

## Macro Roundup Article

**Headline:** [A Rising Factory Tide in US and China Won't Lift All Boats](#)

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| Author(s)        | Brooke Sutherland and Anjani Trivedi |
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**Tweet:** As the cost of capital rises and supply chains restructure, small and medium-sized manufacturers in both China and the US are "at risk of becoming collateral damage."

**Summary:** The factory renaissance in North America is real: Melius Research has tabulated some \$380 billion of “mega-projects” — defined as an investment greater than \$1 billion — with almost 60% of those planned facilities already breaking ground. In China, while credit is flowing hard and fast, it's mostly going toward large state-owned firms. That's crowding out small and medium-sized manufacturers in the private sector, which account for a significant chunk of China's industrial might. While the performance of these companies has improved in recent months, they remain on weaker financial footing and their profit margins are getting squeezed as China's labor cost advantage erodes and larger companies seek to protect their own bottom lines by turning the screws on suppliers. It's hard to see how global supply chains will bifurcate without pain, but the brunt of the financial strain may be felt by smaller companies just trying to keep up.

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