

Encovi 2018: Very poor on several fronts

In another year marked by hyperinflation, political instability and socioeconomic crisis, the policies geared to solving the humanitarian crisis in Venezuela are daily less effective. In this context, efforts have been made to analyze the critical conditions of the Venezuelan population, quantifying the socioeconomic impact of the policies implemented in recent years.

In this regard, a number of universities and research institutes recently published their National Living Conditions Survey (Encovi)¹ for 2018. This report provides an alternative to the measurement and study of socioeconomic indicators forgotten by the Maduro regime. The purpose of this latest report is to analyze the survey's results in terms of poverty, food, education, and employment indicators.

From three to one

Encovi uses three methodologies. The first is the **income poverty metric**, which estimates poverty by comparing a household's income with the Poverty Line. This is a ratio of the income of these households (as a means for acquiring essential goods and services) to the cost of an average basket of goods and services in the country in question. If the family's income is below the Poverty Line², it is considered to be a poor household.

The **Unmet Basic Needs (UBN) measure** on the other hand seeks to define the needs that are considered basic for the population. So, a household is deemed to be in a state of poverty when it does not manage to obtain the wherewithal to meet those needs on a regular basis.

In the current context of hyperinflation, the methodology employed in Encovi does not take either of these methodologies into account. With annual inflation estimated at 2,106,601% and a real loss in the purchasing power of wages of 86.5% at the close of 2018, measuring poverty by these methods would put practically the entire population in the "poor" category and possibly even in the "critical poor" group. Given these difficulties,

¹ A survey conducted by *Universidad Católica Andrés Bello* (UCAB).

² Income line used as a poverty measure, in which those people who have a lower income than the one from the line are considered as poor.

Encovi adopted, for 2018 only, an approach based on identifying degrees of poverty in Venezuela by considering several criteria simultaneously. Thus we are entering the terrain of multidimensional approaches for evaluating the socioeconomic conditions of Venezuelans in a context that lends itself to the use of such methods.

Multidimensional method: more than half

Economic Sciences Nobel Prize winner (1998) Amartya Sen³ explains that, by measuring poverty unidimensionally, the poor population is identified (among the total population) and a numerical measure is constructed as a poverty indicator. This two-step protocol has become the standard method for quantifying shortfalls, using income as a “classification criterion.” However, the problem with this type of measure lies in the poverty level and also in the profundity or magnitude of this variable.

Besides that there is the criticism regarding the traditional methodology made by Sen himself based on his well-known *capabilities approach*, according to which an individual’s poverty is based on his lack of those means or *attributes* (economic, social or natural) that would enable him to meet his needs.

This has given rise to **multidimensional poverty** measurement methods that seek to take into account the dimensions that define the capacities an individual has for meeting the minimal social and material requirements in order to be considered *not poor*.

Among the methods that currently exist, those of Anand & Sen (1997)⁴ stand out. They created the *Human Poverty Index*, which includes multidimensional privation indicators for different populations (such as illiteracy, the probability of dying before a given age, etc.). More recently, methods such as Alkire & Foster’s *identification and counting approach* (2011)⁵ have been used, where greater precision is used for identifying and including those who are considered paupers.

Basically, this technique implements the poverty metric if an individual: 1) is poor *in a given dimension* (if his score corresponding to said dimension is way off the reference value); and 2) if he falls below those criteria *for a minimum number of dimensions*. Subsequently, a single indicator is created by adding together the results of the

³ Sen, A. (1976). “Poverty: An Ordinal Approach to Measurement”.

⁴ Alkire, S. & Foster, J. (2011). “Understandings and Misunderstandings of Multidimensional Poverty Measurement,” Oxford Poverty & Human Development Initiative.

⁵ Íbidem.

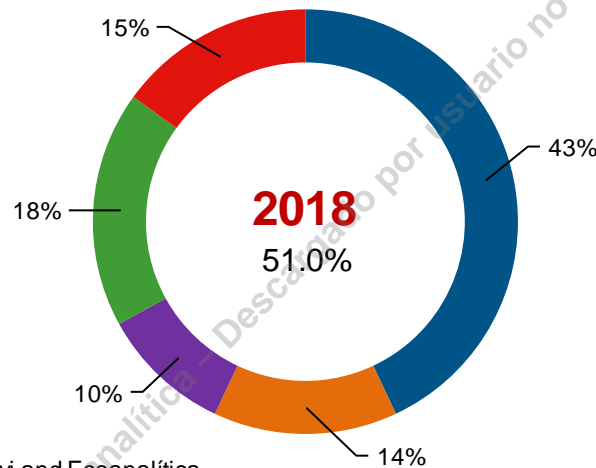
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individuals by dimension based on the importance of each criterion used to determine the shortfall of attributes for meeting needs.

For its 2018 survey, Encovi uses a quantification technique based on these methodologies, taking into account the different dimensions (or factors)⁶ that cover the daily activities of households in Venezuela. It considers five factors: housing, services, standard of living, education, employment, and social welfare, each of which is weighted based on its value for a typical household.

Weightings of the multidimensional poverty

■ Living standards ■ Employment and social security ■ Education ■ Services ■ Housing



Sources: Encovi and Ecoanalítica

According to the survey's recent results, people in Venezuela show a high level of poverty based on multiple criteria. Figures go from 399,000 households in the Greater Caracas Area (33.8% of the total) to 1,088,000 households (75.3%) in all the country's other cities (large, medium and small); 2.9 million households are in a state of multidimensional poverty.

Educational establishments are a reflection of all the ills Venezuelan society is suffering from. In 2018, only 70.0% of the young population surveyed was in the education system, 1 percentage point less than in 2017. The most impoverished sectors face greater restrictions when it comes to gaining access to and remaining in the education system. According to Encovi, children and adolescents (12 to 17 years of age) have fallen behind at school by 26.0% in the case of the boys and 23.0% in the case of the girls. Of those

⁶ Poverty is quantified by giving scores to each dimension, which have the same weighting in the index. If a household has 25% shortfalls in these categories, it is considered to be in a state of poverty.

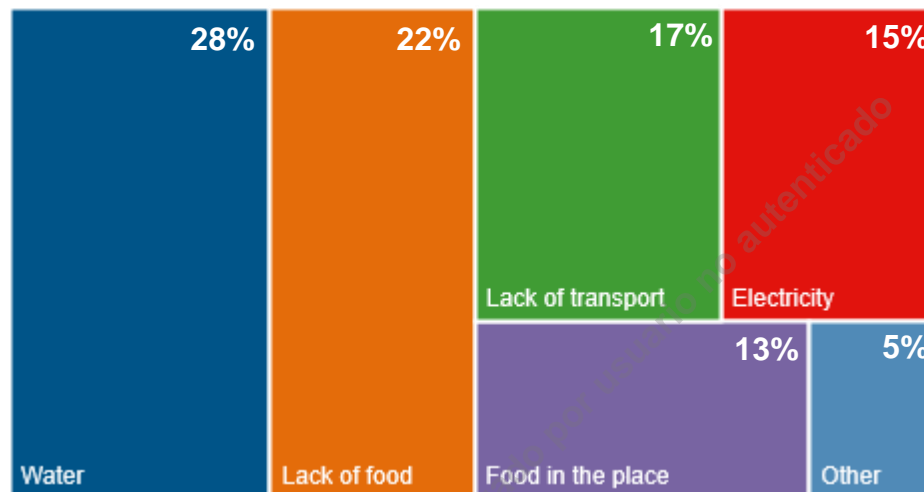
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who manage to attend school, only half attend regularly. The main reasons for not attending are the lack of water, food, electricity and transport.

Causes behind class inasistencia



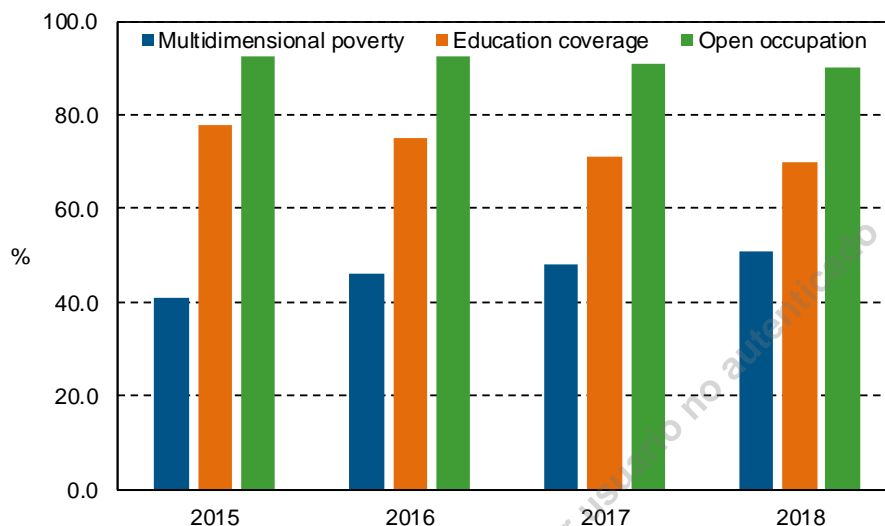
Sources: Encovi and Ecoanalítica

As in previous years, the labor market is another sector that has been extremely affected by the social and economic crisis. Ten percent of the economically active population (EAP) is unemployed, 1 percentage point more than last year. Besides the lack of employment, there are other imbalances in the labor market that affect 25.0% of the workforce. According to Encovi 2017 figures, 1.6% was visibly underemployed (i.e. working fewer hours than the number established for a regular workday) and 3.7% was in a situation of invisible underemployment (i.e. people who work 40 hours or more and earn less than the minimum wage).

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Multidimensional poverty dimensions



Sources: Encovi and Ecoanalítica

The standard of living in Venezuela has declined since 2016. That year it was estimated that there were more than 5000 cases of infant deaths associated with the crisis. The forecast was for this figure to be 20,000 deaths in 2017 and 2019. In addition, income shortfall in households has become increasingly greater when it comes to buying food. In 2017, 80.0% of households experienced lack of food security. Besides, according to food purchasing patterns, the diet of Venezuelans has declined in terms of both quality and variety. All this has resulted in life expectancy being reduced by 3.5 years.

Conditions in the food sector, as in all the sectors described earlier (health, education, employment), give cause for concern. For that reason, it is extremely useful to understand the cost of living under these conditions for a country.

Hunger exacts a price: the case of Malawi

Undernutrition is one of the most serious health problems worldwide, as it is the factor that most contributes to infant mortality⁷. However, its implications go beyond the sphere of health. It is a condition that channels potential social, human and economic losses. Consequently, nutrition, taken into account by some poverty indicators, is also an issue in the realm of economic studies.

⁷ International Monetary Fund (October 2012). "World Economic Outlook Database"

*The Cost of Hunger in Malawi (2015)*⁸ is a report by the United Nations on the economic impact of undernutrition, particularly in the case of Malawi in 2012. This tiny country, located on the African Continent, suffers from a serious problem of undernutrition, according to the Global Hunger Index. This situation has posed huge challenges for its growth and development.

Malawi continues to fight against undernutrition, the consequences of which are presumably making themselves felt in its growth today. This is due to the fact that undernutrition from an early age generates intergenerational consequences. According to this report, in 2012 the economic costs resulting from undernutrition in Malawi were high, which led to the conclusion that it has a major impact on a nation's well-being. Higher levels of undernutrition (correlated to high levels of poverty) generate greater costs in terms of a country's growth, as we will see below.

Costs for the health sector: growing mortality

In 2012, Malawi reported 862,477 children with atrophy, low weight and small stature⁹ (unmistakable signs of malnutrition) who required medical care, generating costs for both their families and the country's health sector. Furthermore, this very often led to an increase in the cases of mortality.

The consequences of undernutrition in the health sector are fairly obvious. If undernourished from an early age, a child is at greater risk of death and his susceptibility to repeatedly becoming ill increases. Children under five who are undernourished are more prone to suffering from anemia, diarrhea, respiratory infections, and malaria. The costs of treating an undernourished child are high. Their treatment requires an intensive protocol that could normally be prevented with appropriate action on the nutrition front. What is more, the cost in each case can increase when there are inefficiencies such as a lack of adequate health services.

⁸ United Nations (2012). "The Cost of Hunger in Malawi: Social and Economic Impacts of Child Undernutrition in Malawi".

⁹ Atrophy is a condition where a child has a weight that is lower than the weight required for his stature; low stature is where he has a stature that is below the norm for his age; and low weight is when he weighs less than the weight needed for his age.

Costs in Malawi's health sector

Pathology	% of the total episodes	Cost in thousands of USD
Underweight	74%	14.4
Low birth weight	5%	23.7
Anemia	8%	1.1
Diarrheal syndrome	8%	4.2
Respiratory infections	1%	0.4
Malaria	4%	2.4
Total	100%	46.2

Sources: United Nations and Ecoanalítica

As for the cost to the public sector, this includes the cost of medical supplies, such as medicines and laboratory tests, beside the unit cost of the care provided by the health system. On top of that, there is the number of medical personnel man hours and hospital hours. All this brought the total cost associated with health care for the public sector to an estimated of USD⁰46⁰million, 19.5% of the budget allocated to health and to 0.8% of GDP for the year.

Costs for education: empty desks

The consequences of undernutrition in education have already been analyzed and studies suggest that pupils who have suffered from *low stature* usually do less well at school. This has an impact on the number of pupils who repeat courses. The risk of dropping out of school also increases. In Malawi, 18.0% of pupils who had to repeat a year also had problems of *low stature*, and only 43.0% of this group (between 20 and 64) were able to complete their primary education.

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Costs in Malawi's education sector			
	Primary	Secondary	Total
Repetitions*	131,335	15,709	147,044
Public cost per student	24	101	126
Total public cost	3,212,454	1,593,992	4,806,446
Private cost per student	29	333	362
Total private cost	3,827,102	5,223,243	9,050,344

Sources: United Nations and Ecoanalítica

*Number of repetitions with stunting.

Note: costs expressed in USD.

The costs in this case, as in health, are not minor ones. When a child repeats a grade, twice the resources are needed for him to repeat the school year. Here, it is the families that usually shoulder the lion's share of the economic burden. Moreover, the cost goes up when this happens in secondary education, as the materials cost more, and school fees are higher. The cost for education in Malawi is estimated at USD 13.9 million, equivalent to 5.9% of GDP.

Costs for productivity: everything has a price

Another of the effects of undernutrition can be observed in the levels of productivity. Even though the Government of Malawi has made efforts to reduce the number of children suffering from *low stature*, the impact of critical moments in the past on today's working population has been significant. In 2012, 59.9% of the population between 15 and 24 years of age were at a disadvantage because they suffered from *low stature* as children. Furthermore, according to estimates produced by the study's model, 21.4% of the population of Malawi was less productive due to severe problems of malnutrition, equivalent to a loss of USD 101.6 million or 1.8% of GDP that year.

This loss is due to the fact that people who have suffered from *low stature* complete fewer school years, on average, than those who did not. Then, in the area of non-manual work, high academic achievements are associated with higher income.¹⁰ Since a smaller proportion of the population is engaged in non-manual trades or professions, the country's potential productivity is reduced. As for work involving physical activity, studies on workers with *low stature* show that they usually have less muscle mass and tend to be

¹⁰ Based on data compiled from the 2010 Malawi census.

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less productive than those who never had growth problems. For Malawi, the loss associated with work involving physical activities was USD 66.7 million or 1.2% of GDP in 2012.

Costs in Malawi's productivity		
Case	Number of episodes	Cost in MM USD
Lower productivity in manual activities	3,294,142	66.7
Lower productivity in non-manual activities	1,595,078	101.6
Productivity losses due to mortality cases	81,783	368.3
Total	4,971,003	536.6

Sources: United Nations and Ecoanalítica

In addition, the model estimates that there are 800,566 people who today are not part of the workforce because they died in infancy. The costs associated with this come to USD 368 million or 6.4% GDP. Total losses associated with productivity are estimated at USD 537 million, which is equivalent to 9.3% of Malawi's GDP.

In the case of Malawi, this brings the total social and economic cost associated with undernutrition to USD 596.9 million, equivalent to 10.3% of the country's GDP that year. Given what happened in Malawi and the situation Venezuela currently finds itself in – according to Encovi-, it is clear that the cost of undernutrition and poverty in general is high. Problems of this magnitude demand rapid and efficient solutions.

While Malawi's case is different to Venezuela's and the consequences observed in Malawi will not necessarily occur in Venezuela, the study serves as a point of reference for understanding the magnitude of the problem and what it means when a nation suffers from hunger.

Two plans, one solution

The current social context in Venezuela is far from easy. The conditions are adverse and society, already impoverished, is missing possibilities of escaping from the spiral faster than ever. This state of affairs results in a weaker population for whom "survival" is the only option; some opt for seeking new horizons and others opt for more tolerable alternatives inside Venezuela.

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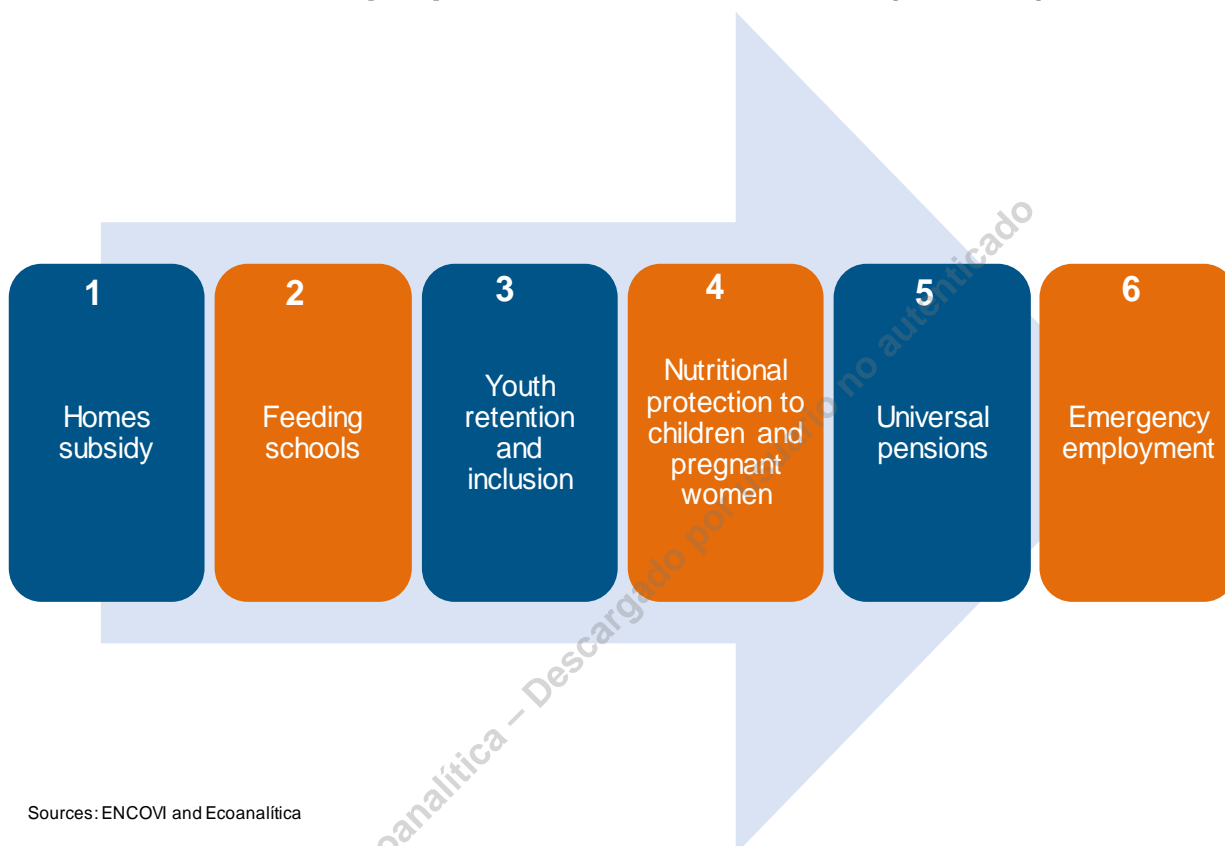
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Even though some consider that Venezuela urgently requires corrective policies, we have noticed how the Maduro regime shows no intention of solving the problem. On the contrary, it is making it worse by implementing inappropriate policies. The initiatives of the Local Supply and Production Committees (CLAPs) and the Bonuses of the Fatherland have been the most noteworthy measures, which rather than helping those in need have been used as political tools for strengthening the regime's power.

In Venezuela, it is necessary to take decisions quickly to correct the economic problems and the political instability. However, there is no doubt that solving the precarious social situation is what is most urgent. With a view to implementing those quick decisions, Encovi has submitted a proposal of other steps and measures for dealing with the humanitarian emergency to the National Assembly to be included in the "Country Plan." These measures go from the supply of and access to basic food and medicines for vulnerable sectors to reactivating the State's social network in the areas of education and health.

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ENCOVI proposal for the "Plan País" (Phases)



Sources: ENCOVI and Ecoanalítica

In line with the gravity of the humanitarian crisis, the financial requirements are huge. Obtaining this financing involves a six-step plan. The first, and most essential, is a direct subsidy for poor households, which would be made available by means of direct transfers to each household in a situation of poverty each month. Thanks to this subsidy, the plan expects to reduce the percentage of poor households to 36.1% of the total in 90 days, a reduction of 14.9 percentage points compared to the present figure (51.0%).

The remaining five steps focus on other sectors rendered vulnerable as a result of the humanitarian crisis: (2) meals in schools; (3) retaining and incorporating young people in the education system; (4) nutritional protection of children and pregnant women; (5) universal pensions; and last of all (6) emergency employment.

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Down a hole with only one way out

In spite of all the projects that could be implemented, the turning point of the humanitarian crisis continues to be the same as in past years: a drastic change in Venezuela's political system to a scheme where the basic needs of the population are the priority for the government and not yet another means of strengthening its power.

As long as that change does not happen, the crisis of hyperinflation will render useless any temporary policy implemented by either of the bands, regardless of whether their intentions are good or bad. For now, all we can do is to continue falling down this deep humanitarian crisis hole from which there is only one way out, without any certainty as to whether it is far off or near to hand.

**Diego Santana
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WEEKLY INDICATORS

Weekly Economic Indicators			
	1st Week March	Weekly chg. (%)	Depre/Apre (pp) ¹
FX Dicom (VES/USD)	3,299.59	0.0	0.0
	3rd Week February	Weekly chg. (pp)	Annual chg. (pp)
Lending Interest Rate (%)	34.4	3.1	12.0
	1st Week March	Weekly chg. (pp)	Annual chg. (pp)
Overnight Interest Rate (%)	28.7	16.3	28.7
	1st Week March	Weekly chg. (%)	Annual chg. (%)
International Reserves (USD Bn)	8.8	5.2	-7.1
	3rd Week February	Weekly chg. (%)	Annual chg. (%)
Monetary Liquidity (VES)	2,676,706,486	17.9	10.1
Price of International Oil Baskets (USD/bl)			
	4th Week February	Weekly chg. (%)	Annual chg. (%)
WTI	56.2	0.0	-10.3
Brent	66.7	0.0	0.6
Price of the Venezuelan oil basket (USD/bl)			
	4th Week February	Weekly chg. (%)	Annual chg. (%)
Weekly Average	59.8	0.0	1.2
Annual Average	55.0	0.0	-7.7

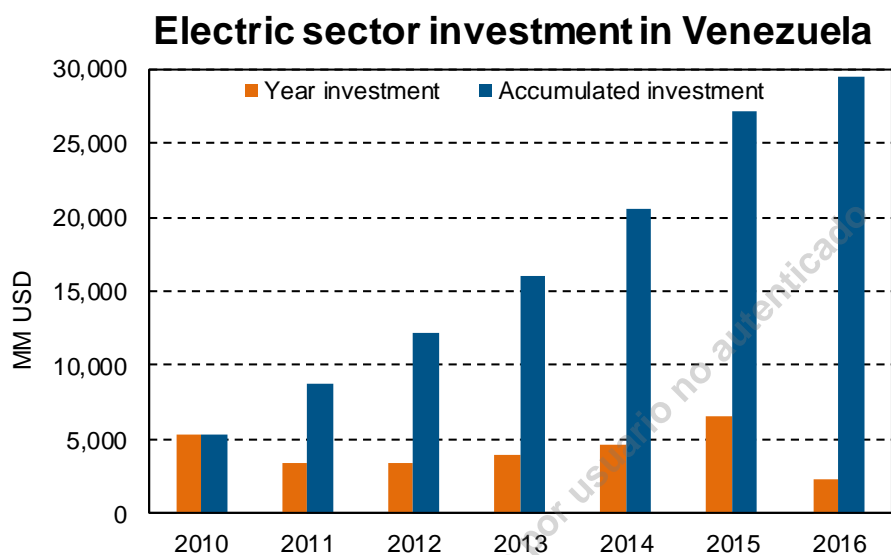
Sources: BCV, MENPET, ONT and Ecoanalítica

* Annual variation of accumulated expenditure.

¹ Depreciation (+)/Appreciation (-)

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CHART OF THE WEEK: “A POWER OUT THAT SHED LIGHT”


Sources: Corpoelec, Transparencia Venezuela and Ecoanalítica

The National Electricity Corporation (Corpoelec) came into being in 2007 with the nationalization of the electricity industry under President Hugo Chávez. The reasons for this nationalization were the cases of corruption associated with the sector that were preventing it from being efficient. One year later, several states of the country started to have power outs, which continued in 2009 and 2010. The climatic phenomenon *El Niño* was blamed for this situation and Chávez declared an electricity emergency, promising big investments in the sector in order to be able to solve the crisis.

That year the Ministry for Electric Power was created and huge amounts of money were allocated to deal with the problem. According to Corpoelec's own documents, which stopped being published in 2015 like the majority of official figures in Venezuela, the government started to invest USD 5.33 billion in the electricity system, allocated to Tocoma Hydroelectric Power Station, a number of substations around the country, and maintenance of units at Guri, among other projects. The estimate was that there would be a total of approximately 233 energy projects. By 2016, it was calculated that the amount invested came to USD.29,496¹¹ Last year Nicolás Maduro commented, “*More than USD 50 billion dollars have been handed over to the electricity sector to strengthen it.*” Given figures of this magnitude, it would be reasonable to expect that there would have been improvements in the industry.

¹¹ Data compiled by the NGO *Transparencia Venezuela*

However, there is no need to go into detail regarding what the results have been as everyone in Venezuela has experienced them personally. The power outs not only continued but they became more recurrent, culminating finally in the massive nationwide power out on March 7, from which many states have still not recovered. The state of the country's electricity infrastructure does not reflect an investment of the more than USD 50 million mentioned by Maduro. So what was that money invested in?

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ECONOMIC TIPS

A harsh blow. The Venezuelan Government will have to pay USD 8.7 billion to the oil company ConocoPhillips. This decision was handed down by the International Center for Settlement of Investment Disputes (ICSID). The amount of the payment was broken down into three parts: USD 3.39 billion for Petrozuata B.V., USD 4.5 billion for ConocoPhillips Hamaca, and USD 562.14 million for ConocoPhillips Golfo de Paria.

Sanctioned. The US Department of the Treasury has added the Russian bank Evrofinance Mosnarkbank to its list of Specially Designated Nationals for helping the Nicolás Maduro regime to evade the economic sanctions via the Petro.

Big numbers. The National Assembly announced their figures for the inflation of February, which estimate the variation on consumer prices for this month this month is 53.7%, the inflation for the current year, in other hand, was 348.2% and also they announced an interannual inflation of 2,295,981.2%.

Six-digit inflation. Deputy Elías Matta announced his calculations for the inflation that occurred during the mandate of Nicolás Maduro. According to Matta, cumulative inflation over that period came to 5,395,536.286%, which is equivalent to 3.5% a day. Matta also reported that the economy had contracted by 56% during the same period.

Getting back to “normal.” According to information from several state-owned banks, they are already working normally after the power out. The Tweets explain that, despite being declared non-business days, point-of-purchase and electronic transfer services are operating and working normally.

The day's auction. The latest DICOM auction (on March 7) closed with an exchange rate of VES 3,299.59/USD, equivalent to VES 3,706.76/EUR. This gives a revaluation of 0.74% compared to the previous auction and 1.14% compared to the day's auction last week.

Auction breakdown. The total disbursed at this auction was USD 1.2 million, distributed as follows: 79.96% (equivalent to USD 959,265) went to companies and 20.04% (equal to USD 240,440.01) went to private individuals. Once again, companies obtained the lion's share of the disbursements.

International Reserves. The international reserves closed the week of March 7 at USD 8.805 billion, up USD 435 million from the close of the previous week (USD 8.370 billion). This gives an increase of 5.2%. However, year-on-year, this means a drop of 7.05%.

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Liquidity? The latest money supply figure available is, for the week ending February 22, VES 2.677 trillion. This indicates a variation of 17.93% compared to the previous week and of 210,088.1% year-on-year.

OIL TIPS

Out of service. PDVSA's Jose Terminal was out of service from March 7 to March 10 due to the nationwide power out. PDVSA officials told ArgusMedia that three shipments of heavy crude that were supposed to depart from the terminal were suspended.

Everything out of service. Other joint ventures, namely PetroPiar, PetroMonagas, PetroCedeño and Sinovensa, were affected by the mega power out and were unable to function. Operations were suspended as a precautionary measure.

Trying to get back to "normal." To the extent that power is being partially restored throughout the country, PDVSA has been working to resume its operations at Jose, in the Barbacoa transmission line for example. However, as at March 11, after several attempts, these efforts have not been successful.

More sanctions. The agency S&P Global Platts has reported that the US Government is considering new oil sanctions for Venezuela. The Venezuelan representative at the State Department, Elliott Abrams, said, "*We're going to extend the net.*"

Harsher sanctions. Among the sanctions on the table is the sanction against financial institutions, particularly those that facilitate the trading of crude or other refined products with PDVSA. Consideration is also being given to revoking the visas of individuals who have connections with the Maduro regime.

Like they sanctioned Iran. S&P Global Platts has also reported that Donald Trump is considering sanctions against the transportation of crude and refined petroleum between PDVSA and non-US entities, similar to those imposed on Iranian oil last year.

Putting on the pressure. Along the same lines, the United States is putting pressure on India to stop buying crude from Venezuela, according to Reuters. Abrams told India, "*You shouldn't help this regime. You should be on the side of the Venezuelans.*"

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This would be a fine hit. India is an important customer for PDVSA as it has been the second customer of Venezuelan crude (after the United States) that pays in cash. China, even though it is another big importer of Venezuelan oil, does not generate cash since those shipments go towards paying off Venezuela's debts with the Chinese Government.

A tiny breathing space. The US Treasury Department's Office of Foreign Assets Control (OFAC) has extended the deadline for closing out certain financial contracts, some associated with PDVSA bonds. The deadline for contracts with PDVSA was March 11 and it has now been extended to May 10.

Saving the Fatherland for *Chavismo*. Russia's state-owned oil company Rosneft is sending the first shipments of naphtha since the US Government imposed sanctions on Venezuela, according to Bloomberg. This provides the Maduro regime with some relief given the difficulties it has had in obtaining gasoline and diluents.

Everything has a cost. ArgusMedia reports that there are operators who are prepared to send gasoline shipments to Venezuela but, of course, at a high premium. The Danish company Torm has sent tankers of refined products to Venezuela for the Spanish company Repsol.

Production in a decline (on purpose). Aggregate production of the Organization of Petroleum Exporting Countries (OPEC) fell in February, according to S&P Global Platts. OPEC's biggest producer, Saudi Arabia, has kept its promise to reduce its output in a bid to push up crude prices.

Production in a decline (but not on purpose). This, added to the situations in Iran and Venezuela, resulted in total supply of 30.8 million barrels a day (mb/d), for a drop of 60,000 barrels a day (60 kb/d) from January and the lowest OPEC production since March 2015.

Somewhat concerned. The drop in oil production has achieved the objectives set by Saudi Arabia, which was seeking to raise international crude prices. However, according to ArgusMedia, US companies have expressed their concern over the supply of crude in the coming months.

SECTOR TIPS

By candlelight. Several states in Venezuela experienced a series of interruptions in the electricity service that ended up in a nationwide power out on Thursday. Power was restored in different parts of the country over the weekend but only for brief periods of time. It was not until Sunday night that power was restored permanently in most areas of Caracas.

Things could get worse. According to José Aguilar, an engineer, the government's attempts to restore power could unleash an even worse crisis due to the fact that, if the service is restored in a way that is unsafe, the equipment in the national grid could be seriously affected or even destroyed.

Serious consequences. According to Carlos Larrazábal, the power out in Venezuela will have serious consequences for the entire private sector, among them the interruption of the cold chain for food and medicines and a worsening of shortages due to the impossibility of making deliveries.

Out of service. As a result of the power out, much of the telecommunications system was out of service, making it impossible to use points of purchase or make electronic transfers, leaving payments in cash in bolivars (which only accounts for 5.59% of money supply) or in foreign currency as the only means of payment.

Crops have been lost. Ramón Elías Bolotín, a farmer and director of the Confederation of Agricultural and Livestock Producers Associations (Fedeagro), warned that the opportunity for planting the winter crop has been lost and the little that will be planted will be with inputs purchased on the black market. He also explained that many farmers were ruined after the last harvest.

Shortfalls in supply. Ángel Medina, National Assembly deputy for Bolívar state, denounced the problems of shortfalls in supply following the closing of the border at Santa Elena de Uairén. Besides these problems with supply, inhabitants have denounced the persecution of merchants by the regime's military and police forces.

Spoiled milk. The president of the Venezuelan Dairy Industries Chamber (Cavilac), Roger Figueroa, reported that around 40% of milk production was lost due to the nationwide power out that started on Thursday afternoon and that prevented the refrigeration of dairy products. On top of that, they have had problems with transporting dairy products because of the hijacking of trucks on the highway.

Looting. The Federation of Commerce and Production Chambers and Associations of Venezuela (Fedecámaras) announced that in Maracaibo, Zulia state, alone at least 460 establishments had been looted, among them 22 supermarkets, more than 300 establishments in malls, around 20 pharmacies, and more than 50 stores along the eastern coast of Lake Maracaibo.

More mining, Part I. Nicolás Maduro announced that his administration and the Palestinian Government had signed agreements for the exploration for and mining of diamonds in Guaniamo. He also announced the establishment of 154 alliances with Venezuelan artisanal mining organizations for the exploitation of diamonds, also in Guaniamo.

More mining, Part II. According to People's Power Minister for Ecological Mining Development Víctor Cano, this is an investment that is to be made over the next 10 years that will make it possible to mine some 120 million carats of diamonds over the next 20 years.

Companies in Guayana, Part I. Nicolás Maduro issued a call to revive the companies at Guayana Industrial Complex. In response to this call, Vice President for the Economy Tarek El Aissami announced that EUR 190 million "*generated by the workers themselves*" had been invested, which had made it possible to revive "*many production lines.*"

Companies in Guayana, Part I. Tarek El Aissami announced the revival of five of Guayana Iron and Steel Complex's (Comsigua) briquette facilities. According to Yajaira Rangel, the company has managed to produce and export 330,000 tons of briquettes since it was nationalized by former President Hugo Chávez.

Production in Miranda. Miranda's secretary of industry and commerce, Josue Madriz, said that their goal is to create strategies that will boost production in the region, with special emphasis on the pharmaceutical sector. To that end, Madriz invited all companies to take part in the census that they are carrying out.

INTERNATIONAL TIPS.

The Wall. US President Donald Trump is to ask Congress for an additional USD 8.6 million to carry out the construction of the wall along the border with Mexico in a bid to fight drug trafficking and illegal immigration. This is six times the amount approved in previous years and, if it is not approved before October 1, there could be another shutdown.

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Low inflation. According to the US Department of Labor, consumer prices in February were up 1.5% compared to February last year. This level of inflation could be concerning for the Federal Reserve, which had set an annual inflation target of 2%.

Not enough. Only 20,000 jobs were created in the United States last month, for compliance of only 11.1% compared to an estimate of 180,000 new jobs. Construction was one of the sectors posting the worst performances with a cut of 31,000 jobs.

No consensus. Once again Parliament voted against the agreement on the United Kingdom's separation from the European Union proposed by Prime Minister Theresa May. The voting was 391 against versus 242 in favor, creating uncertainty regarding the outcome, which ranges from a withdrawal without an agreement, an extension to Brexit to a snap election and even another referendum.

No more negotiation. Following the new vote by the British Parliament rejecting the agreement submitted by May, the European Union announced that it would not negotiate another exit agreement, saying that it had already done everything possible to help the divorce process.

Falling behind. The United Kingdom's Office for National Statistics (ONS) reported that the economy expanded by 0.5% in January, which gives cumulative growth for the three months up until the end of January of 0.2%. The services sector, which is one of the most important sectors in the British economy, posted cumulative growth of 0.5% over those same three months and growth of 0.3% in January.

We have to be prepared. China's Premier Li Keqiang warned that the country must get ready for a "tough struggle" because China is facing a more complicated and serious situation. According to the Premier, the difficulties China is facing should not be underestimated.

Concerns. Keqiang said that, as a result of the risks China faces, stronger measures could be necessary to mitigate the consequences, referring to the slowdown in estimated growth for this year.

A firm hand. According to Keqiang, the actions to be taken should be firm, controllable and systematic, and be applied with the right intensity. The announced measures include a tax cut equivalent to USD 289.28 billion, specifically cuts in the tax on agriculture from 16% to 13% and on construction and transport from 10% to 9%.

Major investment. In addition to the tax cuts, China's Premier announced the investment of approximately US 350.26 billion in infrastructure via the emission of sovereign bonds. It is expected that China's fiscal deficit will go up by 2 percentage points to 2.8% of GDP as a result of these measures.

POLITICAL TIPS

The office at Miraflores. During his speech on March 12, Juan Guaidó called on Venezuelans to "*have confidence in the process.*" He also alluded to the end of the usurpation, saying that "*in order to work we need an office, and we have to go in search of that office (...). Soon we'll go to find our office at Miraflores.*"

Disappeared. According to a press release issued by the Venezuelan Human Rights Education-Action Program, the journalist and defender of human rights Luis Carlos Díaz is being held at the headquarters of the Bolivarian Intelligence Service (SEBIN), located at the Helicoide, where he was taken at dawn on March 12 after his home in Caracas was raided.

Emergency, Part I. After the catastrophe Venezuela experienced at the weekend because of the mega power out, the National Assembly declared a 30-day state of national emergency, extendable for a further 30 days. Given this emergency it also requested Colombia, the United States, Spain, islands of the Caribbean and the Latin American Energy Organization (OLADE) for technical support in order to carry out a technical inspection of the national power grid.

Emergency, Part II. During the special session of the National Assembly on March 11, Deputy Pablo Guanipo, describing the situation in Zulia, said that Zulia had received no water since the previous Thursday and he also criticized the precarious state of the electricity system in the region, explaining that the substations were not producing "a single volt."

A technical team. Nicolás Maduro announced the creation of a special commission that is to investigate the alleged cyber attack on Venezuela's electricity system, saying that it would have the technical support of Russia, China, Cuba and Iran. He also announced, among other things, that the attack came from Houston and Chicago.

"Blue Tank" Plan. Nicolás Maduro announced that he would implement the special "blue tank" plan so that all households in the country could have a blue tank for storing water,

saying that they currently have 50,000 tanks available and that they would start to sell them via the Carnet of the Fatherland.

“They’re killing us.” During the March 12 session, the National Assembly heard testimonies of violations of human rights that went from torture of members of the armed forces and aggression against demonstrators to murders carried out with impunity by Operations to Liberate the People (OLPs).

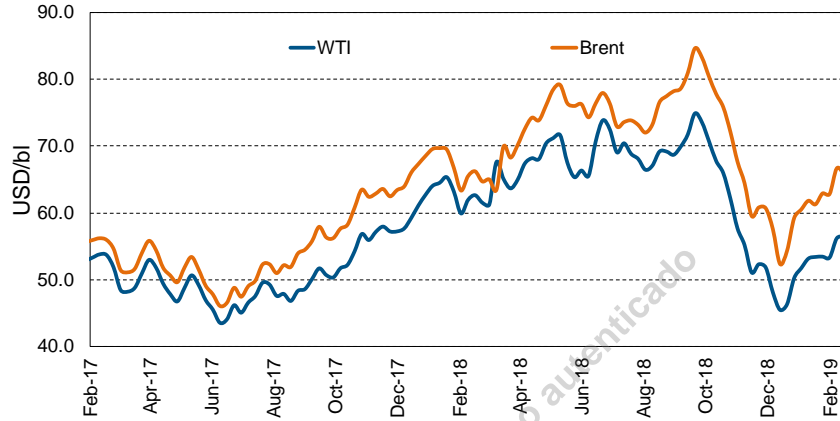
Delegates. Two representatives of the technical team from the Office of the United Nations’ High Commissioner for Human Rights met with Juan Guaidó and several National Assembly deputies, but the issues discussed have not been revealed. It is only known that the deputies delivered a report summarizing the violations of human rights in Venezuela.

You’re out of here. Nicolás Maduro ordered the expulsion of the US diplomats who are still in the country, giving them 72 hours to leave. The reason given for their expulsion was that the *“have directed false flag operations to justify an intervention.”*

Blockade. Argentina’s Foreign Minister Jorge Faurie announced that the Group of Lima is making “contacts” to impose an economic blockade on the activities of Nicolás Maduro and for the resources associated with Venezuelan entities to be received by the head of the Venezuelan Parliament, Juan Guaidó.

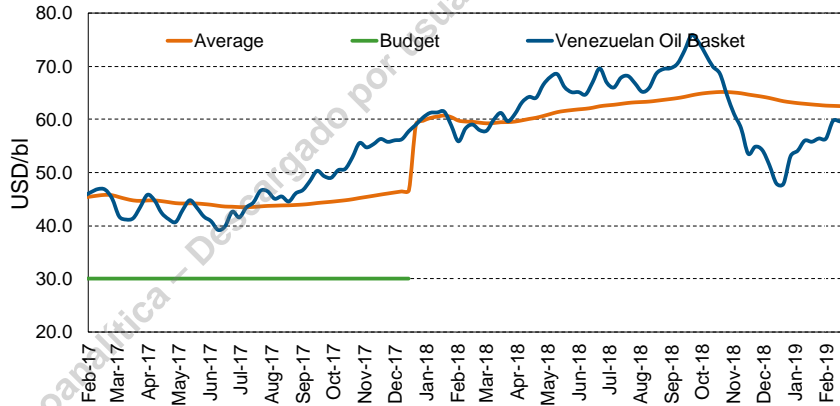
ECONOMIC INDICATORS

Oil Prices (WTI and Brent)



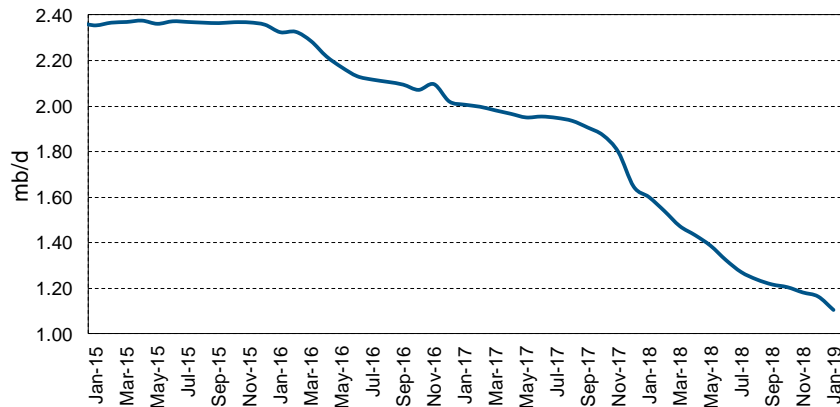
Sources: Menpet and Ecoanalítica

Oil Price (Venezuelan Basket)



Sources: Menpet and Ecoanalítica

Oil Production (Secondary sources)

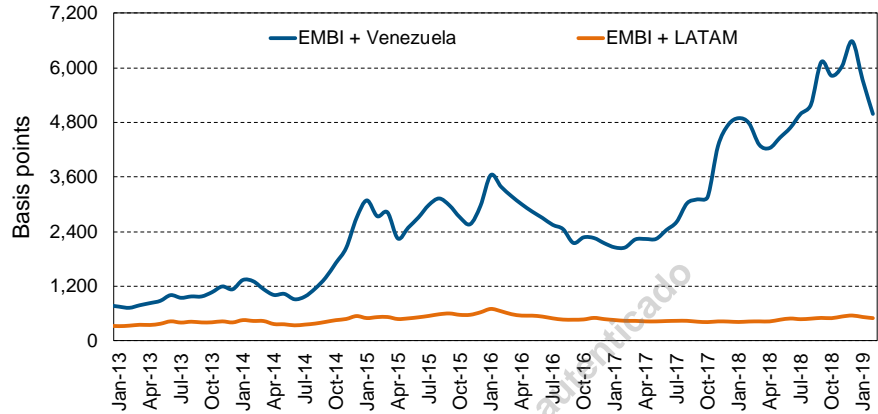


Sources: OPEC and Ecoanalítica

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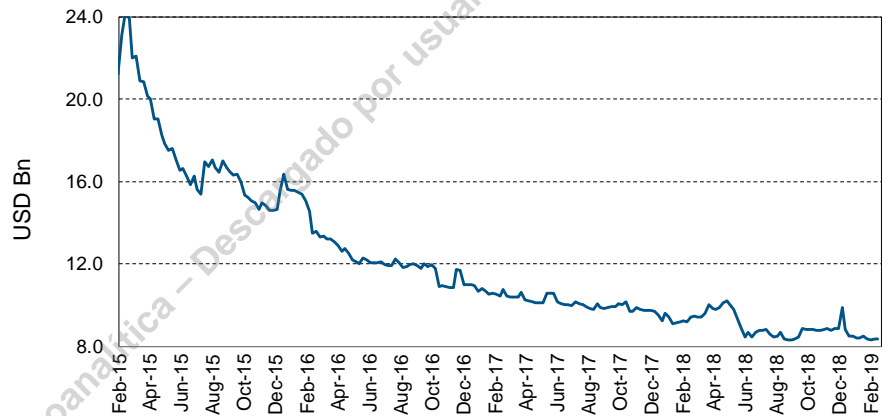
ECONOMIC INDICATORS

EMBI



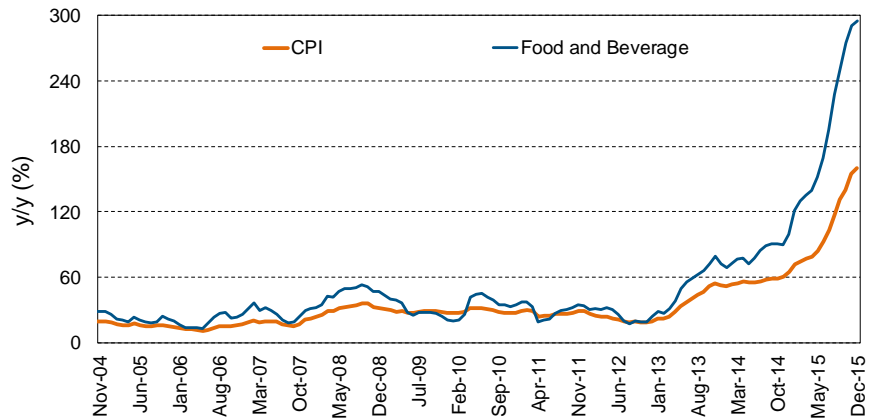
Sources: BCRP and Ecoanalítica

FX Reserves (BCV)



Sources: BCV and Ecoanalítica

Inflation (BCV)



Sources: BCV and Ecoanalítica

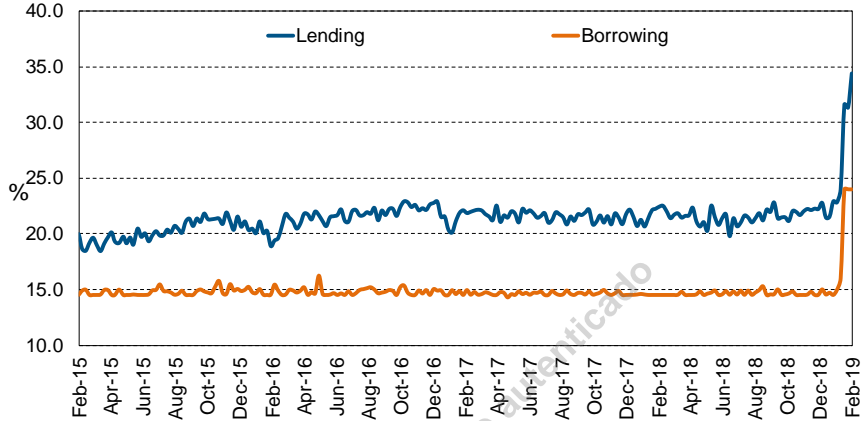
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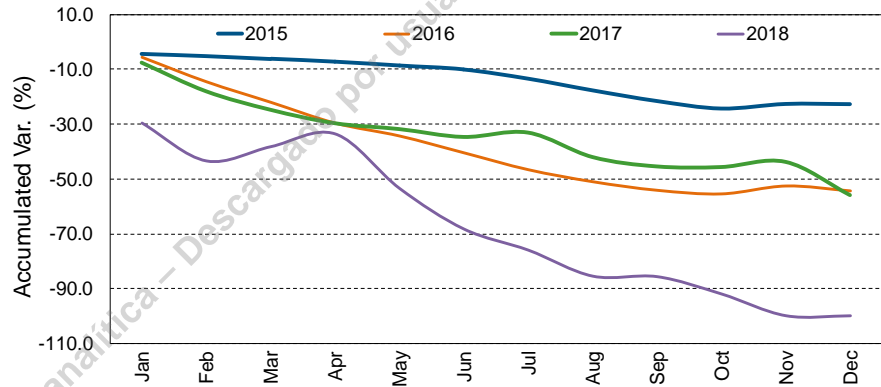
ECONOMIC INDICATORS

**Interest Rate
(Six major banks)**



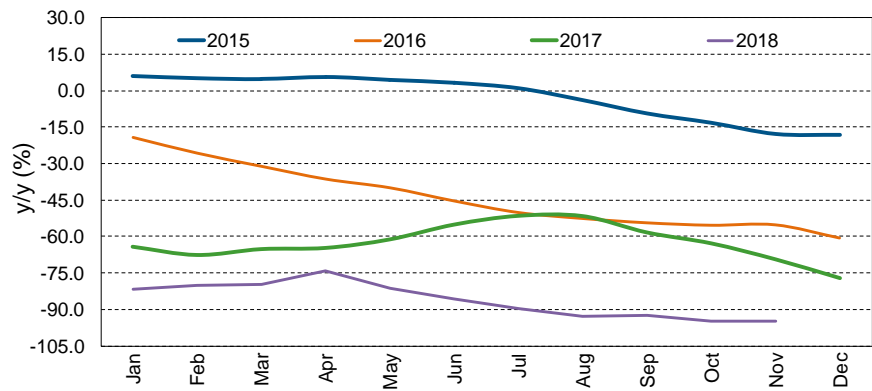
Sources: BCV and Ecoanalítica

**M2 Expansion
(Real)**



Sources: BCV and Ecoanalítica

**Loan Portfolio
(Real)**



Sources: SUDEBAN and Ecoanalítica

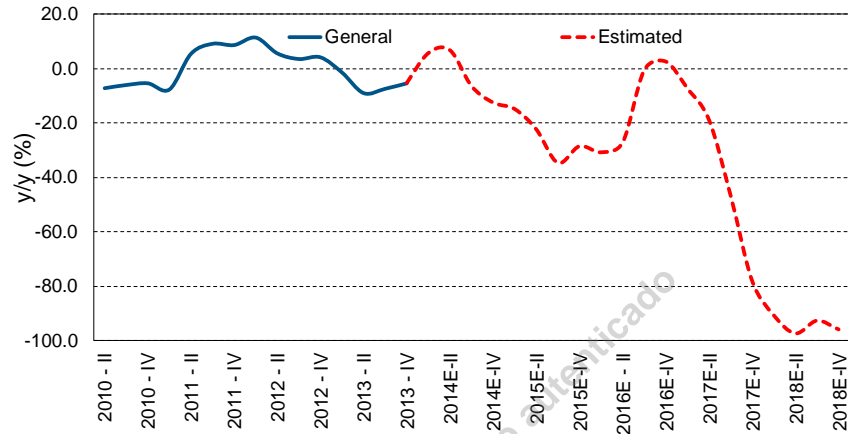
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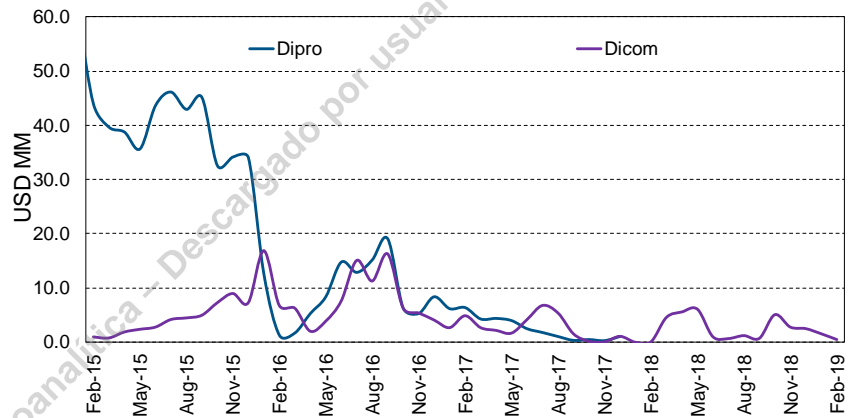
ECONOMIC INDICATORS

Real Wage Index



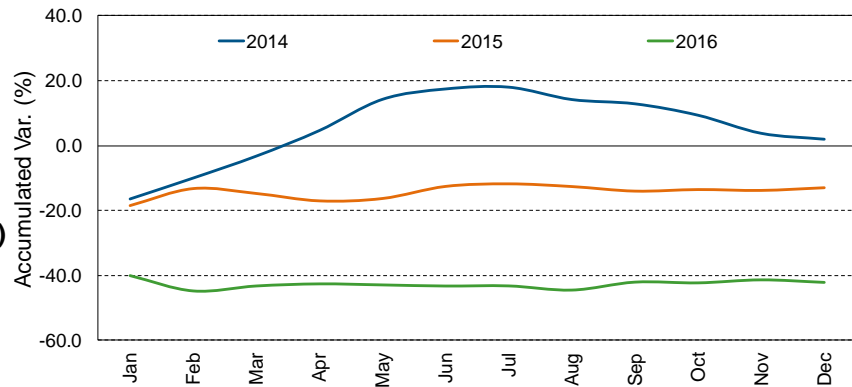
Sources: BCV and Ecoanalítica

Disbursements to the Private Sector (Daily Average)



Source: Ecoanalítica

Primary Spending NTO (Real - Central Government)



Sources: ONT and Ecoanalítica

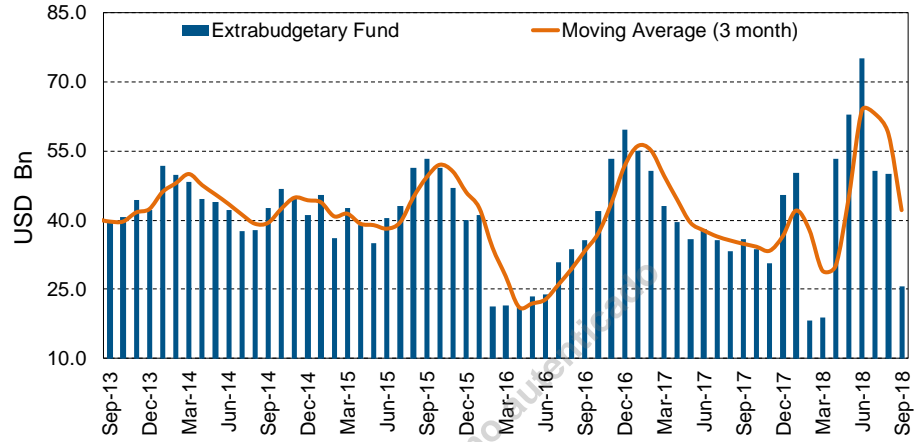
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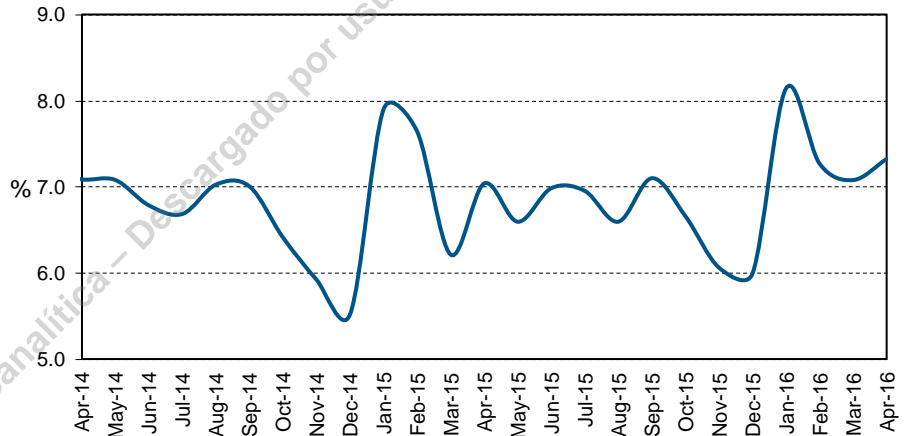
ECONOMIC INDICATORS

State Extrabudgetary Resources



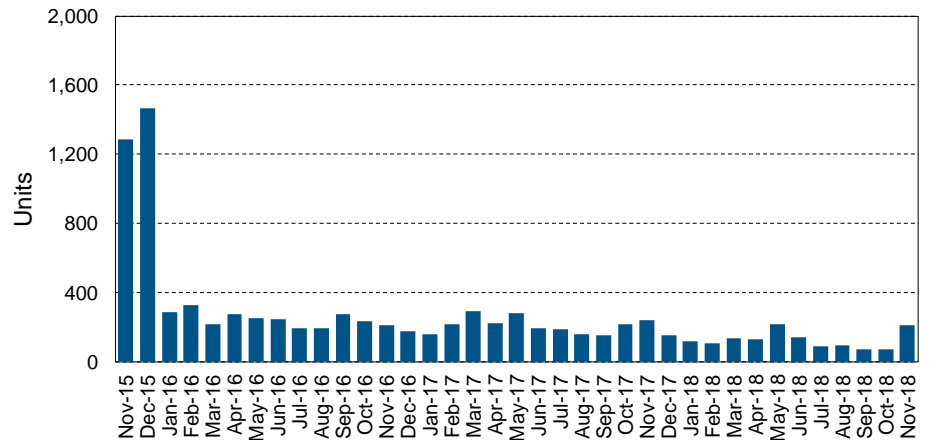
Source: Ecoanalítica

Unemployment Rate



Sources: INE and Ecoanalítica

Vehicle Sales



Sources: CAVENEZ and Ecoanalítica

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