

The cost of a simulacrum

On October 7, 2012, Venezuela went to the polls for presidential elections. Among the candidates were President Hugo Chávez and the Democratic Unity Alliance candidate Henrique Capriles Radonski. That day, with a turnout of 80.6%, the results gave Chávez the victory with 55.1% of the votes versus 44.3% for Capriles. This election, Chavez' last one, demonstrated the necessity to continue and strengthen Chavismo's power. The government made an unprecedented tinkering of institutions, for the sake of winning with a considerable margin.

Five years and seven months later, Venezuela's attention is focused on May 20 and the contenders are President Nicolás Maduro, former Governor of Lara Henri Falcón, Javier Bertucci, an evangelical pastor, Francisco Osorio, a former air force officer, Luis Ratti, a businessman, and Reinaldo Quijada, an engineer. In this election the *Mesa of la Unidad Democrática (MUD)* decided to not participate arguing that the past year has been witness to how the government has consolidated its power at the expense of electoral justice and democratic conditions: the induction of the Constituent National Assembly served to silence the protests that took place from April and cast the plebiscite held by the Democratic Unity Alliance on July 16 into oblivion. The outcome was a low turnout by the opposition at the elections in the fourth quarter of the year, during which the government obtained three-quarters of the state governments and 88.1% of the mayoralties.

The decision taken by several opposition governors to agree to be sworn in before the Constituent National Assembly produced a fracture within the Democratic Unity Alliance's leadership. The Unity Alliance's reaction was to reject, refuse to recognize, and, definitely, to not take part in the elections.

As an "opposition" alternative Henri Falcon subscribed his nomination and face Maduro. Being the second strongest candidate in this election, Falcón must capitalize the displeasure showed to Maduro and the oppositions' voters. *Consultores 21* indicates that seven out of every ten Venezuelans consider turning out to vote preferable, this is not necessarily good news for Henri Falcón, since the opposition's political base views his past as a member of the United Socialist Party of Venezuela (PSUV) with displeasure.

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The best way to win votes is to claim that you can keep your promises, something the *Chavista* government has shown it understands since coming to power in 1999. With “21st Century Socialism” as its banner, the government has given over its entire apparatus to political patronage-based policies to make sure of a strong political base that would allow it to, maybe, live forever. However, like everything else, keeping an entire country happy is a far from an easy task.

What is the context of these elections?

In 2012 the situation was very different from what it is today. That year, Venezuela had growth in GDP of 5.6%, an annual inflation of 20.1% and it closed with an average oil basket price of USD 103.5/bl., all of which the government made good use of to ensure votes.

Venezuela’s economy in 2018, on the other hand, is experiencing a contraction in GDP of 15.2%, a hyperinflationary process that could reach 384,986% by year’s end, a drop in oil production of 22.6%¹ in 1Q2018 and an average price of the Venezuelan crude basket of USD 64.3/bl until April. What is more, the political situation is completely different and the population, as is logical, is aware of the serious crisis. According to Datanálisis, 91.0% considers that the country is in a bad or very bad state and 70.0% has said that they live in a permanently negative state of mind².

In these conditions, it is expected that all Venezuelans (regardless of their political preferences) will view these elections as an opportunity to somehow solve the country’s situation. However, people do not seem to be motivated to take part. Voting intention is estimated at around 60%³, something that, if this level of turnout is achieved, would give a difference of 20.6 percentage points compared to the last presidential elections and similar to the elections held in 2017 (61.1%). What is really remarkable about this estimated turnout figure is how it breaks down: *Consultores 21* points out that those who say they will not vote are mainly members of the opposition (72.0%), whereas only 4.0% identify themselves as *Chavistas*.

Opposition voters adrift

¹ According to the Organization of Petroleum Exporting Countries (OPEC). This variation is comparing 1Q2018 to 1Q2017.

² This information is taken from *Consultores 21*, who define this negative state of mind as being a state of mind that has to do with disillusion, anguish, despair and fear.

³ According to the pollsters *Delphos* and *Consultores 21*

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This asymmetry could be explained by the setting up of the Constituent National Assembly and by the results of the regional elections, with the questioned government victory of 18 state governments versus five for the opposition. This feeling of discouragement could be due to their perception of the unfairness in the conditions under which the elections are being held.

Consultores 21 also claims that four out of every ten Venezuelans and 90% of members of the opposition do not have any confidence in the National Electoral Council (CNE). For that reason, taking into account the estimated participation of 60.0%, Nicolás Maduro would win by more than 16 points. Now, if these conditions were to change, the voting intention would go up to 82.0% with a turnout by members of the opposition of 53.0%.

Nevertheless, it is worth noting that this voting intention could be subject to changes as the day of the elections draws nearer. Given this risk posed by the opposition's voting intention, the government side will try to make sure of its political base via politically patronage-based social control.

Voting was not just a citizen's duty

This new presidential election, given the circumstances in which it is happening with the economy in an upheaval and a precarious social situation, poses yet another challenge for the candidates.

Besides getting their message across and convincing the voters who are willing to turn out, the "new" candidates, must come up with viable "popular" proposals in order to achieve some degree of support. In Maduro's case, the situation is different. After five years in office, the population only has the crude images of an unprecedented crisis as a reference. This reality makes the likelihood of Maduro and *Chavismo* managing to make credible promises regarding the implementation of a successful economic model, or even one that would make it possible to palliate the present conditions, difficult.

Even though "21st Century Socialism" managed to win over support and acceptance among some Venezuelans, much of that support was generated by politically patronage-based economic incentives and opportunities for rent-seeking. In 2012, with a favorable average oil barrel price for a strictly exporting country, the possibilities of financing a campaign of the size of the Capriles-Chávez encounter existed. In the opinion of many, the result was surprising, as they were betting on the government model having run its course. This conviction was based on underestimating the State as an entity that is a producer, employer and distributor of primary goods and services. The shrinkage of the private sector and the reduction in the (scant) diversity of production provided an opportunity to increase the size of the public sector in the Venezuelan economy.

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In this area, the government's decisions came to have an ever-increasing impact on the functioning of households and companies, which meant that a favorable vote became a kind of retribution.

Today, after having been through six elections, the government's control mechanisms have multiplied and its support base depends to an even greater extent on the "benefits" it can provide its supporters.

How much will winning the election cost Maduro?

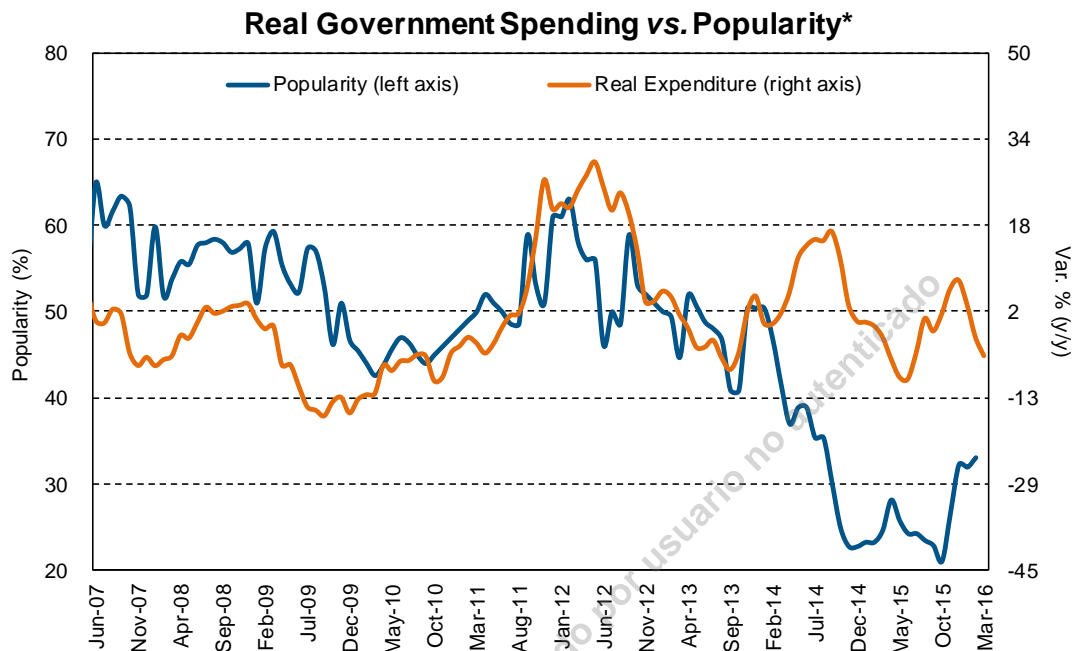
Even though voters are still responsive to the recompenses they can obtain from the government, Maduro is a long way from enjoying conditions similar to those that existed in 2012.

The 2013 election could be considered unusual, as it was preceded by the death of Hugo Chávez, recently reelected president, within a limited timeframe, with restrictions for conducting a fair campaign, and the use of "mourning" as a tool for manipulating people's loyalties to electoral ends. For that reason, we have taken 2012 as the benchmark, as this is the most recent presidential election under "normal" conditions.

With everything in its favor, *Chavismo* conducted a campaign, sparing no cost.

That year, transfers and subsidies, the distribution of domestic appliances, houses, and food were the strategy *sine qua non*. The distribution of these "gifts" was reflected in an increase in the favorable ranking of Hugo Chávez' performance as president.

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Sources: ONT, BCV, Datanálisis and Ecoanalítica

*Due to restrictions on certain data availability, the chart ends at march 2016.

Back to the future

Unlike his predecessor, Maduro is being pressured by an economy that is far from favorable for his popularity. Hyperinflation is gathering momentum, external obligations have become a game of chance in which the government decides who to pay and who not to pay in an attempt to free up cash, and oil prices, while they are recovering, are insufficient given the drop in production. The sum of all these problems has resulted in the corrosion of the population's levels of well-being.

In this context, the options open to the United Socialist Party of Venezuela (PSUV) are few. The most attractive one consists of maintaining a degree of stability and a momentary perception of an easing up of the crisis. That situation gives rise to the following question: If Maduro wants to achieve levels of approval similar to those obtained at the last presidential election we are using as a reference (2012), how could he finance this?

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Bonuses and wages

During 2017, we saw how the frequency of wage raises increased. Two-monthly adjustments of 54.9%, on average, were a somewhat populist way of admitting that inflation was gaining ever more momentum. In May, a 95.4% increase in the overall minimum wage was announced. This increase was to have an impact on the behavior of monetary aggregates and, as a consequence, on prices. It needs to be mentioned here that the lion's share of the government's expenditures comes from monetary financing, due to the reduction in domestic sources of finance in real terms (as at March, a drop of 79.7% year-on-year in nonoil tax receipts).

Wages, Pensions and Bonuses of the Fatherland vs. Monetary Base

Month	Bonuses of the Fatherland (Trillion VEF)	Bonuses of the Fatherland (% of increase of the monetary base)	Wages and Pensions (Bn VEF)	Wages and Pensions (% of increase of the money base)
Jan-18	7.5	19.0	5.0	12.8
Feb-18	9.5	18.7	5.0	9.9
Mar-18	13.0	12.9	8.3	8.2
Apr-18	14.3	10.7	8.3	6.2
May-18	22.3	10.5	16.2	7.6

Sources: Official Gazette, Central Bank, Official Announcements and Ecoanalítica

Note: with estimates of increase of the monetary base of May

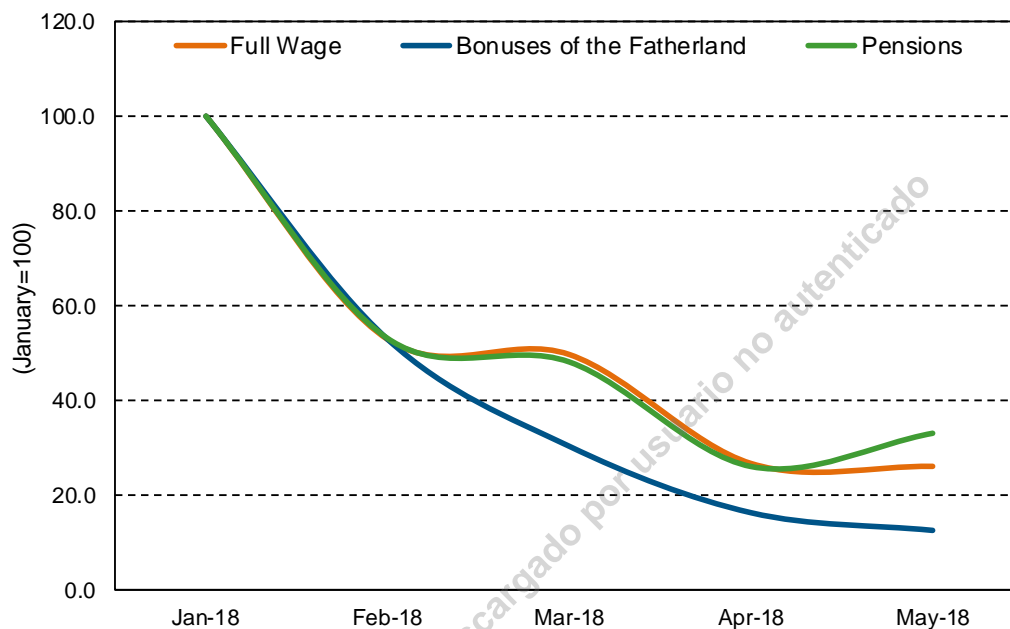
The wage increase alone could represent 1.2% of the monetary base at the close of May⁴. As for the total outlay in payment of wages, it would account for close to 7.6% of the increase in the monetary base between April and May. This situation becomes even more dramatic if we include the recent implementation of the “bonuses of the Fatherland.”

Together with the announcement of the wage increase, Maduro revealed the implementation of a new bonus that will “benefit” all users of the Carnet of the Fatherland, besides an increase in the amounts of the bonuses that already existed. The government has undertaken to hand out five bonuses next month for a total of VEF 22.3 trillion (10.5% of the increase in the monetary base). If we add up all the outlays in bonuses, wages and pensions, in May the government will have to come up with VEF 38.4 trillion (18.1% of the estimated increase in the monetary base).

⁴ Based on an estimated growth of 50.0% in the monetary base in May compared to a year ago

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Wages, Pensions and Bonuses of the Fatherland in real terms



Sources: Central Bank, Official Gazette, and Ecoanalítica

It should be remembered here that, even though these amounts seem impressive, in hyperinflation prices and wages lose their purchasing power in a matter of days. Ultimately, the effect of these increases will only result in higher prices. At the moment, consumers do not suffer from monetary illusion. However, the government, which continues to monetize its domestic obligations, in spite of seeing how real tax receipts evaporate as a result of hyperinflation (Olivera-Tanzi effect).

Running out of options

The mechanisms of social control have multiplied; the government has set up parallel institutions that have priority when it comes to obtaining inputs and being allocated funds. The most impoverished sectors have no alternatives available to them, which means they have to kowtow to the government's demands in order to be beneficiaries of this parallel structure.

In recent months, since the creation of the Carnet of the Fatherland, its use has become more diversified inside government agencies. The bonuses of the fatherland, medicines, food (the boxes of staples distributed by the Local Supply and Production Committees or CLAPs), and other benefits are distributed via this carnet. According to the pollster

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Consultores 21, seven out of every ten Venezuelans have a Carnet of the Fatherland, 40% receive some kind of economic aid, and 30% receive the CLAP boxes. This new state of affairs allows us to get a sense of people's growing need to receive some kind of social assistance in a critical economic environment.

As we mentioned previously, monetary incentives have lost their impact. Today, people put more value on a CLAP box of staples than a bonus in bolivars. As well as the bonuses, payments and wage increases, the government must make sure to put food in the hands of the voters in order to ensure a situation of precarious stability for families.

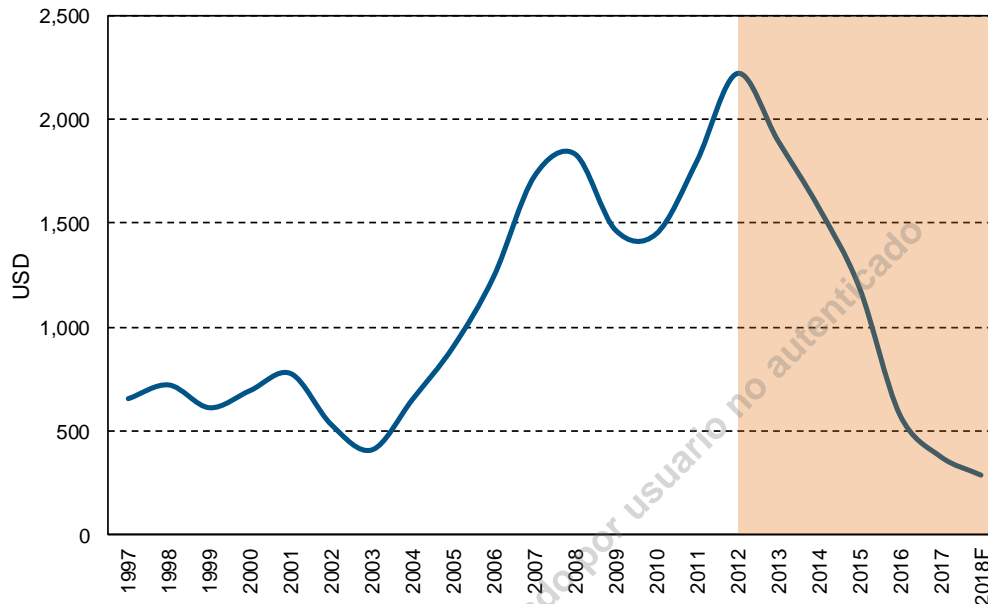
Imports are a key factor. The cost of a CLAP box averages USD 21.7⁵. Based on our estimate for imports (USD 9.21 billion), it would be possible to buy approximately 66 boxes a year for every Venezuelan family in 2018. In order to distribute four boxes per family in May alone, the government would have to have available USD 557 million.

Even though the scheme of the CLAP boxes is a key element in social control, how beneficiaries perceive it is somewhat critical. According to the pollster Delphos, the CLAP boxes are well received although: 1) their frequency and the quality of the products has declined; 2) the association between the benefit and elections is being made more frequently; in other words, people notice that, come election time, there are more boxes and more food; and 3) a environment of humiliation associated with the benefit is also growing (What do I have to do to get the boxes?).

⁵ Ivanna Méndez *¿Cuánto cuesta en realidad los productos de la caja CLAP?*
<http://elestimulo.com/elinteres/cuanto-cuestan-en-realidad-los-productos-de-la-caja-clap/>

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Per capita Imports Evolution



Sources: BCV and Ecoanalítica

Getting back to our reference election scenario (2012), achieving a level of imports that is more or less similar implies titanic efforts for the government. Maduro is moving in an external situation that takes away from him some degree of freedom when it comes to making use of the resources he already has and raising fresh funds to be injected into this campaign.

The sanctions imposed by the United States Government is making access to fresh financing difficult and it has also caused problems in using the Venezuelan Government's own resources. The intermediate agencies (correspondent banks) have decided to block the Venezuelan Government's transactions owing to the cost to their reputation that performing transactions with a sanctioned country would entail. At the end of March, retained funds came to USD 2,610 billion. It needs to be clarified that these funds, if released, could not be used for imports as the payment order was already approved by the Venezuelan Government.

Another relief Maduro has available to him is the suspension of payments due in May. However, assuming that none of the papers scheduled for the next 30 days are paid, the government would only manage to free up USD 721.5 million in cash, only 13.1% of the monthly average spent on imports in 2012.

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Moreover, making use of the international reserves is a slightly slower process, with limitations on realizing those resources. The reserves have hit historic lows, making realizing even more reserves unviable. Setting aside these factors, a month's imports (at average 2012 levels) would be equivalent to 55.1% of the total reserves by April's end.

What alternatives are left?

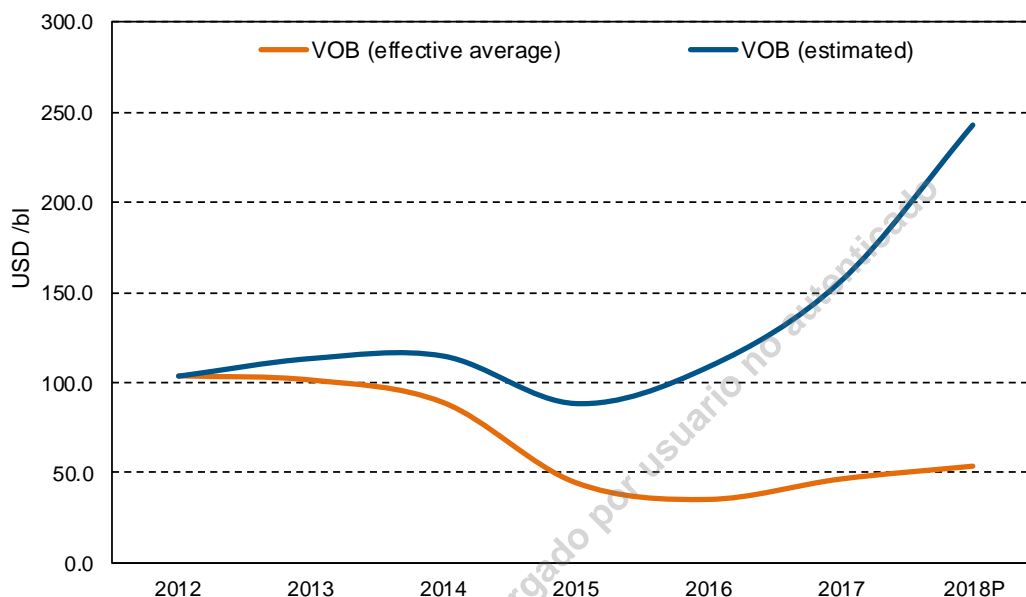
They are out of options. The government party has been left with no cards up its sleeve. The possibilities of fresh financing have almost been ruled out, the US sanctions annihilate any opportunity of issuing new papers, whereas China, one of the Venezuelan Government's main financiers, has considerably cut back the flow of loans to Venezuela; it is likely that it will decide not to renew the grace period for the outstanding payments Venezuela has.

As a last alternative, the Venezuelan Government would need to recover its revenues from oil exports by close to 216% compared to 2017⁶. To achieve monthly revenues similar to the average level of imports in 2012, the price of the Venezuelan oil basket would have to be USD 243/bl. The possibility of an external shock of that type is minimal just one month away from the election.

⁶ Based on the average price of the Venezuelan oil basket in 2017 (USD 46.6/bl.) and the actual average level of exports (1.36 mb/d)

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Venezuelan Oil Basket Price to reach Imports of 2012



Sources: OPEP, MENPET and Ecoanalítica
 *VOB price necessary to reach imports of 2012

Based on the average imports for the past two presidential elections under “normal” conditions (2006 and 2012), the Venezuelan oil basket would have to go up to USD 188.7/bl. This scenario would be slightly more conservative, as 2012 was a year in which Chávez, due to the state of his health, did not consider himself as president over the long term, his only aspiration was to win this last election.

Do they need to break the piggy bank?

Nicolás Maduro could continue for another six years as president. Those close to him are well aware of how efficient politically patronage-based measures of social control are when it comes to swaying votes in their favor, as well as the advantages inherent in having power concentrated in the hands of the Executive Branch. However, they also know how costly and difficult it will be to have the funds available to finance a minimally effective campaign.

Eighty percent of Venezuelans consider that the main problem is the economic crisis; 65% consider that Nicolás Maduro’s performance and the government system are responsible for this situation. Even though candidate Falcón bases his campaign on some

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(questionable) economic proposals, the turnout might not be higher than at the regional elections. The key to motivating a higher level of participation would mean improving the conditions of the electoral system on the institutional level. However, neither the government seems to be prepared to give in to these demands, nor has candidate Falcón shown much interest in promoting them.

All that Maduro has to do is to make sure of his political base and, regardless of how difficult that path may seem, he has an advantage: control of the institutions, a situation that logically generates discouragement and low expectations among opposition voters. For that reason, it is likely that these elections will turn out to be not so costly for the PSUV.

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WEEKLY INDICATORS

Weekly Economic Indicators			
	4th Week April	Weekly var. (%)	Depre/Apre (pp) ¹
FX Dicom (VEF/USD)	69.000	3,1	3,0
	3rd Week April	Weekly var. (pp)	Annual var. (pp)
Lending Interest Rate (%)	21,9	0,1	-0,7
	4th Week April	Weekly var. (pp)	Annual var. (pp)
Overnight Interest Rate (%)	2,2	-2,1	2,2
	4th Week April	Weekly var. (%)	Annual var. (%)
International Reserves (USD Bn)	9,9	0,6	-2,7
	3rd Week April	Weekly var. (%)	Annual var. (%)
Monetary Liquidity (VEF Bn)	595.559	14,6	4.059,6
Price of International Oil Baskets (USD/bl)			
	4th Week April	Weekly var. (%)	Annual var. (%)
WTI	68,2	1,2	31,7
Brent	74,3	2,3	36,5
Price of the Venezuelan oil basket (USD/bl)			
	4th Week April	Weekly var. (%)	Annual var. (%)
Weekly Average	64,3	1,6	51,3
Annual Average	60,1	0,4	34,7

Sources: BCV, MENPET, ONT and Ecoanalítica

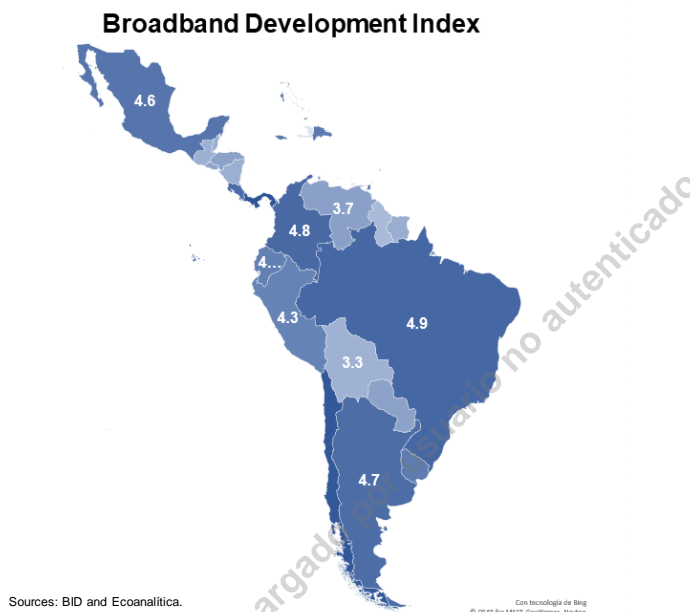
* Annual variation of accumulated expenditure.

¹ Depreciation (+)/Appreciation (-)

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CHART OF THE WEEK: “404 ERROR”



The Inter-American Development Bank (IDB) calculates the Broad-band Development Index (BBDI) via which it measures the level of the Internet service and access to it in the countries of Latin America and the Caribbean. Among the variables it takes into account are the public policies implemented by governments to promote information and communication technologies and their regulation, application and infrastructure.

The BBDI is considered an indicator of a country's development. A high score can mean development in terms of the quality of education, social inclusion, and job creation among other benefits resulting from a good Internet service. Experiencing as we do daily the slow broad-band service in Venezuela, we can imagine where we rank.

The results for 2016 show that Panama was in the lead of the 26 countries studied with an index of 5.21, followed by Chile with 5.15 and Barbados with 5.09. Last in the ranking was Haiti with an index of 2.35. As for Venezuela, it came in 16th place in the list with an index of 3.69. Even though this ranking does not seem to be that serious it falls into the second half of the list.

It is worth noting, moreover, that the average index for the Organization for Economic Co-operation and Development (OECD) is 6.12, three points above Venezuela's score. This indicates the presence of a digital gap whose reduction could offer new possibilities of expansion and innovation.

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ECONOMIC TIPS

And the raise is here. The increase in the overall minimum wage, which went into effect on Monday, April 30, has been announced. An increase of 95% brings the minimum wage up to VEF 1 million and the meals allowance to VEF 1,555,500 for a total minimum wage of VEF 2,555,500. In addition, the social bonuses granted by the government went up by 56% and the tax unit rose to VEF 850.

Goodbye to the grace period. The grace period Venezuela has been enjoying for repaying the loans it has with China has expired. In 2016, China allowed Venezuela to pay USD 19.0 billion in crude shipments, the amount corresponding to interest on the loans. This arrangement has contributed to the collapse of the economy under the Nicolás Maduro administration over the past two years.

All good things come to an end. China has been one of Venezuela's main allies, granting it credit of more than USD 50.0 billion. But those days are over. China stopped renewing the loans three years ago, when the Venezuelan economy posted a sharp decline.

USD 7.0 billion. But the grace period has come to an end and it is not going to be renewed. According to estimates by the news agency Reuters based on current oil prices, this will deprive Venezuela of USD 7.0 billion in revenues a year. Sources comment that Venezuela is still pushing for an extension of the grace period, although it has made it clear that it will comply with payments during the negotiations.

This time it was small. The exchange rate resulting from Auction No. 11 was VEF 83,345.1/EUR equivalent to VEF 69,000/USD. This information was published by the Auctions Committee on April 27. The devaluation from the previous auction was 3% and cumulative devaluation for April was 28.3%.

At least something is stable. As at April 27, the international reserves came to USD 9.87 billion for an increase of USD 62 million compared to the close of the previous week. The increase compared to the previous month was USD 280 million (2.9%).

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OIL TIPS

Now they're not even buying oil from us... According to calculations by Bloomberg based on data published by the International Energy Agency (IEA), the volume of crude imports by US refineries from Venezuela are the lowest since 2003, posting a monthly drop of 6.6% and an annual drop of 40% to a total of 409,000 b/d (409 kb/d).

Two out of three. Two of the three main American purchasers of Venezuelan crude have reduced their imports: Citgo by 1.9% a month (equivalent to 152.5 kb/d) and Valero by 34% (110.4 kb/d). On the other hand, Chevron is the only buyer that has increased its purchases of crude from Venezuela, by 7.3% (87.5 kb/d).

More payments to make. Petróleos de Venezuela, S.A. (PDVSA) has to pay ConocoPhillips USD 2.04 billion for having dissolved two joint ventures for producing oil in Venezuela. Following the nationalization of the oil industry, ConocoPhillips' assets were expropriated and the company left the country.

Several arbitration cases. The decision was taken by the International Chamber of Trade and is the first step in a series of legal actions being taken by ConocoPhillips. The company is waiting for the arbitration award for full compensation to be handed down by the World Bank's International Center for Settlement of Investment Disputes (ICSID).

USD 2.0 billion is not enough. By "full compensation" Conoco Phillips means compensation of USD 31.0 billion. Despite having withdrawn from ICSID six years ago, Venezuela faces 30 multimillion arbitration claims as a result of the nationalization policy implemented in 2007.

The goal is to raise production... PDVSA, the main sponsor of Expo Venezuela Power 2018, was present at the event held between April 26 and April 29. The state-owned oil company announced that it is seeking financing with private partners to raise the production of light and medium crude by one million barrels.

Output down 33.0%. PDVSA's pumping has fallen by 33% over the last year due to the contraction in its cash flow and the deterioration of its infrastructure. According to information published by the Organization of Petroleum Exporting Countries (OPEC), production came to 1.51 mb/d in March, putting the average for 2018 at its lowest in 33 years.

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Will oil prices go up? It is estimated that oil prices will go up by 5% thanks to the cuts promoted by OPEC, strong demand, and the suspension of supplies in the Middle East. The price of Brent has gone up by nearly 11% this year and WTI has risen by 12.6%.

It looks as though OPEC is achieving its goal. OPEC's strategy seems to be bearing fruit. The IEA estimates that investment in oil will go up for the first time since 2014 to USD 466.0 billion. What is more, the director of the consulting firm CRISIL Research, Rahul Prithiani, said that 3.9% growth in global GDP is expected and that the demand for oil would remain solid over the next two years.

BUSINESS SECTOR TIPS

Expo Venezuela Power 2018. Expo Venezuela Power 2018 was held between April 26 and April 29 at the Caracas Poliedro. At the event, the Venezuelan Government accompanied by companies in the public and private sectors revealed plans to strengthen the country's different sectors of production.

Credits and more credits... According to Vice President Tareck El Aissami, credits amounting to VEF 15.85 trillion were handed out at the event to finance several companies in the country. President Nicolás Maduro also handed over loans amounting to VEF 500.0 billion to producers in Lara to raise the production of meat, milk and other items.

... and yet more credits. Banco del Tesoro also handed over VEF 215.0 billion to the agri-food sector, and Banco de Venezuela, Banco Bicentenario, Banco Agrícola, Banco de Desarrollo Económico y Social de Venezuela (Bandes), and the Institute for the Development of Small and Medium Industry (Inapymi) combined granted 478 loans to the production sector.

Gasoline in Petros. On Thursday, April 26, President Nicolás Maduro gave the order to start selling gasoline to the airlines in Petros. He also announced that the government was working on an investment strategy whereby all the services offered by Venezuela would be paid for in the Venezuelan cryptocurrency.

Housing in Petros. Other news items include the signing by President Nicolás Maduro of an agreement with 15 private companies for the construction of housing in Venezuela's nine states financed via the Petro. According to Minister for Housing and Habitat Ildemaro Villarroel, 14,087 homes are to be built in different parts of the country.

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Food in Petros. Venezuela received VEF 700 million in food paid for with Petros, announced Tareck El Aissami at Expo Venezuela Power 2018. He commented that foreign businessmen are also planning to sell 20,000 tons of chicken to Venezuela to be paid for in this cryptocurrency.

And mining... The Ministry for Ecological Mining Development signed 29 joint ventures with Corporación Venezolana de Minería (CVM) to promote production. Minister Víctor Cano announced that an investment of EUR 180 million had been approved for the exploration and mining of nickel, quartz and other minerals.

...in Petros as well. Minister Cano added that the agreements were signed with companies from Spain and Holland and that, besides contributing EUR 775 million a year to the country, they would strengthen mining activity. It is also worth noting that these joint ventures will be financed largely with Petros.

More CLAP boxes. Freddy Bernal, the coordinator of the Local Supply and Production Committees (CLAPs), said that they are currently distributing 12 million CLAP boxes and that this Saturday 28 ships arrived in Venezuela with food on board, namely sugar, corn, wheat, soy cake, and rice, that would be sent to Venezuela's agro-industry.

We'll save in Gold Petros. President Nicolás Maduro also announced that the Gold Petro would be activated in the next few days as a savings option for Venezuelans. Vice President Tareck El Aissami added: *"They're going to be sold in bolivars via a DICOM system of public auctions in bolivars."*

Oil at VEF 1 billion. The excessive increase in the price of diesel oil could result in a reduction in agricultural and livestock production in the coming months. The 208 liters barrel of diesel oil costs VEF 800,000 a year ago; in July it went up to VEF 2,800,000, in August it cost VEF 11 million, and then in April it reached VEF 1 billion. Some farmers will not be able to cover transportation costs.

Nothing to celebrate on Labor Day. Labor union leaders said that there was little to celebrate on May 1, due to the fact that the government has destroyed Venezuelans' savings. *"In these past five years of government, real wages and purchasing power have deteriorated more than 5000%. This means that an employee who earns a minimum wage cannot cover the cost of the basic basket,"* said Servando Carbone, the coordinator of the National Federation of Public Sector Workers (Fentrased).

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WORLD ECONOMY TIPS

Consumption stagnates. The US economy expanded at a rate of 2.3% year-on-year in 1Q2018 compared to 2.9% in 4Q2017. Consumer spending -the main component of aggregate demand- expanded by 1.1%, its lowest rate of growth since 2Q2013.

Dangerous drops. The United Kingdom's economy posted growth of only 0.1% in 1Q2018 compared to the previous quarter, its lowest rate of growth since 4Q2012. Year-on-year, growth was 1.2%, the lowest since 2Q2012.

The weather's partly to blame. This result is explained partly by the particularly bad weather in the UK during the first months of the year. Even so, it casts doubts on whether the Bank of England will announce an increase in the interest rate in May.

Left without unemployed workers. The total number of unemployed workers in Germany fell by 7,000 in April to 2.37 million. Despite this figure being less than the 15,000 forecast, the unemployment rate stays unchanged at 5.3%, the lowest level since the reunification of Germany in 1990.

Frustrated transition. Retail sales in Germany fell by 0.6% in March versus forecasts of growth of 0.8% and a contraction of 0.2% posted in February. This means that this indicator has posted four months of contraction in a row, discouraging expectations that Europe's biggest economy will start to base its growth on consumption rather than on exports.

Drop in exports. The Purchasing Managers' Index (PMI) for China's manufacturing sector fell in April to 51.4 points from 51.5 in March. This drop was due to fewer export orders. Even so the indicator remains above the 50 point threshold that separates growth from contraction.

Interest rate hike. The Central Bank of Argentina (BCA) announced a 300 base point increase in the reference interest rate from 27.25% to 30.25% in an attempt to curb rising prices. Cumulative inflation in 1Q2018 came to 6.7%, making the possibility of achieving the target of 15% by year-end more difficult.

Flooding the market. The day prior to the announcement of the increase in the interest rate, the BCA sold a record USD 1.47 billion on the foreign exchange market in a bid to put a brake on the devaluation of the Argentinean peso, which was being exchanged at a rate of ARS 20.80/USD versus an exchange rate of ARS 18.65/USD at the start of the year.

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For the third month in a row. The unemployment rate in Brazil closed March at 13.1%, the lowest since May 2017 and higher than the 12.9% forecast by analysts. This means that the indicator has been growing for three months in a row above forecasts.

Real estate sale. The Government of Brazil is to sell the majority of its holdings in 276,000 pieces of real estate in the country, among them condominiums, offices, and commercial buildings. The government expects to obtain the equivalent of USD 2.69 billion as a result of this operation.

Interest rate cuts continue. The Central Bank of Colombia reduced its reference interest rate by 25 base points to 4.25%. This is the lowest rate for this indicator since June 2014 and means that it has gone down by a cumulative 350 base points since December 2016.

The holiday effect. In March manufacturing production in Chile fell by 2.4% year-on-year, a worse performance than expected dragged down in particular by a contraction in the alcoholic and nonalcoholic beverages sector. However, the result was due in part to the fact that there were two working days less than last year. The indicator posted an increase of 2.2% year-on-year for the first quarter as a whole.

POLITICAL TIPS

Everyone's necessary. *Avanzada Progresista* (AP) presidential candidate Henri Falcón called on the population to reject the campaigns in favor of abstention. “*Abstention is a terrible mistake; there is no purpose to it, it doesn't serve anything... Any action that contradicts the participation of the people is a deceptive and irrational proposal out of any kind of context,*” he said. He also stated that he had held a meeting with another of the candidates, Pastor Javier Bertucci, to discuss the importance of achieving the highest possible level of participation.

The next step. After a meeting with Colombia's President Juan Manuel Santos, the Argentinean journalist Andrés Oppenheimer said that the Constituent National Assembly was drafting a new constitution that it would make public after the May 20 elections.

Nearly a year later. Santos said that this new constitution would have 350 articles and 18 “transitory clauses” and that some of those articles were designed to hatch a plot for abolishing universal suffrage and “*establish a system similar to Cuba's, where elections are a kind of corporate exercise.*” It also plans to change the definition of treason so as to have more legal instruments with which to repress the population.

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Mapping out a route. Former Governor of Miranda Henrique Capriles Radonski called on the opposition parties to organize a debate on “*the urgent and pressing need for the Democratic Unity to discuss which policy and which path should be followed to give Venezuelans an answer to the worst crisis in our history.*”

To put a stop to their games. The Prosecutor General appointed by the Constituent National Assembly, Tarek William Saab, said that there was a warrant out for the arrest of the justices of the Supreme Tribunal of Justice appointed by the National Assembly and who are currently in exile. “*Usurpation and treason*” were the grounds cited by Saab for issuing the warrant.

The next steps taken. Following the issuing of the warrant for the arrest of the justices in exile, the Bolivarian Intelligence Service (SEBIN) raided properties belonging to Justices Pedro Troconis, Elenis Rodríguez, Cioly Zambrano, Miguel Ángel Martín, and Antonio Marval. The order was issued last Friday by Caracas Control Judge 25.

The margin for maneuver gets smaller. According to José Miguel Insulza, former secretary general of the Organization of American States (OAS), the chances for any type of solution Venezuela might have to its current crisis are getting smaller as time goes on.

Looking for the money. Deputy Juan Guaidó stated that he had held public consultations with civil organizations, local authorities, and citizens regarding a law for recovering assets obtained as a result of corruption. At these consultations, evidence was presented of “*how acts of corruption have played a leading role in destroying Venezuelans’ quality of life.*”

Two-way solidarity. After the Prime Minister of Trinidad & Tobago said that he would not allow the archipelago to be turned into a “refugee camp,” Deputy Delsa Solorzano asked him to remember those Trinidadians who had been well received in Venezuela in the past.

With open arms. Nicolás Maduro announced the “Back to the Fatherland Plan,” under which he hopes to be able to provide support for any Venezuelan who has emigrated and is forced to return to the country. The plan, which Maduro ordered Finance Minister Simón Zerpa to carry out, will be coordinated with the help of four state-owned banks.

A measure for governing the people. During his election campaign in Lara state, President Nicolás Maduro stated that the keystone of his future plan for governing the country would be the mass distribution and use of the Carnet of the Fatherland. Furthermore, he called on the people for their support to get 600,000 votes in Lara so as to achieve the target of 10 million votes.

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There's a reason for them. Deputy Jorge Millán stated that the purpose of the protests coordinated last Friday was to express people's rejection of the deficiencies in basic services, the lack of food, and the precarious state of the health sector and security.

Flying again. Nicolás Maduro announced that relations between Venezuela and Panama had been restored and that, consequently, commercial flights between the two countries had been resumed. He commented that the announcement came as a result of talks with Panama's President Juan Carlos Varela.

They don't inspire confidence. After holding a meeting with the European Union's high-level representative for foreign affairs, Federica Mogherini, Deputy Julio Borges said that the European Union would not take part in the May 20 elections due to the fact that there should be "*clear, credible elections agreed with the Venezuelan opposition.*"

Small demands. "*It's important for the government to create conditions that permit broad consensus regarding free elections with the participation of all political parties that respect the principles of justice and transparency,*" said Mogherini.

They're asking for something more. Omar Barboza, the president of the National Assembly, who was also present at the meeting with the high-level representative, said that the European Union should bring pressure to bear to get the elections suspended so as to comply with Mogherini's demands.

They are not the only ones. Antonio Ledezma, in political exile, said that the Government of Argentina would not recognize the results of the elections and that it would urge other countries in the region to do the same.

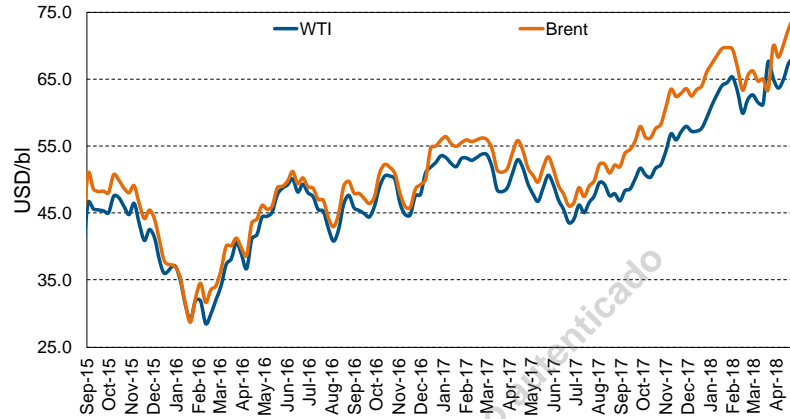
Raising the white flag. At the same time, Ledezma insisted that Venezuela needs immediate humanitarian intervention. The former Metropolitan Mayor of Caracas said that an action such as this is contemplated in international conventions and resolutions and that it was necessary to rescue "*26 million people who have been kidnapped by an oppressive regime.*"

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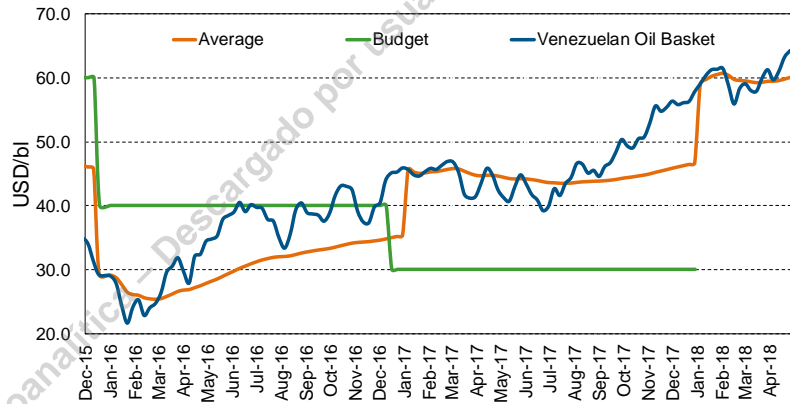
ECONOMIC INDICATORS

**Oil Prices
(WTI and Brent)**



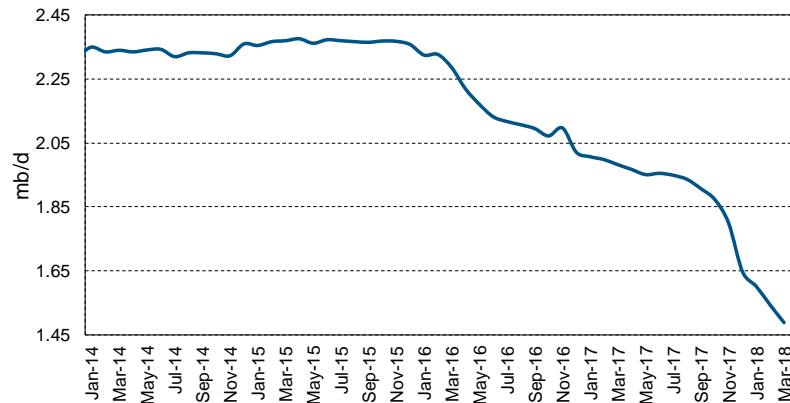
Sources: Menpet and Ecoanalítica

**Oil Price
(Venezuelan Basket)**



Sources: Menpet and Ecoanalítica

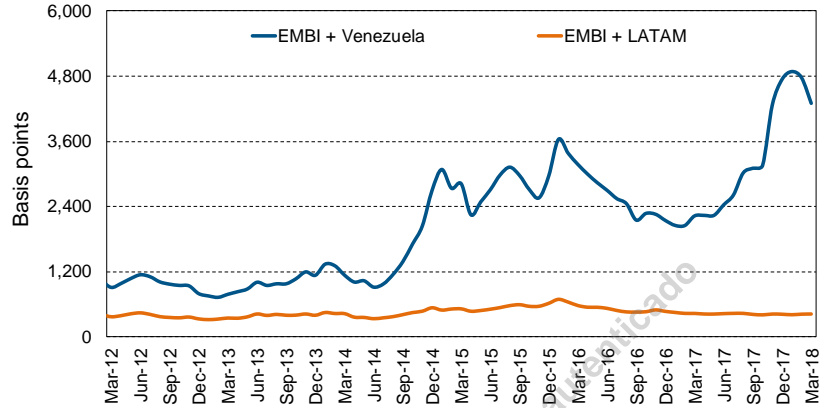
**Oil Production
(Secondary sources)**



Sources: OPEC and Ecoanalítica

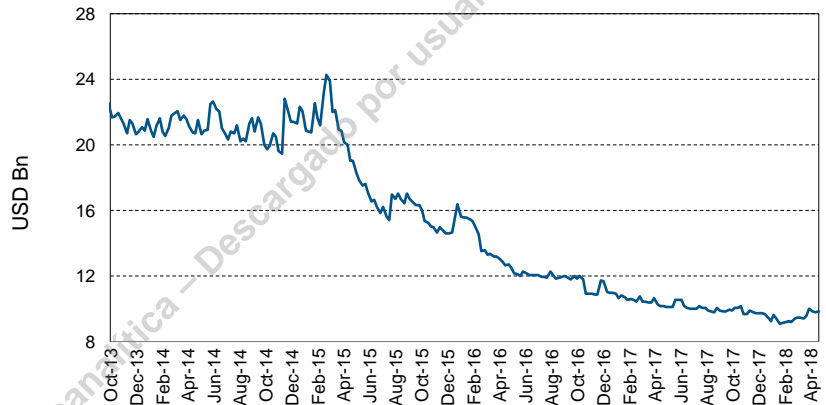
ECONOMIC INDICATORS

EMBI



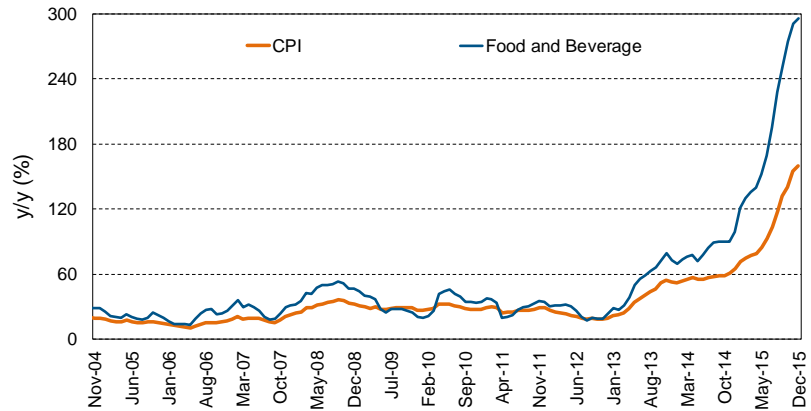
Sources: BCRP and Ecoanalítica

FX Reserves (BCV)



Sources: BCV and Ecoanalítica

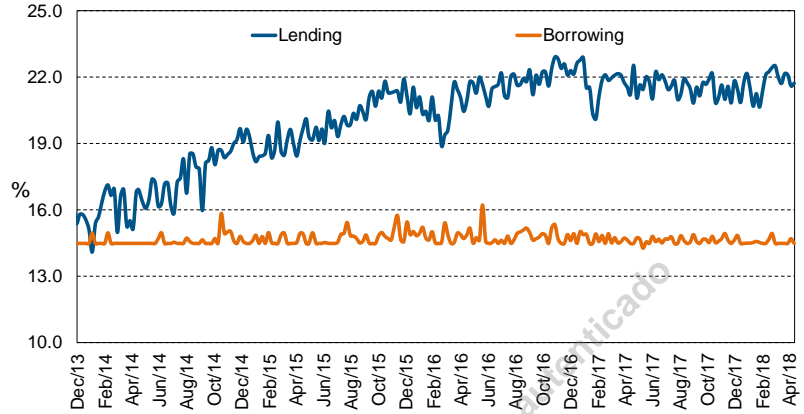
Inflation (BCV)



Sources: BCV and Ecoanalítica

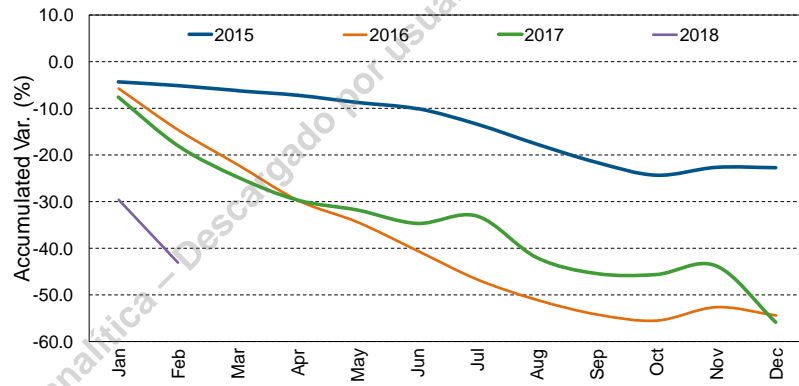
ECONOMIC INDICATORS

**Interest Rate
(Six major banks)**



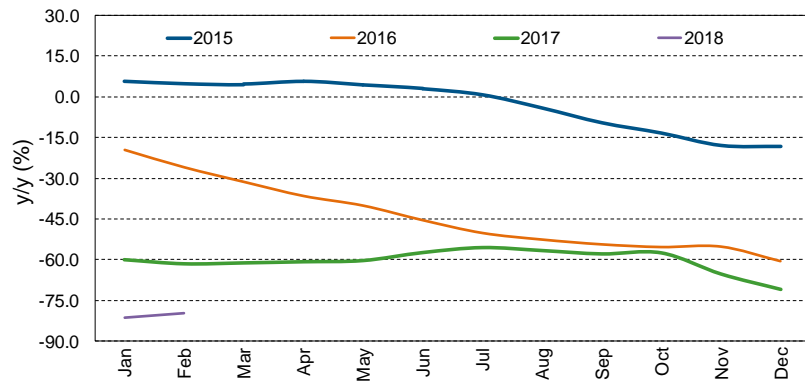
Sources: BCV and Ecoanalítica

**M2 Expansion
(Real)**



Sources: BCV and Ecoanalítica

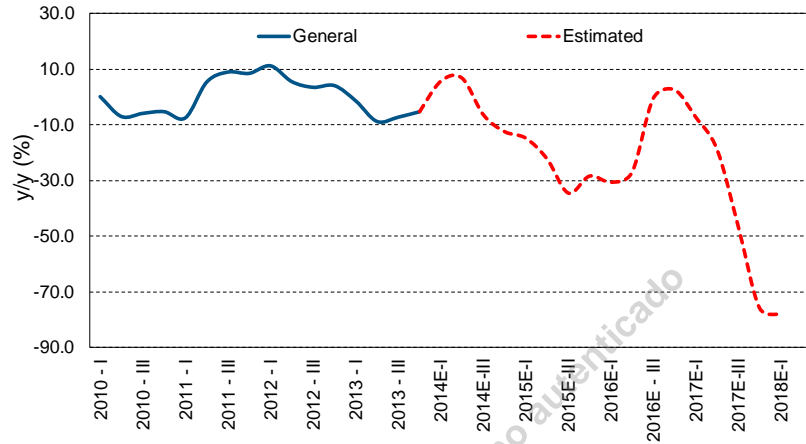
**Loan Portfolio
(Real)**



Sources: SUDEBAN and Ecoanalítica

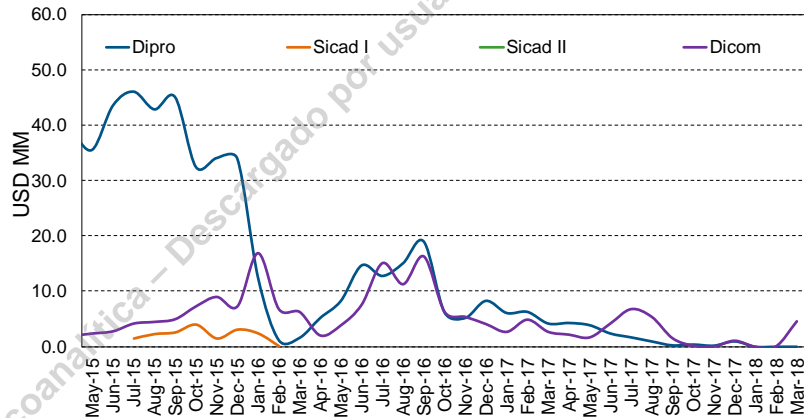
ECONOMIC INDICATORS

Real Wage Index



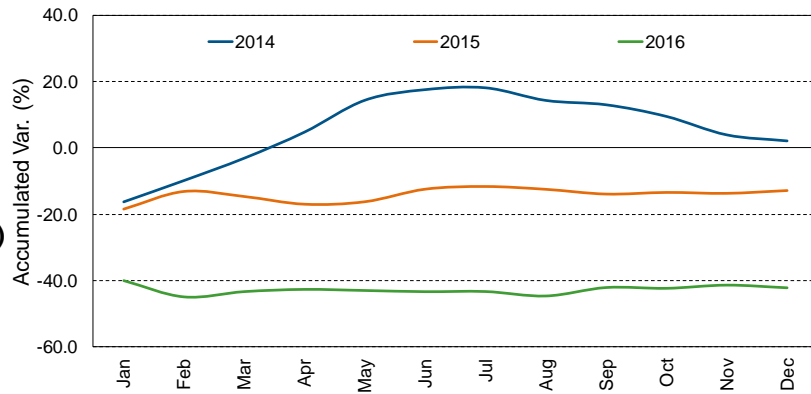
Sources: BCV and Ecoanalítica

Disbursements to the Private Sector (Daily Average)



Source: Ecoanalítica

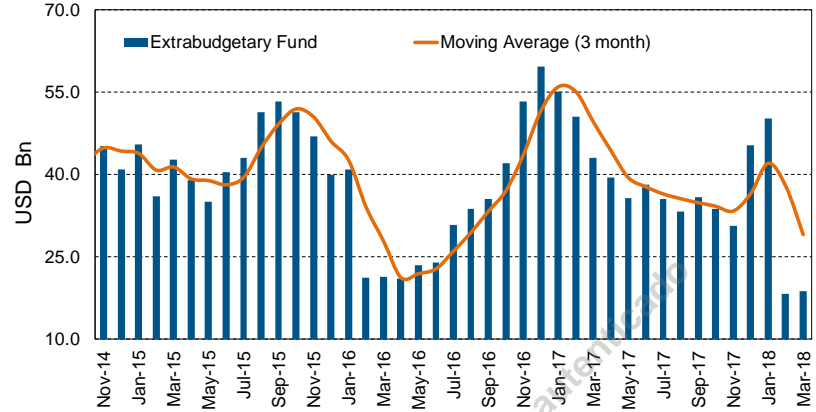
Primary Spending NTO (Real - Central Government)



Sources: ONT and Ecoanalítica

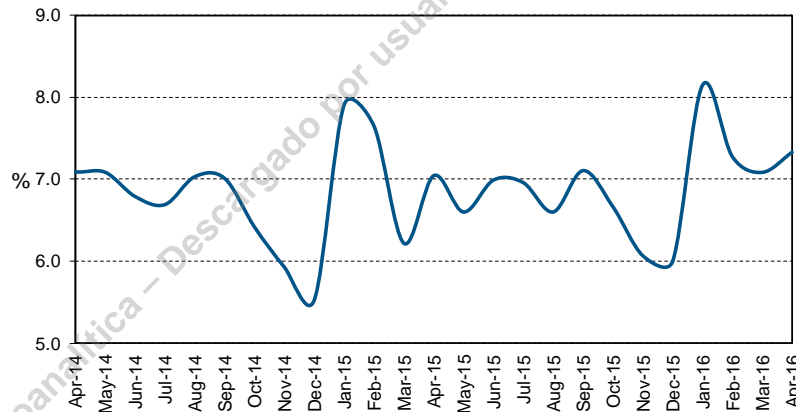
ECONOMIC INDICATORS

State Extrabudgetary Resources



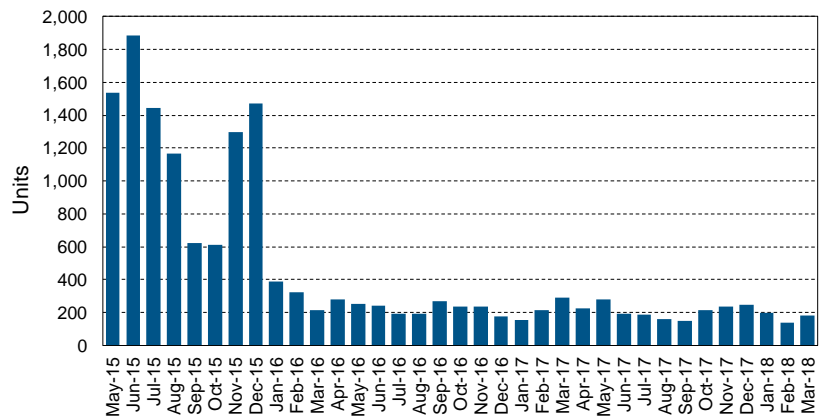
Source: Ecoanalítica

Unemployment Rate



Sources: INE and Ecoanalítica

Vehicle Sales



Sources: CAVENEZ and Ecoanalítica

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