



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

April 1, 2010

Current Economic Developments - April 1, 2010

Data released since your last Directors' meeting suggest the economy grew further during the first quarter, but by a smaller amount than seen during the fourth quarter. The strongest signs of recovery continue to be seen in the business sector, with consumption also providing some support. As expected, improvements in labor market conditions will be necessary to spur and maintain a robust economic recovery.

In March, initial claims for unemployment insurance eased further, ending the first quarter at a six-quarter low. Consumer attitudes were mixed during the month, and overall are close to where they stood following the partial recovery seen last spring. In February, real consumption rose for the fifth month in a row, even as incomes were flat during the month and had fallen in January.

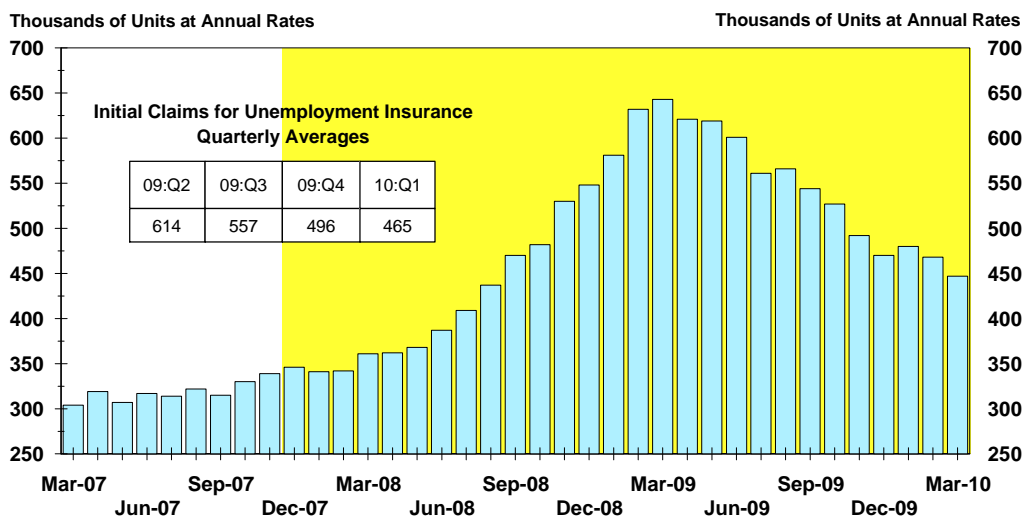
The housing market remained depressed in February, despite the relaunched stimulus credit. Sales of both new and existing homes fell slightly during the month, as did housing starts. Some good news may be found in the issuance of building permits, which recently have held above the record lows seen last year, a sign building activity may increase in the coming months.

In the business sector, the ISM manufacturing index rose to a six-year high in March. In February, industrial production and capacity utilization were both essentially flat while orders for durable goods and nondefense capital goods excluding aircraft rose.

Any inflation concerns stayed secondary in February, with prices easing for both consumers and producers. Oil prices rose in March, reaching a sustained level last seen in 2008.

Initial claims for unemployment insurance eased a bit further in March, registering a 19-month low. Despite the mostly consistent downward trend, claims are still over 100,000 above their pre-recession levels.

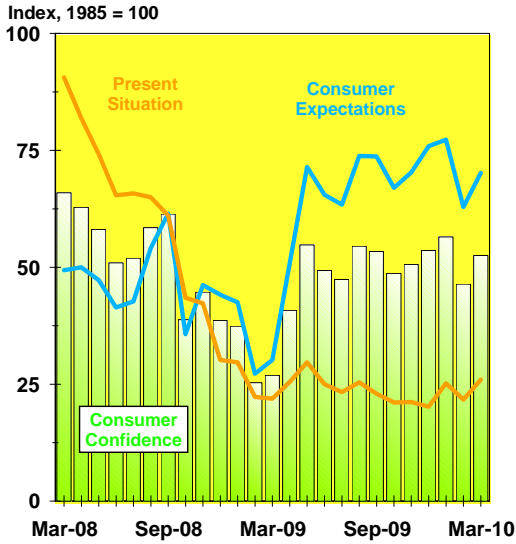
Initial Claims



Source: Department of Labor, Employment and Training Administration / Haver Analytics.

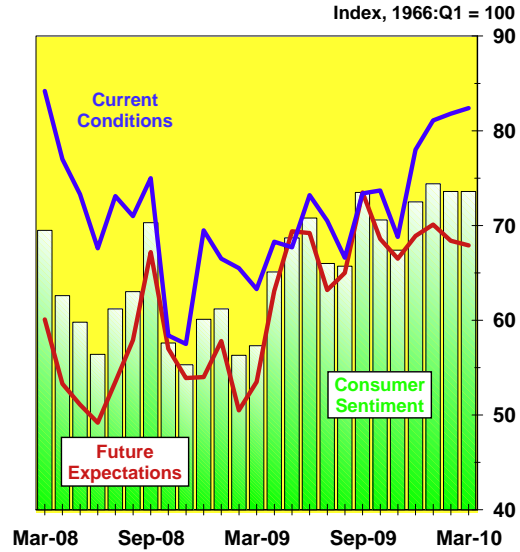
Primary measures of consumer attitudes were mixed in March, as the Conference Board indexes rebounded from a February dip while the University of Michigan series' held mostly steady. Despite monthly changes, overall consumer attitudes haven't moved much from where they stood six months ago.

Consumer Confidence



Source: The Conference Board / Haver Analytics.

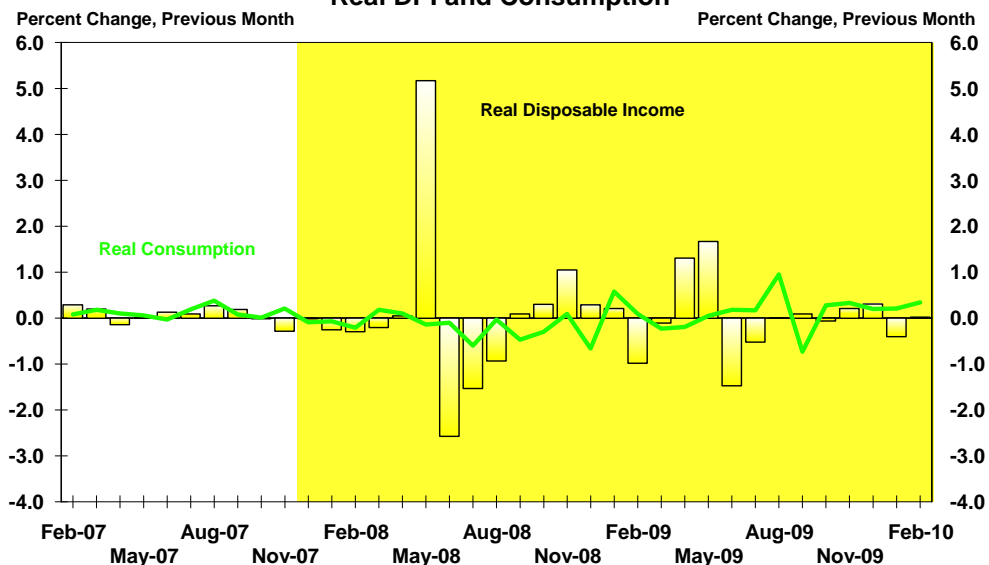
Consumer Sentiment



Source: The University of Michigan / Haver Analytics.

Despite virtually no change in real disposable incomes, consumption accelerated a bit in February and has now increased in nine of the past ten months.

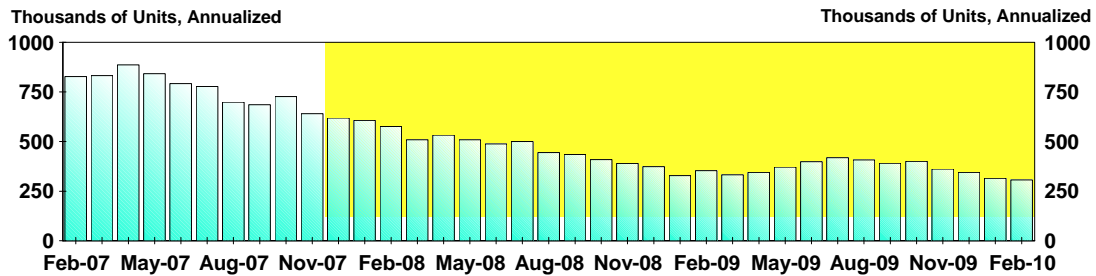
Real DPI and Consumption



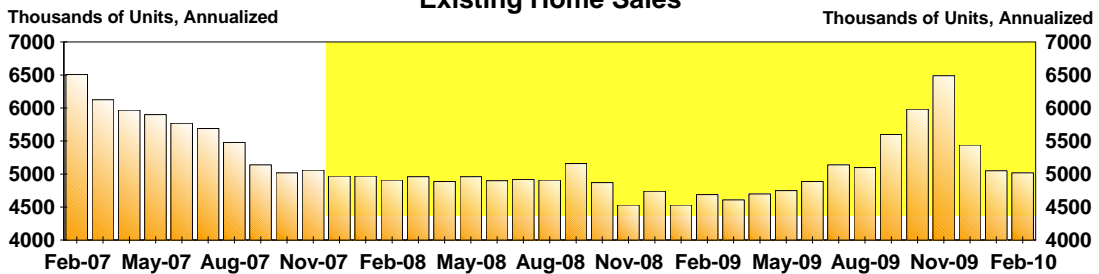
Source: Bureau of Economic Analysis / Haver Analytics.

Housing sales remained muted in February, despite the extended and expanded stimulus credit. With the credit set to expire again at the end of April, the coming months will be key to assess the likelihood of a sustained real estate recovery.

New Home Sales



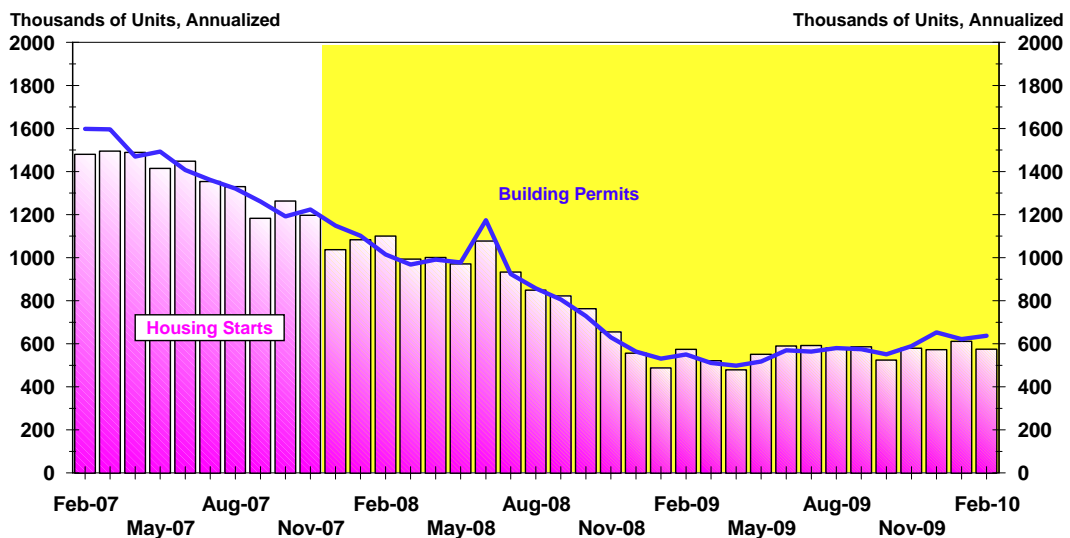
Existing Home Sales



Sources: U.S. Census Bureau (new homes sales) and National Association of Realtors (existing home sales) / Haver Analytics.

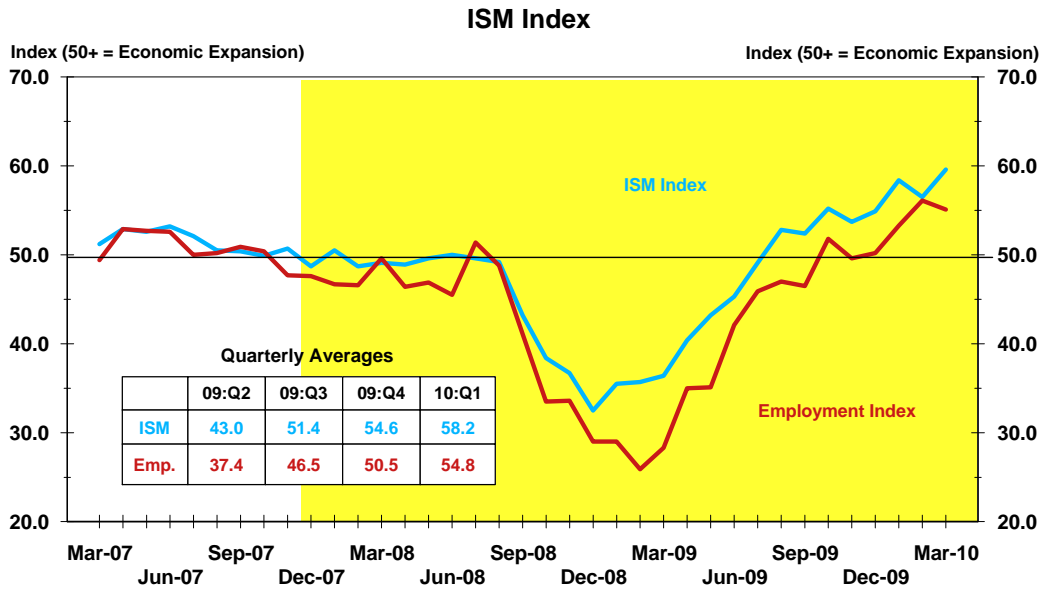
Housing starts fell slightly in February to match their six-month average, which is only slightly above their 12-month average. Construction may pick in the months ahead, however, as building permits rebounded in February and remain above the record-low levels seen throughout 2009.

Housing Starts and Building Permits



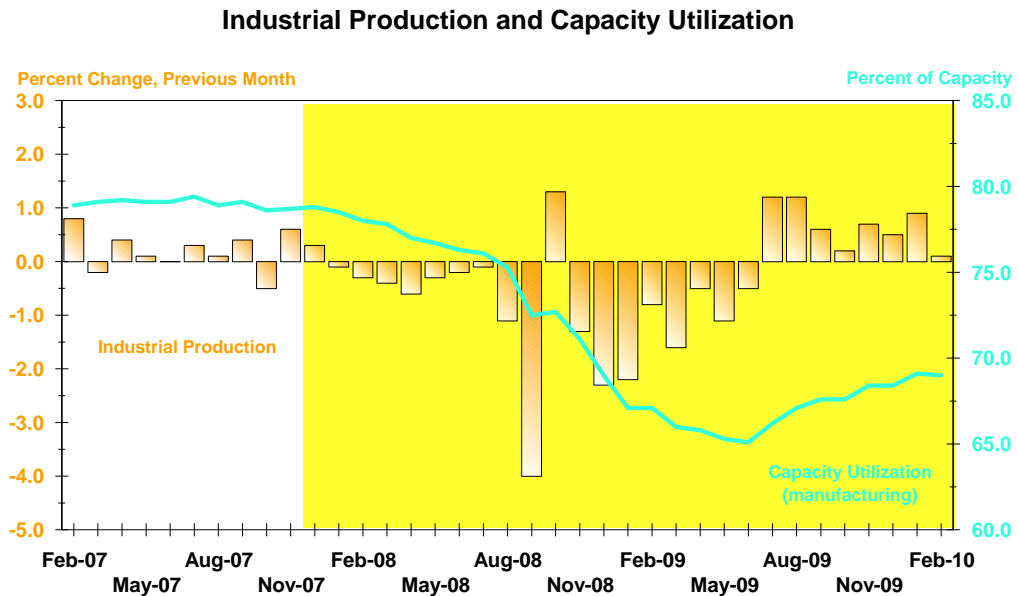
Source: U.S. Census Bureau / Haver Analytics.

The ISM manufacturing index improved in March, more than offsetting the decline seen in February and also reaching its highest point since July 2004. The employment index eased in March, but remains well above 50.



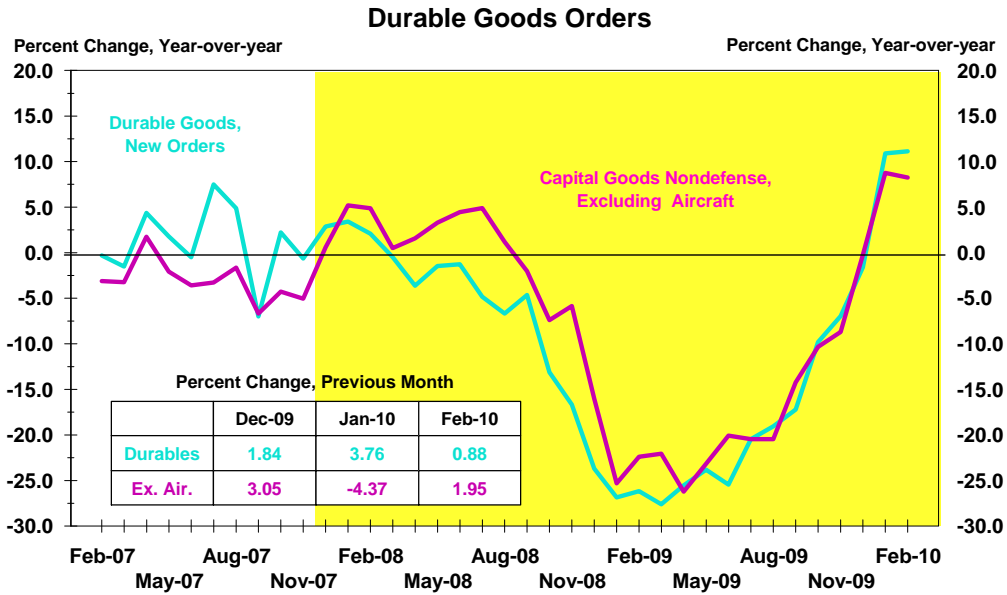
Source: Institute of Supply Management / Haver Analytics.

Industrial production posted its eighth consecutive monthly increase in February, albeit a small one. Capacity utilization was essentially unchanged during the month.



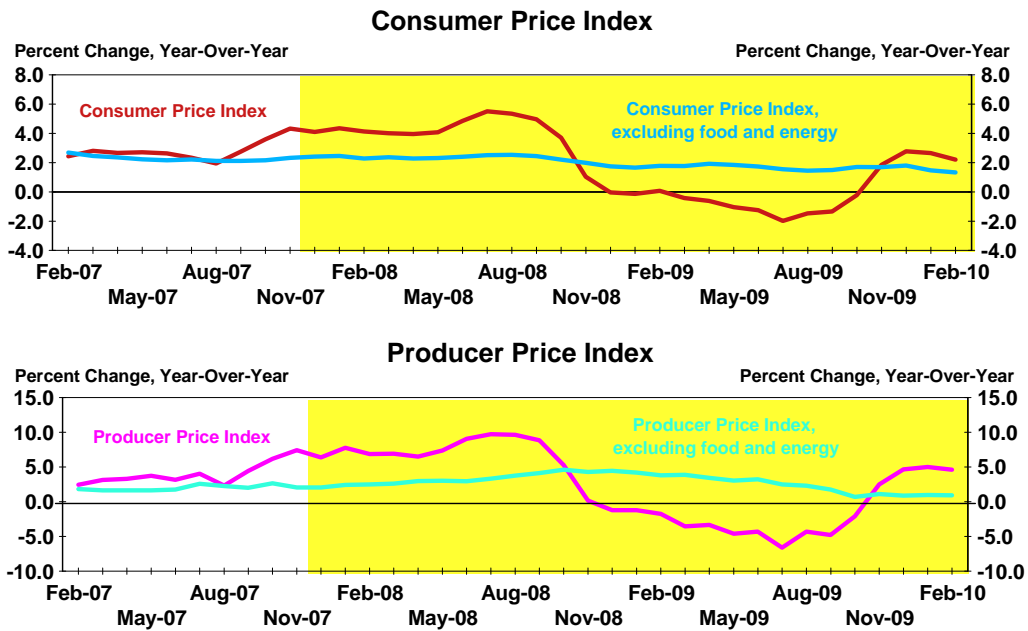
Source: Federal Reserve Board of Governors / Haver Analytics.

New orders for durable goods posted another solid gain in February, on a year-over-year basis. Orders of nondefense capital goods, excluding aircraft, slowed a little in February year-over-year, but in monthly terms rebounded from a January drop.



Source: U.S. Census Bureau / Haver Analytics.

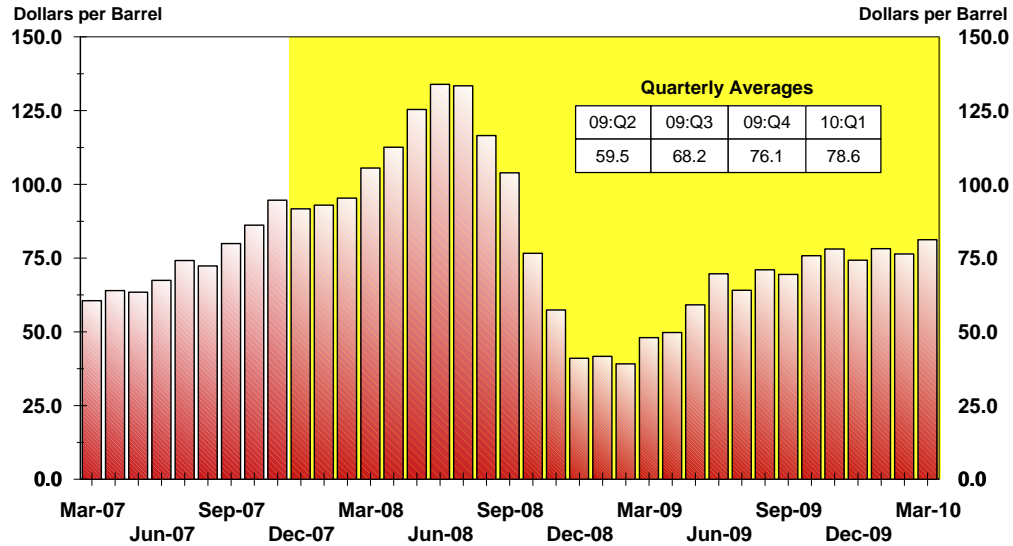
Total consumer price inflation slowed further in February, and core prices eased to their lowest pace in six years. Producer prices also slowed in February.



Source: Bureau of Labor Statistics / Haver Analytics.

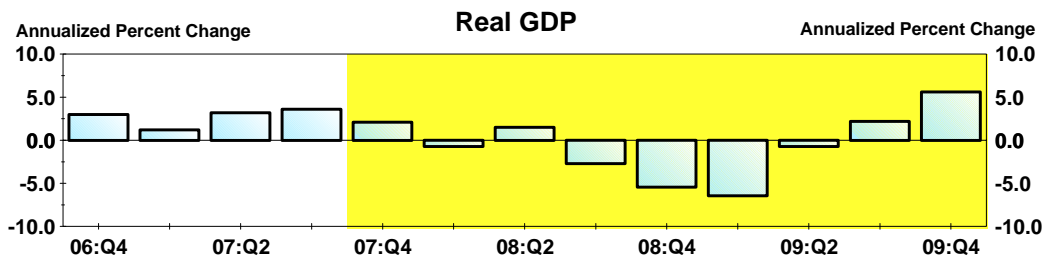
Oil prices rose in March, reaching their highest levels since September 2008.

Domestic Spot Oil Price



Source: Wall Street Journal / Haver Analytics.

Real GDP growth was revised slightly downward in the final fourth quarter estimate. The lower figure primarily reflected downward revisions to nonresidential fixed investment, to private inventory investment, and to personal consumption expenditures.

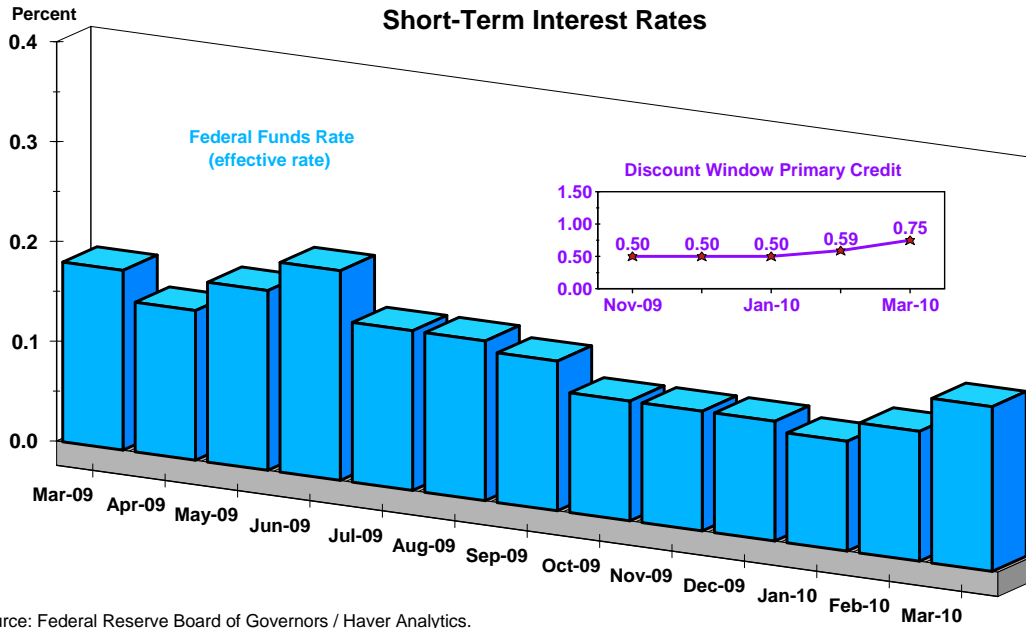


Fourth Quarter Revisions

Description	Second Estimate	Final Estimate
Real GDP	5.9	5.6
Personal Consumption	1.7	1.6
Business Investment	6.5	5.3
Equipment and Software	18.2	19.0
Residential Investment	5.0	3.8
Government	-1.2	-1.3
Exports	22.4	22.8
Imports	15.3	15.8
Final Sales	1.9	1.7

Source: Bureau of Economic Analysis / Haver Analytics.

Overall, data released since your last Directors' meeting suggest the economy grew further during the first quarter, but by a smaller amount than seen during the fourth quarter. The strongest signs of recovery continue to be seen in the business sector, with consumption also providing some support. As expected, improvements in labor market conditions will be necessary to spur and maintain a robust economic recovery.



Source: Federal Reserve Board of Governors / Haver Analytics.

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

April 8, 2010

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

The labor market showed modest improvement in March. Nonfarm payrolls added 162,000 jobs during the month, but many of those were temporary Census workers and others were February additions not counted at the time due to severe winter storms. Regardless of the reasons, the March estimate still was the strongest in three years.

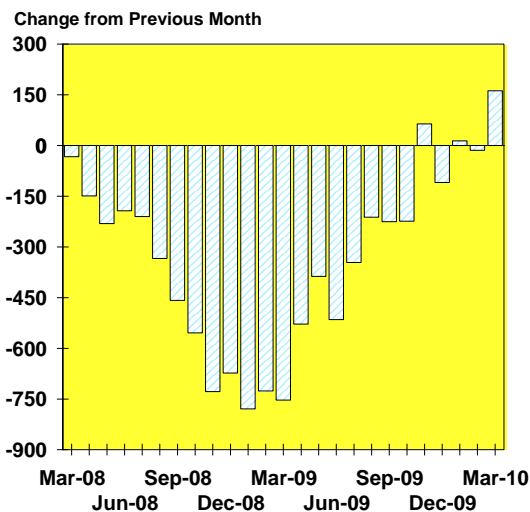
Auto sales rebounded in March, with dealer incentives leading to the strongest monthly sales pace since August. Excluding the CARS-influenced period last summer, vehicle sales in March were the best since September 2008.

The ISM non-manufacturing index rose to 55.4 in March, its highest level in nearly four years. The index languished at or below 50 for most of the previous two years before posting solid back-to-back gains in February and March. The employment component of the index improved to 49.8 in March, the strongest reading since March 2008. The employment index was last above 50 in December 2007.

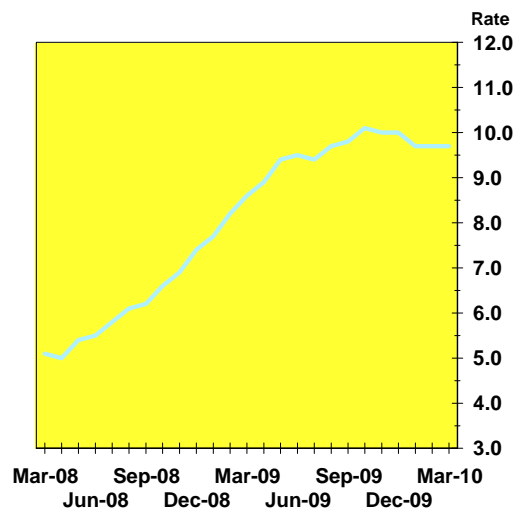
Redbook sales closed March 1.5% higher than they were in February. In the final week of the month, sales were 5.2% above the same week last year. Oil prices increased over the past week, averaging \$85.6 per barrel compared to last week's average of \$81.0.

Payroll employment increased by 162,000 in March, and revisions to the two previous months' estimates resulted in no net change in payrolls, which previously were reported as a cumulative drop of 62,000 jobs. The unemployment rate was 9.7% in March, matching the estimates for February and January.

Nonfarm Payroll Employment



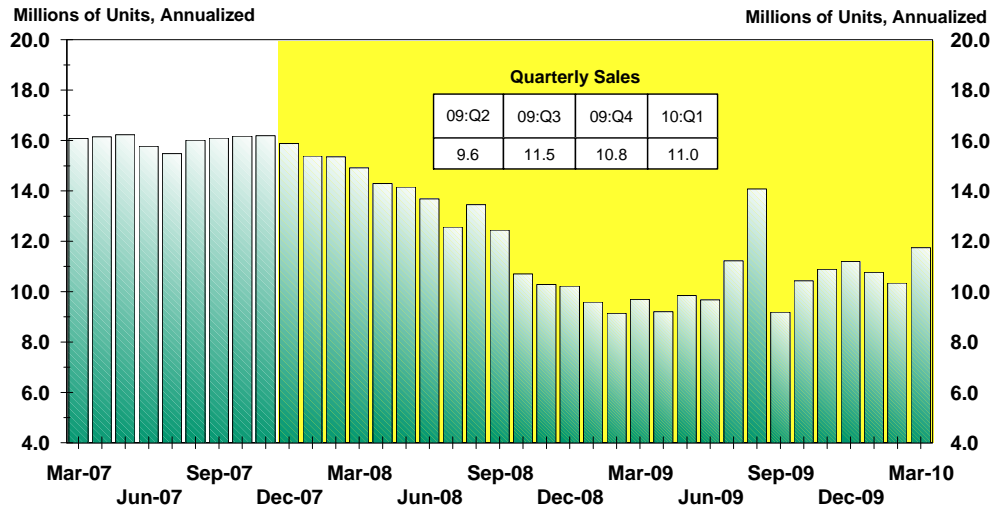
Unemployment Rate



Source: Bureau of Labor Statistics / Haver Analytics.

Total auto and light truck sales rose in March, more than offsetting the declines seen in the previous two months. Despite the strong month, first quarter sales were only slightly higher than those in the fourth quarter.

Total Auto and Light Truck Sales



Source: Bureau of Economic Analysis / Haver Analytics.