By SUPPLY CHAIN CONNECT STAFF

Tracking Reshoring, Onshoring and Nearshoring Trends

Organizations in the U.S. continue to assess their reshoring, onshoring and nearshoring options.

Rising labor costs in China, geopolitical tensions, tariffs and a lack of supply chain transparency are some of the key factors driving American producers to rethink their offshoring strategies. And while a full-scale reshoring or onshoring trend has yet to take effect, certain industries are already leading the charge in this area.

"Rising labor costs in traditional offshore locations, such as China, have diminished the cost advantages that once drove companies to move production overseas," ARC Group states in "The Strategic Imperative of Onshoring and Nearshoring." Tariffs and trade barriers have increased the overall cost of importing goods from certain regions, and there are more government policies/incentives that support onshoring and nearshoring.

According to FTI Consulting, electrical, transportation, chemicals, pharmaceuticals, computers and electronic products are the industries that are most apt to reshore, onshore or nearshore manufacturing and sourcing. For example, GE Appliances reshored production to the U.S., while the electric vehicle (EV) market is in the midst of its own reshoring renaissance.

And let's not forget the semiconductor industry, which has seen "significant reshoring activity," FTI Consulting points out, "spurred by national security concerns and government initiatives such as the CHIPS Act."

Addressing Offshoring Challenges

Global disruptions and geopolitical challenges are two of the top reasons why many organizations are reevaluating their sourcing strategies. *GlobalTrade* says reshoring (bringing production back to home countries) and nearshoring (sourcing closer to the consumer market) are both expected to become more prevalent in 2025, "helping businesses reduce lead times, mitigate risks, and enhance supply chain responsiveness," the publication adds.

In "The Resurgence Of U.S. Manufacturing: Onshoring And Nearshoring Trends," investment consultant Sean Dalfen writes about the reversal of the "move everything overseas" trend that encountered some serious difficulties during the pandemic-era supply chain disruptions. "Now, we're seeing some of that manufacturing come back, especially in the automotive industry," he adds.

The current onshoring shift is about building resilience into supply chains, reducing dependence on foreign sources and bringing jobs back to the U.S. Dalfen says automotive manufacturing is leading the charge, and cites a 2023 report that states that $400 billion in advanced manufacturing investments was pledged to create a minimum of 250 million square feet of new industrial projects by 2030.

"In light of the change from NAFTA to USMCA in 2020, we're also seeing a lot of nearshoring—where companies move their manufacturing to places like Mexico," he points out. "Tesla is among the latest to join with their announcement to build a factory in Mexico less than 140 miles from the U.S. border. It's a win for everyone involved—more goods are produced at lower costs, and the supply chain is much more manageable."

The Sustainability Hook

Sustainability is becoming an increasingly important supply chain management consideration, and it's also driving at least some of the momentum on the reshoring and onshoring front. According to ARC Group, both onshoring and nearshoring can "significantly reduce" the carbon footprint associated with long-distance transportation.

"Regulatory compliance with environmental standards is easier to achieve with local or regional production," it adds. "Additionally, ethical considerations and Corporate Social Responsibility (CSR) initiatives are pushing companies to adopt more sustainable practices, including sourcing materials and manufacturing products closer to their end markets."

Onshoring and nearshoring also provide the enhanced supply chain control that so many organizations are seeking right now. "By relocating production closer to home," ARC Group states, "companies can significantly improve their quality control measures and ensure better compliance with regulatory standards."

Balancing the Pros and Cons of Reshoring

Bringing production and/or sourcing closer to home isn't always easy. Sure it enhances supply chain resilience by reducing transportation costs and lead times due to proximity to end markets, but companies also have to consider the higher labor costs in North America, the persistent manufacturing labor shortage and stricter U.S. regulations.

"Infrastructure limitations are also a concern, as the U.S. needs more manufacturing space and significant improvements to support reshored operations," FTI Consulting says. "Finally, rebuilding domestic manufacturing infrastructure requires substantial capital investment, which can be a significant barrier for many companies. Balancing these pros and cons is crucial for businesses that are considering reshoring their operations."

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