



September 2016

FEATURED STORY

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Retailer Results

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First Half 2016 Apparel Retailers Sales

The growth of Canada's economy during the first half of 2016 was minimal, as lower oil prices and wildfires in Alberta acted as a brake on the economy.

All national apparel retailers were affected to varying degrees by the economic slowdown in Alberta, which was fortunately, partially offset by the growth of the British Columbia economy. Nevertheless, Canadian clothing store sales increased by a strong 6.8% (y/y) during the first half of 2016.

A number of retailers turned in performances during the first half of the year that reflected the overall growth in clothing store sales in the first half of 2016. Those retailers included H&M, TJX Canada, FGL Sports, Children's Place Canada, and Carter's. Reitman's (Canada) also has to be included in the list, as its comp store sales increased a strong 7.5%.

The second group of retailers was made up of those whose performance, while positive, were not exceptional. This group included Gap stores, HBC-DSG, Old Navy and Mark's. The latter's performance in the second quarter of 2016 was much better than during its first quarter of 2016.

A third group of retailers all underperformed in the first half of 2016. This group included Banana Republic, Moore's and Sears Canada's apparel division. The latter retailer, had the dubious distinction of registering the worst comp store performance (-8.1%) in the first half of 2016.

Walmart Canada, while not specifically reporting its first half sales, reported that its comp store sales grew by 6.7% in Q1, and 1.1% in Q2 2016. Undoubtedly, the majority of the retailer's growth was due to increased grocery sales, as there is no reason to believe the retailers apparel sales were anything but flat.

CANADIAN PUBLIC RETAILERS				
	Total Sales		Comp Store Sales	
	Q2 2016	First Half 2016	Q2 2016	First Half 2016
Banana Republic Canada	-3.4%	-6.3%	NA	NA
Carter's Canada	NA	NA	+8.0%	+11.3%
Children's Palace Canada	+3.9%	+4.9%	+3.2%	+7.6%
FGL Sports	+5.7%	+6.4%	+5.8%	+6.6%
Gap Stores/Canada Only	+4.5%	+3.2%	NA	NA
H&M Canada	+13.0%	+15.0%	NA	NA
Hudson Bay Canada/DSG	NA	NA	+1.1%	NA
Le Chateau	+5.3%	+4.8%	-0.3%	-1.3%
Mark's	+4.4%	+2.5%	+4.6%	+2.9%
Moores	-4.9%	-6.6%	-1.5%	-2.5%
Old Navy Canada	+4.0%	+0.4%	NA	NA
Reitman's (Canada)	+0.6%	+0.7%	+6.3%	+7.5%
Sears Canada (Total)	-15.6%	-15.2%	-5.5%	-6.4%
Sears Canada (A&A)	NA	NA	-7.5%	-8.1%
TJX Canada (Total)	+8.2%	+9.3%	+9.0%	NA
Walmart Canada (Total)	+2.9%	NA	+1.1%	NA

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Q2 2016 - Sears Canada, No Signs Of A Turnaround!

On the face of it, Sears Canada's Q2 2016 results were only slightly better than its first quarter of 2016.

The retailers comp store sales plunged 5.5%, while its apparel comp store sales were down 7.5% (vs 8.7% the previous quarter). However, neither metric could minimize the company's 15.6% decrease in its total sales, along with a net loss of C\$91.6 million, compared with a profit of C\$13.5 million a year earlier.

The company attributed the catastrophic drop in its total sales to a decrease in transactions of big ticket items such as major appliances, due to the loss of customer financing solutions as the result of the termination of its credit card agreement. It also noted the less than expected revenue from new merchandise programs negotiated in Spring of 2015 for launch in Spring 2016. One could rightly assume that Carrie Kirkman, who recently "got the sack," was primarily responsible for negotiating the new merchandise programs.

In addition to the company's sales decrease, the company's gross margin decreased to 28.2% compared to 32.8% for the same quarter a year ago.

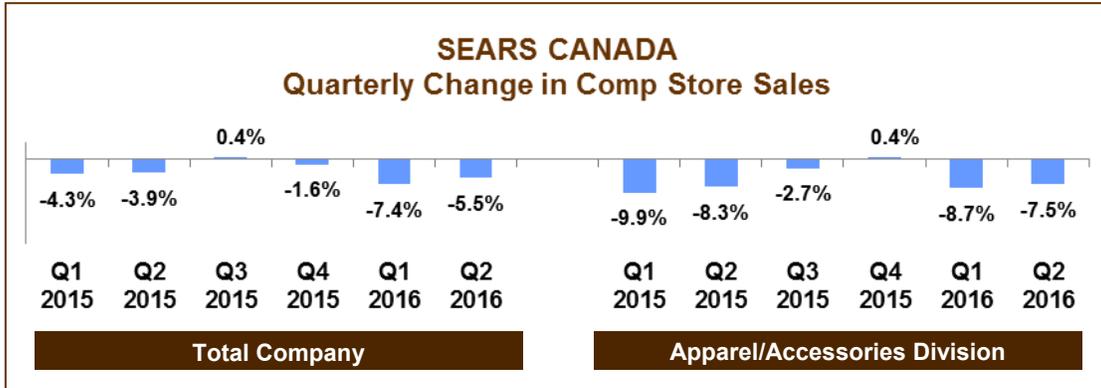
The decrease was attributed to a weaker Canadian dollar and the termination of its credit card arrangement.

To be fair, Sears Canada **called out** a number of new initiatives that could, in the longer term, positively affect its sales including:

- Construction on two prototype Sears 2.0 concept stores. One of the new prototype stores opened last month, while a second will open in November 2016.
- Launching dynamic pricing for major appliances and mattresses.
- Launching in August 2016, a pilot in Alberta of its new Sears.ca website. The site is expected to be rolled out nationally by the end of the year and could serve to significantly increase the retailer's dismal e-commerce sales.

Perhaps most troubling for readers of this publication is that Sears Canada choose for the second quarter in a row, not to mention its apparel division after touting many new apparel division initiatives during its 2015 fiscal year.

A cut back in catalog pages could possibly partially explain the 7.5% decrease in the retailers comp store apparel division's sales. However a more believable reason could be that after years of underinvestment and mismanagement, Sears Canada is no longer viewed by Canadian consumers as a destination for apparel



Q3 2016 H&M Canada's Sales Increase 16%

H&M Canada reported another outstanding quarter as the retailer's total sales increased by a currency adjusted 16% in its third quarter ending August 31, 2016.

During the first nine months of 2016 H&M Canada's sales increased also by 16%. Undoubtedly, some of the retailer's growth was attributable to it having added three new stores during the quarter. At the end of August 2016, H&M Canada operated 79 stores. The company also indicated that its e-commerce offering will be launched in Canada before the end of 2016.

H&M CANADA Quarter Ending August 31 % Change in Total Sales			
	Q3	Q1-Q3	Stores
2016	+16%	+16%	79
2015	+14%	+17%	76
2014	+13%	+4%	67
2013	+2%	+2%	63

Q2 2016 Moores Starts To Bounce Back

There are signs that Moore's, one of Canada's better apparel retailers, has begun to shake off a number of consecutive quarters of poor results.

The retailer who operates 126 stores, recorded a 4.9% currency adjusted decrease in sales for its second quarter of 2016 ending July 30, 2016. Of note was that Moore's comp store sales decreased only 1.5% for the quarter. This decrease followed comp store decreases of 2.7% and 3.9% respectively during the previous two quarters. Moore's parent company, Tailored Brands Inc., has for some time, been attributing the disappointing sales results for its Canadian subsidiary to the depressed Alberta economy. For the second quarter it mentioned "weakening macro-economic conditions in Canada, along with a decrease in Moore's average transactions per store and units sold per transaction."

MOORES Quarter Ending July 30, 2016		
	Q2 2016	First Half 2016
Total Sales	-4.9%	-6.6%
Comp Store Sales	-1.5%	-2.5%

Q2 2016 Reitman's (Canada) Ltd. More Positive Results

Reitman's (Canada) Ltd., the country's second largest retail apparel conglomerate, reported a 0.6% increase in its total sales during the quarter ending July 30, 2016 in spite of operating 75 less stores than during the same quarter a year earlier.

During the retailer's Q2 2016 quarter, its same store sales increased (6.3%) for the ninth consecutive quarter. The increase in the retailers comp store sales was attributable to a 4.0% increase in its store sales and a 45.4% increase in its e-commerce sales. For the quarter, the company's gross margin increased from 55.0% to 56.3%, while its gross profit increased 2.9%.

Reitman's sales for the first four weeks of August ending August 27, 2016 increased 1.1%. During the period the retailer reported a 6.2% increase in its comp store sales due to a combination of a 2.5% increase in store sales and a 63.6% increase in e-commerce sales.

Bottom line, the results for this retailer seem to get better with each passing quarter.

REITMANS Quarter Ending July 30, 2016		
	Q2 2016	First Half 2016
Total Sales	+0.6%	+0.7%
Comp Store Sales*	+4.0%	+5.0%
E-Commerce Sales	+45.4%	+49.0%

*Excludes e-commerce sales

REITMANS (Canada) Ltd. No. Of Stores At The End Of The Second Quarter			
	2016	2015	2014
Reitmans	307	333	343
Penningtons	130	135	143
Addition Elle	103	107	102
RW& Co	82	80	76
Thyme Maternity	63	69	68
Hyba	19	—	—
Smart Set	15	70	113
Total	719	794	845

Readers Note:

The next issue of Canadian Apparel Insights will be published the first week of November 2016.

Q2 2016 lululemon: Disconnect Between Its Results and The Market Reaction

It would seem that lululemon just can't catch a break.

After successfully dealing with product quality and inventory imbalance issues, the company's stock was battered down by 10% after the September 1, 2016 release of its Q2 2016 earnings report. This publication is perplexed by analyst's negative reaction to the company's earnings, given the fact that during the quarter ending July 31, 2016 the retailers:

- Total sales increased 14%
- Comp store sales increased 4%
- E-commerce sales increased by 6% or 16% if the previous year's one time warehouse sale was factored out
- Gross profit increased 20% while income from operations increased 11%
- Inventories decreased by 1%

In spite of metrics that most retailers would be ecstatic to report, lululemon's comp store sales increase was the one focused on by analysts as the increase in Q2 2016 was the least since the retailer's comp store sales decreased by 1% during Q1 2015.

LULULEMON (TOTAL) First Half Results (US \$)			
	2016	2015	2014
Total Revenue	+15.2%	+13.1%	+7.2%
Comp Store Sales	+5.0%	+4.0%	-1.0%
E-Commerce	+11.5%	+28.1%	+25.2%
Gross Profit	+18.0%	+6.3%	+10.0%
Total Stores at Quarter's End	379	336	270
Canadian Stores	62	60	54
Sales per Store (000)	\$2,665	\$1,946	\$2,156

LULULEMON CANADA Stores at End of Quarter						
	2015				2016	
	Q1	Q2	Q3	Q4	Q1	Q2
lululemon	47	48	48	48	48	49
Iviva	12	12	12	12	13	13
TOTAL	59	60	60	60	61	62

Ascena Retail Group Expands in Canada

Ascena Retail Group which purchased ANN in August 2015, continues to expand into Canada.

Currently the company operates 90 stores in Canada including 42 teen retailer, Justice stores, and 35 value fashion, maurices stores.

Ascena Retail Group Canada Stores at end of July			
	2016	2015	2014
ANN	13	—	—
Justice	42	44	35
maurices	35	31	27
TOTAL	90	75	62

It Should Be Noted:

It goes without saying that a Canadian apparel company needs to keep its website up-to-date.

As such it should be noted that in the press section of Laura Group's website, the most recent article about the company is dated September 2013.

Q2 2016 LeChateau: Some Good News Balances Out Bad News

There was both positive and, shall it be said, disconcerting news in LeChateau's Q2 2016 results (ending July 30, 2016).

First, the disconcerting news. The retailer's total sale decreased by 6.3%, but with 20 fewer stores the decrease was understandable. Comparable store sales decreased by 0.3%, with the decrease being totally attributable to the retailer's outlet stores(-8.5%). In addition, the company's adjusted EBITDA decreased C\$ 3.3 million, as its gross margin decreased from 66.6% to 63.5%.

The positive news was that during the quarter, comparable store sales in LeChateau's regular store increased 2.0%, while its online sales were up 43.0%.

While the LeChateau closed eleven stores during the first half of 2016, all but perhaps one would seem to have been their regular stores versus their underperforming outlet stores (note, it would be logical to speculate that the reason for the comparable store sales increase in LeChateau's regular stores was attributable to their closing some of their underperforming regular stores).

If there was a perplexing fact in LeChateau's first half 2016 results, it was that it only renovated a single store. So much for displaying its more "up market" products in a more conducive environment.

LE CHATEAU Quarter Ending July 30, 2016		
	Q2 2016	First Half 2016
Total Sales	-5.3%	-4.8%
Total Comparable Stores Sales	-0.3%	-1.0%
Regular Store Comp Sales	+2.0%	+0.7%
Outlet Store Comp Sales	-8.5%	-7.1%
On Line Sales	+43.0%	+48.3%

LE CHATEAU Stores at End of Q2		
	2016	2015
Regular Stores	134	155
Outlet Stores	66	65
TOTAL	200	220

Uniqlo Finally Debuts in Canada

What should one conclude when Uniqlo, one of the five largest apparel retailers in the world, tip toes into Canada by opening only two stores?

Well, from this publication's perspective, it could mean that either Uniqlo could not find suitable locations for its large-store format, or based on the company's less than satisfactory experience in the U.S. is being very cautious. Other possible reasons, including the company lacks funds to open more stores, can definitely be ruled out. Other reasons including Uniqlo is taking a cautious approach after witnessing Target's debacle in Canada, can certainly not be ruled out.

Regardless of the reason, Canadian consumers are better off as a result of Uniqlo's market entry, as they will now have access to a retailer who offers unique apparel at moderate price points. Should Canadian apparel retailers feel threatened by Uniqlo's market entry? Certainly not yet, but let's see what happens over the balance of this decade.

UNIGLO CANADA		
Location	Date Open	Square Feet
Eaton Centre	September 30, 2016	27,400
Yorkdale	October 20, 2016	25,500

Q2 2016 Two Children's Specialty Chains Report Positive Results

Children's Place Canada and Carters Canada, whose 2015 annual sales were US\$208 million and US\$326 million respectively reported positive results for the second quarter of 2016.

In the case of Children's Place Canada, the results were adequate, but not outstanding, as the retailer's total sales for the quarter ending July 30, 2016 increased by a currency adjusted 3.9%. For the same period, the retailers comp store sales increased 3.2%, while its gross profit was up 3.8%. All three measures of the company's second quarter performance were approximately half as positive as those for Q1 2016.

Carter's Canada results for Q2 2016, on the other hand, were much better as it reported an 8.0% increase in its comp sales, with retail comps in its store increasing 6.9%, while its e-commerce sales grew by 27.4%. Regardless of their performance, these two American juvenile retailer's, along with Gymboree and Old Navy, are collectively taking market share from Canadian headquartered juvenile apparel retailers.

CHILDREN'S PLACE CANADA Quarter Ending July 30, 2016		
	Q2 2016	First Half 2016
Total Sales	+3.9%	+4.9%
Comp Store Sales	+3.2%	+7.6%
Gross Profit	+3.8%	+11.4%

Q2 2016 Canadian Apparel Retailers E-commerce Sales Continue To Drive Sales Growth

Canadian apparel retailers as a group have been rightly characterized as failing to make the necessary investment to develop a significant e-commerce offering.

Their failure is reflected in retailer's unwillingness, with the exception of luluemon and Artizia, to separately detail their actual e-commerce sales. However two, Le Chateau and Reitmans, to their credit, are at least reporting the quarterly growth in their e-commerce sales. For its Q2 2016, Reitmans (Canada) Ltd., who operates 719 stores under seven different banners reported that its e-commerce sales increased 45.4%. In the first half of 2016. Reitmans e-commerce sales increased 49.0%, while its same store sales increased 5.0%.

Le Chateau, a unisex apparel retailer with 200 stores, as of July 30, 2016 reported that its e-commerce sales increased by 43.0% during the quarter ending July 20, 2016. During the first half of 2016 the company's e-commerce sales were up 48.3%, while its comp store sales were down 1.0%.

Although e-commerce is a small part of both Reitmans and Le Chateau's sales, both retailers have consistently recorded above average growth rates for their e-commerce sales.

REITMANS (CANADA) AND LE CHATEAU Same Store vs. Online Sales				
	Reitmans (Canada) Ltd.		Le Chateau	
	Comp Stores	E-Commerce	Comp Stores	E-Commerce
Q2 2016	+4.0%	+45.4%	-0.3%	+43.0%
Q1 2016	+6.3%	+52.5%	-1.9%	+53.9%
Q4 2015	+6.3%	+54.0%	+0.1%	+41.3%
Q3 2015	+4.8%	+72.2%	+2.5%	+34.8%
Q2 2015	-0.6%	+70.1%	-3.9%	+34.5%
Q1 2015	+0.3%	+97.7%	-6.2%	+24.7%
Q4 2014	-0.6%	+54.9%	-11.3%	+4.5%
Q3 2014	-1.5%	+76.4%	-9.7%	0.0%
Q2 2014	+4.6%	+48.3%	-8.6%	+7.7%

Clothing specialty store sales increased 4.6% during July 2016 and were up 6.4% year to date, compared to a year ago (according to Statistics Canada)

CANADIAN RETAIL CLOTHING SPECIALTY STORE SALES
(Seasonally Adjusted)

	<u>Current Month</u>	<u>Year to Date</u>
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	+7.0%	+7.0%
February 2016	+9.5%	+8.2%
March 2016	+7.5%	+8.0%
April 2016	+3.4%	+6.9%
May 2016	+6.8%	+6.9%
June 2016	+6.3%	+6.8%
July 2016	+4.6%	+6.4%

Source: Statistics Canada

In July 2016 sales of Canadian clothing manufacturing shipments decreased by 17.2% compared to the same month a year ago. In the first seven months of 2016 shipments decreased by 13.8%

CANADIAN CLOTHING SALES OF GOODS MANUFACTURED
Dollars (Seasonally Adjusted Shipments)

	<u>Current Month</u>	<u>Year to Date</u>
December 2015	-21.6%	-6.8%
January 2016	-10.2%	-10.2%
February 2016	-10.5%	-10.6%
March 2016	-5.8%	-9.2%
April 2016	-15.6%	-10.3%
May 2016	-10.3%	-10.3%
June 2016	-25.4%	-10.6%
July 2016	-17.2%	-13.8%

Source: Canism 304-0014 [315]

The capacity utilization rate of Canadian clothing manufacturers during the second quarter of 2016 decreased by 7.1% from the same quarter a year earlier.

CANADIAN CLOTHING MANUFACTURING
Industry Capacity Utilization Rate*

<u>Quarter</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
January - March	67.1%	72.6%	72.6%	71.8%
April - June	66.9%	72.9%	73.7%	68.5%
July - September	66.2%	70.0%	68.0%	
October - December	67.5%	71.7%	67.7%	

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

July 2016:

Canadian Apparel Sales Outpace Total Retail Sales Growth

Canadian retail sales fell 0.1% (m/m) in July 2016.

It was the third consecutive month during which retail sales growth was virtually unchanged. Sales fell in five of the eleven retail sectors, of which the largest sales decrease was in gasoline stations. The price of gasoline, according to Statistics Canada decreased by 5.6% in July 2016. Retail sales decreased in six provinces, while sales in Ontario (+0.8%), B.C. (+0.9%) and Quebec (+0.2%) increased. Costco Canada's comparable store sales increased 4% during July 2016.

Clothing store sales increased by 4.6% during July 2016, after increasing by 5.8% the previous month. Year over year, clothing store sales increased 6.4% during July 2016. In July, the greatest increase in clothing store sales occurred in British Columbia (+11.8%) and Ontario (+8.7%).

The only decrease occurred in Alberta (-0.4%). Year to date, the largest sales increase occurred in British Columbia (+11.8%) while the smallest increase was in Alberta (-2.7%).

Clothing sales among the eighty retailers making up Statistics Canada Large Retailer Survey increased 3.2% after increasing 2.7% the previous month. The growth in July was almost totally attributable to an 8.9% increase in men's sales, while women's sales were up only 0.9%. Growth in the men's market was driven by positive growth in all of the men's merchandise categories, with the largest growth occurring in men's suits/sport coats (+14.4%) and outerwear (+14.3%). Pants/shirts, the most important men's category increased by a strong 8.7%. The relatively poor performance of the women's market was attributable to two factors: The fact that sales decreased in five of the women's categories, along with the fact that sales of pants/tops, the largest women's category decreased by 0.1%. While positive growth is always better than negative growth, the small 1.2% increase year-to-date in women's sales could be a harbinger of lackluster growth for the remainder of 2016 for women's apparel sales.

Although there are indications that nationally the growth rate for clothing sales is slowing, especially when compared to last year, clothing sales growth continues to outpace the growth rate for total retail sales. The slowdown in clothing sales during the first seven months of 2016 was due in large part to the poor performance of the Alberta economy. Assuming that growth of the Canadian GDP averages 3.2% in Q3 and 2.7% in Q4 2016, clothing store sales growth for all of 2016 should increase in the range of 2½% - 3½%.

TOTAL RETAIL APPAREL SALES Statistics Canada Large Retailer Survey 2015 / 2016		
Total Apparel	Current Month	Year to Date
January 2016	-1.6%	-1.6%
February 2016	+3.0%	+0.6%
March 2016	+2.8%	+1.7%
April 2016	+3.8%	+2.2%
May 2016	-2.4%	+1.1%
June 2016	+2.7%	+1.4%
July 2016	+3.2%	+1.7%
Statistics Canada Segment Description	July 2016	Year to Date
Total Apparel	+3.2%	+1.7%
Total Women's Apparel	+0.9%	+1.2%
Total Men's Apparel	+8.9%	+3.7%
Total Girls Clothing	+9.5%	+12.0%
Total Boys Clothing	+1.1%	+12.0%
Total Infants Clothing (Sizes 0-6X)	-5.7%	-11.5%
Statistics Canada Commodity Description	July 2016	Year to Date
Women's Outerwear	+13.5%	+1.2%
Women's Dresses & Suits	+9.4%	+2.4%
Women's Pants/Tops	-0.1%	+2.6%
Women's Hosiery	-2.0%	+4.6%
Women's Lingerie	-2.6%	+1.4%
Women's Other Clothing (e.g. bathing suits, uniforms, etc.)	-2.2%	-12.6%
Women's Fashion Accessories (e.g. hats, gloves, scarves)	-4.6%	-3.7%
Men's Outerwear	+14.3%	+6.4%
Men's Suits, Sport Coats	+14.4%	+8.4%
Men's Pants and Tops	+8.7%	+4.2%
Men's Underwear, Sleepwear & Socks	+1.0%	-0.9%
Other Men's Clothing (e.g. bathing suits, uniforms, etc.)	+3.4%	-4.4%
Men's Accessories (e.g. hats, gloves, ties, etc.)	+11.9%	+5.0%

Where Canada SOURCES Its Apparel

Canadian apparel imports decreased by 8.8% in July 2016 although in the first seven months of 2016, they were up 3.7%.

During this year to date, Chinese apparel exports to Canada decreased by 2.2%. Bangladesh, the second largest apparel exporter to Canada, recorded a 12.5 % increase, while Cambodia, Vietnam, and India recorded 16.4%, 4.0% and 8.8% increases respectively. Perhaps the most interesting developments in the first seven months of 2016 were the 7.3% decline in apparel exports from the United States to Canada, along with both the 7.5% decrease in Mexico's apparel exports to Canada, and the 49.4% increase in Portugal's exports to Canada.

CANADIAN APPAREL IMPORTS % Change in Dollar Imports—January - July 2016						
	Total	From China	From Bangladesh	From India	From Cambodia	From Vietnam
Total Imports	+3.7%	-2.2%	+12.5%	+8.8%	+16.4%	+4.0%
Men's/Boy's Clothing	+5.6%	-6.0%	+14.3%	+12.0%	+21.1%	+1.1%
Women's/Girl's Clothing	+5.7%	+2.5%	+10.4%	+8.6%	+18.2%	+3.5%
Infant's Clothing	+8.4%	+4.8%	+16.6%	+28.9%	+7.2%	+10.6%
Other Clothing/ Accessories	-1.2%	-6.1%	+12.0%	+0.9%	+8.9%	+7.6%
NAICS 315						

Where Canada SENDS Its Apparel

Canadian apparel exports decreased by 0.7% in July 2016 and were down by 3.0% during the first seven months of 2016.

Apparel exports to the United States decreased by 46.6% in July 2016 and were down 2.7% year-to-date. Driving the decrease in both total exports and exports to the United States continued to be women's apparel exports which were down 8.0% year to date. Of the ten largest destination countries during the first seven months of 2016 for Canadian apparel exports, only Japan (-51.4%), Switzerland (-8.8%) and China (-1.8%) registered decreases. Apparel exports to the Netherlands grew by a strong 15.6%, while Germany, Australia and France all continued to gain in importance as a result of their respective 16.2%, 16.7%, and 20.2% increases. Surprisingly, exports to Israel and Spain increased respectively by 10.8% and 12.2%.

CANADIAN APPAREL EXPORTS TO ONLY THE U.S. % Change in Dollar Sales		
Month	Current Month	Year to Date
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%
April 2016	+6.8%	+5.8%
May 2016	-5.5%	+4.3%
June 2016	-7.6%	+2.4%
July 2016	-46.6%	-2.7%

CANADIAN TOTAL APPAREL EXPORTS % Change in Dollar Exports January - July 2016		
	Total	To the U. S.
Total Exports	-3.0%	-2.7%
Mens/Boys' Clothing	+7.4%	+9.4%
Womens/Girls' Clothing	-8.0%	-8.2%
Infant's Clothing	-21.6%	-28.6%
Other Clothing/ Accessories	-5.8%	-6.6%
NAICS 315		

Apparel Price Inflation / Consumer Confidence

THE CONSUMER PRICE INDEX during August 2016 for total apparel increased by 1.3% from the previous month, and was down 0.8% from a year earlier

Canadian consumer confidence decreased by 3.1 points in August 2016.

CANADIAN CONSUMER CONFIDENCE		
Month	2015/2016	Previous Year
February 2016	83.7	95.6
March 2016	92.2	108.5
April 2016	94.4	94.8
May 2016	101.8	99.8
June 2016	99.7	102.7
July 2016	104.6	98.6
August 2016	101.5	91.9

Source: Conference Board of Canada

CANADIAN CONSUMER PRICE INDEX - CLOTHING 2002 = 100 (Seasonally Adjusted)

Month	Total	Women's	Men's	Children's
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
May 2016	85.7	81.3	95.1	78.1
June 2016	83.5	79.3	92.7	76.1
July 2016	82.0	77.2	91.9	75.6
August 2016	83.1	78.9	92.9	74.0

Source: Statistics Canada

Cross Border Shopping

Same day cross-border CAR TRIPS by Canadians traveling to the United States in July 2016, not surprisingly, decreased by 9.0% from the same month a year ago.

The decrease came on top of a 20.0% decrease which occurred in July 2015.



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SAME DAY CAR TRIPS TO THE U.S. Thousands (Seasonally Adjusted)

Month	Trips	% Change Same Month	Exchange Rate Canada/USD*
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	1,754	-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
April 2016	1,740	-13.9%	\$1.28
May 2016	1,772	-13.4%	\$1.29
June 2016	1,779	-13.1%	\$1.29
July 2016	1,784	-9.0%	\$1.31

* Average Monthly Exchange Rate / Bank of Canada

August 2016

U.S. Consumers Turn Unexpectedly Cautious

U.S. consumer spending turned unexpectedly cautious during August 2016, as retail sales fell for the first time in 5 months.

After increasing by 0.1% in July 2016, retail sales fell 0.3% during August. Year over year, retail sales were up 1.9% in August, after increasing 2.4% in July 2016. Not counting auto sales, total retail sales decreased in seven of twelve categories. Gas station sales were down 0.8% in August, and were down by 9.5% year over year. The average price for a gallon of gas was down twenty cents per gallon during the month, compared to August 2015. Economists were generally puzzled by the cutback in consumer spending in August, in light of low unemployment, rising wages, and record low interest rates.

Even more puzzling was the 0.3% decline in non-store sales during the month. This category includes all pure play e-commerce retailers, including Amazon. The decrease in the channel's sales for the month was the largest single monthly decline since January 2015. Nevertheless, year over year, non-store retailing sales were up 10.9% during August. During the month, department store sales fell 0.6%, while restaurant sales (+0.3%) and electronic stores registered small sales increases. Clothing store sales rose 0.7%, the largest gain in a year, signaling back-to-school sales were strong in spite of record hot weather during the month.

Although overall apparel retail sales were outstanding in August 2016, it was not reflected in the results of some individual retailers. While L Brands reported a 2.0% increase in its comp sales, the same as that reported for Costco, others fared much worse. Banana Republic reported a 10% decrease in its comp sales, which was twice the 5% decrease in Gap store sales. Women's retailer, Cato experienced a 8% decrease in its comp store sales, which was relatively better than the 14.8% decrease in The Buckle's comps for the month. The decrease in August's U.S. retail apparel sales could mean that retailer's inventories are in better shape to absorb holiday goods, however that assumes they can get their clothes off the boats.

TOTAL UNITED STATES RETAIL SALES				
	Clothing/ Accessories Stores		Department Stores	
	Current Month	Year to Date	Current Month	Year to Date
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%
May 2016	-2.5%	+0.6%	-8.4%	-4.4%
June 2016	-0.1%	+0.4%	-0.9%	-3.8%
July 2016	-1.3%	+0.2%	-4.2%	-3.9%
August 2016	-0.7%	+0.1%	-6.5%	-4.5%

UNITED STATES MONTHLY SALES BAROMETER (July 2016)		
Retailer	Total Sales Change	Comparable Store Change
<i>Mid Price</i>		
Gap Corporate	NA	-3.0%
L. Brands Inc.	+3.0%	+2.0%
<i>Lower/Value</i>		
Costco (U.S.) *	NA	+2.0%
Cato	-7.0%	-8.0%
Freds	-3.5%	-3.0%
<i>Junior</i>		
Zumiez	+2.6%	-1.1%
Buckle	-14.0%	-14.8%
* Excludes gasoline sales		

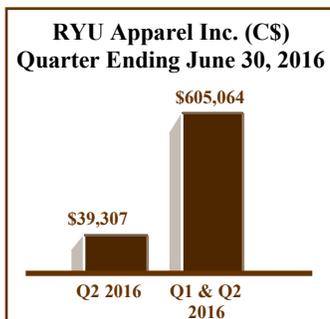
UNITED STATES RETAIL CLOTHING/ ACCESSORIES STORE SALES Yearly / Percent Change in Sales				
	Total	Men's Clothing	Women's Clothing	Family Clothing
January - December 2014	+2.1%	+1.1%	+5.4%	+1.8%
January - December 2015	+2.2%	+1.0%	-1.0%	+4.1%
January - June 2016	+0.5%	-1.6%	+1.2%	-0.8%

Sears Canada's CEO Merry Go Round

A number of reasons have been postulated for Sears Canada's just plain awful performance so far this decade.

CEO	Tenure	Notable Developments
Dene Rogers	2006 – Sept 2011	Maximized company profitability by under-investing in stores. Attempted “clawbacks from vendors.”
Calvin McDonald	June 2011 – Sept 2013	Updated appearance of some stores. Upgraded apparel private labels including Nevada.
Doug Campell	Sept 2013 – Sept 2014	Put the company up for sale and closed key locations.
Ron Boire	Oct 2014 – June 2015	Launched the Wayne Gretzky line. Improved relationships with vendors.
Brandon Stranzl	July 2015 - present	Updated store logo and tested new store format. Upgraded e-commerce platform.

Q1 2016 - RYU Apparel Inc. Another Entrant In A Competitive Market



Not unsurprisingly, while this publication was focusing last year on the growth of the ath-leisure market in general, along with Lole and on the launch of Hyba it completely missed RYU Apparel in Vancouver becoming a public company (TSX Venture Exchange).

The company, whose sales were only C\$605,064 in the first half of 2016, brands itself as “A global tailored technical urban athletic apparel and accessories brand, engineered for the fitness, training and performance of the multi-disciplined athlete.” – Well, one thing is for certain: that mouthful won't easily fit on a business card!

The company is a wholesale brand with three stores in Vancouver and operates an e-commerce platform. RYU apparel plans to open a fourth store during summer 2017. Men's products account for 45% of its sales, women's products make up the balance. In 2015, the company's total revenue was C\$869,917 with Canada accounting for 28% of sales and the United States the balance. E-commerce accounts for 15% of its sales.

The litany of reasons for Sears' awful performance includes lack of investment in its stores (tired is a word that comes to mind), closing of key stores, a lack of strategic vision, along with a failure to develop a meaningful e-commerce presence.

This publication believes one more reason has to be added to the list; CEO turnover. During this decade, Sears Canada has had five different CEO's. The last four have begun their tenure by making great promises, which were always given prominence by a fawning press. Sears' current CEO, upholding the tradition of his predecessors, has also made great promises. Let's hope he stays around long enough to take ownership of them.

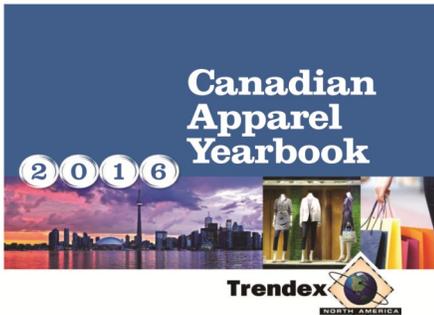
The Rack's Expansion Plans for Canada Gets Scaled-Back

For sometime, industry pundits have indicated that Nordstrom could eventually open up to 25 Rack stores in Canada.

However Blake, Nordstrom in the company's Q2 2016 conference call on August 11, 2016 stated, “**We think Canada could have roughly 15 Rack's when we're done.**” The first three Canadian Rack stores will open next Spring.

Trendex announces 3 NEW PUBLICATIONS! Available Now!

2016 CANADIAN APPAREL YEARBOOK



In this year's 2016 Canadian Apparel Yearbook is a summary of all Statistics Canada's annual information that relates to the apparel industry for the period 2010-2015. In addition, the 2016 Yearbook also contains a one-page profile of every U.S. and Canadian publicly held retailer who details their Canadian apparel sales, along with a listing of all major apparel specialty chains in Canada. Updated information is also included as it relates to Canadian apparel e-commerce and the influence of foreign apparel retailers in Canada. A forecast covering the 2016-2019 apparel market is also included. Cost – US\$450

NAFTA APPAREL ECOMMERCE INSIGHTS (QUARTERLY)

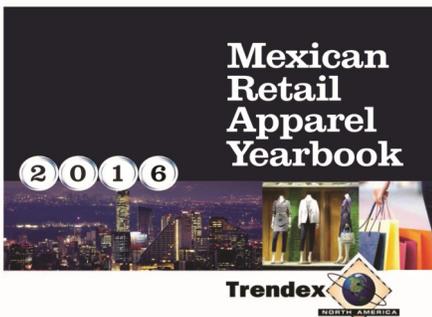
Trendex's New Newsletter Focuses on the Nafta Apparel E-Commerce Market

Online sales is the fastest growing segment of the Nafta US\$303.8 billion dollar retail apparel market. Therefore, it was not a surprise that Trendex's new newsletter: **Nafta Apparel e-Commerce Insights** was met with a great deal of interest when launched at the onset of July 2016.

Reduced annual subscription price of US\$195/yr.



2016 MEXICAN APPAREL YEARBOOK



2016 Mexican Apparel Yearbook summarizes, for the period 2012-2015 individual, retailer and channel market share trends by gender segments and key apparel merchandise categories. Additionally, the Yearbook includes 2015 estimates of the total retail sales in Mexico for all merchandise categories and major individual end uses. A forecast of the 2016-2017 Mexican retail apparel market is included. Cost – US\$395

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