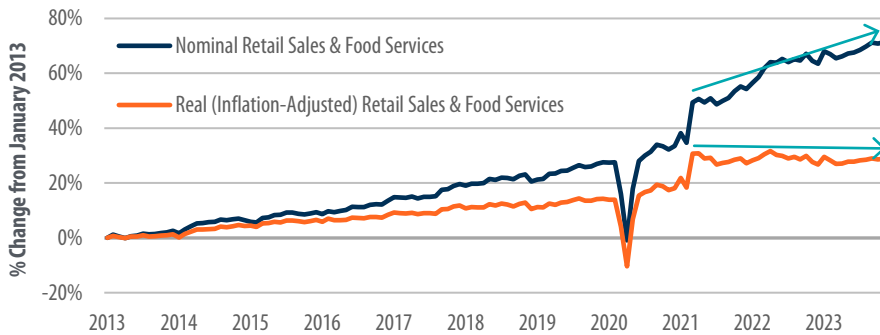


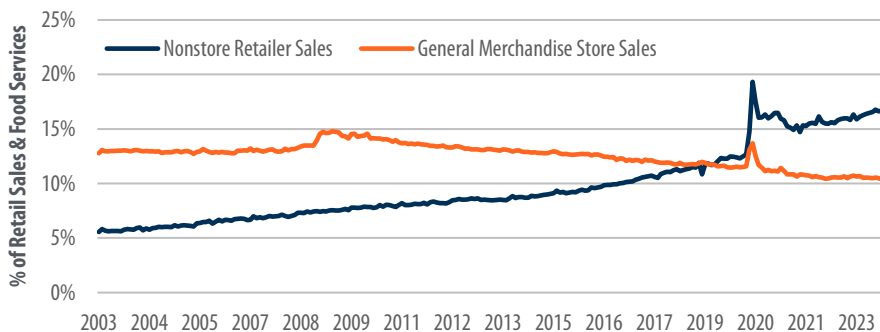
In this week's "Three on Thursday," we take a deeper look at retail sales, shining a spotlight on the consumer in the ongoing economic recovery. Retail sales help us gauge the trends shaping consumer spending, which is a large part of GDP. The detailed retail sales report focuses on two key categories: durable goods, characterized by longer intervals between successive purchases, like a dishwasher, and non-durable goods, like groceries, gasoline or dishwashing detergent, which are either immediately consumed or have a lifespan of less than three years. The only services-oriented component of retail sales is represented by restaurants and bars. These data shed light on how individuals allocate their resources. Over the past decade, significant shifts in spending patterns have emerged, and we present three illustrative charts that weave a richer narrative into the broader story of consumer spending today.

### Nominal vs. "Real" Retail Sales & Food Services



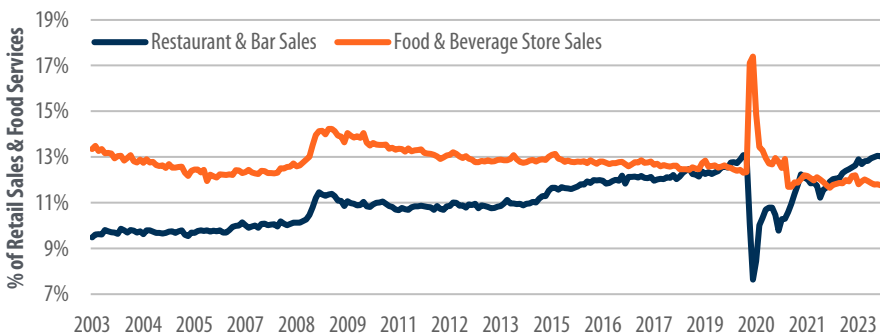
Source: Census Bureau, U.S. Bureau of Labor Statistics (BLS), First Trust Advisors. Data from 1/2013 through 11/2023.

### Nonstore Retailer Sales vs. General Merchandise Store Sales



Source: Census Bureau, First Trust Advisors. Data from 1/2003 through 11/2023.

### Restaurant & Bar Sales vs. Food & Beverage Store Sales



Source: Census Bureau, First Trust Advisors. Data from 1/2003 through 11/2023.

The Census Bureau's Advance Retail Sales Report showed sales rose 0.3% in November, up 4.1% from a year ago. While these figures are solid, the essential question is whether consumers are becoming better off. Retail sales are now at record highs, but they do not adjust for price changes. In "real" (inflation-adjusted) terms, retail sales have been stagnant. In fact, real (inflation-adjusted) retail sales over the past two years have been flat while reported overall (nominal) sales grew by 10.4%. This implies that the entire upswing in retail sales is attributed to escalating prices rather than an increased volume of goods. Essentially, consumers as a whole are shelling out more while receiving the same quantity, signaling a potential decline in their standard of living.

Nonstore retailers (internet and mail-order sales) were 16.8% of total retail sales in November, marking the largest share ever outside a two-month spike induced by COVID shutdowns. A decade ago, the contribution of nonstore sales to retail was a mere 8.6% versus general merchandise stores, which made up 13.0% of retail sales. Exactly five years ago, nonstore sales surpassed general merchandise store sales for the first time. We believe nonstore sales will continue to grow as a share of overall retail sales in years to come. Just think Amazon. There are an estimated 167.2 million Prime memberships in the United States today, outnumbering the 130.6 million households in the country.

Over the past two decades, a continual shift has occurred between sales at food and beverage stores (think grocers) and sales at restaurants and bars. In November, sales at restaurants and bars reached a historic high, constituting 13.4% of total retail sales, while food and beverage stores share of retail sales lingered near record lows at 11.7%. This shift signals a growing preference for dining out or ordering in over cooking at home. However, the most striking aspect of this chart unfolds in the pandemic-ridden year of 2020. Amid widespread panic and lockdowns, sales at food and beverage stores skyrocketed 26.1% in a single month, reaching the highest share of retail sales (17.4%) since 1993, while sales at restaurants and bars nosedived by an astonishing 54.6% over a two-month period, hitting the lowest share (7.6%) since 1973.

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.