

ASIA'S SUPPLIERS GROWING AT THE FASTEST PACE SINCE EARLY 2023, AS GLOBAL MANUFACTURING GATHERS FURTHER MOMENTUM IN JUNE: GEP GLOBAL SUPPLY CHAIN VOLATILITY INDEX

- Global suppliers report capacity pressures, with index in positive territory for a second consecutive month
- Asian manufacturing growth accelerating in China, Taiwan, Vietnam and India
- In contrast, demand at North American suppliers fell slightly because of lower orders, indicating a tightening economy
- Transportation costs rise to 20-month high, as greater activity drives up shipping and container rates

Clark, N.J., July 12, 2024 – For the second consecutive month, 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 — continued in positive territory. This indicates another month where global supply chains got busier and capacity was stretched across suppliers worldwide. At 0.13, the index was little-changed from May's 14-month high of 0.21.

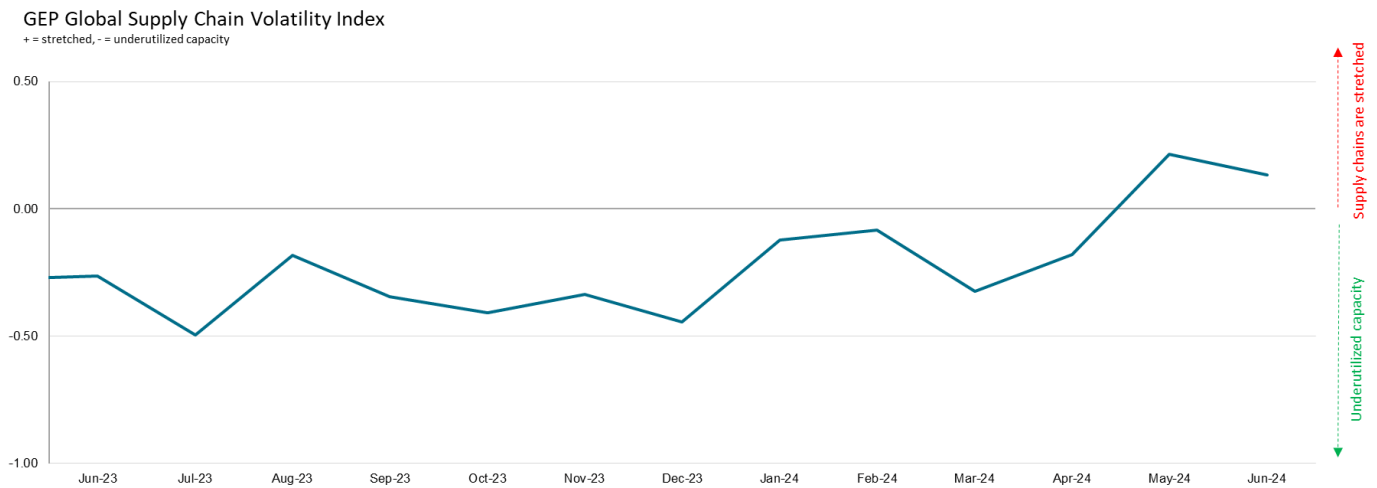
At the forefront of supply chain activity growth is Asia, where input demand jumped as factory activity in major manufacturing and exporting economies — led by China, Taiwan, Vietnam and India — accelerated.

In contrast to Asia, which has seen steady month-over-month growth since April, North America's suppliers oscillate between under- and overutilized capacity. In June, factory input demand fell slightly, with suppliers experiencing reduced demand. However, on average since the start of 2024, North American vendors have generally been operating at full capacity.

The European market is still operating with some slack as factory purchasing activity across the continent remains subdued. This suggests the region's manufacturing recovery still has a way to go, though conditions have vastly improved compared with the end of last year.

An early warning sign of potential overheating ahead is global transportation costs, which rose to their highest level since October 2022 in June as strengthening activity across global supply chains led to higher shipping and container rates. For now, reports of safety stockpiling remain low, suggesting the market is well placed in a “goldilocks” zone and stress levels are subdued.

“Asian manufacturers are gaining momentum, which, if sustained into the second half of the year, will mean a return of increasing costs and price pressures for global companies,” explained Amol Jawale, vice president, consulting, GEP. “Now is the perfect time for a company’s procurement to lock in pricing with key suppliers for 2025.”



Sources: GEP, S&P Global PMI.

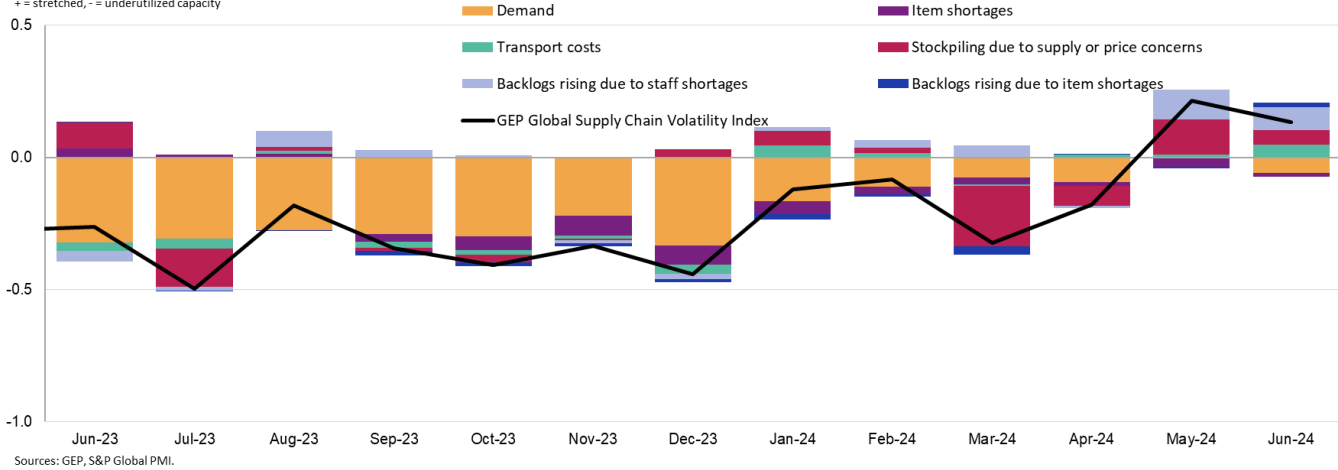
Interpreting the data:

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.

GEP Global Supply Chain Volatility Index

+ = stretched, - = underutilized capacity



JUNE 2024 KEY FINDINGS

- DEMAND:** Global demand for raw materials, commodities and components is now trending broadly level with its long-term average, indicating that global manufacturing has moved toward an upswing in the business cycle. Asia remains at the forefront of this upturn, led by India, China, Taiwan and Vietnam.
- INVENTORIES:** The inventory cycle has stabilized, with firms neither building up stocks excessively nor aggressively destocking to improve cashflow and cut costs.
- MATERIAL SHORTAGES:** Global reports from businesses of items in short supply remain anchored at historically typical levels.
- LABOR SHORTAGES:** As was the case in May, reports from global suppliers of an inability to meet orders due to staff shortages were more common than seen historically on average. This suggests capacity expansion is required to sustainably meet current and future demand.
- TRANSPORTATION:** Global transportation costs rose to a 20-month high in June, with shipping and container rates under pressure because of increasing supply chain activity.

REGIONAL SUPPLY CHAIN VOLATILITY

- **NORTH AMERICA:** Index fell to -0.11, from 0.09, down slightly from May's three-month high. The index has fluctuated between positivity and negativity this year but signals full capacity utilization on average in 2024.
- **EUROPE:** Index unchanged from May's 14-month high of -0.13. There continues to be some slack across Europe's manufacturing sector, although it is much reduced from 2023 levels.
- **U.K.:** Index rose to 0.49, from 0.15, signaling strongest capacity pressures since January 2023.
- **ASIA:** Index rose further in June to 0.35, from 0.19, a 16-month high, as Asian supply chains became busier amid strengthening factory activity in major markets such as China, Vietnam, Taiwan and India.

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, August 12, 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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