Jumps in consumer confidence, new home sales and existing home prices

HIGHLIGHTS

• According to the Conference Board survey, consumer confidence improved substantially in February. Its 11.2-point gain brought the index from 58.4 to 69.6.
• The S&P/Case-Shiller index of existing home prices in the 20 largest cities rose 0.9% in December, its biggest increase since June. The index’s annual change went from 5.4% to 6.8% in December. For 2012 as a whole (yearly average), growth for the index was at 0.9%, after falling 3.9% in 2011.
• Sales of new single-family homes went from an annualized 378,000 units in December to 437,000 units in January, their highest level since July 2008.

COMMENTS

With this increase far above the consensus forecast, the Conference Board index almost completely erased the worrisome losses posted in previous months. The strength of this gain is especially astonishing because the recent upswing by gas prices had the potential to negatively impact confidence, as did the tax hikes ordered in January and the risks associated with the automatic federal spending cuts that could begin very soon. This solid rise by the expectations component eliminates some of the risk weighing down real consumption growth.

The S&P/Case-Shiller index has increased steadily since its January 2012 low point. Total growth is now at 7.0%. Even if some upheaval is still possible, the uptrend by prices should continue in 2013, with price growth of over 5%.

A jump by new home sales had been expected for several months, as this figure was slow to show the same growth as housing starts and resales. January’s 15.6% surge, its highest in nearly 20 years, caused the number of houses on the market to plummet, a good sign for further growth by housing starts.

Implications: After several months of hesitation, confidence and the housing market are showing encouraging strength, suggesting that growth will remain solid in the United States.

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