A homecoming for US manufacturing?
Why a resurgence in US manufacturing may be the next big bet

Key findings

\( \text{(source: Economist Intelligence Unit, PwC Analysis)} \)

**Certain conditions are converging to favor US manufacturing reshoring.**

**Net cost advantages: US**

- Labor costs in China are increasing, making local production more attractive. This trend is expected to continue, further reducing the gap in labor costs.
- Availability of capital and tax reform initiatives are expected to enhance the attractiveness of the US market.

**A far-costlier supply chain**

- Rising fuel costs and transportation rates are making offshore operations more expensive.
- Globalization has contributed to a longer supply chain, which increases costs and reduces agility.

**Weakening US currency**

- The depreciation of the US dollar has made domestic production more competitive.
- Despite some concerns about US inflation, the current inflation rate is lower than China's, reducing the cost disadvantage.

**End of ultra-cheap Chinese labor?**

- While Chinese wages are projected to rise significantly through 2016, they still remain lower than those in the US.
- The gap in labor costs is expected to narrow further, making China less attractive for manufacturing.

**Factors US companies should consider when deciding on the right US reshoring and onshoring strategy**

- **Infrastructure and energy costs:** Transportation fuel prices add costs to globally configured supply chains.
- **Regulatory and tax environment:** There are proposals for tax reform, which could enhance the attractiveness of the US market.
- **Economic conditions:** The US economy is expected to continue its recovery, providing a strong foundation for manufacturing growth.

**Spiking transportation fuel prices add costs to globally-configured supply chains**

**Weakening US currency makes producing in China less attractive**

**America’s got talent: Home-grown engineers could help fuel reshoring of R&D**

- The US has a strong base of engineering talent, which can help mitigate the challenges of local production.
- The availability of skilled labor is a major consideration for companies looking to reshore.

Source: NSF; NIH; USED; USDA; NEH; NASA, 2009 Survey of Earned Doctorates

**Factors to consider in manufacturers’ decisions to reshore or onshore**

- **Labor costs:** Labor is a significant cost factor, and rising wages in China are making local production more competitive.
- **Transportation and energy costs:** Fuel prices and transportation rates are increasing, making offshore operations more expensive.
- **Regulatory and tax environment:** Tax reform initiatives and a stable regulatory environment are important considerations.

**Net cost advantage: US**

- US manufacturing costs are lower, particularly in sectors like engineering and high-value products.

**A far-costlier supply chain**

- The longer supply chain in China contributes to higher transportation costs.

**Switching to the US might present an opportunity for US companies to reduce costs and improve agility.**

**A case for reshoring in the steel products industry**

- The US steel industry has been facing challenges, but emerging trends suggest a potential resurgence.
- The depreciation of the US dollar has made domestic production more competitive.

**End of ultra-cheap Chinese labor?**

- Chinese wages are projected to rise significantly, but the gap with US wages is expected to narrow.

**US or China? A case for reshoring in the steel products industry**

- The cost advantage for US manufacturing is expected to grow, particularly in sectors with high labor costs.

**You can go home again: Assessing the net benefits of US reshoring for your company**

For many US manufacturers, it’s a good time for a reshoring cost-benefits analysis. To assess whether reshoring is cost-effective, companies need to consider various factors and weigh the potential benefits against any growth in related costs.