

COVID-19, because God does punish a thousand times

Previously, we reviewed the consequences and initial measures related to the virus COVID-19 while the World Health Organization (WHO) classified the event as a pandemic¹, and then we delved into the possible initial theoretical repercussions of the arrival of the virus in Venezuela. Now, we will present a first look at the estimates made of the economic impact of the virus on the country, while at the same time, the measures announced by Nicolás Maduro to mitigate its effects will be analyzed.

On Saturday, March 22, President Maduro made a national news broadcast. He announced that the number of cases of contagion had risen to 77, distributed among 15 states, with the municipalities of El Hatillo and Baruta, in the state of Miranda, being the places with the most cases in the country. Since then, as of Friday, March 26, there have been 107 confirmed cases, covering 15 states in the country. Hence, fears about a more aggressive contention policy have showed up.

The initial and aggressive measure of declaring a national quarantine of 30 days² -which could be extended for a similar period- has leading to the paralysis of essential elements (health, food and public services), as well as those activities that cannot be carried out remotely.

This quarantine has affected all aspects of the flow of the economic system, under one of the mechanisms described above The private non-oil companies will have to face a large fraction of its effects and, at the same time, deal with their pre-existing limitations³. They will also have to deal with a decrease in their workforce as a result of these measures and with the drop in demand from households. These companies, in the event that their production or sales would be affected, will also lose their income. Households -

¹ According to the WHO, a pandemic is the global spread of a new disease. It occurs when a new virus spreads and most people have no immunity to it.

² Section Eight, Chapter V "Final Provisions" of the Extraordinary Official Gazette No. 6,519 of March 13, 2020, published in Decree No. 4,160. Available at: <https://www.finanzasdigital.com/2020/03/gaceta-oficial-extraordinaria-n6-519-se-decreta-el-estado-de-alarma-en-todo-el-territorio-nacional-por-epidemia-del-coronavirus-covid-19/>

³ Capital problems, lack of external financing and fall in labor productivity.

especially those dependent on the informal market- would be more vulnerable, since they lack an effective containment mechanism to deal with the pandemic, especially since quarantine and contagion make it impossible for them to offer their service. Even if they were able to use the advantages of remote working, they would be at the mercy of irregular power⁴ and telecommunication⁵ services.

The State is involved in both situations, in the form of Nicolas Maduro's government, which will have to deal with the decisions inherent in this emergency that all the world's policy makers are trying to solve. These decisions will be susceptible to the effect that the quarantine will have on the country's production and on the savings that consumers can count on to face an indefinite confinement linked to their income-generating capacity in that context (especially the most vulnerable population, which depends on the informal labor market and which, it is estimated, obtains most of its income in bolivars).

While the *social distancing* of all the country's inhabitants is necessary to prevent the spread of COVID-19 from becoming uncontrollable for an already depleted health sector, its economic repercussions cannot be ignored in a country the initial conditions of which are not at all similar to those of the rest of the countries that are dealing with the pandemic.

The first measures

On the same national TV broadcast, Maduro announced a series of economic measures designed - *a priori* - to soften the impacts of the virus and the subsequent quarantine. These are:

1. Suspension of rent collection for shops and main homes for six months.
2. Ratification of the firing freeze until December 31.
3. Ratification of the priority investment plan in the agri-food sector.
4. Six-month suspension of principal and interest payments on bank loans
5. Suspension of collection due to moratorium on payments.
6. Special credit plan for Small and Medium Enterprises (SMEs)
7. Six-month payment plan for the payroll of private companies through the Patria System.
8. Special direct transfers for informal and private sector workers through the Patria System.

⁴ *A un año del apagón nacional, 40% de los hogares continúa reportando fallas diarias de electricidad* (2020). VOPS. Available in: <http://www.observatorioovsp.org/ovsp-a-un-ano-del-apagon-nacional-40-de-los-hogares-continua-reportando-fallas-diarias-de-electricidad/>.

⁵ *Carta del presidente de Movistar en Venezuela a la opinión pública* (2020). Available in: <https://www.facebook.com/notes/movistarve/carta-del-presidente-de-movistar-en-venezuela-a-la-opini%C3%B3n-p%C3%BAblica/2970336442989030>.

The measures appear to be aimed at relieving the financial burden on Venezuelan citizens (as long as pandemic remains) by allowing them to receive their salary (plus direct transfers) for the acquisition of necessary goods in addition to exemption from payment for basic services and the ratification of firing freeze. This, *a priori*, would mean that private sector payroll employees would have (guaranteed by the State) an income flow for the next six months -provided they are part of the Patria system.

However, private enterprise would remain vulnerable to the effects of COVID-19, with the increase of the Tax Unit (TU) by 2,900% to VES 1,500 and the still-in-force Income Tax return by the end of March. And, although it is part of the measures, there is no guarantee that the Executive will comply with such payroll payments. Previously, with the 5,900% minimum wage increase during August 2018, a similar promise had been made and, although not all register their payroll in the Patria System, compliance was irregular.⁶

Furthermore, the inability to collect interest and capital on the loans granted would mean a reduction in the income of the banking sector. This, added to the legal reserve requirement, would negatively impact any incentive to grant credit in the coming months - in a context in which one of the measures is to grant special loans to SMEs to enable them to circumvent the impact of the quarantine.

According to a Bloomberg report⁷, in view of the containment measures taken for COVID-19, members of the Venezuelan industry and commercial sector held meetings with members of Nicolás Maduro's cabinet to avoid shortages of staples. According to Bloomberg sources, they had requested in a meeting held at the Ministry of Finance the suspension of the payment of income and value added taxes and customs. Some even asked the State to help them with the payment of the payroll.

By taking over the payroll payment, at least part of the request seems to have permeated the authorities. However, in view of the significant decrease in its oil revenues (first due to the continuous drop in production and then with the sudden reduction in price due to the effect of COVID-19⁸) and taxes revenues -the real drop in non-oil revenues in 2019 with respect to 2018 was 47.5%- it is impossible for the Nicolás Maduro government to give up one of the few sources of income it has left.

⁶ El Gobierno no paga y los trabajadores presionan a empresas por el subsidio salarial (2018). KonZapata. Available in: <https://konzapata.com/noticia/70756/konfidenciales/el-gobierno-no-paga-y-los-trabajadores-presionan-a-empresas-por-el-subsidio-salarial.html>.

⁷ Zerpa, F. and Yapur, N. (2020). *Maduro and Venezuelan Industry in Talks to Prevent Output Crash*. Bloomberg. Available in: <https://www.bloomberg.com/news/articles/2020-03-19/maduro-and-foes-work-together-to-avert-venezuelan-virus-disaster>.

⁸ More details on this event in the Weekly Report N° 10: *The bubble in quarantine: ¿How will the COVID-19 impact our economy?*

Following Maduro's announcements, several industry leaders spoke out against the measures. Ricardo Cusano, president of Fedecámaras (the Venezuelan Federation of Chambers and Associations of Commerce and Production) described the measures as isolated and partial. This could be due to the above mentioned: until now, they have only focused on the benefit of the population while local industry has had to face the consequences of quarantine on its own.

Fedecámaras issued a public statement in which they claimed to have presented a contingency plan to both political factions, which covered the transport, manufacturing, energy, food and banking sectors. In it, they highlighted as an operational measure the speeding up of import procedures and the confirmation of rapid response teams for the granting of safe conduct to workers in national industries, so that they can move to their jobs.

Meanwhile, in the industrial field, Nicolás Maduro has only stated that he has prepared an agri-food assistance plan that would allow the supply of 7 million boxes from the Local Supply and Production Committees (CLAP) to be maintained. This is in line with one of the measures announced: the prioritization of the agri-food industry.

However, the president of the Confederation of Agricultural Producers' Associations of Venezuela. (Fedeagro), Aquiles Hopkins, pointed out that the measures have meant a "*confinement*" for the industry, since they do not have production permits, nor access to credit and, with the recent shortage of gasoline, the difficulty of mobilizing human capital to the plants and the subsequent distribution of the product. On this basis, Hopkins requested support from the civil and military authorities to guarantee the production and distribution of food.

Within this framework, how to predict the real effects of COVID-19 in Venezuela? Although it is not free of uncertainties, some initial approximations can be obtained by incorporating to our quantitative tools some scenarios related to adverse shock to foreign trade (due to this pandemic), and with the recent stance of the government on the management of the pandemic.

In this regard, it is possible to quantify the exposure of the real economy based on, at least, three mechanism:

1. The cut in oil income, for a scenario of oil production (and exports) and the effects of the COVID19 on the price of the local oil basket.
2. Reduction of imports, as a result of exogenous trade restrictions, and its impact on local manufacturing and the commercial sector.

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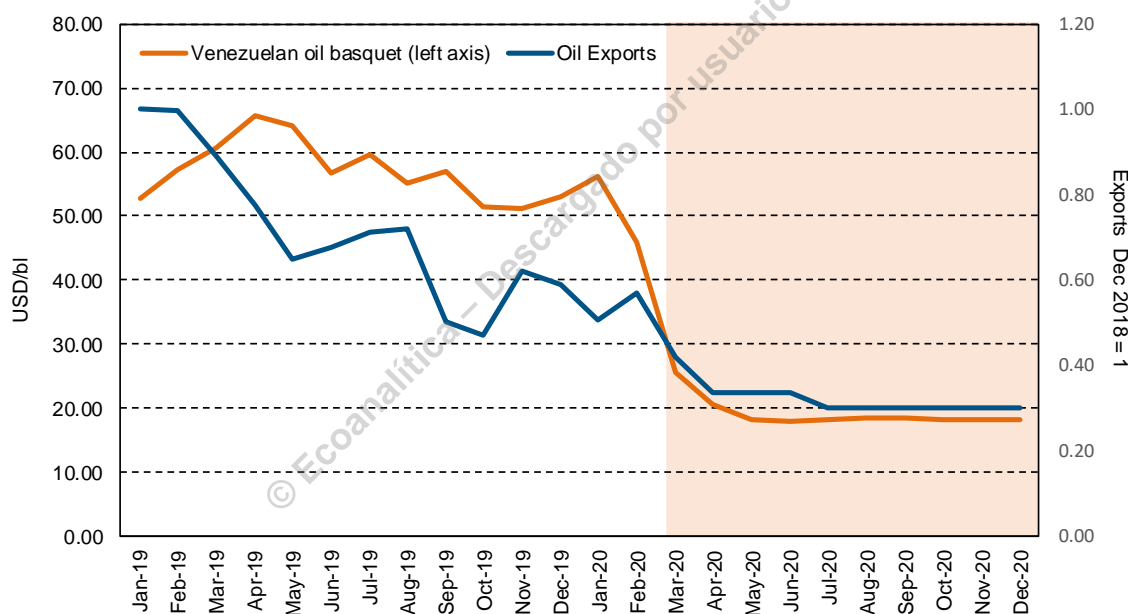
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Year 15. Number 11 Week IV
 March 2020

- Fall in private consumption, due to the persistence of containment policies and the lack of flexibility of the legal reserve requirement.

In the oil sector, our latest estimates point to a level of exports from this sector that will be at **514 kbd (on average)**. On the other hand, based on the historical evolution of local oil prices and the initial shock derived from the pandemic, we estimate an average price **between USD 22.2 and USD 24.5 per barrel of Venezuelan oil** for 2020¹⁰. This suggests a contraction in **non-oil activity of close to 20.1%** from last year (previous forecasts had suggested a contraction of 10.6% by 2020), and a reduction in oil revenues of more than 60.0% by the end of the year.

Evolution and projections of the oil sector Venezuela 2020



Sources: OPEC and Ecoanalítica.

Note: The pink area indicates the estimated figures.

What about non-oil activity? Preliminary estimates show a direct relation between Venezuela's imports from its main trading partners (China, Brazil and the US) and the real activity indexes of each country. Thus, considering the relative importance of each market

⁹ The base projections are obtained from an ARMA model (1,1) about the changes in the local oil basket, calibrated according to its monthly realizations between 2009 and March 2020.

¹⁰ Considering the own lag in the valuation of the effective sales of local crude, such values would mean a Venezuelan oil price close to USD 31.1 per barrel. Such a figure would mean that the government would be forced to reduce such a lag (at the cost of a greater price discount) to try and halt the fall in oil revenues.

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in Venezuela's imports, it is estimated that **these purchases will fall by nearly 31.6%** if the forecasts of recession in these markets due to the new pandemic are met.

Assuming exposure of the manufacturing and commercial sectors to import dynamics (by the link between imports and the manufacturing and commercial index in Venezuela, IVP and IVC, in each case), the COVID-19 shock (transmitted through imports and lower oil prices) would lead to **a contraction in non-oil activity of close to 25.5%** by the end of 2020. These impacts could be greater, to the extent that the Executive assumes as a strategy the reduction of its imports due to the lack of cash in foreign currency. Overall, we would expect an overall **annual GDP reduction near to 24.9%**

The return to monetary indiscipline?

The first doubt that arose when Maduro announced its economic package to combat the adverse effects of the quarantine was related to its financing capacity.

The Executive started 2020 with a latent cash flow constraint, as a result of the decline in its oil revenues (via reduced production and discounted sales of its crude oil on the international market as a result of US sanctions), coupled with reduced collection of non-oil revenues and its inaccessibility to international financial markets for the lifting of funds as a result of US sanctions. Even the access to funds by multilateral organizations is not clear: the existing duality of governance¹¹ and the lack of transparency regarding the payment plan and the current economic figures already determined a refusal by the International Monetary Fund (IMF) of a request for USD 5 billion.

To deal with the restrictions, the Nicolás Maduro government had carried out a fiscal reform during the first quarter of the year¹² to soften its expenses due to subsidies and had begun to implement a liberation of rates of some basic services¹³. Moreover, this is the reason why expansive fiscal policies in the form of tax reductions have not been announced.

Notwithstanding, the new situation -with its mitigation measures- would represent a new edge in the Executive's decision-making; they will need to disburse money at a time when their income is reduced. Therefore, they might be tempted to resort again to the monetary financing of their deficit, even though the authorities had acquired some discipline after

¹¹ Laya P. and Vásquez A. (2020). *IMF Won't Lend to Venezuela Because Maduro Lacks Recognition*. Bloomberg. Available in: <https://www.bloomberg.com/news/articles/2020-03-17/venezuela-requests-5-billion-from-imf-to-fight-coronavirus>.

¹² Developed in depth in the Weekly Report N°5: *Three Foreign Exchange Weddings and a Bank Funeral*.

¹³ Armas, M. and Pons, C. (2020). *Venezuela aumenta tarifas de servicios públicos en medio de crisis e impacto por coronavirus*. Reuters. Available in: <https://lta.reuters.com/articulo/venezuela-servicios-idLTAKBN2162KM-OUHLT>.

going through the crudest (so far) hyperinflationary process the country is still going through.

Specially to cover expenses related to payroll, public imports necessary to cover the contents of the CLAP boxes and the announced bonuses¹⁴, it could be expected that they will resume this practice with possible future consequences in the form of an acceleration in the price index.

HyperCOVID-19

At first, an adjustment in relative prices would be expected, which would be oriented towards staple products. Assuming that the Executive does not again impose a regime of “fair prices” that exacerbates shortages in a state of emergency, it would be expected that those goods belonging to the items of “Food and Non-alcoholic Beverages” and “Health” present an increase in price relative to the rest of the components of the basket.

This could be added to an acceleration of the price index driven by fiscal monetization to cover the transfers promised by the Executive.

With regard to the exchange rate, a downward trend was observed in the first days of the quarantine, possibly marked by an increase in present consumption in view of the risk of future shortages, so that the demand for foreign currency may have decreased at that time and, with it, its price. However, it would be expected that agents would seek access to the exchange market for hedging purposes and, later, use this accumulation of foreign currency for a transactional purpose as the quarantine lasts and there is a risk of failure of public services. Such mechanisms can alter the purchasing power of currencies, particularly during the second half of the year.

However, this behavior is not expected to be sustainable. The fall in foreign exchange inflows resulting from the global trade slowdown could lead to greater exchange rate volatility, although their upward adjustments may be conditioned by the actual consequences of recent COVID-19 containment policies.

On the other hand, the abandonment of the Executive's fiscal discipline during the duration of the pandemic, puts more weight on the uncertainty of Venezuelans about the real value of the incipient monetary injection. Thus, in the quest to protect their consumption in the future, some of the coverage in goods (in the midst of the new subsidies) may be partially diverted to the acquisition of foreign currency, leading to greater exchange rate tensions in the next two months.

¹⁴ For now, the “Solidarity and Strength” bonus has been announced as well as one for workers in the informal sector.

How will Venezuela look in terms of pricing? Specifically, to quantify the impacts of COVID-19 in this dimension, we start from the official actions announced by the Executive to face the consequences of the pandemic in the local economy. As we outlined in our previous weekly report, local inflation can be affected in two ways: monetary imbalances caused by official actions, and its stance on legal reserve requirement, in addition to demand shocks resulting from changes in the consumption pattern of Venezuelans.

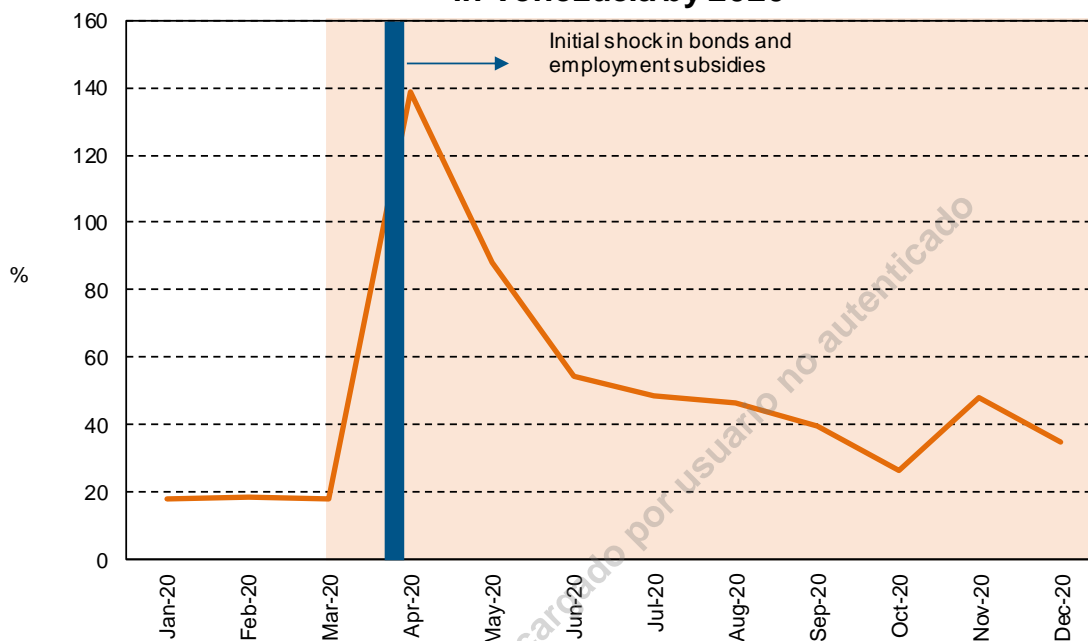
In the context of hyperinflation, we assume that prices still respond more to changes in demand for bolivars, so our interest in scenarios was focused on the first two aspects. We estimate, on the one hand, that the greatest monetary impact will occur in the next two months, during which the payment of direct bonuses (“Marzo Solidario” and “Disciplina y Solidaridad”)¹⁵ will take place, leaving the rest subject to the new wage subsidy¹⁶. On the other hand, a very similar intermediation to that seen at the beginning of 2020 is expected, assuming that the Executive maintains the legal reserve requirement as a means of controlling variations in the exchange rate.

¹⁵ Based on 6 million beneficiaries of the “Hogares de la Patria” Bonus. *Lo que debes hacer para recibir y cobrar nuevos bonos por el carnet de la patria.* (2020). El Nacional. Disponible en: <https://www.elnacional.com/economia/lo-que-debes-hacer-para-recibir-y-cobrar-nuevos-bonos-por-el-carnet-de-la-patria/>.

¹⁶ The 2018's base of benefited employees is assumed, with the payment of the differential of the increase to the minimum wage between September and November of that year, in the context of the Economic Recovery and Prosperity Plan.

Year 15. Number 11 Week IV
 March 2020

Monetary Base Projections in Venezuela by 2020



Sources: BCV and Ecoanalítica.

Note: The pink area indicates the estimated figures.

In this monetary scenario, in which the monetary base would maintain a monthly increase of (54.3%) (superior to that of the whole of last year), the acceleration of prices would be greater than initially estimated, with annual inflation of 13,838%, reaching ranges of hyperinflation by the month of April. Continued restrictions on credit through the lace would prevent local hyperinflation, although still high, from reaching the levels seen in 2018.

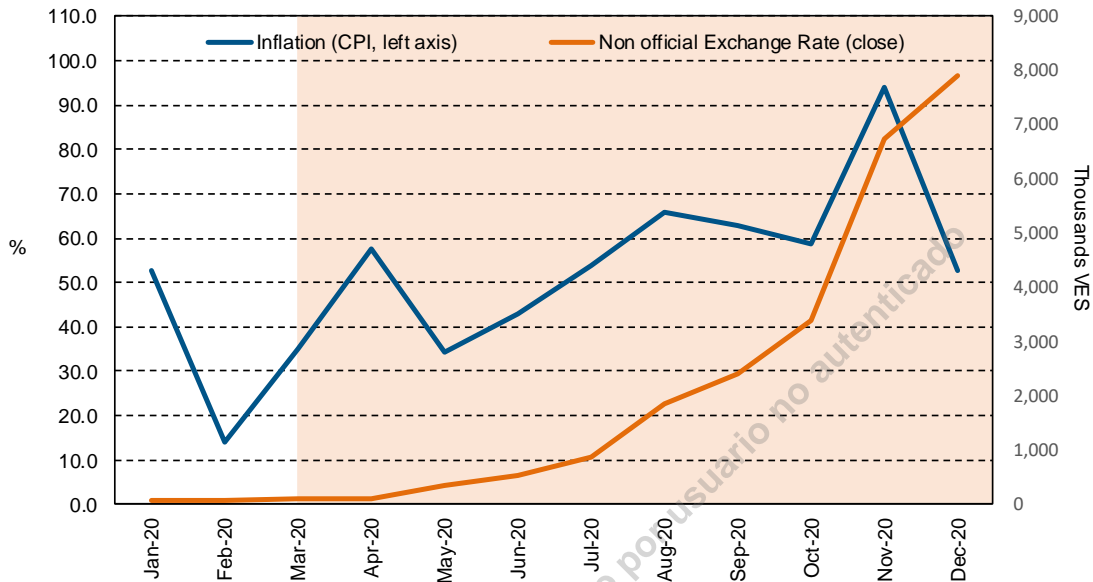
The exchange rate would follow a similar pattern, with a more aggressive growth for April, amid the larger monetary imbalances¹⁷. In this sense, the currencies would gain greater purchasing power, as they would show greater increases in the first half of the year, where many Venezuelans would incorporate uncertainty regarding future asset endowments and the success of official policies to deal with the effects of COVID-19. The real depreciation of the bolivar would cease in the last months of the year, when the effects of the quarantine on the real economy are likely to continue.

¹⁷ Preliminary calculations, based on multiequal approaches between price, monetary base and exchange rate at the weekly level, suggest a greater exposure of the exchange rate to unanticipated changes in the monetary base (with respect to the reaction of inflation).

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Price Projections in Venezuela for 2020



Sources: BCV and Ecoanalítica.
Note: The pink area indicates the estimated figures.

Regardless of the degree of uncertainty, the deterioration of the local economy is likely to be at least as great as the figures presented. Adjustments in other areas remain to be clarified, such as the expected changes in the State's foreign exchange budget, or the oil dynamics in the face of the escalation of COVID-19 in the global market. However, in advance, and with the recent guidelines of the Executive, it is not possible to foresee a more encouraging future. The numbers do not lie.

Luis Arturo Bárcenas
Jhoan F. Castellano

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WEEKLY REPORT



Ecoanalítica

acompañando las buenas decisiones

Year 15. Number 11 Week IV
March 2020

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WEEKLY INDICATORS

Weekly Economic Indicators			
	4th Week March	Weekly chg. (%)	Depre/Apre (pp) ¹
FX Boards (VES/USD)²	70,854.89	-1.9	-2.0
	1st Week March	Weekly chg. (pp)	Annual chg. (pp)
Lending Interest Rate (%)	27.8	-5.4	-4.0
	4th Week March	Weekly chg. (pp)	Annual chg. (pp)
Overnight Interest Rate (%)	99.6	15.9	65.7
	3rd Week March	Weekly chg. (%)	Annual chg. (%)
International Reserves (USD Bn)	6.9	-0.3	-13.0
	1st Week March	Weekly chg. (%)	Annual chg. (%)
Monetary Liquidity (MM VES)	61,191,383	0.2	1,815.5
Price of International Oil Baskets (USD/bl)			
	3rd Week March	Weekly chg. (%)	Annual chg. (%)
WTI	26.6	-22.4	-55.1
Brent	29.2	-21.4	-56.9
Price of the Venezuelan oil basket (USD/bl)			
	3rd Week March	Weekly chg. (%)	Annual chg. (%)
Weekly Average	19.4	-28.0	-68.5
Annual Average	45.9	-5.0	-19.1

Sources: BCV, MENPET, ONT and Ecoanalítica

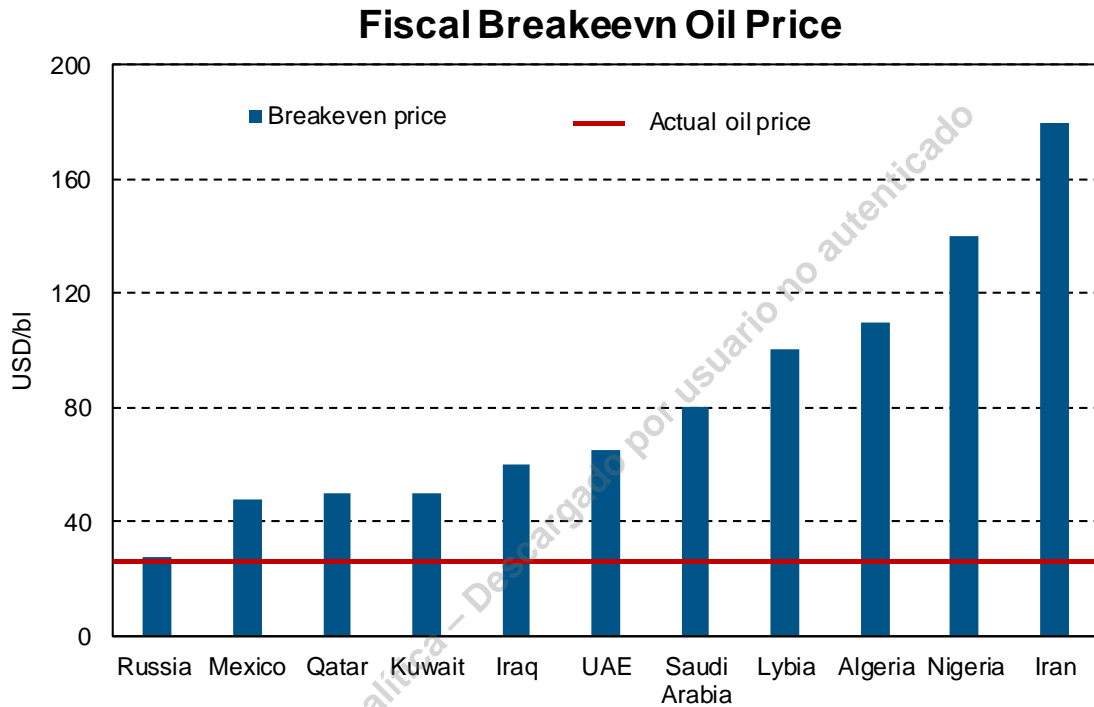
* Annual variation of accumulated expenditure.

¹ Depreciation (+)/Appreciation (-)

² FX Boards' average exchange rate

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CHART OF THE WEEK: “(UN)BALANCED”



Sources: IMF, Reuters and Ecoanalítica.
Note: The actual price is WTI from the week of March 20th.

For several countries, oil represents an important source of income. Therefore, a fall in the most relevant international markers could pose a serious threat to the efficient management of their budget. Today, in the midst of a pandemic that requires precise and efficient actions by the State, this environment may place many economies in an even more difficult position.

The graph shows the price some of these countries need to maintain such a “balanced” budget (the revenues offset almost all their expenditures). We can see scenarios such as that of Iran, which is the most serious and is already in a delicate situation at the economic, political and social level, and needs a price around USD 180/bl. Other countries such as Algeria and Nigeria need prices around USD 120/bl to reach the break-even point. The most optimistic case is that of Russia, which needs a price between USD 25/bl and USD 30/bl.

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Year 15. Number 11 Week IV
March 2020

Some countries even have an equilibrium price that was assimilated to the projections of the price per barrel for 2020. FocusEconomics estimated that the barrel would be at USD 61.3/bl (Brent) on average for this year. However, the fall in this indicator has been extremely steep, especially during the week of March XX, when it fell by 27.2% (the largest drop since 1991) amidst the biggest boom of COVID-19. The combination of weak demand resulting from the pandemic and the price war between Russia and Saudi Arabia puts the barrel projection for the year at USD 42.2/bl, which could diminish.

Even in the absence of data that make a more accurate contrast possible, the current situation of the oil industry and the strong fiscal burden of the Executive allow us to assume that Venezuela does not escape from this vulnerability. Nicolás Maduro himself declared that taking into account the cost of production, Venezuela reports losses in its exports with a price of USD 28/bl. Last week (March 20), the price of Brent closed at USD 29.2/bl and the Venezuelan oil basket, at USD 19.3/bl. Faced with a collapse of our oil revenues and in the midst of a pandemic crisis, the maneuvers to be executed by the government are becoming more limited. In turn, this serves as a reference to see how far Venezuela could be from closing its fiscal gap, especially in the context of the current environment. Unbalanced, that is to say little.

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ECONOMIC TIPS

The new measures have arrived. Nicolás Maduro announced on Sunday, March 22 that a package of economic measures will be implemented to reduce the negative effects caused by the coronavirus.

Taking over the payment. As part of the measures, the regime will be responsible, for six months, for the payment of the payroll of the small and medium enterprises, making the payments through the Patria platform.

New bonuses. Maduro reported that the firing freeze will last until December 31st of this year and announced that special bonuses will be created for informal and private sector workers, stating that these will reach more than 6 million people.

6 months without payment. Another measure is the suspension for six months of the payment of rents, both for housing and commercial establishments; capital and interest payments on credits are also suspended, thus cancelling the moratorium on payment resulting from this extension.

The service doesn't stop. Similarly, it is forbidden to cut off telephone and television services for the same period of six months. Maduro specified that the National Telecommunications Commission (Conatel) will be the entity in charge of supervising these cuts.

Clap continues. In addition, the Priority Agro-Food Investment Plan was ratified, which consists of guaranteeing the distribution of the Clap boxes; the restructuring of the terms of access to credit was approved, with the aim of benefiting and offering special guarantees to small and medium enterprises.

Free of tax (I). Due to the emergency of the coronavirus, inputs related to its prevention, such as masks and mouthpieces, were exempted from the payment of value added tax (VAT) and import tax, as established in Official Gazette No. 41,841.

Free of tax II). The Ministry of Economy and Finance explained that the measure "seeks to guarantee the nationalization of food and medicines for the Venezuelan people, as well as their immediate distribution.

Request rejected. The International Monetary Fund (IMF) rejected Maduro's request for US\$5 billion in financial assistance to address the coronavirus emergency.

No international recognition. The IMF spokesman explained that the IMF is not in a

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Year 15. Number 11 Week IV
March 2020

position to "consider this request", clarifying that the commitment of this multilateral organization is with member countries that have an official government recognized by the international community, which is not the case of Venezuela.

They don't give up. Faced with this refusal, according to five sources consulted by Bloomberg, Maduro's regime made another credit request but for USD 1 billion, stating that the funds will be for an emergency program against the coronavirus that involves the purchase of food, medicine and structural improvements to some hospitals.

Less and less reserves. For the week of March 20, international reserves closed at USD 6.932 billion, a drop of 0.3% from the previous week's close (March 13). At a year-on-year level, the amount represents a decrease of 13.0%.

Exchange desks. As of March 25, the average rate for exchange desks was VES 70,854.9/USD. This represents a 2.0% appreciation from last week.

Liquid? Liquidity was VES 61,191,383 million for the week of March 6, a variation of 0.2% in nominal terms from the previous week (February 28) and 1,815.5% from last year.

OIL TIPS

New explosion. According to two anonymous sources and a Petróleos de Venezuela (PDVSA) document seen by Reuters, an explosion occurred last Friday at an oil facility of the state-owned company, located in the northeast of the country. According to the document, the plant was producing 37,000 barrels per day (bpd).

Confiscated property. The executive of the Korsou Refinery (RdK), Curaçao's state-owned refinery, reported that they're pursuing an arbitration claim against PDVSA for USD 162 million for the management of the island's refinery. In order to enforce claims for overdue payments, a storage property of the Venezuelan state-owned company located in Bonaire was seized last week.

Plan B. Marcelino de Lannoy, managing director of RdK, announced that Curaçao is seeking the approval of a Dutch court to sell Bonaire Petroleum Corp (Bopec) along with its 10-million-barrel oil storage terminal if it does not receive what is owed by PDVSA.

Lagging due to the virus (I). According to another document from the oil company, two vessels loaded with Venezuelan crude oil have been delayed due to the health inspections carried out on them with the aim of preventing the spread of COVID-19.

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Year 15. Number 11 Week IV
March 2020

Lagging due to the virus (II). One of these ships is the Delta Angelica, which was due to leave the Jose terminal between March 19 and 21 with 1.9 million barrels of heavy Merey crude oil. By Monday, March 23 this ship had not yet finished loading.

Lagging due to the virus (III). The ship Icaria is the second laggard. It was supposed to load one million barrels of Merey and was due to leave between March 15 and 17; however, it continues to await health inspection.

Waiting for your arrival. According to the document, three tankers to be loaded at the end of February: two for TNK Trading and one for Rosneft Trading, have not yet docked at the Jose terminal. Data from Refinitiv Eikon stated that one of these ships had its satellite off this Monday and the other two are empty and anchored in the Caribbean Sea.

Limited capacity. The document also reported that, in mid-March, PDVSA loaded around 500 000 barrels of Merey 16 in a floating storage facility. This may be a sign that the oil company is running out of capacity to store or sell the oil, which could have an impact on oil production.

Weakened in March. According to data from Refinitiv Eikon, the country's oil exports during the first three weeks of the month have averaged 795,000 bpd which represents a large decrease from last month's average of 1.046 million bpd.

They want to sell more. A spokesman for the Saudi Ministry of Energy said the country could increase its exports by May to more than 10 million bpd. To reach that number, the country plans to compensate with gas from the Fadhili plant for about 250,000 barrels of crude oil used for local consumption.

At ease with the price. Oil company Aramco said it has no problem with the price of oil being around USD 30 and reported that by April they expect to increase their production to 13 million barrels.

Price war? Dmitri Peskov, spokesman for the Kremlin, said that "there is no price war" between Russia and Saudi Arabia, clarifying that it is a "very unfavorable price situation for many countries".

Good news. Mexico's National Hydrocarbons Commission (CNH) published that crude oil production during the month of February was 1,721 million barrels, which represents a marginal increase of 1.4% for that month. It also detailed that 53.0% of this production corresponds to 5 fields.

Bribes to PDVSA. Federal prosecutors in the Southern District of Florida have charged

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Year 15. Number 11 Week IV
March 2020

Venezuelan contractor Leonardo Santilli with money laundering. The accusation involves hiding in the United States (USA) the profits obtained from overpriced contracts that he obtained by bribing PDVSA officials.

Inflated prices. Prosecutors alleged that Santilli, between 2014 and 2017, accepted contracts to supply equipment to joint ventures in the Orinoco Oil Belt, in which PDVSA has a majority share. For these contracts, Santilli received US\$150 million. However, the prosecutors noted that in several cases the payment for the service was four or five times higher than the market price.

In trouble. Pemex, Mexico's state oil company, will face a bond maturity of \$30 billion dollars in 2024. However, last week the price of the main crude oil for export of that country reached an 18-year minimum.

Important decisions. For this reason, Andres Manuel Lopez Obrador, president of Mexico, must choose whether to maintain the national energy agenda or take steps to prevent the state-owned company's debt from falling into the "junk" category.

Will that be enough? Given that this year, USD 6 billion in bonds will mature and the price of Maya oil reached USD 12.92 per barrel last week, Octavio Romero, Pemex's CEO, promised that he will reduce administrative and contracting expenses, in order to give priority to profitable projects.

BUSINESS SECTOR TIPS

Directly to the hotels (I). Jorge Rodriguez, Minister of Communication, announced that the Government met with the Hotel Chamber and agreed, if necessary, to confine patients with mild symptoms to hotel rooms.

Directly to the hotels (II). Rodriguez stressed that this option will only be available to people who do not require hospitalization for the disease. He also clarified that these coronavirus patients isolated in hotels will be under medical surveillance.

300 registered. Tarek El Aissami indicated that the organizations must enter the data of the workers through "www.institucion.patria.org", to comply with the measures of firing freeze and the payment of payroll to small and medium enterprises. He added that, so far, they have received about 300 requests.

Fedecámaras doesn't rest. Ricardo Cusanno, president of Fedecámaras, said that

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Year 15. Number 11 Week IV
March 2020

despite the difficulties and serious problems of fuel supply, the private sector will continue to ensure that the distribution of food, medical supplies and medicines can be maintained in this emergency situation.

A plan for everyone. Cusano added that the business sector urgently requires minimum conditions from the government to allow the national productive sector to function properly. Therefore, Fedecámaras will present the country and the public, the executive and legislative sectors, as well as the FANB, with a plan of transversal and sectoral proposals.

We can't do it alone. The president of Fedecámaras stated that the plan should focus on 30, 60 and 90 days. Adding that they need international help, which is why they have also established contact with the United Nations (UN).

Bonus in exchange for "discipline". Nicolás Maduro announced the delivery of the bonus for "Discipline and Solidarity", through the "Carnet de la Patria". This incentive will be for VES 350,000 and will be paid between the 20th and 29th of this month.

ASOQUIM proposals (I). The Venezuelan Association of the Chemical and Petrochemical Industry (ASOQUIM) presented the national executive with a set of measures aimed at alleviating the financial burden of companies during the present coronavirus emergency.

ASOQUIM's proposals (II). Among the measures presented, it is worth mentioning the extension of the term for the income tax (ISRL) return and payment for 90 days as from its due date on March 31st; return to the scheme of Value Added Tax (VAT) monthly return and payment, and suspend the requirement of advances for this tax.

ASOQUIM's proposals (III). ASOQUIM also proposed that the payment of taxes on imports be exempted for the items corresponding to raw materials, inputs and spare parts for the industrial sector. It also proposed financing schemes for companies to acquire raw materials and facilitate the support of their personnel.

Criticisms and requests from Conindustria (I). Adán Celis, president of the Venezuelan Confederation of Industrialists (Conindustria), described as "disappointing" the economic measures announced by Nicolás Maduro to reduce the economic impact of the coronavirus. Because "there is no real interest in economic recovery".

Criticisms and requests from Conindustria (II). Celis indicated that Conindustria is advocating for a rectification and to take into account the comments submitted by Conindustria, Fedecámaras and other sectors.

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Criticisms and requests from Conindustria (III). Finally, the president of Conindustria stressed the importance of companies remaining with fuel supplies, as otherwise the production chain could come to a standstill, as could "the *transporters who bring the products to the consumers*".

Milk for Import substitution? (I). Roger Figueroa, president of the Venezuelan Dairy Industry Chamber (Cavilac), indicated that uncontrolled imports of milk powder are considerably affecting domestic production.

Milk for Import substitution? (II). Figueroa pointed out that many of the products that are entering the country do so irregularly, without health permits or permits of origin, which puts the health of the population at risk.

Milk for Import substitution? (III). The president of the organization ended by pointing out that the dairy industry has closed production lines, limited work shifts due to the precarious situation of the industry. In addition, Cavilac asked the National Executive to release the legal reserve requirement, given that they do not have access to credit in order to survive.

Requests on all fronts. The vice president of the Association of Latin American Industrialists (AILA), Juan Pablo Olalquiaga, called on the government to take urgent measures such as making the tax regime more flexible, postponing the payment of taxes of all kinds, and relaxing the legal reserve requirement so that companies can count on financing.

WORLD ECONOMY TIPS

Victims of exponential growth (I). According to the Director-General of the World Health Organization (WHO), Tedros Adhanom Ghebreyesus, the coronavirus pandemic is accelerating and more than 300,000 people have been infected worldwide according to official figures.

Victims of exponential growth (II). According to the Director-General, it took 67 days from the first case being reported to reach the first 100,000 infected with the disease, only 11 days for the second 100,000 infected and only four for the third 100,000.

Victims of exponential growth (III). Adhanom Ghebreyesus called for political commitments and said he would ask the G20 group of economies to work together to

strengthen the production of personal protective equipment for health workers.

The calm after the recession. According to the International Monetary Fund (IMF), the coronavirus pandemic will cause a global recession in 2020 that will be equal to or worse than that experienced in the 2008-2009 global financial crisis. But the organization added that the economy will recover next year.

Feedback from the IMF. Kristalina Georgieva, IMF Managing Director, welcomed the extraordinary fiscal measures implemented by several countries to protect health systems, businesses, and workers, along with those imposed by several central banks to provide monetary relief. But she stressed that more action will be needed, especially on the fiscal front.

Open doors for more credits. Georgieva added that the IMF could significantly increase its emergency aid, as about 80 countries are asking for assistance, and reiterated that the entity is ready to deploy its total lending capacity of USD 1,000,000 million.

USA vs COVID-19. U.S. Treasury Secretary Steven Mnuchin announced that the economic relief package to mitigate the impact of the coronavirus being developed by the U.S. Congress will include a one-time payment of USD 3,000 for families and will allow the Federal Reserve to leverage up to USD 4,000 billion in liquidity to support the country's economy.

The FED at the forefront (I). The U.S. Federal Reserve said it will begin supporting an unprecedented range of credit measures for households, small businesses and large employers, to lessen the economic impact of the pandemic.

The FED at the forefront (II). The FED measures include the establishment of a new credit program that will help the payment of financial commitments for studies, credit cards. They will also provide government-backed credit for small businesses, as well as new programs for purchasing bonds from large employers to provide them with money.

The German plan (I). According to Reuters sources, the German government is preparing stimulus measures requiring some EUR 350 billion (USD 374 billion) in net new debt to counter the coronavirus crisis.

The German plan (II). These sources indicated that the package will include a supplementary government budget of approximately EUR 150 billion, EUR 100 billion for an economic stability fund that can take direct stakes in companies, and EUR 100 billion in loans to the government development bank KfW for loans to companies in difficulty.

Year 15. Number 11 Week IV
March 2020

From one day to the next. The Spanish Ministry of Health indicated that the number of deaths in the country from COVID-19 shot up to 2,182 on March 23 from 1,720 the day before. The number of cases registered in the country rose to 33,089 on the same date, compared to 28,572 on March 22.

No foreigners enter. Spain's Interior Ministry announced that they will restrict the entry of most foreigners to Spanish ports and airports over the next 30 days to help curb the pandemic.

POLITICAL TIPS

Wanted. The United States Treasury Department has accused several public officials of being involved in illicit narcotics trafficking. It announced that it is offering a reward to those who provide information that helps in the arrest of the accused.

Big rewards. Of the amounts offered, the highest is for Nicolas Maduro, for whom they are offering USD 15 million. The other defendants are: Diosdado Cabello, president of the National Constituent Assembly (ANC); Tareck El Aissami, Minister of Industries and National Production; Clíver Alcalá, major general of the Army; and Hugo Carvajal, deputy of the National Assembly (AN). For these, USD 10 million are being offered.

They don't trust the figure. Juan Guaidó said there are inconsistencies with the figures of positive cases of COVID-19 that the regime has reported. He said that, in order to solve this problem, the National Assembly (AN) has a mixed commission that works together with an observatory to register the number of patients with the virus.

Conviasa to the rescue (I). Nicolás Maduro ordered the state airline Conviasa to repatriate Venezuelans who were "stranded" in the United States (USA) due to the suspension of international flights due to COVID-19. For this reason, Maduro requested the government of that country to suspend the airline's sanctions for 48 hours in order to be able to enter U.S. territory.

Conviasa to the rescue (II). Days after this request, Maduro informed that they are still waiting for an answer and that there are 524 Venezuelans in that country. In addition, he said he had approved planes to bring to the country Venezuelans who were stranded in both the U.S. and the Dominican Republic.

Confirming support (I). Jorge Arreaza, Maduro's Minister of Foreign Affairs, met with Peter Grohmann, the UN System's resident coordinator in the country, to confirm that the

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organization is prepared to support the emergency caused by the pandemic.

Confirming support (II). Maduro reported that this support includes the contribution of the Pan American Health Organization (PAHO) and the United Nations Children's Fund (UNICEF). Likewise, he stated that the World Health Organization (WHO) also guaranteed that it would support the country in stopping the spread of the virus.

Cleaning up the virus. Delcy Rodriguez, Maduro's vice-president, announced that since Friday, March 20, the national disinfection plan has started; this plan consists of cleaning in depth the facilities of the Caracas Metro, the markets and other public places with the objective of disinfecting them of the COVID-19.

Permanent connection. Furthermore, Rodriguez reported that a permanent air bridge will be established between China and Venezuela, which is part of the cooperation agreement of these countries. He also said that virus detection tests have already arrived from China, along with air purifiers and personal protective supplies such as gloves and masks.

Willing to help. Maduro also reported that Russia is going to contribute with "a major donation of special humanitarian aid" that includes medical equipment and coronavirus diagnostic kits.

Arrested without explanation. On Saturday, March 21, journalist Darvinson Rojas was arrested by the Special Action Force (FAES) and taken to court on Monday, according to the National Union of Press Workers. However, the father of the detainee assured that his son was not taken to court. The charges against Rojas are still unknown.

One year later. One year after the arbitrary detention of Roberto Marrero, head of the Office of the Interim President, by officials of the Bolivarian National Intelligence Service (Sebin), both Guaidó and the U.S. Embassy in Venezuela affirmed their support and concern, through their twitter accounts, for Marrero and all the political prisoners.

In bad condition (I). Gonzalo Himiob, director of the organization Foro Penal, warned about the vulnerability of prisoners in the country's prisons and police stations to the risk of COVID-19 infection. He explained that because of the virus, prisoners have not been able to receive visits from their families and that this implies that they have not received food or basic medicines either.

Year 15. Number 11 Week IV
March 2020

In bad condition (II). Therefore, the organization requests that family members be allowed to carry these inputs. Himiob also expressed concern about the lack of resources in these premises and the overcrowding that occurs there, detailing that in some centers the capacity of the place is exceeded by 300%.

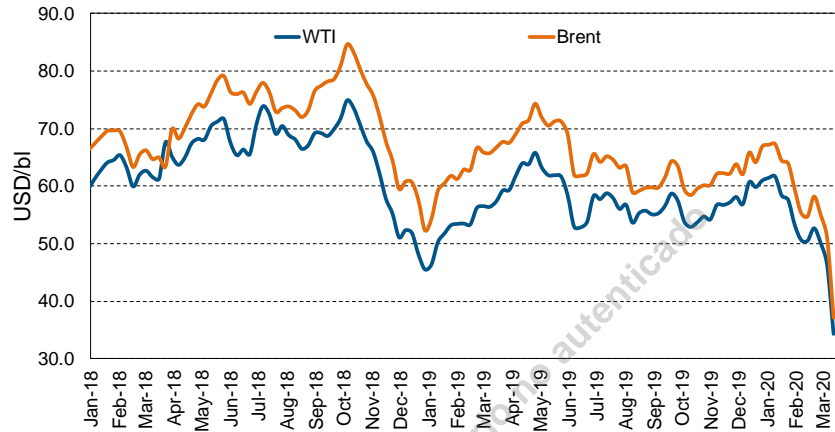
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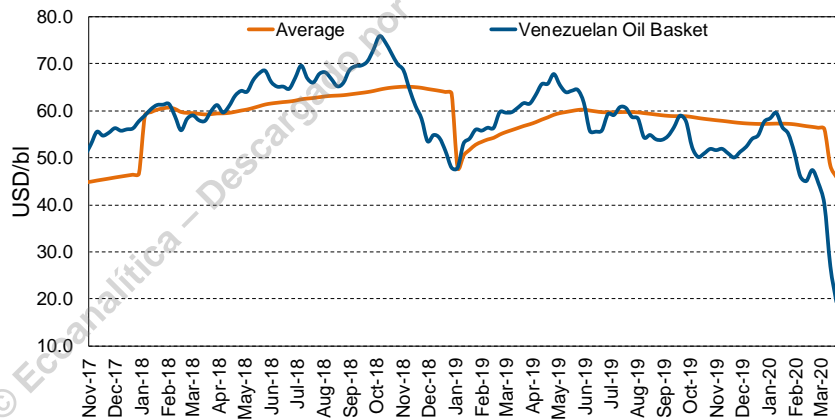
ECONOMIC INDICATORS

**Oil Prices
(WTI and Brent)**



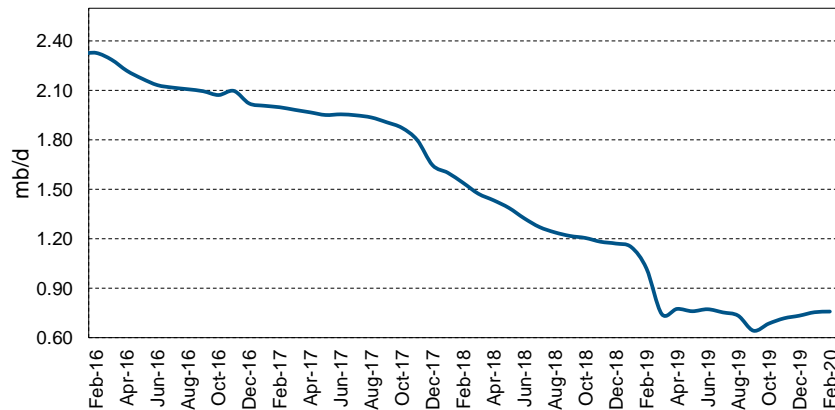
Sources: Menpet and Ecoanalítica

**Oil Price
(Venezuelan Basket)**



Sources: Menpet and Ecoanalítica

**Oil Production
(Secondary sources)**

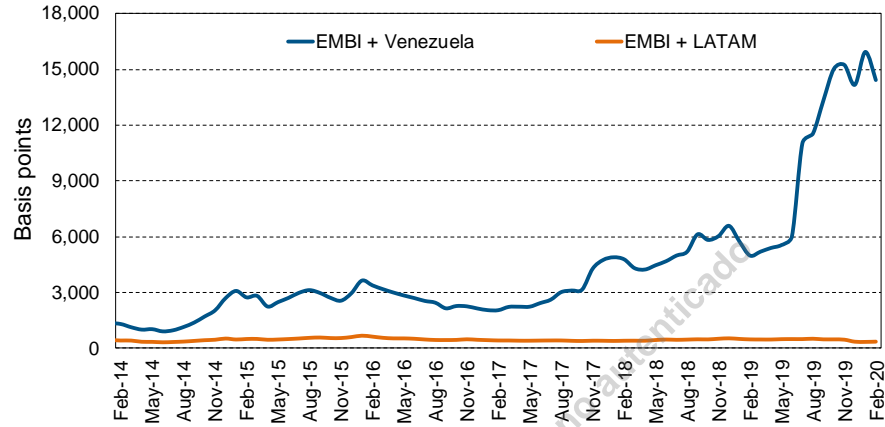


Sources: OPEC and Ecoanalítica

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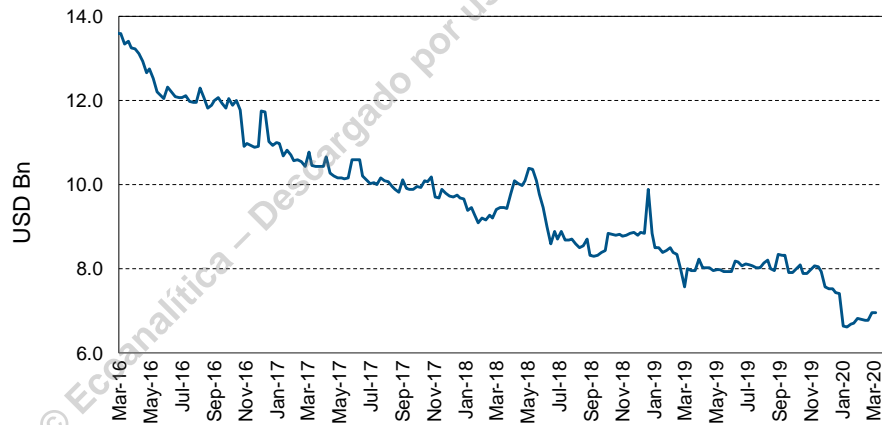
ECONOMIC INDICATORS

EMBI



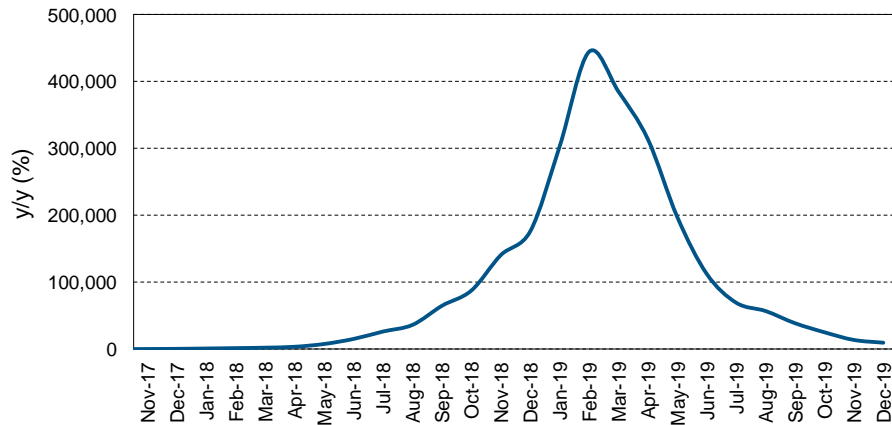
Sources: BCRP and Ecoanalítica

FX Reserves (BCV)



Sources: BCV and Ecoanalítica

Inflation (BCV)



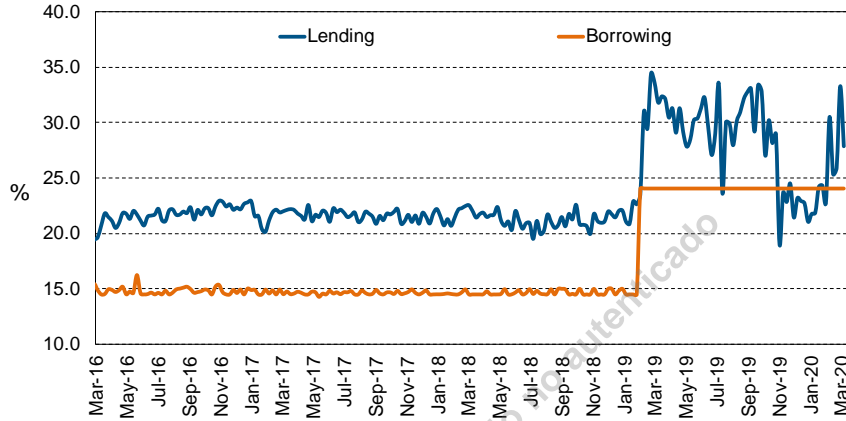
Sources: BCV and Ecoanalítica

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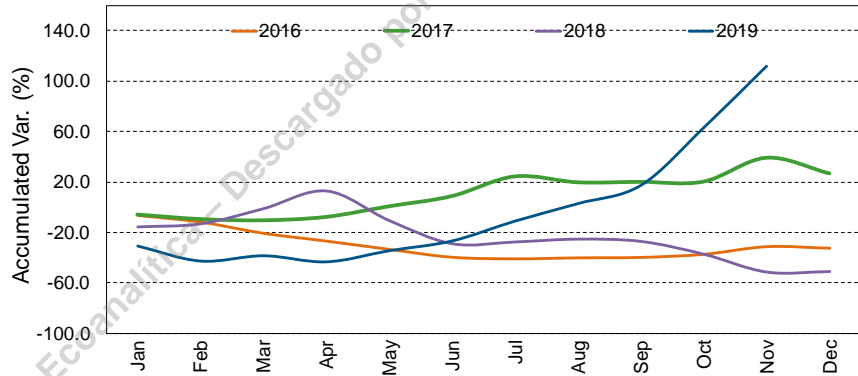
ECONOMIC INDICATORS

**Interest Rate
(Six major banks)**



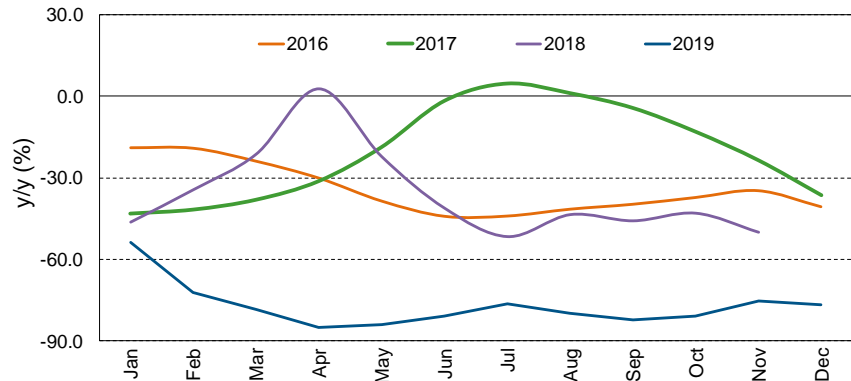
Sources: BCV and Ecoanalítica

**M2 Expansion
(Real)**



Sources: BCV and Ecoanalítica

**Loan Portfolio
(Real)**



Sources: SUDEBAN and Ecoanalítica

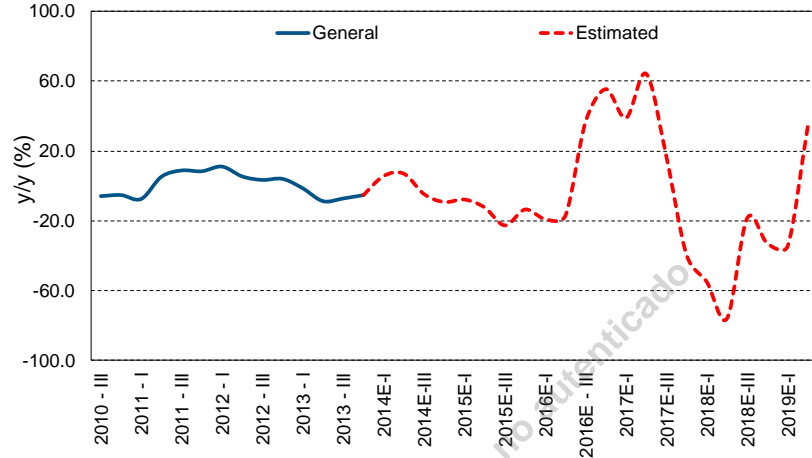
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Year 15 Number 11 Week IV
March 2020

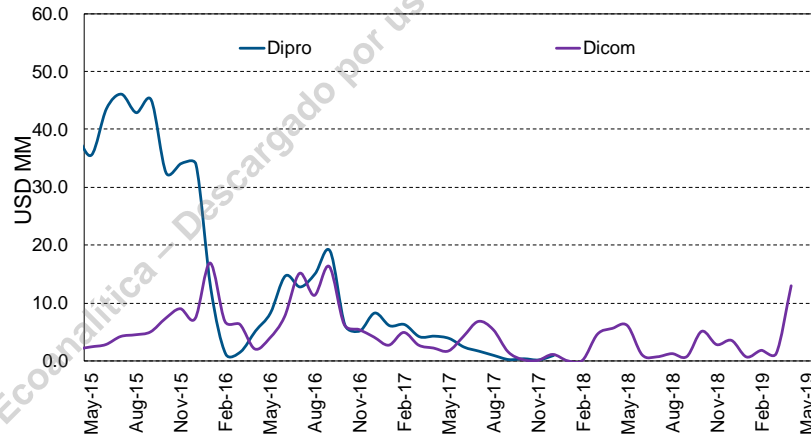
ECONOMIC INDICATORS

Real Wage Index



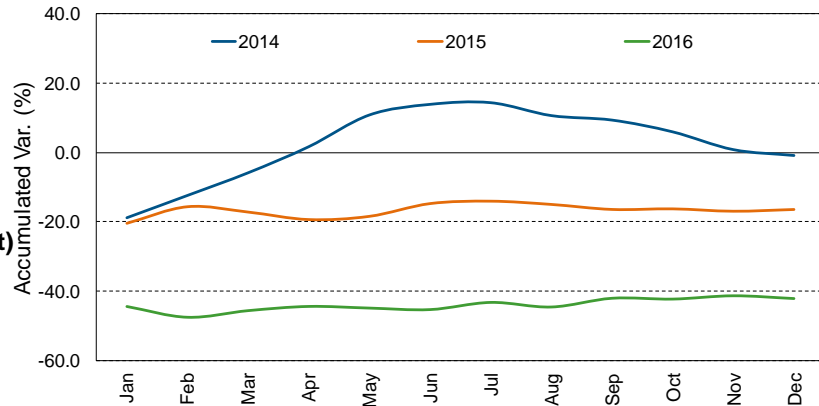
Sources: BCV and Ecoanalítica

Disbursements to the Private Sector (Daily Average)



Source: Ecoanalítica

Primary Spending NTO (Real - Central Government)



Sources: ONT and Ecoanalítica

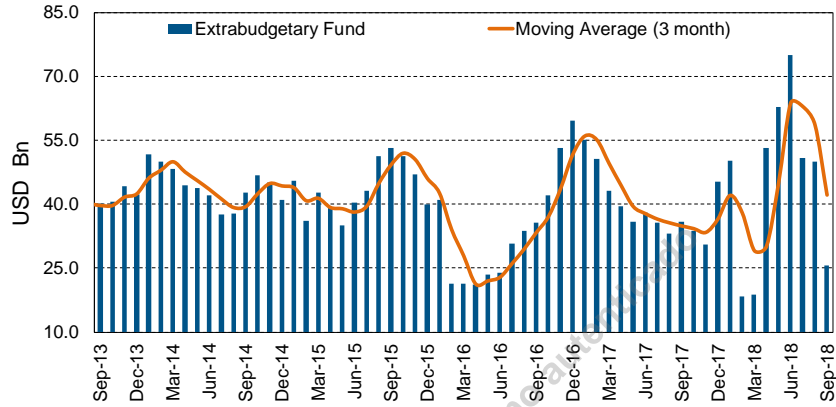
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March 2020

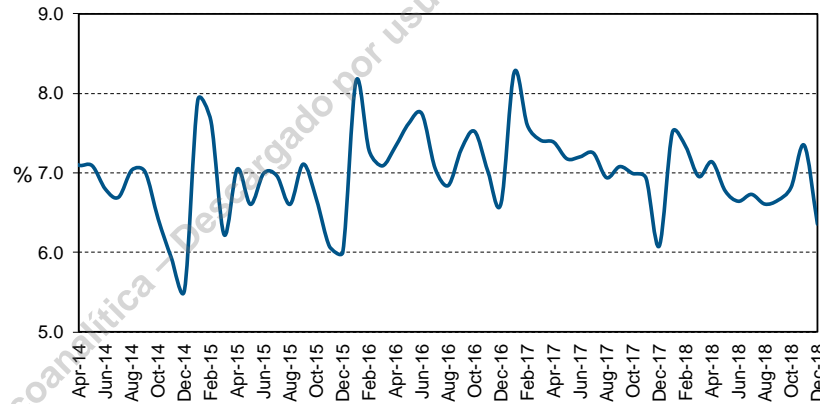
ECONOMIC INDICATORS

State Extrabudgetary Resources



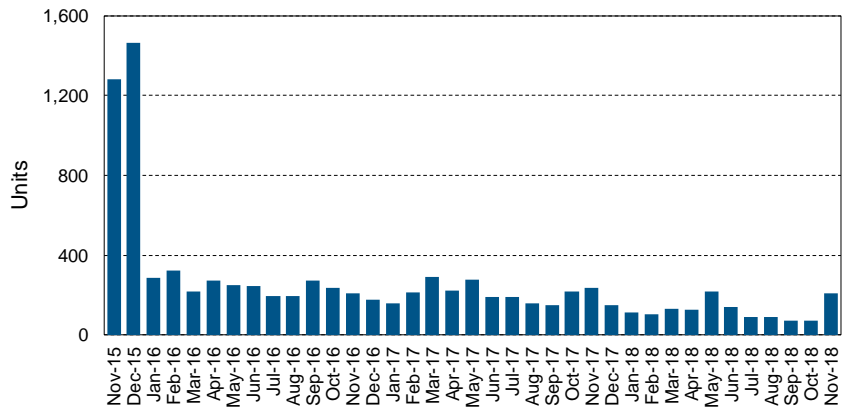
Source: Ecoanalítica

Unemployment Rate



Sources: INE and Ecoanalítica

Vehicle Sales



Sources: CAVENEZ and Ecoanalítica

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