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Radiography of the Venezuelan company. Part II: The Mountain to climb

This report is the second part of our analysis of the Business Survey conducted by the Inter-American Development Bank (IDB) together with the Instituto de Estudios Superiores Administrativos (IESA)¹. In the midst of a complex economic context, the adaptability of Venezuelan companies has been key to maintaining their operations in the country. In this sense, this survey provides us with an x-ray of the main opportunities and challenges of the local business community. In the last weekly report², the study and its methodological aspects were described, as well as the positive features of entrepreneurship in the country. In addition, we pointed out the characteristics that could allow the Venezuelan representative company to survive the current situation.

For this edition, we will describe the main obstacles identified by the survey and make a brief analysis of them and their implications. In addition, we will close with some recommendations to continue facing, in the best possible way, the difficulties that arise in the path of the Venezuelan economy.

Battlefield: Venezuela

Just as the survey investigated the general profile of the companies (their size, longevity, experience and other details), it also inquired about the main obstacles they face as a business in Venezuela. The following graph shows what the obstacles to production are. It shows that 45% of the firms point to the macroeconomic environment, 21% to political instability and 12% to power failures. For the last edition, 10 years ago, the most urgent problems were crime (32%), followed by electricity failures (16%) and political instability (14%).

¹ Saboin, J. (2021). *The Venezuelan Enterprise: Current situation, challenges and opportunities*. IDB.

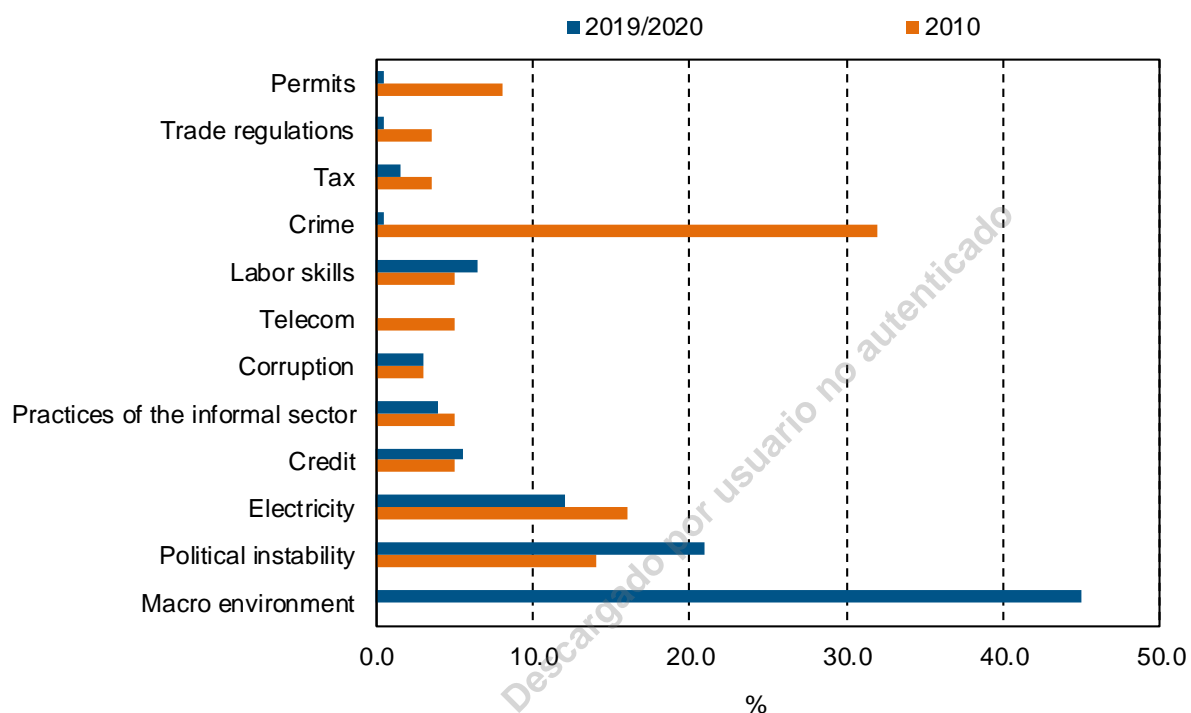
² Weekly Report N°10 of 2021: *Radiography of the Venezuelan company. Part I: The average company*.

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Venezuelan firms' main obstacles



Sources: IADB, IESA and Ecoanalítica.

As can be seen, two problems have prevailed for several years in Venezuela: power failures and political instability; the latter has been exacerbated over time. In this report, we will proceed to briefly analyze these negative factors exposed by firms in Venezuela.

-79.4 percentage points of GDP after...

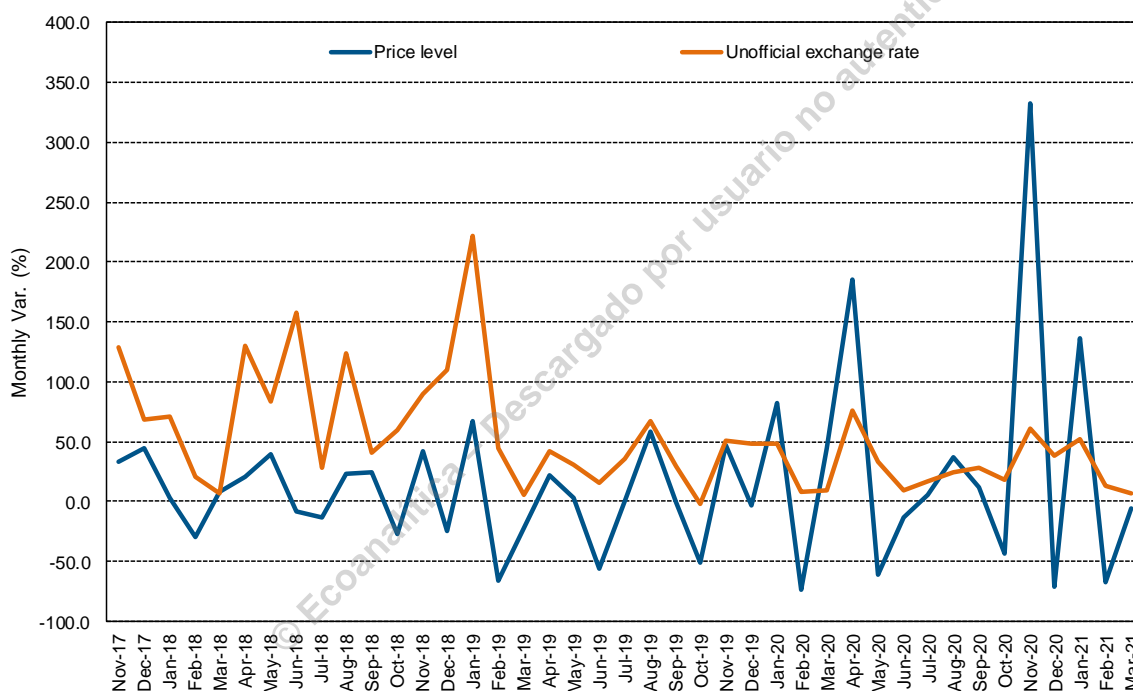
Most organizations in the country point out that the macroeconomic environment presents challenges to stay afloat. These challenges translate into volatility, which reduces incentives to invest and the arrival of foreign firms, something that is not surprising after 8 years of economic recession. Venezuela is 79.4% smaller than it was in 2013³. Since November 2017, we have been in a hyperinflationary environment, with average monthly local price growth of 59.27%. The state response has been the implementation of inappropriate regulations and price controls, which has led to the loss of confidence and credibility in the bolivar, among others.

³ According to Econalítica figures.

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Likewise, the decline of the oil industry has further eroded the revenues of the Executive. This, together with the price distortions resulting from hyperinflation, the collapse in access to and quality of basic services and basic goods (which will be discussed later in this report) has increased enormously. According to the Living Conditions Survey (Encovi)⁴, national poverty measured from a multidimensional point of view was 65% in 2020.

Price and unofficial exchange rate variation in hyperinflation



Source: Ecoanalítica.

In this sense, the Venezuelan environment can be described as volatile. In this environment, companies not only experience the local economic contraction, but also have to adapt their business model to a period of hyperinflation, where price distortion becomes greater. Added to this is the problem of a growing informal transactional dollarization (derived from hyperinflation), in spite of partial governmental relaxations in this matter, and all the repercussions of the COVID-19 pandemic in a country as vulnerable as Venezuela. At the end of this report, you will find some recommendations⁵,

⁴ Encovi (2020). *Encuesta Nacional de Condiciones de Vida 2019 - 2020*.

⁵ In Ecoanalítica we gave several recommendations to manage in hyperinflation in Venezuela in our weekly report N°5 of 2019: *Business management in hyperinflation*, as well as business recommendations in times

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such as the importance of retaining human capital, the formulation of contingency plans, the consolidation of online channels, the knowledge of the target consumer, the revision of prices, among others. In the face of uncertainty, information is the best tool.

Wage hardship and emigration of talent

Linked to the macroeconomic context faced is the issue of workers' wages. According to the results found, the minimum wage paid by companies decreased (on average)⁶ from USD 54 in 2017 to USD 43 in 2019 for elementary occupations, although the dispersion for this data is quite high. When compared to the Andean countries, the median wage in Venezuela is equivalent to the minimum wage of these nations.

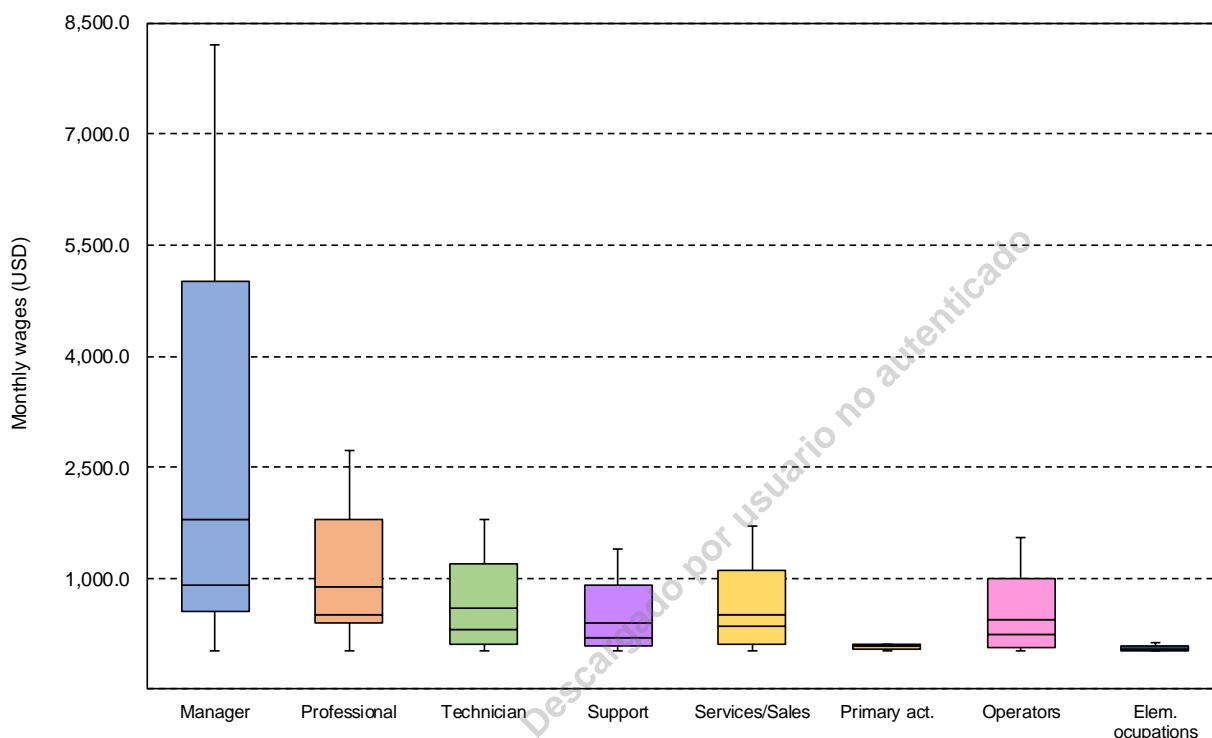
Likewise, there is a large difference in salaries between sectors and guilds and the size of the companies. Trade and retail have the highest average monthly wages, followed by manufacturing and services. The IDB report notes that this may be because manufacturing companies tend to be larger and therefore have greater capacity than other types of businesses. On the other hand, large companies pay the best wages, followed by small and, lastly, medium-sized companies. However, small companies have the highest average minimum wage. The report notes that medium-sized companies may be suffering the most in the country, probably because they are the most dependent on bank financing, which will be discussed below.

of pandemic in our weekly report N°14 of 2020: *Riding the tsunami: Business strategies in the face of the COVID-19 pandemic.*

⁶ 57.3% of the companies report having decreased their salaries in the last two years, 15.7% report having increased them and the remaining 27% have kept them constant during this period.

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Venezuelan wages distribution by occupation



Sources: IADB, IESA and Ecoanalítica.

Half of the companies surveyed (50.9%) have had difficulty finding skilled labor, especially in the areas of technology and computers, finance, management and marketing. The main reason behind the loss of human capital is the migration of specialized personnel⁷, as well as rigid labor legislation. This has led 10.5% of firms to state that local personnel are not qualified, while 8.9% report that the level of national education is low⁸, which is reflected in educational gaps within the work environments. In this sense, the solution that companies have found is to have constant training for their employees, in order to be able to maintain operations with the same levels of quality, although -again- this is something more accessible to those companies that have more capital to do so.

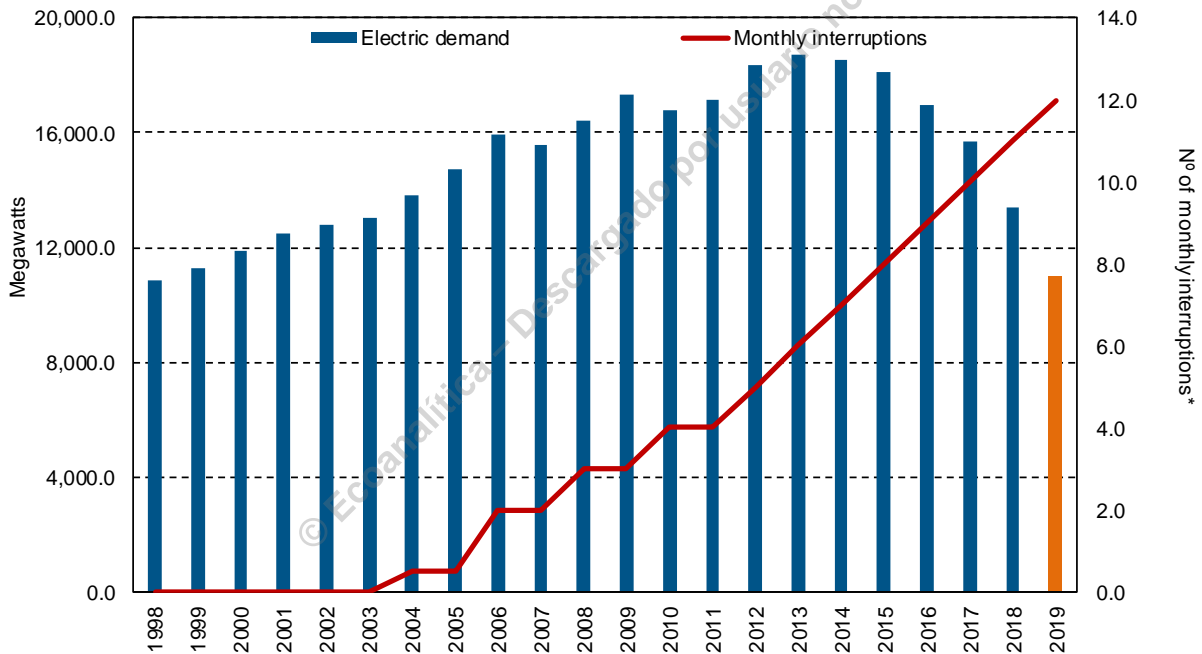
⁷ According to data published by the Coordination Platform for Refugees and Migrants from Venezuela, by March 5, 2021 there were approximately 5.6 million refugees and migrants from Venezuela.

⁸ According to Encovi (2020), by 2019, 98% of the population between 25 and 34 years of age of the richest stratum and 46% of the population within the same age range of the poorest stratum would have completed at least secondary education. Among the causes associated with these percentages are the difficulty of accumulation of minimum educational capital faced by the poorest population, the setback in access to education for the population between 18 and 34 years of age, and the aggravation of these problems as a result of COVID-19.

Out of service

In terms of services, 84% of the companies surveyed reported power failures and 54% reported water service interruptions. Internet connection service is not far behind in this metric. To understand it better, let's look at the results: Venezuelan companies have, on average, 11 internet outages, 10 blackouts, 6 events related to lack of water and 6 telephone service interruptions. In addition, all these failures represent an average annual loss of 10% of sales.

Electric demand vs. Electric interruptions in Venezuela



Sources: AVIEM, BID, IESA and Ecoanalítica.

*References the number of average monthly interruptions experienced by Venezuelan enterprises.

However, as mentioned above, this is not a new concern. In the 2010 survey, businesses had already indicated that these disruptions were the main obstacles to operating, which means that the private sector has been experiencing problems of this type for more than a decade. Today, as the general environment is more uncertain than ever, services and infrastructure is becoming a secondary concern, even though it has worsened over time. According to the Venezuelan Observatory of Public Services (OVSP)⁹, an average of

⁹ Venezuelan Observatory of Public Services. (2021). Resultados del Estudio de Percepción ciudadana sobre servicios públicos.

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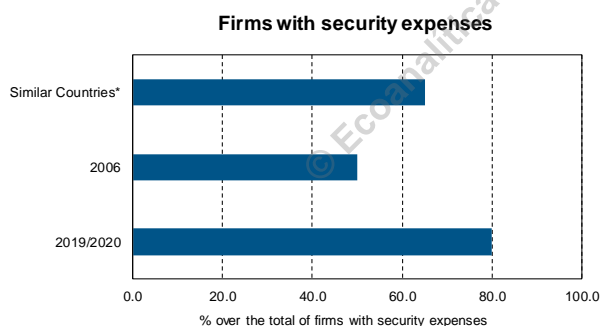
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31.3% of the national population has power outages every day and 25.5% of people who pay for internet connectivity service rate it as "bad" or "very bad".

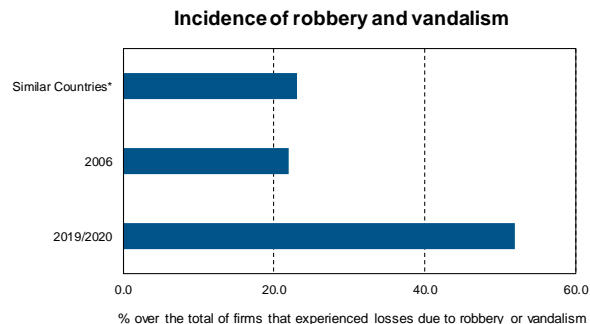
Companies have sought solutions to this problem (since there is no government response). For example, 47% of the companies now have electrical plants, a number that rises to 70% in the case of large and manufacturing companies. Regarding water service, some have dug wells. For the internet, more regulatory permits are required and more financing is needed, which is beyond the reach of individual businesses, so "solving" or seeking relief from these problems is not within the capabilities of all entrepreneurship. Larger companies, with more experience and capital, are the ones that tend to have the resources available to address these issues.

The State as a direct and indirect obstacle

It is not only in the supply of public services that the State is positioned as an (indirect) obstacle, but also in the guarantee of security for the operations of the companies. 52.0% of the companies surveyed reported losses due to vandalism or theft, a significant increase compared to what was reported by the survey in 2006 (22.0% of the companies), which has led to 80.0% of the companies having to invest in security at an average value equivalent to 12.0% of their annual sales (in contrast to 65% of the companies and 3% of annual sales in other countries in the region).



Sources: BID, IESA and Ecoanalítica.
 *In terms of GDP per capita.



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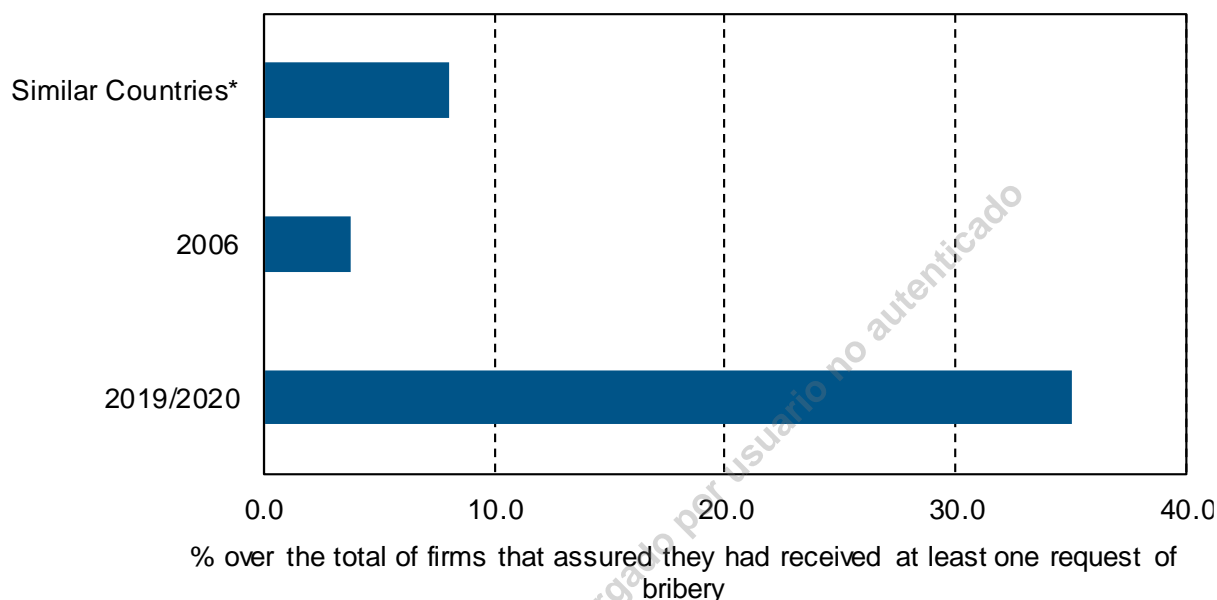
In addition, the State is directly positioned in criminal acts that affect national firms. 35% of companies surveyed claimed to have received at least one bribe request in 2019, while in other countries with a similar GDP per capita, only 8% reported having been victims of bribery. Along similar lines, on average, 53% of public transactions came with a request for a payment or "gift" from a public official or institution (6% in companies in countries with similar GDP per capita).

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Incidence of bribery



Sources: BID, IESA and Ecoanalítica.

*In terms of GDP per capita.

These costs would not only be reflected from a monetary point of view, but also in terms of time. Compared to other countries, in Venezuela a lot of time is spent in meetings with government authorities, to the point that a manager of a Venezuelan company spends one day a week in a meeting of this nature.

In addition to this, an average company takes around two months to obtain an import permit¹⁰, a much longer time than that observed in countries of the region; however, in order to obtain a construction and operating permit, there are greater facilities in terms of duration with respect to these countries. The problem lies in the marked differences in obtaining such permits -in terms of days- among the different types of companies, with the largest companies having the least difficulty in obtaining them.

Limited resources

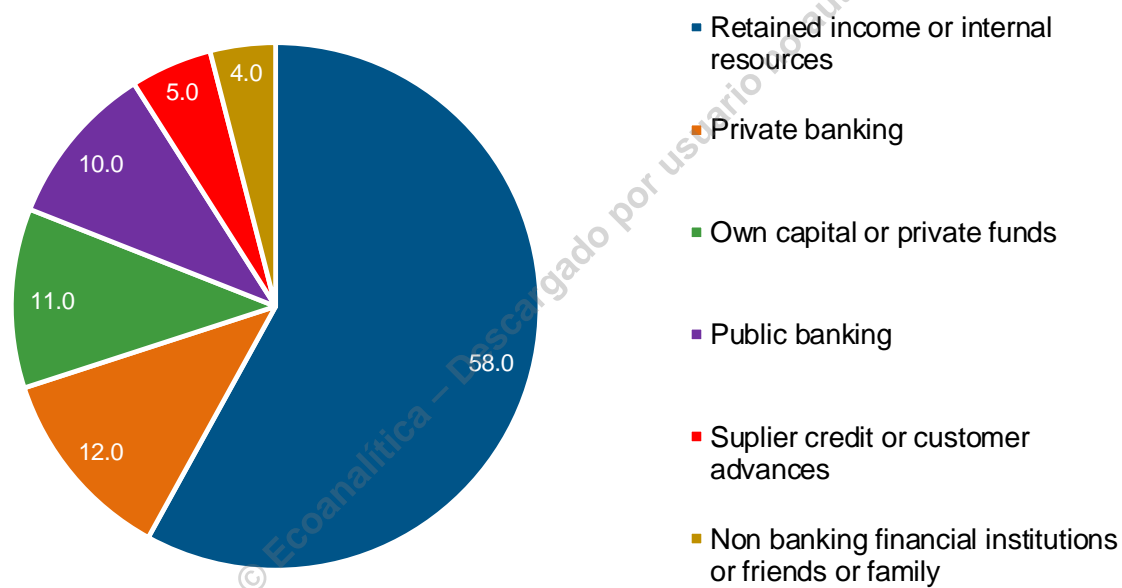
As we have reviewed, the operating cost of firms in Venezuela is quite high and multiple factors must be taken into consideration, from employee compensation to bribery and

¹⁰ This delay becomes more relevant when observing that the average firm presents a ratio of foreign supplies of 59% over the total, showing to be more dependent for obtaining inputs than its peers in the region (34%).

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security. As a consequence, the type of investment that is usually made in the country is working capital (47% of the firms surveyed in the last year) instead of the acquisition of fixed assets (33%). To exemplify this point, we can show the 10 percentage point (pp) contraction in the total number of firms that acquired a fixed asset as an investment during the last decade, with the decrease observed in medium-sized companies being especially noticeable.

Composition of the working capital financing of an average company



Sources: BID, IESA and Ecoanalítica.

The average firm usually finances this type of investment with its retained earnings or internal funds (58% of spending) or with injections of private or owner capital (11%) and only 22% financed through banking (either public or private)¹¹. Reviewing in detail by company size, the research cited above (Saboin, 2021), mentions several important findings:

- a. The smaller the firm, the greater the proportion of financing from retained earnings or internal funds or private equity injections over total working capital investments.

¹¹ It represents a higher value than that reflected in 2010 (14%) and in countries with similar GDP per capita.

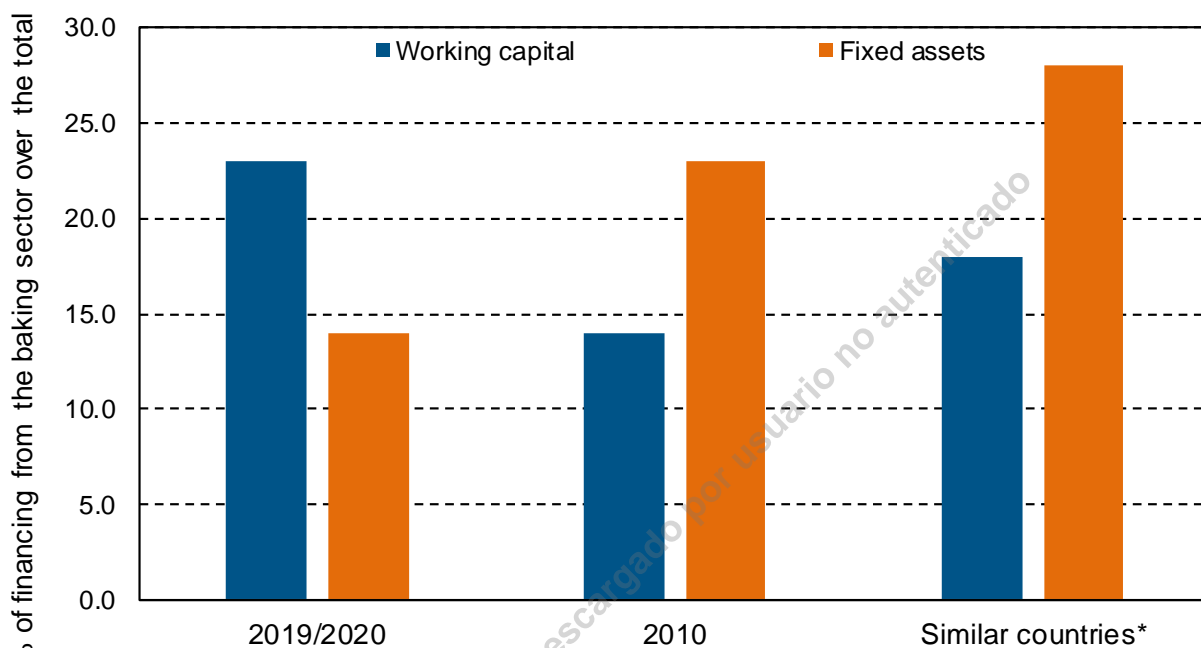
- b. Large companies have the "luxury" of having diversified sources of financing, with the presence of banks in this scheme being higher than that observed in small or medium-sized companies.
- c. Regarding investment in fixed assets:
- Financing with retained earnings or internal cash flows over the average firm's total is 74% of the total.
 - Public banks are an important source of financing for medium-size companies.
 - Small companies do not finance any of their long-term investments through banks.
 - Large companies prefer to finance this type of investment using their own resources.

The low use of bank financing for investments is exemplified by the fact that slightly more than half of the firms surveyed stated that they had never applied for a loan (45% in similar countries). Of these, 55% stated that the reasons were unfavorable terms, complex processes or insufficient collateral. Even taking this into account, 12% of the companies said that their loan application was rejected (only 4% in countries with similar GDP per capita). As we have reviewed in **Ecoanalítica** in multiple reports¹², the limited availability of resources to grant loans becomes another limitation for local firms.

¹² For more information, you can refer to the following: Weekly Report No. 3 of 2021: *Bank credit in the spotlight... again*, Weekly Report No. 34 of 2020: *Neither faith (nor MUIs) move mountains: The collapse of credit in Venezuela*, Exchange Market Report March 2021.

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Incidence of the banking sector over the type of investment



Sources: BID, IESA and Ecoanalítica.

*In terms of GDP per capita.

Adapt and overcome

Almost a year after the start of the sanitary emergency, which is still in effect, the panorama retains great similarities in terms of the attributes highlighted by the Business Survey between the second half of 2019 and the first half of 2020. To these difficulties should be added all the implications that working in the COVID-19 context brings: the adaptation of workplaces to comply with sanitary requirements (whether for the biosecurity of workers or customers), the implementation of the use of online platforms to keep daily operations active, and the organizational changes required to adapt internal processes in this circumstance.

While these changes are relevant, it is also necessary to take into account the persistent failures in the provision of public services, the effects of operational dollarization (due to the inequality it generates)¹³, the limited capacity of the private sector to take greater

¹³ To see the effects of dollarization in the social sphere and its effects on firms via demand for goods and services, you can review in detail our weekly report N°40 of 2020: *Can dollarization lead to greater inequality?*

advantage of the "facilities" granted by the Executive in the economic field and the structural hyperinflation still in force. All this added to the political instability that does not seem to have a solution in the short term.

Taking this into account, **Ecoanalítica** makes a series of recommendations:

1. Preserving the value of income is key in this context full of uncertainties; however, nowadays it is necessary to go beyond traditional hedging mechanisms (in the past it was enough to change income in bolivars to dollars to protect against a possible loss of value). The real appreciation of the exchange rate makes it necessary to constantly monitor domestic price indicators and the dollar when making decisions. In addition, smooth convertibility between cash and digital currencies is also needed for hedging purposes.
2. The landscape has changed not only for firms, but also for consumers. The crisis has affected the consumption patterns of the average citizen. Therefore, companies must not only monitor changes in the composition of the consumer basket of goods and services, but must also pay attention to the product presentation that has greater acceptance and the market niche they can occupy; therefore, companies must be clear about the size adjustments required to operate profitably.
3. In the previous report we analyzed how investment and the implementation of innovative processes would be fundamental to achieve an efficiency that would promote the survival of the firm in this environment. It is key to remember that not only an investment of money would be essential, but also that an investment of time is required in key aspects such as the optimization of the commercialization chain, the price-quality relationship (especially in terms of cost control) and the formulation of a tax and accounting optimization strategy, particularly in the face of possible tax changes.
4. Constantly review the particular advantages and limitations of each firm. Only by knowing them will it be possible to determine the scope of the commercial strategies and the best way to execute them. It could even serve as an opportunity to measure the possibility of seeking financing for future projects.

Jhoan F. Castellano
Corina Fung

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WEEKLY INDICATORS

Weekly Economic Indicators			
	3rd Week April	Weekly chg. (%)	Depre/Apre (pp) ¹
FX Boards (VES/USD)²	2,280,491.70	9.8	8.9
	1st Week April	Weekly chg. (pp)	Annual chg. (pp)
Lending Interest Rate (%)	59.8	2.6	20.1
	3rd Week April	Weekly chg. (pp)	Annual chg. (pp)
Overnight Interest Rate (%)	554.9	-83.3	302.6
	2nd Week April	Weekly chg. (%)	Annual chg. (%)
International Reserves (USD Bn)	6.247	0.0	-2.4
	1st Week April	Weekly chg. (%)	Annual chg. (%)
Monetary Liquidity (MM VES)	1,062,218,936.00	23.8	1,223.6
Price of International Oil Baskets (USD/bl)			
	2nd Week April	Weekly chg. (%)	Annual chg. (%)
WTI	59.4	-2.2	241.3
Brent	61.8	-2.9	227.7
Price of the Venezuelan oil basket (USD/bl)			
	5th Week July	Weekly chg. (%)	Annual chg. (%)
Weekly Average	22.4	0.0	-61.9
Annual Average	28.8	-0.7	-51.7

Sources: BCV, MENPET, ONT and Ecoanalítica

* Annual variation of accumulated expenditure.

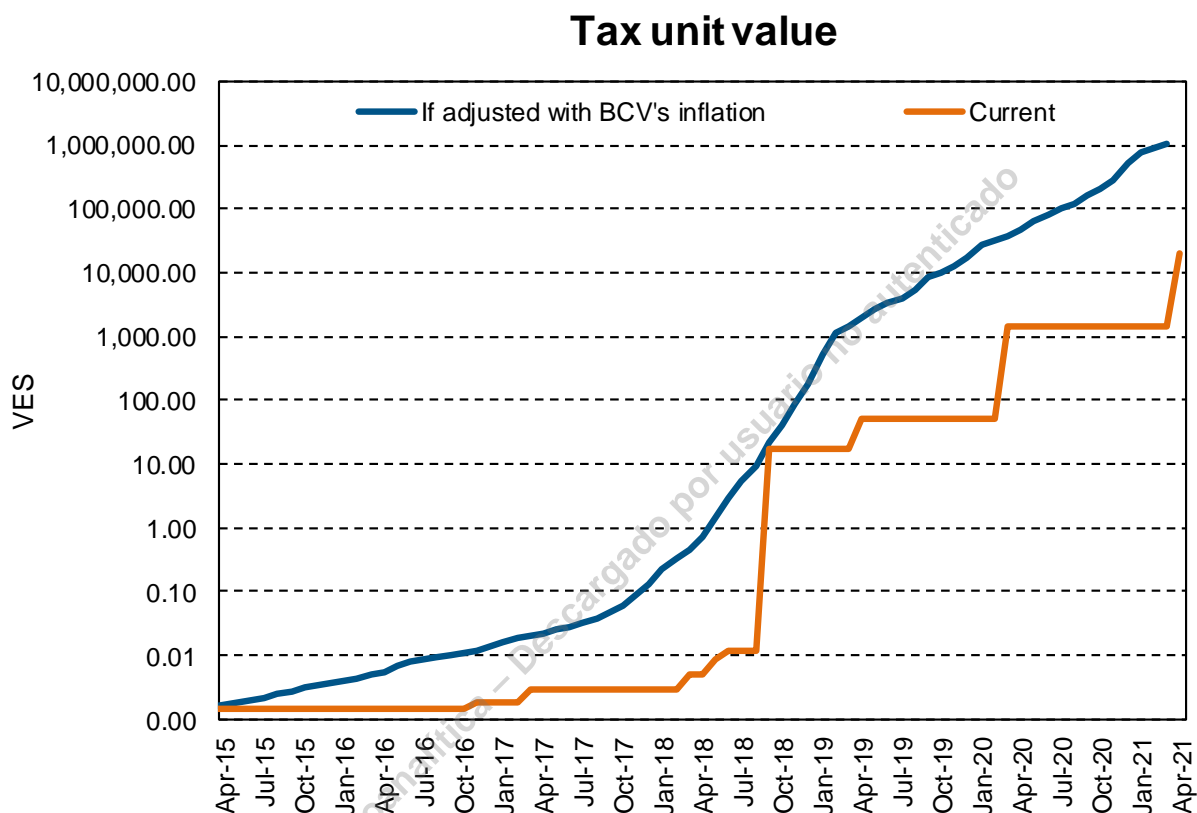
¹ Depreciation (+)/Appreciation (-)² FX Borads' average exchange rate

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CHART OF THE WEEK: "MISALIGNED ADJUSTMENT".



Sources: BCV and Ecoanalítica.

Base: February 2015.

Note: Ecoanalítica's inflation was used to estimate february and march of 2021's values.

Through Official Gazette No. 42,100 dated April 6, 2021, the National Integrated Customs and Tax Administration Service (SENIAT) adjusted the value of the Tax Unit (U.T.) to VES 20,000 after having been at VES 1,500 since March 2020.

If the value of the U.T. had been adjusted according to the inflation of the Central Bank of Venezuela (BCV) for January 2021, it would have a value of VES 758,703.41 if the VES 0.0015 of February 2015 is taken as the base value.

The T.U. is a unit of account mechanism designed for economies with relatively high inflation where the systematic adjustment of the different fiscal instruments would be a complicated and inefficient task. Therefore, the T.U. saves the Treasury the task of

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individually and recurrently adjusting tax rates, rates, tariffs or other fiscal instruments according to the requirements of the current year's fiscal budget. In this way, the Treasury only has to adjust this reference and the fiscal mechanisms anchored to the value of the same will be automatically adjusted.

However, the national government has not consistently adjusted the U.T. in accordance with the advance of prices in the country. There are persistent inequalities between the variation in the value of the U.T. and inflation since 2006; moreover, both indicators have never been accurately adjusted.

In conjunction with the adjustments implemented in mid-2018 (including the monetary reconversion to put the Sovereign Bolivar into official circulation), the U.T. was also adjusted to VES 17 in September 2018. According to our calculations, if in that same month the U.T. had been adjusted according to the variations of the National Consumer Price Index (INPC) of the Central Bank of Venezuela (BCV), it should have had a value of VES 21.3. As a consequence, September 2018 was the month in which both values converged more accurately after lagging behind for several years (if we take February 2015 as a base).

With this delay in the adjustment of the U.T., the Treasury manages to increase the number of taxpayers and the amount of all taxes calculated on the basis of the amount of U.T. generated as income by an individual or legal entity. In this way, even when the real income of companies decreases year after year, they are taxed with equal or higher tax burdens, generating severe distortions in the economic environment.

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ECONOMIC TIPS

COVID-19 in Venezuela. According to government figures as of April 14, the number of positive cases of coronavirus reached 1,122 and the number of deaths was 19, bringing the country's total to 1,834 deaths and 178,094 confirmed infections since March last year.

Containment milestones (I). From April 12 to April 19, all the states of the country were managed with flexible confinement measures, as indicated by Nicolás Maduro. Thus, after three weeks of radical confinement, all sectors of the economy are once again allowed to operate under the pertinent biosecurity measures.

The lowest on record (I). According to the Venezuelan Finance Observatory (OVF) of the National Assembly elected in 2015, inflation in March stood at 9.1% in month-on-month terms and the price increase was 155.3% in cumulative terms and 3,867% in year-on-year terms.

The lowest on record (II). According to Alfonso Marquina, this is the month with the lowest inter-monthly inflation since the OVF has been recording this indicator. The cause, according to the Deputy, is a liquidity growth rate of 18% with respect to February and a 6% inter-monthly devaluation of the exchange rate, which ratifies that the main component of inflation is fiscal and monetary irresponsibility.

Half of last year (I). According to the Venezuelan-American Chamber of Commerce and Industry (VenAmCham), Venezuela's exports to the United States reached USD 168 million, representing a decrease of 91.33% compared to the USD 1,765 million exported in 2019.

Half of last year (II). On the other hand, imports from the U.S. to Venezuela reached USD 1,131 in 2020, representing a decrease of 11.07% compared to USD 1,272 million imported in 2019. Finally, the Chamber indicated that total trade between the two nations stood at USD 3,206 million in 2020, representing a 59.48% decline compared to 2019.

Planning indexation (I). In an interview to the newspaper Russia Today, Congressman Tony Boza, elected on December 6, stated that he presented to the Finance and Economic Development Commission of the National Assembly, elected on the same date, a project in which the indexation to the dollar of salaries of the public administration and pensions is proposed.

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Planning indexation (II). According to the Deputy, "*the exchange rate has been used as a disturbance mechanism against the economy, which obeys political and geopolitical issues*". He argues that the indexation would be given as an adjustment to the hyperinflationary process, that is to say, that transactions are carried out at the same rate as the increase in prices so that the purchasing power is not pulverized.

Planning indexation (III). In addition, the Deputy indicated that the indexation will allow that the resources foreseen for the formulation of the nation's budget will not lose their value and will be used to execute projects, purchase, pay payrolls, among others.

With the carnet de la patria (I). The Venezuelan Social Security Institute (IVSS) announced that the Patria platform will call for a vaccination plan against COVID-19 for senior citizens totally free of charge; however, no details were published on the process nor was the vaccine they plan to apply specified.

With the Carnet de la Patria (II). Nicolás Maduro indicated that, due to the present wave of contagions and deaths from COVID-19, another economic package will be activated to help Venezuelans to cope with the radical confinement measures required by the authorities.

With the "Carnet de la Patria" (III). In this regard, the President assured that economic bonuses will be distributed to approximately 15 million Venezuelans. The President did not specify amounts, but indicated that they will be granted to all those who are registered in the Patria system.

With the carnet de la patria (IV). At the same time, the President of Venezuela informed that those who have registered their water and electricity payments in the carnet de la patria will have a 25% discount in April and May.

Bonuses and more bonuses. The Government of Nicolás Maduro began on April 10 the delivery of the Negro Primero bonus corresponding to the month of April to public officers of CORPOELEC, FANB, PNB, CICPC, PDVSA and the military, in the amount of VES 15,340,000.

OIL TIPS

Venezuelan production (I). The new monthly report from the Organization of Petroleum Exporting Countries (OPEC) reveals that reported production levels for Venezuela in

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March 2021 were 578 thousand barrels per day (kb/d), according to primary sources, and 525 kb/d, according to secondary sources.

Venezuelan production (II). According to primary sources, this level implies an increase of 40 kb/d with respect to the previous month, but represents a variation of -19.5% when compared to March 2020. According to secondary sources, production increased 1 kb/d from February to March and the year-on-year variation was -20.5%.

"Everything under control" (I). PetroSucre's president, Joe Romero, announced via Twitter on April 8 the completion of the offloading of the floating storage and offloading facility (FSO): Nabarima.

"Everything under control (II). This FSO, which represented a risk of contamination by spills at the maritime border between Venezuela and Trinidad and Tobago, loaded 1.15 million barrels of crude oil. Operations to transfer the crude oil began in December 2020 after pressure from Brazilian and Trinidadian environmental agencies.

"Everything under control" (III). In addition, PetroSucre has started to prepare its oil field in Corocoro Island in order to reactivate crude oil production in one month; an initial volume of 10 kb/d is projected and to increase to 25 kb/d by the end of June this year.

Gasoline or oil (I). In view of the effects of fuel shortages on the country's agricultural, electricity and food industries, President Nicolás Maduro ordered PDVSA to prioritize the production of gasoline over crude oil for export.

Gasoline or oil (II). For such purposes, the national oil company sent the scarce resources (diluent and light crude) used in a productive process in the Orinoco Belt to the Puerto La Cruz refinery, which was reactivated on April 3 of this year after four years inoperative.

Gasoline or oil (III). According to *Reuters*, the refinery is producing 187 mb/d of gasoline, but is not yet at full operating capacity. Not all distillation units are operational and the catalytic cracking unit is still out of service since 2017. The latter is an essential component for gasoline production.

Thank you, China. Despite the decrease in crude oil exports in March, the direct sale of oil to China allowed Venezuela (despite the sanctions) to maintain a certain level of income. Venezuela was able to send a shipment of approximately 248,000 barrels, which is double the amount exported to China in February.

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Breaking the rules (I). *S&P Global Platts* reported that the level of compliance with the production limits set for OPEC+ decreased to 111% with respect to February, when it reached 113.5%.

Breaking the rules (II). Although Saudi Arabia and Russia have historically been the largest producers among the nine member countries, Russia led the monthly overproduction by totaling 13.08 Mb/d, while Saudi Arabia reported its lowest production level since June 2020 by reaching 8.11 Mb/d in March.

Asian recovery (I). As gasoline refining margins have shown a recovery in the first two months of 2021 in the Asia-Pacific region, China is projected to decrease oil production levels adopted during the pandemic to supply its domestic demand.

Asian recovery (II). The above could mean that, by the end of April or early May, the high oil inventories currently stored by Chinese refineries due to an oversupply will begin to be relieved.

Activating the drills. According to the firm *Enverus*, the United States saw, on April 7, a jump to 528 in the number of oil and gas rigs operating in the nation, which implies an increase of 9 active rigs in one week. *Goldman Sachs* projects that the total number of operating rigs in the US will grow to between 65 and 85 by the end of 2021.

Good news for Brazil. Brazilian crude oil exports increased about 17% with respect to February and totaled 1.54 Mb/d. This figure implies the country's highest oil export since July 2020.

SECTORIAL TIPS

Opening week. The National Institute of Civil Aeronautics (INAC) authorized air operations nationwide during this week of quarantine relaxation. The routes that have been approved are: Porlamar-Maiquetía, Porlamar-Valencia, Porlamar-Maracaibo, Los Roques-Maiquetía and Los Roques-Caracas Airport.

Bad services are paid for. Jesús Armas, director of Monitor Ciudad en la Conversa 2.0, indicated that, at present, services such as electricity, water and domestic gas are not formally paid for, but people are looking for private solutions, "everyone ends up solving what they can".

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Will they listen to them? Armas pointed out that they have made progress in the formulation of proposals. One of them is the management of the Metropolitan Aqueduct. *"We are preparing public policy proposals. We helped in the construction of the "Plan País". At some point we tried with Hidrocapital, but an articulation was not possible."*

Collapsed. The NGO Monitor Salud denounced that the morgues of 14 hospitals in the country are not operational, which causes part of the collapse of Venezuela's public health centers. Most of these morgues have refrigeration failures and lack of maintenance, so they cannot store corpses in adequate conditions.

No capacity (I). The field hospital at the Poliedro de Caracas, created to treat asymptomatic and mildly symptomatic patients with COVID-19, joins the generalized collapse of the country's public health system. In the midst of the second wave of contagions, supplies, such as oxygen, are increasingly scarce, while the number of people seeking medical attention is growing.

No capacity (II). The hospital was inaugurated on July 31, 2020. According to official statements, it had a total of 1,200 beds distributed in two main areas: an external one with 900 beds and an internal one with 300. As of this April 8, the external part of the hospital has 382 beds, of which only 210 are active: 184 occupied and 26 available.

Without success. A commission of the Bolivarian National Police and the Ministry of Health arrived at the Vargas Hospital in Caracas to suspend the vaccination day of medical personnel against COVID-19. In videos disseminated in social networks, it could be noticed that there was an agglomeration of people who did not comply with the physical distancing.

The ravages of the virus. Douglas León Natera, president of the Venezuelan Medical Federation, informed that, to date, the institution has counted 460 health workers who have died in the country during the pandemic. He also stated that most of the cases of COVID-19 are registered in persons between 20 and 49 years of age.

On the rise. It was learned that acquiring a new oxygen cylinder can cost up to USD 200 and a refill has a value of USD 30. In addition, if the person does not have a vehicle, must pay the transfer of the cylinder in a *pick-up truck*, which can cost about USD 20, depending on the destination.

Almost 100%. According to the journalistic team of Cotejo.info, the income of health sector professionals in Venezuela has experienced a progressive fall in the last seven years. If we compare the salaries of 2014 with those of 2021, we observe a plunge of 98.15%.

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Shortages continue. The vice-president of the National Federation of Venezuelan Cattle Breeders (Fedenaga), Luis Prado, informed that between 80% and 85% of the machinery of the sector is paralyzed due to the shortage of diesel. He also explained that the authorities have not pronounced themselves on the proposals that the sector has made to materialize the solution to the problem.

Extinguished. Alberto Vieira, president of the National Federation of Hotels of Venezuela (Fenahoven), informed that since the arrival of the pandemic, the hotel sector has lost 90% of its income.

INTERNATIONAL TIPS

COVID-19 in the world. As of April 15, the World Health Organization (WHO) reported that the number of COVID-19 cases reached 137,866,311 and the number of deaths was 2,965,707. As of April 15, 734,121,870 doses of COVID-19 vaccine have been administered worldwide.

One vaccine less (I). The U.S. Government demanded to pause the use of the *Johnson & Johnson (J&J)* vaccine *after* detecting blood clotting problems in six subjects vaccinated with it.

One vaccine less (II). The U.S. Centers for Disease Control and Prevention (CDC) met on April 14 to review these cases, and it was decided to maintain the suspension of the vaccines for at least another week. By April 12, more than 6.8 million doses of the *J&J* formulation had been administered.

Big eruption on the small island. La Soufrière, the volcano located in St. Vincent and the Grenadines, began erupting last Friday, April 9, disabling a third of the territory and producing damage costs of around US\$100 million by April 13.

Threats. Iran accused Israel of being behind the shutdown of its Natanz nuclear plant and called the action "nuclear terrorism". Foreign Minister Mohammad Javad Zarif blamed Israel for acting to prevent the end of sanctions on his country and promised a response to the attack.

The impact. U.S. intelligence sources quoted by The New York Times claim that this incident at the Natanz nuclear plant was a powerful explosion that damaged its electrical

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system and estimate that Iran will need at least nine months to restore its current level of uranium enrichment.

Historic high. The bitcoin exceeds USD 63,000 and accumulates a revaluation of more than 800% in the last year, thanks to the debut of Coinbase on Wall Street, the main platform for cryptocurrency sales.

The conflict does not cease. Egypt has decided that it will not return the Ever Given, a cargo ship that blocked the Suez Canal for almost a week, to its owners until they pay more than USD 900 million in compensation for the damage caused during the blockade.

The new stage of the divorce. The European Union expects a prompt formal response from London explaining Britain's unilateral change regarding trade flows between Northern Ireland and the British country, a situation that, according to Brussels, violates the Brexit divorce agreement. After a month-long legal dispute, the emphasis is now more on dialogue than legal confrontation.

On the one hand, alliances are opening... Turkish President Recep Tayyip Erdogan stated that his country and Libya concluded an agreement on the delimitation of the Eastern Mediterranean Sea and discussed concrete steps to be taken to improve investments, bilateral trade and economic relations. He further informed that Turkey will send 150,000 doses of COVID-19 vaccines to Libya.

... And on the other, they are closed. Marc Garneau, Canada's foreign minister, reported that his country removed permits for the export of drone technology to Turkey after concluding that they had been used by Azeri forces against Armenia in the Nagorno-Karabakh enclave.

In union there is strength. Grab Holdings, Southeast Asia's largest food transportation and delivery company, merged on Tuesday with special-purpose procurement firm Altimeter Growth Corp, securing a valuation of nearly USD40 billion and paving the way for an expected US listing.

POLITICAL TIPS

We will have vaccines (I). Delcy Rodríguez, Vice President of Venezuela, announced that the Government has already completed 50% of the payment to acquire vaccines against COVID-19 through the COVAX mechanism. According to Rodríguez, "a vaccine

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approved by the scientific committee of the Venezuelan Government will be purchased. The country will decide which vaccine based on the Venezuelan reality".

We will have vaccines (II). The Vice President stated that "*The mechanism will allow access to 11,374,400 doses to vaccinate 20% of the Venezuelan population. The subscription to the mechanism costs US\$ 119,999,920 and 59.2 million Swiss francs, equivalent to US\$ 64 million, have been deposited*" and indicated that the rest of the doses will be purchased when "*sufficient money*" is available.

We will have vaccines (III). Regarding the origin of the money, Nicolás Maduro assured that "*In due time it will be known where we got the money from. It was the liberation of resources that were sequestered by the United States and were deposited in Swiss francs because if it was done in dollars it would be stolen by the US Federal Reserve*".

Black market. Juan Pablo Guanipa, first vice-president of the National Assembly elected in 2015, denounced that vaccines against coronavirus are being marketed for prices that can reach up to USD 300.

Border occurred. According to the NGO Fundaredes, in the first quarter of 2021 there were 113 armed confrontations in states bordering Colombia. Numerous reports indicate the presence of National Liberation Army (ELN) guerrillas and FARC dissidents in Venezuelan territory.

Workers protected. Nicolás Maduro signed a decree to extend the labor immobility until next year due to the pandemic. The extension foreseen in the decree will be until December 31, 2022.

Habemus rector (soon). The Nominations Committee of the National Assembly published the list of the 38 candidates chosen to opt for the position of rector of the National Electoral Council (CNE), after having evaluated their nominations.

New crimes. Congressman Francisco Ameliach announced that the new Penal Code will include crimes such as treason against the homeland and sovereignty, and in the computer field, and highlighted the participation of Cilia Flores and Iris Valera in its elaboration.

Mutilated tentacles. Twitter suspended 1,500 accounts linked to a campaign to create outrage over the arrest of Alex Saab. These accounts were powered by Nigerian *influencers* and participants in a U.K.-based nonprofit called Digital Good Governance for Africa, as reported by BuzzFeed News.

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Cuban production in Venezuela. The Venezuelan Government confirmed that one of the Cuban vaccines against COVID-19, Abdala, which is in a trial period, will be produced in a state laboratory in Caracas; however, no details were provided as to when its production will start.

Guaidó ally. Guillermo Lasso, newly elected president of Ecuador, responded to a congratulatory message by Juan Guaidó on Twitter stating that "*Today is a great day for freedom in the entire region. Venezuelans have our full support to recover democracy and our commitment to alleviate the humanitarian crisis they face around the world.*"

Colombian solidarity. Lucas Gómez, Border Manager, assured that Colombia is evaluating the necessary mechanisms so that Venezuelans displaced by the armed conflict in Apure may have access to the Temporary Protection Statute if they so wish.

In the international eye. The Colombian Minister of Defense, Diego Molano Aponte, informed that the International Verification Mission, a delegation made up of representatives from Germany, Brazil, Canada, France and the United Kingdom, arrived in Arauquita to evaluate the situation of more than six thousand displaced persons from Apure.

Legal in Dominican Republic... Enrique García, director of the Department of Migration of the Dominican Republic, stated that Venezuelan migrants residing in the Dominican Republic can now start the digital process to regularize their situation in order to live and work in the country legally.

... And also in Peru. The Peruvian government has promoted a program to regularize the stay of 600,000 Venezuelan migrants in Peru. With this plan, they will obtain legal protection and opportunities for insertion in the country's society and economy.

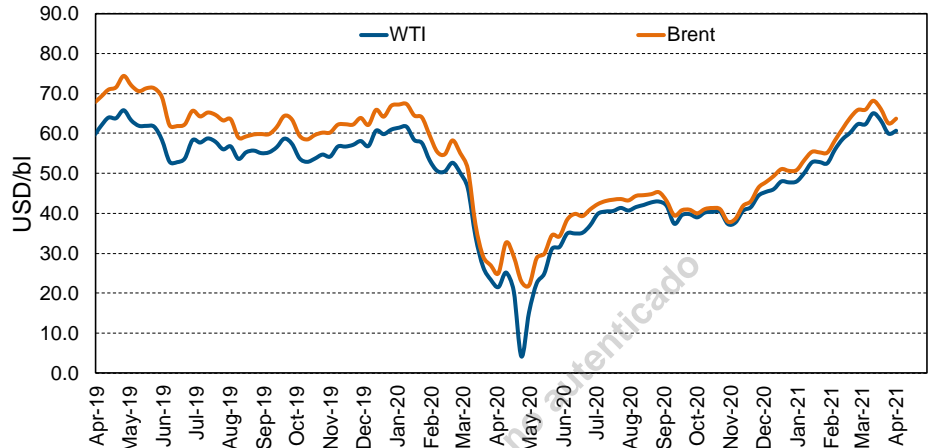
The contrast with Chile. The Chilean government plans to expel more than 1,000 Venezuelan migrants, over a period of nine months, through private flights.

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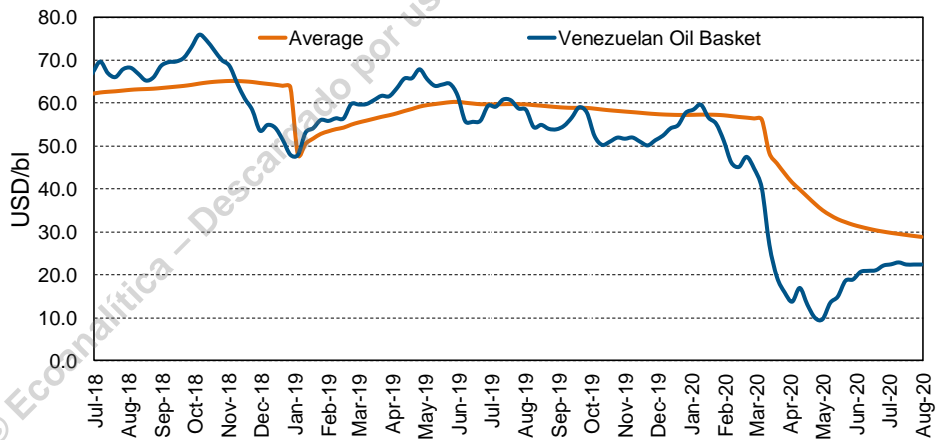
ECONOMIC INDICATORS

**Oil Prices
(WTI and Brent)**



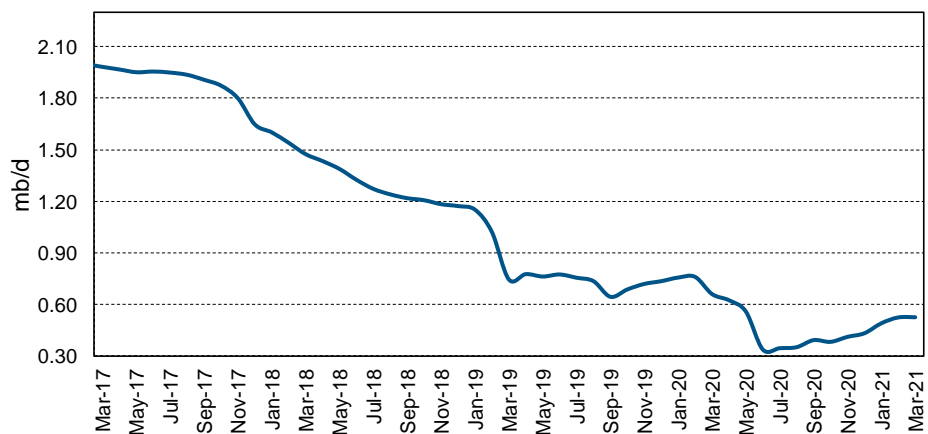
Sources: Menpet and Ecoanalítica

**Oil Price
(Venezuelan Basket)**



Sources: Menpet and Ecoanalítica

**Oil Production
(Secondary sources)**

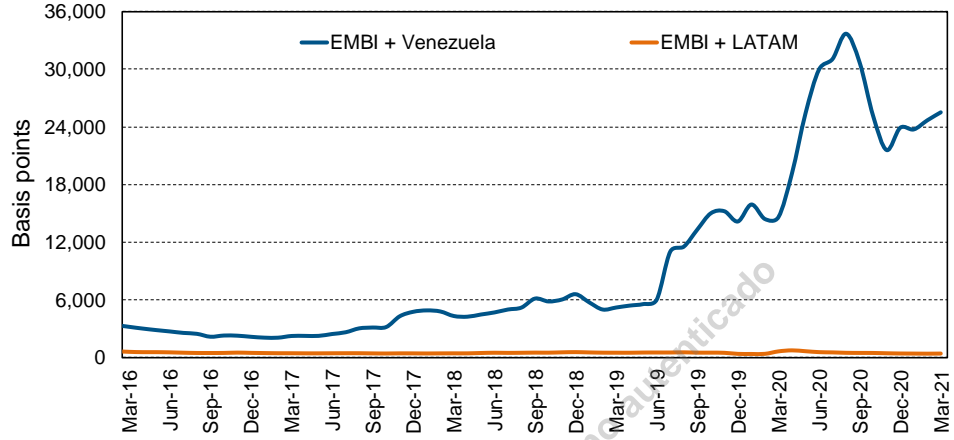


Sources: OPEC and Ecoanalítica

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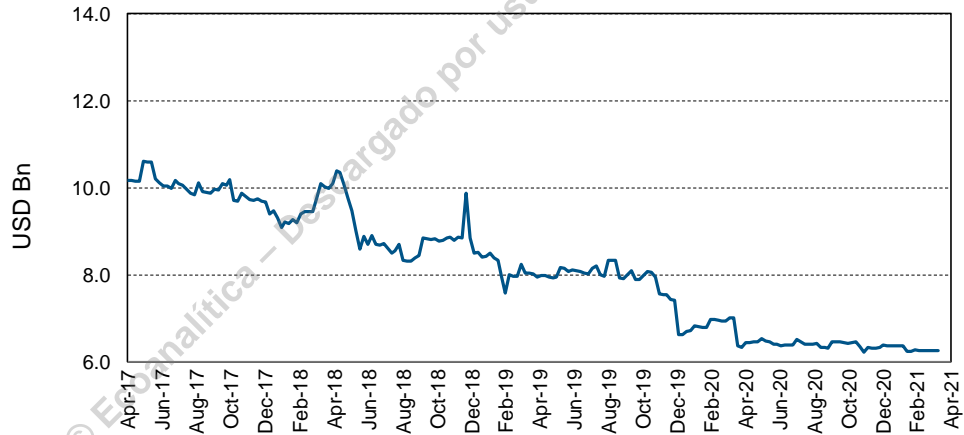
ECONOMIC INDICATORS

EMBI



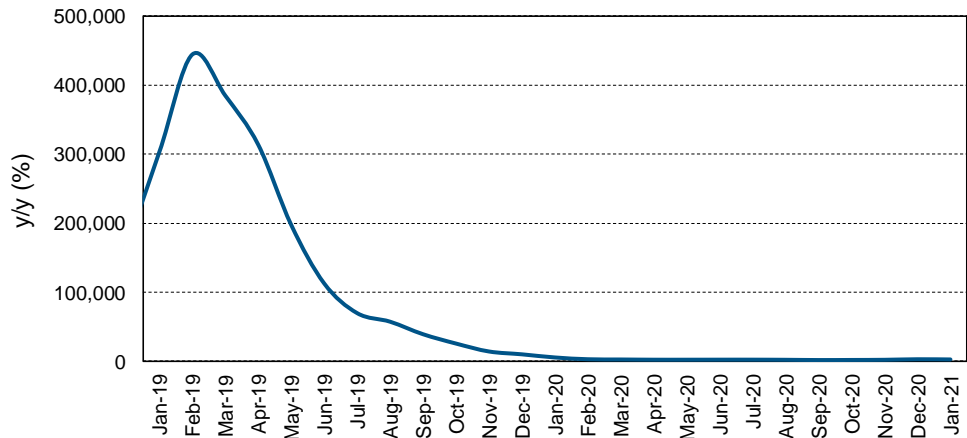
Sources: BCRP and Ecoanalítica

FX Reserves (BCV)



Sources: BCV and Ecoanalítica

Inflation (BCV)



Sources: BCV and Ecoanalítica

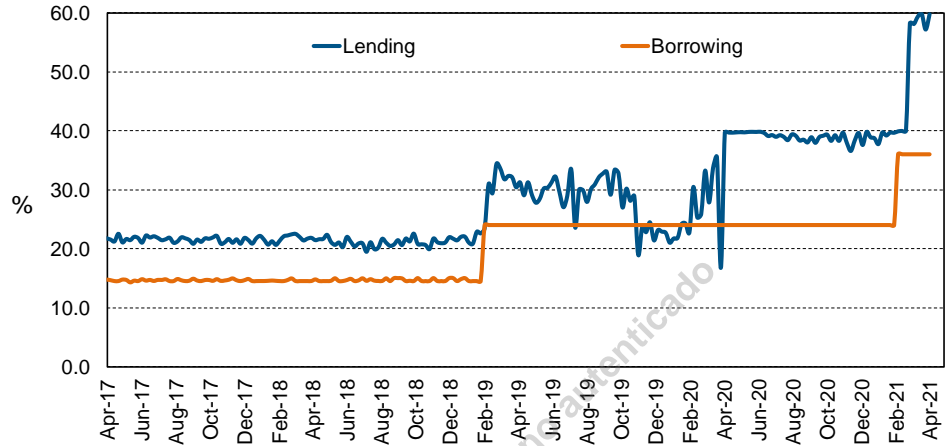
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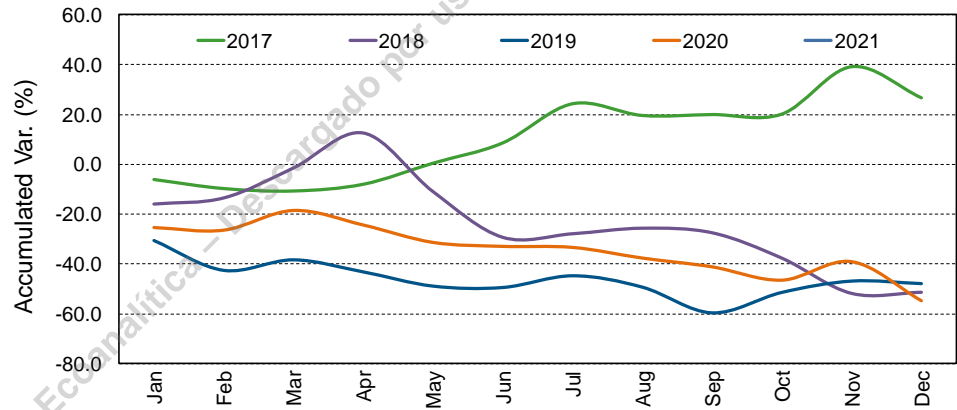
ECONOMIC INDICATORS

**Interest Rate
(Six major banks)**



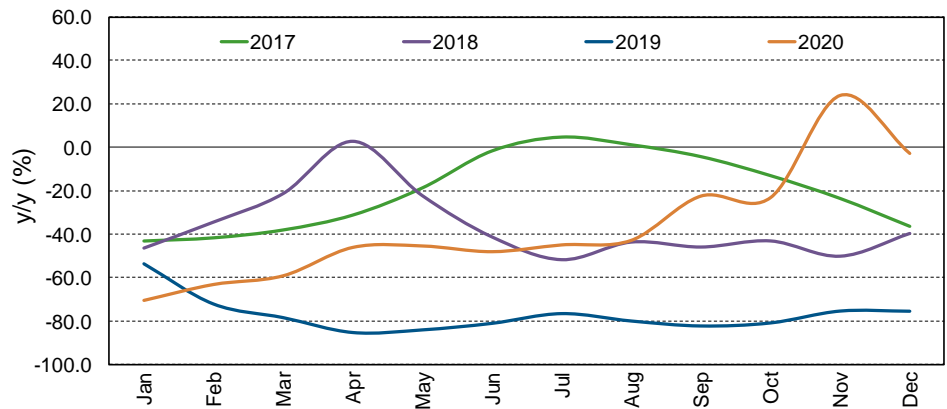
Sources: BCV and Ecoanalítica

**M2 Expansion
(Real)**



Sources: BCV and Ecoanalítica

**Loan Portfolio
(Real)**



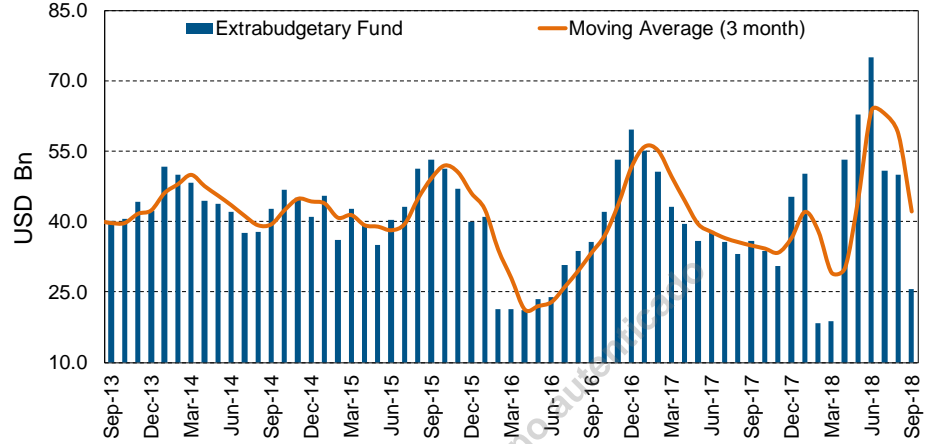
Sources: SUDEBAN and Ecoanalítica

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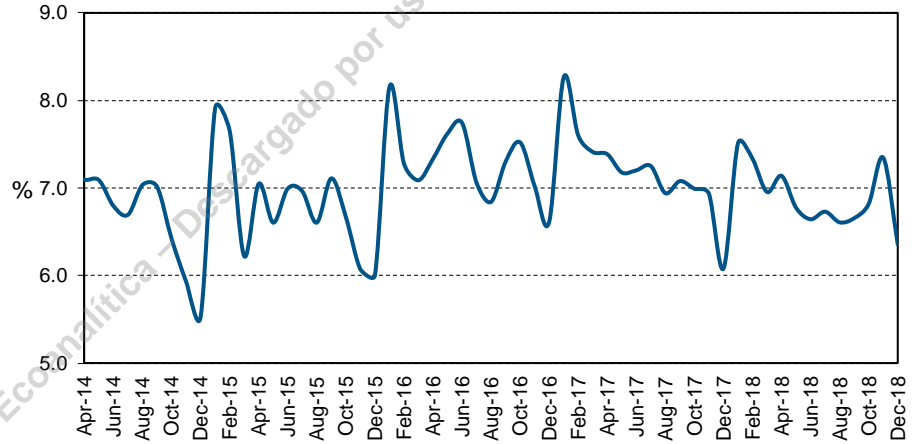
ECONOMIC INDICATORS

State Extrabudgetary Resources



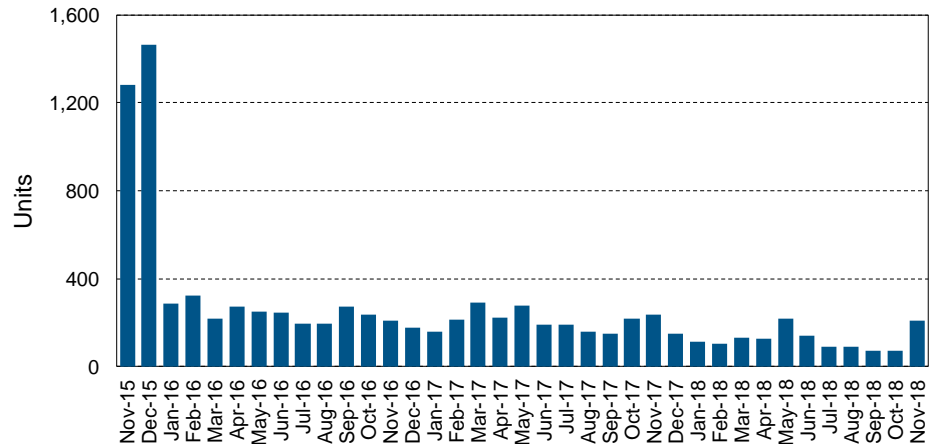
Source: Ecoanalítica

Unemployment Rate



Sources: INE and Ecoanalítica

Vehicle Sales



Sources: CAVENEZ and Ecoanalítica

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