



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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The province's
recession has
already lasted 18
months

JULY 2009
Monthly %: -0.3%
Interyear %: -4.1%

ICASFe
Base 1994 = 100
138.6

With an accumulated fall down of -4.7%, santafesinean economic activity has been in recession since 18 months ago. But compared with the two previous contractions this recession's amplitude is still considered moderate.

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 July 2009, the ICASFe was located at **138.6**, presenting a **-0.3%** monthly variation with respect to June 2009.

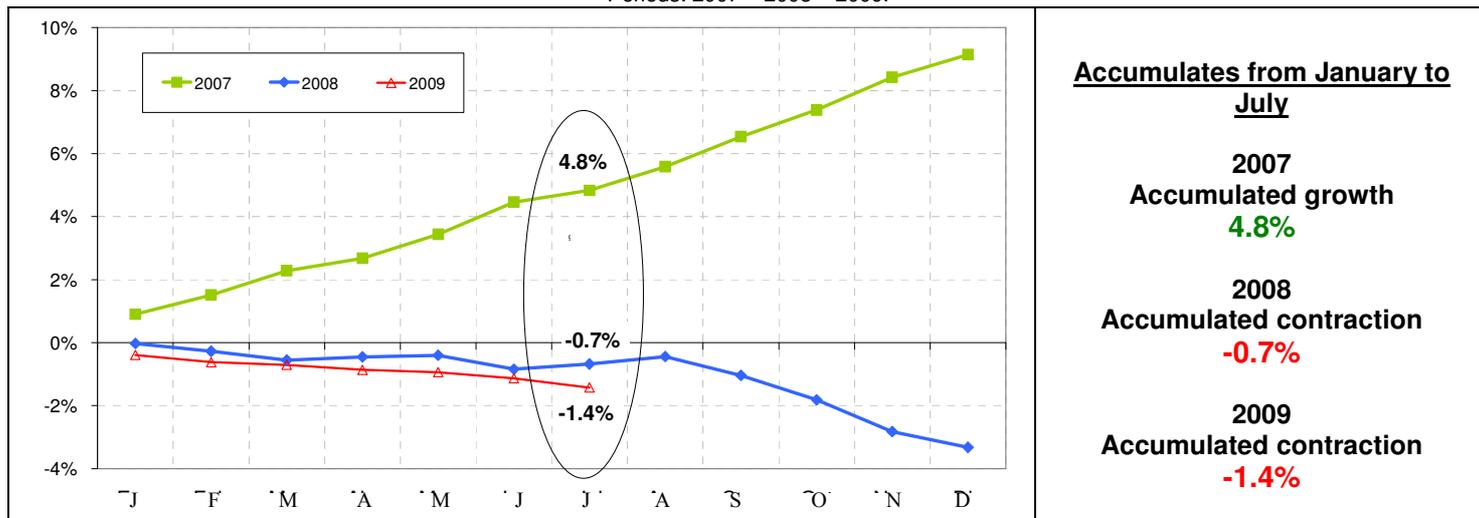
The last 12 months' results exposed in this document are based on preliminary information and hence subject to further revisions. Calculated values gain consistency while primary sources publish consolidated data that provides an input to our indicator.

○ **Santa Fe's economic activity**

Differing with 2008, this current year ICASFe's interyear variations constantly decreased reaching an accumulated negative rate of **-1.42%** on the first seven months; the monthly variation for July 2009 was **-0.3%**.

As can be seen from Graph N° 1 economic activity in the province increased 4.8% during the period that goes from January to July 2007. In 2008 the accumulated growth rate for the same lapse of time reached **-0.7%**.

Graph 1 – ICASFe's monthly cumulative variations –
 Monthly Composite Coincident Index of the Province of Santa Fe. Base 1994 = 100.
 Periods: 2007 – 2008 – 2009.



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

This reduction, that has become more accentuated since the beginning of the previous year, responds to the fact that the province is experiencing a recession since January 2008. Based on our coincident indicator, santafesinean economic activity is passing trough its 18th month of contraction. Even though, compared with previous recessions, for now on the current one shows a moderate amplitude with a total accumulated variation rate of **-4.7%**. The recession dated between 1994 and 1995 lasted 12 months and generated a total contraction of **-9.2%**; finally, the one dated between 2000 and 2002, represents the strongest registered reduction on the province's economy and ended with a total accumulated variation rate of **-16.2%** in 27 months of recession.

Concordantly with these values, previous recessions' median annualized variations are higher (**-9.2%** and **-7.2%**) than this one's **-3.2%**.

Length, amplitude and annualized variations of dated recessions in the province of Santa Fe. January 1994 – July 2009.

| | Total duration in months | Total accumulated variation | Annualized variation |
|--|--------------------------|-----------------------------|----------------------|
| Recession 1994-1995 | 12 | -9.2 | -9.2 |
| Recession 2000-2002 | 27 | -16.2 | -7.2 |
| Current recession January 2008 – at present | 18 | -4.7 | -3.2 |

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

○ **Santafesinean economic activity indicators**

During July 2009, nine of the fourteen series included in our analysis showed negative interyear variation rates. As part of this group hydrocarbons used by agro-industry, demand for new employees and agricultural machinery production decreased **-14.3%**, **-37.6%** and **-71.3%**, respectively. Nevertheless, it's important to remark that July's monthly variation rates were positive on the three indicators.

Upon this last measuring, meat slaughter industry and dairy production presented positive interyear variation rates of 12.5% and 8.9% although their monthly rates were negative during the last two and four months, respectively. In July 2009 their monthly contractions registered **-2.5%** and **-1.5%**. This problematic scenario can be partially related to the absence of governmental sectorial policies. On this regards we may also express some special explanations:

- On strictly quantitative terms meat industry is having positive interyear variations, but since a high level of young bulls and female cows are been slaughtered, the sector's development is essentially unfavorable.
- On the other hand, dairy production is fortunately having better weather conditions than 2008's.

Gas used by industry and power stations presents a similar situation with an interyear rate of 1.5%, while its monthly one showed a contraction of **-3.2%**.

Electricity used by industry had a simultaneous fall down in both monthly (**-1.1%**) and within the interyear rate (**-10.2%**) that drops out a possible hypothesis of inputs substitutions between gas and electricity.

Economic activity indicators.
Seasonally adjusted series corrected by extreme irregular values. Data: July 2009.

| | Monthly variations June 09/July 09 | Interyear variations July 08/July 09 |
|---|---------------------------------------|---|
| Meat slaughter industry | -2.5% | 12.5% |
| Dairy production | -1.5% | 8.9% |
| Real wages * | 0.5% | 4.8% |
| Supermarket retail sales | 1.3% | 1.8% |
| Gas used by industry and power stations | -3.2% | 1.5% |
| Number of employees * | -0.02% | -0.9% |
| Tax revenues | -0.4% | -3.1% |
| ICASFe | -0.3% | -4.1% |
| Oilseed milling | -4.6% | -8.4% |
| Electricity used by industry | -1.1% | -10.2% |
| Hydrocarbons used by agro-industry | 0.7% | -14.3% |
| New car registrations | -0.7% | -26.3% |
| Cement consumption | -4.2% | -26.9% |
| Demand for new employees | 2.7% | -37.6% |
| Agricultural machinery production | 7.5% | -71.3% |

* Last available data: May 2009

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

Supermarket deflated and filtered retail sales, which monthly increased 1.3% last July, have been oscillating between positive and negative values since the beginning of 2009. But in this connection the indicator presented a positive interyear variation of 1.8%, after seven consecutive decreases.

Tax revenues decreased -0.4% in July and its interyear variation was -3.1%, keeping with the negative run since

October 2008.

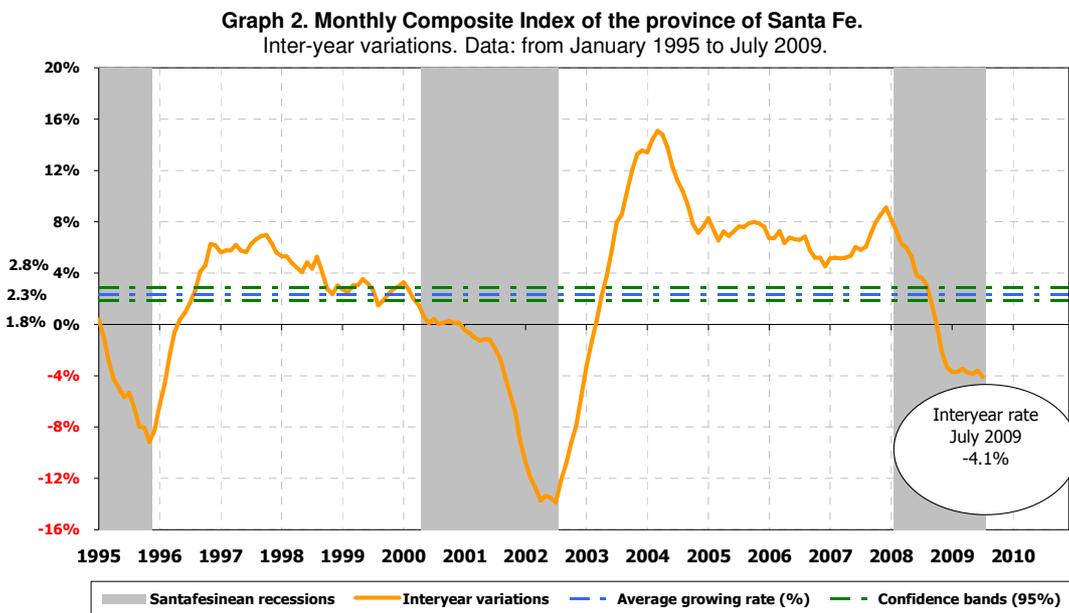
Oilseed milling also went down in July with a -8.4% interyear contraction and a -4.6% monthly one.

Finally two series that represent investment decisions, new car registrations and cement consumption, are still having a negative performance without showing signs of a solid recovery.

o **Summing up**

The recent behavior observed in economic activity's indicators is particularly heterogeneous. Some of them show slight recoveries but as a group they are still far behind 2007's levels (before the beginning of the recession). That's why the ICASFe keeps presenting negative monthly and interyear variation rates.

According to the last measurement made for July 2009, nine indicators showed both monthly and interyear negative variations. Meanwhile ICASFe's interyear variation rates went beyond the barrier of -4.0%. Therefore, it is not reasonable to expect an economic recovery before 2010.



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>