



Monthly Digest

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Monthly Composite Coincident Index of the province of Santa Fe ICASFe

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The recession's analysis, indicator to indicator

February 09
Monthly %: -0.03
Interyear %: -2.2

ICASFe
Base 1994 =100
141.8

Analyzing economic activity's symptoms through a retrospective study constitutes a useful technical tool in order to evaluate this recession's amplitude and length.

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 January 2009, the ICASFe was located at **141.8**, presenting a **-0.03** monthly variation with respect to January 2009.

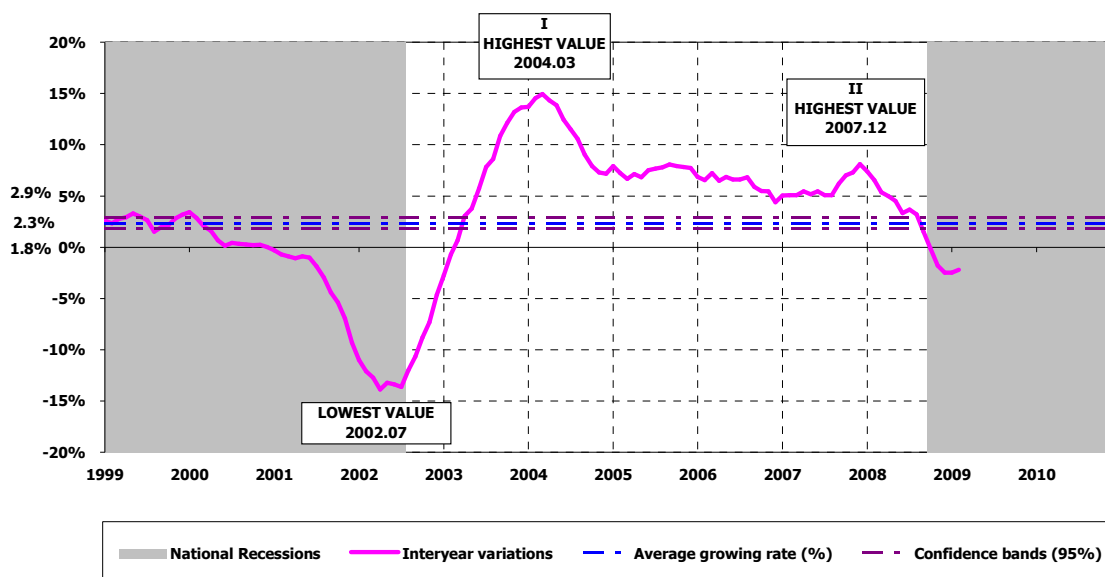
The last 12 months' results exposed in this document are based on preliminary information and hence subject to further revisions. Calculated values gain consistency while primary sources publish consolidated data that provides and input to our indicator.

○ The evolution of interyear variations

Following the evolution of filtered series' interyear variations constitutes a proper way to analyze the possible amplitude (intensity) and length of a recession. In this particular case, our study is based on a retrospective analysis of the indicators' behavior since the end of the last santafesinean recession which trough was dated in July 2002. From that moment on, speaking about interyear variations, all the indicators show a similar behavior than the evolution reflected on ICASFe's interyear variations. At first, during the recovery, we observe a quick acceleration of growing economic activity between 2002 and 2004; afterwards, we see a slight deceleration that ends up with a moderate bump specially observed in 2007; finally, a deep deceleration is detected, pointing out the beginning of the economic activity's recession upon the province of Santa Fe. Around these critical areas, also marked in Graph 1 as LOWEST VALUE, I HIGHEST VALUE and II HIGHEST VALUE, is where all the 14 series included in the construction of the global indicator specially show this mentioned similar behavior.

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

Inter-year variations. Data: from January 1999 to February 2009.



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

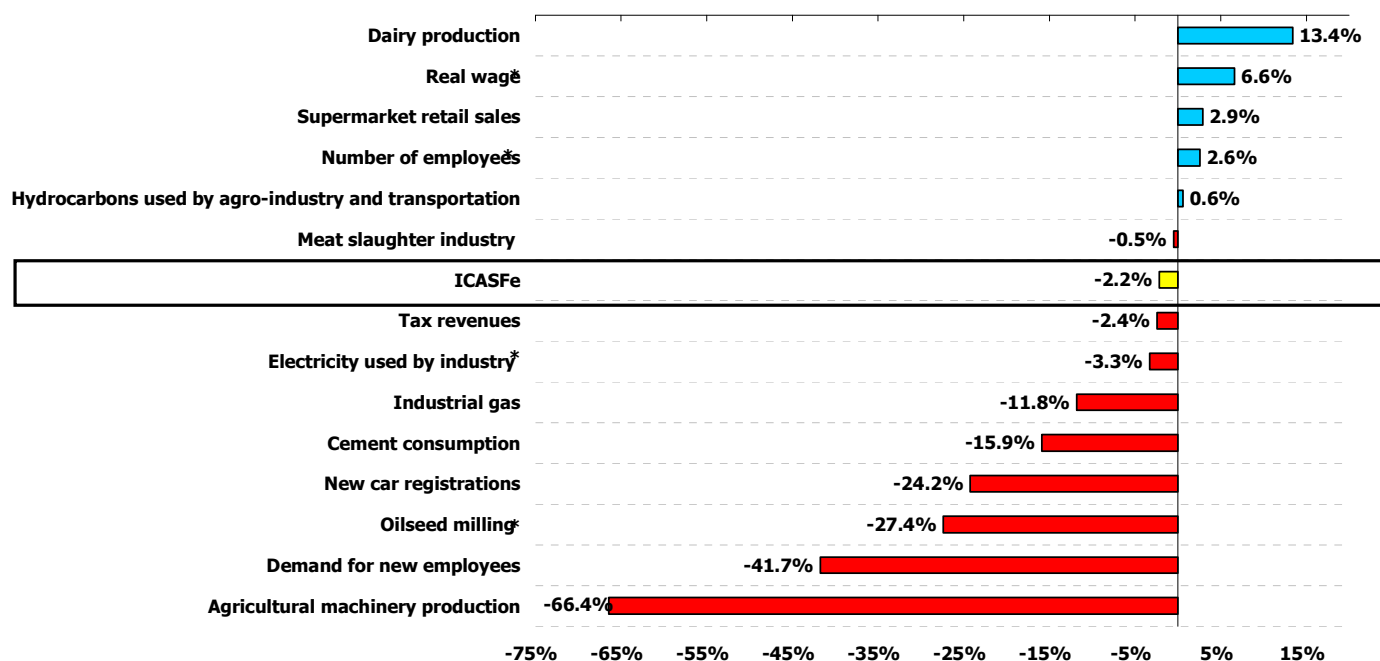
Industrial time series' interyear variations happen to be the most sensitive indicators related to changes in the global economic performance. This fact, directly connected with business cycles' theoretical background, can be explained by the characteristics of modern industry of global capitalism. Both general industrial indicators included in our project, industrial electricity and gas consumption, as well as those which represent specific sectorial information: oilseed milling, hydrocarbons used by agro-industry and transportation and agricultural machinery production, regularly become the first indicators to show modifications on their behavior, anticipating a further aggregate collapse. In today's context, electricity used by industry presented a **-3.3%** interyear variation rate in February 2009, and industrial gas one of **-11.8%**. Oilseed milling passed from 30.2% (interyear variation of November 2007) to a **-27.4%** in December 2008.

On the other hand, two of the sectorial series included on the analysis, dairy production and meat slaughter

industry, are not actually reacting to the province's cyclical flow since both are highly influenced by national political intervention even though they are extremely important inside the santafesinean economic structure (two of the most criticized policies are related with maximum prices established for some dairy exportations and fixed values for milk primary producers). The filtered indicator of dairy production reached a 13.4% interyear variation rate in February 2009, but between June 2006 and May 2007, while the cycle was still experiencing an expansion, this sector had an important fall down reducing production in about 60 millions liters. So on, it's recovering since July 2008 but it hasn't yet reached its normal levels from before the breakdown.

Graph 2. Santa Fe's economic activity series.

Interyear variations of filtered series. Comparison between February 2009 and February 2008.



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

* Last available data: December 2008.

This sort of sensitivity that industry has in terms of activity is actually related to its potential capability to adjust its input levels. Since employees play an important part of total expenses, that's why industrial evolution should show implied a strong correspondence among its labor market.

Right after the last detected trough, in April 2003, enterprises' demand for new employees had an explosive growing rate that reached 109.5%. Later, the rate started to slowly decrease and in June 2006 already showed its first negative interyear value. In February 2009 this indicator was **-41.7%**.

In the case of registered employees December 2008 had a interyear growing rate of 2.6%, more than reasonable if we consider that its worst moment during the previous cycle matched with the recovery of general activity (around June 2002). Based on this evidence we can arrive to the conclusion that this indicator it's going to start falling in the next couple of months. Real wages act on a similar way. Lately, their worst level was dated in August 2002 with a negative interyear rate of **-40.1%**.

Going back the last recession, retail sales measured by supermarkets' statistics showed their worst level in

December 2002 with an interyear variation rate of **-34.5%**, some months after the global activity started its expansion. Its peak was dated in December 2006, when the interyear variation's rate was 17.3%. In February 2009 it shows a positive 2.9%, meaning it was declining but it still not became negative. This is a regular performance for the indicator since, in Santa Fe, not only supermarkets' sales but also real wages and registered employees present lagging characteristics.

Durable goods and Investment, measured by new cars registrations and cement consumption, indicate negative interyear variations in February 2009: -24.2% and -15.9%, respectively. During the previous recession, between 2000 and 2002, these indicators showed a dramatic fall expressed by interyear rates of **-60.3%** and **-46%**, respectively in the middle of 2002.

The filtered and deflated time series that represents taxes revenues, which is mainly explained by the evolution of "Ingresos Brutos", showed a -2.4% interyear variation in February 2009. This negative performance started to get worst after October 2008's rate of -0.4%. Upon the previous recession this indicator touched its bottom level with a -32.1% in May 2002.

○ Future perspectives

This month ICASFe's interyear variations presented a **-2.2%** referring to February 2009. Comparing our present situation to previous recessive scenarios, we could figure an analogous moment in July or August 2001 afterwards the indicator kept falling until its worst level of **-13.9%** in April 2002. This last mentioned value doesn't necessary mean a certain path for today's recession but is truly useful as a reference in order to evaluate it. The same logical analysis can be extended to the other 14 indicators.

Table 1. Lowest interyear variation of filtered series during the previous recession compared to interyear variations in February 2009.

Indicator	Lowest interyear variation on previous recession	Year	Month	Interyear variation in Feb 09
Dairy production	-21.5	2003	6	13.4
Real wage	-40.1	2002	8	6.6
Supermarket retail sales	-34.5	2002	12	2.9
Number of employees	-6.1	2002	6	2.6
Hydrocarbons consumption	-14.9	2002	4	0.6
Meat slaughter industry	-21.6	2001	6	-0.5
ICASFe	-13.9	2002	4	-2.2
Tax revenues	-32.1	2002	5	-2.4
Electricity used by industry	-15	2002	2	-3.3
Industrial gas	-15.6	2001	11	-11.8
Cement consumption	-46	2002	2	-15.9
New car registrations	-60.3	2002	7	-24.2
Oilseed milling	-12.5	2001	1	-27.4
Demand for new employees	-47.5	2002	3	-41.7
Agricultural machinery production	-69.4	2002	5	-66.4

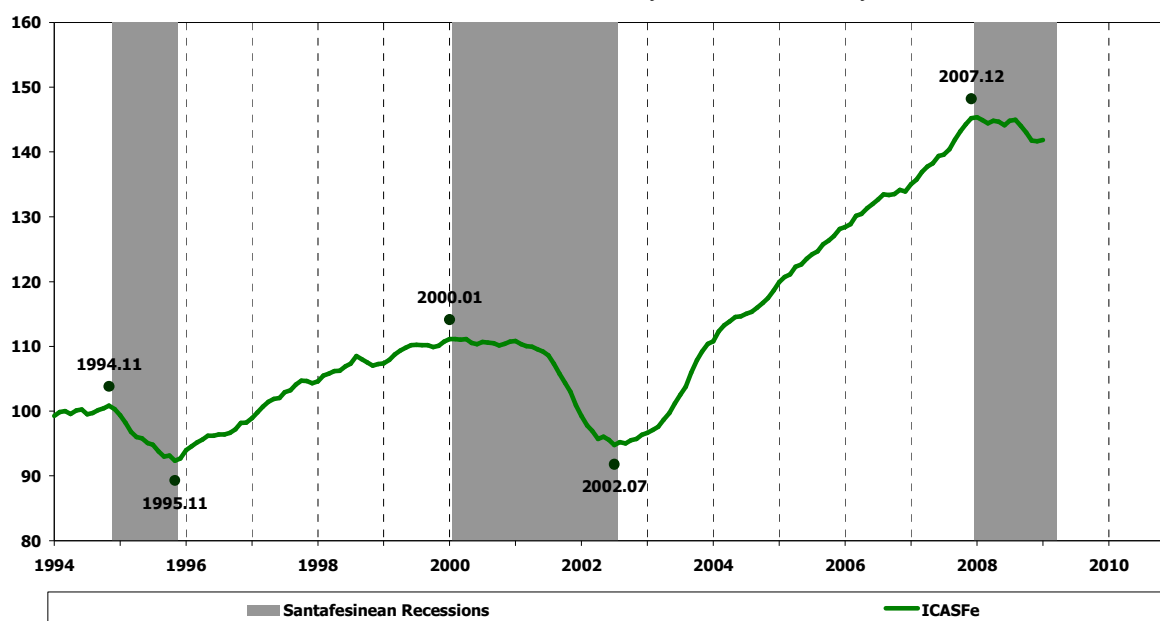
Source: Research and Services Center, Santa Fe's Chamber of Commerce.

The previous recession suffered by the province lasted 28 months and showed an important amplitude. Nevertheless, this time (February 2009) only the demand for new employees and agricultural machinery production have reached their past lowest interyear variations' levels (that was in March and May 2002). All the other indicators are still decelerating but are also far away from their past lowest levels. Since industrial indicators began the reduction of activity during the first months of 2008, considering the past as consistent evidence, we could expect similar behaviors in both number of registered employees and real wages during the next months.

In order to summarize the province's present situation, and considering the experience gained from its previous recession (2000-2002) and the individual performance of the 14 series included, the evidence indicates today's recession has to get worst. But we must remind that since our province's economic activity is also related to global issues, the future of santafesinean economy is also link to general performance on a national and international level.

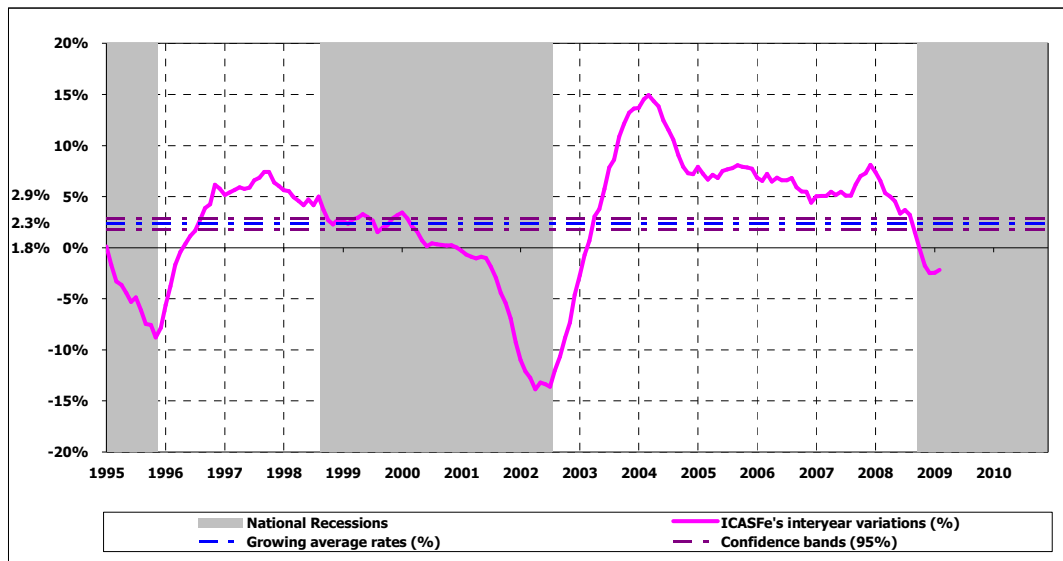
Graph 3 - ICASFe - Monthly Composite Coincident Index of the province of Santa Fe -

Base 1994=100. Data: from January 1994 to February 2009.



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

Graph 4. Monthly Composite Index of the province of Santa Fe.
Inter-year variations. Data: from January 1995 to February 2009.



Source: Research and Services Center, Santa Fe's 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 growing 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.

In order to download our statistical database as well as methodological documents and other related publications, please visit our websites in: <http://ces.bcsf.com.ar>