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Large European and US organizations are planning to invest $3.4 trillion over the next three years for reindustrialization

- *Domestic markets are projected to represent half of total production capacity in the next three years, with offshore declining to 17% (versus 35% in 2021)*
- *Only half of business leaders think government policies and regulations are supportive of reindustrialization efforts*
- *Organizations are expecting a carbon reduction of nearly 14% on average through reindustrialization*

Paris, April 18, 2024 –The reconfiguration of global supply chains and manufacturing capacity, with the aim of bringing them closer to, or within, domestic markets, has gained momentum in Europe and the US. According to the Capgemini Research Institute's latest report, *"The resurgence of manufacturing: reindustrialization strategies in Europe and the US,"* 47% of large European and US organizations have already invested in reshoring their manufacturing production and 72% are currently developing a strategy for reindustrialization or already have one in place. The majority having initiated these strategies within the past two years. A majority of business leaders believe reindustrialization will help their organizations meet climate goals with an expected carbon reduction of 13.6% on average in the next three years.

Investments in "reshoring," "nearshoring,"[1] and domestic manufacturing, as well as the construction or upgrade of manufacturing facilities, are on the rise in Europe and the US to enhance resilience against disruptions. The majority of this funding is directed towards domestic market initiatives, comprising 54% of cumulative investment in the last three years. But hurdles such as skill shortages, scarcity of raw materials, and lack of incentives will likely lead to an increase in short-term investments outside the domestic market, mainly through nearshoring and "friendshoring."[2]

"This research highlights the magnitude of the mobilization and investments from business leaders to reindustrialize Europe and the US. Domestic manufacturing and nearshoring are becoming instrumental to mitigate multifaceted risks prevalent in Western countries and the imperative to bolster economic sovereignty and security," said Roshan Gya, CEO of Capgemini Invent and Member of the Capgemini Group Executive Committee. *"Business leaders are accelerating strategic initiatives to fortify supply chain resilience and flexibility, re-establish national security in strategic sectors, reach climate targets, and regain the industrial powerhouses of Europe and North America once enjoyed. This is a structural shift that organizations will need to adjust to."*

The key factors driving reindustrialization

- **Supply chain resilience:** the imperative to promote supply chain resilience and the ability to adapt and respond quickly to operational disruptions is a leading driver of reindustrialization for nearly 70% of organizations surveyed.

[1] In this research, reshoring is defined as bringing manufacturing/production back to the domestic market/country of headquarters. Nearshoring is defined as moving manufacturing/production to a nearby or neighboring country.

[2] Friendshoring is a growing trade practice where supply chain networks are focused on countries regarded as political and economic allies, to further reduce risk exposure.

- **Sustainability**: a majority (55%) of organizations are optimistic that reindustrialization will help their organizations meet climate goals, especially in reducing their Scope 3 greenhouse gas (GHG) emissions.
- **Geopolitical tensions:** a majority (63%) of organizations recognize domestic manufacturing as strategically significant for ensuring national security. A similar percentage (62%) anticipate its importance in strategic sectors such as electric vehicles, medicines and vaccines, and semiconductors to strengthen in the future.
- **Legislation and incentives:** while organizations acknowledge that incentives accelerate investment for domestic production, particularly in areas of national strategic importance, such as semiconductors, batteries, and renewable energy, less than a half (49%) declare that government policies and regulations are supportive to their reindustrialization efforts.

Reindustrializing to promote sustainable growth and innovation

62% of organizations are investing in technologies to enhance sustainability within their reindustrialization initiatives. Gigafactories are seen as a key element in the journey towards a sustainable reindustrialization; over half (54%) of automotive, battery, and energy executives surveyed say their organization is currently building a gigafactory or have plans to do so within the next five years.

A majority (68%) expressed confidence in the potential of reindustrialization to drive innovation and technological advancement, in particular through 5G/edge, generative AI, and digital twins in the coming three years.

Reindustrialization will demand a highly skilled manufacturing workforce

Half of the survey participants anticipate that reindustrialization will drive job growth domestically across various sectors. However, meeting this demand will require a skilled manufacturing workforce, as acknowledged by 72% of organizations. The share of the manufacturing workforce with advanced digital skills, including proficiency in areas such as supply chain management, data analytics, and artificial intelligence/machine learning, is projected to rise from 31% today to 53% in the next three years.

To access the full report: Link

Methodology

The Capgemini Research Institute surveyed 1,300 executives employed at organizations with more than $1 billion in annual revenue across the US, the UK, and Europe, including France, Germany, Italy, the Netherlands, the Nordics, and Spain. Organizations operated across 13 key industrial and manufacturing industries. Executives surveyed are director-level and worked across diverse business, technology, and manufacturing-related functions. The global survey took place in February 2024.

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The Capgemini Research Institute is Capgemini's in-house think-tank on all things digital. The Institute publishes research on the impact of digital technologies on large traditional businesses. The team draws on the worldwide network of Capgemini experts and works closely with academic and technology partners. The

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