

# Valance Company, Inc.



Weekly

November 30, 2011

III

## Highlights

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US – Confidence rebounds

EU – Unemployment Rate increased to its highest level since June 1998

JN – Weakness continues

UK – The odds of recession have increased

CA – GDP points to a resilient economy

AU – CAPEX increased sharply; Government cuts growth forecast

NZ – Rates expected to be held until December 2012

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Valance Co., Inc.

# Valance Economic Report: United States

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November 30, 2011

**Encouraging data flow this week, as consumers seem to be looking past the European woes and the Super Committee failure. Republicans seem likely to be withdrawing their opposition to extending the payroll tax cut, boding well for consumers in 2012. The housing market continues to show some signs of life. The Fed Beige Book highlighted “slow to moderate” growth with inflation pressures softening.**

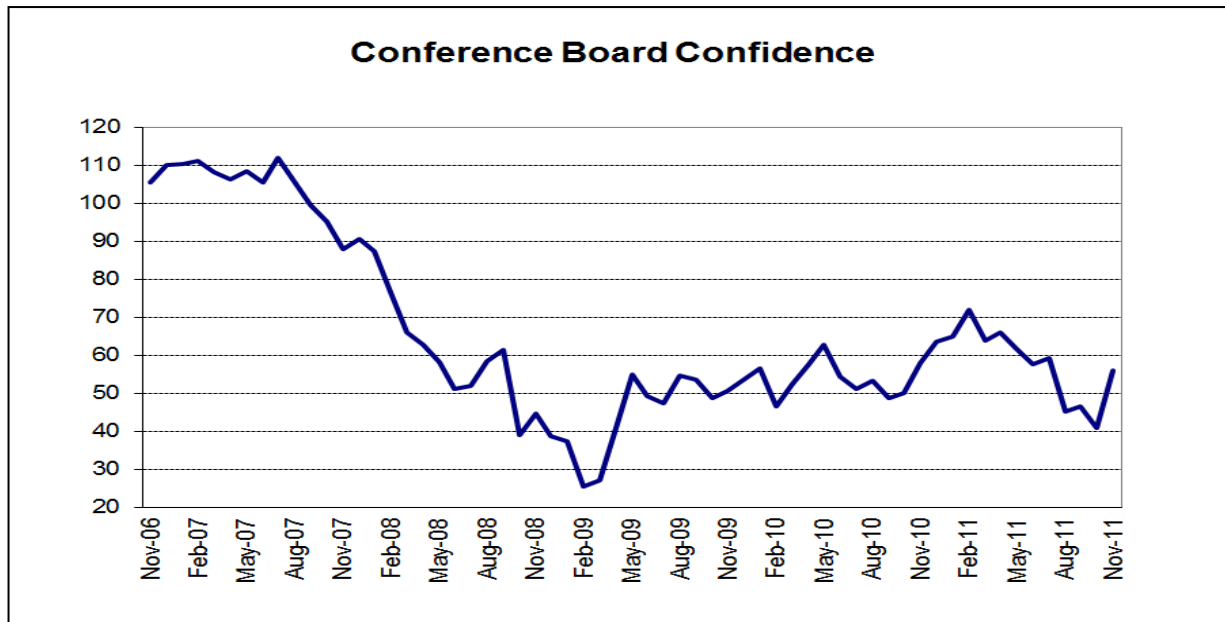
## Weekly Highlights

**Consumer Confidence** – jumped from 40.9 to 56 in November. (US 1)

**Chicago PMI** – improved from 58.4 to 62.6 in November. (US 3)

## Weekly Releases

### Chart of the Week: Conference Board Consumer Confidence



Consumer Confidence jumped from 40.9 to 56 in November, the largest monthly increase since 2003. The present situation component improved from 27.1 to 38.3 and the expectations from 50.0 to 67.8. The jobs plentiful minus jobs hard to get component increased from -43.3 to -36.3, the highest since May 2009.

US 1

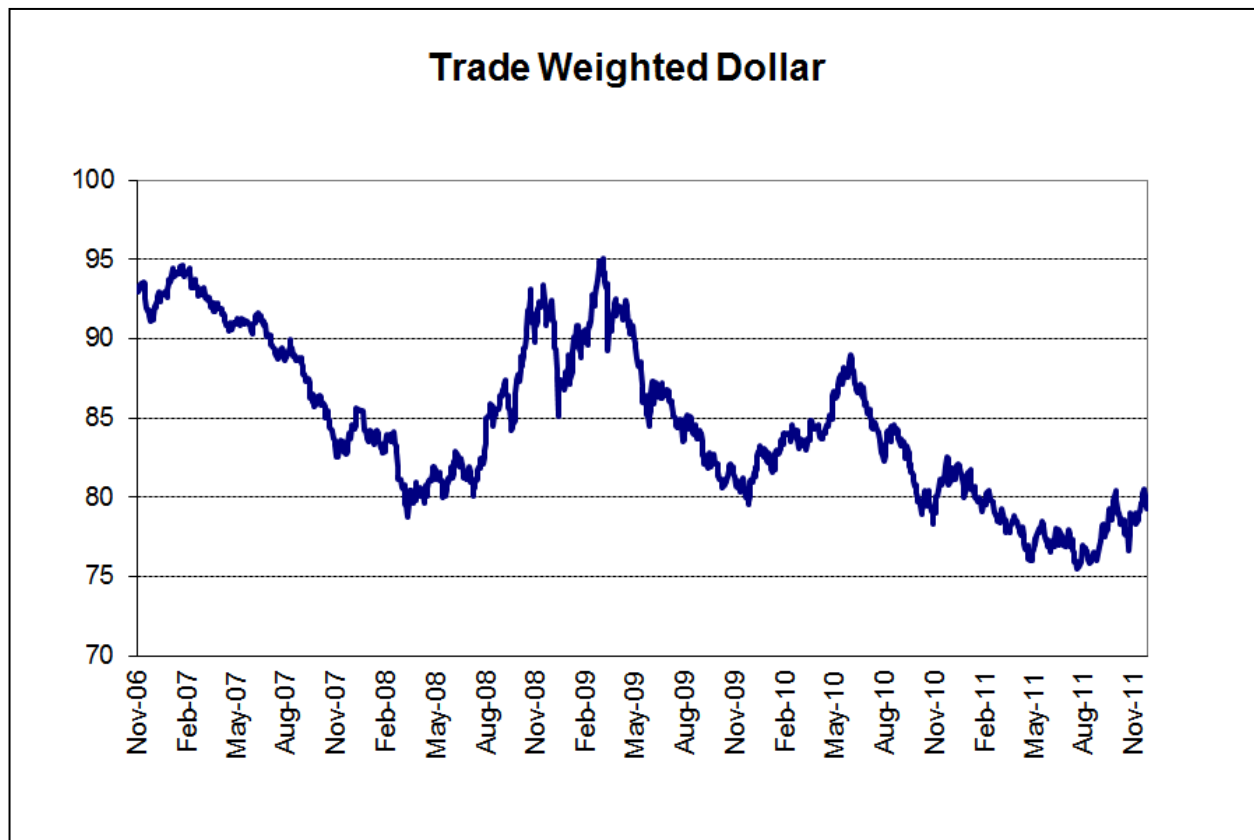
## U.S. Financial Balances & Trade Weighted Dollar

### Financial Balances

U.S.	Latest period (\$blns)	Last 12mth. as a % of GDP
Budget Balance	-98.5 (Aug)	-7.8%
Trade Balance	-43.1 (SEP)	-3.5%
Current Account Balance	-118.0B (Q2)	-3.1%
Private Balance	--	5.3%

The budget deficit on a trailing twelve month basis as of September is 7.8% of GDP. The trade deficit as of September is 3.5% of GDP. The budget deficit is quite large, but is starting to shrink through a combination of the expiration of stimulus funds and congressional spending cuts. The budget deficit will help build private balances and support a sluggish economic recovery.

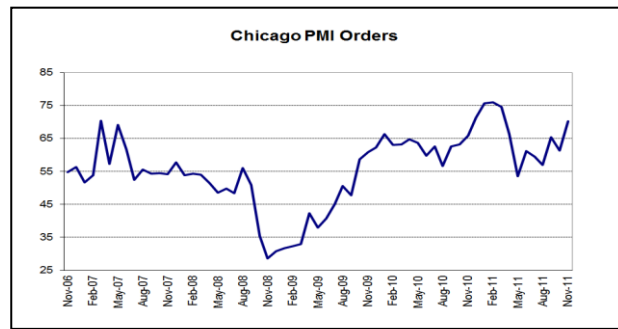
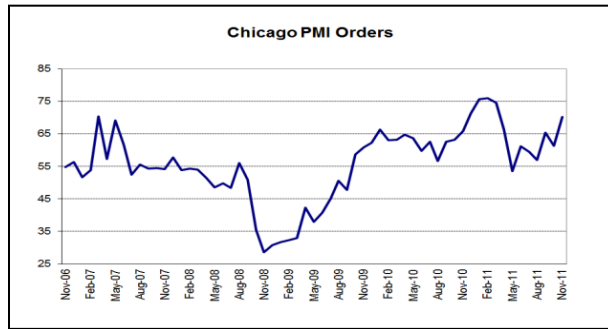
### Trade Weighted Dollar



US 2

# Chicago PMI, New/Pending Home Sales

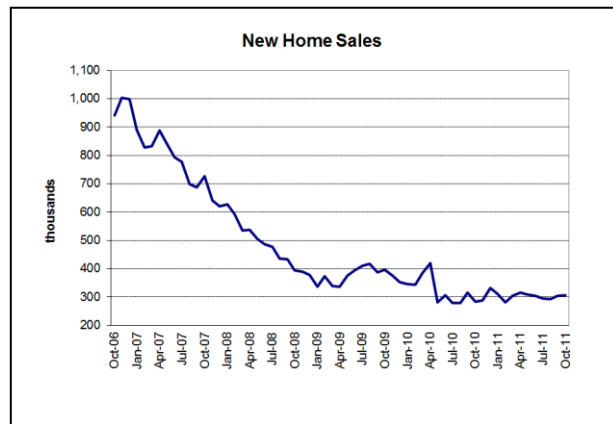
## Chicago PMI



The Chicago PMI improved from 58.4 to 62.6 in November, better than expectations of 58.5. The New Orders component jumped from 61.3 to 70.2. Production increased from 63.4 to 67.3. The employment component dropped from 62.3 to 56.9.

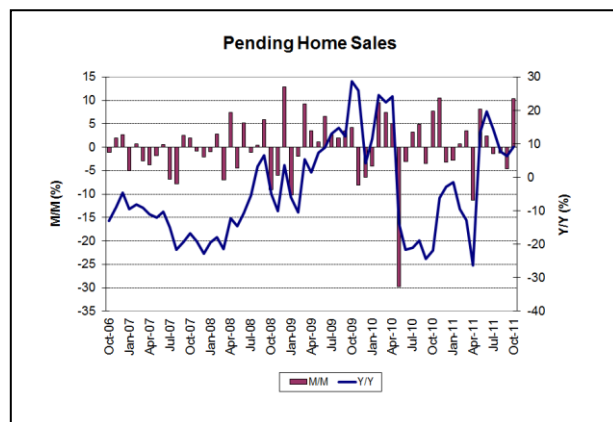
## New Home Sales

New Home Sales improved from a revised 303k to 307k in October. It was a gain of 1.3% M/M and 8.9% Y/Y. Median prices fell 0.5% M/M, though are up 4.0% Y/Y. Inventory levels dropped from 6.4 to 6.3 months of supply and actual inventories remained at 162k.



## Pending Home Sales

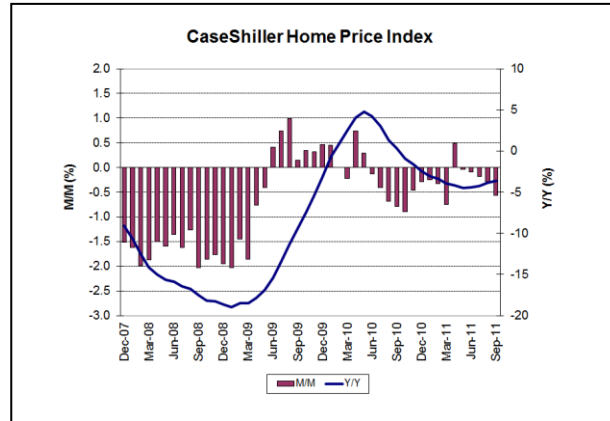
Pending Home Sales gained 10.4% M/M and 7.3% Y/Y, in October, the largest jump in nearly a year. Record low mortgage rates and low home prices should help to drive traffic. The Midwest region jumped 24.1% M/M in new contracts signed.



# Housing

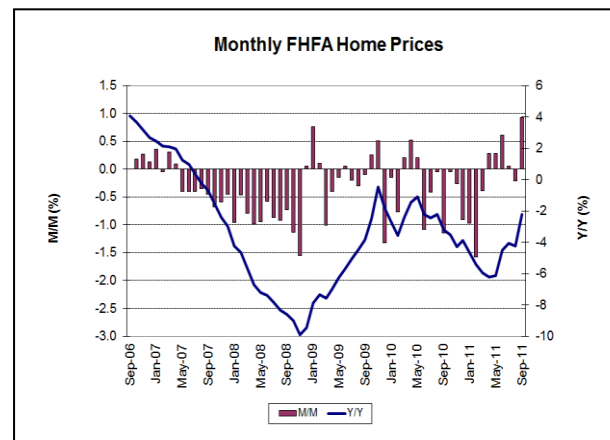
## Case Shiller Home Price Index

The Case-Shiller Index showed home prices fell 0.6% M/M and 5.6% Y/Y in September. This home price index has declined on a M/M basis for 14 of the past 15 months.



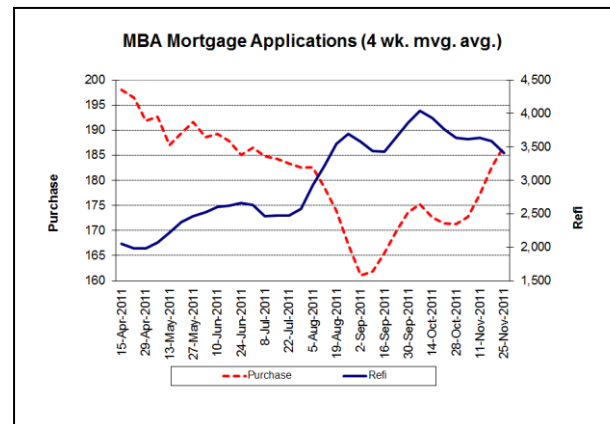
## FHFA House Price Index

The monthly FHFA House Price Index increased 0.9% M/M in September, but is down 2.2% Y/Y. This was the largest M/M gain since 2005 though the index is just off its recent lows at levels last seen in 2004.



## MBA Mortgage Applications

Purchase Mortgage Applications fell 0.8% W/W, after gaining 8.2% W/W last week. Refi applications fell 15.3% W/W this week.



**Key Dates This Week**

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
12/01	Initial Jobless Claims	NOV 26	390K	393K
12/01	Continuing Claims	NOV 19	3650K	--
12/01	Bloomberg Consumer Comfort	NOV 27	-49.2	-50.1
12/01	Construction Spending (M/M)	OCT	0.30%	0.20%
12/01	ISM Manufacturing	NOV	51.6	50.8
12/01	ISM Prices Paid	NOV	45	41
12/01	Total Vehicle Sales	NOV	13.40M	13.20M
12/02	Change in Nonfarm Payrolls	NOV	120K	80K
12/02	Change in Private Payrolls	NOV	146K	104K
12/02	Change in Manufact. Payrolls	NOV	9K	5K
12/02	Unemployment Rate	NOV	9.00%	9.00%
12/02	Avg Hourly Earning (M/M) All Emp	NOV	0.20%	0.20%
12/02	Avg Weekly Hours All Employees	NOV	34.3	34.3
12/05	ISM Non-Manf. Composite	NOV	53.5	52.9
12/05	Factory Orders	OCT	-0.40%	0.30%
12/07	MBA Mortgage Applications	DEC 2	--	--
12/07	Consumer Credit	OCT	\$7.000B	\$7.386B

# Valance Economic Report: Euro Zone

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November 30, 2011

**EU Unemployment Rate stood at 10.3% in October, its highest level since June 1998. The Inflation Rate held steady at 3.0% Y/Y and Lending to Households for Home Purchases growth decelerated from 3.9% Y/Y in September to 3.0% Y/Y in October.**

## Weekly Highlights

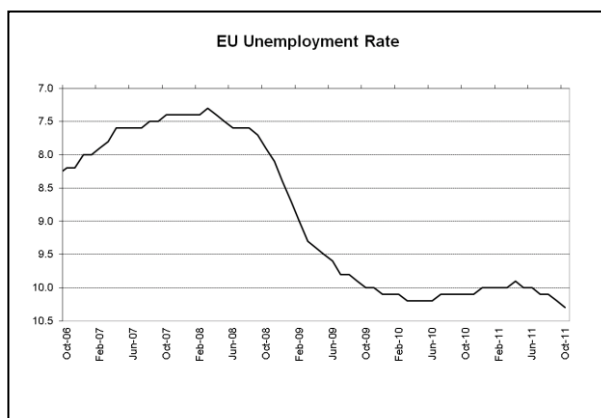
**EU Unemployment Rate** – stood at 10.3% in October, its highest level since June 1998. (EU 1)

**EU CPI** - growth remains stable at 3.0% Y/Y in November. (EU 3)

**Lending to Households for Home Purchases** - growth decelerated from 3.9% Y/Y in September to 3.0% Y/Y in October. (EU 4)

## Weekly Releases & News

### Chart(s) of the Week: *EU Unemployment Rate*



EU Unemployment Rate increased from 10.2% in September to 10.3% in October, its highest level since June 1998.

## Euro Zone Financial Balances & Trade Weighted Euro

### Financial Balances

<i>Germany</i>	<i>Last period (\$blns euros)</i>	<i>Last 12mth. as a % of GDP*</i>
Budget Balance		-3.3%
Trade Balance	17.4 (September)	2.0%
Current Account Balance	15.7 (September)	6.9%
Private Savings Balance		-3.6%
<i>France</i>		
Budget Balance		-2.7%
Trade Balance	-6.3 (September)	-4.9 %
Current Account Balance	-4.0 (September)	-3.9%
Private Savings Balance		-1.2%
<i>Italy</i>		
Budget Balance		-3.9 %
Trade Balance	-1.8 (September)	-7.7%
Current Account Balance	-5.3 (August)	5.5%
Private Savings Balance		-4.5

*\*Budget Balance as of year end 2010 – Source  
OECD*

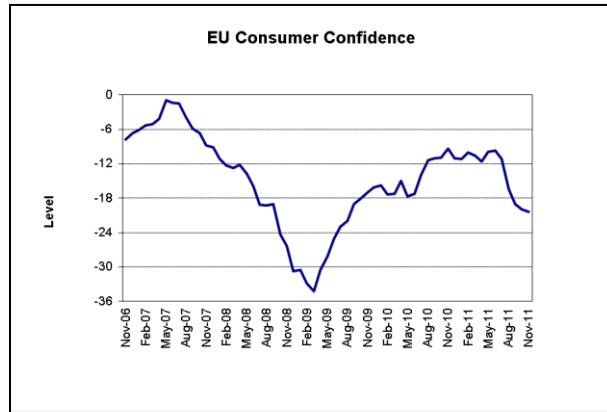
### Trade Weighted Euro



## **EU Economic Confidence & CPI**

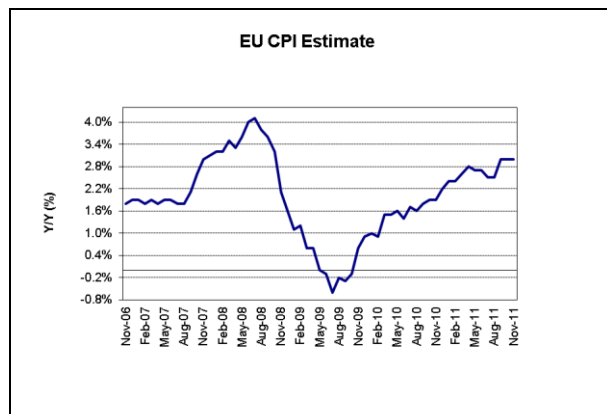
### ***Euro Zone Economic Confidence***

The Euro Zone’s Economic Confidence fell from 94.8 in October to 93.7 in November, its lowest reading since November 2009. The Business Climate Index fell from -0.19 to -0.44.



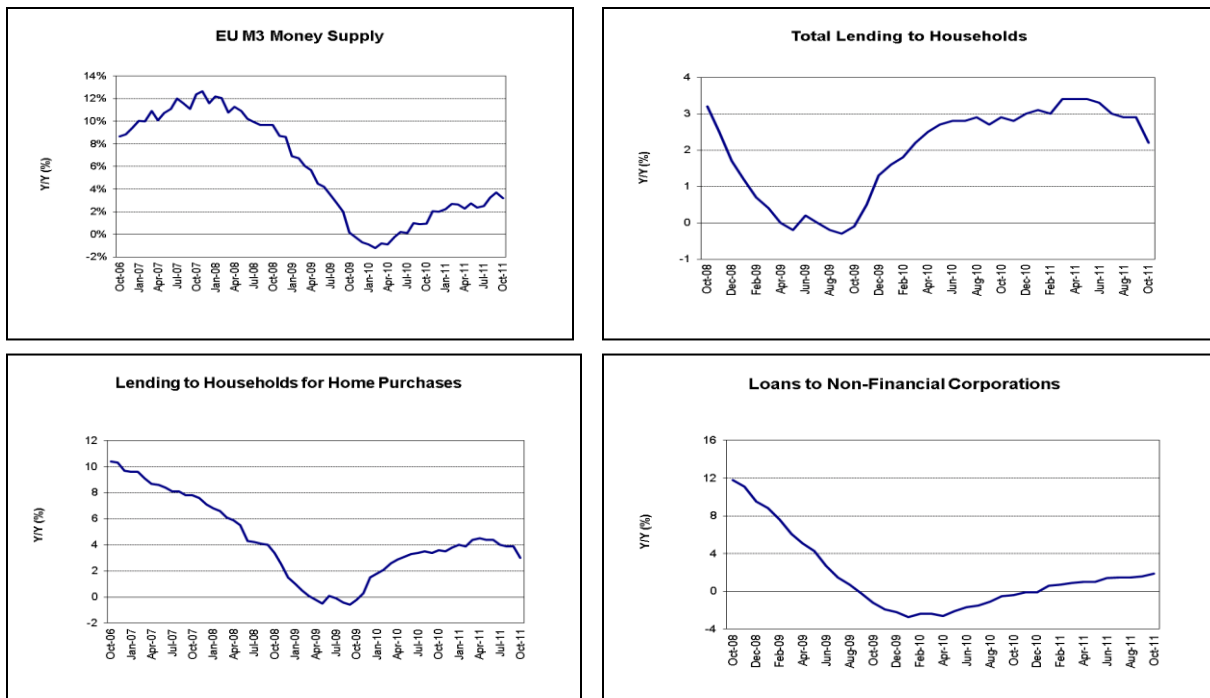
### ***Euro Zone CPI Estimate***

The Euro Zone’s CPI remained stable at 3.0% Y/Y in November.



## EU Money Supply & Lending Data

### EU Money Supply/Lending Data

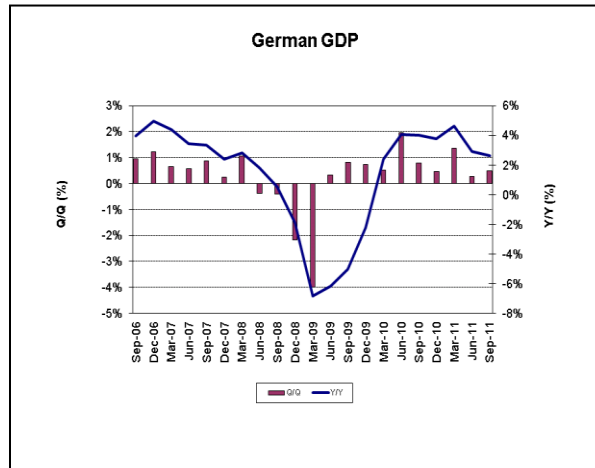


M3 Money Supply growth s.a., which the ECB uses as an indicator for future inflation, slowed from 3.7% Y/Y in September to 3.2% Y/Y in October. On a 3mth. mov. avg. basis, Money Supply growth accelerated from 2.6% Y/Y to 2.8% Y/Y. Lending to Households growth slowed from 2.9% Y/Y to 2.2% Y/Y. Lending to Households for Home Purchases growth decelerated from 3.9% Y/Y to 3.0% Y/Y. Loans to Non-Financial Corporations increased 1.9% Y/Y in October compared 1.6% Y/Y growth the previous month.

# German GDP, IFO & CPI

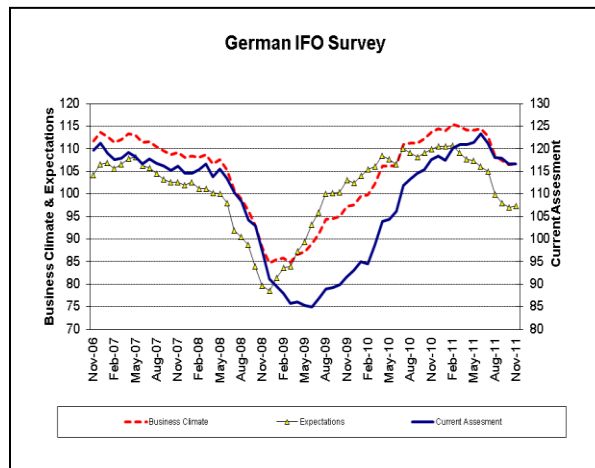
## German GDP

Final figures show that German GDP increased 0.5% Q/Q and 2.6% Y/Y in Q3 as was previously estimated. Private Consumption increased 0.8% Q/Q and Government Spending increased 0.6% Q/Q. Exports and Imports increased 2.5% Q/Q and 2.6% Q/Q, respectively.



## German IFO

German IFO Business Confidence increased from 94.2 in October to 94.4 in November, above expectations. Market expectations were for a reading of 105.2. The Current Assessment component remained at 116.7. The Expectations component increased from 97.0 to 97.3.



## German CPI

German CPI was flat M/M and increased 2.5% Y/Y in October. Looking forward, the data shows that German CPI was flat M/M and increased 2.4% Y/Y in November.



# German Retail Sales, Import Prices & Unemployment Rate

## German Retail Sales

German Retail Sales increased 0.7% M/M in October, following a 0.3% increase in September. Y/Y growth fell 0.4%. Market expectations were for a 0.1% M/M and 2.0% Y/Y gain.



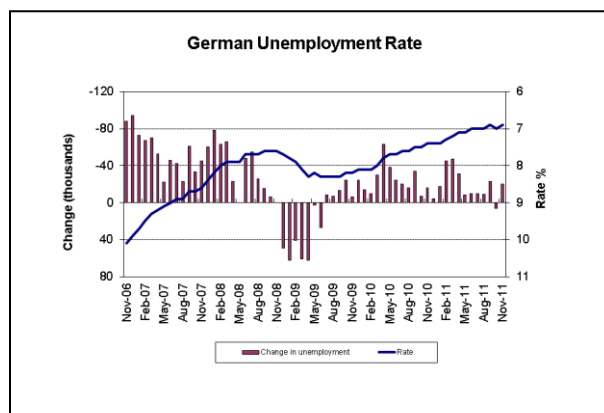
## German Import Prices

German Import Prices fell 0.3% M/M and increased 6.8% Y/Y in October. The Import Price Index ex. Petroleum was flat M/M and increased 3.8% Y/Y.



## German Unemployment Rate

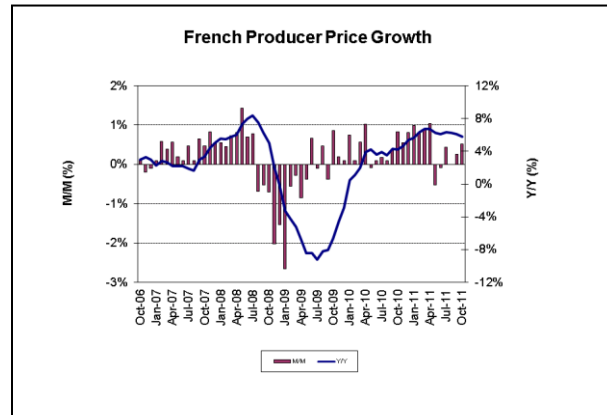
The Unemployment Rate fell from 7.0% in October to 6.9% in November. The number of people unemployed declined by 20K versus expectations of a 5K decline.



## ***French Producer Prices/ Confidence & Italian Unemployment***

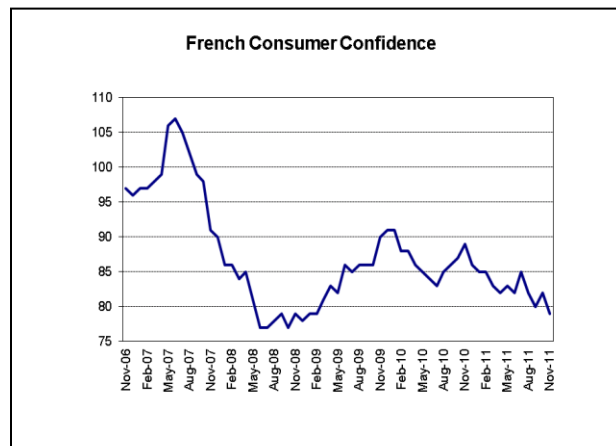
### ***French Producer Prices***

French Producer Prices increased 0.5% M/M in October. The largest positive contribution came from mining, elec., utilities (3.5%) and the Coke and Refinery Product component (0.4%). Y/Y growth increased 5.8%.



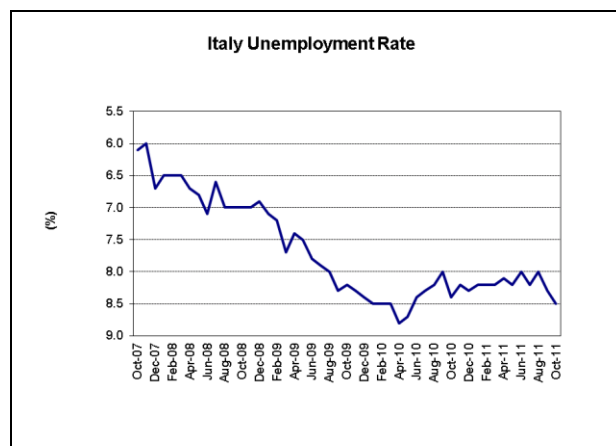
### ***French Consumer Confidence***

French Consumer Confidence fell from 82 in October to 79 in November, below market expectations for a reading of 81.



### ***Italian Unemployment Rate***

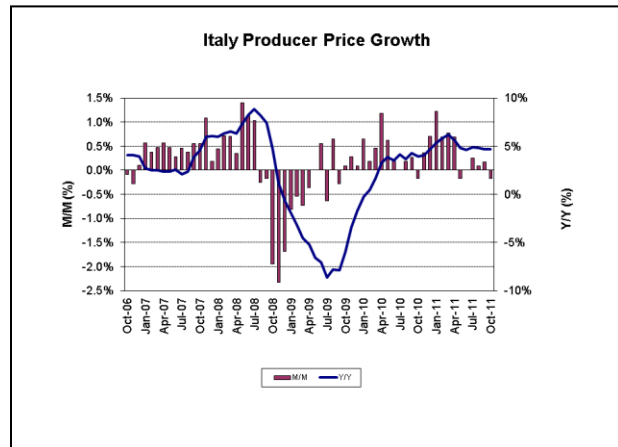
Italian Unemployment Rate increased from 8.3% in September to 8.5% in October. Market expectations were for the unemployment rate to remain steady 8.3%.



## Italian Producer Prices, CPI & Business Confidence

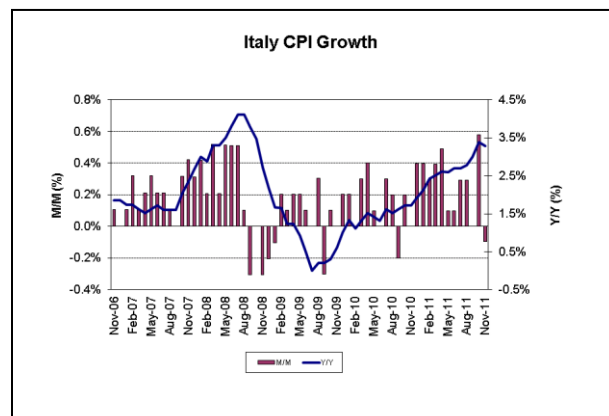
### Italian Producer Prices

Italian Producer Prices fell 0.2% M/M and increased 4.7% Y/Y in October. PPI ex. energy fell 0.2% M/M and 3.3% Y/Y in October.



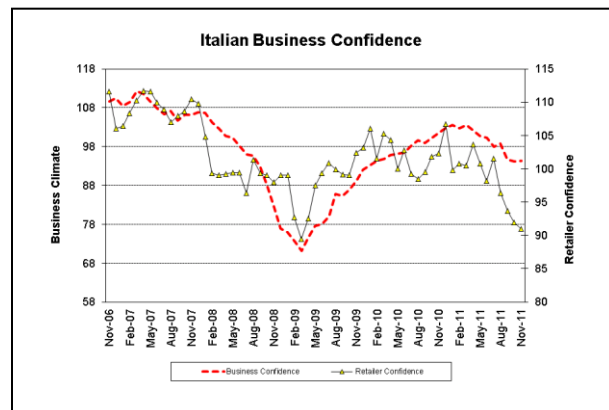
### Italian CPI

Preliminary data showed that Italian CPI fell 0.1% M/M and increased 3.3% Y/Y in November. Expectations were for a 0.1% M/M and a 3.4% Y/Y gain.



### Italian Business Confidence

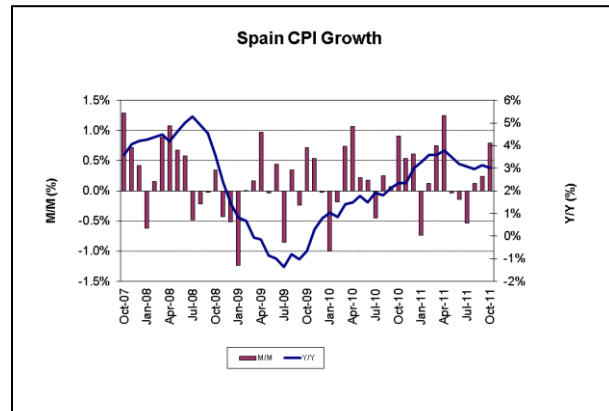
Italian Business Confidence increased from 94.2 in October to 94.4 in November, above market expectations for a reading of 93.0.



## Spanish Producer, Retail Sales & CPI

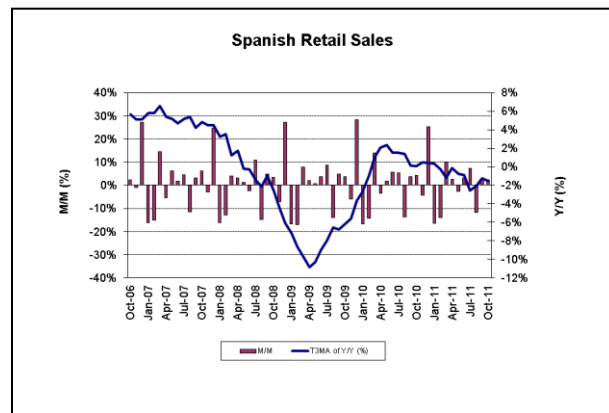
### Spanish Producer Prices

Spanish Producer Prices was flat M/M and increased 6.5% Y/Y in October. Market expectations were for a 0.2% M/M and a 6.5% Y/Y gain.



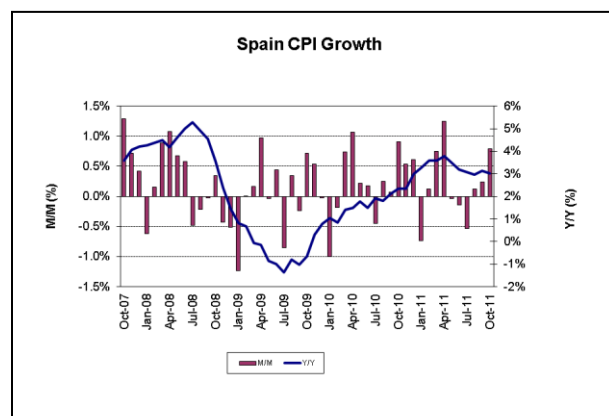
### Spanish Retail Sales

Spanish Retail Sales increased 2.4% M/M and fell 3.1 % Y/Y in October.



### Spanish CPI

Spanish CPI increased 0.8% M/M and 3.0% Y/Y in October. Preliminary data shows that Spanish CPI increased 2.9% Y/Y in November.



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## News/Comments

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### **Nov. 30<sup>th</sup> - Euro Ministers Agree on Bond Guarantees, Seek Larger IMF Role (Bloomberg)** -

Euro-area finance ministers approved enhancements to their bailout fund while backing off from a target for its firepower and seeking a greater role for the International Monetary Fund in fighting the debt crisis. The finance chiefs of the 17 nations using the euro agreed to work on boosting the resources of the IMF so it can “cooperate more closely” with the European Financial Stability Facility, Luxembourg’s Jean-Claude Juncker told reporters late yesterday in Brussels after leading the meeting. “It’s very important that the IMF globally will increase its resources either by raising its capital or by bilateral loans so that it can lend more money to euro-zone countries in need,” Dutch Finance Minister, Jan Kees de Jager, said in an interview with Bloomberg Television after the meeting. “If we open the IMF effort, that will be sufficient together with the leverage options in the EFSF.” After a series of stop-gap accords failed to protect Italy and Spain from surging bond yields, the euro-area ministers are under growing pressure from U.S. leaders and international financial markets to find ways to boost the EFSF’s effectiveness. They agreed on a plan to guarantee up to 30% of new bond issues from troubled governments and to develop investment vehicles that would boost the facility’s ability to intervene in primary and secondary bond markets.

### **Nov. 30<sup>th</sup> - Euro Area Must Cut Wages to Exit Crisis: Stark (Bloomberg)** -

European Central Bank Executive Board member, Juergen Stark, said the only way for the region to exit its debt crisis is for governments to reduce budget deficits and embrace wage cuts and other structural changes. “There is only one instrument left, which is adjustment in relative prices in wages, in salaries, in costs,” Stark said in remarks after a speech hosted by the Federal Reserve Bank of Dallas yesterday. “The ECB does not have the powers to support governments.” The ECB has resisted calls to become a lender of last resort, saying its mandate prevents the bank from propping up irresponsible government spending. Even so, Germany is pushing for governance changes at a summit next week that would tighten enforcement of budget rules, a move that might make it easier for the ECB to play a bigger part in supporting euro-area nations.

### **Nov. 30<sup>th</sup> - Greek Aid Payment Approved by Euro-Area Finance Ministers (Bloomberg)** -

Euro-area finance ministers approved a 5.8 bn-euro (\$7.7 bln) loan to Greece under last year’s bailout after eliciting budget-austerity pledges from Greek political leaders backing a unity government. The go-ahead for the sixth disbursement of funds under the fully taxpayer-funded package of 110 bln euros shifts the spotlight to a second rescue of Greece that foresees 50% losses for private investors in Greek bonds. The new aid plan, crafted at an October summit, also includes 130 billion euros in extra public funds. After initially endorsing the next loan for Greece on Oct. 21<sup>st</sup>, the euro area froze the payment this month because former Socialist Premier, George Papandreou, announced a referendum on the second rescue plan. He later called off the vote, resigned and was succeeded by ex-central banker, Lucas Papademos, whose interim government has the support of three parties to press ahead with budget cuts needed for continued aid. “We decided to release the sixth disbursement of the Greek program now that prior actions have been met,” Luxembourg’s Jean-Claude Juncker told reporters yesterday in Brussels after chairing a meeting of the 17 euro-area finance ministers, who also discussed growing threats to Spain and Italy from the debt crisis triggered by Greece two years ago.

## ***News/Comments Cont'd***

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**Nov. 29<sup>th</sup> - Germany, France press for coercive euro zone debt rules (Reuters)** - Germany and France aim to outline proposals for a fiscal union before a European Union summit on December 9th. "We are working intensively for the creation of a Stability Union," the German Finance Ministry said in a statement. German Finance Minister Wolfgang Schaeuble acknowledged on Sunday that it may not be possible to get all 27 EU member states to back treaty amendments, saying agreement should be reached among the 17 euro zone members. "That can be done very quickly," he told ARD television. Finland and Luxembourg voiced unease about the Franco-German plans because they appeared to bypass the European Commission, which is seen as a guarantor of equal treatment for all member states.

**Nov. 29<sup>th</sup> - Eurozone rescue fund to insure bonds (AP)** - The 17-nation eurozone plans to use its bailout fund to insure bonds from financially troubled countries within the bloc by up to 30%. Bonds being issued in the future would receive fixed credit protection equal to 20 to 30% through the European Financial Stability Facility. The actual rate will be determined "in light of market circumstances." The guidelines said the main objective is to allow member states to issue bonds "at sustainable rates maximizing EFSF capacity while providing a predefined degree of protection to investors." The guidelines have been drawn up to increase the firepower of the bloc's euro 440 bln (\$588 bln) rescue fund and prevent crisis situations in the future.

**Nov. 28<sup>th</sup> - ECB's Noyer Warns on Debt Purchases (WSJ) TOKYO** - European Central Bank governing council member Christian Noyer warned against central banks overstepping their primary mandate of maintaining mid-term price stability, with non-European central banks having gone on a public debt purchasing spree to provide liquidity to markets. "Unconventional monetary policies have led central banks to purchase significant amounts of government debt," Mr. Noyer said in a speech in Tokyo. "This policy stance has contributed to providing market with an insurance, or even an assurance, against a potential dry-up in liquidity," Mr. Noyer said. But markets "seem to be aware of some inflation tail risks," and are hedging by purchasing gold and the Swiss franc. Mr. Noyer said that while markets and some governments have called for the European Central Bank to more aggressively buy sovereign debt, liquidity in the euro zone "has to come from governments," adding that the European Financial Stability Fund should be seen as the appropriate source of liquidity. Calling the ECB "the lender of last resort," Mr. Noyer said he is "personally open to any scheme that would allow existing commitments to be leveraged to provide greater intervention capacity." In a press conference after his speech Mr. Noyer, however, refused to give more details on his vision for the EFSF leverage vehicle. "It's up to the government to decide the exact scheme, technically and politically." Mr. Noyer, who is also governor of the Bank of France, said he still sees an optimistic future for the euro, despite its travails. "I see the recent decision by the Swiss central bank to peg the Swiss franc to the euro as a confirmation of this statement," he said, adding that the breakup of the euro is "absolutely out of the question."

## Key Dates This Week

<i>Date</i>	<i>Country</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
12/01	EC	PMI Manufacturing	NOV	46.4	46.4
12/02	EC	Euro-Zone PPI (M/M)	OCT	0.20%	0.30%
12/02	EC	Euro-Zone PPI (Y/Y)	OCT	5.60%	5.80%
12/05	EC	PMI Composite	NOV	--	47.2
12/05	EC	PMI Services	NOV	--	47.8
12/05	EC	Sentix Investor Confidence	DEC	--	-21.2
12/05	EC	Euro-Zone Retail Sales (M/M)	OCT	--	-0.70%
12/05	EC	Euro-Zone Retail Sales (Y/Y)	OCT	--	-1.50%
12/06	EC	Euro-Zone GDP s.a. (Q/Q)	3Q P	--	0.20%
12/06	EC	Euro-Zone GDP s.a. (Y/Y)	3Q P	--	1.40%
12/06	GE	Factory Orders (Y/Y) (nsa)	OCT	--	2.40%
12/06	GE	Factory Orders (M/M) (sa)	OCT	--	-4.30%
12/07	GE	Industrial Prod. (Y/Y) (nsa wda)	OCT	--	5.40%
12/07	GE	Industrial Production (M/M) (sa)	OCT	--	-2.70%
12/01	FR	ILO Unemployment Rate	3Q	9.70%	9.60%
12/01	FR	PMI Manufacturing	NOV	47.6	47.6
12/05	FR	PMI Services	NOV	--	49.3
12/07	FR	Trade Balance (Euros)	OCT	--	-6303M
12/07	IT	Industrial Production sa (M/M)	OCT	--	-4.80%
12/07	IT	Industrial Production wda (Y/Y)	OCT	--	-2.70%
12/07	IT	Industrial Production nsa (Y/Y)	OCT	--	-2.70%
12/01	SP	Spain November Manufacturing PMI	--	--	--
12/02	SP	Unemployment MoM Net ('000s)	NOV	--	134.2
12/05	SP	Industrial Output WDA (Y/Y)	OCT	--	-1.80%
12/05	SP	Industrial Output NSA (Y/Y)	OCT	--	-1.70%

# Valance Economic Report: Japan

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November 30, 2011

**Predominant signs of weakness continue. Core CPI dropped as expected, the Unemployment Rate increased, and although Industrial Production and Consumer Spending improved, Small Business Confidence dropped.**

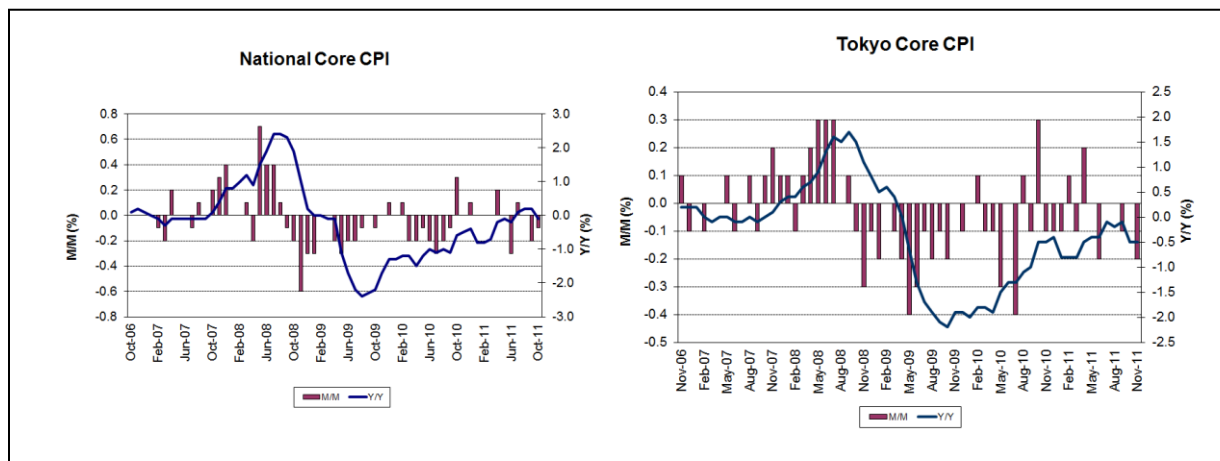
## Weekly Highlights

**Core CPI** – declined 0.1% M/M and 0.1% Y/Y in October. (JN 1)

**Employment** – Jobless Rate increased from 4.1 to 4.5% in October. (JN 3)

**Industrial Production** – increased 2.4% M/M and 0.4% Y/Y in October. (JN 4)

## Charts of the Week: CPI



National Core CPI in Japan declined 0.1% M/M and Y/Y in October, in line with market expectations. Core-Core CPI, which excludes fresh foods and energy, declined 0.4% M/M and 1.0% Y/Y.

On a M/M basis, increases in food, clothing, and utilities prices were outweighed by declines in entertainment, transportation, medical care, and household goods.

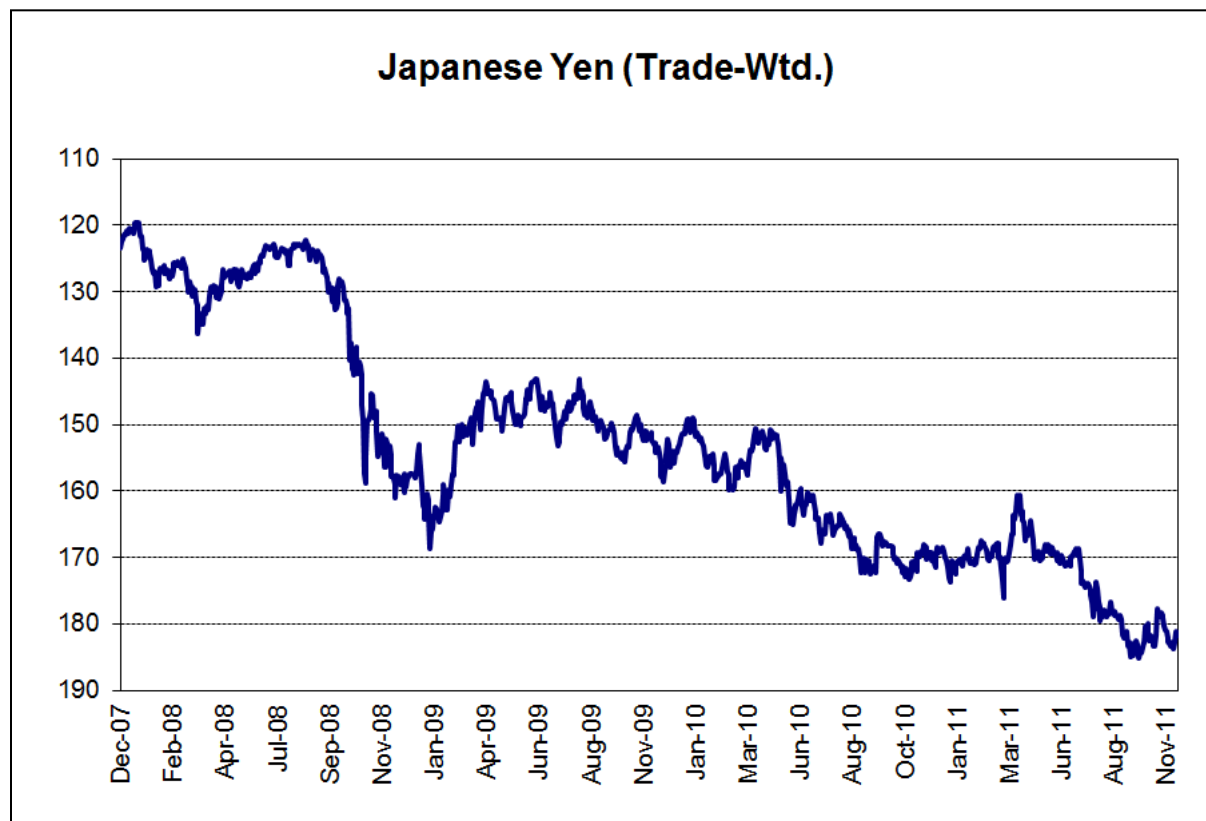
Within Tokyo, Core CPI declined 0.2% M/M and 0.5% Y/Y while Core-Core CPI declined 0.3% M/M and 1.1% Y/Y. This data was worse than the 0.9% Y/Y decline that the market anticipated.

Overall, expectations remain that prices are likely to continue to decline due to a strong yen dampening the cost of imports while high overseas uncertainties limit upside risks.

## Japan's Financial Balances

### Financial Balances

Japan	Last period (¥trln)	Last 12mth. as a % of GDP
Budget Balance	-3.03 (May)	-6.9%
Trade Balance	0.69 (June)	2.2%
Current Account Balance	1.50 (June)	5.2%
Private Balance	--	12.1%



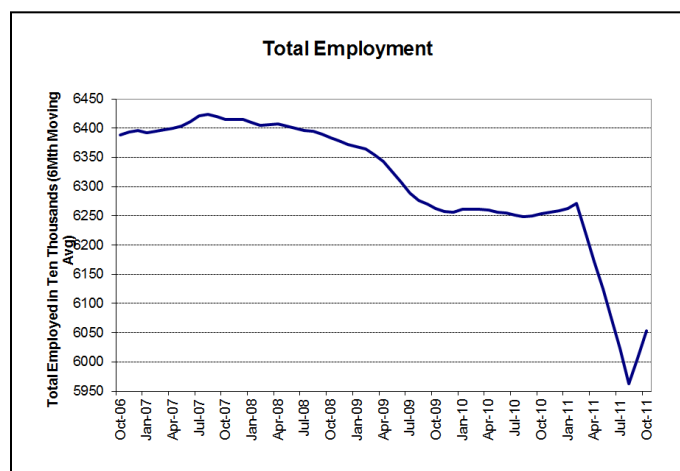
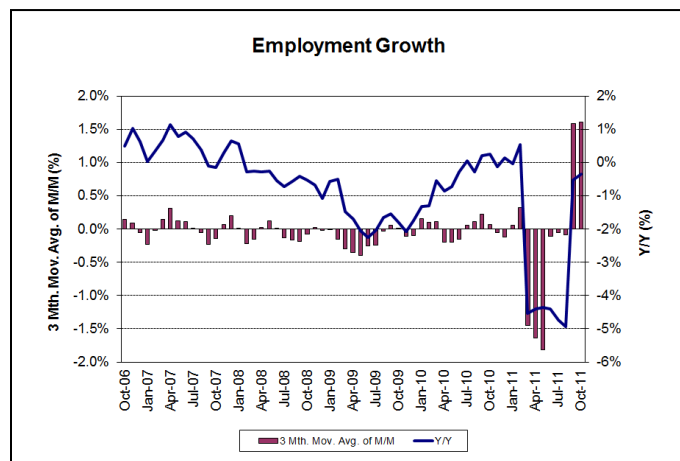
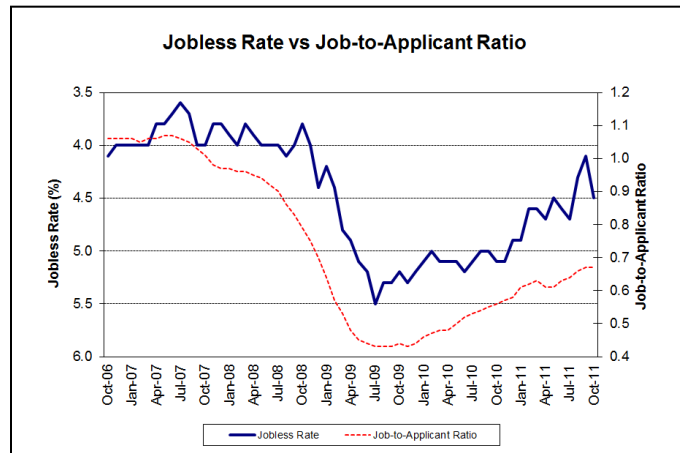
# Employment Data

## Employment

The Unemployment Rate in Japan increased from 4.1% in September to 4.5% in October, against market expectations for a smaller increase to 4.2%.

The increase occurred as the number of unemployed increased by 250k while the labor force increased by 250k and the non-labor force declined by 220k. Against this, there was no change in the number of employed.

Meanwhile, the Job-Applicant ratio remained steady at 0.67 against expectations for an increase to 0.68.

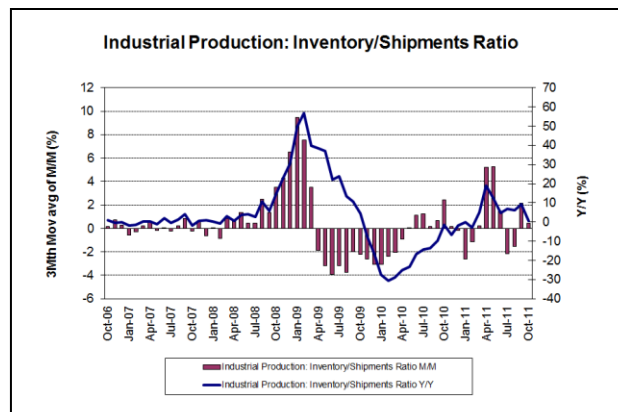
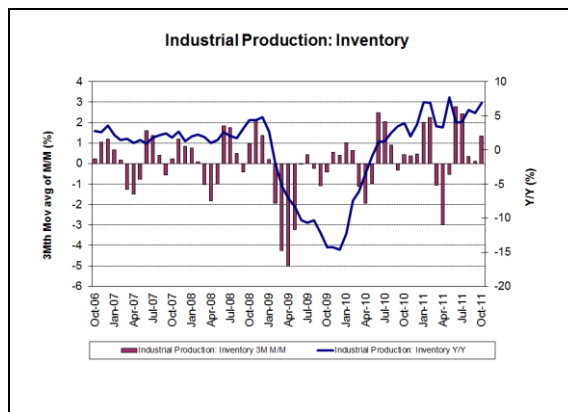
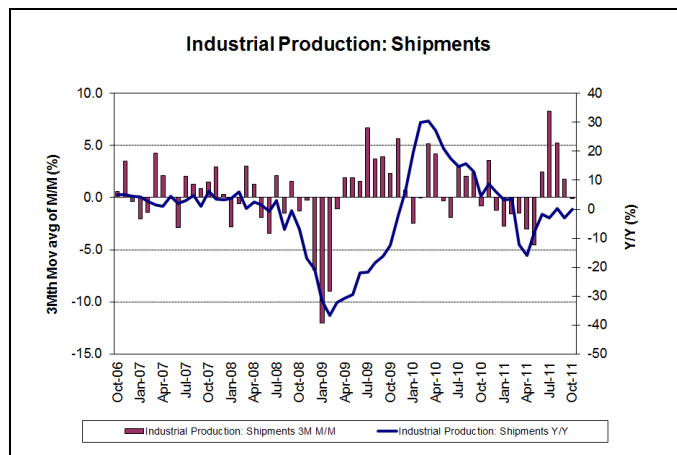
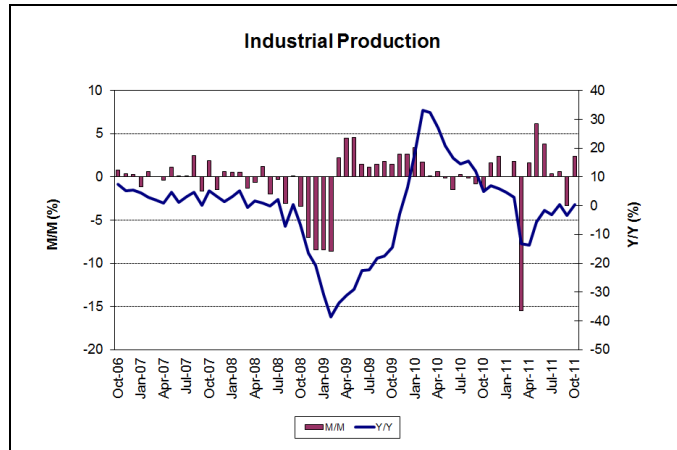


# Industrial Production

Preliminary data on Industrial Production indicated that it increased 2.4% M/M and 0.4% Y/Y in October. The M/M increase was significantly better than the 1.1% M/M increase the market expected. It occurred as shipments increased 0.6% M/M and 0.1% Y/Y. Inventories increased 0.8% M/M and 6.9% Y/Y. The Inventory Ratio declined 1.1% M/M and 0.8% Y/Y.

The improvement in production was caused by strength in the transport equipment, general machinery, and chemicals sectors.

Looking forward, producers expect production to decline 0.1% M/M in November before increasing 2.7% Y/Y in December.



## Retail Trade & Household Spending

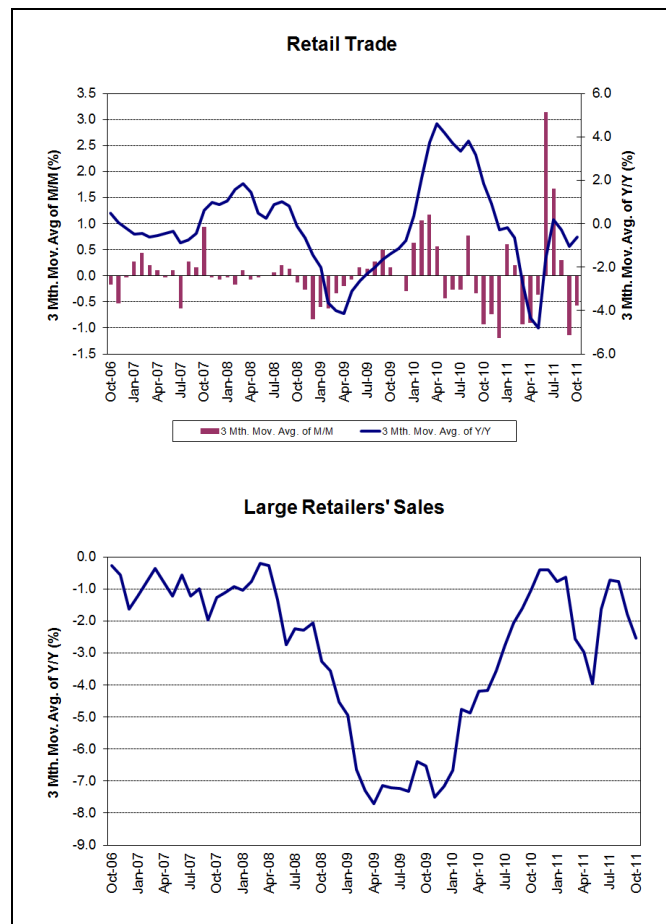
### Retail Trade

Retail Trade increased 1.4% M/M and 1.9% Y/Y in October against market expectations for a 0.6% M/M and 0.7% Y/Y gain.

September's 1.5% M/M and 1.2% Y/Y decline was revised to a 1.4% M/M and 1.1% Y/Y decline.

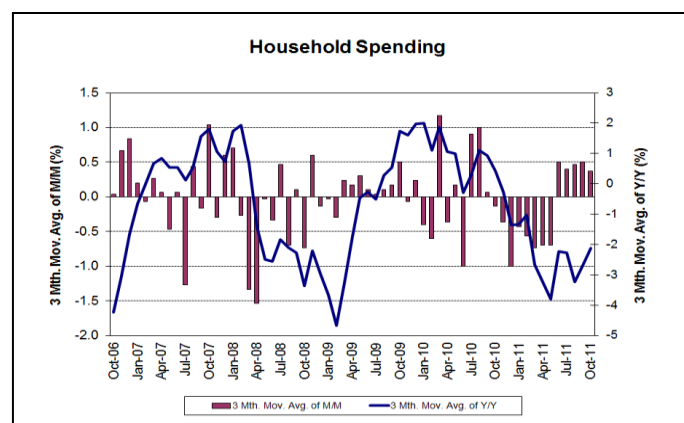
Within the data, M/M sales increased on a broad improvement in demand for general merchandise, fabrics/apparel, food/beverages, and other items.

Large store sales increased 1.0% M/M and declined 1.4% Y/Y.



### Household Spending

Household Spending increased 0.3% M/M and dropped 0.4% Y/Y in October. Among workers, spending increased 0.3% M/M and dropped 1.8% Y/Y.

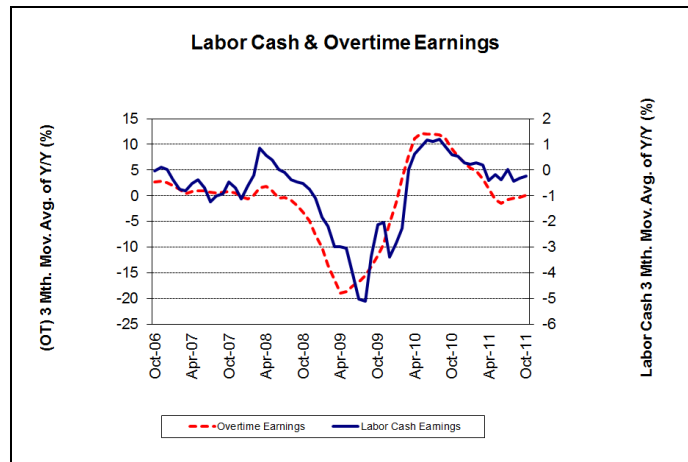


# Labor Cash/OT Earnings & Vehicle Production

## Labor Cash Earnings

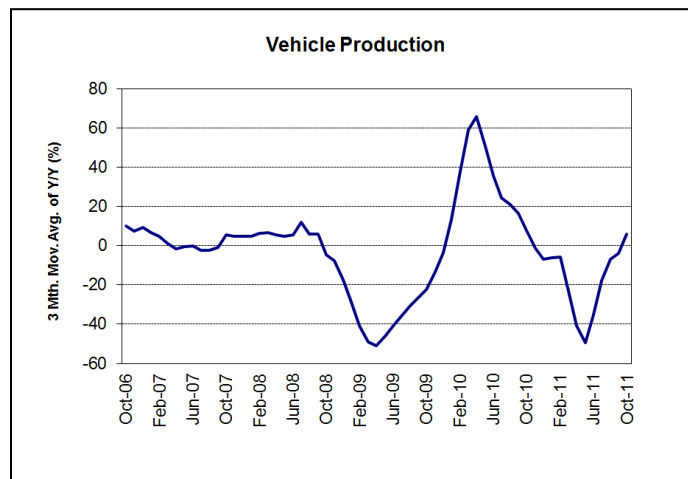
Labor Cash Earnings increased 0.1% Y/Y in October against market expectations for a 0.2% Y/Y decline. Within the data, contracted earnings were unchanged while regular earnings saw slight declines. Overtime and bonus earnings saw significant improvements. In terms of real earnings however, overall wages continued to decline Y/Y.

Also within the data, hours worked were unchanged, as were overtime and scheduled hours worked.



## Vehicle Production

Vehicle Production increased 20.3% Y/Y in October.



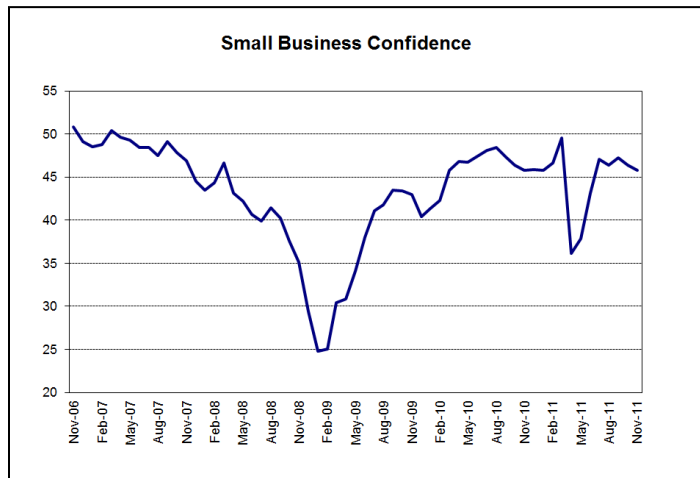
## Small Business Confidence & Housing Starts

### Small Business Confidence

Small Business Confidence declined 0.6pts to 45.8 in November as manufacturing confidence declined 0.5pts to 45.4 while non-manufacturing confidence declined 0.8pts to 46.0.

Within the details, improvements in IT, truck transport, printing and wood products were outweighed by declines in real estate, transport equipment, general machinery, and iron & steel products.

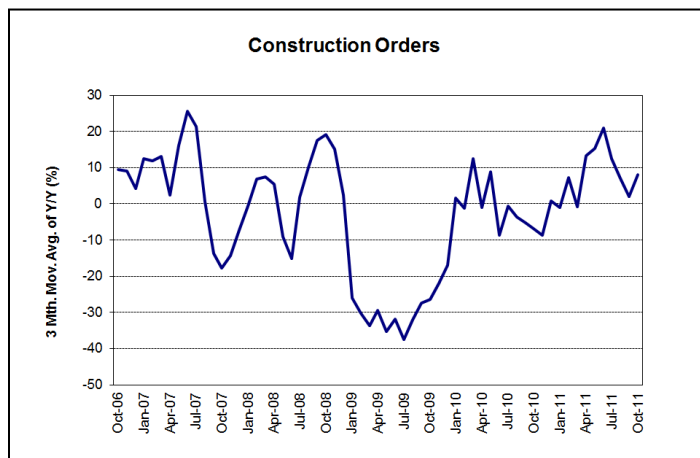
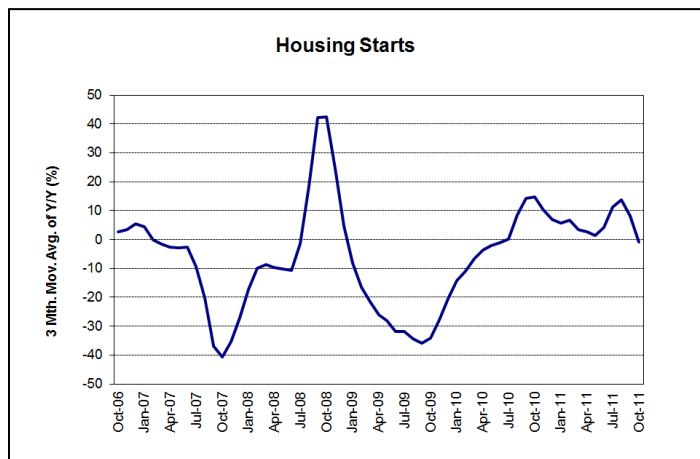
Within the forecast data, overall confidence is expected to decline an additional 0.8pts to 45.0 as manufacturing industries are expected to see a 1.4pt decline in sentiment, bringing their index to 44.0 while non-manufacturing sentiment is expected to decline 0.3pts to 45.7.



### Housing Starts

Total Housing Starts increased 3.9% M/M and dropped 5.8% Y/Y in October, against market expectations for a 6.3% Y/Y decline. On an annualized basis, the number of starts increased from 745k in September to 774k in October, faring better than the market's expected increase to 770k.

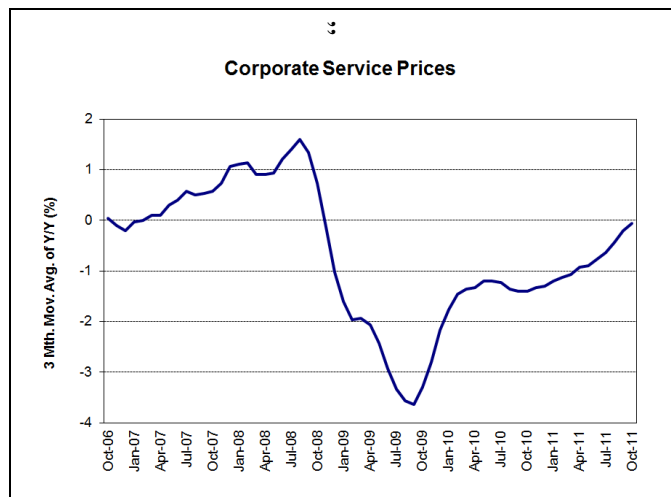
Construction Orders increased 24.3% Y/Y.



## Corporate Service Prices & News

### Corp Service Prices

Corporate Service Prices increased 0.1% M/M and Y/Y in October, against market expectations for a 0.1% Y/Y decline. The Y/Y increase was the first such increase in nearly three years and occurred on price increases in ocean freight, int'l air passenger transport, toll roads, advertising, civil engineering and plant engineering.



### News

**November 29<sup>th</sup> – BoJ Gov Shirakawa Comments on Policy** – BoJ Governor Shirakawa commented that the comprehensive credit easing instituted in October 2010 has not generated enough effect on the real economy, despite having generated easy financial conditions for firms and banks. He attributed this to companies and households not investing and spending money amid low growth expectations.

**November 29<sup>th</sup> – BoJ Gov Comments on Economy** – BoJ Governor Shirakawa commented that, “The Japanese economy is expected to continue facing a severe situation for the time being, particularly with respect to exports.” He noted that he believes the biggest risk comes from the European sovereign debt crisis, and noted that there is a “negative feedback loop” that has caused growing questions about the stability of the financial system to hit the real economy.

**Key Dates This Week**

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
12/01	Vehicle Sales (Y/Y)	N/A	28.30%
12/01	Capital Spending excl Sftwre	-3.00%	-8.20%
12/01	Capital Spending	-3.60%	-7.80%
12/04	Loans & Discounts Corp (Y/Y)	N/A	-0.70%
12/04- 12/09	Tokyo Avg Office Vacancies (%)	N/A	8.78
12/07	Leading Index CI	N/A	91.5
12/07	Coincident Index CI	N/A	89

Valance Co., Inc.

**Valance Economic Report: United Kingdom**

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November 30, 2011

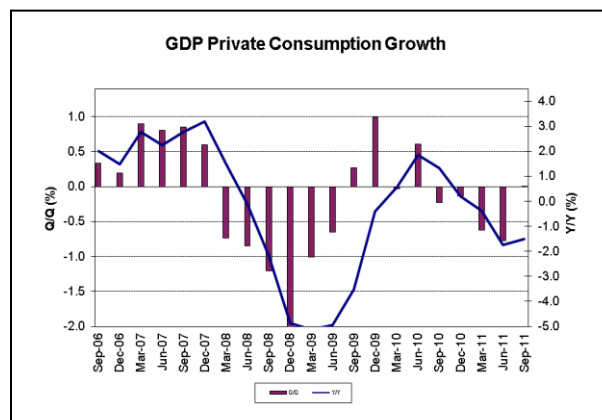
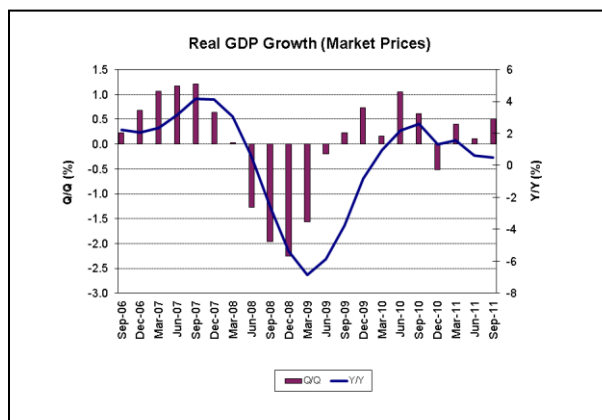
**Real GDP grew 0.5% in Q3, matching expectations, as Government Spending offset weak Consumer Spending and Business Investment. Consumer Confidence remained close to its lowest level since February 2009 in November as the outlook for economy remains bleak. Nationwide House Prices rose for the third straight month, but “will remain soft and may drift modestly lower over the next 12 months”, the bank said. The BCC cut its U.K. 2011, 2012 and 2013 growth forecasts from 1.1%, 2.1% and 2.5% to 0.9%, 0.8% and 1.8%, respectively.**

**Weekly Highlights**

**Q3 Real GDP** – grew 0.5% Q/Q and 0.5% Y/Y. (UK 1)

**BoE Mortgage Approvals** – increased by 1.5k from September. (UK 3)

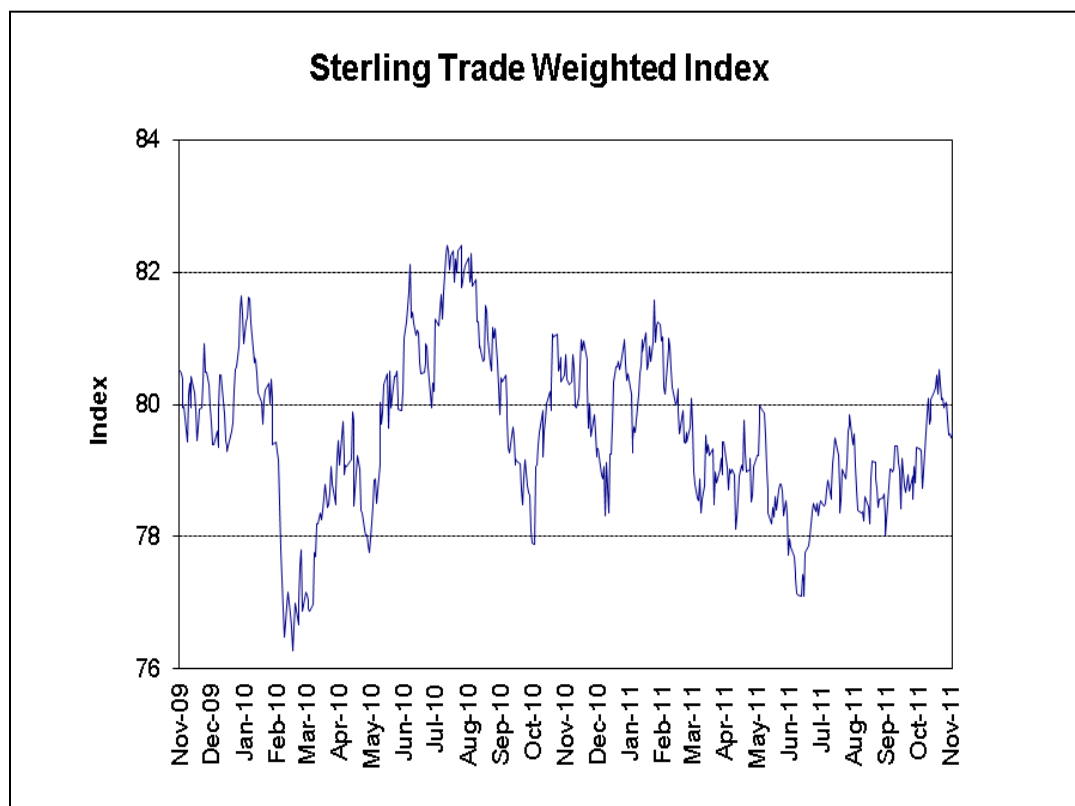
**GfK Consumer Confidence** – improved from -32 to -31 in November. (UK 3)

**Weekly Releases & News****Chart(s) of the Week: Real GDP**

Q3 real GDP rose 0.5 % Q/Q, matching the estimate, and 0.5% Y/Y, also matching the estimate. According to the statistics office, Private Consumption stalled in Q3, while Government Spending rose 0.9% Q/Q. Exports fell 1.0% Q/Q and Imports grew 0.3% Q/Q. Net trade subtracted 0.4% from Q3 GDP. Business Investment dropped 1.4% Q/Q and rose 0.3% Y/Y. The BoE said that the crisis in the euro area may derail growth in the U.K. and “could result in a much weaker external environment.”

## Financial Balances & Trade Weighted Index

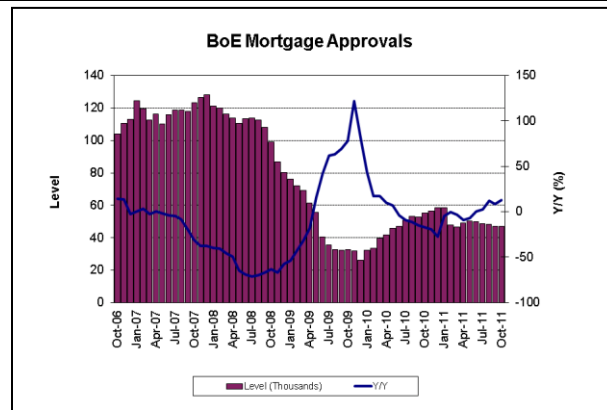
U.K.	Last Period (blns)	Last 12mth. % of GDP
Budget Balance (monthly/total)	+£12.0 (June)	+10.6%
Curr. Acct. Balance (quarterly)	-£9.4(Mar)	-3.2%
Private Balance	+£2.6	+7.4%



## ***BoE Loans, GfK Cons. Confidence & N'wide House Prices***

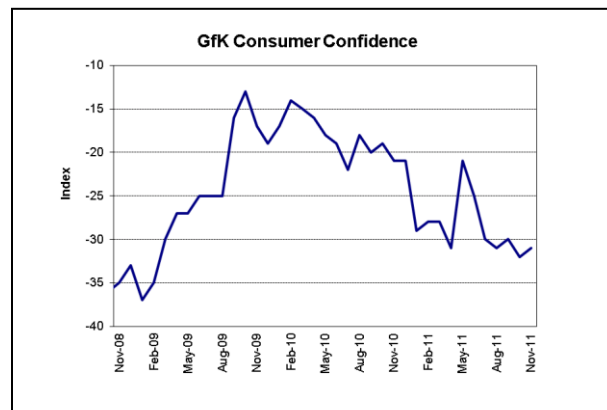
### ***BoE Mortgage Approvals***

Lenders granted 52.7k mortgages in October, up from 51.2k in September. This reading is still about half the monthly average of 103.0k in the decade to 2007. Economists expected 51.8k.



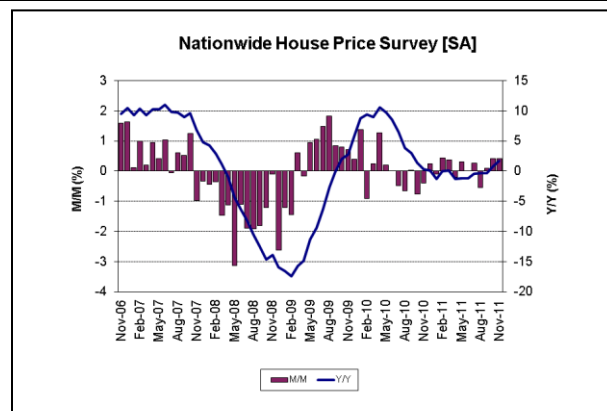
### ***GfK Consumer Confidence Survey***

The GfK Consumer Confidence Index improved from -32 to -31 in November, its weakest level since February 2009. The worst level on record (-48) was reached in January 2009. Expectations for the overall index were for a modest deterioration to -33. Expectations for the general economic situation over the coming 12 months remained at -10. The climate for major purchases gauge improved 5pts to -27.



### ***Nationwide Home Prices***

U.K.'s November Home Prices rose 0.4% M/M and improved from +0.8% Y/Y to +1.6%. Economists predicted a 0.0% M/M result. Nationwide commented as follows: "House prices have remained surprisingly resilient in recent months, despite the deterioration in the economic outlook. But, with the U.K. economic recovery expected to remain sluggish well into 2012, house price growth is likely to remain soft, with prices moving sideways or drifting modestly lower over the next 12 months."



## Data & Comments

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### Data & Comments

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**CBI Total Order** - The index of factory orders fell to the lowest level in more than a year in November as exports demand plunged amid an intensifying debt crisis in the euro area, noted Britain's largest export market. The gauge declined to -19 from -18 the previous month. That's the lowest level since October 2010. A measure of export orders fell to -31, the lowest since January 2010, from -14. The CBI said, "Developments in the euro zone, and their impact on prospects for our major trading partners, are clearly hitting the U.K. manufacturing sector. With heightened uncertainty over global prospects and business confidence falling sharply, it is very possible that factories will see production slowing further in the near term. Manufacturers once again expect to leave output prices unchanged in the coming quarter, with inflationary pressures having eased sharply. Consumer goods firms in particular expect to reduce prices significantly over the next three months - deflationary expectations in this sector have persisted for the second month running."

**CBI Reported Sales** - The gauge of reported and expected sales dropped from -11 in October to -19 in November. This is the 6<sup>th</sup> negative reading in a row. On a 3-month average, the gauge fell from -13 to -15.

**Index of Services Data** - The Service Industries Index rose 0.6% 3M/3M in September after growing 0.6% 3M/3M in August. Business Services and Finance rose 1.0% 3M/3M and were flat 3M/3M, respectively, while Accommodations were up 1.4% 3M/3M. From August, services grew 0.1% when they grew 0.4%. Service industries account for about 75% of the U.K. economy.

**Hometrack Housing Sales** - the overall measure showed that House Sales fell 0.2% M/M and 2.3% Y/Y in November. The gauge of new registered buyers dropped 2.2% M/M, while time to sell edged up from 9.8 weeks to 9.9 weeks.

**Nov. 30<sup>th</sup> - ECB Says U.K., Switzerland Won't Participate in Target2 Program (Bloomberg)** - The U.K. and Switzerland won't participate in Europe's planned Target2 Securities settlement platform, the ECB said. "In the last few months, the BoE and the SNB have informed the Eurosystem that they will not participate in T2S with their national currencies -- at least at the beginning," Jean-Michel Godeffroy, chairman of the TS2 Program Board, wrote in a quarterly review published on the Frankfurt-based ECB's website today. He said this will not result in any change in pricing. The settlements system for securities such as stocks and bonds is being set up by the ECB to consolidate the existing fragmented system in Europe. Godeffroy said the ECB's Governing Council has approved the framework agreement for T2S, which promises to cut cross-border settlement fees by about 90% and is due to begin operation in September 2014. The BoE has in the past complained that the T2S system would cede too much control to the ECB and that it wasn't clear that the costs of setting up the platform would be fully recovered.

**Nov. 30<sup>th</sup> - Fitch Says Osborne's Statement Shows Deficit-Cutting Commitment (Bloomberg)** - Fitch Ratings said Chancellor of the Exchequer George Osborne's year-end statement today demonstrated "a continuing commitment" to putting the U.K. government's finances on a sustainable path. "The policy response does demonstrate a continuing commitment to placing U.K. public finances on a sustainable path, and the adoption of more realistic economic forecasts enhances the credibility of the consolidation effort," Fitch said. "The important target of reducing the public debt burden from 2015-2016 remains intact." However, due to a raising of the projected government debt level, the U.K. could now become the most indebted of any AAA - rated sovereign with the exception of the U.S., Fitch said. "As with some other major AAA-rated sovereigns, unless offsetting measures were adopted, the capacity of U.K. public finances to absorb adverse economic and financial shocks that would result in yet higher public debt while retaining its AAA status has largely been exhausted," Fitch said.

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## Comments

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**Nov. 28<sup>th</sup> - King Says U.K. Must Have Contingency Plan as Euro Risks Rise (Bloomberg)** - BoE Governor, Mervyn King said the U.K. is being “increasingly threatened” by the euro- area crisis, and authorities must be ready to act if it continues to escalate. “What we have to do is to be ready and prepared with contingency plans and to make sure that as far as possible our banking system is as robust as possible to withstand whatever shocks that come from the eurozone,” King told lawmakers at a Parliament committee in London yesterday. There are “early signs” of a credit crunch emerging in euro area in the difficulties banks have in accessing funding, he said. The central bank restarted bond purchases in October for the first time in almost two years, citing risks from the crisis in the euro area, and some policy makers have said more may be needed. As the region’s leaders struggle to prevent turmoil spreading to core countries such as Germany and France, King has said the bank can’t quantify the possible impact of the “most extreme events” in the region. “There are many things that could happen if developments in the eurozone get worse, but I honestly don’t think it makes much sense to pretend we can precisely know how this will play out,” he said.

**Nov. 28<sup>th</sup> - Fisher Says BOE Expanded QE By Minimum in October, Can Do More (Bloomberg)** - BoE Markets Director, Paul Fisher, said policy makers expanded their asset purchase program by the smallest amount he thought was needed in October and they can do more if required. “If we think we need to do more, we can do more,” Fisher told lawmakers at a hearing of the Parliament’s Treasury Committee in London today. The 75 bln-pound increase in the bond-purchase target in October “was the smallest amount I was sure we’d need to do and then we could come back to it and see if we wanted to do another round.” Some BoE officials have said the bank may need to expand stimulus, though they have signaled they may prefer to wait until the current round of bond purchases is completed in early February. Fisher said that while policy makers could accelerate the rate at which they buy gilts in their quantitative-easing program, the risks would increase. “We could go faster; I think it’s about whether what we are doing is the right rate,” he said. “The faster we go, the more the risk is some of our operations don’t quite deliver the amount of gilts we want to purchase.” Policy maker Martin Weale said last week there might be a “strong case” for policy makers to expand stimulus again as the economic outlook darkens and the central bank forecasts that inflation may slow to below its 2% target in two years. “We won’t learn that much more about the impact of asset purchases over the 3 1/2, four months that we’re doing it, but we will learn about the economy, about the development of the situation in the euro zone,” Fisher said. “We’ll get to take a fresh look at the medium-term position and then decide whether or not we actually need to do more.”

**BCC Cuts U.K. Economic Growth Forecasts, Sees Recession Risk (Bloomberg)** - The British Chambers of Commerce cut its U.K. economic growth forecasts and said the risk of another recession “cannot be shrugged off,” predicting the Bank of England will add to its bond-purchase plan early next year. Gross domestic product will increase 0.9 this year, 0.8% in 2012 and 1.8% in 2013, compared with previous forecasts of 1.1%, 2.1% and 2.5% respectively, the London-based lobby group said in an e-mailed statement today. It predicted the BoE will expand its stimulus program by 50 bln pounds (\$77 bln) to 325 bln pounds. “The worsening euro-zone debt crisis and the fiscal austerity will have a more serious impact on the U.K. economy than previously predicted,” BCC Chief Economist David Kern said. “With U.K. growth likely to be minimal in the next 2-3 quarters, and with the euro zone likely to record negative growth in the near future, we expect the Monetary Policy Committee to increase the quantitative-easing program further early in 2012.” The BCC said the central bank may need to diversify its asset purchases beyond government bonds and “actively support” Chancellor of the Exchequer George Osborne’s proposed credit- easing program, which is designed to aid small companies struggling to get bank loans.

## ***Key Dates This Week***

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
12/01	PMI Manufacturing	NOV	47.4	--
12/01- 12/08	Halifax House Prices sa (M/M)	NOV	1.20%	--
12/01- 12/08	Halifax House Price 3Mths/Year	NOV	-1.80%	--
12/02	PMI Construction	NOV	53.9	--
12/04	Lloyds Employment Confidence	NOV	-72	--
12/05	PMI Services	NOV	51.3	--
12/05	Official Reserves (Changes)	NOV	\$1387M	--
12/05	BRC Sales Like-For-Like (Y/Y)	NOV	-0.60%	--
12/05- 12/20	CBI Trends Total Orders	DEC	--	--
12/05- 12/20	CBI Trends Selling Prices	DEC	--	--
12/06	BRC Shop Price Index (Y/Y)	NOV	2.10%	--
12/06	New Car Registrations (Y/Y)	NOV	2.60%	--
12/07	Industrial Production (M/M)	OCT	0.00%	--
12/07	Industrial Production (Y/Y)	OCT	-0.70%	--
12/07	Manufacturing Production (M/M)	OCT	0.20%	--
12/07	NIESR GDP Estimate	NOV	0.50%	

Valance Co., Inc.

# Valance Economic Report: Canada

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November 30, 2011

**Real GDP** increased from -0.5% in Q2 to 3.5% in Q3; more than the 3.0% expected. The **Current Account Deficit** narrowed in Q3, while both **IPPI** and **RMPI** surprised to the downside in October.

## Weekly Highlights

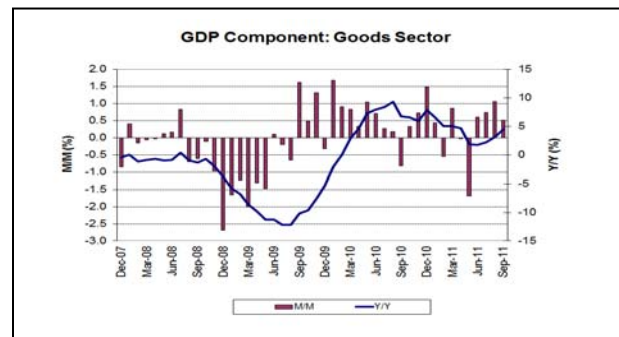
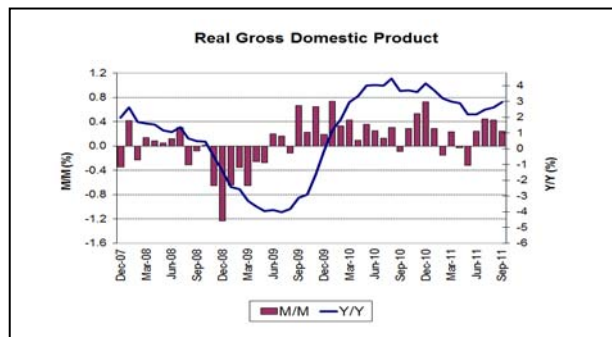
**Real GDP** – expanded 0.2% M/M in September. (CA 1)

**Current Account Deficit** – narrowed from C\$ 16.1 bln in Q2 to C\$ 12.1 bln in Q3. (CA 3)

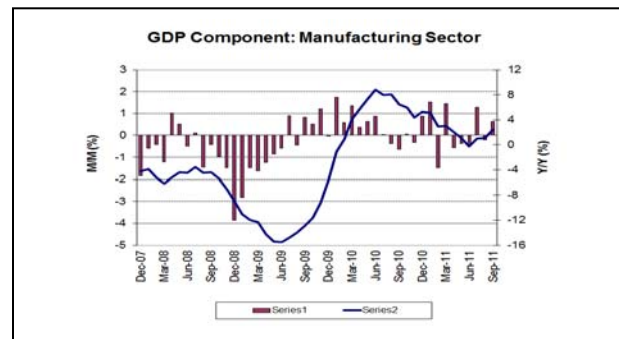
**Raw Material Prices** – fell 1.2% M/M in October. (CA 3)

## Weekly Releases & News

### Chart(s) of the Week: *Real GDP Data*



Real GDP expanded 0.2% M/M in September, against a +0.3% M/M consensus, and expanded 3.0% Y/Y. This is the fourth monthly expansion in a row. Real GDP growth was revised from up from 0.3% to 0.4% in August. On a quarterly annualized basis, real GDP growth quickened from negative 0.5% to + 3.5% in Q3.



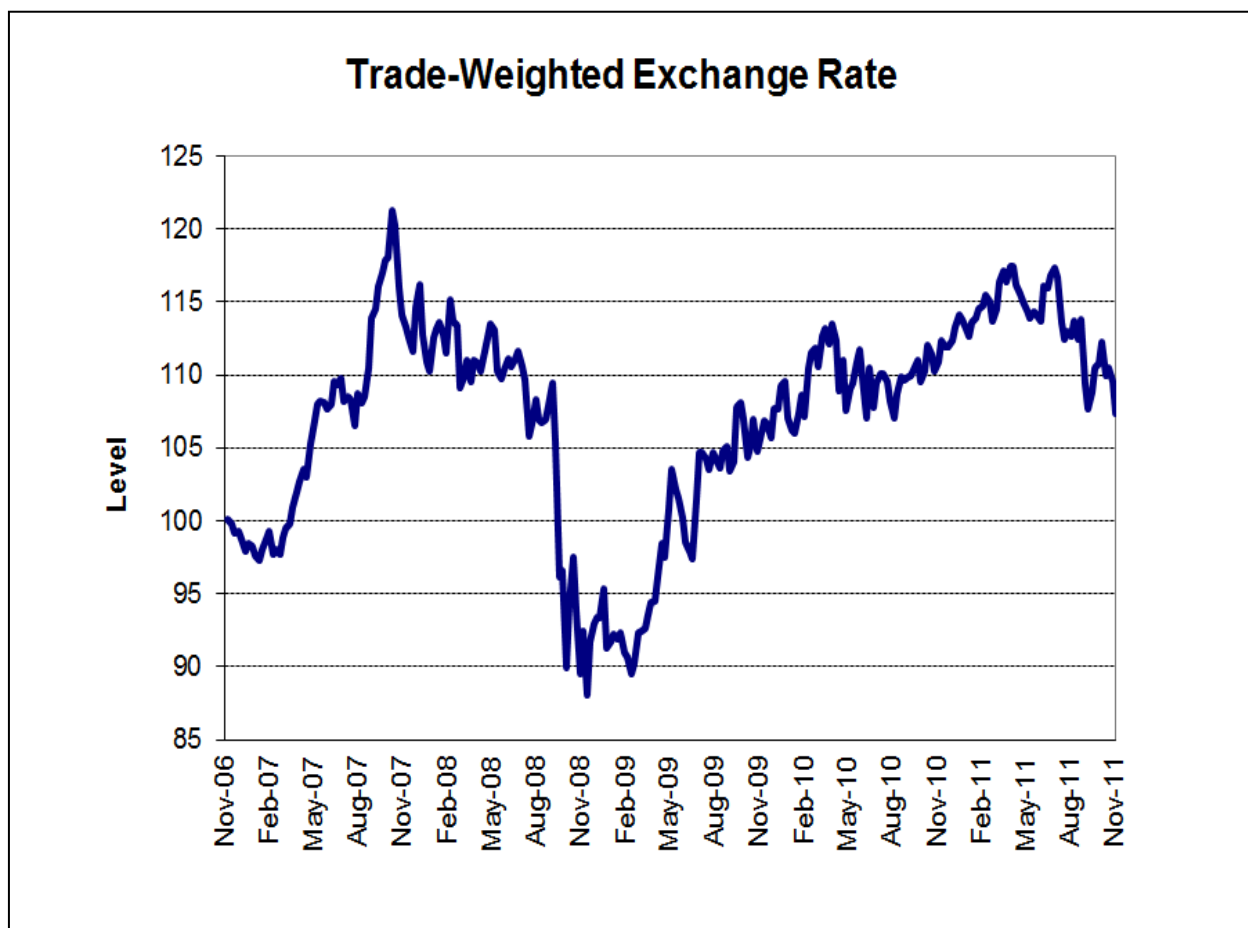
The Goods sector grew 0.5% M/M, the Manufacturing sector expanded 0.6% M/M, Services grew 0.1% M/M and the Energy sector expanded 1.1% M/M. The Industrial Production sector grew 0.6% M/M.

## FX and Financial Balances

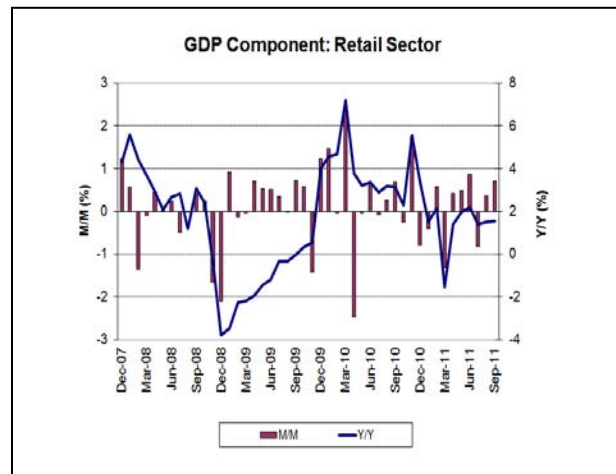
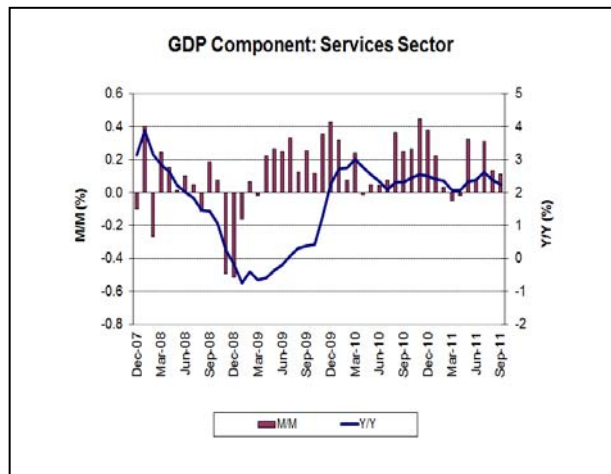
### Financial Balances

Canada	Latest period (C\$bln)	Last 12mth. as % of GDP
Budget Balance	-0.9 (Feb)	-2.3%
Trade Balance	-1.6 (Jun)	-1.6%
Current Account Balance	-12.1 (Q3)	-6.3%
Private Balance	--	-4.0%

### Trade-Weighted Exchange Rate



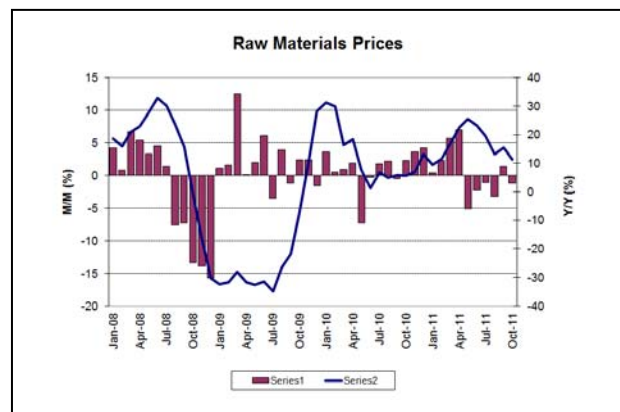
## GDP Data Cont'd., RMPI & IPPI



The Service sector growth was 0.1% M/M and 2.2% Y/Y in September, while the Retail sector rose 0.7% M/M and 1.5% Y/Y in the same period.

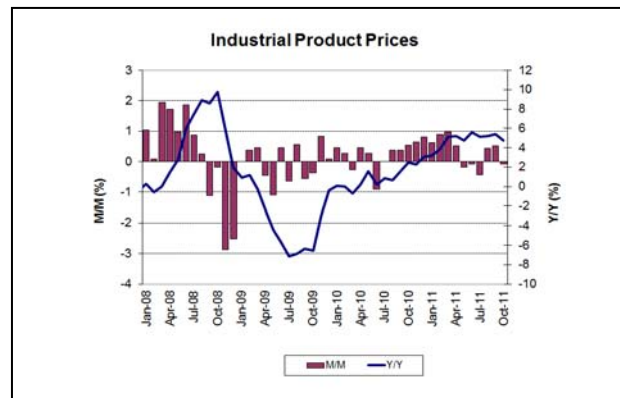
## Raw Materials Price Index

Raw Materials Prices fell 1.2% M/M in October after a 1.4% M/M gain in September. The market expected a 1.0% M/M gain. Y/Y growth for the overall RMPI was 11.3%. Ex – mineral fuels, the RMPI fell 2.9% M/M and rose 4.7% Y/Y.



## Industrial Product Price Index

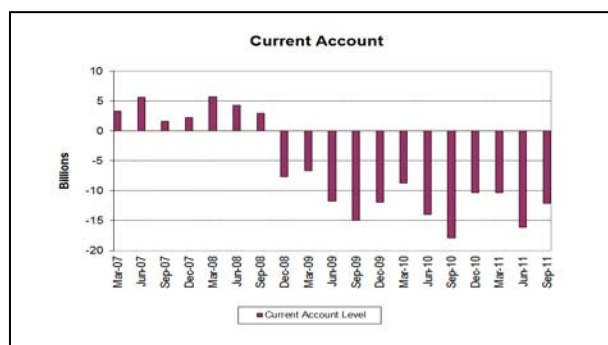
Industrial Product Prices fell 0.1% M/M in October after increasing 0.5% M/M in September. The market expected a 0.3% M/M gain. Ex-petroleum and coal products, the IPPI fell 0.2% M/M. Y/Y growth for the overall IPPI was 4.7% and ex. petro/coal it was 2.3%.



## Current Account Deficit, News & Upcoming Dates

### Current Account Deficit

The Current Account Deficit narrowed from C\$ 16.1 bln in Q2 to C\$12.1 bln in Q3. This is the 12<sup>th</sup> straight quarterly account deficit.



### News

**Teranet-National BankHouse Prices** - According to the Teranet Bank Composite House Price Index, prices were flat M/M and rose 6.5% Y/Y (5.4% prev.) in September. The index level rose to a record level of 149.52.

**Nov. 30<sup>th</sup> - Canada's Murray Says More Coordinated Policy Needed in Recovery (Bloomberg)** - Independent actions by developed and emerging countries have failed to maximize global economic growth, BoC Deputy Governor, John Murray said, making reference to a Beatles song to suggest a way forward. "A little help from your friends might be all you have left," Murray said. "Second-best strategies for staying out of trouble, such as keeping your own house in order, may now have to give way to third-best coordination strategies." Major economies are struggling to revive growth after cutting interest rates close to zero and incurring budget deficits, Murray said. Emerging economies are also unwilling to abandon policies that have helped them in the past, such as keeping inflexible exchange rates, he said. "Fiscal and banking problems are not going to be solved by deleveraging alone," he said. "It will also be necessary to expand the size of the global pie in a more evenly distributed manner if long-run stability is to be achieved." The Ottawa-based central bank has done a simulation that shows the cost of failing to implement reforms, Murray said.

### Key Dates This Week

Date	Indicator	Month	Expectations	Previous
12/06	Ivey Purchasing Managers Index	NOV	-	54.4
12/06	BoC Rate	DEC	-	1.00%
12/02	Net Employment Change	NOV	-	-54.0k

Valance Co., Inc.

# Valance Economic Report: Australia

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November 30, 2011

**Australian Business Investment jumped by the most in 15 years in Q3 as mining project growth accelerated sharply. The Australian Government has cut its 2011/12 and 2012/13 growth forecast from 4.00% to 3.25% and from 3.75% to 3.25%, respectively.**

## Weekly Highlights

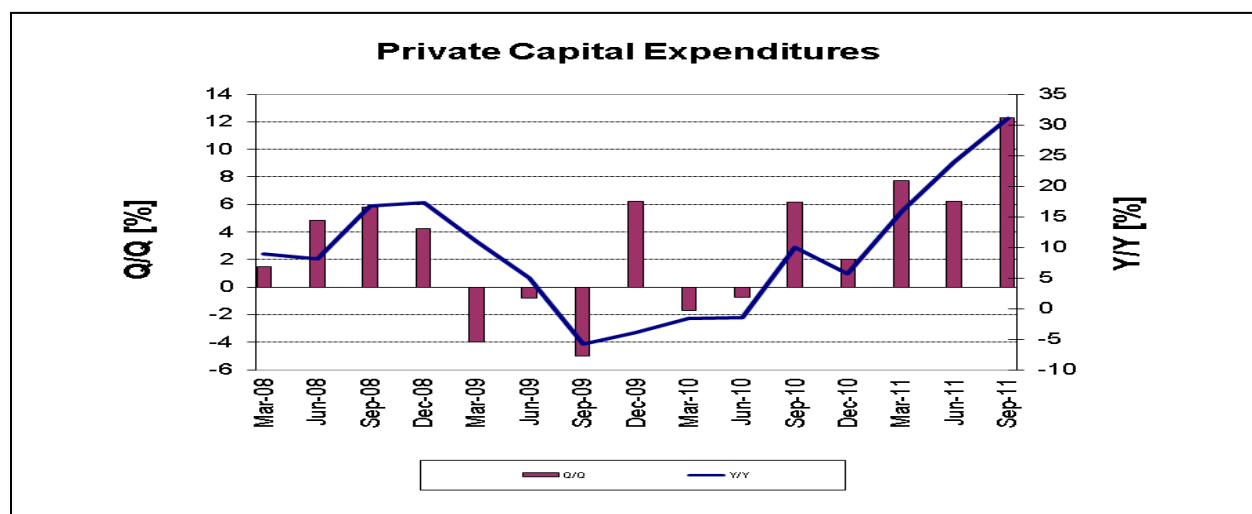
**CAPEX** – soared 12.3% Q/Q. (AU 1)

**Riskmark Home Price Index** – fell 0.2% M/M in October. (AU 2)

**HIA Home Sales** – rose 5.5% M/M in October. (AU 2)

## Weekly Releases & News

### Chart(s) of the Week: CAPEX

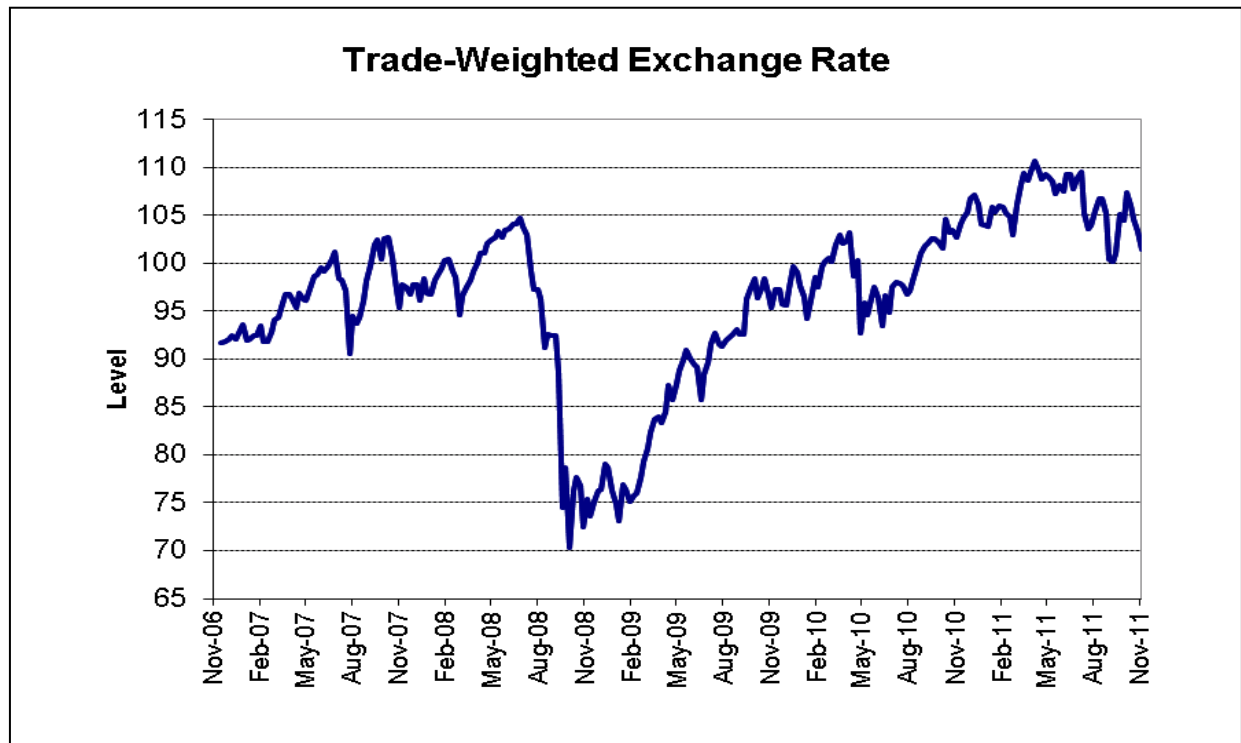


CAPEX rose by 12.3% Q/Q in Q3, compared to the upwardly revised 6.2% (previously 4.9% Q/Q) in Q2. This is the fifth quarterly and annual increase in a row and the largest quarterly gain since Q2 1996. The forecast was for an 8.0% quarterly gain. Y/Y CAPEX gained from 23.9% to 31.1%. Spending on Buildings and Structures soared 17.1% Q/Q (39.5% Y/Y), while investment on new plant and equipment surged 6.3% Q/Q (21.1% Y/Y). Australian companies forecast investment of A\$158 bln in the year ending on June 30<sup>th</sup>, 5.1% higher than their estimate three months earlier.

AU 1

## FX & Data

### Trade-Weighted Exchange Rate



### Data

**HIA New Home Sales** - According to the Housing Industry Association, total sales of newly built homes rose 5.5% M/M in October, following a 3.5% M/M decline in September. Detached house sales rose 5.1% M/M and apartments jumped by 9.0% M/M. HIA said that “it is encouraging to see a modest lift in new home sales at the start of the December quarter.”

**Australian Government cuts its growth forecast (Bloomberg)** - Australian government has cut its growth outlook on the back of a souring global economy, but it reaffirmed its pledge to return the nation’s budget to surplus by next year. Australia’s real GDP is now expected to grow by 3.25% in 2011-12 and 2012-13, representing downgrades of 0.75% for 2011-12, and 0.5% for 2012-13. The budget review outlined 11.5 billion Australian dollars in budget savings to meet the government’s target of returning the budget to surplus by 2012-13.

## *Key Dates This Week*

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
11/30	AiG Performance of Mfg Index	NOV	47.4
11/30	Retail Sales s.a. (MoM)	OCT	0.40%
12/1	RBA Commodity Price Index Au	NOV	107.5
12/1	RBA Commodity Index SDR YoY%	NOV	19.40%
12/1	Building Approvals (MoM)	OCT	-13.60%
12/1	Building Approvals (YoY)	OCT	-12.00%
12/4	AiG Performance of Service Index	NOV	48.8
12/4	TD Securities Inflation MoM%	NOV	0.10%
12/4	TD Securities Inflation YoY%	NOV	2.60%
12/4	Company Operating Profit QoQ%	3Q	6.70%
12/4	Inventories	3Q	2.50%
12/4	ANZ Job Advertisements (MoM)	NOV	-0.70%
12/5	Current Account Balance	3Q	-7419M
12/5	Australia Net Exports of GDP	3Q	-0.5
12/5	RBA CASH TARGET	6-Dec	4.50%
12/6	AiG Perf of Construction Index	NOV	34.7
12/6	Gross Domestic Product (QoQ)	3Q	1.20%
12/6	Gross Domestic Product (YoY)	3Q	1.40%

Valance Co., Inc.

# Valance Economic Report: New Zealand

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November 30, 2011

**NBNZ Business Sentiment** rose for the first time in four months in November, while **Building Permits** rose for the third time in four months in October. Some major market participants expect the RBNZ to hold rates until December 2012.

## Weekly Highlights

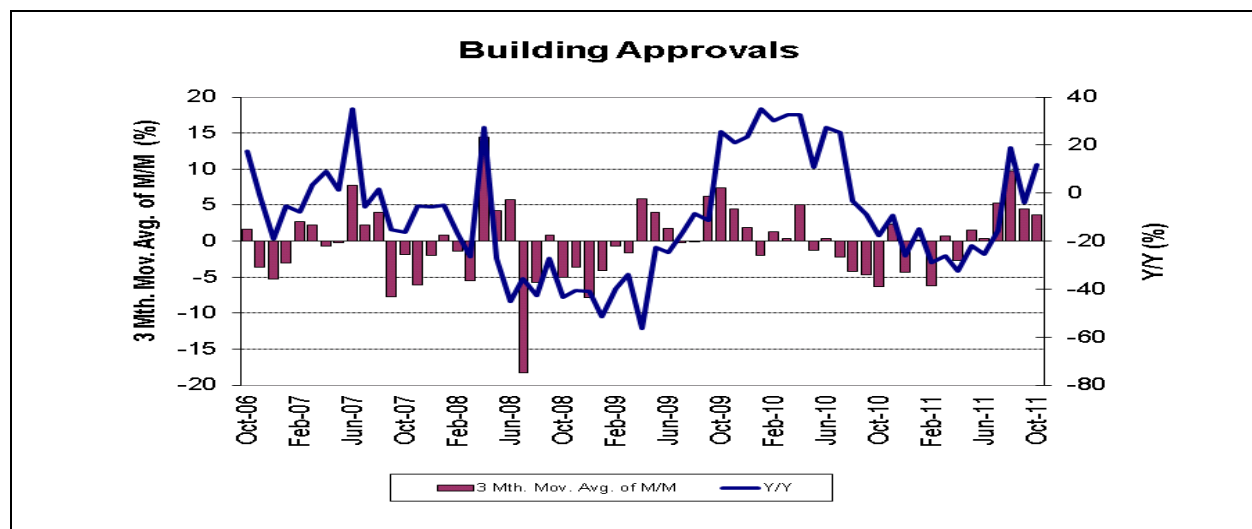
**Building Approvals** – rose 11.2% M/M in October. (NZ 1)

**NBNZ Business Confidence** – rose from 13.2 in October to 18.3 in November. (NZ 3)

**Trade Deficit** – narrowed from NZ\$789 mln in September to NZ\$ 282 mln in October. (NZ 3)

## Weekly Releases & News

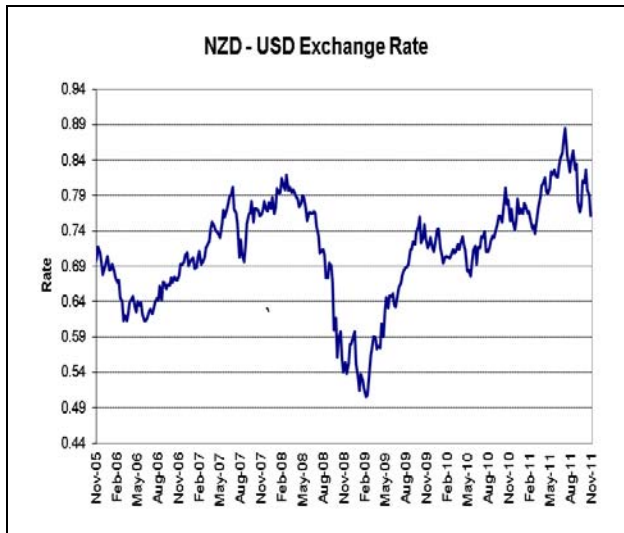
### Chart of the Week: *Building Approvals*



October's Home Building Approvals rose 11.2% M/M after dropping 17.2% M/M in September. Ex-apartments, approvals rose 7.1% M/M. The overall growth is well above its 2.5% M/M trend. Approvals for the Auckland region rose 46% Y/Y.

NZ 1

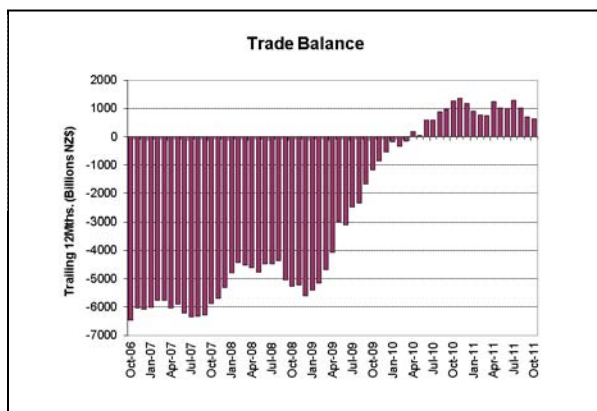
# FX



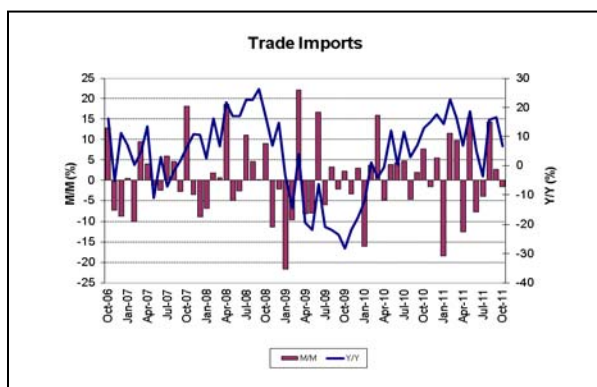
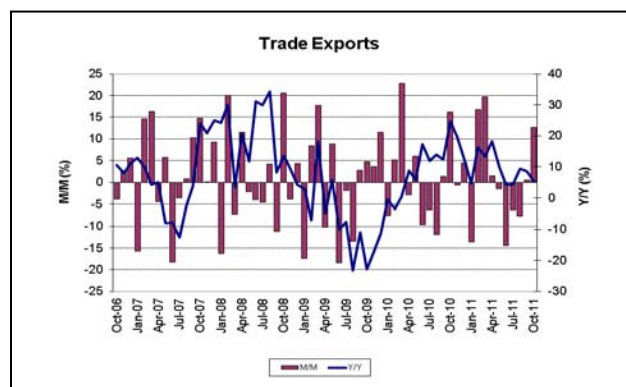
## Trade Balance & NBNZ Business Confidence

### Trade Balance

New Zealand Trade Deficit narrowed from NZ\$ 789 in September to NZ\$ 282 in October. The annual trade surplus narrowed slightly from NZ\$ 689 mln from NZ\$ 627 mln.



### Exports & Imports



Exports rose 12.7% M/M and rose 5.3% Y/Y, the highest level since June. Imports fell 1.7% M/M and rose 6.6% Y/Y, led by crude oil, fuel and fertilizers.

### NBNZ Business Confidence

#### NBNZ Business Confidence:

NBNZ Business Confidence Index rose from 13.2 in October to 18.2 in November. The Activity outlook improved from 26.1 to 28.8. On a 3-month average, Business confidence fell from 26.0 to 20.6 and Activity Outlook fell from 34.9 to 30.1 in November. A net 4.3% of the 447 companies surveyed expect profits to improve, up from 1.6% in October.

## *Comments & Upcoming Dates*

### **Nov. 29<sup>th</sup> - N.Z. Will Keep Cash Rate at 2.5% Until December 2012, ANZ Says (Bloomberg)**

- New Zealand's central bank will keep the official cash rate at a record-low 2.5% until December next year, according to ANZ National Bank Ltd., which previously forecast an increase in borrowing costs in June. The New Zealand economy may be weaker than expected in the first half of 2012 because of the deteriorating situation in Europe, and in this environment local interest rates can stay lower for longer, ANZ said.

### **Nov. 29<sup>th</sup> - N.Z. Won't Raise Cash Rate Until December 2012, ASB Bank Says (Bloomberg)**

- New Zealand's central bank will keep the official cash rate at a record-low 2.5 percent until December next year, according to ASB Bank Ltd., which previously forecast an increase in borrowing costs in June. The first half of 2012 no longer looks soon enough for the central bank to have confidence that the risks to the global economy are easing, ASB said.

## *Key Dates This Week*

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
11/30	Terms of Trade (Q/Q)	1.1%	+2.3%
11/30	ANZ Commodity Prices (M/M)	--	-3.5
12/04	Value of Buildings SA (Q/Q)	--	-6.6%

## Weekly Economic Report: *China*

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November 30, 2011

**In October, China's Leading Index fell .28 percentage points and Industrial Profits slowed to 25.3% Y/Y.**

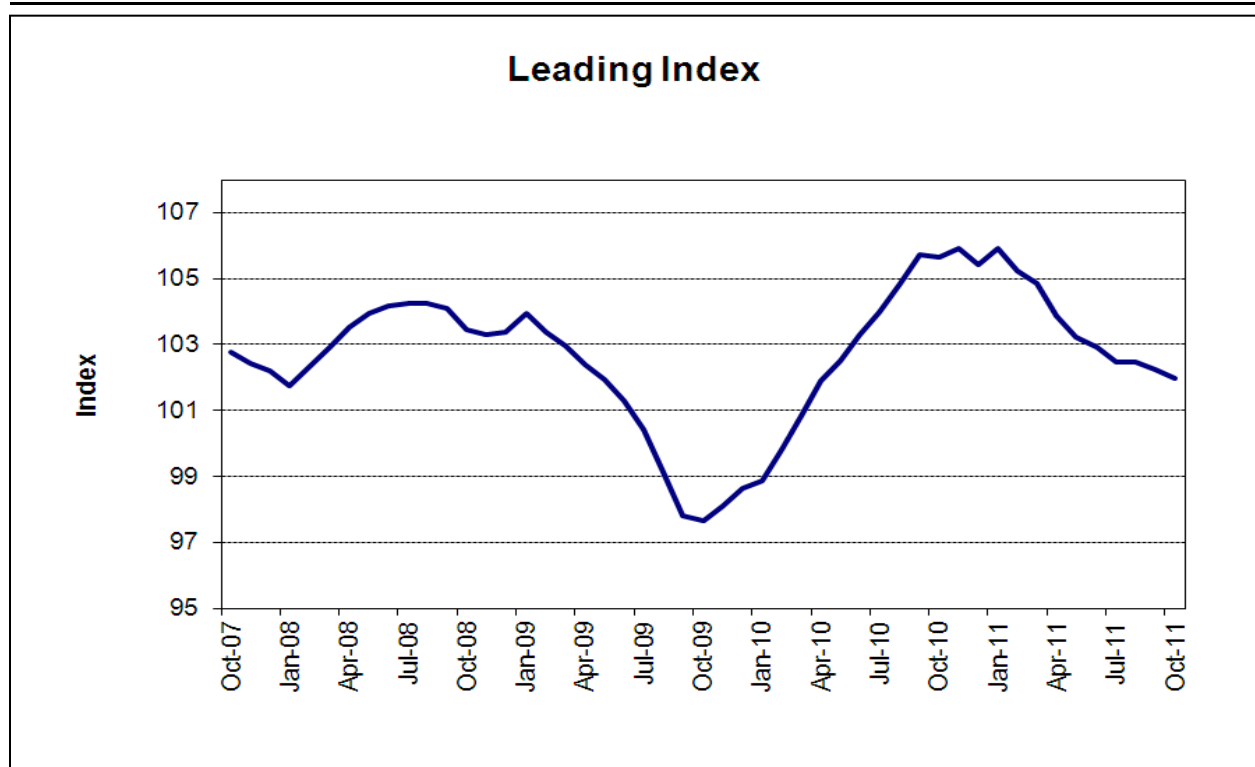
### Weekly Highlights

**Leading Index** - fell from 100.68 in September to 100.40 in October. (CH 1)

**Industrial Profits** – slowed from 27.0% Y/Y in September to 25.3% Y/Y in October. (CH 2)

### Weekly Releases & News

#### Chart(s) of the Week: *Leading Index*



China's Leading Index fell from 100.68 in September to 100.40 in October.

## **Data & News**

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### **Data**

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**November 26<sup>th</sup> (Bloomberg) - China's Industrial Profits** – slowed from 27.0% Y/Y in September to 25.3% Y/Y in October – reaching 4.12 trln yuan.

### **News**

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**November 30<sup>th</sup> (Bloomberg) - China Cuts Reserve Ratios as Europe Crisis Threatens Growth** – The PBoC stated, effective December 5<sup>th</sup>, China will cut its reserve ratios from 21.5 to 21.0. This will mark the first cut since 2008.

**November 30<sup>th</sup> (Bloomberg) - Don't Count on China Easing Property Curbs** – PBoC Advisor, Xia Bin said:

*Fine-tuning will target areas where the financial system isn't giving effective support due to some failures in the system.*

*High investment growth before the financial crisis can't be sustained because it has led to property bubbles and huge latent risks in local government financing vehicles. Under such circumstances, we must maintain a relatively tight stance on credit.*

**November 30<sup>th</sup> (Bloomberg) - China Banks Get Higher Grades Than Most U.S. Rivals** – According to a statement by S&P, “Bank of China and Construction Bank were raised to A from A-, and Industrial & Commercial Bank of China Ltd.’s rating was maintained at A. The changes reflect the very high likelihood of China’s government providing help for the lenders in the event of financial distress.”

**November 29<sup>th</sup> (WSJ) - China Can Grow At 8% For 20 More Years** – World Bank Chief Economist, Justin YiFu Lin stated in a speech:

*China has the potential to achieve another 20 years of 8% growth. By that time, China's per capita income measured in purchasing power parity may reach about 50% of U.S. per capita income.*

*... changes include "removing the financial repression and allowing the development of small, and local financing institutions,...reforming the pension system [by] removing the old retired workers' pension burden from the state-owned mining companies and levying appropriate royalty taxes on natural resources, and encouraging entry and competition in telecommunications, power and financial sectors.*

## **News (Cont'd.) & Upcoming Dates**

### **News (Cont'd.)**

**November 29<sup>th</sup> (Bloomberg) - Property Risks 'Overshadow' China Economic Outlook** – The OECD remarked:

*While the exit of small developers would not pose a problem, the failure of large promoters could put some bank lending at risk, perhaps triggering negative chain reactions. A key risk is an overly quick liquidation of unsold property.*

*Individuals have been holding back from purchasing houses and developers carry a rising level of unsold inventory.*

**November 28<sup>th</sup> (Bloomberg) - Morgan Stanley Cuts China 2012 GDP Forecast** – Morgan Stanley stated in a report that it has cut China's growth forecast from 8.7% to 8.4% for 2012. It partly attributed "worsening external environment and weakness in the domestic housing market" to the revision. The Bank was also cited at saying that it reduced its 2012 inflation forecast from 3.6% to 3.4%.

**November 25<sup>th</sup> (China Knowledge) - China's 2011 GDP growth may slow to 9.2%** - Huang Libin, of the Ministry of Industry and Information Technology said that he expects the country's GDP to reach 9.2% this year from 9.1% in Q3, 9.5% in Q2, and 9.7% in Q1. Libin stated, "Internationally the sovereign debt crisis continues to escalate, making global recovery even more arduous and complex and extending deeper and negative impact to China's economy. Domestically, growth momentum from the demand side is weakening and more companies are squeezed by funding difficulty, rising labor costs, exchange and interest-rate adjustments and high energy and commodity prices."

**November 25<sup>th</sup> (Xinhua) - China's economy to grow 8.5 pct in 2012** - Deputy Director, Lu Zhongyuan of the Development Research Center of the State Council expects China's economy to slow in 2012 from this year. GDP is expected to reach 8.5% in 2012, due in part to slowing investment and exports.

### **Key Dates This Week**

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
11/30	PMI Manufacturing	NOV	49.8	50.4
11/30	HSBC Manufacturing PMI	NOV	--	51.0
12/02	China Non-Manufacturing PMI	NOV	--	57.7
12/04	China HSBC Services PMI	NOV	--	54.1

Valance Co., Inc.

# Valance Economic Report: Sweden

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November 30, 2011

Real GDP growth expanded faster than expected in Q3. In October, Sweden's Trade Surplus grew from the previous year, as the increase in exports exceeded Import growth and PPI fell below expectations. Economic sentiment continued to be "considerably below the historic average," in November.

## Weekly Highlights

**GDP** – rose 1.6% Q/Q and 4.6% Y/Y in Q3. (SW 1)

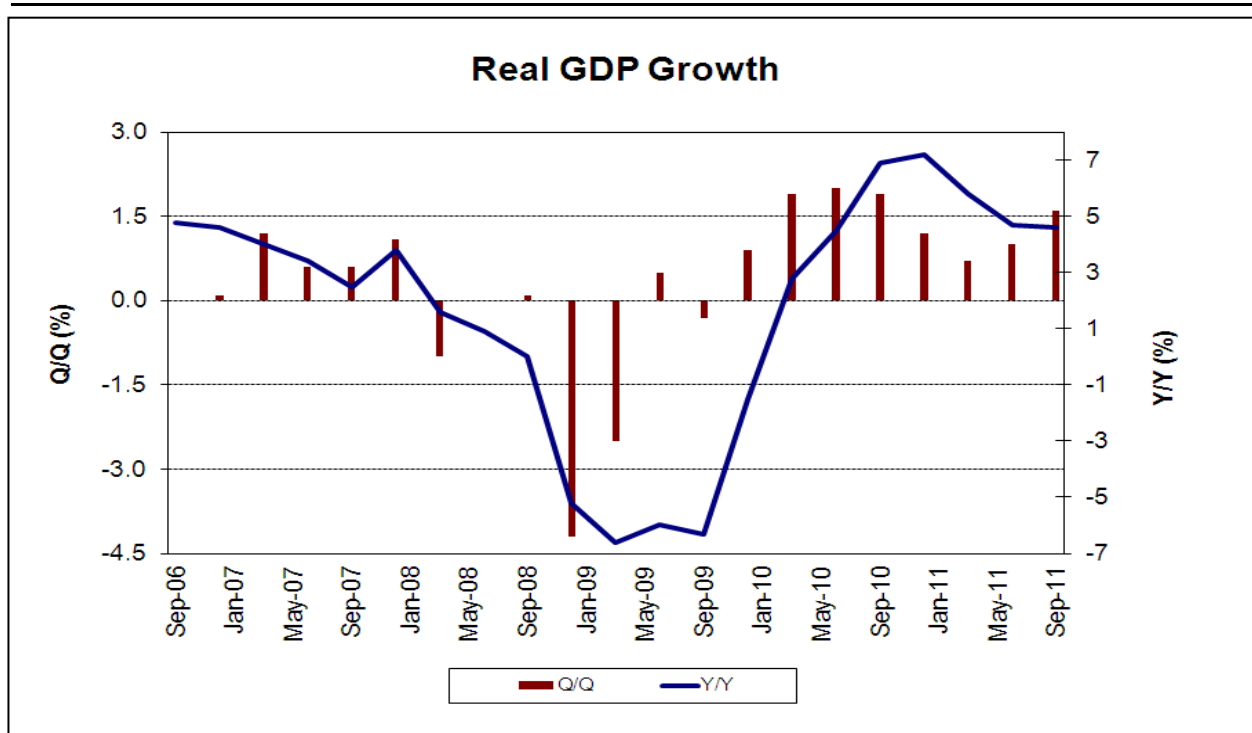
**Trade Surplus** – narrowed to a surplus of SEK 7.8 bln in October. (SW 3)

**PPI** – fell 0.3% M/M and rose 0.3% Y/Y in October. (SW 4)

**Economic Tendency Survey** – fell from 94.5 in October to 94.0 in November. (SW 5)

## Weekly Releases & News

### Chart(s) of the Week: *GDP*



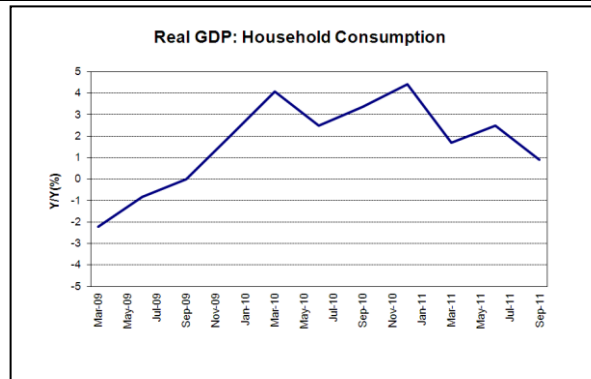
Real GDP (s.a.) growth rose 1.6% Q/Q in Q3. Annually, it rose 4.6% Y/Y in Q3 (w.d.a), coming in above the 3.4% Y/Y growth expected. Q2 growth was 1.0% Q/Q and 4.7% Y/Y. See GDP components below.

SW 1

# GDP

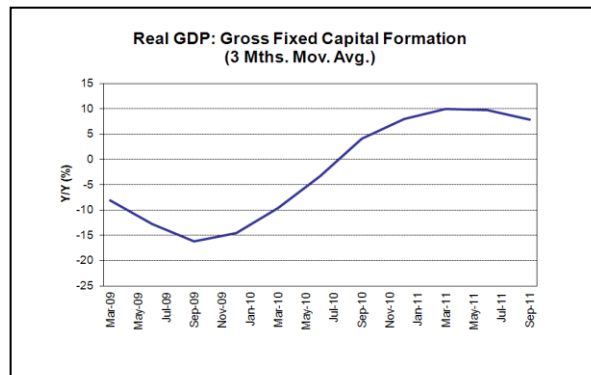
## Household Consumption

Real Household Consumption slowed from 1.0% Q/Q and 3.2% Y/Y in Q2 to -0.9 Q/Q and 0.9% Y/Y in Q3.

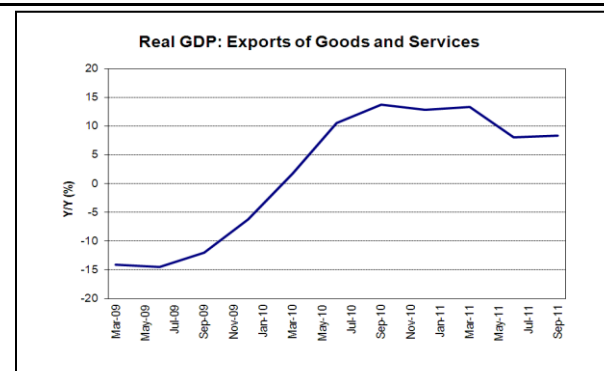
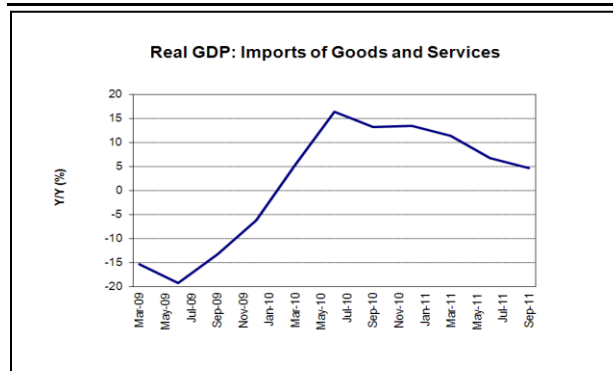


## Gross Fixed Consumption

Gross Fixed Capital Formation slowed from 2.3% Q/Q and 8.6% Y/Y in Q2 to 0.8% Q/Q and 5.1% Y/Y in Q3.



## Imports / Exports of Goods & Services



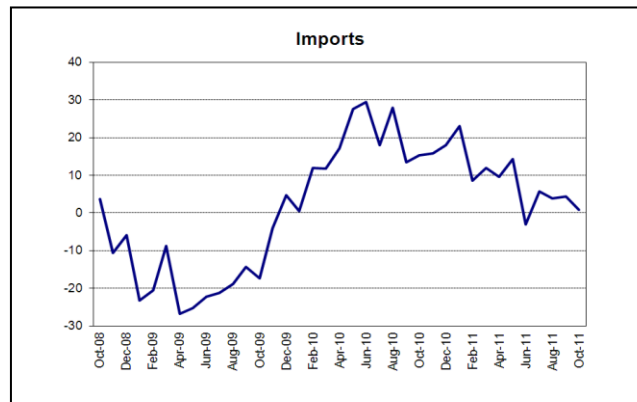
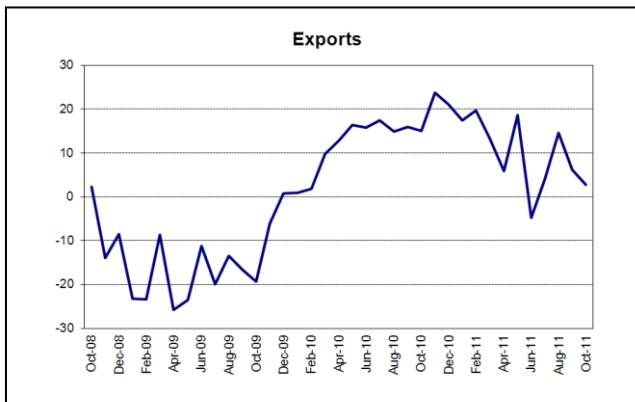
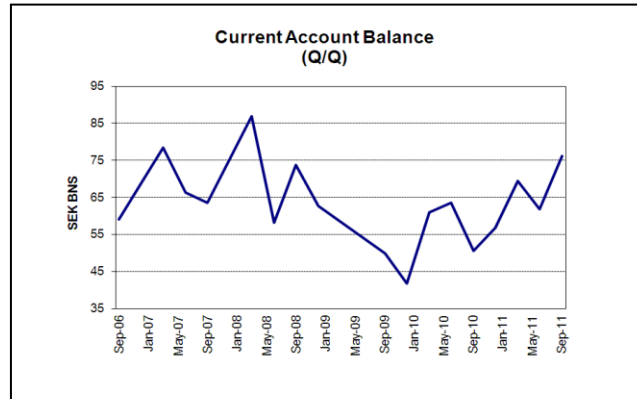
Imports of Goods and Services slowed from 0.6% Q/Q and 6.9% Y/Y in Q2 to 0.2% Q/Q and 4.6% Y/Y in Q3; while Exports of Goods and Services rose from 1.3% Q/Q and 8.0% Y/Y in Q2 to 3.0% Q/Q and 8.3% Y/Y in Q3.

## Trade Data

### Trade Data

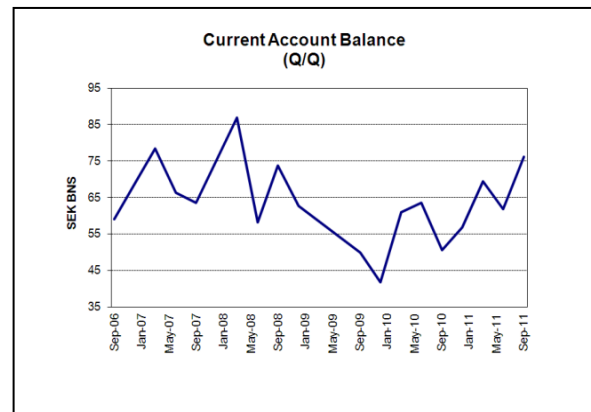
Sweden's Trade Surplus narrowed from SEK 10.4 bln in September to SEK 7.8 bln in October, and up from a surplus of SEK 5.5 bln a year earlier. A surplus of SEK 6.3 bln was expected.

Exports and Imports increased by 3.0% Y/Y to SEK 103.3 bln and 1.0% Y/Y to SEK 95.5 bln, respectively.



### Current Account

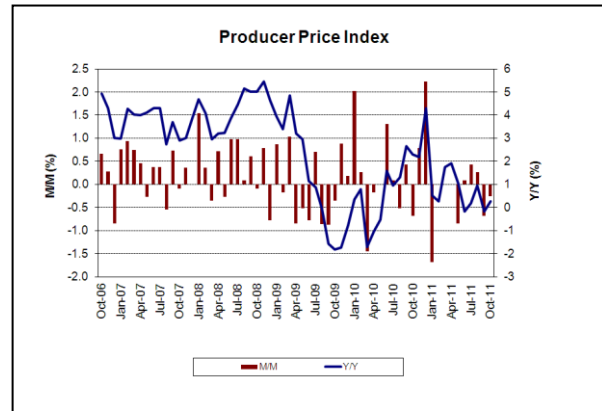
Sweden's Current Account surplus widened from SEK 61.8 bln in Q2 to SEK 76.1 bln in Q3. The increase was partly attributed "to a stronger trade in goods and services as well as increased investment income," according to Statistics Sweden.



## PPI, Retail Sales & Consumer Confidence

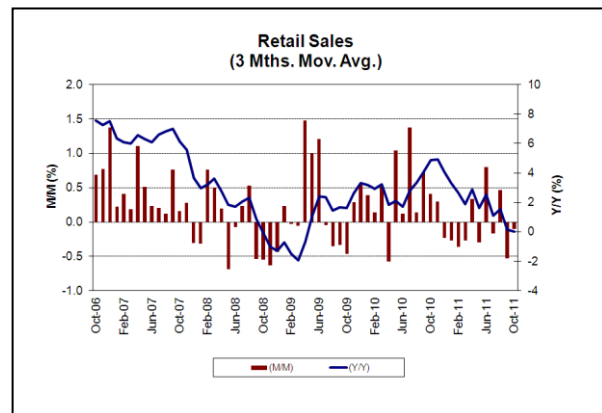
### PPI

The Producer Price Index fell 0.3% M/M and rose 0.3% Y/Y in October, compared with -0.7% M/M and -0.2% Y/Y the previous month. Prices were forecast to gain 0.1% M/M and 0.6% Y/Y.



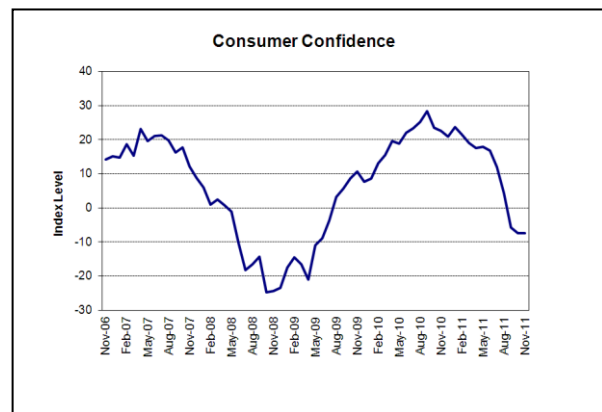
### Retail Sales

Retail Sales rose 0.4% M/M and fell 0.5% Y/Y in October, compared with -0.4% M/M and -0.9% Y/Y in September. Sales were forecast to increase 0.1% M/M and fall 1.2% Y/Y. Additionally, Retail Sales for consumables and durables decreased by 0.6% M/M and 0.4% Y/Y, respectively.



### Consumer Confidence

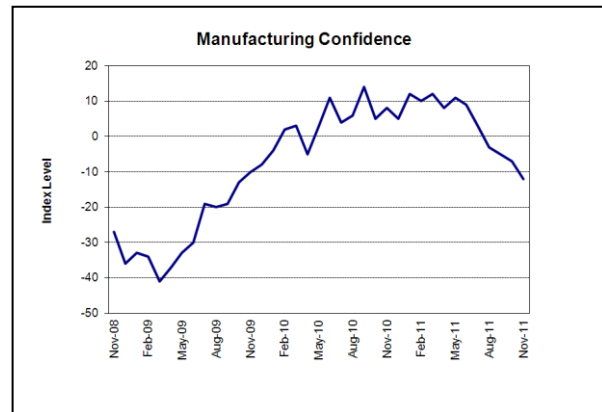
Consumer Confidence improved from -7.5 in October to -7.4 in November. This marked the lowest reading since June 2009. Expectations were for a reading of -9.0.



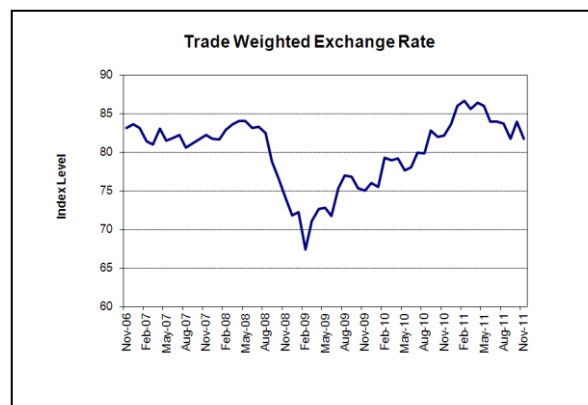
# Manufacturing Confidence, Trade Weighted Exchange Rate & Data

## Manufacturing Confidence

The seasonally adjusted Manufacturing Confidence indicator dropped to -12 in November, compared to a reading of -7 the previous month. A reading of -9 was expected. The NIER remarked, “Declining manufacturing confidence is due to a more negative assessment of the size of order books and the downward adjustment of production plans.”



## Trade Weighted Exchange Rate



## Data

**November 25<sup>th</sup> - Household Borrowing Growth (Bloomberg)** – slowed for a 13<sup>th</sup> month in October. Borrowing rose 5.5% Y/Y in October, compared to 5.7% Y/Y the previous month. This marked the lowest growth level in 9 years.

**November 24<sup>th</sup> - November Economic Tendency Survey (RTT News)** – fell from 94.5 in October to 94.0 in November. The Survey was expected to reach 92.8. The NIER reported:

*The Economic Tendency Indicator fell only 0.5 points in November, after having fallen an average of around three points per month over the past five months. It is considerably below the historic average, indicating weaker than normal growth in the Swedish economy at present. This month the manufacturing industry was the only sector of the economy to make a negative contribution to the Economic Tendency Indicator. The other sectors made a positive contribution, while the Consumer Confidence Indicator remained largely unchanged.*

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## News

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**November 29<sup>th</sup> (Reuters) - Fed should forecast rates** – Riskbank Deputy Governor, Lars Svensson spoke at the San Francisco Fed Conference:

*Publishing a policy-rate path would be the most direct way to affect interest-rate expectations, especially since central banks should have better information about their intentions than anyone else.*

*Given this, it may seem a mystery why still so few central banks choose to publish a policy-rate path, when an increasing number of central banks are publishing forecasts of inflation and the real economy.*

**November 29<sup>th</sup> (Bloomberg) - Swedish Banks Not Immune to European Crisis** – The Riksbank stated in its financial stability report:

*There is still considerable uncertainty over future developments.*

*If concerns over sovereign debt problems increase further, Swedish banks may also be affected.*

*The Riksbank's stress tests show, however, that the Swedish banks have sufficient capital to give them good resilience, even if the loan losses were much greater than those expected in the report's main scenario. However, their liquidity risks are still higher than in many other European banks, although the risks have on the whole declined somewhat over the year.*

**November 25<sup>th</sup> (Bloomberg) - Riksbank Fights Abnormal Crisis With New Tools to Aid Growth** - Riksbank Governor Stefan Ingves commented:

*If you're outside what's considered to be normal then you need to be prepared to reconsider.*

*We have learnt the hard way and many, many other countries similarly, that if you have too much leverage somewhere in the system, that leverage comes back to bite you sooner or later.*

*It's technically hard to include a full-grown financial sector in the model. Still, it probably can be done and it should be done. It's something that we're looking at and it's something that for sure is of concern to us. We'll keep at it. One day, we'll get there.*

**Key Dates This Week**

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
12/01	Swedbank PMI Survey	NOV	49.0	49.8
12/06	Service Production	OCT	--	0.5% / 5.0%
12/07	Budget Balance	NOV	--	3.0B

Valance Co., Inc.

# Valance Economic Report: Switzerland

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November 30, 2011

Switzerland's economy continued to show signs of slowing: The KOF Swiss Leading Indicator fell two its lowest level in over two years in November. The UBS Consumption Indicator remained near its lowest in two years in October.

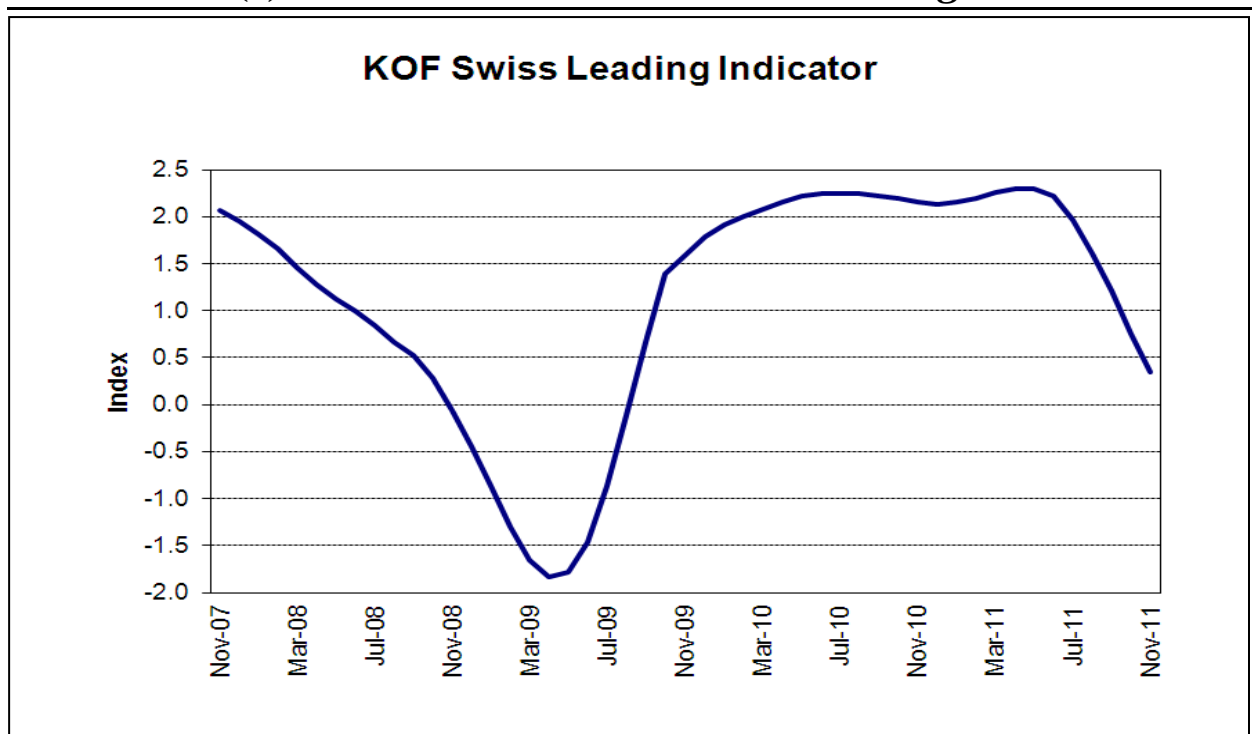
## Weekly Highlights

**KOF Swiss Leading Indicator** – fell from 0.75 in October to 0.35 in November. (SZ 1)

**UBS Consumption Indicator** – rose from .82 in September to .91 in October. (SZ 2)

## Weekly Releases & News

### Chart(s) of the Week: *KOF Swiss Leading Indicator*



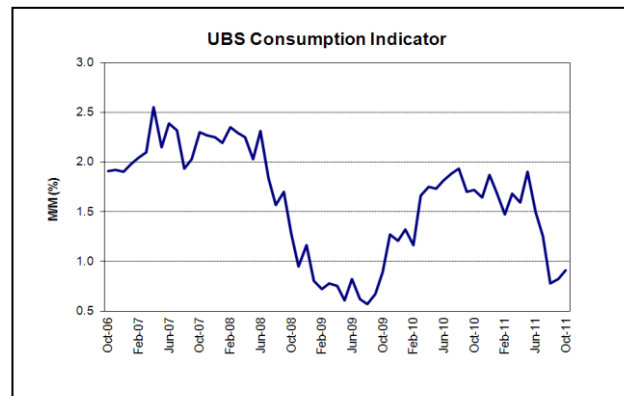
The monthly aggregate of indicators retreated from 0.75 in October to 0.35 in November – the lowest since August 2009. The KOF remarked, “The barometer continues to slide. This suggests that Swiss economic growth is further losing momentum.” The Indicator was expected to reach 0.65.

SZ - 1

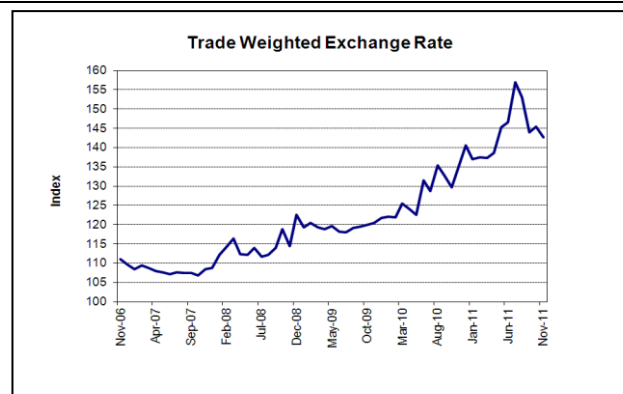
## UBS Consumption Indicator, Trade Weighted Exchange Rate & News

### UBS Consumption Indicator

The UBS Consumption Indicator rose from .82 in September to .91 in October. UBS said, “The indicator’s comparatively low level is due to ongoing poor business activity in the retail sector as well as consumer sentiment. In addition, the strong franc encourages consumers to shop abroad.”



### Trade Weighted Exchange Rate



### News

**November 28<sup>th</sup> (Bloomberg) - SNB Should Keep Interest Rates Low Until End 2012** – The OECD said in its economic outlook:

*Inflation is projected to remain subdued and increase only gradually at the end of 2012.*

*Monetary policy can therefore remain supportive, and policy rates should rise only gradually at the end of 2012.*

*Lagged effects of past appreciation will continue to slow exports and investment through the first half of 2012. From the second half of 2012, when global activity is projected to strengthen, real gross domestic product growth will resume.*

*Upside and downside risks for growth in Switzerland relate mainly to exchange-rate movements, notably driven by developments in euro area-debt markets.*

***Key Dates This Week***

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
12/01	GDP	Q3	0.1% / 1.8%	0.4% / 2.3%
12/01	PMI Manufacturing	NOV	46.6	46.9
12/02	Retail Sales	OCT	0.0%	-0.9%
12/06	Foreign Currency Reserves	NOV	--	242.7B
12/06	CPO	NOV	--	-0.1% / -0.1%
12/06	CPI – EU Harmonised	NOV	--	-0.1% / -0.5%
12/07	Unemployment Rate	NOV	--	2.9% / 3.0%