Data released since your last Directors’ meeting show the economy is growing at about the same pace seen over the past two quarters. Continued employment growth remains a crucial element of the outlook.

In February, nonfarm payroll employment posted its largest gain in four months, while the unemployment rate moved up two tenths of a percentage point. Initial claims fell further to establish a four year low. Overall consumer attitudes edged downward, while the Conference Board’s present situation index continued its upward trend. Real consumption expenditures dipped in January, following a drop in durable goods expenditures. Although total retail sales fell, sales excluding autos increased. In February, auto sales edged slightly upward.

In the housing market, new and existing home sales were somewhat lower in January than in December. Still, sales levels remain high. Housing starts rose in January, hitting their highest level in over a decade. Permits also rose, suggesting more housing construction is on the horizon. In the manufacturing sector, the ISM index edged slightly downward in February, while industrial production was flat in January. But, new orders for capital goods excluding aircraft and defense indicate future business investment should remain strong.

During the fourth quarter, real GDP was stronger than originally thought. The upward revision primarily reflected greater exports, higher inventory investment, and increased spending on equipment and software.
While the unemployment rate moved up two tenths of a percentage point.

Initial claims for unemployment insurance continued to fall in February, reaching their lowest level since October 2000.
Consumer confidence edged slightly downward in February, as future expectations fell. Consumers' assessment of current conditions remains very positive.

Real consumption fell in January, following a decline in durable goods expenditures.
Retail sales fell in January, but sales excluding autos increased.

Retail Sales

Total auto and light truck sales posted a modest increase in February.

Total Auto and Light Truck Sales

Source: Federal Reserve, Board of Governors.
New and existing home sales slipped in January, but remain at high levels.

Residential construction remained strong in January, as housing starts rose to their highest level in over a decade. An increase in permits suggests continued strength in housing construction in the coming months.
The ISM manufacturing composite index and employment index fell somewhat in February, but remain above 50. The price index continued on its downward path.

Industrial production was flat in January, while capacity utilization continued to increase.
New orders for durable goods fell in January and new orders for nondefense capital goods excluding aircraft eased somewhat. Still, capital goods orders and shipments data suggest future business investment will remain strong.

Inflation, measured by total CPI, continued to fall in January, while core inflation was flat. Inflation at the wholesale level, measured by the PPI for finished goods, saw no change in January, while core inflation accelerated noticeably.
Oil prices rose for a second consecutive month in February, following two months of declines. During the first week in March, oil prices have continued to rise.

Real GDP in the fourth quarter was stronger than originally thought. The upward revision primarily reflected greater exports, higher inventory investment, and increased spending on equipment and software.
Productivity increased in the fourth quarter, partially offsetting the previous quarters' reduction. Growth in unit labor costs slowed as did hourly compensation.

Overall, data released since your last Directors' meeting show the economy is growing at about the same pace seen over the past two quarters. Continued employment growth remains a crucial element of the outlook.