HIGHLIGHTS

- New orders of durable goods climbed by 3.6% in May after a similar gain in April. If we exclude defence and aviation, new investment goods orders ticked up by 1.1% after an increase of 1.2%.
- Consumer confidence improved in June, according to the Conference Board survey. The 7.1 point increase propelled the index from 74.3 to 81.4, its highest point since January 2008.
- Sales of new, single-family homes rose from 466,000 units in April to 476,000 units in May.
- The S&P/Case-Shiller index of existing home prices in the 20 main metropolitan areas crept up by 1.7% in April. The index’s annual change spurted up from 10.9% to 12.1%.

COMMENTS

The increase in new orders was a little sharper than expected. The strong growth in aircraft orders met expectations, but the other sectors gave us a surprise. The decline in the ISM manufacturing index and, more importantly, in the new orders sub-index in May had been hinting at some weakness, which in the end did not materialize.

The improvement in consumer confidence is astonishing, given that higher gasoline prices and the 3% slump in the stock market since the beginning of the month could have amplified the possibility of a normal pullback after the healthy growth seen in April and May. Household optimism seems to be centred on the job market situation, which bodes well for the June hiring figures which will be released next week.

Several factors had been suggesting that sales of new homes might stagnate in May, so the 2.1% gain is quite amazing. It comes mainly from strong sales growth in the U.S. Northeast and Midwest.

April’s increase in prices of existing homes exceeded expectations. Moreover, the 1.1% growth initially estimated for March has been revised to 1.9%, the strongest monthly increase since the S&P/Case-Shiller index has been published. Since the nadir of January 2012, the index has escalated by 13.5%.

Implications: May’s figure for new orders suggests that investment could keep climbing in the second quarter, even though the ISM had been pointing towards stagnation. As for households, their situation is clearly continuing to improve, which is reflected in the recovery of the housing market.

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