

# August Retail Sales

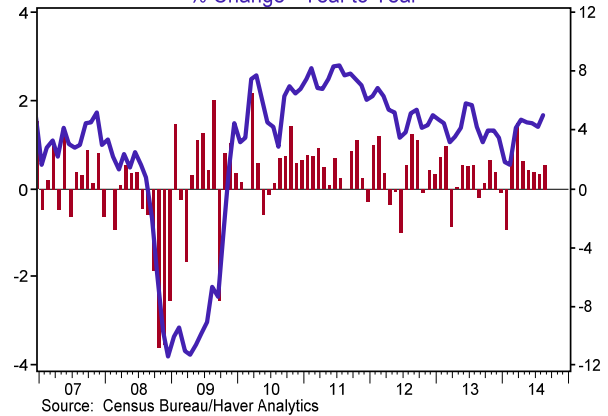
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- Retail sales increased 0.6% in August, matching consensus expectations, but were up 1.0% including revisions to prior months. Sales are up 5.0% versus a year ago.
- Sales excluding autos increased 0.3% in August, matching consensus expectations, but were up 0.6% including revisions to prior months. These sales are up 4.1% in the past year.
- The increase in sales in August was led by autos and building materials. The weakest category was gas.
- Sales excluding autos, building materials, and gas were up 0.4% in August. If unchanged in September, these sales will be up at a 4.7% annual rate in Q3 versus the Q2 average.

**Implications:** A very solid report out of the retail sector today. Retail sales rose 0.6% in August, increasing for the seventh consecutive month, and rising by the most in four months. Sales continue to grow at a healthy clip from a year ago, up 5%. Moreover, the “mix” of retail sales was even better news than the headline, as gas station sales dropped 0.8% due to lower gas prices. Gas prices are also down 0.8% from a year ago. The widespread use of fracking and horizontal drilling is making this possible, which means consumers can take the money they save on filling their tanks and spend it on other things. “Core” sales, which exclude autos, building materials and gas, increased 0.4% in August and 0.8% including upward revisions to June and July. “Core” sales have now been positive in eleven of the last twelve months. These sales are a key input into GDP calculations and, if unchanged in September, the sales will grow 4.7% at an annual rate in Q3 versus Q2. Once we include other spending (on services and durables), our expectation is that “real” (inflation-adjusted) consumer spending, goods and services combined, will grow at a 2% annual rate in Q3. We expect consumer spending to accelerate in the year ahead, as lower unemployment means an acceleration in income gains at the same time that consumer debt service is hovering near multiple-decade lows. In other news this morning, no consistent sign yet of inflation in trade prices. Import prices fell 0.9% in August, although they declined only 0.1% excluding oil. Export prices slipped 0.5% in August and declined 0.3% excluding agriculture. In the past year, import prices are down 0.4% while export prices are up 0.4%. In other recent news, new claims for unemployment insurance increased 11,000 last week to 315,000. Continuing claims rose 9,000 to 2.50 million. These figures are consistent with our early forecast that payrolls are growing roughly 200,000 in September.

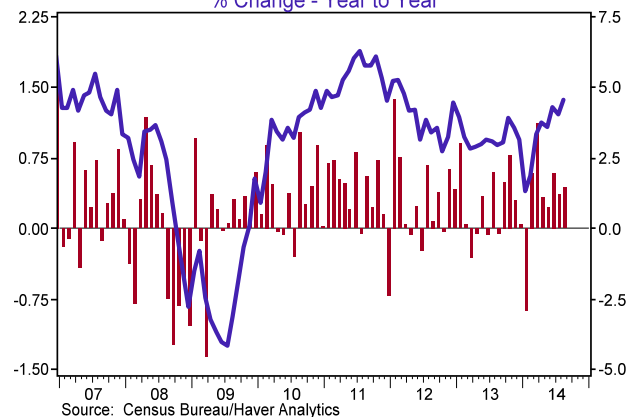
**Retail Sales & Food Services**  
 % Change - Month to Month

**Retail Sales & Food Services**  
 % Change - Year to Year



**Retail Sales Ex: Autos, Gas & Building Materials**  
 % Change - Month to Month

**Retail Sales Ex: Autos, Gas & Building Materials**  
 % Change - Year to Year



<b>Retail Sales</b> <i>All Data Seasonally Adjusted</i>	<b>Aug-14</b>	<b>Jul-14</b>	<b>Jun-14</b>	<b>3-mo % Ch.</b> <i>annualized</i>	<b>6-mo % Ch.</b> <i>annualized</i>	<b>Yr to Yr</b> <i>% Change</i>
<b>Retail Sales and Food Services</b>	<b>0.6%</b>	0.3%	0.4%	5.4%	8.0%	5.0%
<b>Ex Autos</b>	<b>0.3%</b>	0.3%	0.5%	4.5%	6.2%	4.1%
<b>Ex Autos and Building Materials</b>	<b>0.3%</b>	0.3%	0.4%	4.1%	5.3%	3.8%
<b>Ex Autos, Building Materials and Gasoline</b>	<b>0.4%</b>	0.4%	0.6%	5.8%	6.4%	4.6%
<b>Autos</b>	<b>1.5%</b>	0.6%	0.0%	8.9%	15.9%	8.9%
<b>Building Materials</b>	<b>1.4%</b>	-0.5%	1.2%	8.6%	14.9%	6.7%
<b>Gasoline</b>	<b>-0.8%</b>	0.0%	-0.8%	-6.0%	-1.6%	-0.8%

Source: Bureau of Census

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