

Economic Outlook

Report

18 – September 2022

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**Economic
Indicators**

Offside

Analysis of Venezuela's commercial interconnectivity

Since the beginning of the century, international trade has been characterized by a steady growth in both size and complexity, with the consolidation of cross-border value chains deep enough to configure structures of relationships and interdependencies, the analysis of which requires going far beyond the particularities of the external sector of individual countries.

Global trade can be studied broadly through graph theory, or network analysis applied on an international scale to determine the characteristics of the entire system and identify the most relevant participants within it. Interest then arises in looking at Venezuela's performance within that network over time.

For this purpose, we start with the analytical approach developed by Cunto and Santana [2021]¹ to evaluate systemic trade interconnectivity², update the information at the end of 2021 from the Direction of Trade Statistics [DOTS] of the International Monetary Fund [IMF] and adjust trade flows for inflation, and then conclude with some considerations for the Venezuelan external sector.

What are the tools used? ³

The study of networks⁴ is based on the analysis of graphs, or constructions made up of a set of nodes or participants, connected by bilateral edges or nexuses that represent the direction⁵ and the weight⁶ of the trade relationship between the members of the network. For this analysis, a global trade network is constructed whose nodes correspond to 206 countries or jurisdictions⁷; linked by flows of *Free on Board* exports⁸ adjusted for inflation⁹ for the period 1995-2021, which covers a total of 600,490 individual edges.

The commercial network is analyzed from two macro-perspectives. The first corresponds to structural characteristics of interconnectivity, which can be seen as the

¹ Cunto, G & Santana, D. [2021]. *The Global Trade Network: Analysis of Systemic Interconnectivity [2000-2020]*. Andrés Bello Catholic University.

² It is, itself, a substantial extension of the work originally set forth in Errico, L., & Massara, A. [2011]. *Assessing Systemic Trade Interconnectedness: An Empirical Approach* [No. 11-214]. International Monetary Fund.

³ This section can be omitted for those who do not wish to investigate the methodological aspects of the analysis.

⁴ Following the terminology worked out in Borgatti, S. P., & Everett, M. G. [2006]. *A graph-theoretic perspective on centrality*. Social networks, 28(4), 466-484.

⁵ Networks can be directed when the individual edges differentiate between sender and receiver nodes.

⁶ Magnitudes expressed in the metric of interest to the network, and can denote such things as size, distance, transmission volume, cost, etc.

⁷ This designation covers autonomous entities with individual registration in IMF trade statistics, as in the case of Macao (MAC), Hong Kong (HKG), the Falkland Islands (FLK), among others.

⁸ "Free on board, agreed port of loading", denominated with the incoterm FOB.

⁹ Using the U.S. Gross Domestic Product (GDP) deflator to put the figures in real terms.



aggregate behavior of all nodes and edges at a given time. For operational purposes, a graph¹⁰ is prepared for each year and the following attributes are analyzed:

Variable	Description
Number of nodes	Total number of participating jurisdictions during a particular year.
Number of edges	Total one-way export flows between countries.
Diameter ¹¹	Distance or "hops" in the shortest path between the farthest nodes in the network.
Density ¹²	Ratio of edges in the network over the total number of possible edges. The closer to 1 the denser the network.
Average distance	Average shortest path distance between nodes.
Assortativity ¹³	Degree of similarity in which nodes belonging to a particular group (regions) interact with each other vs. members of other groups

The second macro-perspective is to analyze the jurisdictions in order to determine the importance, or influence, of each particular node within the network. For this purpose, measures of strength associated with the size of the external sector are estimated from the absolute weight of the edges and measures of centrality, which together determine the "role" played by a particular node within the network structure.

Several of these centrality metrics can differentiate between heavy graphs, where the value of edges is taken into account, and unweighted graphs¹⁴, where only the dichotomous manifestation of whether there is an edge or not matters; thus, capturing both a notion of interconnectivity adjusted to the size of the trade and another more "pure" notion based on the structure of existing connections.

¹⁰ Defined mathematically as a graph $G = (E, V)$ with a set E of nodes and V of edges directed from an i -th jurisdiction to a j -th counterpart, with the following assumption that $E \subseteq \{\{i, j\} | i, j \in V \text{ con } i \neq j\}$

¹¹ $\max_{ij} \{\delta_{ij}\}$ being δ_{ij} the shortest route between two jurisdictions.

¹² $D = \frac{|E|}{2 \binom{|V|}{2}} = \frac{|E|}{|V|(|V|-1)}$

¹³ $r = \frac{\sum_x e_{xx} - \sum_x b_x c_x}{1 - \sum_x b_x c_x}$ being $\sum_{xy} e_{xy} = 1$, $\sum_y e_{xy} = b_x$, $\sum_x e_{xy} = c_y$ being e_{xy} the fraction of nodes of type x interacting with type y .

¹⁴ For the purposes of this paper, larger weights represent stronger connections.



Variable	Description
Output strength ¹⁵	Total exports, equivalent to the sum of the weights of all edges leaving a jurisdiction.
Input strength ¹⁶	Equivalent to total imports, or the sum of the weights in trade flows received by a jurisdiction.
Total strength ¹⁷	Sum of total imports and exports. Equivalent to the balance of trade in goods.
Output degree centrality. ¹⁸	Total number of export edges of a jurisdiction.
Input degree centrality. ¹⁹	Total number of edges in which a jurisdiction is a recipient of exports from other nodes.
Closeness centrality ²⁰	How close ²¹ is one jurisdiction to all others within the network. Measured as the inverse of the average distance over the shortest paths.
Betweenness centrality ²²	Number of times a jurisdiction is on the shortest path between two other nodes.
Eigenvector centrality ²³ (eigenvector)	Category of "prestige" in which the importance of a jurisdiction is determined by the connectivity of its counterparts.
Alpha Centrality ²⁴	A measure of prestige suitable for directed networks. It follows the same logic as vector centrality, with the addition of also considering the intrinsic value of the node in question.

Once all the metrics have been calculated, a composite interconnectivity index is estimated. Each variable is subjected to a percentile panel normalization, pooling all

¹⁵ $X(i) = \sum_j a_{ij} w_{ij}$ where a_{ij} corresponds to a particular edge leaving jurisdiction i for jurisdiction j , being the weight or value of FOB exports of goods. w_{ij} the weight or value of exports of goods FOB.

¹⁶ $M(i) = \sum_j a_{ji} w_{ji}$

¹⁷ $T(i) = X_i + M_i$

¹⁸ $C_{DEG}^{OUT}(i) = \sum_j a_{ij}$ donde $a_{ij} = 1$

¹⁹ $C_{DEG}^{IN}(i) = \sum_j a_{ji}$ donde $a_{ji} = 1$

²⁰ $C_{CLO}(i) = \frac{(|V|-1)}{\sum_j \delta_{ij}} = \frac{n}{\sum_j \delta_{ij}}$

²¹ In network terms, not necessarily in geographic terms.

²² $C_{BET}(i) = \frac{\sum_{j \neq i} \sum_{k \neq i} g_{jk}(i) / g_{jk}}{(|V|-1)(|V|-2)}$ where g_{jk} represents the number of shortest paths between two nodes and $g_{jk}(i)$ is the number of such paths passing through node i .

²³ $C_{ELG}(i) = \frac{v_i}{\max(v)}$ calculated from elements of the eigenvector v with the eigenvalue λ highest eigenvalue to be given $A_{ij}^T v = \lambda v$ where A_{ij}^T is the adjacency matrix of trade flows.

²⁴ $C_\alpha(i) = \alpha A_{ij}^T C_\alpha(j) + \beta_i$ where β_i represents a source of external influence on the interconnectivity of the network or the value given to each node, and α is a constant that determines the weighting between interconnectivity and that external influence.



the results for all the jurisdictions for each year of the period studied and identifying its percentile position (between 0 and 100).

The results are then grouped and averaged to calculate sub-indices of "strength", "weighted centrality" and "non-weighted centrality"; subsequently, an average of these three sub-indices is calculated to obtain the final result. The index summarizes the importance of each jurisdiction in the sample at a given point in time for the entire period, thus making it possible to see the evolution of this importance over time.

More interconnected than ever

Looking at the network in general, we note that it is already quite integrated by the beginning of the period, with a sustained growth in the number of connections and density, suffering the most notorious setback in the period between 2019 and 2020, which coincides with the beginning of the trade war between the United States and China and the first year of the COVID-19 pandemic on a global scale. In 2021, a return to the trend of trade integration was observed, with a significant increase in the number of edges and network density (where the latter showed an increase of 2.2% compared to 2020 and 47.9% compared to 1995). In addition, there is a trend towards a reduction in assortativity, which means that jurisdictions prefer to trade outside their region.

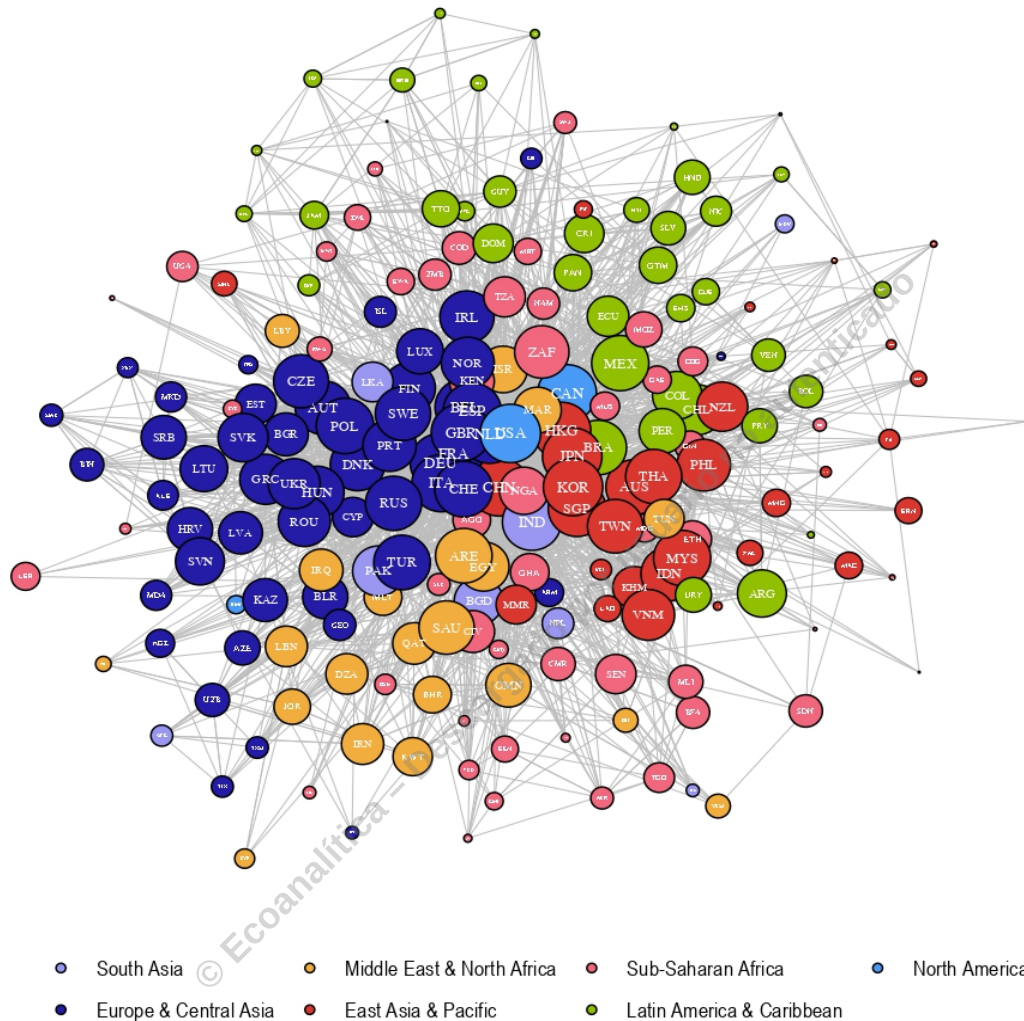
Network structure

Year	Nodes	Edges	Diameter (%)	Density	Mean distance	Assortativity (%)	Average interconnectivity
1995	193	15,450	3	41.7	1.54	7.20	37.7
1996	192	16,045	3	43.8	1.52	6.66	41.2
1997	195	16,974	3	44.9	1.51	6.15	39.6
1998	194	17,497	3	46.7	1.49	5.61	42.4
1999	195	18,283	3	48.3	1.47	5.54	39.9
2000	200	19,592	3	49.2	1.51	6.37	40.6
2001	201	19,858	3	49.4	1.50	5.99	40.7
2002	201	20,290	3	50.5	1.50	5.80	43.3
2003	202	20,859	3	51.4	1.49	5.87	44.7
2004	202	21,329	3	52.5	1.47	5.65	45.3
2005	204	21,622	3	52.2	1.47	5.87	46.8
2006	204	22,208	2	53.6	1.46	5.58	46.9
2007	204	22,602	2	54.6	1.45	5.51	49.3
2008	204	23,200	2	56.0	1.44	5.25	51.8
2009	205	23,438	3	56.0	1.44	5.30	48.4
2010	205	23,818	3	57.0	1.43	5.10	49.9
2011	206	24,231	3	57.4	1.42	5.17	50.3
2012	206	24,294	3	57.5	1.42	5.22	51.6
2013	206	24,546	2	58.1	1.42	5.11	54.9
2014	206	24,749	2	58.6	1.41	4.97	54.2
2015	206	25,146	3	59.5	1.40	4.95	52.8
2016	206	25,405	2	60.2	1.40	4.89	53.8
2017	206	25,681	2	60.8	1.39	4.86	54.1
2018	206	25,883	2	61.3	1.39	4.67	55.4
2019	206	25,973	2	61.5	1.38	4.76	55.0
2020	206	25,481	2	60.3	1.40	4.85	54.0
2021	206	26,036	2	61.7	1.38	4.51	55.6

Sources: Cunto & Santana (2021), International Monetary Fund and Ecoanalítica.



Network Chart (2021)



Note: The Large Graph Layout (lgl) algorithm is used. The algorithm tries to discover disconnected groups (clusters) of data and then distributes them individually, starting from a "seed" node in each group to which edges are added in outward spheres.

Sources: Cunto & Santana (2021), International Monetary Fund and Ecoanalítica.

From a network perspective, the ranking of systemic interconnectivity in 2021 is mainly dominated by advanced economies in North America, Asia and Europe. In first place is the United States [USA], followed by Germany [DEU] and China [CHN]. As for Latin America, the most systemically important jurisdictions are Mexico [MEX] in 18th place and Brazil [BRA] in 23rd place. Venezuela [VEN] ranked 106th, which is 57 places below its neighbor Colombia [COL] and its lowest sub-index is that of heavy centrality (46.8). This indicates a relative disadvantage of its overall network participation with respect to the interconnectivity structure and size of the other jurisdictions.



Jurisdictions for commercial interconnectivity

Ranking	Jurisdiction (ISO)	Strength	Non-Weighted Centrality	Weighted Centrality	Interconnectivity Index
1	USA	99.9	96.5	99.8	98.7
2	DEU	99.4	97.1	98.9	98.5
3	CHN	99.9	94.9	99.7	98.2
4	NLD	98.5	96.5	97.5	97.5
5	JPN	98.2	95.0	97.9	97.0
6	FRA	97.7	96.2	96.7	96.9
7	KOR	97.4	95.7	97.1	96.7
8	GBR	96.7	96.0	97.2	96.6
9	ITA	97.2	95.5	96.0	96.3
10	BEL	96.4	95.8	95.8	96.0
41	ROU	84.7	85.0	84.8	84.8
42	CHL	83.8	79.5	90.1	84.5
43	UKR	80.6	89.2	81.8	83.9
44	PAK	77.1	89.0	85.4	83.8
45	GRC	80.0	86.6	84.8	83.8
46	NZL	75.8	90.4	81.2	82.5
47	EGY	80.5	81.7	85.1	82.4
48	SVK	84.9	76.2	83.3	81.5
49	COL	77.6	78.0	84.9	80.2
50	NGA	79.1	76.3	82.6	79.3
101	LBY	71.3	42.7	52.2	55.4
102	MLI	46.8	62.6	56.1	55.2
103	CMR	51.1	67.5	46.7	55.1
104	COD	66.2	31.1	67.4	54.9
105	BIH	59.0	62.6	41.3	54.3
106	VEN	49.0	46.8	65.6	53.8
107	BOL	56.5	61.9	43.1	53.8
108	SDN	58.3	38.0	64.3	53.5
109	BFA	47.1	54.8	57.5	53.2
110	GUY	42.6	55.1	57.9	51.9

Sources: Cunto & Santana (2021), International Monetary Fund and Ecoanalítica.

Evolution of interconnectivity in Venezuela: lagging behind

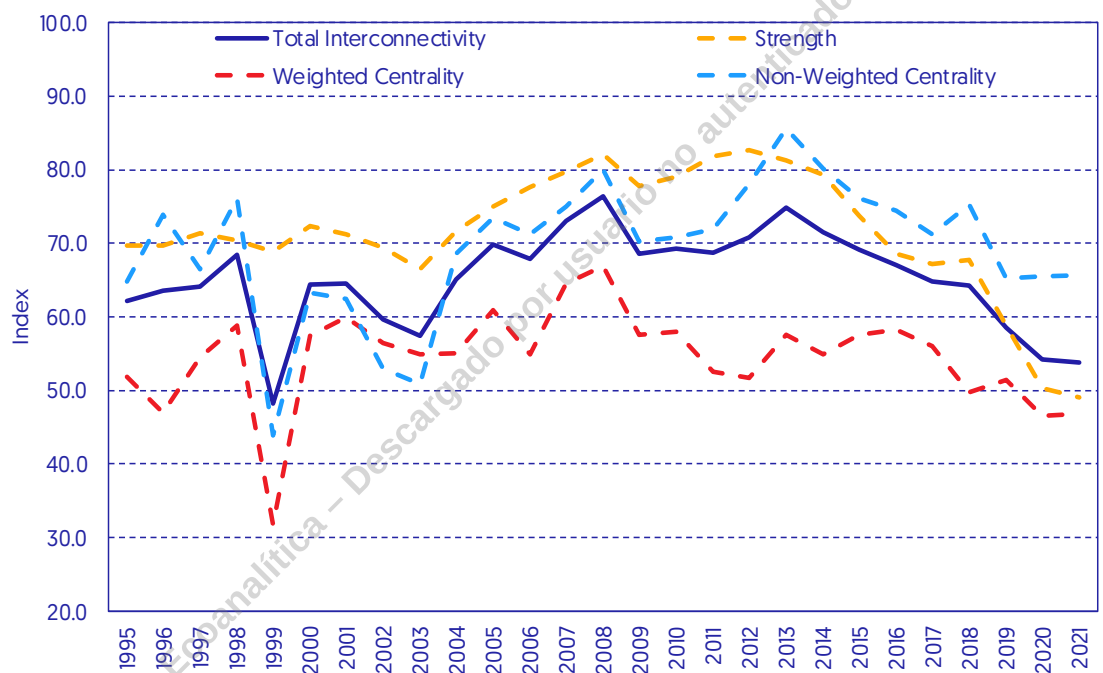
Venezuela's relatively low ranking is the result of a downward trend in the size of its external sector, whose total strength fell from USD 126.806 billion in 2013 to USD 11.2 billion in 2021, a plunge of 91.2%. Added to this are changes in the repertoire of its trading partners. Between 2003 and 2013, the average index for Venezuela was 69.3. Since 2013, it has registered a pronounced negative trend, reaching its lowest point at 53.8 in 2021.



Within the range of metrics analyzed for Venezuela, strength and heavy centrality stand out as those with the largest declines, with decreases of 40.7% and 15.9% between 2013 and 2021, respectively. This reflects that Venezuela's loss of systemic importance is mainly due to the decrease in the country's trade volume, with marginal effects on the number of connections, as a consequence of the collapse of the oil industry and the consequent drop-in economic activity, limiting the country's capacity to finance imports and exports.

On the other side of the coin, we find other Latin American countries, such as Colombia, Chile and Peru, which maintained their indices relatively stable and, in some cases, increased them, despite having been displaced by the rise of emerging economies in other regions, especially in Asia, such as Bangladesh, Vietnam and the United Arab Emirates.

Evolution of interconnectivity in Venezuela

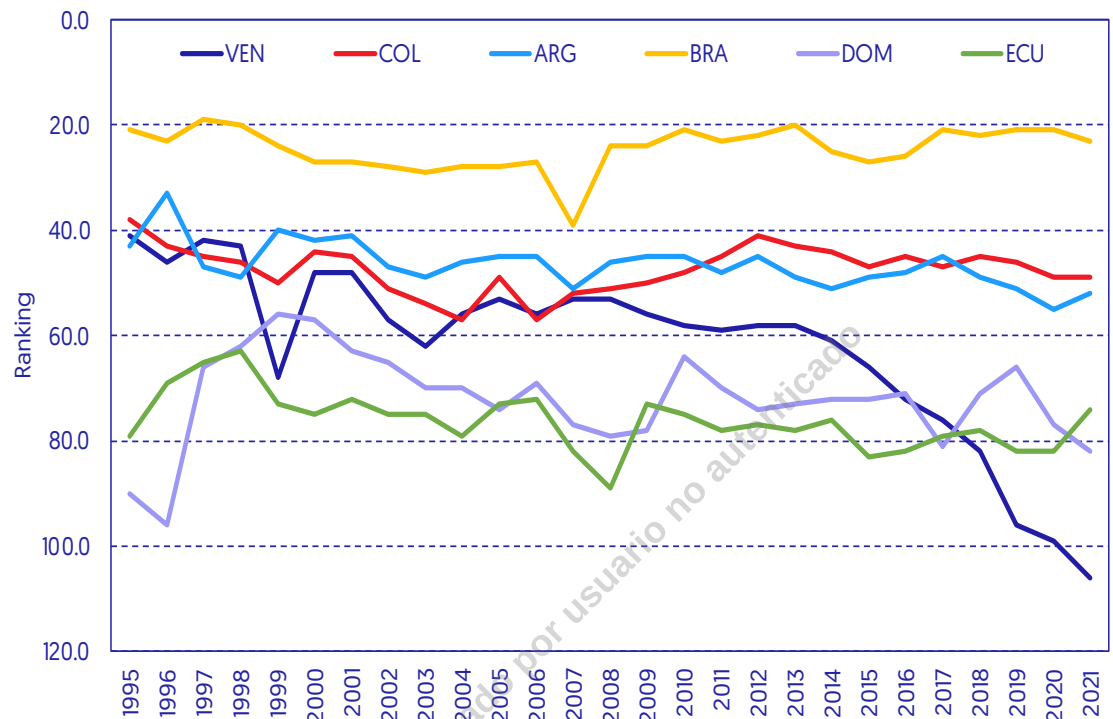


Sources: Cunto & Santana (2021), International Monetary Fund and Ecoanalítica.

Another way to appreciate Venezuela's place within the trade network is in terms of *ranking*, or its position over time. In 2001 Venezuela was ranked 48th and by the end of the period it was 106th [its lowest position], which is equivalent to a drop of 58 places. Between 1995 and 2001, Venezuela orbited among the 50 most systemically important countries, with oscillations in the margin created by the entries of countries such as Slovakia, Romania and Pakistan.



Evolution of the interconnectivity ranking by country



Sources: Cunto & Santana (2021), International Monetary Fund and Ecoanalítica.

Implications for an economy left out of the game

At **Ecoanalítica** we consider that the analysis of systemic trade interconnectivity allows us to obtain a detailed vision of global trade dynamics with a rich range of edges to see the ways in which a particular jurisdiction fits into that network. In the case of Venezuela, we found a substantial loss of the influence it can exert on the network, which has important implications for policy makers and economic agents involved in the external sector:

- The strength of the Venezuelan external sector faces substantial restrictions in terms of its productive and financial pillars, so it is unlikely to see a substantial expansion in the short term. The most ample space to recover ground given the Venezuelan economic structure is in the area of interconnectivity.
- Interconnectivity gains should come from the establishment of new commercial edges or the recovery of edges that have been lost in order to reintegrate Venezuela into the network structure, which must, of course, include the elimination of legal or institutional barriers that may hinder the performance of the private sector.
- The reduced diversification and complexity of the Venezuelan export profile²⁵ limits the space for its integration into the trade network, particularly if it depends almost exclusively on the oil industry. This puts pressure on the development of other industries that can re-establish trade relationships, with the agri-food sector being the most likely to grow given global market trends.

²⁵ Atlas of economic complexity. (2022).

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- The analysis of trade interconnectivity opens avenues for the study and modeling of trade shocks along the network and their impact on individual participants. In the Venezuelan case, this adds an additional monitoring component to its external sector, beyond the absolute size of its exports and their composition in terms of goods and services.
 - In that sense, Venezuela's profile makes it less likely to be a catalyst for shocks affecting the network in general, just as its relative trade isolation means that, at the margin, shocks to the entire system are not as pronounced as they are for more open emerging economies, except that this does not exempt it from negative reactions in the event that high-profile partners, such as the United States, China or Europe, suffer shocks of their own.

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Weekly Indicators

	3rd Week September	Weekly chg. (%)	Depre/Apre (pp)
FX Boards (VES/USD) ²	8.0	0.3	0.3
	1st Week September	Weekly chg. (pp)	Annual chg. (pp)
Lending Interest Rate (%)	56.6	-1.6	3.8
	3rd Week September	Weekly chg. (pp)	Annual chg. (pp)
Overnight Interest Rate (%)	90.5	87.1	-42.6
	2nd Week August	Weekly chg. (%)	Annual chg. (%)
International Reserves (USD Bn)	10.1	-0.06	0.6
	1st Week September	Weekly chg. (%)	Annual chg. (%)
Monetary Liquidity (MM VES)**	9,981.8	-3.7	302.5
Price of International Oil Baskets (USD/b)			
	2nd Week August	Weekly chg. (%)	Annual chg. (%)
WTI	85.3	-6.1	21.0
Brent	90.4	-5.1	22.8
Price of the Venezuelan oil basket (USD/b)			
	5th Week July (2020)	Weekly chg. (%)	Annual chg. (%)
Weekly Average	22.4	0.0	-61.9
Annual Average	28.8	-0.7	-51.7

Sources: BCV, MENPET, ONT and Ecoanalítica.

*Annual variation of accumulated expenditure.

**Reconverted amounts.

¹Depreciation (+)/Appreciation (-)

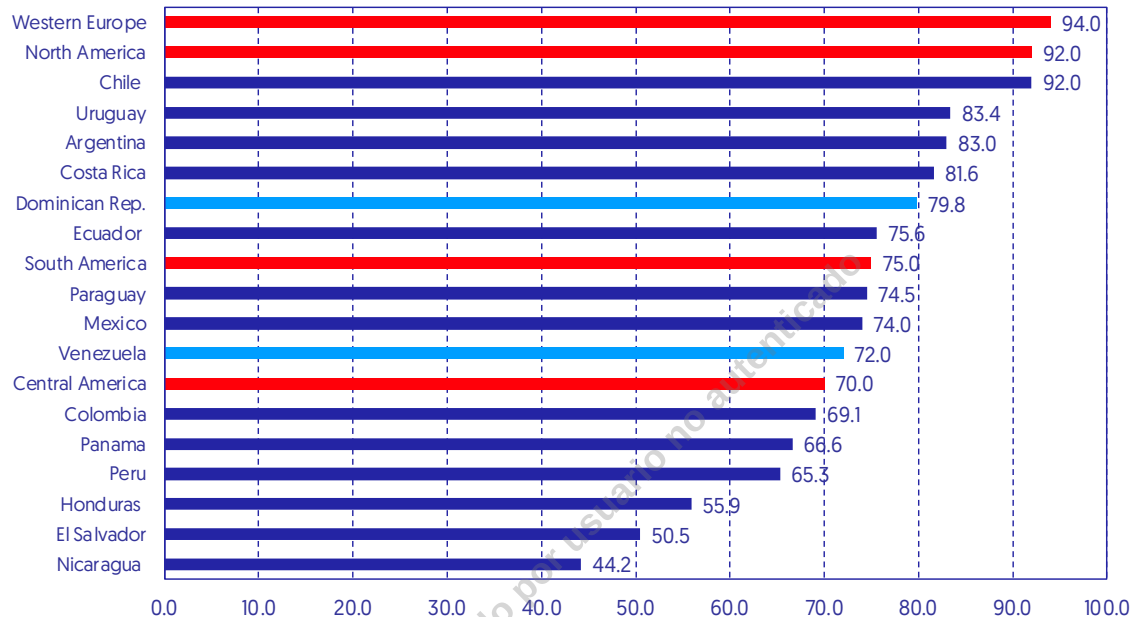
²FX Boards' average exchange rate.



Graphic of the week

With access to the search engine?

People with Internet access (% of population)



Note: Data as of February 2022.
Sources: DataReportal and Ecoanalítica.

The use of the Internet has become a fundamental pillar in people's daily lives and its importance intensified with the arrival of the COVID-19 pandemic, which made it necessary for all citizens of the world to seek employment or communicate through an Internet or mobile data connection.

Despite how essential internet access has become in the last two decades, it is important to highlight that in countries such as Nicaragua [44.2%], El Salvador [50.5%] and Honduras [55.9%] the population's access is still very low. In contrast, other Latin American countries such as Chile [92%], Uruguay [83.4%], Argentina [83%] and Costa Rica [81.6%] have achieved Internet access for more than three quarters of their respective populations, being above the average for Central America [70%] and South America [75%].

On the other hand, the most developed countries of the continent, such as Canada and the United States, have the highest Internet access in the region: 9 out of 10 people have a connection [92%]. The latter are only behind Western Europe, which has prioritized the development of telecommunications and has managed to bring the Internet to 94% of its population. In comparison with these data, Venezuela [72%] is barely above the average value of Central America, being among the last in the list of South America without even surpassing the average of the region and significantly far from the average of regions such as North America or Europe.

Thus, it can be assumed that access to the Internet in each country has depended on the political, social and economic situation that has allowed, to a greater or lesser extent, investment in Internet and mobile telephony services so that its citizens can have access to the network. On the other hand, specifically with Venezuela, the data suggest that access to the network continues to be one of the areas where the country continues to lag behind the region.



Tips **Economic, oil, sectorial and political**

ECONOMIC TIPS

August inflation. The BCV reported that monthly inflation in August was 8.2%, the second highest figure so far this year. With this, interannual inflation continues to decelerate, standing at 114.2%, 23.0 pp. below that recorded in July.

In last place (I). According to the Economic Freedom of the World 2022, conducted by the *FRASER* Institute, Venezuela ranks at the bottom of a list of 165 countries that measures the degree to which institutions and policies support economic freedom. Thus, Venezuela is at the bottom of the "mostly unfree economies" category, with poor records mainly in the sections of currency stability, regulations and property rights, and legal system.

In last place (II). On the other hand, the country returned to the last place in the International Property Rights Index 2022, prepared by the Property Right Alliance, placing it below countries such as Haiti, which occupied that place in 2021. In the list of 129 countries, Venezuela's worst performance is observed in the categories of judicial independence, rule of law and property registration.

In the (pen)last place (III). According to the Index of Economic Freedom 2022, prepared by The Heritage Foundation, Venezuela ranks second to last in a list of 177 countries in terms of economic freedoms, surpassing only North Korea. Thus, Venezuela is at the bottom of the category of "repressed" countries, after showing a deterioration in the indicators related to the rule of law and freedom of business, while it observed improvements in the indicators related to the size of government and freedom of labor.

Interventions continue. In the first two weeks of September, the BCV made two foreign exchange interventions, the first for USD 125 million and the second for USD 80 million. The sale price of the first intervention was VES 7.99/EUR, equivalent to VES 7.96/USD, while the second intervention was placed at a rate of VES 8.00/EUR or VES 7.98/USD.

The BVC adjusts downwards... As of September 9, the main index of the Caracas Stock Exchange (IBC) continues to adjust downwards, closing at 8,727.3 points, 10.0% below the maximum reached on August 26. It should be noted that such maximum was reached after registering a weekly variation of 30.5%, coinciding with the instability of the exchange market.

...and lags behind. Thus, the IBC recorded a cumulative growth of 47.5% so far this year, which contrasts with the variations of the exchange rate, which in the same period reached an increase of 73.2% in the official market and 73.9% in the unofficial market.

Money tables. For the last week of March, the average money desk rate was VES 8.0/USD, representing a 0.3% depreciation from the previous week.

OIL TIPS

Production increases... OPEC's monthly report reported that Venezuelan oil production in August was 723 kb/d, as reported by primary sources. This figure represents an increase of 14.9% with respect to July's production level.

according to both sources. According to secondary sources, Venezuelan crude oil production stood at 678 kb/d in August, which means that it was only 0.9% above the 672 kb/d produced the previous month. It is noteworthy that the gap between what



was reported by both sources has widened again, after remaining relatively small for a short period of time.

Lower prices, although still high. The price of Merey, Venezuela's benchmark crude oil, decreased 5.5% month-on-month in July to USD 80.03/bl. The fall in the price of Merey was less than the 6.1% decrease in the price of the OPEC reference basket. With this, this crude has averaged a price of USD 81.61/bl in the first 7 months of the year, which represents an increase of 70.4% compared to the same period of 2021.

Quota cut... At their September meeting, OPEC+ countries decided to reduce their October production target by 100 kb/d, returning to the production quotas in place in August, due to growing recession fears. Although the next meeting is scheduled for October 5, the group left open the possibility of extraordinary meetings to respond to market developments.

with limited effect. However, according to Argus, this measure is a symbolic reduction that may serve as a guide for the market, but will have little or no impact on crude supply due to the failure of OPEC+ countries to meet the production quotas set. In fact, in August the group's combined production was 3.4 mb/d below its target for the month, with Russia and Nigeria falling farthest from their target.

Price cap. The G7 members agreed to impose a price ceiling on Russian crude oil, which will be set at a level determined by numerous technical elements. The aim of the plan is to reduce Russian revenues and its ability to finance the war in Ukraine, while minimizing the economic consequences of the conflict.

Russian response. Russian President Vladimir Putin threatened to suspend oil and gas supplies to countries that support the imposition of a price cap on Russian energy. Putin pointed out that there are contractual obligations and that, if they are altered by political decisions, Russia will not comply with them. Additionally, the Russian president recalled that in the past the Russian company Gazprom offered long-term fixed-price contracts to European countries and they decided to stick to market prices.

SECTORIAL TIPS

At 60% capacity. José Guerrero, president of the Venezuelan Petrochemical Workers Union (Pequiven), explained that 60% of the country's plants are operational and commented that this is due to *"the synergy that exists with PDVSA, which has supplied them and has given them reliability"*. In addition, the trade unionist pointed out that it is projected that by the end of the year, all the plants in the country will be 85% operational by the end of the year.

Survival Basket. The Venezuelan Observatory of Finance (OVF) reported that a family of 4 members needed VES 208.38 or USD 25.17 to cover the Survival Basket in week 35 of this year. Through *Twitter* they commented that the variation of prices in bolívares was 3.22%, and in dollars it was 6.71%.

They were not met. The president of the Superior Council of Tourism (Conseturismo), Leudo González, informed that the expectations of hotel occupancy and mobilization for this vacation season were not met. He also indicated that there was not enough demand for air tickets for this season. Finally, he explained that an occupancy rate of 60% was expected in Nueva Esparta and, at the end of this vacation period, it was much lower.

Flights are authorized again. After Colombia and Venezuela announced the resumption of diplomatic relations and the reopening of the border as from September 26, the National Institute of Civil Aeronautics (INAC) authorized regular passenger, cargo and mail flights between the two countries. It is expected that after this announcement, the first routes from Bogotá [BOG] to Valencia [VLN] and Caracas [CCS] will be resumed, in addition to the return of airlines such as Avianca and LATAM.



Only 2%. The president of the Venezuelan Chamber of Construction (CVC), Enrique Madureri, stated that currently only 2% of what was built in 2012 is being built in the country. Madureri pointed out that the private sector has only carried out small works such as remodeling, driven by the return to offices. Finally, the CVC president invited the executive to include the private sector in the country's construction plans.

Recovery of production. Saúl Elías López, agronomist engineer and president of the Venezuelan Society of Agronomists Engineers, informed that more than 45,000 hectares have been recovered in production in the country. The engineer explained that the recovery of these spaces has been almost entirely by the private sector. Finally, he explained that in order to continue recovering productive spaces in the country, it is necessary to pay attention to issues such as legal insecurity, which hinders investment in the sector.

POLITICAL TIPS

Reopening of the border. After the cessation of relations between Venezuela and Colombia in 2019, Gustavo Petro, president of Colombia, announced that by September 26 the border with Venezuela will be opened, resuming the air and cargo transport connection. Petro explained that this step confirms *"the government's commitment to reestablish brotherly relations"* with Venezuela.

Elections announced. Nicolás Maduro, during an act for the fourteenth anniversary of the Youth of the United Socialist Party of Venezuela (JPSUV), made reference to the upcoming electoral processes in the country and confirmed their dates. He claimed a *"great victory"* for the presidential elections of 2024 and invited to prepare for the joint elections of the National Assembly, mayorships and governorships in 2025.

They demand a date (I). The opposition gathered in the "Unitary Platform", composed by 11 political parties, requested to define the characteristics and dates of the primary elections announced 4 months ago by the Venezuelan opposition, to consolidate the candidate that will face Chavism in the presidential elections of 2024.

They demand a date (II). Gustavo Mujica, national coordinator of Izquierda Democrática, explained that *"these primaries must not be secret, the date of the process must be known by the whole country as soon as possible and, furthermore, it is fundamental that they be conducted by suitable citizens, who have no links with political parties"*. They also commented that it is the responsibility of the Unitary Platform *"to define the characteristics of the primary process"*.

They demand a date (III). In the same vein, Carlos Ocariz insisted on the proposal to hold the primary elections next June 24, and invited the country's opposition to reach an agreement to set a date for this electoral process.

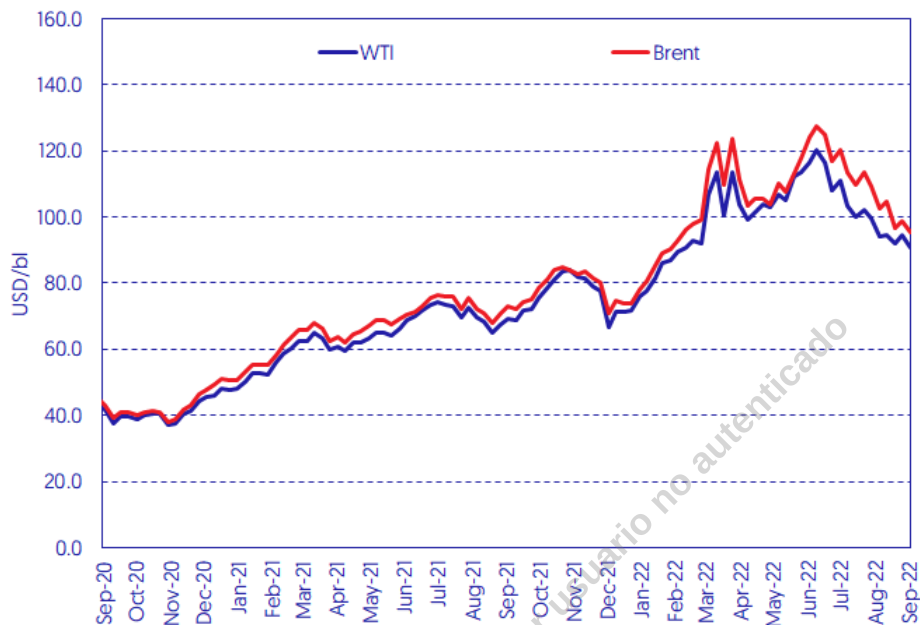
Venezuelans through the Darien. According to David Smolansky, commissioner of the Organization of American States (OAS), between January and August of this year 68,000 Venezuelans crossed the Darien Jungle. He explained that in August, 23,000 Venezuelan migrants passed through the jungle between Colombia and Panama.

As guarantor in negotiations. Gustavo Petro, president of Colombia, informed that he formalized the request to Nicolás Maduro to act as guarantor in the negotiations with the National Liberation Army (ELN). The two presidents had a telephone call and agreed to have a meeting in Caracas as soon as possible to plan the strategy to be followed in the negotiations.



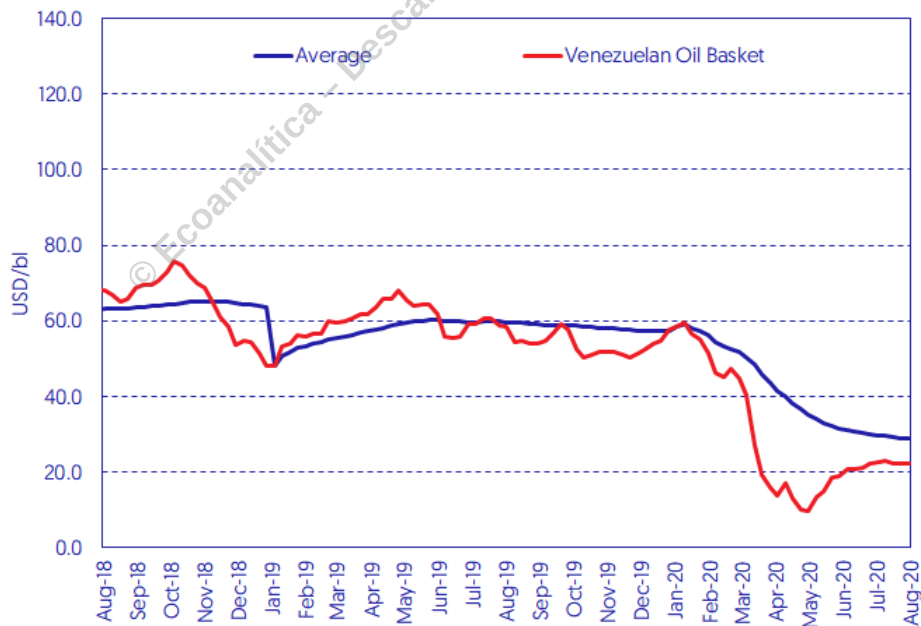
Economic Indicators

Oil prices (WTI and Brent)



Sources: Menpet and Ecoanalitica.

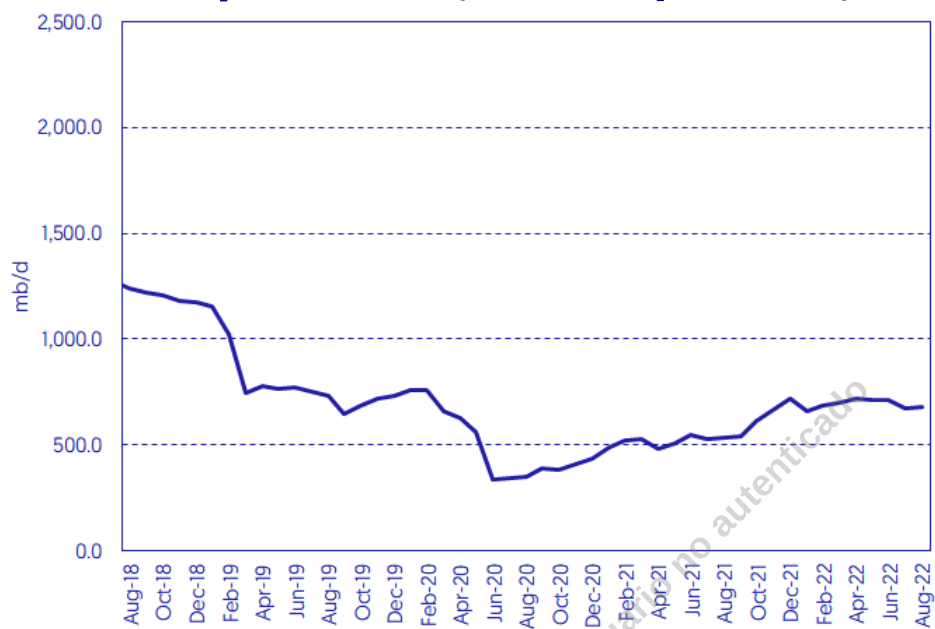
Oil prices (Venezuelan basket)



Sources: Menpet and Ecoanalitica.

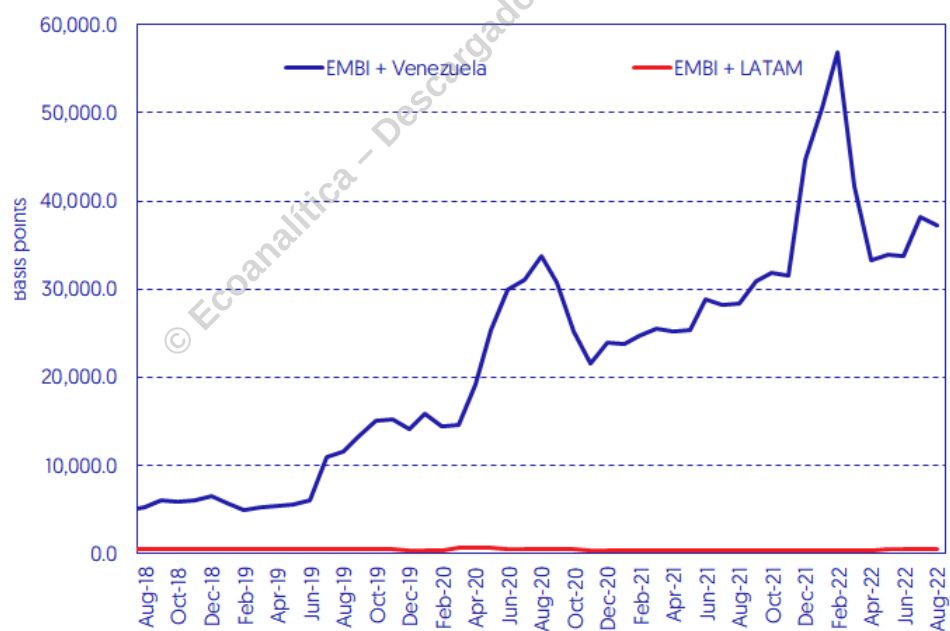


Oil production (secondary sources)



Sources: OPEC and Ecoanalítica.

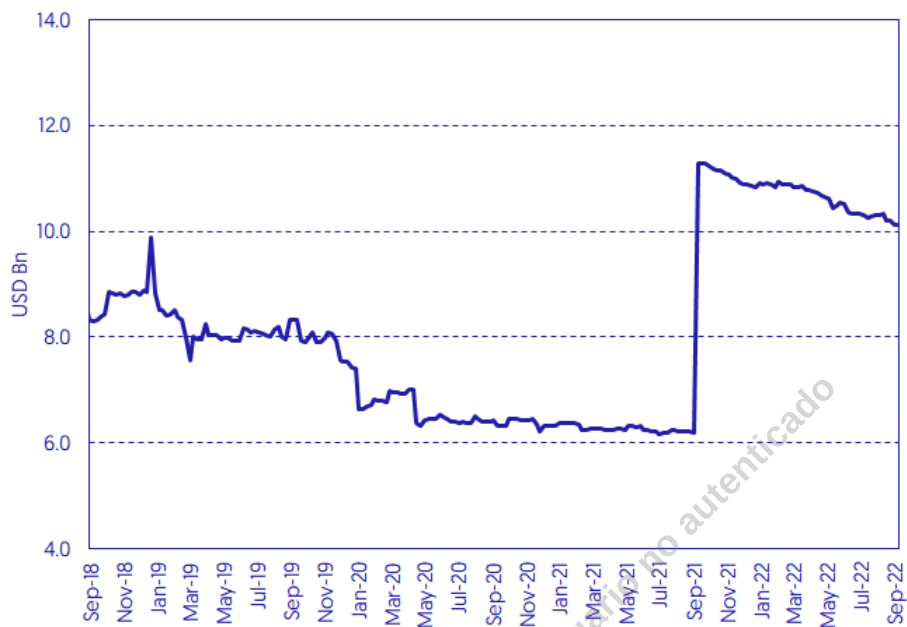
EMBI



Sources: BCRP and Ecoanalítica.

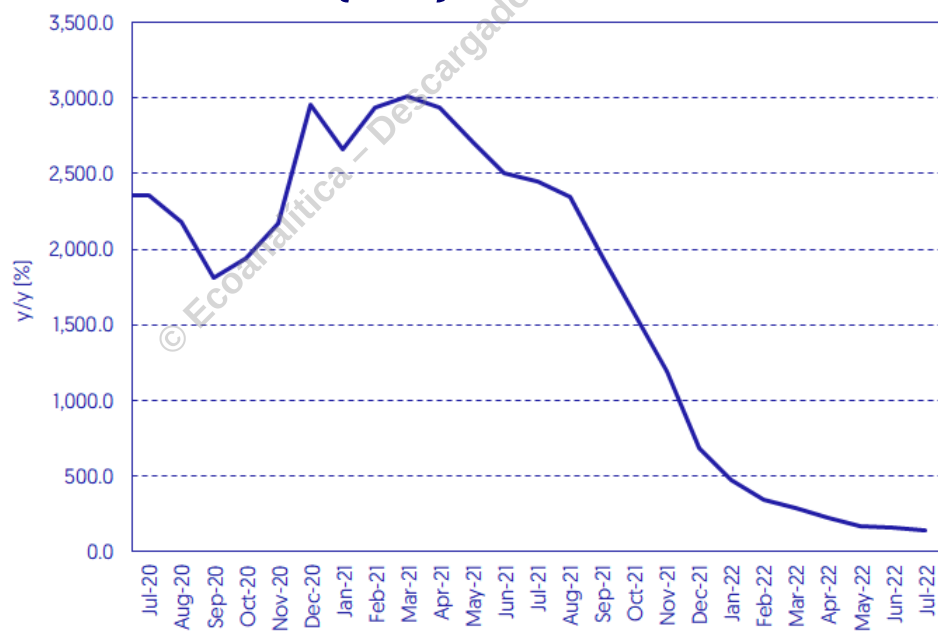


International reserves (BCV)



Sources: BCV and Ecoanalítica.

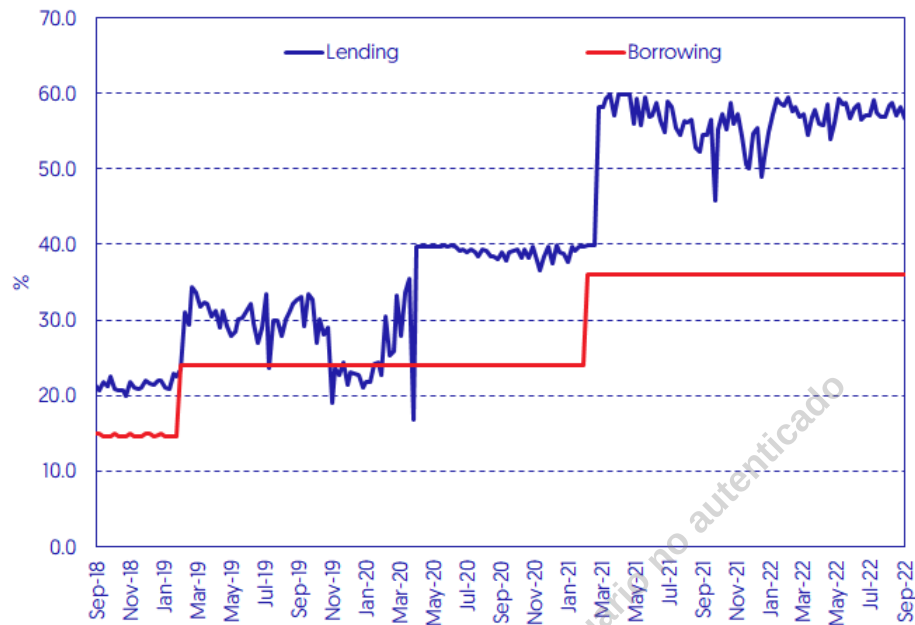
Inflation (BCV)



Sources: BCV and Ecoanalítica.

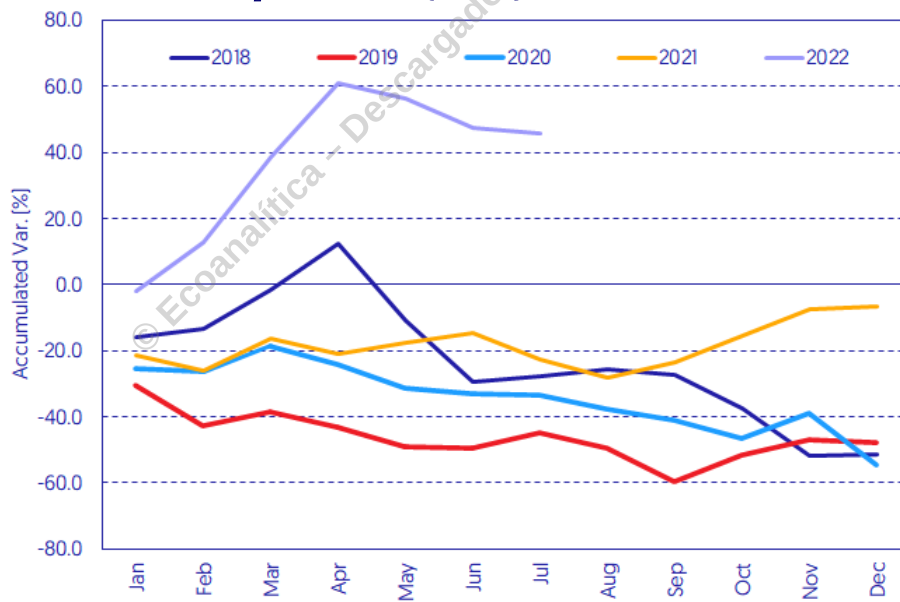


Interest rate (six major banks)



Sources: BCV and Ecoanalítica.

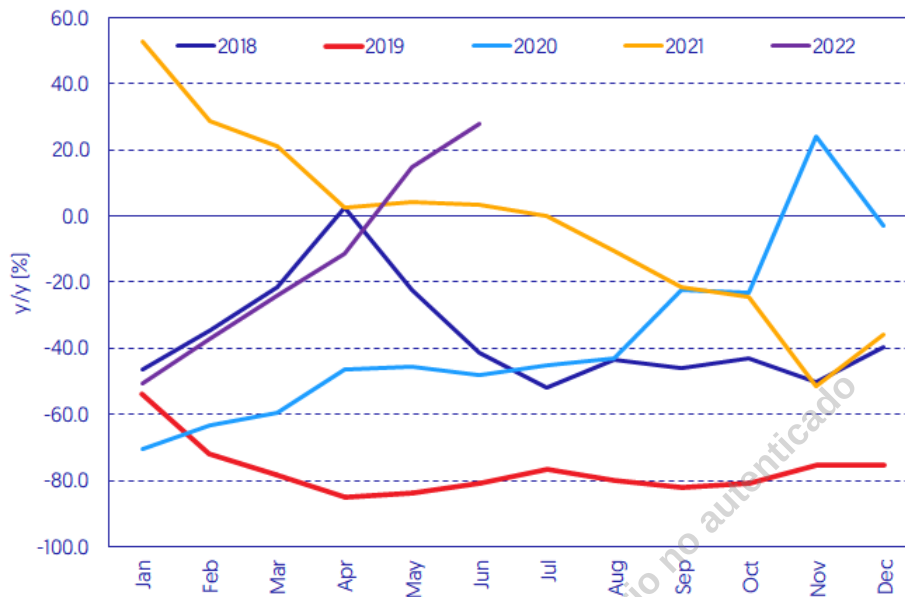
M2 Expansion (real)



Sources: BCV and Ecoanalítica.

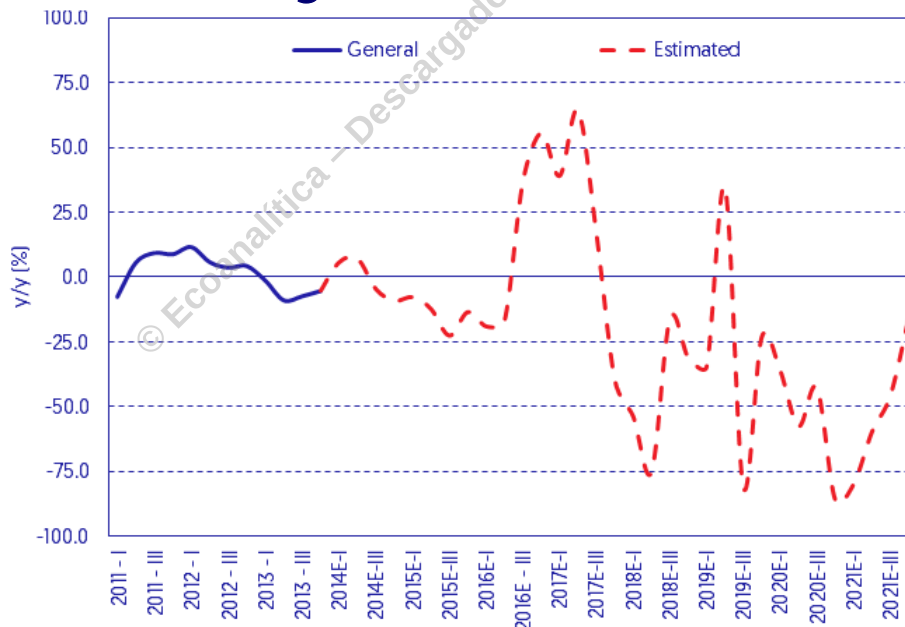


Loan Portfolio (real)



Sources: Sudeban and Ecoanalítica.

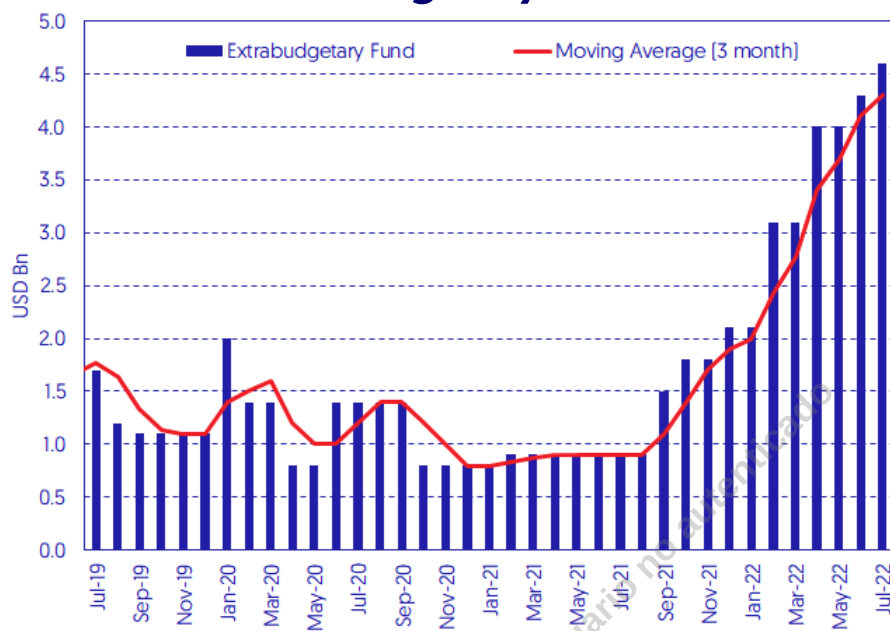
Real wage index



Sources: BCV and Ecoanalítica.



State extrabudgetary resources



Source: Ecoanalítica.





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