First Trust DATAWATCH

October 15, 2014 • 630.517.7756 • www.ftportfolios.com

September Retail Sales

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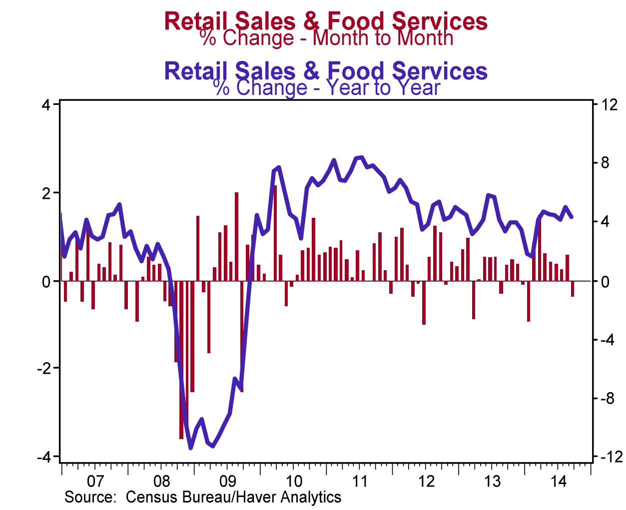
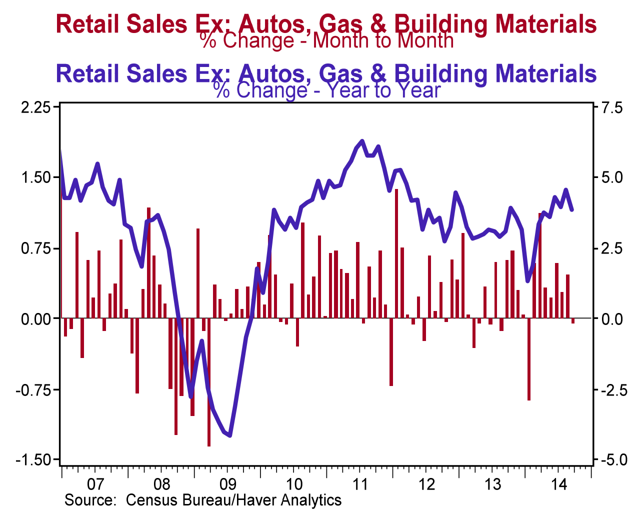
- Retail sales declined 0.3% in September, and including revisions to prior months were down 0.4%, coming in below the consensus expected decline of 0.1%. Sales are up 4.3% versus a year ago.
- Sales excluding autos declined 0.2% in September, and were down 0.4% including revisions to prior months, coming in below the consensus expected gain of 0.2%. These sales are up 3.1% in the past year.
- The decline in sales in September was led by autos, nonstore retailers and gas stations. The strongest category was electronics & appliance stores.
- Sales excluding autos, building materials, and gas were unchanged in September. These sales were up at a 4.3% annual rate in Q3 versus the Q2 average.



Implications: After a very solid report out of the retail sector in August, consumers took a breather. Retail sales fell 0.3% in September, led by a decline in the very volatile auto sector which was expected. But even outside of the auto sector, retail sales were down 0.2%. Gas station sales were a large culprit, falling 0.8% in September as oil prices continue to drop. Prices at the pump on a national average are now down 4.5% 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. It's important to remember that even in the best years retail sales still fall in 3 months out of the year, so the decline in September, especially coming on top of the very strong August report, is not something to worry about. Overall retail sales still remain up a very healthy 4.3% from a year ago. "Core" sales, which exclude autos, building materials and gas, were unchanged in September and were up at a 4.3% annual rate in Q3 versus the Q2 average. These sales are a key input into GDP calculations and once we include other spending (on services and durables), our expectation is that "real" (inflation-adjusted) consumer spending, goods and services combined, grew 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, the Empire State index, a measure of manufacturing sentiment in New York, declined to +6.2 in October versus +27.5 in September.



Retail Sales *All Data Seasonally Adjusted*	Sep-14	Aug-14	Jul-14	3-mo % Ch. annualized	6-mo % Ch. annualized	Yr to Yr % Change
Retail Sales and Food Services	**-0.3%**	0.6%	0.3%	2.2%	4.0%	4.3%
Ex Autos	**-0.2%**	0.3%	0.2%	0.9%	3.4%	3.1%
Ex Autos and Building Materials	**-0.1%**	0.3%	0.2%	1.4%	3.0%	3.0%
Ex Autos, Building Materials and Gasoline	**0.0%**	0.5%	0.3%	2.9%	3.8%	3.9%
Autos	**-0.8%**	1.9%	0.7%	7.4%	6.6%	9.5%
Building Materials	**-1.1%**	0.5%	-1.0%	-6.4%	4.3%	3.4%
Gasoline	**-0.8%**	-1.1%	0.0%	-7.6%	-1.8%	-2.5%

Source: Bureau of Census