

THE PROVINCE OF SANTA FE'S ECONOMIC DIGEST

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CENTRO DE ESTUDIOS Y SERVICIOS

Sharp decline on wages' purchasing power

Economic activity lost **3.1%** over the last twelve months, whereas real wages plummeted **9.1%**.

ICASFe

AUGUST 2018

Level:

161.1

Monthly variation:

-0.8%

Inter-year variation: **-3.1%**

2018's partial result: **-3.7%**

MAIN RESULTS

ICASFE's level was located in **161.1**, presenting a monthly variation of **-0.8%** in respect to July 2018.

Inter-year variation rates descended to **-3.1%** (comparing July 2018 vs. July 2017).

Partial cumulated expansion during 2018's was measured in **-3.7%**.

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 the coincident index. In addition, it is worth noting that all series internalized by this project, 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.

In order to download or get access to:

- Statistical database, methodological documents and related publications | Go to <http://ces.bcsf.com.ar>
- Handbook of sub-indicators | Go to <http://ces.bcsf.com.ar>
- An on-line graphical tool to access historical data | Go to <http://www.bolcomsf.com.ar/ces/icasfe.php>



Bolsa de Comercio de Santa Fe

President

Mr. Ulises Mendoza

Fundación Bolsa de Comercio

President

Mr. Ulises Mendoza

Executive Director

Dr. Gustavo Vittori

Research and Services Center

Director

Lic. María Lucrecia D'Jorge

Coordinator

Mg. Pedro P. Cohan

Researchers

Lic. Lautaro Zanini

María Florencia Camusso

Ignacio Francisco Falco

Ramiro Jorge

Ailén Bianchi

E-mail and contact information

ces@bolcomsf.com.ar

Websites

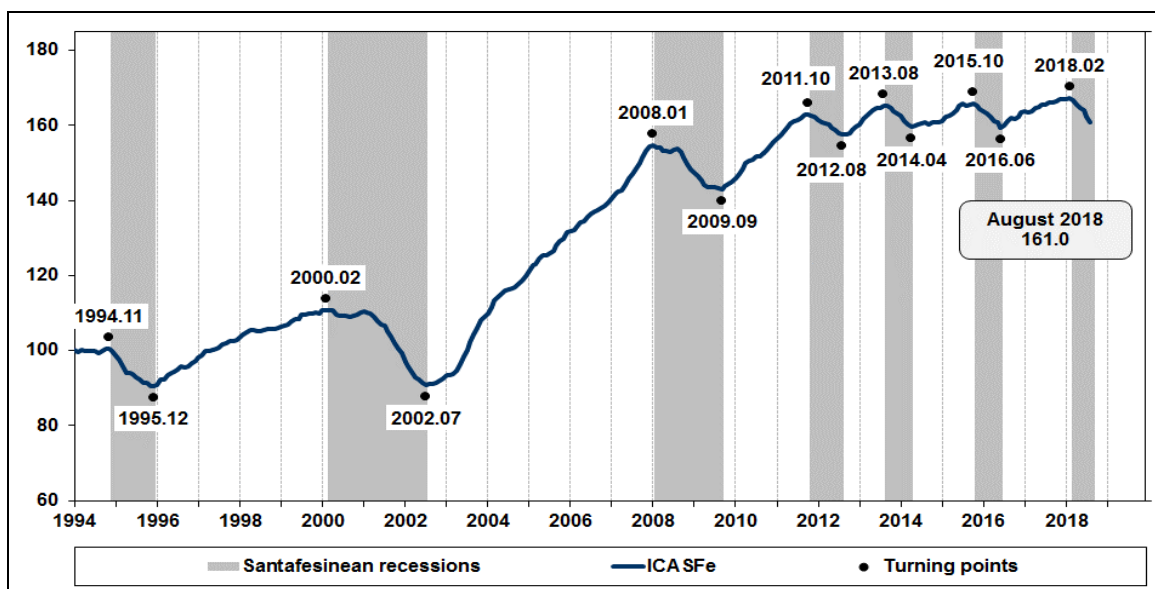
<http://ces.bcsf.com.ar> or

<http://www.bcsf.com.ar>

Province of Santa Fe's economic activity

In August 2018 the province's economic activity kept showing negative results. The coincident index dropped **0.8%** in respect to the previous month and **3.7%** since the beginning of the year.

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



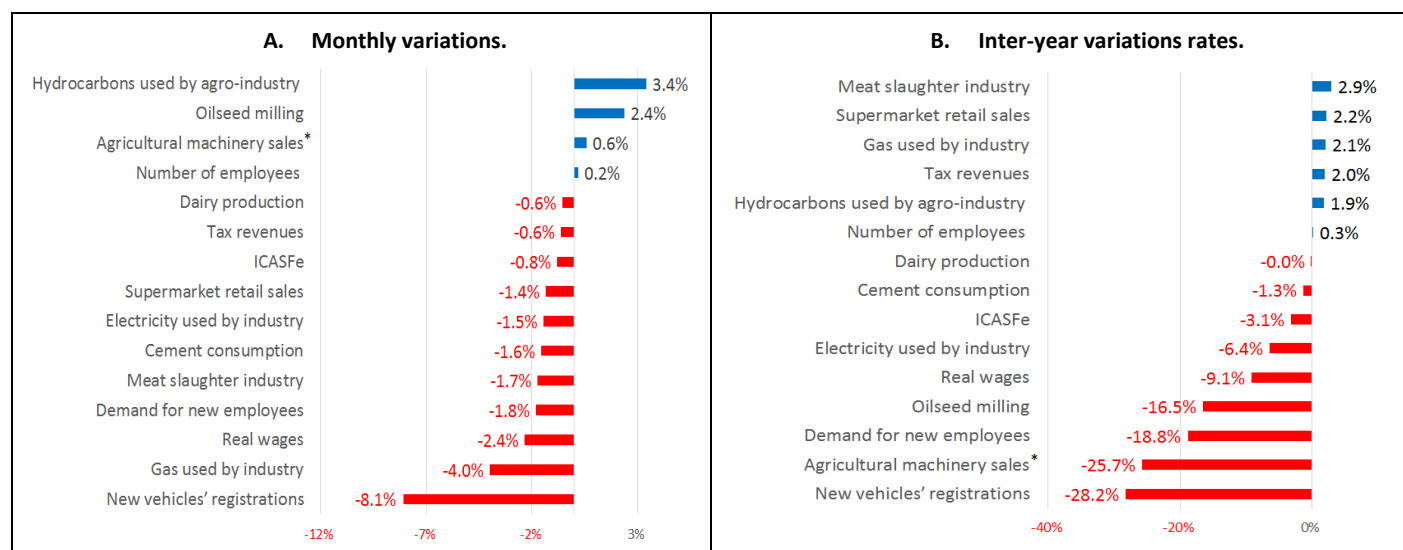
Source: Research and Services Center, Santa Fe's Chamber of Commerce.

Indicator by indicator

Most of considered sub-indicators experienced an unfavorable performance. Only four out of the fourteen series internalized by ICASFe signaled positive monthly variations in August. Moreover, taking the last twelve months into account, six series maintained a positive balance; whereas all the other already declined inter-yearly.

Oilseed milling recovered 2.4%, but held a negative inter-year variation rate (**16.5%**). **Hydrocarbons used by agro-industry** gained 3.4%, achieving an improvement of 1.9% above its inter-year benchmark. **Dairy production** and **meat slaughter industry** contracted **0.6** and **1.7%**, respectively. However, in terms of August 2017, the first series is almost at the same level and the second one increased 2.9%.

Graph 2: Economic activity's indicators for the Province of Santa Fe. August 2018.



Last available data from: (*) June 2018. Unavailable data was estimated.

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

Gas used by industry went down for the second month in a row (4.0%), and **electricity** for the sixth (1.5%). Over the last twelve months, the former series rose 2.1% whereas the latter shrunk 6.4%.

In spite of the recession **number of employees** increased 0.2% in August. The gauge continued on an uptrend growth, gaining 0.3% in comparison to August 2017. By the contrary, **real wages** fell 2.4% in respect to July and, on the prior twelve months, plunged 9.1%. In fact, considering local currency's depreciation, from an international perspective purchasing power's decline is even worst. This significant contraction in family's real income obviously distresses retail consumption and durable goods' orders. **Supermarkets' sales** continued to decrease: 1.4% in August, cutting out to 2.2% its inter-year balance. **New vehicle's registrations** remained at the bottom of the table (see Graph 2). In August the series decreased 8.1% and 28.2% over the last twelve months. **Cement consumption** dropped 1.6 and 1.3%, respectively.

Finally, **tax revenues** declined 0.6%. Compared to August 2017, the series remained in positive territory (2.0%).

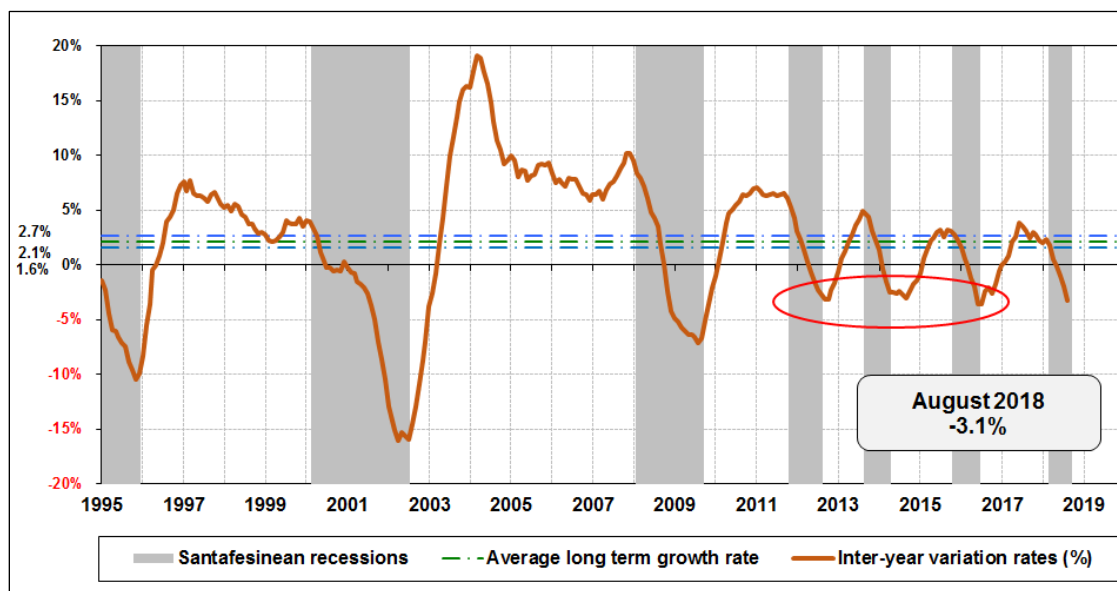
Summary and perspectives

Santa Fe's economy already lost 3.1% in terms of August 2017. This rate of contraction is similar to those registered at the trough of last three recessions, in 2012, 2014 and 2016 (see Graph 3).

The current economic contraction shows a deep cycle's diffusion in which most productive activities are being affected. To this regard, the percentage of series that contributed positively to the coincident index over the last six months was only 18.0%. This number was not even registered during 2008/09's recession, the worst recorded contraction phase over the last ten years.

In this context, at least in the short term, it is hard to picture any specific activity which could drive an integrated recovery. Nevertheless, given the increase over the currency exchange rate, expectations are leaning on activities linked to the external sector and, more in particular, related to agricultural business (where the wheat harvest is about to begin).

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



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