

THE PROVINCE OF SANTA FE'S ECONOMIC DIGEST

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Bolsa de Comercio de Santa Fe



Government spending sustains the recovery

During the first five month of the year Santa Fe's economic activity recovered 2.0%. Main economic sectors suffer a critical situation but public expenses – both federal and local – kept growing enough to smooth the problem temporarily; although increasing primary deficit.

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

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ICASFe

May 2015

Level: 160.5
Monthly variation
0.3%

Inter-year variation: 2.2%
2015's partial result: 2.0%

Main results

ICASFe's level was located in 160.5, presenting a monthly variation of 0.3% in respect to April 2015.

Inter-year variation rates reached 1.6% (comparing May 2015 vs. May 2014).

Cumulated expansion during the first four months of 2015 was measured in 2.0%.

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>

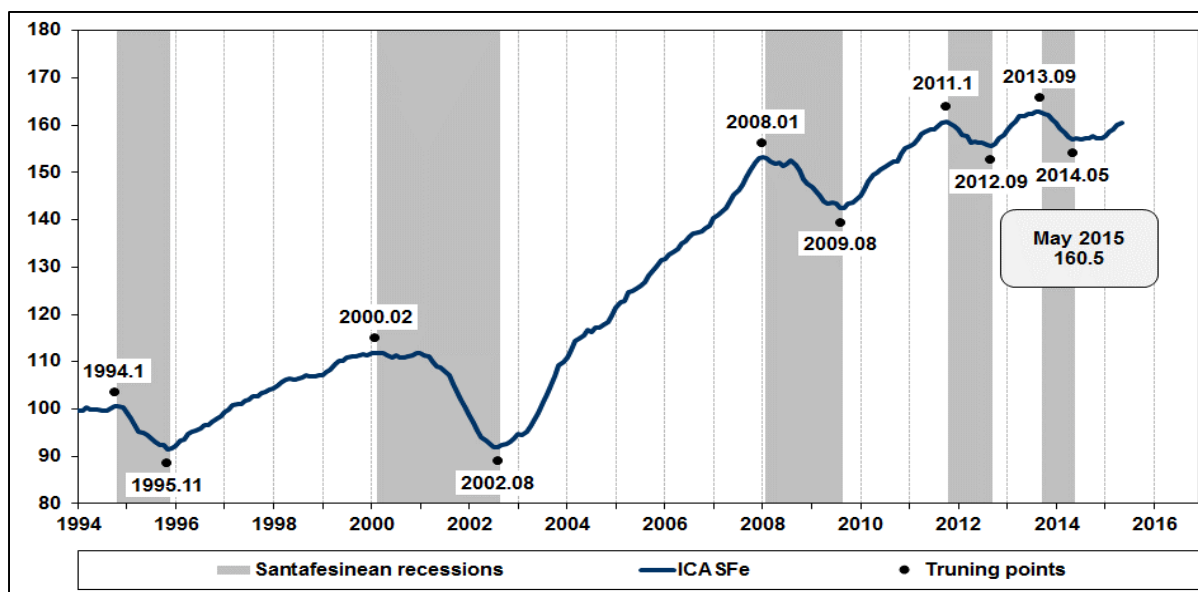
Output data considerations

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

In May 2015 the coincident index showed a mild positive monthly variation rate, signaling an increase of 0.3% in respect to April. During these last twelve months, since the beginning of the expansion, the province's economic activity grew 2.2% (mostly between January and May 2015 which explains about 90.0%).

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.

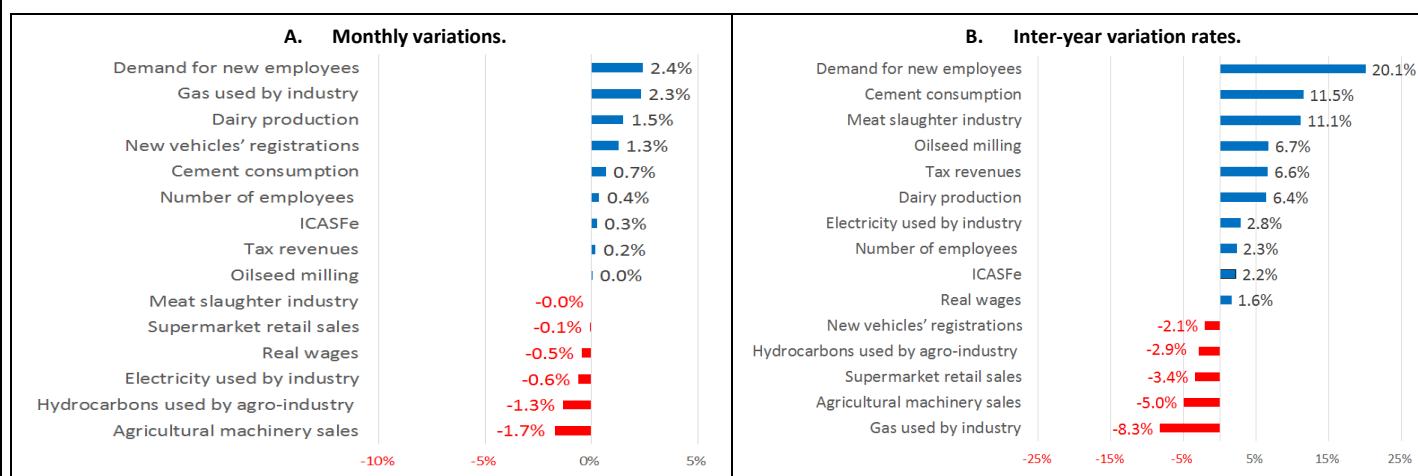
Indicator by indicator

During the fifth month of the year, seven of the fourteen economic sub-indicators considered in the analysis registered positive variation rates. However, two of them did not show monthly changes whereas the other five kept signaling negative results.

Demand for new employees continued with the recovery from 2014's drop, registering a monthly growth of 2.4% and an inter-year variation rate of 20.1%. Pushed forward by the public sector, **registered jobs** went on the same direction and increased 0.4% in May; this means the series grew 2.3% during the last twelve months. On the other hand, **real wages** presented a contraction of 0.5% in respect to April, although its inter-year comparison is still positive in 1.6%.

Retail sales declined 0.1% in May and reached a relative position of -3.4% compared to May 2014. Moreover, **new vehicle's registrations** went up 1.3% in respect to April but it is still 2.1% behind its inter-year benchmark.

Graph 2: Economic activity's indicators for the Province of Santa Fe - May 2015 -



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

Regarding to the secondary sector, most sub-indicators are showing signs of stagnation. **Industrial electricity** dropped 0.6% in May whereas gas **consumption** recovered 2.3%, but its inter-year variation gauge is still negative in 8.3%. **Agricultural machinery** sales also went down, 1.7% in respect to April and 5.0% inter-yearly. **Meat slaughter industry** moved on a different direction within an almost null monthly variation rate and an inter-year recovery of 11.1%. However, it is worth noting that the porcine sector has been rather losing market share during 2015.

This month, **Oilseed milling** did not show improvements either, and its inter-year variation rate stayed in 6.7%. The series' performance was somehow in line within soy and sunflower oil's exports recent contraction. Another sub-indicator related to the sector, **hydrocarbons used by agro-industry and transportation**, declined **-1.3%** and registers an inter-year drop of **2.9%**. In addition, although dairy's productive chain faces serious troubles, milk industrialization improved 1.5% in May and gained 6.4% during the last twelve months.

In spite of some singularities, on a mid-term horizon, main key economic sectors in the province are still behind their historical peaks. One of most significant cases is agricultural machinery sales, which is **52.7%** below its highest registered level in 2010 and **66.5%** from 2008's. Other examples are hydrocarbons' consumption (**-18.7%**); industrial electricity (**-16.9%**); and meat slaughter industry (**-11.0%**).

Cement consumption increased only 0.7% in May but it is one of the best rated indicators inter-yearly speaking (11.5%). Cement sold by bulk, related to big scale constructions, kept dominating the market.

Finally, **public incomes** also registered a mild positive variation in respect to April (0.2%), which allowed the series to gain 6.6% compared to May 2014.

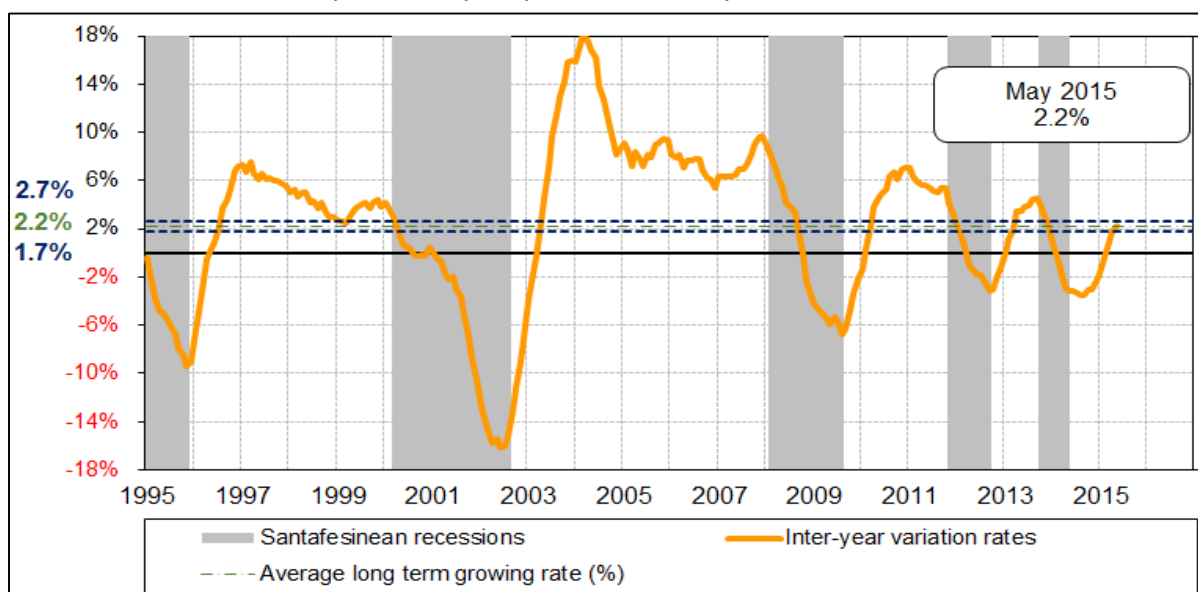
Summary and perspectives

In May 2015 the coincident index's inter-year variations reached 2.2%, a similar level than the province's average long term growing rate (see Graph 3).

To this regard, economic activity has recovered along all 2015, but within the last two months its growth's speed has decelerated. Moreover, the private sector suffers a mayor economic and financial deterioration, which is externalized on its incapability of generating employment. In contrast, government spending enlarges on an increasing rhythm which is adding even more pressure to present budget's unbalances in all jurisdictional levels (country, provinces and cities).

Consequently, economic activity keeps growing but over an unsustainable financial framework.

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>