

Bulletin

U.S. Data

Advance May 2008 Retail Sales • Released June 12, 2008

REBATE REBOUND OR INFLATIONARY ILLUSSION?

While the arrival of rebate checks in May resulted in a respite from lagging retail sales, inflation continues to drive prices higher as merchants struggle to sustain their margins. All Store sales rose 3.0% during May, bringing year-to-date growth to 3.6%. Consumer confidence continued to fall to 57.2.

Building Material and Garden

Equipment Store sales dropped -3.1% as real estate values remained uncertain. As ambitious growth plans have faded into cautionary cost-cutting, many of this category's key players are revisiting their business models. Home Depot has recently signaled a shift back to its DIY roots as it abandoned several in-home installation services.

Furniture and Home Furnishings Stores fell victim to a similar fate as their figures dropped -4.1% in May. In contrast, Electronics and Appliance Stores enjoyed a 4.4% boost in sales.

Many industry onlookers attribute this resilience to the purchase of audio-video equipment by consumers looking to indulge in their homes as they postpone their travel plans this summer. With skyrocketing fuel prices and growing economic uneasiness nationwide, these so-called "staycations" have prompted impulse purchases on smaller luxuries such as Nintendo's Wii, Blu-Ray DVD players, and high definition televisions.

This cost-saving shopping behavior has also bolstered sales at stores such as Wal-Mart and Target. The 7.4% jump in General Merchandise Store sales was primarily driven by growth among discount stores and warehouse clubs. Sam's Club is looking to extend its role in the marketplace as they test a new Sam's Club Business Center concept. Costco is also growth oriented as they plan to open their first Australian store next year.

Clothing and Accessories Store sales remained stable as they rose a modest 2.4% in May. This outpaced the 1.7% growth seen year-to-date. Despite this upswing, many specialty clothiers continue to face a grim outlook. Goody's recently entered bankruptcy protection and the Gap has announced a moratorium on new store openings in conjunction with plans to shrink the footprint of their existing locations.

Food and Beverage Stores saw an 8.0% rise in sales. This came amidst consolidation in the category as Publix acquired 49 Albertsons locations

throughout Florida. Despite buoyant figures, the outlook remains uncertain for the nation's grocers as continuing inflation threatens to erode profitability.

Food Services and Drinking Places are also well aware of the implications of soaring agricultural costs. Despite a 7.5% increase in sales, this sector is facing not only rising food prices, but also the challenge of a \$0.70 increase in the minimum wage as of July 24th.

As shoppers spend the remains of their refund checks, many retailers are looking towards June with cautious optimism. Read next month's bulletin to see if sales continue to shine as shoppers welcome summer's warm weather.

RELEASE DATE OF THE NEXT NATIONAL RETAIL BULLETIN:
July 15, 2008

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.

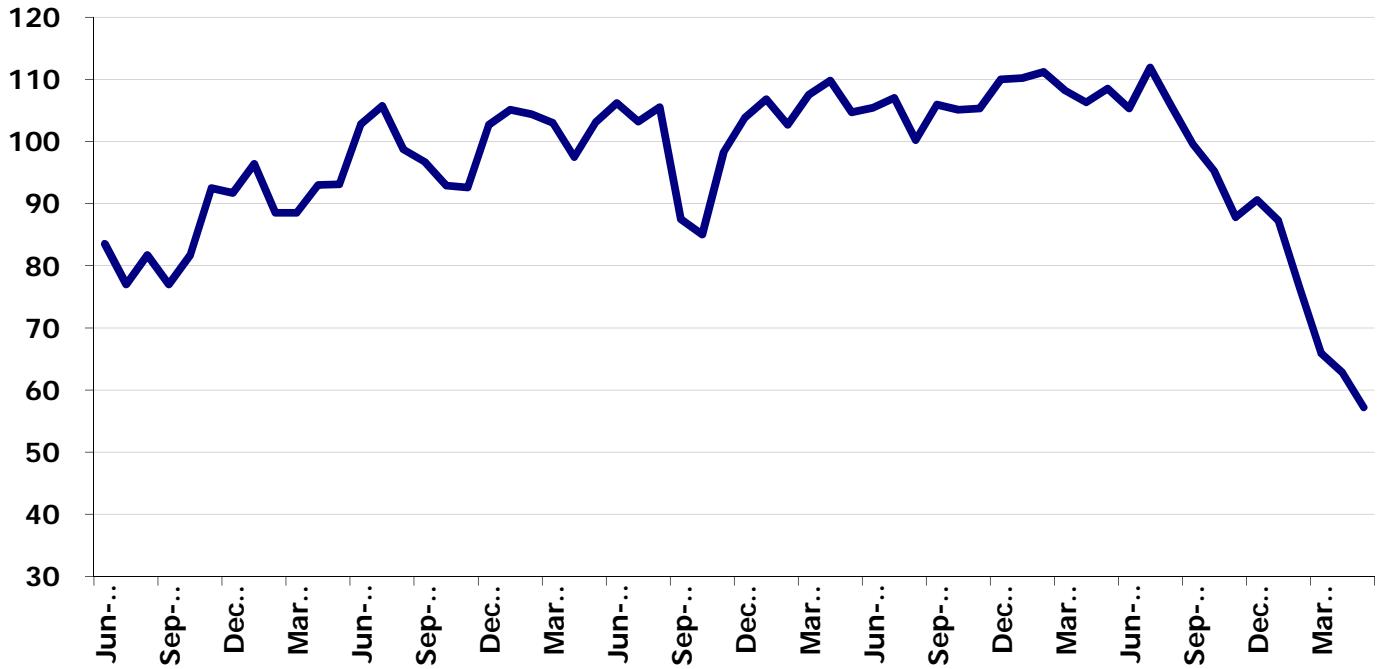
Retail Sales by Store Category

Sales for the Month of May	2008	2007	2008/2007
All Stores	407,283	395,495	3.0%
Motor Vehicle and Parts Dealers	78,999	86,034	-8.2%
Gasoline Stations	47,072	40,841	15.3%
Food and Beverage Stores	51,945	48,105	8.0%
Grocery Stores	46,645	43,005	8.5%
Health and Personal Care Stores	21,235	20,240	4.9%
Building Material and Garden Equipment Stores	34,851	35,979	-3.1%
General Merchandise Stores	51,227	47,678	7.4%
Department Stores (excluding leased departments)	16,901	16,954	-0.3%
Clothing and Accessories Stores	19,224	18,772	2.4%
Furniture, Home Furnishings, Electronics and Appliance Stores	18,330	18,364	-0.2%
Furniture and Home Furnishing Stores	9,471	9,877	-4.1%
Electronics and Appliance Stores	8,859	8,487	4.4%
Sporting Goods, Hobby, Book and Music Stores	6,968	6,675	4.4%
Miscellaneous Store Retailers	10,576	10,737	-1.5%
Nonstore Retailers	25,925	23,991	8.1%
Food Services and Drinking Places	40,931	38,079	7.5%

Year to Date Sales Ending May	2008	2007	2008/2007
All Stores	1,857,392	1,792,410	3.6%
Motor Vehicle and Parts Dealers	369,717	385,109	-4.0%
Gasoline Stations	205,771	171,920	19.7%
Food and Beverage Stores	239,725	224,891	6.6%
Grocery Stores	216,495	202,410	7.0%
Health and Personal Care Stores	102,382	97,990	4.5%
Building Material and Garden Equipment Stores	135,239	139,772	-3.2%
General Merchandise Stores	231,007	220,318	4.9%
Department Stores (excluding leased departments)	75,890	78,221	-3.0%
Clothing and Accessories Stores	85,272	83,835	1.7%
Furniture, Home Furnishings, Electronics and Appliance Stores	88,422	89,220	-0.9%
Furniture and Home Furnishing Stores	45,114	47,184	-4.4%
Electronics and Appliance Stores	43,308	42,036	3.0%
Sporting Goods, Hobby, Book and Music Stores	33,139	31,686	4.6%
Miscellaneous Store Retailers	47,316	46,666	1.4%
Nonstore Retailers	131,384	122,502	7.3%
Food Services and Drinking Places	188,018	178,501	5.3%

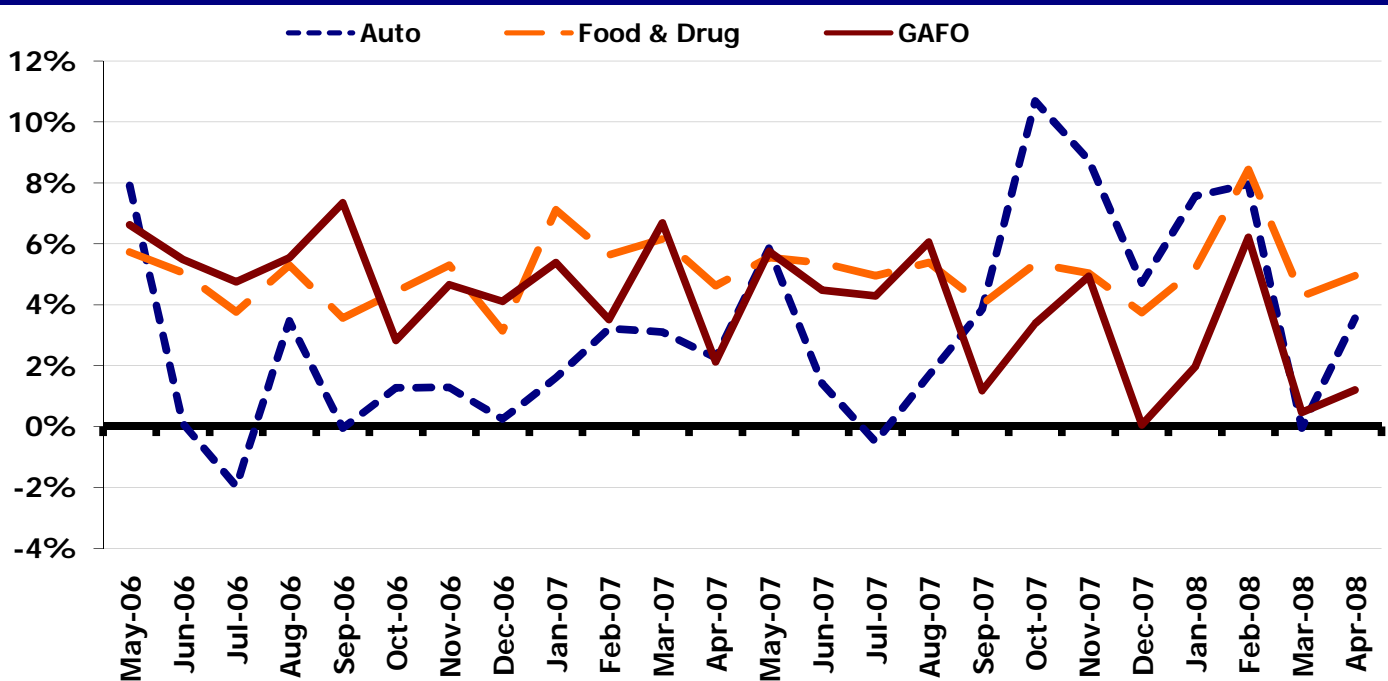
Source: US Census Bureau. All Values are expressed in millions of US dollars and are not seasonally adjusted

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