

THE PROVINCE OF SANTA FE'S ECONOMIC DIGEST

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Bolsa de Comercio de Santa Fe



Recession, inflation and loss of purchasing power.

In a context of rising inflation and falling output (stagflation) both public resources and personal income are losing purchasing power.

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

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ICASFe

April 2014

Level: 156.2
Monthly variation
-0.3%

Inter-year variation: -1.9%
2014's contraction: -1.6%

Main results

*ICASFe's level was located in 156.2, presenting a monthly variation of **-0.3%** in respect to March 2014.*

*Inter-year variation rates reached **-1.9%** (comparing April 2014 vs. April 2013).*

*Cumulated contraction between January and April 2014 was measured in **-1.6%**.*

What is ICASFe for?

ICASFe constitutes a monthly indicator used in order to monitor local economy's activity. To this regard, its main purpose is to capture cyclical movements, being able to determine the precise dates in which recessions/expansions begin and end; it also generates information about phase's duration, amplitude and diffusion.

Technically, the indicator is a composite coincident index developed by an agreement with the *Universidad Nacional de Tucumán* (UNT) which provides a reliable source of information appropriate to support decision makers of public and private institutions. Methodological information and related papers are available in <http://ces.bcsf.com.ar>

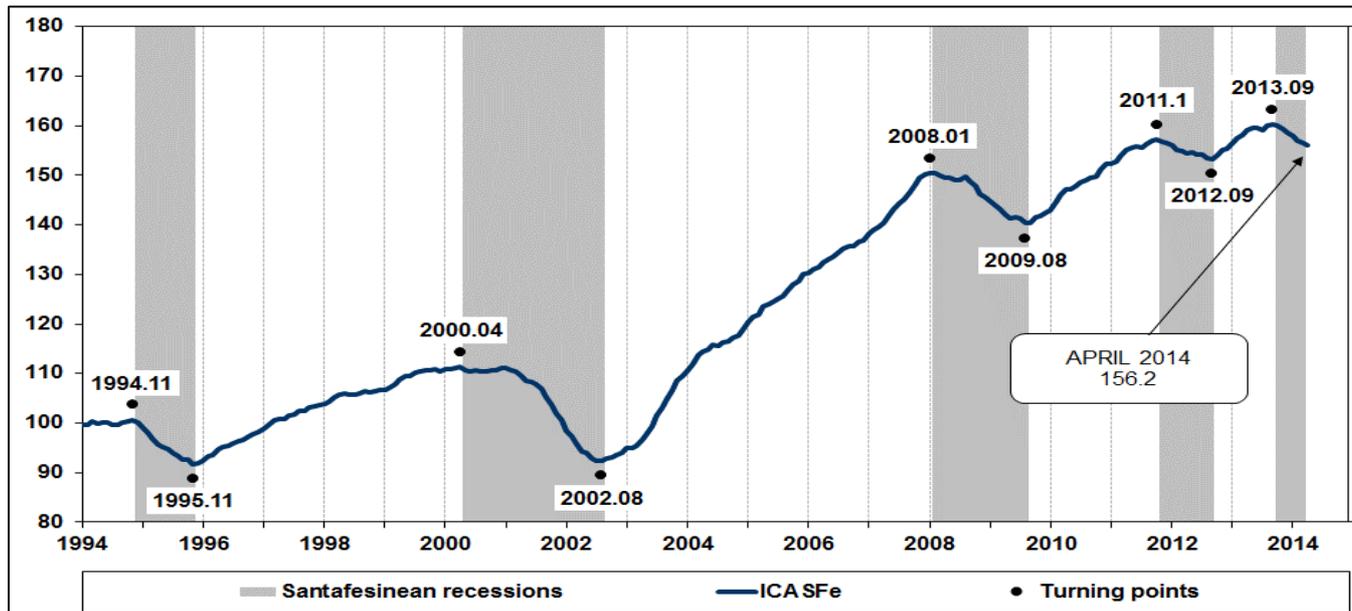
Output data considerations

The last twelve monthly 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 which provides an input to our indicator. Time series are handled in real terms and filtered by seasonality and outliers with the X-13ARIMA-SEATS software produced and distributed by the US Census Bureau.

Province of Santa Fe's economic activity

ICASFe's monthly variation rate was measured in **-0.3%** in respect to March. Moreover, the province's economic activity registered its seventh contraction in a row and cumulates a total decline of **-2.6%** since the beginning of recession in September 2013.

Graph 1: Composite Coincident Index for the Province of Santa Fe (ICASFe). Base 1994 = 100.



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

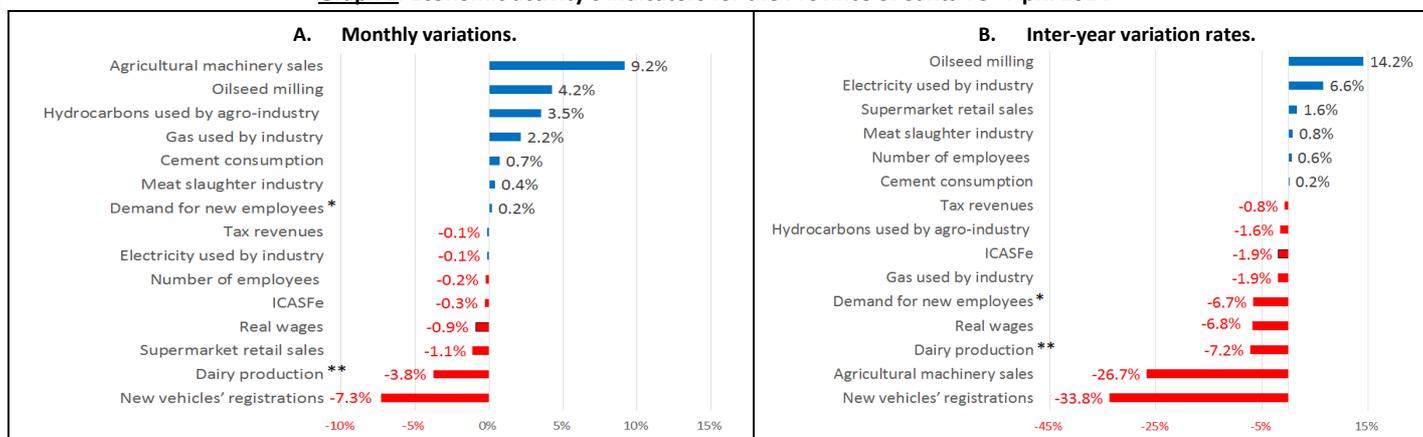
Indicator by indicator

In April 2014 half of the fourteen economic sub-indicators experienced positive monthly variation rates (see Graph 2, left side). Nevertheless, only three of them are below April 2013's level.

Agricultural machinery sales recovered 9.2% in monthly terms but are still showing a negative inter-year variation rate of **-26.7%**. By the contrary, pushed up by favorable primary production's results, **oil seed milling** increased 4.2% in April, reaching a 14.2% inter-year expansion. **Meat slaughter industry** also presented positive rates of 0.4 and 0.8%, respectively. However, it is worth noting that the series maintains low historical levels.

In spite of some particular sectors, like milling for example, most manufacturing activities showed downward movements. To this regard, **industrial electricity consumption** registered a monthly contraction of **-0.1%** whereas its inter-year variation rate declined to 6.6%. In the opposite direction, **industrial gas' rates** were measured in 2.2 and **-1.9%**, respectively. Finally, **hydrocarbons used by agro-industry and transportation**, increased 3.5% in April but its inter-year gauge is still negative in **-1.6%**.

Graph 2: Economic activity's indicators for the Province of Santa Fe - April 2014 -



(*) Last available data from February 2014; (**) Last available data from March 2014.

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

Cement consumption presented a mild expansion in April of 0.7%. Moreover, although the construction sector is one of the few tools families have left to cover from inflation, the series' inter-year variation rate was measured in only 0.2%.

In real terms, **fiscal incomes** decreased **-0.1%**, going down for the third month in a row. To this regard, local taxes are the most affected whereas federal resources only declined in November 2013 and March 2014. In an inter-year comparison the series signals a negative variation rate of **-0.8%**.

Santa Fe's labor market shows signals of stagnation. **Total registered jobs** decreased **-0.2%** and the series' level is only 0.6% over April 2013's. In fact, between December 2013 and April 2014 around 3.500 jobs were lost in private activities but partially compensated by 1.300 persons hired by the public sector. **Real wages** are suffering a significant contraction and experienced their fifth consecutive monthly negative variation (**-0.9%**). The sub-indicator's inter-year gauge reached **-6.8%**.

Supermarket sales, as proxy of retail expenditures, registered the strongest monthly contraction of the year (**-1.1%**) but still present a positive inter-year variation rate of 1.6%. Finally, **new vehicles' registrations** decreased **-7.3%** in April and cumulates an inter-year contraction of **-33.8%**.

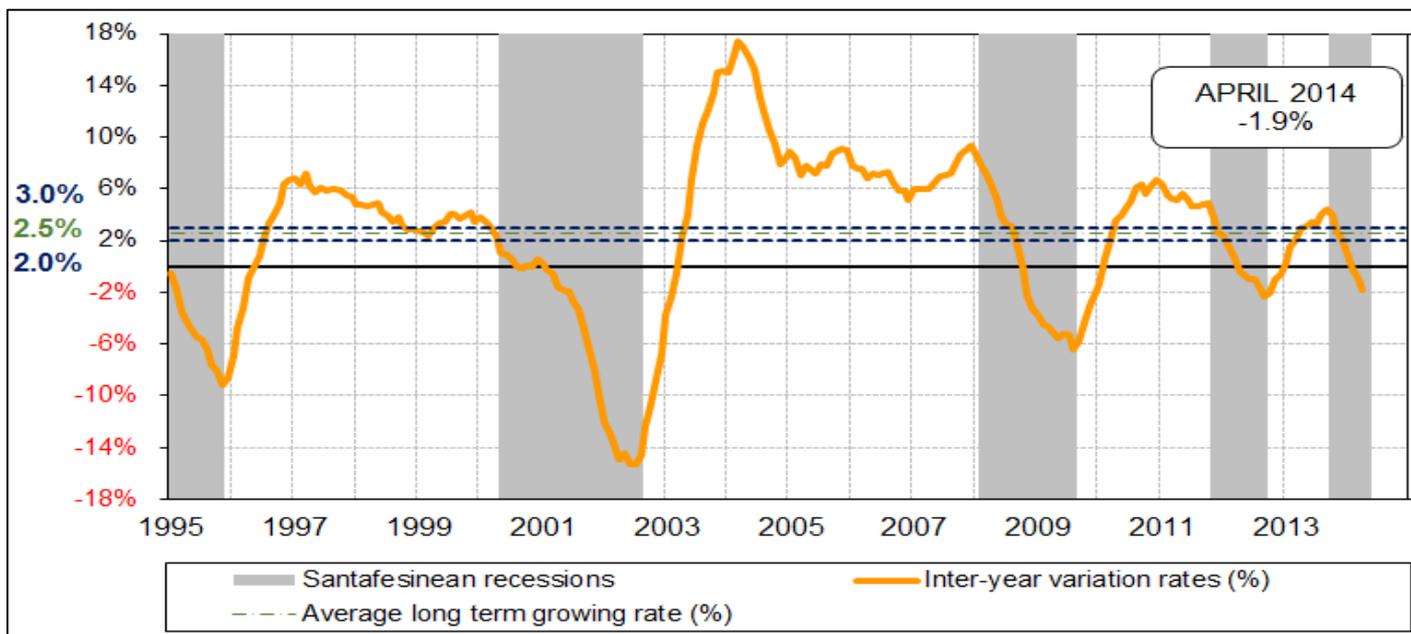
Summary and perspectives

In April 2014 the coincident indicator reached an inter-year speed of **-1.9%**, confirming the province's economic activity continues under a process of recession. In effect, the result is similar to the indicator's level during the worst moment of the previous contraction phase, in September 2012 (see Graph N° 3).

It is not possible to anticipate how long the recession will finally last, but in this case it is expected to persist for at least the next two quarters.

Although economic activity has continuously declined during the past seventh months, the general contraction was partially compensated by some particular sectors' performance and because of agricultural production's spillover. For these reasons, employment and retail consumption are not yet totally linked to the recession; but the situation cannot be sustained over the long-term considering that inflation and the economic contraction are already hitting upon personal income and public fiscal resources.

Graph 3: Monthly Composite Index's inter-year variation rates.



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

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- Statistical database, methodological documents and related publications | <http://ces.bcsf.com.ar>
- An on-line graphical tool to access historical data (series) | <http://www.bolcomsf.com.ar/ces/icasfe.php>