



ICASFe

Monthly Composite Coincident Index of the province of Santa Fe



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**Economic crisis spreads
up and affects the entire
province's productive
structure. What's
happening within the
industrial sector?**

November 08
- 0,4%

ICASFe
Base 1994 =100

Although industrial production levels are still high compared to their position during 2002 economic rising, 2008 has meant a clear deterioration of the sector's activity.

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 coincidently with the general economic activity.

According to the last obtained results, during the month of November 2008, the ICASFe was located at **143.7**, presenting a **-0.4%** variation with respect to October.

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 subministrate raw information needed on the indicator's measuring.

○ Indicators of Industrial Activity

Since most of the main industrial branches in Santa Fe are closely related to primary production and agro-food businesses, the province's aggregated industrial sector was particularly affected during 2008. While the industrial indicators on a national level started to show deterioration symptoms from the beginning of the second half of the year, in Santa Fe the alerts were previously observed. Even though periodic measurements of industrial activity do not yet exist in our province, the ICASFe incorporates some representative series from this sector in order to be aware and internalize its specific flow.

Other available indicators, which are not included in the ICASFe because of their cyclical properties, are also studied as a complement of the sector's analysis (e.g., automobile industry statistics). In addition, it's also important to mention the difference between those series which represent general industrial activity (e.g., electricity used by industry, industrial gas and hydrocarbons used by agro-industry and transportation), from those which only refer to a particular sector (e.g., agricultural machinery production, dairy production, oilseed milling, among others).

Electricity used by the province's industry presents an important slow-down between January and April 2008, indicating that general industrial activity may reach a plateau at the end of the year. Inter-year variations of filtered series showed a 4.4% growing rate in November 2007, 8.3% in January 2008 and a subsequent fall at the level of 5% in September 2008.

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

	Inter-year variations Nov 08	Inter-year variations Nov 07
ICASFe	-0.4%	7.2%
Electricity used by industry*	5.0%	4.4%
Industrial gas	-0.9%	-0.6%
Hydrocarbons used by agro-industry and transportation	-7.0%	0.1%
Meat slaughter industry	-10.8%	11.4%
Oilseed milling	-24.3%	30.5%
Agricultural machinery production	-34.1%	89.6%
Dairy production	6.1%	-15.6%
Automotive Industry	-54.3%	40.8%
* Last available data: September 2008.		

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

During 2008 industrial gas' consumption patterns, other main sectorial input, corroborated the global show-down experienced by the economic agents. In fact, the interyear variation rate of the series' filtered version passed from 12.4% in July 2008, to 8.9% in August, 4.7% in september and 2% in October, finally reaching a **-0.9%** in November 2008. In this regards, we shouldn't forget that during 2007 the entire Argentinean industrial sector experienced a rough process of inputs substitution, changing gas consumption for electricity because of the gas supply reduction. In the province of Santa Fe, gas used by small and medium enterprises has a leading cyclical behavior, in terms of

general economic activity (in this matter, see *"Series temporales adelantadas respecto al Índice Compuesto Coincidente Mensual de Actividad Económica de la provincia de Santa Fe (ICASFe)"*, Research and Services Center, AAEP 2008). This indicator's interyear variations are showing a negative rate of **-4.7%** in November 2008. At the same time, having anticipated previous recessions of 1994 and 2002, with leads of 12 to 20 months, the mentioned statistical variable establishes a shift point from an expansive progression period to a recessive one in July 2007.

Hydrocarbons used by agro-industry and transportation also present a clear deterioration since December 2007 but this trend became worse after April 2008 when the conflict maintained by the agropecuary sector and the national government paralyzed grain commercialization around the whole country. During that month, and considering seasonally adjusted data, its interyear growth was located at 0.1%; this value went gradually down until it reached a **-7%** in November 2008.

In the absence of a viable political rescue program, many industrial branches were directly affected by the conflict; this situation was specially experienced by the oilseed milling sector, the meat slaughter industry and the local agricultural machinery production (measured by sales levels of the main santafesinean industries). As a result, oilseed milling begun to show negative interyear variations since April 2008 (**-1.9%**), reaching **-24.3%** in November. It should be pointed out that in November 2007 the same indicator had a positive value of 30.5%.

Meat slaughter industry also experienced an important slow-down during 2008. Measured in constant pesos of 2000, the seasonally adjusted indicator showed an interyear variation rate of 11.4% in November 2007 and a **-10.8%** during the same month of 2008.

Agricultural machinery production was one the most affected industrial branches in the province because of the critical situation experienced by its potential market. Its seasonally adjusted sales, measured in constant millions of pesos of 2004, passed from an interyear variation of approximately 90% in November 2007 to a **-34.1%** in November 2008.

The last part of 2006 and the beginning of 2007 weren't good periods for dairy production because of the hydric stress suffered by the entire area where the regional dairy belt is located. In this respect, the interyear comparison between 2008's development information is biased against data from the previous period. Nevertheless, since May 2008 this industrial branch has also fallen in a new decelerating process.

For its part, the automotive industry's slump observed in 2008 ratifies the crisis' magnitude. Under the consideration that we are not speaking about a sector which is directly related to the performance of primary activities, it is clear that the problem's dimension is absolutely general rather than sectorial. The deep deterioration suffered by internal and external Consumption, quoting commentaries written in previous digests, enlarged the gap between stocks and sales, increasing business inventories to an unsustainable level. While only 5.431 vehicles were produced in November 2008, the province's production reached the 12.691 units one year before. The interyear variations of filtered monthly production passed from 40.8% in November 2007 to **-54.3%** during November 2008; and sales passed from 28.1% to **-20,4%**, considering the same period time.

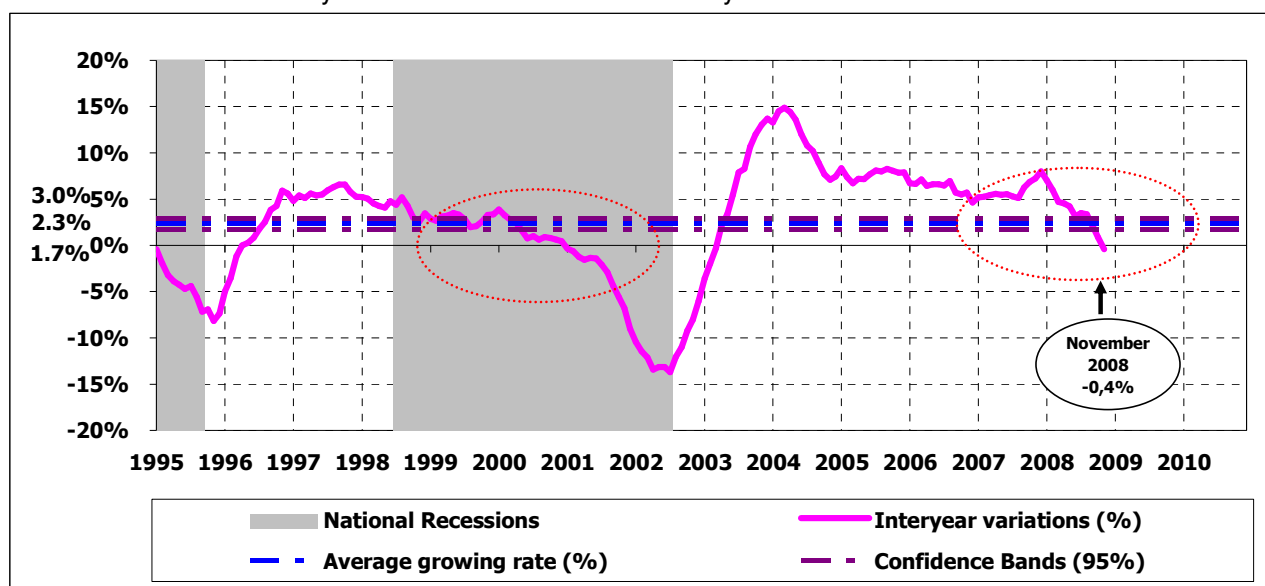
○ Perspectives

Studying the province's business cycles allows us to evaluate industrial development on its different historical phases. During the expansion that took place between December 1995 and May 2000, the economy's engine was represented by the service sector while industry's performance was truly moderated. On the contrary, the national expansion that started in August 2002 was leant upon a strong industrial growth. Therefore, current global economic activity's retraction jointly with the general falling experienced by industrial indicators at a local level, are describing a worrying scenario for 2009.

In November 2008 ICASFe's interyear variation rate was pointed at **-0.4%**, a slightly negative value that sets evidence of a provincial recession, which we'll be reaffirming as long as provisory statistical data is being confirmed. As the topic requires, it's necessary to underline that the interyear variation rate hastily felled between September and November 2008, passing from 2.2% to 0.8%, and finally ending at the level of **-0.4%** on the last calculated month.

Graph 1. Monthly Composite Index of the province of Santa Fe.

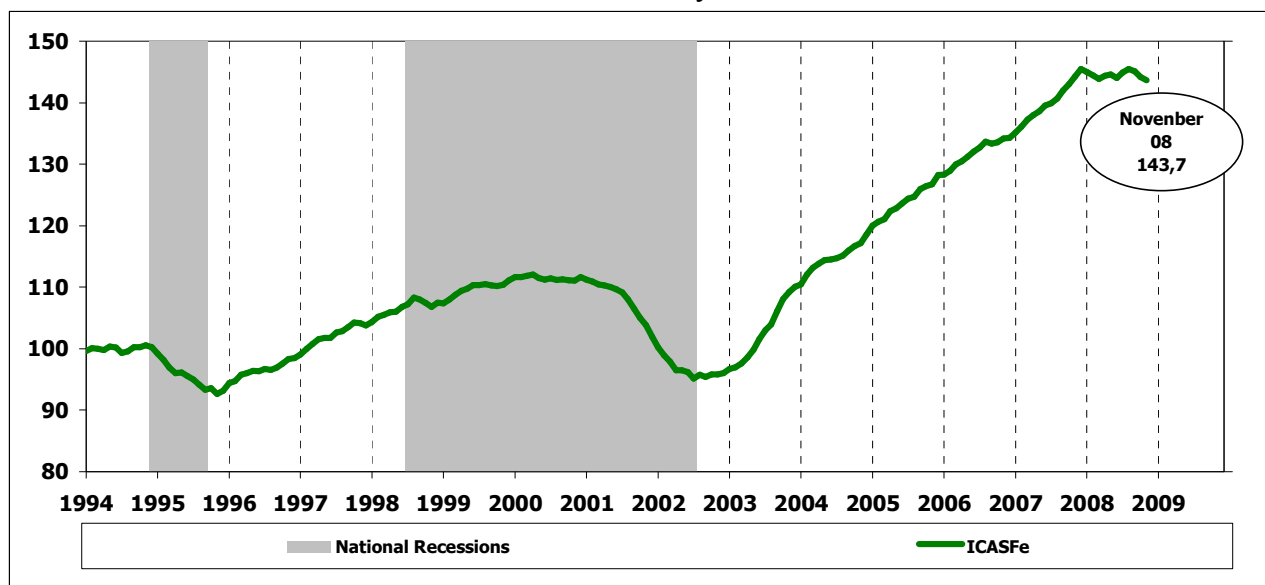
Inter-year variations. Data: from January 1995 to November 2008.



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

For further information please visit our website at: <http://www.bcsf.com.ar> or <http://ces.bcsf.com.ar/icasfe>

ICASFe - Monthly Composite Coincident Index of the province of Santa Fe -
Base 1994=100. Data: from January 1994 to November 2008.



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