Fastener Distributor Index – Report #160 April 2025

Written by R.W. Baird analyst David J. Manthey, CFA with Quinn Fredrickson, CFA 5/5/25

Key Takeaway:

The seasonally adjusted Fastener Distributor Index (FDI) saw significant month-over-month deterioration on weaker sales than seasonal norms resulting in a reading of **46.9**. The Forward-Looking Indicator (FLI) remained steady at **47.0** but continues to signal expectations for weakening momentum ahead as trade uncertainties threaten the outlook. Overall, this month's result points to a fastener market beginning to feel the sharp impacts of tariffs, with potential additional demand headwinds ahead if no positive tariff resolution is reached.

Fastener Distribution Trends: March 2025

FASTENER DISTRIBUTION AT A GLANCE
April 2025

	Index Values										Rate of
	Apr	**Mar**	**Feb**	**Jan**	**Dec**	**Nov**	**Oct**	**Sep**	**Aug**	**Direction**	**Change**
ISM PMI (Manufacturing)	48.7	49.0	50.3	50.9	49.3	48.4	46.5	47.2	47.2	Declining	Faster
FDI	**46.9**	**52.6**	**51.6**	**47.6**	**48.1**	**46.4**	**56.5**	**59.0**	**53.8**	Declining	Faster
FLI	**47.0**	**47.0**	**47.3**	**49.9**	**51.4**	**52.3**	**52.6**	**50.5**	**47.4**	Declining	Same
(Other Metrics)											
Sales	40.9	55.4	53.0	37.7	36.5	48.9	61.8	58.4	50.2	Declining	Faster
Employment	47.0	50.0	50.0	51.7	47.0	51.7	51.7	55.4	50.0	Declining	Faster
Supplier Deliveries	56.1	54.2	60.0	55.0	56.1	46.7	61.7	60.7	62.9	Growing	Faster
Respondent Inventories	66.7	63.9	66.0	61.7	63.6	65.0	63.3	64.3	67.7	Growing	Faster
Customer Inventories	45.5	51.4	44.0	50.0	48.5	40.0	48.3	55.4	50.0	Declining	Faster
Pricing, month-to-month	81.8	80.6	74.0	53.3	53.0	58.3	56.7	58.9	56.5	Growing	Faster
Pricing, year-to-year	89.4	83.3	72.0	55.0	53.0	56.7	56.7	62.5	45.2	Growing	Faster

	Higher	Same	Lower
6-Month Outlook - April	48%	15%	36%

FDI and Pricing are diffusion indexes. At 50, the performance of the category listed met expectations. A reading above 50 suggests the category outperformed expectations, while a reading below 50 suggests the category underperformed expectations.

Source: Baird, FCH Sourcing Network, Institute for Supply Management

About the Fastener Distributor Index (FDI). The FDI is a monthly survey of North American fastener distributors, conducted with the **FCH Sourcing Network** and **Baird**. It offers insights into current fastener industry trends/outlooks. Similarly, the Forward-Looking Indicator (FLI) is based on a weighted average of four forward-looking inputs. This indicator is designed to provide directional perspective on future expectations for fastener market conditions. As diffusion indexes, values above 50.0 signal strength, while readings below 50.0 signal weakness. Over time, results should be directly relevant to **Fastenal**

<u>Key Points:</u>

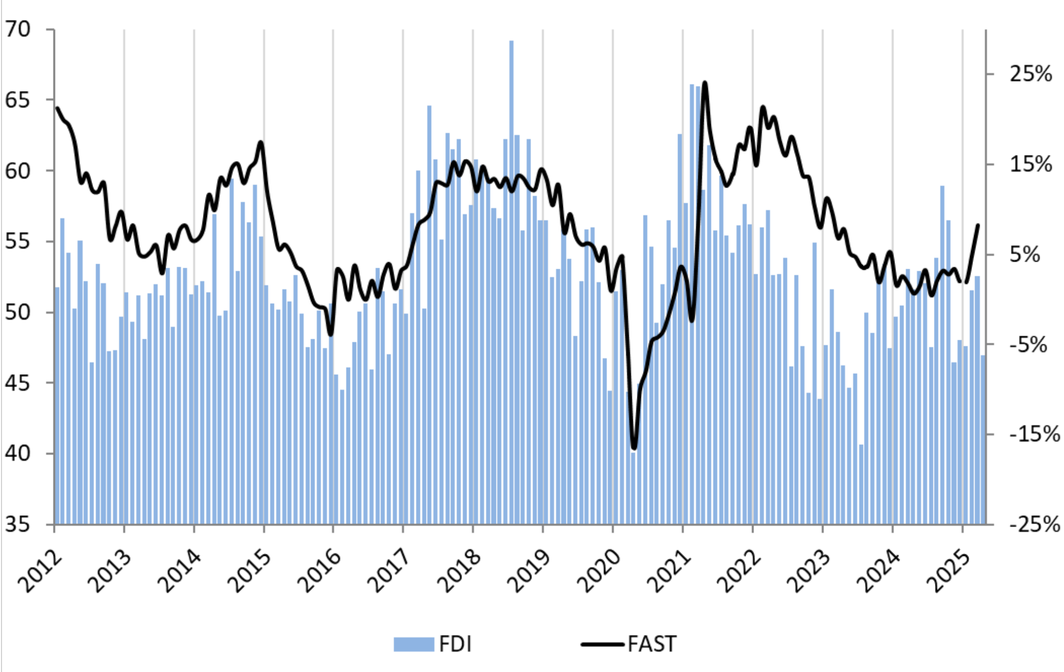
FDI retrenches as sales came in below expectations. The April seasonally adjusted FDI decreased to 46.9 from March's strong 52.6 reading. Based on respondent commentary, we believe that March may have been artificially boosted by some buying ahead of tariffs by customers; as this trend reversed in April, sales came in below seasonal norms for a plurality of respondents. Just 30% of respondents said sales came in above seasonal expectations this month, down from a strong 50% in March, while 45% indicated sales were below expectations (up vs. 25% m/m) and another 24% said in line. Employment was also slightly weaker on the margin, though largely steady with recent results, as 70% of respondents said employment levels were similar m/m. Pricing, meanwhile, continues to move sharply higher as steel/China/global import tariffs take hold. A majority (64%) of respondents this month said pricing was higher vs. March, which follows 61% last month, 48% in February and just 17% in January. This drove the FDI Pricing Index to again set a record high since March 2022.

FLI steadies out but remains below 50. The FLI was steady m/m at 47.0. Respondent commentary points to potential recession ahead, fewer RFQ's from customers, curbing demand for export customers, and general uncertainty/chaos in customer orders and planning. A few comments were more positive – indicating robust backlog and strong sales growth – though these were more in the minority. Quantitatively, the six-month outlook was also similar vs. March; 48% of participants forecast better activity levels over the next six months vs. today – slightly better vs. 44% last month but still significant lower compared to December when optimism had reigned (61% expected improvement at that time). Another 15% see similar trends continuing (down vs. 22% in March and 24% in February), while 36% forecast sales deteriorating (vs. 33% last month). The ISM PMI Manufacturing Index shows similar directional trends, with two consecutive sub-50 readings after a brief run of >50 readings in January/February.

Tariffs, tariffs, and more tariffs. Not surprising given their dominance over the news and market headlines, tariffs were the overwhelming area of focus for respondents' commentary again this month. While industry participants may have been able to dodge the impacts for a month or two, inventory that is being tariffed is now hitting the market: "*Tariff enhanced product starting to reach our inventory and we are preparing costing for pricing adjustments.*" Pre-buying ahead of tariffs is likely the explanation for why the FDI was so strong in March, though this factor seemingly faded away in April: "*The tariffs resulted in a brief surge and then WHAM, it all just stopped. None of our customers know what to do. Some companies are taking advantage of their customers by raising prices far in excess of their tariff cost change (I'm looking at you **** and ****). Tariffs remain a horrible idea and only those who have never taken an economics class think they're a good idea (or those who haven't bothered to study history.)*" The great unknown is the impact on the broader economy ahead, particularly if so-called "*reciprocal tariffs*" are enacted following the current pause: "*Tariffs are wreaking havoc on the supply chain, our customer base, and it's feared that higher prices will drive demand down and cause a recession. We are certain about uncertainty at this point.*" Those customers who export products are seen as likely to be most severely impacted: "*Tariffs will initially boost top lines but that revenue will essentially be empty calories as our default approach is to pass them through rather than try and margin them. Longer term, we believe that second order inflationary effects of the tariffs are going to curb demand, especially for OEM customers for whom exports are a part of the revenue mix. We are already seeing clear, early evidence of this.*" Still, there were at least a few participants still seeing healthy business activity: "*Sales are solid and up from last year*"; "*We have a pretty robust backlog and all signs point to increased activity in Q3 and Q4. The wildcard is how resilient the economy will be given the uncertainty we're currently experiencing. Hard to know what it will look like 6 months from now when every day volatility is so sharp.*"

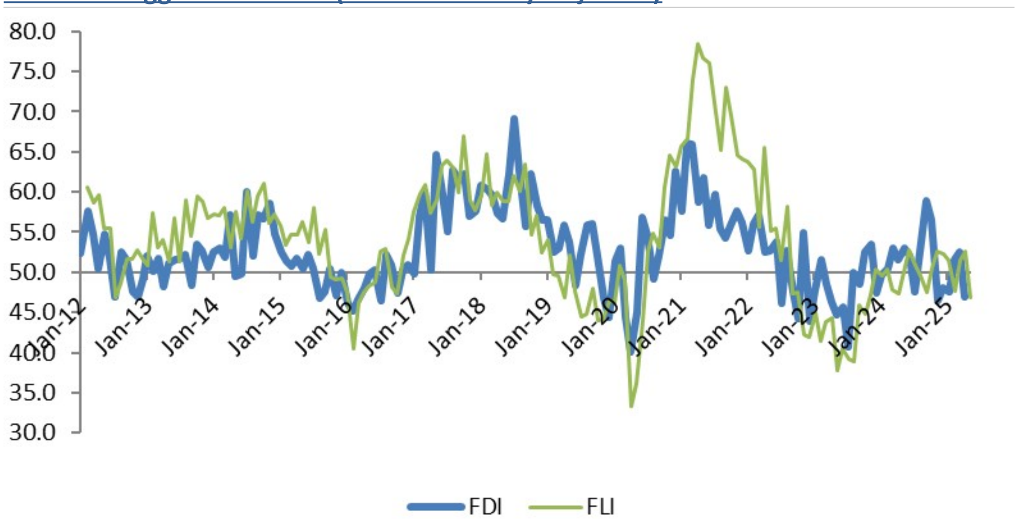
Fastenal reported March daily sales growth of +8.3% y/y, above our +7.7% estimate. Consistent with a strong FDI reading in March, fastener sales were healthy at +4.5%. Elsewhere, safety sales were +9.2% and other non-fasteners grew +9.9% y/y. For April, we are modeling a further improvement in trend to +9.6% y/y daily sales growth, which reflects better-than-normal seasonality due to initial tariff-driven pricing capture. FAST will report April daily sales on May 6th.

Fastener Distributor Index (FDI); Seasonally Adjusted



**FAST March 2020 – December 2021 Monthly Sales Presented as ex. Safety Products*
Source: Baird, FCH Sourcing Network, Company reports

1-Month Lagged FDI vs. FLI (Both Seasonally Adjusted)



Source: Baird, FCH Sourcing Network

Risk Synopsis

Fastenal: Risks include economic sensitivity, pricing power, relatively high valuation, secular gross margin pressures, success of vending and on-site initiatives, and ability to sustain historical growth.

Grainger: Risks include ability to maintain margins, internet-only industrial supply sources, ability to sustain secular growth, cyclicality, and international operations.

MSC Industrial: Risks include cyclicality, maintaining and managing growth, success of Mission Critical initiative, and poor investor sentiment.

Industrial Distribution: Risks include economic sensitivity, pricing power, online pressure/competitive threats, global sourcing, and exposure to durable goods manufacturing.

Appendix – Important Disclosures and Analyst Certification

Covered Companies Mentioned
All stock prices below are as of 5/5/2025.

Fastenal Company (FAST-$82.12-Neutral)
W.W. Grainger Inc. (GWW-$1,068-Outperform)
MSC Industrial Direct Co. Inc (MSM-$77.65-Neutral)
(See recent research reports for more information)

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