



Weekly Report

Year 5, Number 44
Week III, November 2009

By:
Asdrúbal Oliveros
Maikel Bello

TWO IMPORTANT UPDATES: EXTRAORDINARY FUNDS AND THE REAL EXCHANGE RATE

Reproduction or distribution prohibited

In this Report we are releasing our updated figures regarding the extraordinary funds that the Government has in its possession as of the close of October 2009. We will also show how the real exchange rate has evolved, specifically within the framework of three interesting elements: Government borrowing policies, Merentes' strategy, and the economy's third quarter results.

Extraordinary resources

The estimate of the resources the Government possesses as of the close of October 2009 is at US\$41.10 billion. In essence, these resources make-up the Administration's cashbox, what the government has available to spend in the coming months. It's important to point out that it is not at all clear what impact the recent debt issuances will have on these accounts, especially debt issued by PDVSA. Since we don't have any clear information with respect to how the oil company is using these and other resources it has at its disposal, we have not included them in our table. With respect to the balance that was posted in September, extraordinary resources have dropped by US\$ 2.10 billion.



Government Resources	Oct-08 (US\$ MMM)	Oct-09 (US\$ MMM)	Variation %
In VEF	28.9	31.5	9.1
BANDES	1.4	0.1	-92.9
Banco del Tesoro	3.3	0.1	-97.0
Deposits in the financial system	17.3	20.9	20.8
Fondo Miranda	0.1	2.4	2,300.0
National Treasury	4.5	6.2	37.8
FONDEN	2.3	1.8	-20.4
In USD	25.6	9.6	-62.6
National Treasury	0.8	-	-100.0
BANDES	5.2	-	-100.0
Banco del Tesoro	4.1	-	-100.0
National Treasury	0.8	-	-100.0
FONDEN	9.3	4.8	-48.6
Other Funds	4.5	4.5	0.0
PDVSA	0.9	0.3	-66.7
Total	54.5	41.1	-24.6

Source: Ecoanalítica

*All figures expressed at US\$ at the official exchange

It's not all in foreign currency

According to our estimates, extraordinary resources in US-dollars were at US\$9.60 billion, in other words, 23% of the total amount. Compared to the previous month, the amount of resources in US-dollars, in net terms, dropped by US\$ 3.50 billion. On the other hand, extraordinary resources held in bolivars have been significantly increasing. Today they represent 77% of total resources and are at VEF 67.73 billion (US\$ 31.50 billion), up by VEF 3.01 billion (US\$ 1.40 billion).

A significant drop

In October 2008, extraordinary resources were at US\$ 54.50 billion, which means that in one year they have dropped by US\$ 13.50 billion. But the most significant difference is in the proportions. A year ago, resources held in bolivars represented 53% of the total amount, thereby leaving 47% held in US-dollars.

The Administration's logic

As we have mentioned in previous reports, the Administration has implemented a quite aggressive borrowing policy (both domestic and foreign) this year. We believe the Administration is implementing this strategy in order to avoid significantly depleting the resources it has readily available (the cashbox). Some analysts doubt whether the Government actually has a significant amount of out-of-budget resources squirreled away in different funds. At *Ecoanalítica*, we continue to stand by our



original assessment that these resources do in fact exist. Currently, President Chávez feels the need to amass the greatest quantity of resources he can, because for him and his Administration the future scenario is quite uncertain. Chávez doesn't want to go through what happened during the General Oil Strike. His objective is to gain security, despite the fact that he is acquiring debt which has a very high financial cost. This is secondary to the President, the most important thing is to have the resources there, readily available.

More than he needs

Let's take a closer look: during the first 10 months of the year, oil revenues in US-dollars drop by US\$ 26.78 billion. During the same period, public sector gross borrowing reaches US\$ 12 billion. Looking at it this way, one could think that the aggressive borrowing plan is a result of a significant fiscal deficit due to an increase in public spending. But, this is not the case. At *Ecoanalítica*, we estimate that public spending (Restricted Public Spending) during the first 10 months of the year dropped by 11.7% in real terms. So, this seems to indicate that the Administration is using borrowing to avoid depleting the resources available in its cashbox, which is why this strategy has been so aggressive.

Nothing will change

Furthermore, with third quarter figures being so disappointing, something we will address in more depth in our next Report, the Administration has even more reason to significantly increase public spending in order to stop the economy's poor performance. So, we don't expect any changes in terms of fiscal policies in the short and medium term.

A risky gamble

At *Ecoanalítica*, we continue to believe that the Administration will increase spending, increase borrowing, and increase operations intervening in the swap-market exchange market and all the while using extraordinary resources to cover part of this preview parliamentarian-election spending, because it is not willing to make a significant economic adjustment (devaluation) which carries with it a significant political price.

Up until now, the Administration has always been able to count on sufficient mechanisms to close the fiscal gap. However, at the close of 2009, we Venezuelans will have to cope with an economy of high inflation, lower levels of imports, with imports costing more, all in the midst of an economy which is slowing down significantly.

What's happening with the Real Exchange Rate?

This section will offer an update of our real exchange rate model, which shows the evolution of costs and domestic prices, taking into account the impact of foreign prices and measured through the exchange rate.



The most recent update of our real exchange rate model, with respect to the US-dollar, the Colombian peso, and the Brazilian real, uses as a base period the average between 1990 and 1993. Remember that if the real exchange rate is over 100 in the model it means that the currency is undervalued, and therefore the purchasing power of the currency is greater in the domestic market and weaker in the foreign market. If the real exchange rate is under 100 in the model, the domestic purchasing power of the currency is weak and its value in the foreign markets is higher.

Our calculations indicate that just taking into account the U.S. economy, the exchange rate which would compensate the overvaluation levels for the month of October is 6.1 VEF/US\$. This implies that there is a very significant gap between the official exchange rate and its implicit value. This translates into a difference of 183.7%, which is the same as an overvaluation level of 64.9%.

The same exercise with the Colombian peso shows a real exchange rate index level under 100, though not as much as with the US-dollar. This result means that our official exchange rate is overvalued by 46.9%, putting the implicit exchange rate with Colombia at VEF 4 per US-dollar.

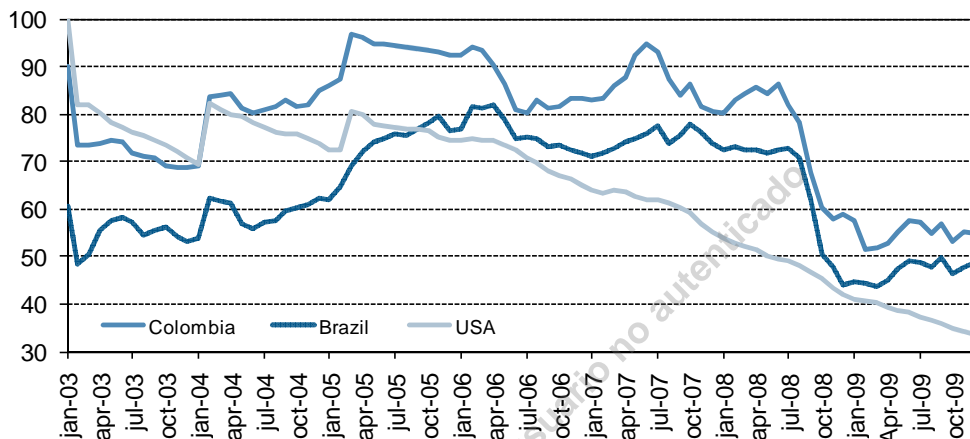
The real exchange rate index with Brazil shows an implicit exchange rate for the month of October of 4.6 VEF/US\$, which implies an overvaluation of 53.4% with respect to the official exchange rate. In this case we have a “cheap” exchange rate, which means that industry production costs measured in US-dollars are cheaper in Brazil than in Venezuela. This favors their exports to Venezuela.

From this simple real exchange rate model, we can determine the exchange rate that we should have today, based on our three most important trade partners. Venezuela’s implicit exchange rate should be at VEF 5.4 per US-dollar, in other words, 151.4% higher than what the current official exchange rate is at. It’s important to point out that the current swap-market exchange rate is right around this level.





Real Exchange Rate Index
1990-93 = 100

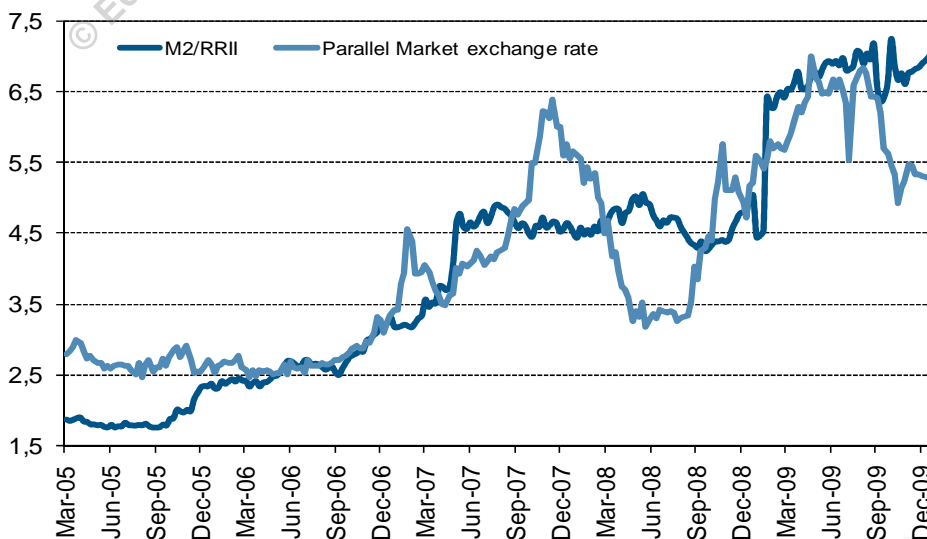


Sources: BCV, IMF and Ecoanalítica

Real exchange rate and swap-market exchange rate

First, we have the implicit exchange rate of the quotient between liquidity and international reserves (M2/IR), which is almost at 7 VEF/US\$. By the close of the year we expect it to be at 7.1 VEF/US\$. This indicator gives us an idea just how high the swap-market exchange rate could go if the Government (or the BCV) don't take concrete measures to control it.

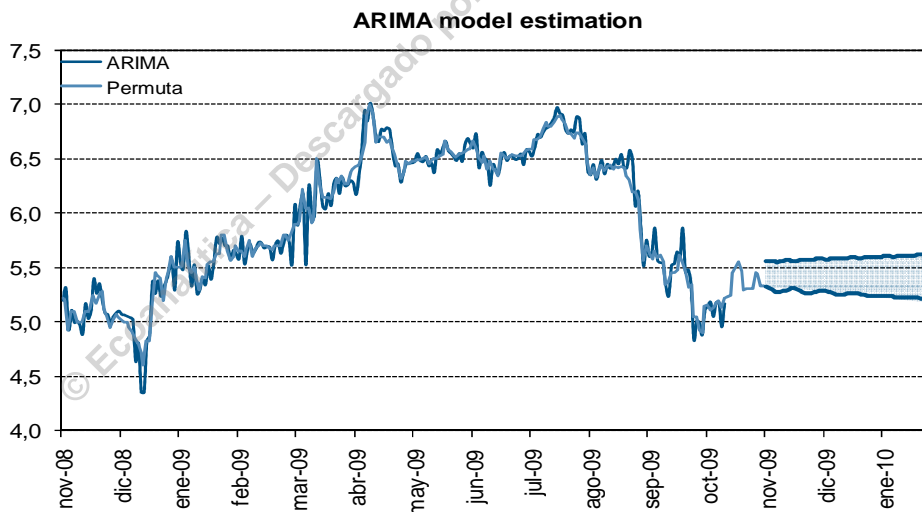
M2/(International Reserves) vs Parallel Market exchange rate





Then we have the implicit exchange rate calculated by our real exchange rate index model. We estimate that the exchange rate will close out 2009 at VEF5.5/US\$. So, according to this indicator the current swap-market exchange rate is pretty close to what represents a competitive exchange rate. So, if the Government were to continue to manage the swap-market exchange rate as it has been, one could expect the rate to continue to fluctuate around the implicit real exchange rate reflected on the index.

Our Auto-Regressive Model Integrated with Mobile Measures estimates that the swap-market exchange rate will fluctuate at between VEF5.2 and VEF5.62 per US-dollar in the next three months, with better chance of staying between 5,4 and 5,5 VEF/US\$. The following graph includes a maximum limit and a minimum limit which are associated with shocks which may occur that are not taken into account in the model.



Source: Ecoanalítica

How the swap-market behaves is in the hands of the Central Bank of Venezuela (BCV) and Merentes. At **Ecoanalítica**, we believe that the reform of the Central Bank Law was designed so that it could take control of the swap-market. The change to Article 58 allows the BCV, through the purchase and sale of PDVSA bonds, to influence what level swap-market exchange rates prices are set. But, in order to do so, it will have to use international reserves.





Economic Tips

Third quarter growth figures dropped more than expected. According to figures released by the BCV, the Venezuelan economy shrank by 4.5%, a significant amount compared to last year, during the third quarter of 2009. Oil activity dropped by 9.5%, and the non-oil sector dropped by 3%; only public spending, once again, was the engine pushing demand increasing by 2.6%, compared to private consumption which dropped (-4,8%) as did investment (-14,5%) and exports (-16,3%). With respect to supply, imports were down by 25.5%. It's important to keep in mind that this is the second consecutive quarter that the economy shrinks.

Ali's hopes. The Minister of Economy and Finance, Alí Rodríguez estimates that the Venezuelan GDP will recover and reach positive growth levels (4%) in 2012. *"Reaching 4% growth will be a step by step process, first we'll reach 2% and around 2012 we'll get to 4%. The economy shrinking is almost stopped and recovery is beginning,"* said Rodríguez to a group of reporters. The Venezuelan Government expects to close the year out with the growth rate at zero, which would be a positive step.

Third quarter 2009 Balance of Payment figures. According to foreign sector figures released by the BCV, third quarter 2009 figures showed the Current Account balance at US\$5.06 billion, the trade balance registered a surplus of US\$7.55 billion, down by 61% compared to the same period last year, mainly due to the drop in value of oil exports (-48.5%); imports also dropped by 29% compared to the previous year. The Capital Account balance showed a deficit of US\$1.73 billion (during the same period, the deficit in 2008 was at US\$ 10.39 billion). These results lead to an accumulation of international reserves during the third quarter 2009 of US\$2.36 billion.

Non-oil tax collection down by 14%. José David Cabello, superintendent of customs and taxes said that up until the first part of November, the SENIAT had collected VEF 71.00 billion in taxes of the VEF 82.50 billion set to be collected in the yearly budget, in other words, 86% of the yearly budget has been collected. Between January and November 2008, the SENIAT had collected VEF 65.70 billion, which means that in real terms, the amount of taxes collected has dropped by 14%. Cabello also pointed out that for the coming year, the tax collection goal will be set at VEF 84.20 billion.

Basic basket reached VEF 3,793.7 in October. According to a report issued by the Documentation Center, the basic basket reached VEF 3,794 in October, which means that compared to the previous month the price of the basket increased by 1.3%.



Among the items which increased in price the most are health and personal hygiene articles and household articles.

The BCV could issue money to contribute resources to investment fund. Before the end of the year, the president of the BCV, Nelson Merentes, will grant loans for around VEF 500 million to sector which stimulate But, we are a bit confused as to what kind of savings are generated by a monetary policy.

Full of money. During the year, communal councils have received economic resources for an approximate amount of VEF 10.00 billion (US\$ 4.65 billion), to be used in more than 15,000 community projects with different aims of socio-economic development, said representative Rafael Delgado, a member of the Citizens Participation Commission of the national Assembly and president of the sub-commission which oversees communal councils and the communes.

Interest rates. Lending rates in the second week of November was 19.1%, for an increase of 50 base points from the first week of the same month. Time deposit and savings rates were at 15.0% and 12.6%, respectively, for a drop of 49 base points for the time deposit rate, while savings rate remained unchanged.

Internationals Reserves. The international reserves increase in a 0.5%, getting from US\$33.1 billion at the first week of November, to US\$33.3 millions at the second week of November. If we compare it to the results from the same period in 2008 the reserves have decrease 15.4%.

Liquidity. Monetary liquidity in the first week of November increased 1.1% as compared with the last week of October, when it was at VEF 223.90 billion. So far this year, monetary liquidity has increased 13.6%, and 27.3% with respect to the same period in 2008.

Oil Tips

PDVSA'S 1S09 Results: Figures get worst. Today PDVSA published its financial statements for the first half of 2009. Comparing the amounts of the first half of 2008 her hand, the cost and expenditure of PDVSA fell 46.5% y/y, this is caused by the discounts on the payments for the contractors and with de fall of the values on oil and other products, however, this decline is less proportional than the one on the income, so the net profits for the first half were 64.3% les y/y.



Plan Siembra Petrolera in a delicate situation. According to the “Plan Siembra Petrolera” presented by PDVSA in 2005, the new investments in the Orinoco Oil Belt are reporting a delay of over two years. The plan states that the first heavy crude oil barrel should have been extracted in 2008 to be turned into a lighter synthetic export product. This delay is tightly linked to the Carabobo block bidding process since its reserves’ certifications should have been completed in 2006 and not in 2008. Moreover, the offer was originally planned for May 2009 and it is now announced for the first semester of 2010, postponing the production goal from 2012 to 2014, with a chance of it being postponed for 2016.

Both parties negotiating the labor agreement are “revolutionary”. After a meeting between representatives of the Ministry of Labor and Social Security and PDVSA, the Federacion Unica de Trabajadores Petroleros de Venezuela (Venezuelan Oil Workers’ Sole Union) (FUTPV) appointed the commission that will be negotiating the collective labor agreement for the oil sector, which expired on January 21 of 2009. All those appointed to the commission belong to the union party Vanguardia Socialista Obrera (VOS), supported in July by the president of PDVSA to take over the oil workers’ union movement.

The details... The 2009-2011 collective agreement will be discussed this Tuesday, November 17. The president of FUTPV and leader of VOS said their first demands will be for them to pay the workers’ performance bonus owed since five years ago and for PDVSA’S director of Labor Relations, Dario Merchan, to be removed from that position. The oil industry’s minimum wage is currently VEF 1,322.8. For the new contract, the commission will ask for a raise to VEF 3,422.8 per month.

The costs... According to FUTPV calculations, the cost of the collective labor agreement will reach VEF 9.46 billion, representing an 18.2% increase compared to PDVSA’S previous disbursement which cost VEF 8 billion, based on a payroll of 67,900 workers.

A larger payroll. PDVSA’S current payroll includes 90,000 workers. In the previous labor agreement (2007-2009), the adjustment was proportional to the payroll increase compared to the 2005-2007 contract, 65.6%. However, this period’s payroll increase is by 32.5%, so the cost increase is nearly half that variation.

PDVSA rations natural gas for industry plants. Carlos Larrazabal, president of Conindustria, said that PDVSA Gas has been rationing the supply of that fuel by 10% to 20% for the companies that use it in “*emergency plants*” since September, being the most affected companies those in the natural gas belt that goes from the Anzoátegui State to Lara. According to the new Ministry of Energy, Angel Rodriguez, the



government is “trying as hard as possible for large businesses and companies to generate their own energy.” However, Conindustria said that installing energy generators would take more than a year and would represent large investments that cannot be undertaken right now.

Spill in EL Palito Refinery. An overflow of the effluent treatment lagoon retention wall caused the spill of about 50 barrels of oily waters (waters with hydrocarbon residues) near the El Palito refinery. PDVSA activated a spill contingency plan and a cleaning plan, so the clean-up labors are expected to be over this week.

International agencies speak up. Energy agencies’ new monthly forecasts were released last week and are summing up a better context for 2009 and caution for 2010. The International Energy Agency (IEA) reduced the crude oil demand cutback for 2009 from 1.68 mb/d to 1.46 mb/d, but also cut down its 2010 forecast from 1.42 mb/d to 1.35 mb/d. The fourth quarter demand forecast adjustment was unexpected, compared to June’s prediction; the IEA increased the demand by 2.2 mb/d to place it at 85.5 mb/d.

In terms of the supply, the situation is more optimistic. The IEA increased the non-OPEC countries’ 2010 supply variation forecast by 0.22 mb/d to place it at 0.77 mb/d; OPEC increased by 0.01 mb/d to bring it up to 0.36 mb/d and the US Energy Information Administration (EIA) raised it by 0.03 mb/d to 0.25 mb/d. As for the supply of the so called “OPEC crude oil,” both the IEA and the OPEC increased their predictions by 0.1 mb/d, while the EIA raised its forecast by 0.5 mb/d to place it at 29.4 mb/d, based on the increased demand of emerging markets.

International oil baskets. At New York market’s closing time, this Thursday, November 19, the WTI closed at US\$77.7/bl showing a 1.0% increase compared to the US\$76.9/bl of the previous Thursday. The Brent increased as well, but in a larger proportion, rising by 1.4% to reach US\$77.8/bl, compared to US\$76.8/bl of Thursday, November 12.

Local oil basket price. The Venezuelan oil basket price went down by US\$0.12 last week, to close on Friday, November 13 at US\$72.70/bl, compared to US\$72.82/bl the previous week. Meanwhile, the oil basket’s annual average reached US\$55.0/bl, 37.5% over the budgeted value. By the end of this year, the Administration could receive an additional income of about US\$6 billion.





Business Sector Tips

Commerce between the United States and Venezuela dropped by 52.1%. According to VENAMCHAM, between January and September of 2009, the commercial exchange between Venezuela and Colombia went down by approximately 53.1 compared to the same period of 2008.

Finally approved. Jesse Chacon, Minister of Science, Technology and Intermediate Industries said he approved the currency application presented by the automotive sector companies for the first quarter of 2010, which will allow the sector's recovery from its 2009 decrease. The announcement was made during a press conference for the release of the Eighth Universal Service Project: National Transportation Network.

The Administration is determined to intervene in the automotive sector. During a press conference last Thursday, the Minister of Science, Technology and Intermediate Industries said the State is planning to intervene in the automotive sector by importing and creating mixed enterprises. Representatives of the Venezuelan automotive industry believe the assembling agreements will only be signed with those companies that accept the mixed enterprise proposal.

Reasons for the increased rates. The reasons presented by Rafael Ramirez, Ministry of Energy and Oil, are related to a plan to counteract the waste of energy and generate resources to maintain the service. One of the measures to be applied is identifying those users, whether natural persons or legal entities, with a high consumption, in order to design rates that are adapted to their profile. Javier Alvarado, president of Electricidad de Caracas, said they are looking to present a fairer system, and one that represents the amount and intensity of power consumption.

Caracas Malls and Eastern-Caracas neighbors are to pay more. The president of Electricidad de Caracas said the electric power consumption should be divided in sectors such as Eastern-Caracas, Major Malls and the people's community direct economies. He also said it is highly important to implement a rationing plan due to an excessive demand of energy by 500 megawatts, which is not an alarming number, so the service interruption could be avoided by modifying consumers' behaviors.

CANTV is more profitable. The telephone service operator presented revenues 22% higher in y/y terms for the accumulated first three quarters of 2009, said Franco Silva, president of CANTV. He also mentioned the market's fixed telephone service



penetration had gone from 55% to 85% of Venezuelan homes in two and a half years, while mobile services exceeded 100% and internet reached 28.33%.

Loans to be reactivated. President Hugo Chavez said the BCV would be disbursing around VEF 500 million to finance agro-industrial, home construction and manufacturing projects, among others, for the remaining part of 2009, and 900 more million for the first quarter of next year. This measure is looking to reactivate the economy, which has been decelerating quickly during 2009.

Mortgage loans' normative modified. One of the norms modified by the Ministry of Public Labors is the reduction time periods in different stages of the process, upon signing a purchase-sale document for a maximum term of 90 days, with a 30 day extension. The period to submit documents to the bank for processing mortgage loans was also modified to seven days once the purchase-sale option has been signed. It is worth mentioning that this restriction did not exist before, and there were many documents that took too long to be processed. Now, sellers will be required to have all documents to make the transaction.

Colombia looks for ways to solve commercial crisis with Venezuela. The neighboring country will be presenting the obstacles set up by Venezuela to the bilateral exchange to the World Trade Organization, for they estimate Colombia's exports to Venezuela to drop by 25%, representing a negative effect to their economy, although they will still have a positive growth in 2009.

China is CVG's new client. Wisco, China's third steel company signed a long-term agreement to purchase iron from the CVG. The Chinese company is benefiting from this business because it is easier to negotiate with small producers such as CVG than it is with large world producers. They are looking to sign new agreements with other similar companies in order to have more negotiation power with them.

Transportation workers protested about the payment for their services. Approximately 500 transportation workers closed the access to the Guayana Avenue, demanding the payment of contract commitments and a salary raise by Guayana's basic companies, which have not paid for the last six months.

World Crisis Tips

Gold fever. The gold price reached a new absolute record recently in a move that is clearly related to the downfall of the US dollar. But to put this in historic perspective, it



is important pointing out that, in real or inflation-adjusted terms, the current prices are still 38% below the all time record. In terms of today's prices (that is, in today's US dollars), in 1980, the gold price reached US\$ 1785 per oz.

And there's more to come. The US dollar depreciation doesn't seem to be over yet, and the latent risk of a substantial mid or long-term inflation rally (obviously not short-term) related to the difficulty of central banks' exit strategies has increased, meaning the gold price's increasing trends may not be over.

US trade balance deficit increased. The US trade balance deficit reached US\$36.5 billion in September, 18.5% higher than the previous month's deficit and way higher than the market Consensus (US\$31.6 billion). Among the most influential components to these results is the increase by 20.9% in oil imports, boosting an increase in the import of goods and services by 5.8%, while exports grew by 2.9% compared to the previous month. In real terms, the trade balance deterioration is less than half of what it is in nominal terms.

US retail sales increased. US retail sales improved by 1.5% in October after having dropped by 2.3% in September, a significantly bigger increase than the 0.9% anticipated by the market Consensus. Most of it is due to a 7.4% increase in vehicle sales after a 14.3% fall in September when the "cash for clunkers" program ended. Without vehicle and gasoline sales, retail sales increased by 0.3%. A y/y improvement is also visible, retail sales are now only 1.7% lower than they were in October 2008, while the y/y drop was 10% during the first quarter of 2009.

Industrial production is disappointing. Total production increased only by 0.1% in October while manufacture dropped 0.1% after having grown by 0.8% the previous month. This is the first drop in the manufacture sector in four months, and it's a consequence of the end of the "cash for clunkers" program which caused a 1.7% drop in vehicle production after an 8.1% increase in September, also caused by this program.

Interest rates will remain at their current levels. The president of the Federal Reserve, Ben Bernanke, said that even though the financial conditions are better than last year's, there are still some significant economic challenges to be faced, loan conceding is still very low, the economic activity is weak and unemployment is too high, so these conditions guarantee exceptionally low federal fund rate levels for an extended time period.

GDP grows in the Eurozone. The Eurozone showed a 1.5% GDP growth during the third quarter of 2009 (seasonally adjusted annual rate), according to the European Commission's preliminary report, showing the first positive growth rate since the



beginning of the crisis. Greece is excelling with a 17.6% growth rate, leaving its GDP only 1.6% under the 3T08 level. Austria also showed a very high 14% growth rate (-2.2% in year to year terms). France and Germany also grew by 1.1% and 2.9% respectively, after having grown by 1.1% and 1.8% during the second semester, being the first European countries to exit the recession.

The Yuan price needs to go up. President Obama held a meeting with the president of China, Hu Jintao this week to talk about the trade unbalances between the United States and China. The visit's main objective was to convince the Chinese government to reevaluate the Yuan so that US exports to that country can become more competitive. President Hu said he rejected any kind of protectionist measures, (regarding the customs rates imposed by the United States to tires, steel tubes and other Chinese products). However, having a depreciated exchange rate is a protectionist measure. President Obama said he was pleased to notice the Chinese commitment... to move at an exchange rate that is determined more by the market's base as time goes by, however, we do not think a short term Yuan appreciation is possible, even if it turns out to be inevitable in the mid and long term.

China's strategy. The APEC (Asian Pacific Economic Cooperation) summit restated the significance of the global unbalances and China's exchange policy. It is usually forgotten that, if the world's two most important economies are United States and China, it is only natural that the most crucial exchange relation is the one between the US dollar and the Yuan. China, after a great load of pressure by the international community, proceeded in July of 2005 to allow an instant appreciation of its currency versus the US dollar of approximately 2.1%, followed by a gradual appreciation over the course of the next three years that, in gross, came near 20%. But the exchange policy changed radically during the financial crisis, so China reset its exchange rate versus the US dollar allowing only a minimum fluctuation around values near 6.83 Yuan per US dollar.

BRIC or BRI? The current US dollar depreciation brings up an interesting dimension to the global unbalance, and demonstrates the increasing significance of not only the relations between emerging countries and the United States, but also the relations amongst emerging countries. The US dollar index (a measure of the American currency's position) has depreciated by 15.2% since March. In light of the prevailing cyclic and financial conditions in the United States, it is possible to think that at least part of that depreciation is justified, but what doesn't seem to have a clear justification is the fact that the Chinese currency, with an effective price set versus the US dollar, is also depreciating by 15% versus the rest of the world, precisely in a moment in which China is leading the global recovery from the recession and when the Chinese economy is much more powerful than the prevailing situation in most of the world. And even more shocking is the fact that this depreciation of the Yuan is happening against



currencies of emerging countries that are commercial suppliers to China or that compete with China in the global markets. From its lowest levels this year, the Yuan has depreciated by 11.6% versus the Indian Rupee, by 25.9% versus the Ruble, by 26.2% versus the Chilean Peso and no less than 40.4% versus the Brazilian Real. The recent introduction of capital control in Brazil is an example of a type of answer to this new situation. Within the next few weeks or months we could be seeing more generalized answers by emerging countries in response to their currency's appreciation against the Chinese Yuan.

Japan grew by 4.8% during the third quarter. The world's second largest economy (a title being disputed by China) showed a DGP growth rate for the second consecutive month, this time even higher than expected, reaching 4.8% (Seasonally Adjusted annual Rate, SAAR), after having grown by 2.7% in the second quarter. But in spite of this recovery in the royal economy, consumer prices are showing a y/y drop by 2.6%, so it this Asian power is likely declare itself in a deflationary spiral.

Political Tips

Venezuela: The most corrupt nation in Latin America. According to the International Transparence Report, Venezuela is currently the most corrupt Latin American country, taking position N° 162 out of 180 sampled countries, while Chile and Uruguay are among the first of the region, taking the 25th place. New Zeland, Denmark and Singapore are the most transparent countries in the world.

Venezuela reported to the UN once again. Claudia Blum, ambassador of Colombia, reported last week before the UN that her country's government was worried because the Venezuelan government had not shown any interest to cooperate in the fight against criminal organizations, for there is evidence that Venezuela has given weapons to groups that are considered to be terrorists. She reminded that Venezuelan weapons had been found in a FARC camp and they did not receive satisfactory explanations by the Venezuelan government.

IPI is in a mission in Venezuela. The International Press institute started a few days ago a four-day mission in Venezuela to analyze the freedom of press and to promote a dialogue between the Government and the private sector. The IPI's mission will be integrated by journalist Galina Sidorova, from the research magazine Sovershenno Secretno, and by the IPI foreign coordinator, Michael Kudlak.



Opposition parties gain room... According to the survey company Consultores 21, in September, 40% of respondents considered the PSUV have presented proposals that are similar to those proposed by citizens. However, 55% of respondents believe that the country proposed by President Chavez is not similar to the one they want, and within that proportion of respondents, Primero Justicia is the main political party with similar proposals to those wanted by the people.

Tascon electoral trends, the opposition is gaining room. For the National Assembly Representative, Luis Tascon, the popularity of the Chavez Administration has decreased progressively since 2007, while the opposition has gained strength, getting more support by lower-class sectors. He said the opposition would get about 76 representatives and the Government could get up to 101, which he claims will destabilize the Assembly's functions. This situation would force the Government to negotiate agreements with the opposition. He also said this decrease in popularity was related to organic, political and moral aspects based on subjective conditions of the origin of problems.

A large number of Venezuelans agree with a relevant presence of the opposition. According to IVAD's latest survey, 37.2% of respondents think representatives of opposition parties would best represent the nation's interests, 24.8% of respondents said they would vote for opposition candidates, and 31.2% said they would vote for independent candidates. Last but not least, 56% of respondents agreed with a relevant participation of the opposition in the National Assembly.

CONATEL to penalize offenders. Minister Diosdado Cabello, director of CONATEL, said an investigation was in process for an alleged media manipulation to create a series of destabilizing actions and that, should the responsibility be determined, the institution would not hesitate to penalize offenders to all the extent of the law. He also commented on President Chavez's speech last week that the phrase "If you want peace, prepare for war," was a phrase intended to send a message to the opponent indicating you are prepared.

Demands to the Union Table. An Agreement Decalogue was presented to the Union Table last Friday by a student group stating different aspects that should be considered to choose the next election candidates. A defined strategy to achieve the political objective of conquering parliamentary majority was also demanded in the letter. The document was prepared by the UCV Faculty of Legal and Political Sciences, Democracia Cristiana Universitaria and the group Progreso Estudiantil.

Rules for parliamentary elections. The Union Table demanded the CNE to approve the regulation for the next 2010 elections, since the process' transparency will depend on said rules being approved. The rules will establish the restrictions to candidates



during the campaign, control over public funds and circumscriptions in all states. The opposition is worried about the appointment of two new PSUV-following rectors, because the election of the candidates depends on the determination of the new circuits, which could be modified to benefit the government's party.

PSUV internal elections. The internal elections of the Partido Socialista Unido de Venezuela (Venezuela's United Socialist Party) were celebrated last Sunday, November 15, and 772 delegates were selected to intervene in the I PSUV Extraordinary Congress to be held between November 21 and December 13. President Chavez claimed he was a democrat and incited opposition leaders to learn from his formation.

16 judges removed from their offices. Sixteen judges have been removed from their offices by the Judicial Commission. Fourteen out of sixteen were sent to retirement and two were dismissed, due to the restructuration ordered last March by the Supreme Justice Court's Plenary Room. Most judges were removed from the Caracas and Zulia jurisdictions.

© Ecoanalítica – Descargado por [illegible] no autorizado





ECONOMIC OVERVIEW

