



Monthly Digest

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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

Email Contact Information
ces@bolcomsf.com.ar

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

Seven quarters of contraction in economic activity

SEPTEMBER 2009
Monthly %: -0.05%
Interyear %: -5.1%

ICASFe
Base 1994 = 100
137.0

*2009's third quarter was the seventh consecutive period of economic contraction since the beginning of the recession. The balance for the first nine months of this year was **-2.8%**.*

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.

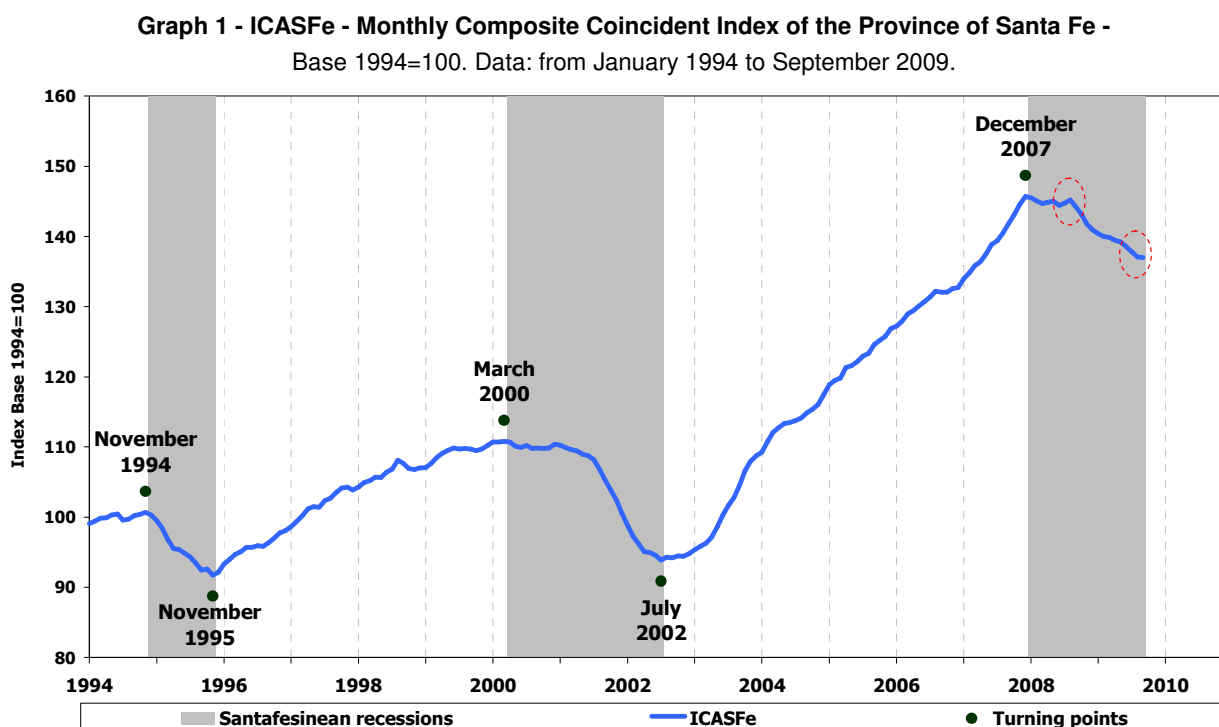
According to the last obtained results, during the month of September 2009, the ICASFe was located at **137.0**, presenting a **-0.05%** monthly variation with respect to July 2009.

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.

○ Economic Activity

2009's third quarter ends with a negative balance for economic activity and ICASFe's accumulated contraction during the first nine months of the year was **-2.8%**.

In terms of the last analyzed quarter, between July and September 2009, the total reduction suffered by the santafesinean economy was **-1.1%**. During the same period of time but in 2008 this fall only implicated **-0.1%**, based on a mild 0.6% of expansion measured between July and August 2008.



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

○ The province's economic indicators

During the last analyzed quarter (Q III 09) only two over the fourteen ICASFe's indicators showed positive accumulated monthly variations: total tax revenues (6.8%) and agricultural machinery production (4.3%). The former, filtered by seasonality and inflation, fell down **-6.4%** during 2008 and already grew 10.2% in 2009, between January and September. Searching inside total revenues is important to say that "Ingresos Brutos" increased 10% and "Impuesto a los Sellos" 3.6%. In monetary terms, between January and September 2008 provincial government's total income was 2,452.6 million pesos while the inflation on that period reached 18.5% (based on Santa Fe's consumer price index). During 2009's first nine months total income grew to 2,757.3 million pesos and, concordantly with the recession, inflation only reached 8.5%. Agricultural machinery production is capturing better internal and external conditions for the sector and increased 4.3% in 2009's third quarter. Nevertheless, its present levels of activity are still far back from before the financial crisis and the conflict experienced between local agro-sector and Argentinean national government. According to our information this sector's producing at 24% of its maximum level achieved during the previous expansion (July 2002 - December 2007).

Formal workers' real wages started to fall down constantly after 2009's second quarter, reaching an accumulated monthly variation of **-1.5%** from January to September 2009. But since we are in presence of a lagged indicator, its present level is still 5% above last recession's. With this matter, it's probable to expect a collapse in real wages during 2010. Specially because of next year's forecasts are showing an important inflation. This phenomenon was actually observed during the

last recession where real wages grew within its first sixteen months and then fell down **-49.4%**, during that face's last thirteen months. In deed, they kept falling even after four months of economic expansion.

Santa Fe's economic activity series.

Accumulated monthly variations.

	Q III 09	From Q I 09 to Q III 09	From Q I 08 to Q III 08
Tax revenues	6.8%	10.2%	-3.0%
Meat slaughter industry	-10.0%	2.1%	-6.5%
Gas used by industry and power stations	-5.7%	0.01%	-13.5%
Dairy production	-1.7%	-0.1%	5.0%
Real wages*	-0.3%	-1.5%	5.5%
Supermarket retail sales	-1.8%	-2.1%	0.5%
ICASFe	-1.1%	-2.8%	-1.0%
Number of employees*	-6.2%	-8.4%	2.5%
Hydrocarbons used by agro-industry and transportation	-0.6%	-10.4%	-3.9%
New car registrations	-5.5%	-11.5%	-12.2%
Oilseed milling	-19.0%	-15.0%	-13.1%
Electricity used by industry**	-5.1%	-15.7%	0.4%
Cement consumption	-6.8%	-19.3%	-11.0%
Demand for new employees	-1.4%	-29.2%	-25.2%
Agricultural machinery production	4.3%	-50.4%	-20.8%

*Estimated data until September 2009.

** Last available data: August 2009.

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

Until September, 2009's total number of registered jobs in the province decreased **-8.4%**, while looking at the past year employees increased 2.5% during that period of nine months. Since labor market in Argentina has lagged properties this variable kept growing for three quarters until September 2008, even dough the economy was already facing recession. Therefore, it's possible to admit that right now the province's total number of employees is at the same level of the series' peak during the last expansion (100% in reference to December 2007) but are also constantly decreasing after September 2008.

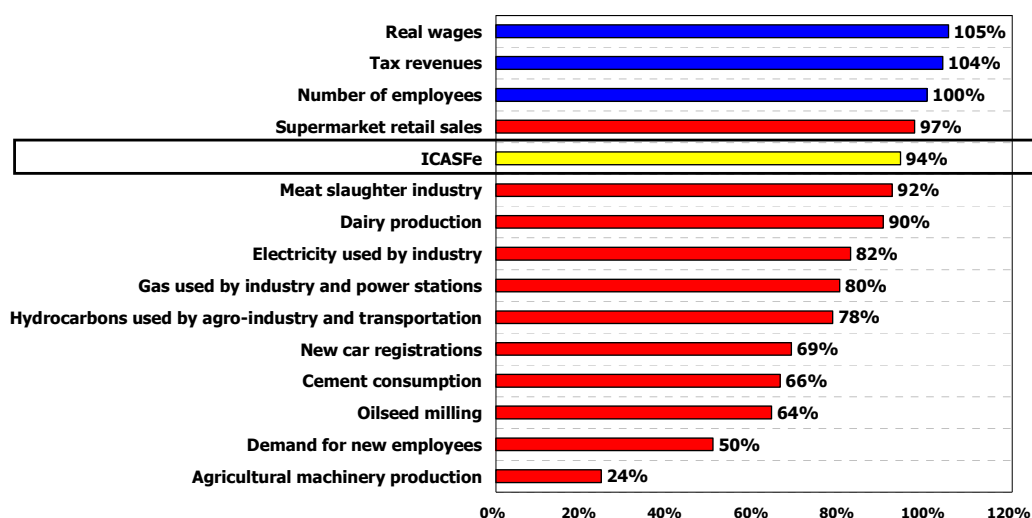
On this line, demand for further new jobs keeps showing negative rates accumulating a total **-29.2%** of detracton between January and September 2009. This measure is four percentage points higher than during 2008's. On the other side, its speed is slowing down: 2009's third quarter has a calculated contraction of **-1.4%** while in the year 2008 this rate reached **-12.2%**.

Supermarket retail sales follow real wages' decrease, presenting a monthly accumulated variation of **-2.1%** during this last quarter. At the same time, September 2009's level is 3% lower than its previous peak reached during the expansion that ended in December 2007. Also related to consumption, new cars registrations is showing that today's environment for this hard goods declined to 69% of the maximum level reached during the past expansion of global activity (between July 2002 and December 2007). Right over this last quarter, accumulated monthly contraction became negative again and turned out to be **-5.5%** while it showed a positive 7.2% in the previous quarter. As a matter of fact, the last result considering the first nine months of 2009 was **-11.5%**.

Also considered as a durable goods investment indicator, cement consumption is directly related to the construction sector. To picture its present situation lets say that upon September 2009 the variable it's 66% below its highest level reached before the recession. Just in 2009 (from January to September) its accumulated monthly variation rate was **-19.3%**.

Santa Fe's economic activity series.

Relative values related to each variable's past last peak between July 2002 and December 2007 (economical expansion).



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

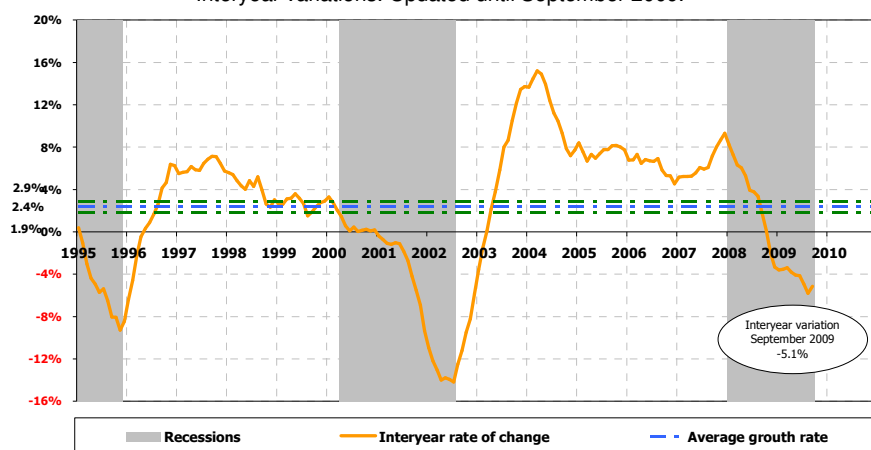
Electricity used by industry went down 15.7% in Q III 2009 whereas industrial gas used by this sector and power stations showed an almost neutral rate, close to 0%. Even though it grew 5.8% during the first half of the year then it went down 5.7% from July to September. This emphasizes Industrial activity sensitivity to cyclical influence. It had a great performance during the past economical expansion face with an average annual growing rate of 5% between 2002 and 2007 and, on the other hand, it suffered an important contraction with global recession. At this moment electricity consumption is at its 82% level related to its last peak and industrial gas is around 80%.

All five agro-industrial indicators evaluated are below their activity's highest level reached during the expansion. Meat slaughter industry and dairy production are passing through certain particular anomalies that we've already described in previous digests and, in fact, their accumulated monthly variations for 2009's third quarter were **-10.0%** and **-1.7%**, respectively. Oilseed milling is at 64% of 2007's maximum level and showed an accumulated rate of **-19.0%** on this past quarter. On the other hand, hydrocarbons' consumption for agro-industry and transportation also went down showing an accumulated monthly variation of **-10.4%** (Q III 2009). In reference to its last peak, September's reached levels represent 78.0%

- **Summing up**

85% of ICASFe's indicators had a negative accumulated change during 2009's third quarter and in September the added group's interyear variation rate was **-5.1%**. In absolute terms this value was slightly lower than previous' month, but also means that economic activity in the province is still under recession; far away from its average long run grow rate that is calculated in 2.4%. Finally, lets remember that ICASFe's actual value implies being at 94% of December 2007's reached level.

Graph 2 - ICASFe - Monthly Composite Coincident Index of the Province of Santa Fe -
Interyear variations. Updated until September 2009.



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