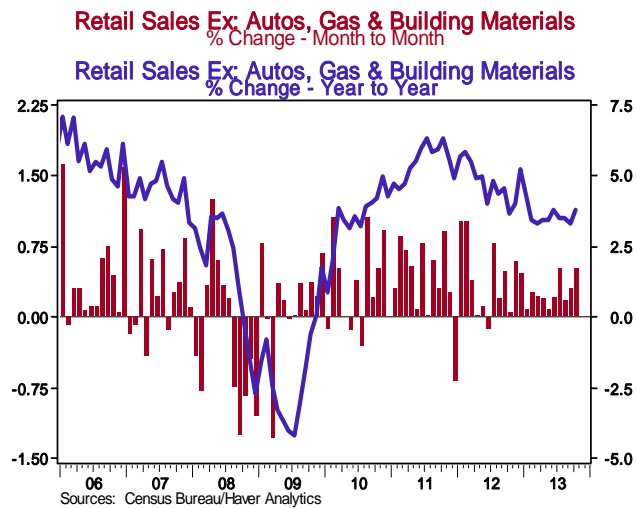
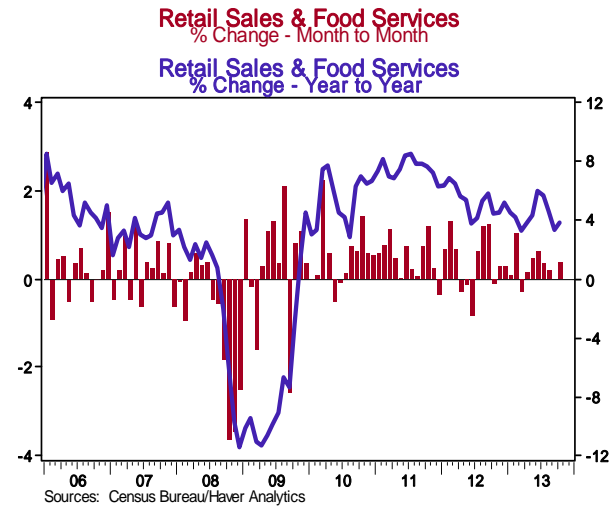


# October Retail Sales

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- Retail sales rose 0.4% in October, (+0.5% including revisions to prior months) easily beating the consensus expected 0.1% gain. Sales are up 3.9% versus a year ago.
- Sales excluding autos were up 0.2% in October, but were unchanged including revisions to prior months. The consensus expected a 0.1% gain. These sales are up 2.4% in the past year.
- The increase in sales in October was led by autos and restaurants & bars. The largest decline was for building materials.
- Sales excluding autos, building materials, and gas rose 0.5% in October (+0.4% including revisions to prior months). Even if unchanged in November/December, these sales will be up at a 3.2% annual rate in Q4 versus the Q3 average.

**Implications:** Remember all those pundits screaming that the partial government shutdown was going to kill the consumer? Well, today we get our first look at consumer spending in October and retail sales rose 0.4%, easily beating consensus expectations and hitting a new all-time high. Autos led the way, up 1.3%. But even ex-autos, retail sales were up 0.2%, as gains in most categories easily offset the declines in building materials and gas stations. “Core” sales, which exclude autos, building materials, and gas, rose 0.5% in October, are up sixteen straight months, and 3.8% above sales a year ago...which probably explains why we don't hear any more about the federal spending sequester or fiscal cliff deal killing the consumer (now they will have to add the government shutdown). Overall retail sales are up 3.9% in the past year. With consumer prices declining 0.1% in October, “real” (inflation-adjusted) sales are up 2.9%. In other news this morning, business inventories rose 0.6% in October, easily beating consensus expectations and what the government assumed when it made its first estimate of Q3 real GDP growth. As a result, it now looks like real GDP grew at about a 3.1% annual rate in Q3 versus an original estimate of 2.8%. However, look for much slower inventory accumulation in Q4, suggesting slower real GDP growth as well. For the time being, the economy continues to be a Plow Horse, with growth hovering around 2%, sometimes higher, sometimes lower. Expect more of the same in Q4 before the economy accelerates in 2014.



<b>Retail Sales</b> <i>All Data Seasonally Adjusted</i>	<b>Oct-13</b>	<b>Sep-13</b>	<b>Aug-13</b>	<b>3-mo % Ch.</b> <i>annualized</i>	<b>6-mo % Ch.</b> <i>annualized</i>	<b>Yr to Yr</b> <i>% Change</i>
<b>Retail Sales and Food Services</b>	<b>0.4%</b>	0.0%	0.2%	2.5%	4.4%	3.9%
<b>Ex Autos</b>	<b>0.2%</b>	0.3%	0.0%	2.0%	3.0%	2.4%
<b>Ex Autos and Building Materials</b>	<b>0.4%</b>	0.3%	0.1%	3.0%	3.4%	2.2%
<b>Ex Autos, Building Materials and Gasoline</b>	<b>0.5%</b>	0.3%	0.2%	4.2%	3.8%	3.8%
<b>Autos</b>	<b>1.3%</b>	-1.2%	1.0%	4.7%	10.4%	10.6%
<b>Building Materials</b>	<b>-1.9%</b>	-0.1%	-0.6%	-9.9%	-1.9%	4.2%
<b>Gasoline</b>	<b>-0.6%</b>	0.2%	-0.5%	-3.8%	0.9%	-6.9%

Source: Bureau of Census

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