



Weekly Report

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WHAT'S AHEAD IN 2009?

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In our first Weekly Report of the year, *Ecoanalítica* would like to offer a general outlook of what to expect, with regard to the economy, during these first few months of 2009. 2008 closed with figures clearly showing that Venezuela has ended its economic bonanza cycle and is now entering another stage.

2008 results

Venezuela's economic figures at the close of 2008 reveal four fundamental aspects:

1. A slowdown in economic growth that went from 8.4% in 2007 to 4.9% in 2008. This was mostly due to a slowdown in consumption that went from 16.1% in 2007 to 6.3% in 2008 and a drop in investment of 2.1% when in 2007 it increased by 25.4% compared to the previous year.
2. Inflation for the year reached 30.9%. In other words, 2008 was a year of high inflation and a slowdown of economic activity.
3. On the foreign scenario, oil prices behaved favorably which allowed the balance of payments to close with a surplus in the current account of US\$ 45.97 billion. However, there was an increase of only 4.7% in



imports and a spike of 62.7% in the deficit of the balance of payments' capital account.

4. The behavior of oil prices during the year leads us to think that the fiscal situation at the close of 2008 is not complicated. Unfortunately, the Ministry of Economy and Finance (MEF) has yet to release the figures for the close of 2008. According to our calculations, the Central Government closed the year with a deficit of 2 points of GDP, but the liquid extraordinary resources accumulated in different funds equals around US\$ 30.0 billion.

How did 2009 begin?

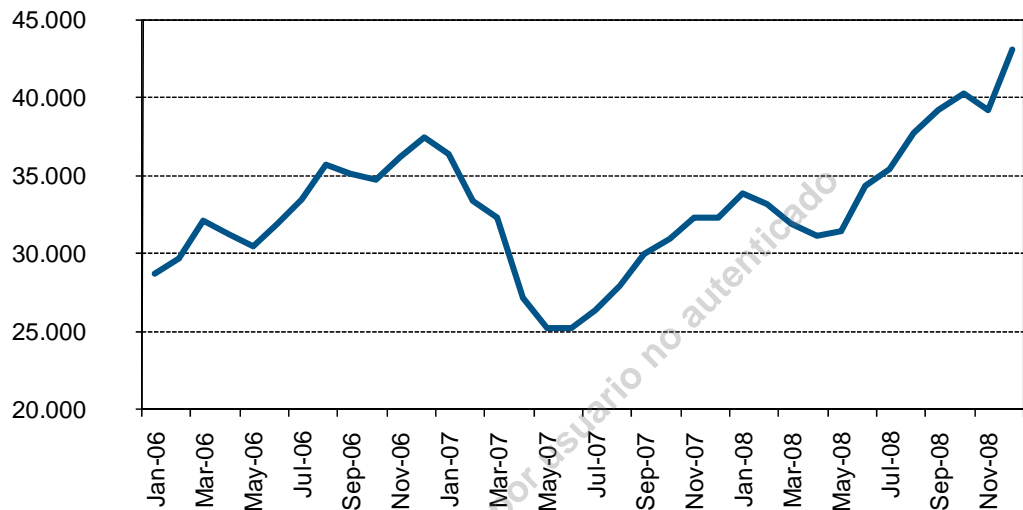
The beginning of 2009 has been characterized by some timid economic measures and by the expectations of the economic agents that the Government is getting ready to make an economic adjustment. With regard to recent economic measures, they have all been focused on CADIVI rationing the use of foreign currency, which seems to be a logical move when you take into consideration the significant drop in price of the Venezuelan oil basket. They have also focused on improving tax collection mechanisms. To date, the Executive Office has not implemented any measures that could be qualified as being part of a new economic package. In fact, the Minister of Finance, Alí Rodríguez, has been emphatically insisting that no new measures are in the works.

At **Ecoanalítica**, we believe that the Government will postpone its economic adjustment as long as it can, and due to all the surplus resources it has accumulated during the bonanza years, it still has plenty of room to maneuver. We base this statement on the fact that the Government's financial needs this year will be around US\$ 28.0 billion, an amount which can be covered by the US\$ 30.23 billion in extraordinary resources that we estimate the Government has accumulated during the bonanza years. This amount of extraordinary resources does not include the upcoming transfer of international reserves to FONDEN which we estimate could be for between US\$ 7.0 billion and US\$ 10.0 billion.





**Foreign Reserves
(Million US\$)**



Sources: BCV and Ecoanalitica

What can we expect?

During the last 20 consecutive quarters, Venezuela's GDP has grown at an average rate of 10.1%, which has made the Venezuelan economy be one of the best performing in this regard in Latin America. As has been clearly established, the last few years ever increasing oil prices on the international market along with the restrictions created by the exchange controls have been the only sources stimulating Venezuela's economic growth.

However, starting from this year, the country's economic growth rate will begin to show a different trend, and we ratify that our estimate of its growth rate for 2009 will be at 0.6%, with an evident slowdown in economic activities, including the oil sector due to OPEC cutbacks. Furthermore, the drop in oil revenues will force the Government to be more careful about how it uses its foreign currency, and therefore CADIVI will become even stricter when it comes to authorizing foreign currency requests, which will drastically cutback on imports. This will significantly impact the level of shortages of essential goods on the market, since up until now, the gap between domestic demand and supply has been covered by imports.

With regard to employment and salaries, at Ecoanalítica, we project that unemployment, which closed 2008 at 7.5%, could bounce back up in 2009





due to the economic scenario we have been describing. Therefore, we estimate that unemployment for 2009 will be around 11.0%.

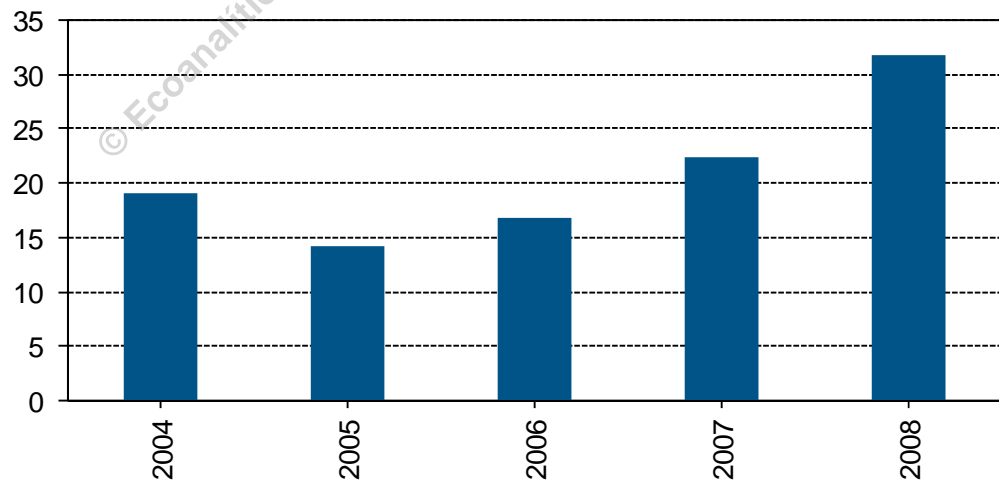
CADIVI more restrictive

We continue to think that this year, and especially during the first quarter, we will see increasing control of imports, the use of extraordinary resources to ward off the effects of the crisis, another transfer from the international reserves to FONDEN, and more debt being acquired, especially domestic debt with PDVSA playing a key role in controlling the parallel exchange market. Different from what we stated in our preliminary scenario, we now believe that the Executive Office will postpone the decision to devalue the currency, even beyond the first quarter.

Inflation continues to be a problem

Despite a scenario in which economic activity is slowing down, the lack of economic policies attempting to make domestic production more compatible with domestic demand, with CADIVI placing even more restrictions on imports, leads us to estimated that inflation this year will be worse than in 2008 and settle around 39.2% (the official 2009 Budget estimates inflation at 15% for 2009).

Caracas Inflation Rate



Sources: BCV and Ecoanalitica





**Interest rates
tending to drop**

In 2009, in a scenario of fiscal cutbacks, reinforced by what has been established in the 2009 Budget Law, we expect monetary policies to be implemented much like they were in 2008. We expect a nominal increase in liquidity (M2) of around 23.7% this year. Regarding interest rates, in a scenario of economic slowdown, we don't expect interest rate ceilings to be modified by the Central Bank of Venezuela (BCV), and we don't rule out that they may even drop.

**The Government
will cutback on
spending but it
won't have any
serious fiscal
problems**

At *Ecoanalítica*, we have always believed that the Government is quite pragmatic when it comes time to establishing its fiscal policies given that it has a history of adjusting to the circumstances it is presented with, increasing or cutting back public spending depending on how oil revenues are doing. It's important to point out that the problem with this strategy, which we have at times called the "shopkeeper strategy," is that in the long run spending tends to become less and less flexible, making it more difficult to implement cutbacks, and this produces ever increasing problems for future periods of low oil revenue.

Though the current fiscal situation is not critical, even with oil prices continuing to be low, it's also important to underline that the current scenario does not allow the Government that same amount of freedom to continue operating as it has been doing the past few year, spending without limits. In 2009, with an average price for a barrel of oil set at US\$ 48, the Government will not be able to continue to accumulate extraordinary resources, rather it will have to use a considerable amount of them.

**2009 is a trial
phase, but 2010
will be the real deal**

The behavior of the main economies of the world leads us to believe that the global economy is entering into a phase in which economic activity will significantly slowdown, practically a recession stage, and this leads us to think that it is quite probable that oil prices will continue to reflect their current tendency to drop and/or remain low, even beyond 2009. So, in 2010, when the Executive Office doesn't have anymore extraordinary resources to fall back on, the Venezuelan economy will enter into a period of significantly more dramatic economic adjustments.

In closing, we would like to highlight the three most worrying aspects facing us in 2009: 1. High inflation, plus the fact that we expect shortages to





become more pronounced; 2. The flow of foreign currency given the significant drop in oil revenues, which will negatively affect the financing of imports and how the parallel exchange market will behave, and lastly; 3. The reoccurring issue of the lack of private investment and all the limitations that this situation creates.

Economic Tips

2008 inflation: The highest in 12 years. According to BCV figures, in December inflation jumped 2.6%, which added to what it had accumulated during the rest of 2008 closed at 30.9%, not anywhere near the 11% inflation rate promised by the Government at the beginning of the year. Caracas metropolitan area inflation in December registered 2.65%, and closed the year out with an accumulate inflation rate of 31.9%.

Fifth year in a row of economic growth. Economic growth in 2008 (real terms) settled at 4.9%. The oil sector registered a growth of 3%, due mainly to regeneration of crude oil and natural gas activities. This breaks the tendency to shrink the sector has been reflecting since 2005. The non-oil sector showed a growth of 5.3%.

Public sector grows more than the private sector. The public sector registered grow of 15%, in part due to the nationalization of the electric power sector and telecommunications, as well as the increase in volume of energy generated and transmitted, the increase of telephone subscribers, and the minutes being billed. The private sector increased by 2.7%, very modest compared to the 8% it grew in 2007.

Foreign accounts result in an increase in international reserves at the close of 2008. Preliminary official figures regarding the foreign sector show that there was a surplus balance at the close of 2008 equaling US\$ 4.16 billion. The current account balance was at US\$ 45.97 billion, which reflects a high increase in exports (44.5%) compared to a modest increase in imports (4.7%), which led to a balance in the goods account of US\$ 52.32 billion. The capital and financial accounts presented deficits, but despite this, international reserves increased and settled at US\$ 43.05 billion at the close of 2008.





Economic slowdown and high inflation. Analysts, and the CEPAL, estimate that the Venezuelan economy will grow by between 1% and 3% of GDP in 2009. These figures contrast with those released by the Government which estimate the economy increasing by 6%.

Untouched by the crisis? Venezuela presents the highest country risk index in Latin America (18.70%) and the World Bank estimates that its economy will grow by 1% in 2009. Given investor's aversion to risk, in the case Venezuela was to need financing, it would have to agree to fairly high interest rates.

2008 surplus resources at VEF 39.50 billion. According to information coming from the Ministry of Economy and Finance, 2008 surplus resources were at around VEF 35.0 billion. It's expected that a portion of this amount has been earmarked for the Miranda Fund and the rest to help finance public spending approved in the 2009 Budget Law. However, it's important to point out that a part of those funds would have to go to finance supplementary appropriations that were approved in 2008, so the amount available for financing the 2009 Budget could be quite a bit less.

Miranda fund to cover Budget deficits. Financial authorities will mainly be focused on keeping a close eye on oil prices during the first month of the year in order to determine if they will use Miranda fund resources to cover project deficits.

Other measures. In February, depending on how January figures turn out, it's expected that other measures will be implemented. Tax policies will certainly be reviewed, and establishing a tax on electronic transactions and credit card payments will be considered as well as reviewing the Value Added Tax (VAT) rate. However, the Minister of Economy and Finance, Ali Rodríguez, has stated that such measures are not being considered.

Studying ways to streamline tax collecting. The National Government, in order to be able to have more available cash on a daily basis to cover public spending, is evaluating implementing mechanisms which will allow it to accelerate the flow of funds coming from the collection of VAT into the Treasury. The Ministry of Finance has requested that of the 9% Vat that every person pays when it purchases an item with a credit card, 2% of that amount should immediately be deposited in the Treasury account.

Unemployment at the close of 2008 and the Firing freeze. According to the president of the National Statistics Institute (INE), Elías Eljuri, the yearly unemployment rate for





2008 closed at 6%. He also pointed out that the unemployment rate has progressively dropped during the tenure of the current Administration; however, this figure has been enhanced by the firing freeze that has continuously been in effect since May of 2002, when it was implemented. It is currently still being enforced. Unemployment figures have also been enhanced by the change in methodology in the way this index is being calculated.

SENIAT tax collection. According to the figures released for January to November, tax collection reached a total of VEF 65.70 billion, this figure represents 8% more than what was budgeted for the whole year. Most of the taxes collected came from the VAT, which increased by 85.1% compared to the same month last year; closely followed by Income Tax collection, and then customs taxes collected.

NATIONAL TAX COLLECTION				
(VEF Millions)				
NOVEMBER				
	2008	2007	Var %	Real Var %
TOTAL	6.129	6.911	-11,31	-11,1
Income TAX	1.728	1.888	-8,46	-8,3
Tax	3.058	1.652	85,15	83,3
Customs	1.615	1.771	-8,85	-8,7
Others Incomes	460	354	29,73	29,1
JANUARY- NOVEMBER				
	2008	2007	Var %	Real Var %
TOTAL	65.703	49.056	33,9	25,6
Income TAX	19.789	17.506	13,0	9,7
Tax	20.373	15.346	32,8	24,7
Customs	15.264	14.658	4,1	2,9
Others Incomes	4.663	1.546	201,7	153,3
ITF	5.614	-	-	-

Sources: SENIAT and Ecoanalitica





CTV (labor union) demands 40% salary raise. Due to consumer prices increasing so much in 2008 and the fact that inflation is expected to continue to increase, Manuel Cova, secretary general of the Venezuelan Workers Confederation (CTV), expects the Executive Office to decree an across the board raise in pay and salaries this month, and in his opinion it should be for at least more than 40%.

Subsistence salary. Currently, doctors working in Venezuelan hospitals are receiving an average salary of around VEF 1,200, which is not at all compatible with the price of the basic food basket. A meeting with the Minister of Labor is expected in the coming days to negotiate a more just salary.

Interest Rates. Active Interest rates closed the first week of January with a decrease of 7.83% over the previous week, closing at 20.14%. On the other side, the increase in the rate of term deposits was 3.82%, from 17% to 17.65%. The passive rate remained at 15%.

International Reserves. The international reserves showed an increase of 13.2%, going from US\$ 37.965 million at the close of the fourth week of December to US\$ 42.969 million at the close of the first week of January.

Monetary liquidity. At the end of the first week of January, the monetary liquidity recorded an increase of 0.27% over the previous week to close at VEF 191.456.000 million.

Oil Tips

Close of 2008. 2008 closed with an average price for a barrel of Venezuelan oil at US\$ 86.81. This generated a surplus of US\$ 51.80 per barrel since the 2008 National Budget was based on an oil price of US\$ 35 per barrel.

Slight recovery. After having fallen to below US\$ 30 per barrel, Venezuelan crude oil bounced back slightly during the second week of January 2009 and closed at US\$ 37.62 per barrel. According to the Ministry of Energy and Petroleum, the Venezuelan oil basket gained US\$ 4.71 compared to the previous week when it was at US\$ 32.91. The





average price for oil for the first few days of month of January was at US\$ 37.17. This price is 37% below what 2009 Budget was based on.

Ups and downs. International oil prices fell during the first week of January. WTI lost US\$ 0.87 and settled at US\$ 40.83 mainly due to the release of high U.S. unemployment figures. Brent crude oil prices increased slightly and settled at US\$ 44.97 and the OPEC basket closed at US\$ 42.13 per barrel.

World oil demand expected to drop. According to reports released by the Energy Information Administration (EIA) regarding world oil demand, it's expected that world demand for 2009 will be 450,000 barrels daily (b/d) less than 2008.

Cutback production. Saudi Arabia, the world's largest exporter of oil, plans to cutback its production by up to another 300,000 barrels per day more than the cutbacks in production implemented by OPEC. According to Saudi sources, it has cutback on supply this month to 8 million b/d.

Another possible cutback. According to Mohammad Ali Khatibi, Iran's representative to OPEC, the organization may cutback production once again at its next meeting which will be held in March if prices continue to drop.

Production cutbacks. PDVSA released a statement informing that it had cutback on the normal volume of crude oil being sent to the refineries in the United States, Chalmette and Sweeney, thereby complying with the cutbacks established in the OPEC meeting held in December.

Less extraction. In a press release by the Ministry of Energy and Petroleum, it points out that on top of the recent OPEC cutbacks introduced (189,000 b/d) there are also the OPEC cutbacks which were implemented in September and October 2008 which must be added to this latest figure. All in all, cutbacks add up to 364,000 b/d, which has led to 17 drilling rigs stopping operations in the western and eastern oil fields, leaving current oil production at 3.01 million b/d, according to official figures.

Cutting back on refining. According to PDVSA's operations and finance report, between January and September 2008 the total volume of crude oil refined was at 2.41 million b/d, down 5.6% compared to the same period in 2007 when 2.55 million b/d was being refined. Medium crude oil supplied to refineries by third parties made up most of the cutbacks along with PDVSA heavy crude oil supplies to refineries.





Less gasoline too. The operations and finance report also revealed that products produced by refining were down by 5% which equals around 136,000 barrels less. Total production during the first nine months of 2008 was at 2.67 million b/d while during the same period in 2007 it was at 2.81 million b/d. Therefore, gasoline and naphtha production was down by 890,000 b/d, which represents a year to year drop of 3% (27,000 b/d) at the domestic and international level.

No adjustment due to drop in oil prices. Jesse Chacon, Minister of Information, stated that Venezuela has enough savings that it will not be affected by the drop in oil prices. The Minister stated that "...during the last ten years we have been able to save enough so that Venezuelan economic activity, investment as well as public spending, will not have to be compromised..."

PDVSA at risk due to Lyondell crisis. According to Bloomberg, PDVSA was listed as being Lyondell's the third largest creditor without guarantees, with US\$233.60 million in debt. According to the U.S. Department of Energy, Lyondell's refining unit has a contract to buy 230,000 b/d of crude oil from PDVSA and imported an average of 198,000 b/d of Venezuelan crude during the first nine months of 2008.

Help to U.S. will continue. At press conference held during the first week of January, Alejandro Granado, president and executive director of CITGO, announced that the fuel subsidy program aimed at helping poor people in the U.S. will continue. In 2008 it helped over 200,000 homes in 23 states. President Chávez also announced that CITGO's social programs in the U.S. would continue.

New oil producing power. Up until now, the Brazilian state-run oil company PETROBRAS and its private partners have identified 12.0 billion barrels of crude oil and natural gas in three new deepwater wells located in the Santos basin which have duplicated its certified reserves. PETROBRAS is expected to invest US\$ 43.0 billion until 2016 in new refineries.

Alternative energy cars. As of April 1, 2009, approximately 30% of all new automobiles sold in the country will use natural gas, this being part of the "Autogas" program promoted by PDVSA. This program is also expected to install conversion centers to convert cars to natural gas nationwide, making them able to run on both natural gas and gasoline.





Business Sector Tips

Housing Sector. The Ministry of Housing and Habitat established that banks have to allocate 10% of their yearly loan portfolio to the mortgage sector and at least 4% to mortgage loans for housing construction, and at least 6% for housing loans to buy principal family housing units.

Rent. Despite the fact that the rent of most houses and apartments has been frozen since 2003, monthly rent for most units is decided by property owners at their discretion. Despite the fact that the current Administration has tried to create incentives for people to purchase homes, housing supply on the market is limited due to among other things, the Government's violation of the rights of private property owners, and limited housing construction projects.

Austerity continues. As of January 1, 2009, CADIVI's new measures governing foreign currency quotas for credit cards took effect. Foreign currency credit card allotments for people traveling out of the country dropped from \$5,000 to \$2,500, and the amount you can withdraw from an ATM every month dropped from \$500 to \$250. The amount allotted for internet purchases via credit card remained the same.

Government looking into supplementing traveling allotment. Former Minister of Finance, Rodrigo Cabezas, pointed out that the Executive Office is looking into authorizing supplement to the new foreign currency traveling allotment when people are traveling to Asia, Europe, or North America.

Foreign purchases made by travelers with their own means of transportation will not be recognized. According to the regulation which established the requirements, controls, and process for applying for foreign currency destined to pay for consumption made while traveling out of the country, in a new addendum, states that all authorizations for foreign currency for credit card purchases of goods and services made while traveling out of the country on trips which began by using ones own means of transportation will remain in effect until January 5th.

CADIVI: Demand for foreign currency surpasses estimates. Manuel Barroso, president of the Commission for the Administration of Foreign Currency, points out that credit card consumption abroad, made towards the end of the month of December,





surpassed what the BCV had provisions for and collapsed the mechanisms which allow for the use of US-dollars assigned for traveling out of the country.

Automobile industry expects to sell 300,000 units in 2009. After a very problematic 2008, the automobile industry returns to its operations hoping that last years problems will not be repeated this year. Given the lack of information regarding how many cars they will be able to import, companies are focusing on local assembly to meet their quotas.

Automotive sector paralyzed. As of November 2008, the Ministry of Light Industry and Commerce (MILCO) was supposed to have informed car assembly plants and importers on the number of vehicles they will be allowed to import in 2009, but to date, no official information has been announced. Without this information, local assembly plants are unable to accurately plan the volume this year's market will have and adjust production accordingly.

Insurance policy premiums increase by 36%. Despite the drop in demand for automobile insurance, due to the drop in production and sales in 2008, the figures released by the Insurance Superintendent's Office at the close of November registered an increase of 36% in insurance policy premiums compared to 2007.

Sidor declares important profits. The president of Sidor, Rodolfo Sanz, announced that the company generated profits for around US\$ 400 million, and he hopes this will help support the development of the country.

Drop in liquid steel production. According to the preliminary figures released by Alfredo Grahan, director of SIDOR, liquid steel production during 2008 was down by 16.9% compared to the previous year (4,307,000 tons vs. 3,578,000 tons). Furthermore, this production volume is 20% less than the plant's current production capacity of 4,500,000 tons. The total number of deliveries also dropped by 36.4%, which generated US\$ 120 million in operation losses.

Hato Piñero (Piñero farm) will be turned into a socialist development unit. According to statements made by President Chávez, the 45 thousand hectares of the well know Hato Piñero located in Cojedes state will be taken over by the State for the purpose of building a socialist development unit to promote agriculture development centers, cattle operations, scientists whose products and benefits will be directly aimed at the people of Venezuela.





Rains affect vegetable crops. The irregular rainy season caused by global warming has affected the supply of agriculture sector items. According to statements made by the vice-president of Fedeaagro, Pedro Rivas, heavy rains in October, November, and December didn't allow farmers to work the fields as they should have been and crops like onions, peppers, and tomatoes have been affected.

Polar flavored rice detained. The National Silo's Superintendent's Office (SADA), reported an inspection carried out on a Polar Foods installation in Guárico state where due to preventive measures 313 tons of flavored rice was detained "which does not meet regulation standards, and does not meet with what is established in the Organic Law for Security and Sovereignty of Food, which states that 80% of production must be reserved for the production of regulated rice."

Venezuela - China Union. The laws approving the agreements made between the Venezuelan and Chinese governments were officially published in the Gaceta. These have to do with measures protecting illicit imports and exports of cultural goods; economic cooperation, and technology in telecommunications, information technology, portal services, as well as cooperation in the steel industry.

Venezuela imports textiles from Bolivia: The Bolivian vice-Minister of Economic Relations and Foreign Trade announced that *Suministros Venezolanos Industriales* (SUVINCA) has begun to make payments for around US\$ 600,000. The Bolivian government hopes to turn Venezuela into one of its main trade partners after having lost the benefits of preferential trade status with the United States.

World Crisis Tips

Contraband to increase due to crisis. According to Kunio Mikuriya, general secretary of the World Customs Organization (WCO), 2008 has witnessed a severe crisis which is starting to affect international trade and customs operations. In response to this threat, Mikuriva calls on all developing countries to tighten their security measures of their customs offices to prevent the increase of contraband and bootlegging.

Economic activity indicators continue to deteriorate. Economic activity indicators continue to deteriorate all around the world. This week for example, the release of the





Institute for Supply Management (ISM) index figures for the U.S. were the lowest in five decades, and China's Purchasing managers' Index (PMI) was just slightly better than November figures, with real estate market figures dropping in most countries around the world.

Inflation drops. In the middle of the crisis, and at the same rate that energy and raw material prices are dropping, so is inflation dropping significantly in most countries around the world. An example of this is Euro-zone's release of its inflation figures, dropping by half a point in December up to 1.6% (which follows Spain's figures published on Monday announcing a drop of up to 1.5%). The same is occurring in other parts of the world like Latin America (Chile, from 8.9% to 7.1% in December) or Asia (Thailand, from 2.2% to 0.4% in December). This drop in inflation will allow central banks to further relax their monetary policies.

Obama team works of rescue program. Barack Obama's economic team is working on a restructuring the finance rescue plan aiming to increase efforts to promote credit. The nominee for secretary of the Treasury, Timothy Geithner, and other economic advisors are working to plot out a new strategy to manage the rescue plan.

Wall Street drops on U.S. unemployment figures. After hearing that the U.S. unemployment rate increased to 7.2%, losing 524,000 jobs, the New York stock exchange and the Dow Jones dropped, with the latter dropping 1.25%.

Company quarterly statements begin on sour note. With the release of Alcoa's statements yesterday the informal beginning of the release of quarterly statements (season's earnings) in the U.S. began. The market was already expecting Alcoa's (largest U.S. aluminum producer) announcement, and that the company would post its first negative quarter in six years, the figures released were worse than expected (down 28 cents per share compared to the 5 cents analyst had predicted) with sales dropping 19%, and the company announced further cutbacks in production and jobs if the situation didn't improve soon.

From Wall Street to main street. Companies are now beginning to release their fourth quarter statements from last year and we have all been warned by the macroeconomic data that has been released during the last few weeks that it went worse than expected. So these releases will represent a second wave of bad news further fueling the market's negative behavior and continuing to drop raw material and energy prices.





Citigroup supports reform project. Last week, U.S. Congressmen announced that Citigroup bank was supporting a reform project that would allow bankruptcy judges to change the conditions of the terms of the real estate loans held by people with payment problems. However, the Mortgage Bankers Association (MBA) announced that the reform project had destabilizing effects. Currently, there are 8.1 million home owners in the U.S. in danger of going bankrupt and losing their homes.

Global Financial reorganization: Leaders from the Group of 20 will meet in Great Britain this coming April to discuss the world financial crisis. The President of France, Nicolás Sarkozy, and the Foreign Affairs Minister of Germany, Angela Merkel, want institutions established that would prevent another financial crisis from ever happening again as well as implementing a more equal capitalistic system which doesn't produce such extreme imbalances in the system.

Political Tips

Prisoners sign in favor of the amendment. Prisoners organized and installed tables to collect signatures in favor of the constitutional amendment in 15 prisons around the country.

Political rights of youths curtained by CNE. According to the *Comando Angostura*, a group who oppose the constitutional amendment project, the proposed amendment is an obstacle to the opportunity for new leadership to be voted into public office. Spokespersons for a number of civil organizations insisted in classifying the proposal to modify democratic principles as being unconstitutional, more so when the same proposal has already been included in a reform project which was rejected by Venezuelans in the December 2, 2007 election.

Auditing of the software to be used for the amendment vote. Technicians from the different political parties began their auditing of the software that will be used during the vote on the amendment which has tentatively been set for February 15.

CNE rejects the idea of creating more voting centers. The president of the National Electoral Council (CNE), Tibisay Lucena, announced that no more voting centers will be opened for the amendment vote. The CNE has also already closed the voter registration



period for youths who have turned 18 during the last 3 months, which will exclude 400,000 young people from voting.

Another opinion group created within the National Assembly. Three dissident members of the PSUV, Luis Díaz, Tomás Sánchez, and Wilmer Azuaje, a member from Patria para Todos, Pastora Medina, and José Ramón Regnault from PODEMOS, will make up a bloc in the National Assembly with the intention to follow an independent political path.

Primer Justicia speaks out against all the “giving money away” to foreign countries. The national coordinator for the opposition party Primero Justicia, Julio Borges, announced that according to party calculations, President Chávez has given away more than US\$ 53.0 billion to a number of countries starting with Cuba and including even India. This money could have been used to solve a number of domestic problems that currently plague the country.

The ambassador from Israel leaves the country. Shlomo Cohen, Israel's ambassador to Venezuela left the country in fulfillment of the order issued by the National Government for him to leave in response to the massacre perpetrated by his country on Gaza. President Chávez announced that this order was an act of “dignity” because the Venezuelan Government was on the “side of life” and not “death.”

Other Tips

Simón Bolívar Satellite. The Venezuelan Foundation for Seismological Research (FUNVISIS), announced that the Simón Bolívar satellite started to offer tele-medicine, tele-education, and other services as of January 10, 2009.

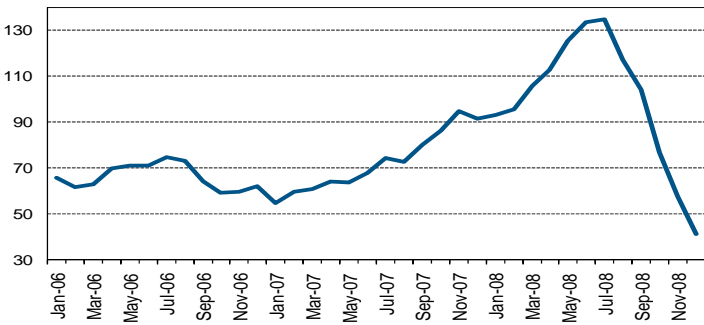
Universidad del Sur. This month, the IV Meeting to Coordinate and Follow-up the II Summit of Countries from South America – Africa was held in Caracas. The Venezuelan Government's main proposal was the creation of a University for the People of the South. According to the vice-Minister of the People's Power for Higher Education, Tibusay Hung, currently, there are more than 100 African students studying Community Integral Medicine.



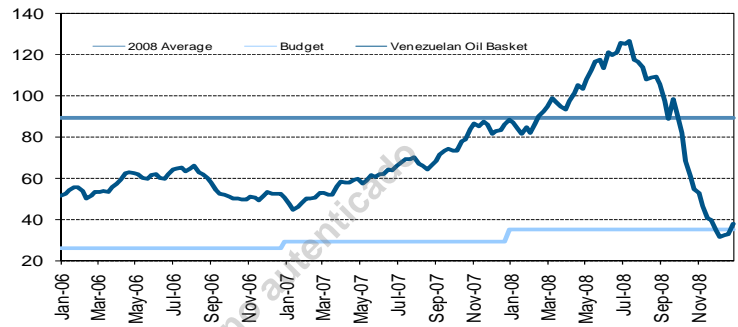


ECONOMIC OVERVIEW

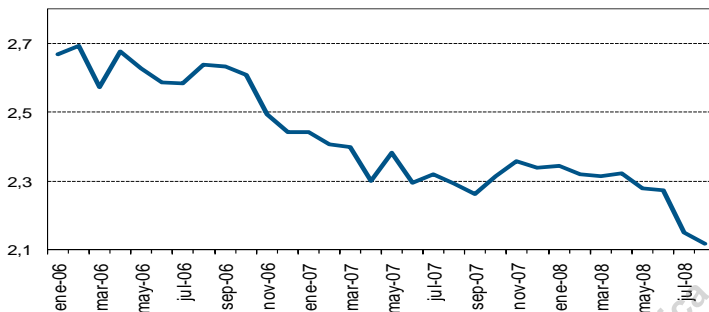
Oil Prices (WTI US\$pb)



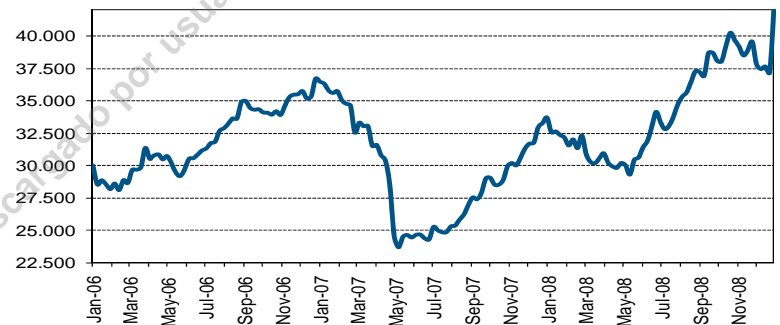
Oil Price (Venezuelan Basket US\$/pb)



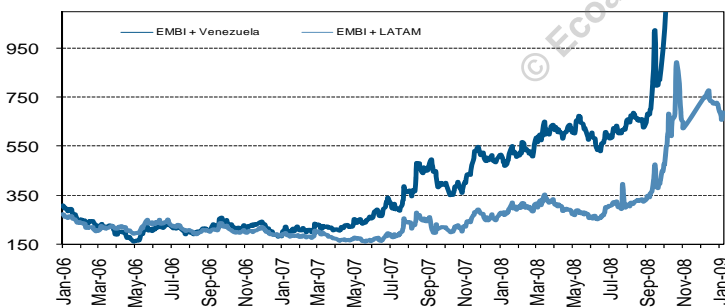
Oil Production MMBD



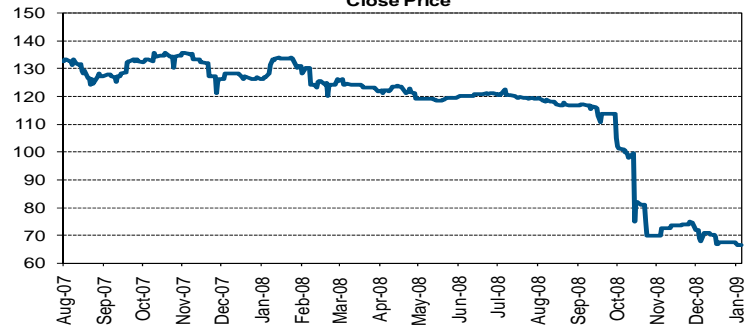
Fx Reserves - BCV (US\$ Million)



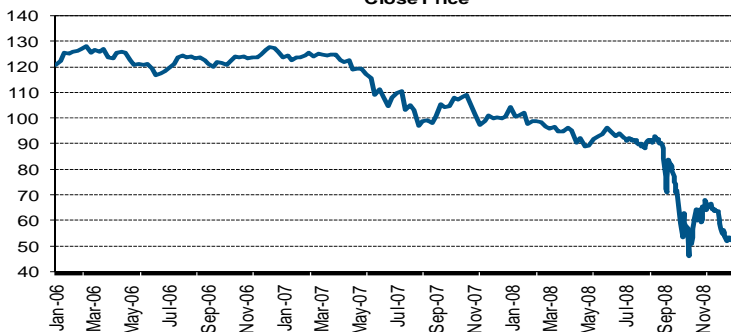
EMBI +



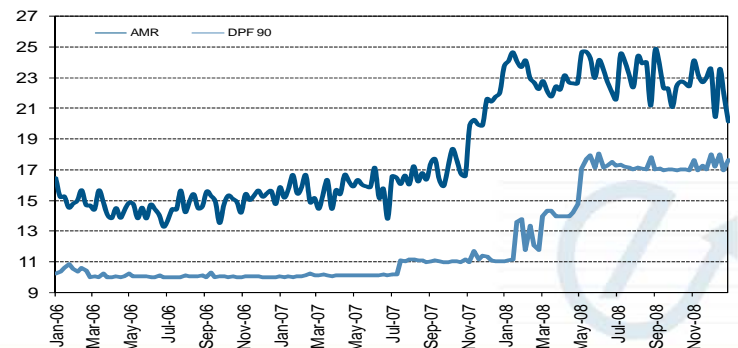
Venezuelan Global 18 Close Price



Venezuelan Global 27 Close Price

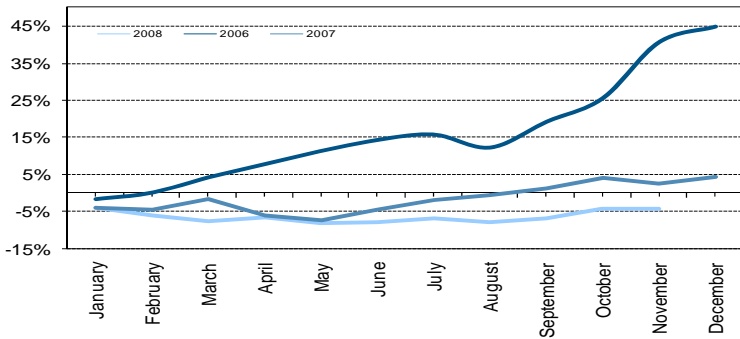


Interest Rate (Six Principal Banks)

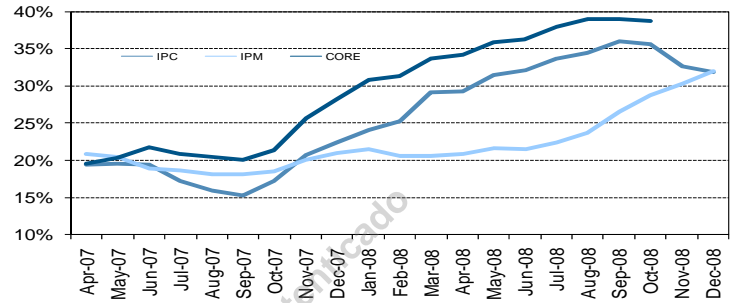




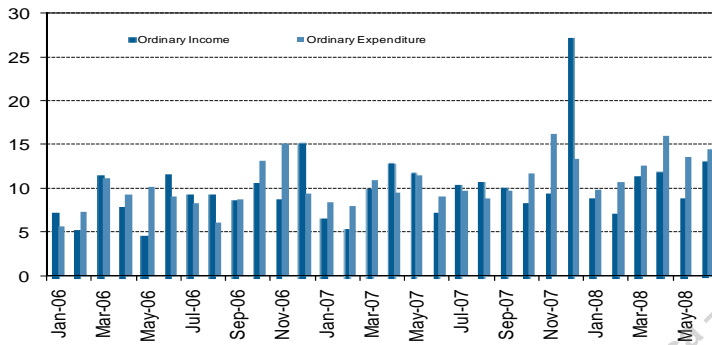
Real Expansion (M2)



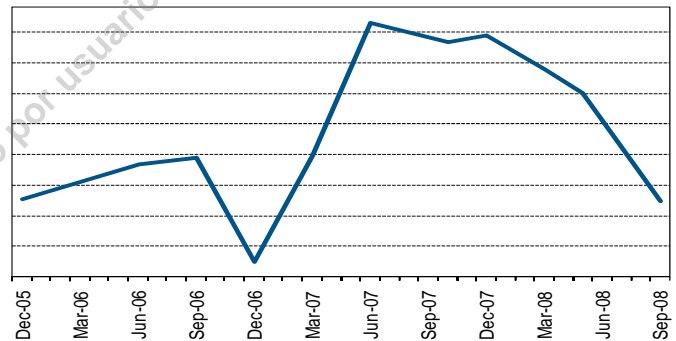
Inflation (Last 12 Months)



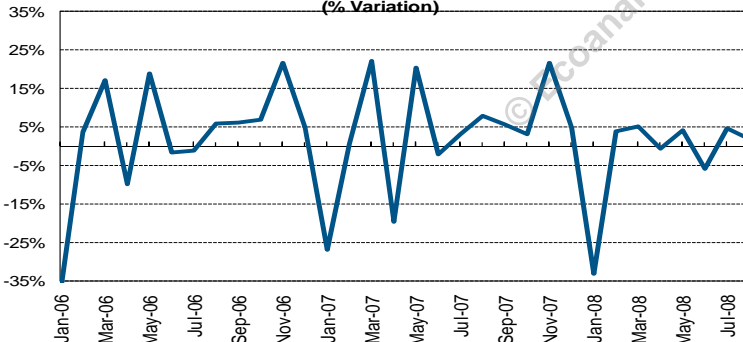
Central Government (VEB Billion)



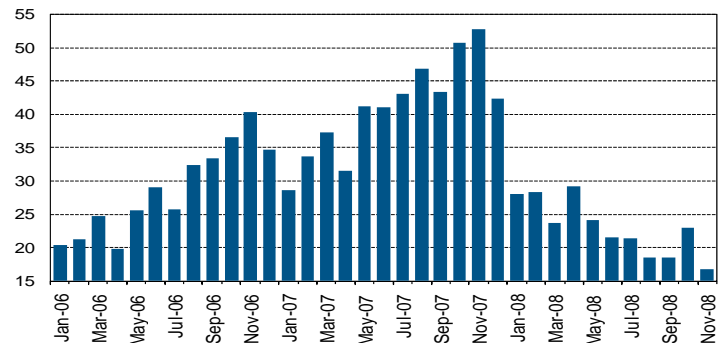
Resources of the State (US \$ MM)



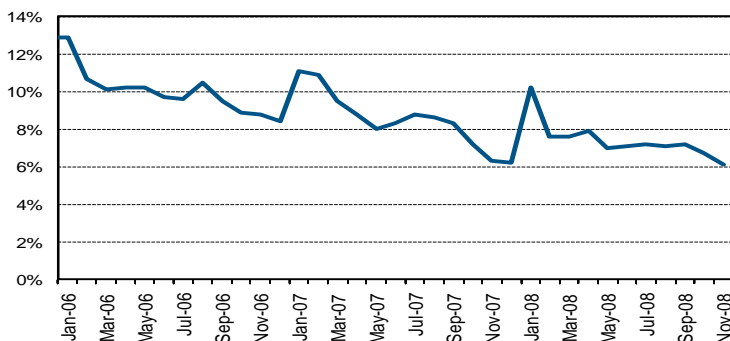
Volume of Sales (% Variation)



Sale of Vehicles (Thousands of Sold Units)



Rate of unemployment (% Variation)



Disbursement (US\$ Million)

