

## **Large European and US organizations are prioritizing reindustrialization investments over short-term profitability**

- *To mitigate concerns over supply chain pressures, rising tariffs and trade disputes, cumulative investments within and outside of domestic markets projected to reach \$4.7 trillion over the next three years, up from \$3.4 trillion in 2024*
- *More than half have invested in nearshoring or reshoring their manufacturing over the past year, with 35% planning to increase investments in nearshoring in 2025 to diversify their manufacturing*
- *Friendshoring, in terms of sourcing and production, is poised to become a key route forward for nearly three quarters of organizations*

**Paris, March 31, 2025 – The 2025’ edition of the [Capgemini Research Institute’s report, ‘The Resurgence of manufacturing: Reindustrialization strategies in Europe and the US’, published today, shows that large organizations across the US and Europe are intensifying their focus on reindustrialization to mitigate concerns over supply chain pressures, rising tariffs and trade disputes. The reconfiguration of global supply chains and manufacturing capacity, including ‘reshoring’ and ‘nearshoring<sup>1</sup>’ production, as well as diversification, is being strategically prioritized over short-term profitability. Nearly 60% of executives are determined to continue their efforts despite higher costs and most organizations \(65%\) are reducing reliance on Chinese products. Instead, they are planning to invest in ‘friendshoring’<sup>1</sup> over the next three years to de-risk their supply chains.](#)**

According to the survey conducted from January 1<sup>st</sup> to 20<sup>th</sup>, 2025, market tensions are driving large European and US organizations to accelerate their plans to diversify their manufacturing and supply chains: two thirds have an active or in-progress reindustrialization strategy - up from 59% in 2024.

*"After decades of globalization, the imperative to reindustrialize is clear. Organizations are intensifying their efforts to de-risk and diversify their manufacturing and supply chains through friendshoring to reinforce proximity to markets," said Aiman Ezzat, Chief Executive Officer at Capgemini. "Complexities and costs involved in re-orchestrating supply chains are not being underestimated. Business leaders are investing to navigate the unpredictable macro-environment and drive long-term competitiveness, taking advantage of advanced technologies. In an evolving global landscape, regional collaboration with suppliers, technology providers and policymakers will be key to build a resilient and adaptable manufacturing ecosystem."*

### **Rising tariffs and strain on supply chains drive reindustrialization**

Supply chain resilience, geopolitical concerns, and a desire to be closer to customers emerge as the top drivers of reindustrialization. Supply chain pressure is cited by an overwhelming majority (95%) of executives, a

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<sup>1</sup> 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. 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.



significant increase from 69% in 2024. The desire to be closer to customers is cited for the first time, arriving in second position (92%).

Rising tariffs are further exacerbating supply chain challenges, with 93% of executives expressing concerns about their impact. Reindustrialization is increasingly viewed as a strategic response to the geopolitical environment - notably for battery/energy storage manufacturing, automotive and telecom - with more than half of executives across regions stating that tariffs are accelerating their reshoring and reindustrialization efforts.

Executives acknowledge the complexity and cost of reindustrialization. More than six in ten (62%) expect rising capital costs in the next three years but half foresee reduced logistics and supply chain costs within the same period thanks to greater proximity to customers. In addition, nearly two-thirds still view the domestic skills gap as a major challenge, showing no improvement from 2024.

### **Nearshore and friendshore manufacturing to surge in the next three years**

Over the past year, business leaders across sectors say that they have intensified their strategy to relocate their production and supply chain with more than half (56%) having invested in either nearshoring or combined reshoring and nearshoring of their manufacturing, up from 42% in 2024. This trend is predicted to continue. In the next three years, onshore and nearshore operations are expected to rise to account for 48% (up 7 percentage points) and 24% (up 2 percentage points) respectively, of total manufacturing capacity.

According to the report, 'friendshoring' is poised to become a key route forward for most organizations (73%) in terms of sourcing and production. It is expected to account for 41% of total manufacturing capacity in the next three years, up from 37% in 2024. More than eight in ten (82%) executives indicate that they plan to reduce supply chain reliance on China, a significant increase from 58% in 2024. Organizations surveyed have instead targeted reindustrialization destinations in North America, UK, Mexico, Vietnam, India and North Africa.

### **Advanced technologies to accelerate reindustrialization while driving innovation and reducing costs**

Most organizations (62%) are focusing on upgrading manufacturing facilities to make them smart and tech enabled. Over half of them have realized more than 20% cost savings through digital technologies in their reindustrialization efforts and a large majority (84%) plan to invest in advanced manufacturing technologies to further reduce costs.

More than 6 in 10 organizations are looking at critical technologies like data and analytics and AI/Machine Learning to support reindustrialization in the next three years. Organizations are also considering emerging technologies such as Gen AI and 5G & Edge computing; blockchain and digital twins; and quantum technologies.

In addition, nearly three quarters (73%) of organizations foresee that reindustrialization will help catalyze a shift toward sustainable and eco-friendly manufacturing practices, a significant increase from 56% in 2024.

To read the full report: [LINK](#)

### **Report Methodology**

During January 1-20, 2025, the Capgemini Research Institute surveyed 1,401 executives employed at organizations with more than \$1 billion in annual revenue, across the US, the UK, and continental Europe (France, Germany, Italy, the Netherlands, the Nordics, and Spain). Organizations surveyed operate across 13 key industrial and manufacturing industries. Executives surveyed were at director level and work across diverse business, technology, and manufacturing-related functions. The Capgemini Research Institute also interviewed supply chain and manufacturing executives and experts at large organizations globally.



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