



## PDVSA: Survival Manual 1.0.1

“PDVSA isn’t producing any longer (...) They’re going about signing contracts for others to produce in a *de facto* privatization,” said former Oil Minister Rafael Ramírez in an interview with the news agency Reuters<sup>1</sup>. Last year they were discussing the possibility of some of PDVSA’s partners playing a bigger role in the state-owned oil company’s operations.

This news may come as a surprise; however, PDVSA’s performance in recent years has left much to be desired. Given the adverse conditions of the Venezuelan oil industry, having private companies get more involved in running it was something that might be expected. Developments on the oil front last year unleashed a series of desperate measures by *Chavism* in a bid to prevent the demise of PDVSA.

### Knock, knock, the sanctions are here

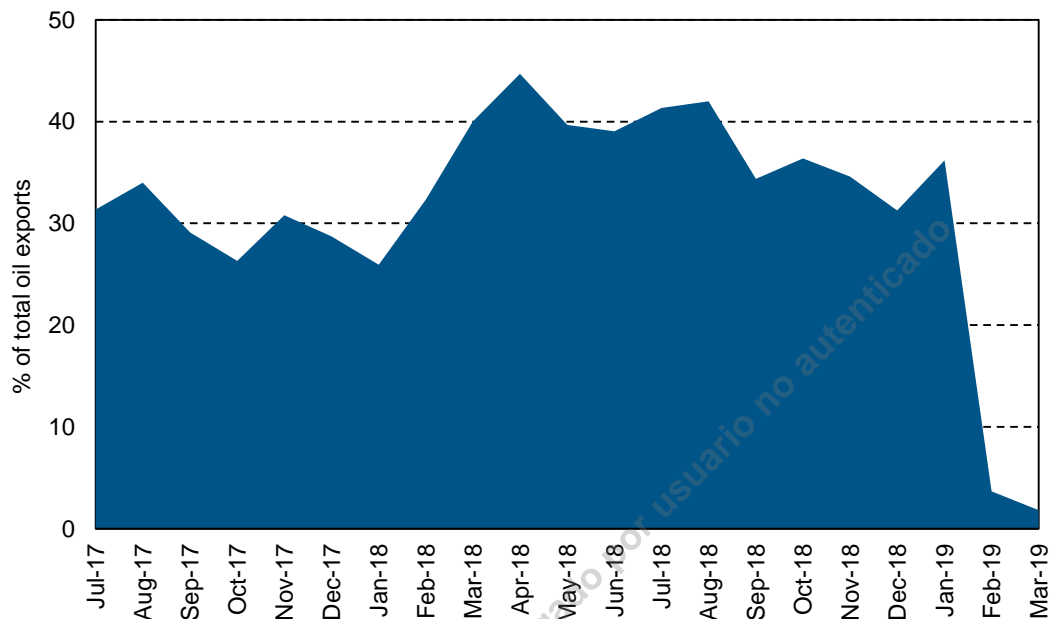
On January 28, Venezuela was met with the news that the US Government had made good on its threats<sup>2</sup>. Basically, US companies had six months in which to wind up their business dealings with PDVSA if they did not want to join the list of the sanctioned. These measures were taken in a context in which the United States was the recipient of 43.5% of Venezuela’s exports.

<sup>1</sup> [Reuters](#), January 3, 2019. *Debilitada por sanciones, venezolana Pdvsa cede operaciones en campos petroleros a firmas extranjeros*

<sup>2</sup> Weekly Report Number 3, 2019: *Endgame*.

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### Oil exports sent to USA



Source: Ecoanalítica.

Up until the end of 2018, the United States had been the source of practically all Venezuela's oil revenues over the past two years. It was followed by India accounting for 24.5% of exports and China and European Union accounting for 24.2% and 6.5%, respectively. However, account should be taken of the fact that much of the oil delivered to Russia and China did not consist of cash-generating barrels but was payment in kind for sovereign debt incurred more than five years ago and that amounts to more than USD 5,000 million.

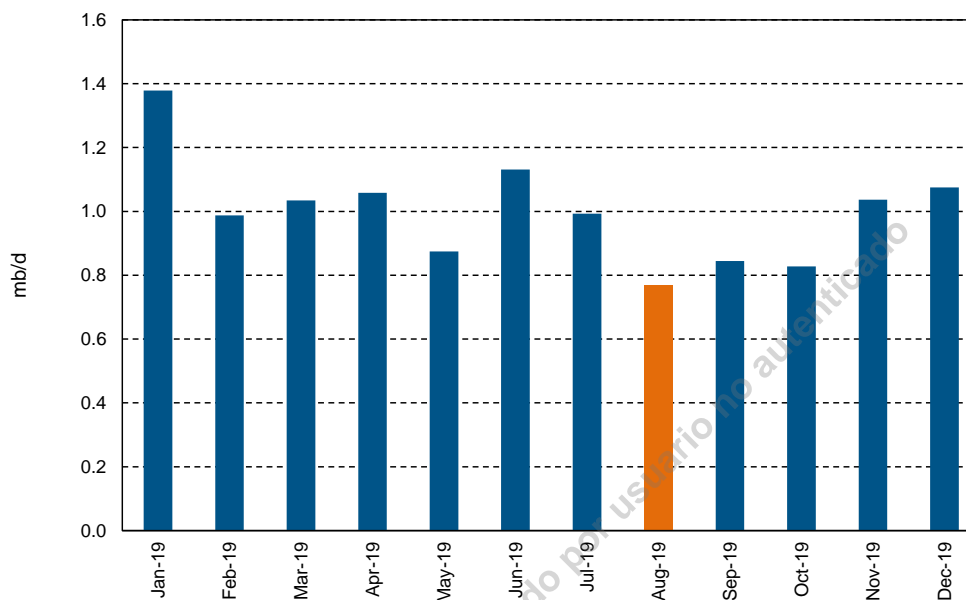
So it was that, fearful of being sanctioned like Venezuela, US companies made all the necessary arrangements to wind up their business with PDVSA before the six-month deadline. Countries such as Spain and India followed their example, terminating their contracts and saying goodbye. At that point (in February), oil production was 1,432 kb/d, 9.7% less than the previous year. So, the most impactful effects of the sanctions were felt in exports. In February, they fell to 1,788.1 kb/d, 23.2% less than in January. A few months later they stabilized, but without ever recovering to pre-sanction levels.

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### Monthly oil exports



Sources: Pdvsa and Ecoanalítica.

August was posted as the month with the lowest level of exports ever recorded. This was the result of the secondary sanctions<sup>3</sup> implemented on August 4, which extended the restrictions to suppliers, buyers and other trading partners of the Nicolás Maduro regime. Apart from a problem of production, Venezuela was now suffering from a problem of selling the little crude it was still producing; and the costs of managing to do this have not been small.

### Among ruins, shadows and hiding places

This situation has resulted in containers of crude being held up at Jose Terminal, purchases being put on hold by Europe, and PDVSA's expulsion as a partner of a new oil project with Petrochina. Given the lack of buyers, in May Venezuelan refineries were re-circulating the oil they already had<sup>4</sup>. The news agency Reuters reported that, in May, inventories had reached 1.9 million barrels.

PDVSA was desperately looking for customers. Among its options were the Spanish oil company Repsol and entering into new agreements with Iran (also sanctioned) and Russia. The latter option proved to be the most effective, making us increasingly

<sup>3</sup> Weekly Report Number 28, 2019: *Secondary sanctions: A statement of intentions.*

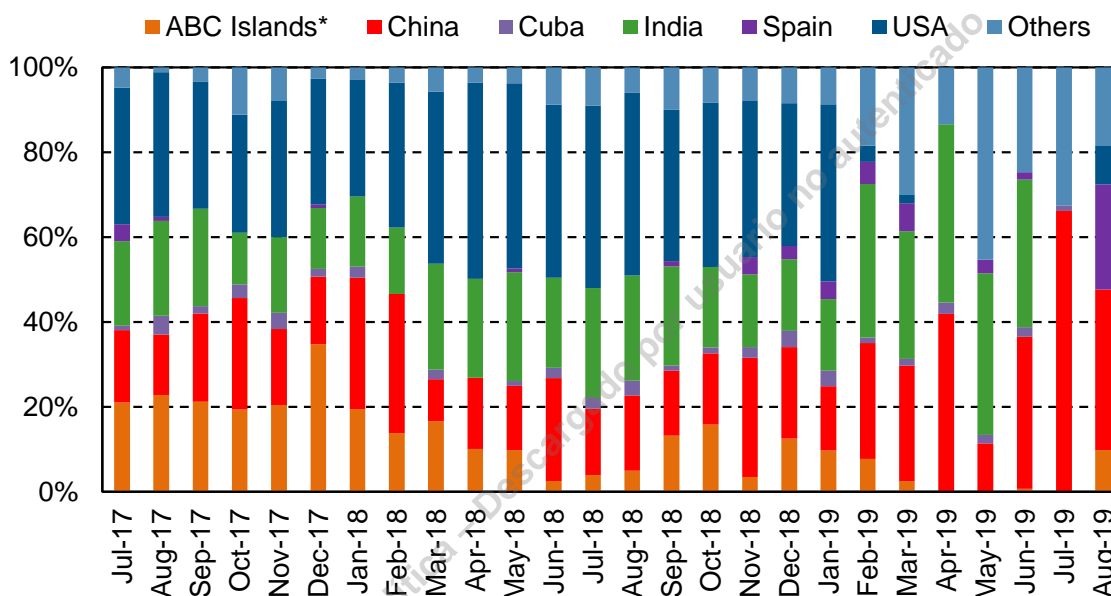
<sup>4</sup> [Reuters](#), May 15, 2019. *Mejoradores de crudo de Venezuela reducen producción a medida que disminuyen exportaciones.*

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dependent on the Russians. Not only are they the main buyers of our crude, they are also the main sellers of the diluents we buy<sup>5</sup>. Faced with such a hostile market, PDVSA started to sell crude at a discount and even to buy fuel at a high premium<sup>6</sup>. So it was that European and, in particular, Asian countries became our oil industry customers.

### Oil exports composition



Source: Ecoanalítica.

\*ABC Islands: Aruba, Bonaire and Curacao.

In order to keep its exports stable, PDVSA started to switch off the transponders on its oil tankers so that they could not be localized via conventional tracking systems<sup>7</sup>. According to the news agency Bloomberg, the tankers turn off their signal before reaching Venezuelan waters to avoid being detected and to allow them to carry Venezuelan oil while avoiding the sanctions imposed by the US Government. TankerTrackers reports that approximately 60% of Venezuela’s oil exports in October were done covertly. The automatic identification systems (AIS) of these tankers were never switched on during the time they spent in Venezuelan waters.

<sup>5</sup> All imports of diluents came from Russia in June, according to Refinitiv Eikon.

<sup>6</sup> The discount on the Venezuelan Oil Basket compared to Brent was 14.2% on average between January 2015 and December 2019.

<sup>7</sup> [Bloomberg](#), July 8, 2019. *Vessels Change Names or Go Dark to Ship Venezuelan Crude to Cuba*.

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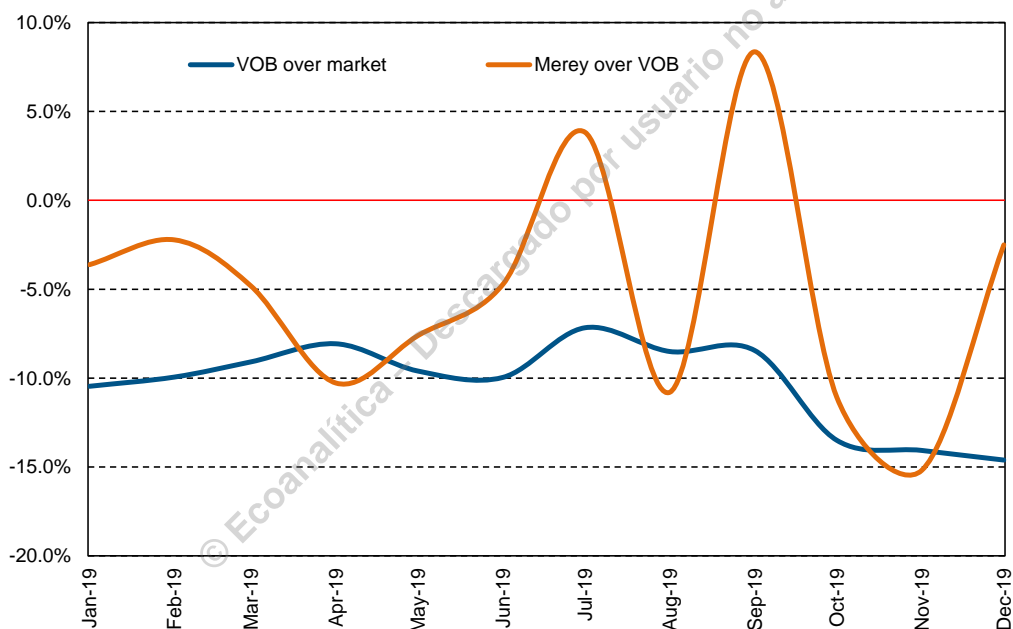
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### Plan A, B, C, ..., Z...

As an alternative measure so as not to succumb to the sanctions, PDVSA had to adapt its operations in order to generate the crude required by the Asian markets. So it was that, in July, the joint venture Petropiar became a facility that blends heavy and light crudes, from which Merrey, a heavy crude resulting from blending extra-heavy and other light crudes, is obtained. According to Reuters, Merrey accounted for 783,500 b/d of exports in 2019. In addition to Petropiar, the processors at the Jose Antonio Anzoátegui Refining Complex in Anzoátegui were transformed in order to produce Merrey.

#### VOB and Merrey's price discounts



Sources: Menpet, OPEC and Ecoanalítica.

Note: VOB's discount is in relation to Brent, and Merrey's discount is in relation to VOB.

However, even though the production of Merrey helped the oil industry to continue functioning, it was not a solution either. Merrey is sold at bigger discounts than the discounts on the Venezuelan Oil Basket compared to Brent. As mentioned in the Oil Section "For a handful of barrels" in our Outlook Report for 4Q2019: The good (dollar), the bad (bolivar), and the ugly (Petro), Merrey had the lowest price of all the crudes listed by the Organization of Petroleum Exporting Countries (OPEC) between December 2018 and October 2019.

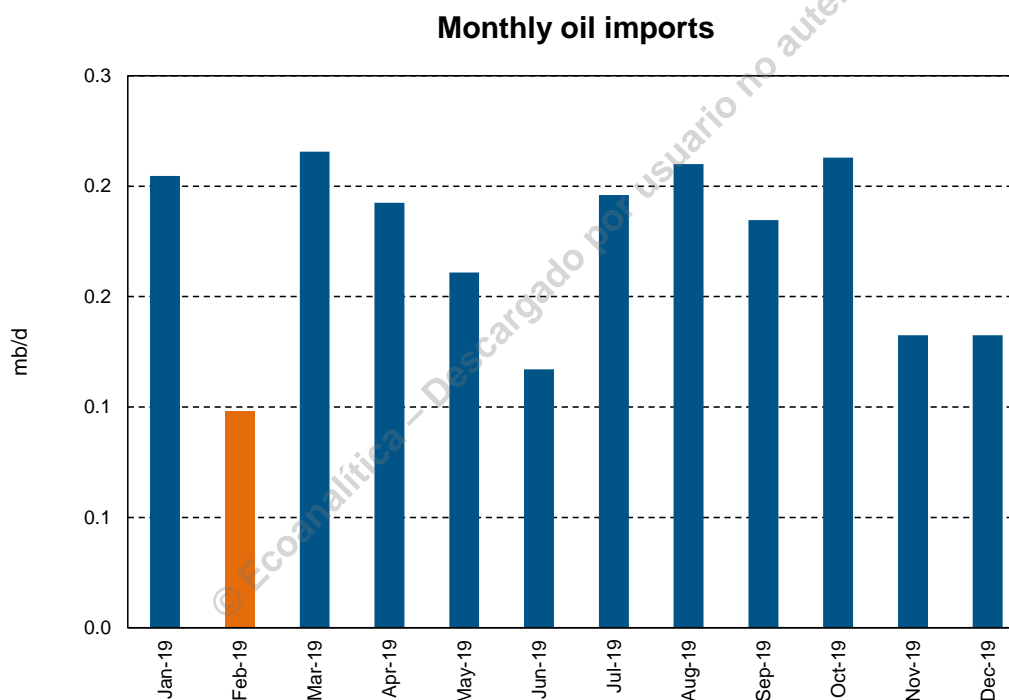
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### Buy high and sell low

And what about imports? As happened with exports, the United States used to be a major player in Venezuela's fuel imports. When it left, the shortage of gasoline got worse, reflected in the long lines outside service stations the length and breadth of the country<sup>8</sup>. It was Russia, once again, that came to the rescue of the government, since most of the diluents came from there. Unlike the situation with exports, where we were exporting cheaper, now we were paying more for our imports, a maneuver that smacks of desperate measures.



Sources: Pdvsa and Ecoanalítica.

Even so, the amount of fuel in Venezuela is not sufficient to meet demand. For example, in October, gasoline imports came to between 60 kb/d and 70 kb/d, whereas domestic demand was 130 kb/d, according to figures published by the Ministry of Oil and Mining. With a view to maintaining its political power, the government has decided to give priority to Caracas, the capital, when it comes to fuel supplies. In October, Caracas was supplied with around 35 kb/d, a similar amount that was received by the rest of the country.

<sup>8</sup> [Reuters](#), June 28, 2019. *Venezuela reorganiza su producción de petróleo en medio de sanciones: documentos.*

### Chronicles of a death foretold

*“There had never been a death more foretold”*  
- Gabriel García Márquez, *Chronicle of a Death Untold*

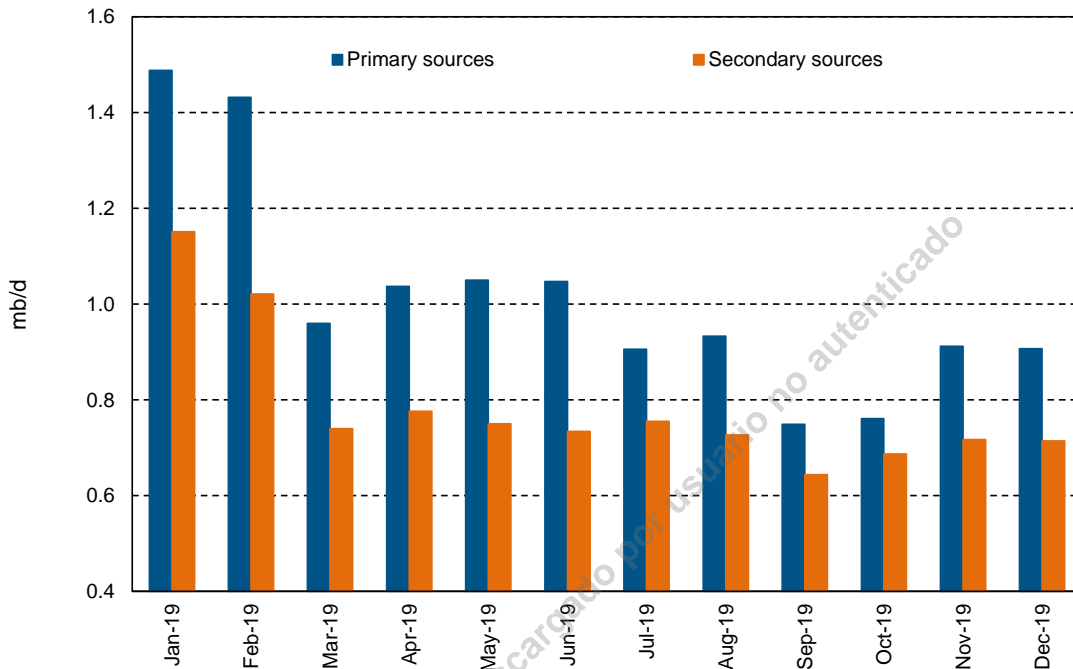
On top of all the post-sanction impacts, we must not forget the mega nationwide power out that occurred between March 7 and 10. This incident not only affected the oil facilities during those three days, it also had consequences subsequently at several of the country's refineries. The Jose and Petropiar upgraders and the joint ventures Petromonagas and Sinovensa were still experiencing problems with their systems at the close of 2019 as a result of the lack of maintenance and the loss of the electric power service at the start of the year.

PDVSA produced 1,015 kb/d a month on average in 2019, a reduction of 33.7% compared to 2018 and a contraction of 62.9% since 2012. With efficiency shot to pieces, infrastructure declining by the day, and problems with the labor unions at PDVSA<sup>9</sup>, it is not surprising that production was in the doldrums. Even so, December closed with production of nearly 1 million barrels a day, when halfway through the year it was approximately half that. What is the reason for this?

<sup>9</sup> [Efecto Cocuyo](#), September 9, 2019. *Trabajadores petroleros reclaman por despidos injustificados.*

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### Monthly oil productions



Sources: OPEC and Ecoanalítica.

Reuters confirms that PDVSA handed over production, sales and collections to some of its partner companies such as Repsol, Rosneft, Chevron, and Gazprom<sup>10</sup>. In other words, these companies are now taking charge of PDVSA's operations, making it possible to increase exports. Both India and Spain have started to do business again with Venezuela's state-owned oil company and they have even increased the shipments they receive. The times when the Maduro regime refused to entertain the idea of greater direct involvement by multinational corporations are a thing of the past. Quite simply, they have no alternative. These agreements are fully operational for now. According to the Hydrocarbons Act, it is PDVSA that should maintain the majority shareholding in any partnerships and control of the production process and any change in these parameters requires the approval of the National Assembly to make it legal.

According to opposition legislators, the adjustments being considered by *Chavism* consist of schemes under which investors would swap Venezuela's unpaid bonds for stakes in oil and gas fields in order to collect payment in kind (crude production) for what they are owed. There is no guarantee that under this scheme they will not run the risk of being sanctioned by the United States.

<sup>10</sup> [Reuters](#), January 3, 2020. *Debilitada por sanciones, venezolana Pdvsa cede operaciones en campos petroleros a firmas extranjeras.*

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For now, Russia is the only country to have recognized the parallel National Assembly set up by the governing coalition, which is logical given that Russia has been fundamental for the regime's survival in recent times. As for Rosneft, it is not harebrained either to think that it will seek to get larger stakes in the oil fields in order to obtain more power.

Even though this strategy has helped PDVSA to remain standing, it is thought that more than this will be needed if Venezuela's oil industry is to recover. Former Oil Minister Ramírez himself has commented that, despite all these efforts, they have not managed to reverse the decline that has been building up for years, since the conditions under which the other companies would have to work are not optimal. But *Chavism* has been changing its strategies, because it has been forced to. Whereas before it refused to entertain the idea of privatization, now it is something it is willing to allow. This was inevitable if PDVSA was not to be reduced to nothing more than a memory amidst the ruins. Is it possible that this will be enough? Will they make this scheme legal? We will have to wait and see.

**Corina Fung**

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## WEEKLY INDICATORS

Weekly Economic Indicators			
	3rd Week January	Weekly chg. (%)	Depre/Apre (pp) <sup>1</sup>
<b>FX Boards (VES/USD)<sup>2</sup></b>	73,701.08	-0.6	-0.6
	<b>2nd Week January</b>	<b>Weekly chg. (pp)</b>	<b>Annual chg. (pp)</b>
<b>Lending Interest Rate (%)</b>	21.8	0.1	1.0
	<b>3rd Week January</b>	<b>Weekly chg. (pp)</b>	<b>Annual chg. (pp)</b>
<b>Overnight Interest Rate (%)</b>	318.7	-155.5	294.2
	<b>2nd Week January</b>	<b>Weekly chg. (%)</b>	<b>Annual chg. (%)</b>
<b>International Reserves (USD Bn)</b>	6.7	-20.6	1.0
	<b>1st Week January</b>	<b>Weekly chg. (%)</b>	<b>Annual chg. (%)</b>
<b>Monetary Liquidity (MM VES)</b>	43,776,271	-2.4	4,075.4
Price of International Oil Baskets (USD/bl)			
	<b>2nd Week January</b>	<b>Weekly chg. (%)</b>	<b>Annual chg. (%)</b>
<b>WTI</b>	58.3	-5.4	12.8
<b>Brent</b>	64.5	-4.2	6.5
Price of the Venezuelan oil basket (USD/bl)			
	<b>2nd Week January</b>	<b>Weekly chg. (%)</b>	<b>Annual chg. (%)</b>
<b>Weekly Average</b>	56.6	-5.1	4.5
<b>Annual Average</b>	58.2	-1.4	12.6

Sources: BCV, MENPET, ONT and Ecoanalítica

\* Annual variation of accumulated expenditure.

<sup>1</sup> Depreciation (+)/Appreciation (-)<sup>2</sup> FX Borads' average exchange rate

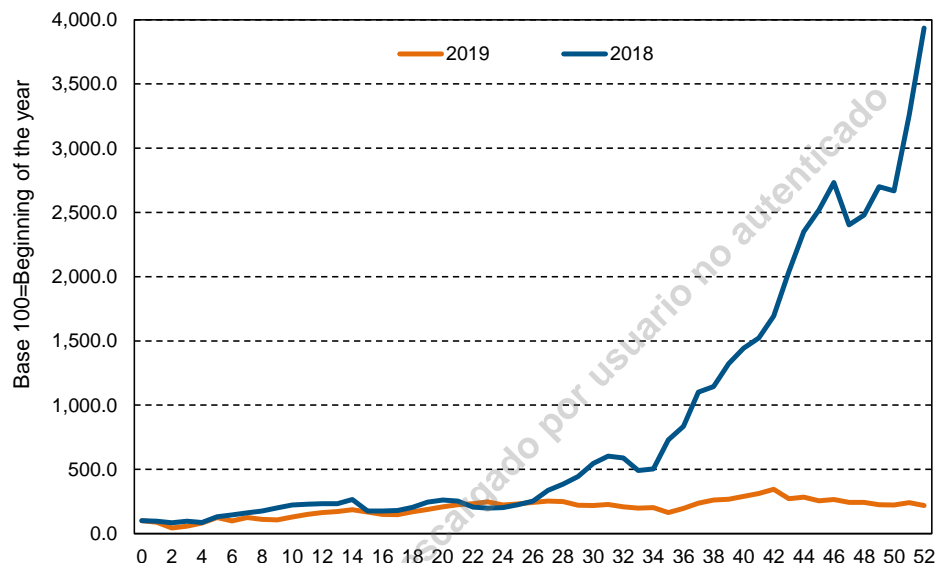
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## CHART OF THE WEEK: “NOT ALL THAT GLITTERS IS GOLD”

**Dollars required to maintain the purchasing power (Weekly)**



Source: Ecoanalítica.

Whenever people speak of situations such as the proliferation of *bodegones* (dollar-only stores selling imported products), greater access to dollars and the misnamed “inflation in dollars,” they also speak implicitly of their main trigger: the real appreciation of the exchange rate in Venezuela, and thus, hyperinflation.

Real exchange rate appreciation occurs when prices surge at a much faster pace than the exchange rate. This results in more dollars needed to purchase the same goods as in the past. And since dollars are now “cheaper,” i.e., they have a lower purchasing power, it is more accessible and facilitates the import of foreign products in dollars, thus encouraging the spread of *bodegones*.

The predominance of the dollar and imported products is a relatively recent phenomenon, but the real appreciation of the exchange rate is not: It has hiked rapidly for two years now. By the end of 2018, people needed USD 3,935.40 to buy what they could get for USD 100 at the beginning of the same year. In 2019, the appreciation was less radical, as people needed USD 218.50 in December to buy the same goods they could purchase with USD 100 back in January. In this case, we are talking about a loss of purchasing power of 54.2%.

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The difference between the past two years may be due to the fact that 2019 recorded a more moderate inflation than 2018, amid strong limitations to the demand for goods and services as a result of fiscal measures and legal reserve requirements. In any case, a continued hyperinflation has underpinned the real appreciation of the bolivar against the dollar. Looking at the accumulated variation over this period, consumers need USD 8,680.20 to buy what they could get for USD 100 in early 2018. In short, as long as hyperinflation continues and the exchange rate cannot be adjusted, we will need more dollars to buy the same goods.

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## ECONOMIC TIPS

**No reserves.** While total international reserves are at a minimum value not seen in the last 30 years, Bloomberg had access to sources inside the Central Bank of Venezuela (BCV) to find out their composition.

**Reserves in yuan.** According to one of the sources, the reserves were cut back by USD 832 million to USD 6,110 million and this fall is due to the fact that the BCV unloaded part of its reserves in yuan.

**Decomposing the little.** Thus, three sources with access to BCV's balance sheets revealed that international reserves have an approximate composition of USD 1 billion in liquid assets and cash, USD 400 million in special drawing rights held by the International Monetary Fund, USD 1.6 billion at the Bank of England and USD 3.6 billion in the vaults of the BCV.

**In detail.** Of this \$1 billion, \$800 million is in cash foreign currency and the rest is in liquid assets. At the same time, they accumulate 73 tons of gold that, although they represent away to obtain financing for the government, the sanctions make their sale difficult.

**International conflict.** Even though the BCV takes into consideration the 32 tons of gold held at the Bank of England, the latter has rejected Nicolas Maduro's attempts to repatriate them. However, the government of England does not recognize Maduro as the legitimate leader of Venezuela and therefore he should not access more funds outside the borders.

**A sack of bolivars.** Nicolás Maduro announced that through the Carnet de la Patria the Executive approved a total of VES 8.1 trillion during 2019, covering 17 million people.

**Perpetual emergency.** The Supreme Court of Justice associated with the government declared constitutional Decree No. 4090, published in Official Gazette No. 6,501, announcing the extension of the State of Emergency and Economic Crisis throughout the country.

**And no interruptions.** The decree also declared void any attempt by the National Assembly to disapprove the decree, calling it unconstitutional and therefore inconsistent.

**The basic basket at the end of the year.** Centro de Documentación y Análisis Social de la Federación Venezolana de Maestros (Cendas-FVM) published that the Basic Family Basket costs VES 27.3 million. According to its director, Oscar Meza, this is

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equivalent to USD 546.45 or 182 minimum wages. In addition, the basket presented an increase of 5,776.5% with respect to December 2018.

**Basket components.** The Clothing and Footwear group showed a monthly increase of 120.0%, hygiene and cleaning items 61.2%, food 46.8%, utilities 34.6%, urban transport fare 33.3%, average housing rent 25.0% and health 16.3%.

## OIL TIPS

**Petrified orders.** At least 1 million barrels of crude oil earmarked for exports are being held back due to the Executive's requirement that certain maritime fees must be paid in Petro.

**Legal reasons.** These port fees were previously paid in euros, but the change of transaction mechanism has stopped certain trading partners from doing so because the US Executive issued an executive order in March 2018 prohibiting transactions with the "cryptocurrency".

**Results of the new plan.** Pdvsa stated that during 2019 it dispatched an average of 783.5 kb/d of Merrey crude. According to the company, oil upgrading operations were the main driver of oil activity.

**Merrey in detail.** Of the total, 287 kb/d (36.6%) departed from Jose, the country's largest terminal, with the main destinations being the ports of Shandong and Zhanjiang in China and the port of Mundra in India.

**One more quarter.** The U.S. Treasury Department renewed Chevron's license so it can continue operating in Venezuela for another three months. The 8E General License acts as an exemption from U.S. sanctions and would allow Chevron to operate until April 22, 2020.

**Clarification and context.** However, the general license still makes it impossible for any transactions relating to the export or re-export of diluents to take place. According to a Reuters source, Chevron's oil and gas production is around 70 kb/d. In addition, the license also applies to the service companies Halliburton Co, Schlumberger, Baker Hughes and Weatherford International.

**Reasons to stay.** Chevron recorded a loss of US\$104 million on its operations in Venezuela during the first nine months of 2019. However, if they were to leave the country, they would lose total assets valued at USD 2.7 billion.

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**Legal cargo.** Internal Pdvsa documents to which Reuters had access showed that Chevron sent a shipment of one million barrels to the Jose terminal. This operation would not conflict with the sanctions, since the income received will be used to pay off outstanding debts and for project costs.

**Skeletons in the closet?** A source from the acting president's team, Juan Guaidó, revealed that the Pdvsa *ad-hoc* board of directors continues to file a nullity trial against the Pdvsa 2020 bond. The source simply said that the “secrets of Maduro and his lawyers” will be disclosed in court before the American justice system.

**A prosperous 2020?** Data reviewed by ArgusMedia showed that Venezuela's oil exports have averaged 730 kb/d so far this year. During the first 15 days of the month a shipment of Merey crude oil was loaded at the Jose terminal, which will be sent to the Jamnagar refinery of the Indian company Reliance. This and two other shipments are expected to arrive in India in February.

**Modest improvement?** An official from the Venezuelan Ministry of Petroleum stated that Rosneft's intervention has allowed the congestion of crude oil production and future exports that occurred during the third quarter of 2019 to dissipate, thereby favoring an increase in production to 800 kb/d by the end of the year. Furthermore, if the current “favorable” situation continues, the country can expect an increase in its production - although not to the levels of 2 mb/d promised by Nicolás Maduro at the presentation of the Report and Account last Thursday.

## BUSINESS SECTOR TIPS

**Accepting the problem, not the blame.** Maduro stated that the deficiency of public services is due to the country's economic blockade, the fall in investment and the “bureaucracy and inability of people we put into positions that allow them to steal”. As a solution to this, he asked his cabinet for a change process plan.

**Looking for solutions.** This plan must guarantee the population “its transport, its electricity, its water service, gas, telecommunications, Internet service”. To this end, he ordered that the prices of these services be readjusted to prevent some of the rates from lagging behind.

**Direct relationship between income and payment.** Maduro stressed that “the people want to pay for their services and receive good service. That's where the fees enter into

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play. They have to guarantee it month by month” but he confirmed that those who earn the most must pay more.

**New form of payment (I).** Official Gazette No. 6,504 extra states that registries and notaries should charge for their services only in petro.

**New form of payment (II).** In businesses that are already upgraded, payment must be made through the PetroApp application.

**They're not ready yet.** However, the electronic system of most of these businesses remains unchanged, so that the fees for transactions at these places are still presented and charged in bolivars.

**The medicines suffer from it.** Centro de Documentación y Análisis para los Trabajadores (Cenda) showed in a table the increase in prices of the most used medicines by Venezuelan families, including: Atamel Forte, with an increase of 39.5%, followed by Jengimiel (15.4%), Amlodipine (5.9%) and acetaminophen (4.2%).

**I change my mind.** Seven years after Hugo Chávez's decision to withdraw operating permits from all betting shops and bingos, Maduro said that an international casino will be opened at the Humboldt Hotel, which is located in Ávila Mountain.

**Looking for a new source of income.** His intention is that the income from the casino will go to the State and clarified that bets may be made in petros and other convertible currencies.

**They're still waiting.** Ricardo Acosta, president of the Federation of Chambers and Associations of Commerce and Production (Fedecámaras) of Zulia, denounced that the businesses that accepted petros as payment during the first week of January have not been credited with the corresponding money.

**Increased commitment.** Acosta stressed that this situation did not arise in December, since “they received petros and when they made their closing statement, the bank almost immediately reimbursed their payment in bolivars.

**They offer no solution.** César Guillén, president of Fedecámaras Mérida, made the same complaint and criticized the fact that the regulatory bodies in this area do not offer answers to the problem. He stressed that this delay in accreditation is detrimental to businesses because prices of products have increased.

**Necessary loss.** Guillén also pointed out that some businesses agreed to exchange the

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petros for bolivars at 40% or 50% of their value, because they needed to make payments for which they necessarily required bolivars.

**Less than at half speed.** According to figures presented by the newspaper *Correo del Caroní*, the production at the end of 2019 of the Siderúrgica del Orinoco (Sidor) amounted to 720,000 tons, which accounts for 8.7% of the plant's installed capacity, since it's designed is for a production of 8 million tons per year.

**There's no expiration.** Banco Bicentenario del Pueblo notified its users that debit cards may be used regardless of the expiration date printed on the plastic and will be accepted at both ATMs and points of sale.

**Big reduction.** According to the monthly report of the Superintendence of Banks (Sudeban), the credit portfolio of the Venezuelan bank system closed in November at US\$ 216.8 million, down 92.38% from the previous year (US\$ 2,845.9 million).

**Bonuses are also increasing.** Due to the salary increase, the amounts of the Carnet de la Patria bonus also increased. Those of lesser value are the bonus corresponding to Chamba Juvenil, Somos Venezuela and José Gregorio Hernández, which pay VES 100,000.

## WORLD ECONOMY TIPS

**Global Outlook.** The International Monetary Fund (IMF) published its "World Economic Outlook" quarterly report, which shows a 2.9% global economic growth in 2019, and projecting 3.3% and 3.4% growth for 2020 and 2021, respectively.

**Under a Black Cloud (I).** Estimates for 2020 and 2021 were revised down from the previous report (October 2019), when growth was forecast at 3.4% for 2020 and 3.6% for 2021. Noteworthy is that the annual growth rate abated, with 2019 rate 0.7 percentage points (pp) lower than in 2018.

**Under a Black Cloud (II).** The revised estimates and slower global economic growth are prompted by the negative expectations of markets, fueled by trade conflicts between the United States and countries such as China and members of the European Union.

**New 20Y Bond.** The U.S. Treasury announced that the government will issue a new 20-year bond, in addition to the current 10- and 30-year instruments. Secretary of the Treasury Steven Mnuchin noted: "*We seek to finance the government at the least*

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*possible cost to taxpayers (...) and we will continue to evaluate other potential new products to meet that goal.”*

**Slowest Growth in 30 Years.** China’s economy recorded last year its most sluggish annual growth rate in the last three decades. Year-on-year GDP growth was 6.1%, i.e. 0.5 percentage points lower than in 2018.

**2020: A Stable China.** Chinese officials claim the economy will stabilize this year, particularly thanks to the agreement reached with the U.S., a major step towards easing trade tensions between the two countries.

**Tax Interrupted.** The French government decided to postpone its digital services tax, which had sparked disputes with the United States, with Trump threatening to impose tariffs on French products. Despite the decision, France’s Finance minister Bruno Le Maire said his government still wants to levy the tax, working on an agreement under the Organization for Economic Cooperation and Development.

**Another Lost Decade? (I).** The International Monetary Fund (IMF) revised down its growth forecasts for Latin America in 2020, largely due to a cut in projections for Mexico and Chile and following the sharp deterioration in economic activity last year.

**Another Lost Decade? (II).** The IMF said that the region could expand by 1.6% this year, down 0.2 pp from its October estimate, and is likely to grow by 2.3% in 2021, a slight adjustment from the previous projection of 2.4%.

**Constructive Exchanges.** IMF Managing Director Kristalina Georgieva said that the Fund had “*very constructive*” exchanges with Argentina’s new government and that it would do whatever possible to assist the South American country, which is seeking to restructure its debt with the entity. At present, Argentina owes the IMF nearly USD 44 billion.

**Sales Up, Production Down.** Colombia’s government reported that national industrial production dropped 1.5% year-on-year in November following a slump in manufacturing and vehicle production, while retail sales rose by 4.4%, driven by computer and telecommunications equipment.

**Ecuador Strike Cost.** The Central Bank of Ecuador reported that the economy contracted by 0.08% in 2019 due to the impact of a national strike that stunned the nation for two weeks in October, with losses estimated at some USD 821 million.

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## POLITICAL TIPS

**A Never-ending Story.** Juan Pablo Guanipa, first vice president of the National Assembly (AN), showed a folder which—he claims—contains the original minutes of the Jan. 5 session held at the Legislative Palace, where Luis Parra was sworn in as president of the AN.

**Stating the Obvious.** The document shows that Luis Parra got only 61 votes, which proves that the minimum statutory quorum was not reached. Although nobody knows who sent the record, Guanipa thanked him for his support because it helps ratify that “there is only one National Assembly presided over by Juan Guaidó.”

**Buying Support.** AN Deputy Alfonso Marquina disclosed an audio recording in which Deputy José Guerra offered him an amount in dollars in exchange for his vote for Luis Parra as president of the AN.

**Safety Concerns.** Marquina stressed that his safety and that of his family is in jeopardy, and the same applies for several deputies of the fraction. The parliamentarian said that if anything happens to them, the leader of “Operación Alacrán” (bribing of AN deputies) will be to blame.

**Making Good on His Warning.** Guatemala’s new President Alejandro Giammattei announced he is breaking off diplomatic relations with the Maduro regime. In his statement, he said that he is waiting for “the only person left in the embassy in Venezuela to come back,” in order to close the embassy and end relations with Maduro.

**“Eternally Grateful.”** Juan Guaidó thanked Guatemala for its support and democratic stance in maintaining relations with Venezuela through him, as Guatemala recognizes Guaidó as interim president of Venezuela, while breaking ties with Maduro.

**“Neither Here nor There.”** President of the National Constituent Assembly (ANC) Diosdado Cabello assured that this decision by Giammattei will not affect Venezuela but Guatemala, and noted that the government has resisted attacks from the United States and the European Union.

**Permission to Meet.** Cabello also announced that the ANC will be in permanent session at the Federal Legislative Palace. Therefore, the AN will not be able to meet unless Luis Parra, whom Cabello recognizes as the president of the AN, requests authorization.

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**Awaiting Orders.** ANC President Cabello also said that the nomination committee that will appoint new authorities of the National Electoral Council (CNE) is active and waiting for Parra to proceed.

**A Packed Agenda (I).** Guaidó will tour the Americas and the Eurozone in order to reinforce the support of these countries with respect to the situation in Venezuela.

**A Packed Agenda (II).** The first leg of the tour took him to Bogotá, to meet with Colombian President Iván Duque and U.S. Secretary of State Mike Pompeo. Guaidó will also participate in the 3rd Hemispheric Conference to Combat Terrorism.

**A Packed Agenda (III).** He then traveled to the United Kingdom, where he met with Foreign Minister Dominic Raab. Guaidó assured that UK's cooperation "will include more financial intelligence assistance to locate ill-gotten assets, as well as Magnitsky sanctions for human rights abuses due to corruption."

**Visiting Allies (I).** Similarly, Venezuela's Foreign Minister for the Maduro regime Jorge Arreaza made a trip to China to reaffirm their comprehensive strategic relationship with that country.

**Great Expectations.** Arreaza said that the meeting seeks to "diversify the Venezuelan economy, making efforts so that Chinese investments immediately translate into benefits for our people in housing, in more oil production, in food, in telecommunications."

**Visiting Allies (II).** Cuban ministers and diplomats joined Tareck El Aissami at the 20th Meeting of the Cuban-Venezuelan Intergovernmental Commission for Cooperation in Havana.

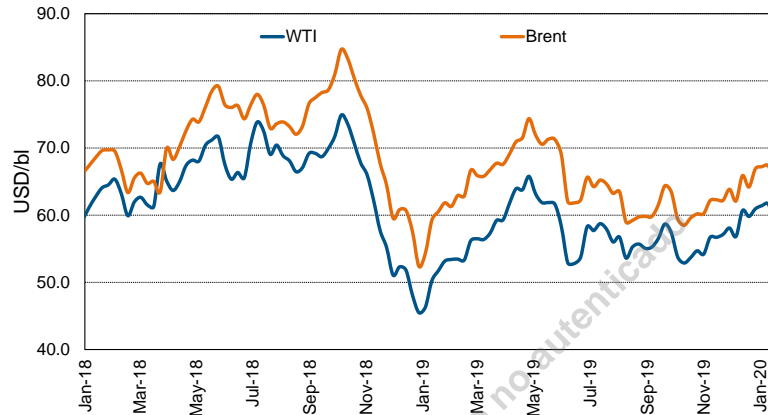
**Catching Up.** The meeting touched on issues such as progress made on the missions advanced by the government in both countries, and the sanctions imposed by the United States and the European Union on members of the Maduro regime.

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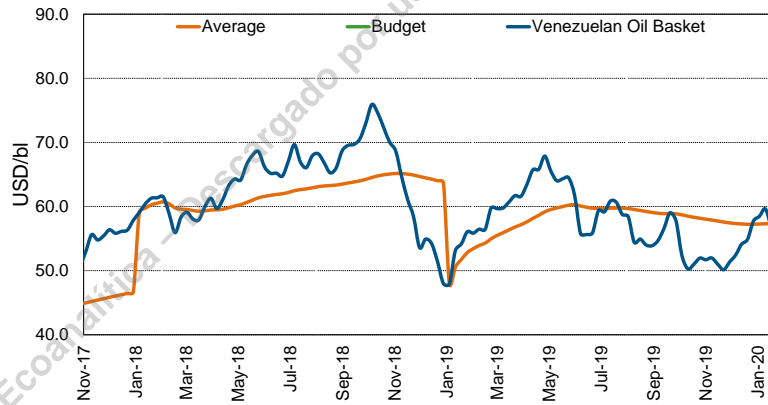
**ECONOMIC INDICATORS**

**Oil Prices (WTI and Brent)**



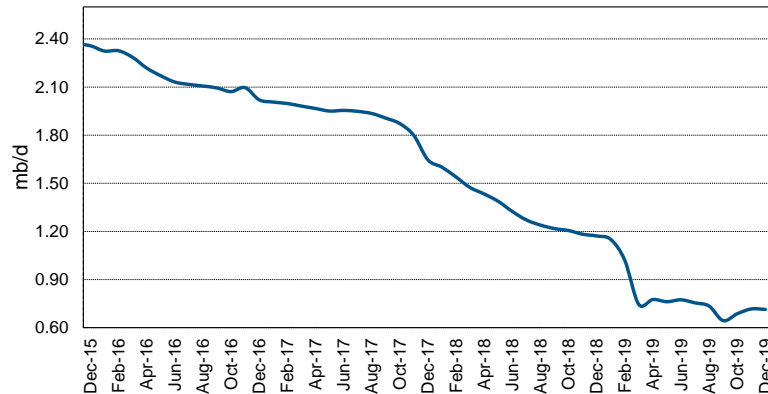
Sources: Menpet and Ecoanalítica

**Oil Price (Venezuelan Basket)**



Sources: Menpet and Ecoanalítica

**Oil Production (Secondary sources)**



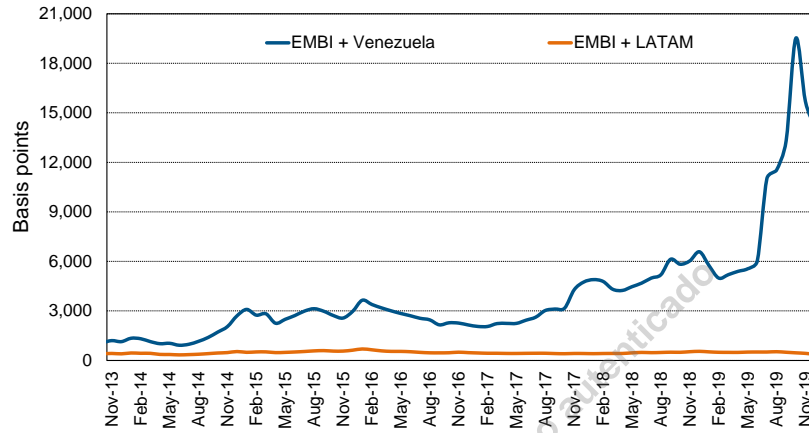
Sources: OPEC and Ecoanalítica

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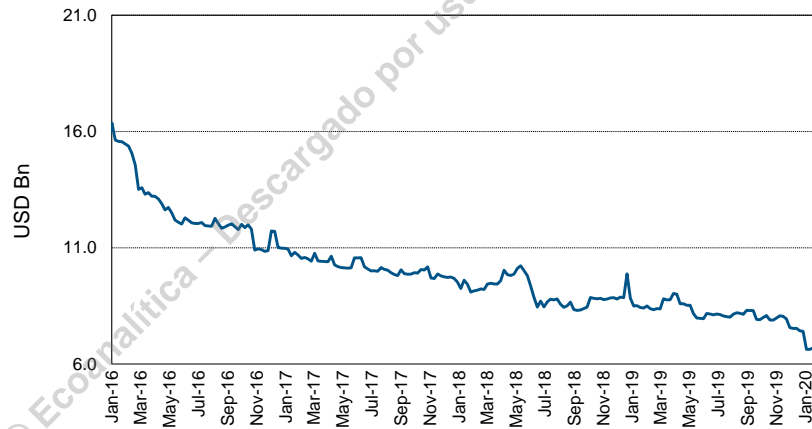
## ECONOMIC INDICATORS

EMBI



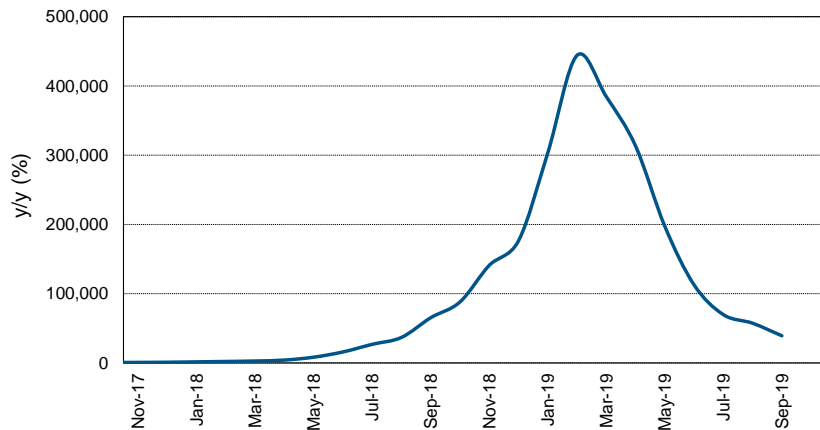
Sources: BCRP and Ecoanalítica

FX Reserves (BCV)



Sources: BCV and Ecoanalítica

Inflation (BCV)



Sources: BCV and Ecoanalítica

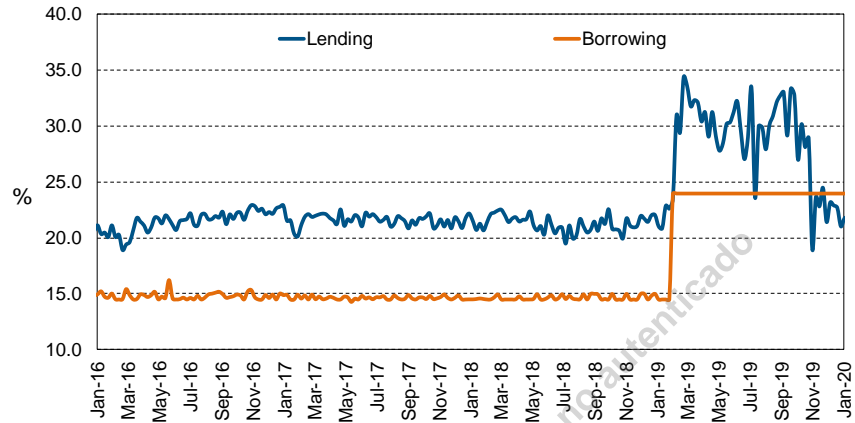
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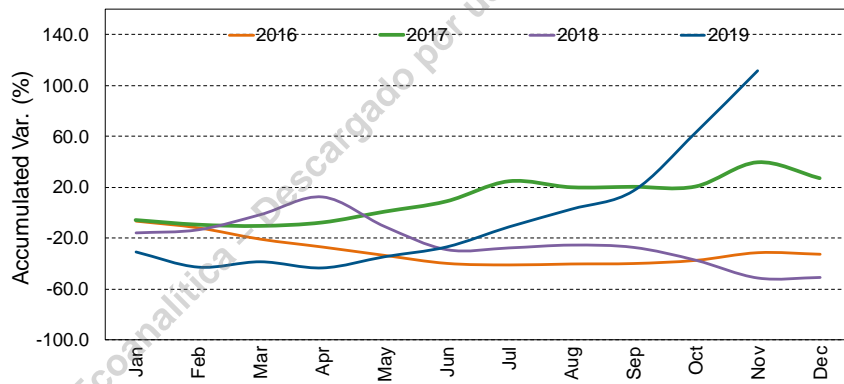
**ECONOMIC INDICATORS**

**Interest Rate  
(Six major banks)**



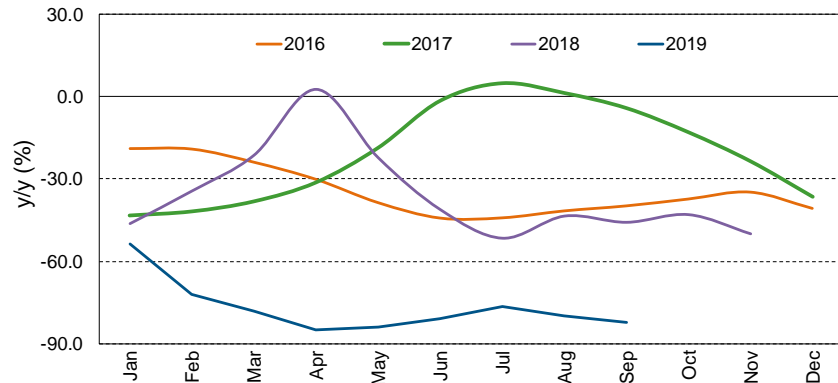
Sources: BCV and Ecoanalítica

**M2 Expansion  
(Real)**



Sources: BCV and Ecoanalítica

**Loan Portfolio  
(Real)**



Sources: SUDEBAN and Ecoanalítica

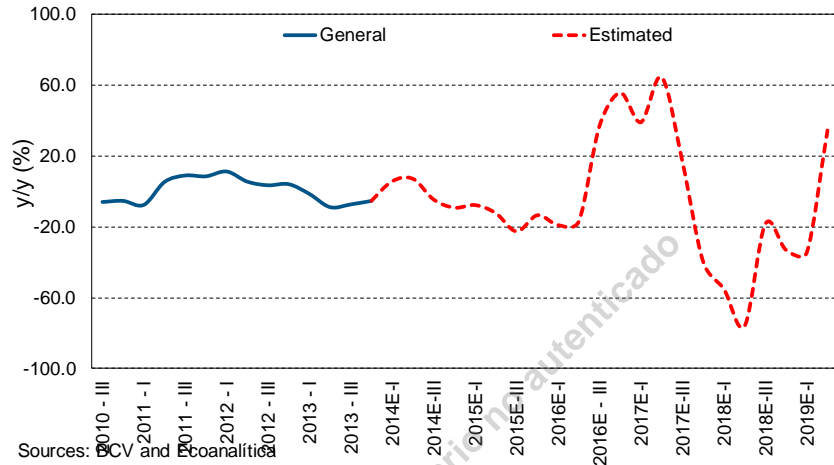
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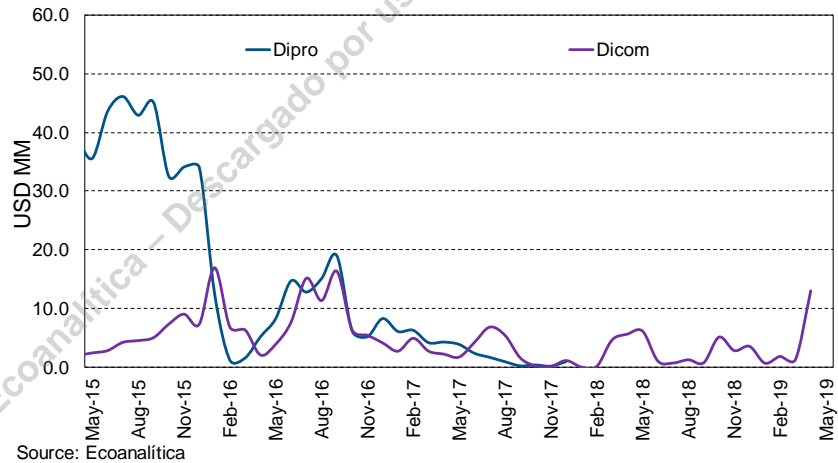
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## ECONOMIC INDICATORS

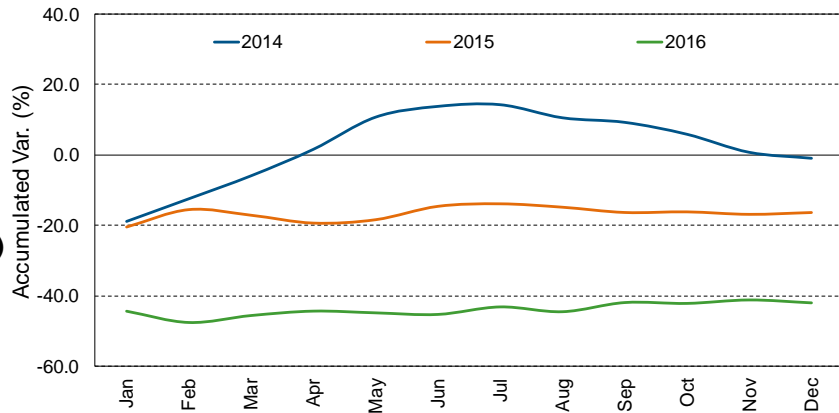
Real Wage Index



Disbursements to the Private Sector (Daily Average)



Primary Spending NTO (Real - Central Government)

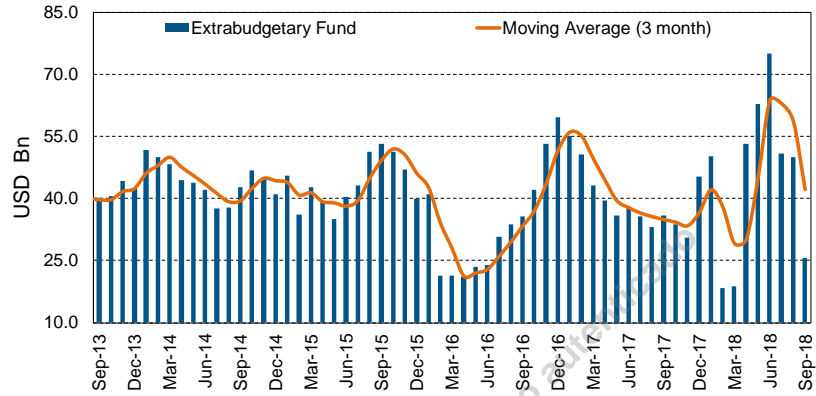


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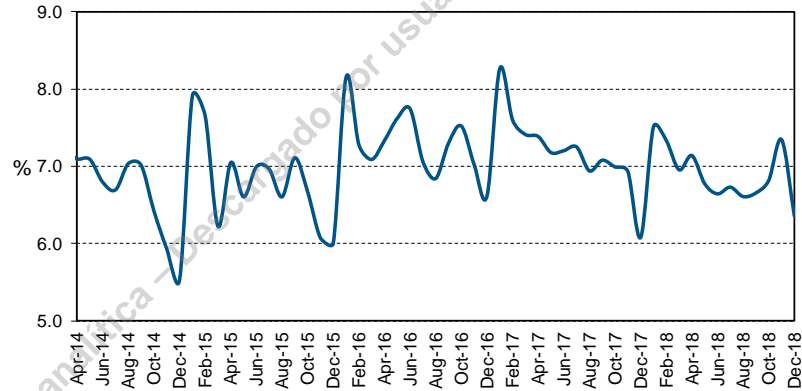
**ECONOMIC INDICATORS**

**State Extrabudgetary Resources**



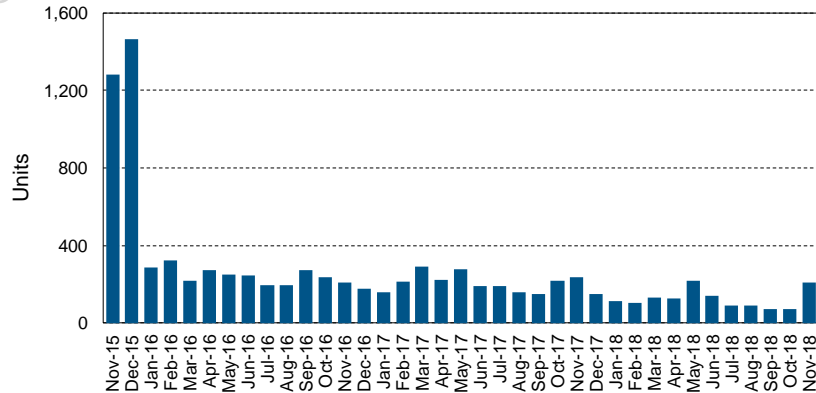
Source: Ecoanalítica

**Unemployment Rate**



Sources: INE and Ecoanalítica

**Vehicle Sales**



Sources: CAVENEZ and Ecoanalítica

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