



CHANNEL
MARKETING GROUP

Q3 2026

Pulse of Industrial Supply

October 9, 2026

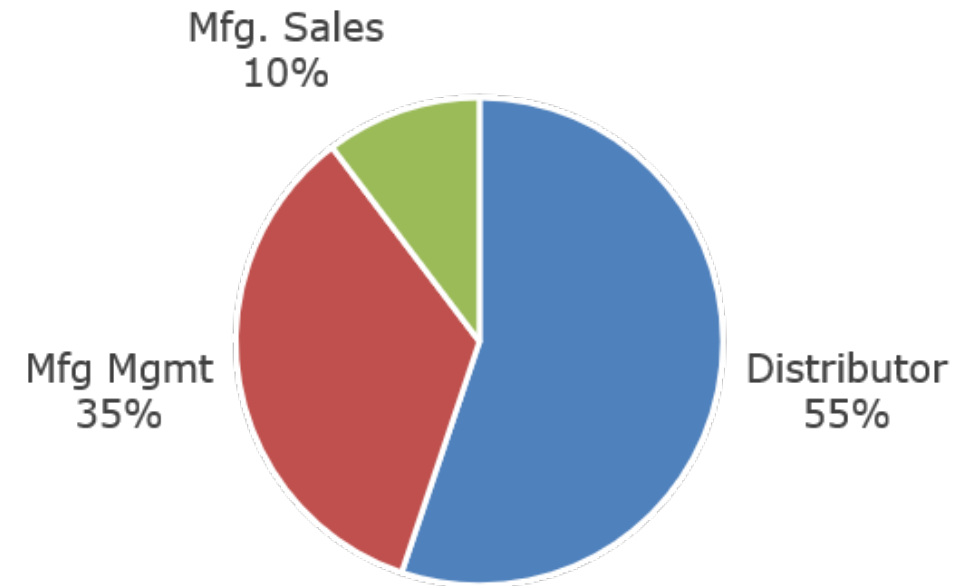


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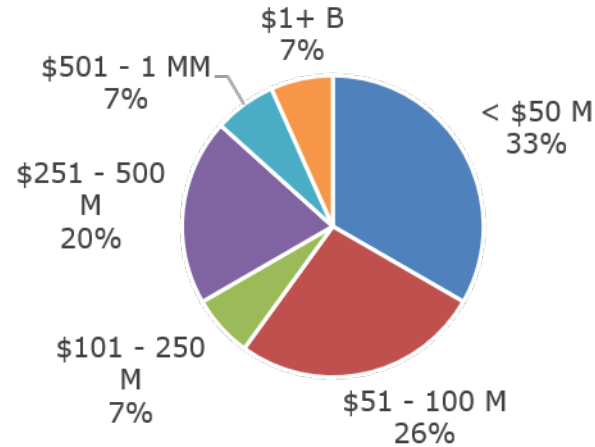
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Report Methodology

- Channel Marketing Group launched its Pulse of Industrial Supply quarterly business survey via www.industrialsupplytrends.com between September 15-October 8, 2026, to solicit input from its readership.
- The survey results are not determinative; however, they are directional. Distributor respondents represented about \$7.5-9 billion in sales.
- Respondents came from industrial supply distributors and manufacturers. Respondents were offered access to the report as an inducement as well as a unique Industrial Intelligence report, courtesy of DISC Corp, a \$437.50 quarterly value. Visit www.disccorp.com for more details.



Distributor Profile



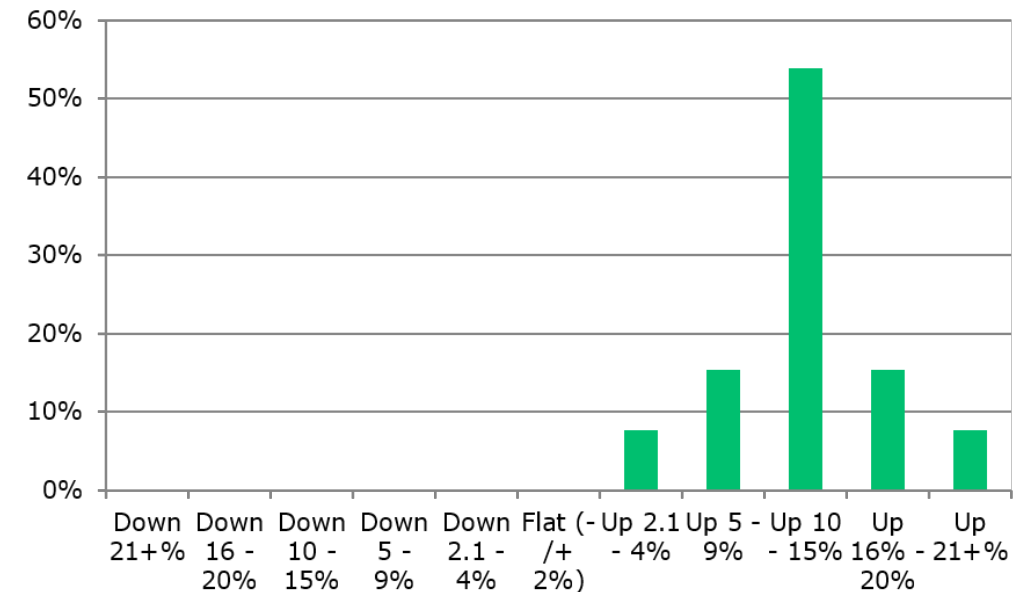
- The industry consists of many “smaller” distributors and some large companies. The respondent mix is indicative of this.
- Distributors serve many market segments. As can be seen, the predominance were in the heavy industrial segments where there is historically higher industrial supply usage.

Customer Segment	Responses
Metal Working	92.3%
Industrial Safety	69.2%
Industrial Manufacturing	61.5%
Aerospace	53.9%
Automotive	46.2%
OEM	46.2%
Transportation	38.5%
Heavy Equipment	38.5%
Medical - Pharmaceuticals - Life Sciences	23.1%
Mining	23.1%
Data Centers	15.4%
Food Processing	15.4%
Chemical Manufacturing	15.4%
Petro- Chem Oil and Gas	7.7%

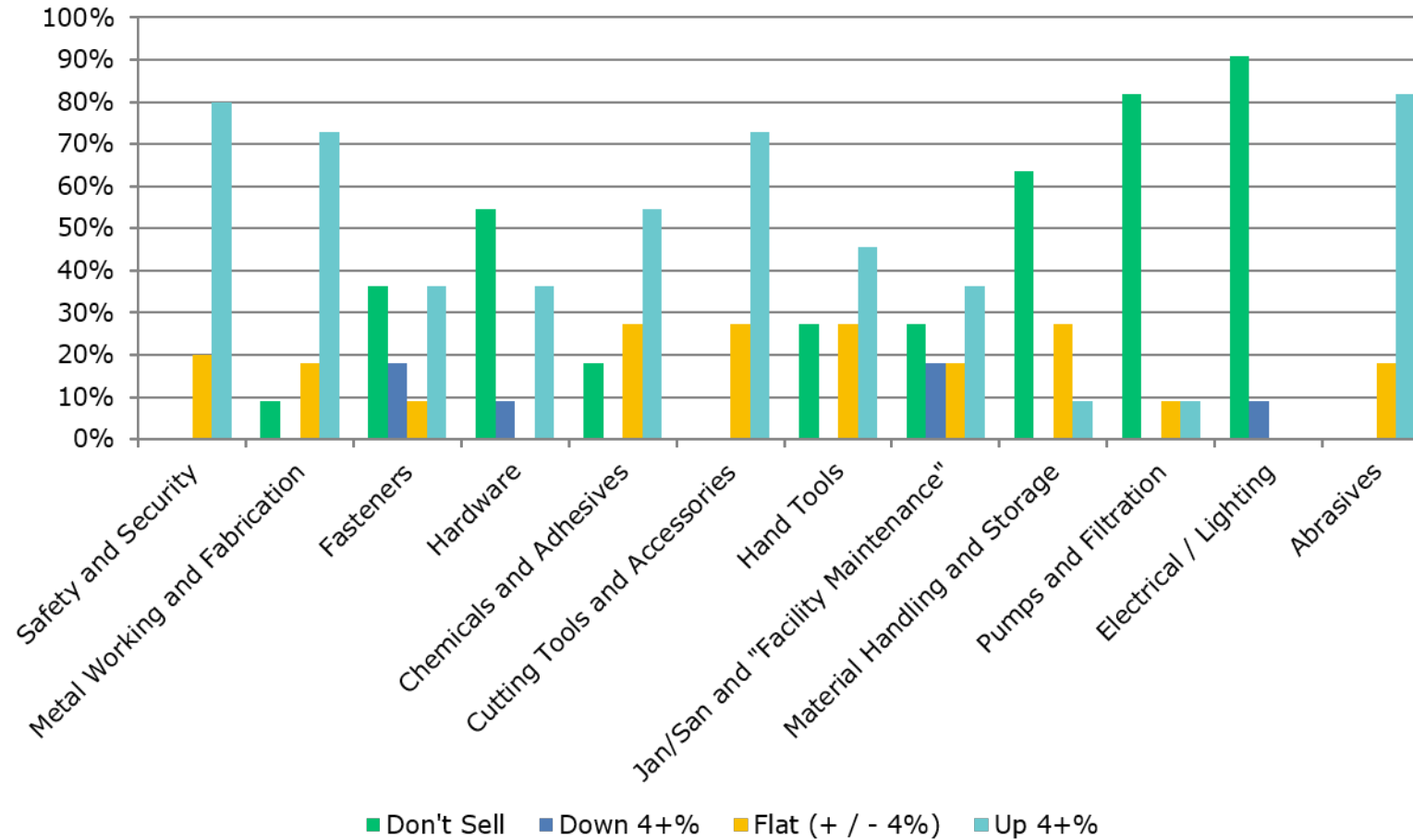
Some respondents commented that they are serving foundries, governments and the waste management industry.

Q3 Distributor Performance

- Q3 sales were 12.3% vs distributors projected, in Q2, that they would be 8.6%. Q3 reported sales were up 7+ points from Q2's 4.95%.
 - 8% were flat (+/- 4%)
 - 92% grew 5+%
 - 0% were down more than 5%
- The improved performance could relate to a better perception of the market as it started with a cease fire in Iran and lower fuel cost. Further, many industrial manufacturers undertake a shutdown in July, which stimulates material usage. Additionally, a number of respondents commented on data centers as well as implementing storeroom management initiatives for their customers.
- Q4 2026 Sales are projected to be up 9.4%
 - 90% expect growth
 - The slower than Q3 growth may be related to macroeconomic concerns (interest rates, fuel costs customer activity) or that customers conducted shutdowns in Q3 for maintenance which accelerates material usage.)



Product Category Performance



Additional Insights

- Distributors were asked:
 - What % of your business is generated digitally (website, EDI, vending machines, eProcurement, etc.)?
 - On average, 23.7% of sales are generated digitally, up from 14%.
 - 38% generated <10% and 38.5% generate 25%+.

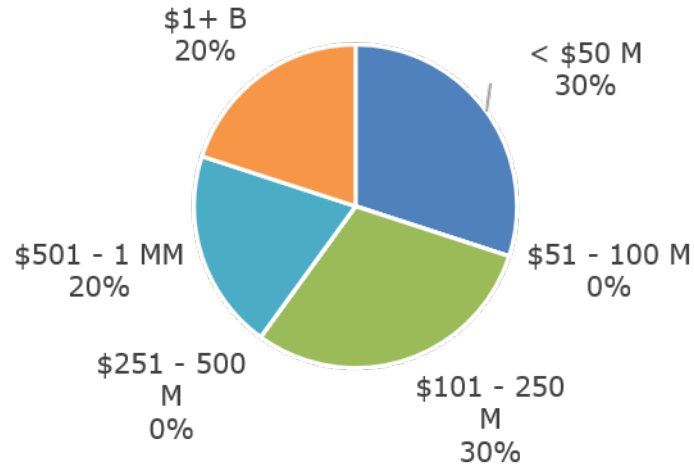
Digital sales increase may be related to more, and larger, distributors reporting as mid and larger distributors have a broader range of digital commerce tools to support their customers, especially punchouts and vendor managed inventory solutions.

- Distributors were asked about their inventory levels.
 - 15.5% reported that they are stocking less, down from Q2's 33%. 31% reported more and 54% reported the same, versus 22% and 44% in Q2.
 - While the headline is more stocking inventory, over half state that they are stocking the same as in Q2, inferring that distributors are managing their stock levels, especially in light of an ever-increasing inventory valuation.

Additional Distributor Market Insights

- From Distributors
 - Our customers seem to be busy and are optimistic about the future
 - Data centers related components are a tailwind but are partially offset by the fuel cost and transportation headwinds.
 - Customer investment in project spend has increased significantly
 - Cutting Tool prices continue to rise despite cost of carbide leveling out. Some suppliers are notifying us about tariff refunds, which we will need to determine how to pass on to customers.
 - All the price increases have been good for our growth and margins
 - The market has remained very steady in spite of the headwinds. If we can temper those down, we can have a great 15 months ahead.
 - Pricing has increased 10% over last year driving the sales increase. Volume is increasing YOY starting in June for core industrial manufacturing customers. Strongest demand we have seen in 24-36 months.
- Pricing
 - Q3 pricing impact estimated at 4.6%.
 - This is comparable to Q2's performance and is indicative of the impact of commodity prices, and potentially an increase in imported material.

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 \$10 billion.

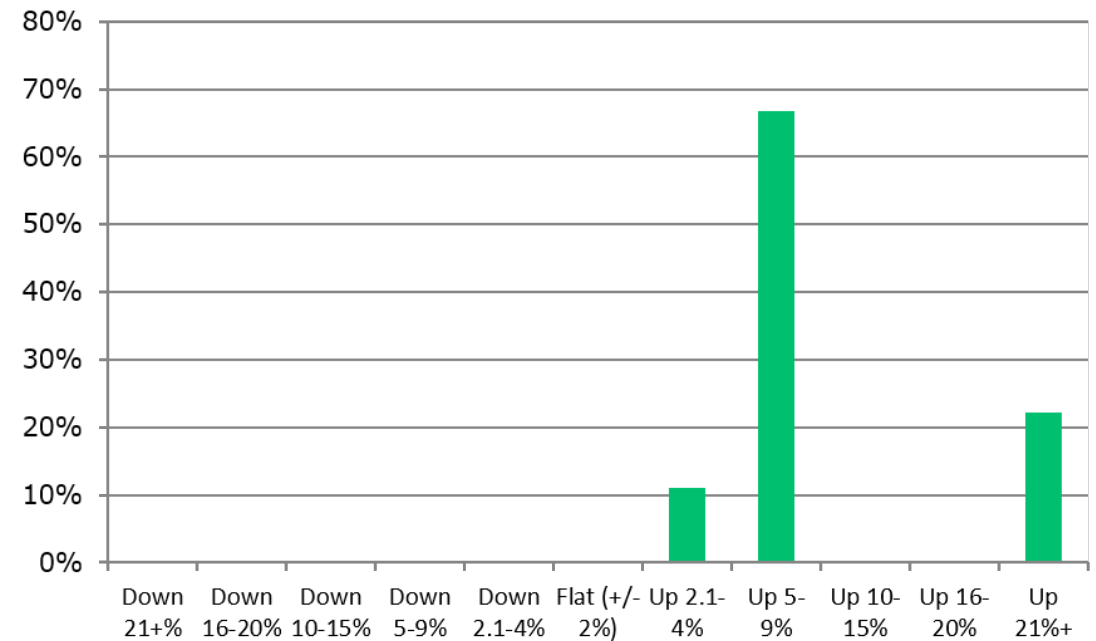
Customer Segment	Responses
Industrial Manufacturing	100%
Automotive	90%
Aerospace	80%
Heavy Equipment	70%
Food Processing	60%
Metal Working	50%
Transportation	50%
Mining	50%
Data Centers	40%
Medical - Pharmaceuticals - Life Sciences	40%
OEM	40%
Petro- Chem Oil and Gas	30%
Chemical Manufacturing	30%
Industrial Safety	30%
Data Centers	30%

Product Category	Responses
Safety and Security	30%
Abrasives	20%
Hand Tools - Power Tools	20%
Metal Working and Fabrication	10%
Chemicals and Adhesives	10%
Cutting Tools and Accessories	10%
Fasteners	0%
Hardware	0%
Jan/San and "Facility Maintenance"	0%
Material Handling and Storage	0%
Pumps and Filtration	0%
Electrical / Lighting	0%

Manufacturer Q3 Performance

- Q2 Sales were up 9.4% vs a projected 10.7%
 - 89% grew 5+%
 - 11% were 2-4%
 - 0% were flat or down
- Q4 2026 Sales are projected to be up 9.8%
 - All% expect some growth
 - 89% expect more than 5%.

Manufacturers were also asked about price increases. The average price increase was 1.4% with 55% reporting a no increase.



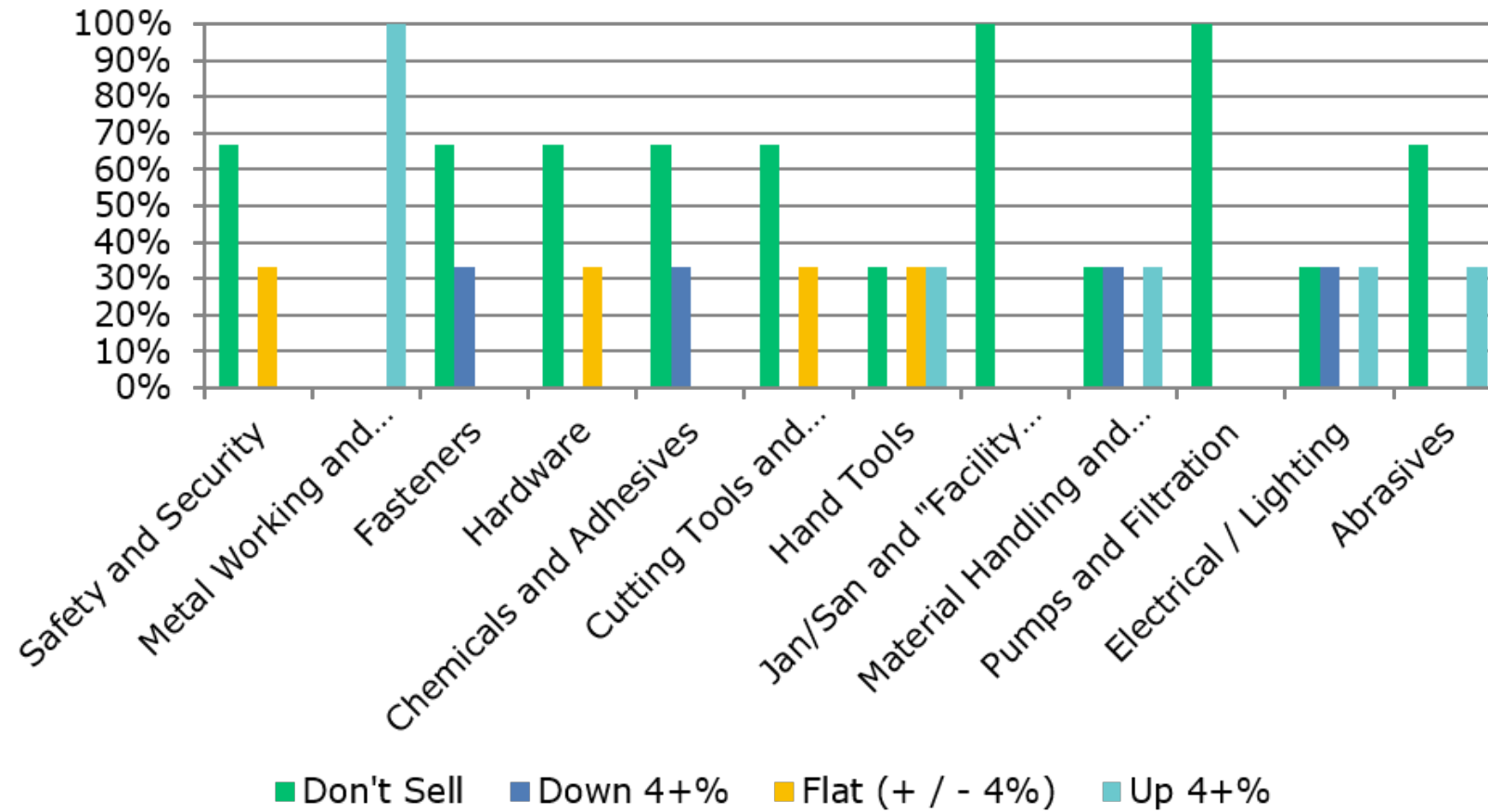
Market Insights

- Manufacturers were also asked:
 - Based upon their interactions with end-users, what is their feedback regarding future industrial activity?
 - 55% are very busy, 44% feel that their business will be “steady” and none expressed concern.
 - This was up from 28% being busy, 71% being steady
 - The end result is that industrial end-users view their business opportunities positively.
 - Their feedback on the market:
 - Getting involved with a launch of SaaS type subscription type business to support existing, private label products and continue to try and get new business where we don't have today (new account development).
 - New product development
 - Setting up tool cribs for new and expanding warehouses
 - Aerospace continues to drive the majority of the growth. Defense is also gaining traction.
 - Demand remains elevated and continue to see high order volume. It seems that industrial production has recovered back to 2022 levels, whereas from 2023 - Q1 2026 that the industrial production lagged and demand levels were spotty. We have not got indication that we will see destocking by distributors in Q4 at this time.
 - The cost of steel is going to go up in the next few months, and this is going to cause price increases on most items.
 - Demand has been higher than usual and the push for buying American-made products has increased significantly.
 - Tariff-driven cost volatility remains the dominant issue, forcing distributors and manufacturers to focus more on price management and supply chain resilience than on pure sales growth.
 - There appears to be more price and shipping challenges along with some supply chain issues with the war and labor.
 - Overall business is strong
 - Seems outside noise isn't influencing decisions on projects or long-term plans.

Q3 Rep Performance

- Q3 Sales were up 12.7%, versus 13% in Q2. In Q2, projected Q3 performance was expected to be up 10.6%
 - 66.6% grew 10+%
 - none were 2-4%
 - 33% were up 5-9%
- Pricing was up 4.2% in Q3 for their lines versus 3.3% in Q2.
- 2026 Q4 Sales are projected to be up 7.8%
 - 50% 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?
 - 67% feel that their business will be “steady,” 0% were very busy, and 33% were concerned looking out over the next 6 months.
 - Q2 feedback was 25% steady, 50% very busy and 25% slowing down
 - Overall, the tone is positive, and this could be tied to
 - Local industrial activity
 - Acceptance, or perseverance, of the macroeconomic environment coupled with “hope” on the newly announced Middle East ceasefire.
 - Their feedback on the market:
 - What types of projects are they working on that could convert into business over the next 6 months?
 - New warehouse facilities, setting up tool cribs and storage bays for technicians
 - The market has shifted from a pure growth story to a cost-management and inventory-positioning story. Distributors and end users are increasingly pulling purchases forward, diversifying suppliers, and strategically building inventory to stay ahead of continued tariff uncertainty, raw material inflation, and freight volatility.
 - USA manufacturers must show a commitment to Canada, or they will not buy from them. What I mean is they have to have stock in Canada, a sales team and find better ways to import to Canada to reduce, risk, costs and delays.
 - Supply chain issues, lead times increasing

Conclusion

- Overall, distributors and manufacturers continue to report high single digit to low double-digit growth. Few, if any, are reporting a decline, signaling the strength of the industrial complex although there is a 2-4% average price increase that supports the growth rate.
- Q4 is projecting a slightly lower growth rate than Q3 performance, however, this could be seasonal. Further economic uncertainty could impact some of this.
- A number of distributors commented about storeroom management activities at their customers, which helps to secure business. Additionally digital revenue was reported as a higher percentage of distributor sales.
- Q3 projection is for continued growth. The survey was conducted after another round of military action which precipitated accelerated gas and fuel prices, which could have impacted late Q3 but, more importantly, could influence the Q4 outlook. The Petrochem market benefits from the fuel increases. A number also commented about success serving data center construction projects.
- Respondent end-user markets continue to be heavy industrial-oriented, indicating that those markets are still strong.
- Overall, the channel performed better than expected and the outlook remains strong.