



# Weekly Report

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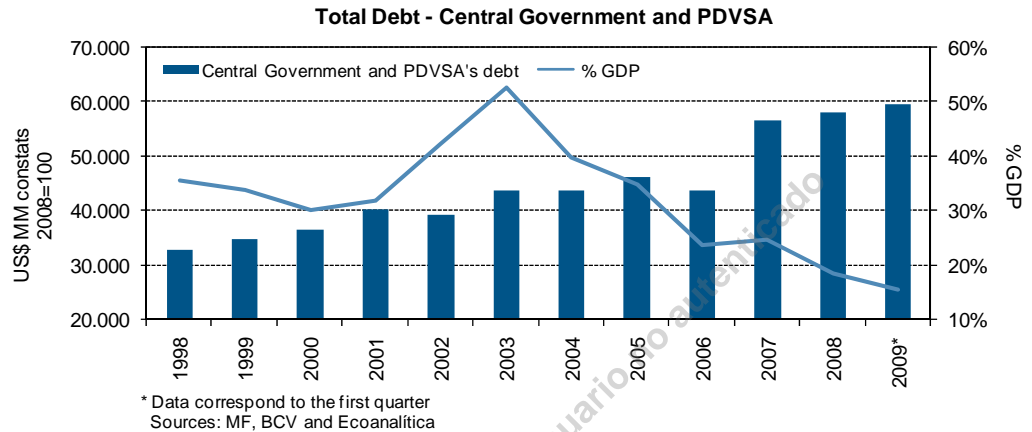
## ***HOW MUCH DEBT WILL ADMINISTRATION ACQUIRE THIS YEAR?***

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Last week the Administration released the figures for the national debt for the first quarter. It's been clear that borrowing has been the mechanism that the Chávez Administration has chosen to use to face the drop in oil revenues. At the close of the first semester 2009, the increase in the amount of public debt acquired seems alarming; especially when you take into account the impact that the cost of the debt service (debt payment + interest) will have in the coming years.

### **Where do we stand?**

According to the information released by the Ministry of Economy and Finances (MEF), at the close of the first quarter of 2009, the total balance of public debt acquired (domestic and foreign) was at US\$ 44.80 billion, which represents 11.8 points of GDP. Of that amount, US\$ 14.96 billion was domestic debt and US\$ 29.84 billion foreign debt. On the other hand, according to the balances released by PDVSA, the corporation's external debt totals US\$ 15.30 billion. So, in global terms, the public debt (MEF + PDVSA) totals US\$ 60.11 billion (15.8% of GDP).



### What has happened so far?

Up until last year, before the international economic crisis unfolded, the Administration had a clear strategy with regard to public borrowing. Foreign borrowing would be focused on instruments that would oxygenate the swap-market, providing it with foreign currency (bolivar-US-dollar bond issues such as the *Bonos del Sur*, PDVSA bonds, and others). The Administration also substituted expensive debt and with the 2007 buy-back of debt it managed to lower foreign debt service. With regard to domestic borrowing, the Administration significantly reduced the rate at which it was issuing papers, dropping the amount of public debt acquired during the last three years.

But, with the international crisis unfolding and the significant drop in oil prices, this strategy has changed. The Administration decided that one of its anti-crisis measures would be to increase the levels of borrowing. When President Chávez addressed the nation last March 21<sup>st</sup>, he highlighted that he planned to increase net borrowing this year from VEF 12.24 billion (US\$5.29 billion) to VEF 34 billion (US\$15.81 billion).

### Fairly significant amounts

At the close of the month of June, the amount of debt that has been acquired is quite significant, especially foreign debt. So far this year, the Administration has borrowed US\$ 4.0 billion from China, US\$ 1.20 billion from Japan, and US\$ 3.0 billion in Petrobonos (oil bonds). In other words, in just six months the Administration has acquired US\$ 8.20 billion in foreign debt. This is equivalent to 27.5% of the total stock of foreign debt held at the close of 2008. With regard to the debt acquired from China and Japan,



payment will be made in oil, but unfortunately, PDVSA has yet to release the general conditions of this agreement.

In fact, the amount borrowed from China which is part of the so-called Bi-National China – Venezuela Fund, is not being registered as PDVSA debt, but as a debt of the Republic with conditions similar to a loan acquired from a multilateral organism. However, these figures have yet to appear registered in MEF accounts, and let us not forget that China also contributed US\$ 4.0 billion into this fund last year.

#### **And even more...**

The Administration has not only limited itself to acquiring significant amounts of foreign debt. It has also significantly increased the amount of domestic debt acquired. Up until the first week in July, the Administration has borrowed VEF 13.55 billion (US\$ 6.30 billion) issuing a series of different bonds (DPN, TICC, TIF and Agriculture Bonds) and VEF 3.77 billion (US\$ 1.75 billion) in Treasury Bills. In other words, the total net amount of borrowing so far comes to US\$ 8.06 billion, which represents 56.8% of the total stock of domestic debt held by the Republic last year.

#### **An unprecedented figure**

In other words, net borrowing (without considering pending debt payments) during the first semester of the year is at US\$ 16.26 billion, a very significant amount which also shows just how much in the hole the Administration is in due to the drop in oil revenues. Of this amount, most of it was acquired during the second quarter of the year, since the Administration's strategy during the first quarter was to use the bulk of its extraordinary resources (Miranda Fund) in order to cover its deficit.

#### **It's not over yet**

If you think that the amount of debt the Administration has acquired is high and that it has borrowed all it will for the rest of the year, you are mistaken. According to information that we have gathered at **Ecoanalítica**, there is a committee made up of the MEF, the Ministry of Planning, and the Central Bank of Venezuela (BCV) which is planning on issuing debt instruments during the second semester for an amount that could fluctuate between US\$ 7.50 and 7.70 billion. These operations would be overseen by Nelson Merentes, president of BCV and the instruments introduced would be "novelty" items in US-dollar or indexed to the official exchange aimed at introducing a coverage instrument for the swap-market.

These instruments would not only be issued by the Administration but by other public companies as well. In fact, the schedule that has been



established for the second semester shows US\$ 2.0 billion being issued by the Ministry of Finance, US\$ 1.50 billion by the National Electric Corporation, between US\$ 1.0 and US\$1.20 billion by CVG, and another US\$ 3.0 billion by PDVSA. This does not include the bonds in bolivars which will be placed in the domestic market, which by the third quarter of the year is expected to be at approximately VEF 11.05 billion (US\$ 5.14 billion).

<b>Endeudamiento Bruto al Cierre de 2009 (millones de US\$)</b>	<b>41,655</b>
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Fuentes: MF, BCV y Ecoanalítica

#### Debt 2009

##### Stock - Public Debt (IT09)

Interna Debt	14,960
External Debt	29,847
PDVSA Debt	15,309

<b>Gross Debt at First Quarter (US\$ millions)</b>	<b>60,116</b>
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##### New Debt - 1S09

Issuance of bonds (DPN, TICC, TIF and Agricultural Bond)	6,302
Treasury Bills	1,753
Loans from China	4,000
Loans from Japan	1,200
Issuance of Petrobonos	3,000

<b>Gross Debt at First Semester (US\$ millions)</b>	<b>16,255</b>
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##### Debt - 2S09

###### Internal Debt

Issuance of bonds and Treasury Bills	11,000
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###### External Debt

Ministry of Finance	2,000
CORPOELEC	1,500
CVG	1,200
PDVSA	3,000
BNDES Brazil	1,500
China	4,000
Japan	1,200

<b>Gross Debt at the end of 2009 (US\$ millions)</b>	<b>41,655</b>
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Sources: MF, BCV and Ecoanalítica



### **The debt service will increase for the coming years**

If we add it all up, taking into account that in the fourth quarter it's expected that the Administration will issue the same amount of domestic debt than in the third quarter, net borrowing in 2009 will be at US\$ 41.66 billion (VEF 89.56 billion). This is a 94.6% increase compared to the close of 2008. It's true that the Republic's level of borrowing was low in comparison to its neighboring countries in the region, but this increase in the amount borrowed in just one year is exorbitant. Especially if you keep in mind that the Administration still has resources in different funds. It just doesn't want to have to apply an adjustment. It wants to continue spending as if nothing has happened, and oil prices had never dropped. This significant increase in public debt will generate a very noticeable increase in debt service for the 2010-2013 period, on average an increase of around US\$3.72 billion, though it worth pointing out that with regard to domestic debt, the Administration can still count on the devaluation mechanism (devaluing the official exchange rate) to help it ease this burden.

But it's a double edged sword, on the one hand it increases the debt service, compromising resources which could be used for other priorities; and if the Administration is successful in placing more than US\$ 7.0 billion in foreign debt in US-dollar instruments, this will significantly affect how Venezuelan bonds will be traded abroad, plus being a very expensive debt issue, as was the case with the recent issue of Petrobonos.

### **The past continues to haunt us**

Just like an episode of TV show *Lost*, where the characters travel through time, the Administration seems to be going back to the years of the Fourth Republic, when public borrowing was out of control, which in turn generated severe restrictions in the National Budget. The Administration should reconsider its borrowing strategy, ration the use of its extraordinary funds, and curtail its public spending for the rest of the year and the coming year. The country can't absorb this rhythm of borrowing. The Administration can't go for broke, and bet everything on that oil prices will bounce back sooner rather than later. The bet is extremely risky.





## Economic Tips

**PDVSA and TICC bonds may be traded in the BVC.** According to the resolution N<sup>o</sup> 09-06-04 of the Central Bank, the foreign currency bonds issued by the state oil company (as Petrobono 2011) and the bonds in bolivars indexed at official exchange rate (TICC), may be traded in the secondary market and in bolivars. In this sense, the Bolsa de Valores de Caracas (BVC) announced this week that the bonds issued by PDVSA and TICC may be traded after July 20. BCV's resolution follows that the bonds may also be placed 2017, 2027 and 2037, but it remains unclear as the mechanisms of negotiation. Moreover, the fact that are traded on the BVC will not affect the primary market, which have the greatest distortion.

**Interbank loans registered an interest rate exceeding 22%.** According to information provided by the BCV, since July 6 the overnight interest rate has been increasing. Moving from a level of 1.9% on July 6, up to 22.3% on July 15. Furthermore, from July 9 the excedentary reserves have declined substantially. These are associated mainly with the payments of Petrobonos made by financial institutions; it is also a reflection of low levels of liquidity in the financial system.

**Public company exports drop by 80%.** Ministry of Finance figures show that for the first quarter of 2009, non-financial public company exports dropped by 79% settling at VEF 272 million compared to the VEF 1.2 million they were at in 2008. A number of analysts say that this is a result of companies being forced to sell their products in the domestic market, plus the general problems facing the basic companies.

**Basic basket increased to VEF. 3,421.15 in June.** The basic basket for the month of June increased by 1.8% to settle at VEF 3,421, according to the Center for Documentation and Analysis for Workers (CENDA). During the first six months of the year, the basic basket has increased by 9.3%, with respect to the last 12 months the basket has increased by 27.5%, which is equivalent to VEF 737.94. CENDA also reported that the average Venezuelan family income (calculated as two minimum wages) can only cover 51.4% of the basket.

**International reserves.** International reserves rose 1.1%, from US\$ 30.36 billion at the end of the second week of July to US\$ 30.69 billion in the third week of July. Compared to the same period of the last year, these have fallen 8.7%.





**Liquidity.** According to latest information provided by the BCV, the liquidity at the end of the first week of July showed a fall of 1.6% over the fourth week of June, when placed in VEF 207.386 million. So far this year, liquidity has increased 6.8% and has increased by 30.6% compared to the same period last year.

**Interest rates.** According to the latest figures released by the BCV, the active interest rate for the first week of July was 20.5%, representing an increase of 4 basis points in relation 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

**The State will pay...but to those who adjust their bill.** With respect to the money PDVSA owes contracting companies and its suppliers, it will use the money collected from the issue of Petrobonos to begin paying off its debts, but giving preference to those companies who adjust the amount owed and lower their future rates. The quicker a company considering accepting these conditions make their intentions known, the better. At the beginning of the year, PDVSA requested that amounts owed be adjust by 40%, but the measure was not applied across the board, so it's more like the adjustment is expected to be around between 20% and 30% the amount owed.

**PDVSA: to recover US\$800 million from private investors.** PDVSA proposes to recover US\$800 million that it has invested in the Mariscal Sucre gas project (exploration stage). The strategy is to issue a bond which private investors will have to buy in order to participate in the project. The project's production potential is at around 1.20 billion cubic feet a day of gas and the estimated investment in the project is US\$8.35 billion between 2009 and 2015.

**Oil Belt bidding project to allow arbitration.** Looking to attract financing, and despite the basic mixed company contract model offered to foreign partners which does not allow international arbitration for investments, the Ministry of Energy and Petroleum agreed to include a clause allowing international arbitration but only for the financing project part, which will allow companies to apply for loans for the multimillion dollar bidding process. This decision was probably based on the fact that during an



international crisis situation, no bank was going to grant loans without an arbitration process allowed.

**Plus, bidders doubt the viability of the project.** Just a few days before the bidding process for the 4 areas belonging to Carabobo block concludes, a number of bidders are questioning the economic viability of the project due to the current volatility of oil prices since they will have to maintain a structure of costs and spending.

**PDVSA also has accounts pending with the mixed companies.** According to sources within the oil industry, PDVSA not only has debts accumulated with its contractors and suppliers, but also with the mixed companies. It is way behind on the payment for the hydrocarbons the mixed companies produce and sell to PDVSA which must be paid in US-dollars and deposited in foreign accounts. Payments have been past due since last year. Delays may not only affect the partners but also the holdings in relations to the amount of debt accumulated since last year.

**PDVSA, receives dividends from CANTV to pay missions.** With the dividends generated by CANTV, the Finance Commission of the National Assembly granted VEF 62.2 million to the Ministry of Energy and Petroleum, of which VEF 12.2 million will be transferred to PDVSA so that it can carry out the payment of the missions, especially in Táchira state.

**PDVSA-PETROPAR situation: Lower the cost of Gasoil.** Within the framework of the negotiation of the terms of the contract for the production of gasoil between PDVSA and PETROPAR, both parties reached an agreement as to the cost of the fuel. The representative of the Paraguayan company announced that the Venezuelan company, which provides 70% of the gasoil to Paraguay, had adjusted its price. With regard to other conditions which make-up the contract, such as the refinancing of the debt, he said there was no new news to announce. Talks will continue until the time allotted expires on July 31<sup>st</sup>.

**PDVSA most important company in Latin America.** According to the U.S. magazine Fortune, out of the list of 500 most important companies around the world, PDVSA, ranked 27<sup>th</sup> was the highest ranked Latin American company on the list. According to Fortune, the company had revenues for US\$126.36 billion and profits for US\$7.45 billion. It was followed by Petróleos Mexicanos (Pemex), Mexico's largest company and ranked 34<sup>th</sup>, the Brazilian company Petrobras.





**International crude oil prices: Biggest drop in price since January.** International crude oil prices dropped on average by 10% during this past week. WTI dropped US\$6.80 (11.4%) closing the second week of July at US\$59.89 per barrel compared to last week's price when it was at \$66.70 per barrel. Brent dropped US\$5.10 (8.4%) trading at the close of the second week at US\$60.5 per barrel compared to the previous week's price of US\$65.60 per barrel. At *Ecoanalítica*, we believe this drop was due to announcements made by the Commodities Futures Trading Commission when they introduced their idea of creating a daily volume limit to control the amount of energy resources futures traded.

**Venezuelan oil drops US\$6.75.** The Venezuelan oil basket dropped 12% during the past week closing at US\$56.40 per barrel compared to the previous week's price of US\$63.20 per barrel. The Ministry of Energy and Petroleum attributes the drop to "the expectations that world demand will recover slowly, and persistent fears regarding the world economy." Despite this drop in price, the yearly average price for the Venezuelan oil basket is at US\$47.40 per barrel.

**Despite the drop in prices, the IEA reports.** Last Friday, the IEA introduced an argument based on its provisional figures that world demand for oil is expected to grow by 1.7% in 2010, after two consecutive years of dropping. This figure is based on the projected growth of the world economy of 1.8% in 2010, compared to the 1.4% drop that is expected in 2009. This means that GDP and new oil demands will be growing at the same rate.

**Demand to come from emergent countries.** The IEA also predicts that world demand will reach 89 million barrels (Mb) in 2014 (it's currently at 85 Mb). That's when, for the first time ever, emergent countries (especially from Asia) will surpass developed nations in total consumption.

**Barclays for its part ...** Barclays's forecasts indicates that the world demand of crude oil only will grow 0,6 % in 2010, taking as a reference an economic global growth of 3,6 % for the same year, with a previous fall of 1,3 % in 2009. In contrast with the projection of the EIA, Barclays argues, that the reference of economic growth of 1,8 % was taken of a previous projection of the IMF, since this one modified to 2,5 %; this implies that if it had taken as a reference this new figure the forecast of growth of the demand of crude oil had been major. In this order, which is important to stand out, is that the projections of growth of the demand of crude oil of the EIA are very optimistic to be based on so pessimistic figures of economic growth (almost three times smaller than those of Barclays).





## Business Sector Tips

**BCV reports a 7.4% drop in industrial production.** According to BCV reports, the private industry sector, which represents 95% of total production, dropped by 7.4% during the first semester of the month compared to the same period last year. The sectors that were most affected were: dress apparel, down by 43.7%, foot ware, down by 34.9%, and rubber and plastic products, down by 24%.

**Aluminum factories shutdown due to workers not being paid.** Since Monday, July 13, workers from BAUXILUM, VENALUM, CARBONOL and ALCASA have been on strike because they have not been paid for more than 38 days. Rodolfo Sanz, Minister of Basic Industries and president of CVG is being named as the person responsible for this situation and the workers are demanding that all the top management of the CVG resign.

**Briquette production dropped by 14.5% in 2008.** 3 million tons of briquettes were produced in 2008 compared to the 3.6 million which were produced in 2007. This drop in production began in 2006, after a maximum amount of 5 million tons was produced in 2005. There are a number of reasons which lead to this drop in production, one being a shortage of locally produced pellets, its main raw material. During the last three years a larger percentage of pellets have been imported (currently more than 50% is being imported), and the world crisis has lowered the demand for briquettes.

**Assembly plants being inspected.** As a measure to prevent assembly plants from selling over priced vehicles, a commission made up of members from the Office of Penal and Financial Investigation of the National Guard, the INDEPABIS and the SENIAT, are currently supervising assembly plant activities to verify that their analysis of costs passed on to private companies.

**The National Assembly will present new Law for the Purchase and Sale of Vehicles.** The new law will establish the profit margins that dealerships are allowed (between 3% and 10%) and the profits assembly plants are allowed (between 15% and 20%); it will establish a fine of three times the amount which surpasses the profits allowed and 3 to 7 years jail time for second time offenders. A third proposal is aimed at the total refund of monies paid (plus interest) for people who wish to get out of



Programmed Purchase Systems (half the amount paid at the moment the person leaves the program and the other half within 3 years).

**Supermarket sales drop by 10% in first semester.** According to the president of the National Association of Supermarkets and Self-service, first semester sales dropped by 10% compared to the same period last year. Items most affected are cleaning and personal hygiene articles.

**Franchise sales drop by 25% during the first semester.** The president of the Venezuelan Chamber for Franchises, during the first semester of the year sales have dropped by 25% compared to the first semester of 2008. The sectors most affected are hardware, paint sales, and clothing stores.

**Bakery sales drop by 5% in the first semester.** According to the president of the Federation of Bakery and Related Industries, so far this year sales have dropped by 5%. Bakeries have also been hard hit by the regulation of the price of the kilo of bread (French bread) at VEF 4.45, which is just enough to cover production costs. Just like in other sectors, the bakeries have turned to baking other varieties of bread to dodge the regulation.

**BIV intervention period extended.** The intervening board of the Banco Industrial de Venezuela, along with the Ministry of Economy and Finance, have decided to extend the intervening period by 60 days in order to decide whether the bank should be liquidated, or whether it should receive financial help. The possibility that it may be absorbed by the new Banco de Venezuela is also being considered.

**Shortages.** According to a study published by the company GS1 Venezuela, the shortage index for the five main cities in Venezuela (Caracas, Maracay, Maracaibo, Valencia, and Puerto La Cruz) in 2008 was at 48.1%. During the first semester of 2009, this index is at 30%, which indicates that there is more variety of products in the supermarkets and other retail stores, but the shortage problem is still serious.

**Brazilian commission to visit Venezuela...** A Brazilian business envoy will visit Venezuela, Panama, and Peru between the 16 and 20 of August in order to promote trade and bilateral investments with these countries. According to the Brazilian government, the main areas of interest are in the machinery and equipment sector, electrical and electronic material, food and beverages, construction, energy, defense, and infrastructure.





**Juntos por tu casa program...** Recently, the Ministry of the People's Power for Public Works and Housing implemented a program called "Juntos por tu Casa" (Together for your house) which is aimed at promoting private sector participation and financing in the construction of new houses. This program was announced in the Gaceta Oficial N. 39.212 dated July 2, and it will allow the construction of housing units in urbanized lots, in this way increasing the supply of new houses. It will also increase long term loan options for first time home purchases, especially to those families which are deemed in need by the State.

**Who will benefit from this program?** Lower income families (between VEF 799 and VEF 2,600) will qualify for direct housing subsidy which will vary between VEF 46,000 and VEF 25,300. *Juntos por tu Casa* projects will have priority in the assigned quotas of the Mandatory Housing Savings Fund and the Public Sector Contribution Fund.

## World Crisis Tips

**The World Bank expects remittances around the world to drop by 7.3%.** Just as it revised its projected world economic growth rate by -2,9% now it is also revising its family remittances figures, dropping by 5% compared to last year, and in a worst case scenario, a drop of 10% is possible.

**Non-commercial traders cause 10% drop in oil prices.** The uncertainty generated by stock market operators by the news released last week by the CFTC led futures traders to unload their long term oil holdings causing prices to drop. Long term holdings dropped 60% compared to last week and it is at 15 million barrels, the lowest levels in 9 weeks.

**Goldman Sachs post profits of 46% in the first semester.** During the first semester of the year, Goldman Sachs recorded net profits of US\$5.25 billion, up by 46% compared to the same period last year, plus, last month it repurchased US\$10.0 billion of its stock that the U.S. Government had due to the Relief Program offered to rescue financial entities. Another big bank which paid off its obligations with the financial rescue plan was Street State, which paid back US\$60.0 billion to the Treasury. Another 14 entities have also followed this example. This is evidence that the U.S. economy is recovering.



**Retail sales increase in the U.S.** Retail sales increased by 0.6% in June, more than what the market expected (0.4%). The automobile industry led the way with sales up by 2.3%. Not taking car sales into consideration, sales were up by 0.3%.

**The Secretary of the Treasury expects growth to return soon.** Timothy Geithner, Secretary of the Treasury, said that the conditions exist so that the U.S. economy can begin growing during the next two quarters.

**Switzerland defends its right to bank privacy before the U.S.** Switzerland's main bank, USB, is currently in court in Miami. If it loses the case it will have to reveal 52,000 names and U.S. client data suspected in committing fraud against the U.S. Government. The Minister of Economy of Switzerland said the Switzerland's rights should be respected as much as U.S. rights.

**UK real estate market.** UK housing prices went up by 1.1% in April and the number of new approved mortgages was at 16%, higher than the previous month but still 18% lower than April 2008. 35,600 mortgages were negotiated while the average for the last 7 years was at 88,000. Though there are signs of recovery, it is still slow going. According to information released by the Royal Survey Association, most real estate agents believe prices will continue to improve in the coming months, but there is still no consensus as to how the market will behave in the short term.

**Germany approves plan to dump toxic assets.** The German High Chamber approved a law to authorize the transfer of toxic assets by the finance system so that the banks may clean their balances and expand loans. It's estimated that the German finance system will unload €230.00 billion, which will be frozen from their balances for 20 years, but before they must lower their nominal value by 10%.

**Asian emergent economies with strong recovery.** The IMF increased their prediction of the growth rate of Asian emergent economies for 2009, from 4.8% to 5.5%. However, this recovery could be in danger if the more advanced economies don't recover soon, due to the exporting characteristic of the Asian economies.

**China.** In a previous Report we mentioned that the Chinese growth rate for the second quarter was at 7.5% and the government expected to achieve their goal of 8% thanks to the US\$585.0 billion stimulus package. In relative terms, this fiscal stimulus package was twice as big as the U.S. package since it represents 4% of its GDP. In May, automobile sales increased by 24% and housing by 75% compared to the previous year. The Chinese expect the economic growth rate to be at 8.4% in 2010.



**Other Asian countries.** **India** has begun to lag behind China, with a less ambitious stimulus package, it is expected to post an economic growth rate of 6% this year and 7% in 2010, but its fiscal deficit is almost at 10% of its GDP; in **Indonesia** family consumption increased by 5.8% in the second quarter, the highest it has been in the last 10 years; **Singapore**, as we mentioned in our Weekly Report “World Crisis: Venezuela always late”, was one of the Asian countries hardest hit by the crisis. It’s expected to drop by 6% this year, but with a rapid recovery and a 5% growth rate in 2010. **Thailand and Taiwan** are also expected to recover in V fashion. **Japan** is the black sheep of the Asian countries, wholesale prices dropped by 6.6% in June.

## Political Tips

**The Salary Law doesn’t only regulate the salary of high government officials...** If the new Salary law is approved, it not only will regulate the salary of the President of the Republic, Ministers, and Representatives of Parliament, but it will also regulate their pension, retirement, and earnings that have to do with foundations, missions, the Executive Office of the Capital District, and expense accounts.

**Venezuela and Guyana resume talks on border dispute.** Two years have gone by since the death of the UN appointed mediator, Oliver Jackman, and now Guyana and Venezuela are planning to resume talks in order to solve the border dispute.

**MERCOSUR membership has been problematic...** Paraguayan legislators will debate over whether to allow Venezuela into MERCOSUR or not. Both Brazil and Paraguay’s legislature have delayed Venezuela’s becoming a member, while Argentina and Uruguay have supported membership from the beginning.

**Ask that Venezuela and Bolivia not interfere.** Guatemalan businessmen have demanded that Presidents Hugo Chávez, of Venezuela, and Evo Morales, of Bolivia not interfere in the political problems of the country. The Guatemalan Chamber of Industrialists also demanded that both Presidents turn over any evidence they have of the supposed coup against President Álvaro Colom, which was denounced by Hugo Chávez recently.





**The District Attorney's Office ruled in CEDICE case.** The District Attorney's Office requested that the 2<sup>nd</sup> Control Tribunal to prohibit the circulation of two CEDICE advertisements, by petition of the Prosecutors Luis Palmares and Milagros Rengifo, the censorship of both adds for presuming that there is a public offense against women due to gender.

## Other Tips

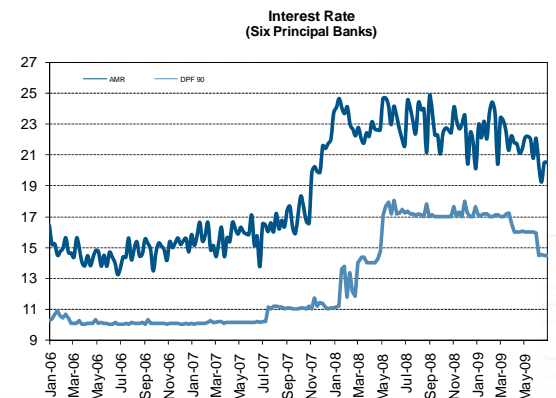
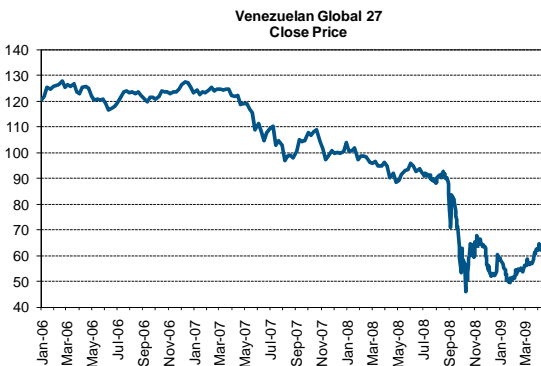
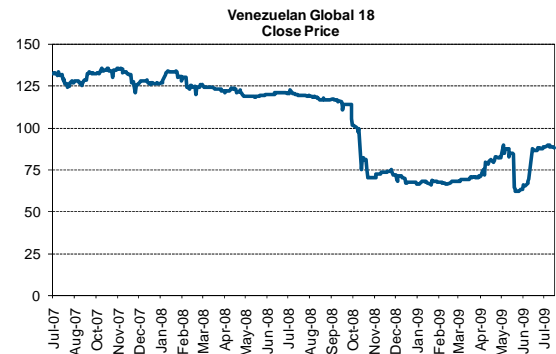
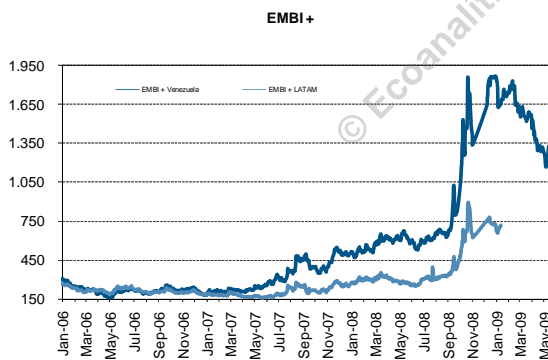
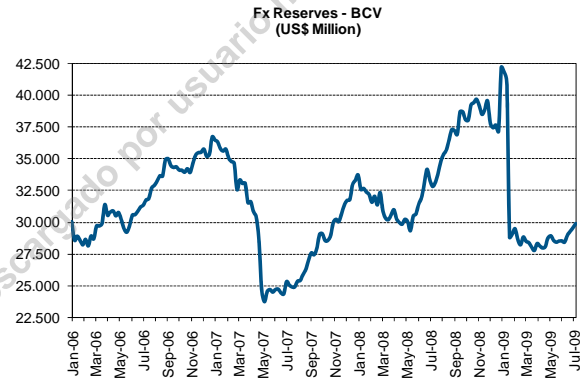
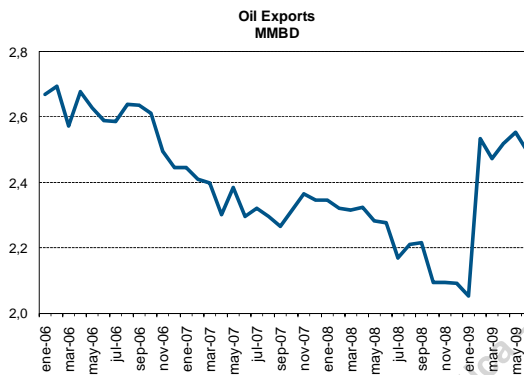
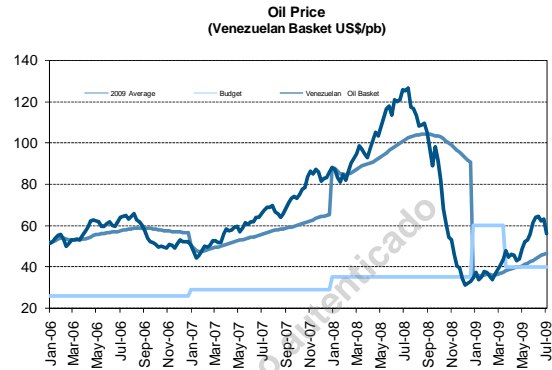
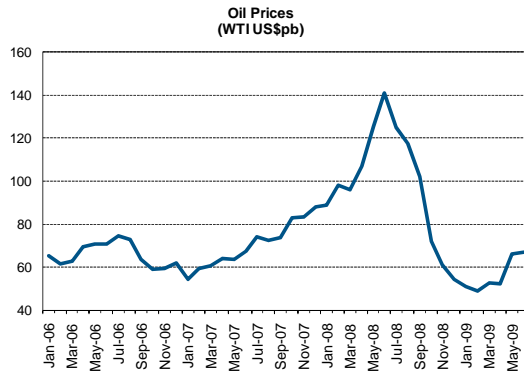
**Caracas is the most expensive city in Latin America.** The 2009 World Survey on the Cost of Living for foreign workers carried out by Mercer ranked Caracas 15<sup>th</sup> as the most expensive city in the world and the most expensive in Latin America. In fact, no other city in the region made the top 50 list. Caracas jumped 74 places this year compared to last year when it was ranked 89<sup>th</sup>, due to the high inflation of unsubsidized goods which are being imported at the unofficial (swap-market) exchange rate. In the region, Caracas was followed by Sao Paulo (72<sup>nd</sup>), Río de Janeiro (73<sup>rd</sup>), Buenos Aires (112<sup>nd</sup>) and Bogotá (120<sup>th</sup>).

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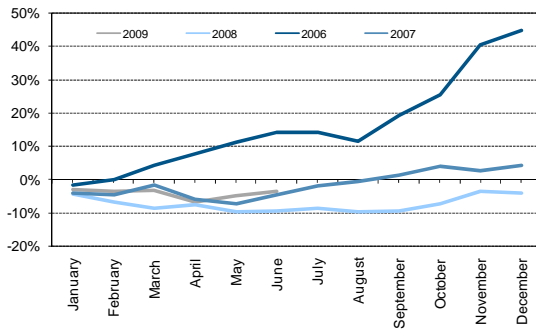


## ECONOMIC OVERVIEW

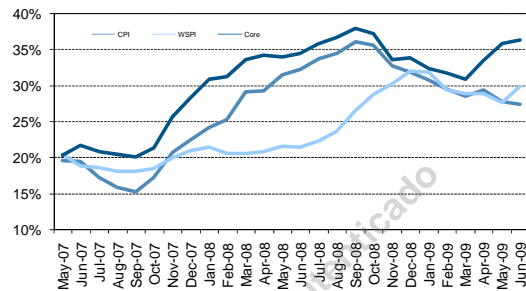




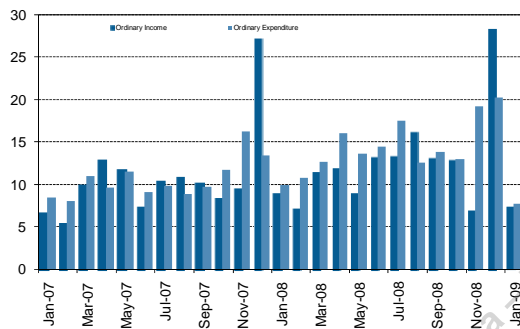
**Real Expansion (M2)**



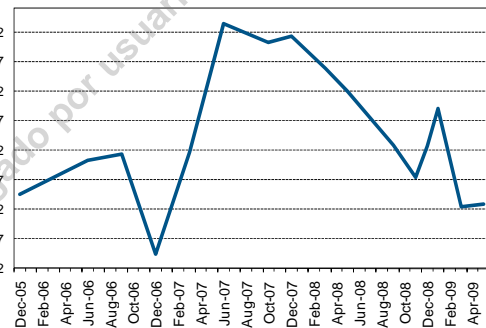
**Inflation (Last 12 Months)**



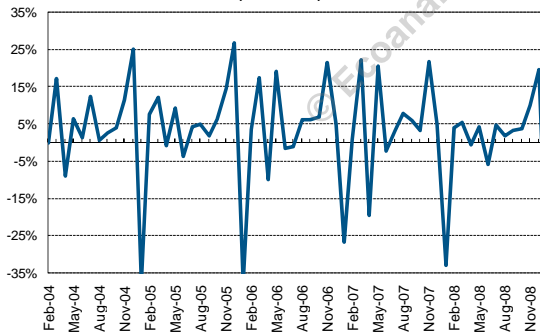
**Central Government (VEB Billion)**



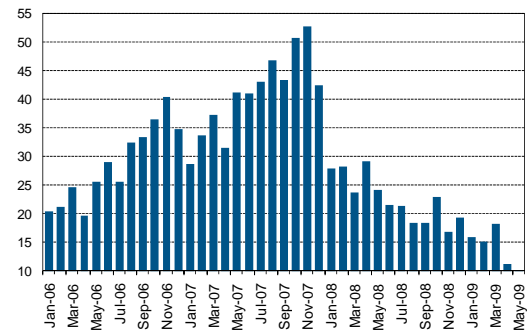
**Resources of the State (US\$ MM)**



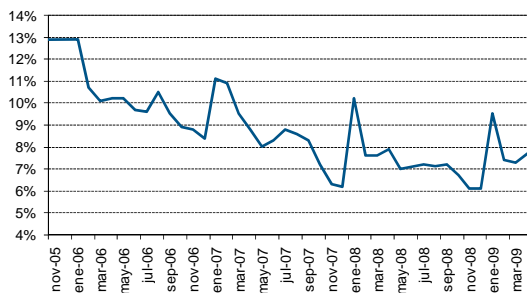
**Volume of Sales (% Variation)**



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



**Rate of unemployment (% Variation)**



**Disbursement (US\$ Million)**

