



Weekly Report

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By:
Asdrúbal Oliveros
Maikel Bello
Ecoanalítica's Team*

*Will we run out of foreign currency?
A look at our balance of payments*

* Carlos de Sousa, José L. Saboin,
Ainara Bacaicoa and Luís Pulgar

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Today, some analysts believe that in the medium term, the Venezuelan economy is at risk of facing serious problems with regard to the amount of foreign currency it has available to meet demand. This concern is due to a number of factors, among them the ever decreasing level of domestic oil production, increased demand for imports, and out-going capital. This Report will offer our opinion regarding this situation.

The exchange control

There are a series of structural factors in Venezuela that in the long run end up making exchange controls produce the exact opposite effect that they are designed to produce. Since the implementation of exchange controls in Venezuela, it has produced significant problems in the Balance of Payments, high depreciation of the currency, increased levels of inflation, and negative real interest rates. All these effects will be magnified when the exchange controls are finally dismantled. The last two times exchange controls were implemented, the currency's depreciation was a lot higher than the increase in inflation, which in turn was on average a lot higher than the interest rates. At **Ecoanalítica**, we believe that it won't be any different



this time, and economic agents must keep what we have just described here in mind when deciding how to strategically position themselves.

	RECADI	OTAC	CADIVI*
	1983-1988	1994-1996	2003-2008
Average Interest Rate	13,2%	44,6%	18,8%
Inflation	16,4%	73,1%	22,9%
Average Depreciation Rate	32,3%	80,4%	34,0%

*Figures until march 2010 (the final figures could only be calculated after the end of this exchange control)

Sources: **BCV and Ecoanalítica**

The crucial variable here is “timing,” in other words, when will all this occur. The key factors in play here are the price of oil and the ability of public policy makers, how skillful will they be at making the swap-market more flexible, thereby extending the lifespan of the exchange market.

Oil prices... it always comes back to oil

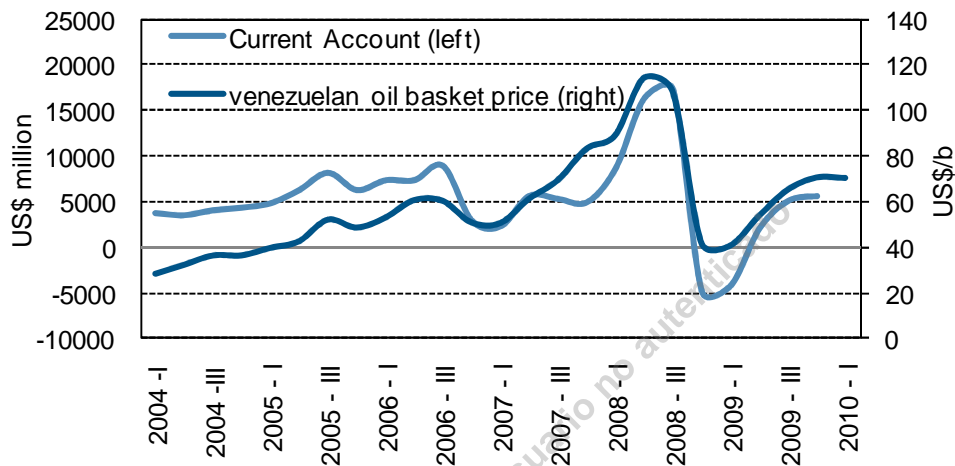
Due to historically high oil prices since 2004, the current exchange control has showed a lot of resistance. However, the only way this mechanism can be sustainable is that oil prices continue to increase over the long term. It's not good enough for oil prices to stabilize and level off, even at relatively high prices. Oil price must continue to increase from year to year, in order for this exchange control to be sustainable. So, if at the close of 2010 the average price of the Venezuelan oil basket closed at US\$70 per barrel, then at the close of 2011 the average price for the Venezuelan oil basket has to close at a higher level, say around US\$ 75 per barrel, and so on, year after year.

And, if oil prices drop, such as they did last year, then all the imbalances created by the exchange control become exacerbated: inflation becomes worse, out-going capital increase, and imports are restricted. In other words, if oil prices drop, the Administration severely limits the amount of imports allowed at the official exchange rate and increases foreign borrowing which in turn fuels out-going capital. If oil prices go up, then the pressure on the imbalances eases up.





Oil Prices Vs. Current Account



Sources: Menpet, BCV and Ecoanalítica

The strength of Venezuela's foreign holdings comes completely from the public sector, with private sector foreign competitiveness not good

Venezuela's main export product is oil, which belongs to the State. So the State, the public sector, usually posts a significant surplus in its Current Account and its Capital Account is balanced. The private sector's Balance of Payments is another story. Due to oil, the public sector is very competitive in the foreign sector, but the private sector, compared to its trade partners, is not very competitive at all. Plus, for a number of different political and economic reasons, Venezuela's private sector tends to put all its savings abroad, transferring capital abroad to the tune of around 7 points of GDP on average each year.

By imposing an exchange control in this type of economy, you create a parallel market exchange rate, higher than the official one. Economic agents in Venezuela use the parallel market exchange rate as the "reference rate" or "market rate." Consequently, the differential between the swap-market exchange rate and the official exchange rate ends up being a type of subsidy for imports.

If we are going to implement an exchange control in this type of economy (Venezuela), the first thing you have to do is to create an entity to administrate foreign currency (Recadi, Otac, Cadivi, etc.) in order to help finance the significant deficit the private sector is facing in its Current Account. However this does not solve the problem with the Capital Accounts, which for a number of different reasons, structurally always present a deficit.

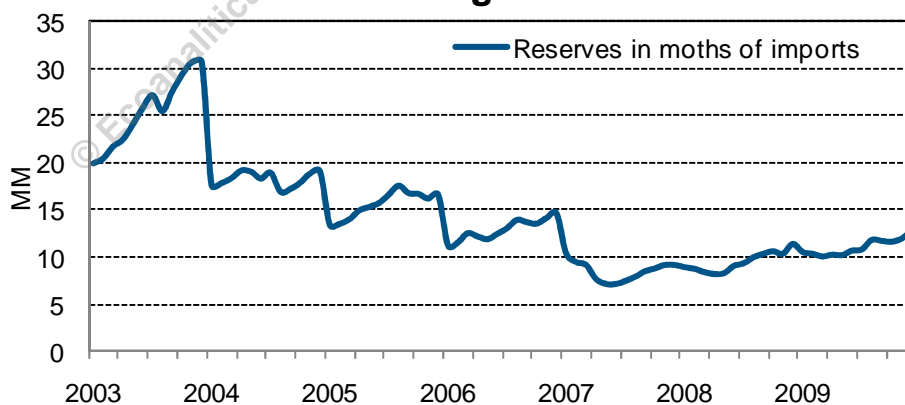


If the State limits itself to only finance the Current Account, then this will lead to an imbalance in the Capital Accounts. The demand for foreign currency is higher in the private sector due to more players needing to send their savings abroad than there are players wanting to invest capital (foreign currency supply) into the country. In any market where the supply does not cover the demand, prices will tend to increase. The reference price for this market is the parallel market exchange rate. Consequently, since the exchange control mechanism has been implemented, the parallel market exchange rate has had a tendency to increase.

What have we gotten from the exchange control?

Since the exchange control has been implemented, out-going capital levels have been ever increasing and imports have significantly increased, product of the subsidy created by the exchange controls. International reserves levels have been deteriorating compromising or coverage level (months of imports covered by reserves). In fact, in 2003, when the exchange control mechanism was implemented, international reserves covered 24 months of imports. In 2009, reserves are only able to cover 11 months of imports. A country such as Venezuela, that is so dependent on such a volatile commodity, should maintain international reserves able to cover between 18 and 24 months of imports.

Coverage Ratio



Sources: INE, BCV and Ecoanalítica

Our Balance of Payments projections for 2010 highlight the following:

- Import levels will remain much like they were last year product with importers taking advantage of the subsidy offered by CADIVI, product of the exchange control mechanism. CADIVI will continue to be very selective regarding to whom and how much foreign currency



it will liquidate. We expect import levels to be at around US\$39.0 billion.

- The Current Account balance will increase to around US\$21.50 billion, mainly due to increased oil export levels, due to prices recovering. This also influences the level of imports projected.
- Out-going capital levels will drop, in the public sector as well as in the private sector. The Capital Account deficit will be at around US\$21.40 billion, this represents about US\$6.09 billion less than at the close of 2009.
- International reserve levels will close levels similar to what they closed at in 2009. We hope that the transfers to the FONDEN from the reserves during the year will be less than 2009 and total around US\$7.0 billion, which is the current level set for the year by the Central Bank of Venezuela (BCV).

And for the coming years?

If for the period between 2010 and 2012, we put the average price of a barrel of oil at US\$77 for the Venezuelan basket, the Venezuelan economy will be able to maintain an average surplus in the Current Account of US\$ 18.12 billion, and the Capital Account deficit will be at US\$ 21.63 billion. In other words, the yearly average deficit of the Balance of Payments will be at around US\$ 3.51 billion. This will have a negative impact on our coverage position. ©

Balance of Payments (US\$ MMM)	2010	2011	2012
Current account	18,1	20,7	24,0
Trade balance	25,9	26,7	29,2
Exports	64,9	70,3	78,2
Imports	-39,0	-43,6	-49,0
Services balance	-7,7	-6,0	-5,2
Capital account	-21,4	-19,4	-24,1
Foreing direct investment	0,6	0,9	0,8

Source: Ecoanalítica



Not a Balance of Payment crisis

We don't expect the Balance of Payment crisis to be a very significant one; in fact, it will continue to follow the tendencies it has for the past few years: pressure on the parallel market exchange rate and significant levels of out-going capital. The levels of out-going capital are closely tied to the flow of foreign currency coming from the public sector and its capacity for foreign borrowing. If the public sector reduces both these levels, the pressure will be felt in the swap-market exchange rate, where 70% of its operations have to do with private sector out-going capital transactions.

At *Ecoanalítica*, we continue to believe that the greatest vulnerability of this current economic model is most clearly reflected in the foreign sector. In an environment where the real sector of the economy is shrinking, the only thing that is guaranteeing the sustainability of the foreign accounts are high oil prices. The Administration can't expect oil prices to remain high indefinitely. Therefore, it will be forced to implement corrective measures. This can happen sooner or later depending on if domestic oil production increases or drops, or if oil prices increase or drop. Given the extreme levels of volatility of these variables, it recommended that one design strategies in accordance to a conservative scenario.

In conclusion

We have finally come to the end of the great oil bonanza which created the illusion of a "Magical State" that was able to provide almost all the needs of the population without even introducing taxes. The problem is that now with the drop in oil prices, that illusion has vanished and we are left back in cruel reality, where the ones who pay for the mistakes made are always the sectors with the least amount of resources. Towards the end of 2009, we officially entered the recession, and these distortions are just beginning to grow.





Economic Tips

March CPI. The National Consumer Price Index (N-CPI) released by the Central Bank of Venezuela (BCV) along with the National Statistics Institute (INE) show inflation up in March by 2.4% compared to the previous month. This jump is much higher than what was recorded in January and February, when inflation was up by 1.2% and 1.6% respectively. This figure puts the accumulated first quarter 2010 inflation total at 5.8%, up by one point compared to what was registered in 2009 during the same period. The Y/Y accumulated rate for March 2010 is at 26.2%, down compared to the Y/Y rate registered in March 2009 which was at 28.1%.

CPI by sectors. The N-CPI by sectors for the month of March show prices going up with 7 of 13 sectors showing price increases compared to February. Price increases were spearheaded by the following sectors: food and non-alcoholic beverages, up by 3.5%; clothing and foot ware, up 1.1%; household services not including telephone, up 4.3%; household equipment, up 3.3%; recreation and culture, up 3.1%; education services, up 1.1%; and restaurants and hotels, up 2.3%. The 6 sectors with the least amount of increase: alcoholic beverages and tobacco, 1.5%; communications, 0.2%; housing rent, 0.7%; health, 2.3%; miscellaneous goods and services, 2.1%; and transportation, 1.6%.

CPI by cities... 8 of the 10 areas represented show increasing inflation compared to the previous month: Maracaibo, up by 3.3%, Valencia, 2.6%; Maracay, 2.5%; Caracas, 2.4%, Maturín, 2.2%; Ciudad Guayana and Barcelona-Puerto la Cruz, 2.1%; and San Cristóbal, 1.9%; with the "rest of the country" category showing inflation going from 1.5% in February to 2.4% in March. The only city to remain at the same level of inflation was Barquisimeto, at 1.9%; and Mérida was the only city to drop inflation levels from the previous month, at 1.9%.

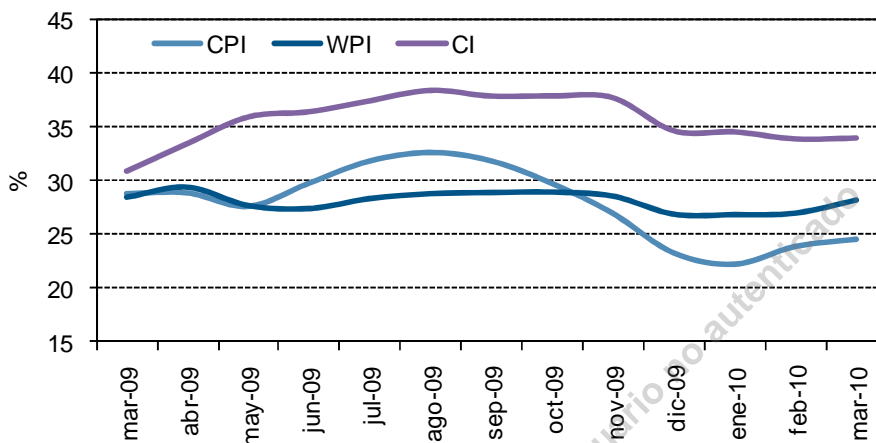
Inflation for Caracas Metropolitan Area. The CPI for the Caracas Metropolitan Area was at 2.4%, with the Y/Y rate at 28.2% and the accumulated rate so far this year at 6.5%.

Goods and Services. Prices for Goods and Services went up in March compared to February going from 1.4% to 2.7% and 1.9% to 2.1% respectively.

Wholesale price index. The wholesale price index also went up compared to the previous month settling at 1.9% with the accumulated inflation rate for the year at 4.9% and the Y/Y rate at 24.6%.



CPI, wholesale price index and core inflation



Sources: BCV and Ecoanalítica

According to the Administration, inflation will stabilize. Inflation will begin to stabilize during the month of April once the food price adjustments made in March and April finish being consolidated, said president of the INE, Elías Eljuri. He continued to say that the 2.4% registered in March “is due to the weight food items have in the INE calculations.” And that Administration’s inflationary policies are what have made it possible to lower inflation from 30.8% in 2008 to 25.2% in 2009.

Interest rates. The lending interest rate for the four week in March was at 17.7%, up by 5 basis points compared to the previous week. Time deposits and savings deposit rates remained at 14.5% and 12.6%, respectively.

International reserves. International reserves dropped by 1.3%, going from US\$29.4 billion during the fourth week in March to US\$28.98 billion during the first week in April. Compared to the same period in 2009, international reserves are up by 0.1%.

Monetary liquidity. Monetary liquidity for the first week in April is up by 0.3% compared to the previous week settling at VEF 240.06 billion. So far this year liquidity is up in nominal terms by 2.7%, and down in real terms by 1.9% compared to the same period last year.

Exchange bonds auction. The Central Bank of Venezuela has carried out nine issuances of exchange bonds, in total issuing US\$410 million in bonds of which US\$50 million was placed in the market. The price for each bond, during the last issuance, was at 112%, with a unit value of US\$1,000, at an exchange rate of VEF 4.3/US\$. These are zero coupon bonds, 90 day maturity, and they have a maximum commission of 1% by intermediaries, which all allows for the acquisition of foreign currency at an implicit rate of VEF 4.87/US\$ upon reaching maturity.



Oil Tips

Pdvsa paid bond coupons... On Monday, March 12, Pdvsa paid the interests corresponding to bond coupons with expiration in 2017, 2027 and 2037. This payment takes place every six months and security holders receive them through their guardian banks or financial institution.

US crude oil exports recovering. According to numbers released by the US Energy Information Administration (EIA), after a quarter of decline, crude oil exports from Venezuela to the US reported a 7.3% increase in January compared to December of 2009. Calculating over the same period of last year, a 32.7% drop was reported. Comparing these numbers to other exporting countries', Venezuela remains the fifth most important crude oil exporter to USA.

120 billion in seven years. Last Tuesday, the minister of Energy and Oil, Rafael Ramirez, expressed the Orinoco Oil Belt's investment will amount to US\$ 120 billion in the next seven years. The minister confirmed the selection of foreign companies to participate in the oil belt's projects will continue to be carried out in two ways: agreements between governments, such as the case of China, Russia, Cuba, Belarus, and public tendering.

Still not exporting gasoline. Analyzing the crude oil and byproduct numbers we can notice the greatest increase occurred in byproduct shipments which rose by 7.8% compared to the previous month, but comparing to the same period of the previous year, product exports to said market have decreased by 118.1%. Breaking the information down by product type, Venezuela hasn't been exporting gasoline to USA since May of 2009. About crude oil, there was a 7.1% m/m growth, and a 29.4% y/y growth. This confirms two facts, number one, Venezuela is substituting the US market for other markets, and number two, Pdvsa's both producing and refining circuits are still affected.

Few companies have negotiated. A source in the oil sector informed that out of the 68 companies nationalized in May of 2009 in Zulia, only four reached liquidation agreements for the assets acquired by the State.

Problems at the El Palito refinery. So was indicated by the secretary of Futpv, Robert Gonzalez, who explained there have been spills in the plant's hydrocarbon waste deposit lagoons, because the effluent unit in charge of sending the liquids back to the



refinery is out of service. Said unit has been inoperative for four years and, although it entered a maintenance plan last year, it hasn't resumed operations. He also denounced the refinery was operating "*under critical conditions*," since it is consuming energy from the national electric system due to failures with its electric plant. The plant is currently operating at 33% of capacity.

Block 2 of the Delta Platform endorsed. The Ministry of Energy and Oil approved the commercialization of the non-associated natural gas proven reserves in Block 2 of the Delta Platform, which represents one of the largest offshore natural gas projects. According to the resolution published in the *Official Gazette*, about 6.9 trillion cubic feet (TCF) of natural gas were certified in territorial waters east of Delta Amacuro. In said resolution, the ministry guarantees the economic exploitations as well as supply to gasification projects destined to the domestic market and the first liquated gas train in the east of Venezuela.

Oil fields with Cuba. Venezuela and Cuba are to jointly develop four oil fields in the east of Venezuela by the creation of a mixed company between Pdvsa and the Cuban Cupet. The field of Adas (where most of the project will take place), is located in the states of Anzoátegui and Monagas, while the rest of the fields are in Anzoátegui. The national Assembly approved the creation of a mixed company between Corporación Venezolana de Petróleo and Comercial Cupet, with an initial share participation of 60% and 40% respectively. The mixed company, which will initially render services for 25 years, shall sell Pdvsa all of the associated crude oil and natural gas produced and not consumed.

Refidomisa, in three months. Dominican Republic's Minister of Finance said there had been nothing to hide in the negotiations to sell 49% of Refinería Dominicana de Petróleo (Refidomisa) to Venezuela, and announced that three months from now, the country would receive US\$131.5 million agreed for the transaction.

12 drills shut down. According to the driller Gerd Millán, last Monday in Punta de Mata, Monagas State, workers shut down 12 drills to demand Pdvsa to pay the tabulator adjustment. Millán said this measure would continue for another day and they would wait for Pdvsa to issue a statement. The driller assured about 800 workers support this measure.

Gas exploitation begins in Paraguaná. Well Cardón IV, with 942 square kilometers, operated conjointly by Pdvsa and the Spanish company Repsol, started drilling in Paraguaná waters, in Falcón. This deposit has an estimated potential ranging between 12 and 20 trillion cubic feet of gas, plus the existence of condensed oil.

International oil baskets. At New York market's closing time, last Thursday, April 15, the WTI was at US\$85,6/bl showing a 0.2% increase compared to the US\$85.4/bl of



the previous Thursday. The Brent increased by 2.1% to reach US\$86.6/bl, compared to US\$84.8/bl of Thursday, April 8.

Local oil basket price. The Venezuelan oil basket price went up last week, to close at US\$76.4/bl on Friday April 9, US\$2.9 more than the US\$73.5/bl of the previous week. Meanwhile, the basket's annual average increased to US\$71.2/bl.

Business Sector Tips

Cadivi Authorizations. The Commission for the Currency Administration (Cadivi) authorized US\$5.420 million during the first quarter of the year, both ordinary imports and Aladi agreement. This figure represents an increase of 11.0% y/y.

Finally resumed operations... Finally, after a week shut down, unit 4 of Planta Centro, one of Latin America's largest thermoelectric generators, resumed operations. Said unit is responsible for generating most of the plant's electric power, approximately 250 Mw. However, unit 3, with a production around 150 Mw, is still inoperative due to an accident.

Electric generation goal exceeded by 117%. The minister of Electric Energy, Alí Rodríguez, said the energy thermal-generation plan's goal was 290 Mw in March, and, according to official spokespersons, it was exceeded by 117%, with a total 630.5 Mw generated. This was possible thanks to the installation of 11 distributed generation plants totaling 140.5 Mw and an increase in other existing plants.

It continues and the concern grows... It has been two months since the beginning of the labor crisis at MMC Automotriz's plant. According to information provided last month by company executives, the situation has prevented the company from assemble 1,495 cars, causing losses for US\$62 million. However, the number of units has increased to 2,400.

Airlines incur in devaluation-related losses. The president of Asociación Venezolana de Líneas Aéreas (Venezuelan Airlines' Association, ALAV), Humberto Figuera, said that, due to the currency devaluation, airlines are incurring in losses for approximately US\$122,000 since the foreign currency is not liquidated at VEF2.15/US\$ but VEF2.60/US\$. Also, companies that didn't present their November and December 2009 applications by January 8 to Cadivi, will report a loss of about US\$404,000.



New expropriations. The mayor of the San Francisco municipality in Zulia, Omar Prieto, announced the expropriation of 38 warehouses to now be handled by CorpoZulia. This resolution derived from President Chavez's request on March 18 to intervene in the San Francisco Industrial Zone. According to Fedecamaras-Zulia, this industrial zone generates nearly 1,600 jobs for 185 companies currently in operation.

No recovery signs yet... During the first quarter of 2010, automobile sales total 27,784 units, 43.6% less than the same period of 2009 (49,264), 65.2% less than the first quarter of 2009 (79,894 units) and 72.1% less than in 2007 (99,489 units), the best year for the sector. We can observe how the sector has maintained a negative trend, with lower sales each year. Sales in March were 40.0%, 54.1% and 70.8% lower than those reported in the years 2009, 2008 and 2007, respectively, totaling 10,890 units.

However... We must highlight that sales have been increasing throughout the year, in January, 7,401 units were sold, and 9,483 units in February, representing a 47.1% increase and 14.7% comparing each month.

As to production... National vehicle production during the first quarter of 2010 reached 24,688 units, representing 28.0% less than the same period of 2009 (34,298 units) and a fall by 26.3% compared to 2008 (33,485 units). This is mainly due to the inability to import assembling parts from the different factories, because Cadivi does not approve the respective currencies. Regarding March, production amounted to 10,403 units, representing a 24.3% decrease and 21.1% compared to the production during the same period of 2009 and 2008, respectively.

However, just like sales, production has shown some improvement. Just like sales, production has been showing some improvement which would probably be better, but assemblers have had, and continue to have, labor problems. Production has increased by 124.1% compared to the first month of 2010, and has grown 7.9% compared to the second month.

They keep dropping. Colombian exports in February 2010 increased to US\$2.9 billion, with a 48.7% increase to the United States and a 25.8% increase to Ecuador, and a drop by 73.2% to Venezuela, according to the National Statistics Department (Dane). Venezuela has maintained its relations with Colombia "frozen" since July of 2009, while Ecuador and Colombia started to normalize relations in November of last year. The report highlighted the fact that in February, Colombia's foreign sales reported a 22.9% growth, compared to the same month of the previous year.

Merger finally approved. The merger between the banks BFC and TotalBank, property of Víctor Gil, was approved by the Banks Superintendence and published in the Official Gazette number 39,400 of Friday April 9. With this change, BFC moves up



from number 11 to number 5 in the national ranking, by totaling VEF1.2 billion in capital.

World Crisis Tips

OECD Advanced indicators show synchronized expansion. During the last 12 months, advanced indicators' growth rates of OECD countries have accelerated in-sync at a rhythm not seen since 1975. However, comparing the rates of movable averages of three, six and twelve months, it is possible to observe that, although indicators continue to improve, they do so at an ever-decreasing rhythm, except for those of Japan, which continues to accelerate.

This indicates the recovery continues but not without hurdles. We can conclude that the developed world continues show a sustained recovery, but growth rates decelerate, since the high growth rates observed in the past quarters are greatly due to the statistic rebound effect, which is why they are not sustainable in time. Europe has the biggest challenge, overcoming debt problems in Greece, Portugal, Spain and Ireland, and fixing an inflation burst that seems to be arising in England.

NBER postponed the determination of the end of the recession. The US National Bureau of Economic Research, NBER, determined in its last meeting that it was still too soon to issue its first estimate of the end of the recession in the US., however, statistics indicate this happened at some point in the mid 2009. Harver Analytics dares to estimate the end of the recession in June of 2009, the month in which the coincident economic indicators in the business cycle hit bottom and started to recover.

EU and IMF finally approved a possible rescue for Greece. After several months of discussion, finally, all other 15 euro zone countries, along with the International Monetary Fund, agreed to approve a financial rescue for Greece for €30 billion. In case the troubled country requested it, an additional €10 billion would come from the IMF.

Markets react positively. With the news of the EU and the IMF backing the Greek debt, the risk of default was reduced significantly, and the price of Greek bonds increased considerably, thus reducing their yields of almost 7.5% to 6.7% in the case of 10-year bonds and from 7.0% to 6.6% in the case of 5-year bonds. The euro bounced back as well with a 2.3% increase after the announcement, reaching €1.3566/US\$ after having hit the minimum of €1.3344/US\$.



Greece successfully issued an additional €1,6 billion. After the announcement of the financial rescue, the Greek government issued treasury bonds for €1.2 billion (50% with a six-month expiration and 50% with a 1-year expiration). The demand for the Greek debt was 6.7 times larger than the supply (in an issuance in January, the demand was 3 times larger than the supply), so an extra €360 were finally approved to total €1.6 billion. Although the implicit yield in these treasury bonds was 4.85% for the 1-year ones and 4.55% for the six-month ones, that is 2.2 and 1.4 percent points more than the January issuance; it is much lower than the 6-7% Greece would have had to pay last week without the help from the EU and the IMF. Including this issuing, Greece has borrowed €25.5 billion this year and will need another €27.7 billion before the end of the year to continue to refinance its debt.

Inflationary pressures in England continue. During March, the producer price inflation continued to accelerate, reaching a y/y increase of 5%, up from 4.2% in February. A good reason for that is that the average cost of commodities in the last year has increased by 10%, and oil alone increased by 7% compared to the previous month.

In spite of that, the BoE maintains the rates. In spite of the increased inflation (y/y consumer inflation is at 3% and the inflationary goal is 2%), the Bank of England maintained its reference interest rate at 0.5% in the last meeting of the Monetary Policy Committee.

China presented its first commercial deficit in six years. According to the General Administration of Customs, the Chinese commercial balance reported a deficit for US\$7.2 billion in March, this being the first commercial deficit since April of 2004, since during the last year, imports have grown much faster than exports, due to the strong fiscal stimulus in the domestic demand applied by the Chinese government and the weak global economy (which prevented exports from growing faster). Chinese exports in March reached US\$112.1 billion, 24.3% more than those of March 2009, while imports reached US\$119.4 billion, 66% more than in the same period of the previous year.

Political Tips

Changes must be accelerated. The President of Venezuela, Hugo Chavez, assured they have two years *“to accelerate the necessary changes in the economic, social and political model, and project ourselves beyond 2010.”* He explained this would only be possible if the Government won, at least, two thirds of the National Assembly seats in



the parliamentary elections. About the official campaign, he said it should be austere, classy and with no personal attacks, for *“I have the penalizing faculty to reprimand any candidates who violate the bylaws,”* he said.

Chavez replies. The Head of State, Hugo Chavez, in response to the US request to reduce military expenses, said they didn't have the moral authority to criticize military purchases. Chavez said: *We are gearing up, that's true, and will continue to gear up until we reach an operational stiffness.* Then he asked himself *“Look who's accusing us of arming ourselves? If we add up the military expenses of all the countries in the world, the amount would still be less than the US military expense.”*

Flores rules out advantage. The president of the National Assembly and vice president of the United Socialists Parties of Venezuela (PSUV), said there was no media advantage whatsoever for Mario Silva, anchor of the TV show *“La Hojilla,”* and a candidate in the party's primary elections. Cilia Flores said that those candidates running a show in any kind of radio-electric medium will not have to suspend their spaces during the internal campaign, because there is no media advantage as long as they don't mention their candidacies or others'.

Ministry of Internal Affairs confirmed the arrest. Tarek El Aissami, minister of internal affairs, confirmed, after having issued a public complaint 6 days ago, the arrest of eight Colombian citizens, 2 in Aragua and six in Barinas, for having carried out espionage operations about the Venezuelan electric system, allegedly for destabilization and sabotage purposes. For the minister, this situation confirms Chavez's accusations of sabotage against the national electric system.

Falcon: 60% independent candidates will be included. During an interview, the Governor of Lara, Henri Falcon, announced the political party *Patria Para Todos*, was in the process to select the candidates to the National Assembly, out of which 40% will be party members and 60% will be independent. He also said women

“Still not habilitated.” After having deemed as *“a hard hit”* the aspirations of police captains Simonovis and Forero; Jose Luis Tamayo, defensive counselor, said the statement does not completely bury their nominations, since they still have one more instance to address: the Supreme Court of Justice (TSJ). The attorney of the Caracas Metropolitan Mayor's former secretary of Citizen Safety and the former director of the Metropolitan Police Department said that, although the chances of getting a favorable ruling in the highest court were low, they would still use all the resources granted by the Law.

National Assembly moving forward with the new People's Power Law. The inform of the People's Power Organic Law was approved by the National Assembly's Citizen



Participation Commission. This document explains the communal groups will be ruled by communal parliaments which will be elected in periods of four years and each will have a communal justice system that won't be able to violate the legal competences and provisions of the ordinary justice system.

US requests reduction in military expenses. Arturo Valenzuela, deputy secretary of the US State Department, urged the Latin American region to purchase fewer weapons. The secretary recognized every country's sovereign right to renew their war instruments, but said "there has been a reversion as to the Latin American military expense. Therefore, we should be celebrating that military expense should decrease, with so many other issues to solve."

Tania Diaz, new minister of Communication and Information. In substitution of Blanca Eeckhout, President Chavez appointed Tania Diaz as minister for Information and Communication. Diaz is also host of the TV show *Dando y Dando*, aired on Venezolana de Television (VTV) and president of said TV channel since January 28 of 2010.

Electoral Courtroom deprived of yet another faculty. Any and all habeas corpus applied against the decisions of the National Electoral Council (CNE), its subaltern organizations and any other instance in charge of organizing elections in Venezuela will not be received by the Supreme Court of Justice's Electoral Courtroom. This faculty will now correspond to the Constitutional Courtroom.

Weapon manufacture to be promoted. The bilateral agreements between Russia and Venezuela regarding military cooperation will not only allow Venezuela to acquire a considerable amount of military weapons, but to manufacture more weapons in Venezuelan grounds. Out of the 31 agreements signed between the two nations, one established the evaluation of technical feasibility to create a mixed company to build a shipyard in Venezuela to manufacture war and civilian vessels.

Five-year development plan. Bolivia and Venezuela are planning to establish a five-year program to allow the joint development of both countries in all economic areas. The meeting was held between both countries' ministers of foreign affairs, David Choquehuanca from Bolivia and Nicolas Maduro from Venezuela. The latter explained a work agenda is already being prepared for a strategic "joint and shared development plan in all economy fields" for the period 2010-2015, to be definitely established in a bilateral meeting to be held in Caracas at the end of this month.

Mujica in Venezuela. Jose Mujica, President of Uruguay, met his Venezuelan homologue after having visited Chile, Bolivia, Brazil and Argentina. The purpose of this meeting was to strengthen the bilateral relations by signing new agreements. In total,



both presidents signed eight instruments of cooperation in the fields of energy, industry, agriculture and technology; amongst which the renewal of the Caracas Energy Cooperation Agreement stands out, which will allow Uruguay to give use to up to 40 thousand barrels of Venezuelan crude oil per day and “Venezuela will receive in compensation Uruguayan goods and services of the highest quality, essential for its development process.”

Capital District agreed forced acquisition of Sambil La Candelaria. The forced acquisition of the Sambil La Candelaria Mall was ordered in the Capital District's Official Gazette N° 26 of February 24, 2010, in order to execute the project *“Development of the Corporation of Socialist Markets and spaces to promote the Revolutionary Culture.”*

Other Tips

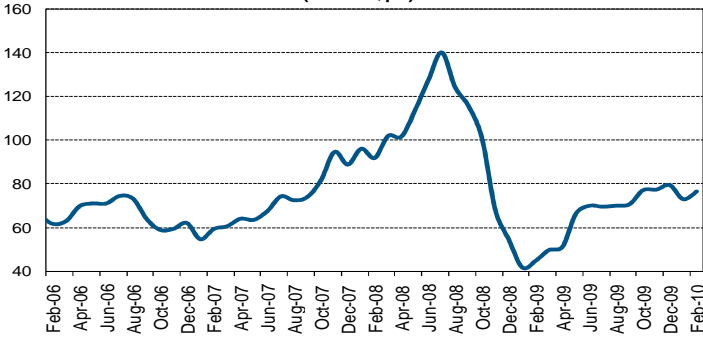
Polish President dies in plane crash. The plane, in which the Polish delegation, including President Lech Kaczynski, was traveling, crashed last Saturday taking his life and that of 97 passengers and crew members. The Polish delegation was on its way to forest of the dead at Katyn, near Smolensk, to commemorate the 70th anniversary of the massacre of 22,000 polish officials by Stalin's police.



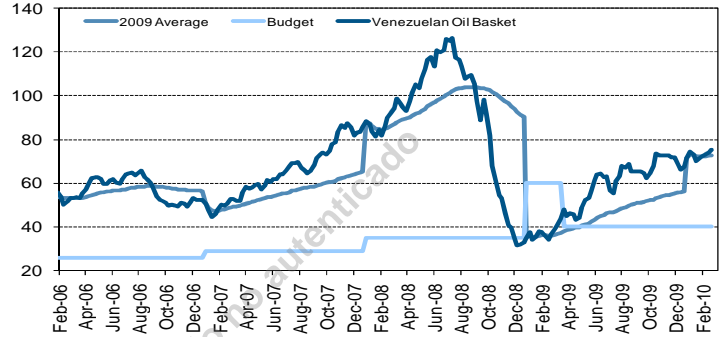


ECONOMIC OVERVIEW

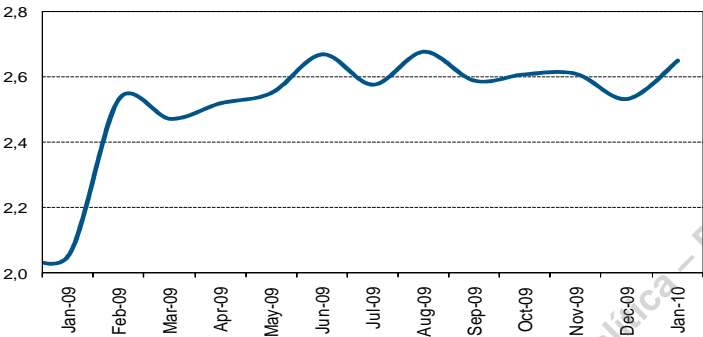
Oil Prices (WTI US\$pb)



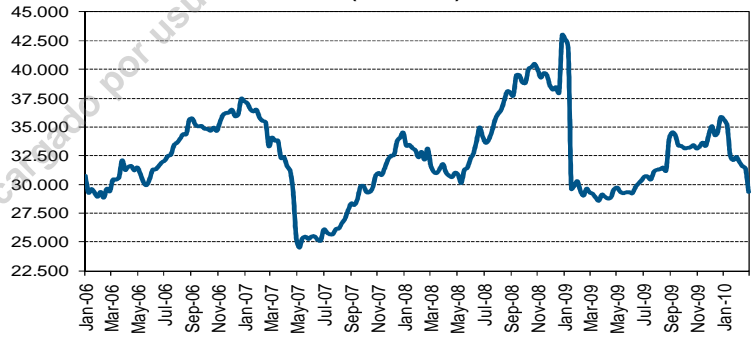
Oil Price (Venezuelan Basket US\$/pb)



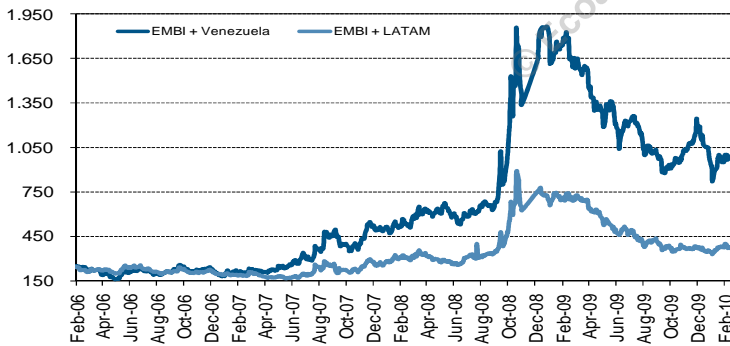
Oil Exports MMBD



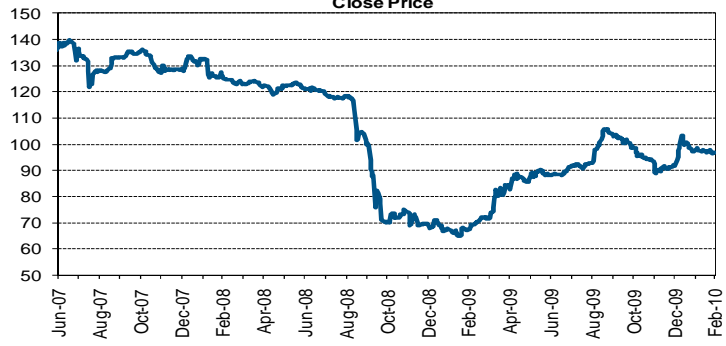
Fx Reserves - BCV (US\$ Million)



EMBI+



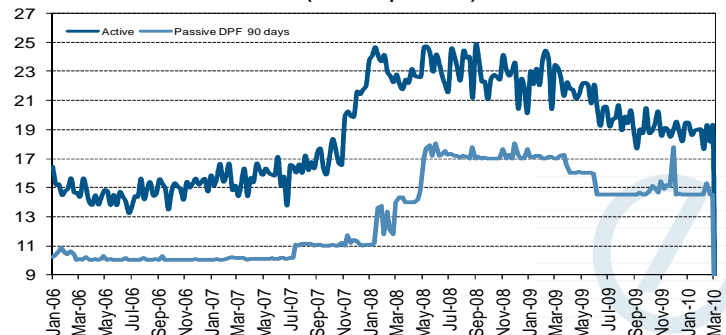
Venezuelan Global 18 Close Price



Venezuelan Global 27 Close Price

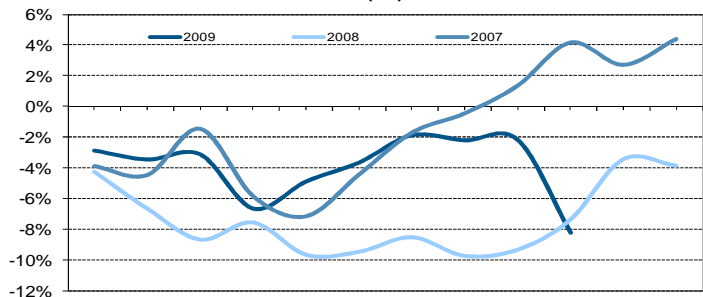


Interest Rate (Six Principal Banks)

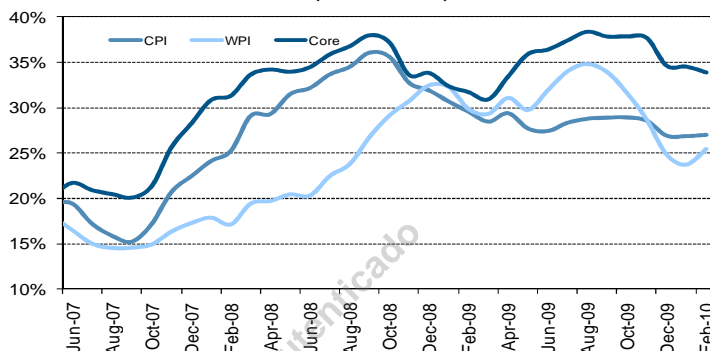




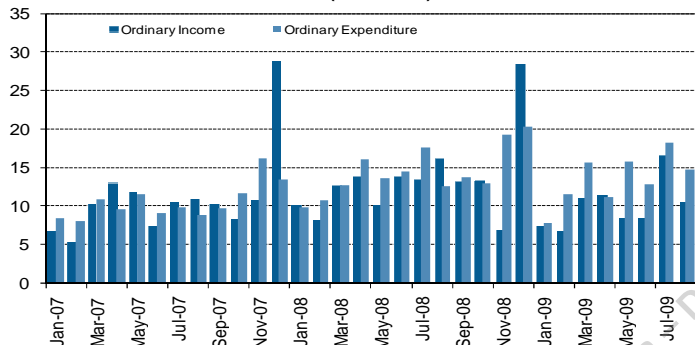
Real Expansion (M2)



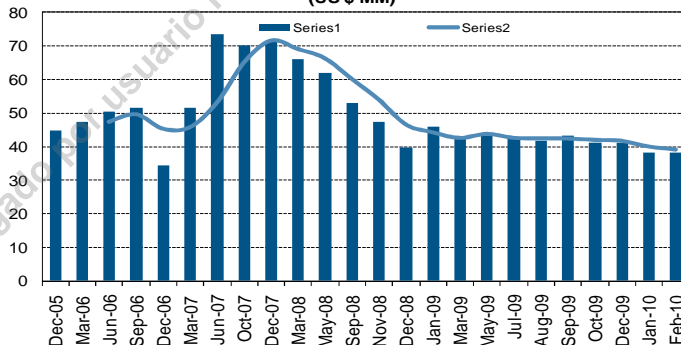
Inflation (Last 12 Months)



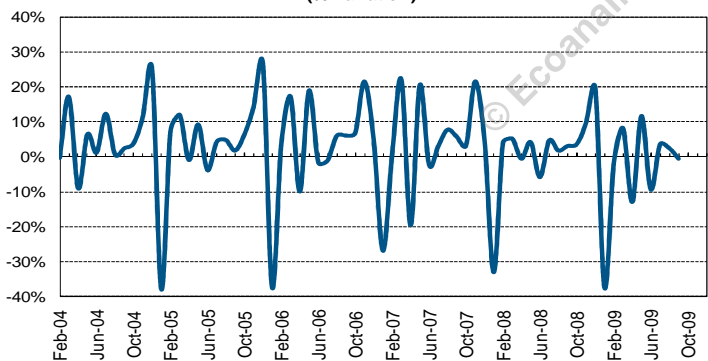
Central Government (VEB Billion)



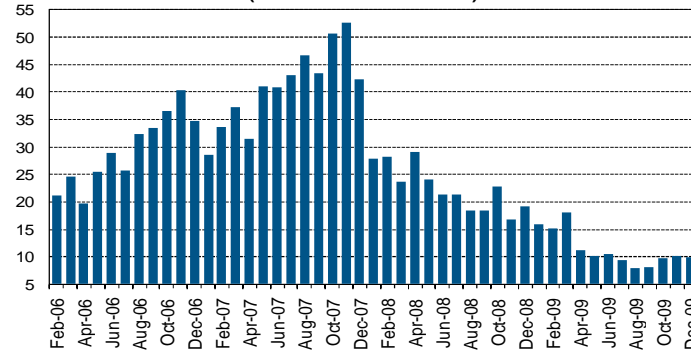
Resources of the State (US \$ MM)



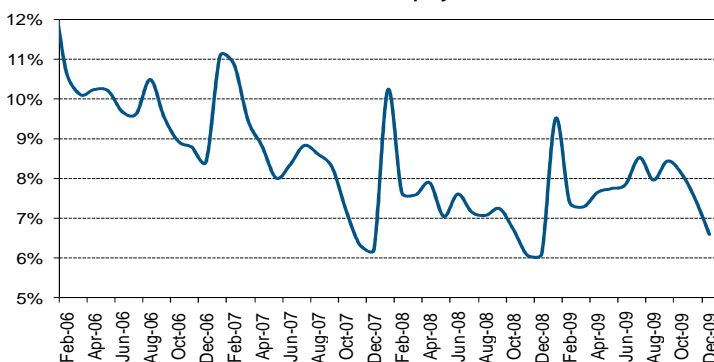
Volume of Sales (% Variation)



Sale of Vehicles (Thousands of Sold Units)



Rate of unemployment



Disbursement (US\$ Million)

