Who Actually Wins from Reshoring

Researched by Hey Lefty

Automated research briefings on topics you choose — heylefty.com

TL;DR

The domestic manufacturing boom is shifting from physical groundbreakings to high-value equipment integration, creating multi-year backlogs for electrical and automation suppliers. While overall factory construction spending has plateaued, providers of power grids, industrial controls, and automated systems are capturing highly profitable, structural demand. This capital surge remains highly localized, favoring advanced domestic infrastructure over legacy international manufacturing.

Physical Construction Consolidates as the Infrastructure Backlog Swells

Physical factory construction spending is entering a consolidation phase, yet the demand for electrical and power systems required to bring these megaprojects online is generating unprecedented multi-year order backlogs. While annual average manufacturing construction spending previously skyrocketed over 200% to a peak average of $235.6 billion, recent quarters have seen a slight downward trend as first-wave projects wind down US Manufacturing Construction Spending Plateaus in 2026 After Historic Surge. Yet, suppliers of critical infrastructure are seeing the opposite of a slowdown, with megaproject starts more than doubling to capture this structural demand Eaton Rides Massive Wave of Data Center and Megaproject Orders in Q1 2026.

> *"During President Joe Biden — who served from Jan. 20, 2021, to Jan. 20, 2025 — there was a significant increase in manufacturing construction spending in all four years, according to the Census Bureau's annual average estimates... During Biden's four years, the annual average rate of manufacturing construction spending jumped more than 200%, from $75.5 billion to $235.6 billion, according to Census Bureau estimates."* — US Manufacturing Construction Spending Plateaus in 2026 After Historic Surge (via FactCheck.org)

> *"Total data center backlog has grown to 228 gigawatts or 12 years of backlog at a 2025 build rates, up from the 11 years in our last update."* — Eaton Rides Massive Wave of Data Center and Megaproject Orders in Q1 2026 (via AOL Finance)

This pattern indicates that the physical completion of a factory shell is merely the prelude to a far more lucrative equipment-fitting phase. As heavy industrial and AI megaprojects transition from concrete-pouring to power-provisioning, the revenue is concentrating in the hands of essential grid and power management providers.

What to watch: Whether high financing costs and trade tariffs on inputs like fabricated metals begin to choke off the next wave of megaproject announcements before the current backlog is fully digested.

Automation and Power Controls Capture the High-Margin Reshoring Premium

The ultimate financial winners of the domestic manufacturing transition are not the factories themselves, but the providers of high-margin automation platforms and specialized grid infrastructure that make domestic production economically viable. As trade policies narrow the cost gap between domestic and international manufacturing, automation allows factories to substitute expensive labor with automated processes, driving a rally of approximately 50% in industrial machinery orders Rockwell Automation Proves Reshoring and PLC-Led Data Center Demand in Q2 2026. This automation demand is further amplified by power grid modernizations, plant lifetime extensions, and "behind the meter" generation to support energy-hungry operations Emerson Electric Capitalizes on Grid Modernization and Growth Verticals in Q2 2026.

> *"Rockwell's Logix platform carries approximately 60% incremental margins on premium gross margins, meaning the data center is not just growing fast, it is growing at above-average profitability."* — Rockwell Automation Proves Reshoring and PLC-Led Data Center Demand in Q2 2026 (via Yahoo Finance)

> *"...we saw sustained robust investment in power, with orders in our Ovation up 41% and ACV in AspenTech's Digital Grid Management suite up 31%."* — Emerson Electric Capitalizes on Grid Modernization and Growth Verticals in Q2 2026 (via Investing.com)

High domestic labor costs mean that simply building factories in the US is a losing proposition without extreme automation. Consequently, the capital expenditure flowing into reshoring is heavily concentrated in software-driven controls and power grid management, yielding highly lucrative incremental margins for the providers of these proprietary systems.

What to watch: How rapidly these industrial automation leaders can scale their software and programmable controller platforms to meet the overlapping demands of both new factories and AI-driven data centers.

The Geographic and Sectoral Divergence of Capital Flow

The domestic manufacturing push is creating a stark divergence in performance, where suppliers heavily exposed to US power grids and advanced technology are thriving while those tied to traditional chemical or international industrial sectors face severe headwinds. Emerson's growth verticals, which include semiconductors and aerospace, surged 22% in the quarter, highlighting how capital is flowing selectively into advanced sectors Emerson Electric Capitalizes on Grid Modernization and Growth Verticals in Q2 2026. However, this momentum is highly localized; while underlying sales in the U.S. grew 9%, sales in China fell by that same percentage due to a weak chemical industry.

> *"During the first half of our fiscal year, we have seen better than expected growth in the U.S. We expect the strength in the U.S. to continue, and we now expect the U.S. to grow high single digits for the year. This incremental growth is offset by a slower than expected China, which we now expect to be down mid-single digits for the year."* — Emerson Electric Capitalizes on Grid Modernization and Growth Verticals in Q2 2026 (via Investing.com)

Reshoring is not a rising tide that lifts all industrial boats globally. Companies with heavy legacy exposure to over-capacitized foreign markets like China are finding their international segments dragging down the record

gains they are harvesting from the modernization of the US power grid and domestic aerospace, semiconductor, and life sciences projects.

What to watch: Whether the domestic high-single-digit growth can continue to fully offset international industrial weakness as global trade dynamics fluctuate.

What surprised us

- **The industrial grid is the true AI play.** We knew reshoring was driving factory demand, but the industrial equipment giants are finding their largest, most profitable backlogs in AI data centers. Eaton's total data center backlog has reached a staggering 228 gigawatts—representing roughly 12 years of backlog at 2025 build rates Eaton Rides Massive Wave of Data Center and Megaproject Orders in Q1 2026.
- **Automation carries software-like margins.** Rockwell is generating 60% incremental margins on its Logix platform as data centers transition to intensive industrial controls Rockwell Automation Proves Reshoring and PLC-Led Data Center Demand in Q2 2026. This proves that while the "on-shored capacity" itself might struggle with high domestic labor costs, the automation enablers are extracting premium pricing.
- **The reshoring trade is a zero-sum geographic battle.** Emerson's US sales grew 9% while its China sales fell 9%, dragged down by China's over-capacitized chemical sector Emerson Electric Capitalizes on Grid Modernization and Growth Verticals in Q2 2026. The reshoring story isn't just about domestic gains; it's a zero-sum reallocation of global industrial capital, and broad global industrial giants are getting weighed down by their overseas exposure.

Open threads worth a vote

- CHIPS Act and IRA Payouts vs. Delays: Tracking TSMC, Intel, and GFS in 2026 — Cast a vote to help us prioritize tracking the gap between announced policy dollars and actual ground-breakings for semiconductor giants.

Appendix: Findings

US Manufacturing Construction Spending Plateaus in 2026 After Historic Surge

US Manufacturing Construction Spending Plateaus in 2026 After Historic Surge

U.S. manufacturing construction spending has entered a period of consolidation and slight decline in 2025 and 2026, following a historic multi-year surge. Under the Biden administration, spurred by post-pandemic reshoring and legislative catalysts like the CHIPS Act and the Inflation Reduction Act (IRA), annual average manufacturing construction spending skyrocketed over 200%, rising from $75.5 billion to a peak average of $235.6 billion in 2024.

However, recent data shows that this historic boom has plateaued. According to quarterly and monthly Census Bureau data, manufacturing construction spending peaked in the third quarter of 2024 and has trended downward. Industry economists attribute this deceleration to the winding down of first-wave megaprojects, the high cost of capital (with the U.S. 10-year Treasury yield at 4.45% and the Federal Funds rate at 3.63% as of May 2026), and headwind pressures from trade policies and tariffs on construction inputs like fabricated metals.

Despite the near-term stagnation, industry experts and construction forecasts emphasize that the long-term pipeline remains robust. Large-scale semiconductor fabrication plants and clean energy facilities have exceptionally long construction timelines (often 2 to 3 years or more), meaning that while new construction starts have risen, they will take several years to fully materialize as operational capacity and show up in the hard economic data.

Sources

- Manufacturing Construction Spending Declines Under Trump
- Manufacturing Construction Spending Declines Under Trump

Eaton Rides Massive Wave of Data Center and Megaproject Orders in Q1 2026

Eaton Rides Massive Wave of Data Center and Megaproject Orders in Q1 2026

Eaton Corporation PLC (ETN) has reported an exceptionally strong start to 2026, driven by unprecedented demand in AI-driven data centers and global industrial megaprojects. The electrical power management giant posted record first-quarter revenue of $7.45 billion (+16.8% YoY) and an EPS beat of $2.81, prompting management to raise its full-year organic growth outlook to 10% and adjusted EPS midpoint to $13.28.

Eaton's growth is anchored in a massive backlog, particularly within its Electrical Americas business, where rolling 12-month orders surged 42% and total backlog jumped 48% year-over-year. The core driver is the rapid build-out of AI infrastructure. Eaton's data center orders skyrocketed

240% in Q1, with the company identifying 32 gigawatts of total data center capacity currently under construction in the U.S. (70% of which is dedicated to AI). Eaton's total data center backlog has reached a staggering **228 gigawatts**, representing roughly **12 years of backlog** at 2025 build rates.

Beyond data centers, broader industrial reshoring is fueling a megaproject boom. Eaton reported that megaproject announcements rose 29% year-over-year in Q1, while actual megaproject starts more than doubled to $54 billion. To meet this structural demand, Eaton is deploying more than **$1 billion in CapEx** across 24 facilities to ramp up production capacity. Although this aggressive ramp-up and higher input costs created temporary margin headwinds in Electrical Americas (with segment operating margins at 25.6%), the company is executing price increases to offset these costs and expects to exit the year with margins above 30%. Furthermore, Eaton expanded its "grid-to-chip" white space capabilities by closing the acquisition of Boyd Thermal, a leader in liquid cooling solutions, which is tracking toward $1.7 billion or more in 2026 revenue.

Sources

- Eaton (ETN) Q1 2026 Earnings Call Transcript
- Eaton (ETN) Q1 2026 Earnings Call Transcript
- Eaton (ETN) Q1 2026 Earnings Call Transcript

Rockwell Automation Proves Reshoring and PLC-Led Data Center Demand in Q2 2026

Rockwell Automation Proves Reshoring and PLC-Led Data Center Demand in Q2 2026

Rockwell Automation Inc. (ROK) has delivered fiscal second-quarter 2026 earnings that strongly validate the domestic manufacturing reshoring thesis while revealing a highly profitable, underappreciated growth engine in data centers. Rockwell reported 12% year-over-year sales growth (9% organic) and an adjusted EPS of $3.30, beating estimates and representing a 32% increase over the prior year. Consequently, management raised its fiscal 2026 adjusted EPS guidance to a range of $12.50 to $13.10.

Rockwell's performance sits at the center of what Morgan Stanley outlines as a structural, decades-long **$10 trillion US reshoring thesis**. As trade policies and tariffs narrow the cost gap between domestic and international manufacturing, automation allows U.S. factories to substitute expensive labor with electricity-powered automated processes. This structural shift has triggered a massive capital expenditure cycle; U.S. industrial machinery orders have rallied approximately 50% since the onset of the reshoring cycle.

Crucially, Rockwell is capturing a massive new growth vertical in data centers. Historically a low single-digit percentage of Rockwell’s revenue, the data center category **grew more than 100% year-over-year** in fiscal Q2 2026. This surge is driven by data centers transitioning to intensive industrial controls, specifically Rockwell's programmable logic controllers (PLCs) and Logix systems, to manage complex power and cooling infrastructure. Because the Logix platform carries ~**60% incremental margins** on premium gross margins, data center growth is highly accretive to

Rockwell's profitability. Rockwell also completed the dissolution of its Sensia joint venture on April 1, 2026, removing a margin-dilutive drag and adding a 20 basis-point tailwind to operating margins in the second half of the year.

Sources

- Morgan Stanley revamps Rockwell Automation stock price target
- Morgan Stanley revamps Rockwell Automation stock price target
- Morgan Stanley revamps Rockwell Automation stock price target

Emerson Electric Capitalizes on Grid Modernization and Growth Verticals in Q2 2026

Emerson Electric Capitalizes on Grid Modernization and Growth Verticals in Q2 2026

Emerson Electric Co. (EMR) has delivered a resilient second-quarter 2026 performance, highlighting a stark geographic and sectoral divergence in the reshoring landscape. While consolidated revenue of $4.56 billion slightly missed estimates due to a 1-point headwind from the Middle East conflict and a 2% headwind from a software contract renewal dynamic, the company beat EPS expectations at $1.54 (+4% YoY). Emerson's backlog remains highly supportive of future growth, ending the quarter at **$8.2 billion, up 9% year-over-year**, with a book-to-bill ratio of 1.07.

The primary catalyst for Emerson is its **growth verticals** (Power, LNG, Life Sciences, Semiconductors, and Aerospace & Defense), which surged **22%** in the quarter. The Power segment (Ovation) was a standout performer, growing mid-teens in revenue with orders up **41%** year-over-year. This momentum is driven by secular grid modernization, plant lifetime extensions, and "behind the meter" power generation to support energy-hungry data centers. Additionally, AspenTech's Digital Grid Management (DGM) suite recorded a **31%** increase in Annual Contract Value (ACV), highlighted by a major win with Oncor to scale and modernize the Texas distribution grid.

However, Emerson's results underscore a dramatic divergence between the U.S. and international markets:

- **U.S. Market Strength**: Underlying sales in the U.S. grew **9%** in the quarter, prompting management to raise its full-year U.S. growth forecast to **high single digits**.
- **China Softness**: Conversely, China sales fell **9%** in the quarter, weighed down by Emerson's heavy exposure to China's over-capacitized and weak chemical industry. Management subsequently cut its full-year China outlook to **down mid-single digits** (from prior low-single digits).
- **Middle East and Tariffs**: Emerson navigated a 1-point sales headwind from the Middle East conflict, though it anticipates a future $100 million rebuild/restart lifecycle services opportunity. The impact of tariffs is expected to be net neutral for the full year.

This performance indicates that while traditional heavy industrial sectors (like chemicals in China/Europe) remain soft, capital is flowing aggressively into grid modernization, power infrastructure, and advanced domestic manufacturing (life sciences, semiconductors, and aerospace) in the United States.

Sources

- Earnings call transcript: Emerson Electric Q2 2026 shows EPS beat, revenue miss
- Earnings call transcript: Emerson Electric Q2 2026 shows EPS beat, revenue miss
- Earnings call transcript: Emerson Electric Q2 2026 shows EPS beat, revenue miss