



The
President's
Report *to the*
Board *of*
Directors

April 6, 2006

Current Economic Developments - April 6, 2006

Data released since your last Directors' meeting suggest growth during the first quarter will be stronger than seen in the fourth quarter. Although official estimates of first quarter GDP will not be released until later this month, most data released so far describing the first quarter has been positive.

Initial claims for unemployment insurance rose slightly in March, but their first quarter average was the lowest in over five years. Consumer attitudes improved in March, and were stronger in the first quarter than during the second half of 2005. Consumer spending increased in February, but at a slightly slower pace than seen the prior month. Total auto sales were unchanged in March.

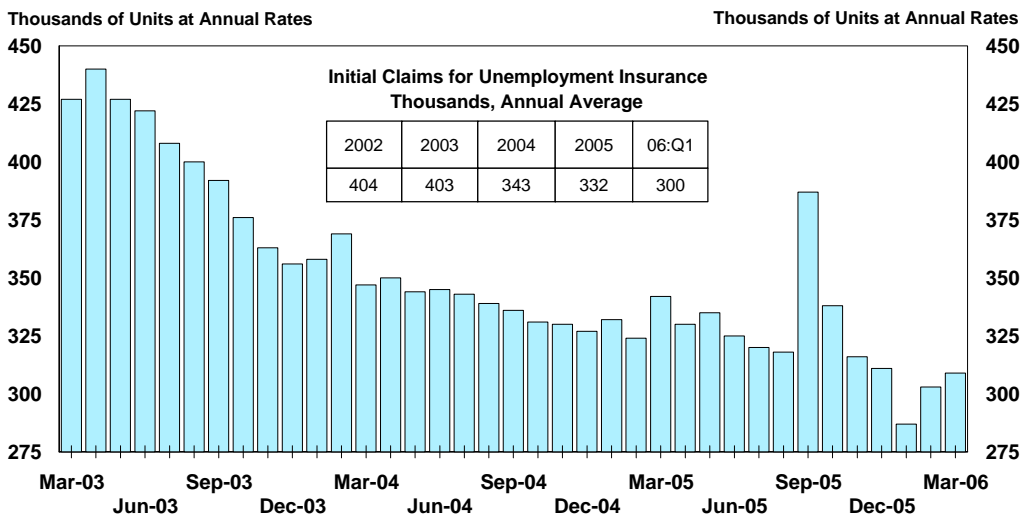
The housing market displayed mixed signs in February. New home sales slowed to their slowest pace in nearly three years, but sales of existing homes increased, offsetting the losses of the previous two months. Housing starts and building permits both slowed in February.

In the manufacturing sector, the ISM manufacturing index fell in March, as did its employment component. In February, industrial production rose and capacity utilization eased slightly, but remains high. New orders for durable goods accelerated in February.

In the fourth quarter, real GDP was revised slightly upward. The increase primarily reflected an upward revision to inventory investment that was partially offset by a downward revision to personal consumption expenditures.

Initial claims edged up a bit in March, but remain relatively low historically.

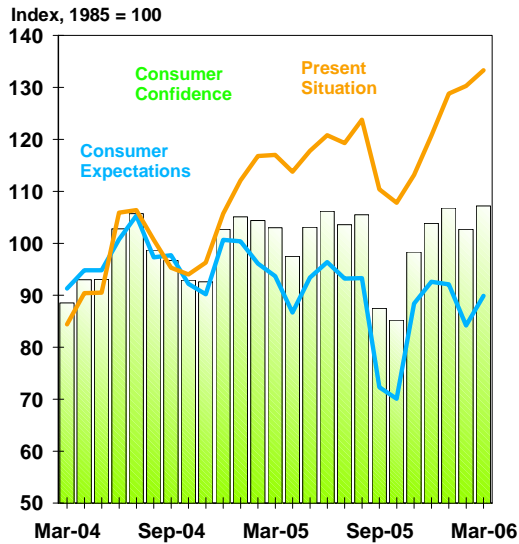
Initial Claims



Source: Department of Labor, Employment and Training Administration.

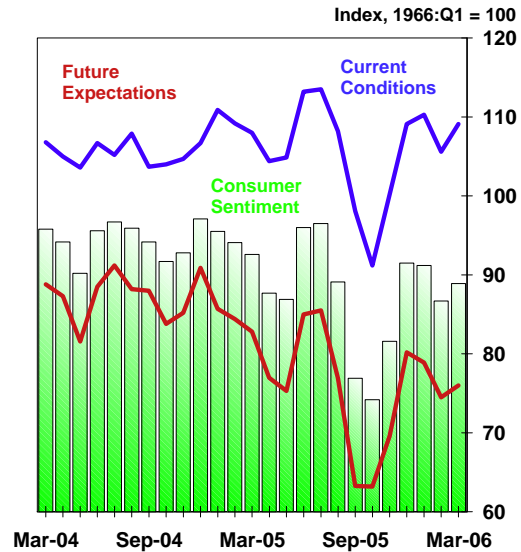
Measures of consumer attitudes improved overall in March, with most of the increases following a dip the previous month. The exception being the Conference Board's present situation index, which increased for the fifth straight month.

Consumer Confidence



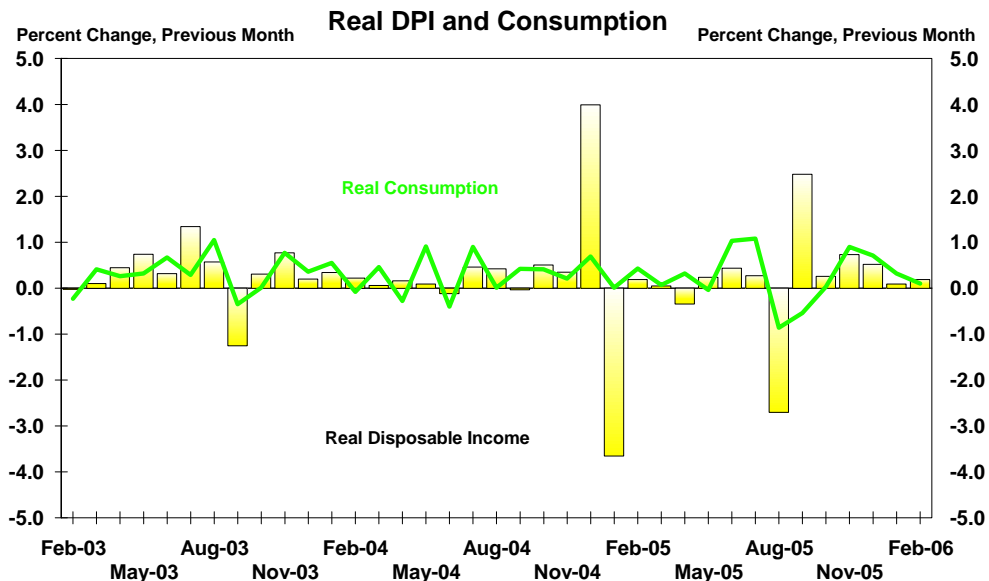
Source: The Conference Board.

Consumer Sentiment



Source: The University of Michigan.

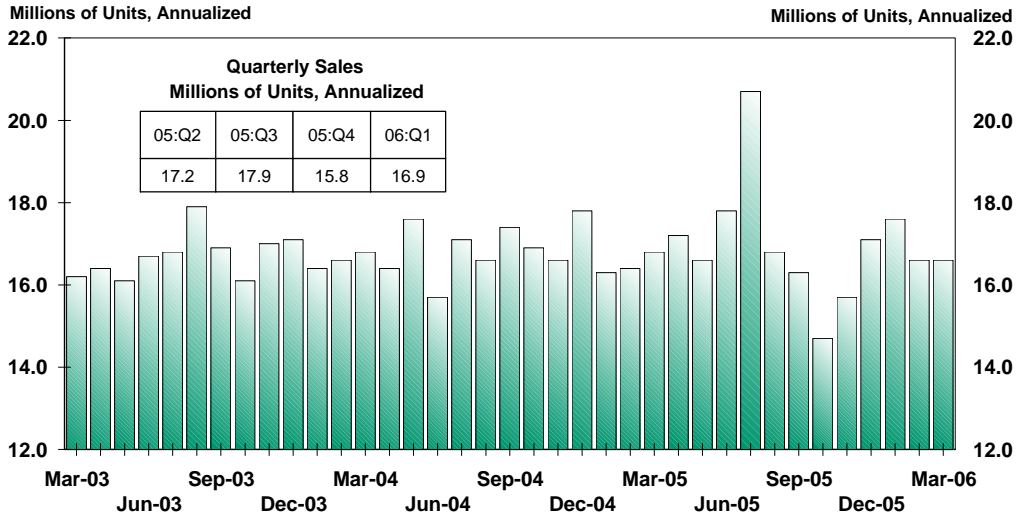
Both real disposable income and real consumption increased in February, but by relatively small amounts.



Source: Bureau of Economic Analysis.

Total auto and light truck sales held steady in March, helping contribute to stronger first quarter sales.

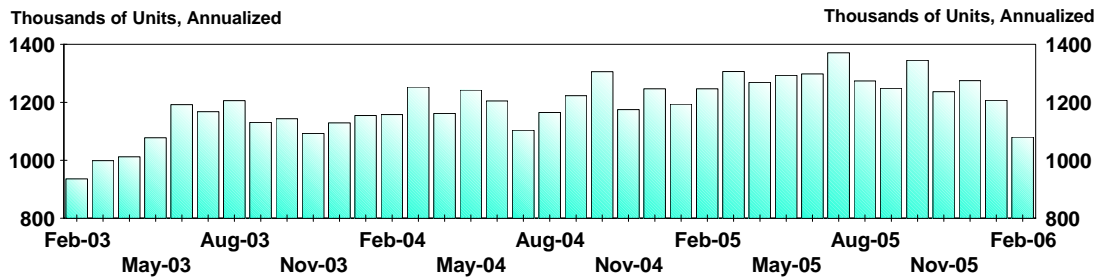
Total Auto and Light Truck Sales



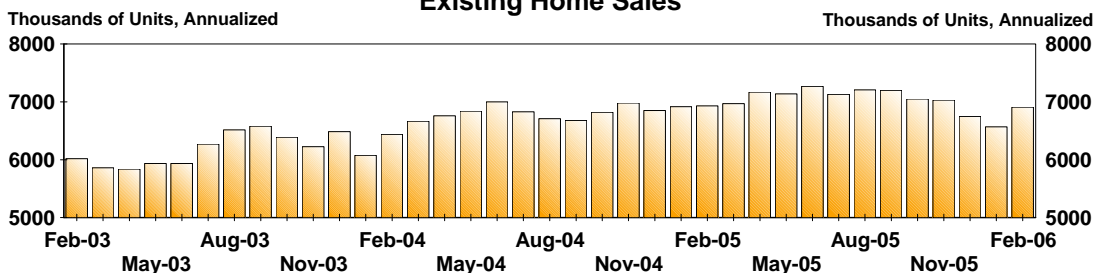
Source: Bureau of Economic Analysis.

New home sales fell in February, dropping to their lowest rate since May 2003. But sales of existing homes increased in February, following five consecutive monthly declines.

New Home Sales



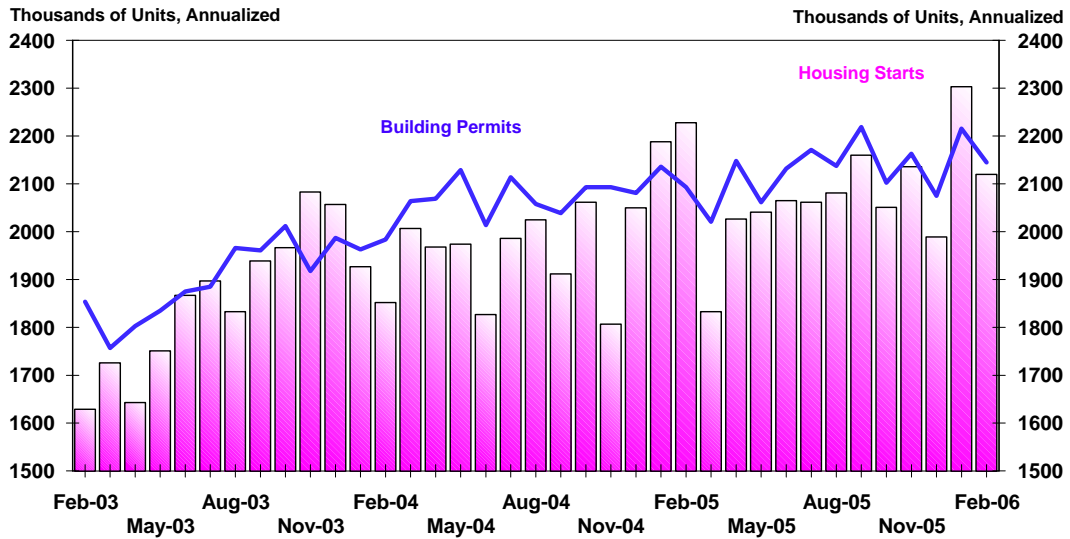
Existing Home Sales



Source: U.S. Census Bureau (new homes sales) and National Association of Realtors (existing home sales).

In February, both housing starts and building permits fell, partially offsetting the prior month's gains. Each measure, however, is in line with both its six- and twelve-month averages.

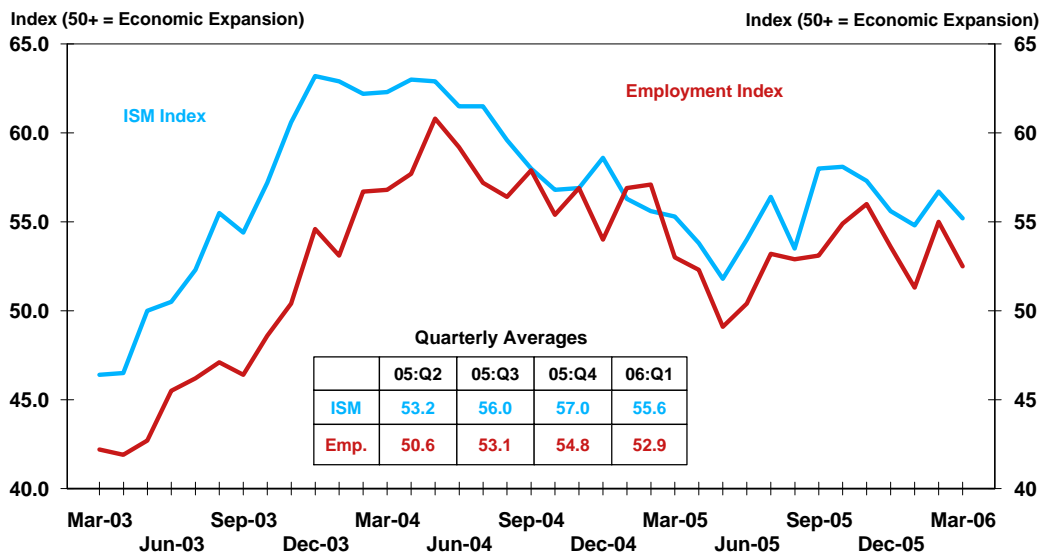
Housing Starts and Building Permits



Source: U.S. Census Bureau.

The ISM manufacturing and employment indices decreased in March, but both measures remain above 50.

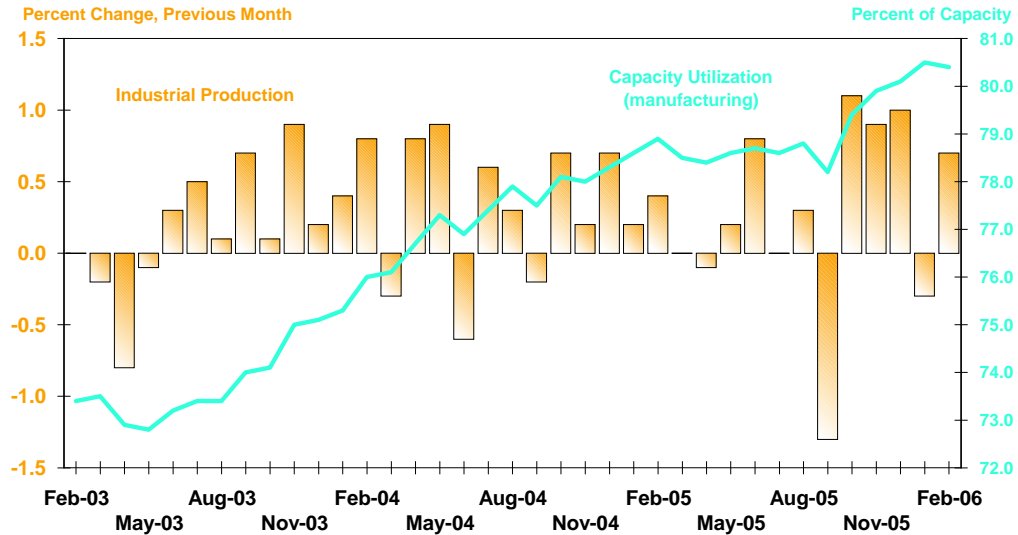
ISM Index



Source: Institute of Supply Management.

Industrial production rose in February, after falling the previous month. Capacity utilization eased slightly in February, but remains high.

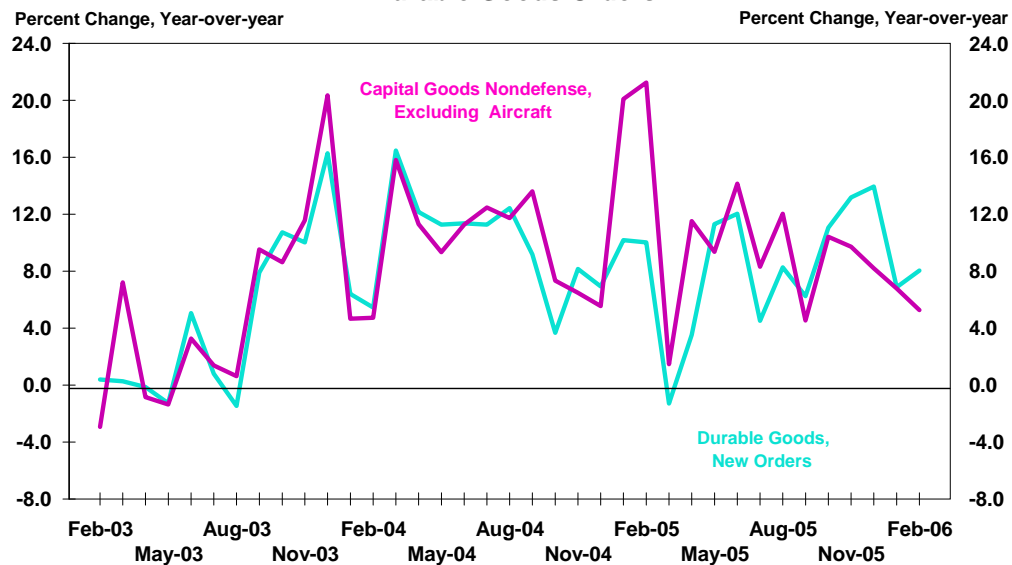
Industrial Production and Capacity Utilization



Source: Federal Reserve Board of Governors.

New orders for durable goods accelerated in February, while orders for nondefense capital goods, excluding aircraft, slowed for the fourth straight month.

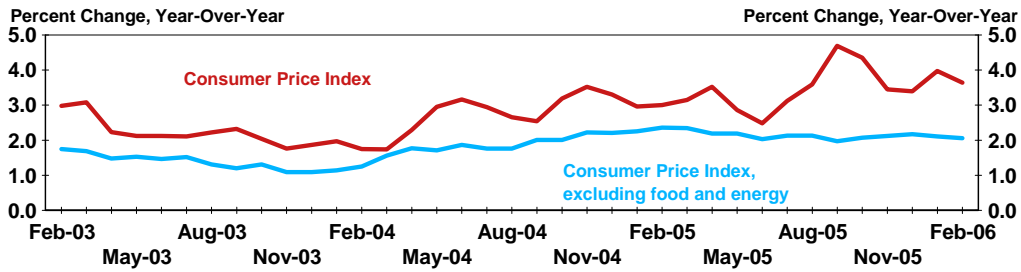
Durable Goods Orders



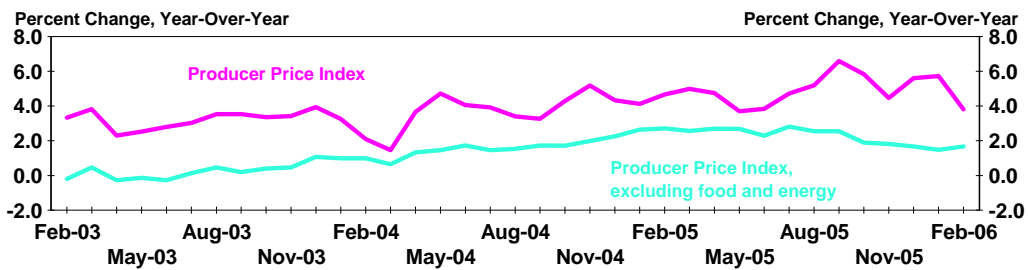
Source: U.S. Census Bureau.

Overall inflation eased for both consumers and wholesalers in February, and core measures of inflation continue to exhibit little change.

Consumer Price Index



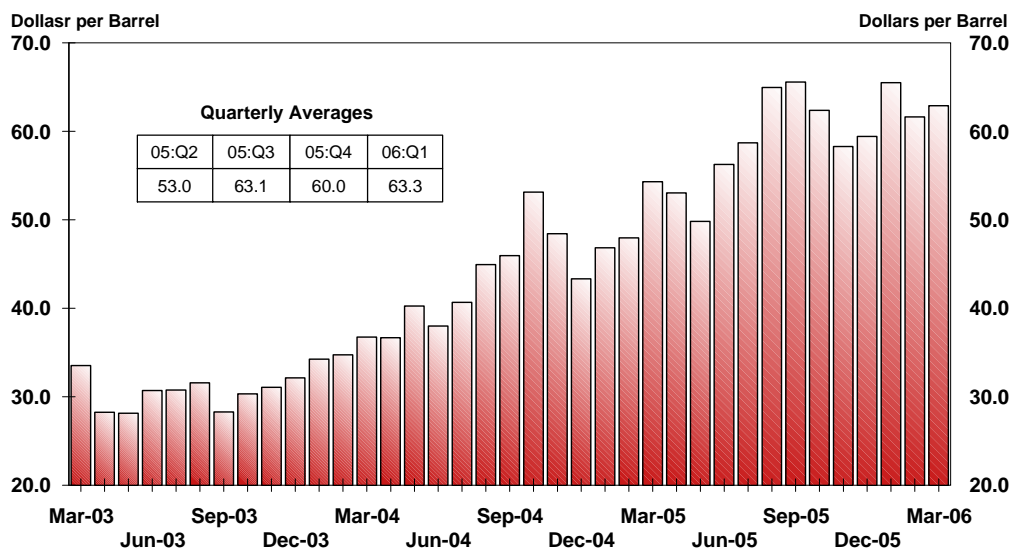
Producer Price Index



Source: Bureau of Labor Statistics.

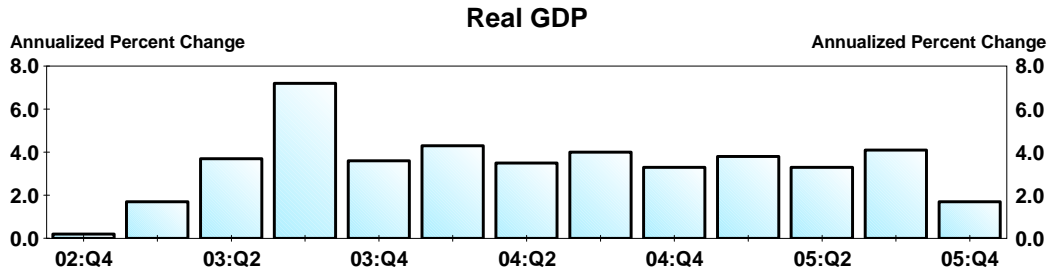
Oil prices increased slightly in March, averaging over \$60 per barrel for the sixth time in the past eight months.

Domestic Spot Oil Price



Source: Wall Street Journal.

In the fourth quarter, real GDP was revised slightly upward. The increase primarily reflected an upward revision to inventory investment that was somewhat offset by a downward revision to personal consumption expenditures.

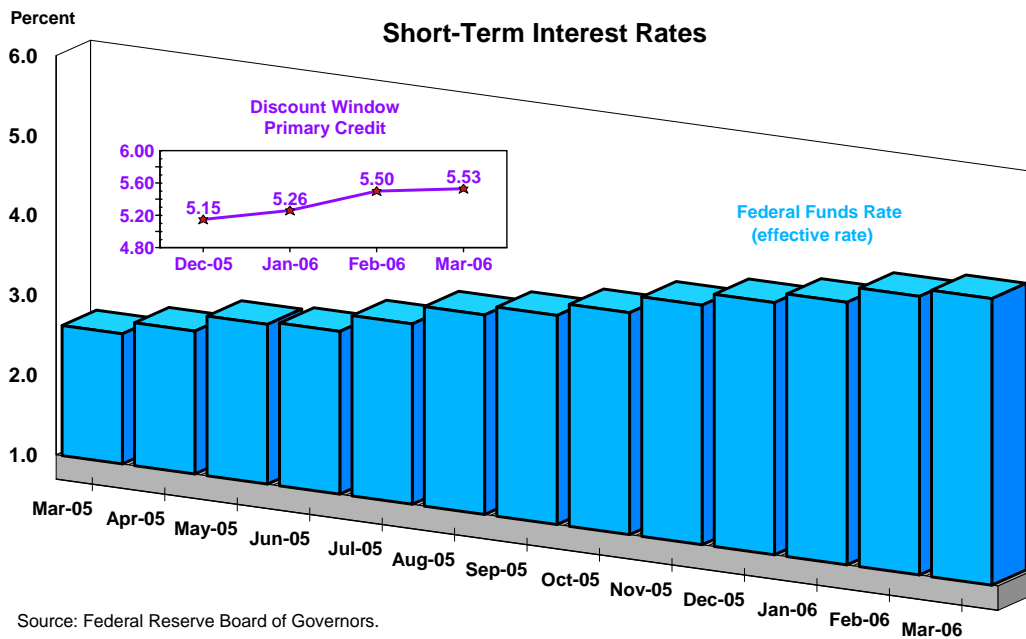


Fourth Quarter Revisions

Description	Preliminary	Revised
Real GDP	1.6	1.7
Personal Consumption	1.2	0.9
Business Investment	5.4	4.5
Equipment and Software	6.2	5.0
Residential Investment	2.6	2.8
Government	-0.7	-0.8
Exports	5.7	5.1
Imports	12.8	12.1
Final Sales	0.0	-0.2
Change in Private Inventories	43.7	51.2

Source: Bureau of Economic Analysis.

Overall, recent data suggest growth during the first quarter will be stronger than seen in the fourth quarter. Although official estimates of first quarter GDP will not be released until later this month, most data released so far describing the first quarter has been positive.



Source: Federal Reserve Board of Governors.

**PRESIDENT'S REPORT TO THE BOARD OF DIRECTORS,
FEDERAL RESERVE BANK OF BOSTON**

April 13, 2006

Current Economic Developments - Addendum: Data released in the past week

In March, nonfarm payrolls added 211,000 jobs and the unemployment rate decreased to 4.7%. February payrolls were revised downward to show an increase of 225,000 jobs, 18,000 less than the original estimate of a 243,000 job increase. January payrolls were also revised downward, showing the addition of 154,000 jobs instead of the previously reported 170,000 job increase.

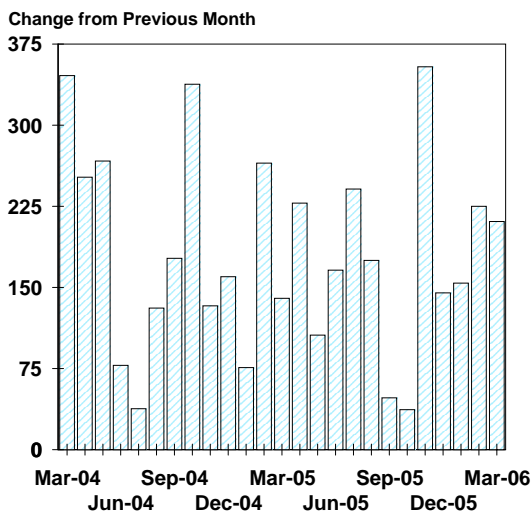
The U.S. trade deficit narrowed by 4.1% in February, to \$65.74 billion from a revised estimate of \$68.59 billion in January. U.S. exports fell 1.2% in February, but imports decreased 2.3%.

Wholesale inventories rose 0.8% in February, following a 0.2% increase in January. Wholesale trade was flat in February, after rising a revised 0.7% in January. Trade was originally estimated as rising 1.0% in January.

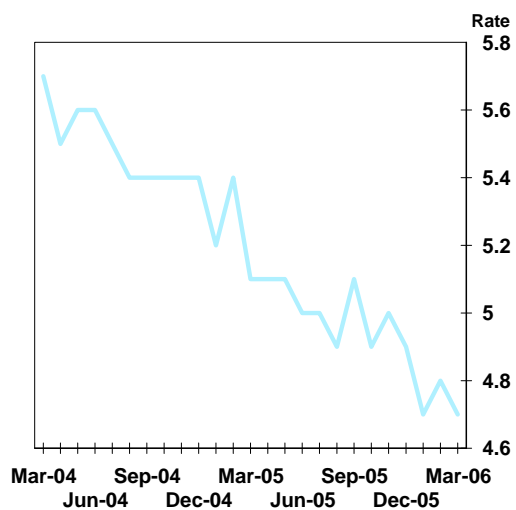
Redbook sales increased 3.1% in the first week of April, compared to March. Sales were 3.3% higher than during the same period last year. Oil prices increased during the past week, averaging 68.0 dollars per barrel compared to last week's average of 66.6.

Payroll employment posted a solid gain in March, although downward revisions to the prior two months' growth estimates resulted in a net reduction of 34,000 new jobs. The unemployment rate fell a tenth of a percentage point in March to 4.7%.

Nonfarm Payroll Employment



Unemployment Rate



Source: Bureau of Labor Statistics.