

Bulletin

December 1998 Retail Sales • Released February 22, 1999

J.C. Williams Group's Christmas Forecast

Back in November, upon the release of September's retail sales, J.C. Williams Group forecasted that the 1998 Christmas Season sales would grow between 4% and 5% over December 1997 sales. The moment most retailers have been waiting for has arrived and it turns out that we were slightly conservative in our estimate; December's sales for all stores less auto, food, and drug were 5.1% greater than December 1997.

For all stores less auto, food, and drug, 1998 witnessed a string of month-over-month positive retail sales increases that lead to a year-end total increase of 6.6% over 1997. This represents two years of significant year-over-year growth in the retail economy with minimal inflation. Growth this year is on top of last year's 7.2% growth over 1996. However, there were bumps along the way, most notably the stock market crash in September, but Canadian's spending, especially for big ticket items such as furniture, proved resilient to such fluctuations.

J.C. Williams Group would also like to point out that Statistics Canada does not measure store sales from some important retail growth commodities. Sales at computer and software stores (except stores such as Future Shop),

lumber and building supply stores, and warehouse type stores such as Price Club are not included in the published retail sales figures. If these sales were included we would expect sales in some key categories to be even greater.

1998 Quarter By Quarter Highlights

Analyzing retail sales for each quarter in 1998 revealed that some retail categories exhibited a marked deceleration throughout the year (e.g. Clothing and Shoe Stores) while other categories (e.g. Furniture, Appliance, and Furnishings Stores) remained strong throughout the entire year. In addition, discretionary spending on items such as sporting goods, music, books, and hardware stores (captured in the All Other Retail category) although waning slightly throughout 1998, the category remained

particularly strong and unaffected by outside influences.

High Hopes For The West

While only Ontario (8%) and Atlantic Canada (4.6%) posted retail sales for the year that were greater than the national average (4.3%), most regions with the exception of Quebec appeared to be slowing down. While we expect Ontario to continue to lead in terms of growth for 1999, our biggest concern is for B.C. and the Prairies. J.C. Williams Group believes that B.C.'s retail economy has bottomed out during 1998 and we expect their economy to turn around for 1999. On the other hand, a turn around for the Prairies will be dependent upon the strength of the oil and agricultural industries. Unfortunately, both of these industries have suffered in 1998.

Please note:

The J.C. Williams Group National Retail Bulletin compares the latest monthly release of "raw" (i.e., unadjusted for seasonality) retail sales figures to those in the *same calendar month of the previous year*. Statistics Canada 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.

J.C.WILLIAMS GROUP

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J.C. Williams Group's 1999 Forecast

Higher employment, decreased taxes, minimal inflation, and low interest rates should all work together to create a favourable environment conducive for strong retail sales in 1999. While we should not expect the double digit increases in some categories that we have seen in the past, sales growth over 1998 in the 4% range is plausible. An interesting facet of the upcoming year will be to watch for millenium spending.

J.C.WILLIAMS GROUP

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Retail Sales by Store Category

Sales for the Month of: D c m e	1998	1997	1998 / 1997
All Stores	24,987.0	24,465.5	2.1%
Automotive Group	7,448.1	7,722.3	-3.6%
All Stores Less Automotive	17,538.9	16,743.2	4.8%
Food and Drug Group	6,566.0	6,298.1	4.3%
All Stores Less Auto, Food and Drug	10,972.9	10,445.1	5.1%
General Merchandise Stores	3,947.7	3,768.1	4.8%
Department Stores (incl concessions)	2,649.0	2,529.3	4.7%
Furniture, Appliance, Furnishings Stores	1,581.2	1,457.7	8.5%
All Clothing and Shoe Stores	1,917.5	1,873.9	2.3%
Women's Clothing Stores	592.0	583.2	1.5%
Men's Clothing Stores	260.3	259.8	0.2%
Shoe Stores	175.9	170.3	3.3%
All Other Retail (except auto, food, drug)	3,526.5	3,345.4	5.4%

Year-to-date Sales	1998	1997	1998/1997
All Stores	247,521.9	237,277.7	4.3%
Automotive Group	95,274.1	92,765.0	2.7%
All Stores Less Automotive	152,247.8	144,512.7	5.4%
Food and Drug Group	70,925.3	68,247.3	3.9%
All Stores Less Auto, Food and Drug	81,322.5	76,265.4	6.6%
General Merchandise Stores	27,896.1	26,182.6	6.5%
Department Stores (incl concessions)	16,849.9	15,929.3	5.8%
Furniture, Appliance, Furnishings Stores	12,596.6	11,605.2	8.5%
All Clothing and Shoe Stores	13,966.6	13,384.9	4.3%
Women's Clothing Stores	4,456.9	4,335.2	2.8%
Men's Clothing Stores	1,566.9	1,569.5	-0.2%
Shoe Stores	1,673.6	1,649.9	1.4%
All Other Retail (except auto, food, drug)	26,863.2	25,092.7	7.1%

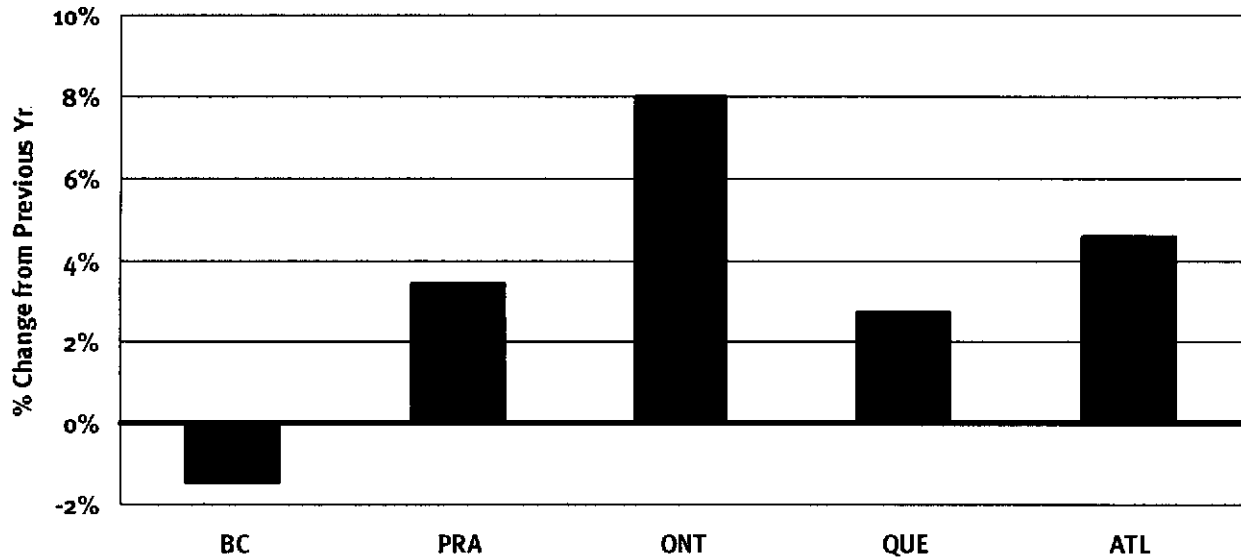
ALL DOLLAR VALUES EXPRESSED IN MILLIONS OF CANADIAN DOLLARS; UNADJUSTED FIGURES; SOURCE: STATISTICS CANADA

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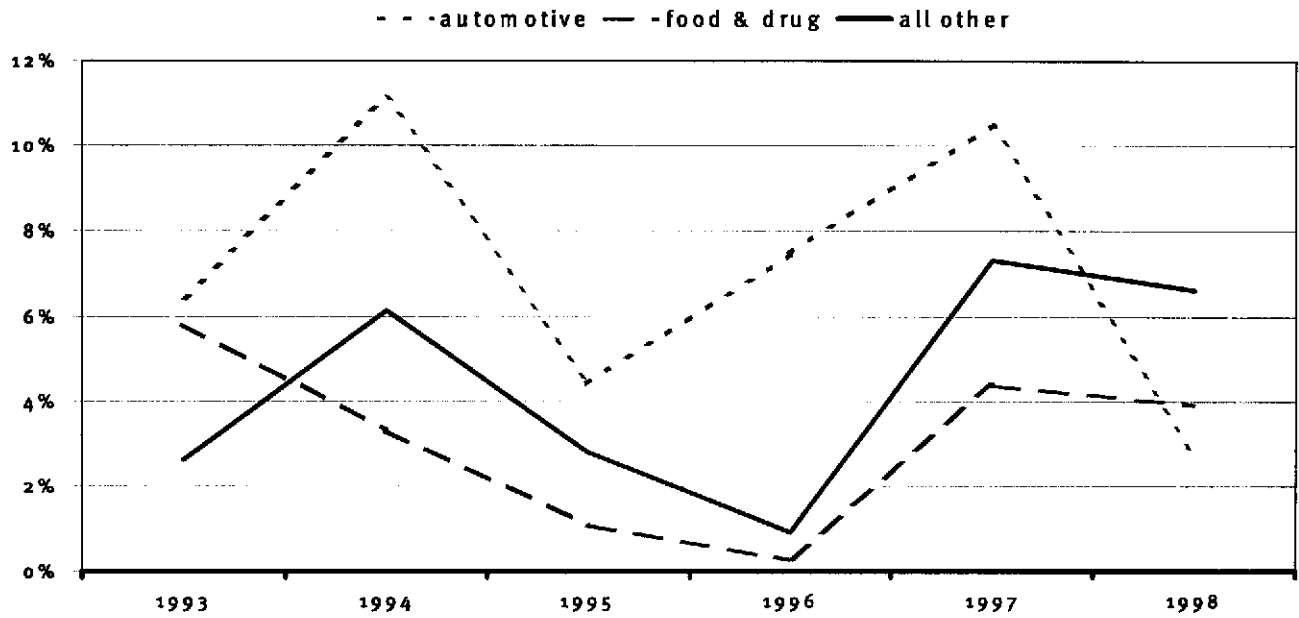
RETAIL TRADE, CANADA, ALL STORES, BY MAJOR REGION

	Year-to-Date 1998	Same Period 1997	Change 1998 / 1997
British Columbia	33,252.6	33,736.0	-1.4%
Prairies	44,635.5	43,149.5	3.4%
Ontario	93,356.9	86,457.8	8.0%
Quebec	57,062.7	55,539.5	2.7%
Atlantic Canada	18,382.2	17,578.0	4.6%

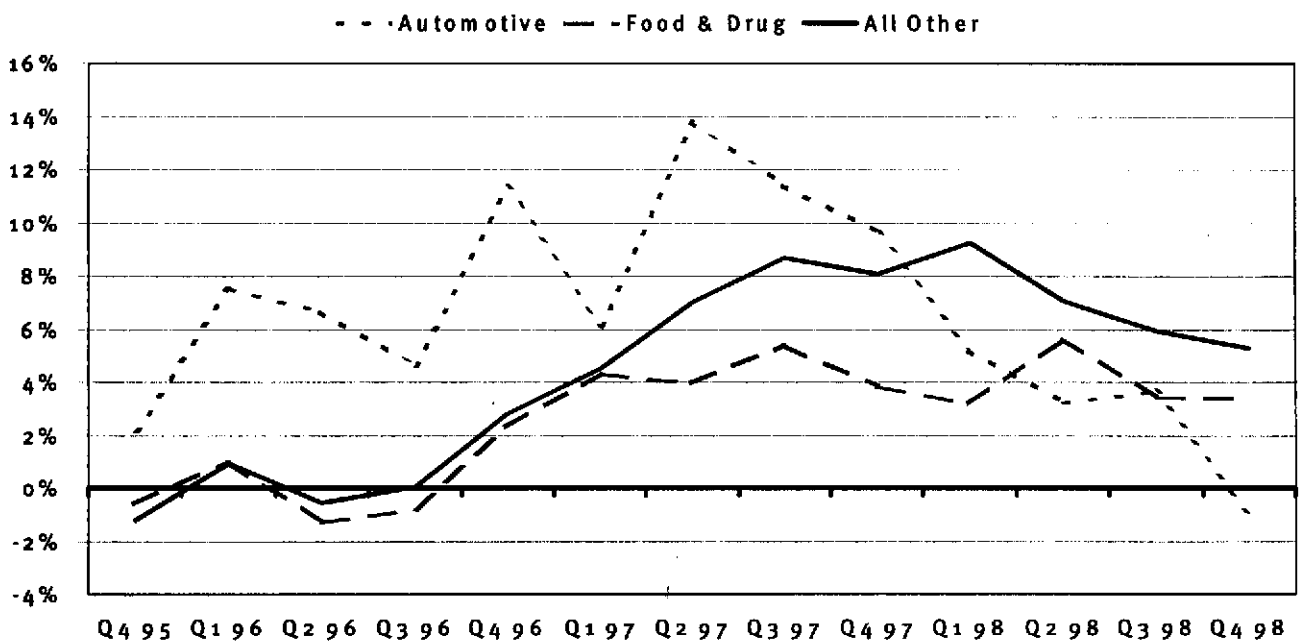
Percentage Change in Retail Trade, All Stores, by Region
Year-to-Date Compared to Same Period Last Year



Canadian Retail Sales by Major Product Categories Year Over Year (1992 -1997)



Canadian Retail Sales by Major Product Categories From the Same Quarter A Year Earlier



Consumer Price Index

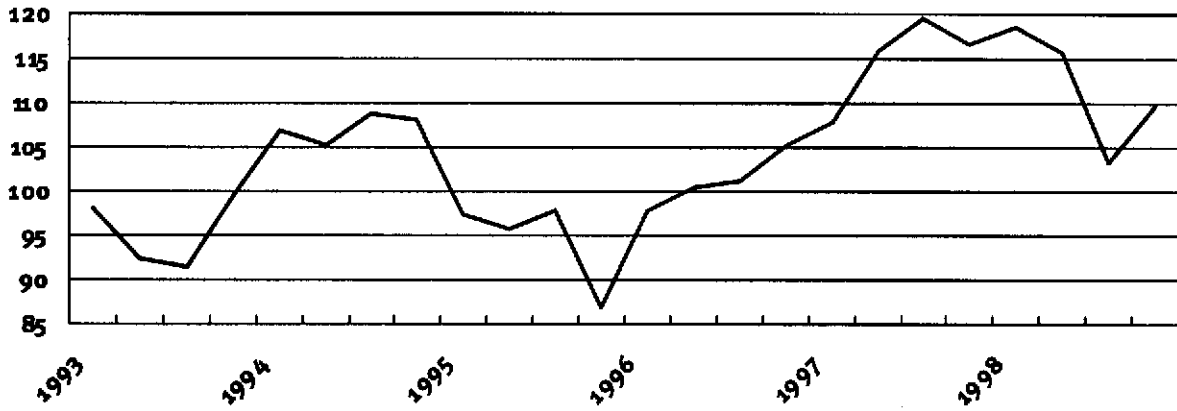
January 1998

vs.

January 1997

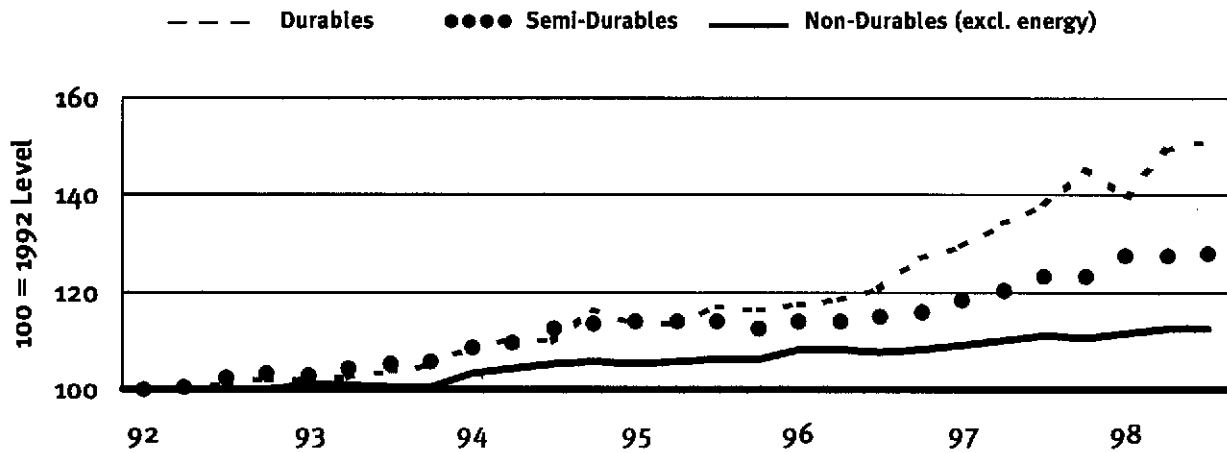
0.6%

Canadian Consumer Confidence Index 1992-1998



Source: Conference Board of Canada

Canadian Consumer Expenditures Index 1992 - 1998



Retail Trade, Canada, By Major Product Categories and Regions
Quarter-Over-Quarter % Changes 1998-1997

Product Categories	Q1	Q2	Q3	Q4
All Stores	5.7%	5.0%	4.3%	2.6%
Automotive Group	5.2%	3.2%	3.7%	-1.0%
All Stores Less Automotive	6.0%	6.4%	4.8%	4.5%
Food and Drug Group	3.2%	5.7%	3.4%	3.4%
All Stores Less Auto, Food and Drug	9.3%	7.1%	6.0%	5.3%
General Merchandise Stores	10.7%	7.7%	5.8%	4.1%
Department Stores (incl concessions)	11.4%	6.4%	4.5%	3.5%
Furniture, Appliance, Furnishings Stores	9.3%	7.4%	8.7%	8.7%
All Clothing and Shoe Stores	5.6%	5.1%	4.1%	3.3%
Women's Clothing Stores	5.1%	5.4%	0.8%	1.0%
Men's Clothing Stores	3.3%	-2.7%	-1.1%	0.5%
Shoe Stores	4.3%	5.0%	1.0%	-3.1%
All Other Retail (except auto, food, drug)	9.7%	7.3%	5.8%	6.3%

Regions	Q1	Q2	Q3	Q4
British Columbia	-0.1%	0.0%	-2.1%	-3.3%
Prairies	6.5%	4.0%	4.4%	-0.2%
Ontario	9.2%	9.5%	8.4%	5.4%
Quebec	3.1%	2.1%	2.4%	3.4%
Atlantic Canada	6.8%	5.2%	3.3%	3.6%