

# Valance Company, Inc.



Weekly

November 2, 2005

III

## Highlights

**US** – Some signs of weakness in the housing market (page 2)

**Euroland** – Manufacturing expands at fastest rate in 13 months in October (page 11)

**Japan** – Core CPI increased M/M and the Unemployment Rate declined in September (page 18)

**UK** – Housing market starts to show signs of recovery; Consumer Confidence decreases (page 25)

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## October 27 – November 2 Short Term Interest Rates

Country	Change in BPs		(3Mth. Futures Contracts Yields)			
	Official Rate	3 Mth. LIBOR	Dec-05	Mar-06	Jun-06	Sep-06
US	0.25	0.05	2.50	7.00	8.50	7.50
	4.00	4.28	4.49	4.79	4.89	4.90
EU	0.00	0.06	7.00	11.00	12.00	11.50
	2.00	2.26	2.41	2.61	2.76	2.86
JN	0.00	0.00	-0.50	0.50	2.50	3.50
	0.00	0.06	0.10	0.19	0.30	0.41
UK	0.00	0.01	2.00	8.00	8.00	9.00
	4.50	4.61	4.60	4.61	4.63	4.68
CA	0.00	0.05	1.50	3.00	4.00	6.00
	3.00	3.23	3.46	3.72	3.87	3.96
AU	0.00	-0.01	-1.00	-3.00	-3.00	-3.00
	5.50	5.57	5.64	5.68	5.70	5.72
NZ	0.00	0.05	6.00	5.00	6.00	8.00
	7.00	7.38	7.45	7.44	7.35	7.20
SZ	0.00	0.04	10.00	15.00	19.00	22.00
	0.75	0.87	1.07	1.37	1.64	1.84

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Valance Economic Reports

Valance Co., Inc.

# Valance Economic Report: United States

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November 2, 2005

This week's economic data showed a strong Q3 GDP report and initial unemployment claims back to Pre-Katrina levels. However, consumer confidence and housing data showed some weakness. Current inflation remained contained, but one-year inflation expectations moved higher to 4.6%. The Fed's meeting was anti-climactic, resulting in a 25bp move with measured, accommodative and balanced risk language, all remaining in the statement.

## Weekly Highlights

**Market Core PCE Deflator** – up 0.1% M/M in September. (page 2)

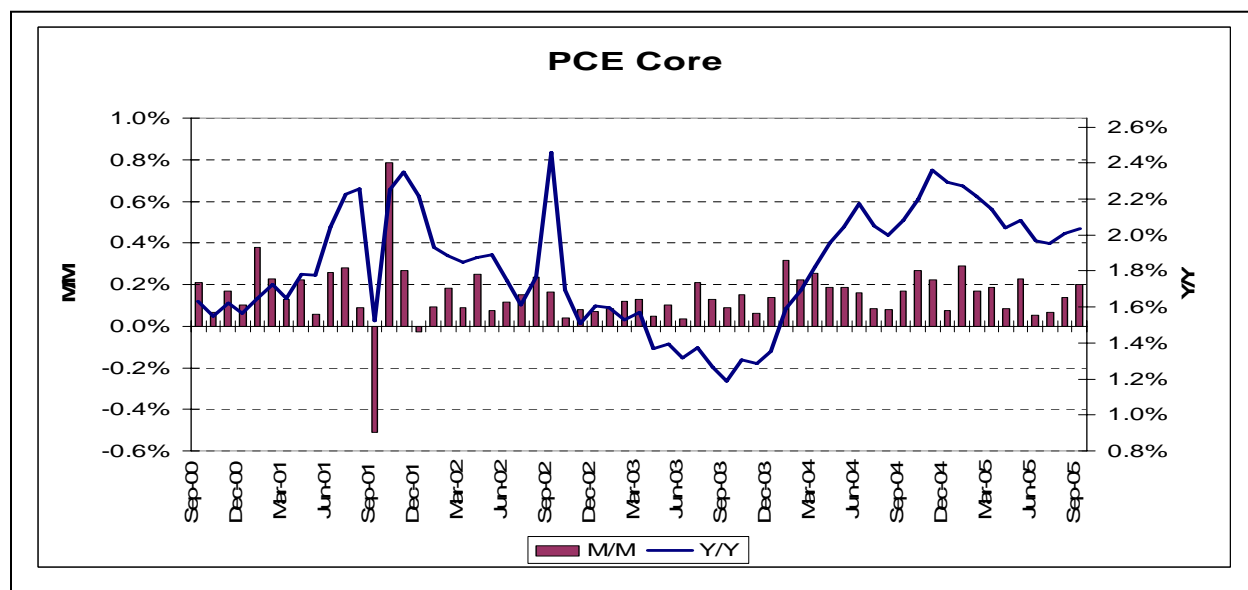
**GDP** – up 3.8% in Q3, despite large inventory draw-down. (page 4)

**New Home Sales** – prices declined and inventories increased. (page 5)

**Mortgage Applications** – for purchases weakened. (page 5)

## Weekly Releases

### Chart of the Week: *PCE Core*



The PCE Core deflator was up 0.2% M/M and 2.0% Y/Y in September. Measures of current inflation continue to remain restrained, but 12 month inflation expectations have accelerated in September and October. Energy costs have also pushed headline inflation higher, but those price pressures have not seeped through to core measures so far. The Fed continues to be concerned about upward risks to inflation; any indication that inflation is moving higher or that long-term inflation expectations become unanchored, would mean a more aggressive tightening path.

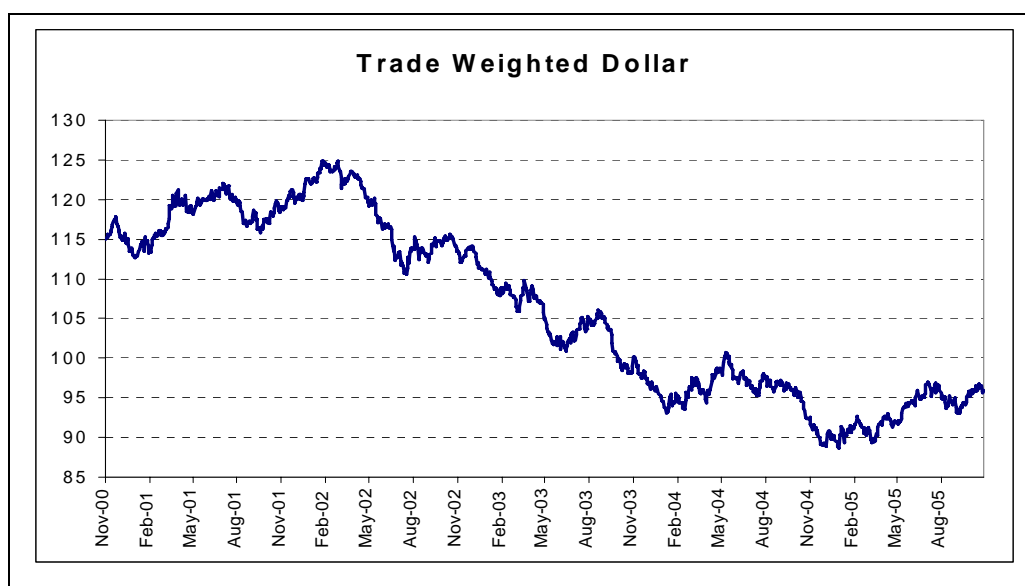
## ***U.S. Financial Balances & Trade Weighted Dollar***

### ***Financial Balances***

<i>U.S.</i>	<i>Latest period (\$blns)</i>	<i>Last 12mth. as a % of GDP</i>
Budget Balance	35.7 (September)	-2.6%
Trade Balance	-59.0 (August)	-5.5%
Current Account Balance	-195.7 (Q2)	-6.1%
Private Balance	--	-3.4%

The budget deficit is currently at \$317 bln on a trailing twelve month basis and forecasts see the budget deficit increasing to \$400 bln with Katrina related spending in 2006. The larger budget deficit will stimulate the economy in the short-run, but the trade deficit, as of August, is still 5.5% of GDP, with no clear signs of narrowing quickly. The budget deficit will remain too small to support a robust and sustained expansion, given the size of the current account deficit. As mortgage equity extraction slows and debt service levels increase, fragility in the economy should become more evident.

### ***Trade Weighted Dollar***

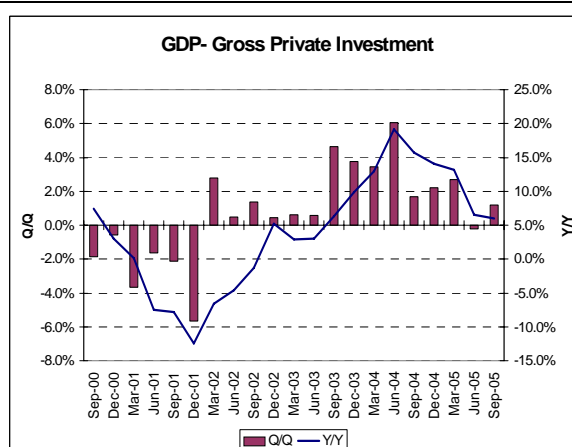
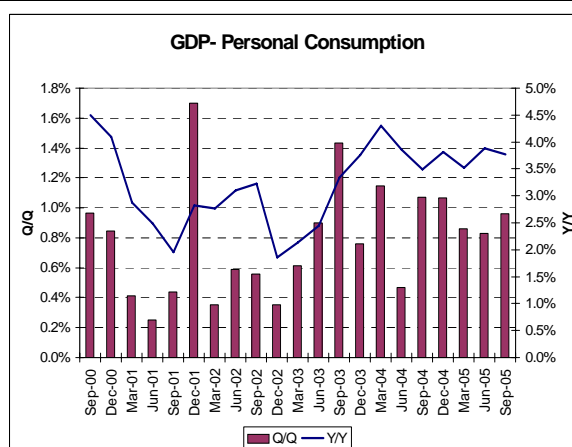
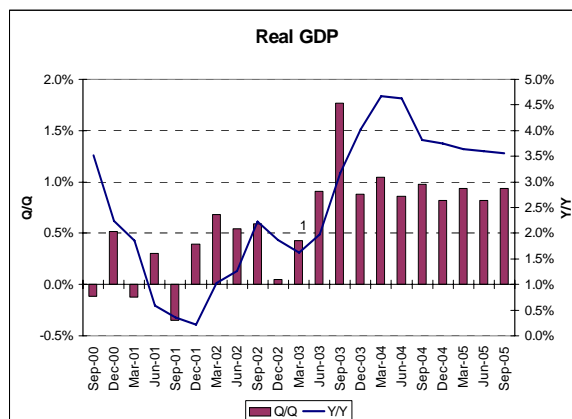


# GDP

## GDP

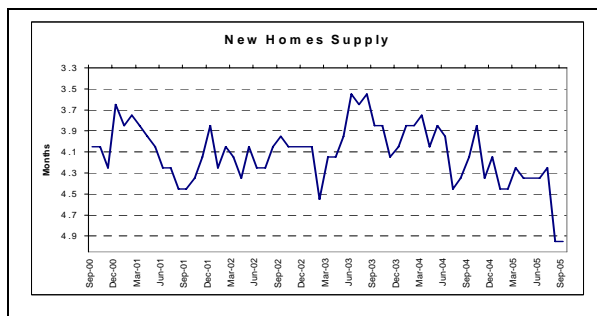
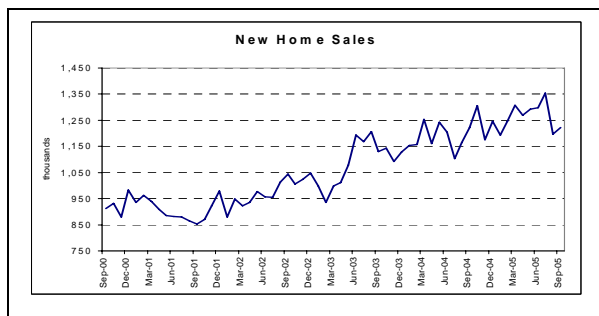
*Q3 GDP annualized Q/Q growth was 3.8%, up from 3.3% in Q2.*

*Inventories subtracted 0.55% from Q3 growth and vehicle sales added 0.4%. Personal Consumption grew 3.9% and gross private investment grew 2.3%. The core consumption price deflator was up 1.3%, down from 1.7% in Q2. Overall, the report showed above potential economic growth with tame inflation.*



## New Home Sales, Mort. Apps. & Vehicle Sales

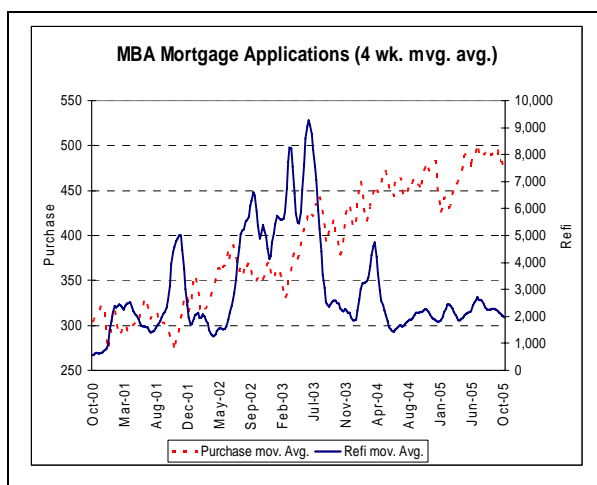
### New Home Sales



New Home Sales increased from 1.197 mln to 1.222 mln in September. Median prices were down 5.7% M/M, and up only 1.9% Y/Y. The supply of new homes was at 4.9 months in August and September, the highest level since 1996.

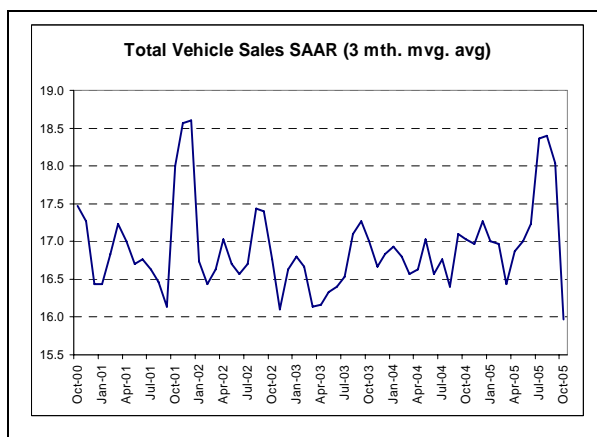
### MBA Mortgage Applications

Purchase and refinancing mortgage applications decreased 6.2% and 2.8%, respectively, this week. Purchase applications dropped from 466.4 to 437.6 and the four-week moving average is now up only 2.3% from a year ago.



### Total Vehicle Sales

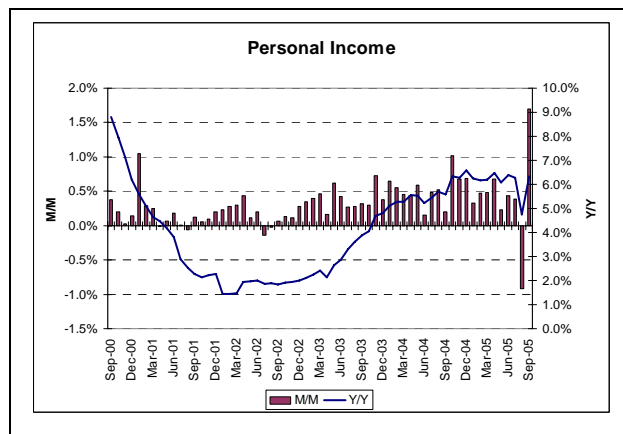
The seasonally adjusted annual rate of total vehicle sales dropped from 16.4 mln to 14.7 mln in October. The strong contribution that vehicle sales had to GDP in Q2 will not likely repeat itself. Domestic producers continue to lose market share to overseas competitors like Toyota.



## Personal Income and Spending & Durable Goods

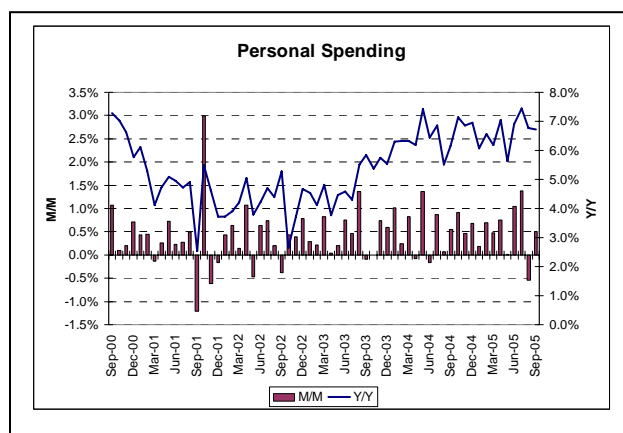
### Personal Income

Personal Income increased 1.7% M/M and 6.3% Y/Y in September. Excluding the impact of the hurricanes, personal income would have increased 0.5% M/M.



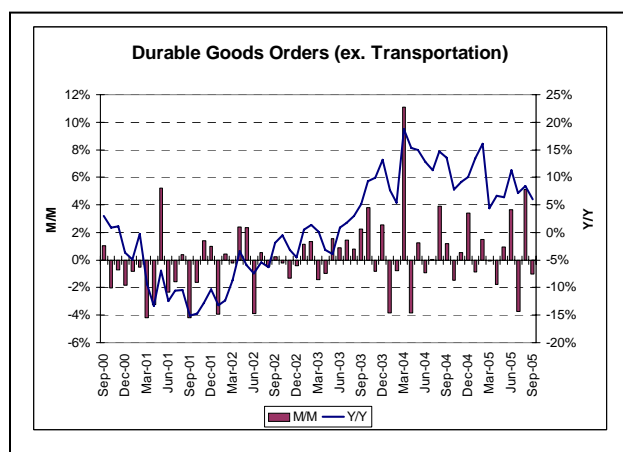
### Personal Spending

Personal Spending increased 0.5% M/M and increased 6.7% Y/Y in September. Growth in the purchases of nondurable goods and services helped offset a 2.3% M/M decline in durable goods. Real personal consumption expenditures declined 0.4% M/M in September after declining 1.0% M/M in August.



### Durable Goods ex. Transport

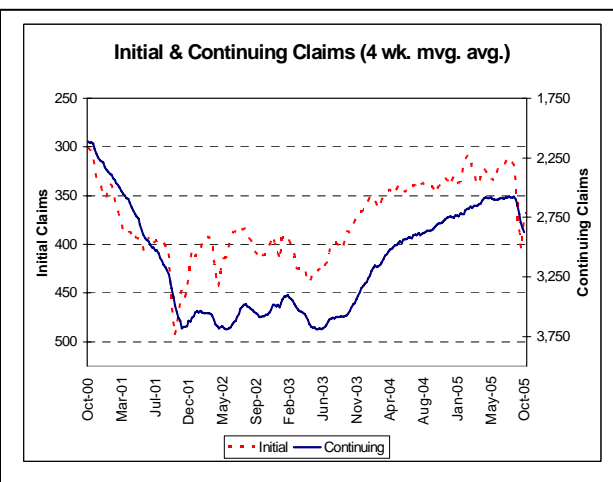
Durable Goods Orders, excluding transportation, decreased 1.0% M/M and increased 6.0% Y/Y in September. This volatile series showed some weakness post-Katrina after a strong August. Non-defense capital goods orders, excluding aircraft (a proxy for business capex in the GDP report), decreased 1.2% M/M and increased 5.8% Y/Y.



## Unemployment Claims, Help Wanted & Employment Cost

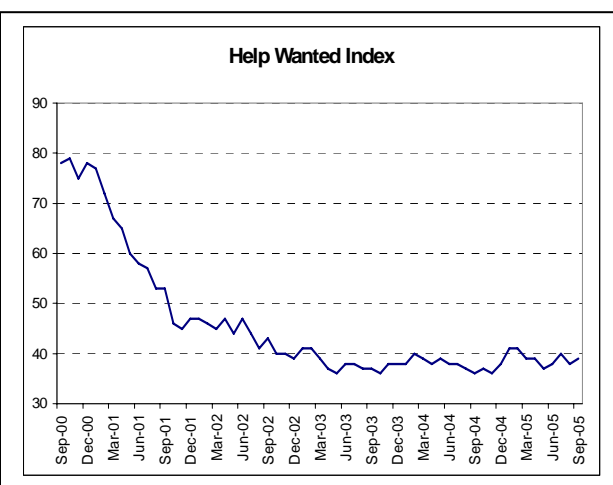
### Initial & Continuing Claims

The four week moving average of initial claims dropped to 367k and continuing claims increased to 2,874k. Initial claims have now returned to pre-Katrina levels.



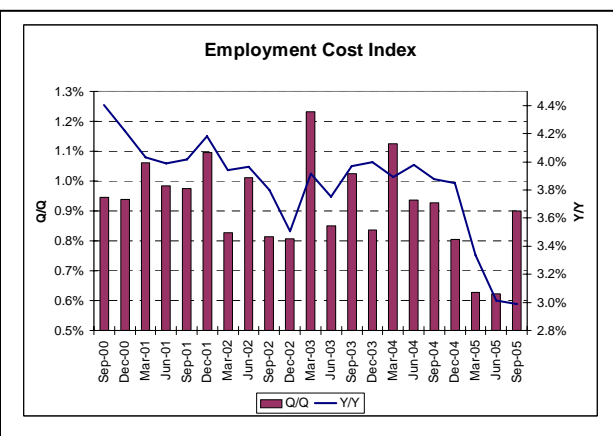
### Help Wanted Index

The Help Wanted Index increased from 38 to 39 in September. The gain was partially driven by one-time factors related to Katrina and Rita that should fade in the next few months.



### Employment Cost Index

The Employment Cost Index increased 0.9% Q/Q on a seasonally adjusted basis and 3.0% Y/Y in the third quarter. This series does not show significant upward pressures on wages that could lead to higher inflation and higher rates, but this series also does not measure bonuses or options-related compensation.

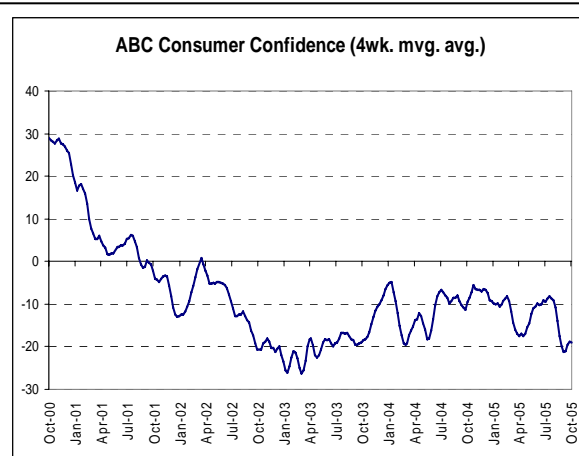




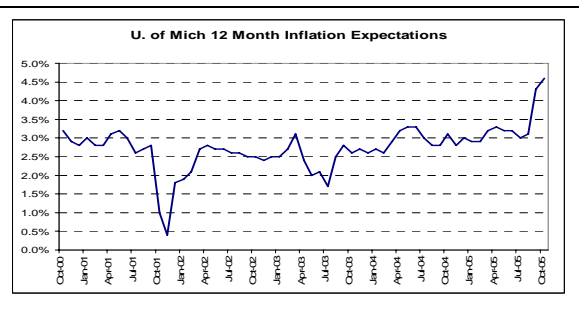
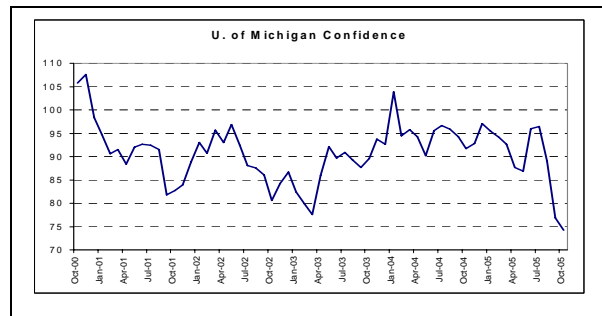
## Consumer Confidence & Construction Spending

### ABC Consumer Confidence

The ABC Consumer Confidence Index fell from -19 to -21. The economy component remained flat at -34 and the finance component and buying component declined from 12 to 10 and from -34 to -38, respectively. This is the second week of decline in the main index since the middle of September.



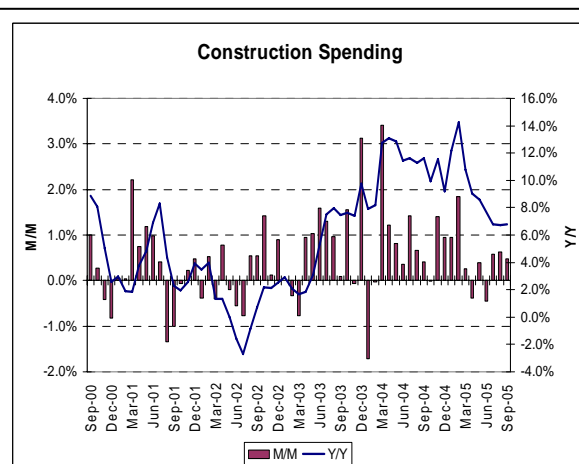
### U. of Michigan Confidence



The University of Michigan Confidence Index dropped from 76.9 to 74.2 in October. The current and expectations components both declined, to 91.2 and 63.2 from 98.1 and 63.3, respectively. Inflation expectations (one year out) increased from 4.3% to 4.6% in October.

### Construction Spending

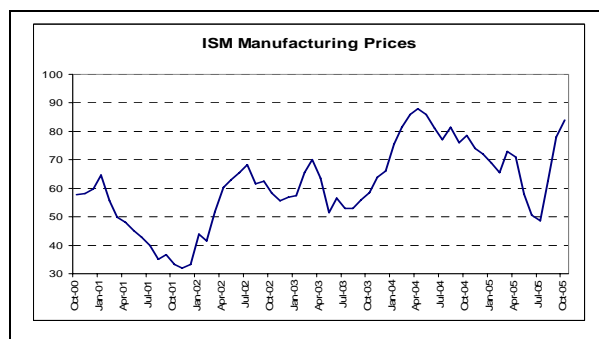
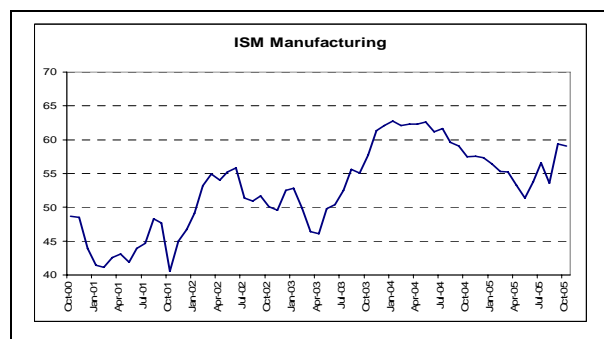
Construction Spending increased 0.5% M/M and 6.8% Y/Y in September. Housing Starts and Permits have been at healthy levels on an absolute basis, but are not showing significant growth. Post Katrina spending will likely start to drive this series higher.



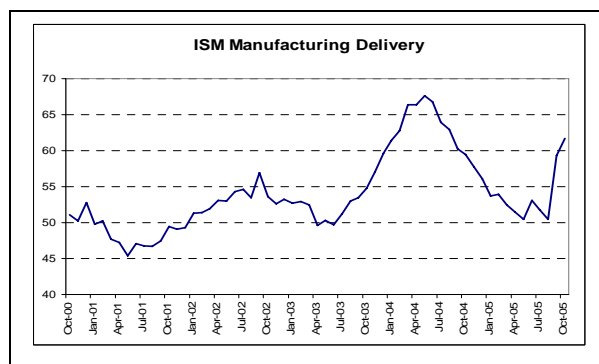


## ISM Manufacturing & Chicago PMI

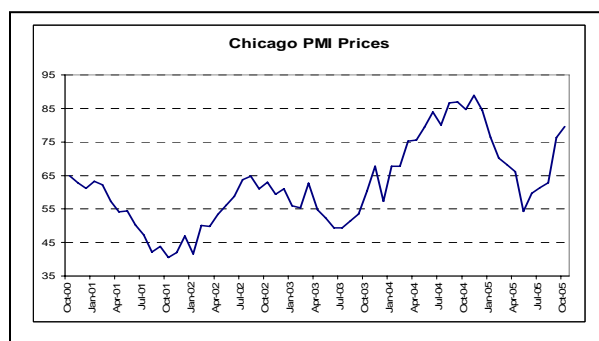
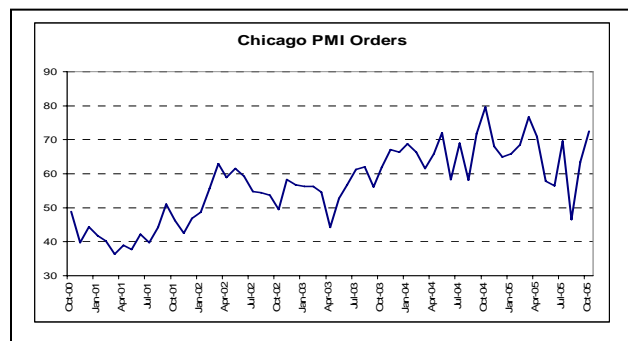
### ISM Manufacturing



*The ISM Manufacturing Index decreased from 59.4 to 59.1 in October. The price component moved from 78 to 84, levels not seen since May 2004. The delivery component also reached the highs for the year- possibly an attempt to purchase products before prices move higher. Employment improved from 53.1 to 55.0.*



### Chicago PMI



*The Chicago PMI increased from 60.5 to 62.9 in October. New orders and prices jumped from 63.4 to 72.6 and from 76.3 to 79.6, respectively. The employment component improved from 48.4 to 51.3.*

## *Key Dates This Week*

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
11/03	Nonfarm Productivity (Q3)	2.6%	1.8%
11/03	Unit Labor Costs (Q3)	1.8%	2.5%
11/03	Initial Jobless Claims (OCT 29)	330K	328K
11/03	Continuing Claims (OCT 22)	2898K	2904K
11/03	ISM Non-Manufacturing (OCT)	57.0	53.3
11/03	Factory Orders (SEP)	-1.0%	2.5%
11/04	Change in Nonfarm Payrolls (OCT)	110K	-35K
11/04	Unemployment Rate (OCT)	5.1%	5.1%
11/04	Average Hourly Earnings (OCT) (M/M)	0.2%	0.2%
11/04	Average Weekly Hours (OCT)	33.7	33.7
11/07	Consumer Credit (SEP)	\$5.8B	\$4.9B
11/08	ABC Consumer Confidence (NOV 6)	NA	-21
11/09	MBA Mortgage Applications (NOV 4)	NA	-4.8%
11/09	Wholesale Inventories (SEP)	0.4%	0.5%
11/10	Trade Balance (SEP)	-\$60.0B	-\$59.0B
11/10	Import Price Index (OCT) (M/M)	0.2%	2.3%

Valance Co., Inc.

# Valance Economic Report: Euro Zone

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November 2, 2005

**Economic Indicators** remained strong across the Euro Zone this week. Coupled with a pickup in headline inflation data, the case for an ECB hike has strengthened significantly. With a hike possibly eminent, and a still-weak consumer, it doesn't appear that the Euro Zone economy is poised to sustain significantly higher rates.

## Weekly Highlights

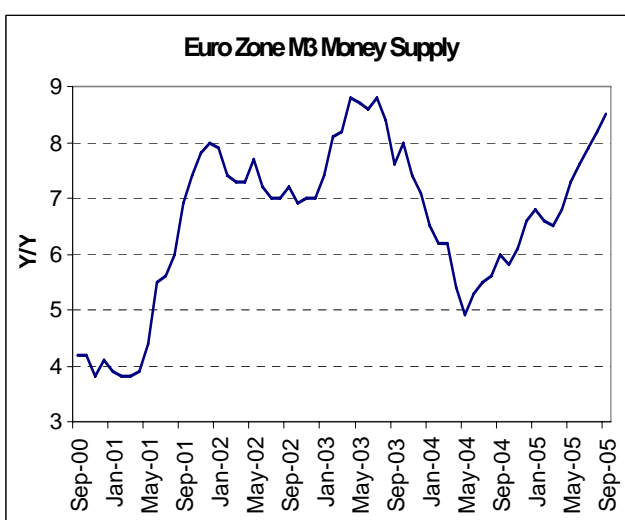
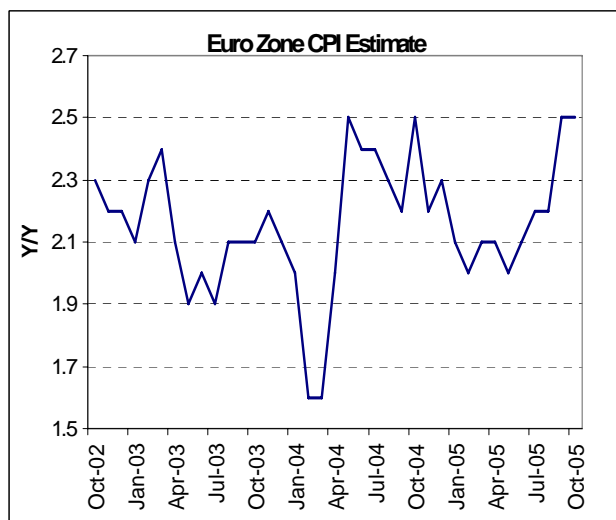
**Euro Zone M3**– Private Sector lending continues to accelerate. (page 11)

**Euro Zone Business Climate** – Business confidence surged. (page 13)

**German Unemployment**– Unemployment continued its modest decline. (page 13)

## Weekly Releases & News

### Charts of the Week: Euro Zone CPI & M3



Price pressures in the Eurozone area remained elevated in September and October (by ECB metrics at least) as the Euro Zone CPI estimate remained at 2.5% in October and M3 money supply continued to accelerate, rising from 8.2% in August to 8.5% (Private sector lending accelerated from 8.5% to 8.9%). The Euro Zone's CPI Estimate Index has actually underestimated inflation in the Euro Zone for the past two months, possibly suggesting even faster inflation growth in October. With solid manufacturing growth prospects and German labor unions wanting "clearly higher wages," the ECB may have all the ammo it needs to finally raise rates.

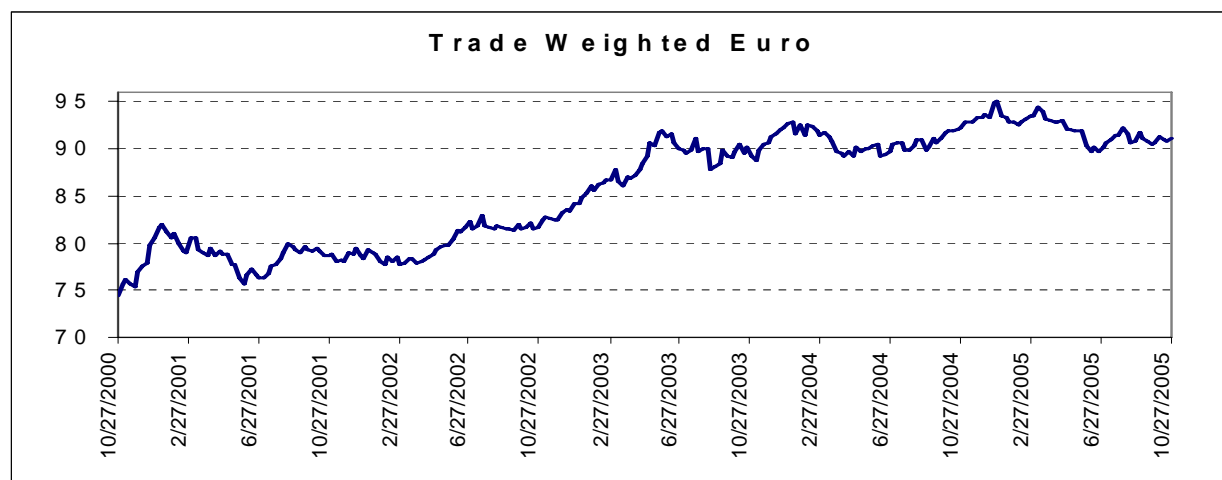
## ***Euro Zone Financial Balances & Trade Weighted Euro***

### ***Financial Balances***

<i>Germany</i>	<i>Last period (\$blns euros)</i>	<i>Last 12mth. as a % of GDP</i>
Budget Balance	-80.3 (12/04)	-3.6%
Trade Balance	12.1 (May)	7.1%
Current Account Balance	5.2 (May)	3.6%
Private Savings Balance	--	7.2%
<i>France</i>		
Budget Balance	-5.15 (May)	-3.4%
Trade Balance	-1.25 (May)	-1.3%
Current Account Balance	-2.87 (May)	-1.0%
Private Savings Balance	--	2.4%
<i>Italy</i>		
Budget Balance	-3.4 (July)	-3.5%
Trade Balance	-0.36 (May)	0.4%
Current Account Balance	-3.2 (May)	1.2%
Private Savings Balance	--	4.7%

Euro area public deficits will most likely overshoot their official targets once again in 2005 as growth this year has proven much weaker than forecasted. Initial 2006 budget drafts also suggest overly optimistic growth forecasts. Citigroup forecasts an average euro area deficit of 3.2% in 2005 and 3.4% in 2006, above the EU's 3% limit.

### ***Trade Weighted Euro***



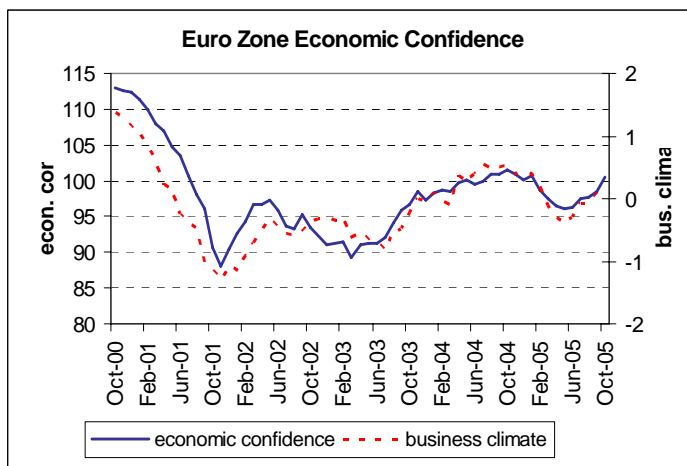
## Euro Zone Confidence, German & French Unemployment

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### Euro Zone Economic Confidence

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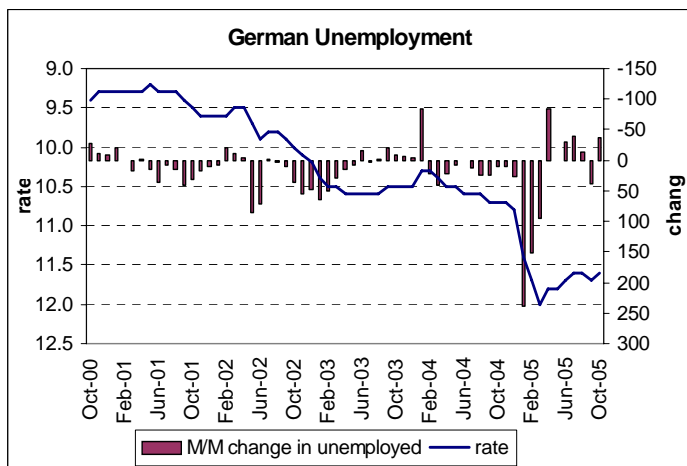
*The Euro Zone's October Business Climate Index increased from 0.07 in September to 0.15. The Economic Confidence Index increased from 98.6 to 100.5 and the Consumer Confidence Index increased from -14 to -13.*



### German Unemployment

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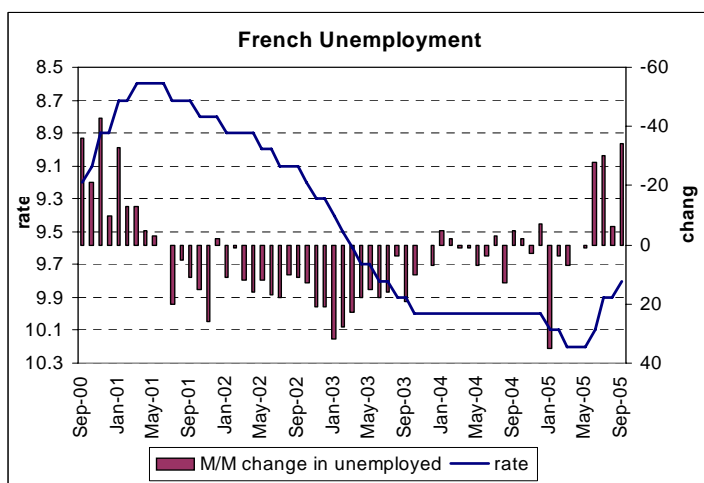
*German Unemployment declined in October, as the total unemployed declined by 36,000. The Unemployment Rate fell from 11.7% in September to 11.6%. An increase in part time workers was responsible for the fall. Labor Minister, Wolfgang Clement, commented, "Our labor market reforms are increasingly making an impact."*



### French Unemployment

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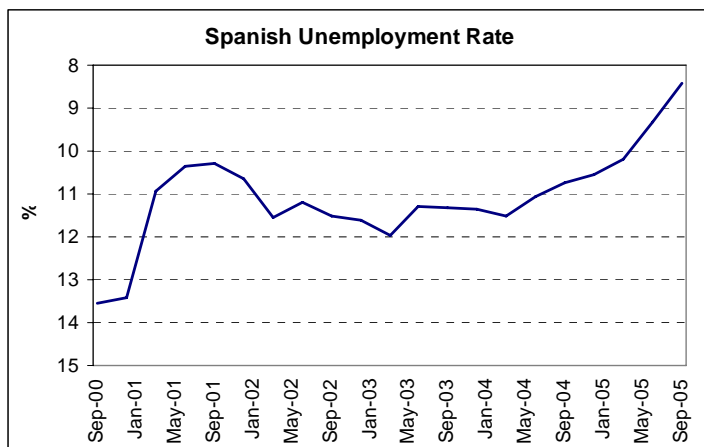
*French Unemployment declined in September, as the total unemployed fell by 34 thousand. The Unemployment Rate declined from 9.9% in August to 9.8%.*



## Spanish Unemployment, French Confidence & German Sales

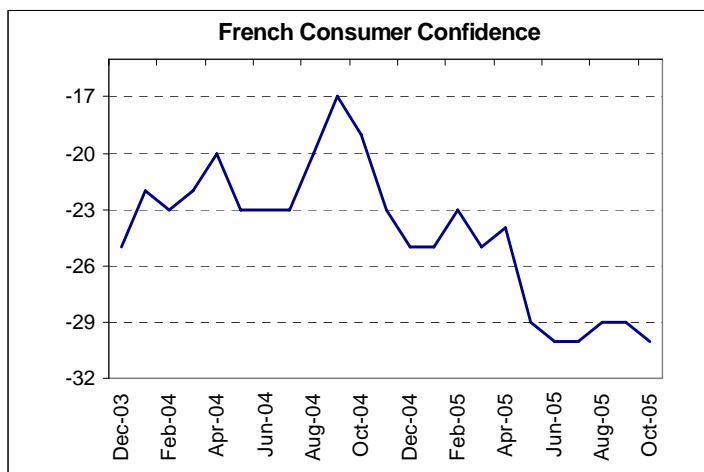
### Spanish Unemployment

Spain's Q3 Unemployment Rate declined from 9.3% in Q2 to 8.4%.



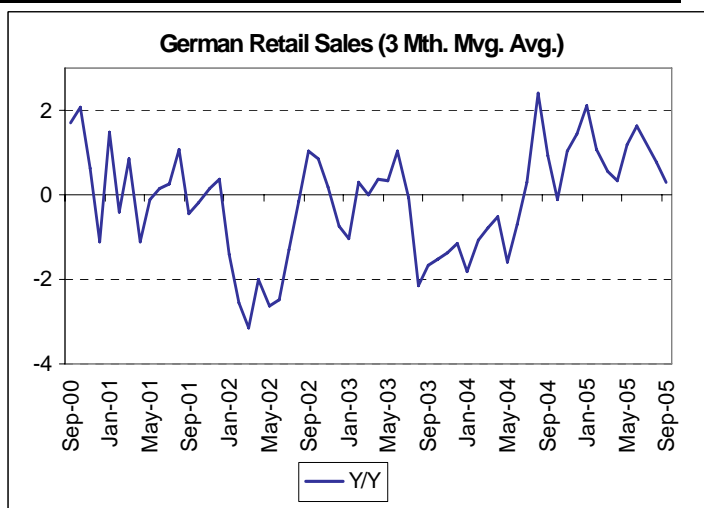
### French Consumer Confidence

French Consumer Confidence declined in October, falling from -29 in September to -30. The "future personal financial situation" sub-index declined significantly, falling from -6 to -9, while the "savings opportunity" index increased from 5 to 14.



### German Retail Sales

Germany's September Retail Sales fell 1.6% M/M and 0.7% Y/Y. The overall level of sales has fallen 4% from January to September.



## Italian Confidence, Spanish Retail Sales & Italian CPI

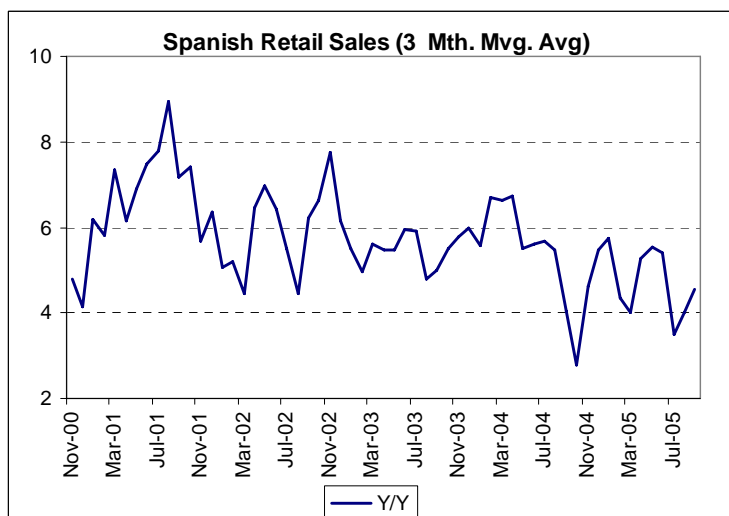
### Italian Retailer's Confidence

*Italy's September Retailer's Confidence Index increased from 103.3 in August to 105.6 as both the "sales outlook" and "current sales" sub-indices surged.*



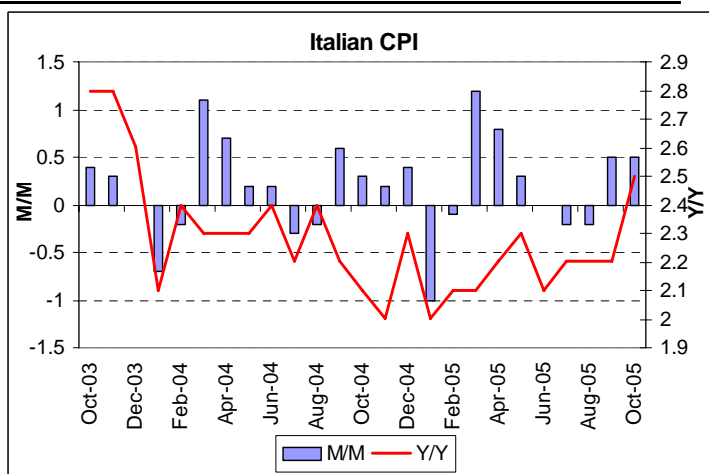
### Spanish Retail Sales

*Spain's September Retail Sales increased 8.4% M/M and 5.9% Y/Y.*



### Italian CPI

*Italy's October Consumer Price Index increased 0.5% M/M and 2.5% Y/Y.*





## ***Euro Zone Manufacturing PMI & News***

### ***Euro Zone Manufacturing PMI***

*The Euro Zone's September Manufacturing PMI Index rose from 51.7 to 52.7. Germany's PMI rose from 51 to 53.1; France's PMI fell from 52.7 to 52.5; Spain's PMI rose from 52.1 to 52.2; and Italy's PMI rose from 51.5 to 52. (Numbers above 50 indicate expansion while numbers below 50 indicate contraction.). Improvement was modest, but was across most subcomponents.*

<b><i>Euro-12 Manufacturing PMI:</i></b>	<b><i>Oct</i></b>	<b><i>Sep</i></b>	<b><i>Aug</i></b>	<b><i>July</i></b>	<b><i>June</i></b>	<b><i>May</i></b>	<b><i>Apr</i></b>	<b><i>Mar</i></b>	<b><i>Feb</i></b>	<b><i>Jan</i></b>
<i>Overall Index</i>	<b>52.7</b>	51.7	50.4	50.8	49.9	48.7	49.2	50.4	51.9	51.9
<i>Output</i>	<b>54.3</b>	53.8	51.8	52.8	51.0	50.0	50.3	51.6	53.4	53.3
<i>Employment</i>	<b>49.9</b>	48.9	48.3	47.8	48.2	47.5	47.6	48.8	49.3	48.1

### ***News***

**Nov. 2<sup>nd</sup> – German labor union IG Metall** stated that moderate wage demands in the past have not “paid off” and workers now want “clearly higher wages”. They also noted that any increase in VAT would raise pressure to “recoup at least some of the price increases via wages.”

**Nov. 1<sup>st</sup> – French economic growth** is likely to remain poor for now according to the French Long Leading Index which is recognized for its ability to spot cyclical turns in the economy before others.

**Oct. 28<sup>th</sup> – The German IFO Institute** stated that German Capacity Utilization increased from 82.6% in June to 82.8% in September. The order backlog widened from 2.5 months to 2.6 months. The report also stated that job cuts at manufacturers will slow in the coming months and that “survey participants were clearly more optimistic for the coming six months.”

**Oct. 28<sup>th</sup> – ECB member Yves Mersch** stated that the bank is closely following the outcome of wage negotiations and added, “We must make sure monetary policy isn’t behind the curve.” He did also note, however, that core inflation hadn’t seemed to have increased. Co-member, Lucas Papademos, added that “Inflation risks have increased both in the short term and medium term, and these risks relate to higher oil prices and also are due to the fast pace of money and credit growth. Until now, there was no significant evidence of second round effects.” ECB member Nout Wellink also added that the bank is “increasingly concerned about inflation” and that with winter coming around the high oil prices could lead to a pick-up in wage demands. Rounding out the hawkish comments, ECB member Otmar Issing explained why the current pickup in M3 is important and how it differs from that seen in past cycles. Issing stated, “This acceleration is judged to be of a different quality. It is increasingly marked by loans to the private sector. The likelihood that strong monetary developments ultimately find their way into higher prices must be seen as considerably higher.”

## News & Key Dates This Week

### News

**Oct. 27<sup>th</sup> – Italian Prime Minister Silvio Berlusconi** stated that the EU's inflation mission is too narrow. "We talked expressly about the fact that inflation is no longer a fear and that we should change the mission that was entrusted to the ECB, whose dominant concern is to contain inflation."

### Key Dates This Week

Date	Indicator	Expectation	Previous
11/03	Italian New Car Registrations (OCT)	--	3.5% Y/Y
11/03	Spanish Unemployment Change (OCT)	--	-5,800
11/03	Euro Zone Services PMI (OCT)	55.0	54.7
11/03	ECB announces rates (NOV)	2%	2%
11/04	Spanish Industrial Output (SEP)	2.8% Y/Y	3.2% Y/Y
11/04	German Factory Orders (SEP)	5.9% Y/Y	8.3% Y/Y
11/04	Euro Zone Unemployment Rate (SEP)	8.6%	8.6%

Valance Co., Inc.

**Valance Economic Report: Japan**

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November 2, 2005

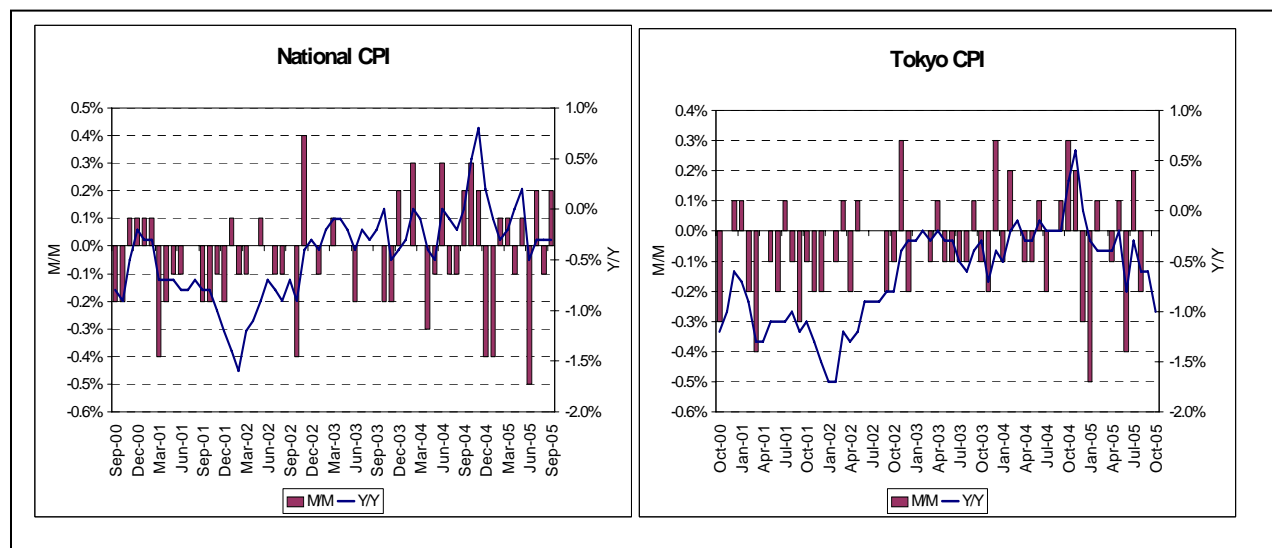
**Recent data from Japan was mostly positive. Core Consumer Prices increased M/M in September, the Unemployment Rate declined in September, and Industrial Production improved in September. The data continues to support views that the BoJ may be able to change policy by Q2 2006.**

**Weekly Highlights**

**Core CPI** – increased 0.1% M/M and declined 0.1% Y/Y in September. (page 18)

**Jobless Rate & Job-Applicant Ratio** – Unemployment Rate declined from 4.3% to 4.2% in September; Job-Applicant Ratio remained unchanged at 0.97. (page 20)

**Industrial Production**– increased 0.2% M/M and 1.0% Y/Y in September. (page 20)

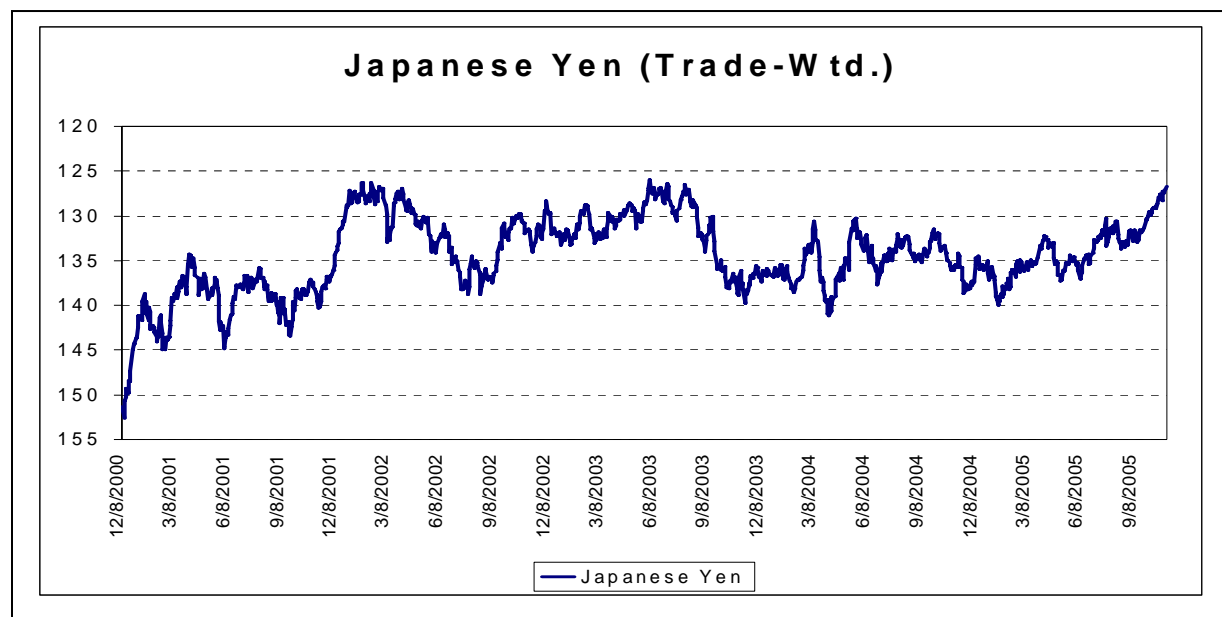
**Charts of the Week: Core Consumer Prices**

Nationwide Prices of all items, excluding food and fresh fruits, increased 0.1% M/M and declined 0.1% Y/Y in September. Tokyo-wide prices of all items, excluding food and fresh fruits, remained unchanged M/M and declined 0.3% Y/Y in September. The increase was roughly in line with market expectations as M/M increases in prices in clothing and footwear, as well as housing, utilities, and household goods, outweighed lower prices in entertainment and medical care.

## ***Japan's Financial Balances***

### ***Financial Balances***

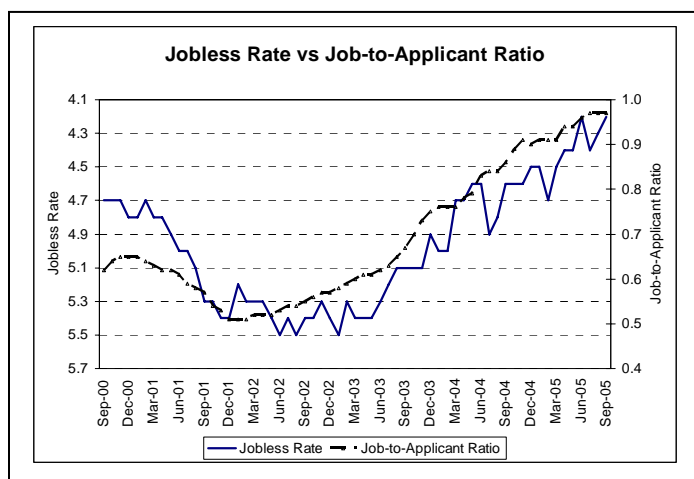
<i><b>Japan</b></i>	<i><b>Last period (¥trln)</b></i>	<i><b>Last 12mth. as a % of GDP</b></i>
Budget Balance	-3.03 (May)	-6.9%
Trade Balance	0.69 (June)	2.2%
Current Account Balance	1.50 (June)	5.2%
Private Balance	--	12.1%



## Jobless Rate, Industrial Production & Business Confidence

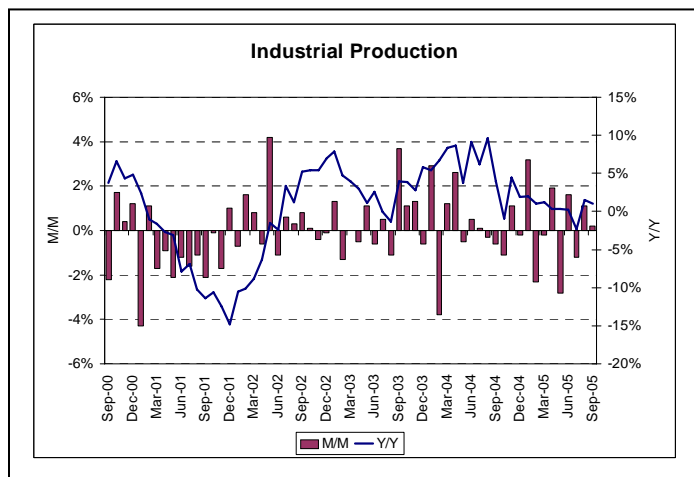
### Jobless Rate

The Unemployment Rate in Japan edged downward from 4.3% in August to 4.2% in September. The decline brought the Unemployment Rate to a level last seen in July 1998 and occurred even though the labor force increased by 460k people. This suggests that underlying strength in the labor market continues. On a SA basis, the number of salaried workers increased 1.5% Y/Y, the highest rate of growth since February 1997. Most of the improvement was found within the manufacturing sector, where jobs rose by 120k Y/Y, the first such increase since May 2001. The nationwide Job-Applicant Ratio remained unchanged at 0.97.



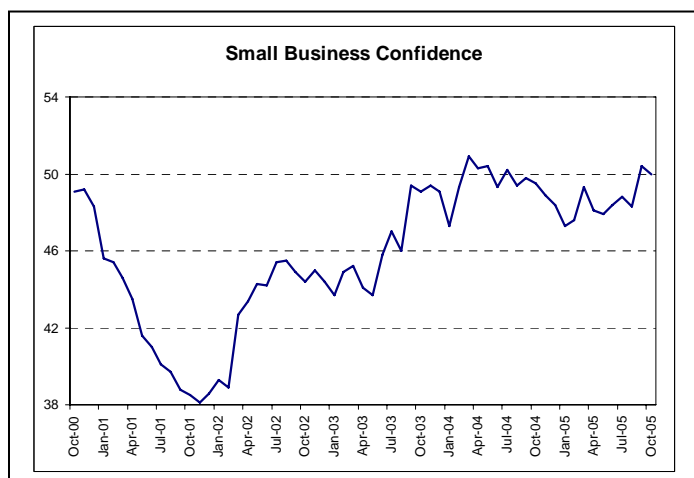
### Industrial Production

September's Industrial Production Index increased 0.2% M/M and 1.0% Y/Y. Growth in transportation equipment and electronics parts production offset declines in general machinery. The Manufacturing Production Forecast Index from METI increased 2.4% M/M for October and 1.9% M/M for November as large manufacturers expect production in electronics parts/devices to continue to remain steady, and for general machinery to recover in the months to come.



### Business Confidence

The Shoko Chukin Bank's Small Business Confidence Index declined from 50.4 pts in September to 50.0 pts in October. This decline was largely due to declines in transportation equipment and IT services. Both sectors are expected to rebound in November however, as the bank's overall index forecast is for an increase to 51.2pts.

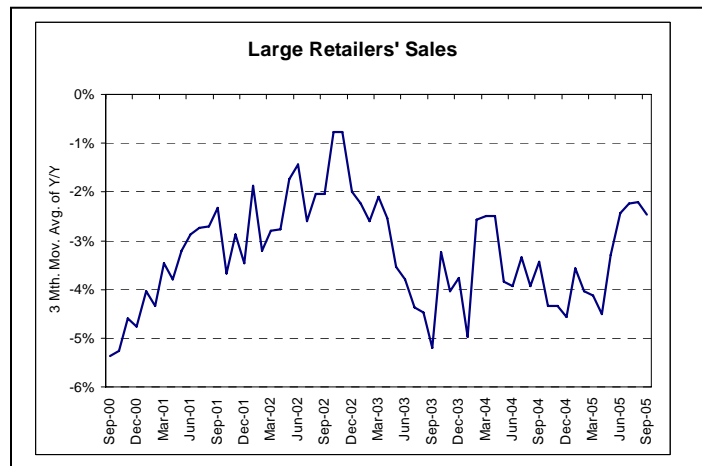
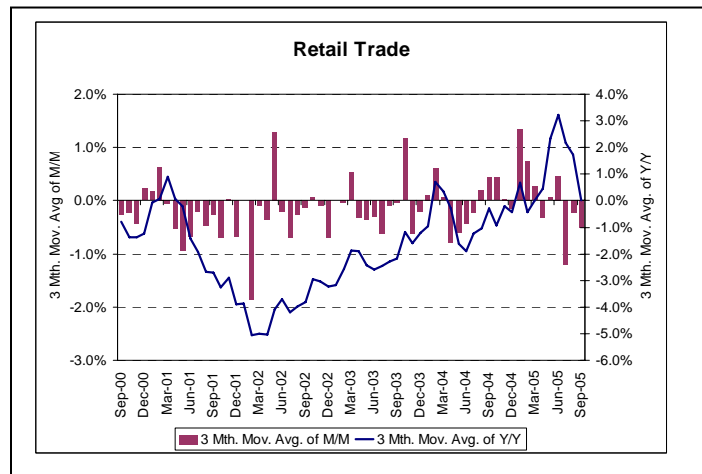


## Retail Trade & Large Retailers' Sales

### Retail Trade & Large Retailers' Sales

*Retail Sales declined 0.8% M/M and increased 0.1% Y/Y in September, below market expectations for a 0.2% M/M increase. The decline came as consumer spending edged lower on household goods and clothing.*

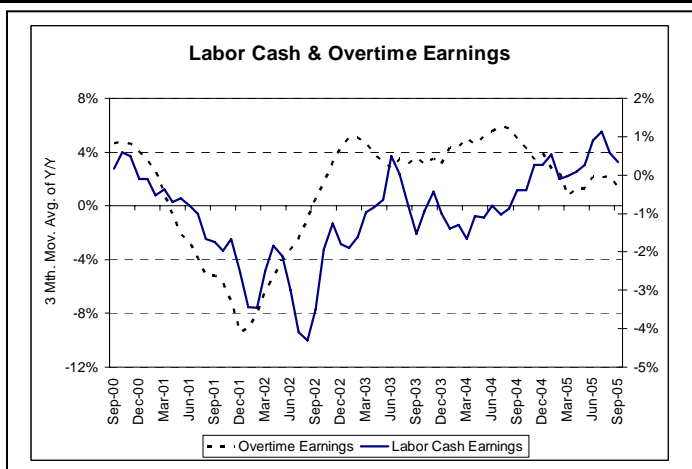
*Large Retailers' Sales declined 2.7% M/M, below market expectations for a 1.8% M/M decline.*



## Labor Earnings, Workers' Household Spending & Vehicle Sales

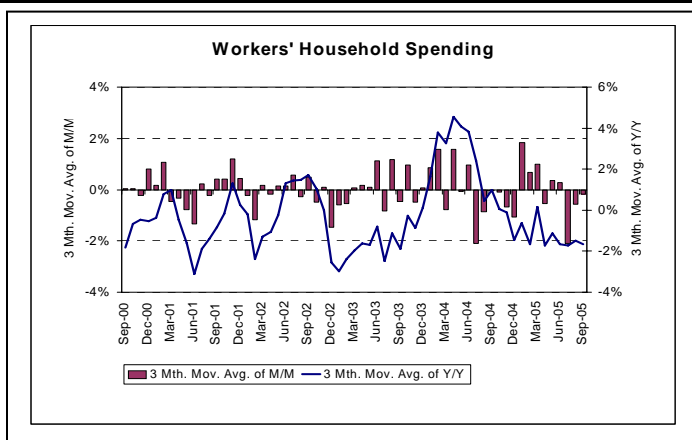
### Labor Earnings

Labor Earnings increased 0.8% Y/Y in September and Overtime Earnings increased 0.4% Y/Y.



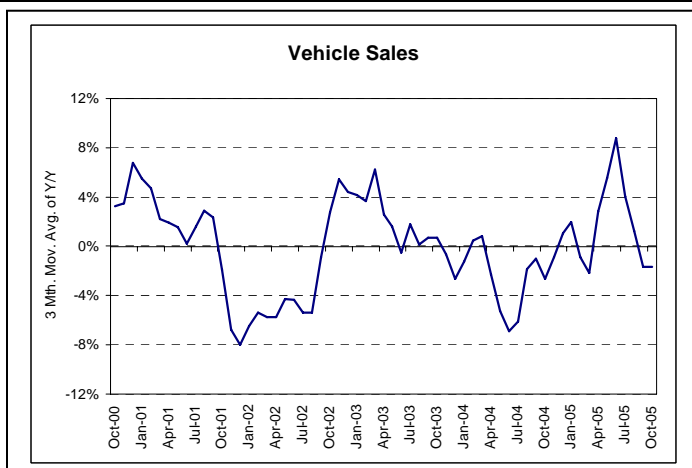
### Workers' Household Spending

Workers' Household Spending declined 0.2% M/M and 0.4% Y/Y in September. Market expectations were for a 0.8% M/M and 0.1% Y/Y increase.



### Vehicle Sales

Vehicle Sales declined 3.4% Y/Y in October.

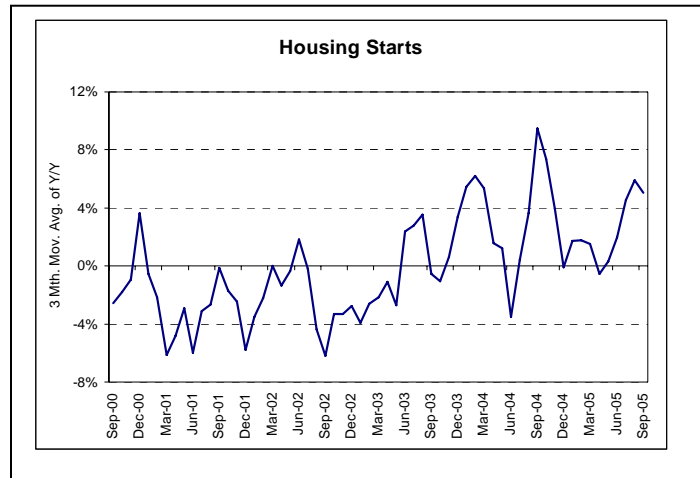




## Housing Starts & Construction Orders

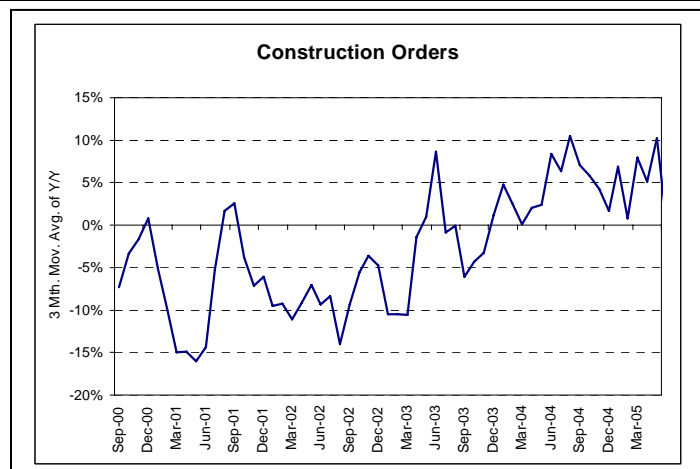
### Housing Starts

*Housing Starts declined 0.2% Y/Y in September as the annualized number of new houses declined from 1.271 mln units to 1.245 mln units. The market had anticipated an increase of 1.3% Y/Y to 1.262 mln units.*



### Construction Orders

*Construction Orders increased 0.6% Y/Y in September, below the anticipated 6.0% Y/Y increase.*



## *News & Upcoming Dates*

### *BoJ's Comments*

**Oct 27<sup>nd</sup>** –An unnamed senior BoJ official cited in a Nikkei News article commented that exports, particularly to China, had improved but reiterated the BoJ's view that "there's no changing the fact that a domestic demand driven economic recovery is necessary."

**Oct 31<sup>st</sup>** – The BoJ decided to maintain its ultra-easy monetary policy at its policy board meeting. The decision came with a 7-2 vote and reflects the predominant view that the nation's core CPI has not yet established a sustained positive trend.

In a separate announcement, the BoJ increased its nationwide Core CPI forecast from 0.3% in FY06 to 0.5%. The increase suggests that BoJ members are becoming more comfortable with recent data, suggesting that growth is improving and prices are slowly beginning to trend upward.

**Nov 1<sup>st</sup>** – The BoJ commented in its Outlook for Economic Activity and Prices that there is an increased possibility that it will terminate its quantitative easing policy in FY06. At the same time however, the BoJ noted that there will not be discontinuous

### *Key Dates This Week*

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
11/04	Household Spending (Sep Y/Y)	-0.1%	-0.6%
11/04	Overall Household Spending (Sep M/M)	-0.1%	-0.6%
11/07	Leading Economic Index (Sep)	N/A	N/A
11/07	Coincident Index (Sep)	N/A	N/A
11/08	Money Supply M2+CD (Oct Y/Y)	N/A	2.1%
11/08	Bank Lending (Oct Y/Y)	N/A	-1.6%
11/09	Machine Tool Orders (Oct Y/Y)	N/A	3.6%
11/09	Eco Watchers Survey: Current (Oct)	N/A	51.7
11/09	Eco Watchers Survey: Outlook (Oct)	N/A	53.1

Valance Co., Inc.

**Valance Economic Report: United Kingdom**

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November 2, 2005

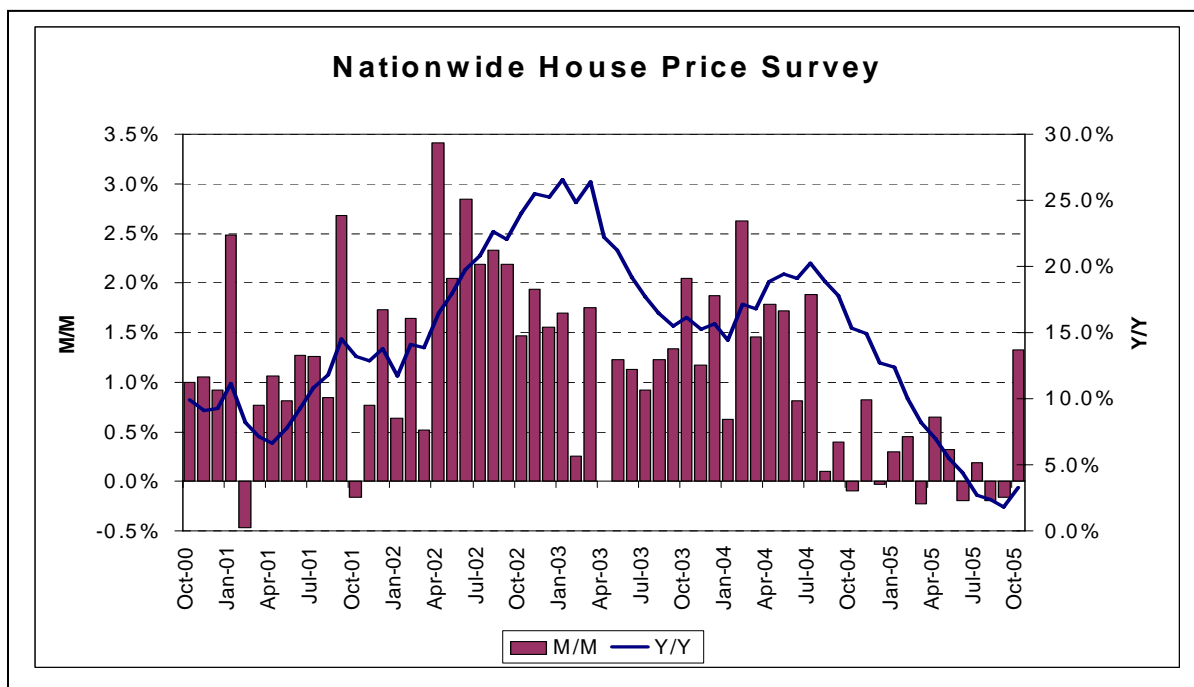
The UK housing market has shown some signs of recovery as both the Nationwide House Price Survey and mortgage approvals recently improved last month. Meanwhile, other signs have not been as positive as GfK Consumer Confidence fell to its lowest level in two and a half years.

**Weekly Highlights**

**Nationwide House Price Survey-** increased 1.3% M/M and 3.3% Y/Y in October. (page 25)

**GfK Consumer Confidence-** decreased from -5 to -8 in October, the lowest level since May 2003. (page 27)

**BBA-** reported that mortgage approvals increased 2.0% M/M and 2.0% Y/Y in September. (page 27)

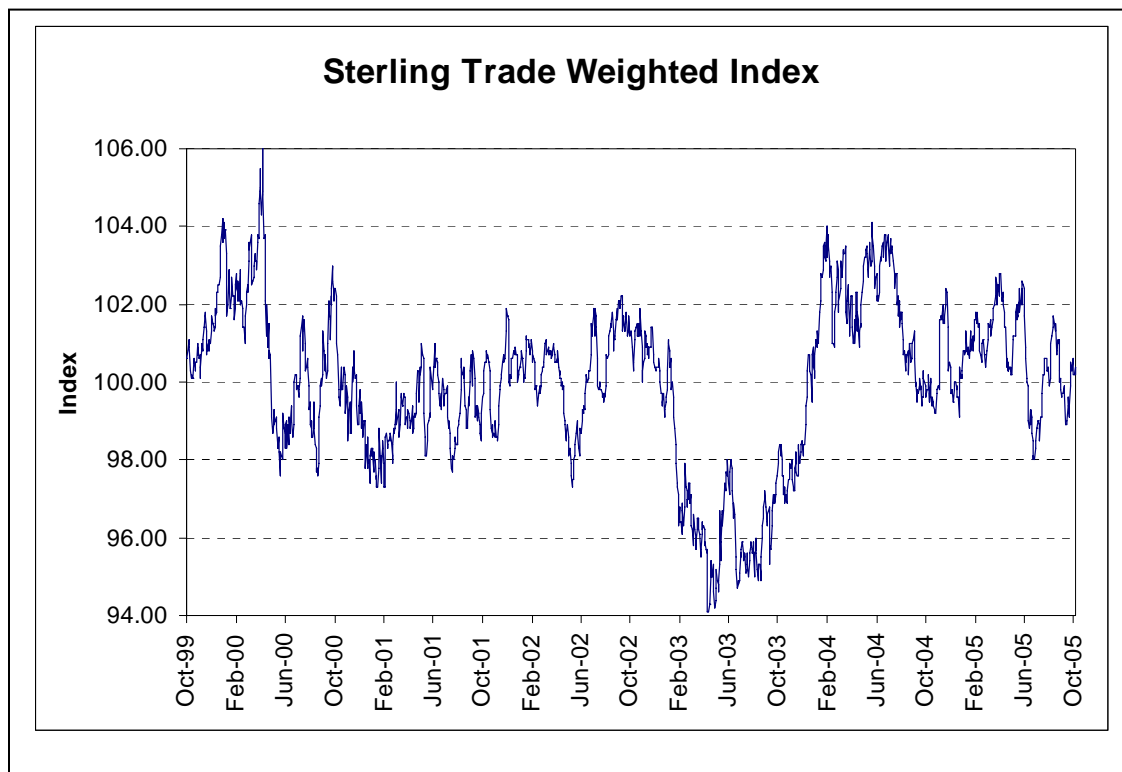
**Weekly Releases & News****Chart of the Week: *Nationwide House Price Survey***

The Nationwide House Price Survey increased 1.3% M/M and 3.3% Y/Y in October. The M/M increase is a positive sign for the housing market, reversing the declines of the last two months. However, the Y/Y growth rate was well below last October's rate of 15.3% Y/Y.

25

## ***Financial Balances & Trade Weighted Index***

<i>U.K.</i>	<i>Last Period (blns)</i>	<i>Last 12mth. % of GDP</i>
Budget Balance (monthly)	-£5.9 (June)	+1.6%
Trade Balance (monthly)	-£3.4 (May)	-1.2%
Curr. Acct. Balance (quarterly)	-£3.1 (March)	-1.0%
Private Balance	--	-2.6%



## ***Data***

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### ***Data***

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#### **GfK Consumer Confidence**

GfK Consumer Confidence decreased from -5 to -8 in October, the lowest level since May 2003. The subcomponents reported that people's perception of the economic situation over the past year increased from -28 to -26, while a measure of their view of the economy over the next 12 months fell from -16 to -19.

#### **CBI Distributive Trades Report**

The CBI Distributive Trades Report showed the volume of sales increased from -24 to -18 in October. The three month moving average of the volume of sales remained at -20 for a second month. The volume of orders placed on suppliers also improved slightly from -24 to -19.

#### **BBA Mortgage Lending**

The British Banker's Association (BBA) reported that mortgage lending, including re-mortgages, increased 5.7% M/M and 9.3% Y/Y in September.

#### **BBA Mortgage Approvals**

The British Banker's Association (BBA) reported that mortgage approvals, for all purposes, increased 2.0% M/M and 2.0% Y/Y in September.

#### **BOE Net Consumer Credit**

The Bank of England (BOE) reported that Net Consumer Credit increased 0.7% M/M and 10.9% Y/Y in September.

#### **BOE Net Lending Secured on Dwellings**

The Bank of England (BOE) reported that Net Lending Secured on Dwellings increased 0.8% M/M and 10.2% Y/Y in September.

Recently, the housing market has started to show some signs of stabilization. This week, annual growth in the Nationwide series accelerated for the first time since July 2004, albeit at a very subdued pace. In addition, the recent rise in CML mortgage lending and the RICS sales to stock ratio trend of the last six months, along with this week's BBA mortgage approvals also support this view. These forward-looking indicators seem to be pointing to a stabilization or small increase in house prices. However, it should be noted that some of the recent increases may be partially attributed to home owners re-financing after the last rate cut.

## ***Data Continued***

### **CIPS PMI Manufacturing**

CIPS Manufacturing PMI increased slightly from 51.5 to 51.7 in October, its highest level in ten months.

	<b>Oct. 2005</b>	<b>Sept. 2005</b>
<hr/>		
Overall Index	51.7	51.5
Output	53.1	53.0
New Orders	53.9	54.0
Export Orders	53.5	53.3
Backlog of work	48.5	48.9
Stocks of finished goods	49.5	47.2
Employment	47.7	47.6
Output prices	51.5	52.8
Input prices	61.7	59.7
Suppliers' delivery times	46.6	47.6
Quantity of Purchases	51.7	50.2

### **CIPS PMI Construction**

CIPS Construction PMI decreased from 57.2 to 53.9 in October. Housing activity decreased from 50.2 to 48.9, its first decrease since May.

	<b>Oct. 2005</b>
<hr/>	
Construction Activity	53.9
Housing Activity	48.9
Civil Engineering	47.5
Quantity of Purchases	52.9
Employment	52.8

## *Key Dates This Week*

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
11/07	Industrial Production	--	-0.9% M/M -1.9% Y/Y
11/07	Manufacturing Production	--	-0.2% M/M -0.1% Y/Y
11/07	NIESR GDP Estimate	--	0.3%
11/08	Nationwide Consumer Confidence	--	94
11/09	MPC Meeting	--	--
11/09	Trade Balance	--	-£3160M
11/10	BRC Shop Price Index	--	--
11/10	MPC Announces Rates	4.50%	4.50%



Valance Co., Inc.

# Valance Economic Report: *Canada*

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November 2, 2005

The trend of strong economic growth in Canada continues as Real GDP increased above expectations, posting its longest string of increases in three years.

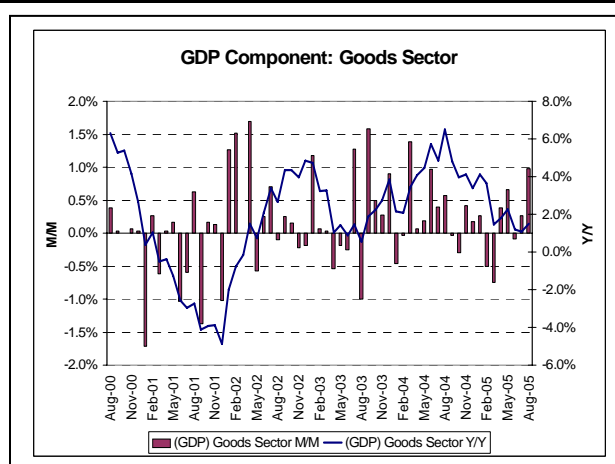
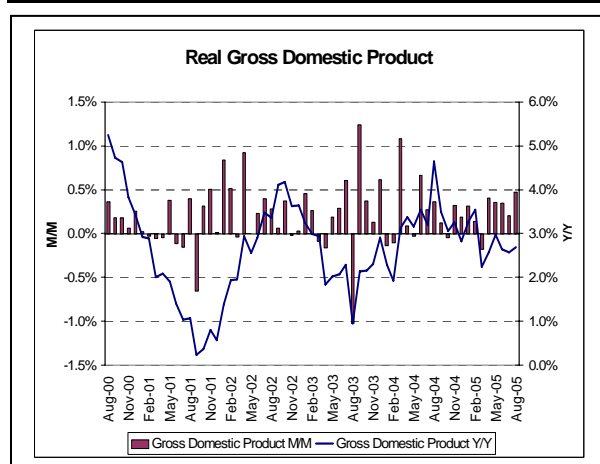
## Weekly Highlights

**Real GDP** - increased 0.5% M/M and 2.7% Y/Y in August. (page 30)

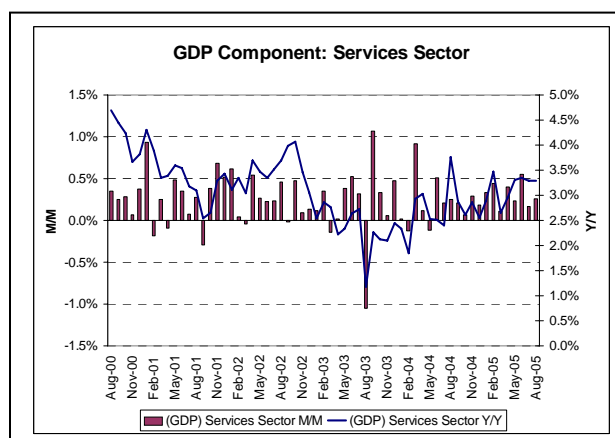
**Industrial Product Prices** - increased 0.4% M/M and 0.6% Y/Y in September. (page 32)

## Weekly Releases & News

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



Real GDP increased 0.5% M/M and 2.7% Y/Y in August, above expectations. This is the fifth consecutive month of increases, the longest such stretch in three years. The Goods Sector increased output 1.0% M/M and 1.5% Y/Y, due to increases in the manufacturing and mining, oil and gas extraction, and exploration industries. The Services Sector increased 0.3% M/M and 3.3% Y/Y as a result of increases in the wholesale, transport, warehousing, and real estate industries. This strong increase in GDP has reinforced expectations that the BoC will continue its current hiking cycle.

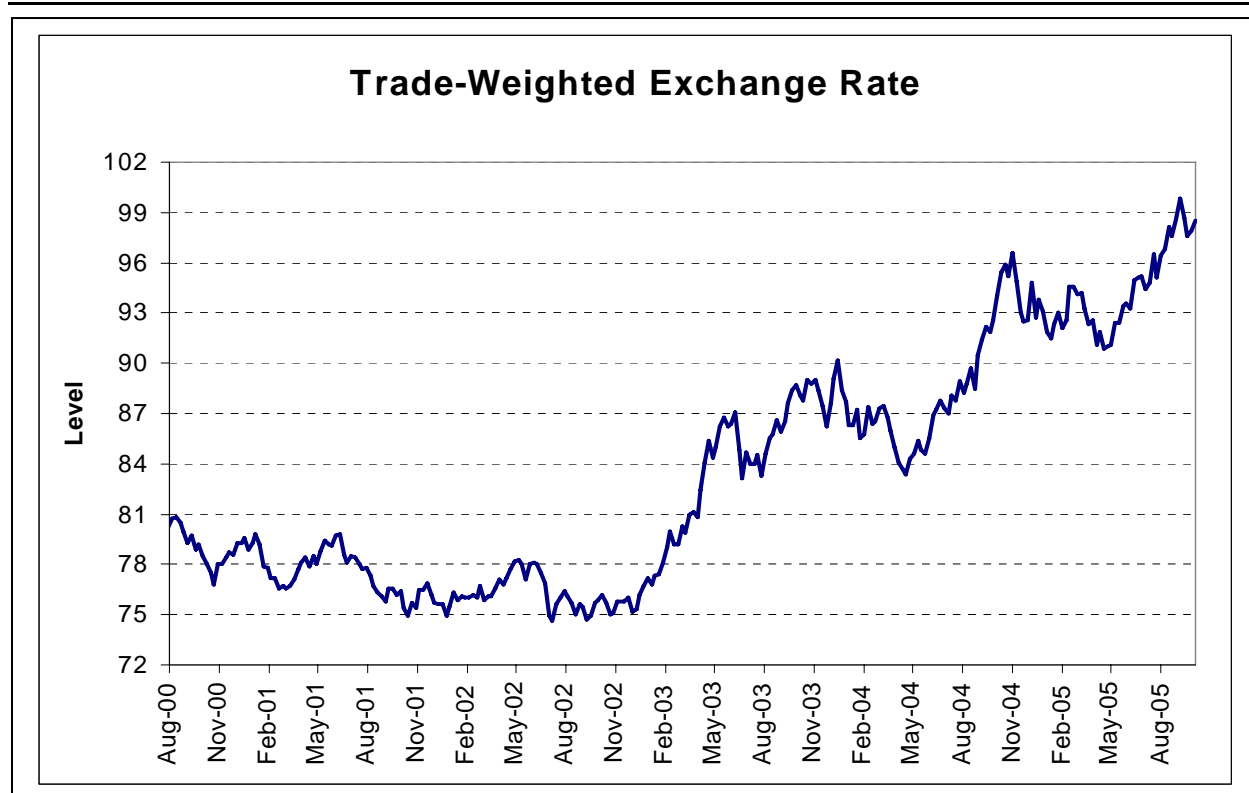


## ***Financial Balances & Trade Weighted Exchange Rate***

### ***Financial Balances***

<i>Canada</i>	<i>Latest period (C\$bln)</i>	<i>% of GDP</i>
Budget Balance	1.7 (June)	.2%
Trade Balance	4.9 (June)	4.9%
Current Account Balance	4.7 (Q2)	2.2%
Private Balance	--	2.0%

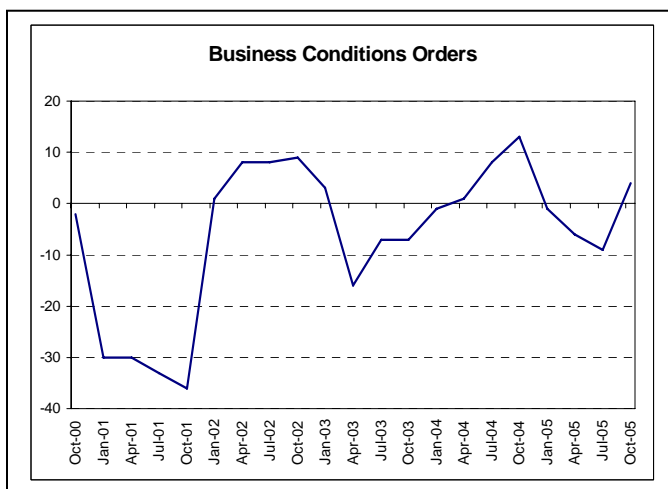
### ***Trade-Weighted Exchange Rate***



## ***Business Conditions Orders, Industrial Product Prices & Raw Materials Prices***

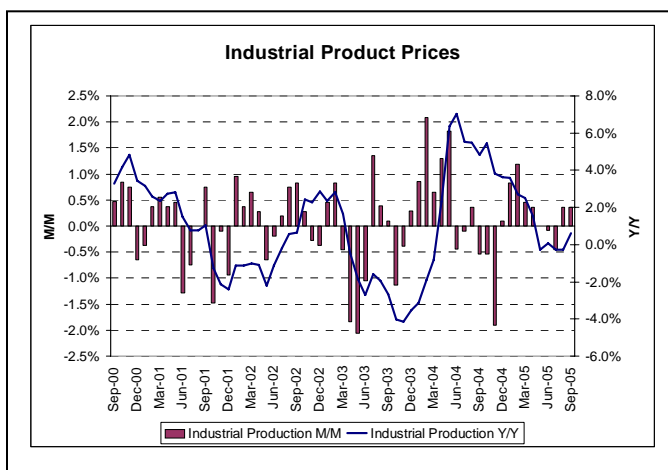
### ***Business Conditions Orders***

The quarterly business conditions survey showed an improvement in orders from -9 to +4 in October, well above expectations of -2.5. Employment prospects decreased slightly from 0 to -2 and inventories moved from -24 to -19. All in all, Manufacturers became more optimistic of production prospects (-2 to 2), as orders and backlogs both increased.



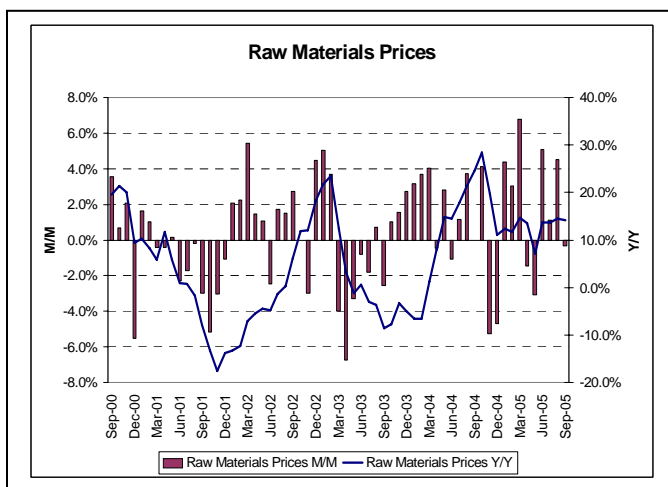
### ***Industrial Product Prices***

Industrial Product Prices increased 0.4% M/M and 0.6% Y/Y in September as gasoline and oil prices increased.



### ***Raw Materials Prices***

Raw Materials Prices decreased 0.3% M/M and 14.1% Y/Y in September. Prices for intermediate and final goods decreased 0.6% M/M and 0.2% M/M, respectively.



## *News & Upcoming Dates*

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### *Comments on Possible Tax Cuts from Finance Minister Goodale*

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**Nov 1<sup>st</sup>** – Ralph Goodale, Canadian Finance Minister, commented on the possibility of tax cuts:

“As some of the forecasters in the private sector have already indicated, from their own independent analyses, the economy has been functioning remarkably well and the level of flexibility has improved to a certain extent, from where both we and they anticipated it would be last February in and around the budget.”

“So there is some room to begin moving. Whether or not that allows us some flexibility in the short term that is an issue [I’m] still wrestling with.”

### *Existing Home Sales*

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**Oct. 31<sup>st</sup>** - Existing Home Sales decreased 2.7% M/M in September, partly due to an increase in mortgage rates. The average price for houses and condominiums sold increased 12% Y/Y.

### *Key Dates This Week*

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<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
11/04	Unemployment Rate (OCT)	6.7%	6.7%
11/04	Net Change in Employment (OCT)	19.5K	-2.3K
11/4	Ivey Purchasing Managers Index (OCT)	58.0	67.3
11/7	Building Permits (M/M) (SEP)	-3.7%	10.2%
11/8	Housing Starts (OCT)	225.0K	229.6K

Valance Co., Inc.

# Valance Economic Report: New Zealand

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November 2, 2005

The RBNZ raised its benchmark rate to 7%, the highest since January 2004. Strong consumer spending and inflation at a 5-year high led the RBNZ to signal further hikes. New Zealand's Trade Deficit unexpectedly narrowed as exports rose, halting a four-month decline.

## Weekly Highlights

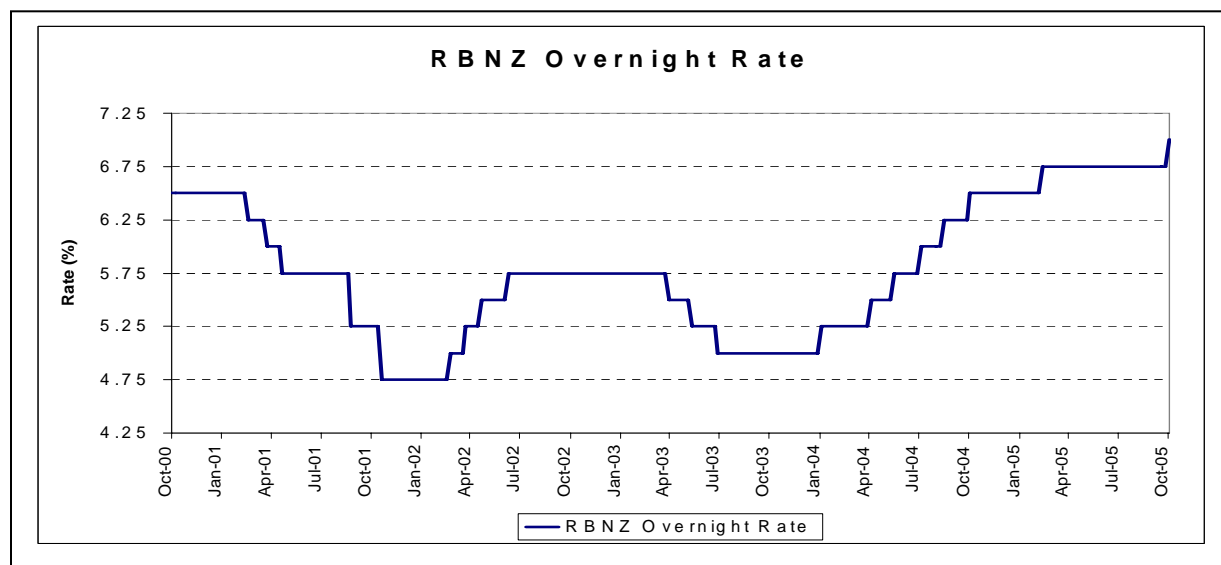
**RBNZ Cash Rate** – was increased to 7%. (Page 34)

**Trade Deficit** – narrowed to 992.0 mln in September from 1104.8 mln in August. (Page 35)

**Building Permits** – declined 2.5% M/M and 2.4% Y/Y in September. (Page 35)

## Weekly Releases & News

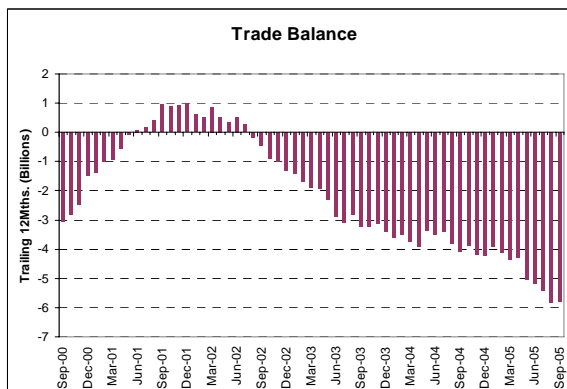
### Chart of the Week: *RBNZ Cash Rate*



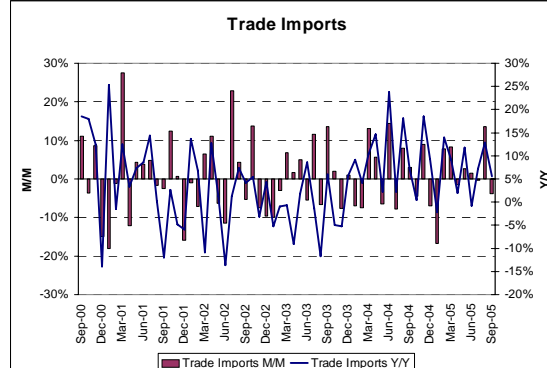
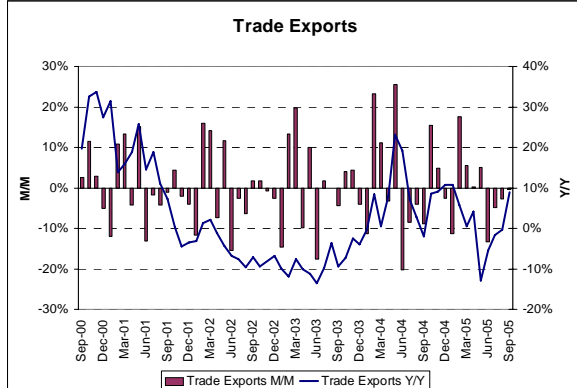
The RBNZ raised its benchmark interest rate a ¼ point to 7% and signaled it is likely to increase borrowing costs again as inflation has increased to a 5-year high. There has been an ongoing momentum in domestic demand and persistently tight capacity constraints. The RBNZ remains concerned that inflation pressures are not abating sufficiently to achieve its medium-term target of 1% - 3%.

## Trade Deficit, Exports, Imports & Building Permits

New Zealand's Trade Deficit unexpectedly narrowed to NZ\$992 million in September from a revised NZ\$1103.5 mln in August (previously NZ\$1104.8 mln). The trade gap was NZ\$5.80 bln in the year to September from NZ\$5.82 bln in the year to August. Exports fell 0.4% M/M and rose 8.8% Y/Y. Imports fell 3.7% M/M and rose 5.5% Y/Y in September.

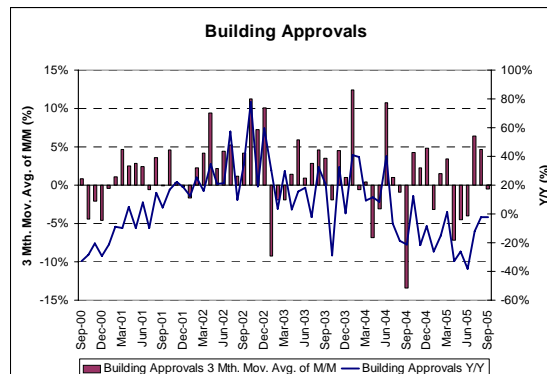


## Exports & Imports



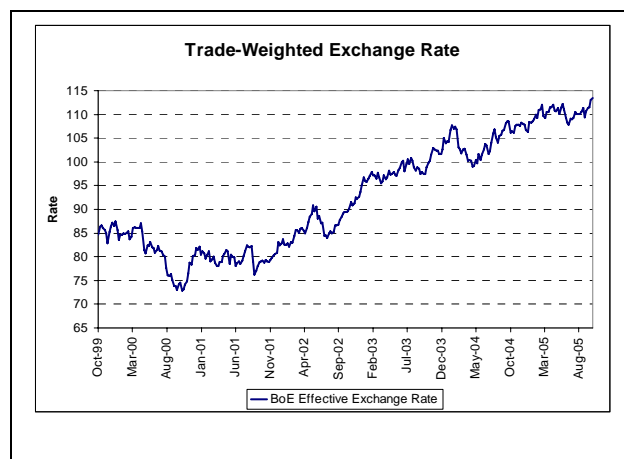
## Building Permits

Approvals to build new homes declined 2.5% M/M and 2.4% Y/Y in September suggesting that the housing boom that stoked economic growth in 2004 is slowing.



## Exchange Rate, News & Upcoming Dates

*The \$NZ reached an eight-year high last month against the Japanese yen and soared against the \$A causing discomfort for exporters. The \$NZ has also gained about 20% against the USD in the past 2 years.*



## Cash Rate & Exchange Rate Review

The RBNZ made it clear that it will raise rates further if there is not a noticeable moderation in housing and consumer spending and that it sees no prospect of an easing in the foreseeable future. The RBNZ remains concerned that its 1%- 3% inflation target may not be achieved in the medium-term.

RBNZ's Governor Alan Bollard warned that the NZ\$ is unjustifiably high raising the possibility that the Central Bank may sell the currency.

"The decline in the exchange rate will either be gradual as domestic spending pressures ease or it will be more abrupt as foreign investors reassess NZ as an investment destination."

"A lower exchange rate is necessary to improve the current account balance by dampening consumption of imports and encouraging exports."

## Key Dates This Week

Date	Indicator	Expectation	Previous
11/07	Unemployment Rate (Q3)	---	3.7%
11/10	ANZ-Business NZ PMI (OCT)	---	52.3



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Valance Co., Inc.

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## Weekly Economic Report: **China**

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November 2, 2005

The light economic data released this week highlights the slowdown in October's Manufacturing PMI.

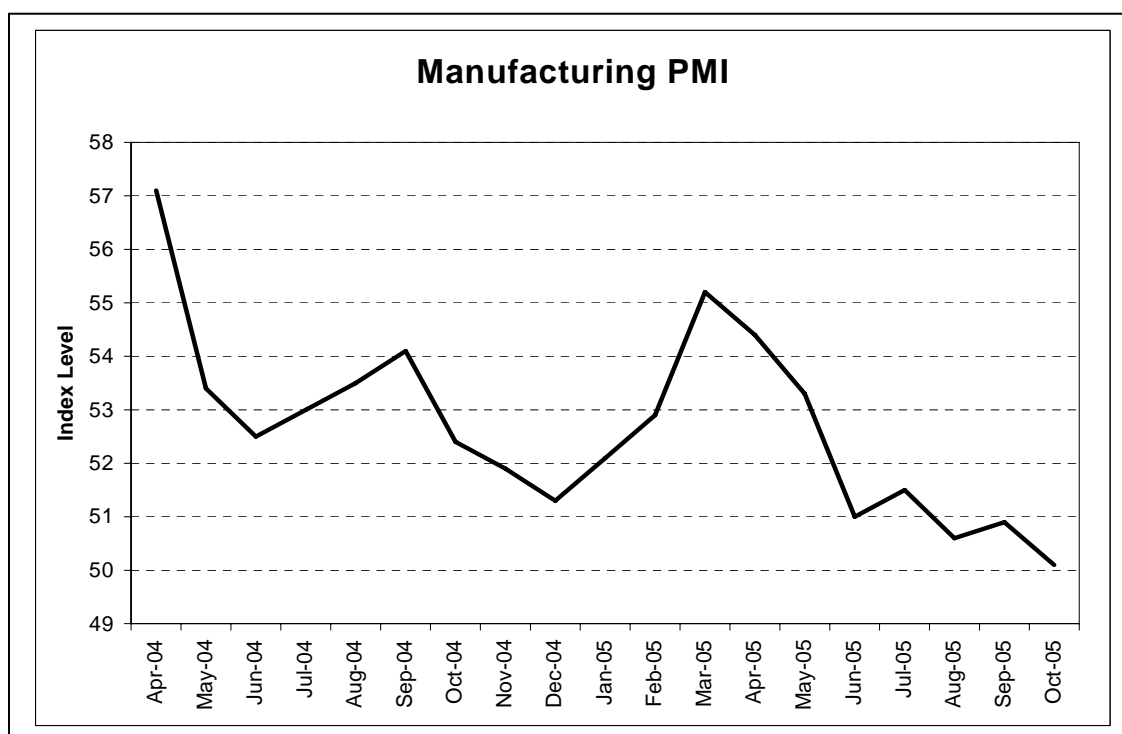
### Weekly Highlights

**The Manufacturing PMI** - decreased from 50.9 in September to 50.1 in October. (page 37)

### Weekly Releases & News

#### Chart of the Week: *Manufacturing PMI*

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The Manufacturing PMI decreased from 50.9 in September to 50.1 in October. The index decreased in eight out of the eleven components. The three components that posted increases were Finished Goods, Stocks of Purchases and Supplier Deliveries. The following page displays the breakdown of the PMI Survey.

# PMI Survey Results, Government Revenue & Expenditure

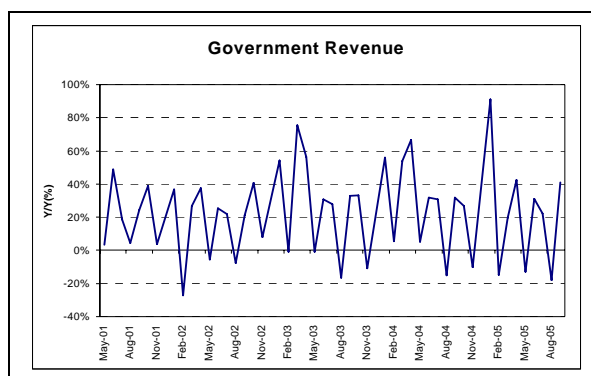
## PMI Survey Results

The PMI is a composite index with the following weightings: New Orders (30%), Output (25%), Employment (20%), Supplier Delivery Times (15%) and Stocks of Items Purchased (10%).

	Oct 2005	Sept 2005	Aug 2005	Jul 2005	Jun 2005	May 2005	Apr 2005	Mar 2005	Feb 2005	Jan 2005	Dec 2004	Nov 2004	Oct 2004
<b>Seasonally Adjusted Index</b>													
PMI	50.1	50.9	50.6	51.5	51.0	53.3	54.4	55.2	52.9	52.1	51.3	51.9	52.4
Output	50.2	51.8	51.4	53.2	51.3	55.4	56.1	56.6	54.6	53.9	53.2	54.5	55.1
New orders	51.0	52.6	52.2	52.5	51.6	55.1	58.0	59.4	55.5	54.9	53.0	53.7	54.1
New export orders	51.1	52.3	52.5	51.6	51.1	55.6	57.1	58.6	54.8	55.6	55.1	56.0	54.1
Backlog of work	52.0	54.4	52.5	52.8	53.3	56.5	59.2	61.6	56.8	56.9	54.0	55.9	55.3
Finished goods	49.4	47.3	49.9	50.5	48.9	49.2	47.5	47.8	49.4	49.0	46.9	48.9	48.3
Employment	49.1	49.4	49.1	50.5	50.3	50.6	50.4	51.5	50.2	49.5	49.2	49.8	49.9
Output prices	49.4	49.9	49.2	47.1	47.5	51.0	54.1	56.0	51.7	49.5	50.1	54.2	55.0
Input prices	52.1	56.3	52.1	47.9	46.1	54.4	69.2	71.3	59.6	56.0	59.1	64.0	71.8
Supplier deliveries	50.9	49.7	50.1	50.2	49.5	49.3	48.2	47.3	48.8	49.0	48.8	48.7	46.9
Quan. of purchases	52.7	53.4	53.4	53.7	52.8	54.8	56.9	57.4	55.0	54.6	52.5	53.8	54.7
Stocks of purchases	50.2	47.0	48.3	48.7	51.0	51.7	50.8	50.4	48.4	46.6	45.1	45.8	44.9

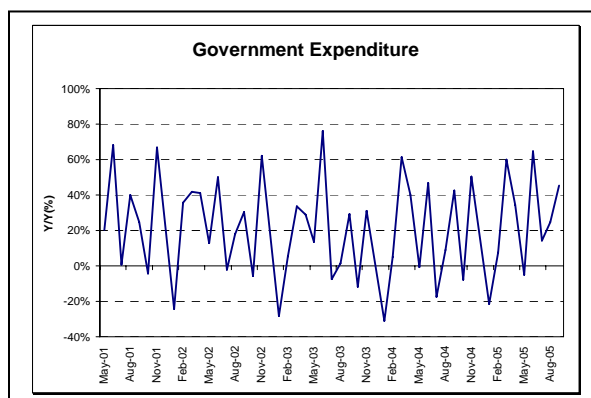
## Government Revenue

Government Revenue increased 41.1% Y/Y in September.



## Government Expenditure

Government Expenditure increased 45.5% Y/Y in September.



## ***News Releases***

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### ***News Releases***

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**November 2<sup>nd</sup> – 2005-2006 GDP Forecasts** – The following are economic growth forecasts for 2005 through 2006 from several Chinese agencies:

- Vice-Director of the Development Research Centre of the State Council, Liu Shijin, stated that GDP will likely reach 9.5% at the end of 2005. Liu added that growth may reach 8.5% to 9.0% in 2006.
- The State Development and Reform Commission expect China's economy to grow at a rate of 9.0 to 9.5% in 2005 and between 8.7 to 9.2% next year.
- Liang Hong, Chief Economist at Goldman Sachs, foresees a 9.4% growth in China's GDP this year and a 9.0% growth in 2006.
- The State Information Centre foresees an annual economic growth rate of 7.6% until 2020.
- JP Morgan has revised its 2005 and 2006 GDP growth forecast upwards from 9.2% Y/Y to 9.5% Y/Y and 8.4% Y/Y to 10.1% Y/Y, respectively.

**November 1<sup>st</sup> – Industrial Production in China rose 16.3% Y/Y** – The National Bureau of Statistics reported China's Industrial Production rose 16.3% Y/Y in September.

**November 1<sup>st</sup> – Deflation Will Not Lead to Economic Slowdown** – Spokesperson for The National Bureau of Statistics, Zheng Jingping, reported that China's economy will not experience a slowdown as a result of falling consumer prices which have slowed due to declining production costs and rising output. CPI has been slowing in the past three quarters: 2.8% in Q1, 1.7% in Q2, and 1.3% in Q3. Additionally, the National Development and Reform Commission expect Q4 inflation to reach 1.5% and overall 2005 inflation to average 2.0%.

**November 1<sup>st</sup> – Foreign Trade Growth to Slowdown Next Year** - The Ministry of Commerce reported that foreign trade growth will lose momentum, from 21.0% this year to 15.0% in 2006 as China experiences a record surplus this year.

**October 31<sup>st</sup> – PBoC Survey Shows Yuan Revaluation Has Little Effect on Exports** – A survey of 2,458 exporters, by the PBoC showed that “The yuan exchange rate mechanism reform has had little impact on Chinese traders.” The survey also showed confidence at a record high in Q3 and is expected to advance in Q4.

**October 31<sup>st</sup> – Trade Surplus to Reach \$90 Bln** – The Ministry of Commerce reported that China's Trade Surplus will reach \$90 bln in 2005. The increase will more than likely be attributed to exports of mobile phones, clothes and steel.

**October 27<sup>th</sup> – Corporate Goods Prices Fell 0.1% M/M and Increased 1.4% Y/Y in September** - The PBoC reported that Corporate Goods Prices fell 0.1% M/M and rose 1.4% Y/Y in September. The M/M data was partially reflective of falling agricultural products (0.3%), food (0.2%), and consumer goods (0.1%).

## *Key Dates This Week*

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<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
11/09-11	TtL Export / Import (Ind) – Y/Y - Oct	--	25.9% / 23.5%
11/09-11	Trade Surplus in US\$ Bln – Oct	--	7.57B
11/09-11	Money Supply – M2/M1/M0 - Oct	--	17.9% / 11.60% / 8.5%
11/09-11	Household Savings – Trin Yuan – Oct	--	13.63T
11/09-11	Foreign Exchange Reserves – Oct	--	769.00B
11/09-11	Wholesale Prices (Y/Y) – Oct	--	1.4%
11/09-11	Actual / Contract FDI Cumulative (Y/Y) - Oct	--	-2.11% / 21.81%
11/09	PPI (Y/Y) - Oct	--	4.5%
11/09	Purchasing Price Index (Y/Y) - Oct	--	7.1%

Valance Co., Inc.

# Valance Economic Report: Sweden

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November 2, 2005

Recent economic releases in Sweden revealed improvements in Retail Sales growth, Manufacturing Confidence and the PMI while Consumer Confidence waned. In other news, Sweden's Central Bank policy makers commented on their unanimous decision to keep the repo rate unchanged.

## Weekly Highlights

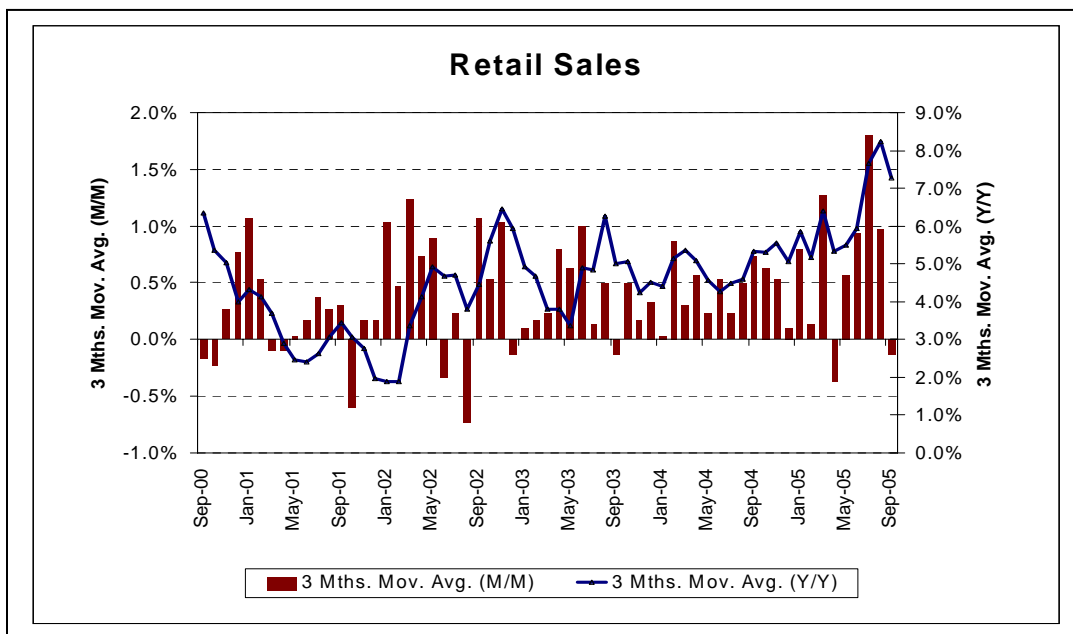
**Retail Sales** – rose 0.3% M/M and 6.5% Y/Y in September. (page 41)

**Manufacturing Confidence** - rose from a revised -10.0 in Q2 to -1.0 in Q3. (page 42)

**PMI** – rose from 55.8 in September to 57.7 in October. (page 42)

## Weekly Releases & News

### Chart of the Week: Retail Sales

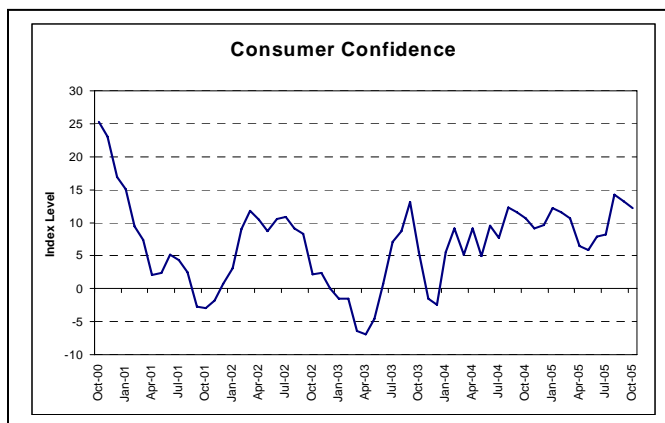


Retail Sales rose 0.3% M/M and 6.5% Y/Y in September. The increase can be explained by an improving trend in permanent employment in recent months which in turn is supporting consumer spending.

## Manufacturing Confidence, Consumer Confidence & Swedbank PMI Survey

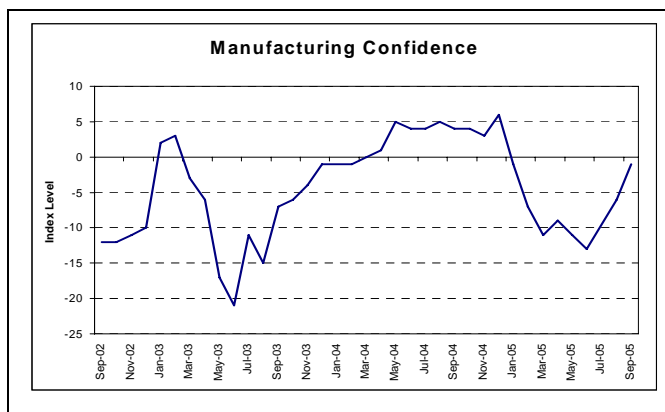
### Consumer Confidence

Consumer Confidence fell from 13.2 in September to 12.2 in October. Expectations were for a decline to 12.5., Confidence was at a 4.5 year high in August following the Central Bank's rate cut decision. However, consumers do not appear fully convinced that economic growth will result in an improved job market.



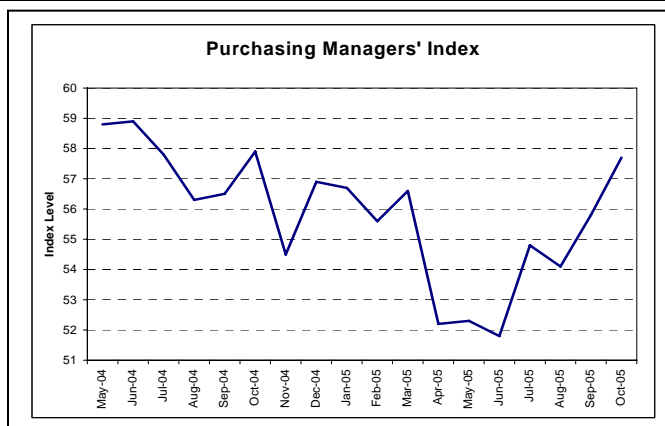
### Manufacturing Confidence

Manufacturing Confidence rose from a revised -10.0 in Q2 (up from -11.0) to -1.0 in Q3. This marked the largest increase since the end of last year. The pickup was a result of surging production and orders. Expectations were for a rise to -8.0.



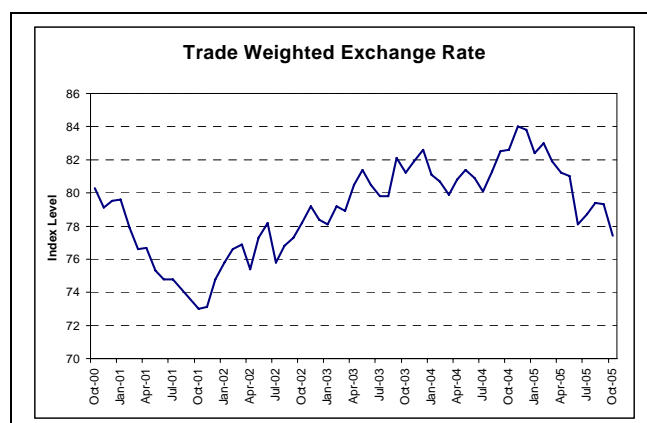
### Swedbank PMI Survey

Sweden's Purchasing Managers' Index rose from 55.8 in September to 57.7 in October, the fastest pace in a year. Production (62.3), Orders (61.2) and Employment (52.5) all rose from 58.9, 59.6, and 51.3, respectively.



## Trade Weighted Exchange Rate, News Releases & Upcoming Dates

### Trade Weighted Exchange Rate



### News Releases

**October 31<sup>st</sup> – Central Bank Policy Makers Commented on Decision to Leave Rate Unchanged** – Sweden's Central Bank policy makers voted unanimously to keep the Bank's repo rate unchanged at 1.5% on Oct. 20<sup>th</sup>. Some comments made after their decision were as follows:

- Slowing economic growth in the U.S. coupled with rising oil prices posed a risk to the Swedish economy that "could lead to a need to postpone possible interest rate increases."
- The benchmark "rate would need to be raised earlier than was indicated by inflation forecast a couple of years ahead" due to increasing house prices and consumer debt.
- "no reason to wait too long before beginning to a normalization of interest rates once the labor market has turned."
- "the current economic upturn meant that it was quite reasonable to expect continued rises in house prices and indebtedness, which would also call for an interest rate increase."
- None of the board members "had found reason to adjust the interest rate at present."

### Key Dates This Week

Date	Indicator	Expectation	Previous
11/07	Swedish Budget Deficit – Oct	--	-9.4B
11/09	AMS Unemployment Rate - Oct	--	5.1%

Valance Co., Inc.

## Valance Economic Report: Switzerland

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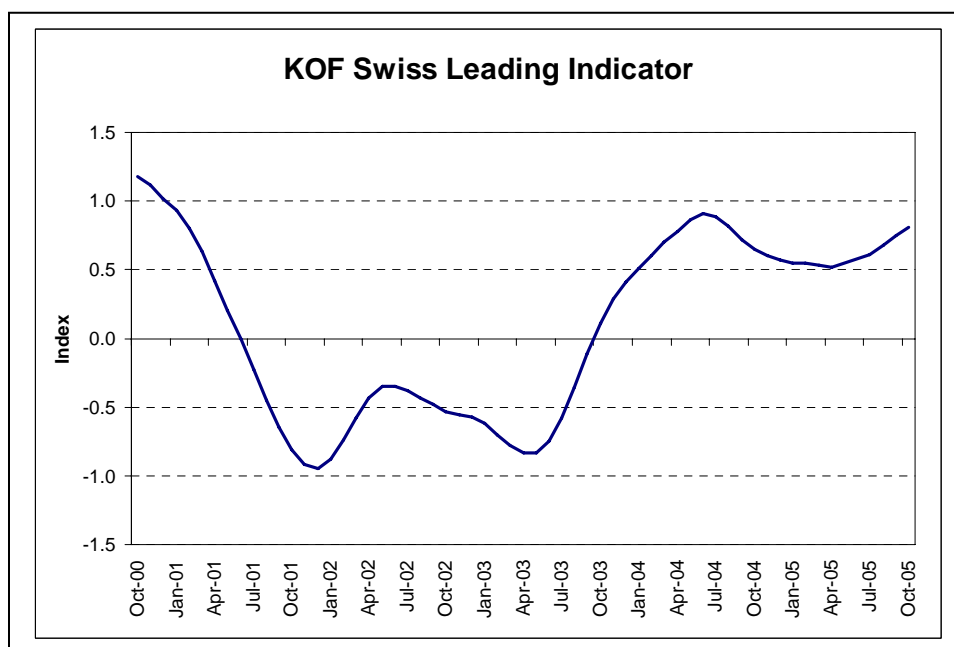
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November 2, 2005

Data this week pointed towards a steadily improving Swiss economy as the KOF Swiss Leading Indicator increased to its highest level in over a year and the PMI remained above 50 -- indicating expansion. In other news, economic growth forecasts for 2005 and 2006 were released -- most of which indicated slightly higher growth.

### Weekly Releases & News

#### Chart of the Week: KOF Swiss Leading Indicator



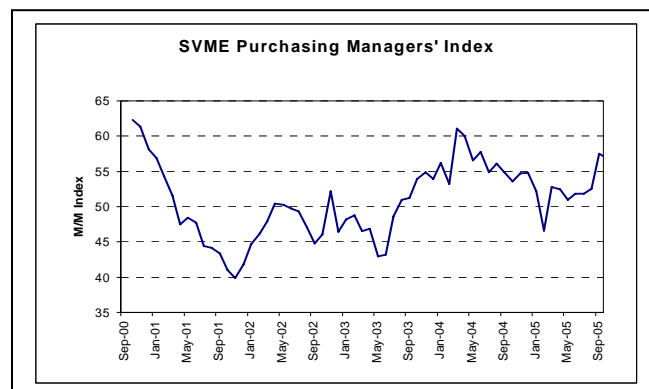
The monthly aggregate of indicators increased from a revised 0.75 (down from 0.77) in September to 0.81 in October. This marked the highest level in over a year. The pickup is being led by exports, which have benefited from a 10.0% drop (against the dollar) in local currency this year. Expectations were for a 0.80 outcome.



## ***SVME Purchasing Managers' Index, PMI Results & Trade Weighted Exchange Rate***

### ***SVME Purchasing Managers' Index***

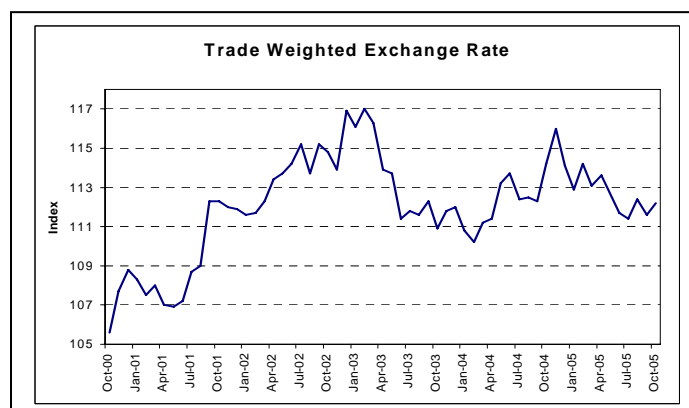
Switzerland's Purchasing Managers' Index fell from 57.5 in September to 56.8 in October. As illustrated in the PMI table below, the index increased in six out of eight components. October's reading marked the eighth consecutive month of expansion. Expectations were for a decline to 57.0.



### ***PMI Results***

	Oct 2005	Sep 2005	Aug 2005	Jul 2005	Jun 2005	May 2005	Apr 2005	Mar 2005
PMI s.a.	56.8	57.5	52.5	51.8	51.8	51.0	52.4	52.8
Output	55.0	60.2	54.1	51.2	55.9	52.0	53.3	54.3
Backlog of Orders	63.7	62.7	54.1	53.7	52.7	55.2	54.5	53.1
Quantity of Purchase	58.3	54.9	50.4	54.8	49.2	49.0	55.8	47.7
Purchase Prices	64.9	59.6	57.4	49.8	47.6	46.4	55.2	56.4
Suppliers Delivery Times	57.8	54.7	54.9	58.3	51.8	50.8	49.6	42.2
Stocks of Purchases	46.8	46.7	46.6	49.1	46.3	40.5	45.9	49.1
Stocks of Finished Goods	46.6	45.2	45.6	42.3	46.1	46.3	51.3	49.4
Employment	52.7	54.2	49.2	46.1	48.4	49.0	53.6	52.6
PMI NSA	57.3	59.6	49.4	49.9	54.1	52.3	53.9	54.5

### ***Trade Weighted Exchange Rate***



## ***Growth Forecasts for 2005-2006***

**October 31<sup>st</sup> - Economic Growth Forecasts for 2005 & 2006** – The following is a breakdown of recent economic growth forecasts for 2005 and 2006 from several Swiss agencies. It shows the latest forecasts for percentage changes in GDP and the dates they were made, with the previous forecasts in parentheses.

	<b>2005</b>	<b>2006</b>	<b>Date Forecast Made</b>
Government	1.3 (0.9)	1.7 (1.5)	Oct. 28
Swiss National Bank	1.0 (1.0)	1.5-2	Oct. 19
KOF	1.7 (1.6)	1.5 (2.1)	Oct. 6
BAK	1.2 (1.2)	1.5 (1.5)	Oct. 19
OECD	1.25(1.9)	2	May 24
IMF	0.8 (1.2)	1.8 (2)	Sept. 21
Association of Business Economists survey	1.3 (1.3)	1.7 (1.7)	Sept. 17
UBS AG	1.3 (1.6)	1.6 (1.8)	Sept. 22
Credit Suisse Group	1.4 (1.3)	1.7 (1.6)	Oct. 4

**October 28<sup>th</sup> – State Secretariat for Economic Affairs Growth Forecasts** – The following is a breakdown of economic growth forecasts from the State Secretariat of Economic Affairs.

	<b>October Forecast</b>		<b>June Forecast</b>	
	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>
GDP	1.3%	1.7%	0.9%	1.5%
Household Spending	1.1%	1.4%	0.8%	1.2%
Government Spending	0.4%	0.0%	0.7%	0.0%
Construction Expenditure	2.5%	0.0%	1.0%	1.0%
Equipment Expenditure	2.0%	6.5%	2.0%	4.5%
Exports	3.2%	4.2%	2.5%	4.2%
Imports	3.3%	4.6%	2.9%	4.7%
Employment	-0.3%	0.3%	-0.3%	0.3%
Unemployment	3.8%	3.6%	3.8%	3.6%
CPI	1.2%	1.3%	1.1%	1.0%

**October 28<sup>th</sup> – Aymo Brunetti, Chief Economist at the Swiss Economics Ministry, Comments on the Revised Growth Forecasts** – Chief Economist at the Swiss Economics Ministry, Aymo Brunetti, made the following remarks in a telephone interview following the Ministry's decision to raise its 2005 and 2006 GDP forecast from 0.9% to 1.3% and from 1.5% to 1.7%, respectively:

*On growth outlook:* “Since the summer holidays, the picture has clearly improved. The recovery from the cooling-off we had at the end of 2004 is coming on faster and more broadly than we thought.” “It's also clear it's broadly supported. It's not just coming from exports, but also from construction and consumption.”

*On oil:* “What's surprising, but also very encouraging, is how little impact the rise in the oil price has had. Despite the increase, it appears to be having very little impact on the pattern for growth around the world.”

## News Releases & Upcoming Dates

### News Releases

**October 27<sup>th</sup> – Swiss Central Bank President, Jean Pierre Roth Comments on Globalization** – Switzerland's Central Bank President, Jean Pierre Roth, made the following remarks in a speech at a conference in Vaduz, Liechtenstein:

*On the benefits of globalization:* “Globalization is a huge opportunity for the global economy. Just consider how the global economy managed to grow at 5 percent in 2004, in spite all sorts of problems” including rising oil prices. “It's a huge chance for emerging markets, and it's a chance for small countries.”

*On the benefits of global financial markets:* “They create far more stability.” “Who would have thought it once possible to finance such as large deficit..., thanks to China.” “...the markets work.” “And since European integration, which is a form of globalization, the volatility of the franc versus the euro has been far more stable.” “The sharing of capital is far more efficient than it was in the past. And one reason for the low long term interest rates is that capital is being used far more efficiently.”

*On central banks and globalization:* “Financial markets have always been the most global.” “Today central bankers wage a psychological war. They create the conditions with which to push markets in a certain direction. Central banks have to be more subtle.”

*On risks brought on by globalization:* “It's clear the club is larger and with more members. We're all aware how that can create chain reactions.” It's “clear the negative aspects don't dominate.”

### Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
11/03	CPI – M/M / Y/Y – Oct	0.6% / 1.0%	0.4% / 1.4%
11/07	Unemployment Rate / sa - Oct	--	3.6% / 3.8%