

GDP: Seven consecutive quarters and counting...

What was unprecedented in 2014 became commonplace in 2015. Official figures for the performance of the economy did not see the light of day until January 15, when the Central Bank, on the same day that President Maduro rendered an accounting of his administration over the past year before the National Assembly, published the figures for the Nationwide Consumer Price Index (NCPI), Gross Domestic Product (GDP), and the Balance of Payments.

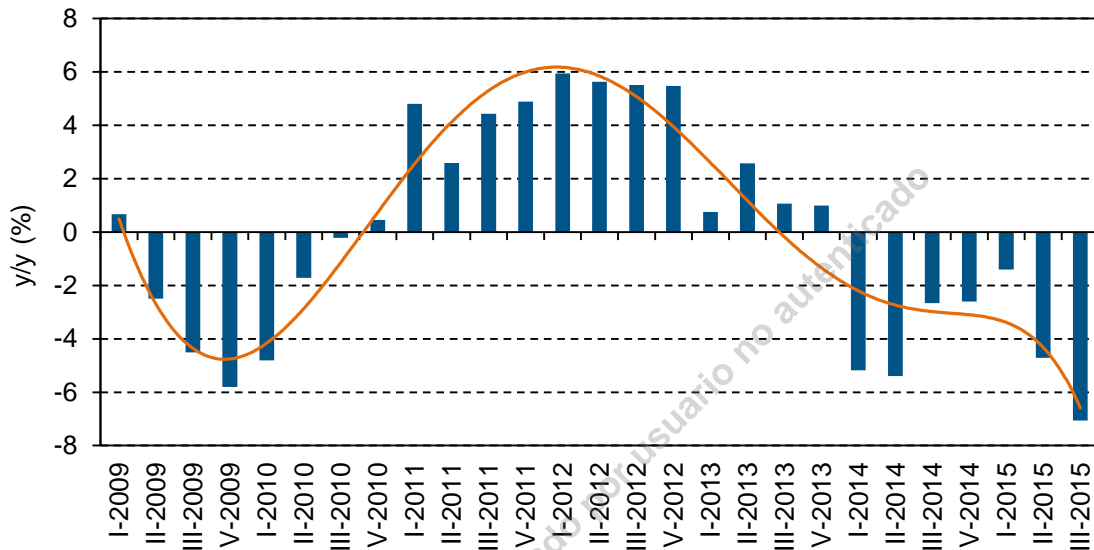
The published figures simply confirm that Venezuela is currently experiencing the worst economic crisis in recent years, at least, and that it has the worst economic performance in the world. Seven quarters running with contraction in GDP and three-digit inflation are just two features of the crisis. Despite this, the government insists that the fundamental cause of this situation is the “economic war.”

A long and increasingly deep recession

The Venezuelan economy started to slow down in 2012 when, in the second quarter of that year (2Q2012), growth year-on-year went from 5.9% to 5.8%. From that point onward the rate of growth slowed down steadily until 4Q2013 when the country experienced a contraction in GDP of 5.2%.

In 1Q2014 Venezuela officially went into an economic recession, posting a minimum drop of 1.4% in 1Q2015 and the biggest contraction in GDP in 3Q2015 (the latest figure available). The last recession the country experienced ran for six quarters, from 2Q2009 to 3Q2010, which means that the present crisis is not only severe but is also the longest since the oil strike.

GDP Growth (Quarterly)



Source: BCV and Ecoanalítica

Based on preliminary estimates, GDP posted a contraction of 7.1% in 3Q2015 compared to the same quarter in 2014. There were also contractions of 4.7%, 1.4%, and 2.6% in the previous quarters, which confirms our estimate for economic contraction in 2014 of 3.9%. Moreover, if we compare the first three quarters of 2014 with those of 2015, we find a negative growth rate of 4.5%. At **Ecoanalítica** we estimate that last year closed with a reduction in economic activity of 9.2%.

These negative results are explained to a large extent by the drop in oil prices, which averaged US\$88.7 per barrel (bl.) in 2014 versus US\$44.7/bl. in 2015, a reduction of 49.6%. This meant that the government was unable to count on the revenues it needed to maintain a model where 97.0% of foreign currency revenues comes from the oil sector. Added to that, fiscal indiscipline and the Central Bank's lack of independence fostered an even greater deterioration of the economy, as a result of which both oil and nonoil activity posted contractions, of 1.9% and 7.0%, respectively.

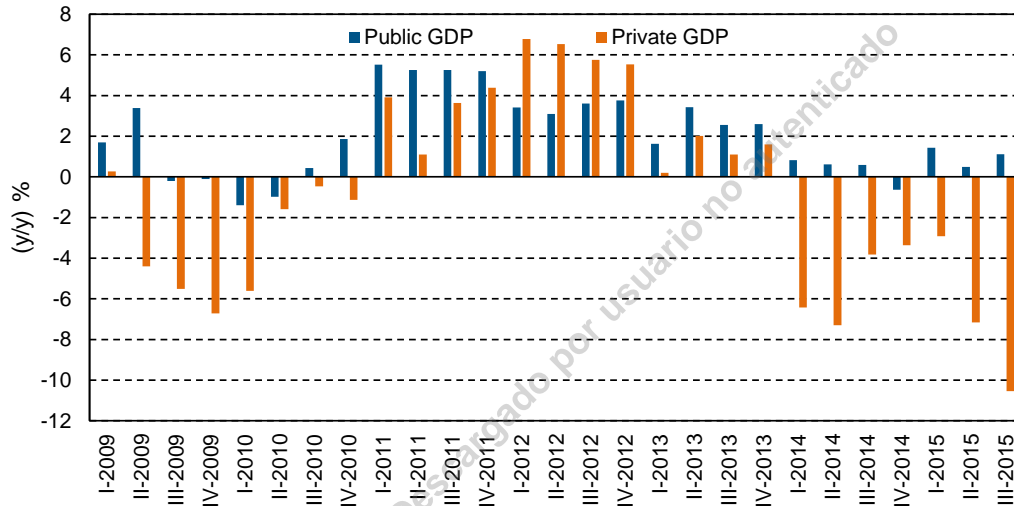
On the other hand, the public sector posted positive growth rates for the first three quarters of 2015, of 1.4%, 0.5%, and 1.1%, respectively, which confirms that, far from promoting growth, what this State that grows bigger by the day has managed to do is to make matters worse. By way of contrast, in 3Q2015 the private sector

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report. Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.
(+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

posted its seventh quarter running of economic contraction with a rate of 10.5%, breaking the double-digit barrier for the first time since 2007.

Public and Private GDP Growth (Quarterly)



Source: BCV and Ecoanalítica

Growth in only two sectors

Among the sectors engaged in nonoil activities, those that stand out are Communications and Government Services, with positive growth rates in 3Q2015 of 2.2% and 1.0%, respectively. However, the days when Communications posted rates of more than 5.0% are a thing of the past (the last time was in 2Q2014). In other words, this sector is facing a slowing down in its rate of growth.

Meanwhile, all the other sectors have posted negative growth rates, in particular Construction, Financial and Assurance Institutions, Commerce, Manufacturing, and Transport and Storage with contractions that run into double digits.

Year 11. Number 03. Week III
 January 2016

Economic Sector (y/y %)	4Q2014	1Q2015	2Q2015	3Q2015
Financial and Insurance	10.1%	0.6%	-10.3%	-14.4%
Communications	3.0%	2.8%	3.0%	2.2%
Electricity and water	-0.7%	-1.0%	-4.2%	-3.7%
Serv. community, soc. personal and General Government Services	-0.2%	-1.4%	-4.3%	-6.6%
Trade and repair services	-11.4%	-8.2%	-10.3%	-12.8%
Real estate, renting and business	-0.6%	-0.7%	-2.1%	-5.0%
Petroleum activity	-8.2%	0.7%	-1.5%	-1.9%
Activity Not Oil	-1.7%	-1.6%	-4.8%	-7.0%
Consolidated GDP	-2.6%	-1.4%	-4.7%	-7.1%
Rest	-6.1%	-10.0%	-14.4%	-14.3%
Construction	-1.0%	-9.8%	-24.6%	-20.2%
Transport and storage	-5.1%	-2.1%	-6.8%	-10.7%
Manufacture	-2.0%	-1.1%	-2.8%	-11.1%
Mining	-6.5%	-4.2%	-2.4%	-4.6%

Source: BCV and Ecoanalítica

These figures confirm that Financial Institutions and Insurance has joined the sectors that are in recession. This is explained by, among other things, the growth in liquidity in negative real terms, credit capacity, and negative real interest rates. In other words, inflation is one of the factors that have had the biggest impact on this sector.

As for tradable goods, they have posted a contraction for the seventh quarter running, with rates of 2.5%, 4.3%, and 8.7% for the first three quarters of 2015. Non-tradable goods also went from being in positive terrain to post contractions over the same period of 1.5%, 6.1%, and 7.1%, respectively.

The components of GDP in a nosedive

It is important to understand how the components of GDP have behaved in order to have a clearer idea of the situation the country finds itself in. In 3Q2015 global demand was down by 13.4%, which is explained by drops in domestic demand of 14.5% and in external demand of 0.8%.

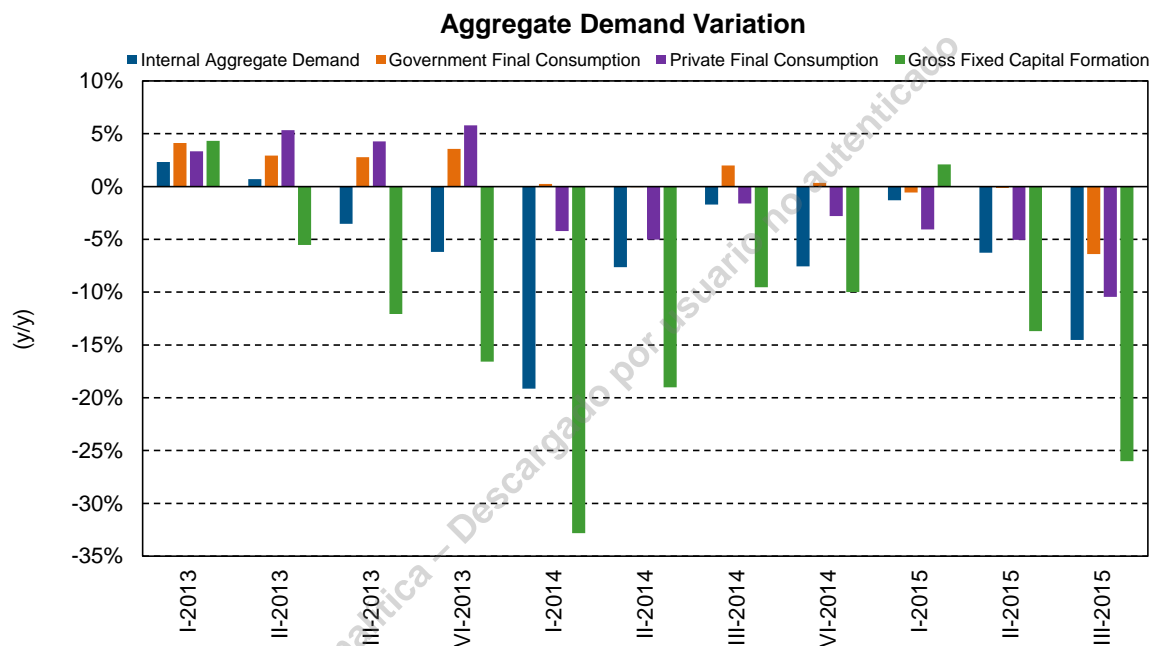
In the case of domestic demand, this drop is explained by reductions in public sector consumption of 6.4% and in private sector consumption of 10.4%. Added to that, gross capital investment shows an even more severe contraction of 26.0%. If we

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report.
 Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.
 (+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

Year 11. Number 03. Week III
 January 2016

compare the first nine months of 2014 with the same period in 2015, the results are still negative but with slightly lower rates: 2.5%, 6.7%, and 14.4%, respectively. In other words, the contraction in the indicators is not only for this past year but has been happening in previous years.



Source: BCV and Ecoanalítica

In the case of supply, mention needs to be made of the reduction in goods and services imports, which have been on the decline for ten quarters, except for 3Q2014 when there was a slight upturn year-on-year of 0.5%. Similarly, if we compare the first three quarters of 2015 with the same period in 2014, we find a drop of 13.4%, explained largely by the reduced availability of foreign currency.

A change in the inflation methodology

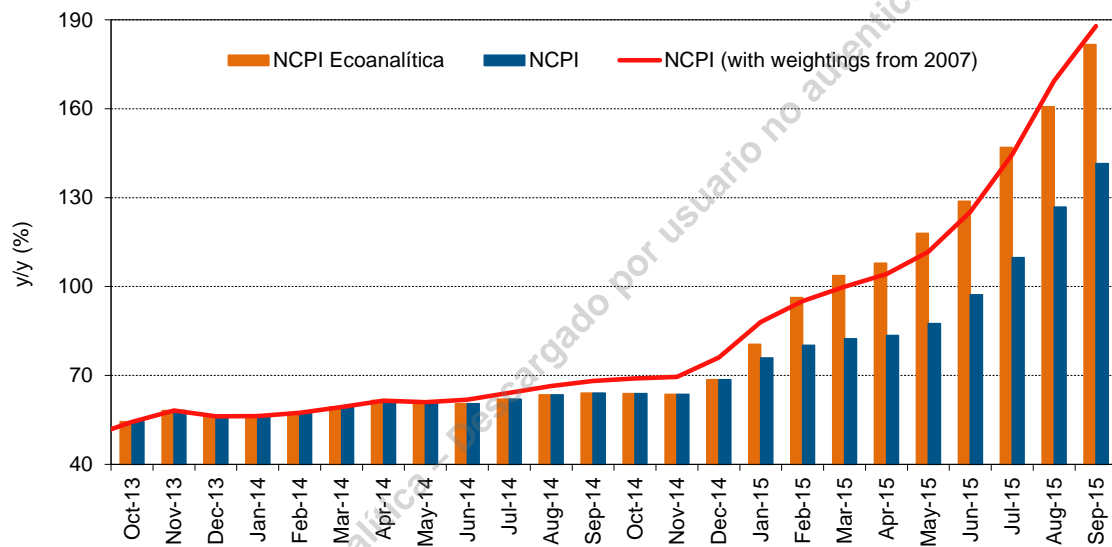
The NCPI figures were also published, but they were calculated using a different methodology to the one that has been employed in recent years. Here we have noted that, although the weight given to the different components of this indicator have been modified, to date, the Central Bank has not issued a communiqué explaining either the reasons for this change or the new methodology.

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report. Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.
 (+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

According to the published figures, cumulative inflation for 2015 up until September came to 108.7% and inflation year-on-year was 141.5%. However, if we correct the weighting and perform the calculation using the methodology employed in previous years, this indicator posts variations of 144.1% (cumulative) and 187.9% (year-on-year).

Official NCPI vs. Estimated NCPI



Source: BCV and Ecoanalítica

These indicators are in line with estimates by **Ecoanalítica**, which show variations of 143.3% and 181.6%, respectively. For that reason and until the Central Bank issues a communiqué explaining the new methodology, we will continue to do our own NCPI estimates for the internal use of our clients. By the same token, we are maintaining our estimate for inflation in 2015 of 223.6%.

We have figures now, but don't get used to it

The fact that the figures have been published is undoubtedly positive news as this allows us to confirm the situation about which we have been warning. A detailed analysis of GDP gives us to understand that the so-called "economic war" is not the cause of the deterioration of the economy. The economic model implemented by the Executive is the main cause and, therefore, unless corrective measures are taken, the outlook in the short and medium terms will continue to be negative.

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report. Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.
(+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

Year 11. Number 03. Week III
January 2016

On the other hand, it is not completely harebrained to think that it will be some time before we see official figures again, given the amendment to the Central Bank of Venezuela Act that permits the bank to suspend publication of information when the country is confronting an internal or external agent that could affect the country's stability. However, the National Assembly will be able to bring pressure to bear so that the Central Bank resumes its practice of publishing figures, but for that to happen we will probably witness fresh confrontations between the branches of government.

Carlos Miguel Álvarez

© Ecoanalítica – Descargado por usuario no autenticado

Year 11. Number 03. Week III
 January 2016

WEEKLY INDICATORS

Weekly Economic Indicators			
	1st Week January	Weekly var. (pp)	Annual var. (pp)
Lending Interest Rate (%)	20.3	-0.8	2.7
	2nd Week January	Weekly var. (pp)	Annual var. (pp)
Overnight Interest Rate (%)	0.2	-0.4	-0.1
	2nd Week January	Weekly var. (%)	Annual var. (%)
International Reserves (Bn US\$)	15.60	-3.2	-22.6
	2nd Week January	Weekly var. (%)	Annual var. (%)*
Central Government Spending (VEF Bn)	31.4	20.7	4,380.6
	1st Week January	Weekly var. (%)	Annual var. (%)
Monetary Liquidity (VEF Bn)	4,025	-0.1	101.1
Price of International Oil Baskets (US\$/bl)			
	1st Week January	Weekly var. (%)	Annual var. (%)
WTI	31.3	-10.4	-25.6
Brent	31.5	-11.2	-34.8
Price of the Venezuelan oil basket (US\$/bl)			
	2nd Week January	Weekly var. (%)	Annual var. (%)
Weekly Average	24.4	-12.5	-37.8
Annual Average	26.1	-6.3	-39.1

Source: BCV, MENPET, ONT and Ecoanalítica

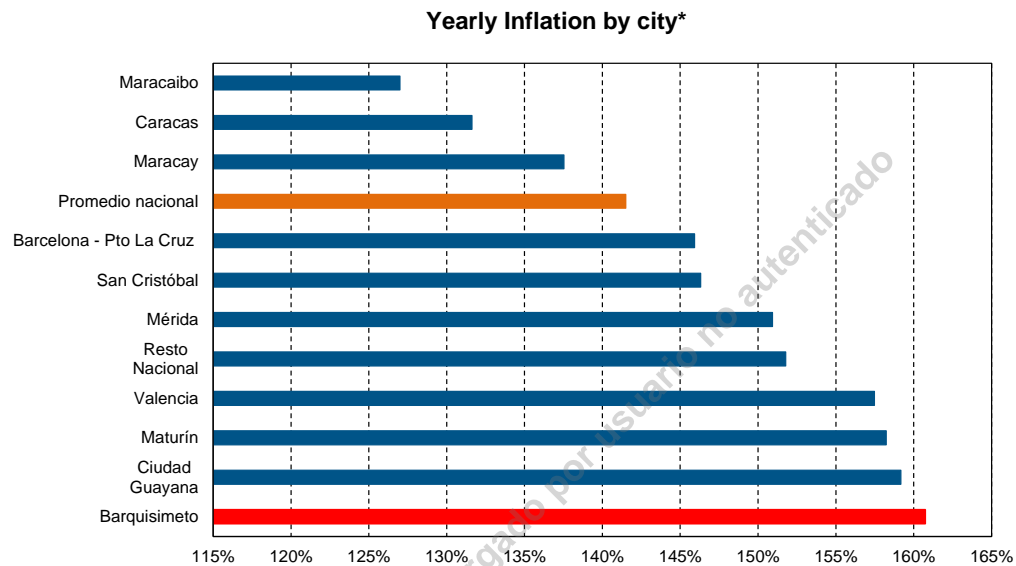
* Annual variation of accumulated expenditure.

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report. Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.
 (+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

Year 11. Number 03. Week III
 January 2016

CHART OF THE WEEK: “THE “GUAROS” GOT THE WORST PART”



Source: BCV and Ecoanalítica
 * Until September 2015.

After a year's delay, the Central Bank finally published the figures for the country's main economic indicators. Despite the lack of official data, it was a secret to no one that inflation skyrocketed last year, even breaking the three-digit barrier. However, now with figures at our disposal and having reviewed the figures by region of study, we find that there are certain asymmetries between one region of the country.

So, we find that, even though nationwide inflation between September 2014 and September 2015 was 141.5%, there are cities where it was nearly 20 percentage points higher, as in Barquisimeto, which posted annual inflation for that period of 160.7%. Other cities that posted levels of inflation significantly higher than nationwide inflation were Ciudad Guayana (159.2%), Maturín (158.2%), and Valencia (157.5%). So, out of the eleven regions studied, inflation in eight was above the national average and below in only three.

The “fortunate” cities posting the lower annual rates of inflation were Maracay (137.5%), Caracas (131.6%) and, in last place with the lowest level of all, Maracaibo (127.0%). Even though these cities had lower rates of inflation, it is worth noting that they all posted increases in prices of more than 100.0%, something not seen since 1996.

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report. Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.
 (+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

ECONOMIC TIPS

Inflation reached 11.5% in September. According to figures published by the BCV, the NCPI variation for September was 11.5%, a year on year inflation of 141.5%. According to the press release by BCV, these figures represent an acceleration of the rate.

Education services had the highest inflation in September. Among the 13 categories studied by the BCV, in September Education services showed a higher inflation than the national average, with a variation of 32.8%, followed by alcohol and tobacco with 14.2% and food and non-alcoholic beverages with 13.5%.

Results of the Balance of Payments (BP). According to figures released by the BCV, the balance of payments recorded a deficit of US\$4.139 million between January and September of 2015. For this same period, the balance of payments shows a deficit of US\$ 13.037 million in the current account, a surplus of US\$10.773 million in the capital and financial account and a negative balance of US\$1.875 million in the errors and omissions account.

Unemployment rate at 6.0%. According to numbers released by the National Statistics Institute (INE), unemployment rate increase 0.1 pp in November, compared to the same period in 2014, when unemployment rate closed at 5.9%. This means that in the eleven month of the year, 850,626 people didn't have a job.

Inactivity rate decreases. According to INE, inactivity rate shows an increase of 1.8 pp compared to November 2014, to settle at 37.3%. Within this, men inactivity increased 1.5 pp, and stood at 22.8%. By the other hand, women inactivity, increased 2.1 pp compared to the same period in 2014, and stood at 51.6%.

Informality rate at 40.5%. According to INE's figures, at November, 5.353.479 people were employed at the informal sector (40.7% of working population), decreasing 0.9 pp compared to the same period in 2014. For its part, formal sector employed 59.3% of working population.

Tax collection for December. According to the figures released by the National Integrated Service for Tax Administration (SENIAT), VEF 159.2 billion were collected in taxes for the month of December. Of this amount, VEF 24.9 billion came from Income Tax, and VEF 97.5 billion from the VAT.

Year 11. Number 03. Week III
 January 2016

In real terms. Total revenue in December of this year compared with the same period last year increase 14.1%. The VAT increased 22.7% in real terms, while customs revenues increased 3.0%. Meanwhile, income tax revenues decreased 8.3% in real terms over the same period of 2014.

Concepts (MM VEF)	Dec-14	Dec-15	Var. (%)	Real Var.	Accum. 2014	Accum. 2015	Nominal Var.	Real Var.
Total Income	61,551	159,249	158.7%	9.5%	475,626	1,168,998	145.8%	14.1%
Income Tax	11,474	24,904	117.0%	-8.1%	120,283	237,399	97.4%	-8.3%
VAT (Internal)	30,322	97,539	221.7%	36.2%	226,074	597,105	164.1%	22.7%
Customs revenue*	12,165	16,717	37.4%	-41.8%	92,110	204,395	121.9%	3.0%
Other Internal Revenue	6,573	18,985	188.8%	22.3%	31,734	119,763	277.4%	75.3%
Spirits	4,569	7,666	67.8%	-29.0%	10,889	44,498	308.7%	89.8%
Cigarettes	6,573	18,985	188.8%	22.3%	31,734	119,763	277.4%	75.3%
Inheritance	106	587	455.4%	135.1%	1,046	2,946	181.6%	30.8%
Random games or bets	17	32	86.5%	-21.0%	162	242	49.6%	-30.5%
Others	1,016	1,105	8.7%	-54.0%	5,424	10,336	90.6%	-11.5%

Sources: Seniat and Ecoanalítica

* Includes VAT on imports.

Worker's Food Basket reaches VEF 49,756. According to the last report by the Cenda, the Worker's Food Basket (CAT for its Spanish acronym) reached VEF 49,756 on November 2015. This represents an increase of 9.2% compared to the previous month and of 363.3% compared to November 2014. During the first eleven months the accumulated variation of the CAT was 304.3% (VEF 37,450).

Family income only covers 19.4% of the basket. According to the report by Cenda, the minimum wage of VEF 9,648, effective in November, 2015 had a hypothetical purchasing power of 19.4% and a deficit only to food acquisition of 80.6% (VEF 40,108). That means that, a family today requires more than five the minimum wage just to cover their basic expenses on food.

In order to win the war. Last week the government announced the "Economic Emergency" Decree. According to the government, the purpose of the decree is to fight against the "economic war" and profiteering. If approved, this decree will affect all areas of the Venezuelan economy and will considerably increase the Executive's discretionary powers, so much so that the National Assembly will not be able to act as a counterweight branch of government.

They want to be the Central Bank. One of this decree's most controversial articles is the one that proposes giving the Executive powers to regulate the quantity of bolivars in the economy in the interests of "defending" the value of the local currency. In theory, the office in charge of regulating the liquidity in the system is the Central Bank of Venezuela; besides that, if these powers are given to the government, it is not known what type of mechanisms it would use to regulate the quantity of bolivars.

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report. Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.
 (+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

Year 11. Number 03. Week III
January 2016

Promises and yet more promises. Moreover, the decree establishes that the measures needed to encourage nontraditional exports and deregulate imports will be taken. However, this would not be the first time that the government has promised to fight against the bottlenecks that are affecting imports and exports. Besides, repeatedly in the past, the good will of the State has been limited to merely making promises.

They've finally given the figures. After more than a year without publishing a series of figures, last week the Central Bank revealed the data for several economic indicators, some of the main ones being inflation, GDP, and the balance of payments. However, the figures are not completely up to date, only for the period to 3Q2015. On top of that, it should not be forgotten that, following the amendment to the Central Bank of Venezuela Act, the bank's board of directors is no longer legally required to reveal the country's macroeconomic data.

Still no devaluation. Last week, President Nicolás Maduro announced that he would reveal his economic emergency plan. However, it was more an outline of possible measures that the Executive could take to try to alleviate the crisis than a plan. The plan does not mention the foreign exchange scheme for this year. At **Ecoanalítica** we are of the opinion that the government will opt for implementing a two-rate (dual) foreign exchange system, with one rate for essential goods and the other for the remaining imported goods and services.

Moving funds. The decree authorizes the transfer of any balances not performed in fiscal year 2015 to the National Endogenous Development Fund (FONDEN) with a view to putting an end to the economic crisis. However, what this type of measure seeks to do is to increase the government's discretionary powers in using the State's funds. In order to increase the country's productivity, what is needed is a credible institutional framework, not more "allocations" of resources.

OIL TIPS

Below US\$30.0/bl. Last week the average price of Venezuelan crude fell by US\$3.5/bl. compared to the previous week, going from US\$27.9/bl. to US\$24.4/bl., according to a report by the Ministry of Oil and Mining. The ministry claimed that *"continuing concern over the slowing down of China's economy, the ample availability of supply in the main markets, and the strength of the dollar against the euro were factors that combined to put pressure on prices (...)."*

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report.
Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.
(+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

Year 11. Number 03. Week III
January 2016

PDVSA's production drops. According to OPEC's latest report, Venezuela's production averaged 2.26 mb/d in December as indicated by direct sources and 2.35 mb/d by secondary sources. Both figures represent a drop of 0.5% compared to December 2014. This puts PDVSA's average production last year at 2.67 mb/d, representing a reduction of 4.0% compared to 2014, according to direct sources.

Gasoline costs VEF 1.87/liter. The president of PDVSA, Eulogio Del Pino, said that he hopes the domestic price of gasoline will be raised as soon as possible given that the imported components that are needed to produce it cost PDVSA US\$300 million, which brings the cost of production to VEF 1.87/liter, while Venezuelans are paying VEF 0.09/liter.

OPEC expects drop in production outside the cartel. In its latest report, the Organization of Petroleum Exporting Countries (OPEC) estimates that the supply of crude from countries outside the group will fall more than expected this year due to the collapse of oil prices. OPEC estimates that non-OPEC supply will contract by 660,000 barrels a day (kb/d) in 2016. This downward revision is due to the bigger drops in United States (US) and Canadian production prompted by the lower prices.

Revising demand figures. OPEC estimates that oil demand rose by 1.54 million barrels a day (1.54 mb/d) in 2015 to 92.92 mb/d, an upward revision of 10.0 kb/d due to the increase in oil requirements by European members of the OECD and countries of Asia in the third quarter of 2015 (3Q2015). It expects oil demand in 2016 to grow by 1.26 mb/d, marginally higher than its estimates in the previous report, to 94.17 mb/d.

Demand fell in December. According to the latest report from the International Energy Agency (IEA), exceptionally mild temperatures in the first part of the winter, together with a weak performance by the economies of China, Brazil and Russia, produced a major change in global oil demand from a five-year high in 3Q2015 (2.10 mb/d) to a one-year low in 4Q2015 (1.0 mb/d). In the opinion of the IEA, the outlook for 2016 is for moderate growth in demand up to 1.20 mb/d.

It continued to grow. According to the IEA, global crude supply grew by 2.60 mb/d in 2015 after posting growth of 2.40 mb/d in 2014. However, the rate of growth has slowed down in recent months due to lower non-OPEC production, which has fallen below 2014 levels and tapered off for the first time since 2012.

OPEC supply down, for now. According to the IEA, OPEC supply contracted by 90.0 kb/d in December despite the recent inclusion of production from Indonesia.

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report.
Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.
(+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

Year 11. Number 03. Week III
January 2016

Even so, the agency does not foresee this reduction lasting long as it is expected that, once the sanctions on Iran have been lifted, OPEC supply will be increased by an additional 300.0 kb/d by the end of 3Q2016.

Could they continue to fall? The IEA explains in its report that crude prices fell below US\$30.0/bl. in the first two weeks of January and a series of investment banks have warned that oil priced “could” fall to US\$25.0/bl. or even as low as US\$10.0/bl. Although some analysts say that the impact of Iran has already been included in the market price, the IEA expects prices to continue to fall.

JP Morgan also cuts its figures. The investment bank JP Morgan has revised its oil 2016 oil price estimates downward to US\$31.5/bl. for Brent and US\$31.3/bl. for WTI. The bank based its cut on the increase in inventories that will continue to put pressure on the market throughout 2016. JP Morgan expects prices to start to recover in the second half of 2016 and that the recovery will continue throughout 2017, which is why they estimate that prices will be in the region of US\$43.3/bl.

Investments postponed. The consulting firm for the world energy industry, Wood Mackenzie, has calculated that US\$380.0 billion in capital expenditures on upstream developments in the oil sector worldwide are being deferred. The company states that it does not discard the possibility that this figure will increase this year due to the contraction in crude prices.

Refineries start up again after blackout. PDVSA announced that it had commenced the startup of Amuay and Cardón refineries after their operations were interrupted due to an electrical failure last week. “*There was a blackout due to problems with the power plant that is located in Cardón Refinery,*” explained labor union leader Iván Freites. PDVSA reiterated that its refining circuit has sufficient inventories to guarantee the supply of fuel to enable it to meet its domestic and international commitments.

Starting to import. According to The Japan Times, the Japanese company Cosmo Energy Holdings has announced the first purchase of a cargo of crude from the United States since the US Government lifted the 40-year ban on exporting crude. Company spokespersons said that they expect to import about 300,000 barrels of oil from the US (including shale oil).

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report.
Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.
(+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

BUSINESS SECTOR TIPS

Giving them another chance. The National Productive Economy Council, an entity made up of government authorities and businessmen, is to meet to decide jointly what decisions to take. Chaired by Executive Vice President Aristóbulo Istúriz and Vice President for the Productive Economy Luis Salas, the Council, which is completed by businessmen, mayors and state governors, must draw up a map “*for dealing with real needs in real time; dealing with and solving them,*” said Maduro.

Calming things down... for now. Minister for Industry and Commerce Miguel Pérez Abad gave assurances that the Economic Emergency Decree does not contemplate expropriations and that, on the contrary, it seeks to develop strategic alliances with Venezuela’s production sector. “*Rather we are calling on those who have the capacity, talent and resources to go into partnership with us to get them (the strategic alliances) up and running,*” said Pérez Abad.

Turning the wrong way. The president of Fedecámaras, Francisco Martínez, claimed that the Economic Emergency Decree is based on a misdiagnosis. In his opinion, it is proof that the Executive has no intention of rectifying and that it intends to consolidate an erroneous economic policy. “*We are warning that even more difficult times lie ahead. The proposed decree will not solve the country’s problems, on the contrary, it will make them worse,*” said Martínez.

Making things clear. The president of Conindustria, Juan Pablo Olalquiaga, said that “*the Economic Emergency Decree is inadvisable as it is based on premises that are false. Besides, with a 60-day decree it is not possible to take the short-, medium-, and long-term economic measures that Venezuela needs in order to set the country back on the right course.*” According to Olalquiaga, classifying the economic situation as “exceptional, extraordinary and temporary” is a “mistake.”

Dotting the i’s. According to the parliamentary agenda announced by the secretary of the National Assembly, Roberto Marrero, the problem of the health system crisis and access to medicines is to be debated at an ordinary session of the National Assembly. The purpose of the debate, according to the president of the National Assembly, Henry Ramos Allup, is to mitigate the consequences of the economic crisis in the national health sector.

Every man for himself, literally. Cristino García, the director of the Venezuelan Clinics and Hospitals Association (AVCH), announced that private health centers

had been given the go-ahead to increase the prices of non-regulated services in accordance with their cost structures. According to García, the measure is due to the fact that clinics closed 2015 without raising their rates while inflation had skyrocketed.

We'll achieve nothing without education. The National Universities Council (CNU) is to meet with a National Assembly commission to submit proposals for improving the quality of education. *"We are asking that attention be paid to the budget in order to improve teachers' salaries and deal with the internal shortcomings of the universities,"* said the rector of *Universidad Central de Venezuela (UCV)*, Cecilia García Arocha, speaking on behalf of the council.

It no longer comes as a surprise. Between January and November 2015, trade between Venezuela and the United States fell by 48.3% to US\$14.58 billion, compared to US\$28.24 billion over the same period in 2014, according to a report by the Venezuelan-American Chamber of Commerce and Industry (VenAmCham). In the case of imports from the United States, they fell by 20.6%.

Another stone in our shoe. José Ricardo Álvarez, the president of the Federation of Sugar Cane Growers (Fesoca), said that there was a delay in the production of some 800,000 tons of sugar. He explained that this problem was due to the lack of spare parts, tires, and batteries for harvesting equipment. Álvarez added that Minister for Agriculture and Lands Iván Gil had said that tires and batteries would be delivered shortly.

WORLD ECONOMY TIPS

China below target. According to China's National Bureau of Statistics (NBS), the Chinese economy grew by 6.9% in 2015, its lowest rate of growth in the past 25 years. This figure confirms the expectations of the majority of analysts who forecast that 2015 would close below the target of 7.0% announced by the government.

At crisis levels. Between October and December last year, the Chinese economy grew by 6.8%, the lowest quarterly figure since the 2008 world crisis. Moreover, this figure also shows that the expansion of China's GDP is continuing to slow down, from 7.0% in the first quarter, 6.9% in the second and third quarters to 6.8% now in the fourth quarter.

Problems with expectations. The president of the Federal Reserve Bank of New York, William Dudley, warned that the sharp drop in oil prices and the appreciation of the dollar have increased the risk of inflation expectations being lower, which makes real inflation reaching the annual target of 2.0% more complicated. “*With respect to the risks to the inflation outlook, the most concerning is the possibility that inflation expectations become unanchored to the downside,*” said Dudley.

Lower world growth. The International Monetary Fund (IMF) revised its world growth forecasts downward for the third time in less than a year, taking into consideration the sharp slowdown in Chinese trade and the weakening of commodity prices. The IMF forecasts that the world economy will grow by 3.4% in 2016 and by 3.6% in 2017, in both cases 0.2% below previous estimates made in October.

China is getting slower and slower. The IMF maintained its previous growth forecasts for China. It expects China to grow by 6.3% in 2016 and by 6.0% in 2017. These figures indicate a slowing down of the Chinese economy compared to the 6.9% posted in 2015 and the 7.3% achieved in 2014.

In a bid to reduce speculation. The People’s Bank of China (PBC) announced that China is to start implementing a reserve ratio requirement for some banks that participate in the yuan (CNY) market abroad. The PBC explained that this measure is being taken with a view to curbing the speculation that has been affecting the CNY recently.

Closing the year with low inflation. The European Union’s statistics office, Eurostat, has reported that inflation in the European Union closed December at 0.2%, with Restaurants and Cafés being the group of products posting the biggest variation in prices and Fuels being the group posting the smallest variation. The European Central Bank (ECB) wants to keep inflation just under 2.0% in the medium term with a view to speeding up the increase in prices.

While everyone else is slowing down... According to preliminary estimates by Germany’s Federal Statistical Office, the German economy grew by 1.7% in 2015, an improvement on previous years and the highest rate of growth in the past four. Growth in Europe’s largest economy was driven by private consumption, which posted its highest rate since 2000, household spending, low inflation, and record employment levels.

Peru raises its interest rate. The board of directors of the Central Reserve Bank of Peru (BCRP) surprised the market when it decided to raise its marker monetary policy interest rate despite the weakness of economic activity. The interest rate was raised by 0.25 of a percentage point, going from 3.25% to 3.50%. The BCRP also stated that it had not planned a sequence of interest rate increases.

POLITICAL TIPS

Defective branches of government. The lawyer José Peña Solís, a former president of the Electoral Chamber of the Supreme Tribunal of Justice (TSJ), said that statements revealing interference by the Executive Branch in the Judiciary are common knowledge. *“Procedures of this type affect the credibility of and confidence in the TSJ, in the branch of government that is the arbitrator of controversies. Many of the Constitutional Chamber’s decisions are a deviation from the Constitution and they are decisions where the political factor prevails,”* said Peña Solís.

Plain speaking. Deputy to the National Assembly for the Democratic Unity Alliance José Manuel Olivares claimed that the government is seeking to put a stop to the parliament’s functions with the Economic Emergency Decree. The deputy said that the decree is *“carte blanche”* for handing over foreign currency without any oversight. He also maintained that the government pretends to legalize expropriations. *“It’s a disguised special powers law,”* he said.

Continuing in the same vein. Executive Vice President Aristóbulo Istúriz said that the government would avoid a “neoliberal” solution for dealing with the crisis. *“We are under the obligation to build a production model that will allow us to maintain and consolidate the conquests of the people, while generating wealth. We have to find a solution that’s not the neoliberal solution,”* he said.

Open to the public. The chief of the opposition benches in the National Assembly, Julio Borges, rejected the fact that the government had not taken measures to solve the crisis in the past two years and *“now expects us to approve a decree in such a short space of time.”* Borges announced that a commission would be inducted to learn of the details of the Economic Emergency Decree and that it would be chaired by José Guerra. *“Deputy José Guerra is to chair the commission that will summon and publicly question different sectors on the economic crisis.”*

Year 11. Number 03. Week III
January 2016

The thousandth time lucky? The secretary general of the Union of South American Nations (UNASUR), Ernesto Samper, said that the Venezuelan opposition and the Venezuelan Government “are ready to dialog.” *“The induction of the National Assembly demonstrated that President Maduro and the opposition are prepared to start an institutional dialog on the problems in Venezuela, which should be solved by the Venezuelans,”* said Samper.

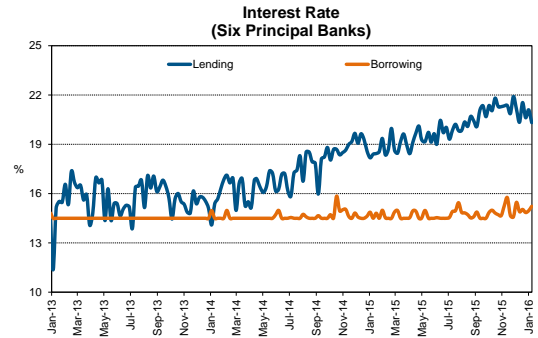
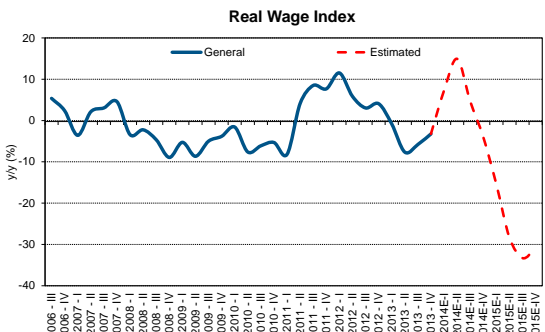
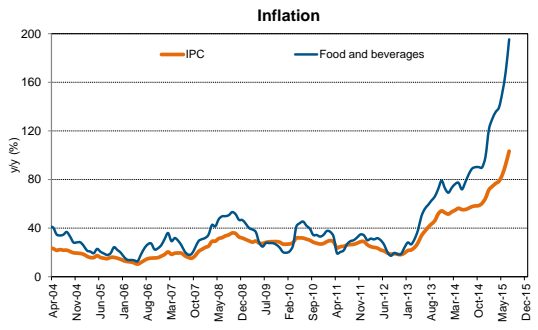
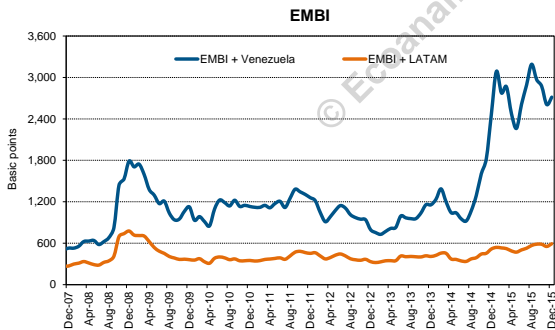
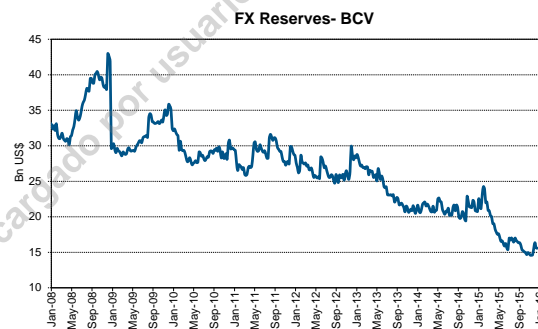
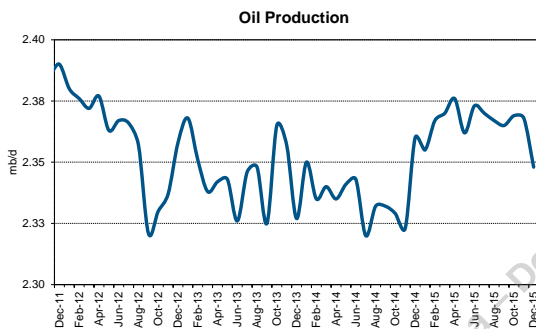
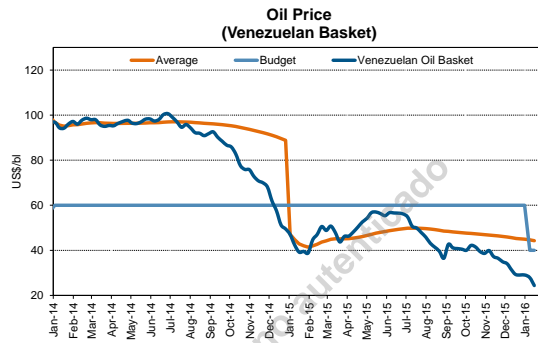
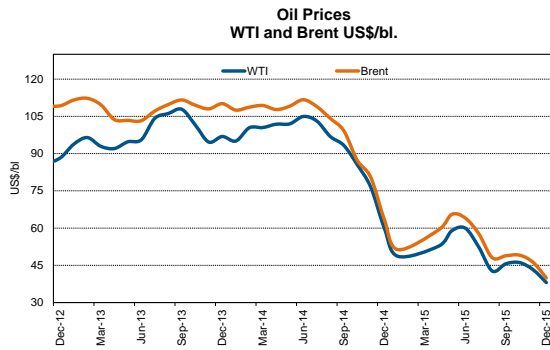
An historic day. The Democratic Unity Alliance commemorated the 58th anniversary of the end of the General Marcos Pérez Jiménez dictatorship with words of hope for change. *“This January 23 we will commemorate the fall of the penultimate dictatorship with a solemn session of the National Assembly and a mobilization in the popular sectors throughout the country,”* announced the executive secretary of the Unity Alliance.

LEGISLATIVE TIPS

A new board of directors. The names of the new members of PDVSA’s board of directors were published in *Gaceta Oficial* No. 40,826 dated January 12, 2016. The new members are Ana María España Girardi as vice president and internal finance director in the place of Carlos Erik Malpica and Sergio Antonio Tovar Amaro as director of planning. With these appointments, the state-owned oil company’s board of directors has been increased to 11 members.

Scraping together the loose change. According to Decree 2185 published in *Gaceta Oficial* No. 40,829 dated January 15, 2016, liquid and non-liquid balances not performed at the end of the economic-financial year 2015 shall be transferred to the Fonden. The decree states that the allocation of these resources will be by Fonden on the instructions of the President of the Republic and that they will be assigned to Central Government Services bodies and entities for the execution of programs and projects intended to cater to the needs of the population.

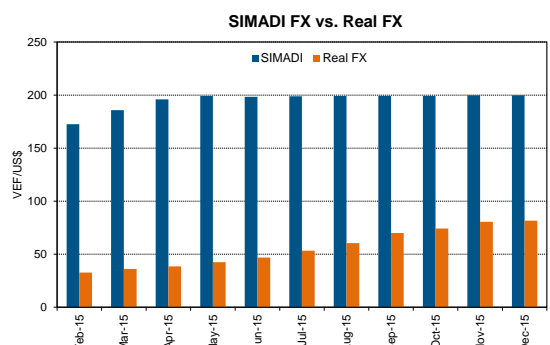
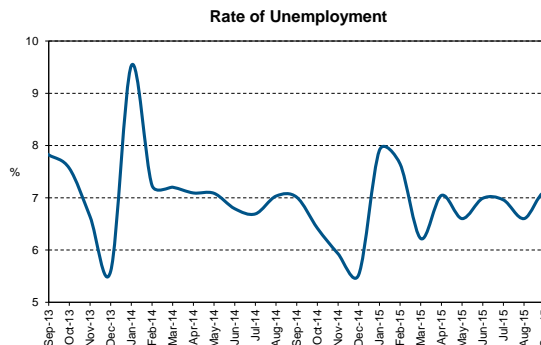
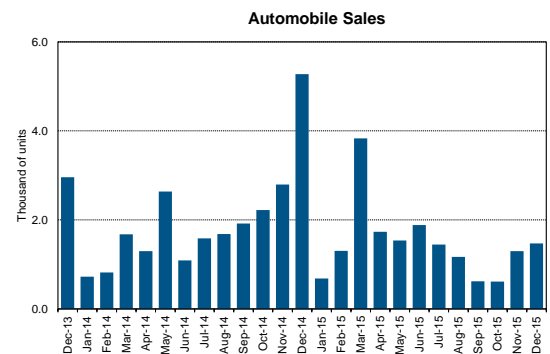
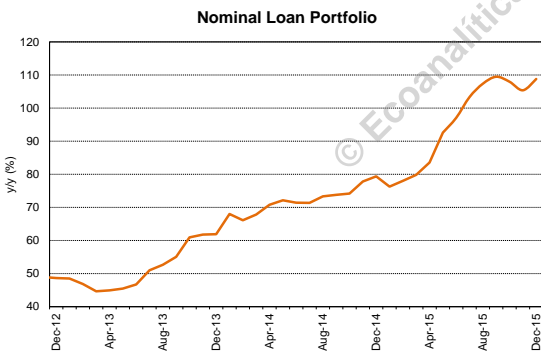
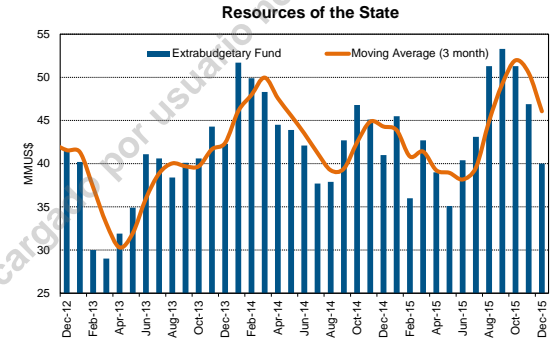
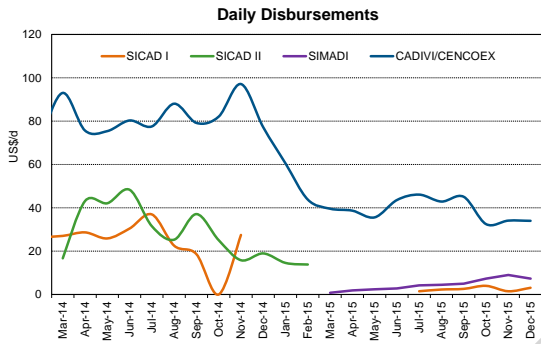
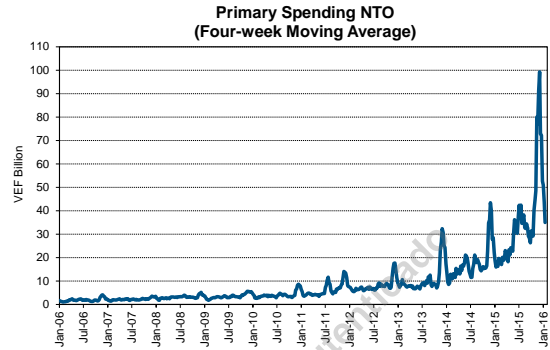
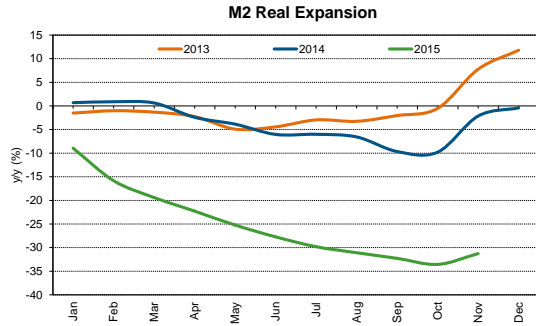
ECONOMIC OVERVIEW



It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report. Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.
(+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

Year 11. Number 03. Week III
January 2016



It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report. Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.
(+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

ECOANALÍTICA'S TEAM

Asdrúbal Oliveros / Director

asdrubalo@ecoanalitica.net / @aroliveros

Pedro Palma / Director

pedrop@ecoanalitica.net / @palmapedroa

Cristina Rodríguez / Director

cristinar@ecoanalitica.net

Carlos Miguel Álvarez / Senior Economist

carlosa@ecoanalitica.net / @alv_car

Lesner Castillo / Economist

lesnerc@ecoanalitica.net / @lesnerck

Cristina Parilli / Economist

cristinap@ecoanalitica.net / @cristinaparilli

Pilar Navarro / Economist

pilarn@ecoanalitica.net / @isabelpnavarro

RESEARCH ASSISTANTS

Gorka Lalaguna

Victoria Colmenares

CONTACT US

Venezuela: (+58-212) 266 9080/ Fax: (+58-212) 266 5119

Colombia: (+57-1-508 6554)

Ventas@ecoanalitica.net

www.ecoanalitica.com

@ecoanalitica