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Presented by  **FERGUSON**

The U.S. Trade Representative (USTR) has proposed to broaden the scope of tariffs on Chinese-made goods in response to China's tariffs on U.S. imports.

Ferguson does not anticipate any shortages of material. However, the increased tariffs will result in price increases. To better support you, we are proactively contacting all our vendor partners to understand how they will manage price increases including existing job contracts. At this time, our vendors are unclear when/if and at what rate these tariffs will be imposed.

Here are the steps we will take given the information we have today:

- 1) Unless otherwise noted on seller's quotation, all prices are subject to change at any time.
- 2) We will continue to competitively quote these products based on our cost. If the tariffs are imposed, we will have no choice but to pass these costs on to the market.
- 3) To be clear, if/when the tariffs are imposed, Ferguson will be forced to price these products based on the cost at the time of shipment.

Our priority is to provide you with access to products at a competitive price, with no disruption in supply. We appreciate your loyalty and understanding as we manage this changing business environment. If you have questions concerning upcoming jobs or existing quotes, please speak with your Ferguson sales associate to help plan your business.

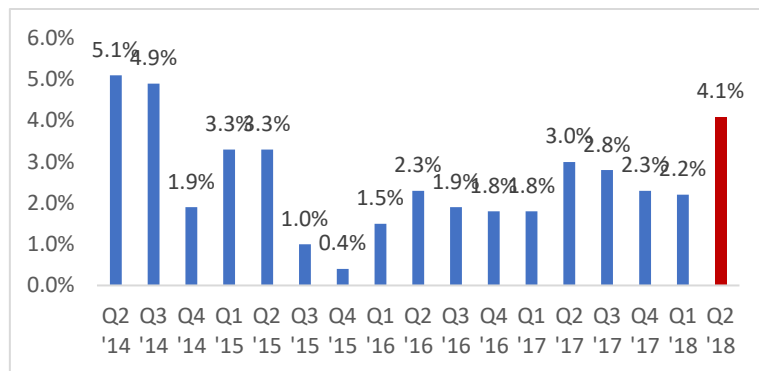
Thank you for your continued partnership.



Economic Summary

Second quarter GDP grew at 4.1% U.S.

Real GDP Annualized Growth

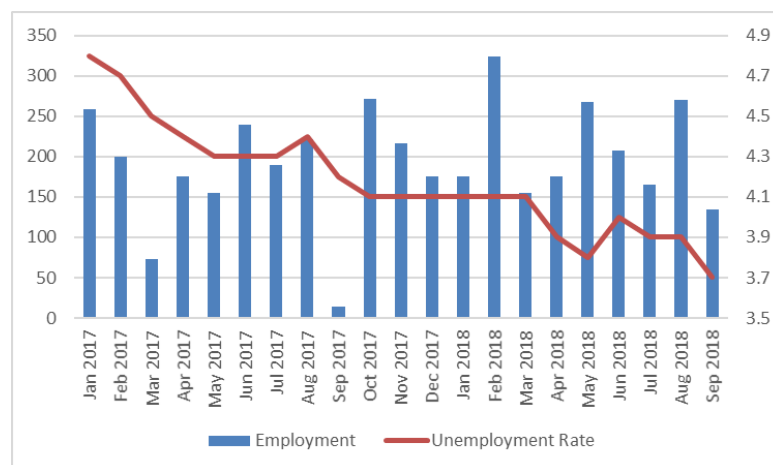


Recent Trend: ↑

U.S. real gross domestic product for the second quarter rose at a 4.2% annualized rate. A downward adjustment to private inventory investment was offset by small upward revisions to many other components. The boom in second quarter growth was led by consumer spending, exports and federal and state government spending. Consumer spending rose 3.8% in the second quarter.

U.S. job growth remains solid in July

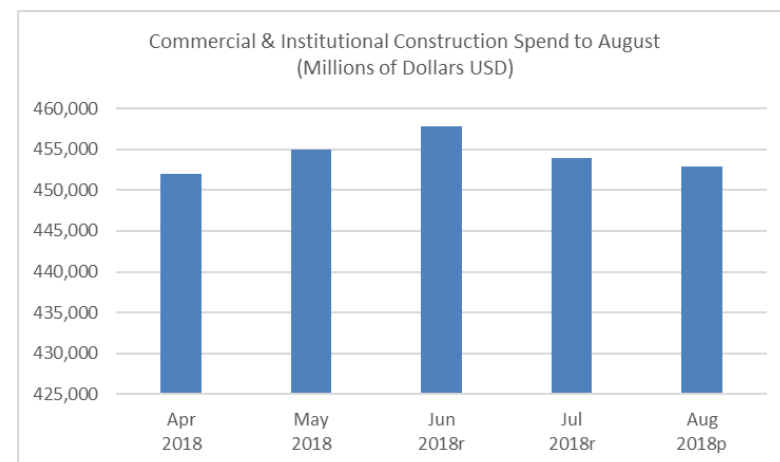
Jobs Added and Unemployment Rate



Recent Trend: ↑

The U.S. jobless rate dropped to 3.7 percent in September — the lowest since 1969, though the economy added a lower-than-expected 134,000 jobs. The jobless rate fell from August's 3.9 percent. Average earnings rose 8 cents, to \$27.24 per hour last month, but wage growth slowed, with average hourly earnings up 2.8 percent from a year earlier, compared with a 2.9 percent increase in August. The economy has now added jobs for nearly eight straight years.

Commercial & Institutional Construction Spend



Recent Trend: FLAT

Commercial and Institutional Spend fell modestly in August by 0.2 points but remained 4.8% above August 2017.

Simultaneously, billings at US architecture firms saw a healthy jump in August, a positive sign as firms enter what is traditionally a seasonal slowdown. While project inquiries were also healthy, new design contracts coming into architecture firms saw a rare—although very modest—decline. This was the first monthly decline in new work coming into firms in almost two years.

Commodity Pipeline

Hot Rolled Coil - Domestic

On September 4th, 2018 hot rolled coil pricing opened the month at \$860.00 per net ton. Pricing oscillated up and down toward the beginning of the month before sliding back toward \$860.00 on 9/18/18. Pricing rallied again before dropping significantly on 9/26/18 down to \$842.00 from \$862.00 on 09/25/18. September 2018 closed out at \$841.00 on 9/28/18, the low price for the month being \$840.00 on 9/27/18. The average price for September 2018 was \$859.63, down significantly from the August 2018 average of \$893.87.

Carbon Steel Weld Fittings and Flanges

Domestic carbon steel weld fitting and flange pricing has increased. Tube Forgings of America (TFA) implemented an increase on 3/19/18 and an additional increase on weld caps only on 6/4/18. Hackney-Ladish had an increase in March and then increased again in May. Weldbend implemented a list price increase for carbon steel fittings and flanges on 3/18/18 which was the first price increase in 10 years. There was another list price increase for carbon steel flanges only on 5/27/18. Boltex increased their prices in February and May for carbon steel flanges.

Generic import/global non-approved carbon steel weld fittings and flanges continue to be priced higher due to several factors. The recent countervailing duty levied to carbon steel weld fittings from Malaysia has the market in turmoil. The master distributors appear to be protecting their inventory as they are more focused on replacement cost and availability issues. List prices increased for both fittings and flanges in March and then we had a list price increase in July just for flanges. Approved/Western European carbon steel weld fittings and flange list pricing (where demand remains strong) are following the latest domestic changes as driven by TFA/Hackney-Ladish and Boltex in May 2018.

Carbon Steel Pipe

Market pricing had been steadily trending upward for both domestic and import carbon steel pipe over the past 5 months due to the implementation of the Section 232 tariffs in March 2018. In recent weeks however, we have seen prices soften in some markets due to inventories on the ground being high and demand remaining relatively flat. Additionally, heavy inventories on the ground have driven market pricing down. These conditions are favorable for pricing to potentially decrease after the steady increases over the past few months.



Plastic Pipe and Fittings:

Prices have increased for Schedule 40, PR160 & PR200 PVC pipe. We are following the PVC pipe price sheet dated October 1st that was announced by Charlotte Pipe Company. There was a decrease in published prices for the October 1st sheet compared to the August 1st sheet but there was a reduction in discount structure that resulted in a net overall price increase. The previous sheet for Schedule 40, PR160 & PR200 PVC pipe was dated August 1st. Schedule 80 PVC pipe and ABS pipe did not increase on the October 1st, August 1st, or the July 2nd sheets. ABS pipe has remained relatively stable since the last significant increase in March. Gasketed PVC pipe prices has also been relatively stable for the past month with some markets up slightly. Multiple PVC-DWV and ABS-DWV fitting manufacturers are following the September 4th List Price sheet. We are nearing the end of the hurricane season and to this point, disruptions in supply because of hurricanes or natural disasters have been minimal.

Stainless Steel Pipe:

Domestic A269 and A270 SS Welded Tube market pricing decreased again slightly (less than 1%) from August 2018 to September 2018. This trend is likely to continue from September 2018 to October 2018 with surcharges dropping.

Commodity Nickel pricing on 09/28/18 was \$5.66, a decrease from the \$5.90 price on 8/31/18. For the last 12 months (10/09/17 through 10/08/18) nickel prices averaged \$5.98 (an increase from the past rolling 12-month average of \$5.91) fluctuating between the low price of \$4.62 and the high price of \$7.14. 304L flat rolled coil priced at \$1.4858 on 10/03/18, down from the \$1.5555 price point on 08/23/18. 304L scrap was priced at \$.5450 on 10/04/18, down from the \$.5750 price point on 08/30/18. To date (10/09/18), the average nickel price for 2018 is now \$6.18. The average nickel price in 2017 was \$4.73, 2016 \$4.36, 2015 \$5.37, and 2014 \$7.65.

Both global/import pipe and domestic pipe pricing is likely to decrease in the coming months with surcharges and nickel dropping. Nickel demand in 2018 had been forecast to grow but, at present, nickel pricing is trending downward.

Copper Tube

Comex pricing opened the month of September at \$2.65/lb. and closed for the month of September at \$2.79/lb. The average price for September was \$2.69/lb. which was the same average per pound for August. Pricing fluctuated in September between the high of \$2.84/lb. and the low price of \$2.58/lb. Pricing tended to be stable throughout most of September.