

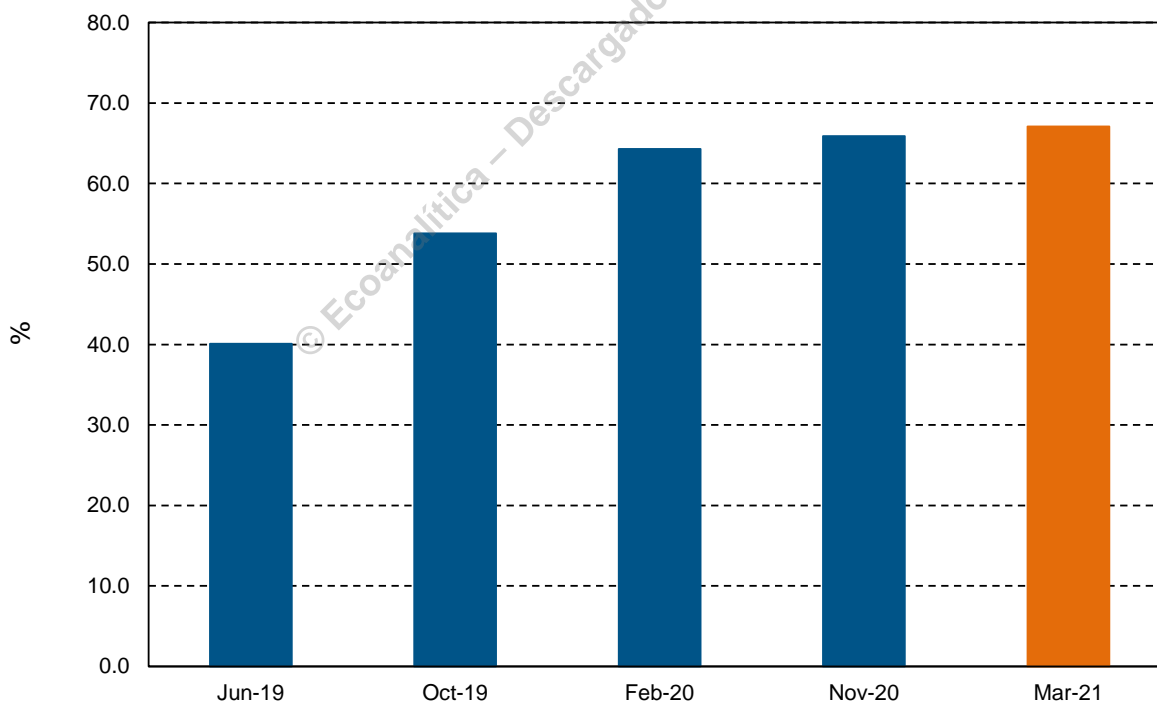


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A country of sovereigns and greens

At **Ecoanalítica** we took the initiative to study the dollarization process since mid-2019. The objective is to observe the consumption patterns of Venezuelans and the payment methods used since, since hyperinflation began in 2017, the local economy has been immersed in a higher volume of foreign currency transactions between private parties. For the first dollarization survey, it was found that 40% of the transactions analyzed in the study were in foreign currency. Transactional dollarization has grown to a point where it seems to have become one of the permanent means of payment in the country.

Proportion of transactions in foreign currency



Source: Ecoanalítica.

According to our latest study, dollarization amounted to 67.1% of a total of 21,612 transactions in 360 establishments in the 10 cities sampled. All of these results were shown in our Exchange Rate Situation Report: *Venezuela Transactional Dollarization Study: March 2021*¹. Dollarization in March increased 2.8 percentage points (pp), compared to February last year, and 28.1 pp compared to our first survey in June 2019.

Despite the fact that dollarization has slowed down its growth² with the arrival of the COVID-19 pandemic, we believe that this phenomenon will remain in Venezuela, even with the limitations it may have since there is no *de jure* dollarization in the country. In this sense, it is relevant to point out the implications that this may bring, as well as its challenges and opportunities. This report compiles a summary of this phenomenon in Venezuela today, its implications and some opportunities and recommendations for the national business community.

More common than it seems

Dollarization is a common feature in developing countries or countries in the process of opening up within the globalized financial environment. Especially in Latin America, dollarization is often a response to economic instability and high inflation environments. Agents seek to diversify their assets in order to preserve their value, which affects the money use patterns of both individuals and financial institutions. In the Venezuelan case, this process is materializing in a partial way, i.e., contracts, prices or transactions are denominated and executed in foreign currency, but the national legal tender continues to exist. This bias can be manifested in different ways:

¹ Available on our website.

² This may be due to bolivar transactions by the public sector, institutional restrictions on foreign currency transactions within the financial system, and even physical mobility restrictions due to the COVID-19 pandemic quarantine.

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Manifestations of Dollarization

Real dollarization

- Use of foreign currency as unit of account.
- Foreign currency Works as nominal anchor that determines expectations.
 - *Example:* wages and prices are established in dollars, even when transactions are still done in bolivars.

Transactional dollarization

- Use of foreign currency as means of payment.
- Common in high inflation conditions where balances in local currency have high opportunity costs due to the currency's loss of purchasing power.
 - *Example:* paying at stores in dollars instead of bolivars.

Financial dollarization

- Use of foreign currency as store of value.
- Its extension in the financial system will depend on the legal regulations to operate with foreign currency instruments inside the country.
 - *Example:* savings and financial contracts are denominated in USD.

Sources: Werner & Santos and Ecoanalítica.

These classifications are not mutually exclusive and may occur simultaneously or sequentially, depending on the preference of citizens and the availability of foreign and local currencies. Unlike *de jure* or full dollarization, partial dollarization will lead to a *bimontetary* environment where several currencies interact at the same time, which has important implications for the conduct of monetary and financial policy.

In Venezuela, we find ourselves in a hybrid of manifestations in a semi-official environment, where it is allowed to operate in foreign currency, but transactions continue to be made in bolivars and with restrictions that prevent the materialization of a total dollarization. The practical disappearance of the bolivar in cash, the deterioration of payment methods (such as points of sale) and the limited availability of liquidity in local currency in a hyperinflationary environment led Venezuelans to resort to the dollar as a means of payment and not only as a store of value.

Likewise, the salaries and prices of the establishments are expressed in foreign currency. This, on the one hand, could facilitate the logistics of updating prices -as opposed to if they were expressed in bolivars-, but it may have detrimental effects in terms of the expectations of consumers, who react more sensitively to price changes in foreign

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currencies. Finally, despite the fact that 55.0%³ of total bank deposits are in dollar accounts, government restrictions hinder the full development of financial dollarization.

"We have no change"

The results of the latest survey on dollarization show that cash is the predominant method of payment in foreign currency. More than half (56.5%) of foreign currency transactions is executed in cash, and such popularization is due, in part, to the dollarization of labor remunerations and, in addition, to the receipt of remittances⁴, which has eased the pockets of many Venezuelans.

However, this 56.6% of cash currency transactions represents a decrease from pre-pandemic results (81.0% cash usage). This is due, in part, to the increased use of electronic payments such as Zelle and the limitations imposed by the recipient of the money due to the condition of the bill or the limited availability of low denomination bills to make change.

The reduced availability of this type of cash has led to the rounding up of amounts, which has an inflationary effect, as prices tend to be adjusted upwards to be expressed in full terms, since the buyer would not be able to get back the cents of the dollar that he would have overpaid⁵. Moreover, this problem remains even when the lack of USD 1 or USD 5 bills (or other low denomination bills) does not allow the store to give change⁶, where the customer is forced to reduce or increase his purchase to eliminate the difference.

³ From January 2020 to March 2021.

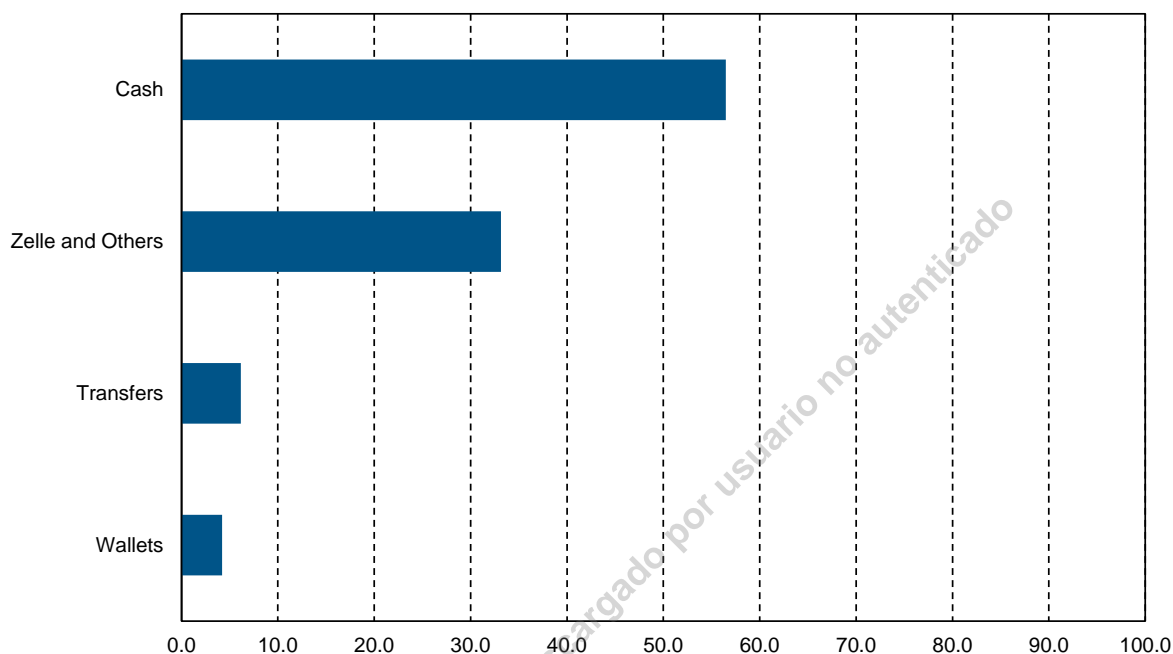
⁴ Remittance income in Venezuela has increased since 2017 and reached USD 3.5 million in 2019. This amount then decreased due to the pandemic.

⁵ Palma, P. (2021). *La dolarización transaccional de la economía venezolana*.

⁶ There is also the possibility of giving change in bolivars by transfer, which is not always accepted by the customer.

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Payment method in foreign currency (%)



Data collected between March 15th and 19th 2021.
 Source: Ecoanalítica.

Although electronic services are emerging as a solution to this problem, they also present other limitations: both the buyer and the seller must be banked in the institutions that allow these mechanisms and there is an implicit risk in the use of this payment method due to U.S. sanctions. Should the sanctions be relaxed, it would not be surprising to see an increase in this type of transactions, despite the fact that not all the population has access to an offshore account yet.

On the road to financial dollarization?

If we consult the literature on financial dollarization, as has been done in previous **Ecoanalítica**⁷ reports, we note that no definitive consensus has been reached on its effects on the foreign exchange market. On the one hand⁸, they point out that the greater use of foreign currency in the financial sector accelerates the depreciation of the exchange rate and catalyzes its volatility, since it increases the demand for foreign

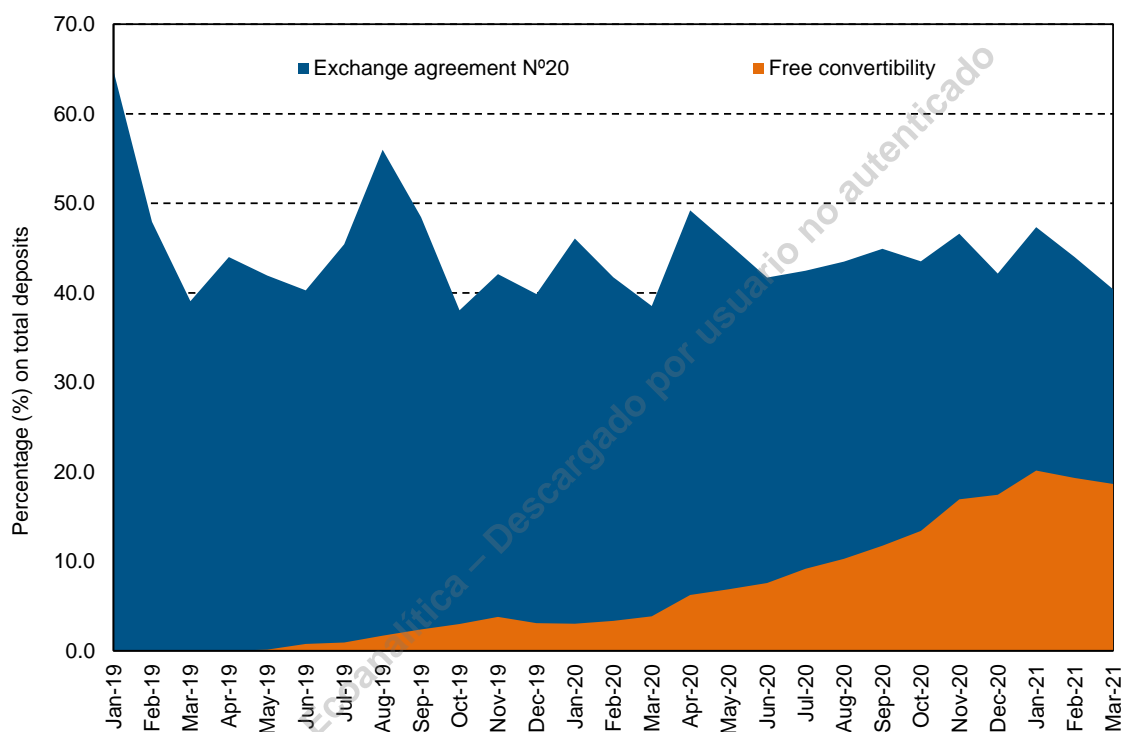
⁷ Foreign Exchange Situation Report No. 1: *The exchange dry leather*.

⁸ McKinnon (1937 and 1968), Honohan (2007) and Lay et al (2012).

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currency and this, in turn, puts upward pressure on the price of the foreign currency, while on the other hand⁹, they argue that a higher level of dollarization could reduce the volatility of the exchange rate.

Percentage of deposits in USD in the Venezuelan banking system



Sources: SUDEBAN and Ecoanalítica.

In the case of Venezuela, exchange rate variability would also be affected by higher inflation due to the demand for foreign currency, which could stabilize when the market's foreign currency liquidity is able to satisfy it. Considering the above, we can foresee that measures that encourage currency substitution in Venezuela could lead to greater volatility in the medium term. Even so, as long as the Executive does not establish a clear plan, either dollarization or

In order to *de-dollarize* the economy, upward shocks and a high degree of volatility will be present in the Venezuelan foreign exchange market.

⁹ Giovanni and Turtleboom (1992).

Permanence of the *bimonetary* scheme

Economies with *bimonetary* schemes are affected by the frequency of use of foreign currency at par with the local currency, by the degree of decentralization to which financial institutions can facilitate or intermediate transactions in foreign currency denominated instruments and by the extent to which these instruments are allowed to be offered; therefore, an essential element in a partially dollarized economy is the existence of clearing schemes that allow the mobility of the currencies that coexist in the market¹⁰.

In most cases, these mechanisms are carried out by private entities (such as foreign banks) or informal private entities. This means that there are usually no official mechanisms for the exchange of foreign currency, as is the case in Venezuela. As a result, local transactions in foreign currency are exposed to frictions caused by the high fees that must be paid for non-local clearing services. In the absence of such official mechanisms, there are also no specific guidelines for commercial banks on how to operate in foreign currency.

This same lack of guidelines to operate in foreign currency motivates users to acquire independent payment services outside the Venezuelan jurisdiction. This opens a space for ventures that offer platforms to carry out transactions in foreign currency in cases where Venezuelans cannot use international platforms due to the risk of being exposed to sanctions.

Some recommendations...

In the short term, dollarization will depend on the development of the COVID-19 pandemic and the corresponding preventive measures. Less mobility restrictions could mean an increase in foreign currency transactions. Therefore, it is worth taking into account some aspects to continue operating in Venezuela:

- Adaptation to transactional dollarization (which businesses have already done), but not only with the dollar, but with other currencies as well. The use of the Colombian peso, for example, is widespread¹¹ in the Andean region.

¹⁰ In reviewing some international cases, we note that most of these schemes are initiated by private entities, generally banks abroad or even informal private mechanisms. Of the developing countries, only in Peru, Lebanon and Uruguay did the country's financial regulator initiate these schemes.

¹¹ Weight use is 5.8%, with a higher proportion in the Andean region.

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- Do not neglect the means of payment in the local currency, since a large part of transactions are still carried out in bolivars (37.6%). There is a percentage of Venezuelans who do not have constant or generalized access to other currencies.
- Understanding inflation and devaluation to know which indicator is better for business decision making. They are separate concepts, but they are related to each other and can have different effects on the business.
- Establish a cost evaluation and pricing strategy understanding the gap between price and exchange rate variation.
- Possess creative alternative payment methods, especially in the case of cash currencies. The goal is to make life easier for customers. There are business opportunities here for companies in the technology sector that could offer solutions.
- Improve the quality of customer service and attention. For the consumer, the shopping experience is important, which can be directly related to the moment of paying for the product or service.
- Possess and know the company's management indicators and other environmental indicators.

In the medium and long term, the environment will be affected by the decisions that the Executive may make regarding dollarization or *de-dollarization*; however, we believe that the multi-currency environment will remain. In fact, it may be that transactional dollarization will give way to financial dollarization and, although it will not be full, because the BCV will not want to lose its role as banking regulator, it will lead to options that could solve some of the current difficulties. In any scenario, **Ecoanalítica** will continue to study the Venezuelan economy with the aim of providing updated and accurate information in order to continue accompanying good decisions.

Corina Fung

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WEEKLY INDICATORS

| Weekly Economic Indicators | | | |
|---|------------------|---------------------|---------------------------------|
| | 1st Week May | Weekly chg. (%) | Depre/Apre (pp) ¹ |
| FX Boards (VES/USD) ² | 2,831,631.73 | 5.0 | 4.7 |
| | 4th Week April | Weekly chg. (pp) | Annual chg. (pp) |
| Lending Interest Rate (%) | 59.8 | 0.0 | 20.1 |
| | 1st Week May | Weekly chg. (pp) | Annual chg. (pp) |
| Overnight Interest Rate (%) | 165.7 | -213.9 | 63.0 |
| | 5th Week April | Weekly chg. (%) | Annual chg. (%) |
| International Reserves (USD Bn) | 6.262 | 0.2 | -2.1 |
| | 4th Week April | Weekly chg. (%) | Annual chg. (%) |
| Monetary Liquidity (MM VES) | 1,181,683,421.00 | 6.2 | 1,372.5 |
| Price of International Oil Baskets (USD/bl) | | | |
| | 4th Week April | Weekly chg. (%) | Annual chg. (%) |
| WTI | 62.2 | 0.4 | 257.6 |
| Brent | 65.3 | 1.0 | 246.3 |
| Price of the Venezuelan oil basket (USD/bl) | | | |
| | 5th Week July | Weekly chg. (%) | Annual chg. (%) |
| Weekly Average | 22.4 | 0.0 | -61.9 |
| Annual Average | 28.8 | -0.7 | -51.7 |

Sources: BCV, MENPET, ONT and Ecoanalítica

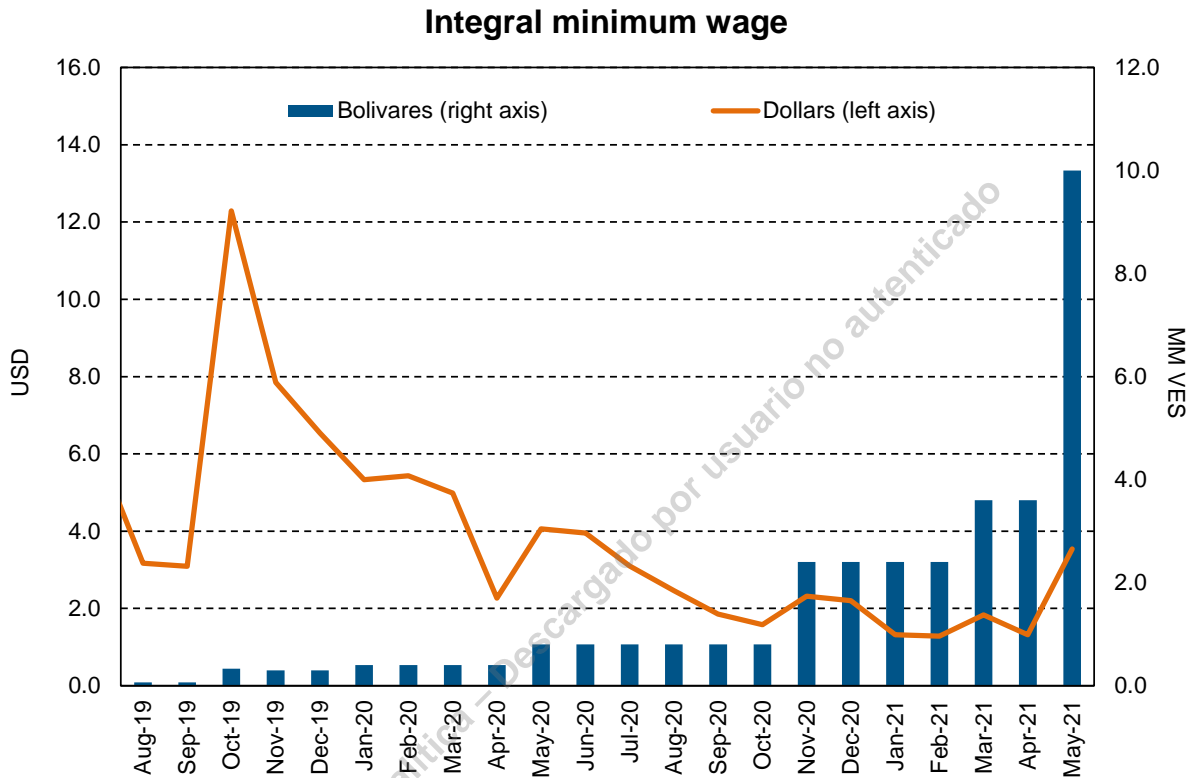
* Annual variation of accumulated expenditure.

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

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GRAPHIC OF THE WEEK: "MILLIONAIRE WITHOUT POWER".



Sources: BCV and Ecoanalítica.

In Extraordinary Official Gazette No. 6,622, dated May 1, 2021, Decree No. 4,602 of the Presidency of the Republic was published, which establishes the new minimum base salary at VES 7 million and the basket ticket benefit at VES 3 million, making the total of the integral minimum salary VES 10 million, equivalent to USD 3.5, according to the official rate of the same date. This is equivalent to USD 0.1 per day or 1.1% of the March food basket published by the Workers' Documentation and Analysis Center attached to the Venezuelan Federation of Teachers (Cendas-FVM), valued at USD 322.6.

This would be the 55th increase since 1998 and the 33rd of Nicolás Maduro's administration. Since May 2013, the integral minimum wage has lost 97.5% of its nominal value in dollars and, despite repeated increases, has not been able to exceed USD 20 since July 2017.

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Although the minimum wage in Venezuela is not representative of the average income of private or public sector workers, it stands out as the lowest in all of Latin America and the Caribbean. The Venezuelan minimum wage is well below Cuba's US\$87.5¹², Nicaragua's average of US\$185.1, Brazil's US\$204.4¹³ and Argentina's US\$311.1.

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¹² According to Coinbase as of May 3.

¹³ According to the Central Bank of Brazil as of May 3.

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ECONOMIC TIPS

COVID-19 in Venezuela. According to government figures as of May 6, the country accumulated 202,578 registered cases of coronavirus and 2,228 deaths.

"Increase" of the minimum wage... President Nicolás Maduro decreed the increase of the minimum salary on May 1 to VES 7 million, which represents an increase of 288.9% with respect to the previous amount (VES 1.8 million). According to the BCV exchange rate as of May 4, the updated minimum salary would be equivalent to USD 2.5 at the official exchange rate.

...and food vouchers (I). The Executive also increased the amount of the food vouchers to VES 3 million. Taking these changes into account, the worker who is a recipient of such bonuses now has a monthly integral minimum income of approximately VES 10 million, or USD 3.58 at the official exchange rate of May 4.

...and food vouchers (II). By way of comparison, the Centro de Documentación y Análisis para los Trabajadores (CENDA) reported that the basic monthly food basket for a family of five had an average price of USD 322.

The Petare basket. For the last week of April, economist and congressman Angel Alvarado reported that the Petare basket totaled a value of VES 48.8 million or USD 24.8 according to the official exchange rate of Friday, April 31.

Banking and foreign currency (I). According to a report by the consulting firm Aristimuño Herrera & Asociados, during the first quarter of this year, the 10 main banks in Venezuela captured 97.18% of the deposits made in foreign currency.

Banking and foreign currency (II). For the last month of the first quarter, the consultant affirms that the local banking system concentrated VES 1,704,063,802,126, which would be equivalent to USD 865,857.8 according to the official exchange rate at the end of March. Of this amount, Banco de Venezuela held 58.9% of the total, followed by Banco Nacional de Crédito (BNC) with 11.4% and Banco Mercantil with 7.7%.

Misery Index. In the recent update of the Misery Index by the U.S. publication *The National Review*, Venezuela ranked first among 156 countries for 2020 with a score of 3,827.6. These results reflect a calculation that takes into account unemployment, inflation, bank lending rate, and gross domestic product (GDP) growth.

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Strong statements (I). Humberto Prado, the Commissioner for Human Rights and Attention to Victims appointed by Juan Guaidó described in the 2020 Annual Report delivered to the Organization of American States (OAS) that "*at least 79.3% of the population does not have purchasing power to cover the basic food basket*".

Strong statements (II). Likewise, he reported that 96% of Venezuelan households are "*in a situation of poverty and 79% in extreme poverty*," while 27% of the citizens "*are in a state of begging*".

Benefits in Petros. On May 2, President Nicolás Maduro stated that workers' social benefits will be calculated in reference to the value of the Petro. Maduro commented that this measure will be implemented in order to safeguard the "*income and savings level*" of the recipients.

Parallel exchange rate. For the last week of April, the parallel exchange rate was VES 2,784,899.43 and the official exchange rate according to the Central Bank of Venezuela (BCV) averaged VES 2,695,681.4. As for the monthly average, this was approximately VES 2,492,244.8, while the official exchange rate averaged VES 2,360,114.8.

Money tables. For the first week of May, the average money desk rate was VES 2,831,631.7/USD, representing a 4.7% depreciation from the previous week.

Liquid? Liquidity was VES 1,181 million for the week of April 28, a variation of 6.2% in nominal terms with respect to the previous week and 1,372.5% with respect to last year.

OIL TIPS

Solutions to climate change (I). Oil companies ExxonMobil and Chevron, still among the world's largest oil and gas producers, confirmed on April 30 their commitment to build large-scale projects to address climate change, starting with carbon sequestration.

An opaque spill (I). The recent spill of the cargo of *A Symphony*, a Greek vessel carrying oil loaded in Malaysia via China, revealed to be one of the tankers mobilizing Venezuelan Merey, which is under severe international marketing restrictions.

An opaque spill (II). According to Argus Media, the company that owned the vessel, NGM, assured that its policy against the transportation of Venezuelan crude oil was still in force, and stated that it was unaware of the origins of the cargo.

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An opaque spill (III). The energy consultant also referred to this event as one of China's opaque and routine business through intermediaries in Asia to import Merey in the wake of the imposition of U.S. sanctions on Venezuela since 2019.

Oil sanctions. Three Cuban-flagged vessels, which are under U.S. sanctions for transporting Venezuelan oil to the island, had to be serviced at the Port of Veracruz, on the Mexican Gulf coast. These maintenance works may represent a violation of the sanctions imposed on Venezuela, according to lawyers specialized in the matter.

Expectations (I). Brazil's National Petroleum Agency (ANP) expects offshore exploration drilling to quadruple by 2021 to 19 wells as oil companies increase their activity and the COVID-19 pandemic subsides.

Expectations (II). The ANP expects 45 wells to be drilled in 2021, with 19 offshore; this would be an increase from a total of 16 wells in 2020, of which only 5 would be offshore. These drilling and seismic studies represent an investment of USD 1.2 MMM in 2021, of which USD 593 MM will be for offshore work.

PDVSA's plans (I). According to sources related to PDVSA and one of its recent official documents, the national oil company plans to resume the use of two of the four crude upgraders at its disposal in the country in the hope that this will contribute to increase the production of extra-heavy crude in the Orinoco oil belt.

PDVSA's plans (II). To this end, PDVSA began to negotiate operations with Total SE, Equinor and a conglomerate of Russian oil companies to refurbish its facilities in Petrocedaño and Petromonagas so that the upgraders can be operational again, as reported by Reuters.

PDVSA's inventories (I). The shortage of diluents has also cost PDVSA in its production of exportable crudes, and inventories totaled 5.27 million barrels in the last week of April compared to 9.6 million barrels in January of this year.

PDVSA's inventories (II). Regarding the inventory of heavy naphtha, and of Mesa 30 and Santa Barbara crudes used to dilute extra-heavy oil from the Orinoco Belt, inventories were around 1 million barrels for April, compared to 2.3 million in January.

OPEC promises. OPEC and its allies claimed that the recovery in demand has created the conditions to increase production. This assertion offers relief for Asian oil buyers hoping that such a move will ensure adequate supply and prevent a sharp rise in prices as some economies face a new wave of COVID-19.

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No benefits. The recovery of world oil market prices, between 2021 and 2022, might not benefit Venezuela for the recovery of its production and income. This was stated by economist Rafael Quiroz, who doubts that Venezuela will be able to increase its oil production above 600 kb/d.

SECTORIAL TIPS

The price of traveling. The Caracas Subway announced that as from May 3 the fare will cost VES 50,000, as well as for the Metrobus and BusCaracas systems. In the case of the subway, the travel cards will have a maximum recharge of VES 1,000,000 (20 trips), while to acquire the card, preloaded with 20 trips, a total of VES 2,500,000 must be paid.

75% of food insecurity (I). The vice-president of the Venezuelan Confederation of Agricultural Producers' Associations (Fedeaagro), Celso Fantinel, informed that the sector does not supply even 25% of the population due to the fall in national production, ratifying that the main obstacle of the guild is the supply of fuel.

75% of food insecurity (II). Fantinel pointed out that results of a survey carried out by Fedeaagro in the penultimate week of April, revealed that according to the inventory presented, not even 10% "of a depleted area" is being planted.

Different sources... The president of the Poultry Farmers Association of Táchira State (Avitach), Rafael Moreno, informed that at least 138 farms are inoperative due to the lack of resources necessary to keep the sector operative, for which reason they have opted to sell chickens from Colombia.

... Same result. A survey by the Venezuelan Observatory of Food Security and Nutrition reveals that the income received by 69.1% of Venezuelans is only enough for the minimum consumption of food, and therefore, they must sacrifice other basic needs such as health and education.

And it is not getting better. The Venezuelan Society of Agronomists and Related Engineers (SVIAA), pointed out that a few days before the beginning of the 2021 winter planting cycle, counterfeit inputs are being offered, entering the local market without going through the regular channels, which represents another risk for farmers' crops and resources.

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Sincerely. Omar Prieto, Governor of Zulia State, informed that the region has a deficit of 900 transformers, which are leaving many communities without electric service, for which reason his administration is in the process of bringing transformers from abroad.

Those affected are in the majority. According to the study "*Purchase and Consumption Habits Q1*" of ARS, an integrated communications agency, 44% of the people who still protect their lifestyle (PEV), maintain their way of life as they had before the worsening of the country's economic situation thanks to the COVID-19.

Another dissatisfied sector (I). The president of the National Federation of Public Employees (Fedeunep), Antonio Suarez, stated on May 1 that the workers of the sector, which total approximately three million citizens, have a hospitalization, surgery and maternity (HCM) policy which fails to cover the minimum health expenses as it is worth the same as "*a peasant's bread*".

Another dissatisfied sector (II). Regarding the HCM, Suarez expressed that "*it has been deteriorating progressively, since 2012 it started to fail*". For this reason, he demanded the vaccination of all public employees, affirming that the only ones who have been able to be inoculated "are those at the highest level".

Working for the citizens. The Mayor's Office of El Hatillo announced the execution of the construction of the passenger terminal to be built on an area of 1550 square meters in the central road that connects with Los Naranjos and Alto Hatillo, in order to optimize the mobility of users in the municipality.

Life-saving donation. Through the United Nations Children's Fund (UNICEF), the Government of Japan announced that it will donate the necessary equipment for the immunization process against COVID-19 in Latin America, the Caribbean and Africa, valued at US\$ 39 million. The recipients in Latin America and the Caribbean are Venezuela, Guatemala, Haiti, Jamaica, Nicaragua and Paraguay.

Tariff pressure. The former president of Conindustria, Juan Pablo Olalquiaga, explained that due to the absence of a new gazette to extend the exoneration of taxes on imported goods, it can be expected that up to 30% in tariffs will be imposed as stipulated in the current customs law. The exoneration expired on April 30.

Exports are in danger (I). The failures in the supply of diesel oil, the flexibilization scheme imposed by the Executive and the lack of massive vaccination against Coronavirus were the factors blamed by the president of the Exporters Association (AVEX), Ramón Goyo, for the decrease in the country's exports.

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Exports are in danger (II). According to Goyo's estimates, Venezuela's exports represent 3% of the gross domestic product (GDP). Likewise, economist Edgar Urbáez pointed out last week that companies are working at 30% of their total capacity.

INTERNATIONAL TIPS

COVID-19 in the world. As of May 6, the World Health Organization (WHO) indicated that the number of COVID-19 cases reached 155,200,532 and the number of deaths was 3,241,798 for the same date. As of May 5, 1.22 billion doses of vaccine against the disease have been administered worldwide.

Digital Dollar (I). The nonprofit Digital Dollar Project announced that it will launch five pilot programs over the next 12 months to test the potential use of a digital currency in the U.S. monetary system.

Digital dollar (II). Meanwhile, the U.S. Federal Reserve (Fed) is working with national universities to create a technology to serve as a platform for a hypothetical digital dollar. However, Fed Chairman Jerome Powell said last week that it is far more important to get the development of the digital dollar right than to do it quickly.

Second European recession (I). Eurozone Gross Domestic Product contracted 0.6% in the first quarter of 2021, after falling 0.7% in the fourth quarter of 2020; marking the second recession since the pandemic began as two consecutive quarterly contractions have been recorded.

Second European recession (II). Specifically, Germany, Italy and Spain, recorded a decline in their economic activity during the first three months of the year. The sharpest drop in activity was in Portugal, which has faced a wave of new COVID-19 cases and has led to the country's second confinement.

With production skyrocketing (I). IHS Markit's Manufacturing Purchasing Managers' Index for Europe (PMI), which measures European manufacturing output, rose to 62.9 points for April, below the 63.3 points expected, after standing at 62.5 points in March. This figure breaks the record for the highest score since the index began operating in 1997.

With production skyrocketing (II). In detail, growth in the French manufacturing sector slowed somewhat from its March peak, but Italian factory activity grew at the fastest pace on record. For their part, German factories have performed flawlessly during the

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pandemic, almost unaffected by closures, and activity accelerated in Europe's largest economy earlier this year thanks to strong demand from the United States and China.

Brazil faces the consequences (I). The Brazilian PMI stood at 52.3 in April after 52.8 in March, the lowest level since June. In addition, unemployment increased and consumer prices rose. This is a direct result of a significant second wave of Covid-19 infections.

Brazil faces the consequences (II). The IHS Markit employment index rose back above the 50.0 threshold to 51.8 in April from 48.5 in March. Meanwhile, the increase in Brazil's Consumer Price Index is above 6% y-o-y, well above the central bank's target of 3.75% by year-end. The central bank is expected to raise interest rates next week by 75 basis points for the second time since the beginning of the pandemic.

Reviving tourism (I). The European Commission plans to ease restrictions on non-essential travel from abroad. According to official statements, the decision rule will become that anyone who has received the last dose of an EU-approved vaccine at least two weeks before will be allowed to travel.

Reviving tourism (II). Currently, the European Union only allows non-essential travel to seven EU countries from abroad. In addition, the proposal will contain a special clause allowing member states to quickly limit travel in response to new variants or deteriorating health conditions in non-EU countries.

POLITICAL TIPS

New Minister... President Nicolás Maduro appointed as new Minister of Education the former Minister for the Social Labor Process, Eduardo Piñate, who will replace Aristóbulo Istúriz who passed away last April 27. Piñate also assumed the vice presidency of social and territorial socialism this Sunday, May 2.

... Sanctioned. The new Minister of Education, was sanctioned by the Government of Canada in 2019, being pointed out as "*responsible for undermining democratic institutions in Venezuela*".

After 4 years (I). This May 1, Tarek William Saab informed that the murders of Fernando Albán, Juan Pablo Pernaite and Acosta Arévalo were at the hands of State officials. Delsa Solórzano explained that, if it is an isolated violation of human rights by an official, the International Criminal Court (ICC) does not act because it corresponds to the State to investigate.

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After 4 years (II). But he stressed that in the crimes against humanity on which the ICC opened a file, there is a chain of command that ordered the killings and a pattern of systematic attack on a population is established. For this reason, he affirmed that the court should open the trial of those responsible, both materially and those who ordered the executions.

Different protests... Supporters of the government and opponents took to the streets this May 1st, Labor Day, in spite of the risks associated with the COVID-19 pandemic. Chavismo demanded the "*cessation of the economic blockade*" which they claim the US is promoting against the government of Nicolás Maduro.

... Regardless of health. On the other hand, Guaidó accompanied the mobilization in Lara state condemning the "*starvation wages*" received by Venezuelan workers, and demanding the entry of COVAX mechanism vaccines against COVID-19.

Firm position (I). Juan Guaidó, thanked last Friday, April 30, US President Joe Biden for his solidarity with Venezuelans by granting Temporary Protected Status for some 320 thousand Venezuelans who emigrated from Venezuela and are in the US.

Firm position (II). He also asked him to "*not stop until the looters of the country and the violators of human rights are brought to justice*". In his words of thanks, he mentioned that he has received the support of both Democrats and Republicans in the fight to "*return democracy and freedom to Venezuelans*".

Strong statements. The president of El Salvador, Nayib Bukele, expressed this Sunday, May 2, harsh criticism against representatives of the Venezuelan opposition and affirmed that supporting them is the same as supporting the government of Nicolás Maduro.

Good news. Juan Francisco Espinosa, general director of Migration of Colombia, informed that Venezuelan passports will be valid for 10 years after their expiration date. This measure goes hand in hand with the Statute of Protection for Venezuelans because "*it solves a problem for Venezuelans who are victims of violation of the right of identity by Nicolás Maduro*".

Forbidden to forget. Antonio Ledezma, former metropolitan mayor of Caracas, accused Maduro of the "*massacre*" that took place in Apure, where it is not known exactly how many military personnel have died because there is no official information on the matter. He stated that "*he uses the Venezuelan military as squads that are going to expose their lives to defend drug trafficking routes*".

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First steps... Keith Mines, director of the U.S. Institute of Peace for Latin America, noted that *"a country has to take several steps to get to a point where the parties are really ready for serious negotiation. I think Venezuela is getting to that point"*.

... For credibility. The specialist in peace processes indicated that the country had to go through several situations and try new mechanisms to reach this point which, in his opinion, would allow a political negotiation. Likewise, he pointed out that one of the first steps that would give credibility to the process is that both parties reach a credible pact for the country.

New project. The Committee of Economy, Finance and National Development of the National Assembly presented the draft Law of Electronic Commerce, which aims to promote the economy through digital means and the implementation of electronic invoicing.

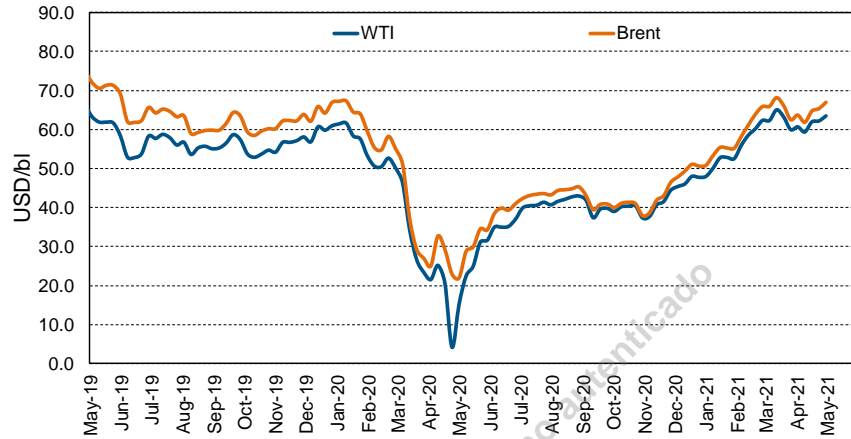
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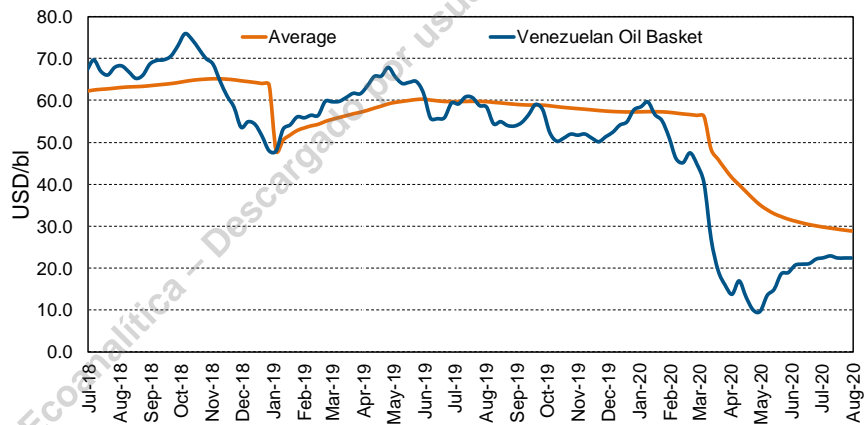
ECONOMIC INDICATORS

**Oil Prices
(WTI and Brent)**



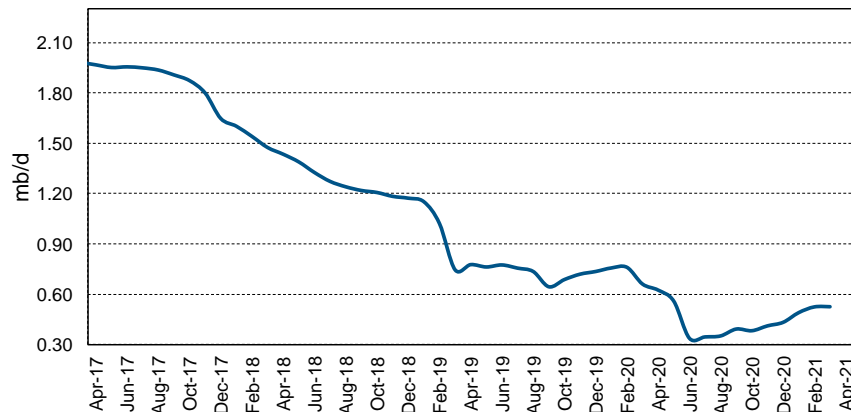
Sources: Menpet and Ecoanalítica

**Oil Price
(Venezuelan Basket)**



Sources: Menpet and Ecoanalítica

**Oil Production
(Secondary sources)**

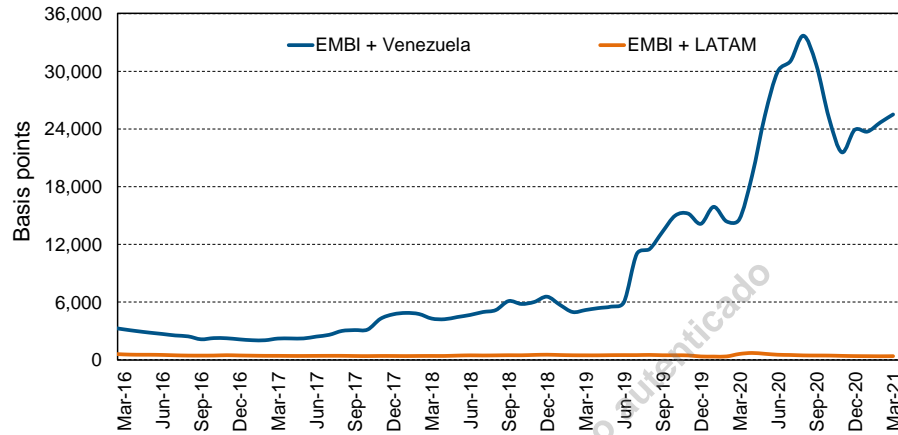


Sources: OPEC and Ecoanalítica

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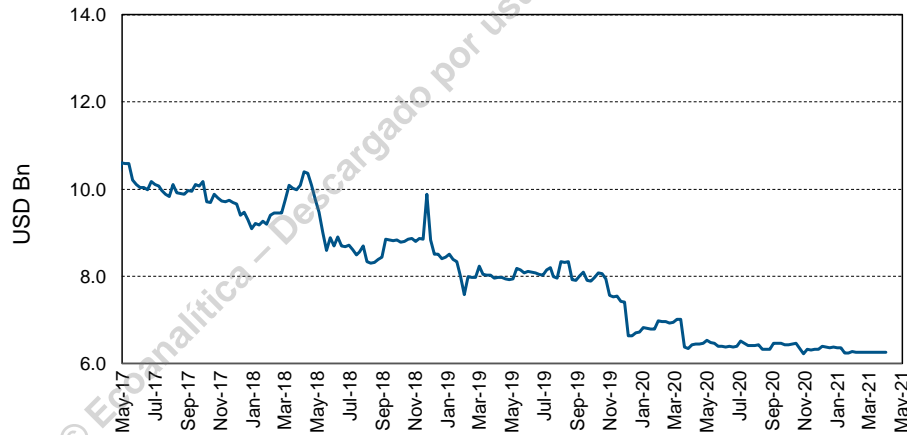
ECONOMIC INDICATORS

EMBI



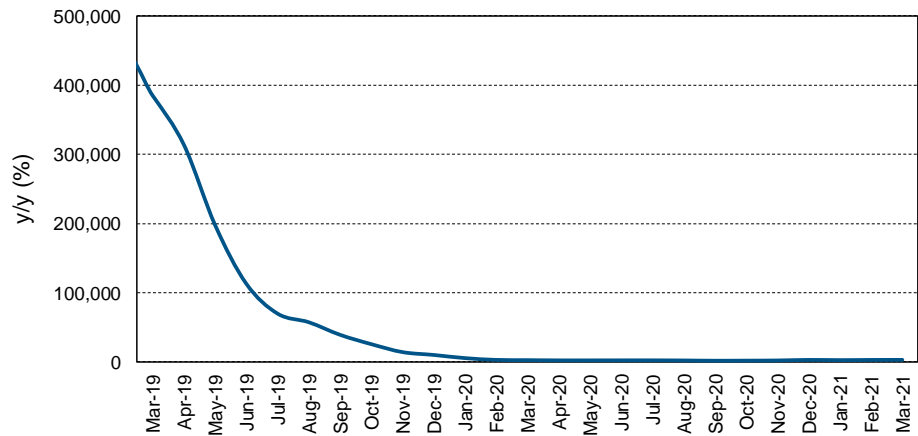
Sources: BCRP and Ecoanalítica

FX Reserves (BCV)



Sources: BCV and Ecoanalítica

Inflation (BCV)



Sources:BCV and Ecoanalítica

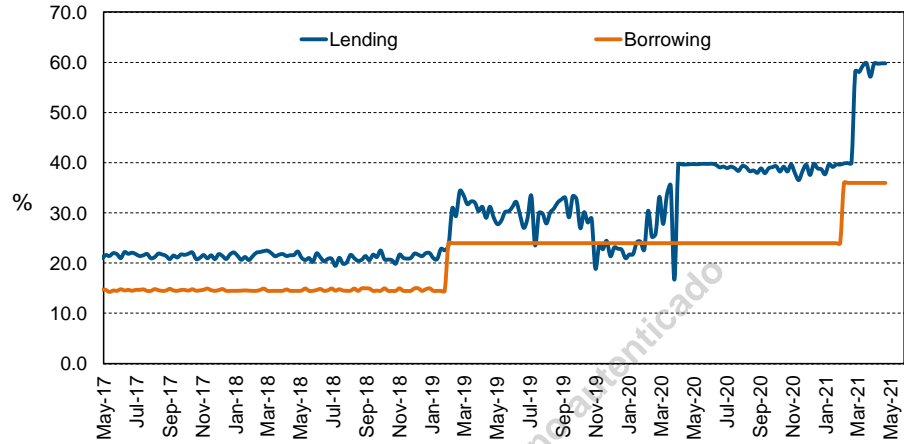
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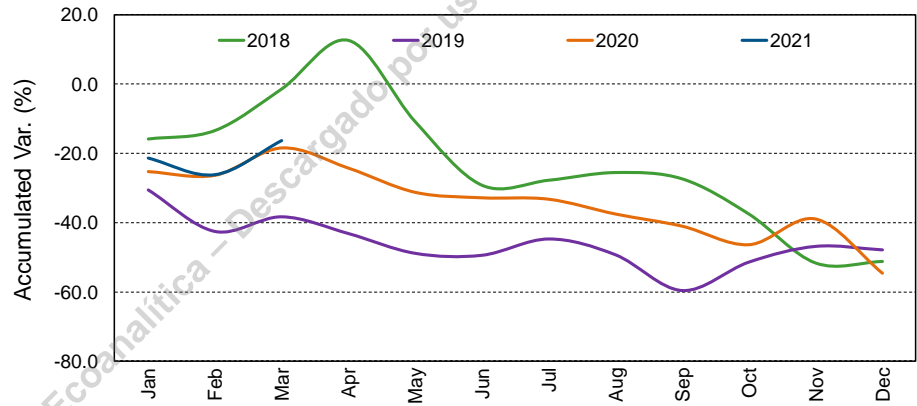
ECONOMIC INDICATORS

**Interest Rate
(Six major banks)**



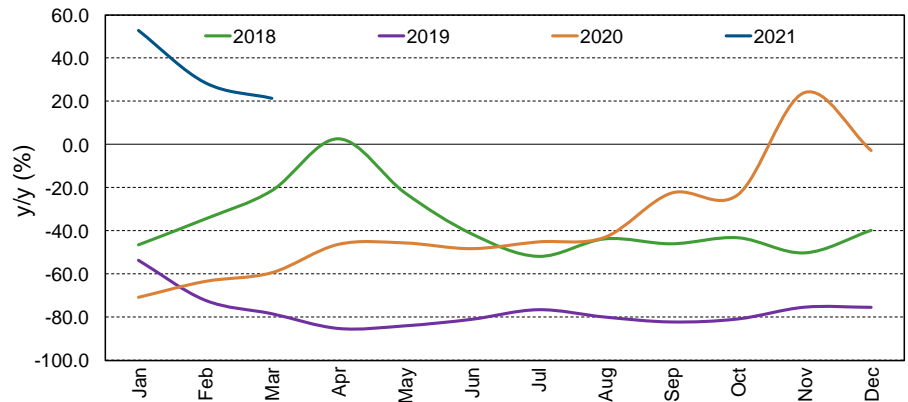
Sources: BCV and Ecoanalítica

**M2 Expansion
(Real)**



Sources: BCV and Ecoanalítica

**Loan Portfolio
(Real)**



Sources: SUDEBAN and Ecoanalítica

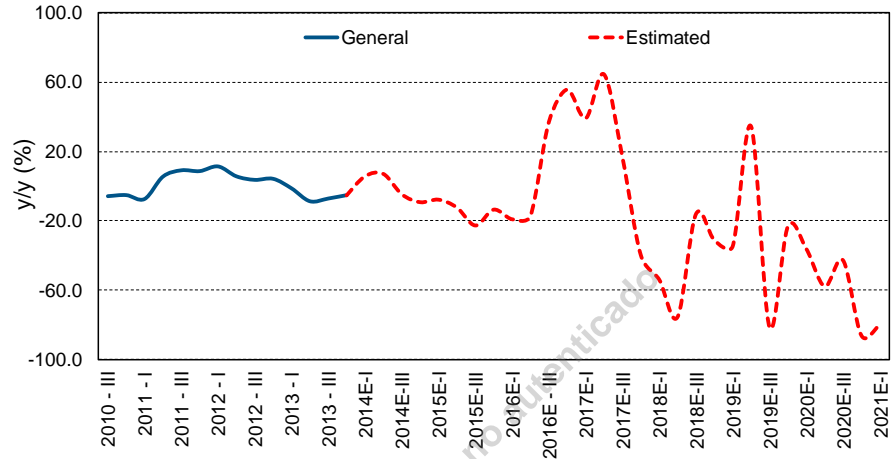
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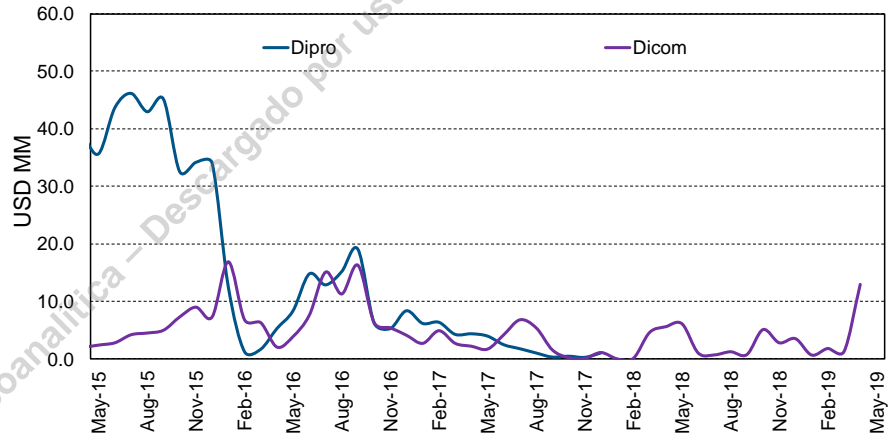
ECONOMIC INDICATORS

Real Wage Index



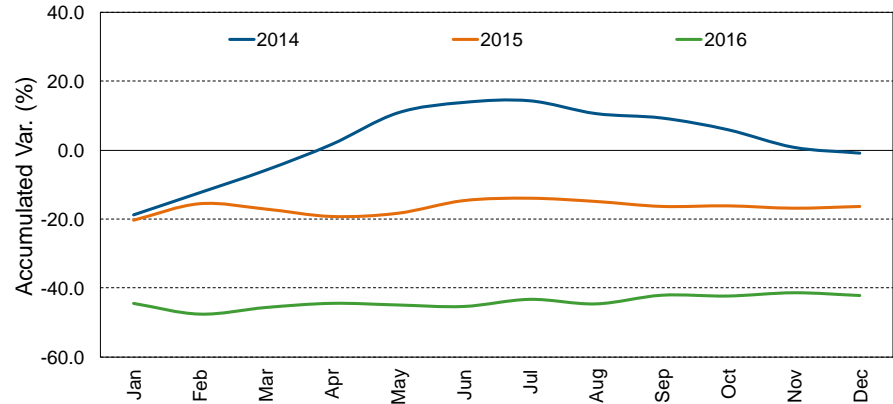
Sources: BCV and Ecoanalítica

Disbursements to the Private Sector (Daily Average)



Source: Ecoanalítica

Primary Spending NTO (Real - Central Government)



Sources: ONT and Ecoanalítica

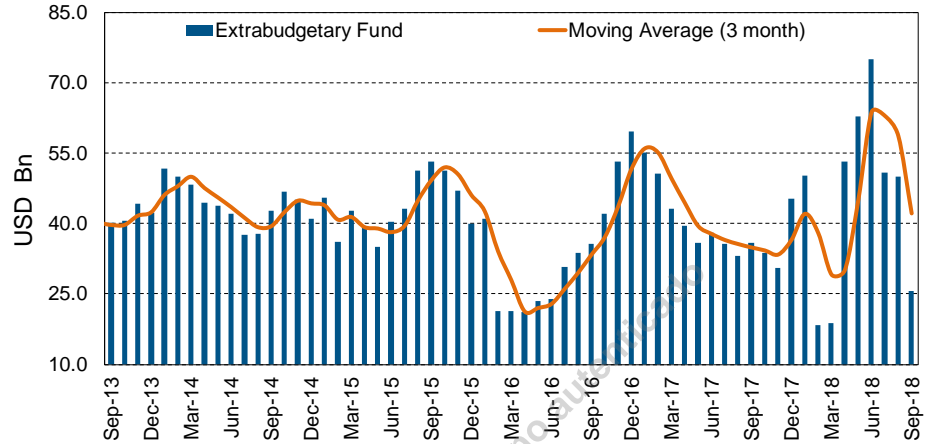
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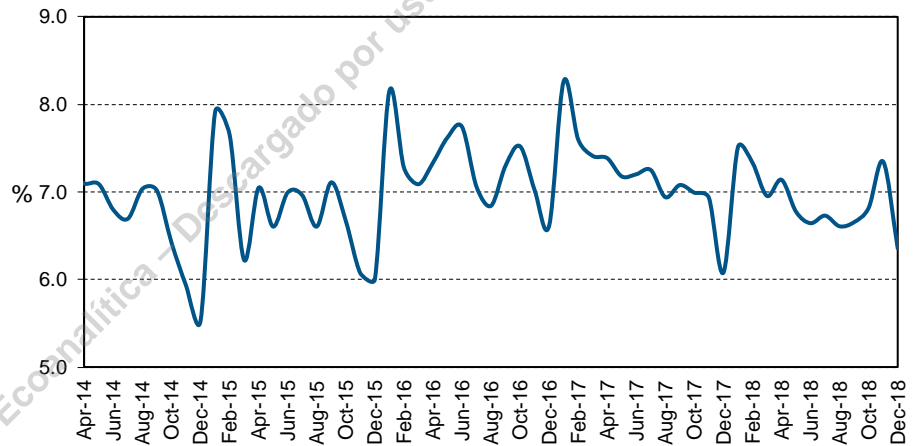
ECONOMIC INDICATORS

State Extrabudgetary Resources



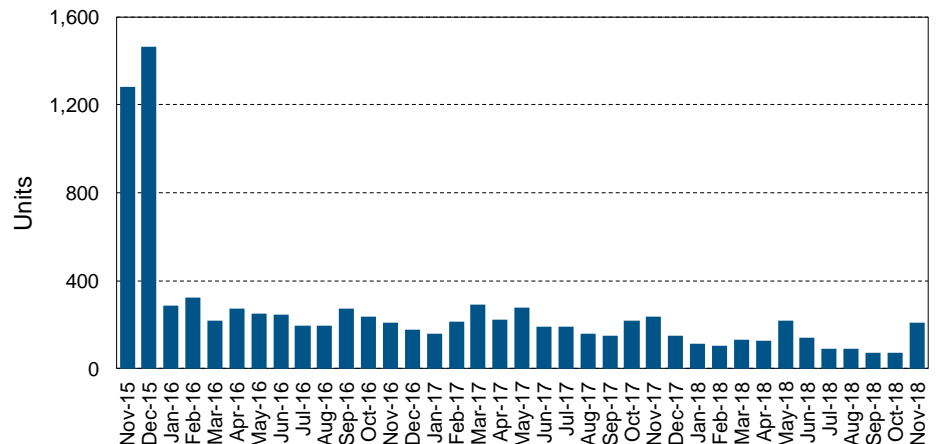
Source: Ecoanalítica

Unemployment Rate



Sources: INE and Ecoanalítica

Vehicle Sales



Sources: CAVENEZ and Ecoanalítica

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