J.C. WILLIAMS GROUP

NATIONAL RETAIL

Bulletin

U.S. Data

Advance December 2004 Retail Sales • Released January 13, 2005

THIS ISSUE SPONSORED BY IBM

Discounts Drive Up Sales

A slow start to the holiday season in November meant that retailers had to change gears quickly in the race to the finish line. Retailer's performance during December and throughout the season is a story of either acceleration or deceleration. Overall, All Stores pushed sales 9.3% greater than last December. All Stores Less Automotive, Food, and Health gained 9.1%.

Food and Beverage Stores are accelerating. December's growth of 7.8% beats their year-to-date growth of 4.7%.

While the Clothing and Accessories Stores are over a point off their year-to-date growth of 6.3%, there are accelerators and decelerators. Comp store growth for the accelerators includes American Eagle (32.8%), Children's Place (21.0%), Chico's (18.6%), and Jos. a Bank (16.2%). Clothing retailers who struggled include Express, Wet Seal, and Gap.

The Furniture and Home Furnishings Stores market appears to be holding steady throughout the year gaining 7.2% in December and 7.0% for the year, but Electronics and Appliance Stores have not performed as well. December sales were 4.4% compared to year-to-date sales of 7.7%. While price is a big factor in the growth equation, the hype at the Electronics Show is above average growth for this category. J.C. Williams Group questions the premise and feels that they have to do a better job of providing enough inventory to meet demand to maintain category leadership. Many retailers were out-of-stock in a number of items such as iPods and PlayStations. In December, Best Buy had comp store growth of 2.5%, but Circuit City fell 5.8%.

Building Material and Garden Equipment Stores experienced exceptional growth throughout the whole year and are holding that position. December sales were 13.2% greater than last year and year-to-date sales were up 14.7%. This category has been expanding the number of stores and product lines. During the holidays, they pushed themselves as an alternative gift store and stocked a large assortment of holiday decorating items.

Health and Personal Care Stores are struggling to maintain their high sales growth. December's result of 3.7% is over two points off their year-to-date growth. The move to mail-order prescription business, in order to keep prices lower, have affected these stores along with the fact that they are being hit hard by big general merchandisers.

Going forward, the late Christmas shopping driven by deep discounting will have an impact. While sales are very good, earnings are expected to be weaker. However, the discounts have left many retailers with manageable inventories. They are in a better position to showcase new spring fashions rather than trying to unload fall and winter merchandise. Finally, will the strong gift card industry push sales up this January to overcome a very strong January 2004?

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Release Date of the Next National Retail Bulletin:

February 15, 2005

Please note:
The J.C. Williams Group National Retail Bulletin compares the latest monthly release of "raw" (i.e., unadjusted for seasonality, holiday, and trading day) retail sales figures to those in the *same calendar month of the previous year*. The U.S. Census Bureau 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. Definitions can be found on the U.S. Census Website: www.census.gov.

J.C. WILLIAMS GROUP

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Advance Sales for the Month of December	2004	2003	% Change
All Stores	**406,403**	**371,745**	**9.3%**
Motor Vehicle and Parts Dealers	**78,985**	**71,865**	**9.9%**
Gasoline Stations	**27,028**	**21,786**	**24.1%**
Food and Beverage Stores	**49,968**	**46,347**	**7.8%**
Grocery Stores	43,124	40,279	7.1%
Health and Personal Care Stores	**19,703**	**19,002**	**3.7%**
Building Material and Garden Equipment Stores	**28,792**	**25,425**	**13.2%**
General Merchandise Stores	**65,578**	**60,817**	**7.8%**
Department Stores (excluding leased departments)	31,686	30,735	3.1%
Clothing and Accessories Stores	**28,228**	**26,890**	**5.0%**
Furniture, Home Furnishings, Electronics and Appliance Stores	**24,909**	**23,585**	**5.6%**
Furniture and Home Furnishing Stores	10,915	10,182	7.2%
Electronics and Appliance Stores	13,994	13,403	4.4%
Sporting Goods, Hobby, Book and Music Stores	**12,638**	**12,126**	**4.2%**
Miscellaneous Store Retailers	**11,814**	**11,263**	**4.9%**
Nonstore Retailers	**24,975**	**21,646**	**15.4%**
Food Services and Drinking Places	**33,785**	**30,993**	**9.0%**

Year-to-Date Sales Ending December	2004	2003	% Change
All Stores	**4,055,793**	**3,756,688**	**8.0%**
Motor Vehicle and Parts Dealers	**940,490**	**895,703**	**5.0%**
Gasoline Stations	**314,653**	**268,519**	**17.2%**
Food and Beverage Stores	**529,670**	**505,933**	**4.7%**
Grocery Stores	474,610	455,470	4.2%
Health and Personal Care Stores	**203,613**	**192,191**	**5.9%**
Building Material and Garden Equipment Stores	**368,264**	**321,134**	**14.7%**
General Merchandise Stores	**504,635**	**471,078**	**7.1%**
Department Stores (excluding leased departments)	214,638	214,129	0.2%
Clothing and Accessories Stores	**189,758**	**178,435**	**6.3%**
Furniture, Home Furnishings, Electronics and Appliance Stores	**206,667**	**192,538**	**7.3%**
Furniture and Home Furnishing Stores	104,800	97,977	7.0%
Electronics and Appliance Stores	101,867	94,561	7.7%
Sporting Goods, Hobby, Book and Music Stores	**82,003**	**79,447**	**3.2%**
Miscellaneous Store Retailers	**110,951**	**104,865**	**5.8%**
Nonstore Retailers	**214,046**	**189,701**	**12.8%**
Food Services and Drinking Places	**391,043**	**357,144**	**9.5%**

Source: US Census Bureau. All values are expressed in millions of US dollars and are not seasonally adjusted.

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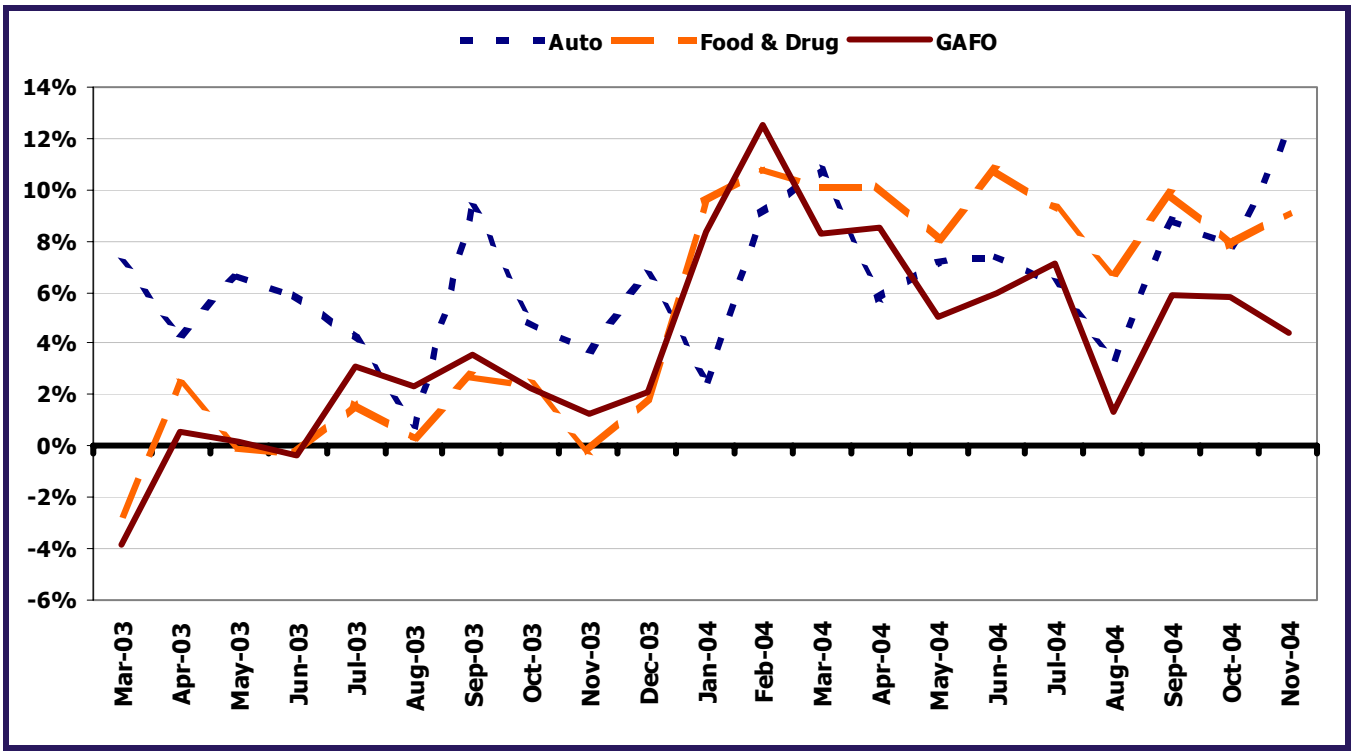
U.S. Consumer Confidence Index

Source: U.S. Conference Board

U.S. Monthly Retail Sales by Major Category Percentage Change from Same Month, Previous Year



Source: U.S. Census Bureau

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