Data released since your last Directors' meeting show the economy is growing at a steady pace. Growth in payroll employment slowed in March. Still, the average number of new jobs in the first quarter was in line with its average for the last six months of 2004. Initial claims for unemployment insurance rose in March and have remained basically flat since. Yet, the unemployment rate fell two-tenths of a percentage point last month.

Consumer confidence fell in March and sentiment continued to fall in April, as attitudes about current conditions and future expectations deteriorated. Consumer spending in February and retail sales in March were modest. Auto sales picked-up in March, but their first quarter average was down, compared to the fourth quarter.

The housing market remains strong, despite some cooling off in March. Low interest rates helped boost new home sales in February, while existing home sales were essentially flat. Housing starts dropped in March, after hitting a two-decade high in February. Building permits continued to fall in March, but remain at a high level.

In the manufacturing sector, the ISM index was flat in March. Industrial production rose, while capacity utilization eased. And new orders for capital goods excluding aircraft suggest business investment remained strong in the first quarter.

Growth in payroll employment slowed in March. Still, the average number of new jobs in the first quarter was in line with its average for the last six months of 2004.

In March, although initial claims for unemployment insurance increased, the unemployment rate fell two-tenths of a percentage point.

Consumer confidence fell in March, as did its components. Consumer sentiment continued to fall in April, as current conditions and future expectations deteriorated.


Source: The Conference Board.

Source: The University of Michigan.
In February, personal income and real consumption posted modest gains.

Retail sales were modest in March, despite an increase in auto sales. Domestic auto and light truck sales posted their second highest gain in six months.
New home sales rose in February, while existing home sales were essentially flat.

Housing starts dropped in March, after hitting a two-decade high in February. Building permits continued to fall in March, but remain at a high level.
In March, the ISM index was basically flat, and the employment index posted its second consecutive monthly decline.

Industrial production rose in March, while capacity utilization eased.

Source: National Association of Purchasing Management.

Source: Federal Reserve Board of Governors.
New orders for durable goods rose in February, while capital goods excluding aircraft fell. On a year-over-year basis, and despite some easing in February, capital goods excluding aircraft have continued their upward trend.

Inflation rose for both consumers and wholesalers in March, as oil prices continued to increase. Core measures of inflation remained moderate.
Recent oil prices have eased slightly, following three consecutive months of increases. Still, the price per barrel of oil remains above 50.

Real GDP was unrevised in the fourth quarter. Year-end growth was led by personal consumption expenditures, equipment and software, and private inventory investment.
Overall, the economy is growing at a steady pace. During the first quarter, payroll employment expanded in line with its average for the last six months of 2004. Still, continued job growth remains key to the economy’s prospects.

Source: Federal Reserve Board of Governors.