

EMBARGOED UNTIL 08:00 ET 19 JANUARY 2023

GLOBAL DEMAND FOR MATERIALS AND COMPONENTS DECLINES FURTHER IN DECEMBER, SIGNALING THE INCREASING LIKELIHOOD OF A RECESSION: GEP GLOBAL SUPPLY CHAIN VOLATILITY INDEX

- **Business reports of safety stock-building rise, particularly in Europe and North America, partly reversing companies' recent destocking efforts**
- **COVID-19 resurgence in China increased supply chain volatility, bucking improvements during the second half of 2022**
- **Europe's supply chains remained the most stretched in December**

Clark, N.J., Jan. 19, 2023 – The GEP Global Supply Chain Volatility Index – a leading indicator tracking demand conditions, shortages, transportation costs, inventories and backlogs – shows declining demand for raw materials, commodities, and other components needed to provide finished goods and services in December, reflecting the growing risk of a recessionary period ahead.

Additionally, more businesses are safety stockpiling inventories, particularly in Europe and North America, due to a resurgence in COVID-19 infections in China and increased concerns about future supply and pricing, partly reversing destocking efforts seen in the prior six months.

As a result of greater safety stockpiling and worsening of labor shortages, the GEP Global Supply Chain Volatility Index rose – up from 1.15 in November to 1.61 in December – halting the improvements in the world's supply chains, which began in the summer of 2022.

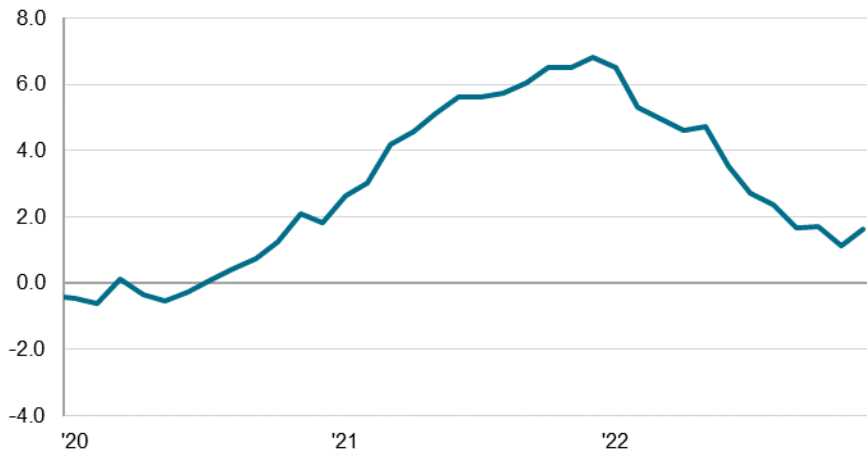
Commenting on the latest results, John Piatek, GEP's vice president of consulting, said: "We are shifting from a sellers' to a buyers' market, and companies should be pushing back hard on all price increases from their suppliers, which will continue to drive down inflation. Falling demand signals the increasing likelihood of a global recession in the first half of 2023."

The key findings from December’s report:

- **DEMAND:** Demand for components, raw materials, commodities and any other items companies need to provide their goods and services declined further in December, especially in North America.
- **INVENTORIES:** Global business reports of safety stockpiling are up since November, which is a key factor behind December’s increase in GEP’s Global Supply Chain Volatility Index.
- **LABOR SHORTAGES:** Companies report an uptick in labor shortages, causing supplier capacity to be stretched.
- **MATERIAL SHORTAGES:** Global supply shortages are at their lowest level since October 2020 as suppliers continue to adjust to market conditions. Easing demand has reduced competition for items.
- **TRANSPORTATION:** Transportation costs are at their lowest in over two years, highlighting weaker pressures on shipping, train, air and road freight.
- **REGIONAL SUPPLY CHAIN VOLATILITY:** Supply chains feeding into Europe remain the most stretched, compared to Asia and North America, in December.

GEP Global Supply Chain Volatility Index

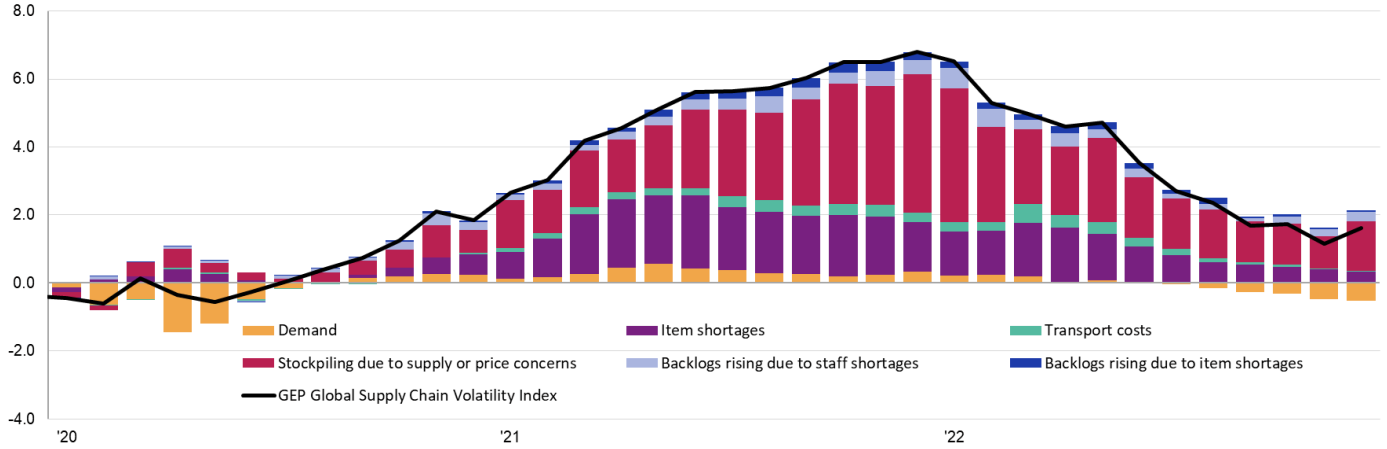
+ = stretched, - = underutilized capacity



Sources: GEP, S&P Global.

GEP Global Supply Chain Volatility Index

+ = stretched, - = underutilized capacity



Note: full historic data going back to January 2005 is available, please contact derek.creevey@gep.com and economics@ihsmarkit.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 UK.

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@ihsmarkit.com.

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GEP® delivers transformative 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 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

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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

About PMI

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.

Media Contact

Derek Creevey
Director, Public Relations
GEP
Phone: +1 732-382-6565
Email: derek.creevey@gep.com

Joe Hayes
Senior Economist
S&P Global Market Intelligence
T: +44-1344-328-099
joe.hayes@spglobal.com

Katherine Smith
Corporate Communications
S&P Global Market Intelligence
T: +1 (781) 301-9311
katherine.smith@spglobal.com

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