

Weekly Economic Reports

January 10, 2005

Highlights

- **US:** Payrolls suggest continued trend growth
- **Euroland:** Renewed weakness in German and French labor markets
- **Japan:** Weaker-than-expected industrial production
- **UK:** A slew of new, weak home price series
- **Canada:** Strong employment number puts BoC back in play
- **Australia:** Housing continues to soften

Table of Contents

U.S.....	2
Euroland	11
Japan	18
United Kingdom	25
Canada	31
Australia	35
Sweden	39
Switzerland	42

United States
Cesar Guerra
(340) 692-7710
cguerra@valance.us

Japan
La-Toya Elizee
(340) 692-7710
lelizee@valance.us

Canada, Australia &
New Zealand
Davin Patton
(340) 692-7710
dpatton@valance.us

Switzerland
Milo Prochazka
(340) 692-7710
mprochazka@valance.us

Europe
Sean O'Reilly
(340) 692-7710
soreilly@valance.us

United Kingdom
Gabe Weber
(340) 692-7710
gweber@valance.us

Sweden
Evelyn Richards
(340) 692-7710
erichards@valance.us

This document is for information purposes only and should not be regarded as an offer to sell or as a solicitation of an offer to buy the products mentioned in it. No representation is made that any returns will be achieved. Past performance is not necessarily indicative of future results; any information derived herein is not intended to predict future results. This information has been obtained from various sources, including where applicable, entered by the user; we do not represent it as complete or accurate. Users of these calculators are hereby advised that Valance Co., Inc. takes no responsibility for improper, inaccurate or other erroneous assumptions to the extent such data is entered by the user hereof. Opinions expressed herein are subject to change without notice. The securities mentioned in this document may not be eligible for sale in some states or countries, nor suitable for all types of investors.

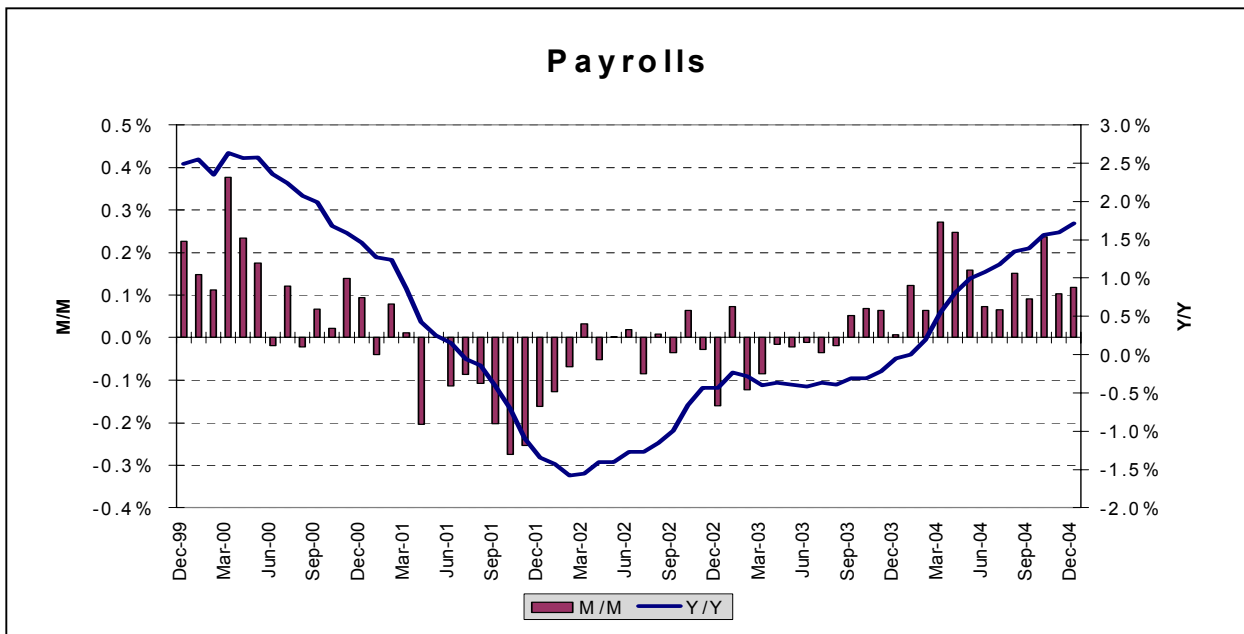
U.S.

The data since Christmas has been light and overall uneventful. The highlights include payrolls that showed trend growth for employment and the Fed minutes that revealed increased sensitivity to inflation.

Weekly Highlights

- **Employment-** payrolls increased 157k in December, yielding trend growth. (Cover page)
- **Core PCE-** increased 0.2% M/M and 1.5% Y/Y in December. (page 3)
- **Chicago PMI & Manufacturing ISM** – had employment components that declined for December. (page 4)
- **Consumer Confidence-** improved in December according to various indicators. (page 5)

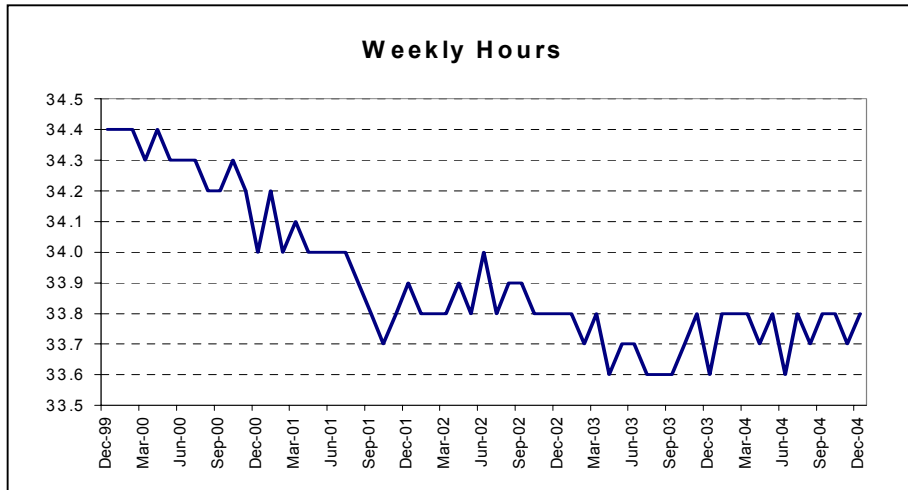
Chart of the Week



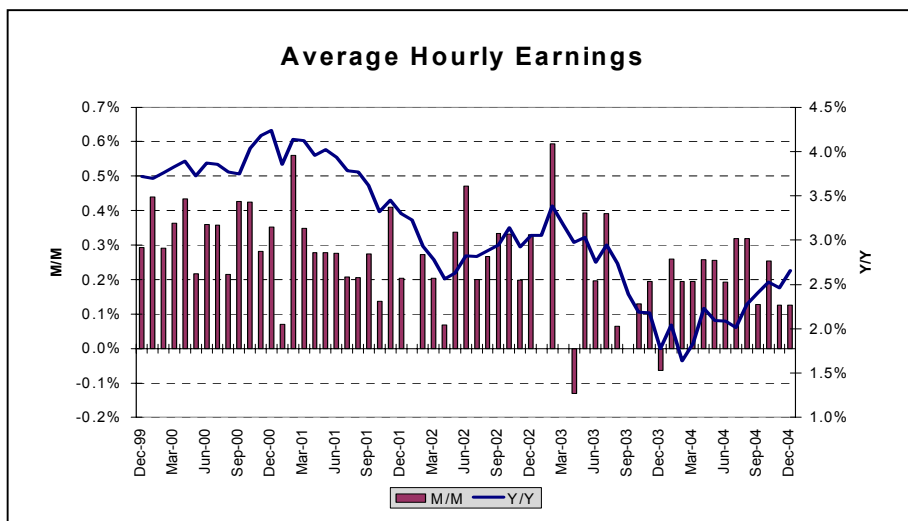
Total Non-farm Payrolls increased 157k or 0.1% M/M and 1.7% Y/Y in December. December's payroll number was uneventful because it was in-line with market expectations and trend growth for employment. The details of the report also showed data consistent with trend growth.

Employment

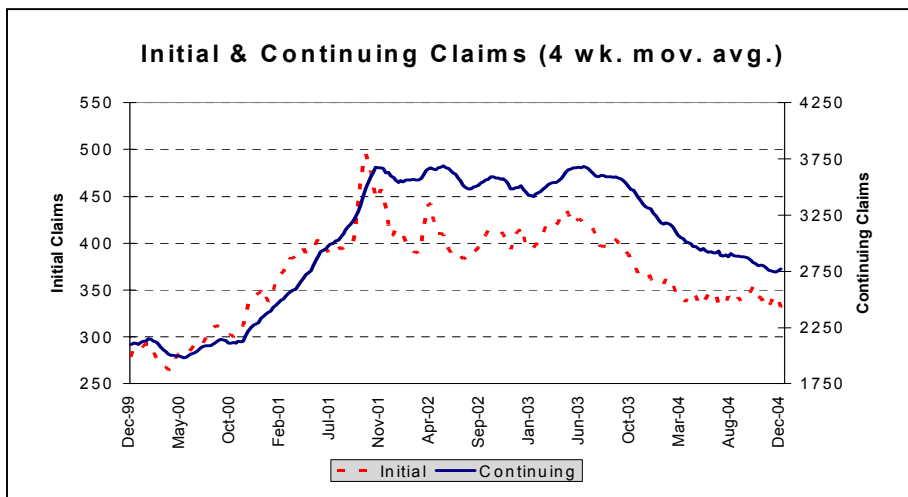
Average weekly hours ticked up to 33.8 in December. This series remains at low levels on an absolute basis, suggesting that slack remains in the labor force.



Average hourly earnings increased 0.1% M/M and 2.7% Y/Y in December. Wage growth accelerated in 2004, but still remains at a modest absolute level which should keep inflationary pressures at bay.

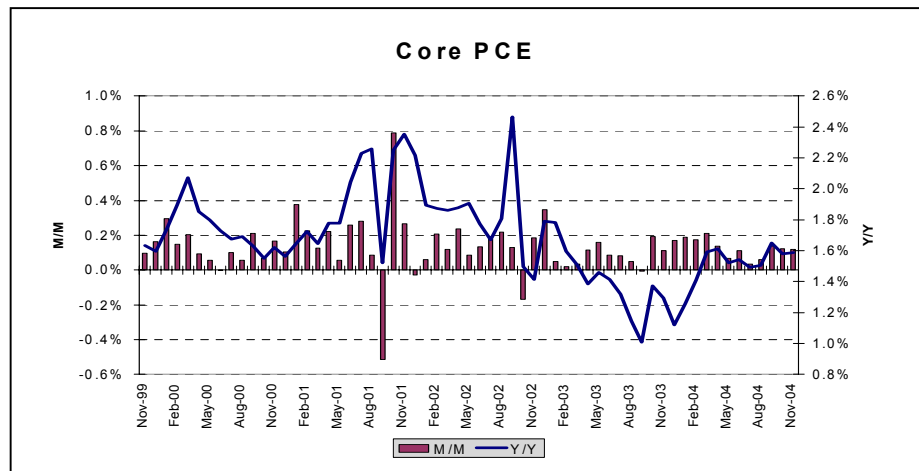


The four week moving average of initial claims and continuing claims increased to 333k and 2,770k, respectively. Both series have continued to stabilize at current levels after trending down since the summer of 2003. Last week's initial claims data jumped to 364k and will be important to monitor going forward.

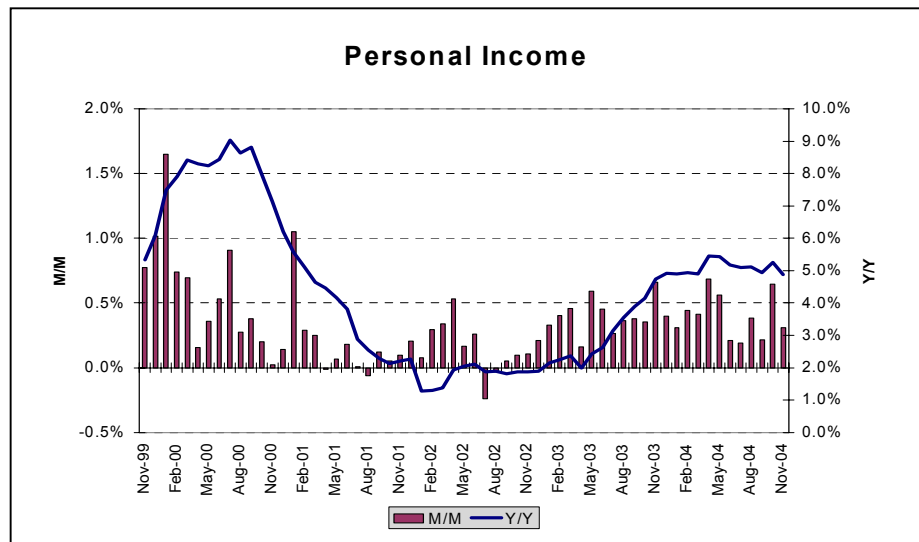


Personal Income Data

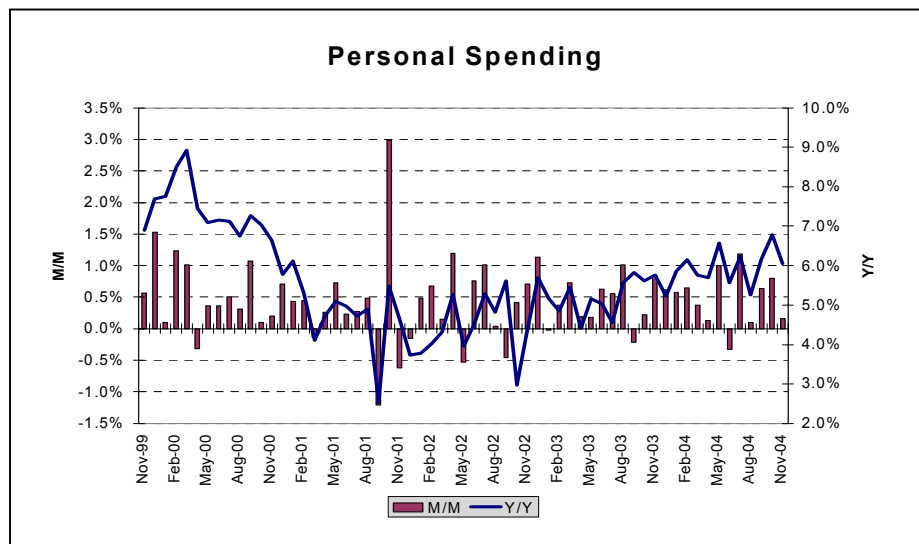
Core PCE increased 0.2% M/M and 1.5% Y/Y in November. The Fed's favorite inflation indicator continued to show an extremely tame environment through November in contrast to core CPI, which reached 2.2% on a Y/Y basis



Personal income increased 0.3% M/M and 4.9% Y/Y in November. Income growth has appeared to level off at a healthy 5% Y/Y growth. If employment begins to soften this should trend lower.



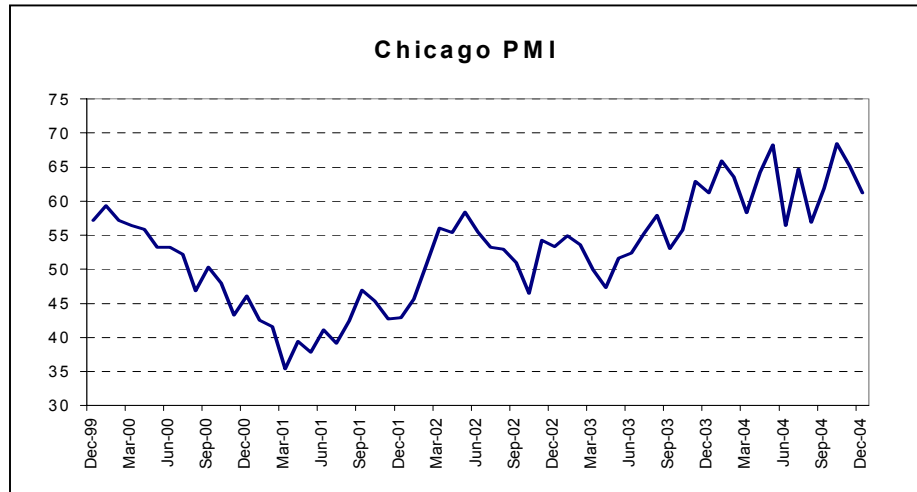
Personal Spending increased 0.2% M/M and 6.1% Y/Y in November. The spending gains have been supported by healthy income gains, but is also at risk of softening considerably if employment gains fall.



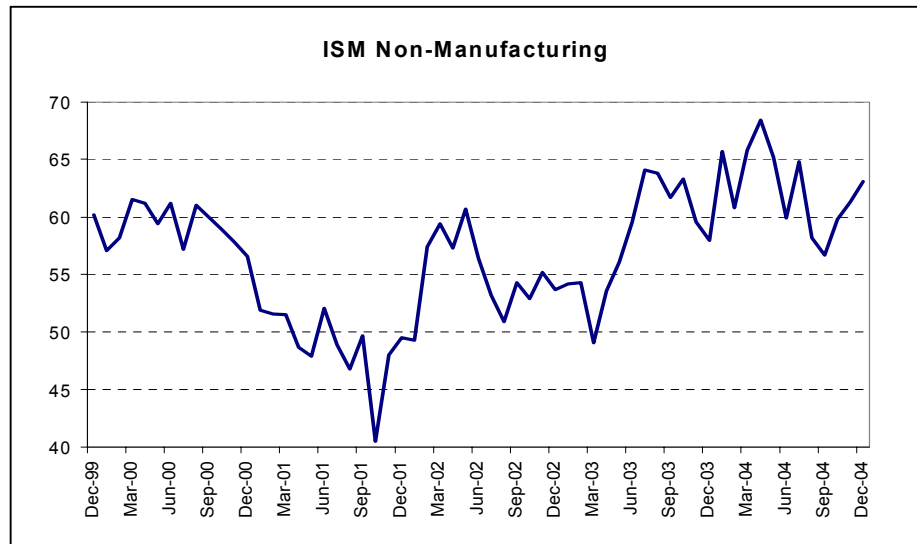
Chicago PMI & ISMs

The Chicago PMI declined from 65.2 to 61.2 in December.

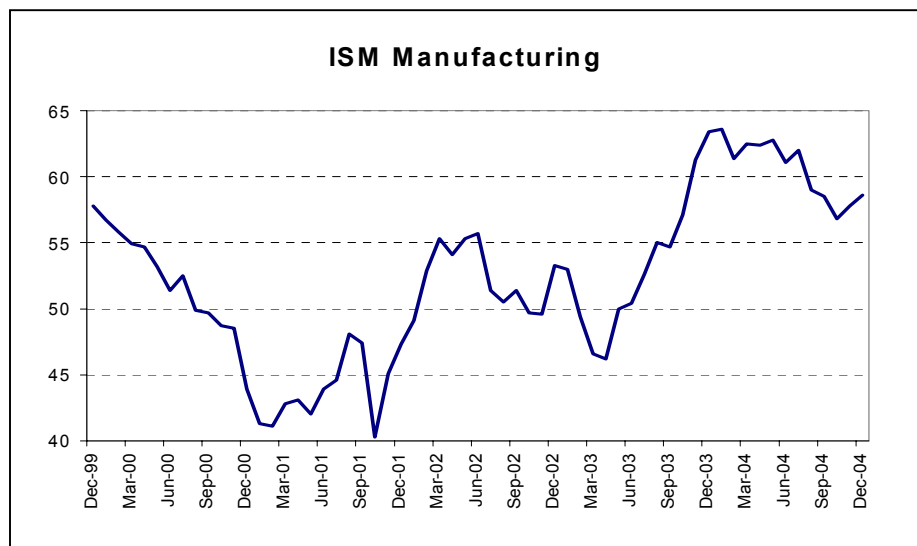
The employment component dropped from 60.8 to below 50 at 49.1.



The ISM Non-Manufacturing Index increased from 61.3 to 63.1 in December. The components, were all relatively stable.

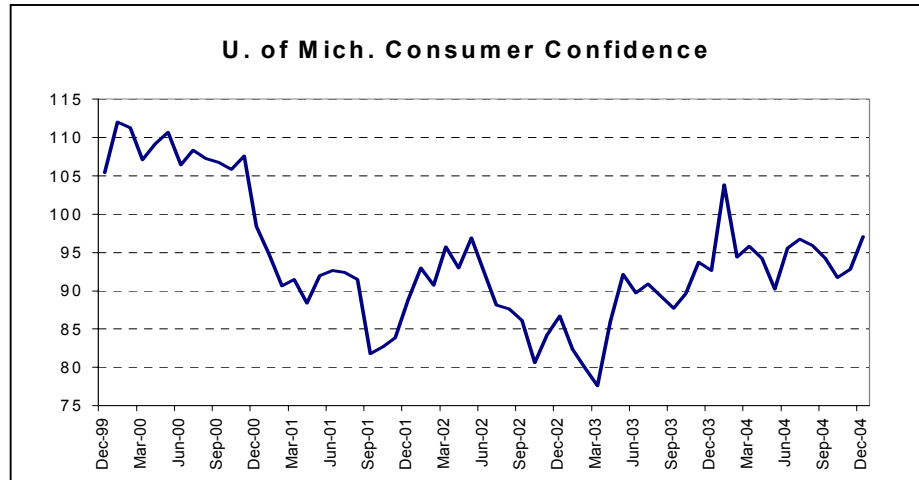


The ISM Manufacturing Index increased from 57.8 to 58.6 in December. The employment series declined from 57.6 to 52.7; this is a sign that the employment market may be softening.

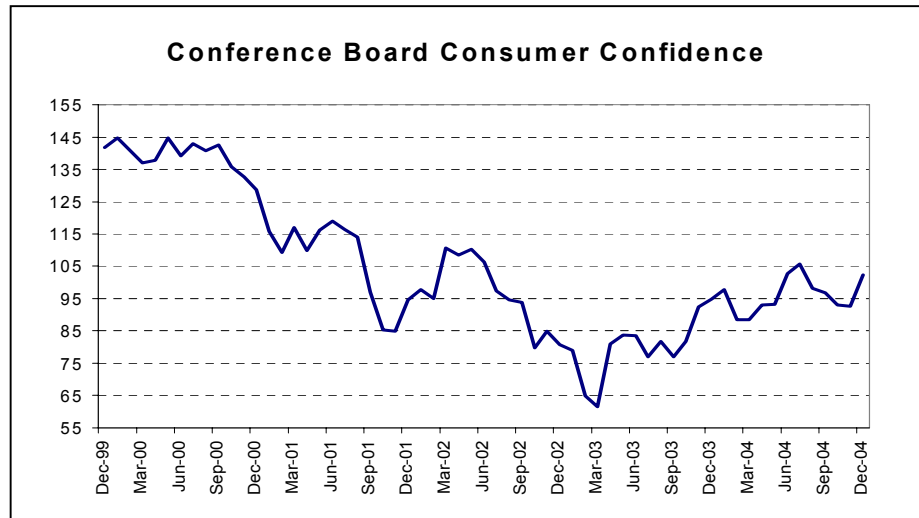


Consumer Confidence

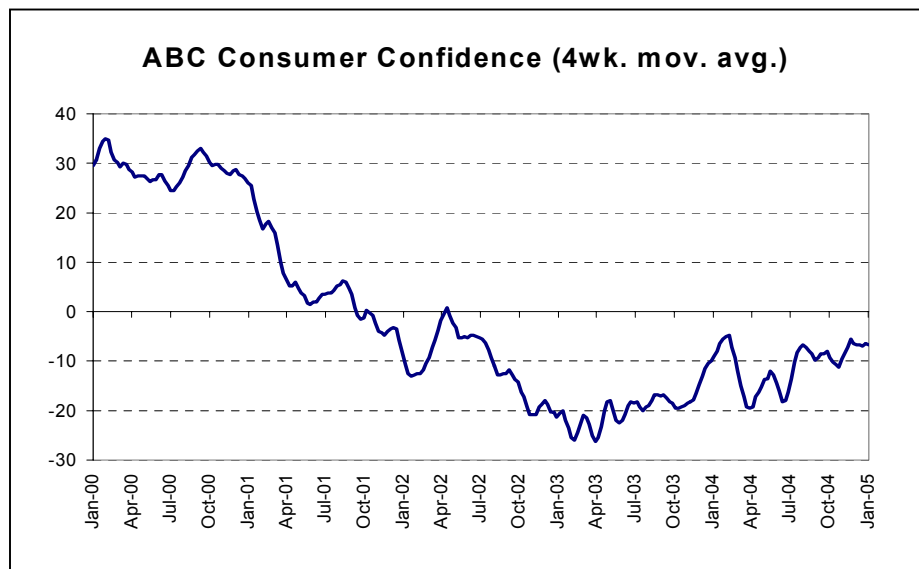
The U. of Michigan Consumer Confidence Index increased from 92.8 to 97.1 in December. Both the Current Assessment and Future Expectations Index have improved.



The Conference Board's consumer confidence series increased from 92.6 to 102.3 in December. This series confirms the improvement in confidence seen in other indicators for December.

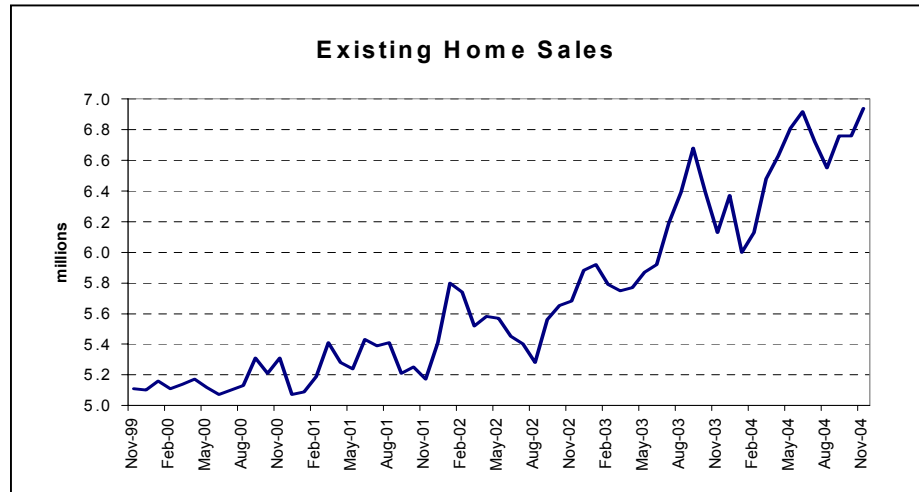


The ABC Consumer Confidence Index declined from -7 to -9 for the week of January 3rd. The economy component declined from -14 to -18, the buying climate component declined from -22 to -24, while the finances components remained flat.

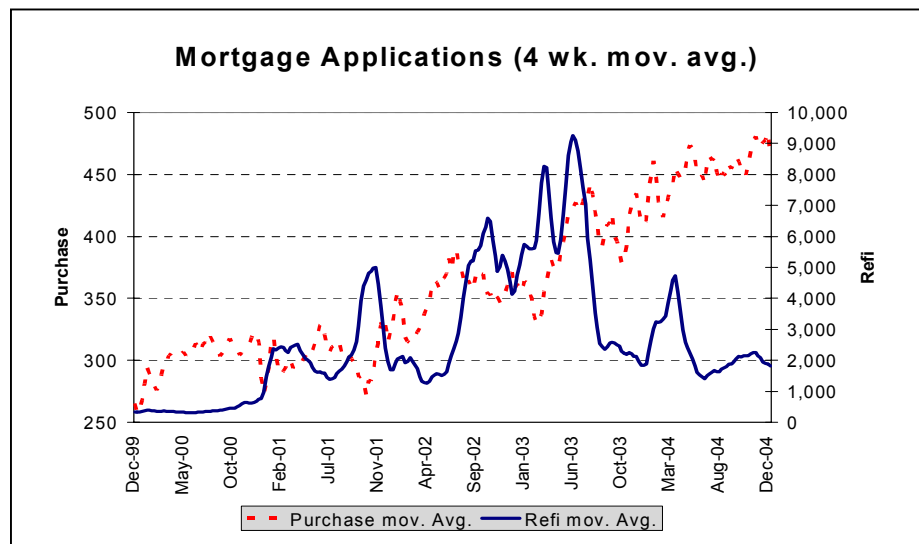


Housing, Mort. Applications & Help Wanted

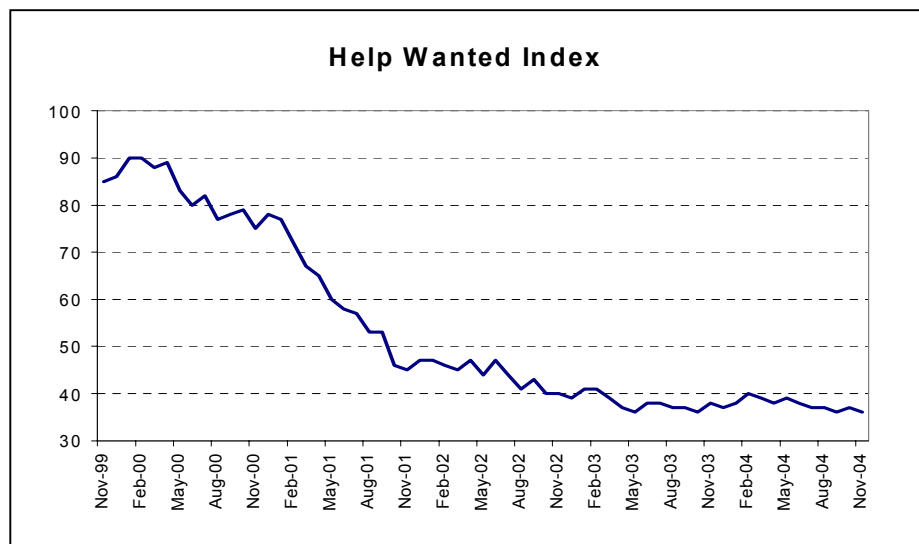
Existing home sales increased from 6.8 million to 6.9 million in November. The median price of the existing homes sold also increased from 185k to 188k.



Mortgage applications dropped significantly for the week ending 12/31/04, but distortions in the data due to calendar effects make this reading less significant. The four week moving average of purchase applications remain elevated.

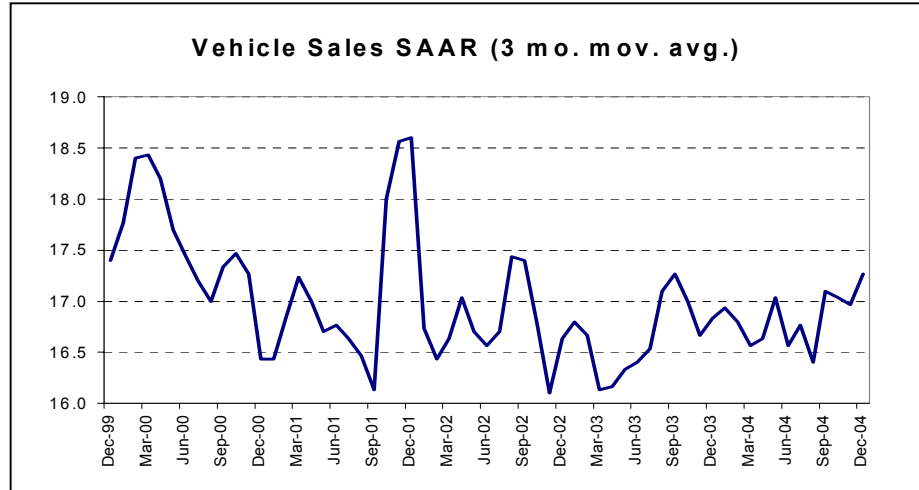


The Help Wanted Index declined from 37 to 36 in November. This series has been flat for most of 2004, suggesting that demand for labor has not yet recovered.

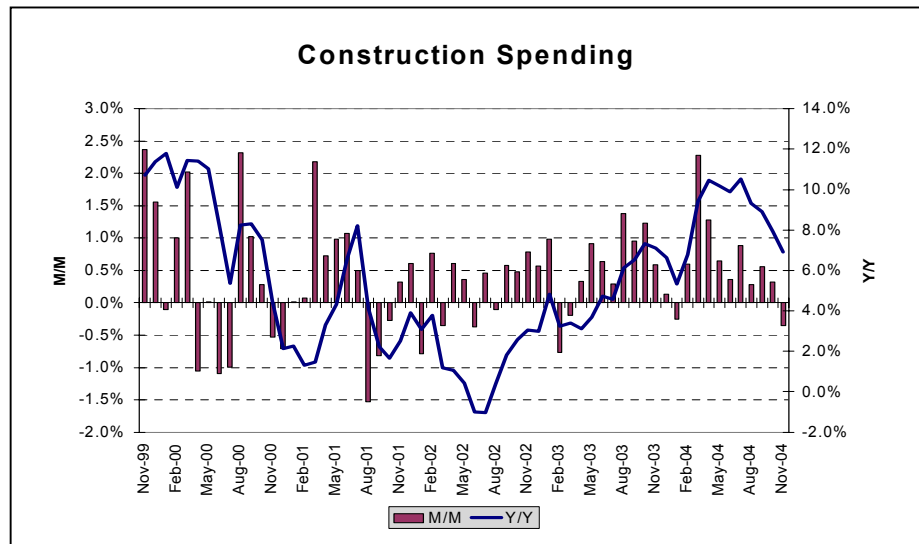


Vehicle Sales, Construction & Durable Goods

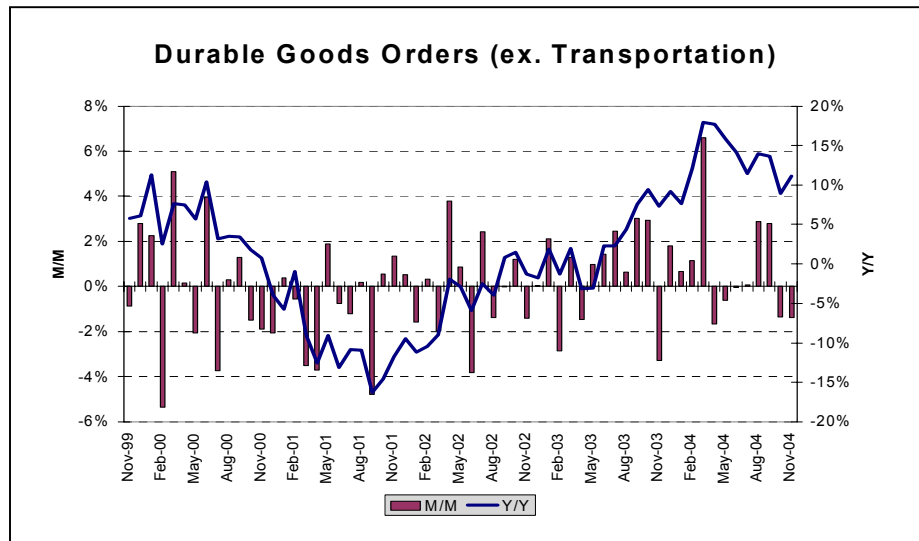
Vehicle sales increased from 16.4 to 18.4 in December on a seasonally adjusted annual rate basis. Despite the significant incentives offered by domestic producers, they continued to lose market share.



Construction spending decreased 0.4% M/M and increased 6.9% Y/Y in November. After peaking in the summer of 2004, construction spending is clearly trending lower.

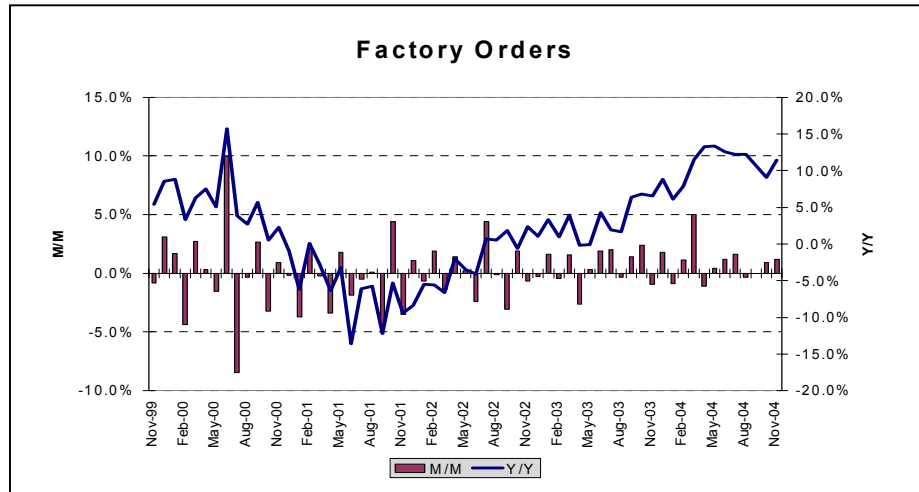


Durable goods, excluding transportation, decreased 1.4% M/M and increased 11.1% Y/Y in November. This volatile series appears to be trending lower. However, durable goods orders, excluding defense, increased 3.7% M/M and 10.8% Y/Y.

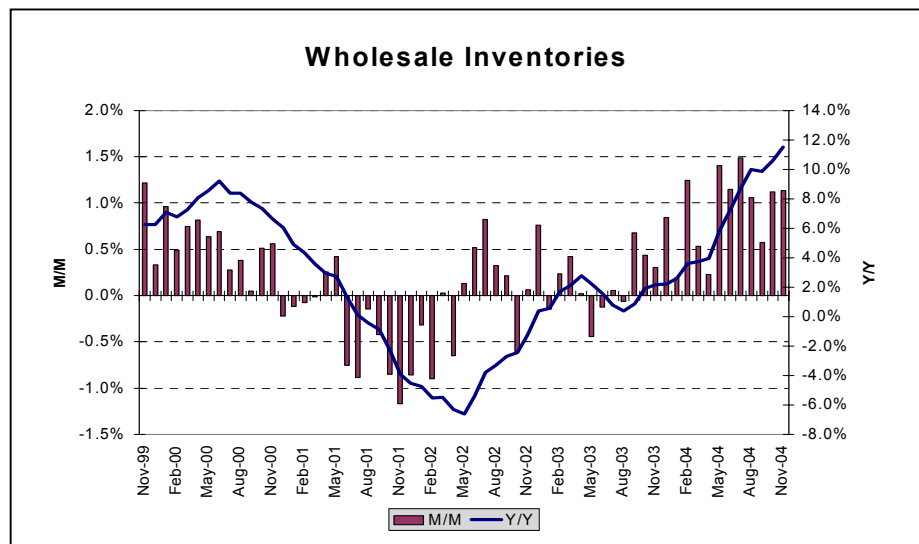


Factory Orders & Wholesale Inventories

Factory orders increased 1.2% M/M and 11.4% Y/Y in November. Factory order growth remains at healthy levels.



Wholesale inventories increased 1.1% M/M and 11.5% Y/Y in November. Y/Y growth in inventories continued to trend higher towards the end of 2004- a sign that final demand could be softening.



Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
1/11	ABC Consumer Confidence (JAN 9)	NA	-9
1/12	MBA Mortgage Applications (JAN 7)	NA	-10.6%
1/12	Trade Balance (NOV)	-\$53.9B	-\$55.5B
1/12	Monthly Budget Statement (DEC)	\$0.0B	\$17.6B
1/13	Import Price Index (DEC)	-0.4% M/M	0.2% M/M
1/13	Advance Retail Sales Less Autos (DEC)	1.1% M/M	0.1% M/M
1/13	Initial Claims (JAN 8)	340k	364k
1/13	Core PPI (DEC)	0.2% M/M	0.2% M/M
1/14	Business Inventories (NOV)	0.6% M/M	0.2% M/M
1/14	Industrial Production (DEC)	0.5% M/M	0.2% M/M
1/14	Capacity Utilization (DEC)	78.9%	78.7%

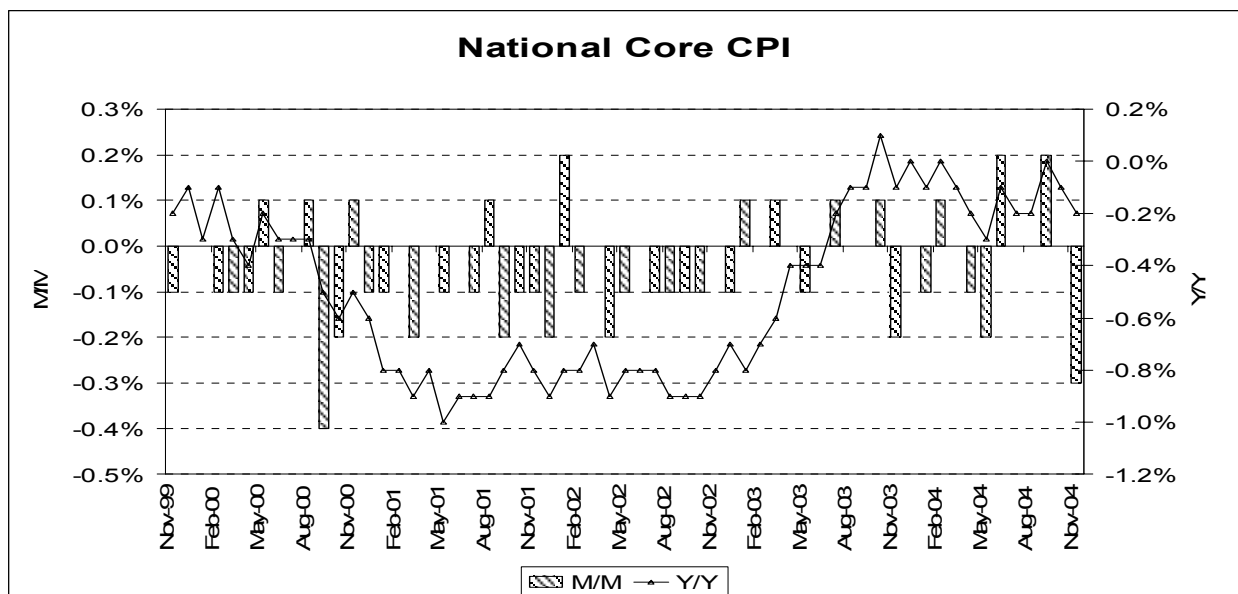
Euroland

The data released in Japan over the past two weeks was relatively soft with the exception of Household Spending and Labor Cash Earnings. Household Spending was stronger than expected and Labor Cash Earnings posted an upside surprise. Meanwhile, National and Tokyo Core CPI, Large Retailers' Sales, Retail Trade and Workers Household Spending, posted results below expectations. Also, on the Labor Market front, employment decreased 0.5% M/M and 450 thousand individuals stopped looking for jobs.

Weekly Highlights

- **Nationwide Core CPI** - decreased 0.3% M/M and 0.2% Y/Y in November, below expectations. (page 11)
- **Retail Trade** - decreased 0.6% M/M and increased 0.7% Y/Y in November. (page 12)
- **Industrial Production** - increased 1.5% M/M and 4.3% Y/Y in November, below expectations. (page 15)
- **Small Business Confidence** - decreased slightly from 48.9 in November to 48.4 in December. (page 16)

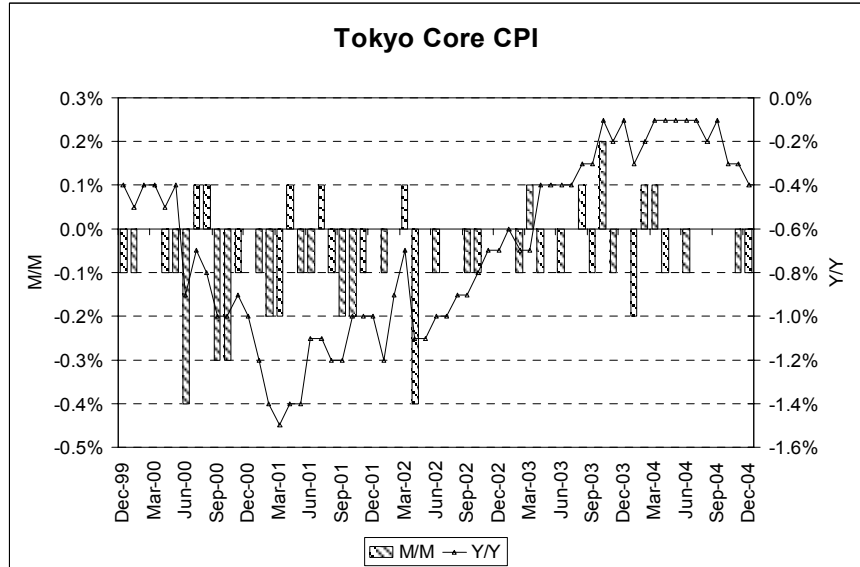
Chart of the Week



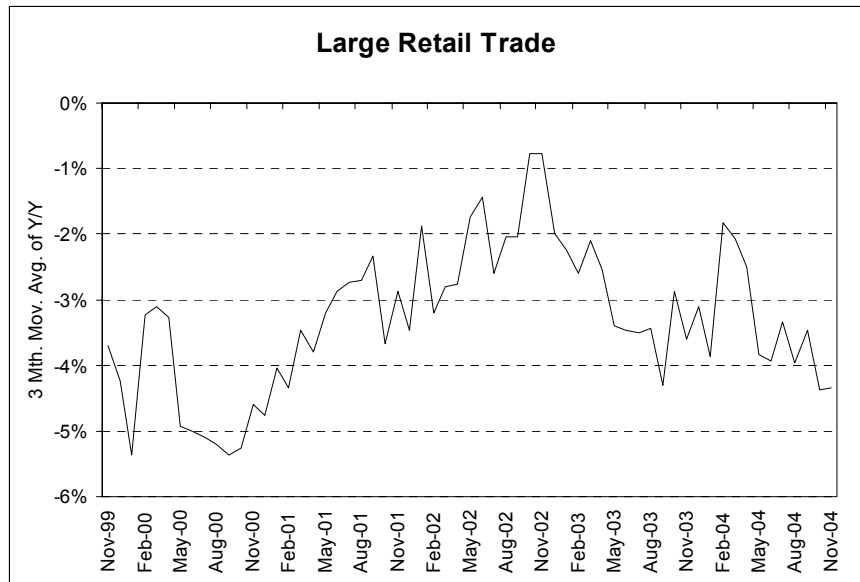
Nationwide Core CPI decreased 0.3% M/M and 0.2% Y/Y in November, below expectations. This decline was attributed to decreases in prices of Household Goods, Utilities and Medical Care. All CPI increased 0.2% M/M and 0.8% Y/Y. Currently, a moderate increase of CPI at or above zero is one of the Bank of Japan's main requirements for a change in its monetary policy. Due to base effects, core CPI may move above zero for at least the next few months.

Tokyo Core CPI, Large Retail Trade & Retail Trade

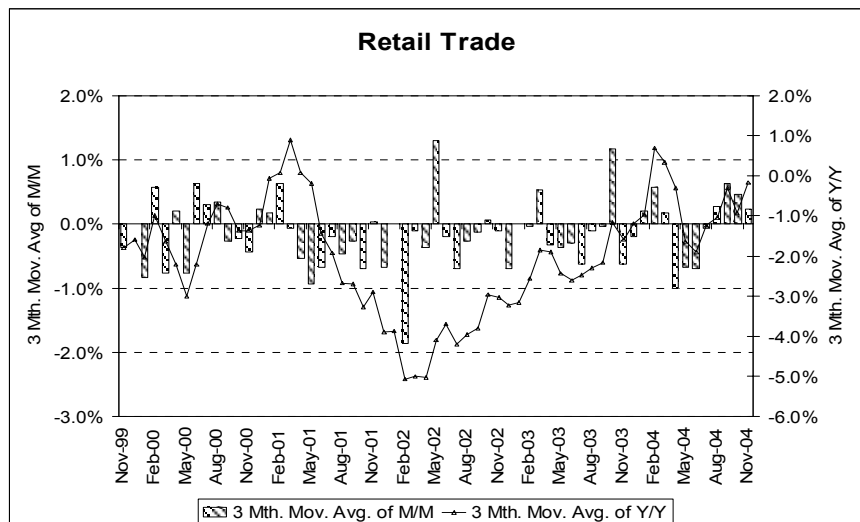
Tokyo Core CPI decreased 0.1% M/M and 0.4% Y/Y in December, below expectations.



Large Retailers' Sales decreased 5.3% Y/Y in November, below expectations.

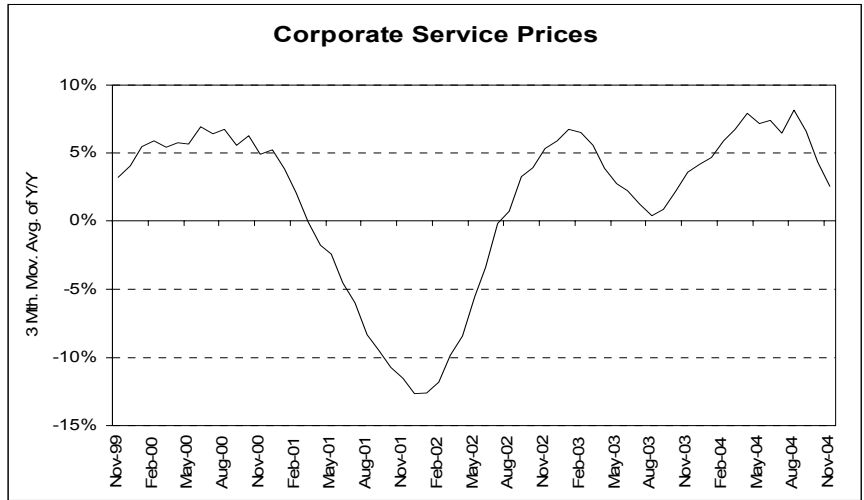


Retail Trade decreased 0.6% M/M and increased 0.7% Y/Y in November, above expectations.

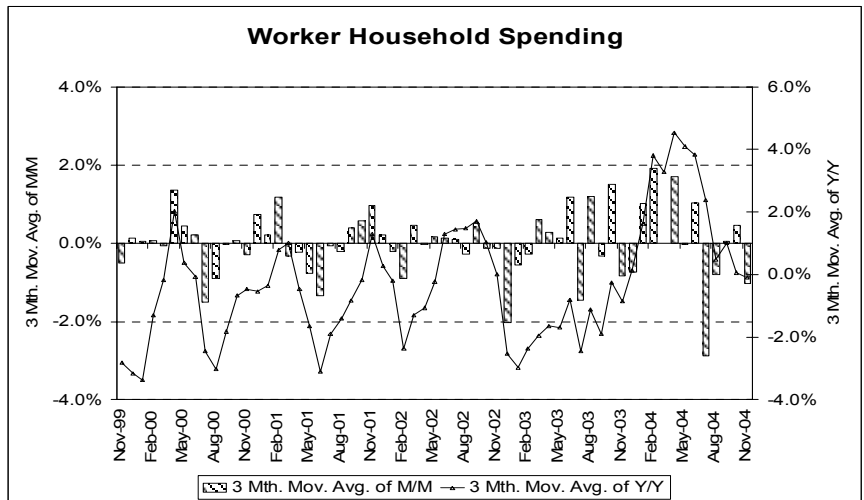


Corporate Service Prices, Worker Household Spending & Household Spending

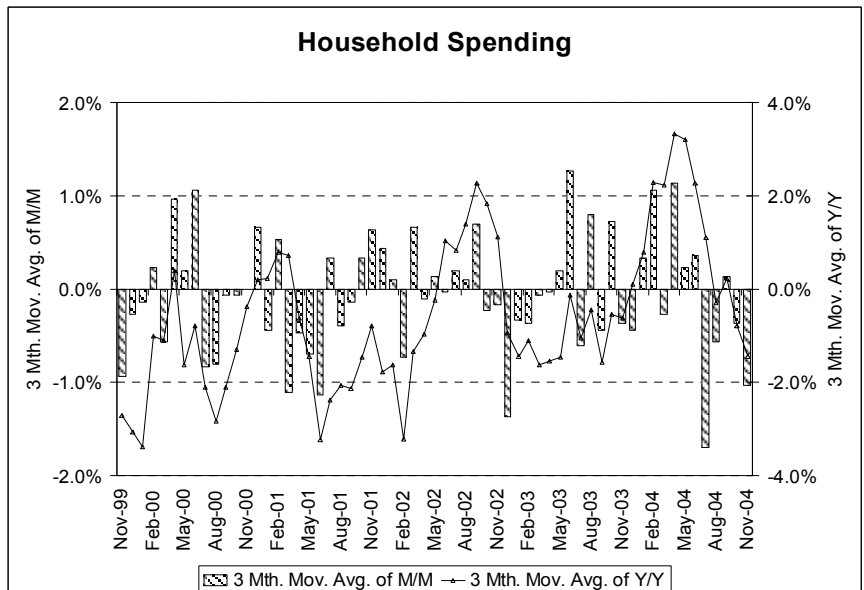
Corporate Service Prices decreased 0.3% Y/Y in November. The decline in Corporate Service Prices was attributed to decreases in the real estate, office rent and leasing components.



Worker's Household Spending declined 0.9% M/M and 0.7% Y/Y in November, below expectations.

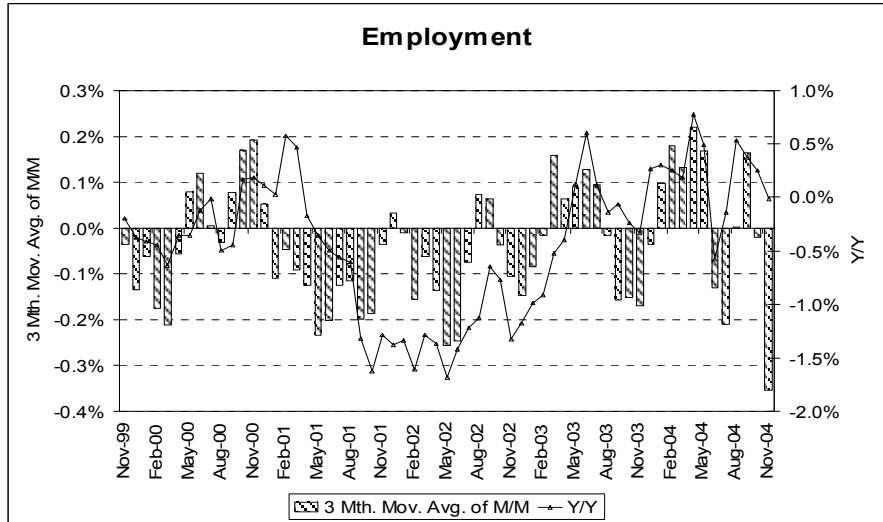


Household Spending increased 0.8% M/M and decreased 1.3% Y/Y in November.

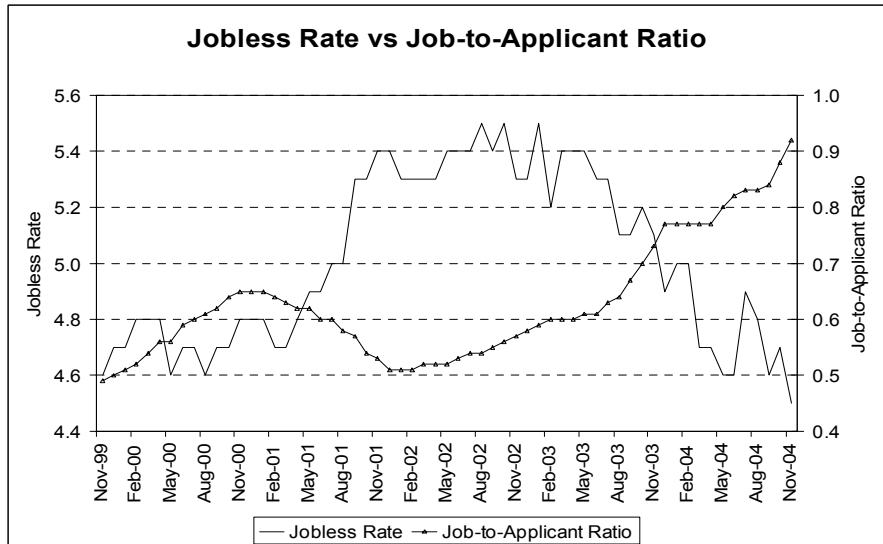


Employment, Jobless Rate vs. Job-to-Applicant Ratio & Labor Cash & Overtime Earnings

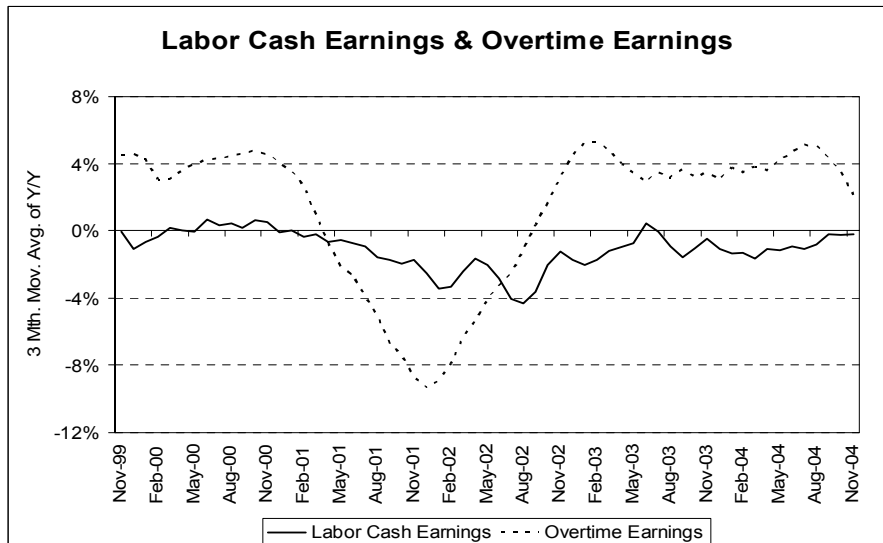
Employment decreased 0.5% M/M (150,000 jobs) and remained flat Y/Y in November. Additionally, there were a total of 450,000 discouraged workers who stopped looking for work.



The jobless rate unexpectedly decreased from 4.7% in October to 4.5% in November, the lowest since January of 1999. At the same time, the Job to Applicant Ratio increased from .88 in October to .92 in November, its highest level since December of 1992.

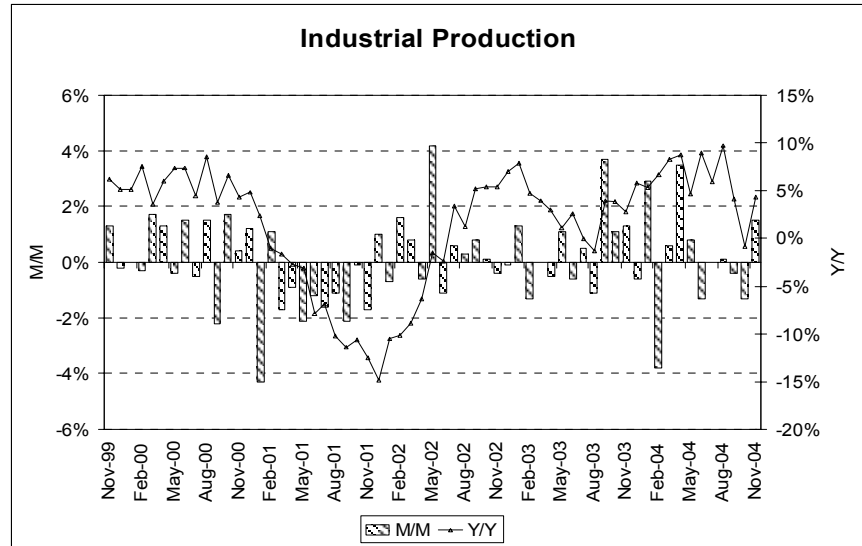


Labor cash earnings posted an upside surprise increasing 0.4% Y/Y in November. Overtime earnings increased 0.1% Y/Y in November, higher than expected.

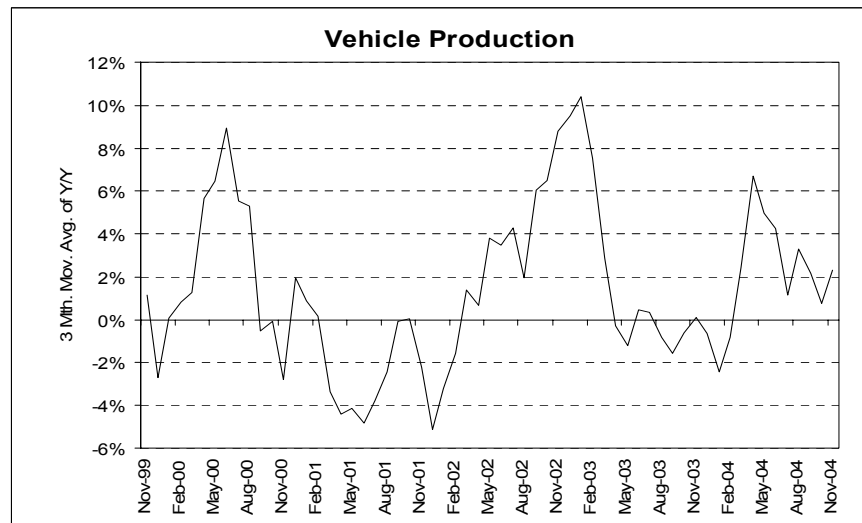


Industrial Production, Vehicle Production & Vehicle Sales

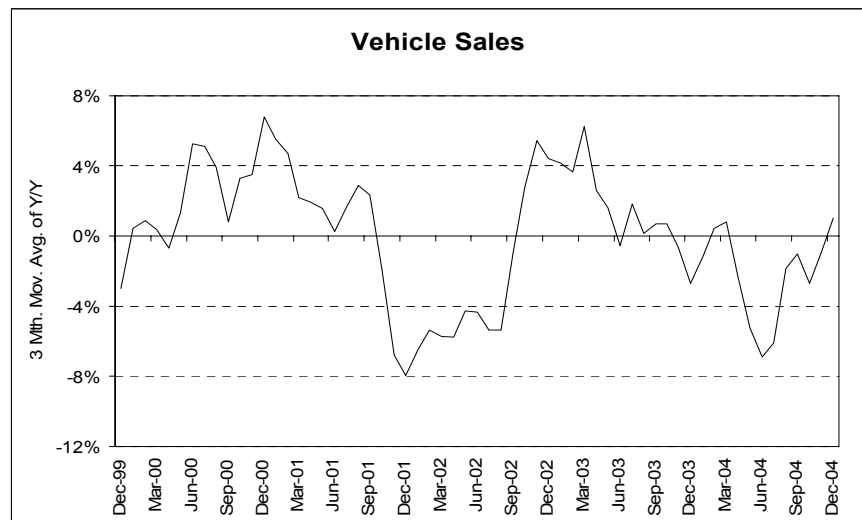
Industrial Production increased 1.5% M/M and 4.3% Y/Y in November, below expectations. This result was weaker than the 3.7% forecasted by the Ministry of Finance.



Vehicle Production increased 7.1% Y/Y in November.

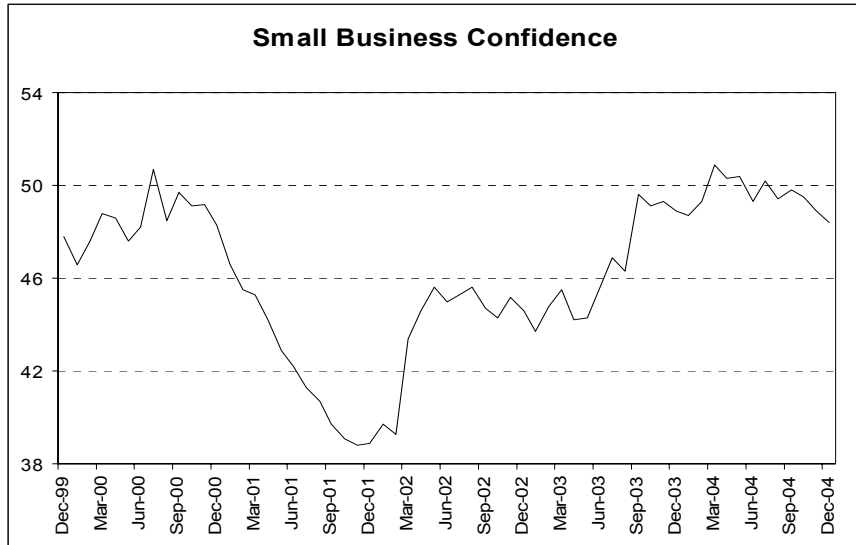


Vehicle sales increased 2.6% Y/Y in December, posting its second consecutive month of increase.

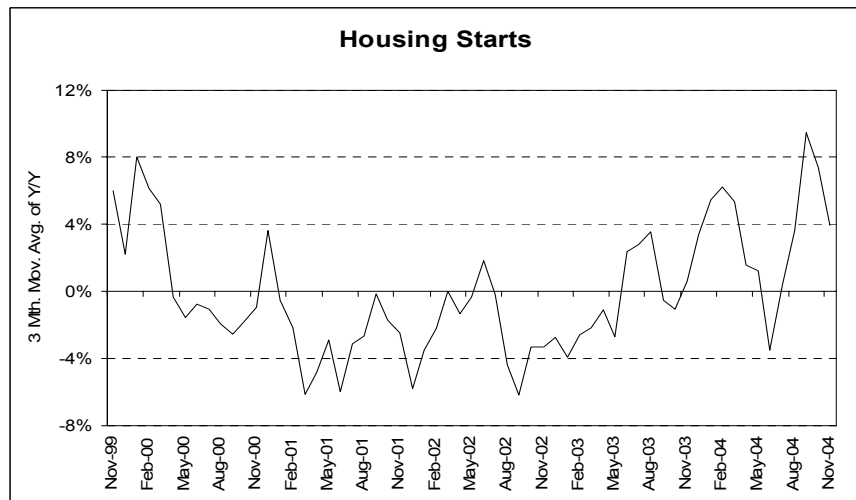


Small Business Confidence, Housing Starts & Construction Orders

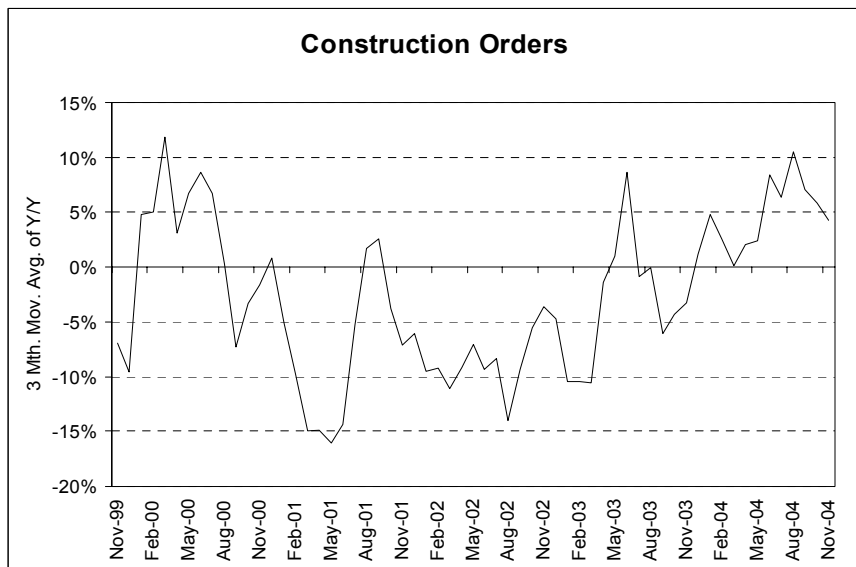
Small Business Confidence decreased from 48.9 in November to 48.4 in December.



Housing Starts increased 0.2% Y/Y in November, below expectations.



Construction Orders increased 3.5% Y/Y in November, posting its sixth consecutive month of gains.



Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
1/11	Leading Economic Index (NOV P)	30	18.2
1/11	Coincident Index (NOV P)	44.4	10
1/11	Bank Lending (Y/Y) (DEC)		-2.9%
1/12	Machine Tool Orders (Y/Y) (DEC P)		48.4%
1/12	Current Account Total (NOV)	¥1195.0B	¥1336.0B
1/12	Adjusted Current Account Total (NOV)	¥1476.4B	¥1361.5B
1/12	Trade Balance – BOP Basis (NOV)		¥1392.B
1/13	Domestic CGPI (M/M) (DEC)	0.0%	0.1%
1/13	Export Price Index (M/M) (DEC)		-1.8%
1/13	Export Price Index (Y/Y) (DEC)		2.3%
1/13	Import Price Index (M/M) (DEC)		-1.3%
1/13	Import Price Index (Y/Y) (DEC)		9.5%
1/13	Industrial Production (M/M) (NOV F)	1.5%	1.5%
1/13	Industrial Production (Y/Y) (NOV F)		4.3%
1/13	Capacity Utilization (NOV F)		102.1
1/14	Machine Orders (M/M) (NOV)	3.3%	-3.1%
1/14	Machine Orders (Y/Y) (NOV)	-0.9%	-9.9%
1/14	Eco Watchers Survey: Current (DEC)		45.3
1/14	Eco Watchers Survey: Outlook (DEC)		45.8
1/17	Consumer Confidence		47.9
1/17	Consumer Confidence Households (DEC)		48

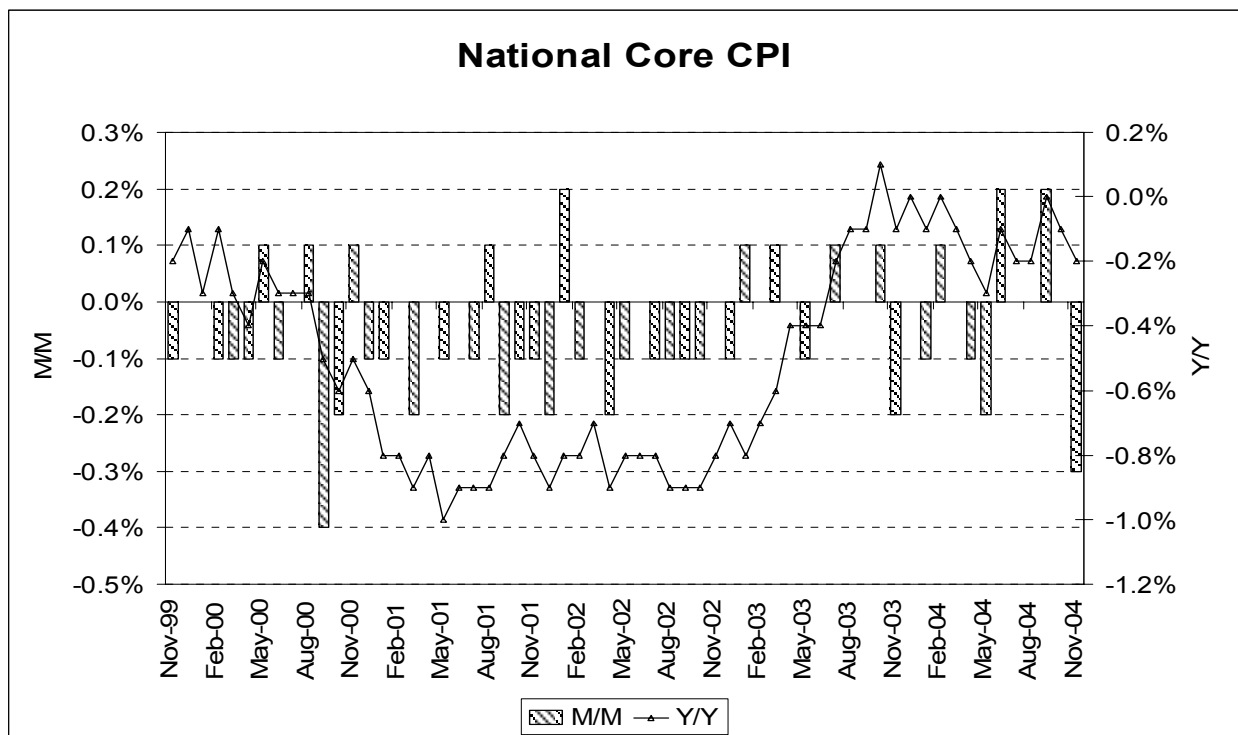
Japan

The data released in Japan over the past two weeks was relatively soft with the exception of Household Spending and Labor Cash Earnings. Household Spending was stronger than expected and Labor Cash Earnings posted an upside surprise. Meanwhile, National and Tokyo Core CPI, Large Retailers' Sales, Retail Trade and Workers Household Spending, posted results below expectations. Also, on the Labor Market front, employment decreased 0.5% M/M and 450 thousand individuals stopped looking for jobs.

Weekly Highlights

- **Nationwide Core CPI** - decreased 0.3% M/M and 0.2% Y/Y in November, below expectations. (page 18)
- **Retail Trade** - decreased 0.6% M/M and increased 0.7% Y/Y in November. (page 19)
- **Industrial Production** - increased 1.5% M/M and 4.3% Y/Y in November, below expectations. (page 22)
- **Small Business Confidence** - decreased slightly from 48.9 in November to 48.4 in December. (page 23)

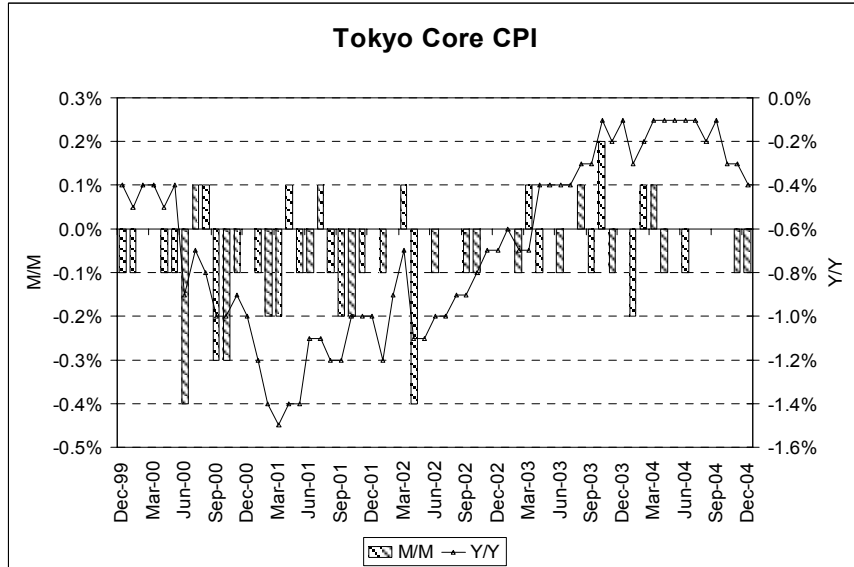
Chart of the Week



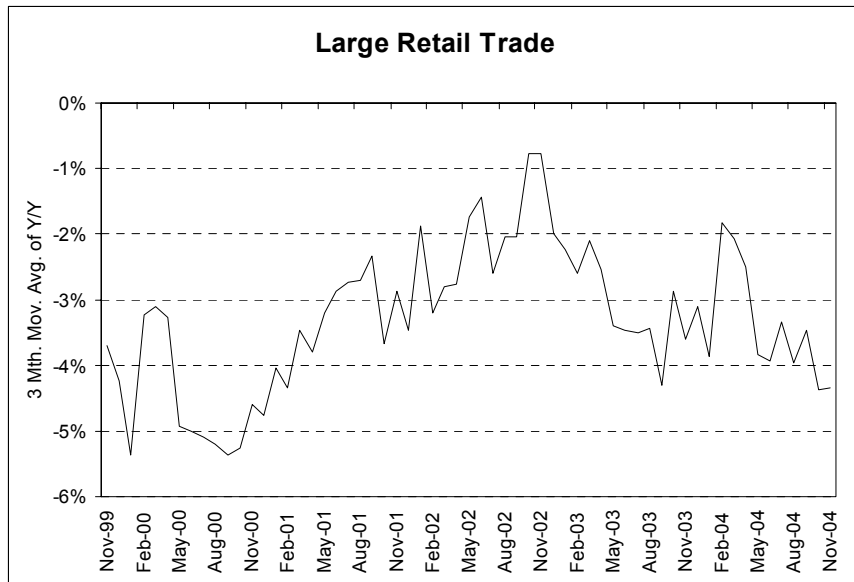
Nationwide Core CPI decreased 0.3% M/M and 0.2% Y/Y in November, below expectations. This decline was attributed to decreases in prices of Household Goods, Utilities and Medical Care. All CPI increased 0.2% M/M and 0.8% Y/Y. Currently, a moderate increase of CPI at or above zero is one of the Bank of Japan's main requirements for a change in its monetary policy. Due to base effects, core CPI may move above zero for at least the next few months.

Tokyo Core CPI, Large Retail Trade & Retail Trade

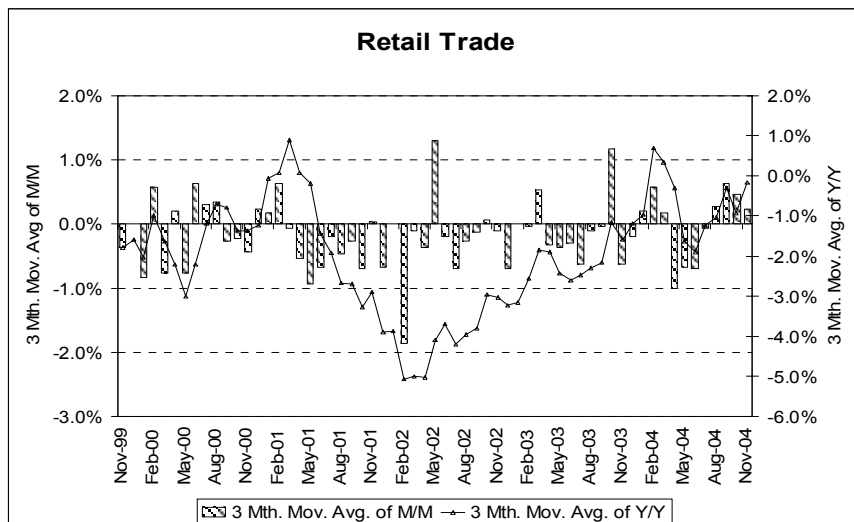
Tokyo Core CPI decreased 0.1% M/M and 0.4% Y/Y in December, below expectations.



Large Retailers' Sales decreased 5.3% Y/Y in November, below expectations.

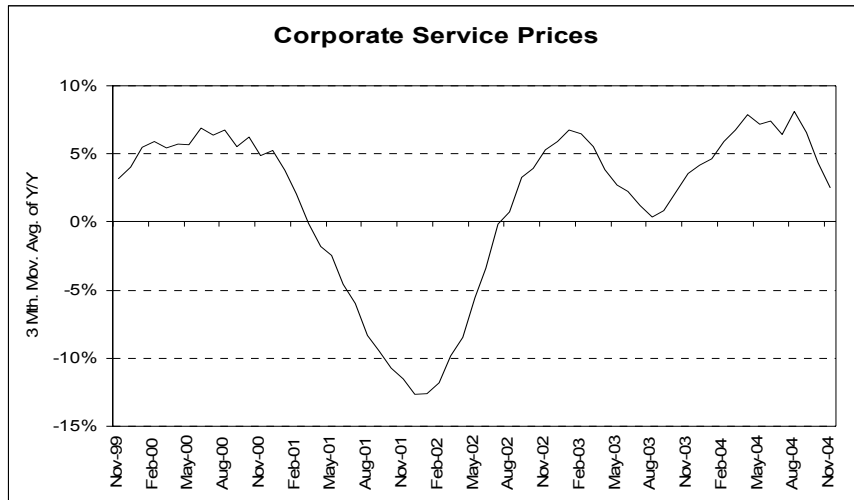


Retail Trade decreased 0.6% M/M and increased 0.7% Y/Y in November, above expectations.

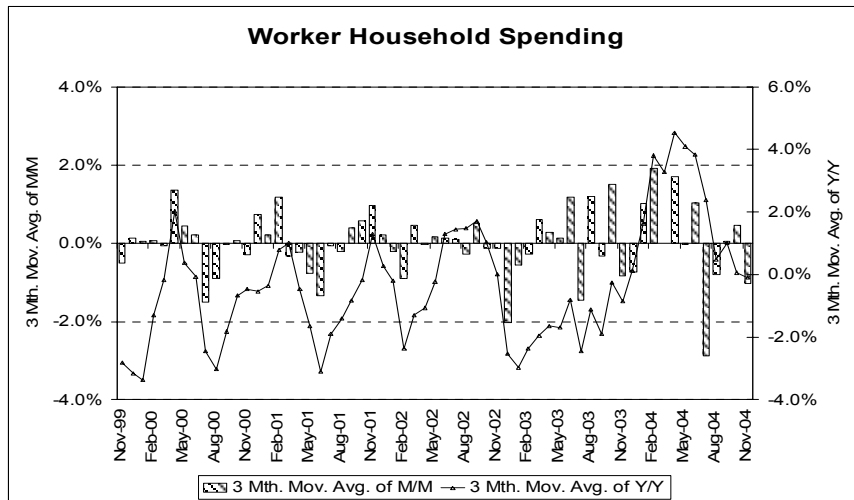


Corporate Service Prices, Worker Household Spending & Household Spending

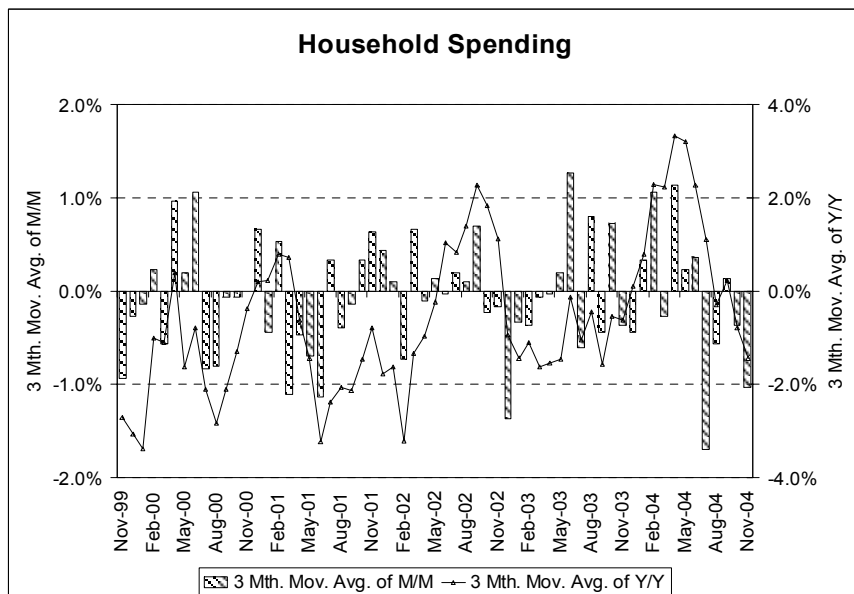
Corporate Service Prices decreased 0.3% Y/Y in November. The decline in Corporate Service Prices was attributed to decreases in the real estate, office rent and leasing components.



Worker's Household Spending declined 0.9 % M/M and 0.7% Y/Y in November, below expectations.

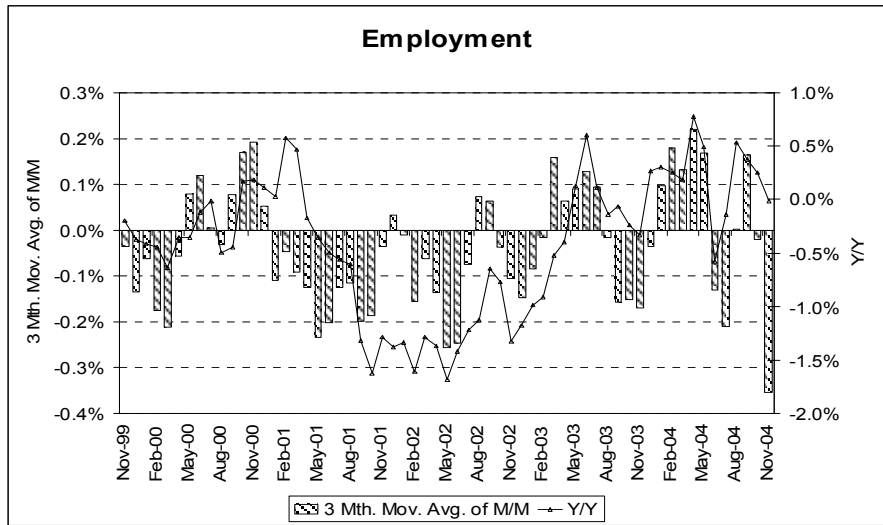


Household Spending increased 0.8% M/M and decreased 1.3% Y/Y in November.

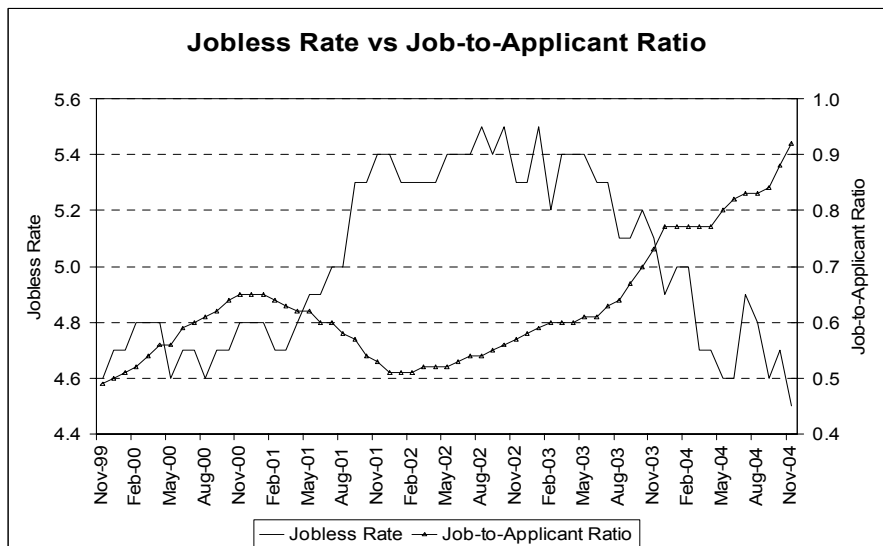


Employment, Jobless Rate vs. Job-to-Applicant Ratio & Labor Cash & Overtime Earnings

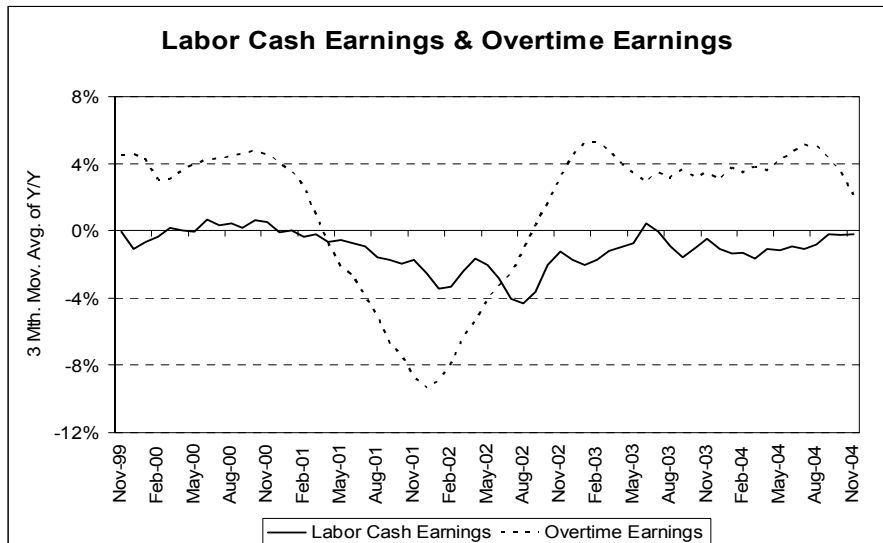
Employment decreased 0.5% M/M (150,000 jobs) and remained flat Y/Y in November. Additionally, there were a total of 450,000 discouraged workers who stopped looking for work.



The jobless rate unexpectedly decreased from 4.7% in October to 4.5% in November, the lowest since January of 1999. At the same time, the Job to Applicant Ratio increased from .88 in October to .92 in November, its highest level since December of 1992.

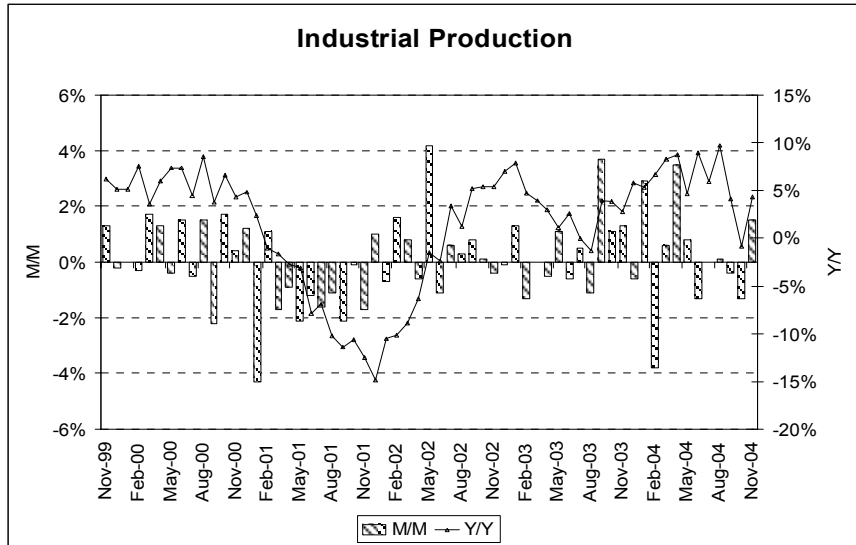


Labor cash earnings posted an upside surprise increasing 0.4% Y/Y in November. Overtime earnings increased 0.1% Y/Y in November, higher than expected.

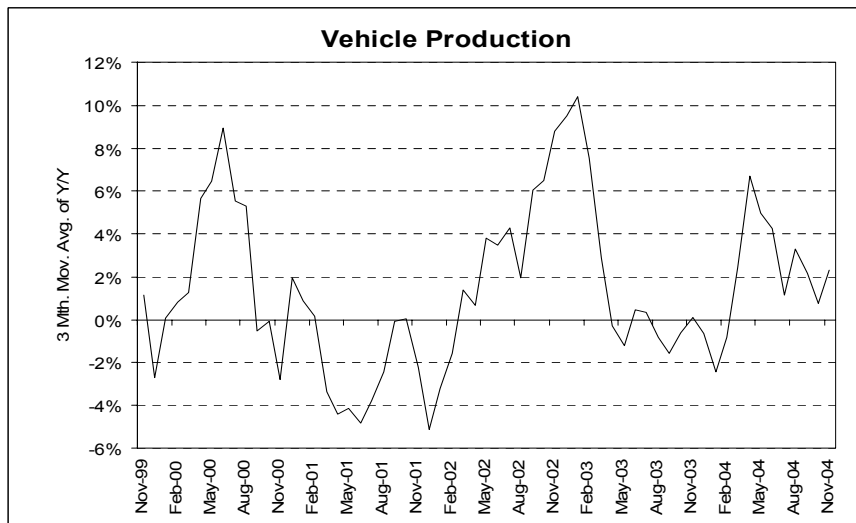


Industrial Production, Vehicle Production & Vehicle Sales

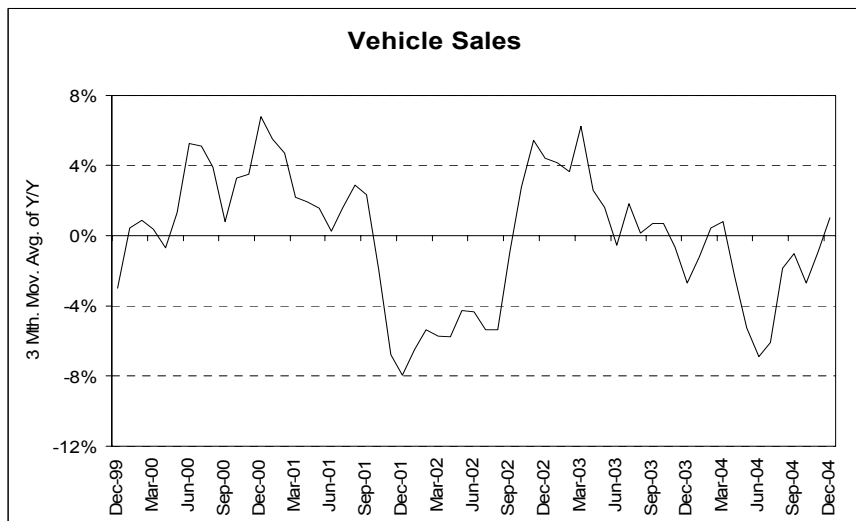
Industrial Production increased 1.5% M/M and 4.3% Y/Y in November, below expectations. This result was weaker than the 3.7% forecasted by the Ministry of Finance.



Vehicle Production increased 7.1% Y/Y in November.

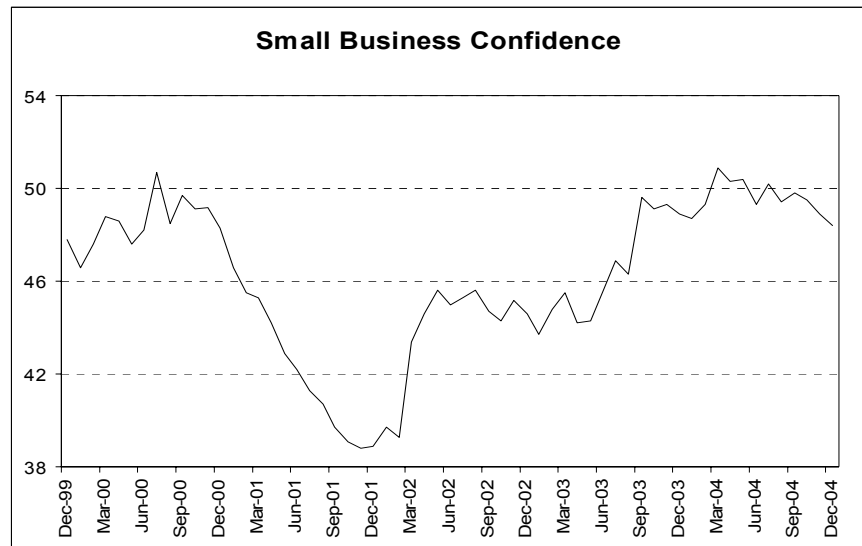


Vehicle sales increased 2.6% Y/Y in December, posting its second consecutive month of increase.

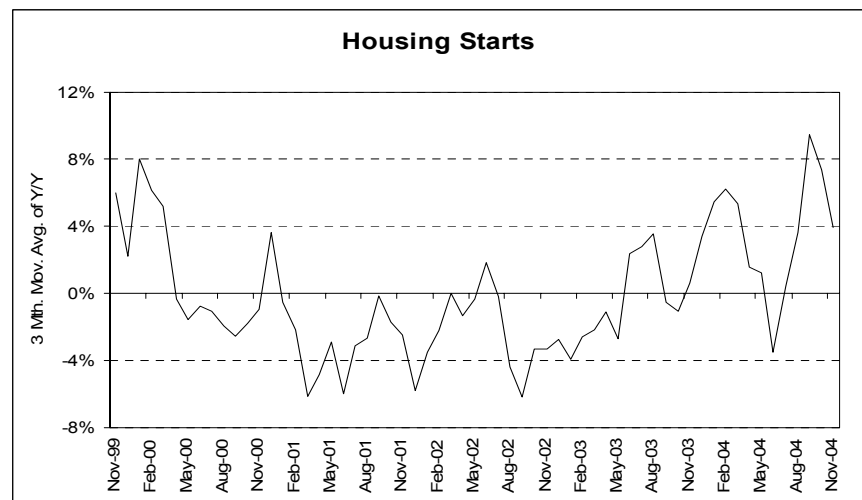


Small Business Confidence, Housing Starts & Construction Orders

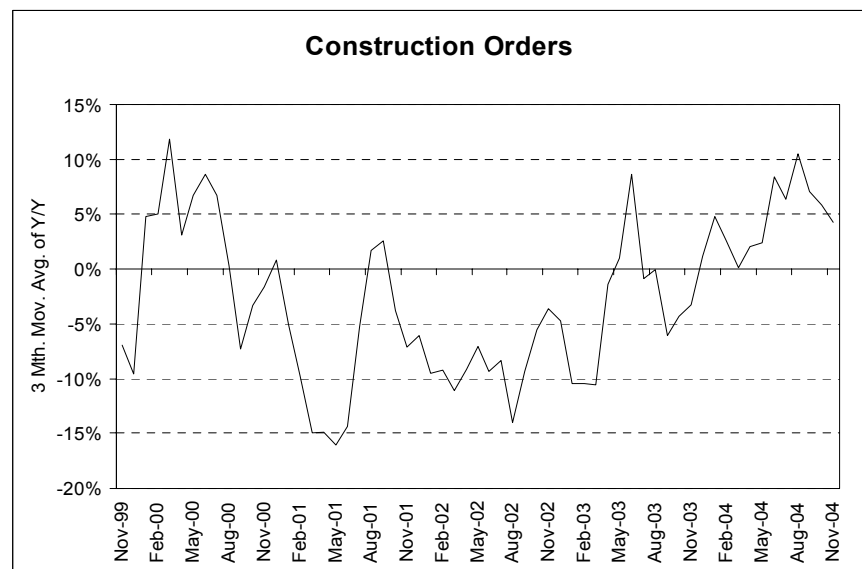
Small Business Confidence decreased from 48.9 in November to 48.4 in December.



Housing Starts increased 0.2% Y/Y in November, below expectations.



Construction Orders increased 3.5% Y/Y in November, posting its sixth consecutive month of gains.



Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
1/11	Leading Economic Index (NOV P)	30	18.2
1/11	Coincident Index (NOV P)	44.4	10
1/11	Bank Lending (Y/Y) (DEC)		-2.9%
1/12	Machine Tool Orders (Y/Y) (DEC P)		48.4%
1/12	Current Account Total (NOV)	¥1195.0B	¥1336.0B
1/12	Adjusted Current Account Total (NOV)	¥1476.4B	¥1361.5B
1/12	Trade Balance – BOP Basis (NOV)		¥1392.B
1/13	Domestic CGPI (M/M) (DEC)	0.0%	0.1%
1/13	Export Price Index (M/M) (DEC)		-1.8%
1/13	Export Price Index (Y/Y) (DEC)		2.3%
1/13	Import Price Index (M/M) (DEC)		-1.3%
1/13	Import Price Index (Y/Y) (DEC)		9.5%
1/13	Industrial Production (M/M) (NOV F)	1.5%	1.5%
1/13	Industrial Production (Y/Y) (NOV F)		4.3%
1/13	Capacity Utilization (NOV F)		102.1
1/14	Machine Orders (M/M) (NOV)	3.3%	-3.1%
1/14	Machine Orders (Y/Y) (NOV)	-0.9%	-9.9%
1/14	Eco Watchers Survey: Current (DEC)		45.3
1/14	Eco Watchers Survey: Outlook (DEC)		45.8
1/17	Consumer Confidence		47.9
1/17	Consumer Confidence Households (DEC)		48

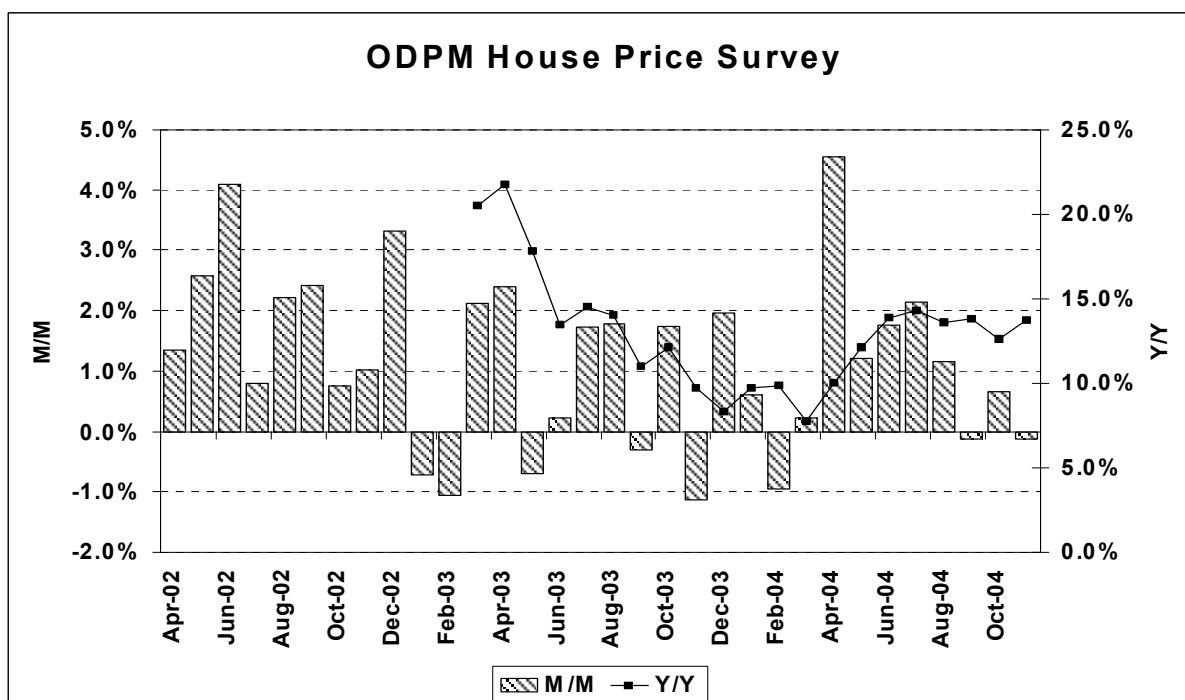
United Kingdom

House Prices continued to show weakness as mortgage lending rose at its slowest pace in almost two years. Meanwhile, Producer Output Prices decreased as oil prices decreased and the strength of the pound made imports cheaper.

Weekly Highlights

- **ODPM House Prices**- decreased 0.1% M/M and increased 13.7% Y/Y in November. (page 25)
- **Nationwide House Prices**- decreased 0.2% M/M and increased 12.7% Y/Y in December. (page 26)
- **Producer Output Prices**- decreased 0.4% M/M and increased 2.9% Y/Y in December as oil prices tumbled. (page 27)
- **UK net mortgage lending**- in November rose at the slowest pace since June 2002 while home loan approvals fell to the lowest in almost a decade. (page 29)

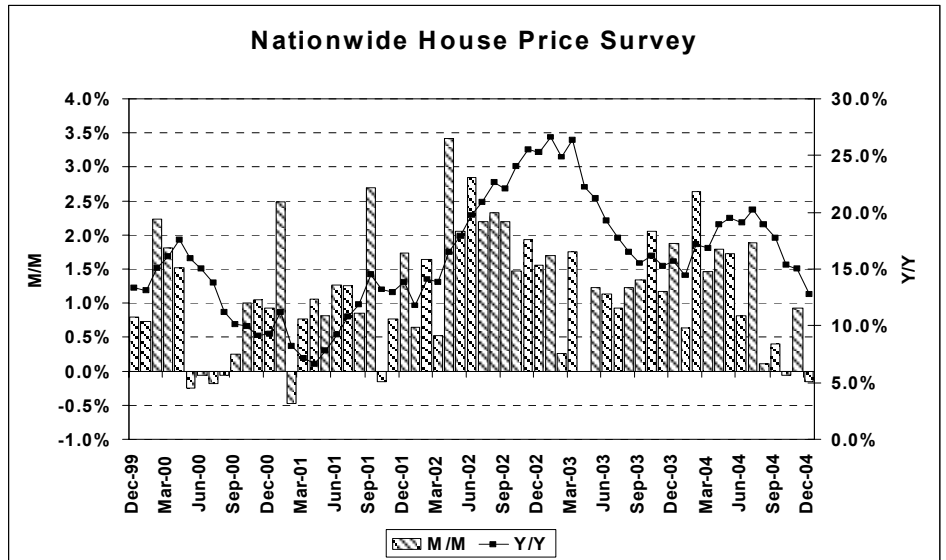
Chart of the Week



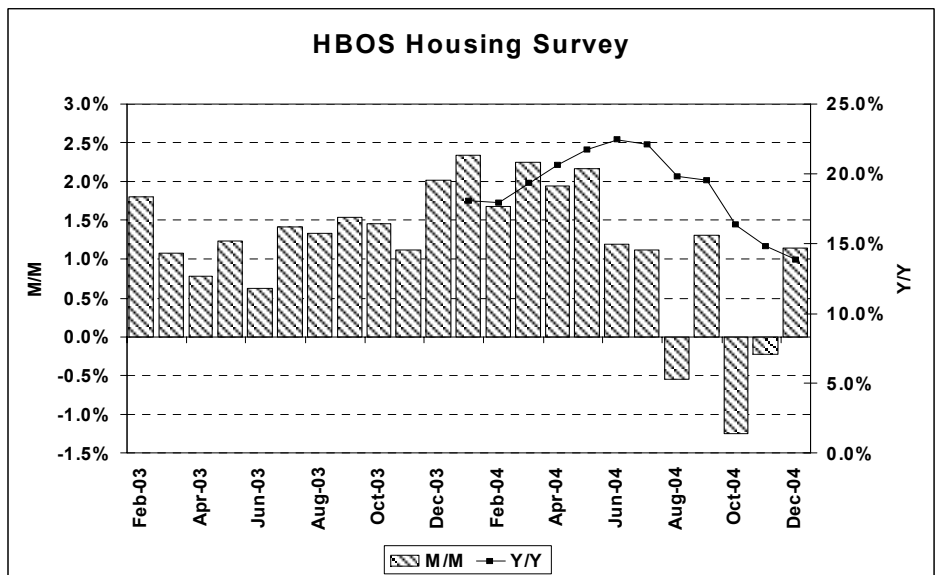
ODPM House Prices decreased 0.1% M/M and increased 13.7% Y/Y in November, continuing the trend of overall housing weakness.

Nationwide, HBOS & FT House Price Surveys

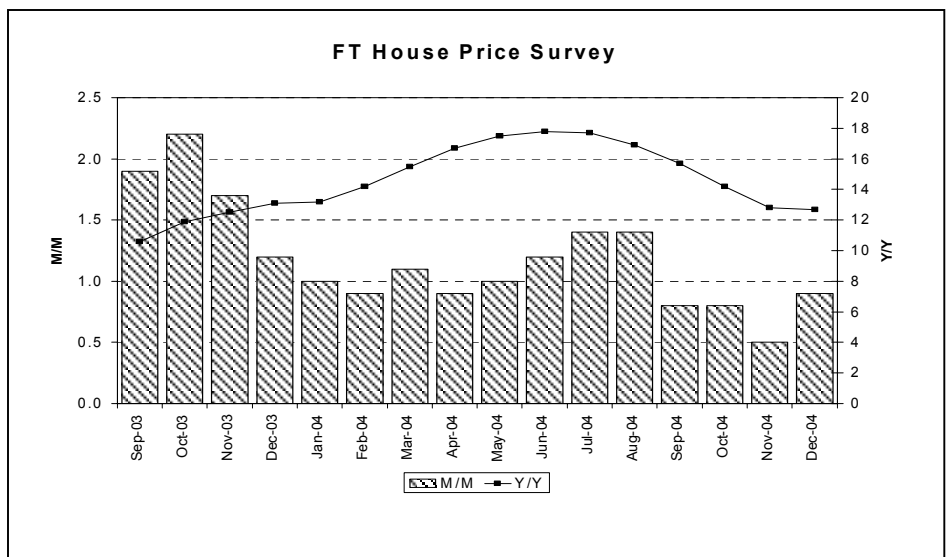
Nationwide House Prices decreased 0.2% M/M and increased 12.7% Y/Y in December, the slowest Y/Y growth in three years.



HBOS House Prices increased 1.1% M/M and 13.8% Y/Y in December. Despite this increase, overall the housing market remains very flat.

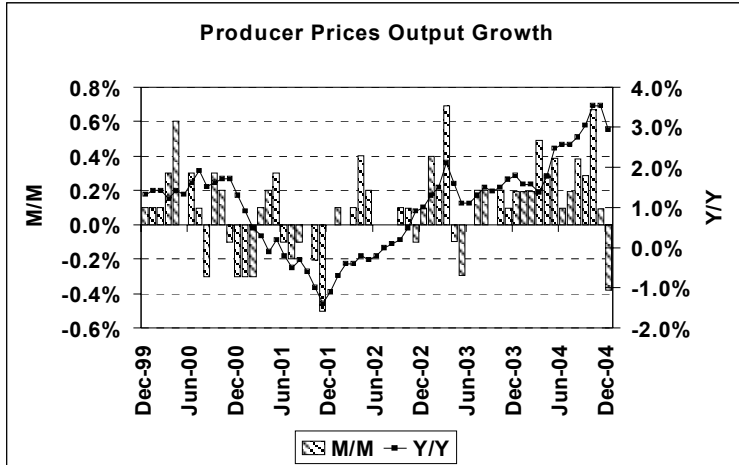


Financial Times House Prices increased 0.9% M/M and 12.7% Y/Y in December.

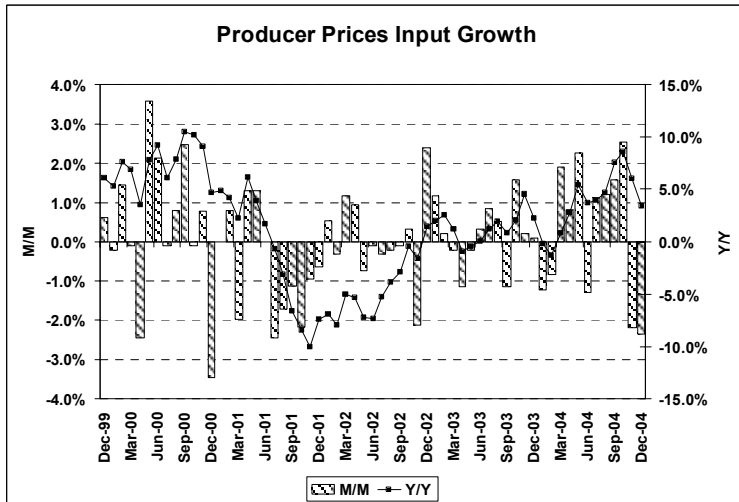


Producer Prices & Consumer Confidence

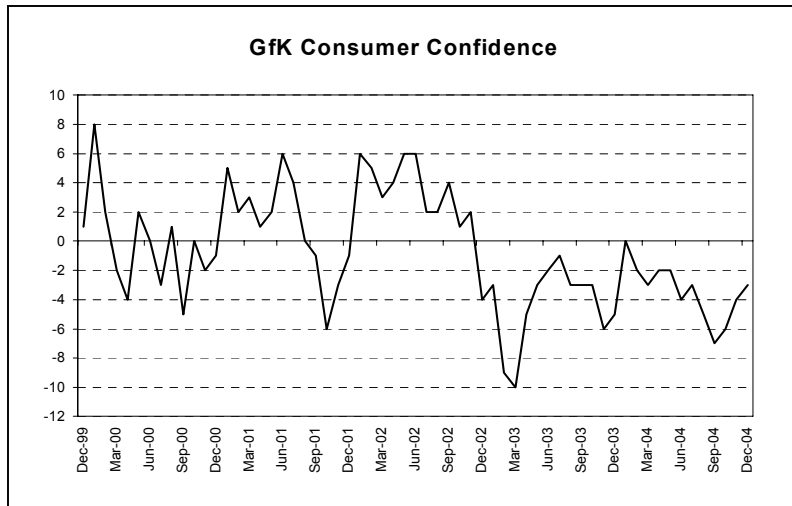
Producer Output Prices decreased 0.4% M/M and increased 2.9% Y/Y in December as oil prices tumbled and the strength of the pound made imports cheaper.



Producer Input Prices decreased 2.3% M/M and increased 3.4% Y/Y in December.

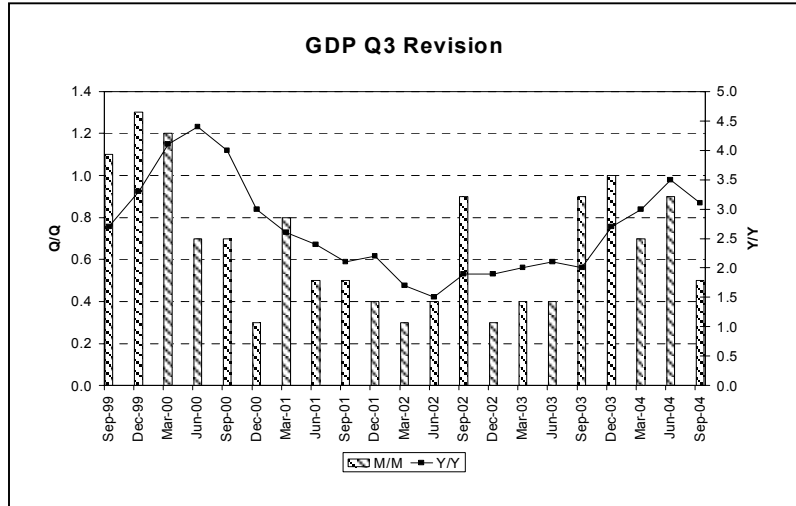


GfK Consumer Confidence increased from -4 to -3 in December, though businesses reported a lackluster Christmas shopping season.



GDP

GDP was revised up slightly to 0.5% Q/Q and 3.1% Y/Y in the third revision of Q3 data.



Data

Mortgage Approvals

U.K. net mortgage lending in November rose at the slowest pace since June 2002 and home loan approvals fell to the lowest in almost a decade as higher borrowing costs deterred potential buyers.

BBA mortgage figures

The British Bankers Association (BBA) reported that the number of mortgages approved by U.K. banks decreased 13.0% M/M and 33.0% Y/Y in November. This is the largest decline since recording started in December 2001.

PMI Manufacturing

CIPS Manufacturing PMI decreased from 55.0 to 53.7. The weaker than expected data was driven by falls in output and employment balances.

PMI Construction

CIPS Construction PMI increased from 56.7 to 57.2 in December. This was stronger than expected and the highest in eight months.

PMI Services

CIPS Services PMI decreased from 56.7 to 54.9 in December. The larger than expected decrease points to a decrease in business that compromises two-thirds of the economy.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
1/12	MPC Meeting		
1/12	Trade Balance	£-5.1B	£-5.3B
1/12	Leading Indicator		
1/12	Coincident Indicator		
1/13	New Construction Orders		2435
1/13	Industrial Production	0.4% M/M -0.6% Y/Y	-0.1% M/M -2.0% Y/Y
1/13	BRC Shop Price Index		
1/13	MPC Rates	4.75%	4.75%
1/18	CPI		0.2% M/M 1.5% Y/Y

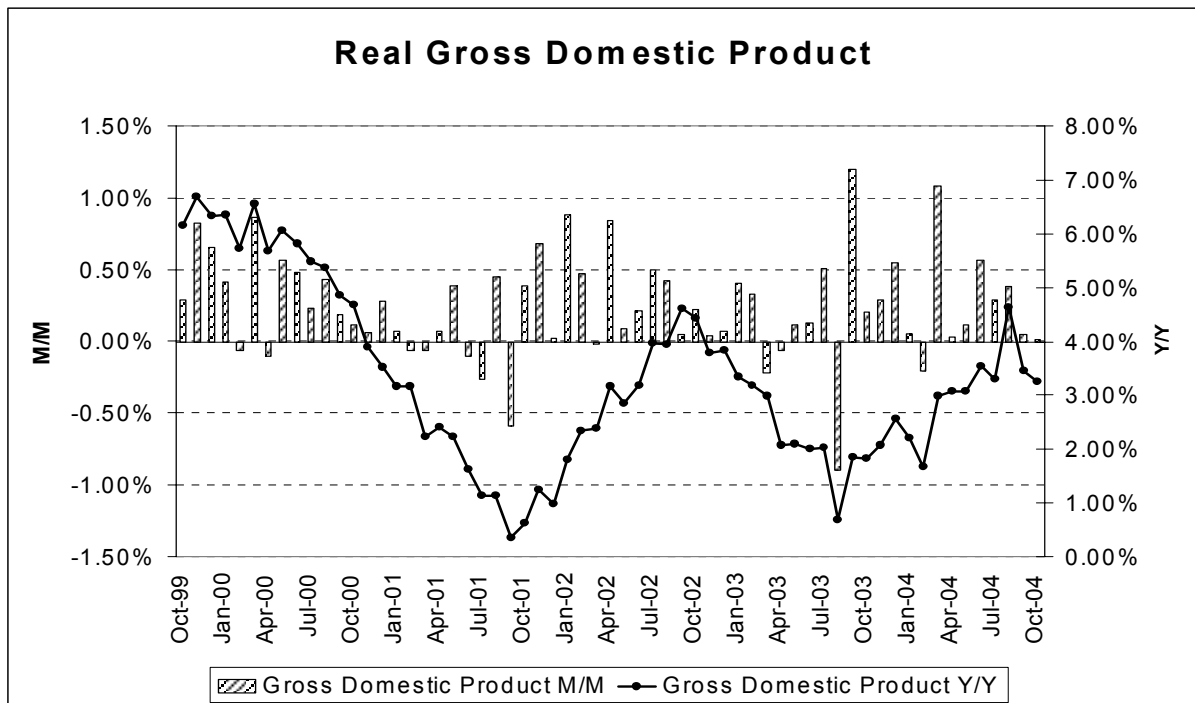
Canada

Recent data from Canada indicates strength in employment and housing. With a weaker C\$ aiding manufacturers profits, as well as strength in the housing and employment sectors, the BoC may increase its overnight rate twice before its June 8th meeting, although most economists are only expecting one rate increase by then.

Weekly Highlights

- **Employment** – 33.5K jobs added in December. (page 32)
- **Unemployment Rate** – decreased from 7.3% to 7.0% in December. (page 32)
- **Building Permits** – increased 9.3% M/M and 20.2% Y/Y in November. (page 32)

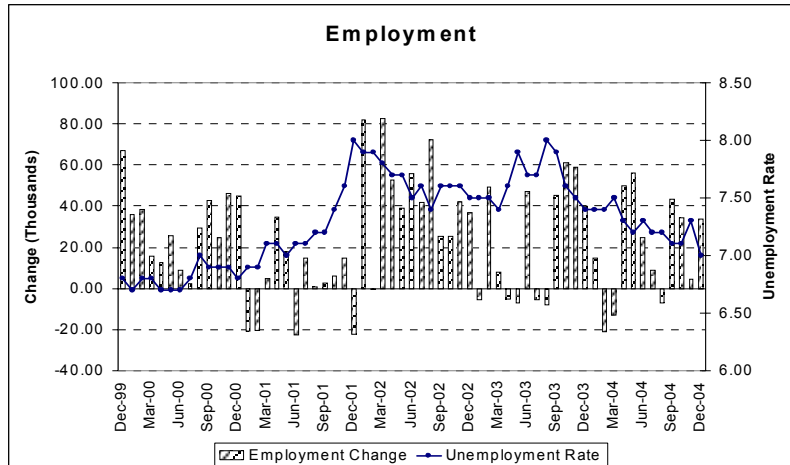
Chart of the Week



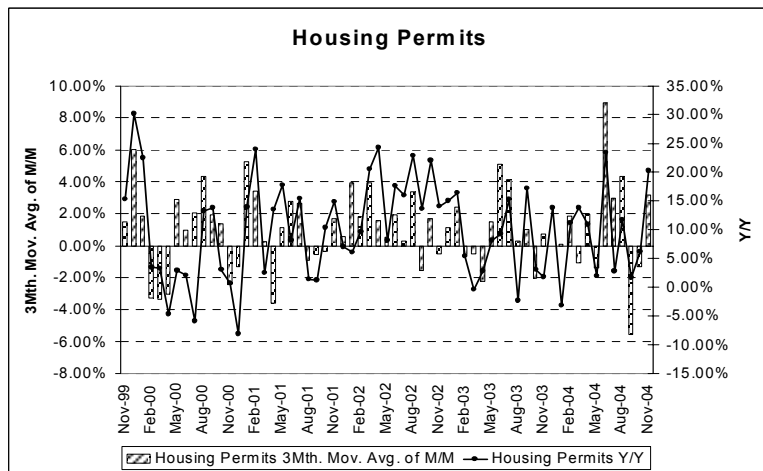
The Canadian economy stalled in October, growing 3.2% Y/Y. Growth in retail trade and transportation were offset by a broad slowing in arts and entertainment, construction and manufacturing. The outcome also reflects the firm C\$ (at the time) weakening manufacturers' profits that month. Going forward, strength in employment and housing, and a weaker C\$ are likely to underpin growth over the next six months.

Employment, Building Approvals & Ivey PMI

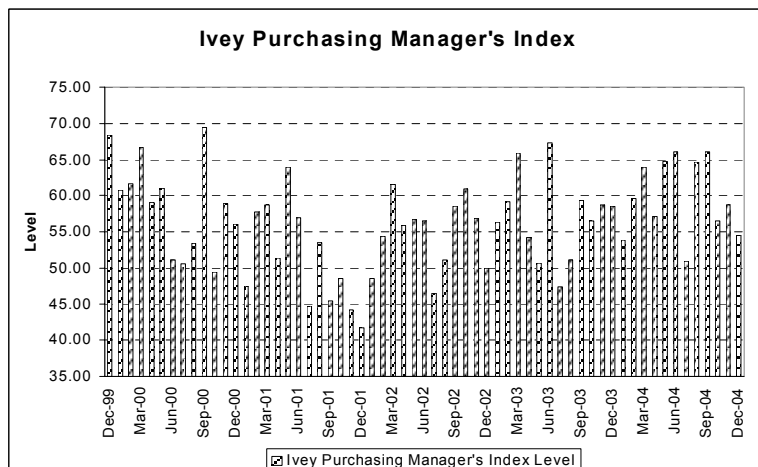
Canadian employers added 33,500 workers in December as the jobless rate declined from 7.3% to 7.0%. The increase suggests that the recent weakness caused by the high Canadian dollar may be only transitory as the Canadian labor market exhibits strength.



Housing permits increased 9.3% M/M and 20.2% Y/Y, more than economists anticipated. The increase came as demand for multi-family dwelling units surged.

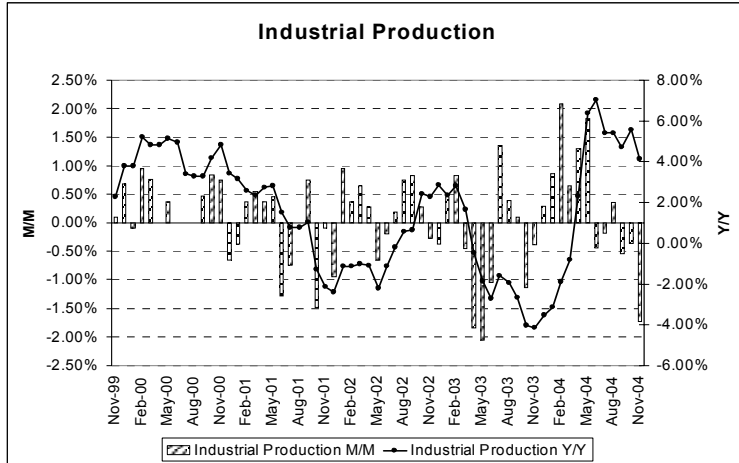


The Ivey Purchasing Manager's Index decreased from 58.7 to 54.6 in November, the lowest level since July, as suppliers were slower to fill orders. Inventories decreased as well, suggesting that companies reduced their stockpiles.

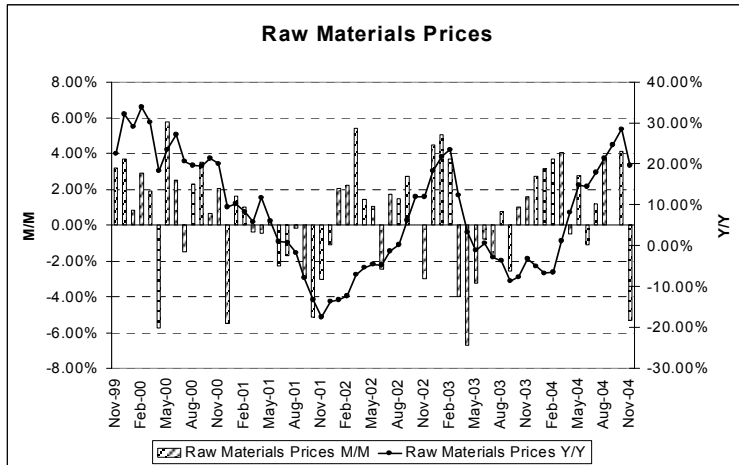


Industrial Production & Raw Materials Prices

Industrial product prices decreased 1.7% M/M and increased 4.1% Y/Y in November.



Raw material prices decreased 5.3% M/M and increased 19.7% Y/Y in November. This represents the third consecutive month where manufacturers in Canada received less for their products.



Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
1/11	Housing Starts (Dec.)	230.0k	238.2K
1/12	Int'l Merchandise Trade (Nov)	\$4.5	\$4.4
1/14	New Motor Vehicle Sales (Nov)	-3.7%	7.7%

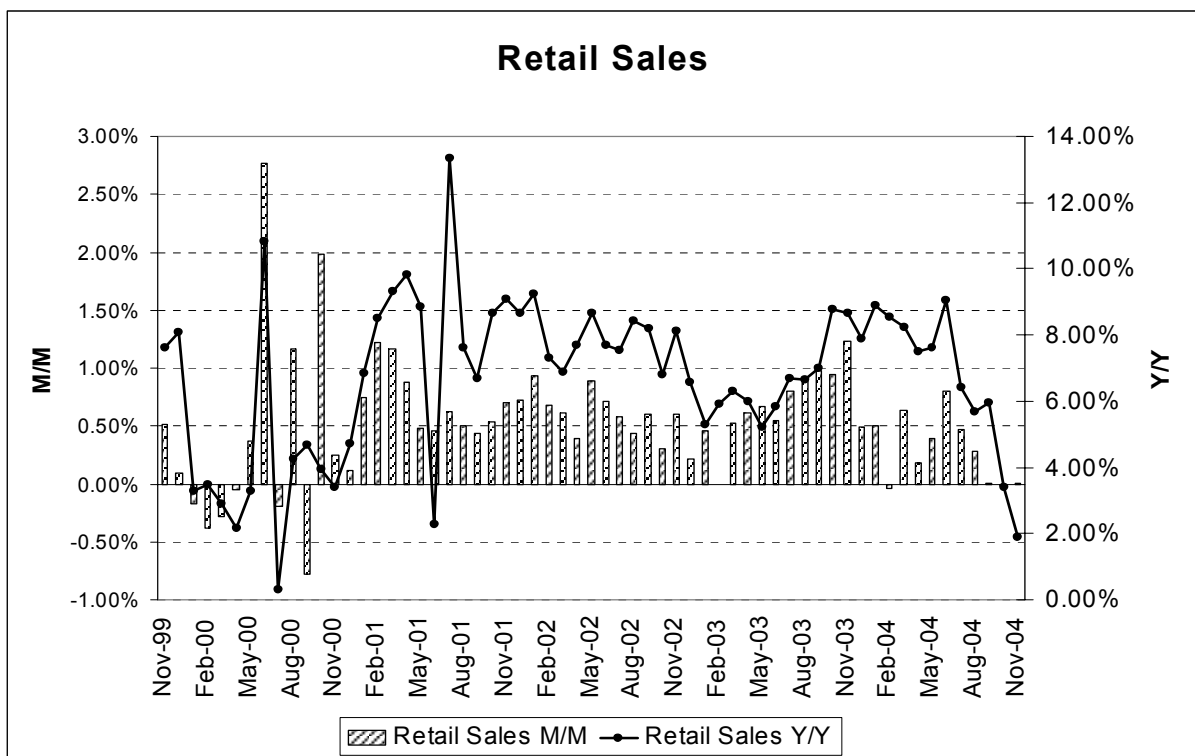
Australia

Recent data from Australia suggests that the Reserve Bank of Australia will remain on hold through 2005 as housing continues to cool and retail sales slow.

Weekly Highlights

- **Retail Sales** – increased 0.1% M/M and 1.9% Y/Y in November. (page 35)
- **Building Approvals** – decreased 0.3% M/M and 12.8% Y/Y in November. (page 36)
- **TD-MI Inflation Index** – Core Index increased 0.2% M/M and 1.4% Y/Y in December. (page 37)

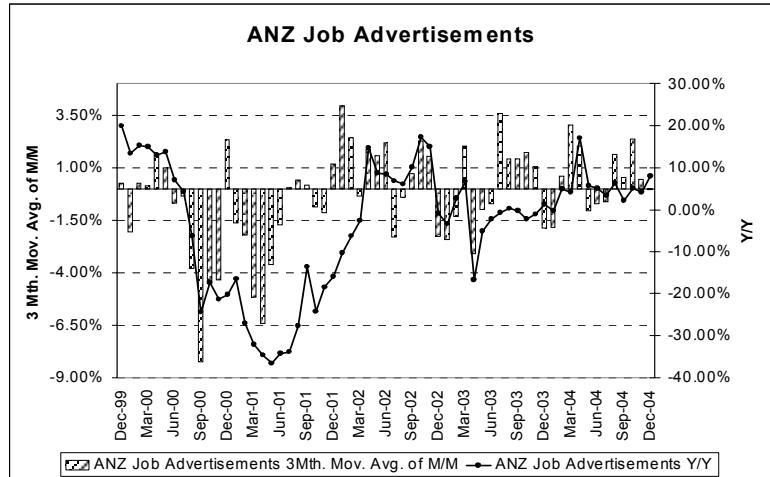
Chart of the Week



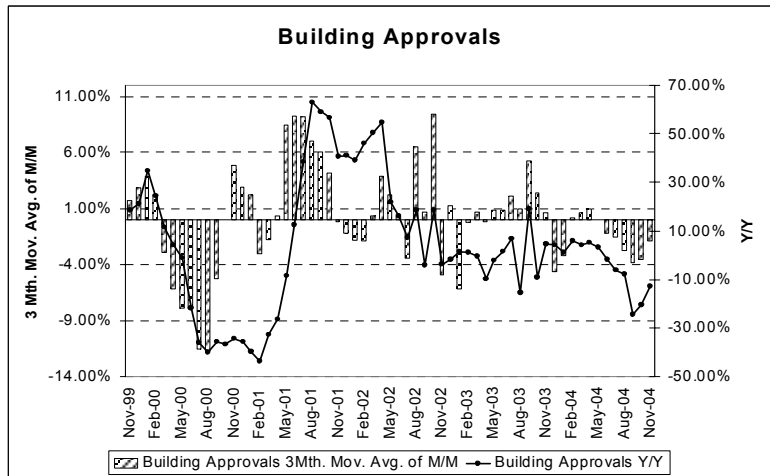
Retail sales increased 0.1% M/M and 1.9% Y/Y in November, below expectations. This outcome was attributed to higher fuel costs which slowed consumer spending at department stores. With a slowing in consumer spending and a cooling housing market, most economists now expect the Reserve Bank of Australia to leave its overnight rate at 5.25% through 2005.

Building Approvals & ANZ Job Ads

Job advertisements decreased 3.4% M/M and increased 8.1% Y/Y in December, suggesting employment growth may slow.



Building approvals decreased 0.3% M/M and 1.9% Y/Y in November. The decrease was the eighth consecutive and signaled that a housing slowdown will probably dampen growth in Australia in 2005.



TD-MI Inflation Index, Credit to Consumers, AIG PMI & AIG PSI

TD-MI Inflation Index

Prices of Australian consumer goods and services declined for the first time in six months due to lower gasoline prices, the TD Securities-Melbourne Institute Inflation Index showed. The gauge declined 0.1 from November, as prices increased 2% Y/Y, near the bottom of the RBA's target range. Prices excluding fuel, fruit, and vegetables increased 0.2%M/M and 1.4% Y/Y in December.

Credit to Consumers and Businesses Increases in November

Growth in credit to consumers and businesses slowed in November, increasing 0.8% M/M and 12.9% Y/Y, adding to evidence that the RBA may leave its overnight rate on hold through 2005. Credit provided to consumers to buy houses increased 1% M/M, the smallest increase since September 2001. Credit provided to businesses increased 0.3% M/M in November.

AIG Performance of Manufacturing Index Increases to 2.5 Yr. High

The index that measures Australian manufacturing increased from 53.1 to 60.8 in December according to the Australian Industry Group. The pickup in manufacturing may support a rebound in growth, according to the AIG. The RBA is expected to remain on hold throughout most of 2005 however, as the housing and consumer spending is expected to remain soft.

AIG Performance of Services Index Increases to 2 Yr. High

The index that measures Australian Services in December increased at its fastest pace in two years, increasing from 59.5 to 65.4 points in December. The increase came as retail sales surged and suggests that the economy may strengthen through 2005.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
1/10	Trade Balance (Nov)	-2.400B	-2.238B
1/11	WP Consumer Confidence (Jan)	N/A	N/A
1/11	Job Vacancies (Nov)	N/A	-11.0%
1/12	MI Consumer Inflation Expectations	N/A	N/A
	Unemployment Rate (Dec)	5.3%	5.2%
	Employment Change (Dec)	3.50k	24.50k
	Participation Rate (Dec)	63.7%	63.7%

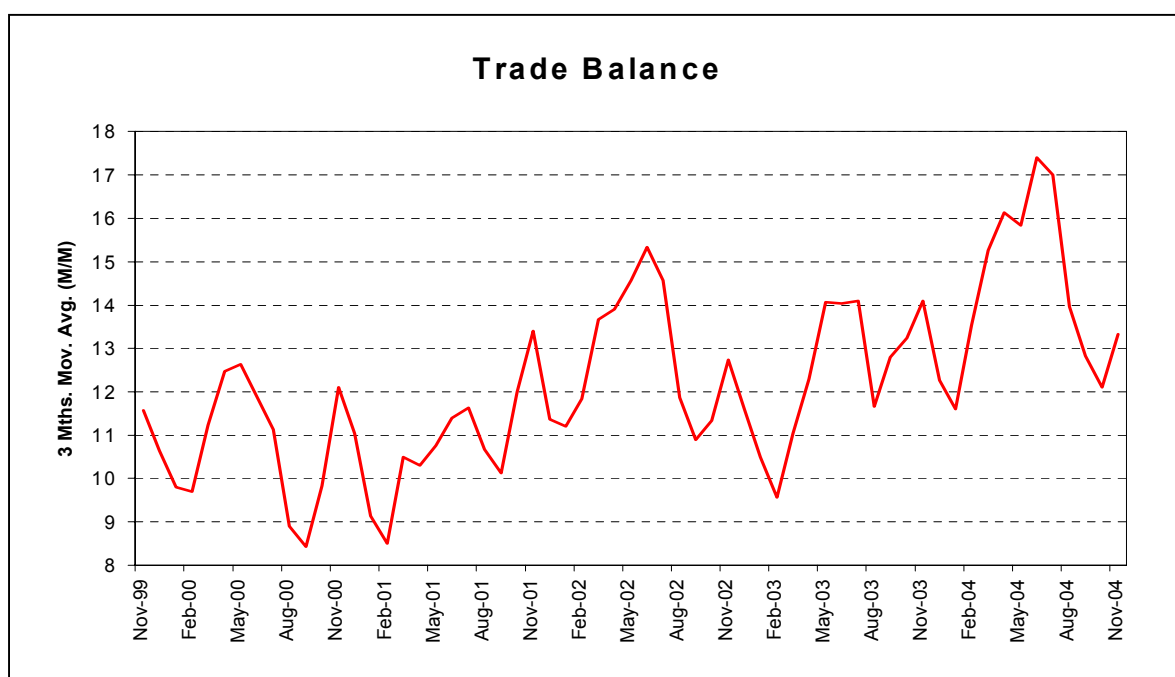
Sweden

Sweden's economic data over the past two weeks has been mixed. Retail Sales and Consumer Confidence produced upside surprises while the Trade Balance and Producer Price Index fell. The Riksbank has kept its benchmark interest rates at a record-low 2.0% to support consumer spending as unemployment has increased and inflation has fallen below the bank's target. Growth is expected to be at about 3.0% percent in 2005.

Weekly Highlights

- **Trade Balance** – decreased from SEK 12.0 bln in October to SEK 10.1 bln in November. (page 39)
- **Producer Price Index** - fell 0.2% M/M and rose 2.9% Y/Y in November. (page 40)
- **Retail Sales** - rose 1.7% M/M and 7.7% Y/Y in November. (page 40)
- **Consumer Confidence** – rose from 9.1 in November to 9.6 in December. (page 40)

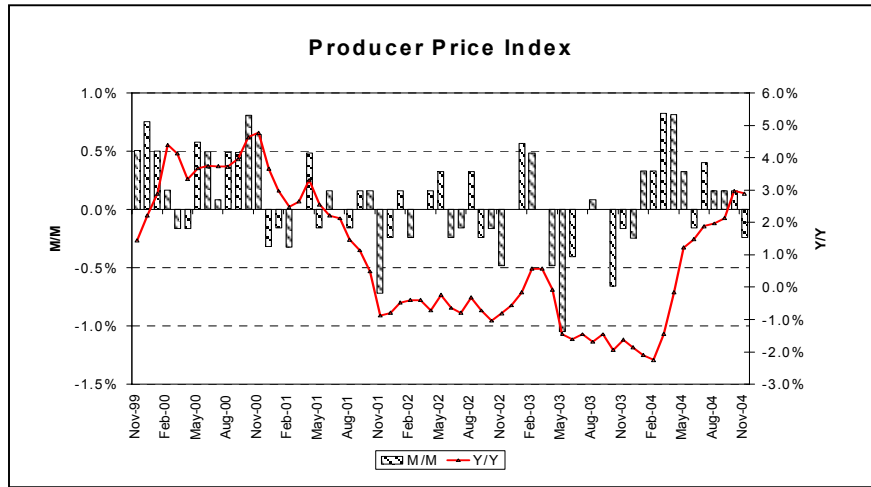
Chart of the Week



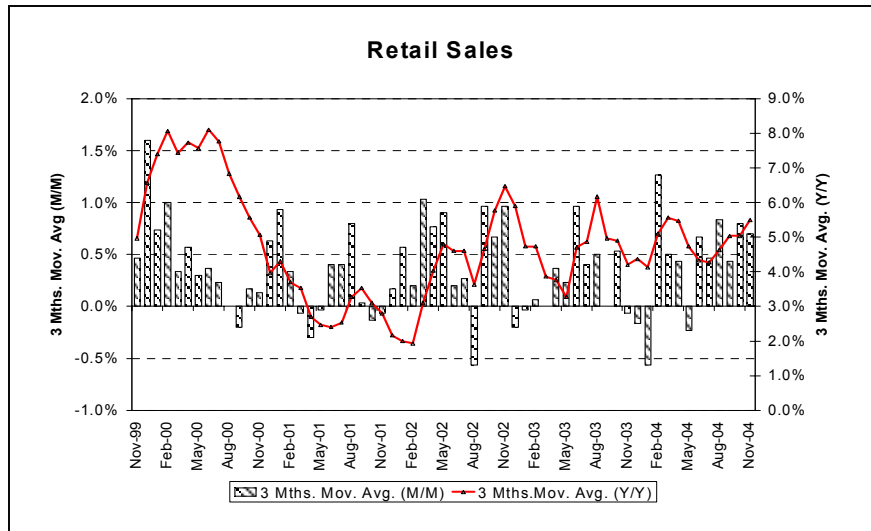
The Trade Surplus decreased from SEK 12.0 bln in October to SEK 10.1 bln in November. The decrease is attributed to the krona's appreciation against the dollar which has boosted demand for imports, i.e., cars, electronic goods and weakened demand for exports. Imports rose 14.0% Y/Y to SEK 68.1 bln, while exports increased 11.0% Y/Y to SEK 78.2 bln.

Producer Price Index, Retail Sales & Consumer Confidence

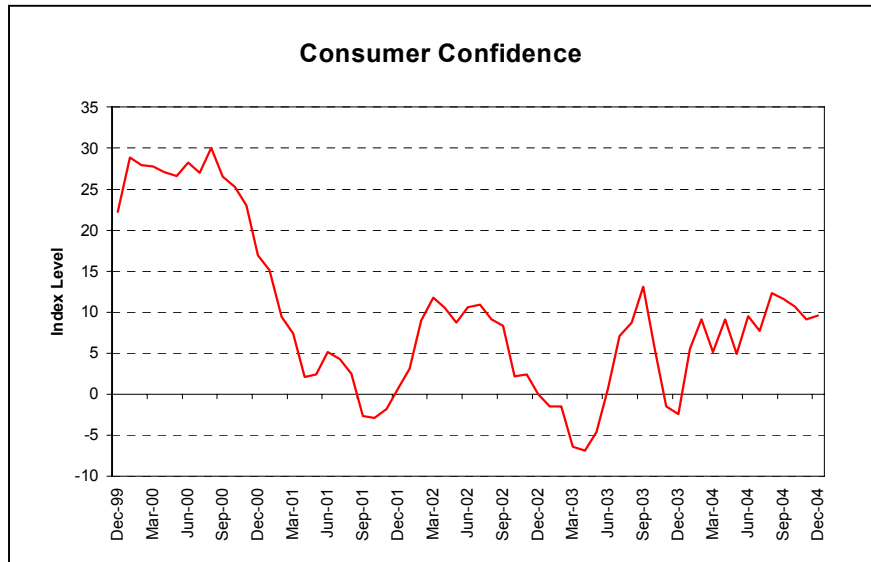
The Producer Price Index fell 0.2% M/M and rose 2.9% Y/Y in November. Price decreases in petroleum products and crude oil contributed to the decline.



Retail Sales rose 1.7% M/M and 7.7% Y/Y in November, above expectations. Record-low interest rates increased consumer spending while the cold weather fueled demand for sports gear, shoes and clothing.



Consumer Confidence rose from 9.1 in November to 9.6 in December.



Purchasing Managers Index & Deficit

Jan. 3rd – Swedish Dec. Purchasing Managers' Index Rises to 56.9

Sweden's Purchasing Manager's Index rose from 54.5 in November to 56.9 in December. The increase was a result of an increase in exports of goods. A reading higher than 50 signals expansion and one lower than 50 indicates contraction.

Jan. 10th - Sweden Had Lower-Than-Expected SK55 Billion Deficit in 2004

Sweden experienced a fiscal deficit of SEK 55 bln in 2004 (up from SEK 46 bln in 2003). This resulted in “a shortfall equal to about” 2.0% of GDP, said the country's National Debt Office.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
1/12	Industrial Production s.a. (M/M) - November	-0.6%	1.0%
1/12	Industrial Production n.s.a. (Y/Y) - November	4.3%	5.0%
1/12	Industrial Orders (M/M) – November	-1.0%	2.7%
1/12	Industrial Orders (Y/Y) – November	9.0%	0.1%
1/12	Activity Index Level	--	109.2
1/13	CPI – Headline Rate (M/M) – December	0.0%	-0.6%
1/13	CPI – Headline Rate (Y/Y) – December	0.4%	0.5%
1/13	CPI – Underlying Inflation (M/M) – December	0.1%	-0.6%
1/13	CPI – Underlying Inflation (Y/Y) – December	0.9%	0.9%

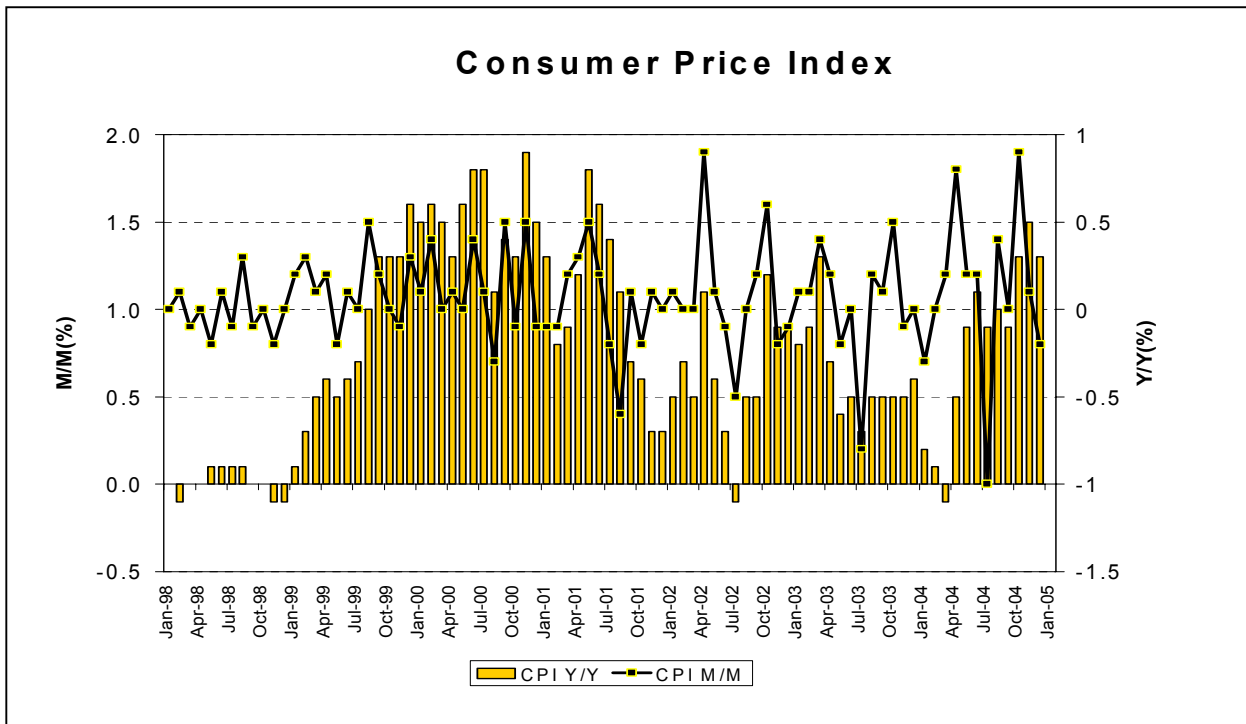
Switzerland

The Swiss recovery is showing signs of losing momentum only months after the economy pulled out of a three-year slump. Swiss consumer prices in December unexpectedly dropped for the first month in five, led by lower costs for crude oil and fuels. Switzerland's unemployment rate in December displayed little change.

Weekly Highlights

- **CPI** – decreased 0.2% M/M and increased 1.3% Y/Y in December. (page 42)
- **KOF Swiss Leading Indicator** - decreased to 0.49 from a revised 0.58 in November. (page 43)
- **SVME Purchasing Manager's Index** - rose to 56.7 from 53.6 in October. (page 43)
- **Unemployment** - fell 0.2 % to 150,427 from November (page 43)

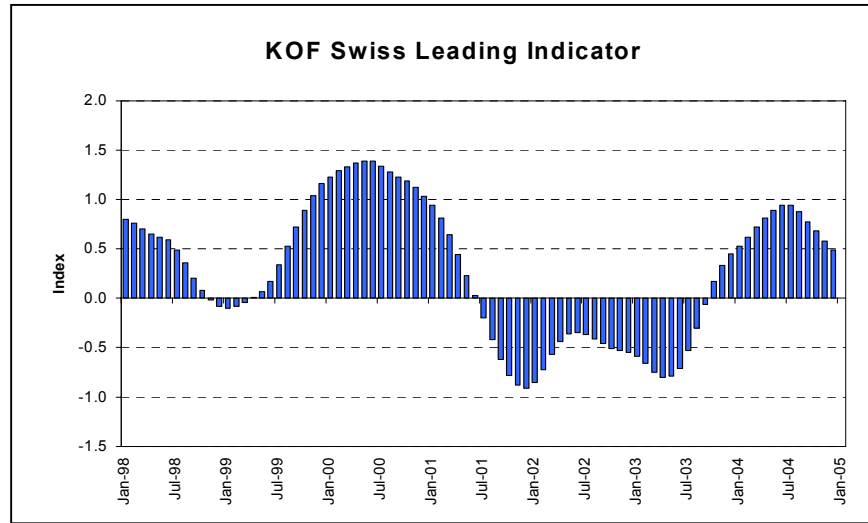
Chart of the Week



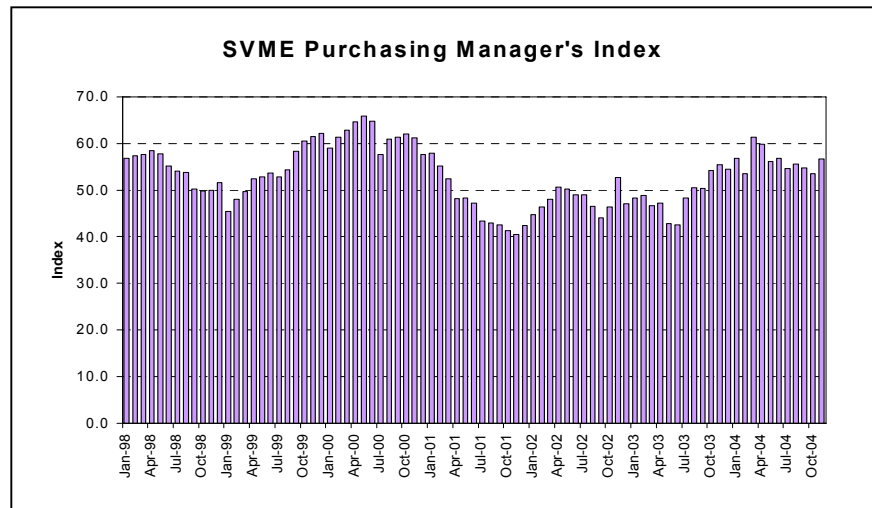
Consumer prices unexpectedly fell 0.2 % from November for the first month of five, led by lower costs for crude oil and fuels. The Core CPI Index excludes energy, food, tobacco, fuel and seasonal products.

KOF Swiss Leading Indicator, SVME Purchasing Manager's Index & Unemployment Rate

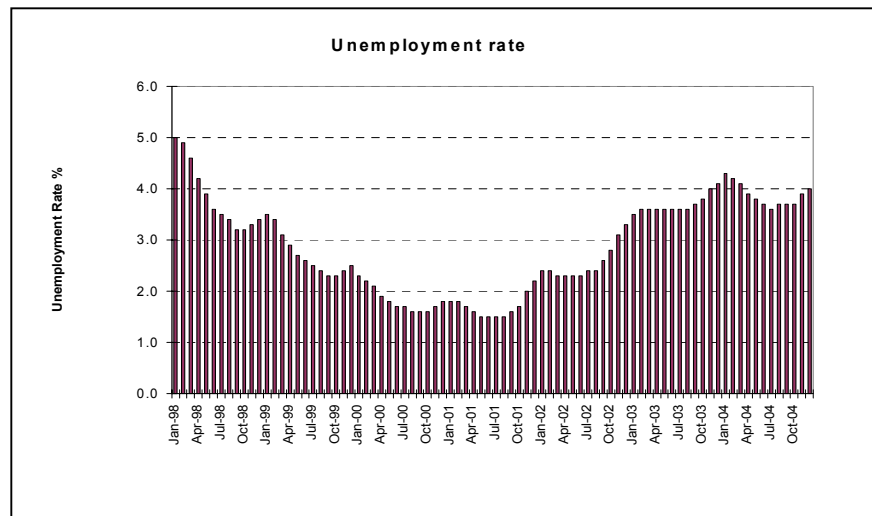
Swiss leading economic indicators fell for the fifth consecutive month in December; this suggests that Europe's eighth-largest economy is losing steam. The monthly aggregate of indicators, which helps predict the direction of the economy in about six months, decreased to 0.49 from a revised 0.58 in November.



Swiss manufacturing in November unexpectedly expanded, rising to its highest level in five months. An index measuring executives' perceptions of manufacturing rose to 56.7 from 53.6 in October.



Unemployment in December displayed little change, keeping the jobless rate at 3.8%. The number of unemployed fell 0.2%.



Summary

The Swiss economy will probably expand between 1.5 percent and 2 percent this year after growing "close" to 2 percent in 2004, the SNB stated last month. "In view of the latest global economic developments, a correction downwards for our 2005 prognosis is likely," Jean- Daniel Gerber, head of the State Secretariat for Economic Affairs, said at a briefing in Bern today. The risks to Europe's eighth-largest economy include a further collapse of the dollar and the threat of a renewed rise in oil prices, he added. Gerber said last month in an interview that the government will reassess its growth projections "because export perspectives are not as good as they were a few months ago." The government in October forecast average unemployment in 2005 of 3% and inflation of 1.3 %. It plans to publish new estimates for this year and 2006 on Jan. 28.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
01/11/2005	Adjusted Real Retail Sales Y/Y	---	0.5%