



Retail Sales Outlook United States Q1 2010

Kubas Consultants

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Synopsis

● 2009: Annus Horribilis

- Total US retail sales in 2009 were down 7.0%
- This is the worst decline we have on our records that go back to 1967
- The degree of decline is also extreme by historical standards

● Fortunes Vary by Sector

- The Auto & Related sector, down 16.8%, was most responsible for the “Crash of 2009”
- The Food & Drug sector managed a 1.2% gain
- Store Merchandise was down 4.5%, another historical extreme low
- Almost all retail types suffered sales declines in 2009, some worse than others:
 - Camera & photographic supplies stores, down 30.6%
 - Gasoline station, down 24.5%
 - New car dealers, down 14.5%
 - Home centers, paint and wallpaper stores, down 13.7%
 - Home furnishings stores, down 12.8%
- There was just one bright spot: specialty food stores were up 8.5%

● The Numbers are Improving, But ...

- Year-over-year gains for the four quarters of 2009 imply recovery
 - Q1: -11.6%
 - Q2: -10.6%
 - Q3: -7.8%
 - Q4: +2.2%
- The Q4 2009 gain however is relative to a recessionary quarter last year
- Positive gains are expected going forward, but these will be relative to depressed 2009 numbers
 - In other words, there is an uptrend in the year-over-year results, not because the numerator is increasing, but because the denominator is decreasing

● Outlook for 2010

- Our current projection for 2010 is an increase of 3.0%
 - While relatively small, it would be vast improvement over 2009's 7.0% decline
- At this pace, total retail sales in 2010 will still be less than what they were in 2008, by 4.2%
 - This is “improvement”, but not “recovery”
- For many reasons, it's difficult to be optimistic about 2010:
 - Unemployment is expected to remain high
 - Real estate remains depressed and homeowners are suffering significant equity loss
 - Frugal has become the new normal among consumers
 - The government stimulus programs of 2009 won't be there in 2010

Retail Sales

U.S. Retail Sales by Type of Store

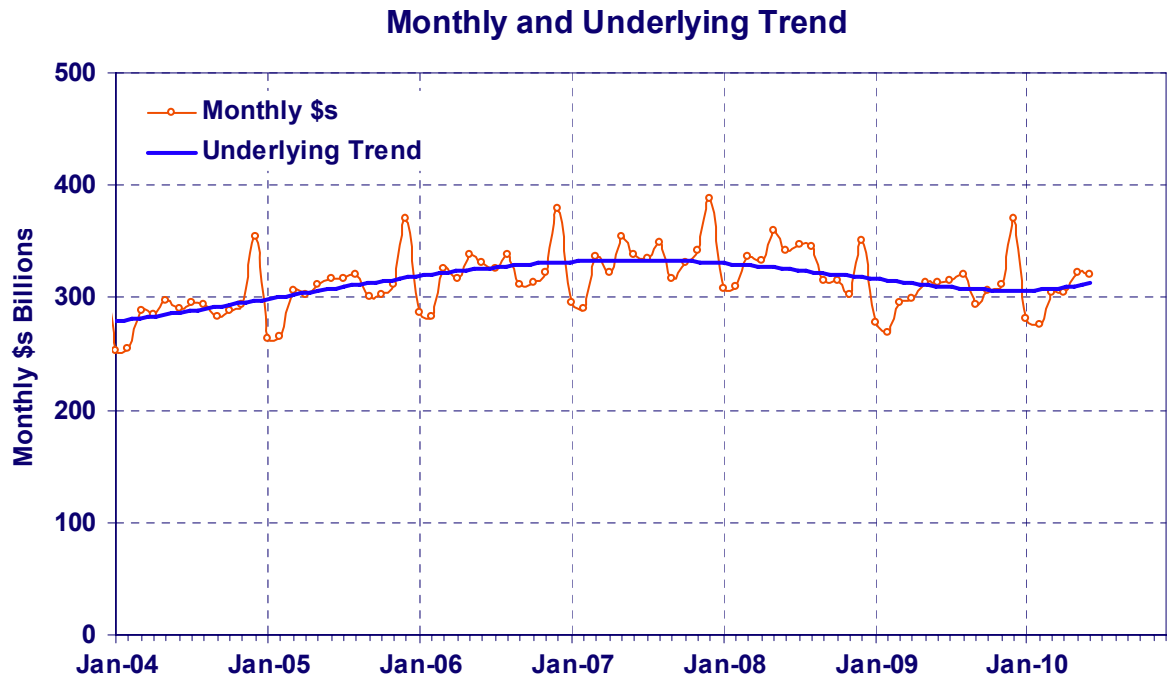
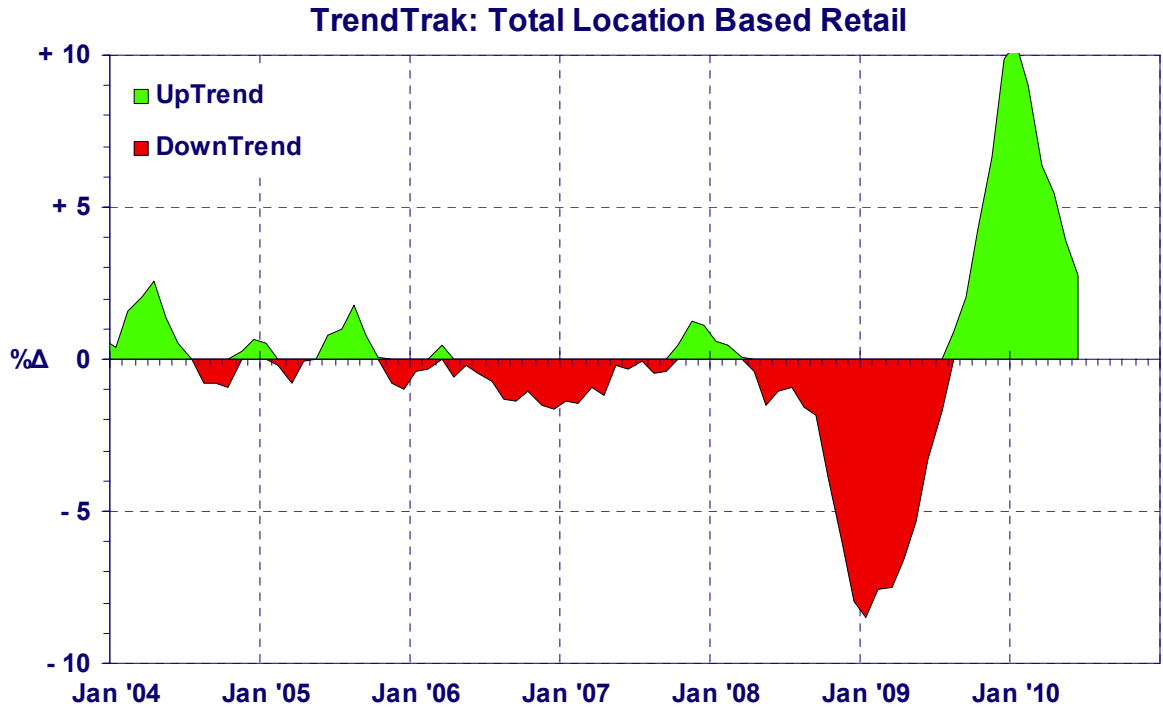
	Annual, \$ Billions			Year-Over-Year % Change				
	2008	2009	2010p	2008	2009	Q4 '09	Q1 '10p	2010p
TOTAL RETAIL¹	3,960.0	3,683.2	3,794.9	-0.9%	-7.0%	2.2%	2.3%	3.0%
LOCATION-BASED RETAIL	3,662.4	3,387.9	3,476.9	-1.2%	-7.5%	1.6%	1.8%	2.6%
Store Retail	2,390.6	2,329.8	2,382.7	1.2%	-2.5%	0.1%	1.1%	2.3%
Food & Drug	833.5	843.3	874.1	4.7%	1.2%	2.1%	2.9%	3.7%
Store Merchandise	1,557.2	1,486.5	1,508.5	-0.5%	-4.5%	-0.9%	0.1%	1.5%
Automotive & Related	1,271.8	1,058.1	1,094.2	-5.4%	-16.8%	5.5%	3.5%	3.4%
NON-STORE RETAILERS	297.6	295.3	318.1	2.7%	-0.8%	8.6%	7.6%	7.7%
FOOD & DRUG	833.5	843.3	874.1	4.7%	1.2%	2.1%	2.9%	3.7%
Food and beverage stores	587.7	589.5	609.5	5.0%	0.3%	1.3%	2.3%	3.4%
Grocery stores	526.5	526.2	543.9	5.2%	0.0%	1.1%	2.2%	3.4%
Specialty food stores	20.0	21.7	22.9	-1.7%	8.5%	9.5%	8.1%	5.9%
Beer, wine and liquor stores	41.3	41.7	42.6	6.3%	0.9%	-0.1%	1.2%	2.3%
Health and personal care stores	245.8	253.8	264.6	4.0%	3.3%	4.0%	4.1%	4.3%
Pharmacies and drug stores	203.8	210.8	219.2	3.1%	3.4%	3.8%	3.9%	4.0%
Other (cosmetics, optical, health supplements, etc.)	42.0	43.0	45.4	8.5%	2.4%	4.9%	5.2%	5.7%
STORE MERCHANDISE	1,557.2	1,486.5	1,508.5	-0.5%	-4.5%	-0.9%	0.1%	1.5%
General merchandise stores	596.0	594.4	616.5	3.3%	-0.3%	1.6%	2.7%	3.7%
Department stores (excluding leased departments)	200.0	188.2	191.5	-4.6%	-5.9%	-3.1%	-0.8%	1.7%
Discount dept. stores	124.6	122.1	125.1	-3.1%	-2.1%	0.7%	1.4%	2.5%
Conventional and national chain dept stores	75.4	66.2	66.3	-7.0%	-12.2%	-9.1%	-5.1%	0.2%
Other general merchandise stores	396.0	406.2	425.0	7.8%	2.6%	4.3%	4.1%	4.6%
Warehouse clubs and superstores	351.2	359.6	374.9	8.5%	2.4%	3.8%	3.8%	4.2%
All other gen. merchandise stores	44.8	46.6	50.2	3.0%	3.9%	8.2%	7.4%	7.7%
Clothing & clothing accessories	216.0	208.5	214.0	-2.3%	-3.4%	2.4%	1.6%	2.6%
Clothing stores	158.6	153.2	156.2	-2.2%	-3.4%	1.1%	0.8%	1.9%
Men's clothing stores	9.5	8.9	9.1	-5.0%	-7.2%	-4.2%	-1.3%	2.7%
Women's clothing stores	37.8	35.1	35.7	-3.9%	-7.3%	-1.3%	-0.7%	1.7%
Family clothing stores	83.2	81.7	83.1	-1.1%	-1.8%	1.7%	0.9%	1.7%
Clothing accessories and other clothing stores	28.1	27.6	28.3	-1.8%	-1.5%	4.5%	2.7%	2.5%
Shoe stores	26.8	25.9	26.4	0.6%	-3.5%	1.7%	1.3%	1.9%
Jewelry stores	28.3	27.2	29.1	-6.1%	-3.9%	9.5%	7.1%	7.1%
Luggage and leather goods stores	2.2	2.2	2.3	1.4%	0.2%	2.9%	3.6%	4.4%
Furniture and home furnishings stores	105.5	93.9	94.2	-8.5%	-11.1%	-5.8%	-3.1%	0.3%
Furniture stores	56.4	51.0	50.8	-7.7%	-9.6%	-3.3%	-2.6%	-0.4%
Home furnishings stores	49.1	42.8	43.3	-9.4%	-12.8%	-8.4%	-3.8%	1.2%
Electronics, appliances, computer & photo stores	111.1	102.2	102.7	-0.7%	-8.0%	-3.8%	-2.0%	0.4%
Appliances, TV, and other electronics stores	84.6	77.6	77.9	-0.4%	-8.3%	-3.9%	-2.2%	0.4%
Household appliance stores	17.3	16.1	16.4	-3.5%	-6.8%	-1.3%	-0.6%	1.7%
Radio, TV, and other electronics stores	67.3	61.5	61.6	0.4%	-8.6%	-4.5%	-2.6%	0.1%
Computer and software stores	22.9	22.1	22.5	-1.7%	-3.4%	0.2%	0.8%	1.8%
Camera & photographic supplies stores	3.6	2.5	2.2	-1.3%	-30.6%	-27.9%	-20.5%	-11.5%
Building materials, garden equip. & supplies stores	323.3	286.1	273.6	-3.6%	-11.5%	-9.2%	-6.4%	-4.3%
Building materials and supplies dealers	274.9	238.3	225.6	-6.5%	-13.3%	-10.0%	-7.5%	-5.3%
Hardware stores	19.7	18.1	17.3	-0.8%	-8.0%	-7.2%	-5.7%	-4.6%
Home centers, paint & wallpaper stores	255.2	220.2	208.3	-6.9%	-13.7%	-10.2%	-7.7%	-5.4%
Other building materials and lawn & garden stores	48.4	47.7	48.1	16.6%	-1.4%	-4.8%	-0.3%	0.7%
Other Stores	205.3	201.4	207.6	0.4%	-1.9%	2.6%	2.4%	3.1%
Sporting goods, hobby, book, and music stores	87.7	87.2	89.7	0.9%	-0.6%	2.5%	2.2%	2.8%
Sporting goods stores	37.1	37.4	39.6	2.3%	0.8%	5.9%	5.3%	5.8%
Book stores	16.7	16.6	16.7	-1.4%	-0.8%	-1.2%	-0.4%	0.5%
Hobby, toys, crafts, sewing, tapes, CDs, instruments, etc.	33.9	33.2	33.4	0.7%	-2.0%	0.8%	0.4%	0.6%
Miscellaneous stores retail	117.5	114.2	117.9	0.1%	-2.8%	2.6%	2.6%	3.2%
Office supplies, stationery and gift stores	39.4	38.4	38.7	-6.3%	-2.6%	0.4%	0.0%	1.0%
Florists, used goods, antiques, pets, art, others	78.2	75.9	79.2	3.7%	-3.0%	3.9%	4.0%	4.4%
GAFO (General merchandise, Apparel, Furniture & Other) ²	1,155.7	1,124.6	1,155.7	0.1%	-2.7%	0.7%	1.4%	2.8%
AUTOMOTIVE & RELATED	1,271.8	1,058.1	1,094.2	-5.4%	-16.8%	5.5%	3.5%	3.4%
Motor vehicle and parts dealers	792.9	696.6	714.6	-12.6%	-12.1%	5.1%	3.3%	2.6%
Automobile and other motor vehicles	714.3	619.3	636.2	-14.0%	-13.3%	6.5%	3.8%	2.7%
Automobile dealers	645.8	554.7	568.1	-14.9%	-14.1%	5.6%	3.4%	2.4%
New car dealers	569.8	486.9	499.6	-15.9%	-14.5%	6.3%	3.9%	2.6%
Used car dealers	76.0	67.8	68.5	-7.0%	-10.8%	0.4%	0.6%	1.0%
Recreational, motorcycle, boat and other vehicle dealers	68.5	64.6	68.1	-3.9%	-5.7%	15.5%	8.0%	5.4%
Automotive parts, accessories and tire stores	78.6	77.3	78.5	2.5%	-1.7%	-4.7%	-1.1%	1.5%
Gasoline stations	478.9	361.5	379.6	9.6%	-24.5%	6.3%	3.9%	5.0%
NON-STORE RETAILERS	297.6	295.3	318.1	2.7%	-0.8%	8.6%	7.6%	7.7%
Electronic shopping and mail-order houses	204.2	212.7	234.3	2.5%	4.1%	12.1%	10.3%	10.2%
Fuel dealers	47.1	37.2	38.1	10.8%	-21.1%	-2.1%	2.7%	2.5%
Vending machines, other direct sellers	46.2	45.5	45.7	-3.9%	-1.7%	1.7%	0.7%	0.5%

Source: U.S. Census Bureau data to December 2009 (preliminary) and Kubas Consultants estimates and (p) projections

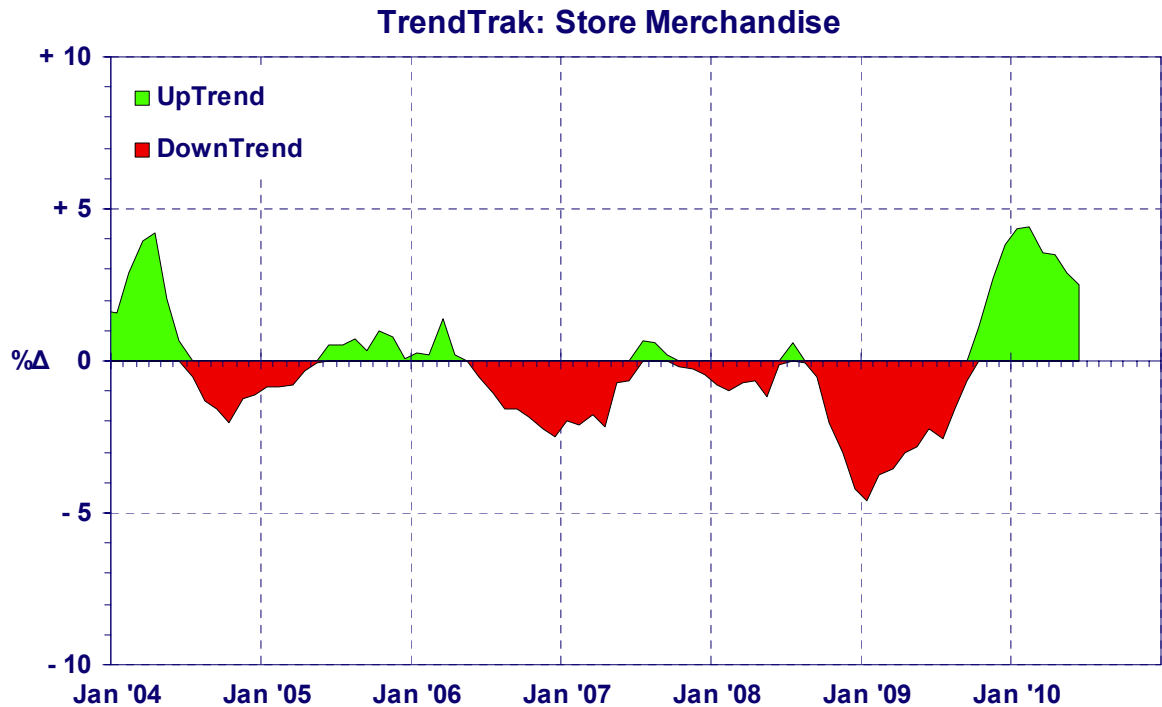
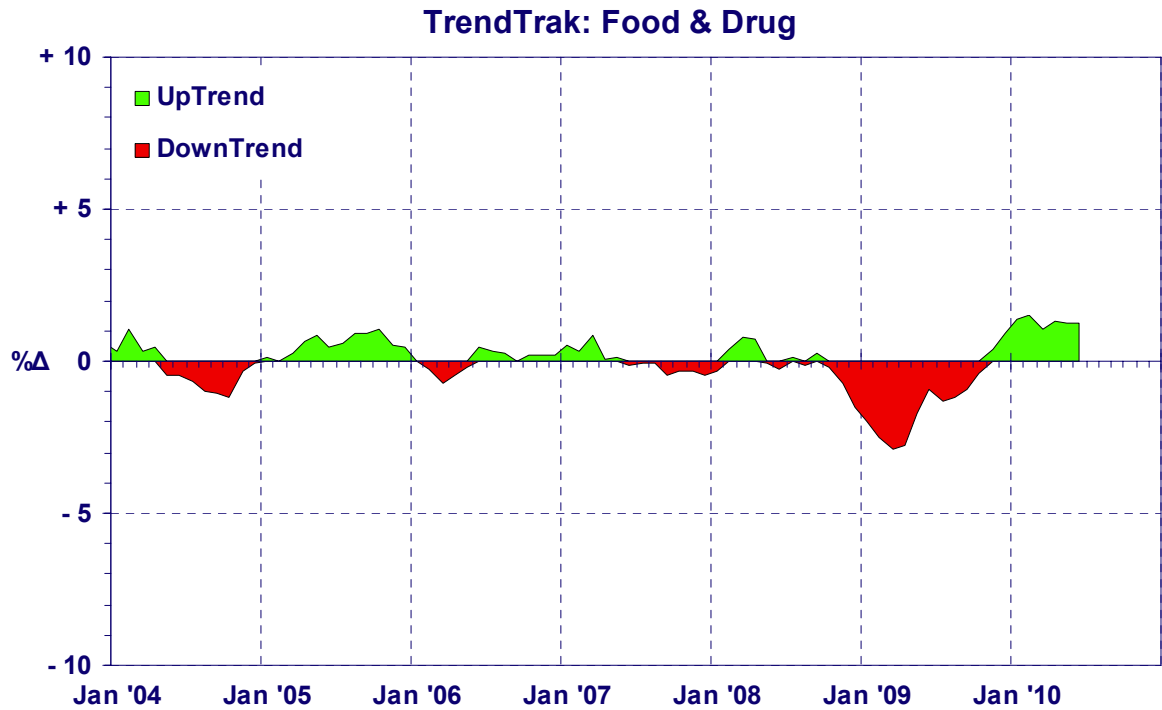
¹ Excludes Food Services; ² See Notes for NAICS components of GAFO (General merchandise, Apparel, Furniture & Other)

Kubas Consultants, 25 February 2010

Trends: Total Retail



Trends: Store Retail

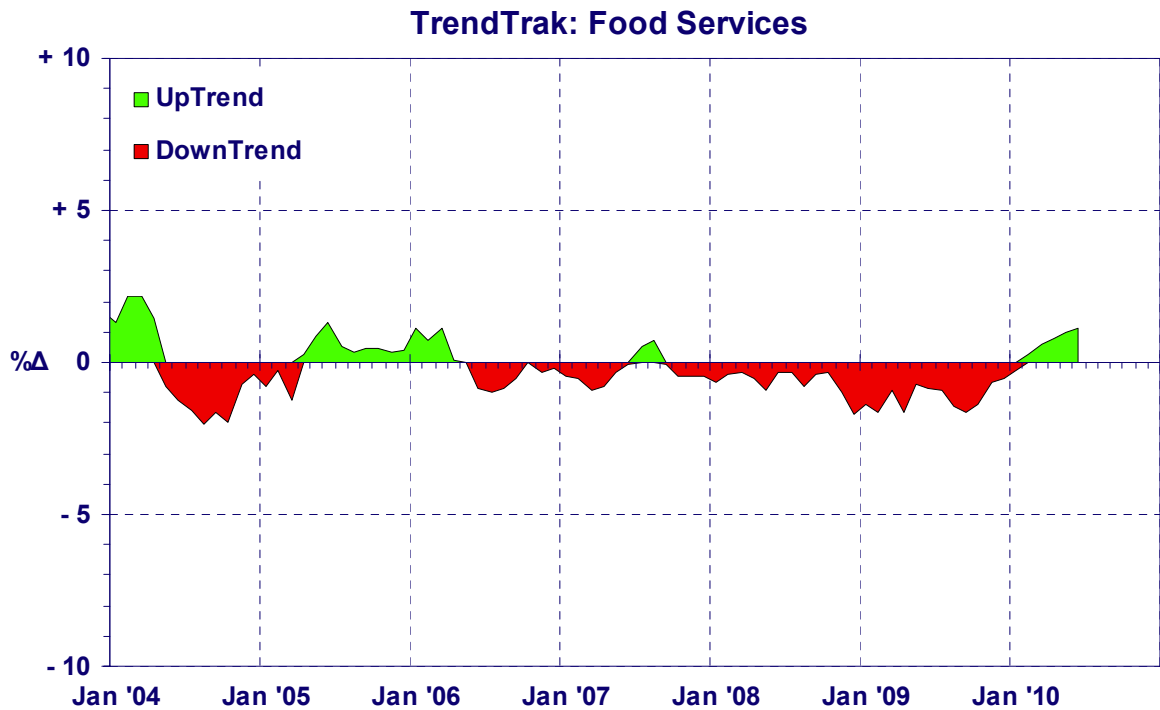


Food Services Sector

U.S. Food Services Sales by Kind of Business

	Annual, \$ Billions			Year-Over-Year % Change				
	2008	2009p	2010p	2008	2009p	Q4 '09	Q1 '10p	2010p
FOOD SERVICES	452.9	455.9	463.8	3.5%	0.6%	0.1%	1.0%	1.7%
Full service restaurants	197.2	197.8	200.0	3.6%	0.3%	-0.3%	0.4%	1.1%
Limited service eating places	190.3	192.2	195.5	2.1%	1.0%	-0.2%	1.0%	1.7%
Special foodservices (contractors, caterers and mobile)	41.7	41.8	43.5	6.4%	0.3%	4.2%	3.5%	3.9%
Drinking places	23.7	24.0	24.8	8.5%	1.3%	-0.8%	1.7%	3.4%

Source: U.S. Census Bureau data to September 2009 (preliminary) and Kubas Consultants estimates and (p) projections
Kubas Consultants, 25 February 2010



● Food Services

- Food Services sales are reported with Retail Trade by the U.S. Census Bureau but are in fact a separate industry
- Note that Total Retail as reported on page 3 excludes Food Services

Notes

● TrendTrak

- Kubas Consultants' TrendTrak measures momentum in year-over-year growth trends
- A DownTrend indicates weakening but not necessarily negative change, and vice versa

● Data and Projections

- Retail trade data is as reported by the U.S. Census Bureau and is subject to revision
- Latest available data is for the previous quarter and is not seasonally adjusted
- Estimates and projections of future sales are by Kubas Consultants
- As compared to our Canadian Retail Sales Outlook report, Canadian figures do not include Non-Store Retailers (NAICS 454)

● NAICS Definitions

- The table on the right provides NAICS (North American Industrial Classification System) codes for the retail categories used in this report
- Definitions and what retailer types are covered in each are available at this link: US Census Bureau

● Disclaimer

- No warranty is made regarding the accuracy of analyses and projections

● Contact

- Contact Ed Strapagiel, Executive Vice President, Kubas Consultants, eds@kubas.com

Category	NAICS Code
RETAIL + FOOD SERVICES TOTAL	441 + 454 + 722
RETAIL TOTAL	441 + 454
LOCATION-BASED RETAIL	441 + 453
Store Retail	442 + 446 + 448 + 453
Food & Drug	445 + 446
Store Merchandise	442 + 444 + 448 + 451 + 453
Automotive & Related	441 + 447
NON-STORE RETAILERS	454
FOOD SERVICES TOTAL	722
GAFO (General merchandise, Apparel, Furniture & Other)	442 + 443 + 448 + 451 + 452 + 4532
FOOD & DRUG GROUP	445 + 446
Food and beverage stores	445
Grocery stores	4451
Specialty food stores	4452
Beer, wine and liquor stores	4453
Health and personal care stores	446
Pharmacies and drug stores	44611
Other (cosmetics, optical, health supplements, etc.)	44612
STORE MERCHANDISE GROUP	442 + 444 + 448 + 451 + 453
General merchandise stores	452
Department stores (excluding leased departments)	4521
Discount dept. stores	4521102
Conventional and national chain dept stores	4521101 + 4521103
Other general merchandise stores	4529
Warehouse clubs and superstores	45291
All other gen. merchandise stores	45299
Clothing & Clothing Accessories	448
Clothing stores	4481
Men's clothing stores	44811
Women's clothing stores	44812
Family clothing stores	44814
Clothing accessories and other clothing stores	44815 + 44819
Shoe stores	4482
Jewelry stores	44831
Luggage and leather goods stores	44832
Furniture and home furnishings stores	442
Furniture stores	4421
Home furnishings stores	4422
Electronics and appliance stores	443
Appl. TV, and other elect. stores	44311
Household appliance stores	443111
Radio, TV, and other elect. stores	443112
Computer and software stores	44312
Camera & photographic supplies stores	44313
Building materials, garden equip. & supplies stores	444
Building mat. and supplies dealers	4441
Hardware stores	44413
Home centers, paint & wallpaper stores	444110 + 444120
Other building materials and lawn & garden stores	44419 + 4442
Other Stores	451 + 453
Sporting goods, hobby, book, and music stores	451
Sporting goods stores	45111
Book stores	451211
Hobby, toys, crafts, sewing, tapes & CDs, instruments, etc.	45112 + 45114 + 45122
Miscellaneous stores retail	453
Office Supplies, Stationery, and Gift Stores	4532
Florists, used goods, antiques, pets, art, others	4531 + 4533 + 4539
AUTOMOTIVE & RELATED GROUP	441 + 447
Motor vehicle and parts dealers	441
Automobile and other motor vehicles	4411 + 4412
Automobile dealers	4411
New car dealers	44111
Used car dealers	44112
Recreational, motorcycle, boat and other vehicle dealers	4412
Automotive parts, acc. and tire stores	4413
Gasoline stations	447
NON-STORE RETAILERS GROUP	454
Electronic shopping and mail-order houses	4541
Fuel dealers	45431
Vending machines, other direct sellers	4542 + 45439
FOOD SERVICES GROUP	722
Full service restaurants	7221
Limited service eating places	7222
Special Foodservices (contractors, caterers and mobile)	7223
Drinking places	7224