

Monthly Digest

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Year 5



Bolsa de Comercio de Santa Fe



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

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2010's economic
expansion was
measured in 6.9%

ICASFe
Base 1994 = 100
151.1

DECEMBER 2010

Monthly %: 0.5%
Inter-year %: 6.9%

2010's final estimations for the province's economic growth signalled a total expansion of 6.9%. These results compensated the contraction accumulated during the two previous years.

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.

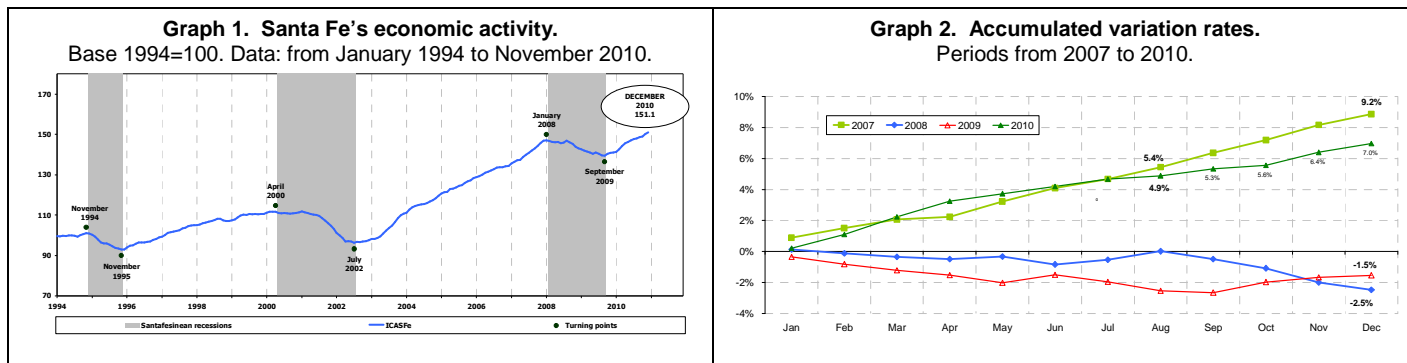
According to the last obtained results, during the month of December 2010, the ICASFe was located at **151.1**, presenting a **0.5%** monthly variation with respect to November.

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.

Province of Santa Fe's economic activity

In December 2010 the province of Santa Fe's economic activity grew 0.5% in monthly terms, accumulating a 6.9% total expansion during the year. After concluding the recovery process at the end of 2010's first semester, economic activity performed very similar to 2007's during the rest six months of the year. Along with these results the past contraction phase, registered between 2008 and 2009, was left behind.

ICASFe - Monthly Composite Coincident Index for the Province of Santa Fe -



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

Annual performance indicator by indicator

At the end of 2010, twelve of the fourteen sub-indicators considered representative in terms of Santa Fe's economic activity finished the year with accumulated positive expansions. In addition, nine of them also verified higher increases than general economic activity. On the other hand, it seems to be that the series located at top of this group were actually those able to turn over a negative performance during 2009. For example, during 2010 agricultural machinery production and new car's registrations grew 96.0% and 34.2%, respectively; although both indicators slowed down their expansion considering the last two quarters of the year. Oilseed milling managed to grow 12.6 points over 2009's registered contraction reaching a total increase of 28.4% within the last twelve months. But most of its growth was actually achieved before the fourth quarter. In fact, its accumulated variation rates for that period were calculated in **-7.0%**. In the case of cement consumption, its expansion for 2010 reached 38.1%; but, in opposition to previous analyzed sub-indicators, its higher increase was observed during the last three months of the year (20.9%).

Graph 3 - Economic activity's indicators for the Province of Santa Fe -
Monthly accumulated variation rates during 2009 and 2010.

	2009	2010
Agricultural machinery production	-17.4%	96.0%
Cement consumption	-19.5%	38.1%
New car's registrations	-0.4%	34.2%
Oilseed milling	-15.8%	28.4%
Cyclical tax revenues	1.2%	21.8%
Electricity used by industry	-1.8%	10.4%
Real wages	1.3%	10.2%
Gas used by industry and power stations	-7.2%	9.5%
Supermarket retail sales	1.0%	8.3%
ICASFe	-1.5%	6.9%
Number of employees	-1.6%	3.9%
Hydrocarbons used by agro-industry	5.7%	1.5%
Demand for new employees	-15.1%	0.9%
Dairy production	-3.5%	-1.8%
Meat slaughter industry	-0.7%	-27.4%

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

Industrial energy consumption grew solidly during 2010. Gas total inputs increased 9.5% and electricity 10.4%, respectively. Nevertheless, the first of both sub-indicators showed negative monthly variations along the last quarter while the second one suffered an evident deceleration.

Other sub-indicators like hydrocarbons used by agro-industry and dairy production also experienced slower expansions during the third and fourth quarter of the year. Hydrocarbons' consumption grew 5.7% in 2009 and only 1.5% in 2010. Dairy production shows a different scenario because it began to recover in 2010. During the second quarter the series increased 9.6% but then it had two quarterly consecutive declines of **-1.4%** and **-7.0%**, respectively.

In general terms, during 2010 the labor market presented a stable positive performance. Total number of employees increased 3.9% along the year, in opposition to its previous contraction of **-1.6%**, registered in 2009. The private sector, which generates 75% of total provincial employment, closed up about 24.000 jobs between November 2008 and September 2009. At the end of 2010 these positions were already recovered. In respect to salaries' evolution, real wages grew 10.2% during 2010. This means that nominal wages increased more than inflation. During 2009 the series experienced a similar behavior but its expansion just reached 1.3%. Quarterly speaking, 2010's most important increase was registered within the third period (4.6%). An accumulated variation rate of 2.8% was measured for both the second and the fourth quarter of the year, while the first one was the only period related to a negative performance showing a total contraction of **-0.1%**. In fact, thinking a bit deeper about it, this evolution has a lot to do with the inflation quarterly performance which was calculated in: 8.3%; 4.7%; 3.3%; and, 6.7%. Unfortunately, the last included sub-indicator related to employment, demand for new jobs, does not allow us to picture solid further perspectives. This series grew 0.9% during 2010 and also accelerated its expansion along the third quarter (3.0%) but at the end of the year, its quarterly contraction reached **-3.2%**. However, these results are definitely better than 2009's, considering its past total contraction of **-15.1%**.

Cyclical tax revenues and supermarket retail sales both showed acceleration over growth during 2010's fourth quarter and closed the year with a total expansion of 21.8% and 8.3%, respectively. These increases were significantly higher than 2009's (1.2% and 1.0%, respectively).

Meat slaughter industry kept running along with a negative trend, experiencing a total contraction in 2010 of **-27.4%**. Partially, this indicator's low performance is related to a particularly situation; among inconvenient governmental policies stocks were constantly decreasing since some periods ago, affecting the sector's supply. In the province of Santa Fe most damaged territories belong to the northern zone. The district of *9 de Julio*, for example, lost 18.9% of its cattle between 2009 and 2010; which means 137,592 bovine heads. In *General Obligado* the reduction reached 85,714 heads and in *San Cristobal* 124,211; 13.4% and 9.9% of total stocks, respectively. Besides the monetary impact, what worries the most is the social imbalance generated by this decline; since primary and secondary activities related to meat are still demanding substantial number of jobs in order to perform their businesses.

○ **Summarizing economic activity's performance during 2010 and perspectives for 2011**

During 2010's fourth quarter the economic coincident indicator registered an expansion of 1.6%; mainly moved by cement consumption, supermarket retail sales, cyclical tax revenues and new vehicles' registrations. In December 2010 this improvement was also registered by ICASFE's inter year variation rates, which reached 6.9% in accordance to accumulated economic growth for 2010.

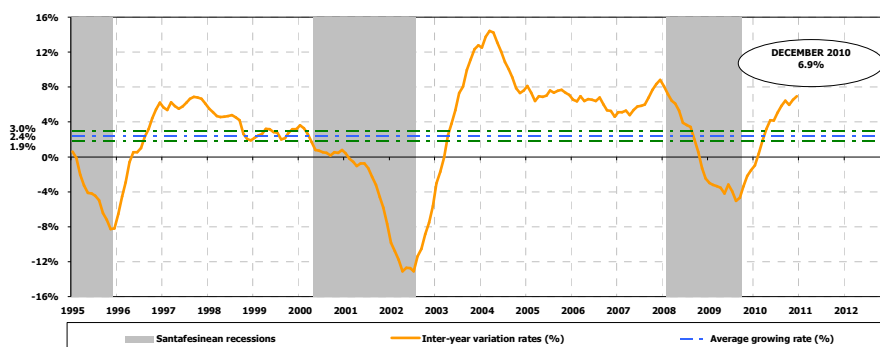
Considering the four fundamentals which are behind economic activity, we could say that 2010 was a year of uncoordinated behaviors. Registered employment grew solidly in terms of disposable number of jobs but expectations for new contracts recovered very poorly. Net social incomes, the second economic key factor, also increased in real terms besides inflation's perceived acceleration. In fact, a negative scenario for monetary assets is somehow encouraging companies and families to invest in durable assets (vehicles and construction) but also pushes up retail consumption (third fundamental).

As a consequence of what has been exposed in the previous paragraph, during 2010's fourth quarter cyclical tax revenues received an important favorable boost. This situation helped out recovering the deceleration process suffered by the series during the first and the third quarter of the year.

Indicators related to the manufactory sector (last key factor): electricity and gas used by industry, dairy production, oilseed milling and hydrocarbons consumption; mostly experienced a gradual deceleration over the successive periods. Which was emphasized during 2010's last quarter.

Summarizing, during 2010 the province's economic activity experienced an expansion mostly based upon consumption and investment; especially at the last part of the year. For 2011, many questions are being already made. Related to salaries and inflation, for instance. In addition, the industrial sector appears to have reached a momentary plateau; which is obviously affecting expectations over productive activities. Fortunately, on the other hand, state and national elections will work as an expansive factor.

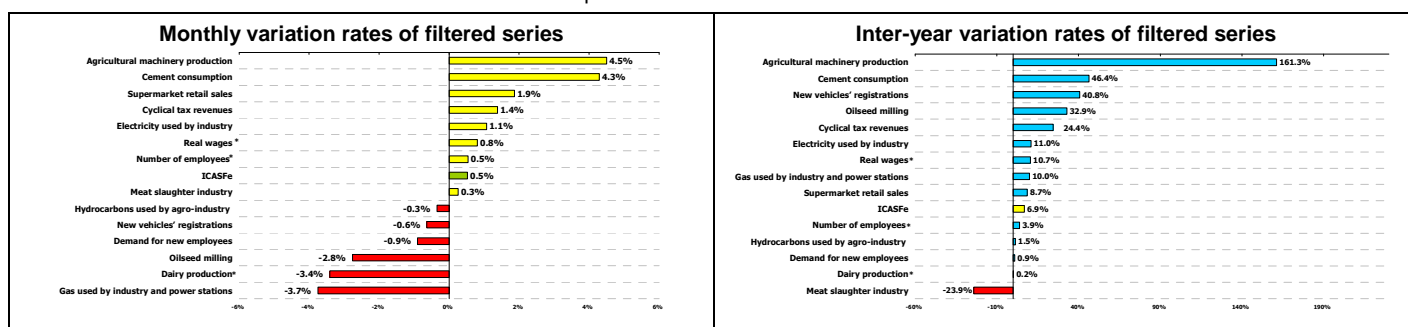
Graph 4 - Monthly Composite Index of the province of Santa Fe -
Inter-year variations. Data: from January 1995 to December 2010.



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

Graph 5 - Economic activity's indicators for the Province of Santa Fe -

Updated until December 2010.



* Contains estimated data.

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>