BDO Stoy Hayward

RETAIL LIKE-FOR-LIKE SALES PERFOMANCE:

Title: **OCTOBER MONTHLY REVIEW**

Period: **5 weeks until 2/11/08**

Date: 13 November 2008

Overview

Oct 2008: -3.2%
Oct 2007: -0.8%

Sales slump as consumers' window shop

- After months of defying the credit crunch, the mood amongst consumers darkened considerably in October as the torrent of bad financial news took its toll on already worried consumers.
- Although half term and wintry weather boosted sales during the final week, this was more than offset by worsening sales during the rest of the month.
- **Overall, like-for-like sales across mid-market retailers decreased by -3.2 per cent in October compared to last year**, with stores closely linked to the ailing housing market suffering the most.
- Fashion operators also had a difficult month, although some managed to hold their own, helped by mid-season discounting and clever promotions. Non fashion stores fared better, but many still posted negative figures.
- The other main theme this month was a pointed cut back in discretionary spending of all types during the middle of the month. This reflects how consumers are now feeling. It appears now, more than ever, that many are only able to shop at the start of the month before pay cheques are completely exhausted.
- Rupert Eastell BDO SH Head of Retail and Wholesale said "Although demand has not disappeared completely, the picture isn't pretty. It seems consumers are increasingly buying essential household items and small luxury purchases at the start of the month, and then window shopping until the start of the following month".

Fashion

Oct 2008: -4.2%
Oct 2007: -2.0%

- **Fashion retailers experienced a difficult month with sales down -4.2 per cent.** Although mid-season discounting did help boost demand in many areas, anxious consumers remained reluctant to spend.
- With many large retailers and department stores running promotions, some cutting prices by as much as 70 per cent, competition for shoppers across the mid market was especially tough.

Non fashion

Oct 2008: +0.5%
Oct 2007: +2.9%

- **Non fashion like-for-like sales grew by +0.5 per cent.** Although disappointing, this was a creditable performance given the underlying market conditions.
- Speciality retailers led the way, with sales of confectionery, accessories and gifts holding up reasonably well.

Homewares

Oct 2008: -7.9%
Oct 2007: -2.7%

- **Inevitably, homeware retailers suffered the most this month, with sales down -7.9 per cent.** The 50 basis point interest rate cut did little to stimulate demand, with big ticket item spending especially weak.
- Only retailers that offer smaller household items at lower price brackets managed to report any stabilisation in sales.

BDO SH's like-for-like retail index outlines weekly sales changes of more than 60 mid-tier retailers across the non-fashion, fashion, and homewares sectors

Like-for-like sales grew during the first and last weeks of October, while sales declined during the middle three weeks.

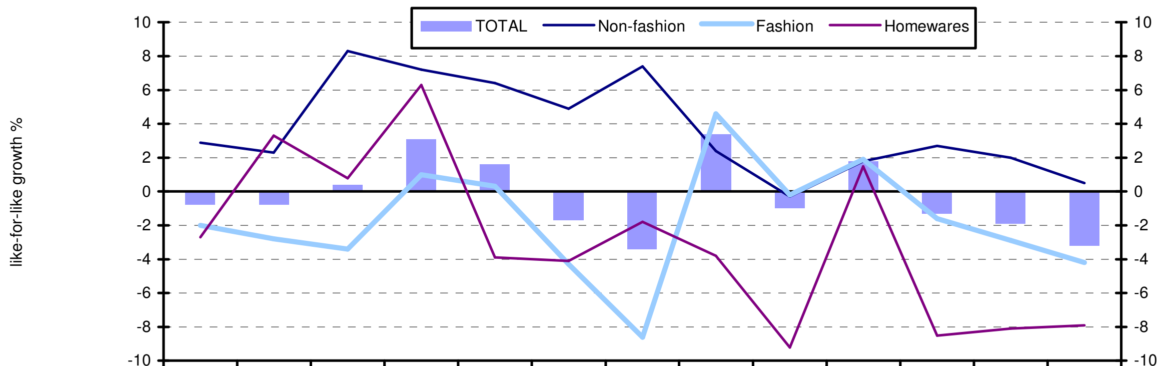
Weekly L4L Results October 2008

% change	WK1 (w/e 5/10)	WK2 (w/e 12/10)	WK3 (w/e 19/10)	WK4 (w/e 26/10)	WK5 (w/e 2/11)	TOTAL OCTOBER
Non fashion	+5.1%	+3.7%	-1.3%	-10.8%	+6.3%	**+0.5%**
Fashion	-1.9%	-4.1%	-7.0%	-12.6%	+4.1%	**-4.2%**
Homewares	-0.9%	-10.0%	-5.1%	-16.6%	-6.6%	**-7.9%**
Overall	**+0.2%**	**-2.9%**	**-5.1%**	**-12.4%**	**+3.7%**	**-3.2%**

Source: BDO SH

Like-for-like sales across all three sectors have been on a downward trend since August. Non fashion is now the only sector experiencing growth.

Monthly L4L Results by Sector 2007-08

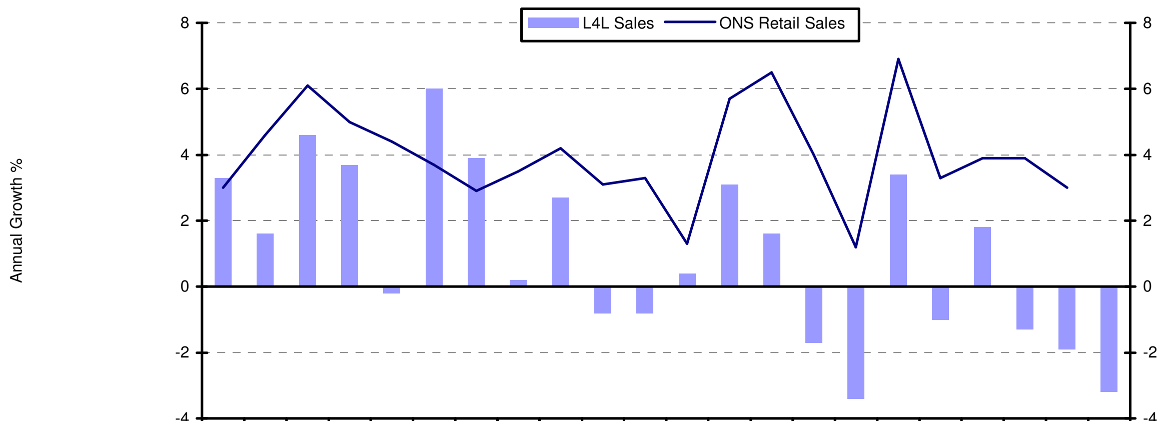


	O	N	D	J	F	M	A	M	J	J	A	S	O
TOTAL	-0.8	-0.8	0.4	3.1	1.6	-1.7	-3.4	3.4	-1	1.8	-1.3	-1.9	-3.2
Non-fashion	2.9	2.3	8.3	7.2	6.4	4.9	7.4	2.4	-0.3	1.8	2.7	2	0.5
Fashion	-2	-2.8	-3.4	1	0.3	-4.3	-8.6	4.6	-0.2	1.9	-1.6	-2.9	-4.2
Homewares	-2.7	3.3	0.8	6.3	-3.9	-4.1	-1.8	-3.8	-9.2	1.5	-8.5	-8.1	-7.9

Source: BDO SH

BDO SH's Like-for-Like monthly index has been showing negative growth since October. In contrast, official data relating to the total value of retail sales is still showing growth compared to last year. This suggests medium sized retailers are being impacted more by the worsening economic conditions than their small and larger counterparts.

Monthly L4L Results compared with ONS Retail Sales Value 2007-08



	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O
L4L Sales	3.3	1.6	4.6	3.7	-0.2	6	3.9	0.2	2.7	-0.8	-0.8	0.4	3.1	1.6	-1.7	-3.4	3.4	-1	1.8	-1.3	-1.9	-3.2
ONS Retail Sales	3	4.6	6.1	5	4.4	3.7	2.9	3.5	4.2	3.1	3.3	1.3	5.7	6.5	4	1.2	6.9	3.3	3.9	3.9	3	

Source: BDO SH, ONS

Whilst every care has been taken to ensure the accuracy of this information at the date of publication, the information is intended for general guidance only.

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