



Canadian Apparel Insights

Canadian Apparel E-Commerce Status Report

No area of Canadian apparel retailing today is of both greater interest and concern than apparel e-commerce!

Unfortunately, even though the subject affects all Canadian apparel retailers, there have been few known “facts” surrounding Canadian apparel e-commerce sales. Part of the reason for this situation, as pointed out previously by this publication is that Statistics Canada does not publish timely information on e-commerce sales. In recognition of this fact, Trendex has focused extensively on the Canadian apparel e-commerce market since the beginning of this year (and next week will launch a new quarterly newsletter focusing on the Nafta apparel e-commerce market).

Much of what Trendex has been able to confirm is obvious, that is compared to the United States, apparel e-commerce is underdeveloped in Canada. In 2015, Canadian apparel e-commerce sales increased by 17.6% to US \$1.8 billion, or US \$51 per capita. Last year the U.S. apparel commerce market was 234% times larger than the comparable Canadian apparel e-commerce market.

There are numerous reasons for the underdevelopment of apparel e-commerce in Canada including:

- Canadians are making apparel e-commerce purchases from other countries
- Shipping charges have historically been higher in Canada and delivery times longer. Both facts remain barriers for Canadian apparel e-commerce sales.
- The increasing number of U.S. retailers who have set up separate Canadian (i.e. ca) sites (which handle both currency and shipping issues).
- Canadian apparel retailers, especially in Quebec, are smaller and often cannot afford to develop and operate transactional websites.
- Canadian apparel retailer’s e-commerce sites are often “bare bones” and provide less selection of options than their foreign counterparts.
- Canadian apparel retailers, in the majority of cases, do not have formal e-commerce marketing plans.
- There is a lack of high-income Canadian consumers to support uniquely Canadian apparel flash sites.

Canadian apparel retailers cannot or inexplicably will not make the needed investment to develop an omnichannel presence.

Continued on page 6

FEATURED STORIES

- The Bay’s Prospects
- Canadian Apparel E-Commerce

UPDATES

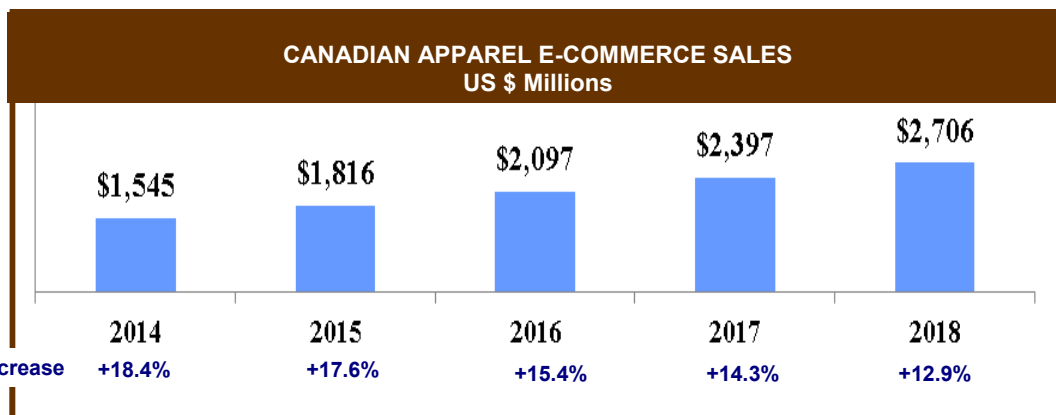
- Carters Canada
- FGL Sports
- Gap Canada
- Gildan
- Hudson Bay
- Marks
- Reitmans (Canada)
- TJX Canada
- Walmart Canada

OTHER

- 2015 Sporting Goods Market

NEXT ISSUE:

- Q1 2016 Retailer Performance
- 2015 Retail Market Share Roundup



Source: Trendex North America

Q1 2016: Marks Underperforms while FGL Sports Overperforms

Marks, Canada's largest apparel specialty retailer, continues to be affected by the downturn in Alberta's economy.

CANADIAN TIRE SPECIALTY STORES Quarter Ending April 2, 2016		
	Marks	FGL
Total Sales	+0.2%	+7.2%
Comp Store Sales	+0.8%	+7.6%
Stores at Quarter's End	381	432

In the quarter ending April 2, 2016, Marks total sales increased by only 0.2%, while the retailers comp sales were up a modest 0.8%. For the same quarter a year earlier, the company's total sales increased by 4.4%, while its comp store sales grew by 5.5%. Canadian Tire credited what little growth Marks had during the quarter to increased sales in key casual wear categories including jeans, casual footwear and outerwear. Sales gains for these products was "offset by the adverse impact that the slowdown in the Alberta economy had on industrial apparel and footwear sales."

It comes as somewhat of a surprise that the slowdown in Alberta's economy had far less effect on the sales of FGL Sports as during the quarter the retailers total sales increased by 7.2%, while its comp store sales increased by 7.6%. The retailer attributed its growth during the quarter to sales increases in key categories including athletic and casual apparel, footwear, electronics, non-season sporting goods, licensed clothing and team sports.

Canadian Tire also indicated that FGL's e-commerce sales significantly increased as a result of the new online order platform the retailer launched during Q2 2015.

Canadian apparel retailers would be well advised to monitor the initiatives that FGL is undertaking to transform its traditional brick and mortar operation, to one that both embraces and leverages the digital age. The unique use of technology in its Sport Chek flagship stores is differentiating the shopping experience in the stores that

have been redesigned apart from those of its competitors. Its cutting edge marketing efforts are now being built around the use of digital flyers and social media.

At Canadian Tire's annual meeting this year, the company's CEO noted that:

"Digital disruption is happening on a scale larger than any of us could have imagined, and no industry including retail will be immune from those changes". To which this publication can only note that it's nice to see a CEO both "talk the talk, and more importantly, walk the walk."

Q1 2016 Gap Canada Inc. – Banana Underperforms

While the Gap Stores Inc. has struggled in the U.S., its performance in Canada has been acceptable.

GAP CANADA US\$ Sales (Millions) Quarter Ending April 30, 2016				
	2016	2015	2014	2016 Stores
Gap	\$70	\$69	\$80	105
Old Navy	\$98	\$102	\$101	78
Banana Republic	\$47	\$52	\$53	62
TOTAL	\$216	\$224	\$235	245

Gap Canada Inc.'s U.S. dollar sales decreased by a currency adjusted 8% in 2015. However, if the company's sales were converted into Canadian dollars for both years, its sales increased 7.1% last year.

During its first quarter of 2016, ending April 30, 2016 the Gap Canada Inc.'s sales on a currency adjusted basis decreased by 3.6%. Sales at Banana Republic fell by 9.6%, while sales at Old Navy decreased by 4.0%. Sales at The Gap/Gap Kids stores increased by 1.4%.

Readers Note: The next issue of Canadian Apparel Insights will be published during the first week of July 2016

Q1 2016 Gildan: Disappointing Sales Balanced by Improved Profitability and an Acquisition

Gildan, to just about everyone's surprise, reported a 6.7% decrease in its total sales during its first quarter of 2016 ending April 3, 2016.

The decrease in the company's total sales was a result of a 9.1% sales decrease in its Printwear division, and a 1.8% decline in the sales of its Branded apparel division. The good news was that for the same quarter, the company's net earnings increased by 12.9%.

The company attributed the sales decrease in its Printwear division to lower inventory replenishments by its distributors and a decline in its fleecewear sales as a result of unseasonably warm weather during the onset of this year. The small decline in the company's Branded Apparel division was attributed to two factors: a planned decrease in the company's private label business and lower Gold Toe sales in both department stores and national chains.

While sales of the Gold Toe brand were down, sales of the company's other branded programs were strong. Gildan's share of the branded underwear market at the end of March 2016 was 7.4% up from 7.0% at the end of 2015. Gildan's branded men's socks share increased to 16.8% also at the end of March 2016, reinforcing the company's number two position in men's socks.

Simultaneously, with announcing its results for the first quarter of 2016, the company revealed that it had entered into a definitive agreement to acquire Alstyle Apparel for US \$110 million. Alstyle manufacturers and sells t-shirts and fleece products to distributors and mass market retailers in all three Nafta countries. The company has both manufacturing and distribution facilities in Canada, Mexico and the U.S. Its sales in the year ending February 29, 2016 totalled US \$183 million. Acquiring Alstyle, whose product line is very similar to Gildan, will give Gildan duty free access via Mexico to markets in South America. Obviously another strategically sound acquisition for Gildan.

GILDAN ACTIVEWEAR Quarter Ending April 3, 2016	
	Q1 2016
Total Sales	-6.7%
Printwear	-9.1%
Branded Apparel	-1.8%
Operating Income	+16.1%
Printwear	+1.4%
Branded Apparel	NC

Q1 2016 TJX Canada: Consistently Spectacular Results

TJX Canada proved again, this time in the quarter ending April 30, 2016 why it along with H&M are two of the best apparel retailers in Canada.

During the quarter, TJX Canada's total sales increased by a currency adjusted 10.5%, while its comp store sales grew 14.0%. The retailer's profits increased by 27.2%. Part of the reason for the company's total sales growth is that it operated 24 more stores at the end of the quarter than it did a year earlier.

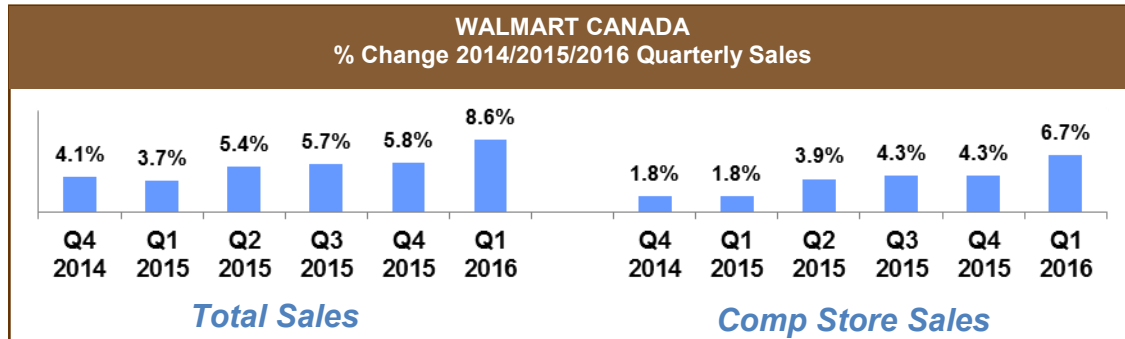
It will be interesting to watch to what degree Off Fifth's expansion during the remainder of this year, will affect TJX Canada's sales – Probably not much.

TJX CANADA Quarter Ending April 30, 2016	
Total Sales	+10.5%
Comp Store Sales	+14.0%
Segment Profit	+27.2%

TJX CANADA Stores at End of Quarter One		
	2015	2016
Winners	239	250
Home Sense	97	104
Marshalls	39	45
TOTAL	375	399

Q1 2016 A Real Blow Out Quarter for Walmart Canada

Walmart Canada's results for its first quarter of 2016 were nothing less than stunning.

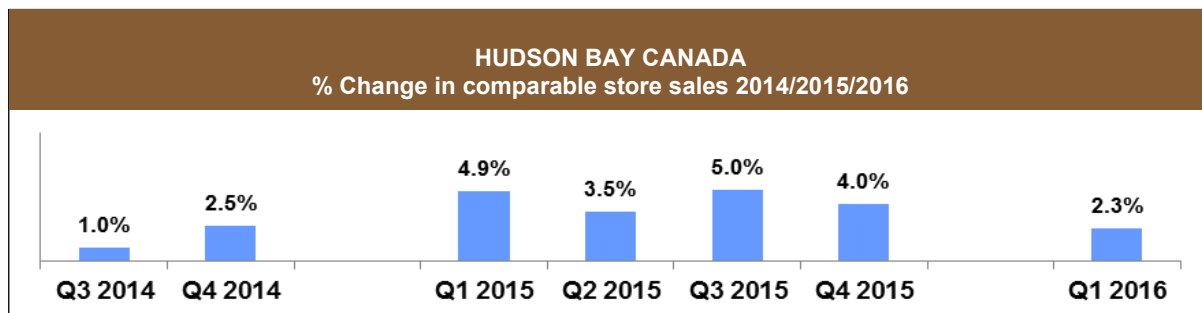


The retailers total sales increased by 8.6%, while its comp store sales increased by 6.7%. The quarter marked the eight consecutive quarter that Walmart Canada's comp sales were positive. Walmart attributed its growth in sales to both a 4.6% increase in store traffic and a 2.1% increase in its average ticket.

The company singled out a number of reasons for its strong growth during the quarter including assortment enhancements along with market share gains in food, consumables, health and wellness and infants (N.B. – another quarter in which apparel was not mentioned.). Walmart Canada also indicated that its investment in e-commerce is beginning to show dividends in terms of increased sales. One gets the feeling that although Walmart Canada was late in jumping into e-commerce, it has now decided to “go all in.” Whether the company's ongoing investment in e-commerce will result in increased apparel sales cannot yet be determined, but this publication remains skeptical.

Q1 2016: HBC-DSG's Growth Slows Down

HBC's DSG division, which includes The Bay, Home Outfitters and Lord and Taylor, reported that its comp store sales for the first quarter of 2016 increased the least since the third quarter of 2015. After increases of 5.0% and 4.0% during the last two quarters of 2015, the DSG's division's comp store sales increased by only 2.3%. “Stay tuned” as HBC will release its complete Q1 2016 financial report on June 10, 2016.



Q1 2016 Reitman's Canada (Ltd.) Impressive Results

Reitman's Canada's performance just keeps getting better, and as a result, traditional skeptics about the company's prospects are beginning to become believers.

It's easy to see why: In the retailer's first quarter ending May 2, 2016, the company's total sales increased 0.9% in spite of a net reduction of 60 stores (primarily Smart Set stores). More impressively, the company's comp store sales increased 8.8% with store sales increasing 6.3% and e-commerce sales increasing 52.5%. On the down side, the company's adjusted EBITDA for the quarter was a loss of C \$4.3 million, compared to earnings of C \$2.3 million a year earlier: The company attributed the decrease in its EBITDA to weakness in the Canadian dollar vs.the U.S. dollar and increased markdowns.

REITMANS (CANADA) LTD Quarter Ending April 30, 2016		
	Q1 2016	Four Weeks May 28, 2016
Total Sales	+0.9%	+1.1%
Comp Store Sales	+8.8%	+7.9%
In Store	+6.3%	+4.9%
E-Commerce	+52.5%	+66.9%

The company also provided an update on the four week period ending May 28, 2016. During the period, the company's total sales increased 1.1%, while its comp store sales increased by 7.9% as a result of a 4.9% increase in its store sales, and a 66.9% increase in its e-commerce sales. Kudos to Walter Lamonte and his management team.

Q1 2016 Carter's Canada Comps Increase 12.8%

Carter's Canada had an outstanding first quarter this year.

In the three months ending April 2, 2016 its total sales increased 17%, however on a currency adjusted basis, the retailers total Canadian dollar sales increased 28%. For the quarter Carter's Canadian comp store sales increased by 12.8%. Carter's outstanding Canadian performance was primarily attributable to the company having added 22 stores compared to its Q1 2015. The company also indicated that its store traffic was up along with its margins, as a result of being able to secure "pricing improvements."

Carter's Canada ended its first quarter 2016 with 149 stores and is planning to add a net of 20 new stores during the coming year. It also indicated that it expects significant sales gains from its e-commerce site which it relaunched during Q2 2015

CARTERS CANADA Q1 2016 Ending April 22, 2016	
Total Sales (US\$ Dollars)	+17.0%
Currency Adjusted Total Sales (C\$ Dollars)	+28.0%
Comp Store Sales	+12.8%
New Stores Opened Compared to Q1 2015	22

It Should Be Noted That...

The U.S. sales of women's plus size apparel increased by 17% from US \$17.4 billion in 2013 to US \$20.4 billion in 2015. During the same two year period, total U.S. apparel sales increased 7% according to the NPD Group.

Continued from page 1

Canada Apparel E-commerce Report

In 2015 Trendex estimates that together, Canada's two department stores accounted for almost 10% of Canadian apparel e-commerce sales. Apparel specialty stores accounted for 43% of apparel e-commerce sales. The next two most important channels were "all other outlets," which include Frank+Oak and other retailers whose sales are either totally, or to a great extent, dependant on e-commerce sales and sporting goods stores including MEC and Sport Chek. The only traditional apparel channel that is underrepresented is discount stores/off price retailers. The channel's largest retailer, Walmart Canada, has such a small market share that one wonders why the company includes apparel on its site.

Trendex's forecast of the 2016-2019 Canadian apparel e-commerce market indicates that:

- Apparel e-commerce sales will grow by at least 29% over the period 2015-2019
- Same day delivery in major metro areas of e-commerce apparel purchases will become more common and be viewed as a competitive advantage
- Free shipping will become standard for apparel e-commerce purchases with a delivery time of 3-5 days
- Omni channel capabilities including offering m-commerce will become a necessity
- Retailers will use their customer databases to better target their e-commerce initiatives
- Online only apparel retailers will find the need to open at least one brick and mortar outlet in each major Canadian market (e.g. Frank + Oak)
- A large share of the future growth of the apparel e-commerce market will be dependant on less than a dozen Canadian retailers. These retailers share two characteristics; they already have, or will soon have, significant shares of Canadian apparel market and have indicated a willingness to invest disproportionately in growing their apparel e-commerce sales

There can be no doubt that the growth of e-commerce will be a disruptive force in the Canadian retail apparel market. The question is whether Canadian apparel retailers will attempt to leverage this force to their benefit or rail against it – undoubtedly to their detriment.

Growth of Canadian Apparel E-Commerce will be primarily dependent on a number of major retailers

Retailer	Comment
Sears Canada	E-Commerce is underdeveloped. Needs a strategy to merge catalog/ online businesses.
Hudson Bay	The Bay's E-commerce sales could plateau as a result of the link between Off Fifth and Gilt Group.
Walmart Canada	Testing grocery online sales and locker pick up. However, apparel e-commerce sales are almost nonexistent.
Simons/Harry Rosen	Two of Canada's best apparel e-commerce sites need to raise awareness of their sites.
Reitmans, Marks, Aritzia, etc	E-commerce sales are underdeveloped compared to their brick and mortar sales.
H&M Canada	When the retailer's e-commerce site is launched later this year its sales could have a significant effect

Clothing specialty store sales increased 8.7% during March 2016 and were up the same amount during the first three months of 2016 (according to Statistics Canada)

CANADIAN RETAIL CLOTHING SPECIALTY STORE SALES (Seasonally Adjusted)		
	Current Month	Year to Date
May 2015	+7.2%	+7.5%
June 2015	+2.5%	+6.9%
July 2015	+6.3%	+6.7%
August 2015	+5.8%	+6.6%
September 2015	+7.0%	+6.7%
October 2015	+8.8%	+6.9%
November 2015	+2.7%	+6.3%
December 2015	+8.0%	+6.5%
January 2016	+7.3%	+7.3%
February 2016	+11.3%	+9.3%
March 2016	+8.7%	+8.7%

In March 2016 sales of Canadian clothing manufacturing shipments decreased by 3.8% compared to the same month a year ago.

CANADIAN CLOTHING SALES OF GOODS MANUFACTURED Dollars (Seasonally Adjusted Shipments)		
	Current Month	Year to Date
August 2015	-4.7%	-3.0%
September 2015	-14.4%	-4.3%
October 2015	-8.5%	-4.7%
November 2015	-10.8%	-5.4%
December 2015	-21.6%	-6.8%
January 2016	-10.7%	-10.1%
February 2016	-13.6%	-12.1%
March 2016	-3.8%	-9.6%

Source: Canism 304-0014 [315]

The capacity utilization rate of Canadian clothing manufacturers during the fourth quarter of 2015 decreased by 8.4% from the same quarter a year earlier.

CANADIAN CLOTHING MANUFACTURING Industry Capacity Utilization Rate*				
Quarter	2012	2013	2014	2015
January - March	75.8%	67.1%	68.4%	68.1%
April - June	73.3%	66.9%	71.3%	70.8%
July - September	71.2%	66.2%	70.5%	68.0%
October - December	69.3%	67.5%	73.9%	67.7%

* Ratio of the clothing industry's actual output to its estimated potential output

March 2016: Canadian Apparel Sales Outpace Total Retail Sales

After two months of substantial retail sales growth, Canadian retail sales declined by 1.0% in March 2016. Large decreases in auto sales and gasoline sales were the primary reasons for the decline in overall retail sales. If those two categories were excluded, retail sales fell by only a modest 0.2% in March. The decrease in retail sales was broad based, as sales decreased in nine of ten provinces and six of the eleven retail sectors. Costco Canada was the exception to the bad news, as its sales increased by 7% during March 2016.

Sales in clothing stores remained strong during March 2016 as sales increased year over year by 8.7% after increasing by 7.4% and 11.3% respectively during the first two months of 2016. On an unadjusted basis, clothing specialty store sales grew by 10.1% in March 2016, with the largest increase coming in British Columbia (+16.1%), and the only decrease occurring in Alberta (-1.7%). While the decrease in sales in Alberta was understandable, the increase in British Columbia was perplexing given the large increase in home sales.

Sales of apparel among those retailers included in Statistics Canada's Monthly Large Retailer Survey increased by 2.8% during March 2016. Men's apparel sales (+4.1%) were slightly stronger than women's apparel sales (+3.0%). Boy's apparel sales (+18.0%) increased the most for the fourth consecutive month. Growth in the men's market, for the second month in a row was driven by strong sales of pants and tops (+7.2%). Although the sales of men's suits/sport coats (+6.8%) continued to remain strong for another month, the rate of sales growth for the category slowed down for the third month in a row. Growth in the women's apparel market continued to be driven by dresses and pants/tops.

Although there are clear signs that overall, retail sales might be slowing down, there is little indication that the same is happening, with retail clothing sales, except in Alberta.

TOTAL RETAIL APPAREL SALES Statistics Canada Large Retailer Survey 2015 / 2016		
Total Apparel	Current Month	Year to Date
September 2015	-2.3%	-0.2%
October 2015	+0.8%	+0.3%
November 2015	-4.6%	-0.3%
December 2015	+2.8%	+0.1%
January 2016	-1.6%	-1.6%
February 2016	+3.0%	+0.6%
March 2016	+2.8%	+1.7%
Statistics Canada Segment Description	March 2016	Year to Date
Total Apparel	+2.8%	+1.7%
Total Women's Apparel	+3.0%	+1.9%
Total Men's Apparel	+4.1%	+3.5%
Total Girls Clothing	+18.0%	+11.5%
Total Boys Clothing	+18.0%	+15.8%
Total Infants Clothing (Sizes 0-6X)	-16.2%	-14.9%
Statistics Canada Commodity Description	March 2016	Year to Date
Women's Outerwear	+2.8%	+2.5%
Women's Dresses & Suits	+3.0%	+3.8%
Women's Pants/Tops	+0.4%	+4.0%
Women's Hosiery	+1.8%	+7.7%
Women's Lingerie	+1.1%	+0.1%
Women's Other Clothing (e.g. bathing suits, uniforms, etc.)	-11.8%	-22.9%
Women's Fashion Accessories (e.g. hats, gloves, scarves)	+39.2%	-4.9%
Men's Outerwear	+6.7%	+6.2%
Men's Suits, Sport Coats	+6.8%	+9.1%
Men's Pants and Tops	+7.2%	+4.8%
Men's Underwear, Sleepwear & Socks	-12.8%	-5.8%
Other Men's Clothing (e.g. bathing suits, uniforms, etc.)	-6.5%	-5.6%
Men's Accessories (e.g. hats, gloves, ties, etc.)	+4.9%	+3.8%

Where Canada Sources Its Apparel

Canadian apparel imports decreased 7.3% in March 2016. Nevertheless, for the first three months of 2016 apparel imports were up 10.0%. During the period, Chinese apparel exports to Canada increased by only 1.3%. Bangladesh, the second largest apparel exporter to Canada, recorded a 25.2% increase, while Cambodia and India recorded 27.4% and 21.2% increases respectively. Perhaps the most interesting developments in the first three months of 2016 were the 7.9% decline in apparel exports from the United States to Canada, and the 25.7% increase in Italy's apparel exports to Canada.

CANADIAN APPAREL IMPORTS % Change in Dollar Imports January - March 2016						
	Total	From China	From Bangladesh	From India	From Cambodia	From Vietnam
Total Imports	+10.0%	+1.3%	+25.2%	+21.2%	+27.4%	+14.4%
Men's/Boy's Clothing	+12.1%	-4.6%	+30.8%	+23.4%	+28.2%	+10.5%
Women's/Girl's Clothing	+12.4%	+6.0%	+22.2%	+22.7%	+27.0%	+16.2%
Infant's Clothing	+12.5%	+9.3%	+28.4%	+25.0%	+1.7%	+25.7%
Other Clothing/Accessories	+4.0%	-2.6%	+15.0%	+14.3%	+32.6%	+14.8%
<i>NAICS 315</i>						

Where Canada Sends Its Apparel

Canadian apparel exports increased by 1.6% in March 2016 and were up by 6.6% during the first three months of 2016. Apparel exports to the United States increased by 2.2% in March 2016 and were up 5.7% year-to-date. Driving the increase in both total exports and exports to the United States continued to be men's apparel exports which were up 16.1%. Of the ten largest destination countries during the first three months of 2016 for Canadian apparel exports, only Australia (-0.3%) and Japan (-0.4%) registered decreases. Exports to France grew by a strong 145.1%, while the Netherlands, the UK and Germany all continued to gain in importance as a result of their respective 33.6%, 12.7%, and 16.1% increases. Surprisingly, exports to Israel increased by 79.6%.

CANADIAN TOTAL APPAREL EXPORTS % Change in Dollar Exports January - March 2016		
	Total	To the U. S.
Total Exports	+6.6%	+5.7%
Mens/Boys' Clothing	+19.0%	+16.1%
Womens/Girls' Clothing	-3.6%	-7.2%
Infant's Clothing	-7.8%	-17.4%
Other Clothing/Accessories	+7.4%	+10.6%
<i>NAICS 315</i>		

CANADIAN APPAREL EXPORTS TO ONLY THE U.S. % Change in Dollar Sales		
Month	Current Month	Year to Date
May 2015	+17.9%	+17.4%
June 2015	+37.2%	+20.3%
July 2015	+33.7%	+22.3%
August 2015	+28.1%	+23.2%
September 2015	+21.0%	+24.5%
October 2015	+16.3%	+22.0%
November 2015	+34.4%	+23.1%
December 2015	+3.5%	+7.8%
January 2016	+6.2%	+6.2%
February 2016	+9.3%	+7.8%
March 2016	+2.2%	+5.7%

Apparel Price Inflation / Consumer Confidence

The consumer price index during April 2016 for total apparel increased by only 0.1% from the previous month and was up 0.3% from a year earlier

Canadian consumer confidence increased by 2.3 points in April 2016, It was the third consecutive monthly increase

CANADIAN CONSUMER CONFIDENCE		
Month	2015/2016	Previous Year
October 2015	95.3	NA
November 2015	103.1	NA
December 2015	91.0	xx
January 2016	80.0	107.0
February 2016	83.7	95.6
March 2016	92.2	108.5
April	94.5	94.8

CANADIAN CONSUMER PRICE INDEX - CLOTHING 2002 = 100 (Seasonally Adjusted)				
Month	Total	Women's	Men's	Children's
May 2015	85.0	79.9	94.9	79.9
June 2015	82.5	77.6	91.5	78.4
July 2015	83.0	77.5	98.3	78.8
August 2015	83.8	79.1	93.8	77.0
September 2015	86.8	83.0	95.0	79.3
October 2015	87.8	83.7	96.2	81.7
November 2015	86.4	82.3	95.3	78.5
December 2015	80.9	76.9	89.6	73.7
January 2016	80.1	74.9	89.6	76.3
February 2016	81.6	76.1	91.6	78.1
March 2016	86.1	81.0	95.1	82.5
April 2016	86.4	82.0	94.8	81.0

Source: Statistics Canada

Cross Border Shopping

During March 2016, same day cross border car trips by Canadians to the United States not surprisingly decreased by 15.6% from the same month a year ago.

SAME DAY CAR TRIPS TO THE U.S. Thousands (Seasonally Adjusted)			
Month	Trips	% Change Same Month	Exchange Rate Canada/USD*
April 2015	2,021	-20.2%	\$1.23
May 2015	2,067	-18.9%	\$1.22
June 2015	2,060	-20.4%	\$1.24
July 2015	2,017	-20.0%	\$1.28
August 2015	1,877	-25.4%	\$1.31
September 2015	1,795	-28.0%	\$1.33
October 2015	1,793	-25.7%	\$1.31
November 2015	1,791	-23.4%	\$1.33
December 2015	2,337	-25.0%	\$1.37
January 2016	1,831	-15.9%	\$1.42
February 2016	1,718	-15.8%	\$1.38
March 2016	1,738	-15.6%	\$1.32

* Average Monthly Exchange Rate / Bank of Canada

Stay up to date with "real time" developments in the Canadian Retail Apparel Market !

Follow us on Twitter: TrendexNA

April 2016 – U.S. Retail Sales: Best Performance in Two Years

U.S. retail sales beat expectations during April 2016 as month over month sales increased by 1.3%, the largest monthly gain since March 2014.

The majority of the increase was due to a 3.5% increase in motor vehicle sales. Excluding motor vehicle sales, retail sales increased 0.8% during the month. All retail sub sectors, with the exception of building materials, recorded sales increases.

Sales of apparel increased by 1.0% during the month, which came as somewhat of a surprise for three reasons:

First, the unusually cold weather during April 2016, which put a damper on the purchase of Spring/Summer apparel. The second reason was the poor comp store sales reported by many of the major apparel retailers in the U.S., including The Gap (-7%), Macy's (-5.6%), J.C. Penney (-0.4%), and Nordstrom full price stores (-2.2%). The third reason was the 0.6% decline in retail apparel prices during the month.

Regardless of how much U.S. apparel sales have grown this year, it is clear that the U.S. consumer is increasingly opting to purchase their apparel from non-mall based retailers. Sales at online retailers, including Amazon, grew by 2.4% in April, while sales at discount chains including Ross stores, T.J. Maxx and Marshalls also increased. Undoubtedly, the sales growth at Amazon negatively affected many mid-market apparel retailers, but the sales loss that the country's mass retailers are experiencing is to a much great degree to other off price retailers other than just Amazon.

UNITED STATES RETAIL CLOTHING/ACCESSORIES STORE SALES				
Yearly / Percent Change in Sales				
	Total	Men's Clothing	Women's Clothing	Family Clothing
January - December 2014	+2.1%	+1.1%	+5.4%	+1.8%
January - December 2015	+2.2%	+1.0%	-1.0%	+4.1%
January - March 2016	+2.2%	-1.5%	+3.8%	+1.2%

TOTAL UNITED STATES RETAIL SALES				
	Clothing/Accessories Stores		Department Stores	
	Current Month	Year to Date	Current Month	Year to Date
August 2015	+2.2%	+2.7%	-2.9%	-2.0%
September 2015	+5.0%	+2.9%	+2.0%	-1.6%
October 2015	+4.1%	+2.8%	+1.0%	-1.4%
November 2015	-1.6%	+2.2%	-2.8%	-1.9%
December 2015	+1.4%	+2.1%	-2.1%	-2.0%
January 2016	-0.1%	-0.1%	-4.5%	-4.5%
February 2016	+6.1%	+3.2%	+0.4%	-2.2%
March 2016	+3.1%	+2.7%	-3.8%	-2.8%
April 2016	+1.1%	+1.9%	-2.9%	-3.0%

UNITED STATES MONTHLY SALES BAROMETER		
April 2016		
Retailer	Total Sales Change	Comparable Store Change
<i>Mid</i>		
Gap Corporate	-7.4%	-7.0%
L. Brands Inc.	+2.0%	+1.0%
<i>Lower/Value</i>		
Stein Mart	NA	NA
Costco (U.S.) *	NA	+2.0%
Cato	-3.0%	-3.0%
Freds	+1.0%	+0.3%
<i>Junior</i>		
Zumiez	+12.1%	+4.5%
Buckle	-12.3%	-13.2%

* Excludes gasoline sales

2015 Sports Apparel Drives Sporting Goods Market Growth

It would be understandable if our readers thought that last year's growth in the Canadian Sporting Goods market greatly outstripped that of total retail apparel sales.

After all, during 2015 FGL Sports sales increased by 2.7%, Reitmans launched Hyba, a retailer of women's athleisure apparel, and Lole significantly increased its own store count alone with adding more retailers who carries the brand. The fact of the matter is that the Canadian sporting goods market only grew by 1.6% in 2015.

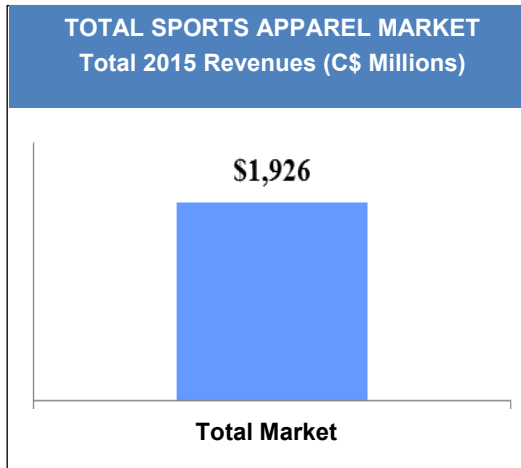
The growth in the 2015 total sporting goods market last year was driven by a 6.1% increase in sports apparel sales. Sports footwear sales increased by 2.4%, while sports equipment sales decreased by 0.2%. Within the sports equipment segment, increases in Hunting/Fishing (+2.0%) and Hockey/Ball Sports (+0.3%) were offset by decreased sales for Golf Equipment (-2.6%) and Exercise Equipment (-3.4%).

Trendex estimates that during 2015, the sale of sports apparel in Canada totalled almost C\$1.9 billion. The country's largest sports apparel retailer is FGL Sports, which includes Sport Check, Sport Experts, Atmosphere, etc. Taken together, FGL Sports operated 432 stores at the end of 2015. Lululemon Canada, at the end of 2015 operated 60 stores and had sales of U.S.\$418 million. While sports apparel sales growth will surely slow down during 2016, it should continue to be one of the fastest growing segments of the apparel market.

CANADIAN SPORTING GOODS MARKET
Retail Dollar Sales (C\$ Millions)

	2013	2014	2015	% Change 2015/2014
Sports Equipment	\$4,673	\$4,633	\$4,624	-0.2%
Sports Footwear	\$2,237	\$2,386	\$2,425	+2.4%
Sports Apparel	\$1,678	\$1,815	\$1,926	+6.1%
TOTAL MARKET	\$8,552	\$8,834	\$8,975	+1.6%

TOTAL SPORTS APPAREL MARKET
Total 2015 Revenues (C\$ Millions)



TOTAL SPORTS APPAREL MARKET
2015 Dollar Shares

Largest Retailers	
FGL Sports	32%
Lululemon	24%
Lole	9%
Walmart	8%
Winners	5%
Mark's	4%
Sears	3%
Costco	3%
MEC	2%

Source: Trendex Estimate



Trendex announces a new quarterly

NEWSLETTER



Nafta Apparel E-Commerce Insights

Finally a publication that focuses on the fastest growing segment of the Nafta apparel market!

Don't miss the FIRST ISSUE
(published NEXT WEEK—June 13)

To receive a reduced annual subscription price of US\$195/yr contact info@trendexna.com

EDITORIAL:

**This Publication
Takes A Contrarian
View of The Bay's
Prospects**

The Bay since the outset of the decade has been viewed by industry savants as a retailer that had turned itself around and is currently a real success story. This publication is totally in agreement with that assessment. However, where the agreement ends is with the assessment of The Bay's future prospects.

One thing that needs to be considered about The Bay is that it has been, to some degree, very fortunate as it undoubtedly benefitted from Sears Canada's failure to develop a coherent e-commerce strategy and the closing of a number of Sears Canada stores. It would not be surprising if Sears closed a few additional stores, but undoubtedly in the short term only a few additional, Sears Canada stores will be closed.

In addition to the share gains The Bay made as a result of Sears' "implosion," The Bay has to to its credit, undertake a number of astute initiatives which resulted in both its repositioning in the consumers mind and leveraging the internet for additional sales. However, going forward, through no fault of its own, The Bay will be forced to fend off a whole series of challenges, many of which could not have been foreseen when it began its repositioning efforts. One of these initiatives involved moving The Bay "more up market" into a retailing space between Sears Canada and Holt Renfrew. At the time, this was an underserved market segment, and "The Room" was the "poster child" of The Bay's efforts to "play in a different space." Other initiatives included adding Top Shop/Top Man, adding more designer apparel labels, adding what could be arguable considered luxury brands especially in the purse department and remodeling key outlets.

However, what The Bay could not have foreseen five or six years ago was the extent to which foreign apparel retailers would enter Canada and take aim at some of the same new niches The Bay planned to target. Without a doubt, the increasing presence of Canada's three fast fashion retailers has served to limit the growth of Top Shop/Top Man. The entry of Nordstrom and to a lesser degree, Saks, will undoubtedly negatively affect the better end of The Bay's business. Simons national expansion should begin this year begin to affect The Bay's business outside of Quebec. Foreign specialty chains including Chicos and White House Black Market which have or will soon enter Canada, are targeting The Bay's traditional 30-54 year old customer. The brands that will be offered at Off Fifth and The Rack will siphon off those Bay consumers that are both brand aware, while at the same time price conscience.

Lastly, two other developments will undoubtedly negatively affect The Bay. First is the increased number of Canadian apparel retailers that will either upgrade their online presence, or for the first time, launch transactional websites. The second is The Bay's decision to open Off Fifth stores within, or next to, a Bay store.

It would be a challenge to statistically demonstrate this publication's contention that no single Canadian retailer has been faced with more new competitors in the past two years than The Bay. Twenty years from now when consultants look back will they note that The Bay, much like was the case with Sears Canada a decade earlier, was a victim of a thousand little cuts?