

MDM Pricing Trends Report: Second Quarter 2014

Pricing trends for dozens of product groups

Key

↑X.X% 1Q:2Q (1Q '14 with 2Q '14)

↑X.X% 2Q:2Q (2Q '13 with 2Q '14)

Product groups listed below provide a snapshot of inflation trends based on the Producer Price Index from the U.S. Bureau of Labor Statistics. Second quarter 2014 is compared with second quarter 2013 and with first quarter 2013. **Questions?** 1-888-742-5060 ext 113 or email info@mdm.com.

Industrial (p.2)

Abrasives
Adhesives & Sealants
Metal Cutting Machine Tools
Metal Forming Machine Tools
Pumps, Compressors, & Eqmt
Ind. Material Handling Eqmt
Rubber & Plastic Hose
Rubber & Plastic Belts & Belting
Ind. Rubber Products, nec
Personal Safety Equipment & Clothing
Metal Valves (not fluid power)
Steel Mill Products

Construction (p.3)

Softwood Lumber
Hardwood Lumber
General Millwork
Gypsum Products
Hardboard, Particlebd, Fiberbd
Plywood
Plastic Construction Products
Wood Ties, Siding, Shingles,
Shakes

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Electrical Machinery & Eqmt
Electronic Components & Accs
Integrating and Measuring Instruments
Motors & Generators
Wiring Devices
Transformers & Power Regulators
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Eqmt
Communications & Related Eqmt
Electric Lamp Bulbs & Parts

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Nonferrous Wire & Cable
Fabricated Ferrous Wire & Cable

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Mechanical Power Transmission Eqmt
Ball & Roller Bearings
Plain Bearings & Bushings
Speed Changers, Drives & Gears

Fluid Power (p.6)

Fluid Power Eqmt
Fluid Power Valves
Fluid Power Hose/Tube Fittings
Fluid Power Pumps & Parts
Fluid Power Actuators/Accum/Cylinders

Fasteners (p.7)

Nuts, Bolts, Screws, Rivets, Washers (overall)
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Externally Threaded Fasteners
Internally Threaded Fasteners
Nonthreaded Metal Fasteners

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Hardware (overall)
Builders' Hardware

Plastics (p.7)

Plastic Resins & Materials
Plastic Products (Overall)

Tools (p.8)

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Power-Driven Hand Tools
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Cutting Tools & Accs (overall)
Precision Measuring Tools
Small Cutting Tools

Gases/Welding (p.8)

Industrial Gases
Welding Machinery/Equipment

Paper/Packaging (p.9)

Pulp, Paper & Allied Products (overall)
Sanitary Paper Products
Boxes
Packaging Products from Plastic
Office Supplies & Accessories

HVACR/Plumbing (p.9)

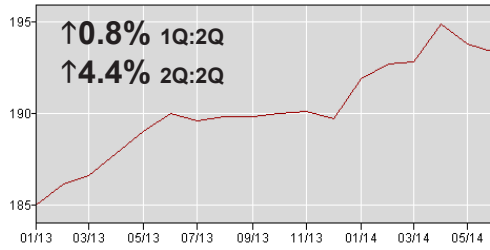
Air Cond. & Refrigeration Eqmt
Heating Eqmt
Plumbing Fixtures & Fittings

Methodology (p.10)

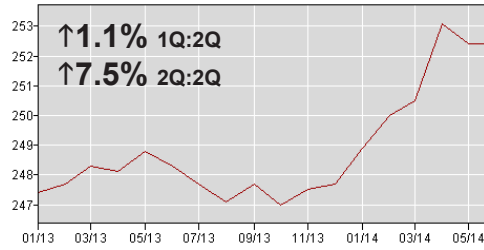


This Quarterly MDM Pricing Trends Report is a premium subscriber benefit.

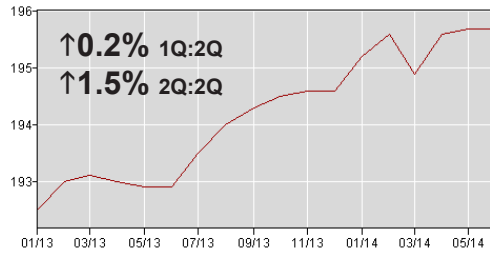
Abrasives



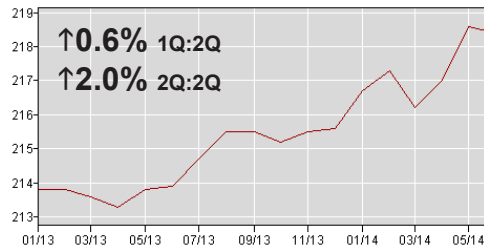
Adhesives & Sealants



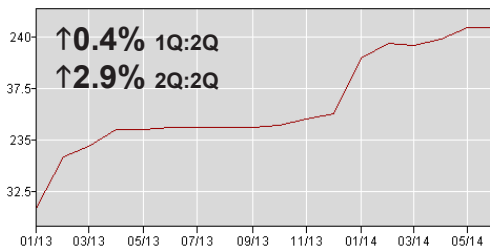
Metal Cutting Machine Tools



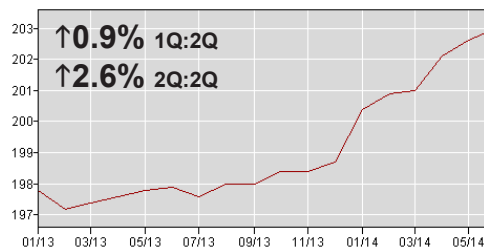
Metal Forming Machine Tools



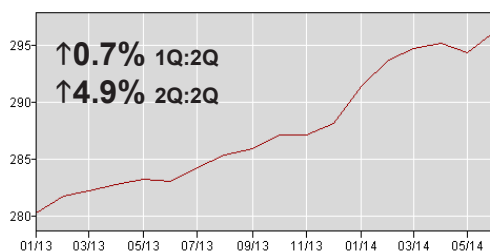
Pumps, Compressors & Eqmt



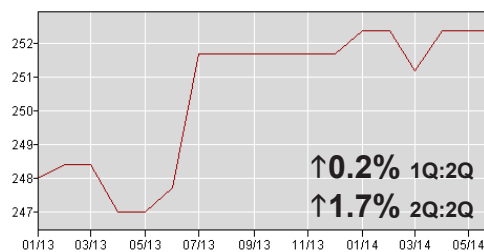
Ind. Material Handling Eqmt



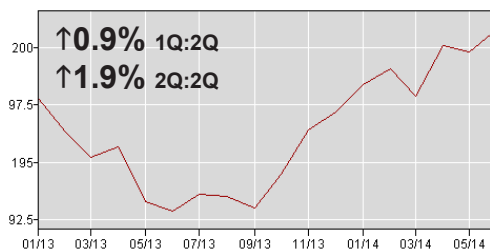
Metal Valves (not fluid power)



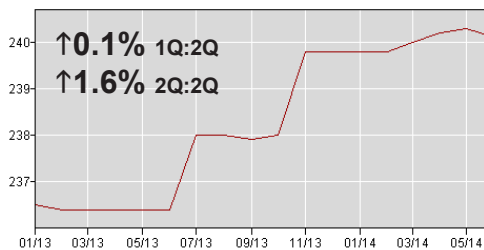
Personal Safety Eqmt & Clothing



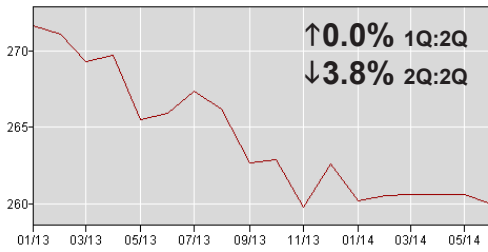
Steel Mill Products



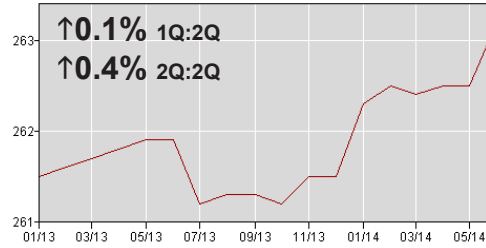
Rubber & Plastic Hose



Rubber & Plastic Belts & Belting

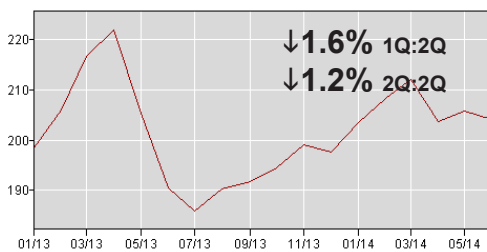


Industrial Rubber Products nec

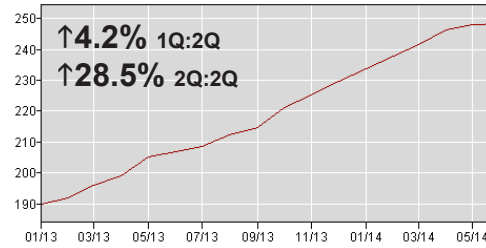


Construction

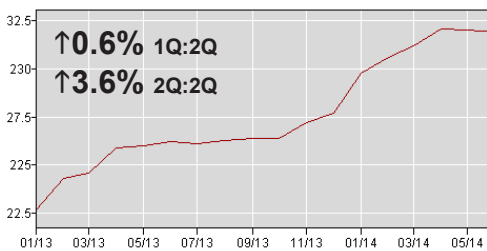
Softwood Lumber



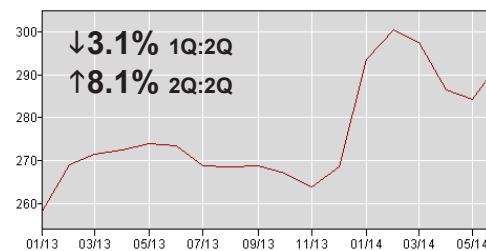
Hardwood Lumber



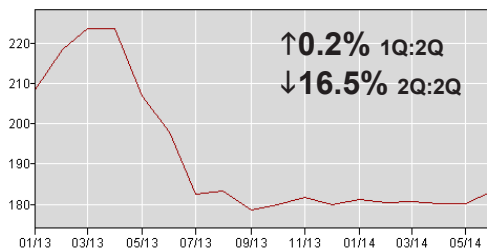
General Millwork



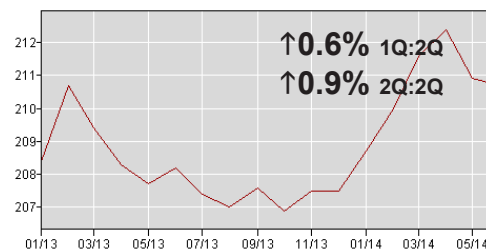
Gypsum Products



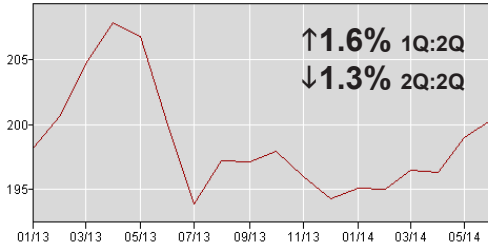
Hardboard, Particlebd, Fiberbd



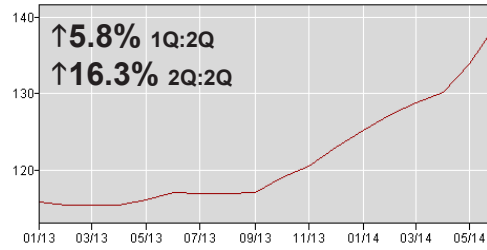
Plastic Construction Products



Plywood

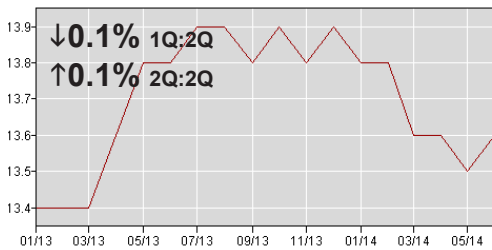


Wood Ties, Siding, Shingles, Shakes

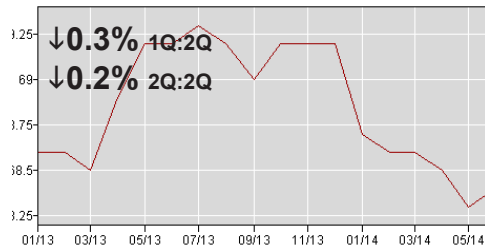


Electrical/Electronic

Electrical Machinery & Eqmt*

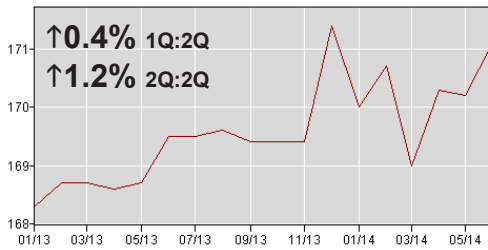


Electronic Components & Accs.

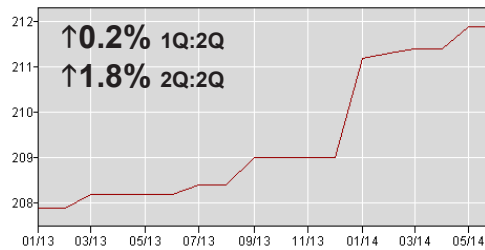


*Electrical Machinery & Eqmt includes all product groups in this category plus miscellaneous electrical machinery & eqmt.

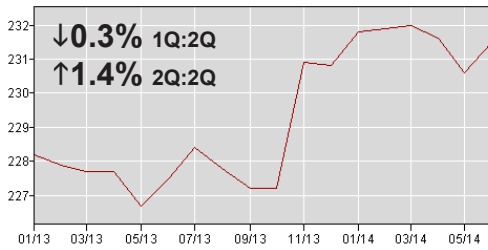
Integrating/Measuring Instruments



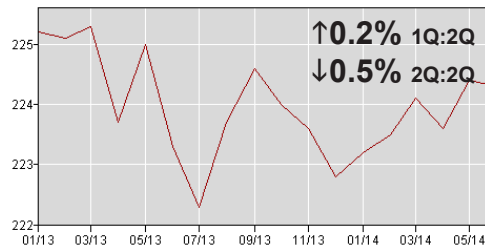
Motors & Generators



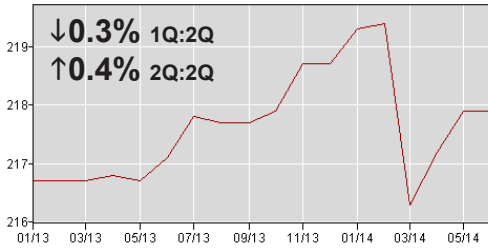
Wiring Devices



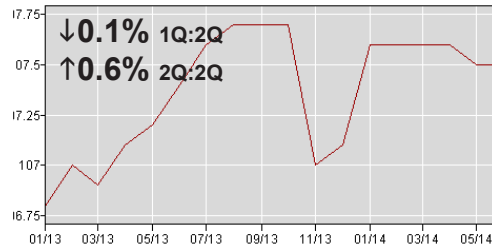
Transformers/Power Regulators



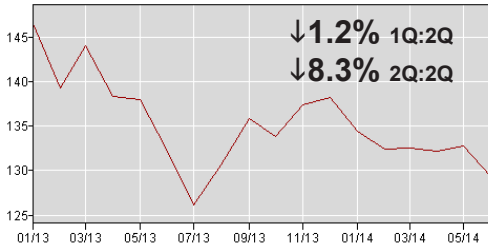
Switchgear, Switchboard, etc. Eqmt



Communications & Related Eqmt

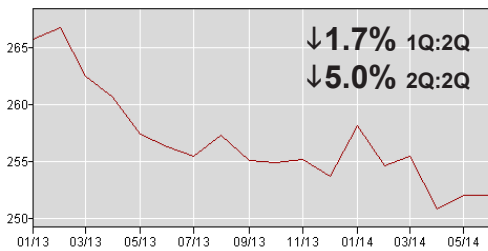


Electric Lamp Bulbs and Parts

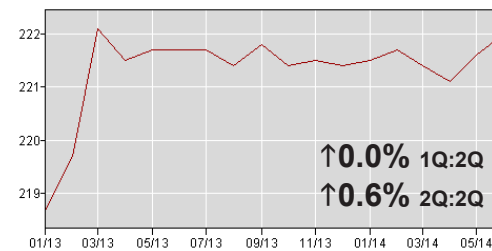


Other Electrical/Related

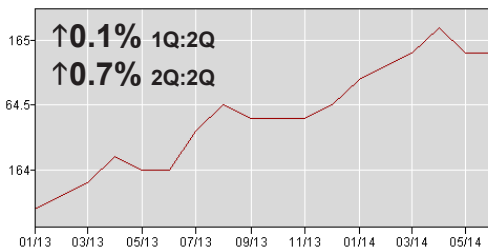
Nonferrous Wire & Cable



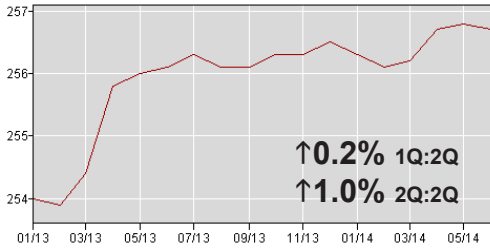
Fabricated Ferrous Wire Products



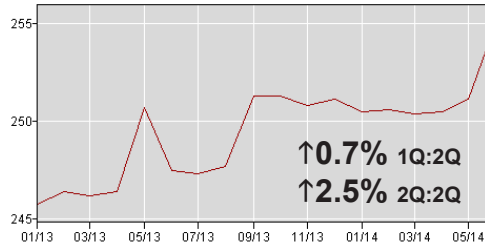
Lighting Fixtures



Mech. Power Transmission Eqmt*

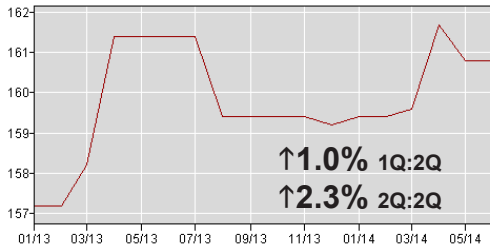


Ball & Roller Bearings

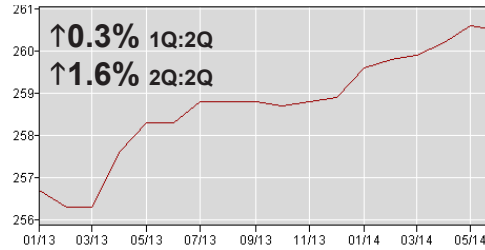


*Category encompasses plain bearings & bushings, speed changers, drives & gears plus other eqmt.

Plain Bearings & Bushings

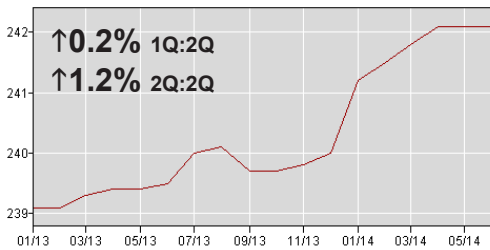


Speed Changers, Drives & Gears

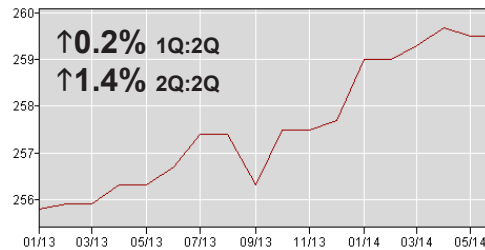


Fluid Power

Fluid Power Eqmt*

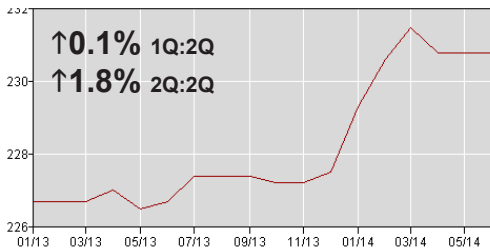


Fluid Power Valves

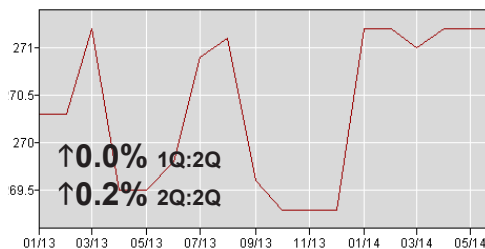


*Category encompasses fluid power valves, plus other fluid power eqmt.

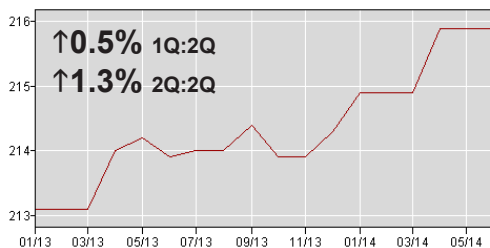
Fluid Power Pumps & Parts



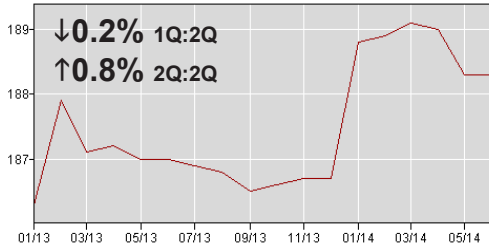
Fluid Power Hose & Tube Fittings



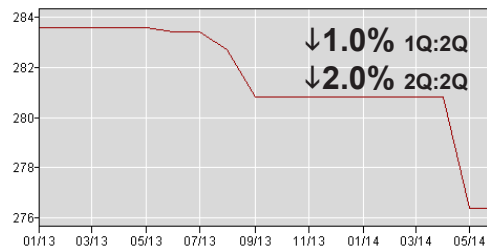
Fluid Power Cylinders, Actuators, Accum.



Nuts, Bolts, Screws, Rivets, Washers*

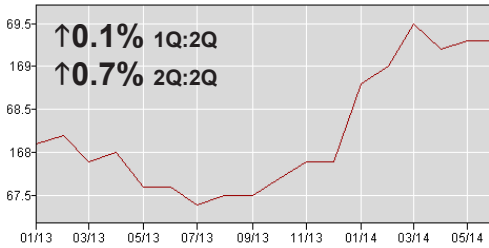


Aircraft Fasteners

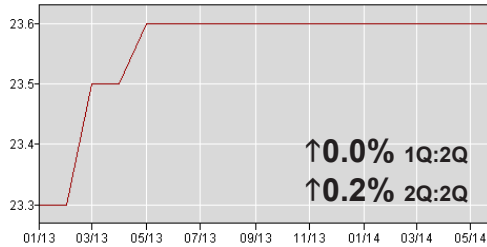


*Category encompasses all fastener groups on this page.

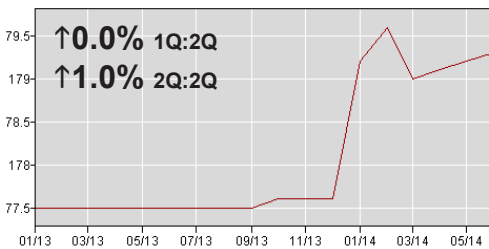
Externally Threaded Fasteners**



Internally Threaded Fasteners**



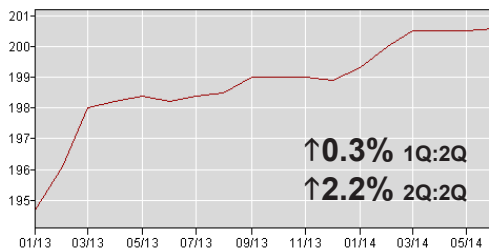
Nonthreaded Metal Fasteners**



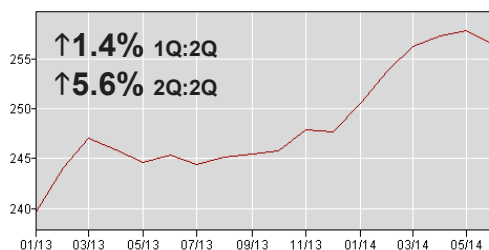
**Data for Ext Threaded Fasteners, Int Threaded Fasteners & Nonthreaded Metal Fasteners excludes aircraft fasteners.

Plastics

Plastic Products (Overall)

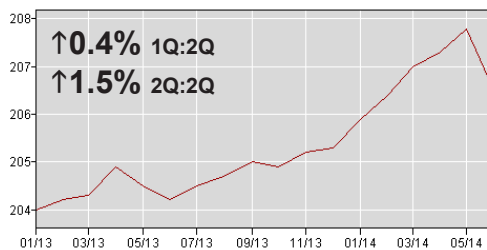


Plastic Resins & Materials



Hardware

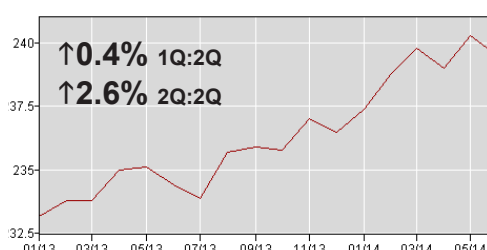
Hardware*



*Builders Hardware is included in the overall Hardware category.

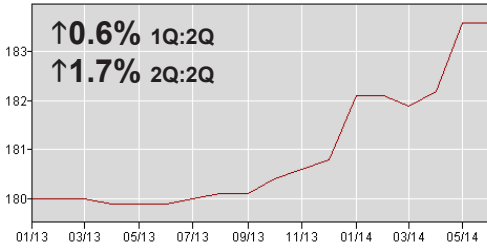
**Builders Hardware includes: lock units, key blanks, door & window hardware, cabinet hardware, etc.

Builders' Hardware**

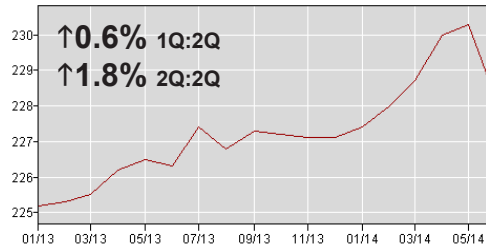


Learn about the source and methodology used to create this report on page 10.

Cutting Tools & Accessories*

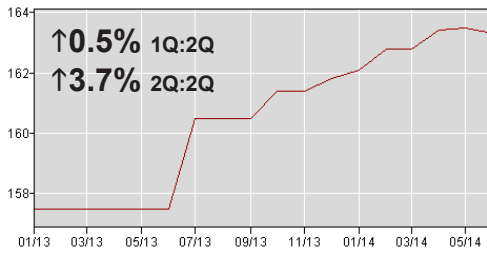


Hand & Edge Tools

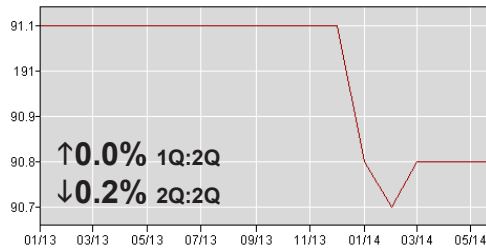


*Cutting Tools & Accessories includes: small cutting tools, precision measuring tools, and other mach tool attachments & accs.

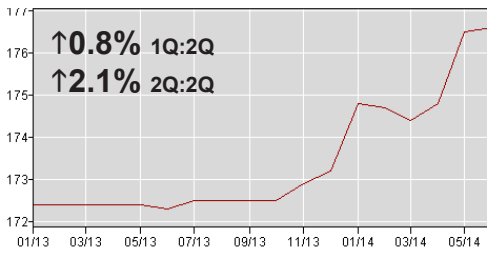
Power-Driven Hand Tools



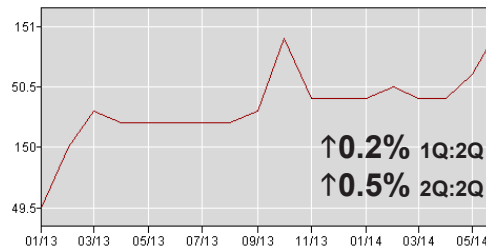
Precision Measuring Tools



Small Cutting Tools

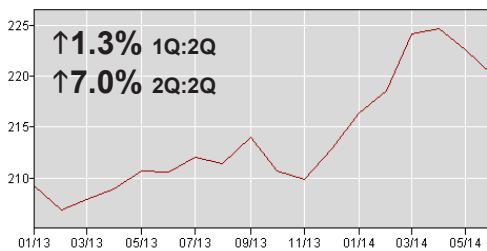


Tools, Dies, Jigs, Molds, Fixtures



Gases/Welding Equipment

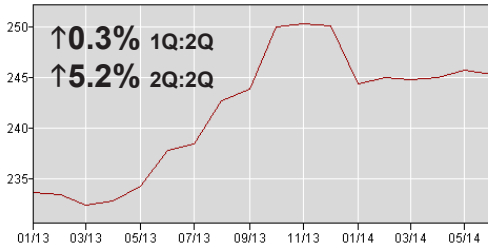
Industrial Gases



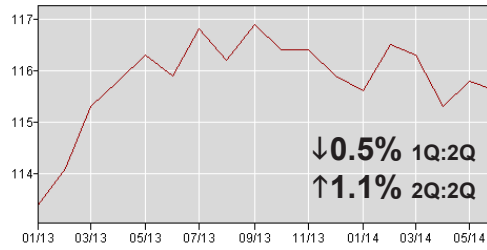
Welding Machinery & Eqmt



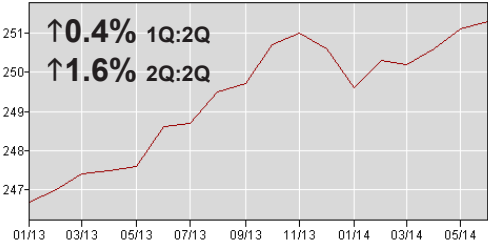
Paper Boxes & Containers



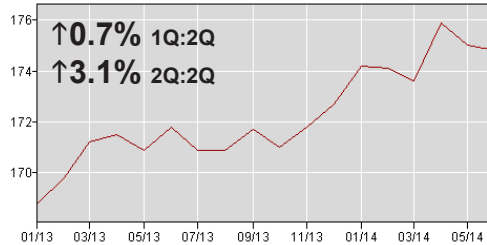
Packaging Products from Plastic



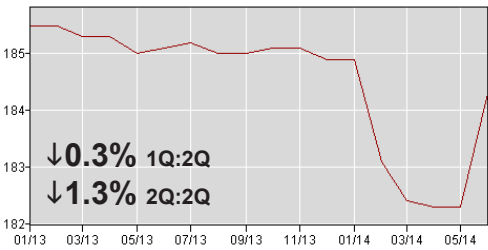
Pulp, Paper and Allied Products



Office Supplies & Accessories

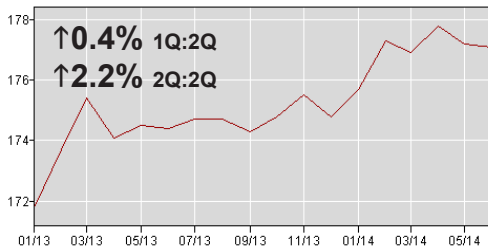


Sanitary Paper Products

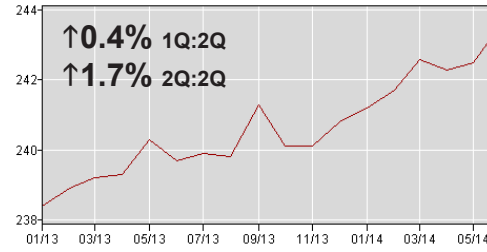


HVACR/Plumbing

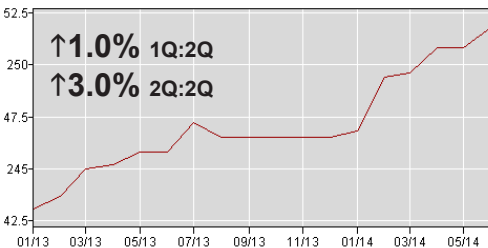
Air Cond. & Refrigeration Eqmt



Heating Eqmt



Plumbing Fixtures & Fittings



Learn about the source and methodology used to create this report on page 10.

The MDM Quarterly Pricing Trends Report provides a snapshot in time of wholesale pricing trends in dozens of product groups sold by the readers of Modern Distribution Management (www.mdm.com). The report presents percent change from the previous quarter to the current quarter and the prior-year quarter with this year's quarter (for example, second quarter 2013 with second quarter 2014). The report also includes a two-year trend line for prices by product.

Source

The MDM Quarterly Pricing Trends Report is based on the Producer Price Index, published by the U.S. Bureau of Labor Statistics. Quarterly percent change, which is not reported by the U.S. government, is calculated by MDM editors based on quarterly averages using a proprietary method developed after consulting with the BLS.

The Producer Price Index (PPI) program measures the average change over time in the selling prices received by domestic producers for their output. The prices included in the PPI are from the first commercial transaction for many products and some services. The data from the Producer Price Index tracks wholesale prices, making this index the best source of price trend data for the wholesale distribution market. The PPI does not measure the cost of producing an item.

Indexes are organized in three major structures: stage of processing (organized by class of buyer and degree of fabrication); industries and their products (organized by producing industry as defined by NAICS); and type of commodity (organized by similarity of end-use or material composition).

To calculate its item-specific index each quarter, MDM uses the PPI organized by commodity. This provides the greatest detail for specific products. It also provides a great deal of historical data. The downside to the commodity index coding system is that no other governmental statistical program uses it. Commodities are grouped according to similarity of material composition and end use, regardless of industry of origin. Because of this, they are not organized by NAICS.

In addition, when using the commodity indexes, it is inadvisable to roll up products into one overarching index without accounting for double-counting due to stages of processing. This is why MDM presents data at a lower level and as close to an individual product basis as possible, rather than presenting a total index for the products in the MDM Quarterly Pricing Trends Report. For overall percent changes by industry (NAICS) or level of processing (crude vs. finished, for example), businesses should use the stage of processing or industry indexes at www.bls.gov/ppi.

How Firms Use the Producer Price Index

According to the BLS, businesses often employ price adjustment clauses in long-term sales and purchase contracts, frequently using the PPI family of indexes, either alone or in conjunction with other sources of economic data. Because the PPI indexes measure price changes objectively, the PPI calculated by the Bureau of Labor Statistics are widely recognized among businesses, economists, statisticians and accountants as useful for this purpose. To learn more about the development of escalation clauses in contracts tied to PPI data, as well as potential challenges in doing so, visit this website: <http://www.bls.gov/ppi/ppiescalation.htm>.

Modern Distribution Management does not encourage or discourage the use of price adjustment measures in purchase and sales agreements.

Questions? Call 888-742-5060.

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