First Trust DATAWATCH

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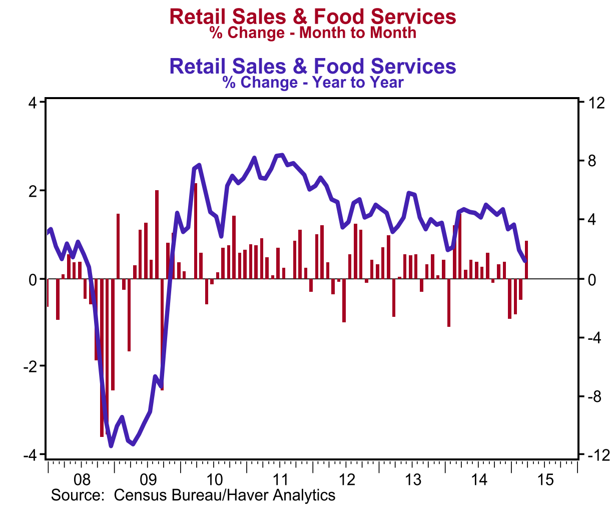
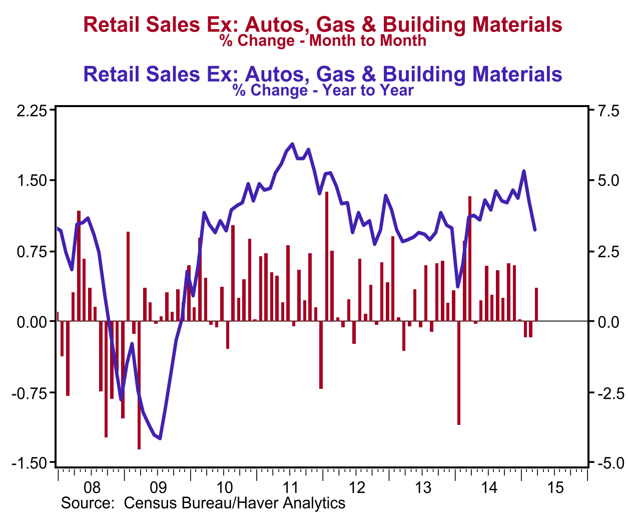
March Retail Sales

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

- Retail sales increased 0.9% in March, (1.0% including revisions to prior months), slightly below the consensus expected gain of 1.1%. Sales are up 1.3% versus a year ago.
- Sales excluding autos increased 0.4% in March. The consensus expected a gain of 0.7%. These sales are up just 0.3% in the past year, but excluding autos and gas, sales are up 3.5%.
- The increase in sales in March was led by autos and building materials. The weakest categories were grocery stores and gas stations.
- Sales excluding autos, building materials, and gas increased 0.4% in March (0.2% including revisions to prior months). These sales were up at a 0.3% annual rate in Q1 versus the Q4 average.





Implications: After falling for three consecutive months, retail sales rebounded in March, as the harsh cold winter finally subsided. Sales rose 0.9% in March led by auto sales, which rose 2.7% to a new record high. The spring thaw also seemed to generate more home projects; building materials roared back in March, rising at the fastest pace since July 2013. These sectors, along with gas station sales, can be volatile from month to month. Taking out these three categories gives us "core" retail sales, which were up 0.4% in March. Still, even with the March gain "core" sales were only up at a 0.2% annual rate in the first quarter. As a result, we estimate that real (inflation-adjusted) consumer spending (on goods and services combined) rose at a 1.6% annual rate. This is consistent with our forecast that real GDP grew at a 1% annual rate in Q1. So, like last year, unusually harsh winter weather will hold down growth in Q1. And on top of the weather, some production was likely curtailed by the west coast port strikes (which ended in late February) as well as a drop in drilling activity. Although some analysts may look at the first quarter's weaker data as a sign that the Federal Reserve should not lift rates any time soon, we strongly disagree. The factors affecting economic growth in Q1 were all temporary and growth will rebound in Q2 and beyond. We think the Fed is well aware of this and will stay on track to raise rates in June. We expect a strong rebound in consumer spending this spring as weather patterns return to normal and consumers unleash more of the savings they've accumulated due to lower gas prices. Remember every one cent decline in the price of gas saves consumers about $3.7 million per day. So, right now, consumers are spending $296 million less a day on gas versus six months ago. Look for those savings to generate higher sales in the months ahead.

Retail Sales *All Data Seasonally Adjusted*	Mar-15	Feb-15	Jan-15	3-mo % Ch. *annualized*	6-mo % Ch. *annualized*	Yr to Yr *% Change*
Retail Sales and Food Services	**0.9%**	-0.5%	-0.8%	-1.6%	-1.1%	1.3%
Ex Autos	**0.4%**	0.0%	-1.2%	-3.3%	-2.5%	0.3%
Ex Autos and Building Materials	**0.3%**	0.1%	-1.3%	-3.8%	-3.0%	-0.3%
Ex Autos, Building Materials and Gasoline	**0.4%**	-0.2%	-0.2%	0.2%	2.6%	3.3%
Autos	**2.7%**	-2.1%	0.7%	5.1%	4.6%	5.2%
Building Materials	**2.1%**	-1.8%	1.6%	7.7%	5.5%	6.3%
Gasoline	**-0.6%**	2.3%	-10.1%	-30.1%	-35.9%	-22.0%

Source: Bureau of Census