

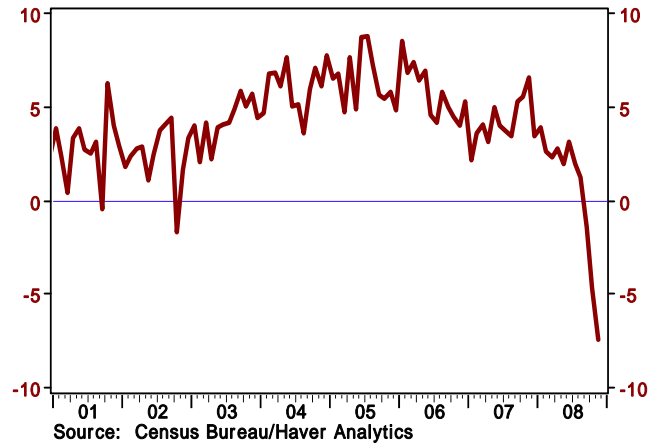
NOVEMBER RETAIL SALES

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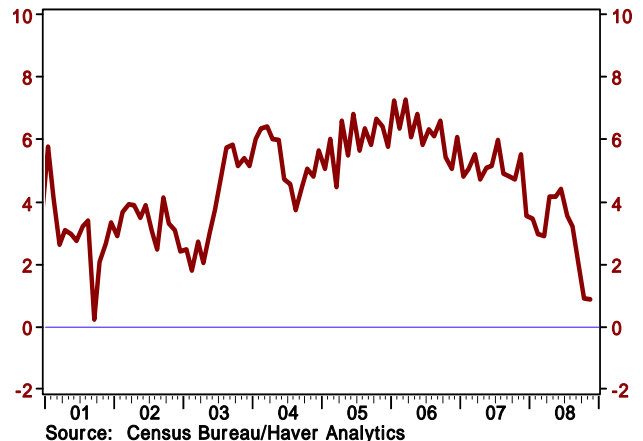
- Retail sales declined 1.8% in November versus a consensus expected -2.0%. Retail sales excluding autos declined 1.6% versus a consensus expected -1.8%. Retail sales are down 7.4% in the past year and down 2.9% excluding autos.
- The weakest components of sales in October were gas station sales and motor vehicles/parts. Most other major components of sales were *up* in November.
- Sales excluding autos, building materials, and gas rose 0.5% in November, the first increase after three straight monthly declines and the largest gain in six months. These sales are up 0.9% versus last year.

Implications: The details of today's report on retail sales are much better than the headline. Most of the 1.8% drop in overall sales was due to falling gas prices, with some additional weakness in motor vehicles/parts and building materials. "Core" retail sales – which exclude gas, autos, and building materials – increased 0.5% in November, the first increase in four months and the largest gain in six months. Most major categories of sales increased in November, including furniture/electronics, food/beverages, clothing, department stores, sporting goods, and restaurants/bars. Moreover, with Thanksgiving coming unusually late in the month, the government may have underestimated the late November pivot upward in spending. This turnaround suggests the "risk aversion hysteria" gripping US consumers (and businesses) since September may have started to ease in late November, at least at the consumer level. In other news this morning, business inventories fell 0.6% in October, the steepest decline in three years. However, despite the drop in inventories, the inventory-to-sales ratio rose in October as sales fell even faster than inventories (this was before signs of a possible turnaround in November). These figures are consistent with our forecast that real GDP is declining at a 6% annual rate in the fourth quarter, as firms continue to liquidate inventory stockpiles.

Retail Sales & Food Services
% Change - Year to Year



Retail Sales Ex: Autos, Bldg. Materials & Gas
% Change - Year to Year



Retail Sales <i>All Data Seasonally Adjusted</i>	Nov-08	Oct-08	Sep-08	3-mo % Ch. annualized	6-mo % Ch. annualized	Yr to Yr % Change
Retail Sales and Food Services	-1.8%	-2.9%	-1.6%	-22.4%	-14.1%	-7.4%
Ex Autos	-1.6%	-2.4%	-0.7%	-17.1%	-9.5%	-2.9%
Ex Autos and Building Materials	-1.6%	-2.6%	-0.7%	-17.7%	-9.5%	-2.6%
Ex Autos, Building Materials and Gasoline	0.5%	-0.7%	-0.7%	-3.3%	-1.9%	0.9%
Autos	-2.8%	-5.5%	-5.8%	-43.7%	-32.9%	-25.2%
Building Materials	-1.2%	-1.0%	-0.7%	-10.9%	-9.9%	-5.3%
Gasoline	-14.7%	-12.9%	-0.1%	-69.6%	-44.8%	-22.0%

Source: Bureau of Census

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