Fastener Distributor Index – Report #169 January 2026

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Key Takeaway:

This month, the seasonally adjusted Fastener Distributor Index (FDI) moderated sequentially but stayed in expansionary territory, coming in at **52.0** (December 56.4). This reflected moderation across sales and supplier deliveries components of the FDI. Meanwhile, the Forward-Looking Indicator (FLI) moved nicely higher m/m at **54.0** (December 51.2), largely attributable to an improvement in the employment index (higher employment levels) and lower customer inventory levels. Respondent commentary was mixed as tariff/policy-driven uncertainty continues to weigh on sentiment, though with an overall positive January performance for the indexes, we believe fastener market conditions/pockets of the industrial economy in general are starting to show signs of stabilization, especially given January's 52.6 ISM reading.

Fastener Distribution Trends: January 2026

FASTENER DISTRIBUTION AT A GLANCE
January 2026

	Index Values										Rate of
	Jan	**Dec**	**Nov**	**Oct**	**Sep**	**Aug**	**Jul**	**Jun**	**May**	**Direction**	**Change**
ISM PMI (Manufacturing)	52.6	47.9	48.2	48.7	49.1	48.7	48.0	49.0	48.5	Growing	Faster
FDI	**52.0**	**56.4**	**50.0**	**54.7**	**55.0**	**51.2**	**53.3**	**52.0**	**50.4**	Growing	Slower
FLI	**54.0**	**51.2**	**55.4**	**51.4**	**49.0**	**54.3**	**56.8**	**47.6**	**50.1**	Growing	Faster
(Other Metrics)											
Sales	51.6	58.7	49.6	60.9	68.3	53.1	64.3	59.9	49.3	Growing	Slower
Employment	60.3	52.9	54.8	54.7	51.6	54.5	55.9	46.9	51.5	Growing	Faster
Supplier Deliveries	52.9	60.0	54.8	54.7	53.2	54.5	54.4	51.6	63.6	Growing	Slower
Respondent Inventories	60.3	62.9	61.3	65.6	64.5	59.1	57.4	62.5	60.6	Growing	Slower
Customer Inventories	44.1	51.4	40.3	46.9	45.2	40.9	38.2	51.6	42.4	Declining	Faster
Pricing, month-to-month	70.6	72.9	71.0	75.0	72.6	80.3	80.9	78.1	80.3	Growing	Slower
Pricing, year-to-year	88.2	92.9	85.5	85.9	93.5	95.5	92.6	92.2	92.4	Growing	Slower
						Higher	Same	Lower			
6-Month Outlook - January						50%	35%	15%			

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

[1] Historical 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, produced by 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 moderates but remains above 50. This month, we saw the index slightly contracting m/m to 52.0 (vs. December 56.4). Seasonally-adjusted sales trends were weaker vs. a very strong December, with the index at 51.6 compared to 58.7 last month. However, this mainly reflected the seasonal adjustment factor as the percentage of respondents that indicated sales were above seasonal expectations was higher versus December (53% vs. 43% last month) as well as the 2025 average (40%). Higher pricing continues to play a role in the sales performance, as pricing increased m/m for 44% of participants (vs. 49% last month) and 79% y/y (was 89% in December). Employment levels were a contributor to the expansion, as the share of participants saying employment was "lower than seasonal norms" decreased m/m (from 11% to 0%), though the overwhelming majority (79%) continue to say employment levels are in line. Meanwhile, 21% of participants reported slower supplier lead times/deliveries this month (down slightly from 26% in December), though the majority (65%) continue to indicate similar levels. Customer inventory levels were also a benefit on this month's performance (index drifted lower from 51.4 to 44.1) and could bode well for future growth, with 21% of participants now saying customer inventory levels are too low.

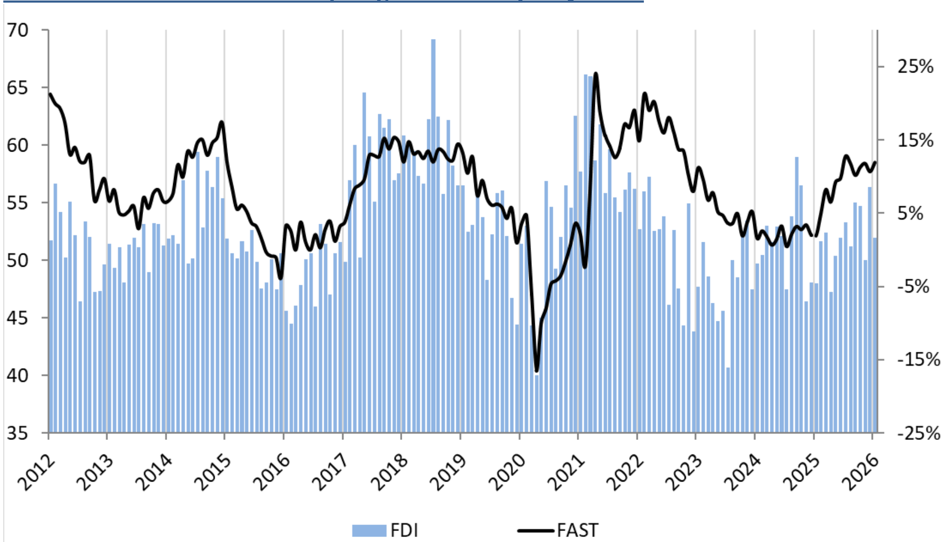
FLI moves higher m/m. After moderating to 51.2 in December, the FLI registered a 54.0 reading this month. The m/m expansion reflected lower customer inventories, higher employment levels, and a generally stable six-month outlook (for the third consecutive month). That said, there seemed to be a large discrepancy in sentiment/results between more domestically-oriented players vs. more globally-oriented, which is likely resulting in a bit higher FLI than the results/outlook would suggest for some in the survey. The ISM PMI, meanwhile, expanded in January (52.6 reading) for the first time since a brief and small push above 50 in Jan/Feb 2025 (50.9 and 50.3, respectively), although that short-lived optimism was preceded by 26 straight months of contraction. Regarding the outlook specifically, the six-month outlook was essentially stable sequentially, with 35% of respondents anticipating similar activity levels six months from now vs. today, 50% forecasting improvement (which is higher than the 24-month average of 43%), and only 15% foreseeing lower activity levels.

Commentary points to steady-to-improving activity entering 2026, with January strength offset by weather disruptions and ongoing tariff uncertainty. Several respondents described solid momentum early in the year, with one noting, "*We had strong Q425 sales and this continued with a very strong Jan 2026,*" while another said, "*Our distributor customers seem very confident that fastener sales in the near future will be higher for them, which offers us the expectation that fastener sales will be higher for us as well.*" Activity appeared resilient despite weather headwinds: "*Despite the weather activity has been hot. Would like to see bookings remain strong,*" though another flagged that "*Sales growth slowed down due to the weather across the East and Mid-West.*" Tariffs remain a dominant theme, particularly as inventories are worked through. One respondent observed that "*Customers now feeling the full effect of tariffs as the market has broadly exhausted all inventories now. We can see customers now realizing the full cost increases of inputs,*" while another stated more bluntly, "*Tariffs are also a huge impact on increasing prices.*" Frustration around policy uncertainty continues to run high, captured by one comment that, "*Have I mentioned the stupidity of tariffs recently? I wish SCOTUS would get off their collective backsides, and issue a ruling one way or another. Uncertainty is the worst.*" Operationally, tariffs are also influencing sourcing decisions, with one noting, "*Business is steady. Tariffs remain an issue with various alternative for mitigation. GM directive on moving business from Taiwan will be an enormous and costly task.*" Elsewhere, OEM activity appears constructive but constrained, as "*OEM's are finding a path to more sales through mergers and acquisitions, but the production lead times are being pushed further and further out.*" Net, January sentiment reflects steadier demand with pockets of strength, tariff-driven pricing pressure becoming more visible as inventories clear, and an outlook that remains cautiously constructive despite ongoing policy-related noise.

CBAM Supplemental Question On the regulatory front, responses to the supplemental questions around EU CBAM-style regulations worldwide were notably mixed. Roughly one-third of respondents expect the regulations to have a large impact, one-third expect a small impact, and the balance are unsure, highlighting limited clear understanding, and indicating uncertainty around longer-term implications.

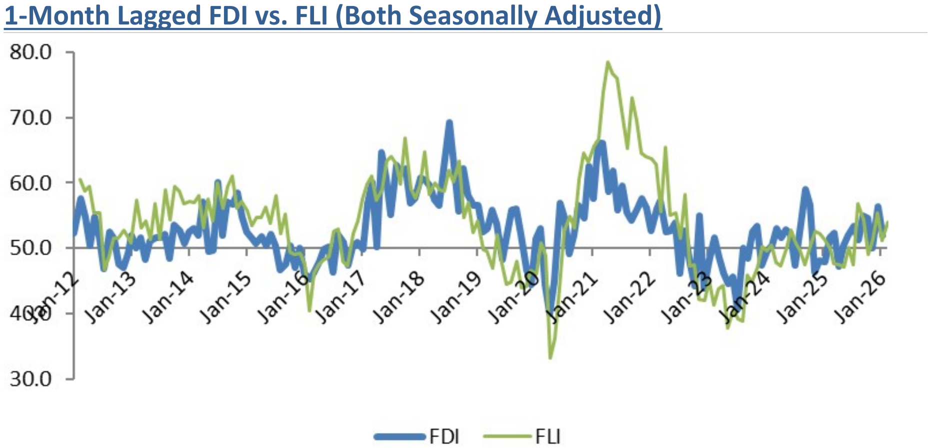
Fastenal's +12.0% overall January daily sales growth was above our +11.2% estimate. New this month, FAST is now presenting "sales growth by customer usage," which is the mix of direct materials (production-related; 39% of sales) and indirect materials (MRO-related; 61% of sales). Direct materials were +12.9% y/y and indirect +11.4% compared to just +2-3% y/y growth for both categories in January 2025. Specifically, direct fasteners/hardware sales (~21% of overall January sales) grew +13.4% y/y (vs. +0.5% last year) and indirect fasteners/hardware sales (~39% of sales) increased +12.9% (vs. +2.4% in January 2025). Beyond the near term, we estimate FAST will grow daily sales +LDD over 2026-27 even assuming mostly 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.

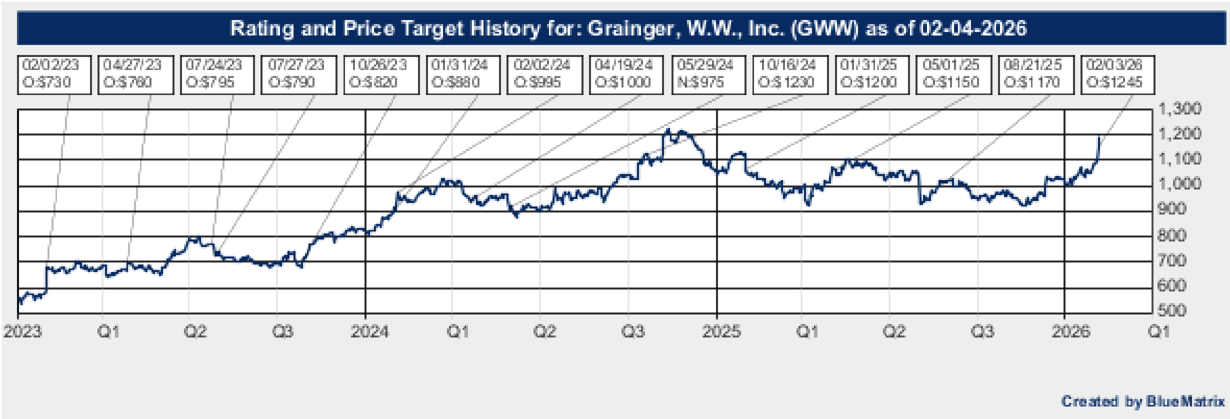
Applied Industrial Technologies: Risks include general economic conditions, international operations, acquisition integration, potential loss of key supplier authorizations, internet-only industrial supply sources, leverage, and significant goodwill and intangible assets, among other factors.

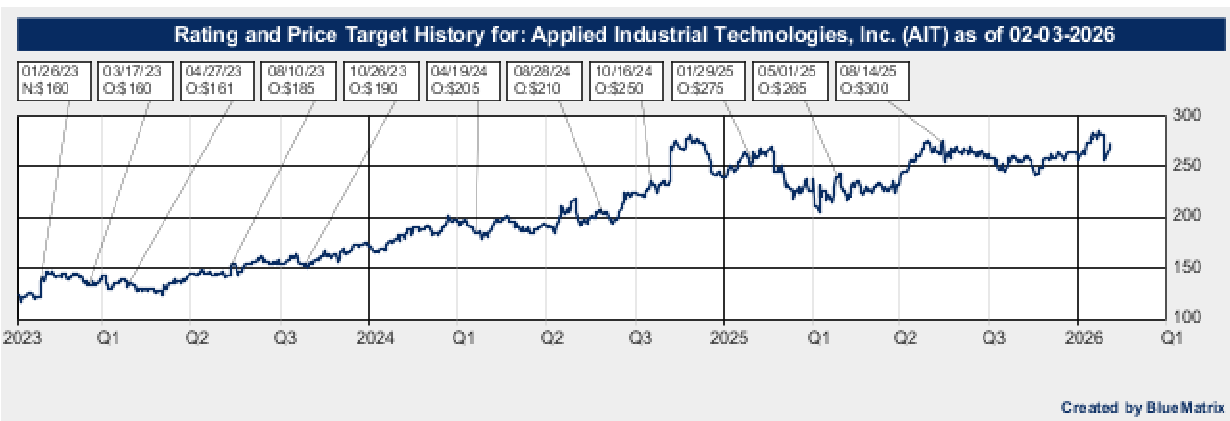
Industrial Distribution: Risks include economic sensitivity, pricing power, online pressure/competitive threats, global sourcing, and exposure to durable goods manufacturing.

Appendix – Important Disclosures and Analyst Certification

Covered Companies Mentioned
All stock prices below are as of 2/4/2026.

Fastenal Company (FAST-$48.28-Outperform)
W.W. Grainger Inc. (GWW-$1,194.03-Outperform)
MSC Industrial Direct Co. Inc (MSM-$93.97-Neutral)
Applied Industrial Technologies Inc. (AIT-$289.94-Outperform)
(See recent research reports for more information)





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