

Fastener Distributor Index – Report #177 September 2026

Written by R.W. Baird analyst David J. Manthey, CFA with Inara Khan, CFA 10/6/26



Key Takeaway:

This month, the seasonally adjusted Fastener Distributor Index (FDI) surged to **66.6** in September vs. August 58.3, marking the highest reading since July 2018 and a seventeenth consecutive month in expansionary territory; on an unadjusted basis, the FDI rose to 63.0 vs. 58.2 in August, still its strongest reading since May 2021. Improvement was broad-based, led by a sharp improvement in sales and employment, and stretched supplier deliveries. This month's Forward-Looking Indicator (FLI) also jumped to **63.6** vs. 56.9 the previous month, the strongest reading since March 2022. Respondent commentary was notably upbeat, with participants citing record sales, building opportunities, and data center-driven demand stretching supplier capacity, though freight costs and tariff friction remain irritants. With the ISM PMI at 54.5 in September – its ninth consecutive reading above 50 – we believe the fastener market and broader industrial economy carry strong momentum heading into 4Q26.

Fastener Distribution Trends: September 2026

FASTENER DISTRIBUTION AT A GLANCE											
September 2026											
	----- Index Values -----										Rate of Change
	Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan	Direction	
ISM PMI (Manufacturing)	54.5	54.6	55.6	53.3	54.0	52.7	52.7	52.4	52.6	Growing	Slower
FDI	66.6	58.3	59.9	60.0	56.9	56.3	59.7	52.7	52.0	Growing	Faster
FLI	63.6	56.9	61.6	56.7	58.9	57.4	58.7	52.2	54.0	Growing	Faster
(Other Metrics)											
Sales	91.5	63.8	82.7	79.8	72.4	77.1	67.5	63.2	51.6	Growing	Faster
Employment	63.0	56.9	59.4	60.4	62.5	56.5	66.1	53.3	60.3	Growing	Faster
Supplier Deliveries	75.9	69.0	57.8	56.3	57.8	50.0	62.5	48.3	52.9	Growing	Faster
Respondent Inventories	53.7	60.3	57.8	58.3	53.1	58.1	55.4	56.7	60.3	Growing	Slower
Customer Inventories	35.2	41.4	40.6	45.8	40.6	41.9	42.9	46.7	44.1	Declining	Faster
Pricing, month-to-month	64.8	77.6	64.1	68.8	78.1	74.2	67.9	73.3	70.6	Growing	Slower
Pricing, year-to-year	88.9	91.4	89.1	95.8	92.2	93.5	91.1	95.0	88.2	Growing	Slower
				Higher	Same	Lower					
6-Month Outlook - September				44%	48%	7%					
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. The FDI is a monthly survey of North American fastener distributors, conducted by **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 breaks above 60. This month, the index jumped m/m to 66.6 from August's 58.3, its strongest reading since July 2018, a seventeenth consecutive reading above 50, and a seventh consecutive month above 55. The headline reading was aided by a favorable seasonal adjustment factor, but even on a non-seasonally adjusted basis, the FDI rose to 63.0 from 58.2, its highest unadjusted reading since May 2021. Three of the four underlying factors (sales, employment, and supplier deliveries) improved m/m, more than offsetting a further draw-down in customer inventories. The seasonally adjusted sales index surged to 91.5 (from 63.8 in August), a record high, though September's seasonal factor is especially large for sales – on an unadjusted basis the sales index rose to 77.8 (vs. August 65.5, July 71.9, and just shy of June's 79.2). The share of respondents reporting below-seasonal sales fell to just 4% (from 28% last month); 59% reported above-seasonal activity (ahead of the ~54% average over the past year) and 37% said in line. Employment rebounded to 63.0 (from 56.9), as the share noting levels "higher than seasonal norms" rose to 30% (from 24%) while just 4% noted lower levels (vs. 10% last month). Supplier deliveries slowed further, with the index rising to 75.9 (from 69.0), the slowest since late 2021, as 56% of participants reported slower lead times/deliveries (up from 41%) – consistent with commentary regarding vendor capacity. Customer inventories again weighed on the index (ninth consecutive sub-50 reading, at 35.2 vs. 41.4), the lowest since mid-2022, as no respondents described customer inventories as "too high" and the share citing "too low" rose to 30% (from 21%). On pricing, sequential increases moderated, with 33% of respondents seeing higher m/m pricing (vs. 55% in August), 63% stable, and 4% lower, bringing the m/m pricing index to 64.8 (from 77.6). On a year-over-year basis, pricing increased for 85% of responding participants (vs. 83% in August) with the remainder stable and none lower.

FLI jumps to a new multi-year high. The Forward-Looking Indicator (FLI) rose to 63.6 in September (from 56.9 in August), eclipsing July's 61.6 to mark its strongest reading since March 2022. Respondent/distributor inventories eased to 53.7 (from 60.3) and customer inventories to 35.2 (from 41.4), with each contributing about as much to the FLI's improvement as the rebound in employment. On the outlook specifically, 44% of respondents anticipate higher activity levels six months from now vs. today (was 46% last month) and 48% foresee similar levels (vs. 43%), while just 7% expect lower levels (down from 11%). The ISM PMI, meanwhile, held at 54.5 in September (vs. 54.6 in August), its ninth consecutive expansionary reading. Net, with the FLI at a multi-year high, the ISM still nicely expansionary, and participants citing record activity and supply-constrained demand, we believe the setup for the fastener market heading into 4Q26 remains favorable.

September commentary remained broadly constructive, with participants highlighting continued demand strength, new business wins, and expanding capacity, even as tariffs, freight costs, and supply constraints remain challenges. Several respondents highlighted another strong month to close out 3Q. One participant noted, *"September will be a record sales month and Q3 will be a record sales quarter. Demand has stretched all domestic manufactures of structural product beyond available capacity. This supply constraint will not be a short-term problem. I would expect it to continue well into 2027 unless there is a dramatic economic slowdown."* Others echoed the strength, with one respondent stating simply, *"Another great month for sales,"* while another commented, *"Sales continue to remain high and new opportunities continue to build."* Confidence in future demand was also reflected, with one participant sharing, *"We have the inquiries, so we are seeking to increase capacity within the next six months."*

Data centers remained a dominant demand driver, with one respondent observing, *"Data center investment continues to be the primary driver of economic growth in the market. While a limited number of end markets are showing positive momentum, the vast majority of the growth we are experiencing is*

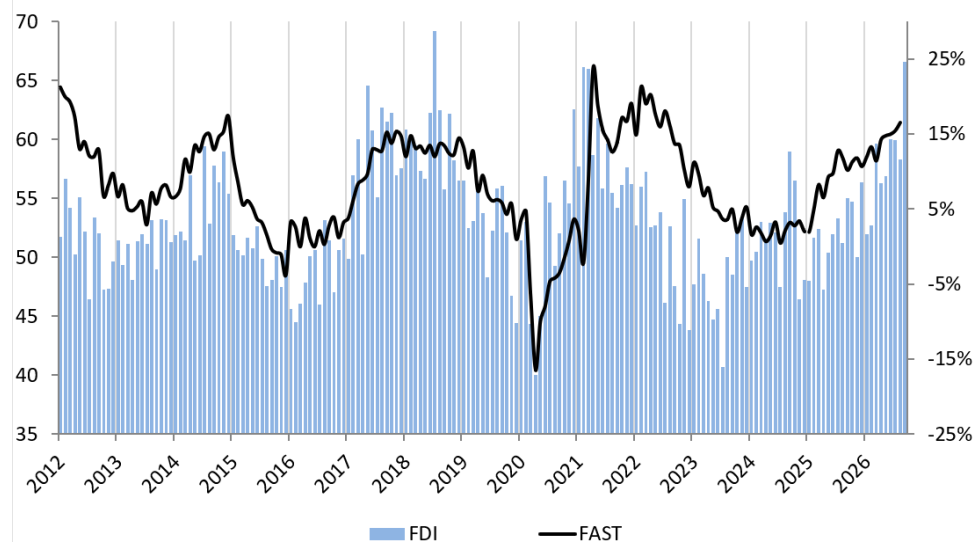
directly tied to the ongoing expansion of the data center sector.” Another observed, “Activity levels and new business opportunities are up. Some customers are experience supply chain issues with other components that are causing production disruptions that are impacting our supply, but thankfully not caused by the items we supply.” At the same time, strong demand continues to pressure supply chains, with one participant commenting, “Data center work is driving everything. And even when it’s not that’s the excuse we get from our vendors who are running out of everything.”

Elsewhere, commentary was somewhat more measured as participants cited a handful of ongoing headwinds. One respondent noted simply, “Sales are holding steady,” while another stated, “September Incoming Order Rate was consistent with August. Still struggling with some tariff issues causing incoming costs for goods from countries like the U.K. which is surprising. Hoping we can sustain current sales levels and ride out the TRUMP storm which continues to stir the markets.” Freight also remained a common concern, with one participant noting, “Freight costs are hurting everyone heading into the holiday season.” One respondent also cautioned against focusing solely on dollar sales growth, noting that while “sales are up” from a revenue standpoint, rising dollar sales may be overstating underlying demand, commenting, “What is more disturbing is people are going ‘sales are up’ which by dollar volume is inevitable when your costs are up so much, but HOW MANY PIECES did you sell? Things aren’t NEARLY as good as everyone thinks.”

Net, September commentary continues to support a favorable backdrop for the fastener market, with record sales activity, expanding capacity plans, continued new business wins, and data center-related demand outweighing ongoing tariff, freight, and supply chain challenges. Notably, several respondents described demand exceeding available supply, consistent with this month’s slower supplier deliveries and suggesting industrial activity remains on solid footing heading into the final months of the year.

Fastenal will report September daily sales alongside 3Q26 earnings on October 14th. We model September ADS of +15.3% y/y, following August’s +16.6% (vs. our +15.5% estimate and the +15.6% implied by FAST’s benchmark), which marked a fifth consecutive month above normal seasonality. Our September estimate sits ~150bps below FAST’s benchmark given flat selling days vs. August (typically -2 in the reference range), a string of very strong months, and a touch of conservatism on sequential volumes. Beyond the near term, we estimate FAST will post mid-teens ADS for the remainder of 2026 and +HSD to mid-teens in 2027 against a supportive industrial backdrop.

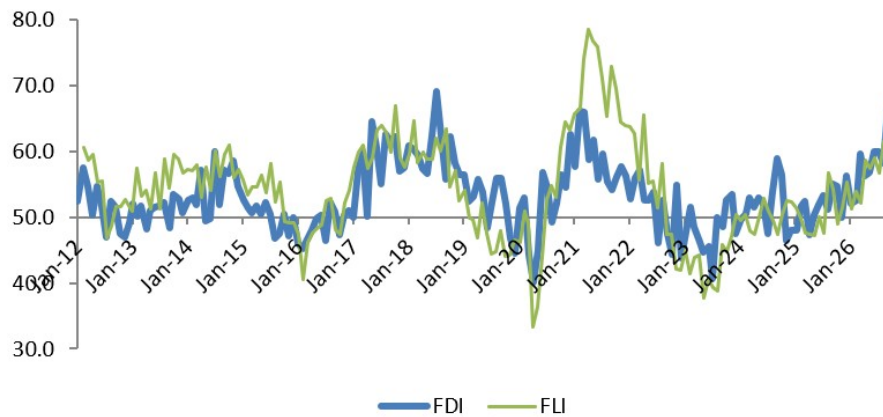
Fastener Distributor Index (FDI); Seasonally Adjusted



*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, cyclicity, and international operations.

MSC Industrial: Risks include cyclicity, 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 10/2/2026.

Fastenal Company (FAST-\$50.23-Outperform)
W.W. Grainger Inc. (GWW-\$1,281.68-Outperform)
MSC Industrial Direct Co. Inc (MSM-\$128.50-Neutral)
Applied Industrial Technologies Inc. (AIT-\$339.39-Outperform)
(See recent research reports for more information)





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