



FEDERAL RESERVE
BANK OF BOSTON™

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

November 27, 2013

CURRENT ECONOMIC DEVELOPMENTS - November 27, 2013

Data released since your last Directors' meeting were mixed, suggesting that growth is unlikely to improve much further over the rest of the year but is likely to pick up in the coming year. The labor market has shown evidence of strengthening, while consumer attitudes have been mixed. Growth in the housing market remains strong but has shown signs of slowing a bit, while improvements in the manufacturing sector have eased. Fiscal policy uncertainty regarding the federal budget and debt ceiling remains an area of concern that may surround the economic outlook until those issues are addressed.

Initial claims for unemployment insurance have fallen in November, as the four-week moving average ending November 23rd reached its lowest level since the beginning of October. Consumer attitudes were mixed in November as the confidence index continued to decline, while the sentiment index increased for the first time since June due to increasing optimism towards personal finance expectations among upper income households.

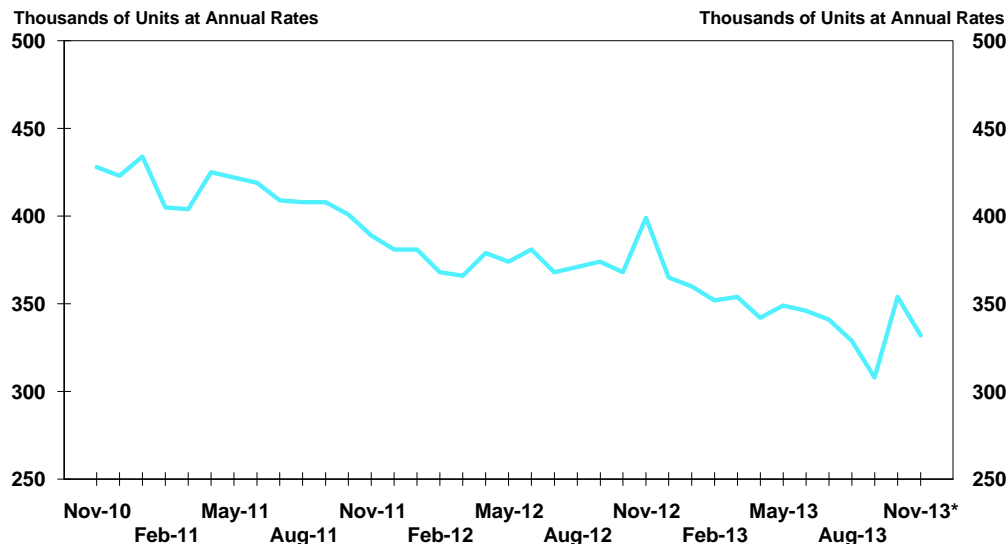
The housing market continued to show signs of recovery, despite mixed data in October. Existing home sales fell in October, but their 12-month average reached its highest pace in six years. New construction data showed some improvement, as permits jumped to their highest level in over five years, led by an increase in multifamily permits. Both new home sales and housing starts data were delayed due to the government shutdown and will be released in December.

In the manufacturing sector, industrial production fell in October while capacity utilization ticked up a bit. Orders for both durable goods and nondefense capital goods, excluding aircraft, decreased in October, and their improvements over year-ago levels continued to slow.

Total consumer price indices decelerated in October and the core indices also eased slightly. Oil prices fell in November, while growth in total compensation costs continued to hold steady in the third quarter.

Initial claims for unemployment insurance have fallen, on average, in the four weeks ending November 23rd, after jumping up in October. The increase in October was mostly due to effects of the government shutdown and computer processing system errors.

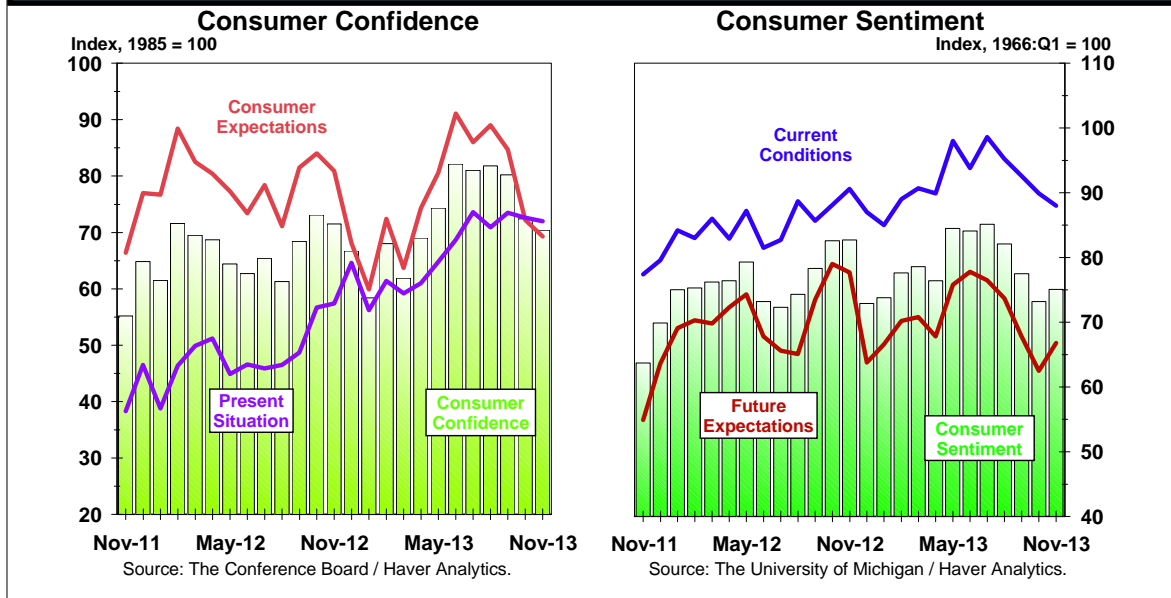
Initial Claims



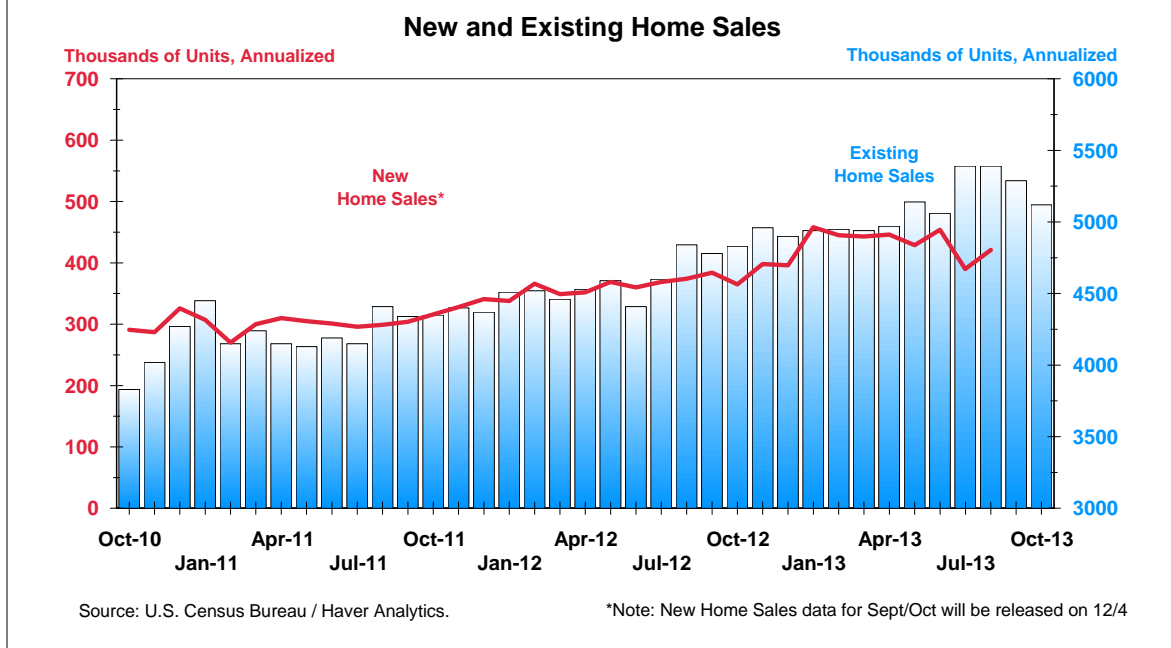
Source: Department of Labor, Employment and Training Administration / Haver Analytics.

*4-wk. ave. ending Nov. 23

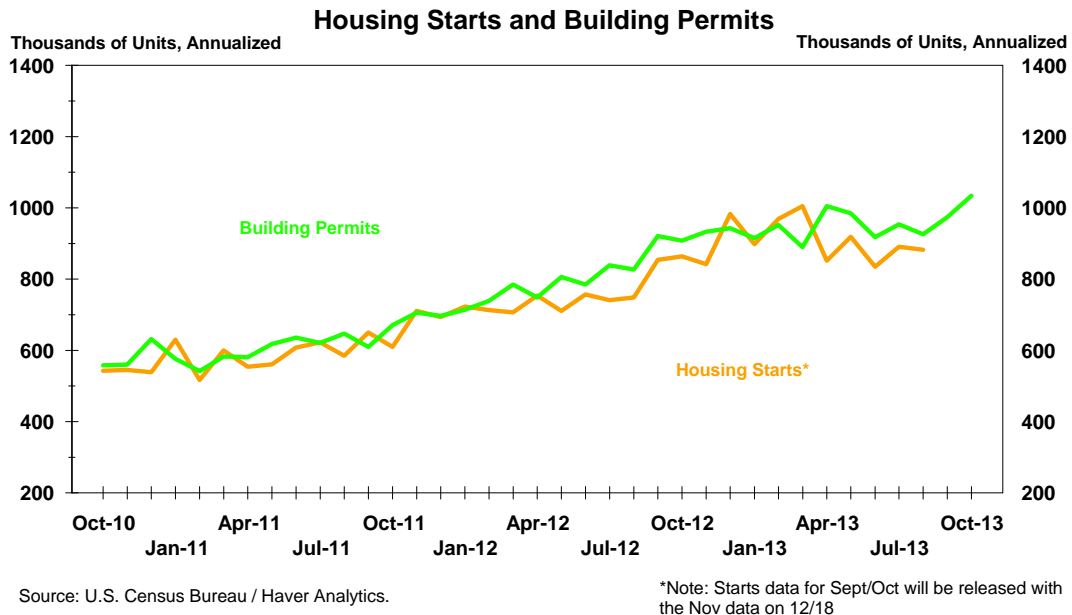
Consumer attitudes were mixed in November, as the Conference Board's confidence index continued to decrease, while the University of Michigan's sentiment index increased for the first time in four months. The rise in the sentiment index was due to an improved economic outlook, as the expectations index increased for the first time since June. Upper income households were more optimistic toward personal finance expectations in the sentiment survey, while low confidence in government fiscal policy remains an area of concern in both surveys.



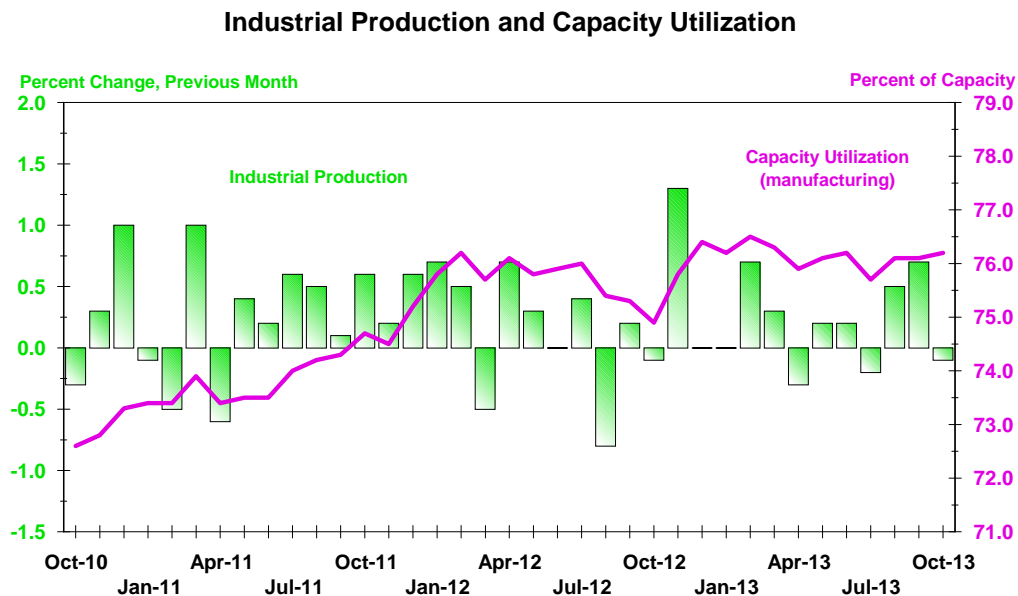
Existing home sales fell in October, after decreasing in September. However, despite the recent slowing of the sales pace, the 12-month average of existing home sales in October reached its highest pace in six years. New home sales data has been delayed due to the government shutdown, and sales figures for September and October will be released on December 4th.



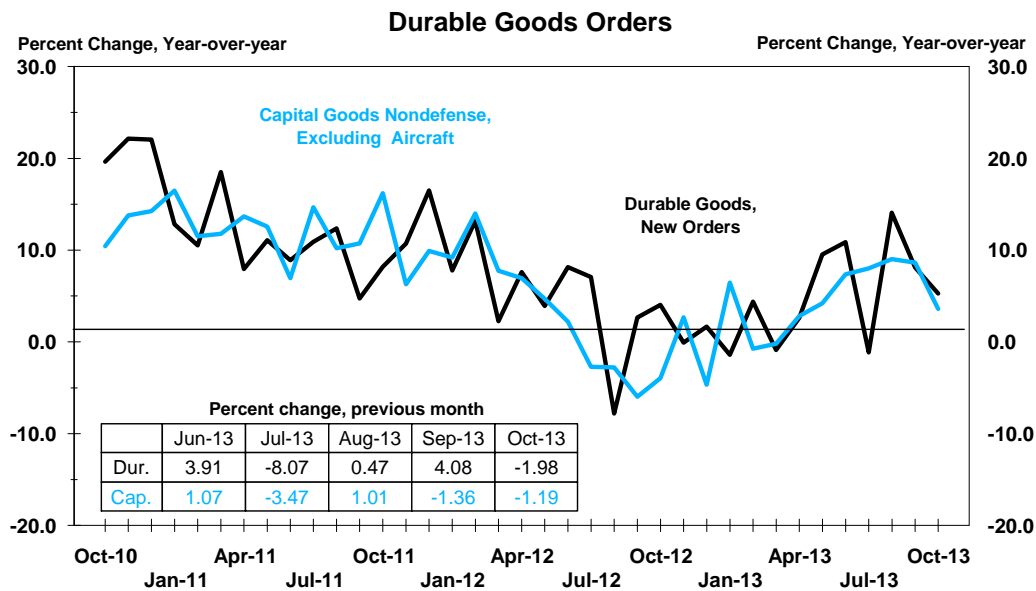
In October, building permits rose to their highest level in over five years, after increasing in September. The rise was led by a surge in permits for multifamily units, while the increase in single-family permits was below expectations. Data on housing starts was further delayed by the government shutdown and will be released on December 18th.



Industrial production fell slightly in October, partially due to temporary shutdowns of oil and gas mining rigs in the Gulf of Mexico, while the increase in September was revised slightly higher. Capacity utilization inched up in October to its highest level since June.

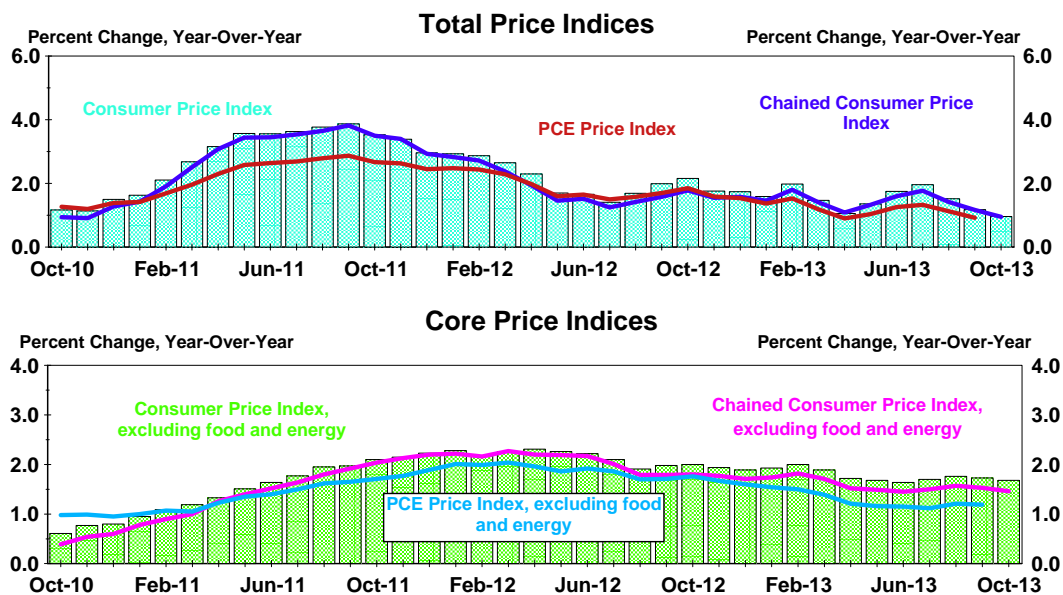


Orders for durable goods fell in October, while September's increase was revised higher. Nondefense capital goods excluding aircraft also fell in October. Despite the monthly decreases, both series continued to increase on a year-over-year basis, albeit at a slower pace than seen in prior months.

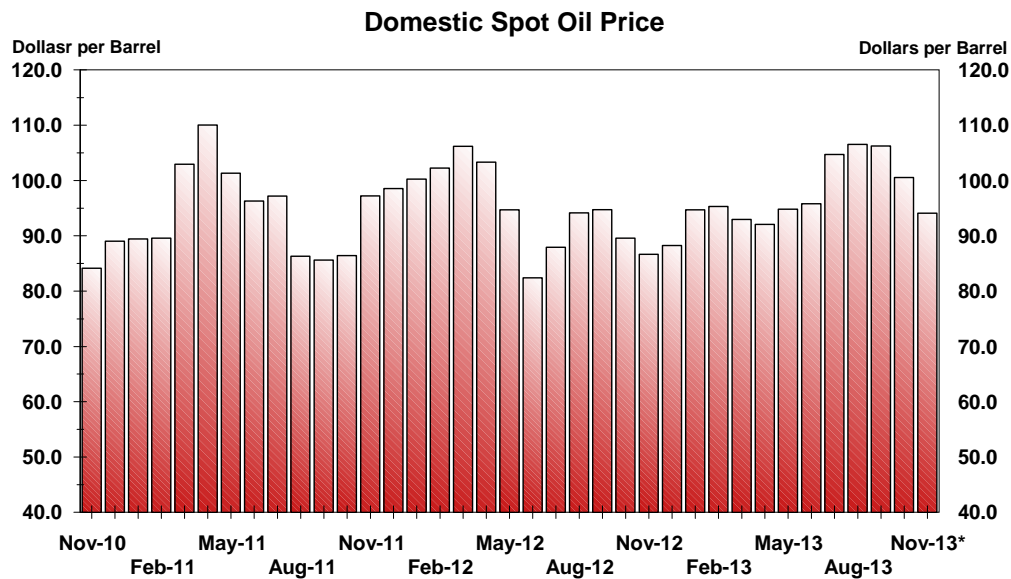


Source: U.S. Census Bureau / Haver Analytics.

Headline consumer prices decelerated in October for the third consecutive month, and core prices, which exclude food and energy, eased slightly.



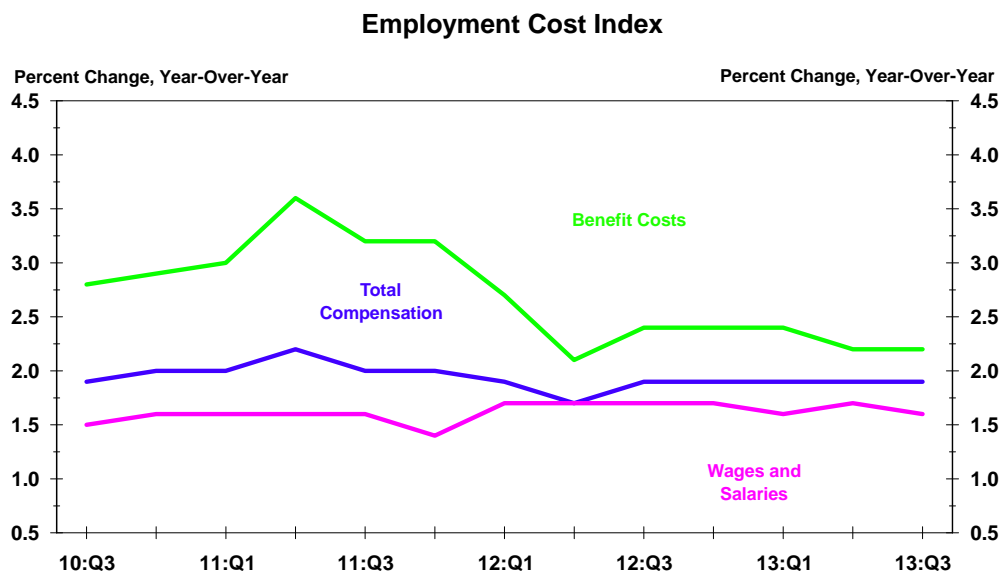
Oil prices have fallen so far in November, as the monthly average through November 26th reached its lowest level since April. Prices were at \$93.7 per barrel on November 26th, slightly below their average for the month.



Source: Wall Street Journal / Haver Analytics.

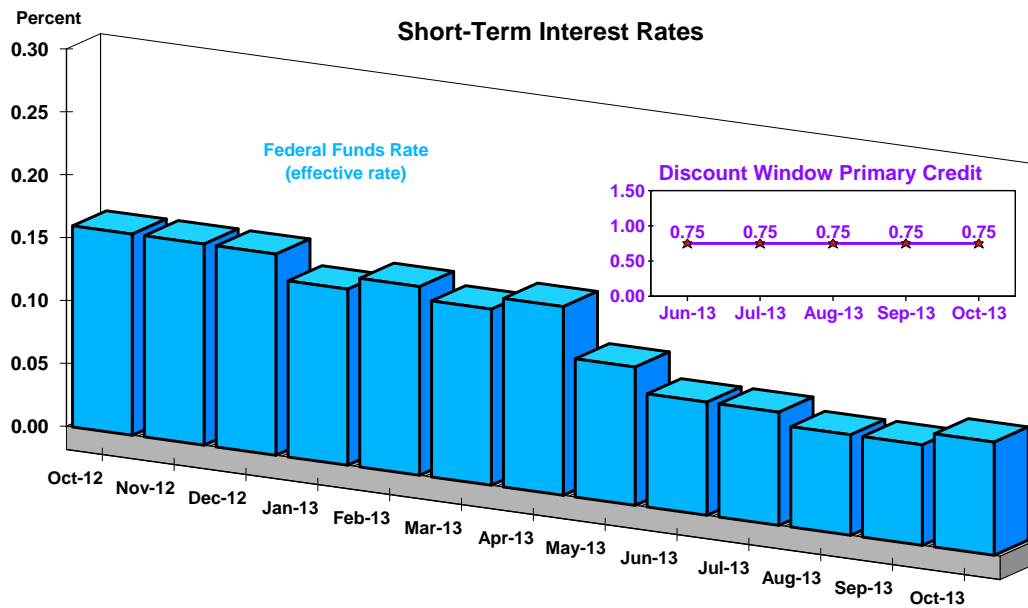
*Daily ave. through Nov. 26

Growth in total compensation costs held steady in the third quarter and has done so for the past four quarters. Wages and salaries growth decelerated a bit in the third quarter, while growth in benefit costs held steady.



Source: Bureau of Labor Statistics / Haver Analytics.

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Source: Federal Reserve Board of Governors / Haver Analytics.

Report compiled by Christy Marieni

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

December 5, 2013

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

Lightweight vehicle sales rebounded in November to their best sales rate in over six years, as consumers responded to aggressive marketing including 'Black Friday' sales. New technology for in-car entertainment and fuel efficiency also helped drive sales. New home sales surged in October, although sales declined in September and were revised lower in August and July.

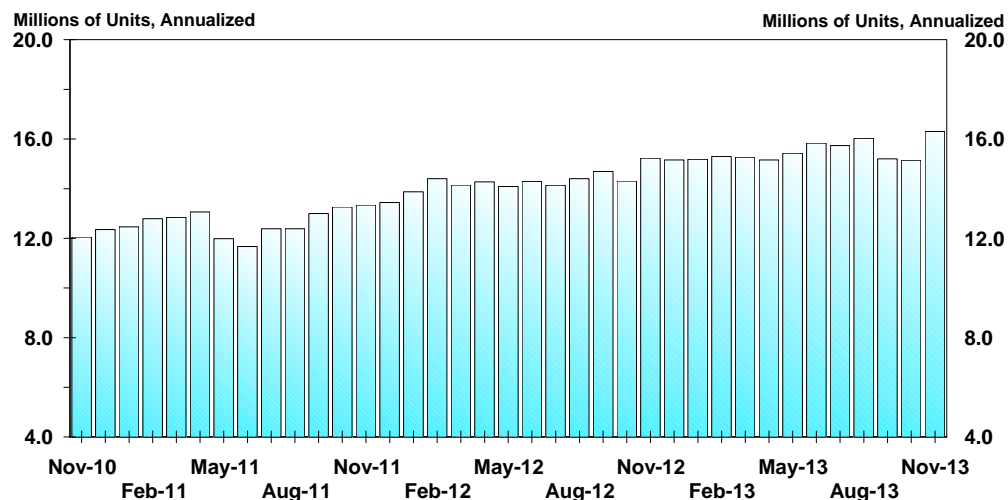
In November, the ISM manufacturing index rose to 57.3, its highest level in over two and a half years. The nonmanufacturing index, however, eased in during the month yet continued to signal expansion in the services sector.

In other data released over the past few days, construction spending rose 0.8% in October following a 0.3% decline in September and the U.S. foreign trade deficit narrowed in October to \$40.6 billion, due primarily to higher exports of petroleum.

Redbook sales decreased 0.2% through the fourth and final week of November, compared to October, but were up 4.9% from the same period last year. Oil prices eased a bit over the past week, averaging \$93.7 per barrel in the week ending December 3rd, compared to \$94.3 in the previous week.

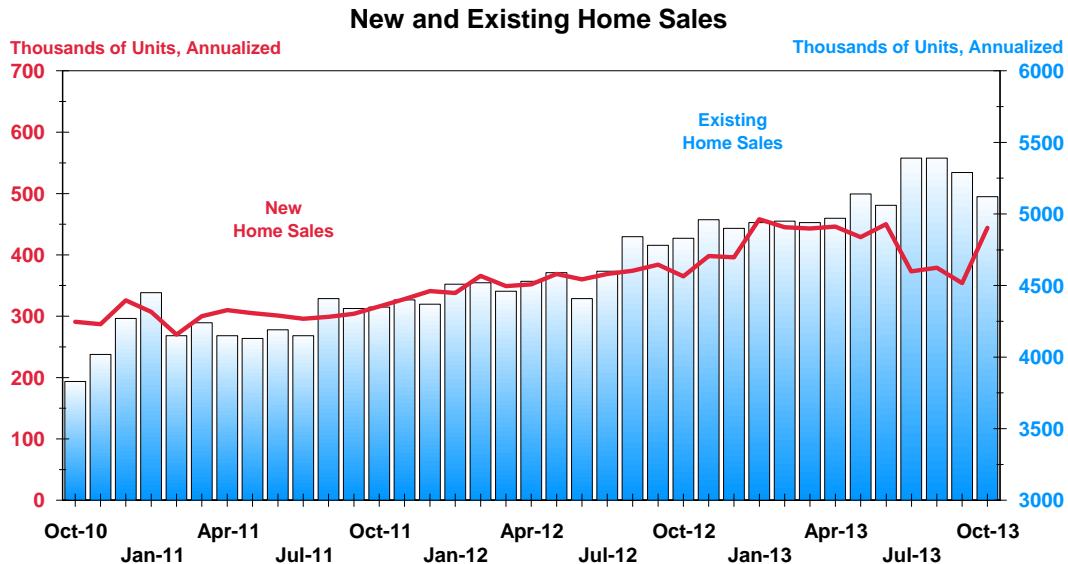
Total auto and light truck sales jumped to their highest level since May 2007 in November, after slowing a bit in the previous two months. Driving sales in November were ongoing improvement in national employment and demand for new models featuring advanced entertainment and fuel efficiency technology. Favorable interest rates were also cited as a contributor to the increased sales.

Total Auto and Light Truck Sales



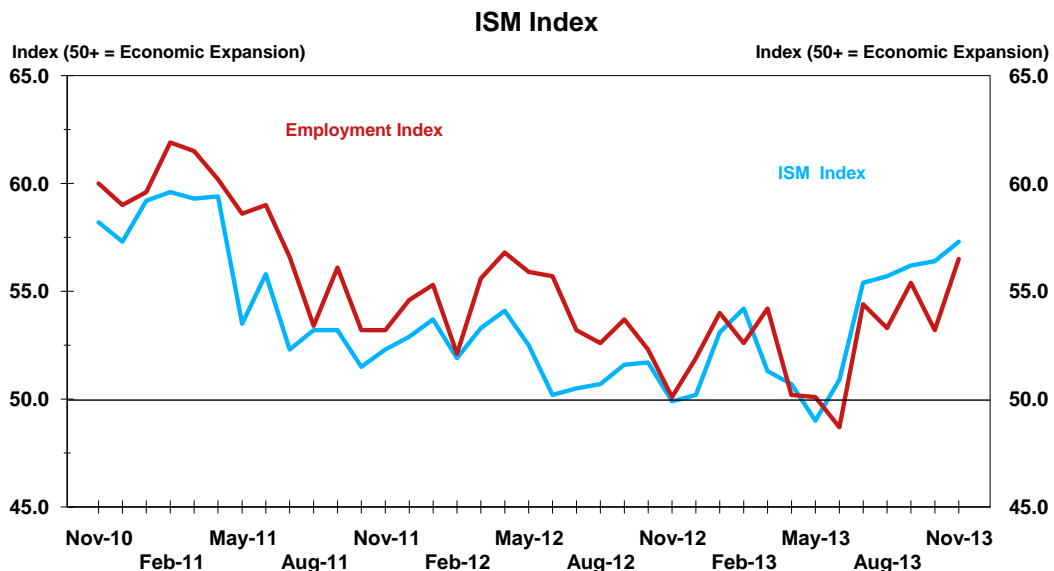
Source: Bureau of Economic Analysis / Haver Analytics.

New home sales jumped over 25.0% in October after easing in September, according to data delayed by the government shutdown. The sales rates in July and August were also revised downward in the latest estimates. Existing home sales, as reported earlier, fell in both September and October yet their 12-month average stands at a six-year high.



Source: U.S. Census Bureau / National Association of Realtors / Haver Analytics.

The ISM manufacturing index increased in November to reach its highest level since April 2011 and remained above 50 for the sixth consecutive month. Readings above 50 signal expansion in the manufacturing industry. The employment component of the index also rose in November, reaching its highest level since April 2012.



Source: Institute for Supply Management / Haver Analytics.