

Bulletin

U.S. Data

Advance July 2007 Retail Sales • Released August 13, 2007

JULY SALES SLOW AS RETAILERS PREPARE FOR BACK TO SCHOOL

Retail sales continued to slow in July, as a sluggish economy left growth at a disappointing 3.1%. Recently released figures for the first half of 2007 mirror this trend with General Merchandise, Apparel, Furniture, and Other (GAFO) growing 4.8%, compared to 5.6% in the first quarter. Regardless, consumer confidence reached 112.6, up from 105.3 in June.

Health and Personal Care Stores continued to outperform most categories as sales rose 6.3% in July. Pharmacies and Drug Stores in particular climbed 7.1% in the first six months of the year. This impressive and enduring growth has prompted many retailers to intensify their foray into this category. Publix recently announced a plan to offer free 14-day doses of select generic antibiotics to their customers in a bid to bolster their pharmacy business. This move follows Wal-Mart's national program that provides over 60 generic drugs for just four dollars each. Since its launch, 35% of their prescriptions have been filled through the discount program.

Despite such efforts, Wal-Mart continues to suffer from lackluster sales as July's same store figures rose 1.3%. With Target boasting 6.1% growth during that same period, Wal-Mart is turning towards more progressive strategies in an attempt to salvage their back-to-school season. In conjunction with an innovative marketing campaign on Facebook, Wal-Mart has slashed prices across 16,000 items.

As competition intensifies in the General Merchandise category, Warehouse Clubs and Superstores have emerged with renewed strength as their national expansion

bolstered sales 9.6% in the first and second quarters. Even as Department Stores declined -1.0% in July and Conventional and National Department Stores fell -2.4% in the first half of 2007, some merchants in this arena have managed to drive same store growth. July saw Nordstrom's comp sales rise 9.4% while JCPenney jumped 11%.

Specialty apparel retailers also weathered the storm as Clothing and Accessories stores rose 4.1% in July. Men's Clothing Stores and Family Clothing Stores stole the spotlight in the first two quarters with 12.6% and 8.8% growth, respectively. Teen-oriented clothiers felt increased pressure as sales at Hot Topic fell -7.4% and Abercrombie & Fitch dropped -4%. The latter remains optimistic about their future in the international arena as sluggish domestic results were paired with the announcement of the 2009 opening of a flagship store in Tokyo's Ginza shopping district.

Food and Beverage Stores sales stalled in July as they increased 3.9%. This is in contrast to the robust 6.0% growth in the first half of 2007 and 5.8% growth among Grocery Stores during that same period. Amazon has recently tossed its hat into the ring as they launch Amazon Fresh in Seattle this month. The new service will offer fresh

meat, fish, and produce to complement the site's existing grocery assortment. Offering free shipping with orders as little as \$25, and value oriented items such as 5-ounce steaks for \$1.99, Amazon Fresh is a renewed endeavor into the realm of online grocery.

Turning towards other regions of virtual retail, ComScore is reporting that recent e-commerce growth has been fuelled by video game consoles, accessories, and games whose sales rose a startling 159% in the second quarter. Sports and fitness followed with a 58% jump in online sales. Overall, Non-store retailers climbed 11.2% in July with Electronic Shopping and Mail Order Houses having risen 8.7% in the past two quarters.

As traditional retailers such as Wal-Mart wade into the uncharted realm of Web 2.0 to promote their back-to-school offerings, many eagerly wait to see how increasingly tech-savvy students will reshape one of retail's peak seasons. Look towards upcoming bulletins to see if bricks and mortar merchants can find their second life in social media.

RELEASE DATE OF THE NEXT NATIONAL RETAIL BULLETIN:

September 14, 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 July	2007	2006	2007/2006
All Stores	376,801	365,323	3.1%
Motor Vehicle and Parts Dealers	80,384	80,869	-0.6%
Gasoline Stations	38,396	38,848	-1.2%
Food and Beverage Stores	48,155	46,353	3.9%
Grocery Stores	42,916	41,370	3.7%
Health and Personal Care Stores	19,236	18,092	6.3%
Building Material and Garden Equipment Stores	31,233	30,434	2.6%
General Merchandise Stores	45,810	43,767	4.7%
Department Stores (excluding leased departments)	15,747	15,914	-1.0%
Clothing and Accessories Stores	17,064	16,388	4.1%
Furniture, Home Furnishings, Electronics and Appliance Stores	18,562	18,303	1.4%
Furniture and Home Furnishing Stores	10,012	9,958	0.5%
Electronics and Appliance Stores	8,550	8,345	2.5%
Sporting Goods, Hobby, Book and Music Stores	6,940	6,575	5.6%
Miscellaneous Store Retailers	9,933	9,450	5.1%
Nonstore Retailers	21,733	19,540	11.2%
Food Services and Drinking Places	39,355	36,704	7.2%

Year to Date Sales Ending July	2007	2006	2007/2006
All Stores	2,561,925	2,466,041	3.9%
Motor Vehicle and Parts Dealers	548,225	534,913	2.5%
Gasoline Stations	242,610	239,385	1.3%
Food and Beverage Stores	325,729	308,113	5.7%
Grocery Stores	291,378	276,197	5.5%
Health and Personal Care Stores	136,373	127,843	6.7%
Building Material and Garden Equipment Stores	211,087	214,757	-1.7%
General Merchandise Stores	313,269	298,455	5.0%
Department Stores (excluding leased departments)	110,037	111,206	-1.1%
Clothing and Accessories Stores	118,440	111,259	6.5%
Furniture, Home Furnishings, Electronics and Appliance Stores	128,475	124,800	2.9%
Furniture and Home Furnishing Stores	69,069	67,106	2.9%
Electronics and Appliance Stores	59,406	57,694	3.0%
Sporting Goods, Hobby, Book and Music Stores	46,498	45,647	1.9%
Miscellaneous Store Retailers	68,852	66,817	3.0%
Nonstore Retailers	162,999	149,112	9.3%
Food Services and Drinking Places	259,368	244,940	5.9%

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

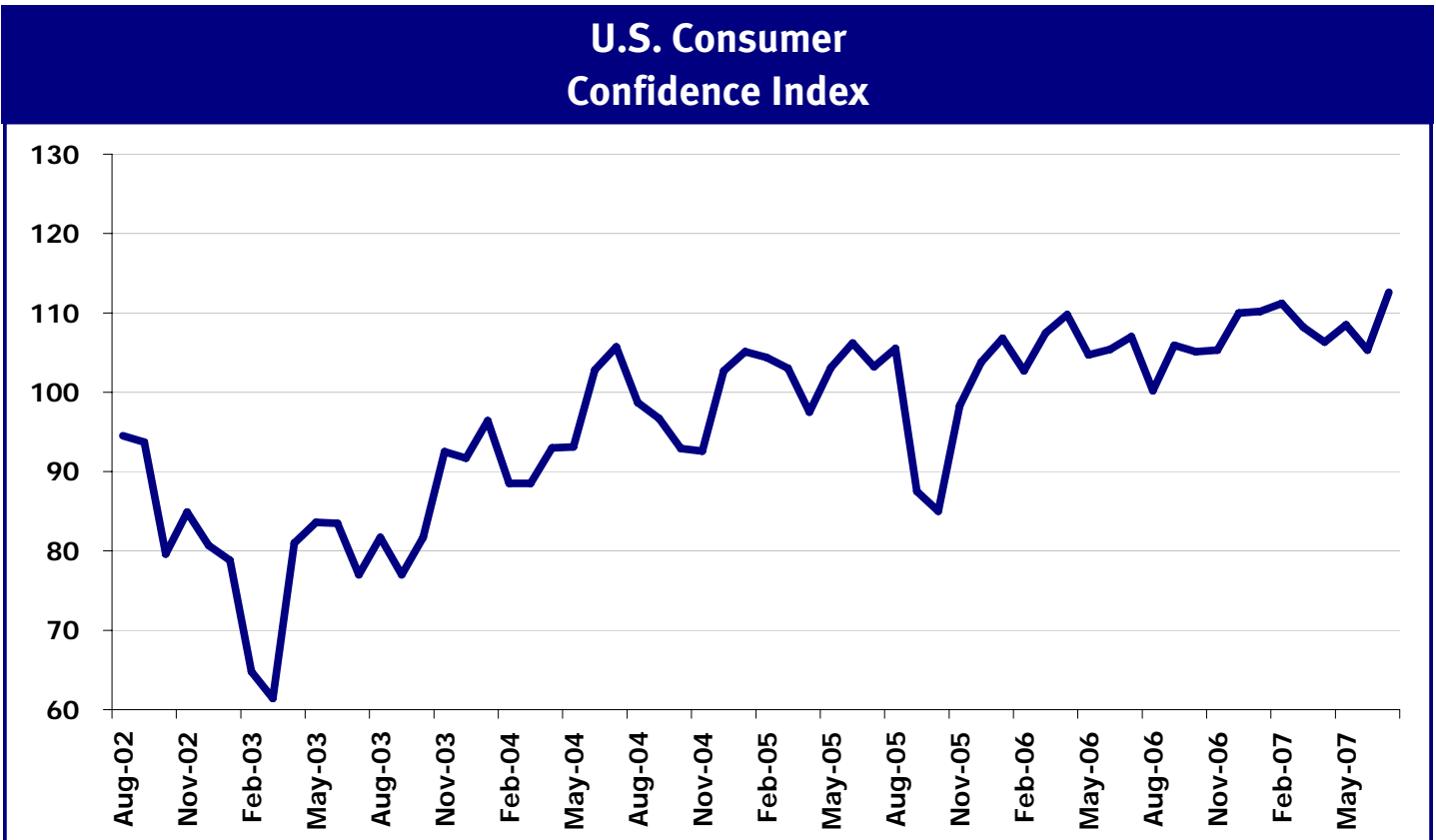
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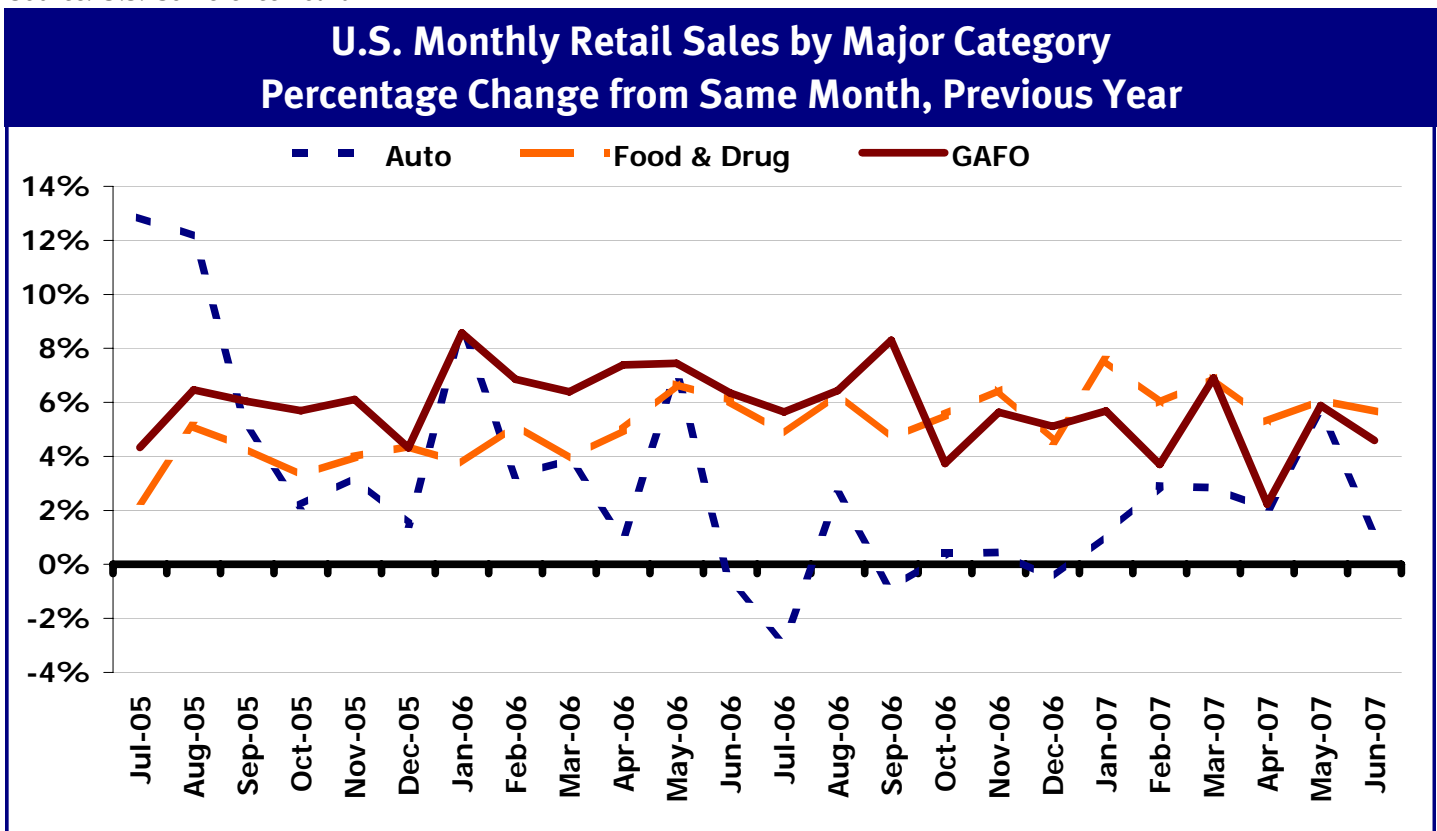
Revised Year to Date Sales Ending June	2007	2006	2007/2006
All Stores	2,185,124	2,100,718	4.0%
Motor Vehicle and Parts Dealers	467,841	454,044	3.0%
Gasoline Stations	204,214	200,537	1.8%
Food and Beverage Stores	277,574	261,760	6.0%
Grocery Stores	248,462	234,827	5.8%
Beer, Wine and Liquor Stores	18,698	17,233	8.5%
Health and Personal Care Stores	117,137	109,751	6.7%
Pharmacies and Drug Stores	98,961	92,371	7.1%
Building Material and Garden Equipment Stores	179,854	184,323	-2.4%
Building Material and Supplies Stores	154,372	160,663	-3.9%
Hardware Stores	10,658	9,521	11.9%
GAFO (general merchandise, apparel, furniture, and other)	540,035	515,083	4.8%
General Merchandise Stores	267,459	254,688	5.0%
Department Stores (excluding leased departments)	94,290	95,292	-1.1%
<i>Discount Department Stores (excluding leased departments)</i>	58,277	58,376	-0.2%
<i>Conventional and National Dept. Stores (ex. Leased depts.)</i>	36,013	36,916	-2.4%
Warehouse Clubs and Superstores	153,379	139,942	9.6%
All Other General Merchandise Stores	19,790	19,454	1.7%
Clothing and Accessories Stores	101,376	94,871	6.9%
Men's Clothing Stores	4,775	4,245	12.5%
Women's Clothing Stores	19,213	18,453	4.1%
Family Clothing Stores	38,505	35,377	8.8%
Shoe Stores	12,711	12,589	1.0%
Jewellery Stores	13,130	12,680	3.5%
Furniture, Home Furnishings, Electronics and Appliance Stores	109,913	106,497	3.2%
Furniture Stores	32,143	30,835	4.2%
Home Furnishing Stores	26,914	26,313	2.3%
Household Appliance Stores	8,731	8,548	2.1%
Radio, TV and Other Electronics Stores	30,393	29,349	3.6%
Computer and Software Stores	10,087	9,762	3.3%
Sporting Goods, Hobby, Book and Music Stores	39,558	39,072	1.2%
Sporting Goods Stores	17,393	16,116	7.9%
Book Stores	7,329	7,686	-4.6%
Miscellaneous Store Retailers	58,919	57,367	2.7%
Nonstore Retailers	141,266	129,572	9.0%
Electronic Shopping and Mail-Order Houses	92,813	85,398	8.7%
Fuel Dealers	23,206	19,868	16.8%
Food Services and Drinking Places	220,013	208,236	5.7%

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

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Source: U.S. Conference Board



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