



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

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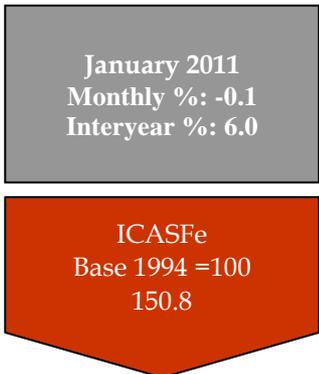
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2011 begins with a warning signal



The group of indicators which drove economic expansion at the end of 2010, started this year showing negative monthly variation rates.

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.

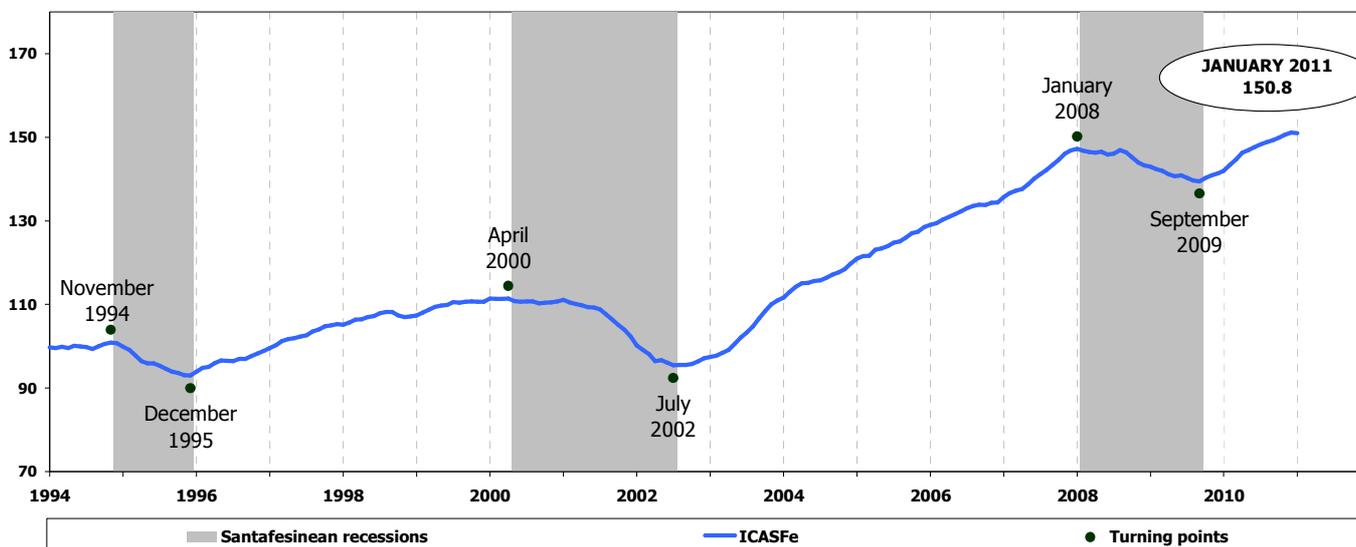
According to the last obtained results, during the month of January 2011, the ICASFe was located at **150.8**, presenting a **-0.1%** monthly variation with respect to December.

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**

According to our previous monthly digest, during the year 2010 economic activity's growth in the province of Santa Fe was measured in 6.5%. However, 2011 begins with a monthly contraction of **-1.0%** since only six of the fourteen sub-indicators considered by the coincident index presented positive monthly variation rates. In addition, a general slowdown was verified over those growing variables.

Graph 1 - ICASFe - Monthly Composite Coincident Index for the Province of Santa Fe
Base 1994=100. Data: from January 1994 to January 2011.



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

o **Indicator by indicator**

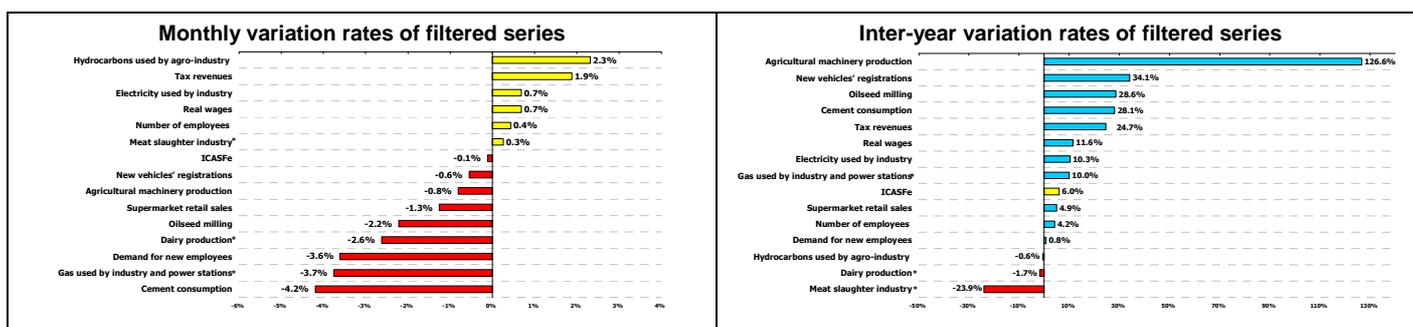
Between the series which registered positive variations, hydrocarbons used by agro-industry presented an outstanding monthly expansion of 2.3%. Nevertheless, its growing speed slowed down within an inter-year variation rate of **-0.6%** in January, compared to a 3.4% one observed in December. Electricity used by industry went up 0.7% in monthly terms. By the contrary, gas consumed by industry and power stations declined **-3.7%** (last available data is related to December 2010).

In second place, tax revenues increased 1.9% in January, maintaining a stable growth since November 2010.

In relationship to the labour market the total number of registered jobs kept growing up, 0.4% monthly and 4.2% inter-yearly. Real wages also increased, 0.7% monthly and 11.6% inter-yearly. To this regard, a certain ambiguity is still being observed between indicators related to effective employment and those which refer to new jobs expected demand; let's remember that this last series had a negative monthly variation rate of **-3.6%**

The sixth monthly expansion was captured by meat slaughter industry's indicator. In December 2010 the variable mildly increased, after seventeen consecutive months of contraction.

Graph 2 - Economic activity's indicators for the Province of Santa Fe -
Updated until January 2010.



* Data from December 2010.

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

Within the group of sub-indicators showing negative monthly variations, the highest decrease was registered by cement consumption (-4.2%); although this happened after a particular good performance during 2010's last quarter, when the series grew 12.8%. Supermarket retail sales returned to the negative field with a monthly contraction of -1.3%; subsequent to a weak expansion observed during December. In the case of new car's registrations the falling was measured in -0.6%. But this contraction should not be taken too drastically, since the indicator presented eight previous consecutive monthly expansions and its trend is still above its long term average growing rate.

Agricultural machinery production presented its first negative signal after five consecutive quarters experiencing high growth. So did oilseed milling (-2.2%), which was already slowing down its expansion rhythm since September 2010

Finally, dairy production registered its fifth contraction with a monthly negative variation of -2.6% (data from December 2010). In addition, its inter-year variation rates (-1.7%) are now below its long term average one.

o **Perspectives for the province's economic activity**

Although the province's economic activity was entering on a plateau during 2010's third quarter; it finally recovered its rhythm at the last period of that year. However, in 2011, three of the four most expansive sub-indicators started up showing negative monthly variations (cement consumption, supermarket retail sales and new car's registrations). In fact, this group of series related to consumption and investment was on top of 2010's expansion and their jointly decline explains ICASFe's monthly contraction. Unfortunately, in order to keep up with the upward trend, certain negative conditions must be taken care of.

To this regard, the main macroeconomic issue seems to be inflation (23% between February 2010 and February 2011 considering the index's general level; and 30.3% if only alimentation is taking into account). This constant rise over prices is starting to affect retail sales even though real wages keep mildly going up.

In reference to the construction sector, a stable exchange rate between dollars and pesos combined with higher domestic costs (because of inflation) are obviously damaging the activity's rentability. In addition, since years ago, Argentina suffers a significant credit shortage in terms of mortgage loans. At the other hand, 2011 is a political campaign year, and public expenses over construction are expected to rise. Ironically, in spite of all this problems, real estate transactions are being used as investment for high income families in order to maintain savings real purchase power.

As a consequence of the sketched out scenario, in January 2011 the province's economic activity registered a lower inter-year variation rate close to 6.0%; while it was near 6.6% during the previous three months. All this taken into account, still, ICASFe's inter-year variation rates are far away from reaching its long term statistical upper bands (see graph 3).

Graph 3 - Monthly Composite Index of the province of Santa Fe -
Inter-year variations. Data: from January 1995 to January 2011.



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>