

THE PROVINCE OF SANTA FE'S ECONOMIC DIGEST

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Recession hits on retail consumption

Supermarket's sales are falling -3.1% inter-yearly, a similar rate than the province's global economy.

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ICASFe

July 2014

Level: 154.5
Monthly variation
-0.3%

Inter-year variation: -3.1%
2014's contraction: -2.5%

Main results

ICASFe's level was located in 156.2, presenting a monthly variation of -0.3% in respect to June 2014.

Inter-year variation rates reached -3.1% (comparing July 2014 vs. July 2013).

Cumulated contraction between January and July 2014 was measured in -2.5%.

What is ICASFe for?

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.

Technically, the indicator is a composite coincident index developed by an agreement with the *Universidad Nacional de Tucumán* (UNT) which provides a reliable source of information appropriate to support decision makers of public and private institutions. Methodological information and related papers are available in <http://ces.bcsf.com.ar>

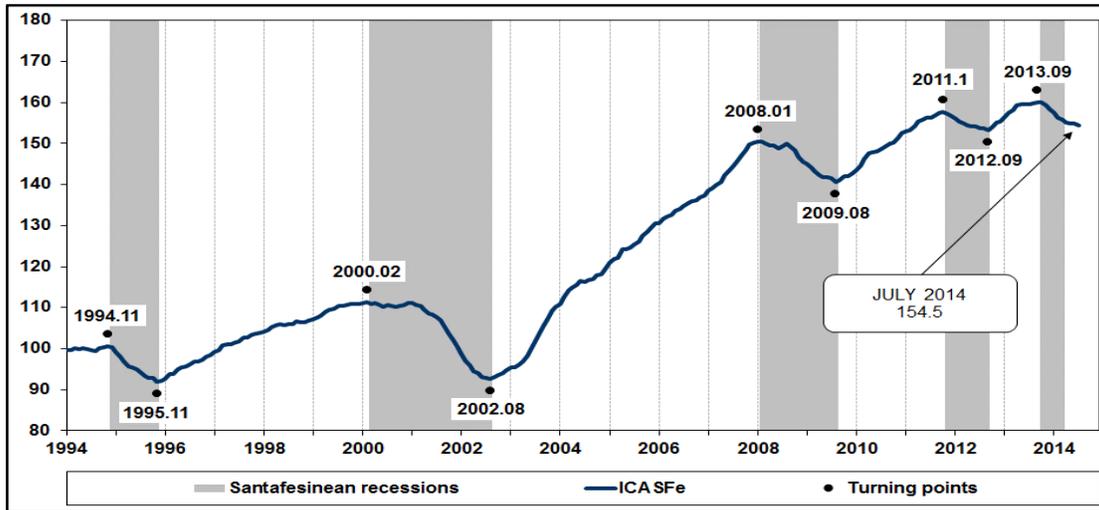
Output data considerations

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 X-13ARIMA-SEATS software produced and distributed by the US Census Bureau.

Province of Santa Fe's economic activity

In July 2014 the province's economic activity decreased **-0.3%**. Moreover, although ICASFe's level is located slightly over September 2012's baseline the present recession is going through its 10th month and the stanflationary context initiated at the end of 2011 persists.

Graph 1: Composite Coincident Index for the Province of Santa Fe (ICASFe). Base 1994 = 100.



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

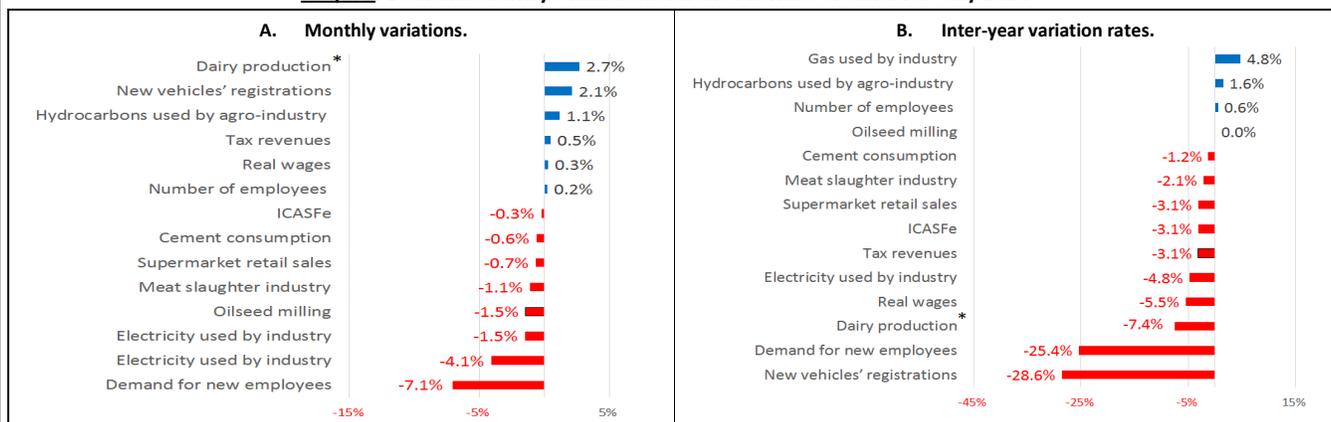
Indicator by indicator

Seven economic sub-indicators experienced negative monthly variation rates in July (see Graph 2, left side), which were even more severe than general economic decline. To this regard, nine series also presented inter-year contractions.

Oil seed milling, one the few sectors that was compensating recession's effects, fall down **-1.5%** in respect to June reaching the same level measured in July 2013. **Meat slaughter industry** also went down (**-1.1%**) and amplified its inter-year contraction to **-2.1%**. On the other direction, **dairy production** increased 2.7% but anyways stayed behind its inter-year benchmark (**-7.4%**).

Indicators related to industrial energy consumption also showed an unfavorable performance. **Electricity**, the most important input to this matter, decreased **-1.5%** in July, cumulating an inter-year decline of **-4.8%**. In respect to **gas consumption** the series' rates were **-4.1** and 4.8%, respectively. Finally, **hydrocarbons used by agro-industry and transportation** improved 1.1% in monthly terms and 1.6% inter-yearly.

Graph 2: Economic activity's indicators for the Province of Santa Fe - July 2014 -



(*) Last available data from June 2014.

Note: the series agricultural machinery sales was not included in Graph 2 as latest published data refers to April 2014.

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

Cement consumption turned downward again within a monthly contraction of **-0.6%** and an inter-year variation rate of **-1.2%**. However, compared to real estate business, construction sector's drop is not significant. In the province's central and northern area, for example, the institution that formally registers property transactions, *el Registro de la Propiedad*, is signaling a relevant reduction in total paperwork since 2011's second semester.

In real terms, **fiscal incomes** are still practically stagnant presenting a monthly variation rate of 0.5% pushed forward by *Ingresos Brutos* and Federal resources. Nevertheless, on an inter-year comparison the series decreased **-3.1%** in line with an observable deteriorating that started during last year's second half.

Registered jobs improved 0.2% in July, reaching an inter-year expansion of 0.6%. However, **demand for new workers** is displaying strong negative rates of **-7.1** and **-25.4%**, respectively. This signals an unfavorable scenario for 2014's third and fourth quarter.

Real wages recovered 0.3% in July but still register a negative inter-year balance of **-5.5%**, which means a net contraction in salaries' purchasing power.

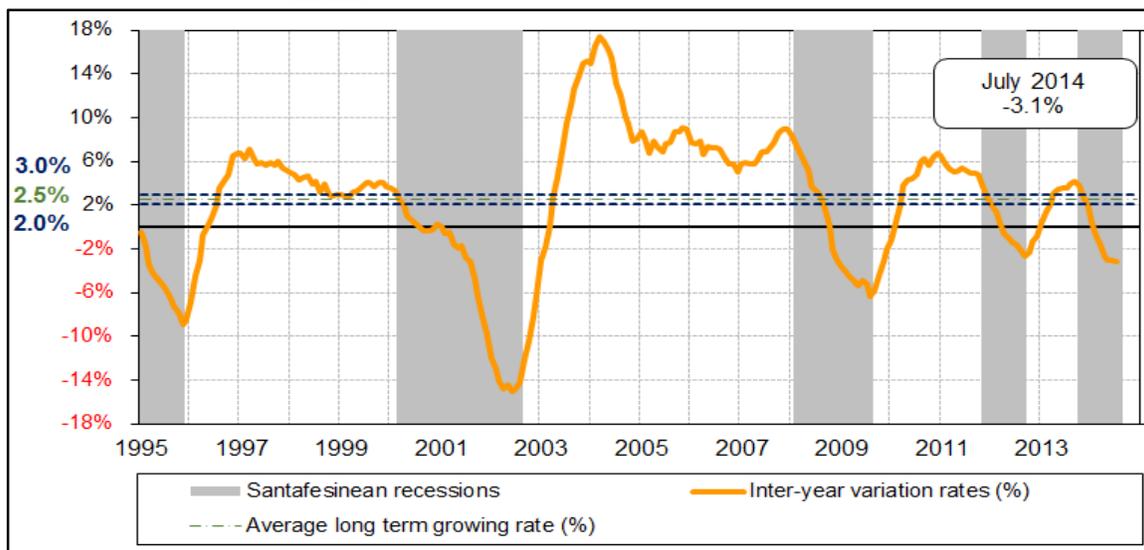
Retail consumption keep internalizing recession's negative effects and **supermarket sales** went down **-0.6%** in respect to June and **-3.1%** in terms of July 2013. Finally, **new vehicles' registrations** achieved a positive monthly variation of 2.1% but still, the series' inter-year rate was located at **-28.6%**.

Summary and perspectives

The province's economic activity decreased **-2.5%** during 2014's first seven months, falling at an inter-year speed of **-3.1%**.

To this regard, recession is being noticeable not only in general terms but also particularly and most key economic sectors are facing an intricate scenario. In addition, even though employment is not yet affected, these ten months of activity's contraction have already cut out real wages performance and, in this context, retail consumption, one of the main macroeconomic variables behind past years' economic growth, is also withdrawing.

Graph 3: Monthly Composite Index's inter-year variation rates.



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

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