

ECONOMIC STATISTICS SUMMARY

Country	Cash Rate		Inflation Rate (%)		Unemployment Rate (%)		GDP Annual Growth (%)	
	Latest	Last Change	Latest	Change	Latest	Change	Past Year	Change
Australia	4.75	+0.25 (Nov-10)	2.70	No update	4.90	↓ 0.10	2.70	
USA	0.25	-0.75 (Nov-08)	2.10	↑ 0.50	8.80	↓ 0.10	2.80	
Japan	0.10	-0.20 (Nov-08)	0.00	↓ 0.10	4.60	↓ 0.30	2.20	
UK	0.50	-0.50 (Feb-09)	5.50	↑ 0.40	8.00	↑ 0.10	1.50	
China	6.31	+0.25 (April-11)	4.90	↔	NA		9.80	

AUSTRALIAN ECONOMIC COMMENTARY

On April 5, the RBA board left interest rates on hold at 4.75% as expected. The Board felt that the mildly restrictive stance of monetary policy remained appropriate. A key feature of the decision was the current strength of the Australian dollar which is keeping inflation in line by offsetting oil and petrol prices, as well as the cost of imported goods. However, the Board expect the consumer price index to rise during the March quarter as agricultural production losses push food prices higher over the short term.

It is interesting to note that preliminary budget estimates have suggested the mining boom is doing more than propping up the weaker sectors of the Australian economy. Budget reports suggest that the outperformance of our resources industry is masking the relatively poor performance of the other sectors and this may be reflected in weaker than expected growth figures in the next GDP release. A slowdown in exports to Asia could also see a pull back in Australia's export figures.

The fundamentals of the Australian economy look impressive— falling unemployment, solid GDP growth, and a relatively high cash rate preventing the economy from becoming too buoyant. Yet the underlying situation is one of low consumer and business confidence, and a level of caution that is not conducive to growth. The performance of the Australian economy is highly leveraged to China's growth. Yet China continues to tighten monetary policy, raising rates again. Australians remain concerned about the threat of regulatory risks to the economy, firstly with the mineral resources rent tax and now the unpopular carbon tax. This uncertainty is reflected by the continued poor performance of retail sales despite the low unemployment rate, and by poor consumer confidence figures. That said, the overall health of the Australia economy is still the envy of the world. It is just that the turmoil in global markets does not give the average Australian a high degree of confidence in the state of the global recovery.

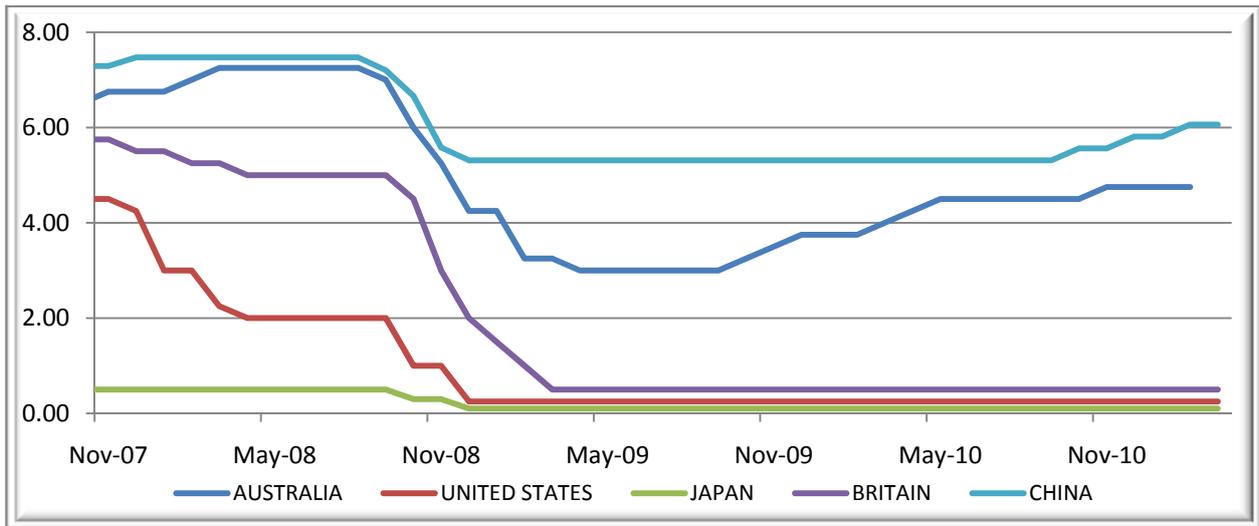
GLOBAL ECONOMIC COMMENTARY

Mother nature released the full fury of her power on **Japan** last month with a trifecta of disasters, sending the Nikkei and global markets into a tail spin. It remains difficult to gauge the effect this will have on Japanese and world economies at the current point in time. Estimates of the downward revision to the GDP are around 0.5%, whilst the total cost of the damage could amount to 2.5% to 4% of Japan's GDP according to World Bank estimates. What is certain is that rebuilding costs will be significant in a country that has the largest government debt burden in the world. Given that Japan's debt as a percentage of GDP is 220%, how will they raise funds necessary to rebuild? Several international corporations have already forecast supply chain disruptions, particularly in the automotive sector. This, in turn, will impact the earnings forecasts of large multinational corporations. Additionally, demand for fossil fuels will rise as Japan and other countries reconsider the need for nuclear power.

The People's Bank of **China** raised rates this month ahead of the release of official inflation data, prompting economists to speculate that inflation has risen above expectations. Inflationary pressures continue to exert their toll, not just in China but globally. These pressures are predominantly related to the cost of living, with rising oil, food and energy prices now taking up a higher proportion of the household budget. This also means less discretionary spending. Inflation is expected to rise to 4.6% in 2011, lifted by abundant liquidity and higher food and commodities prices. With the slowdown in major industrial economies, the Chinese government has laid out measures to rebalance economic growth drivers in its Five Year Plan by putting more emphasis on domestic consumption and services. The recent global recession further highlighted to the Chinese the risks of heavy reliance on foreign demand for growth.

The political situation in Libya and the Middle East remains tenuous, with the IMF suggesting the higher oil price will be sustained as the supply shock continues. Furthermore, the IMF believe that this price is the new normal. Under the new outlook for oil prices, the position of the **UK** and several European economies remains fragile. Wages growth remains poor. Without growth in either employment or wages, consumers are unlikely to spend or borrow which will stall the economy. Likewise, wages growth is holding back the **US** recovery although it remains largely on track. Manufacturing continues to perform strongly and it has become apparent that the recovery is largely self sustaining. If US wages rise, this will create greater demand for the services and retail sectors, propelling growth forward.

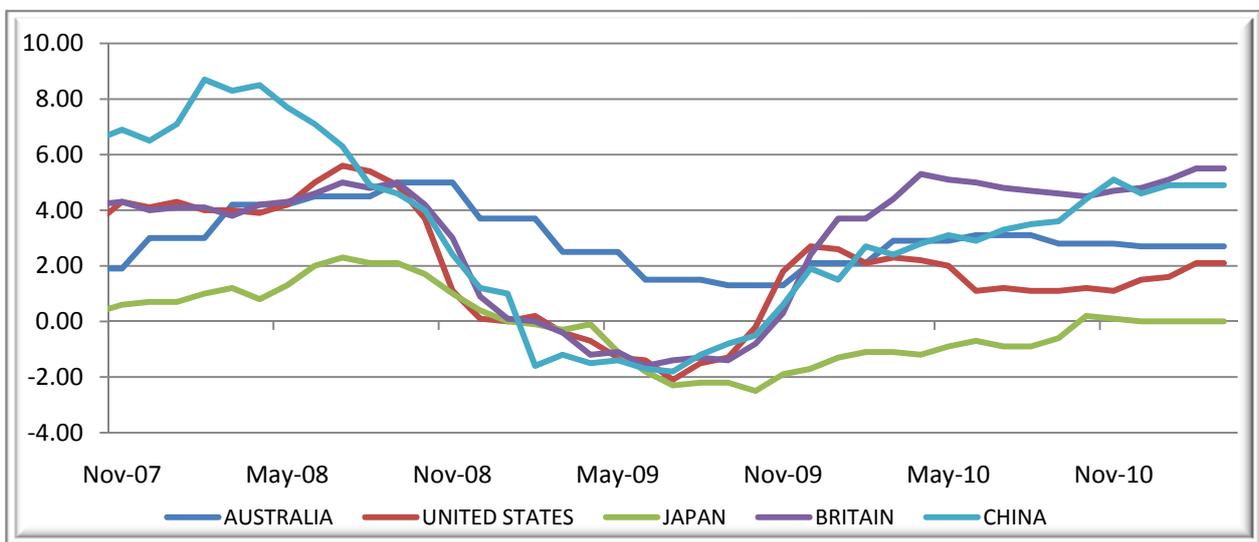
CASH RATES



The People's Bank of China raised rates another 25 basis points in April, the fourth rise since October 2010. The European Central Bank also moved on rates, raising their cash rate to 1.25% - a move that had been pre-empted, following several speeches by the ECB governor hinting that rates were on the way up.

In developed economies cash rates remained on hold. The predominant theme emerging is that despite rising inflation, governments are unwilling to alter monetary policy. This is not unreasonable given recent natural disasters and high level political instability in the Middle East are making it difficult to predict the course of the world economy. However, rising inflation (see chart below) means that a number of cash rates are almost certain to begin their ascent in the near future.

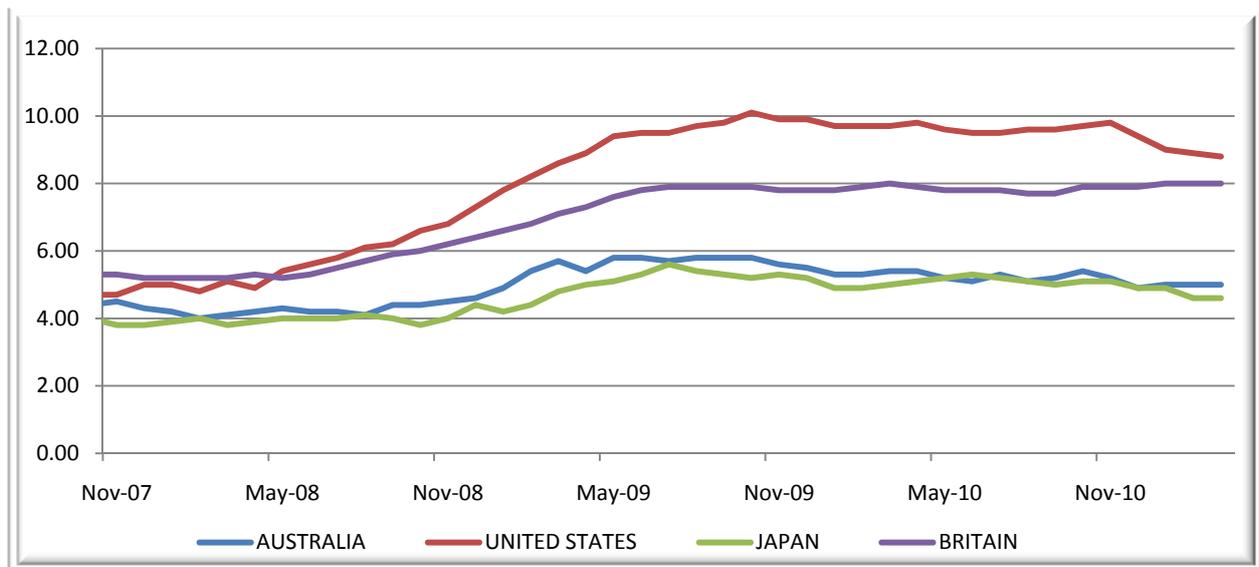
INFLATION RATES (ANNUALISED)



Although inflation declined in Japan, it continued to rise in the US and UK.

The rising oil price is exerting a significant influence on inflation by raising the cost of transport, production and manufacturing. A sustained oil price rise could be very problematic for those countries delicately trying to balance fragile or negative growth against rising inflation. Generally, low interest rates encourage growth. Raising them will lower inflation but may have the unwanted consequence of discouraging growth. Dealing with this environment will be an interesting challenge going forward, particularly in the Eurozone which is clearly running at two speeds. The rate rise in addition to the cost pressures could prove to be very problematic for the peripheral Eurozone nations. Much of the inflation we see is driven by cost pressures derived from oil prices and food shortages.

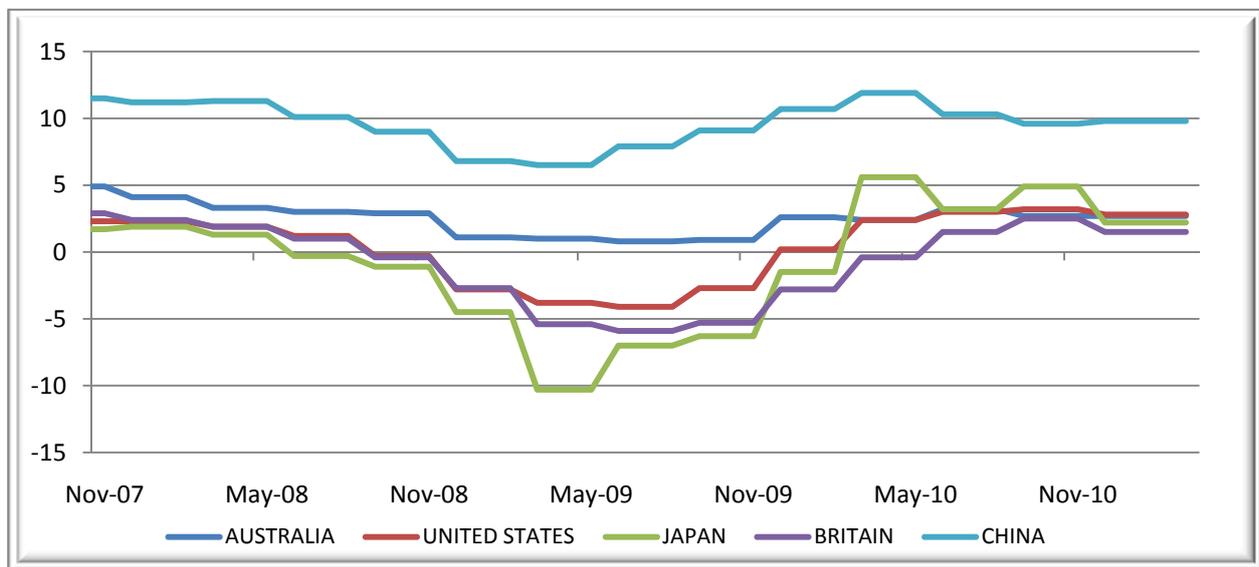
UNEMPLOYMENT RATES



US unemployment fell further to 8.80%. This figure should be treated with caution as it reflects the number of job seekers, rather than actual unemployment data – does the fall reflect more jobs created or more despondent job seekers giving up? We can look at this figure alongside the U6 rate which includes underemployed workers and unemployed people who have stopped looking for work. The U6 was 15.7% in March, and continues to fall from 16.1% in January, suggesting that the recent trend reversal is accurate. Furthermore, the addition of 216,00 jobs to the US nonfarm payroll in March gives us more confidence that the employment situation is improving.

Elsewhere, unemployment fell slightly in Japan and Australia whilst continuing to rise in the UK.

GDP GROWTH (ANNUAL)

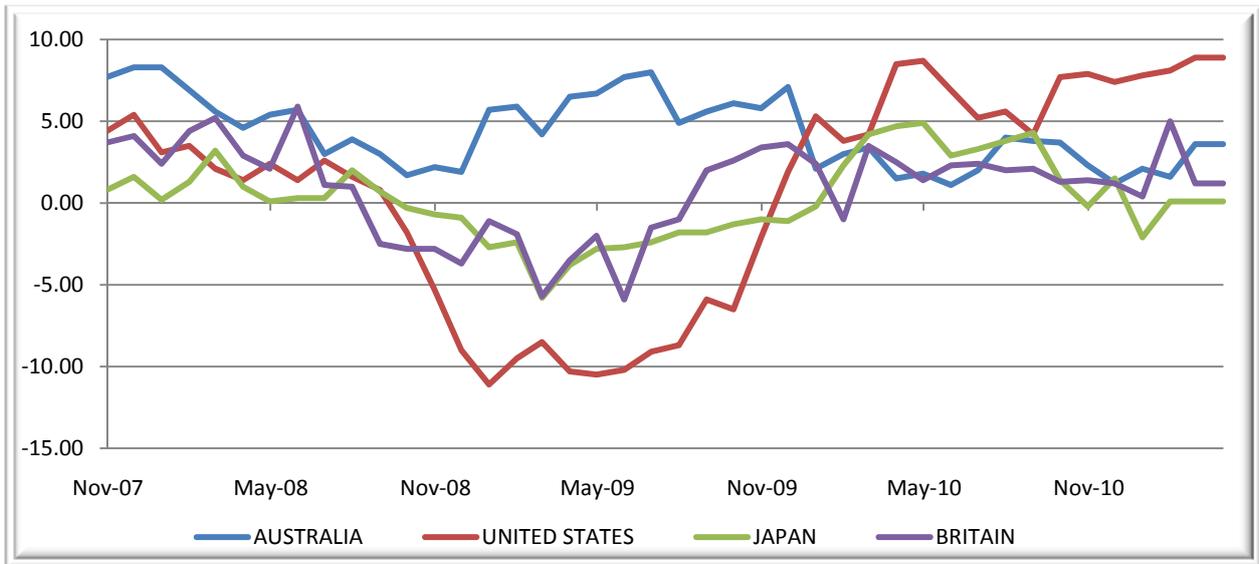


Annual GDP figures have not been updated yet. The Japanese earthquake and tsunami is expected to shave 0.25 to 0.50% off Japanese GDP by mid-2011 but growth is likely to rebound strongly later as rebuilding efforts accelerate.

Of note is that China's National Bureau of Statistics will begin publishing seasonally-adjusted quarter-on-quarter GDP data. The first release for first quarter GDP is expected on April 15. China's economy is expected to grow 9.6% in 2011 as fixed asset investment remains a key driver according to the Asian Development Bank, despite inflationary pressures building and tightened monetary policy.

The Office for Budget Responsibility, the British government's fiscal watchdog, last month cut its forecast for 2011 economic growth from 2.1 to 1.7 percent.

CHANGE IN RETAIL SALES – ROLLING 12 MONTH CHANGE

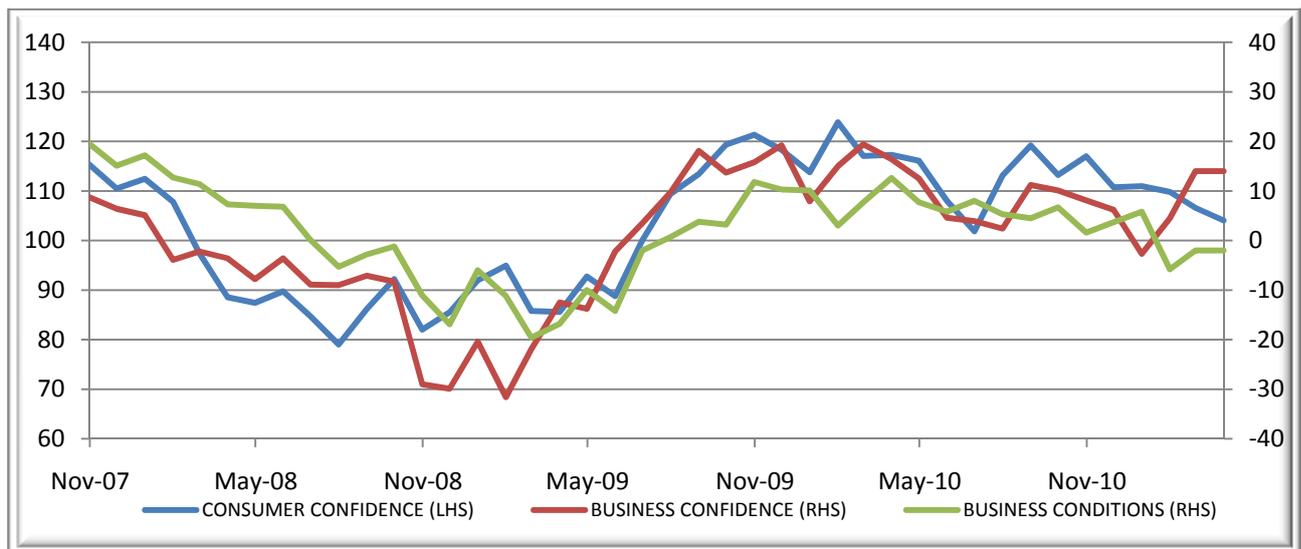


US retail sales figures beat expectations with a positive result in March. A number of large retail chains reported improved sales figures, likely to be related to the corresponding fall in unemployment. However, this trend is expected to reverse as rising food and oil prices take their toll on the family budgets.

The outlook for the UK retail sector remains dismal. Recent sales data has been strong as consumers scrambled to buy items before the VAT sales tax rose. However, the introduction of measures to tackle the UK's budget deficit such as new taxes and welfare cuts, in addition to high unemployment and muted wages growth will create a very challenging retail environment going forward.

Australian retail sales were stronger than expected in February, bolstered by a rise in discretionary spending. Retail sales rose 0.5 per cent to \$20.53 billion in February. Household goods was the strongest contributor to the total with a rise of 2.0 per cent, while sales of clothing and footwear rose 0.9 per cent.

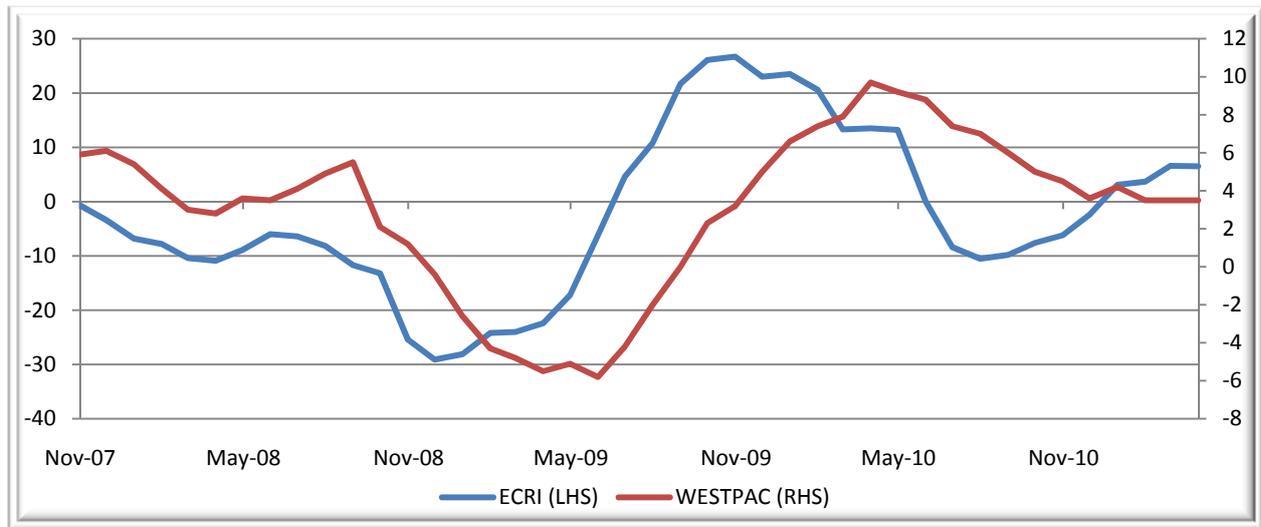
CONSUMER & BUSINESS CONFIDENCE / CONDITIONS



Consumer confidence continued to fall in Australia last month. A number of exogenous shocks to the domestic and global economies did not do much to encourage a lift in sentiment. Debate over the much maligned carbon tax continued to create uncertainty for consumers and corporations alike.

Business confidence remains static and business conditions remain in negative territory. March data will be released next week.

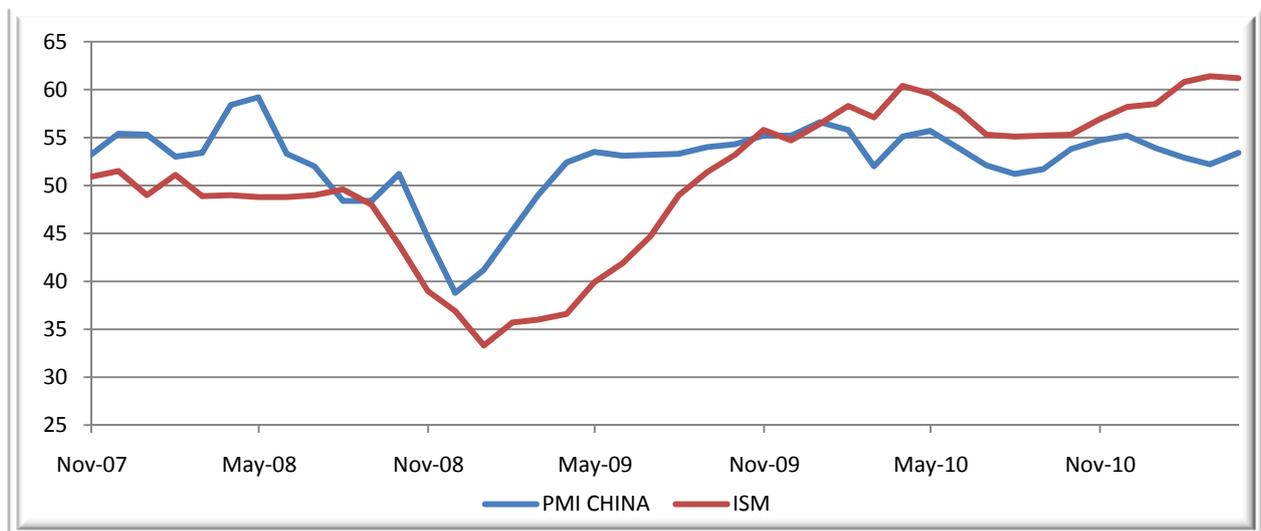
LEADING INDICATORS - WESTPAC LEADING INDICATOR (AUST) & ECRI WEEKLY LEADING GROWTH RATE (US)



The Westpac Leading Index indicates the likely pace of economic growth 3 to 9 months into the future. The index has levelled out at a sustainable level of 3.5%, which is in line with expectations for a sustainable level of growth.

The ECRI Weekly Leading Growth Rate is a predictor of economic growth in the US. It is the earliest economic figure released each week and is therefore closely monitored. The ECRI continues to rise to 6.5%, mirroring the other positive data trends from the US.

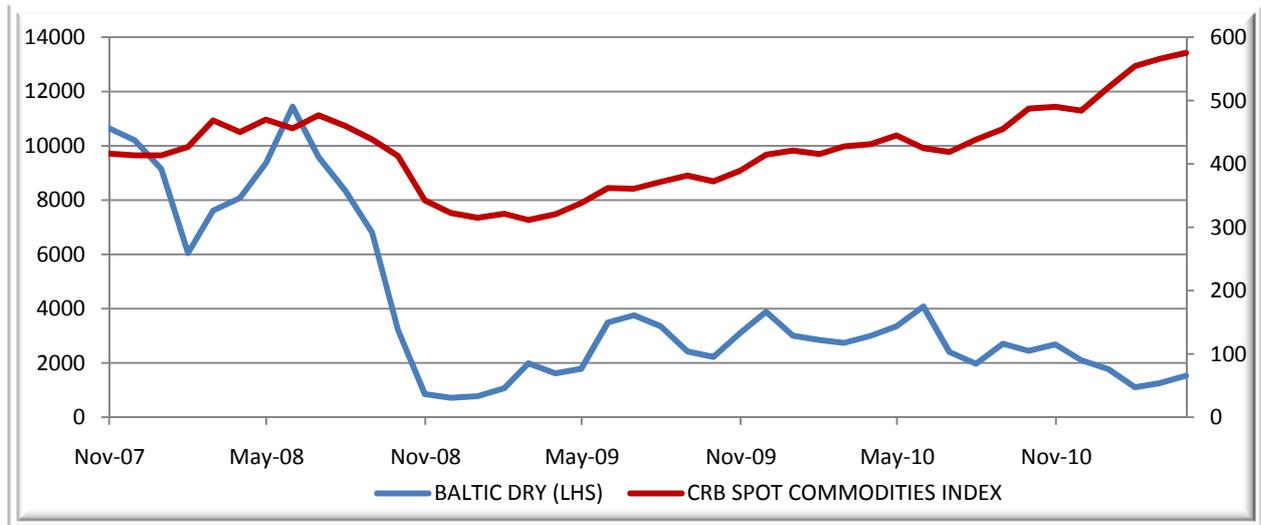
LEADING INDICATORS – MANUFACTURING DATA: ISM (US) AND PMI (CHINA)



The ISM Manufacturing Survey asks its member companies to contribute data that rates US manufacturing activity levels. The manufacturing sector contributes close to 11% of total GDP. After very positive manufacturing data saw the ISM peak at an 18 year high, the most recent data showed a slight pull back but remains strong overall. The ISM has remained consistently over 50 (in expansionary mode) since late 2009, suggesting the US economic recovery is largely self sustaining.

The Purchasing Managers Index (PMI) is China's manufacturing index. This leading indicator is often regarded as the bellwether for industrial activity in the People's Republic. Like the ISM, values over 50 indicate economic expansion; values below 50 indicate economic contraction. Last month, the PMI dropped to its lowest pace in six months, but it has sharply rebounded in March. We expect this figure will remain in expansionary territory for the near future.

LEADING INDICATORS – BALTIC DRY INDEX & CRB SPOT COMMODITIES INDEX



The Baltic Dry Index (BDI) tracks international shipping prices for various dry bulk cargoes. As the supply of ships is relatively inelastic, the BDI indirectly measures global supply and demand for shipped bulk commodities such as coal, iron ore and building materials. Since it measures demand for raw materials, it is regarded as a leading economic indicator of future growth.

In the last quarter of 2010, the Index turned downward. This was a concern, as the Baltic Dry Index is often used as a proxy for global growth. However, the CRB Spot Commodities Index continues to hit record highs, suggesting the BDI's downturn was in part due to the cost of raw materials making projects uneconomical.

Interestingly, the last few months have seen a reversal of this downward BDI trend despite the ongoing rise in commodities prices. The CRB Spot Commodities Index measures spot price movements for 22 basic commodities which are highly sensitive to changes in the economic cycle. As such, it serves as an early indicator of impending changes in business activity. The CRB Index continues to reflect strong ongoing demand for commodities. Whilst this bodes well for Australia's resources rich economy, it will continue to impact rising inflation and cost pressures both in China and worldwide.

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DATA SOURCE: BLOOMBERG

BLOOMBERG DATA SERIES

CHART	BLOOMBERG DATA SERIES
CASH RATES	Australia RBA Cash Rate Target
	Federal Funds Target Rate US
	Bank Of Japan Target Rate of Unsecured Overnight Call Rate Expected
	UK Bank of England Official Bank Rate
	China 1 Year Best Lending Rates
	ECB Main Refinancing Rate
CPI	Australia CPI All Groups Goods Component YoY
	US CPI Urban Consumers YoY NSA
	Japan CPI Nationwide YoY
	China CPI YoY
	UK RPI YoY NSA
GDP	Australia GDP SA YoY
	GDP US Chained 2005 Dollars YoY SA
	Japan GDP Real Chained NSA YoY%
	UK GDP Chained GDP at Market Prices YoY
	China GDP Constant Price YoY
UNEMPLOYMENT	US Unemployment Rate Total in Labor Force Seasonally Adjusted
	Australia Labor Force Unemployment Rate SA
	Japan Unemployment Rate SA
	UK Unemployment ILO Unemployment Rate SA
RETAIL SALES	Australia Retail Sales YoY SA
	US Adjusted Retail & Food Services Sales Total Yearly % Change SA
	Japan Retail Trade YoY NSA
	UK Retail Sales All Retailing Sales Per Week Chained Volume YoY SA
HOUSE/LAND PRICES	Australia House Price Index Established Homes YoY 2003-2004=100
	S&P/Case-Shiller Composite-20 City Home Price Index YoY (US)
	Japan Land Prices Nationwide All YoY%
	UK Nationwide House Prices All Houses YoY NSA
HOUSING APPROVALS	China Land Transaction Price YoY
	Australia Building Approvals Dwellings YoY
HOUSEHOLD CONSUMPTION	US New Privately Owned Housing Units Started by Structure Total SAAR YOY
	Japan Housing Starts YoY NSA
	Australia GDP Final Consumption Expenditure Households QoQ SA
	Eurostat GDP Constant 2000 Prices Eurozone Household Consumption Expenditure QoQ
	Japan GDP Chained Real Private Consumption QoQ% SA
	UK GDP Final Consumption Expenditure Chained Prices Household Expenditure QoQ
COMPANY PROFITS & BUSINESS OUTLOOK	GDP US Personal Consumption Chained 2005 Dollars % Change SAAR
	Australia Comp Gross Operating Profit QoQ Chg Seasonally Adjusted
CONSUMER & BUSINESS CONFIDENCE	National Quarterly Business Survey Business Confidence Outlook SA
	Westpac-Melbourne Institute Consumer Confidence Consumer Sentiment
LEADING INDICATORS	National Australia Bank Business Indicators Business Confidence SA
	Baltic Dry Index
	CRB Spot Commodities Index
	ISM Manufacturing PMI SA
	Manufacturing PMI China
	Australia Westpac Leading Index Annualised Growth YoY%
ECRI Weekly Leading Index Growth Rate	

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