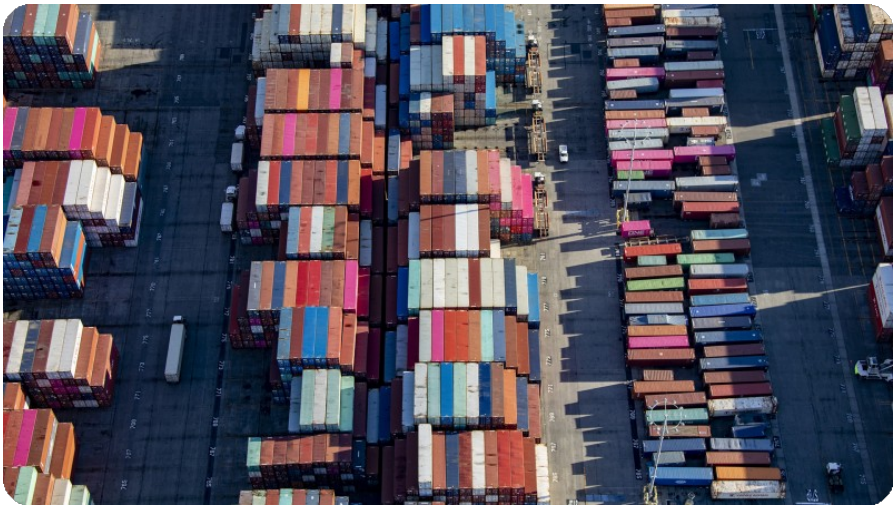
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TRADE

Europe is de-risking without deglobalising

European firms have not reshored production as expected. Instead, M&A deals point to greater control over supply chains, especially in strategic industries. Cross-border links remain, but sustaining them requires more investment and could make resilience costlier



European firms are strengthening control over cross-border supply chains rather than reshoring

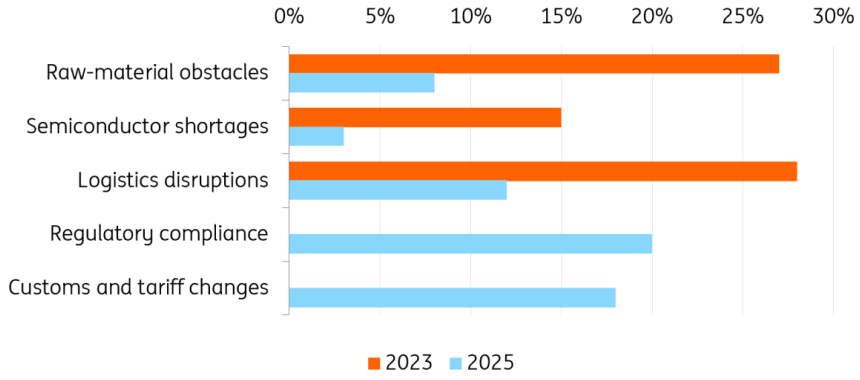
Supply chain risk has moved up the policy agenda

The pressures on European supply chains have changed since the Covid pandemic.

Logistics disruptions and input shortages have become less prominent, while tariffs, regulatory requirements and geopolitical uncertainty increasingly shape companies' supply-chain decisions.

Recent evidence from the European Investment Bank reinforces this shift: reported obstacles related to raw materials, semiconductors and logistics declined between 2023 and 2025, while regulatory compliance and customs and tariff changes emerged as prominent concerns.

Tariffs and regulation have become prominent supply chain issues



Source: EIB Supply Chain Survey, ING Economic Research

Share of EU firms reporting selected obstacles; 2023 and 2025 where available.

Reducing strategic dependencies has also become an explicit part of the EU's competitiveness agenda. In its 16 October conclusions, the European Council called for renewed efforts to reduce dependencies alongside measures to promote industrial renewal, innovation and investment.

This reflects a broader shift in European economic policy. Supply chain resilience is increasingly being considered alongside industrial renewal, innovation and competitiveness. The challenge is to reduce critical dependencies without triggering a broader retreat from international trade.

Despite this growing policy focus, the corporate response has not centred on bringing production home. Previous ING research found that reshoring accounted for less than 1% of recorded euro-area restructuring events since 2019, compared with around 4% for offshoring.

But relocation is not the only way to reorganise a supply chain. Companies can also seek greater control by acquiring suppliers or firms operating at another stage of production. Production may remain in the same place, and goods may continue to cross the same borders, but the relationship changes from an arm's-length transaction to one in which the buyer has greater influence.

This distinction matters for the macroeconomic consequences of de-risking. Reshoring changes the geography of production, employment and trade. Vertical integration can leave these patterns largely intact, while requiring firms to commit more capital and giving them greater influence over investment, capacity and access to inputs.

De-risking through ownership may therefore increase corporate financing needs without producing a comparable rise in domestic output or employment. Its macroeconomic footprint could increase less through the relocation of production and more through capital allocation, financing requirements and potentially higher production costs. Supply chains may become more controlled and more regional without European economies necessarily becoming more self-sufficient.

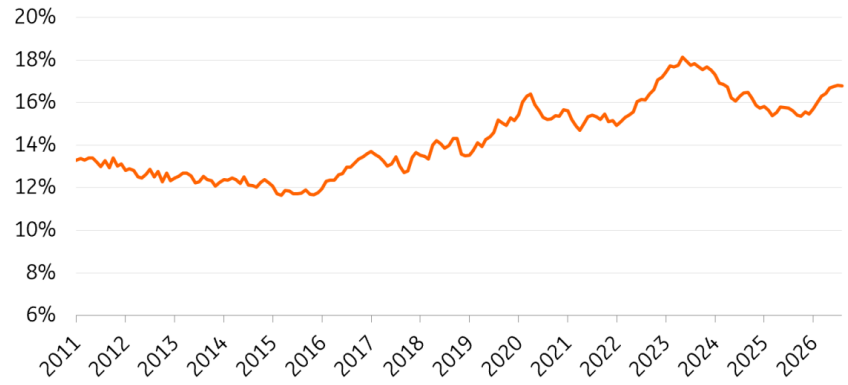
To see whether firms are responding in this way, we have analysed M&A transactions by non-financial EU companies.

Vertical acquisitions have become more common

Our results show a clear increase in vertically related acquisitions since the middle of the last decade. A deal is considered vertically related when the acquirer and target operate at different stages of the same supply chain.

On a 12-month moving-average basis, the share of such deals fell to around 12% in 2015 before rising steadily. It reached almost 18% in 2023 and, after subsequently easing, stands at roughly 16% to 17% in the latest observations.

The vertical share of European acquisitions has risen since 2015



Source: LSEG Workspace, Eurostat FIGARO input-output tables, ING Economic Research

Vertically related deals as a share of acquisitions by EU non-financial firms, 12-month average. A deal is considered vertically related when the acquirer and target operate at different stages of the same supply chain, defined as an input-output link of at least 5% between their industries.

The upward evolution predates the pandemic, suggesting that the shift towards greater control began before supply-chain resilience became a prominent boardroom concern. Nevertheless, the increase accelerated during a period in which companies faced repeated disruptions and governments attached greater strategic importance to supply chains.

The result should still be interpreted carefully. A vertical acquisition does not always mean that a company is securing a critical supplier. Some transactions, for example, reflect ordinary consolidation, technological change or the pursuit of commercial synergies. The aggregate trend, however, suggests that deals connecting different stages of production have become a more important part of European M&A activity.

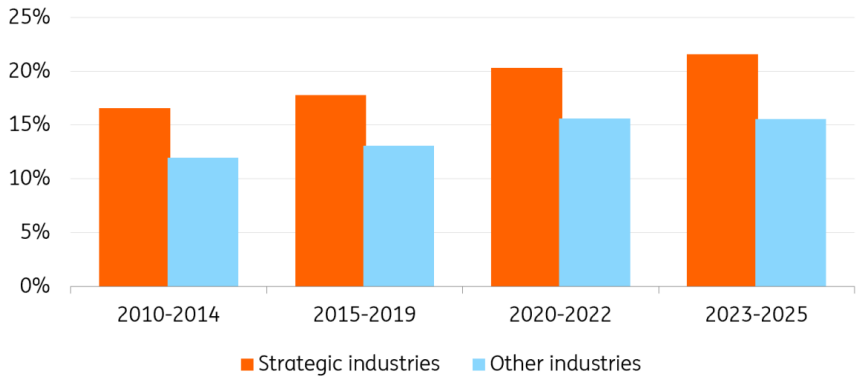
Deal counts provide the clearest signal. Deal values show a similar pattern but are more volatile because many values are undisclosed, and a few large transactions can dominate the results. We therefore use values only as supporting evidence.

Strategic industries have a persistently higher vertical deal share

The rise in vertical integration is not confined to strategic sectors. For this analysis, we define strategic industries as critical materials and metals, energy, chemicals and pharmaceuticals, electronics and electrical equipment, and machinery.

Other industries also recorded a meaningful increase, pointing to a broader change in how European companies organise production. Yet vertically related acquisitions remain consistently more common in strategic industries. Their share rose from 16.6% in 2010-14 to 21.6% in 2023-25, compared with an increase from 12.0% to 15.6% in other industries.

Vertically related acquisitions are consistently more common in strategic industries



Source: LSEG Workspace, Eurostat FIGARO input-output tables, ING Economic Research

Vertically related deals as a share of acquisitions, pooled period averages. Strategic industries comprise critical materials and metals, energy, chemicals and pharmaceuticals, electronics and electrical equipment, and machinery.

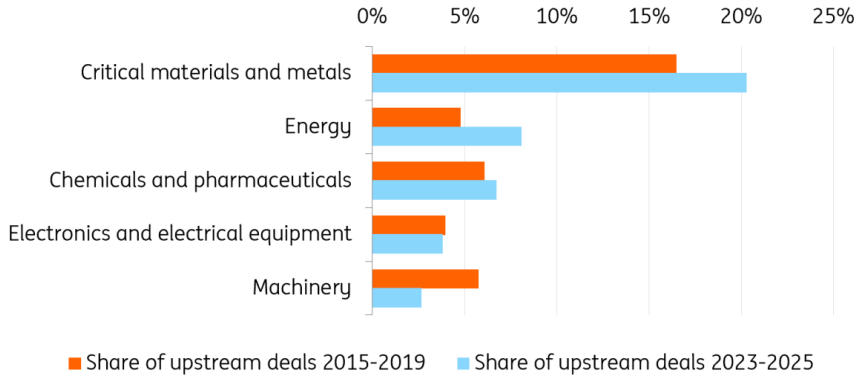
That distinction matters because interruptions in chemicals, pharmaceuticals, electronics, electrical equipment and critical materials can quickly affect production further down the supply chain. These industries are also increasingly exposed to export controls, subsidies, local-content requirements and other policy interventions. For firms operating in this environment, ownership can provide more control over production, investment and capacity allocation than an ordinary supply contract.

To understand what is driving this pattern, we next focus on upstream acquisitions, where

companies acquire suppliers or other firms at an earlier stage of production. These deals are particularly relevant to de-risking because they can secure access to critical inputs.

The sector-level results show that the move towards upstream ownership is selective. The clearest increase is in critical materials and metals, where upstream deals rose from 16.5% of acquisitions in 2015-19 to 20.3% in 2023-25. Energy increased from 4.8% to 8.1%, while chemicals and pharmaceuticals recorded a smaller rise from 6.1% to 6.7%. By contrast, upstream acquisitions were broadly stable in electronics and electrical equipment and declined in machinery.

Upstream ownership is rising mainly in materials and energy



Source: LSEG Workspace, Eurostat FIGARO input-output tables, ING Economic Research

Upstream deals as a share of acquisitions in each target industry.

The two results capture different parts of the same development. Vertical integration has become more common across the European corporate sector and remains particularly prevalent in strategic industries. Within those industries, the recent shift towards acquiring upstream suppliers is concentrated mainly in resource-related activities.

Raw materials and energy can be difficult to substitute at short notice, while interruptions can halt production across several downstream industries. The value of securing access through ownership is therefore likely to be greatest where the consequences of losing an input are most severe.

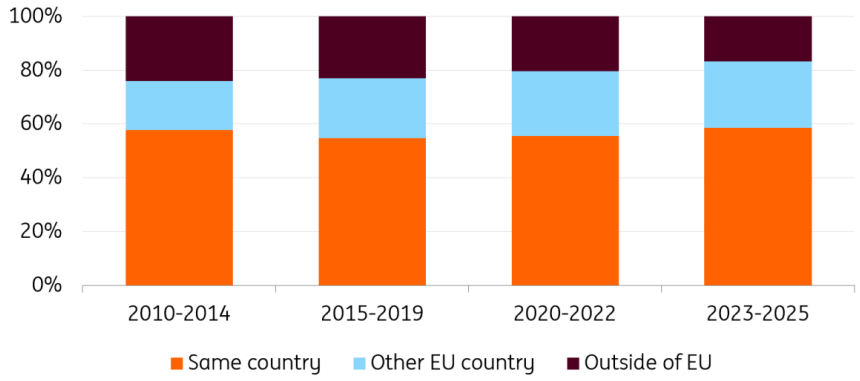
Upstream acquisitions are becoming more European

Same-country targets remain dominant, accounting for 58.5% of upstream acquisitions in 2023-2025. That is little changed from 57.8% in 2010-14. There is therefore no clear shift towards purely domestic ownership.

The more notable development is within the remaining transactions. The share of targets located in another EU country increased from 18.1% to 24.8%, while the share outside the EU

fell from 24.1% to 16.7%.

Other EU targets gain share as non-EU targets decline



Source: LSEG Workspace, Eurostat FIGARO input-output tables, ING Economic Research

Target location in upstream deals by EU non-financial firms, share of deal count.

This looks more like Europeanisation of ownership than reshoring. Domestic targets remain dominant, accounting for 58.5% of upstream acquisitions in 2023-25, and that share has barely changed. What has changed is the composition of cross-border acquisitions: targets elsewhere in the EU have gained share at the expense of targets outside the bloc. The single market may therefore offer firms a way to secure greater control within a common regulatory framework, without concentrating ownership in their home country.

What greater corporate control means for the European economy

The macroeconomic consequences differ from those of reshoring. Because production is not necessarily being relocated, vertical integration may leave the geography of employment, output and trade largely unchanged. Its effects are more likely to arise through corporate investment, financing requirements and the economy's exposure to supply shocks.

Acquiring a supplier is considerably more capital-intensive than adding another supplier or changing a contract. It can give firms greater influence over investment, production and capacity, but also commits capital that could otherwise finance innovation or expansion. The implications for productivity are therefore ambiguous. Closer coordination may reduce costly interruptions and encourage supplier-specific investment, but ownership can also make it harder to switch suppliers or technologies.

The same trade-off applies to costs. Greater control can reduce the risk of acute shortages, but acquisitions, diversification, additional inventories and regional sourcing all carry a price. The

emerging model may therefore produce fewer severe disruptions without necessarily lowering average production costs.

Ownership is one part of a broader resilience strategy

Ownership is only one route to greater resilience. Companies can also add suppliers, deepen contractual relationships, reserve capacity, or hold more inventories.

Recent evidence from the European Investment Bank suggests firms are moving away from some of the emergency responses used during the pandemic. The share of EU importers adjusting their supply chains fell from 50% in 2023 to 37% in 2025, while the use of stockpiling almost halved to 17%. The EIB also finds that firms increasingly rely on supplier and trading-partner diversification.

This helps place the M&A evidence in context. Vertical acquisitions sit at the most intensive end of a broader adjustment and are likely to be used where an input is difficult to replace or where greater influence over investment and capacity justifies the financial commitment.

Greater resilience will not come cheaply

The emerging supply chain model places greater value on control, visibility and redundancy. But each response comes with costs. Acquisitions tie up capital, diversification increases procurement and monitoring expenses, and inventories absorb working capital. Regional suppliers may be more reliable, but also more expensive.

These costs can be seen as an insurance premium. They may reduce efficiency in normal times, but limit the damage caused by tariffs, export controls, transport disruption or shortages.

For policymakers, the findings are a reminder that de-risking will not necessarily appear as reshoring. Companies can change the ownership and geography of their supply chains without relocating production. Measures intended to strengthen strategic value chains may therefore encourage cross-border European investment as well as domestic production.

European firms are not retreating from international supply chains so much as reorganising control within them. The result could be a more resilient and regionally integrated production model, but not a costless one: firms are effectively paying a resilience premium in exchange for greater control and fewer damaging disruptions.

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