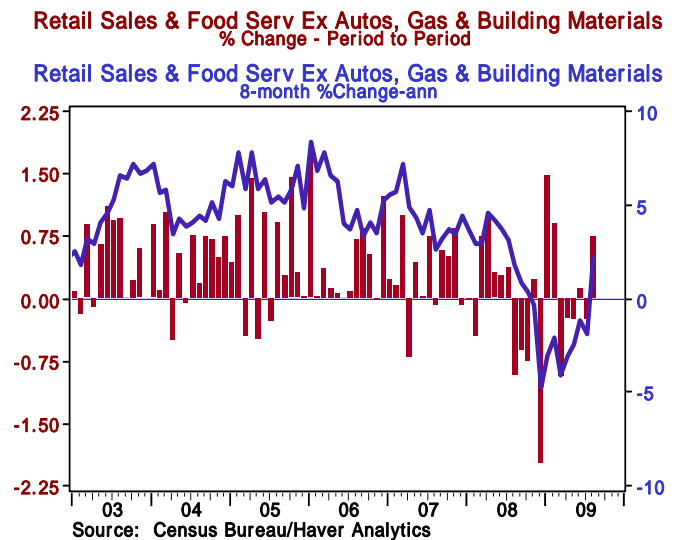
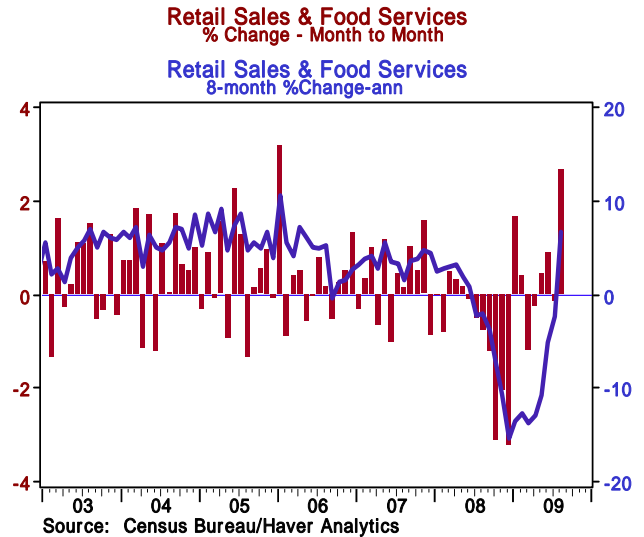


# AUGUST RETAIL SALES

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- Retail sales spiked up 2.7% in August, handily beating the consensus expected gain of 1.9%. Retail sales excluding autos increased 1.1% versus a consensus expected rise of 0.4%.
- Retail sales are down 5.3% in the past year but up at a 14.3% annual rate in the last three months. Ex-autos, sales are down 6.2% versus last year, but up at a 5.1% annual rate in the past three months.
- Most of the gain in retail sales in August was due to autos (as a result of cash-for-clunkers). The two other strongest categories were gas station sales (due to higher gas prices) and general merchandise stores (department stores and warehouse clubs).
- Sales excluding autos, building materials, and gas were up 0.7% in August and revised up slightly for previous months.

**Implications:** Retail sales skyrocketed in August, and not just because of cash-for-clunkers. Although auto sales increased 10.6%, sales at general merchandise stores (department stores and warehouse clubs) increased 1.6%. What makes this so remarkable is that Labor Day was late this year – which some analysts thought would push some back-to-school purchases into September – and with so many consumers focused on buying a new car, it was easy to think they would be more cautious about spending at other stores. Although sales are still down versus last year, this is all old news and misleading about recent activity. So far this year, retail sales are up at a very healthy 6.8% annual rate and “core” sales (excluding autos, building materials and gas) are up at a respectable 2.3% annual rate. Given the end of cash-for-clunkers, it should be no surprise when overall retail sales drop in September. What matters is what happens after September and we expect the trend to be up and the V-shaped recovery to continue.



Retail Sales <i>All Data Seasonally Adjusted</i>	Aug-09	Jul-09	Jun-09	3-mo % Ch. annualized	6-mo % Ch. annualized	Yr to Yr % Change
<b>Retail Sales and Food Services</b>	2.7%	-0.2%	0.9%	14.3%	4.7%	-5.3%
<b>Ex Autos</b>	1.1%	-0.5%	0.7%	5.1%	0.1%	-6.2%
<b>Ex Autos and Building Materials</b>	1.3%	-0.4%	0.8%	7.0%	1.1%	-5.5%
<b>Ex Autos, Building Materials and Gasoline</b>	0.7%	-0.3%	0.1%	2.4%	-1.7%	-1.7%
<b>Autos</b>	10.6%	1.5%	1.8%	70.3%	29.5%	-1.0%
<b>Building Materials</b>	-1.2%	-1.8%	-0.6%	-13.6%	-9.5%	-13.6%
<b>Gasoline</b>	5.1%	-1.5%	6.5%	47.4%	24.5%	-26.7%

Source: Bureau of Census

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