

Monthly Digest

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**Monthly Composite Coincident Index of the
province of Santa Fe
ICASFe**

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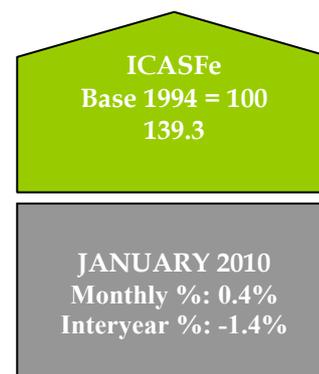
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**Ambiguous scenario
for the province's
economy**



During the last four monthly measurements the province's economic activity presented a 1% net expansion. This improvement simultaneously occurred upon an inflationary process that, in real terms, already started to affect salaries, supermarket retail sales and fiscal incomes.

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 January 2010, the ICASFe was located at **139.3**, presenting a **0.4%** monthly variation with respect to December 2009.

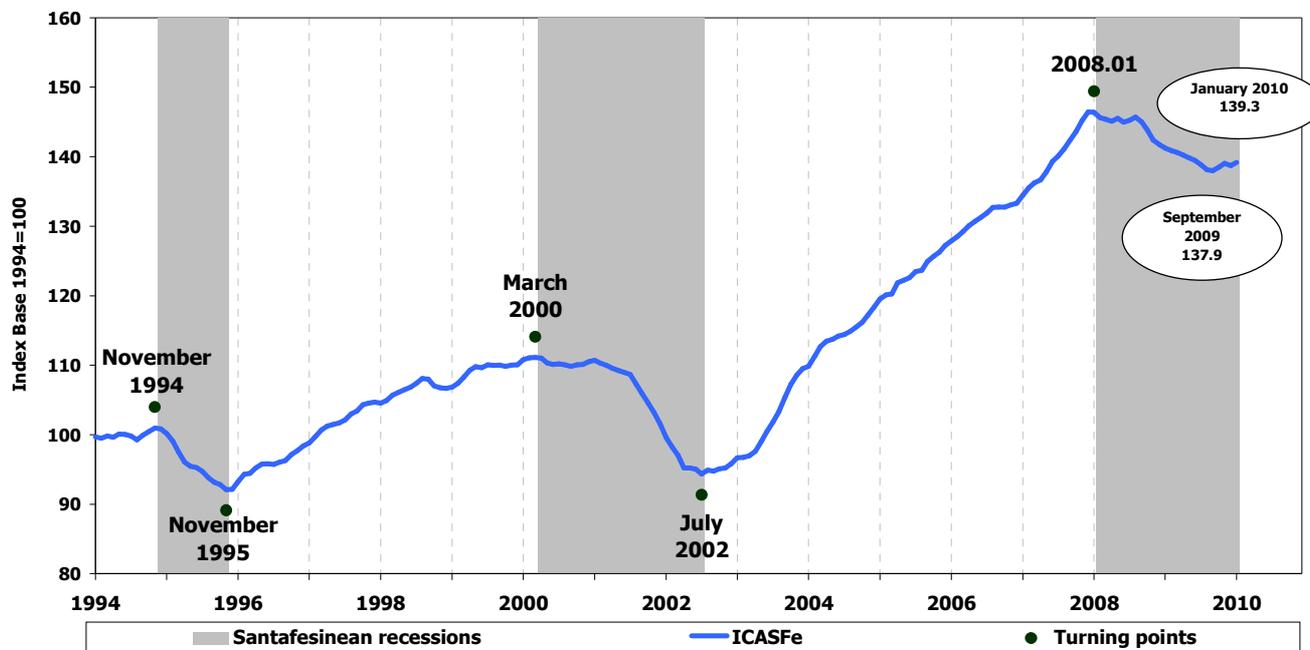
The last 12 months' results exposed in this document are based on preliminary information and hence subject to further revisions. Calculated values gain consistency while primary sources publish consolidated data that provides an input to our indicator.

○ **Province of Santa Fe's economic activity**

Since September 2009 ICASFe's monthly variation rates are presenting some recovery signals which could put and end to the recession if they continue along 2010. Particularly January showed an increment of 0.4%, based on the positive performance of six of the fourteen economic activity's representative indicators.

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

Base 1994=100. Data: from January 1994 to January 2010.



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

○ **Indicator by indicator**

The first month of the year ended with an array of indicators presenting positive monthly variations. The most remarkable one was agricultural machinery production. It increased 23.6% in January, after a total contraction of **-24.5%** during 2009. New vehicles' registrations were in second place with an 8.7% expansion. While this indicator also ended with a negative accumulated rate in 2009 (**-7.4%**), it's showing a better performance since the second semester of that year.

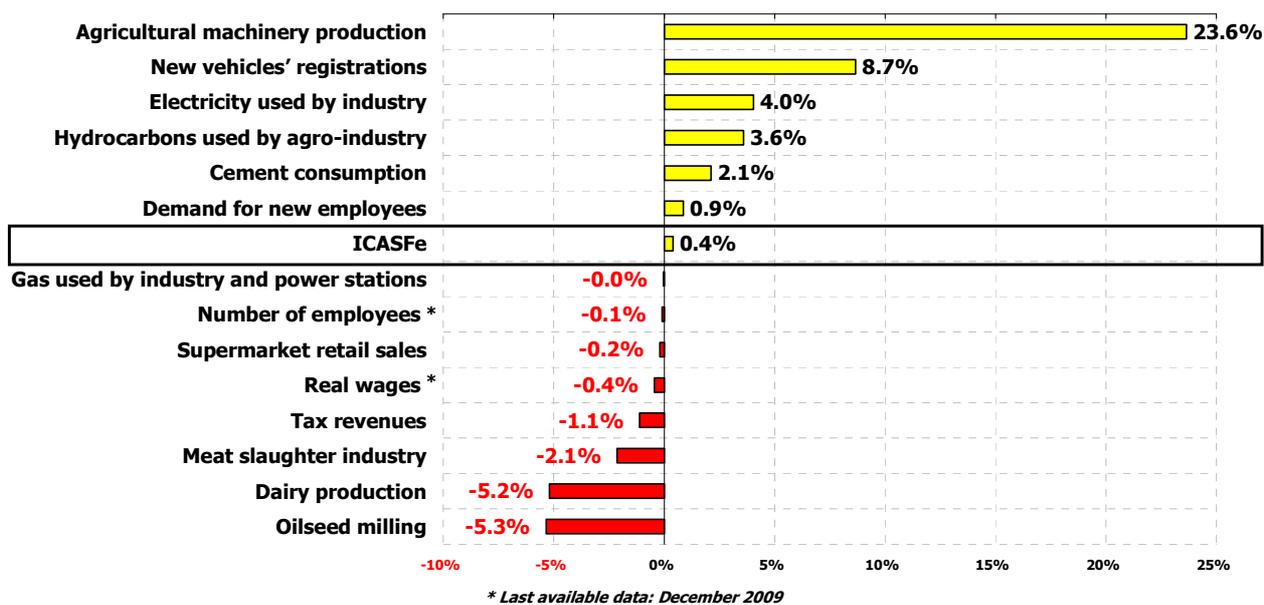
Electricity used by industry, this sector's main evolution indicator, increased 4% in January 2010 keeping up with the recovery that began in April 2009. In fact this variable presented a negative net contraction during 2009 because, even though it showed a positive tendency, it also experienced some particular plunges between April and December. In addition, hydrocarbons used by agro-industry presented a 3.6% monthly variation rate while gas used by the sector had a mild decrease of **-0.03%**.

Oilseed milling, one of the province's most important agro-industries, kept falling with a **-5.3%** monthly contraction. So did the meat slaughter industry (**-2.1%**) and dairy production (**-5.2%**).

Cement consumption, which showed an expansion of 2.1%, is having a sustained recovery since 2009's third quarter. Nevertheless, in absolute levels, it's still far away from its last peak because of the deep plunge that affected the sector during the first part of 2009. Actually, in December of that year, the total number of registered jobs the sector holds upon the province was 4.000 employees less than in December 2008 (Source: *Instituto de Estadística y Registro de la Industria de la Construcción - IERIC* -).

Graph 2. Santa Fe's economic activity series.

Monthly variations of filtered series. Data related to January 2010.



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

According to the monthly indicator, total number of workers in the province decreased **-0.1%** during December 2009. But, at the other hand, based on information published by the National Institute of Statistics (*INDEC*), during 2009's last quarter, total registered employment in Santa Fe finished with a net expansion of 1.9%. In numbers, this means 8.808 new jobs but we should also consider that because of the recession 23.831 jobs were lost since 2008's third quarter. Finally, demand for new employees is showing an optimistic scenario since August 2009 and presented a monthly variation of 0.9% in January 2010.

Total real wages, taken as an indicator of household disposable income, measures two variables' behavior: the average deflected salary and the total number of registered employees in the province. Because of inflation, this indicator already started to fall, showing a monthly contraction of **-0.3%** during January 2010.

Seasonally filtered and deflected by inflation, fiscal incomes at a provincial level decreased **-1.1%** in January 2010. This variable is constantly going down since 2009's third quarter, when the inflationary process strongly accelerated.

o **Ambiguous recovery**

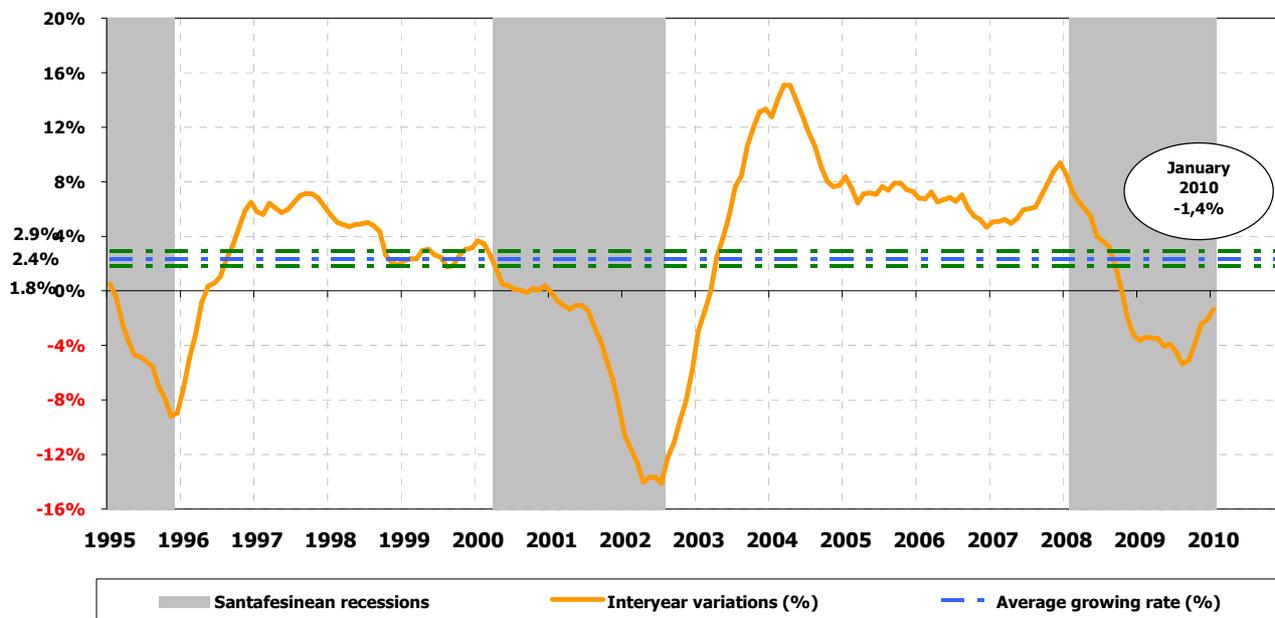
ICASFe's recovery was also notably observed on its interyear variation rates which passed from **-5.4%** in August 2009 to a **-1.4%** in January 2010 (pushing the indicator closer to the long term statistical confidence bands).

Based on the Consumer Price Index (CPI)¹, that measures inflation in the province of Santa Fe, the total accumulated increase during 2008 reached 20% and only 13.4% during 2009, because of the recession. Nevertheless, since the beginning of that year's fourth quarter, inflation has been accelerating and the monthly variation for January 2010 already reached 2.4% (the most affected sector was the alimentary one, which generally increased consumer prices in 4.2%, during only that month). In fact, both, private and public institutions, are expecting higher levels of inflation for the rest of the year and, unfortunately, this scenario is going to directly affect real household disposable income. Fiscal incomes and global wages, other two nominal deflected variables, are starting to show this negative effect. In real terms, a similar decreased was measured by supermarket retail sales.

¹ Source: Instituto Provincial de Estadísticas y Censos (IPEC) de la provincia de Santa Fe.

Finally, the internal inflationary process mixed with a stable fixed monetary currency against US dollars is negatively impacting upon external commerce: making importations more attractive and exportations less competitive because of the internal increase in costs. Fortunately agro-commodities exportations do have a positive horizon with a record productive campaign and good international prices.

Graph 3 - Monthly Composite Index of the province of Santa Fe -
 Interyear variations. Data: from January 1995 to January 2010.



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>