

DEMAND FOR COMPONENTS AND RAW MATERIALS IMPROVES IN ASIA, PUSHING UP SUPPLY AND INFLATIONARY PRESSURES: GEP GLOBAL SUPPLY CHAIN VOLATILITY INDEX

- **Global demand remains depressed, but trend improving in North America and Asia**
- **Global supply chain volatility continues to recede. Now at its lowest level since August 2020**
- **Item shortages are minimal, and businesses unwind their safety stocks to make inventories leaner**

Clark, N.J., March 13, 2023 – The [GEP Global Supply Chain Volatility Index](#) — a leading indicator tracking demand conditions, shortages, transportation costs, inventories and backlogs — improved further in February to 0.48, from 0.97 in January, indicating the lowest level of stress across the world’s supply chains since August 2020.

Demand for raw materials and components, while remaining depressed, especially in the U.K., eased in February in North America. Notably, procurement and supply managers in Asia are reporting an uplift in purchasing for the first time since July 2022.

Commenting on the February data, Michael Seitz, vice president of consulting, GEP Asia, said: “The world’s supply chains are much improved and now operating very efficiently. For the first time since July 2022, input demand across Asia entered positive territory, with the region reporting healthier supplier order books, which will likely fuel prices and inflation.”

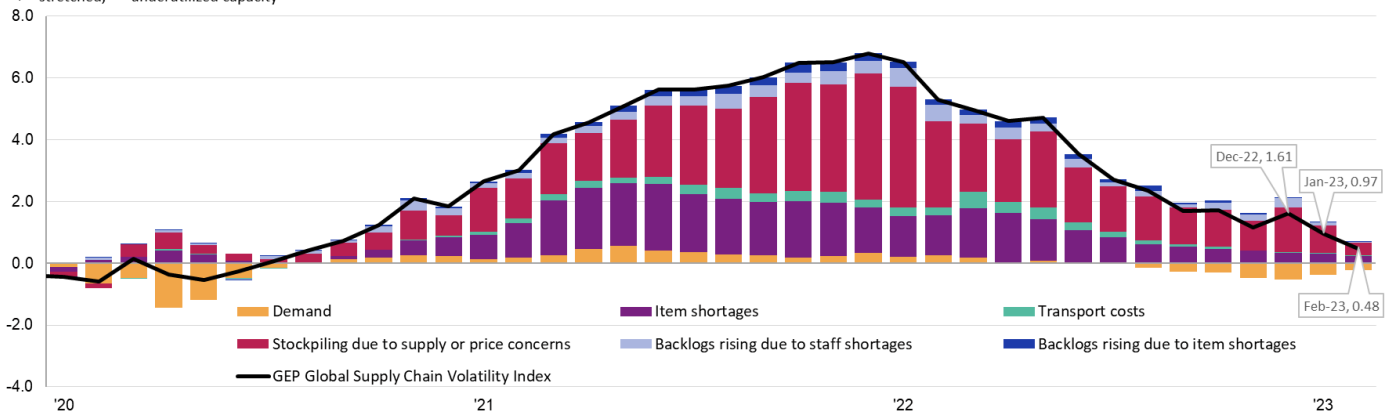
The key findings from February’s data:

- **DEMAND:** Global demand for components, raw materials, commodities, and items that companies require for their goods and services remains depressed, but the trend improved during February as procurement leaders in Asia increased purchasing.

- INVENTORIES:** Notably, global companies are unwinding their safety stocks as falling lead times, improved material supplies and an uncertain economic outlook prompt more businesses to make inventories leaner. Reports of stockpiling are now at their lowest in two-and-a-half years.
- LABOR SHORTAGES:** Labor shortages are having little adverse effect on supplier capacity, indicating that staffing levels are sufficient to deal with workloads and demand.
- MATERIAL SHORTAGES:** Business reports of item shortages are at their lowest since September 2020 as global supply and demand forces become more aligned.
- TRANSPORTATION:** Global transportation costs have normalized and remain stable due to lower pressures on shipping, rail, air, and road freight.
- REGIONAL SUPPLY CHAIN VOLATILITY:** Europe continues to be the greatest bottleneck for suppliers, although pressures are easing. Notably, suppliers to U.K. and North American companies saw spare capacity rise for the first time since summer 2020.

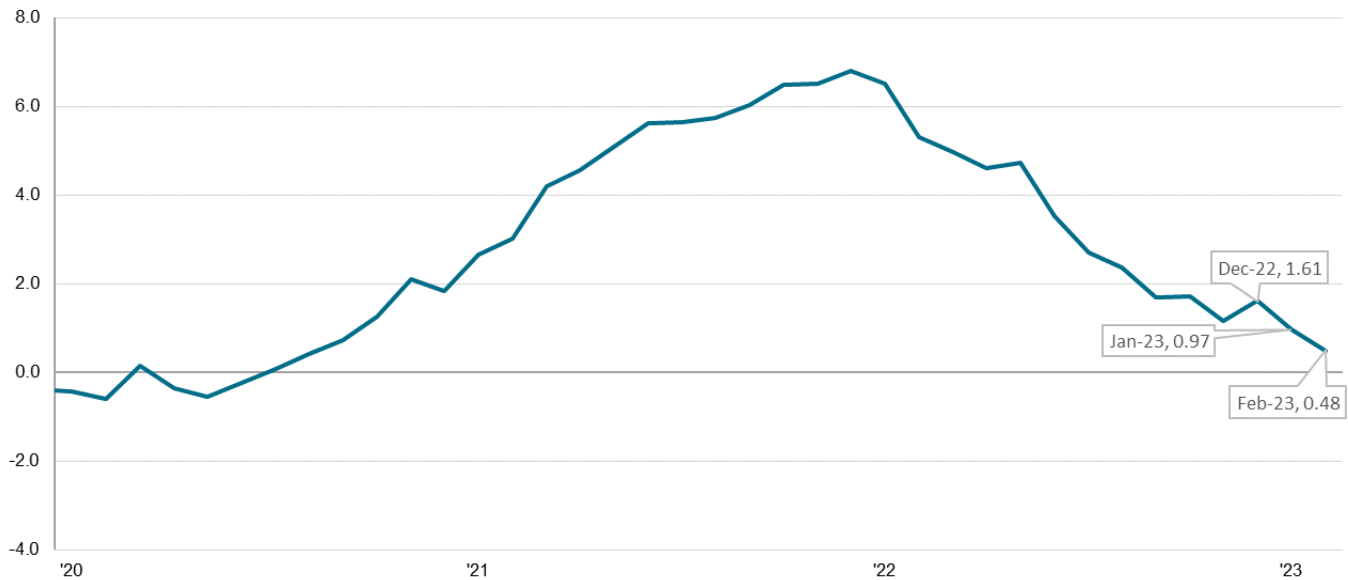
GEP Global Supply Chain Volatility Index Breakdown

+ = stretched, - = underutilized capacity



Sources: GEP, S&P Global.

GEP Global Supply Chain Volatility Index
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For more information, visit www.gep.com/volatility

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

ABOUT THE GEP GLOBAL SUPPLY CHAIN VOLATILITY INDEX

The [GEP Global Supply Chain Volatility Index](#) is produced by S&P Global and GEP. The GEP Global Supply Chain Volatility Index is derived from S&P Global’s PMI™ surveys, sent to companies in over 40 countries, totaling around 27,000 companies. These countries account for 89% of global gross domestic product (GDP) (source: World Bank World Development Indicators).

The headline figure is the GEP Global Supply Chain Volatility Index. This 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.

The GEP Global Supply Chain Volatility Index is calculated using a weighted sum of the z-scores of the six indices. Weights are determined by analyzing the impact each component has on suppliers’ delivery times through regression analysis.

The six variables used are 1) JP Morgan Global Quantity of Purchases Index, 2) All Items Supply Shortages Indicator, 3) Transport Price Pressure Indicator, and Manufacturing PMI Comments Tracker data for 4) stockpiling due to supply or price concerns, and backlogs rising due to 5) staff shortages and 6) item shortages. 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. The regional indices measure the performance of supply chains connected to those parts of the world. For more information on PMI surveys, PMI Comments Trackers and PMI Commodity Price & Supply Indicators, or the GEP Supply Chain Volatility Index methodologies, please contact economics@spglobal.com.

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Purchasing Managers' Index™ (PMI™) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

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