

MARKET SIGHT LINES



U.S. Reshoring and Nearshoring: A Sustainable Economic Tailwind

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Investors are increasingly worried about market levels and the possibility of an artificial intelligence (AI) “bubble,” just as U.S. companies are close to wrapping up a much better-than-feared third quarter earnings season with net profit margins back near cycle highs. Despite the worries, however, during earnings calls and elsewhere, executives are highlighting a powerful, long-term positive theme: making more in America. The rewiring of global supply chains is now unmistakable in both the data and capital spending. What began as a reaction to pandemic-era disruptions has evolved into a structural reindustrialization cycle that will shape U.S. investment, employment, and infrastructure in the decades ahead.

THE TAKEAWAY: RESHORING AND NEARSHORING ARE RESHAPING NORTH AMERICAN INDUSTRY

We believe U.S. industry is entering a new expansionary phase driven by capital investment, policy support, and modernization. In summary:

- S&P 500 companies are on track to post Q3 2025 earnings and net margins near 13.1%, well above the five-year average, supporting continued reinvestment.
- Major U.S. and global firms have announced ~\$1.5 trillion in multiyear nearshoring and reshoring investments across technology, pharmaceuticals, and industrials.
- The AI boom is driving a nationwide construction surge – the U.S. now hosts over 5,400 data centers, more than the next 24 countries combined.
- Government incentives like the CHIPS and Science Act, Inflation Reduction Act, Infrastructure Investment and Jobs Act, and tariffs, are accelerating corporate decisions to onshore.
- AI and automation are transforming the industrial workforce, creating higher-skilled, higher-wage manufacturing roles.
- This reindustrialization of America has the strong potential to be a multidecade transformation, not a transitory investment cycle.

IN-DEPTH: RESHORING AND NEARSHORING ARE RESHAPING INDUSTRY IN NORTH AMERICA, ESPECIALLY IN THE U.S. AND MEXICO

The U.S. industrial landscape is entering a new phase of expansion, driven by record levels of capital investment, long-term policy support, and a modernization of domestic manufacturing. Going deeper:

- S&P 500 companies are on track to post strong earnings for the third quarter:
 - The blended (year-over-year) earnings growth rate for the S&P 500 is forecast to be 13.1%.
 - Net profit margins expanded from 12.8% last quarter to 13.1%, the highest since 2009.
- Major firms have announced ~\$1.5 trillion in multiyear nearshoring and reshoring investments across technology, pharmaceuticals, and industrials such as:
 - Technology: Apple (\$600 billion), Nvidia (\$500 billion), and IBM (\$150 billion).
 - Healthcare: Johnson & Johnson (\$55 billion), AstraZeneca (\$50 billion), Eli Lilly (\$50 billion), and Bristol Myers Squibb (\$40 billion).
- The AI boom is driving an accelerating nationwide construction surge:
 - The U.S. now hosts over 5,400 data centers, more than the next 24 countries combined.
 - Some estimate ~\$7 trillion in global data center capex by 2030, with over 40% in the U.S.
 - This data center growth and government incentives will drive new U.S. manufacturing for semiconductors, grid equipment, and advanced cooling.
- These government incentives – like the CHIPS and Science Act, Inflation Reduction Act, Infrastructure Investment and Jobs Act, and tariffs – are accelerating corporate decisions to onshore. According to an Institute for Supply Management survey:
 - 29% of U.S. firms are actively reshoring sourcing or production.
 - ~96% of CEOs are evaluating or implementing reshoring initiatives.
- AI and automation are transforming the workforce, creating higher-skilled, higher-wage roles:
 - Major factory projects are expected to create tens of thousands of construction and engineering jobs through 2030.
 - Companies are deploying advanced automation to enhance efficiency and offset higher domestic labor costs, transitioning from low-cost overseas labor to more resilient, technology-driven operations staffed by fewer but higher-skilled, higher-wage workers.
- This reindustrialization of America has the strong potential to be a multidecade transformation:
 - The scale and timelines of announced investments show that reindustrialization is unfolding not as a short-term policy response, but as a long-term capital investment cycle.

CONCLUSION

Even as investors are increasingly worried about an AI “bubble,” the third quarter earnings season went better than expected. And during earnings calls, and elsewhere, executives are highlighting how they are looking to make more in – and near – America. While this began as a reaction to pandemic-era disruptions, the movement has evolved into a structural reindustrialization cycle that will shape investment, employment, and infrastructure in in the U.S. for decades to come.

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