

Bulletin

U.S. Data

Advance September 2007 Retail Sales • Released October 12, 2007

WARM WEATHER MAKES FOR QUIET REGISTERS

Retailers suffered in September with sales growing 2.9%. Falling a full percentage point behind year-to-date growth, this figure was due to crumbling consumer confidence, which continued to topple from 105.6 in August to 99.8 in September. This plunge was driven by on-going coverage of the country's credit crunch and the housing sector's sub-par performance. Although financial markets have remained robust, concerns among shoppers encouraged them to postpone fall purchases as summer weather stretched into October.

Building Material and Garden Equipment Stores continued to navigate stormy seas amidst a precarious property market. As sales decreased -2.3%, several stakeholders sought out opportunities to revive their past growth spree. Home Depot will be launching two new female-centric concept stores in North Carolina and California this month.

Other laggards in September's retail landscape were Department Stores. Sales tapered off -2.5% as several chains sought new avenues for revenue generation. Macy's will be launching an in-store FAO Schwarz location in Chicago while Kohl's has recently inked a deal with the Food Network to develop a line of exclusive home-goods.

Another tactic among retailers faced with stagnant comp growth is the pursuit of new markets. The number of national chains setting sail for Hawaii is growing

at quite a clip with the likes of Target, Whole Foods, and Walgreen's at the top of the list. The Gap has waded into a similar foray as it plans to open 12 stores in the Philippines in collaboration with The Ruster Group. Eight Gap locations and four Banana Republic stores will aim to claim a foothold in this untapped Asian market.

Clothing and Accessories stores bore the brunt of failing consumer confidence and balmy fall weather. Many industry on-lookers have speculated about the impact of climate change on the fashion industry's seasonal clothing assortments. British designer Katherine Hamnett notes, "We have bikinis being sold in January and fur coats being sold in August. It's bonkers." Such shifts have prompted Harriet Quick of Vogue UK to predict the rise of trans-seasonal fashion; all-year clothing that leverages layers in adding versatility to consumers' wardrobes.

Despite lackluster sales in certain sectors, the basics remained robust throughout September. Grocery Stores rose 5.8% while Gasoline Stations climbed 7.8%. Health and Personal Care Stores also held their ground with a 4.1% rise in sales.

This category continues to leverage the country's growing population of baby boomers through innovative initiatives. Walgreen's has recently launched a catalog and website under the umbrella of AARP Health Essentials. With baby boomers purchasing 61% of over the counter medication, this market segment continues to gain importance across all retail arenas.

Electronics and Appliance Stores join personal care retailers in weathering September's storm. 3.4% growth outperformed the category's 3.1% year-to-date figure as Halo 3 hit store shelves and sold \$170 million in just 24 hours. As the cost of gaming consoles fall, and the iPhone sees its price tag trimmed, electronics will be at the core of the upcoming holiday season.

Our expectation is that holiday sales will outpace 2006 by a modest 3.5% as lower temperatures blanket the nation and the economy endures October.

RELEASE DATE OF THE NEXT NATIONAL RETAIL BULLETIN:
November 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.

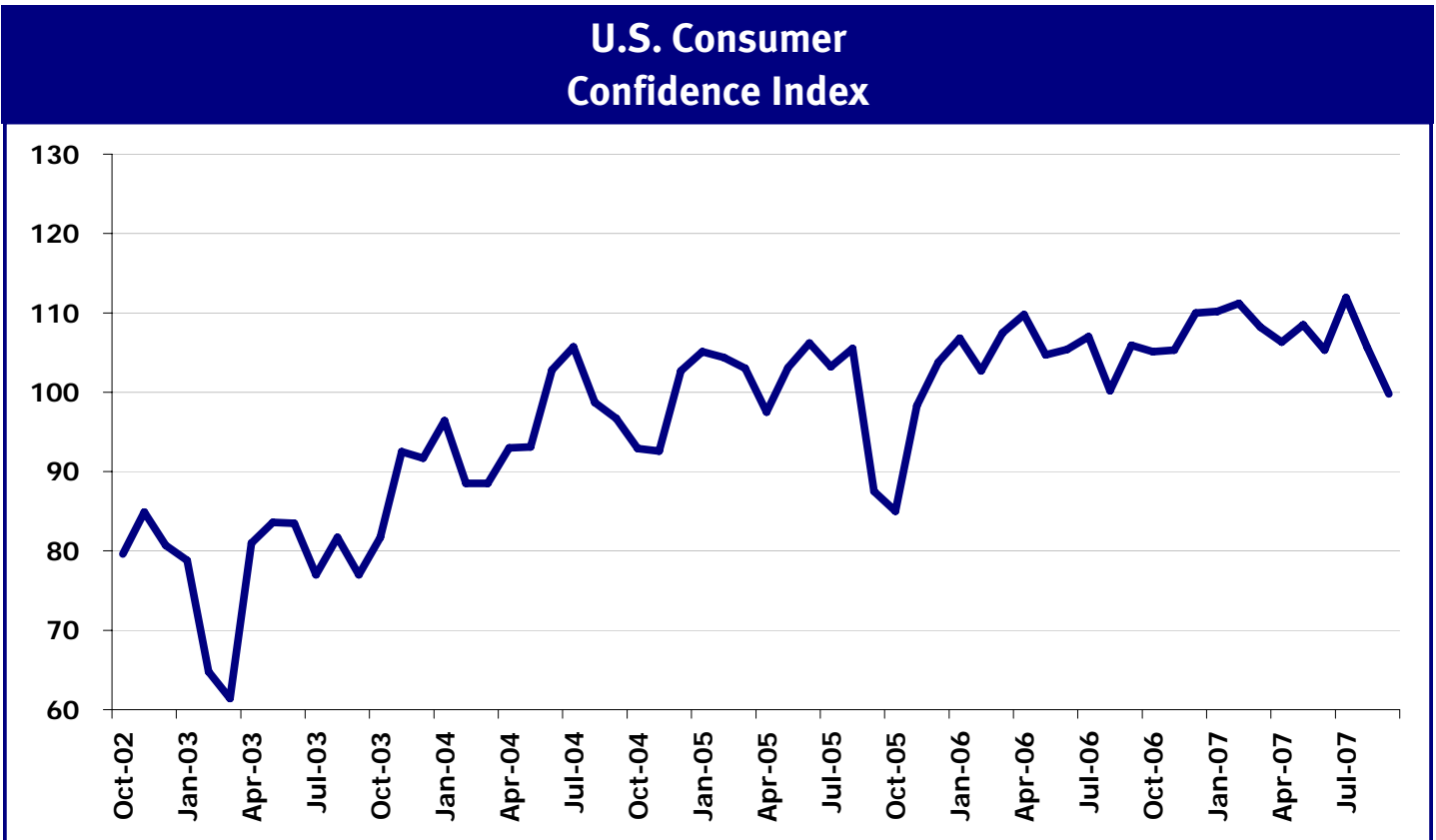
Retail Sales by Store Category

Sales for the Month of September	2007	2006	2007/2006
All Stores	359,937	349,880	2.9%
Motor Vehicle and Parts Dealers	74,179	73,174	1.4%
Gasoline Stations	35,800	33,211	7.8%
Food and Beverage Stores	47,061	44,631	5.4%
Grocery Stores	42,102	39,797	5.8%
Health and Personal Care Stores	18,925	18,179	4.1%
Building Material and Garden Equipment Stores	28,085	28,748	-2.3%
General Merchandise Stores	43,895	42,466	3.4%
Department Stores (excluding leased departments)	15,314	15,710	-2.5%
Clothing and Accessories Stores	16,961	16,902	0.3%
Furniture, Home Furnishings, Electronics and Appliance Stores	18,516	18,610	-0.5%
Furniture and Home Furnishing Stores	9,933	10,308	-3.6%
Electronics and Appliance Stores	8,583	8,302	3.4%
Sporting Goods, Hobby, Book and Music Stores	7,232	7,117	1.6%
Miscellaneous Store Retailers	9,781	9,717	0.7%
Nonstore Retailers	22,493	21,374	5.2%
Food Services and Drinking Places	37,009	35,751	3.5%

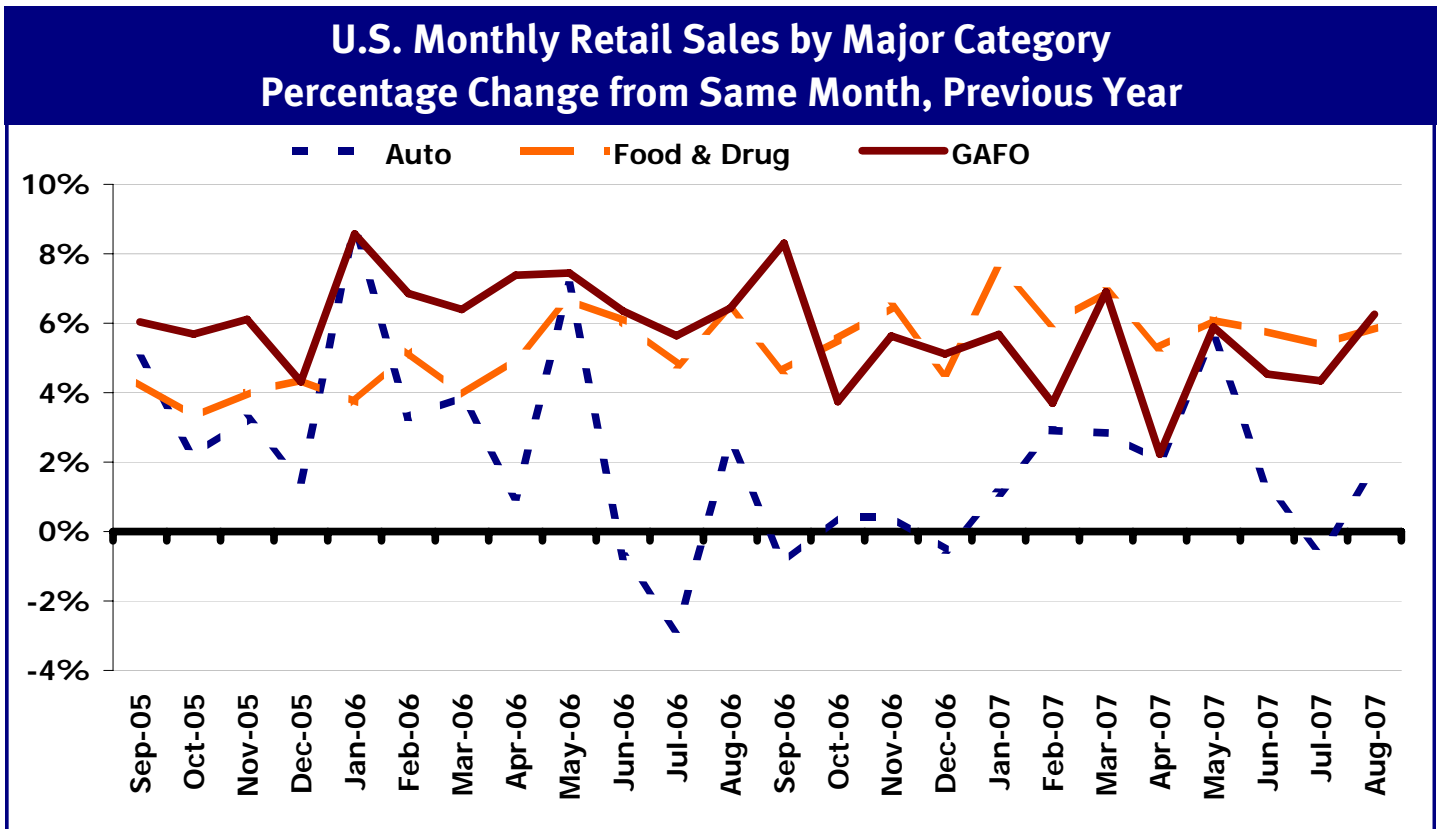
Year to Date Sales Ending September	2007	2006	2007/2006
All Stores	3,318,375	3,195,009	3.9%
Motor Vehicle and Parts Dealers	708,472	691,162	2.5%
Gasoline Stations	317,120	311,813	1.7%
Food and Beverage Stores	422,192	399,019	5.8%
Grocery Stores	377,496	357,381	5.6%
Health and Personal Care Stores	175,493	164,922	6.4%
Building Material and Garden Equipment Stores	270,437	275,102	-1.7%
General Merchandise Stores	405,166	385,947	5.0%
Department Stores (excluding leased departments)	142,419	143,814	-1.0%
Clothing and Accessories Stores	154,682	146,118	5.9%
Furniture, Home Furnishings, Electronics and Appliance Stores	167,485	163,111	2.7%
Furniture and Home Furnishing Stores	90,172	88,155	2.3%
Electronics and Appliance Stores	77,313	74,956	3.1%
Sporting Goods, Hobby, Book and Music Stores	62,248	60,657	2.6%
Miscellaneous Store Retailers	89,646	86,697	3.4%
Nonstore Retailers	209,794	192,710	8.9%
Food Services and Drinking Places	335,640	317,751	5.6%

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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