



Weekly Report

Year 8, Number 11
Week III, March 2012

By:
Asdrúbal Oliveros
José Luis Saboin
Ecoanalítica's Team*

*What will happen
with consumption?*

*María Gabriela Benítez, Adriana Morillo, Pilar Navarro,
Pedro Ocariz and Anabella Ron

Reproduction or distribution prohibited

The electoral campaign started, and forecasts were based on a significant increase in public spending, and the creation of a “consumption boom” that would allow Chavez to be reelected. The former started during the second half of last year. The latter we will have to see.

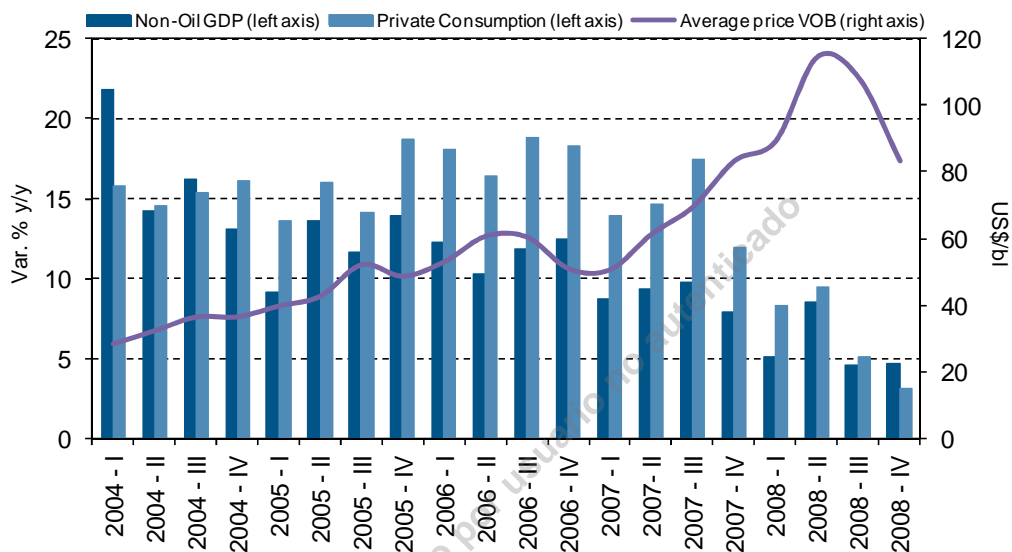
**“When we
were happy
but didn't
know it”**

During 2004-2008, thanks to the increase in oil prices, the Venezuelan economy experienced a boom in consumption and imports. At that time, the non-oil economy grew a quarterly average of 10.9%, and consumption increased 14.0%, in a context where the average oil price was US\$ 58.2 per barrel. Also, average inflation during the period was 20.3%.





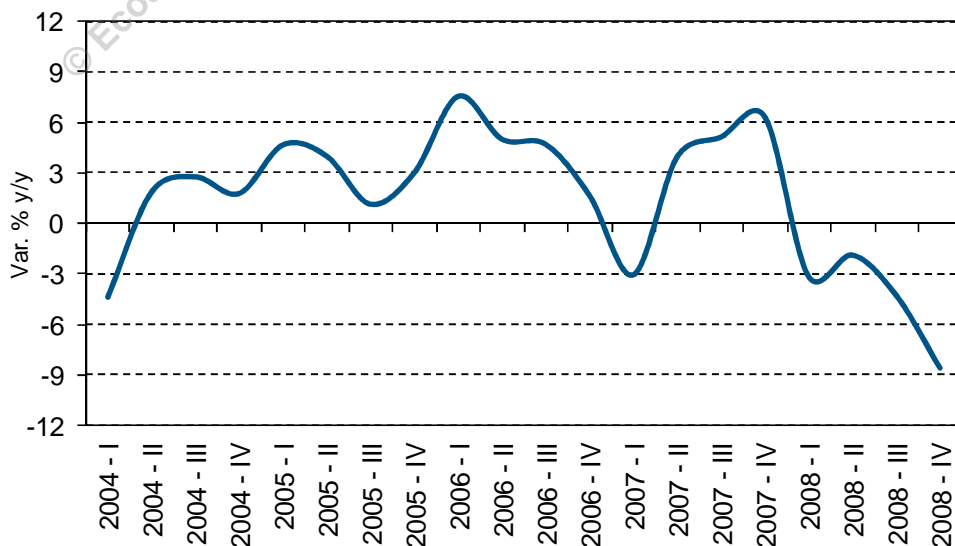
"Boom" years



Sources: BCV and Ecoanalítica

This boom was supported by the 32.9% quarterly increase in imports. The second support was a recovery in the real remuneration of workers, which increased 1.4% during that period.

Real Wage Index

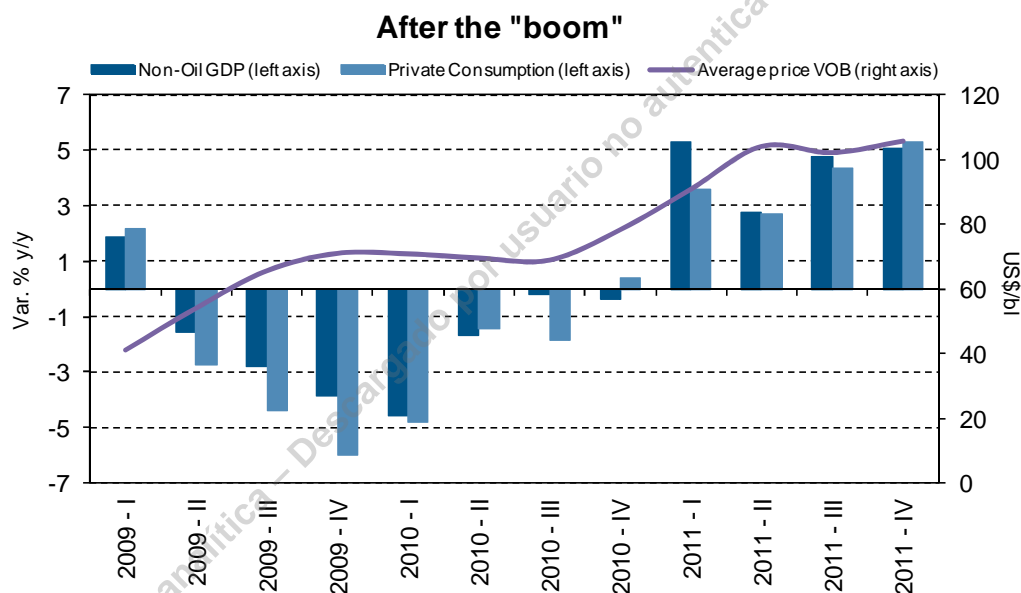


Sources: BCV and Ecoanalítica



Conditions changed

After the financial crisis of 2008, when oil prices plummeted, the Venezuelan model revealed its seams: the “boom” couldn’t be sustained, as oil prices tumbled down. From 2009 onwards, the model changed: an increase in indebtedness by the public sector; restriction of foreign currency to the private sector; the expropriations with its negative effects in the local supply of goods and service; and an increase in inflation. Thus, the 2009-2011 period looks completely different.



Sources: BCV and Ecoanalítica

A mediocre performance

Between 2008 – 2011, the non-oil economy only grew 0.4%, in a context where oil prices averaged US\$ 77.0 per barrel, that is, 32.3% over its average during the 2004 – 2008 boom. During that period, private consumption dropped 0.2%, in a context of high inflation (the average for the period was 28.3%), and a drop in the real remuneration of workers, which according to the BCV, was 2.7%.

First key point: Foreign currency

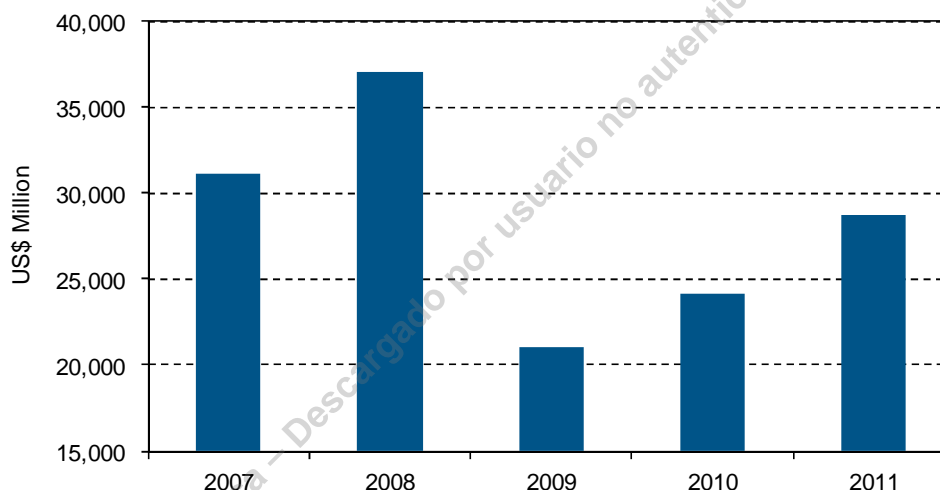
For *Ecoanalítica*, a key element to understand why consumption isn’t taking off has to do with the restriction of foreign currency for the private sector. This has two expressions: on the one hand, the problems caused by the changes in Cadivi (exclusion of products and sectors) and the elimination of the parallel market; and on the other, the 21st Century Socialism model, which has moved forward, and has led the State to import much more, 35.5% of total imports in 2011.





In the middle of this, the problems in the oil sector have also affected the flow of foreign currency. In sum, there is little currency to go around, and on top of this the State is keeping more and more of it. To wit: in 2008, through different routes, the private sector received around US\$206 million per day on average. In 2011, according to our estimates, this amount is US\$ 148 million, or a drop of 28.2%.

Cadivi Disbursed Amount for Imports*



Sources: Cadivi and Ecoanalítica
*Includes ALADI

This is a factor that prevents the expansion of consumption, or at least prevents it from growing proportional to the growth of the economy.

Second element: the drop in purchasing power

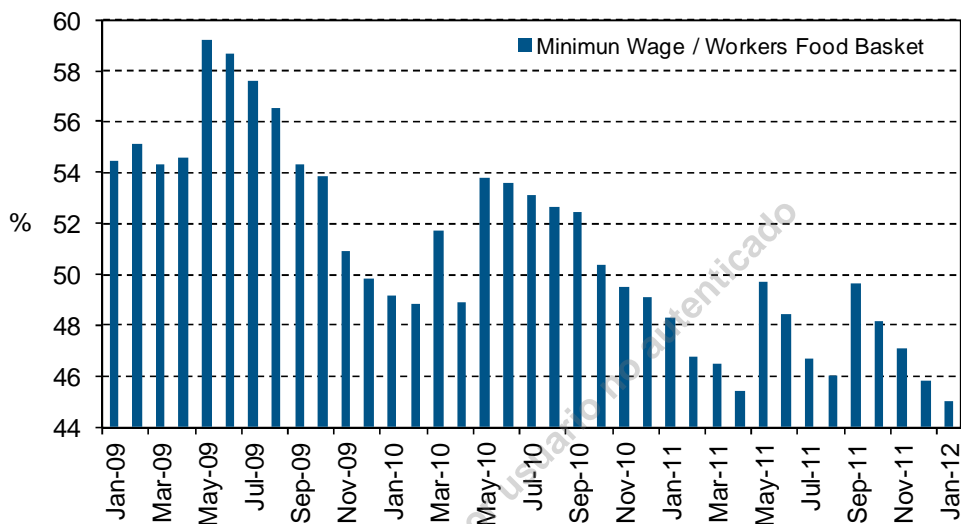
Between 2008 and 2011, Venezuelan workers suffered a reduction in their remunerations. Thus, although in September of last year public spending started to increase significantly, the response in private consumption has been timid. This doesn't mean it won't happen: it will, but like last year. We will later talk about that.

Also, when we analyze inflation by sector, we see that the poorest sectors (I and II) are the ones carrying the highest burden of inflation. Analyzing the coverage capacity of the CENDA basket, the restrictions that Venezuelan families must suffer is clear.





Minimum wage's Purchasing Power



Sources: Cenda and Ecoanalítica

Third element: The institutional factor

This is a key element and has to do mainly with the present regulatory framework, particularly the most recent one: the impact of the Law of Fair Costs and Prices, but also, the negative effects of the expropriation policy, and the performance of public enterprises.

In fact, **Ecoanalítica** believes that the government is clear that in the short term, a feeling of consumption must be generated, and to do this, the only mechanism that gives quick results is imports.

The BCV is preparing itself

Recently, the Administration and the BCV issued resolutions to increase imports in the short term: on the one hand, the resolutions to speed up imports in those sectors considered a priority (which cover approximately 55% of the currency liquidated by Cadivi for imports). On the other, and the most significant in our opinion, are the changes made to the operations of Fonden, which point towards increasing operational reserves.

Recently, Nelson Merentes president of the BCV, acknowledged that liquid reserves will increase through the modification of the taxes on sudden changes, which allows Pdvsa to sell more foreign currency to the BCV so that Fonden may have more bolivars. Merentes said: *"the benefits of this reform are that liquid reserves will come in for imports, and to pay for our commitments."*



Of course, the purpose of this reform isn't to increase the international reserves per se, but rather, this "surplus" that may be generated will go to finance imports. **Ecoanalítica** believes that with this reform, the financing for imports of the private sector through Cadivi could be US\$ 5.43 billion. This represents 27.0% of the total liquidated by Cadivi for imports (including Aladi) in 2011.

**Pragmatism
will be the
rule**

In the economic cabinet there are different perspectives about what should be done. We can simplify it into two sides: the radicals and the pragmatics. The former, headed by vice-president Jaua and Minister Jorge Giordani, strive to move forward in the Statist scheme and deepen the fencing out of the private sector. The pragmatics, headed by Merentes and to a lesser extent by consultant Jesse Chacón, believe that the boom has to be created and is essential to guarantee the survival of Chavez's political project.

Since the end of last year, the pragmatics has suggested that imports from the private sector must increase, and the "pressure" in the implementation of the Law of Fair Costs and Prices must be reduced, to prevent an increase in scarcity. In our opinion, the latest decisions made by the Administration and the BCV, point in that direction.

**The recovery
of
consumption
will go two
different
speeds**

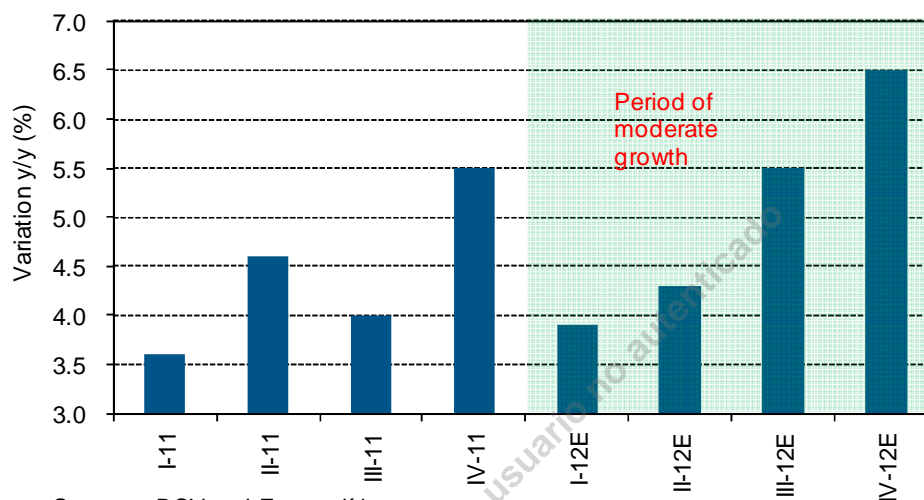
Ecoanalítica believes that in the next few months there will be a recovery in private consumption. Our growth estimate for 2012 is 5.1%, while the economy will grow 4.8%. As can be seen, this increase in consumption will be below the boom of 2004 – 2008.

Given this context and these explanations, we believe that this boom in consumption will occur at two different speeds: On the one hand, a lower growth in strongly regulated segments, which are paradoxically the ones that receive more foreign currency: food, medicine, and personal care; on the other, a greater growth in sectors with less or no regulation, although they represent the smaller part, associated mainly to trade activities. The performance of the first group will make the increase in consumption be much lower than during the last boom.





Growth of Private Consumption



We must take advantage of it

Although the upcoming boom won't be the same as the last one, it is an opportunity to emphasize three key elements, according to **Ecoanalítica**: sell more, care for inventories, and get coverage. We still believe that the next 7 months will be very good, and should allow companies to prepare for a more difficult and volatile environment in the future.



Economic Tips

Unemployment rate at 9.2%. According to numbers released by the National Statistics Institute (INE), unemployment rate increased 0.4 percentage points in February, as compared to the same period in 2011, when unemployment rate closed at 8.8%; this means that in the second month of the year, 1,210,964 people didn't have a job.

Women unemployment at 10.4%. Unemployment impacted more women than men. February unemployment rate among women was at 10.4%, up 0.5 percentage points from February 2011. All this means that 532,304 of the 5,137,657 women belonging to the economically active population were unemployed in February 2012.

Men unemployment, in turn, was 8.5%, meaning a 0.4% increase throughout the year, from 651,631 men unemployed in February 2011 to 678,660.

Male inactivity rate increases. According to inactivity rate figures published by INE, shows that increased 0.9 percentage points compared to February 2011, to settle at 37.1%. Within this, men inactivity experience a significant increase, from 2,130,677 of inactive men in February 2011 to 2,367,891 in the same month in 2012, settle at 22.8% what means an increase of 1.9 percentage points. Women inactivity, in turn, decreased 0.2 percentage points, and stood at 51.2%.

Informality rate increases. According to INE's figures, at end-February, 1,886,581 people were employed at the informal sector (41.0% of working population), which results in an increase of 2.4% compared to February 2011, when the sector employed to 1,842,094 people. Formal sector, which employs 59.0% of working population, dropped 0.2 percentage points with respect to the same period in 2011.

Food basket gained 0.5% in February. According to figures released by the National Statistics Institute (INE), the food basket value was VEB 1,772.0 in February, up 0.5% from January and 22.5% from February 2011, thus meaning that the reference food basket increased VEB 326.0 in one year.

Meat and meat products registered the highest cost. VEB 244.1 was used to buy these products, up 43% points from February 2011. The second most expensive group was cereals and derivative products, for which VEB 254.2 was used.





Minimum wage only covers 87.4%. The above signifies that minimum wage isn't enough to buy basic foodstuffs, because a worker earning the minimum wage (VEB 1.548.2) could only buy 87.4% of the basket estimated by INE.

The basic basket reaches VEB 6,546. According to the report of Worker's Documentation and Analysis Center (Centro de Documentación y Análisis para los Trabajadores - Cenda), the cost of Basic Food, Goods and Services Basket (Canasta Básica de Alimentos, Bienes y Servicios - CBT) in February 2012 was VEB 6,546.95, an increase of 0.8% with respect to the prior month, and 27.1% with respect to February, 2011. So far this year the basket has a cumulative change of 2.4% (VEB 155.6).

The behavior of the CBF in February was marked by an increase in six of its seven items: health (2.2%), housing (1.9%), clothing and footwear (0.9%), items of personal hygiene (0.7%), food (0.6%) and basic public services (0.6%). The education item showed no changes.

Family income only covers 47.3% of the basket. According to Cenda's report, the hypothetical family income of a five members family where two members earn minimum wage (VEB 3096.4) has a purchasing power of 47.3%, ie there is a deficit of 52.7% (VEB 3449.6) for the purchase of food, basic goods and services. Therefore, a family requires a little more than four (4) minimum wages to cover their basic needs.

Scarcity persists. According to the monthly report of the Center for Workers Documentation and Analysis (Centro De Documentación Y Análisis Para Los Trabajadores - Cenda) there is scarcity in products like oil, beef, and cheese. Surveys also revealed a scarcity of other products like corn flour, coffee, margarine, and mayonnaise. The text mentions that in government food chains like Mercal and Pdval, 22 of the 60 products of the food basket could be found.

Seeing is believing. On March 12, Nelson Merentes, President of the Central Bank of Venezuela, said during an interview that the economic objectives of the Administration for 2012 are already becoming a reality, with a reduction of inflation for 3 consecutive months, and the perspectives of a significant economic growth for the first quarter, which would allow to go beyond the 5% goal established in the nation's budget. He also said that they *"are working hard to reach single digit inflation levels in two years"*.

Spreading too thin... According the rendering of accounts of the Ministry of Planning and Finances for 2011, between 2005 and 2011 Fonden destined US\$77.7 billion of its income to projects from the ministries and official entities. According to



the figures presented, during this six year period, US\$54.1 billion were disbursed, and at the end of 2011, US\$23.6 billion were in the process of being executed. During these years, Fonden received US\$83.81 billion, and subtracting the amount destined to projects, this leaves a balance of US\$6.11 billion for the end of 2011. Although Fonden assigned a great amount of resources to plans in key areas, the Finance department acknowledges that project supports have had weaknesses.

Fonden opaque management. According to the report made to the audited accounts from the 1st of January 2011 until 30 June of the National Development Fund (Fonden), it received during the months of September, October and November 2010 the amount of US\$ 86.12 million on account of maturity of public debt bonds of the Republic of Bolivia. However, this nation does not issue foreign currency denominated bonds since 1920.

...Also shows that the Ministry of Planning and Finance has received US\$ 11,282.9 million, 17.1% of total resources of Fonden. According to the report, these resources have been allocated to 27 projects since 2005, however the office of Finance does not run infrastructure projects and the report does not detail of what has been the fate of those resources.

Contributions continue in 2012. The extraordinary contributions from high oil prices continue to provide astronomical amounts to the National Development Fund (Fondo de Desarrollo Nacional - Fonden). At the end of February, Fonden must have received from Pdvsa around US\$5.65 billion, at a rate of US\$2.85 billion in January, and US\$2.80 billion in February.

BCV failed to receive 31% of the currency from oil exports. Preliminary financial results of Petróleos de Venezuela for 2011 indicate that last year, the oil company obtained historical levels of income for US\$127.80 billion, and of this, 31% was not reported to the BCV, which only obtained US\$88.10 billion from the export of crude oil and fuels. This implies a difference of US\$39.70 billion that didn't go into the accounts of the BCV.

Seniat expects to reach two million income tax declarations. The National Integrated Service for Customs and Tax Administration (Seniat) expects two million income tax declarations during the period to pay that tax, which ends on March 31st. Superintendent José David Cabello Rondón informed that during a statement given at the headquarters of the entity in Mata de Coco, eastern Caracas *"So far, the process has been excellent. Comparing 2011 with 2012, there are 26% more declarations, which indicate that we will be very close to two million. Last year there were 1.7 million, and this shows how the economy and the tax culture are moving forward in the country"*, he said.



Interest rates. The lending rate for the second week in March was at 17.8%, increasing by 3.6 percentage points compared to the previous week. The time deposit rate remained since July 2011 reach 14.5%, while the passive rate has not experienced any significant variation since November 2011, placing well at 12.5%.

International reserves. International reserves decreased 3.1% going from US\$28,598 million during the first week of March to US\$27,793 million during the second week. Compared to the same period last year, international reserves have increased by 2.0%.

Monetary liquidity. Monetary liquidity in the second week in March increased 0.1% compared to the previous week settling at VEB 455,881 million. The M2 has increased 50.2% year-on-year.

Sitme figures. So far this year, US\$2,016 million have been negotiated through the System for Foreign Currency Transactions (Sitme), averaging US\$38.8 million a day, with an implicit exchange rate of 5.3 VEB/US\$; this represents an increase of US\$590 million (41.5%) over the same period of 2011, when negotiated US\$1,425 million. Lastly, during the second week of March the amount traded reached US\$184.4 million traded US\$ 36.9 million less than last week when US\$186.8 million were traded.

Oil Tips

Oil dispatches to the US fell in the first months of 2012. The downward trend of crude oil exports to the US continues, as the weeks go by. Preliminary reports of the US Department of Energy indicate that in January and February 2012, the average daily delivery of Venezuelan crude oil to that country was 832,000 barrels per day (kb/d), a drop of 11.0% compared to the first two months of 2011.

In detail... In January of this year, around 765 kb/d were sent to the US, while in February, the average was close to 900 kb/d. The drop can be seen when comparing the figures for last year, when in January 2011 the volume of crude oil dispatched was 998 kb/d, while in February they were 888 kb/d.

The reasons. The gradual reduction in sales to the US is framed in the preferential trade policy towards consumers like China. Although there are no final figures for the



operational performance of 2011, it is estimated that the United States is still the first buyer of Venezuelan oil, despite the downward trend. The last report available for 2010 informed that that year, the US received 52% of Venezuelan oil exports.

Relevance of China increases. According to Rafael Ramírez, Minister of Oil and President of Pdvsa, 460 kb/d of oil and products are being sent to China, including 200 kb/d to pay for credit commitments. The government expects to dispatch 500 kb/d to China by the beginning of 2013.

Saudi Arabia tries to calm things down. The largest oil exporter in the world, tried to allay concerns about high oil prices, saying that the global supply exceeded demand and that current prices were not justified. Saudi Oil Minister, Ali al-Naimi, said the kingdom has satisfied each customer order and could raise production to 12.5 mb/d if necessary, Reuters reported. As a result, early in the day on Tuesday March 20th, oil fell 2.0% in the London market at the prospect of increased Saudi production.

Oil prices threaten airlines. A scenario with a barrel of oil to US\$150 would be fatal for some airlines, particularly in Europe, warned on Tuesday 20th March the International Air Transport Association (IATA), which projects a greater drop in profits in almost all regions.

“Everybody must have access to Petropiar’s shares”. Preliminary reports state that Pdvsa is envisaging a financial operation where part of its shares in Petropiar, an oil extracting company in the Orinoco Oil Belt, will be sold in the Hong Kong stock market. Aída Lamus, former president of the National Securities Superintendence considers necessary to ensure that all citizens have access to purchase these shares. *“If the shares are sold in Hong Kong, savings deposits, pension funds, and citizens that don’t have accounts in dollars won’t be able to purchase them”.*

New model thinking about the future. The Organization for Economic Cooperation and Development (OECD) has created a corporate government model for public enterprises that inspired Aída Lamus’s proposal. *“We should have a council formed by people with proven high morals and ethics, who also obtain information from the AN and the civil society, to demand accountability and long term development plans from those administering Pdvsa”.* For example, *“Norway is right in considering that oil resources don’t belong to the present generation, they also belong to the future generation, and that is why the company must have added value”.*

Guatemala is studying the possibility of entering Petrocaribe. Otto Pérez President of Guatemala, announced that they are studying the possibility of becoming part of Petrocaribe, where diesel prices are quite different compared to that



of transnationals, given the international price increase of oil products. *“We have analyzed the issue of Petrocaribe for some time, and I believe that we should consider it seriously”*, said the Head of State in a press conference, regarding the program that delivers crude oil at preferential prices.

The Guatemalan President also said that “we must be very pragmatic in view of the recent drop in (oil) prices”. Pérez said that his government is already analyzing the requirements to be part of Petrocaribe, an initiative that former president Álvaro Colom had also considered between 2008 and 2012.

Negotiations of the oil collective bargaining agreement continue. Last Monday, March 19, the discussion of the oil collective bargaining agreement continued. Representatives of the Unitary Federation of Oil Workers (Federación Unitaria de Trabajadores Petroleros - Futpv) and of Pdvsa moved forward to the second discussion of the 2011-2013 collective bargaining agreement. The oil agreement has a total of 76 clauses, and they are expected to be approved before the end of March. Since October, the contract of workers expired. They hope to obtain a salary increase of 82.0% and an additional payment of VEB 250 for workers that aren't part of the shift system. They are also requesting an increase in the food bonds.

International oil baskets. At closing time on March 16th in the New York Stock Exchange, the price of the WTI was US\$106.20/bl, a 0.03% increase compared to the US\$106.17/bl reported the previous week. The Brent increased by 1.1% to reach US\$125.2/bl, compared to the previous week's US\$123.8/bl.

Local oil basket price. The Venezuelan oil basket price increased last week, closing at US\$116.5/bl on Friday March 16th, a 0.6% increase compared to the US\$115.8/bl of the previous week. The annual average price of the Venezuelan oil basket is US\$111.2/bl

Business Sector Tips

The industry expects positive conditions, according to INE. The national manufacturing sector considered its economic performance positive during the last quarter of 2011, according to the results of the Quarterly Qualitative Industrial Survey carried out by the National Institute of Statistics (Instituto Nacional de Estadística - INE).



... **Of the 540 companies consulted**, 91.9% said that economic conditions in the manufacturing sector were better or equal than the period before. Estimates remain positive for the first quarter of this year. This is based on an increase in demand, the proper use of foreign currency, national production policies, and the financing to small and medium companies, among others.

Favoring improvements in the productive chain. Minister Ricardo Menéndez explained that the purpose of these meetings is to link private, mixed and state companies, to achieve an effective performance from the resources. The meetings regarding the supply and demand of products and goods in the country will continue, to agglomerate the small, medium, and large companies supported by the Venezuelan state, to foster a new productive chain that allows the manufacture of goods at low costs.

Milk supply problems remain. Roger Figueroa, President of the Venezuelan Chamber of Dairy Industries (Cámara Venezolana de Industrias Lácteas -Cavilac), acknowledged that there are problems in powdered milk supplies in some areas of the interior of the country. However, he said that in one or two weeks this could be solved. He explained that consumption is 14,000 tons per month, and 17,000 tons are required to avoid problems. Industrialists have problems with the supply off packages, since they are imported, and added that they have supplies until June.

Government controls 62.6% of the market for staple foods. The Memory and account of the Food Ministry has outlined that of the total domestic food demand estimated at more than 6 million tons, the Government provides more than 3.75 million tons, representing 62.6% of the market. Coverage in the food sector rose by 32.4% year to 62.6%.

Mission AgroVenezuela failed for lack of resources and inputs. The failure of the Great Mission AgroVenezuela was evident in the results of agricultural production in 2011. Although the former minister, Juan Carlos Loyo, said that agriculture grew 1% last year, the statistics reflect in the Report Accounts of the Ministry of Agriculture and Lands (MAT) show that closed in negative activity and decreased 0.57%.

Mincomercio will soon be in the limelight. According to what was said in the Ministry of Trade's (Mincomercio) rendition of accounts for 2011 it is time for the current Commerce Code to be restructured, since it is considered an obstacle; thus, a new Commerce Code must be approved *"to regulate trade activities in the new Venezuela, and not the activity of capitalist entities that doesn't correspond to the transformation the Government is pushing forward for the country"*.





Procter & Gamble moved ahead and dropped the price of products. Procter & Gamble, the company that processes and markets personal care and household cleaning products, decided to move ahead and drop the prices of its product portfolio, as established in the resolution of the Fair Costs and Prices Superintendence. Through advertisements, it informed consumers that the products will be available in stores around the country. According to Sundecop, the drop in price will enter into force on April 1st, but Procter decided to offer the products with new prices 15 days before.

...According to the new list of prices for Procter: Head & Shoulders shampoo, which had a price between VEB 41 and VEB 44, will now cost VEB 36.15, like the 400 milligram presentation of Pantene de 400. The shaving machine Gillette Prestobarba 3, the package of 2 machines with three blades that cost between VEB 40 and VEB 50, will cost VEB 26.74. Sanitary pads Always normal with wings, 10 units, cost more than VEB25 and will now cost VEB16.66; and the package of 48 units of Pampers diapers, medium was set at VEB109.98.

Cadivi authorized close to US\$120 million for the shoe, paper, and graphic arts sectors. During the first two months of the year, Cadivi authorized a total of US\$121 million for companies in the shoe, paper, and graphic arts sectors in the country. The information was provided after the meeting last Friday, between authorities of the Foreign Currency Administration Commission (Comisión de Administración de Divisas - Cadivi) and representatives of the above mentioned sectors, who were informed about the present situation of the process to obtain foreign currency.

...However, the pharmaceutical sector informs of delays in the payment of foreign currency. The issues to obtain foreign currency seem to have reached the medication sector. Sources close to pharmaceutical businesses report an increase in the time that authorities take to liquidate the dollars. This situation is affecting manufacturers as well as importers of medications, and is a problem to which the sector isn't used, since it had always received priority treatment by Cadivi.

VAT waived for health sector imports. The measure entered into force after publication of resolution N° 8.847, in *Official Gazette N° 39.882*, of March 14. In it, the government waives for five years payment of Value Added Tax (VAT) and tariffs and other taxes envisaged in the Organic Customs Law, for the import of medical-surgical goods, materials and products, as well as for vehicles and equipment to build hospitals and manufacturing plants in the health sector.

CVG Alcasa had losses for VEB 2.1 billion in 2011. Aluminio del Caroní S.A. (Alcasa), a branch of the Corporación Venezolana de Guayana (CVG), had a net loss



of VEB 2.18 billion during fiscal year 2011. This is 3.38% less than that reported in 2010.

Contribution of CVG to non-oil GDP dropped to less than half. Waldo Negrón, former director of Alcasa, Venalum and Carbonorca, said that *"for about 15 years, the companies of Guayana contributed with 40% of the country's non-oil Gross Domestic Product (GDP); today, this has dropped to less than half, only 10 or 15%"*, mainly due to mistaken policies, lack of management, and an economic model that "doesn't seem appropriate".

FMO produced 92% of the iron ore estimated for 2011. Ferrominera Orinoco (FMO) deferred during fiscal year 2011, *"the purchase of spare parts, materials, and services necessary to guarantee production at the expected levels"*. According to the plans of the company, a subsidiary of CVG, a production of 18.0 million metric tons of iron ore was expected, and 16.3 million tons were produced, that is 92%.

50% of the housing deficit is concentrated in six states. In 13 years, the government and the private sector built close to 650,000 homes, but these weren't enough to meet the housing demand. The housing deficit remains at 2,000,000 units, and 50% of this gap is concentrated in 6 states, according to estimates of the Venezuelan Construction Chamber (Cámara Venezolana de la Construcción -CVC).

45% of the houses occupied and expropriated in 2010 were finished. In November 2010, the Government decided to expropriate and occupy 57 housing developments nationwide, and of the 18,813 homes planned in those complexes, 45% have already been finished, according to the Venezuelan Banking Association (Asociación Bancaria de Venezuela - ABV). A report on the status of the projects at the end of February states that 8,411 were finished and the deeds executed, meaning that they were given to the owners.

Sale of iron rods and cement are below 2008 levels. In 2011, sales of basic construction inputs (iron rods and cement) recovered, but the volumes offered were below those of 2008, when the companies were nationalized.

...The information of state-owned companies indicates that cement supplies in 2011 reached 7.5 million tons, 7% more than in 2010 when 7.1 million tons were placed. However, this volume was 5.2% below that of 2008, when close to 8 million tons were sold.

State import of vehicles doesn't meet market demands. The change in direction of the Government's plans for the automotive sector has distorted the local market even more. What seemed a specific action became a policy that still holds.



...**Between 2008 and 2009**, when the country suffered a reduction of income due to the drop in oil prices, the authorities closed the import of vehicles for private companies. From then on, the Administration restricted the awarding of import licenses to those trade agreements it has with its allies, like Argentina, Ecuador and Russia. Thus, few importers are benefited, and with insignificant amounts to supply the national market.

Young people enter the ranks of the “Misión saber y trabajo”. Close to 40% of the people registered in the “Gran Misión Saber y Trabajo” are under 30 years old, said last Sunday the Minister of the People’s Power for Youth, Maripili Hernández. Next April 1st, the third registration wave for this mission will end, striving to fight unemployment and underemployment in the country.

More than 50% of Venezuelans hope for an improvement in the country’s situation. Within the framework of the “*Social Perspectives 2012*”, forum organized by the Venezuelan-American Chamber of Commerce (Venamcham), economist Gerver Torres, said that 65.8% of Venezuelans hope that their personal situation will improve in the next few months. “Despite the difficulties that Venezuelans are obviously undergoing, more than 60% is fighting to improve their standard of living”.

...**The data presented by Torres** come from a study by Gallup International, which analyzed the hopes for personal, economic, and family growth in Latin American societies. Torres ratified that the sample revealed that 49.4% of Venezuelans surveyed feel that they are moving forwards, despite the limitations.

World Economy Tips

The US may have a mixed economic scenario in 2012. William Dudley, close ally of the Head of the Central Bank, Ben Bernanke, presented this week a mixed scenario for the largest economy of the world, dimming the recent signs of a speedier recovery, and warning that it could easily stagnate. Dudley didn’t insinuate anything regarding what the Fed should do to encourage recovery, but said that the US economic activity isn’t sufficiently strong or sustained, and “*Although these events are truly encouraging, it is too soon to conclude that we are out of the problems*”, said Dudley.





Asian stock markets rise, while investors perceive a recovery in the US. Asian stock markets rose in the beginning of the week, and the dollar remained stable against the yen, after last week, the US market reached a maximum level in almost four years. The reference MSCI for non-Japanese Asian stocks increased 0.2% after a modest improvement last week of 0.8%, while in Japan, the Nikkei index of the Tokyo stock exchange closed with an upwards trend of 0.1%. Fujio Ando, Managing Director of Chibagin Asset Management in Tokyo said: *“US economic data continue being solid”*.

IMF: Global economy still at risk. World economic growth will slow down this year, although the United States will improve its performance; however there are still downward risks since European financial markets are still fragile, said Zhu Min, Deputy Director Manager of the International Monetary Fund (IMF) last Monday, March 19.

The expansion in emerging markets will be strong, but the full impact of the slowdown of the developed economies will continue to be felt in other regions, said Min during a Conference on Investment in Asia by Credit Suisse in Hong Kong. *“First, the global growth rate is slowing down. Second, things are improving. Third, the risks persist, but to a lesser extent”*. He added that China must rebalance its economy to have a stronger domestic demand, and that its exchange rate should have a more flexible regime.

Greece has improved economic auditing. According to the head of the Special Working Group of the European Commission for Greece, Horst Reichenbach, the country has improved the way in which it monitors its Budget, and has tested the limits of its citizens, with spending cuts, commenting that *“for months, the ghost of bankruptcy was floating around. Nobody knew if the debt restructuring of private investors would work. People were skeptical about the Government being able to save. This is over. The bases are set for progress”*.

Yuan will become a global reserve currency. The Chinese currency will become an international exchange currency, but the moment in which it will have free convertibility cannot be easily forecast, said this week Wen Jiabao, Prime Minister of China, at the China Development Forum, with the participation of economic authorities, business leaders, and academicians. For the Yuan to become global, first there must be a stable economic environment, solid financial regulatory frameworks, and global trust, said Jiabao, adding that the process would be natural.

IDB projections are optimistic. The Inter-American Development Bank (IDB) outlined an optimistic balance for Latin America and the Caribbean, while



acknowledging that “*the base scenario*” could change and with it the results, either to improve, or to worsen the economic performance of the region.

In the best of the scenarios (where China’s economy gradually slows down; a mild recession in Europe; and the US and Japan recovering), the GDP of South America will increase 3.6% this year. However, a change in the international arena (with a marked slowdown in China, dragging the US, or a deepening of the Euro Zone crisis) would leave the region exposed to a blow, “*with a moderate recession*” of 0.5%. This information was presented by the IDB in Montevideo within the framework of the Assembly of Governors.

Chilean economy ended 2011 with a growth of 6.0%. Chile’s GDP increased 4.5% interannually in 4Q2011, ending the year with an expansion of 6.0%, according to declarations of the Central Bank of that country.

Reserves continue to rise in Peru. Peruvian Net International Reserves (NIR) increased to US\$54.77 billion by March 13 of this year, US\$1.45 billion more compared to February, which offers a good protection to the economy of that country, informed the Central Reserve Bank (Banco Central de Reserva - BCR).

Strict spending controls in Brazil. The strict spending controls implemented by the government of Brazil will help the Central Bank maintain its interest rate reduction policy, said Miriam Belchior, Minister of Planning last weekend. The government of President Dilma Rousseff, stopped the spending of US\$32.0 billion in this year’s Budget, after a similar reduction in 2010, which according to Belchior, consolidated a harmonious relation between fiscal and monetary policies.

Political Tips

Far away, so close. When President Chávez was in Havana, Cuba, to undergo another surgery, he approved VEB 27.000 and US\$1.50 billion for housing, industry, and the Missions, among other areas.

The road seems is harder than it seems. After 21 days in Havana, Cuba, President Hugo Chávez arrived last Friday to the country. After the respective honors, at 8:20 he greeted the people. As opposed to other times, during this 30 minute speech broadcasted through all radio and TV networks, Chávez didn’t say that his condition



wasn't delicate. On the contrary, he acknowledged that the battle against his disease will be *"long and hard"*

Radiotherapy sessions will begin soon. President Hugo Chávez informed that the radiotherapy sessions he will undergo the next few days will take place in Venezuela. *"This cancer won't win against Chávez either"*, he said, while stating that the surgery performed in Cuba was *"successful"*.

Chávez will win hands down, according to a poll by IVAD. The gap in the intention to vote for Hugo Chávez has constantly. From 18% in October 2011, it increased to 29.9% in 2012, according to the latest survey of the Venezuelan Data Analysis Institute (Instituto Venezolano de Análisis de Datos - IVAD). Projections estimate that if the presidential elections were today, Hugo Chávez would win with 56.5% of the votes. According to his report, the trend is almost irreversible, less than 7 months away from the elections.

...While in Capriles' case, the trend seems to be downward; according to IVAD the intention to vote for Capriles Radonski has dropped consistently, going from 34.8% in October 2011, to 29.9% in January 2012, (a drop of 4.9%).

Capriles is stagnant, according to pollster GIS XXI. In the next few months, opposition candidate Henrique Capriles Radonski will try to "readjust" his electoral strategy, given his stagnation in the polls, and the unstoppable increase in the intention to vote for President Hugo Chávez, said Jesse Chacón, Director of the "Grupo de Investigación Siglo XXI" (Gis XXI). According to Chacón, the opposition will try to instill acceptance of the right wing candidate in the sectors where President Chávez has an acceptance and an intention to vote for him of over 60%.

"New chocolate always tastes better than old chocolate, and our people want new chocolate". Henrique Capriles Radonski, the candidate of the Democratic Unity, said last Monday that his political strength lies in never having lost touch with the people. *"I have never lost a single election, and therefore I have never lost the connection. The upcoming election is the most important one, because it will open the doors of the future for the country"*, he said, during the delivery of a remodeled Arts and Trade School in Santa Lucía, Miranda State.

...During the presentation of the school, Capriles talked about the social program Zero Hunger "Hambre Cero" in the State. *"If we did things right, no one would be hungry in the country, but what enables people to come out of that situation is to have a job: hunger never strikes when there is employment, We must set our goals there. Let us leave alone those who talk nonsense, we will not be distracted, and I am clear about the direction"*.



...Training, food, employment, housing. The governor showed the results of his social program "Hambre Cero" saying that it has reached 75,000 people, half the families in extreme poverty conditions in the state. He also said that this program contemplates the supply of medications for the population under extreme poverty conditions, and is a loop that includes support for education, employment, and even housing.

“El Gato” Briceño presented his right to reply. More than one hour lasted the message of José Gregorio "Gato" Briceño, Governor of Monagas, to seal his exit from the United Socialist Party of Venezuela (Partido Socialista Unido de Venezuela - PSUV). In a heartfelt communication to President Hugo Chávez, the regional leader said: "I will not go to a disciplinary court where the vice president makes a statement, and a second later the President says that I reached the end point. I've already been sentenced! Ethical values are reverted. It is the end of the word, Dear God...!"

There are plans to attack Capriles. President, Hugo Chávez, announced last Monday that manages information about alleged plans to attack the life of Miranda state Governor and presidential candidate for the Mesa de la Unidad (MUD), Henrique Capriles, who responded to the statement by the president as follows: *“the declaration of the Psuv candidate borders on the irresponsible, as is his Government with the insecurity in our people.”*

Go out toad or frog, approval the new LOT is in May. President, Hugo Chávez, is not willing to back down regarding the adoption of the new Labor Law (LOT). On Monday 19th, he reiterated his commitment to approve for Next 1st of May, via enabling law, the new labor law: *“I have ordered this month and a half is to increase the debate and discussion at national level (of the new Law)... This is a law in line with the Bolivarian Constitution and the socialist process that is underway”.*

Legislative Tips

“Measures are being implemented to reduce violence in the country”. Within the framework of the disarmament campaign, Pablo Fernández, technical secretary of the presidential commission for disarmament, said that the measures that are being taken are geared to reduce violence in society. Likewise, he said that regarding the instrumental component, i.e., weapons, the commission imposed measures that were approved, and are being implemented since February. He said: *“These measures*



point towards generating a national regulation of weapon ownership; it is directed to those who don't have their papers in order, and the registry helps the state have a clearer inventory of who has firearms or not".

New liquidators of Banco Federal published in the Gazette. The Social Protection Fund of Bank Deposits appointed Luis Eloy Zárate, Claudia Lorella, Albertino Bautista, and Rubén Darío Cortina Sanoja as members of the coordinating board of the liquidation of the company "Corporación de Colocaciones S.A.", related to the Federal Financial Group. This appointment entered into force after the publication of administrative decision N° 199, in Official Gazette N° 39.881.

Judge Aponte in evidence. In the last session on March 13, it was read a letter sent by the People's Defender, Gabriela Ramírez, which states that the Republican Moral Council accepted the decision of "serious fault" against magistrate Aponte, was accused by the president of the Unión Republicana Democrática (URD) party, Rafael Rodríguez Mudarra, of allegedly granting Judicial Power credentials to alleged drug trafficker Walid Makled. Thus, it was granted to magistrate a right to speak on the next plenary session (March 20) in order to defend himself from the accusations that linking him to alleged drug trafficker.

However... the magistrate did not attend. The magistrate Eladio Aponte Aponte did not attend the hearing. According to some parliamentary sources, the judge refused to appear before Parliament for fear of public exposure and for being a personal decision, it was respected. However, the committee of Deputies who assessed the record of the judge presented the report to the AN to decide the case. Unofficially it was known that the opposition and official party would agree to vote for dismissal. Legally, Parliament may order the removal in absentia.

AN decided Aponte's fate. The future of the magistrate of the Criminal Chamber of the Supreme Court, Eladio Aponte Aponte, was decided by the AN at its session on March 20. As reported by deputy and vice president of the Standing Commission on Domestic Policy of the National Assembly (AN), Jose Javier Morales, "it was decided to remove Aponte from office." Morales said the former magistrate, Aponte, attempt on the moral, ethical and administrative good intention, therefore, unanimously Parliament decided to remove him from office.

New limitations for the media in the AN. During the session of Tuesday, March 13th, journalists from different media were given a sheet containing the new limitations to work in the Parliament. Press director of the AN, Ricardo Durán, informed that video shots and statements may be taken only in the East hallway, including the garden area, and only congressmen, authorities and honored individuals attending the sessions will be able to speak at the podium. Also,



journalists may not carry out interviews (sound or video) in areas other than those authorized and previously mentioned.

Ruling party advocates approve support to Syria. The socialist majority of the AN approved on Tuesday an agreement in solidarity with Syria. At the Parliamentary session, with the participation of the Ambassador of Syria in Venezuela, Ghassam Abbas, congressman Yul Jabour, of the Communist Party of Venezuela read the draft agreement rejecting and condemning any attempts by imperial powers to interfere in Syria's internal affairs. The document urges the international community and peace lovers to start a massive campaign rejecting interventionism. On the other hand, the opposition rejected the agreements, questioning the "legitimacy" of the Syrian government.

© Ecoanalítica – Descargado por usuario no identificado





ECONOMIC OVERVIEW

