

# Bulletin

January 2007 Retail Sales • Released March 21, 2007

## A GOOD START FOR 2007

Overall, January retail sales yielded a good start for 2007. All Stores gained 6.4% and All Stores Less Automotive, Food, and Pharmacies gained 7.9%. Gift card redemption is perhaps one of the main drivers behind the strong sales figure, along with a healthy economy and some interesting weather patterns.

Pharmacies and Personal Care Stores led the pack. Sales growth soared an impressive 13.2% over January 2006. Introducing larger store formats, extending into grocery products, and adding upscale health and beauty products pushed sales in this category.

Clothing and Accessories Stores experienced extraordinary growth of 12.3% compared to last year thanks to a combination of discounted winter clothes, stylish fashions, and gift card redemption. An extended holiday for kids meant more money was spent on family clothing. In addition, women's boots sold well in spite of the warm weather as consumers bought boots for style over function.

On the other hand, sales in Sporting Goods, Hobby, Music, and Book Stores (2.9%) were dampened by the warm weather. Skis, snowboards and related snow products suffered badly in sales. Music and Book Stores sales were still depressed facing mounting competition from supermarket chains and downloaded music from the Internet. HMV Group PLC announced that it is going to review its overall business strategy.

Mild weather in early January in Eastern Canada helped the outdoor construction work as shown by a strong sales increase (12.2%) in

Building and Outdoor Home Supplies Stores. Contrary to our neighbour in the south, Canada's housing market remains strong. According to CMHC Housing Outlook report, 2007 and 2008 will be a soft landing for housing starts. However, the market is predicted to grow at a moderated pace compared to previous years.

A persistently strong property market fared well for Furniture, Home Furnishings, and Electronics Stores. The category gained 7.3% buoyed by very strong Computer, Software, Home Electronics, and Appliance Stores sales (8.5%). Flat-panel Televisions and Apple products are still hot sales items in January as are the game consoles such as Wii and PS3.

Food and Beverage Stores had moderate sales growth in January. Sales gained 4.1% compared to last year. Loblaw Co. Ltd. announced that it lost money in 2006 for the first time in 19 years, and indicated it may have to write down its Provigo chain further this year.

Across the country, sales in Western Canada continued to grow faster than the Eastern half.

The Prairies grew by 12.3% over last year, followed by British Columbia (6.7%). Early in 2006, Alberta's retail sales surpassed BC despite a population differential of 0.82 million. It is expected that in 2007, the three Prairie Provinces will surpass Quebec's retail sales despite a wide population differential of 2.1 million.

Looking ahead, we expect to see more comings and goings in the retail landscape. Forever 21 is expecting to open more stores in Canada besides its recently opened store in Edmonton. Gap is consolidating. Lowe's is expected to open seven stores in Canada in the next couple of years. Further ahead, Crate & Barrel is expected to enter Canada in 2008. In addition, many big box retailers are eyeing downtown spaces.

Note, we have added a special report to our bulletin this month highlighting the new 2006 census information and the impact on retail.

**RELEASE DATE OF THE NEXT  
NATIONAL RETAIL BULLETIN**  
April 20, 2007.

### Please note:

The J.C. Williams Group National Retail Bulletin compares the latest monthly release of "raw" (i.e., unadjusted for seasonality) retail sales figures to those in the *same calendar month of the previous year*. Statistics Canada also reports seasonally adjusted sales that are compared to the *previous month within the current calendar year* to measure change in Gross Domestic Product (GDP). Although other sources use seasonally adjusted figures, J.C. Williams Group believes that using raw figures and making comparisons to the previous year's performance more accurately reflects the seasonality of the retail industry and, therefore, are more useful in analysis.

## Retail Sales by Store Category

Sales for the Month of: January	2007	2006	2007/2006
<b>All Stores</b>	<b>27,857.3</b>	<b>26,178.2</b>	<b>6.4%</b>
Automotive	9,178.5	8,743.6	5.0%
<b>All Stores Less Automotive</b>	<b>18,678.8</b>	<b>17,434.6</b>	<b>7.1%</b>
Food and Beverage Stores	6,615.1	6,352.1	4.1%
Pharmacies and Personal Care Stores	2,255.9	1,993.0	13.2%
<b>All Stores Less Automotive, Food, Pharmacies</b>	<b>9,807.9</b>	<b>9,089.5</b>	<b>7.9%</b>
<b>General Merchandise Stores</b>	<b>3,160.4</b>	<b>2,966.0</b>	<b>6.6%</b>
<b>Furniture, Home Furnishings and Electronics Stores</b>	<b>2,143.3</b>	<b>1,997.3</b>	<b>7.3%</b>
Furniture and Home Furnishings Stores	1,148.6	1,080.1	6.3%
Computer, Software, Home Electronics, and Appliance Stores	994.7	917.2	8.5%
<b>Clothing and Accessories Stores</b>	<b>1,456.3</b>	<b>1,297.4</b>	<b>12.3%</b>
Clothing Stores	1,133.0	1,003.1	12.9%
Shoes, Clothing Accessories, and Jewellery Stores	323.3	294.3	9.9%
<b>Sporting Goods, Hobby, Music, and Book Stores</b>	<b>780.0</b>	<b>757.8</b>	<b>2.9%</b>
<b>Building and Outdoor Home Supplies Stores</b>	<b>1,564.1</b>	<b>1,394.5</b>	<b>12.2%</b>
<b>Miscellaneous Store Retailers</b>	<b>703.7</b>	<b>676.6</b>	<b>4.0%</b>

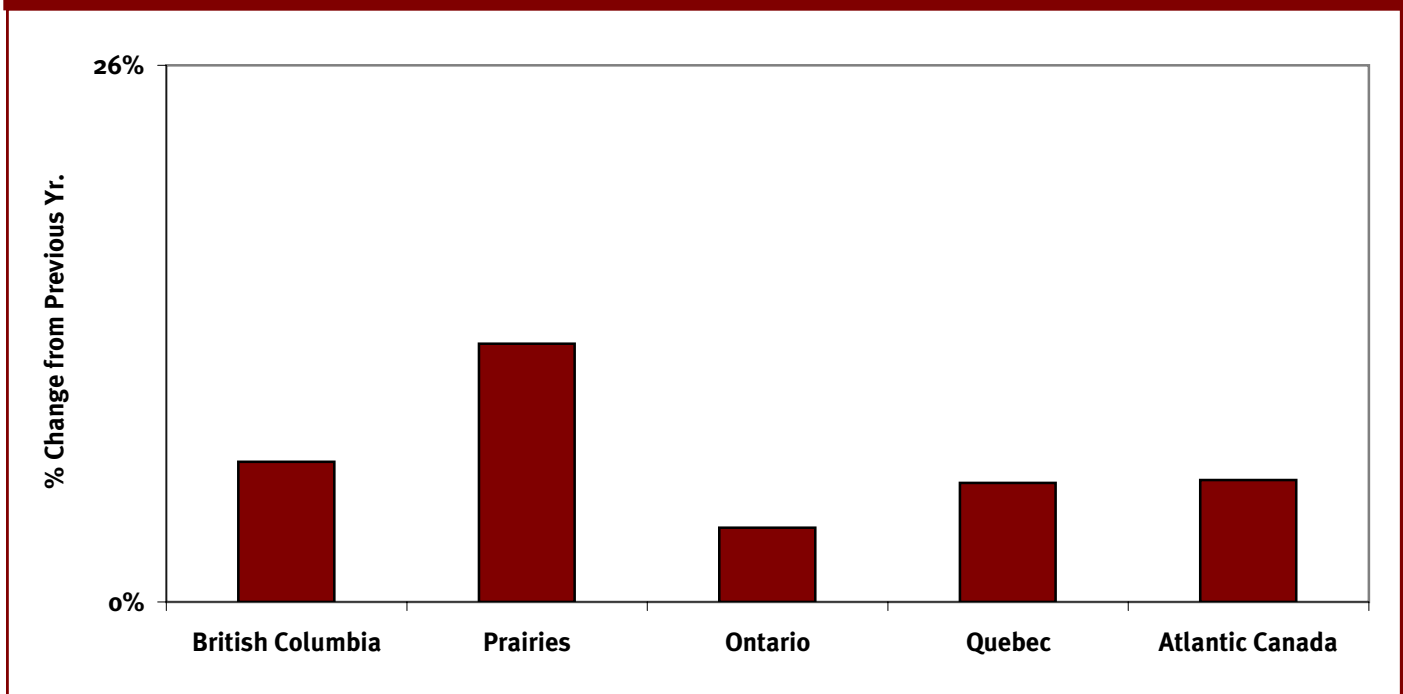
Year-to-date Sales	2007	2006	2007/2006
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ALL DOLLAR VALUES EXPRESSED IN MILLIONS OF CANADIAN DOLLARS; UNADJUSTED FIGURES; SOURCE: STATISTICS CANADA

## Retail Trade, Canada, All Stores, by Region

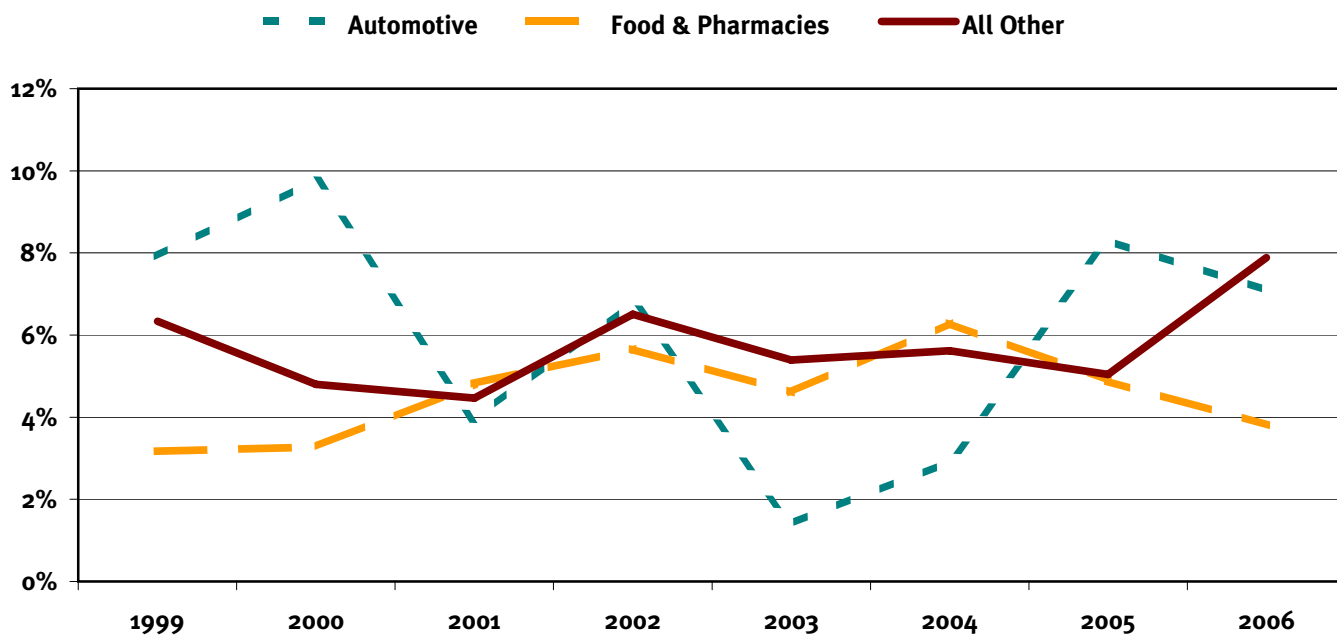
	Year-to-date 2007	Same Period 2006	Change 2007/2006
British Columbia	3,934.7	3,687.7	6.7%
Prairies	5,933.1	5,281.0	12.3%
Ontario	9,972.8	9,631.4	3.5%
Quebec	5,987.2	5,664.4	5.7%
Atlantic Canada	1,932.1	1,825.8	5.8%

### Percentage Change in Retail Trade, All Stores, By Region Year-to-date Compared to Same Period Last Year

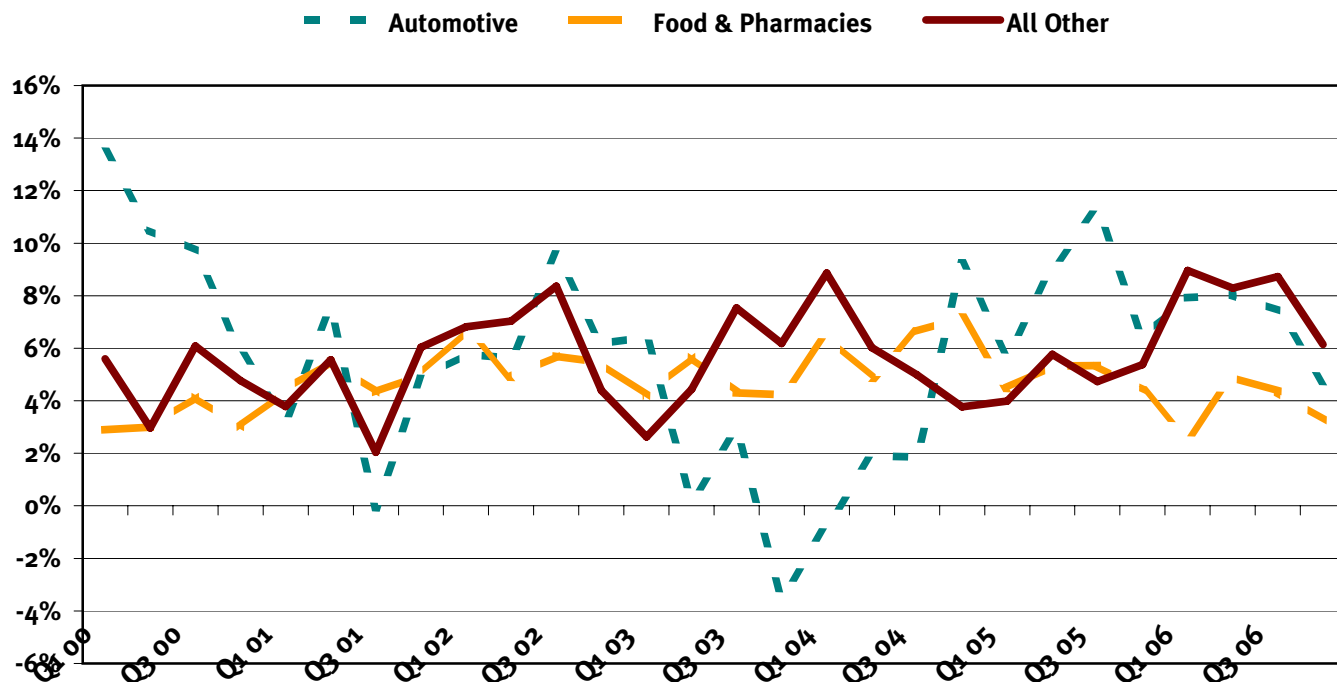


For more detailed information on retail sales, please contact J.C. Williams Group

Canadian Retail Sales by Major Product Category, Year Over Year (1999–2006)



Canadian Retail Sales by Major Product Category, From the Same Quarter a Year Earlier



Consumer Price Index

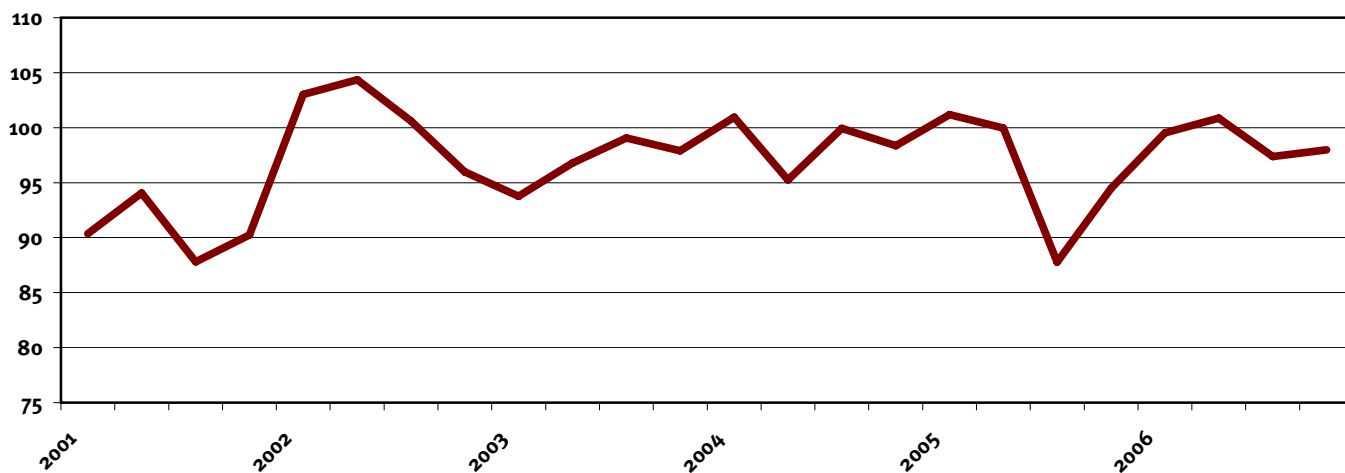
February 2007

vs.

February 2006

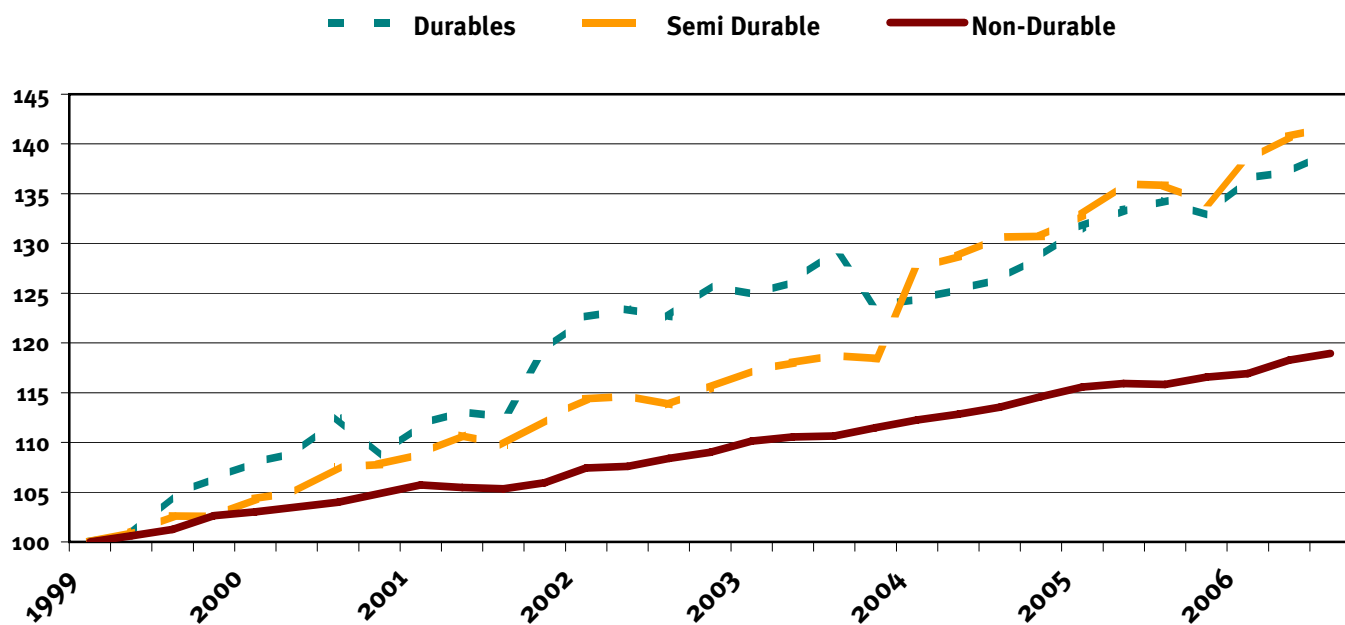
2.0%

Canadian Consumer Confidence Index 2001–2007



Source: Conference Board of Canada, 2002 = 100

Canadian Consumer Expenditures Index 1999–2006



# Bulletin

## 2006 Canadian Census Supplement

On March 13, 2007, Statistics Canada released its first instalment of the 2006 Census results. Although solely focused on population growth, the data provided many valuable insights into the changes that are occurring across the Canadian landscape. In this special supplement, we highlight a number of these points and their implications for retailers.

### IMMIGRATION PROPELS CANADA'S POPULATION

The Canadian population grew 5.4% between 2001 and 2006 to reach 31.6 million. This growth was largely driven by immigration. According to Statistics Canada, approximately 1.2 million immigrants came to Canada during that period, with the bulk hailing from China, India, the Philippines, and Pakistan. Geographically, 55% of immigrants settled in Ontario, another 17% headed to Quebec, and 16% chose British Columbia as their new home.

As Canadian consumers continue to represent an increasingly diverse cross-section of ethnic groups, retailers need to be aware of the changes that are occurring, and particularly the centres in which new immigrants are congregating. In order to reap the benefits of these shifts, retailers must gain a better understanding of the cultural differences and nuances that distinguish these various groups. A central element of being able to serve these consumers will entail learning their dialects, tastes, and values.

### URBANIZATION CONTINUES

With immigrants showing a greater propensity to settle in urban areas, their role

in fuelling overall population growth underpins that fact that at the end of 2006, 81% of Canadians resided in large urban areas, referred to as CMAs (Census Metropolitan Areas) or medium-sized CAs (Census Agglomerations). The 2006 census results indicate that Canada's population is concentrated in four areas in particular: the Greater Golden Horseshoe region around Toronto, the Vancouver/Victoria mega region, the Montréal mega region, and the Calgary-Edmonton corridor. Together, these four mega regions account for 53% of Canada's population and 77% of the growth seen since the last census.

With over one-half of the population concentrated in these four regions, retailers are able to get a larger bang for their buck by concentrating on these areas. This, however, does not suggest that retailers should ignore the remainder of the country, but rather their efforts must focus on regions that will provide the optimal return on their investment. For American retailers looking to enter Canada, these core markets can provide an effective means of gaining momentum north of the border without becoming overwhelmed by the country's sprawling geography.

### HIGH GROWTH POCKETS WITHIN URBAN CENTERS

Even within large urban centres, the level of growth varies significantly. For example, in the Greater Toronto Area (GTA), high growth was observed around the Bloor West and Queen's Quay neighbourhoods as a flurry of new condominiums have been erected in recent years. This was offset by lower growth levels in other areas of the city

where household size shrunk as baby boomers became empty nesters. On the outskirts of the GTA, significant growth was seen in centres such as Milton (71%) and Brampton (33%). Another notable region is Barrie, whose 19% growth rate was almost four times the national average.

In light of these mixed growth patterns, retailers need to adopt a targeted approach to reach their audience. For instance, Sobeys recently launched three Sobeys Express locations in Downtown Toronto in order to serve dense urban neighbourhoods whose populations are becoming increasingly affluent and time-starved. At the other end of the spectrum, Wal-Mart has opened seven SuperCentres in an attempt to cater to the needs of rapidly growing suburban communities such as Stouffville, Brampton, and Vaughn.

As American retailers like Wal-Mart continue to blanket the nation with unprecedented fervour, competition is becoming increasingly fierce across all categories. Success in this challenging retail climate will be awarded to those who leverage consumer trends in crafting targeted, forward-looking strategies. Be sure to look towards our upcoming supplements for insight into retailer implications as Statistics Canada continues to release data from the 2006 census.

RELEASE DATE OF THE NEXT

**2006 CANADIAN CENSUS SUPPLEMENT**  
July 24, 2007.