

# Bulletin

October Retail Sales • Released December 20, 2000

## Slow Month

Retail sales grew by 2.3% in October compared to last year. While Furniture, Appliance, and Furnishings Stores led the way, retail sales in this category were significantly lower than the double-digit gains of previous months.

Overall, the year is still strong with 5.6% growth year-to-date.

## Ontario Tax Relief?

In October the Ontario government gave most taxpayers a \$200 tax refund. While some people stated they would give the money to charity and others may have paid off some debt, the question remains, has the billion-dollar tax break helped the retail economy?

Ontario's retail sales were only \$370 million greater this October than last year at this time. This represents a 4.4% increase. While we did not see any significant sign that Ontario's retail economy reaped any large rewards due to the extra billion dollars, the full multiplier effect will take several months to play out as some taxpayers had not even cashed their cheques by the end of the month.

## J.C. Williams Group Holiday Predictions

Christmas and Boxing Week 2000 will be recorded as a 'hit and miss' season. While some retailers are thriving others are diving. Disappointing sales for some holiday retailers will be the result of the Millennium factor. For these retailers it will be difficult to match the extra boost retailers received last year from consumers requiring an extra party dress, more food and wine, extra candles, or that un-

used generator. In addition, there is little room for growth after over two years of strong year-over-year growth. While the holiday season will be positive overall, J.C. Williams Group may have been overly optimistic in its original forecast. As a result, the revised forecast is for a 2% to 3% holiday season.

A lower than expected holiday season will mean excessive inventories that will have to be liquidated during Boxing Week sales. Most notably, mid-price point and undifferentiated products, such as apparel, will see large discounts this post holiday.

## 2.001K Drivers and Obstacles

J.C. Williams Group has compiled a list of what will help drive the retail economy in 2001 and what the stumbling blocks will be.

### Drivers

- Economy will remain strong but at a decelerating rate
- Interest rates will remain low
- Employment is relatively high
- Consumer confidence is high
- Home building and values continue to increase
- Gas prices will be less volatile
- Tax breaks will continue
- Increased U.S. retailer presence (e.g. Pottery Barn)

### Obstacles

- TSE is down, so big spending impacted
- Slowing U.S. economy with spill-over north of the border
- Clothing price deflation, as sales and discounts continue; also consumer indifference to over-priced status brands
- Noticeable shift from retail spending to service spending (e.g. cars to holidays) in our experience economy
- Consumer ennui – lack of new products and fashion, look alike stores, e.g. black dress and khakis syndrome, results in a boredom with shopping consumer
- "I've already got it" (suit, sofa, car), demand has been sated in the last 2 years

### 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.

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NATIONAL RETAIL

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## **So what's the Answer?**

The question remains, why are some retailers witnessing growth of over 20% while others are still floundering?

Empirical evidence seems to show that those who are doing well are keeping up with retail innovation. They are re-investing in their stores in order to keep ahead and entice consumers to shop in their stores or web sites. Don't believe this is the reason for dull retail sales? - then just walk through your nearest regional shopping centre. If you find more than five stores that elicit a "WOW - that's great" response, we'll buy you a drink.

*John C. Williams*

*Jim Okamura*

J.C.WILLIAMS GROUP

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<b>Retail Sales by Store Category</b>			
<b>Sales for the Month of: October</b>	<b>2000</b>	<b>1999</b>	<b>2000 / 1999</b>
<b>All Stores</b>	<b>22,769.5</b>	<b>21,963.3</b>	<b>3.7%</b>
Automotive Group	8,997.7	8,336.3	7.9%
All Stores Less Automotive	13,771.8	13,627.0	1.1%
Food and Drug Group	6,079.5	6,105.4	-0.4%
<b>All Stores Less Auto, Food and Drug</b>	<b>7,692.3</b>	<b>7,521.6</b>	<b>2.3%</b>
<b>General Merchandise Stores</b>	<b>2,695.7</b>	<b>2,683.1</b>	<b>0.5%</b>
Department Stores (incl concessions)	1,580.9	1,625.4	-2.7%
<b>Furniture, Appliance, Furnishings Stores</b>	<b>1,316.2</b>	<b>1,243.8</b>	<b>5.8%</b>
<b>All Clothing and Shoe Stores</b>	<b>1,328.4</b>	<b>1,307.3</b>	<b>1.6%</b>
Women's Clothing Stores	400.3	399.7	0.2%
Men's Clothing Stores	126.6	136.4	-7.1%
Shoe Stores	145.4	157.1	-7.5%
<b>All Other Retail (except auto, food, drug)</b>	<b>2,352.1</b>	<b>2,287.4</b>	<b>2.8%</b>
<b>Year-to-date Sales</b>	<b>2000</b>	<b>1999</b>	<b>2000/1999</b>
<b>All Stores</b>	<b>225,248.9</b>	<b>211,330.3</b>	<b>6.6%</b>
Automotive Group	93,543.1	85,264.9	9.7%
All Stores Less Automotive	131,705.8	126,065.4	4.5%
Food and Drug Group	61,375.0	59,487.3	3.2%
<b>All Stores Less Auto, Food and Drug</b>	<b>70,330.8</b>	<b>66,578.1</b>	<b>5.6%</b>
<b>General Merchandise Stores</b>	<b>23,719.2</b>	<b>22,881.2</b>	<b>3.7%</b>
Department Stores (incl concessions)	13,517.4	13,437.2	0.6%
<b>Furniture, Appliance, Furnishings Stores</b>	<b>11,843.9</b>	<b>10,611.2</b>	<b>11.6%</b>
<b>All Clothing and Shoe Stores</b>	<b>11,571.0</b>	<b>10,987.9</b>	<b>5.3%</b>
Women's Clothing Stores	3,582.3	3,481.4	2.9%
Men's Clothing Stores	1,145.1	1,119.3	2.3%
Shoe Stores	1,294.4	1,307.4	-1.0%
<b>All Other Retail (except auto, food, drug)</b>	<b>23,196.7</b>	<b>22,097.8</b>	<b>5.0%</b>

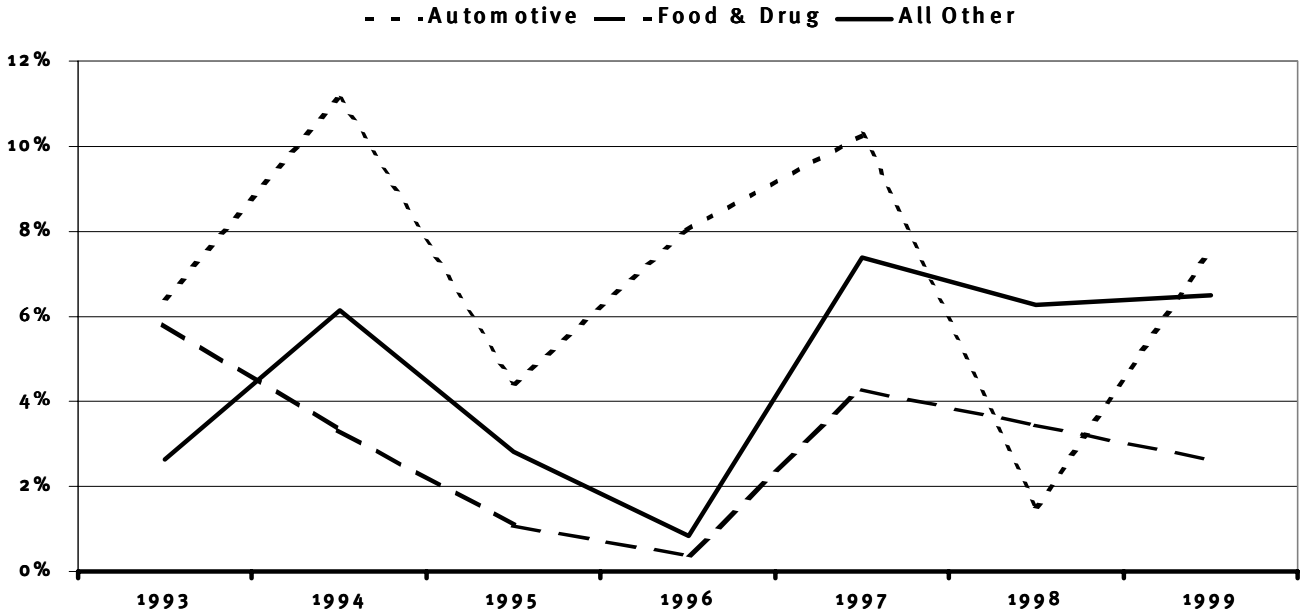
ALL DOLLAR VALUES EXPRESSED IN MILLIONS OF CANADIAN DOLLARS; UNADJUSTED FIGURES; SOURCE: STATISTICS CANADA

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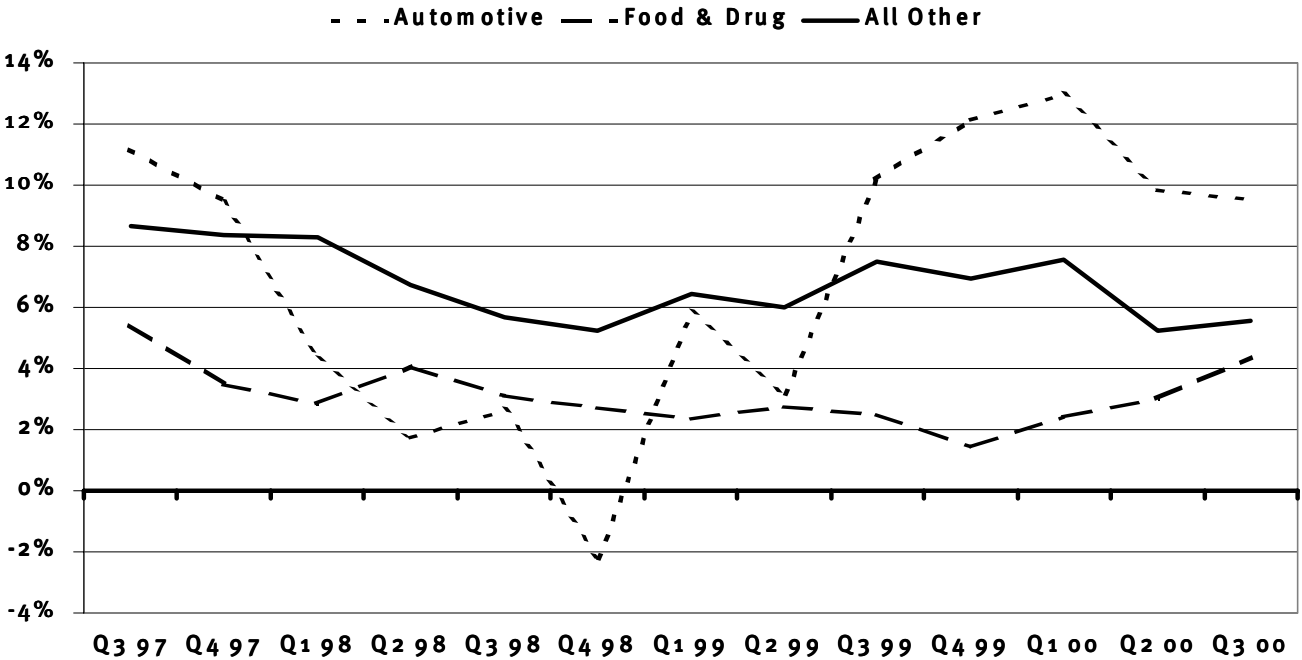
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**Canadian Retail Sales by Major Product Categories Year Over Year (1993 -1999)**



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



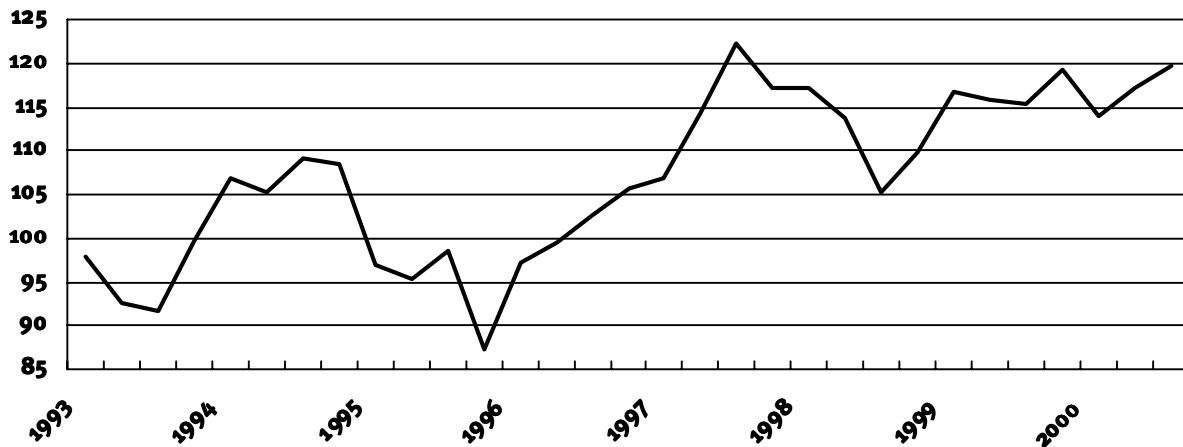
**Consumer Price Index**

November 2000

vs. November 1999

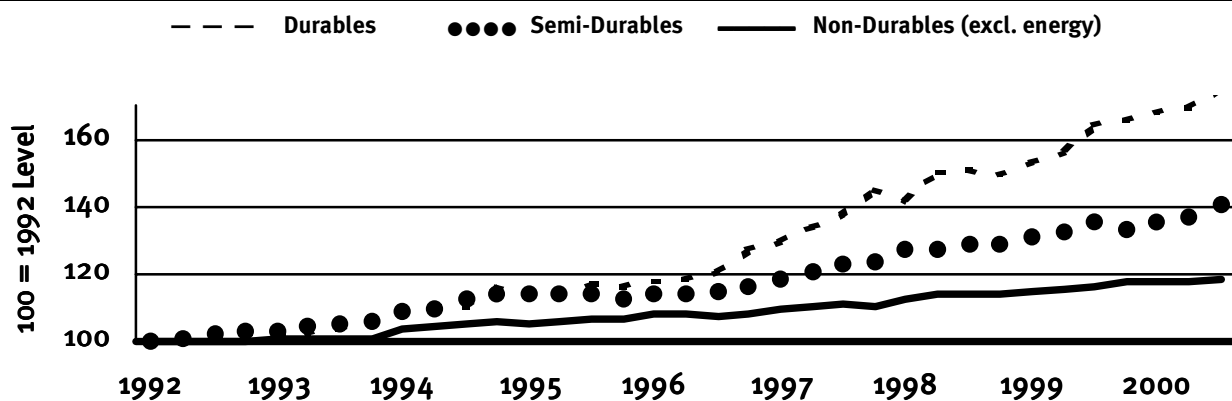
3.2%

**Canadian Consumer Confidence Index 1993-2000**



Source: Conference Board of Canada

**Canadian Consumer Expenditures Index 1992 - 2000**



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