



Weekly Report

Year 8, Number 03
Week IV, January 2012

By:
Asdrúbal Oliveros
José Luis Saboin
Julian Castillo
Ecoanalítica's Team*

***PDVSA's performance in 2012:
More than ever, harnessed to the
Administration's plans***

* Adriana Morillo, María Gabriela Benítez
and Pilar Navarro

Reproduction or distribution prohibited

With the delay that has become customary, Petróleos de Venezuela, S.A. (PDVSA), finally released during the last weeks of December and the beginning of this year the company's operations and financial report pertaining to the close of the first quarter 2011, and it also released the balance of its consolidated debt up until December 31, 2011. The information revealed in the reports reflects PDVSA's performance pretty much on the same path it has been since the General Oil Strike in 2001/2002. This week's Report will focus on analyzing PDVSA's operations figures and next week we will look at the finance figures.

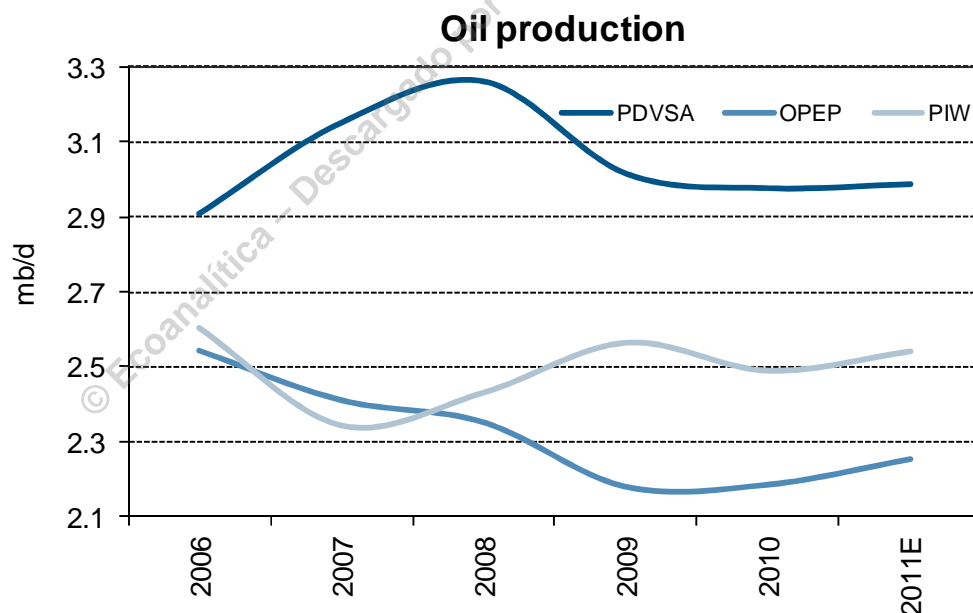
**A change in
the
company's
tendency; but
will it be
sustainable?**

In 2009, PDVSA announced that it was adjusting its production and investment goals and introduced its new plan: *Plan Siembra Petrolera 2010-2015* (Oil Seeding Plan 2010-2015). This new plan's main object was to increase crude oil production in Venezuela. After two years of said plan having been implemented, crude oil production has not increased significantly compared to previous years. Between December 2010 and June 2011, daily crude oil production only increased by 9,000 barrels



(kb/d) with total daily production settling at 2.99 million barrels a day (mb/d).

Despite the fact that this figure represents a 2.3% increase in average crude oil production compared to the first semester 2010, it is a long way off the 4.50 mb/d that PDVSA is aiming to produce a day by 2015, and we've already reached the halfway point of the Plan. And although the difference between the official figures reported by PDVSA and the figures reported by international sources such as: Energy Research Associates (CERA), Centre for Global Energy Studies (CGES), Energy Information Agency (EIA) from the U.S. Department of Energy, International Energy Agency (IEA), Petroleum Intelligence Weekly (PIW), and Platts, has become less, the gap between the figures is still significant, which continues to create doubts regarding PDVSA's official figures.



Sources: PDVSA, OPEC, Bloomberg and Ecoanalítica

Why doesn't oil production improve?

In recent reports released by PDVSA, the company cites the following reasons as the main obstacles it has with respect to increasing crude oil production:

- *Lower Investment and Operation Spending Budgets.*
- *Lack of specialist companies available to carry out preliminary studies (geotechnical, topographical, and hydrological).*



- *Limited supply of natural gas, especially in the Western Region, that doesn't allow for vapor injection commitments to be met, which hinders production.*
- *Lack of professional qualified personnel to carry out current and future operations which are increasing due to plans to increase production.*
- *The time it takes to complete government transactions and agreements takes longer than what was scheduled.*
- *Constant theft of electrical and mechanical components, part of the surface infrastructure, delays production.*
- *Failure in the supply of electric power, and electrical discharges associated with climate changes, and torrential rains have caused operations to be shut down lately and a lot of work to be done over.*
- *Delays in payment to companies that supply goods and services, which had a negative effect on company cash flow, which in turn led to labor strikes and/or delays in delivery, also delayed production.*

**But the truth
of the matter
is...**

At **Ecoanalítica**, we continue to believe that the main reason behind Venezuelan oil production continuing to drop is the change in PDVSA's investment policies. In a previous Weekly Report (number 11, 2011), we highlighted that once PDVSA became a "social company," its investment policy has incorporated a series of new elements, such as: contributions to social development that are focused in two main areas: transfers to FONDEN and contributions to the Mission.

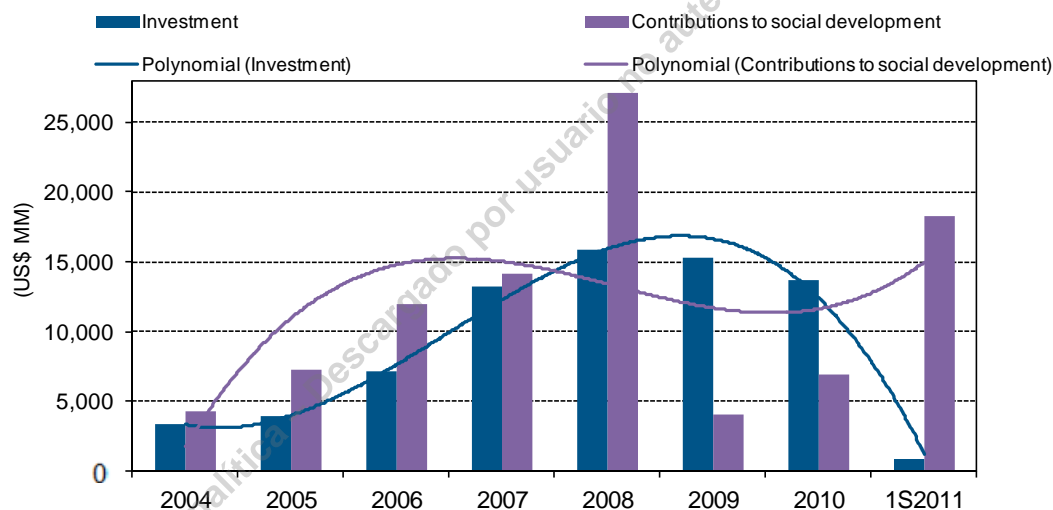
These added responsibilities and new direction taken by the company have taken away from necessary attention and investments needed to maintain the oil operation (maintenance of drills, wells, refineries, etc) and to stimulate the company to grow (exploration, production, building new refineries, developing new technologies). Now, the resources need to maintain the oil company healthy and growing, are being diverted by the Administration to fund Missions and social development.

Now, PDVSA's contributions to social development have become a rule, and steadily increasing since 2009. But in 2009 and 2010, PDVSA's board of directors came to their senses, and prioritized the company's investments in its oil industry operations over for social contributions. But then, during the first semester 2011, PDVSA once again began to prioritize social contributions over oil industry investments. In this period, social contributions almost tripled those made in 2010, up by 252% compared to those made during the first semester 2010. Meanwhile, investment in oil industry operations was at US\$5,772 million during the first semester



2011, a slightly increase of 1.6% if compared to the US\$ 5,486 million invested during the first semester 2010. Now it's true that PDVSA's social contributions have usually been higher than what it invests on operations (since 2009), never has the discrepancy between social investment and investment in oil operations be so disproportionate as during the first semester 2011, with social investments 21 times higher than oil operation investments.

Pdvsa's investments Vs. Contributions to social development



Sources: Pdvsa and Ecoanalítica

If you don't care of it, nobody else will

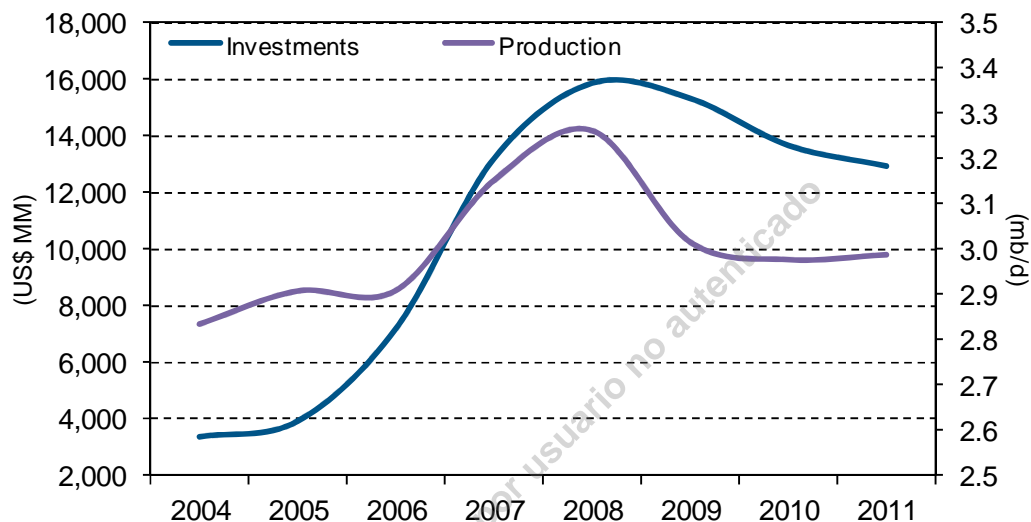
The Administration's insistence in prioritizing transfers for social development over for investing in the oil industry has significantly affected oil production and caused other problems within the oil industry, such as: labor conflicts, problems with oil contractors and suppliers of goods and services for the oil industry, unscheduled stops in refinery operations, and industrial accidents. This had led to an increase in the company's borrowing policy.

The negative impact of the Administration's priorities in its investments on oil production can clearly be seen in the following graph where both investment and production have a positive correlation. Between 2004 and 2007, when investment in oil operations increases, oil production increases. And when investment in the oil industry drops starting in 2007, oil production responds in turn and also drops.





Pdvsa's investments and oil production



Sources: Pdvsa and Ecoanalítica

And what happened to the exports?

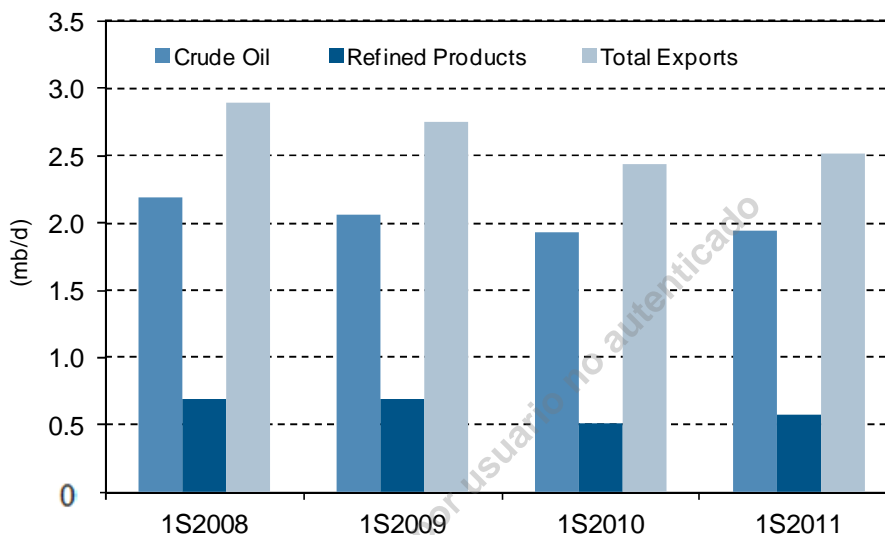
During the first six months of 2011, total oil exports equaled 2.52 mb/d (including crude oil, byproducts, and natural liquid gas), which is up by 3.3% compared to the 2.44 mb/d exported during the first semester 2010. This increase in exports is mainly due to a 12.4% increase in sales of refined products on the foreign market (going from 509 k/bd during the first semester 2010 to 572 k/bd during the first semester 2011); the volume of crude oil export only increased by 0.9% (from 1.93 mb/d during the first semester 2010 to 1.94 mb/d during the first semester 2011).

When comparing export figures for the first six months of previous years you find that this is the first time there is an increase in export volumes, be it of crude oil or oil by products, since 2008; with volumes dropping steadily during the first six months of 2009 and 2010. However, the overall general tendency with respect to PDVSA's oil export capacity continues to be a declining one.





Exported volume of PDVSA



Sources: Pdvsa and Ecoanalítica

What can PDVSA expect in the near future?

During all of 2011, PDVSA was involved in a series of problems which severely limited the company's oil production capacity, and things don't look like they will get any better in 2012, with the year beginning with a series of international litigation issues. At **Ecoanalítica**, we believe that it will be very difficult for the Administration to increase oil production capacity this year and meet the goals it has set.

The strategy that has been followed for the last few years has been to offset ever falling oil production levels by aggressively developing the Orinoco Oil Belt fields by increasing the number of mixed companies developing the area; with PDVSA as majority shareholder in each one of these mixed companies, and also with increasing responsibility; and at the same time having to satisfy the Administration's insatiable need for resources, especially this year being an election year.

Keep in mind that since PDVSA is the main stockholder, it also has to make substantial investments in operations. And the problem becomes even more complicated when one takes into account that when searching for new partners to develop the Orinoco Oil Belt, the Administration chose to favor "friendly" nations when granting contracts, and chose partners that don't necessarily have the technical know-how, the technology, or the financing required to maintain such an operation. According to former PDVSA director, José Toro Hardy, Venezuela won't benefit anything out of an agreement with a company like Petroperú, "at this moment, the



companies that were invited to participate with 40% of the investment to begin developing the Orinoco Oil Belt don't have the financial muscle to invest amounts of that magnitude.”

Meeting the goal will be difficult

In this context, PDVSA is more and more pressured to increase oil production levels, but being forced to comply with the Administration's every whim, the company has to make astronomical efforts and recur to borrowing in order to be able to attend to its oil operations. And being that 2012 is a presidential election year, the Administration will be squeezing PDVSA this year more than ever in order to increase its quasi-fiscal spending. So one can't expect the Administration to increase oil industry investment and lower contributions to social development, quite the contrary, oil industry investment will most likely suffer this year more than usual.

With this in mind, at *Ecoanalítica*, we believe that it will be very difficult for the Administration to meet its goal of increasing oil production this year by between 500 and 600 kb/d. We estimate that oil production could increase by between 100 and 200 kb/d by the close of 2012. But there is no doubt that in terms of investment and goals being met, the presidential election and the political agenda is priority. In the medium term, PDVSA could continue to promote creating these companies that are currently slated to develop the Orinoco Oil Belt, but the structure of these companies generates problems, especially taking into account the distortions of our economy, exchange controls, and price controls.

Poor PDVSA...

There is no doubt that PDVSA is being deviated more and more into areas that have nothing to do with its main function which is being an oil company; and its being pushed into areas that it has no real expertise and it is being forced to compromise human as well as financial resources into these areas and not achieving very promising results.

Furthermore, and even more worrying, are the financial burdens that the oil company has been forced to bear, not only the ones associated with “social investment,” transferring resources to FONDEN and to the Missions and social programs, but also the resources tied up with energy agreements such as Petrocaribe and Petrosur, and cooperation and financing agreements like the one with China, agreements that are signed by the Republic but paid by PDVSA, compromising 21.5% of its exports, and in some cases not receiving in return even enough to cover production costs and to pay for the taxes of those very same barrels; or sometimes resources received as payment are sent to other state-run



companies that without these resources would not be able to stay in operation and meet their obligations.

It's been a little less than a year since via Special Powers Law the President issued the Special Contributions Law for Extraordinary and Exorbitant Prices in the International Hydrocarbons Market. Back then we wrote: ...*"the Administration has taken every possible measure it could to capture the most amount of oil resources available so that it could use them for fiscal spending with the least amount of oversight possible."* All this to increase the Administration's and the President's popularity leading up to the October 7, 2012 presidential election. It would be a shame if after the election is held, the price of oil were to drop, because the consequences to be paid will not only be paid by PDVSA but by all Venezuelans.

© Ecoanalítica – Descargado por usuario [unreadable]





Economic Tips

The transfers started. The Central Bank of Venezuela (BCV) started transfers to the National Development Fund (Fondo de Desarrollo Nacional - Fonden) with US\$500 million, according to figures of the entity. At present, the assets balance of the BCV is US\$28.6 billion. However, the Head of State said a month ago that the proper reserve level is US\$26.8 billion. Between 2005 and 2011 the Central Bank transferred 40.3 billion dollars to that mechanism.

Bonds for VEB 13.2 billion will be offered this month. After the National Assembly (NA) authorized the first week of January, the financial conditions of the securities to be issued this year, the Ministry of Planning and Finances presented last week the public debt bonds issue program, and for 1Q2012, placements for VEB 13.2 billion are expected. According to the Ministry's program, operations for VEB 1.2 billion will be performed every week.

In total, expected bond operations for 2012 will be for VEB 62.0 billion, although the top established by the Indebtedness Law for 2012 is VEB 81.7 billion; one part corresponds to project debts, which are mostly financings agreed with multilateral organizations, so the total expected bond operations is lower than the amount approved.

Venezuela among the most enterprising. According to a study by the Global Entrepreneurship Monitor by the Babson College in the US, and the London Business School, 15.4% of the Venezuelan population is starting new initiatives. According to this indicator (TEA) Venezuela is in place number 11 out of the 54 economies studied. Heading the study are China with 24% and Chile with 23.7% of the population developing new initiatives.

State debt with Banks increased 73.4%. In public debt increases, the Government has given an important weight to its commitments in bolivars. According to statistics of the Bank Superintendence (Superintendencia de Bancos - Sudeban), in the last twelve months, treasury bonds and securities issued by the Ministry of Finances increased 73.4%, from VEB 54.75 billion in December 2010, to VEB 94.92 billion by the end of 2011; public banks have 53% of all the State's treasury bonds and securities.

The basic basket reaches VEB 7,898.5. According to the report of the Social Analysis and Documentation Center of the Venezuelan Federation of Teachers



(Centro de Documentación y Análisis Social de la Federación Venezolana de Maestros - Cendas), the cost of the Basic Family Basket (Canasta Básica Familiar - CBF) in December 2011 was VEB 7,898.5, an increase of 1.4% with respect to the prior month, and 25.2% with respect to December, 2010.

The behavior of the CBF in December was marked by an increase in six of its seven items, among them: men and children's clothing (4.6%), basic utilities (2.6%), and food (1.6%).

Cendas: Food basket at VEB 3,558.8. Food also increased; the food basket costs VEB 3,558.8, an increase of 1.6% with respect to November, and of 27.2% with respect to December 2010, when it was VEB 2,792.0; according to this entity, 2.3 minimum wages are required to be able to buy food.

In December, eight of the twelve items in the food basket increased in price: sugar and salt (3.3%), fruits and vegetables (3.1%), coffee (3.0%), fish and shellfish (1.3%), meat and its products (1.2%), cereals and its products (1.1%), milk, cheese and eggs (0.7%) and roots, tubers, and others (0.5%). Fats and oils, beans, peas and lentils, sauce and mayonnaise kept the prices of November.

Personal hygiene and cleaning products increased 1.1%, from VEB 777.7 to VEB 786.1 for the minimum purchase, despite the fact that most have controlled prices. Cendas also informed that the gap between controlled and market prices is 92.8%.

Brazil and Venezuela: Commercial links are closer. As informed by José Francisco Marcondes, President of the Venezuela-Brazil Federation of Chambers of Commerce, 2011 was the best year in history for trade between Brazil and Venezuela, with a record of US\$5.86 billion. Of this, US\$4.59 correspond to Brazilian exports to Venezuela, and US\$1.26 billion to Venezuelan exports to Brazil; as we can see, the balance is favorable towards the South American giant.

Interest rates. The lending rate for the second week in January was at 17.4%, increasing by 3.6 percentage points compared to the previous week. The time deposit rate remained reach 14.5%, while the passive rate has not experienced any significant variation since November 2011, placing well at 12.5%.

International reserves. International reserves decreased 1.7% going from US\$29,279 million during the second week of January to US\$28,792 million during the previews week. Compared to the same period last year, international reserves have decreased by 3.0%.





Monetary liquidity. Monetary liquidity in the third week in January increased 0.1% compared to the previous week settling at VEB 444,936 million. The M2 has increased 52.1% year-on-year.

Sitme figures. So far this year, US\$624.9 million have been negotiated through the System for Foreign Currency Transactions (Sitme), averaging US\$36.8 million a day, with an implicit exchange rate of 5.3 VEB/US\$. During the third week of January the amount traded reached US\$195.5 million, traded US\$57.8 million more than last week when US\$137.6 million were traded.

Oil Tips

Closing of Hovensa dropped PDVSA's refining capacity in the US to 22.7%. The international refining circuit of Petróleos de Venezuela (Pdvsa) continues to reduce its processing capacity, after the announcement made by Hovensa LLC that it will close the refinery in Saint Croix, US Virgin Islands, a company with shared ownership between Pdvsa and the US oil company Hess. The facility in Saint Croix has a nominal capacity of 495,000 barrels per day (kb/d), of which 248 kb/d correspond to Pdvsa's participation. The plant, which received Venezuelan Mesa and Merrey crude oils, and other foreign crude oils, will become a crude storage terminal.

According to Pdvsa's 2010 annual performance report, national participation in US refineries was 1.08 million barrels per day (mb/d), processed in 5 plants: Lake Charles, Corpus Christi, Lemont, Chalmette, and Saint Croix. The closing of Hovensa implies a reduction of 22.7% of Pdvsa's refining capacity in US territory, to 841 kb/d.

Pdvsa's debt increases 40% in 2011. Throughout 2011, Pdvsa increased its debt through bonds and loans by 40%. The debt performance report of the industry shows that the total balance (Pdvsa and Citgo) was US\$34.8 billion, while in 2010 it was US\$24.9 billion. Throughout the fiscal year, the state-owned company assumed new responsibilities that led to more commitments, and thus look for ways to manage more funds.

Oil income doesn't grow at the same pace as the price of the barrel. 2011 was one of the years with the highest oil prices for Venezuela, but this didn't translate into a significant increase in oil income for the nation, due to the behavior of foreign crude oil sales. The balance of payment statistics of the BCV reveal that with a price of



US\$101.04 per barrel, oil income was US\$89.39 billion, and the export volume was 2.51 mb/d (as reported by Pdvsa until June 30 of last year). However, comparing these figures with the balance of payment for 2008, we see that although oil prices increased 17% and exports decreased 13%, oil income only varied 0.4% between 2008 and 2011.

In 2011, Pdvsa agreed on credits with China and Japan. The balance of Pdvsa's consolidated financial debt by the end of 2011 reveals that the industry received credit facilities from China and Japan for US\$3.200 billion. The information from the state owned company shows that the company looked for more financing, besides the bond issues and the assistance of official entities.

Two credit lines. The balance says that in November 2011, the company obtained a credit for US\$1.5 billion with the China Development Bank with a three year term. The company's balance states that in August of last year, it also signed with Japan a credit line for US\$1.5 billion. Request for resources from this country were also made by other branches of Pdvsa. According to financial information, in February 2011, PDV Marina received a credit from Japan for US\$257 million to build ships. In February, Pdvsa Naval negotiated another credit with the "Banco de Espirito Santo" from Portugal for US\$176 million, to build asphalt carriers.

BCV and official entities articulate financing network for Pdvsa. On January 8, President Hugo Chávez ordered Pdvsa to inject resources to Sidor and said that the company is capable of making this investment, because "*Pdvsa finds resources abroad, and in the private or public banking system*". Since 2007, the state-owned company has requested financial assistance from the official entity, and last year the requests have been greater. Through the issue of certificates and loans, the National Treasury, the Central Bank, Banesco, Banco del Tesoro, Banco de Venezuela, and Fogade have channeled funds to the industry.

Pdvsa's guarantees to become a partner in a refinery in Brazil are rejected. Pdvsa didn't present acceptable guarantees to obtain the financing to ensure its participation, together with Petrobras, in the Abreu e Lima refinery. The estate-owned company requires a loan of US\$10.0 billion from the Brazilian National Development Bank, to finance its 40% participation in the project. However, the Development Bank asked for more guarantees, after one of the banks supporting Pdvsa, the Banco Espirito Santo de Portugal, was downgraded by qualifying agencies after the country's budget crisis and the debt crisis in Europe.

Operational problems are serious. On January 17, Pdvsa's facilities had incidents in its production and refining operations. Rig Corpoven 15, operated by Pdvsa and corresponding to well Travi 5 of the Punta de Mata division, blew up leaving no



injuries or fatalities, as reported by the oil company in a press release. The well “*had been closed since January 9 for pressure monitoring*”. After the accident, the staff implemented fluid controls, and sent them to a recovery pit to minimize the environmental impact in the area.

CRP workers propose a shutdown in Cardón. Oil industry workers of the Paraguana Refining Complex (Complejo Refinador Paraguaná - CRP) are wary about industrial and personal safety in the refinery’s facilities. Iván Freites, Secretary General of the Union of Oil, Petrochemical, Gas and Related Product workers of Falcón, informed that trade union representatives and workers expressed the need to stop the Cardón refinery for major maintenance work.

International oil baskets. At closing time on January 20th in the New York Stock Exchange, the price of the WTI was US\$99.8/bl, a 1.2% decrease compared to the US\$101.0/bl reported the previous week. The Brent decreased by 1.2% to reach US\$111.1/bl, compared to the previous week’s US\$112.5bl.

Local oil basket price. The Venezuelan oil basket price decreased last week, closing at US\$108.0/bl on Friday January 20th, a 0.9% decrease compared to the US\$109.0/bl of the previous week. The annual average price of the Venezuelan oil basket is US\$108.5/bl.

Business Sector Tips

Banking sector earnings increased more than 90.0% in 2011. Statistics of the Bank Superintendence show that 2011 was a very profitable year for the financial system, so much so, that earnings had a spectacular rise of 91.0% compared to 2010, of up to VEB 14.41 billion.

BCV and agroindustry get together to reactivate production. Representatives of the food industry and technicians from the Central Bank of Venezuela (BCV) started work group meetings this Monday, to analyze the situation of the sector and refine the policies that the Administration will implement to reactivate agro-industry, increase production, and reduce inflation in basic products.

In 2011 the mortgage portfolio increased 35.6%. In 2011, the mortgage portfolio increased 35.6%, according to figures of the Banking Sector Superintendence. The



information states that by the end of last year, VEV 36.9 billion in loans was authorized for the construction and purchase of housing solutions, while in 2010 the amount was VEB 27.2 billion. This increase is greater than the one registered in the 2010 – 2009 period, when the variation was 34.6%.

Cadivi suspended 15,000 users for illegal exchange activities. Manuel Barroso, president of the Comisión de Administración de Divisas, Cadivi, informed on VTV that the organization suspended more than 15,000 people involved in illegal exchange activities in 2011. Among the modalities detected were: presenting false tickets, or giving credit cards to third parties.

The administration is preparing to review investment treaties. The Venezuelan government is preparing to change investment protection and promotion rules, through the renegotiation of the 23 bilateral treaties that the Republic has signed, specifically in the 90's.

...the decision of Hugo Chávez to withdraw from the International Centre for Settlement of Investment Disputes (ICSID) of the World Bank was informed a few days after the decision by the International Chamber of Commerce, ICC, regarding the arbitration process between ExxonMobil and Pdvsa. However, this decision had been discussed by the Administration at least since 2011.

The Administration acknowledges that the industry's idle capacity is high. Ricardo Menéndez, Minister of Industry, said that in 2012, the government will try to use the local industry's installed capacity. During a press conference, Menéndez said that *"A country that demands iron rods, and industrial production, cannot have idle capacity in its productive apparatus"*.

A growth of 4.0% is expected in agriculture during 2012. The Ministry of Agriculture and Land (MAT) met this week with representatives of the sector, to review and define agriculture production goals for the year. The goal of the Administration is to make national agriculture grow 4% in 2012, compared to 1.0% last year, an *"unsatisfactory result"* according to Juan Carlos Loyo, Minister of Agriculture and Land, and President Hugo Chávez himself.

Workers in Guayana demand the rescue of the companies. The production downward trend in basic companies continues. This decline has the industries with no perspectives for improvement in the short term, and serious problems to honor labor commitments. Trade union leaders of Venalum, Carbonorca, CVG matriz, Ferrominera, Alcasa, and Bauxilum held a meeting at the aluminum pioneer company, CVG Alcasa, where they said that they would demonstrate in all the gates of the state-owned companies to involve the workers in the struggle.



Outsourced workers protest because they were not absorbed by Corpoelec.

Outsourced workers of the electric power industry protested once again at the doors of the Ministry of Electric Power in San Bernardino, because the authorities of the sector *"did not fulfill their promise of adding them into the fixed payroll"* of the *"Corporación Eléctrica Nacional"* (Corpoelec).

Government expects to review the lands in industrial areas. Rafael Ramírez, Minister of Oil and President of Pdvsa, made a balance of the *"Gran Misión Vivienda Venezuela"* saying that more land is needed to build houses. The official said that to build housing solutions 60,000 hectares are required, and presently, there are 11,914 hectares available. Then he said that he is looking for land, and the option is in the industrial areas of the city.

In 13 years, 648,000 houses have been built. In 2011, the government said that it was speeding up the construction of houses, and although more units were finished compared to previous years, the general balance reveals that in 13 years, the public and private sectors completed 648,200 houses.

111,081 people registered in the "Misión Trabajo". Ricardo Menéndez, Minister of Industry, said that up to last Friday, 81,354 people had registered in the first stage of the *"Misión Saber y Trabajo"*. The government started the registration process for this plan last week in the Capital District and in Vargas and Miranda states, and will end on January 29th. According to the official, most of those registered expressed their interest in participating in projects linked to housing and education.

45% of the houses announced by the government in 2011 are not new. Rafael Ramírez, Minister of Oil, coordinator of the Superior Entity of Housing and Habitat, admitted while presenting a balance of the achievements of the *"Gran Misión Vivienda Venezuela"*, that 45% of the residential units built in 2011, were really replacements for shacks (ranchos).

In two years, rice production will be enough to supply the country. In the meetings of the Administration with primary producers, the associations have stressed the need to guarantee profits for agriculture producers, as well as financing, machinery and products, to give agriculture the push it needs to recover.

Production decreases and regulation affect Sidor's cash flows. The low production at Sidor together with the commitment assumed by adding outsourced workers into its fixed payroll are eroding away its finances. Leaders at the state owned company say that the only way to improve the cash flow is to adjust the price of iron and steel products, like iron rods, whose production cost is higher than its sales cost.



Insurance companies don't want to insure Venirauto cars. Purchasing a Venirauto car is difficult due to the scarce production of the state car assembly company. But those who do, face another obstacle: private insurance companies are avoiding the issue of policies for these cars, because there are no spare parts in the local market. Several sources linked to insurance companies confirmed the information. *"Spare parts cannot be found and companies don't want to insure cars that, if involved in an accident, don't have spare parts"*, said an insurance company employee who preferred to remain anonymous.

Supplies depend on imports. Agro-food sovereignty is still an issue that is pending for the Administration, and in this electoral year, it decided to boost agriculture in order to increase food production and thus stop the increase in prices.

Vegetable prices will be estimated through the agricultural stock exchange. The Venezuelan Stock Exchange of Agricultural and Livestock Products (Bolsa de Productos e Insumos Agropecuarios de Venezuela -Bolpriaven) will play an important role in the marketing of products and services in the sector, as well as in the supply of production inputs. Gustavo Moreno, President of Bolpriaven informed that the Ministry of Agriculture and Land (MAT) has requested them to evaluate the possibility of marketing vegetables through the agriculture stock exchange.

New President of Venamcham appointed. Carlos Henrique Blohm ended his term, and Gustavo Marturet Machado, one of the highest figures of the Mercantil financial group, started as President of the US-Venezuela Chamber of Commerce. He has a long history in the national banking world, is the heir of a long standing tradition, and has held several entrepreneurial and institutional responsibilities.

US\$1.0 billion to be invested in telecommunications. The Venezuelan telecommunications market will receive in 2012 investments for around US\$ 1.0 billion, half of that for mobile telephony and the expansion of third generation networks. 50% of the investment will come from the two largest companies in the sector, Cantv and Movilnet. The information came from José María de Viana, President of the Telecommunications Services Chamber (Cámara de Empresas de Servicios de Telecomunicaciones - Casetel).

The pharmaceutical market in good health. Last year, the sale of pharmaceuticals, in number of units, increased 3.0% with respect to 2010, according to preliminary figures of the sector. In 2011, a little more than 600,000 units were sold, around 20,000 more than the year before. *"The 600,000 unit barrier was crossed"*, said Ángel Márquez, director of the Pharmaceutical Industry Chamber (Cámara de la Industria Farmacéutica - Cifar).



World Economy Tips

IMF lowered global growth estimates, and forecasts a crisis similar to that in 1930. The International Monetary Fund (IMF) expects the world economy to grow less this year, said Christine Lagarde, Director of the multilateral organization on Monday, January 23, and warned about a new crisis like the one in 1930. *“We lowered the growth expectations for most of the world in our economic perspectives report that the IMF will publish this week”*, said the IMF director during a conference in Berlin. The French director warned that *“These negative outlook even consider a wave of constructive policies that in any event isn’t guaranteed”*.

Bank of Japan expects a contraction of the economy in 2012. The Bank of Japan forecasted that the economy will contract the present fiscal year, but kept its monetary policy stable, hoping that exports to emerging markets and spending for reconstruction after the earthquake in 2011 will help foster a sustained recovery. The bank is attentive to developments in Europe, with Greece in the brinks of a moratorium, and some market observers have not ruled out that the crisis could worsen, taking Japan back into a recession.

To double or not to double the European rescue fund. Europe should increase the size of its future rescue fund, the European Stability Mechanism (ESM), but *“there is no need to double it”*, said Christine Lagarde in a speech last Monday at the German Foreign Affairs Council in Berlin. However, Mario Monti, Prime Minister of Italy, wants the size of the ESM to double, and reach a trillion Euros. During a regular press conference, Steffen Seibert, spokesman of the German government, said that Berlin doesn’t consider that the fund should double.

Spanish GDP will fall by the end of 2012. The Bank of Spain confirmed this week that the domestic economy shrunk in the 4Q2011, due to the persistent weakness in domestic demand, and a smaller contribution to the growth of the foreign sector. According to the institute’s estimates, GDP fell 0.3% in the fourth quarter of the year, compared to a rate of zero the quarter before. According to the Bank of Spain, the economy grew 0.7% as a whole, compared to a 0.1% reduction in 2010. They expect GDP to fall 1.5% this year, and in 2013 its growth will be a modest 0.2%.

Asian markets stopped their forward trend, and attention is focused on Greece. On January 23rd, Asian stock markets and the Euro halted their increases of last week, and investors are analyzing the progress made in negotiations to prevent a



moratorium in Greece; at the same time, activities stopped in the region due to the lunar New Year festivities. Caution returned as Athens and its private creditors struggle to reach an agreement that is vital to restore trust in Europe's refinancing capacity, while the uneven earnings of US corporations rekindled concerns about world growth perspectives.

Brazil's goal is to grow 4% in 2012. Dilma Rousseff, President of Brazil, made an economic growth of 4% the central goal of her government for this year, and is willing to lower taxes, adopt stimulus measures, and maybe sacrifice other goals if necessary, said government sources to Reuters. Rousseff met with several ministers at the Presidential Palace in Brasilia last weekend, to organize what an official called "*the 2012 business plan*", as the summer vacations come to a close in Brazil.

Public investments will rise in Peru in 2012. The Credit Bank of Peru (Banco de Crédito del Perú - BCP) forecasted on January 23rd, that public investment will increase 27.3% this year, and fiscal surplus will be 1% of GDP. It estimated that fiscal surplus was 2% of GDP in 2011, creating a positive fiscal scenario for this year. According to statements from Bank directors, "*This way there will be space to implement a more significant counter-cyclical fiscal policy, if required*". They think that even with the expected increase in public investments, the fiscal balance will continue to be positive at the end of 2012.

In Paraguay, exports continue to depend on raw materials. An analysis of Foreign Trade by the Economic Study Center of the Paraguayan Industrial Trade Union (Centro de Estudios Económicos de la Unión Industrial Paraguaya - UIP) says that the country is still highly dependent on the export of raw materials, while it imports mostly industrialized items. According to official data analyzed by the industrial association, by November of last year, the export of manufactured products reached US\$2.22 billion or 43% of the country's total exports; while the participation of raw materials was 57%.

The economy in Uruguay has grown for nine consecutive years. The economy of Uruguay may have grown 6.24% in 2011, according to a simple average of the January monthly survey released on January 23 by the Central Bank of that country, or the ninth consecutive year of growth. This data was slightly lower than the forecasts in December, of 6.26%. The nine analysts consulted estimated that the South American country will grow 4.40% in 2012, less than last month's projection of 4.55%.





Political Tips

Leopoldo López declines in favor of Capriles and in favor of unity. CNN confirmed extraofficially the news that López would decline his candidacy for the opposition primaries, after he announced during the debate broadcasted by Globovisión that: *"tomorrow, together with Henrique (Capriles Radonski) we will make an important announcement: good news for the greater unity, for the victory of October the 7th and for a Better Venezuela"*. Although at that time nothing was known about it, speculations about a possible fusion of figures in an attempt to find a unitary candidacy seems like an option.

Consultores 21 estimates that 28% of the Electoral Registry will vote in the primaries. According to Consultores 21 the participation for the primaries remains at 28% (for October 2011 it was estimated at 27.7%) However, compared to data from March 2011, the willingness to vote has dropped seven percent points.

...according to the last study on the MUD primaries by Consultores 21, when voters were asked (with a list in hand) what is the most important characteristic for an opposition candidate, 17% of voters mentioned the capacity to reduce crime; 16.4% mentioned *"to be a positive change"*; 16% said *"improve the economy"*; 13.5% said to *"create jobs"*, and 10.9% mentioned *"unite Venezuelans"*.

...evaluating the vote intention for an opposition presidential candidate, between March and December 2011, Capriles Radonski increased 16 percent points (in March, 34.7% said they would vote for him), while Pérez increased 10 percent points (20.5% said they would vote for him in March).

...regarding the perception of victory. Among voters that are more inclined to participate, 50% believes that Capriles Radonski will win the primaries, while 27% consider Pérez the winner, and 11% believe it will be López. Only 2% considers that Machado could win the primaries. In a polarized scenario between governors, 59.4% would vote for Capriles Radonski and 35% for Pérez. Analyzing the opinion of those who are not yet convinced of voting in the primaries, 52% would support the governor of Miranda, and 30% the one from Zulia.

...votes by class. Analyzing the polarized scenario between Capriles Radonski and Pérez, the survey by Consultores 21 according to social class of voters inclined to participate indicates that the governor of Miranda is supported by 70% of those in the



middle-upper classes, 71% in the middle class, 61% in the popular middle class, 56% in the popular low class, and 50% in the segment defined as marginal. Analyzing vote by region, the Capital, Central area, and Los Llanos present significant differences in favor of Capriles Radonski. In the case of Zulia, the majority (57%) tends to support Pérez.

We are the guarantee that in Venezuela there will be a Government. The Mesa de la Unidad Democrática (MUD) presented the Government Program Guidelines of National Unity, in an event held at the Hotel Caracas Palace in Altamira, which closed with the National Anthem sung by Soledad Bravo. The program of Unidad Nacional was accepted by those aspiring to confront President Hugo Chávez next October: María Corina Machado, Henrique Capriles Radonski, Pablo Pérez, Pablo Medina, Leopoldo López, and Diego Arria, whose participation in MUD had been questioned the last weeks.

Candidates talk about institutionality and governance. This time they met at the set in Globovisión, for their fourth televised debate. Like in previous occasions, the six pre-candidates explained their ideals to rule the country if elected President of the Republic. Likewise, they mentioned their ideas on how to reconcile Venezuelans. On and off camera, the six opposition candidates were cordial amongst themselves. For the fourth time they talked, shook hands, and closed the debate united in the middle of the set, for the usual picture.

Vicente Díaz announces that the CNE will open an electoral center in Miami. Voters in Miami will have no problems to vote in the presidential elections of October, because the National Electoral Council (Consejo Nacional Electoral - CNE) decided last Thursday to open an electoral center to compensate for the closing of the Venezuelan Consulate in that US city.

Human Rights Watch pleads for independent justice. Human Rights Watch (HRW) rejected the policy of the Venezuelan Government to control independent communication media, and subject the judicial system to silence opposition voices. While presenting its world report at the headquarters of the Journalists Trade Union in the Egyptian capital, Emma Daly, communications director of the NGO said that the media are "*vulnerable*" and justice is "*committed*" to the authorities.





Legislatives Tips

9 commissions have new directors. As announced by Diosdado Cabello, President of Parliament, the directors of the nine permanent commissions of the NA were changed. Among the changes are: In Interior Policy, Cilia Flores will continue as president, but next in power will be congressman Javier Morales; in Foreign Policy, the president will be Héctor Navarro, and Jesús Cepeda vice president; in the Finance Office, Pedro Carreño was appointed president; in Energy and Oil, Fernando Soto Rojas, former president of the NA, will be president, and Juan Pablo García vice president.

Assembly is considering a review of the Seed Law. Within the framework of the work groups between primary producers and the national government, to review the supply system for agricultural production, representative José Alfredo Ureña mentioned the need for the NA to reform the present Law of Seeds, Animal Reproduction articles, and Bio-ecological Organs. The representative said that the national seed plan must be re-launched, accompanied by a law that regulates the provision of this important item.

NA discussed the expulsion of the Consul of Venezuela in Miami. During its regular session of Tuesday, January 17, and thanks to the proposal of Héctor Navarro, President of the Foreign Policy Commission of the Venezuelan Parliament, the NA discussed the expulsion of Livia Acosta, Venezuelan Consul in Miami. Acosta was expelled from the United States due to an alleged "*conspiracy*" against that country, after divulging a report called: The Iranian Threat, broadcasted by Univisión.

...and a decision was approved. After the discussion, representatives of the United Socialist Party of Venezuela (Partido Socialista Unido de Venezuela -Psuv) approved a motion against the decision of the US Government. Héctor Navarro read the decision signed by the Socialists, and argued that Acosta's expulsion is an act of injustice, and a clear political retaliation.

Borges proposes a law to foster production. Julio Borges, representative for Miranda State, and national coordinator of Primero Justicia, presented before the NA a "*Law to Promote National Production with Clear Incentives for our Producers*", to fight the high cost of living, and reduce dependence on foreign purchases.





NA Consulting Commission discussed the legislative agenda. Although last Tuesday, January 24th, the NA didn't call for a regular session, the Consulting Commission formed by members of the Directorate: Diosdado Cabello, Aristóbulo Istúriz and Blanca Eekhout, and the presidents or vice presidents of the Permanent Commissions, met to establish the laws that will be discussed during this legislative period.

Priority will be given to laws promoted by the people's power. Diosdado Cabello, President of the Legislative Power, said that priority will be given to laws promoted by the initiative of the people, like the People's Power Communication Law, and the one related to funeral services, *"where there is huge and uncontrolled speculation"*.

© Ecoanalítica – Descargado por usuario no identificado





ECONOMIC OVERVIEW

