

Monthly Digest

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

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**Consumption did not
follow general
economic expansion**

ICASFe
Base 1994 = 100
143.5

APRIL 2010
Monthly %: 0.4%
Interyear %: 1.5%
Accumulated (Jan-
Mar): 1.7%

In April 2010 the Province of Santa Fe's economic activity kept growing. However, retail consumption and new vehicles' sales mildly decreased.

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.

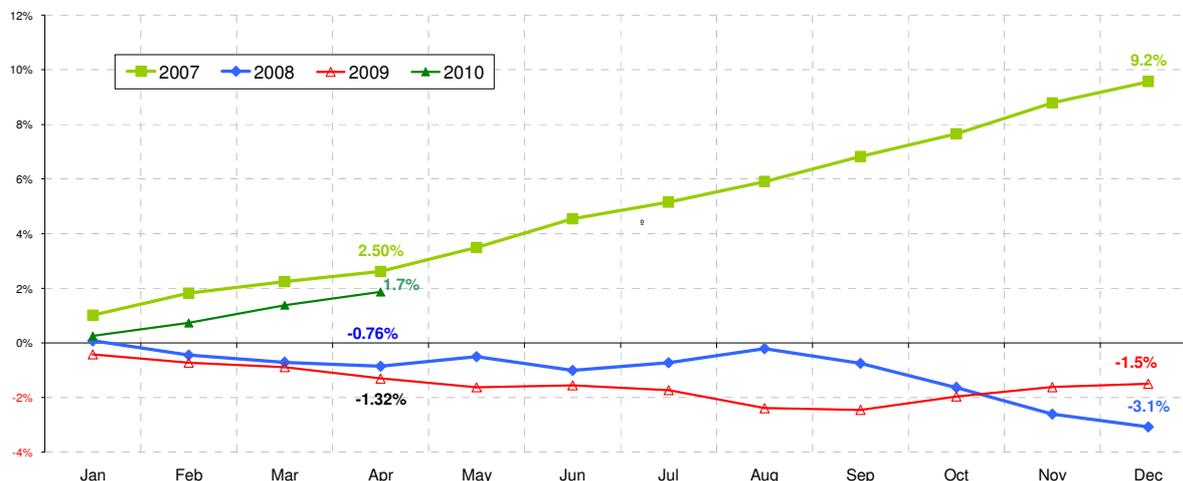
According to the last obtained results, during the month of April 2010, the ICASFe was located at **143.5**, presenting a **0.4** monthly variation with respect to February.

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.

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

The province's economic activity kept growing solidly since September 2009. In April, after finishing 2010's first quarter, the net balance for the present year's expansion reached 1.7%. This situation signals an important difference among 2008 and 2009, where the accumulated variation rates for the analogous periods were -0.76% and -1.32%, respectively.

Graph 1: Monthly Composite Coincident Index for the Province of Santa Fe. Accumulated variation rates for each period.



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

○ **Indicator by indicator**

In April 2010, 10 of the 14 economic representative sub-indicators included in our coincident index presented positive monthly variation rates. In the first place, agricultural machinery production showed a 5.5% expansion compared to March 2010. The interyear comparison, taking April 2009 into account, was also strongly positive: 85.5%. This variable is actually very sensitive to short term fluctuations related to the agricultural sector's performance. In fact, since the beginning of the province's economic expansion in September 2009 this activity is leading the recovery with the highest accumulated growth, which already reached 44.9%.

During this last monthly measurement the industrial sector increased both gas and electricity consumption; 4.7 and 3.5%, respectively. But, despite this positive performance, the sector has not yet recovered its highest activity level from before the past recession.

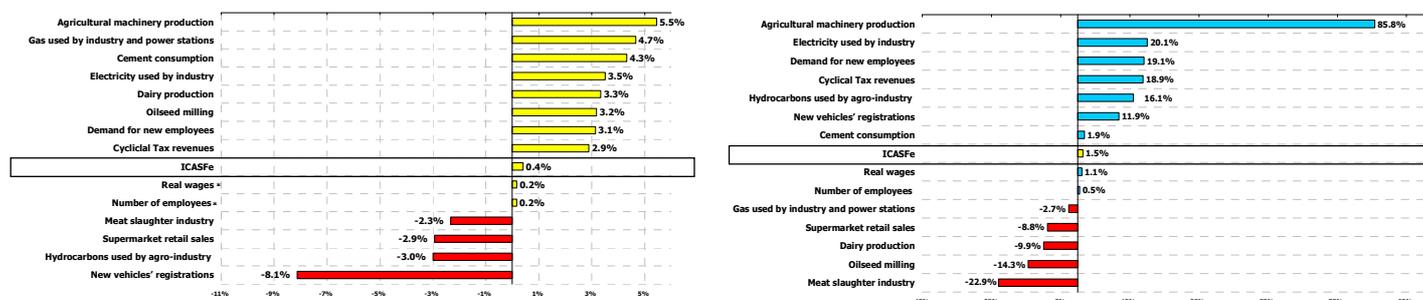
Data related to oilseed milling also showed an important recovery. Processing net amounts already went above 3 million tons a month, in accordance to most industrial activities' better performance. Dairy production increased as well, 3.2% in monthly terms, although its inter-year variations were still negative: -9.9%. By the contrary, meat slaughter industry declined -2.3% in respect to March, and -22.9% considering April 2009. Last obtained measures are actually part of a strong contraction that is affecting this particular activity since the beginning of 2009's second semester.

Hydrocarbons used by agro-industry and transportation went down -3% in April 2010, but its inter-year comparison was at least positive: 16.1%.

Total income tax revenues showed a significant increment since the beginning of 2010. Unfortunately, some particular explanations must be given in order to understand this notorious situation. Economic activity's recovery is one the factors but not the most important one. Some provincial taxes have been nominally arisen. Certain segments from the "Impuesto Patente Automor" were increased, as well as the regular amounts related to the "Impuesto Inmobiliario". In addition, quotas from special categories in "Ingresos Brutos" also changed in April and, finally, extraordinary incomes were deposited because of a regularization plan. The government set that contributors which presented defaulted taxes could

pay them off without any penalty rate. All these modifications justified the decision of using “Sellos” and “Ingresos Brutos” as ICASFe’s sub-indicator. In stead of including total revenues, as usual, an alternative series was selected to internalize only cyclical taxes. In fact, most of total incomes are still captured since only “Ingresos Brutos” represents about 65% (average 2002-2010). In April 2010, this new indicator presented a monthly variation of 2.9% and its inter-year comparison was also positive: 18.9%.

Graph 2: economic activity’s indicators for the Province of Santa Fe.
Data upgraded until April 2010.



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

Demand for new employees increased 3.1% monthly, and 19.1% in terms of April 2009. This suggests a better horizon for the labor market even though real increments over registered jobs are still showing a slow recovery (0.2% in April 2010). However, it’s important to clarify that most of the expansion was based on more public employment. By the contrary, private jobs and real wages apparently arrived to a temporary plateau. Permanent nominal increments over salaries are starting to lose the race against inflation, which means a potential contraction over families’ purchasing power.

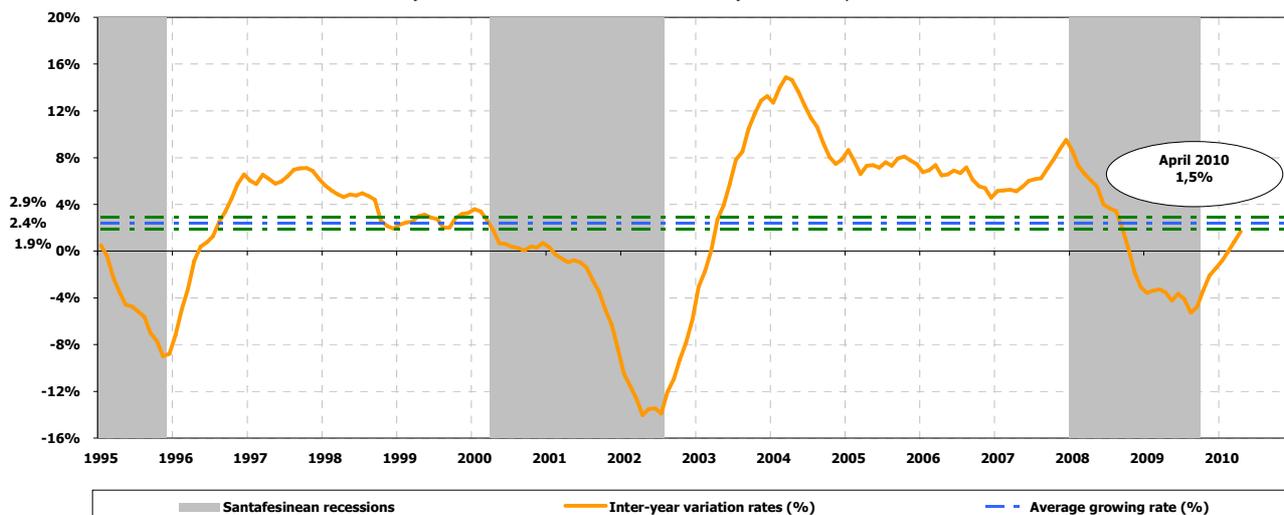
Real retail consumption, measured by supermarket’s sales expressed in constant pesos, presented a monthly decreased of -2.9% and an inter-year variation rate of -8.8%. Mainly, because of an important inflation that already reached 10.4% in the first 4 months of the year; while during 2009’s same period prices increased only 4.4%. This phenomenon that is obviously affecting real wages implies a strong relationship between the two variables.

Investment on durable goods kept recovering upon the construction sector. Levels of cement consumption grew 4.3% in April 2010, which represents an increase of 1.9% in terms of an inter-year comparison. On the opposite direction, new vehicles’ registrations declined -8.1% monthly, although they experienced a positive inter-year variation of 11.9%. April was actually the first time after the beginning of economic recovery where they experience a monthly contraction. In fact, the second hand market did grow 0.6% in respect to March.

○ **Perspectives on the province’s further economic activity**

ICASFe’s inter-year variation rates reached 1.5% in April 2010. After these last results, they achieved their second consecutive month above the 0% line (positive area). In addition, their present level is getting closer to the inferior statistical confidence band (located at 1.9%). This means that over the next few months the indicator has an important chance of recovering its long term growing speed. According to this scenario, a good performance is expected for Santa Fe’s economic activity along the rest of the year.

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