

Monthly Digest

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Bolsa de Comercio de Santa Fe



Monthly Composite Coincident Index for the province of Santa Fe (ICASFe)

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Imbalanced behaviour between economic activity's indicators

ICASFe
Base 1994 = 100
149.4

NOVEMBER 2010

Monthly %: 0.4%
Inter-year %: 5.9%

Although the province's economic activity is already superior to its historical peak, eight representative indicators did not yet completely recovered. In fact, because of the deceleration, some of their potential gaps are opening instead of being reduced.

The Composite Coincident Index for the province of Santa Fe (ICASFe) constitutes a monthly indicator used to describe the global performance of the province's economy. It allows us to determine the precise dates in which recessions/expansions begin and end, as well as following the most important economic sectors' behavior. Finally, it provides a reliable source of information appropriate to support decision makers of public and private institutions.

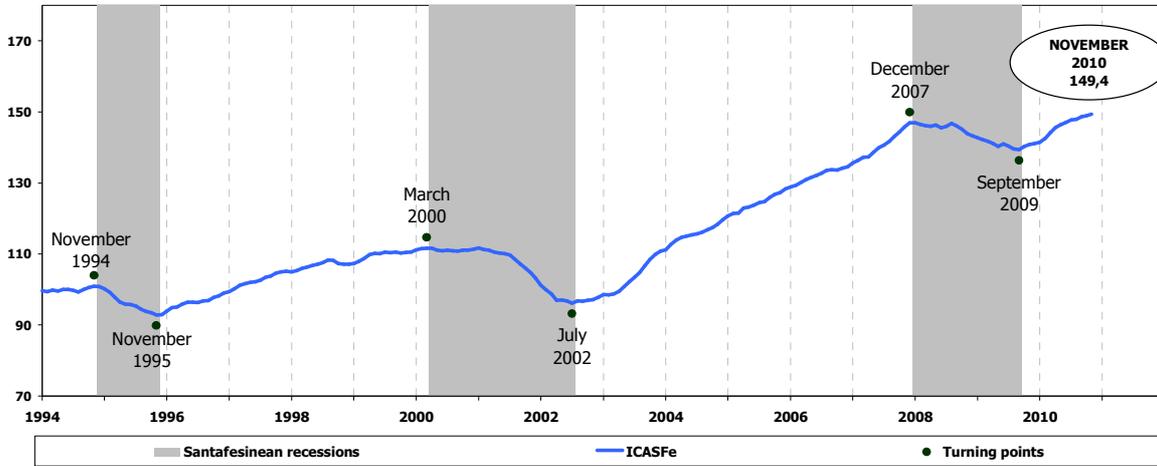
According to the last obtained results, during the month of November 2010, the ICASFe was located at **149.4**, presenting a **0.4%** monthly variation with respect to October.

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 X12-ARIMA software.

o **Province of Santa Fe's economic activity**

In November 2010 the province of Santa Fe's economic activity grew 0.4% in monthly terms. However, its last quarter's achievements were lower than expected. Specially if its previous performance along the rest of the year is considered. At the same time, ICASFe's last calculated value for November 2010 (149.2) is 2.0% higher than its last registered peak (146.9: December 2007).

Graph 1 - ICASFe - Monthly Composite Coincident Index for the Province of Santa Fe
Base 1994=100. Data: from January 1994 to November 2010.



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

o **Indicator by indicator**

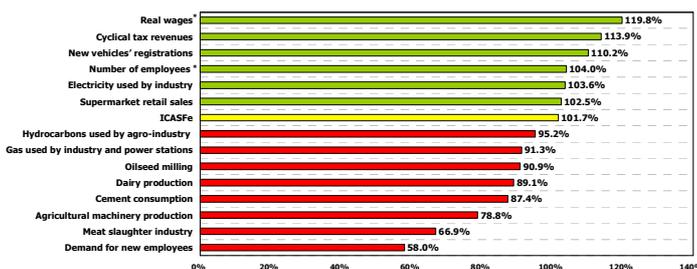
Walking by the 14th month of economic expansion, only six sub-indicators have grown above their own previous maximum historical levels. This means that the remaining components still haven't reached their highest benchmark in terms of the limits that were set before the recession (July 2002-December 2007).

In relationship to the province's labor market, in November 2010 real wages of registered employees were located 19.0% beyond their past maximum value, measured in December 2007. In this connection, it's important to highlight that, between March 2009 and February 2010, this series only declined -0.6%. And, afterwards, the contraction was rapidly reversed by further monthly positive variations. The number of formal active workers was calculated in 4.0% more than during last's recorded peak, in November 2008. But this indicator had a stronger contraction, decreasing -2.2% between that peak's date and September 2009. On the other hand, as a component with certain lagged characteristics, this series started reacting to general recession's influence after 11 month of economic aggregated contraction. By the contrary, enterprises' demand for new employees still was 42.0% below January 2008's; when expectations were much more stable and reached their maximum level before the beginning of the economic contraction phase. Briefly, demand for new jobs recovered 13.5% during the present expansion but after going significantly down (-68.2%) during the past recession.

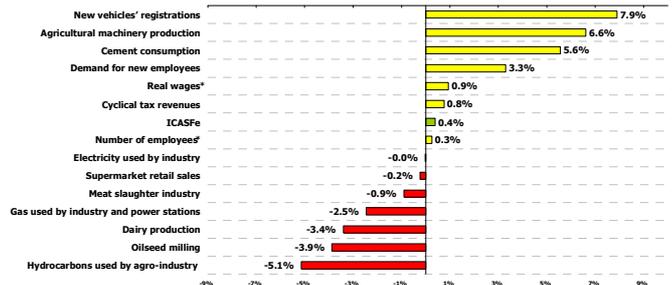
Cyclical tax revenues signaled their highest historical value in December 2007. Then, presented a continuous decline measured in -6.7%, between that moment and May 2009. Nevertheless, in November 2010 its registered level was already 13.9% superior to its latest peak. In fact, in August 2010 the series was 15.1% above its maximum value but it decreased during the next three months.

Graph 2 - Economic activity's indicators for the Province of Santa Fe
Data updated until: November 2010.

Relative growth in terms of each series' previous peak



Monthly variation rates of filtered series



* Last available data refers to September 2010. October and November were estimated.

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

In November 2010 investment in durable goods, measured by new car's registrations as one the proxies, was located 10.2% above

its highest historic value. This, as a result of reaching an accumulated expansion of 43.4% after declining -26.4% during the recession. By the contrary, cement consumption was measured in 12.6% below its peak registered in May 2008. Although this series accumulated 23.2% during its present recovery process, it has not been strong enough to regain -40.6%, lost in the recession.

In relationship to the industrial sector, electricity consumption was 3.6% more intensive in November 2010 than in May 2008, when the latest relative maximum was technically dated. Indeed, in August 2010 this sub-indicator was 6.2% over its previous peak but since there on it has started to decline (-2.5% between September and November 2010). A similar scene was observed with gas industrial consumption. Its latest measured level represents 91.3% of its benchmark, dated in January 2008. And both monthly variation rates for the past two month have been negative, jointly accumulating -4.4%.

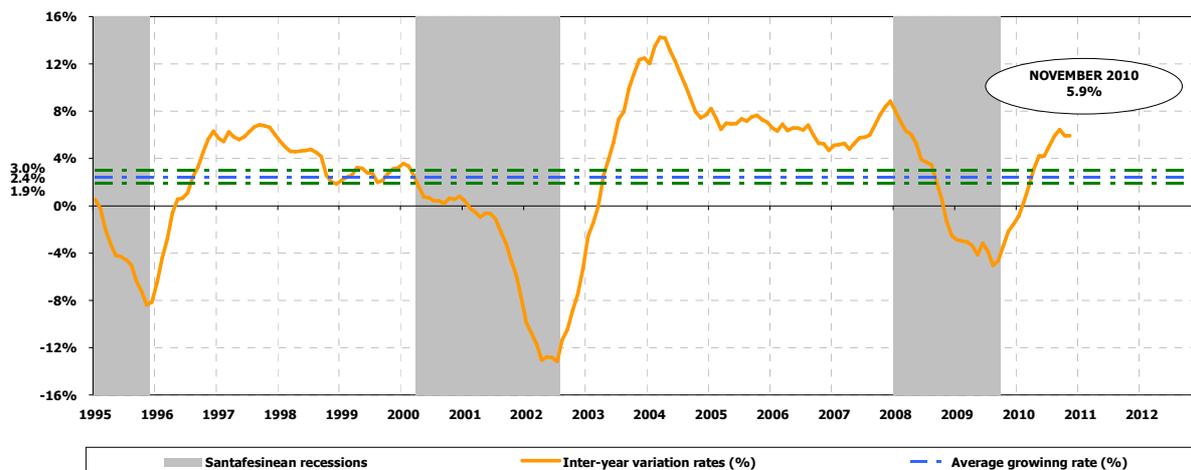
Supermarket retail sales have passed their previous limit from March 2008 by 2.5%. This distance actually reached 4.0% in September 2010 but afterwards a contraction of -1.4% was signaled during the next two months.

Agricultural machinery production has also regained most of the contraction suffered during the recession but still is 21.2% below its best dated performance. This scenario is, in fact, shared by the majority of series related to agro-industrial activities. Hydrocarbons consumption, for instance, was calculated in 4.8% under its historic barrier. Oilseed milling neither could completely recover in order to reestablished November 2007's benchmark. A total growth of 9.1% would be required but the series actually fell over about -5.1% between October and November 2010. Dairy production, which showed a solid expansion from January to July 2010, was located in November 2010 at 10.9% below its previous peak. Finally, meat slaughter industry presented uninterrupted negative monthly variations. Its most recently registered point is equivalent to 66.9% of May 2009's capacity; in accordance the series' previous peak.

o **Perspectives for the province's further economic activity**

In November 2010, 14th month of economic expansion, eight sub-indicators still haven't reached their highest benchmark in terms of their individual peaks surrounding the latest recession 2008-2009. What certainly worries is that some of them actually disrupted their recovery process and, therefore, the distance between their present level and their past potential is increasing. This situation is being observed in hydrocarbons used by agro-industry, oilseed milling, dairy production, meat slaughter industry and demand for new employees. In addition, some indicators which are already ahead from their maximum historic levels, did also showed negative monthly variation rates (cyclical tax revenues, electricity used by industry and supermarket retail sales. For those reasons, sub-indicators related to investment in durable goods are the ones driving the province's economic activity. Especially machinery production, cement consumption and the automobile sector. Consequently, we are facing an expansion which is not homogeneously spilling over the Economy; and, basically, that's why its growth rhythm slowed down. Latest measured month ICASFe's inter-year variation rate was calculated in 5.9%.

Graph 3 - Monthly Composite Index of the province of Santa Fe -
Inter-year variations. Data: from January 1995 to November 2010.



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>