

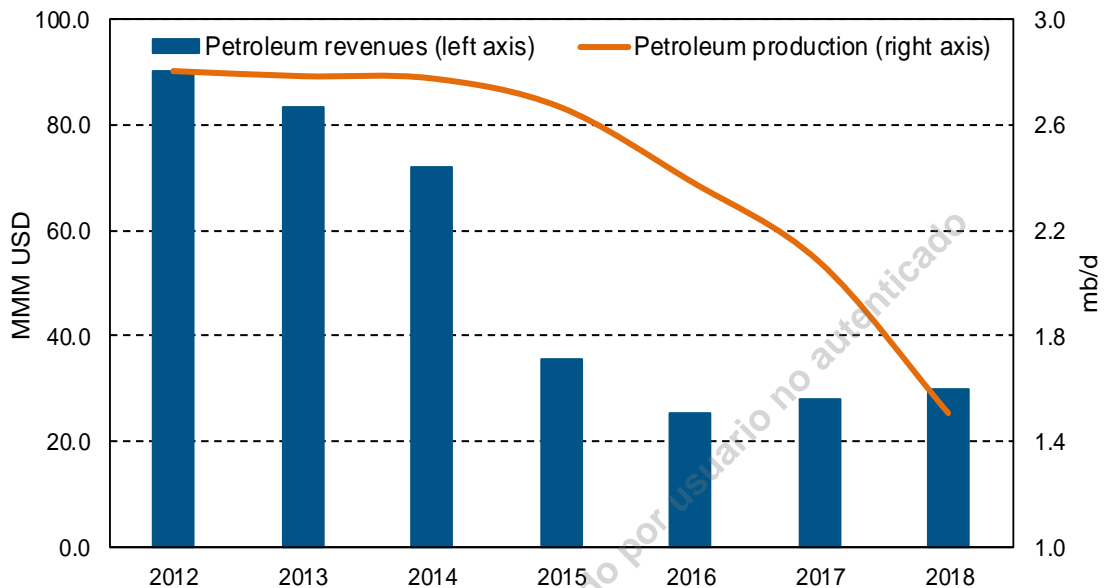
Looting El Dorado

During the administration of former President Hugo Chávez, Venezuela enjoyed a particularly generous oil market. Between 1999 and 2013, the price of Venezuelan crude went up from USD 16.2 per barrel to USD 101.2 per barrel (525%). In addition, the State multiplied its liabilities 7.3-fold to finance its unsustainable social spending and maintain crucial political supports. In this context of bonanza, the groups making up the internal structure of the governing coalition became accustomed to receiving certain rents in exchange for their loyalty. Then in 2013 everything changed.

Even though the decline in oil rent is commonly attributed to the sharp drop in oil prices in 2014, the main problem started in 2012 while Chávez was still in power. That year, bad management of the oil industry and lack of investment caused production to drop by the equivalent of 22 kb/d and the start of a bad run of eight years straight up until 2019. In 2012, the drop in production was offset by an increase in the price of oil and its effects were covered up in the short term. However, in 2013 oil prices started to collapse and by 2018 they were equivalent to only 14.5% of what they were in 2012.

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Petroleum revenues vs. petroleum production



Sources: BCV, Menpet, Pdvsa and Ecoanalítica

Previously, tapping into the oil rent was accomplished via two main routes. Some, via a direct contact in PDVSA, facilitated the embezzlement of funds directly, whereas others waited for the State to disburse dollars at a subsidized exchange rate and obtained an indirect rent via the exchange rate differential. At **Ecoanalítica** we estimate that the rents generated by the exchange rate differential between 2005 and 2018 were equivalent to USD 73.67 billion for the nonoil public sector and USD 149.31 billion for the private sector and private individuals. In total, USD 222.98 billion¹ was siphoned off in foreign exchange subsidies over that 14-year period.

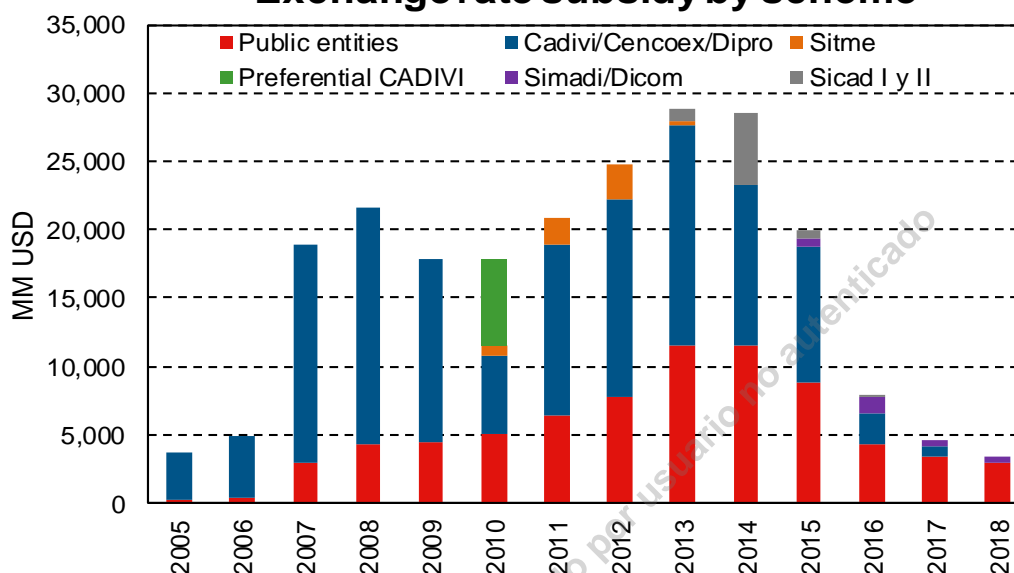
¹ In current dollars

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Exchange rate subsidy by scheme



Sources: BCV and Ecoanalítica

Rent obtained via the indirect route of the exchange rate differential between 2014 and 2018 alone was equivalent to USD 63.69 billion. However, that rent shrank significantly as oil revenues plummeted and in 2018 it was only 12.1% of what it was in 2014.

Given such a huge contraction in the country's main source of revenue, those groups that had been obtaining associated rents either directly or indirectly were "forced" to migrate to other rent-seeking schemes in order to continue to be satisfied. So, murky industries such as illegal mining have flourished and the relevance of others, such as gasoline smuggling and drug trafficking, has increased. This report offers a quantitative analysis of how the illegal mining sector has evolved in order to understand the network of interests involving different groups of interest that would be affected by a political change, and that would try to avoid it. We will be analyzing the two other sectors in subsequent reports.

The gold lost along the back roads

Illegal mining is nothing new in Venezuela. It existed before Chávez nationalized this strategic sector in 2011 and continues to exist today. However, the nature of illegal mining underwent a change with nationalization, as were the practices, routes, and groups of power that control it.

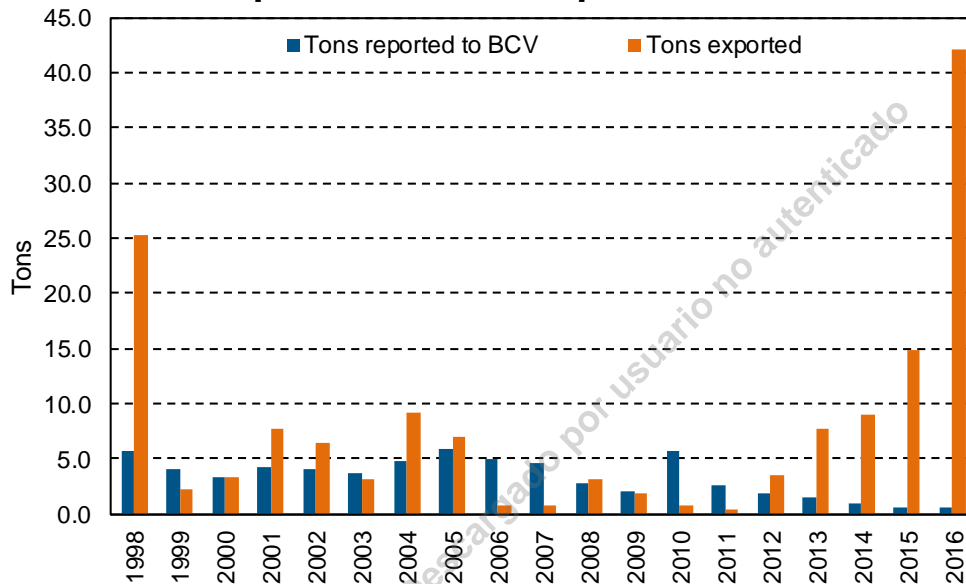
According to the Central Bank of Venezuela, Venezuela only exported 58.3 tons of gold between 1998 and 2011. However, according to trade figures crossed with the official

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data of each government belonging to the United Nations, UN Comtrade reports that Venezuela, in fact, exported 71.8 tons during that period.

Exported Tons vs Reported Tons



Sources: Comtrade and Ecoanalítica

At that time, when the sector was not nationalized, there were legal mechanisms that allowed private businesses to operate in the mining industry. The fact that 18.8% of production was not registered indicates that the legal mechanisms could have posed hurdles that encouraged informality. For example, besides taxes on gold exports, the “Import, Export and Foreign Exchange Regime” in force up until nationalization made it compulsory for exporters to sell half their merchandise to the Central Bank, a condition that illegal exporters could have tried to evade. However, prior to 2011, the unexplained portion was relatively insignificant in terms of size and was mostly due to the specific events of 1998.

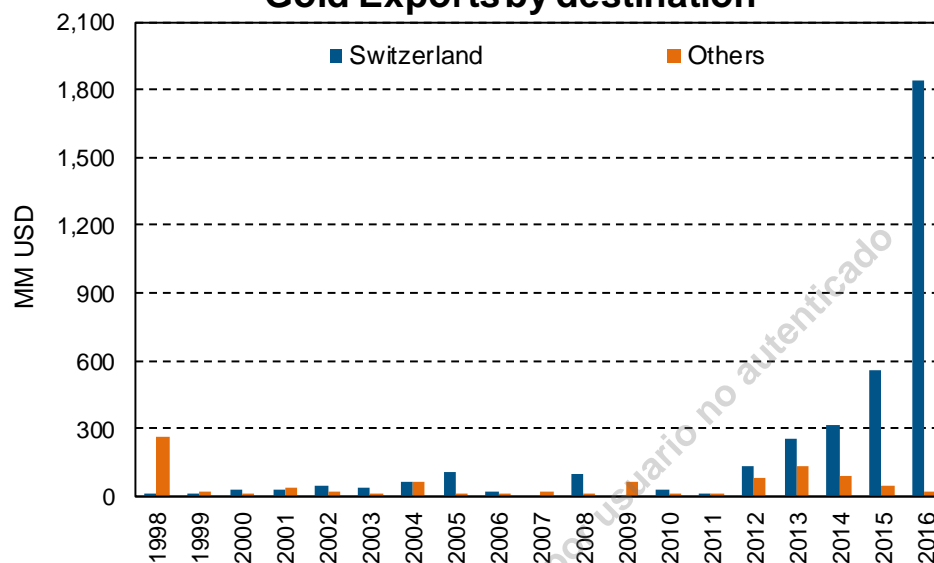
Before nationalization, the lion’s share of gold exports was sent to Switzerland. According to the National Statistics Institute (INE), 99.1% of the gold exported between 1998 and 2011 was sent to Switzerland and, according to UN Comtrade, that trend persisted even after nationalization up until 2016, when 98.9% of shipments went to Switzerland.

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Gold Exports by destination



Sources: Comtrade and Ecoanalítica

After the sector was nationalized, mining for gold without permission from the government was forbidden. Moreover, the sale of gold inside the country and abroad was put exclusively in the hands of the Central Bank. So, at least on paper, if the gold mined is not notified to the Corporación Venezolana de Guayana (CVG) or if it is not sold directly to the Central Bank, the operation is illegal. Despite this, illegal mining has continued to flourish, this time in the hands of the governing coalition and the top military commanders.

At the same time as the sector was nationalized, 20 joint ventures were set up to explore for and mine gold in the five areas that started to be called the "Orinoco Mining Arc." Since then, these companies, in which the Venezuelan State has a 55% stake, have formed part of the illegal mining network; some of them even cite international trading as one of their objectives in their articles of incorporation, even though this is explicitly forbidden by law.

Before nationalization, the official production of gold had been declining for two years. Despite this, the most productive companies were dismantled and the area was lost to local armed groups. Bit by bit, a tacit agreement was reached according to which *pranes* (local armed criminal gang leaders) supervise the exploitation of the mines while the government charges them a commission and buys from them part of the sands to be processed in the plants of joint ventures or state-owned companies.

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Golden companies

Meanwhile, private companies engaged in processing gold sands have sprung up outside the law. The majority of them use *cyanidation* practices due to the low level of investment required. But this method causes tremendous damage to the environment and, for that reason, it is forbidden in the main mining countries. These private processors are not sufficiently supervised and the figures they report to the State are usually underestimated. Consequently, these processors are at the root of most of the smuggled gold.

A clear example of the *modus operandi* of the joint mining ventures is the company Oro Azul, S.A., created in 2016 to exploit coltan (a valuable mineral, blue in color, that abounds in Venezuela's Amazonas region) under the then-minister of "Ecological Mining Development," Jorge Arreaza. According to the article "*Fuga del oro venezolano*" (Flight of Venezuelan Gold) posted on Runrun.es, the official headquarters of Oro Azul is on a street that does not exist in an area in Puerto Ordaz that does not exist either. On the same block, which does not exist, are the head offices of other mixed mining ventures: Venrus, Rusoro Venezolana, and Hecla.

This same investigation by Runrun.es discovered that the boards of directors of the joint gold processing ventures are usually made up of military officers and that their members usually have other companies that are in charge of packaging, transportation, and marketing in Panama or the United States. Such is the case of the processing company Guayamoro, C.A., whose owners also have a marketing company in Doral called Global Trade Metals Inc.

In February 2018, a shipment of 46 gold ingots, property of Oro Azul, was detained at Aruba airport. This incident uncovered a new route for the flight of gold. The gold was only stopping over in Aruba on its way to Holland, from where it was to fly to its final destination: a refinery in the United Arab Emirates.

2017-2018: a structural change

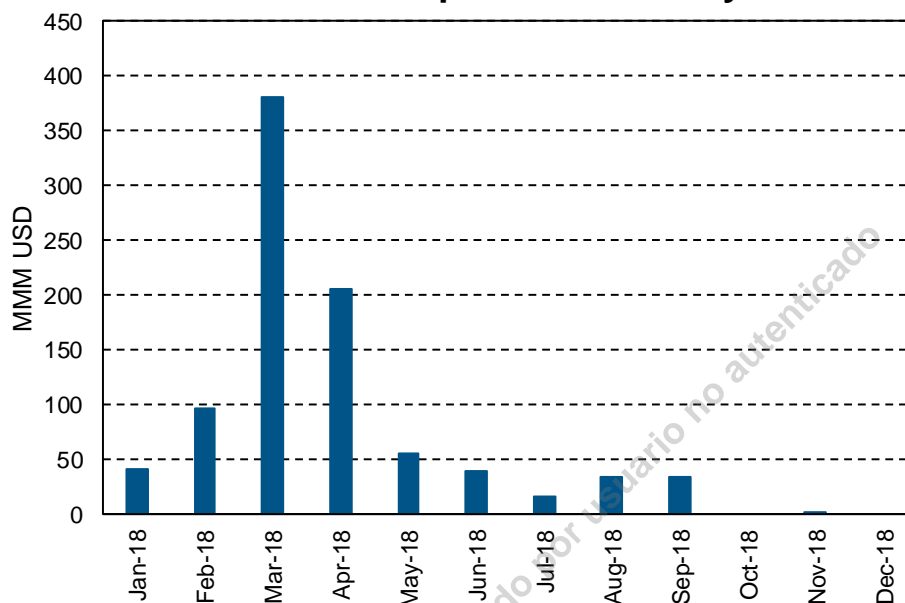
In 2017 there was an operational change in the illegal exporting of gold. As Víctor Cano, minister of “Ecological Mining Development” since 2017, confesses, attempts have been made to migrate to a scheme of exporting to Asian and Arab markets to avoid US sanctions being applied to certain military officers. Strangely enough, the confession should only apply to sales conducted via mechanisms operated by the Central Bank of Venezuela, given that the interlocutor was a minister. But, whereas gold exports to the United Arab Emirates were zero in 2016, in 2017 they came to USD 1.03 billion, according to the UAE’s official figures. By way of contrast, the Central Bank only reported the production (and purchase) of a total of 8.16 tons that same year (USD 360 million). That means that at least USD 671 million in gold was smuggled to the United Arab Emirates in 2017.

With the implementation of the same strategy of redirecting gold exports, 2018 saw the start of large shipments being sent to Turkey. On January 1 that year, a shipment equivalent to USD 36 million took off and, in the first quarter (1Q2018), monthly shipments to Turkey averaged USD 227.7 million, according to official figures published by the Turkish Statistical Institute (TSI). There were smaller movements throughout the rest of the year, with shipments getting smaller each quarter until they reached a meager USD 274,521 in the fourth quarter, when there were movements in November only.

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Gold shipments to Turkey



Sources: Turkish Statistical Institute and Ecoanalítica

2018 was a year of changes in Venezuela's illegal mining market. In the first quarter, whereas the Turkish Statistical Institute reported that gold equivalent to USD 519.4 million was exported to Turkey, *Importgenius* reported that USD 175.4 million was sent to the United Arab Emirates and USD 40.5 million to China. In terms of tons, gold exports to those three countries alone came to 16.6 tons, whereas the Central Bank only reported the purchase of 6.2 tons (37.3%).

In June 2018, the Venezuelan Government started the "Metal Hands" operation, during which they arrested leaders of illegal mining operations and executed one of the main *pranes*, alias "*Capitán*." Apart from the loss of human lives, it is not clear what impact this operation has had on the industry. As a result of this incident, the Central Bank stopped publishing figures for the purchases of gold in the domestic market, opening up the way to speculation.

By reclaiming control of the area, it is possible that the government has managed to substantially increase the purchases of gold sent to the Central Bank and that, for one reason or another, it has decided not to publish the figures. On the other hand, it is possible that the operation has destabilized the region and the increase in violence has reduced production, causing shipments to Turkey to be substantially less in the second half of the year, and that is why it is no longer publishing the figures.

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In November 2018, the president of the United States, Donald Trump, signed a presidential decree that applied sanctions on, among other things, any activity associated with mining in Venezuela. One purpose of those sanctions was to make trade relations more difficult for exporters of illegal gold who obtain rents and are close to the regime by hampering international transport links, preventing traditional refineries from receiving gold from them, and making it difficult for brokers to handle their operations.

In January 2019, upon the swearing in of the National Assembly's new Board of Officers, an Asset Protection Act was passed that has made it more difficult for the regime and those close to it to try to generate cash from the sale of gold. Thanks to this law, it has been possible to prevent big sales of gold in Asia, and Dubai's gold refinery, which used to buy gold from Venezuela, refused to receive nearly 20 tons of gold in early February.

It is becoming increasingly difficult to move Venezuelan gold. A few weeks ago, for example, local authorities in Uganda discovered 7.4 tons of smuggled gold, presumably from Venezuela. This report coincides with denouncements by the National Assembly's Finance Committee regarding the disappearance of 8 tons of gold from the vaults of the Central Bank. However, this would leave 0.6 tons (7.5%), equivalent to USD 27.94 million, unaccounted for.

What left via "ABC"

It is estimated that, between 1998 and 2016, nearly USD 3.01 billion was lost via the different gold flight routes either via Aruba, Bonaire or Curaçao or via Holland or Belgium to the United States, Switzerland, the United Arab Emirates or China. The bleeding of the Orinoco Mining Arc has been tremendous. Nevertheless, most of the gold smuggled during this period occurred in 2016, when USD 1.83 billion in gold was smuggled out of the country (60.9% of the total). While it is more difficult to estimate the figures for 2017 and 2018 because neither UN Comtrade nor the United Arab Emirates have published their figures yet, there can be little doubt that the flight of gold during these past two years was more than USD 2.15 billion.

Guillermo Arcay Finlay

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WEEKLY INDICATORS

Weekly Economic Indicators			
	2nd Week March	Weekly chg. (%)	Depre/Apre (pp) ¹
FX Dicom (VES/USD)	3,297.71	-0.1	-0.1
	1st Week March	Weekly chg. (pp)	Annual chg. (pp)
Lending Interest Rate (%)	33.9	0.1	11.9
	2nd Week March	Weekly chg. (pp)	Annual chg. (pp)
Overnight Interest Rate (%)	24.4	-4.2	24.4
	2nd Week March	Weekly chg. (%)	Annual chg. (%)
International Reserves (USD Bn)	8.8	-0.4	-7.2
	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)			
	2nd Week March	Weekly chg. (%)	Annual chg. (%)
WTI	57.3	1.7	-6.4
Brent	66.7	-0.1	2.5
Price of the Venezuelan oil basket (USD/bl)			
	2nd Week March	Weekly chg. (%)	Annual chg. (%)
Weekly Average	60.7	1.6	4.8
Annual Average	56.4	0.8	-4.9

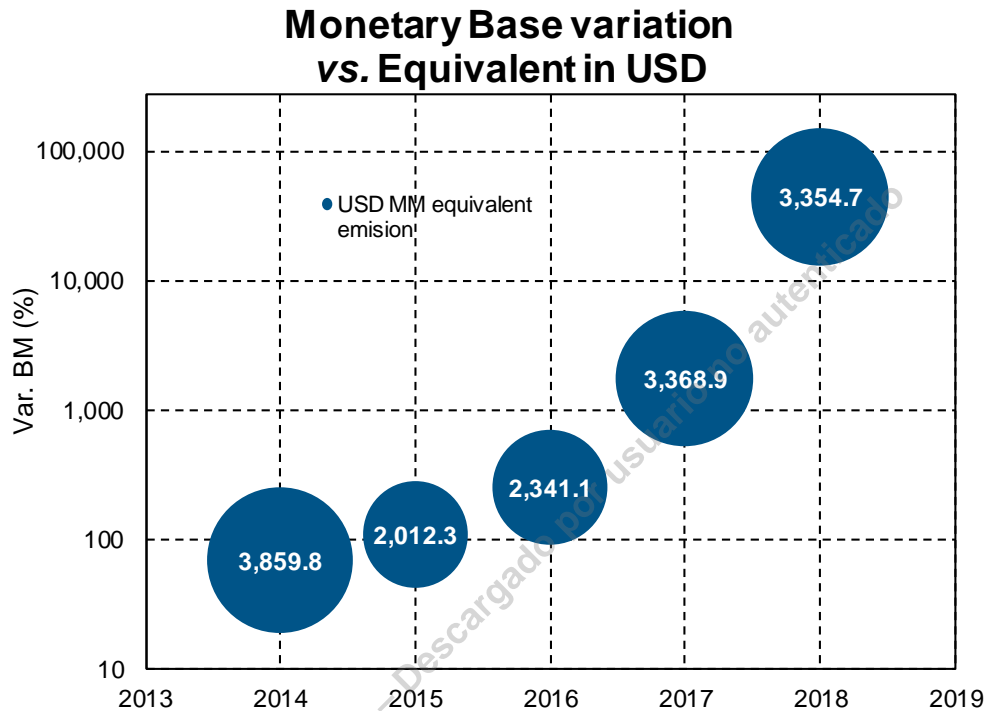
Sources: BCV, MENPET, ONT and Ecoanalítica

* Annual variation of accumulated expenditure.

¹ Depreciation (+)/Appreciation (-)

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CHART OF THE WEEK: "A POWER OUT THAT SHED LIGHT"



Sources: BCV and Ecoanalítica
 Note: Logarithmic Scale

Since the drop in oil prices and the decline of oil production in Venezuela, the Nicolás Maduro administration has faced a recurrent problem: how to finance its deficit. This is a task that the Maduro regime will have to tackle in a situation where hyperinflation turns tax revenues to dust and sanctions make it even more difficult for the Republic to borrow in the international market by issuing debt, and where PDVSA's operational problems and their impact on the supply of crude counteract any increase in oil prices.

Faced with these limitations, the regime has had to resort more frequently to emitting money. In the past four years, it has issued bolívares to the equivalent value of USD 2.99 billion a year on average. Even though supply was maintained close to that amount each year (in part due to the restrictions on cash flow in foreign currency over that period), the government had to resort to increasingly aggressive money emission to achieve those levels, going from forcing a nominal increase of 66.49% in 2014 to raising the monetary base by 42,365.15% in 2018.

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This aggressiveness implies that, due to the constant emission of money, Venezuelans' confidence in their currency issued declines, reducing its value in real terms and, consequently, forcing the government to emit even greater quantities of money in a bid to maintain a purchasing power of the bolivar.

On top of that, the present administration faces a dynamic where a large segment of the population is more dependent on state subsidies, making the political cost of a change on the fiscal and monetary fronts extremely high. From the word go, this detracts from the credibility of any plan for closing the deficit proposed by the government that does not involve adequate measures for safeguarding our currency

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ECONOMIC TIPS

Accepted. The Inter-American Development Bank (IDB) has acknowledged Ricardo Hausmann as Venezuela's representative before the bank. In a press release, the IDB stated that Hausmann's appointment was effective "immediately."

Legitimacy. This acknowledgement makes the IDB the first international financial agency to recognize Juan Guaidó as the Interim President of Venezuela. Guaidó appointed Ricardo Hausmann as Venezuela's representative to the IDB on March 4.

A golden surprise. Fred Enanga, a member of Uganda's police force, reported that the gold refining company AGR posted an entry of 3.8 tons of gold on March 2 and another entry of 3.6 tons two days later. "*But neither of these shipments went through official customs entry points,*" said Enanga.

Where did the gold come from? This means that 7.4 tons of gold entered Uganda unofficially last week. The Uganda police have opened an investigation to discover where this gold came from. AGR admitted that the gold came from South America, but without giving any further details.

Elementary, my dear Watson. After further investigation, the commander of Uganda's security unit in charge of supervising the mining sector stated that the gold came from Venezuela. This brings up the accusation by Deputy Ángel Alavarado that eight tons of gold had been removed from the Central Bank of Venezuela and that they would be smuggled out of the country.

Usurpation. In his Twitter account, Deputy Alavarado commented that "*the eight tons of gold they removed from the Central Bank before February 23 appeared in Uganda incomplete; 0.6 of a ton is missing.*" He added, "*We remind Uganda that this gold was removed illegally from Venezuela and that the Central Bank is being usurped.*"

The last DICOM auction. The last DICOM auction was held on March 22 and resulted in an exchange rate of VES 3,299.02 /USD, or VES 3,745.05/EUR. This gives a devaluation of the dollar against the bolivar of 0.04% compared to the last auction and of 0.03% compared to the auction held on the same day the previous week.

Disbursements. The total amount of foreign currency disbursed came to USD 1.88 million. This time companies received USD 1.67 million (88.92% of the total), and private individuals got USD 208,026.6 (the remaining 11.08%).

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International reserves. At the end of the week of March 15, the international reserves closed at USD 8.76 billion, down USD 42 million from the close of the previous week (USD 8.80 billion), for an decrease of 0.5%. However, year-on-year, the international reserves posted a drop of 7.22%.

A number than always goes up. The last available money supply figure is for the week of February 22: VES 2.68 trillion. That gives an increase of 17.93% compared to the previous week and of 110,003.5% compared to the same week a year ago. Money supply has increased by 177.48% so far this year.

OIL TIPS

Production in February, Part I. The Organization of Petroleum Exporting Countries (OPEC) published its report for March, in which it gives the oil production figures. According to primary sources, Venezuela's production in February was 1.43 million barrels a day (mb/d).

Production in February, Part II. Oil production in February was down 56,000 barrels a day (56 kb/d) from January. However, secondary sources put production at just over 1.0 mb/d, which means a drop of 142 kb/d compared to January (a reduction of 12.4%).

A difference of 42 kb/d. Once again the figures from secondary and primary sources differed considerably. This time it was a difference of 42 kb/d or, seen from another point of view, primary sources reported 29.6% more production than secondary sources.

Switching from the dollar to the rupee. India is considering Venezuela's proposal of using the rupee as a means of payment for continuing to import crude from Venezuela, despite US sanctions. This option was proposed by Minister of Oil Manuel Quevedo in view of the restrictions PDVSA is subject to in this situation.

A contingency plan. Luisa Palacios, the director of Citgo appointed by Juan Guaidó, mentioned that they had a contingency plan to deal with the situation in the event that the United States were to decide not to receive Venezuelan crude.

Recovering the oil industry. *"I must say I'm highly impressed with this company, and the board of directors is very committed to increasing its value for our shareholders,"* said Palacios. She added, *"Citgo can help Venezuela to recover its oil and economic sectors by means of a reliable supply of gasoline and diesel."*

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'Bye 'bye, McQuilling. The shipping company McQuilling commented that it would close all contracts with PDVSA, according to the news agency Reuters. This will be the second shipping agency (the first being the German company Bernard Schulte) to suspend its operations with PDVSA following the application of sanctions.

Despite the sanctions. ArgusMedia reports that a tanker of Venezuelan provenance arrived on US shores despite the sanctions imposed by the White House. The tanker, *The Amigo*, belonging to the company Trafigura and with Venezuelan asphalt on board, arrived at Fort Lauderdale on March 4.

Asphalt imports down. The United States' imports of asphalt from Venezuela have decreased in recent years. According to the US Energy Information Administration (EIA), in 2018 they were 809 kb/d, whereas in 2017 they came to 1.3 mb/d.

Sold. The Russian bank Gazprombank, Russia's third biggest lender in terms of assets, has sold its indirect stake in Petrozamorá, according to Reuters. The bank had a 40% stake in the company and PDVSA had the remaining share of 60%. The identity of the purchaser is as yet unknown.

A tiny breathing space. The United States has extended the exceptions to the sanctions imposed on Venezuela on January 28. Citgo now has a license that allows it to operate for a further 18 months, according to the US Treasury Department's Office of Foreign Assets Control (OFAC). Originally, the refinery was to be allowed to operate up until July 27.

No benefits for the Maduro regime. A US Treasury Department official explained that *"this extension is going to allow them to continue operating while at the same time prohibiting the Maduro regime from obtaining any kind of benefit."* He also mentioned that discussions are continuing on more sanctions for Venezuela.

BUSINESS SECTOR TIPS

Roundup. After doing a roundup of the incidents that occurred during the mega power out in Venezuela, different business associations published their reports of losses resulting from the power out and the looting to which a large number of commercial establishments were subjected during that time.

Hours of darkness. Felipe Capozzolo, the second vice president of the National Commerce and Services Council (Consecomercio), reported that, since the nationwide power out, private companies spend "more hours in darkness," referring to the more than

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500 stores affected by looting, 60% of which will not be able to recover in the short or medium term, according to the business chamber.

No man's land. Empresas Polar published the figures of the losses it incurred as a result of the looting that took place in Zulia: VES 18.6 billion, equivalent to more than USD 5 million, in consumer goods stolen and 22 trucks, five forklift trucks, 23 computers, and office furniture and equipment that were damaged to the point where they were not operational.

We all lost. Besides Polar, the National Cattlemen's Federation of Venezuela (Fedenaga) revealed its figures for the losses incurred as a result of the mega power out. The losses included USD 1.4 million in milk, USD 2.77 million in cheeses, and USD 1.5 million in meat. Besides this, Fedenaga denounced that 3 million people in the livestock sector were hit by failures to meet labor and commercial payments as a result of the power out.

Yet another one bites the dust. According to José Luis Alcocer, a labor union leader at Siderúrgica del Orinoco (Sidor), the steel company closed its doors permanently following the nationwide power out. When it was expropriated, Sidor was the main exporter in the Andean market.

A "Band-Aid." The mayor of Maracaibo, Willy Casanova, announced that the shops and big chain stores that were affected by looting would be exonerated from paying taxes in March and that the deadline for paying February's taxes had been extended to March 31.

Man the rafts! American Airlines announced the temporary suspension of its flights to Caracas and Maracaibo as it considers that Venezuela is not a safe country. This brings the number of airlines that have suspended flights to Venezuela up to 14. In a press release, the airline explained, "*The safety of our employees and customers is always our main priority and American will not operate in countries it does not consider safe.*"

Low prices. Ramón Velásquez, the president of the Venezuelan state-owned airline Conviasa, announced a 50% reduction on the airlines' fares for March. He explained that this was "*a present that the banner airline is giving the Venezuelan people (...) so that they feel more comfortable and motivated to fly with Conviasa.*"

Tons of food. Minister for Food Luis Medina announced that CLAP combos (subsidized food packages) equivalent to 5,472 tons of food would be distributed to the population in Zulia affected following the "*electricity attack.*" That is equivalent to 174,000 CLAP boxes, which will be distributed in 21 municipalities in Zulia.

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Loans in compensation. Governor of Zulia Omar Prieto and Minister of Homeland Affairs, Justice and Peace Nestor Reverol announced that there are plans to grant loans to 102 commercial establishments and six shopping malls affected by the looting during the nationwide power out.

The culprits. In a press release, the National Federation of Electricity Workers (Fetraelec) demanded the immediate removal of Minister for Electric Power Luis Motta Domínguez and also an administrative and political investigation into his “*terrible performance.*”

WORLD ECONOMY TIPS

Problems with reaching an agreement? In an exclusive report, Bloomberg said that some US negotiators were worried over the Chinese Government’s rejection of their requests during the negotiations China and the United States were trying to find a solution to what has been called their trade war.

Calling for guarantees. The reason for this is that, while China has agreed to make changes to its intellectual property policies, the US Government has still not given any guarantees that the tariffs imposed on Chinese imports will be lifted. On the other hand, the Chinese Government has not kept all its initial promises. It is hoped that this situation will not escalate and that negotiations will continue.

The positive consequences of the yellow vests. Based on figures issued by France’s statistics office, the agency Bloomberg said that it expected economic growth in the next quarter to be better than anticipated. This is in line with the tax cuts that were agreed to following the yellow vest protests. Economic activity in the European Union is expected to slow down, however.

Waiting for something to happen. The US Federal Reserve said that it was prepared to accept an over-adjustment of its inflation target while waiting for a better moment for raising the interest rate.

Ignoring Brexit. The labor market in the United Kingdom remains strong despite the uncertainty generated by Brexit. The number of employed persons grew by 220,000 between November 2018 and January 2019, raising employment to 76.1% and reducing unemployment to 3.9%, the lowest rate since 1975.

High wages despite the uncertainty. What is more, the annual increase in wages (not including bonuses) in the United Kingdom was 3.4%, which means that wages went up

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by 1.3 percentage points more than inflation. The last time such a big increase was recorded was in 2008. However, analysts are of the view that, given the slow rate at which the economy is growing, the labor market will not be able to maintain this situation.

Agricultural proposal. US Agricultural Secretary Sonny Perdue stated that the agreements that might be reached with China could mean that the purchases of products from American farms would triple to a total of USD 30 billion in two to five years.

The outlook is good for Peru. Banco de Crédito de Perú expects an upturn in economic activity in Peru for estimated growth of between 3% and 3.5% in the first half of the year, even though economic growth came to 1.6% in January, the highest in 13 months.

Everything's fine, but... A technical team from the International Monetary Fund (IMF) approved the third revision of the IMF's agreement with Argentina but requested the implementation of a bigger fiscal adjustment to balance the primary budget. This will permit the transfer to the Argentinean Government of a USD 10.87 billion tranche of the USD 56 billion loan agreement that Argentina signed with the IMF.

2018 in Chile. The National Accounts Report issued by the Central Bank of Chile posted an increase in economic activity of 4% in 2018 due to the performance of copper mining, personal services, and commerce. And while investment grew by 4.7%, breaking a four-year run of negative growth, it was still below growth projections of 5.5%.

Yet more expectations revised downwards. A survey by the Central Bank of Brazil shows that Brazil's gross domestic product is expected to grow by 2.01% in 2019, below previous market expectations, which had put growth at 2.28%. The estimate for inflation, on the other hand, was raised to 3.89%, which is still in line with the official target of 4.25%.

POLITICAL TIPS

Recruiting for the end of usurpation. Acting President Juan Guaidó announced the creation of "commandos" the length and breadth of the country so that, once his tour of the country has been completed, there will be an organization that will make it possible to hold a mass protest in Caracas that will end with Guaidó "*getting his office back.*"

The plan has been drawn up. Guaidó also explained that the rest of the plan consists of setting up labor and sector committees in the public and private sectors and subsequently petitioning the military and police forces to defend the constitutional process. These three steps together make up what has been called "Operation Freedom."

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Consensus from top to bottom. Juan Guaidó expressed his appreciation for the support of the international community backing the possibility of a stable transition of power in Venezuela and also made special mention of the meeting between Russian and US government officials, saying he hoped this would make it possible to “*generate governance.*”

Recovering spaces. Representatives of Acting President Juan Guaidó, headed by Ambassador Carlos Vecchio, appointed by Guaidó, took control of the Venezuelan Naval Defense Attaché’s Office in Washington and the Venezuelan Consulate in New York.

When in Rome,... Elliott Abrams, the Special Representative for Venezuela at the US Department of State, and Sergey Ryabkov, Russia’s Vice Minister for Foreign Affairs, are in Rome for a meeting to discuss “*the deterioration of the situation in Venezuela.*”

Chinese-European encounter. The European Union’s top diplomat, Federica Mogherini, has held meetings with her Chinese counterpart, Wang Yi. Mogherini commented that, although there are differences of opinion between the two governments regarding the last presidential elections held in Venezuela in 2018, they both agree on seeking a peaceful solution to the present situation.

Defending what’s already been “defended.” Nicolás Maduro announced the creation of a commando for the defense of strategic basic services in view of the mega power out and the problems this caused in the provision of the basic services.

Resolution pending. Brazil’s President Jair Bolsonaro said that the situation in Venezuela must be resolved. Bolsonaro was meeting with US President Donald Trump working on the situation in Venezuela.

Touring the disaster. The commission sent by the United Nations’ High Commissioner for Human Rights Michelle Bachelet has inspected Caracas and the states of Carabobo and Lara and is expected to continue its tour of the rest of the country.

Demanding accountability. *Frente Amplio Venezuela* went to the National Assembly to demand that a person with political responsibility for the nationwide power out that occurred a couple of weeks ago appear before parliament.

Calling for guarantees. In the same vein, labor unions and business and trade associations are to request the debate and approval of a law that guarantees protection for employees from the political consequences of simply protesting.

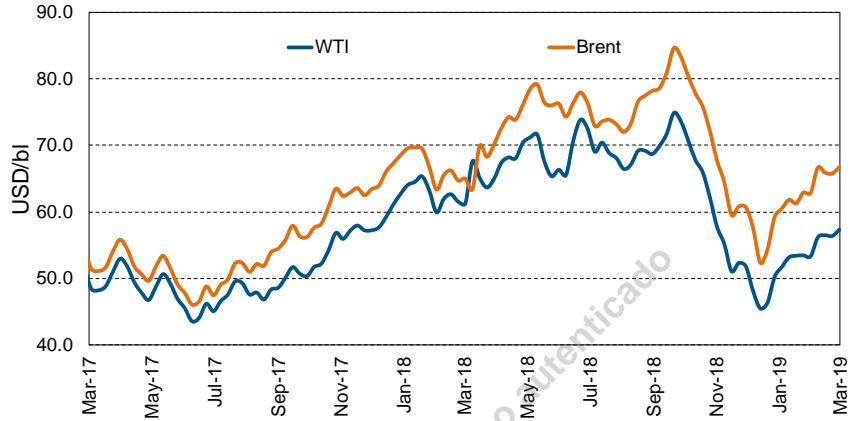
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With Maduro. Spokesperson for Russia's Ministry of Foreign Affairs Maria Zajarova said that the Russian Government was of the opinion that the widespread power out that occurred in Venezuela was due to a cyber attack from abroad.

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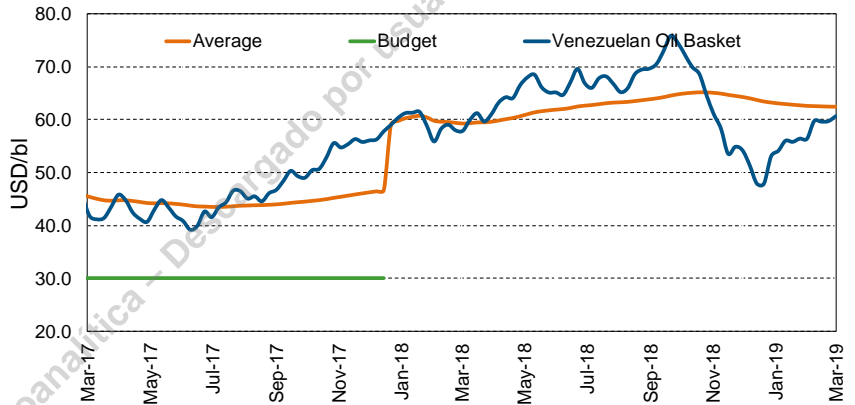
ECONOMIC INDICATORS

Oil Prices (WTI and Brent)



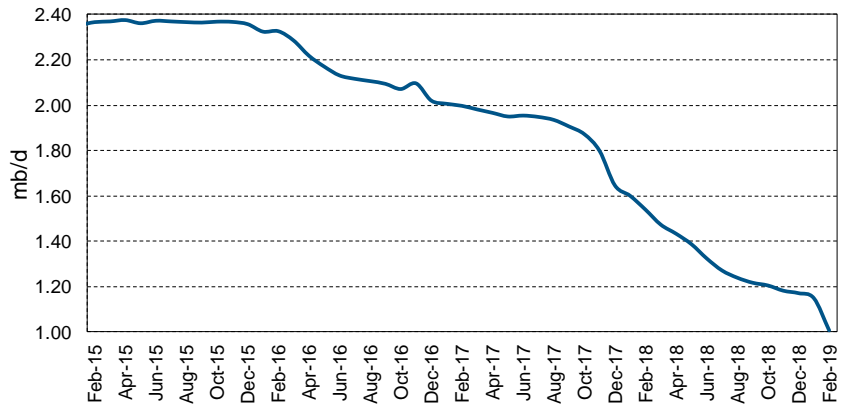
Sources: Menpet and Ecoanalítica

Oil Price (Venezuelan Basket)



Sources: Menpet and Ecoanalítica

Oil Production (Secondary sources)

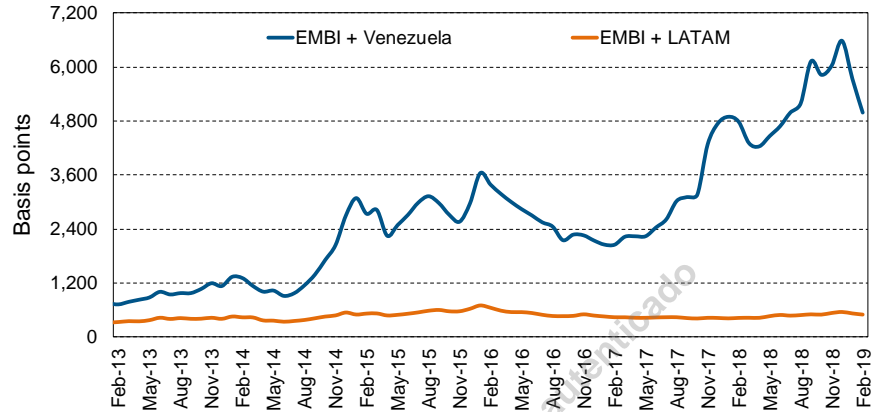


Sources: OPEC and Ecoanalítica

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February 2019

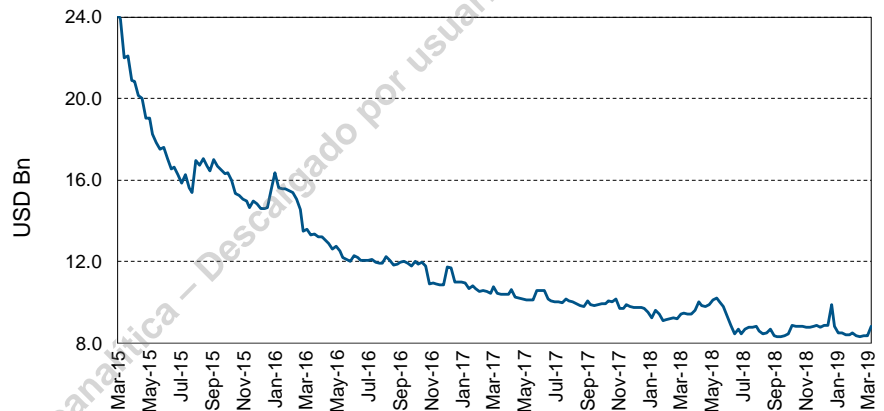
ECONOMIC INDICATORS

EMBI



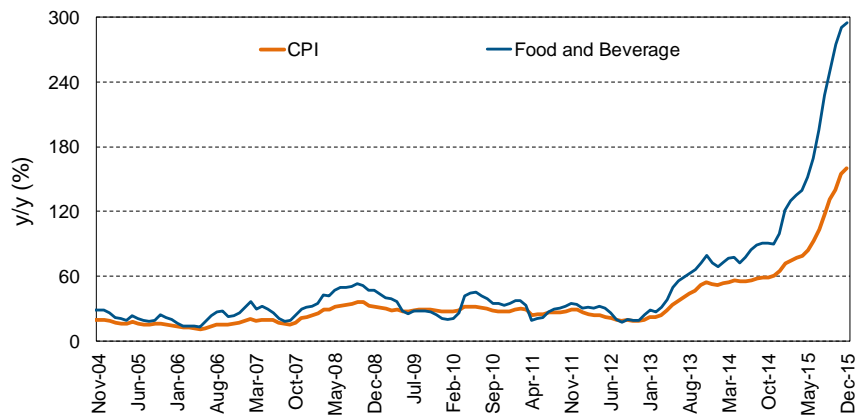
Sources: BCRP and Ecoanalítica

FX Reserves (BCV)



Sources: BCV and Ecoanalítica

Inflation (BCV)



Sources: BCV and Ecoanalítica

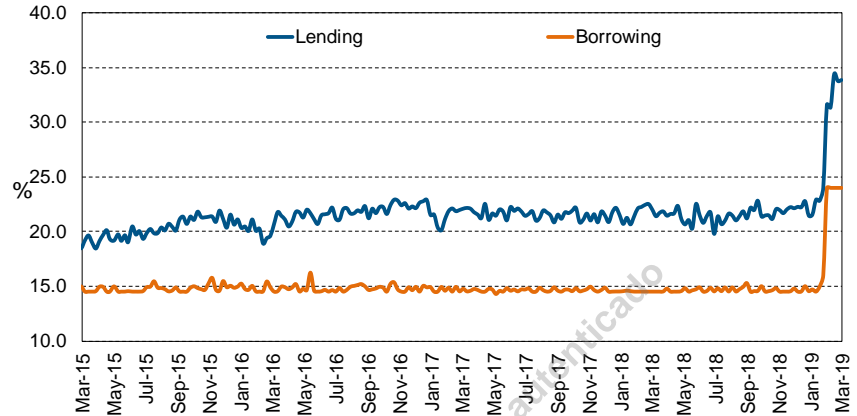
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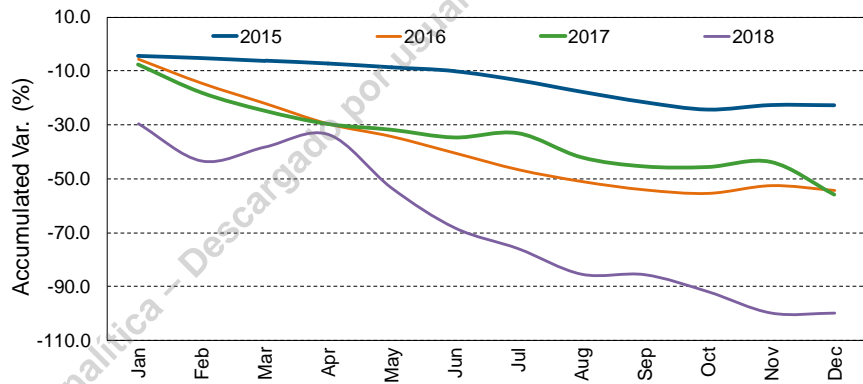
ECONOMIC INDICATORS

Interest Rate
(Six major banks)



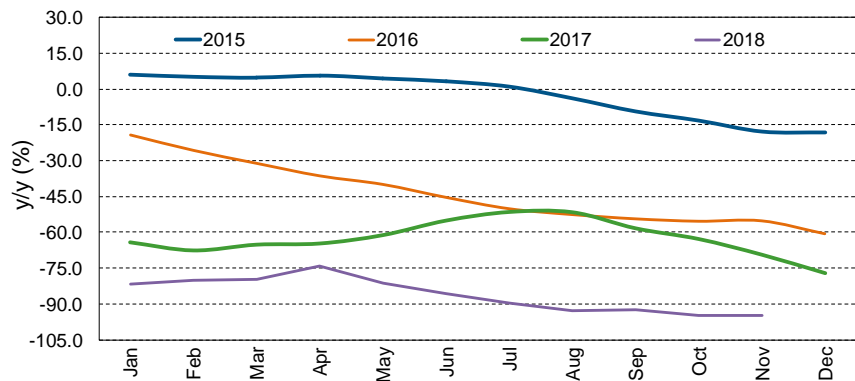
Sources: BCV and Ecoanalítica

M2 Expansion
(Real)



Sources: BCV and Ecoanalítica

Loan Portfolio
(Real)



Sources: SUDEBAN and Ecoanalítica

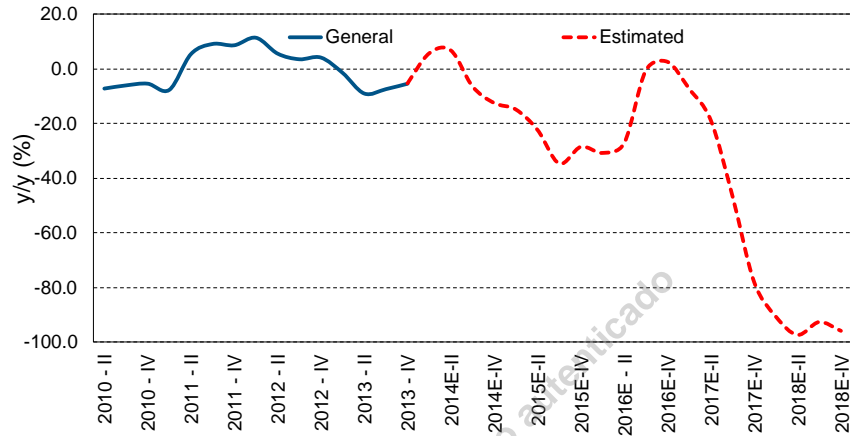
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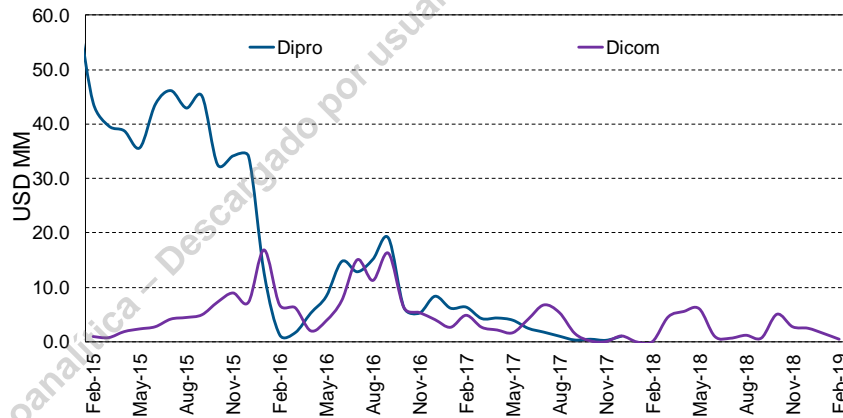
ECONOMIC INDICATORS

Real Wage Index



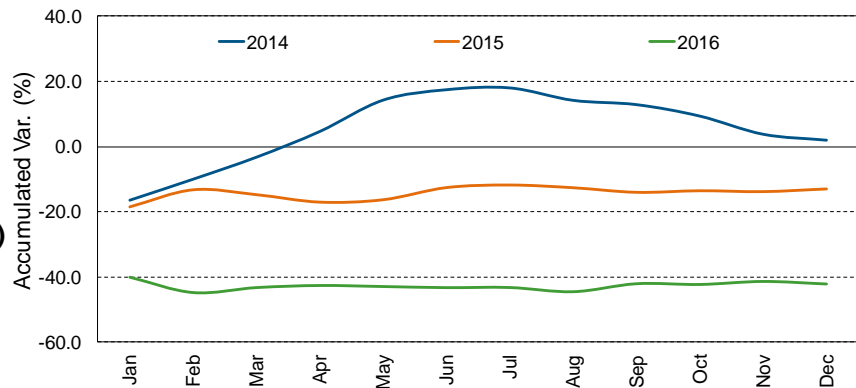
Sources: BCV and Ecoanalítica

Disbursements to the Private Sector (Daily Average)



Source: Ecoanalítica

Primary Spending NTO (Real - Central Government)



Sources: ONT and Ecoanalítica

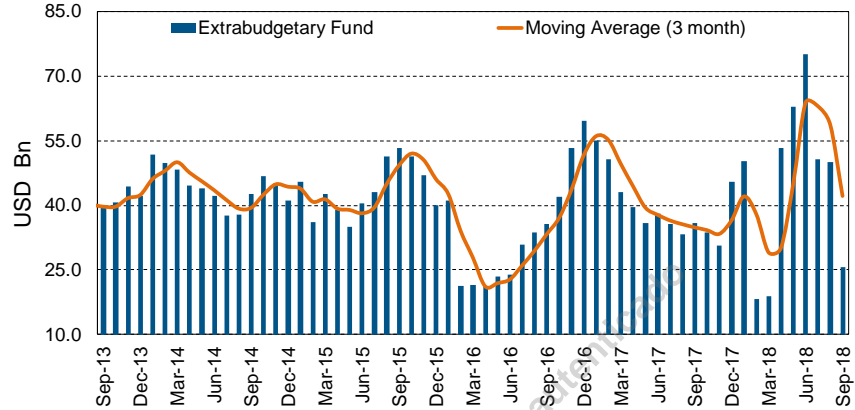
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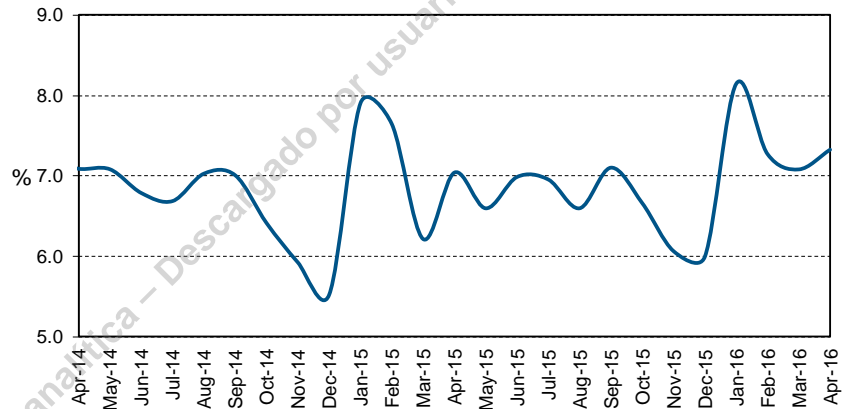
ECONOMIC INDICATORS

State Extrabudgetary Resources



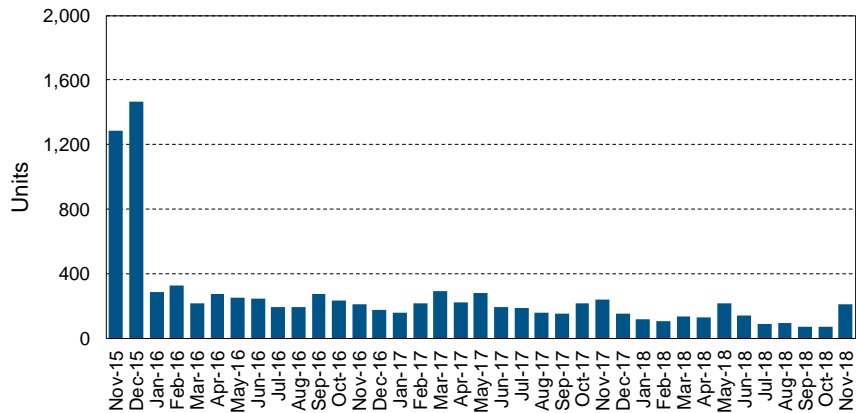
Source: Ecoanalítica

Unemployment Rate



Sources: INE and Ecoanalítica

Vehicle Sales



Sources: CAVENEZ and Ecoanalítica

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