

We can't do it alone: How much would a transition cost?

The situation of the Venezuelan economy is dramatic. Surviving at the pace imposed on them by the hyperinflationary disaster and the collapse of the State, the Venezuelan population is living in an economy that shrinks steadily hour by hour.

At the time of writing, income per capita has collapsed by around 54.5%¹ in a matter of five years –by 70.3% if we incorporate our estimate for 2019²; oil production per inhabitant is close to that registered in 1927; poverty has surpassed 90.0%³, and there is a Diaspora that, taking account of refugees and migrants, comes to around three million Venezuelans, according to figures published by the United Nations. The conditions are dramatic.

Given this situation, at **Ecoanalítica** –adopting the role of spokespersons- we have echoed a series of consensuses reached by different sectors of civilian society – academia, professional and business organizations, labor unions, and political parties to name but a few- that, *a grosso modo*, will act as the core spirit of the different policies that will set the pattern for the Venezuela of “*the day after*.”⁴

Although broad, perhaps one of the fundamental ideas behind the narrative sustaining the proposed route map is that we cannot do it alone. Even though certain beliefs – popular in some circles- contradict this premise⁵, at **Ecoanalítica** we are of the opinion that Venezuela requires significant external support to guarantee the viability of a program that is, by its very nature, expansive and is geared to resuming a path of growth.

¹ Estimate for the period 2014-2018

² A level similar to that posted in 1938.

³ According to figures published in the National Living Conditions Survey (Encovi) conducted jointly by *Universidad Católica Andrés Bello* (UCAB), *Universidad Simón Bolívar* (USB), and *Universidad Central de Venezuela* (UCV)

⁴ For more details, see Weekly Report No. 44 of 2018, “*Bases for a consensus: Venezuela 2019-2030 (I)*”

⁵ Among them that recovering the money associated with acts of corruption in the past or a mass process of privatization will be enough, and that the inflow of Venezuelan capital –being kept safe abroad- will serve as a perfect substitute for multilateral support.

Following the methodology proposed by the International Monetary Fund (IMF), at **Ecoanalítica** we have made an effort to calculate the *gross financing needs* (GFN) that Venezuela will face in the event of a transition and the options available to it for covering those needs. According to our estimates, the Venezuelan economy will require close to USD 217.5 billion over a period of five years, an amount that would be covered by a battery of schemes and instruments such as a rescheduling of the debt, multilateral aid (IMF, CAF Latin America's development bank, and the Inter-American Development Bank (IDB), to name but three), foreign direct investment (FDI), bilateral support, and donations.

Which is the route map?

In general terms, the logic of the exercise involves first elucidating the financing needs of an economy –in this case Venezuela's- that is about to embark on a specific policy path in a given context. Subsequently, an attempt is made to list the potential sources of financing, and their area of coverage- (a key exercise for formulating economic policy) for the purpose of better sounding out the different restrictions posed by the external situation (dealt with in more detail in the discussion on the balance of payments).

In addition, this makes it possible to sum up what is a very extensive exercise of financial programming⁶ in a relatively parsimonious table and so put the macro map of an economy proposed for a period of no less than five years into perspective, in terms of both diagnosis and challenges.

To sum up, the structure of this calculation simply means the sum of the deficit on the current account and the proposed debt repayments for each year of the program. Nonetheless, both variables are estimated with certain elements that differ from the methodology that customarily accompanies their projection. As **Ecoanalítica** sees it, each of these elements –with their restrictions and specific context- warrants special mention. Consequently, in the subsequent sections we will give details of each and how they fit into the overall narrative of change.

⁶ The exercise we have devised at **Ecoanalítica** consists of five main modules: real sector (growth), balance of payments, oil sector, rescheduling the debt, and fiscal policy.

Putting together the jigsaw puzzle, a painful million at a time

The current account: with our feet on the ground and eyes heavenward

While complicated, the calculation methodology the exercise proposes for the current account⁷ offers a vision that is as singular as it is useful to the Venezuelan economy for the first years of the reform process. In this sense, the central premise invites modeling an economy that is embarking on a process of transition⁸ but has inherited a series of liabilities that, due to their impact on the external and fiscal fronts, play a fundamental role.

In other words, unlike the *normative* scenario presented in our previous report –and that usually characterizes modeling inherent in financial programming–, the exercise proposes estimating the financing needs of an economy without taking into consideration the freeing up of cash or relief that rescheduling certain liabilities would provide.

The objective is a simple one: to define whether, even in a situation of reform, the current level of foreign currency liabilities stock is compatible with the level of exports it is hoped to achieve –limited essentially by the recovery of oil production– and the target in terms of imports– a key piece in modeling of economic growth in the short term.

With this idea in mind, the key points that need to be developed are:

- The pace at which **oil production** is to be recovered and, therefore, the pace at which exports are to be recovered⁹
- The future dynamic of **nonoil exports**
- Defining a goal for **nonoil imports**¹⁰ based on the urgency imposed by the humanitarian crisis, the requirements of certain key sectors –in particular public

⁷ It should be mentioned here that it differs in spirit from the methodology that is constructed for the purposes of financial programming.

⁸ For the purposes of the calculations in this report, the interval of time is delimited to 12-month period from the time the usurpation ceases. For example, if the reform process were to start in April this year, the model would take the 12 months between April 2018 and April 2019 as the time reference.

⁹ To define this, at **Ecoanalítica** we have undertaken the task of modeling aggregate domestic consumption of hydrocarbons in a context of the recovery of economic activity and the gradual phasing out of the indirect subsidy on certain hydrocarbons, in particular gasoline.

¹⁰ Given the logic of the model, oil imports are linked to the individual modeling for the oil industry and its investment requirements and the inputs it needs in order to operate.

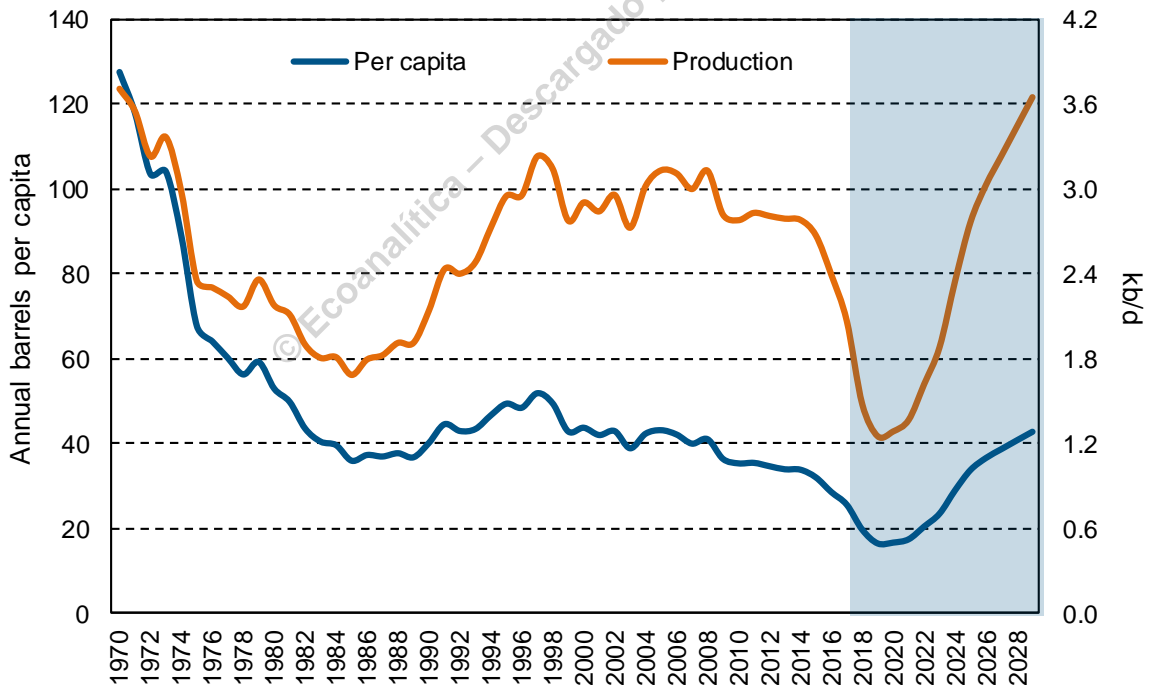
utilities such as electricity and water, to name but two-, and restrictions on the external front

- Modeling the payment of **interest**
- Forecasting the balance on the **services account**, unilateral transfers (such as **remittances**), and **return on investment** over the five years of the program

1. *The Balance on Goods and Services*

Perhaps the natural starting point for analyzing the potential path for recovering oil production. Among the elements of this issue we have noticed at **Ecoanalítica**, the ones that stand out are that the starting point is important (today it is not the same as tomorrow), the pace at which the collapse is occurring far outstrips the industry’s capacity to recover in the short term, and that, while possible, recovering the potential destroyed by the crisis is a marathon not a sprint.

Evolution of Venezuela's oil production



Sources: PODE, Pdvsa and Ecoanalítica

Broadly speaking, at **Ecoanalítica** we are of the opinion that halting the drop in oil production in the early years of the program appears to be unfeasible given the inertia inherent in that drop and the technical requirements for stabilizing it.

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According to our estimates –constructed with the invaluable expertise of certain analysts¹¹-, if we start off with a slight drop in the first two years of the program (around 193 thousand barrels a day (kb/d)), to then post average growth of close to 257 kb/d over the next nine years of the program¹², it will only be in the seventh year that we will reach levels similar to those posted in 2014 (2.78 mb/d), and it will not be until one year later that we will once again surpass 3 mb/d (3.04 mb/d)¹³.

Oil production by zones

Crude production (kb/d)	T	T+7
Maracaibo Lake	279	448
Eastern Coast	108	300
Boscan	77	187
North of Monagas	368	286
Golf of Paria	22	124
Belt	262	1,100
North Belt	41	400
South	13	82
Total output	1,169	2,927

Sources: **Juan Szabo's** estimates and Ecoanalítica

If we compare this situation (exports) to a scenario marked by a big increase in imports – 254.8% in a matter of three years¹⁴- and a marginal recovery in nonoil exports¹⁵, we find

¹¹ At **Ecoanalítica** we are extremely grateful to **Juan Szabo**, whose numbers and vision are a fundamental part of the modeling for the oil sector in the event of a process of reform.

¹² It is worth noting that growth of oil production would tend to speed up in the second half of the period in question –ten years. From an average rate of growth of close to 78 kb/d during the first five years of the program, oil production would experience average annual growth of nearly 289 kb/d.

¹³ This is for the production of crude only.

¹⁴ The overall volume of imports is fueled by the operational requirements produced by the oil module, the financing needs resulting from comprehensive attention to the humanitarian crisis, and certain sector requirements, among other elements.

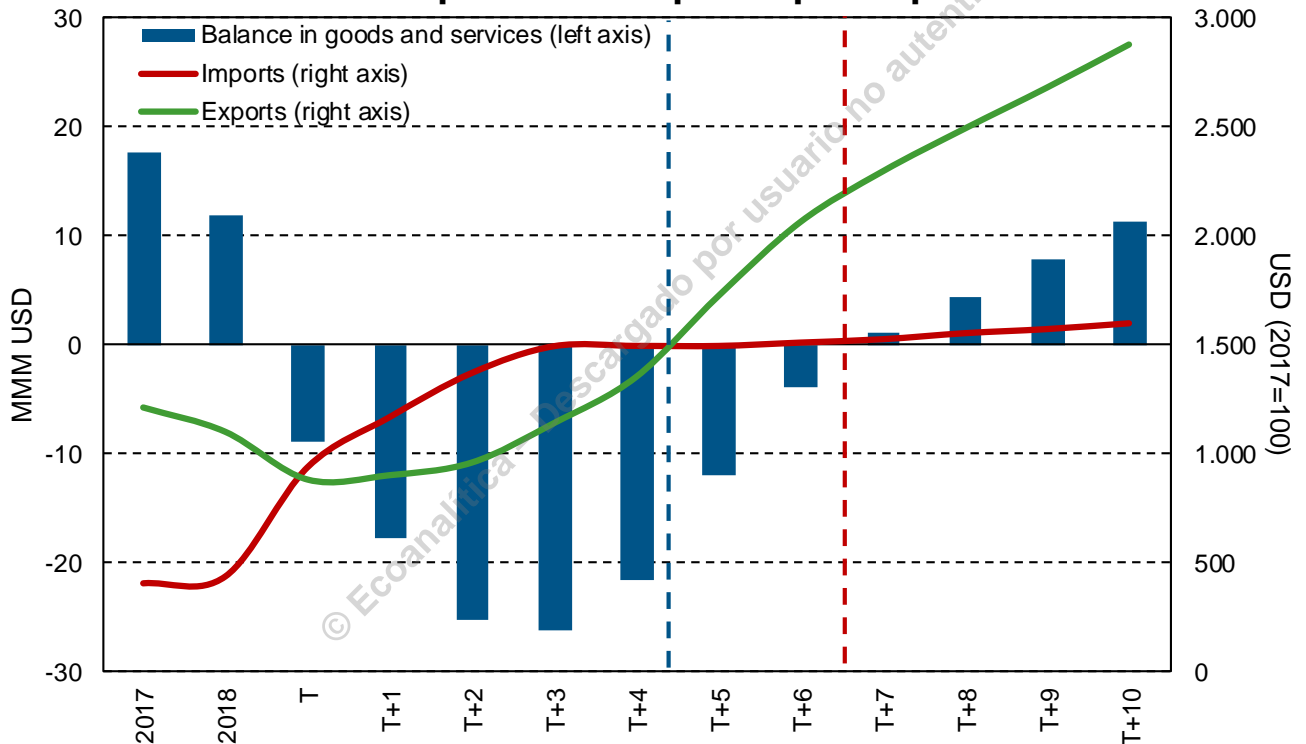
¹⁵ As **Ecoanalítica** sees it, given the historical performance of Venezuela's nonoil sector, it is unlikely that the oil sector will add more than USD 1.42 billion –in five years- to its present contribution (USD 1.44 billion).

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that the Venezuelan economy would face a deficit on the trade balance until the **seventh** year of the program. Given service imports that are highly correlated to their counterpart in the goods entry –and a limited reaction in exports, at **Ecoanalítica** we estimate that Venezuela will maintain an incremental deficit on the balance of the services account throughout eleven years of the program (an estimated USD 13.8 billion by the last year of the program).

Balance in goods and services vs. Real imports and exports -per capita-



Sources: IMF, BCV, Bureau of Labour Statistics and Ecoanalítica

2. The Balance on Rents and Transfers

Even though the balance on goods and services will converge to produce a surplus in the medium term (USD 1.02 billion by the eighth year of the program), if we include the balance on rents the analysis changes. In the case of not moving forward with a restructuration process¹⁶, Venezuela would have to disburse a considerable sum in interest (USD 6.44

¹⁶ Discussed in more detail in another section

billion a year on average¹⁷) during the first five years of the program. Not only that, as a result of an opening up of the economy –and the capital stock resulting from a marked increase in foreign direct investment-, we expect the balance of payments to show a major outflow year after year as a result of the rate of return inherent in any financial operation.

In other words, in embarking on the titanic task of stabilizing a small and severely distorted economy, a new government would be faced with a deficit on the current account of nearly USD 18.9 billion in the first year¹⁸ and a maximum of USD 31.0 billion in the fourth year to converge in a surplus in only the tenth year. Provided it assumes the battery of liabilities accumulated by the *Chavista/Madurista* administrations over the past 20 years.

Paying off the debt: when the unsustainable becomes unbearable

As we have commented on previous occasions, the strategy for handling foreign currency liabilities plays a key role. Since it is of crucial importance for the balance of payments and on the fiscal front and, consequently, for the economy as a whole, the handling of liabilities warrants special attention.

Venezuela is an atypical case. The very same legal –and political- structure underlying the stock of the Restricted Public Sector's foreign currency liabilities makes it obligatory to formulate a mixed strategy for dealing with a series of creditors that are very different one from the other. Faced with a series of actors who differ in terms of their negotiating power¹⁹ and preferences, the rescheduling progress requires a differentiated treatment that, overall, is in tune with the external situation and the various economic objectives.

For example, the greater a given actor's power of negotiation and the greater its relevance for the Venezuelan economy in the medium term, the smaller the haircut, except for a series of equilibriums on the external and fiscal fronts, will be. In addition, depending on the actor's preferences, perhaps instead of opting for a haircut on or reduction of the nominal outstanding amount of its debt, it might prefer a haircut exclusively via the Present Net Value (PNV) of the same.

¹⁷ The calculation assumes the sum of interests to be cancelled under the current liabilities plus the pending interests (2018).

¹⁸ In the normative exercise -which nurtures the financial program- the number is USD 10.6 billion and the surplus convergence is more accelerated.

¹⁹ Measured as the potential role they could play in Venezuela's process of recovery in the short and medium terms

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It is only fair to mention that a scheme of this type requires some clarification before getting down to the numbers. Even though a haircut on the PNV implies implicitly recognizing 100% of the face value of that debt –and consequently zero impact on the debt/GDP ratio-, it represents a significant improvement in debt servicing, even more so when the interest rate agreed to during the negotiation is below the rate being offered in the market.

For example, if we start with a haircut on the nominal outstanding debt of close to 42.2%, we will obtain a freeing up of cash –or haircut- of 15.8 percentage points more than the level of the servicing of the debt. The impact of this clarification is not a small one when we take a look at the evolution of the balance of payments.

Results (restructuring exercise)

	T		T+1	T+5	T+10
Outstanding*	82,8	109,5	131,3	134,0	88,7
Proposed debt service*	15,0		12,1	11,8	11,9
Exports*	24,6		25,5	51,2	89,9
International Reserves*	37,4		50,4	13,9	40,6
Debt/Exports	4,5		5,1	2,6	1,0

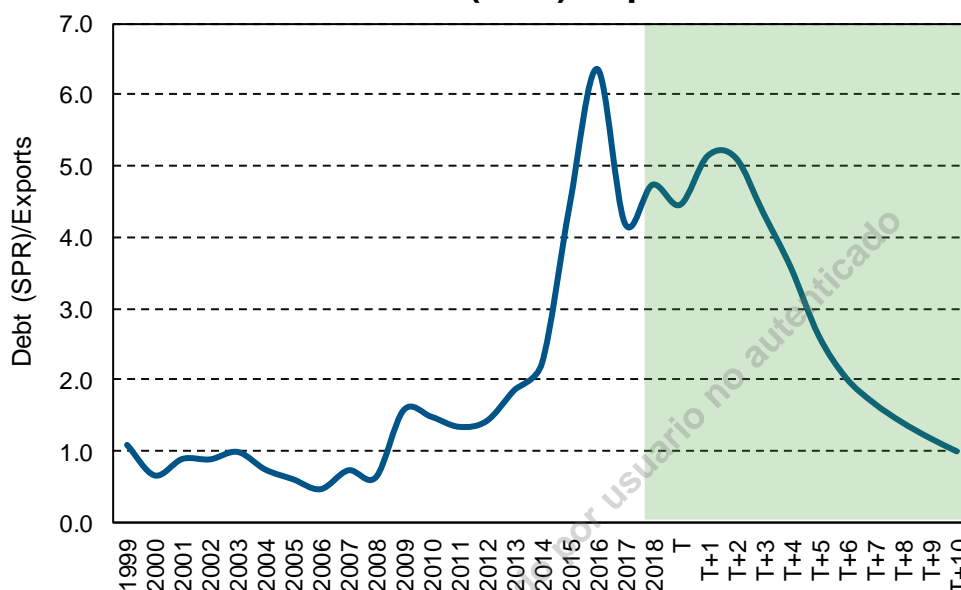
Source: Ecoanalítica

*Expressed in MMMUSD-2019 presents the outstanding at the beginning and ending of the year.

In this order of ideas, if we take the preceding values as the reference and consider a net accumulation of debt of close to USD billion during the first two years of the program with its respective servicing in the context of the level of the balance of payments described earlier, we find that the debt/export ratio converges at 1.0 in the eleventh year after closing 2018 at around 4.7.

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Ratio Debt (SPR)/Exports



Sources: BCV, Pdvsa and Ecoanalítica

However, on its own, this calculation is of no use for the proposed exercise. In the interests of determining the gross financing needs, we need to obtain a kind of counterfactual; in other words, the debt servicing that a government in a reform scenario without a rescheduling process would face. If we take into account the liabilities as at the close of 2018 and add those obligations that are unavoidable in order to guarantee the program's viability²⁰, this amount would go up to USD 35.8 billion in the first year of the program, which, upon adding it to the subsequent years, gives a payment of close to USD 123.0 billion in a matter of five years.

The billion dollar question: How much do the financing needs come to?

If we put together the jigsaw puzzle, we find that, based on the premises set forth throughout this report and the spirit of its predecessor, the Venezuelan economy will have gross financing needs of close to USD 217.5 billion during the first five years of a stabilization program, 7.2 times the current level of exports, 17.7 times total imports, and 2.5 times the present size of the economy.

²⁰ Debt with bilateral agencies such as the IMF, IDB, and CAF, among others, as well as the repayment of certain specific debts (PDVSA's suppliers, joint ventures, nationalizations, among others)

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External Financing Requirements (USD MMM)	T	T+1	T+2	T+3	T+4	Total
Gross Financing Requirements	41.4	41.2	44.4	45.7	44.7	217.5
Current Account Deficit -excluding grants-	18.9	20.9	29.1	30.9	26.7	126.6
Trade balance in goods	3.1	10.3	16.0	15.9	10.9	56.2
Trade balance in services	5.8	7.5	9.3	10.4	10.8	43.8
Income Balance	13.7	6.9	7.4	8.0	8.2	44.2
Current transfers -Remittances-	-3.7	-3.7	-3.6	-3.4	-3.2	-17.6
Public debt service (Amortization)	22.5	20.2	15.3	14.8	18.0	90.8
Gross Financing Sources	70.7	54.2	43.3	34.2	31.0	233.4
Debt Relief	20.7	13.7	11.4	12.8	13.2	71.9
FDI	3.4	8.3	11.9	16.4	15.3	55.3
IMF	30.5	20.2	10.0	0.0	0.0	60.7
Bilateral	5.0	5.0	2.5	2.5	0.0	15.0
Multilateral	1.0	2.0	2.5	2.5	2.5	10.5
Grants	10.0	5.0	5.0	0.0	0.0	20.0
Net financing needs	-29.3	-13.0	1.2	11.5	13.7	-15.9
Change in reserves	29.3	13.0	-1.2	-11.5	-13.7	15.9

Source: Ecoanalítica

Gross financing needs of this magnitude lead to two immediate conclusions: that unfortunately we cannot do it by ourselves, and that Venezuela, if it aspires to honor the spirit on which the consensuses mentioned on other occasions were built, will require an international aid program that may well be unprecedented in modern history.

As **Ecoanalítica** sees it, the Venezuelan economy has five main sources of financing available to it:

Rescheduling the stock of liabilities: According to our estimates, the strategy described in the previous section on rescheduling the debt would provide the economy with relief by freeing up cash amounting to around USD 17.9 billion.

Foreign Direct Investment (FDI): Between the oil sector and the nonoil sector of the economy, we forecast that the flow from FDI could close at around USD 55.3 billion at the end of five years.

Multilateral agencies: At **Ecoanalítica** we consider viable an aid program with the IMF of close to USD 60.7 billion and different projects with agencies such as CAF, the IDB, the World Bank and others, for amount close to USD 10.5 billion.

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Bilateral financing: In addition, we believe that Venezuela could have access to an amount of close to USD 5.0 billion from certain key allies over a period of five years.

Donations: Given the humanitarian emergency, at **Ecoanalítica** we are of the opinion that, with the support of certain countries and organizations, Venezuela could receive an amount close to USD 20.0 billion in the form of donations over a period of three years.

Time is of the essence

Even though this exercise depends on a series of assumptions that, by their very nature, are exposed to the volatility of an environment that changes constantly, it serves to make sense of the collapse and the difficulties posed from the start by a process of reform such as the one required by the Venezuelan economy.

Perhaps the main conclusion to be drawn is that time is of the essence. Adding nine months more to the drama that the country is experiencing today not only means more pain and less well-being, but also the emergence of new liabilities –understood in the broad sense of the term- that a new government –and the population itself- will have to deal with down the line. The damage could be irreversible and the cost incalculable. Every day counts.

Gorka Lalaguna

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WEEKLY INDICATORS

Weekly Economic Indicators			
	1st Week April	Weekly chg. (%)	Depre/Apre (pp) ¹
FX Dicom (VES/USD)	3,296.15	0.0	0.0
	2nd Week March	Weekly chg. (pp)	Annual chg. (pp)
Lending Interest Rate (%)	34.3	0.5	13.0
	4th Week March	Weekly chg. (pp)	Annual chg. (pp)
Overnight Interest Rate (%)	46.4	10.5	46.4
	4th Week March	Weekly chg. (%)	Annual chg. (%)
International Reserves (USD Bn)	9.0	3.0	-5.8
	2nd Week March	Weekly chg. (%)	Annual chg. (%)
Monetary Liquidity (VES)	3,379,938,136	5.8	113,693.2
Price of International Oil Baskets (USD/bl)			
	4th Week March	Weekly chg. (%)	Annual chg. (%)
WTI	59.3	3.5	-8.9
Brent	67.6	1.3	-3.4
Price of the Venezuelan oil basket (USD/bl)			
	4th Week March	Weekly chg. (%)	Annual chg. (%)
Weekly Average	61.6	1.5	0.5
Annual Average	57.2	1.4	-3.9

Sources: BCV, MENPET, ONT and Ecoanalítica

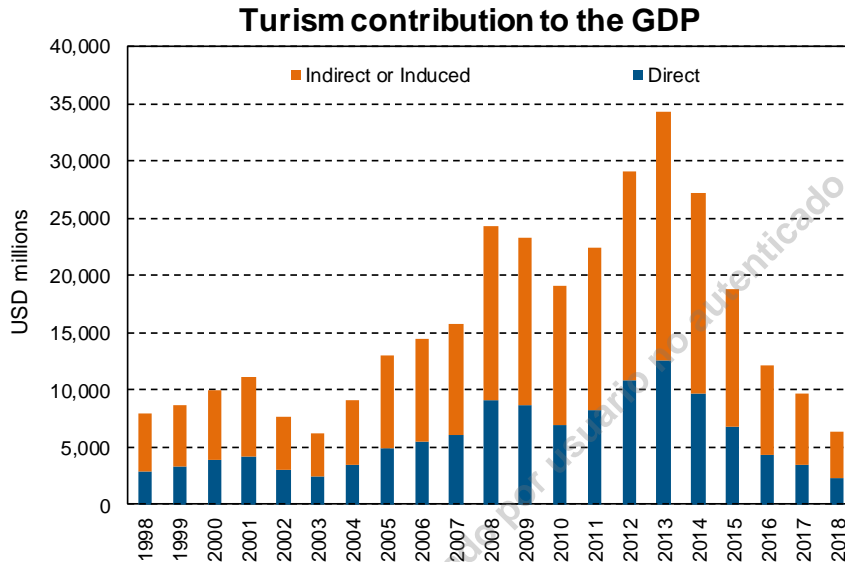
* Annual variation of accumulated expenditure.

¹ Depreciation (+)/Appreciation (-)

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GRAPH OF THE WEEK: “WHO’S GOING TO COME?”



Sources: World Bank, World Tourism and Travel Council (WTTC) and Ecoanalítica

Los Roques, the Gran Sabana, and Bolívar Peak are just some of the many places that come to mind when talking about tourism in Venezuela. While the country’s potential in this sector is undeniable, the economic, social and political conditions have been a huge obstacle for its development.

Before taking a look at the changes in the tourism sector, it is necessary to understand how it contributes to the Venezuelan economy: directly in that it represents all economic activity generated by the provision of tourism services, such as transport, entertainment, and lodging, and indirectly and by induced means with contributions made by public and private investment in the tourism sector and the consumption induced by employees remunerated by this sector. Based on information published by the World Travel and Tourism Council, which provides data on tourism activity as a percentage of gross domestic product (GDP), there has been a huge drop in the tourism sector’s direct, indirect and induced contribution to the economy. Focusing on the latest datum available, the tourism sector’s contribution to GDP in 2018 was USD 6.4 billion, which gives a drop of 34.4% compared to 2017 and a drop of 81.4% compared to the year when it made its biggest contribution (2013).

If we take into consideration the phenomena that are presently affecting the Venezuelan population’s daily round –the lack of electricity, water, and security-, we can safely say that the declining trend in the tourism sector will continue given that foreigners will be afraid to visit a country where uncertainty and dangers are

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ECONOMIC TIPS

Visa denied. The meeting of the Inter-American Development Bank (IDB) scheduled to be held in China on Friday, March 22, was cancelled due to the fact that Beijing refused to issue a visa to Ricardo Hausmann, appointed as Venezuela's representative to the IDB by Juan Guaidó.

A change of plans. Had this meeting taken place, it would have been the first time the IDB would have held a meeting in China. Given this situation, the IDB is to set a new date and venue for the meeting within the next 30 days.

From VES 17 to VES 50. The National Integrated Customs and Tax Administration Service (Seniat) has reported that, according to *Gaceta Oficial* No. 41,597, the tax unit has been increased from VES 17 to VES 50.

DICOM in April. In the auction held on April fourth the resultant exchange rate was VES 3,300.4/USD or VES 3,703.1/EUR, for a devaluation against the dollar of 0.1% compared to the last auction in February.

Foreign currency disbursed. The total amount disbursed was USD 567,310 million, USD million of which (49.6% of the total) went to companies and USD 285,809 million (50.4%) to private individuals.

Family food basket hits VES 1,272,695.29. According to the report published by the Documentation and Social Analysis Center of the Venezuelan Teachers' Federation (**CENDAS-FVM**), the cost of the Family Food Basket in February 2019 came to VES 1.272,695.29, for an increase of 40.3% compared to January and 339,131.6% compared to February 2018.

Breakdown of the Family Food Basket in February. The increases in the Family Food Basket in February were as follows: sauces and mayonnaise, 102.9%; sugar and salt, 86.2%; fats and oils, 85.7%; pulses, 65%; root vegetables, tubers, and other vegetables, 60.2%; cereals and derived products, 52.2%; milk cheeses and eggs, 42.2%; fish and seafood, 35.1%; fruit and vegetables, 30.1%; coffee, 25.1%; and meat and prepared meats, 10.2%.

Basic Family Basket comes to VES 1.957,826.21. According to the report published by the Documentation and Social Analysis Center of the Venezuelan Teachers' Federation (**CENDAS-FVM**), the cost of the Basic Family Basket in February 2019 came to VES

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1,957,826.21, for an increase of 40.2% compared to January and of 371,545.1% compared to February 2018.

Breakdown of the Basic Family Basket in February. The increases in the groups of goods and services making up the Basic Family Basket in February were as follows: basic public services, 61.1%; clothing and footwear, 58.7%; education, 43.4%; food, 40.3%; health, 39.5%; articles of personal hygiene and cleaning products, 33.2%; and housing rentals, 31%.

OIL TIPS

Out of service... Jose, Venezuela's main crude shipping terminal, is still not operating due to the power outs that have been affecting the entire country since the second week of March. Besides the refinery, four extra heavy crude upgraders are also out of service.

...for the third time. Other operators that are down include PetroCedeño, PetroMonagas, and PetroPiar. *"They haven't been able to start up again due to problems with the electricity system,"* according to Reuters. The minister of information has not given any further details on the state of these facilities or on the situation in the rest of the industry.

From 700k to 100k. ArgusMedia reports that production in the Orinoco Oil Belt was 100,000 barrels a day (b/d) on March 27; that is 700 kb/d less than before the previous mega power out. The plants' technicians have tried to get them operating again, but without success because the explosion of a transformer in Bolívar has made it difficult.

One goal achieved. Citgo, PDVSA's oil company in the United States, said it had obtained a five-year USD 1.2 billion loan to cover operating costs, finance its debt, and its separation from its parent company, which is still under Nicolás Maduro's control.

Exercising its influence. The United States has urged oil companies and countries in all parts of the world to reduce their business dealings with Venezuela even further, even though trading is not forbidden under the sanctions imposed on Venezuela.

At zero. Two weeks after US imports of crude from Venezuela fell to zero, this call is aimed at India, Russia and Europe in particular, who have continued to trade with Venezuela despite the January 2019 sanctions.

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(+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

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From Russia to China. Rosneft, Russia's state-owned oil company, is sending part of the crude it is receiving from Venezuela in repayment of loans to China, seeking to sidestep US sanctions. ArgusMedia reports that Venezuela is paying around USD 2.3 million to Rosneft in crude. Rosneft is sending these shipments to its refinery in Vadinar, India.

Few options on the table. However, it is unlikely that Vadinar will absorb all the barrels Venezuela is sending to Russia in payment, which means that Russia will have to find a way to sell the rest of the crude despite the sanctions. The Indian company Reliance has already stopped sending diluents such as naphtha to Venezuela. This leaves Venezuela with fewer options.

Imports down. According to import data registered with the US Department of Commerce, imports of heavy crude have fallen considerably in the last two months since the United States imposed sanctions on PDVSA. Imports averaged 3.25 mb/d, when they were around 4.26 mb/d in the same two months last year.

BUSINESS SECTOR TIPS

Only a stopgap measure. The president of the Engineers' Association of Venezuela (CIV), Enzo Betancourt, criticized the electricity load administration plan proposed by Nicolás Maduro, alleging that the authorities had been using this strategy outside the capital area with absolutely no success. Moreover, he stressed that the neglect of the electricity sector over these past 20 years had been so great that the present system had survived thanks to the foundations on which it was built.

Further shrinkage. María Carolina Uzcátegui, the president of the National Commerce and Services Council (Consecomercio), said that the economic situation had promoted a reduction in the commercial sector of 40%, explaining that approximately 120,000 commercial establishments had closed over the same period.

More consequences. Uzcátegui also pointed out that the power outs had caused damage to and loss of equipment and that it was impossible to know the total damage caused to those items of equipment. She stressed, furthermore, that "*just one day of stopped production costs the country around USD 260 million.*"

Resistance in the air. Industrias Aeronáuticas y Servicios Aéreos, S.A. (Conviasa) reported that it had maintained its operations at 100% throughout the country during the power outs.

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Sour milk. Luis Prado, the vice president of the National Cattleman's Federation of Venezuela (Fedenaga), said that the effect of the power outs on the refrigeration systems meant that the country ceased to produce 38 million liters of milk.

Another one leaves. American Airlines announced that it had decided to definitively stop its flights between the United States and Venezuela. One of the reasons for this decision had to do with a warning by the pilots' union, which recommended not flying to or stopping over in Venezuela since the country had all the characteristics of a failed state.

WORLD ECONOMY TIPS.

Terrified of the caravans. The US Department of State has announced that it will stop direct transfers to El Salvador, Guatemala and Honduras because these are the countries where the caravans of immigrants are formed that then make their way to the United States. US President Donald Trump is even considering closing the border with Mexico.

A light at the end of the tunnel. The meetings between the United States and China are on the right track, according to US officials. China has proposed agreements on very sensitive issues that are fundamental for putting an end to the trade war.

Leaving bad habits behind them. The most important agreement had to do with the technology transfer requirements imposed by China on companies that want to enter the Chinese market, according to which foreign companies are forced to share their patents and technologies with the Chinese Government. The agreement has managed to reduce the practice of this policy.

An upturn. The Chinese economy gave signs of stabilization in March. One of the most important indicators, which performed disappointingly in February, was the Purchasing Managers' Index for manufacturing, which went up to 50.5 in March, an increase of 2.6% compared to February.

13 more days. Brexit continues down a disastrous path. After the British Parliament rejected the Brexit agreement for the third time, Prime Minister Theresa May was forced to request an extension for the United Kingdom's official departure from the European Union. The new date has been set for April 12, which gives only 13 more days to settle the huge political deadlock the country finds itself in.

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The hardest hit. The credit rating agency Fitch Ratings forecasts that Latin America's main economies will have modest and uneven growth this year due principally to external risks such as the global trade war and the volatility of commodity markets.

And above all two big economies. Fitch Ratings warned of the difficulties Brazil and the rest of the region will experience if the Brazilian Government does not manage to approve its key project for reforming the pension system and mentioned investors' concern regarding the Mexican economy following the start of the leftwing presidency of Andrés Manuel López Obrador.

Sixth disappointment. Mexico's finance minister announced that the government forecast economic growth of between 1.1% and 2.1% for 2019, down from previous projections of between 1.5% and 2.5%. This is the sixth time in a row that Mexico has revised its growth estimates for this year downwards.

More and less. Brazil's minister for the economy reported that Brazil posted a trade surplus of USD 5.0 billion in March, a significantly lower figure than in March last year, due to a major increase in imports. The trade surplus fell by 22.3%, from USD 6.4 billion in 2018, but was up by more than a third from the USD 3.7 billion posted in February.

The war on inflation. The Central Bank of Argentina announced that it would maintain a minimum interest rate of 62.5% in April to continue with its control of money supply in the market and thereby combat the high levels of inflation.

POLITICAL TIPS

One way to call them. The National Assembly (NA) approved a deal that classified the armed paramilitary groups "*colectivos*" that support the government party as terrorist groups. This comes from their violent harassment toward civilians that protested the lack of public services last Sunday. The NA will take the case to the United Nations Counter-Terrorism Office.

To protest without fear. The congressman also approved a Guarantee Law for Workers. It assures protection from unjustified firings and political persecutions to those workers that "*participate in the defense of the constitution and reestablishment of democracy*".

Colombia gives its opinion. The Chancellor of Colombia, Carlos Holmes, declared that the Government of Colombia considers that any military incursion in Venezuela supporting Nicolás Maduro would represent a threat to the possible presidential transition.

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Warned. The congressman Juan Matheus warned the Constituent National Assembly from violating the parliamentary immunity of the Intern President, Juan Guaidó. In that sense, the officials that violate such immunity will be prosecuted.

Like changing a lightbulb. Nicolás Maduro appointed Igor Gavidia as the new Electric Energy Minister. Maduro pointed out that he asked the previous minister, Luis Motta, to take a break from the job. Also, Maduro announced the creation of the Science and Technology Ministry, lead by Freddy Brito Maestre.

The new definitive day. Juan Guaidó summoned for April sixth a new protest that plans to be the “biggest and most organized” one. At the same time, Guaidó made a new message to the Armed Forces, arguing that civilians in their right to protest the lack of public services have been attacked by paramilitary groups, “the time to protect the people that protest has come, you also lack electricity and water because of the regime’s incompetence”, he pointed out.

Counterally. Diosdado Cabello, first vicepresident of Venezuela’s United Socialist Party (Psuv), announced that the government party will also organize a rally on April sixth. According to the president of the Constituent National Assembly, the objective of this rally is to show Juan Guaidó’s possible political weaknesses.

Searching for positioning. The ambassador of the United States to the Organization of American States (OAS), Carlos Trujillo, declared the intention of the US is to “do everything possible” so the organization accepts Gustavo Tarre, appointed by Guaidó, as representative.

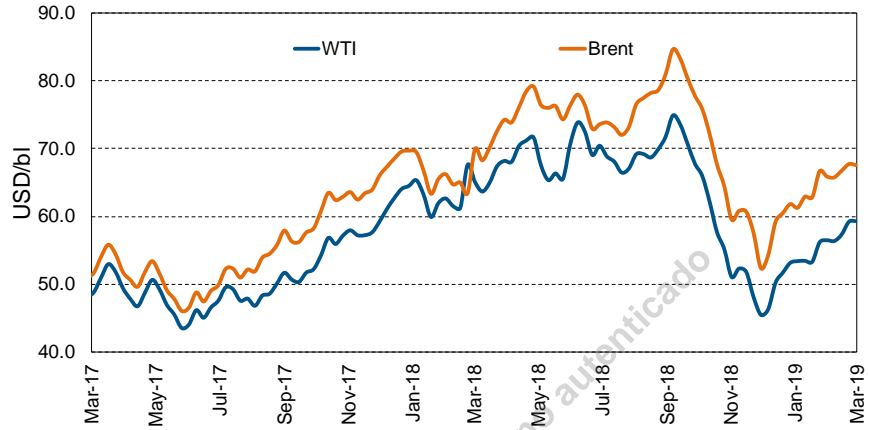
Nothing to fear. The Russian Foreign Affairs Minister, Serguéi Lavrov, declared that the Russian specialists currently in Venezuela are there solely to work on the maintenance of equipment previously provided to the country.

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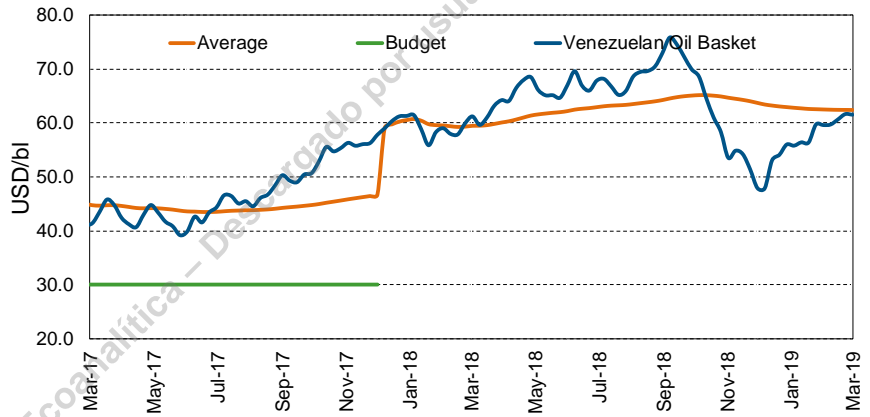
ECONOMIC INDICATORS

**Oil Prices
(WTI and Brent)**



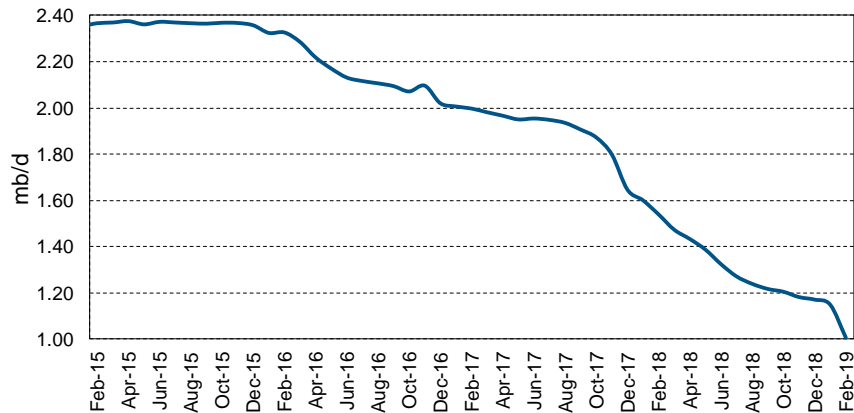
Sources: Menpet and Ecoanalítica

**Oil Price
(Venezuelan Basket)**



Sources: Menpet and Ecoanalítica

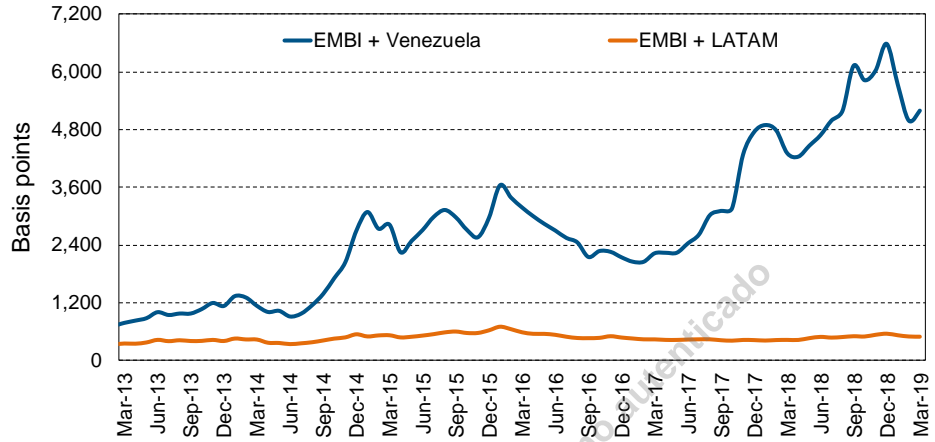
**Oil Production
(Secondary sources)**



Sources: OPEC and Ecoanalítica

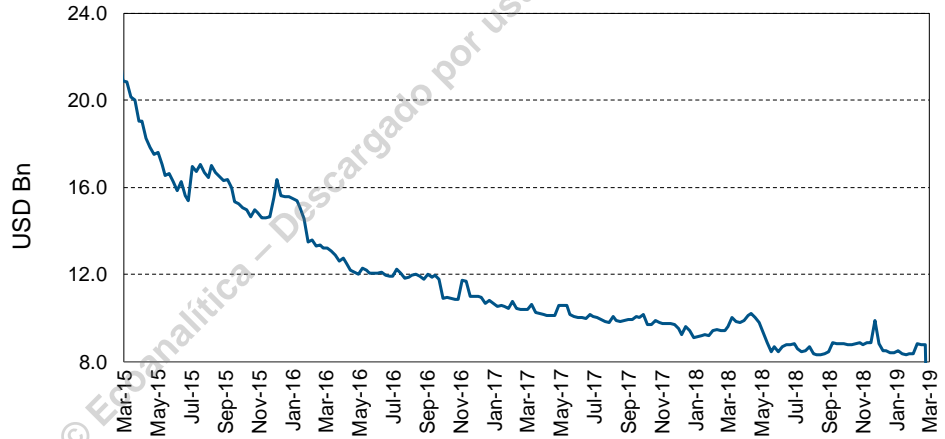
ECONOMIC INDICATORS

EMBI



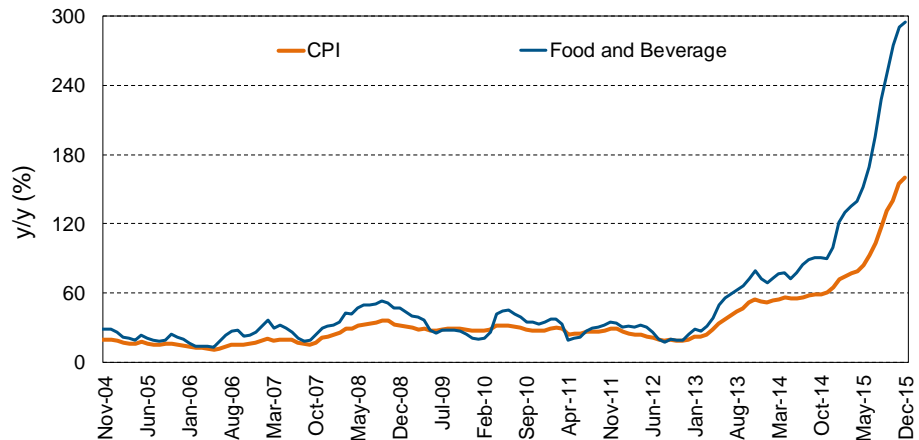
Sources: BCRP and Ecoanalítica

FX Reserves (BCV)



Sources: BCV and Ecoanalítica

Inflation (BCV)



Sources: BCV and Ecoanalítica

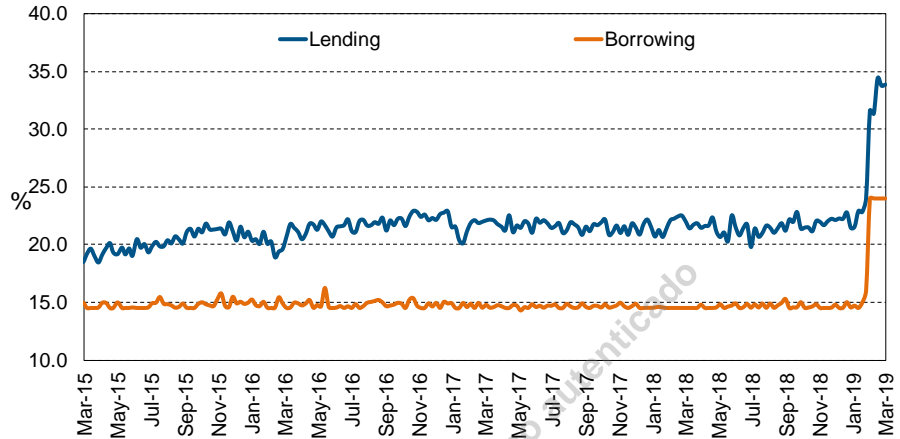
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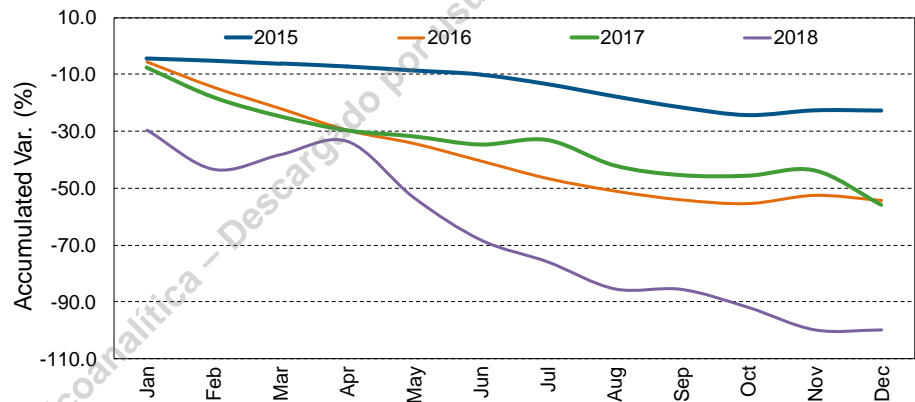
ECONOMIC INDICATORS

**Interest Rate
(Six major banks)**



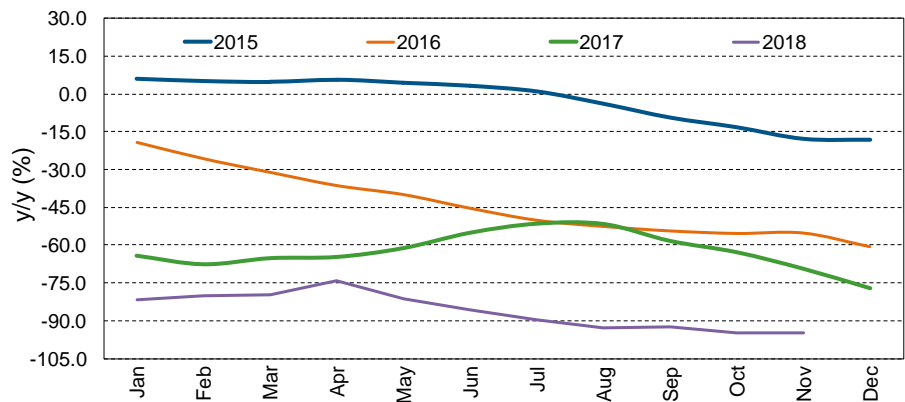
Sources: BCV and Ecoanalítica

**M2 Expansion
(Real)**



Sources: BCV and Ecoanalítica

**Loan Portfolio
(Real)**



Sources: SUDEBAN and Ecoanalítica

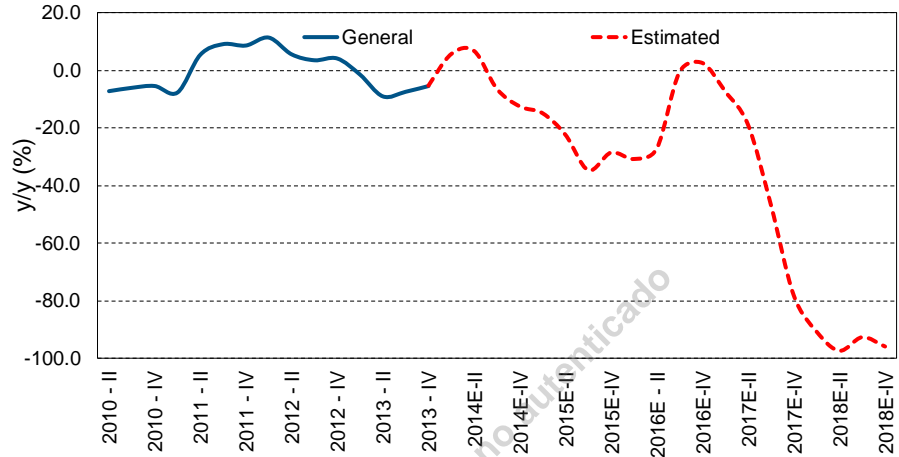
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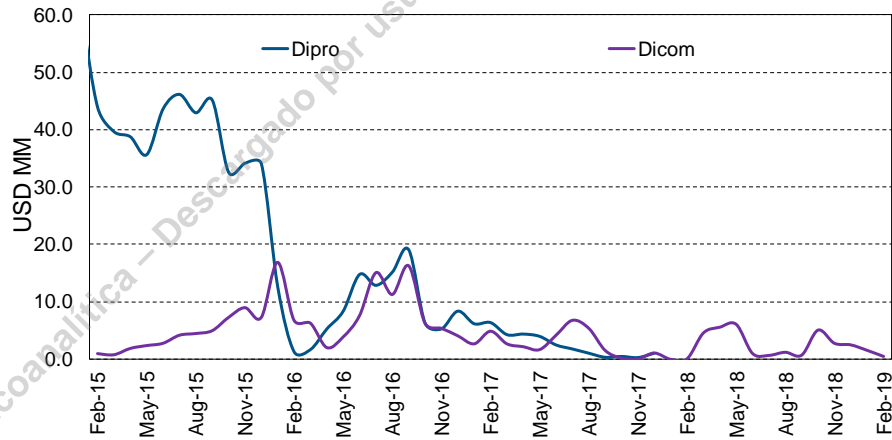
ECONOMIC INDICATORS

Real Wage Index



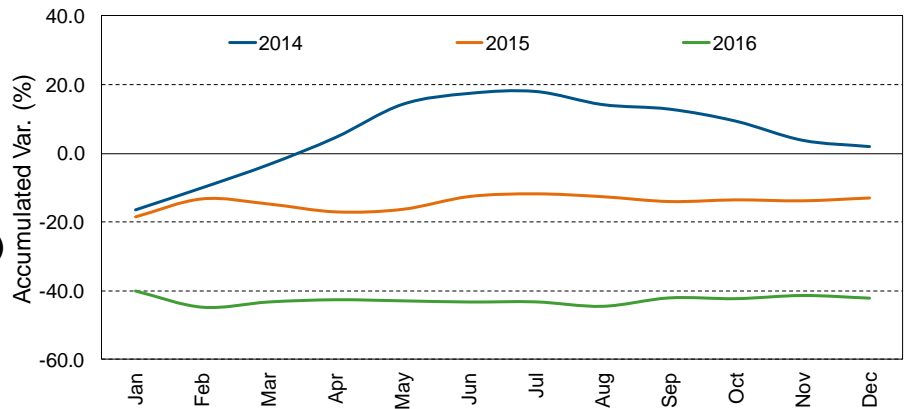
Sources: BCV and Ecoanalítica

Disbursements to the Private Sector (Daily Average)



Source: Ecoanalítica

Primary Spending NTO (Real - Central Government)



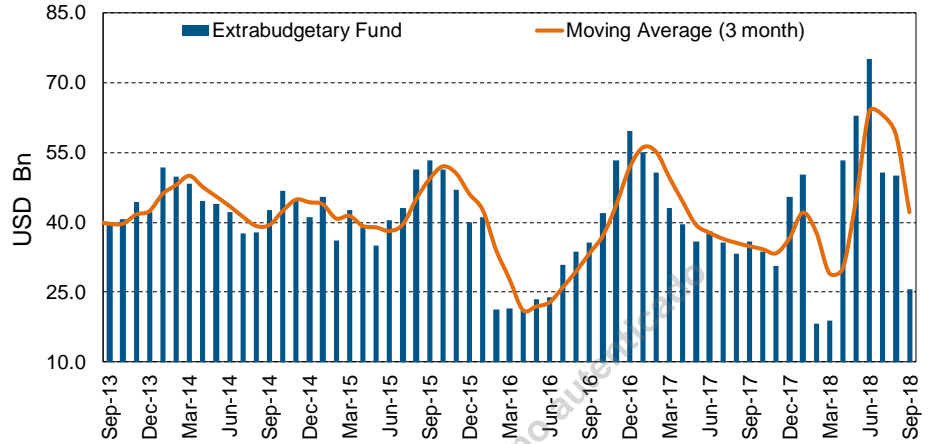
Sources: ONT and Ecoanalítica

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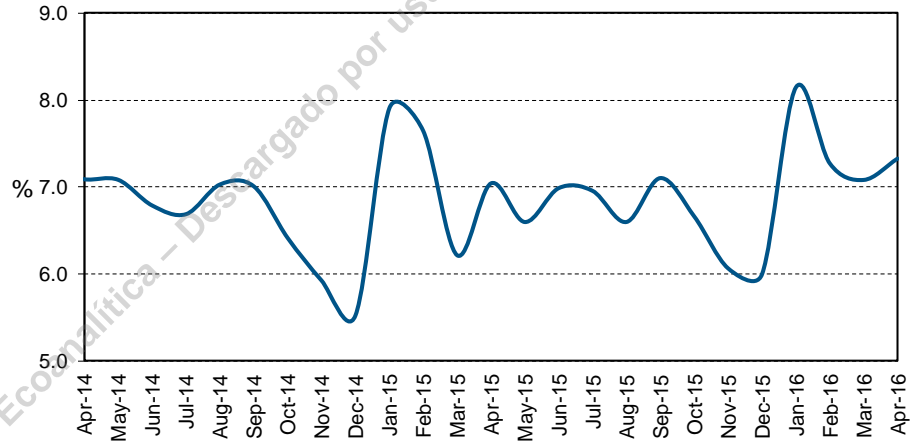
ECONOMIC INDICATORS

State Extrabudgetary Resources



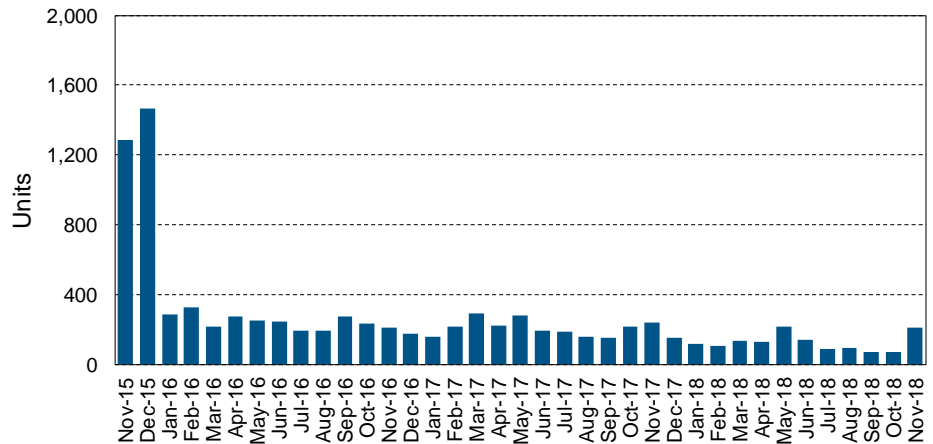
Source: Ecoanalítica

Unemployment Rate



Sources: INE and Ecoanalítica

Vehicle Sales



Sources: CAVENEZ and Ecoanalítica

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ECOANALÍTICA'S TEAM

Alejandro Grisanti / Director

alejandrog@ecoanalitica.net / @agrisanti

Asdrúbal Oliveros / Director

asdrubalo@ecoanalitica.net / @aroliveros

Pedro Palma / Director

pedrop@ecoanalitica.net / @palmapedroa

Cristina Rodríguez / Director

cristinar@ecoanalitica.net

Luis Arturo Bárcenas / Senior Economist

luisb@ecoanalitica.net / @barcenasluis

Gorka Lalaguna / Economist

gorkal@ecoanalitica.net / @gorkalg

Guillermo Arcay Finlay / Economist

guillermoarcayf@ecoanalitica.net / @guillermoarcayf

Giorgio Cunto Morales / Economist

giorgioc@ecoanalitica.net / @giorgiocunto

RESEARCH ASSISTANT

Jhoan F. Castellano

Corina Fung

Diego Santana



CONTACT US

Venezuela: (+58-212) 266 9080/ Fax: (+58-212) 266 5119

Estados Unidos: +1 (212) 994.1850

Ventas@ecoanalitica.net

www.ecoanalitica.com

@ecoanalitica