

# Valance Company, Inc.



Weekly

May 2, 2012

III

## Highlights

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US – GDP lower than expectations, ISM strong

EU – Unemployment rate hits 15 year high

JN – Core CPI rises, Production growth misses expectations

SW – April 17th meeting minutes showed mixed views on monetary policy

SZ – KOF Leading Indicator improved for the third consecutive month in April

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*Valance Economic Reports*

Valance Co., Inc.

# Valance Economic Report: United States

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May 2, 2012

Q1 GDP came in lower than expectations, though underlying details were not as bad. ISM Manufacturing strength was countered by a weak Chicago PMI release. With Core PCE firming and moderate Q1 growth, the Fed narrative should remain unchanged.

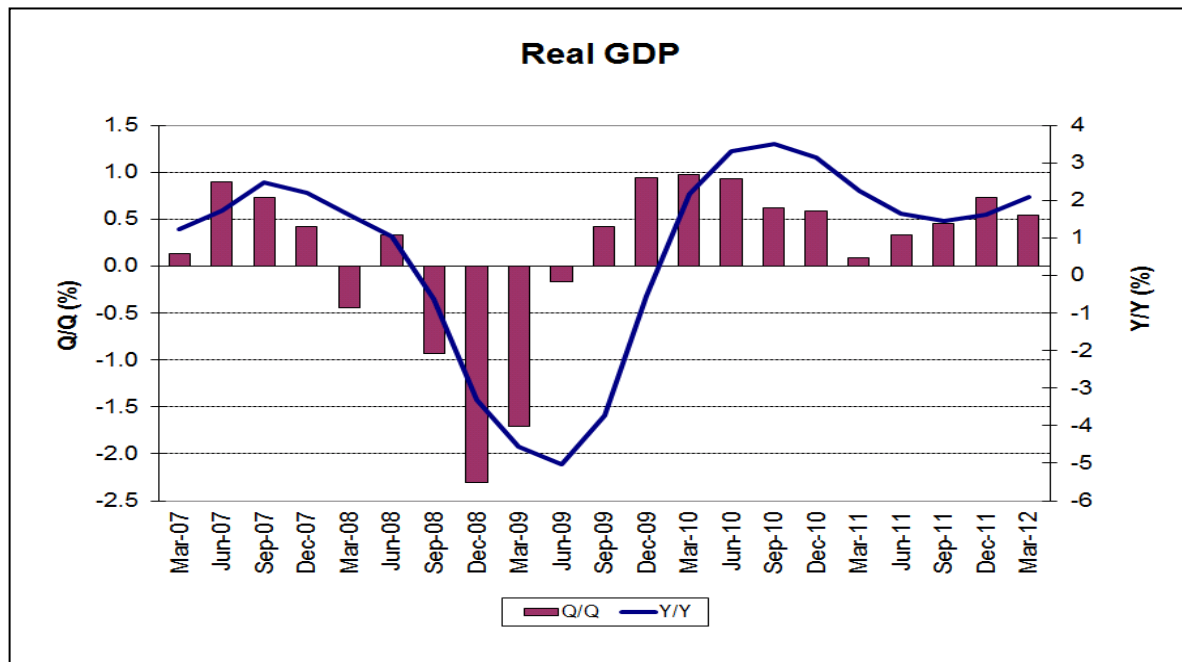
## Weekly Highlights

**Real GDP** – Q1 growth was 2.2%, weaker than expectations of 2.5% (US 1)

**ISM Manufacturing Index** – improved from 53.4 to 54.8 in April. (US 4)

**Chicago PMI** – fell from 62.2 to 56.2 in April, the lowest reading since 2009. (US 4)

## Weekly Releases Chart of the Week: GDP



The initial reading of Q1 Real GDP was 2.2%, weaker than expectations of 2.5% growth. Personal consumption grew 2.9%, the fastest pace since Q4 2010, contributing 2.04%. Equipment and software expenditures only rose by 1.7%, the slowest pace in three years. Government consumptions continue to be a drag, falling 3.0%, and deducting 0.6% from headline growth.

US 1

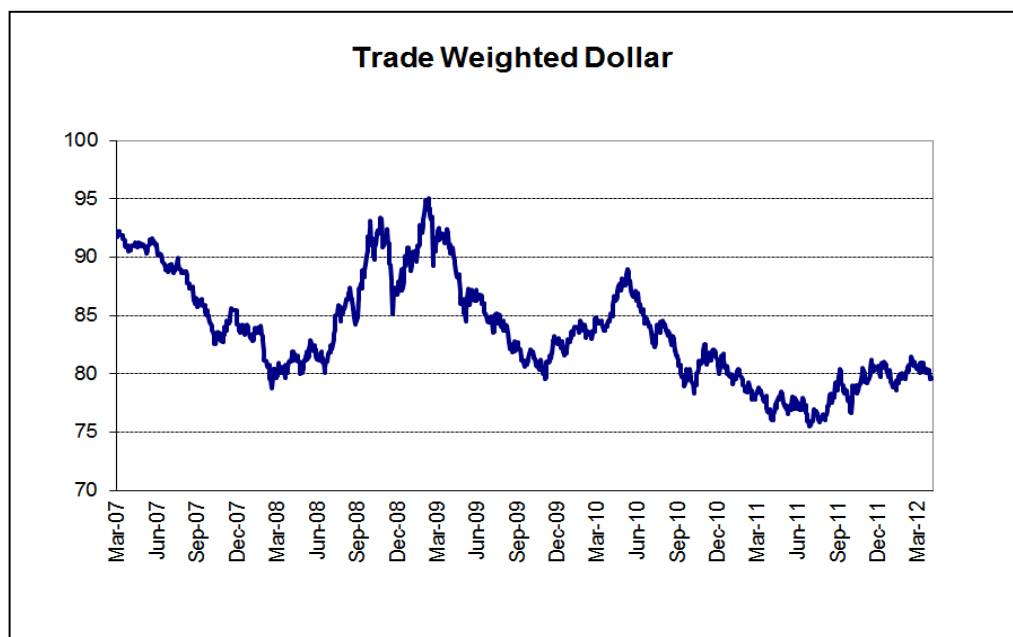
## U.S. Financial Balances & Trade Weighted Dollar

### Financial Balances

U.S.	Latest period (\$blns)	Last 12mth. as a % of GDP
Budget Balance	-198.2 (March)	-8.1%
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 March is 8.1% 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.

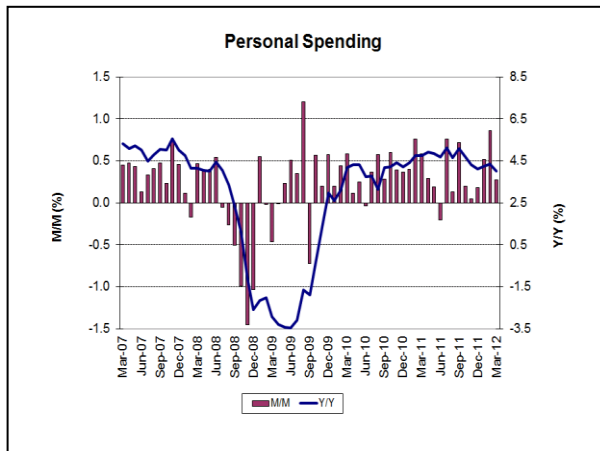
### Trade Weighted Dollar



## Personal Spending, Personal Income & Core PCE

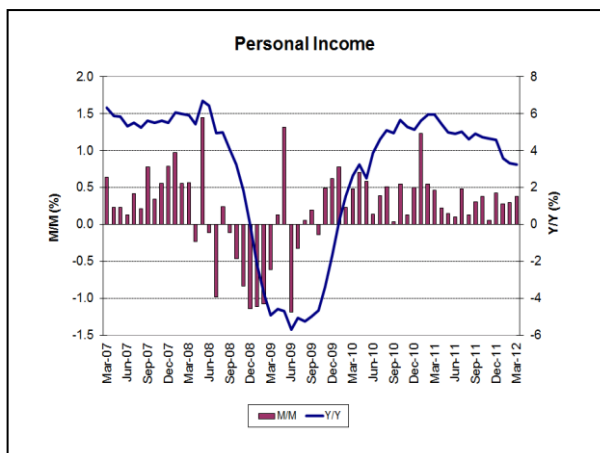
### Personal Spending

Personal Spending rose 0.1% M/M and 1.8 Y/Y in March. The three month annualized rate increased from 2.1% to 2.9%.



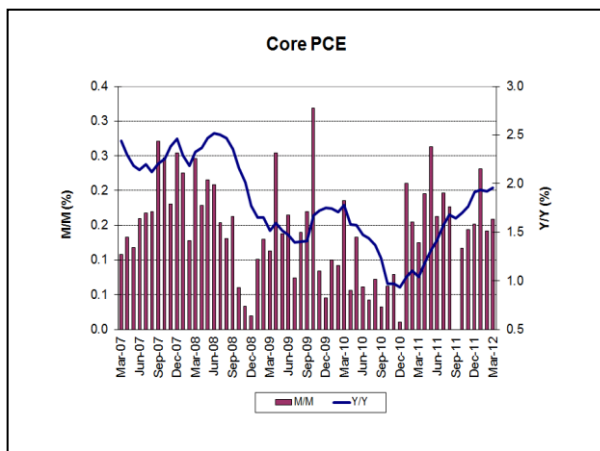
### Personal Income

Personal Income increased 0.4% M/M and 3.2% Y/Y in March. The wage and salary component gained 0.3% M/M and 4.4% Y/Y. The saving rate rose 0.1% to 3.8%.



### Core PCE

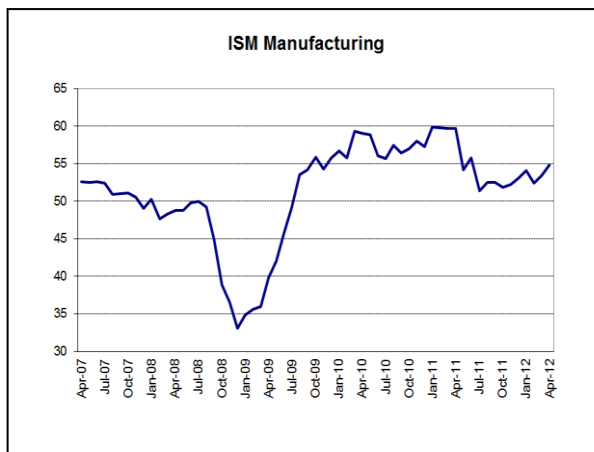
Core PCE increased 0.2% M/M and 2.0% Y/Y in March. The three month annualized rate increased to 2.4%. Headline PCE also gained 0.2% M/M.



# ISM Manufacturing, Chicago Purchasing Manager & Initial Jobless Claims

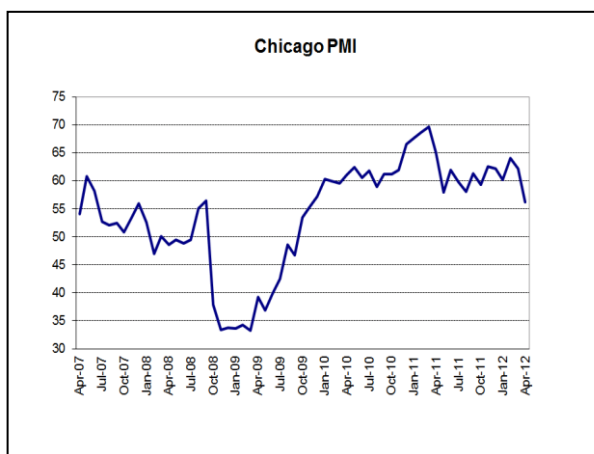
## ISM Manufacturing

The ISM Manufacturing Index improved from 53.4 to 54.8 in April. New orders jumped from 54.5 to 58.2, the highest level since April 2011. The employment component strengthened from 56.1 to 57.3, a ten-month high. Prices paid remained at 61.0.



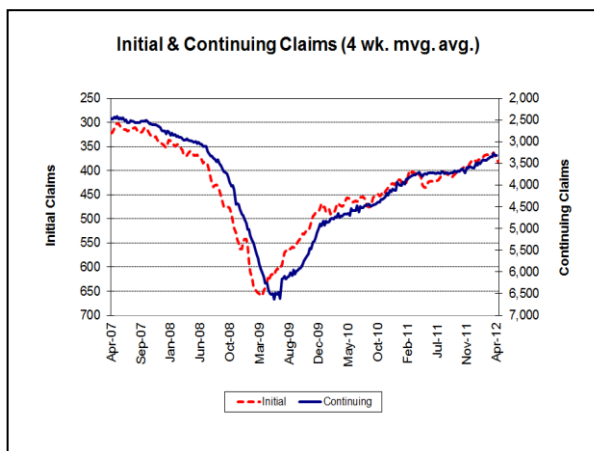
## Chicago Purchasing Manager

The Chicago PMI fell from 62.2 to 56.2 in April, worse than expectations of 60.0 and the lowest reading since 2009. The New Orders component declined from 63.3 to 57.4 and has fallen 12 points in the past two months. The employment component improved from 56.3 to 58.7.



## Initial Jobless Claims

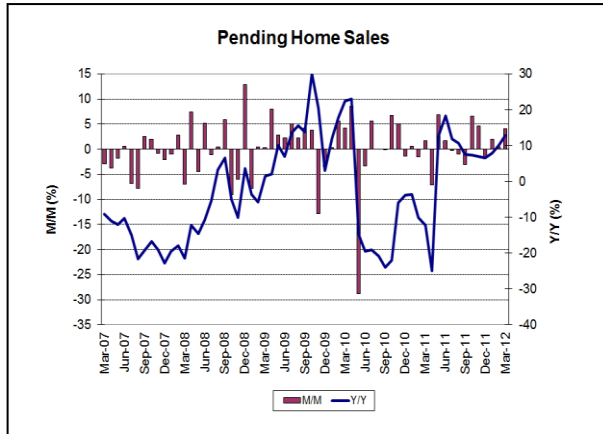
Initial Claims fell 1k to 388k. The series has been volatile since the beginning of the year and had been stabilizing in the 350k range. The four week moving average of Initial Claims increased from 375k to 382k, the highest level since the beginning of the year. Continuing Claims rose from 3312k to 3315k.



# Pending Home Sales, MBA Mortgage Applications & Total Vehicle Sales

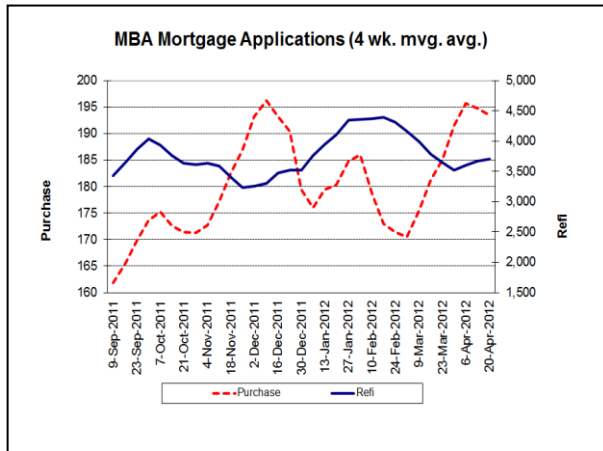
## Pending Home Sales

Pending Home Sales improved 4.1% M/M and 10.8% Y/Y in March, this was the third consecutive M/M increase.



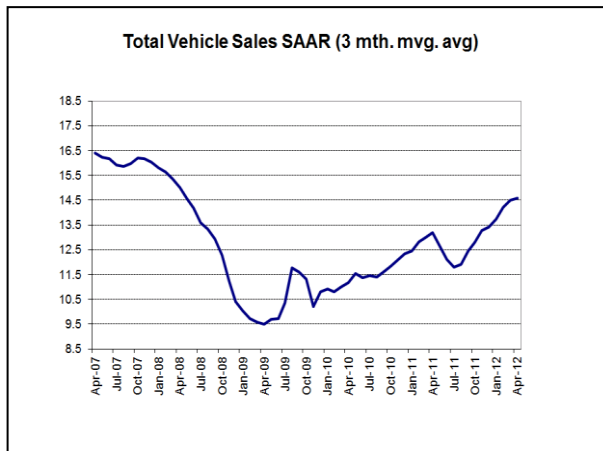
## MBA Mortgage Apps

Purchase Mortgage Applications improved 2.9% W/W. Refi applications fell 0.7% W/W. The FRM 30-year contract fell to 4.04%, remaining near historic lows.



## Total Vehicle Sales

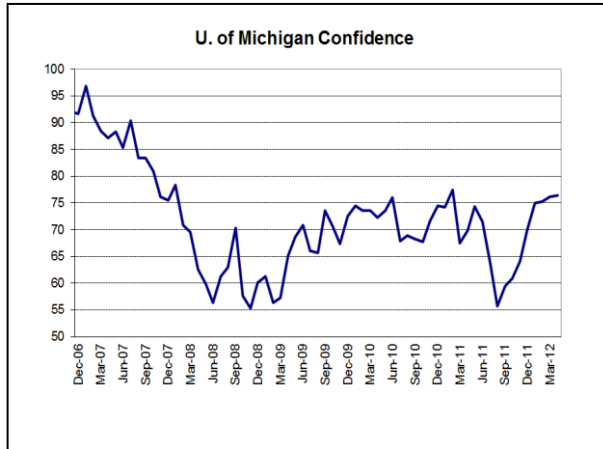
Total Vehicle Sales increased slightly from 14.32M to 14.38M seasonally adjusted annualized units in April. A year ago sales stood at 13.14M units.



# U. of Michigan & Bloomberg Consumer Comfort

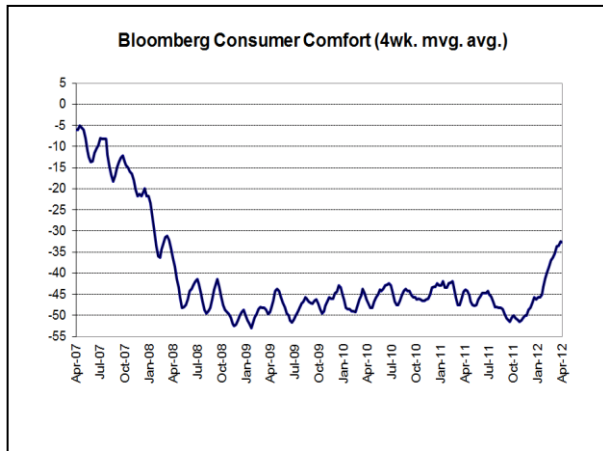
## U. of Michigan Confidence

The final University of Michigan Confidence Index rose from 75.7 in April. The current conditions component improved from 80.6 to 82.9 while the expectations component fell slightly from 72.5 to 72.3. Inflation expectations over the next year fell from 3.4% to 3.2% and the five year expectations ticked lower to 2.9%.



## Bloomberg Consumer Comfort

The Bloomberg Consumer Comfort Index dropped from -31.4 to -35.8. The buying climate fell from -36.8 to -41.5 as did personal finances, dropping from 6.8 to 0.4.



## *Key Dates This Week*

<b>Dates</b>	<b>Indicators</b>		<b>Expectations</b>	<b>Previous</b>
3-May	Nonfarm Productivity	1Q P	-0.60%	0.90%
3-May	Initial Jobless Claims	28-Apr	377K	388K
3-May	ISM Non-Manf. Composite	APR	55.3	56
4-May	Change in Nonfarm Payrolls	APR	160K	120K
4-May	Change in Private Payrolls	APR	167K	121K
4-May	Change in Manufact. Payrolls	APR	20K	37K
4-May	Unemployment Rate	APR	8.20%	8.20%
4-May	Avg Hourly Earning MOM All Emp	APR	0.20%	0.20%
4-May	Avg Hourly Earning YOY All Emp	APR	2.00%	2.10%
4-May	Avg Weekly Hours All Employees	APR	34.5	34.5
7-May	Consumer Credit	MAR	\$10.000B	\$8.735B
9-May	Wholesale Inventories	MAR	0.60%	0.90%

Valance Co., Inc.

# Valance Economic Report: Euro Zone

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May 2, 2012

The EU Unemployment Rate increased to its highest level in 15 years in March as the German Unemployment unexpectedly rose. Manufacturing remained weak as well, with the Euro Manufacturing PMI declining in April.

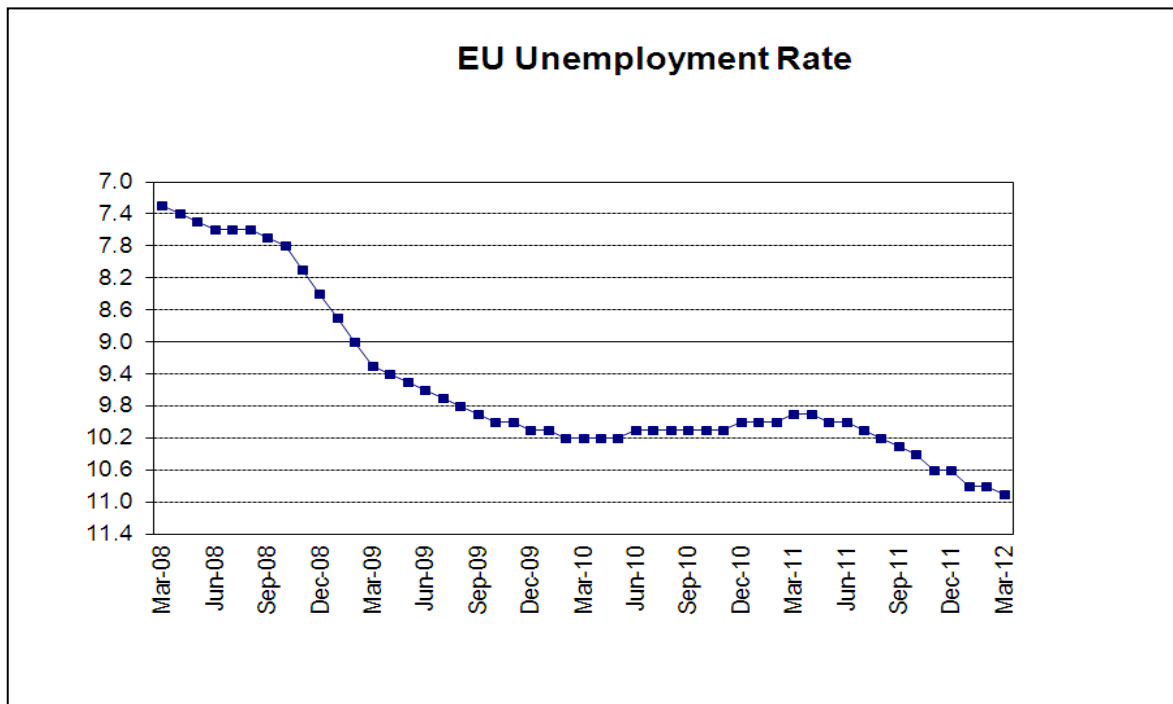
## Weekly Highlights

**EU Unemployment Rate** – increased to 10.9%, its highest level in 15 years. (EU 1)

**Euro Zone CPI** – increased 2.6% Y/Y in April. (EU 3)

## Weekly Releases & News

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



Europe's Unemployment Rate increased from 10.8% to 10.9% in March. The rise brings Unemployment to its highest level in 15 years. Within the EU27, the Unemployment Rate remained unchanged at 10.2%.

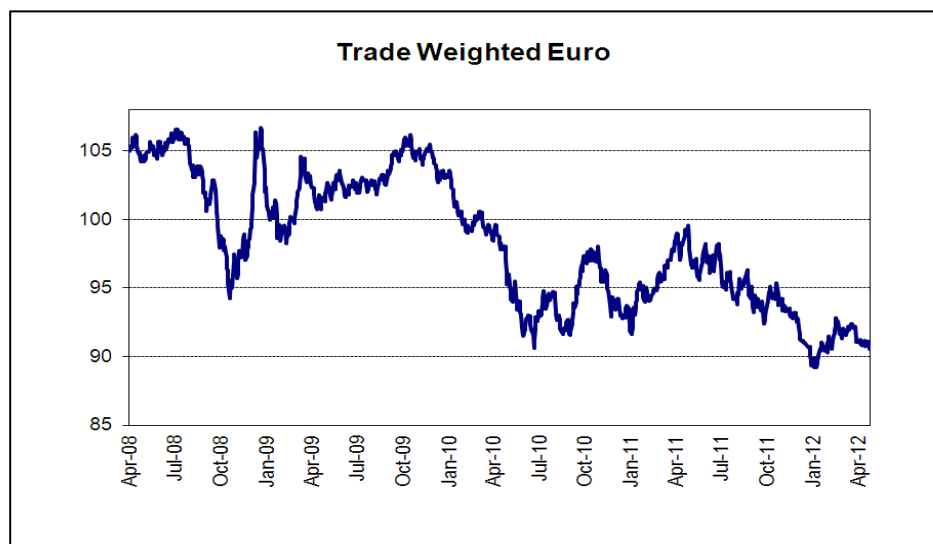
## EU Financial Balances & Trade Weighted Euro

### 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	14.7 (February)	2.0%
Current Account Balance	11.1 (February)	5.6%
Private Savings Balance		9.9%
<i>France</i>		
Budget Balance		-2.7%
Trade Balance	-6.4 (February)	-4.9 %
Current Account Balance	-4.2 (January)	-3.9%
Private Savings Balance		-1.2%
<i>Italy</i>		
Budget Balance		-4.5 %
Trade Balance	4.3 (January)	-7.7%
Current Account Balance	-8.0 (January)	-3.5%
Private Savings Balance		1.0%

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

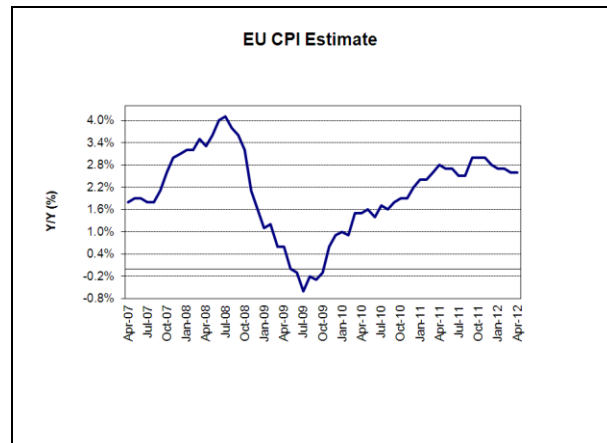
### Trade-Weighted Exchange Rate



# EU CPI, & EU Consumer/Economic Confidence

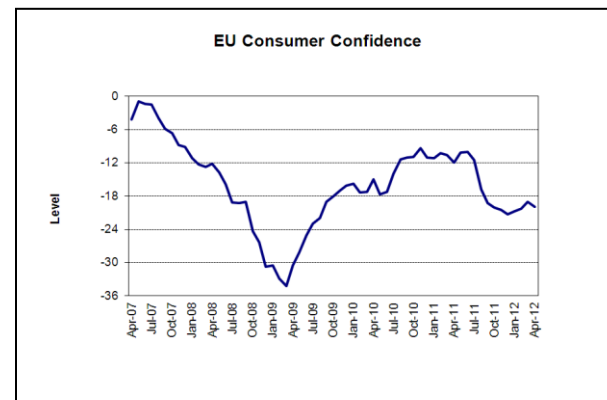
## Euro Zone CPI

Euro Zone CPI is estimated to have increased 2.6% Y/Y in April. This is lower than the 2.7% increase in March but higher than the market's expected decline to 2.5% Y/Y.



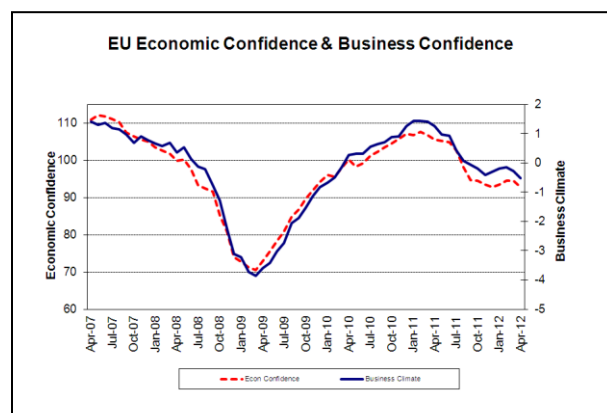
## EU Consumer Confidence

EU Consumer Confidence declined a tick to -19.9 in April against expectations for no change in the initial -19.8 reading.



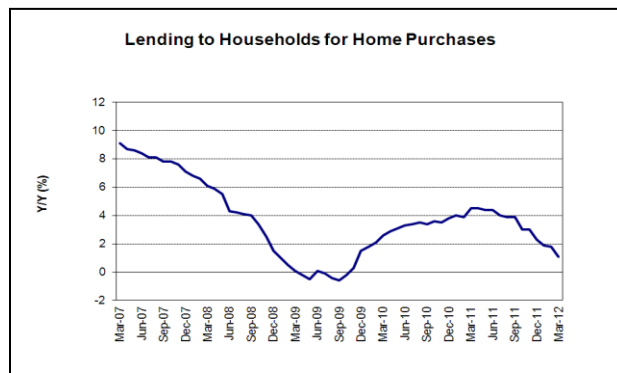
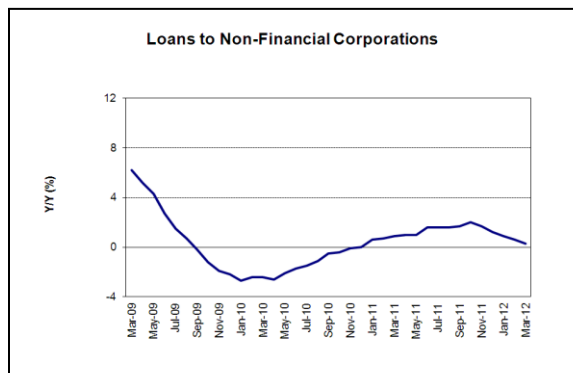
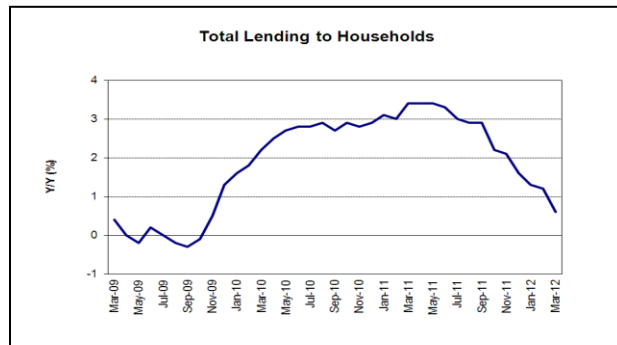
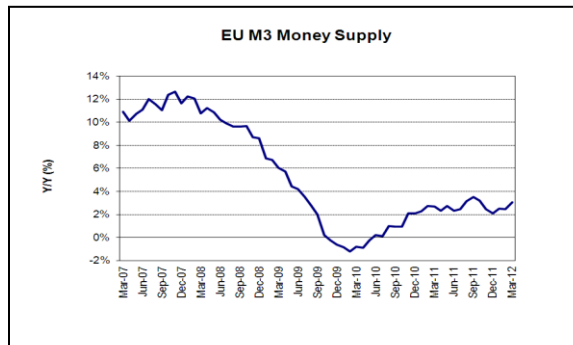
## EU Economic Confidence

EU Economic Confidence decreased from 94.5 in March to 92.8 in April, missing market expectations for a smaller drop to 94.2.



# Money Supply & Lending Data

## Money Supply & Lending Data

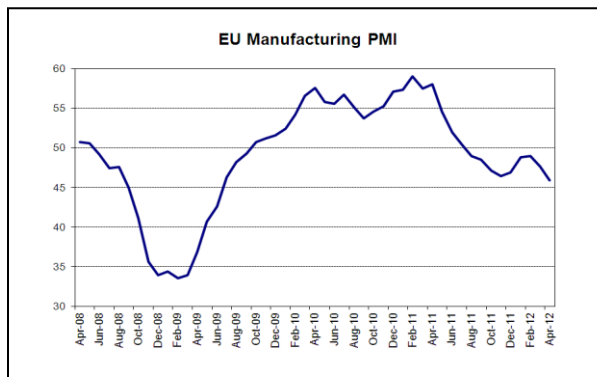


M3 Money Supply growth accelerated from 2.8% Y/Y in February to 3.2% Y/Y in March, rising ahead of the market's expectations for no change. On a 3mth. mov. avg. basis loan growth increased from 2.3% Y/Y to 2.8% Y/Y against expectations for an acceleration to 2.7% Y/Y. Lending to household growth decelerated from 1.2% Y/Y to 0.6% Y/Y as lending for home purchases declined from 1.8% Y/Y to 1.1% Y/Y.

## EU PMIs & German Retail Sales/Consumer Prices

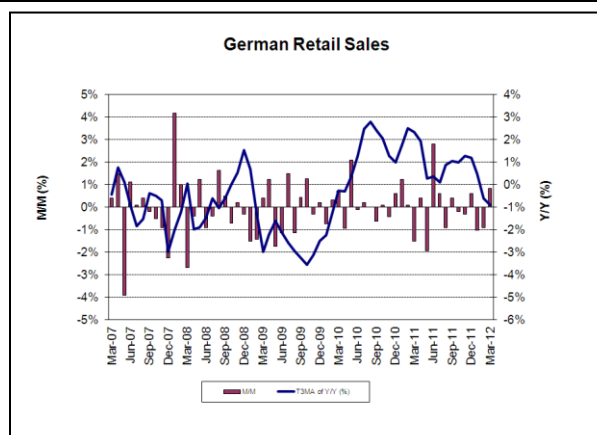
### EU PMIs

Final data confirms that EU PMI Manufacturing declined from 47.7 to 45.9 in March. This decline was below the market's expected reading of 46.0 and marks the 10<sup>th</sup> decline since February 2011.



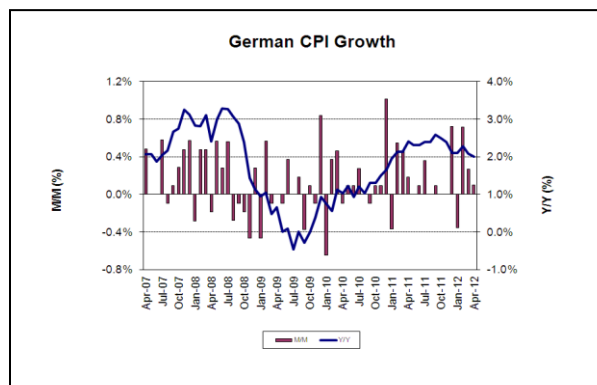
### German Retail Sales

Retail Sales in Germany increased 0.8% M/M and 2.3% Y/Y in March, against expectations for a 1.0% M/M and 0.5% Y/Y improvement. February's 1.1% M/M decline and 1.7% Y/Y increase were revised to -0.9% M/M and +2.1% Y/Y.



### German Consumer Prices

Consumer Prices in Germany increased 0.1% M/M and 2.0% Y/Y in April, according to preliminary estimates. This was in line with market expectations.

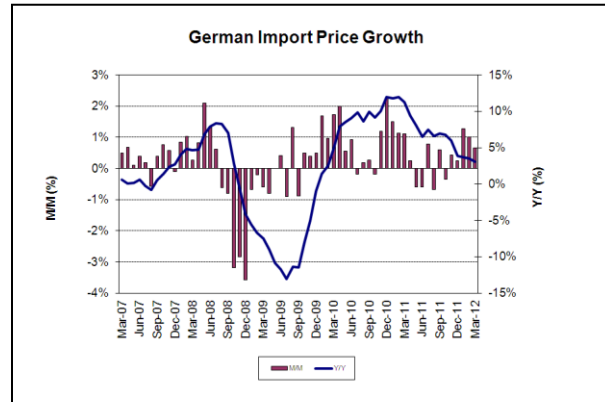


## German Import Prices, Unemployment Rate & French PPI

### German Import Prices

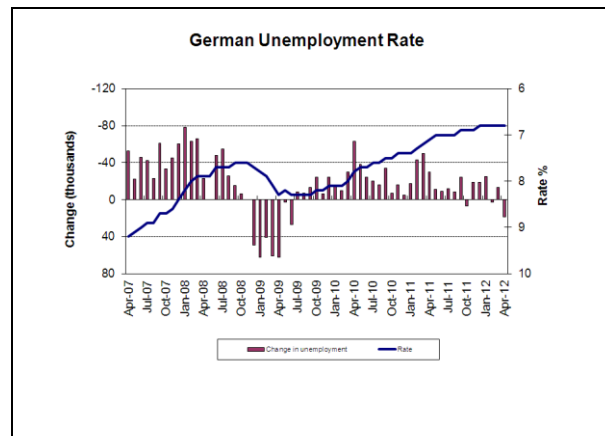
German Import Prices increased 0.7% M/M and 3.1% Y/Y in March, against expectations for a 0.9% M/M and 3.3% Y/Y increase. Excluding petroleum, Import prices were unchanged M/M and increased 1.4% Y/Y.

Export prices increased 0.2% M/M and 1.9% Y/Y.



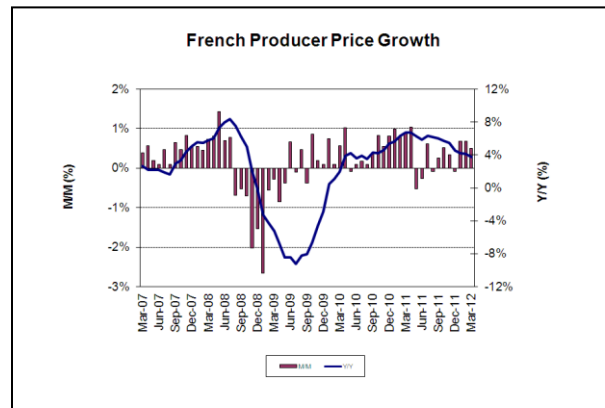
### German Unemployment

The German Unemployment Rate was unchanged at a revised 6.8% in April. The market had anticipated a decline to 6.7%. The lack of change occurred as the number of unemployed increased by 19K, against expectations for a 10K decline.



### French PPI

French PPI increased 0.5% M/M and 3.7% Y/Y in March, against expectations for a 0.6% M/M and 4.0% Y/Y increase. February's 0.8% M/M and 4.3% Y/Y increase was revised lower to +0.7% M/M and +4.1% Y/Y.

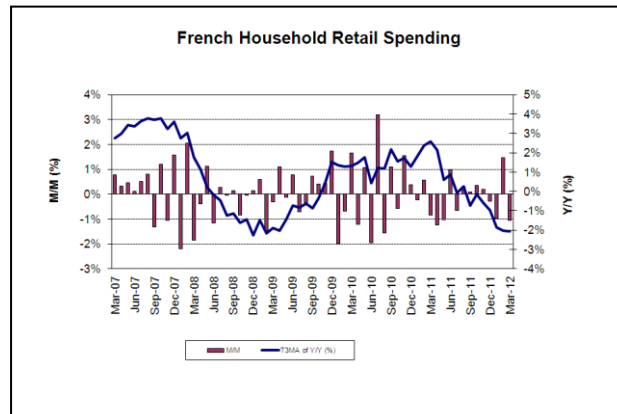


## French Consumer Spending & Italian Business Confidence/CPI

### French Consumer Spending

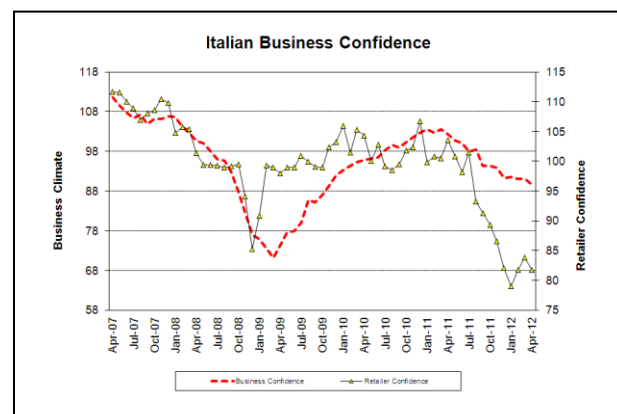
French Household Manufactured Retail Spending declined 2.9% M/M and 2.0% Y/Y in March, missing market expectations for a smaller 1.9% M/M and 0.2% Y/Y drop.

Within the data, spending on energy declined 11.3% M/M and 3.0% Y/Y.



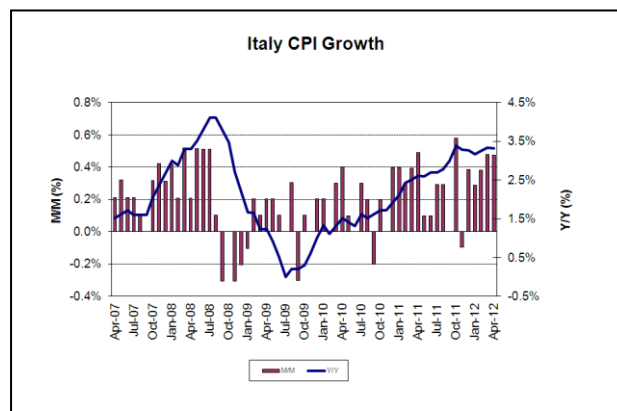
### Italian Business Confidence

Italian Business Confidence declined from a revised 91.1 in March (originally 92.1) to 89.5, against expectations for a reading of 92.1.



### Italian CPI

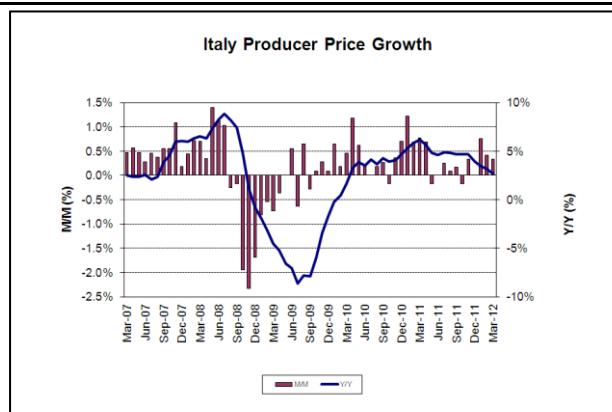
Italian CPI increased 0.5% M/M and 3.3% Y/Y in April, rising a tick faster than the 0.4% M/M and 3.2% Y/Y the market anticipated.



## Italian PPI & Italian/Spanish Unemployment

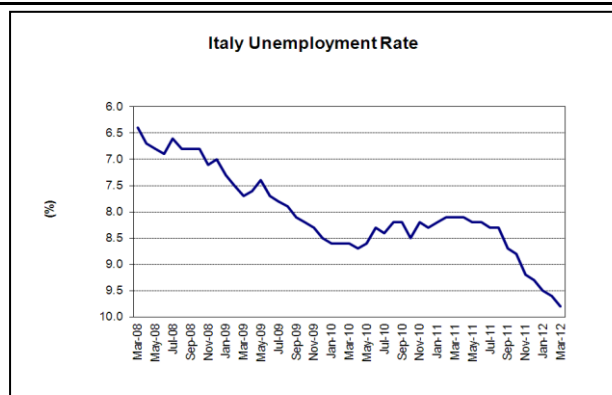
### Italian PPI

Italian PPI increased 0.3% M/M and 2.7% Y/Y in March against expectations for a 0.6% M/M and 3.0% Y/Y gain.



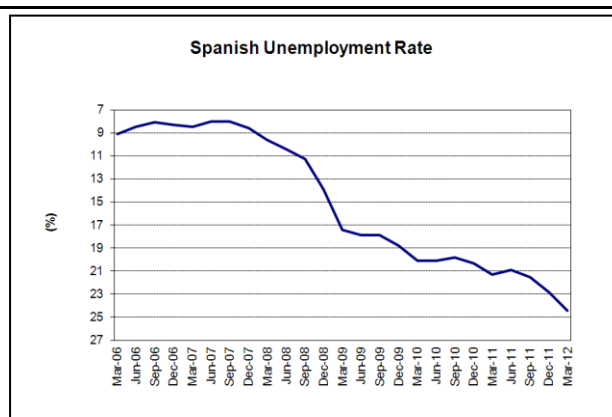
### Italian Unemployment

Italy's Unemployment Rate saw an unexpected increase in March as it rose from a revised 9.6% (originally 9.3%) to 9.8. Market expectations called for a reading of 9.4%. The increase brings unemployment to its highest level in nearly 12 years.



### Spanish Unemployment

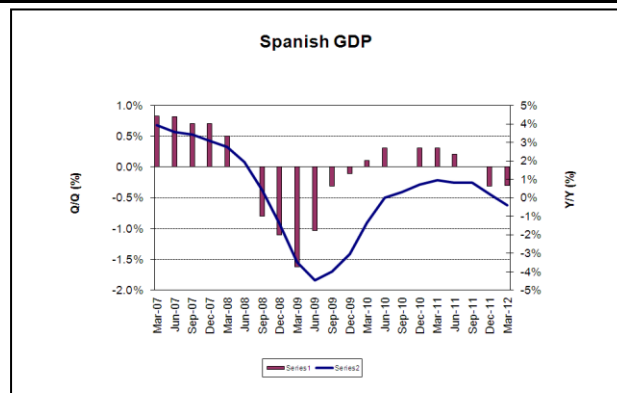
Spain's Unemployment Rate increased from 22.8% to 24.4% in Q1, a reading higher than the 23.8% the market anticipated. This occurred as the number of unemployed increased 365.9K in the quarter to 5.639 million.



## Spanish GDP & Upcoming Dates

### Spanish GDP

Preliminary data indicates that Spain's economy contracted at a rate of 0.3% Q/Q and 0.4% Y/Y in Q1. This was a touch better than the 0.4% Q/Q and 0.6% Y/Y decline the market had anticipated.



### Key Dates This Week

5/3	Euro-Zone PPI (MoM)	MAR	0.60%	0.60%
5/3	Euro-Zone PPI (YoY)	MAR	3.50%	3.60%
5/3	ECB Announces Interest Rates	3-May	1.00%	1.00%
5/3	Unemployment MoM Net ('000s)	APR	N/A	38.8
5/4	PMI Composite	APR F	47.4	47.4
5/4	PMI Services	APR F	47.9	47.9
5/4	Euro-Zone Retail Sales (MoM)	MAR	0.20%	-0.10%
5/4	Euro-Zone Retail Sales (YoY)	MAR	-0.60%	-2.10%
5/4	PMI Services	APR F	52.6	52.6
5/4	PMI Services	APR F	46.4	46.4
5/4	PMI Services	APR	N/A	44.3
5/4	Spain Services PMI		N/A	
4/30-5/5	Retail Sales (MoM)	MAR	1.50%	-1.10%
4/30-5/5	Retail Sales (YoY)	MAR	1.40%	1.70%
5/7	Sentix Investor Confidence	MAY	N/A	-14.7
5/7	Factory Orders MoM (sa)	MAR	N/A	0.30%
5/7	Factory Orders YoY (nsa)	MAR	N/A	-6.10%
5/7	Industrial Output WDA (YoY)	MAR	N/A	-5.10%
5/7	Industrial Output NSA (YoY)	MAR	N/A	-3.00%
5/8	Industrial Production MoM (sa)	MAR	N/A	-1.30%
5/8	Industrial Prod. YoY (nsa wda)	MAR	N/A	-1.00%
5/9	Exports SA (MoM)	MAR	N/A	1.60%
5/9	Imports SA (MoM)	MAR	N/A	3.90%
5/9	Current Account (EURO)	MAR	N/A	11.1B
5/9	Trade Balance	MAR	N/A	14.7B
5/9	Trade Balance (Euros)	MAR	N/A	-6398M
5/9-5/11	Bank of France Bus. Sentiment	APR	N/A	95
5/7-5/12	Wholesale Price Index (MoM)	APR	N/A	0.90%
5/7-5/12	Wholesale price Index (YoY)	APR	N/A	2.20%

# Valance Economic Report: Japan

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May 1, 2012

On a Y/Y basis, recent data appears strong, but this is largely due to the base effects of the Tsunami one year ago. When looking at monthly expectations, while Core CPI and wages were both better, Household Spending, Retail Sales, and Housing Starts all missed.

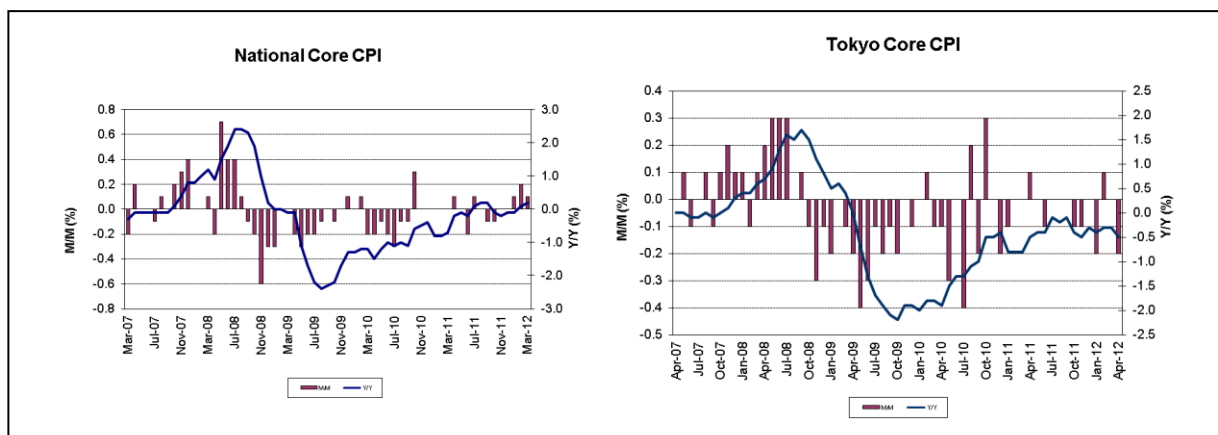
## Weekly Highlights

**Core CPI** – increased 0.2% M/M and 0.1% Y/Y in March. (JN 1)

**Employment** – the Jobless Rate was unchanged at 4.5% in March. (JN 3)

**Industrial Production** – increased 1.0% M/M and 13.9% Y/Y in March. (JN 4)

## Charts of the Week: CPI



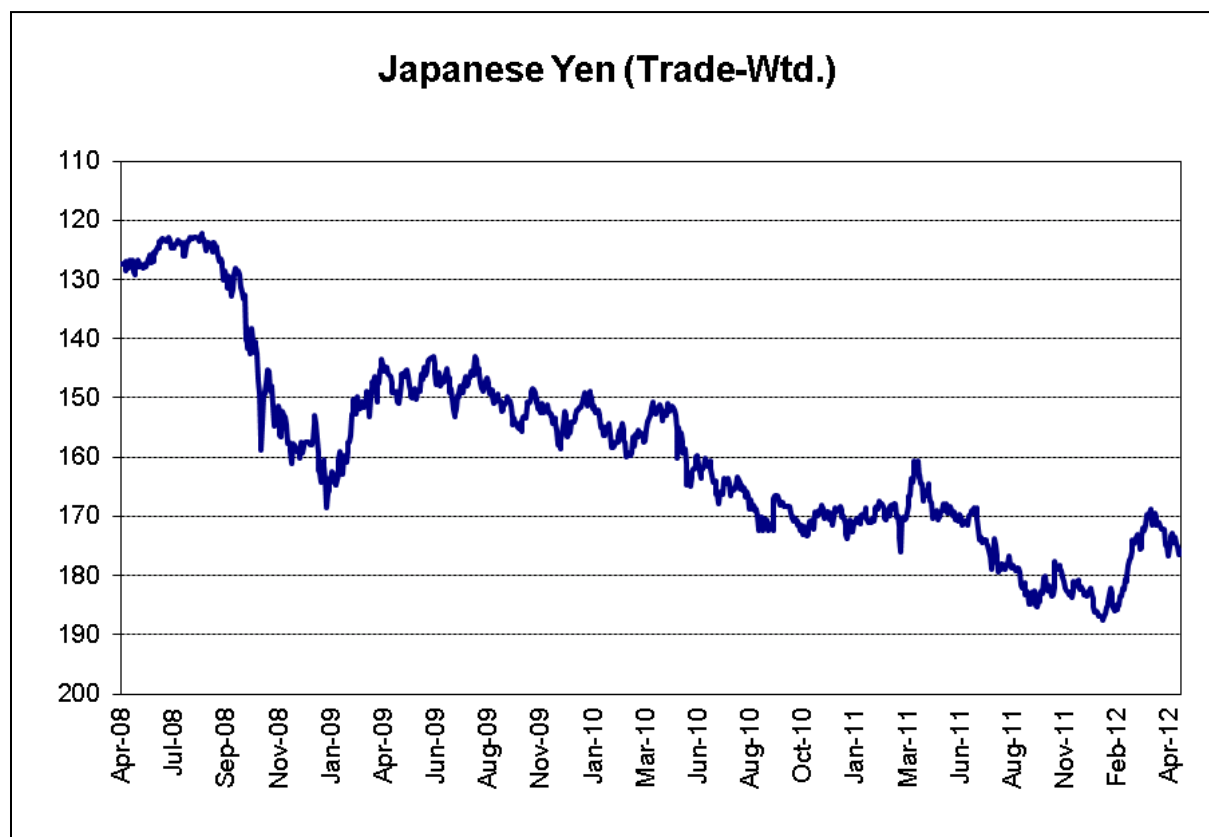
Core Consumer Prices in Japan increased 0.2% M/M and 0.1% Y/Y in March, rising a tick faster than the 0.0% Y/Y increase the market expected. Core-Core CPI, which excludes fresh food and energy, was unchanged M/M and dropped 0.5% Y/Y, in line with market expectations. Within the details, M/M prices saw upward pressure from increases in fresh foods, utilities, clothing/footwear, and transport/communication. Downward price pressures were found primarily in household goods.

Within Tokyo, Core Prices declined 0.2% M/M and 0.5% Y/Y in April. Core-Core Tokyo Prices were unchanged M/M and declined 1.0% Y/Y.

## Japan's Financial Balances

### Financial Balances

Japan	Last period (¥trln)	Last 12mth. as a % of GDP
Budget Balance	-3.50 (Dec)	-6.9%
Trade Balance	0.58 (Dec)	1.5%
Current Account Balance	1.87 (Dec)	3.5%
Private Balance	--	11.6%



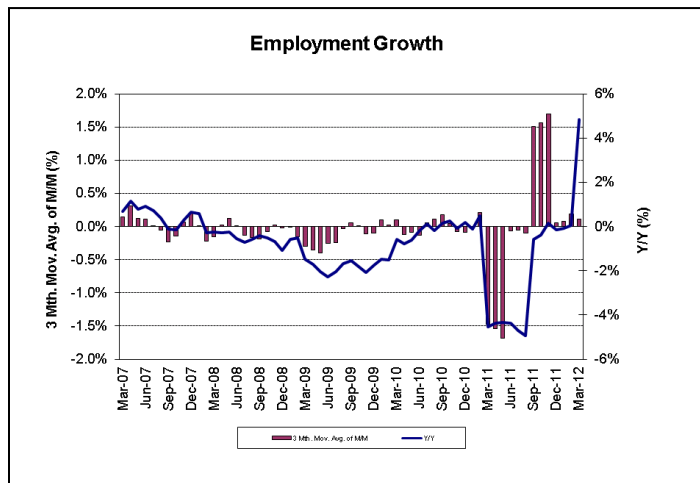
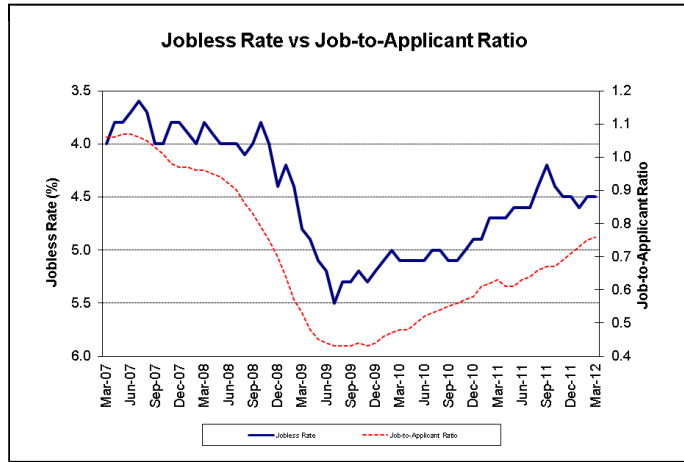
# Employment Data

## Employment

The Unemployment Rate was unchanged at 4.5% in March, in line with market expectations.

Within the data, the number of employed dropped by 170K while the number of unemployed declined by 10K. The labor force dropped by 210K while the non-labor force grew by 210K.

The job-applicant ratio increased from 0.75 to 0.76 in line with market expectations.



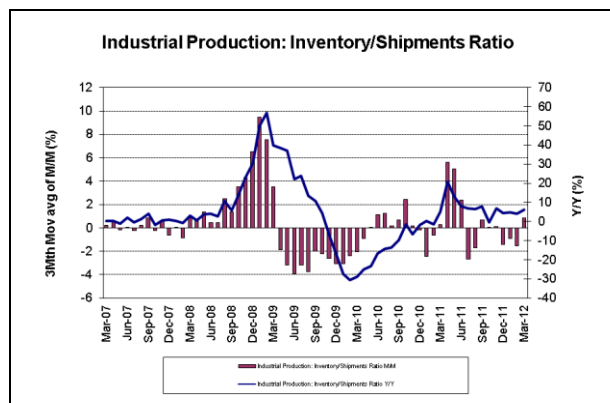
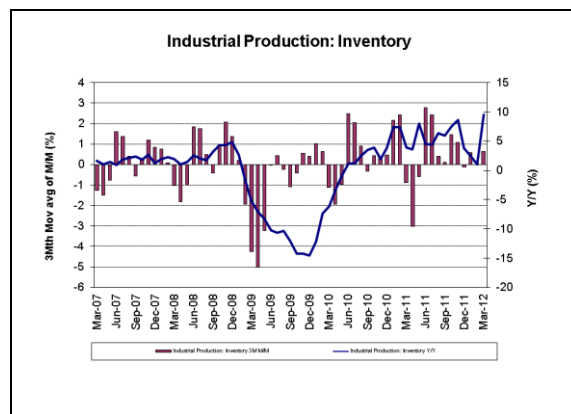
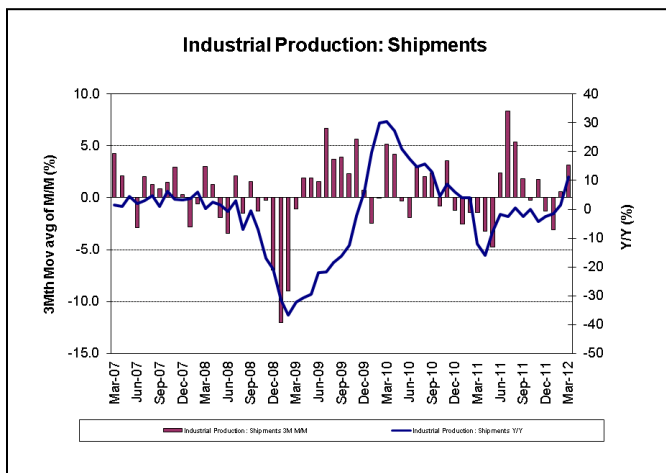
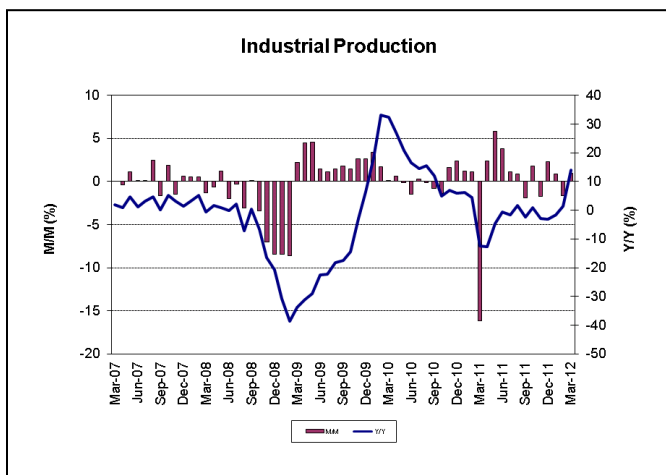
# Industrial Production

Preliminary data on March Industrial Production indicated that output increased 1.0% M/M and 13.9% Y/Y, missing market expectations for a 2.3% M/M and 15.6% Y/Y increase.

Within the details, shipments declined 0.1% M/M and increased 11.1% Y/Y. Inventories increased 4.3% M/M and 9.6% Y/Y. The Inventory Ratio increased 4.6% M/M and 6.1% Y/Y.

The increase in production occurred on strength in transport equipment, IT, and ceramics, in that order.

Looking forward, producers expect production to improve 1.0% M/M in April and declined 4.1% Y/Y in May.



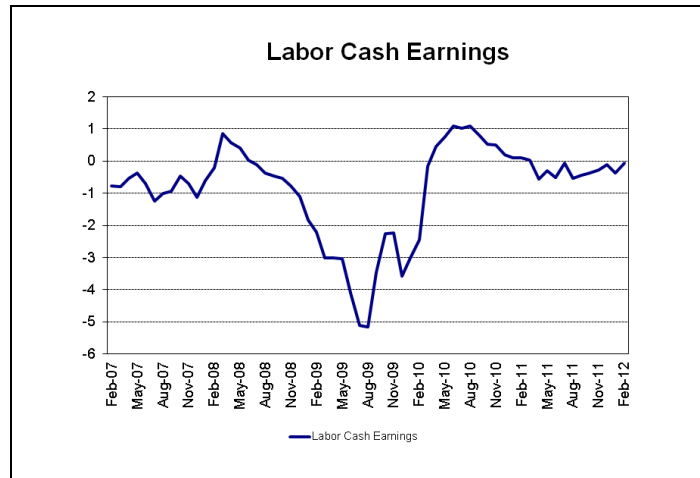
## Labor Earnings & Household Spending

### Labor Cash & OT Earnings

Labor Cash Earnings increased 1.3% Y/Y in March against market expectations for a significantly smaller 0.2% Y/Y gain. February's 0.7% Y/Y increase was revised downward however, as it is now estimated to have increased 0.1% Y/Y.

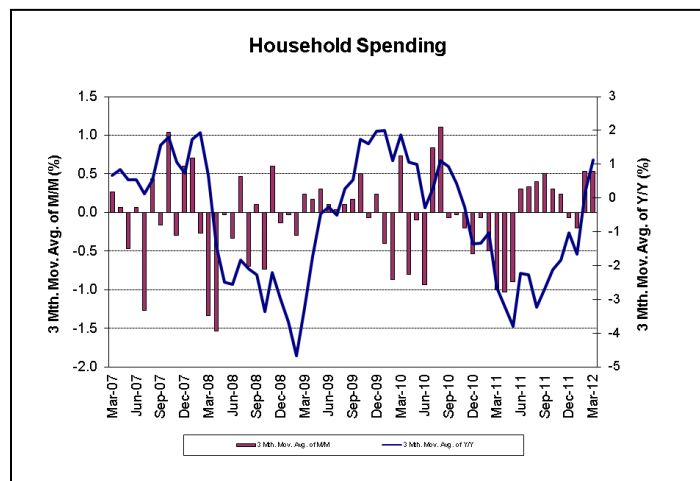
Within March's data, contracted earnings increased 0.9% Y/Y as overtime earnings increased 4.4% Y/Y and regular earnings increased 0.7% Y/Y. Bonus earnings increased 7.6% Y/Y.

Also within the report, employment improved 0.6% Y/Y as full time employment improved 0.2% Y/Y while part time employment improved 1.1% Y/Y. Manufacturing employment declined 0.4% Y/Y for the fourth consecutive month.



### Household Spending

Real Household Spending declined 0.1% M/M and increased 3.4% Y/Y in March. Among workers, spending dropped 1.6% M/M and increased 4.3% Y/Y. This data was below market expectations, which called for a 4.1% Y/Y gain.



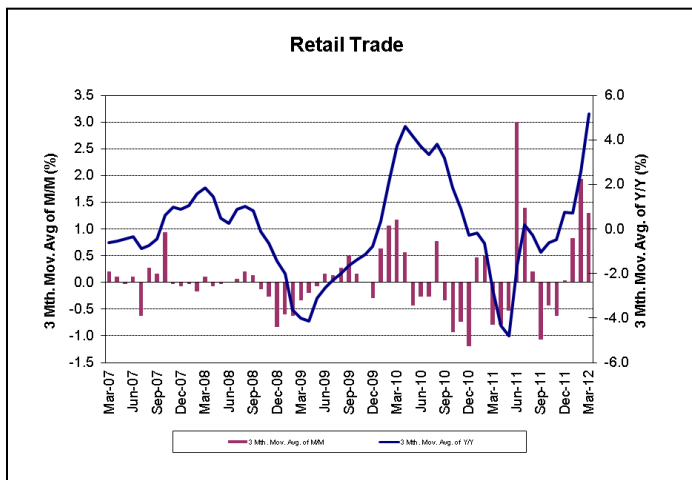
# Retail Sales & All Industry Activity

## Retail Sales

Retail Sales declined 1.2% M/M and increased 10.3% Y/Y in March, missing market expectations for a 0.5% M/M decline and a 10.0% Y/Y increase.

The Monthly drop occurred as declines in household machinery, wholesale, and general merchandise outweighed gains in fabrics and apparel.

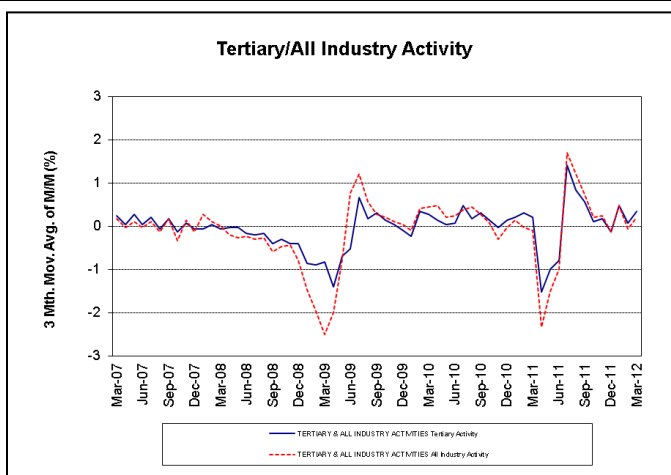
Among Large Retailers, sales dropped 4.1% M/M and increased 5.0% Y/Y.



## All Industry Activity Index

All Industry Activity declined 0.1% M/M and increased 1.3% Y/Y in February. The monthly decline was a tick better than the 0.2% M/M drop the market had anticipated.

Within the details, Tertiary industry activity was unchanged M/M, manufacturing declined 1.6% M/M, government declined 0.8% M/M and construction improved 4.0% M/M.



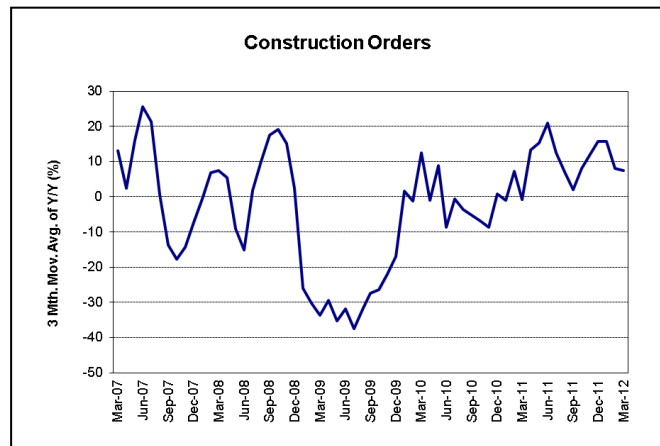
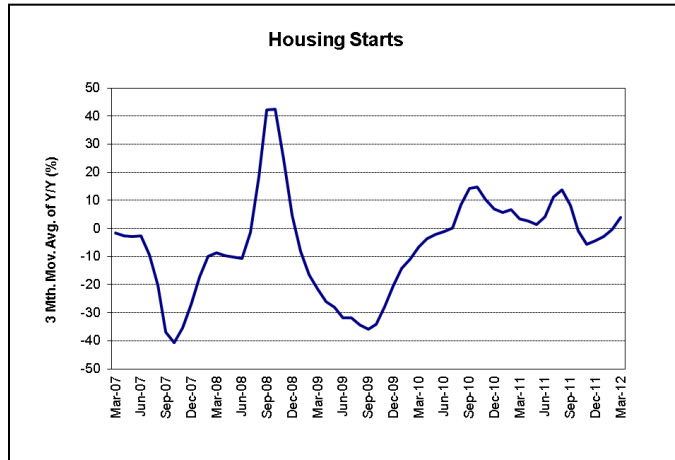
# Housing Starts, Construction Orders & Vehicle Production

## Housing Starts

Household Starts declined 7.6% M/M and increased 5.0% Y/Y in March against expectations for an 8.2% Y/Y gain.

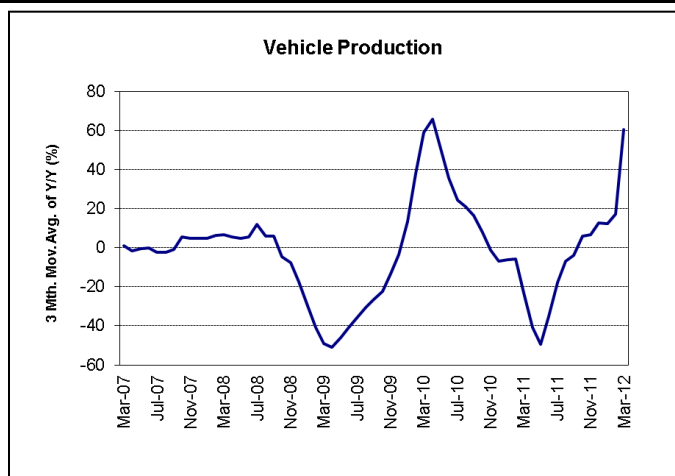
On an annualized basis, starts dropped from 917k units to 848k units against expectations for a shallower decline to 875k units.

Construction Orders declined 0.3% Y/Y in March.



## Vehicle Production

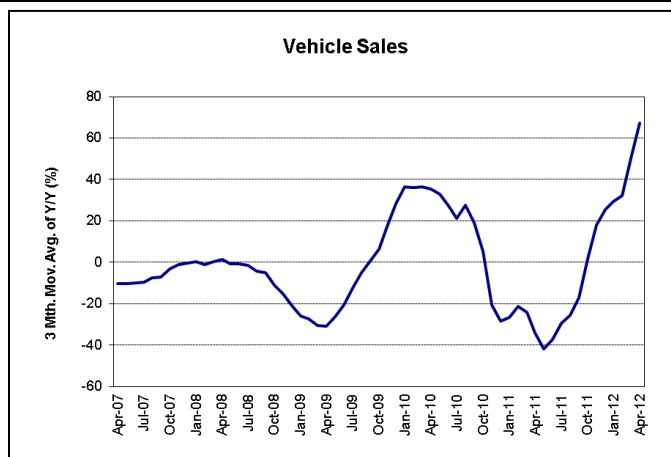
Vehicle Production increased 143.7% Y/Y in March.



## Vehicle Sales, News & Upcoming Dates

### Vehicle Sales

Vehicle Sales increased 92% Y/Y in March.



### News

**May 1<sup>st</sup> – Noda Hoping For Ozawa's Support For Consumption Tax Hike Plan** – Japanese Prime Minister Yoshihiko Noda on Monday urged ruling party powerbroker Ichiro Ozawa to support the party's policy of raising the country's consumption tax. Noda reiterated his call to Ozawa, a vocal opponent of the envisioned tax hike, in a bid to tap into the clout of the former Democratic Party of Japan leader, who was acquitted last week over a political funds scandal. "Our party made a decision (on the tax hike) after lengthy discussions," Noda told reporters accompanying him on his U.S. trip. "Ultimately, we want party members to follow the party's line." Noda, head of the Democratic Party of Japan, is aiming to pass a bill on the tax hike during the current Diet session through June. In late March, the Cabinet approved the contentious bill to increase the current 5 percent sales tax rate in two stages, to 8 percent in April 2014 and to 10 percent in October 2015.

**April 27<sup>th</sup> – BoJ Eases**– The Bank of Japan added monetary stimulus for a second time in three months amid mounting calls from lawmakers to redouble efforts to spur economic growth. The central bank expanded its asset-purchase fund to 40 trillion yen (\$494 billion) from 30 trillion yen, according to a statement released in Tokyo today. It also extended the maturity of bonds it buys to 3 years from a two-year limit. All 14 economists surveyed by Bloomberg News predicted an increase in the fund, the central bank's main policy tool.

### Key Dates This Week

Date	Indicator	Expectation	Previous
5/8	Official Reserve Assets	N/A	\$1288.7B
5/9	Leading Index CI	96.9	96.3
5/9	Coincident Index CI	96.2	95

Valance Co., Inc.

# Valance Economic Report: United Kingdom

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May 2, 2012

This week's data was mixed. GfK Consumer Confidence was unchanged in April while Nationwide Consumer Confidence Improved. BBA Mortgage Lending declined while BoE approvals increased. PMI Manufacturing and Construction declined.

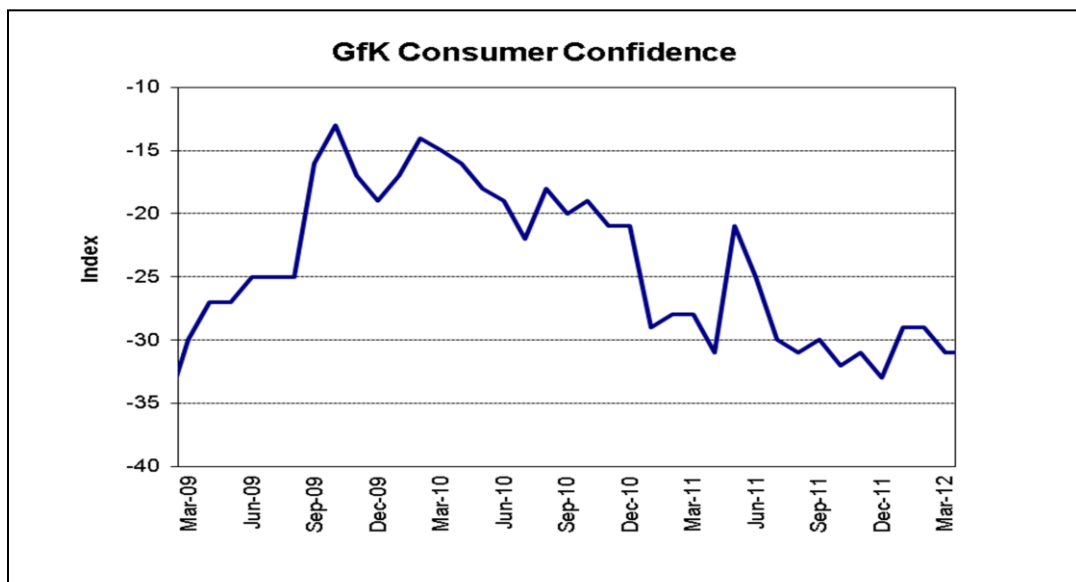
## Weekly Highlights

**GfK Consumer Confidence** – unchanged at -31 in April. (UK 1)

**PMI Manufacturing** – declined from 51.9 to 50.5 in April. (UK 3)

## Weekly Releases & News

### Chart(s) of the Week: GfK Consumer Confidence



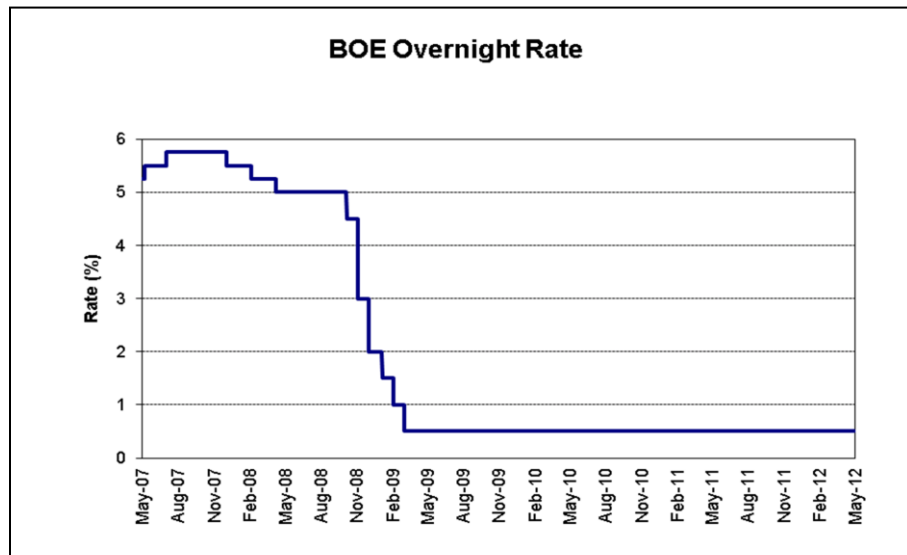
GfK Consumer Confidence was unchanged in April, with the series holding at -31. The market had expected an improvement to -30. Within the report, personal finances improved 2pts to -23, future personal finances declined 3pts to -13, the forward looking economic situation declined 3pts to -33, the climate for major purchases improved 1pt to -30. Saving intentions declined 5pts to -18.

GfK commented on the release, stating that “The figures this month will not offer the government any relief in light of the news that the economy has slipped back into recession...there are no signs either within the survey or in the recent economic figures to suggest any immediate improvement.”

UK 1

## Financial Balances, FX & BoE Overnight Rate

U.K.	Last Period (blns)	Last 12mth. % of GDP
Budget Balance (monthly)	-£14.5 (Jun)/	-12.8%
Curr. Acct. Balance (quarterly)	-£9.6(Q3)	-1.9%
Private Balance	£4.9	+10.9%

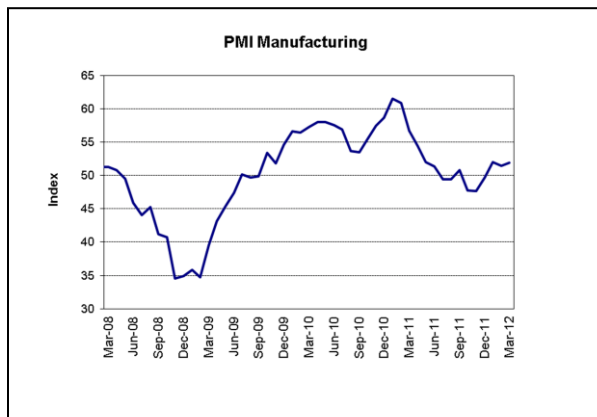


The benchmark rate remains at 0.50% and the Asset Purchase Target at £325 bln.

# PMI Manufacturing, Mortgage Approvals & House Prices

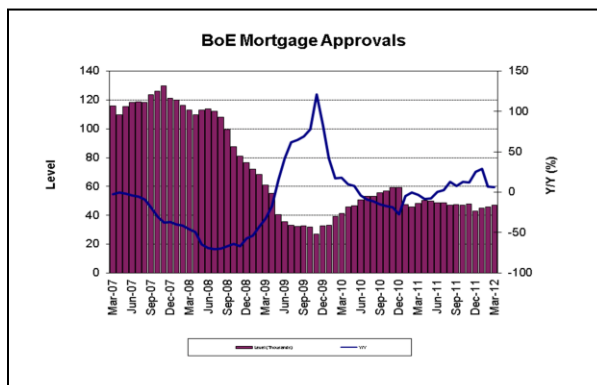
## PMI Manufacturing

The UK Manufacturing PMI declined from 51.9 in March to 50.5 in April, faring worse than the market’s expected decline to 51.5. CIPS Commented in the report that “Manufacturers reported a slowdown in activity, characteristic of continued problems and poorer consumer confidence across the euro zone.” Also, an “easing of new orders from the US and Asia is perhaps even more worrying as a potential risk to continued growth, as these have helped to balance out weaker demand in recent months.”



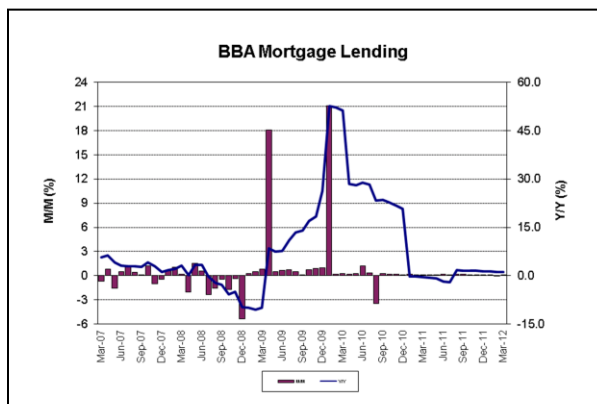
## BoE Mortgage Approvals

Mortgage Approvals increased from 49.0K to 49.9K in March, against expectations for a decline to 48.0K.



## BBA Mortgage Lending

Mortgage Lending as reported by the British Bankers Association fell to 31.8k loans from a revised 32.8k loans in February. The average over the previous six months was 34.9k. The BBA commented on the release, noting that approvals have “dropped back to more normal trend levels after some increases earlier in the year as first time buyers sought to buy before the stamp duty exemption ended in March.”

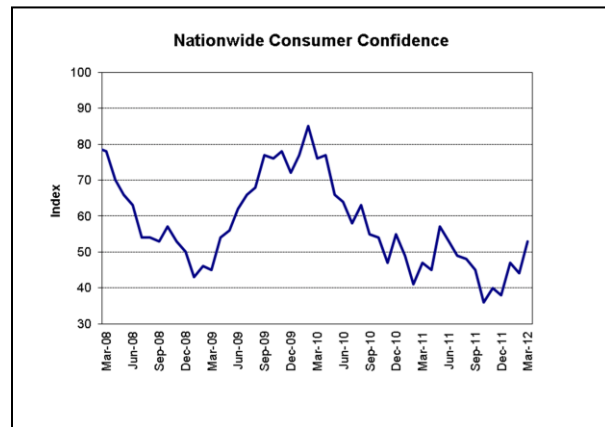


## RPI, PPI & Nationwide Consumer Confidence

### Nationwide Consumer Confidence

Nationwide Consumer Confidence increased from 44 to 53 in March, bringing the series to a nine month high against expectations for a decline to 43. The increase occurred as the present situation gauge improved from 19 to 24, expectations improved from 60 to 63, and spending improved from 78 to 86.

Nationwide commented that "With the economy expected to gather pace only slowly, the improvement in confidence may prove short-lived ... The sharp falls in inflation seen at the start of the year are unlikely to be repeated in the near-term. As a result, the easing price pressures will be less visible to households." Nationwide also commented that the month's improvement "should be kept in perspective" as the index remains more than 20 points below its long term average.



### Data

**CBI Reported Sales** – The CBI reported that its Retail Sales Index dropped from 0 to -6 in April, falling faster than the expected drop to -4. Orders placed dropped 3pts to -7, stocks dropped 17pts to +5, and sales for the time of year improved from -27 to 0. Meanwhile, wholesaling dropped 5pts to +29, Motor trades declined 21pts to -11, and distribution dropped 7pts to +8. Within the forward looking index, retailing is expected to improve from -4 to +19 in May.

**PMI Construction** – The Markit/Construction PMI declined from 56.7 to 55.8, faring better than the market's expected decline to 54.0.

**Hometrack Housing Survey:** House prices increased 0.1% M/M after having increased 0.2% M/M in March. On a Y/Y basis, prices declined 0.9% after declining 1.0% in March. As a percentage of asking prices, sales prices increased from 93.0% to 93.1%. The time taken to sell declined from 9.7 weeks to 9.3 weeks. The number of new properties listed increased from 3.6% to 4.8%. Overall, the increase was the second consecutive monthly increase. Hometrack commented that "The short to medium term outlook for prices hinges on the outlook for demand...conflicting reports over the strength of the economy and renewed fears over the prospects for the Eurozone could over the coming months impact on buyer confidence. As a result, we expect price rises to flatten out as we move into the summer."

## News & Key Upcoming Dates

### News

**May 2<sup>nd</sup> – UK Job Index Falls in April** - (Bloomberg)– A U.K. gauge of new job growth fell to a three-month low in April as demand for workers in banking and health care slowed, recruitment company Reed.co.uk said. The Reed Job Index dropped to 134 from 142 in March, the London-based company said in a report today. An index of salaries slipped 1 point to 98 as pay offers on new jobs declined, Reed said.

### Key Upcoming Dates

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
5/2	Lloyds Business Barometer	APR	N/A	31
5/3	Nat'wide House prices sa (MoM)	APR	0.50%	-1.00%
5/3	Nat'wide House prices nsa(YoY)	APR	-0.30%	-0.90%
5/3	PMI Services	APR	54.1	55.3
5/3	Official Reserves (Changes)	APR	N/A	-\$1132M
5/3- 5/10	Halifax House Price 3Mths/Year	APR	0.40%	-0.60%
5/3- 5/10	Halifax House Prices sa (MoM)	APR	-0.80%	2.20%
5/4	New Car Registrations (YoY)	APR	N/A	1.80%
5/7	BRC Shop Price Index YoY	APR	N/A	1.50%
5/7	Lloyds Employment Confidence	APR	N/A	-58
5/7	RICS House Price Balance	APR	N/A	-10%
5/8	BRC Sales Like-For-Like YoY	APR	N/A	1.30%

## Valance Co., Inc.

**Valance Economic Report: Canada**

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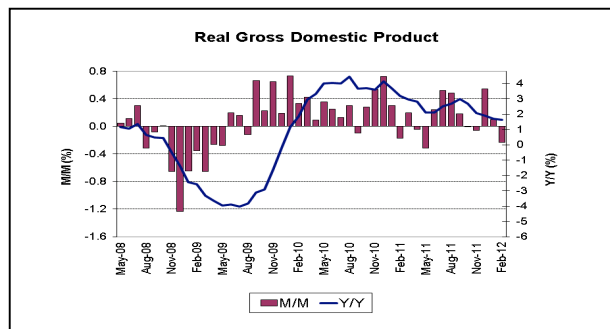
May 2, 2012

**Real GDP unexpectedly declined in February due to mine closures and a decline in manufacturing – the first fall in six months. Meanwhile, Industrial Product Prices were better than expected although declined, excluding fuel prices.**

**Weekly Highlights**

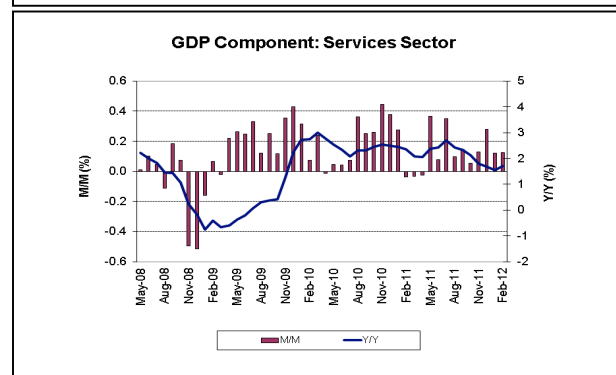
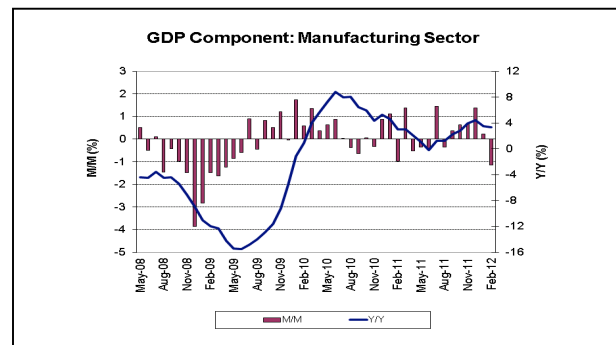
**Real GDP** – declined 0.2% M/M and increased 1.6% Y/Y in Feb. (CA 1)

**Industrial Product Prices** – better than expected in March. (CA 2)

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

Real GDP declined 0.2% M/M and increased 1.6% Y/Y in February, missing expectations for a 0.2% M/M and 2.1% Y/Y improvement.

The Goods-Producing sector declined 1.0% M/M and increased 1.5% Y/Y on broad weakness within the subcomponents. Manufacturing declined 1.2% M/M and increased 3.3% Y/Y. The Service-Producing sector saw a 0.1% M/M and 1.7% Y/Y improvement as strength in wholesale, health, and F.I.R.E. outweighed weakness in retail, transportation, accommodation, industrial products and non-durable manufacturing.

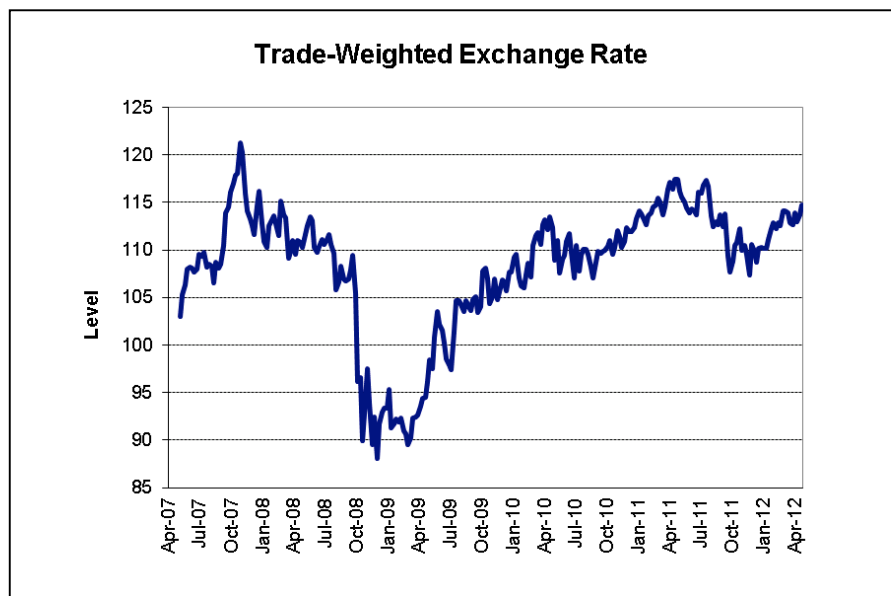


## Financial Balances & FX

### Financial Balances

Canada	Latest period (C\$bln)	Last 12mth. as % of GDP
Budget Balance	1.7 (Jan)	-2.3%
Trade Balance	0.3 (Feb)	-1.4%
Current Account Balance	-10.3 (Q4)	-6.3%
Private Balance	--	-4.0%

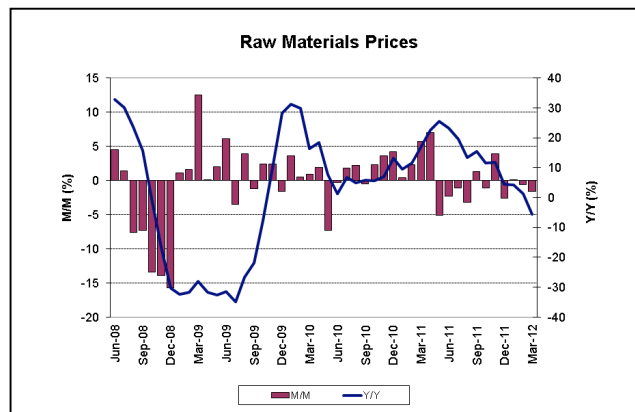
### Trade-Weighted Exchange Rate



## RMPI & IPPI

### Raw Materials Price Index

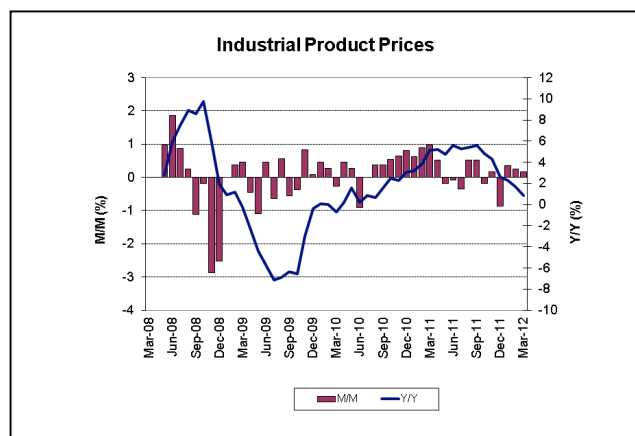
Raw Materials Prices declined 1.6% M/M and 5.6% Y/Y in March. Excluding mineral fuels, prices increased 0.3% M/M and declined 3.2% Y/Y. On a M/M basis, vegetable products, ferrous metals, and animal material prices increased while wood and non-ferrous metals saw price declines.



### Industrial Product Price Index

Industrial Product Prices increased 0.2% M/M and 0.9% Y/Y in March against expectations for no change M/M and a 0.3% Y/Y gain. Excluding petroleum/coal, prices dropped 0.1% M/M and increased 0.4% Y/Y.

Within the data, increases were seen in meat/fish, fruit, textiles, and petroleum while declines were seen in beverages, knitted products, furniture, electrical products, and misc manufactured products.



## News & Key Upcoming Dates

**May 1<sup>st</sup> – BoC Gov Carney Comments – Bloomberg** - Bank of Canada Governor Mark Carney said global regulators must overcome resistance from financial institutions to new rules that may reduce trading profits as they also guard against another credit crunch. Carney, who is also chairman of the Financial Stability Board, made the comment during an interview on “The West Block with Tom Clark” on Global Television today. “We’re a little more than halfway along this process of financial reform and this is really the tough bit because this is where, you know, momentum could flag,” Carney said. “You get the pushback from the industry and so we have to maintain those efforts and we certainly can.” Carney cited the Group of 20’s push to move derivatives trading through new clearinghouses as an example of conflict with bankers in the Global interview. The proposal would replace a less resilient system where individual banks have a larger role and markets seize up when they struggle, Carney said, citing the collapse of Lehman Brothers Holdings Inc. “Every trade has to be registered, every trade has to be revealed,” Carney said in the Global interview. “It’s understandable, but it’s not in the greater good to give into that pushback.” On Canada’s economy, Carney reiterated that the main risks include the spread of Europe’s debt crisis and high levels of domestic consumer debt.

**May 1<sup>st</sup> – Finance Minister Flaherty Comments – Bloomberg** - Speaking to reporters today after a speech to a manufacturing convention in Kitchener, Ontario, Flaherty said factories have taken advantage of a currency that’s appreciated 20 percent in the past three years, and that nobody is expecting the dollar to weaken sharply. The dollar “reflects, to some extent, the strength of the Canadian economic and fiscal fundamentals,” Flaherty said. “I don’t think anyone in Canada really thinks the Canadian dollar is going to go back to where it was some years ago at 65, 70, 75 cents U.S.” Canada’s economy will be challenged by the “persistent strength” of the country’s dollar, as well as slow growth in the U.S. and Europe, central bank Governor Mark Carney said in remarks on April 27 in Ottawa. Flaherty said manufacturers in the Kitchener-Waterloo region west of Toronto are “hiring again, their sales are good.” “The auto sector in particular is doing quite well, compared to the horrible situation that sector was in just a few years ago,” Flaherty said. The currency strength is “a mixed blessing” for factories, Flaherty said, “because they can acquire machinery and equipment, most of which is priced in U.S. dollars, at a more reasonable cost than years gone by. On the other hand, it makes them more difficult to compete.”

### Key Dates This Week

Date	Event	Survey	Prior	
4-May	Ivey Purchasing Managers Index SA	APR	--	63.5
7-May	Building Permits M/M	MAR	--	7.50%
8-May	Housing Starts	APR	--	215.6K

Valance Co., Inc.

**Valance Economic Report: Australia**Reginald Perry  
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May 2, 2012

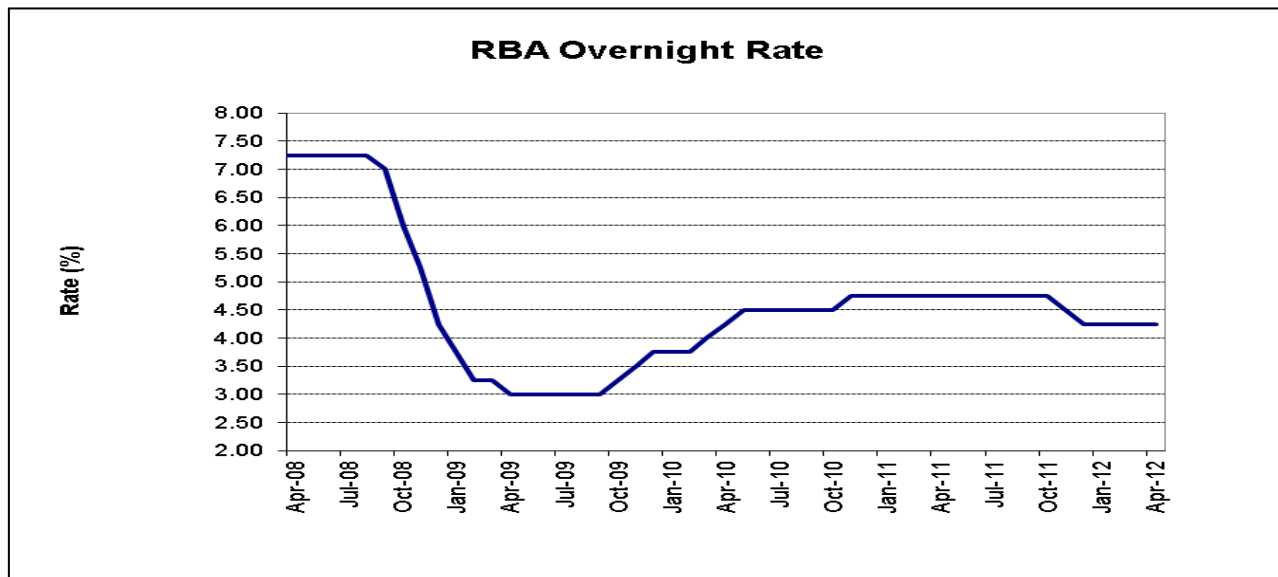
**The RBA cut its target rate by ½ point to 3.75% at its April meeting. New home sales were down M/M.**

**Weekly Highlights**

**RBA Cash Target Rate** – cut by ½ point from 4.25% to 3.75%. (AU 1)

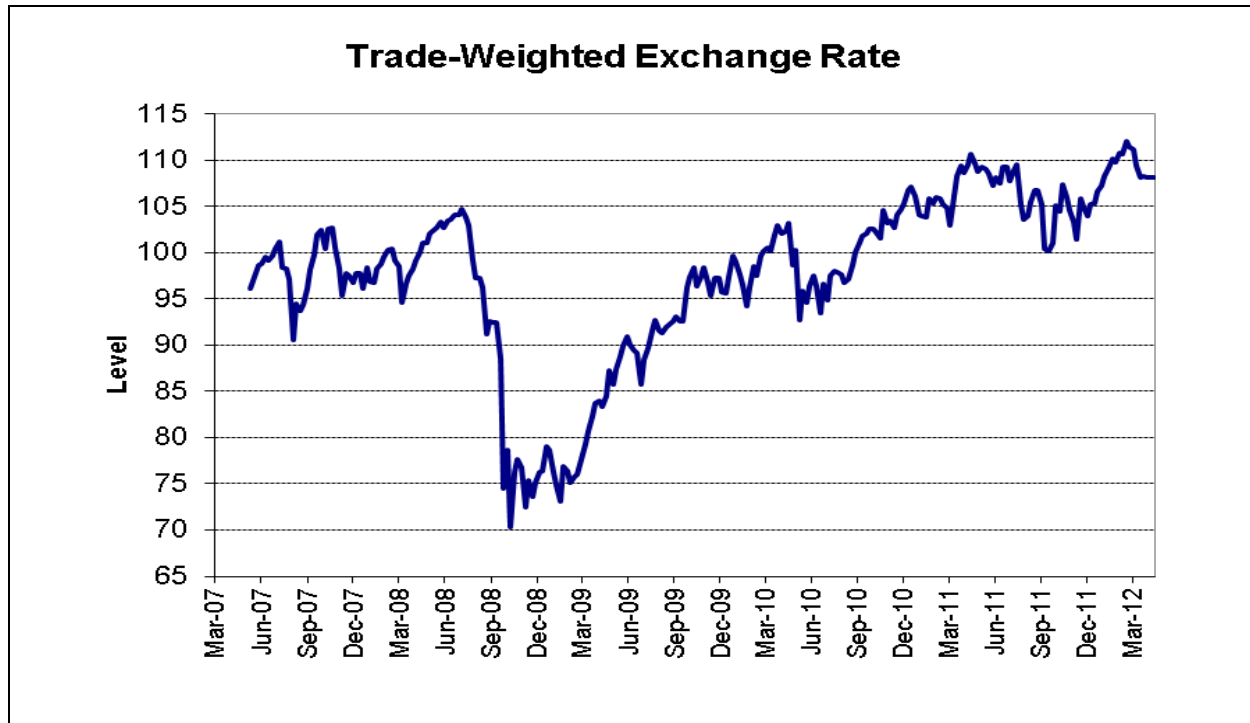
**RBA Commodity Index** – remained flat M/M and fell 5.2% Y/Y in April. (AU 3)

**HIA Home Sales**– fell 9.4% M/M in March. (AU 3)

**Weekly Releases & News****Chart of the Week: RBA Target Rate**

The RBA cut its target rate from 4.25% to 3.75%, the deepest reduction in three years. The full RBA Statement is on page 4.

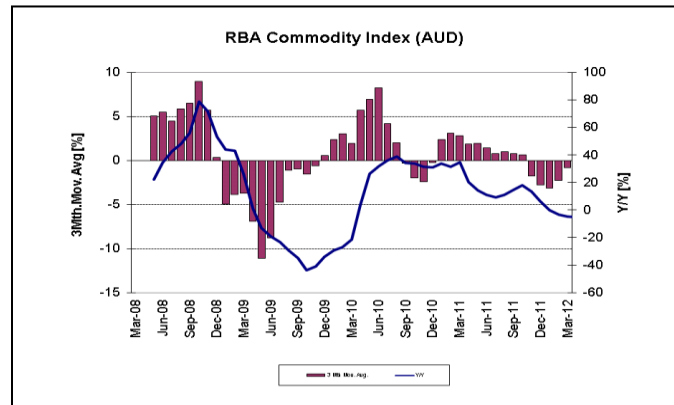
## FX & RBA Commodity Index



## RBA Commodity Index & Data

### RBA Commodity Index

The RBA's Commodity Price Index remained relatively flat M/M and fell 5.2 Y/Y in April.



### Data

**AiG Manufacturing Index** - The Performance of Manufacturing Index eased 5.6 pts to 43.9 in April. This compares to the reading of 48.4 a year ago. New Orders fell 6.2 pts to 42.0, Inventories fell 6.0 pts to 46.4, Supplier deliveries fell 3.9 pts to 43.1, while production fell 6.2 pts to 43.9. Capacity Utilization fell from 73.9% to 72.7%.

**Rismark Housing Survey (rpdata)** - RP Data-Rismark's Hedonic Index reports that Australian home values held ground during the month of April. In the capital cities, RP Data-Rismark showed a slight increase of 2.8%.

**Australia TD Securities Inflation** - A gauge of Australia's monthly inflation slowed this month as the sustained strength of the local currency reduced the cost of clothing and footwear. Consumer prices rose 0.3% from March, after an increase of 0.5%. Prices rose 1.9% in April from a year earlier, after gaining 1.8% in March.

#### **HIA Home Sales:**

According to the Housing Industry Association, sales of newly built homes fell 9.4% M/M in March. Apartment sales fell 6.9% M/M and ex-apartment sales fell 9.7% M/M.

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

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**April 5<sup>th</sup> - The RBA Rate Decision Statement:** “At its meeting today, the Board decided to lower the cash rate by 50 basis points to 3.75 per cent, effective 2 May 2012.

This decision is based on information received over the past few months that suggests that economic conditions have been somewhat weaker than expected, while inflation has moderated.

Growth in the world economy slowed in the second half of 2011, and is likely to continue at a below-trend pace this year. A deep downturn is not occurring at this stage, however, and in fact some forecasters have recently revised upwards their global growth outlook. Growth in China has moderated, as was intended, and is likely to remain at a more measured and sustainable pace in the future. Conditions in other parts of Asia softened in 2011, partly due to natural disasters, but have recently shown some tentative signs of improving. Among the major countries, conditions in Europe remain very difficult, while the United States continues to grow at a moderate pace. Commodity prices have been little changed, at levels below recent peaks but which are nonetheless still quite high. Australia’s terms of trade similarly peaked about six months ago, though they too remain high.

Financial market sentiment has generally improved this year, and capital markets are supplying funding to corporations and well-rated banks. At the margin, wholesale funding costs have declined over recent months, though they remain higher, relative to benchmark rates, than in mid2011. Market sentiment remains skittish, however, and the tasks of putting European banks and sovereigns onto a sound footing for the longer term, and of improving Europe’s growth prospects, remain large. Hence Europe will remain a potential source of adverse shocks for some time yet.

In Australia, output growth was somewhat below trend over the past year, notwithstanding that growth in domestic demand ran at its fastest pace for four years. Output growth was affected in part by temporary factors, but also by the persistently high exchange rate. Considerable structural change is also occurring in the economy. Labour market conditions softened during 2011, though the rate of unemployment has so far remained little changed at a low level.

Recent data for inflation show that after a pickup in the first half of last year, underlying inflation has declined again, and was a little over 2 per cent over the latest four quarters. CPI inflation has also declined, from about 3½ per cent to a little over 1½ per cent at the latest reading, as the weather-driven rises in food prices in the first half of last year have, as expected, now been fully reversed. Over the coming one to two years, and abstracting from the effects of the carbon price, inflation will probably be lower than earlier expected, but still in the 2-3 per cent range. As a result of changes to monetary policy late last year, interest rates for borrowers have been close to their medium-term averages over recent months, albeit tending to increase a little as lenders passed on the higher costs of funding their books. Credit growth remains modest overall. Housing prices have shown some signs of stabilizing recently, after having declined for most of 2011, but generally the housing market remains subdued. The exchange rate remains high even though the terms of trade have declined somewhat.

Since it last changed the cash rate in December, the Board has maintained the view that the setting of policy was appropriate for the time being, but that the inflation outlook would provide scope for easier monetary policy, if needed, to support demand. The accretion of evidence over recent months suggests that it is now appropriate for a further step in that direction.

In considering the appropriate size of adjustment to the cash rate at today’s meeting, the Board judged it desirable that financial conditions now be easier than those which had prevailed in December. A reduction of 50 basis points in the cash rate was, in this instance, therefore judged to be necessary in order to deliver the appropriate level of borrowing rates.”

**Key Dates This Week**

Date	Indicator		Expectation	Previous
3-May	Reserve Bank Board - Statement of Monetary Policy			
5/6/2012 0:00	AiG Perf of Construction Index	APR	--	36.2
6-May	Building Approvals (M/M)	MAR	--	-7.80%
6-May	Building Approvals (Y/Y)	MAR	--	-15.20%
6-May	NAB Business Conditions	APR	--	4
6-May	NAB Business Confidence	APR	--	3
6-May	ANZ Job Advertisements (M/M)	APR	--	1.00%
6-May	Retail Sales s.a. (M/M)	MAR	--	0.20%
6-May	Retail Sales Ex Inflation(Q/Q)	1Q	--	0.40%
7-May	Foreign Reserves	APR	--	A\$49.9B
7-May	Trade Balance	MAR	--	-480M
9-May	Employment Change	APR	--	44.0K
9-May	Unemployment Rate	APR	--	5.20%
9-May	Full Time Employment Change	APR	--	15.8K
9-May	Part Time Employment Change	APR	--	28.2K
9-May	Participation Rate	APR	--	65.40%

# Valance Economic Report: New Zealand

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May 2, 2012

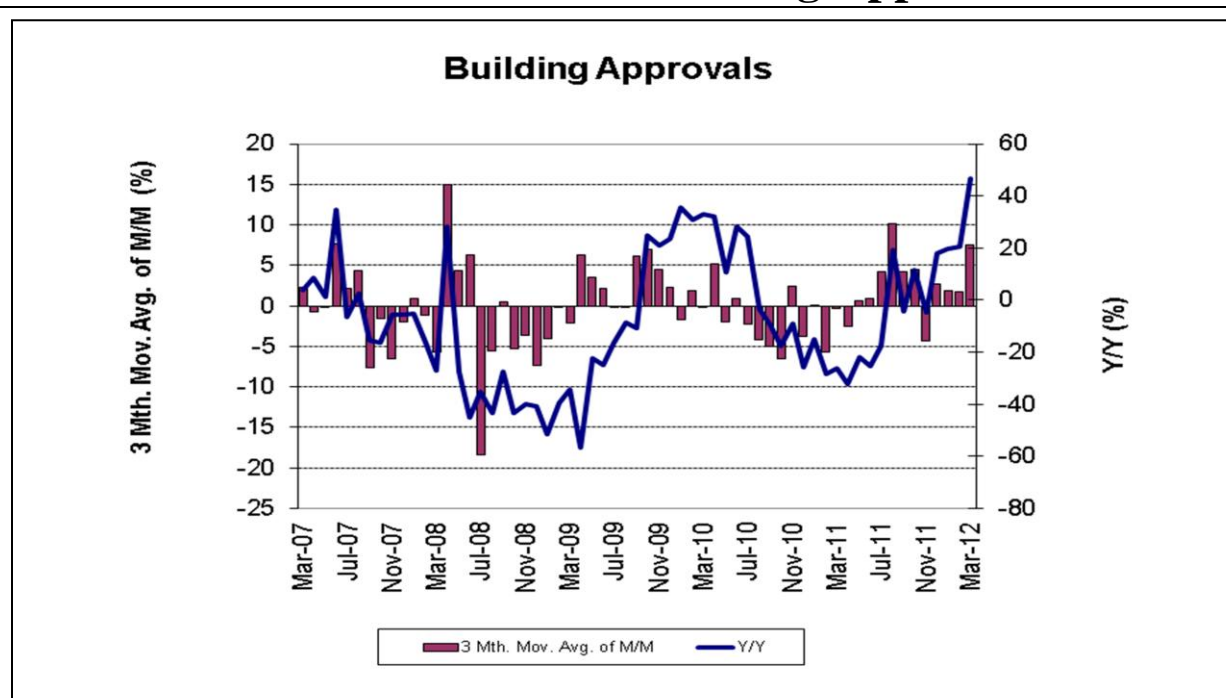
**Home-Building Approvals rose to their highest in almost two years. April's Commodity Export Price Index fell. Total exports rose M/M and fell Y/Y. Total Imports rose M/M and Y/Y.**

## Weekly Highlights

**Building Approvals** – rose 19.8% M/M in March. (NZ 1)  
**Trade Balance**- narrowed to NZ\$ 134 mln. (NZ 3)  
**Total Exports**- rose 16.7% M/M and fell 8.7% Y/Y. (NZ 3)

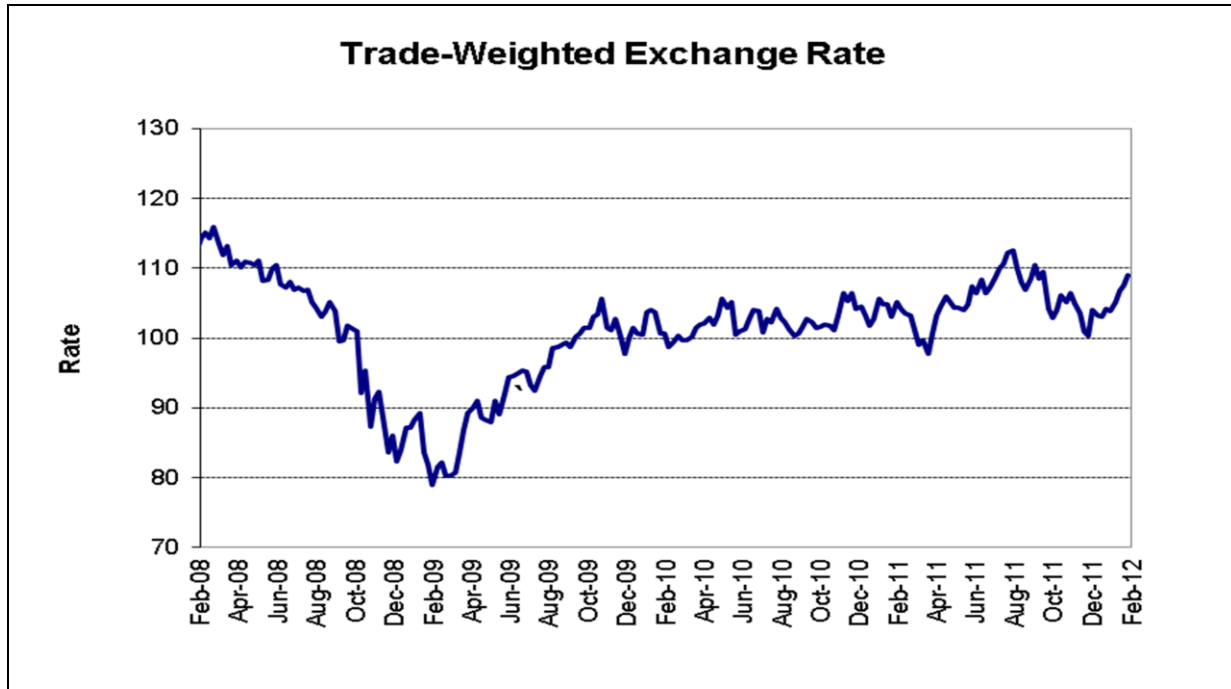
## Weekly Releases & News

### Charts of the Week: Building Approvals



Home-Building Approvals rose by their highest amount in almost two years, 19.8% M/M in March, after falling 6.2% M/M in February. Ex-apartments, approvals increased 11.7% M/M after increasing 1.7% M/M previously.

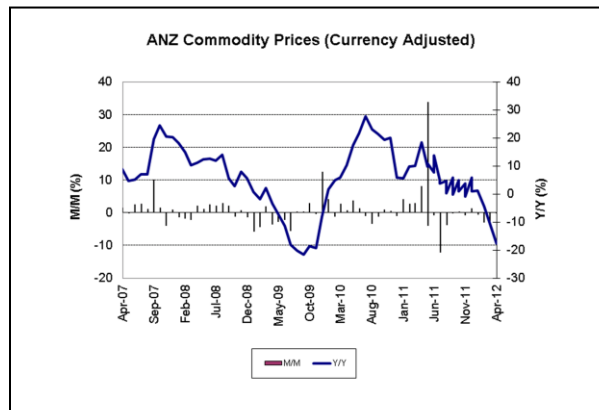
# FX



# ANZ Commodity Prices & Trade Balance

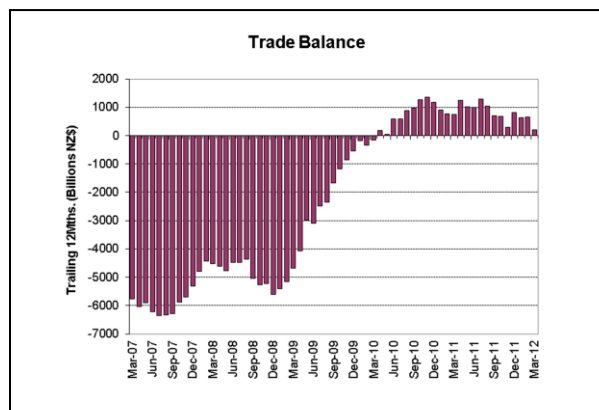
## ANZ Commodity Prices

April's Commodity Export Price Index fell 4.0% M/M and 17.8% Y/Y. Dairy Product prices fell 5.5% M/M and 19.8% Y/Y. Prices fell 4.5% M/M and 14.0% Y/Y in local currency terms.

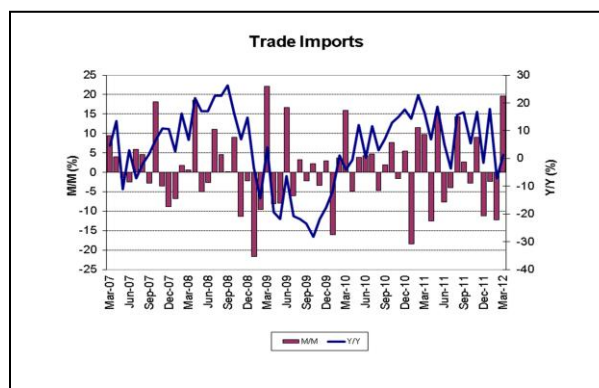
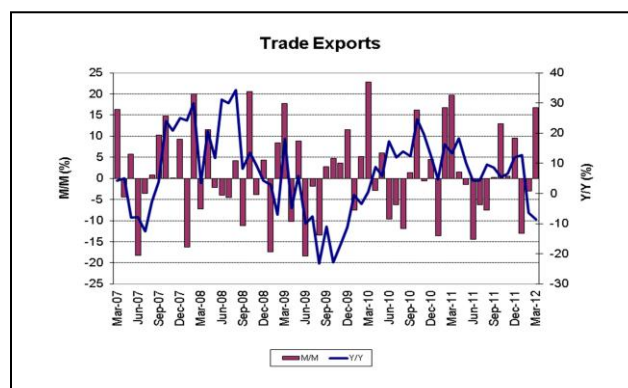


## Trade Balance

New Zealand's Trade Surplus narrowed from NZ\$ 202 mln in February to NZ\$ 134 mln in March. The annual trade surplus narrowed from NZ\$ 655 mln to NZ\$ 207 mln.



## Exports & Imports



Total exports rose 16.7% M/M and fell 8.7% Y/Y. Total Imports rose 19.7% M/M and 1.2% Y/Y.

## ***Data***

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### **NBNZ Business Confidence:**

In April, General Business Confidence rose from 33.8% in March to 35.5 in April. The business activity outlook fell from 38.8% to 35.8%, this is a measure of expected sales and profits for the next 12 months

### **Private Wages:**

Private Wages rose at a slower pace in Q1, non-government workers excluding overtime rose 0.5% and wages included overtime rose 0.5%.

### **Money Supply M3:**

Money supply aggregates rose 5.0% Y/Y according to the Reserve Bank of New Zealand.

**Key Dates This Week**

Date	Indicator	Expectation	Previous
8-May	NZ Card Spending - Retail M/M	APR --	0.30%
8-May	NZ Card Spending - Total M/M	APR --	-0.20%
9-May	Business NZ PMI	APR --	54.5
9-May	QV House Prices Y/Y%	APR --	3.00%

## Weekly Economic Report: *China*

Evelyn L. Richards

May 2, 2012

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**Two gauges of China's manufacturing sector showed slight improvement in April and suggests some stabilization in the economy: The official PMI rose to its highest level in a year, while the HSBC PMI inched closer to 50.**

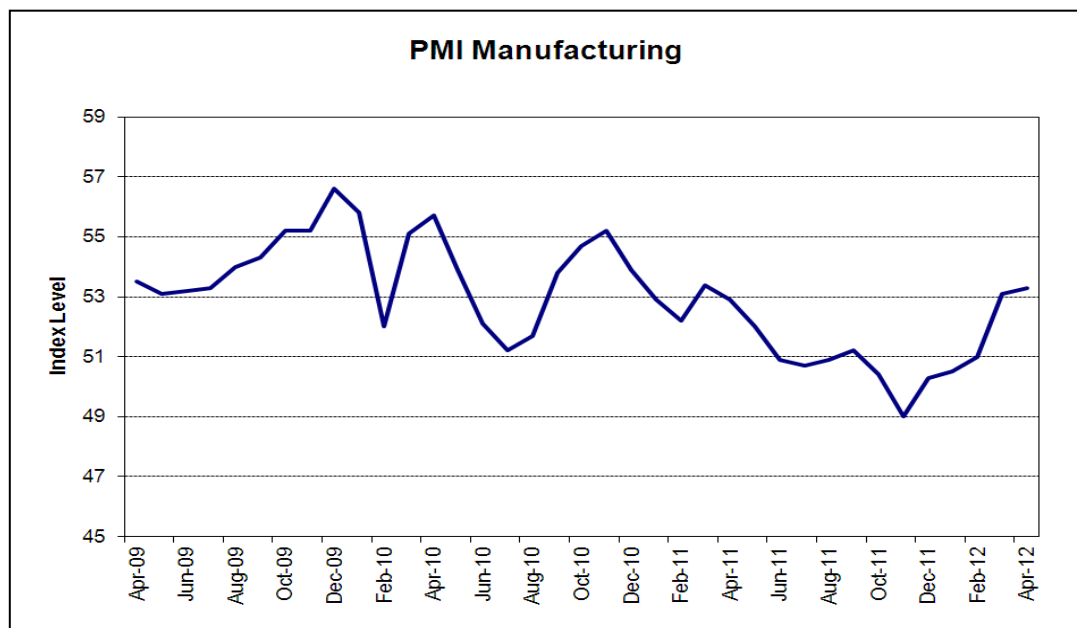
### Weekly Highlights

**PMI Manufacturing** – rose from 53.1 in March to 53.3 in April. (CH 1)

**HSBC Manufacturing PMI** – rose from 48.3 in March to 49.3 in April. (CH 2)

### Weekly Releases & News

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



According to the China Federation of Logistics and Purchasing (CFLP), the Purchasing Managers' Index rose .2 percentage points, from 53.1 in March to 53.3 in April – marking its highest level in a year. The Index was forecast to reach 53.6. Only two of the Index's subcomponents increased. CFLP Analyst, Zhang Liqun remarked, "The PMI continued to rise in April, though at a more modest pace. It shows that China's economy has become more stable although there are still uncertainties." See PMI Manufacturing Results on the following page.

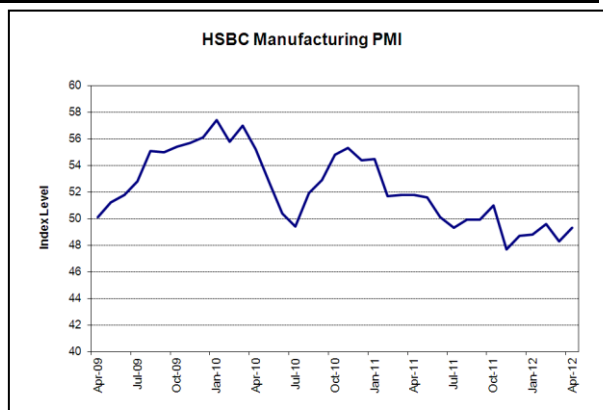
## PMI & Data

### PMI Manufacturing Results

	Apr 2012	Mar 2012	Feb 2012	Jan 2012	Dec 2011	Nov 2011	Oct 2011	Sep 2011
Manufacturing PMI	<b>53.3</b>	53.1	51.0	50.5	50.3	49.0	50.4	51.2
Output	<b>57.2</b>	55.2	53.8	53.6	53.4	50.9	52.3	52.7
New Orders	<b>54.5</b>	55.1	51.0	50.4	49.8	47.8	50.5	51.3
New Export Orders	<b>52.2</b>	51.9	51.1	46.9	48.6	45.6	48.6	50.9
Backlogs of Work	<b>48.4</b>	50.5	49.4	43.2	46.6	45.2	46.0	48.9
Inventories of Finished Goods	<b>49.5</b>	50.8	50.5	48.0	50.6	43.1	50.3	49.9
Purchases Quantity	<b>54.4</b>	54.8	53.6	50.2	50.9	49.8	50.7	51.5
Imports	<b>50.5</b>	51.5	50.8	46.9	49.1	47.3	47.0	50.1
Input Prices	<b>54.8</b>	55.9	54.0	50.0	47.1	44.4	46.2	56.6
Inventories of Raw Materials	<b>48.5</b>	49.5	48.8	49.7	48.3	46.7	48.5	49.0
Employment	<b>51.0</b>	51.0	49.5	47.1	48.7	49.0	49.7	51.0
Supplier Delivery Times	<b>49.6</b>	48.9	50.3	49.7	50.1	50.4	50.7	49.5

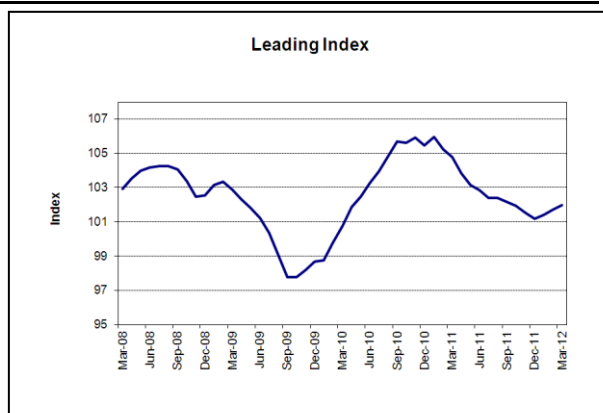
### HSBC Manufacturing PMI

The HSBC Manufacturing PMI rebounded from 48.3 in March to 49.3 in April – above the 49.1 flash reading released last week. Qu Hongbin, Chief HSBC Economist remarked, “The upward revision to April's final PMI reading, compared to the flash estimate, confirms that the pace of China's slowdown is stabilized.”



### Leading Index

China's Leading Index fell from 100.69 in February to 100.52 in March.



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## **Data & News**

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### **Data**

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**April 26<sup>th</sup> (Bloomberg) – YTD Industrial Profits** – improved from -5.2% Y/Y in February to -1.3% in March – totaling 1.04 trln yuan.

### **News**

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**April 26<sup>th</sup> (Reuters) - Moody's confirms China Aa3 rating, outlook positive** – Moody's Investors Service said:

*Rapid economic growth, coupled with low deficits and debt of the central government, have provided ample fiscal headroom to manage contingent risks in local government finances, or in the banking system.*

*Political, economic, and financial event risks, which could prompt an abrupt, multi-notch downgrade, are considered as low and manageable, but not unimaginable.*

**April 26<sup>th</sup> (Bloomberg) - China Economy to Grow 7.5%-8.55 in 2012, 2013** - Moody's Investors Service remarked:

*[China's economic growth will slow to 7.5 percent to 8.5 percent this year and next, as a euro-area recession curbs exports.]*

*The positive rating outlook is supported by favorable medium term economic growth prospects as well as by strong government debt dynamics. Political or economic event risks, which could prompt an abrupt, multi-notch downgrade, are considered as low but not unimaginable.*

*[Rapid economic growth, low deficits and debt of the central government have provided] ample fiscal headroom [to manage risks in local-government finances. Exposure to euro area banks is] very limited, [the company said.]*

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

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### News (Cont'd.)

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**April 26<sup>th</sup> (China Daily) - Wen Pledges Development** – Premier Wen Jiabao made the following comments:

*[China is faced with a] long-term and formidable task [to transform its development pattern and realize sustainable growth.]*

*China has a strategic period of development, which may last 10 or 20 years, but our aim is not to achieve development over just 10 or 20 years.*

*We aim to achieve development over 50 years, 100 years...dozens of generations. Therefore, we must attach great importance to China's sustainable development.*

*So we must spare no effort to learn from other countries' advanced experiences and civilizations...to build our country's beautiful future.*

*[The principle of] common but differentiated responsibilities [should be upheld in order to help developing countries gain their fair right to development.]*

### Key Dates This Week

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05/02	China Non-Manufacturing PMI	APR	--	58.0
05/03	China HSBC Services PMI	APR	--	53.3

Valance Co., Inc.

# Valance Economic Report: Sweden

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May 2, 2012

In March, Sweden's Trade Surplus narrowed and Retail Sales rose for the sixth straight month. Consumer Confidence improved to its highest level in nine months and activity in the manufacturing sector stayed put at 50.2 in April. The minutes of the April 17<sup>th</sup> meeting, showed the Riksbank's policymakers had mixed views on Sweden's monetary policy.

## Weekly Highlights

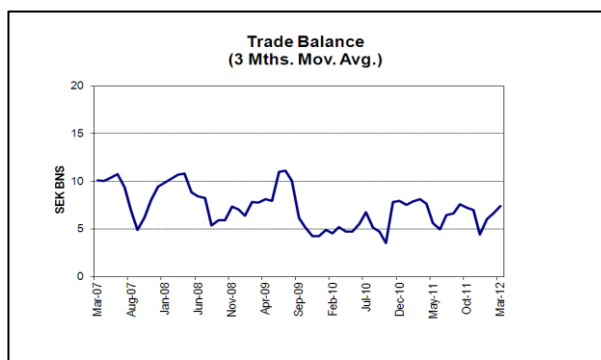
**Trade Surplus** – narrowed to a surplus of SEK 4.8 bln in March. (SW 1)

**Retail Sales** - rose 0.2% M/M and 4.5% Y/Y in March. (SW 2)

**Consumer Confidence** – rose from 0.0 in March to 4.7 in April. (SW 2)

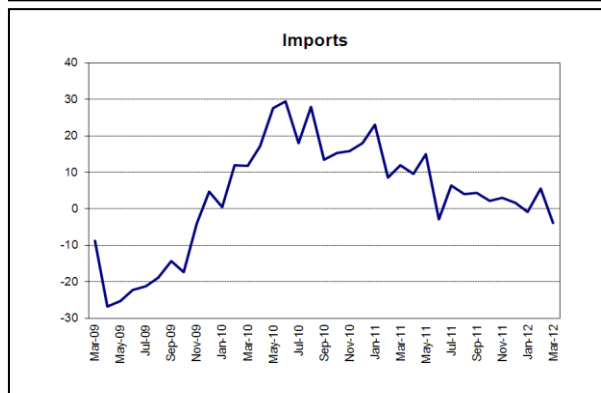
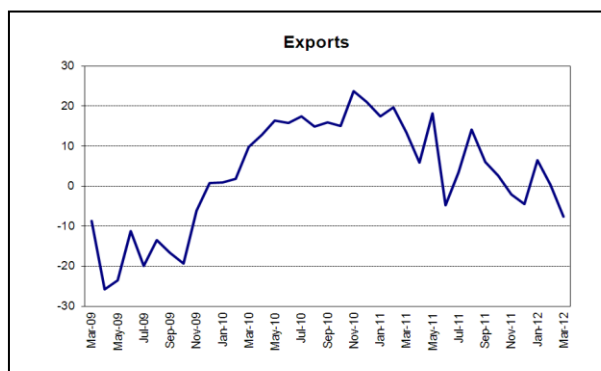
## Weekly Releases & News

### Chart(s) of the Week: Trade Data



Sweden's Trade Surplus narrowed from SEK 6.2 bln in February to SEK 4.8 bln in March; and down from a surplus of SEK 8.1 bln a year earlier. A surplus of SEK 7.0 bln was expected.

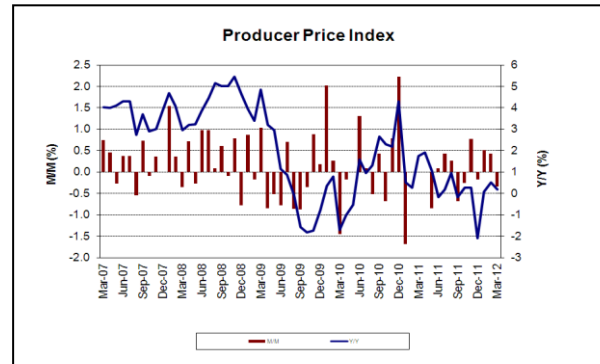
Exports decreased by 7.0% Y/Y (following 0.3% Y/Y growth the previous month); Imports fell 4.0% Y/Y (following a gain of 5.5% Y/Y the previous month).



## PPI, Retail Sales & Consumer Confidence

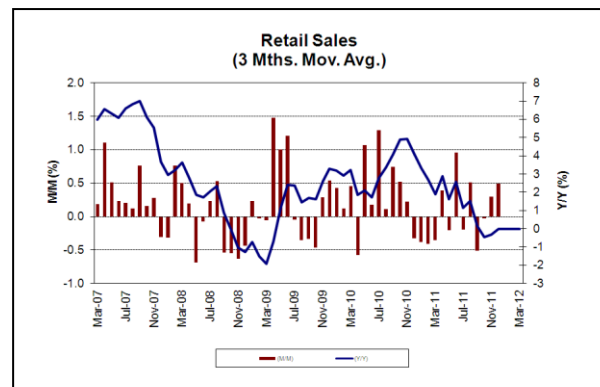
### PPI

The Producer Price Index fell 0.3% M/M and rose 0.2% Y/Y in March, compared with 0.4% M/M and 0.5% Y/Y the previous month. Prices were forecast to fall 0.3% M/M and gain 0.1% Y/Y.



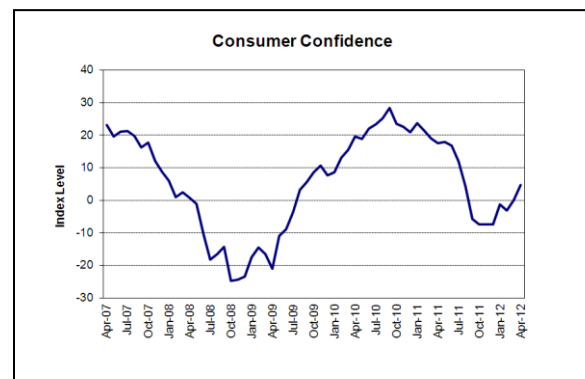
### Retail Sales

Retail Sales rose 0.2% M/M and 4.5% Y/Y in March, compared with 1.3% M/M and 3.5% Y/Y in February. Sales were forecast to fall 0.3% M/M and gain 3.4% Y/Y. Additionally, Retail Sales for consumables and durables increased by 2.0% Y/Y and 6.5% Y/Y, respectively.



### Consumer Confidence

Sweden's Consumer Confidence Index rose to 4.7, following a 0.0 reading the previous month. Expectations were for a reading of 1.0.



## Manufacturing Confidence & PMI

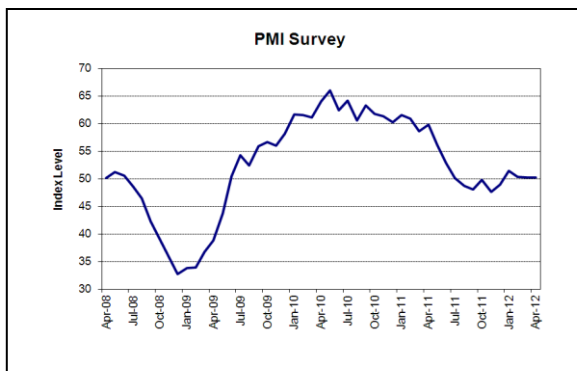
### Manufacturing Confidence

As expected, the seasonally adjusted Manufacturing Confidence Index fell from +1 in March to -1 in April.



### PMI

Sweden's Purchasing Managers' Index remained unchanged at 50.2 in April. Five of the Index's 10 subcomponents were above the expansion zone. The Index was expected to reach 50.5. See below for PMI results.

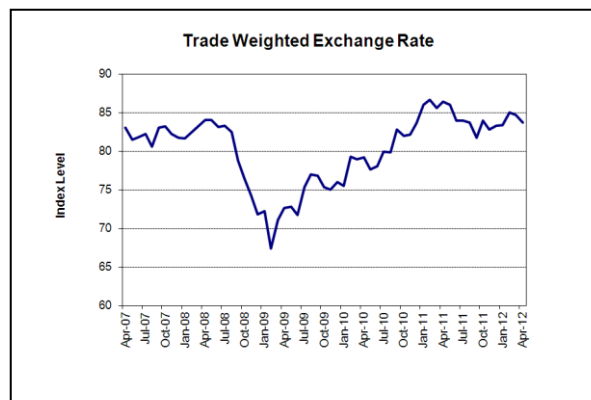


### PMI Results

	Apr 2012	Mar 2012	Feb 2012	Jan 2012	Dec 2012	Nov 2011	Oct 2011	Sep 2011	Aug 2011	July 2011	June 2011
PMI	<b>50.2</b>	50.2	50.3	51.4	48.9	47.6	49.8	48.1	48.7	50.1	52.9
Orders	<b>51.2</b>	50.5	49.5	52.0	47.0	47.1	50.5	46.5	47.0	45.4	52.3
Production	<b>51.2</b>	48.6	51.9	52.9	49.2	46.2	48.2	48.9	48.6	49.4	54.0
Employment	<b>46.7</b>	49.5	48.3	48.0	49.5	48.3	50.7	50.0	50.9	53.7	51.3
Delivery Times	<b>49.3</b>	49.3	52.6	51.0	49.9	45.6	47.8	47.5	49.1	54.4	58.1
Stocks	<b>46.3</b>	43.7	51.2	47.0	48.3	46.0	47.1	52.0	51.5	50.1	51.4
Export Orders	<b>52.3</b>	50.1	48.7	49.9	48.7	47.5	48.9	48.3	48.0	46.9	52.5
Domestic Orders	<b>48.3</b>	48.6	48.5	49.0	45.1	46.1	49.1	46.2	42.3	43.4	48.8
Stocks of Orders	<b>52.7</b>	48.6	48.0	50.6	46.4	45.1	48.9	47.0	47.9	49.1	51.0
Raw Material Prices	<b>52.3</b>	55.3	52.5	50.3	42.6	42.6	39.9	47.0	47.4	51.5	60.5
Import Prices	<b>48.6</b>	47.9	50.6	50.3	46.5	44.5	46.8	45.8	48.5	50.4	52.2

## Trade Weighted Exchange Rate, Data & News

### Trade Weighted Exchange Rate



### Data

**April 30<sup>th</sup> (Bloomberg) - Household Borrowing Growth** – remained unchanged at 5.0% Y/Y in March. It was expected to reach 4.9%.

**April 26<sup>th</sup> (RTT News) – The Economic Tendency Survey** – fell 0.8 points from 101.7 in March to 100.9 in April. It was expected to reach 100.5.

### News

**May 2<sup>nd</sup> (Bloomberg) - Swedish Economy Set to Accelerate After Slowdown** – Riksbank Governor, Stefan Ingves remarked in the minutes of the April 17 meeting:

*[Consumer and business confidence surveys suggest] the Swedish economy has put the largest fall in growth behind it.*

*Indicators point to exports rising once again, but weak conditions abroad mean that the upturn will be fairly limited. Domestic demand is also expected to be weak in the near future.*

*Although households have become slightly more optimistic, a poorer labor market also contributes to households being more cautious than normal. The weak housing market will hold back housing investment in the coming period.*

**May 2<sup>nd</sup> (RTT News) - Riksbank Policymakers Split Over Expansionary Monetary Policy** – The minutes of the April 17 meeting showed the Central Bank's policymakers were not all in agreement relative to the expansionary monetary policy. Deputy Governors Karolina Ekholm and Lars Svennson anticipated a 1.00% repo rate – with Ekholm seeking a rate-path of 1.0% through Q3 of 2013 then rising to 2.25% toward the end of the forecast period; while Svennson sought a repo-rate path of 0.75% from Q3 of this year through Q3 of 2013, then rising to 2.0%.

## News & Upcoming Dates

### News

**April 30<sup>th</sup> (Reuters) - Sweden to fight for own tighter bank rules at EU meeting** - The Finance Ministry said:

*The government considers that member states should have bigger possibilities to take the measures they think are necessary to secure financial stability at national level than the current proposal sets out.*

*The government thinks that is unacceptable.*

**April 30<sup>th</sup> (Bloomberg) - EU Bank Targets Rebuffed by Swedes Seeking Tougher Rules** - Swedish Finance Minister, Anders Borg said:

*I am not willing to compromise on the core principles that we have, so we will take a tough position in these negotiations.*

*I will not be ready to give up any of the major interests of our country.*

*It is very important to get a deal, but in this issue we have some core principles that we will defend quite heavily.*

*“At the end of the day, there might be a need for a kind of a phasing in of tougher requirements, but at least 5 percent additional capital in the long-term is necessary.*

### Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
05/04	Service Production	MAR	-- / 1.5%	0.4% / 1.3%
05/08	Budget Balance	APR	--	9.5B
05/09	Average House Prices	APR	--	--

# Valance Economic Report: Switzerland

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May 2, 2012

**In April, the KOF Leading Indicator improved for the third consecutive month and Manufacturing PMI contracted against expectations.**

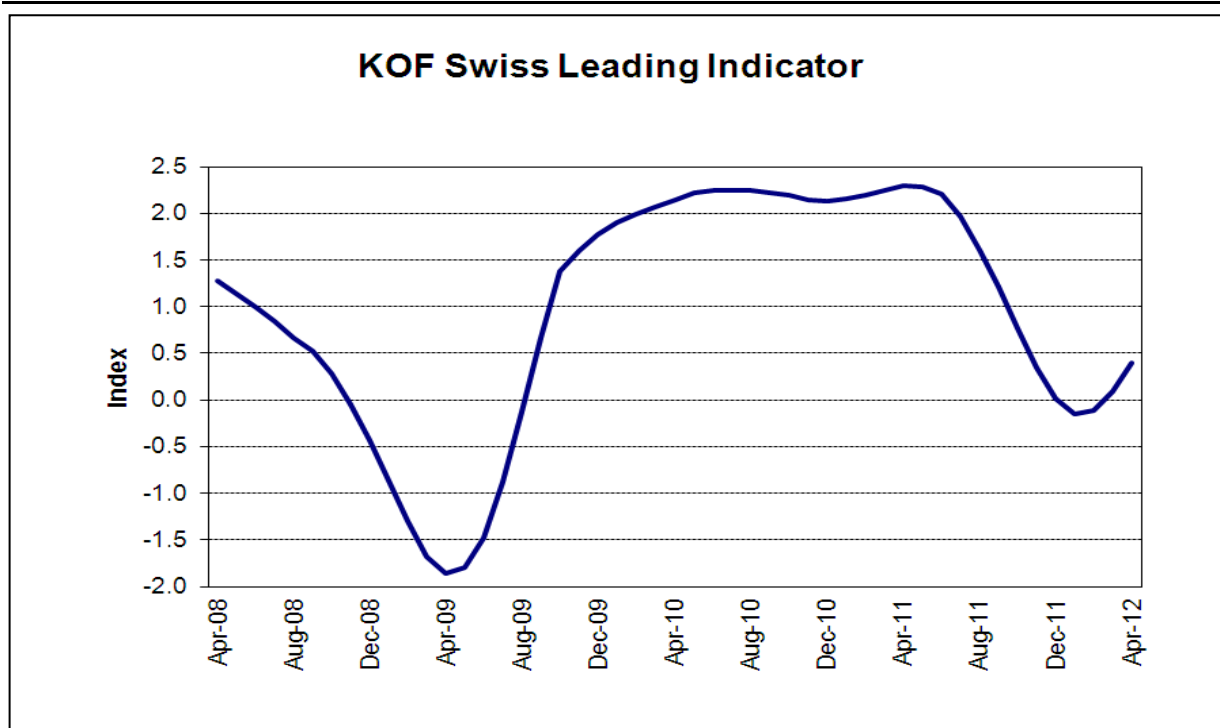
## Weekly Highlights

**KOF Swiss Leading Indicator** – rose from 0.09 in March to 0.40 in April. (SZ 1)

**PMI** – fell from 51.1 in March to 46.9 in April. (SZ 2)

## Weekly Releases & News

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



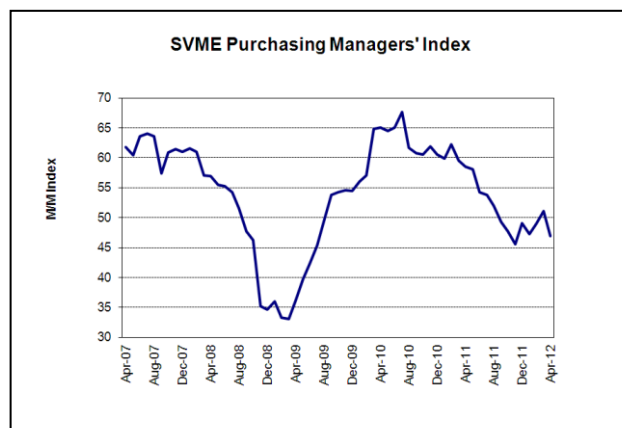
The monthly aggregate of indicators improved from 0.09 in March to 0.40 in April. This was the third increase in as many months. The KOF remarked, “the reading is now clearly in positive territory. This suggests that the Swiss economy is gaining momentum and that over the next few months, Swiss economic growth is likely to be distinctively positive in year-on-year terms.”

SZ 1

## PMI & Trade Weighted Exchange Rate

### PMI

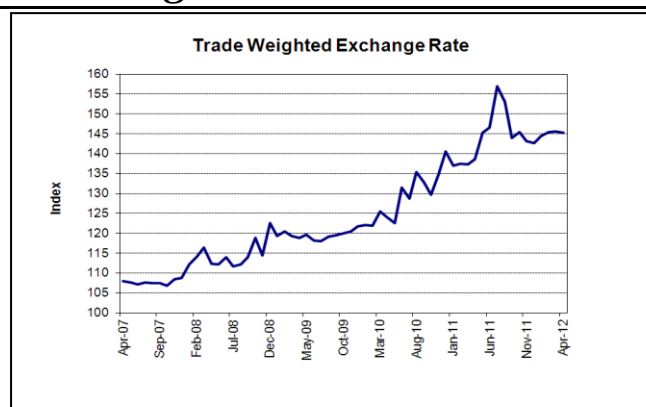
Switzerland's Purchasing Managers' Index contracted from 51.1 in March to 46.9 in April. Only one of the Index's subcomponents increased and remained above the expansion zone. The index was expected to reach 51.0. See PMI Survey Results below.



### PMI Results

	Apr 2012	Mar 2012	Feb 2012	Jan 2012	Dec 2011	Nov 2011	Oct 2011	Sep 2011	Aug 2011	July 2011	June 2011
PMI s.a.	<b>46.9</b>	51.1	49.0	47.3	49.1	45.6	47.7	48.2	51.7	53.5	53.4
Output	<b>46.2</b>	52.6	50.6	51.8	52.2	47.3	48.0	46.5	54.3	51.5	46.6
Backlog of Orders	<b>47.8</b>	55.3	51.7	47.6	50.6	45.7	46.2	44.9	46.4	45.6	48.8
Quantity of Purchase	<b>43.2</b>	47.2	45.6	44.0	47.7	43.6	42.6	40.1	46.1	42.8	46.7
Purchase Prices	<b>49.6</b>	51.6	48.1	50.3	46.8	45.5	41.3	36.7	34.6	46.2	51.8
Suppliers Delivery Times	<b>50.8</b>	48.5	44.2	41.2	41.3	42.7	45.8	55.6	60.0	67.8	69.2
Stocks of Purchases	<b>44.6</b>	45.1	45.4	47.5	49.8	43.7	44.9	47.1	51.0	57.1	50.9
Stocks of Finished Goods	<b>47.9</b>	49.5	44.5	52.4	49.7	50.2	45.3	46.7	50.7	54.0	51.3
Employment	<b>44.8</b>	47.9	48.1	45.7	48.6	46.4	48.6	50.6	50.3	55.4	58.2
PMI NSA	<b>48.6</b>	52.7	49.5	47.4	45.1	45.2	47.7	50.7	50.5	51.9	55.7

### Trade Weighted Exchange Rate



## News & Upcoming Dates

### News

**April 27<sup>th</sup> (Bloomberg) - SNB Is Ready to Act as Franc Poses Challenges** – SNB President, Thomas Jordan made the following comments:

*We are acutely aware that considerable challenges still remain for the Swiss economy, despite the minimum exchange rate. Should the economic outlook and the threat of deflation require it, the SNB is prepared at any time to take further measures.*

*Financial markets are constantly changing their assessment of risks. A situation may also occur in which the market decides to test the defense of the minimum exchange rate. Consequently, the SNB is present in the foreign exchange market at all times.*

*[... there's no inflation risk] in the foreseeable future [and the] threat of a deflationary trend has been kept in check. [Interest rates in Switzerland] are likely to remain low for a while.*

*This modest economic momentum is likely to be reflected in a moderate increase in unemployment over the course of the next few quarters. The expected economic activity is lower than would be the case for normal capacity utilization. This means there will be no inflationary pressure from this source.*

### Key Dates This Week

Date	Indicator	Month	Expectation	Previous
05/03	UBS Real Estate Bubble Index	Q1	--	0.80
05/04	Retail Sales (Real)	MAR	1.1%	0.8%
05/07	Unemployment Rate / sa	APR	--	3.2% / 3.1%
05/07	Foreign Currency Reserves	APR	--	237.5B
05/07	CPI	APR	--	0.6% / -1.0%
05/07	CPI – EU Harmonised	APR	--	0.9% / -1.0%
05/08	SECO Consumer Confidence	APR	--	-19