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Bolsa de Comercio de Santa Fe



Monthly Composite Coincident Index for the province of Santa Fe (ICASFe)

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Mild recession

July 2012

Monthly %: -0.01%
Inter-year %: -0.04%
2012's contraction: -0.3%

ICASFe
Base 1994 = 100
156.0

After nine months from the beginning of the present recession, Santa Fe's economic activity registers a total contraction of **-0.6%**.

According to the last obtained results, during the month of July 2012, the ICASFe was located at **156.0**, presenting a **-0.01%** monthly variation with respect to June.

The Composite Coincident Index for the province of Santa Fe (ICASFe) constitutes a monthly indicator used in order to monitor local economy's activity. To this regard, its main purpose is to capture cyclical movements, being able to determine the precise dates in which recessions/expansions begin and end; it also generates information about phase's duration, amplitude and diffusion.

As indicator, It provides a reliable source of information appropriate to support decision makers of public and private institutions. ICASFe was developed by a technical agreement with the *Universidad Nacional de Tucumán (UNT)*.

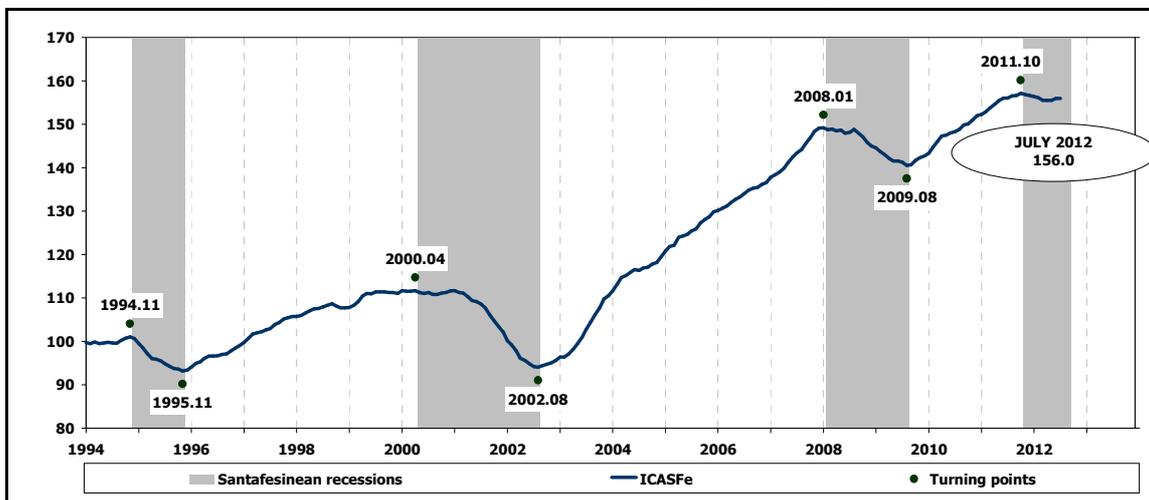
The last twelve monthly results exposed in this document are based on preliminary information and hence subject to further revisions. Calculated values gain consistency while primary sources publish consolidated data which provides an input to our indicator. Time series are handled in real terms and filtered by seasonality and outliers with the X12-ARIMA software.

Province of Santa Fe's economic activity

In July 2012 the province's economic activity registered a negative monthly variation of **-0.01%**. These results signaled a mild contraction of **-0.3%** during the first seven months of the year. Moreover, if the beginning of the phase is considered (present recession began in October 2011), a total decline of **-0.6%** would be measured along nine months; which also implies a moderate contraction.

Graph 1 - ICASFe - Monthly Composite Coincident Index for the Province of Santa Fe -

Base 1994=100. Data: from January 1994 to July 2012.



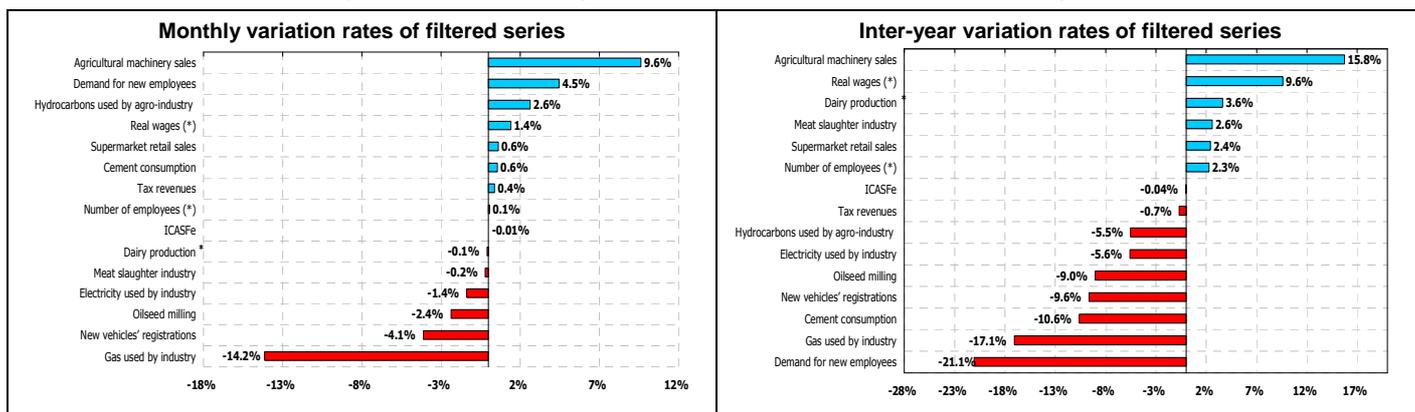
Source: Research and Services Center, Santa Fe's Chamber of Commerce.

Indicator by indicator

A general negative performance was captured by indicators related to industrial energy consumption. **Gas used for production** registered declines of **-14.2%** monthly and **-17.1%** on an inter-year comparison. **Electricity consumption** presented variations rates of **-1.4** and **-5.6%**, respectively. In the case of **hydrocarbons used by agro-industrial activities and transportation** the gauge measured a positive monthly variation in July of 2.6%; but its inter-year level was still negative in **-5.5%**.

Dairy production decreased **-0.1%** in July but kept showing a positive inter-year rate of 3.6%; a similar behavior was signaled by **meat slaughter industry** with rates of **-0.2** and 2.6%, respectively. **Oilseed milling** presented contractions considering both, monthly and inter-year variations: **-2.4** and **-9.0%**. Finally, **agricultural machinery production** continued recovering, achieving its fifth consecutive monthly expansion. July's increment was measured in 9.6% whereas the inter-year variation rate reached 15.8%.

Graph 2 - Economic activity's indicators for the Province of Santa Fe - July 2012 -



References: (*) Last available data from June 2012 (contains estimated data for July).

Source: Research and Services Center, Santa Fe's Chamber of Commerce.

Cement consumption experienced a mild increase of 0.6% in July but the series stood far under its peak registered after recovering from 2008/09's recession. Its inter-year variation rate was measured in **-10.6%**. On the contrary, **new vehicles' registrations** fell **-4.1%** compared to June and **-9.6%** inter-yearly. **Supermarket retail sales** also improved 0.6% in July and show an inter-year variation rate of 2.4%. Nevertheless, whereas this indicator was one of the main economic engines during 2011, its growth rhythm

has strongly decelerated since the beginning of 2012.

In relationship to the labour market, **demand for new employees** regained part of its recent cumulated decline with a 4.5% expansion registered in July 2012. However, compared to July 2011 its present level was about **-21.1%** lower. The total **number of registered jobs** also signalled a slight monthly increase of 0.1% but their inter-year variation rates were yet positive (2.3%). Estimations for July 2012 imply that **real wages** experienced a monthly expansion of 1.4 and an inter-year variation of 9.6%. To this regard, it's worth noting that many salary negotiations came into effect after May 2012.

Tax revenues grew 0.4% in July pushed by higher deliveries of national resources. In fact, incomes based on local taxes (*Ingresos Brutos, Sellos, Patente automotor e Inmobiliario*) decreased **-1.2%**.

Since April 2012 consumer prices are decelerating (Source: Instituto Provincial de Estadísticas y Censos). Whereas annualised estimated inflation using data from January to April 2012 reached **28.6%** for the province of Santa Fe, updating raw information from May to July reduced annualised projections to **21.0%**. These results are being applied in order to deflate all monetary series included in the coincident index: real wages, supermarket retail sales and tax revenues.

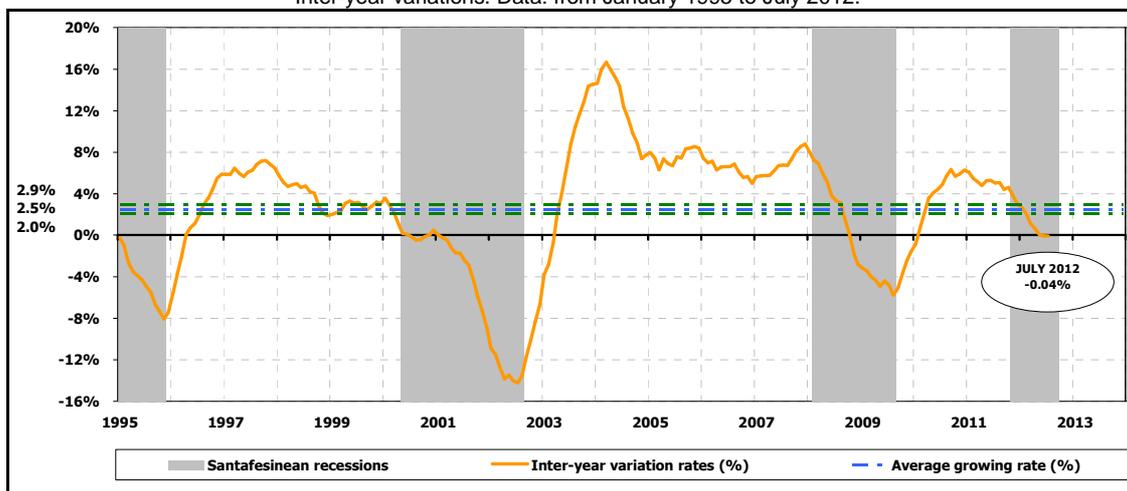
Summary and perspectives

Within its ninth month of contraction, the province's economic activity cumulated a total decline of only **-0.6%**. In fact, this mild decrease was also observed during the first stages of previous dated recessions in 2000/02 and 2008/09. The problem is that once the moderate period ended, a sharp fall was experienced in both preceding cases. Therefore, if this behavior is also replicated this time, a deeper recessive process may begin during 2012's second semester.

It's worth noting that most productive sectors have not yet particularly recovered: industrial activities in general, agro-industry and construction. On the other hand, some positive expectations are being taking into consideration around next soy's campaign. In addition, present recession, as said before, is not showing an important negative effect over employment and real wages (even though inflation could start harming salaries soon and, furthermore, consumption).

Truth is there's not enough technical evidence to support a new growing phase is approaching, at least in the short run. The recession will surely persist until the end of the year while its intensity is subject to the behavior of the main variables analyzed in the report.

Graph 3 - Monthly Composite Index of the province of Santa Fe -
Inter-year variations. Data: from January 1995 to July 2012.



Source: Research and Services Center, Santa Fe's Chamber of Commerce.

In order to download our statistical database as well as methodological documents and other related publications, please visit our website in: <http://ces.bcsf.com.ar>

An on-line graphical tool is also available in our site, which allows to monitor all fourteen sub-indicators' performance individually: <http://www.bolcomsf.com.ar/ces/icasfe.php>