

Bulletin

U.S. Data

Advance May 2007 Retail Sales • Released June 13, 2007

MERCHANTS MAKE THE MOST OF MAY'S RETAIL MOMENTUM

Many retailers made up for April's stormy sales as blossoming May figures rose 5.4%. Year-to-date retail sales grew 4.1%, as spending increased on almost all fronts.

The housing slump continued to dampen certain categories as Furniture and Home Furnishings stores posted a modest 2.9% increase in sales. In anticipation of the launch of their new line of Martha Stewart home products, Macy's indicated that they have scaled back their promotional strategy in response to the soft housing sector. Regardless, Building Material and Garden Equipment Stores began to recover from a turbulent first quarter with sales falling just -0.3%. This was an admirable feat given that this category climbed 8.6% in 2006, and 8.2% during the year before. Warm weather over Memorial Day surely played a role in jumpstarting the home improvement season and boosting sales for these stores.

Sporting Goods is another area that reaped the benefits of balmy breezes during the long weekend. As national chains such as Dick's, Cabela's, and REI continued to pursue aggressive growth strategies, this category underpinned the 3.1% growth seen among Sporting Goods, Hobby, Book and Music Stores. The latter continued to suffer from the migration of music lovers to digital downloads while book stores also struggle to evolve as e-commerce players erode their market share. Although many hope that Harry Potter's release will jump start their summer sales, analysts predict that they will face thin margins as they struggle to compete with the drastic discounting

offered by online booksellers and discounter chains.

As the decline of Department Stores continued with sales dropping -0.3%, Macy's and JCPenney saw same-store sales figures fall -3.3% and -2.0%, respectively. Overall, General Merchandise Stores rose 5.4% despite Wal-Mart's same-store sales coming in at a disappointing 1.1%. This sub-par performance has prompted the chain to scale back its domestic expansion plans and slash planned store additions by more than one-third.

Target and Costco outperformed others in the General Merchandise category with their same-store sales rising 5.8% and 7.0%, respectively. As extended grocery assortments helped these retailers increase shopping frequency, traditional supermarkets have felt growing pressure to enhance their in-store experience. The 7.0% growth seen among Grocery Stores attests to the success of large chains, such as Safeway and Kroger, in raising the bar in food retailing. Specialty grocers such as Trader Joe's and Whole Foods have also

played a central role in resuscitating this once languid retail arena.

Another category whose performance warrants particular attention is Clothing and Accessories. May's 9.1% growth outperformed previous months as consumers caught up on their apparel purchases. Unfortunately, the Gap and Abercrombie & Fitch continued to struggle as they saw same-store sales fall -3.0% and -5.8%, respectively.

In contrast, international apparel chains continued to eye the U.S. for expansion opportunities. Topshop recently announced that its American debut is slated for next spring. The leading U.K. chain will seek to follow in the footsteps of Zara, H&M, Mango, and other global clothiers who've successfully installed themselves stateside. The only question that remains is whether Americans will balk at their bold British styles, or embrace such affordable attire hailing from the heart of London's high street.

RELEASE DATE OF THE NEXT NATIONAL RETAIL BULLETIN:

July 13, 2007

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.

Retail Sales by Store Category

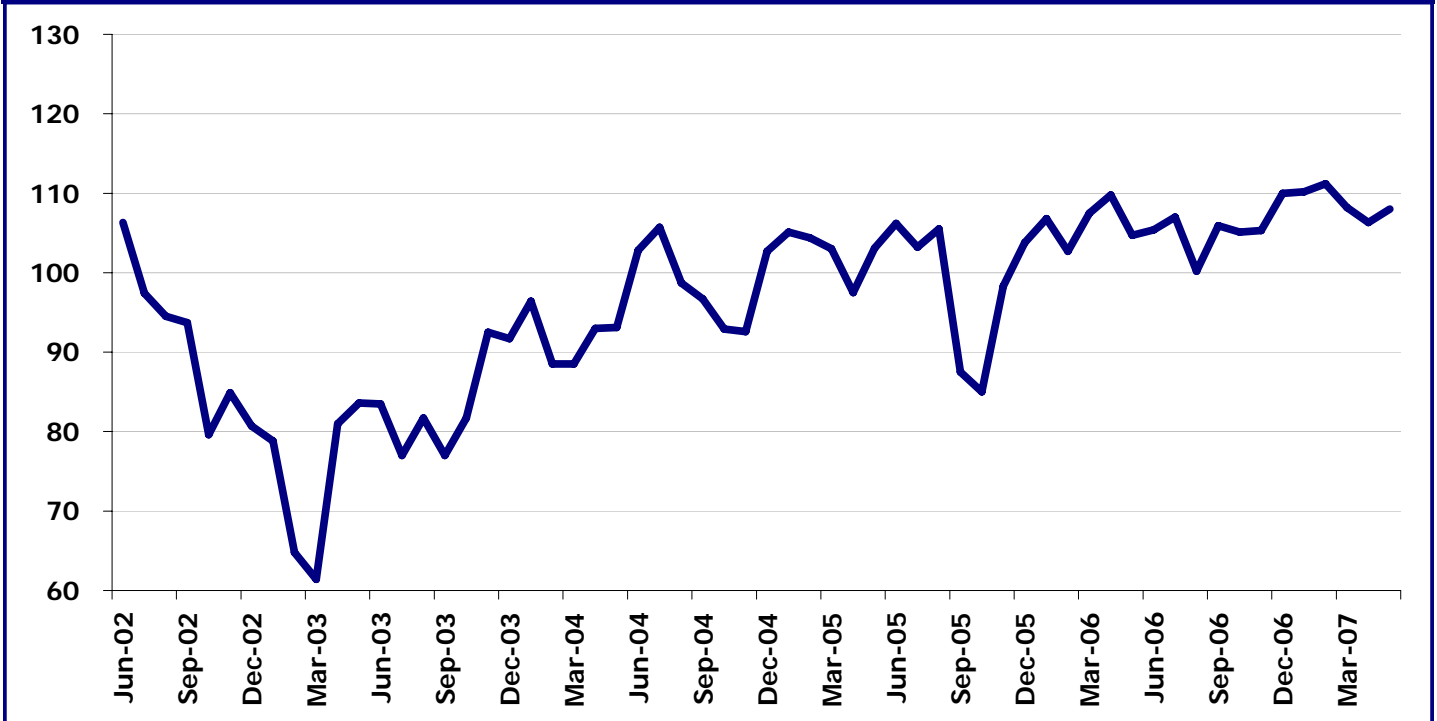
Sales for the Month of May	2007	2006	2007/2006
All Stores	397,245	376,795	5.4%
Motor Vehicle and Parts Dealers	87,025	81,455	6.8%
Gasoline Stations	39,029	37,485	4.1%
Food and Beverage Stores	49,368	46,201	6.9%
Grocery Stores	44,161	41,269	7.0%
Health and Personal Care Stores	20,374	19,130	6.5%
Building Material and Garden Equipment Stores	36,518	36,763	-0.7%
General Merchandise Stores	47,653	45,214	5.4%
Department Stores (excluding leased departments)	16,854	16,912	-0.3%
Clothing and Accessories Stores	18,805	17,234	9.1%
Furniture, Home Furnishings, Electronics and Appliance Stores	18,783	18,109	3.7%
Furniture and Home Furnishing Stores	10,151	9,866	2.9%
Electronics and Appliance Stores	8,632	8,243	4.7%
Sporting Goods, Hobby, Book and Music Stores	6,745	6,545	3.1%
Miscellaneous Store Retailers	10,987	10,631	3.3%
Nonstore Retailers	23,307	21,563	8.1%
Food Services and Drinking Places	38,651	36,465	6.0%

Year to Date Sales Ending May	2007	2006	2007/2006
All Stores	1,802,089	1,730,866	4.1%
Motor Vehicle and Parts Dealers	387,619	373,490	3.8%
Gasoline Stations	165,481	163,034	1.5%
Food and Beverage Stores	229,938	216,325	6.3%
Grocery Stores	206,350	194,304	6.2%
Health and Personal Care Stores	97,864	91,201	7.3%
Building Material and Garden Equipment Stores	145,100	150,118	-3.3%
General Merchandise Stores	220,404	210,112	4.9%
Department Stores (excluding leased departments)	77,921	78,693	-1.0%
Clothing and Accessories Stores	83,876	78,243	7.2%
Furniture, Home Furnishings, Electronics and Appliance Stores	91,194	87,949	3.7%
Furniture and Home Furnishing Stores	48,774	46,992	3.8%
Electronics and Appliance Stores	42,420	40,957	3.6%
Sporting Goods, Hobby, Book and Music Stores	32,323	32,302	0.1%
Miscellaneous Store Retailers	48,163	47,266	1.9%
Nonstore Retailers	119,157	108,744	9.6%
Food Services and Drinking Places	180,970	172,082	5.2%

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

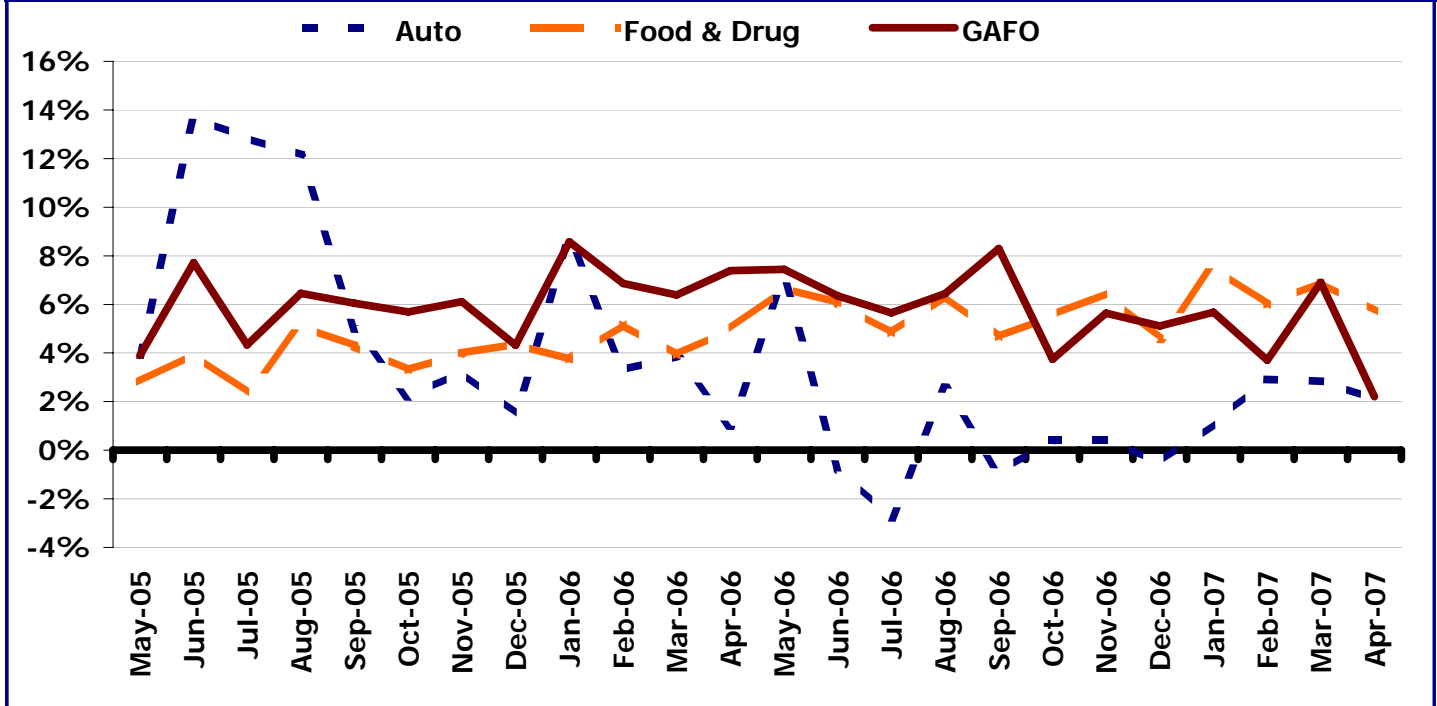
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U.S. Consumer Confidence Index



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