

PRESIDENT'S REPORT TO THE BOARD OF DIRECTORS,  
FEDERAL RESERVE BANK OF BOSTON  
Current Economic Developments - April 8, 2004

Data released since your last Directors' meeting indicate the economy continues to expand at roughly the same pace as in the fourth quarter of 2003.

In March, payroll employment increased at its fastest pace in nearly four years, but the unemployment rate also rose. The latest four-week moving average of initial claims continued to hover near its three-year low.

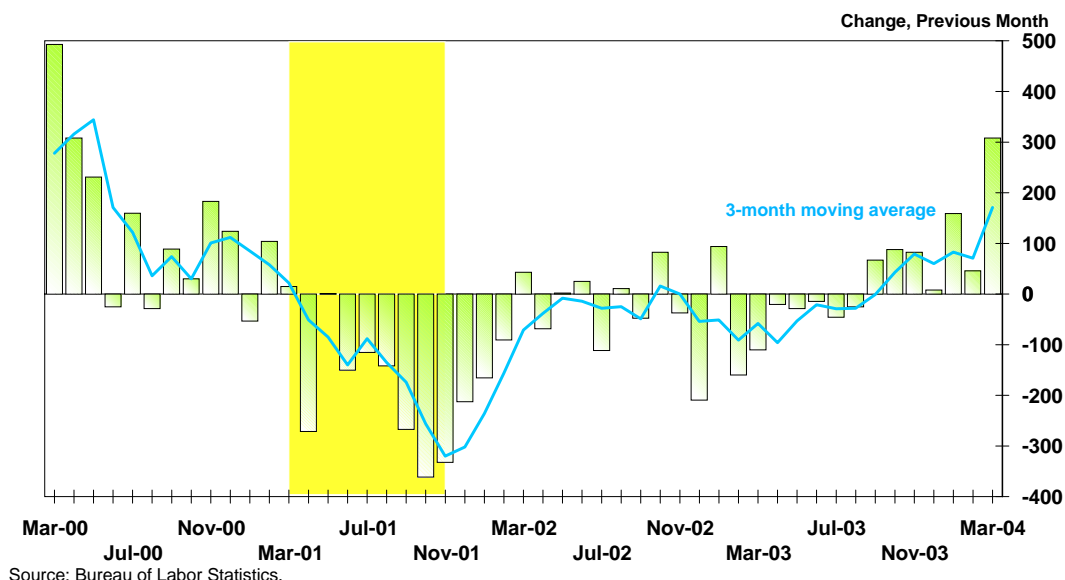
Consumer confidence posted its lowest level in five months in March as concerns about the job market persist. Total auto sales rose in March, but the first quarter average still came in below both third and fourth quarters' estimates. While real disposable income increased, real consumption was unchanged in February. Also in February, housing starts marked their lowest level since August and building permits fell. New and existing home sales both increased in February, however.

Inflation risks are minimal, despite the rise in producer and consumer prices due to the recent climb in energy prices.

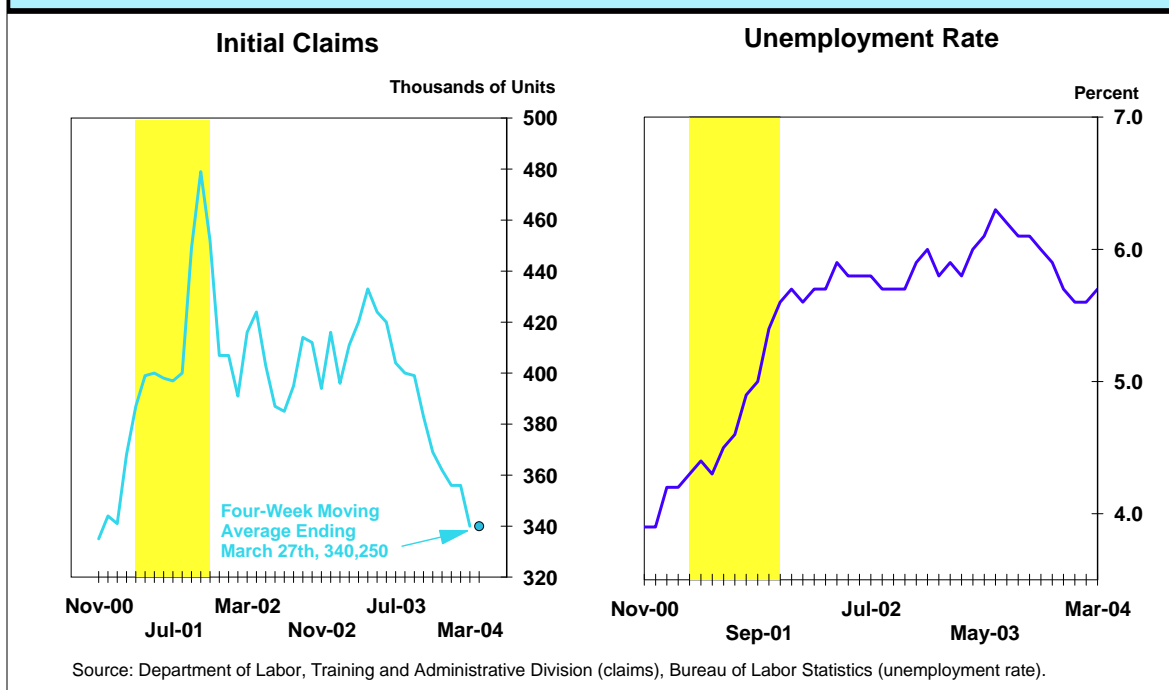
In the business sector, March's ISM index remained above 50 for the tenth consecutive month. Industrial production continued to rise and durable goods posted its fourth increase in six months in February. Leading indicators remained unchanged in February as consumer attitudes and the labor market saw only slight improvement.

In March, the employment situation improved noticeably with a gain of 308,000 jobs, its fastest pace since April 2000. Also, upward revisions were made to January and February's estimates, resulting in the first quarter posting its largest gain since June 2000.

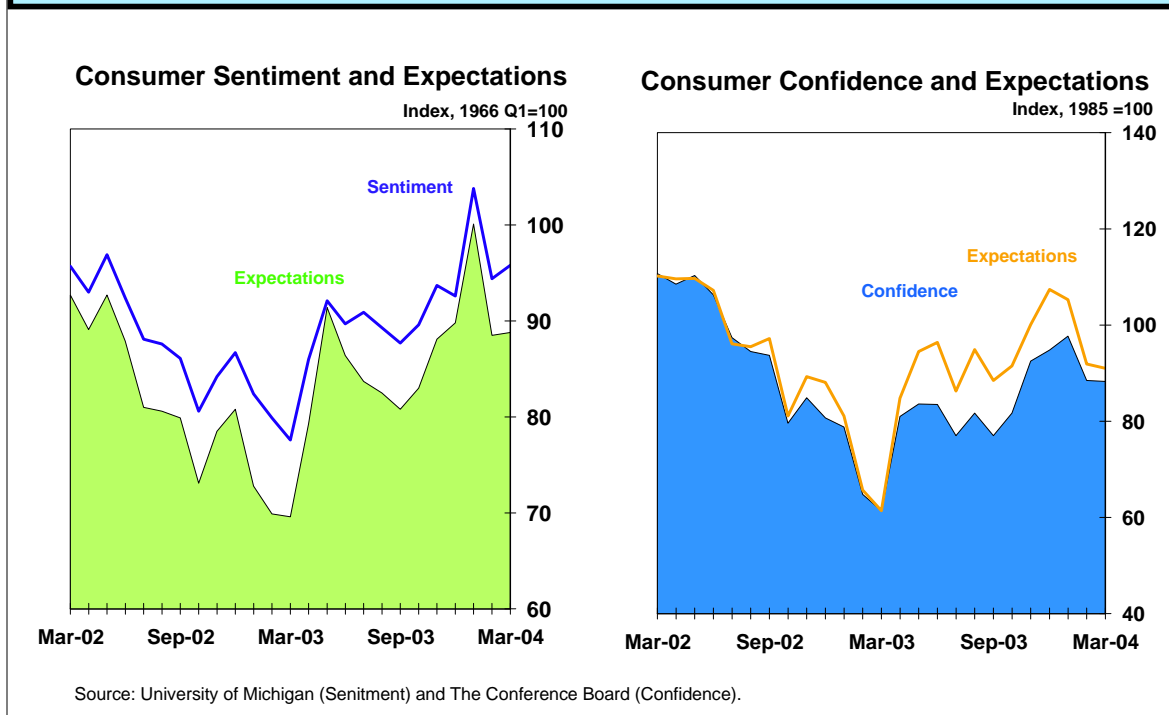
### Nonfarm Payroll Employment



Initial claims showed improvement as the the four-week moving average ending March 27th was 340,250, the lowest level since January 2001. The unemployment rate, however, increased one-tenth of a percentage point, reflecting a rise in the workforce.

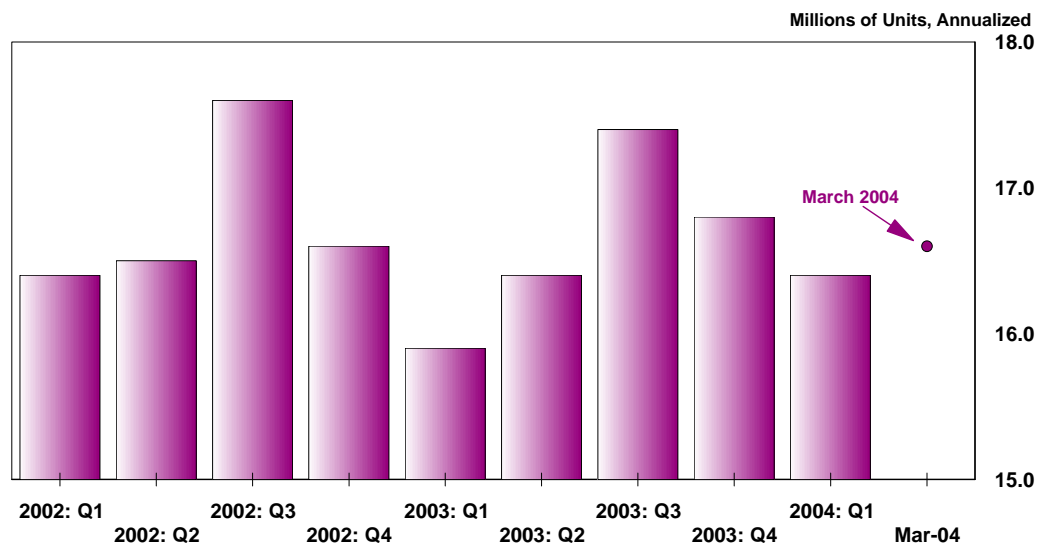


Consumer attitudes saw little change from February to March as concerns about the job market remain.



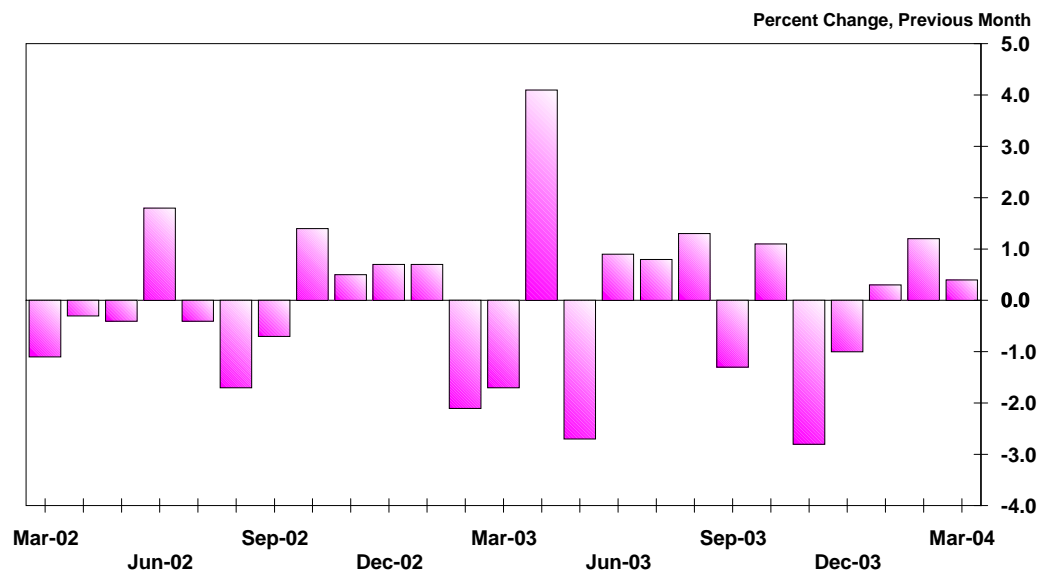
Total auto and light truck sales rose in March for the second consecutive month. Still, auto sales were lower in the first quarter than their third and fourth quarter averages.

### Total Auto and Light Truck Sales

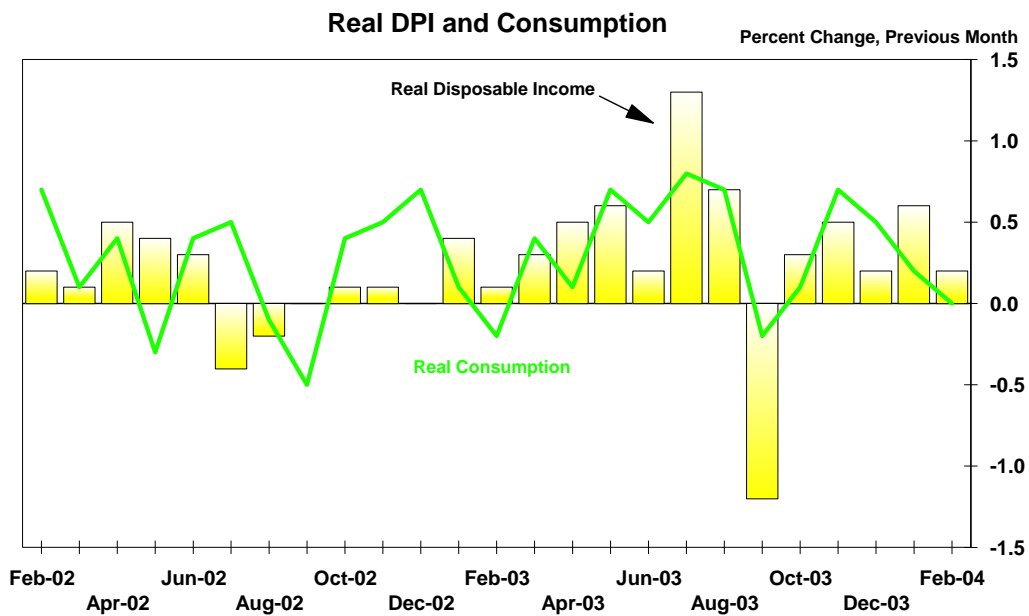


Compared to February, Redbook sales gained 0.4% in the five weeks ending April 3rd.

### Redbook, Retail Sales

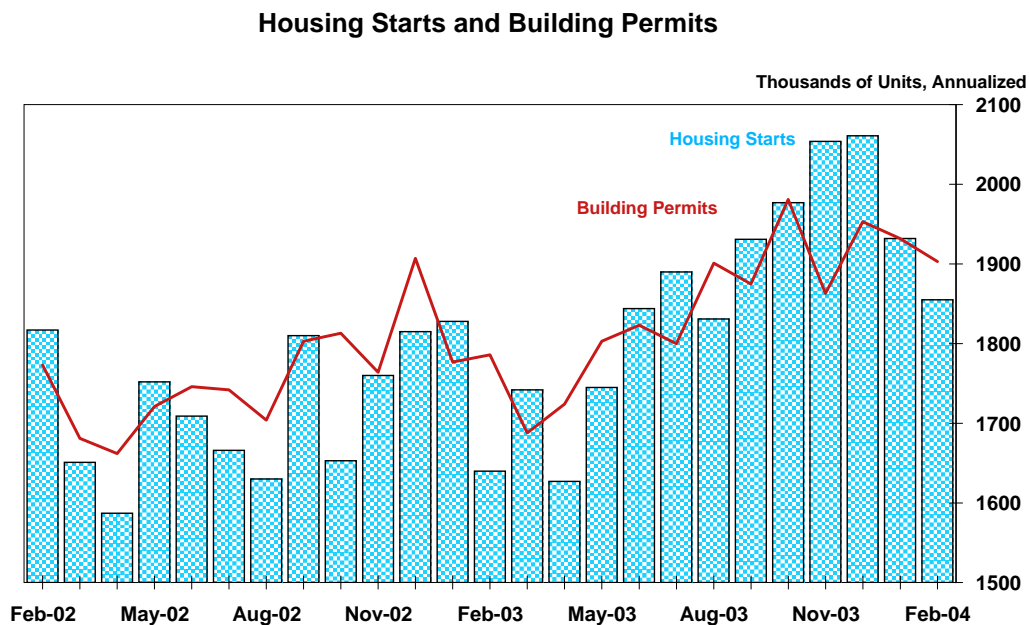


Real disposable income rose while consumption was unchanged in February.



Source: Bureau of Economic Analysis.

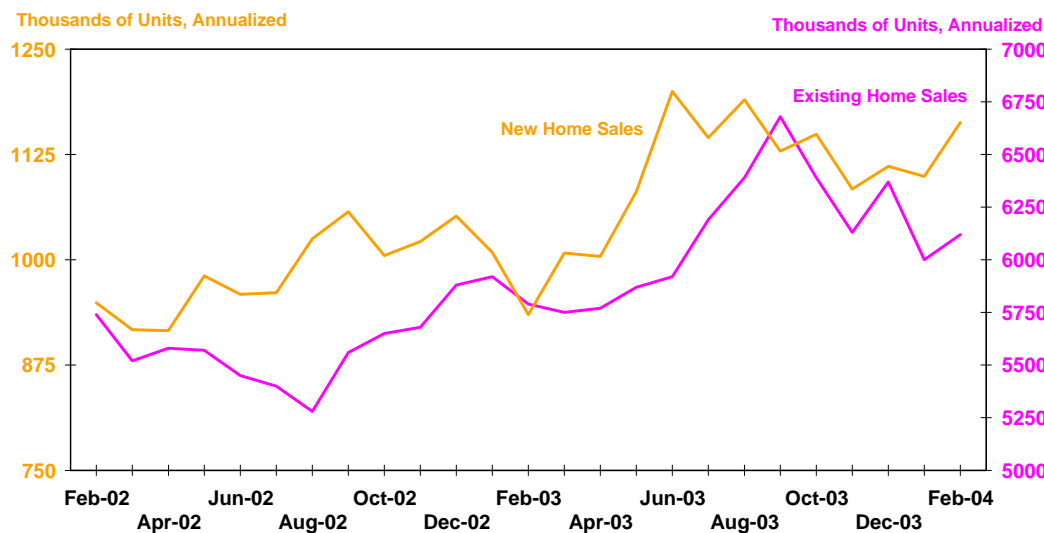
Housing starts posted their second consecutive monthly drop, declining 4% in February. Building permits also fell 1.5%.



Source: U.S. Census Bureau.

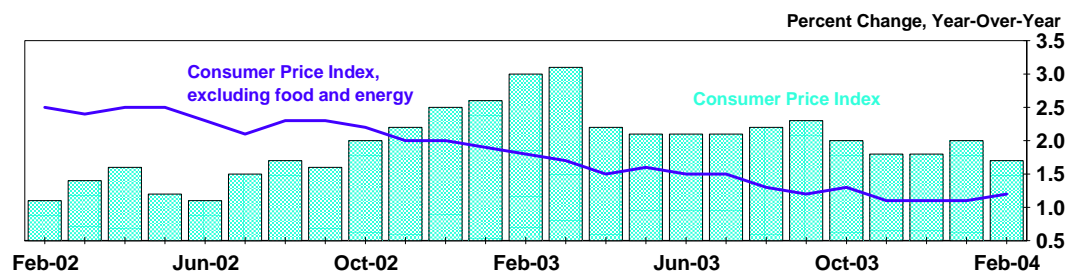
However, new home sales in February rose to their highest level in six months. Existing home sales increased to 6.12 million units.

### New and Existing Home Sales

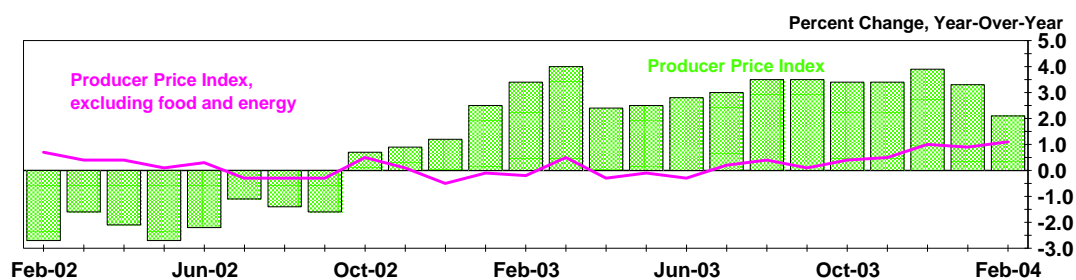


Consumer and producer prices continue to increase. Still, core prices indicate low inflation risks.

### Consumer Price Index

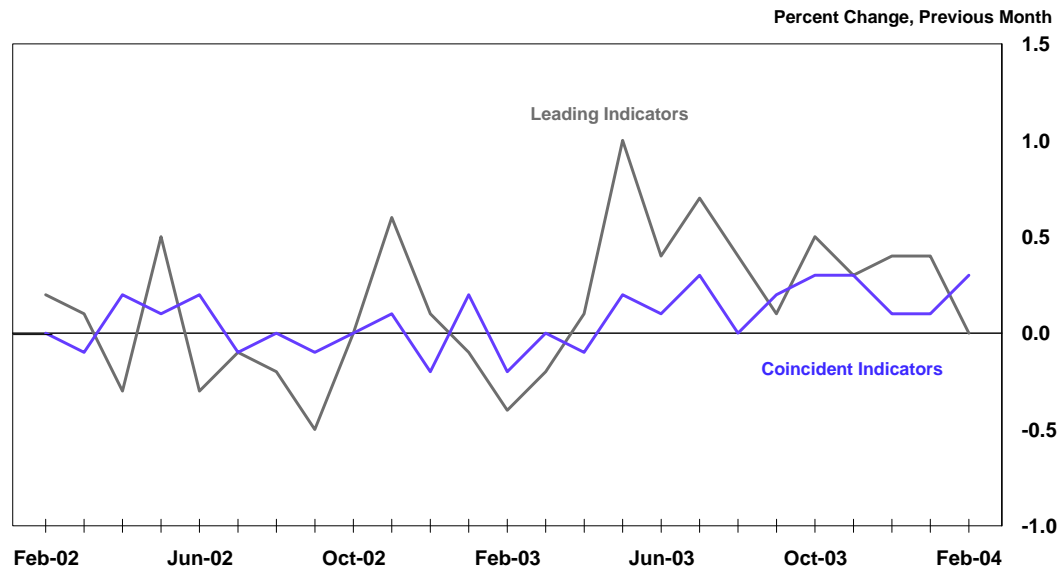


### Producer Price Index



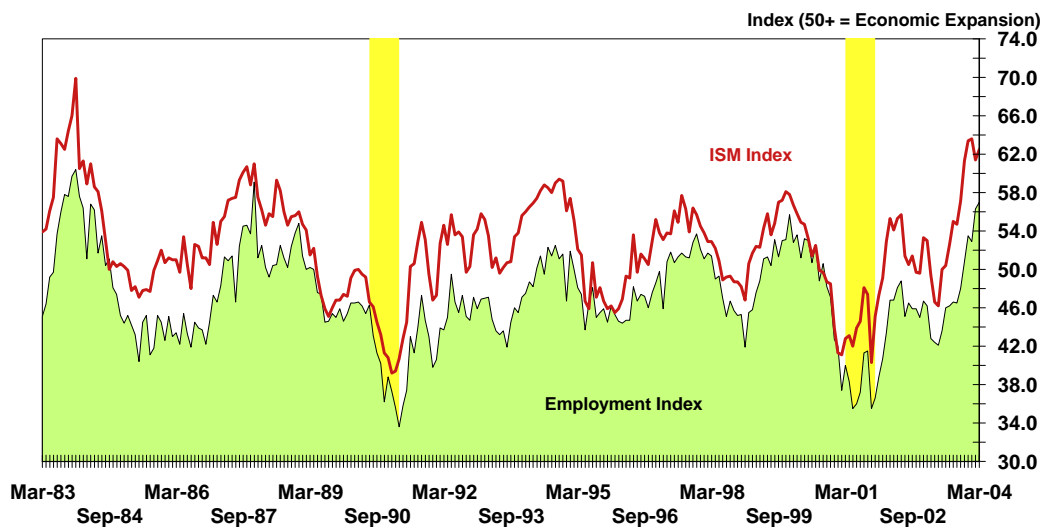
In the business sector, the index of leading indicators was unchanged in February as consumer expectations, initial claims, and building permits saw little improvement.

### Index of Leading and Coincident Indicators



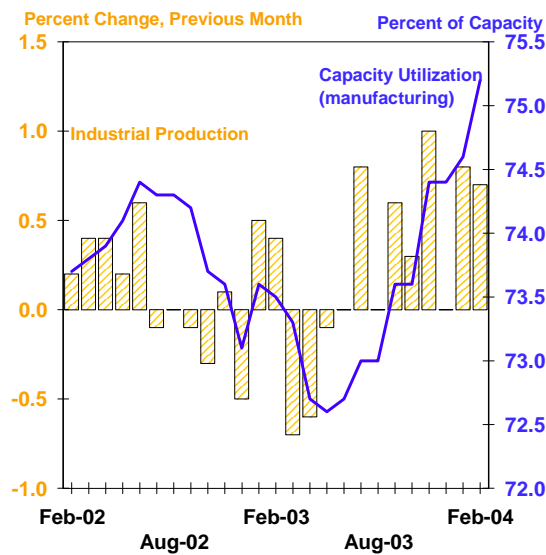
In March, the ISM Index grew for the tenth consecutive month, and the employment index reached 57.0, its highest level in over fifteen years.

### ISM Index



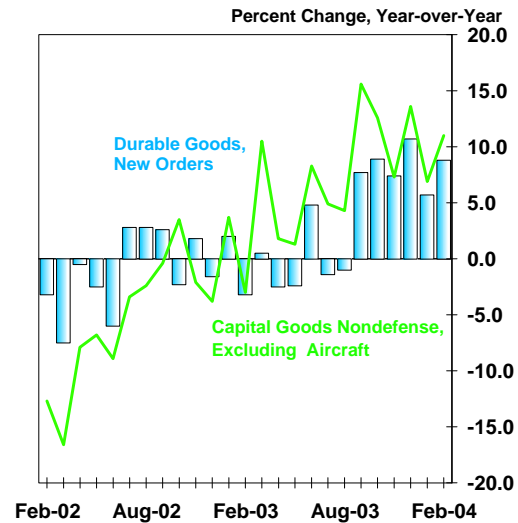
Industrial production rose in February, while new orders for durable goods posted their fourth increase in six months.

### Industrial Production and Capacity Utilization



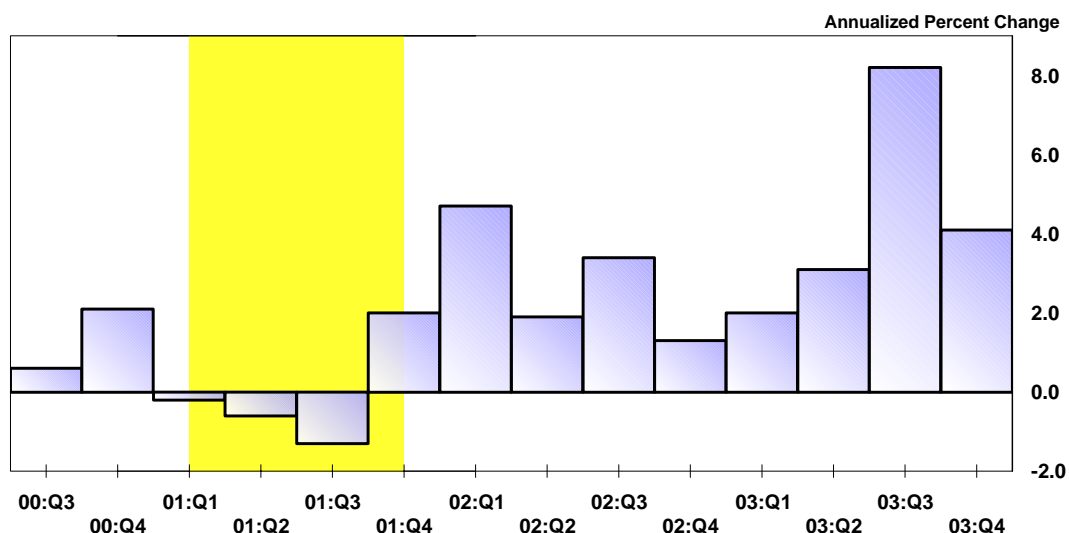
Source: U.S. Census Bureau.

### New Orders



Real GDP remained at 4.1% for the final estimate in the fourth quarter, reflecting an upward revision to consumer and business spending that was offset by downward adjustments to inventory accumulation and government spending.

### Real Gross Domestic Product



Source: Bureau of Economic Analysis.

Overall, the economy is expanding as the business and manufacturing sectors gained strength in the first quarter. Still, the labor market and consumer attitudes need to improve further for growth to be sustained in the near future.

