NEWS RELEASE

TARIFFS BITE: U.S. MANUFACTURERS STOCKPILE AND RAMP UP PURCHASES BUT CANADA AND MEXICO REPORT SHARP DECLINES: GEP GLOBAL SUPPLY CHAIN VOLATILITY INDEX

- **Asian supply chains at full capacity as export growth in China, Taiwan and India drives factory activity**
- **European factories cut inventories as industrial slowdown continues, but tentative signs of recovery emerge**

Clark, N.J., Mar. 12, 2025 – 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 — fell to -0.45 in February, from -0.21 in January, its lowest level since July 2023. While the index shows that overall supply chain capacity became more underutilized globally, regional data reveals significant geographical differences.

In the U.S., manufacturers' demand for raw materials and components saw a notable uptick in February, reflecting a mix of preparations for orders and efforts to avoid higher costs from additional tariffs. U.S. factories also reported accelerating sales growth as their customers acted to front-run price and supply challenges arising from tariffs, driving up procurement. Efforts to mitigate tariffs also propelled stockpiling by U.S. manufacturers in February.

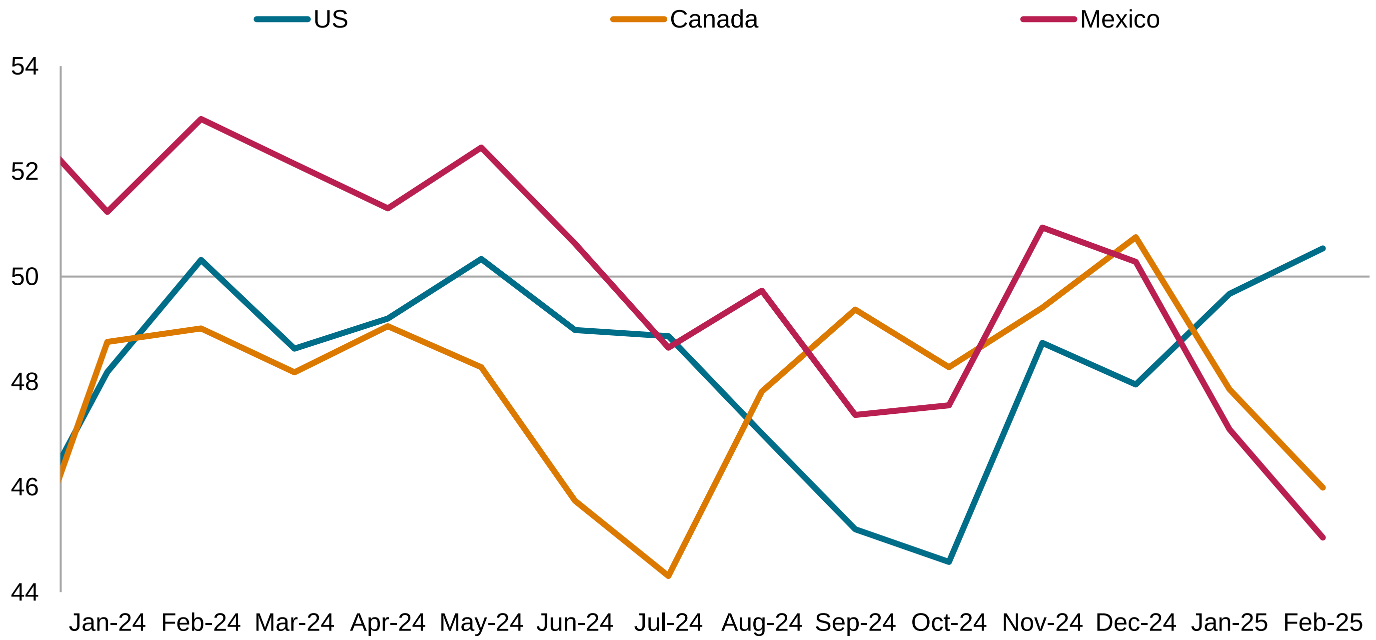
In stark contrast, Mexican and Canadian manufacturers harshly reduced their purchases in response to a rapid reduction in exports as U.S. companies refrained from placing orders due to the threat of tariffs and trade policy uncertainty.

In Europe, manufacturers are making inventories cutbacks. The continent's supply chains continue to be underutilized as the industrial sector remains sluggish. That said, there does appear to be some early indication of recovery as the downturn in factory demand for inputs cooled to its weakest in two-and-a-half years.

Asia supply chains continue to be at full capacity in February, as was the case at the start of the year, making them the most active globally. Factories in parts of the region such as China, Taiwan and India reported strong export growth.

“With tariffs driving uncertainty, U.S. manufacturers are racing to secure materials, while Canadian and Mexican suppliers are feeling the squeeze from weaker export demand. In contrast, Asia’s supply chains are operating at full capacity, fueled by strong export growth,” said Krish Vengat N., GEP’s vice president of consulting. “Companies must remain agile—diversifying supply sources and optimizing inventory strategies to navigate this ongoing volatility."

S&P Global Manufacturing PMI Quantity of Purchases Index



Sources: GEP, S&P Global PMI.

Interpreting the data:
Index > 50 means growth. The further above 50, the faster the growth
Index < 50 means decreasing. The further below 50, the larger the contraction.

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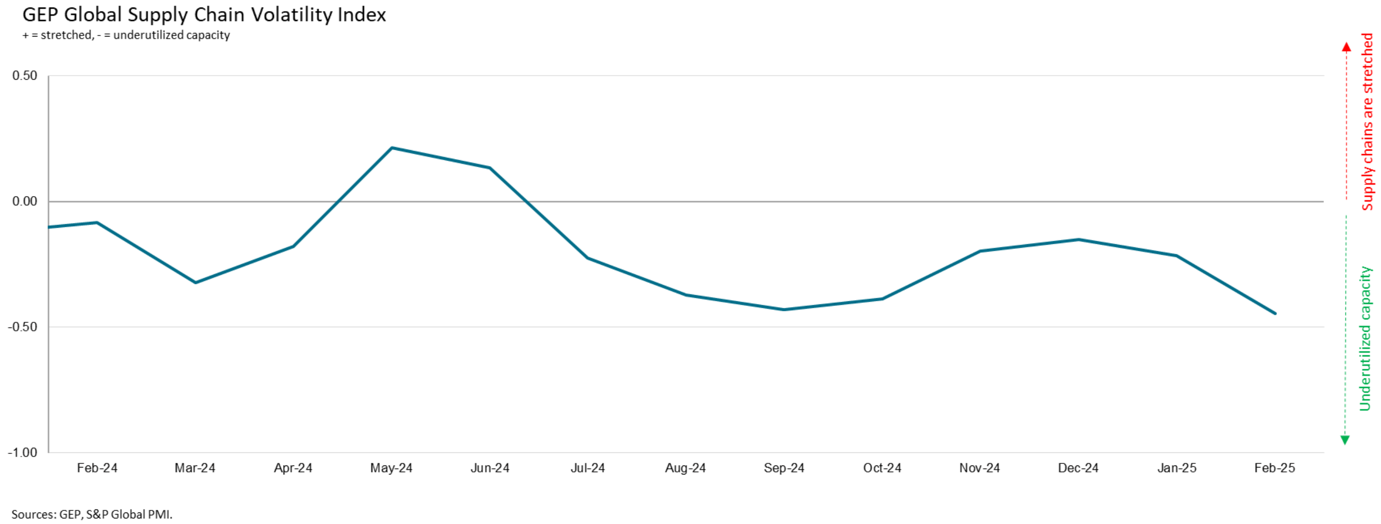
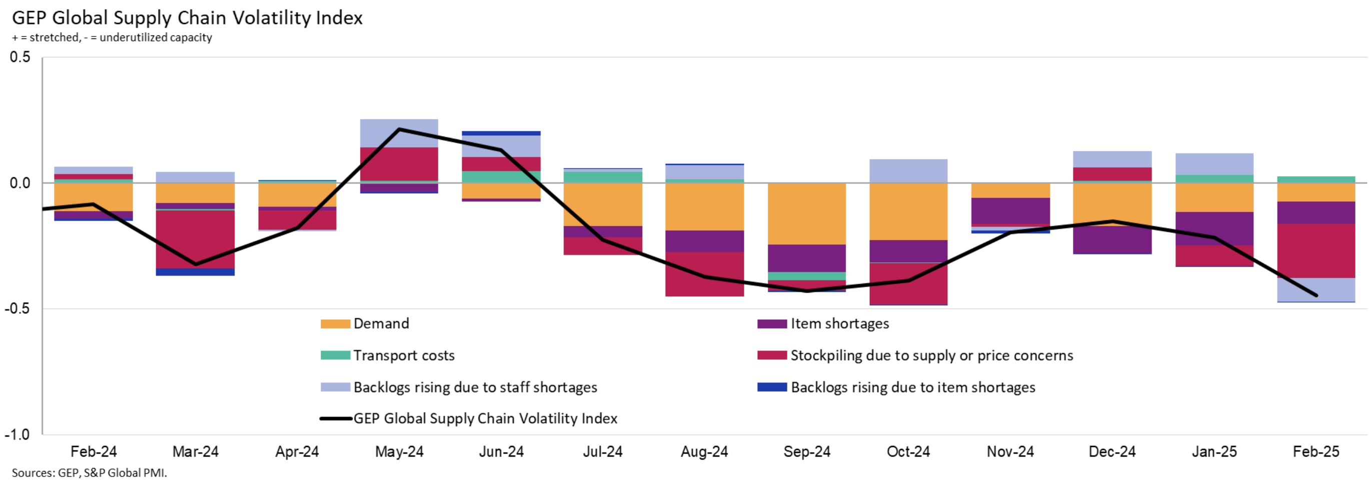


Interpreting the data:

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.



FEBRUARY 2025 KEY FINDINGS

- **DEMAND:** Globally, demand for raw materials, components and commodities is trending broadly level with its long-term average, following over two-and-a-half years of subdued purchasing by factory procurement managers. Buying activity is the strongest in Asia, although a pick-up in the U.S. was recorded in February as manufacturers restocked and ordered ahead of higher tariffs.

- **INVENTORIES**: Global stockpiling activity decreased in February, suggesting that global manufacturers' appetite to hold excess stock in their warehouses remains low. Although demand is trending upwards, our data suggests that procurement managers are still carefully managing cashflow in an environment of rising production costs. The data also implies a "wait-and-see" mentality to increased global trade policy uncertainty.

- **MATERIAL SHORTAGES:** Our global item shortages indicator, which tracks the availability of critical commodities, common inputs and components, remains below its long-term average, signaling robust global material supply levels. This metric implies that vendors have stock to meet orders from their customers.

- **LABOR SHORTAGES:** In February, we received fewer reports from global manufacturers of backlogs rising due to inadequate staff capacity.

- **TRANSPORTATION:** Global transportation costs were unchanged from January, when they hit the highest in six months. Still, they remain close to levels which can be considered normal, by historical standards.

REGIONAL SUPPLY CHAIN VOLATILITY

- **NORTH AMERICA:** *Index rises to -0.18, from -0.22, a seven-month high and signalling that North American supply chains are their busiest since July 2024. This was exclusively a reflection of conditions in the U.S., however, as Mexican and Canadian manufacturing industries slowed in February.*
- **EUROPE:** *Index falls to -0.72, from -0.61, signalling slightly greater slack in Europe's supply chains compared with the beginning of the year.*
- **U.K.:** *Index down to -0.85, from -0.63, its lowest level since December 2023, a signal that the U.K. economy is slowing in the first quarter.*
- **ASIA:** *Index at 0.00, versus 0.03 in January. Overall, the data shows that Asian supply chains are at full capacity. Asian factories are benefitting from stronger export growth, underlying data revealed.*

For more information, visit [www.gep.com/volatility.](http://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, Apr. 10, 2025.

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 1,000 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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