

ECONOMIC VIEWPOINT

The Barriers to US Reindustrialization

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“America will be a manufacturing nation once again.” This statement from Donald Trump’s [inaugural address](#) is an entire agenda, in and of itself. First, it posits that the United States is no longer a manufacturing powerhouse. Next, it suggests that the nation will manage to halt—and even reverse—the last 75 years of globalization. And finally, that factories will flourish on American soil, creating the many products that consumers buy and use. To achieve this goal, Trump is relying on a three-pronged strategy that he’s already begun putting in place: tariffs that are high enough to force reshoring, deregulation that favours manufacturers, and steep cuts to energy prices. But will this be enough? In this Economic Viewpoint, we’ll be looking at the main roadblocks to a US manufacturing renaissance. At first glance, the White House’s strategy seems ill suited to the problem at hand: Trump’s chaotic trade policy will likely harm investment, there may be a skilled labour shortage, and there are many obstacles to providing the energy needed at a low cost. On top of that, sources of financing may be limited. There is a real risk that the policies implemented by the White House won’t bring back manufacturing but could instead undermine the economy.

Tariffs May Not Deliver the Desired Results

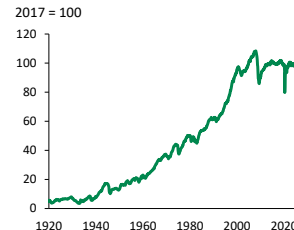
On his first day in the Oval Office, President Trump signed a wave of executive orders. Among them was the “America First Trade Policy,” which laid the foundation for future trade protectionism. According to Trump, this presidential action, “promotes investment and productivity, enhances our Nation’s industrial and technological advantages, defends our economic and national security, and—above all—benefits American workers, manufacturers, farmers, ranchers, entrepreneurs, and businesses.” Trump then repeatedly advocated for the use of trade policy, including import tariffs, to revive the US manufacturing sector. And on April 2, he announced a series of “reciprocal tariffs” that would, he claimed, “make America great again, greater than ever before. Jobs and factories will come roaring back into our country, and you see it happening already. We will supercharge our domestic industrial base.”

It’s not entirely clear if the US economy really needed this type of help. That being said, the manufacturing sector has struggled for nearly two decades, and output has never climbed back to the levels it had achieved just before the 2008–2009 financial crisis. And when you compare it to the rest of the economy, its weakness is all the more striking, especially the consistently low figures for manufacturing employment (graph 1). We can therefore understand why this president (and several of his

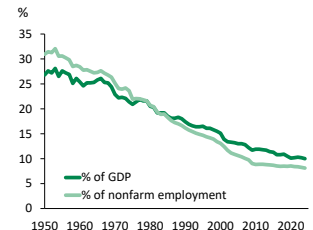
Graph 1

Manufacturing Has Stalled for Nearly 20 Years, and Its Relative Importance Has Been Waning Since the 1950s

Manufacturing output – Volume



Manufacturing sector



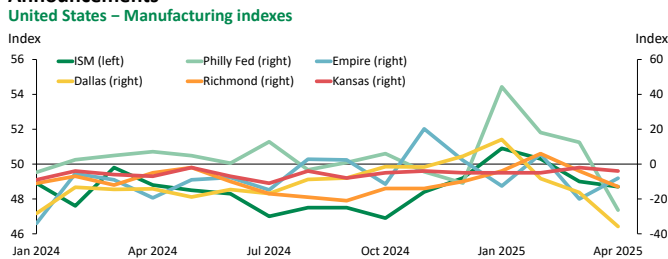
Federal Reserve Board, Bureau of Economic Analysis, Bureau of Labor Statistics and Desjardins Economic Studies

predecessors) would want to revive manufacturing. Presidents may also be politically motivated, given the composition of the electoral college and how important the Midwestern swing states are to presidential elections.

In a previous [Economic Viewpoint](#), we established that Donald Trump has a rather romantic, if unrealistic, view of the Gilded Age. He seems to believe that resurrecting the protectionist trade policies of the late 19th century will lead to a similar manufacturing boom—even though that boom was in fact driven by the Industrial Revolution. While it’s still early, and there have been a number of delays and exemptions, Trump’s support for steep, sweeping tariffs has already

sown chaos among manufacturers, and several national and regional manufacturing indexes have plunged since the first announcements (graph 2).

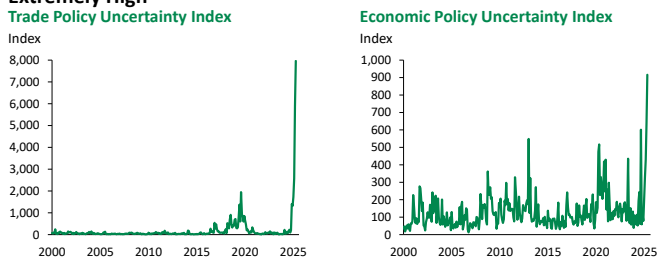
Graph 2
Monthly Manufacturing Indexes Started Falling After the First Tariff Announcements



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It's clear that in the immediate term, US manufacturers view these new tariffs as a source of soaring costs, not an opportunity for expansion. They're also left worrying if the countries targeted by the White House will retaliate with tariffs or other measures. On top of it all, the tariff rollout has been inconsistent since early February, if not downright chaotic. The president seems to have several goals, which often shift and occasionally contradict each other. Sometimes, they're intended to bring revenue, at other times they're to protect American industry, and sometimes they're a starting point for stronger trade negotiations. It's hard to know what the end result will be, if there is one. Manufacturers need clarity before they'll decide to invest and create new production capacity. At this point, uncertainty surrounding US trade policy—and US public policy in general—has never been higher (graph 3). Even companies that would want the protections afforded by tariffs don't have the certainty they need, as the president's team is still negotiating trade agreements that could reduce or eliminate some barriers. Between the current lack of clarity and the continued threats of new tariffs, the situation has become rather opaque.

Graph 3
Uncertainty Surrounding Economic Policy, Especially Trade Policy, Is Extremely High



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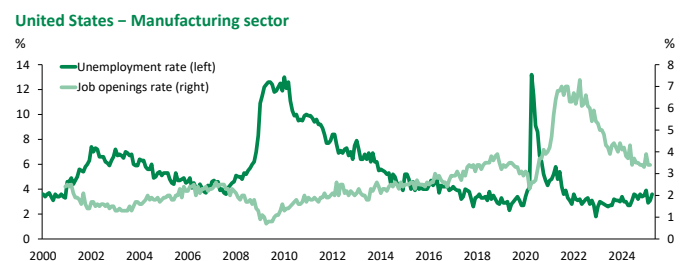
While the [White House website](#) contains a running list of new direct investments “spurred by” Trump’s actions, the net effect of these factors may not be positive, especially in the short term. In fact, [we expect](#) real business fixed investment to pull back in the quarters ahead.

If the Factories Reopen, Who Will Work There?

One of the objectives of the US reindustrialization policy is, obviously, to increase the number of manufacturing jobs available, thereby improving conditions for the workers and communities that have directly suffered from increased globalization.

But is this objective really achievable? The country may swiftly hit one of its first roadblocks to reindustrialization, its available workforce. While the worst of the post-pandemic labour shortage has passed, and cyclical shifts could soon bring up the number of available workers, the United States is not currently suffering from an overabundance of workers. According to Census Bureau data for Q4 2024, 19.1% of manufacturing facilities are unable to produce at fully capacity and are citing a lack of workers as a reason. That proportion rises to 39.9% for fabricated metal products. The unemployment rate for the manufacturing sector may have edged up, but it's still low from a historical standpoint, especially since job openings remain relatively high (graph 4).

Graph 4
Workforce Availability Remains Low in the Manufacturing Sector



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The situation complicated further by the fact that manufacturing jobs seem to hold little appeal for the average American. A [survey](#) conducted by the Cato Institute and YouGov shows that just 26% of respondents believe that their personal situation would be improved if they worked in a factory instead of their current job. At the same time, a strong majority (80%) of respondents said they believed the United States would be better off if more Americans worked in manufacturing. So it's clear that people have a favourable opinion of manufacturing... as long as they don't have to do it themselves. Another [survey](#), from the PEW Research Center, shows that fewer blue-collar workers are

satisfied with their jobs (43%) than other workers (53%). The main factors behind this divergence are their relationships with their supervisors, the benefits provided, their opportunities for training and how much they're paid. When we think of factory workers, we often think of strong unions and jobs that pay more than average—but that idea is rooted in nostalgia, not facts. In 2024, only 7.8% of workers in the US manufacturing sector belonged to a union. Hourly wages for non-management production workers are a bit lower in the manufacturing sector (US\$27.51 in April 2025) than in the private sector as a whole (US\$29.85).

While Americans in general don't seem drawn to a career in manufacturing, the sector has attracted a fair number of immigrants. Just over 20% of manufacturing employees are foreign born. If the Trump government's plan to slash immigration succeeds, the number of available workers could fall. The workforce may then be further limited by the actions taken against unauthorized immigrants, the crackdown on irregular entries and the promised wave of deportations. According to the [PEW Research Center](#), the construction and manufacturing sector employs more unauthorized immigrants than any other.

Robots to the Rescue?

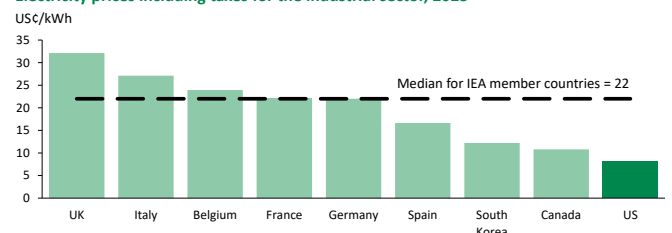
Luckily, factories can compensate for a smaller workforce by automating more of their processes, though this would mean fewer manufacturing jobs for Americans—and one of the stated goals of reindustrialization is to bring more jobs back to the United States. The US is lagging behind other countries in terms of industrial robotics, including South Korea, China and Japan (graph 5). Robot installation has ramped up over the last few years, and both the president and congressional Republicans have promised further tax incentives that could be rolled out later this year, making it easier for companies to invest in the cutting-edge equipment they need. But the tariffs and ongoing trade war with China may limit imports, and the machinery used for robot-assisted manufacturing typically comes from abroad, whether as parts or equipment. According to the International Federation of Robotics, [China](#) is the largest producer of robots, but [Japan](#) is the largest exporter of industrial

robots, accounting for 45% of the world's supply. It seems rather counterintuitive to set up the infrastructure and capacity needed to produce sophisticated machinery and robots domestically, only to then use those robots in factories that produce less valuable goods. It would also take time and require a lot of investment, all for a relatively uncertain return.

Energy Constraints

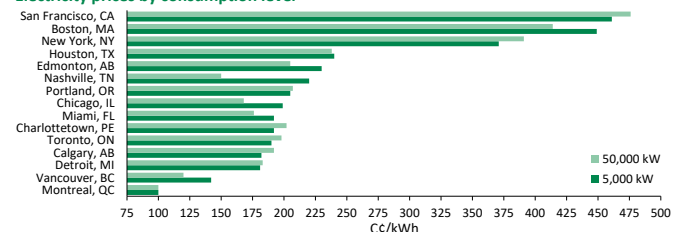
While Donald Trump may wish to slash energy costs, largely through price cuts for fossil fuels, the real challenge will be balancing future electricity needs with supply (see box on page 4). Currently, industries in the United States benefit from lower energy prices than their counterparts in Canada. Prices are also below the median for member countries of the International Energy Agency (graph 6). However, these numbers hide an aging electrical grid and decades of underinvestment, which may eventually cause prices to grow. This is already the case for large consumers (5,000 kW and more), such as aluminum smelters, steel mills and data centres, where prices are around 35% higher than the Canadian average (graph 7). This is one of the reasons that aluminum production was just 0.7 million tonnes in 2024, despite a production capacity of 1.4 million tonnes and high aluminum prices.

Graph 6
The Average Price of Electricity for the US Industrial Sector is Lower than the Median in other IEA Member Countries
Electricity prices including taxes for the industrial sector, 2023



IEA: International Energy Agency
World Intellectual Property Organization and Desjardins Economic Studies

Graph 7
Electricity Prices for Large Consumers Are Higher in the United States than in Canada
Electricity prices by consumption level



Hydro-Québec and Desjardins Economic Studies

Graph 5
The United States Manufacturing Sector Lags Behind on Robot Adoption
Robot density in factories, 2023



International Federation of Robotics and Desjardins Economic Studies

BOX

The AI Revolution Will Require a Lot of Energy

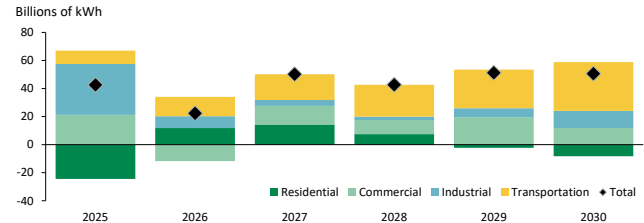
The U.S. Energy Information Administration (EIA) estimates that demand for electricity will grow 6.6% by 2030 (graph A). However, it should be noted that [other sources](#) expect power needs to grow by more than 10% over that same period. While the transportation sector will likely be the largest contributor to this growth, with energy needs rising over 600%, its share of overall demand will remain relatively small, going from 0.6% in 2024 to 3.6% in 2030. These forecasts take into account the Trump administration's climate and energy policy rollbacks. In 2025, the EIA expects that industrial electricity needs will jump by 36 billion kWh, the equivalent of five nuclear reactors. Growth will then be more modest in the years that follow.

That said, demand from the commercial sector is the hardest to predict, since it includes data centre and artificial intelligence (AI) power needs. While these accounted for just 1.9% of total power demand in 2016, that figure jumped to 4.4% in 2023, thanks to the AI boom (graph B). Data centre construction expenditures have ballooned, going from US\$4,000B in 2016 to US\$34,750B in early 2025. As with any new technology, however, there are still unanswered questions about the limits of its use, future efficiency gains, and above all, the speed at which AI can be deployed and integrated. In light of these questions, the Lawrence Berkeley National Laboratory (LBNL) [estimates](#) that the data centres could be responsible for between 6.7% and 12.0% of total US electricity consumption in 2028. LBNL also noted that its upper-bound estimate could represent a challenge for the US electrical grid.

Graph A

Total US Electricity Demand Should Grow by Around 6.6% by 2030

Projected power needs by sector



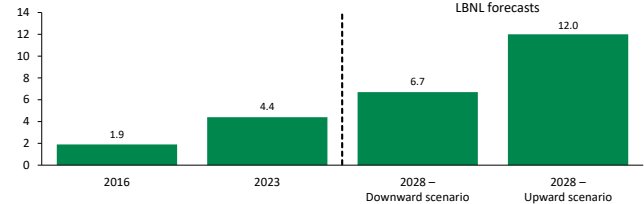
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Graph B

The AI Revolution Will Likely Drive Up Data Centre Power Needs

US data centre energy consumption

As % of total electricity consumption



AI: Artificial intelligence; LBNL: Lawrence Berkeley National Laboratory
LBNL and Desjardins Economic Studies

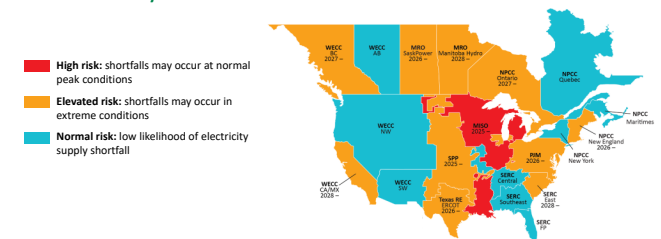
The North American Electric Reliability Corporation, a not-for-profit international regulatory authority that monitors the North American energy grid, has determined that seven of the 14 US regional power grids are at an elevated risk of shortfalls in times of peak demand in the next five years, and one grid is at a high risk of shortfall (graph 8). In some cases, like MISO, this is due to a straightforward lack of generation capacity. In other regions, as with WECC or PJM, renewable energy sources may not be able to generate enough electricity when demands spikes. This will lead to higher energy prices within those areas, and to rolling blackouts in worst-case scenarios, as we saw in California during the 2020 heat wave.

The Rust Belt, the former industrial heartland of the United States that Trump hopes to revive, is located in the middle of these problematic areas. A study published by the National Bureau of Economic Research (NBER) [estimated](#) that for every 1% increase in electricity prices, industrial production falls 0.08% and manufacturing jobs drop by 0.07%. The impact is even greater for energy-intensive industries. While this contraction may seem minimal, additional energy costs

Graph 8

The Rust Belt's Electrical Grid Has Become Less Reliable

Risk area summary 2025–2029



North American Electric Reliability Corporation and Desjardins Economic Studies

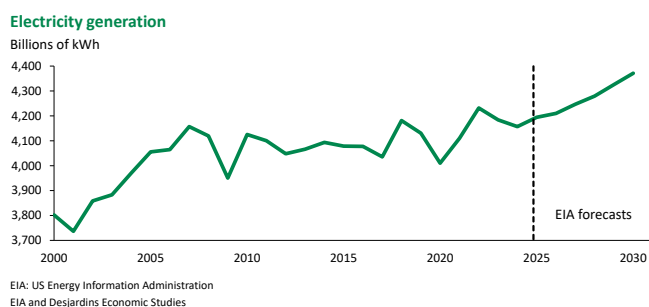
would come on top of the other barriers to reindustrialization and may prove particularly challenging for industries with high power needs, like aluminum smelters and data centres. Even if price increases were not an issue, electric power generation capacity could not grow fast enough, which could limit US reindustrialization potential.

Energy Investments Are in the Pipeline but Will Take Time

Investment in America's power grid has surged by more than US\$100B in ten years, reaching US\$179B in 2024. Nuclear power has also made a comeback after decades of stagnation caused by a lack of social acceptability. In addition, President Trump signed a raft of executive orders expediting the licensing process for new nuclear, gas and coal-fired power plants. He also ordered a number of studies that may lead to additional support measures in the coming months. The EIA estimates that US electricity generation capacity should increase by about 5.2% by 2030 (graph 9).

Graph 9

After Stagnating for a Decade, US Electricity Generation Should Grow



However, challenges remain, and new ones are now in play. First, labour supply will continue to be a major issue and could increase construction costs or even delay some projects. Second, tariffs could increase the cost of certain critical equipment and machinery at the new power plants. Finally, the rollback of the Biden administration's renewable energy policies adds a layer of uncertainty to a network that has embraced the green transition in recent years. Approximately 18% of US electricity came from wind and solar energy in 2023, up from 4% in 2010. Paradoxically, given its political leanings and historical links to the oil industry, Texas is one of the states leading this green transition. It gets 28% of its electricity from wind and solar and uses batteries to store energy generated during peak cycles for use during lulls. This transition to renewable energies took place naturally through market forces without direct intervention by the Texas government. Renewable energy is the most affordable way to add electrons to the market. Any uncertainty could adversely affect investments in the power grid, delaying supply growth and reindustrialization.

Financing This Reindustrialization

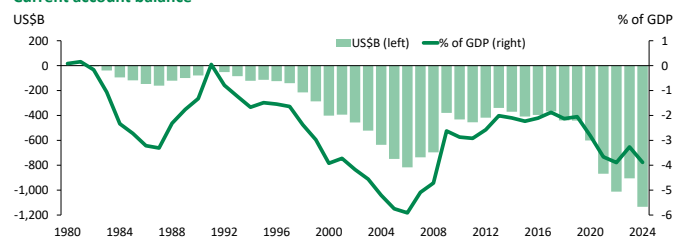
Although many businesses have indicated their intention to invest massively in the United States to boost manufacturing capacity, the country will still likely have a hard time financing

this reindustrialization. Americans aren't saving very much, and the government is going deeper and deeper into debt. This leaves less room for investment financing without turning to foreign debt, which is what the United States has been doing for decades.

Repeated current account deficits reflect these high foreign financing needs (graph 10). A current account deficit means that a country is spending (consumption, investment, public spending) more than it's earning, creating a net borrowing requirement. In 2024, this shortfall was about 4% of US GDP. During the residential real estate investment boom in the 2000s, the current account deficit was close to 6%, indicating that external financing needs were particularly high.

Graph 10

Repeated Current Account Deficits Show That the United States Already Needs Significant Foreign Financing
Current account balance



Datastream and Desjardins Economic Studies

The additional investment required for reindustrialization may further increase US external debt. This raises the question of whether [other countries will really want to finance the United States again](#), especially since American efforts to repatriate manufacturing would come at their expense. Ultimately, the United States will have no choice but to find more local funding. This could have several consequences, including higher interest rates or higher national savings (implying a relative reduction in consumption or public deficits).

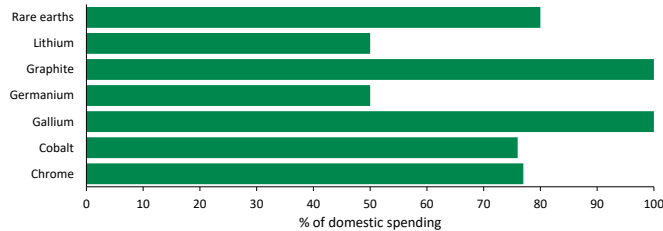
Other Challenges

[Access to the Inputs Needed for Production](#)

Although the United States is a vast country with a wealth of natural resources, there are still shortcomings in US supply chains that could hamper reindustrialization plans. Critical minerals are a particular concern. The United States relies on imports to supply more than 50% of its domestic demand for 40 of the 50 minerals listed by the [Department of Energy](#) (graph 11 on page 6). This also includes 12 minerals, such as graphite, for which the US depends entirely on imports.

Graph 11
The United States Imports to Meet Domestic Demand for Many Critical Minerals

US dependence on imports of certain critical minerals

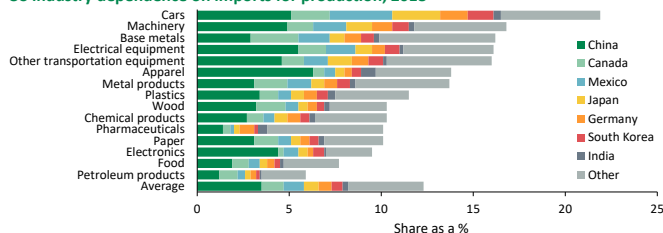


U.S. Geological Survey and Desjardins Economic Studies

In addition to commodities, a study published by the NBER [estimates](#) that 12.3% of US manufacturing inputs come from abroad (graph 12). This percentage comes from a multi-level analysis to trace dependency on the top supplier in value chains that can easily have 10 or more suppliers in total. Some industries are more exposed than others. Car manufacturing, for example, has an import dependency of 21.9%. This study also points out that China is the dominant foreign supplier of industrial inputs to US manufacturing sectors, with an average share of 3.5%.

Graph 12
Many Industries Depend on Inputs from Outside the United States

US industry dependence on imports for production, 2018*



* The study was published in 2023, but the data is from 2018.
National Bureau of Economic Research and Desjardins Economic Studies

Although nearly 90% of production inputs come from the domestic market, it only takes a single missing component to completely shut down a factory. An obvious example is the production delays in the automotive sector following the computer chip shortage during the pandemic. However, the development of local supply chains, as desired by the White House, will take years or even a decade in some cases, due to construction lead times and labour, energy and financing constraints. Not to mention how quickly uncertainty cools businesses' enthusiasm for investing. Until these local supply chains are in place, the United States will have no choice but to source its products from global markets to avoid cutting

industrial production. The trade war is exacerbating the situation. Some countries may restrict exports of parts and equipment for political reasons, as China has done with rare earths.

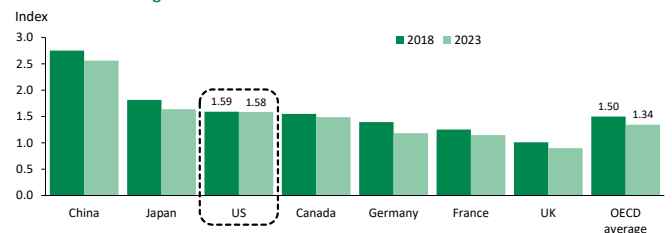
Regulatory Framework

US businesses face a significant regulatory burden. The National Association of Manufacturers [estimated](#) that there were 297,696 federal rules or laws governing US manufacturing production in 2023, at an estimated cost to businesses of \$12,800 per employee. Admittedly, some of this regulation is justified, particularly when it comes to health and safety standards, but it underlines why Donald Trump's deregulatory rhetoric was so popular during his campaign, particularly among business owners.

The Organisation for Economic Co-operation and Development's (OECD) Product Market Regulation indicators, which compare the burden of regulatory frameworks on industrial production in different countries, show that regulations in the US are less competition-friendly than Canada and the OECD average (graph 13). In addition, while the indicators for most other countries have fallen slightly since 2018, US indicators have been flat.

Graph 13
The Regulatory Burden Has Remained Constant in the United States but Has Eased Elsewhere in the World

Product Market Regulation indicator



OECD: Organisation for Economic Co-operation and Development
OECD and Desjardins Economic Studies

The White House has already started removing red tape, focusing particularly on rolling back environmental regulations, which the current administration believes are stifling US manufacturing. Although in some cases—particularly the deregulation of the coal industry—the benefits are questionable, this is likely to improve economic growth in the medium term. The US mining sector, whose complex regulatory framework made it nearly impossible to open new mines, will likely be among the big winners. However, the tariff war has placed an additional administrative and financial burden on American companies, both in terms of paying duties on imported goods and eventually claiming specific exemptions.

Conclusion: More Haste, Less Speed

Genuine US reindustrialization isn't impossible, but there will be numerous roadblocks. A long-term approach would certainly make more sense so that businesses could properly develop their supply chains and train the workers they need. The Trump administration's haste in swiftly imposing tariffs seems clumsy, especially given the other headwinds in play, including labour supply and energy capacity. The uncertainty created by the White House's decisions, the likely weakening—at least in the short term—of global demand for US products, and rapid changes in the regulatory environment are complicating the situation. Other examples include cuts to federal budgets, multiple conflicts with universities that are threatening cutting-edge research, deteriorating international relations and climate change ignorance. In the medium term, all of these concerns could dampen investment and curb the resilience and adaptability of the US economy. The Trump administration's attempt to quickly usher in a new golden age of US manufacturing may actually push America further away from this goal.