



CIO continues to see an opportunity in US infrastructure, which should benefit some of the same companies tied to reshoring. (UBS)

Made in America powers ahead despite challenges

08 February 2024, 5:23 pm CET, written by UBS Editorial Team

"Made in America" efforts continue to push on, but challenges are emerging. Here's our take on reshoring, project delays, and what it all means for investors.

Last summer, CIO outlined the opportunity in US infrastructure and reshoring in their report, "[Made in America](#)." About seven months later, the economic data continue to support the thesis, albeit with a few fits and starts.

Investment in nonresidential structures, an imperfect proxy for factories, grew 12.7% in 2023, and manufacturing construction surged, ending the year up 70.6%. While the growth rate is expected to normalize, the reshoring trend still looks well supported. Private companies have announced an estimated USD 642bn in US manufacturing investment over the last three years. Unfortunately, talk is cheap. The hard part will be executing these ambitious plans, and challenges are already emerging. This doesn't mean the "Made in America" effort is at a dead end, but the path forward will be bumpy. We continue to see an opportunity in US infrastructure, which should benefit some of the same companies tied to reshoring.

Our take on project delays

Economic theory is not the impetus for reshoring—the incentive to reshore is instead rooted in national security concerns. Economics 101 would indicate reshoring is expensive and inefficient, and indeed it is. High costs and significant labor constraints have been blamed for major project delays, particularly for new semiconductor facilities. This isn't surprising. As anyone who has remodeled their kitchen before can probably attest to, things often take longer and cost more than estimated. Over time, we think the manufacturing shift toward regions with less abundant and higher-cost labor should ultimately bode well for automation and energy-efficiency solutions, but many automation providers are still being bogged down by the post-pandemic normalization of supply chain, inventories, and underlying demand.

Policy uncertainty adds another headwind. As it stands today, the domestic manufacturing tax credit does not restrict foreign companies from capturing it. This means new factories manufacturing “American-made” products don’t need to be owned and operated by an American company to benefit from the tax incentives. This, alongside other components of the Inflation Reduction Act (IRA), could be low-hanging fruit as politicians look for places to cut spending. It’s unclear whether this will cause companies to try and get boots on the ground before the rule potentially changes, or if it could cause them to delay starting the project entirely. In either case, we don’t think project delays derail the Made in America thesis, but more fits and starts should be expected.

Focus on infrastructure and national security

Relative to the IRA, the CHIPS Act and the Infrastructure Investment and Jobs Act (IIJA) tend to enjoy broader support. Critical infrastructure and semiconductors are both tied to national security, which should reduce the risk of significant budget cuts under a new administration. The data look supportive here, too. In 2023, highway and street construction grew at the fastest year-over-year clip in 20 years. Water supply and sewage construction were additional pockets of growth.

Despite the challenges and uncertainty that lie ahead, the efforts being made to upgrade US infrastructure and build out domestic manufacturing capabilities should drive further growth opportunities for the companies positively exposed.

Main contributor – Michelle Laliberte

Read the original report : [Made in America powers ahead despite challenges, 7 February 2024.](#)

Disclaimer

This document is prepared and published by the Global Wealth Management business of UBS Switzerland AG (regulated by FINMA in Switzerland), its subsidiaries or its affiliates (“UBS”), part of UBS Group AG (“UBS Group”). UBS Group includes Credit Suisse AG, its subsidiaries, branches and affiliates. In the USA, UBS Financial Services Inc. is a subsidiary of UBS AG and a member of FINRA/SIPC. This document and the information contained herein are provided solely for your information and UBS marketing purposes. Nothing in this document constitutes investment research, investment advice, a sales prospectus, or an offer or solicitation to engage in any investment activities. This document is not a recommendation to buy or sell any security, investment instrument, or product, and does not recommend any specific investment program or service.

Information contained in this document has not been tailored to the specific investment objectives, personal and financial circumstances, or particular needs of any individual client. Certain investments referred to in this document may not be suitable or appropriate for all investors. In addition, certain services and products referred to in the document may be subject to legal restrictions and/or license or permission requirements and cannot therefore be offered worldwide on an unrestricted basis. No offer of any product will be made in any jurisdiction in which the offer, solicitation, or sale is not permitted, or to any person to whom it is unlawful to make such offer, solicitation, or sale.

Although all information and opinions expressed in this document were obtained in good faith from sources believed to be reliable, no representation or warranty, express or implied, is made as to the document’s accuracy, sufficiency, completeness or reliability. All information and opinions expressed in this document are subject to change without notice and may differ from opinions expressed by other business areas or divisions of UBS Group. UBS is under no obligation to update or keep current the information contained herein. **The views and opinions expressed in this material by third parties are not those of UBS.** Accordingly, UBS does not accept any liability over the content shared by third parties or any claims, losses or damages arising from the use or reliance of all or any part thereof.

All pictures or images (“images”) herein are for illustrative, informative or documentary purposes only and may depict objects or elements which are protected by third party copyright, trademarks and other intellectual property rights. Unless expressly stated, no relationship, association, sponsorship or endorsement is suggested or implied between UBS and these third parties.

Any charts and scenarios contained in the document are for illustrative purposes only. Some charts and/or performance figures may not be based on complete 12-month periods which may reduce their comparability and significance. Historical performance is no guarantee for, and is not an indication of future performance.

Nothing in this document constitutes legal or tax advice. UBS and its employees do not provide legal or tax advice. This document may not be redistributed or reproduced in whole or in part without the prior written permission of UBS. To the extent permitted by the law, neither UBS, nor any of its directors, officers, employees or agents accepts or assumes any liability, responsibility or duty of care for any consequences, including any loss or damage, of you or anyone else acting, or refraining to act, in reliance on the information contained in this document or for any decision based on it.

Additional Disclaimer relevant to Credit Suisse Wealth Management

This document is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject Credit Suisse to any registration or licensing requirement within such jurisdiction. Your personal data will be processed in accordance with the Credit Suisse privacy statement accessible at your domicile through the official Credit Suisse website <https://www.credit-suisse.com>. In order to provide you with marketing materials concerning our products and services, UBS Group AG and its subsidiaries may process your basic personal data (i.e. contact details such as name, e-mail address) until you notify us that you no longer wish to receive them. You can optout from receiving these materials at any time by informing your Relationship Manager.

Except as otherwise specified herein and/or depending on the local Credit Suisse entity from which you are receiving this report, this report is distributed by Credit Suisse AG, authorised and regulated by the Swiss Financial Market Supervisory Authority (FINMA). Credit Suisse AG is a UBS Group company.

Please visit [<https://www.ubs.com/global/en/wealth-management/insights/chief-investment-office/marketing-material-disclaimer.html>] to read the full legal disclaimer applicable to this material.

© UBS 2024. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.