

# Bulletin

U.S. Data

Advance August 2006 Retail Sales • Released September 14, 2006

## RETAIL GROWTH KEEPS UP THE PACE

Amid spectacular reports that the economy is about to collapse due to the hard landing in the housing sector, the retail sector is showing resilience.

All Stores gained 6.8% in August, which was on pace with year-to-date growth of 7.0%. All Stores Less Auto, Food, and Pharmacy advanced at a quicker speed (7.3%), but were slightly off year-to-date growth of 8.6%.

The two major influencers in August were back-to-school and the housing market.

Along with the massive slowdown in housing, consumer confidence took a breather in August. The rate fell over seven points to below 100. However, typical retail categories that complement the housing market appeared to have weathered the storm so far. The Furniture and Home Furnishings category gained 6.4% in August. While this is off their year-to-date growth of 9.0%, it is still relatively strong. This category has traditionally performed well in correlation with the housing market. It will be interesting to watch this category over the next 12 to 18 months. Typically, the economic impact of the housing sector changes can be felt from nine months to two years.

The same is true for Building Material and Garden Equipment Stores. Growth in August topped at 7.6%, which was well below year-to-date growth of

12.5%. However, August's growth rate is still relatively high.

While the housing market is in for a shock, we expected a softer landing for the associated retail categories. Retail sales growth should dampen but not fall off the map.

The concerns over a retail slowdown have not been shown in August retail sales. Clothing Stores; Supercenters and Warehouse Clubs; Sporting Goods, Hobby, Book, and Music Stores; Food and Beverage Stores; and Nonstore Retailers performed well in August.

The back-to-school season has gone well for teen clothing retailers helping to boost Clothing Store sales up 7.3%.

There is a continued noticeable shift in back-to-school spending to Supercentres and Warehouse Clubs. In addition, Internet and mail order business is booming for this season proving that with everyone's busy schedule, why go to the store when you can have it delivered? Sales at Nonstore Retailers gained 13.1% in August.

The Electronics and Appliance Store category experienced softer growth than expected. There are several reasons that may help to explain this situation. Growth should have been strong given the preference for new electronic gadgetry that appeals to many back-to-school shoppers. However, the softer housing market may have slowed growth for the retailers that also sell big ticket items such as refrigerators and TVs. In addition, many cell phone stores may be classified as service providers (that derive more than 50% of their revenues from supply services rather than selling hard goods such as cell phones) rather than retailers by the U.S. Census. This may skew the actual sales results.

**RELEASE DATE OF THE NEXT NATIONAL RETAIL BULLETIN:**  
October 13, 2006

### 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](http://www.census.gov).

## Retail Sales by Store Category

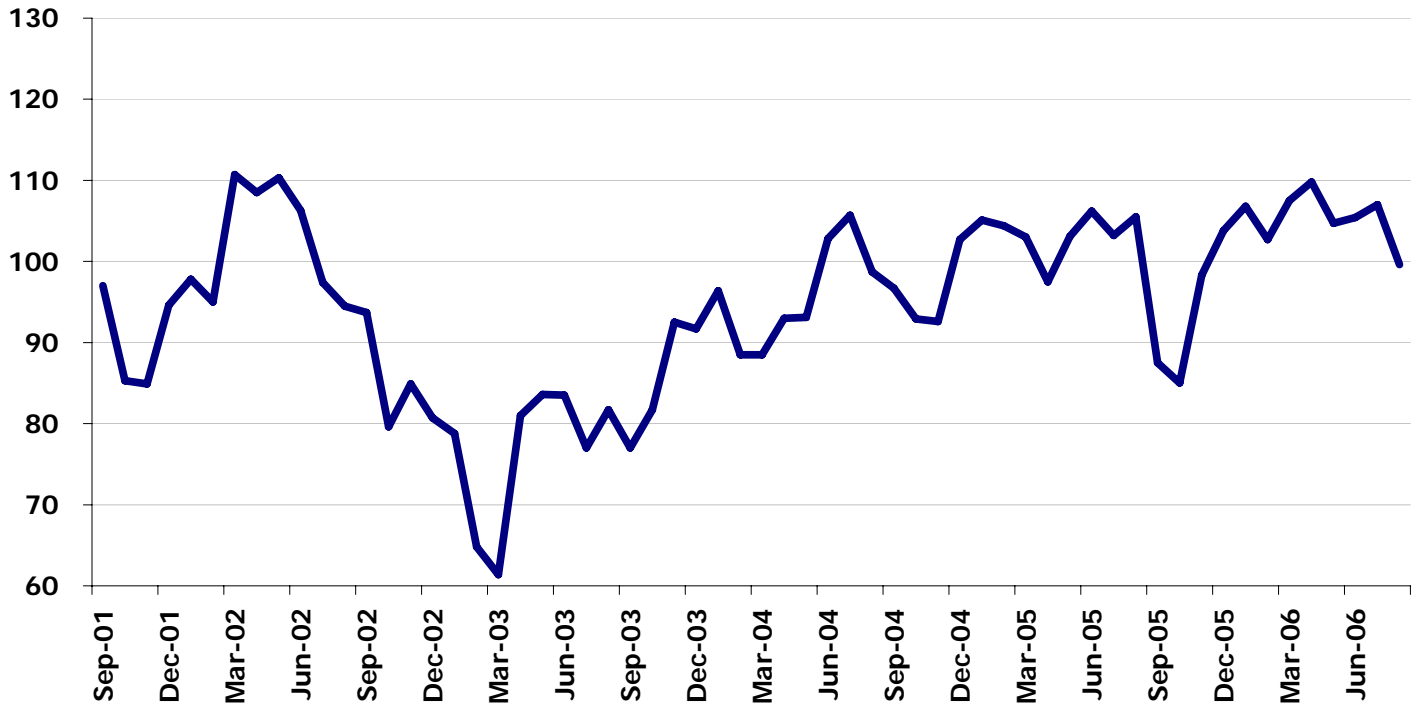
Sales for the Month of August	2006	2005	2006/2005
<b>All Stores</b>	<b>383,460</b>	<b>358,936</b>	<b>6.8%</b>
<b>Motor Vehicle and Parts Dealers</b>	<b>85,133</b>	<b>81,938</b>	<b>3.9%</b>
<b>Gasoline Stations</b>	<b>41,419</b>	<b>37,284</b>	<b>11.1%</b>
<b>Food and Beverage Stores</b>	<b>46,665</b>	<b>43,824</b>	<b>6.5%</b>
Grocery Stores	41,520	39,238	5.8%
<b>Health and Personal Care Stores</b>	<b>18,722</b>	<b>17,448</b>	<b>7.3%</b>
<b>Building Material and Garden Equipment Stores</b>	<b>31,341</b>	<b>29,133</b>	<b>7.6%</b>
<b>General Merchandise Stores</b>	<b>45,107</b>	<b>42,843</b>	<b>5.3%</b>
Department Stores (excluding leased departments)	16,922	17,155	-1.4%
<b>Clothing and Accessories Stores</b>	<b>17,978</b>	<b>16,757</b>	<b>7.3%</b>
<b>Furniture, Home Furnishings, Electronics and Appliance Stores</b>	<b>19,210</b>	<b>18,170</b>	<b>5.7%</b>
Furniture and Home Furnishing Stores	10,437	9,808	6.4%
Electronics and Appliance Stores	8,773	8,362	4.9%
<b>Sporting Goods, Hobby, Book and Music Stores</b>	<b>7,949</b>	<b>7,464</b>	<b>6.5%</b>
<b>Miscellaneous Store Retailers</b>	<b>10,222</b>	<b>9,511</b>	<b>7.5%</b>
<b>Nonstore Retailers</b>	<b>22,887</b>	<b>20,240</b>	<b>13.1%</b>
<b>Food Services and Drinking Places</b>	<b>36,827</b>	<b>34,324</b>	<b>7.3%</b>

Year to Date Sales Ending August	2006	2005	2006/2005
<b>All Stores</b>	<b>2,870,259</b>	<b>2,683,237</b>	<b>7.0%</b>
<b>Motor Vehicle and Parts Dealers</b>	<b>626,013</b>	<b>624,532</b>	<b>0.2%</b>
<b>Gasoline Stations</b>	<b>292,825</b>	<b>249,305</b>	<b>17.5%</b>
<b>Food and Beverage Stores</b>	<b>356,651</b>	<b>339,655</b>	<b>5.0%</b>
Grocery Stores	318,024	305,174	4.2%
<b>Health and Personal Care Stores</b>	<b>146,413</b>	<b>136,579</b>	<b>7.2%</b>
<b>Building Material and Garden Equipment Stores</b>	<b>244,163</b>	<b>217,061</b>	<b>12.5%</b>
<b>General Merchandise Stores</b>	<b>344,242</b>	<b>325,270</b>	<b>5.8%</b>
Department Stores (excluding leased departments)	128,530	129,724	-0.9%
<b>Clothing and Accessories Stores</b>	<b>129,033</b>	<b>121,169</b>	<b>6.5%</b>
<b>Furniture, Home Furnishings, Electronics and Appliance Stores</b>	<b>142,053</b>	<b>131,921</b>	<b>7.7%</b>
Furniture and Home Furnishing Stores	76,760	70,403	9.0%
Electronics and Appliance Stores	65,293	61,518	6.1%
<b>Sporting Goods, Hobby, Book and Music Stores</b>	<b>53,239</b>	<b>49,728</b>	<b>7.1%</b>
<b>Miscellaneous Store Retailers</b>	<b>77,144</b>	<b>71,062</b>	<b>8.6%</b>
<b>Nonstore Retailers</b>	<b>175,398</b>	<b>154,683</b>	<b>13.4%</b>
<b>Food Services and Drinking Places</b>	<b>283,085</b>	<b>262,272</b>	<b>7.9%</b>

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

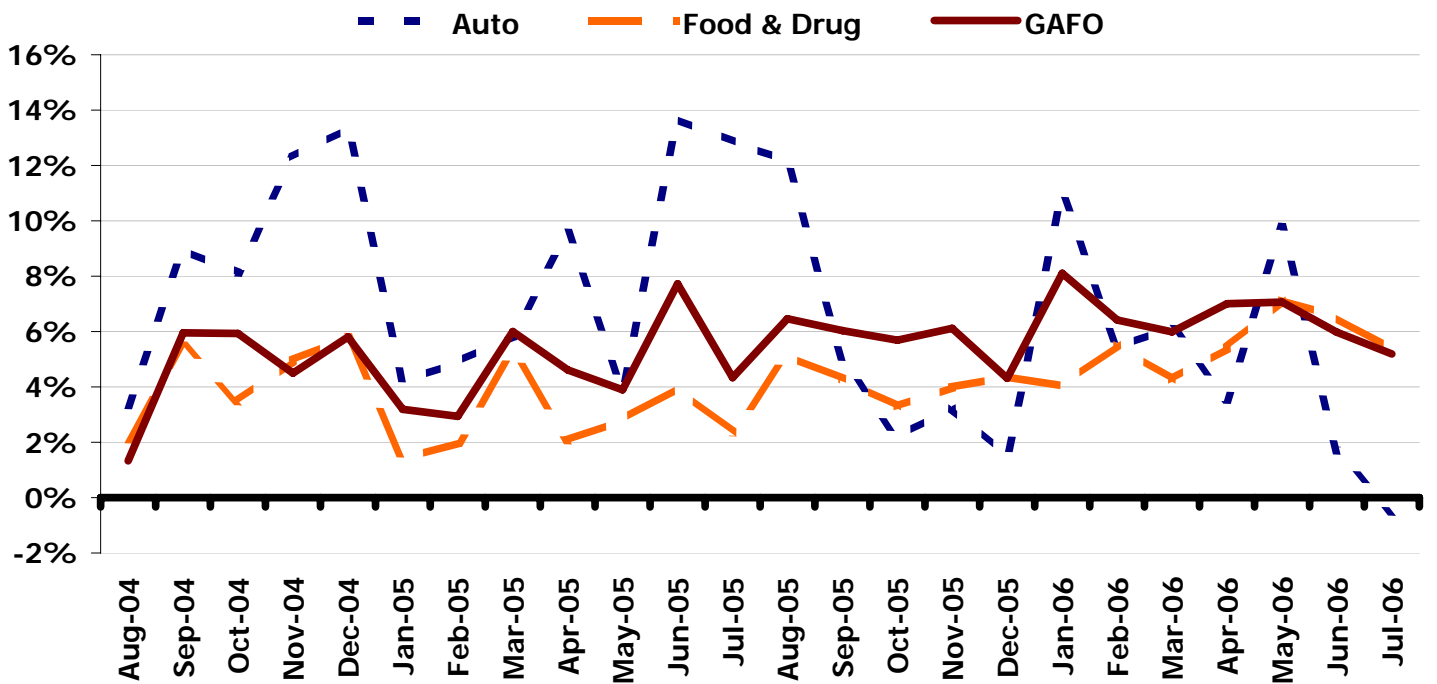
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### U.S. Consumer Confidence Index



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