

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)	3.60	↔	5.30	↑ 0.4	1.40	↑ 0.4
USA	0.25	-0.75 (Nov-08)	3.80	↑ 0.20	9.10	↔	1.50	↓ 0.10
Japan	0.10	-0.20 (Nov-08)	0.10	↓ 0.10	4.70	↑ 0.10	-1.10	↓ 0.10
UK	0.50	-0.50 (Feb-09)	5.20	↑ 0.20	7.90	↑ 0.20	0.70	↔
China	6.56	+0.25 (Jul-11)	6.20	↓ 0.30	NA		9.50	↔

AUSTRALIAN ECONOMIC COMMENTARY

The RBA Board met on September 6 and decided to keep the official cash rate on hold at 4.75%, in line with consensus. RBA Governor Glenn Stevens had stated that the outlook for near-term growth has continued to look weaker than was expected a few months ago. Uncertainty regarding the resolution of Europe's debt crisis coupled with sluggish economic growth in the US has had an influence in the RBA's decision to keep rates on hold. Furthermore, Australian government spending programs intended to boost economic growth are fading. Medium-term inflation still remains a key risk for the economy after inflation has trended higher in the first half of the year. This challenging economic environment has made it difficult for the RBA to justify tightening their interest rate policy given it expects inflation to decline in the second half of 2011 and that GDP growth is still below its long-term average of 3.00%.

Economic data released over the month reflected a mild recovery in the domestic economy. Construction work done for the June quarter rose 0.70% which was less than expected. Future construction activity is also predicted to be subdued as building approvals showed little improvement, increasing 1% in July compared to a forecast of a 2.1% rise. Retailers surprisingly saw an improvement as sales rebounded 0.50% in July, turning around for the first time in three months. The strong Australian dollar has negatively impacted on unemployment in August with the jobless rate jumping to 5.3% - the highest rate the nation has seen in 10 months. The good news was that the GDP strongly bounced back 1.2% in the second quarter, recovering from the revised 0.9% contraction in the first quarter.

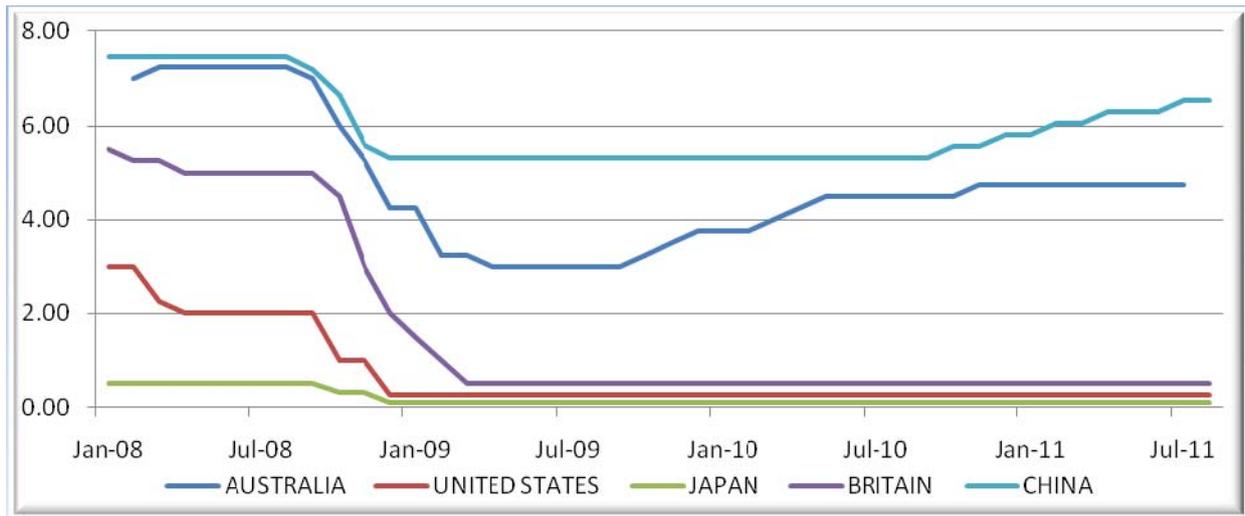
GLOBAL ECONOMIC COMMENTARY

Economic data across both sides of the Atlantic released in the second half of August and in the first half of September were disappointing. However, investors are still clearly focused on Greece potentially defaulting on its debt which could spread to other **Eurozone** countries despite financial backing from Germany. Two of France's largest banks, Societe Generale and Credit Agricole had their credit rating downgraded by one notch due to their large exposure of Greek debt on their balance sheets. European policy makers will have to act swiftly and in harmony to support Greece in order to avoid another banking crisis. In response, five central banks (The Fed, ECB, BoE, BoJ and SNB) took co-ordinated action to offer 3-month US dollar loans to commercial banks in order to provide short-term liquidity to companies. European banks are finding it very difficult to borrow and as a result, this should relieve the banking system until year end. Long-term budget problems still exist and it will not be an easy fix, especially when austerity measures are hindering short-term growth in Europe. The ECB has kept interest rates on hold at 1.50% in September as expected and stated it held a neutral stance on inflation, expecting it to cool below 2% in 2012. GDP forecasts were also revised down by the central bank to 1.6% (from 1.9%) in 2011 and 1.3% (from 1.7%) in 2012.

Economic conditions in the **US** have shown no improvement, or little at all if any. The efforts made by the FOMC to keep interest rates at 'rock bottom' may not be enough to prevent the economy from falling back into a recession. Retail sales have stalled in August and consumer confidence fell to the lowest in two years. Unemployment remains stubbornly high around 9% and is unlikely to fall unless President Obama's \$447 billion jobs package is passed through to create new jobs. If passed, its effect is estimated to reduce the unemployment rate by only 1% in 2012.

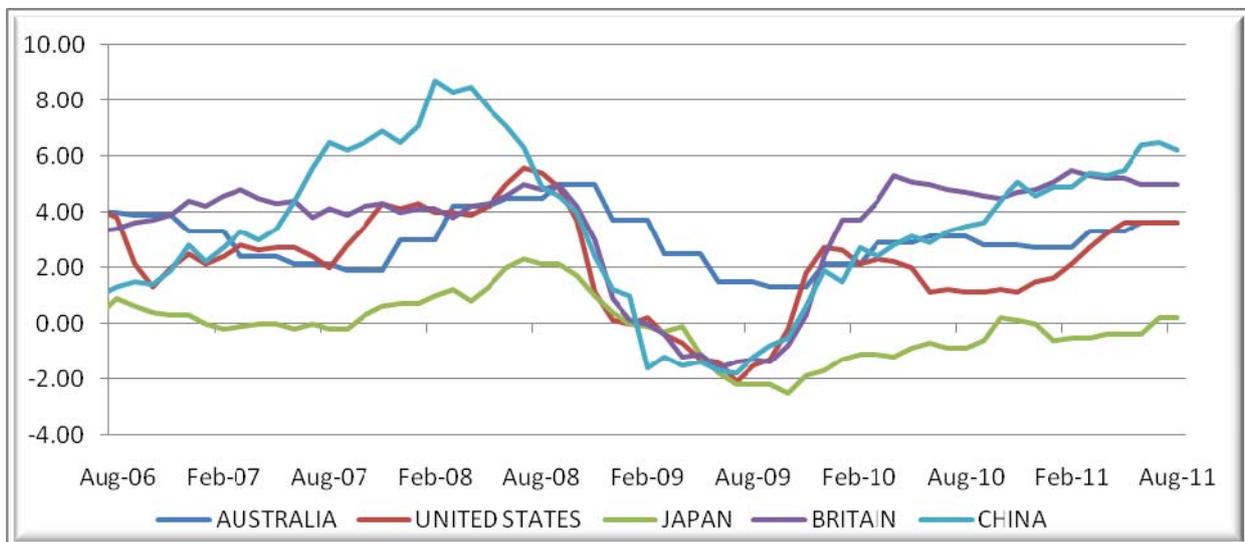
In Asia, economic conditions in **Japan** look dire as core machinery orders slumped 8.2% - the most in 10 months as investment was held back given a strong yen and an uncertain economic environment. The economy will have to deal with a strong yen which drags down demand for Japanese exports. The BoJ's attempt to drive down the yen via low interest rates remains futile. In **China**, monetary policy easing by the Chinese central bank is not considered an option even though inflation cooled to 6.20% in August from 6.50% in July. Inflation targeting is currently the number one macro objective for the central bank despite growth and sovereign debt concerns in the west.

CASH RATES



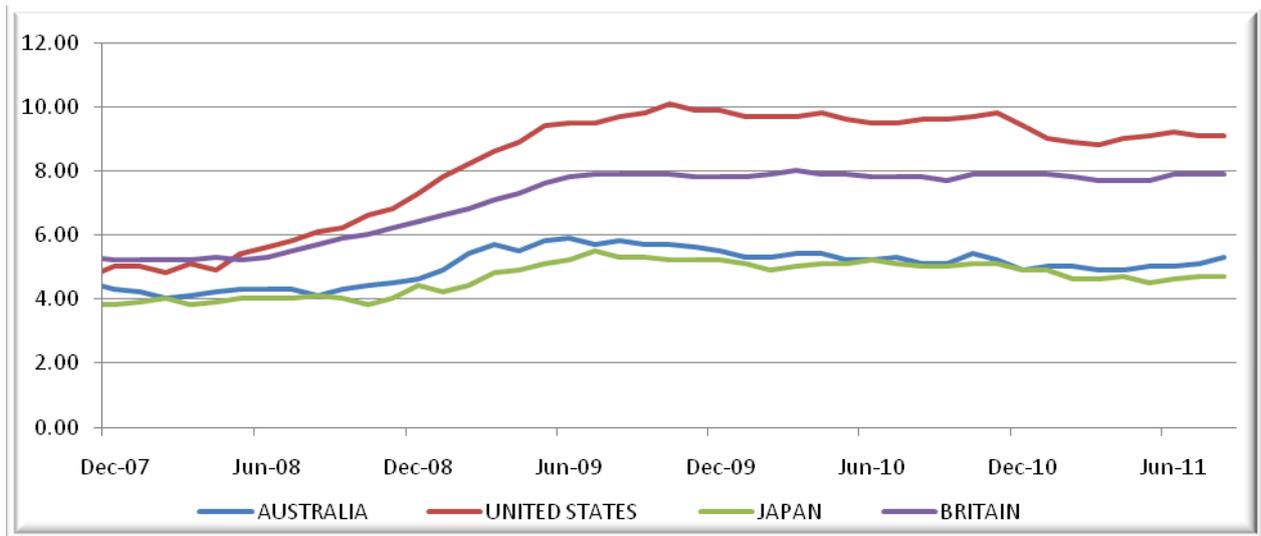
Central banks have generally kept interest rates on hold for the time being as a wave of poor economic news continued to sweep across developed countries. A deepening European debt crisis alarmed international markets with the risk of contagion still high. This can potentially freeze lending and create a domino effect, spreading to other EU countries and the US. While the European debt crisis echoes the GFC in 2008, this has created ill-feelings that global economic growth may suffer as a result. The ECB raised interest rates in April and July 2011 to contain above-target inflation and this would seem to be counterintuitive given that the debt crisis continues to intensify. However, this hawkish interest rate policy may reverse over the coming months. Meanwhile, despite turbulence in financial markets, China has no strong reason to ease interest rates as it still has some distance to cover to further cool inflation.

INFLATION RATES (ANNUALISED)



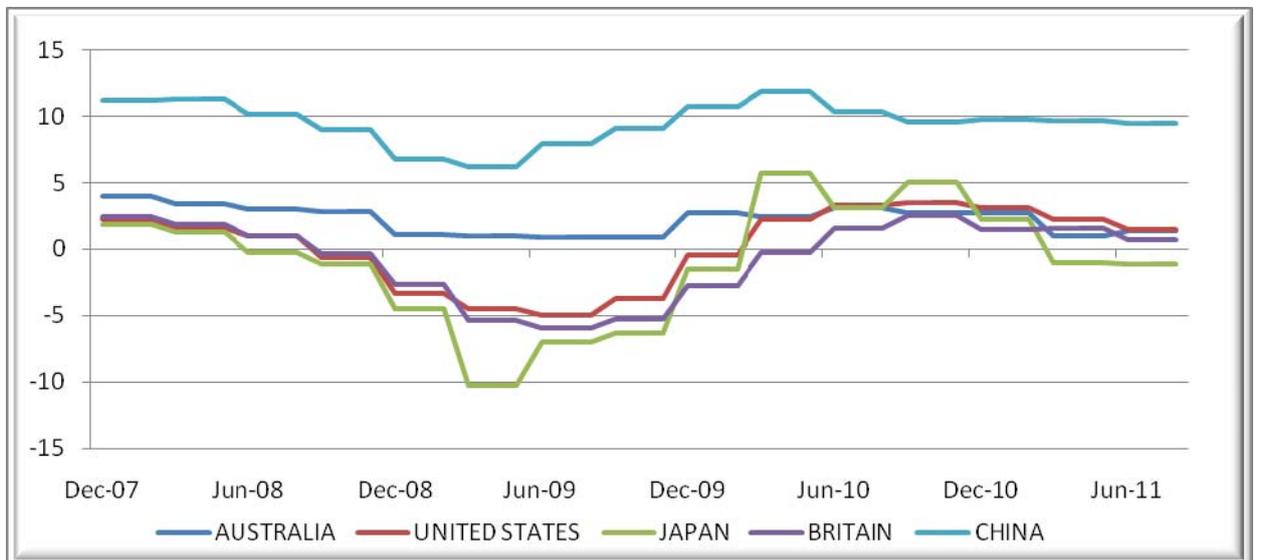
Inflation rates still remain at elevated levels with the exception of Japan, which is struggling to recover from its natural disaster in the midst of the global economic turmoil. Inflation rates have increased in the western world, primarily driven by higher food costs. China's intention to control inflation via interest rate tightening appears to be working to some effect, as the inflation rate in August cooled down from 6.50% to 6.20%. However, the Chinese government is likely to hold its hawkish monetary policy as it aims to target full-year inflation at 4%. In the UK, inflation has climbed higher in August, driven by higher clothing and furniture prices. The UK economy is in a dilemma between reviving economic growth and keeping inflation under control - which is currently double the BoE's inflation target. Meanwhile, the US is also facing inflationary pressures, as year-on-year inflation rose to a 3-year high in August.

UNEMPLOYMENT RATES



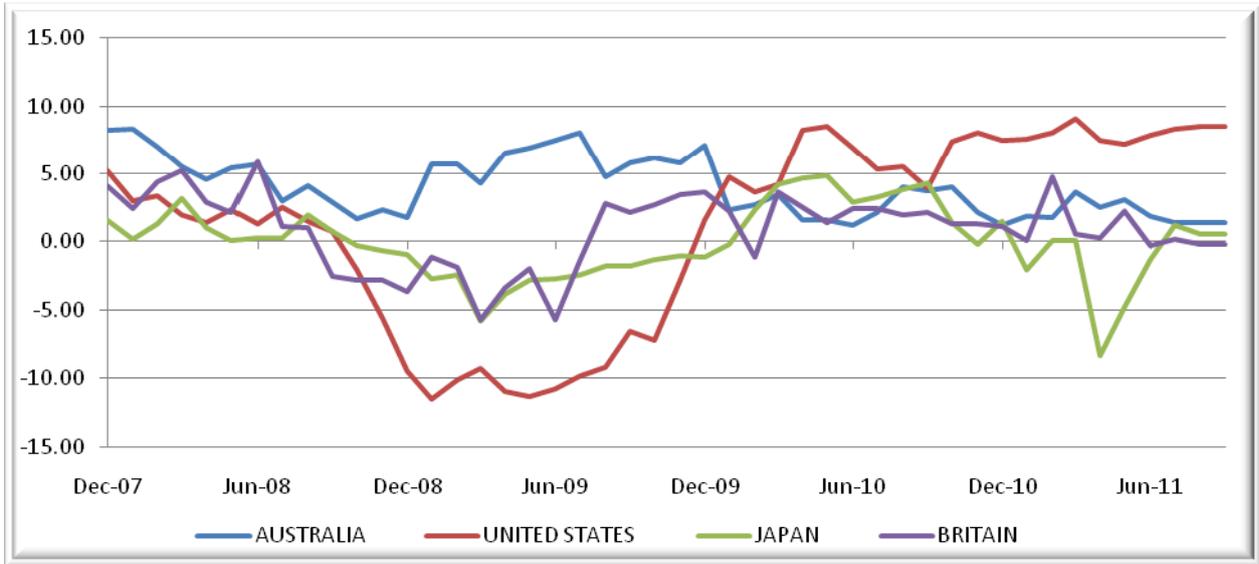
The impact of sluggish economic growth in Europe and in the US has had an impact on the job growth across developed nations. Unemployment rates rose in the UK, Japan and in Australia. The jobless rate in Japan unexpectedly rose 0.1% while in the UK, the unemployment rate rose by 0.2%. Meanwhile, in Australia, the unemployment rate surprisingly spiked to a 10-month high with one of the main factors due to a strong Australian dollar. This has hurt bottom line profits for companies in Western Australia - leading to job cuts. Furthermore, the carbon and mining taxes have contributed to creating further uncertainty as companies remain cautious on hiring. The US job market has shown no signs of improvement as claims for first-time jobless benefits reached the highest in 3 months.

GDP GROWTH (ANNUAL)



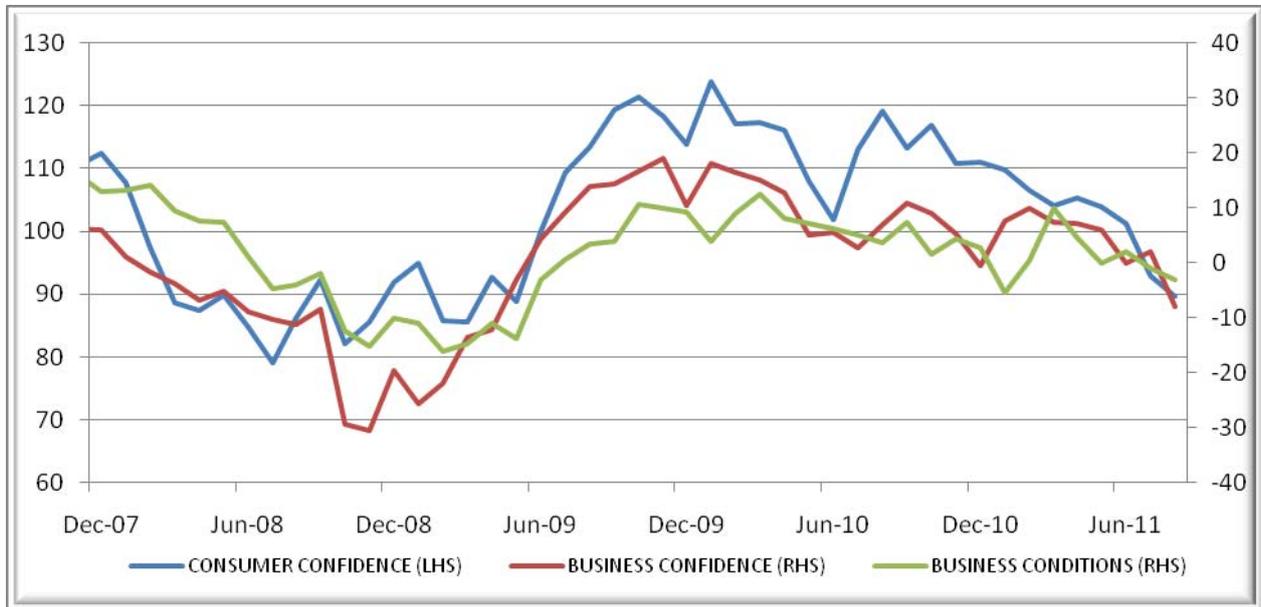
GDP growth in developed nations is slowing down. The heightening European debt crisis has threatened the possibility of developed countries falling back into a recession. Given Europe's sluggish economic growth and weak demand, this has heavily impacted on the US's exports to European countries. This has taken a toll on the US economy as economic growth has essentially halted. According to credit rating agency Moody's, there is a currently a 40% chance of a recession occurring in the US over the next 6-12 months. Fortunately in the east, Australia's recovery rebounded from the flooding in Queensland as GDP growth surprisingly grew 1.2% in the second quarter compared with one year ago. Retail sales and investment in mining helped to put Australia's economic growth back on track.

CHANGE IN RETAIL SALES – ROLLING 12 MONTH CHANGE



Following excellent 2Q GDP growth figures in Australia, retail sales figures in July also surprised to the upside, beating economists' expectations. Retail sales grew for the first time in three months by 0.5% in July compared to the consensus forecast of 0.3%. However, year-on-year sales growth was unchanged and it is expected that Australian retailers are to struggle in an environment where consumer confidence is declining and the costs of living expense are rising. In the UK, higher energy and food costs affected retail sales which fell by 0.2% in August. Furthermore, flat wage growth and high levels of inflation are eroding consumer's purchasing power. It was a similar picture in the US as consumers remained cautious about spending. Retail sales were unchanged in August despite economists expecting a 0.2% rise. In Japan, retail sales grew by 0.7% but missed expectations of a 1% rise.

CONSUMER & BUSINESS CONFIDENCE / CONDITIONS

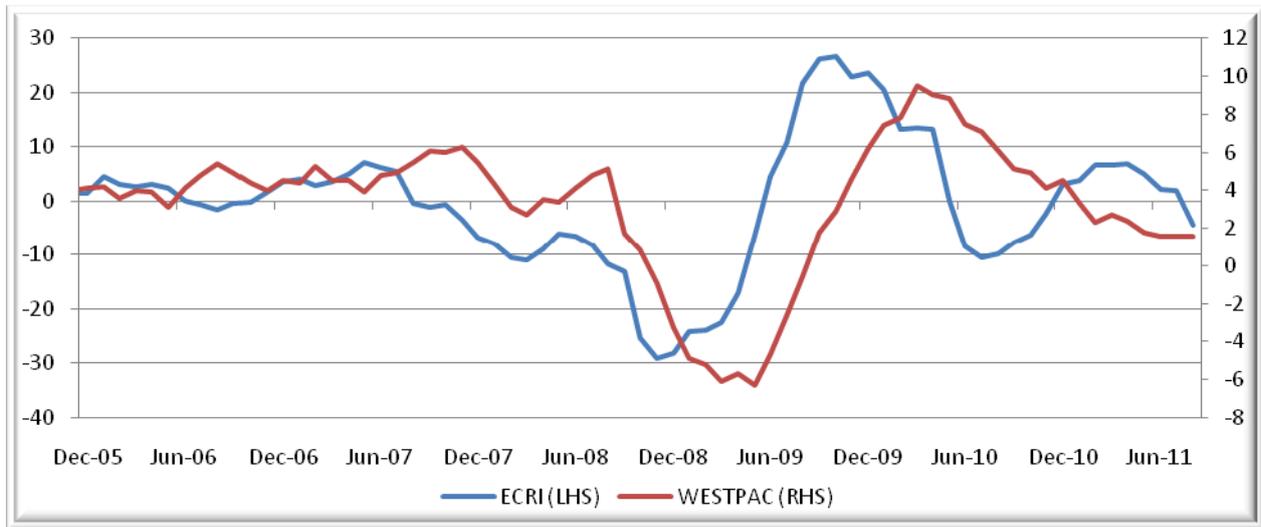


Consumer confidence surprisingly jumped 8.1% in September according to the latest survey, following strong Australian GDP growth numbers in the second quarter. Contrary to sharp falls in global equity markets and soft economic data, consumers have felt some comfort knowing that volatile financial markets and an uncertain global economic outlook has reduced the likelihood of an interest rate hike.

Business conditions remained challenging in August, falling 2 points to -3. The good news is that conditions are not as bad as they were during the GFC but reflect weaker trading conditions and lower profitability. Business conditions are still trending down and lie 9 points below the long term average of 6.

Business confidence continued its downward trajectory in August, falling sharply by 10 points to -8 as measured by the NAB business confidence index. While this is the lowest reading since the middle of 2009, this was not surprising given weak economic data locally and overseas.

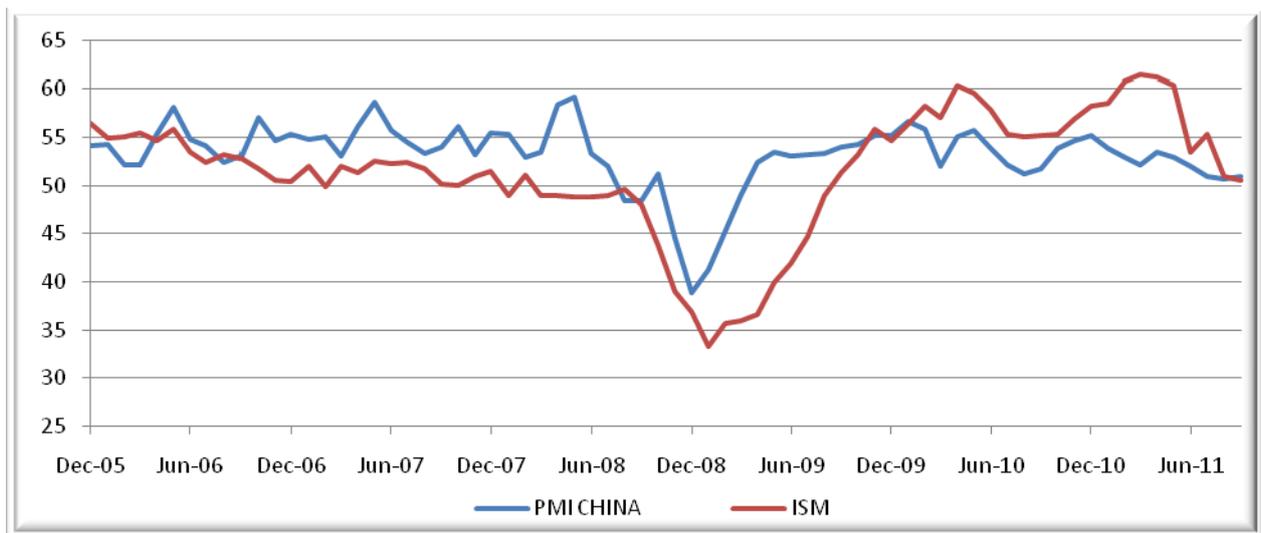
LEADING INDICATORS - WESTPAC LEADING INDICATOR (AUST) & ECRI WEEKLY LEADING GROWTH RATE (US)



The Westpac Leading Index indicates the likely pace of economic growth 3 to 9 months into the future. The index fell again to 1.60 in June, the lowest since August 2009, indicating that sentiment will continue to be weak. Consumers are cautiously holding back on spending. Westpac believes growth in the second half will be at 2.5% on an annualised basis.

The ECRI dipped into negative territory in late August and sharply fell in early September to -6.5. This is likely to predict that the US is now one step closer falling into a recession. 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)



Globally, manufacturing showed contractions throughout Europe, US and in China. Manufacturing in the US as reflected by the ISM index, fell to 50.6 in August from 50.9 in July, which was better than the forecasted drop to 48.7 - indicating a contraction. The US manufacturing sector still grew albeit at a slower pace.

China's manufacturing growth proved to be resilient as the index rose to 50.9 in August from 50.7 in July. Continued strength from the manufacturing sector is one reason why the Chinese government is keeping to a strict monetary policy regime. 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.

DATA SOURCE: BLOOMBERG

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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
	US New Privately Owned Housing Units Started by Structure Total SAAR YOY
HOUSEHOLD CONSUMPTION	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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