



Weekly Report

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Venezuela's insatiable need for US-Dollars: Is the devaluation the answer?

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Everyone knows that the Venezuelan economy excessively depends on the foreign currency generated by the country's crude oil exports to cover its ever increasing demand for imports and the central government's fiscal spending. This ever increasing "need" for foreign currency has been growing over time closing at a record high level last year, with just the FOB import of goods reaching US\$56.35 billion, which is equal to 61.1% of oil revenues. It's important to remember that an economy requires foreign currency to not only cover the cost of the import of goods, but also to cover the cost of other things such as: importing services, paying foreign debt, and repatriating profits earned by foreign companies in domestic ventures, just to name a few. When we also include all these other reasons why the Venezuelan economy "needs" foreign currency, we find that the total amount of foreign currency needed last year reached US\$90.60 billion, (98.2% of oil revenues). On the other hand, the official supply of foreign currency last year for markets was at US\$40.98 billion, just 45.2% of demand.



Looking at these figures, the questions that first come to mind for most Venezuelans are: Do we really need so much foreign currency? Is the current economic model sustainable? Has the production force of the economy proposed and implemented by the 21st Century Socialist produced the results intended? How long will we continue to endure the curse of depending so much on oil? And above all else, Venezuelans ask themselves: What's the exchange rate for the US-dollar today?

"We all live with the insatiability of the US-dollar, a type of dollarized nymphomania. It's a sickness of the rentist system. In its core, it's a conflict with acquiring revenue," admits Jorge Giordani, Minister of Planning and Finances, in a statement made in the newspaper Ciudad CCS, regarding the recent currency devaluation which took place two weeks ago. In reference to the devaluation the Minister continued to say that *"what we are trying to do is for revenue to improve the quality of life for the majority, that it not be appropriated by the minority to continue to accumulate more wealth in foreign accounts. The devaluation is aiming to achieve this."*

At **Ecoanalítica**, we believe that though the diagnostic of the Minister is correct, and that the devaluation was a measure that had to be implemented, by its self, it is not enough to reduce or correct the insatiable demand the Venezuelan economy has for foreign currency. This Report will focus on determining the factors that lead to this behavior, this insatiable need for foreign currency, and calculate the amount of foreign currency the Venezuelan economy currently demands in order to see if this amount is really "necessary" to create economic growth and promote social wellbeing among the people. Also, we will look at how to improve the gap between the foreign currency supply and demand, and thereby solve many of the distortions that get in the way of a sustainable path to development, a path we lost 30 years ago, on a Friday, February 18th.

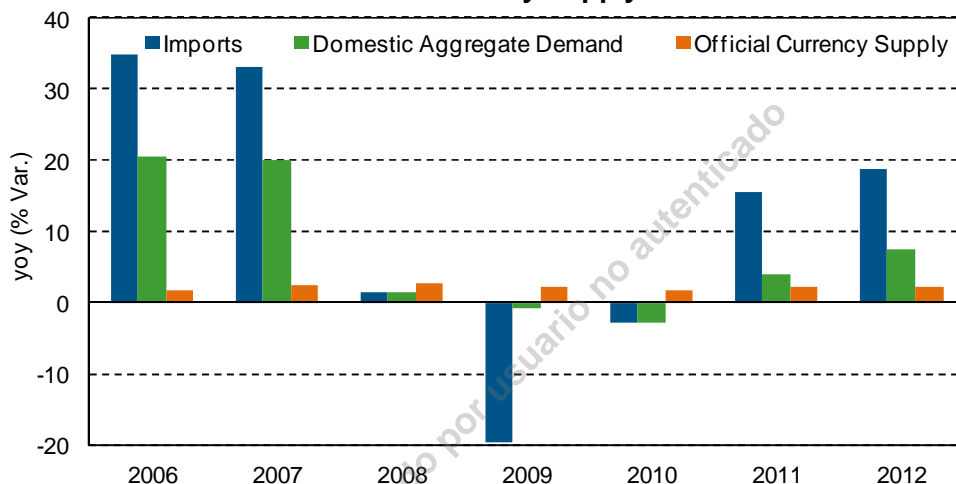
The supply has remained constant

Ever since we have been able to have access to comprehensive figures regarding official foreign currency authorizations under the current foreign exchange control regime (2004), we can see that the amount of official foreign currency being authorized and injected into the economy has in no way kept pace with the Venezuelan economy's demand for foreign currency. This would be quite normal in an economy that is not dependent on imports. But in an economy with an ever increasing level of imports, and that the foreign currency supply is not covering the increase in imports, then there is a problem. At first glance, a number of things could



be in play here, but in the end, the real problem has to do with the supply not being able to cover the demand.

Venezuelan Currency Supply and Needs



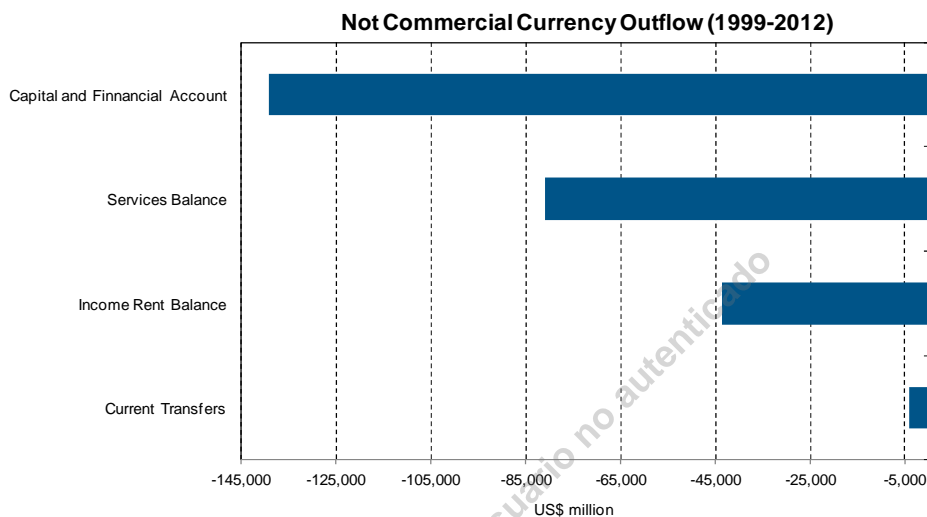
Sources: BCV and Ecoanalítica

And the demand is ever increasing

When we analyze, just the foreign currency demanded by the Venezuelan economy, we see that with respect to imports, on a yearly average, the amount of foreign currency demanded surpasses the official supply by an average of 37.5% a year, equal to around US\$54.3 million a day. But, since not all the foreign currency authorized by the exchange mechanisms goes to imports, but also to paying foreign debt, and other things, we see that the gap between supply and demand increases to 121.1%.

As we have mentioned before, the demand for foreign currency is not limited to imports and paying the foreign debt, but it also includes family remittances and government aid between countries; also, foreign investors report profits back to their corporate headquarters, and Venezuelans look to save their savings and assets in a hard currency. And there is no relief in sight, given that the current Venezuelan economic model which exacerbates¹, offers absolutely no incentives for foreign investments, suffocates domestic private investments and neglects public sector investments, thereby promoting private sector outgoing capital which in turn has led to the fall of domestic production of goods and services.

¹ Push for social, economic, and political players to obtain fiscal resources to use for private rather than public ends, all the while lobbying to eliminate competition. (Corrales and Penfold, 2010)



Sources: BCV and Ecoanalítica

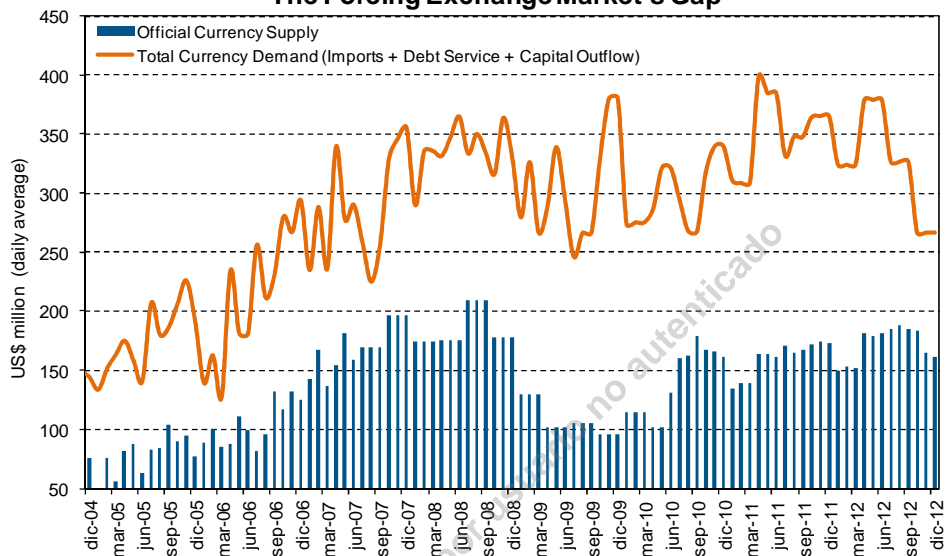
The Balance of Payments is important

With the Balance of Payments in mind, if we had these components regarding the economy's demand for foreign currency, then we will see that there is a yearly daily deficit of US\$151.6 million. It's important to point out that this component has been increasing during the last four years, in step with the increase in radicalization of economic policies against the private sector, the increase in nationalizations, the exchange control becoming more rigidly implemented, bank loans being more controlled, and constantly threatening the private sector. The daily demand for foreign currency due to these concepts went from US\$155.5 million in 2004 to US\$323.7 million in 2012. It's clear that under the current economic model, the demand for foreign currency more than doubles the supply. This is something that has to be corrected with more than just that devaluation.





The Foreign Exchange Market's Gap



Sources: Cadivi, BCV and Ecoanalítica

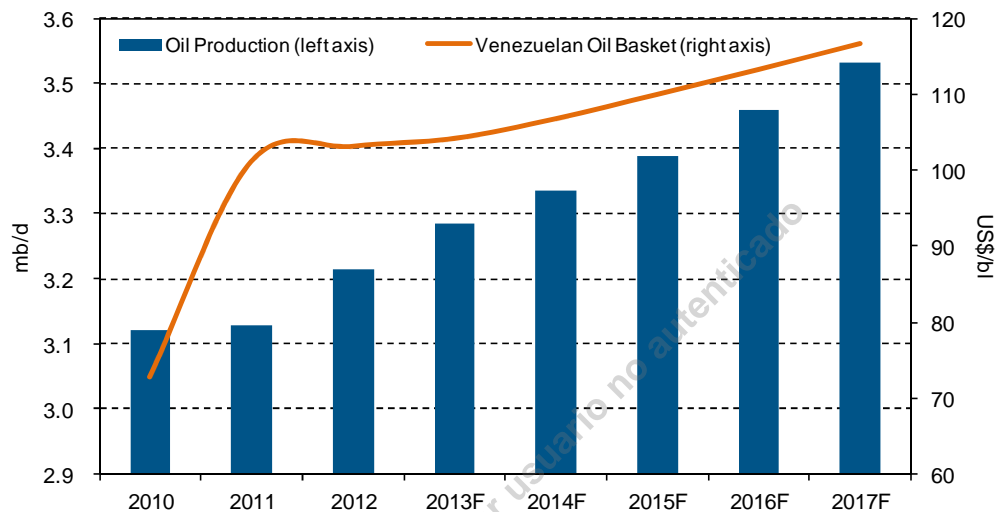
The model has run its course after 14 years

By analyzing these figures, there is one conclusion which can't be denied: oil revenues alone are not enough anymore to sustain the 21st Century economic model, and this is precisely why the recent devaluation had to be implemented. But, what makes things even worse is that devaluation had to be implemented during a period of high oil prices, with domestic oil production stagnant, and in an oil environment that points to oil prices stabilizing and no increasing tendencies expected, barring an unexpected change in geopolitical variables.





Oil Production and Prices Forecasts



Sources: Pdvsa and Ecoanalítica

Beyond exchange policies

This is why this is the first time in the history of Venezuelan economic crises, which is to say since 1983, that a devaluation of the currency hasn't been enough in order to solve the enormous and numerous economic distortions that currently exist in the economy. In our opinion, in order to correct these imbalances, one of course has to rethink the current economic model that is being implemented, especially during the last four years. The insatiability for the US-dollar in Venezuela can be cured by, among other things:

1. Redesigning the distribution mechanism for oil revenues, focusing more on development projects than political projects,
2. Stimulate private investment in all its forms, especially small and medium sized businesses, in order to increase domestic production and the domestic supply of goods and services, as well as non-traditional exports,
3. Rethink and rationalize foreign aid mechanisms so that it does not become a burden and/or harm the domestic oil industry, without drastically affecting the potential Latin American and Caribbean market.
4. Identify and rationalize the size and role of the State in the economy, especially in comparison with the successful models implemented by our Latin American neighbors, and
5. Lastly, but not least important, rationalize spending, so that it truly favors the poor, and eliminate favoritism and clientelism.



The conjuncture is what rules

For the time being, face of the worsening of variables such as inflation, scarcity and parallel market, the Executive through the Higher Entity for the Optimization of the Exchange Rate System (OSOSC) will search the optimization to operate at levels similar to those in 2004, looking to satisfy the 82.9% of the effective demand of imports, while for "the rest" is devising a supplementary mechanism with the participation of the banking system, through public stock market (BPVB) values and PDVSA. The base of this new system would be the new rule that it allow the movement of dollar accounts in the country by the natural and legal persons with the backing of the BCV and the monitoring and control would be exercised by the OSOSC (with Minister Giordani a head) through BPVB.

This new mechanism is in direct contrast with the Sitme that was handled directly by the BCV fueled only of bonds, but not be ruled out that new emissions fed the system, in accordance with Article 4 of the Exchange Agreement No. 14. To date, no one knows when will start the new mechanism, but what is known is that the longer is the time of defer, the distortions remain latent.

The Nymphomania for the ideological

The government prefers smooth some radical economic policies before making an heterodox reform of the model that could consider it more open to the market and to sacrifice quotas of economic power towards the private sector and even to other members of Chavismo. This is the advantage that the control of oil rent gives the Executive.

In this way, in the model of XXI Century Socialism, the Executive controls the economy through administrative decisions. As we mentioned a few weeks ago, the Executive has the capacity to improve / compromise PDVSA cash flow increasing / reducing contributions to Executive through different mechanisms (legal contributions to missions and Fonden) and likewise, can increase / decrease currency assignments to the private sector through the various mechanisms and improve / worsen currency distortions but keeping the line of power quotas.

It always becomes more and more expensive, but now the cost is also political

Taking into account that the measures that need to be implemented in order to eliminate the *dollarized nymphomania* currently being suffered by the economy, are measures that would be interpreted as counterproductive in order to sustain chavismo as a political movement in the short term, we believe that the necessary structural adjustments required will continue to be postponed in the coming months; the main reason for this delay being the possibility of a presidential election having to be held in the relative short term.



After the aforementioned election is held, adjustments will be inevitable before the close of the year or the beginning of the next. In our opinion, the cost of sustaining this economic model has reached a dimension that cannot continue to be covered by the current Administration, not with the economic policies currently implemented.

If the current Administration stays in power, it has two options:

1. Become even more radical, and deal with the worst of the economic problems at a high political cost.
2. Make the required adjustments and allow new players into the economy and politics, sacrificing its hegemony but rescuing imminent collapse.

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Economic Tips

IMF considers the devaluation positive. The International Monetary Fund (IMF) considered the recent devaluation enacted by the National Government a positive measure, and urged the country to continue eliminating foreign currency distortions. The IMF expects *“the authorities to take further measures to reduce economic vulnerability and improve the business climate”* essential to achieve a sustained economic growth, and more job creation.

The adjustments aren't enough. According to the Deutsche Bank, the recent devaluation will be “insufficient” if it isn't accompanied by a reduction in fiscal spending. The German Bank considers that the “devaluation is a step in the right direction, since it helps reduce the fiscal gap, but adjustments on the side of spending are also necessary”. **Ecoanalítica** considers that adjustments in spending will be very unlikely, since the purpose of the present economic model is to maintain a feeling of wellbeing by increasing it.

Inflation and devaluation, hand in glove. According to Alejandro Grisanti, head economist at Barclays Capital for Latin America, until inflation isn't reduced, the country is doomed to suffer constant devaluations. Grisanti said that the devaluation preserves the competitiveness of the economy's trading sectors, given the considerable difference between the national inflation and that of our trade partners.

Imports must drop. According to Jorge Giordani, Minister of Planning and Finance, the economy requires between US\$30.0 billion and US\$40.0 billion to operate, so the import volume of 2013 would have to drop 30% compared to that of 2012, when it was US\$56.4 billion. This reduction could imply even more shortages, because around 35% of domestic demand was covered with imports in 2012.

Dollars aren't necessary to live. Giordani stated that *“dollars are not necessary to live, not even getting to look at one during our life”*, and most of the currency demand is motivated by an ideological component which he qualified as a *“dollarized nymphomania”*. The head of the Finance Department said that as a country, we must focus on *“producing what we can”* and import priority items for the health, education and food sectors

Merentes guarantees foreign currency for the private sector. Nelson Merentes, President of the Central Bank of Venezuela (BCV) said that the new Higher Entity for



the Optimization of the Exchange Rate System will not restrict dollars for the private sector. Merentes said that 70% of the US\$25.0 billion liquidated for imports in 2012 were for the private economy, and that cannot be “wiped out”; the delays in the assignment of foreign currency can be solved quickly.

Sitme was no longer fulfilling its objective. According to Nelson Merentes, President of BCV, Sitme was created to maintain the unofficial exchange rate stable, a goal that was no longer met since October. Merentes said that to maintain Sitme working, the Ministry of Finance and BCV had to constantly issue debt, which made it “*unsustainable in time*”, and in the 32 months that the mechanism operated, debt issues to maintain it reached US\$17.0 billion.

Cadivi reloaded. Merentes said that for now there are no plans for a mechanism to replace Sitme, and the strategy is to “*reinforce Cadivi*” to meet around 96% of the dollar needs, as during the 2003 – 2006 period. “*We have the database of companies that operated through Sitme. Together with the Higher Entity, we will review Cadivi’s data and complement it*”, he added.

More adjustments coming. After stating that the devaluation of the bolivar was necessary “*to nip speculative attacks against the currency*”, Nicolás Maduro, Vice-President of the Republic, warned that this won’t be the last economic adjustment that the Government will implement, and that there will be others in the future. “*We will keep fighting speculation using force and the law in our hands*”, he said. Maduro attacked Jorge Botti, President of Fedecámaras, who said that the purpose of the devaluation was to help the Government balance its accounts.

The devaluation does help the government. After the 31.7% devaluation, Ernesto Villegas, Minister of Communication and Information, informed that the central government deficit will go from 5.5% of GDP to 3.3%, a reduction of 2.2 points. Given a persistent deficit, the reluctance to adjust spending, and the inability to generate more income, the Government opted to devalue, which besides partially correcting the exchange rate distortion, helps balance its accounts.

Devaluation will begin to be felt in May. Given the significant imported component in the supply of goods, the devaluation decreed by the Government is expected to impact prices. **Ecoanalítica** considers that although some items may have an immediate impact (culture, restaurants, hotels, alcoholic beverages, and appliances) the greatest effect of the devaluation on prices will be felt in April and May, a period that may coincide with the minimum wage increase.

Accounts could be opened with “legal” dollars. The regulation of the BCV regarding the opening of accounts in dollars in national banks, establishes that



individuals may open accounts with foreign currency transferred from foreign banks, remittances from family members, pensions and retirement, as well as payment for services rendered abroad, and rent from investment in financial instruments, so currency obtained in the parallel market won't be accepted in those accounts.

More restrictive monetary policy. The President of the BCV said that a more restrictive monetary policy will be necessary, to absorb money from the economy. To this end, he said that the BCV can issue bonds or increase the portion of the deposits that financial entities cannot loan. A 1% increase in the legal reserve requirement would mean a drop of 5.0% in the monetary multiplier, and would lead to a 2.5% drop in liquidity in the hands of the public.

Interest rates. The lending rate for the third week of February was at 17.4%, up by 2.0 percentage points compared to the previous week. The time deposit rate was at 14.5%, without variations compared to the previous week, while the passive rate has not experienced any significant variation since November 2011, placing well at 12.5%.

International reserves. International reserves fell in 2.4%, going from US\$28.36 billion during the second week of February to US\$27.67 billion during the third week of February. Compared to the same period last year, international reserves have increased by 5.7%.

Monetary liquidity. Monetary liquidity (M2) was decreased 0.1% in the first week of February compared to the previous week, settling at VEB 696.19 billion. The M2 has increased 56.6% in relation with the same period last year.

Central government expenditure. On Friday February 15th according to figures from the National Treasury Office (ONT) primary spending was VEB 8.07 billion, which means an increase of 21.9% when compared to the previous week when it was VEB 6.62 billion; when compared to the same period last year we observe an increase of 15.5%.

Oil Tips

Paraguana Refining Center has not recovered. After almost six months of the explosion at the Amuay refinery, there are still several issues in various processing



units. The Cardón refinery is barely producing around 65 kb/d of gasoline, and its lubricant complex has been shut down for one year. Atmospheric unit No.5 in Amuay has not been activated yet, despite the announcements of Pdvsa that the repairs of the damage caused by the explosion are ready.

Gold exploration and development transferred to Pdvsa. The Presidency of the Republic transferred gold exploration and development activities to the oil company, as well as other related activities of the Guasipati -El Callao Block, a total of around 35,768 hectares. The decree, published on February 15, 2013 states that Pdvsa or the branch that the company appoints to develop the mine may carry out activities for 20 years, with the right to request an extension.

Venezuela will receive bonds from a Russian oil company. The bond from Rosneft, a Russian oil company, will be for US\$1.1 billion, for participating in a mixed company with Pdvsa. Rosneft is a partner of Pdvsa in the Orinoco Oil Belt, in the Petrovictoria project of the Carabobo Block. Also, US\$1.5 billion will be given to Pdvsa to finance the development of the project.

Oil workers meeting. Representatives of the workers of Pdvsa Oriente started a cycle of meetings to prepare a new Oil Collective Bargaining Agreement for 2013-2015. Among the issues to be discussed are salary improvements, retirements, housing, and hospital care.

International baskets. When market close in New York, WTI traded on last Friday February 15th at US\$96.9/bl, which an increase of 0.3% from US\$96.6/bl recorded the previous week. Meanwhile, Brent increased by 1.5% to reach US\$118.3/bl compared to the previous week when it reached US\$116.6/bl.

Local basket price. On Friday, February 15th the Venezuelan oil basket price closed at US\$108.8/bl an increase of 1.6% compared to US\$106.9/bl recorded the previous week. Meanwhile, the average of the Venezuelan oil basket stands at US\$ 103.8/bl.

Business Sector Tips

The automotive industry not optimistic about 2013. In January, the country's seven private assemblers produced 1,945 vehicles, approximately 66% less than during the same period last year, according to data published by the Automotive



Chamber of Venezuela (Cámara Automotriz de Venezuela - Cavenez). Since 2007, the sector has had a negative trend, and in that year and in 2012 national production dropped almost 40%, going from 172,000 units to 104,000 units.

Iron dispatches to Sidor stopped. Last Thursday, the worker's union of CVG ferrominera (Sintraferrominera) stopped iron dispatches due to the high debt that is preventing the mineral extraction company to honor its labor commitments. According to Radwan Sabbagh, President of Ferrominera Orinoco, Sidor owes VEB 1.48 billion. Also, the two production lines of Sidor are operating but its inventory is enough for one week of production at a low rate.

Bonds will finance housing plans. Banks will be forced to purchase Simón Bolívar Funds for around VEB 34.5 billion between February and October in order to meet the housing supply for the lower income sector. The titles will mature in eight years, with an interest rate of 4.66% every six months. The bank may register these bonds as part of its mortgage financing during 2013.

Assignment to socialist companies increases. The Ministry of Planning and Finances published in the Official Gazette the budgets of state owned companies. This year, social production companies will be assigned VEB 3.5 billion, around 75% more than in 2012. 51% of the total will be for the food sector, to increase the production of items like sugar, rice, and others.

Housing project through the mortgage portfolio streamlined. This year, banks must destine 20% of their total mortgage portfolio, and most of these funds will be to finance the construction of housing units by official entities and communal councils. In 2013, the target of the Gran Misión Vivienda is to manufacture 380,000 housing units, and 43% of the resources of the mandatory portfolio will finance the public sector housing.

Days numbered to adjust work hours. At two months of the entering into force of the measure contemplating two continuous resting days, some companies and stores are still analyzing the work dynamics they will use. Among the most affected are those that due to the service they provide, work more than five days per week. The implementation of a five by two scheme (5 work days and 2 rest days) in some cases implies staff rotation, and in others to have less staff during the weekend.

Presidency authorizes the creation of an auto-part company. The creation of the State owned company Venezolana de Metalmecánica was decreed, to import, export, distribute, and store auto-parts, parts for the metal mechanical industry, and care assembly.



Pharmaceutical sector hard hit by the devaluation. In the exchange rate agreement, the government will only recognize the debt assumed by companies until October 15, 2012, at VEB/US\$ 4.30. The Central Bank of Venezuela won't acknowledge the US\$807 million that correspond to foreign currency applications negotiated before that date, at the previous exchange rate. The losses of the companies will reach VEB 1.60 billion.

World Economy Tips

Eurozone again in recession? According to the Office of Statistics of the European Union (Eurostat), the GDP of the Eurozone dropped 0.6% (y/y) during 4Q2012, after the contraction in Germany and France, its main economies. Altogether, the 17 nations of the Eurozone had a 0.5% (y/y) drop in their GDP in 2012, and only 6 had positive growth rates: Germany (0.1%), Austria (0.7%), Slovakia (2.3%), Estonia (3.2%), Ireland (0.9%) and Malta (0.8%).

More time to implement cuts. The Eurozone countries will have more time to meet the deficit reduction target, if the region's economy continues to deteriorate, said Olli Rehn, European Union Commissioner for Economic and Monetary Matters, after France acknowledged that it won't meet the deficit target for the year of 3% of GDP. The Commission headed by Rehn could grant countries like France and Spain an additional year (until 2014) to meet their goals.

Trade, the way out of the recession? The U.S. and the EU announced that discussions on a global trade and investment agreement will begin, which could create the largest trade block of the world, and according to José Manuel Barroso, President of the European Commission, the "*largest free trade zone of the world*". The agreement could add US\$116.0 billion to the annual economic production of the EU in 2027, equivalent to 1.5% of its GDP, and would have a similar effect for the U.S. economy.

FTT starting in 2014. The European Commission formally proposed the implementation of a financial transaction tax (FTT) in 11 EU member states, so banks pay for the money they received from contributors during the financial crisis. The FTT is expected to enter into force in January, 2014, and collect around EUR 35.0 billion per year. The rate would be around 0.01 % for derivatives, and 0.1 % for stocks and bonds.



Germany one step away from a recession. According to preliminary data of the Federal Statistics Office of Germany (Destatis), that country's economy dropped 0.6% (y/y) in 4Q2012, the worst fall since the worst moments of the global financial crisis of 2009, after exports decreased. Germany hasn't had debt issues, and hasn't had to resort to cuts, but its foreign demand has been affected by the lower dynamism of the rest of Europe.

France in problems. According to the latest estimates of the National Office of Statistics of France (INSEE) the French economy dropped 0.3% (y/y) in 4Q2012, nearing a recession. The weak end of 2012 was due to the significant 1% (y/y) reduction of investment, which could not be compensated by the weak expansion of private consumption (0.2%) or by a greater public spending (0.4%). After the results of 4Q2012, the French economy ended up with zero growth in 2012.

And Japan doesn't take off. The Japanese economy dropped 0.4% (y/y) in 4Q2012, the third consecutive quarter of drops in GDP, revealing that Japan has problems getting out of its recession. Although the situation is not encouraging, fiscal stimuli, the flexibilization of the monetary policy, and the recovery of foreign demand are expected to help Japan come out of its recession in the first quarter of this year.

No to the "currency war". Through a communiqué, the Ministers of Finance of the G20 (the twenty most industrialized economies) pledged to abstain from competitive devaluations, the so-called currency war, and said that the purpose of the monetary policies of the countries that account for 90% of the global GDP is price stability and growth. Japan's expansive monetary policy, which caused a significant depreciation of the Yen, was not criticized by the group.

Unsustainable growth. Although the Latin American economy is expected to grow 3.8% this year, higher than the 3.1% of 2012, Alicia Bárcena, head of the Economic Commission for Latin America and the Caribbean (ECLAC), said that the region's economy is "*very vulnerable*" since its growth has been due more to an increase in the trade of raw materials and consumption, than to investment, which is difficult to sustain in time.





Political Tips

He's back, he's back, he's back... Hugo Chávez President of the Republic returned this week to Venezuela, after completing the first stage of his post-op recovery, after last December's surgery in Havana, Cuba. After more than two months without communicating, Chávez informed, via twitter, that he will continue treatment in Caracas. The Head of State is presently at the Military Hospital in San Martín, Caracas.

Capriles: Let's hope that Chávez will put things in order. Henrique Capriles, Governor of Miranda, saluted the return of President Chávez to Venezuela, after an absence of two months while he recovered in Cuba from his fourth cancer surgery. "*We hope that all those that during the last weeks have only uttered insults, disqualifications, and hatred are called to a halt, and return to sanity*", said Capriles referring to the ministers of the government's cabinet.

Express swearing in? The Supreme Tribunal of Justice (TSJ) is ready to swear in Hugo Chávez, President of the Republic, at any time, after his return from Cuba. Judicial sources said that TSJ is waiting for Chávez and his medical team to establish the date and time of the ceremony, and if it will be private or public. We must remember that Chávez could not be sworn in on January 10 for his third six year period, as established in the Constitution, so he must do it before the TSJ when he is capable of doing so.

Chávez will be sworn in when he is healthy. Aristóbulo Istúriz, Governor of Anzoátegui, and member of the directors of PSUV, said that Hugo Chávez, President of the Republic, will swear in "*when we is good and healthy*" and ruled out that the permit requested before the National Assembly (NA) had an expiration date. Istúriz urged the Head of State to continue with his treatment "*with discipline*" and asked him to trust his people.

"Unidad is prepared". Henrique Capriles, Governor of Miranda, said that in the event of a possible presidential election, Unidad would be "*prepared and ready to make decisions*". Capriles didn't give any details, but said that he was not calling for elections, that so far, the President himself was the one who mentioned the possibility, when he asked his followers to vote for Nicolás Maduro if he couldn't continue in power.



If you are adjusting, stop giving away. Capriles criticized that Jorge Giordani Minister of Finance, and Nelson Merentes, President of BCV, threw a “*red package*” against Venezuelans, while the Government gives away US\$7.0 billion per year to “*finance the loyalty*” of other countries. Capriles warned that the correct thing was to “*put an end to giveaways and not to devaluate*”, and that the Government must increase the minimum wage 46.5% to compensate for the inflationary effect of the devaluation.

The adjustment was necessary. Diosdado Cabello Vice-President of the United Socialist Party of Venezuela (Partido Socialista Unido de Venezuela - PSUV), defended the devaluation implemented by Government, saying that it was “*fair and timely*”. “There are enough reasons for the Government to make that decision” said Cabello, urging party followers to go out on the streets and support the economic measures, and to avoid the blackmail of opposition sectors that qualify it as a “package”.

A bourgeois exchange rate control. Elías Jaua, Foreign Affairs Minister, said that those that really benefit from the “cheap dollars” that the Foreign Currency Administration Commission (Comisión de Administración de Divisas - Cadivi) granted are not the people but the “importing bourgeoisie”. “*The beneficiaries of Cadivi’s cheap dollars are not the citizens of the country, but the importing bourgeoisie (...) that don’t want production in Venezuela (...) and have tried to sabotage the productive economic development*”, said Jaua.

PSUV Primaries will be April 7. According to Diosdado Cabello, first Vice-President of PSUV, the elections of that organization, to select the candidates for the municipal elections, will be April 7. The nomination of candidates for those internal elections will be made by municipal and state political teams, from February 23 to February 28, and then will be evaluated by the national direction, to be presented to the CNE, which will provide logistic support.

The government wants to improve relations with the U.S. Elías Jaua, Foreign Affairs Minister, said that Venezuela wants to have “*a good relation*” with the U.S. and that the Government is working to improve bilateral links with the North American country, although they are not “*desperate*” to achieve it. Jaua said that there is no rush to have a good relation with the U.S. because according to him “*we can live with dignity without a US ambassador in Venezuela*”.





Legislative Tips

Worker's food law regulation reformed. Official Gazette No. 40.112 published the partial reform of this regulation, which modifies Article 5 regarding specialized services companies. Likewise, María Cristina Iglesias, Minister of Labor, announced the creation of the "Ticket de Alimentación Venezuela" (Food Ticket) and the "Tarjeta de Alimentación Venezuela" (Food Card).

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ECONOMIC OVERVIEW

