The North American Manufacturing Renaissance Takes Shape

Date: 23.01.2023
Author: admin

The trend of companies moving their manufacturing operations from the United States to China was prevalent in the late 20th and early 21st centuries due to China's lower labor costs and lax regulations. However, within the past decade or so a concerted plant reshoring effort has emerged among many manufacturers to bring their manufacturing back to North America, particularly the United States. This trend has been driven by a variety of factors including the increasing cost competitiveness of North American manufacturing, the desire to reduce reliance on global supply chains and be closer to customers, and access to advanced technologies and skilled labor.

The Exodus of North American Manufacturing

The United States lost much of its low-tech manufacturing base to China in the late 1990s and early 2000s as the country became part of the consortium of World Trade Organization countries. One major factor contributing to this move was the significantly lower labor costs in China, making it an attractive location for outsourcing. In addition, China's low labor and environmental standards made financial sense for companies to shift the lower portions of their supply chains there.

The benefits of manufacturing in China for companies were numerous. In addition to lower labor costs, China also offered a large pool of skilled labor and a favorable exchange rate for U.S. companies. Additionally, China's infrastructure and transportation systems made it easier to import raw materials and export finished goods to other countries.

However, in recent years, many companies have chosen to re-shore their manufacturing to the Americas, particularly to the United States. The trend started around 2012 as the threat of political tensions loomed large on the horizon and national security became more linked to a solid manufacturing base. The COVID 19 pandemic put a fine point on national security as every country in the world came to rely on the many medications and personal protective equipment that originated from Chinese manufacturing. Additionally, civilian manufacturing in the years after the COVID 19 pandemic has been anything but smooth sailing.
Rolling lockdowns in China have caused downstream effects on manufacturing. As a result, many companies such as Apple, Samsung, Amazon, and Microsoft are moving some of their manufacturing to other countries.

Factors Contributing to the North American Manufacturing Renaissance

Several factors are contributing to the resurgence of manufacturing in North America. One major factor is the increasing cost competitiveness of North American manufacturing compared to other regions. Labor and transportation costs in China, for example, have been rising in recent years, while the appreciation of the Chinese currency has made it more expensive for U.S. companies to do business there. In contrast, the United States has seen comparative stability in labor costs and an increase in productivity due to the adoption of advanced manufacturing technologies and automation.

Another factor contributing to the North American manufacturing renaissance is the increasing demand for domestically produced goods due to global supply chain disruptions. Events such as the COVID-19 pandemic have highlighted the vulnerabilities of relying on global supply chains and have led to a greater emphasis on domestic production.

Finally, government policies and incentives have played a role in supporting the manufacturing sector in North America. Governments have implemented measures such as tax breaks and grants to support the development of advanced manufacturing technologies and the adoption of sustainable practices. Additionally, trade policies have been implemented to level the playing field for North American manufacturers competing with imports from other regions. It’s also important to note that North American manufacturing isn’t just growing because of relocated production, it’s also growing with new production.

Companies Reshoring Manufacturing Operations to North America

There are many successful companies and industries that have contributed to the North American manufacturing renaissance.

One example of a company that has successfully adapted to the changing manufacturing landscape is Ford Motor Company. In the face of declining demand for traditional gasoline-powered vehicles, Ford has invested heavily in electric and hybrid vehicles, leading to a resurgence in the company’s manufacturing operations. In 2019, Ford announced plans to invest $11 billion in Tennessee and Kentucky for electric vehicle development and to bring 16 fully electric models to market by 2022.

Another successful company in the North American manufacturing renaissance is Tesla, which has disrupted the traditional automotive industry with EV. Tesla has experienced rapid growth in recent years and has attracted significant investment, leading to the expansion of its manufacturing operations in the United States and Mexico.

Other industries that have experienced growth and success in the North American manufacturing renaissance include the aerospace and defense sector, which has benefited from increased investment in advanced manufacturing technologies and automation. In addition, the medical device industry has experienced growth due to increasing demand for advanced medical technologies and the need to diversify global supply chains.

Challenges For the North American Manufacturing Renaissance

Despite the widespread growth of manufacturing in North America, the North American manufacturing renaissance has faced several challenges, including skilled labor shortages and the need for workforce development. As the manufacturing sector has experienced a resurgence, there has been an increased demand for skilled labor, which has led to a shortage of workers with the necessary training and education. This has led to a need for workforce development initiatives to provide training and education to the next generation of manufacturing workers.

Another challenge facing the North American manufacturing renaissance is competition from other regions with lower labor costs. Some countries, particularly in Asia, still offer significantly lower labor costs than the United States, which makes it difficult for North American manufacturers to compete.

Finally, there are also environmental concerns and the need for sustainable manufacturing practices. As manufacturing has become more advanced, there has been an increased focus on sustainability and the need to minimize the environmental impact of manufacturing processes. This has led to the adoption of sustainable practices such as renewable energy use and the reduction of waste and emissions.

Conclusion

The future of manufacturing in North America is bright, with many companies choosing to bring their operations back to the United States and other parts of the continent. Companies that are considering reshoring their manufacturing operations can benefit from the expertise of a team that has done it many times before, like Seraph, who can help them navigate the process and take advantage of government policies and incentives. With the right support and strategic planning, companies can successfully adapt to the changing manufacturing landscape and thrive in the promising future of manufacturing in North America.

Thanks to our team of specialized operational consultants, Seraph can come alongside a new company and act as a support structure and begin adding value from day one. Our advisors are former management at many suppliers and OEMs and are experts in production and supply chain efficiency. Contact us today to schedule a discovery call, or see our case studies for more information.