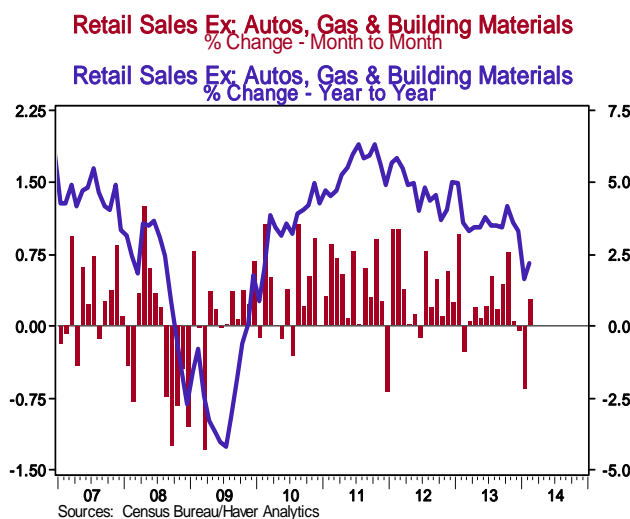
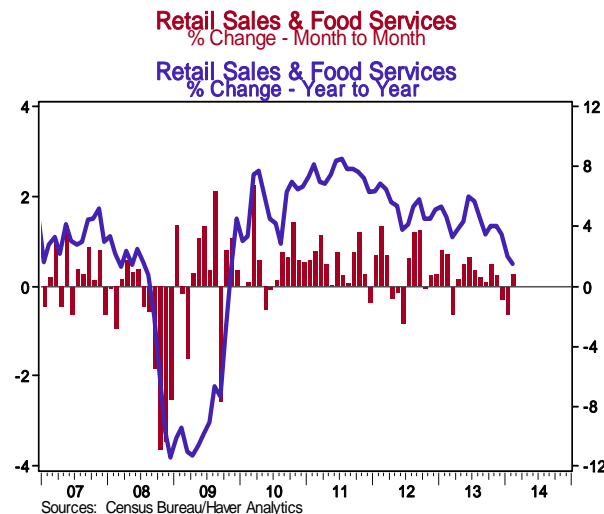


February Retail Sales

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- Retail sales increased 0.3% in February (-0.2% including revisions for December/January) versus a consensus expected 0.2% gain. Sales are up 1.5% versus a year ago.
- Sales excluding autos also rose 0.3% in February (-0.1% including revisions to prior months). The consensus expected a 0.1% gain. These sales are up 1.3% in the past year.
- The increase in sales in February was led by non-store retailers (internet and mail-order).
- Sales excluding autos, building materials, and gas increased 0.3% in February (-0.2% including revisions to prior months). If unchanged in March, these sales will be down at a 1.8% annual rate in Q1 versus the Q4 average.

Implications: Today’s retail sales report shows that as the harsh winter weather starts to ease, the consumer is starting to venture out again, or at least buy more on-line. After falling in December and January, overall retail sales increased 0.3% in February, narrowly beating consensus expectations. According to Planalytics Inc., December was the coldest in five years and had snowfall 21 percent above normal. According to NOAA, the US experienced the coldest population-weighted January in the past twenty years. No wonder sales of autos over the past three months are down at a 15% annual rate while sales from non-store retailers (internet/mail-order sales) are up 5.3%. “Core” sales, which exclude autos, building materials and gas, rose 0.3% in February. Over the next few months, expect consumer spending to rebound sharply from weather-related problems. Also, the underlying trend in consumer spending should improve due to growth in wages, growth in total hours worked, and a very low debt burden on consumers. Given today’s retail report as well as reports on inventories and the service sector, it now looks like the third report on GDP in Q4 will show a growth rate of 3.0% versus a prior estimate of 2.4%. If so, real GDP was up 2.7 in 2013 (Q4/Q4) a big improvement from the 2% growth rate in both 2011 and 2012. In other news this morning, new claims for unemployment insurance declined 9,000 last week to 315,000. Continuing claims for regular state benefits dropped 48K to 2.86 million. It’s still early, but our payroll models are tracking March gains of 196,000 nonfarm and 198,000 for the private sector. On the inflation front, import prices increased 0.9% in February but are down 1.1% from a year ago. Oil led the price gains in February, up +4.4%. Excluding petroleum and petroleum products, import prices were up a more modest 0.2%. Export prices increased 0.6% in February but are still down 1.3% from a year ago. Excluding farm products, export prices rose 0.7% in February but are down 0.7% from a year ago.



Retail Sales <i>All Data Seasonally Adjusted</i>	Feb-14	Jan-14	Dec-13	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr % Change
Retail Sales and Food Services	0.3%	-0.6%	-0.3%	-2.7%	0.4%	1.5%
Ex Autos	0.3%	-0.3%	0.1%	0.5%	1.5%	1.3%
Ex Autos and Building Materials	0.3%	-0.4%	0.1%	0.0%	1.7%	1.2%
Ex Autos, Building Materials and Gasoline	0.3%	-0.6%	0.0%	-1.6%	1.8%	2.2%
Autos	0.3%	-2.2%	-2.1%	-15.0%	-4.3%	2.2%
Building Materials	0.3%	1.4%	-0.1%	6.5%	0.9%	3.2%
Gasoline	0.1%	1.0%	1.4%	10.4%	1.5%	-4.6%

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.