

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	↓ 1.7
USA	0.25	-0.75 (Nov-08)	3.20	↑ 0.50	9.10	↑ 0.1	2.30	
Japan	0.10	-0.20 (Nov-08)	0.30	↑ 0.30	4.70	↑ 0.1	-1.00	↓ 3.20
UK	0.50	-0.50 (Feb-09)	5.20	↓ 0.10	7.80	↓ 0.1	1.80	↑ 0.30
China	6.31	+0.25 (Apr-11)	5.30	↓ 0.10	NA		9.70	

AUSTRALIAN ECONOMIC COMMENTARY

On June 7, the RBA Board left the cash rate on hold given the mixed outlook for the domestic economy. The Board noted the significant upside and downside risks to Australia's growth prospects as the resources sector booms, whilst the non-resources sectors continue to underperform and a fragile global economy keeps us ever vigilant.

The mixed outlook was reflected in the quarterly GDP figures which saw growth contract 1.2% - the biggest decline in 20 years and the first decline since the end of 2008. Whilst the RBA anticipated weaker growth after the Queensland floods, the data was worse than expected and blamed on delays in resuming coal production. The impact of the global economic picture and its ongoing risks such as the continuing sovereign debt crisis continues to weaken confidence for both the RBA board and investors alike. However, on the upside, retail sales data showed improvement, the terms of trade remain strong and commodities prices still remain at historically high levels despite a recent pullback. However the strength of the resources sector continues to mask the almost recessionary underperformance of other sectors to a significant degree.

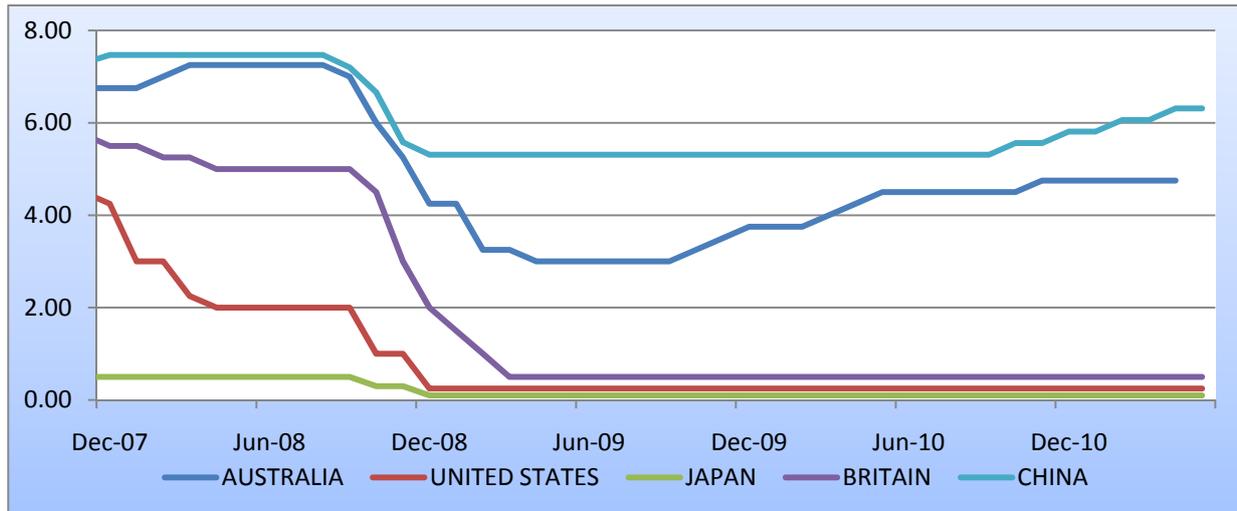
GLOBAL ECONOMIC COMMENTARY

More Greek dramas unfolded as the Greek economy contracted 5.5% in the first quarter, raising doubts about **Greece's** ability to meet its targets for budget deficit reductions. These targets are a condition of the EU and IMF 110bn euro bailout package. A fresh proposal aiming to restructure the debt by altering the duration and sources of the funding to include a higher weighting with private creditors has hit resistance. This prompted stronger concerns that Greece will default and pull down the credit ratings of Portugal, Ireland and Spain with it. Meanwhile the European Central Bank (ECB) signalled that rates will rise in July to cut off rising inflation from higher energy and commodities prices. This highlights the continued challenge for the ECB in managing two speed European economies. Will this trigger stronger nations to leave the European Union in the future?

The most recent round of **US** data showcased its economic fragility as quantitative easing winds up. Further weakness was evident as unemployment rose again, continuing the 'jobless recovery'. Although the balance sheets of the corporate sector are surprisingly strong, a persistent unwillingness to hire remains. Interestingly, the debt burden created by the credit crisis has mainly been transferred from corporations to governments. This now leaves governments in a difficult fiscal position, with both state and federal governments needing to make cut backs and reduce hiring at a time they would normally increase expenditure. In recessionary environments, governments typically increase investments in fixed asset projects to prop up growth and unemployment data. In essence, they aim to spend their way out of recession by taking on more debt. This is not an option for the US given the record budget deficit of \$US 14.3 trillion which limits government hiring. If anything, we will see more job cutbacks. Worse still, the Treasury Department has warned it will run out of money to pay the nation's bills in August unless lawmakers are able to broker a deal to extend the debt and reduce the deficit. Any small defaults would almost certainly trigger a credit rating downgrade and tip an already fragile economy back into recession.

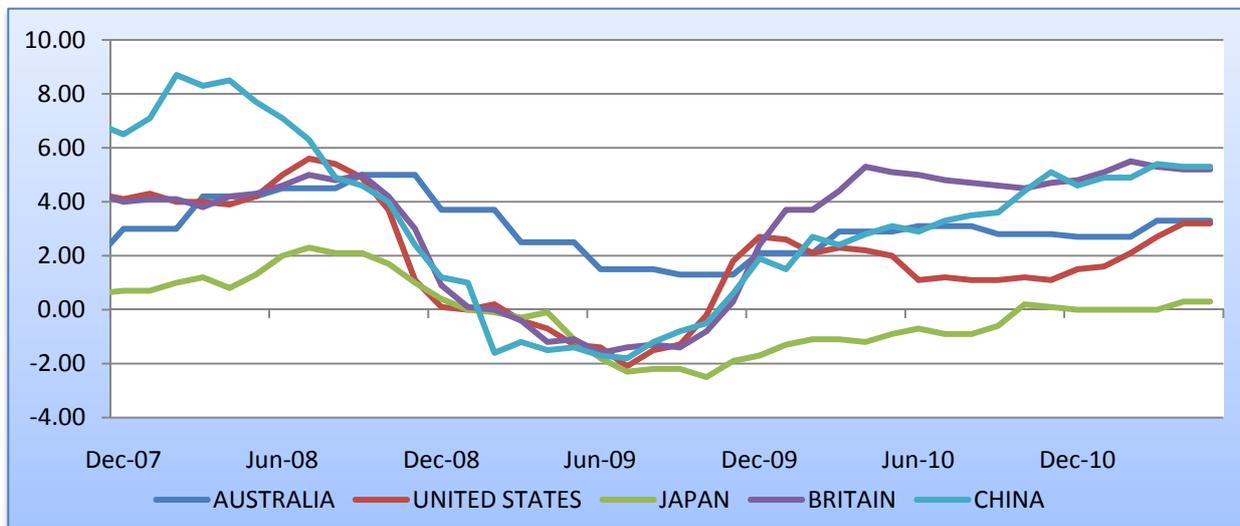
In the Asian region, **China's** PMI fell prompting fears of a slowdown. However, estimates suggest that they are still on target to reach GDP growth projections of around 9.0% this year. In contrast, a fall in **Japan's** quarterly GDP in the aftermath of the tsunami prompted a huge fall in annualised GDP growth of 3.2%, pushing GDP back into negative territory. Globally speaking, it's not a pretty picture.

CASH RATES



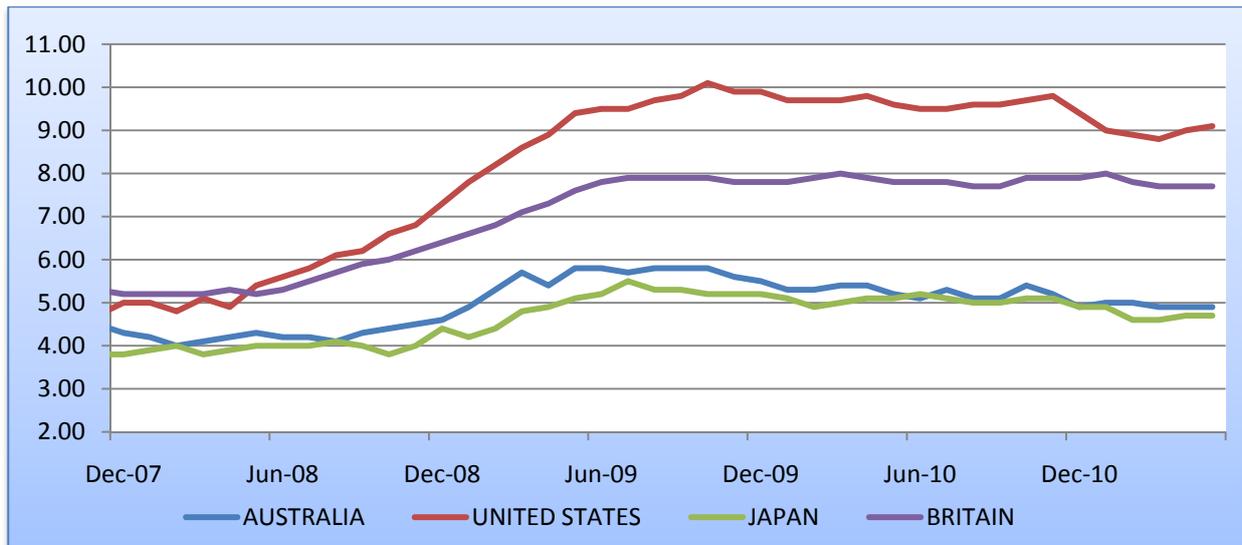
Cash rates remain on hold globally, reflecting for the most part a lack of global growth prospects. Nations of the Asia-Pacific region continue to exhibit significantly better growth prospects and economic fundamentals. Australian rates are widely tipped to rise in the second half of the year.

INFLATION RATES (ANNUALISED)



Inflation rates presented a mixed picture with rates rising in the US and Japan, whilst they moderated in the UK and China. This must be very welcome news for these nations, where inflation remains problematic. Inflation continues to rise in the US on the back of higher energy, oil and commodities cost pressures and may be difficult to manage going forward given falling growth. Australian inflation figures for the June quarter will be updated in July and will have a significant bearing on the RBA decisions for the second half of the year.

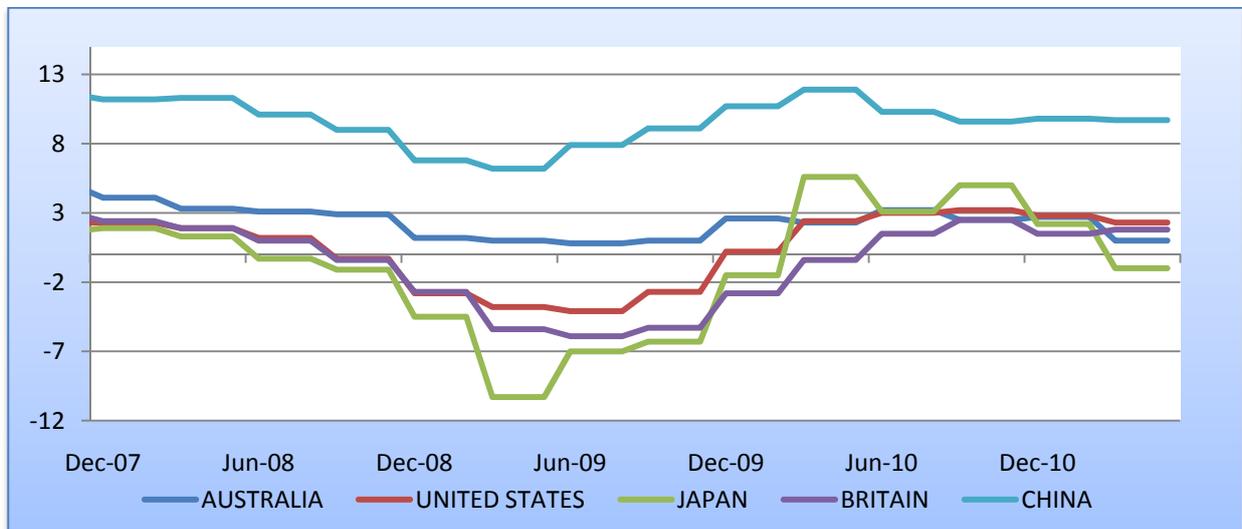
UNEMPLOYMENT RATES



Unemployment rose again slightly in the US, as the 'jobless recovery' continues. Although the balance sheets of the corporate sector are surprisingly strong, there remains a persistent unwillingness to hire. Unemployment also rose marginally in Japan.

In contrast, unemployment in the UK continues to fall contributing to the generally positive economic news. Updated Australian unemployment figures will be released later this month.

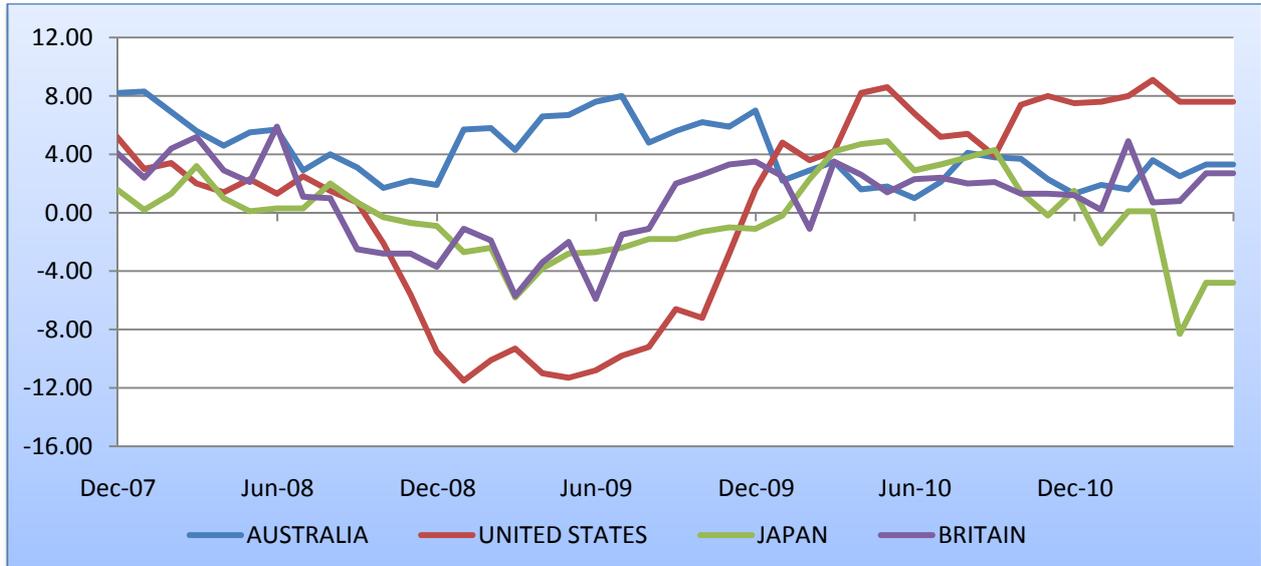
GDP GROWTH (ANNUAL)



Growth rose for a second consecutive quarter in the UK suggesting that the economy is in line for recovery. Meanwhile GDP plummeted in Japan last quarter on the back of weakened productivity following the tsunami and nuclear crisis. A quarterly fall of 0.9% resulted in an annualised contraction of 3.20%, taking the Japanese economy back into negative territory.

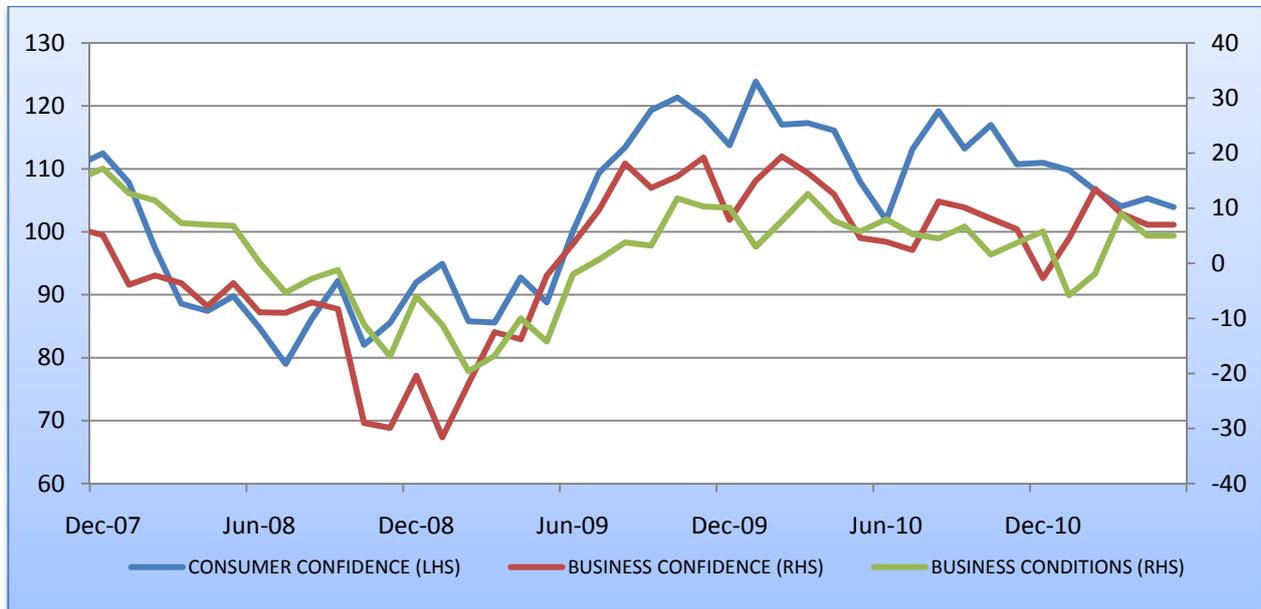
In Australia, natural disasters also exerted their toll on the economy, causing the single largest quarterly contraction in 20 years. The impact of the floods and cyclone was greater than expected, with coal production particularly slow to resume. This was considered to be a key factor in the RBA's decision to leave the cash rate on hold.

CHANGE IN RETAIL SALES – ROLLING 12 MONTH CHANGE



After Japan recorded the largest fall in year-on-year retail sales in 13 years last month, sales recovered somewhat although they remain in negative territory alongside poor consumer sentiment. Australian retail sales rose a mere 1.1% for the month in the most recent data release although this was well above consensus, with a rebound in department store sales the main contributor.

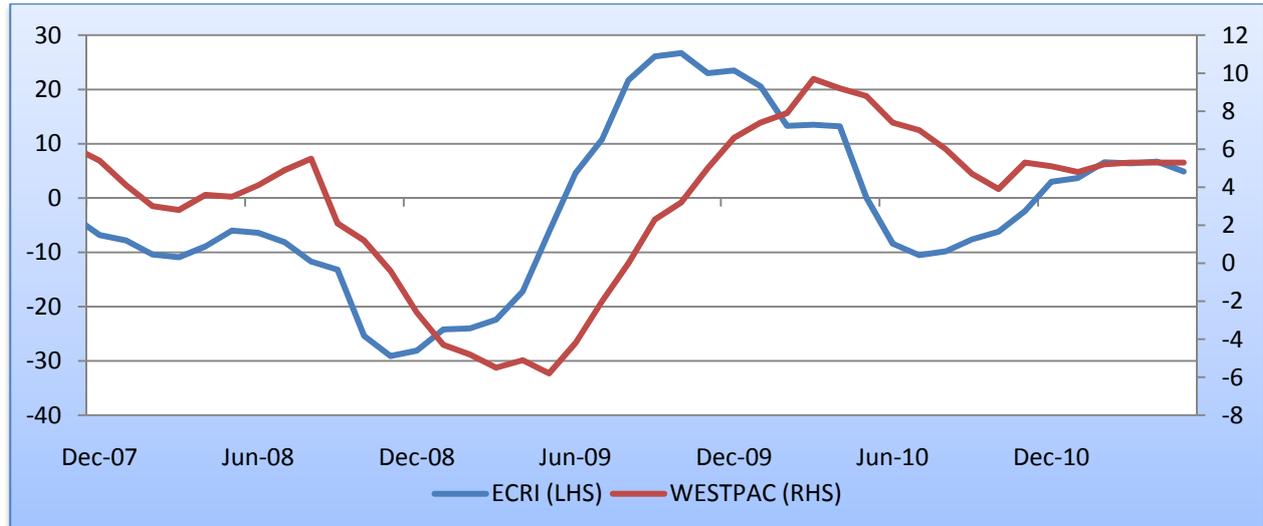
CONSUMER & BUSINESS CONFIDENCE / CONDITIONS



Consumer confidence remained unchanged this month which is not surprising given that the same downside risks to the economy remain firmly in the spotlight.

After the floods subsided, the NAB business conditions survey recorded a marked improvement in business conditions, with the overall level rising to its highest point since March 2010. Unfortunately business confidence declined for the March quarter although it remains positive and above trend. Both data sets will be updated after June.

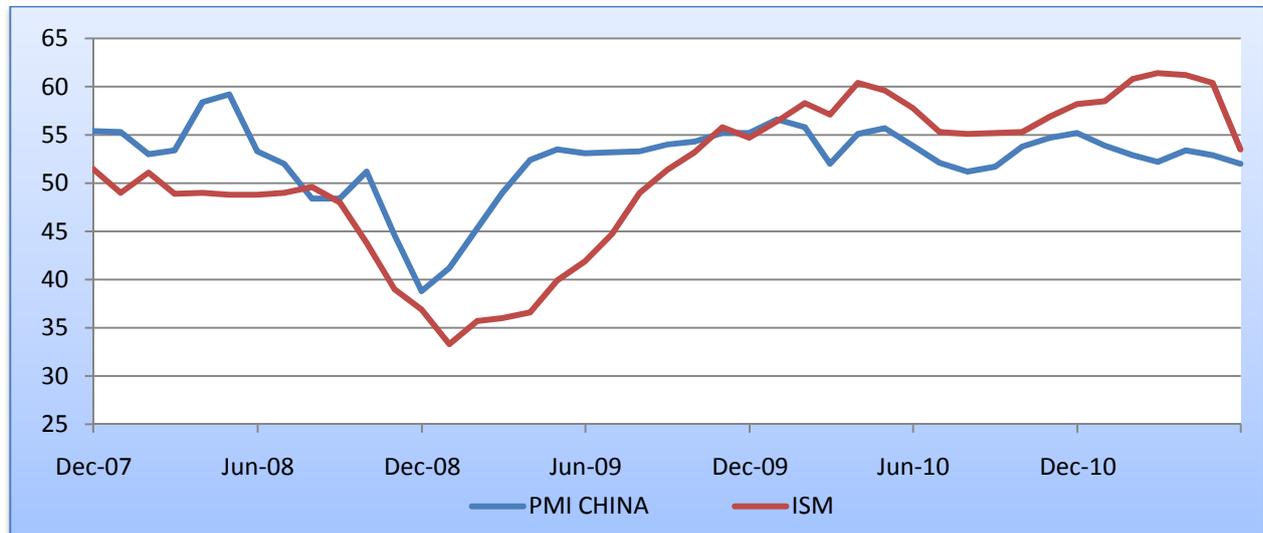
LEADING INDICATORS - WESTPAC LEADING INDICATOR (AUST) & ECRI WEEKLY LEADING GROWTH RATE (US)



The Westpac Leading Index indicates the likely pace of economic growth 3 to 9 months into the future. The index has risen to 5.30, indicating that sentiment is positive for above trend growth over the coming year.

In contrast, the ECRI has begun to trend downwards, falling to 4.90 from 6.70, 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.

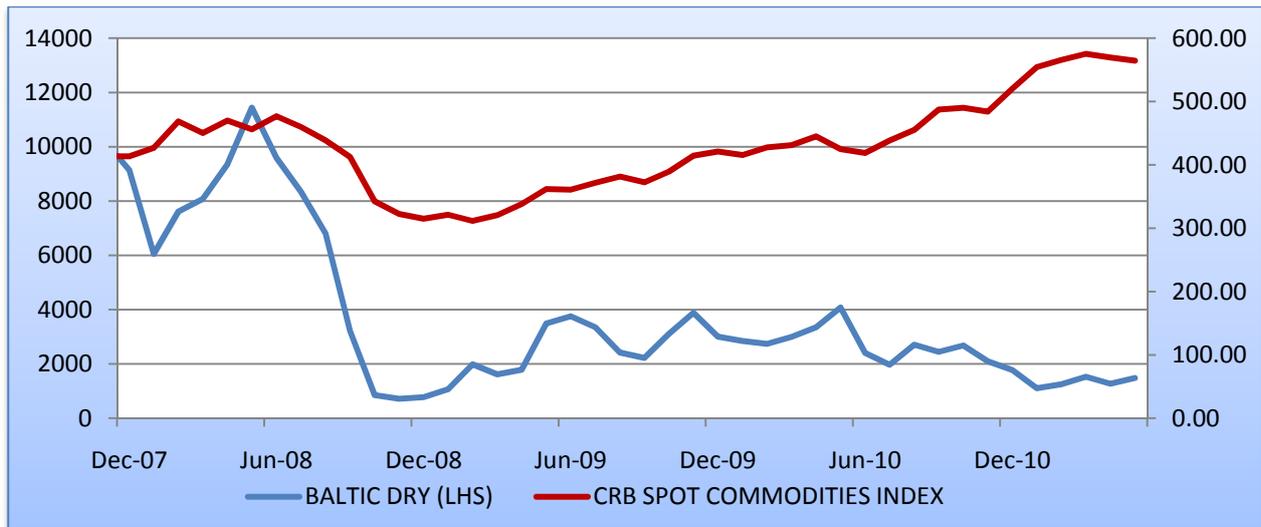
LEADING INDICATORS – MANUFACTURING DATA: ISM (US) AND PMI (CHINA)



After carrying the US recovery for so long, the ISM continued to fall, albeit at a slower rate. Another lowlight of the current data, the survey shows manufacturing has benefited from the devaluation of the US currency sparked by quantitative easing. Manufacturers must be expecting activity levels to decline significantly as the dollar re-inflates and their international exports become more expensive and therefore less competitive. The ISM Manufacturing Survey rates US manufacturing activity levels with the sector contributing around 11% of GDP.

The PMI continued its downward trend from last month, this time exhibiting a more dramatic fall. The culprits were a decline in new orders and inventory, suggesting a slowdown in growth. The current levels however are consistent with an annual GDP of around 9%. 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 never recovered after the lows of 2008 due to an excess of new ships keeping transport prices low.

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 extremely strong demand for commodities although the most recent data indicates a slight downturn. Commentators have called the end of the commodities boom for some time, but with the value of hindsight these calls have been too early. However as we reach the end of quantitative easing, another period of deflation in the US economy may spark a collapse in commodities. However given the insatiable appetite of the developing world for fixed asset growth, prices should still remain well above their long term historical averages. Furthermore, exposure to commodities can provide a hedge against inflation for investors.

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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
	China Land Transaction Price YoY
HOUSING APPROVALS	Australia Building Approvals Dwellings YoY
	US New Privately Owned Housing Units Started by Structure Total SAAR YOY
	Japan Housing Starts YoY NSA
HOUSEHOLD CONSUMPTION	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
	GDP US Personal Consumption Chained 2005 Dollars % Change SAAR
COMPANY PROFITS & BUSINESS OUTLOOK	Australia Comp Gross Operating Profit QoQ Chg Seasonally Adjusted
	National Quarterly Business Survey Business Confidence Outlook SA
CONSUMER & BUSINESS CONFIDENCE	Westpac-Melbourne Institute Consumer Confidence Consumer Sentiment
	National Australia Bank Business Indicators Business Confidence SA
LEADING INDICATORS	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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