



Monthly Digest

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Monthly Composite Coincident Index of the
province of Santa Fe
ICASFe

Bolsa de Comercio de Santa Fe
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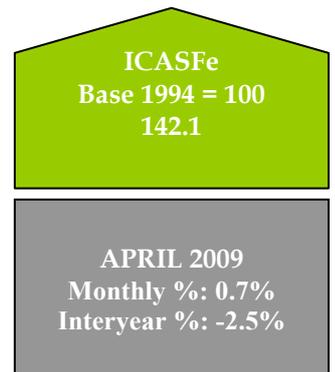
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Uncertainty besides
some "green lights"



In April the ICASFe showed a positive monthly variation, even though, the province is still under a recession.

The Composite Coincident Index of the province of Santa Fe (ICASFe) constitutes a monthly indicator used to describe the global evolution of the province's economy. It allows us to determine the precise dates in which recessions/expansions begin and end, as well as following up the main economic sectors. Finally, it provides a reliable source of information appropriate to support decision makers of public and private institutions.

According to the last obtained results, during the month of April 2009, the ICASFe was located at **142.1**, presenting a **0.7** monthly variation with respect to March 2009.

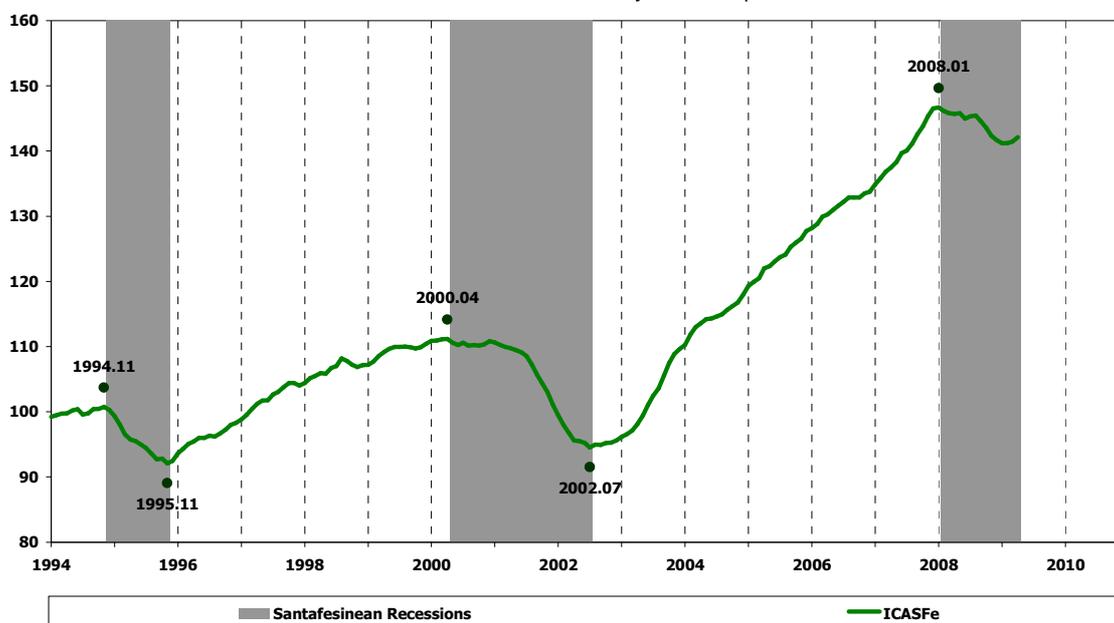
The last 12 months' results exposed in this document are based on preliminary information and hence subject to further revisions. Calculated values gain consistency while primary sources publish consolidated data that provides and input to our indicator.

○ **Santa Fe's economic activity**

Even though the province is still under a recession, last results related to April showed an increment of economic activity right after the plateau observed during the first quarter of 2009. Two elements must be distinguished from above many others:

- During the first 4 months of the year, general industrial activity recovered from the deep downturn that experienced in the last quarter of 2008. The positive contribution mainly came from the consumption of industrial gas, meat slaughter industry, oilseed milling and dairy production.
- International trade levels are catching up with better prices for santafesinean products (mostly commodities) measured in U.S. dollars. In addition, Argentinean pesos are slowly but constantly depreciating their value in terms of U.S. dollars.

Graph 1 - ICASFe - Monthly Composite Coincident Index of the province of Santa Fe -
Base 1994=100. Data: from January 1994 to April 2009.



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

○ **Interyear variations of series related to economic activity**

Although the ICASFe showed a positive monthly rate in April, its interyear variations are still being negative (-2.5%). In fact, they've been negative since October 2008.

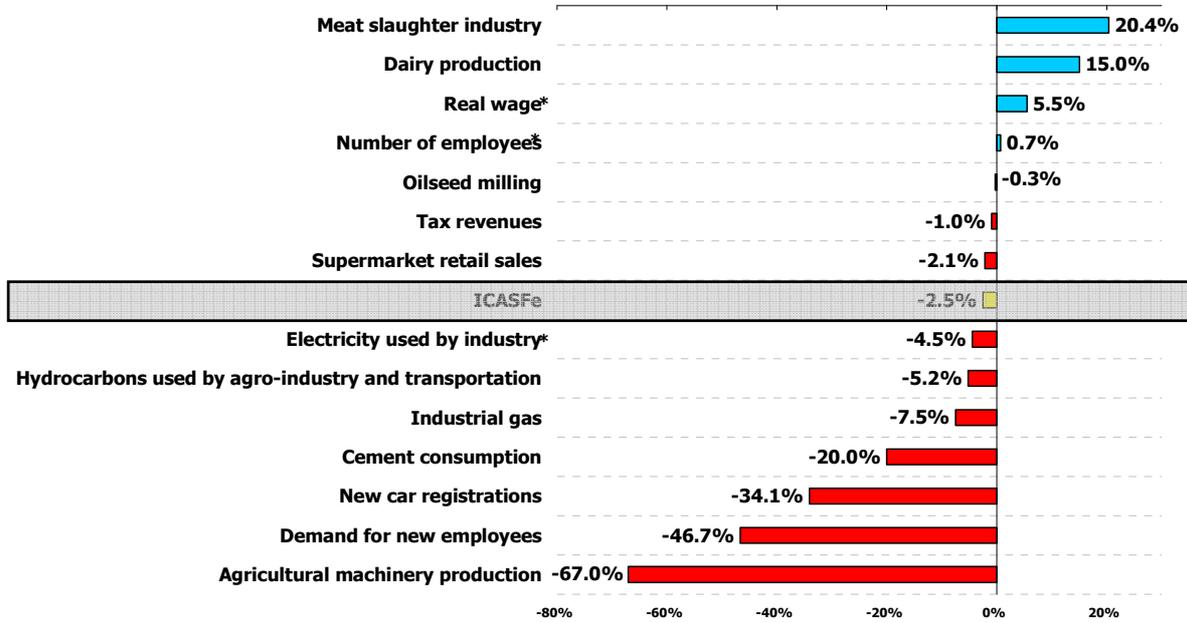
Actually, there are already 10 of the 14 indicators that are included into the ICASFE which are presenting these mentioned negative interyear rates. One of the most representative series of this group is the demand for new employees that reached a -46.7% interyear variation in April 2009. Last available data related to the number of registered jobs (February 2009) measured an interyear rate of 0.7% but following official's information, during the first quarter of the year unemployment raised 2.8 points in "Gran Santa Fe" and 3.1 points in "Gran Rosario"; meaning a further negative expectation in the total number of employees, at least in the next few months. The national institute of statistics also indicates a deterioration of the province's labor market. Comparing the first quarter of 2009 with the same period in 2008, Santa Fe has lost already 6.156 of registered jobs. Compared to

2008's last quarter (peak) the decrease raises to 17.894 employees.

Both, Consumption and Investment, suffered significant interyear decreases as it turns visible by looking at its specific indicators: supermarket retail sales (-2.1%), cement consumption (-20.0%) and new cars registrations (-34.1%).

Graph 2. Santa Fe's economic activity series.

Interyear variations of filtered series. Data related to April 2009.



* Last available data: February 2009.

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

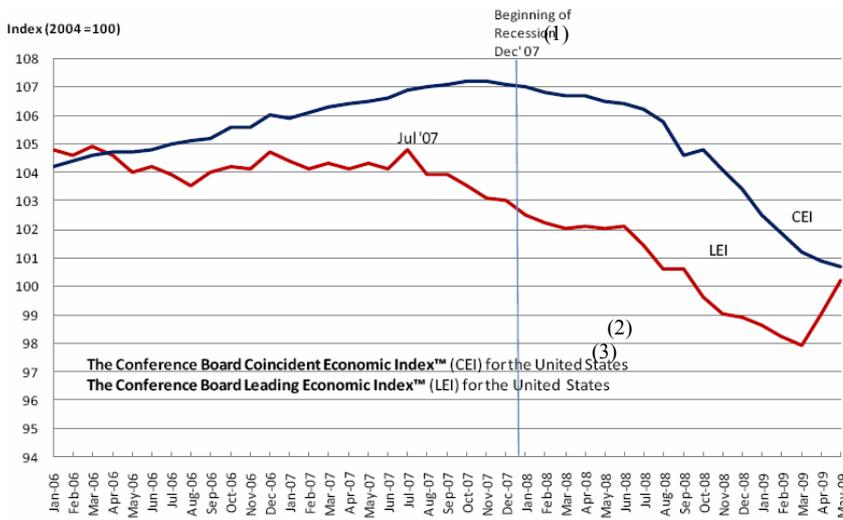
Based on estimated data until February 2009, electricity used by industry (-4.5%) is still on the group with negative interyear variations. This is also true for tax revenues (-1.0%), industrial gas (-7.5%) and oilseed milling, which kept showing negative interyear rates although their monthly variations were positive compared to March.

○ **Perspectives**

Taking previous sections of this report into account, and reminding that regional economic activity is strongly related to national and international performance, it's important to evaluate both contexts separately thinking about possible implications for our province.

Within the second semester of 2009 international markets are showing some signals of recovery. U.S.'s Leading Economic Index (LEI) turned positive since May, meaning an expectable recovery of the world's main economy right after reaching the end of 2009 or during 2010's first quarter (considering a regular delay of between 6-13 months average from LEI's turns over the CEI). The International Monetary Found (IMF), on the other hand, expresses more pessimism on this matter and dates the potential recovery of the American economy upon 2010's second quarter.

Graph 3. Coincident and leading indexes of the U.S.



Source: The Conference Board.

- (1) Beginning of the recession in the United States - December 2007.
- (2) CEI - Coincident Economic Index of the United States. This indicator provides the same kind of information the ICASFe does.
- (3) LEI - Leading Economic Index of the United States.

These concerns related to the U.S.'s economy are so, because of its prime relative weigh over the world's economic activity. In this connection, further perspectives for Brazil and China were also favorably recalculated. Expectations for the mentioned Latin-American country are showing a good reaction of its industrial sector over the end of 2009 and China is apparently going to maintain economic growth, although is having some troubles among its exportations. If we mix together all these information, Santa Fe seems to present a good horizon in terms of international trade levels.

Argentinean mayor exportable products improved on their exchangeable values. Following the commodity price index relevant to Argentina (made by the Central Bank) we can appreciate an expansion of 39.1% in pesos and 27.8% in U.S. dollars, considering the first five months of the year. This must be interpreted as a significant recovery since they fell over 47.0% and 40.0%, respectively, during the last quarter of 2008.

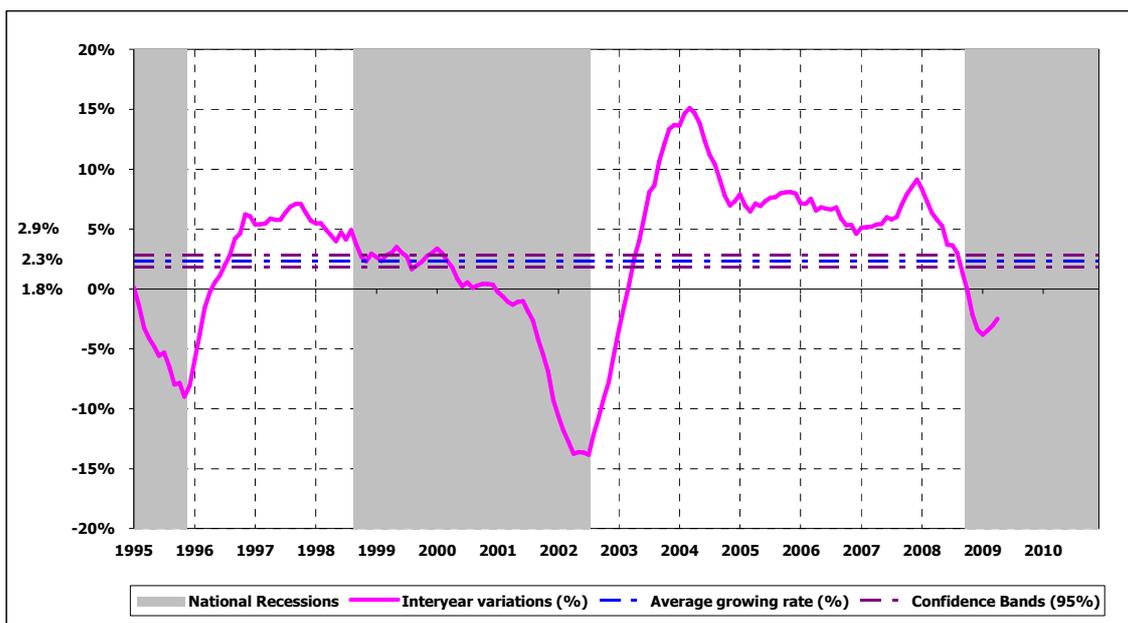
Within the national context perspectives are not that optimist. The main issues to resolve are still the fiscal sustainability and the absence of a social political agreement among the persistence of economic regulations (particularly in agricultural markets).

About the Fiscal situation there's a potential gap between spendings are resources. Tax real income is being affected by a lower level of economic activity with simultaneous inflation. By the moment, this matter has been fixed by using remaining funds of the Social Security System. The problem is that internal credit doesn't seem to be reliable, and Argentina presents a hard scenario obtaining international credit based on general financial shortage. This idea strikes with the expectations of further fiscal deficit during the second part of 2009.

In order to summarize our ideas, most of the restrictions in economic activity seem to be related to the national context. Moreover, the international scenario is providing favorable signals of a possible recovery able to hopefully pomp up the province's activity in the middle term.

Graph 4. Monthly Composite Index of the province of Santa Fe.

Inter-year variations. Data: from January 1995 to April 2009.



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

Interpreting confidence bands: ICASFe's Interyear variations, the comparison between the monthly variation's present value and its corresponding measure on the same month from one year before, bring information about the trend related to economic activity's evolution. At the same time, confidence bands can be consider as reliable tools proper to evaluate these rates since they represent statistical values which signal the mean of the economic activity's long term growing rate. Whenever the interyear variations are located between the two bands, it means that the economy is growing on a long term speed and when they are upon the highest band its growing rate is showing a faster expansion than the average. Instead, when they fall under the lowest band we have a strong signal of deceleration on the province's economic activity.

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