

THE PROVINCE OF SANTA FE'S ECONOMIC DIGEST

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The province's economic activity would be ending 2014 with a total contraction close to 3.0%.

This assumption is based on cumulated results between January and August and internalizing recession's inter-year speed.

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ICASFe
August 2014

Level: 154.7
Monthly variation
0.1%

Inter-year variation: -3.2%
2014's contraction: -2.3%

Main results

ICASFe's level was located in 154.7, presenting a monthly variation of 0.1% in respect to July 2014.

Inter-year variation rates reached -3.2% (comparing August 2014 vs. August 2013).

Cumulated contraction between January and August 2014 was measured in -2.3%.

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>

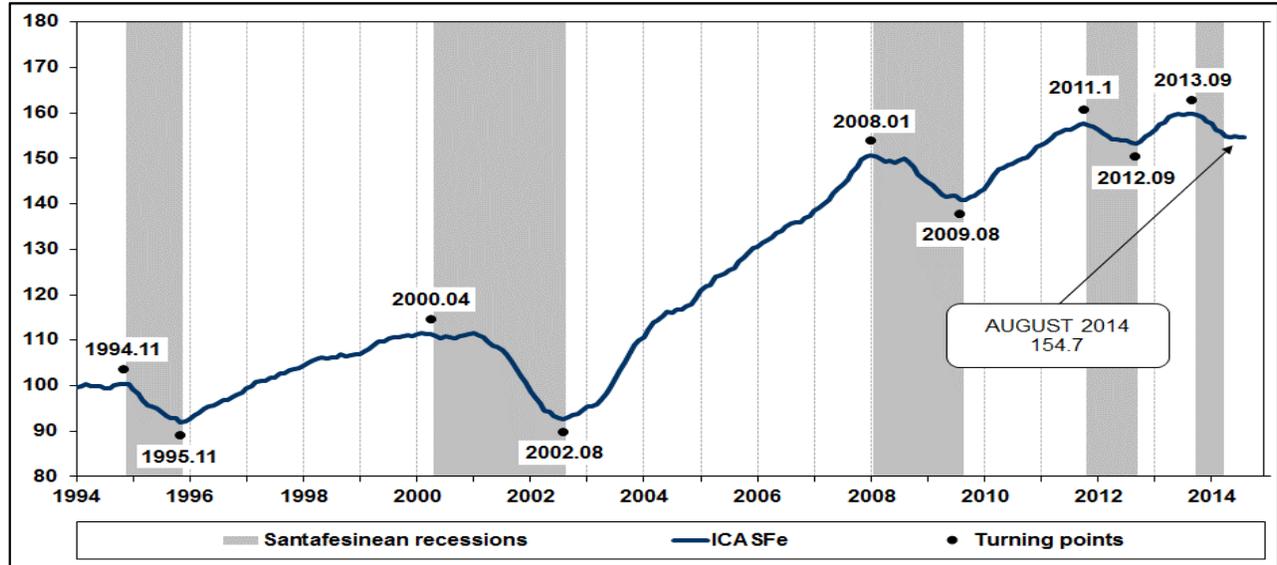
Output data considerations

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

Since October 2013 the province's economic activity stays under recession. However, during the last few months the contraction speed has slowed down and, in fact, the coincident index presented a positive variation rate of 0.1% in August 2014.

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



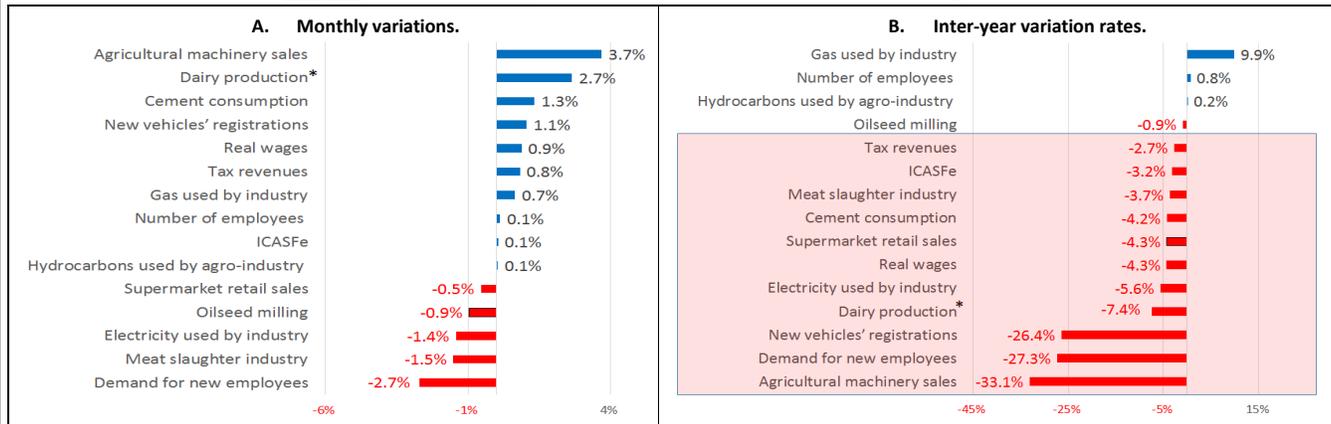
Source: Research and Services Center, Santa Fe's Chamber of Commerce.

Indicator by indicator

As shown in Graph 2, nine economic sub-indicators experienced positive monthly variations in August. However only four of them presented rates superior to 1.0% and, in addition, ten series are still behind their inter-year benchmark.

Oil seed milling decreased **-0.9%** in respect to July, reaching a similar level than measured in August 2013. This behavior is mainly driven by sunflower seeds' industrialization which declined around 30.0%, inter-yearly speaking. By the contrary, between January and August 2014 soy's grain milling increased in about 2.4 million tons compared to the same period in 2013. **Meat slaughter industry** also went down (**-1.5%**) and amplified its inter-year contraction to **-3.7%**; whereas **agricultural machinery sales** recovered 3.7% although their net balance for the first eight months of the year is about **-20.0%**. To this regard, the series is 40.0% below its last registered peak's level (from May 2013) which grows to 70.0% if February 2008's sales are taken into account.

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



(*) Last available data from June 2014.

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

Electricity consumption, industry's most important energetic input, kept falling down with a negative monthly variation of **-1.4%** that leaves the sub-indicator **-5.6%** under its inter-year measure. On the other hand, **gas utilization** presented positive rates of 0.7 and 9.9%, respectively. To this regard, price policies and subsidies to certain public services are generating relative price distortions that could be explaining the series' recovery in spite of the general contraction registered in manufacturing. Plus, on a middle term horizon today's levels are very similar than 2010 and 2011's, not signaling a significant growth. Finally, **hydrocarbons used by agro-industry and transportation** improved 0.1% in monthly terms and 0.2% inter-yearly.

Cement consumption increased 1.3% in respect to July in line with granted permits for renovations and new buildings' constructions, which grew between March and May 2014 in most of the province's main cities. Nevertheless, compared to August 2013 the series decreased **-4.2%**. Very similarly, **tax revenues**, measured in real terms, improved for the third month in a row but are still showing a negative inter-year variation rate of **-2.7%**.

The province's labor market does not show signs of a solid recovery either. **Registered jobs** grew only 0.1% in August, reaching an inter-year expansion of 0.8%; **demand for new workers** keeps displaying strong negative rates of **-2.7** and **-27.3%**, respectively. In respect to **real wages**, the series recovered 1.1% in August but is still registering a negative inter-year balance of **-4.3%**. At the same time, this contraction in salaries' purchasing power is affecting retail business. **Supermarket sales**, for example, went down **-0.5%** in respect to July and **-4.3%** in terms of August 2013. Finally, **new vehicles' registrations** achieved a positive monthly variation of 1.1% but in spite of this result the series' inter-year rate was located at **-26.4%**.

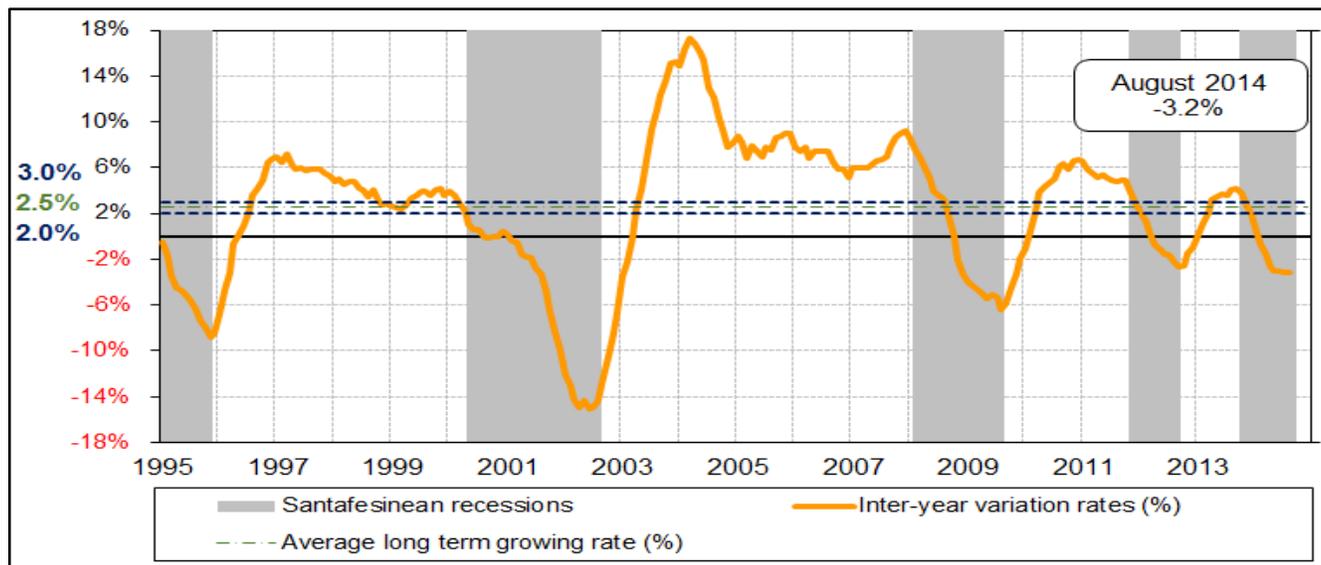
Summary and perspectives

The province's economic activity keeps going down within an annualized speed of **-3.2%**. Additionally, 70.0% of the series considered by the coincident index registered negative inter-year rates in August 2014; which implies a minor probability of economic recovery for the short run.

As in any other province, Santa Fe's economy is linked to national macroeconomics' performance and therefore is also being affected by inflation, negative real interest rates and restricted access to foreign currency. In this context, economic agents and families are trying to cover their monetary purchasing power decline by investing in real state, machinery and automobiles; from our perspective, these actions are somehow behind last three months' moderation in the recessive process.

Nevertheless, if economic activity maintains a similar behavior during the 2014's last quarter, mathematically speaking, this year's net balance would be closing with a total contraction close to **-2.5 / -3.0%**.

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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- An on-line graphical tool to access historical data (series)| <http://www.bolcomsf.com.ar/ces/icasfe.php>