

Economy

Battle of the titans: Reshoring vs. friendshoring

05 June 2025

Key takeaways

- Although US manufacturing accounts for only 8% of total employment, the Reshoring Initiative found reshoring created 20% of manufacturing jobs in the last 15 years, with half of these created in the past five years, largely due to policy initiatives.
- A BofA Global Research proprietary survey found only 20% of respondents expect significant reshoring, while 40% call for mild relocation to the US within select sectors including electronics, biotechnology, and metals and mining. These sectors are more capital- than labor-intensive, and are expected to take one to three years to complete any reshoring initiatives.
- Reshoring also faces increased risks from lack of qualified labor within the US. Therefore, nearshoring, or friendshoring, appears much more likely to benefit from tariffs this time around, according to BofA Global Research, and Mexico is considered to be a net beneficiary from the push from cost efficiency to geopolitical risk management.

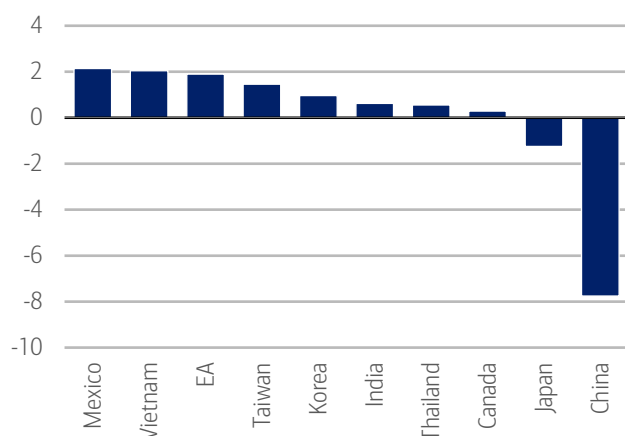
Geopolitics are reshaping supply chains

Recent geopolitical changes have forced companies to reimagine how they think about supply chains. For example, globalization was about producing in the cheapest country – an efficiency-driven allocation of capital. Now geo-fragmentation means it's about producing where it's safest – a risk management-driven allocation of capital.

However, this isn't a new phenomenon. Since 2018, China has lost 7.7 percentage points (pp) of its share of US imports to Vietnam (+2.1pp) and, more recently, to Mexico (+2.0pp) (Exhibit 1). At the same time, China is increasingly trading more with countries like Vietnam and Mexico at the expense of the US and Japan (Exhibit 2).

Exhibit 1: China's loss in US imports is Vietnam and Mexico's gain...

Changes in market share in US imports since 2018 (pp)

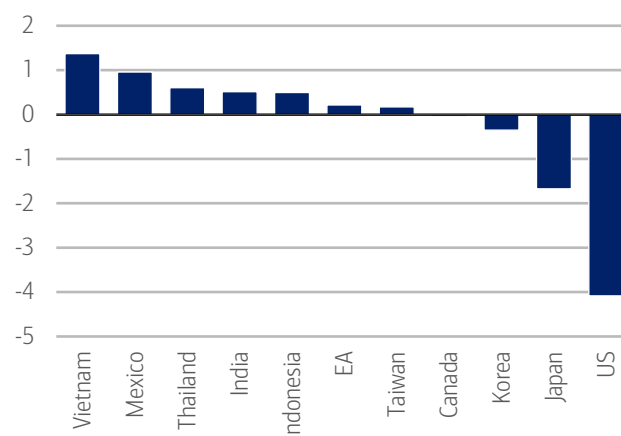


Source: Haver analytics Note: EA is Europe
BofA Global Research

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Exhibit 2: ...but China is exporting more to these same countries

Changes in market share in China exports since 2018 (pp)



Source: Haver analytics Note: EA is Europe
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Reshoring trends are slowing

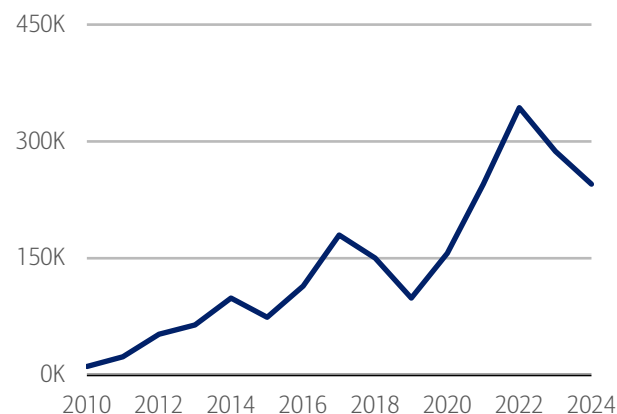
The Trump administration declared several objectives when discussing tariffs: trade rebalancing, reshoring of manufacturing jobs to the US, fiscal revenues, and leverage in negotiations. However, some of these objectives may be contradictor, according to BofA Global Research.

But one bright spot in reshoring is job creation. In fact, reshoring and foreign direct investment (FDI) have created about two million jobs (around 20% of total manufacturing employment) in the last 15 years, according to the Reshoring Initiative. However, close to half of these jobs were created in the last five years.

And job creation from initiatives like the Inflation Reduction Act (IRA) and the Creating Helpful Incentives to Produce Semiconductors (CHIPS) Act may be losing steam. While these government projects contributed to the increase in the onshoring trend between 2020 and 2022, those numbers have slowed over the past two years, after a peak of 350k jobs created (Exhibit 3). Electrical equipment, appliances and components (mostly EV batteries), computers and electronics, as well as transportation equipment, led the pack with 75% of job creation over the last few years.

Exhibit 3: Reshoring related job gains peaked in 2022

Reshoring and FDI job announcements (yearly, actual (in thousands))

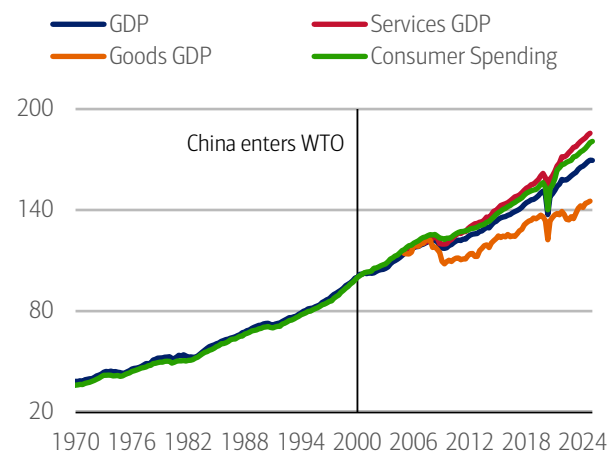


Source: Reshoring Initiative
BofA Global Research

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Exhibit 4: The US is a services-driven economy

Real GDP, consumption, and real value added in services and goods sectors (actual, \$ trillions)



Source: Haver analytics Note: WTO means World Trade Organization.
BofA Global Research

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Putting reshoring into context

Additionally, over the last several decades, the US has further transformed itself into a services economy, with services GDP growth consistently outpacing goods-producing sectors (Exhibit 4). Despite the relocation of supply chains into the US, manufacturing employment as a proportion of the total has been moving lower, currently only 8%, down from 30% in the 1980s.

However, this isn't necessarily bad news. Automation and offshoring of labor-intensive activities into low-wage countries have created a more efficient allocation of resources for the US as well as the rest of the world, according to BofA Global Research. In other words, manufacturing careers have been largely replaced with higher-paying services jobs in the US over the past several decades.

Reshoring is more prominent in specific sectors

Tariffs affect various sectors differently, and a firm's decisions to relocate supply chains or pass tariff costs on to final prices can have significantly different implications based on its industry. According to BofA Global Research, autos have been more impacted than branded pharma, while semiconductors were spared, etc.

Moreover, even within sectors, there have been different reactions to tariff increases between large, small and medium-sized companies due to differing abilities to front-run imports, smooth price increases, and preserve market share (read more on this in the [April Small Business Checkpoint](#)).

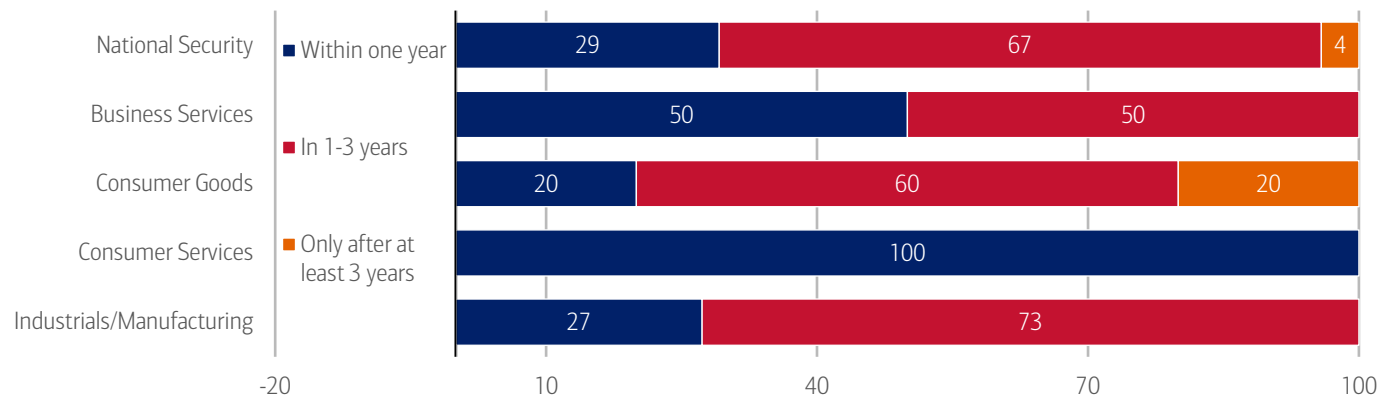
Additionally, capital-intensive industries and some national security-related sectors are more likely to reshore more quickly than labor-intensive ones, where costs are much higher in the US, according to a recent BofA Global Research survey (Exhibit 5). Metals and mining, electronic manufacturing services, biotechnology and pharma (included in both consumer goods and national security categories) and homebuilders are where reshoring may be more significant.

Capital-intensive sectors attracting reshoring are more prone to automation

According to BofA Global Research, since most of the reshoring will be concentrated in industrials and manufacturing, reshoring will not create a significant number of new jobs as those new production lines will be mostly automated.

Exhibit 5: Reshoring to the US within the next 1-3 years in most sectors

If you expect a shift away from China, how soon will production move? (% share of respondents)



Source: BofA Global Research. Note: Responses are expressed as share of respondents. Based on a proprietary survey of 56 analysts, based on 9 countries, covering 1029 companies that represent over US\$ 38 trillion of market cap.

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Friend-/nearshoring appears much more prevalent

Beyond reshoring, the push from cost efficiency to geopolitical risk management in supply chains can also manifest in relocating to other countries (i.e. friend- or nearshoring). While the total impact is yet to be fully determined, Vietnam, Mexico, India, and Thailand rank high as potential beneficiaries from relocation out of China, according to BofA Global Research (Exhibit 6).

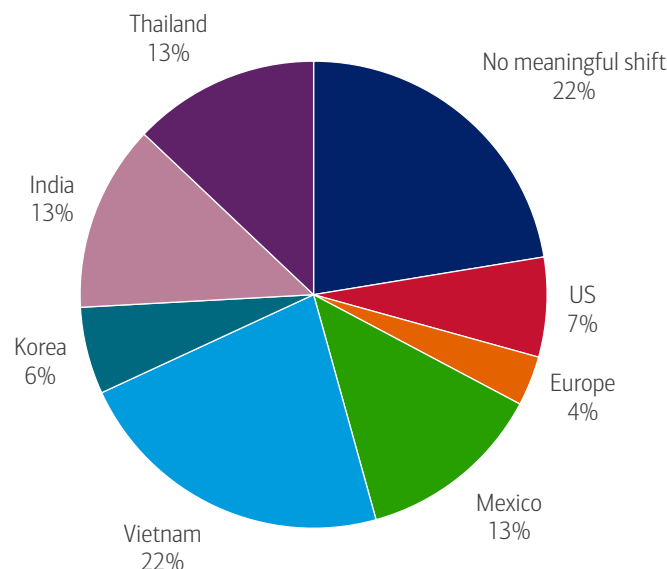
Mexico stands as the big beneficiary

According to BofA Global Research, the United States-Mexico-Canada Agreement (USMCA) and geographical proximity makes Mexico a more straightforward potential beneficiary. Additionally, Mexico should be a net beneficiary in transportation, food and beverages, restaurants, and homebuilders.

Even though 30% of respondents in the BofA Global Research survey expect some “swap” of production between the US and Mexico, depending on the final destination of goods, 28% of analysts expect it to become a net beneficiary of higher tariffs. Most likely, this reflects an expectation of a continued decoupling from China and USMCA countries facing much lower tariffs than the rest of the world.

Exhibit 6: Destinations from China are mainly Vietnam, Mexico, India, and Thailand

If Chinese tariffs remain high, do you expect a production shift from China to other countries? (% share of respondents)



Source: BofA Global Research. Note: Responses are expressed as share of respondents.

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What are the risks for reshoring to the US?

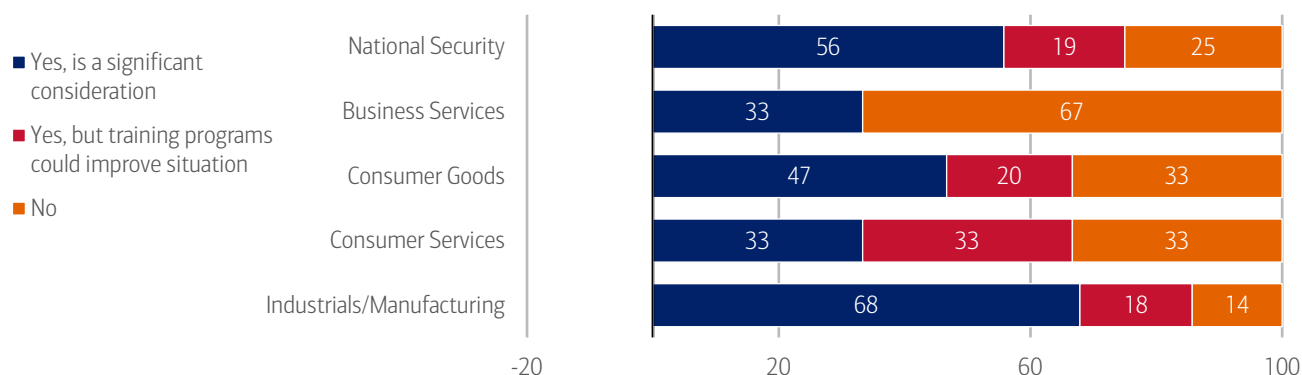
There are several other factors that are relevant in the decision-making process for reshoring US supply chains. The first, and possibly most important, is the availability of a skilled and trained labor force that will work for competitive wages.

According to BofA Global Research, expected US reshoring is unlikely to drive significant increases in US employment, given that increased production and labor costs are a primary concern deterring most sectors from reshoring. And those companies that do end up reshoring are likely to offset associated costs via increased automation of production lines. Moreover, the greatest shift in production will not be towards the US, but alternative centers of low-cost manufacturing, primarily Southeast Asia and Mexico.

Plus, qualified labor is either hard to find or the cost of it is too high in the US relative to other countries. When asked about the main conditioning factors for reshoring flows, analysts from the recent BofA Global Research survey agree that the availability of qualified labor is a major concern, though the impact varies by industry. Geopolitics has been one of the most important drivers of reshoring and friendshoring over the last few years and qualified labor is more important for national security, industrials and manufacturing, while much less so for services (Exhibit 7).

Exhibit 7: Qualified labor is a significant concern mainly in manufacturing, consumer goods and national security

Availability of qualified labor a major consideration for your companies as they consider producing more goods in the US? (% share of respondents)



Source: BofA Global Research. Note: Responses are expressed as share of respondents

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