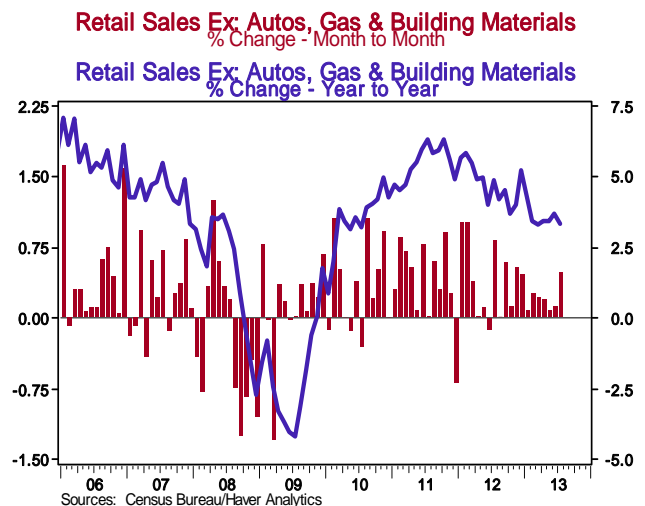
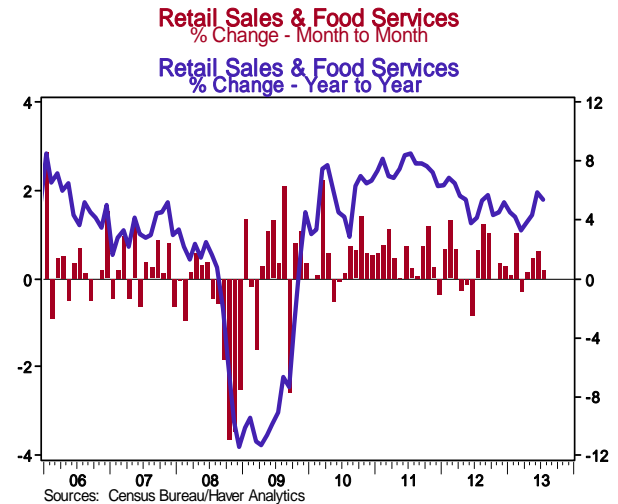


## July Retail Sales

**Brian S. Wesbury** – Chief Economist  
**Robert Stein, CFA** – Dep. Chief Economist  
**Strider Ellass** – Economist

- Retail sales increased 0.2% in July, (+0.4 including revisions to prior months) versus a consensus expected gain of 0.3%. Sales are up 5.4% versus a year ago.
- Sales excluding autos were up 0.5% in July, coming in above consensus expectations of 0.4%. These sales were up 0.4% including revisions to prior months and up 4.0% in the past year.
- The increase in sales in July was led by food and beverage stores, gas stations, and restaurants/bars. The largest decline was for autos.
- Sales excluding autos, building materials, and gas rose 0.5% in July but were up 0.4% including revisions to prior months. If unchanged in August/September, these sales will be up at a 2.5% annual rate in Q3 versus the Q2 average.

**Implications:** Retail sales have increased for four straight months. Whatever happened to all the analysts who thought the sequester or fiscal cliff deal was going to kill the consumer? Despite their predictions of doom and gloom, we got another plow horse report on retail sales today. Sales came in almost exactly as the consensus expected, up 0.4% including revisions to previous months, and are up 5.4% since last year. With consumer prices up about 2% since last year, “real” (inflation-adjusted) sales are up about 3.4% in the past year. “Core” sales, which exclude autos, building materials, and gas, rose 0.5% in July the largest monthly increase this year and the 13th consecutive monthly gain. There was nothing in today’s report to write home about, but it is growth and much better than many analysts were projecting at the beginning of the year. For the rest of 2013, we still expect two major themes to play out for the consumer: first, an acceleration in consumer spending growth versus the past couple of years despite higher taxes and the sequester; second, a transition away from growth in auto sales and toward other areas, like furniture, appliances, and building materials. Consumer spending should accelerate because of continued growth in jobs, hours, and wages. In addition, households have the lowest financial obligations ratio (debt service plus other recurring monthly payments) since the early 1980s. In other news this morning, the trade sector continues to show subdued prices. Import prices were up 0.2% in July and are up only 1% in the past year. All of these small gains are due to oil. Export prices were down 0.5% in July and are down 0.7% in the past year. Export prices slipped 0.1% in July and are up only 0.4% in the past year. Excluding farm products, export prices were unchanged in July and exactly the same as a year ago.



<b>Retail Sales</b> <i>All Data Seasonally Adjusted</i>	Jul-13	Jun-13	May-13	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>	0.2%	0.6%	0.5%	5.4%	4.6%	5.4%
<b>Ex Autos</b>	0.5%	0.1%	0.2%	3.1%	2.9%	4.0%
<b>Ex Autos and Building Materials</b>	0.5%	0.2%	0.1%	3.6%	2.8%	3.6%
<b>Ex Autos, Building Materials and Gasoline</b>	0.5%	0.1%	0.1%	3.0%	2.9%	3.4%
<b>Autos</b>	-1.0%	2.9%	1.8%	15.7%	11.9%	11.8%
<b>Building Materials</b>	-0.4%	-1.6%	1.1%	-3.5%	3.9%	7.9%
<b>Gasoline</b>	0.9%	0.6%	0.3%	7.4%	1.9%	4.9%

Source: Bureau of Census

This report was prepared by First Trust Advisors L. P., and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.