

Bulletin

December 2008 Retail Sales • Released February 23, 2009

2008 ENDS ON A FLAT NOTE

Once again, All Stores sales were down -4.8% for December, with sales significantly impacted by the Automotive results. All Stores Less Automotive remained flat at -0.1%. Year-to-date, All Stores sales fared significantly better, as they grew 3.2%.

A recurring theme was flat-line sales for the month of December over the same time last year. Clothing and Accessories Stores were hardest hit than most with a drop of -5.9%. Shoes, Clothing Accessories and Jewellery Stores shared a significant portion of this drop as their sales fell -8.3%.

Big-ticket retailers, such as Furniture and Home Furnishings Stores, were also impacted noticeably as sales dropped -6.7% for the month. Bucking the flat-line trend, Computer, Software, Home Electronics, and Appliance Stores reported a different story, with sales growth of 4.1%.

Shoppers Drug Mart enjoyed a 3.6% sales increase on same-store-sales during their fourth quarter. The earnings also reflect the relative strength of the Pharmacies and Personal Care Stores category, which was up 3.4% for the month.

Many of the other categories however, saw flat-line sales for December. Amongst previous frontrunners were General Merchandise Stores, which were up 0.9% this month. This is in contrast to retailers like Canadian Tire. The general merchandiser reported a growth of 6.8% in their fourth quarter sales, compared to the same time last year.

The sales growth of Food and Beverage Stores levelled off at 1.1%. This category was affected negatively by a -2.5% fall in beer, wine and liquor stores sales growth and it may have been affected by the product diversification of discount general merchandisers such as Costco and Walmart.

Other categories that have been impacted throughout the year and reported flat sales include Building and Outdoor Home Supplies Stores, which were down -0.5%; and Sporting Goods,

Hobby, Music, and Book Stores, which saw no growth for December.

The Canadian Consumer Confidence Index, which was at an all time low in December at 67.7, was able to pick up slightly to 70.2 in January.

In spite of the low confidence numbers, the flat-line sales are encouraging. It indicates consumers are continuing to spend cautiously and efficiently. In this market, they will keep searching for products that can bring them more 'bang for their buck'.

This special edition of the National Retail Bulletin includes a supplement, which compares the 2008 total, sales growth results for Canada vs. the U.S.

RELEASE DATE OF THE NEXT NATIONAL RETAIL BULLETIN
March 20, 2009

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.

Retail Sales by Store Category

Sales for the Month of December	2008	2007	2008/2007
All Stores	38,024,097	39,944,357	-4.8%
Automotive	8,722,278	10,623,163	-17.9%
All Stores Less Automotive	29,301,819	29,321,194	-0.1%
Food and Beverage Stores	8,942,748	8,848,305	1.1%
Pharmacies and Personal Care Stores	2,871,512	2,776,329	3.4%
All Stores Less Automotive, Food, Pharmacies	17,487,559	17,696,560	-1.2%
General Merchandise Stores	6,327,312	6,273,296	0.9%
Furniture, Home Furnishings and Electronics Stores	3,670,974	3,692,946	-0.6%
Furniture and Home Furnishings Stores	1,484,476	1,591,634	-6.7%
Computer, Software, Home Electronics, and Appliance Stores	2,186,498	2,101,312	4.1%
Clothing and Accessories Stores	3,113,050	3,307,664	-5.9%
Clothing Stores	2,305,481	2,427,387	-5.0%
Shoes, Clothing Accessories, and Jewellery Stores	807,569	880,277	-8.3%
Sporting Goods, Hobby, Music, and Book Stores	1,559,516	1,558,747	0.0%
Building and Outdoor Home Supplies Stores	1,752,249	1,761,298	-0.5%
Miscellaneous Store Retailers	1,064,457	1,102,609	-3.5%

Year to Date Sales Ending December	2008	2007	2008/2007
All Stores	425,343,404	412,037,263	3.2%
Automotive	145,631,178	141,945,792	2.6%
All Stores Less Automotive	279,712,226	270,091,471	3.6%
Food and Beverage Stores	95,298,762	91,867,566	3.7%
Pharmacies and Personal Care Stores	29,201,790	28,249,366	3.4%
All Stores Less Automotive, Food, Pharmacies	155,211,674	149,974,539	3.5%
General Merchandise Stores	51,403,919	48,590,815	5.8%
Furniture, Home Furnishings and Electronics Stores	31,010,604	29,770,595	4.2%
Furniture and Home Furnishings Stores	16,320,263	16,043,434	1.7%
Computer, Software, Home Electronics, and Appliance Stores	14,690,341	13,727,161	7.0%
Clothing and Accessories Stores	23,896,651	23,854,074	0.2%
Clothing Stores	18,349,136	18,247,536	0.6%
Shoes, Clothing Accessories, and Jewellery Stores	5,547,515	5,606,538	-1.1%
Sporting Goods, Hobby, Music, and Book Stores	10,794,938	10,553,861	2.3%
Building and Outdoor Home Supplies Stores	27,141,104	26,469,755	2.5%
Miscellaneous Store Retailers	10,964,456	10,735,442	2.1%

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

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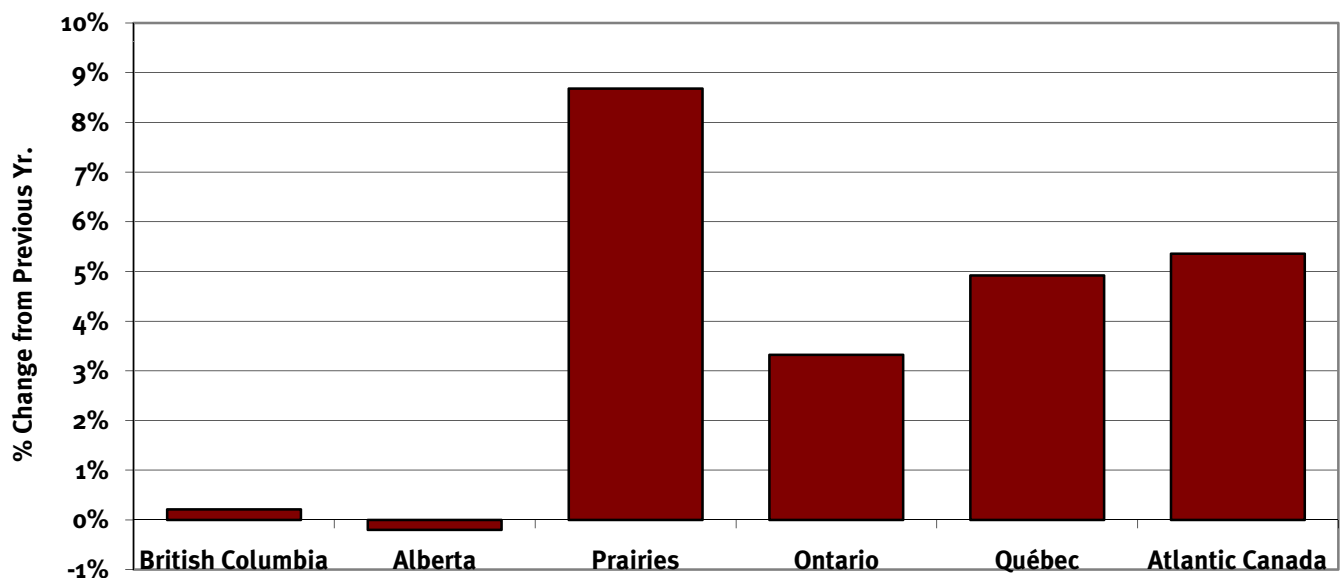
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Retail Trade, Canada, All Stores, by Region

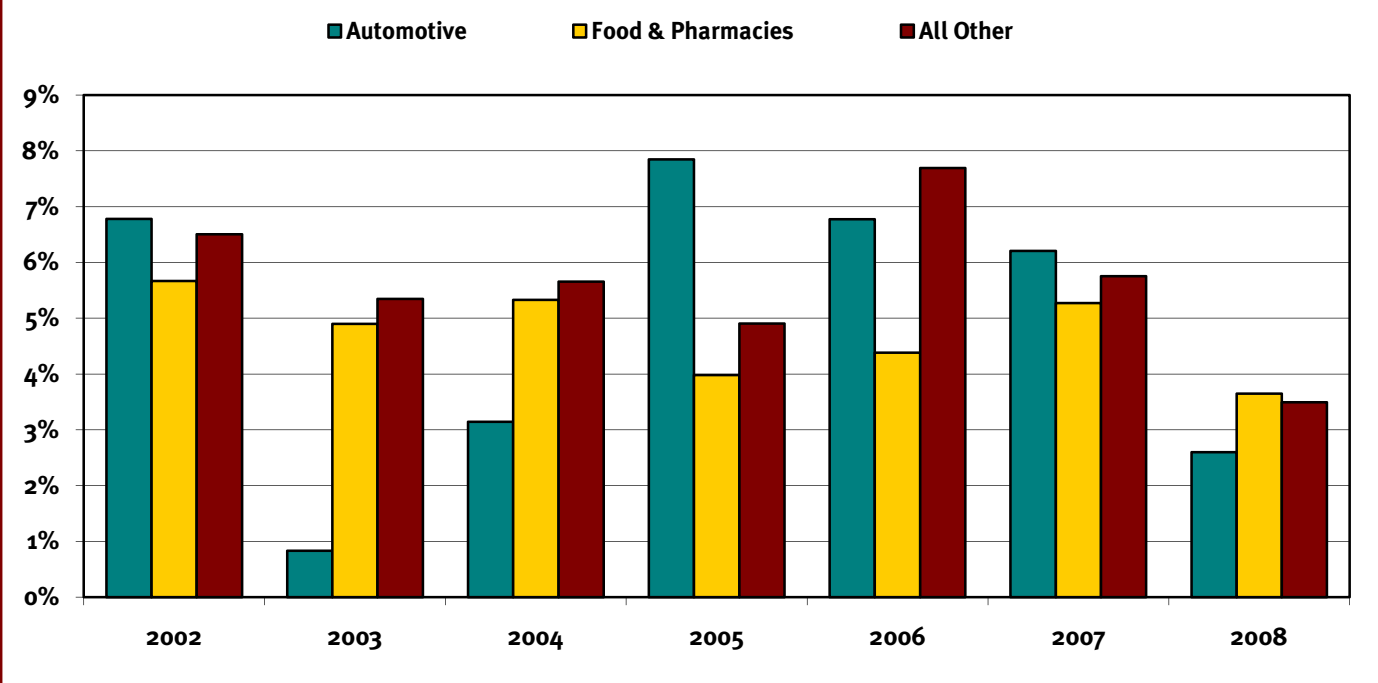
	Year-to-date 2008	Same period 2007	Change 2008/2007
British Columbia	56,483,803	56,365,393	0.2%
Alberta	61,034,975	61,159,775	-0.2%
Prairies	29,334,701	26,992,031	8.7%
Ontario	151,112,548	146,252,302	3.3%
Québec	95,122,759	90,663,291	4.9%
Atlantic Canada	30,711,348	29,150,092	5.4%

**Percentage Change in Retail Trade, All Stores, By Region
Year-to-date Compared to Same Period Last Year**

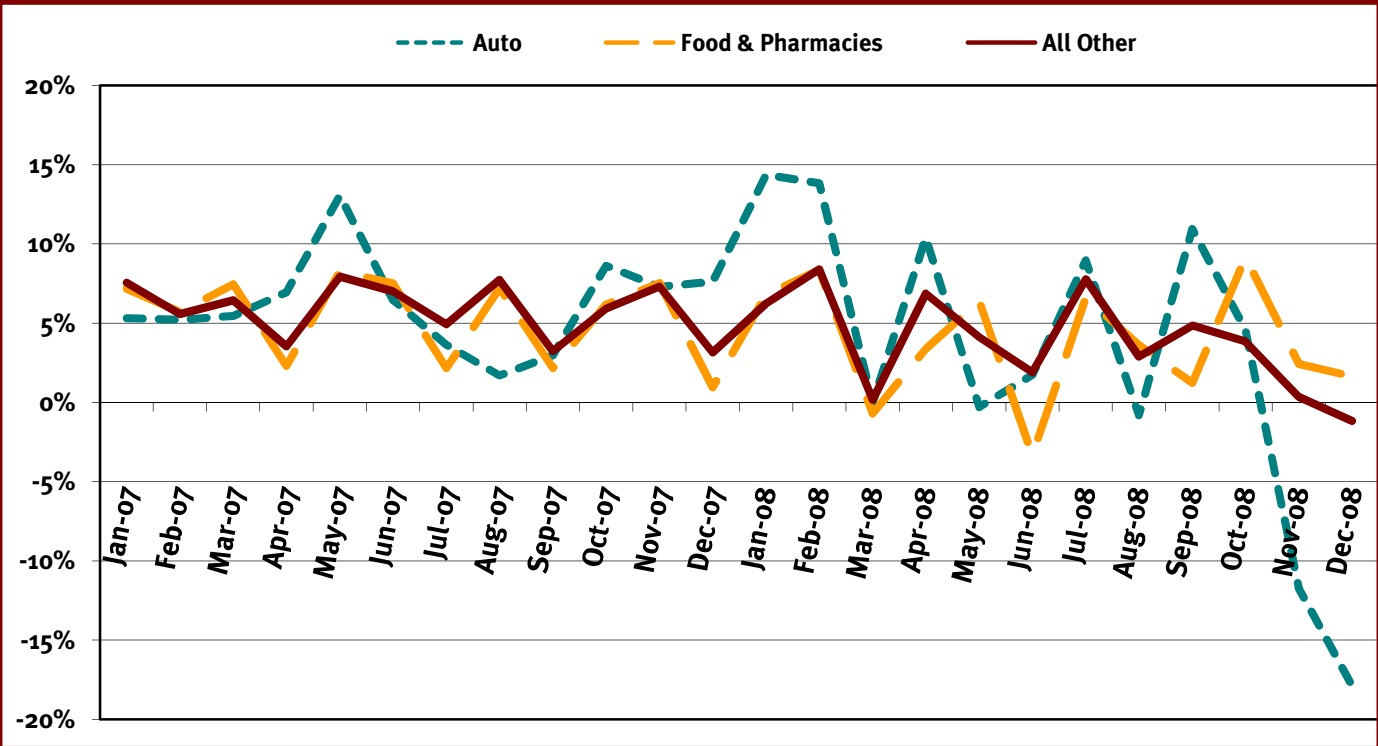


For more detailed information on retail sales, please contact J.C. Williams Group

Canadian Retail Sales by Major Product Category, Year Over Year



Canadian Retail Sales by Major Product Category, From the Same Month a Year Earlier



Consumer Price Index

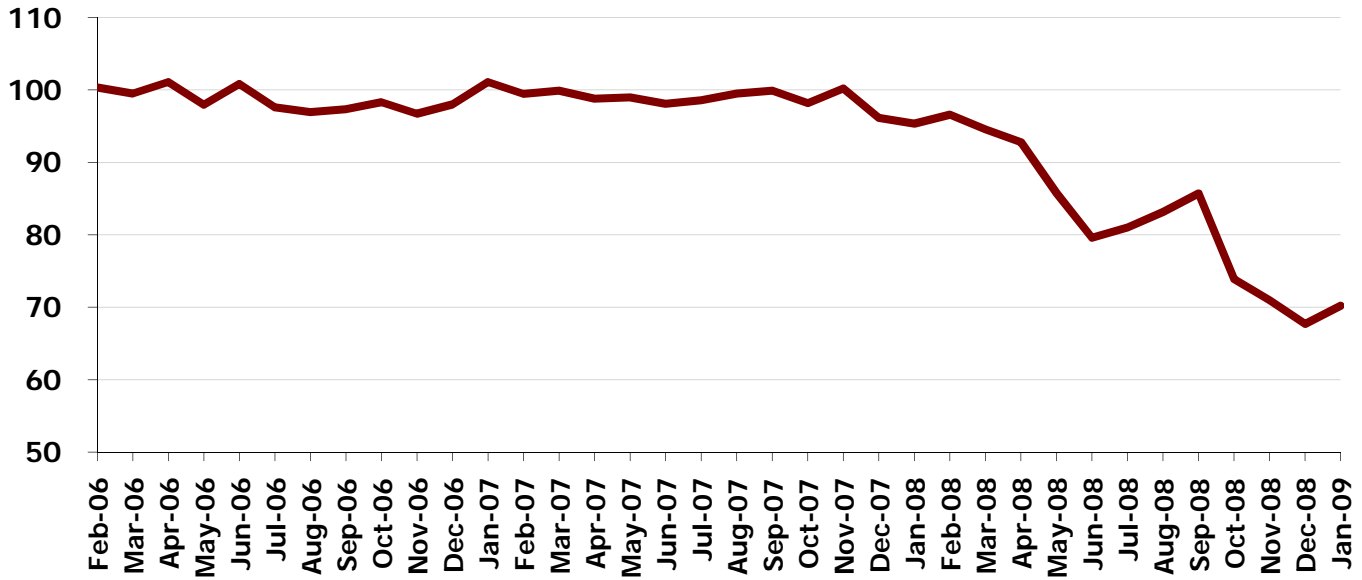
December 2008

vs.

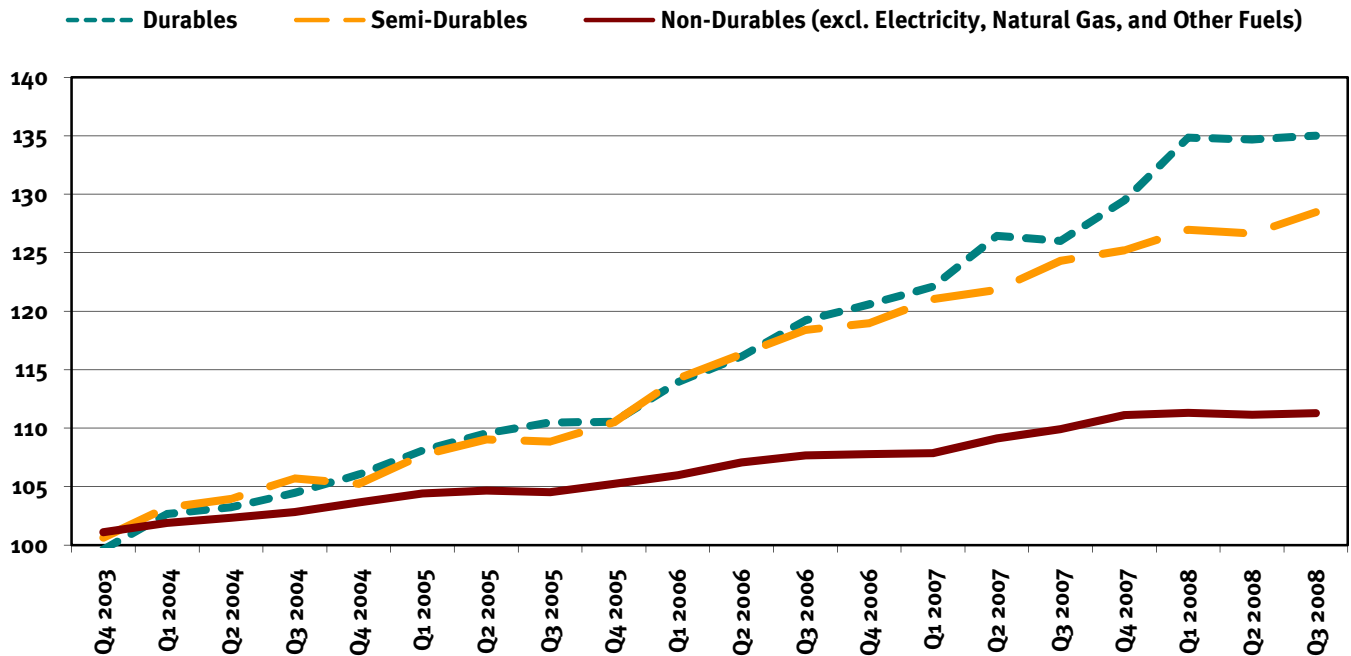
December 2007

1.2%

Canadian Consumer Confidence Index (1985 = 100)



Canadian Consumer Expenditures Index (Q1 2003 = 100)



Bulletin

A TALE OF TWO NATIONS

NRB SUPPLEMENT

RELEASED FEBRUARY 23, 2009

A TALE OF TWO NATIONS

With one of the world's largest economies bordering Canada, there is no doubt as to the impact the U.S. has on its northern neighbour. The doom and gloom predicted throughout 2008 in U.S. circles carried into Canada through increased pessimism. With a difficulty in predicting future sales, given the ambiguity in the market place, this same downtrodden picture characterized analyst predictions in both countries.

In this special supplement of the NRB, we compare the retail sales results of specific categories for both nations. We determine where Canada stands relative to the U.S. in their 2008 December and total sales growth, and we look to find what lessons can be garnered from a very volatile year.

THE OVERALL TREND

Overall, All Stores Less Automotive sales growth was negative in both countries for the month of December, but they were up for the year. However, Canada's retail sector fared considerably better than the U.S., with total 2008 sales growth up 3.6% vs. 1.4% in the U.S.

CATEGORY TRENDS

Both countries saw a significant pull-back in total 2008 growth numbers for two specific categories: Furniture and Home Furnishing Stores were down -8% in the U.S. vs. up 1.7% in Canada, a 9.7 point differential. Similarly, Clothing and Accessories Stores were down -1.7% in the U.S. vs. up 0.2% in Canada. While the cutback in sales is significant in both categories, Canadian retailers held up better than their U.S. counterparts.

This is a common theme seen throughout the other categories as well. We will look into potential reasons shortly.

The sales growth for General Merchandise Stores in Canada was almost double that of U.S. figures; however, Food and Beverage Stores in Canada experienced a 1.4-point spread compared to U.S. retailers, with Canadian retailers falling behind. Walmart's aggressive sales of food products may account for a loss in market share by Canadian Food and Beverage Stores, and hence lower sales.

Building Material and Garden Equipment Stores were down for the year in the U.S. by -3.6% but up in Canada by 2.5%.

Electronics and Appliance Stores remained flat in the U.S. but were stronger in Canada, with sales growth of 0.1% and 7.0% respectively.

A few retail categories in both the U.S. and Canada fared the same. Health and Personal Care Stores were up year-to-date for both nations, 4.0% in the U.S. and 3.4% in Canada.

Sporting Goods, Hobby, Book and Music Stores also stayed above the fray with 1.1% and 2.3% growth in sales for the U.S. and Canada respectively.

UNDERSTANDING 2008

The downturn in the U.S. economy was initiated by a housing crisis. The magnitude of the impact in Canada is therefore significantly less. However, as U.S. consumer confidence became depressed, it impacted the

Canadian consumer as well. The high media coverage and analyst speculation on the U.S. economic crisis plays a certain part in the fall of Canadian consumer confidence. Retail predictions, based on the Canadian consumer confidence, would therefore have been exaggerated negatively.

Significant sales and promotions, to boost a slower than usual year, were also handed out during December. This trend, along with better than expected Boxing Week sales, helped maintain the flat-line sales.

CANADA AND THE U.S.

The 2008 year has revealed some significant differences in regards to the manner in which the U.S. economic crisis has impacted Canada and in regards to the overall strength of retailers' ability to weather both the economic storm and declining consumer confidence.

Moving into 2009, retailing in Canada and the U.S. should be differentiated by retailers, consumers analysts and the media. Without this separation, there will be little value in the predictions put forth and this can lead to a cyclical impact, eventually hurting retailers more than the U.S. economic crisis.

IF YOU WANT TO DISCUSS THE RETAILING DIFFERENCES BETWEEN THE U.S. AND CANADA AND HOW IT MAY APPLY SPECIFICALLY TO YOU, CALL US: 416.921.4181 OR 312.673.1254

Sales Growth (2008/2007)	Month of December 2008		Total 2008	
	U.S.	Canada	U.S.	Canada
All Stores	-9.1%	-4.8%	-0.9%	3.2%
All Stores less Automotive	-2.2%	-0.1%	1.4%	3.6%
Food and Beverage Stores	0.7%	1.1%	5.1%	3.7%
Health and Personal Care Stores	7.6%	3.4%	4.0%	3.4%
Building Material and Garden Equipment Stores	-5.5%	-0.5%	-3.6%	2.5%
General Merchandise Stores	-2.5%	0.9%	3.3%	5.8%
Clothing and Accessories Stores	-9.4%	-5.9%	-1.7%	0.2%
Furniture and Home Furnishing Stores	-11.9%	-6.7%	-8.0%	1.7%
Electronics and Appliance Stores	-3.2%	4.1%	0.1%	7.0%
Sporting Goods, Hobby, Book and Music Stores	0.7%	0.0%	1.1%	2.3%

UNADJUSTED FIGURES; SOURCE: STATISTICS CANADA & U.S. CENSUS BUREAU

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