



## UNITED STATES

### Consumers are showing a bit more concern

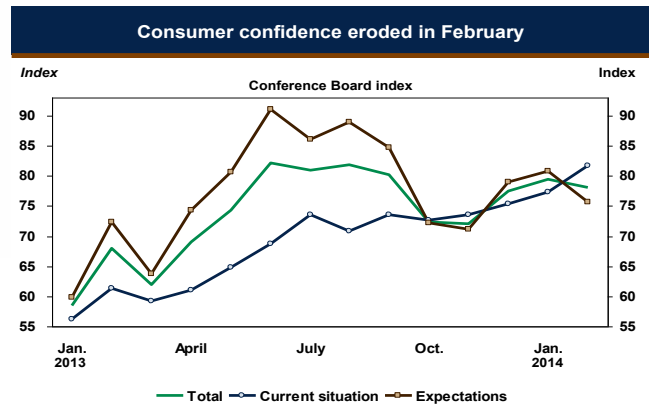
#### HIGHLIGHTS

- Consumer confidence eroded in February according to the Conference Board survey. The 1.3-point drop nudged the index down from 79.4 to 78.1. This lost ground stems from household expectations, while the current situation index improved.
- The S&P/Case-Shiller index of existing home prices in the 20 major cities edged up 0.8% in December following a 0.9% rise in November. The index's annual change went from 13.7% to 13.4%. For 2013 as a whole (annual average), the S&P/Case-Shiller index rose 12.0%, following a 0.9% increase in 2012 and a 3.9% drop in 2011.

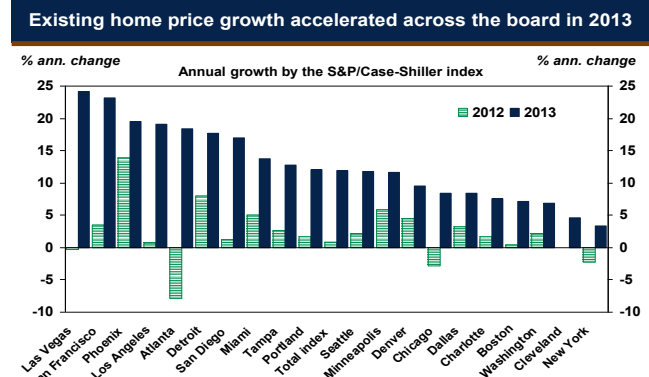
#### COMMENTS

After two months gaining ground following the trough triggered by the government shutdown last fall, recovery by consumer confidence came to a halt in February according to the Conference Board survey. Its retreat goes against other indicators of confidence such as that of the University of Michigan and those compiled by Bloomberg that instead showed stability. The Conference Board index's lost ground is modest, however, and does not seem to be too dramatic compared to the gains of the last two months. February's level also remains well above that seen a year ago. There could still be concern over the 5.1-point drop in the consumer expectations component, which typically provides a good indication of the movement in consumption. This sudden weakness joins the ranks of a recently published series of less-than-stellar indicators but, in this case, it is hard to blame weather conditions.

Several indicators in the housing market experienced difficulties in December, but existing home prices continued apace with increases. This suggests that the market trend is still positive, and that the recent blips really stem from challenging weather conditions. Home prices in 2013 posted annual growth of over 10% for the first time since 2005. We



Sources: Conference Board and Desjardins, Economic Studies



Sources: Standard & Poor's and Desjardins, Economic Studies

expect price increases to be just as robust in 2014, but the pace will sooner or later slow to around 5%.

**Implications:** Weak confidence piles on to the series of less-than-stellar economic data published in recent weeks. This bad news may start worrying Federal Reserve leaders. However, the good performance by house prices suggests that the underlying trend continues to be positive despite the scourge of bad weather.

**Francis Généreux**  
Senior Economist

**François Dupuis**  
Vice-President and Chief Economist

**Yves St-Maurice**  
Senior Director and Deputy Chief Economist

514-281-2336 or 1 866 866-7000, ext. 2336  
E-mail: [desjardins.economics@desjardins.com](mailto:desjardins.economics@desjardins.com)

**Hélène Bégin**  
Senior Economist

**Benoit P. Durocher**  
Senior Economist

**Francis Généreux**  
Senior Economist

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