



Weekly Report

Year 9, Number 17
Week II, May 2013

By:
Edgar Gutiérrez
Asdrúbal Oliveros

Venezuela after April 14: Crisis, challenges, and political convulsion

Ecoanalítica's Team*

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

Reproduction or distribution prohibited

In a political analysis, the presidential elections of April 14 appear as one of the most spectacular and surprising of all the elections in Venezuela in the last fourteen years, perhaps due to its intense dynamics and results. Its repercussions will also lead to many discussions in the upcoming months.

An atypical election

Given the evident deterioration of the health of Hugo Chávez, ending with his death, the ruling party had been preparing and adapting its communications for an electoral scene with a previously anointed protagonist: Nicolás Maduro. In any a priori consideration, most estimates had chavismo keeping the presidency and power with considerable advantage, given the demobilization of the opposition, which had suffered not one but two successive defeats in a short time. However, in the end things were very different.

Capriles once again became candidate by consensus of the MUD –this time without divisions and with more inclusion in his command – and



acquired a combative posture. He built an epic campaign knowing that everything, starting with the time available, pointed to a defeat. In a very short time he achieved what many considered almost impossible: energize, motivate, and mobilize his electoral market. Both his and Maduro's campaign, at least from the political communication perspective, focused on talking to their own segments, and the tone of the shortest electoral battle in Venezuelan history was as expected: bitter and direct confrontation, full of attacks, and disqualifications on both sides.

From the outset of Capriles' campaign, his street events were very significant, since they evidenced that the opposition was waking up fast. However, opinion polls reflected a distance between both contenders of 20 and 22 percent points, impossible to overcome in a few weeks, mainly because they were impregnated by a dense emotional climate due to the physical disappearance of Chávez. What many observers forgot is that in electoral campaigns, many times what is more important is who makes less mistakes, and who capitalizes better the errors of the adversary: Maduro became tarnished as the days went by, and the more he talked and campaigned, the further down he moved in electoral preferences. Compared to most candidates that go from less to more, the political heir made greater mistakes. Among his main *gaffes*: diluting the mournful environment with a highly festive campaign, and not focusing his communications on issues that are central for voters, as his opponent did. He preferred a more ideologizing and radical approach.

In the last 10 days, all the surveys with no exception –some faster than other– showed that Capriles was quickly amalgamating his electorate and was growing fast, while Maduro was stagnant and moving slightly down. This made the gap close in the end, although no public opinion poll, except for Datincorp, rigorously predicted the picture perfect result. The atypical and unprecedented nature of this election surpassed the surveys, because the results were even more surprising. Although many forecasted a higher abstention than in October 2012, the number at the polls was basically the same. The opposition not only had the same number of voters as months before, but capitalized a million additional votes: the clearest sign of a phenomenon whereby former Chávez voters decided for someone of a different political sign. Abstention within chavismo led to what in the end was announced as an “irreversible” result: a difference of only 1.49%, or a little more than 220,000 votes.

The results also proved once again the strength of the opposition vote in the more populated and urban Venezuela, and the control of chavismo in



the rural areas that depend economically on the State. In all states with no exception, the number of chavistas dropped, revealing a loss of connection with the poorest sectors, and granting the opposition control of seven states, all of them located in what is commonly called the electoral corridor.

In an election –like all the previous ones– marked by unscrupulous abuse of State resources, a marked asymmetry in the access to communications, and open declarations of military officials in favor of Maduro; together with the irregularities that occurred and were denounced during the day of the election, it was reasonable to expect that such a close result would be disputed by the losing candidate. Capriles did not accept the results and demanded an immediate review of what happened. This time was very different compared to previous experiences in which the opposition claimed fraud: the anomalies recorded and made public before and during the election, this time did affect the results, and an adulteration was possible.

The controversial change in Maduro's position, who the night of the election agreed to the audit, and then changed his mind, have created doubts about the cleanliness of his triumph and opens up a political scenario for Capriles in which the opinion climate is favorable: according to a survey by Datanalisis between April 18 and 19, close to 70% of the population surveyed offered arguments supporting the opposition candidate in his demand for an audit and total recount of the votes issued on April 14.

Such was the pressure on the recently elected and quickly proclaimed Maduro that international movements started to force the CNE to open the institutional gates and accept the recount, even though 24 hours before, the president of the Supreme Tribunal of Justice (TSJ) herself, Luisa Estella Morales, had blocked that possibility. The emergency meeting of UNASUR was a determining factor for the CNE directors to accept – momentarily – the citizen's verification of the remaining 46% of the boxes. After this brief but intense storm, and once the official tactical goal was achieved, the CNE reverted to its usual behavior and ignored the opposition's request of the full audit, which includes besides the voting documents and ballots, the electoral books and the biometric records of voters.

First signs of a political crisis

Henrique Capriles has taken the route of delegitimizing the government of Maduro in different ways. First institutionally, to prove his case, thus he



appealed to challenging the results through the TSJ, dismissing the CNE audits for being insufficient; however, his scheme is based on two strategies: 1) wearing Maduro out, due to the crisis he must face economically and in public utilities, knowing that the latter won't even have a "honey moon period"; and 2) international disrepute. At recent days, the new government has had to face political setbacks with Peru, Colombia, Spain, the United States, and no many criticisms from personalities that have accompanies the deployment of Venezuelan spokespersons that have revealed the case in different scenarios.

Maduro, on the other hand, has assumed the radical path, and the use of "provocation" to somehow qualify it: his objective is to derail the opposition strategy by qualifying it as destabilizing, and provoking street actions that lead to confrontation, scenario that could strengthen the government if Capriles makes the same mistakes of his predecessors in previous times. Politically, the agenda of Maduro and his government can be summarized in accusations for the violent events of April 15 and 16, which led to deaths and vandalism, threats of imprisonment against the MUD candidate and the main opposition leaders: prison for Antonio Rivero (leader of opposition party Voluntad Popular), and an open policy of persecution in public institutions, which not only has been documented by the MUD and the media, but has been implicitly accepted by the present administration.

The challenge of the elections before the TSJ, given its dynamics and its terms, will tend to slow down the opposition's energy, but a new situation is clearly emerging in the next months, since it is quite likely that this appeal against the elections won't prosper in the Electoral Hall. This will be a new challenge for Capriles, who has been reaffirmed as the leader of opposition sectors.

The new government and its challenges

Meanwhile, Maduro also struggles to become established in an unfavorable environment, due to the internal questioning that he has had to face by being almost defeated in the elections, having had a considerable advantage at the outset. He has appointed a cabinet with a double meaning: politically, with the above mentioned behavior, and economically, showing signs that he will assume a more pragmatic position before economic agents, to ease up the crisis. Separating the Ministry of Planning and Finances, appointing Merentes to the latter, and relatively "confining" Giordani to the former, is partially shaded with the appointment of Edmée Betancourt as president of the BCV. With this, and with Jorge Arreaza as executive vice-president, an interpretation could be



that the model will remain the same, with some flexibility because of the situation.

In any event, the new government emerges amid doubts of legitimacy, having to face the dilemma of softening its position or radicalizing it. Within the ruling party, the second approach seems to be favored, so as to preserve its hardest segments. It would seem that they will go with the scheme that to rule, popularity isn't necessary, holding on to power through the elements of control that it has today.

Maduro knows that he has to share power, and therefore, the present government scheme is more like a "fellowship" in which he must coexist with individuals like Rafael Ramírez, Arreaza himself, Elías Jaua, and of course, Diosdado Cabello. The great uncertainty is how he will manage the military, because much of the stability of his administration depends on that factor. Meanwhile, Maduro is in the process of "defining himself" and has assumed maneuvers such as the "street government" and invasive communications through radio and television simultaneous and mandatory broadcasts (cadenas) to achieve that purpose and obtain the legitimacy he lacks today. This way, his success looks difficult.

Challenges for the opposition

In the sectors grouped around MUD, there are many immediate and middle term challenges. First, Capriles as the visible face of the political alternative must remain firm in his position to confront, but under the scheme of non-violence, nothing easy given the wealth of provocations he will have to face in the next weeks. Second, it will take time to exhaust the internal options and this may deflate the expectations of his followers, so he will have to handle the next situations with tact and firmness, and inform the public opinion about the next steps in the international arena. Time may play against him, so he must maintain the mobilization and protest scheme over a razor's edge.

Simultaneously, Capriles must develop a plan to allow him to have nationwide presence, and not allow being confined to his present role as governor of Miranda, a position where he will have to confront the constant and permanent harassment by ruling party followers.

Another challenge for him and the political sectors supporting him will be to manage correctly a probable an upcoming electoral situation: the local elections for majors and council representatives, which could be called soon by the CNE (even though the tenure of several directors of the organization have expired), in order to "normalize" the situation and place



the opposition before a new dilemma: not participate due to doubts about the transparency of electoral processes, or actively participate to protect spaces, even more so when it could obtain good results in the main State capitals and in many municipalities. If elections are called, voters must be explained why and how to participate, while assuming a clear and personal leadership for those elections.

However, this doesn't appear easy, considering that if the conditions are the same as in April, the arguments for fraud presented to the world would weaken. This must also be well explained in all scenarios, in order to be and appear consistent. Also, if the elections occur in the very short term, it is very clear that the opposition will have to pay higher "participation costs", that is, greater imbalances in the competition.

Many of the possible futures ahead seem complicated, and all are covered by the shroud of radicalization, full confrontation, and an acute crisis. The articulation of both the ruling party as well as the opposition will be key factors to forecast different results that will determine the path of the Nation for the next years.

© Ecoanalítica – Descarga gratuita en www.ecoanalitica.net





Economic Tips

Inflation reached 4.3% in April. According to figures published by the Central Bank of Venezuela (BCV), the National Consumer Price Index (Índice Nacional de Precios al Consumidor - INPC) variation for April was 4.3%, or year on year inflation of 29.4%. According to the press release by BCV, these figures represent a deceleration for the fifth consecutive month. According to the press release from the BCV this increase is due mainly to the greater relative growth in the price of goods, from 2.9% to 5.1%.

Meanwhile, core inflation registered an increase of 4.04% in April. The year on year inflation registered 31.7%

Food and non-alcoholic beverages above index. Among the 13 categories studied by the BCV, the group of food and alcoholic beverages had the highest inflation in April with 6.4%, an increase that is above the NCPI recorded for this month, followed by the categories of hotels and restaurants (4.3%), transport (4.2%) and alcohol and tobacco (4.2%).

CPI reached 3.9% in April. According to figures published by the BCV, consumer price index for the Metropolitan Area of Caracas (IPC-AMC) variation for April was 3.9%, or a year on year inflation of 27.8% since April 2012.

Higher inflation for the poor. Although the year on year inflation in April of the consumer price index for the Metropolitan Area of Caracas (IPC-AMC) had a variation of 27.8%, inflation for class II of the population, which includes families with a lower-middle income, increased 30.1%. Classes I, III and IV registered a variation of 29.7%, 29.5% and 25.9% respectively.

Inflation in non-controlled products increased 33.1%. In April the inflation of controlled goods was 3.6% and in the non-controlled products was 4.7%. But at the same time, non-regulated goods had an inflation of 33.1% and controlled goods of 24.1% since April 2011.

Geographical results. Of the 11 cities surveyed in April, the greatest variations were observed in Barcelona-Puerto La Cruz with an inflation of 5.6%, followed by Valencia with 5.2%. The areas with the least variation in April were Barquisimeto with 3.5% and Caracas with 3.9%.



Scarcity index increases. In April, the scarcity index increased from 20.0% to 21.0%, which means that out of every 100 products that consumers requested in stores, supermarkets and other establishments throughout the country, 20 were not available.

Just one third. At the presentation of financial results of Petróleos de Venezuela S.A. (PDVSA) for 2012, the Minister of Petroleum and Mining, Rafael Ramírez informed that export revenues amounted to US\$121.4 billion in 2012, of which just one third was transferred to the Central Bank of Venezuela (BCV), that is, about US\$39.3 billion.

And continues to borrow. According to its financial statements, PDVSA had to issue certificates and promissory notes to get financing in 2012; the National Treasury Office acquired US\$17.7 billion in PDVSA papers, thus becoming one of its main creditors. Financing through the BCV, in turn, went from VEB 96.3 billion in 2011 up to VEB 165.5 billion in 2012. Oil agreements and social spending have undoubtedly compromised PDVSA cash flow, thus forcing the company to borrow with internal agents.

Supplementary appropriations increase. Over the first four months of the year, the National Assembly (AN) has authorized supplementary appropriations worth VEB 22.7 billion, up 16% from the same period in 2011. This amount has been covered with surplus funds from last year and moneys from the Socialist Efficiency Fund. Credits have been mostly earmarked (42.9%) to cover labor costs of public administration and pension payments.

Another budget that falls short. If the VEB 22.7 billion worth supplementary appropriations approved this year are included, the budget agreed upon, initially set at VEB 396.4 billion would reach VEB 419.1 billion, up 5.7%. Last year, supplementary appropriations amounted to VEB 140.8 billion and the budget posted 39.6% over the originally estimated, closing at VEB 438.6 billion.

VEB 8.0 billion to bolster exports. The recently created ALBA-Mercosur Bicentennial Fund will have VEB 8.0 billion and US\$1.0 billion to “*move forward in import substitution and stimulate the exporting sector,*” as published in the Official Gazette No. 40,157. The Fund will be attached to the Ministry of Industries, which will be responsible for setting up the productive technical meetings that will deal with the financing of companies exporting non-oil goods.

Wage increase won't be cheap. As informed by President Nicolás Maduro, the minimum wage and pension increase that is already in effect will cost the government about VEB 30.0 billion. We at **Ecoanalítica** estimate that the wage adjustment will



raise the cost of public payroll by VEB 18.5 billion, whereas the cost of pensions will increase by about VEB 13.3 billion.

A short-Lived celebration. According to a report by the International Monetary Fund (IMF), Venezuela recovered its place as the fourth economy in Latin America after posting a Gross Domestic Product (GDP) higher than that of Colombia in 2012. The IMF points out that Venezuela's GDP in 2012 reached \$382.4 billion, whereas that of Colombia was \$360.0 billion. However, the Fund expects a 0.1% growth for Venezuela in 2013, whereas Colombia would grow 4.1%, thus pushing Venezuela again to the fifth place in the region.

Táchira, the new Paraguaná? The Governor of Táchira State, José Vielma Mora, will seek approval by President Nicolás Maduro for the Andean state to be exonerated from paying Value Added Tax (VAT) and Income Tax. Vielma believes that this measure will allow the state to alleviate the problem of the exchange differential with Colombia.

Interest rates. The lending rate for the first week of May was at 14.4%, down by 2.4 pp compared to the previous week. The time deposit rate was at 14.5%, without variations compared to the previous week, while the passive rate has not experienced any significant variation since November 2011, placing well at 12.5%.

International reserves. International reserves grow up by 0.04%, going from US\$26.43 billion during the fourth week of April to US\$26.44 billion during the first week of May. Compared to the same period last year, international reserves have decreased by 1.6%.

Central government expenditure. On Friday May 3rd according to figures from the National Treasury Office (ONT) primary spending was VEB 6.91 billion, which means an increase of 62.9% when compared to the previous week when it was 4.24 billion; when compared to the same period last year we observe a increase of 103.7%.

Monetary liquidity. Monetary liquidity (M2) was increased 0.4% in the fourth week of April compared to the previous week, settling at VEB 768.54 billion. The M2 has increased 58.1% in relation with the same period last year.





Oil Tips

Looking for money. At the presentation of PDVSA financial statement, Rafael Ramírez pointed out that he has met businessmen from the private oil and gas sector at which they discussed the setting-up of a credit facility with public banks to fund some projects, which would allow companies to breath and would alleviate pressures on PDVSA cash flow. Ramírez also referred to the possibility of creating a fund for US\$250 million with contributions by international or private investors.

US\$25.0 billion to bolster production. At the presentation of the 2012 Management Report, Minister Rafael Ramírez informed that PDVSA will invest a record amount of US\$25.0 billion in 2013 to bolster several projects in the Orinoco Oil Belt, notably including the construction of 5 upgraders and two refineries. This investment will help increase production in the Orinoco by at least 250 thousand b/d.

Production drops in 2012. According to the audited financial statement published by PDVSA last week, crude production was 3.03 mb/d in 2012, down 3.2% from 3.13 mb/d in 2011. Exports of crude oil and refine products, in turn, averaged 2.57 mb/d in 2012, up from 2.47 mb/d in 2011. Expropriations of oil and byproducts by PDVSA account for more than 90% of the country's foreign currency income.

Stagnated revenues. PDVSA reported revenues for US\$124.46 billion in 2012, for a slight drop of 0.2% in comparison to US\$124.75 billion in 2011. The drop in net revenues, which resulted from selling less finished fuels abroad and purchasing record volumes to supply the domestic market, hit the already beaten cash flow of PDVSA, which made debts to suppliers jump 35%, to about US\$16.0 billion.

2012: an eventful year. Although 2012 Management Report doesn't mention the explosion at Amuay refinery, not even in pages referred to industrial safety and health, it does point out that statistics concerning workers' accidents worsened. According to the report, 519 events occurred in 2012, most of which (55%) happened in the Orinoco Oil Belt. These accidents left a total of 3,400 people injured.

Gas issue on the agenda. At the event, Ramírez also informed that the Sucre state will become the epicenter of the country's gas development; therefore, PDVSA is considering an investment of US\$19.8 billion in 2013-2019 and signed 6 agreements to industrial and gas development of Sucre State. Three agreements were signed with the Venezuelan Oil Chamber, including a memorandum of understanding to



promote and favor the creation of associations for the participation in the construction of the Dragon-Patao platform.

No issues in the near future. Even though the market is waiting for a debt placement, now that foreign currency supply has strongly dropped in the country, PDVSA Finance Director, Víctor Aular, informed that *“for the time being, we have been neither instructed nor are we working to launch a bond issue.”* Last year, PDVSA directly placed with public banks and the Central Bank papers worth US\$3.0 billion. In 2011, along with the Republic, PDVSA issued a record amount of almost US\$18.0 billion.

Amuay? So-so. Jesús Luongo, manager of the Paraguaná Refining Complex (CRP) said that Amuay refinery, the largest in the country with a processing capacity of 645 kb/, where an explosion and fire occurred in past August, is processing 490 kb/d or about 75.9% of its capacity. Last week, the 185 kb/d distillation unit was restarted. This will allow Amuay to improve its production of gasoil, naphtha and asphalt.

Petrocaribe goes on. Petrocaribe Summit started past Saturday, May 4, with the attendance of 19 countries from the region. The main issue dealt with at the meeting was the creation of an economic area that is based on equal opportunities and can be extended to the Bolivarian Alliance for the Peoples of Our America (ALBA). The meeting was convened by President Maduro, who said that the creation of that area for trade exchange is aimed at *“developing joint productive projects.”*

Honduras and Guatemala join. Guatemala and Honduras became full members of Petrocaribe. Honduras joined the initiative in 2008 under Manuel Zelaya administration, but Venezuela suspended the treaty after Zelaya was toppled in June 2009. Current Honduras President, Otto Pérez Molina, has recalled that the Central American Nation joined Petrocaribe in 2008 and that its becoming a full member is a *“pragmatic”* action to face fuel price increase.

232 million of barrels over six years. At the opening session of Petrocaribe ministerial meeting, Minister Rafael Ramírez informed that Venezuela has sold 232 million of oil barrels over the past six years to the 17 countries that are its partners in Petrocaribe. That volume results in an average of about 106 kb/d, 3.5% of Venezuela’s daily production, which is around 3 mb/d, and 4.2% of 2,5 mb/d the company exports.

Uruguay will also take its part. Within the framework of President Maduro’s visit to Montevideo, the signing of an agreement between Venezuela and Uruguay to purchase up to 10.8 million barrels of oil over 12 months, the Government announced on May 7 without providing further details on the agreement terms and conditions.



The agreement will enter into effect in July. The previous agreement signed in 2005, which was earlier cancelled by Montevideo, allowed Uruguay to pay 75% of the Venezuelan oil over 90 days with the rest being financed in a long term.

Saudis increase production. Saudi Arabia produced 9.30 mb/d of oil in April, up 1.8% from 9.14 mb/d produced in March, a source from the oil industry informed. About 9.2 mb/d were supplied to the domestic and export markets, slightly up from 9.15 mb/d in March, and another 100 kb/d of oil may have been kept stored in order to cover the increase in domestic demand, due to the increased demand for crude oil, which jumped by an average of 147mb/d between March and April, used to fuel energy generation.

International oil baskets. At closing time on May 3rd in the New York Stock Exchange, the price of the WTI was US\$93.2/bl, a 3.2% increase compared to the US\$90.3/bl reported the previous week. The Brent increased by 1.3% to reach US\$102.4/bl, compared to the previous week's US\$101.1/bl.

Local oil basket price. The Venezuelan oil basket price closed last week at US\$99.5/bl on Friday May 3rd, a 2.3% increase compared to the US\$97.2/bl of the previous week. The annual average price of the Venezuelan oil basket is US\$102.6/bl.

Business Sector Tips

New car sales increase 28.8%. Data released by the Venezuelan Automotive Chamber (Cavenez), sales of new cars grew 28.8% in April with respect to the same period in 2012. From January through April, 38,403 units were sold, down 4,794 cars from the same period in 2012; of these, 22,160 correspond to local manufacture and 16,243 were imported, down 38.0% and up 120.0%, respectively.

Production of new cars gained 14.6%. According to data released by Cavenez, the production of new cars increased 14.6% with regard to the same period in 2012, to 8,658 units. Therefore, cumulative production from January through April 2013 was 23,001 units, a loss of 37.6% with respect to the 36,838 assembled in the same period in 2012.





Electric power revolution ahead. Jesse Chacón, Minister of Electric Power, informed that in 100 days he will announce a new power rate model, to ration the use of electricity, and establish a “*rational*” model for houses, industries, etc. Also, as the first measure of this electric power reform, the Minister reminded the creation of the Electric Industry Corporation, signed on Monday May 6 by President Nicolás Maduro, which will gather all state owned power companies.

Two months. According to Félix Osorio, Minister for Food, in 60 days the supply of food could be regularized nationwide. He also mentioned the importance of eliminating the factors that alter the supply of basic foods. *Ecoanalítica* considers that delays in the assignment of currency and price controls are the main issues that should be solved to allow the national productive sector to perform better, particularly in the food area.

Cadivi not enough. Edmée Betancourt, President of the Central Bank of Venezuela (BCV), announced a plan for Cadivi to approve US\$2.60 billion for the private sector in the short term. Carlos Larrazábal, President of Conindustria said that it was a move forward, however the debt of local industrialists with their suppliers abroad is more than three times what is contemplated in the plan, so shortages will continue.

The banking sector better than ever. According to a report of the Superintendence of Banking Institutions (Sudeban), Venezuelan banks got 73.3 points out of 100 at the end of March 2013, in the Camel international evaluation method to measure the performance of the banking system, an increase of seven points compared to the same period in 2012, and the best in the last ten years.

Trade exchanges with the United States drop. According to the Venezuelan-American Chamber of Industry and Commerce (VenamCham), the trade balance between Venezuela and the United States, basically supported by oil, fell 33.9% in 1Q2013 compared to the same period in 2012. This drop is due to the reduction of oil exports, which represented 96.3% of the total exports of the first quarter, which translates into a total of US\$7.55 billion.

CVG and Sidor change captain. Carlos Osorio, former Minister of Food, was appointed President of the Corporación Venezolana de Guayana (CVG) after a ministerial meeting. General Justo Noguera Pietri, head of the Executive Secretariat of the Central Planning Commission (Secretaría Ejecutiva de la Comisión Central de Planificación - Secopep), will be in charge of Siderúrgica del Orinoco (Sidor).

Aluminum, steel and iron corporations created. Carlos Osorio, the new President of CVG, said that to achieve the sustainable development of this area of the country, the companies that form CVG (Venalum, Alcasa, among others) will be strengthened,



and 2 corporations will be created, one in aluminum and another in iron and steel. The former will be headed by Ángel Bautista Marcano, and the latter by the recently appointed President of Sidor, General Justo Noguera Pietri.

Blackouts will one hour shorter. This Monday May 6, the “Pico y Poda” plan will start in the twelve states where the cleaning of the electric power facilities hasn’t started. The goal of the plan is to prevent vegetation from affecting electric power lines. *“The duration of blackouts is expected to drop 60 minutes, once the plan is executed”.*

Private sector followed the LOTTT. Jorge Roig, Vice-president of Fedecámaras, said that the private sector abided by the new Organic Labor Law, and that all the companies adapted to the new minimum wage. Aurelio Concheso, President of the Labor Commission of Fedecámaras, welcomed the Labor Law regulation, since it will guide entrepreneurs in several matters, but said it was unfortunate that workers and employers were not consulted to establish the new minimum wage.

And now what do we use to build? Gilbert Dao, President of the Venezuelan Construction Chamber (CVC), said that there is a 60% to 80% shortage of construction materials. He also said that the materials that can be found cost much more than the regulated price. Figures of the Central Bank of Venezuela (BCV) reveal that construction materials increased 29.7% a/a in March for wholesalers.

Subsidized rice. After a resolution of the Ministry of Agriculture and Land, rice is now subsidized. The subsidy, of VEB 1.10 per kilo of type A and B paddy rice, will be paid to primary producers that put their crop in the silos from January 1 to June 30, 2013. The subsidy may be given once per producer during the cycle for which it is planned.

World Economy Tips

FED will maintain monetary stimulus. The U.S Federal Reserve (FED) didn’t change its securities purchase plan of US\$85,000 per month, to lower the cost of credit and support the economy, given the risk of an increase of derivatives from the recent budget adjustment. Although FED officials guaranteed that the economy is in a moderate expansion phase, and there has been a continuous improvement in the labor market, they reiterated that unemployment is still too high to be relaxed.



A costly reform. A study by the *Heritage* Foundation considers that the migratory reform being debated at the US Congress will increase the public deficit by US\$6.30 billion in the long term. The principle of the study is that although illegal aliens will start paying taxes if they register legally, when they obtain the nationality they will become net beneficiaries of the Government.

“Mexico and the U.S. must go together for the Asian markets”. During a visit to Mexico, U.S President Barack Obama, said that both countries must work together to project their intense trade relation abroad, and go for the Asian market, the one with the highest growth in the world. Obama agreed with his Mexican counterpart, Enrique Peña Nieto, to create high level groups with members of their cabinets to study the way to raise their economic relation, which traded almost US\$500.0 billion in 2012.

Obama urges to foster Central American trade. President Barack Obama, during a dialog with Laura Chinchilla, President of Costa Rica, said that national security won't improve as long as the economy isn't developed, and recommended to deepen trade relations in the region. Regarding bilateral trade with Costa Rica, Obama said that it is necessary to *“emphasize migratory and domestic trade relations in Central America”* because that will allow a better relation with the U.S.

China comes closer to international markets. The Chinese Government will present this year a plan for the national currency, the Yuan, to be fully convertible in its capital account, which will allow nationals and foreigners to exchange the currency without restrictions for the purchase of assets or shares. The decision is part of the package of reforms in favor of the market that the Chinese State Council, headed by the new Prime Minister Li Keqiang, has established as a priority.

EU forecasts a deeper recession in the Eurozone for 2013. According to the European Commission (EC) the economy of the Eurozone will contract 0.4% this year, and will grow 1.2% in 2014, a downward correction of its projections made in February (a recession of 0.3% in 2013 and a growth of 1.4% in 2014). According to the EC, France, Spain, Italy, and Holland will be under a recession in 2013, while Germany, the largest economy of the block, will be the only country with growth.

More money to boost the economy. The European Central Bank (ECB) cut interest rates for the first time in ten months, with the promise to offer as much liquidity as the banks of the Eurozone need, and help small enterprises access credit. The ECB lowered its main interest rate 0.25 percent points (pp) to a historical minimum level of 0.5% in response to inflation cool down, and a constant increase in the region's unemployment.





Spain and France will have more time. Spain and France will have two more years to meet their budget deficit target, given the weak economic outlook of both countries, said Olli Rehn European Commissioner for Monetary and Economic Matters of the European Union (EU). *"France desperately needs to open its growth potential and create jobs"*, said Rehn when he announced that Spain, Italy, the Netherlands, and France, four of the largest economies of the Euro Zone, could continue under a recession this year.

Rescue proposed to reactivate credit. In July of 2011, the EU agreed to set a top of EUR 100.0 billion for the rescue of Spanish banks, although the amount that credit entities will need will finally be EUR 39.0 billion. Supporters of the Spanish Socialist Party (Partido Socialista Obrero Español - PSOE), in the opposition, propose to allot EUR30.0 billion of the bank rescue of the European Stability Mechanism, to facilitate credits to reactivate the economy and allow families with difficulties to renegotiate their mortgages.

Portugal wants to comply. The Portuguese Government plans to delay one year the age for retirement (to 66) and force officials to work one more hour per day, as part of the new measures to cut spending to reduce the budget deficit and comply with the rescue objectives. *"With these measures, our European partners cannot doubt our commitment"* to the rescue program, said Prime Minister, Pedro Passos Coelho, in an intervention in Lisbon.

Greece makes progress. According to an IMF report, Greece has made great progress in straightening up its public accounts, although it still faces the challenge of reactivating growth. Besides the progress made by the country to overcome its problems, the IMF highlights the need to continue with structural reforms, and says that the challenge lies in restoring trust to reactivate the economy.

Political Tips

Maduro start off with the wrong foot. According to the last measurement of Venezuelan Data Analysis Institute (IVAD), 51.3% of Venezuelans have a negative opinion on the general country situation, and 49% of the respondents blame the government from the nation problems. Besides, 46.7% believes that Maduro have had a negative performance and up to 20.5% assures that his first month in charge has been dreadful. Meanwhile, just 1 out of 10 points out the opposition.



Meanwhile the opposition... According to IVAD, if a new presidential election is announced, 40.8% would vote for actual president, Nicolás Maduro, and up to 45.8% would vote Henrique Capriles Radonski. On the other hand, 6 out of 10 respondents value as positive the work that the opposition have been executing for the country. Finally, by measuring the preference on situational politic groups, the officialism reaches 40.7%, opposition represents 44% and 15% can't decide.

And the confidence on the referee drops... According to IVAD, 44% of the citizens agree with the attitude that the rectors of the Consejo Nacional Electoral (CNE) have had, 47.2% of the respondents opine that the April 14 electoral results were not the ones that were announced and 61.2% support the request of a complete auditory using notebooks and fingerprints. Besides, 53% thinks that the decision of proclaiming Maduro on April 15 was hurried. Finally, 43% things that there are enough proofs to impugn.

CNE started the election audit. The National Electoral Council (CNE) started the 30 day process to verify the agreement between the ballots issued by the voting machines and the votes transmitted by said machines. 350 boxes safeguarded (containing the ballots) will be reviewed daily, a total of 10,500 boxes in the whole process. The opposition decided to not participate in the audit, alleging that the verification won't solve the doubts about the incidences they have claimed.

Capriles asks to solve the political crisis. Former presidential candidate, Henrique Capriles Radonski, said that he will go to all the entities required, and will exert as much pressure as possible on State institutions to carry out their functions according to what is established in the Constitution and "to reveal the lies", in reference to his claim of fraud during the elections of 14-A.

Against the challenge. Jorge Rodríguez, head of the Hugo Chávez campaign command, rejected the challenge of the results of the presidential elections of April 14, presented by former candidate Henrique Capriles Radonski, before the Supreme Tribunal of Justice (TSJ). Rodríguez said that what the opposition wants is to delegitimize Venezuelan public powers, and that the challenge is "*a piece of crap to continue claiming fraud*".

Capriles challenges Maduro. Henrique Capriles Radonski, former presidential candidate for Mesa de la Unidad Democrática (MUD), challenged Nicolás Maduro President of the Republic, to a new electoral process. Capriles is convinced that if new elections were to be held "*with transparency*" in the next few days, he would win with no less than 60% of the votes and a great margin over Maduro.





If you win with 60% I win with 70%. During a tour in Miranda, as part of his “Government in the Street”, Nicolás Maduro, President of the Republic responded to the statements of Capriles, saying that in the last weeks his popularity has increased considerably, and if there were new elections, chavismo would win with 70% of the votes, because the people would react against the “Venezuelan right”.

Whoever misbehaves has to go. Henri Falcón, Governor of Lara, reminded that the Constitution establishes mechanisms for popular participation, like the recall referendum, to evaluate the performance of officials elected by the people, in reference to the actions of several Representatives of the National Assembly during the skirmish in which several opposition representatives were wounded. Falcón said that the recall referendum is "one of many ideas", that could be implemented to solve the crisis in the Legislative Power.

Obama: we don't have spies in Venezuela. U.S President Barack Obama denied that the US citizen arrested by the Bolivarian Intelligence Service (Sebin) a few days ago was a US spy. Obama said that the citizen detained will be dealt with like any other US citizen that gets entangled with the law in a foreign country. The man is 35 year old Timothy Hallet Tracy, described by his family as a documentalist that was filming the presidential elections in Venezuela.

Consolidating south-south integration. Nicolás Maduro, President of the Republic, carried out a three day tour through Mercosur countries to ratify “the deep integration” with Argentina, Brazil and Uruguay, and thus continue completing the “perfect equation”, and financial, energy, cultural and political integration with “sister” nations of the south. During the tour, Maduro met with the Heads of State of Uruguay, José Mujica; Argentina, Cristina Fernández; and Brazil, Dilma Rousseff.

Political Petrocaribe. Nicolás Maduro, President of the Republic, asked Petrocaribe members to move forward not only in issues about solidarity, cooperation, social development, and economic and energy stability, but also in political matters. *“Moving ahead in political trust and the true brotherhood of all our countries”* must be one of the objectives of Petrocaribe, said Maduro during the 7th meeting of the regional block held in Caracas.





Legislatives Tips

Edmée Betancourt in the Gazette. *Official Gazette* N° 40.157 published on May 2 published the appointment of Edmée Betancourt as President of the BCV. The appointment was made by the National Assembly (NA) by orders of President Nicolás Maduro. In 2010, Betancourt was President of the Economic and Social Development Bank of Venezuela (Bandes) and with this decision; she replaces Nelson Merentes, who will now be in the Ministry of Finance.

New minimum wage. Last May 2, *Official Gazette* N° 40.157 was published, including a decree increasing the monthly minimum wage for public and private sector workers, effective on May 1. A day before, President Nicolás Maduro signed the salary increase decree, between 38% and 45%. Starting on May 1, a 20% increase will be implemented, making the salary VEB 2,457 and over this amount, a 10% increase will be implemented in September. The third increase will be between 5% and 10%, depending on inflation, and will be in November.

Interns were not left out. Salary increases includes adolescents and apprentices, who will receive the same increases, so their salary will be as follows: in May it will be VEB 1,825 and in September VEB 2,010.

Regulation ready. *Official Gazette* N° 40.157 also published the Organic Labor Law regulations establishing the obligation of employers to announce work hours, and explains in detail the reduction of the work day. The regulation establishes, among other things, that the worker will have the right to rest two continuous days a week, which will include Sunday, so the resting days may be Saturday and Sunday, or Sunday and Monday.

ALBA-Mercosur Bicentennial Fund Created. *Official Gazette* N° 40.157 published on May 2 established the creation of the ALBA-Mercosur Bicentennial Fund, that will manage VEB 8.0 billion and US\$1.0 billion. The decree states that the mechanism will help "make progress in import substitutions and stimulate the export sector together with workers, entrepreneurs, governors, and majors".

New vehicle law shelved. The push by President Maduro was not enough, and the La won the Purchase and Sale of New and Used Vehicles was stopped in its tracks. The formula to set the price of cars fell out of the hands of those designing the legal instrument, because amid devaluations and lack of currency, they couldn't find a way



to control this market. PSUV representatives explain that delays and uncertainties in the delivery of currency, and the latent devaluations *"prevent the establishment of price parameters for new and used vehicles"*.

The Assembly in the streets. Diosdado Cabello, President of the National Assembly (NA), informed that the Legislative Power will carry out functions from the street, to solve problems together with the Venezuelan people. This measure is in line with the announcement made by the Administration of the Government of the Street, to have direct contact with the people, and supervise works, review projects, and approve new resources.

Rice subsidy ready. *Official Gazette* 40.160, which circulated on May 7, published the resolution establishing a subsidy of VEB 1.1 per kilo of paddy rice for national producers of moist paddy rice type "A" and "B". The subsidy will be retroactive to January 1 of this year, and will be additional to the VEB 2.5 of the present price. Thus, growers will receive VEB 3.60 per kilo, although they have said that they need a minimum price of VEB 4.06 to recover the investment to plant, and have capital to invest in the next winter cycle.

© Ecoanalítica – Descargado por [Eduardo Autencio](#)





ECONOMIC OVERVIEW



