J.C. WILLIAMS GROUP

NATIONAL RETAIL

Bulletin

October 2003 Retail Sales • Released December 22, 2003

Discounting To Win

If you take the Automotive Group out of the retail equation, retail sales in Canada performed very well in October. Total Sales advanced 3.0% in October, but All Stores Less Automotive gained 5.7% compared to last October. Throughout 2003 gas prices have been extremely volatile and sales at motor vehicle dealers have been anything but steady. To the exclusion of Shoe Stores all other categories tracked higher in October compared to their year-to-date average.

The Furniture, Appliance, and Furnishings Stores continued to post impressive gains. October sales were 7.9% greater than last October pushing year-to-date sales to 6.1%. All Clothing and Shoe Stores were able to gain 2.1% in October helping to push their year-to-date growth to 1.7%. This is impressive for an industry that continues to face difficult times especially in a deflationary environment.

It is interesting to compare and contrast the home furnishings and electronics market with the apparel market. Both the electronics and clothing market are under a continuous deflationary environment. Clothing prices fell by 2.0% in October compared to last October. Electronic prices including computers, cell phones, and DVDs continue to fall. A recent report from Statistics Canada stated that consumer computers (desk tops and portables) fell by 36.3% from 2001 to 2002. What is interesting to note is that the electronics industry continues to provide innovative products and the price reductions are sufficient enough to create huge consumer demand helping to drive up total sales. Alternatively, in the apparel industry, there has been less innovation and the deep discounts have not stimulated sufficiently large consumer demand to help offset the price reductions.

Thanksgiving Was A Blur

With the December holiday season fast upon us, it seems like Thanksgiving and Halloween happened a long time ago. However, for the food retailers, a healthy Thanksgiving and a very mild Halloween helped boost food sales for the month. However, it wasn't all just the latest cranberry stuffing that was heading to the check out counter. The big name grocery stores and drug stores have become masters at product blurring. These stores are benefiting from increased sales due to increased product offerings including food at drug stores, meal replacements at grocery stores, and other items such as garden supplies and furniture.

In addition, as noted in previous bulletins, the retail sales data collected by Statistics Canada excludes some important growing retail categories such as warehouse clubs (e.g., Costco), building supply stores (e.g., Home Depot), and business supplies (e.g., Staples) because they are still considered wholesalers. While the reporting will change in the future, the overall industry growth is diminished due to the exclusion of these important retailers.

Release Date of The Next National Retail Bulletin

January 27, 2004

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.

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Retail Sales by Store Category

Sales for the Month of: October	2003	2002	2003 / 2002
All Stores	**26,681.7**	**25,914.4**	**3.0%**
Automotive Group	10,202.3	10,326.3	-1.2%
All Stores Less Automotive	16,479.4	15,588.1	5.7%
Food and Drug Group	7,449.0	6,981.5	6.7%
All Stores Less Auto, Food and Drug	**9,030.4**	**8,606.6**	**4.9%**
General Merchandise Stores	**3,065.7**	**2,942.3**	**4.2%**
Department Stores (incl concessions)	1,906.3	1,830.1	4.2%
Furniture, Appliance, Furnishings Stores (incl. Electronics)	**1,682.4**	**1,559.6**	**7.9%**
All Clothing and Shoe Stores	**1,512.3**	**1,480.9**	**2.1%**
Women's Clothing Stores	419.8	417.3	0.6%
Men's Clothing Stores	111.3	117.1	-5.0%
Other Clothing Stores	811.2	772.0	5.1%
Shoe Stores	170.1	174.4	-2.5%
All Other Retail (except auto, food, drug)	**2,770.0**	**2,623.8**	**5.6%**

Year-to-date Sales	2003	2002	2003/2002
All Stores	**258,935.1**	**250,116.2**	**3.5%**
Automotive Group	106,690.5	104,134.5	2.5%
All Stores Less Automotive	152,244.6	145,981.7	4.3%
Food and Drug Group	71,422.5	67,759.3	5.4%
All Stores Less Auto, Food and Drug	**80,822.1**	**78,222.4**	**3.3%**
General Merchandise Stores	**26,715.9**	**25,849.0**	**3.4%**
Department Stores (incl concessions)	16,241.7	15,684.2	3.6%
Furniture, Appliance, Furnishings Stores (incl. Electronics)	**15,094.5**	**14,229.3**	**6.1%**
All Clothing and Shoe Stores	**12,679.6**	**12,463.3**	**1.7%**
Women's Clothing Stores	3,745.8	3,746.2	0.0%
Men's Clothing Stores	962.8	1,028.3	-6.4%
Other Clothing Stores	6,524.9	6,229.5	4.7%
Shoe Stores	1,446.0	1,459.3	-0.9%
All Other Retail (except auto, food, drug)	**26,332.0**	**25,680.8**	**2.5%**

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

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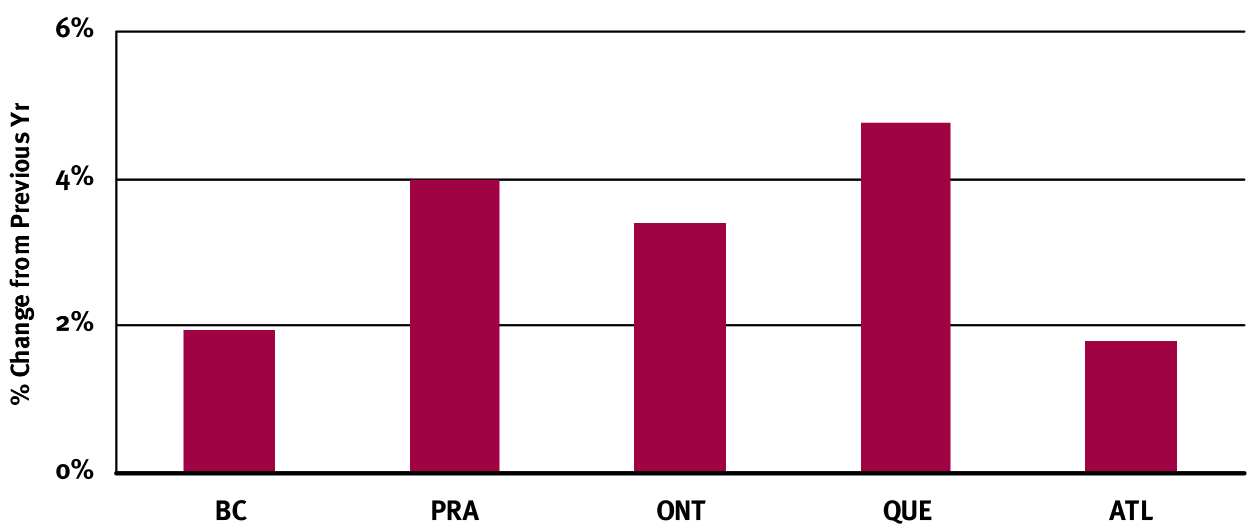
Release Date: 22/12/03

Retail Trade, Canada, All Stores, By Major Region

	Year-to-Date 2003	Same Period 2002	Change 2003 / 2002
British Columbia	33,516.3	32,872.2	2.0%
Prairies	48,360.4	46,501.5	4.0%
Ontario	96,645.7	93,459.0	3.4%
Quebec	60,452.2	57,700.7	4.8%
Atlantic Canada	19,002.5	18,667.4	1.8%

Percentage Change in Retail Trade, All Stores, by Region
Year-to-Date Compared to Same Period Last Year



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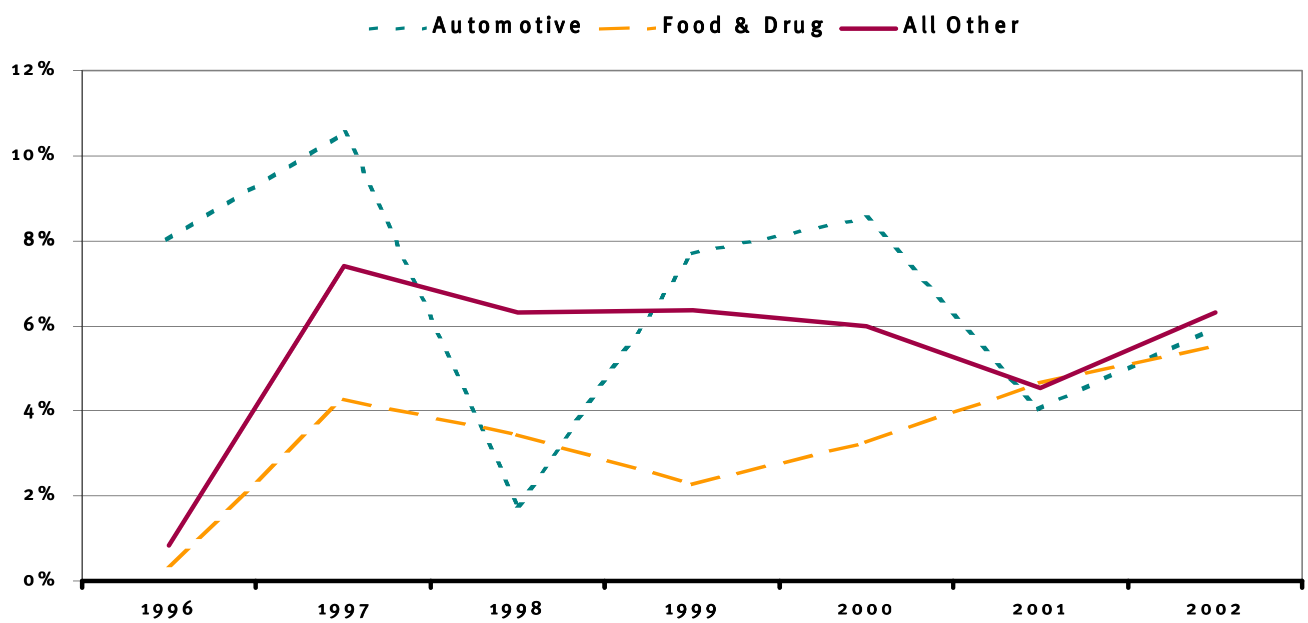
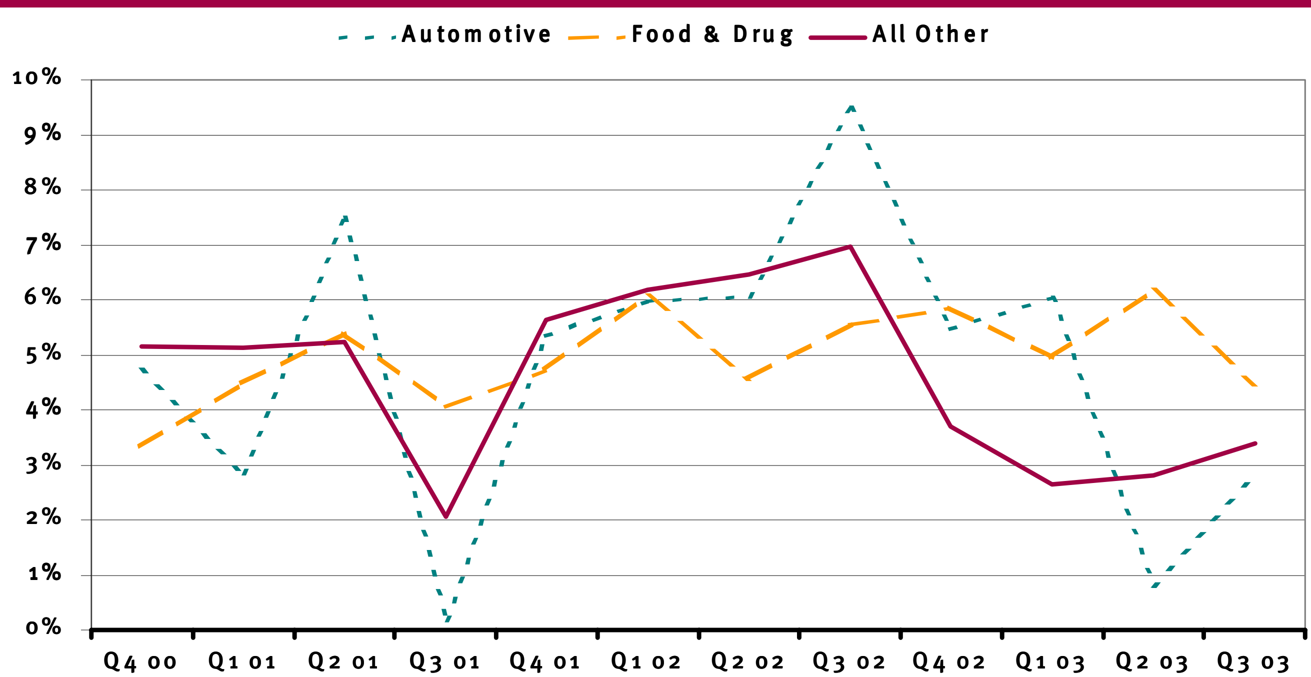
Canadian Retail Sales by Major Product Categories Year Over Year (1994 -2002)



Canadian Retail Sales by Major Product Categories From the Same Quarter A Year Earlier



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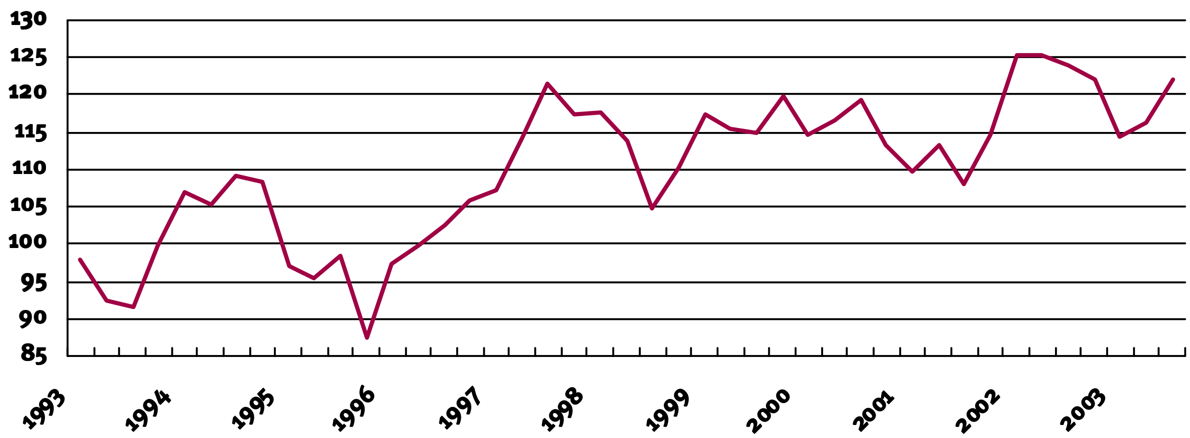
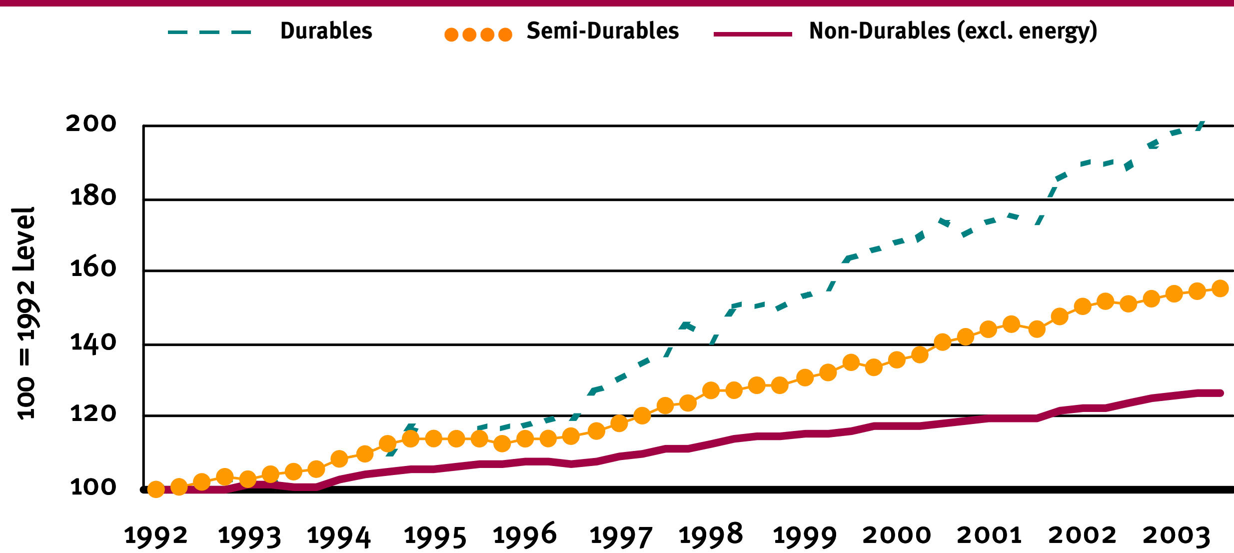
Consumer Price Index	November 2003	vs.	November 2002	1.6%

Canadian Consumer Confidence Index 1993-2003



Source: Conference Board of Canada

Canadian Consumer Expenditures Index 1992 - 2003



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