The decade that preceded the 2008 financial crisis was marked by massive global trade imbalances, as the United States ran large bilateral deficits, especially with China. Since the crisis reached its nadir, these imbalances have been partly reversed, with America's trade deficit, as a share of GDP, declining from its 2006 peak of 5.5% to 3.4% in 2012, and China's surplus shrinking from 7.7% to 2.8% over the same period. But is this a temporary adjustment, or is long-term rebalancing at hand?

Many have cited as evidence of more durable rebalancing the "onshoring" of US manufacturing that had previously relocated to emerging markets. Apple, for example, has established new plants in Texas and Arizona, and General Electric plans to move production of its washing machines and refrigerators to Kentucky.

Several indicators suggest that, after decades of secular decline, America's manufacturing competitiveness is indeed on the rise. While labor costs have increased in developing countries, they have remained relatively stable in the US. In fact, the real effective exchange rate (REER), adjusted by US manufacturing unit labor costs, has depreciated by 30% since 2001, and by 17% since 2005, suggesting a rapid erosion of emerging markets' low-cost advantage – and giving America's competitiveness a substantial boost.

Moreover, the shale-gas revolution in the US that took off in 2007-2008 promises to reduce energy costs considerably. And America's share of world manufacturing exports, which declined by 4.5 percentage points from 2000 to 2008, has stabilized – and even increased by 0.35 percentage points in 2012.

Upon closer inspection, however, the data for 1999-2012 present little evidence of significant onshoring of US manufacturing. For starters, the share of US domestic demand for manufactures that is met by imports has shown no sign of reversal. In fact, the *offshoring* of manufacturing increased by 9%.

This trend holds even for those sectors dominated by imports from China, where labor costs are on the rise. Indeed, for sectors in which Chinese imports accounted for at least 40% of demand in 2011, the import share has increased at a faster pace than it has for manufacturing overall.

Furthermore, if relative labor costs are an important driver of America's terms of trade (the relative price of exports in terms of imports), more labor-intensive sectors should have experienced a larger decline. But the data provide little evidence of this.

The only solid evidence of an increase in US competitiveness stems from the sharp rise in output of shale gas. Industries with large energy requirements, like chemical manufacturing, have experienced a much smaller increase in import share than less energy-intensive industries like computers and electronic products. This suggests that energy-intensive sectors are more likely to experience onshoring.

More broadly, the data on US domestic production seem to be inconsistent with the behavior of the REER and its suggestion of a significant increase in competitiveness. To a large extent, this discrepancy reflects a low and delayed exchange-rate pass-through into US import prices, linked to America's unique advantage of having more than 90% of its imported goods priced in its own currency, with dollar prices remaining unchanged for ten months at a time. Even conditional on prices being renegotiated, the pass-through is quite low, with a 10% depreciation of the dollar appearing as a cumulative 3% increase in import prices after two years. The disconnect between America's terms of trade and the far more volatile REER is also consistent with low and delayed exchange-rate pass-through.

The evidence is clear: Claims that manufacturing is returning to the US simply do not hold water. Of course, given that the increase in emerging economies' labor costs and the decline in American energy prices are recent developments, import shares could begin to decline in a few years. But, with that outcome far from certain, the US cannot rely on a rapid increase in manufacturing competitiveness to underpin its economic recovery.