

Monthly Digest

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Year 4, Number 1

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>

Santafesinean
economy ends 2009
under recession

December 09
Monthly %: -0.2
Interyear %: -1.9

ICASFe
Base 1994 =100
138.3

Although the forth quarter's results signal an increment in economic activity, the province of Santa Fe reached its second consecutive year under recession. 2009's total economic contraction was -1.8%.

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.

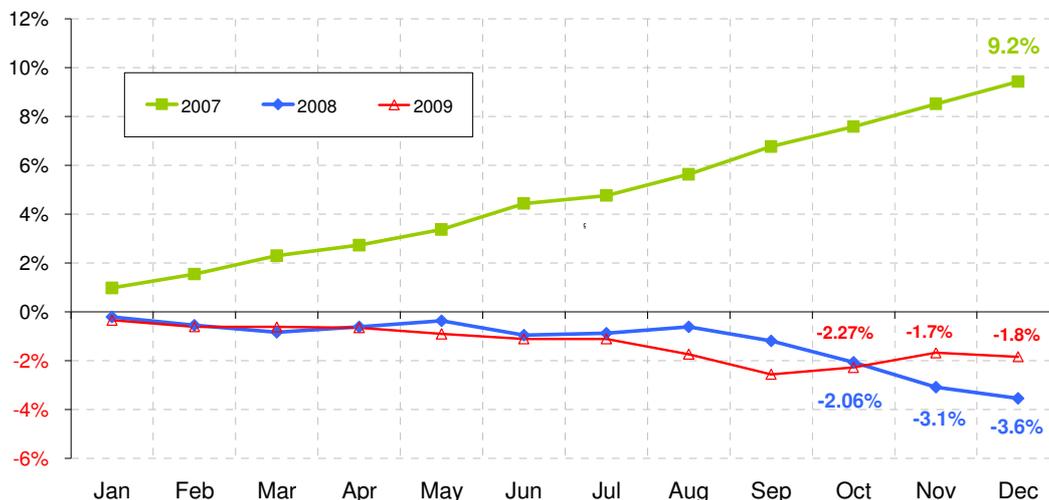
According to the last obtained results, during the month of December 2009, the ICASFe was located at **138.3**, presenting a **-0.2%** monthly variation with respect to November 2009.

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.

○ **2009's economic activity: province of Santa Fe.**

Between July 2002 and December 2007 the province of Santa Fe showed a remarkable economic expansion, reaching an accumulated growth of 9.2% during that period of time. But in 2008 and 2009 the economy plunged into a recession and economic activity decreased -3.6% and -1.8%, respectively. However, each period had its own particularities signed by the most representative indicators' behavior.

Graph 1 - ICASFe's accumulated monthly variations during 2007, 2008 and 2009 -

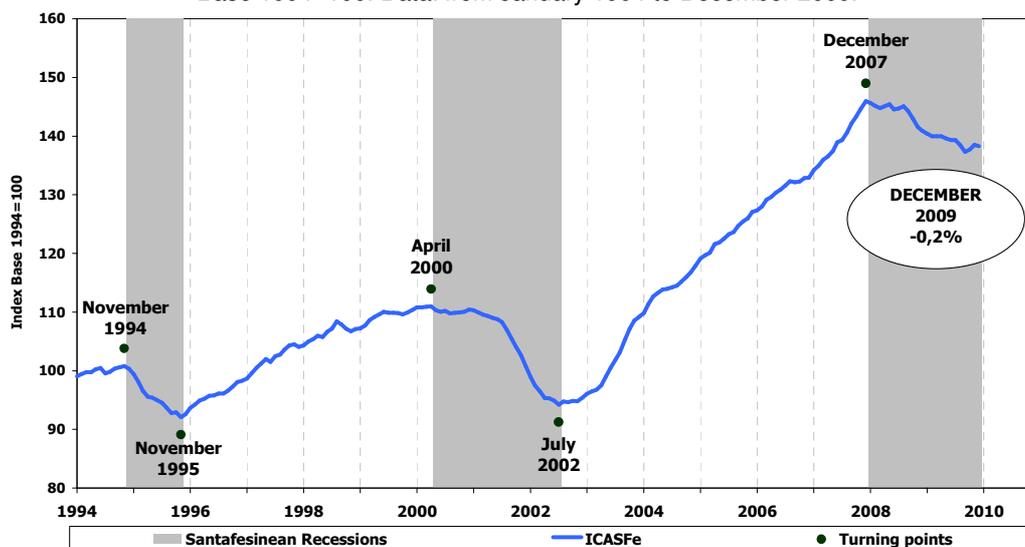


Source: Research and Services Center, Santa Fe's Chamber of Commerce.

In December 2009 the ICASFe presented a negative monthly variation of -0.2% in spite of the recovery measured during October and November. This better performance was captured by 65% of the fourteen representative indicators of Santa Fe's gauge. In fact, these two months' variations compensated December's decline and explained how the last quarter of the year ended signaling up. Moreover, after seven quarters of contraction the last quarter showed an increment of 0.7%, allowing 2009's accumulated variations to cut trough 2008's in October 2009 (see Graph 1).

Graph 2 - ICASFe - Monthly Composite Coincident Index of the Province of Santa Fe -

Base 1994=100. Data: from January 1994 to December 2009.



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

○ **End of the year, indicator by indicator.**

Only four indicators included in the ICASFe finished 2009 with an accumulated rate of expansion during the year. The first one, meat slaughter industry¹, increased 2.5% considering the whole period of time but, on the other hand, it's actually decreasing since July on. In fact, it grew 11.6% in 2009's first semester and then it went down **-9.1%** in the second half of the year.

Supermarket retail sales annually grew 2.3% this last year, while during 2008 the indicator accumulated a negative total variation rate of **-1.9%**. During the year, their initial negative performance was finally compensated, since last's quarter expansion (3.7%) was enough to reverse the first quarter's contraction (**-1.4%**).

Provincial real tax incomes ended 2009 showing a total mild increase of 0.5% while, by the contrary, 2008 closed with an accumulated decrease of **-5.3%**. In this sense, it's important to remember that the indicator is being filtered by seasonality and also deflected by inflation, meaning that the last quarter's decrease of **-2.1%** is partially explained because of the rising on prices observed during that period (5%).

To all appearances, registered job's real wages grew 4.8% two times in row, both in 2008 and 2009. Nevertheless, during the first mentioned year inflation reached up to 20.6% while in 2009 general prices rose only 13.5%. This means that, nominally, they showed a stronger expansion during 2008. In terms of workers, employment suffered for the first time a yearly total retraction of **-0.5%** during 2009. Remember that even though the economy was under recession since December 2007, the number of registered jobs grew 1.3% in 2008. This behavior is perfectly consistent among the lagged characteristics that the indicator shows in Argentina. On the opposite side, the indicator that represents the demand for new employees already grew 4.2% between October and November 2009, but unfortunately fell again in December (**-0.8%**). In order to summarize its performance we can say that it actually fell down **-23.5%** during 2009 but, at the same time, the last quarter's accumulated rate was positive (3.4%).

Table 1 - Economic activity's indicators -
Filtered series' accumulated variation during 2008 and 2009.

Indicator / Year	2008	2009
Real wages	4.8%	4.8%
Meat slaughter industry	-7.3%	2.5%
Supermarket retail sales	-1.9%	2.3%
Tax revenues	-5.3%	0.5%
Number of employees	1.3%	-0.4%
ICASFe	-3.6%	-1.8%
Gas used by industry and power stations	-23.9%	-2.4%
Dairy production	12.0%	-2.9%
Hydrocarbons used by agro-industry	-7.4%	-4.0%
Electricity used by industry	-4.0%	-6.1%
New vehicles' registrations	-28.5%	-6.2%
Oilseed milling	-23.5%	-12.9%
Cement consumption	-22.3%	-20.8%
Demand for new employees	-39.7%	-23.5%
Agricultural machinery production	-86.7%	-39.1%

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

In reference to the industrial sector, the consumption of its mayor inputs decreased during 2008 and 2009. Used electricity fell **-4%** in 2008 and **-6.1%** in 2009 while gas went from **-23.9%** to **-2.4%**. At the same time, paying attention to last part of the year, both indicators showed different evolutions. While electricity recovered 1.9% between October and November 2009, gas consumption is falling down since June with a net balance of **-9.5%** at the end of 2009's second semester.

¹ Unfortunately, the official Institution responsible of the area, the ONNCA, is not regularly publishing statistic data as it should.

Hydrocarbons used by agro-industry started to show mild monthly increments since June 2009 but couldn't compensate the contraction accumulated during the first part of the year (-13.3%). Finally, it closed 2009 with a total decrease of -4%, lower than 2008's -7.4%.

Oilseed milling presented an accumulated variation rate of -12.9% during 2009. But this could actually be pictured as a better situation if we consider its results for the previous year (-23.5%) and the expansion registered during the last quarter (2.7%). In the case of dairy production the net balance for the year was -2.9% since, monthly, is constantly decreasing since April 2009. Agricultural machinery production was one of the most affected indicators since the beginning of the international slowdown, particularly in Argentina because of the conflict between the National Government and the agro-sector. Measuring a -86.7% decline in 2008, during 2009 its accumulated variation rate was -39.1%. But its flow shows a better horizon: since June 2009 the indicator is showing some positive monthly rates, especially on the last quarter (13.1%).

On the side of investment, cement consumption, an indicator directly linked to the construction sector, increased 2.4% during the fourth quarter of 2009 but couldn't reverse its tendency and finished the year with an accumulated -20.8%. Even though this performance was better than the previous year when the indicator decreased -22.3%. New vehicles' registrations also presented a positive net balance during 2009's last quarter. Mainly because of November, when they grew 12%; compensated by December with a new negative monthly variation of -7.4%. In fact, this particular variable presented many ups and downs during the whole year. The most important decline was observed during the first quarter (-13.13%) but the net balance for the year ended being a lot more better and closed in -6.2%. Fortunately, this rate was lower than 2008's (-28.5%).

o **Recovery's sustainability**

As we already emphasized in our last digest, today's representative series' signals should be observed carefully and among prudence. Considering that in our province economic contraction started in December 2007, last quarterly expansion measured at the end of 2009 represents an important first step on the way to recovery, but is not yet enough to certainly assure it.

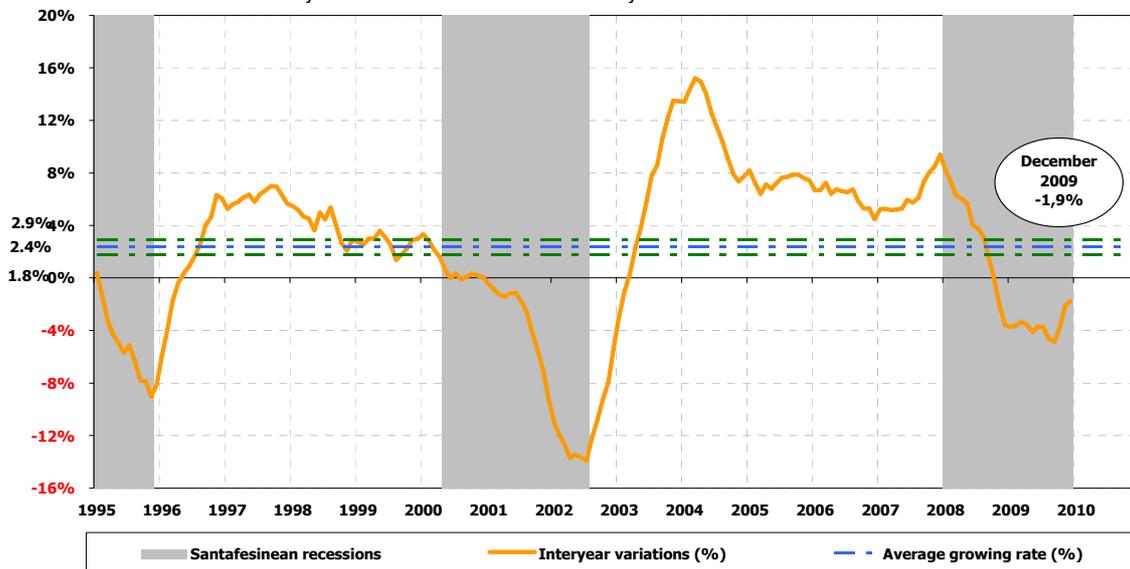
Leaving the worst behind, world's economy is standing up from the international financial crisis' impact. Obviously, it's still possible to experience further turbulence but most opinions are aiming on smaller scale issues that shouldn't be a problem to prevent a solid midterm international economic growth.

On the opposite direction, inside the national context there's a group of indicators which are generating uncertainty; specially, the absence of a consistent policy against inflation. This could affect financial assets availability in both the private and the public sector and, therefore, be a pessimistic influence to economic activity. Unfortunately, if that happens, we expect a negative spill over into our province.

Summing our technical data about santafesinean economic activity, the last quarter's positive numbers made possible to reduce the total contraction observed during the rest of the year to a -1.8% for 2009, which is significantly lower than 2008's (-3.6%). Finally, ICASFe's interyear variation rates kept getting better and reached -1.9% in December 2009.

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>

Graph 3 - Monthly Composite Index of the province of Santa Fe -
 Interyear variations. Data: from January 1995 to December 2009.



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