

Fastener Distributor Index – Report #170 February 2026

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Key Takeaway:

This month, the seasonally adjusted Fastener Distributor Index (FDI) modestly improved sequentially, reaching **52.7** (January 52.0), reflecting acceleration across sales and customer inventories components of the FDI. Meanwhile, the Forward-Looking Indicator (FLI) moderated slightly m/m to **52.2** (January 54.0), largely attributable to a deceleration in the employment index and higher customer inventory levels. Respondent commentary in February remained mixed as tariff and policy-driven uncertainty continues to weigh on sentiment. However, on balance, results suggest February was a solid month for many participants, particularly on the revenue side, even as margin expansion appeared more constrained. With the FLI still expansionary and the ISM PMI holding at 52.4, we believe the fastener market and broader industrial economy continue to demonstrate underlying resilience ahead.

Fastener Distribution Trends: February 2026

FASTENER DISTRIBUTION AT A GLANCE											
February 2026											
	----- Index Values -----									Direction	Rate of Change
	Feb	Jan	Dec	Nov	Oct	Sep	Aug	Jul	Jun		
ISM PMI (Manufacturing)	52.4	52.6	47.9	48.2	48.7	49.1	48.7	48.0	49.0	Growing	Slower
FDI	52.7	52.0	56.4	50.0	54.7	55.0	51.2	53.3	52.0	Growing	Faster
FLI	52.2	54.0	51.2	55.4	51.4	49.0	54.3	56.8	47.6	Growing	Slower
(Other Metrics)											
Sales	63.2	51.6	58.7	49.6	60.9	68.3	53.1	64.3	59.9	Growing	Faster
Employment	53.3	60.3	52.9	54.8	54.7	51.6	54.5	55.9	46.9	Growing	Slower
Supplier Deliveries	48.3	52.9	60.0	54.8	54.7	53.2	54.5	54.4	51.6	Declining	Faster
Respondent Inventories	56.7	60.3	62.9	61.3	65.6	64.5	59.1	57.4	62.5	Growing	Slower
Customer Inventories	46.7	44.1	51.4	40.3	46.9	45.2	40.9	38.2	51.6	Declining	Slower
Pricing, month-to-month	73.3	70.6	72.9	71.0	75.0	72.6	80.3	80.9	78.1	Growing	Faster
Pricing, year-to-year	95.0	88.2	92.9	85.5	85.9	93.5	95.5	92.6	92.2	Growing	Faster
<u>Higher Same Lower</u>											
6-Month Outlook - February				55%	24%	21%					

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

¹Historical data has been rolled forward and updated to reflect full year-end information. These modest restatements do not change the directional interpretation or m/m trends discussed in this/prior reports.

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 (FAST)** and broadly relevant to other industrial distributors such as **W.W. Grainger (GWW)**, **MSC Industrial (MSM)**, and **Applied Industrial (AIT)**.

Key Points:

FDI improved month over month, still above 50. The February seasonally adjusted FDI improved to 52.7 (vs. January 52.0). Two of the four underlying factors (sales and customer inventories) saw m/m improvement in February; employment moderated m/m, while supplier deliveries posted an outright decline (sub-50 reading). The sales index reached 63.2 in February, up sharply from 51.6 in January, signaling improving momentum. Furthermore, 50% of respondents indicated sales came in above seasonal expectations, which is higher than the 43% average registered over the past year. This month, 27% indicated sales were below expectations (vs. 24% last month) and another 23% said in line (vs. 24% last month). Customer inventories were also a contributor to the expansion, as the share of participants saying “lower than seasonal norms” decreased m/m (from 21% to 20%), while the overwhelming majority (67%) continue to say customer inventories are in line. Employment levels moderated, with the 53.3 FDI employment index stepping lower from last month’s 60.3 reading. Meanwhile, a majority of respondents this month (53%) said pricing was stable m/m (same percentage in in January), following 49% in December and 58% in November; the remaining 47% of respondents in January saw higher sequential pricing (0% saw lower m/m pricing). Year-to-year pricing ticked considerably higher, reaching 95.0 compared to 88.2 in January.

FLI moves lower m/m, but still suggests growth. The Forward-Looking Indicator (FLI) declined to 52.2 in February from 54.0 in January, suggesting a touch less optimistic forward view for respondents, although still signaling future growth. The m/m moderation was driven largely by lower employment levels and customer inventories (13% indicated “too high” versus 9% last month), though the majority of respondents continue to report in-line inventories (67%). Despite the headline sequential dip, the survey seems to again reflect a divergence between more domestically-oriented participants and those with greater global exposure, contributing to increased dispersion beneath the surface of the FLI. Looking specifically at the six-month outlook, the moderation appears driven more by a shift in distribution than a broad-based pullback in expectations. The share of respondents anticipating stable activity declined to 24% (vs. 35% last month), with that ~10% reduction effectively splitting between the tails: 55% now forecast better trends six months from now (up from 50% and above the 24-month average of 43%), while 21% expect lower activity levels (up from 15%). In other words, fewer respondents are sitting in the “steady” camp, with incremental movement toward both improved and weaker expectations. The ISM PMI, meanwhile, remained expansionary (February 52.4 vs. January 52.6), suggesting continued momentum in the broader industrial economy.

Commentary suggests continued momentum into early 2026, though regional softness and ongoing tariff-related uncertainty continue to weigh on sentiment. Several respondents pointed to sustained strength, with one noting, “Sales have remained high for the first two months of 2026, continuing the strong sales we experienced in Q4 2025,” while another said, “February was a good month. Our inventory is up but our in-coming order rate was 17% higher than January. It’s always nice to start the year with a lead.” Momentum was echoed elsewhere as “Sales momentum continues to build. Top line Sales dollars are growing faster than bookings. Margin growth percentage is smaller than top line sales.” Even adjusting for the shorter month, demand appeared stable in some regions, with one respondent noting, “February a shorter month our daily average was equal to January. Not hearing much from customers so far other than expect the year to be similar to 2025.” Underlying demand sentiment remains constructive in many areas. One participant stated, “Regardless of what I read in the papers or hear on the radio, demand for fasteners in the US is very strong for our business. Going to continue to ride it out as long as we can.” Another added, “Still bullish on USA-made parts.” That said, one respondent highlighted regional divergence, commenting “Things are rapidly slowing down here in the south. Our vendors are complaining, our customers are complaining, and now we’re complaining. The housing market, which

was red hot here in Florida, is grinding to a halt and turning into a buyer's market again for the first time in awhile."

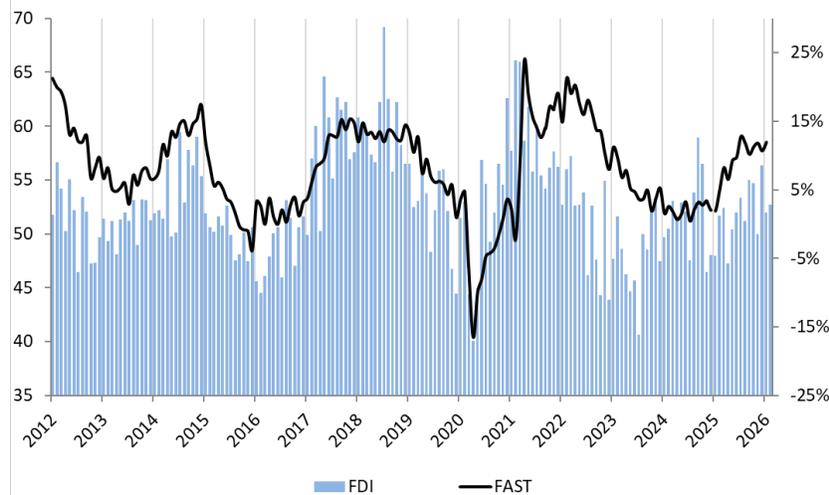
Tariffs remain a dominant theme. As one respondent put it, "Latest tariff issues are frustrating. Need to focus on growth and customer relationships, not tariff roller coaster." Another noted, "Ongoing uncertainty with tariff calculations. Add to that the thought of applying for refunds now that IEEPA has been deemed illegal. Business slowed a bit in Feb compared to Jan." Policy volatility continues to weigh on sentiment, captured bluntly in the comment: "Meanwhile, the first batch of tariffs, which SCOTUS wisely struck down, have been replaced with new, equally illegal tariffs. Uncertainty is ALWAYS BAD for business – that's a bi-partisan statement right there."

Operationally, sourcing pressures linger, particularly in stainless and automotive, with one respondent noting, "We have a heavy mix of stainless products and prices are trending higher. Automotive pressure to move from Taiwan to US is a difficult task and a waste of resources in most cases."

Net, February reflects continued underlying demand strength in many markets, offset by pockets of regional housing softness and renewed tariff-related volatility, with uncertainty remaining a key swing factor as the year progresses.

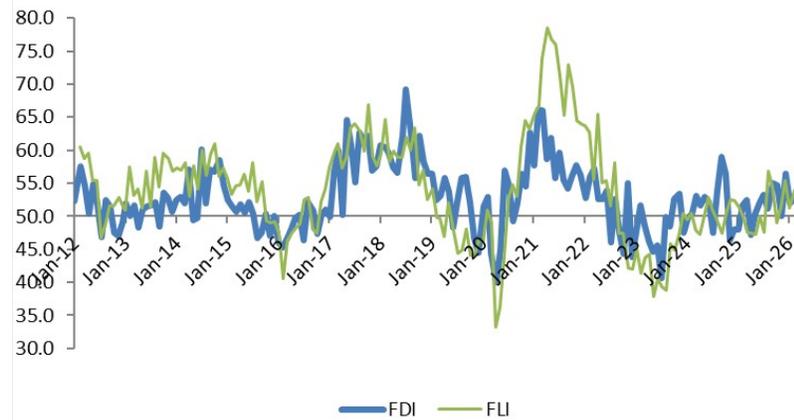
Fastenal February daily sales grew +13.3% y/y, which exceeded our +10.8% estimate (and FAST's +8.5% benchmark). This also marked the first time February absolute sales dollars exceeded January's in a decade. Direct materials (production-related; 39% of sales) grew +13.4% (January +12.9%) and indirect materials (MRO-related; 61% of sales) were +13.6% (compared to +11.4% last month). Specifically, direct fasteners/hardware sales (~21% of overall February sales) grew +13.5% y/y (vs. +13.4% last month) and indirect fasteners/hardware sales (~10% of sales) increased +20.6% (vs. +15.4% in January). Beyond the near term, we continue to assume FAST will grow daily sales low-double-digits over 2026 and 2027, even assuming just normal sequentials.

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.

Applied Industrial Technologies: Risks include general economic conditions, international operations, acquisition integration, potential loss of key supplier authorizations, internet-only industrial supply sources, leverage, and significant goodwill and intangible assets, among other factors.

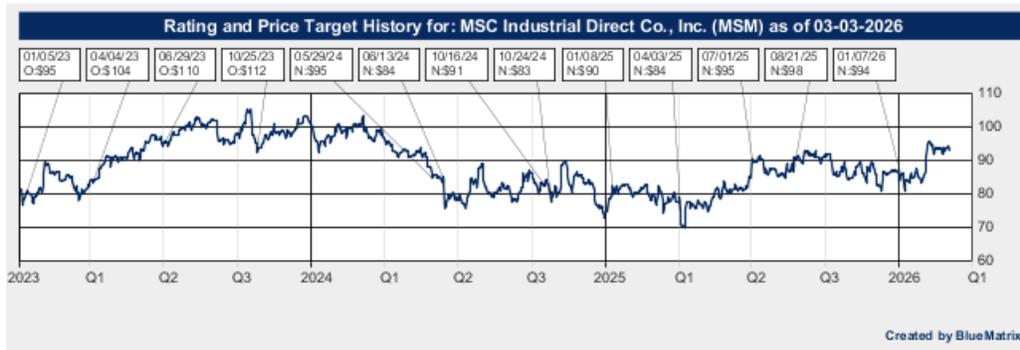
Industrial Distribution: Risks include economic sensitivity, pricing power, online pressure/competitive threats, global sourcing, and exposure to durable goods manufacturing.

Appendix – Important Disclosures and Analyst Certification

Covered Companies Mentioned

All stock prices below are as of 3/4/2026.

Fastenal Company (FAST-\$46.43-Outperform)
W.W. Grainger Inc. (GWW-\$1,148.46-Outperform)
MSC Industrial Direct Co. Inc (MSM-\$91.54-Neutral)
Applied Industrial Technologies Inc. (AIT-\$279.91-Outperform)
(See recent research reports for more information)



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