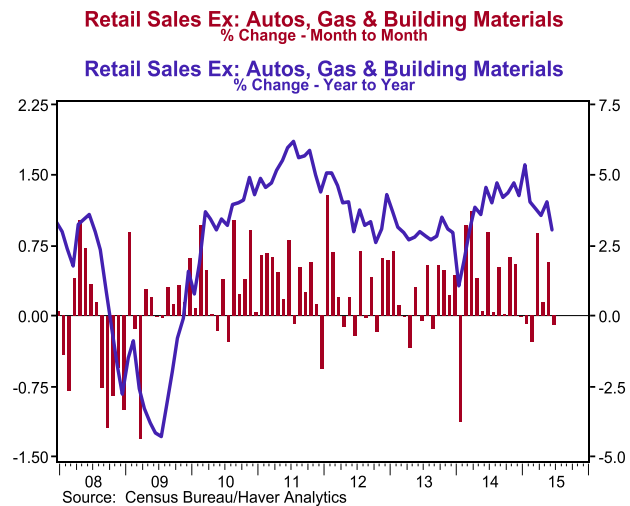
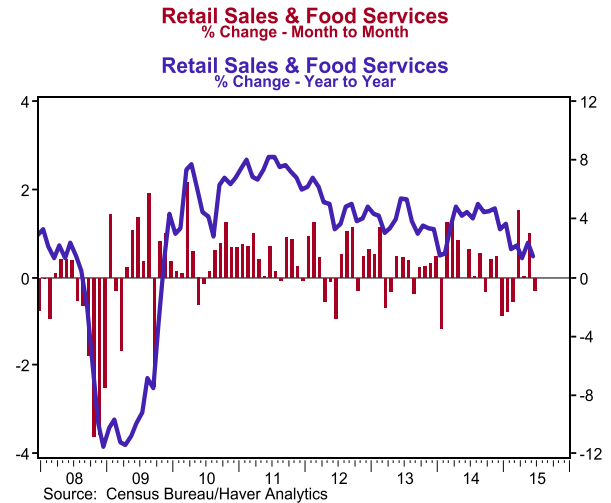


## June Retail Sales

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- Retail sales declined 0.3% in June, coming in below the 0.3% gain the consensus expected. Sales declined 0.7% including downward revisions to prior months, but are still up 1.4% versus a year ago.
- Sales excluding autos slipped 0.1% in June and were down 0.5% including revisions to prior months, coming in short of the consensus expected gain of 0.5%. These sales are up 0.1% in the past year. Excluding both autos and gas, sales are up 2.7% versus a year ago.
- The decline in sales in June was led by declines in autos, building materials, and clothing & accessory stores.
- Sales excluding autos, building materials, and gas declined 0.1% in June (-0.2% including revisions to prior months). These sales were up at a 4.1% annual rate in Q2 versus the Q1 average.

**Implications:** We've said it before and we'll say it again – monthly economic data are volatile. We don't know the exact reason the sales data were soft in June, but we don't shift our longer-term outlook based on one month's data alone. Retail sales were disappointing in June, with sales falling short of the expectations of every economics group making a forecast. Retail sales declined 0.3% and were down 0.7% including prior months' revisions. But does this mean we are falling back into a recession? No! Not even close. Today's report was probably affected by the earlier-than-usual Memorial Day holiday that may have pulled some sales forward into May from June. Either way, what we have here is the same thing we have had for the past six years: a Plow Horse Economy. After a soft Q1, the economy is rebounding, although not quite as fast as previously expected. Retail sales rose at a 0.9% annual rate in the first three months of 2015. In the past three months, retail sales are up at a 3.2% annual rate; better, but nothing to be too excited about. The largest declines in June were for two of the most volatile categories – autos and building materials. However, even excluding these two categories, sales were still just unchanged in June. Plugging the sales report into our models suggests "real" (inflation-adjusted) consumer spending, on goods and services combined, will be up at about a 2.5% annual rate in Q2, an acceleration from the 1.8% pace in Q1. Combined with this morning's news that business inventories rose 0.3% in May, it now looks like real GDP grew at about a 3% annual rate in Q2. Given continued job growth, relatively healthy consumer balance sheets, and pent-up savings from lower gas prices, look for better sales reports in the months ahead. In other news this morning, import prices declined 0.1% in June and are down 10.0% from a year ago. The drop is mostly from petroleum, but not all of it; import prices are down 2.6% from a year ago even excluding petroleum. Export prices declined 0.2% in June and excluding farm products, were down 0.1%. Overall export prices are down 5.7% from a year ago.



Retail Sales <i>All Data Seasonally Adjusted</i>	Jun-15	May-15	Apr-15	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
<b>Retail Sales and Food Services</b>	<b>-0.3%</b>	1.0%	0.0%	3.2%	2.0%	1.4%
<b>Ex Autos</b>	<b>-0.1%</b>	0.8%	-0.1%	2.6%	0.9%	0.1%
<b>Ex Autos and Building Materials</b>	<b>0.0%</b>	0.9%	0.0%	3.9%	1.3%	0.3%
<b>Ex Autos, Building Materials and Gasoline</b>	<b>-0.1%</b>	0.6%	0.2%	2.5%	2.4%	3.0%
<b>Autos</b>	<b>-1.1%</b>	1.8%	0.6%	5.5%	6.5%	6.5%
<b>Building Materials</b>	<b>-1.3%</b>	-0.4%	-1.8%	-13.0%	-2.9%	-1.4%
<b>Gasoline</b>	<b>0.8%</b>	3.7%	-0.9%	15.2%	-6.4%	-17.1%

Source: Bureau of Census

This report was prepared by First Trust Advisors L. P., and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.