Fastener Distributor Index – Report #175 July 2026

Written by R.W. Baird analyst David J. Manthey, CFA with Inara Khan, CFA 8/6/26

Key Takeaway:

This month, the seasonally adjusted Fastener Distributor Index (FDI) held essentially flat at **59.9** (vs. June 60.0), sustaining its highest level since mid-2021 and marking the fifteenth consecutive month in expansionary territory. A draw-down in customer inventories and a slightly softer employment reading were largely offset by further acceleration in sales and slower supplier deliveries. This month's Forward-Looking Indicator (FLI) jumped to **61.6** (vs. 56.7 last month), its strongest reading in more than four years, driven by a notably more optimistic six-month outlook. Respondent commentary remained constructive in July, with participants citing broader end-market improvement and continued new business wins. With the ISM PMI accelerating to 55.6 in July (strongest of seven consecutive 50+ readings), we believe the fastener market and broader industrial economy remain well positioned heading into 2H26.

Fastener Distribution Trends: July 2026

FASTENER DISTRIBUTION AT A GLANCE
July 2026

	Jul	Jun	May	Apr	Mar	Feb	Jan	Dec	Nov	Direction	Rate of Change
	---- Index Values ----										
ISM PMI (Manufacturing)	55.6	53.3	54.0	52.7	52.7	52.4	52.6	47.9	48.2	Growing	Faster
FDI	**59.9**	**60.0**	**56.9**	**56.3**	**59.7**	**52.7**	**52.0**	**56.4**	**50.0**	Growing	Slower
FLI	**61.6**	**56.7**	**58.9**	**57.4**	**58.7**	**52.2**	**54.0**	**51.2**	**55.4**	Growing	Faster
(Other Metrics)											
Sales	82.7	79.8	72.4	77.1	67.5	63.2	51.6	58.7	49.6	Growing	Faster
Employment	59.4	60.4	62.5	56.5	66.1	53.3	60.3	52.9	54.8	Growing	Slower
Supplier Deliveries	57.8	56.3	57.8	50.0	62.5	48.3	52.9	60.0	54.8	Growing	Faster
Respondent Inventories	57.8	58.3	53.1	58.1	55.4	56.7	60.3	62.9	61.3	Growing	Slower
Customer Inventories	40.6	45.8	40.6	41.9	42.9	46.7	44.1	51.4	40.3	Declining	Faster
Pricing, month-to-month	64.1	68.8	78.1	74.2	67.9	73.3	70.6	72.9	71.0	Growing	Slower
Pricing, year-to-year	89.1	95.8	92.2	93.5	91.1	95.0	88.2	92.9	85.5	Growing	Slower
						Highe	Same	Lower			
6-Month Outlook - July						66%	28%	6%			

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, 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:

The FDI holds near its multi-year high. This month, the index was essentially unchanged at 59.9 vs. June's 60.0, sustaining a level not seen since mid-2021 and marking the 15th consecutive reading above 50 and the fifth month above 55. A draw-down in customer inventories and a slightly softer employment reading were largely offset by further acceleration in sales and slower supplier deliveries. The seasonally adjusted sales index rose again to 82.7 (from 79.8 in June), with 59% of respondents reporting sales above seasonal expectations (vs. 63% last month, but still above the ~52% average over the past year), while the share reporting below-seasonal sales rose to 16% (from just 4% in June); 25% said in line vs. 33% last month. While the seasonal adjustment factor played a role this month, the underlying (non-seasonally adjusted) sales index was also strong at 71.9. Customer inventories again weighed on the index (seventh consecutive sub-50 reading, at 40.6 vs. 45.8 last month), with the share saying inventories were "*too high*" falling to 3% (from 12%) and 75% reporting in-line levels (vs. 67% last month). The employment index eased modestly to 59.4 (from 60.4), with 28% noting levels "higher than seasonal norms" (vs. 29%), 62% in line, and 9% lower. Supplier deliveries index firmed to 57.8 (from 56.3), as 22% of participants reported slower lead times/deliveries (up from 21%) and the majority (72%) continue to indicate similar levels. On pricing, 31% of respondents saw higher m/m pricing (down from 38% in June and 56% in May), while 66% reported stable m/m pricing and 3% saw lower pricing (first non-zero reading in six months) – pulling the m/m pricing index to 64.1 (from 68.8). Year-over-year pricing also decelerated, but still increasing for 84% of participants (vs. 92% in June) and 6% now reporting lower y/y pricing (stable for 9%), taking the y/y index to 89.1 (from 95.8).

FLI also jumps to a multi-year high. The Forward-Looking Indicator (FLI) surged to 61.6 in July (from 56.7 in June), marking the strongest reading in more than four years. The improvement was driven primarily by a much more optimistic six-month outlook and leaner customer inventories, only partially offset by a slightly softer employment reading. On the outlook specifically, 66% of respondents now anticipate higher activity levels six months from now vs. today (up sharply from 54% last month), while just 6% expect lower levels (was 8% in June) and 28% foresee similar levels (vs. 38% last month). Reinforcing a step up in respondents' forward expectations, the ISM PMI accelerated to 55.6 in July (from 53.3 in June), its seventh consecutive expansionary reading and the strongest reading since May 2022. Net, with both the FLI and the ISM reaching multi-year highs, participants appear increasingly confident in 2H26 activity.

July commentary was constructive overall, with participants citing broad-based improvement, continued new business wins, and a favorable outlook into the back half of the year. Several respondents continued to report strength, with one stating simply, "*July was a very strong month*," and another noting, "*Sales remain strong as we continue to on-board new business. We are staying on-track to our 2026 sales forecast, with no noticeable softening demand from customers.*"

End-market commentary was encouraging and increasingly broad, with one respondent commenting, "*Many segments are up significantly. Some that have been flat are beginning to increase and expected to increase Q4/Q1. Master distribution inventories sold out on some commodities.*" Another remained constructive on the broader outlook, noting, "*The economy remains resilient and we expect the second half of the year to be an uplift on the first half results*," adding that data centers should "*continue to drive production volumes*" across supporting infrastructure. One respondent observed, "*Market conditions continue to improve, particularly within the heavy-duty truck segment of the automotive industry. We are also seeing strong opportunities with several future programs currently in development*." Confidence in future growth was also reflected operationally, with one participant sharing, "*We are opening a new branch in Anaheim on September 1st.*" Another added, "*Market conditions remain favorable, with overall economic growth continuing at a solid pace,*" while noting that elevated interest rates, oil price volatility, and tariff uncertainty remain concerns, even as construction activity and data center-related demand continue to provide meaningful support.

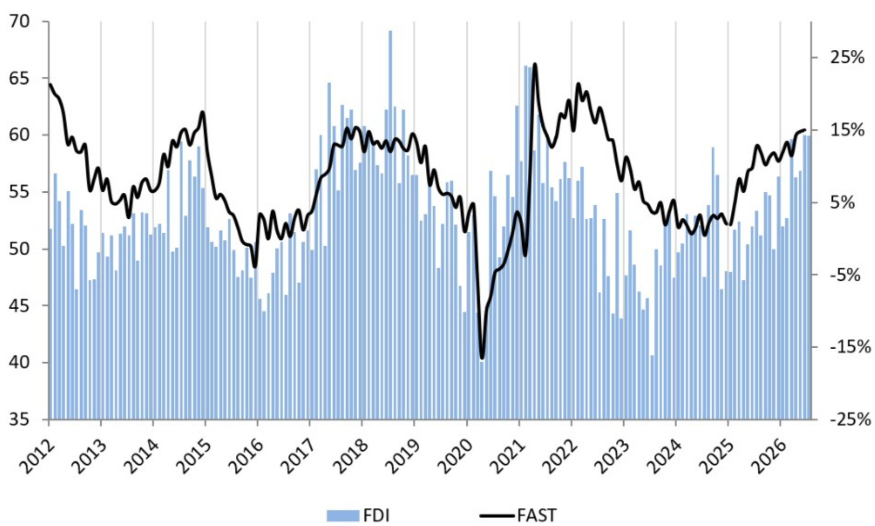
On cost and pricing, conditions remained somewhat more mixed, consistent with the m/m deceleration in the pricing indexes. One participant summarized, "*We are seeing increases on prices, lead time, and freight… We are passing along the increases to our customers, most are understanding, others not so much*." Another noted, "Unfortunately the cost decrease is being mitigated by unquantifiable costs such as energy costs," while one respondent welcomed some relief by stating, "*Nice to see some tariff dollars returned*."

A handful of respondents did note pockets of softer activity following a particularly strong first half. One respondent commented, "*I expected higher sales numbers with July's 22 business days but it did not materialize,*" while another said, "*After a record June, our bookings in July were sluggish. Hoping this is just summer vacations and not signs of things to come*." One person highlighted a more abrupt slowdown, stating, "*We have noticed a remarkable and sudden slowdown. We don't know if it's the insane shipping costs, yet another round of idiotic tariffs, fuel costs, or the economy. But all our customers in our market have noticed it.*"

Net, July commentary continues to support a constructive backdrop for the fastener market, with broadening end-market strength, continued new business wins, and data center demand more than offsetting pockets of softer bookings and persistent cost pressures. This favorable outlook for 2H26 also aligns with this month's sharp improvement in the six-month outlook.

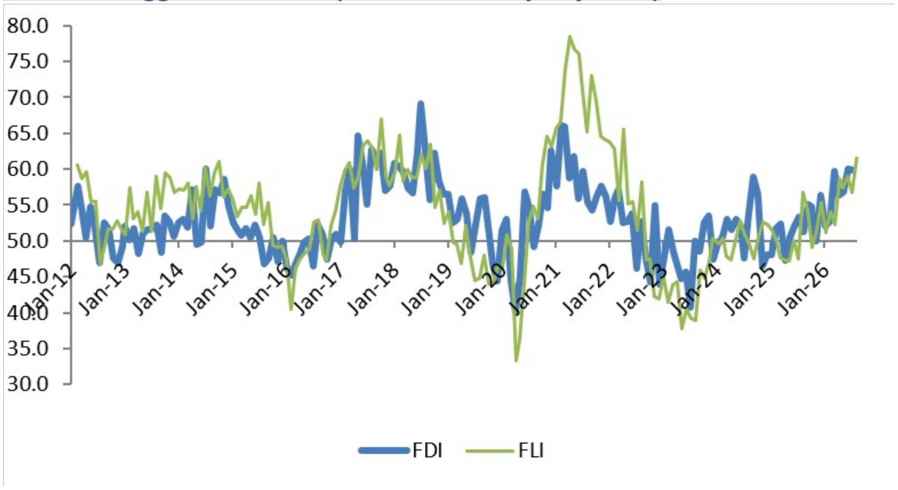
Fastenal June daily sales grew +15.0% y/y, which exceeded our +11.4% estimate (and FAST's +13.8% benchmark). Coming off a strong May (+14.8%), ADS growth accelerated a further ~20bps m/m and was +120bps better than what normal seasonality/benchmark growth would have implied. Direct materials (production-related; 39% of sales) grew +15.4% (vs. +16.0% in May) and indirect materials (MRO-related; 61% of sales) accelerated to +15.2% (vs. +14.5% last month). Specifically, direct fasteners/hardware sales (~21% of overall June sales) grew +13.0% y/y (vs. +15.9% prior month) and indirect fasteners/hardware sales (~9% of sales) increased +15.5% (vs. +15.3% in May). Looking forward, we model July ADS and total sales of +14.0% y/y; beyond the near term, we estimate FAST will grow daily sales +14-16% in the remainder of 2026 and +HSD-midteens in 2027 against an improving industrial backdrop. FAST will report July ADS on August 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.

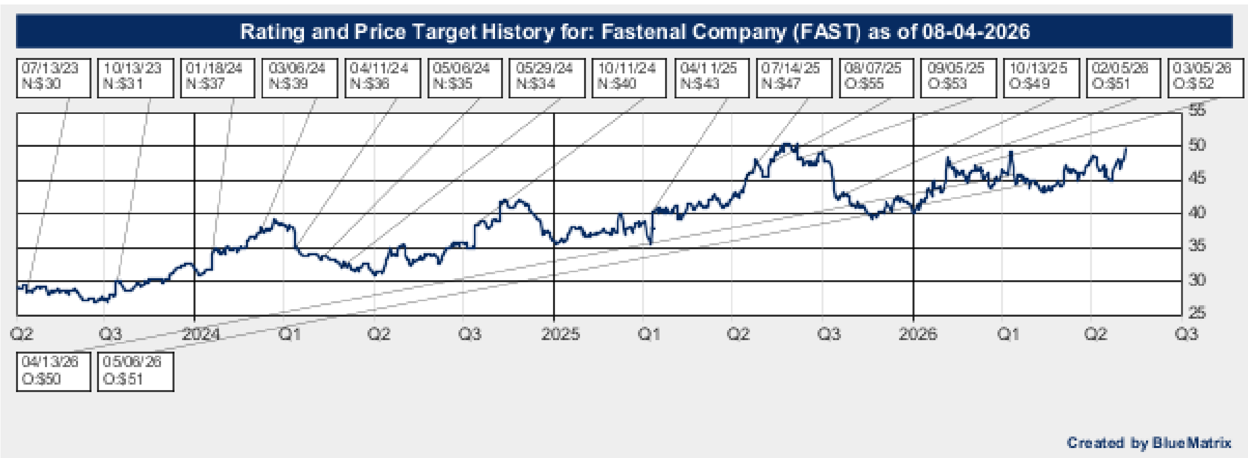
Applied Industrial Technologies: Risks include general economic conditions, international operations, acquisition integration, potential loss of key supplier authorizations, internet-only industrial supply sources, leverage, and significant goodwill and intangible assets, among other factors.

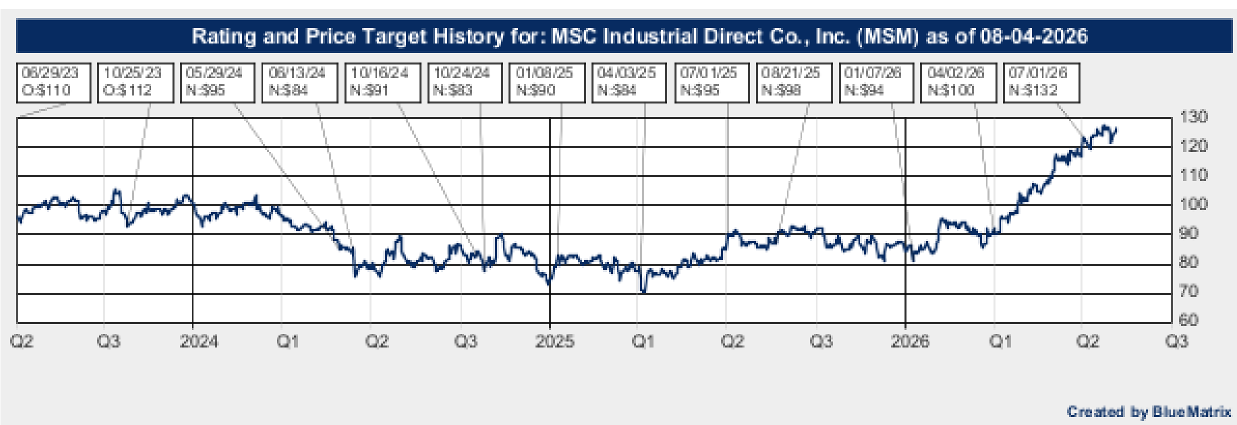
Industrial Distribution: Risks include economic sensitivity, pricing power, online pressure/competitive threats, global sourcing, and exposure to durable goods manufacturing.

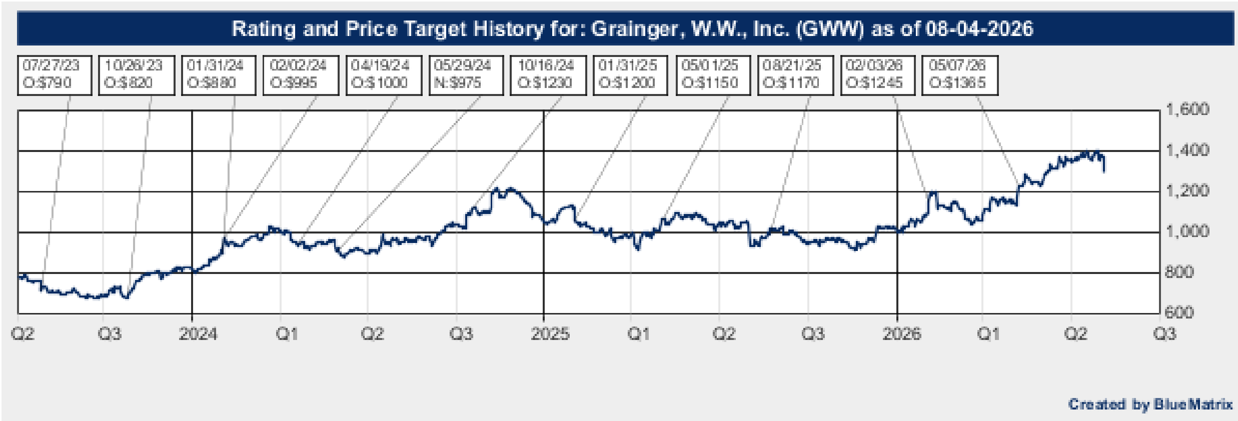
Appendix – Important Disclosures and Analyst Certification

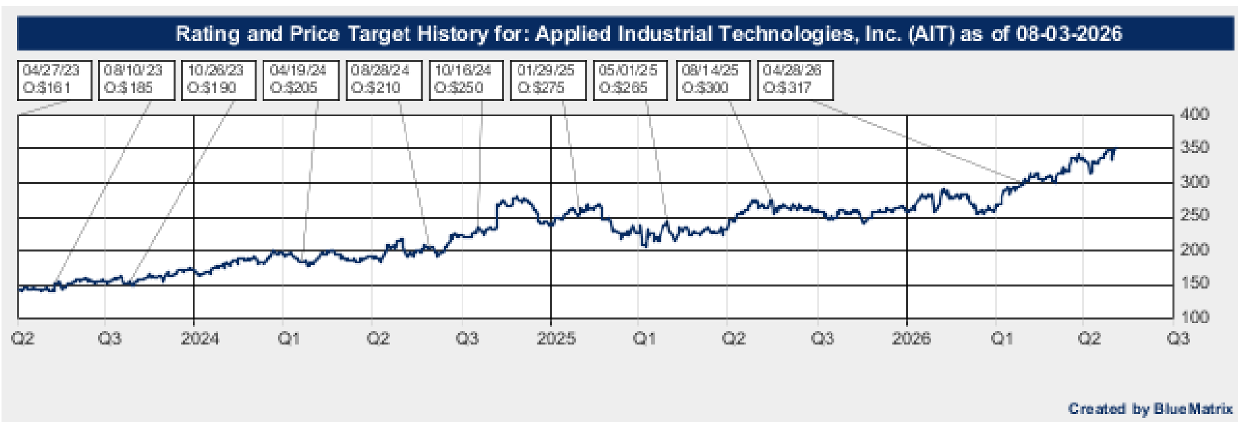
Covered Companies Mentioned
All stock prices below are as of 8/4/2026.

Fastenal Company (FAST-$49.71-Outperform)
W.W. Grainger Inc. (GWW-$1,300.45-Outperform)
MSC Industrial Direct Co. Inc (MSM-$126.74-Neutral)
Applied Industrial Technologies Inc. (AIT-$356.89-Outperform)
(See recent research reports for more information)









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