



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

April 2, 2009

Current Economic Developments - April 2, 2009

Data released since your last Directors' meeting suggest the economy contracted further during the first quarter. While a small amount of positive data has started to mix in with the negative, the combined effects of recent job losses, reductions of household wealth, and shrinking global demand are likely to impede any significant economic improvement throughout the first half of the year.

In March, initial claims for unemployment insurance rose again, ending the first quarter at a 26-year high. Consumer attitudes remained depressed during the month, hovering at or near record lows. Auto and light truck sales picked up in March, but first quarter sales were still the lowest in nearly 30 years. In February, real consumption fell in conjunction with a decrease in real disposable incomes.

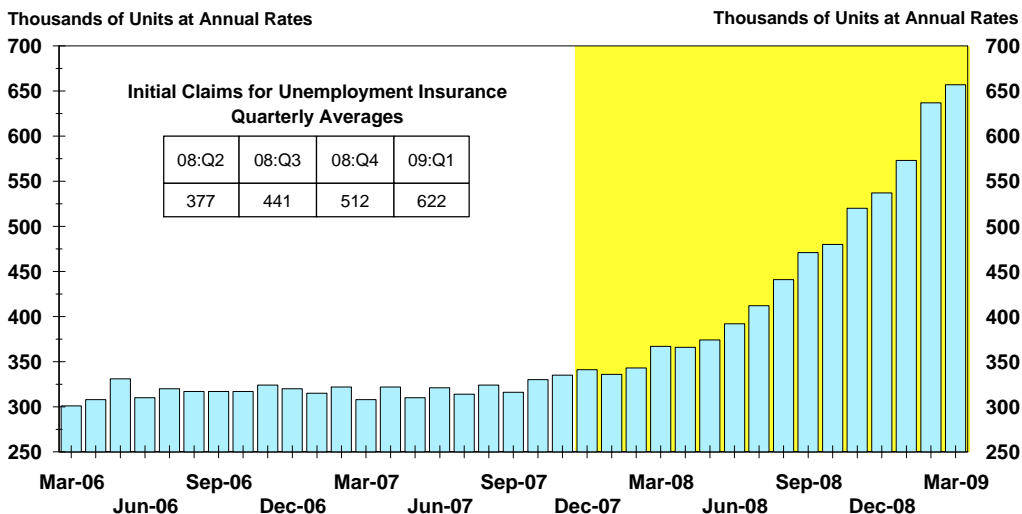
While the housing market continues to be a significant source of weakness in the economy, it did provide some positive news in February. Sales of both new and existing homes increased during the month, as did housing starts and building permits, marking the first time since October 2004 that these four measures all increased in the same month.

In the business sector, both the ISM manufacturing and employment indices improved in March, but remain well below 50. In February, industrial production and capacity utilization both continued to fall. Also in February, orders for durable goods and nondefense capital goods excluding aircraft rose from January, but remained down significantly from last year.

Inflation data was mostly unchanged in February, with small accelerations seen in consumer price measures and small decelerations in producer measures. Oil prices rose in March, reaching levels last seen in November.

Initial claims rose to their second-highest level ever in March, just short of the record set in September 1982.

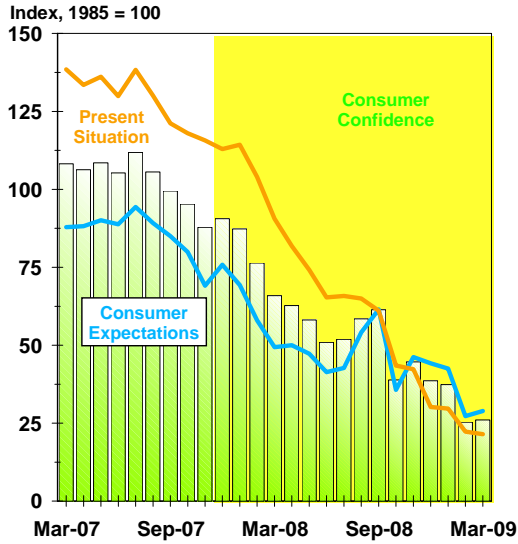
Initial Claims



Source: Department of Labor, Employment and Training Administration.

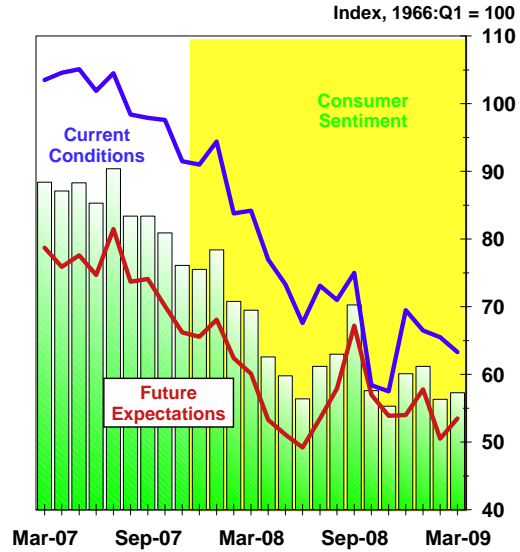
Consumer attitudes were mixed in March. Feelings towards current economic conditions worsened, but expectations and overall disposition improved a bit. Consumers are still primarily concerned about the labor market and personal finances, while their overall outlook for the economy has improved only slightly.

Consumer Confidence



Source: The Conference Board.

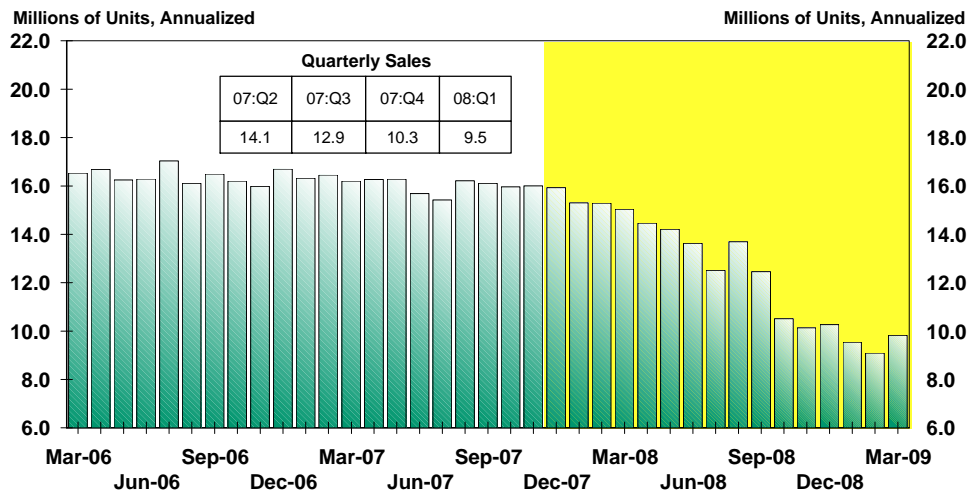
Consumer Sentiment



Source: The University of Michigan.

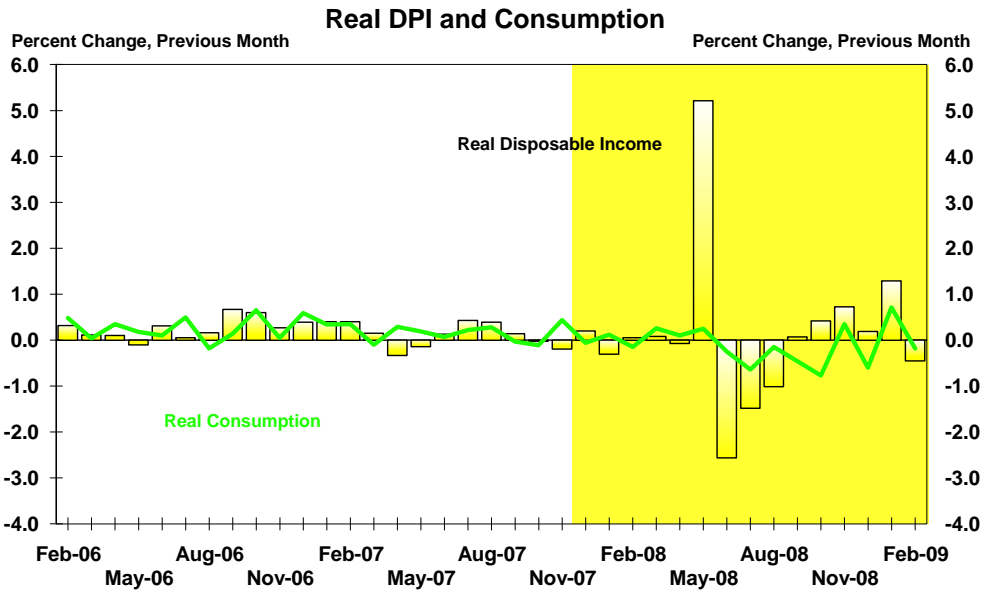
Total auto and light truck sales managed a surprising gain in March, but their first quarter average was still the worst since 1981.

Total Auto and Light Truck Sales



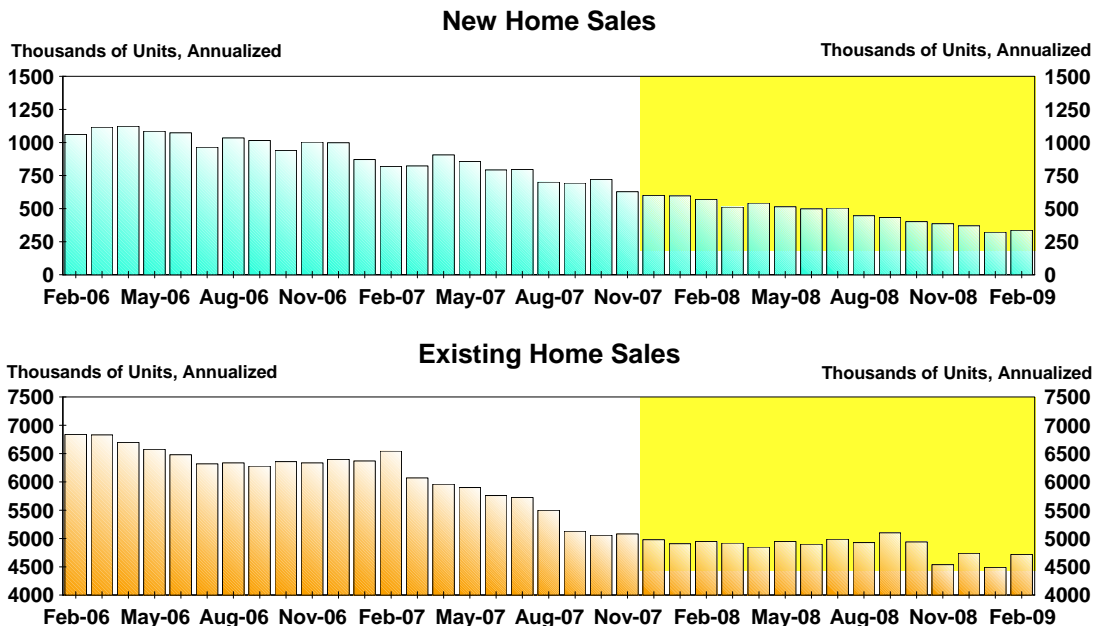
Source: Bureau of Economic Analysis.

Real disposable incomes fell in February, following five consecutive monthly increases. Consumption also declined during the month, continuing its recent volatile history.



Source: Bureau of Economic Analysis.

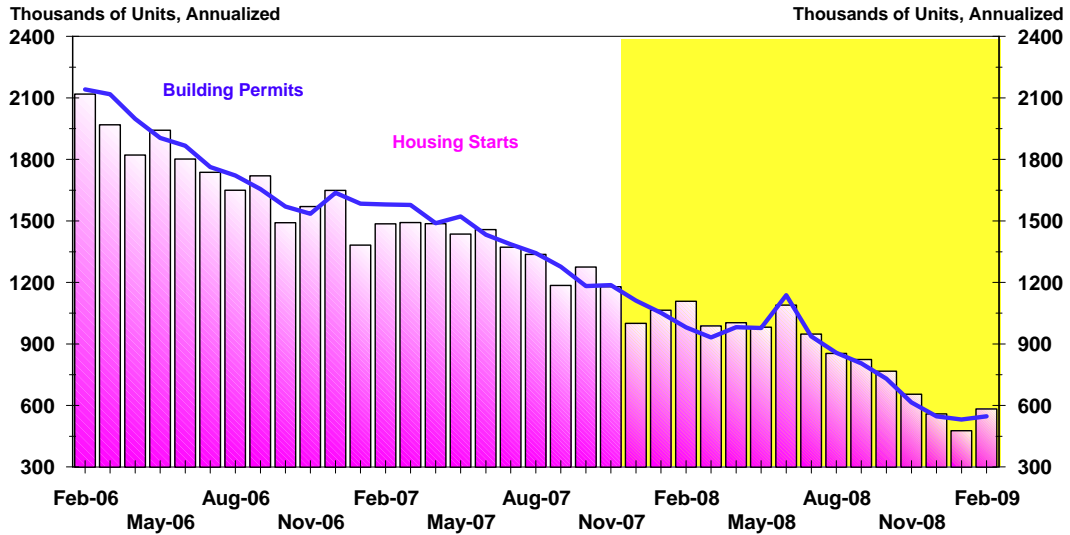
Housing sales remain close to record lows, but did show signs of life in February. New home sales rose for the first time since July, and sales of existing homes increased to offset the previous month's decline.



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

New residential construction also reported positive news in February, with both housing starts and building permits posting their first increases in eight months.

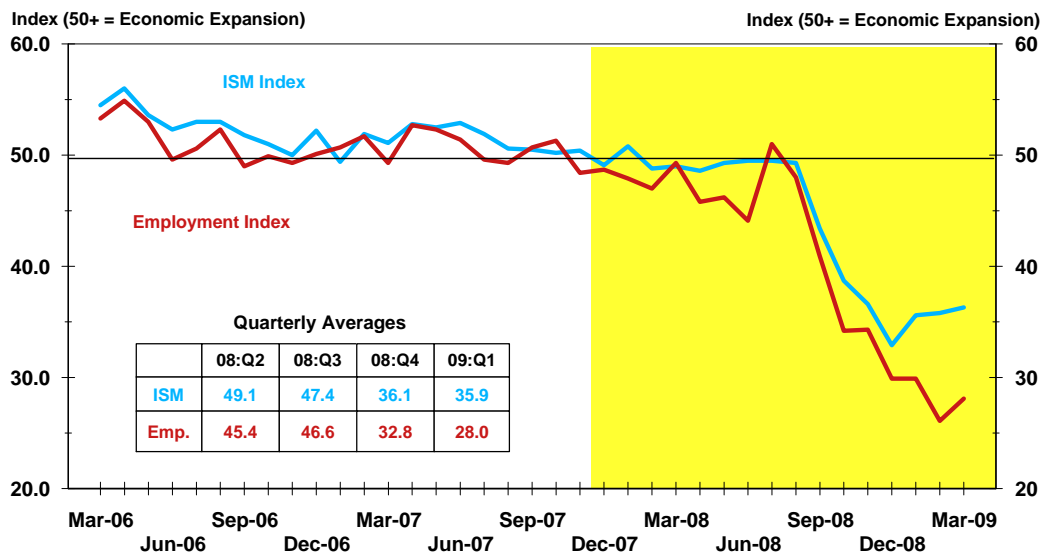
Housing Starts and Building Permits



Source: U.S. Census Bureau.

The ISM manufacturing and employment indices showed some improvement in March, but both measures remain well below 50. On a quarterly basis, the ISM index is at its lowest point in nearly 30 years and the employment index is at an all-time low.

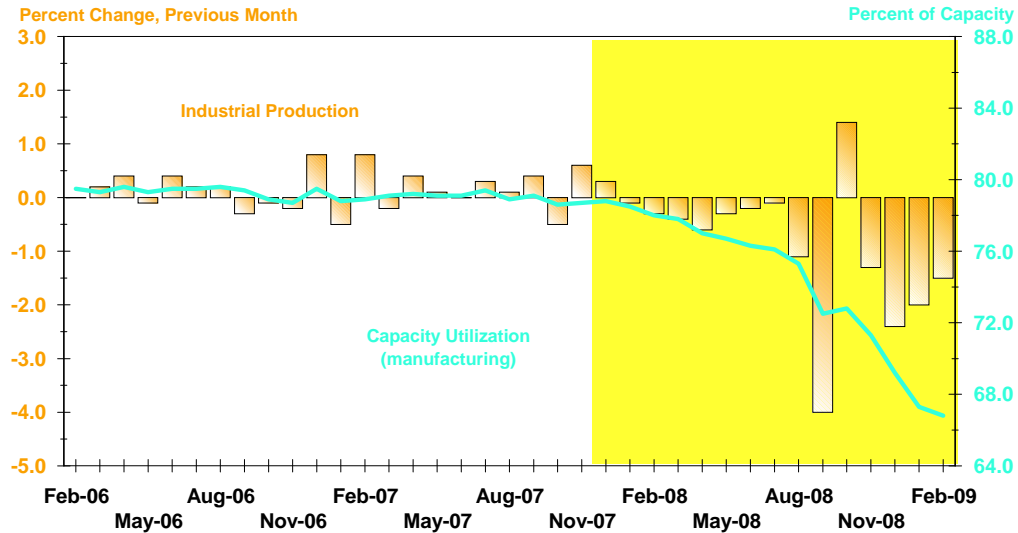
ISM Index



Source: Institute of Supply Management.

Industrial production and capacity utilization both continued to fall in February.

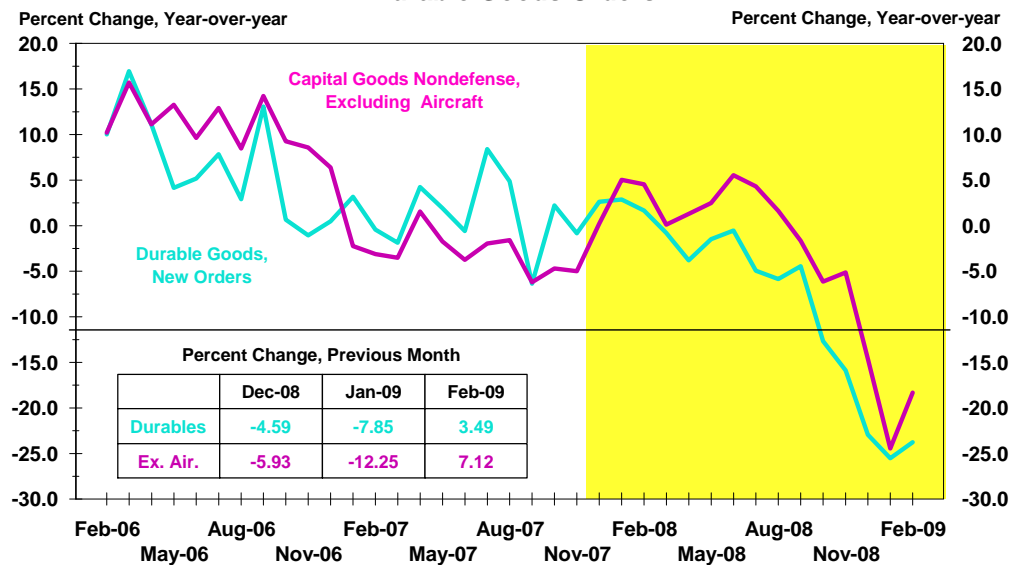
Industrial Production and Capacity Utilization



Source: Federal Reserve Board of Governors.

New orders for durable goods rose in February for the first time in seven months, but were still down significantly on a year-over-year basis. Orders of nondefense capital goods, excluding aircraft, followed a similar path.

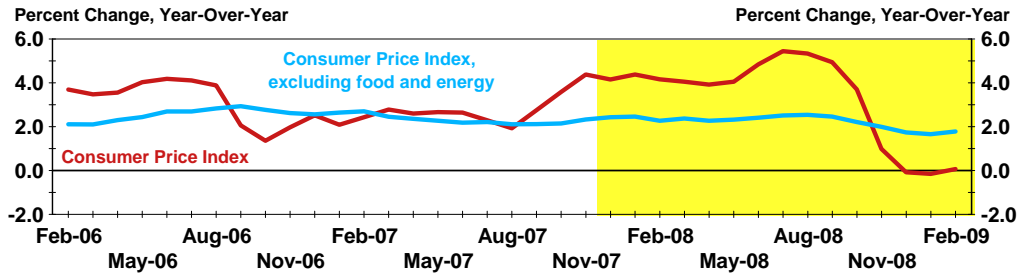
Durable Goods Orders



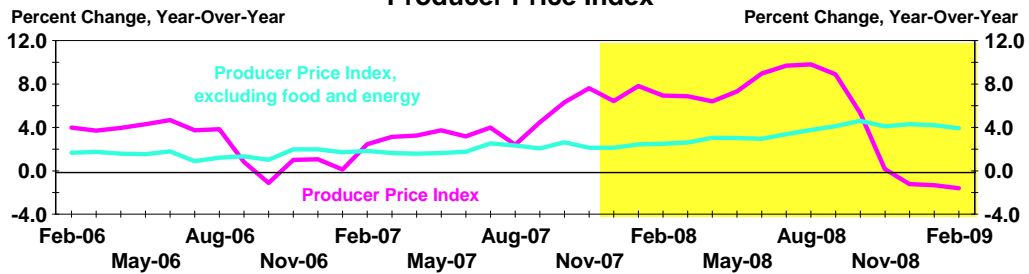
Source: U.S. Census Bureau.

Total consumer prices remained virtually unchanged in February, while core prices picked up slightly. Producer prices continued to fall.

Consumer Price Index



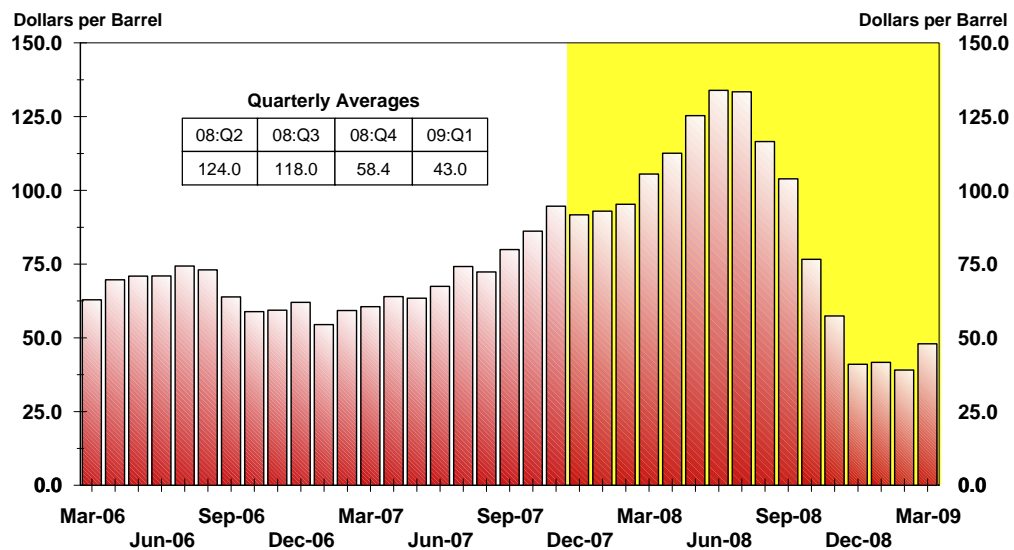
Producer Price Index



Source: Bureau of Labor Statistics.

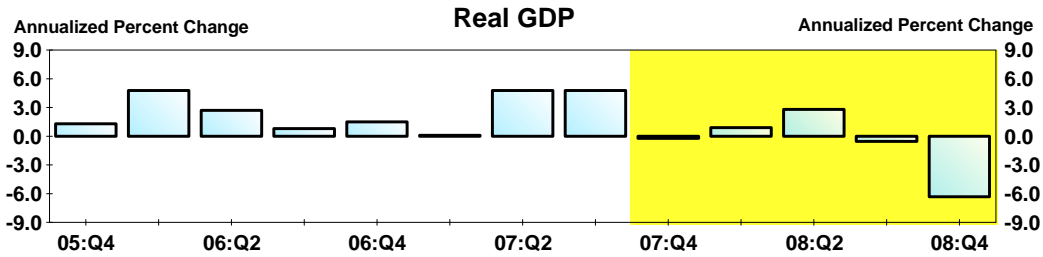
Oil prices rose in March, reaching their highest levels since November. Still, their first quarter average was the lowest since the second quarter of 2004.

Domestic Spot Oil Price



Source: Wall Street Journal.

The drop in real GDP was revised slightly downward in the final fourth quarter estimate. The lower figure primarily reflected downward adjustments to private inventory investment and to business and residential investment that were partially offset by a downward revision to imports.

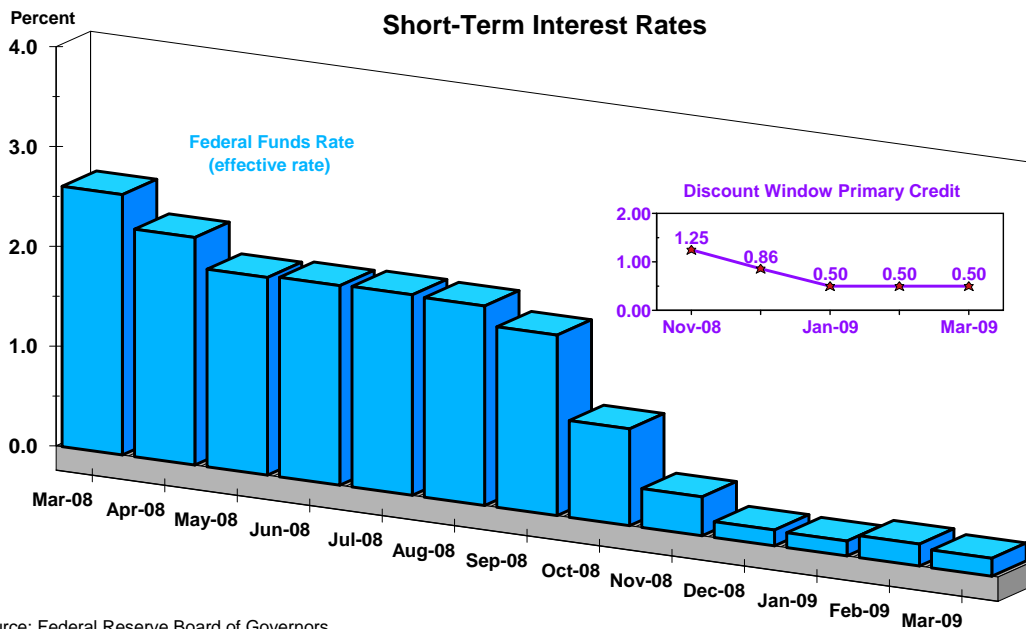


Fourth Quarter Revisions

Description	Preliminary	Revised
Real GDP	-6.2	-6.3
Personal Consumption	-4.3	-4.3
Business Investment	-21.1	-21.7
Equipment and Software	-28.8	-28.1
Residential Investment	-22.2	-22.8
Government	1.6	1.3
Exports	-23.6	-23.6
Imports	-16.0	-17.5
Final Sales	-6.4	-6.2
Change in Private Inventories	\$-19.9b	\$-25.8b

Source: Bureau of Economic Analysis.

Overall, data released since your last Directors' meeting suggest the economy contracted further during the first quarter. While a small amount of positive data has started to mix in with the negative, the combined effects of recent job losses, reductions of household wealth, and shrinking global demand are likely to impede any significant economic improvement throughout the first half of the year.



Source: Federal Reserve Board of Governors.

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

April 8, 2009

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

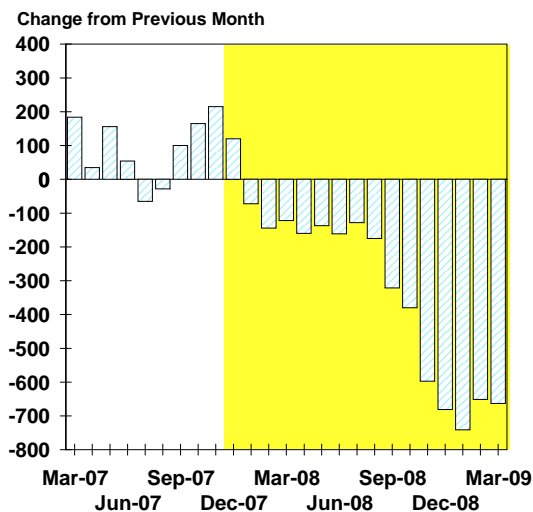
The labor market continued to deteriorate in March. Nonfarm payrolls shed another 663,000 jobs, bringing the total number of jobs lost since the start of the recession to greater than five million. These cumulative job losses brought the unemployment rate up to 8.5% in March, its highest point since November 1983.

The ISM non-manufacturing index fell to 40.8 in March, from 41.6 in February. The index has been below 50 for six consecutive months, but did show some improvement in the first quarter from the fourth. The employment component of the index fell to 32.3 in March, bringing the first quarter average to a record low.

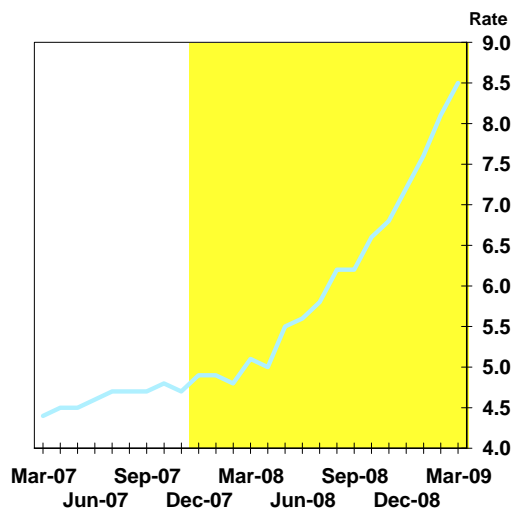
Oil prices decreased a bit over the past week, averaging \$50.9 per barrel compared to last week's average of \$52.2.

Payroll employment decreased by over two million in the first quarter of the year. The latest January estimate of a drop of 741,000 jobs is the largest single-month decline since October 1949.

Nonfarm Payroll Employment



Unemployment Rate



Source: Bureau of Labor Statistics.