**HIGHLIGHTS**

- New orders jumped 5.7% in February, after dropping 3.8% in January. Excluding defence and aviation, new capital goods orders tumbled 2.7% in February following January’s 6.7% gain.
- According to the Conference Board survey, consumer confidence deteriorated in March. The 8.3-point drop takes the index from 68.0 to 59.7.
- Sales of new single-family homes went from 431,000 units in January to 411,000 units in February.
- The S&P/Case-Shiller index of existing home prices in the 20 largest cities rose 1.0% in January. Year over year, the index’s annual change went from 6.8% to 8.1%.

**COMMENTS**

The recent movements by new durable goods orders clearly illustrate the volatility caused by the aviation sector. Civil aircraft orders jumped 95.3% in February, after tumbling 24.0% in January. Ex-transportation, orders contracted by 0.5% in February, powered by a retreat by machinery and metallurgy.

The erosion in consumer confidence is a disappointment. March’s drop by the index almost completely wipes out February’s 9.6-point jump. This is primarily a result of the rise by gas prices and more restrictive federal budget policies.

After January’s very strong growth, at 13.1%, it is not surprising to see new home sales pause temporarily. We expect the uptrend to continue rapidly.

One year from the trough of January 2012, the S&P/Case-Shiller index is still rising, with a total gain now at 8.1%. For a second consecutive month, all cities saw prices increase in January. While we could see some blips, prices should continue to rise.

**Implications:** Aside from the ongoing increase in existing home prices, the data released today is disappointing. While the pullbacks by capital goods orders and new home sales are not too worrisome, the dip in confidence could result in weaker growth by real consumption.

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