

Pricing Trends/Market Size Insight for Rubber Products

## Quarterly Pricing Trends

The Producer Price Index (PPI) data presented here provide a snapshot in time of pricing trends for five common industrial product groups sold by NAHAD members. This report provides a national benchmark and comparison of the latest quarterly data with the previous quarter and the same quarter of the previous year. It represents trends in selling prices received by domestic producers and is a good barometer for inflationary pressures felt at the wholesale level.

During the third quarter of 2023, two products increased selling prices and experienced a positive increase from the previous year and quarter, yet the annual change had the most positive increase. Industrial Hose and Conveyor Belt pricing continues to show a decrease over the last year.

Product Categories	Quarterly % Change 2Q23:3Q23	Annual % Change 3Q22:3Q23
Hydraulic Hose	N/A	N/A
Industrial Hose	0.0	- 4.7
Conveyor Belt	- 0.8	+ 0.9
Transmission Belt	+ 0.2	+ 4.8
Seals & O-Rings	+ 0.4	+ 5.5

Source: Quarterly Producer Price Index, U.S. Bureau of Labor Statistics. For more detail on pricing trends methodology, see appendix at the end of this report.

Quarterly Pricing Trends:

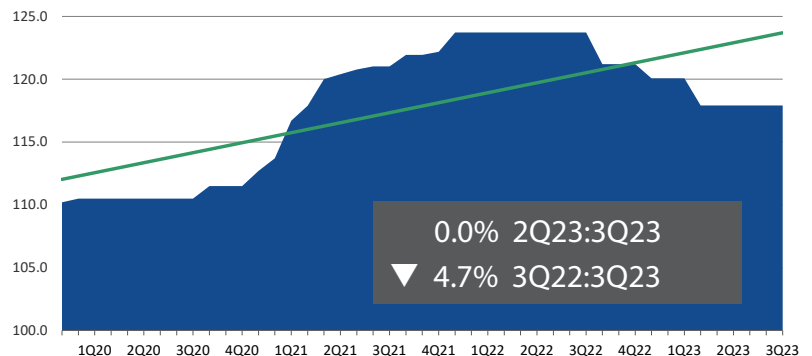
### Hose – Hydraulic/Industrial

- NOTE: the Hydraulic Hose Producer Price Index has not been updated by the Department of Labor and so is not included in this report.
- The Industrial Hose Price Index has been decreasing slightly each quarter since 3Q22 with a major drop in 1Q23 and has not changed over the course of 2023.

#### Hydraulic Hose

NOTE: The Hydraulic Hose Producer Price Index has not been updated by the Department of Labor and so is not included in this quarter's data

#### Industrial Hose

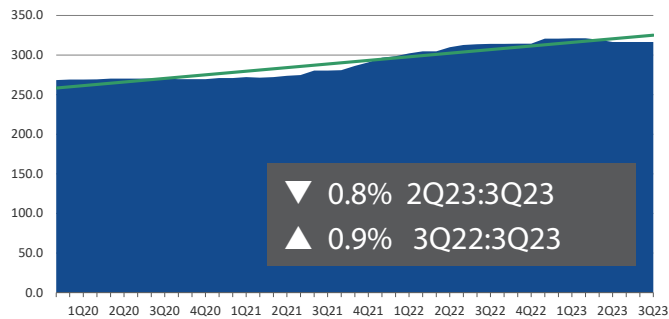


Quarterly Pricing Trends:

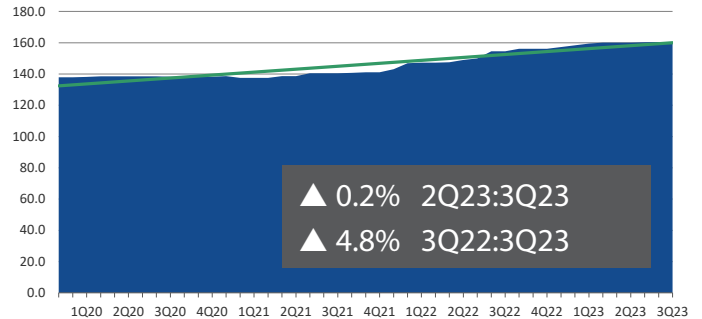
### Belt – Conveyor/Transmission

- Conveyor Belt pricing has continued to decrease in 2023 but hasn't changed since 2Q23.
- Transmission Belt pricing hit \$160M in 1Q23 but has stayed relatively flat over the last 2 quarters.

#### Conveyor Belt



#### Transmission Belt

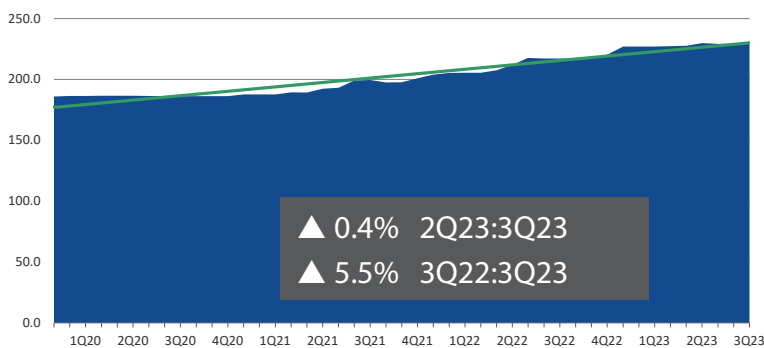


Quarterly Pricing Trends:

### Seals & O-Rings

- Pricing has continued to stay steady at \$229M since 2Q23.

#### Seals & O-Rings



The indices above are derived from the Producer Price Index, published monthly by the U.S. Bureau of Labor Statistics, which measures the average change over time in 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 wholesale distribution markets.

## Annual Market Size – Rubber Products

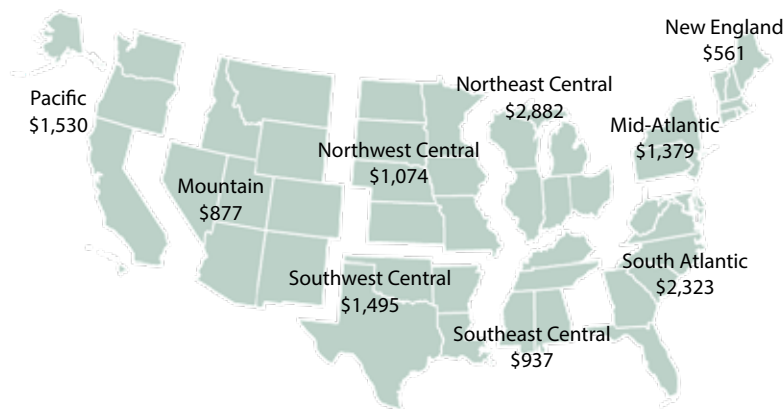
The overall annual market size decreased slightly from Q3 2022 to Q3 2023 and is estimated at \$13.1 billion. Only two markets continued to see positive changes: Hydraulic Hose and Transmission Belt.

Product Categories	2023 Estimated Market Size (in \$ Millions)	Annual % Change 3Q22:3Q23
Hydraulic Hose	\$2,834	+ 2.5%
Industrial Hose	\$2,935	- 5.4%
Conveyor Belt	\$2,514	- 9.8%
Transmission Belt	\$1,145	+ 3.8%
Seals & O-Rings	\$3,630	- 2.6%
<b>Total Market Potential</b>	<b>\$13,058</b>	<b>-3.2%</b>

Source: MDM Analytics

## Annual Market Size – Regions/Top 10 States (2023 data)

National Rubber Products Market Size = \$13.1 Billion



State	Total Demand (in \$ Millions)
California	\$1,041
Texas	\$1,037
Michigan	\$695
Ohio	\$670
Illinois	\$636
Florida	\$571
Pennsylvania	\$569
New York	\$525
Wisconsin	\$490
Georgia	\$446

All market size analysis in this report is based on five product categories defined at the end of this report. The data reflect estimates of end-use consumption, on an annual basis in U.S. dollars, for maintenance, repair, and operations (MRO) and original equipment manufacturer (OEM) business segments.

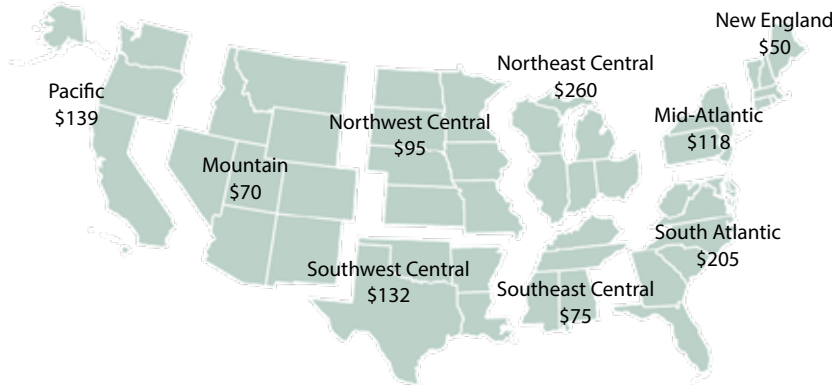
Each quarter, this page profiles a different product category to provide a more in-depth look at the size and make-up of the key customer segments for that category.

## Market Size Profile – Transmission Belt

The size of the Transmission Belt market is \$1.1 billion, according to estimates by MDM Analytics. This page profiles how demand for Transmission Belt segmented regionally, across the top 10 states by demand, and the top 10 customer sectors that consume Transmission Belt products. Market size is defined as the total available market at the end-user customer level, including a distributor margin estimate, to provide a “street” price estimate, in U.S. dollars.

### Market Size – Regions/Top 10 States (2023 data)

Transmission Belt Market Size = \$1.1 Billion



State	(in \$ Millions) Total Demand
California	\$96
Texas	\$91
Michigan	\$66
Ohio	\$58
Illinois	\$57
Florida	\$53
Wisconsin	\$49
New York	\$48
Pennsylvania	\$45
Georgia	\$39

### Annual Market Size – Top 10 Customer Segments (2023 data)

NAICS 6	Description	Transmission Belt (in \$ Millions)	Accounts
238210	Electrical Contractors and Other Wiring Installation Contractors	100	116,229
238220	Plumbing, Heating, and Air-Conditioning Contractors	83	195,920
541330	Engineering Services	69	98,732
333120	Construction Machinery Manufacturing	49	3,918
336110	Automobile and Light Duty Motor Vehicle Manufacturing	48	1,501
322120	Paper Mills	47	2,119
333415	Air-Conditioning and Warm Air Heating Equipment and Commercial and Industrial Refrigeration Equipment Manufacturing	34	2,666
236220	Commercial and Institutional Building Construction	27	57,217
333111	Farm Machinery and Equipment Manufacturing	25	3,168
336390	Other Motor Vehicle Parts Manufacturing	25	6,006

## Product Category Definitions

The market analysis in this report defines the following five product categories in the following manner, using standardized classifications based on the U.S. Census Bureau's NAICS product codes, as well as the U.S. Bureau of Labor Statistics (BLS) Producer Price Index Commodity Codes. See Methodology and Data Sources below for more detail.

**Hydraulic Hose –** This category is defined by BLS as All Other Hydraulic/Pneumatic Hose.

**Industrial Hose –** This category is defined by BLS as Industrial Rubber/Plastics Hose.

**Conveyor Belt –** This category is defined by BLS as Flat Rubber/Plastics Belts and Belting.

**Transmission Belt –** This category is defined by BLS as Rubber/Plastics Belts and Belting, except flat rubber, including motor vehicle rubber/plastics transmission belts and belting.

**Seals & O-Rings –** This category is defined by BLS as Packing and Sealing Devices, which includes compression packings, molded packing and sealing devices, rotary oil seals, and axial mechanical face seals and parts.

## Regional Territory Definitions

This report uses the nine statistical divisions defined by the U.S. Census Bureau. States included in each division:

Division 1: New England  
Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont

Division 2: Mid-Atlantic  
New Jersey, New York, Pennsylvania

Division 3: Northeast Central  
Illinois, Indiana, Michigan, Ohio, Wisconsin

Division 4: Northwest Central  
Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota

Division 5: South Atlantic  
Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia

Division 6: Southeast Central  
Alabama, Kentucky, Mississippi, Tennessee

Division 7: Southwest Central  
Arkansas, Louisiana, Oklahoma, Texas

Division 8: Mountain  
Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming

Division 9: Pacific  
Alaska, California, Hawaii, Oregon, Washington

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## Methodology & Data Sources

The data in this report was compiled by MDM Analytics, formerly Industrial Market Information, Inc., a subsidiary of Gale Media, Inc., Niwot, CO, using an econometrics model developed more than 30 years ago. MDM Analytics' databases provide information on the potential demand for a wide range of key industrial goods across the hundreds of industries encompassed by the North American Industry Classification System (NAICS) system for North America. The following is a general overview of the methodology used to develop MDM Analytics' key reports.

All market analysis in this report is based on five product categories defined above. The data reflect estimates of end-use consumption, on an annual basis in U.S. dollars, by maintenance, repair, operations and production (MROP) accounts, and original equipment manufacturer (OEM) accounts.

First, a total market size for each product category is established using the U.S. Census Bureau's five-year Economic Census together with its Annual Survey of Manufacturers. This mandatory survey of U.S. manufacturers is conducted at a granular product level using standardized NAICS-based product codes, which MDM Analytics aggregates into specific product class and category groupings. Imports-Exports are then factored and a distributor margin is added to estimate an end-user customer, or "street-level," market sizing nationally.

Consumption rates for MRO products at a given account location are largely driven by the type of manufacturing or unique industry-sector processes and number of employees at a location. This demand relationship can be used to model market potential for defined territories at the county level and higher based on a territory's unique composition of industries and the number of employees in those industries.

Continued next page

MDM Analytics' proprietary statistical model segments the national demand for each product category based on its unique historical consumption patterns by each 6-digit NAICS industry sector. Then the total employment of each industry is divided into the total annual market size to arrive at the dollar-per-employee ratio. Market potential can then be estimated by modeling the types of end-market industries and their size in a given territory. In effect, the "DNA" of a territory and its estimated consumption patterns for defined industrial product categories can be estimated.

This NAHAD Markets Monitor report updates market size estimates annually based on change in employment by sector at a county level, as well as a proprietary model using a number of industry sector indices for manufacturing, construction, mining and energy sectors. U.S. employment is measured by 6-digit NAICS industry sector at a county level, sourced through a combination of U.S. Bureau of Labor Statistics, Dun & Bradstreet and private databases. Annual market size estimates are revised with additional input and validation from annual

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### Quarterly Pricing Trends Methodology

Data presented here provide a snapshot in time of wholesale pricing trends in five common industrial product groups sold by NAHAD members. The report provides comparison of the latest quarterly data with the previous quarter and the same quarter of the previous year.

The NAHAD Markets Monitor quarterly pricing trends report is based on the Producer Price Index (PPI) 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 method developed after consulting with the BLS.

The PPI program measures the average change over time in 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 (North American Industry Classification System).

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. 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](http://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.

MDM Analytics does not encourage or discourage the use of price adjustment measures in purchase and sales agreements.

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888-742-5060  
analytics@mdm.com  
[www.mdm.com/mdm-analytics/](http://www.mdm.com/mdm-analytics/)

Produced for: The National Association for Hose and Accessories Distribution, 180 Admiral Cochrane Drive, Suite 370, Annapolis, MD 21401.

Phone: 410-940-6350  
800-624-2227  
[www.nahad.org](http://www.nahad.org)