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## FINdex Growth Slows Amid Continued Supply Disruptions and Rising Demand

Continued supply chain disruptions and spiking demand muted the FIN Fastener Stock Index in the second quarter of 2021 even as the U.S. economy made strides to fully reopen.

The FINdex halved its brisk pace in the second quarter, gaining 4.9% compared to a 6% gain by an index of related industrial stocks. In the opening quarter of 2021, the FINdex grew 9.6%. Grainger achieved the highest stock gain during Q2, rising 20.5%. In Q1, Grainger sales rose 2.8% to \$3.1 billion.

Other fastener companies with rising share value during Q2 included Chicago Rivet (up 2.2%); Dorman Products (up 1%); Fastenal (up 3.4%); ITW (up 0.9%); Howmet Aerospace (up 7%); Lawson Products (up 5.1%); Nucor (up 19.5%); Park-Ohio (up 2.1%); Simpson Mfg. (up 6.5%); Stanley Black & Decker (up 2.7%); and Tree Island Steel (up 10.2%).

Fastener stocks losing value during the second quarter included Carpenter Technology (down 2.2%); EACO - Bisco Industries (down 0.5%); and MSC Industrial (down 0.5%). During the first half of 2021, the FINdex grew 15.1% compared to a 13% gain by an index of related stocks.

Fastener companies recording first-half gains included Carpenter Technology (up 38.1%); Chicago Rivet (up 14%); Dorman Products (up 19.4%); Fastenal (up 6.5%); Grainger (up 7.3%); ITW (up 9.6%); Howmet Aerospace (up 20.4%); Lawson Products (up 5.1%); MSC Industrial (up 6.3%); Nucor (up 80.3%); Park-Ohio (up 4%); Simpson Mfg. (up 18.2%); Stanley Black & Decker (up 14.8%); and Tree Island Steel (up 90%).

FINdex companies losing share value in the first half of 2021 included EACO - Bisco Industries (down 4.7%) and TriMas (down 4.2%). During 2020, the FINdex increased 10% during the year, lower than the 12.8% rise in stock value by an index of related industrial stocks.



## Vertex Owner Acquired by OmniCable



Vertex Distribution owner Houston Wire & Cable Co. was acquired by OmniCable for \$91 million cash. "Offering both brands allows our customers a choice and to work with their preferred partner," stated OmniCable CEO Greg Lampert. The combined company also will continue Vertex, HWCC's fastener redistribution business.

Houston Wire & Cable acquired Vertex Distribution in 2016. Vertex Distribution distributes corrosion resistant products including inch and metric corrosion resistant fasteners and alloy fasteners, blind rivets, hose clamps and security screws to industrial distributor markets. Attleboro, MA-based Vertex has branches in California, Florida, Georgia, Illinois, North Carolina, Ohio and Texas.



## SWK Fastening Sales Climb 26%

Engineered Fastening organic growth at Stanley Engineered Fastening climbed 26% in the second quarter of 2021 as strong automotive and general industrial markets were partially offset by weaker aerospace demand in addition to automotive OEM production impacts from the global semiconductor shortage.

Consolidated Stanley Black & Decker sales during Q2 jumped 37% to \$4.3 billion from volume (+31%), price (+2%) and currency (+5%) gains. The gross margin was 35.9%. Capital and software expenditures rose significantly to \$105.1 million during Q2.

First-half Industrial segment sales, including fastener results, climbed 13.7% to \$1.26 billion, with segment profit more than doubling to \$163.6 million.



## Fastener Sales Rise Sharply At Fastenal

Fastenal Co. reported fastener daily sales grew 28.4% to \$503.6 million (33.6% of net sales) in the second quarter of 2021, driven by higher manufacturing and construction demand. Fasteners represented 26% and 34.5% of net sales in the second quarter of 2020 and the second quarter of 2019, respectively. Net sales decreased 0.1% to \$1.5 billion in Q2 as PPE and sanitation products sales plummeted. The overall impact of product pricing on net sales in the second quarter of 2021 was 80 to 110 basis points.



"We continue to experience pressure related to product and transportation cost inflation," the company announced. "Pricing actions taken in the first and second quarters of 2021 contributed to the increase in the impact of net pricing on sales in the second quarter of 2021."





## Supply Chain Challenges Slow FDI

The seasonally adjusted June FDI (55.8) moderated from May's 61.8 as widespread product shortages constrained sales growth for some respondents. The sales index declined to 71.4 compared to 72.2 in May. Higher pricing continues to be a significant contributor to growth, as 87% of respondents saw higher point-of-sale pricing y/y (vs. 86% in May) and 84% m/m (vs. 76% in May). That said, given the magnitude of supplier price increases, other inflationary pressures and difficulty passing these on to customers fully, some respondents are seeing margin erosion.

FLI also moderates. The seasonally adjusted FLI came in at 71.1, retreating vs. May's 76.0, although still elevated relative to historical levels (average FLI reading over survey history is 55.3). Compared to May, the FLI employment index, respondent inventory levels and six-month outlook all weakened, while lower customer inventory levels were a partial offset. That said, a 70+ FLI continues to point to strong market conditions ahead despite June's softening.

Employment levels slightly weaker. The FDI employment index came in at 62.9 vs. 70.3 in May. Thirty-five percent of respondents saw employment levels as above seasonal expectations vs. May's 49%. This reflects continued challenges in finding/retaining qualified labor amid a strong job market and enhanced federal/state unemployment benefits. Looking at the broader economy, the June jobs report showed a better-than-expected gain of 850,000 jobs coming off two straight soft reports. This solidly exceeded economist expectations for +706,000, and economists are encouraged this could perhaps mark a turning point in easing widespread labor constraints. Unemployment is still elevated, however, at 5.9% compared to the pre-pandemic level of 3.5%.

Inflationary pressures and supply chain constraints are key topics of focus. Supply chain disruptions again showed no signs of abating in June, and shortages appear to be extending towards many commonly stocked items. Said one respondent, "Importers are not only out of common items, but are quoting December ETA's. I have never seen shortages as widespread."

Given the strong demand, widespread shortages, and inflationary commodity markets, respondents continue to see significant inbound price increases: "Ocean Freight continues to run way behind schedule. Transportation Costs are skyrocketing. We are passing through as much of this cost as possible." Echoing this, one respondent commented, "The price of everything is increasing every day."

While inflation is clearly helping revenue growth, some respondents are seeing margin pressure due to transportation cost increases that are eating away at the incremental profit opportunity: "While we are raising our pricing 5% (higher on some items), we are losing margin because we have to pull inventory (if it is available) from all over the USA. UPS and Fedex Ground are eating up any additional margins we are getting by raising prices."



## IFI Soaring Eagle Award Recipients Recognized

At an awards ceremony held during the 2021 Annual Meeting of the Industrial Fasteners Institute (IFI) in Scottsdale, AZ, USA, the IFI Soaring Eagle Technology Award was presented to Chad Larson of Lejeune Bolt Company, and the IFI Soaring Eagle Meritorious Service Award was presented to Laurin Baker of The Laurin Baker Group. Chad Larson serves as the President of Lejeune Bolt Company in Burnsville, MN, USA. Chad Larson's career in the fastener industry has spanned some 30 years and he has worked in manufacturing, distribution, sales, production, quality assurance and now executive management.

Chad Larson is recognized for his service and ongoing contributions to the fastener industry, especially in the field of structural bolting. He initiated and led a massive undertaking to combine six divergent ASTM structural bolt standards into a single coherent standard that has vastly improved standardization of structural fasteners.

Laurin Baker is recognized for his many years of outstanding service to the institute representing and protecting IFI's interests. Laurin's expertise in navigating international trade, tariffs, environmental and tax policies has greatly benefited the

interests of the Institute's member companies, their employees and fastener users the world over. Laurin Baker's tireless work in coordinating and leading the coalition of IFI members, fastener distributors and North American fastener users resulted in the significant reform and improvement of the Fastener Quality Act.



Chad Larson (Right)



Laurin Baker (Right)





## LeJeune Adds Jon Craven to Staff



Jon Craven will lead company sales nationally in his new role as Director of Market Development. He brings sales and business development experience from his 30 years as a sales professional and business owner. In his new role with LeJeune Bolt, Jon will implement sales, marketing, customer retention, and overall market development strategies, interface and build on relationships with key accounts, identify new and emerging market opportunities for existing legacy product lines, and create and penetrate new and existing market opportunities for LeJeune's exclusive F3148 TNA® Fastening System. LeJeune Bolt, Burnsville, MN, USA, with a west coast office in Chino, CA, USA, is an international distributor of structural grade fastening systems, installation tools, and related fasteners for the commercial steel and concrete construction, bridge building, and transportation markets.



## Optimas Invests in New Chun Zu & Formax Cold Headers

Optimas Solutions, Wood Dale, IL, USA, a global industrial manufacturer, distributor and service provider, announced the acquisition of Chun Zu and Formax four die, four blow cold header manufacturing machines that will increase Optimas' capabilities to deliver larger format diameter fasteners and free up existing cold headers. "The addition of these machines puts us on a higher playing field that few in the industry can match," said Marc Strandquist, CEO of Optimas. "The efficiency of these cold headers will allow us to increase our ability to make larger diameter fasteners while freeing up other machines to produce smaller diameter fasteners, all helping us improve our output at all sizes. Most important, it helps our customers struggling to get products given stress on the supply chain and inventory shortages." The Chun Zu machine will increase production by three million additional complex parts per month within the diameter range of 12 to 18 mm.

This will allow Optimas to further focus on industries that require large diameter complex parts such as agricultural equipment, automotive, construction equipment and heavy-duty trucking. The Formax will improve Optimas' manufacturing competencies of fasteners up to 18 mm in diameter. It adds to Optimas' production on the company's existing large diameter Formax machines, reducing lead times. ■



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**MAXTOOL INDUSTRIAL CO., LTD.**

No. 93, Sec. 4, Chung Chin Rd., Daya Dist.,  
 Taichung City 42880, Taiwan

Tel: 886-4-25672336 Fax: 886-4-25671242

E-mail: [service@maxtool.com.tw](mailto:service@maxtool.com.tw)

<http://www.maxtool.com.tw>

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