



Weekly Report

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Economic anti-logic of an outdated ideology: inflation and the swap rate, two sides of the same coin.

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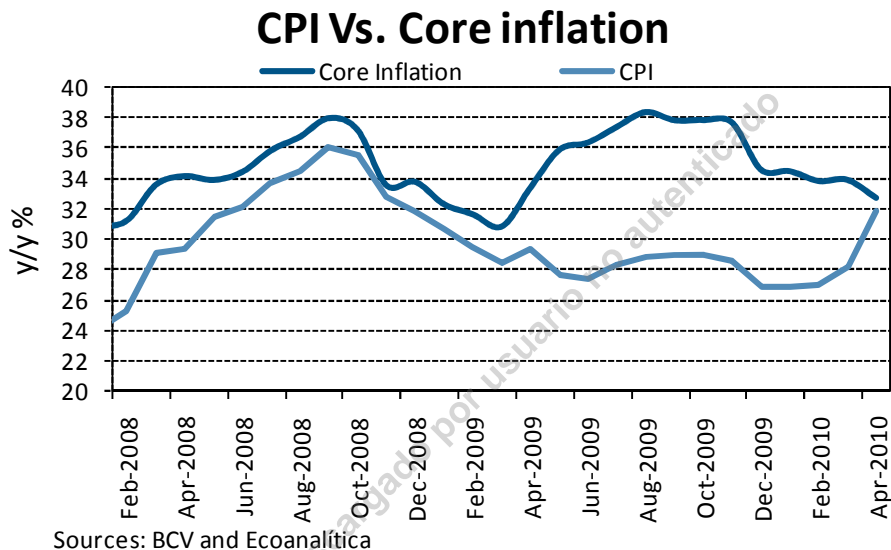
This year, the economic situation in Venezuela has got considerably worse. Three data suffice to prove the point: inflation up until April of more than 11%; depreciation of the swap exchange rate of more than 30%; and a drop in economic activity estimated at more than 4% (y/y, 7% SAAR) in the first quarter. The Executive's response: this is the result of "a conspiracy by the bourgeoisie" and the announcement of a series of measures. So far, the only one to have materialized is the approval following its second debate of an amendment to the Foreign Exchange Crimes Law.

**April inflation:
opening the
floodgates of
repressed
inflation**

During April, both the consumer price index (CPI) and the nationwide consumer price index (NCPI) posted increases of 5.2% compared to the previous month, a growth in prices not seen since February 2003, when the CPI registered an increase of 5.5% just before foreign exchange controls were implemented. It would seem that history is repeating itself as, shortly after the inflation figure for April was made known, an amendment to the Foreign Exchange Crimes Law was approved in the National Assembly. The point is that the parallel exchange rate definitely has a direct impact as a benchmark for price formation in the economy.



The most interesting aspect of these figures is the difference between the variation in the CPI/NCPI and their respective core inflations.



As can be seen from the above chart, practically throughout all of 2009, the cumulative increase in prices considered in core inflation during the previous 12 months was higher than for the CPI. This is what is known as repressed inflation. The difference between the cumulative variations of these indexes is due to the fact that the basket used to calculate the CPI includes products and services subject to price controls and major seasonal fluctuations (such as agricultural goods) whereas core inflation excludes goods of this type.

Making use of price controls, the government managed to repress part of the inflation during most of 2009. However, maintaining the price of a good unchanged while the rest of the products in the economy (including inputs used to produce that good) constantly increased in price was clearly unsustainable and, as a result, in April, there was an unleashing of the accumulated repressed inflation.

But that was not all

During April, other factors contributed to making inflation much higher than the trend observed thus far. Deputy Ricardo Sanguino explained that the increase in prices posted in April was the result of a severe drought that resulted in a considerable increase in the prices of agricultural goods, which have a significant weighting in the CPI. While that argument is a valid one, according to the Central Bank, *“the rise in the prices of the majority of*



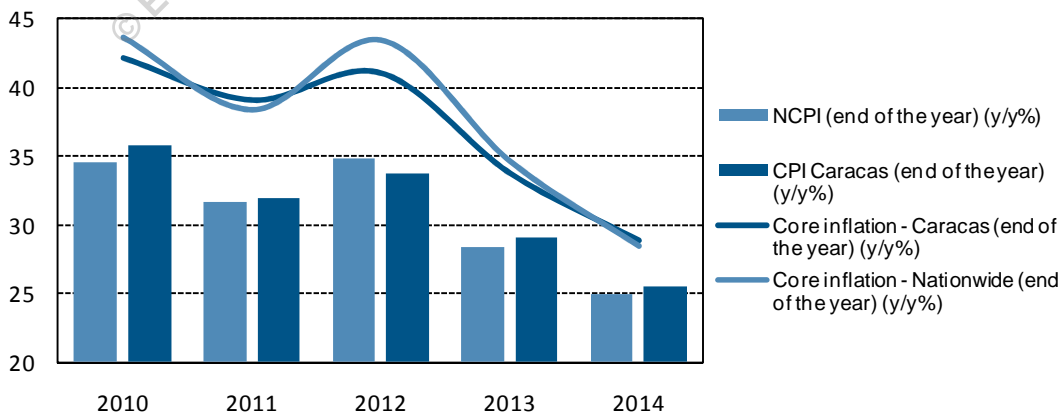
agricultural products, particularly vegetables, added 1.8 percentage points to the overall rate for the month.” In other words, there are still another 3.4 percentage points of last month’s increase in prices of 5.2 points, which are largely accounted for by the adjustment in the prices of several regulated products. Taken together, these two reasons explain why the increase in the CPI was twice the increase in core inflation.

The trend will continue in May

On top of that, there was a 9.4% depreciation of the bolivar on the parallel market during April, when it went from VEF 6.95/US\$ at the close of March to VEF 7.6/US\$ at the end of April; a trend that has continued this month. This, combined with the bringing forward of the 15% minimum wage increase that was previously scheduled for September, is further fueling inflation in May. We are not saying that inflation in May will be as high as in April because, as we explained earlier, last month there was a combination of a series of circumstantial factors that are above and beyond the long-term trend.

In the first four months of the year, the CPI has risen by 12% and the NCPI by 11.3%, with increases year-on-year of 31.9% and 30.4%, figures that are in line with our forecast for inflation presented in the first *Outlook Report* of the year (35.8% and 34.5%, respectively for year-end), as a result of which we see little reason to change them.

Inflation forecast 2010-2014



Fuente: Ecoanalítica

Inflation in Venezuela: a long-standing problem

Inflation in Venezuela is a structural problem that goes beyond the present economic situation and even the monetary variables (the increase in money supply measured as M2 in the first four months of the year was only 1.1%



nominal, whereas last year it was 21.2%, also below inflation, which was 26.9%).

Venezuela's inflation can be explained as a conflict of interests between social classes (workers and capitalists) that are fighting to maintain their purchasing power and profit margins, respectively. When the Executive raises the minimum wage, the workers are relatively satisfied that their wage objectives have been met, but companies find their profit margin reduced below what they consider sufficient to compensate the risk of investing in Venezuela. Consequently, they gradually increase their prices to recover the profit margin they lost as a result of the wage increase, the workers then find that their purchasing power has declined, and the cycle begins all over again.

When the cycle begins the next time round, agents' expectations come into play, as both companies and workers want to reduce the impact of inflation to the minimum. In other words, if the workers expect consumer prices to increase, they will demand higher wages to ensure that their real income is not eroded. Meanwhile, the companies are anticipating increases too, both in wages and in the prices of other inputs, and, as a result, they also raise their prices to ensure a profit. So, expectations that prices could increase turn out to be a self-fulfilling prophecy. This is where the Central Bank should come in. Here its role is to convince agents that prices should not go up so much in the future, in other words that expected inflation will be low, so turning expectations into an ally instead of an enemy.

No help from the Central Bank

In countries where the central bank lacks credibility, as happens in Venezuela, inflationary expectations are almost always high. This is due to the fact that measures that could be taken to calm them are generally unpopular and provide governments with incentives to intervene in the designing of monetary policy, so destroying the nature and independence of the central bank. One thing is certain, prices will rise as long as companies and individuals try to protect themselves from anticipated price increases, and central banks can do nothing to prevent it.

Supply on the swap market: the Central Bank has its hands tied

In the last few days President Chávez and other government spokesmen have proposed different changes to the structure of the foreign exchange market, one of the most noteworthy being that the Central Bank would be put in charge of managing the swap market, i.e. it would be the equivalent of CADIVI in the swap market (this market would cease to exist in its present form). These proposed changes would mean that greater demands for foreign currency would be made on the Central Bank. If that were to



happen, the question is whether the Central Bank would have sufficient capacity to cope with these new functions.

At *Ecoanalítica* we set about calculating the Central Bank's possible flow of foreign currency for 2010. We started out by estimating PDVSA's net income –i.e. the dollars theoretically received by PDVSA for oil less the amount for exports to Petrocaribe sold on installments. In addition, part of the oil shipments to China is payment for funds received via the Chinese Fund; something similar happens in the case of Japan. Besides, our calculations are based on the premise that PDVSA will sell the Central Bank all the foreign currency from its “free” cash flow after taking account of production costs. We admit that this assumption is a polemical one.

On the foreign currency revenue side, we estimate that the dollars sold by PDVSA to the Central Bank in 2010 will come to US\$39 billion, US\$15 billion of which would be handed over in the first semester and the remaining US\$24 billion in the second half of the year. If we include the amounts sold to the Central Bank by Fonden and “surviving” exporters in the private sector, total foreign currency revenues would be around US\$47 billion.

On the disbursements side, we estimate that a quantity similar to that of 2009 will be released through CADIVI (US\$27.5 billion); US\$5 billion will go on foreign debt servicing; transfers to Fonden will be the US\$7 billion already scheduled; about US\$7.5 billion will be used for imports by the public sector; and some US-dollars will be released via the Central Bank's exchange bonds. In all, estimated foreign exchange disbursements will come to some US\$52 billion. The net flow of foreign currency in 2010 would mean a reduction in the international reserves in the order of US\$5 billion, bringing them to around US\$30 billion at year-end.

PDVSA is the key

It should be noted that, during the first semester of this year, PDVSA will not be handing over US\$5 billion of its revenues to the Central Bank, which it will use at its discretion, either for purposes that have nothing to do with the oil industry, such as the importing of food, and/or simply to make extraordinary contributions to the Central Bank to increase the international reserves at any given time. In any event, the maximum the international reserves could reach by year-end would be US\$34 billion.





Estimated Income	US\$ million
Pdvsa	
1Q10	6500
2Q10	8680
3Q10	12005
4Q10	11901
Purchases of FX from Fonden	5000
Private Sector exports	3000
Total income	47086
Estimated Outcome	
Cadivi	27500
External debt service	5000
Exchange bonds	5000
Public imports	7500
Transfers to Fonden	7000
Total outcome	52000
Variation of International Reserves	-4914

Source: Ecoanalítica

Based on the above and bearing in mind that, so far, the minimum level of the international reserves at certain times of the year has been a relevant factor for the government, if they do not want to “burn up the reserves,” as President Chávez commented recently, the Venezuelan Government will need to make new issues to finance the minimum demand for foreign currency by the private sector, which is in excess of US\$10 billion a year. If it is not prepared to cover that demand, inevitably the unofficial (unregulated) exchange rate will grow exponentially.

In the first place, as we have mentioned in previous reports, this uncontrolled increase in the parallel exchange rate is due, quite simply, to an increase in the demand for foreign currency in that market generated by short supply of foreign currency at the official exchange rate. This is occurring, among other things, because CADIVI is restricting foreign currency authorizations and PDVSA is no longer a key player in this market. This has left the Central Bank as the only player and the only agent responsible in both the official and parallel markets, quite apart from its other legal responsibility with regard to the transfer of foreign currency to Fonden.



With a structurally inefficient CADIVI, whose priority has been to reduce the debt accumulated up until the previous year and to put a halt to payments of multinational companies' dividends and royalties, and a Central Bank that has been weakened by the transfer of US\$5.5 billion to Fonden so far this year, unfortunately, it was impossible to implement Merentes's strategy for containing the rise in the parallel exchange rate, and it is the market that will suffer the consequences, with all attendant implications for the economy.

**The answer: a
new Foreign
Exchange
Crimes Law**

Secondly, given this situation, the Executive, attributing the problem not to the mechanism but to the speculative component (present in any market), has proposed reorganizing the legal framework and the operators present in the foreign exchange market. An amendment to the Foreign Exchange Crimes Law has already been approved following its second debate that will, basically, expand the definition of foreign currency to include everything to do with securities denominated in foreign currency and broaden the Central Bank's spheres of competence in the buying and selling of "foreign currency" so that it will only be possible to sell these securities through the Central Bank.

However, the amendment leaves a window open just a crack for the traditional foreign exchange operators when it states that operations performed without the intervention of the Central Bank may not exceed US\$10,000 within any one-year period, as they will be punished under this law. This is a negligible amount even for meeting the demand of private individuals and the consequence will be a yet bigger unmet demand that will have to resort to another market that will be even more imperfect than the present one, bearing in mind that, last year, the parallel market moved just over US\$27 billion.

Although available information regarding the new foreign exchange regulatory framework is extremely vague, at **Ecoanalítica** we do not consider that the problem is one of speculation and financial intermediation. In our view, the most important issues that need to be addressed have to do with the shortfall in the supply of foreign currency, because, in any market, regulated or not, if demand increases and supply does not, the price will always tend to rise. At **Ecoanalítica** we are of the opinion that this scenario will be short-lived and that the potential distortions could be so damaging to the economy that the Executive will reconsider the strategy. Greater control over the foreign exchange market by the Central Bank is irreversible, however. But that is not necessarily a bad thing, except that the "alien" responsibilities that the Central Bank has been given should be reduced so that it can concentrate on this mechanism (as well as prices). This leads us to believe that PDVSA's role here will be necessary and decisive.



Economic Tips

Published in the Official Gazette. The new reform to the Law of the Venezuelan Central Bank (BCV) was published in the Official Gazette N° 39,419, and now the BCV will have to be aligned with the guidelines of President Chavez's National 2008-2013 Plan. There are no differences between the version published and the one approved by the National Assembly in April.

National CPI by group. The results of April's NCPI variation by groups show the acceleration of prices increase, which is reflected in the fact that 6 out of the 13 groups reported greater variations than in March. Among the groups that had greater variations are: food and non-alcoholic beverages with 11.1%; transportation with 4.2%; restaurants and hotels with 3.5%; alcoholic beverages and tobacco with 2.0%; house rentals with 0.8%; and communications with 0.3%. The other six groups, which resulted with smaller variations, were: home services except for the telephone service, with 0.4%; home appliances with 1.9%; health with 1.7%; recreation and culture with 3.0%; educational services with 0.6% and various goods and services with 2.1%. The only group that remained the same was the clothing and footwear group with 1.1%.

By city... Breaking the NPCI down geographically, we are able to observe that all sectors presented a higher inflation in April compared to March, lead by Maracaibo with 5.8% and followed by Barcelona-Puerto La Cruz with 5.7%; Valencia with 5.3%, Caracas with 5.2%; Barquisimeto with 5.1%; Ciudad Guayana with 4.7%; Maracay and Maturin with 4.3%; San Cristobal with 4.2% and Merida with 4.0%. The group called "Rest of the Country" went from 1.9% in March to 4.2% in April.

Inflation for the Caracas Metropolitan Area. The Consumer Price Index of the Caracas' Metropolitan Area reached 5.2%. The index's y/y variation reaches 31.9% and the accumulated variation of 2010 reaches 12.0%. This is the biggest m/m increase since February 2003.

And the inflationary core... Surprisingly, the NCPI inflationary core reported 2.6% in April, a variation that is lower than the NCPI itself (5.2%). With this, the accumulated variation of 2010 reaches 9.1%, while the y/y variation is 29.6%. Regarding the inflationary core for the Caracas Metropolitan Area, the variation was 2.7%, also lower than that of the CPI (5.2%). The accumulated variation of 2010 is 9.7% and the y/y variation is 32.8%.

Wholesale Price Index. The wholesale price index also reported a higher variation in March compared to the previous month, reaching 5.5% an accumulated annual



variation of 10.7% and a y/y rate of 29.2%. This increase comes from the 5.95% increase of national prices, since the variation reported by the imported ratio was 3.8%.

Goods and services. Goods and services went up in April compared to the month of March going from 2.8% to 7.6% and 1.9% to 2.9% respectively across the board.

Food basket goes up. Figures released by the Center for Documentation and Analysis for Workers (Cenda) show that during the month of April, the basic food basket went up by 5.8%, going from VEF 2,057.10 to VEF 2,177.40.

Interest rate. The lending rate for the fourth week in April was at 16.9%, down by 174 basis points compared to the previous week. Time deposits and savings rates were at 14.5% and 12.6%, respectively, remaining steady.

International reserves. International reserves went decreased by 1.3% going from US\$28.33 billion during the fourth week in April to US\$27.95 billion during the first week in May. Compared to the same period last year, international reserves dropped by 6.0%.

Monetary liquidity. Monetary liquidity for the fourth week in April was up by 0.6% compared to the previous week settling at VEF 238.36 billion, and up by 1.1% in nominal terms and down by 7.6% in real terms compared to the same period last year.

Oil Tips

Participation of Mixed Companies in the Orinoco Oil Belt authorized. In a decree published in the Official Gazette N° 39,419, the Government authorizes the creation of a mixed company between Corporacion Venezolana de Petroleo and Suelopetrol Internacional. The decree also establishes the CVP will own 60% of the company's shares; Chevron will have an initial participation of 34%, Japan Carabobo 5% and Suelopetrol 1%. This mixed company's objective will be to develop the primary activities referred to in article 9 of the Organic Law of Hydrocarbons in the states of Anzoátegui and Monagas. The decree also authorized the creation of a mixed company between CVP, Repsol Exploracion (Spain), PC Venezuela, Petrocarabobo Ganga and Indoil Netherlands, also attached to Menpet.



Salaries affect Pdvsa's expenses. The Venezuelan oil company will have a budget of VEF 149.7 billion for 2010, out of which VEF 101 billion represent current expenses. Breaking the allocation down we can observe how operation costs raise by 83% in nominal terms. For this period, costs are projected at VEF 55 billion, when in 2009 the estimate was VEF 30.1 billion. This is affected by remunerations, calculated at VEF 10.5 billion. In 2009, the remuneration expenses reached VEF 5 billion, which represents a nominal raise by 110%.

Gasoline supply normalized. After having reported shortages in the Metropolitan Area's gasoline supply, the service has been normalized. The plant located in Guarenas resumed shipment operations, so gas stations will now restart their normal activities to satisfy the product's demand. The supply shortage was owed to a lack of dispatch due to the holiday and a lack of trucks. The shortage was reported with 95-octane gasoline, the most popular type.

Natural gas supply to be increased. Pdvsa started drilling to produce natural gas at the Mariscal Sucre project, estimating natural gas supply to increase by 2012. Rafael Ramirez, Minister of Energy and Oil, said there had been drillings in three wells at the Dragon field, and that the target was to drill 16 wells. Chavez said the projects Mariscal Sucre and Deltan Platform would allow for the natural gas production to reach 2.2 billion cubic feet per day within four years, equivalent to 40% of the current production.

Dominican Republic sold 40% of its oil refinery to Venezuela. As a result of his visit, President Chavez signed in Santo Domingo a purchase-sale agreement for 49% of the shares of the Dominican State oil refinery Refidomisa. After having postponed it in several occasions since the official announcement in 2008, the deal was closed with an agreed price of US\$130 million. This refinery has the capacity to process 110,000 barrels of crude oil per day.

"The markets are oversupplied." Even though the crude oil markets are oversupplied, the Organization of Petroleum Exporting Countries maintains its position as to measures taken to prevent prices from plummeting down, since they still consider it to be premature. Abdullah al-Badri, Opec's secretary general, said the global crude oil markets were oversupplied, urging member countries to meet their production quotas. He also said the drop of crude oil prices was related to speculative operations and that the trend was pressured to decrease due to the uncertainty caused by Greece's debt issues.

US\$50 million face-up Petropar, freight companies and PDVSA. In order to continue with the same economic benefits of 2007, freight companies boycotted Petropar's bidding processes. Ship-owners denounced the head of Petropar, Juan



Gonzalez Meyer, for trying to favor the State-owned Venezuelan oil company, arguing he was imposing conditions on purpose in the bidding process to favor transportation under the DES mode (shipping to destination port), pretended by the Venezuelan company. The breakup of Petropar and shipping companies was.

International oil baskets. At New York market's closing time, last May 13, the WTI was at US\$75.0/bl, showing a 2.8% decrease compared to the US\$77.1/bl of the previous Thursday. The Brent increased by 0.7% to reach US\$79.7/bl, compared to US\$79.2/bl of Thursday, February 25.

Local oil basket price. The Venezuelan oil basket price decreased last week, to close at US\$74.04/bl on Friday May 7, US\$1.12 less than the US\$75.12/bl of the previous week. Meanwhile, the basket's annual average increased to US\$71.91/bl.

Business Sector Tips

More expropriations. The President ordered the acquisition of property and buildings of Sociedad Mercantil Molinos Nacionales (Monaca), under presidential decree published in the Official Gazette No 39 422 of May 12.

Closed for audit... The National Securities Commission (CNV) closed three stock brokerages for audit last Monday May 10, namely, Banvalor, Positiva and Italbursatil, for no public reason, although there were statements indicating the audits had been ordered due to foreign exchange irregularities. This measure included these companies' cease of operations in the stock market. Sector sources indicated the audit was ordered because these companies had used related companies in bidding processes to allocate exchange bonds. However, it is thought that Brokerages and other exchange operators will be left outside the foreign exchange swap market.

Asofrigo has no issues with the Government. The Venezuelan Association of Cold Meat Processors and Industrial Slaughterhouses (Asofrigo) says it has no issues with the regulated price imposed by the Venezuelan Government, since many of their products are imported from Brazil and have preferential treatment with the Administration, which has allowed them to gain certain flexibility in the import of slaughter animals.

Indepabis to get radical. According to the National Assembly Representative, Mario Isea, there are plans to apply severe measures with the Law of the Institute for the Defense of People in the Access to Goods and Services (Indepabis) to counteract



speculation in the meat sector, by applying measures such as the suspension of import licenses and currency allocations, as well as a strict supervision in slaughterhouses and wholesale distributors.

CAF approved the electric project. The Andean Development Corporation (CAF) approved a loan for US\$500 million for the National Electric System's (SEN) Strengthening Program. The plan contemplates the incorporation of 16.195 Mw of electric generation by 2015. With this, the amount received by Venezuela in CAF loans reaches US\$3 billion.

Car sales haven't recovered. Automobile sales haven't been able to recover yet. Comparing this first period of 2010 with the same period of 2009, there has been a 36.4% contraction, according to the Venezuelan Automotive Chamber (Cavenez). 38,491 units have been sold so far this year, 21,995 units less than during the same period of 2009. The biggest slump is in imported unit sales, with 84.5%. However, the field of national vehicles is also down compared to 2009, with a fall by around 16.5%. Manufacturer's main obstacle is the liquidation of foreign currency.

Production hasn't recovered either... During the first four months of 2010, vehicle production has decreased by 24.2% compared to the same period of 2009, according to Cavenez. During this period, 34,553 units were assembled and 11,282 vehicles were assembled in April.

Less houses being built. According to the president of the Venezuelan Real Estate Chamber (CIV), Francisco Neri, the construction of 160,000 housing units had been approved at the end of 2009. However, only 10% of these constructions have started during the first quarter of 2010, due to the limitations caused by regulations, permissions, supply shortage, devaluation, cost of the collective labor agreement and electric problems. He also indicated another factor that strongly affects the real estate activity, the legal uncertainty regarding property.

They estimate... 100,000 housing units were built during 2009, out of which 70% were built by the private sector. However, in 2010, the private sector estimates building 20,000 housing units, due to the regulations imposed to the market.

Possible rehabilitation. Juan Sequera, representative of the Ministry of Planning and Finance and Auditor of La Primera Casa de Bolsa, said there are no hidden liabilities and that the audit process was ordered due to a transfer for VEF 58.6 million to U21, which claimed itself incapable of paying, so shareholders made an extraordinary contribution to cover the deficit.

Aniquesos indicated the price adjustment was insufficient. The last price adjustment to the different fields of the dairy sector announced by the Administration is



insufficient, said Gerardo Santeliz, president of the National Association of Cheese Industrials (Antiquesos), since the whole marketing chain was not considered. As an example he mentioned the production of pasteurized white cheese, which costs VEF 33 and the regulated sale price is VEF 29.1.

World Crisis Tips

US Job market emits mixed signals. The Bureau of Labor Statistics' April job report shows mixed signals, since, even though the nonfarm payroll increased by 290,000 people, a very positive number after its increase by 230,000 in March (revised). Regardless of that fact, the jobless rate increased to 9.9% after having remained stable at 9.7% during the previous months. The increase in the unemployment rate is due to the fact that, in spite of the increase, 560,000 people were hired in April (290,000 is the net number of jobs created), also 805,000 people joined the work force, which had been significantly reduced since the beginning of the crisis. The average number of hours worked per week increased to 34.1, up from 33.7 during the third quarter of 2009, and salary retributions increase as well by 0.3%.

Europe comes together to back sovereign debts, €750 billion approved. The European Union, along with the IMF, approved a rescue package of €750 billion to back the sovereign debt of countries with debt problems (Greece, Portugal, Spain and Ireland). The main goal is to give markets back their confidence in the fact that no Union country will default on their debt. Since whenever one of them is not capable of honoring their commitments, the rest of the countries will offer support, the main goal is to maintain the Euro's sustainability.

All European Union nations to contribute to the rescue package. The €750 billion are comprised by €250 billion from the IMF, €440 billion from the 16 nations of the euro zone and €60 billion from the EU Commission. The plan of European leaders is to not need to use this fund (additional to the €110 billion approved for Greece), but to tell the market the EU is capable of responding for the debt of all of its countries and thus reduce the spread between the yield of sovereign bonds of troubled countries and the reference yield in Germany, as well as to stabilize the price of the euro which has lost XX% so far this year.

Not as bad as Greece. Portugal, Spain and Ireland, all countries with a high deficit (9.4%, 11.2% and 14.2% respectively), of which there are fears of infection with Greece's debt crisis problems (with a 13.6% deficit in 2009), are different from the Hellenic country in that their debt stocks are much smaller than their GDPs, 49.7%,



62.2% and 73.7%, Spain, Ireland and Portugal, respectively, Vs. 113.2% in Greece. This is why the latter's payment capacity results highly dubious.

Moody's considers lowering Greece's and Portugal's debt ratings. Moody's, one of the first three world rating agencies, announced they are studying the possibility to make a significant change to Greece's debt rating, which could go from A3 or Baa or even to a speculative category. They also said Portugal's debt rating would probably be lowered to Aa2 or Aa3 or even A1.

Bank of England decided to maintain interest rates unchanged. In its last Monetary Policy Committee, the Bank of England (BoE) decided to maintain its reference interest rate unchanged in the historical minimum of 0.5% for the fourteenth consecutive month. The BoE also decided to maintain the quantitative easing limit unchanged at £200 billion. The Bank of England has a difficult job facing a 3.4% y/y inflation in March (the inflationary goal is 2%), with a GDP growth of only 0.2% (SAAR) during the first quarter of 2010.

Brazilian economy looks solid. The Monetary Policy Committee of the Bank of Brazil decided to increase its referential interest rate by 75 base points, from 8.75% to 9.5%. Industrial production increased by 2.75% in March compared to February, and accumulated an 18.6% growth compared to March of 2009. Production of intermediate goods (1.25% compared to the previous month and 17.6% compared to the previous year); final goods (2.3%, 13.3%); capital goods (2.5%, 35.8%).

Political Tips

Government denies Cuban influence in the FANB. General in Chief Carlos Mata Figueroa, current Minister of Defense, denied the alleged Cuban influence in the National Bolivarian Armed Force (FANB). In light of the commemoration of 200 years of Margarita's adhesion to the Independence Movement, General Mata Figueroa assured "There is no Iranian, Russian or Belarusian influence" as "prophets of doom" say. The Minister restated the adoption of a new military doctrine that is aligned with the new military thinking imparted by Hugo Chavez, highlighting the commitment acquired by the FANB with the revolution.

Mision@Chavezcandanga. Through the social network "Twitter," President Chavez announced the creation of a new Mission to answer and cater to all the requests



issued by this channel by a large number of Venezuelans. Since its airing last April 28, Chavez has gathered over 228,556 followers.

Bribes between Argentina and Venezuela to be reviewed. The Argentinean Judge, Julian Ercolini, is in charge of investigating the alleged collection of bribes destined to the exportation of Argentinean goods to Venezuela. Ercolini received evidences implicating Julio Cobos, Vice president of Argentina, in businesses with Venezuela. Cobos detached himself from the scandal and said he agreed with the creation of a new investigative commission to support the investigation.

... **Chavez rejects accusation.** The accusations for the alleged collection of bribes to export Argentinean products to Venezuela were catalogued by Chavez as a “political operation” looking to “stain” the current bilateral relations. Chavez said his country was thankful for the support of several Argentinean companies exporting their technology to Venezuela.

Chavez: “rule by following orders.” Even though he didn’t host his Sundays’ show, Aló, Presidente, in his “Chavez’s lines,” the Venezuelan President said the next National Assembly would have to make laws as per the people’s initiative so that “the legislating people could accelerate the transition to socialism.” Chavez said they needed to study and “theoretically armor themselves” for the next parliamentary election. He also said they should be instructed in the science of obedient power and rule by following rules.

A single campaign for all of its candidates. The United Socialist Party of Venezuela (PSUV) will have a single electoral campaign for all of its 165 National Assembly candidates. They will all have a joint voice and will be allowed to incorporate regional features but always pointing out the achievements of the revolution. The party’s directors, Willian Lara and Carlos Escarra, said the pre-campaign would start with the 110 candidates elected in the primary election of Sunday, May 2; the remaining 52 will be incorporated within days of the proselytism, when President Chavez authorizes social movements and allies such as the PCV.

Chavez against speculators. Vice President Elias Jaua was appointed by President Chavez to create a list of proven hoarders to be able to apply the corresponding measures against them. During a Ministers’ Council, he expressed that hoarders and speculators would be punished as per the Constitution and the Law, but nevertheless, his Administration was doing everything in its power to guarantee food and first necessity goods to the Venezuelan people.

Government asks to double-check for “turncoats” in the PSUV. President Chavez urged followers of the United Socialist Party of Venezuela (PSUV) to take measures



against “turncoats” hiding in the revolution. This was brought about by the actions taken by one candidate who, even after being elected in a circuit in the state of Lara, “switched to the wrong band and then came back.” According to Chavez, this situation is a symptom of the party’s weakness and thus urged the political group to earn people’s respect.

Chavez and Fernandez meet. The Venezuelan President and his Dominican homologue, Leonel Fernandez, talked about energy, narcotics control and communications during an official meeting in Santo Domingo, deepening bilateral relations. The Venezuelan ambassador in Dominican Republic, Aura Mahuampi Orti, said these agreements were important not only for Venezuela, but also for the whole Petrocaribe agreement, for the Bolivarian Alliance (of countries of Our America) and in general for Latin America.

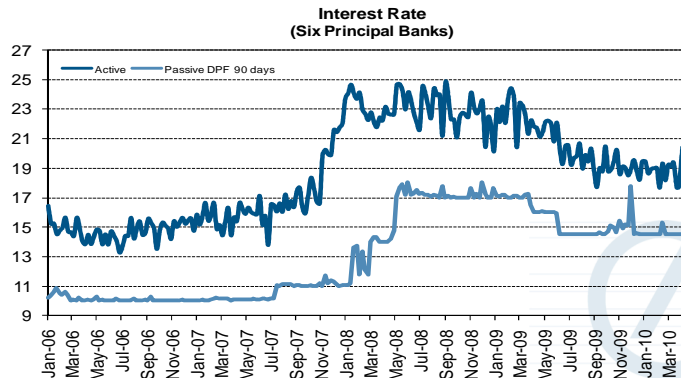
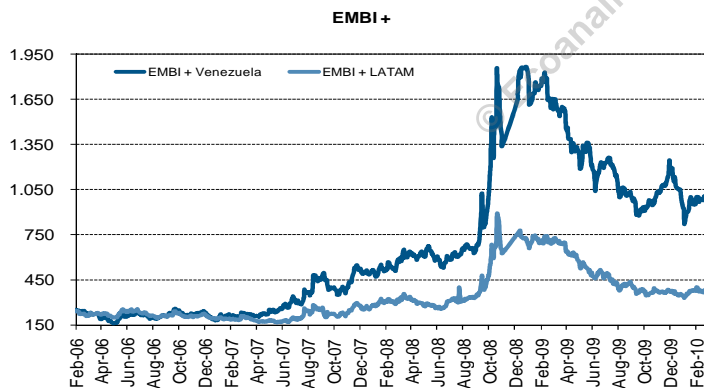
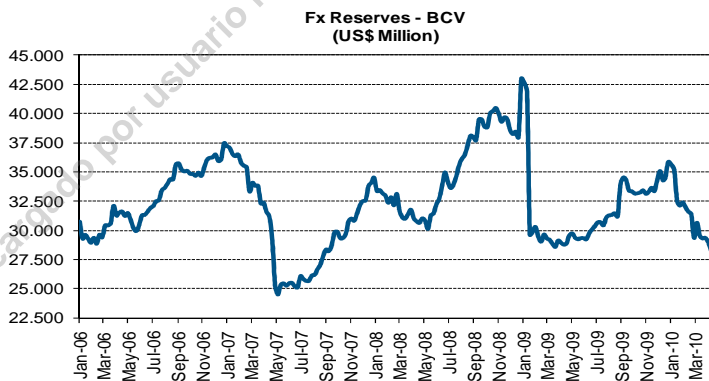
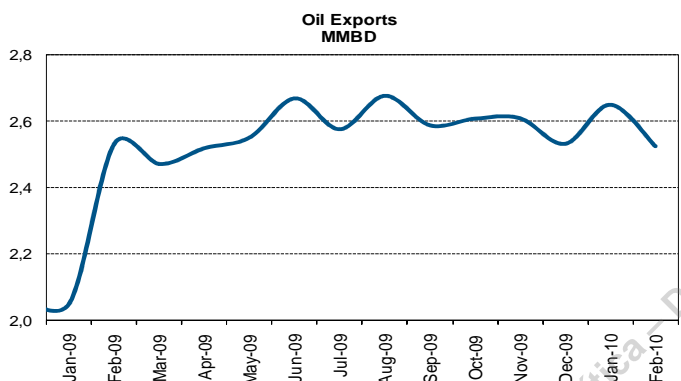
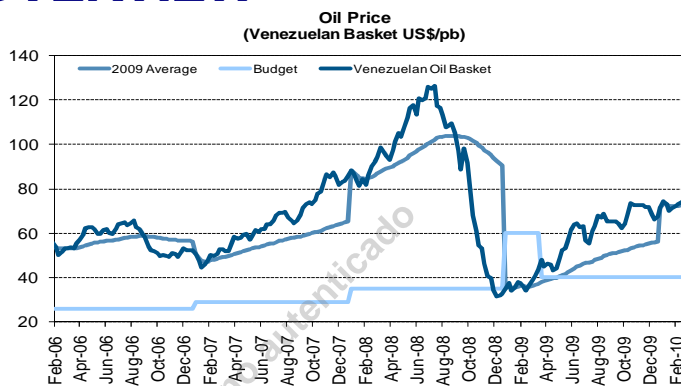
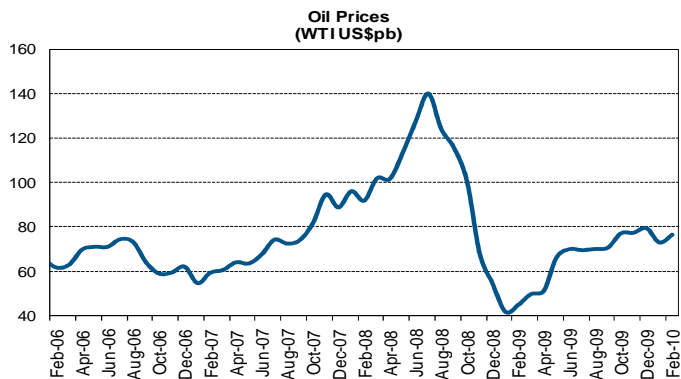
Differences between Chile and Venezuela persist. The opinion of Chilean President, Sebastian Piñera, about the Venezuelan government, has not changed, so was declared by Alfredo Moreno, Chilean Chancellor. After Piñera’s success in the presidential election, both presidents had a verbal disagreement, when he declared he didn’t like the way in which democracy was implemented in Venezuela, to which Chavez responded by asking him not to mess with his country. In their meeting, during the Union of South American Nations’ (Unasur) Summit, Chavez asked him to “respect himself” and to put an end to these “statements that obligated him to answer back,” to which the Chilean Minister of Foreign Affairs said there was no change in the Chilean Government’s position.

Maracay Country Club: Public and Socialist. After the Governor of Aragua, Rafael Isea, ordered the recovery of the Maracay Country Club’s facilities, they are now controlled by the Government of Aragua. Carlos Mendoza, Government Secretary said the “concepts of shares and memberships are included in the capitalist system. This place will now be open to use by anyone who decides to visit it under a suitable normative that guarantees its preservation.” As to the money invested by shareholders, he said Asociacion Civil Country Club would need to answer to them.

NA filed a suit against movistar. The National Assembly’s Permanent Commission for Administration and Public Services filed a law suit before the Supreme Court of Justice (TSJ) for the bad service offered by mobile phone operators to their users. Representative Angel Landaeta said the issues discussed were: irregular coverage, collection of monthly payments from the moment the number is dialed even if there is no connection, lack of communication among different operators, line overcrowding, exceeding their platforms’ capacities causing congestion and making it harder to establish communication.

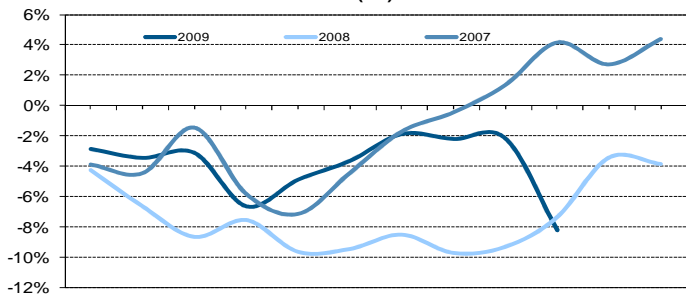


ECONOMIC OVERVIEW

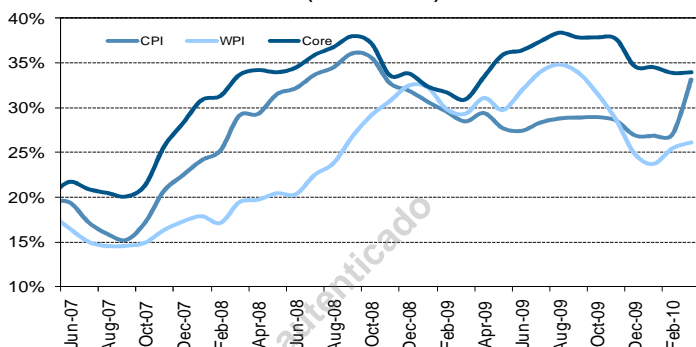




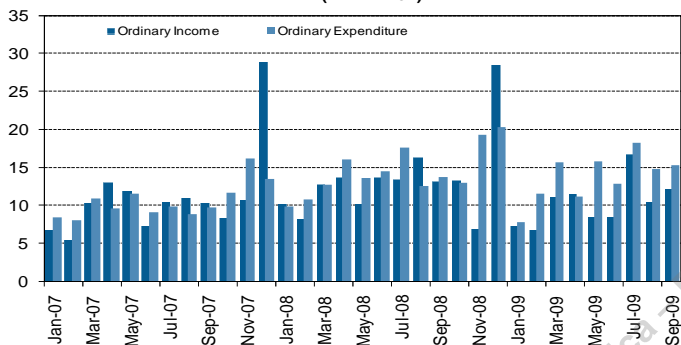
Real Expansion (M2)



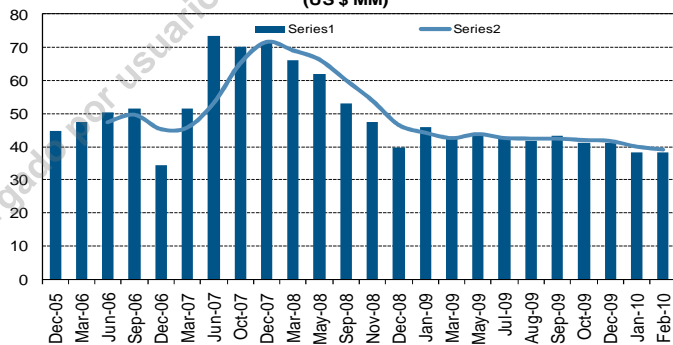
Inflation (Last 12 Months)



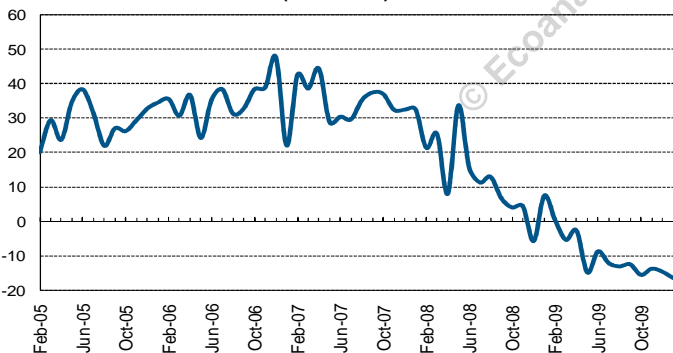
Central Government (VEB Billion)



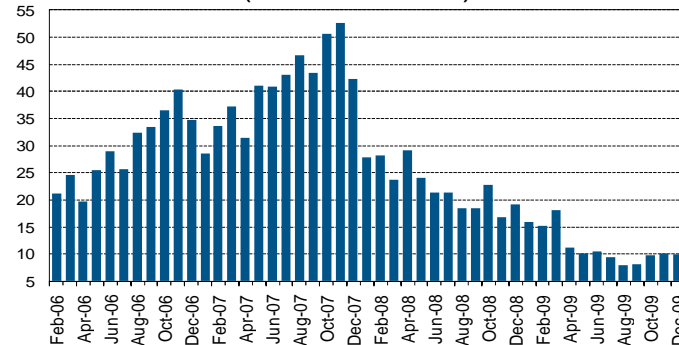
Resources of the State (US \$ MM)



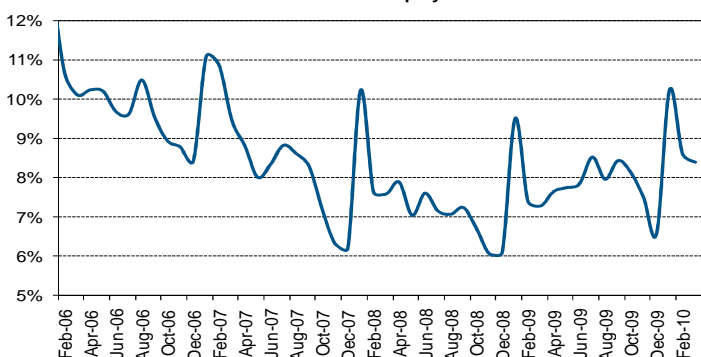
Volume of Sales (% Variation)



Sale of Vehicles (Thousands of Sold Units)



Rate of unemployment



Disbursement (US\$ Million)

