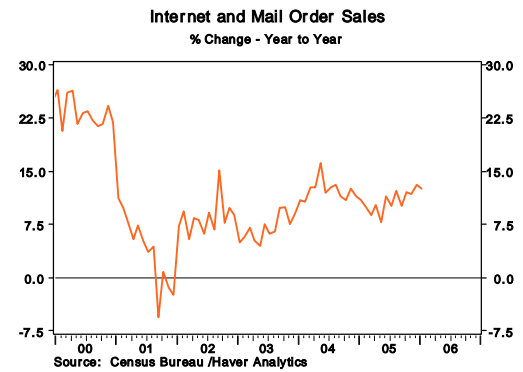
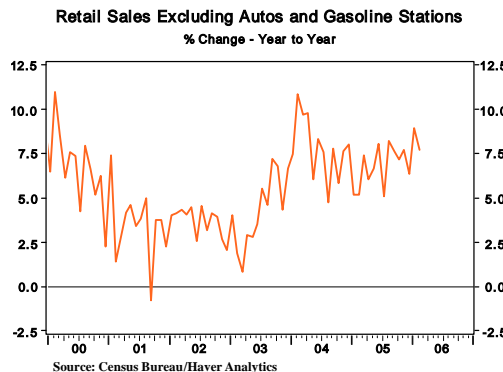
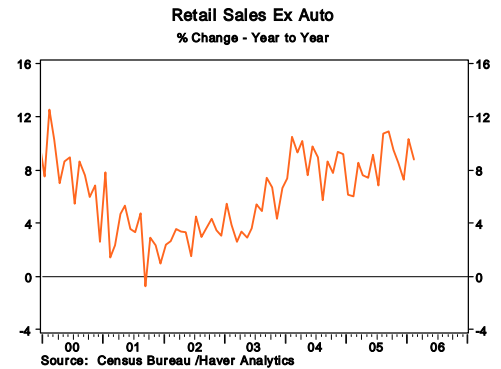
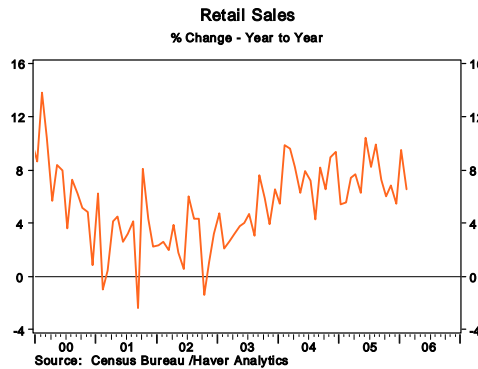




Brian S. Wesbury
Chief Economist
Bill Mulvihill
Senior Economist
 (630) 322-7756

FEBRUARY RETAIL SALES

- Retail sales fell 1.3% in February, a slightly more dramatic decline than forecasters expected (consensus -0.8%, FT Economics -1.0%). This follows an upwardly revised 2.9% gain in January (originally +2.3%), the largest one-month gain since October 2001 – after 9/11. Retail sales are up 6.7% in the past year.
- Auto sales fell 4.6% in February versus a 4.2% gain in January. Excluding autos, retail sales slid 0.4% last month but remain 8.9% above year ago levels.
- Falling gasoline prices pulled gasoline service station sales down 1.6% in February – the fourth decline in the past five months. Retail sales excluding autos and gasoline fell 0.3% in February but are up 7.8% on a YOY basis.



Implications: As expected, weak auto sales, falling gasoline prices and poor weather pushed retail sales down in February. While the decline was a bit more than anticipated, we do not view it as a sign of any serious slowdown in consumer spending. In fact, over the past three months, retail sales, retail sales excluding autos and retail sales excluding both autos and gasoline are up at annual rates of 7.7%, 9.4% and 9.6% respectively. First quarter real GDP is still on track to grow between 4.5% and 5% at annual rate, the labor market remains strong (912,000 new payroll jobs in the last four months) and rising wages (average hourly earnings up 3.5% in past year) should continue to boost consumer spending in the months ahead.

Retail Sales <i>All data seasonally adjusted</i>	Feb-06	Jan-06	Dec-05	3-mo % Ch. annualized	6-mo % Ch. annualized	Yr over Yr % Ch
Retail Sales and Food Services	-1.3%	2.9%	0.3%	7.7%	6.7%	6.7%
Ex Autos	-0.4%	2.6%	0.1%	9.4%	8.3%	8.9%
Ex Autos and Gasoline	-0.3%	2.3%	0.2%	9.6%	9.4%	7.8%
Motor Vehicle and Parts Dealers	-4.6%	4.2%	0.9%	1.4%	1.1%	-0.9%
Building Materials and Supply	1.5%	7.3%	-0.6%	37.5%	29.9%	20.5%
Furniture, Home Furnishings, and Electronics	-3.1%	5.6%	-0.9%	5.7%	5.8%	5.6%
General Merchandise	-0.3%	1.8%	-0.1%	5.8%	6.8%	5.3%
Food and Beverage	-1.9%	3.2%	0.3%	6.3%	9.7%	6.9%
Gas Service Stations	-1.6%	4.3%	-0.7%	7.7%	0.2%	17.7%
Health and Personal Care	0.3%	1.3%	0.4%	8.6%	8.8%	7.1%
Clothing and Accessories	-3.3%	2.4%	-0.4%	-5.3%	2.6%	1.6%
Internet and Mail Order	3.2%	-2.7%	2.4%	11.8%	9.0%	13.3%

Source: Bureau of Census

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.