

DEMAND FOR RAW MATERIALS AND SEMI-MANUFACTURED GOODS WEAKENED IN JULY, FALLING AT FASTEST RATE THIS YEAR, SIGNALLING SLOWING ECONOMIC GROWTH: GEP GLOBAL SUPPLY CHAIN VOLATILITY INDEX

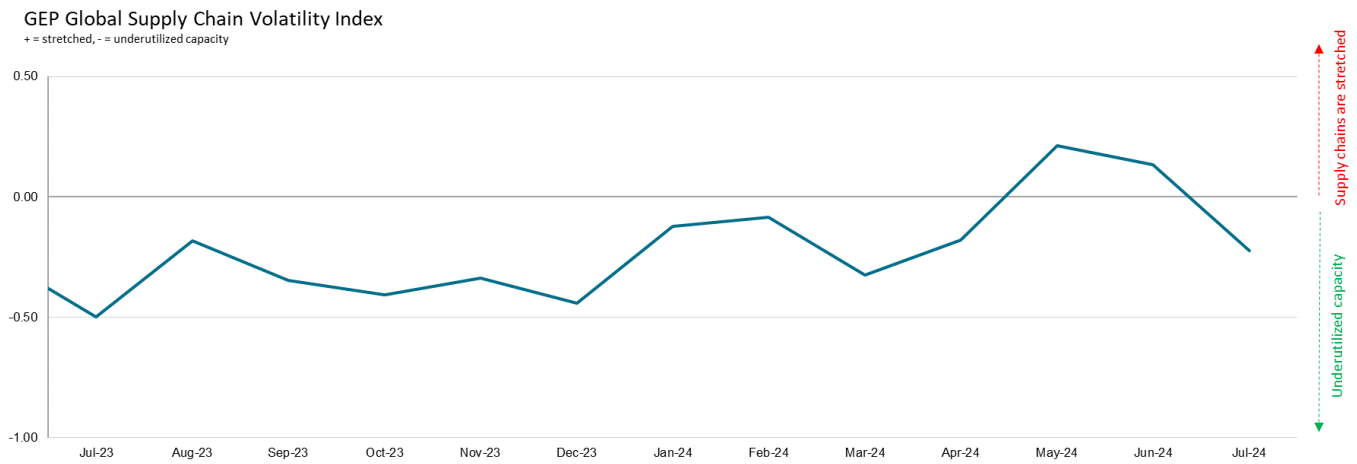
- **Worldwide supply chain spare capacity rises, adding to the calls for the Federal Reserve to lower interest rates soon and foster demand**
- **Asian factory demand at its weakest since December 2023, partly because of a notable decrease in purchasing by Chinese factories**
- **Suppliers to North America report underutilized capacity, with Mexican manufacturers reporting lower input demand for the first time since October 2023**
- **European market continues to struggle, with region's manufacturing recession persisting**

Clark, N.J., August 12, 2024 – In July, the [GEP Global Supply Chain Volatility Index](#) — a leading indicator tracking demand conditions, shortages, transportation costs, inventories and backlogs based on a monthly survey of 27,000 businesses — signaled underutilized capacity at global suppliers for the first time since April, falling to a four-month low.

The greatest level of slack in supply chains was in Europe, which continues to grapple with recession conditions in its manufacturing sector, especially in Germany. Asia growth also cooled as factory demand in the region contracted to its weakest since December 2023. Underlying data revealed a decrease in purchasing activity by Chinese factories — the first time this has occurred in nine months. Japan's manufacturing sector was also a source of weakness.

Suppliers to North American companies reported slightly underutilized capacity during July, as was the case in June. Slowing purchasing activity was seen across all three countries within the region, with Canada reporting the steepest contraction. Notably, Mexican factories, which have been a driver of growth in the region this year, reported lower input demand for the first time since October 2023.

“In July, purchasing activity by global manufacturers declined, indicating that economic growth is slowing, adding to the calls for the Federal Reserve to lower interest rates sooner rather than later,” explained Mike Jette, vice president, consulting, GEP. “This is not alarming data. The world’s supply chains continue to operate efficiently, with no sign of stockpiling, shortages, or price pressures. But to head off any material slowdown in the second half of the year, manufacturers do need demand to increase.”

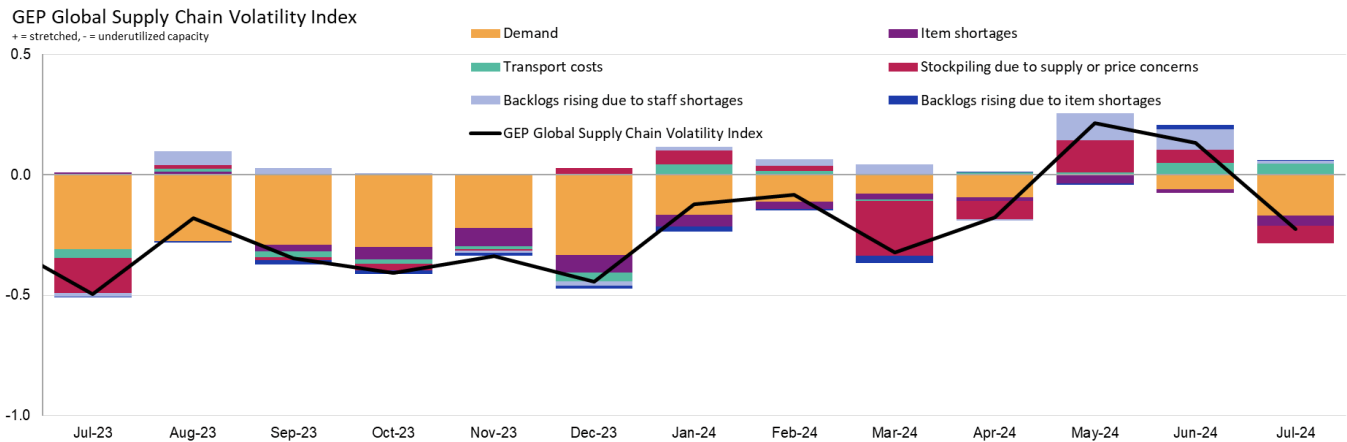


Sources: GEP, S&P Global PMI.

Interpreting the data:

Index > 0, supply chain capacity is being stretched. The further above 0, the more stretched supply chains are.

Index < 0, supply chain capacity is being underutilized. The further below 0, the more underutilized supply chains are.



Sources: GEP, S&P Global PMI.

JULY 2024 KEY FINDINGS

- **DEMAND:** Having recovered in the first half of the year, global factory purchasing activity fell by the greatest margin since the end of 2023 in July, indicating renewed weakness in the world economy. Central to this decline was a fresh slowdown in Asia, driven by China and Japan. Europe's manufacturing recession persisted, especially in Germany, where factory purchasing contracted sharply.
- **INVENTORIES:** The inventory cycle has stabilized. While reports from global businesses of safety stockpiling due to price or supply concerns were below typical levels, the underlying indicator has generally trended in line with its long-term average so far this year.
- **MATERIAL SHORTAGES:** Reports of item shortages fell slightly in July, down to their lowest level since January, signaling high stock levels at vendors of commodities and critical raw materials.
- **LABOR SHORTAGES:** The supply of labor is not an inhibiting factor for global manufacturers, as reports of backlogs due to insufficient staffing capacity are at typical levels.
- **TRANSPORTATION:** Although supply chain activity dipped in July, global transportation costs are at the highest in 21 months, largely driven by Asia.

REGIONAL SUPPLY CHAIN VOLATILITY

- **NORTH AMERICA:** *Index unchanged at -0.11, indicating slightly underutilized capacity across the region's suppliers. Manufacturers in the U.S., Mexico and Canada all reported a softening of demand in July.*
- **EUROPE:** *Index fell sharply to a three-month low of -0.49, down from -0.13. Europe's manufacturing sector recession is persisting, with major economies, such as Germany, at the heart of the decline.*
- **U.K.:** *Index dropped to 0.11, from 0.49 in June, but still signaling capacity pressures at the U.K.'s suppliers.*
- **ASIA:** *Index slipped from June's 16-month high of 0.35 to 0.07, its lowest since April. Demand for inputs at Asian factories was at its weakest this year, principally because of a softening in China and Japan.*

For more information, visit www.gep.com/volatility.

Note: Full historical data dating back to January 2005 is available for subscription. Please contact economics@spglobal.com.

The next release of the GEP Global Supply Chain Volatility Index will be 8 a.m. ET, September 11, 2024.

About the GEP Global Supply Chain Volatility Index

The [GEP Global Supply Chain Volatility Index](#) is produced by S&P Global and GEP. It is derived from S&P Global's PMI® surveys, sent to companies in over 40 countries, totaling around 27,000 companies. The headline figure is a weighted sum of six sub-indices derived from PMI data, PMI Comments Trackers and PMI Commodity Price & Supply Indicators compiled by S&P Global.

- A value above 0 indicates that supply chain capacity is being stretched and supply chain volatility is increasing. The further above 0, the greater the extent to which capacity is being stretched.
- A value below 0 indicates that supply chain capacity is being underutilized, reducing supply chain volatility. The further below 0, the greater the extent to which capacity is being underutilized.

A Supply Chain Volatility Index is also published at a regional level for Europe, Asia, North America and the U.K. For more information about the methodology, click [here](#).

About GEP

GEP® delivers AI-powered procurement and supply chain solutions that help global enterprises become more agile and resilient, operate more efficiently and effectively, gain competitive advantage, boost profitability and increase shareholder value. Fresh thinking, innovative products, unrivaled domain expertise, smart, passionate people — this is how GEP SOFTWARE™, GEP STRATEGY™ and GEP MANAGED SERVICES™ together deliver procurement and supply chain solutions of unprecedented scale, power and effectiveness. Our customers are the world's best companies, including more than 550 Fortune 500 and Global 2000 industry leaders who rely on GEP to meet ambitious strategic, financial and operational goals. A leader in multiple Gartner Magic Quadrants, GEP's cloud-native software and digital business platforms consistently win awards and recognition from industry analysts, research firms and media outlets, including Gartner, Forrester, IDC, ISG, and Spend Matters. GEP is also regularly ranked a top procurement and supply chain consulting and strategy firm, and a leading managed services provider by ALM, Everest Group, NelsonHall, IDC, ISG and HFS, among others. Headquartered in Clark, New Jersey, GEP has offices and operations centers across Europe, Asia, Africa and the Americas. To learn more, visit www.gep.com.

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