

## 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)	3.30	↔	4.90	↔	1.00	
USA	0.25	-0.75 (Nov-08)	3.60	↑ 0.40	9.20	↑ 0.10	2.30	
Japan	0.10	-0.20 (Nov-08)	0.30	↔	4.50	↓ 0.20	-1.00	
UK	0.50	-0.50 (Feb-09)	5.00	↓ 0.20	7.70	↓ 0.10	1.60	
China	6.56	+0.25 (Jul-11)	6.40	↑ 1.10	NA		9.50	↓ 0.20

## AUSTRALIAN ECONOMIC COMMENTARY

**On July 5, the RBA Board left the cash rate on hold at 4.75%, stating growth in 2011 is unlikely to be as strong as earlier forecast.** The decision to keep interest rates on hold was a prudent decision given a sharp economic contraction in June and that inflation was at the low end of the target range. Overall, the RBA had no strong reason to raise or cut interest rates.

The Australian economy was resilient amongst the mixed economic data released during the month. While the RBA has done its job in keeping a lid on inflation, retail sales fell more than expected and building approvals slumped in May. In contrast, Australian exports are continuing to keep the economy afloat with May's trade balance widening more than forecast. However, strong employment data reflected a surprise jump in the number of jobs added in June.

Details of the controversial carbon tax reduction scheme were released in July, which is expected to translate into higher energy prices (increasing inflationary pressures) and reduced carbon emissions. The \$23/tonne tax on carbon gives incentives for corporations to reduce their carbon footprint and promote investment in cleaner energy. The scheme also revealed that households will be compensated from the revenue raised from the tax which is likely to overall boost spending and drive lower polluting technology sooner.

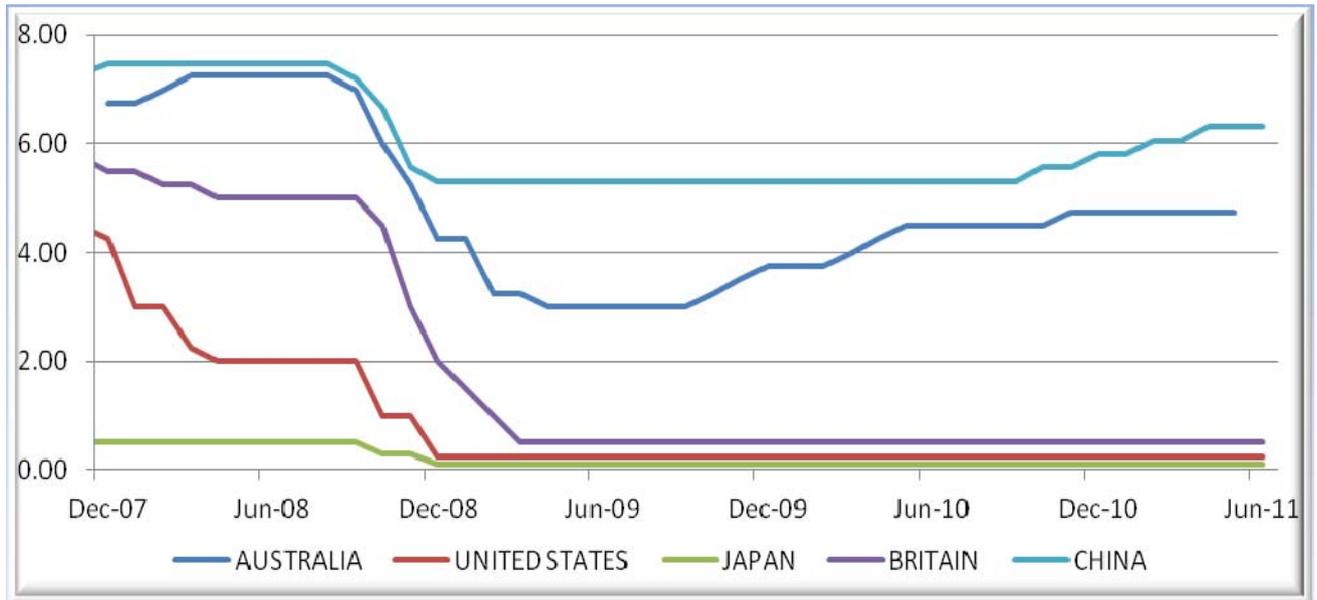
## GLOBAL ECONOMIC COMMENTARY

European sovereign debt issues continued to dominate the global economic scene throughout the month after S&P cut Greece's credit rating by three notches. Despite the Greece government facing enormous pressure from protesters, new austerity measures eventually passed parliament in order to secure a 28bn euro bailout package. By month end, Greece had agreed to a five-year austerity deal which eased investor sentiment. Further aid from the French Government came after it announced to roll over its Greek debt for 30 years. It wasn't too long before problems resurfaced as Italy's banks faced contagion risk and Moody's slashed Portugal's credit rating by four notches to "junk".

The **US** economy failed to pick up the pace after the second round of quantitative easing officially ended at the end of the month. US data was generally weak as inflationary pressures and higher unemployment rates plagued the economy's growth. In response, the Fed had downgraded its economic growth forecasts for 2011 and 2012 which will likely mean that interest rates will be held at low levels for an extended period of time. The US government has crawled into what looks like a bottomless pit after engulfing the debt created by the credit crisis. In response, Moody's announced a potential downgrade to the US's safest AAA credit rating, which worried China since they have invested heavily in US debt. Unemployment also peaked this year as public job cuts were the main culprit. However, Chairman of the Federal Reserve Ben Bernanke assures that additional policy support will be provided if it is needed given light of the bleak economic circumstances. If this occurs, this is likely to raise commodity prices (further weakening of the US dollar) and it will not be favourable for the Chinese economy.

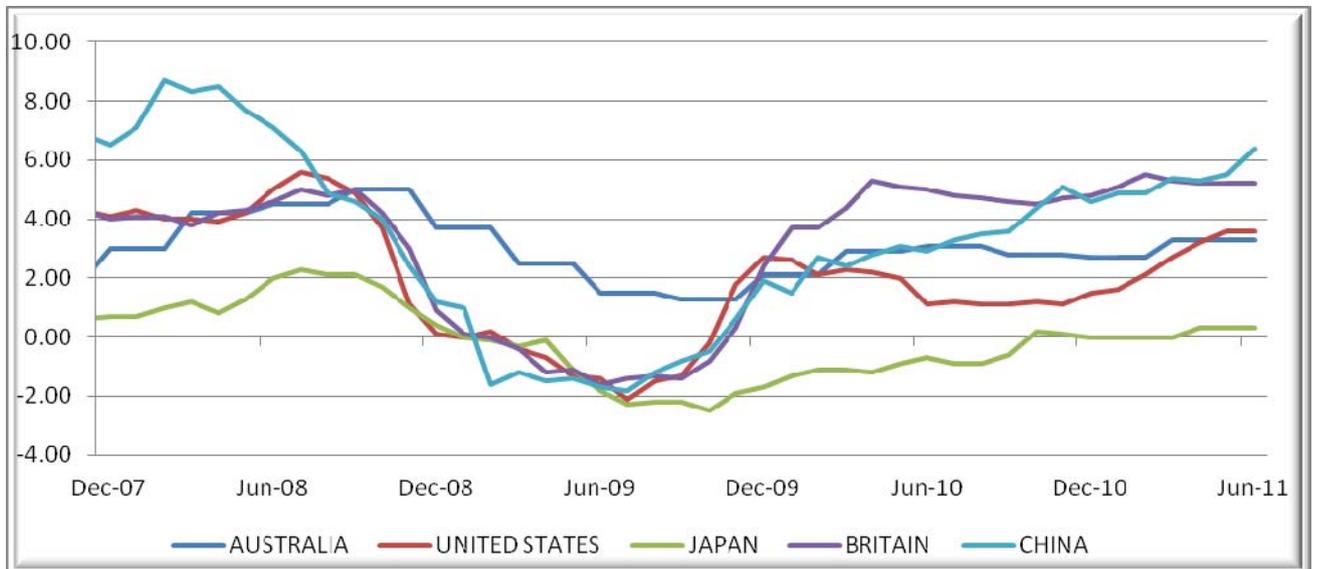
In Asia, the trend for **China's** growth appears to be slowing down as the People's Bank of China continued their relentless increase in interest rates. The Bank raised interest rates by 0.25%, attempting to keep the inflation monster under control, but so far the effects on prices have not been felt. On the other hand, Chinese GDP growth had felt the pain from persistent rate hikes. China's GDP growth fell but is considered still very strong. Conversely, it is worthy to note a recovery in **Japan's** economy as it showed signs of a fall in unemployment. The Bank of Japan forecasts that growth is expected to rebound strongly in 2012.

**CASH RATES**



Cash rates in the western world have held their stance as central banks remain cautious on both domestic and global economic growth. In the east, interest rates have still remained high relative to the west as inflationary pressures become a cause for concern. China raised its cash rate by 0.25% in July for the third time this year in order to curb inflation and control the overheating economy.

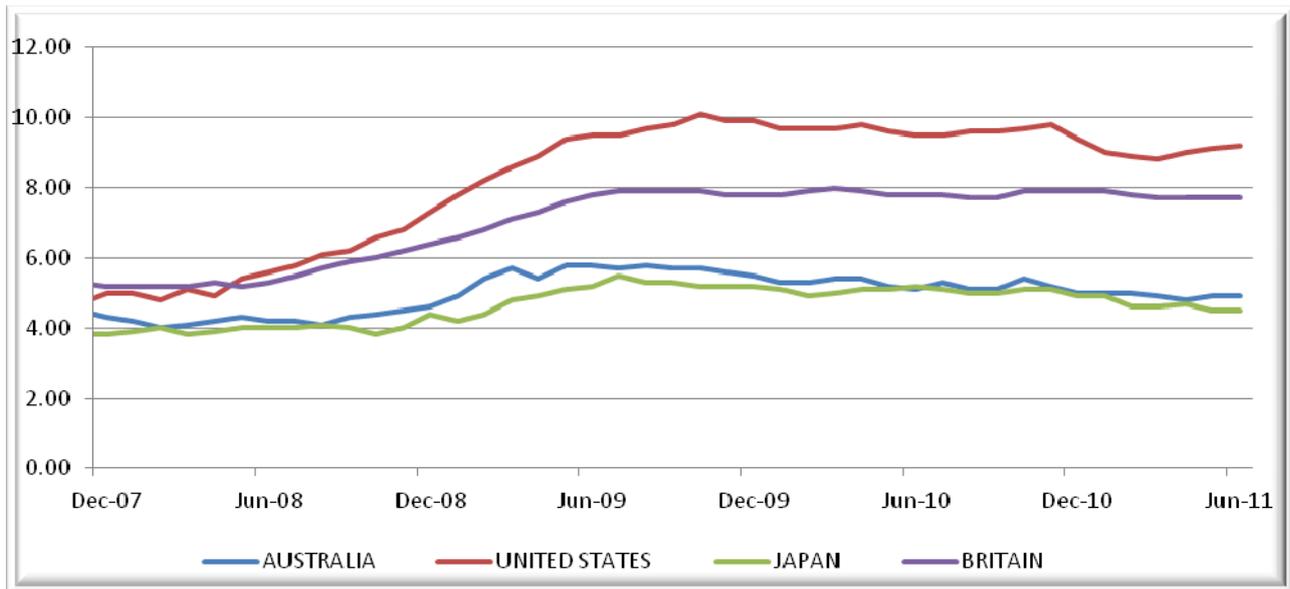
**INFLATION RATES (ANNUALISED)**



Inflationary pressures in the US and China escalated while the UK experienced a fall in the inflation rate. Energy and food prices in the US continued to trend upward, but are unlikely to tip the scales in favour of an interest rate rise as economic growth remains fragile. Commodity prices were generally to blame which drove up China's consumer prices.

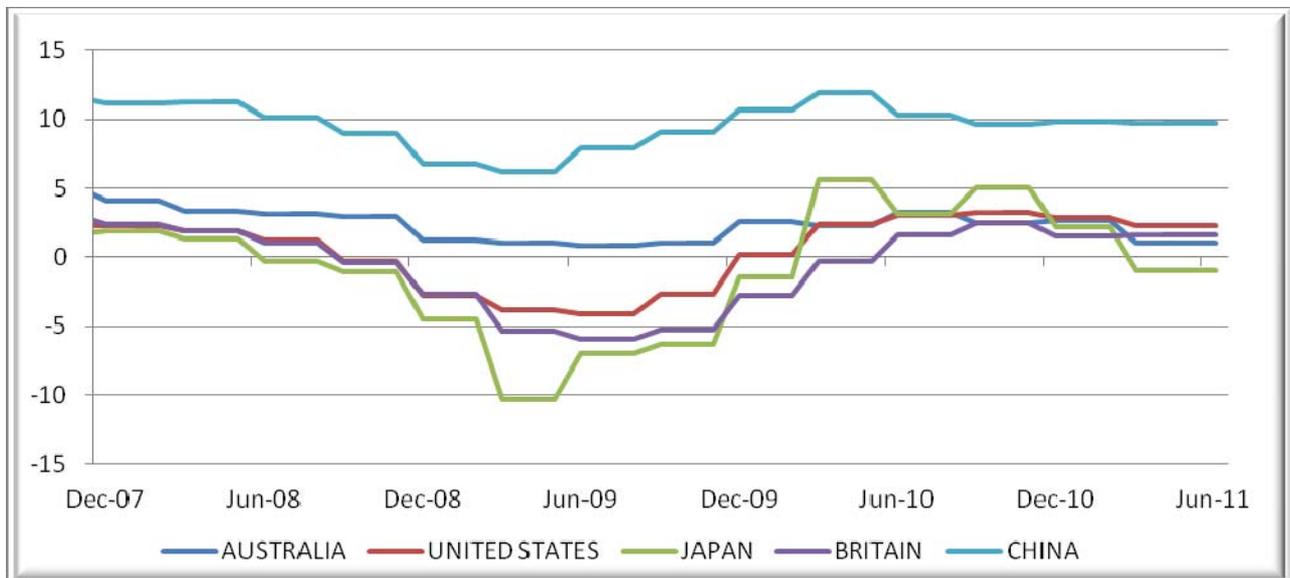
Looking ahead, inflation expectations for the Australian economy are set to rise over the next 12 months as the proposed carbon tax will likely have an upward impact on prices.

**UNEMPLOYMENT RATES**



Unemployment rates across the globe generally fell, reflecting a mild recovery in job growth. However, the jobless rate rose to the highest level this year in the US as public sector jobs declined. Britain experienced a drop in the jobless rate while Japan's unemployment unexpectedly fell as the country continues its recovery from the earthquake and tsunami. On the domestic front, the Australian labour market was strong in June, reflecting a rebound in growth following a contraction in GDP during the first quarter. This was mainly caused by a slump in coal production.

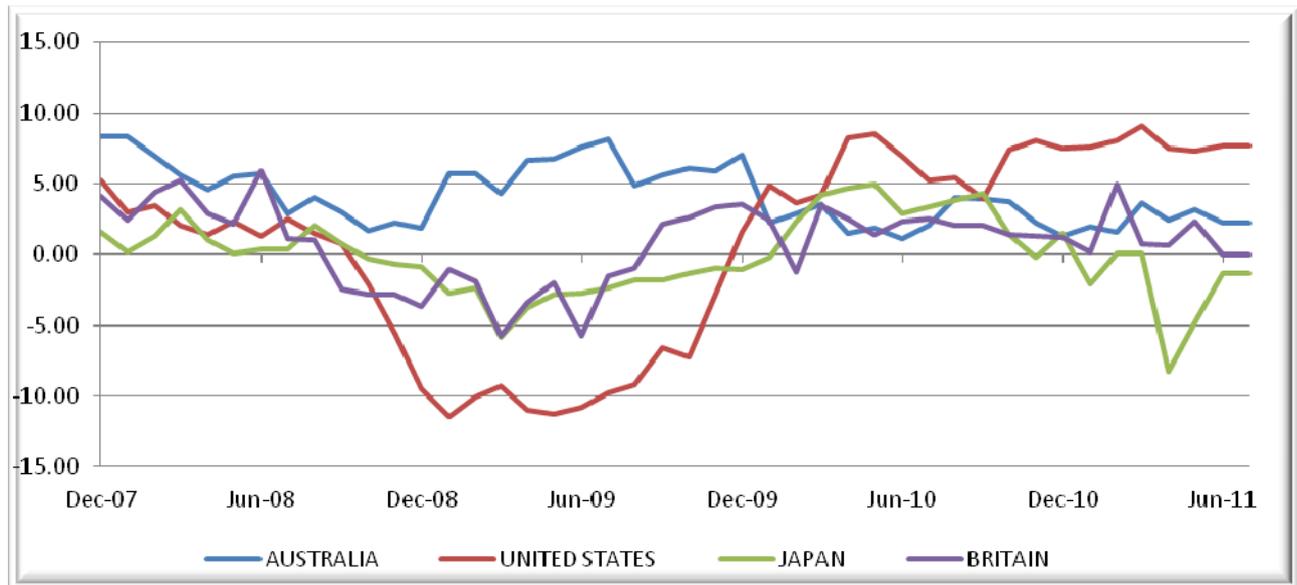
**GDP GROWTH (ANNUAL)**



The Chinese economy grew at a slower pace at 9.50% in the last quarter as expected, down from 9.70% in the previous quarter. The impact of tighter monetary policy has softened growth but has not yet been reflected in the highest priority of the nation to keep inflation down. However, as growth becomes more sustainable and less volatile, inflation is likely to ease.

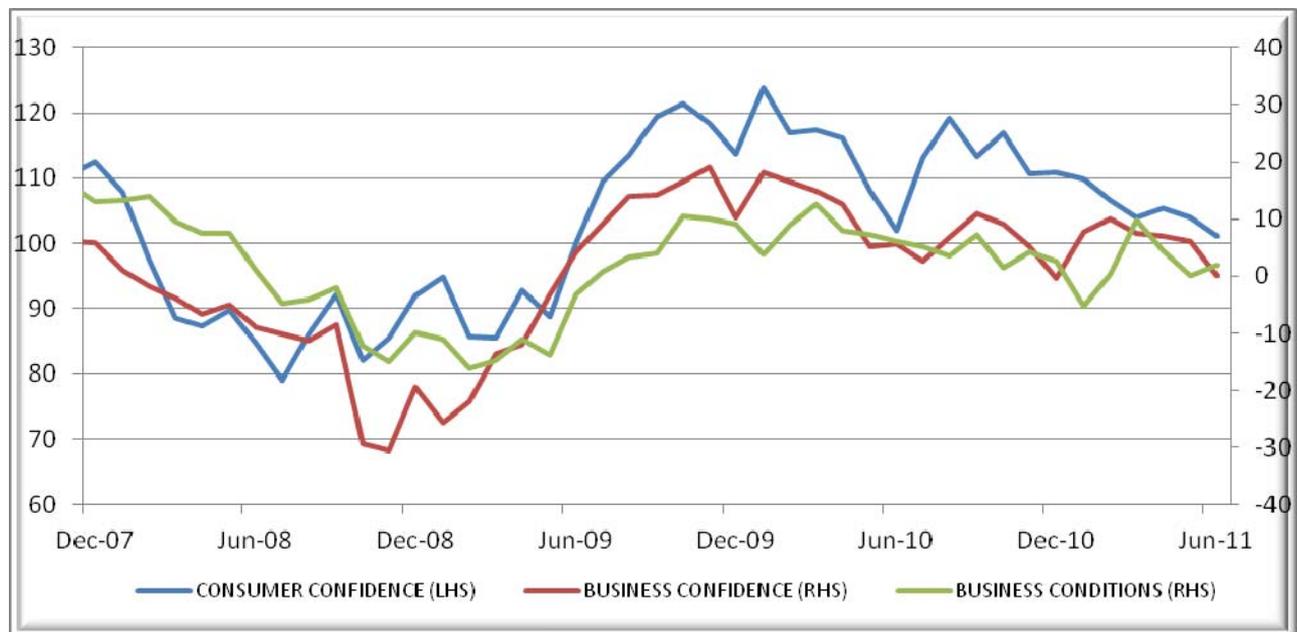
Australian economic growth remains under pressure with a strong Australian dollar crimping demand for Australian exports. Furthermore, the RBA has revised down its growth forecast for the economy due to a slower than expected recovery from the Queensland floods.

**CHANGE IN RETAIL SALES – ROLLING 12 MONTH CHANGE**



Retail sales have fallen across the board with Britain sales plunging the most after unemployment and jobless claims rose in May. Retail sales in Japan were also weak as the economy struggles to recover from natural disaster in March. The US also saw a slight fall in retail sales on the back of higher energy costs and weak automobile sales. Australian retailers continued to struggle as sales fell by more than expected. Australian consumers are generally taking advantage of a strong Australian dollar to purchase goods online.

**CONSUMER & BUSINESS CONFIDENCE / CONDITIONS**

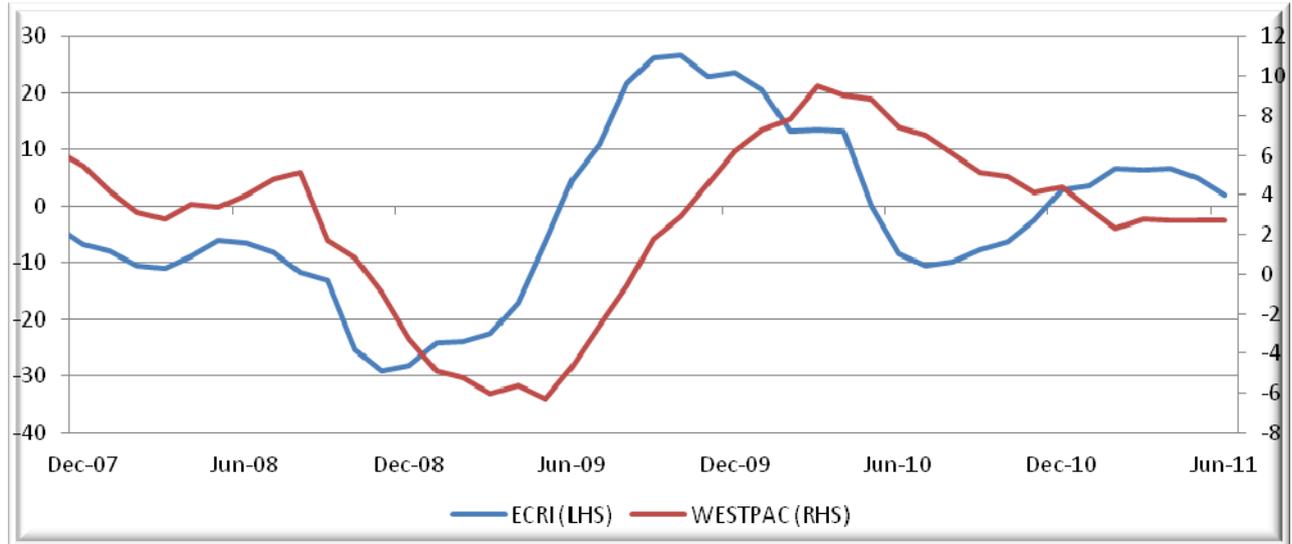


Consumer sentiment surprisingly plummeted in July and was the weakest reading since May 2009. The impact of the Greek sovereign debt crisis, interest rate hikes (up until November) and uncertainty surrounding the carbon tax deteriorated consumer confidence.

Business conditions, as measured by the NAB business conditions index notched up marginally. The mining sectors continued to outperform the retail and manufacturing sectors.

Business confidence, as measured by the NAB business confidence index also declined, falling 6 points to zero in June. This represented the lowest reading since December 2010 and has raised questions about the economic growth of the nation.

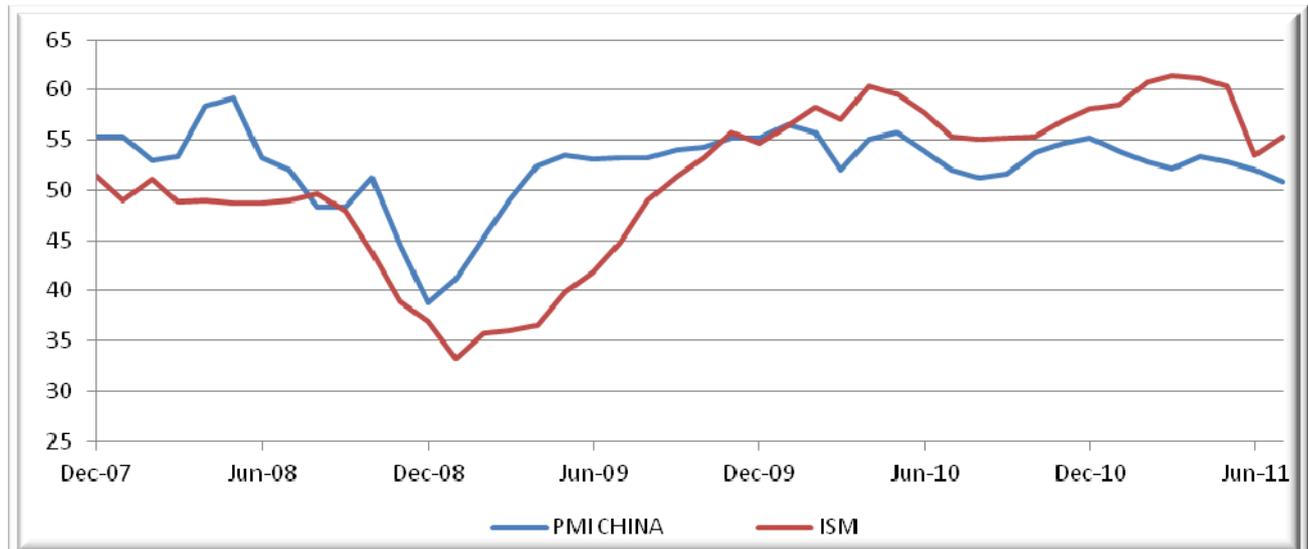
**LEADING INDICATORS - WESTPAC LEADING INDICATOR (AUST) & ECRI WEEKLY LEADING GROWTH RATE (US)**



The Westpac Leading Index indicates the likely pace of economic growth 3 to 9 months into the future. The index predicts that growth is likely to slow down to 2.7% which is below the long term average of 3.1%.

In contrast, the ECRI has continued its downward trend, falling from 6.70 to 1.90 indicating future economic contraction. 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.

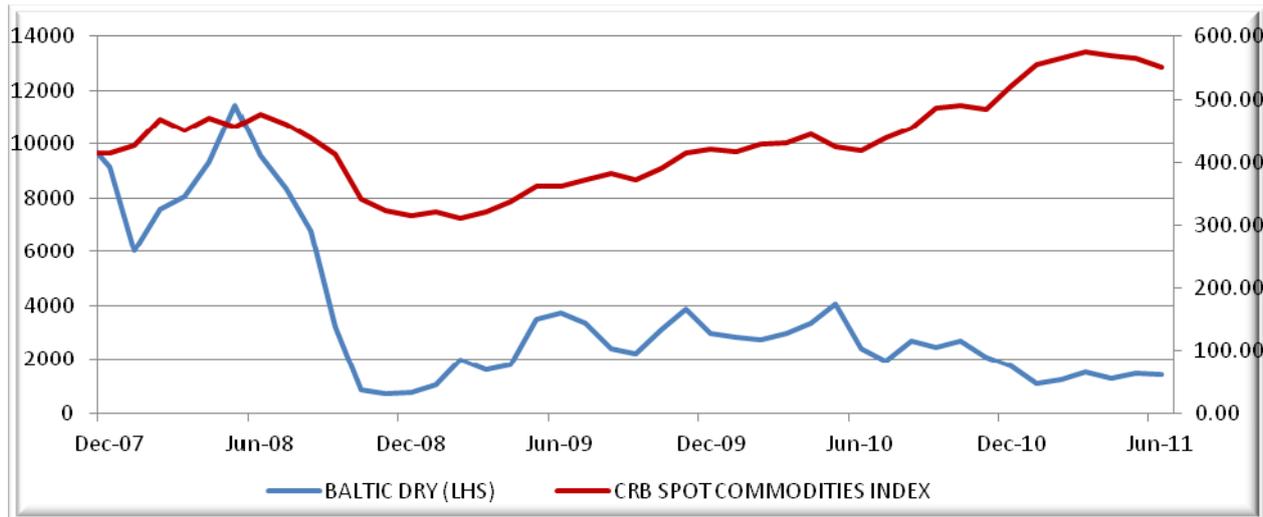
**LEADING INDICATORS – MANUFACTURING DATA: ISM (US) AND PMI (CHINA)**



Global manufacturing generally softened except for the US economy which proved to be surprising. The ISM Manufacturing index unexpectedly rose in June, reflecting a rebound in US manufacturing after the previous month's fall. The bounce back in manufacturing – aided by a depreciating US dollar makes American exports more attractive. As a leading indicator, this could point toward higher GDP growth in the second half for the US. The ISM Manufacturing Survey rates US manufacturing activity levels with the sector contributing around 11% of GDP.

The PMI showed a different story, reflecting a slower increase in Chinese manufacturing in June. While manufacturing in China exhibits strong growth, the expansion was much slower than consensus and had fallen to levels not seen since February 2009. The persistent rise in interest rates is taking a toll on the Chinese economy. 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.

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. The BDI fell and sustained levels around 1500 in June, reflecting no signs in improvement for shippers.

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. Commodity prices have continued its general uptrend as the FOMC hinted possibilities of a QE3 (another stimulus package) to jump start the sluggish US economy. A weaker dollar has generally helped to form the uptrend in the index as a depreciating US dollar increases appetite for commodities by international investors.

**Author:**  
**Christopher Huang**  
Data Analyst

Zenith Investment Partners

 (03) 9642 3320  
[christopher.huang@zenithpartners.com.au](mailto:christopher.huang@zenithpartners.com.au)

DATA SOURCE: BLOOMBERG

## BLOOMBERG DATA SERIES

CHART	BLOOMBERG DATA SERIES
<b>CASH RATES</b>	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
<b>CPI</b>	Australia CPI All Groups Goods Component YoY
	US CPI Urban Consumers YoY NSA
	Japan CPI Nationwide YoY
	China CPI YoY
	UK RPI YoY NSA
<b>GDP</b>	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
<b>UNEMPLOYMENT</b>	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
<b>RETAIL SALES</b>	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
<b>HOUSE/LAND PRICES</b>	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
<b>HOUSING APPROVALS</b>	China Land Transaction Price YoY
	Australia Building Approvals Dwellings YoY
	US New Privately Owned Housing Units Started by Structure Total SAAR YOY
<b>HOUSEHOLD CONSUMPTION</b>	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
<b>COMPANY PROFITS &amp; BUSINESS OUTLOOK</b>	GDP US Personal Consumption Chained 2005 Dollars % Change SAAR
	Australia Comp Gross Operating Profit QoQ Chg Seasonally Adjusted
<b>CONSUMER &amp; BUSINESS CONFIDENCE</b>	National Quarterly Business Survey Business Confidence Outlook SA
	Westpac-Melbourne Institute Consumer Confidence Consumer Sentiment
<b>LEADING INDICATORS</b>	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

**DISCLAIMER:** This report is prepared exclusively for clients of Zenith Investment Partners (Zenith). The information contained in the report is believed to be reliable, but its completeness and accuracy is not guaranteed. Opinions expressed may change without notice. Zenith accepts no liability, whether direct or indirect arising from the use of information contained in this report. No part of this report is to be construed as a solicitation to buy or sell any investment. The material contained in this report is subject to copyright and may not be reproduced without the consent of the copyright owner.