

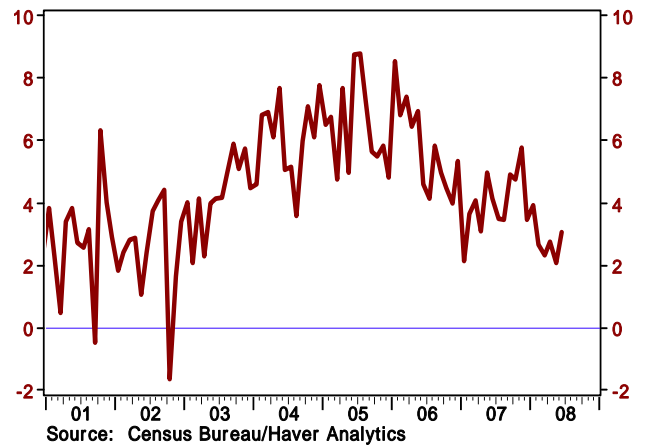
## JUNE RETAIL SALES

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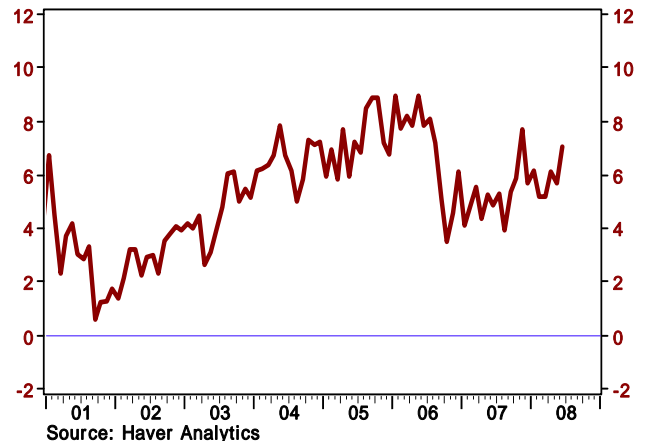
- Retail sales increased 0.1% in June while retail sales excluding autos increased 0.8%. Both figures fell a little short of consensus expectations of 0.4% and 1.0%, respectively. Auto sales were revised down for April and May, accounting for slight downward revisions to overall retail sales in those months.
- The weakest component of sales in June was motor vehicles and parts. The strongest component was gas station sales, due to higher gas prices.
- Sales excluding autos, building materials, and gas were up 0.3% in June. These sales are up 4.2% versus last year and up at a 7.9% annual rate in the past three months.

**Implications:** Consumer spending continues to grow, undermining the theory that the US is in a consumer-led recession. Although overall retail sales were up only a tepid 0.1% in June, “core” retail sales (excluding autos/building materials/gas) increased a respectable 0.3% and are up 4.2% versus last year. Today’s figures are consistent with overall real consumption growing at about a 2% annual rate in the second quarter, with real GDP growth at a 3% rate. Although some analysts are saying the tax rebate checks are artificially supporting consumer spending, the data contradict this view. Core retail sales were stronger in the two months before the checks started to be distributed (March/April) than the two months after (May/June). Meanwhile, net exports are adding substantially to real GDP growth in Q2, which is not what should happen when rebate checks are driving the economy. In other news this morning, the Empire State Manufacturing Index increased to -4.9 in July from -8.7 in June. The indexes for new orders and shipments went from negative to positive but the indexes for inventories and the number of employees got weaker. Meanwhile, the prices paid index hit a record high (dating back to 2001).

Retail Sales & Food Services  
% Change - Year to Year



Retail Sales and Food Services EX: Autos and Building Materials  
% Change - Year to Year



<b>Retail Sales</b> <i>All Data Seasonally Adjusted</i>	Jun-08	May-08	Apr-08	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr % Change
<b>Retail Sales and Food Services</b>	0.1%	0.8%	0.2%	4.5%	3.4%	3.0%
<b>Ex Autos</b>	0.8%	1.2%	1.0%	12.7%	8.7%	6.2%
<b>Ex Autos and Building Materials</b>	1.0%	1.1%	0.9%	12.4%	9.2%	7.1%
<b>Ex Autos, Building Materials and Gasoline</b>	0.3%	0.7%	0.9%	7.9%	5.9%	4.2%
<b>Autos</b>	-3.3%	-0.6%	-3.1%	-24.8%	-16.7%	-9.5%
<b>Building Materials</b>	-0.9%	2.3%	2.2%	15.3%	4.0%	-1.5%
<b>Gasoline</b>	4.6%	3.3%	0.6%	39.6%	28.3%	24.5%

Source: Bureau of Census

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