



## Weekly Report

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

*The day after April 14:  
Post-Chavismo begins diminished*

\* Jessica Grisanti, Pilar Navarro, Gabriel Villamizar, María Andrea Manuzzato and Daniel Cárdenas.

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In the evening of Sunday, April 14, Venezuelan election authority (CNE) announced the results of Venezuela's presidential election. According to the CNE, of a total of 18,802,648 registered voters (the election roll was the same as in Oct./7 election), with 99% of the ballots counted, 14,983,748 votes were counted, equivalent to 79.7% of the total roll, for the second highest level of citizen participation in a presidential election in Venezuela, after 80.5% of Oct./7.

Ballots showed that the government candidate Nicolás Maduro Moros got 7,575,506 votes, equivalent to 50.8% of the total ballots counted, whereas the candidate of the democratic unity, Henrique Capriles Radonski, got 7,302,641 votes, or 48.9% of the total. Other candidates got 38,908 votes, which accounted for 0.3%, plus 66,649 void votes (0.4% of the total).

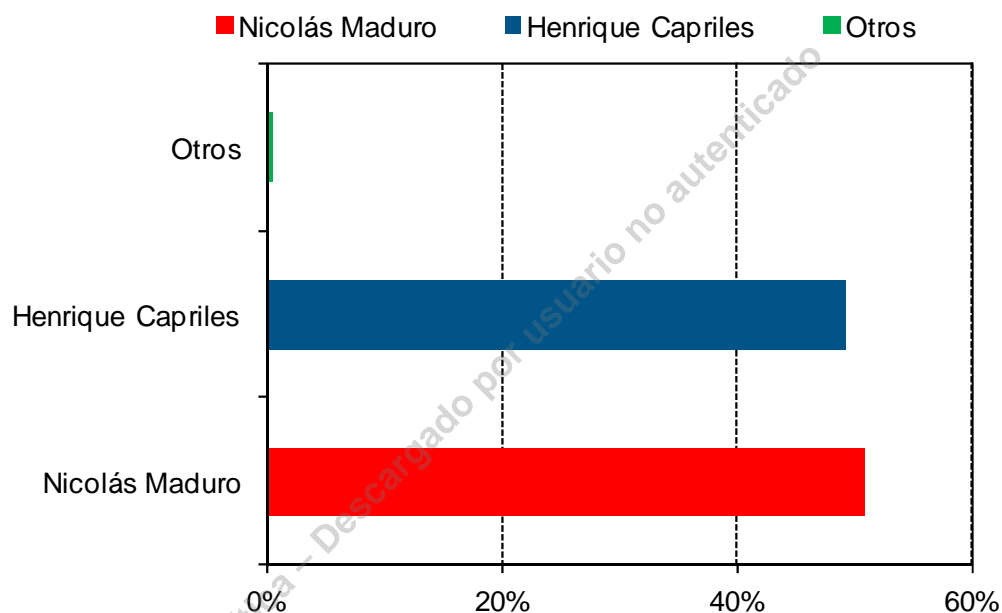
**Capriles refuses to concede and the government closes down**

Given the close results and controversial election process, and taking into account that the CNE announced that the results are irreversible, it is worth highlighting that although votes of Venezuelans living abroad and



votes in some rural areas in Venezuela haven't been counted, our projection is that when these votes are included, the margin by which Maduro won the election would be even slimmer.

## % of votes per candidate



Sources: CNE and Ecoanalítica

Notwithstanding this announcement, Henrique Capriles Radonski and the democratic unity panel didn't recognize the results alleging that due to a great number of irregularities throughout the election process (over 3,200), they have requested the CNE a manual count of 100% of ballots. In its first speech, Maduro said he didn't have a problem with a recount, however, in his proclamation address, CNE's rector Tibisay Lucena said that this wouldn't be permitted because audit already performed of 54% of ballots has "enough statistical bases" as to define a trend. However, since the opposition request is constitutionally legal, Lucena invited them to take steps provided for by law and challenge the results to determine if they're correct.

### Beyond this situation, what comes next?

In a country like Venezuela, where institutions aren't independent, it's unlikely that the opposition's request will materialized or that a possible change of the election results announced by the CNE would allow Capriles to become president. However, at **Ecoanalítica** we're looking at clear signs that 04/14 election results represent, on the one hand, a series of

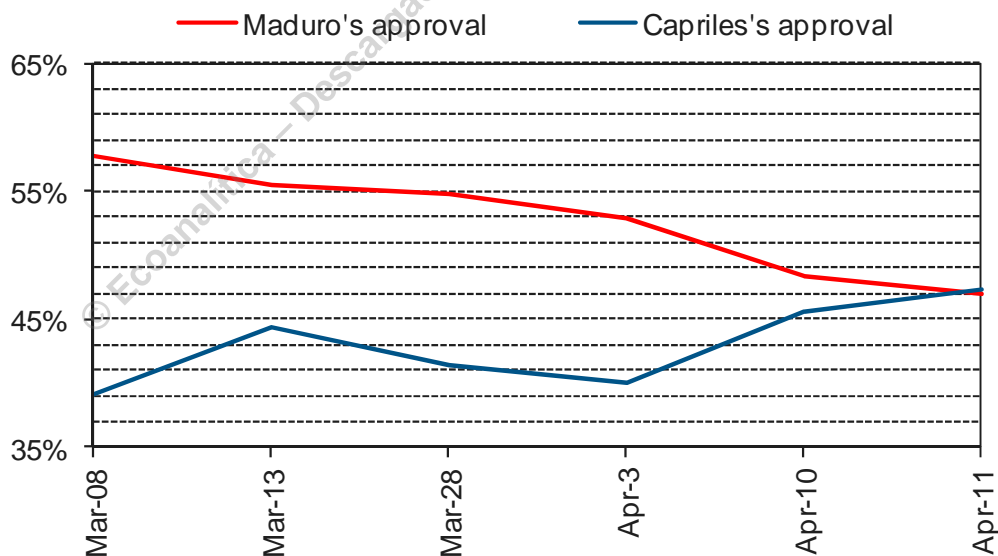


benefits for the opposition, if they know how to take advantage of them, and on the other, given the loss of people's support, a series of costs for chavismo, if they radicalize.

**Brief (election)  
Legacy**

First, the election results show something that looks the same regardless of the perspective: a political defeat for Chavismo or a political victory for the democratic unity. If we analyze the election campaign and, for example, from the emotional point of view, the effect of President Chávez' death and the two prior election defeats of the opposition by a large number of voters, and from the institutional perspective, a short campaign, restrictions on the opposition messages via the media and the use of public funds by the government candidate, the opposition substantially took a bite out of the advantage of the government candidate from when the campaign began, from about 18.6 to 1.5 pp with the results.

**Approval**



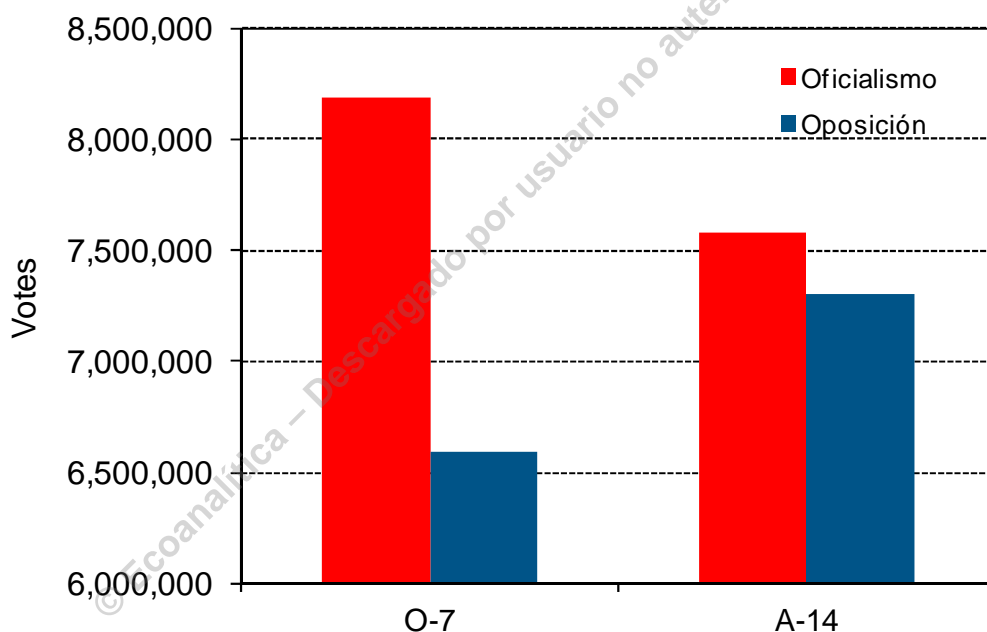
Sources: Datanálsis and Ecoanalítica

Comparing with October's election, when Chávez won against Capriles by 10.8 pp, Chavismo has lost almost 800,000 votes (9%) that have apparently moved to the opposition side. For **Ecoanalítica**, this phenomenon suggests that, like in 2007, when the political cost of RCTV channel closure (among other things) was so high for Chavismo that made it lose the constitutional reform proposal; in this case, the loss of their major asset, i.e. Hugo Chávez, has been so harsh as to reduce people's



support and legitimacy of the regime. It's also worth highlighting the relative weakness of Maduro's leadership skills, which appear to be very dependent on the emotional connection that Chávez had with broad sector of the population. Therefore, even though Chavismo has won this election, the sustainability of this political movement, which was always centered on President Chávez' personality, could face serious challenges in the long term.

### Results O-7 Vs. A-14



Sources: CNE and Ecoanalítica

#### Capriles' and opposition's challenge: not losing spaces already conquered

Concerning Capriles and the democratic unity, the fact of having climbed the hill in such a short time and significantly increase his basis of people's support has again turned the opposition into a viable political option. The opposition has finally shown that they have put their act together, showing sound leadership, good political leadership as well as a discourse that is increasingly reaching the lower population segments. Capriles' and opposition's challenge for the coming days will be counting the ballots and exposing all irregularities before, during and after the election and not to lose ground gained, and above all, remain united, so as to assure that the political change they are looking forward in the future is made through the election and democratic way.





## Maduro's and Chavismo's challenge: the model and leadership

At **Ecoanalítica** we have identified signs that left Chavismo in a vulnerable position, not only with regard to October 7's election, but also to the subsequent election processes, and the opposite has been happening with the opposition. Since the administration decided to implement the 21<sup>st</sup> Century Socialism model in Venezuela, specifically since 2007, with the approval of the 2007-2012 First National Socialist Plan, the results at the economic and social level have been counterproductive for Chavismo from the political viewpoint.

While oil prices have grown 13.9% in real terms in 2007-2012, the Venezuelan economy has expanded 10.0% only. The tradable sector declines 3.1%, whereas the non-tradable sector grows by 19.0%. With the increased State's interference in the economy, the consolidated public sector deficit has increased 12.7 points of GDP and foreign public debt has doubled. In this context, inflation has remained around 26.3%, wages and salaries are 14.0% below their 2007's level and poverty and extreme poverty indicators used by the INE have contracted just 8.2 and 2.5 points, respectively; whereas in the previous period (2000-2006), they had dropped 9.7 and 8.0.

Although the Venezuelan economy grew last year and, historically, the correlation between economic growth and vote intention of the incumbent government is high, the national economy is presently in a vulnerable situation with an accelerated inflation, increased shortages and problems in access to foreign currency. The Venezuelan economy is now suffering unavoidable adjustment in several fronts, which, as we have referred to in previous reports, are more and more difficult to adjust if the national private sector isn't involved in the development of policies, if bureaucracy isn't improved and corruption not addressed; this, according to polls, is a part of what voter want and expect from the future.

In spite of the electoral, political, economic and social landscape, in his first appearance after the announcement of the election results, Nicolás Maduro's address to the nation was far from being in agreement with those realities. In fact, Maduro called the people to move forward with the model of the 21<sup>st</sup> Century Socialism and said that there wasn't any possibility of reaching an agreement with the bourgeoisie. Despite the close results, he didn't call for unity or try to reduce the confrontation and polarization level in the country. For **Ecoanalítica**, following on the same route could bring about governance problems, even though this strategy may have been satisfactory in the past. In our opinion, Maduro will have to face not only the resistance of a stronger opposition, but also the demands



of his own followers. In that regard, many government officials and followers, including the president of the National Assembly and Chavista leader, Diosdado Cabello, have said that self-criticism was necessary after the election results, which could be the first sign of divisions within Chavismo.

**What can happen?  
More uncertainty**

This analysis reveals an element that goes beyond the issue of who will be the winner, because Venezuelans' political preferences could be truly split down the middle. Therefore, it's important to take into account that the opposition's growth and positioning in comparison with 2006, and President Chávez' death have been factors that have also negatively affected Chavismo. Notwithstanding, we cannot state that these signs show that Chavismo has lost strength.

A narrow victory shows that the winner will be able to rule but in a difficult climate. In this case, President Maduro could turn the model more radical, with negative consequences at the political level, or moderate it, which would allow him to reconquer lost spaces. If we take into account divisions within Chavismo (radical vs. pragmatic side), Maduro's major challenge would be building a leadership within the movement that would allow him to make decision to improve the deteriorated perception of the government's performance. Up until now, signs are showing that the head of government hasn't been able to develop its own voice inside these two currents; the best example is reflected in what is happening with the new exchange policy, which lacks a clear direction. In our opinion, to remain within these two trends with the new political scenario becomes a risk for Maduro.

In this scenario, the challenge for Capriles will be keeping the opposition united, especially if divergences arise within the coalition, for instance, in terms of recognizing or not the results of the presidential election. At the beginning, this would result in instability and uncertainty; but in the end, if Maduro's victory is perceived as legitimate, the outcome for the opposition could be negative, as it has happened in previous episodes. Furthermore, if Chavismo doesn't recognize that opposition has grown and continues with its strategy, instability could increase within Chavismo, and government factions could begin to side with Capriles. In the end, sensibly managing the results by the opposition could affect a Chavismo that is deteriorated and its leadership declining, as it has happened with the opposition in previous scenarios.





Finally, the solution currently needed in the country entails dialogue and politics. That would be the best option for 04/14 results to have the best possible response.

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## Economic Tips

**Inflation reached 2.8% in March.** According to figures published by the Central Bank of Venezuela (BCV), the National Consumer Price Index (Índice Nacional de Precios al Consumidor - INPC) variation for March was 2.8%, or year on year inflation of 25.1%. INPC registered a variation of 7.9% on the first trimester of 2013.

**Meanwhile, core inflation registered an increase of 3.4% in March.** The year on year core inflation registered 28.6%

**Restaurants and hotels had the highest inflation in March.** Among the 13 categories studied by the BCV, in March restaurants and hotels showed a higher inflation than the national average, with a variation of 3.7%, followed by entertainment with 3.3%, food and non-alcoholic drinks and health with 3.3%, and health with 3.0%.

**CPI reached 2.7% in March.** According to figures published by the Central Bank of Venezuela (BCV), consumer price index for the Metropolitan Area of Caracas (IPC-AMC) variation for March was 2.7%, or a year on year inflation of 24.2% since March 2012.

**Inflation affects us all.** Inflation for class II of the population reached 25.4% year on year variation being the higher among all 4 population classes. Inflation for class I of the population, which includes the poorest families, increased 23.9%. Classes III and IV registered a variation of 24.9% and 23.4% respectively.

**Inflation in non-controlled products increased 29.0%.** In March the inflation of controlled products was 2.0%, while non-controlled products registered a 3.2% inflation. At the same time, regulated goods had an inflation of 19.5% and non-controlled goods of 29.0% since March 2012.

**Geographical results.** Of the 11 cities surveyed in March, the greatest variations were observed in Maturín with an inflation of 3.9%, followed by Ciudad Guayana with 3.6%. The areas with the least variation in March were Barcelona-Puerto La Cruz with 2.3 and Barquisimeto with 2.6%.

**Venezuela will stagnate in 2013.** According to the half-year report on global economic outlook published by the International Monetary Fund (IMF), Venezuela will be the only economy in Latin America and the Caribbean that will not follow a



growing trend. The IMF adjusted downward its growth prospects for 2013 for Venezuela from 3.3% (October) to 0.1%, due to a decline in the fiscal spending pace, as well as expectations of a decrease in consumption as a result of recent devaluation.

**Record devaluation.** Imbalance in fiscal accounts has forced the government to implement two exchange rate adjustments this year. Analyzing the weighed exchange rate for imports, which takes into account Cadivi's official import exchange rate, the prices set in the first Sicad auction (around VEB 13.5/US\$) and the reference on the parallel market, we at **Ecoanalítica** estimate that this year's devaluation amounts to 71.3%, the highest over the past 14 years.

**More and more obstacles.** The entering into effect of Mercosur tariffs is limiting foreign currency allocation for some companies, since Cadivi, which is the entity administering foreign currency allocation, hasn't adjusted to the new tariff nomenclature, with the consequence being that companies are facing more difficulties to submit their applications via Cadivi's webpage. At **Ecoanalítica**, we believe that adopting Mercosur tariffs is giving rise to bottlenecks for companies, which could imply further backlogs in imports.

**Inflation pressures continue.** During the election campaign, the two main presidential candidates have promised wage increases. Raising minimum wage would have an impact on the workings of the economy. In our outlook report, we estimated an inflation of 31.4% for this year; however, it was estimated based on an increase of minimum wage of 25%. Therefore, we at **Ecoanalítica** believe that a higher adjustment will result in a significant inflation pressure.

**Limit for food coupon payment increases.** According to the announcement made by president-elect Nicolás Maduro, minimum wage will go from VEB 2,047 to VEB 2,457 starting May 1st. With this increase, workers earning up to VEB 7,371 will have the right to receive food coupons, which could significantly raise payroll costs for some companies. The food coupon payment is calculated based on Tax Unit (UT), presently set at Bs. 107, and all companies are obliged to pay it to their workers, provided they aren't earning a wage exceeding three minimum wages.

**The never-ending story of labor liabilities.** In 2001, the administration started to pay labor liabilities which resulted from the change in 1997's severance payment regime. Since then and until 2012, an amount equivalent to US\$3.5 billion was paid for those obligations. According to official sources, 34% of those funds were disbursed last year and the government is expected to earmark a total of US\$700 million for severance payment in 2013, which will be administered by the Working Class National Fund.



**Pension spending reached VEB 59.1 billion.** With the creation in 2011 of the “*Gran Misión en Amor Mayor*” (elderly assistance program), which is intended to expand the number of people covered by the Venezuelan Social Security Institute (IVSS), pension spending has shot up. In one year, the number of pensioned grew 26% and, according to Labor Ministry’s report, pension spending reached VEB 59.1 billion in 2012, up 73% from the previous period (VEB 34.2 billion).

**Controls on bank loans intensify.** With the increase of 5 percentage points (pp) in the loan quota to be earmarked for mortgages and of one pp for tourism, 62% of credits will mandatorily flow toward areas defined as “strategic” for the State, which currently also include agriculture, micro companies and industries. To comply with part of loans to purchase homes, banks will buy government bonds, thus allowing the administration to have the funds required to bolster the construction of housing projects.

**Interest rates.** The lending rate for the second week of April was at 16.9%, up by 2.2 pp compared to the previous week. The time deposit rate was at 14.5%, without variations compared to the previous week, while the passive rate has not experienced any significant variation since November 2011, placing well at 12.5%.

**International reserves.** International reserves go down by 3.1%, going from US\$26.77 billion during the first week of April to US\$25.96 billion during the second week of April. Compared to the same period last year, international reserves have decreased by 4.9%.

**Central government expenditure.** On Friday March 12<sup>th</sup> according to figures from the National Treasury Office (ONT) primary spending was VEB 6.83 billion, which means an increase of 7.7% when compared to the previous week when it was VEB 6.34 billion; when compared to the same period last year we observe a decrease of 5.9%.

**Monetary liquidity.** Monetary liquidity (M2) was increased 0.7% in the second week of April compared to the previous week, settling at VEB 760.79 billion. The M2 has increased 64.8% in relation with the same period last year.





## Oil Tips

**Bad news: Venezuelan oil basket drops.** Given a global market that appears to be highly supplied and the impending oil demand drop, the Venezuelan oil basket registered a steep price drop in the week ending April 12, of 2.5% with respect to the previous week. This leaves an average of US\$103.6/bl. for 2013, up just 0.2% from 2012 average of US\$103.4/bl.

**Menpet explains.** The Ministry of Petroleum explained that “*average crude oil prices close the week downward, mainly due to the expectations of an increase in supply in the short term, in addition to forecasts of a decrease in demand for this year.*” These circumstances pushed downward prices of other reference markets such as the OPEC basket, American WTI and European Brent.

**On top of this...production falls.** The International Energy Agency (IEA) stated in its April report that in 1Q2013, Venezuela produced 2.6 million barrels daily (mb/d), on average, which resulted in a slight decline of 20 thousand barrels daily (kb/d) with respect to the first quarter of 2012. On the consumption side, the agency reported that demand on the domestic fuel market is still growing fostered by “*social spending and low levels of power generation by Guri power generation plant.*”

**OPEC basket breaks the US\$100/bl. floor.** After falling to US\$98.6/bl. on April 15 from US\$100.6/bl., which meant a decrease of 2.1% (US\$2.1/bl.) in just one day, the basket reached its lowest level since last July, when the OPEC barrel averaged US\$99.6/bl. This is due to the negative data on consumption in the US and the slowing down in Chinese economy, which is perceived by markets as a new global economic cooling.

**The country wants answers.** The board of the Venezuela Society of Petroleum Engineers (SVIP) pointed out in a communiqué that seven month after Amuay refinery accident, the country “*is still waiting for the results of the investigations promised by PDVSA and other official entities.*” Fernando Sánchez, SVIP vice-president, states that “it cannot be accepted” that PDVSA in its yearly report for 2012 doesn’t mention the explosion and fires that happened in that plant.

**What happened in Amuay?** Given the lack of answers by authorities, private investigations on Amuay explosion have been conducted. Engineer Jorge León, expert in risk engineering and industrial safety, has concluded in his investigation that the emergency situation provoked by the accident in Amuay refinery was managed in



an “improper” manner, pointing out, among other things, that *“the excessive use of water over the tanks’ floating roofs cause them to sink and fires to multiply.”*

**The firefighting system was working.** Notwithstanding, León stated that the firefighting system and safety valves worked properly *“in spite of the maintenance failures.”* León points out that it was *“clear that provisions of the Law on Work Environment and Conditions (Lopcyamat) haven’t been complied with, as well as PDVSA internal standards and contingency control practices, above all measures related to previous planning for contingencies.”* Furthermore, the refinery safety area *“was fully violated as a result of the practice of maintaining contractor firms within that area.”*

**Other facilities at risk.** León suggests *“applying safety areas in urban oil facilities and considering relocating others.”* In this regard, SVIP is referring to the need of evaluating a number of *“critical facilities”* for the national oil industry, such as refineries in Puerto La Cruz (Anzoátegui) and El Palito (Carabobo), the dam on the Eastern coast of Maracaibo Lake, San Joaquín (Anzoátegui) and Santa Bárbara (Monagas) complexes, the network of gas and oil pipelines, petrochemical plants and the industrial complex of the Orinoco Oil Belt.

**Nobody wants to insurance PDVSA.** Engineer Arévalo Guzmán Reyes, former director of PDVSA, pointed out that *“it’s very difficult”* for the company to negotiate insurance policies with international insurance firms after Amuay accident. Reyes explained that insurance firms require reliable reports on safety and prevention: *“What will PDVSA present at its next insurance meeting? I believe that insurance firms aren’t eager to insurance anything, to make business with PDVSA due to the oil firm’s irresponsible performance.”*

**Persecution mania.** The Minister of Petroleum and Mining, Rafael Ramírez, informed last Tuesday, April 9, that the oil sector is in a maximum alert status to safeguard facilities against possible destabilization attempts by the opposition. *“We are on the alert for any attempt to destabilize and create chaos and our commitment is safeguarding peace and stability.”*

**PDVSA pays interests.** PDVSA announced the payment of interests to all holders of bonds maturing in April 2017, 2027 and 2037, which, according to conditions previously established for papers issued on April 12, 2007, should have been paid on Friday, April 12, corresponding to the six-month period ending in April 2013. PDVSA is urging all holders of PDVSA 2017, 2027 and 2037 bonds to go to their custodian bank or the institution where they purchased those bonds to inform on the status and payment method.



**International baskets.** At closing time on Wall Street, WTI traded on last Friday April 12<sup>th</sup> at US\$ 93.7/bl, which means a decrease of 1.9% from US\$95.5/bl recorded the previous week. Meanwhile, Brent decreased by 3.5% to reach US\$105.0/bl compared to the previous week when it reached US\$108.8/bl.

**Local basket price.** On Friday, April 12<sup>th</sup> the Venezuelan oil basket price closed at US\$101.4/bl a decrease of 2.5% compared to US\$104.0/bl recorded the previous week. Meanwhile, the average of the Venezuelan oil basket stands at US\$ 103.5/bl.

## Business Sector Tips

**Plan to recover coffee production.** A preliminary report prepared by Fedegro states that Venezuela, which was coffee exporter in late 1998, was importing 52% of its domestic consumption at the end of 2012. It's urgent to develop an agricultural plan to recover coffee production, renew plantations and set up a social security system to assist families devoted to coffee production living under precarious conditions, producers in this sector stated.

**180-day backlog.** The situation in the pharmaceutical sector has been worrying since the average backlog in foreign currency allocation has already reached 180 days, Ángel Márquez, vice-president of the Pharmaceutical Industry Chamber, assured. Since devaluation was announced on February 8, the Superior Entity for the Optimization of the Exchange System hasn't addressed any of the communications delivered by this sector.

**No way out.** Priority sectors are out of Sicad. Sicad is damaging due to the lack of confidence by suppliers with regard to the payment system through credit facilities, because it isn't clearly defined the exact payment day. There isn't any way out, because after Sitme disappearance and the impossibility of participating in Sicad, industries depend on Cadivi, which presents significant backlogs in foreign currency allocation.

**Outages due to high demand.** The Minister of Electric Energy, Héctor Navarro, said yesterday that outages are due to the 13% increase in peak demand, which results from the relocation of families in homes delivered by the *Gran Misión Vivienda* (housing program) that are fitted with home appliances that consume electric power. Navarro pointed out that the increase in electric power demand requires the



strengthening of the system distribution capacity and reiterated that the government has made significant investments for more than US\$32 billion in the electric power sector in 2012.

**Don't tell me you don't have anesthesia...** A decree published in the Official Gazette No. 40,146 extends for another 45 working days the deadline to implement the medicinal product control system that will rule both sale and distribution throughout the national territory. The resolution prepared by the Ministry for the Food Sector refers that the extension includes guidelines and criteria for the issuance of the document for mobilization, follow-up and control of medicinal products.

**False promises?** Manuel Guevara, coordinator of the MUD Committee on Electric Power matters and member of the Simón Bolívar campaign, stated that he is worried because of some ideas expressed by Acting President Nicolás Maduro regarding the electric sector. Beyond sabotage accusation, "*which aren't new,*" and the creation of an "Electric Mission," "*which can be anything,*" the PSUV presidential candidate recently said in Sucre State that he will "*drastically change*" the electric sector.

**Public payroll grows.** According to official reports, disbursements for the payment of wages and labor benefits have shot up over the past six years due to the accelerated growth of public payroll. Numbers of the Planning and Finance Ministry on the central government performance reveal that in 2006, wage spending accounted for 3.8% of GDP; in 2012, this figure had gone up to 5.8%. For 2013, fiscal spending will be high, because not only minimum wage will be raised, but public workers wage scale will be also adjusted.

**Mining sector continues to be recessive.** Over the past 14 years, authorities have implemented *Misión Piar*, Mining Sector Reconversion, Caura 1 and Caura 2 Plans and "*all of them have failed*" in their attempt to reorganize the mining sector, particularly gold mining, which is concentrated in the south of the country, Representative Américo Da Grazia (La Causa R party/Bolívar State) has stated. Da Grazia continues "*sustainable growth of that segment hasn't been reached yet and smuggling hasn't been controlled.*"

**Applying the brake.** The entering into effect of the Mercosur tariff is limiting foreign currency allocation for some companies, because some entities haven't still adapted to the new tariff nomenclature. Our Editor, Asdrúbal Oliveros, assured that the Mercosur tariff adoption is provoking "*bottlenecks*" for companies. Furthermore, it's slowing down the foreign currency application process. If the tariff code doesn't appear in the system, the AAD (foreign currency approval) cannot be processed.





## World Economy Tips

**The euro zone is a burden for grow.** The International Monetary Fund (IMF) adjusted downward its global growth forecast for this year, estimating that the economic recovery is facing “obstacles” and has been burdened by the euro zone uncertainties. The Fund pointed out in its last outlook report that global GDP should grow by 3.3% in 2013, down from January’s 3.5%, and said they were relieved because “two of the greatest threats” for global economy, namely a disintegration of euro zone and the so-called “fiscal cliff” in the US- had been avoided.

**The WTO adjusts downward its global trade forecast for 2013.** Global trade growth forecasts for 2013 published by the World Trade Organization (WTO) were lowered to 3.3% about 1.2 pp below last September’s estimates. Pascal Lamy, WTO Director General, explained that this situation will be due to the fact that countries will try to restrict trade as a measure to increase their growth rate. Lamy pointed out that 2013 could be worse than expected, taking into account risks posed by the euro zone debt crisis.

**G20 wants commitment to reduce debt.** Leaders of the 20 largest world economies (G20) will meet next week to evaluate the proposal to reduce their public debt in the long term to levels below 90% of their GDP. The aim is more flexible than the one proposed by members of the EU (60%) and although the US and the EU, which maintain debt levels close to 105% and 90% of their GDP, could meet this target easily, an eventual agreement could put Japan in an awkward situation, since Japanese debt is close to 200% of its GDP.

**Taking from rich people without giving it to poor people.** The US 2014 draft budget was presented by President Barack Obama. The draft budget would call for modest investment levels in infrastructure and education, as well as new taxes for the richer and other reforms intended to reduce social security costs. Some of the targets include creating jobs, reducing deficit and reaching higher economic growth levels.

**China disappoints in 1Q2013.** According to data published by the National Statistics Department of China, Chinese economy grew 7.7% (y/y) in 1Q2013, for a significant deceleration with respect to the 7.9% rate registered in 4Q2012 and down about 0.3 pp from levels expected by the market consensus, after a significant growth of liquidity and exports was registered in the first quarter of the year.



**Cyprus is worse than expected.** Cyprus government revealed that they will need about US\$30.0 billion to rescue their economy, up about US\$8.0 billion from the estimates of less than one month ago. This increase shows that recession in Cyprus has worsened. For now, gold sales by Cyprus Central Bank are one of the possible measures to be taken by the small island to keep afloat.

**But capital controls are more flexible.** The Ministry of Finance of Cyprus authorized bank transactions for up to EUR 300,000 and raised the ceiling for companies to make drafts abroad. These measures have partially alleviated capital controls set on March 28. Furthermore, the amount for drafts made by companies abroad was increased up to EUR 20,000 from EUR 5,000 and travelers were authorized to take EUR 2,000 from the country instead of EUR 1,000 before.

**Evasion is beating EU pockets.** After the president of the European Council, Herman Van Rompuy, pointed out that fiscal evasion in the euro zone currently reaches one trillion per year, seriously affecting fiscal revenues within the region, the EU will try to sign next month a provision allowing all its members to automatically exchange depositors' data, which is currently prohibited in Austria only.

**France adjusts its accounts.** France Minister of Finance Pierre Moscovici stated that 2014 budget of the sixth largest economy in the world will include a fiscal burden increase of 0.2-0.3% of GDP, so that around EUR 6.0 billion in additional revenues is obtained, even though one of the targets set is cutting spending rather than getting more revenues. The administration is trying to retain fiscal credibility with countries like Germany, after a little growth that made them abandon their deficit target for 2013.

**Military spending dropped in 2012.** As a consequence of budget adjustments in the US and the EU, global military spending dropped in 2012, after more than one decade, thus counteracting increases in defense investment in countries like China and Russia. Military spending in the US (the largest worldwide) fell by 6% (y/y), above all due to the withdrawal of US troops from Iraq and the reduction of their military presence in Afghanistan.

## Political Tips

**International Recognition.** After the victory with a narrow margin by candidate Nicolas Maduro friendly countries sent their congratulations to the newly elected



President of the Republic, including Union of South American Nations (UNASUR), Spain and countries like Brazil, China, Nicaragua, Belarus, Bolivia, Argentina, El Salvador, Haiti, Palestine, Colombia, Peru and Russia.

**Total count.** CNE rector Vicente Díaz requested the other members of the CNE board and the representatives of campaign commands to request count of 100% of the ballot boxes. After the first bulletin, Díaz said *“let’s open 100% of the boxes and count 100% of the votes, so as to verify consistency between ballots and results produced by the system.”*

**An irregular election.** In a press conference, Henrique Capriles presented some of the irregularities in the electoral process that could have changed the outcome of the election. Capriles said that he will present these complaints to the authorities in Venezuela, and if the authorities continue to deny the possibility of a recount, he will approach international organizations to denounce the irregularities in the electoral process.

**Little details.** MUD presidential candidate, Henrique Capriles, denounced that in the April 14<sup>th</sup> presidential elections a total of 535 electoral machines (affecting 189,982 votes) were damaged, that there was assisted voting (government followers accompanying voters while voting) in 564 electoral centers (affecting 1.5mn votes), there are 286 electoral centers (involving 722,983 votes) where the representatives of the opposition were threatened and forced to leave.

**The list continues.** Last but not least, Capriles denounced as a big inconsistency that in 1,176 electoral centers the government candidate, Nicolas Maduro obtained significantly more votes than what President Chavez received in October’s elections, in contrast with the national trend that showed a significant drop in the government vote.

**Contested elections.** Simon Bolivar Command (CSB), team supporting presidential candidate Henrique Capriles, officially presented to the CNE the request to recount the votes of the April 14<sup>th</sup> presidential elections. The national chief of the CSB, Carlos Ocariz, said that the request includes the review of “ballots, records, machines, prints and books”.

**I don’t recognize you.** MUD candidate, Henrique Capriles, said at a press conference, after the first bulletin with the results of April 14’s election, that he will not recognize election results unless an audit is made in all polling centers, a process that could take several days. Capriles claimed that *“all boxes should be opened and all votes counted.”*



**From loser to winner.** According to Datanálisis president, Luis Vicente León, Henrique Capriles' defeat by a narrow margin (less than 2 percentage points) represents a victory for the opposition "*which could participate in an election*" after having been defeated just six months ago, and, at the same time, "*create in its own followers the perception that it has the possibility of becoming government*" now that it represents half of the country. León also highlighted the challenge that will be faced by President Nicolás Maduro: convincing his followers that he has the strength enough to maintain governance in the country.

**Self-criticism, as always.** Once the presidential election results were known, the president of the National Assembly (AN) and PSUV vice-president, Diosdado Cabello, called government followers to be self-critical. "*It's contradictory that poor sectors vote for those who have always exploited them,*" Cabello assured, and urged Chavista leaders to look for their failures "*even under the stones.*"

**There is a President.** Ignoring MUD requests of postponing proclamation of the winner in 04/14 presidential election until all votes have been counted, CNE president Tibisay Lucena proclaimed the PSUV candidate/Acting President Nicolás Maduro as winner. According to Lucena, Maduro won with 7,563,747 votes (50.75%) against 7,298,491 (48.97%) obtained by Henrique Capriles.

**"Majority is majority.** After receiving from the hands of CNE president the document accrediting him as President for the next six years, president-elect Nicolás Maduro demanded MUD candidate, Henrique Capriles, to recognize his victory. "*Majority is majority and should be respected in democracy*" and "*any individual that tries to disrespect people's will in a democracy is staging a coup,*" Maduro added.

**People protests.** Following the call made by Henrique Capriles, people in Zulia, Mérida, Sucre, Anzoátegui, Apure, Nueva Esparta, Vargas, Aragua, Falcón, Táchira, Barinas, Trujillo, Carabobo, Cojedes and Lara states mobilized toward the CNE regional offices to request 100% of the votes cast in past 04/14 election to be counted.

**On the black list.** The Inter American Commission on Human Rights (IACHR) keeps Venezuela, Cuba and Honduras on its "black list" of countries that have to improve their policies intended to respect for human rights. Venezuela is on the list due to "structural situations" such as law reforms "that affect the enjoyment of human rights," "fragility of the judicial branch of power and its lack of independence and impartiality," "the abusive use of criminal law," "obstacles" for activists and "violations against freedom of speech," in addition to some punctual problems.





## Legislative Tips

**Dispute in the National Assembly.** On Tuesday, April 16 in the National Assembly (AN), the president of Assembly, Diosdado Cabello announced that he would not give the right to speak to deputies who didn't recognize Nicolas Maduro as the President of the Republic, remarks which caused discontent among opposition deputies, discussion in which he was wounded deputy William Davila of the opposition.

**Take off ...** President of the National Assembly Diosdado Cabello dismissed by a trade the chairmen of the committees that are held by the opposition. Deputies who are removed from their positions are Miguel Angel Rodriguez (President of the Permanent Commission of Culture and Recreation), Nora Bracho (President of the Permanent Commission of the Environment), Dinorah Figuera (Permanent committee Chair Family) and William Davila (member Permanent Commission for Foreign Policy).

**Surprising closure.** With the closing of the Colombia-Venezuela border on Tuesday, April 9, residents in the area criticized the "element of surprise" of the measure, because it wasn't informed that the border would be closed six full days before election. In previous presidential elections that took place over past years, the border was closed between 24 and 72 hours.

**Cabello will request the AN to open an investigation against Henrique Capriles for violence.** The president of the National Assembly (AN), Diosdado Cabello, stated that he will request the AN to open an investigation of the violent events that happened in Venezuela after April 14's election and directly accused MUD candidate, Henrique Capriles Radonski, for having propitiated violence in different states of Venezuela.

**Law on motor vehicle discussion continues.** Last Tuesday, April 16, the National Assembly (AN) proceeded with the second discussion of the draft Law on Purchase and Sale of new and used, national or imported Motor Vehicles. According to the agenda, published on the AN web portal, deputies also discussed six supplementary appropriations that will be transferred to ministries of Higher Education, Health, Labor, Sports, Water Transportation and Air Transportation.

**The AN urged entities to apply the law due to vandalism actions.** Representative Fernando Soto Rojas, president of the Permanent Commission on Energy and



Petroleum, informed that the AN is discussing the actions to be taken to stop vandalism and destabilization actions by the opposition. *“Up until now, the most part of the opposition members who voted for the former right-wing candidate do not share these violent actions; it’s just a minority. They want the same that happened in 2002 to happen now,”* Soto assured.

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## ECONOMIC OVERVIEW

