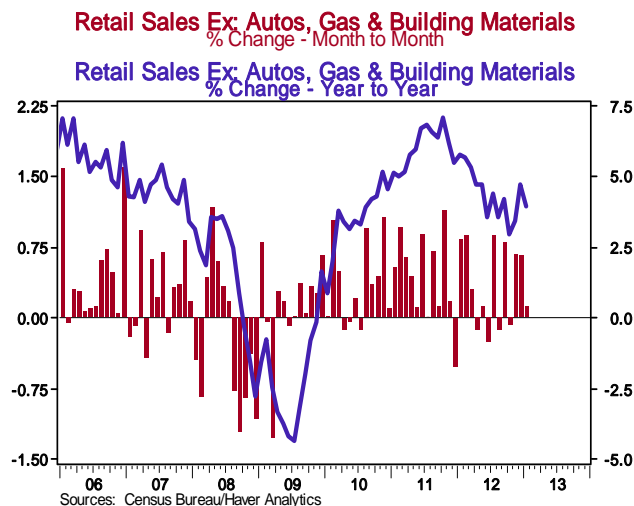
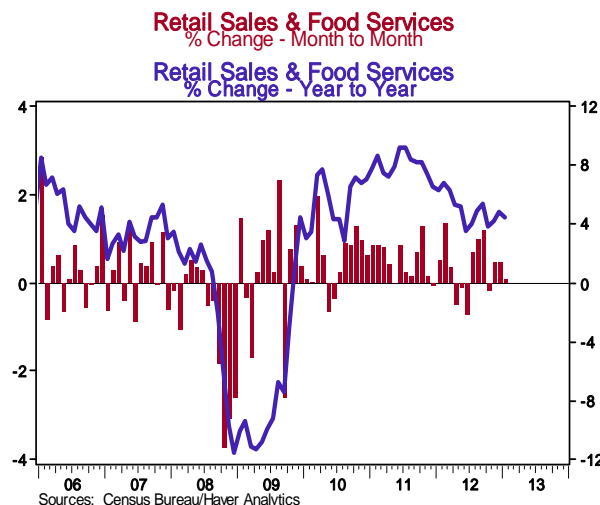


January Retail Sales

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- Retail sales increased 0.1% in January, matching consensus expectations. Sales were up 0.2% including revisions for November/December. Retail sales are up 4.4% versus a year ago.
- Sales excluding autos were up 0.2% in January (0.4% including revisions for November/December), beating the consensus expected 0.1%. Sales ex-autos are up 3.6% in the past year.
- The gain in sales in January was led by general merchandise stores and non-store retailers (internet/mail-order). The largest declines were for miscellaneous stores (office supply/stationery/gifts/used items) as well as health and personal care stores.
- Sales excluding autos, building materials, and gas were up 0.1% in January (0.4% including revisions to November/December). Even if unchanged in February/March, these sales will be up at a 3.3% annual rate in Q1 versus the Q4 average.



Implications: Consumers started 2013 with neither a bang nor a whimper. Instead, it was more plow horse growth. Don't be fooled by analysts saying the payroll tax hike is killing the consumer. Overall retail sales were up 0.1% and 0.2% excluding autos. "Core" sales, which exclude autos, building materials, and gas, rose 0.1% in January and were up 0.4% including upward revisions to prior months. The gain in overall sales was better than in four of the twelve months of 2012, well before the payroll tax hike. Given today's data on sales and inventories, it looks like real GDP grew at about a 0.6% annual rate in Q4, a significant upward revision from the original estimate of -0.1%. For 2013, we expect two themes to play out: first, a modest acceleration in consumer spending growth despite the recent tax hike; second, a transition away from growth in auto sales and toward other areas, like furniture, appliances, and building materials. Consumer spending should accelerate because of continued growth in jobs, hours, and wages. In addition, households have the lowest financial obligations ratio since the early 1980s. (The share of after-tax income they need to make recurring monthly payments, such as mortgages, rent, car loans/leases, as well as debt service on credit cards, student loans and other lending arrangements.) Meanwhile, the upturn in home construction in the past 18+ months means more rooms for appliances, electronics, and furniture. In other news this morning, import prices were up 0.6% in January, but still down 1.3% from a year ago. The decline in the last year is due to oil prices, which are down 5.9%. Excluding oil, import prices are up 0.2% in the past year. Export prices were up 0.3% in January and up 1.1% versus a year ago. The rise in export prices in the past year is due to farm products, which are up 10.7%. Excluding agriculture, export prices are unchanged in the past year.

Retail Sales All Data Seasonally Adjusted	Jan-13	Dec-12	Nov-12	3-mo % Ch. annualized	6-mo % Ch. annualized	Yr to Yr % Change
Retail Sales and Food Services	0.1%	0.5%	0.5%	4.6%	6.6%	4.4%
Ex Autos	0.2%	0.3%	0.0%	2.1%	5.3%	3.6%
Ex Autos and Building Materials	0.2%	0.3%	-0.1%	1.5%	4.8%	3.5%
Ex Autos, Building Materials and Gasoline	0.1%	0.7%	0.7%	6.1%	4.3%	4.0%
Autos	-0.1%	1.2%	2.7%	16.2%	12.4%	8.0%
Building Materials	0.3%	0.3%	1.2%	7.2%	9.7%	2.0%
Gasoline	0.2%	-1.7%	-4.5%	-21.8%	7.9%	0.8%

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.