Channel Marketing Group

Q2 2026
Pulse of Industrial Supply

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Industrial Supply Trends
Insights to inspire, grow and profit.

Sponsored by

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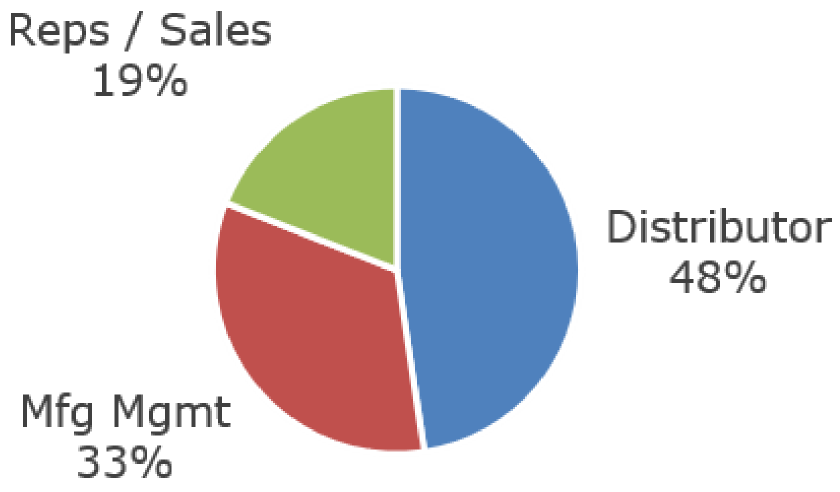
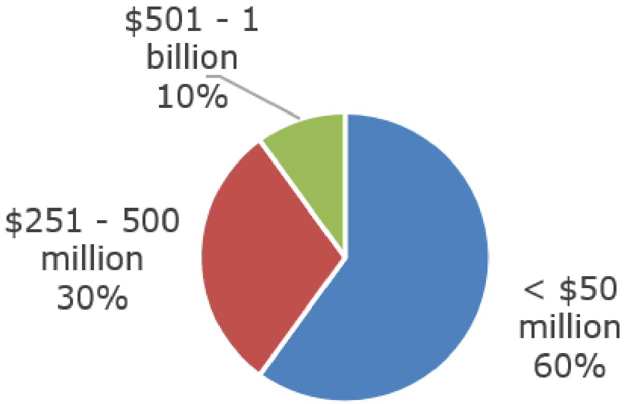
Report Methodology

- Channel Marketing Group launched its Pulse of Industrial Supply quarterly business survey via www.industrialsupplytrends.com between June 12-22, 202 to solicit input from its readership.
- This survey results are not determinative; however, they are directional. Distributor respondents represented almost $10 billion in sales.
- Respondents came from industrial supply distributors and manufacturers. Respondents were offered access to the report as an inducement.



Distributor Profile

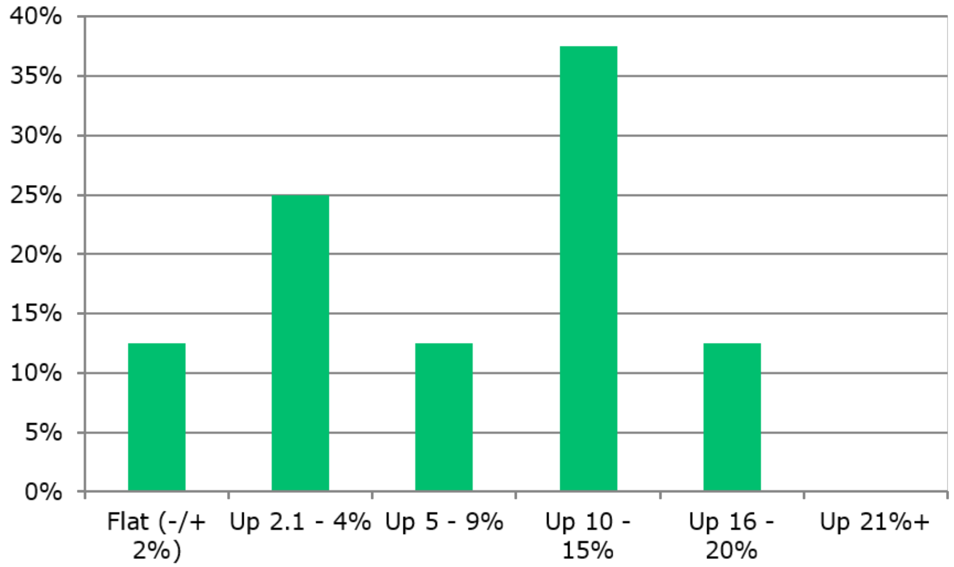


- The industry consists of many “smaller” distributors and some large companies. The respondent mix is indicative of this.
- Distributors serve many market segments. As can be seen the predominance were in the heavy industrial segments where there is historically higher industrial supply usage.

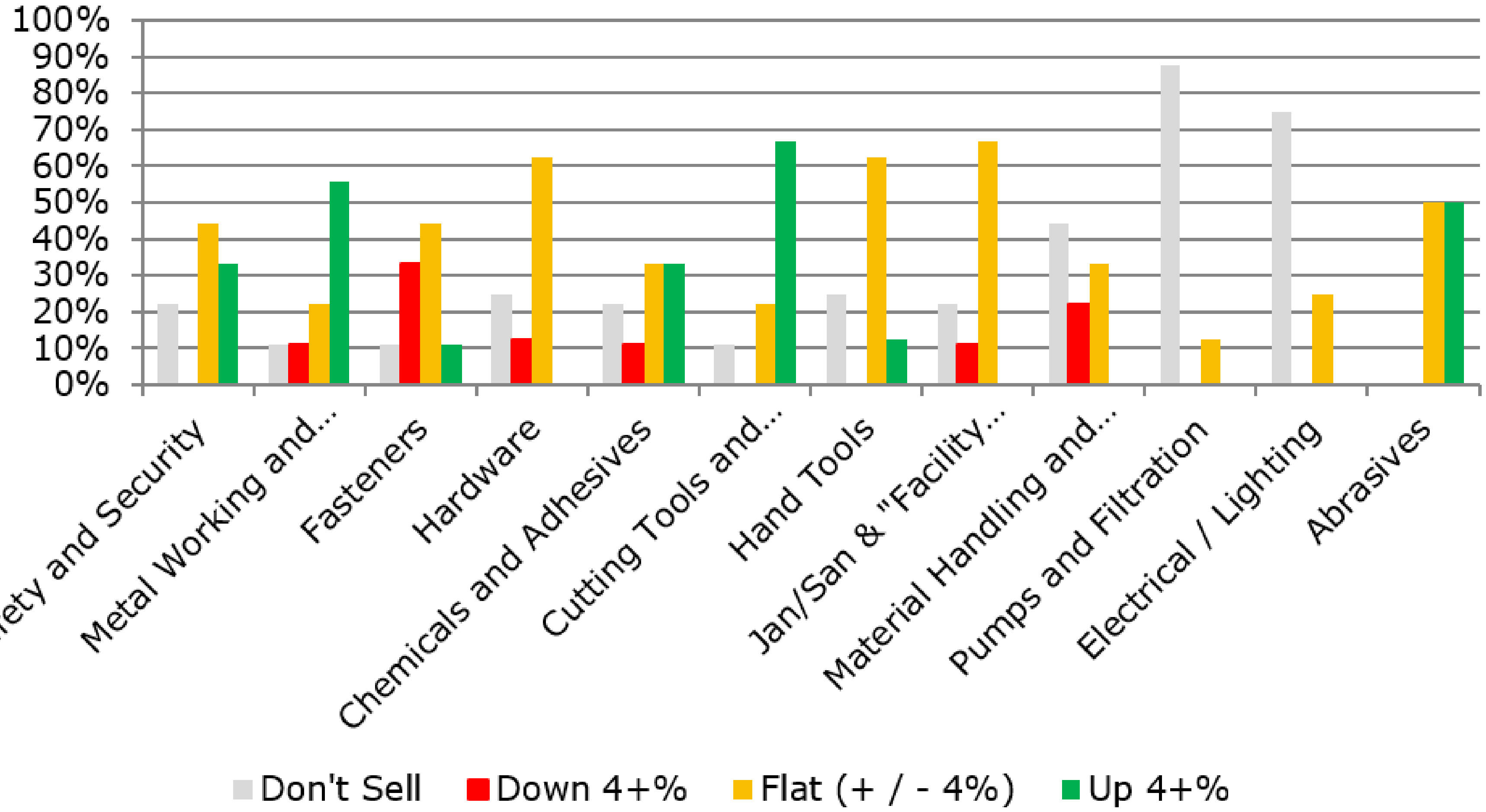
Customer Segment	%
Metal Working	70.00%
Aerospace	40.00%
Automotive	30.00%
Petro- Chem Oil and Gas	0.00%
Medical - Pharmaceuticals - Life Sciences	10.00%
Transportation	40.00%
Heavy Equipment	30.00%
Food Processing	20.00%
Mining	10.00%
Industrial Manufacturing	70.00%
Chemical Manfacturing	0.00%
Industrial Safety	60.00%
OEM	40.00%
None are more than 10% of our customer base	0.00%
Others (please specify)	0.00%

Q2 Distributor Performance

- Q2 sales were 4.95% vs distributors projected they would be 9.1%. Q1 reported sales were up 3.09%. The “miss” could relate to macroeconomic concerns due to the war / fuel increases and end-user performance.
  - 40% were flat (+/- 4%)
  - 50% grew 5+%
  - 10% were down more than 5%
- Q3 2026 Sales are projected to be up 8.6%
  - All expect some growth



Product Category Performance



Additional Insights

- Distributors were asked:
  - What % of your business is generated digitally (website, EDI, vending machines, eProcurement, etc.)?
    - On average, only 14% of sales are generated digitally, up from 11.5%.
      - 78% generate <10% and 20% generate 25%+.

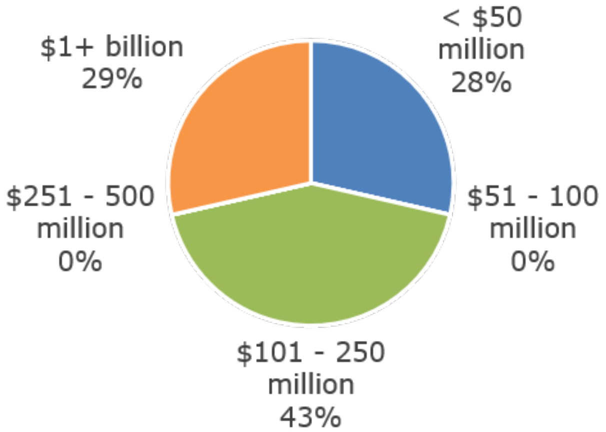
    While there may appear to be a dichotomy in reported results from companies like Grainger and Fastenal, this is due to a difference in customer focus, business application, and technology investment as well as sales initiatives.

    Access to quality data, cost-effectively, also plagues many segments of the market.
  - Distributors were asked about their inventory levels.
    - 33% reported that they are stocking less equal to Q1. This may be due to rising costs, desire to manage inventory given the uncertain macroeconomic environment in Q2 (war in Iran, fuel costs) and/or customer uncertainty.
    - 22% reported more and 44% reported the same.

Additional Distributor Market Insights

- From Distributors
  - “Significant price increases from all suppliers due to increased cost of carbide, tariffs, etc. Customers seem to be accepting of the price increases and understand it's out of our control, but it is still putting downward pressure on GP% as customers look to save on products where they can.
  - Customers are open to changing brands as they focus on price
  - Seeing slower activity in Q2 from key customers but they say it is because of their business.”
- Pricing
  - Q2 pricing impact estimated at 4.4%.
    - Indication is that some manufacturers pushed through fuel-induced price increases. Some manufacturers had “standard” price increases. None pulled back pricing due to changes in tariffs.

Manufacturer Profile



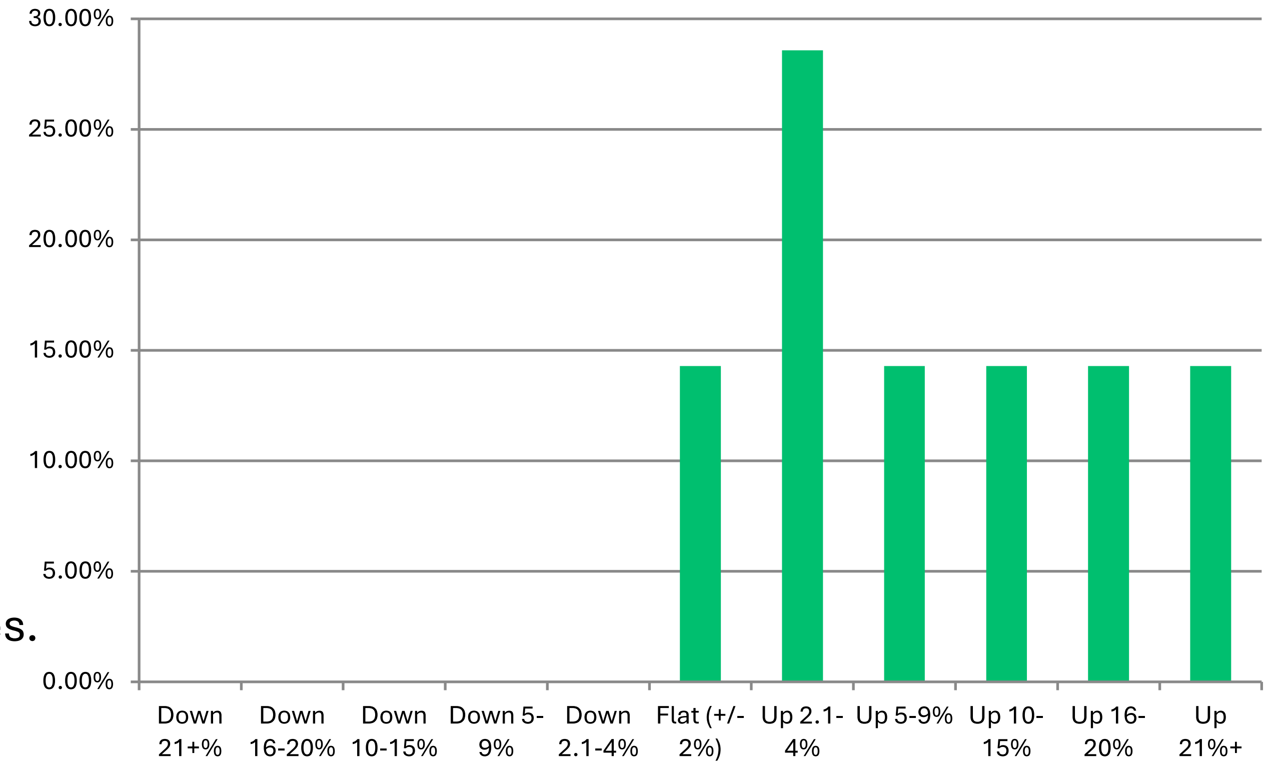
- Manufacturer respondents are focused in a few product categories. The lack of supplier diversity could impact results.
- Manufacturers are frequently agnostic in their customer segment focus, selling to “many” as this can vary based upon distributor focus and their territory
- Manufacturer respondents have channel sales $8+ billion.

Market Segment	Responses
Petro- Chem Oil and Gas	85.7%
Metal Working	71.4%
Aerospace	71.4%
Industrial Manufacturing	71.4%
Automotive	57.1%
Transportation	57.1%
Medical - Pharmaceuticals - Life Sciences	42.9%
Heavy Equipment	42.9%
Mining	42.9%
OEM	42.9%
Data Centers	42.9%
Chemical Manfacturing	28.6%
Food Processing	14.3%
Industrial Safety	14.3%

Product Category	Responses
Cutting Tools and Accessories	42.9%
Electrical / Lighting	28.6%
Chemicals and Adhesives	14.3%
Safety and Security	14.3%
Metal Working and Fabrication	0.0%
Fasteners	0.0%
Hardware	0.0%
Hand Tools	0.0%
Jan/San and "Facility Maintenance"	0.0%
Material Handling and Storage	0.0%
Pumps and Filtration	0.0%
Abrasives	0.0%

Manufacturer Q1 Performance

- Q2 Sales were up 9.1%
  - 57% grew 5+%
  - 28% were 2-4%
  - 16% were flat or down
- Q3 2026 Sales are projected to be up 10.7%
  - All% expect some growth
  - 71.4% expect more than 5%.



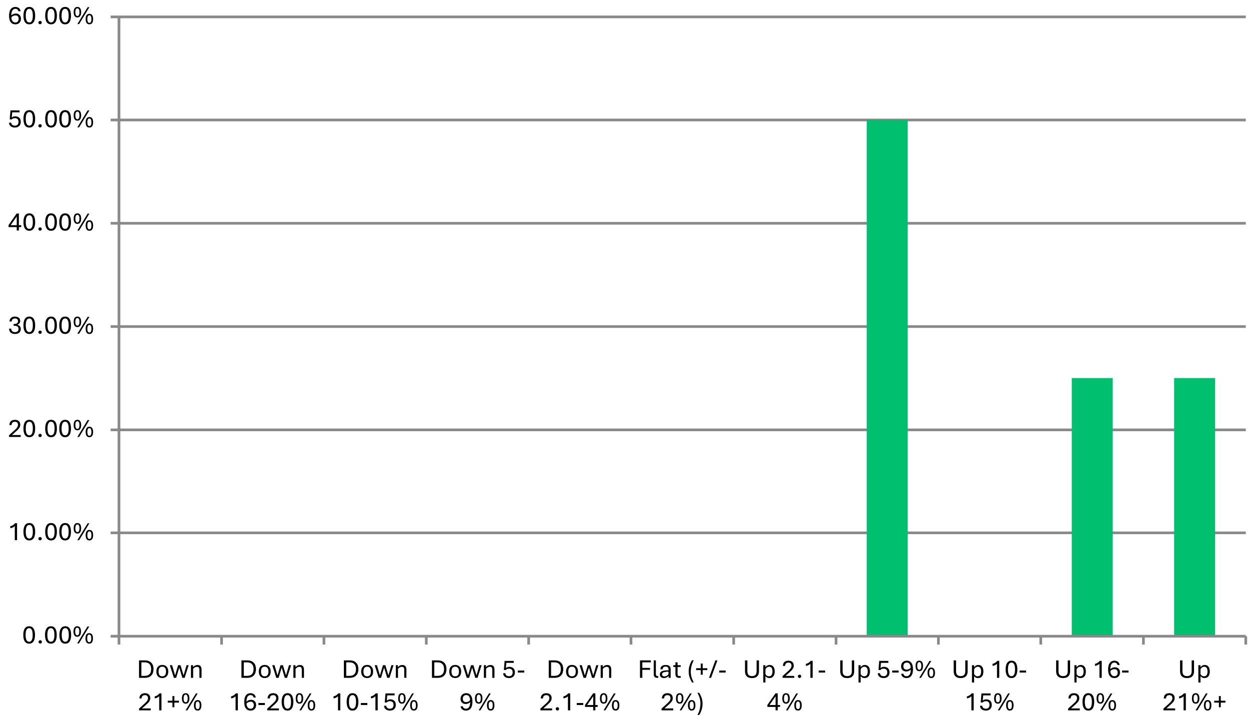
Manufacturers were also asked about price increases. The average price increase was 6.4% with 43% reporting a 9+% increase.

Market Insights

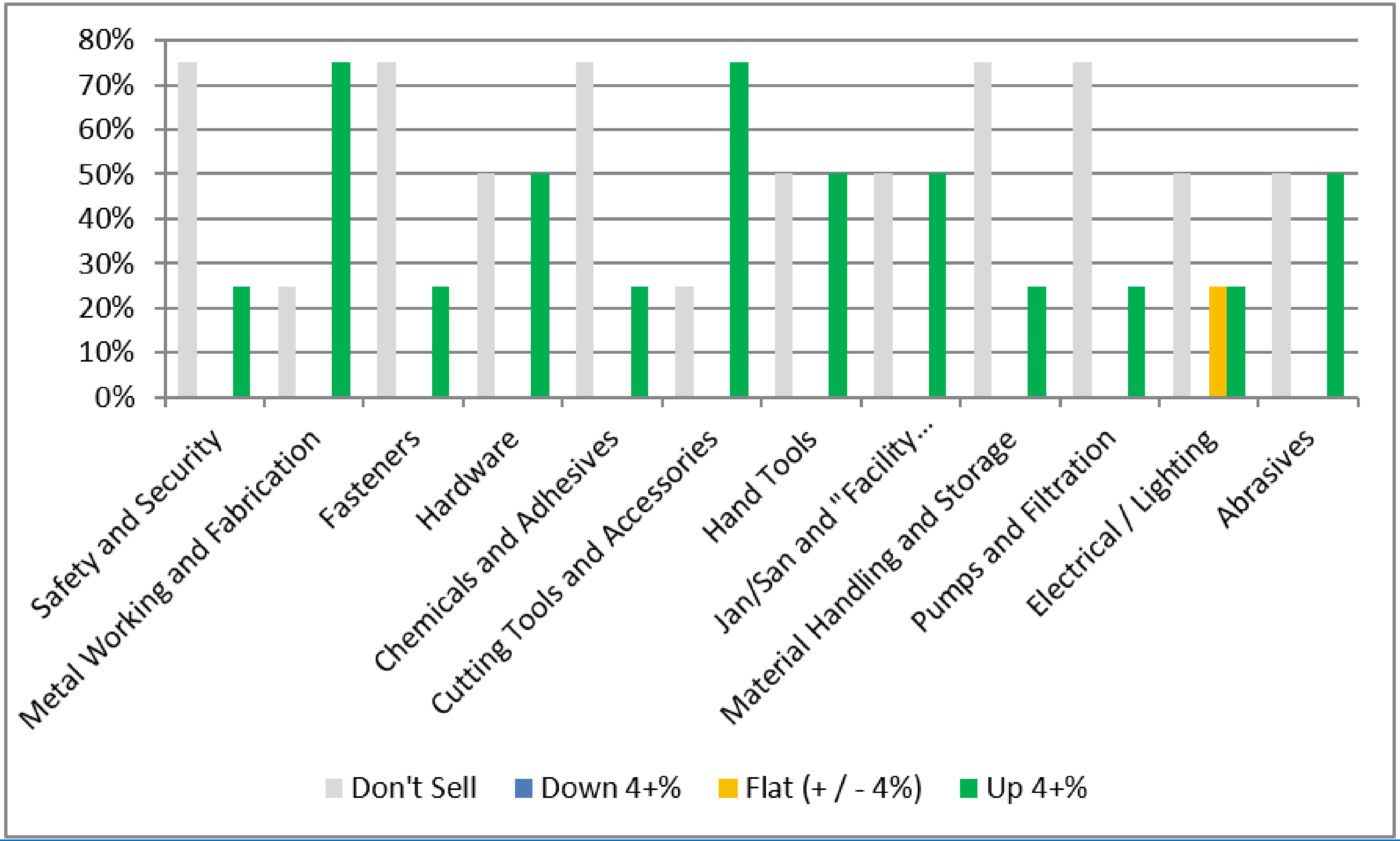
- Manufacturers were also asked:
  - Based upon their interactions with end-users, what is their feedback regarding future industrial activity?
    - 28% are very busy, 71% feel that their business will be “steady” and none expressed concern.
    - The end result is that the future looks brighter because it is “steady.”
  - Their feedback on the market:
    - “The war in Iran completely blew shipping costs out of the water.
    - Carbide prices continue to rise creating a lack of price stability in the cutting tools.
    - Price changes occurring quickly with our chemical focus and the increased price of oil.
    - Tungsten Carbide prices have increased dramatically. However, they have flattened out over the last couple of months. This makes us optimistic for the future.
    - Capacity in electrical power products is affecting lead times and commitments to ship. Manufacturing is choosing which customer group to service with price and lead time. Tariff chatter has calmed.”
  - According to feedback in NetPlus’ first half review:
    - Members are estimated to project a 6.4% increase in 2026, up from 5.2% in 2025.
    - For the second half of the year “. Distributors seem to be making the most of new data center projects across the country, jumping on industry trends that are yielding opportunities for sales growth. Meanwhile, a harsh winter season for several regions slowed work and therefore sales for many distributors, while increasing oil and gas prices increased costs.

Q1 Rep Performance

- Q2 Sales were up 13%
  - 50% grew 10+%
  - none were 2-4%
  - 45% were up 5-9%
- Pricing was up 3.32% in Q2 for their lines.
- 2026 Q3 Sales are projected to be up 10.6%
  - 25% expect more than 10% growth
  - 50% expect 2-10%
- The rep response rate is low and may not be indicative of the national market as we do not know geographic focus. Further, their feedback is based upon differing suppliers and product categories, which is not consistent.



Category Performance



Additional Insights

- Reps / salespeople were asked:
  - Based upon your interactions with end-users, what is their feedback regarding future industrial activity?
    - 25% feel that their business will be "steady," 50% were very busy looking out over the next 6 months.
    - This is the same as Q1
    - Overall, the tone is positive, and this could be tied to
      - Local industrial activity
      - Acceptance of perseverance from the macroeconomic environment coupled with "hope" on the newly announced Middle East ceasefire.
  - Their feedback on the market:
    - Automation of machining
    - Data centers
    - Industrial construction

Conclusion

- Overall, distributors and manufacturers continue to report growth. While the distributor growth rate is the lowest amongst channel participants, this is due to having more smaller distributor respondents. With Fastenal reporting double digits and MSC reporting 5% (comparable to survey results), the Pulse of Industrial Supply results are consistent.
- NetPlus' insights further confirm the directional correctness of the survey.
- Pricing continues to be a significant element of market performance.
- Q3 projection is for continued growth. The survey was conducted when the ceasefire was being put in place. Since then, fuel costs have ameliorated, which could benefit the industry, and the economy, however, much is to be determined within 60 days.
- Respondent end-user markets continue to be heavy industrial-oriented, indicating that those markets are still strong. Data centers have become a key market for many, albeit this is geographically opportunistic for many, unless the distributor is regional or national.
- Overall, the channel is steady and the outlook is positive.