

Monthly Digest

May 2010
Year 4, Number 5

**Monthly Composite Coincident Index for the
province of Santa Fe
(ICASFe)**

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**Santa Fe
consolidates the end
of its economic
recession**

ICASFe
Base 1994 = 100
142.7

MARCH 2010
Monthly %: **0.5%**
Interyear %: **0.4%**
Accumulated (Jan-
Mar): **1.4%**

Six months of expansion in addition with positive qualitative signals gave place to a new turning point over the province's economic activity. There is enough statistical evidence to confirm September 2009 as the end of the recession.

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

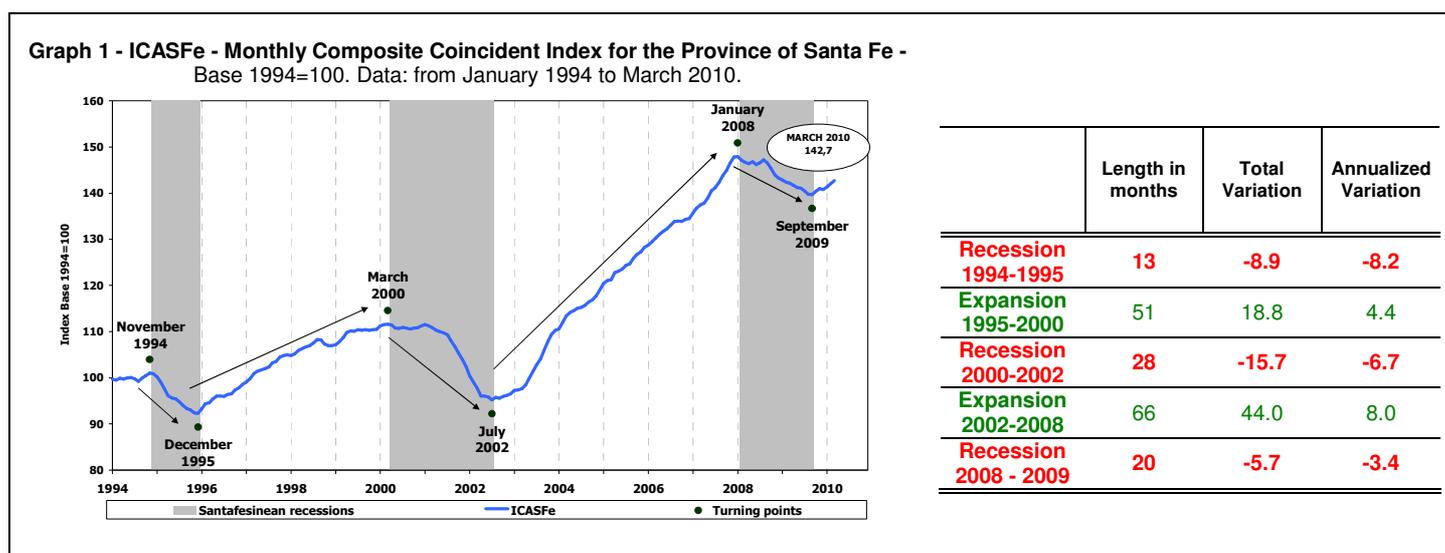
According to the last obtained results, during the month of March 2010, the ICASFe was located at **142.7**, presenting a **0.5%** monthly variation with respect to February.

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 X12-ARIMA software.

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

ICASFe's measurement procedure related to March 2010 allowed us to certainly determine a turn in economy during September 2009. These results signal the end of the recession in the province of Santa Fe in classical terms and give place to the new expansion phase that we were anticipating in previous digests. But in order to avoid exteriorizing false signals, we apply to a multidimensional method that requires six monthly positive variations plus a solid improvement over certain qualitative indicators before registering an incoming turning point.

Most recent recession, from January 2008 until September 2009, lasted only 20 months and generated a total contraction of **-5.7%** over the province's economic activity. The previous one (between March 2000 and July 2002) was eight months longer and almost three times deeper (**-15.7%**). This means that the last recession presented a **-3.4%** annualized negative variation while pervious' one reached **-6.7%**.



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

o **Indicator by indicator**

In Santa Fe, the contraction of economic activity occurred in 2008 and 2009 was deeply related to the negative performance of the primary sector and its effects over agro-industries and linked activities. Agricultural machinery production went down **-137.7%**, oilseed milling other **-37.3%** and hydrocarbons used by agro-industry fell over **-10.8%**. Dairy production showed successive periods of positive and negative performance that left a net balance of 7.9%. Meat slaughter industry decreased **-1.4%**, less than during the previous recession (**-5.9%**), but suffering some effects that deteriorate the sector's sustainability. In this regard, for example, there was an important increment over slaughtered animals that were originally destined to reproductive activities. Other significantly punished activity during this past recession was the construction sector. Cement consumption decreased **-42.1%**, this means a **-25.3%** annualized negative variation. In the recession that lasted from the year 2000 to year 2002, this gauge had a similar total contraction measured in **-38.8%**, but its annualized negative variation was only **-16.6%**.

Employment didn't verify a significant disturbance and only accumulated a total negative rate of **-0.05%**, while during the previous recession this reached to **-4.5%**. By looking at the demand for new jobs, we can tell that the strongest impact was suffered by employers' expectations. This indicator went down **-67.3%**, almost twice that during the previous recession (**-33.7%**).

Real wages increased 7.3% between January 2008 and September 2009 and recently began to fall down, declining **-0.7%** during the first two months of the year 2010 because of inflation's intensity. Under similar circumstances, real supermarket retail sales had a total negative contraction of **-4.2%** during this past recession while it had a **-28.1%** one between March

2000 and July 2002. A similar situation was observed over new vehicles' registrations, which presented a negative variation rate of **-31.4%** compared to **-146.6%**, during the other economic contraction.

Accumulated monthly variations over economic activity's indicators, during the two last recessions

	Recession 2000-2002	Recession 2008-2009
Agricultural machinery production	-50.6	-137.3
Demand for new employees	-33.7	-67.3
Cement consumption	-38.8	-42.1
Oilseed milling	15.4	-37.3
New vehicles' registrations	-146.6	-31.4
Gas used by industry and power stations	-1.3	-23.2
Hydrocarbons used by agro-industry	-2.1	-10.8
Electricity consumed by industry	-17.5	-10.3
ICASFe	-15.7	-5.7
Supermarket retail sales	-28.1	-4.2
Tax revenues	-43.7	-3.0
Meat slaughter industry	-5.9	-1.4
Number of employees	-4.5	-0.0
Real wages	-48.6	7.3
Dairy production	-9.9	7.9

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

Time series related to the industrial sector's energetic inputs showed different behaviors between each other. Gas consumption fell **-23.1%** and electricity **-10.3%**. During the previous recession they went down on **-1.3%** and **-17.5%**, respectively.

Finally, real taxes revenues only decreased **-3%** between January 2008 and September 2009, while they slumped **-43.7%** between the years 2000 and 2002.

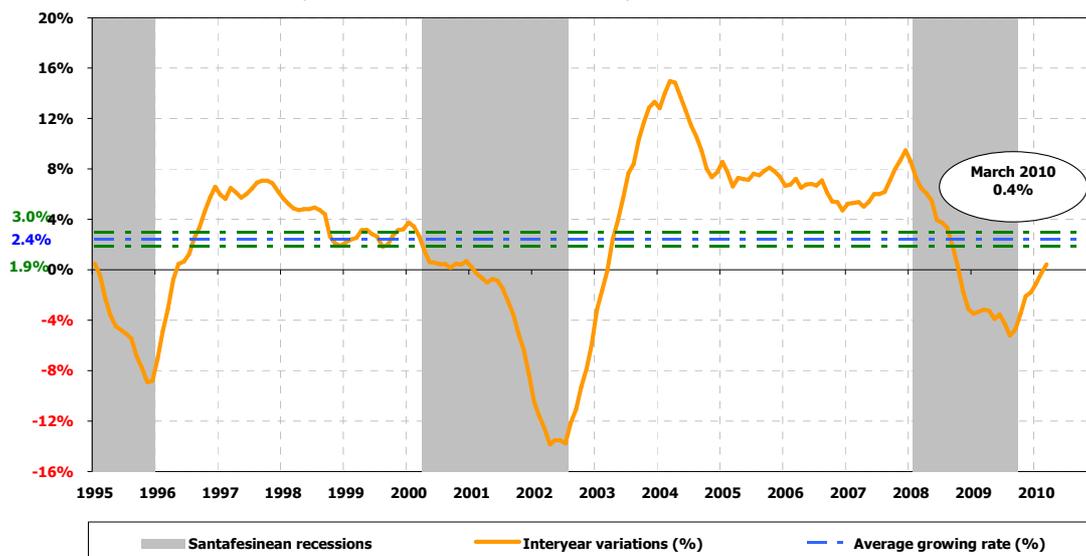
o **Economic activity's recovery pillars and further perspectives**

In March 2010 the ICASFe presented its first positive interyear variation rate (0.5%), as a consequence of the recovery experienced by the economic activity since September 2009. Every time this indicator broke the line of 0% in the past, Santa Fe's economic activity was already standing on a new expansion phase. At the same time, during these first months of growing activity not every sub-indicator shows positive variations. Some of them usually delay their upturn (total number of employees for example) and, therefore, an accelerated take off is postponed. In this matter, not every single company in the province is expected to be noticing an economic recovery.

On the other side, it's important to consider that in Santa Fe the recession (2008-2009) was shorter and less pronounced than the previous one (2000-2002). Moreover, between July 2002 and January 2008 economic activity grew 66 consecutive months, the longest expansion of the last 40 years. That phase of the cycle increased ICASFe's level on 44%. Hence, last recession's mild contraction (**-5.7%**) leaves us on a relatively high level of activity.

Finally, there are certain issues which blind a clear estimation of a solid further expansion. On a national level, we still suffer the absence of strong midterm politics to guide our economy. Besides, differences between political parties are preventing the possibility of reaching a basic general consent. In terms of international economics, we still are going through a period of growing uncertainty. Political decisions taken globally in order to rescue economic activity from 2009's recession have not yet settled all their consequent long run effects.

Graph 2 - Monthly Composite Index of the province of Santa Fe -
 Interyear variations. Data: from January 1995 to March 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>