

# Bulletin

November 2006 Retail Sales • Released January 23, 2007

## A NOVEMBER TO REMEMBER AS WAL-MART GETS SUPERSIZED

Despite the festive season, retailers grumbled as sales stumbled, rising only 5.3% in November. As growth fell -1.3 percentage points behind the 6.6% increase seen year-to-date, November showed cooler results in comparison to the heated summer growth.

Unemployment crept upward to 6.3% with more Canadians entering the labour market. Regardless, housing starts continued to make marginal gains and surpassed expectations given the slowdown south of the border. Furniture and Home Furnishings Stores built on this momentum as they saw an 8.2% increase in sales. Unseasonably warm weather also contributed to the 8.1% growth enjoyed by Building and Outdoor Home Supplies Stores as Canadians continued to renovate in anticipation of the holidays.

Clothing and Accessories Stores found their shelves left bare as sales rose 6.5%. This figure fell -0.8 percentage points behind the 7.3% growth seen year-to-date as warm weather sparked winter apparel discounts and saw prices shed -0.8%. This category garnered a great deal of exposure in November as LaSenza's sale to Limited Brands saw Canada stripped of one of its leading apparel retailers. This news could mean a makeover for the chain as Limited Brands considers entering Canada. It could also revive LaSenza's aspirations to expand into the U.S.

Another American retailer made waves in November as Wal-Mart unveiled three Canadian supercentres. With aggressive expansion plans, they're betting that their

EDLP which rewrote the ABCs of FMCG will transform how Canadians buy groceries and meat. With 200,000 square feet of merchandise, these new stores allow time-starved consumers to buy their cake and even shoes. Wal-Mart Canada eagerly waits to see if beefing up their grocery will be the yeast that helps them raise more dough.

Wal-Mart's aggressive move comes as Supermarket sales have suffered from indigestion in recent months, climbing only 0.8% year-to-date. November's Food and Beverage sales saw a 3.8% jump, thanks in large part to robust Convenience and Specialty Store performance. In a tale akin to David and Goliath, these small retailers have effectively leveraged their market niches and seen sales rise 11.0% year-to-date.

Metro also showed resilience amidst adversity as their first quarter profits more than doubled in 2007, reaching \$67.9 million.

Unfortunately, things seem to have turned sour at Loblaw as they have announced a \$120 million inventory liquidation and as many as 1,000 layoffs in conjunction with significant

restructuring. This rapidly evolving landscape has many wondering whether Canadian grocers will rise to the challenge of Wal-Mart's supercentres or if their traditional strategies have left them "out to lunch".

One Canadian retailer that has adeptly navigated the rise of discounters is Shopper's Drug Mart. Their new store formats have allowed a successful expansion into key grocery categories and driven strong sales increases. Their growth underlies the 11.3% jump in Pharmacies and Personal Care Stores sales seen in November. Shoppers Drug Mart has also leveraged their competencies in cosmetics and fragrances in order to target department stores' weakness in these areas. The result is that they've never looked better and are basking in the sweet scent of success. As supercentres and wholesale clubs continue to grow, Canadian retailers will have to follow their lead and develop focused strategies that meet the unique needs of their consumers.

## RELEASE DATE OF THE NEXT NATIONAL RETAIL BULLETIN

February 21, 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: November	2006	2005	2006/2005
<b>All Stores</b>	<b>32,679.6</b>	<b>31,027.6</b>	<b>5.3%</b>
Automotive	10,479.2	10,047.5	4.3%
<b>All Stores Less Automotive</b>	<b>22,200.4</b>	<b>20,980.1</b>	<b>5.8%</b>
Food and Beverage Stores	7,132.8	6,869.8	3.8%
Pharmacies and Personal Care Stores	2,306.7	2,073.4	11.3%
<b>All Stores Less Automotive, Food, Pharmacies</b>	<b>12,760.9</b>	<b>12,036.9</b>	<b>6.0%</b>
<b>General Merchandise Stores</b>	<b>4,342.7</b>	<b>4,157.3</b>	<b>4.5%</b>
<b>Furniture, Home Furnishings and Electronics Stores</b>	<b>2,511.1</b>	<b>2,334.3</b>	<b>7.6%</b>
Furniture and Home Furnishings Stores	1,382.2	1,277.9	8.2%
Computer, Software, Home Electronics, and Appliance Stores	1,128.9	1,056.4	6.9%
<b>Clothing and Accessories Stores</b>	<b>2,075.0</b>	<b>1,948.2</b>	<b>6.5%</b>
Clothing Stores	1,603.5	1,502.7	6.7%
Shoes, Clothing Accessories, and Jewellery Stores	471.4	445.5	5.8%
<b>Sporting Goods, Hobby, Music, and Book Stores</b>	<b>890.1</b>	<b>849.0</b>	<b>4.8%</b>
<b>Building and Outdoor Home Supplies Stores</b>	<b>2,119.0</b>	<b>1,961.0</b>	<b>8.1%</b>
<b>Miscellaneous Store Retailers</b>	<b>823.0</b>	<b>787.0</b>	<b>4.6%</b>

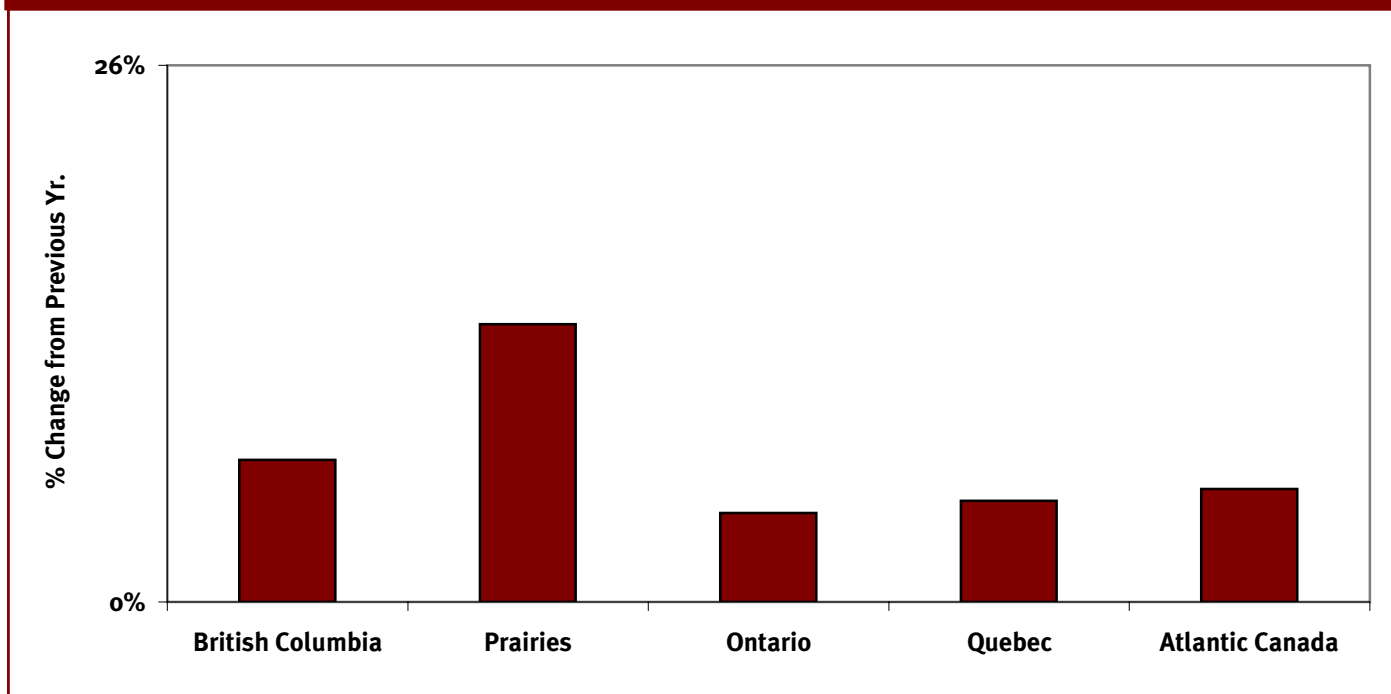
Year-to-date Sales	2006	2005	2006/2005
<b>All Stores</b>	<b>352,787.2</b>	<b>331,014.9</b>	<b>6.6%</b>
Automotive	124,725.8	116,319.5	7.2%
<b>All Stores Less Automotive</b>	<b>228,061.4</b>	<b>214,695.4</b>	<b>6.2%</b>
Food and Beverage Stores	79,077.5	77,546.4	2.0%
Pharmacies and Personal Care Stores	23,892.2	21,493.8	11.2%
<b>All Stores Less Automotive, Food, Pharmacies</b>	<b>125,091.7</b>	<b>115,655.2</b>	<b>8.2%</b>
<b>General Merchandise Stores</b>	<b>40,679.9</b>	<b>37,958.4</b>	<b>7.2%</b>
<b>Furniture, Home Furnishings and Electronics Stores</b>	<b>24,222.9</b>	<b>22,184.9</b>	<b>9.2%</b>
Furniture and Home Furnishings Stores	13,442.5	12,250.1	9.7%
Computer, Software, Home Electronics, and Appliance Stores	10,780.4	9,934.7	8.5%
<b>Clothing and Accessories Stores</b>	<b>19,308.7</b>	<b>17,999.6</b>	<b>7.3%</b>
Clothing Stores	14,839.4	13,853.5	7.1%
Shoes, Clothing Accessories, and Jewellery Stores	4,469.3	4,146.1	7.8%
<b>Sporting Goods, Hobby, Music, and Book Stores</b>	<b>8,607.3</b>	<b>8,015.3</b>	<b>7.4%</b>
<b>Building and Outdoor Home Supplies Stores</b>	<b>23,372.3</b>	<b>21,089.5</b>	<b>10.8%</b>
<b>Miscellaneous Store Retailers</b>	<b>8,900.6</b>	<b>8,407.6</b>	<b>5.9%</b>

ALL DOLLAR VALUES EXPRESSED IN MILLIONS OF CANADIAN DOLLARS; UNADJUSTED FIGURES; SOURCE: STATISTICS CANADA

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

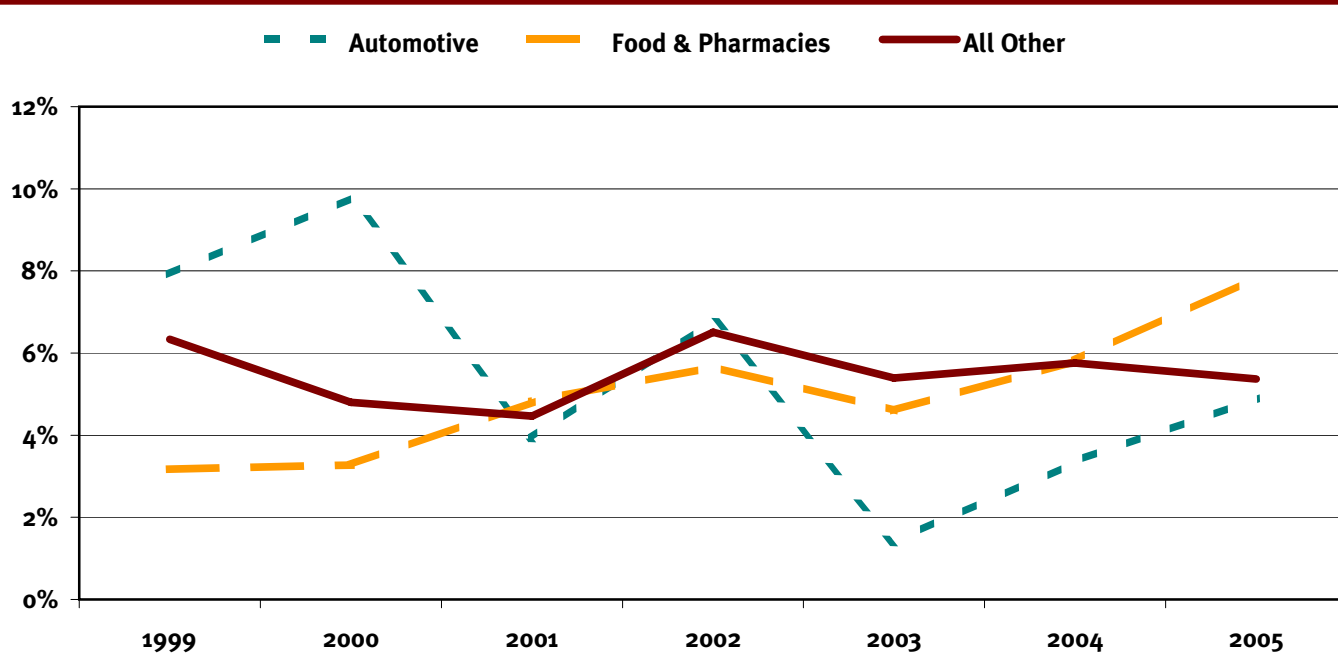
	Year-to-date 2006	Same Period 2005	Change 2006/2005
British Columbia	47,854.8	44,812.5	6.8%
Prairies	73,391.6	64,784.1	13.3%
Ontario	126,413.5	121,257.2	4.3%
Quebec	79,044.0	75,393.8	4.8%
Atlantic Canada	24,889.6	23,614.5	5.4%

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

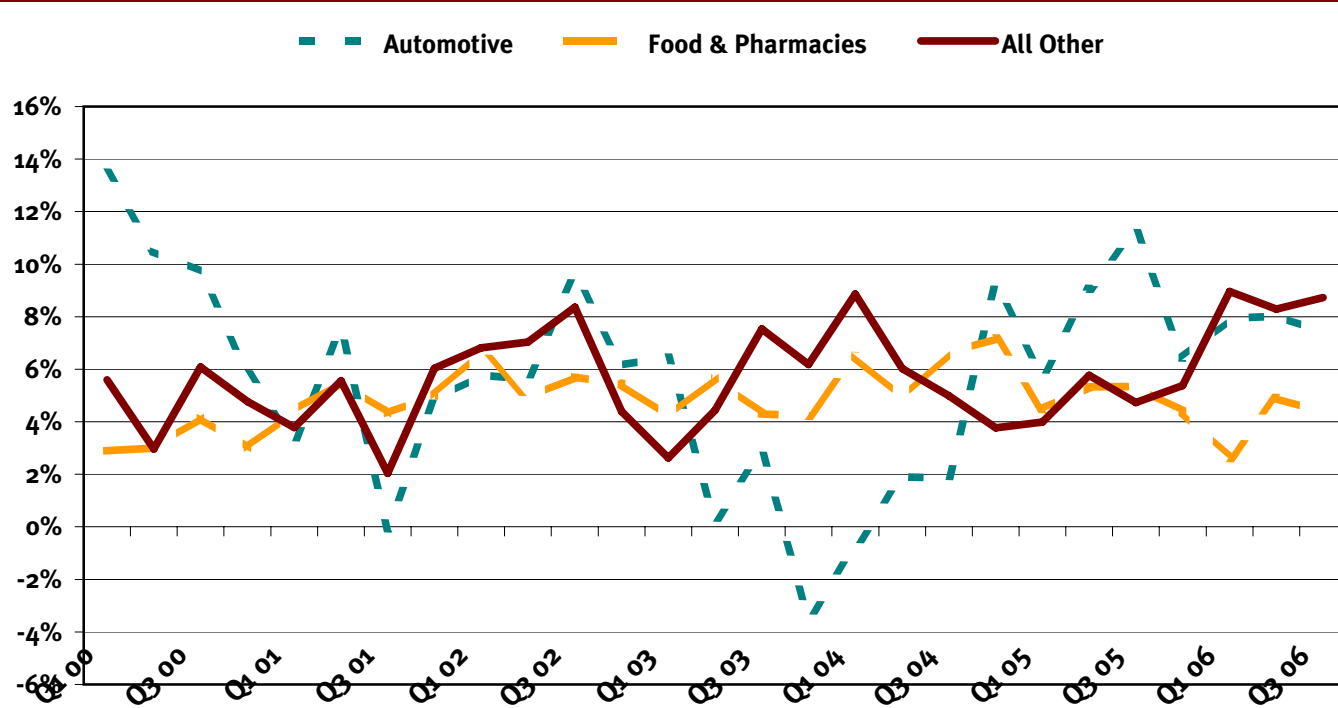


For more detailed information on retail sales, please contact J.C. Williams Group

Canadian Retail Sales by Major Product Category, Year Over Year (1999–2005)



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



Consumer Price Index

December 2006

vs.

December 2005

1.6%

Canadian Consumer Confidence Index 1999–2006



Source: Conference Board of Canada

Canadian Consumer Expenditures Index 1999–2006

