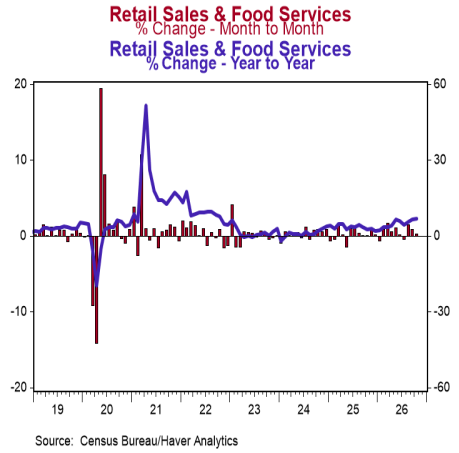
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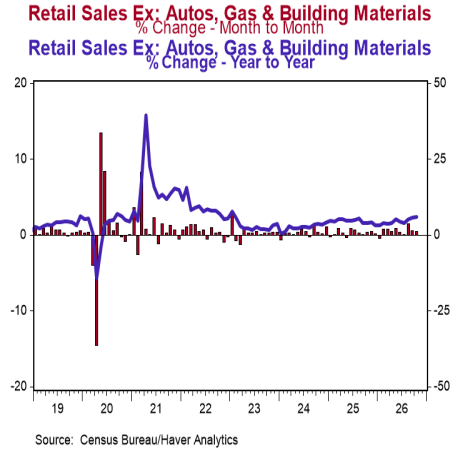
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October Retail Sales

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- Retail sales increased 0.2% in October (+0.4% including revisions to prior months), beating the consensus expected +0.1%. Retail sales are up 6.8% versus a year ago.
- Sales excluding autos increased 0.6% in October (+1.0% including revisions to prior months), beating the consensus expected +0.4%. These sales are up 7.9% in the past year.
- The largest increases in October were for nonstore retailers (internet and mail-order) and gas stations. The largest decline was for autos.
- Sales excluding autos, building materials, and gas increased 0.5% in October (+1.1% including revisions to prior months). If unchanged in November and December, these sales will be up at a 5.8% annual rate in Q4 versus the Q3 average.





Implications: Modest headline, solid details. Retail sales rose 0.2% in October versus a consensus expected +0.1%, while sales in previous months were revised higher. This came despite the volatile auto sector holding down activity, where sales fell 1.6%. Excluding autos, retail sales rose 0.6% in October. Growth was split amongst industries, with seven out of thirteen major sales categories rising in the month. We like to follow "core" sales, which strip out the volatile categories for autos, building materials, and gas stations and is important for estimating GDP. This measure rose 0.5% in October and including revisions was up a strong 1.1%. If unchanged in November and December, and adjusting for inflation, "real" core sales will be up at a 2.0% annual rate in the fourth quarter versus the Q3 average, suggesting average GDP growth in Q4. Within the core grouping, sales at nonstore retailers (think internet and mail-order) have been a major bright spot this year and were once again in October, with Amazon's Prime Day helping lift sales 1.2% in October while previous months' activity were revised higher. These sales are up 11.8% in the past year, the fastest 12-month pace for the category since mid-2022. Meanwhile, consumers pulled back on spending in October at furniture stores (-2.3%), clothing stores (-0.7%), and sporting goods stores (-0.7%). Sales at restaurant and bars – the only glimpse we get at services in this report – increased 0.2% in October, the weakest advance since March, and were revised lower in previous months. Still, sales in this category have shown consistent growth since February and stand 7.0% higher than a year ago, outpacing the 6.8% increase for overall sales. It's important to remember that none of these figures are adjusted for inflation. Nominal retail sales have risen 6.8% in the past year, but factoring in inflation, "real" inflation-adjusted sales are up 2.8% in the past twelve months. While higher prices have inflated the headline figures, US consumers continue to spend despite a challenging economic backdrop. In other recent news this morning, import and exports prices both rose 1.1% in October. Year-ago comparisons are unavailable due to last year's government shutdown.

Retail Sales *All Data Seasonally Adjusted*	**Oct-26**	**Sep-26**	**Aug-26**	**3-mo % Ch.** ***Annualized***	**6-mo % Ch.** ***annualized***	**Yr to Yr** ***% Change***
Retail Sales and Food Services	**0.2%**	0.8%	1.5%	10.4%	6.8%	6.8%
Ex Autos	**0.6%**	1.1%	1.6%	14.1%	8.1%	7.9%
Ex Autos and Building Materials	**0.6%**	1.2%	1.8%	15.3%	8.7%	8.1%
Ex Autos, Building Materials and Gasoline	**0.5%**	0.6%	1.5%	11.0%	7.8%	5.8%
Autos	**-1.6%**	-0.2%	0.7%	-4.5%	1.2%	1.9%
Building Materials	**0.5%**	-0.8%	0.2%	-0.6%	1.2%	5.7%
Gasoline	**1.5%**	6.0%	3.7%	54.8%	16.4%	29.3%

Source: U.S. Census Bureau

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.