



FEDERAL RESERVE
BANK OF BOSTON™

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

April 5, 2007

Current Economic Developments - April 5, 2007

Data released since your last Directors' meeting suggest growth during the first quarter will be similar to that seen in the fourth quarter. The housing market, now with the added sub-prime mortgage woes, continues to be a concern, as are weaker manufacturing and business investment data. However, consumers continue to spend and the employment market appears to be reasonably strong.

Initial claims for unemployment insurance fell in March, but their first quarter average was the highest since the fourth quarter of 2005. Consumer attitudes worsened in March, but remain higher than their 12-month averages. Real consumption and incomes increased in February, but at slower paces than seen over the past few months. Total auto sales were down in March.

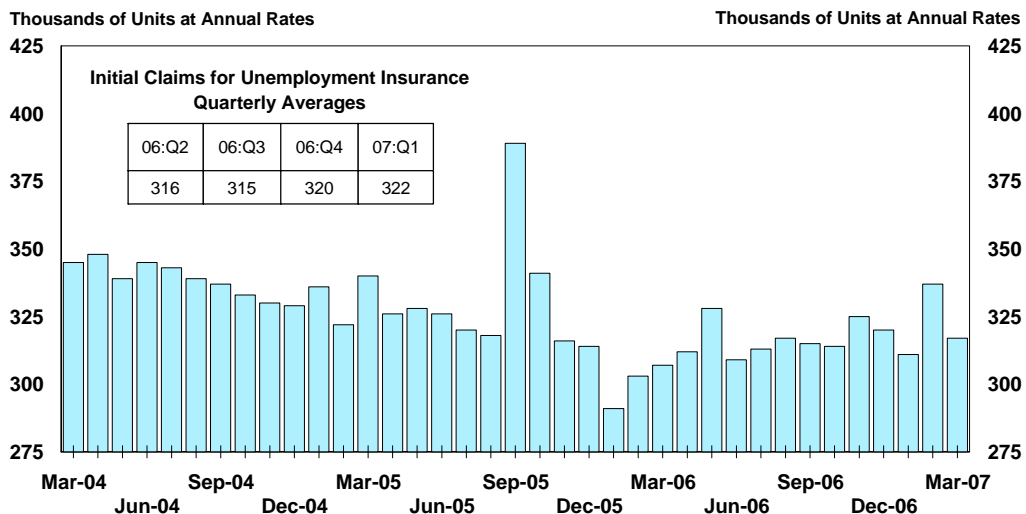
The housing market displayed mixed signs in February. New home sales eased to their slowest pace in nearly six years, but sales of existing homes continued to rise. Housing starts rose and building permits slowed in February.

In the manufacturing sector, the ISM manufacturing index fell in March, as did its employment component. In February, industrial production posted a strong gain and capacity utilization rebounded from a dip in January. New orders for durable goods fell in February, as did orders for nondefense capital goods, excluding aircraft.

In the fourth quarter, real GDP was revised slightly upward. The increase primarily reflected an upward revision to private inventory investment that was partly offset by a downward revision to equipment and software investment.

Initial claims decreased in March, offsetting most of the spike seen in February.

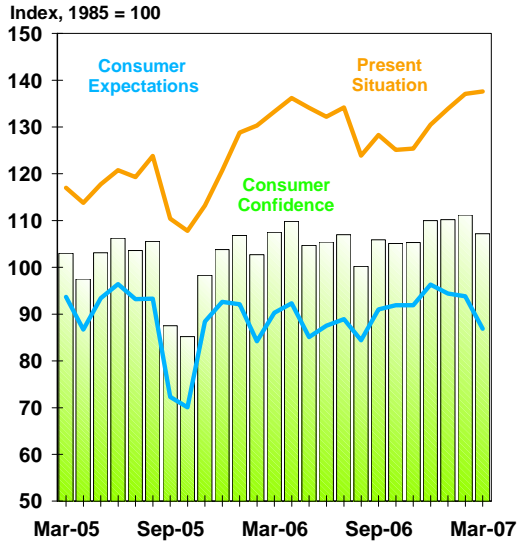
Initial Claims



Source: Department of Labor, Employment and Training Administration.

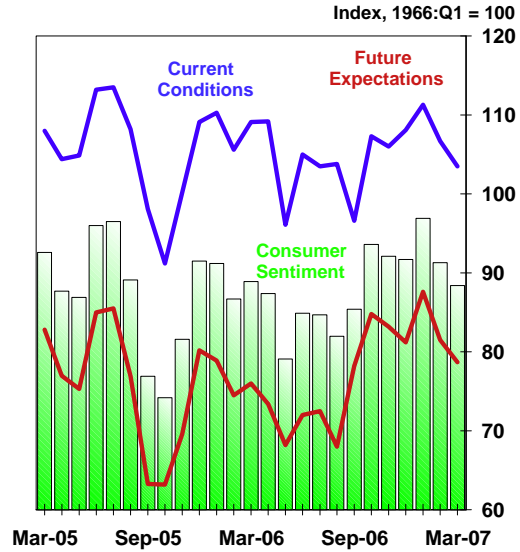
Measures of consumer attitudes weakened in March, due in part to concerns over the short-term future of the economy and rising gas prices. The Conference Board's present situation index was an exception, which increased for the fifth straight month.

Consumer Confidence



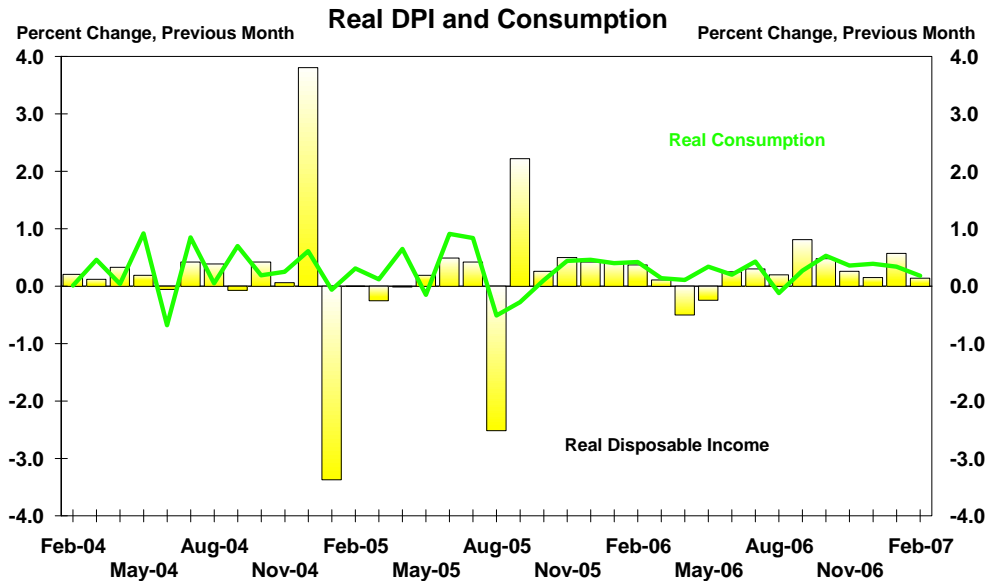
Source: The Conference Board.

Consumer Sentiment



Source: The University of Michigan.

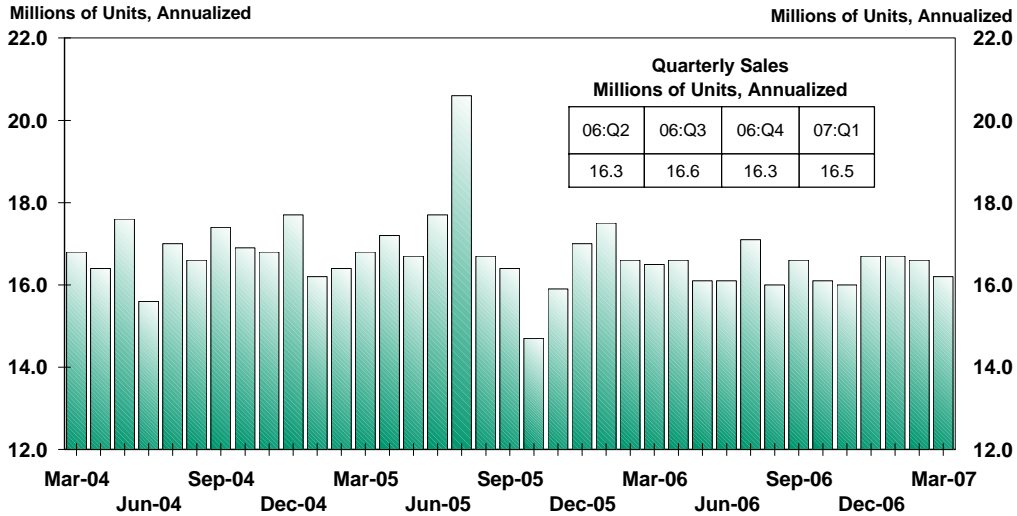
Both real disposable income and real consumption increased in February, but by relatively small amounts.



Source: Bureau of Economic Analysis.

Total auto and light truck sales eased in March, but first quarter sales improved from their fourth quarter estimate.

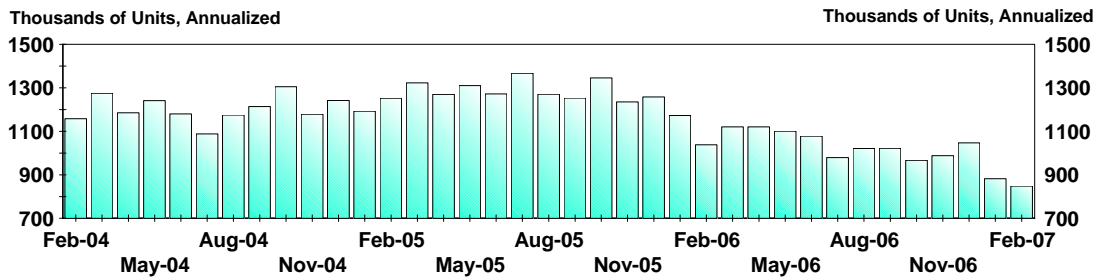
Total Auto and Light Truck Sales



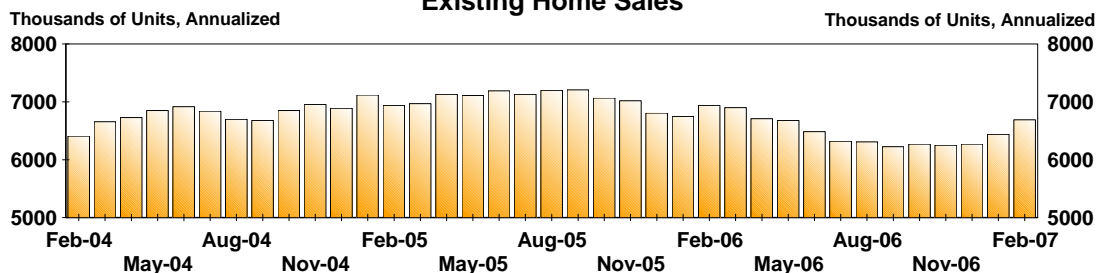
Source: Bureau of Economic Analysis.

The housing market was mixed in February, as new home sales fell to their lowest level in over six years and sales of existing homes increased for the third consecutive month.

New Home Sales



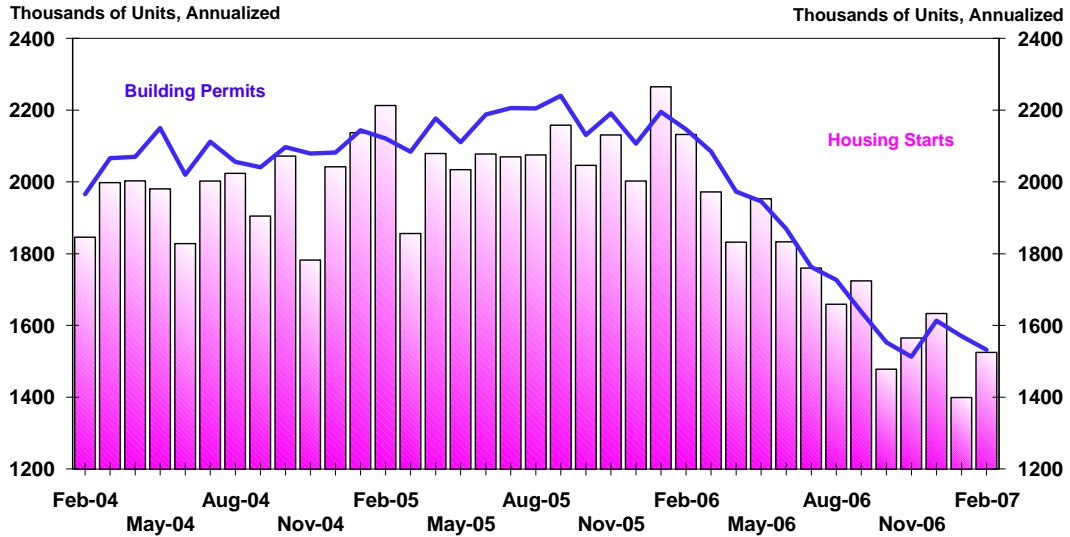
Existing Home Sales



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

Housing starts rose in February, but remain low in comparison to recent history. Building permits decreased, falling for the twelfth time in the last thirteen months.

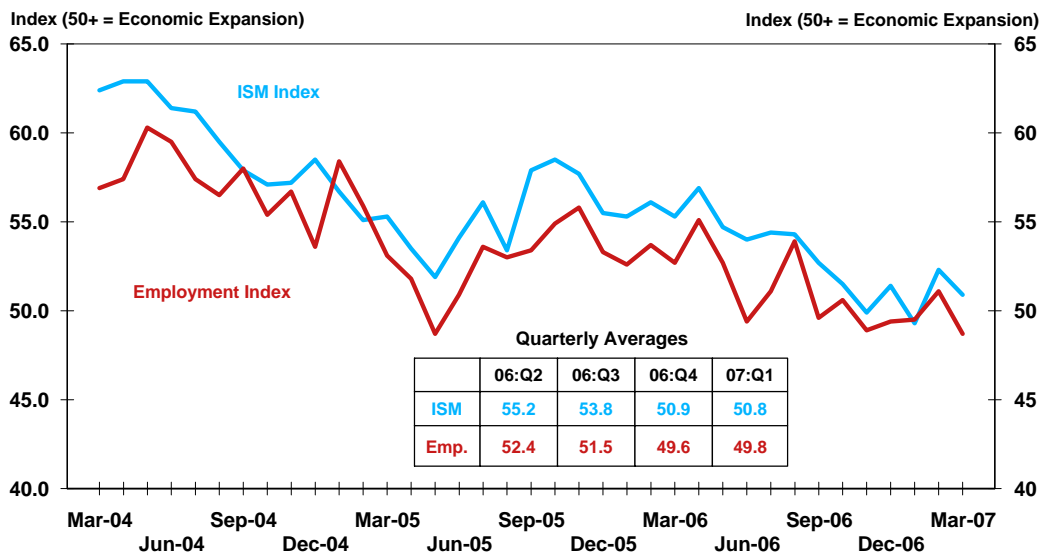
Housing Starts and Building Permits



Source: U.S. Census Bureau.

The ISM manufacturing and employment indices decreased in March, with employment falling back below 50. However, on a quarterly basis both measures were essentially unchanged in the first quarter compared to the fourth.

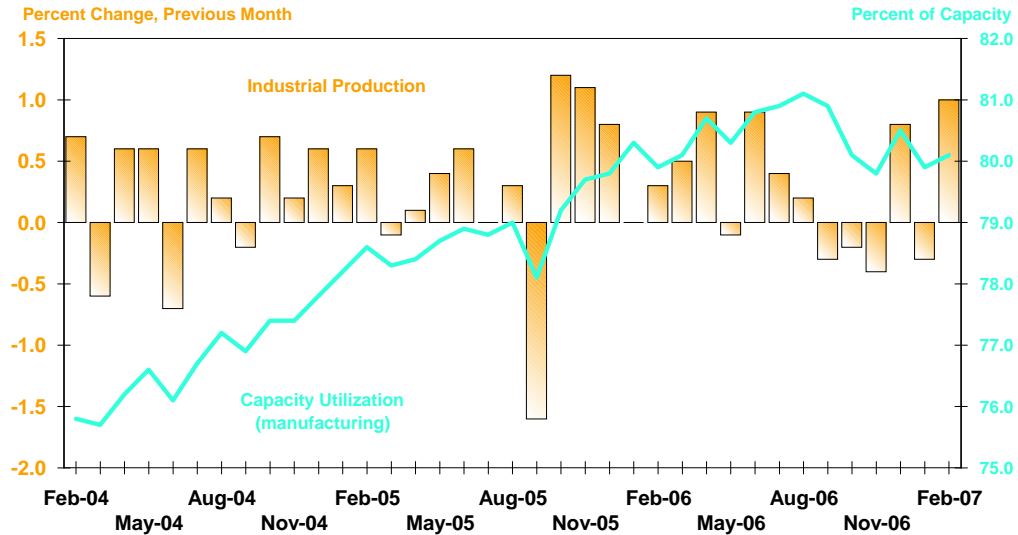
ISM Index



Source: Institute of Supply Management.

Industrial production rebounded in February, posting its biggest monthly gain in over a year. Capacity utilization also improved in February, recovering almost half of the loss experienced the prior month.

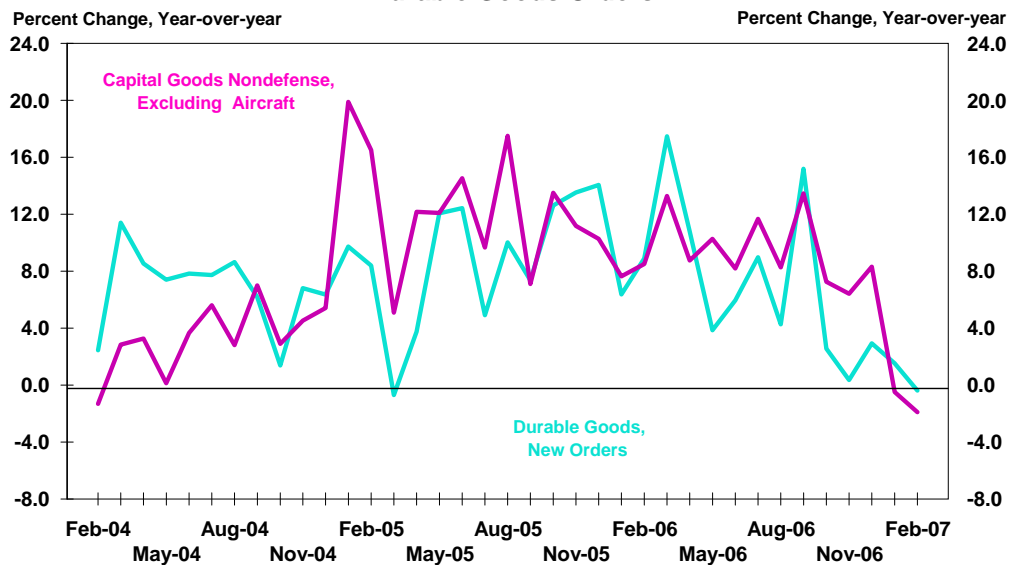
Industrial Production and Capacity Utilization



Source: Federal Reserve Board of Governors.

New orders for durable goods decreased in February, falling below zero for the first time in nearly two years. Orders for nondefense capital goods, excluding aircraft, fell for the second month in a row.

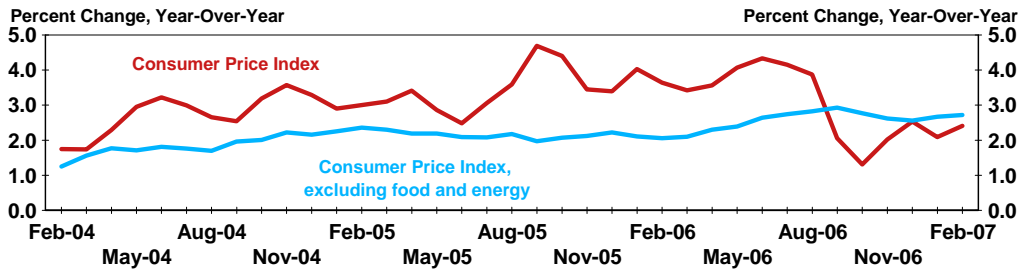
Durable Goods Orders



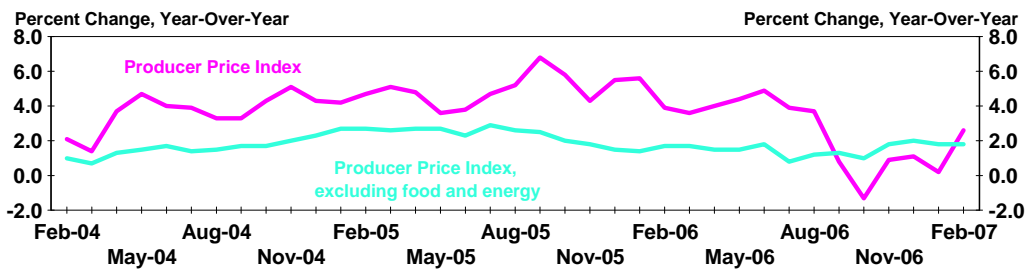
Source: U.S. Census Bureau.

Core inflation was essentially unchanged in February, but overall prices accelerated for both consumers and producers.

Consumer Price Index



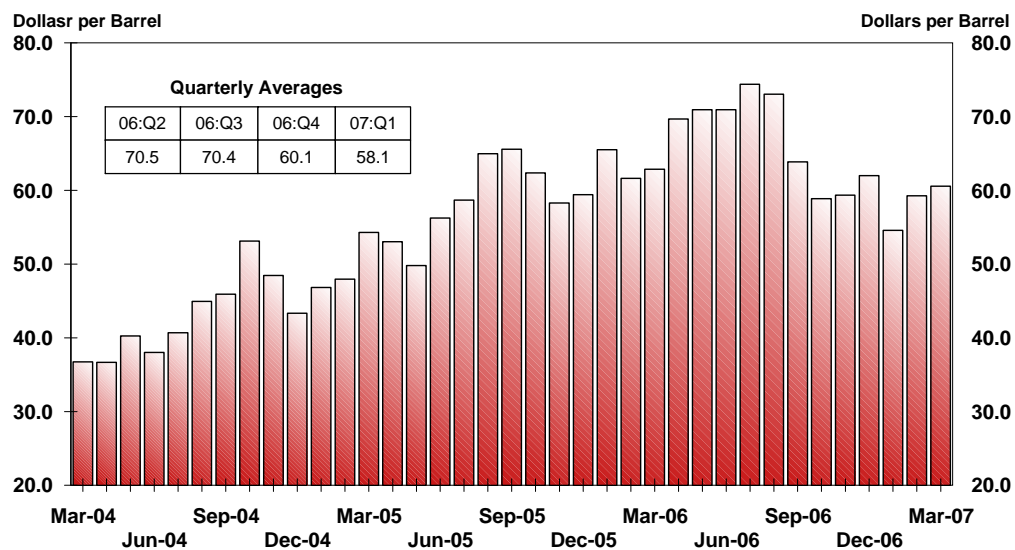
Producer Price Index



Source: Bureau of Labor Statistics.

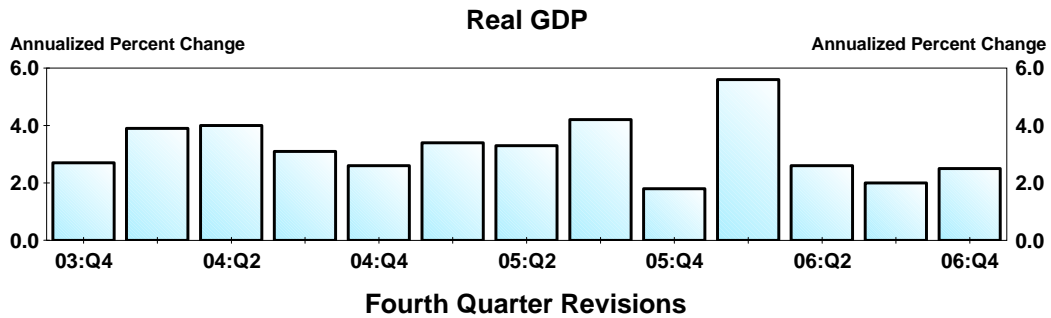
Oil prices increased a bit in March, but were lower in the first quarter than in the fourth.

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 private inventory investment that was partly offset by a downward revision to equipment and software investment.

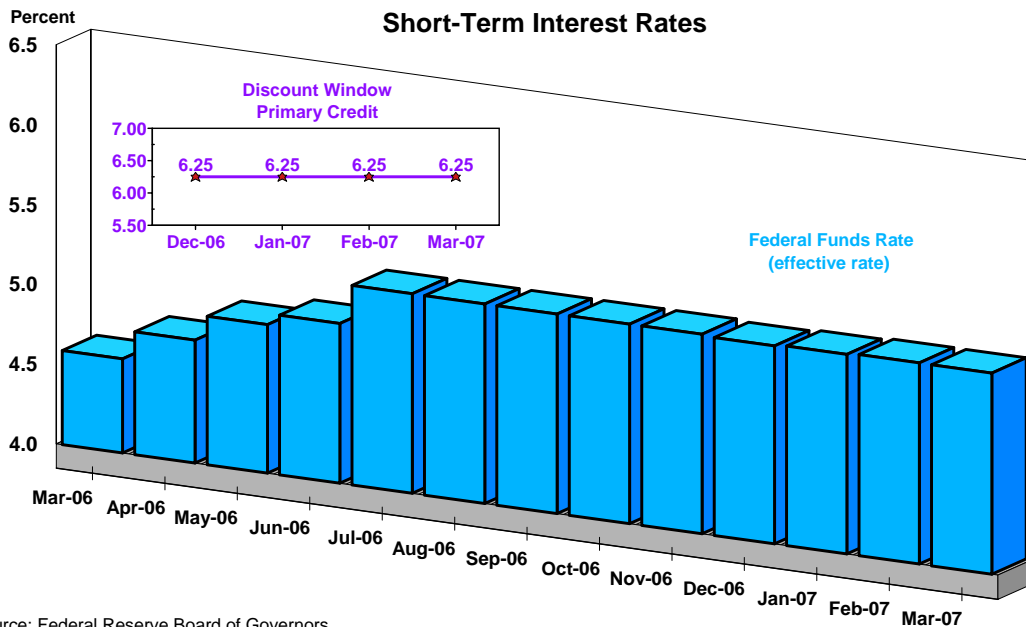


Fourth Quarter Revisions

Description	Preliminary	Revised
Real GDP	2.2	2.5
Personal Consumption	4.2	4.2
Business Investment	-2.4	-3.1
Equipment and Software	-3.2	-4.8
Residential Investment	-19.1	-19.8
Government	3.3	3.4
Exports	10.5	10.6
Imports	-2.2	-2.6
Final Sales	3.6	3.7
Change in Private Inventories	17.3	22.4

Source: Bureau of Economic Analysis.

Overall, data released since your last Directors' meeting suggest growth during the first quarter will be similar to that seen in the fourth quarter. The housing market, now with the added sub-prime mortgage woes, continues to be a concern, as are weaker manufacturing and business investment data. However, consumers continue to spend and the employment market appears to be reasonably strong.



Source: Federal Reserve Board of Governors.

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

April 12, 2007

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

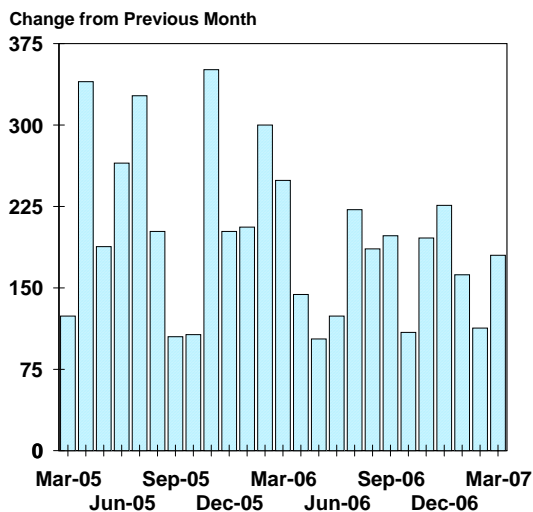
In March, nonfarm payrolls added 180,000 jobs and the unemployment rate decreased to 4.4%. February payrolls were revised upward to show an increase of 113,000 jobs, 16,000 more than the originally estimated increase of 93,000 jobs. January payrolls were also revised up, showing the addition of 162,000 jobs instead of the previously reported increase of 146,000 jobs.

Wholesale inventories rose 0.5% in February, following a revised increase of 0.6% in January. Inventories were originally estimated as rising 0.7% in January. Wholesale trade rose 1.2% in February, after falling 0.9% in January.

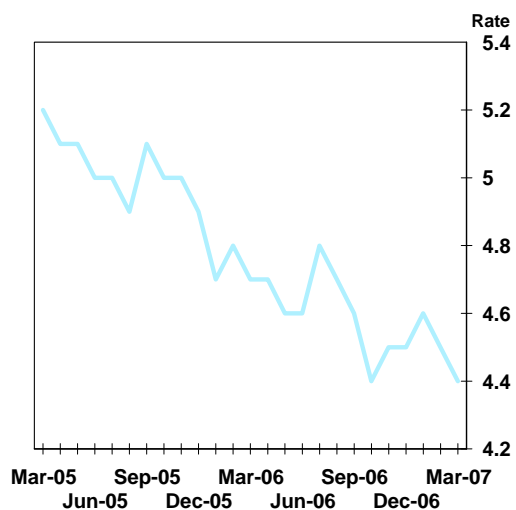
Redbook sales increased 1.0% in the first week of April, compared to March. Sales were 4.9% higher than during the same period last year. Oil prices decreased during the past week, averaging 63.3 dollars per barrel compared to last week's average of 65.3.

Payroll employment posted a solid gain in March, and upward revisions to the prior two months' growth estimates resulted in a net addition of 32,000 new jobs. The unemployment rate fell a tenth of a percentage point in March to 4.4%.

Nonfarm Payroll Employment



Unemployment Rate



Source: Bureau of Labor Statistics.