea	20,360	73	280	14%
2	China	18,440	71	262	12%
3	Japan	18,192	69	264	12%
4	Germany	16,174	71	229	11%
5	United Kingdom	14,739	20	726	10%
6	Canada	11,887	53	223	8%
7	India	7,305	20	360	5%
8	Singapore	5,310	5	1,180	4%
9	France	4,425	30	148	3%
10	Netherlands	4,418	21	210	3%
11	Australia	4,392	22	201	3%
12	Finland	3,053	9	339	2%
13	Sweden	2,850	11	252	2%
14	Switzerland	2,410	31	78	2%
15	Vietnam	1,685	4	443	1%
16	Spain	1,575	11	150	1%
17	Ireland	1,541	6	257	1%
18	Turkey	1,275	6	213	1%
19	Italy	1,224	20	63	1%
20	Mexico	1,215	10	124	1%
21	Brazil	1,200	3	400	1%
22	Norway	1,053	12	88	1%

23	Taiwan	653	8	79	0%
24	Denmark	647	6	108	0%
25	Austria	578	5	128	0%
26	Poland	503	2	335	0%
27	Belgium	459	9	51	0%
28	Portugal	194	2	129	0%
29	Malaysia	102	3	34	0%
30	Israel	75	9	8	0%
31	South Africa	68	2	45	0%
32	Hungary	30	2	20	0%
33	United Arab Emirates	0	4	0	0%
34	New Zealand	0	2	0	0%

Source: Reshoring Initiative Library data

*Of cases reporting Country of Origin.

When viewed through a Global Risk lens, certain countries have a large impact on U.S. manufacturing and reshoring that is distinct from their direct job and case count.

Taiwan

Rising tensions between the U.S. and China over Taiwan is a key factor in industrial policy, leading corporate strategists to increasingly consider reshoring as a critical component of their long-term planning. 20% of the cases from 2010 to the present were reshoring, 72% FDI and 8% were nearshoring. Jobs/year peaked in 2022 at 12,500, primarily due to Taiwan Semiconductor, and dropped to 650 in 2023.

In 2023, the U.S. imported a substantial number of semiconductor chips from Taiwan, a country that plays a crucial role in the global semiconductor supply chain. Taiwan Semiconductor Manufacturing Company (TSMC), the leading player in the industry, accounts for over 50% of the world's logic foundry market share. 69% of its sales were to North America in 3Q2023. Taiwan continues to be an essential link in the semiconductor supply chain for the U.S., despite efforts to diversify and build local manufacturing capabilities through initiatives like the CHIPS and Science Act.

TSMC has made significant investments in the U.S. for chip production, committing over $65 billion to its operations in Arizona, including the construction of three semiconductor fabs (fabrication plants) in Phoenix.

Israel

The Israel-Hamas conflict also has various implications for U.S. manufacturing, primarily through its impact on the global supply chain and specific industries.

1. **Pharmaceutical Industry**: Some pharmaceutical manufacturers with operations in Israel have had to close their businesses or reduce activities due to security concerns and the mobilization of employees for military service. This includes companies like Taro Pharmaceutical Industries, which has seen disruptions affecting sales and manufacturing processes (Pharmaceutical Technology).
2. **General Manufacturing**: Companies that rely on components or raw materials from the region are facing supply chain challenges. The conflict has led to disruptions in shipping routes, particularly through the Red Sea, affecting global shipping and increasing costs. The heightened maritime risks have forced some shipments to take longer and more expensive routes around the Cape of Good Hope (Harvard Gazette).
3. **Aerospace and Defense**: The conflict has also impacted aerospace production. For example, General Dynamics has reported disruptions in their aircraft production due to issues with Israeli suppliers, resulting in delays and reduced deliveries (Harvard Gazette).

Overall, while the direct impact on U.S. manufacturing might be limited to specific sectors with direct ties to Israel, the broader economic and supply chain disruptions can have ripple effects across various industries, influencing costs, availability of materials, and production schedules.

International Regions

In 2023, similar to other years, most reshoring jobs were returning from Asia, followed by Western Europe and North America.

Exhibit 5b | **2023 Reshoring by International Region***		
Rank	**Country**	**% of Total Jobs**
1	Asia	87%
2	Western Europe	5%
3	North America	5%
4	South/Central America	2%
5	Australia/Oceania and Eastern Europe	0%
6	Middle East and Africa	0%

Source: Reshoring Initiative Library data
*of cases reporting Country of Origin

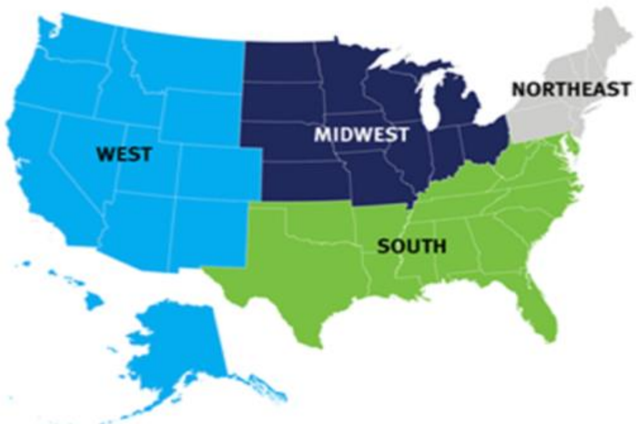
FDI jobs are coming primarily from Asia and Western Europe. The U.S. is attracting substantial FDI because of a combination of market opportunities, safe haven status, technological advantages, strategic benefits, and favorable policies including generous industrial policies.

Exhibit 5c | **2023 FDI by International Region**					
Rank	**Region**	**Jobs**	**Cases**	**Average Jobs/Case**	**% of Total Jobs**
1	Asia	56,060	206	273	42%
2	Western Europe	53,826	248	217	41%
3	North America (Canada and Mexico)	12,458	57	219	9%
4	Australia/Oceania	4,392	20	225	3%
5	Eastern Europe	1,560	8	208	1%
6	Middle East	1,350	18	75	1%
7	South/Central America	1,200	3	400	1%
8	Africa	1,148	20	59	1%

Source: Reshoring Initiative Library data

Exhibit 5d| **2023 Reshoring vs. FDI - International Region of Origin**		
Country	**Reshoring % of Total Reshoring Jobs**	**FDI % of Total FDI Jobs**
Asia	89%	42%
North America	6%	9%
Western Europe	5%	41%
Eastern Europe	0%	1%
Middle East	0%	1%
South/Central America	0%	1%
Australia/Oceania	0%	3%
Africa	0%	1%

6. Reshoring + FDI Jobs and Cases by State and U.S. Region



North Carolina, Kentucky, South Carolina, Georgia, and Texas had the highest job announcements in 2023 (Exhibit 6a). Across all states, there were not as many huge plants announced as recent years. Southern states as a whole (Exhibit 6b) reaped significant benefits from the stimulus due to their competitive costs and government incentives.

Exhibit 6a	2023 Reshoring + FDI by State				
Rank	State	Jobs	Cases	Average Jobs/Case	% of Total Jobs
1	NC	24,404	87	282	9%
2	KY	22,752	27	833	8%
3	SC	21,422	92	234	8%
4	GA	21,267	72	296	8%
5	TX	19,057	109	176	7%
6	AZ	12,742	53	242	5%
7	IL	12,669	36	355	5%
8	IN	12,392	46	268	5%
9	OH	10,763	59	181	4%
10	TN	10,239	79	130	4%
11	NV	8,970	12	780	3%
12	NM	8,010	24	341	3%
13	KS	7,922	12	649	3%

14	LA	6,632	31	213	2%
15	MA	6,357	44	143	2%
16	MI*	6,096	65	94	2%
17	PA	5,837	62	95	2%
18	AL	5,674	41	138	2%
19	CO	5,353	34	159	2%
20	NY	4,319	52	83	2%
21	VA	4,309	43	100	2%
22	WA	4,241	20	214	2%
23	WI	3,717	31	120	1%
24	WV	3,607	17	215	1%
25	CA	2,925	137	21	1%
26	FL	2,684	29	93	1%
27	UT	1,840	11	172	1%
28	MO	1,718	31	56	1%
29	NH	1,554	10	157	1%
30	MN	1,470	24	60	1%
31	IA	1,257	11	117	0%
32	OR	1,150	20	58	0%
33	MS	899	17	54	0%
34	OK	795	11	70	0%
35	AR	794	13	61	0%
36	MT	750	2	500	0%
37	NE	460	7	67	0%
38	NJ	450	14	33	0%
39	MD	380	12	31	0%
40	WY	75	2	50	0%
41	SD	75	8	9	0%
42	CT	68	11	6	0%
43	RI	0	4	0	0%
44	VT	0	2	0	0%
45	DE	0	2	0	0%
46	ID	0	2	0	0%
47	ND	0	2	0	0%
48	AK	0	2	0	0%
49	ME	0	0	0	0%
50	PR	0	0	0	0%
51	HI	0	0	0	0%

Source: Reshoring Initiative Library data

*Michigan had many large case announcements that will surely add many jobs, but for which job numbers were not yet reported.

Reshoring and FDI by U.S. Region

South and Midwest announcements (Exhibit 6a) were consistent with the historical distribution (Exhibit 6b). The South maintains the lead at 56% with a 2% gain in the share of reshoring + FDI jobs announced.

The strong trend in Southern states aligns with broader reshoring initiatives that focus on enhancing domestic manufacturing capabilities. The region can serve as a model for the rest of the country. It can compete because it is more cost competitive due to right-to-work laws, low corporate and individual state taxes, more incentives, generally slightly lower wages and property values and strengthening localized supply chains. Much of the infrastructure is newer than in the north and it is often easier to attract employees to relocate. Vocational education institutions have been well supported. The South has also benefited from the fact that its manufacturing prowess extends across a broad range of industries, from High-Tech chips and batteries to Low-Tech industries such as food, furniture and apparel.

The Midwest remains in second place, also having some key competitive qualifications, but it has more unions and higher wages, making labor less competitive.

The West has been gaining share with clean energy and chips, especially in Arizona and in Nevada.

The Northeast has fallen behind, losing 4% of its historical rate of 11%.

The grass is greener where you water it!

Exhibit 6b |. **2023 Jobs and Cases by US Region**

Rank	U.S. Region	Jobs	Cases	Average Jobs/Case	% Of Total Jobs
1	South	85,181	376	217	56%
2	Midwest	30,074	172	177	22%
3	West	22,106	149	138	16%
4	Northeast	8,971	97	96	7%

Source: Reshoring Initiative Library data

Exhibit 6c | Historical Jobs and Cases by U.S. Region, 2010-2022					
Rank	**U.S. Region**	**Jobs**	**Cases**	**Average Jobs/case**	**% of Total Jobs**
1	South	859,811	4,718	182	54%
2	Midwest	342,576	2,325	147	22%
3	Northeast	202,268	1,774	114	13%
4	West	175,920	1,709	103	11%

Source: Reshoring Initiative Library data

7. Nearshoring

Nearshoring to Mexico or Canada is better for the U.S. than work staying further offshore, e.g., in Asia.

Nearshoring has gained momentum as companies serving the U.S. market attempt to shorten their supply chains while still benefiting from low-wage labor. Data shows that roughly 75% of nearshoring comes from Asia, with Mexico attracting 80% of these cases. According to the Census Bureau, Mexico has overtaken China as the largest American trading partner. However, our analysis of pricing differences and the flow of Chinese products through Mexico suggests that the U.S. remains more dependent on China than on Mexico, particularly for products that are not readily obtainable elsewhere.

Despite this, growth in nearshoring is strong. A survey conducted by McKinsey indicates that the percentage of companies nearshoring nearly tripled in 2023. With the United States-Mexico-Canada Trade Agreement (USMCA) and Biden's recent increase in tariffs, all signs point to the continuation of a strong nearshoring trend.

Exhibit 7 | **2010-1Q2024 Announcements, Nearshored to Mexico and Canada**

Country	**Jobs**	**Cases**	**% of Jobs**	**% of Cases**	**% from Asia**	**% from Western Europe**
Mexico	99,715	257	78%	84%	65%	35%
Canada	28,431	49	22%	16%	13%	87%
Total:	128,146	306	100%	100%	n/a	n/a

Is Nearshoring a Positive Development?

Reshoring should always be the country’s first choice if the U.S. can be sufficiently competitive. For some products, the components and skills are not available here, or higher labor costs cannot be overcome by automation. In these cases, nearshoring, or right, friend and allied shoring are all better alternatives to work being done far away, especially by adversaries. Exports from Mexico to the U.S. average 40% U.S. content whereas exports from China have only 5% U.S. content. Local, low-cost, reliably sourced components make U.S. assembly more competitive. Ideally, Mexico should attract enough work to raise Mexican wages by 10% per year, reducing the risk of U.S. offshoring to Mexico.

Nearshoring Trend Highlights:

- Transportation Equipment and Appliance industries nearshore the most.
- More companies nearshore to Mexico than to Canada due to greater cost advantage. There are also some companies moving production from Asia to Central America.

- We continue to have major dependencies on imports, including from adversaries. It is extremely important to retain healthy trade ties with our nearby allies who might be able to fill the supply gap in a crisis.
- Choice of shores should be based primarily on U.S. and corporate long-term economic self-interest and not be a means of building other countries or advancing democracy, as was the case since WWII.

Our data on Canada and Mexico is much less comprehensive than on the U.S., since we do not cover either country's media. Nearshoring is probably 3-5X as high as is shown in Exhibit 7, especially in Mexico.

8. Trends and Projections

2024 Projections

Beginning in mid-2023, reshoring and FDI announcements slowed down. We expect this slowdown to continue into 2024. Job announcements for 2024 are projected at around 230,000 – a healthy rate, but lower than the last two years.

Some explanations for the current and possible future slowdowns are:

- Much of the surge was for EV batteries and vehicles. Very soft EV demand is reducing related reshoring and FDI announcements. Similarly, except for AI chips, the chips market is not strong. In many or most chip categories, supply exceeds demand and pricing is weak, reducing the motivation to invest.
- The USD is up about 10% in 2023 and 2024 from 2021, making U.S. manufacturing less competitive.
- Interest rates have stayed higher for longer than anticipated, making capital-intensive projects more difficult to justify. Manufacturing technology orders are off 11% from 2022 to 2023 and even further in 2024.
- Competition from Mexico. Most of the output from the nearshored factories supplies the U.S. market. We are not capturing the U.S. supply chain that is supplying the Mexican assembly plants.
- Companies may have by now allocated all the subsidy and corporate $ for their projects.
- Impending changes in politics could lead to greater uncertainty regarding industrial policy.
- Subsidies/incentives are running out.
- Companies have applied for the subsidies/incentives and are waiting to see if they qualify.
- Commercial property is tight.
- The labor market is tight.
- Inventories have been high.
- Inflation continues.

On the flip side, announcements could rise again if the U.S. achieves greater competitiveness. Supply chain gaps and the need for greater self-sufficiency set the stage for recent upward trends in reshoring. Geopolitical risks have shed light on our vulnerabilities and the need to address them. The White House responded with the Inflation Reduction Act, Chips Act, and Infrastructure Bill, offering some direction and financial security to the companies and industries intent on filling the gaps. While these government actions are necessary in the short term, they are insufficient as they do not address the U.S.'s uncompetitive cost structure.

The best way to promote more reshoring and protect the U.S. from increasing geopolitical risks is to implement a true national industrial policy. Such a policy should focus on leveling the cost playing field through comprehensive actions, including massive skilled workforce investments, a 20% lower USD, and the retention of immediate expensing of capital investments. The workforce investment should be modeled after programs like Germany's apprenticeships. More suggestions are available on our Competitiveness Toolkit.

Skilled Workforce

Manufacturing employers consistently prioritize the availability of skilled labor when deciding where to locate their facilities. Surveys indicate that "skills and availability of workforce" is the top criterion for selecting a reshoring location. According to 2024 research from Deloitte and the Manufacturing Institute, the U. S. manufacturing sector expects to have 1.9 million unfilled jobs by 2033. Achieving the Reshoring Initiative's mission of eliminating our $1.1 trillion goods trade deficit would increase that workforce shortfall to about 7 million. Therefore, manufacturers need assurance that local, state, and federal governments are committed to the ongoing recruiting and training of these workers.

Other trends to keep an eye on

- With monumentally increased visibility and reporting on the topic, we expect continued changes in consumer awareness and preference for goods sourced domestically.
- Increase in Wall Street engagement
- Parallel industrial construction boom
- Reports show huge FDI by the world in South Asia and SE Asia. If we do not make the U.S. more price competitive, we will lose jobs to these regions as we did to China.

Conclusion

Reshoring Initiative reporting contains data and analysis on trends in announcements of U.S. reshoring by U.S. headquartered companies and FDI by foreign companies that are shifting production or sourcing from offshore to the U.S.

This report should motivate companies to reevaluate their sourcing and siting decisions by considering all the costs, risks, and strategic impacts resulting from those decisions.

The report also highlights the need for a strategic national industrial policy. Reshoring's success has occurred despite uncompetitive U.S. manufacturing costs. Presently, shifting forces are creating more incentives and opportunities for companies to produce at home. The Reshoring Initiative can help government policymakers project the impact of applying industrial policy to create a broad industrial base, bringing millions more jobs back. Acceleration of the trend depends on the government leveling the playing field, making the United States more cost-competitive.

The Reshoring Initiative offers many tools and resources, which are listed below. Please contact us for help driving reshoring for your company, your region, and our country.

RESHORING INITIATIVE RESOURCES

Reshoring Initiative Database – The full database of over 6500 cases of reshoring and FDI is available for purchase. It contains 70 fields of granular data detailing the cases. Use to identify the companies that will benefit the most from reshoring or to target marketing and sales programs. Contact us for more info.

Total Cost of Ownership Estimator® - Free online tool helps companies account for all relevant factors — overhead, balance sheet, risks, corporate strategy, green and other external and internal business considerations — to determine the true total cost of ownership. It can be used by companies to make smarter sourcing decisions and to sell against imports. TCO Estimator user data shows that 20 to 30% of imported products can be made here more profitably. Call on the Reshoring Initiative for help using this and other tools.

Geopolitical Risk Report- This report provides a geopolitical risk probability measure and broad geopolitical risk analysis to help guide stakeholders in assessing their unique risk exposure. Geopolitical risk (GPR) is the probability in one year of a major disruption in trade resulting in the cessation of exports from that country to the U.S. as a result of an adverse geopolitical event.

Import Substitution Program (ISP) - Manufacturers identify the products they excel at. ISP identifies and qualifies the major relevant importers of those products. The manufacturers then use TCO to convince the importers to reshore. Offered directly to manufacturers and thru MEPs, EDOs (economic development organizations), trade associations and equipment sellers.

Supply Chain Gap Program - Identifies U.S. supply chain gaps. Helps U.S. manufacturers fill the gaps. Helps EDOs find foreign firms to fill the gaps.

Competitiveness Toolkit - Designed to quantify and select the optimal national policy changes to bring back a desired number of jobs.

Reshoring Library – You can use Advanced Search to identify companies that have reshored or done FDI in relevant industries or regions. Search for potential customers.

Reshoring Initiative Data Report – Annual and semi-annual reports track the drivers, impact and momentum of the trend.

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About Us

Reshoring is gaining momentum throughout the country. Many companies have already repatriated some of their manufacturing efforts, and the Reshoring Initiative is continuing to spread the "return-manufacturing-home" message to help other manufacturers realize America is an advantageous place to produce goods.

The Reshoring Initiative, founded in early 2010, takes action by helping manufacturers realize that local production, in some cases, reduces their total cost of ownership of purchased parts and tooling. The Initiative also trains suppliers how to effectively meet the needs of their local customers, giving the suppliers the tools to sell against lower priced offshore competitors.

Reshoring Initiative®

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