Industrials/Multi-Industry

Fluid Power Survey #202: Demand/outlook marginally decelerate; still positive

Industry Overview

30 June 2025

Equity
Americas
Industrials/Multi-Industry

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Fluid Power Survey #202, week of June 27, 2025

This week, we surveyed 50 industrial distributors from North America, EMEA, and APAC focusing on fluid power products (hydraulics and pneumatics). This week, our demand and outlook results slightly decelerated. While NA current demand improved this week, rising to 64.0 from 56.5 prior, it was offset by deceleration in EMEA and APAC. NA outlook decelerated slightly to 70.8 from 73.9 prior. All three regions saw outlook decelerate this week. Broadly, our survey does not indicate material demand destruction related to tariffs, but also does not indicate improvement in the macro environment. This is broadly consistent with conversations with companies in our coverage intra-quarter. During our recent investor meetings with Rockwell, the company indicated that while underlying short-cycle demand remains solid, large projects are being delayed due to uncertainty on tariffs. This week, we asked distributors how they were dealing with tariffs. One distributor stated that it will pass on all tariffs as price increases effective July 1. Another said it was passing on all tariffs as price increases on new orders, and passing on what it could on existing orders.

Our key global outlook indicator fell to 66.0 from 69.0. Our demand outlook indicator has a meaningful positive correlation with ISM Manufacturing PMI (80% correlation) an ISM Manufacturing New Orders (72% correlation). We look at the relationship from July 2017 through June 2025.

Demand and outlook decelerate

Our global current demand indicator fell to 55.0 from 56.0 last survey. NA improvement was offset by a deceleration in EMEA and APAC demand. NA is positive on an absolute basis; EMEA/APAC demand both fell below 50 this week. Outlook fell to 66.0 from 69.0 prior. This was driven by deceleration in all three regions. Outlook is positive in all regions on an absolute basis.

Distributors perceive inventories as “too low”

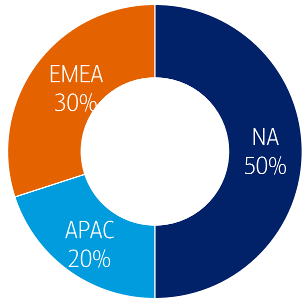
A reading greater than 50 indicates that more distributors perceive inventory levels are too low, whereas a reading below 50 indicates more distributors perceive inventory levels are too high. This week’s inventory reading fell to 53.0 vs 55.0 prior. This suggest inventory levels are perceived as higher versus last survey but overall still perceived as too low. Inventory has been around breakeven levels since May ‘24. Our conversations with FAST indicate it is yet to see supply chain bottlenecks from tariff disruption; on the other hand, the US manufacturing PMI press release for May indicated that supply chain disruptions are driving manufacturers to work down inventories.

Pricing flat, still positive

Distributor pricing came in at 59.0, flat with 59.0 in the prior survey. On the margin, we have heard that tariff and news flow volatility may be creating incremental difficulty on pushing through price increases and some manufacturers have canceled planned price increases (but not withdrawn already listed ones).

Exhibit 1: Distributor regional breakout

50% of distributors surveyed are North America-based



Source: BofA Global Research

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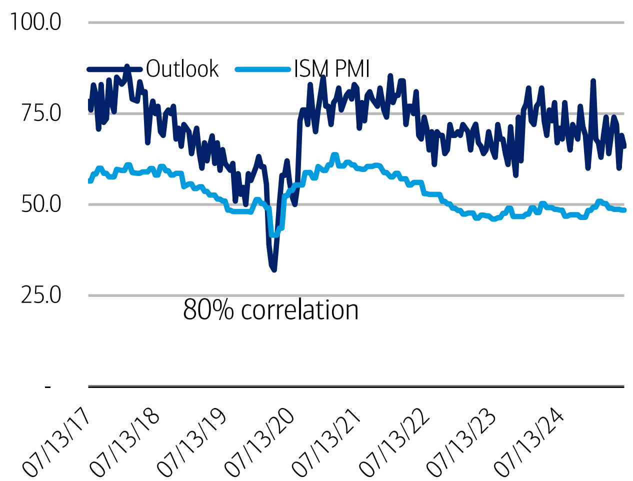
Survey Results

Outlook: strong leading indicator for PMI/new orders

Our demand outlook indicator has a meaningful positive correlation with ISM Manufacturing PMI (80% correlation) and ISM Manufacturing New Orders (72% correlation). We look at the relationship from July 2017 through July 2025. Our demand results are somewhat positively correlated with PMI and New Orders, albeit to a lower extent than our outlook indicator.

Exhibit 2: Strong correlation between outlook indicator and demand
We find an 80% correlation between outlook indicator and PMI



Source: BofA Global Research, Bloomberg
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Exhibit 3: Strong correlation between outlook indicator and New Orders
We find a 72% correlation between outlook indicator and New Orders

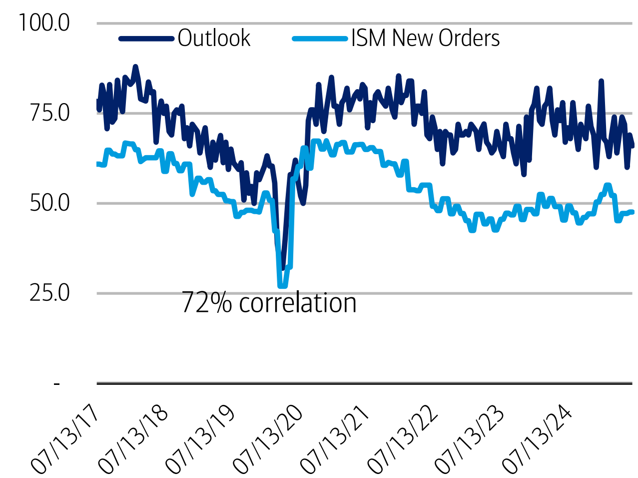

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Exhibit 4: Demand indicator and PMI somewhat correlated
We find a 36% correlation between demand indicator and PMI

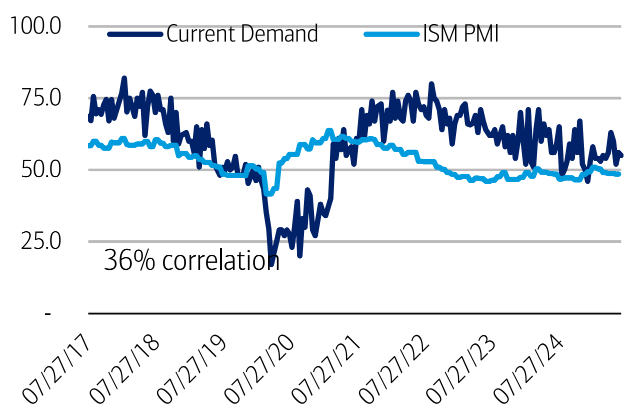

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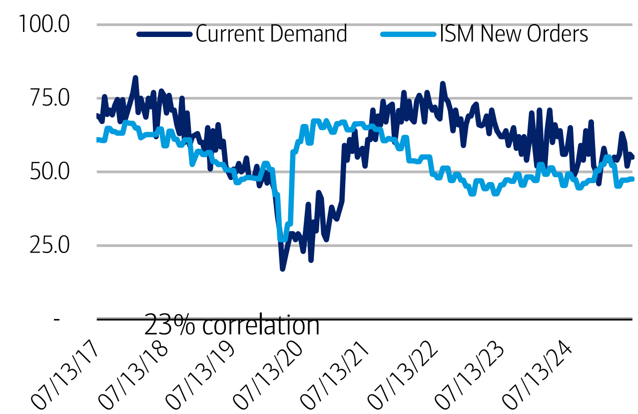
Exhibit 5: Demand indicator and New Orders somewhat correlated
We find a 23% correlation between demand indicator and New Orders



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North American demand vs. outlook

Exhibit 6: NA current demand 5/2018-6/2025
NA current demand reading improved this week

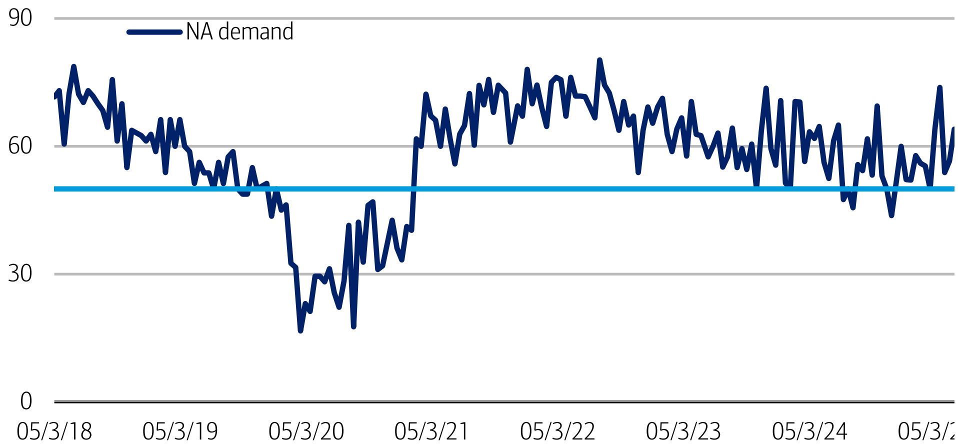

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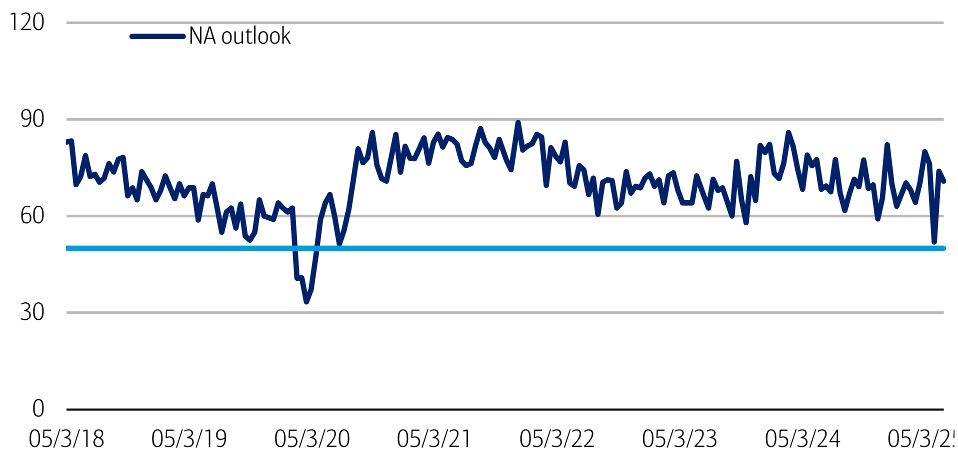
Exhibit 7: NA outlook 5/2018-6/2025
NA outlook decelerated this week



Source: BofA Global Research, company files

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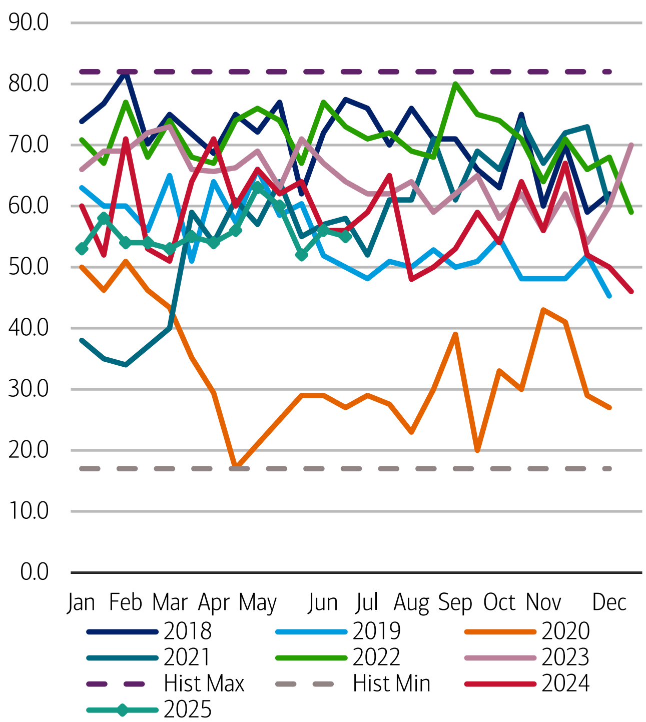
We analyze the data using our global demand indicator, which measures sentiment week-to-week through demand trends, pricing, and inventory levels. An indicator value greater than 50 marks improving sentiment, while below 50 marks deteriorating sentiment. To calculate the indicator value, we assign a value of +1 to responses of “better” demand, “too low” inventory levels, and “improving” pricing. “Same”, “normal”, and “flat” are assigned a value of 0, and “worse”, “too high”, and “declining” are assigned -1. We divide the sum of these values by the number of survey respondents, multiply by 50, and add 50 to get a value relative to our 50.0 baseline.

Question 1: Compared to the same time a year ago, is demand for fluid power products the same, better, or worse?

This week’s current demand indicator decelerated versus last survey, with the indicator coming in at 55.0 versus 56.0 prior. Improvement in NA was offset by deceleration in EMEA and APAC. Demand is positive on an absolute basis in NA, but negative in EMEA and APAC. EMEA had been positive last survey and APAC had been at breakeven levels. We note that the data may be noisy week-to-week due to the small sample size.

Exhibit 8: Current demand for fluid power products on stack basis (2018-2025)
Global demand decelerated to 55.0 from 56.0 prior



Source: BofA Global Research

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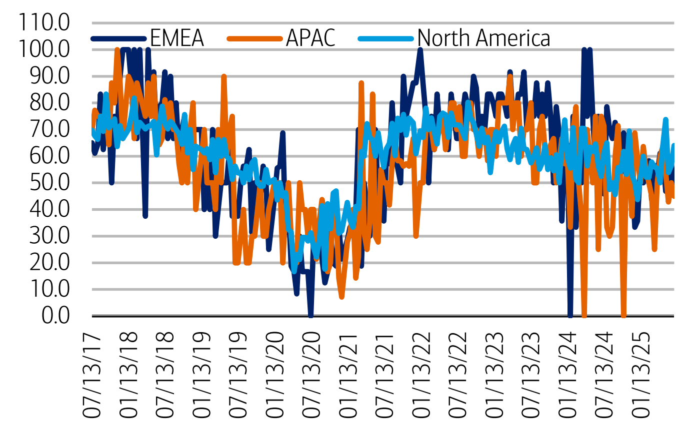
Exhibit 9: Demand improved in NA, but decelerated in EMEA and APAC
Demand is positive on an absolute basis in NA, but negative in APAC and EMEA



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Question 2: What are your expectations for demand for fluid power products over the next 12 months?

Demand outlook decelerated versus last survey, with the indicator reading coming in at 66.0 versus 69.0 prior. This was driven by deceleration in all three regions. Outlook is positive on an absolute basis in all three regions. Again, we note that the data may be noisy week-to-week due to the small sample size.

Exhibit 10: Demand outlook for fluid power products on stack basis (2018-2025)

Global outlook came in at 66.0 versus 69.0 prior

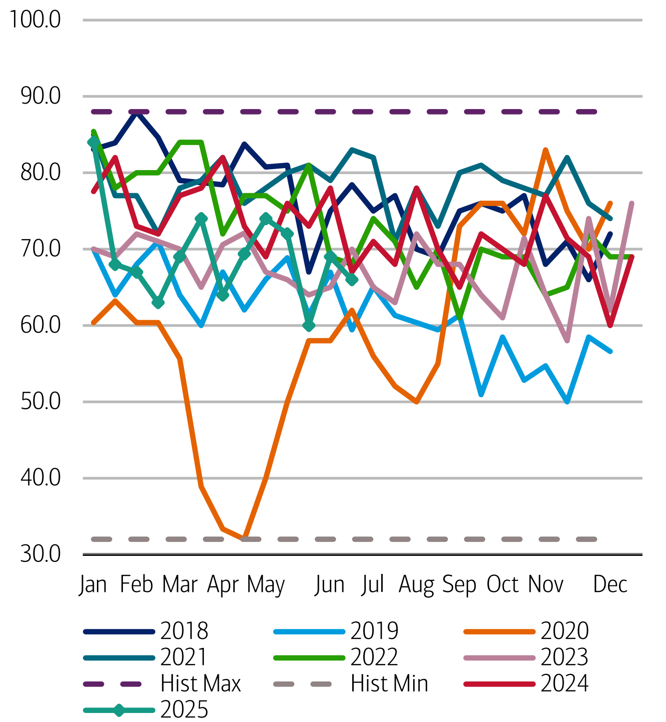

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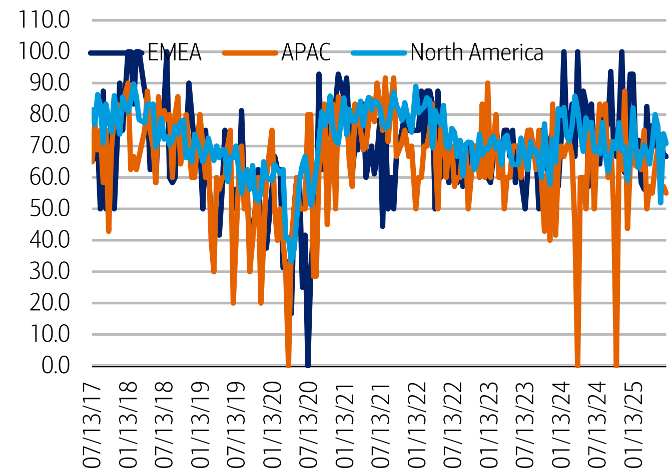
Exhibit 11: Outlook decelerated in all three regions

Outlook is positive in all three regions



Source: BofA Global Research

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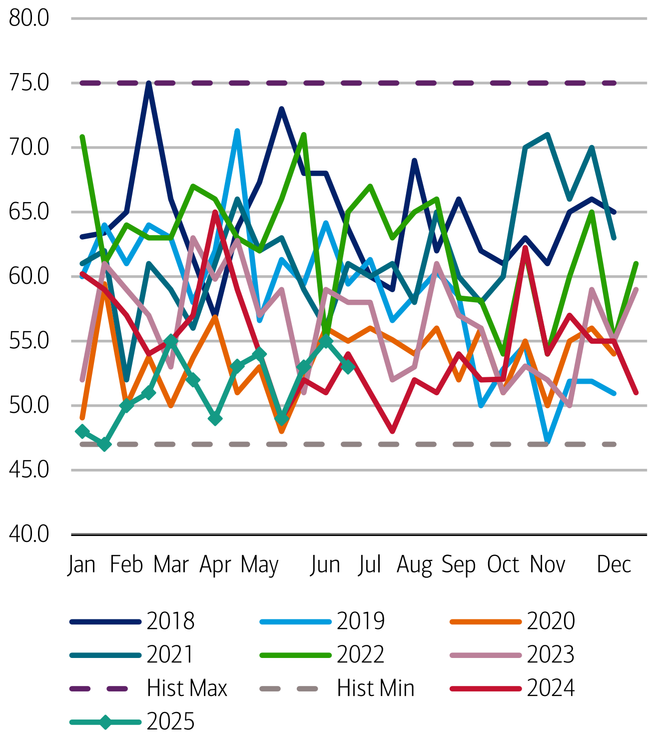
Question 3: How would you describe current inventory levels of fluid power products?

A reading greater than 50 indicates that more distributors perceive inventory levels are too low, whereas a reading below 50 indicates more distributors perceive inventory levels are too high. This week's inventory reading fell to 53.0 vs 55.0 prior. This suggests that inventory is perceived higher than last survey but perceived as too low on an absolute basis. Inventory is perceived as lower in APAC and EMEA and higher in NA. On an absolute basis, inventories are perceived as too low in NA and EMEA and breakeven in APAC. Again, we note that the data may be noisy week-to-week due to the small sample size.

Exhibit 12: Inventory level indicator reading on stack basis (2018-2025)

Global inventory indicator fell to 53.0 from 55.0 prior



Source: BofA Global Research

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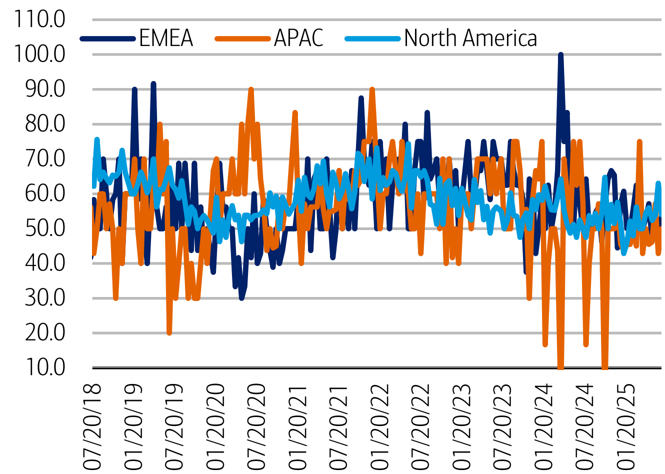
Exhibit 13: Inventories are perceived as higher in NA, lower in APAC and EMEA

Inventories are perceived as too low in NA and EMEA and breakeven in APAC



Source: BofA Global Research

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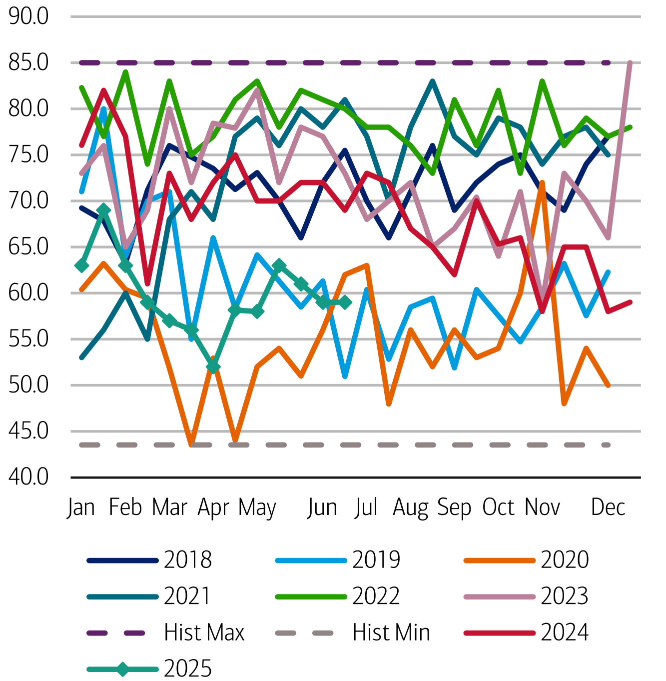
Question 4: How would you describe current pricing in the market for fluid power products?

Distributor pricing was flat with the prior survey at 59.0 versus 59.0 in the prior survey. Pricing improvement in NA and APAC was offset by deceleration in EMEA. Pricing is positive on an absolute basis NA and APAC, breakeven in EMEA. Again, we note that the data may be noisy week-to-week due to the small sample size.

Exhibit 14: Pricing power indicator reading on stack basis (2018-2025)
Global pricing reading was flat at 59.0 from 59.0 prior



Source: BofA Global Research

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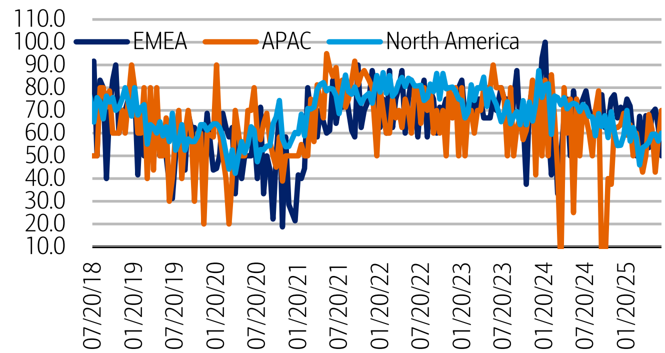
Exhibit 15: Pricing power improved in NA and APAC, decelerated in EMEA
Pricing is positive on an absolute basis in NA and APAC, breakeven in EMEA



Source: BofA Global Research

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Question 5: How are you dealing with tariffs?

Exhibit 16: Fluid power distributor comments

Price increases expected to increase

Commentary	Country
Passing on as we can on open orders, passing on all new orders.	USA
We have passed through all tariffs effective July 1.	USA

Source: BofA Global Research

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