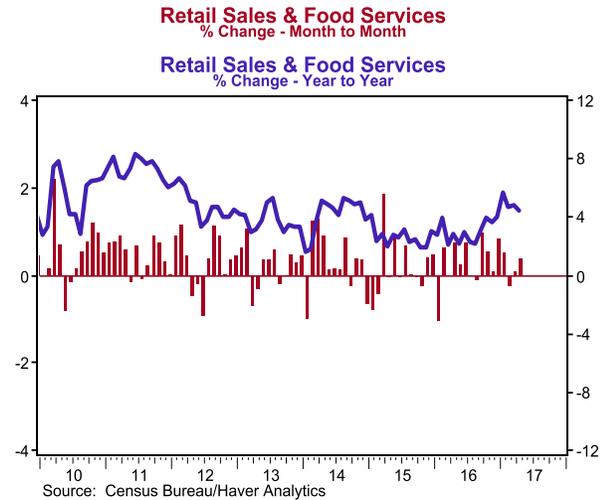


April Retail Sales

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- Retail sales rose 0.4% in April, but were up 0.7% including upward revisions to February/March. The consensus expected a gain of 0.6%. Retail sales are up 4.5% versus a year ago.
- Sales excluding autos grew 0.3% in April (+0.7% including revisions to prior months), versus a consensus expected a 0.5% gain. These sales are up 4.5% in the past year. Excluding autos and gas, sales rose 0.3% in April and are up 3.6% from a year ago.
- The increase in sales in April was led by autos and non-store retailers (internet and mail-order). The largest decline was for general merchandise stores.
- Sales excluding autos, building materials, and gas rose 0.2% in April and were up 0.6% including revisions to prior months. If unchanged in May/June, these sales will be up at a 2.3% annual rate in Q2 versus the Q1 average.



Implications: Despite the negative news on earnings by department stores, the consumer is doing fine. Retail sales rose 0.4% in April and were up 0.7% including upward revisions for February and March. Both of these figures were close to the consensus expected growth of 0.6%. One popular narrative is that since many retailers are closing brick and mortar stores, the consumer is not spending money. But consumers are just spending their money differently than in the past, buying items from the internet instead of brick and mortar stores. Non-store retailers made up 10.8% of retail sales in April, the largest portion ever and that will keep growing in the years ahead. Others were worried about slow consumer spending growth in the first quarter, but recent data are putting that to rest. In the first quarter, a couple of temporary factors were at work that held back sales. First, there had been a delay in tax refunds as the IRS put more effort into checking for fraud related to the earned-income tax credit (EITC) and additional child tax credit (ACTC). Second, harsh March weather in the Northeast slowed sales of autos and building materials. So it shouldn't be a surprise that both these categories rebounded in April. Perhaps the best news in today's report was that "core" sales, which exclude autos, building materials, and gas, rose 0.2% in April, but were up 0.6% including revisions to prior months. Core sales are up 3.1% from a year ago and we expect that trend to accelerate in the year ahead. The fundamental trends that drive growth in consumer spending continue to look good, including healthy job growth, accelerating wages, and very low consumer financial obligations relative to historical norms.



Retail Sales <i>All Data Seasonally Adjusted</i>	Apr-17	Mar-17	Feb-17	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	0.4%	0.1%	-0.2%	1.3%	3.7%	4.5%
Ex Autos	0.3%	0.3%	0.1%	2.9%	4.7%	4.5%
Ex Autos and Building Materials	0.2%	0.5%	-0.2%	2.2%	4.0%	4.0%
Ex Autos, Building Materials and Gasoline	0.2%	0.6%	-0.2%	2.6%	3.4%	3.1%
Autos	0.7%	-0.5%	-1.5%	-4.7%	0.1%	4.4%
Building Materials	1.2%	-1.7%	2.7%	9.1%	11.3%	9.3%
Gasoline	0.2%	-0.4%	0.0%	-1.1%	9.6%	12.3%

Source: Bureau of Census

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