

Bulletin

U.S. Data

Advance July 2008 Retail Sales • Released August 13, 2008

GAS AND GROCERIES EAT UP DISPOSABLE INCOME AS CONSUMERS CONTINUE TO STRUGGLE WITH RISING PRICES

Consumer confidence rose for the first time this year as it hit 51.9 in July. While this modest increase from 51.0 in June does little to offset the 38.7 point drop seen year-to-date, it offers a glimmer of hope to retailers anxiously entering the back-to-school season.

Total retail sales rose 4.5% in July. All Stores Less Automotive climbed 5.0% as a -8.0% decrease in Motor Vehicle and Parts Dealer sales outweighed the 26.2% jump in Gasoline Station revenue.

Soaring fuel prices continue to compound inflation in grocery store aisles as shoppers feel their wallets shrinking at the check-out. In an attempt to lure consumers amidst such pricing pressures, Publix has launched a national campaign to discount staple products on a permanent basis. To begin with, they have slashed milk prices by 20%. This comes at a time when even Whole Foods has resorted to value messages in their flyers and other promotional activities. The latter continues to try and straddle the premium positioning on which it has built its success while remaining relevant in the evolving economic climate.

Superstores remain a disruptive force in the grocery sector, as Wal-Mart's continued success in this area has underpinned their growth in recent months. The chain's same-store sales

climbed 3.0% in July. In contrast, Target saw same-store sales drop -1.5% during that same period.

Department Stores continue to be the most vulnerable among general merchandisers, as Conventional and National Department Stores saw sales fall -4.9% in the first half of 2008. Same-store sales at JCPenney decreased -6.5% in July. At the same time, Montgomery Ward secured a \$15.5 million price tag for the sale of its direct business to Swiss Colony as e-commerce continues to drive retail growth. Electronic Shopping and Direct Mail-Order Houses saw sales rise 5.1% in the first half of 2008.

Despite such robust growth among direct merchants, Warehouse Clubs and Superstores claimed the title of strongest growth over the last six months. Their 9.8% jump in sales is consistent with the 10.0% increase in same-store revenue enjoyed by Costco during July.

Clothing and Accessories Store sales remained a stark contrast to the success of superstores, as the former saw only 1.4%

growth in the first half of the year. July sales proved moderately more encouraging as they climbed 3.1%. Regardless, Gap reported an 11.0% drop in same-store sales as Zara overtook the chain as the world's largest apparel retailer.

With the back-to-school season entering full swing, many states are offering tax-free weekends to help spur on spending. Recent reports indicate that Americans continue to consume but are now relying more heavily on credit cards. With the average household currently carrying \$8,568 in credit card debt, some wonder how much longer consumers can overextend their expenditures.

With such challenges ahead, you can't fail to miss next month's bulletin as we review August's back-to-school sales and look towards the final quarter of 2008.

RELEASE DATE OF THE NEXT NATIONAL RETAIL BULLETIN:
September 12, 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.

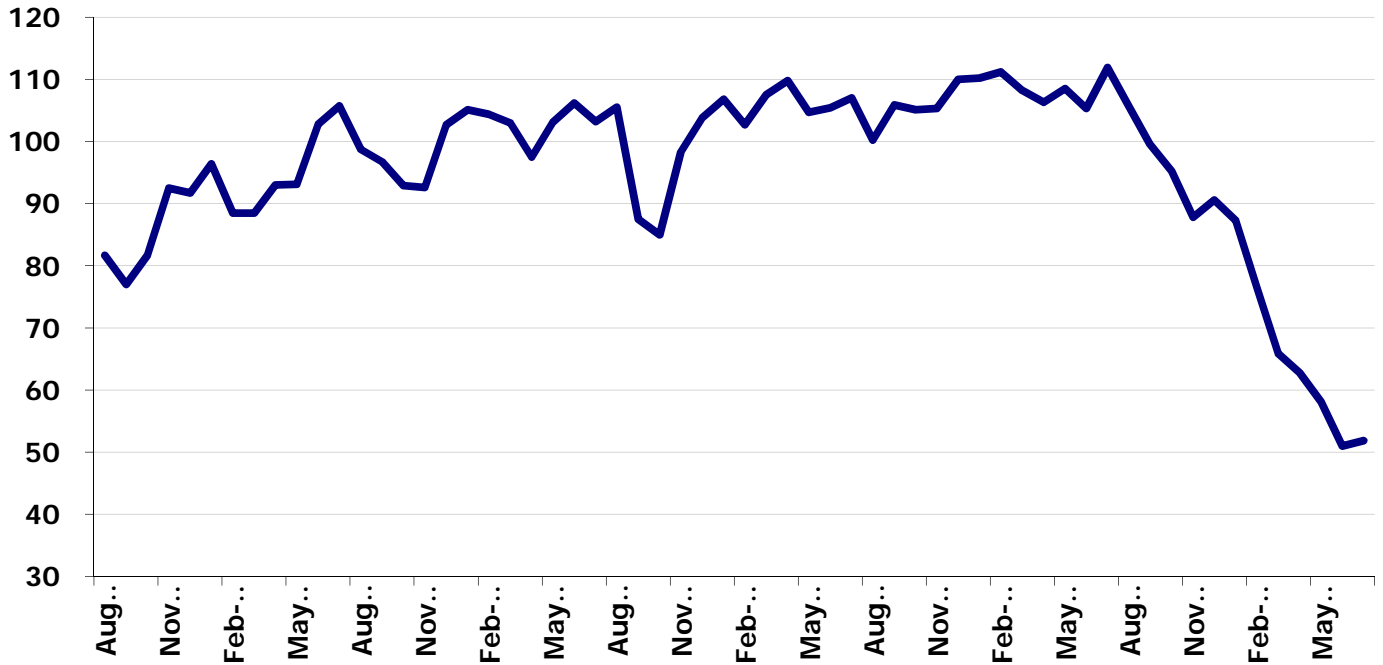
Retail Sales by Store Category

Sales for the Month of July	2008	2007	2008/2007
All Stores	393,194	376,319	4.5%
Motor Vehicle and Parts Dealers	73,656	80,019	-8.0%
Gasoline Stations	50,696	40,167	26.2%
Food and Beverage Stores	51,187	47,536	7.7%
Grocery Stores	45,727	42,479	7.6%
Health and Personal Care Stores	20,279	19,418	4.4%
Building Material and Garden Equipment Stores	30,606	29,948	2.2%
General Merchandise Stores	48,567	45,636	6.4%
Department Stores (excluding leased departments)	15,578	15,671	-0.6%
Clothing and Accessories Stores	17,648	17,123	3.1%
Furniture, Home Furnishings, Electronics and Appliance Stores	18,596	18,340	1.4%
Furniture and Home Furnishing Stores	9,596	9,839	-2.5%
Electronics and Appliance Stores	9,000	8,501	5.9%
Sporting Goods, Hobby, Book and Music Stores	7,003	6,858	2.1%
Miscellaneous Store Retailers	10,020	9,805	2.2%
Nonstore Retailers	25,199	23,019	9.5%
Food Services and Drinking Places	39,737	38,450	3.3%

Year to Date Sales Ending July	2008	2007	2008/2007
All Stores	2,634,373	2,549,316	3.3%
Motor Vehicle and Parts Dealers	514,015	545,884	-5.8%
Gasoline Stations	305,575	252,061	21.2%
Food and Beverage Stores	339,258	319,681	6.1%
Grocery Stores	305,288	287,020	6.4%
Health and Personal Care Stores	142,372	136,934	4.0%
Building Material and Garden Equipment Stores	196,976	201,499	-2.2%
General Merchandise Stores	329,036	312,862	5.2%
Department Stores (excluding leased departments)	107,389	110,217	-2.6%
Clothing and Accessories Stores	120,494	118,508	1.7%
Furniture, Home Furnishings, Electronics and Appliance Stores	124,855	125,820	-0.8%
Furniture and Home Furnishing Stores	63,655	66,815	-4.7%
Electronics and Appliance Stores	61,200	59,005	3.7%
Sporting Goods, Hobby, Book and Music Stores	47,087	45,588	3.3%
Miscellaneous Store Retailers	67,658	66,946	1.1%
Nonstore Retailers	180,417	168,280	7.2%
Food Services and Drinking Places	266,630	255,253	4.5%

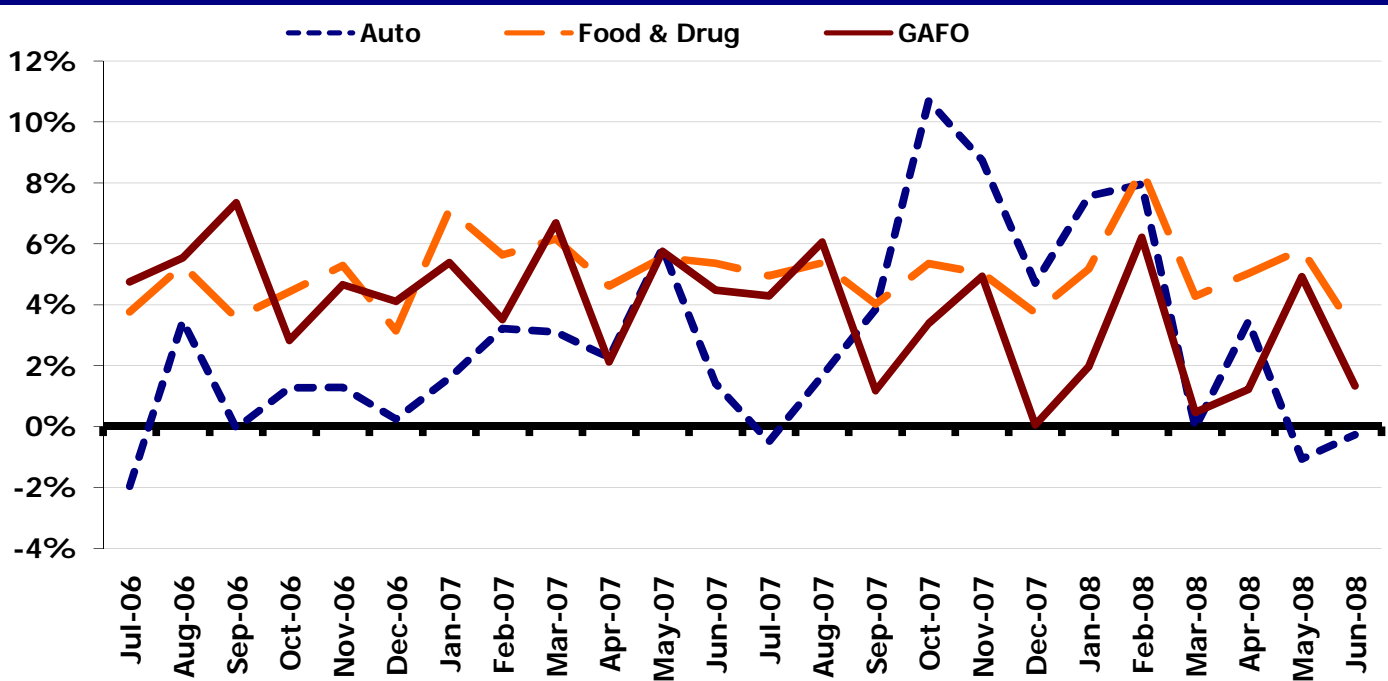
Source: US Census Bureau. All Values are expressed in millions of US dollars and are not seasonally adjusted

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

Retail Sales by Store Category

Revised Year to Date Sales Ending June	2008	2007	2008/2007
All Stores	2,241,179	2,172,997	3.1%
Motor Vehicle and Parts Dealers	440,359	465,865	-5.5%
Gasoline Stations	254,879	211,894	20.3%
Food and Beverage Stores	288,071	272,145	5.9%
Grocery Stores	259,561	244,541	6.1%
Beer, Wine and Liquor Stores	19,351	18,228	6.2%
Health and Personal Care Stores	122,093	117,516	3.9%
Pharmacies and Drug Stores	101,265	98,810	2.5%
Building Material and Garden Equipment Stores	166,370	171,551	-3.0%
Building Material and Supplies Stores	139,739	148,551	-5.9%
Hardware Stores	10,541	10,450	0.9%
GAFO (general merchandise, apparel, furniture, and other)	549,338	535,173	2.6%
General Merchandise Stores	280,469	267,226	5.0%
Department Stores (excluding leased departments)	91,811	94,546	-2.9%
<i>Discount Department Stores (excluding leased departments)</i>	<i>57,616</i>	<i>58,585</i>	<i>-1.7%</i>
<i>Conventional and National Dept. Stores (ex. Leased depts.)</i>	<i>34,195</i>	<i>35,961</i>	<i>-4.9%</i>
Warehouse Clubs and Superstores	167,578	152,620	9.8%
All Other General Merchandise Stores	21,080	20,060	5.1%
Clothing and Accessories Stores	102,846	101,385	1.4%
Men's Clothing Stores	4,885	4,877	0.2%
Women's Clothing Stores	19,090	19,054	0.2%
Family Clothing Stores	37,892	37,873	0.1%
Shoe Stores	12,692	12,421	2.2%
Jewellery Stores	13,361	13,077	2.2%
Furniture, Home Furnishings, Electronics and Appliance Stores	106,259	107,480	-1.1%
Furniture Stores	29,791	30,998	-3.9%
Home Furnishing Stores	24,268	25,978	-6.6%
Household Appliance Stores	8,593	8,702	-1.3%
Radio, TV and Other Electronics Stores	31,679	29,886	6.0%
Computer and Software Stores	10,164	10,310	-1.4%
Sporting Goods, Hobby, Book and Music Stores	40,084	38,730	3.5%
Sporting Goods Stores	17,927	17,105	4.8%
Book Stores	7,425	6,680	11.2%
Miscellaneous Store Retailers	57,638	57,141	0.9%
Nonstore Retailers	155,218	145,261	6.9%
Electronic Shopping and Mail-Order Houses	103,648	98,620	5.1%
Fuel Dealers	29,271	23,768	23.2%
Food Services and Drinking Places	226,893	216,803	4.7%

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