FEDERAL RESERVE BANK OF BOSTON™

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

April 3, 2008

Current Economic Developments - April 3, 2008

Data released since your last Directors' meeting suggest growth during the first quarter will be even slower than in the fourth quarter. The combined effects of the weak housing market, the soft labor market, cautious consumers, and slower business investment have brought the economy to very slow, and possibly negative, growth.

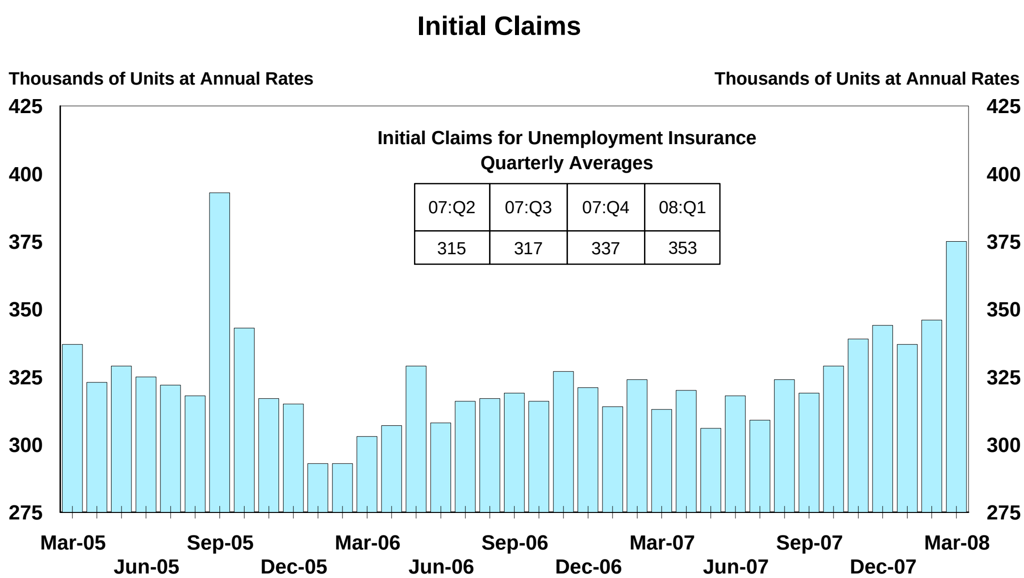
In March, initial claims for unemployment insurance rose further, bringing their first quarter average to a four year high. Consumer attitudes continued to worsen, falling to levels previously seen only during times of recession, and total auto sales fell to their lowest point in over two years. In February, real consumption was unchanged despite an increase in real disposable incomes.

Struggles in the housing market persisted in February. Sales of existing homes was the only measure to display any improvement, although new home sales and housing starts experienced only minor decreases.

In the business sector, both the ISM manufacturing and employment indices improved in March, but remain below 50. In February, industrial production and capacity utilization both posted moderate declines, while new orders for durable goods slowed and orders for nondefense capital goods, excluding aircraft, were flat.

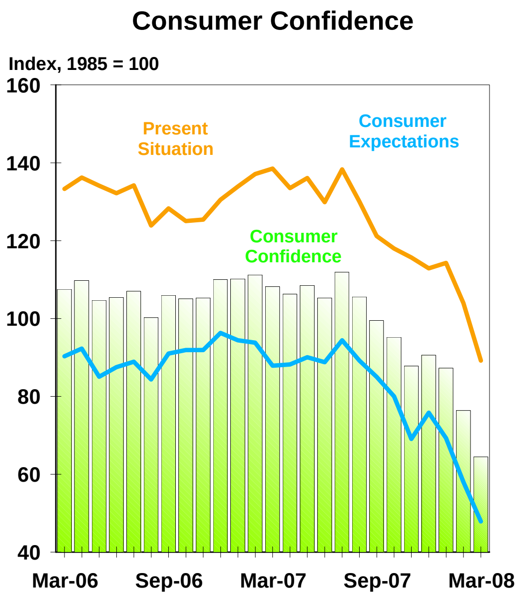
Headline inflation slowed for both consumers and producers in February, but remained elevated. Core prices also slowed for consumers, but accelerated a bit for producers. Oil prices continued to rise in March, establishing yet another record high.

Initial claims rose sharply in March, reaching their highest level since September 2005.

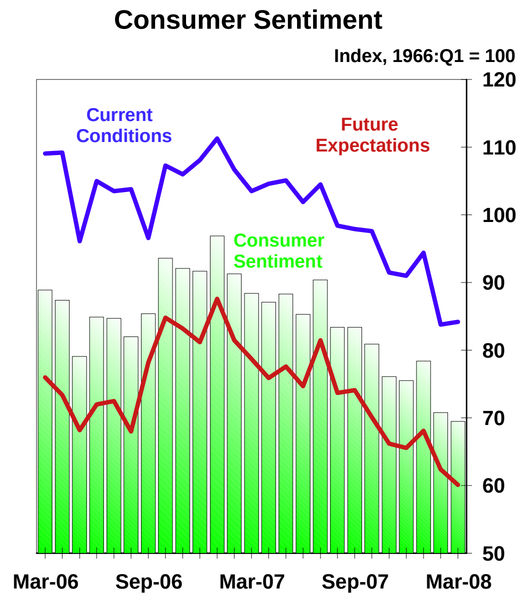


Source: Department of Labor, Employment and Training Administration.

Measures of consumer attitudes continued to deteriorate in March, falling to levels not seen since past recessions. Consumers are primarily worried about the state of the economy as a whole, but are also worried about job market conditions and the effects of higher food and energy prices on their financial situation.

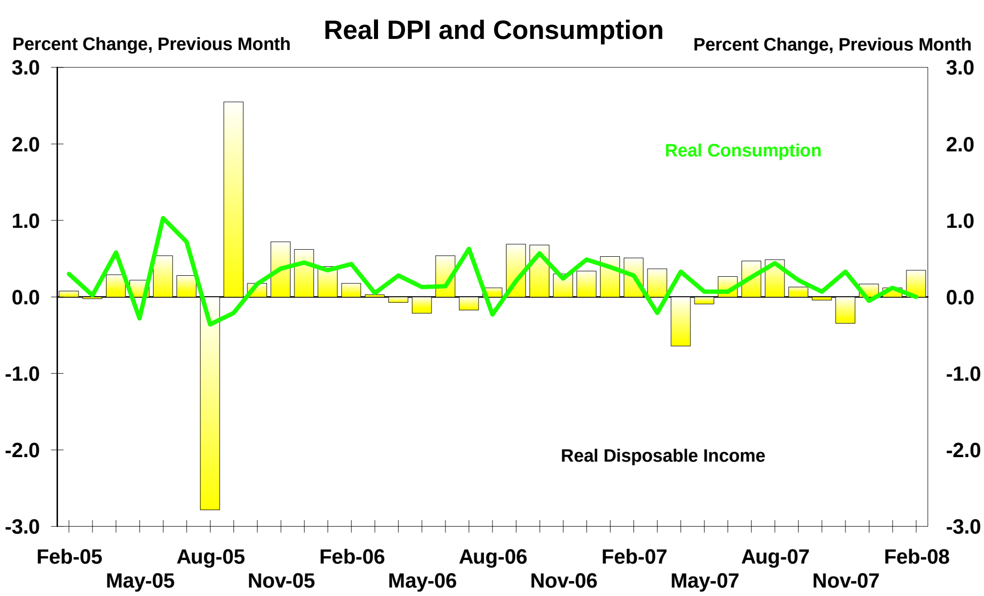


Source: The Conference Board.



Source: The University of Michigan.

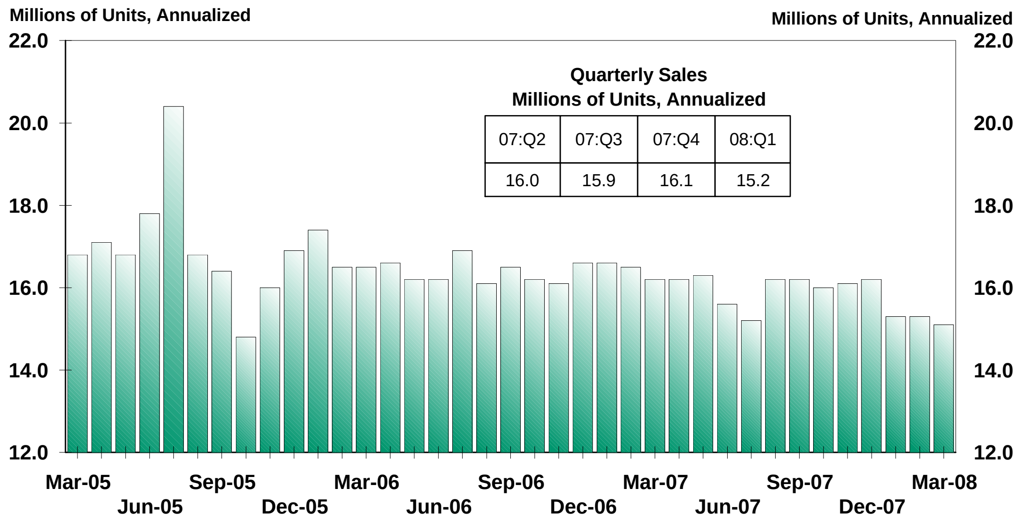
Real disposable income grew for the third consecutive month in February, but real consumption was unchanged. Consumption may continued to be hampered as consumers have begun concentrating on paying off debt and building their savings due to their concerns over the state of the economy.



Source: Bureau of Economic Analysis.

Total auto and light truck sales eased in March, and first quarter sales were their lowest since the third quarter of 1998 when sales were 14.8 million.

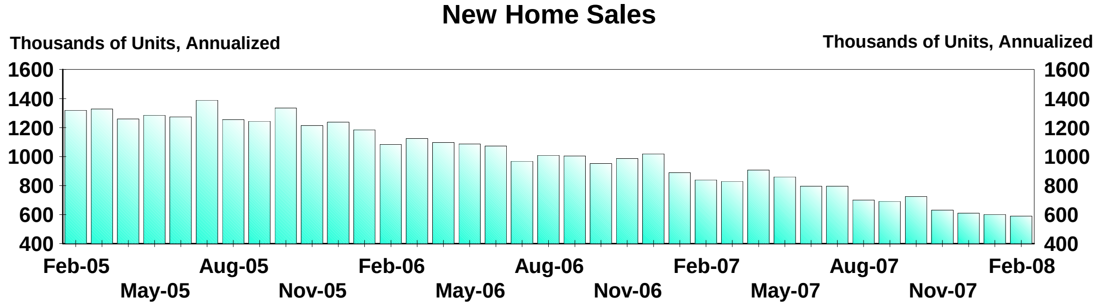
Total Auto and Light Truck Sales



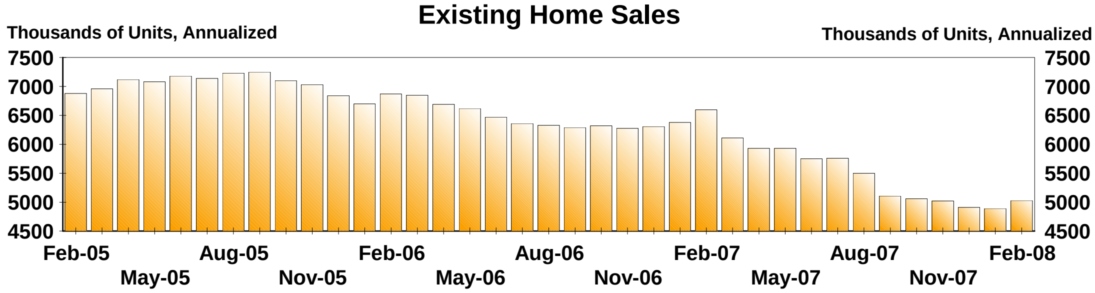
Source: Bureau of Economic Analysis.

The housing market continued to struggle in February, although existing home sales did post their first significant increase since last February.

New Home Sales

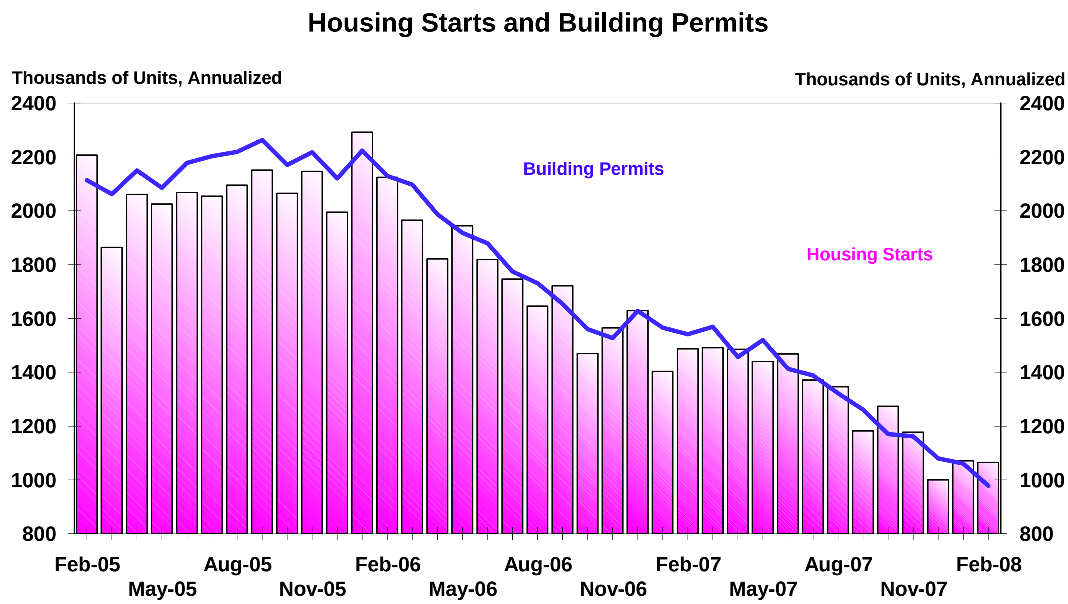


Existing Home Sales



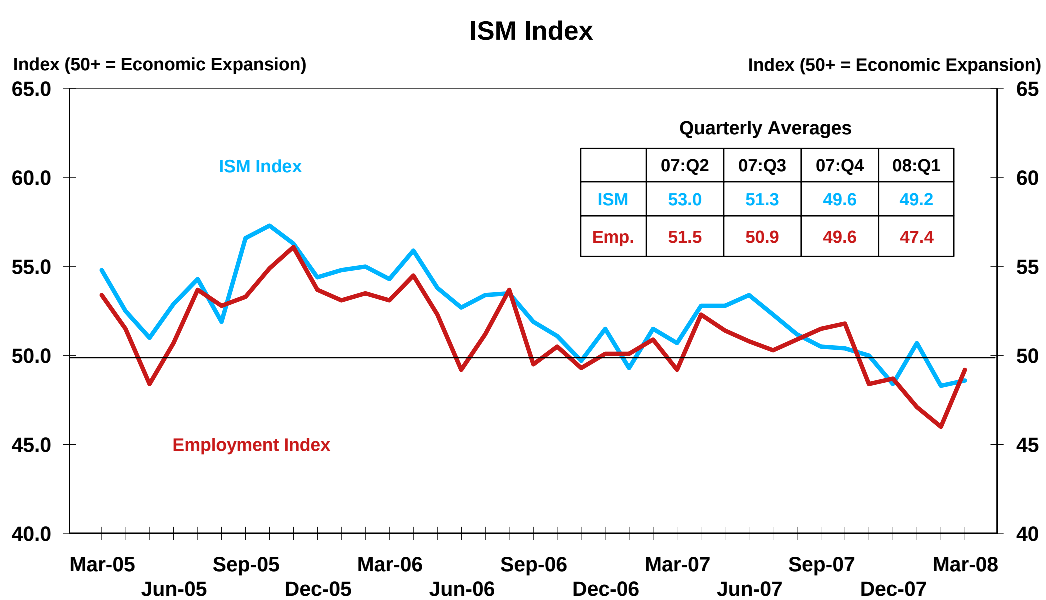
Source: U.S. Census Bureau (new homes sales) and National Association of Realtors (existing home sales).

Housing starts were essentially unchanged in February, and building permits continued to fall. The prolonged slump in the housing market has brought both these measures down to a level half of that seen two years ago.



Source: U.S. Census Bureau.

The ISM manufacturing and employment indices increased in March, but both measures remain below 50. On a quarterly basis, the ISM index was little changed in the first quarter from the fourth, but the employment index dropped despite the improvement seen in March.

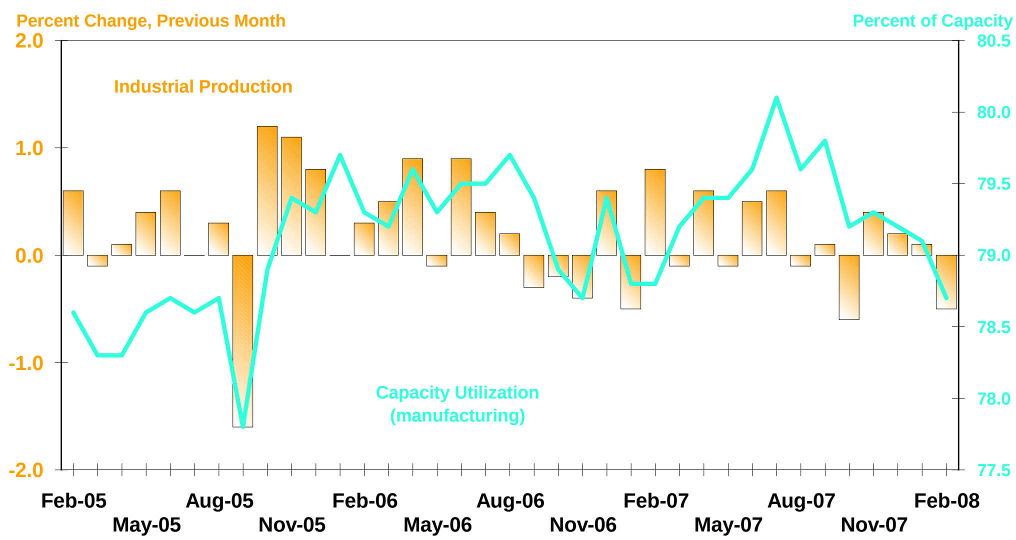


	07:Q2	07:Q3	07:Q4	08:Q1
ISM	53.0	51.3	49.6	49.2
Emp.	51.5	50.9	49.6	47.4

Source: Institute of Supply Management.

Industrial production fell in February, offsetting the gains seen over the past three months. Capacity utilization also declined in February, falling to its lowest level since November 2006.

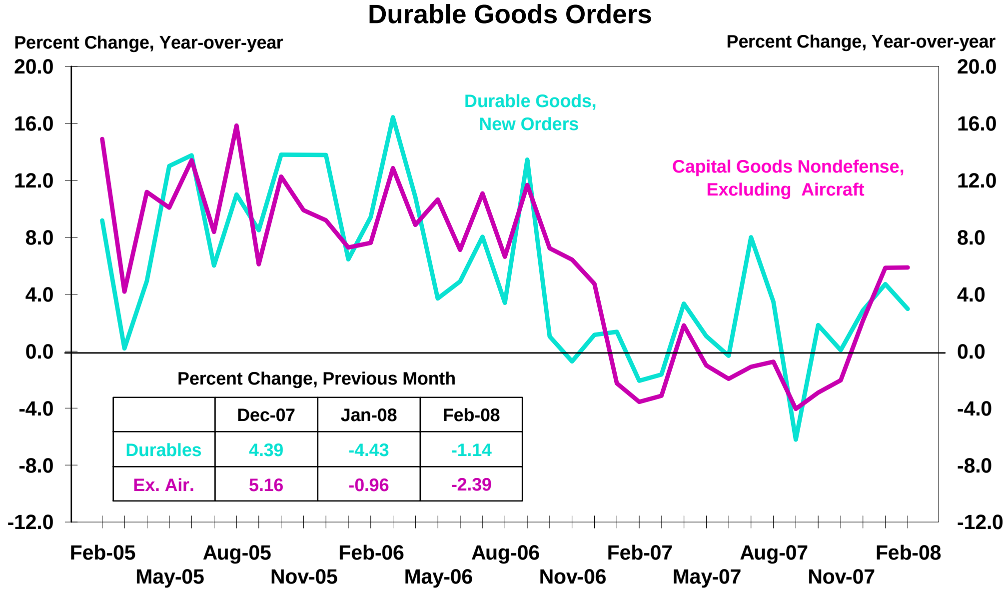
Industrial Production and Capacity Utilization



Source: Federal Reserve Board of Governors.

New orders for durable goods decelerated in February (year-over-year), while orders for nondefense captial goods, excluding aircraft, were essentially flat. On a month-over-month basis, both measures decreased for the second month in a row.

Durable Goods Orders



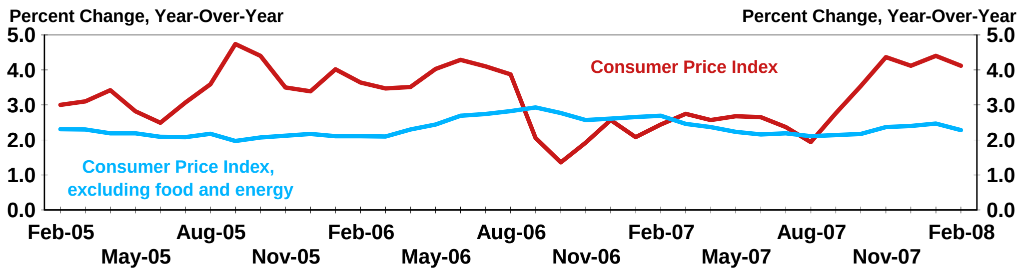
Percent Change, Previous Month

	Dec-07	Jan-08	Feb-08
Durables	4.39	-4.43	-1.14
Ex. Air.	5.16	-0.96	-2.39

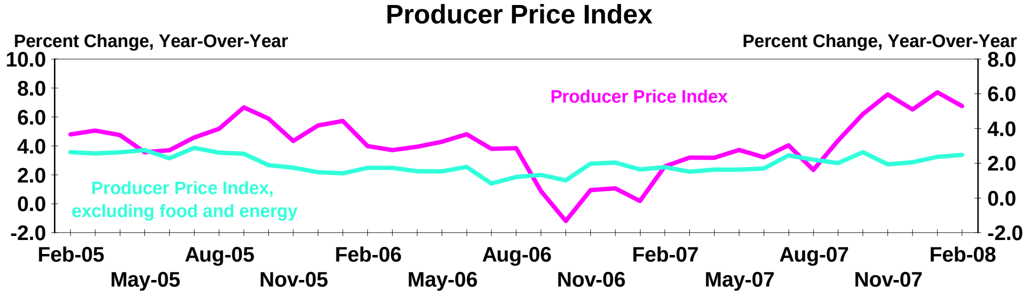
Source: U.S. Census Bureau.

Core consumer inflation slowed in February, while core producer inflation picked up a bit. Total prices slowed for both consumers and producers.

Consumer Price Index



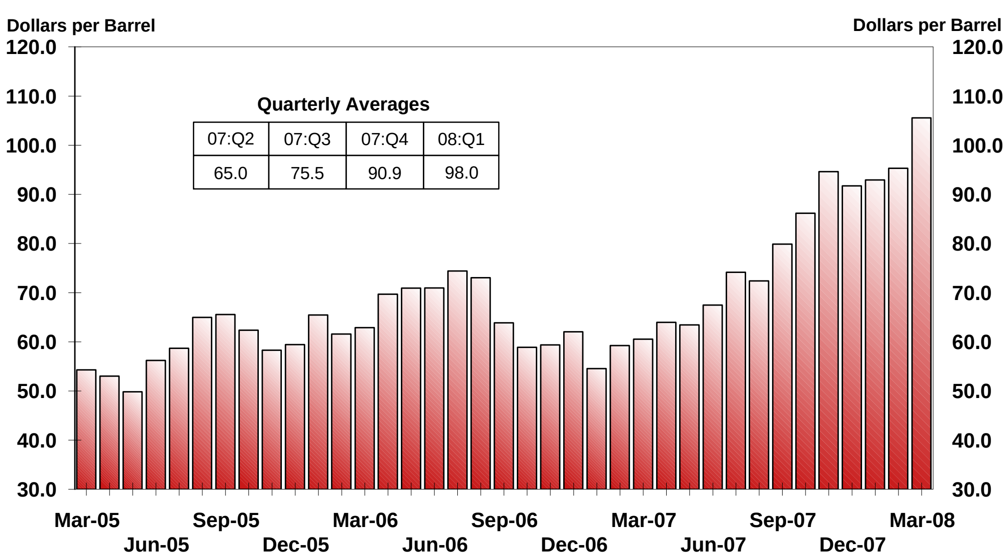
Producer Price Index



Source: Bureau of Labor Statistics.

Oil prices surged in March, rising more than $10 per barrel. The latest record high was set on March 13, when oil prices closed at $110.33 per barrel.

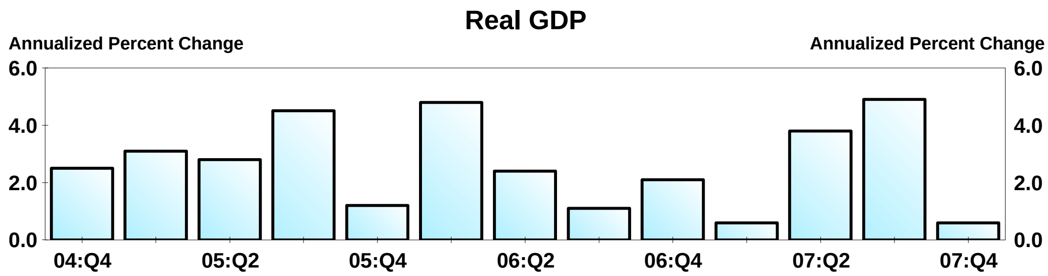
Domestic Spot Oil Price



07:Q2	07:Q3	07:Q4	08:Q1
65.0	75.5	90.9	98.0

Source: Wall Street Journal.

Real GDP growth was unrevised in the fourth quarter, primarily reflecting a downward revision to inventory investment and smaller downward revisions to other GDP components that were largely offset by upward revisions to PCE and exports.

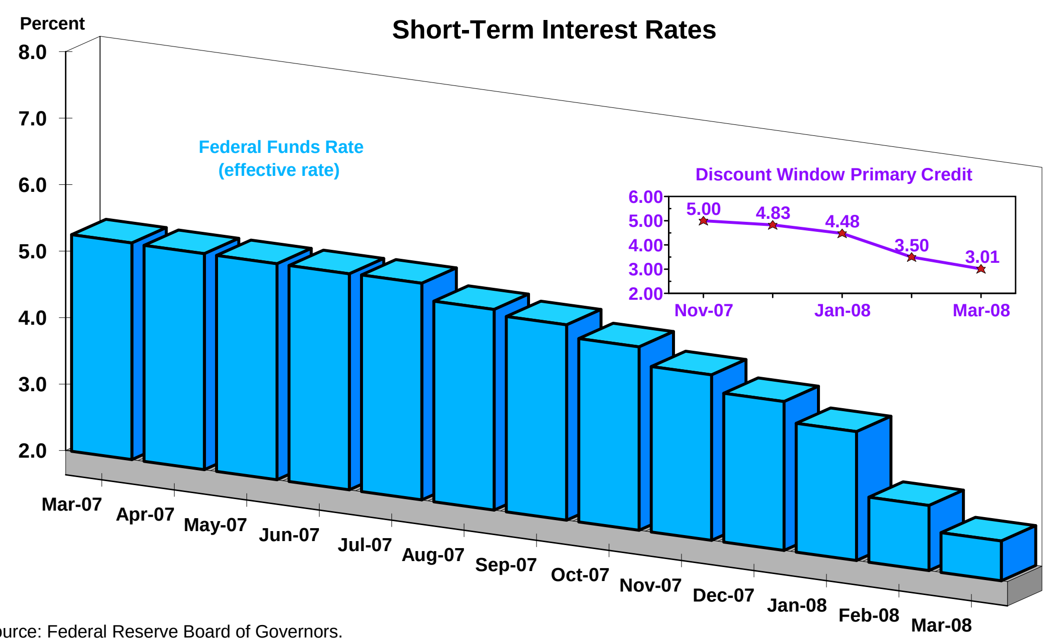


Fourth Quarter Revisions

Description	Preliminary	Revised
Real GDP	0.6	0.6
Personal Consumption	1.9	2.3
Business Investment	6.9	6.0
Equipment and Software	3.3	3.1
Residential Investment	-25.2	-25.2
Government	2.2	2.0
Exports	4.8	6.5
Imports	-1.9	-1.4
Final Sales	2.1	2.4

Source: Bureau of Economic Analysis.

Overall, data released since your last Directors' meeting suggest growth during the first quarter will be even slower than in the fourth quarter. The combined effects of the weak housing market, the soft labor market, cautious consumers, and slower business investment have brought the economy to very slow, and possibly negative, growth.



Source: Federal Reserve Board of Governors.

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

April 10, 2008

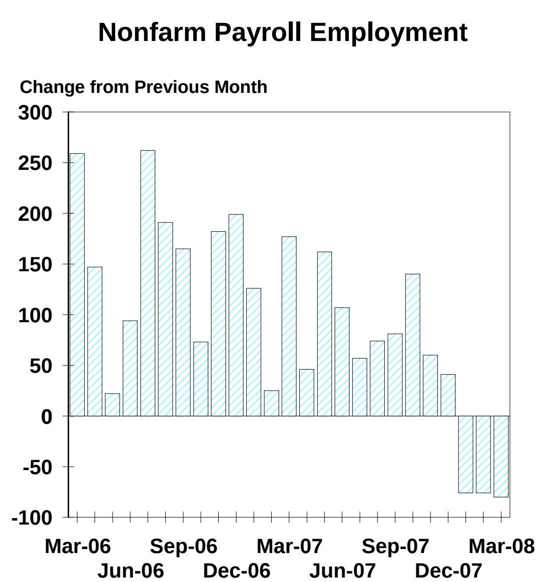
Current Economic Developments - Addendum: Data released in the past week

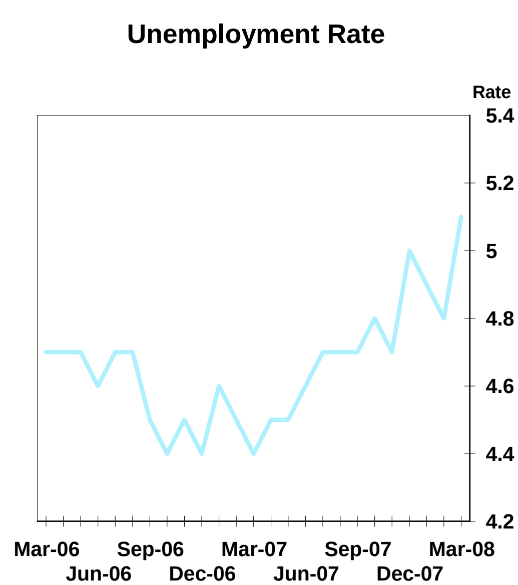
In March, nonfarm payrolls posted their largest monthly decrease in five years and the unemployment rate rose to its highest point in two-and-a-half years. Payroll losses for January and February were revised further negative, bringing the average number of jobs reduced per month for 2008 to 77,000. The last time payroll employment dropped three consecutive months was in early 2003 when the job market was still recovering from the 2001 recession.

Wholesale inventories rose 1.1% in February, following a revised increase of 1.3% in January. Inventories were originally estimated as rising 0.8% in January. Wholesale trade fell 0.8% in February, after rising 2.3% in January.

Redbook sales ended March up 1.6% compared to February. For the week ending April 5, sales were 0.8% higher than during the same period last year. Oil prices increased during the past week, averaging 105.7 dollars per barrel compared to last week's average of 104.3.

Payroll employment decreased by 80,000 in March, and downward revisions to each of the prior two months reduced payrolls by an additional 67,000 jobs. The unemployment rate rose three-tenths of a percentage point in March to 5.1%.





Source: Bureau of Labor Statistics.