



ICASFe

Monthly Composite Coincident Index of the province of Santa Fe



Research and Services Center



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**Weakening across the
province's economy not
only affects Consumption**

OCTOBER 08
- 0,3%

ICASFe
Base 1994 =100

Besides the observed decrease on consumption, 2008 shows a common deceleration on the province's economic activity main indicators.

The Composite Coincident Index of the province of Santa Fe (ICASFe) constitutes a monthly indicator of global evolution of the province's economy.

Its construction is based on the periodical analysis of economic series which fluctuate coincidentally with the general economic activity.

According to the last obtained results, during the month of October 2008, the ICASFe was located at **146**, presenting a **-0,3%** variation with respect to September.

The results exposed in this document are based on preliminary data and, therefore, subject to further modifications related with new publications of consolidated data made by the institutions (sources) that subadministrate raw information needed on the indicator's measuring.

- **Deceleration of growth in all the indicators**

The interyear variations from the filtered series of the province of Santa Fe's economic activity are presenting a continuous deceleration of growth since December 2007.

In October 2008 all the province's economic activity indicators present a lower interyear variation compared to the one they showed on the same month in 2007. However we must point out that the growing peak, in most of the cases, was seen on December 2007. In this regard the ICASFe presented a growing interyear variation of 7% in October 2007 – related to the same month in 2006 - , while it reached 8% in December of that year. In October 2008 this indicator happens to be only 1,4%, compared to October 2007.

Chart 1. Series of Economic Activity from Santa Fe.
Inter-year variations of filtered series.

Series	October 2007	December 2007	October 2008
Real wage	18.5%	21.9%	11.8%
Supermarket retail sales	7.7%	5.3%	7.9%
Dairy production	-16.1%	-9.8%	6.1%
Electricity used by industry	6.9%	7.7%	5.0%
Number of employees	6.1%	6.1%	3.8%
Industrial gas	-2.9%	3.8%	1.5%
ICASFe	7.0%	8.0%	1.4%
Tax revenues	14.4%	19.3%	0.6%
Cement consumption	22.3%	39.6%	-3.0%
Hydrocarbons used by agro-industry and transportation	1.2%	-2.2%	-3.6%
Oilseed milling	27.9%	26.7%	-4.6%
Meat slaughter industry	9.4%	14.2%	-6.4%
New car registrations	42.8%	31.1%	-6.9%
Agricultural machinery production	63.2%	96.8%	-14.5%
Demand for new employees	25.9%	23.6%	-26.6%

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

The variables related to the agro-industrial sector show negative interyear variations since the beginning of 2008. In fact, the consumption of hydrocarbons used by agro-industry and transportation went from a positive 1,2% intervariation in October 2007 to a negative -3,6% the same month in 2008. Oilseed milling and meat slaughter industry show interyear unseasoned variations of -4,6% and -6,4%, respectively. Agricultural machinery production presents an interyear variation of -14,5% in October 2008, when this rate reached to 96,8% in December 2007.

In addition to this group of series the demand for new employees is also showing a similar development, as we already emphasized on previous reports, and presents a decrease of 26,6% in October 2008 compared to the same month of the preceding year. With regard to the number of employees and real wages in santafesinian economy, their fallings in October's interyear variations were 2,3 and 6,7 perceptual points, respectively.

Consumption behavior

Santafesinian consumption's representative series show signs of deceleration since the beginning of 2008. In October 2007 Supermarket retail sales reached an interyear variation of 7,7%, that in December of that same year were already on 5,3%. The observed falling continued during 2008 getting to 0,4% in June 2008 but the rate raised up and climbed to 7,9% in October 2008. With regard to this matter is proper to say that the information's institutional source on supermarkets surveys is INDEC and, therefore, only reaches companies which have at least one sale spot in the province and also present a covered surface for sales bigger than 300 m2.

Getting inside the properties of consumption in supermarkets, it's significant to underline that between 2006 and 2007 there was an important increase in the share of sales of premade food and household appliances; considering the composition of total sales. In both cases, their expansion went above 100% of the average increase while the regular food and beverages flew along the median values.

In contrast with the situation recounted on the previous paragraph, between 2007 and 2008 the observed behavior of sales' composition was really different. Premade food and household appliances had raisings of its rates 5 or 6 perceptual points below the mean, while regular food and beverages had similar or superior growing rates compared with this average. Concurrently, the province's accumulated inflation related with the food and beverages section between January and October 2008 was 21,7% and the one corresponding to the household appliances section reached 16,5%. This entirely shows an increment on inflation expansion since between January and October 2007 their rates were 15,5% and 10,7%, respectively.

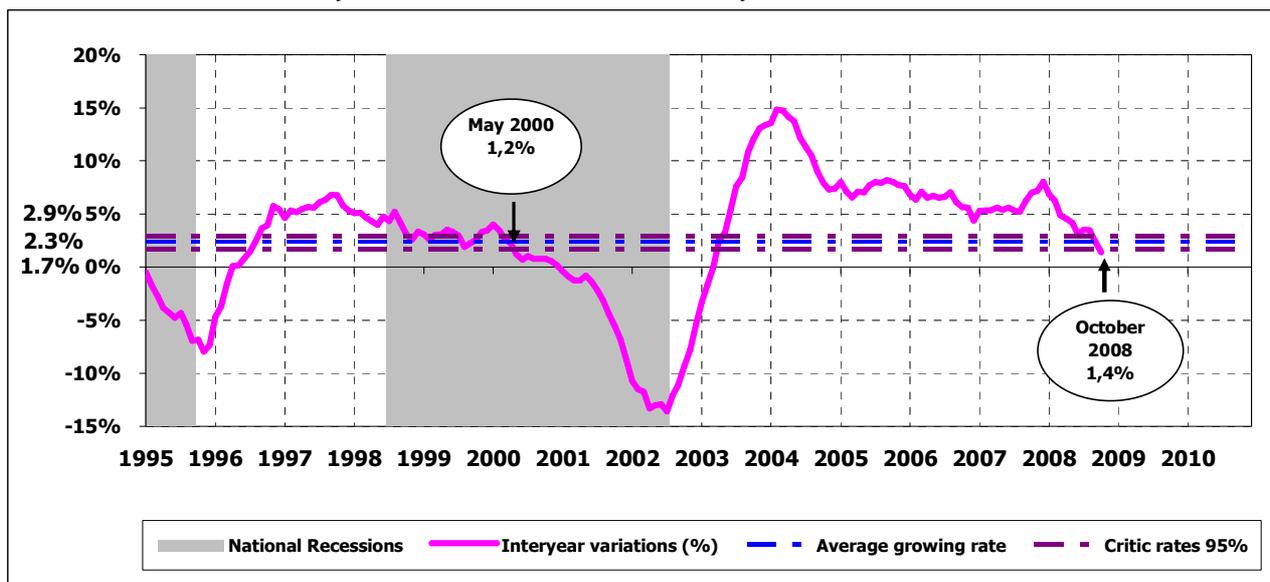
Along these lines, durable goods consumption also shows a recent and continued deceleration not only in used vehicles' transfers but in new units' sales as well. In this respect, new registrations presented an unseasonalized interyear variation of 42,8% in October 2007 that declined to 31,1% in December of that year. In October 2008 this rate is already negative with a value of -6,9%.

Between January and July 2007, there were 31.539 new cars' registrations in the province and 71.030 transfers of second hand vehicles. During the same lapse January-July, but in 2008, the reached values were 36.693 and 81.456, respectively. Opportunely, between August and October of each mentioned year, the relationship gets inverted presenting 15.110 new cars' registrations in 2007 and only 14.770 in 2008. Second hand auto sales' also went down on that period going from 37.518 to 34.311 units.

○ Perspectives

In October 2008 ICASFe's interyear variation was located in 1,4%, going under the lowest statistical confidence band. Making a retrospective analysis, the last time its interyear variation went down trough the third band reaching a value lower than 1,7% was during the first month of the province's recession that lasted between May 2000 to July 2002.

Graph 1. Monthly Composite Index of the province of Santa Fe.
Inter-year variations. Data: from January 1995 to October 2008.



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

Interpreting confidence bands: ICASFe's Interyear variations, the comparison between the monthly variation's present value and its corresponding measure on the same month from one year before, bring information about the trend related to economic activity's evolution. At the same time, confidence bands can be consider as reliable tools proper to evaluate these rates since they represent statistical values which signal the mean of the economic activity's long term glowing rate. Whenever the interyear variations are located between the two bands, it means that the economy is growing on a long term speed and when they are upon the highest band its growing rate is showing a faster expansion than the average. Instead, when they fall under the lowest band we have a strong signal of deceleration on the province's economic activity.

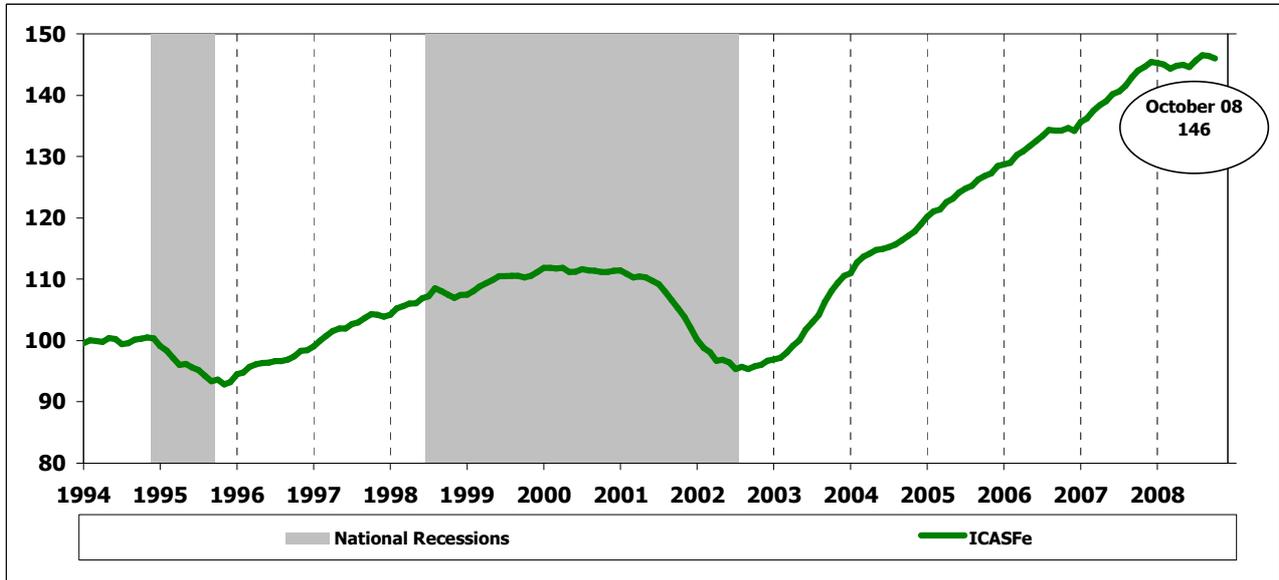
Recent political measures adopted by the national government tend to give a boost to consumption. Actually, as it is reflected on the current digest, the province of Santa Fe presents an important deceleration on this major component of aggregate demand. That's why the worst affected areas on consumption, household appliances and new cars sales, are being helped by national programs based on subsidized credit lines for customers. However, the problem relies on the fact that these policies are expected to improve sales of current stocks but don't represent a real incentive to recover sustainable levels of production.

The agro-industrial sector, which was the most affected branch of the economy because of 2007's background, did not yet received enough political support in order to be able to turn over the negative effects of the internal issues emphasized by the global crisis.

Therefore, in brief, policies announced by the national government seem to be aligned with short term incentives which will probably reduce deceleration's speed but will not effectibly impact over the province's economic activity on a medium and long term scenario.

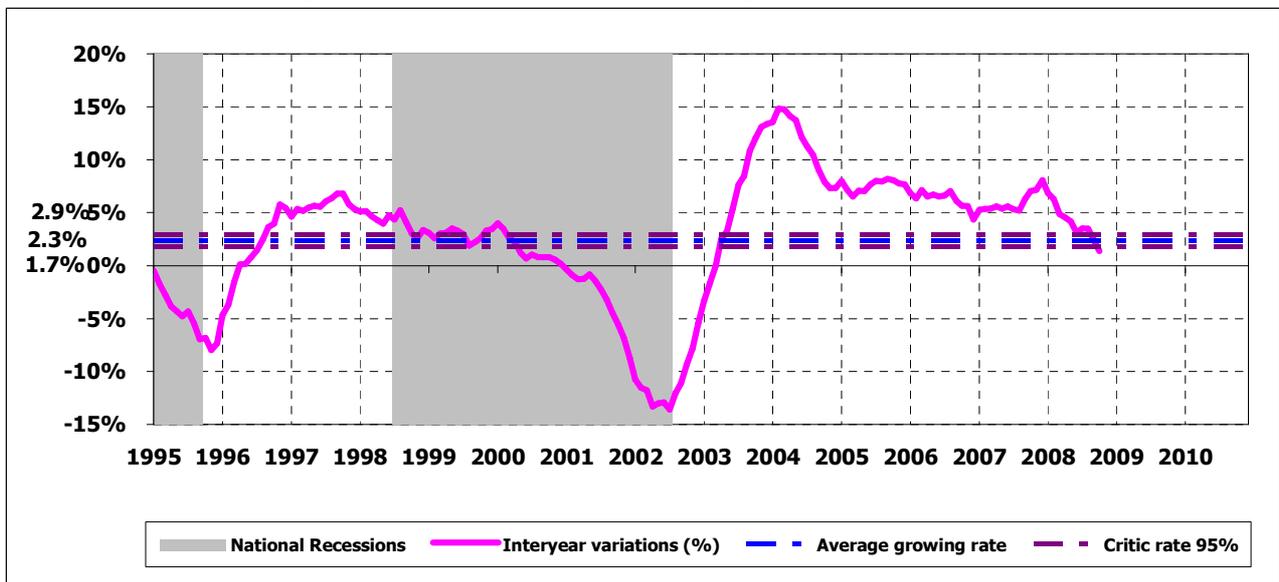
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