



## U.S. Factory Purchases Slow in July

**Manufacturers cut July purchases after June stockpiling, easing demand pressures and signaling shifting supply chain dynamics across North America, Asia and Europe.**

U.S. manufacturers tapped the brakes on purchasing in July, according to the latest [GEP Global Supply Chain Volatility Index](#). After stockpiling materials and components in June to get ahead of potential tariff uncertainty, U.S. factories reduced orders last month, creating ripple effects across global supply chains.

The slowdown pushed the index to -0.35, its lowest level since spring, signaling more spare capacity worldwide. For supply chain leaders, the data signals a possible shift in demand patterns that's less about shortages and more about aligning purchases with realistic production forecasts.

“When we remove companies’ front-loading inventories and rerouting goods to avoid tariffs, the underlying picture points to slowing manufacturing demand worldwide,” said GEP’s John Piatek in a [press release](#). “The July data shows a clear pullback in orders, with U.S. manufacturers preparing for lower demand going forward.”

### U.S. Orders Dip

Viewed as an accurate indicator of demand conditions, shortages, transportation costs, inventories and backlogs, GEP’s monthly report is based on a monthly survey of 27,000 businesses. The company says the index dropped to -0.35 from -0.17 in June, signaling increased spare capacity worldwide.

The U.S. was the main driver, GEP notes, with North America’s index falling to -0.33 from -0.06.

An index greater than zero indicates that supply chain capacity is being stretched. The further above 0, the more stretched supply chains are. An index of less than 0, on the other hand, indicates that supply chain capacity is being underutilized.

The reversal follows a surge in June when U.S. factories front-loaded orders to beat anticipated tariff changes. In July, U.S. manufacturers sharply tapered purchases of inputs (i.e., materials, components and commodities) signaling expectations of slowing demand going forward.

### Regional Variations

Drilling down into specific regions, Asian factory purchasing activity remains slightly below trend due to growing weakness in Japan and South Korea. GEP says the data was mostly collected prior to these two countries striking double-digit tariff agreements with the U.S. Taiwanese factories also saw an accelerated downturn, weighing on the broader region.

After declining during the two previous months, China’s factory buying volumes rose in July.

Europe industrial recovery slipped, with its index dropping to -0.30 from 0.01. Germany’s rebound slowed and the UK index fell from -0.41 to -0.58, “signaling that the UK’s supply chains continue to experience an elevated level of spare capacity,” GEP points out.

### More Pullbacks Ahead?

There are other signs of a U.S. manufacturing sector that may be bracing for a pullback. Citing numbers from the Federal Reserve, [Reuters](#) says U.S. factory production was unchanged in July. The publication says a recent poll of economists forecast production for the sector (which accounts for 10.2% of the economy) dipping by 0.1% after gaining 0.1% in June.

Specifically, Reuters reports that motor vehicle and parts output slipped 0.3% in July after falling 2.5% in June. Automobile manufacturers typically shut down production lines in July for the summer break as well as maintenance and retooling for new models, it adds.

Also in July, there were solid increases in the production of electrical equipment, appliances and components, aerospace and miscellaneous transportation equipment as well as furniture and related products. However, production of primary metals and machinery declined, while durable goods manufacturing production rose 0.3%.

Excluding motor vehicles, U.S. factory output fell 0.1% after rising 0.5% in June. “Tariffs on various inputs to production, in particular steel and aluminum inputs,” Citigroup Economist Veronica Clark told the publication, “could mean longer or more broad-based shutdowns this summer.”