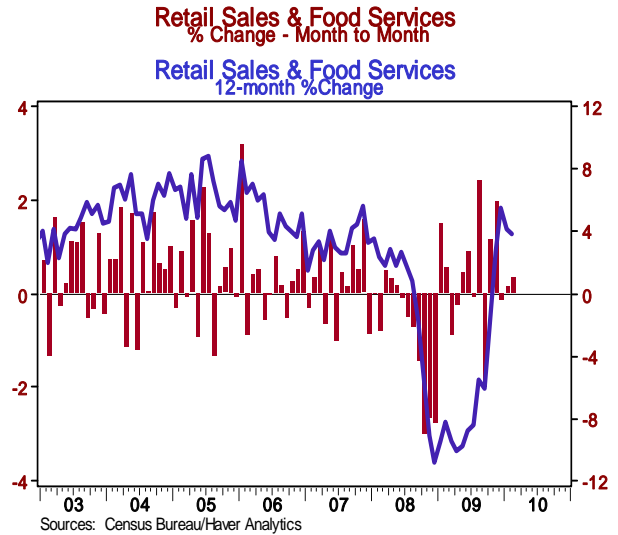


# FEBRUARY RETAIL SALES

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- Retail sales increased 0.3% in February while sales excluding autos gained 0.8%, both beating consensus expectations. Downward revisions to prior months totaled 0.4% for overall retail sales, but only 0.1%, for sales ex-autos.
- Retail sales are up at a 2.7% annual rate in the past six months; sales ex-autos are up at a 7.8% rate in the past six months.
- The strongest increases in sales in February were at grocery stores, department stores/warehouse clubs, and restaurants/bars. The weakest category of sales was autos.
- Sales excluding autos, building materials, and gas were up 0.9% in February (0.8% with revisions to prior months) and up at a 6.1% annual rate in the past six months.

**Implications:** Considering a record snowfall on the East Coast and unusually harsh weather in much of the rest of the country, February’s retail sales were amazingly strong. Despite problems at Toyota, which helped drag down auto sales by 2%, consumers spent strongly in non-auto categories (up 0.8% in February on top of a 0.5% gain in January). The last two times we had similar East Coast blizzards (1982 and 1996), sales ex-autos were down about 1% for the month. This strength should carry into March at the same time auto sales rebound, so get ready for another strong month for sales. Last summer, during cash-for-clunkers, many analysts said the surge in consumer spending was temporary. They thought retail activity would slump once the special incentive program ended. But sales are now up at a 7% annual rate since October, which is well after the clunkers program ended. Moreover, “real” (inflation-adjusted) consumption looks set to grow at a 3%+ annual rate in Q1, the fastest pace in three years. The labor market is improving and consumers have trimmed their debts, suggesting the trend will continue. Those who deny the V-shaped recovery have had their beliefs dismantled piece-by-piece, month-after-month. The US economy and consumer is more resilient than the pessimists understand.



Retail Sales <i>All Data Seasonally Adjusted</i>	Feb-10	Jan-10	Dec-09	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>	0.3%	0.1%	-0.2%	1.2%	2.7%	3.9%
<i>Ex Autos</i>	0.8%	0.5%	-0.1%	4.8%	7.8%	4.2%
<i>Ex Autos and Building Materials</i>	0.8%	0.6%	-0.1%	5.3%	8.4%	5.0%
<i>Ex Autos, Building Materials and Gasoline</i>	0.9%	0.6%	-0.2%	5.2%	6.1%	2.5%
<b>Autos</b>	-2.0%	-1.5%	-0.5%	-14.8%	-18.6%	2.1%
<b>Building Materials</b>	0.5%	-0.8%	0.1%	-1.0%	1.6%	-3.9%
<b>Gasoline</b>	0.3%	0.5%	0.7%	6.3%	24.5%	24.0%

Source: Bureau of Census

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