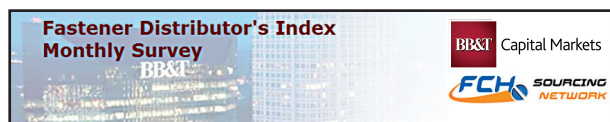


## Fastener Distributor's Index

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### Fastener Distributor's Index for March 2012

**March 2012's FDI was 55.9, in line with the February 2012 reading of 55.9.** In Q1 2012, the FDI averaged 56.4, a level intimating stable to slightly accelerating growth. In terms of sales, 58.3% of respondents said March was better than expected, while 19.4% were disappointed. Both figures actually rose as those seeing February and March as the same, dwindled. Pressure to add staff rose, with employment intentions rising each month of the quarter. Channel inventories look about right, but there was a bias for respondents to see their own inventories as a bit high, but to see their customers as a bit low; that dynamic was in force through the quarter.

By end market, as in February 2012, automotive strength really stood out. Geographically, only the southwest USA was notable for being softer than the broader market.

**Respondents remain positive on future North American conditions.** Some 66.7% of respondents in March expect activity to be "higher" in six months while just 5.6% said "lower." These were strong, but not meaningfully changed through Q1 2012.

The Fastener Distributor's Index, FDI, is a collaboration by The **FCH Sourcing Network** and **BB&T Capital Markets** to compile and provide information about the fastener industry on a timely basis. FDI is a monthly survey of North American fastener distributors. For details on how to interpret this index, see the footnotes in the box to the upper right of this article.

The FDI open survey period takes place at the end of each month and allows qualified industry participants to identify the trends they are experiencing in areas such as demand, pricing, inventories and outlook. While the individual responses are kept strictly confidential, the aggregate information is analyzed by **Holden Lewis**, a Senior Industrial Distribution Analyst at BB&T Capital Markets, and a summary of the information is published during the following month through **Fully Threaded Radio**, [www.fullythreaded.com](http://www.fullythreaded.com), as well as



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**FASTENER DISTRIBUTION AT A GLANCE**  
March 2012

	Index - Mar.	Index - Feb.	Index - Jan.	Feb. --> Mar. Change	Direction
<b>PMI (Overall mfring sector)</b>	53.4	52.4	54.1	1.0	Growing
<b>FDI (Fastener distribution)</b>	55.9	55.9	57.3	(0.0)	Growing
Sales	69.4	64.5	79.1	5.0	Growing
Employment	63.9	59.2	58.1	4.7	Growing
Supplier Deliveries	48.6	52.6	52.3	(4.0)	Speeding Up
Respondent Inventories	59.7	53.9	58.1	5.8	Too High
Customer Inventories	41.7	47.4	39.5	(5.7)	Too Low
Pricing, month-to-month	61.1	57.9	50.0	3.2	Higher
Pricing, year-to-year	70.8	71.1	65.1	(0.2)	Higher
	<u>Higher</u>	<u>Same</u>	<u>Lower</u>		
6-Month Outlook - March	67%	28%	6%		

Sources: BB&T Capital Markets, FCH Sourcing Network, Institute for Supply Management

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.

**Is a Bit of Pricing Power Emerging?** Year-over-year, point-of-sale pricing is higher (55.6% of respondents) or "flattish" (36.8%); the rate of change is up 3.2% to 3.7%. This has edged up in Q1 2012, and in fact the proportion of respondents noting sequential pricing has been edging up also, though it is still a smaller group than those seeing sequential pricing as unchanged. This suggests to us that distributors are taking some pricing currently. Pricing for distributors is better than for master distributors.

#### **Our supplemental question was on growth investment.**

We asked respondents what investments they were making to support growth in their business. Some 57% are focusing on selling existing products to new markets (~31%) and adding sales people (26%), while 6% were looking to expand their SKUs. Here is the problem as we see it: more folks were investing in their catalog (9%) than the Internet (3%), and the numbers investing in services (e.g., vending, bin stocking, CMI/VMI, kitting, etc.) was small.

We suspect this is the exact opposite investment profile of the larger distributors. FF

in this publication, *Fastener Technology International* magazine. The expectation for the FDI is that by providing near real-time information related to various industry metrics in aggregate form, fastener industry participants will have a better sense of the current conditions facing the industry and will gain a useful benchmarking tool over time.

We welcome all participants, as the value of the FDI to industry participants will increase as participation increases. All participants will receive a monthly email reminder and link to the open survey website five days before the end of the month. The survey itself is a very manageable single page that asks very brief, qualitative questions about that month's business conditions, and it takes only a few moments to complete. All survey responses are kept strictly confidential, never cited specifically or released. To request a survey login ID for your company, please contact **Eric Dudas** of FCH either by email at [eric@fastenersclearinghouse.com](mailto:eric@fastenersclearinghouse.com) or by phone **877-332-7836**.

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The **FCH Sourcing Network** serves the industrial and commercial fastener industry, providing online services related to inventory sales and fastener sourcing on the Internet. Located at [www.fastenersclearinghouse.com](http://www.fastenersclearinghouse.com), FCH was founded in October, 2006, and it is based in Naperville, IL, USA.