



Monthly Digest

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Monthly Composite Coincident Index of the province of Santa Fe ICASFe

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Economic activity's recession is not over yet

AUGUST 2009
Monthly %: -0.6%
Interyear %: -5.7%

ICASFe
Base 1994 = 100
137.2

Many countries around the world have already shown an economic recovery which is expected to be reproduced in our country and province during the second half of 2010. By the moment economic indicators are still being negative and returning to a growing phase could be limited to certain conditions.

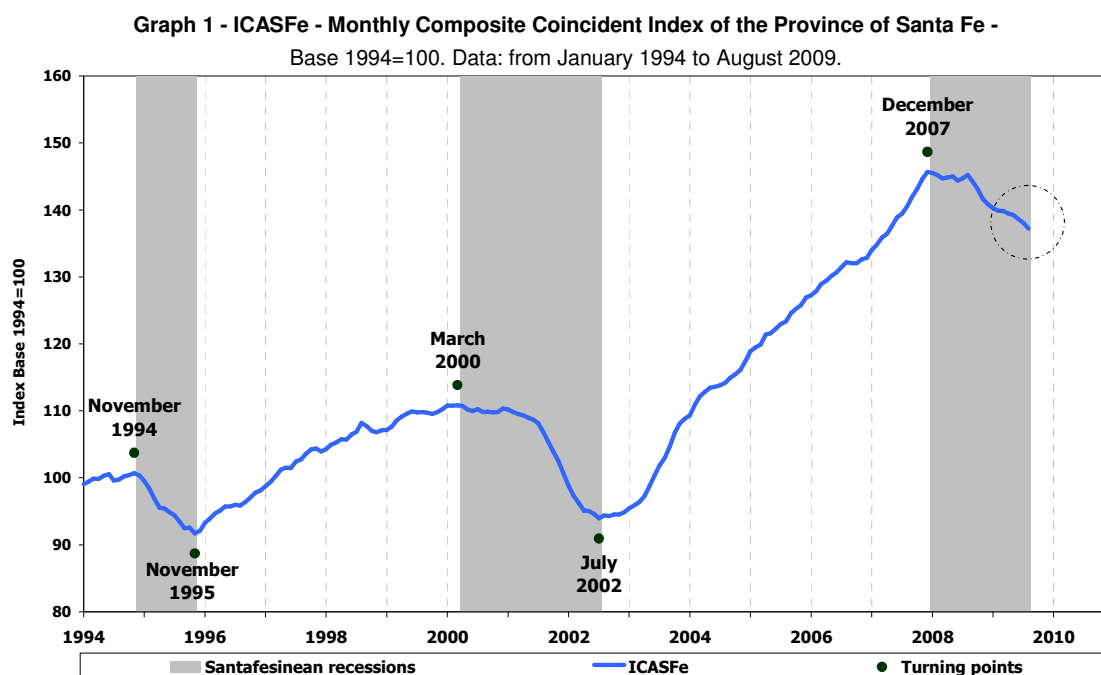
The Composite Coincident Index of the province of Santa Fe (ICASFe) constitutes a monthly indicator used to describe the global evolution of the province's economy. It allows us to determine the precise dates in which recessions/expansions begin and end, as well as following up the main economic sectors. 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 August 2009, the ICASFe was located at **137.2**, presenting a **-0.6%** monthly variation with respect to July 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 an input to our indicator.

○ Santa Fe's economic activity

According to our study's results during August 2009 the economic activity was still falling in the province, accumulating a total decrease of **-2.6%** during the first eight months of the year. At the same time, 2008's biggest retraction upon the economic activity was not observed until its last quarter (this period's contraction was **-2.3%**), while between the beginning of that year and its eighth month the cumulative variation rate only reached **-0.3%**. By consequence, 2009's falling between January and August was 2.3 points higher than 2008's.



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

In both, the national and the international context, economic activity is expected to be recovered by the second part of 2010. Beyond these forecasts, the ICASFe started 2009 showing certain moderation compared with 2008's performance but unfortunately after April it returned to a path of pronounced contraction.

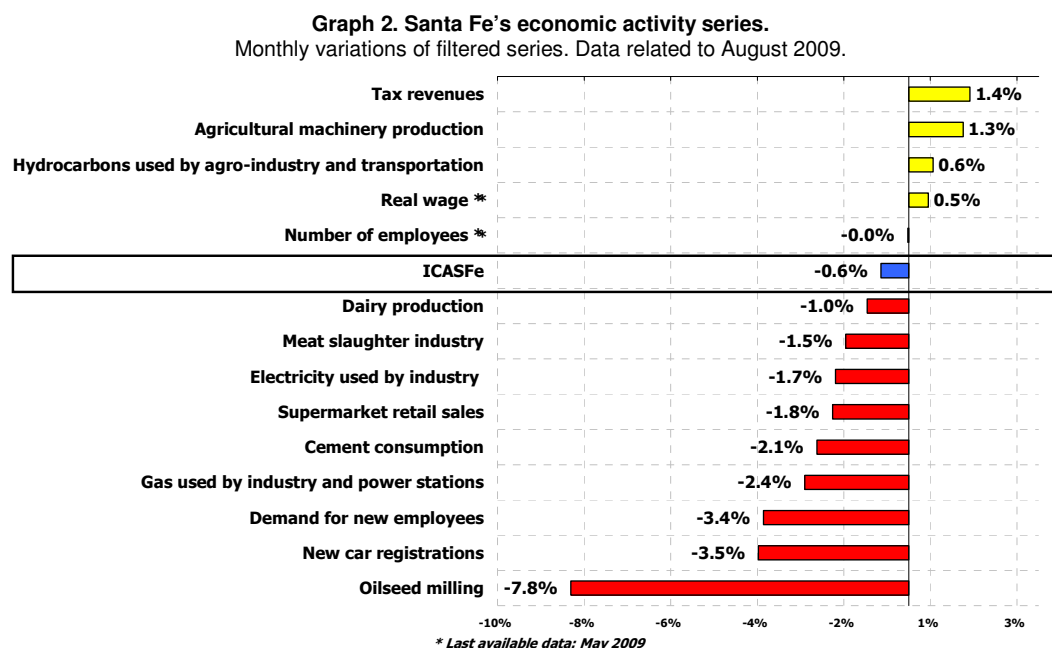
○ The province's economic indicators

Comparing the economic indicators' common behavior during the present and the last recession, 2009's third quarter is expected to maintain a significant contraction on economic activity. This trend is also appreciated by analyzing each indicator individually.

On the other hand, in order to be able to sightsee economic performance, the main source of uncertainty comes from the fiscal sustainability issue. In addition, social unrest is increasing particularly because the recession is finally affecting labor markets (based on a rigid law system in Argentina is really hard to dismiss workers, that's why related series are lagged instead of being coincident like in most countries around the world). But this also means that companies are reluctant to hire new human resources when facing a better scenario and therefore a big push is not expected before some months after the next turning point appears.

Referring to the first point tackled in the previous paragraph, public income based on provincial taxes (fixed by inflation and seasonality) showed a mild monthly increase of 1.4% while its interyear variation rate was **-1.9%**. In other words, it grew 1.4% compared to July 2009 but is still 1.9% below real income in August 2008. This topic becomes particularly important if we consider that public deficit that the provincial government is facing during

this year of 2009 is obviously going to affect the availability of resources in order to afford operational expenses and salary increases. Along the same line of ideas public investment is also being restricted, reducing the economy's liquidity and potential creation of new employees. In this connection the construction sector it's actually not showing any evidence of a further taking off. This is really complicated considering that the total registered employees in the province presents an 87% of positive statistical correlation among cement consumption, and this last indicator is reaching its 20th consecutive monthly contraction. Compared to July it went down **-2.1%**, reaching a total **-18%** of contraction during hole year; considering the other 9 months of 2009. Its interyear variation rate was **-27%**.



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

In second place demand for new employees doesn't get better. Its monthly variation rate for August 2009 was **-3.4%** and its interyear one **-38.8%**. Briefly, between January 2008 and August 2009 it has already decreased **-68.6%**. In the meantime **22.737 registered jobs** were cut down in the province between 2008's fourth quarter and 2009's first half of the year.

Both electricity and gas used by industry are still showing negative monthly and interyear variation rates: **-1.7%** and **-2.4%** respectively respect to July 2009 and **-18.4%** and **-4.7%** compared to August 2008. Therefore, as this information brings out more bad news for economic activity, our statements related to the labor market get even stronger.

Agro-industry is slowly starting to show some better signals but because of its pronounced contraction since the beginning of the recession it's going to take time before it reaches past levels of activity. Agricultural machinery production presented its third consecutive monthly expansion of 1.3% respect July but interyearly speaking its position still was **-71.7%**. This situation is basically explained by a lower demand of machinery by the agricultural sector, where soy primary production has been one of the most affected activities.

Last digest's considerations expressed for meat slaughter industry and dairy production can be just refreshed in this opportunity because we haven't detected any significant differences from there on. Their interyear variation

rates are still positive (5.2 and 6.6%, respectively) but at the expense of slaughtering veal and female cows, in the first case, and just because of better weather conditions for the latter. Oilseed milling falls down again with a **-7.8%** monthly change presenting an interyear decrease of **-22.9%**.

Accordingly to supermarket's retail sales in August 2009 consumption fell down another **-1.8%** respect to July and presented a **-2.6%** interyear variation rate. Registrations of new automobiles slipped **-3.5%** accumulating a total decrease of **-27%** since August 2008. Finally, the confidence consumer index moved on the same direction with a monthly contraction of **-3.9%** while its interyear indicator reached **-35.6%**.

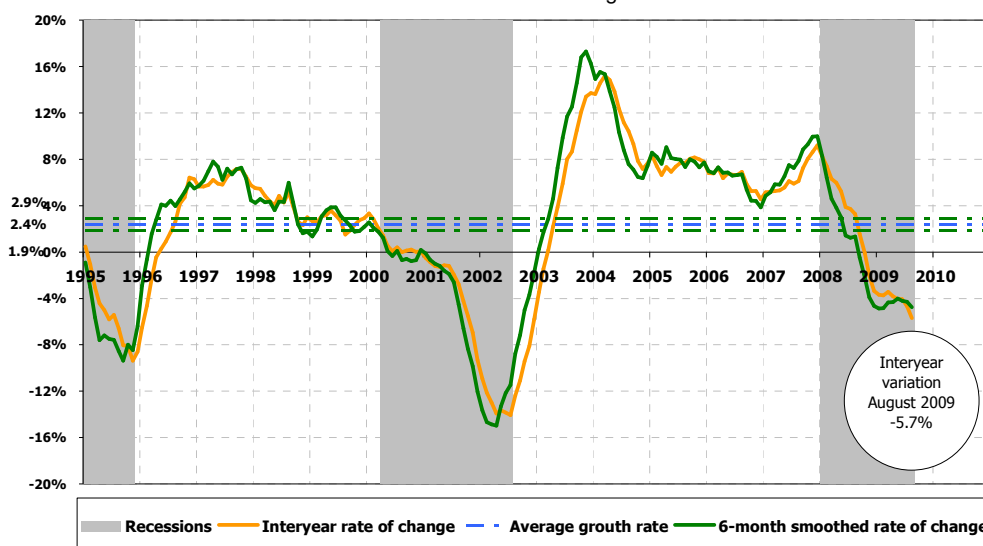
○ Summing up

ICASFe's interyear variation rate for August 2009 was **-5.7%**, significantly lower than its average growth rate which is 2.4%. Moreover, the indicator it's falling strongly since June 2009. By emphasizing its cyclical component this negative performance has been confirmed following at its 6-month smoothed rate of change.

Between January and June 2009 the smoothed indicator mildly grew getting closer to positive levels but during July and August it fell over again to a negative position located between **-4%** and **-5%**.

This cyclical behavior doesn't leave any evidence of a recovery upon ICASFe's interyear variation rates during the next few months. Fact is, the economic activity is still in recession and its recovery seems to be limited to different conditions. On this matter two subjects result particularly important: unbalances on public finances and social unrest.

Graph 1 - ICASFe - Monthly Composite Coincident Index of the Province of Santa Fe -
Variation rates. Data related to August 2009.



6-month smoothed rate of change

Is calculated by measuring the rate of change between a certain monthly level and the average of its 12 previous results.

This indicator is more reliable than interyear variation rates since it confirms the cyclical component's movements.

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 websites in: <http://ces.bcsf.com.ar>