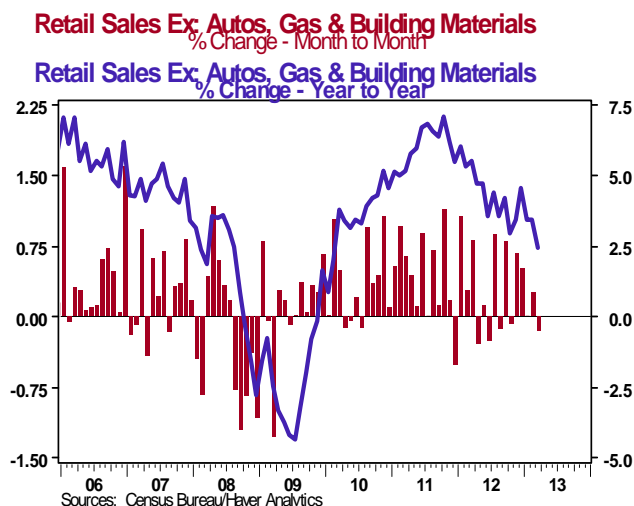
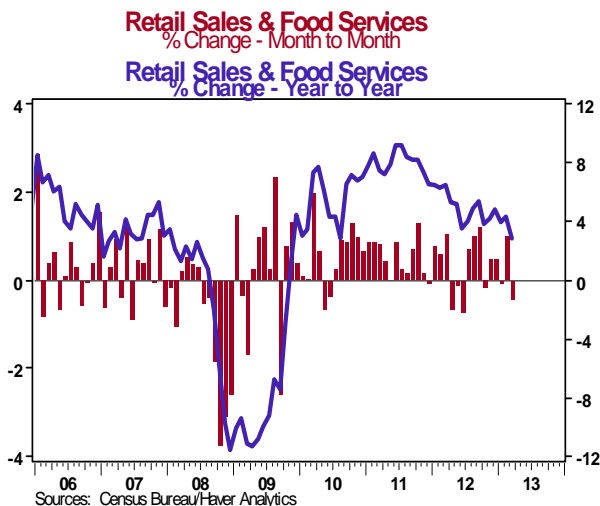


March Retail Sales

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- Retail sales declined 0.4% in March (-0.7% including revisions to prior months), coming in below consensus expectations of no change. Sales are up 2.8% versus a year ago.
- Sales excluding autos were also down 0.4% in March (-0.7% with downward revisions to prior months), coming in below consensus expectations of no change. Sales ex-autos are up 2.0% in the past year.
- The decline in sales in March was led by gas, general merchandise stores (department stores) and autos. The largest increase was for bars and restaurants.
- Sales excluding autos, building materials, and gas were down 0.2% in March but up at a 3.0% annual rate in Q1 versus the Q4 average.

Implications: Take today’s retail sales report with a grain of salt. Other analysts may say the end of the payroll tax cut has finally killed the consumer, but this is not why we believe retail sales fell 0.4% in March. Instead, as we said [earlier in the week](#), Easter was on the early side this year. The last three times Easter was in March – 2002, 2005, and 2008 – all had sales below what our models would have suggested. Subsequent months had sales coming in above model expectations. We are not sure why this happens. One would think Easter-related discounts and shopping needs should boost sales. But shoppers may react less now than in the distant past to Easter sales, and, as a result, the Census Bureau overcompensates for what it expects to be a large jump in volume that doesn’t fully materialize. Instead of being focused on tax policy, analysts need to focus on the loose stance of monetary policy, which is gaining economic traction. Despite the decline in March and some downward revisions for prior months, overall retail sales are still up a plow horse-like 2.8% in the past year and today’s data are consistent with our forecast that real (inflation-adjusted) consumer spending increases at a 2.5 – 3% annual rate in Q1 while real GDP grows at 3% annual rate, a noticeable acceleration from the end of last year. For 2013, we still expect two major themes to play out for the consumer: first, an acceleration in consumer spending growth despite the recent tax hike; second, a transition away from growth in auto sales and toward other areas, like furniture, appliances, and building materials. In other recent news, initial unemployment claims fell 42,000 last week to 346,000. The previous week they had spiked higher by 31,000. Claims are often very volatile around Easter, due to the difficulty of seasonally-adjusting data for a holiday that moves around from year to year. Continuing claims for regular state benefits declined 12,000 to 3.08 million. These figures suggest continued job growth in April.



Retail Sales <i>All Data Seasonally Adjusted</i>	Mar-13	Feb-13	Jan-13	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%	1.0%	-0.1%	2.1%	2.7%	2.8%
Ex Autos	-0.4%	1.0%	0.1%	2.7%	2.3%	2.0%
Ex Autos and Building Materials	-0.4%	1.0%	0.1%	2.4%	2.0%	2.0%
Ex Autos, Building Materials and Gasoline	-0.2%	0.3%	0.0%	0.5%	2.6%	2.4%
Autos	-0.6%	1.3%	-0.8%	-0.4%	4.7%	6.5%
Building Materials	0.1%	0.7%	0.7%	6.0%	4.4%	0.8%
Gasoline	-2.2%	5.4%	0.3%	14.4%	-1.2%	-0.4%

Source: Bureau of Census

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