

# Valance Company, Inc.



Weekly

March 7, 2012

III

## Highlights

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US – Pace of data improvement slowed

EU – EU Unemployment Rate increased to a 14-year high

JN – Capital Spending stronger than expected in Q4

AU – RBA leaves target rate unchanged at 4.25%

NZ – RBNZ leaves official cash rate unchanged at 2.5%

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*Valance Economic Reports*

Valance Co., Inc.

**Valance Economic Report: United States**

Michael Pede

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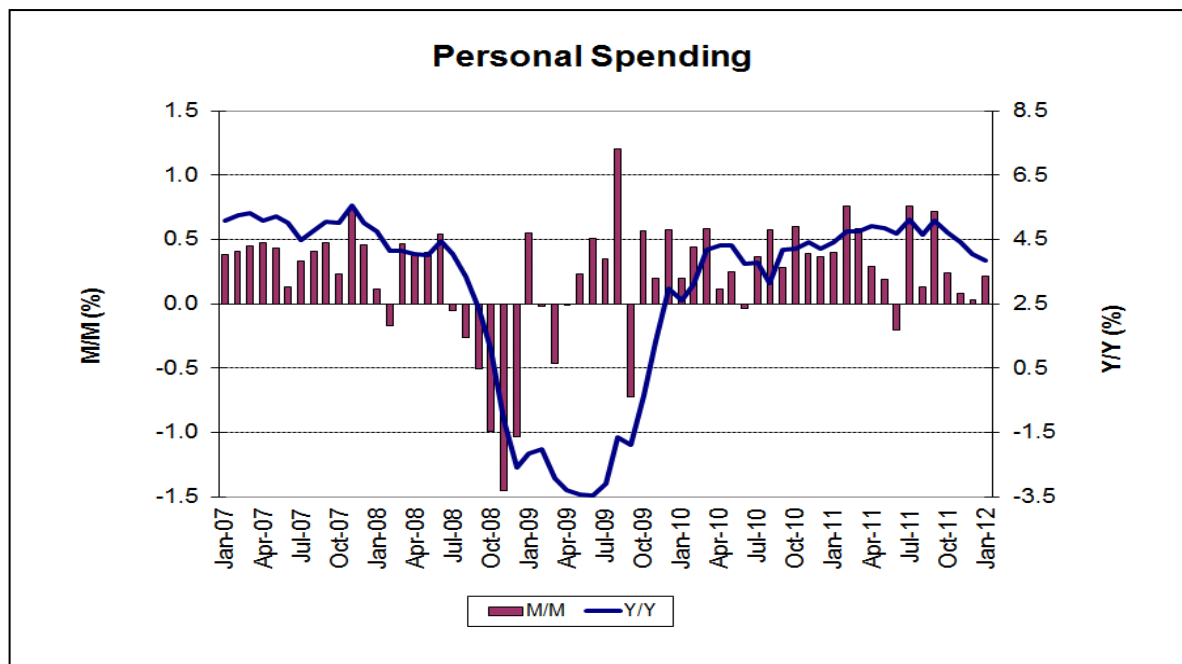
[mpede@valance.us](mailto:mpede@valance.us)March 7<sup>th</sup>, 2012

Weak Personal Income and Spending and manufacturing ISM slowed the pace of data improvement. Jobless Claims remain lower and are stabilizing around 350k.

**Weekly Highlights**

**Personal Spending** – rose 0.2% M/M in January, short of expectations of a 0.4% M/M gain. (US 1)

**ISM Manufacturing Index** – fell from 54.1 to 52.4 in February (US 4)

**Weekly Releases****Chart of the Week: Personal Spending**

Personal Spending rose 0.2% M/M and 3.8% Y/Y in January, short of expectations for a gain of 0.4% M/M. Spending was flat M/M for the third straight month and gained 1.4% Y/Y in real terms.

US 1

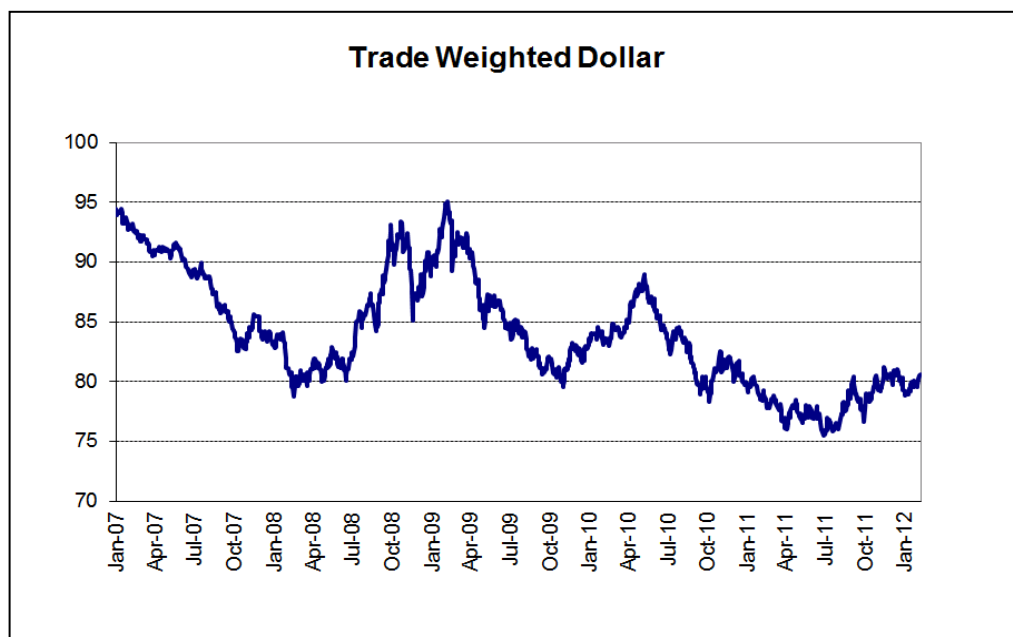
## U.S. Financial Balances & Trade Weighted Dollar

### Financial Balances

U.S.	Latest period (\$blns)	Last 12mth. as a % of GDP
Budget Balance	-27.4 (Dec)	-8.0%
Trade Balance	-48.8 (Dec)	-3.7%
Current Account Balance	-110.3B (Q3)	-3.1%
Private Balance	--	5.3%

The budget deficit on a trailing twelve month basis as of December is 8.0% of GDP. The trade deficit as of December is 3.7% of GDP. The budget deficit is quite large and should remain that way due to tax cuts, high expenditures and revenues that are just starting to turn upwards. The budget deficit will help build private balances and support an economic recovery.

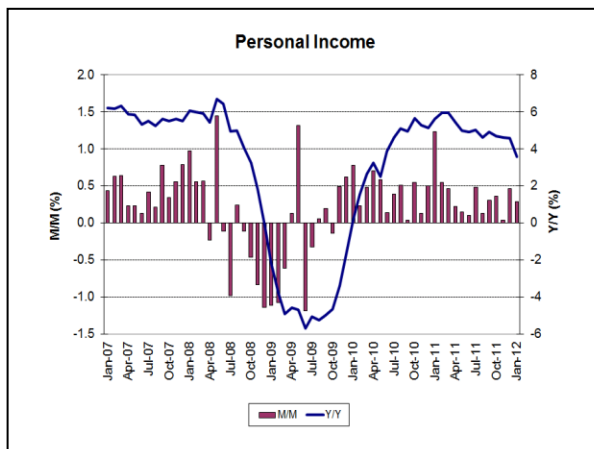
### Trade Weighted Dollar



## Personal Spending, PCE Core & Initial Jobless Claims

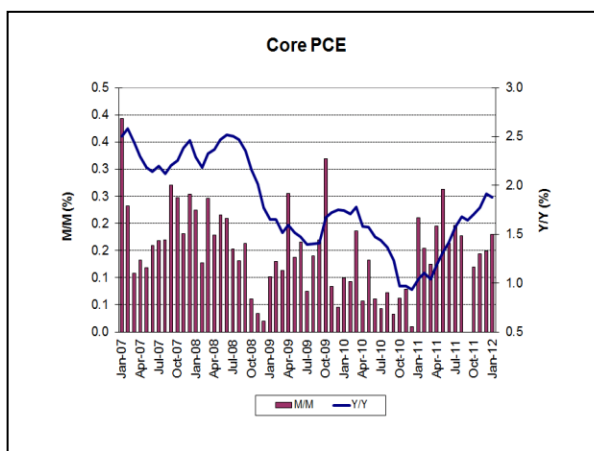
### Personal Income

Personal Income increased 0.3% M/M and 3.6% Y/Y in January. The wage and salary component gained 0.4% M/M while gaining 5.0% Y/Y. The saving rate declined slightly to 4.6%.



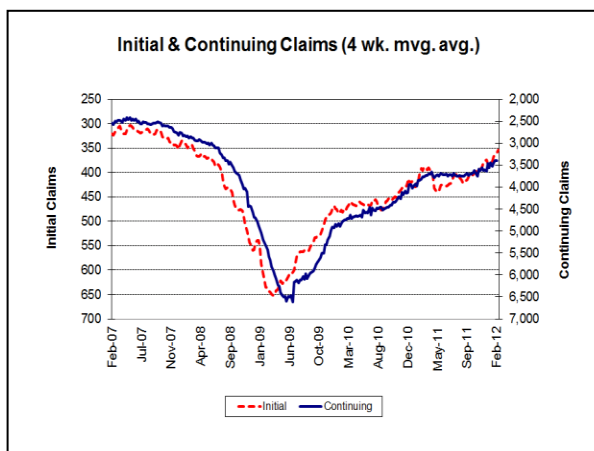
### Core PCE

Core PCE increased 0.2% M/M and 1.9% Y/Y in January. The three month annualized rate slowed to 1.0%. Headline PCE also gained 0.2% M/M and is up 2.5% Y/Y. The large output gap should continue to keep core inflation below the Fed's 2% target for the foreseeable future, though the recent rise in oil prices will add pressure to Headline PCE.



### Initial Jobless Claims

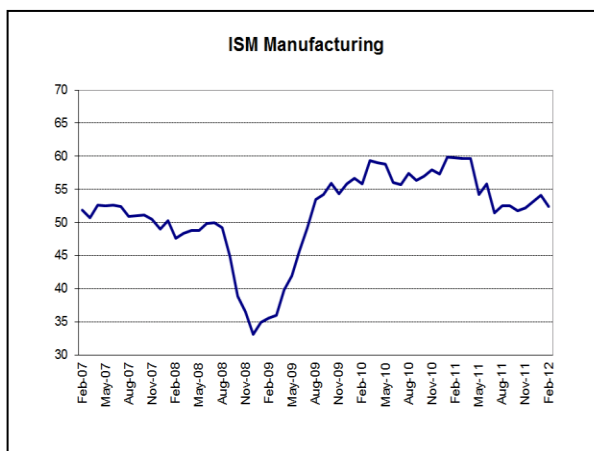
Initial Claims rose remained at 351k (revised up from 353k). The series has been volatile since the beginning of the year but starting to stabilize in the 350k range. The four week moving average of Initial Claims fell 4.5k to 354k, the lowest since March 2008. Continuing Claims fell from 3404k to 3402k.



## ISM Manufacturing, ISM Non-Manf. Composite & Construction Spending

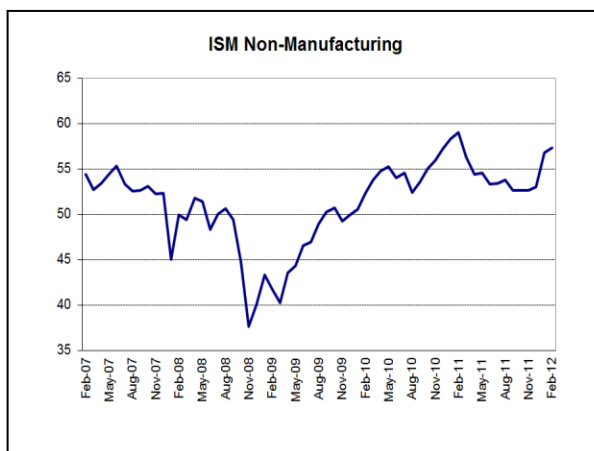
### ISM Manufacturing

The ISM Manufacturing Index fell from 54.1 to 52.4 in February, with weakness in key components. New orders declined from 57.6 to 54.9 and the employment component declined from 54.3 to 53.2. Prices paid jumped from 55.5 to 61.5.



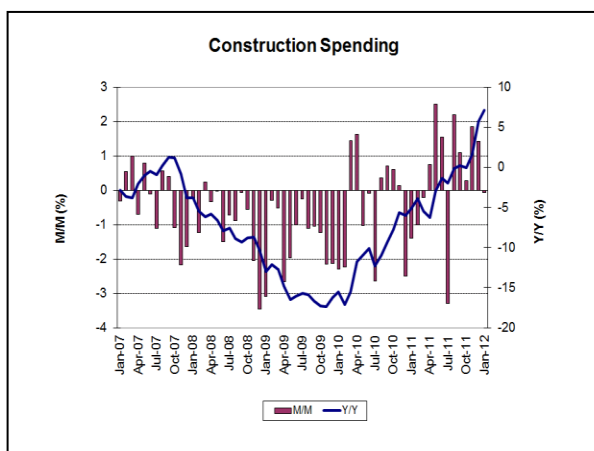
### ISM Non-Manf. Composite

The ISM Non-Manufacturing Index improved from 56.8 to 57.3 in February, the highest in 12 months. New Orders improved from 59.5 to 61.2. The employment component declined from 57.4 to 55.7. Every component but Supplier Deliveries is above the six-month average.



### Construction Spending

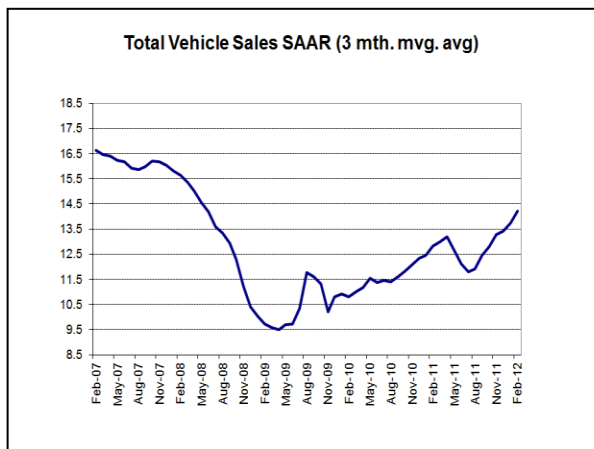
Construction Spending fell 0.1% M/M and 7.1% Y/Y in January. Residential Spending improved by 1.8% M/M and 5.4% Y/Y while Non-residential fell 1.5% M/M and grew 7.9% Y/Y.



# Total Vehicle Sales, Bloomberg Comfort & Mortgage Apps

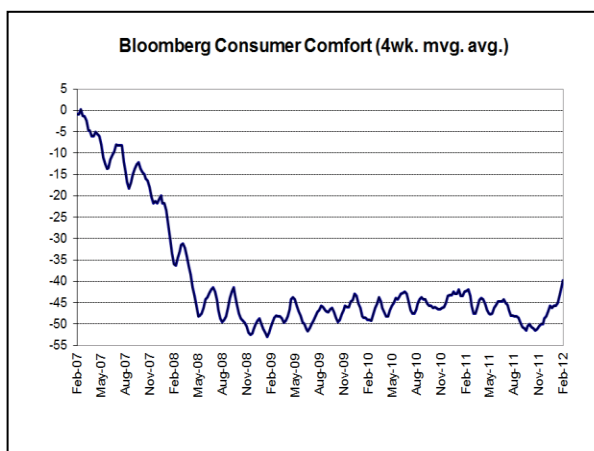
## Total Vehicle Sales

As expected, total Vehicle Sales improved from 14.13M to 15.03M seasonally adjusted annualized units in January. A year ago sales stood at 12.54M units.



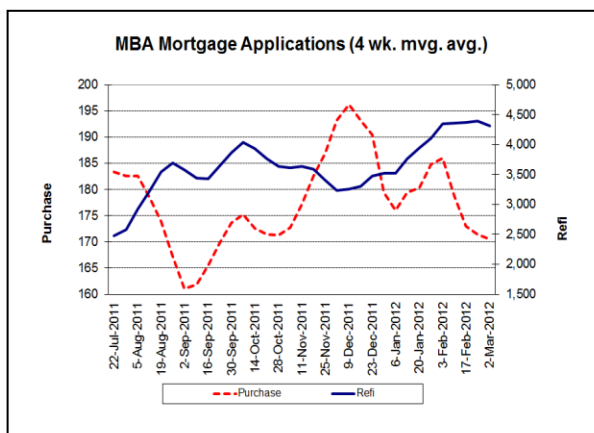
## Bloomberg Consumer Comfort

The Bloomberg Consumer Comfort Index fell slightly from -38.4 to 38.8, just off the highest level since March 2008. The state of the economy improved from -73.3 to -72.4.



## MBA Mortgage Applications

Purchase Mortgage Applications rose 2.1% W/W. Refi applications dropped 2.0% W/W. The FRM 30-year contract is just off the all-time low at 4.06%.



**Key Dates This Week**

Dates	Indicators		Expectations	Previous
		3-		
8-Mar	Initial Jobless Claims	Mar	351K	351K
		25-		
8-Mar	Continuing Claims	Feb	3400K	3402K
		4-		
Mar-00	Bloomberg Consumer Comfort	Mar	-39	-38.8
9-Mar	Trade Balance	JAN	-\$49.0B	-\$48.8B
9-Mar	Change in Nonfarm Payrolls	FEB	210K	243K
9-Mar	Change in Private Payrolls	FEB	225K	257K
9-Mar	Change in Manufact. Payrolls	FEB	20K	50K
9-Mar	Unemployment Rate	FEB	8.30%	8.30%
9-Mar	Avg Hourly Earning MOM All Emp	FEB	0.20%	0.20%
12-Mar	Monthly Budget Statement	FEB	-\$231.0B	-\$222.5B
13-Mar	Advance Retail Sales	FEB	1.00%	0.40%
13-Mar	Retail Sales Less Autos	FEB	0.70%	0.70%
13-Mar	Retail Sales "Control Group"	FEB	0.60%	0.70%
13-Mar	Business Inventories	JAN	0.60%	0.40%
		13-		
13-Mar	FOMC Rate Decision	Mar	--	0.25%
		9-		
14-Mar	MBA Mortgage Applications	Mar	--	--
14-Mar	Import Price Index (MoM)	FEB	0.50%	0.30%
14-Mar	Current Account Balance	4Q	-\$113.8B	-\$110.3B

Valance Co., Inc.

## Valance Economic Report: Euro Zone

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March 7, 2011

The EU Unemployment Rate increased to a 14-year high in January. Q4 GDP contracted 0.3% as was previously estimated, and Retail Sales unexpectedly increased in January.

### Weekly Highlights

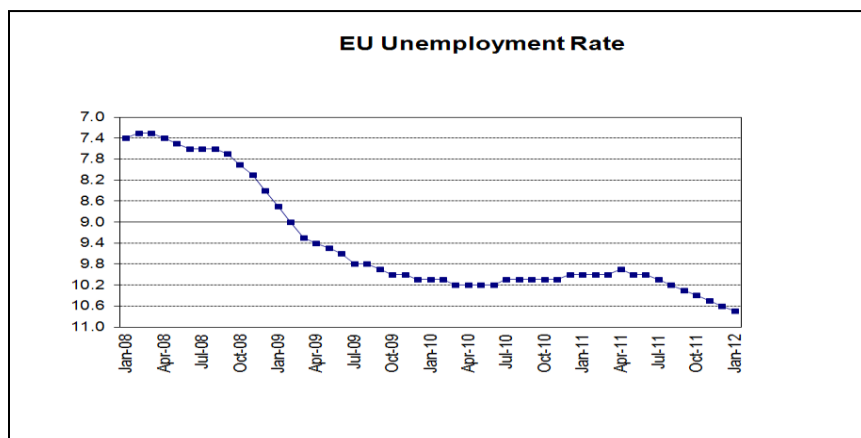
**EU Unemployment Rate** – increased to a 14-year high in January. (EU 1)

**EU GDP** - contracted 0.3% Q/Q in Q4. (EU 3)

**EU Retail Sales** - unexpectedly gained 0.3% M/M and was flat Y/Y in January. (EU 3)

### Weekly Releases & News

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



EU Unemployment Rate increased from a revised 10.6% (previous 10.4%) to 10.7% in January. Market expectations were for a reading of 10.4%. The EU unemployment rate is now at a 14-year high.

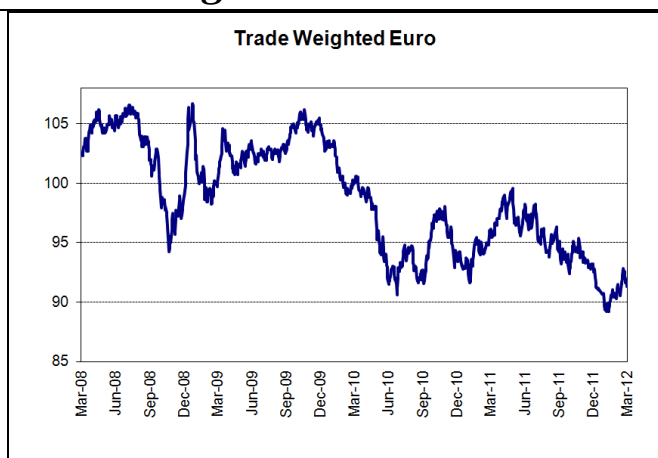
## Euro Zone Financial Balances & Trade Weighted Euro

### Financial Balances

<i>Germany</i>	<i>Last period (\$blns euros)</i>	<i>Last 12mth. as a % of GDP*</i>
Budget Balance		-4.3%
Trade Balance	12.9 (November)	2.0%
Current Account Balance	19.3 (December)	5.6%
Private Savings Balance		9.9%
<i>France</i>		
Budget Balance		-2.7%
Trade Balance	-4.9 (December)	-4.9 %
Current Account Balance	-3.0 (December)	-3.9%
Private Savings Balance		-1.2%
<i>Italy</i>		
Budget Balance		-4.5 %
Trade Balance	1.4 (December)	-7.7%
Current Account Balance	0.4 (December)	-3.5%
Private Savings Balance		1.0%

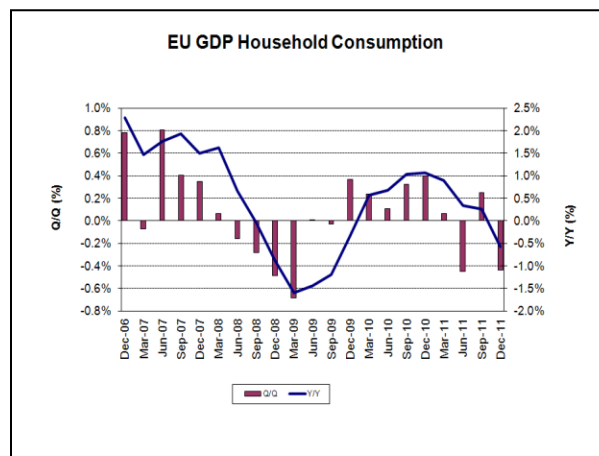
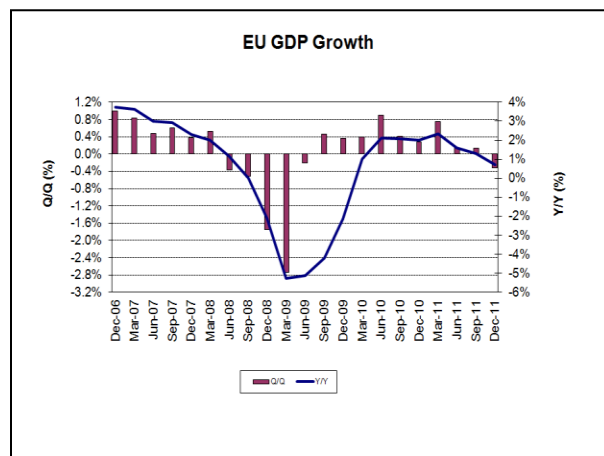
*\*Budget Balance as of June 2011 – Source OECD*

### Trade-Weighted Exchange Rate

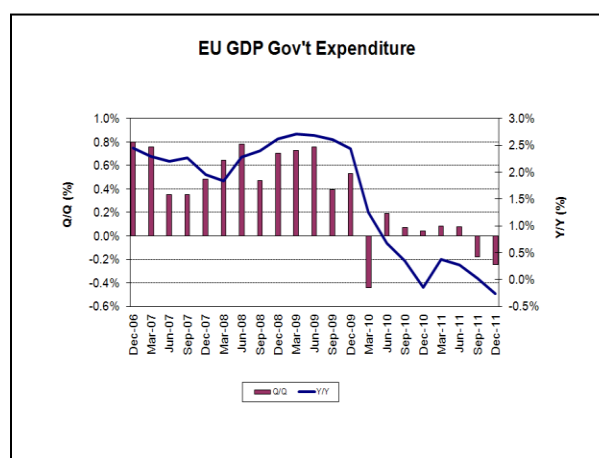


## EU GDP & Retail Sales

### EU GDP

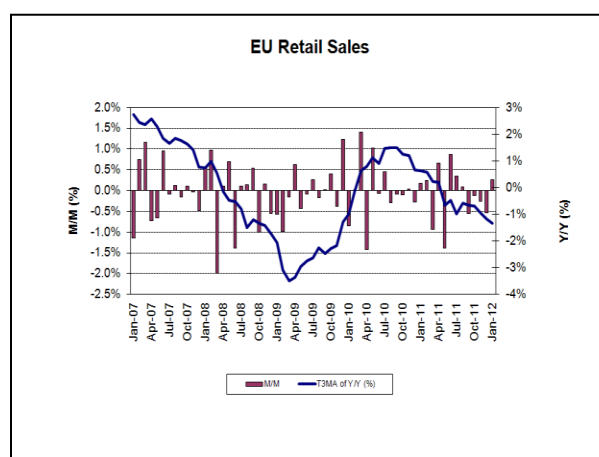


EU GDP contracted 0.3% Q/Q in Q4, as a result of a 0.7% decrease in investment (the most since 2009), coupled with decreases in exports and consumer spending. Capital Fixed Formation decreased 0.7% Q/Q and increased 0.6% Y/Y. Household Consumption fell 0.4% Q/Q and 0.6% Y/Y. Government Expenditure fell 0.2% Q/Q and 0.3% Y/Y. Exports decreased 0.4% Q/Q and increased 3.6% Y/Y. Imports decreased 1.2% Q/Q and 0.6% Y/Y.



### EU Retail Sales

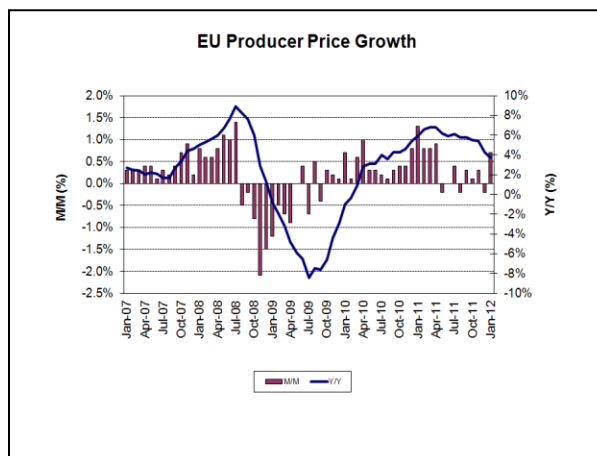
EU Retail Sales unexpectedly gained 0.3% M/M and were flat Y/Y in January. Market expectations were for a 0.1% M/M and a 1.5% Y/Y decline. The Food, Drink and Tobacco sector increased 0.6% M/M and fell 0.9% Y/Y. Sales of non-food products increased 0.5% M/M and 1.1% Y/Y.



## EU PPI, CPI & PMIs

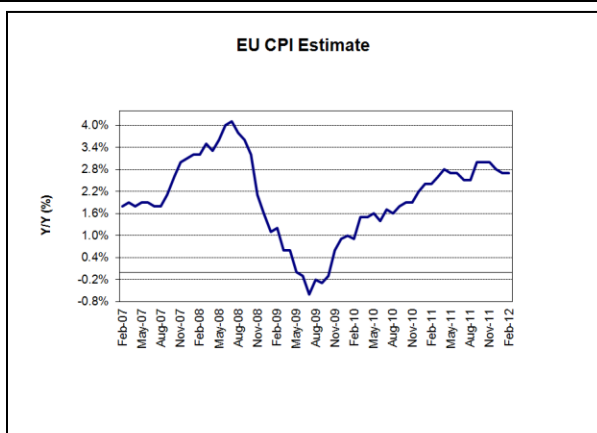
### EU PPI

EU PPI increased 0.7% M/M and 3.7% Y/Y in January versus market expectations for 0.5% M/M and a 3.5% Y/Y growth.

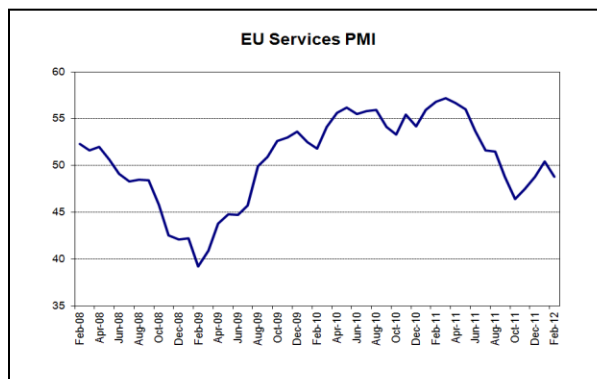
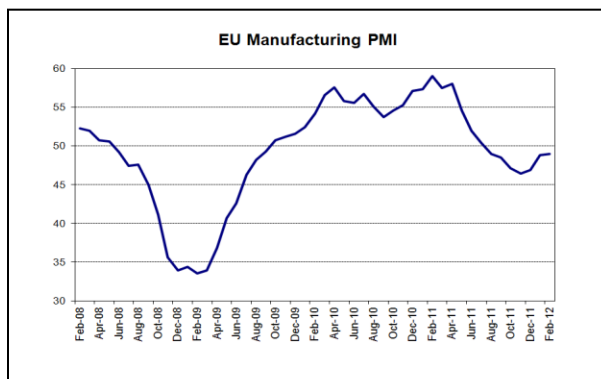


### EU CPI

EU CPI increased 2.7% Y/Y in February matching the previous months reading. Market expectations were for a 2.6% Y/Y growth. The ECB's forecast that inflation will slow this year and its goal is to keep inflation below 2 percent.



### EU PMIs

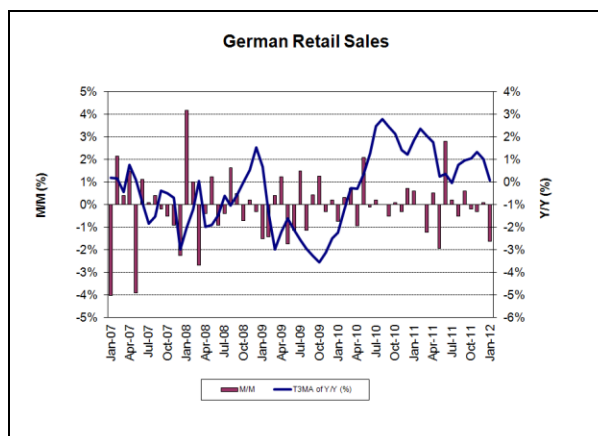


Final data confirms that EU PMIs increased from 48.8 in January to 49.0 in February. Services PMI on the other hand decreased from 50.4 in January to 48.8 in February, compared to the previous estimate of 49.4. The February reading for the Composite Index was revised down from 49.7 to 49.3.

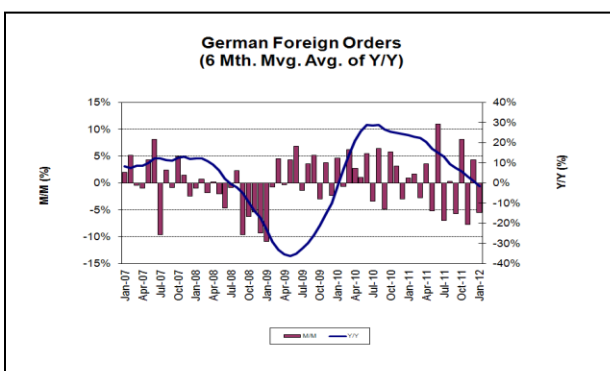
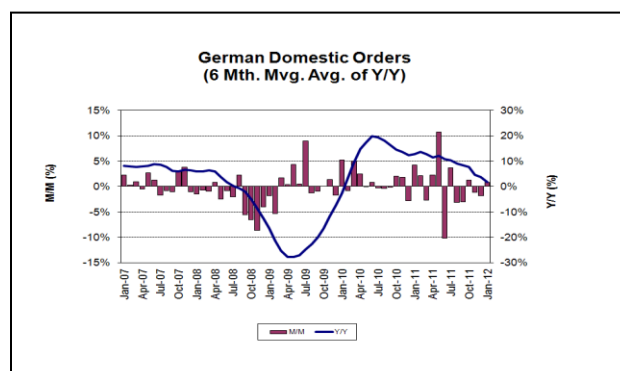
## German Retail Sales/Factory Orders & French ILO Unemployment

### German Retail Sales

German Retail Sales unexpectedly fell 1.6% M/M and increased 1.6% Y/Y in January. Market expectations were for a 0.5% M/M and a 0.2% Y/Y gain.



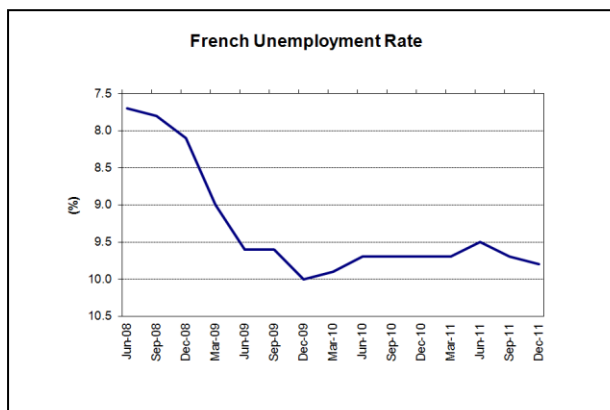
### German Factory Orders



German Factory Orders fell 2.7% M/M and 4.9% Y/Y in January. Domestic Factory Orders increased 0.9% M/M and fell 2.4% Y/Y. Foreign Orders fell 5.5% M/M and 7.0% Y/Y.

### French ILO Unemployment Rate

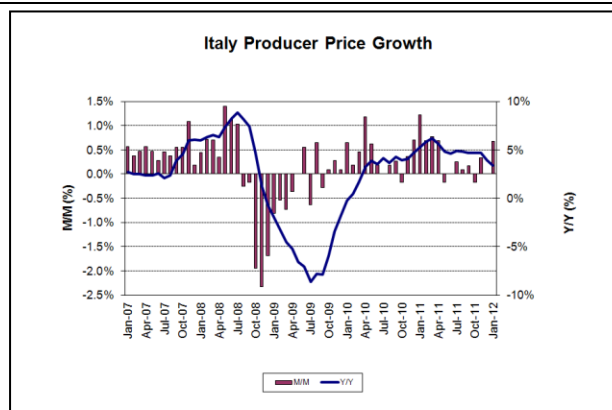
French ILO Unemployment Rate increased from 9.7% in Q3 to 9.8% in Q4. Unemployment gained 50K in Q4.



## Italian PPI, CPI & Unemployment Rate

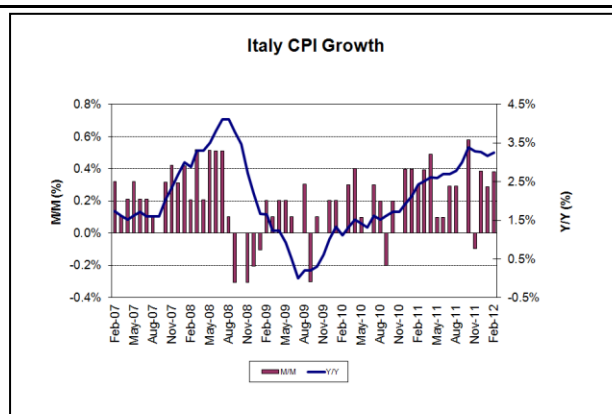
### Italian PPI

Italian PPI increased 0.7% M/M and 3.4% Y/Y in January. Market expectations were for a 0.6% M/M and a 3.4% Y/Y growth.



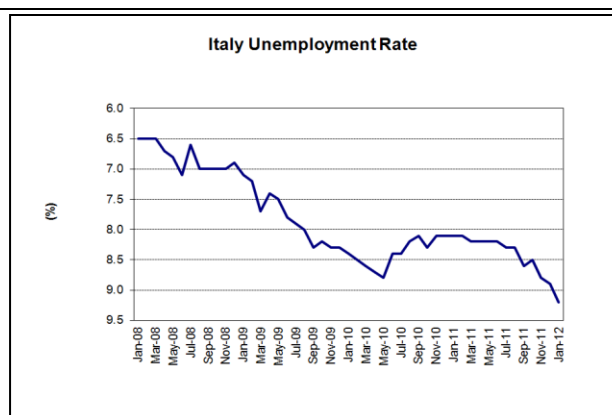
### Italian CPI

Italian CPI increased 0.4% M/M and 3.3% Y/Y in February, above market expectations for a reading of 0.2% M/M and 3.1% Y/Y.



### Italian Unemployment

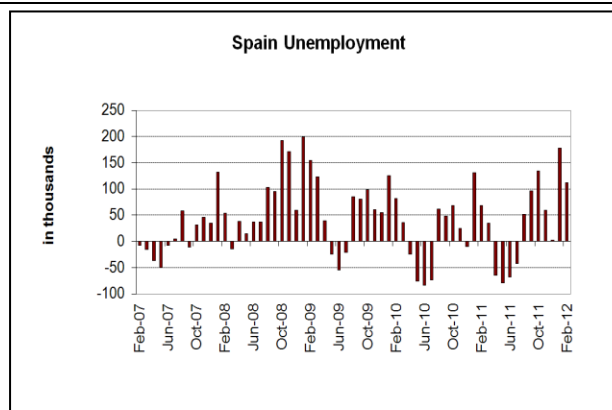
The Italian Unemployment Rate increased from 8.9% in December to 9.2% in January, the highest level in more than 10 years. Market expectations were for an increase to 9.0%.



## Spanish Unemployment & News/Comments

### Spanish Unemployment

The number of people registering for unemployment benefits increased by 112.3K in February. The unemployment rate currently stands at 23.3%, the highest level in in the European Union.



### News/Comments

#### **March 5<sup>th</sup> - European Sentix Investor Confidence Increases for a Third Month (Bloomberg) -**

European investor confidence rose for a third month in March after the European Central Bank offered another round of three-year loans and Greece started to restructure its debt, the Sentix research institute said. An index measuring sentiment in the 17-nation euro area increased to minus 8.2, the highest in eight months, from minus 11.1 in February, Limburg, Germany-based Sentix said in an e-mailed statement today. A gauge of expectations jumped to minus 2.3 from minus 6.3, while an indicator for current conditions rose to minus 14 from minus 15.8. "Liquidity provision of the ECB, the initiated debt-restructuring process for Greece and the resulting rally in stock markets are assessed positively by investors," Sentix said. "Even unexpectedly strongly increasing oil prices can't harm sentiment, especially because investors don't extrapolate any immediate inflation risks."

**March 6<sup>th</sup> - IIF warns on 1tn cost of Greek euro exit (FT) -** The International Institute of Finance has said that the potential losses across the eurozone of a disorderly default would probably be in excess of 1tn. The contingent liabilities would seem to include direct losses on Greek debt holdings of 73bn made up from both private and public sector creditors. The European Central Bank would also face "sizeable losses" of 177bn. The additional support needed for the governments and banks of both Portugal and Ireland to shelter them from fears of contagion could reach a combined 380bn over a five-year horizon. The support needed to protect Spain and Italy from the same contagion fears could reach 350bn. Bank recapitalisation costs, could easily be 160bn.

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

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***March 6<sup>th</sup> - Spain Strikes Budget Deal With Regions (WSJ)*** - Spain's government Tuesday reached a broad agreement with its 17 regions on 2012 budget cuts. In highly decentralized Spain, the regions control over one third of spending and have a long history of budget overruns. The European Commission, the EU's executive arm, will review Spain's budget plans in May and June and could impose penalties for failure to comply with targets. While the central government in Madrid will be allowed to run a deficit of 4% of GDP in 2012, up from 3.2% earlier, the regional governments' new target of 1.5%, up from 1.3% previously, a much slimmer cushion. Under Spanish legislation, all 17 regions will be bound by Tuesday's majority agreement to uphold the 1.5% of GDP target.

***March 6<sup>th</sup> - EU's Rehn Sees Economy 'Turning the Tide' in Coming Months (Bloomberg)*** - The European Union's economy will likely be "turning the tide in the coming months," said Olli Rehn, the EU's commissioner for economic and monetary affairs. The European Central Bank's actions have prevented a credit crunch, and "significant steps" by Italy and Spain have improved confidence and reduced tensions on government bond markets, he said at a conference in Paris. Steps to improve growth must be part of the EU's economic policies, he said.

## Key Dates This Week

Date	Indicators	Expectations	Previous
8-Mar	EC ECB Announces Interest Rates	8-Mar 1.00%	1.00%
13-Mar	EC ZEW Survey (Econ. Sentiment)	MAR --	-8.1
14-Mar	EC Euro-Zone CPI - Core (Y/Y)	FEB --	1.50%
14-Mar	EC Euro-Zone CPI (M/M)	FEB --	-0.80%
14-Mar	EC Euro-Zone CPI (Y/Y)	FEB --	--
14-Mar	EC Euro-Zone Ind. Prod. wda (Y/Y)	JAN --	-2.00%
14-Mar	EC Euro-Zone Ind. Prod. sa (M/M)	JAN --	-1.10%
8-Mar	GE Industrial Production M/M (sa)	JAN 1.10%	-2.90%
8-Mar	GE Industrial Prod. Y/Y (nsa wda)	JAN 1.10%	0.90%
9-Mar	GE Consumer Price Index (M/M)	FEB F 0.70%	0.70%
9-Mar	GE Consumer Price Index (Y/Y)	FEB F 2.30%	2.30%
13-Mar	GE Zew Survey (Current Situation)	MAR --	40.3
13-Mar	GE ZEW Survey (Econ. Sentiment)	MAR --	5.4
8-Mar	FR Non-Farm Payrolls (Q/Q)	1Q F -0.20%	-0.20%
8-Mar	FR Bank of France Bus. Sentiment	FEB 96	96
8-Mar	FR Trade Balance (Euros)	JAN -5150M	-4993M
9-Mar	FR Industrial Production (M/M)	JAN 0.50%	-1.40%
9-Mar	FR Industrial Production (Y/Y)	JAN -1.10%	-1.30%
13-Mar	FR CPI - EU Harmonised (M/M)	FEB --	-0.40%
13-Mar	FR CPI - EU Harmonised (Y/Y)	FEB --	2.60%
9-Mar	IT Industrial Production sa (M/M)	JAN -1.10%	1.40%
9-Mar	IT Industrial Production wda(Y/Y)	JAN -1.50%	-1.70%
12-Mar	IT GDP sa and wda (Q/Q)	4Q F --	-0.70%
12-Mar	IT GDP sa and wda (Y/Y)	4Q F --	-0.50%
13-Mar	IT CPI - EU Harmonized (M/M)	FEB F --	0.20%
13-Mar	IT CPI - EU Harmonized (Y/Y)	FEB F --	3.40%
9-Mar	SP Retail Sales (Real) (Y/Y)	JAN --	-6.20%
13-Mar	SP Consumer Price Index (M/M)	FEB --	-1.10%
13-Mar	SP Consumer Price Index (Y/Y)	FEB F --	2.00%

Valance Co., Inc.

# Valance Economic Report: Japan

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March 7, 2012

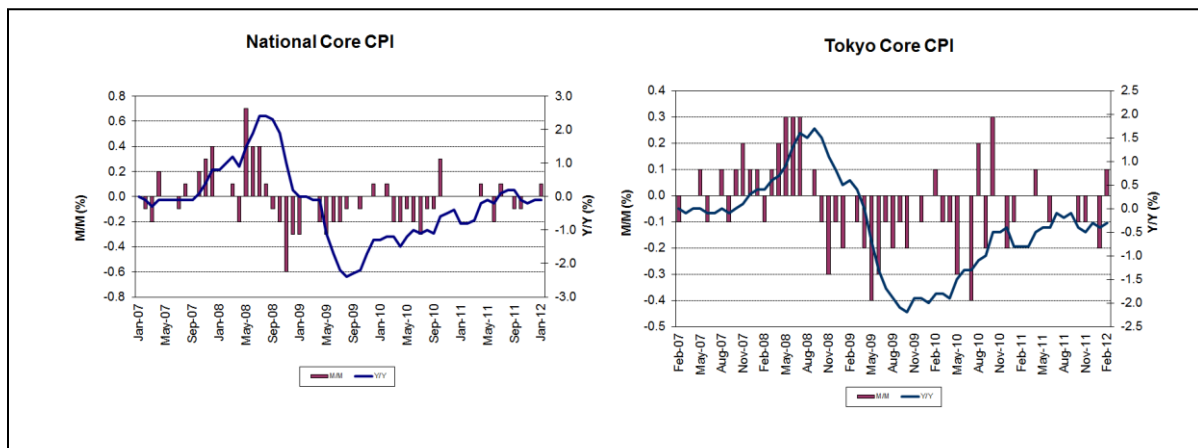
Capital Spending was significantly stronger than expected in Q4. In January, CPI roughly met market expectations while the Unemployment Rate increased a tick more than expected. Also in January's data, Labor Cash Earnings were unchanged – faring better than expected- although Household Spending declined.

## Weekly Highlights

**Core CPI** – increased 0.1% M/M and dropped 0.1% Y/Y in January. (JN 1)

**Employment** - Jobless Rate increased from 4.5% to 4.6% in January. (JN 3)

## Charts of the Week: CPI



The Nationwide Core CPI (excluding food and energy) increased 0.1% and dropped 0.1% Y/Y in January against expectations for a 0.2% Y/Y drop. Core-Core CPI, which excludes both food and energy prices, increased 0.2% M/M and dropped 0.9% Y/Y against expectations for a 1.1% Y/Y decline.

Tokyo Core CPI saw a 0.1% M/M gain as well, with a 0.3% Y/Y drop against expectations for a 0.4% Y/Y drop. Tokyo Core-Core CPI increased 0.1% M/M and declined 1.1% Y/Y.

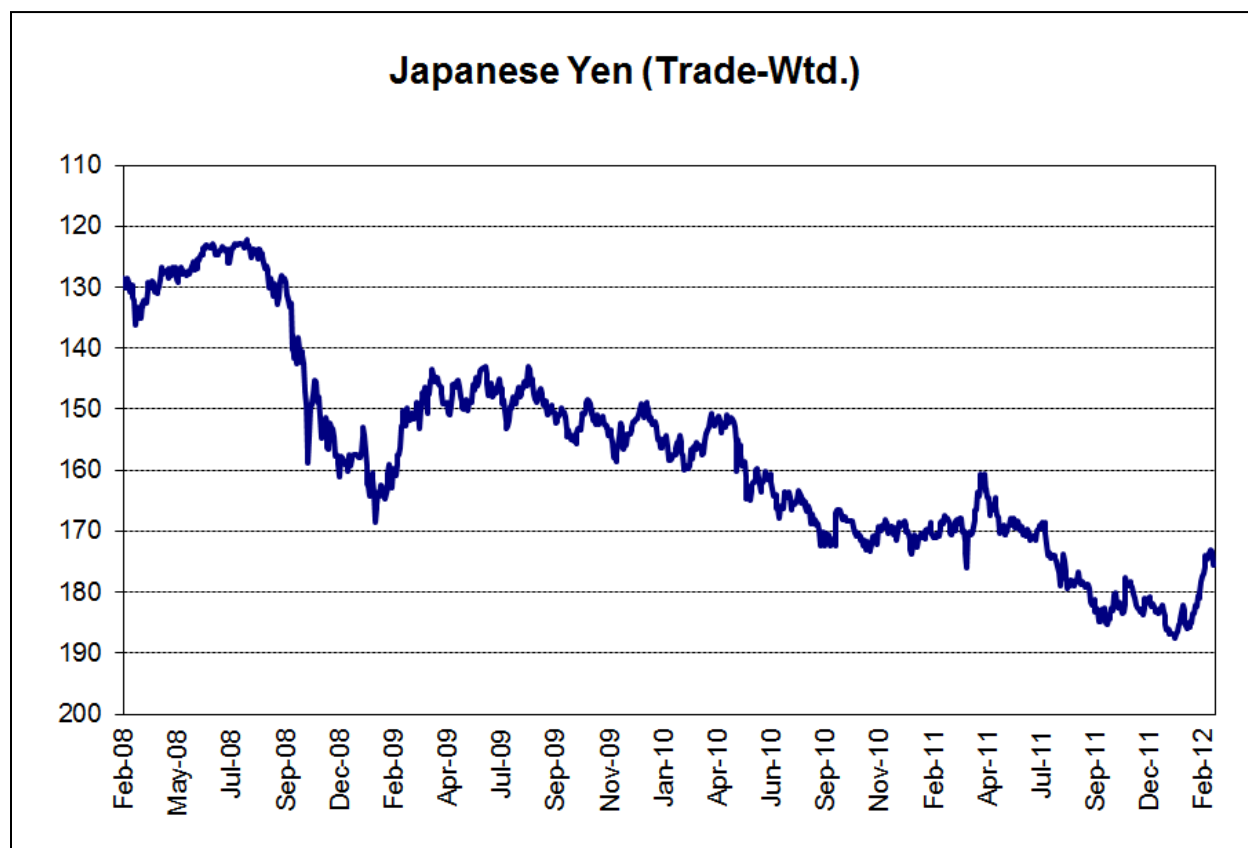
On a nationwide basis, M/M prices increased on Food, household goods, transport, and medical care and education which all outweighed declines in clothing, entertainment and utilities.

JN 1

## 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%

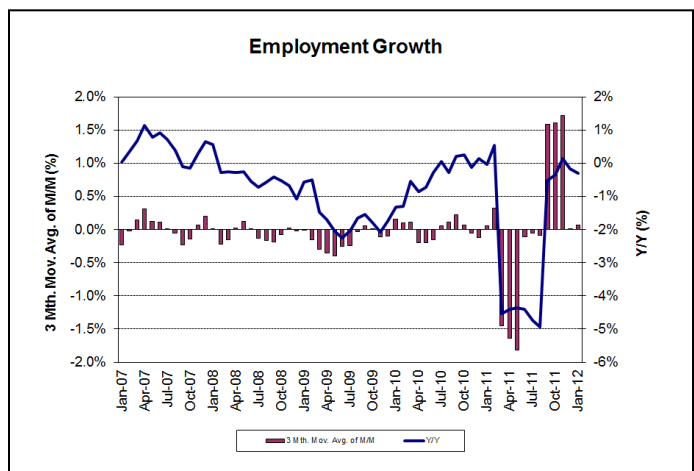
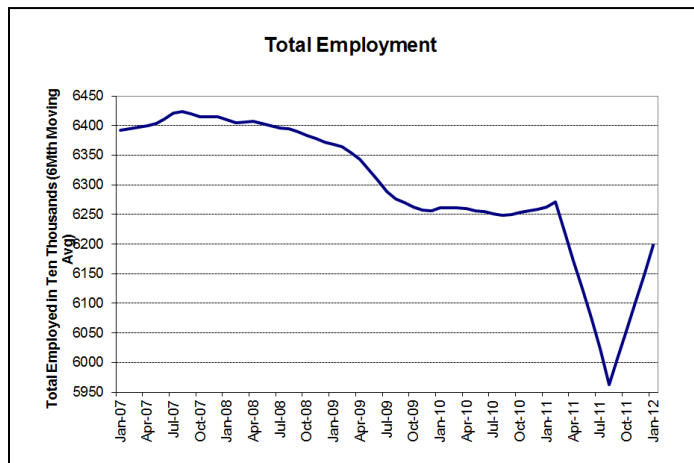
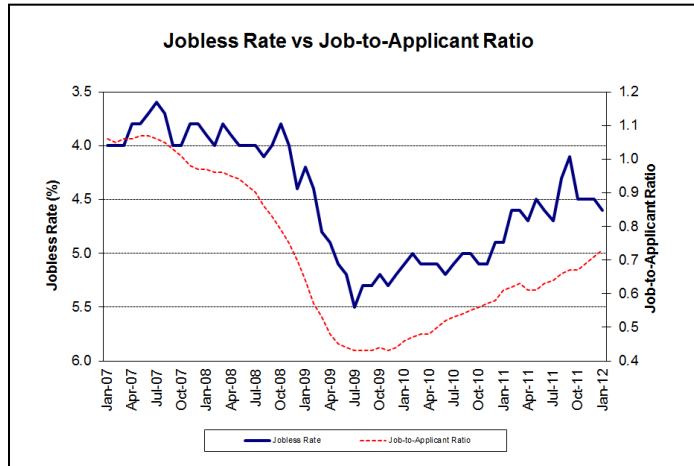


# Employment Data

## Employment

In January, the Unemployment Rate increased from a downwardly revised 4.5% (from 4.6%) to 4.6%, moving above expectations which called for 4.5%. Within the data, the number of employed increased by 90k. The number of unemployed increased by 100k. The labor force grew by 180k and the non-labor force got larger by 500k.

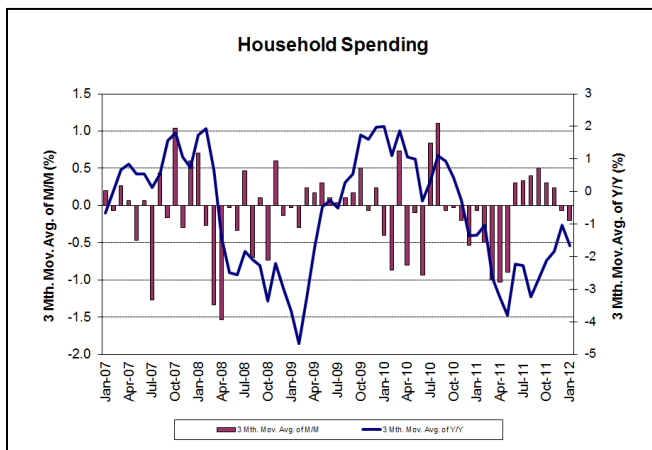
The job-applicant ratio increased from 0.71 to 0.73 against expectations for an increased to 0.72.



# Household Spending, Labor Cash Earnings & Vehicle Sales

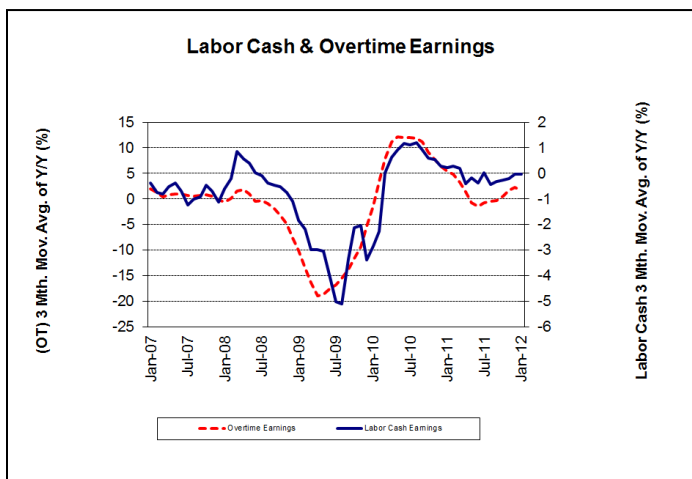
## Household Spending

Overall, Household Spending declined 0.1% M/M and 2.3% Y/Y in January, dropping faster than the 0.9% Y/Y decline the market expected.



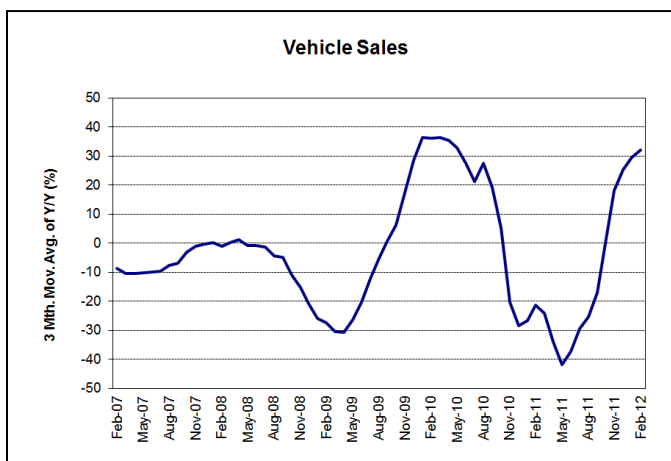
## Labor Cash Earnings

Labor Cash Earnings were unchanged in January, faring better than the 0.3% Y/Y decline the market expected. December's 0.2% Y/Y drop was also revised upward to +0.1% Y/Y. Within the details, contracted earnings improved 0.3% Y/Y as regular earnings increased 0.3% Y/Y and overtime earnings increased 1.2% Y/Y. Bonus earnings declined 5.3% Y/Y.



## Vehicle Sales

New vehicle sales increased 31.9% Y/Y in February.



## Capex, Leading Index & News

### Capex

Corporate Investments increased 7.6% Y/Y in Q4, following a 9.8% Y/Y decline in Q3 and far ahead of expectations calling for a 6.5% Y/Y decline. Excluding software, spending increased 4.9% Y/Y against market expectations for a 7.4% Y/Y decline.

Within the details, manufacturing ex-software increased 3.5% Y/Y, non-manufacturing ex-software increased 5.7% Y/Y, and profits declined 10.3% Y/Y, with manufacturing profits falling 21.5% Y/Y and non-manufacturing profits declining 4.3% Y/Y.

### Leading Index

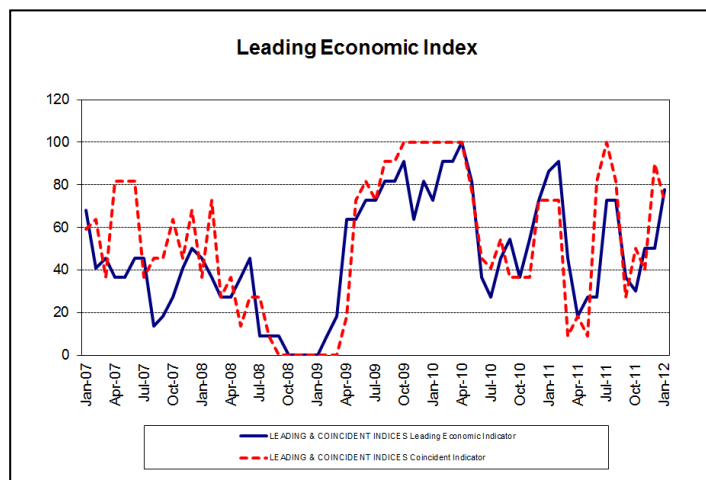
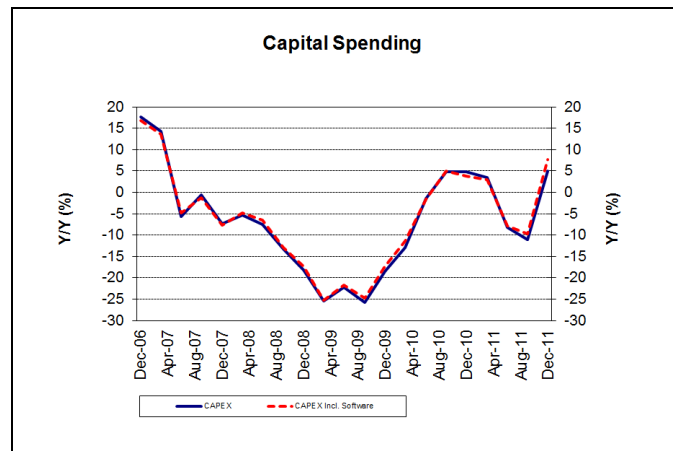
The Coincident Index dropped from 93.6 to 93.1 in January, missing expectations for a smaller drop to 93.4. The Leading index improved however, rising from a revised 93.8 to 94.9, nearly meeting expectations for an increase to 95.0.

### News

**March 7<sup>th</sup> - DPJ Tax Panel Head Comments** – Hirohisa Fujii, two time finance minister and the head of the tax panel of the ruling DPJ commented Wednesday that "Achieving a solution through high economic growth ended 40 years ago...the consumption tax is now all there is."

**March 7<sup>th</sup> – Finance Minister Noda Comments** – Prime Minister Noda indicated that he is flexible on revising bills on a planned sales tax hike after they're submitted in March, commenting that "It's desirable for most political parties to have a shared sense of responsibility (over the social security and tax reforms)...it would be a very good thing if we can have a dialogue between the ruling and opposition parties by the end of March but even if that is not the case, I would like such talks to take place even after the bills' submission."

**March 6<sup>th</sup> – BoJ will Examine Price Target Yearly** – Kazuo Momma, the director general of policy at the BoJ, commented that there's no gap between the BoJ and governments views on economy and prices. He added that the BoJ will examine the price targets yearly and that the BoJ will continue to pursue a policy of easing. The comments were in line with statements from others in the BoJ including Yamaguchi who stated that the BoJ will continue "powerful monetary easing" until it can comfortably forecast 1% inflation.



## Upcoming Dates

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
3/7	GDP Deflator YoY	-1.60%	-1.60%
3/7	Nominal GDP (QoQ)	-0.30%	-0.80%
3/7	GDP Annualized	-0.60%	-2.30%
3/7	Gross Domestic Product (QoQ)	-0.20%	-0.60%
3/7	Bank Lending Ex-Trusts YoY	N/A	0.70%
3/7	Bank Lending incl Trusts (YoY)	N/A	0.60%
3/7	Current Account Total	-¥320.0B	¥303.5B
3/7	Adjusted Current Account Total	¥322.3B	¥752.3B
3/7	Current Account Balance YOY%	-151.30%	-74.70%
3/7	Trade Balance - BOP Basis	-¥1370.3B	-¥145.8B
3/7	Tokyo Avg Office Vacancies (%)	N/A	9.23
3/7	Bankruptcies (YoY)	N/A	-5.40%
3/8	Eco Watchers Survey: Current	46	44.1
3/8	Eco Watchers Survey: Outlook	N/A	47.1
3/8	Machine Tool Orders (YoY)	N/A	-6.90%
3/11	Machine Orders (MoM)	N/A	-7.10%
3/11	Machine Orders YOY%	N/A	6.30%
3/11	Domestic CGPI (MoM)	N/A	-0.10%
3/11	Domestic CGPI (YoY)	N/A	0.50%
3/12	Consumer Confidence	N/A	40
3/12	Tertiary Industry Index (MoM)	N/A	1.40%
3/12-3/13	BOJ Target Rate	N/A	0.10%
3/12-3/13	Japan Manpower Survey	N/A	11
3/13	BSI Large All Industry (QoQ)	N/A	-2.5
3/13	BSI Large Manufacturing (QoQ)	N/A	-6.1
3/14	Industrial Production (MoM)	N/A	2.00%

Valance Co., Inc.

**Valance Economic Report: *United Kingdom***

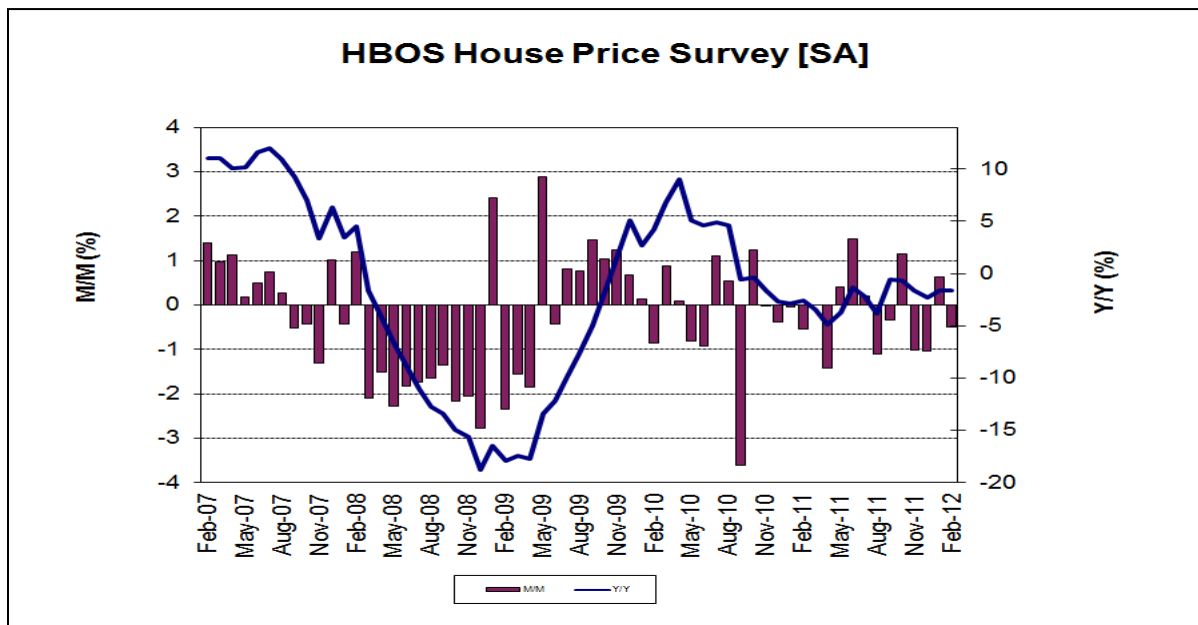
Davin Patton  
 (340) 692-7710  
[dpatton@valance.us](mailto:dpatton@valance.us)

March 7, 2012

**Halifax Home Prices fell in February. PMIs for Services and Manufacturing declined, and the BRC reported a decline in Retail Sales.**

**Weekly Highlights**

**Halifax House Prices** – dropped 0.5% M/M in February. (UK 1)  
**PMI Index of Services** – eased from 56.0 to 53.8 in February. (UK 3)

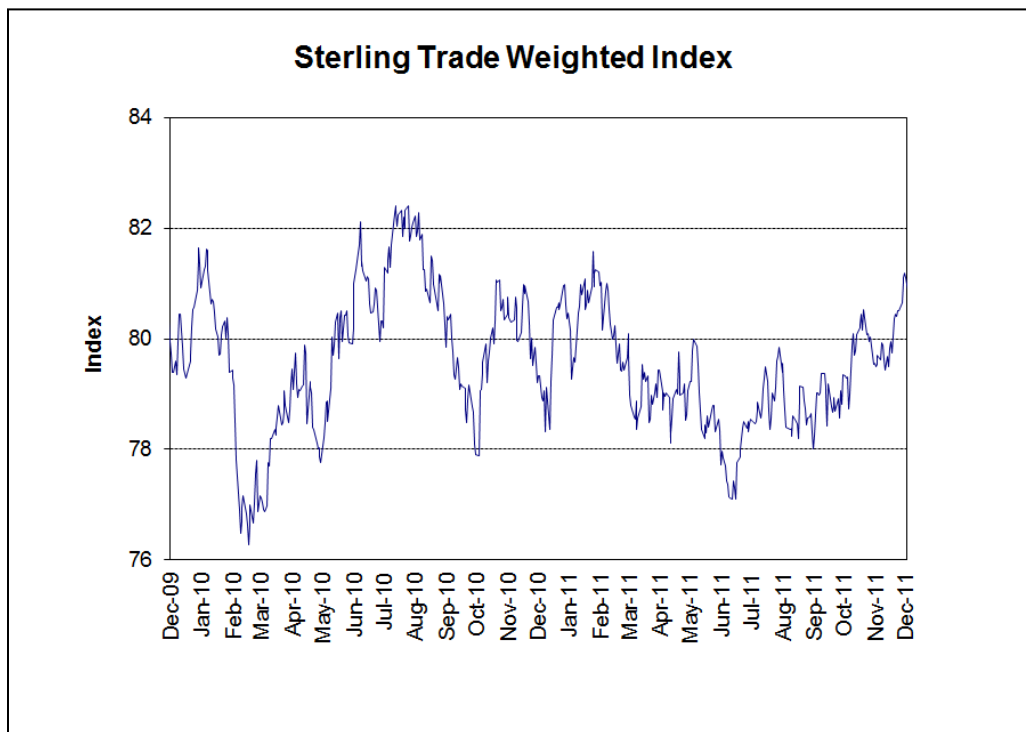
**Weekly Releases & News****Chart of the Week: *Halifax Housing Survey***

HBOS House Prices fell 0.5% M/M in February after increasing 0.6% M/M in January. In the three months through February, prices fell 1.9% compared to the same period a year ago. This data was worse than the 0.3% M/M increase and 1.6% 3M Y/Y decline the market expected. The M/M drop also represented the third decline in fourth months.

UK 1

## *Financial Balances & FX*

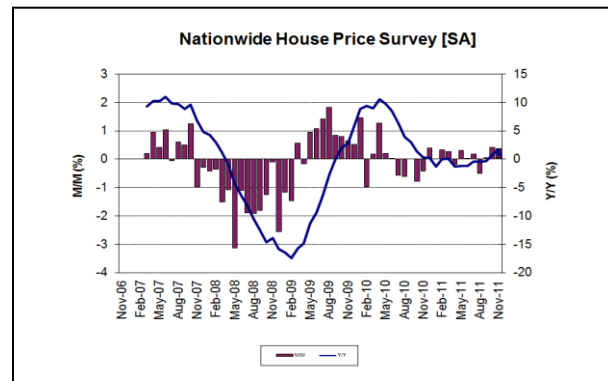
<i>U.K.</i>	<i>Last Period (blns)</i>	<i>Last 12mth. % of GDP</i>
Budget Balance (monthly)	-£5.3 (Jan)/	1.8%
Trade Balance (monthly)	-£9.6(Q3)	-1.9%
Curr. Acct. Balance (quarterly)	£4.9	+10.9%



## House Prices & PMIs

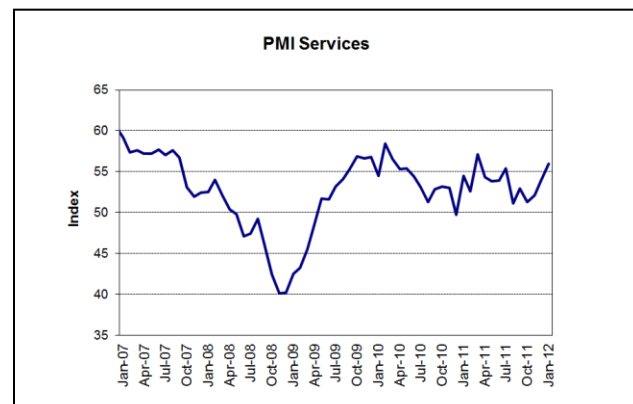
### Nationwide House Price Survey

UK's February Home Prices increased 0.6% M/M and 0.9% Y/Y against expectations for a 0.2% M/M and 0.3% Y/Y increase. January's 0.2% M/M decline was revised to a 0.3% M/M decline.



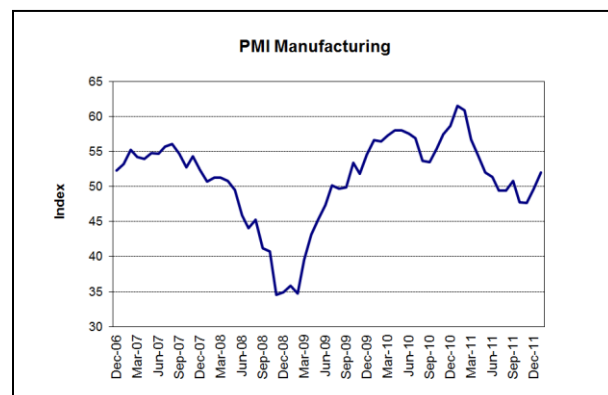
### PMI Services

The PMI Index of Services eased from 56.0 to 53.8 in February. The market expected a smaller drop to 55.0. A reading above 50 indicates expansion.



### PMI Manufacturing

The PMI Index of Manufacturing dropped from a revised 52.0 to 51.2 in February, against expectations for no change. Originally, the series had a reading of 52.1 in January prior to the revision. A reading above 50 indicates expansion.



## *Data*

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### *Data*

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**PMI – Construction** - The PMI Index of Construction increased from 51.4 to 54.3 in February, beating market expectations for a decline to 51.3.

**BRC December Retail Sales Monitor** – The BRC reported that total retail sales declined 0.3% Y/Y among stores open for at least twelve months. That followed a 0.3% Y/Y decline in January, the second worst for that month since the survey began in 1995. BRC commented that "The reality of weak sales shows that a convincing revival remains illusory... unemployment is expected to rise further, causing increased nervousness about job security, which is keeping confidence fragile. Any sense of improving optimism is not yet translating into more spending."

**BRC October Shop Price Index** – BRC Shop Price Index rose 0.5% M/M and 1.2% Y/Y in February. Non-food prices increased 0.3% M/M and were dropped 0.7% Y/Y. Food prices increased 0.8% M/M and 4.2% Y/Y.

**New Car Registrations** – New Car Registrations declined 2.5% Y/Y in February after being flat through January.

**Official Reserves** – Official Reserves increased by 746 mln dollars in February, after increasing 2.477 bln dollars in January.

## *Key Dates This Week*

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
3/8	BOE Asset Purchase Target	325B	325B
3/8	BOE ANNOUNCES RATES	0.50%	0.50%
3/9	BoE/GfK Inflation Next 12 Mths	N/A	4.10%
3/9	Industrial Production (MoM)	0.30%	0.50%
3/9	Industrial Production (YoY)	-3.10%	-3.30%
3/9	Manufacturing Production (MoM)	0.30%	1.00%
3/9	Manufacturing Production (YoY)	0.20%	0.80%
3/9	PPI Input NSA (MoM)	1.00%	0.50%
3/9	PPI Input NSA (YoY)	7.00%	7.00%
3/9	PPI Output n.s.a. (MoM)	0.30%	0.50%
3/9	PPI Output n.s.a. (YoY)	3.90%	4.10%
3/9	PPI Output Core NSA (MoM)	0.10%	0.30%
3/9	PPI Output Core NSA (YoY)	2.50%	2.40%
3/9	NIESR GDP Estimate	N/A	-0.20%
3/11	Lloyds Employment Confidence	N/A	-73
3/12	RICS House Price Balance	N/A	-16%
3/13	DCLG UK House Prices (YoY)	N/A	0.10%
3/13	Visible Trade Balance GBP/Mn	N/A	-£7111
3/13	Trade Balance Non EU GBP/Mn	N/A	-£3748
3/13	Total Trade Balance (GBP/Mln)	N/A	-£1109
3/14	Claimant Count Rate	N/A	5.00%
3/14	Jobless Claims Change	N/A	6.9K
3/14	Average Weekly Earnings 3M/YoY	N/A	2.00%
3/14	Weekly Earnings exBonus 3M/YoY	N/A	2.00%
3/14	ILO Unemployment Rate (3mths)	N/A	8.40%

**Valance Co., Inc.****Valance Economic Report: Canada**

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March 7, 2012

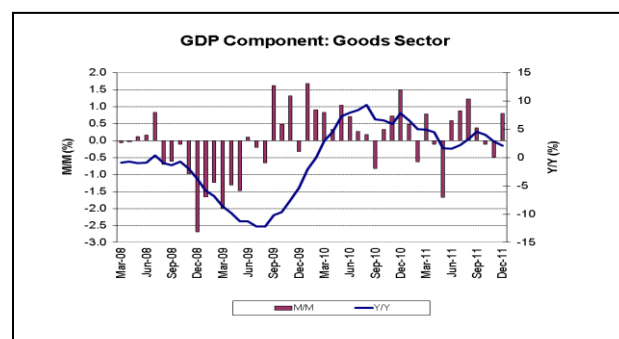
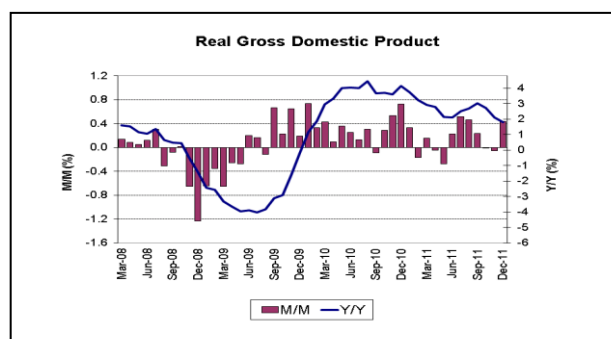
Mostly positive news was posted in Canada over the past week. Real GDP expanded 0.4% M/M in December. Raw Material and Industrial prices both gain in January and the Ivey Purchasing Managers Index increased to its highest level in 11 months. Building Permits declined to a four month low.

**Weekly Highlights**

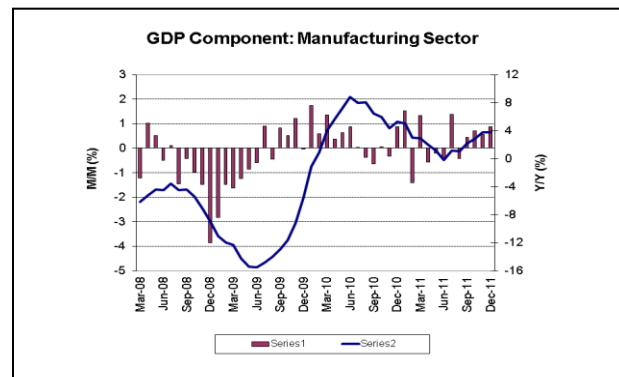
**Real GDP** –expanded 0.4% M/M and 1.8% Y/Y in December. (CA 1)

**Raw Materials and Industrial Product Prices** – both gained in January. (CA 3)

**Ivey Purchasing Managers Index** - increased from 55.7 in January to 66.5 in February. (CA 4)

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

Real GDP expanded 0.4% M/M against a 0.3% M/M consensus. This was the first M/M gain in three months. Y/Y growth increase 1.8%. The Goods sector grew 0.8% M/M and 2.1% Y/Y.



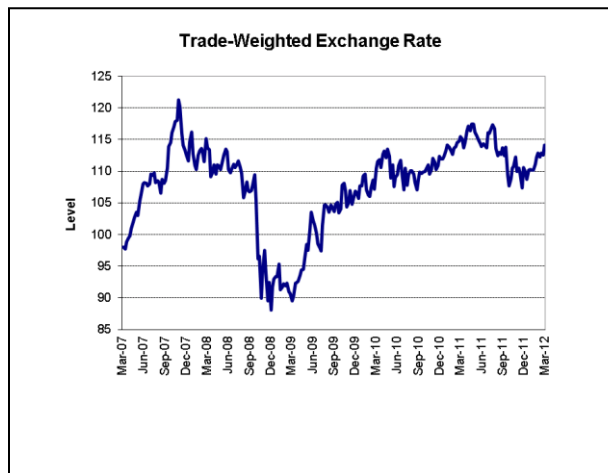
CA 1

## Financial Balances & FX

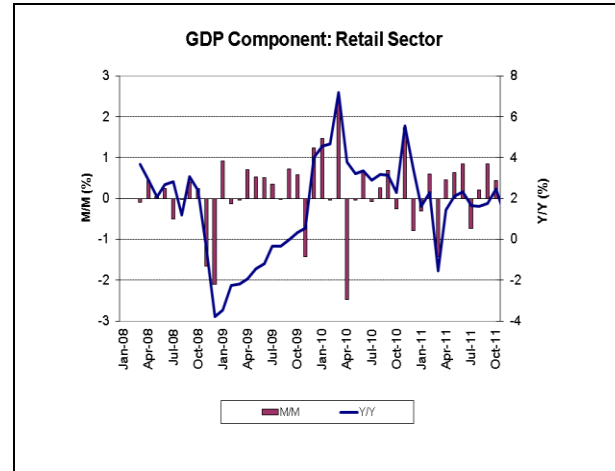
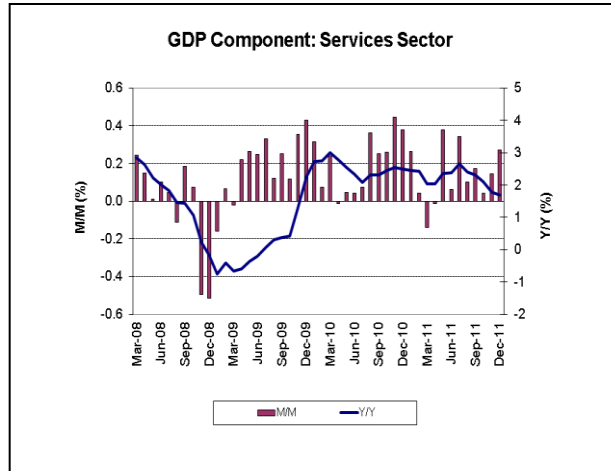
### Financial Balances

Canada	Latest period (C\$bln)	Last 12mth. as % of GDP
Budget Balance	-1.9 (Nov)	-2.3%
Trade Balance	2.7 (Dec)	-1.4%
Current Account Balance	-12.1 (Q3)	-6.3%
Private Balance	--	-4.0%

### Trade-Weighted Exchange Rate



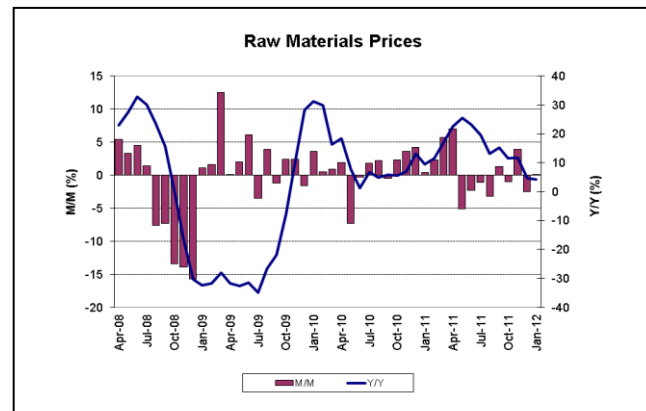
## GDP Data Cont'd., RMPI & IPPI



The Service sector rose 0.3% M/M and 1.7% Y/Y in December, while the Retail sector fell 0.1% M/M and rose 2.1% Y/Y in the same period.

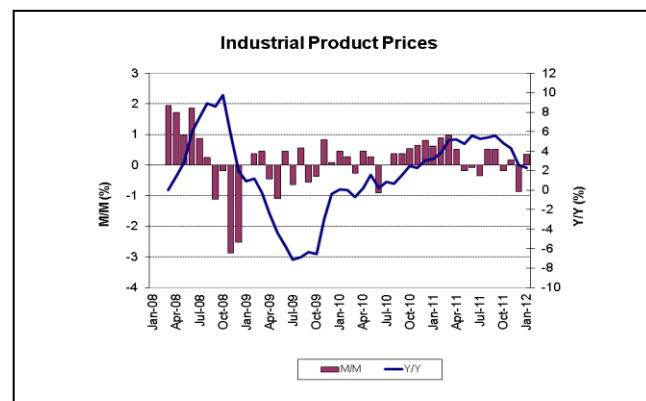
### Raw Materials Price Index

Raw Materials Prices rose 0.1% M/M and 4.3% Y/Y in January following a 2.5% M/M decline in December. The market expected a 0.5% M/M gain.



### Industrial Product Price Index

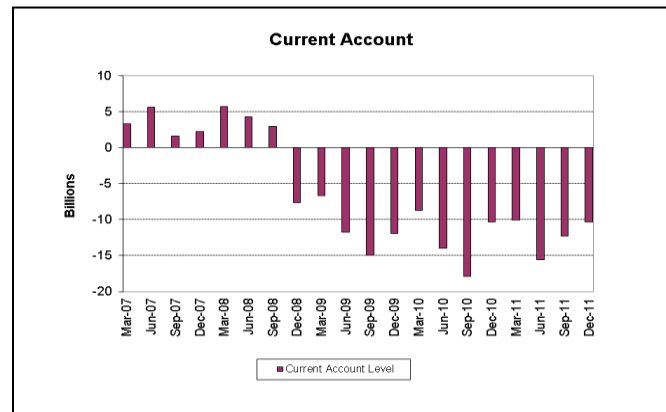
Industrial Product Prices gained 0.3% M/M in January after decreasing 0.9% M/M in December. Y/Y growth for the overall IPPI was 2.3%.



## Current Account Deficit, Ivey Purchasing Managers Index & Building Permits

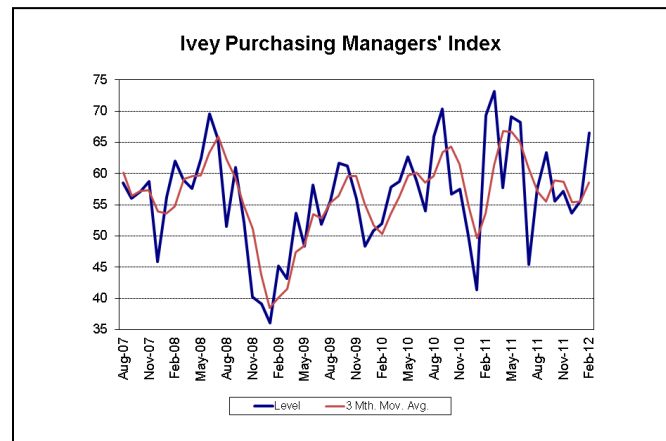
### Current Account Deficit

Current Account Deficit narrowed from C\$ 12.3 bln in Q3 to C\$10.3 bln in Q4. The Current Account Deficit stood at C\$11.9 bln in Q4 of 2010.



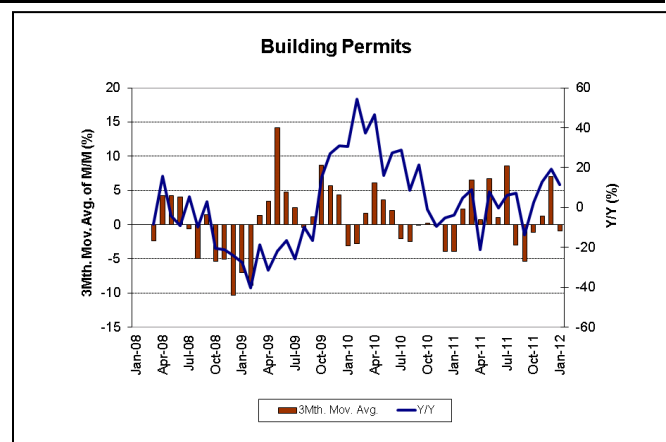
### Ivey Purchasing Managers Index

The Ivey Purchasing Managers Index increased from 55.7 in January to 66.5 in February, its highest level in almost a year. Seasonally adjusted, the Index increased marginally from 64.1 in January to 66.5 in February. The Prices component gained the most, increasing from 65.0 to 73.1.



### Building Permits

Building Permits dropped 12.3% M/M in January after gaining 10.5% M/M in December. Expectations were for a 0.3% M/M decreased. Y/Y growth increased 11.6%.



## News & Upcoming Dates

### News

**March 6<sup>th</sup> - Canadian home prices likely to ease 1.1% this year; Sales to rise 0.3%; Low interest rates continue to support market, CREA says** (Postmedia News) Home resales are expected to rise by 0.3% this year in Canada, with low interest rates continuing to support the market, the Canadian Real Estate Association said Monday.

National sales are forecast to reach 458,800 units in 2012, up from 457,305 in the previous year. "Rising demand in Alberta, Saskatchewan and Nova Scotia is expected to offset softer activity in British Columbia, Ontario, and New Brunswick," CREA said.

In 2013, CREA said, sales are expected ease back to 457,200 units, with modest gains in all provinces except Ontario "as economic and job growth picks up later this year and builds into 2013," it said.

Meanwhile, the national average price is likely to decline by 1.1% this year to \$359,100, followed by a slight increase of 0.9% to \$362,300 in 2013.

"Risks to the Canadian economic outlook remain elevated owing to the European sovereign debt quagmire, but the continuation of low interest rates is the silver lining," said Gregory Klump, CREA's chief economist.

"So long as the European debt crisis is contained and a global economic recession avoided, low interest rates will support Canadian home sales and prices. Recent trends are reassuring, but interest rates remaining low for longer will doubtless keep the Canadian housing market under scrutiny for signs of overheating."

### Key Dates This Week

Date	Indicators		Expectations	Previous
8-Mar	Housing Starts	FEB	200.0K	197.9K
8-Mar	New Housing Price Index M/M	JAN	0.10%	0.10%
8-Mar	New Housing Price Index Y/Y	JAN	2.50%	2.50%
		8-		
8-Mar	Bank of Canada Rate	Mar	1.00%	1.00%
9-Mar	Unemployment Rate	FEB	7.60%	7.60%
9-Mar	Net Change in Employment	FEB	15.0K	2.3K
9-Mar	Full Time Employment Change	FEB	--	-3.6
9-Mar	Part Time Employment Change	FEB	--	5.9
9-Mar	Participation Rate	FEB	66.7	66.7
9-Mar	Labor Productivity Q/Q	4Q	0.60%	0.40%
9-Mar	Int'l Merchandise Trade	JAN	2.00B	2.69B
14-Mar	Capacity Utilization Rate	4Q	--	81.30%

Valance Co., Inc.

# Valance Economic Report: Australia

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March 7, 2012

**Q4 Real GDP was weaker than expectations while Retail Sales increased more than expected in January. Business profits fell 6.5% Q/Q. The Current Account Deficit widened more than expected. As expected the RBA kept its target rate unchanged at 4.25%.**

## Weekly Highlights

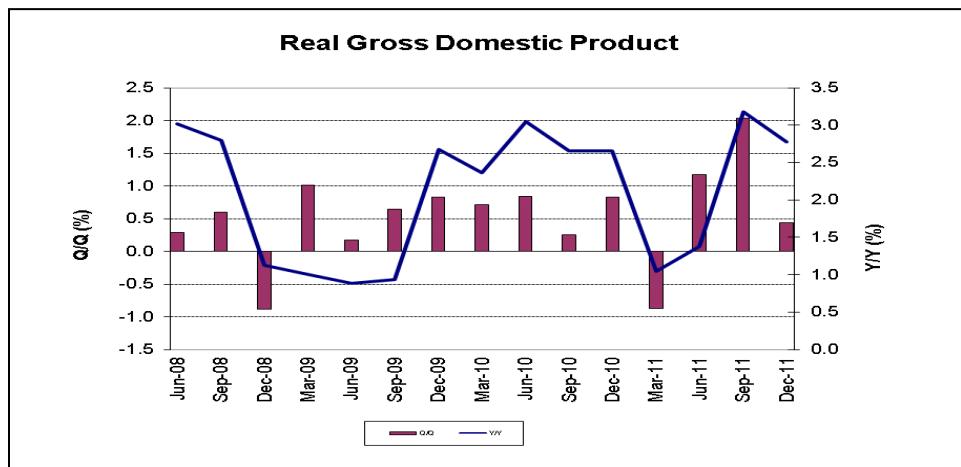
**Q4 Real GDP** – expanded 0.4% Q/Q and 2.3% Y/Y. (AU 1)

**Q4 Company Profits** – fell 6.5% Q/Q. (AU 3)

**Q4 GDP Exports** – rose 0.3% (AU 4)

## Weekly Releases & News

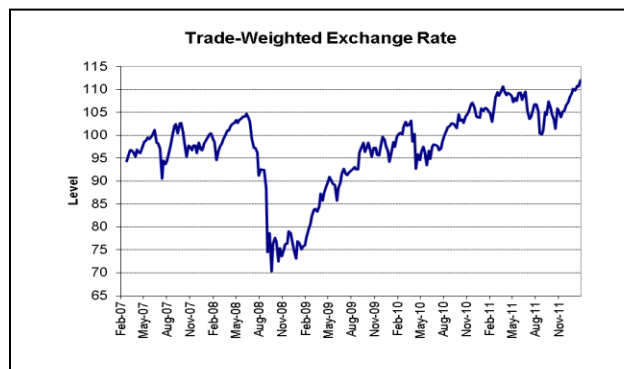
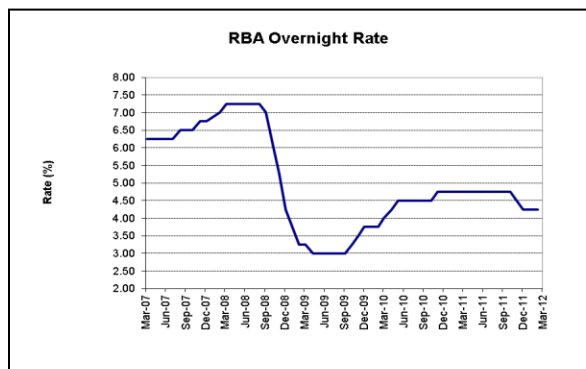
### Chart of the Week: *Real GDP*



Q4 Real GDP expanded 0.4% Q/Q compared to a revised 0.8% Q/Q in Q3. Expectations were for a gain of 0.8%. This is the 3rd straight quarterly expansion. Y/Y, growth was 2.3% in Q4, compared to 2.6% in Q3.

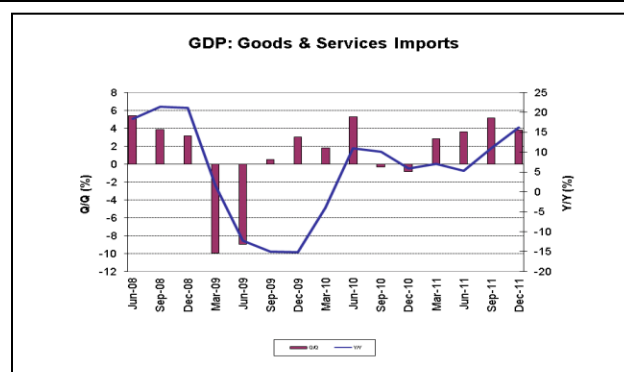
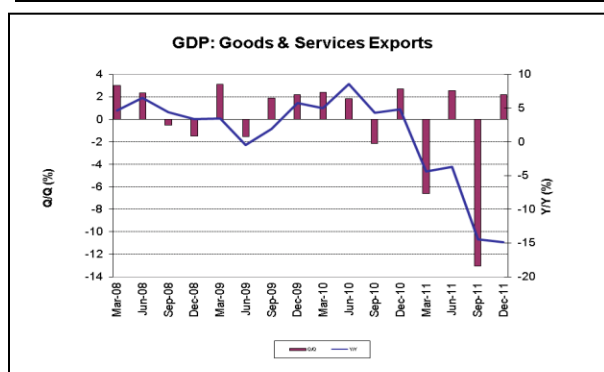
AU 1

## FX, RBA Cash Target Rate, GDP Components & ANZ Job Advertisements



The RBA kept its Cash Target Rate unchanged at 4.25% and there were no surprises in the RBA's statement.

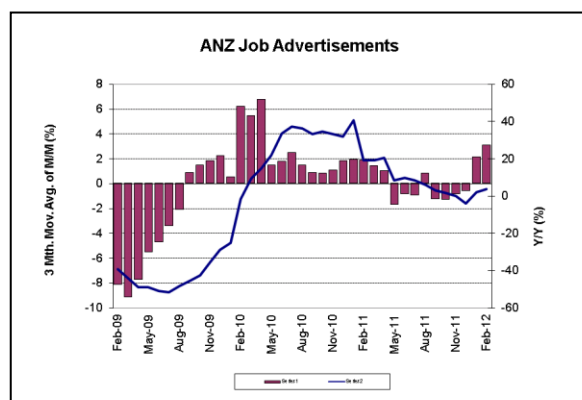
### Goods & Services Exports and Imports



Exports of Goods and Services rose 2.2% Q/Q and fell 14.8% Y/Y in Q4. Imports rose 3.8% Q/Q and 16.2% Y/Y.

### ANZ Job Advertisements

Average weekly wages before overtime pay rose 3.3% Q/Q and 3.6% Y/Y in February.

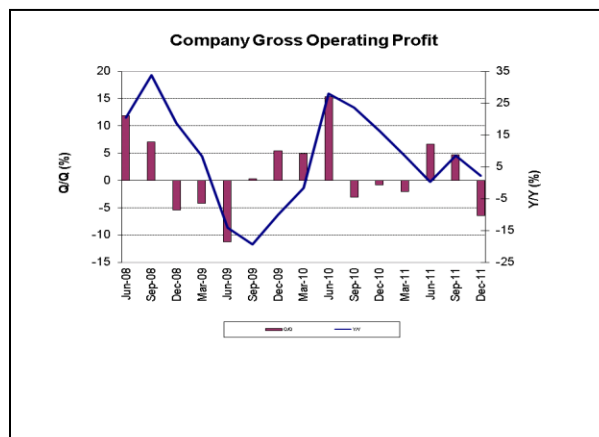


## Company Operating Profit, Current Account & RBA Commodity Prices

### Company Gross Operating Profits

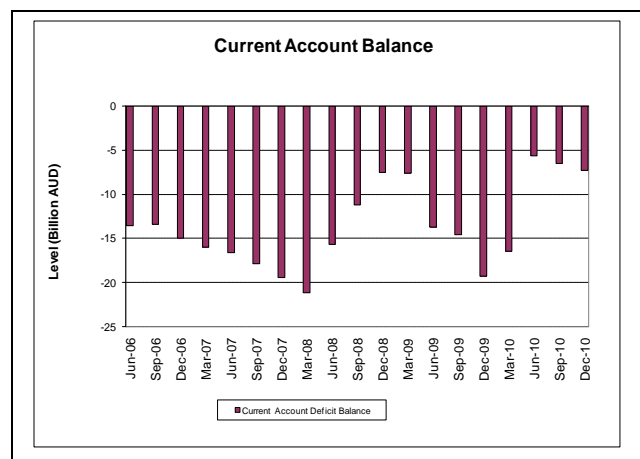
Company Gross Operating Profits fell 6.5% Q/Q in Q4 from a downwardly revised 4.7% (previously 4.8%) in Q3. Expectations were for a flat Q/Q reading.

Inventories rose 0.3 % Q/Q in Q4 from a revised -0.7% Q/Q (previously -1.1% Q/Q) in Q3. Expectations were for a 0.3% Q/Q decline.



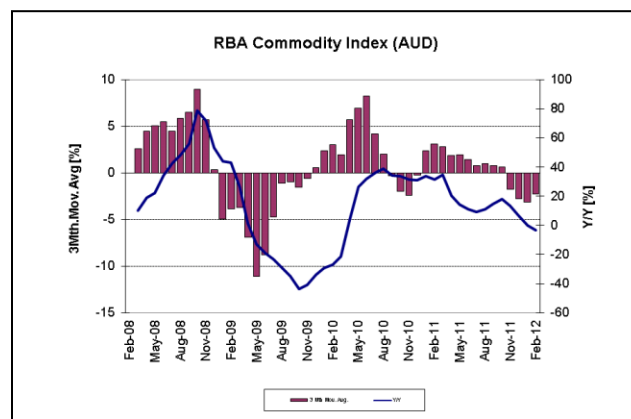
### Current Account Deficit

The Current Account Deficit widened from A\$ 5.8 bln in Q3 to A\$ 8.3 bln in Q4.



### RBA Commodity Prices

The RBA Commodity Price Index fell from 100.2 in January to 98.1 in February. In AUD terms, the index rose 3.5% Y/Y..



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## *Data/News*

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### *Data/News*

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**AiG Performance of Construction Index:**

The construction performance index fell to 35.6 in February from 39.8 a month earlier, the 21st straight monthly decline, a survey by the Australian Industry Group and the Housing Industry Association released in Sydney today showed. A reading below 50 represents a contraction.

**TD Securities Inflation:**

Rose 0.1% M/M compared 0.2% the month prior and 2.0% Y/Y compared to 2.2% the previous year.

## ***RBA Rate Decision Statement***

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### STATEMENT BY GLENN STEVENS, GOVERNOR MONETARY POLICY DECISION

At its meeting today, the Board decided to leave the cash rate unchanged at 4.25 per cent.

Recent information is consistent with the expectation that the world economy will grow at a below-trend pace this year, but does not suggest that a deep downturn is occurring. Several European countries will record very weak outcomes, but the US economy is continuing a moderate expansion. Growth in China has moderated as was intended, but on most indicators remains quite robust overall. Conditions around other parts of Asia softened in 2011, partly due to natural disasters, but are not showing signs of further deterioration. Some moderation in inflation has allowed policymakers in the region to ease monetary policies somewhat. Commodity prices declined for some months and are noticeably off their peaks, but over the past couple of months have risen somewhat and remain at quite high levels.

The acute financial pressures on banks in Europe have been alleviated considerably by the actions of policymakers, though there is more to do to put European banks and sovereigns onto a sound footing for the longer term and Europe will remain a potential source of shocks for some time yet. Financial market sentiment has continued to improve in recent weeks and capital markets are again supplying funding to corporations and well-rated banks, albeit at costs that are higher, relative to benchmark rates, than in mid-2011. Most information on the Australian economy continues to suggest growth close to trend overall, with differences between sectors and considerable structural change. Labour market conditions softened during 2011 and the unemployment rate increased slightly in mid-year, though it has been steady over recent months. CPI inflation has declined as expected and will fall further over the next quarter or two. In underlying terms, inflation is around 2 1/2 per cent. Over the coming one to two years, and abstracting from the effects of the carbon price, the Bank expects inflation to be in the 2-3 per cent range. This forecast embodies an expectation that productivity growth will improve somewhat as a result of the structural change occurring in the economy. Interest rates for borrowers have generally risen slightly since the Board's previous meeting, but remain close to their medium-term average. Credit growth remains modest. Housing prices have shown some sign of stabilizing recently, after having declined for most of 2011, but generally the housing market remains soft. The exchange rate has risen over recent months, even though the terms of trade have declined. With growth expected to be close to trend and inflation close to target, the Board judged that the setting of monetary policy remained appropriate for the moment. Should demand conditions weaken materially, the inflation outlook would provide scope for easier monetary policy. The Board will continue to monitor information on economic and financial conditions and adjust the cash rate as necessary to foster sustainable growth and low inflation.

## *Key Dates This Week*

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
03/02	Trade Balance (JAN)	--	--
03/02	Building Approvals M/M (JAN)	-	-
03/06	AiG Construction Index (FEB)		
03/02	AiG Services Index (FEB)	--	--
03/06	ANZ Job Ads (FEB)	--	--
03/08	Westpac Consumer Confidence (MAR)		
03/08	Home Loans (JAN)	--	--
03/07	NAB Business Confidence (FEB)	--	--

Valance Co., Inc.

## Valance Economic Report: New Zealand

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March 7, 2012

New Zealand's central bank left interest rates at a record low 2.5% as expected. Commodity Export Price Index was flat M/M in February and Net Inflows were down in January.

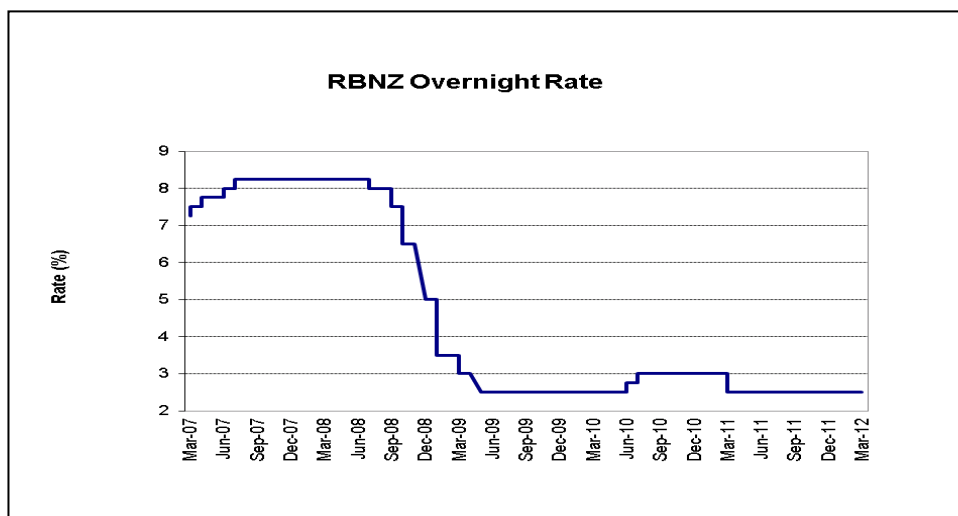
### Weekly Highlights

**RBNZ Overnight Rate** – left at record low 2.5%. (NZ 1)

**ANZ Commodity Prices** – was flat M/M and rose 0.6% Q/Q in Q4. (NZ 2)

### Weekly Releases & News

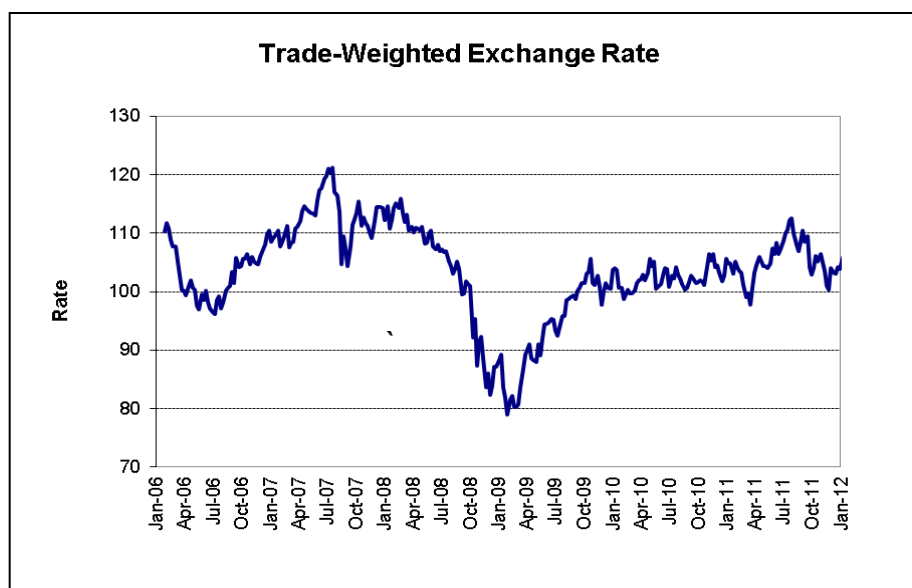
#### Chart of the Week: *RBNZ Overnight Rate*



New Zealand's central bank left interest rates at a record low 2.5% as expected. Inflation is near the middle of the central bank's 1% to 3% target range.

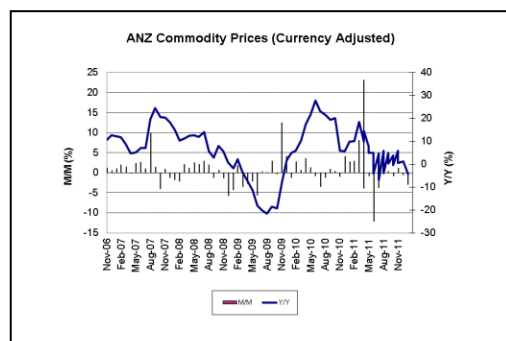
NZ 1

## FX / AN Commodity Prices / Net Migration



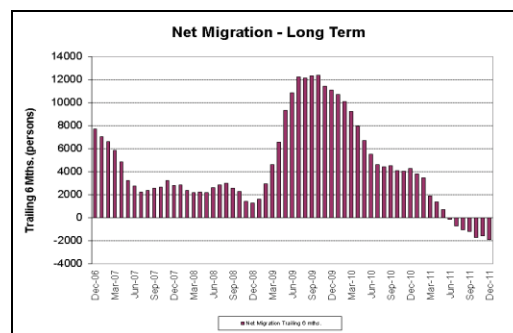
### ANZ Commodity Prices

Commodity Export Price Index was flat M/M and decreased 2.5% Y/Y in February.



### Net Migration

Net inflows were down 650 people in January, from 530 in December. Net inflows were down 3134 year to date. The number of arrivals fell 1.0% M/M while departures increased 1.5% M/M.



## *Key Dates This Week*

Date	Indicator	Expectation	Previous
8-Mar	NZ Card Spending - Retail M/M	0.10%	1.20%
8-Mar	NZ Card Spending - Total M/M	0.10%	1.00%
11-15 MAR	REINZ Housing Price Index	--	3253.8
11-15 MAR	REINZ Housing Price Index M/M	--	-1.40%
11-15 MAR	REINZ House Sales Y/Y	--	25.20%
12-Mar	Food Prices M/M	--	0.00%
12-Mar	QV House Prices Y/Y	--	2.70%
13-Mar	New Zealand Manpower Survey	--	16%
13-Mar	Non Resident Bond Holdings	--	59.30%
14-Mar	ANZ NZ Job Ads M/M	--	-2.70%
14-Mar	Business NZ PMI	--	50.5
14-Mar	ANZ Consumer Confidence Index	--	113.3
14-Mar	ANZ Consumer Confidence M/M	--	-2.40%

## Weekly Economic Report: *China*

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March 7, 2012

The PMI Manufacturing surveys posted mixed results in February, with all hovering near the expansion zone of 50.

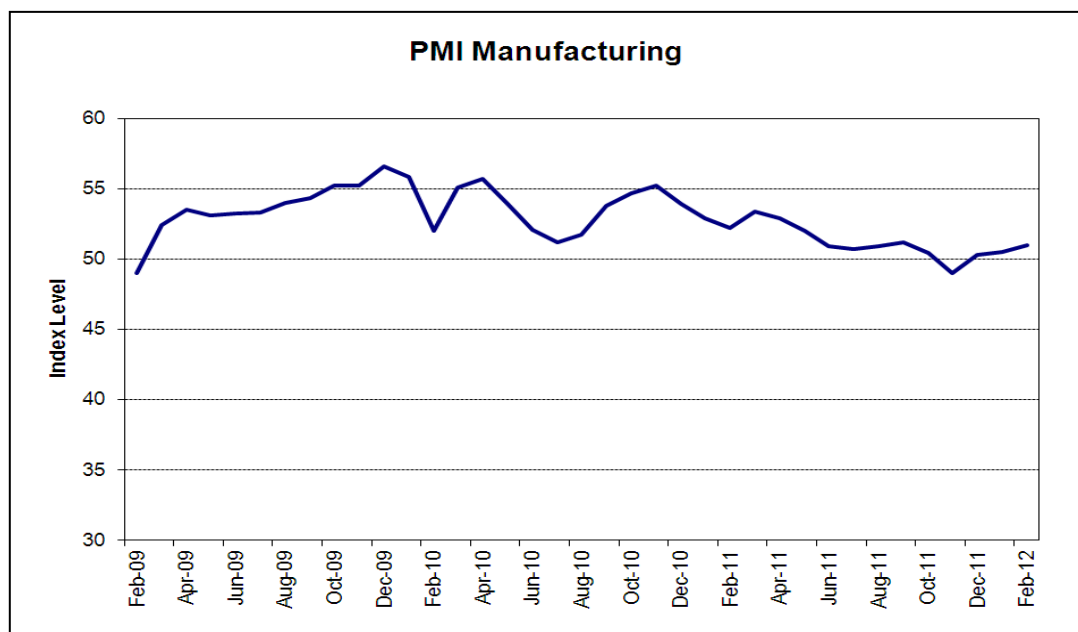
### Weekly Highlights

**PMI Manufacturing** – rose from 50.5 in January to 51.0 in February. (CH 1)

**HSBC Manufacturing PMI** – rose from 48.8 in January to 49.6 in February. (CH 2)

### Weekly Releases & News

#### Chart(s) of the Week: *PMI Manufacturing*



According to the China Federation of Logistics and Purchasing, the Purchasing Managers' Index rose 0.5 percentage points, from 50.5 in January to 51.0 in February. The Index was forecast to reach 50.9. Most of the Index's 10 subcomponents increased. V.P. Cain Jin of the CFLP remarked, "PMI has been rising for a third month now, it means China's manufacturing activities are recovering steadily." See PMI Manufacturing Results on the following page.

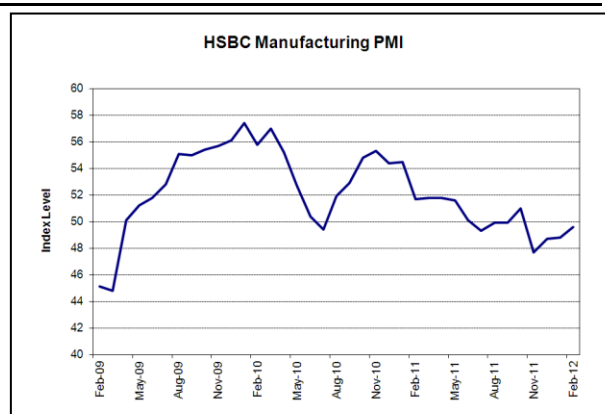
## PMI Manufacturing Results, HSBC Manufacturing & Non-Manufacturing PMI

### PMI Manufacturing Results

	Feb 2012	Jan 2012	Dec 2011	Nov 2011	Oct 2011	Sep 2011	Aug 2011	July 2011
Manufacturing PMI	<b>51.0</b>	50.5	50.3	49.0	50.4	51.2	50.9	50.7
Output	<b>53.8</b>	53.6	53.4	50.9	52.3	52.7	52.3	52.1
New Orders	<b>51.0</b>	50.4	49.8	47.8	50.5	51.3	51.1	51.1
New Export Orders	<b>51.1</b>	46.9	48.6	45.6	48.6	50.9	48.3	50.4
Backlogs of Work	<b>49.4</b>	43.2	46.6	45.2	46.0	48.9	47.6	46.5
Inventories of Finished Goods	<b>50.5</b>	48.0	50.6	43.1	50.3	49.9	48.9	49.2
Purchases Quantity	<b>53.6</b>	50.2	50.9	49.8	50.7	51.5	51.2	52.0
Imports	<b>50.8</b>	46.9	49.1	47.3	47.0	50.1	49.7	49.1
Input Prices	<b>54.0</b>	50.0	47.1	44.4	46.2	56.6	57.2	56.3
Inventories of Raw Materials	<b>48.8</b>	49.7	48.3	46.7	48.5	49.0	48.8	47.6
Employment	<b>49.5</b>	47.1	48.7	49.0	49.7	51.0	50.4	50.5
Supplier Delivery Times	<b>50.3</b>	49.7	50.1	50.4	50.7	49.5	49.9	50.3

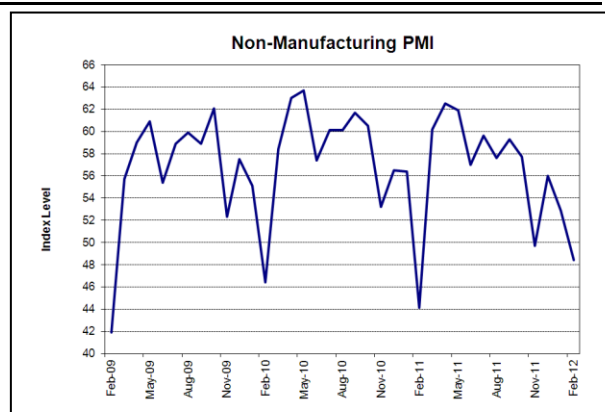
### HSBC Manufacturing PMI

The HSBC Manufacturing PMI rose slightly from 48.8 in January to 49.6 in February – a four-month high. Qu Hongbin, Chief HSBC Economist remarked, “Despite the marginal improvement in the headline PMI, led by quickening production and a recovery of hiring after the Chinese New Year, deteriorating external demand is adding more downside risks to growth in the absence of a strong comeback in domestic demand. [He expects the PBoC] to step up policy easing efforts as inflation pressures recede.”



### Non-Manufacturing PMI

The Non-Manufacturing Purchasing Managers' Index fell from 52.9 in January to 48.4 in February. Vice Chairman, Cai Jin of the China Federation of Logistics and Purchasing remarked, “the fall in the index was due to the drop in consumption in the retail and catering sectors after the Spring Festival.”



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## **Data & News**

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### **Data**

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**March 4<sup>th</sup> (Bloomberg) – HSBC Services PMI** – rose from 52.5 in January to 53.9 in February. HSBC’s Chief China Economist, Qu Hongbin remarked, “Growth of services activities picked up to the fastest pace in four months, thanks to a notable gain in new business. This helped to lift new hiring and business expectations.”

### **News**

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**March 7<sup>th</sup> (Xinhua) - China’s Trade Surplus Overvalued** - Ma Xiuhong, former Vice Minister of Commerce stated:

*Service trade figures were not included in the calculation of China's trade surplus, causing it to become overvalued and creating a distorted picture of the country's foreign trade.*

*The calculation is not only a matter of statistics, but something that affects the trade situation and changes global attitudes.*

**March 7<sup>th</sup> (Bloomberg) - China Needs to Improve Its Taxation of the Rich** - Cai Fang, a member of China’s Legislature remarked:

*The common people are still feeling that the wage gap is growing, and the real reason is due to increasing income from property assets. Many people acquire such assets due to special interests, so the common people will increasingly distrust the government if this continues.*

**March 7<sup>th</sup> (Bloomberg) - China Tax Reform Amid Shift to Consumption Focus** - Jing Ulrich, Managing Director and chairman of Global Markets for China at JPMorgan Chase & Co. made the following comments at a conference in Hong Kong:

*Tax reduction will be a major theme throughout 2012. The central government has collected huge amount of taxes in the last few years and deficit remains very small. They’re in a good position to reduce tax in an environment where economic growth is slowing.*

*Some time in 2012 we will have decent returns in the A- share market, although a shift away from a bear market mentality to a bull market mentality would take some time.*

**March 5<sup>th</sup> (Bloomberg) - China Cuts GDP Target as Wen Seeks Sustainable Growth** - China cut its economic growth target to 7.5% percent from an 8% goal in place since 2005, a signal that leaders are determined to cut reliance on exports and capital spending in favor of consumption. Premier Wen Jiabao added that inflation will reach about 4% this year, unchanged from the 2011 goal.

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

### News (Cont'd.)

**March 5<sup>th</sup> (Bloomberg) – China Aims to Increase Retail Sales** - A report published by the National Development and Reform commission stated that China's retail sales are expected to increase 14.0% this year. The report also showed fixed-asset investment rising by 16.0% in 2012, lower than the 18.0% in 2011 and 20.0% in 2010.

### Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
03/08	PPI	FEB	0.1%	0.7%
03/08	CPI	FEB	3.4%	4.5%
03/09	IP Y/Y / IP YTD	FEB	12.5% / 12.3%	12.8% / 13.9%
03/09	Fixed Assets	FEB	20.5%	23.8%
03/09	Retail Sales YTD / Y/Y	FEB	17.6% / 17.4%	17.1% / 18.1%
03/09-10	Trade Balance	FEB	-\$5.35B	\$27.28B
03/09-10	Exports / Imports	FEB	31.1% / 31.8%	-0.5% / -15.3%
03/10-15	New Yuan Loans	FEB	750.0B	738.1B
03/10-15	M0 / M1 / M2	FEB	13.5% / 6.1% / 12.9%	3.0% / 3.1% / 12.4%
03/12-13	China Manpower Survey	Q2	--	17%
03/13-18	Actual FDI	FEB	14.6%	-0.3%

Valance Co., Inc.

# Valance Economic Report: Sweden

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March 7, 2012

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Activity in the manufacturing sector slowed in February and output in the service sector declined in January.

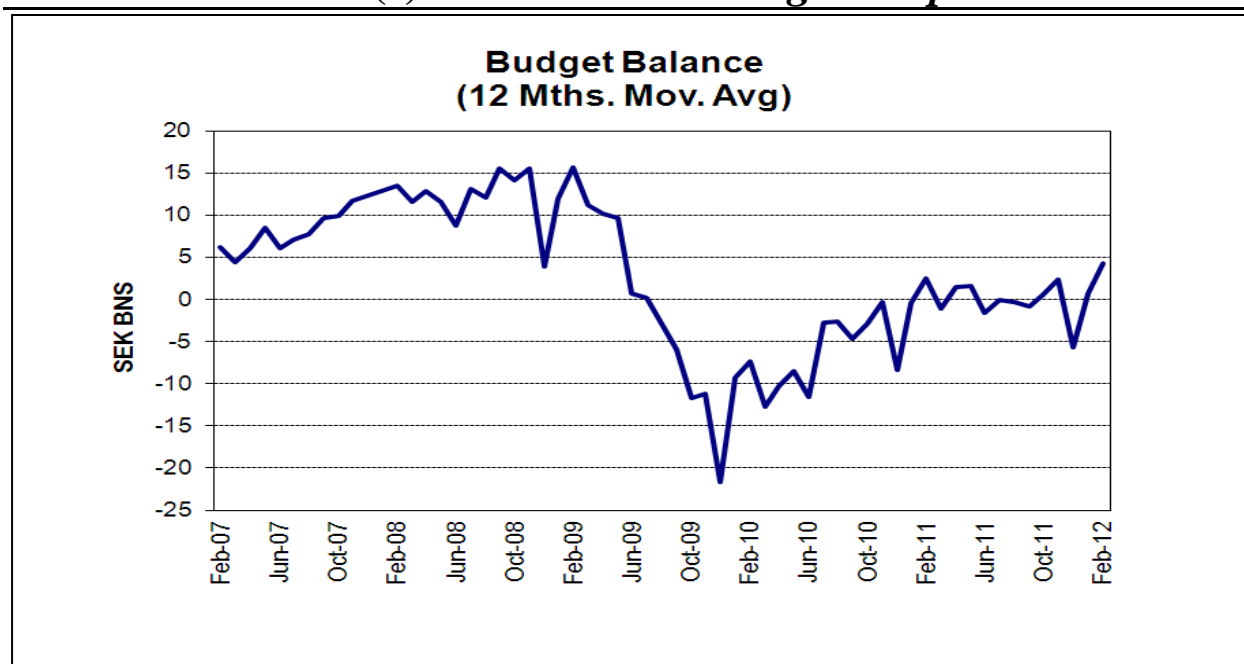
## Weekly Highlights

**PMI** – fell from 51.4 in January to 50.3 in February. (SW 2)

**Service Production** – fell 0.8% M/M and rose 1.2% Y/Y in January. (SW 3)

## Weekly Releases & News

### Chart(s) of the Week: *Budget Surplus*

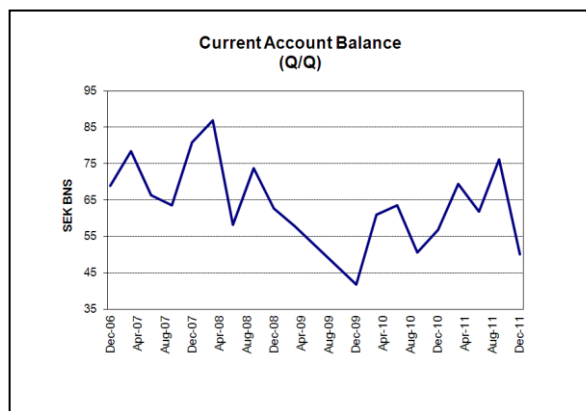


Sweden posted a Budget Surplus of SEK 32.5 bln in February, above the deficit of SEK 14.6 bln posted the previous month. On a 12 mth. mov. avg. basis, the budget balance strengthened from a surplus of SEK 0.66 bln in January to a surplus of SEK 4.29 bln in February. The Debt Office said, “The central government budget shows large surpluses in February each year due mainly to many tax payers making supplementary tax payments relating to the previous income year.”

## Current Account & PMI

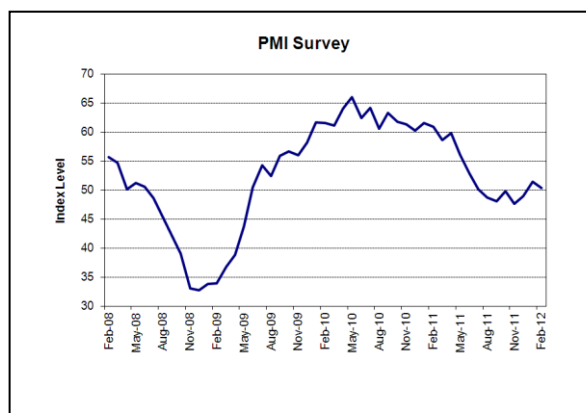
### Current Account

Sweden's Current Account surplus narrowed from SEK 73.3 bln in Q3 to SEK 50.1 bln in Q4. Trade in goods made the biggest contribution to the weaker current account.



### PMI

Sweden's Purchasing Managers' Index retreated from 51.4 in January to 50.3 in February. The Index was expected to reach 51.0. Five of the Index's 10 subcomponents expanded above the expansion zone. See below for PMI results.

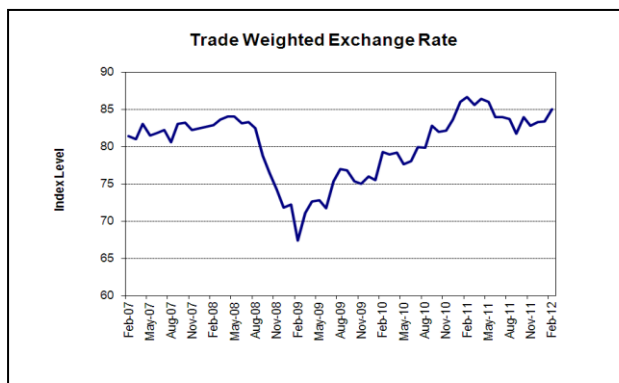


### PMI Results

	Feb 2012	Jan 2012	Dec 2012	Nov 2011	Oct 2011	Sep 2011	Aug 2011	July 2011	June 2011	May 2011	Apr 2011
PMI	<b>50.3</b>	51.4	48.9	47.6	49.8	48.1	48.7	50.1	52.9	56.1	59.8
Orders	<b>49.5</b>	52.0	47.0	47.1	50.5	46.5	47.0	45.4	52.3	55.4	61.5
Production	<b>51.9</b>	52.9	49.2	46.2	48.2	48.9	48.6	49.4	54.0	59.8	61.9
Employment	<b>48.3</b>	48.0	49.5	48.3	50.7	50.0	50.9	53.7	51.3	54.4	57.7
Delivery Times	<b>52.6</b>	51.0	49.9	45.6	47.8	47.5	49.1	54.4	58.1	61.0	65.1
Stocks	<b>51.2</b>	47.0	48.3	46.0	47.1	52.0	51.5	50.1	51.4	55.6	54.6
Export Orders	<b>48.7</b>	49.9	48.7	47.5	48.9	48.3	48.0	46.9	52.5	52.8	58.3
Domestic Orders	<b>48.5</b>	49.0	45.1	46.1	49.1	46.2	42.3	43.4	48.8	56.4	56.9
Stocks of Orders	<b>48.0</b>	50.6	46.4	45.1	48.9	47.0	47.9	49.1	51.0	55.3	57.3
Raw Material Prices	<b>52.5</b>	50.3	42.6	42.6	39.9	47.0	47.4	51.5	60.5	63.5	74.5
Import Prices	<b>50.6</b>	50.3	46.5	44.5	46.8	45.8	48.5	50.4	52.2	56.2	58.5

## Trade Weighted Exchange Rate, Data & Upcoming Dates

### Trade Weighted Exchange Rate



### Data

**March 5<sup>th</sup> (Bloomberg) - Service Production** – fell 0.8% M/M and rose 1.2% Y/Y (wda) in January, compared with -0.3% M/M and 3.6% Y/Y the previous month. Notably, increases were seen in Computer Programming (11.8% Y/Y) and Education (10.2% Y/Y). On the other hand, Real Estate was the only activity that had a negative development (-1.7% Y/Y).

### Key Dates This Week

Date	Indicator	Month	Expectation	Previous
03/08	Average House Prices	FEB	--	2.181M
03/09	IP	JAN	0.3% / 1.2%	0.0% / 2.0%
03/09	IO	JAN	-- / 0.0%	8.6% / -0.6%
03/13	CPI	FEB	--	-0.9% / 1.9%
03/13	SW CPI-CPIF	FEB	--	-0.7% / 0.9%
03/13	CPI Level	FEB	--	311.85
03/14	PES Unemployment Rate	FEB	--	4.8%

Valance Co., Inc.

# Valance Economic Report: Switzerland

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March 7, 2012

**GDP growth unexpectedly expanded in Q4. In February, Manufacturing Contracted for the 6<sup>th</sup> consecutive month and the seasonally adjusted Jobless Rate was unchanged at 3.1%.**

## Weekly Highlights

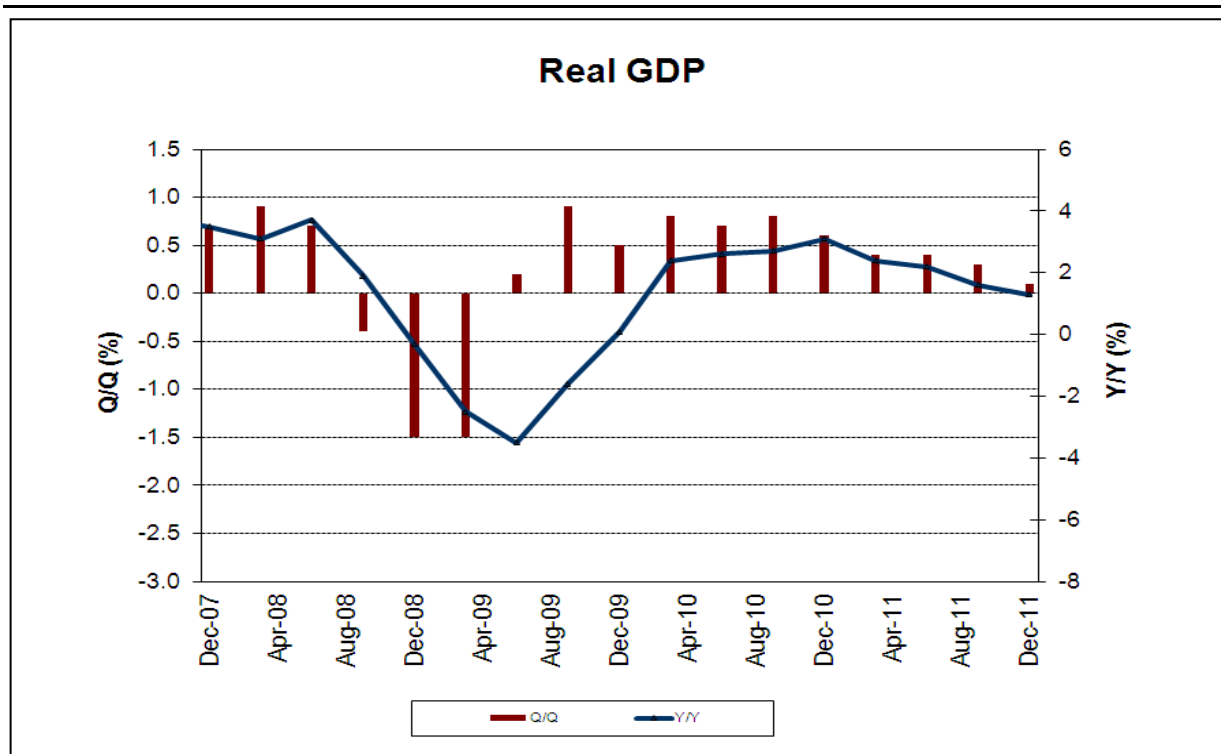
**Real GDP Growth** – rose 0.1% Q/Q and 1.3% Y/Y in Q4. (SZ 1)

**Unemployment Rate (sa)** – remained unchanged at 3.1% in February. (SZ 3)

**PMI** – rose from 47.3 in January to 49.0 in February. (SZ 3)

## Weekly Releases & News

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



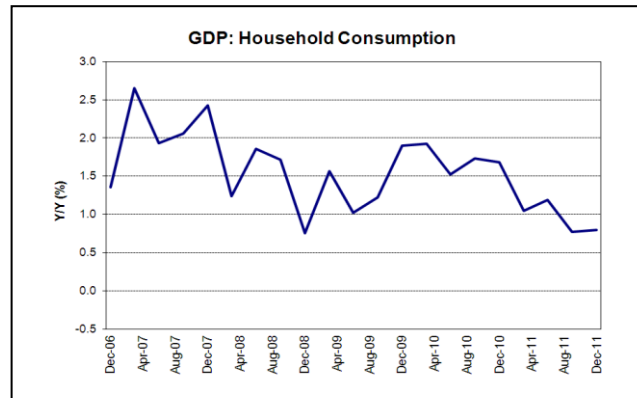
Real GDP growth rose 0.1% Q/Q and 1.3% Y/Y in Q4, compared with 0.3% Q/Q and 1.6% Y/Y growth in the previous quarter. Q4 growth was expected to fall 0.1% Q/Q and grow 1.0% Y/Y. See GDP components below.

SZ 1

# GDP Components

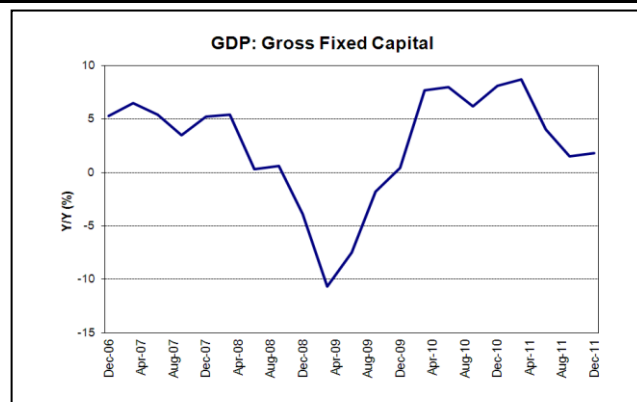
## Household Consumption

Real Household Consumption rose from 0.2% in Q3 to 0.5% in Q4. Annually, Consumption remained unchanged at 0.8% in Q4.

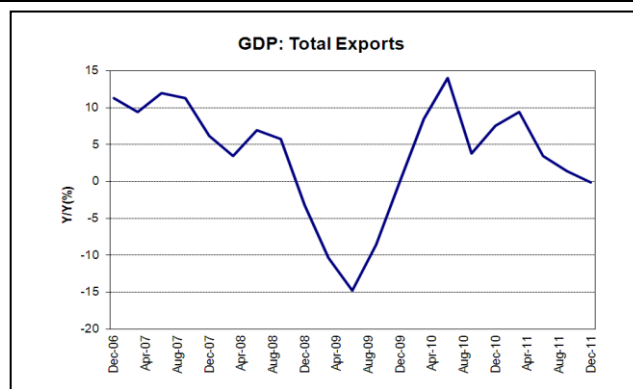
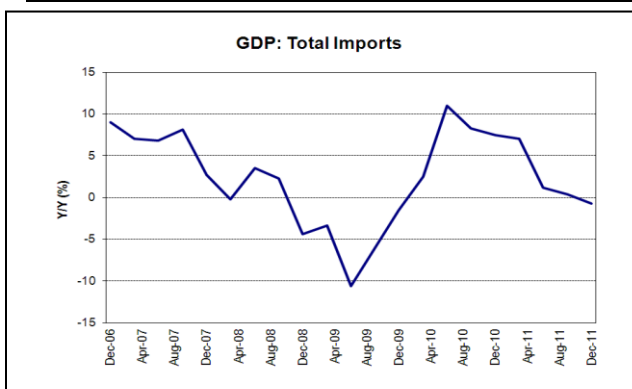


## Gross Fixed Consumption

Gross Fixed Capital Formation improved from -0.3% Q/Q and 1.5% Y/Y in Q3 to 3.7% Q/Q and 1.8% Y/Y in Q4.



## Total Imports / Exports

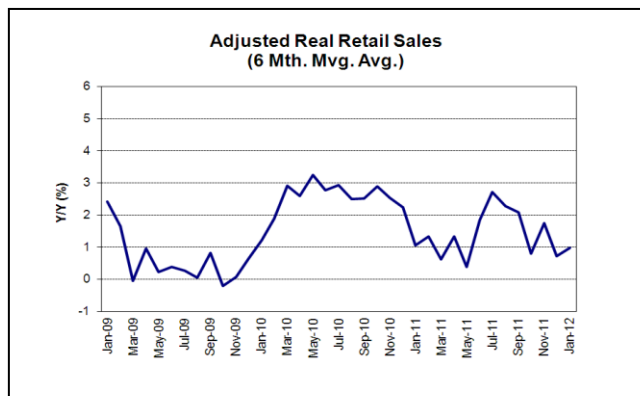


Total Imports improved from -1.4% Q/Q in Q3 to -1.3% Q/Q in Q4 and fell from 0.4% Y/Y in Q3 to -0.7% Y/Y in Q4; Total Exports improved from -2.0% Q/Q in Q3 to 1.1% Q/Q in Q4 and fell from 1.4% Y/Y in Q3 to -0.1% Y/Y in Q4.

# Real Retail Sales, Unemployment Rate & PMI

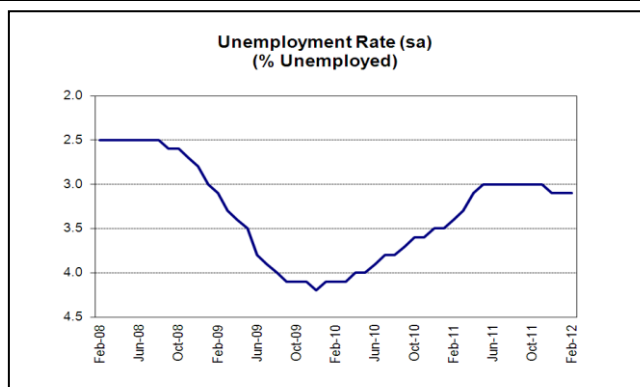
## Real Retail Sales

January Real Retail Sales, adjusted for inflation, rose 4.4% Y/Y, compared to 1.7% Y/Y the previous month. This marked the strongest increase since June.



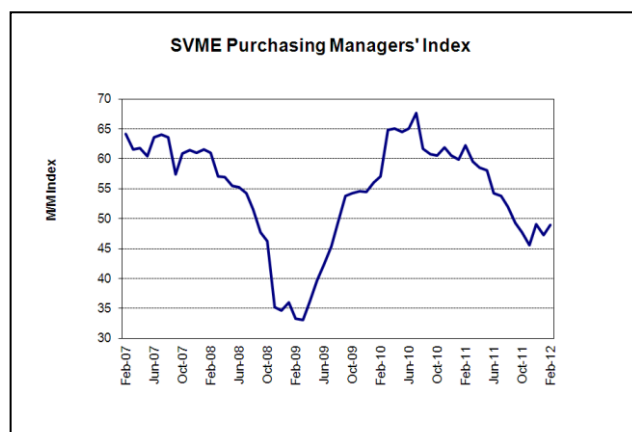
## Unemployment Rate

As expected, Switzerland's seasonally adjusted Unemployment Rate was unchanged at 3.1% in February. Meanwhile, the unadjusted Unemployment Rate held at 3.4%, in line with expectations. On an unadjusted basis, the total number of vacancies was approximately 18K – up by 932.



## PMI

Switzerland's Purchasing Managers' Index rebounded from 47.3 in January to 49.0 in February, but remained below 50 for the 6<sup>th</sup> consecutive month. Six of the Index's subcomponents remained below the expansion zone. The index was expected to reach 48.5. Credit Suisse remarked, "A further decline in industrial activity must thus be anticipated over the months to come. [Still,] "a look at the subcomponents shows the first signs of a possible turnaround." See PMI Survey Results below.

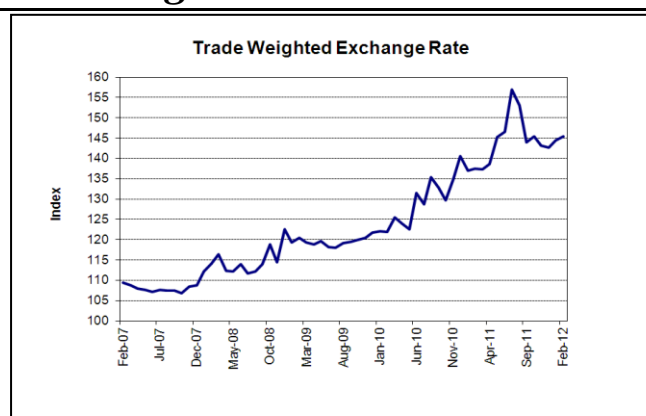


## PMI, Trade Weighted Exchange Rate & Data

### PMI Results

	Feb 2012	Jan 2012	Dec 2011	Nov 2011	Oct 2011	Sep 2011	Aug 2011	July 2011	June 2011	May 2011	Apr 2011
PMI s.a.	<b>49.0</b>	47.3	49.1	45.6	47.7	48.2	51.7	53.5	53.4	59.2	58.4
Output	<b>50.6</b>	51.8	52.2	47.3	48.0	46.5	54.3	51.5	46.6	61.1	57.3
Backlog of Orders	<b>51.7</b>	47.6	50.6	45.7	46.2	44.9	46.4	45.6	48.8	57.0	55.2
Quantity of Purchase	<b>45.6</b>	44.0	47.7	43.6	42.6	40.1	46.1	42.8	46.7	55.5	56.4
Purchase Prices	<b>48.1</b>	50.3	46.8	45.5	41.3	36.7	34.6	46.2	51.8	60.2	69.2
Suppliers Delivery Times	<b>44.2</b>	41.2	41.3	42.7	45.8	55.6	60.0	67.8	69.2	66.8	68.8
Stocks of Purchases	<b>45.4</b>	47.5	49.8	43.7	44.9	47.1	51.0	57.1	50.9	51.9	55.2
Stocks of Finished Goods	<b>44.5</b>	52.4	49.7	50.2	45.3	46.7	50.7	54.0	51.3	49.9	52.5
Employment	<b>48.1</b>	45.7	48.6	46.4	48.6	50.6	50.3	55.4	58.2	57.9	58.2
PMI NSA	<b>49.5</b>	47.4	45.1	45.2	47.7	50.7	50.5	51.9	55.7	59.4	60.2

### Trade Weighted Exchange Rate



### Data

**March 7<sup>th</sup> - December 6<sup>th</sup> (Bloomberg) – Foreign Currency Reserves** – fell from 229.4 bln francs in January to 224.9 bln francs in February.

***Key Dates This Week***

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
03/08	CPI	FEB	0.2% / -1.0%	-0.4% / -0.8%
03/08	CPI – EU Harmonised	FEB	0.1% / -0.7%	-0.7% / -0.9%
03/13	PPI	FEB	--	0.0% / -2.4%
03/14	Credit Suisse ZEW Survey	MAR	--	-21.2