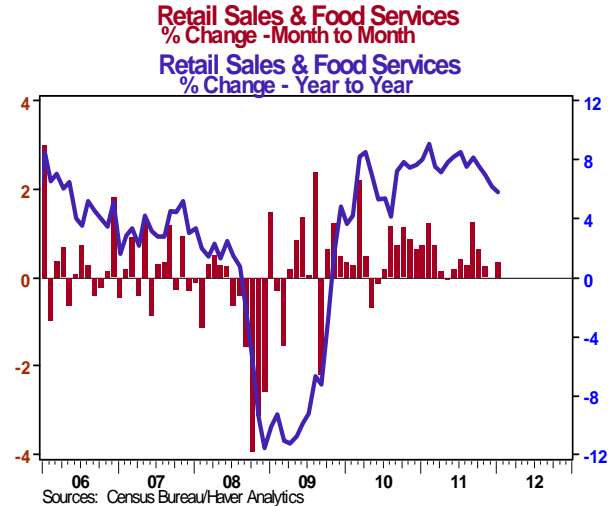


January Retail Sales

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- Retail sales grew 0.4% in January (0.2% including downward revisions to November/December). The consensus expected an increase of 0.8%. Retail sales are up 5.8% versus a year ago.
- Sales excluding autos rose 0.7% in January (0.3% including downward revisions to November/December). The consensus expected an increase of 0.5%. Retail sales ex-autos are up 5.5% in the past year.
- The increase in retail sales in January was led by general merchandise stores, gas stations, and grocery stores. The biggest declines were for autos and non-store retailers.
- Sales excluding autos, building materials, and gas rose 0.7% in January (0.3% including downward revisions for November/December). This calculation is important for estimating real GDP.

Implications: Retail sales grew less than expected in January, but are still consistent with respectable economic growth. Surprisingly, despite automakers reporting sales at the fastest pace since early 2008, motor vehicles were the weakest part of January retail sales according to today’s government report. The gap between the two reports may mean a portion of the January surge in auto sales were “fleet” sales, such as rent-a-car companies. If so, the sales will show up in business investment, rather than consumer spending. However, auto companies have claimed better sales to consumers...which, could mean the January data are mistaken. Outside the auto sector, sales looked better in January, growing 0.7%, the fastest pace since March 2011 and better than the consensus expected 0.5%. However, sales ex-autos were revised down for November/December. Given the mixed news in today’s report, it’s important to look at the underlying trend and that remains undeniably positive. Overall sales are up in 18 of the last 19 months and 5.8% above where they were a year ago, easily outstripping retail inflation. In other news this morning, business inventories were up 0.4% in December, which rounds out the final monthly data needed to revise GDP. These data suggest that the original estimate of 2.8% annualized real GDP growth in Q4 was close to the mark and will not be revised in any significant manner. On the inflation front, import prices increased 0.3% in January, but were unchanged excluding oil. In the past year, import prices are up 7.1% but up only 2.5% excluding oil. Export prices were up 0.2% in January, but unchanged excluding agriculture. In the past year, export prices are up 2.5% and 3% ex-agriculture. The figures for January show a short-term lull in inflation. But the Fed better not take any victory laps. Given loose monetary policy, we expect inflation to re-accelerate again later this year.



Retail Sales <i>All Data Seasonally Adjusted</i>	Jan-12	Dec-11	Nov-11	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	0.4%	0.0%	0.3%	2.8%	6.0%	5.8%
Ex Autos	0.7%	-0.5%	0.2%	1.6%	4.2%	5.5%
Ex Autos and Building Materials	0.8%	-0.7%	0.3%	1.2%	3.7%	5.3%
Ex Autos, Building Materials and Gasoline	0.7%	-0.4%	0.2%	1.6%	4.3%	4.9%
Autos	-1.1%	2.5%	0.7%	8.7%	14.7%	7.3%
Building Materials	0.2%	2.0%	-1.0%	5.2%	9.1%	8.1%
Gasoline	1.4%	-2.6%	1.0%	-1.2%	0.8%	7.4%

Source: Bureau of Census

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