

## Fastener Distributor Index – Report #159 March 2025

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### Key Takeaway:

The seasonally adjusted Fastener Distributor Index (FDI) improved slightly for the second consecutive month, reaching **52.6**. However, the Forward-Looking Indicator (FLI) continued to moderate, slipping to **47.0**, as tariff/trade war headlines continue to dominate the news cycle and lead to anxiety over rising recession risk. Overall, the FDI suggests trends in the fastener market have slightly improved in recent months, but the FLI could suggest that improvement turns out to be short lived.

### Fastener Distribution Trends: March 2025

FASTENER DISTRIBUTION AT A GLANCE											
March 2025											
	----- Index Values -----									Direction	Rate of Change
	Mar	Feb	Jan	Dec	Nov	Oct	Sep	Aug	Jul		
ISM PMI (Manufacturing)	49.0	50.3	50.9	49.3	48.4	46.5	47.2	47.2	46.8	Declining	Faster
<b>FDI</b>	<b>52.6</b>	<b>51.6</b>	<b>47.6</b>	<b>48.1</b>	<b>46.4</b>	<b>56.5</b>	<b>59.0</b>	<b>53.8</b>	<b>47.5</b>	Growing	Faster
<b>FLI</b>	<b>47.0</b>	<b>47.3</b>	<b>49.9</b>	<b>51.4</b>	<b>52.3</b>	<b>52.6</b>	<b>50.5</b>	<b>47.4</b>	<b>49.6</b>	Declining	Faster
<b>(Other Metrics)</b>											
Sales	55.4	53.0	37.7	36.5	48.9	61.8	58.4	50.2	43.3	Growing	Faster
Employment	50.0	50.0	51.7	47.0	51.7	51.7	55.4	50.0	50.0	Same	Same
Supplier Deliveries	54.2	60.0	55.0	56.1	46.7	61.7	60.7	62.9	46.9	Growing	Slower
Respondent Inventories	63.9	66.0	61.7	63.6	65.0	63.3	64.3	67.7	62.5	Growing	Slower
Customer Inventories	51.4	44.0	50.0	48.5	40.0	48.3	55.4	50.0	48.4	Growing	Faster
Pricing, month-to-month	80.6	74.0	53.3	53.0	58.3	56.7	58.9	56.5	51.6	Growing	Faster
Pricing, year-to-year	83.3	72.0	55.0	53.0	56.7	56.7	62.5	45.2	42.2	Growing	Faster
					Higher	Same	Lower				
6-Month Outlook - March					44%	22%	33%				

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

### **Key Points:**

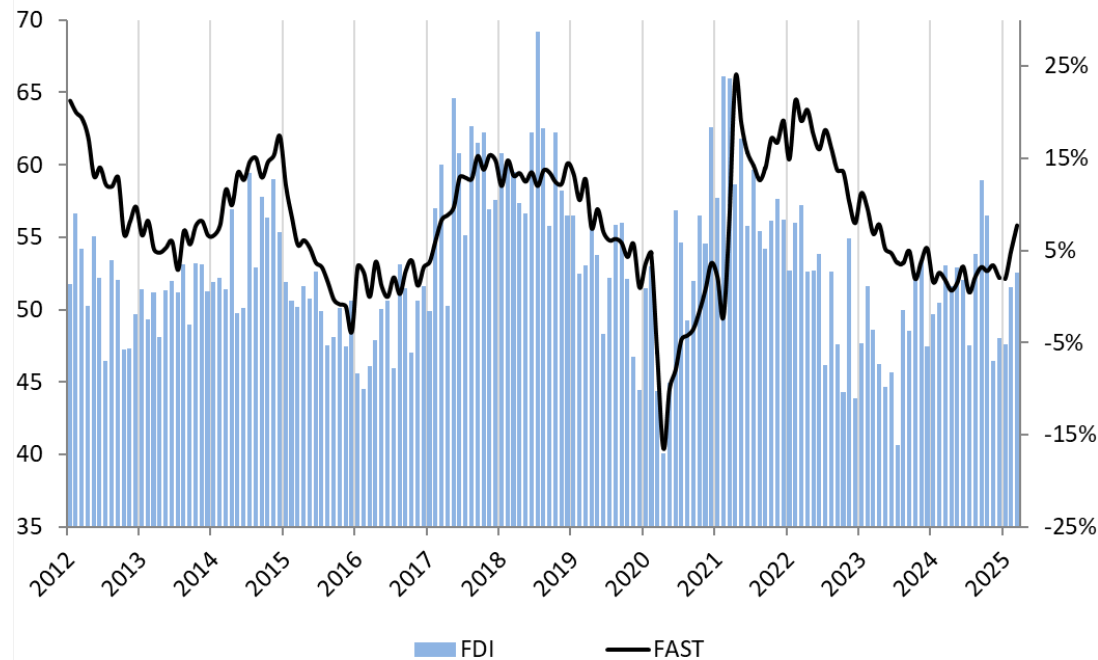
**FDI slightly improved m/m.** The March seasonally adjusted FDI improved to 52.6 from February's 51.6. While tariffs are causing a lot of uncertainty regarding the outlook and hesitancy in customer buying patterns, March trends showed signs of improvement for most respondents. 50% of respondents said sales came in above seasonal expectations this month, which is the highest percentage since March 2022 and up nicely from 40% in February and 27% in January. Employment remained steady, with fully 72% of responses saying employment levels were similar month over month. Pricing, meanwhile, has ratcheted significantly higher over the past two months as steel/Chinese tariffs took hold. A majority (61%) of respondents this month said pricing was higher vs. last month, which follows 48% in February and just 17% in January. This drove the FDI Pricing Index to record the highest reading since early 2022.

**FLI continues to slide as pessimism mounts from trade war.** The FLI slipped further below 50 this month, coming in at 47.0 (February 47.3). Respondent commentary points to a great deal of uncertainty among customers, hesitant buying patterns, and internal/external conversations that are almost exclusively focused on tariffs rather than growth. Quantitatively, the six-month outlook continued its recent slide as just 44% of participants forecast better activity levels over the next six months vs. today – unchanged vs. last month but continuing to move lower since December when optimism had reigned (61% expected improvement at that time). Another 22% see similar trends continuing (down vs. 24% in February and 33% in January), while 33% forecast deteriorating sales (vs. 32% last month). Several respondents commented that industrial market trends seemed to be finding a bottom just prior to the latest round of tariff news ("Liberation Day"), which could quickly erase this momentum. The March ISM PMI reversal to 49 after two consecutive >50 readings also suggest some slowing in momentum after an encouraging start to the year.

**Tariffs the dominant news of this month's survey.** Nearly all commentary was focused on tariffs. Several comments indicated that tariffs are leading to uneven customer buying patterns: *"After an initial rush to stuff inventory before the Trump Tariffs, most customers are now backing off. They all seem to hate the tariffs (rightly so) and are going to run out inventories before reordering."* Similarly, another participant said, *"Many customers [are] holding on orders due to tariffs. They have communicated that they are waiting in hopes that countries will negotiate, and the tariffs will be lower or eliminated in the coming weeks."* Additionally, many respondents were dismayed to be spending the vast majority of their time focused on tariffs rather than growing their own businesses or help customers grow: *"Tariff wars [are] killing all our time, more meetings in a month than the past 5 years"; "I think we would all be happy working with customers on fastener requirements rather than spending time addressing tariffs."* Price increases are already starting to flow through as a result: *"North American pricing increases are primarily due to tariffs not higher cost of goods."* Similarly, *"Pricing would be trending about the same absent of tariffs."* If a near-term negotiated tariff resolution can be reached, however, some participants still see reasons to be optimistic about the future: *"If not for the tariff turmoil, I would have interpreted March activity and results as proof that the industrial market cycle had bottom out and was building momentum for the remainder of the year. Instead, I selected 'same' for my answer on future activity... selecting 'lower' just felt wrong even though it very well could be right."*

**Fastenal** reported February daily sales growth of +5.0% y/y, above our +3.6% estimate. Consistent with the improvement in the February FDI, fastener sales returned to modest growth at +0.6% (January was -1.7%). Elsewhere, safety sales were +8.5% and other non-fasteners grew +6.8% y/y. For March, we are modeling a further improvement in trend to +7.7% y/y daily sales growth, which nonetheless assumes slightly weaker-than-normal seasonality off a strong February. FAST will report March daily sales on April 11<sup>th</sup> with 1Q25 earnings.

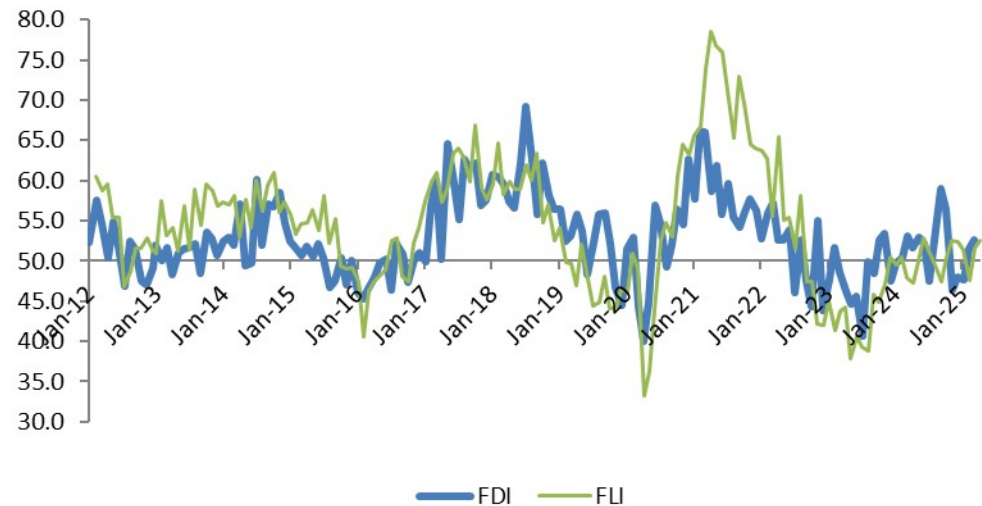
### Fastener Distributor Index (FDI); Seasonally Adjusted



*\*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, cyclical, and international operations.

MSC Industrial: Risks include cyclical, 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

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All stock prices below are as of 4/3/2025.

Fastenal Company (FAST-\$78.02-Neutral)  
W.W. Grainger Inc. (GWW-\$967.68-Outperform)  
MSC Industrial Direct Co. Inc (MSM-\$75.80-Neutral)  
(See recent research reports for more information)





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