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ASIAN MANUFACTURING ACTIVITY FALLS TO 17-MONTH LOW AS TARIFFS HIT CHINA-BASED SUPPLIERS: GEP GLOBAL SUPPLY CHAIN VOLATILITY INDEX

- **U.S. manufacturers front-load inventories in anticipation of further tariffs**
- **North American factories remain underutilized, with persistent weakness in Mexico and Canada**
- **Europe inches toward industrial recovery, while U.K. industrial downturn deepens**

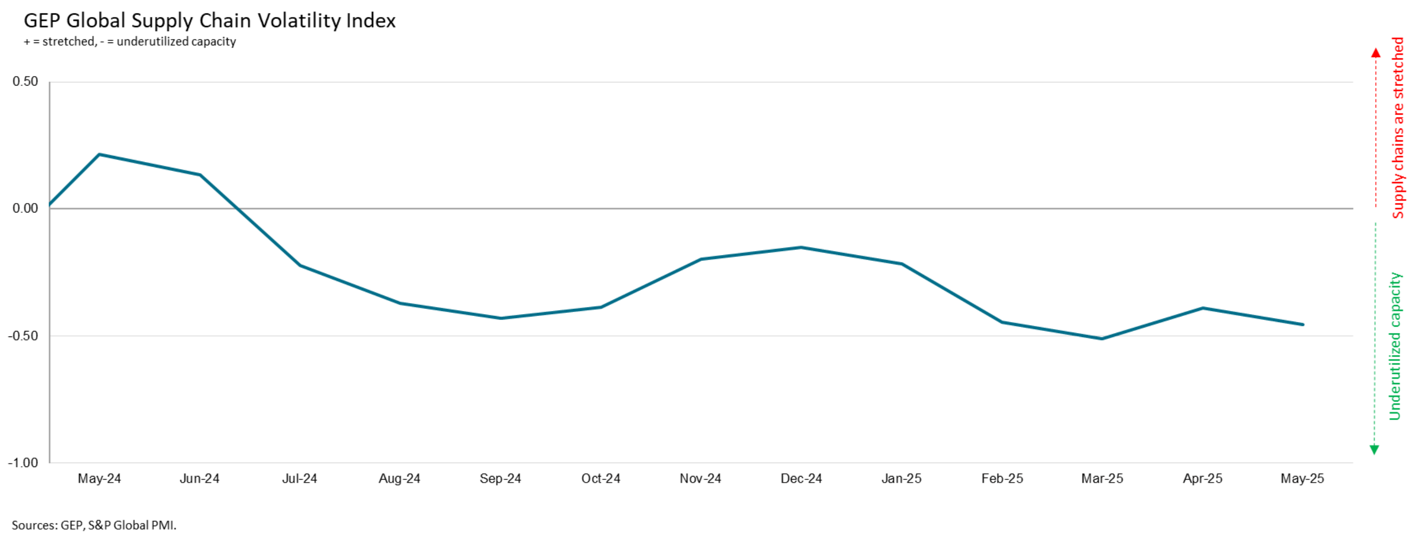
Clark, N.J., Jun 12, 2025 – GEP Global Supply Chain Volatility Index — a leading indicator tracking demand conditions, shortages, transportation costs, inventories, and backlogs based on a monthly survey of 27,000 businesses — fell to -0.46 in May, from -0.39 in April, indicating increasing spare capacity across the world's supply chains as a result of tariffs and tit-for-tat trade war.

Global supply chain activity was driven lower by a deterioration across Asia, which reported the greatest degree of spare capacity in almost a year-and-a-half. The quantity of raw materials and components purchased by Asian factories weakened for the second consecutive month in May, signaling stronger retrenchment. Notably, China was central to this region-wide decline during May.

North America's supply chains remain underutilized due to considerable weakness in Mexico and Canada. In the U.S., manufacturers continue to be underutilized, but they increased purchases of raw materials and commodities, bolstering inventories to protect against future higher prices or supply disruptions.

The European industrial sector edged closer to recovery, with activity at the region's suppliers broadly level with April, which was the strongest for ten months. Manufacturers in the continent have been buoyed by recently announced fiscal stimulus measures, particularly in Germany. The U.K.'s supply chains remain severely underutilized, with the country's manufacturers retrenching aggressively again in May.

"U.S.-China trade talks come at a critical moment — Chinese factory demand has dropped sharply, and U.S. manufacturing is weighed down by excess capacity," said John Piatek, VP Consulting, GEP. "This isn't just macro noise. Tariffs are already reshaping procurement strategies as companies front-load inventories, diversify suppliers, and brace for a longer game of economic decoupling."



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.

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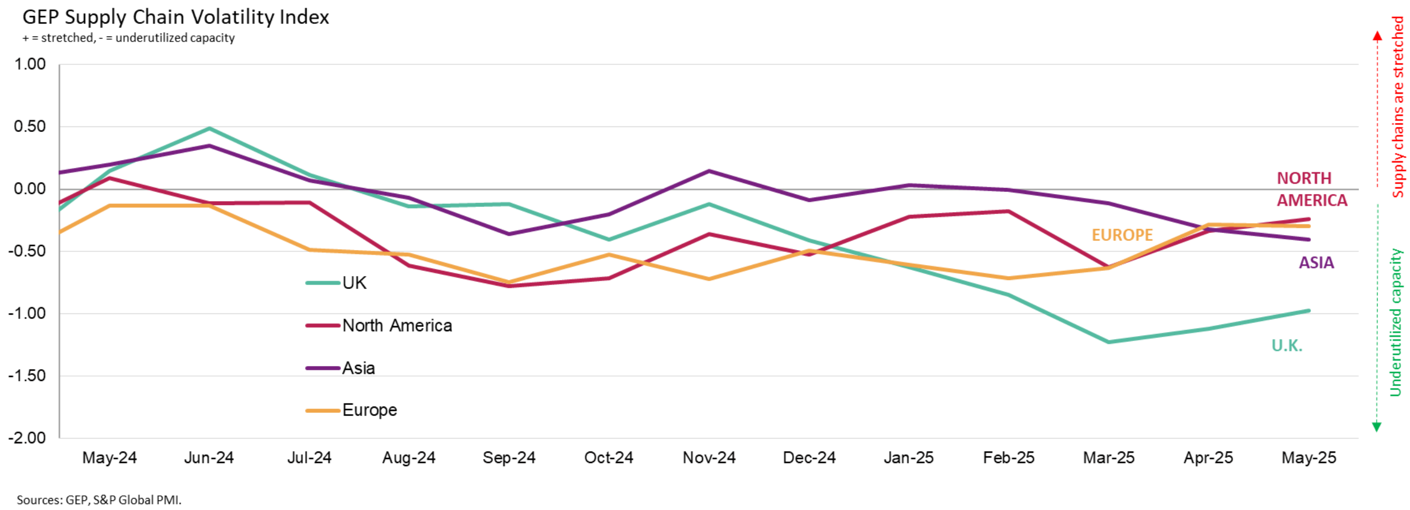

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MAY 2025 REGIONAL KEY FINDINGS

- **ASIA:** *Index fell to -0.40, from -0.32, signaling that the region's supply chains were the most underutilized since December 2023. Chinese factories pulled back their purchasing in May.*
- **NORTH AMERICA:** *Index rose to -0.24, from -0.34, reflecting some pick-up in purchasing volumes in the US, driving supply chain activity higher. Weak conditions in Mexico and Canada continue to weigh on manufacturing in the region.*
- **EUROPE:** *Index little changed since April (-0.29), down fractionally to -0.30. Albeit still indicating underutilized supplier capacity, the index is much higher than on average over the past two years as Europe's industrial recovery progresses.*
- **U.K.:** *Index rose to -0.97, from -1.12, but still at a level indicative of considerable slack across supply chains, indicating marked weakness across the U.K. manufacturing industry.*

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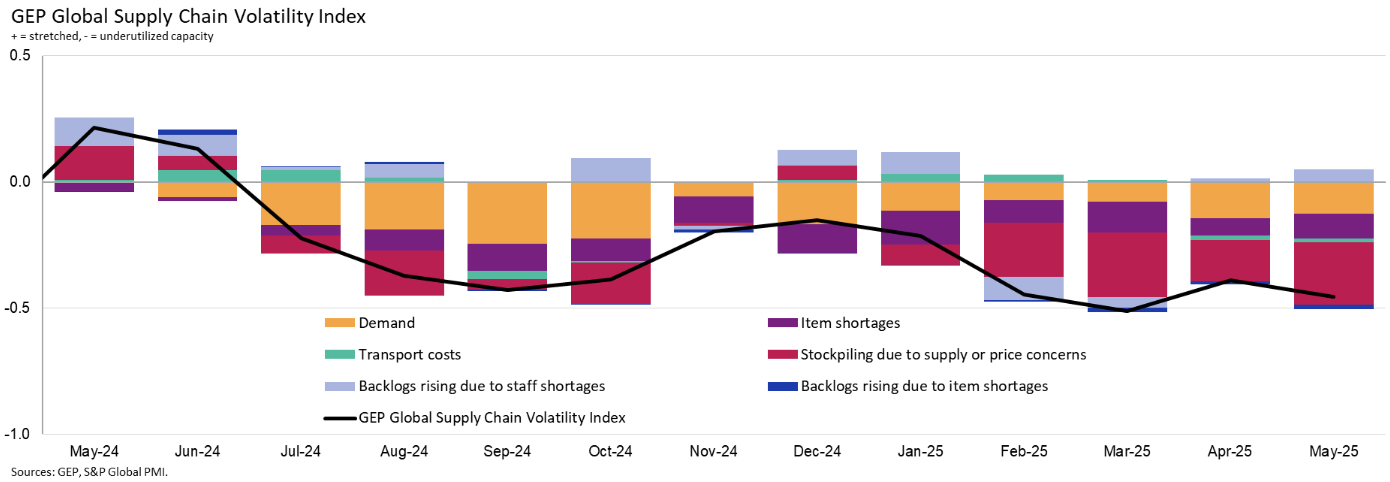
MAY 2025 KEY FINDINGS



- **DEMAND:** Global demand for raw materials, commodities and components remained subdued, with no improvement seen since April and therefore meaning it remains at its weakest in the year-to-date. Procurement activity in Asia was down at its sharpest in nearly a year-and-a-half, driven by retrenchment among Chinese factories.

- **INVENTORIES**: Global safety stockpiling reports remain historically low, primarily as a consequence of inventory strategies in Europe, with manufacturers across the continent continuing to favor lean warehouses. This contrasts to the trend in North America, with safety stockpiling above its long-term average for a second successive month.

- **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:** Reports of backlogged work rising due to staff shortages ticked up slightly at the global level in May but overall, they remain close to historically typical levels, indicating that suppliers' workforce capacity remains sufficient to cope with current demand.

- **TRANSPORTATION:** Global transportation costs were broadly in line with their long-term average in May.

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, Jul. 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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