

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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Recession and inflation.

May 2012

Monthly %: -0.2%
Inter-year %: -0.08%

ICASFe
Base 1994 = 100
155.3

Higher prices within an economic contraction are starting to strike over real disposable incomes and Consumption.

According to the last obtained results, during the month of May 2012, the ICASFe was located at **155.3**, presenting a **-0.2%** monthly variation with respect to April.

The Composite Coincident Index for the province of Santa Fe (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.

As indicator, It provides a reliable source of information appropriate to support decision makers of public and private institutions. ICASFe was developed by a technical agreement with the *Universidad Nacional de Tucumán (UNT)*.

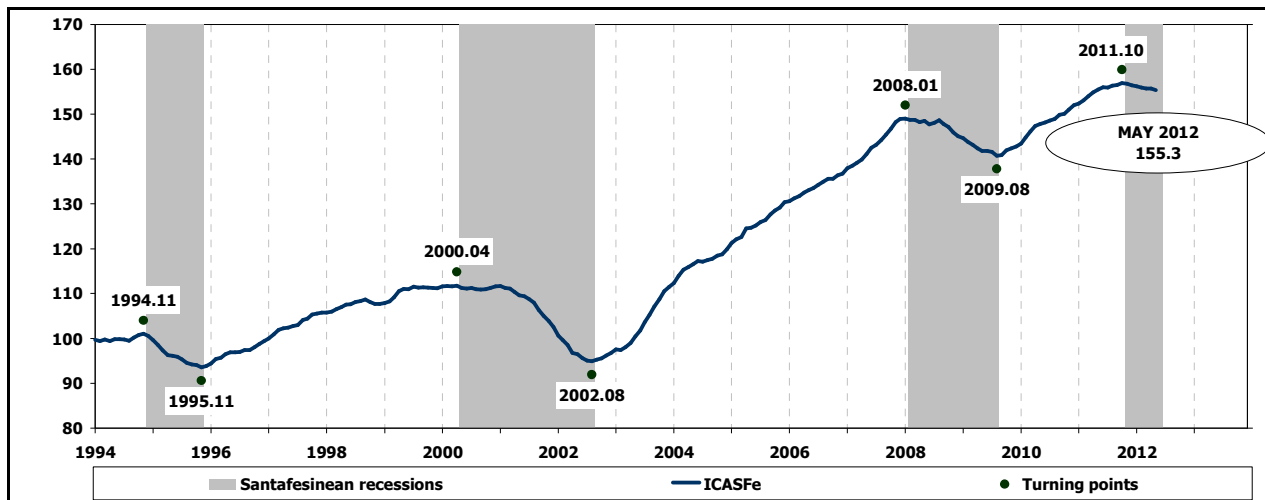
The last twelve monthly results exposed in this document are based on preliminary information and hence subject to further revisions. Calculated values gain consistency while primary sources publish consolidated data which provides an input to our indicator. Time series are handled in real terms and filtered by seasonality and outliers with the X12-ARIMA software.

Province of Santa Fe's economic activity

In May 2012 the province's economic activity decreased **-0.2%**, registering a total contraction of **-0.6%** during the first five months of the year. But considering all seven months of recession, its begging was dated in October 2011, total decline measured by ICASFe reaches **-1.0%**.

Graph 1 - ICASFe - Monthly Composite Coincident Index for the Province of Santa Fe -

Base 1994=100. Data: from January 1994 to May 2012.



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

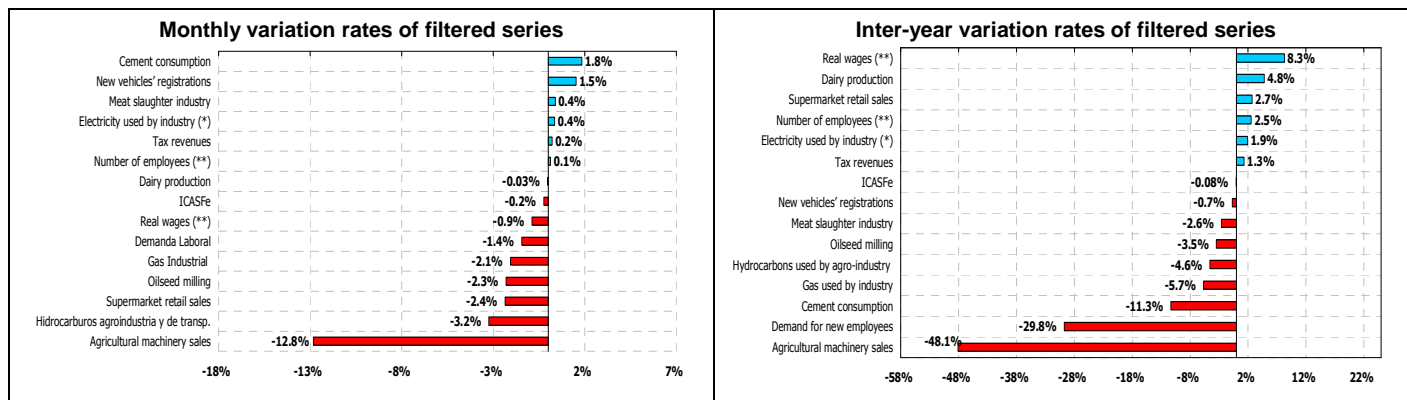
Indicator by indicator

Cement consumption registered its third monthly consecutive increment, recovering 1.8% in May. Nevertheless, if the first five months of the year are considered, the series accumulated a net negative balance of **-1.6%** during 2012. **New vehicles' registrations** presented a similar behavior; this sub-indicator grew 1.5% in may whereas its total cumulated variation rate for 2012 was located in **-6.4%**.

Tax revenues showed a positive monthly variation of 0.2%, mainly explained by an increase of federal funds sent to the province (+2.5%). This rate compensated a cumulated decreased of that component measured in **-1.3%** during the previous four months of the year. By the contrary, own fiscal incomes (*Ingresos Brutos, Inmobiliario, Sellos & Patentes*) declined **-0.6%** in May and actually kept with the negative trend which started in September 2011; however, in levels, the component is still above pre 2008/09 recession's peak.

In relation to the labor market, the **number of registered employees** in the province (considering both private and public sector) signaled a mild expansion of 0.1%. But in spite of this general result some particular sectors are already experiencing negative variations; that's the case, for example, of construction industry. Based on IERIC's publications, 828 jobs were lost between January and May 2012. **Demand for new employees**, an index which measures further new jobs, also declined **-1.4%** in this last calculation and was located **-29.8%** compared to May 2011.

Graph 2 - Economic activity's indicators for the Province of Santa Fe - May 2012 -



References: (*) Last available data from April 2012; (**) Contains estimated data for May 2012.

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

Real wages decreased **-0.9%** although its inter-year comparison pointed out a positive rate of 8.3%. This monthly result forces to be aware about the impact inflation is starting to have over purchasing power. In fact, retail consumption, measured by **supermarket sales**, also decreased **-2.4%** in May whereas its inter-year rate was located in 2.7%. These two series, as well as tax revenues, are expressed in real terms (inflation is isolated) by using the consumer price index published by IPEC. Based on this indicator, cumulated inflation between January and May 2012 was around 9.7%.

Last available data (April 2012) referred to **industrial electricity consumption** shows a positive monthly variation of 0.4%. By the contrary, **gas consumption** declined **-2.1%** in May and presented an inter-year variation rate of **-5.7%**. **Hydrocarbons used by agro-industry and transportation** registered a decrease of **-3.2%**, its eight consecutive monthly contraction.

Meat slaughter industry increased 0.4% driven by higher volumes in the porcine category (3.8%). Its variation in terms of May 2011 was calculated in **-2.6%**. Dairy production went down by fourth time in a row but showing a mild rhythm of **-0.03%**. To this regard, even though the sector faces a difficult scenario (especially along primary production) manufacturing levels are still above last year's: its inter-year variation rate signalled a 4.8% expansion.

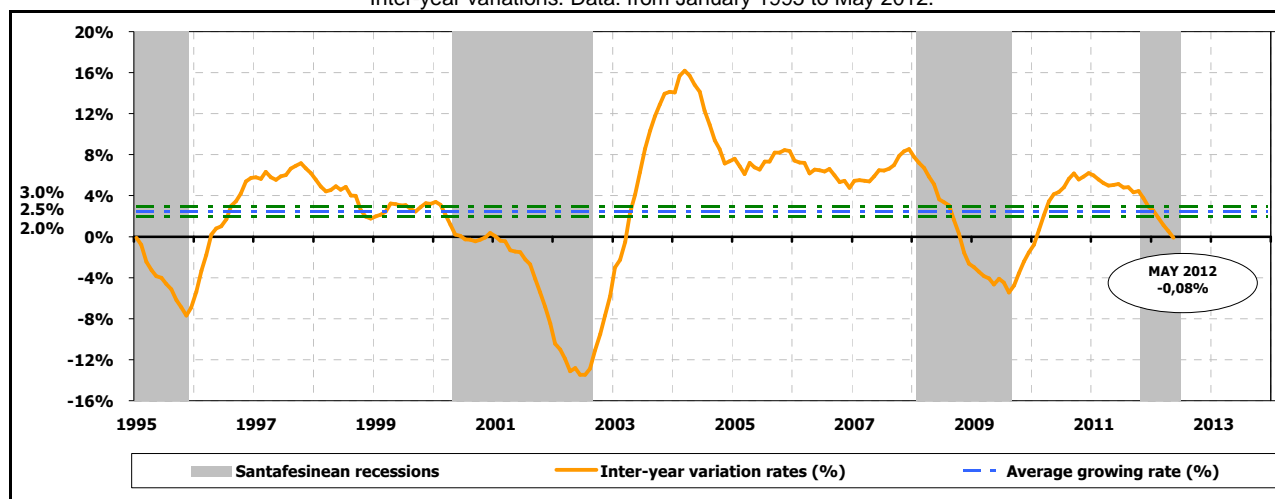
Oilseed milling and agricultural machinery sales experienced negative variations in both, their monthly and their inter-yearly rates. The first series' results were **-2.3** and **-3.5%**, whereas within the second one the variations were **-12.8** and **-48.1%**, respectively. This pessimistic performance was caused by a severe drought during 2011/12's campaign which forced sunflower and soy' production to drop significantly.

Summary and perspectives

Santa Fe's economy is going through its seventh month of registered recession and ICASFe's inter-year variation rates fell below 0.0%. With a negative value of **-0.08%** in May 2012 this yearly contraction was actually the gauge's first dated negative variation since the beginning of the new cyclical phase.

Based on the province's consumer price index's monthly average variation between January and May (Source: IPEC), annualized inflation for 2012 is estimated around **24.8%**. This means that in spite of recession, raising prices' speed is still accelerating. Moreover this situation's negative effects are joining, through a lower Demand, to the contractive scenario that was mainly captured by the secondary sector. To this regard, in May 2012, disposable incomes, supermarket retail sales and tax revenues all registered monthly declines. Considering available information Santa Fe's economic activity is expected to keep under recession during 2012's first semester.

Graph 3 - Monthly Composite Index of the province of Santa Fe -
Inter-year variations. Data: from January 1995 to May 2012.



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>

An on-line graphical tool is also available in our site, which allows to monitor all fourteen sub-indicators' performance individually: <http://www.bolcomsf.com.ar/ces/icasfe.php>