HIGHLIGHTS

- Consumer confidence improved substantially in April, according to the Conference Board survey. The 6.2-point increase pushes the index up, from 61.9 to 68.1.
- The S&P/Case-Shiller index of existing home prices in the 20 largest cities rose by 1.2% in February, after a 1.0% gain in January. The index’s annual change climbed from 8.1% to 9.3%.

COMMENTS

The upturn in the Conference Board confidence index is welcome and stronger than anticipated. April’s gain completely offsets the 6.1-point drop recorded in March, so that downturn was evidently only temporary. The slump in gas prices and a bit more optimism as regards jobs seem to have brightened the mood of U.S. households. It should be noted, though, that the index is still relatively low, in particular its consumer expectations component, which is most closely tied to consumer spending trends. The gain for this component is nearly 10 points (from 63.7 to 73.3), but it had floated above the 80 mark for several months in the fall of 2012.

Growth in existing home prices is still on track. The monthly gain posted by the S&P/Case-Shiller index in February is the largest since March 2005. Since the trough of January 2012, home prices have climbed 9.5%, and February is the second straight month in which all 20 cities covered by the index saw home values advance. The highest gains are once again found in the locations that suffered the most during the crisis, i.e. Las Vegas, Phoenix, Los Angeles and San Francisco. But the losses recorded during that troubled period are far from being wiped out: February’s number is still 26.6% below the peak of spring 2006. Rising home prices are increasingly giving support to households’ balance sheets and to their ability to consume.

Implications: The good news about household confidence and home values are in contrast to the recent series of disappointing economic data. In themselves, they do not suggest strong acceleration in growth, but they do mitigate some of the risks that are looming over the U.S. economy.