



Weekly Report

Year 5, Number 17
Week II, May 2009

By:
Asdrúbal Oliveros
Maikel Bello

***“NEW PDVSA” FIGURES...
CONTINUALLY MORE
DIFFICULT TO MAKE SENSE
OF (PART I)***

Reproduction or distribution prohibited

After being more than a month behind schedule, PDVSA finally released its financial and operational figures for 2008. It also published its budget for 2009, facing lower oil prices, OPEC production cutbacks, and the expropriation of contractors. This Report will concentrate on the company's financial aspects while the following Report will look at the company's operational status.

A record year

According to PDVSA's 2008 financial statement and balance, high oil prices, which averaged more than US\$ 87, allowed the company to have a record year in net profits reaching US\$ 12.09 billion, up by 88% compared to profits in 2007, despite the fact that the management of its finances was not the most adequate.

Some things to highlight

In reference to these figures recently released by PDVSA, a few important elements stand out:

- PDVSA's accounts payable increased by 146% from last year and at the close of 2008 equaled US\$ 13.88 billion. This partially



explains why PDVSA is contemplating expropriating some of these contracting companies.

- PDVSA doesn't only owe its suppliers, it also owes the State. It owes US\$ 8.52 billion in income taxes, however, in its 2008 year-end balance statement it subtracts US\$ 7.02 billion of its assets for income tax, so in net terms, what it owes for income tax comes to US\$ 1.50 billion. As we have pointed out in previous Reports, PDVSA's payment crisis and the significant amount it owes its domestic as well as foreign contractors, is a direct result of the Company's decision to pay off the amount it owed in fiscal contributions to the Administration.
- Between 2007 and 2008, PDVSA's accounts receivable increased by 42% and reached US\$ 21.97 billion. According to unofficial information gathered by **Ecoanalítica**, 62% of accounts receivable correspond to PetroCaribe agreements.
- One of the most polemic points regarding the status of the company has to do with cash flow (cash), specifically, how much cash flow the company has available. According to the balances released, at the close of 2008, PDVSA had US\$ 6.41 billion in cash flow available, down from the US\$ 6.62 billion it had available at the close of 2007. This after a year with record increases in oil prices.

PDVSA's Results (US\$ MM)	2008	2007
Oil Sells		
<i>Exports</i>	130,6	93,8
<i>In Venezuela</i>	2,6	2,4
<i>Others</i>	1.352,0	65,0
Total Incomes	134,6	96,2
Costs and Expenses	-101,7	-71,7
Others Incomes and expenses	1,6	0,8
Total Costs and Expenses	-100,1	-71,0
Social Development Contributions (Missions and Social Programs)	-9,2	-7,3
FONDEN Contributions	-5,5	-6,8
ISLR	-7,7	-5,0
Net Profit	12,0	6,2

Sources: PDVSA and Ecoanalítica



PDVSA cut its debt

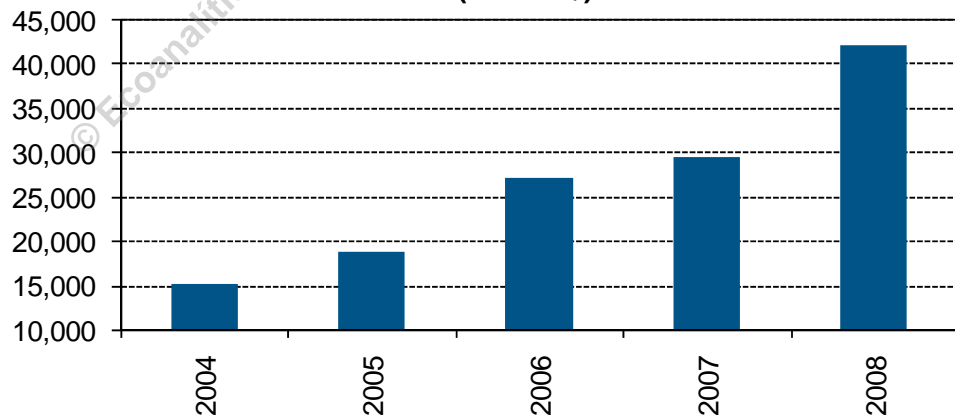
PDVSA's consolidated debt at the close of 2008 was at US\$ 15.10 billion. This represents a cut of 5.7% in debt compared to the previous year. However, at **Ecoanalítica**, we are not quite sure how PDVSA is registering this borrowing on its books, this debt issued to be paid with oil assumed by China and Japan. In the last 18 months, these two countries have loaned PDVSA, according to official spokespersons, approximately US\$ 12.0 billion.

Fiscal contributions

In a year marked by record oil prices, it's no surprise that PDVSA's contributions to the fiscal coffers would also increase significantly. Contributions went from US\$29.50 billion to US\$ 42.17¹ billion. This is equivalent to 13.2 points of GDP.

The company's social spending increased by more than 22%, so that in what was allocated for government Missions and different social plans (US\$ 9.20 billion) and to FONDEN (US\$ 5.50 billion), in 2008, PDVSA contributed a total of US\$ 14.70 billion for social development.

**Contributions Paid to the Nation
(MM US\$)**



Sources: PDVSA and Ecoanalítica

¹ This includes royalties, extraction taxes, income taxes, dividends, and other taxes





Still lacking transparency

Something that is quite worrying is that in different parts of the report released there are figures that don't match up with the balance. Here are three examples:

1. While the balance shows that FONDEN contributions were at US\$ 5.50 billion, another part of the report shows that its contributions were for US\$6.68 billion. This is a quite significant difference of US\$ 1.18 billion.
2. The balance shows that integral fiscal contributions were at US\$ 42.17 billion, while in another section this figure is said to equal US\$ 35.63 billion, a difference of US\$ 6.54 billion. An alternative explanation is that this amount is related to the income tax that PDVSA owes the Government.
3. The balance shows the social contributions at US\$ 14.70 billion. PDVSA figures show social contribution for 2008 at US\$ 15.41 billion, a difference of US\$ 712 million.

One must also keep in mind that these financial statements which were recently released were not audited by any independent or outside entity, so there is no way to ascertain how accurate and/or true this information is. This is a very unfortunate situation, as time goes by, we know less and less about our country's main company and sources of revenue.

How much was invested?

Between 2005 and 2007, PDVSA investments in the company were much more modest than social spending, averaging US\$ 6.91 billion. However, in 2008, that all changed. PDVSA investments last year reached US\$ 14.64 billion, up by 33% (US\$ 11.01 billion) compared to what it invested in 2007. But, what we can't understand is that despite this increase in investment, during the same period in question, total oil production dropped by 5% (117,000 b/d) according to PetroLogistics. In our following Report we will discuss this in more detail.

Oil experts have pointed out that in order just to maintain oil production at current levels, PDVSA has to invest around US\$ 8.0 billion. At **Ecoanalítica** we ask ourselves that if in 2008 PDVSA invested more than US\$ 14.0 billion, of which we estimate that around US\$ 5.46 billion was earmarked exclusively for production development strategies, why did production



continue to drop? We believe that the company should review its figures and explain this fact.

The budget

A few weeks ago, PDVSA released its 2009 budget. The first thing that leads us to think that this is not a “realistic” budget is that it was based on a total export figure of 3.1 million b/d, of which 2.5 million b/d correspond to crude oils and 595,000 b/d to oil by-products. Trying to meet these production figures will be an uphill battle, if you take into consideration what international oil industry agencies say about Venezuelan oil production capacities, which according to them currently oscillates between 1.9 and 2.0 million b/d.

Looking at PDVSA figures, 2009 is better than 2008

Taking these recently released figures into account, PDVSA expects its total revenues (current and capital account) for the year to be around US\$ 75.14 billion and its total spending to be around US\$ 66.84 billion, which would lead to a global surplus of US\$ 8.30 billion, which would lead anyone to think that the company was going through good times. The irony becomes even greater if you look at the budget that was approved for 2008, in which PDVSA expected that there would be a deficit of US\$ 12.34 billion.

Summary Statements of Income (MM US\$)

Category	Budget 2008	Budget 2009
Current Account		
Current Incomes	39,161	71,131
Operating Incomes	39,078	68,056
Others Incomes	83	3,075
Current Expenditure	37,717	49,588
Operating Expenditure	12,539	14,006
Others Expenditure	25,178	35,582
Economic Performance: Save	1,445	21,543
Capital Account		
Capital Resources	3,326	25,556
Capital Expenses	15,670	17,254
Financial Result: Deficit	-12,344	8,302
Net Incomes		
Financial Resources	15,571	10,302
Financial Applications	15,571	10,302

Sources: Gaceta Oficial and Ecoanalítica



The very imprecise and unrealistic information presented in the recently released financial statements and the budget for this year once again shows the total lack of transparency characterized by PDVSA's management of the company and the books it keeps, a problem that is shared by all public institutions in general.

At *Ecoanalítica*, we have decided to recalculate PDVSA's 2009 budget using more realistic figures. We will assume that the average price per barrel of oil for the year will be at US\$ 48 and that export figures will average 2.0 million b/d.

Using our price estimate and production figures, total oil revenues will be at US\$49.13 billion, 35% less than what is currently being projected by the budget. We estimate that spending will be around US\$ 61.13 billion, which will led to a quite significant deficit of US\$ 11.996 billion).

Summary Statements of Income
(MM US\$)

Category	Budget 2009	<i>Ecoanalítica</i>
Current Account		
Current Incomes	71,131	41,855
Operating Incomes	68,056	35,040
Others Incomes	3,075	6,815
Current Expenditure	49,588	43,871
Operating Expenditure	14,006	15,231
Others Expenditure	35,582	28,640
Economic Performance	21,543	-2,016
Capital Account		
Capital Resources	25,556	5,258
Capital Expenses	17,254	17,254
Financial Result	8,302	-11,996
Net Incomes		
Financial Resources	10,302	-9,996
Financial Applications	10,302	-9,996

Sources: Gaceta Oficial and Ecoanalítica





Cero contributions to FONDEN

It's important to point out that our estimate of spending is significantly influenced by a drop in "spending not related to oil operations," which includes PDVSA's contributions to fiscal coffers and to FONDEN. One could expect these contributions, especially the latter, to progressively drop as the 2009 progresses, given the drop in international oil prices.

PDVSA in crisis

As things stand, PDVSA will not be able to meet three important requirements: 1) It won't be able to increase production levels in the short term to meet the Oil Seeding Plan goals; 2) It won't be able to contribute surplus resources to public sector fiscal coffers through FONDEN; and, 3) It won't be able to make contributions to social development projects.

All in all, it seems quite clear and there is plenty of evidence to indicate that PDVSA will face some serious cash flow problems this year. The boom era, with high oil prices that allowed it to solve its financial problems is over. PDVSA missed a great opportunity to guarantee its future sustainability given that oil prices don't look so attractive now.

Economic Tips

Fall in Bonds of the Republic. In the last few days prices have fallen for the Global 27 bond, which is the most popular among the portfolio of Venezuelan papers, in a context that inhibits the recovery process which started on April 2. Analysts attribute this fact to a lack of liquidity in PDVSA and the nationalization of certain important companies which provide services for the production of crude oil. What has happened with the companies that service the oil industry is another factor which has affected the deterioration in the price of Venezuelan papers

Re-composition of imports. According to data from the National Institute of Statistics (INE) during the first two months of the year, imports from the private sector reached a total of US\$ 5.37 billion, which marks a 7% contraction from the same period in 2008. On the other hand, imports from the public sector showed an increase of 62.8%, for a total of US\$ 1.15 billion. Therefore, imports were US\$ 6.52 billion, marking an increase of 0.6% during the first two months of 2009.





Additional credits approved. During this year, Parliament has approved VEF 2.50 billion in additional credits, so that the adjusted budget of VEF 159.9 million has been re-adjusted for the moment to VEF 162.4 million.

15% youth unemployment in March. Figures from the National Institute of Statistics show that 15% of people between the ages of 15 and 24 were unemployed at the end of March, which is equivalent to 339,908 unemployed youngsters. During last year, the reduction was only 0.9 percentage points, which means that only 26,019 youngsters were able to find a job between March 2008 and the same month this year, according to official figures.

International reserves. International reserves showed an increase of 0.7%, going from US\$ 29.53 billion at the close of the fourth week of April to US\$29.74 billion in the first week of May. Compared with the same period in 2008, when the reserves were US\$ 31,02 billion, there was a 4.2% fall.

Monetary liquidity. An increase of 2.3% in monetary liquidity was recorded between the last week of April and the first week of May, reaching VEF 200.08 billion. So far this year, there has been a 4,8% increase in liquidity.

Interest rates. The active interest rate for the first week of May was 21.42%, representing an increase of 1.4% from the fourth week of April. Elsewhere, the rates for long-term deposits and the passive rate were 16.1% and 14.0% for the first week of May, respectively; this means a 0.6% variation for long-term deposits while the passive rate remains unchanged.

Oil Tips

Despite PDVSA's increased resources, its debts continue to grow. Outstanding debts with suppliers showed an increase of 146%, in comparison with 2007, reached a total of US\$ 13.88 billion. Apart from the debts with suppliers, last year industry was financed by the National Office of the Treasury. According to information from the corporation, PDVSA obtained five promissory notes with the Treasury for US\$ 4.40 billion.





PDVSA requested a 40% discount with its suppliers. The heavy debts with suppliers and the loss of revenue during the first three months forced the corporation to intensify conversations with the suppliers and request a 40% discount in order to make the payments, and although two months ago a payment of US\$ 1.0 billion was made, the largest part of the debt has not yet been addressed.

The government expropriates companies which provide service to the oil industry. After the promulgation by the National Assembly (AN) of the law which gives the State rights to take over either totally or partially the goods and services connected to primary hydrocarbon activities, the Government began to expropriate these companies which provided services. The president of PDVSA, Rafael Ramírez, believes that as many as 70 companies could be expropriated.

No margin for maneuver for the service companies to demand payment. Since the measure has been approved by the AN, the companies' power of negotiation with PDVSA has been drastically reduced over its outstanding payments from September. The process of taking over assets and services by the State coincides with certain problems of delays in payment which the State company has been experiencing with local and foreign contractors since last year.

PDVSA will save US\$ 700 million through state-ownership. The president of the state company pointed out that the nationalization of the companies will represent a saving of US\$ 700 million. According to the official, the industry aims to reduce costs so that expenditure will be reduced by 64% this year. He gave assurances at this adjustment will maintain this activity as a going concern. In *Ecoanalítica*, we think that as the companies to be expropriated use a low level of technology, PDVSA will be able to absorb them without any problem and production will not be affected in the short term. However, expropriation of these companies means an increase of some 8,000 employees on the payroll.

Williams: one of the expropriated companies. PDVSA took over control of three gas plants operated by the American firm Williams in the country. This action was carried out under a law to be approved which gives the State the right to assume rights over goods and primary services of the hydrocarbon industry. From its US headquarters, Williams confirmed that the Venezuelan Government had taken over these plants and denounced that PDVSA had gone through "a long period without paying" for services received, which could be taken to "an international judgment."





ENSCO anticipates rescinding contract with oil holding. ENSCO International Inc., a North American oil-drilling company, said that it may have to rescind a contract with PDVSA and present claims for US\$ 9.8 million for over-due payments unless the debt is paid off or an agreement can be negotiated before May 30. In January, the state subsidiary PETROSUCRE took “temporary” charge of the drill operated by ENSCO, after the latter had suspended its drilling activities.

At least some get paid by PDVSA. The oil company paid off its outstanding debt with the transport contractors in view of the persistent failure in supplying service stations in Greater Caracas. It is hoped that this measure will ensure normal delivery over the next few days.

PDVSA President does not rule out debt issue. Rafael Ramírez neither confirmed nor denied an issue of PDVSA bonds, which is currently being evaluated by the Ministry of Finance. The National Office of Public Credit explained that PDVSA handed in the application, though no other details of the operation were revealed. Sources reveal that an issue of US\$ 2.0 billion may be expected to offset its debts with contractors and suppliers. It is thought that the operation could be carried out for the middle of May.

India increased oil purchases from Venezuela. India increased crude import from Iran, Venezuela and Kuwait during the 2008/09 fiscal year. Imports from Venezuela increased to 39,000 bpd, six times greater than last year’s figure.

EIA cuts back on forecast for world demand by 2009. The Information and Energy Administration (known as EIA in English) reduced its forecast for world demand of oil in 2009 by 420,000 barrels of oil per day (bpd) to 83.67 million bpd.

Reduction in oil production. Before the oil strike of 2002, oil production stood at 3.3 million barrel per day. According to international agencies, the company extracts on average 2.1 million barrels per day. Before 2003, there were 42,000 employees on the payroll. The company currently has 74,000 employees on its payroll. One reason why more employees did not contribute to an increase in production is that most of the personnel who recently joined the company are not directly involved in the industry’s basic functions. Furthermore, heavy losses have been recorded in the efficiency of this state-owned oil company.

Barrel at US\$58 is less pessimistic news. Last Friday, oil prices reached a six-month maximum of US\$58.75 per barrel, after figures showed that the US economy lost less





jobs than expected in April and that results of tension tests partially clarified the panorama of bank health.

The cost of the Venezuelan basket closed at US\$48.73/bl. This means an increase of US\$4.60 compared with the US\$44.13/bl which was the average during the week before May 1. With this increase, the yearly average so far is 38,26US\$/bl.

Business Sector Tips

Results from CANTV. CANTV reported a 22.1% rise in revenue during the first three months of the year compared with the same period last year. A press note indicated that between January and March, this telecommunications company received "additional revenue" of VEF 2.87 billion. According to the information, the operational performance was also positive. In mobile phones, Movilnet received 336,000 new users, bringing the total number to slightly more than 12 million customers. In the land-line segment, the company showed a gain of 177,000 subscribers, thereby reaching a grand total of 5,200,000 members. Regarding its Internet service, the company reported 52,000 new customers in the first three months of the year, bringing its total to just over 1 million subscribers.

Dividend payment. Similarly, it is reported in the text that the company will pay dividends of around VEF 750 million. Apart from the 91.1% which belongs to the State, 5.6% of the company's shares belong to workers and pensioned workers, while the remaining 3.3% corresponds to the Caracas Stock Market.

Fewer dollars for travelers. From July onwards, CADIVI will restrict the use of the foreign currency quota for Venezuelan travelers (US\$ 2.500), depending on the distance and length of the journey. For example, for a weekend trip from Venezuela to a Caribbean Island, CADIVI won't approve the whole quote, but for a travel to Europe for a month, yes.

The nationalization of "Banco de Venezuela" could be done for May 22. President Chávez announced that for that day will be signed the documents for the negotiation, but as we know, the trade date of this nationalization has been continually postponed





since July of the year past. The chairman of Banco Santander, Emilio Botin, is confident that these negotiations will end successfully.

Gas prices hinder investment in service stations. The small profit margin of gas stations makes investment in new service stations unattractive and has caused a progressive deterioration of stations in current operation. There's a shortfall estimated in 1.500 gas stations nationwide. Additionally there are irregularities in the distribution of fuel from the carriers, which have reduced fuel reserves by 50%.

Banco Industrial de Venezuela Intervened. Venezuelan Government intervened BIV, in which the state has a 60% stake, after detecting irregularities at the bank. This bank has consistently report losses since 2007. The BIV financial intermediation is of 17.83% and has a return of -311%, lower than the system average of 58.92 and 24.4% respectively

Going down. During the first four months of the year, the sale of new cars has declined by 44.5% when compared to the same period last year, according to the monthly report of the Venezuelan Automobile Chamber (CAVENEZ). Between January and April, the industry placed on the market 48,545 vehicles less than in 2008, falling from 109,031 automobiles to 60,486 this year. The biggest fall occurred with imported vehicles. The reduction here was 72.1%, from 62,188 cars to only 17,347 sold in the first four months of this year. After April's results, the industry has had a negative performance over the last 16 consecutive months.

Toyota suspends activities until next week. Last Tuesday, after the murder of a union leader, workers began a violent protest, as a result of which the management of the company had to suspend operations in the hope that these may be resumed next Monday. Other assembly lines joined in the protest: Mitsubishi, Hyundai and Fuso. This was on top of a labor dispute from which Toyota has only recently emerged, which went on for a month and cost the company a loss in production of 2,500 vehicles.

More pressure on the rise in the price of vehicles. To all of the above can be added a greater problem which is the heavy reduction in the issue of foreign currency for the importation of vehicles and spare parts for assembly plants. It should, therefore, come as no surprise that in the first four months of this year, accumulated inflation for vehicles is around 20.7%.





Hospital services: the country's most inflationary sector. The BCV reported an accumulated inflation from January to April in hospital services of 24.8%, which, on an annual basis, would be 91.72%. Just as in the transport sector, one of the main causes that inflation in the hospital sector has been so high in relative terms is because of the delays by Cadivi in handing out foreign currency. Until March 31 of this year, the issue of foreign currency has been reduced by 31.2% in the health sector, and by 26.5% in the automobile sector, as compared with the accumulated figure for the first three months of 2008.

Electrical Appliances also. According to figures from this sector, at the beginning of the year, electrical appliances increased by between 20% and 30%. Add to this the increase in VAT from 9% to 12%, which catapulted the prices up to 70%. Elisa Sousa, who is Marketing manager at Oster, says that there are two important moments in the year for electronic products when "seasonal sales peaks" occur. These are March-April, for Mothers' Day, and November-December for Christmas.

Export plans for the "Vergatario". This Sunday in "Aló Presidente", President Chávez said that once the home market has been satisfied with the required number of "Vergatario" telephones, "we will have to think about exporting them."

But they are currently out of stock. The first 10,000 "Vergatario" phones have already been sold and it is estimated that for after May 13 there will be 10,000 more phones available. However, it will take some time to satisfy local demand at a price of only VEF 30. The Communications minister declared that local demand for new mobile phones is around 7 million a year, and they expect to sell 2 million "Vergatarios" during this period, which means that they will have to produce some 5,500 units a day.

Payment of housing quotas adjusted by the INPC. Only 70% of the balance owed on the original price can be indexed by the INPC, and the payment to the INPC cannot be claimed after the period stipulated in the contract for the finalization, or handing over, of the house. The sale-purchase contracts must contain the following clauses: the public sale price of the house, the month and year in which the house was finished, and the concept, formula and calculation basis of each sum which the user must pay with regard to the housing project.

Voluntary work to be included in public collective contracts. The last collective conventions of public sector workers include the figure of the volunteer as part of the contractual benefits. All actions in this area are supported by the Integral Social Service





Law, according to which social service networks should be established in every institution in order to contribute at least 5 hours per month, inside or outside labor or academic working hours, for a period of two years.

Community financial unit to be established. The National Assembly modified the Communal Council Law with a view to creating community financial units which will finance community project. In addition, the cooperatives will be eliminated from these organizations.

BVC promotes worker-shareholder scheme. The Caracas Stock Exchange is planning to recover the Limited Societies of Open Capital (SAICA), in order to channel workers' and consumers' savings towards productive enterprises, thereby converting the employees into "worker-shareholders". This kind of company has the characteristic feature of holding minimal capital which is represented by common shares, distributed so that a proportion of them will remain in the hands of the minority shareholders with a maximum investment.

Social Property Law is not confiscatory. The Project for the Social Property Law establishes the possibility of declaring property as a public utility and of social interest, to guarantee that the population's social and material needs may be satisfied. Deputy Alfredo Murga, who is vice-president of the Commission for Citizen Participation of the National Assembly (AN), made it clear that the intention of this law is not confiscatory. Its purpose is to create new Social Production Companies (EPS) and not to take over those companies which are currently active.

Banks again. Parliament is studying the idea of reforming the Bank Law so that the regulation of interest rates will be the obligation of the BCV and not simply left to chance. The president of the AN's Sub-commission of Banks, deputy Rafic Souki, believes that the current legislation is more flexible in this respect, since it establishes that the BCV "could" control interest rates. Among other premises considered to be fundamental by Assembly members is the incorporation into the new law of measures to protect users and to allow the State to establish a firmer control over banking activities, but no specific details were given.





World Crisis Tips

Beyond the trial of force. The market is beginning to look beyond the relief generated by the publication of the results of the trial of force, which showed a combined need for capital by ten of the biggest banks of US\$ 74.60 billion, which is a smaller amount than what was being previously mentioned. On the one hand, the exercise was based on an economic scenario in which, after what has happened over the recent months, it looks less like a "worst scenario" than the present economic profile (for example, the unemployment rate in that most adverse scenario of the exercise was 8.9%, a level which had already been reached in April, and the forecast of a consensus on growth for this year is no longer the -2% of the base scenario, but is -2,5%).

Morgan shows the way. Elsewhere, the emphasis on ordinary shares would allow in principle entities to resolve their capital deficiencies with slightly less than an accountancy movement, by converting preferential shares into ordinary ones (which would only allow them to save effectively the payment of a dividend). In this sense, the acid test will be to see to what extent the entities can actually obtain capital from private capital on the market, and the latest news is positive. For example, on Friday, Morgan Stanley placed US\$ 4.0 billion in shares and a further US\$ 4.0 billion in debt, which is a larger amount than that which had been announced on the previous day, and which amply covers the US\$ 1.80 billion capital deficit that was pointed out by the regulator.

US: unemployment rate at 8.9%. Non-agricultural employment fell by 539,000, a figure which is better than what had been expected initially by the market consensus and the lowest level of employment destruction for the last six months, though it was worse than what was expected after the publication on Wednesday of positive ADP report. Furthermore, the figure was influenced by the increase of 66,000 new jobs in the public sector, partly due to temporary contracting through the census. The figures from previous months were revised downwards to 66,000 jobs. This does not diminish the merit from the signs of stabilization which have proliferated recently over a broad range of indicators: we should remember that job evolution is usually an indicator which follows a retarded cyclical pattern.

In United States, the beginning of recovery is expected in 2009: The negative effects following the fall of Lehman begin to disappear in customer expectations; the fiscal and monetary incentives are beginning to take effect on the real estate market. All





of this generates optimism, though a rapid recovery should not be expected: the cycle will be U-shaped rather than V-shaped.

Good news from Germany. The economic figures published on Friday in Germany indicate relief after a long series of uniformly negative figures. Industrial production leveled out in March compared with the previous month, when the consensus had been pointing to a fall of -1.3%. In spite of everything, production is still 20.4% below last year's level, and is at its lowest level for a decade. On the other hand, exports increased by 0.7%, the first increase in six months. Even so, this does not compensate for the heavy falls of previous months, and the overseas sector will probably increase its negative contribution to growth in the first three months. But at least it is an encouraging sign that the pace of contraction may also be starting to slow down in the Euro zone.

China: inflation at -1.5%. Inflation as measured by the consumer price index was even more negative in April, falling to -1.5%. This figure could favor an additional monetary relaxation by the Central Bank.

China: a fiscal package which works. Investment in fixed urban assets increased by 30.5% on an inter-annual basis during the first four months of the year (compared with 28.6% in March), which was more than had been expected. At the same time, exports fell by 22.6% on an inter-annual basis in April, a worse figure than expected. This shows, on the one hand, that recovery in China is dependent on support from the Government, but also that the fiscal incentive package is taking effect when it comes to reactivating the economy.

Dollar falls. The dollar index fell 1.7%, when it was learnt that job losses were less than expected, confirming other signs that indicate an end to recession in the future, and with it, a reduction in the demand for dollars as a safety asset. The technical analysis points to a greater weakening of the dollar in the immediate future, although this movement is rather surprising from an economic point of view.

"In terms of growth, we are near to inflexion point in the cycle". This was what the president of the BCE Trichet said. There are signs that Europe is nearing the end of the recessive phase of the cycle. For example, Euribor (the European inter-bank rate) is at the historic low point of 1.77%. The fall in this reference rate has brought down the price of mortgages to 3.66%, from 3.97% in the previous month, and from 4.96% in March 2008; The indicator which used to fix consumption perspectives stands at 61.9 points, its highest level since May 2008.





Spain will be the last European country to come out of the crisis: The European Commission estimates that Spain will have negative growth until the last three months of 2010, which makes it a total of 10 consecutive quarters in recession (since the third quarter of 2008).

General Motors on the same track as Chrysler: GM will have to suspend payments from June 1 unless some agreement can be reached with 90% of its creditors. Should it declare itself bankrupt, the new company will be structured in the following way: the US government will have 50%, the employees' health insurance 39%, its bond-holders 10% and its current shareholders only 1%. It will also probably get rid of its subsidiary makes like Saab, Saturn, Pontiac and Opel.

Political Tips

CONATEL will inspect telecommunications services. By a disposition published in the Official Gazette N° 39,175, the People's Power Ministry for Telecommunications and Information Science has authorized the National Telecommunications Commission (CONATEL) to inspect the installation, operation and service delivery in the telecommunications area at national level. This inspection will also include requesting service users and operators to provide any information they consider necessary; similarly, they will also request access to buildings, equipment and documentation.

Potential isolation of Venezuela if it withdraws from the OEA. If president Chávez decides to withdraw from the Organization of American States (OEA), Venezuela could become the first country to leave this organization voluntarily. The reason for the president's threat of abandoning this organization is his discrepancy with the recently-published report by the Inter-American Commission for Human Rights (CIDH) on Venezuela.

Co-operation agreement between Russia and Venezuela for uranium exploitation. The Gazette of May 4 contains details of the co-operation agreement between Russia and Venezuela, which establishes the exploration and exploitation of uranium and thorium deposits (both are radioactive minerals). This agreement includes the development of a nuclear infrastructure, the security of the nuclear installations and of





the radioactive sources, industrial production of the components and materials to be used in nuclear reactors, among others. The agreement will last for 10 years, and will be automatically extended for periods of 5 consecutive years.

Collective contract signed in the education sector. A collective contract for Venezuelan Teachers was signed recently. This contract involves some 500,000 teachers who are employed by the People's Power Ministry for Education (MPPE). The agreement was signed by the Ministry and the National Union of the United Teaching Force (SINAFUM), the Venezuelan Teachers' Federation (FVM), and the Venezuelan Federation of Educators (FEV). For their part, teachers belonging to the "Simón Rodríguez" Educators' Movement insist that most of the clauses in this document would make teachers submissive and force them to obey demands of apolitical nature.

New Directorate for the PSUV. The president of the Republic, Hugo Chávez, announced a re-structuring of the United Socialist Party of Venezuela (PSUV). This means that Cilia Flores will now be the first vice-president. General Alberto Müller Rojas is now retiring from the political arena for health reasons.

Denunciation of murders of 154 union representatives before the International Labor Organization. The director of Human Rights of the Venezuelan Workers' Confederation (CTV), Pedro Moreno, announced the preparation of a dossier in which each of the 154 assassination cases of union leaders over the last few years will be documented; this dossier will be presented at the Annual Conference of the International Labor Organization (OIT) in June of this year.

TSJ acted in favor of RCTV and Globovisión. The TSJ rejected accusations made by the Latin American Foundation for the Development of Equity, regarding incitement to hate and to a coup d'état by RCTV and Globovisión. With this sentence, the TSJ has invalidated the statements made by spokespersons from organization, as they failed to produce evidence that the spread of information about alleged links between the Government and the guerrillas of the Revolutionary Armed Forces of Colombia (FARC) represents a violation of any fundamental right.

CONATEL opened a third case against Globovisión for its coverage of last Monday's tremor. Globovisión gave information about the tremor of 5.4 on the Richter scale, based on a report from the US Sismological Center, because FUNVISIS did not respond immediately to this occurrence. This is the third case in less than 7 months, which could lead to their concession being revoked.





Otros Tips

BANDES in Angola. Venezuela is planning to open a branch of BANDES in Angola next year in order to hand out micro-credits, according to the Venezuelan ambassador in that African country. The diplomat said that Venezuela has already opened BANDES branches in Mali and in Damascus (Syria). In Latin America, BANDES is already established in Uruguay, Bolivia and Cuba.

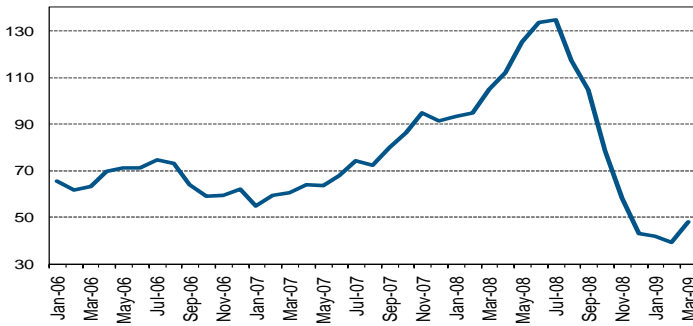
© Ecoanalítica – Descargado por usuario no autenticado



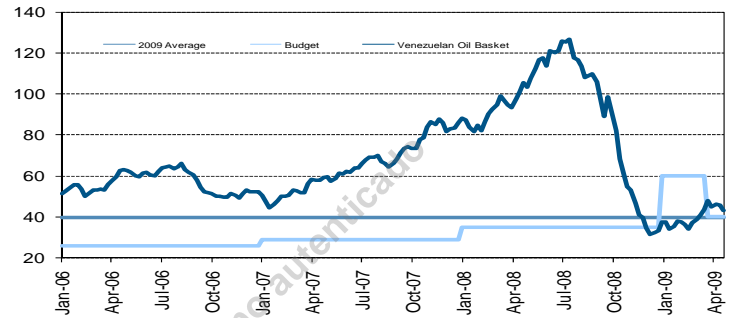


ECONOMIC OVERVIEW

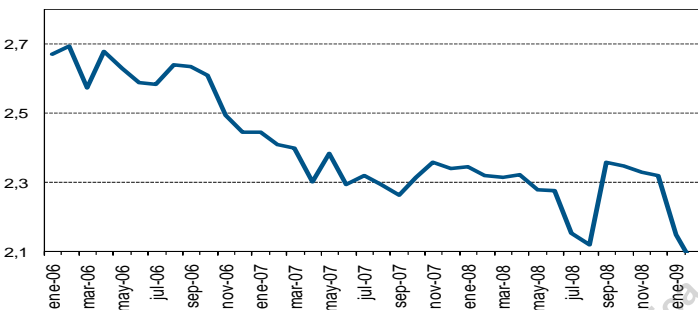
Oil Prices (WTIUS\$pb)



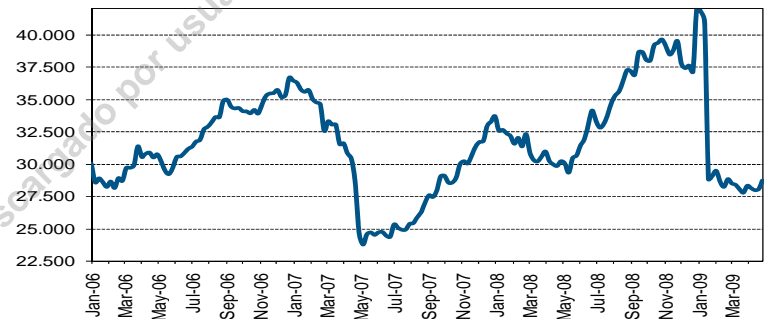
Oil Price (Venezuelan Basket US\$/pb)



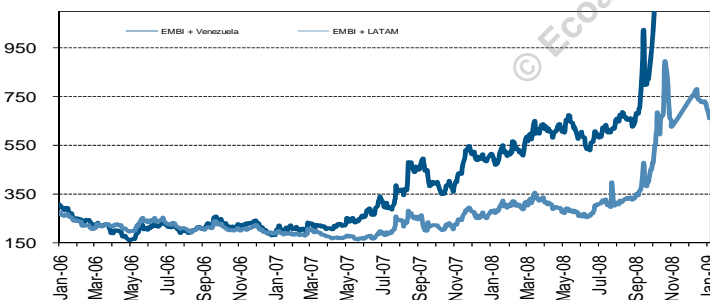
Oil Production MMBD



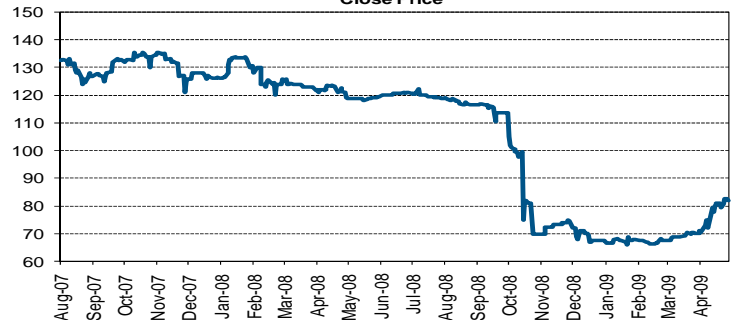
Fx Reserves - BCV (US\$ Million)



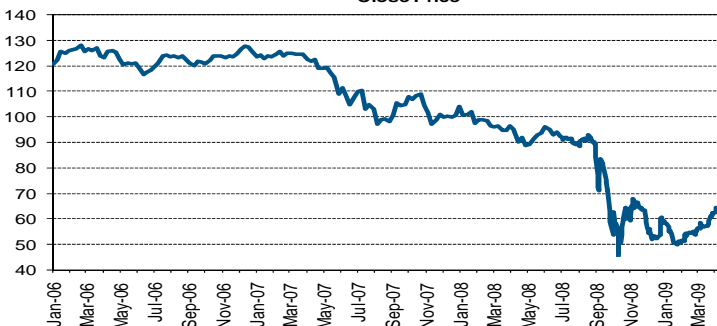
EMBI +



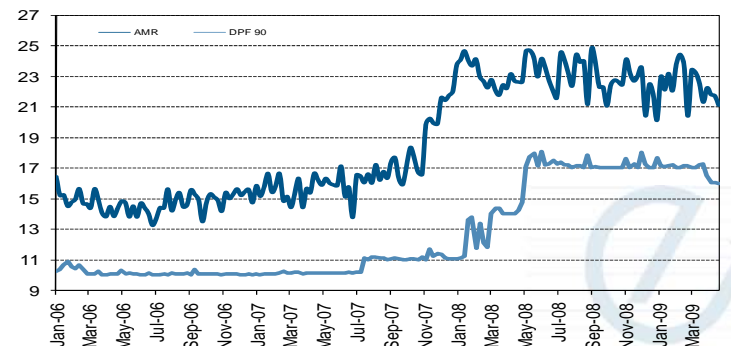
Venezuelan Global 18 Close Price



Venezuelan Global 27 Close Price

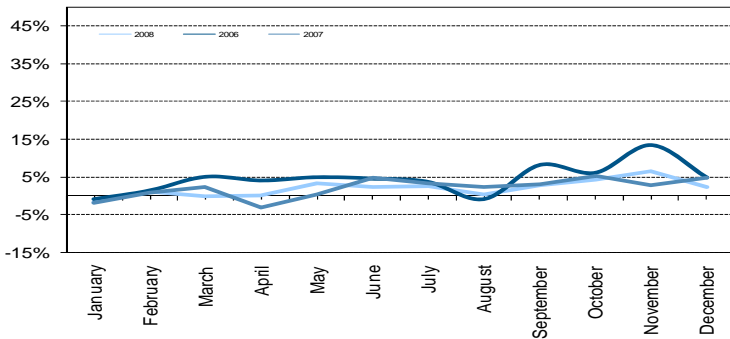


Interest Rate (Six Principal Banks)

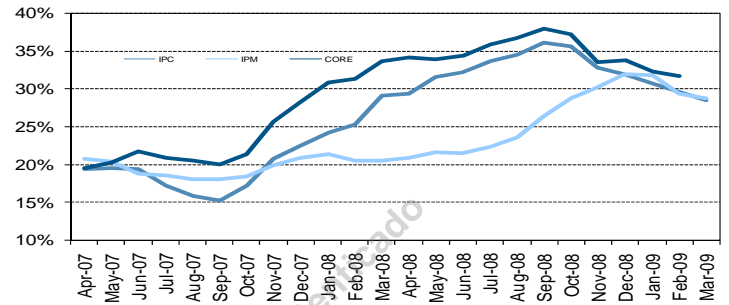




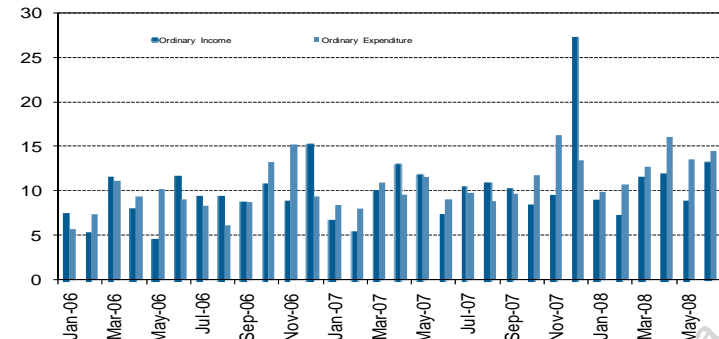
Real Expansion (M2)



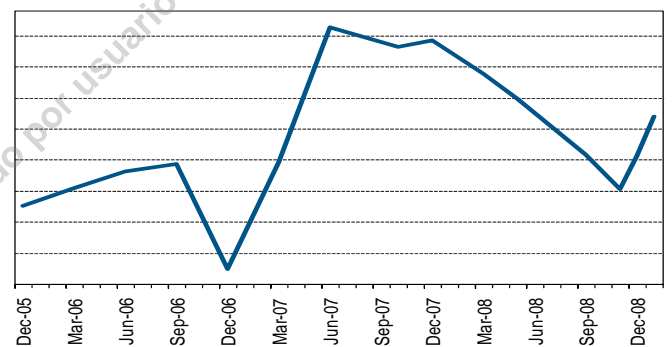
Inflation (Last 12 Months)



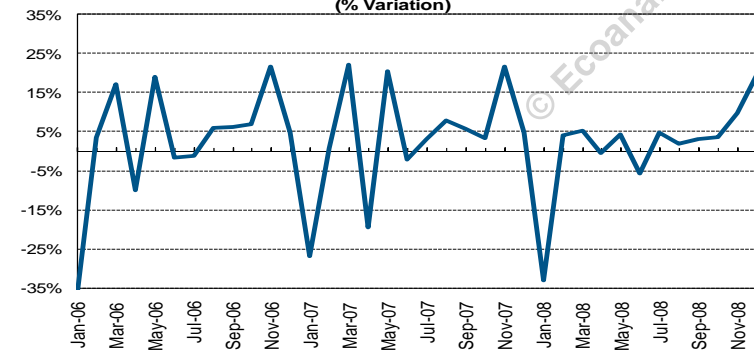
Central Government (VEB Billion)



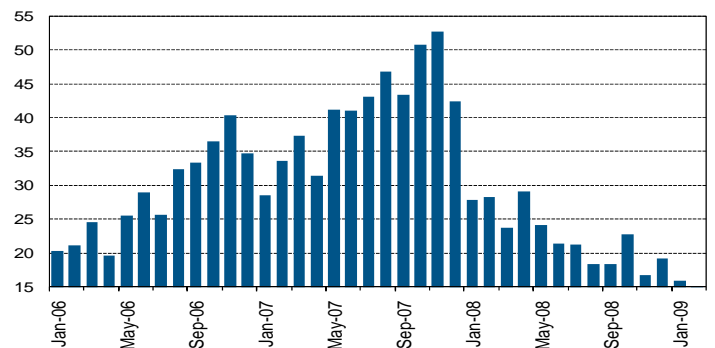
Resources of the State (US \$ MM)



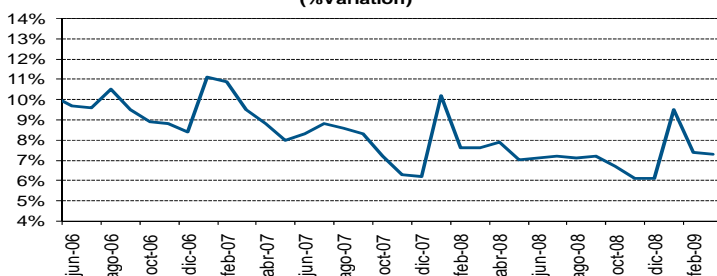
Volume of Sales (% Variation)



Sale of Vehicles (Thousands of Sold Units)



Rate of unemployment (% Variation)



Disbursement (US\$ Million)

