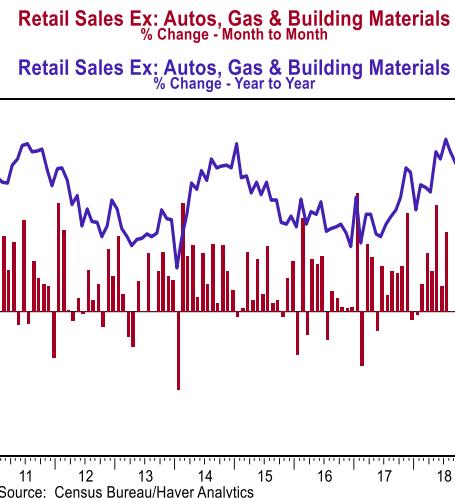
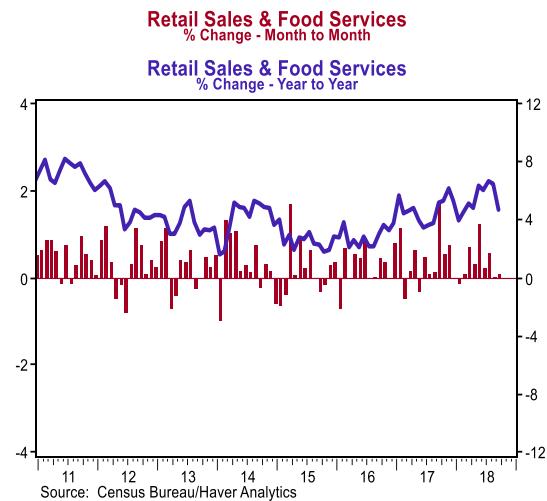


## September Retail Sales

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- Retail sales rose 0.1% in September, but were unchanged including revisions to prior months, coming in below the consensus expected gain of 0.6%. Retail sales are up 4.7% versus a year ago.
- Sales excluding autos declined 0.1% in September (-0.3% including revisions to prior months), versus a consensus expected 0.4% gain. These sales are up 5.7% in the past year. Excluding gas, sales were up 0.2% in September and are up 4.1% from a year ago.
- The gain in sales in September was led by sales for autos and non-store retailers (internet & mail order). The largest declines were for restaurants & bars as well as gas stations.
- Sales excluding autos, building materials, and gas were unchanged in September, but down 0.2% including revisions to prior months. These sales were up at a 6.0% annual rate in Q3 versus the Q2 average.

**Implications:** It looks like Hurricane Florence hit retail sales hard in September, with restaurant & bar sales down 1.8% for the month, the largest drop for any month since late 2016. As a result, retail sales grew less than expected in September, but we wouldn't read too much into today's release. Retail sales still grew 0.1% in September, the eighth consecutive monthly gain. And excluding restaurants & bars, retail sales were up 0.4%, and the gains in September were broad-based, with ten of thirteen major categories showing rising sales, led by autos and non-store retailers (internet & mail order sales). Non-store retailers now make up 11.4% of all retail sales, a record high, and are up 11.4% over the past year. Overall retail sales are up a solid 4.7% from a year ago (and up an even stronger 5.7% excluding auto sales). After plugging in the retail numbers, "real" (inflation-adjusted) consumer spending in the third quarter looks to have grown at about a 3.0% annual rate, supporting our projection of about 4.0% real GDP growth for Q3. Given the tailwinds from deregulation and tax cuts, we expect an average real GDP growth rate of 3%+ in both 2018 and 2019, a pace we haven't seen since 2005. Jobs and wages are moving up, tax cuts have taken effect, consumer balance sheets look healthy, and serious (90+ day) debt delinquencies are down substantially from post-recession highs. Some may point to household debt at a record high as reason to doubt that consumption growth can continue. But household assets are at a record high, as well. Relative to assets, household debt levels are the lowest in more than 30 years. In other words, there's plenty of room for consumer spending – and retail sales – to continue to trend higher in the months to come, but don't be surprised if the series remains choppy in the short-term due to Hurricane Michael. In other news today, the Empire State index, a measure of factory sentiment in New York, rose to a 21.1 in October from 19.0 in September, signaling continued optimism in the region. On the inflation front, import prices rose 0.5% in September, while export prices were unchanged. The large rise in import prices was due to a 4.1% increase in fuel costs. Export prices remained unchanged due to lower prices for farm exports offsetting higher nonagricultural prices. Import prices are up 3.5% in the past year, while export prices are up 2.7%, both signaling the need for continued rate hikes from the Fed.



Retail Sales	Sep-18	Aug-18	Jul-18	3-mo % Ch. annualized	6-mo % Ch. annualized	Yr to Yr % Change
<i>All Data Seasonally Adjusted</i>						
<b>Retail Sales and Food Services</b>	<b>0.1%</b>	<b>0.1%</b>	<b>0.6%</b>	<b>3.1%</b>	<b>5.3%</b>	<b>4.7%</b>
<b>Ex Autos</b>	<b>-0.1%</b>	<b>0.2%</b>	<b>0.8%</b>	<b>3.6%</b>	<b>6.1%</b>	<b>5.7%</b>
<b>Ex Autos and Building Materials</b>	<b>-0.1%</b>	<b>0.1%</b>	<b>0.8%</b>	<b>3.6%</b>	<b>6.2%</b>	<b>6.0%</b>
<b>Ex Autos, Building Materials and Gasoline</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.9%</b>	<b>3.7%</b>	<b>5.8%</b>	<b>5.3%</b>
<b>Autos</b>	<b>0.8%</b>	<b>-0.5%</b>	<b>0.0%</b>	<b>1.0%</b>	<b>2.0%</b>	<b>1.1%</b>
<b>Building Materials</b>	<b>0.1%</b>	<b>0.8%</b>	<b>0.3%</b>	<b>5.0%</b>	<b>5.5%</b>	<b>1.5%</b>
<b>Gasoline</b>	<b>-0.8%</b>	<b>1.1%</b>	<b>0.4%</b>	<b>2.9%</b>	<b>9.5%</b>	<b>11.4%</b>

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.