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**THE BCV HAS A LOT OT
EXPLAIN REGARDING THE
BALANCE-OF-PAYMENT
FIGURES**

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The Central Bank of Venezuela (BCV) recently released the 2007 National Assembly Economic Report (IEAN), which among other things, revealed the balance-of-payment figures which the BCV specified by public and private sector. From these figures one can gather certain bits of information, which at first glance appear to be quite suspicious and demand an explanation from the BCV.

**Up until now, BCV data
had always seemed
reliable**

At *Ecoanalítica*, we have always said that there is no hard evidence to lead one to doubt the economic data and figures released by the BCV. We know their team of experts and their qualifications, and it's not easy to manipulate figures in order to obtain favorable results for the Government. Up until now, the BCV has not done any of this. Furthermore, in our reports, we have even based our analysis of the weaknesses and vulnerability of the country's current economic model on BCV figures.

Balance-of-payment figures are worrying

When the BCV balance-of-payment figures appear in the 2007 National Assembly Economic Report, three things stand out which are also very worrying:

1. The Public Sector errors and omissions account reflects a US\$19.31 billion deficit. The global Public Sector deficit is at US\$25.26 billion, in other words, the errors and omissions account represents 76.5% of the deficit.
2. The Private sector doesn't look much better. Its errors and omissions account shows a surplus of US\$16.87 billion.
3. The significant increase of the private sector investment portfolio which deficit increased by 3.5 times compared to 2006.

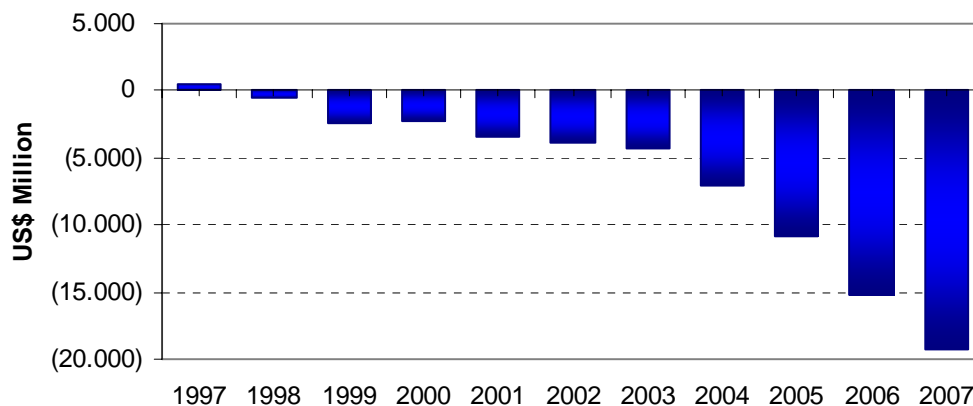
We don't understand why the errors and omissions account is so high

We understand that figuring out the balance of payments requires the analysis of difference sources and that the errors and omissions account is there to record any statistical discrepancies. Overall, in the 2007 Balance-of Payment figures, this account is at US\$2.44 billion. However, when you separate the account by its public and private sources, the figures are quite alarming, leaving a lot for the BCV to explain.

Since the exchange controls things have gotten worse

Regarding the public sector, the 2007 errors and omissions account shows a deficit of US\$19.31 billion, a figure that is more than $\frac{3}{4}$ the overall deficit. The BCV should explain to the Venezuelan people exactly what is being included in this account. The first thing that comes to mind is that the public bond operation part of PDVSA's financing management was included. But at **Ecoanalítica**, we believe that this should have been included in the financial and capital investment accounts.

Errors and Omissions: Public Sector



Sources: BCV and Ecoanalítica

What's even more alarming is that the errors and omissions account has been significantly increasing since the exchange controls were introduced. In fact, the average errors and omissions account deficit between 1997 and 2002 is US\$2.01 billion while the average between 2003 and 2007 is US\$11.35 billion, reflecting an increase of 464%. Once again, the director of the BCV must really explain exactly what is being included in the errors and omissions account, because these numbers reflect a lot more than just a simple statistical discrepancy.

PUBLIC SECTOR BALANCE OF PAYMENTS (General Resume)					
	2.003	2.004	2.005	2.006	2.007
Sources: BCV and Ecoanalítica					
Current Account	15.967	25.393	37.344	47.475	48.263
Goods	17.362	26.805	38.127	46.294	46.033
Exports	19.845	29.413	41.335	50.520	53.562
Imports	(2.483)	(2.608)	(3.208)	(4.226)	(7.529)
Services	(623)	(723)	(784)	(840)	(1.469)
Rent	(765)	(651)	65	2.007	3.641
Transfers	(7)	(38)	(64)	14	58
Capital and Financial Account	(4.288)	(5.900)	(9.979)	(12.783)	(5.943)
Capital Account	0	0	0	0	0
Financial Account	(4.288)	(5.900)	(9.979)	(12.783)	(5.943)
Direct Investment	(1.181)	(482)	(1.097)	(1.960)	(2.184)
Portfolio Investment	(781)	(1.816)	832	(6.340)	5.569
Other Investment	(2.326)	(3.602)	(9.714)	(4.483)	(9.328)
Errors and omissions	(4.257)	(7.093)	(10.890)	(15.218)	(19.312)
Global Balance	7.422	12.400	16.475	19.474	23.008

According to the BCV, in 2007, there was no outgoing capital from the private sector

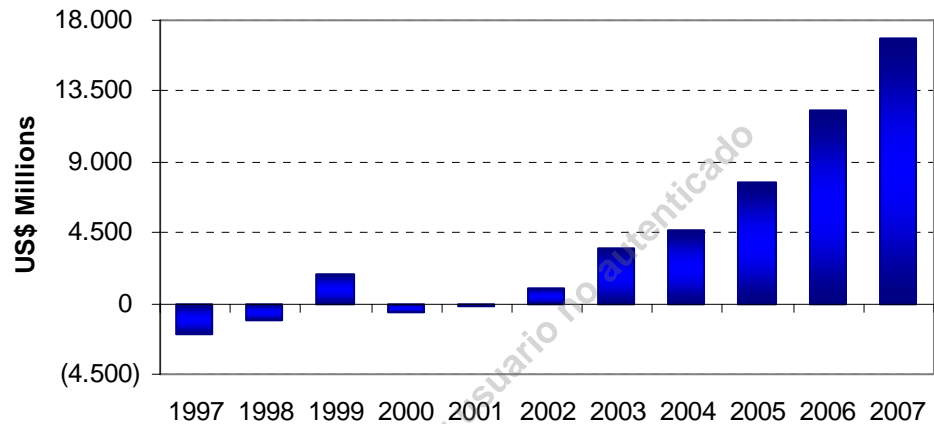
When the BCV released the overall Balance-of-Payment figures in February, we estimated total private sector outgoing capital at almost US\$19.00 billion, which turned out to be the highest amount recorded since these numbers began being published in 1997. Now, after the BCV has released its 2007 National Assembly Economic Report, we find that the private sector had no outgoing capital in 2007, but rather US\$396 million in capital came in.

At *Ecoanalítica*, we don't have any problems admitting that our calculations may have been off, though they were based on the BCV's preliminary figures released last February, but it's very difficult to believe that the private sector had incoming capital last year. Once again, the BCV should explain exactly what criteria are being used to produce these results.

These distortions have become worse since the exchange controls were put into place. Between 1997-2002 the deficit only averaged

US\$158 million, while between 2003-2007 there was a surplus of US\$ 8.97 billion.

Errors and Omissions: Private Sector



Sources: BCV and Ecoanalítica

We don't have any logical explanation for this phenomenon. However, we believe that it has something to do with the bond operations or financing operations, but that still doesn't justify such a high amount; especially if you take into account that private sector's exports were at US\$15.60 billion, which includes the latter sector's oil exports.

PRIVATE SECTOR BALANCE OF PAYMENTS (General Resume)					
	2003	2004	2005	2006	2007
Sources: BCV and Ecoanalítica					
Current Account	-4.171	-9.874	-11.810	-20.308	-28.262
Goods	-615	-4.158	-6.347	-13.310	-22.331
Exports	7.385	10.255	14.138	14.690	15.603
Imports	-8.000	-14.413	-20.485	-28.000	-37.934
Services	-2.011	-2.660	-3.082	-3.419	-4.382
Rent	-1.572	-3.022	-2.346	-3.519	-1.076
Transfers	27	-34	-35	-60	-473
Capital and Financial Account	-1.270	-5.216	-6.862	-6.685	-17.361
Capital Account	0	0	0	0	0
Financial Account	-1.270	-5.216	-6.862	-6.685	-17.361
Direct Investment	1.903	1.346	2.497	-672	593
Portfolio Investment	-185	-268	-1.620	-1.282	-1.477
Other Investment	-2.988	-6.294	-7.739	-4.731	-16.477
Errors and omissions	3.462	4.590	7.654	12.255	16.873
Global Balance	-1.979	-10.500	-11.018	-14.738	-28.750

The BCV has to be able to generate trust

For a while now, more and more Venezuelans are beginning to question and mistrust the economic indicators generated by the National Statistics Institute (INE), the Ministry of Finance, and to a lesser degree, the BCV. But since the methodological changes were made to the procedure by which the inflation index is calculated, more and more people are beginning to lose their confidence in the BCV, so much so, that many believe that the changes were made just to please the Government and be able to “show” lower inflation rates. This public sentiment has been strengthened by the recent changes made to the BCV’s board of directors and future changes coming.

This is why the BCV owes us an explanation, it has to tell the people what has made the errors and omissions account increase so dramatically to amounts that can’t just be written off as statistical discrepancies. You have to have credibility in order to be convincing. Economic agents have to be able to believe that the BCV is still employing technical criteria in measuring its statistics. If a certain number of economic agents believe that the official statistics are being manipulated in order to hide economic problems, then they will begin to doubt in the will and the capacity of the Government, and in this case the BCV, to apply measures that will guarantee greater growth and stability. Not trusting official figures and being uncertain about the “true” economic state of the nation, make people begin to act defensively which lead to, for example, one overestimating the future impact of economic measures.

Economic Tips

National Price Index to be published this month. The Central Bank of Venezuela and the National Statistics Institute recently announced that starting April both institutions will be jointly publishing the National Consumer Price Index (NCPI) based on the III National Survey of Family Budgets (2005). The indicator will be published in two phases: first, the global NCPI which will be published monthly, on the seventh

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work day of the following month, and four business days after this, the NCPI report which is broken down by regions and items will be published.

10 cities and 74 locations. The NCPI methodological improvements include the extension of the study's scope, which now will include 10 urban areas (Caracas, Maracay, Barquisimeto, Valencia, Maracaibo, Mérida, San Cristóbal, Ciudad Guayana, Pto. La Cruz-Barcelona, and Maturín), and a domain called "remainder", which will be made up of 74 locations divided according to their size into intermediate and small locations and rural areas.

New basis. The NCPI will have December 2007 as a base period. The reference basket will consist of 281 products and 81 services, for a total of 362 items (the previous index included 287 items.) 22,000 outlets and 300,000 prices will be studied to estimate the index, a significant improvement with respect to the previous index which only included 2,000 outlets and 32,000 different prices.

Weighting change. Global NCPI weighting were determined according to the attached table. A geometric average will be used to estimate prices, which is not as accurate as the weighted average (used in the former index), but it is less costly and simpler to apply, considering the increase in the number of outlets studied.

Structure weights (%) NCPI	
	Base Dec2007=100
Food and non-alcoholic beverages	32,2
Alcoholic drinks and snuff	3
Clothing and footwear	7,2
Rental housing	9,8
Service housing except phone	2,3
Equipment from home	5,6
Health	4,3
Transport	10,8
Communications	3,8
Recreation and culture	3,6
Education Services	2,7
Restaurants and hotels	8,8
Miscellaneous goods and services	5,8

Sources: BCV and Ecoanalítica

However, it's not very representative, despite the improvements. The weight of each city within the NCPI will vary depending on the spending level observed. We at **Ecoanalítica** believe that Caracas' weight should be 38% in the new index, because it concentrates 17.7% of total population and 40% of national consumption. However, in the new methodology, Caracas only represents 22,3%. Therefore, one of the weaknesses that the new indicator may have is that it can contain underestimation errors.

Structure weights (%) NCPI By Metropolitan Areas And Districts	
	weights
Caracas	22,3
Maracay	2,7
Barquisimeto	4,6
Valencia	4,2
Maracaibo	7,5
Mérida	1,2
San Cristobal	2,1
Ciudad Guayana	3,6
Pto. La cruz-Barcelona	3,2
Maturín	3,5
Resto	45,0

Sources: BCV And Ecoanalítica

The measure has its advantages. We at **Ecoanalítica** think that CPI for ten of the most important cities signifies an advantage for the national statistical system, because it strengthens the regional statistical system and will make the design of economic and social policies easier.

NSI inclusion... The BCV only has personnel in Caracas and Maracaibo, therefore data collection in the other regions will be carried out along with the NSI. We at **Ecoanalítica** are concerned about the inclusion of this institute in the estimation of this new indicator, because it may not meet the required expertise. Notwithstanding, BCV and NSI directors have stated that the personnel has been properly trained to undertake the activity.

The PCI-AMC will continue to be published. The NCPI publication doesn't imply that BCV will no longer publish the information concerning the CPI for Caracas and Maracaibo metropolitan areas; therefore, the series published since 1950 will continue, which is a highly positive fact.

BCV director suggests revising price controls. Armando León, BCV Director, pointed out that price controls impacts businesses' production and puts pressure on inflation. He also suggested cutting back the rate of the Financial Transactions Tax and exempting certain sector of the economy from its payment. Although he didn't offer an inflation forecast for year's end, León stated that the Government's current inflation goal (11%) has to be revised.

FONDEN is still receiving resources. FONDEN has received US\$ 1.538 billion during the current fiscal year, as contributions from international reserves surpluses, informed the chairman of the Banco del Tesoro, César Giral. He explained that two contributions have been made: the first for US\$ 700 million and the second for US\$ 838 million, for a total of US\$ 1.538 billion. These contributions come from the international reserves.

High spending in missions. Total contributions to missions or social programs on a year-to-year basis amounted to 20%. Adding budgetary allocations, FONDEN and PDVSA contributions together, these programs managed a total of VEF 26.13 billion, whereas the previous year total was at VEF 21.76 billion. This year-to-year increase registered was mainly underpinned by PDVSA's contributions, which, according to the company's official data, paid VEF 7.4 billion last year and, although it wasn't the highest resource contribution, it did register the highest increase, with a 31.2% year-to-year rate. PDVSA had spent VEF 5.64 billion in 2006.

The budget has been executed up to 25%. Vis-à-vis the number of commitments, the Administration has been accelerating resource outlays and in almost three months has executed VEF 35.0 billion of the 2008 budget. A large part of this amount has been earmarked to pay wages and salaries to public employees.

Increased country-risk. As of March 31, the country-risk indicator, Venezuela's EMBI+, was at 638 base points (BP), thereby increasing 76 bp over the last month. Venezuela has the world's second highest EMBI+, after Ecuador (660 bp).

Interest rate. During the third week of March, lending interest rates of the country's six major banks lost 1.54% with respect to the previous week, to 21.78%. Furthermore, 90-day deposits remained unaltered the prior week, at 14.36% level.

International reserves. As of March 28th, reserves increased 1.21% in comparison with the third week of the month, up to US\$ 31.37 billion. This recovery put an end to the decreasing trend registered over the last four weeks.

Liquidity. Monetary liquidity (M2) was at VEF 150.54 billion in the second week of March, increasing half a percentage point in comparison to the previous week.

OIL TIPS

National oil basket loses US\$ 2.16. Venezuelan oil basket closed this week at US\$ 94.5, down 2.2% from last week. However, the Venezuelan crude achieved an average price of US\$ 89.2 per barrel for the first three months of the year, i.e. 37.4% over last year's average.

PDVSA will give more. PDVSA will give more resources to the Treasury this month, because the company will pay its outstanding Income Tax. The oil industry will make a tax substitutive return, which is estimated at VEF 2.0 billion. The head of the tax authority, José David Cabello, pointed out that technical workshops are currently being held between the tax entity and PDVSA to tune up the return details.

PDVSA's equity compromised. At the close of last year, PDVSA registered the highest indebtedness level of the last 10 years. The long-term debt amount, including current debts, reached US\$ 16.0 billion, which represents 28.5% of the company's equity. This sharp increase is mainly due to the bond issue of US\$ 7.5 billion in April last year, which brought about an increase in debt of 449% with respect to 2006.

Venezuelan crude is absent from Chalmette Refinery. The refinery located in Louisiana, US, isn't processing Venezuelan crude after the conflict between its partners. However, Minister Rafael Ramírez assures that the US major ExxonMobil has been reluctant to receive oil from Cerro Negro, therefore it's being placed on the Chinese markets. The minister also confirmed that PDVSA will face the US oil company at a Dutch court in the coming weeks.

Oil fields will be offered. Petróleos de Venezuela, following orders by the Ministry of Energy and Petroleum, completed the appraisal of the oil mature fields that are to be offered this year, according to the Venezuelan energy authorities. These mature fields, distributed over different zones in the country, could be very attractive for transnational companies, because over the last year the MENPET has offered very few oil export opportunities and mechanisms to have access to the delimited areas, basically in the Orinoco Oil Belt to quantify reserves, have been granted through direct allocations.

Furthermore, mature fields could become an option to increase national oil production that fell after two years in a row in 2007.

Investments in the Belt. Another of the highlights in PDVSA's Annual Report is the completion of the studies concerning visualization, upgraded oil markets, localization and evaluation of production schemes for the Oil Belt Extra Heavy Crude Processing Complex. Energy authorities are projecting the construction of five new upgraders in that area, which will process other 305 thousand b/d to be produced in Junín and Carabobo fields for 2013.

PDVSA South American expansion plans. PDVSA has plans to develop a regional expansion program through the acquisition of a fuel terminal in Brazil's northeastern region, a lubricant packing and mixing plant in Ecuador, and an asphalt terminal in this same country. Through these acquisition, PDVSA plans "to increase PDV brand's share in the Ecuadorian market and set up alliances with Petroecuador to include the brand in the State-owned network." Planning for the construction of the *Supremo Sueño de Bolívar* refinery in Nicaragua will begin in the next months as well as the Pacific Refining Complex in Ecuador, which will process crude oil from Ecuador and the Orinoco Oil Belt.

PDVSA gains increased by 14%. According to the 2007 financial statements published by PDVSA, the company produced US\$ 6.27 billion in net gains, with an average production of 3.32 million b/d and a barrel at US\$ 64.74. The State-owned company reduced its costs by 8% in comparison with year 2006.

Imminent new oil tax. Private oil companies that are partners of the new mixed companies registered net profits for US\$ 902 million in 2007, equivalent to 27% of PDVSA's total gain. According to Minister Ramírez, "these profits aren't direct result of efficiency, but of the reappraisal of a natural resource," therefore, the windfall (sudden profit) tax will be applied "as soon as possible."

BUSINESS SECTOR TIPS

CAF doubled its capital. As a result of the expansion of its operations in favor of Latin American development and in order to strengthen its financial capability, CAF doubled from US\$ 5.0 billion up to US\$ 10.0 its authorized capital. In 2007, Argentina,

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Brazil and Uruguay started the transition process to become full members of the multilateral organization; Chile increased its capital share by US\$ 50 million and talks have been advanced to include Guatemala and Italia as stockholders.

Financing for housing projects. The windfall tax is not in force yet, but President Chávez announced that it only has to be approved by the National Assembly and that income derived from its application will mainly be used to finance the construction of housing units.

Bank Association new Board. The Venezuelan Bank Association (ASOBANCA, for its initials in Spanish) appointed Pedro Rodríguez Serrano (from BBVA Provincial) as its first vice-chairman and Bernardo Chacín (from Citibank) as director. Víctor Vargas, from BOD, remains as chairman of the Association and Arístides Maza Tirado, from Banco Caroní, remains as second vice-chairman.

Term extension. According to a resolution published in the *Gaceta Oficial* No. 38,894, the term during which import licenses for a number of basic food items, such as milk and cream, cheese, yellow corn, sorghum, soybean oil, palm oil, and coconut oil, among other raw materials, are valid has been extended. Previously, export permits for these items were in force four month, however, the change introduced to the resolution this year allows license to be from six months to one year valid.

CADAFE's collapse. The president of the *Asociación de Usuarios de Servicios Eléctricos de Venezuela*, Giorgio Di Muro, believes that the recurrent financial deficit of CADAFE is in large part the result of "bad management." Di Muro explains that the company "invoices only 50% of its users." According to an information offered by Di Muro, "of the number of users that receive invoices, 65% belongs to the social residential fee and supports 10% of the service cost; the remaining 35% corresponds to the general and high consume fees, and supports 90% of the service cost."

State's presence increases in CANTV. CANTV's Board has launched a plan to purchase 4.44% of the company's shares that are still in the form of ADRs, titles that are traded in the New York Stock Exchange and represent 7 of those traded at the Caracas Stock Exchange. Socorro Hernández, president of the major telecommunication company in the country, explains that the "idea is purchasing all the remaining ADRs."

The first step has been taken. CANTV signed the purchase of 3 million 600 thousand ADRs that are in hands of Renaissance Technologies LLC, at a price of US\$ 11.27 per ADR, to which US\$ 2.88 are added as dividend payment, thus increasing the payment to little more than US\$ 51 million. Socorro Hernández explained that with

the negotiation, the State acquires 3.21% of the 4.44% in ADRs and takes control of 90% of the company's shares.

Small and middle-sized companies of the auto part sector request resources from the State. The Association of Small and Middle-sized Auto Part Companies (Apyme Automotriz) is forecasting that the auto part companies will grow 30% during 2008. In order to allow companies to respond to the increased domestic car production, Apyme requested the Government to create a "sector's reindustrialization fund" with funds of approximately US\$ 1.0 billion.

Government will listen to proposals. The National Executive will analyze the proposals put forward by the Cámara Venezolana de Alimentos (Cavidea), aimed at increasing the production of both agricultural products as well as finished food, in order to improve the country's food supply, according to the Vice-Minister of Alimentary Policies, Rafael Coronado, who pointed out that the Planning Ministry will set up the workshops to evaluate the private sector's proposals.

New National Fund for Dairy Production. President Chavez announced the organization of the National Fund for Dairy Production (Fonaprole), which will depend on the Ministry of Energy and Petroleum and will support national producers and increase yearly milk consumption up to 120 liters per inhabitants over the next four years. The Fund will cover 45% of the domestic producers (40,000 producers).

Lácteos Los Andes becomes ENLANDES. The recently nationalized Lácteos Los Andes will become a Socialist Production Company, called Empresa Nacional Lácteos Los Andes (ENLANDES). According to President Chávez, this company will be capable to cover 40% of the domestic milk demand.

Natural Gas for Vehicles Plan will be launched next July. According to the Minister of Energy and Petroleum, Rafael Ramírez, 200 thousand kits for the conversion of vehicle to run on gas will be imported this year, within the framework of the Natural Gas for Vehicles Plan. The Plan, to be launched on July 1st, contemplates that every new car (national or imported) will be sold with a kit to run on natural gas.

Aeropostal international routes are suspended. The National Institute for Civil Aviation (INAC, for its initials in Spanish) suspended Aeropostal's authorization to operate routes to Miami, Curacao, Santo Domingo, and Port of Spain, due to the reports received concerning the lack of compliance with itineraries and schedules by the company. Aeropostal has closed agreements with other airlines like American Airlines and Santa Barbara Airlines, to transport its passengers to the aforementioned destinations.

Banco del ALBA will be seated in Cuba. The Minister of Finance informed that a seat of Banco del Alba will be inaugurated in Havana, Cuba, on April 9th. The Bank's main headquarters is located in Caracas.

Boost for the construction sector. The Government, through FONDEN and the Miranda Fund (mechanism responsible for financing supplementary appropriations), has paid US\$ 2.1 billion in March to the contractors of the construction sector, which has allowed for some construction works to be resumed. Resources from the strategic fund with China were also earmarked for some projects. This scheme has US\$ 6.0 billion, from which US\$ 2.0 billion are contributed by Venezuela.

Changes in Social Security System. The planned changes include the elimination of the Social Security Superintendence Service and Treasury, as well as the setting-up of a fund that will administer all the resources obtained from the system. The IVSS (Venezuelan Social Security Institute) will only manage pensions, whereas the medical and health care areas will be entrusted to the entity where health management will be centralized. In order to implement all these changes, it will be necessary to advance the reform of the Social Security Law.

30% increase in wages and salaries. According to labor analysts, the adjustment of the minimum wage and salary level will be in the order of 30%, after which, the level will be at VEF 799.23. However, the increase is expected to take place in trenches, i.e. one part from May 1st and an additional portion sometime in the year. In general, it is estimated that companies will increase wages 21.9% on average. This will happen in most of the country's average companies, because large companies will increase wages and salaries around 40% this year.

New Fishing Law impacts production. The ban on trawling, provided for in the recent reform of the Fishing Law, has translated into shortages of some of the cheapest species on the market, generating daily loses of VEF 1 million approximately. Representatives of the sector have requested the law enforcement to be postponed to demonstrate that trawling is economically, socially, and environmentally sustainable.

MMC Automotriz stopped its operations. The Mitsubishi, Hyundai and Fuso assembly plant and dealer was forced to paralyze its production, because workers of one of its main auto part suppliers (Metalpress) keep productions tools seized.

Inversiones Tocoa will issue debentures. The National Securities Commission authorized Inversiones Tocoa to issue debentures, non-convertible into shares, for

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VEF 15 million. Taca was the owner of Cealco, company that works with frozen, refrigerated and dry products and was recently acquired by the Venezuelan State.

Political Tips

Andrés Izarra complains about the Washington Post. Andrés Izarra, Minister of Communications, sent a letter to the editor of the US newspaper The Washington Post to complain about its editorial line, which the Minister describes as negative and aggressive. The Minister assures the newspaper's editorials contain false information about Venezuela and promote an agenda against the country and its President.

PSUV will present its regional candidates before June. President Hugo Chávez announced that he expects that the names of the candidates that will be running for posts at the regional election in next November will be disclosed before June. Chávez reiterated his threats to expel from the party those members that announce their candidacies and the need not to lose any governorship and mayor's offices that are presently controlled by the Government.

Request not to include Venezuela in the watch list. The Board of the weekly newspaper El Venezolano (published in the South of Florida) requested US Congress representatives not to include Venezuela in the list of countries that sponsor terrorism, claiming that this would be pernicious for the Venezuelan people.

Other Tips

New CADIVI'S List. The Foreign Exchange Administration Commission (CADIVI, for its initials in Spanish) published last week a list with the identity card numbers of 60,013 people that will have to submit the invoices of the expenses incurred abroad to justify the dollars the entity approved them in 2007. The notification corresponds to purchases made between October 1st and December 31st last year.

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IMF slightly modifies its power structure. The IMF Executive Council approved a minor reform in the organization's power distribution, according to which industrialized countries transfer 2.7% of the total vote of developing countries. The reform benefits Brazil that increased its participation to 1.72% of the total vote, Mexico (1.47%), and China (3.81%). The United Kingdom and France will reduce their power to 4.29% of the vote and the US maintains its 16.73%, thereby keeping the veto power on the Fund's decisions (which require 85% to be approved).

Lifted some restrictions on Cuban tourists in the Island. The Cuban Government lifted the prohibition Cuban citizens had to stay in international hotels and request travel packages or routes. The banning had been in force for more than 10 years. The citizens are also allowed to use cell phones and to buy house appliances.

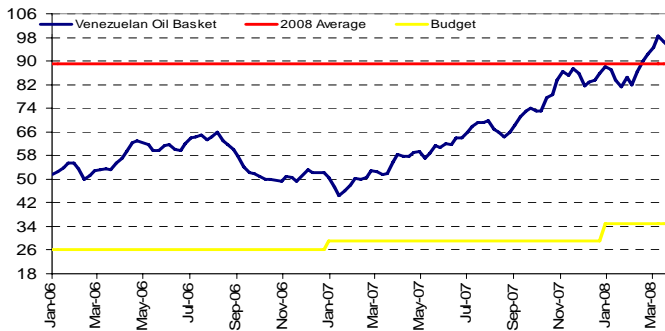
The US announces finance reform. The US Treasury Secretary, Henry Paulson, announces the guidelines of the reform proposal to regulate the finance sector, which will be submitted for approval by the Congress and which will grant new powers to the FED, increasing its authority in case of financial crises. An entity will be also created that will assume the functions of five bank regulating entities. Paulson made clear that the reform is not intended to solve the US financial crisis, but, on the contrary, the problems of the finance market have to be solved before the reform can be applied.

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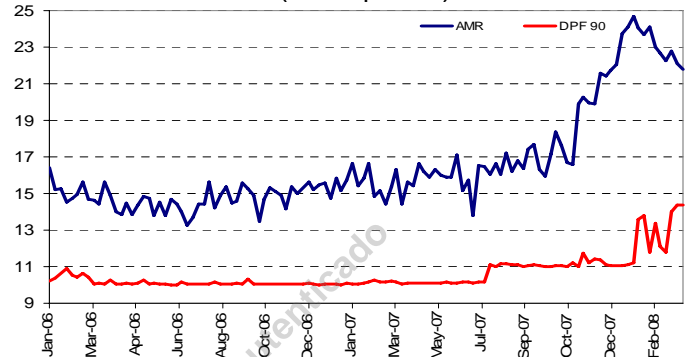
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ECONOMIC OVERVIEW

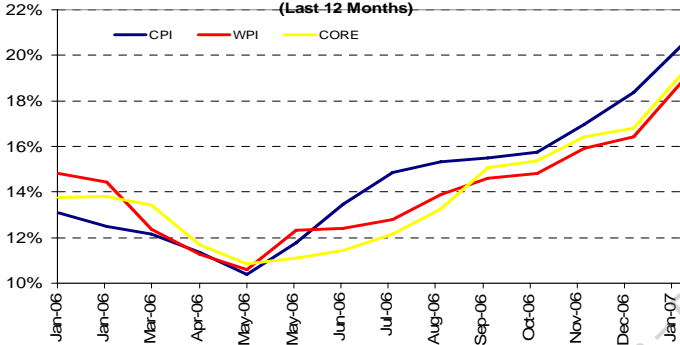
Oil Price
(Venezuelan Basket US\$/pb)



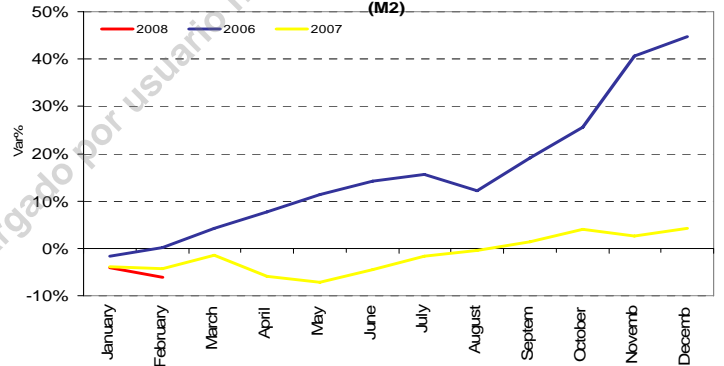
Interest Rate
(Six Principal Banks)



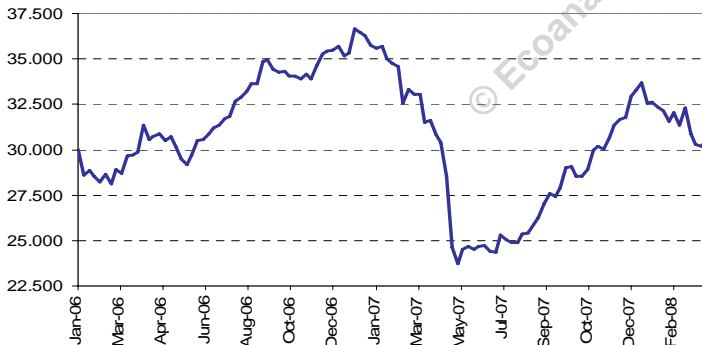
Inflation
(Last 12 Months)



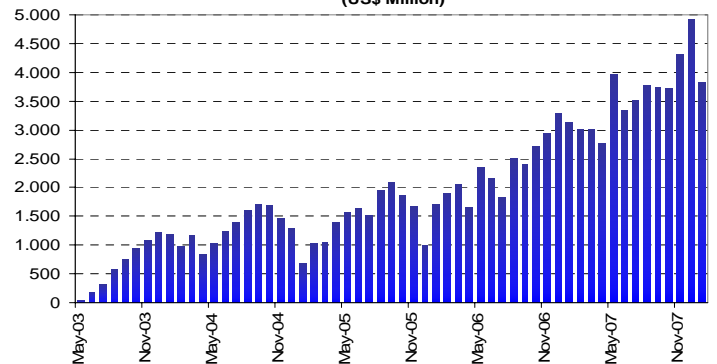
Real Expansion
(M2)



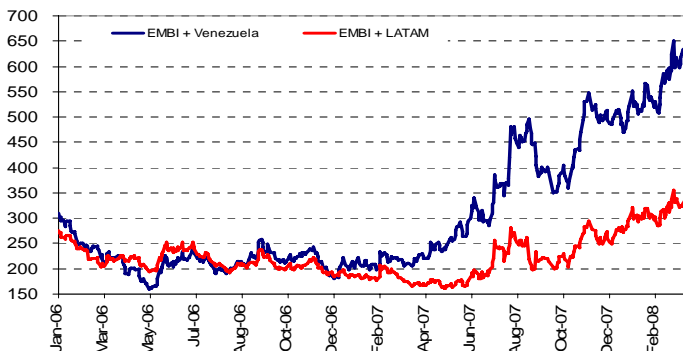
Fx Reserves - BCV
(US\$ Million)



Disbursement
(US\$ Million)



EMBI



Central Government
(VEB Billion)

