



Weekly Report

Year 7, Number 8
Week 1, March 2010

*Fourth Quarter Growth and
Balance of Payment figures:
Nothing to celebrate*

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Finally, the Central Bank of Venezuela (BCV) released its 2010 fourth quarter Gross Domestic Product (GDP) and Balance of Payments figures, and with them, at **Ecoanalítica**, we can begin to offer our preliminary economic figures for 2010, what we are calling the year of restrictions.

Though technically, these figures show that the Venezuelan economy has finally come out of its recession that has lasted for six consecutive quarters, and naturally the BCV is celebrating this fact, we at **Ecoanalítica**, believe that these figures also reflect an economy that in the future won't grow at its full potential, and significantly below the growth level of our Latin American neighbors and other countries member of the OPEC; that it won't generate the wellbeing the growing population of Venezuelan so desires to show; and that the country's health foreign accounts don't incorporate the benefits coming in due to the increase in oil prices.





In other words, Venezuela is entering a phase of stagnation. In this Report we will focus on interpreting these latest results and offer a preview of our upcoming Outlook Report which will be ready by the end of the month.

We don't see any reason to celebrate

According to these latest BCV figures, the Venezuelan economy grew by 0.6% during the fourth quarter of 2010 which translates to a decrease in the seasonally adjusted annual rate (SAAR) of -0.7% for the quarter. If we add the 2010 fourth quarter figures to the three previous quarters which made up the year we find that the economy shrank by 1.4% compared to 2009. It's important to remember that in 2009, the economy shrank by 3.3% compared to 2008, putting an end to the so-called boom years between 2004-2008. So, during the last two years, the Venezuela economy has shrunk by 4.6%, leaving the economy at levels it used to be in 2007.

At **Ecoanalítica**, we believe it is important to keep in mind that though we technically may have left the *recession* behind, during the last three years, our economy shrank in terms of economic growth, and as we previously mentioned, entered into a stagnation period during which the Venezuelan economy will grow at significantly below its potential.

And this not all, on top of being in a stagnation phase, the country is looking at having to endure an inflation rate of around 30.0% (this year and similar high levels of inflation for the medium term). And as always, these high inflation levels will affect those with the least amount of income the most. Consequently, we don't see a lot of reasons to celebrate, and even less so when we look at the Administration's economic policies which are taking the country even further away from what it has to be doing in order to get the country back on track to its potential economic growth rate and to begin focusing on a new economic model. And what makes this all even more paradoxical is that we are entering into what could be the most important election cycle in the contemporary political history of Venezuela. So, money should be in the air.

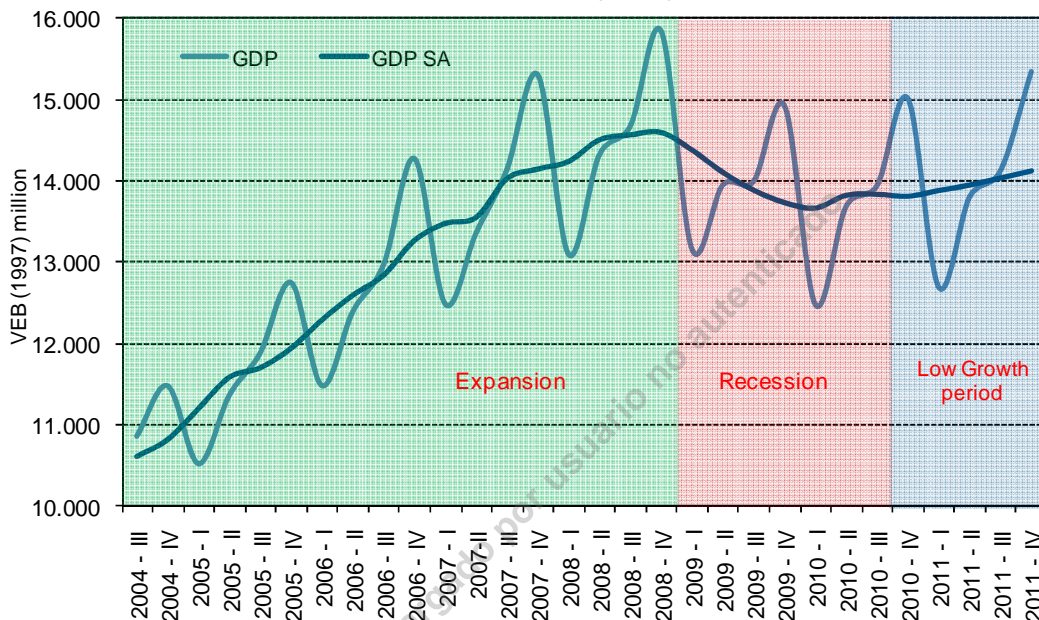
Seasonal factors set the pace

In Venezuela, as in other countries which economic growth is based on consumption (private sector as well as public), we have what one could call a Christmas economy. It's given this name because the GDP usually grows significantly during the fourth quarter (led by consumption) compared to the rest of the quarters of the year. This is why when you look at the not seasonally adjusted GDP growth graph (yoy) you see so many peaks and valleys.





GDP Vs. Seasonally Adjusted GDP



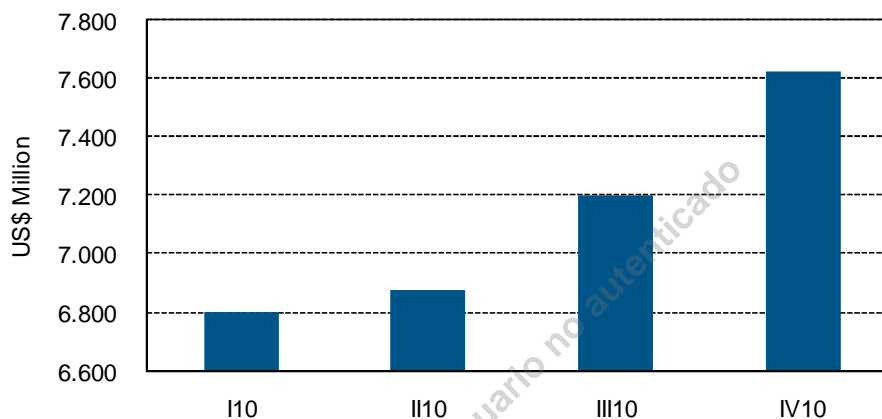
Sources: BCV and Ecoanalítica
Seasonal adjustment made by X12 method

This means that when the BCV says that 2010 fourth quarter growth is due to “a greater supply of foreign currency through CADIVI and its channeling towards priority production and consumption areas; such as agro-industry and health...” it is not taking into consideration that due to the population’s consumption needs and due to weakening production, said needs have to be covered via imports; in other words, CADIVI (and also SITME) has to liquidate more foreign currency during this time of the year. So, this surge which has led the economy out of the recession was mainly due, among other things, to seasonal factors. And for the economy to have in fact broken its recession tendencies said growth must be sustainable over time and it also must be felt by the country’s citizens.





Cadivi quarterly settlements



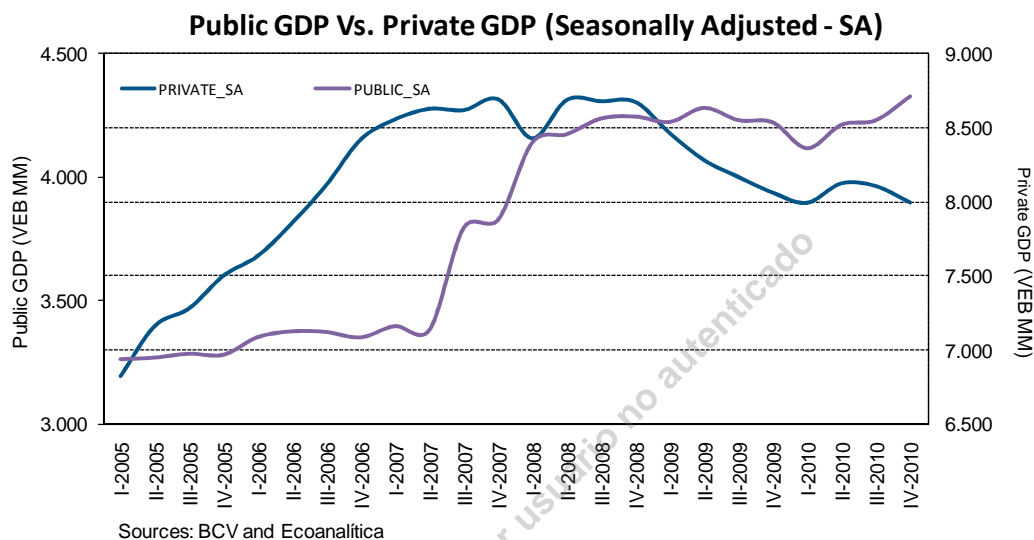
Sources: Ecoanalítica and Cadivi

Growth is in the Public Sector

As we have been mentioning for some time now, from the institutional point of view, the public sector GDP grew by 2.6% during the period in question, spearheaded by the communication sector, financial services, oil, and government services. Meanwhile, the private sector shrank by 0.9% compared to the fourth quarter 2009. This backs up Administration spokespersons when they say that the GDP will grow in step with socialism and not capitalism.

At **Ecoanalítica**, we continue to see the Administration focusing all its policies in this direction and this direction only, though we can't help but remember that we are headed into a very important election period for Chavismo. However, the Administration's advance has been precarious. Last year, the private sector's weight within the economy was only at 30.3%.





But it's not growing enough

Recently released BCV figures show oil activity growing by 1.8% compared to the fourth quarter 2009, while non-oil activity was up by only 0.2%, compared to the fourth quarter 2009, *spearheaded by public sector growing 3.0% mainly due to services*. Other non-oil sectors which posted growth levels were: communication, up 12.3%; services produced by the government, up 3.7%; financial institution and insurance, up 3.3%, and transportation services and storage, up 2.6%. On the other hand, the following sectors continued to drop: mining, down 17.5%; construction, down 8.6%; electric power and water, down 5.2%; commerce, down 2.9%; manufacturing, down 0.4%. It's important to point out that the BCV highlights that private manufacturing volume index is up by 0.7%. However, said sector, though extremely positive that it is recovering, only represents 15.1 points of GDP.

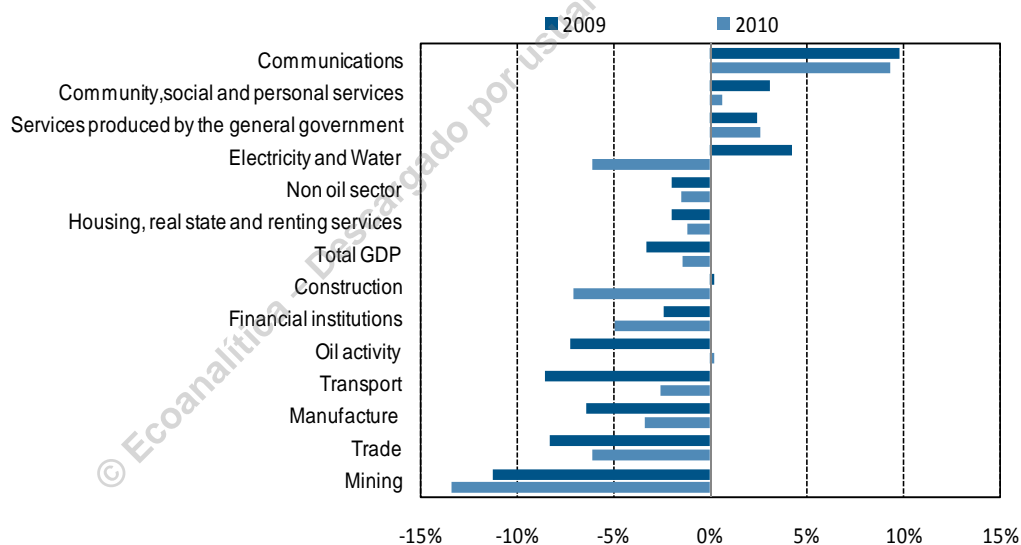
This refers to a quarter to quarter comparison (IVQ2010 vs. IVQ2009), because when the y/y comparison is made between 2010 vs. 2009, the figures don't differ from our projections. Among the sectors that grew in 2010 are: the oil industry (0.2%), Communications (9.3%), the services produced by the General Government (2.6%) and Community, social and personal services and the production of non-profit private services (0.6%). While sectors that declined were: Mining (-13.4%), Construction (7.1%), Electricity and water (-6.1%), Trade and repair services (-6.1%), Financial Institutions and Insurance (-4.9%), Manufacturing (-3.4%), Transport and storage (-2.6%), Real estate, renting and business (-1.2%) and the rest,



comprising: Private agriculture, private hotels and restaurants and various public activities (-1.4%).

Thus, while there are new areas that are incorporated into the growth in the last quarter, only four sectors grew for the year, which are not sufficient to support growth and to supply domestic demand. Overall, the sectors that grew (without taking into account the oil industry) accounted for 24.4% of GDP at the end of 2010, when in 1998 only accounted for 18.2%, which demonstrates the Government's efforts to increase its influence on the economy.

Growth by economic activity



Sources: BCV and Ecoanalítica

Looking to the future, more of the same

Taking into account these figures and the performance of other variables, at **Ecoanalítica**, we expect the economy to grow by 1.7% next quarter (2.0% SAAR), while for 2011, we expect economic growth will be at 1.5% compared to the previous year. This being the case, our economy would be in a stagnant phase which would affect low income families the most, since public spending won't be as dynamic while the economy is in this phase.

In our opinion, it's imperative that economic policies begin to address the country's economic realities and the problems being faced by "all" the economic agents and society in general. Let's not forget that economic growth is the best weapon to fight poverty with. If we don't change the path we are on we will continue to be an embarrassment for Latin America.



Balance of Payments: what the figures show us

According to the figures recently released by the BCV, the 2010 Balance of Payments showed a deficit of US\$8.06 billion; with the Current Account showing a positive balance of US\$14.38 billion; and the Capital and Finance Account, along with the Errors and Omissions Account, showing a deficit of -US\$18.79 billion and -US\$3.64 billion respectively.

The Current Account surplus is due to a positive trade balance of US\$27.17 billion, with exports at US\$65.79 billion (US\$62.32 billion from oil exports and US\$3.47 billion from non-oil exports) and imports at US\$36.61 billion. The 15% increase reflected by oil exports is due to the increase in oil prices during the period, despite the fact that export volumes dropped by 3% during the same period.

Non-oil export figures improved due to an increase in sales of iron products due to an increase in production volume and billed prices, despite the drop presented by steel, aluminum, and chemical products.

Import figures show us the effect that the increase in demand for goods is having, with increases in the import of food items, which international prices have increased considerably; the demand for electrical appliances, machinery and equipment, and common metals. It's important to mention how private sector imports are being displaced by public sector imports, reflecting the Administrations increase in foreign purchases due to investment programs being implemented, and the limited offer of foreign currency for the private sector.

The trade balance surplus covered the deficits posted by the Service Account (-US\$8.16 billion) and Current Transfers (-US\$559 million). The Capital and Finance Account deficit was a result of the Investment Portfolio surplus of US\$3.19 billion and the deficits of the Direct Investment Account and the Other Investments Account for US\$1.21 billion and US\$17.98 billion respectively.





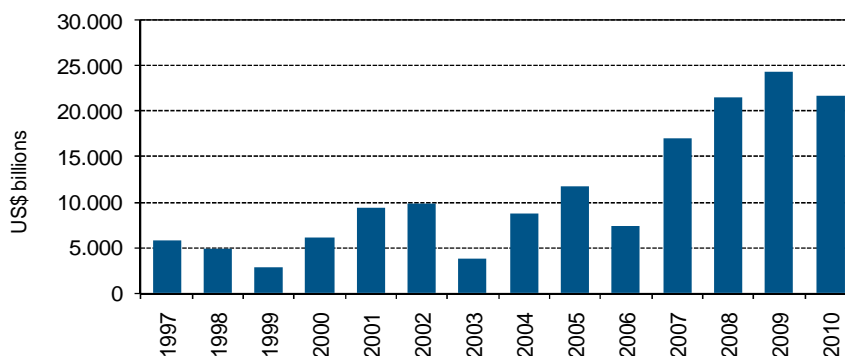
Balance Of Payments				
Millions of US\$				
(Millones de US \$)				
	2010	2009	Absolute Variation	Relative Variation
CURRENT ACCOUNT	14,378	8,561	5,817	67.9%
TRADE ACCOUNT	27,173	19,153	8,020	41.9%
Exports f.o.b.	65,786	57,595	8,191	14.2%
Oil	62,317	54,201	8,116	15.0%
Non-Oil	3,469	3,394	75	2.2%
Imports f.o.b.	-38,613	-38,442	-171	0.4%
CAPITAL AND FINANCIAL ACCOUNT	-18,799	-14,040	-4,759	33.9%
Direct Invest	-3,794	-4,939	1,145	-23.2%
Portafolio Invest	3,189	8,931	-5,742	-64.3%
Other Investment	-17,983	-18,032	49	-0.3%
Public Sector	19	1,600	-1,581	-98.8%
Private Sector	-18,002	-19,632	1,630	-8.3%
Errors and Omissions	-3,639	-4,783	1,144	-23.9%
Balance Of Payments	-8,060	-10,262	2,202	-21.5%

And capital flights?

At *Ecoanalítica*, we've been watching how the flow of private sector out-going capital has evolved over the years, and for 2010, despite the fact that the volume of out-going capital has dropped compared to 2009, it still remains at very high levels, hovering at around US\$21.64 billion compared to the US\$24.41 billion registered in 2009. As we have mentioned before, it's ironic that the very thing the exchange control was designed to control is what continues to flourish.

The performance of the 2010 Balance of Payments reflects the erratic nature of how the Administration manages its exchange rate political matters which in turn leave us with a very fragile economic structure.

Private Sector Capital Outflows



Sources: BCV and Ecoanalítica.



**What's in sight
and expected in
the medium
term**

Based on these figures, at **Ecoanalítica**, we expect that for 2011, both the Trade Balance and the Current Account will register a surplus, reaching US\$29.00 billion and US\$ 10.20 billion respectively. With respect to Foreign Investment in 2011, we expect a deficit, with the capital coming from China, Iran, Russia and all the other partners signed up for the Administration's oil investment, won't cover the flow of out-going revenue corresponding traditional multinational companies and payments made corresponding the nationalizations of private foreign companies that the Administration has carried out.

This scenario will lead to a deficit of the Capital and Finance Account of US\$21.10 billion, this due to the increase in out-going capital from the public sector, due to increased borrowing reflected in the Other Investments Account, and the cooperation agreements; and from the private sector due to the smothering regulations, political expectations, the lack of incentive for domestic investment, a significantly negative interest rates.

These figures only serve to validate what we have been saying for some time now that the current economic model is not sustainable, and the only reason it hasn't complete collapsed is due to current volatile oil prices. It's very important to keep in mind that there is no way to guarantee that the current trend for oil prices to increase will continue, and our dependence of such high oil prices makes us much more vulnerable to any negative change in the international oil market. Nonetheless, oil prices will keep at high levels. We believe that restructuring of the economic system is urgently needed in order to consolidate the real sector of the economy with the foreign sector.





Economic Tips

Unemployment closed at 10.4% in January. The president of the National Statistics Institute (INE), Elías Eljuri, announced that the unemployment rate for January 2011 closed at 10.4%, up 3.9 percentage points for the close of December 2010, and up by only 0.2 percentage points from that registered in January 2010.

Sky high debt. Central Bank of Venezuela (BCV) statistics show that the public sector debt in US-dollars closed 2010 at US\$77.17 billion, up by 25% compared to the US\$ 61.63 billion it closed at in 2009. The debt increased via a series of bond issuances in foreign currency by PDVSA, the Ministry of Finance and other entities.

Consumption down by 11.2% in last two years. Central Bank of Venezuela (BCV) statistics show that household consumption in 2010 was down by 4.9% compared to 2009, and in 2008 it dropped by 11.7%. This drop in consumption includes a drop in the consumption of items such as: foods and beverages, textiles, foot ware, furniture, household artifacts, electrical appliances, etc.

But... when you add services such as restaurants and hotels, transportation, and rent to household consumption then the drop isn't so severe, down 2.9% in 2010 and 6% in 2008. However, the BCV admits that in 2010, workers purchasing power in real terms, in other words, after adjusting for inflation, was down by an average of 5.3%.

State imports up by 72% in the fourth quarter 2010. Central Bank of Venezuela (BCV) statistics show that the public sector has increased its imports dramatically, with fourth quarter imports at US\$3.81 billion, much higher than the amount reported last year (US\$2.22 billion).

Merentes estimates economic growth greater than 2%. Quite opposite from what representatives from other sectors believe, the president of the Central Bank of Venezuela is confident that the country is on the path to economic recovery and believes that *"Venezuela is going to grow significantly in the coming years."*

Domestic debt could reach 47% of GDP this year. Due to the increase in revenues coming into the State's coffers, the public sector will continue to borrow and according to estimates from Barclays Capital, the total debt could reach 47% of the GDP. The Minister of Planning and Finance, Jorge Giordani, recently pointed out that the debt was at 18.6% of GDP.



The new Tax Unit went into effect. The Tax Unit was adjusted by 17.5% taking it to VEB 76. It officially became so with its publication in the *Gaceta Oficial* N° 39.623 that came out March 1. The new Tax Unit will affect how a number of obligations and benefits are calculated, such as the food coupons.

SITME liquidated 17% more foreign currency than in January. The SITME traded 17% more foreign currency in February than in January, closing on Monday at \$613.47 million traded vs. \$521.96 million in January.

International reserves drop by 10%. In two months, the BCV has transferred US\$2.0 billion to FONDEN. The authorities have yet to announce the total amount they plan to transfer this year, nor have they state what the optimum level of international reserves will be. During the last two months, transfers to FONDEN have dropped international reserves levels by 10%.

VEB 4.1 billion in supplemental appropriations approved. The National Assembly during the month of February approved supplemental appropriations for VEB 4.1 billion to be used for housing, infrastructure, labor benefits owed, and purchasing food.

Interest rate. The lending rate for the third week in February was at 17.7%, down by 0.6 perceptual points compared to the previous week. Time deposits and savings rates were steady at 14.9% and 12.6%, respectively.

International reserves. International reserves decreased 4.1% going from US\$27.65 billion during the third week in February to US\$26.51 billion during the fourth week of February. Compared to the same period last year, international reserves have dropped by 15.5%.

Monetary liquidity. Monetary liquidity for the third week in February was down 1.8%, compared to the previous week settling at VEF 291.6 billion. The M2 has increased 24.2% year-on-year.

Sitme figures. To date, US\$6,32 billion have been negotiated through the Integrated System for Foreign Currency Transactions (Sitme), averaging US\$34.1 million a day, with an implicit exchange rate of VEF 5.3/US\$. Last week the traded amount reached US\$143.1 million, US\$7.6 million less than last week when braided US\$150.8 million.





Oil Tips

The ministry's figures: according to the Ministry of Energy and Oil, Venezuelan oil production fell by 7.7% between 2009 and 2010 to an average of 2.8 million b/d, whereas in the previous period the average came to 3 million b/d. The figures were published in the audited financial statements of the state-owned oil company, PDVSA.

Exports up: according to the Ministry of Energy and Oil, Venezuela's oil exports rose during January to 2.6 million b/d, compared to 2.3 million b/d the previous month. The increase occurred following an upturn in shipments of conventional crude, upgraded crude from the Orinoco Oil Belt, and derivative products, which had been experiencing problems owing to the heavy rains that affected the loading of crude at Venezuelan ports.

Colombia better than ever: Colombia's state-owned oil company, Ecopetrol, posted an increase in profits of 59% in 2010 compared to 2009, achieving a net profit of US\$4.4 billion. Ecopetrol's president, Javier Gutiérrez, stated that last year "was very positive for the company. Exploration activities determined the presence of hydrocarbons in ten wells in Colombia and in one in Brazil."

The reasons: Ecopetrol's president, Javier Gutiérrez, said that the reason for this performance was the programs that permitted production to reach 615,900 b/d, in line with the provisions of the strategic plan, so achieving an outstanding increase of 11.4% in proven reserves, "reaching over 1.71 million barrels of oil equivalent." Moreover, total investments in 2010 increased to US\$6.03 billion and, last year, the price of Ecopetrol's export crude basket rose by 29.2% compared to 2009.

PDVSA received aid from the Treasury. According to the state-owned oil company's financial statements, in the period 2008-2010, PDVSA handed over certificates and bills to a value of US\$10 billion to the National Treasury Office, Banco del Tesoro, Banco de Desarrollo Económico y Social (Bandes), and the Deposits Guarantee and Bank Protection Fund (Fogade). Initially, the papers were short-term with interest at 8%, but were then modified to a maturity of 12 months.

PDVSA's big headache: For those who think that getting oil out of the ground is free, Professor Asdrúbal Baptista of the *Instituto de Estudios Superiores de Administración* (IESA) points out that the ratio of volumes extracted to capital for exploration and oil production suggests that between now and 2020, Venezuela will need to invest



US\$215 billion in order to expand its production to 4 million b/d, which would mean investing some US\$20 billion a year.

Consequences: as a result of the insurrection in Libya against Muammar al-Gaddafi and his 30-year-old administration, oil production there has plummeted leaving a vacuum in the world market of between 500,000 b/d and 750,000 b/d of crude, less than 1% of world daily consumption. According to the International Energy Agency (IEA), the main countries affected by this crisis are Italy, Germany, France, and Spain.

Saudi Arabia gives guarantees. Libya is a member of the Organization of the Petroleum Exporting Countries (OPEC) and its importance stems from the fact that it has the largest proven oil reserves in Africa, followed by Nigeria and Algeria. But, even though Saudi Arabia has already tried to calm the markets by raising production to more than 9 million b/d and OPEC is prepared to make up any shortfall in supplies, oil prices will remain unstable as long as the conflict continues.

Direct allocation: the Venezuelan Government allocated directly the new gas block Urumaco III in the Gulf of Venezuela to Gazprom, according to *Gaceta Oficial* No. 39,624 dated February 25, 2011. The Russian company will pay a premium of US\$10 billion for the allocation of the field, according to the Ministry of Energy and Oil. Gazprom will perform its operations in an area of 532.29 square kilometers.

International oil baskets. At New York's market closing time this Thursday, March 3, the WTI was at US\$101.3/bl, showing a 3.1% increase compared to the US\$98.1/bl of the previous Thursday. The Brent increased by 0.6% to reach US\$114.4/bl, compared to US\$113.8/bl of the previous Thursday.

Local oil basket price. The Venezuelan oil basket price decreased last week, to close at US\$91.1/bl on Friday, February 25, up by 7.2% from the US\$85.0/bl registered the previous week. Meanwhile, the basket's annual average is at US\$86.4/bl.

Business Sector Tips

Heinz resumes operations. After a 23-day stoppage, Alimentos Heinz issued a communiqué in which it stated that, starting tomorrow, activities would be resumed at its San Joaquín plant. The announcement was made by Ministry of Labor and Social Security spokespersons before a group of 200 Heinz workers at its offices at Blindada 41, in Valencia.



Drop in sales of six items forecast for first semester: the Venezuelan Food Industry Chamber (CAVIDEA) forecasts a drop in sales of between 1.5% and 10.3% for six basic basket products during the first semester of 2011. According to CAVIDEA's trends report, mayonnaise sales will drop by 1.5%, rice by 1.6%, tomato sauce by 3.6%, margarine by 8%, tuna by 6.2%, and sardines by 10.3%.

Khan's presentation before the AN, a "mockery": business and workers' leaders consider the presentation by Basic Industries and Mining Minister (MIBAM) José Khan before the National Assembly (AN) to be proof of his total ignorance of the situation at the state-owned companies in Guayana.

MIBAM blames Ternium for decline in production at SIDOR. During his presentation before the National Assembly, Basic Industries and Mining Minister (MIBAM) José Khan admitted that heavy industry in Guayana has "too many problems, we can't deny it." He also said, but without giving specific figures, that the reduction in production at Siderúrgica del Orinoco (SIDOR) was due to the sale of inventories by the Argentine company Ternium.

Government and private companies have construction of housing on hold. Problems with the supply of materials and less investment are forcing the public and private sectors to suspend the construction of approximately 69,000 housing units.

Government paid US\$2.79 billion into the Electricity Fund. The National Electricity Fund, set up by the Administration during the electricity crisis (February 2010) to finance strategic projects in the sector, had received disbursements equivalent to 54.8% of total foreign currency allocations and 43.6% of local currency allocations at the close of 2010.

Sudeban requires banks to adapt to new regulations. The Superintendency of Banking Sector Institutions (Sudeban) has published the requirements for mergers and changes in corporate purpose to bring banks into line with the sector's new law in *Gaceta Oficial* N° 39,625.

Requirements for complying with the new regulations: banks that have to merge or change their corporate purpose must comply with 13 requirements and they will have 180 days from approval of their adjustment plan in which to carry out the changes that will turn them into one of the two types of legal entities provided for in the new law.





More regulations for banks: the Superintendency of Banks issued a resolution, dated February 23, that makes it compulsory for financial entities to hold elections at which 20% of their customers will elect the external auditors via electronic means.

TSJ to review cases against bankers: The Supreme Tribunal of Justice (TSJ) is to undertake a review of seven cases against bankers being tried by different Caracas courts. This information appears in Reports Nos. 34 and 35 of the Criminal Cassation Chamber dated February 24 and 25, which state that the TSJ decided to officially apply itself to the task of reviewing these cases.

BPVB has placed VEB 22.3 million in securities. The total amounts of the securities registered with the Bicentennial Public Stock Exchange (BPVB) and the amounts placed correspond to Series I and II of the debentures of Envases Venezolanos, C.A. and Toyota Services de Venezuela, C.A., according to the BPVB's latest weekly bulletin. The bulletin reports that the BPVB has attended to 570 private individuals and 188 companies since it started operating just over 30 days ago.

Producers are waiting for supplies of agricultural inputs. Farmers are concerned over the scarcity of agricultural inputs for winter planting. They warn that, if they are encouraged to plant but do not have sufficient fertilizer, the results could be disastrous.

Airfares to be revised based on cost structure: *Gaceta Oficial* N° 39,620 published the new directive that regulates the approval, registration, publication, and entry into force of passenger airfares inside Venezuela. It replaces the directive applicable since November 22, 2005.

Private sector hotel occupancy rate down in 2010: The president of Venezuela's National Hotel Federation (Fenahoven), Leudo González, stated that they have 600 members throughout the country and that, according to the data they have available, "in 2010, there was a drop in the occupancy rate" of those hotels. He also pointed out that the sector as a whole has reported a 10% reduction in the hotel occupancy rate.

World Economy Tips

Unexpectedly revised down: the United States has revised down its economic growth figure for the last quarter of 2010, from 3.2% to 2.8%. This result is way below consensus expectations, which forecast an increase of 3.6%. Even so, this result is



still the best since the first quarter of 2010. This figure brings growth for 2010 to 2.8%, a fair achievement bearing in mind that, in 2009, the US economy contracted by 2.6%. As for domestic demand, it closed with growth of 1.8%, driven mainly by direct investment and personal consumption, which grew by 5.6% and 1.8%, respectively in 2010.

Gaining ground: In February, the Composite Index of activity in the US factory sector published by the Institute for Supply Management was 61.4, up from 60.8 posted in January. This figure is higher than consensus expectations of 60.6 and was the highest since May 2004. This was also the 19th consecutive month with growth, as it was above the break-even point of 50. Any figure above that break-even point indicates growth, whereas any figure below means contraction. This index fell to its historical low of 32.5 in December 2008.

Not its best moment: the US construction sector showed a slowing down in activity for the second month running owing to inclement weather in the United States. The construction index ended up falling by 0.7% in January, after dropping 1.6% in December. This represents a decline in the sector compared to a year ago of 5.9% and a contraction of 10.3% during 2010.

Increasingly optimistic: the National Association for Business Economics announced that it revised upward its economic performance projections for 2011. According to the communiqué, Gross Domestic Product (GDP) in the United States should post growth of 3.3%, 70 basis points higher than expected initially. This change is based above all on a 3.2% increase in consumption.

Other positive revisions: besides the revision of its estimate for economic growth in the United States, the National Association for Business Economics has said that it expects unemployment to remain practically unchanged at 9.1% (compared to 9.6% in 2010), which does not give much cause for optimism. It also mentioned that it expects inflation of 1.8%, up 20 basis points from 2010. Finally, the interest rate for Treasury Bills should be in the region of 3.9%, up 0.6% from 2010.

Continuing their upward trend: Japan's Ministry of Economy, Trade, and Industry published its industrial production figures, which posted an increase of 2.4%, maintaining a positive trend for the third month running. This figure represents a 3% increase compared to the year before. A closer look at the index reveals that the manufacturing sector has increased its shipments by 2% compared to 2010, whereas inventories have grown by 7.3% over the same period. As for retail sales, despite falling 0.3% compared to a year earlier, they continued to recover, posting an increase of 4.1% in January.



The UK didn't do as well. After revising its figures for the last quarter of 2010, the United Kingdom posted a contraction of 2.3% compared to the previous period, whereas the increase from a year ago was 1.5%. A closer look reveals that private consumption grew by only 0.4% compared to a year ago, whereas public consumption grew by 1.2%. Domestic demand grew by 2.7%, with increases in exports and imports of 6.4% and 9%, respectively. Gross capital formation was up 5.6% from a year ago.

Slow progress: the European Union's Index of Economic Forecasts continues to show progress, albeit slight. In February, it achieved an increase of 0.9% following a slight drop of 0.1% in January. The main countries showing improvements were Germany, Spain, Greece, Portugal, and the United Kingdom with 1.1%, 2.4%, 4.3%, 4.8%, and 3.1%, respectively.

Political Tips

Inter-American Court reviews political disqualification in Venezuela. The Inter-American Court of Human Rights has commenced a two-day hearing to review the case of Venezuelan opposition leader Leopoldo López, who has been politically disqualified until 2017 and who hopes that the court will condemn this measure and order its reversal.

Parlatino is to closely monitor the case of Leopoldo López. The deputies of the Latin American Parliament (*Parlatino*) have undertaken to put an end to political persecution in Venezuela after hearing Leopoldo López give details of the case of his political disqualification on which the Inter-American Court of Human Rights in San José, Costa Rica, is to hand down a decision next week.

TSJ is the only institution qualified to revoke López's political disqualification. Clodosbaldo Russián, Comptroller General of the Republic, explained that the Constitutional Chamber of the Supreme Tribunal of Justice (TSJ) is the only institution qualified to revoke the administrative sanction of political disqualification against the coordinator of the political party *Voluntad Popular* and former mayor of Chacao, Leopoldo López.

Parlatino rejects Solórzano's denouncement of Chaderton. The group of government-bench deputies to the Latin American Parliament approved an agreement rejecting statements made last Saturday by Delsa Solórzano on behalf of the Coalition



for Democratic Unity, when she called on her colleague Roy Chaderton to resign from one of the two posts he currently occupies, as established in the organization's internal regulations.

PPT accuses Chávez of using the lack of security for political ends. The political party *Patria Para Todos* recently accused President Hugo Chávez of turning the meeting of the Federal Council of Government into an "election campaign command."

Students on hunger strike call for mediation of the UNDP. The students handed the UNDP's representative in Venezuela, Alfredo Missair, a letter in which they explain the critical situation currently facing the universities as a result as the shortfall in funding, which is affecting student services and preventing improvements in the wages and salaries of employees and teaching staff. In the letter, they request the UNDP to serve as an intermediary with the Venezuelan Government in order to reach a settlement of the dispute.

Insulza, "happy" over end of strike, hopes for dialog. OAS Secretary General José Miguel Insulza said that he was "happy" that the hunger strike by students outside the OAS's offices in Caracas was at an end and also because of what he considered to be the start of a dialog.

Money allocated to police force insufficient, according to Salas Feo. Carabobo Governor Henrique Salas Feo needs VEB 600 million in order to equip the Carabobo police force and he told Home Affairs and Justice Minister Tareck El Aissami so during the Federal Council of Government meeting last Saturday, which was given over to the issue of the lack of citizen security.

Salas Feo fined for not appearing before Legislative Council. Because he failed to respond to Carabobo Legislative Council's summons for questioning, the Council's government bench deputies approved a decision to fine him 600 tax units, the maximum fine established in Article 27 of the Law on Appearances before the Carabobo Legislature, explained the president of the regional parliament, Miguel Flores (PSUV).

Primaries for presidential elections to be held between end of 2011 and early 2012: primaries for electing the presidential candidate to be postulated by the democratic alternative to run at the 2012 presidential elections will be held between November 27, 2011, and March 11, 2012.

Chávez, "They won't return to power through elections or by any other means." Amidst cheers and military pomp and ceremony, in a speech given during the ceremony to commemorate February 27, the Venezuelan President, referring to the



opposition leaders with their eyes on 2012, warned that they would never get back into government. “They won’t return, either through elections or by any other means they invent or are invented for them by their masters at the Pentagon or at Southern Command,” he roared in a nationwide networked television and radio broadcast.

Accusations of PSUV members selling jobs at Education Ministry: Some 400 people hoping to get jobs as teachers or education workers in Zulia were ripped off by PSUV-Cabimas leaders, who charged them between VEB 4,000 and VEB 10,000 for getting them jobs through the Ministry of Education.

National Assembly to talk with head of SEBIN regarding terrorism case: government and opposition deputies on the National Assembly’s Homeland Security Policy Committee want to solve a mystery: What or who is behind César Isaías Occa? The Public Prosecutor’s Office has charged Occa with concealment of weapons, terrorism, and possession of explosives and Control Court 13 ordered his detention at Rodeo I. Given this situation and the fact that Occa worked for the Legislature’s Security Service, the deputies want to know what political ties he has.

Venezuela does not support the UN’s decision on Libya. Venezuela’s ambassador to the United Nations, Jorge Valero, said this Tuesday that Venezuela rejects interventionist pretension to militarize the sovereign state of Libya.

Legislative Tips

First it’s on... The ban on smoking or keeping tobacco products lit in indoor areas of public places and the workplace, regardless of their use, and also on public transport, as specified in the Ministry of Health resolution on Tobacco Smoke-free Environments, was published in *Gaceta Oficial* No. 39,623 dated February 24, 2011. Failure to comply with or infringement of the provisions established in this resolution will result in the application of sanctions provided for in current legislation.

Then it’s off... The annulment of the decree banning the consumption of cigarettes and tobacco products in public places and the workplace appeared in *Gaceta Oficial* No. 39,624 dated February 25, 2011. A Health Ministry spokesman confirmed the annulment.



There's no reason for continuing to doubt. According to *Acción Democrática (AD)* Deputy Edgar Zambrano, "The government and opposition benches have reached a prior agreement to debate this issue on March 3," in reference to the debate on the immunity of Deputies Biagio Pilieri, Hernán Alemán, and José Sánchez.

Pilieri free: Deputy-elect for Yaracuy Biagio Pilieri has been released and, outside the OAS in Caracas, he said he was confident that more political prisoners would be released in the next few days as a result of the petitions made by the students on hunger strike in front of the OAS.

Indirect summoning for questioning: National Assembly Deputy Miguel Cocchiola proposed to the Comprehensive Social Development Committee that an inspection be conducted of all the country's public hospitals as he believes that there is excessive opacity in the management of funds in that sector.

The people will be legislators. According to Darío Vivas, deputy to the National Assembly for the United Socialist Party of Venezuela (PSUV), the parliamentary agenda will focus on giving more power to the citizen and making available all the tools for turning the people into legislators. The goal is to put the slogan "The Legislator People" into practice and, to that end, efforts will be made to get all sectors to draw up bills.

Another inflation issue: Seniat has raised the tax unit from VEB 65 to VEB 76, applicable from February 25, 2011.

Disguising tighter controls: Deputy Darío Vivas, chairman of the National Assembly's Permanent Media Committee, said that the committee will focus its efforts on aspects having to do with legislative, coordinating, communications and information, and educational matters and control over management with a view to making it possible to apply constitutional rights relating to the freedom of speech, truthful and timely information, and everything having to do with the development of telecommunications and the media.

He'll finally be able to appear. Following his release on Thursday, February 24, 2011, Deputy-elect for Anzoátegui Freddy Curupe will be able to take his place as Deputy Carlos Michelangelli's alternate. Curupe, who was held at Guanta Police Station for one year, was released following the hunger strike by students outside the Organization of American States.

More bureaucracy: the Superintendency of Banking Sector Institutions (Sudeban) published Resolution No. 072 in *Gaceta Oficial* No. 39,625 dated February 28, 2011, which indicates the requirements for the Processes of Merger and/or Change in



Corporate Purpose for the purpose of complying with the Banking Sector Institutions Act. The resolution went into effect on the date of its publication.

Banned from National Assembly: Televen journalist Oliver Fernández was banned from the National Assembly by the Press Office, with no explanation being given. It was learned, however, that Fernández was involved in an incident after journalists were refused access to the Consultation Committee. A worker pushed and insulted Fernández, who responded to the aggression.

There's to be an investigation. The National Assembly's Environment, Natural Resources, and Climate Change Committee will investigate the death of the Amazon river dolphins at the Valencia Aquarium in Carabobo state, on January 13 and February 5.

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ECONOMIC OVERVIEW

