



A harbor at sunset with a cool world map overlaid. Excellent representation of nearshoring, we have the best photos, don't we folks? Very eye-catching, very cool.

Nearshoring Explosion As European policy makers engineer implosion



Patten Jr.

Multi-national companies have always had the option to move their primary production hubs as markets and costs shift, but what about small and medium enterprises? Bleak pricing realities of natural gas for manufacturing in European nations are forcing the hands of SMEs, and a new consideration has surfaced: Nearshoring¹.

The concept² is simple - the delegation of business operations to countries near customers - but the practicality of toll-producing overseas only to ship product back to yourself because it's cheaper than producing in-house? Anomalous.

Europe is currently a freefalling production calamity, and conditions are in continuous decline. As the noose tightens on gas availability, governments will undoubtedly prioritize supply to their people over industry, to avoid uprisings and mostly-peaceful protests. EU inflation³ hit 10.1% in August. A year earlier, the rate was 3.2%. Grocery prices⁴ surged up 13.5% in August YoY. Electricity and gas bills⁵ rose 47% YoY in the UK. A dark winter is coming. Even firewood is scarce⁶.

The industry is already seeing an increase in contract-manufacturing and new facility investment across North America. A boom in raw material purchasing will be welcomed stateside, as they are readily available and considerably less expensive. European polyurethane and epoxy producers are toll producing in the States to support their North American business, rather than exporting from Europe.

Moves are being made publicly - firms Sinomax and Healthcare have both built new foam lines in the US - and there is little doubt more announcements are on the horizon. European companies will soon be all but forced to nearshore - utilizing US tollers to make their product for them in order to sustain margins. An insurance policy of sorts.

“EU production is going to freeze this winter. Its people, too. Probably.”

- *EU Urethane Insider*

Local production and freight rates may raise the eyebrows of European executives, in the best way - a new paradigm for red, white, & blue urethanes may be lurking near shore.

1. <https://blog.jonajo.com/posts/pros-and-cons-of-nearshoring/>
2. <https://www.hdi.global/infocenter/insights/2020/nearshoring/>
3. <https://twitter.com/thesiriusreport/status/1570729208355368964?cxt=HHwWiMDR5ZL5rMwrAAAA>
4. <https://bigleaguepolitics.com/grocery-prices-surged-by-13-5-in-august/>
5. <https://www.nimblefins.co.uk/average-cost-gas-electricity-bill-uk-household>
6. <https://www.euractiv.com/section/energy-environment/news/firewood-prices-shortages-spell-cold-winter-for-europes-poorest/>