



# Weekly Report

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*The MF finally released the  
2008 fiscal figures and  
things don't look so good*

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A few days ago, after a very significant as well as long delay, the Ministry of Finance (MF) finally (very discretely) released the fiscal figures for the Restricted Public Sector (RPS) and the Central Government for the 2008 fiscal year and the first quarter of 2009. It's important to keep in mind that the Central Government is only a part of the Restricted Public sector which allows us to get a much better look at the current Administration's fiscal management for the past few years. This is because the RPS not only includes the Central Government figures, but it also includes PDVSA figures, non-financial public companies, and Social Security and FOGADE figures, and FONDEN. This Report will take a closer look at the latest Restricted Public Sector figures released.

The first thing that stands out is that the Government posted a deficit of 1.2% of GDP (3% surplus in 2007), while RPS figures posted a 2.6 point deficit of GDP (2.8% the year before). In other words, this reflects that just like in 2006 and 2007, operational management figures for PDVSA and the other non-financial public companies are in the red and are negatively



affecting the sustainability of the State as a whole. These figures become much more worrisome when you take into consideration that the Central Government represents around 75% of the total PRS, and the other 25% reflects very inefficient performance. Nonetheless, the Administration continues to nationalize private companies.

### **Fiscal management becoming more and more opaque**

In general, when analyzing Venezuela's fiscal management figures during the last few years, one finds that one of the main characteristics it has is a progressive lack of transparency, order, and fewer sources of extraordinary resources being included, and well as international reserve transfers and the increase of quasi-fiscal spending. A number of funds have been created which make it very difficult to see how resources are being spent and/or managed and a series of institutions carry out spending, pulling from these funds. For example, instead of having social area spending, for example in education, being carried out by a Ministry of Education which in turn would reflect this spending in its accounts, we know that education and health too, receive resources from the Central Government, PDVSA, non-financial public companies, FONDEN, and BANDES. Obviously, if you are managing public finances in this manner, it will be much more difficult to control and present a balanced set of books documenting certain specific spending. This type of management lends itself to corruption.

RESTRICTED PUBLIC SECTOR (% GDP)	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Public Consolidated Sector</b>										
<b>Total Revenue</b>	26,8	32,7	27,3	29,5	32,3	34,4	37,6	37,4	33,0	31,4
<b>Tax Income</b>	11,5	9,3	9,6	10,0	10,3	11,4	12,1	12,2	12,8	11,4
<b>Non Tax Income</b>	15,3	23,4	17,7	19,5	22,0	23,0	25,5	25,2	20,3	19,9
Surplus of PDVSA's Operations	11,2	18,7	12,5	14,3	17,6	16,7	17,5	16,3	15,3	13,8
Surplus of EPNF Operations	1,4	1,4	0,5	1,1	0,8	1,0	0,7	0,5	0,0	0,2
Interests	0,6	0,6	0,4	0,8	0,6	0,1	0,1	0,1	0,3	0,4
Utility, Dividends and Commissions	0,3	1,5	3,0	2,0	2,1	2,0	3,6	4,2	1,7	2,4
Other income	1,7	1,2	1,3	1,2	0,9	3,2	3,6	4,2	3,0	3,2
<b>Total Expense</b>	29,0	27,7	31,5	30,7	32,0	31,9	33,3	38,6	35,6	33,2
<b>Current expenditure</b>	18,2	19,7	20,9	20,7	22,1	21,9	21,3	24,0	22,4	22,7
<b>Capital Expense</b>	10,2	7,5	9,6	9,0	8,8	9,4	11,5	14,1	13,1	10,4
<b>Extra-budgetary Expenditure</b>	0,5	0,5	1,0	1,1	1,0	0,6	0,5	0,5	0,1	0,0
<b>Total Result</b>	(2,2)	5,0	(4,3)	(1,2)	0,3	2,5	4,4	(1,2)	(2,5)	(1,8)

Sources: MF and Ecoanalítica

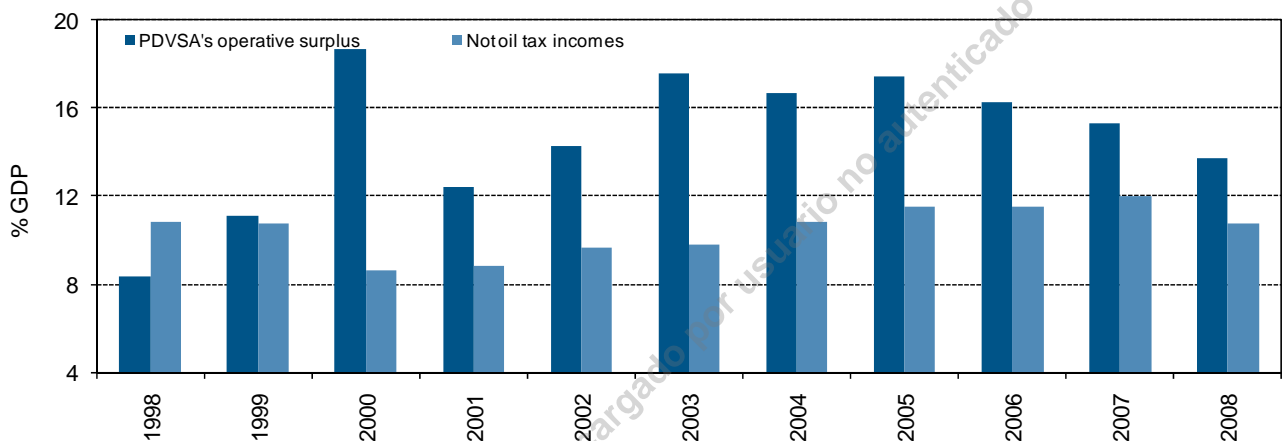
### **The Public Restricted Sector had a significant drop in its resources**

According to the figures released by the Ministry of Finance, during 2008 the PRS had total resources equaling 31.4 points of GDP, down for the second consecutive year after closing in 2006 at 37.4% and in 2007 at 33% of GDP. In fact, the level of resources posted in 2008 is almost the same as was posted in 2003 (32.3% of GDP), the reason for this being the significant



drop in oil revenues. Another factor that has affected this drop has to do with the high growth rate the economy has been showing these past few years and the real appreciation of the exchange rate (due to high inflation), along with domestic production problems.

**PDVSA's operative surplus and Non-oil tax incomes**



Sources: MF and Ecoanalítica

**The Exchange rate appreciation is eating up all the oil revenues**

One of the most disturbing facts about the 2008 figures released is that despite the fact that the price of oil went up by 31%, oil revenues (measures as PDVSA operational surplus in the PRS) dropped in terms of the part it represented in total GDP by 1.5 percentage points, going from 15.3% in 2007 to 13.8% in 2008. This is the third consecutive year this figure has dropped since it posted 17.5% in 2005. The main reason for this is how significantly the bolivar has appreciated with respect to the US-dollar, given that most oil revenues are in US-dollars and that since 2005, the official exchange rate has not been adjusted. Therefore, each "petrodollar" brings in the same amount of bolivars but those bolivars are able to buy less and less with each passing year.

**And the economic slowdown is having a severe affect on non-oil tax collection**

During the same period, non-oil tax revenues shrank by 1.7 points of GDP. This figures stands out because it is the first time it drops since 2000. Between the year 2000 and 2007, non-oil tax collection went from 9.3% to 12.8% of GDP. The drop is partially explained by the significant slowdown of the Venezuelan economy and the dismal state of domestic production, caused by the ever increasing distortions that the domestic economy is subject to.



**It's the same old story all over again**

In Venezuela, we seem to be fated to repeat the same problem over and over again and never learn how to practice fiscal discipline. Even in the middle of an oil boom with skyrocketing oil prices we managed to spend all surplus oil revenues and even go further into debt, just like what happened in 2006.

When we look at the spending figures we see that it also dropped with respect to the size of the economy, dropping by 1.9 percentage points of GDP between 2007 and 2008. This makes sense, if you take into consideration what we have just mentioned about the fact that oil revenues collected have less purchasing power from year to year due to the real appreciation of the bolivar, is that the evolution of spending responds by limiting the rhythm of economic expansion.

A point that concerns us at **Ecoanalítica** is the composition of the cutbacks that took place. While capital spending went from 13.1% to 10.4% of GDP, current spending increased by 0.3 points of GDP. If this tendency continues in 2009 and 2010, with capital spending dropping, the vulnerability of the fiscal accounts substantially increase.

**PDVSA is hiding certain truths**

We would like to point out that in order to truly understand the evolution of public finances in Venezuela one has to understand the inner workings and analyze PDVSA's financial figures and its new spending structure, especially the spending that has to do with financing the missions (social spending) and the transfers to FONDEN and other public sector entities.

Taking this into consideration, total Government public spending is much more than what is reflected in the PRS. Government spending figures do not reflect FONDEN figures and the Banco del Tesoro figures are not included in the Government's fiscal balance sheet since it is a public financial company.

**2009 public sector figures will continue to deteriorate**

Looking ahead, and taking into consideration 2009 first quarter figures, we expect the appreciation of the official Exchange rate to continue throughout the year, and also see a relatively stable level of public spending, along with significant deterioration of oil and non-oil revenues, and the domestic debt doubling. In this scenario, public sector accounts will continue to deteriorate (just with the first quarter 2009 figures, the PRS deficit is already being



estimated at 0.9% of GDP for the year), thereby reinforcing the possibility of a devaluation of the official exchange rate for the first two months of 2010.

Furthermore, the latest actions carried out by the Administration, with the announcement of more nationalizations, lead us to believe that the PRS will be bigger in the future, but that this increase in size will be mainly reflected in spending and not in revenues. One of the main reasons one can expect increased deficits in the PRS is that the recently nationalized State companies, due to politically motivated intervention by the Administration, will not be able to maintain a positive level of efficient operations.

### It's just a matter of time

There is no doubt that Venezuela is sitting on a time bomb, even though the timer still has enough time left on it for the Government to maneuver. In the medium term, with oil revenues dropping, fiscal imbalances will begin to affect the other sectors of the economy.

There won't be a crash, since the Government still has extraordinary resources enough to delay the inevitable, but it's just a matter of time before the Administration will face having to make a serious and painful economic adjustment.

Traditionally, serious fiscal adjustments in Venezuela have been carried out by adjusting the official exchange rate; which in turn, substantially improve fiscal accounts, though at a high cost in terms of inflation, growth, and economic stability in the long term. Adjustments in Venezuela produce a contraction in public investment, inflexible fiscal spending with serious cutbacks, high inflation, and a general and gradual impoverishment of the population.

## Economic Tips

**PDVSA places only 47.23% of Petrobonos.** In an effort to rise resources that allow it to cover part of its pending commitments, PDVSA had plans to place a US\$3.0 billion bond issue; however, only US\$1.41 billion were allocated to offers equal to or higher than 175% of the bond value. The state-owned oil company considered that offers below 175% had speculative purposes.





**The remainder was directly sold to Brokerage houses.** PDVSA sold the rest of the Petrobonos (US\$1.58 billion) directly to some brokerage houses at a mean price of 190%. That totalizes VEF 11.96 billion that will be used to pay its debts to providers.

**Inflation continues slowing down.** According to BCV statistical data, the National Price Consumer Index registered a month-to-month variation of 1.8% in June, lower than its variation in May (2%). According to this index, inflation over the last 12 months is 26.0% and cumulative price increase since December 2008 is 10.8%. The Consumer Price Index for Caracas metropolitan area posted a variation of 2.1% between May and June. It is worth mentioning that the increase of the first group of MERCAL's foodstuffs took place in the same period.

**But this is likely to revert...** According to inflation data presented by BCV, in June the year to year variation on Wholesale Prices was bigger than the increase in Retail Prices, that's why we expect that in coming months CPI will grow faster than previous months.

**Tax Collection for 2009 first quarter.** According to data released by the Ministry of Finance, collection for 2009 first quarter was VEF37.5 billion, for an increase of 15% compared to the same period in 2008 (VEF 32.0 billion). However, in real terms, decrease was 8.3% approximately. Total non-oil income for the semester amounted to VEF38.0 billion, of which VEF533 million come from gas tax collection and BCV profits.

**Monthly income of Venezuelan households was VEF2,342.** According to INE data, Venezuelan households' average monthly income for 2008 second half was VEF2,214, in form of wages, whereas VEF971 came from different activities. The state where households show the highest income levels was Nueva Esparta, with VEF3,111/month. Barinas, in turn, was the state with the lowest monthly income (VEF1,717).

**Poverty increased in 2008.** According to INE figures, chronic poverty affected 12.6% of households at the end of 2008, that is, 805,144 homes, in comparison to year 2007, when it was 12% (750,931 homes). The INE reports that structural poverty was at 10.6% in 2008, after reaching 11.1% in 2007. However, this result is a setback, because when structural poverty decreases and chronic poverty increases at the same time, less families have enough income to cover their basic needs.

**"Non poor" families weren't unharmed either...** The INE reported that the percentage of households that didn't experience poverty issues decreased from 61.5%



to 59% in 2007-2008. Poverty rate measured based on the income line closed at 27.5% in 2008's second half, whereas results obtained applying the Non-satisfied Basic Needs method reveal that 23.4% of Venezuelan households were in a poverty situation over the same period. As per INE data, the poorest households' income in Venezuela averaged VEF860.83/month in 2008, whereas the richest families' income averaged VEF4,245.66/month.

**Real-term salaries dropped in 2008, as well.** The BCV informed that the remuneration index shrunk 4.8% in 2007-2008, with private sector salaries registering the highest contraction (5.9%), compared to remuneration of public sector workers (-2.6%). No private sector activities experienced remuneration increases in real terms.

**International reserves.** International reserves increased 0.9%, from US\$30.09 billion at the end of June fourth week to US\$30.36 billion in July first week. In comparison to the same period in 2008, when reserves were at US\$34.16 billion, a decrease of 11.1% is observed.

**Liquidity.** Liquidity decreased 1.6% in the first week of July, compared to the fourth week of the last month, to VEF 207.38 billion. Liquidity for the year-to-date has increased 6.8%, and 30.6% compared to the same period last year.

**Interest rates.** Lending interest rate was 20.5% for the first week of July for a increase of 4 base points compared to the previous week. Time-deposit and savings rates were 14.5% and 12.6%, respectively, for a raise of 1 and 7 base points, respectively.

## Oil Tips

**Lower PDVSA contributions in the first quarter of the year.** According to the Ministry of Finance, the public sector posted a financial deficit of VEF 7.7 billion in 2009 first quarter. PDVSA registered an operational surplus of VEF5.9 billion for the same period, down 76% from the same period in 2008 (VEF25.7 billion). Results released by the Ministry of Finance also reveal a drop in contributions paid by non-financial public companies, which registered an operational surplus of VEF290.7 billion in the first quarter, for a 51% drop compared to the same period in 2008 (VEF596.5 billion).





**Loans for US\$4.0 billion are being negotiated with China.** President Chávez announced that a third loan for US\$4.0 billion is being negotiated with China Development Bank, to sustain the bi-national fund. This loan will be repaid with oil shipments, which are part of the royalties that PDVSA pays the Treasury.

**PETROPAR is looking for other alternatives to pay PDVSA.** Due to the lack of consensus concerning the debt (US\$300 million) refinancing differences between PETROPAR and PDVSA and despite the solutions put forward by the Venezuelan state-owned company (including the creation of a mixed company), the possible result could be an increase in the price Paraguay will have to pay for the gasoil they consume plus a decrease in operational costs and an strict administrative control in order to avoid misappropriation of funds. Furthermore, in a meeting held on June 30<sup>th</sup>, PDVSA demanded an advance payment of at least US\$180 million of the total debt.

**Oil unions: crude oil pumping suspended due to spillage.** Oil unions, especially in the West part of the country, report that PDVSA has suspended pumping 200 b/d of extra heavy crude, due to a spillage that adversely affected oil volumes received at the tank yard in Lagunillas. Union leaders say that the spillage was provoked by the failure of the responsible personnel to comply with the routine procedure for crude oil collection, also giving rise to ecologic problems.

**Consortiums are created to bid on the Orinoco.** The Carabobo project calls for the construction of three crude oil upgraders to process oil deposits in the Orinoco oil belt and produce about 200,000 b/d, with an estimated (mainly private) investment between US\$10.0 billion and US\$20.0 billion per area. Most of the 19 oil companies that are expected to participate in the bid for the right to develop heavy oil production are creating consortiums to present an offer for one of the three upgraders. The Ministry of Energy, in turn, suspended the delivery of the selection bases and the mixed company contract **format, which has delayed the project.**

**The sale of the refinery in the Dominican Republic is postponed.** Although PDVSA started negotiations for the purchase of 49% of Dominican Republic's REFIDOMSA refinery almost one month ago, sources from the state-owned oil company inform that the process will not be concluded in the next few days as planned due to the conflict in Honduras. Therefore, the negotiations would be expected to conclude by the end of the month. PDVSA has been very interested for a long time in buying the refinery due to its storage capacity, which would render oil and oil product supply in the region easier, within the framework of PETROCARIBE.





**OPEC is looking for stability.** According to OPEC's president, José Maria Botelho de Vasconcelos, the Organization is satisfied with the current oil barrel price of between US\$68 and US\$71, which he described as "appropriate" for both consumers and producers. "The economy has slightly recovered and prices have balanced," he pointed out. Vasconcelos, at the Global Think Tank Summit, defended last December decision to cut oil production by 4.2 million b/d (Mbd). Current production is 25 Mbd among OPEC members that account for 40% of producing countries.

**PDVSA: anything for China.** Two years after the suspension of Orimulsion production by PDVSA, the holding paid the debt it owed China for having terminated the Orimulsion supply contract signed with the former Bitúmenes del Orinoco. In 2008 the Venezuelan oil company paid off the total debt, which amounted to US\$300 million; the operation was carried out through discounts on the amounts that PDVSA invoiced PETROCHINA for crude sales, with the payment of interests for US\$22 million still pending. This demonstrated how important a trade partner as China is for PDVSA. China's oil export quota in 2008 was 137,000 b/d, for a 44.2% increase from 2007.

**Inventories fall for the fifth time in a row.** Thanks to a "timid" demand, refineries reduced their imports thereby bringing about the fifth fall in a row of the US oil inventories. Crude oil stock would have dropped 2.2 million barrels, on average, on the week ending on July 3<sup>rd</sup>. Therefore, if this prospect proves right, drops from the week ending on June 5<sup>th</sup> would total 15.8 million barrels. Gas inventories, in turn, grew by 800,000 barrels, which could be attributed to an increase in imports that possibly counteracted the increase in purchases by dealers before the July 4<sup>th</sup> weekend.

**Crude international show slight tendency to the fall** The WTI closed the previous week to US\$66.73 by barrel (p/b) registering low of US\$0.20 with respect to last week of June, whereas the Brent lost US\$3.31 to finish the first week of the month in US\$65.61 p/b. At the beginning of the week the baskets maintained this tendency, aiming both, prices of US\$64.05 p/b. These falls were promoted by the new proposal of the Commission of the Market of Futures of Commodities, to establish limits to the daily volumes of commodities marketing on the stock-exchange and this way to avoid that the financial speculation continues generating high volatility in the prices of petroleum and derivatives.

**Venezuelan basket recovers, but it weighs.** Agreed to the report of the Ministry of Energy and Petroleum, the basket of crude of PDVSA registered a slight increase of US\$0.63 closing the first week of the month in US\$63.16 p/b as opposed to the US\$62.53 p/b of the last week of June. This increase came favored by the purchases



from contracts in future in the week before the attacks to oil installation in Nigeria, indicated the organism of the State. This rise elevates the annual average to US\$46.52 p/b.

## Business Sector Tips

**SUDEBAN recommends BIV liquidation.** Financial health of Banco Industrial de Venezuela is so precarious that SUDEBAN's recommendation is definitely liquidating the bank; health assets would go to the new Banco de Venezuela and the liquidation costs would be the responsibility of FOGADE (Deposit Guarantee Fund).

**On patents.** The Minister of the People's Power for Commerce, Eduardo Samán, explained that the reform of the Law on Industrial Property, which intends to limit the granting of patents in the drug product sector to products that are truly innovative and not mere reformulations of already existing products, is aimed at reducing medicine prices. In previous reports we have already expressed our disagreement with this measure, because it cuts incentives to investment in research and development; it also continues to be a measure to reduce price levels in a single sector, instead of attacking the underlying problem that is the price growth rate (i.e. inflation).

**Cemex cut its production target for this year.** According to the coordinator of the Cemex transition committee, Natacha Castillo, the cement company that was nationalized last year is expecting to produce 3.9 million tons of cement this year, i.e. 12% below its last years' production. However, Castillo claims that it will be enough to meet domestic demand. It's worth mentioning that Cemex de Venezuela is under international arbitration since last year, because its Mexican parent company sued the Venezuelan government for having sized the company without any compensation payment.

**Car sales drop 51%.** 154,576 units were sold during the first six months of 2009, i.e. a little more than 50% of the units sold in the first half of 2008 and 62% below those sold during the same period in 2007. Sales in June are 51% lower than sales in June 2008 (10,518 vs. 21,427). The biggest drop occurred in imported cars (75% as compared to the same period in 2008). And the worse part is still to come, due to the closing of GMV and to the problems with auto part imports by most assembly plants.





**The AN will reform the Capital Market Law.** Aiming at rendering capital market more democratic and introducing socialist values, the National Assembly plans to reform the Capital Market Law. The first change is that the new law will now be known as Securities Market Law (to remove the “capitalist” part). The reform is intended to allow all Venezuelans to participate in the market when new issues are launched, thus preventing the banking system to keep the largest part. Minister Amoroso also mentioned that they will try to avoid that the swap rate is posted on the Internet.

**Exports to Colombia drop 51.3%.** Exports from Venezuela to Colombia dropped 51.3% from January to April this year, due to the loss of competitiveness resulting from the overvalued exchange rate we have referred to in previous reports and the fall in oil prices and other raw materials. Venezuela’s trade deficit to Colombia amounts to US\$1.615 billion.

**Bottom trawling fishermen have not received any help from government.** Bottom trawling was banned a little more than four months ago and since then, 53,000 workers that depended on this activity are waiting for a solution by the government. The president of the Fishing and Aquiculture Socialist Institute has not attended the meetings with the Venezuelan Federation of Fishery Workers.

**Milk price adjustment is not enough.** The price of one liter of raw milk at the corral was adjusted from VEF1.5 to 1.61, for an adjustment of only 7.3% after two years. According to producers, producing one liter of milk costs between VEF 3 and 4.5. Around 4,500 producers could end up being out of the business.

## World Crisis Tips

**US unemployment grew up to 9.5% in June.** The US Bureau of Labor Statistics published unemployment figure for June (9.5). 6.5 million jobs in the largest world economy have been lost since December 2007. A total of 473,000 jobs were lost in June, much less than the 691,000 jobs per month that were lost between January and April on average.

**The American Bankers Association published delinquency data in the US.** The compound delinquency index of 8 types of loans rose up to 3.23% in the first quarter, from 3.22% in the previous quarter. The highest delinquency level (credit cards) went up to 4.75% from 4.52% and that of mortgages increased from 3.03 to 3.52%.





**More unemployment = more foreclosures.** Just like unemployment is expected to continue rising until the end of the year, the Chase Bank expects foreclosures to substantially increase in the second half of the year. According to PMI Group estimates, the probability that prices of houses drop until 2011 is at least 75%. As per PMI data, there are 15 cities where this probability goes up to 99%, including Miami, Tampa, Los Angeles, and Detroit, among others.

**The Commodity Futures** Trading Commission (CFTC) is proposing limits to energy futures. The CFTC is proposing to set a limit in the daily volume of energy futures traded on the stock exchange (similar to the one existing for agricultural products), in order to prevent financial speculation from driving commodities prices up (particularly oil's), beyond the levels that supply and demand would determine.

**GM's sale approved.** One month after its having filed for bankruptcy, the GM general sale to the US Administration was approved by a New York justice. The US Treasury will contribute US\$60.0 billion to finance the new company. As a result of this transaction, the US government would control 60% of the company.

**European ministers criticize banking regulations in the EU.** The German Ministry of Finance proposed temporarily lifting the "Basel II" rule that provides for that compulsory bank reserves be proportional to bank risk. The Minister describes the rule as pro-cyclic, because in the recessive phase of the cycle risks increase whereas they decrease in the expansive phase, thus making crises worse because credit expansion is hindered in recession times and credit is expanded beyond suitable levels in boom times.

**...but this has its minuses.** Most European ministers didn't agree on lifting the Basel II rule, because this would worsen banks' financial health in this kind of recession (more unpaid credits and less reserves; higher probability of bankrupt banks). However, they supported the idea to implement a reform so that compulsory reserves are higher in good times and lower in recession times.

**British economy contracted 0.4% in the second quarter.** According to the National Institute of Economic and Social Research (NIESR), the British economy contracted 0.4% in the second quarter, on a quarter-to-quarter basis. This is much worse than expected, because it was expected to register economic growth already in April. The NIESR estimates that British economy is now stagnated, that is, contraction has ended, but positive growth figures are not still expected.





**Credit in China has expanded by 5.84 trillion yuan (US\$850.0 billion).** Between January and May, credit in China has expanded at a pace almost three times higher than the level recorded in 2008, after the Chinese government made bank loan restrictions more flexible in November 2008, in order to prevent the growth pace from decreasing. The Bank of China expects that loans could exceed 10.0 trillion yuan later this year.

**China grew 7.5% in the second quarter.** The head of the research office of the Central Bank of China informed that according to preliminary data, Chinese economy grew 7.5% in the second quarter, after having expanded 6.1% in the first quarter. Growth is expected to reach 8 and 9% in the third and fourth quarters, respectively, to meet their 8% growth target for 2009.

## Political Tips

**Different proposals for the reform of the Organic Labor Law (LOT).** Representatives from several professional and social women organizations submitted proposals to the AN to include severe penalizations in the LOT reform for employers that do not respect the provisions concerning mother lactation, and for sexual harassment and gender discrimination, besides the inclusion of an age pension for housewives. Children work suppression was also requested.

**Electoral law will discriminate voters depending on the state.** The draft Law on Electoral Processes (LOPE) approved in its first discussion provides for that voters in each state will vote according to different criteria, that is, that the proportion of nominally elected representatives and of those elected from a list will be different. According to this new scheme, only in a few states representatives' election will be plural, without mentioning that the proportion will not comply with the constitutional provisions (60% nominally and 40% for political parties lists).

**...and allows rivals to be publicly criticized in electoral campaigns.** Article 59 of LOPE, approved in its first discussion, allows co-opting, encouraging or persuading citizens to vote in favor or against a candidates within the term provided for by the CNE. Furthermore, the draft law excludes the article that prohibits public employees to carry out proselytism activities.





**Licenses of several mass media withdrawn.** The Minister of Public Works and Housing, Diosdado Cabello, announced that 240 radio stations (154 FM and 86 AM) and 45 TV stations lost their licenses because they did not updated their data at CONATEL before the end of the process on June 23<sup>rd</sup>. Cabello underscored that they will proceed to recover 154 FM radio stations that did not updated their data and are operating without the corresponding authorization, and that many of the media that are members of the Chamber of Radio Broadcasters are operating illegally.

**Honduras will no longer have economic and social support from Venezuela.** President Chávez ordered to suspend the supply of finished products to Honduras under PETROCARIBE agreement, as well as social programs that were being implemented with resources from the Alba Caribe Fund. PDVSA sent 3,400 b/d, on average, to Honduras out of its quota of 20,000 b/d, in 2008.

## Other Tips

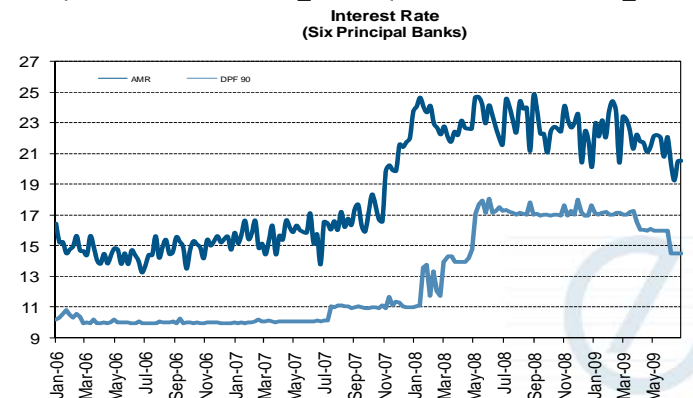
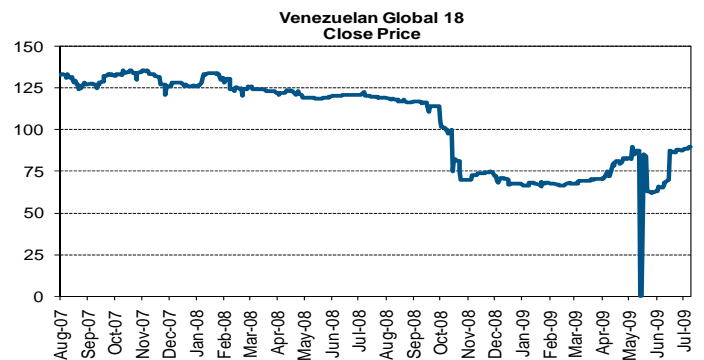
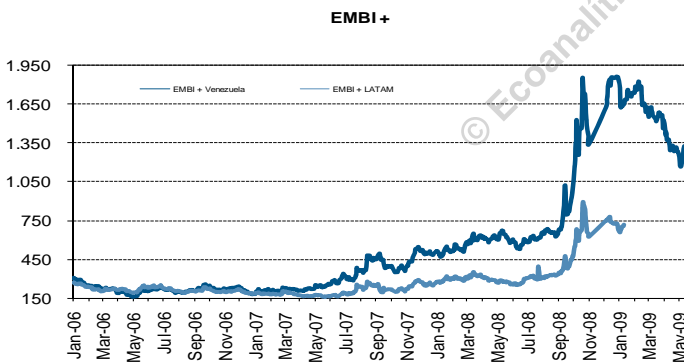
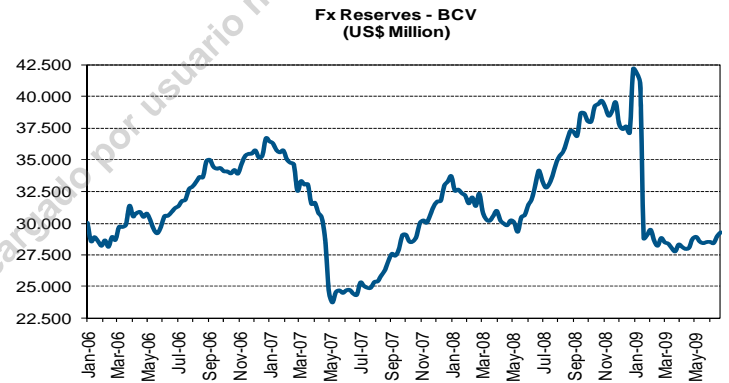
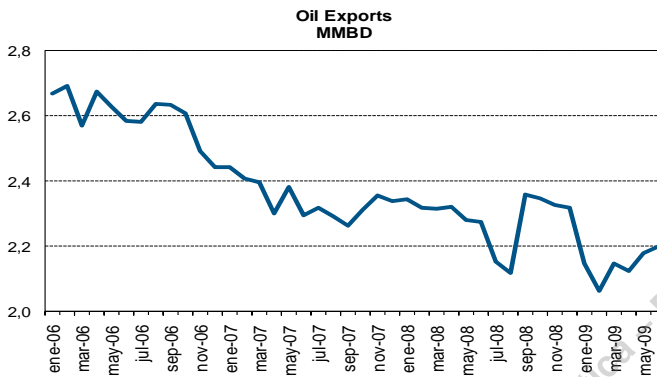
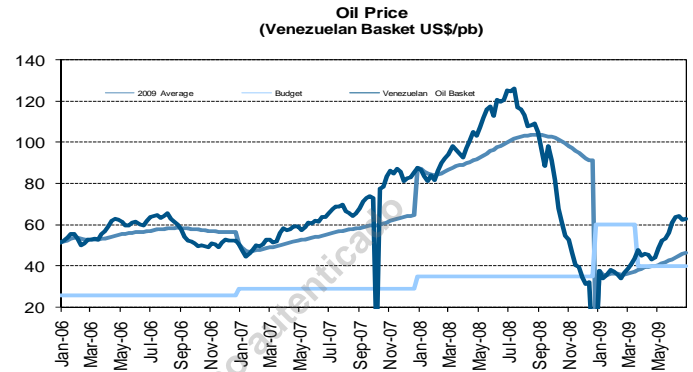
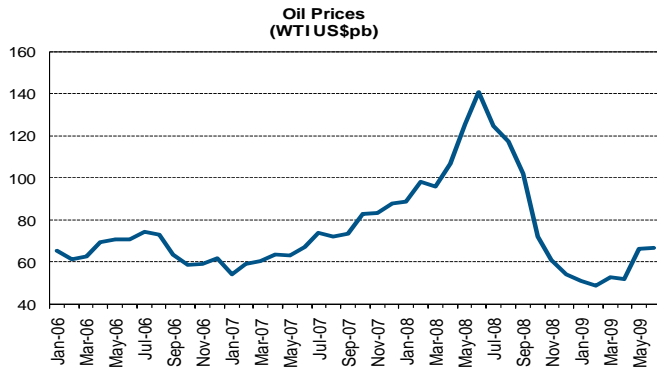
**Spain promotes trade development in Latin America.** Spain has committed to contribute €320,000 to promote trade and economic competitiveness in Latin America through the UN Conference on Trade and Development (UNCTAD). The resources will be applied to finance training activities aimed at fostering and promoting trade; train officials that are negotiating investment international agreements; and support the UNCTAD and the Latin American and the Caribbean Economic System program on competitiveness.

**Venezuela is the major cocaine trafficking country.** According to the UN World Drug Report, Venezuela has become the major transit country for cocaine produced globally. The report points out that 40% of cocaine shipments sized in the European Union go through Venezuela, meaning that 238 tons of cocaine passed through Venezuela in their way to Europe.



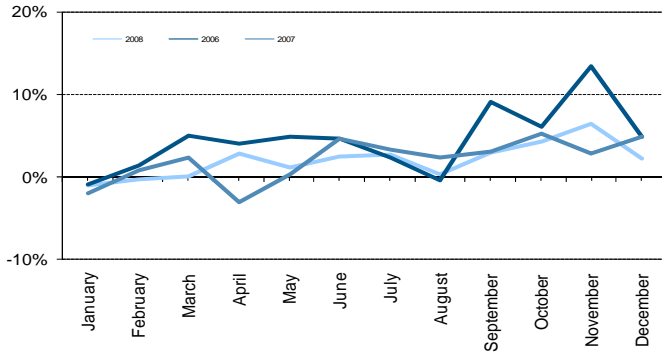


## ECONOMIC OVERVIEW

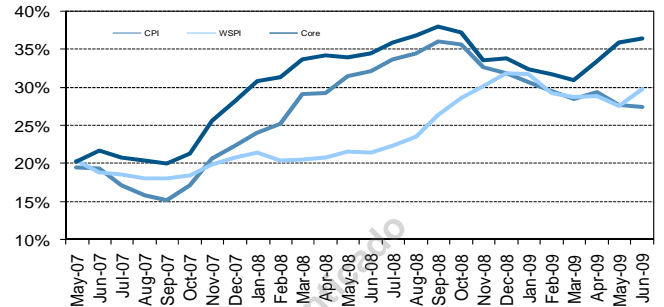




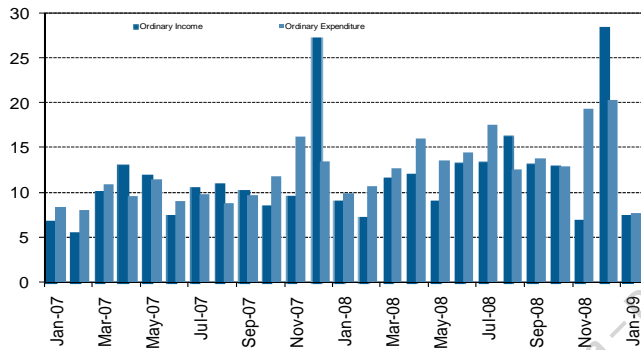
**Real Expansion (M2)**



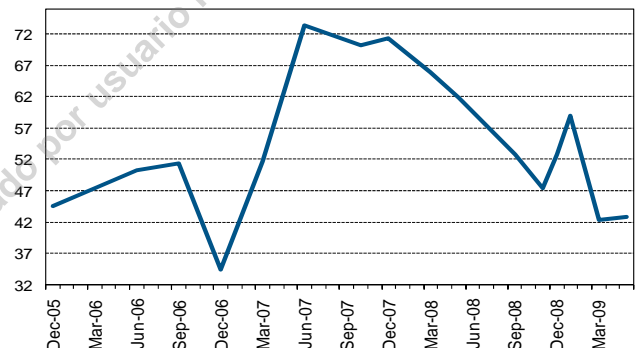
**Inflation (Last 12 Months)**



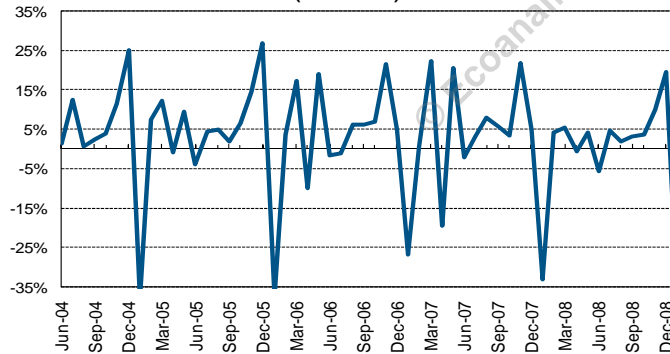
**Central Government (VEB Billion)**



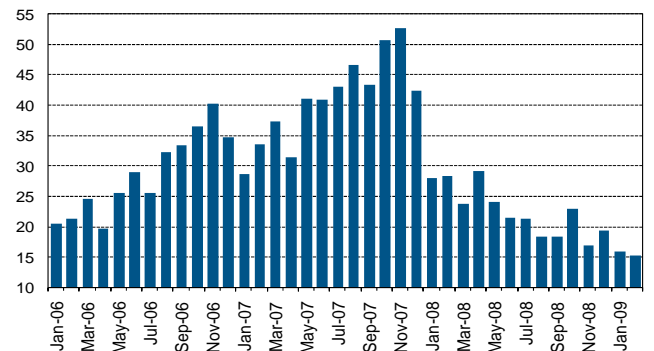
**Resources of the State (US \$ MM)**



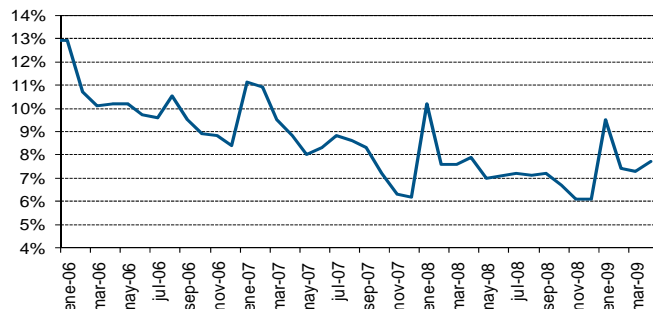
**Volume of Sales (% Variation)**



**Sale of Vehicles (Thousands of Sold Units)**



**Rate of unemployment (%Variation)**



**Disbursement (US\$ Million)**

