



Monthly Digest

February 2009  
Year 3, Number 2

Monthly Composite Coincident Index of the  
province of Santa Fe  
ICASFe

**Bolsa de Comercio de Santa Fe**  
**(Santa Fe's Chamber of Commerce)**

President  
**CPN Melchor Amor Arranz**

**Fundación Bolsa de Comercio de Santa Fe**

President  
**CPN Melchor Amor Arranz**

Executive Director  
**Dr. Gustavo Vittori**



**Research and Services Center**

Director  
**CPN Fabio Arredondo**

Coordinator  
**Lic. María Lucrecia D' Jorge**

Researchers  
**Lic. Pedro P. Cohan**  
**Sra. Carolina E. Sagua**

Training Department  
**Lic. Verónica Echavarría**

Email Contact Information  
[ces@bolcomsf.com.ar](mailto:ces@bolcomsf.com.ar)

Websites  
<http://ces.bcsf.com.ar/icasfe> or  
<http://www.bcsf.com.ar>

**Economic  
deceleration of  
2008's causes and  
effects**

DECEMBER 08  
Monthly %: -0.3  
Interyear %: -2.4

ICASFe  
Base 1994 =100  
141.8

*During 2008 the province's economic activity suffered a generalized deterioration which affected all its sectors.*

The Composite Coincident Index of the province of Santa Fe (ICASFe) constitutes a monthly indicator used to describe the global evolution of the province's economy. It allows us to determine the precise dates in which recessions/expansions begin and end, as well as following up the main economic sectors. 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 December 2008, the ICASFe was located at 141.8, presenting a -0.3% monthly variation with respect to October.

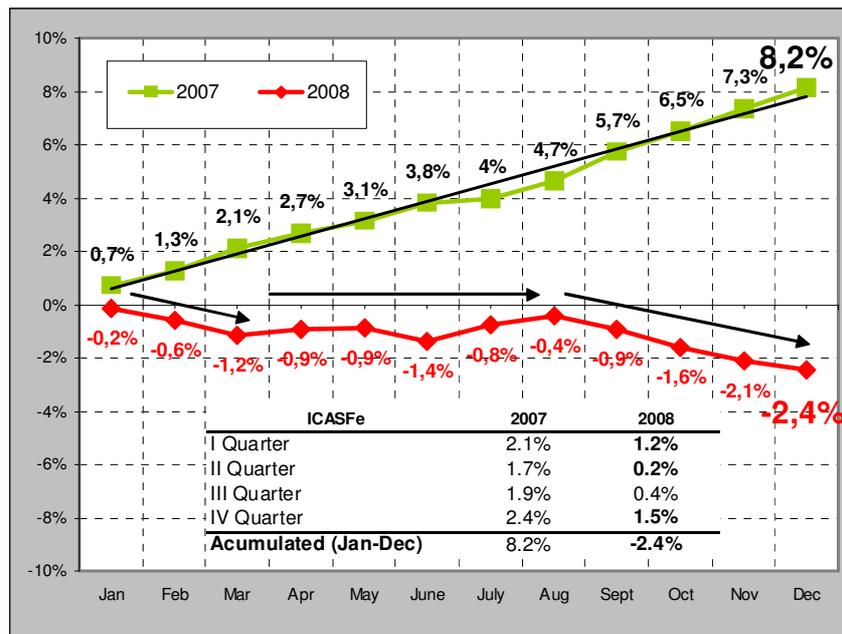
The last 12 months' results exposed in this document are based on preliminary information and hence subject to further revisions. Calculated values gain consistency while primary sources publish consolidated data that provides and input to our indicator.

o **Economic activity's evolution during the year 2008**

After 65 consecutive months of expansion (from July 2002 until December 2007) the province's economic activity began an intense deceleration process which was exteriorized by some negative monthly variation rates of the ICASFe. As a matter of fact, 2008 finished being the first of the past 6 last years which ended with an economic retraction. While 2007 showed a sustained growth of **8.2%**, the passed year reached an accumulated year rate of **-2.4%**.

Activity's global retraction observed in 2008 had an oscillating behavior. During the first 3 months presented a negative development that accumulated a total decrease of **-1.2%**, while in the analogous period of 2007 the same activity's global rate for the first quarter of the year showed a positive 2.1%. Between April and September ICASFe's variations experienced a delicate flat out but they didn't increase enough in order to revert the fallen of the first quarter and, from there on, the negative trend became permanent for the rest of the year.

**Graph 1. ICASFe's accumulated variations. Quarterly data of 2007 and 2008.**



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

In this opportunity the multiple reasons that explain the recession can be clearly classified in those that originally belonged to a previous moment from January 2008 and others which can be particularly related to the last year. Focusing on the first group of reasons we empathized the following ideas:

- the local inflation rate was sharply rising since 2007, attempting over consumers spending and elevating input prices;
- an excessive market regulation (that mostly began in 2005) sustained by the National Executive Government mainly headed to meat, dairy and grain sectors; decreasing their profitability and foresight levels;

In addition to the problems our province's economic activity had since before the beginning of 2008, there is a second group of reasons, non controllable variables, related to environmental issues and to the spread of the international economic crisis. In these regards, the most important ideas are:

- the region suffers a drought crisis that particularly affects Santa Fe and impacts directly over its farming output, causing significant bovine stock losses and an important dairy production decline;
- the international financial crisis and its spread effect over the main importer economies related to santafesinean world trade products;
- Commodity prices dropped down after the second half of 2008, intensifying the financial difficulties generated by the retraction of external commerce, specially felt on meat, soy and its sub products' markets;

On the national economic context, the different governmental levels and the private sector strengthened the political struggle over fiscal resources; and market regulations were intensified. In relationship to these issues, our province was affected by:

- The conflict maintained between the National Government and the farming sector got worst with the implementation of the Resolution number 125, and its consequent strike's repercussions spread throughout other economic activities.;
- New policies on grain, dairy and meat markets were imposed.

- **Sectorial Analysis**

All the particular problems mentioned during the course of the past document's section meant a simultaneous negative effect on the main economic indicators related to economic activity.

Consumption levels dropped down since the first months of the year and supermarket retail sales, measured on seasonally adjusted values, presented an accumulated monthly variation of **-1.1%** on the first quarter. From there on they showed a better performance reaching an accumulated rate of 7.7% for the whole year 2008 but this isn't necessary a good indicator because this variable usually accelerates before reaching the final relative plateau.

In 2008, new car registrations showed a constant decline accumulating a **-25.3%** seasonally adjusted decrease, while during 2007 the sector experienced a total growth of 30.4%.

General construction activity started to fall down right after the first month of 2008. The province's cement consumption shows three quarterly falls during the year and ended it with an accumulated rate of **-27.6%**; lamentable performance compared to the 31.0% expansion related to 2007.

Monthly accumulated variations per quarter.

Seasonally adjusted series corrected by extreme irregular values.

	I Q 08	II Q 08	III Q 08	IV Q 08	2007	2008
<b>ICASFe</b>	-1.2%	-0.2%	0.4%	-1.5%	8.2%	-2.4%
<b>Consumption</b>						
Supermarket retail sales	-1.1%	1.5%	4.1%	3.2%	5.4%	7.7%
New car registrations	-8.4%	-1.1%	-1.6%	-14.2%	30.4%	-25.3%
<b>Construction</b>						
Cement consumption	-11.4%	1.0%	-2.8%	-14.4%	31.0%	-27.6%
<b>Labor Market</b>						
Number of employees *	0.6%	1.1%	0.7%	0.5%	5.9%	2.9%
Real wage *	1.3%	1.5%	2.9%	-1.4%	19.9%	4.4%
Demand for new employees	-6.5%	-11.8%	-8.1%	-5.0%	20.9%	-31.5%
<b>Industry</b>						
Electricity used by industry *	-0.2%	-1.2%	2.0%	3.4%	7.5%	3.9%
Industrial gas	-7.1%	-4.4%	-1.5%	-5.4%	5.2%	-18.4%
Hydrocarbons used by agro-industry and transportation	-0.4%	0.2%	-6.1%	-2.3%	0.5%	-8.5%
Meat slaughter industry *	-6.9%	-4.5%	5.1%	-8.5%	12.7%	-14.8%
Dairy production	4.2%	-2.0%	0.7%	5.3%	-10.5%	8.2%
Oilseed milling *	-13.4%	-2.4%	0.4%	-13.6%	24.1%	-29.0%
Agricultural machinery production	-11.0%	-11.3%	-4.3%	-59.8%	68.9%	-86.4%
<b>Government</b>						
Tax revenues	-1.5%	0.1%	-0.9%	-3.5%	17.9%	-5.8%

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

- Last available data: November 2008.

Analyzing the labor market's performance, new registered jobs grew less than 2007's reached values (2.9% against 5.9%). Real wages also showed a similar behavior but already presented a negative performance of -1.4% during the last quarter of the year. The worst indicator on this area was the demand for new employees that had a negative trend emphasized every quarter of the year with a negative total accumulated rate of -31.5% for 2008, while 2007 ended among an expansion of 20,9%.

Industrial Indicators that provide information of our province's sector (*for further information download ICASFe's monthly digest of January 2009*) suffered an important deterioration in the last quarter of 2008 after presenting a poor performance during the other part of the year. The most impressive decline was observed on the agricultural machinery production that, measured on constant 2004 prices, fell down -86.4%. Oilseed milling also crashed over during 2008 with a -29% rate, while in 2007 its activity had an increase of 24.1%.

Fiscal provincial incomes provided by taxes paid by industry, commerce and services went down on -5.8% during 2008; in 2007 the rate was positive and reached 17.9%.

#### ○ 2008's summary and perspectives for 2009

During 2008 the province's economic activity presented a negative expansion mainly underlined by certain

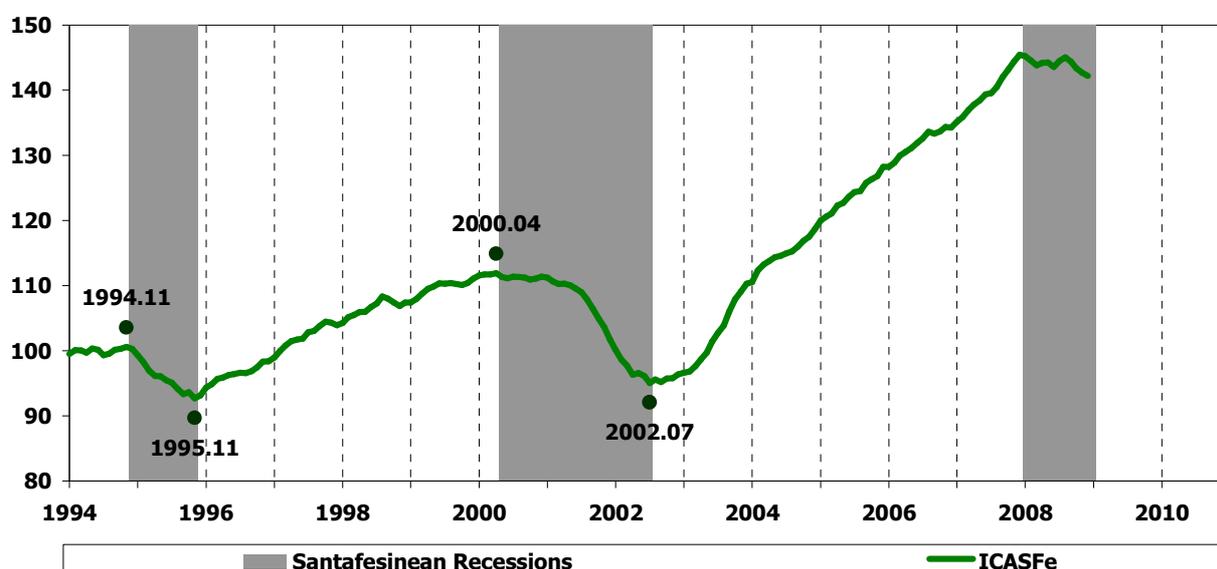
topics that were mentioned on the first section of this document. In these sense the important fact we should all remind is that, in Santa Fe, the original sectorial crisis spread out and is know affecting the whole economic structure.

Since the beginning of 2008, intensified by higher inflation rates, consumption is negatively reacting to the persistence of global deceleration. In the third quarter of the year Argentinean institutional conflict generated an improper economic environment, specially deteriorating the industrial sector related to agribusiness and also, for its dimension, its repercussions reached most local economic agents. Even the construction sector felt these negative effects.

Finally, lower international commodity prices plus the regional drought crisis and the global financial breakdown also meant a clear deterioration of the province's external sector.

**Graph 2 - ICASFe - Monthly Composite Coincident Index of the province of Santa Fe -**

Base 1994=100. Data: from January 1994 to December 2008.



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

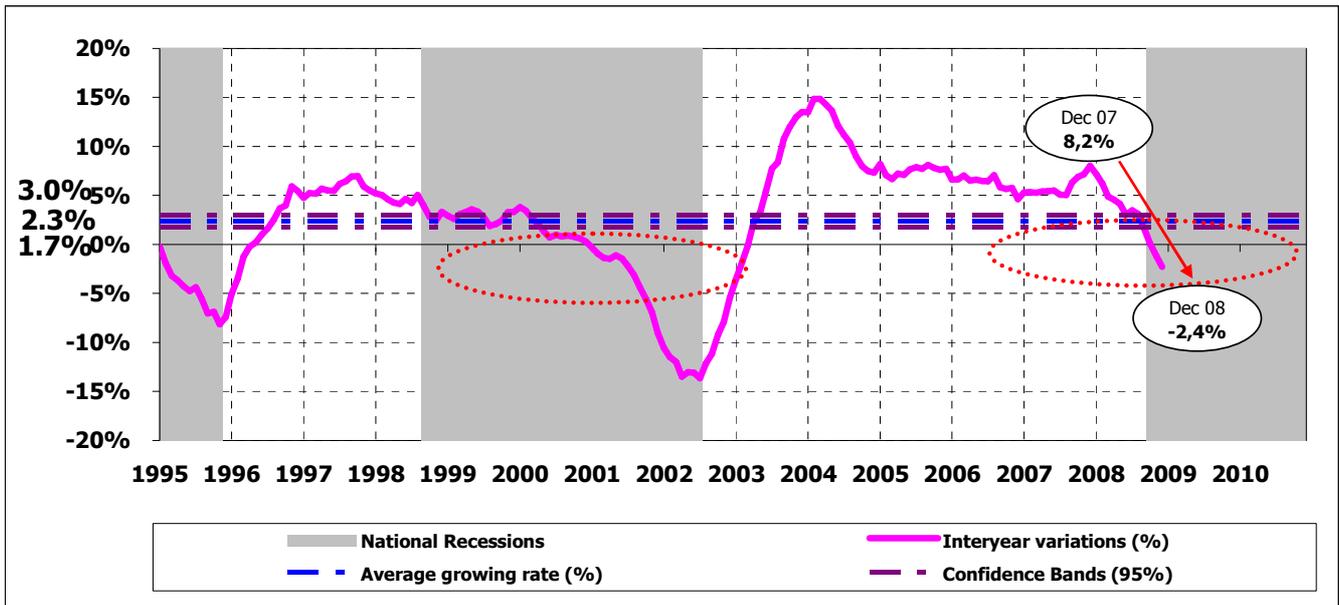
The effect that the whole situation is going to generate upon the labor market is not yet reflected by the official available information. Nevertheless, we already observed a deep deceleration on new santafesinean registered employees and, by following the average worked hours on industry, it's also known that subemployment is rising.

At the same time, since the recession is directly attempting over fiscal income, perspectives for 2009 show a detractive environment either for private and public resources.

According to the ICASFe's inter-year variation rates in December 2007 the registered value was 8.2%. During the past year they successively went down finally ending on a **-2.4%** for December 2008, even dough they slightly recovered between July and August.

Technically speaking Santa Fe's economic activity is going trough a recession, after its rough deterioration experienced since the first months of 2008.

**Graph 3. Monthly Composite Index of the province of Santa Fe.**  
 Inter-year variations. Data: from January 1995 to December 2008.



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

*Interpreting confidence bands: ICASFe's Inter-year 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 inter-year 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.*

*In order to download methodological documents as well as other related publications, please visit our websites in: <http://www.bcsf.com.ar> or <http://ces.bcsf.com.ar/icasfe>*