

Bulletin

U.S. Data

Advance December 2006 Retail Sales • Released January 12, 2007

HOLIDAY SALES DRY UP LIKE LEFTOVER FRUIT CAKE

As All Stores sales grew a meager 3.6%, retailers found December more disappointing than getting socks from their great-aunt. All Stores sales less automotive, food, and drug was somewhat more encouraging at 4.3% but paled in comparison to November's 6.0% growth.

An 8.0% increase in Clothing and Accessories sales in November signaled a robust season, but as that figure tumbled 5.0 percentage points to 3.0% in December, industry experts were left muttering "Bah! Humbug." Unseasonably warm weather in the Northeast cooled winter clothing sales and left stores with plenty of boots kicking around. The Gap was particularly vulnerable to this downturn and experienced an -8.0% fall in same store sales—3.0 percentage points behind expectations.

Balmy breezes dampened Sporting Goods, Hobby, Book, and Music Stores sales, which rose only 2.0% in December, 3.9 percentage points behind year-to-date growth. As snow remained sparse nationwide, ski sales were flat and skate turnover remained dull. It also left Building Material and Garden Equipment retailers pondering the fate of the snow blowers and shovels strewn throughout their stores. This, combined with a stagnant housing market, pushed sales down -4.3%. As the category continues to struggle with daunting comp growth from previous years, many

hope for an interest rate decrease to kick-start the housing market.

Furniture and Home Furnishings Stores also fell behind expectations with a modest 5.1% growth. Electronics and Appliance Stores charged ahead with 13.7% growth as flat panel screens plummeted in price and Wii and PlayStation 3 sparked sales. It has become clear that it's not what you're sitting on that's important, but rather what you're staring at which matters most.

Despite the lure of such new gadgetry, consumers managed to leave their home from time to time as they drove Food Services and Drinking Places sales up 9.1%, a full percentage point ahead of year-to-date growth. There was clearly a cause for celebration as consumer confidence rose 3.7 to reach 109.0.

Although surprising amidst falling home values, this optimism is likely tied to the drop in gas prices, which kept Gasoline Stations sales growth at a mere

2.1%. Such low fuel costs certainly played a role in slowing growth amongst Non-store retailers whose sales climbed only 5.2% in December—6.1 percentage points behind year-to-date. That category was buoyed by online sales, which continue to outpace all other channels. November saw e-commerce figures rise an impressive 11.0% over 2005.

Health and Personal Care Stores also looked their best as sales grew 8.6%. Other winners include Costco and Nordstrom, both of whom saw same store sales increase 9.0% in December.

These rosy results remind us that while tempered by lackluster holiday performance, 2006 remained a strong year for retail as sales surpassed 2005 by 6.0%.

RELEASE DATE OF THE NEXT NATIONAL RETAIL BULLETIN:

February 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

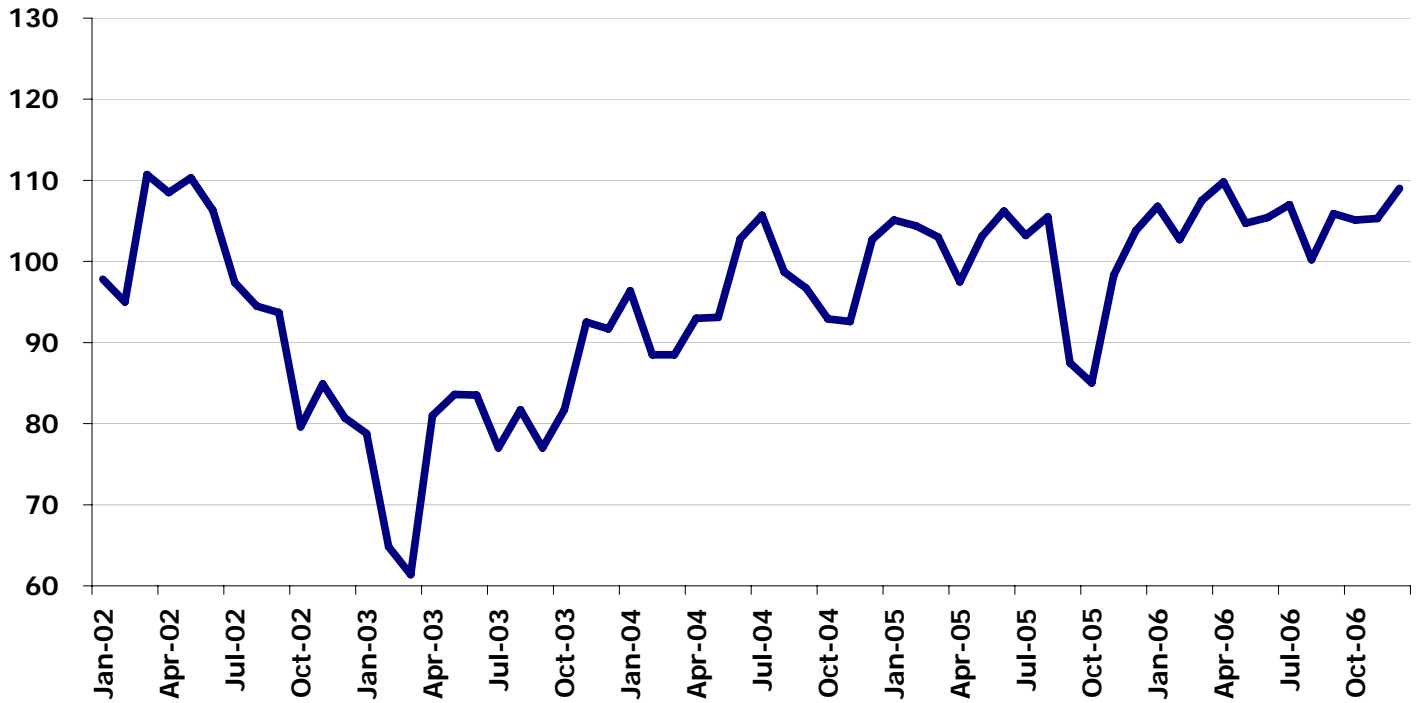
Sales for the Month of December	2006	2005	2006/2005
All Stores	423,874	409,063	3.6%
Motor Vehicle and Parts Dealers	71,096	71,117	0.0%
Gasoline Stations	32,644	31,978	2.1%
Food and Beverage Stores	51,650	49,303	4.8%
Grocery Stores	44,074	42,388	4.0%
Health and Personal Care Stores	21,874	20,149	8.6%
Building Material and Garden Equipment Stores	24,409	25,499	-4.3%
General Merchandise Stores	69,807	66,982	4.2%
Department Stores (excluding leased departments)	30,523	30,965	-1.4%
Clothing and Accessories Stores	31,346	30,440	3.0%
Furniture, Home Furnishings, Electronics and Appliance Stores	27,876	25,389	9.8%
Furniture and Home Furnishing Stores	12,172	11,583	5.1%
Electronics and Appliance Stores	15,704	13,806	13.7%
Sporting Goods, Hobby, Book and Music Stores	12,592	12,344	2.0%
Miscellaneous Store Retailers	11,735	11,732	0.0%
Nonstore Retailers	30,448	28,945	5.2%
Food Services and Drinking Places	38,397	35,185	9.1%

Year to Date Sales Ending December	2006	2005	2006/2005
All Stores	4,364,542	4,115,815	6.0%
Motor Vehicle and Parts Dealers	909,127	895,250	1.6%
Gasoline Stations	425,166	388,261	9.5%
Food and Beverage Stores	544,581	519,292	4.9%
Grocery Stores	482,797	463,905	4.1%
Health and Personal Care Stores	224,341	208,376	7.7%
Building Material and Garden Equipment Stores	355,002	326,993	8.6%
General Merchandise Stores	553,191	525,726	5.2%
Department Stores (excluding leased departments)	212,799	214,658	-0.9%
Clothing and Accessories Stores	214,009	201,682	6.1%
Furniture, Home Furnishings, Electronics and Appliance Stores	227,701	211,733	7.5%
Furniture and Home Furnishing Stores	120,201	111,293	8.0%
Electronics and Appliance Stores	107,500	100,440	7.0%
Sporting Goods, Hobby, Book and Music Stores	86,684	81,853	5.9%
Miscellaneous Store Retailers	118,833	111,001	7.1%
Nonstore Retailers	277,064	249,011	11.3%
Food Services and Drinking Places	428,843	396,637	8.1%

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

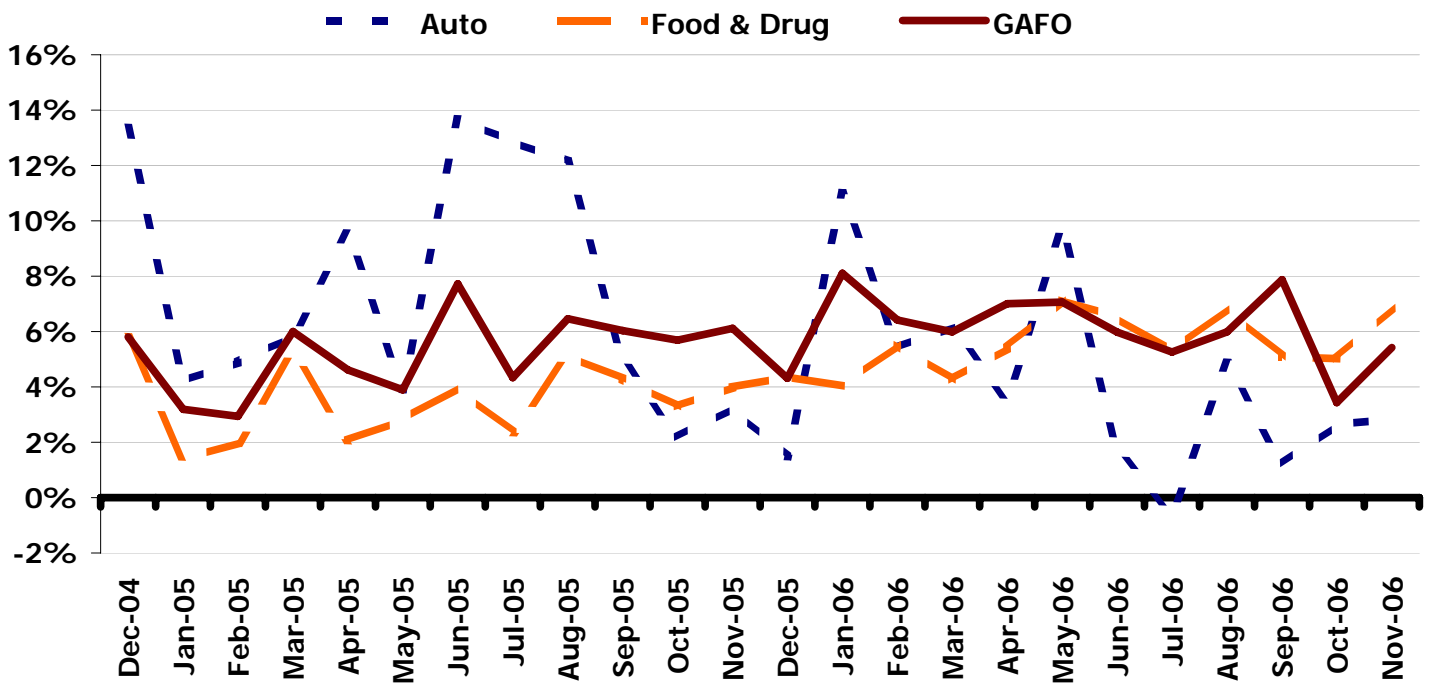
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U.S. Consumer Confidence Index



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