

The strange world of official inflation figures

On April 24, 2020, the Central Bank of Venezuela (BCV) published inflation figures for the first quarter of the year and shows an accumulated inflation of 124.0% in that period. This corresponds to the fourth time that the issuing entity updates inflationary data since its resumption of publication in May 2019, after a period of almost four years without official price figures. Beyond the Executive's motivation to publish the figures and despite the fact that there is still no guarantee or explicit commitment that the BCV will maintain this quarterly publication period in the future, the information disclosed so far has some analytical usefulness for comparative purposes and to get an idea of what the information guiding the Executive's decisions may be.

In June 2019, **Ecoanalítica** carried out an analysis¹ of the first batch of these BCV publications. At that time, we found inconsistencies between the general reported inflation and the break-even inflation calculated from the inflation by items using the weightings established in the BCV methodology; with a substantial increase in the volatility of the deviations between both metrics starting at the end of 2017. Additionally, the inflation published for 2018 appears to be considerably underestimated, when used to adjust to variable real terms such as non-oil revenues and exchange rate appreciation and shows both counter-intuitive and contradictory behavior to the evidence of economic performance.

For this analysis we will update some of these estimates with the complete information from 2019 and the first quarter of 2020, in order to review if the inconsistencies have reduced their magnitude or changed direction and how these compare with **Ecoanalítica's** figures.

They change the walls in the house of mirrors

In theory, the monthly inflation reported by the BCV should not differ from the inflation derived from the individual items that make up the NCPI basket, weighted by their proportion according to the official 2008 methodology². This difference in inflation was

¹ Weekly Report Year 15. No. 19. Week I. June 2019. *A look at the deflated figures.*

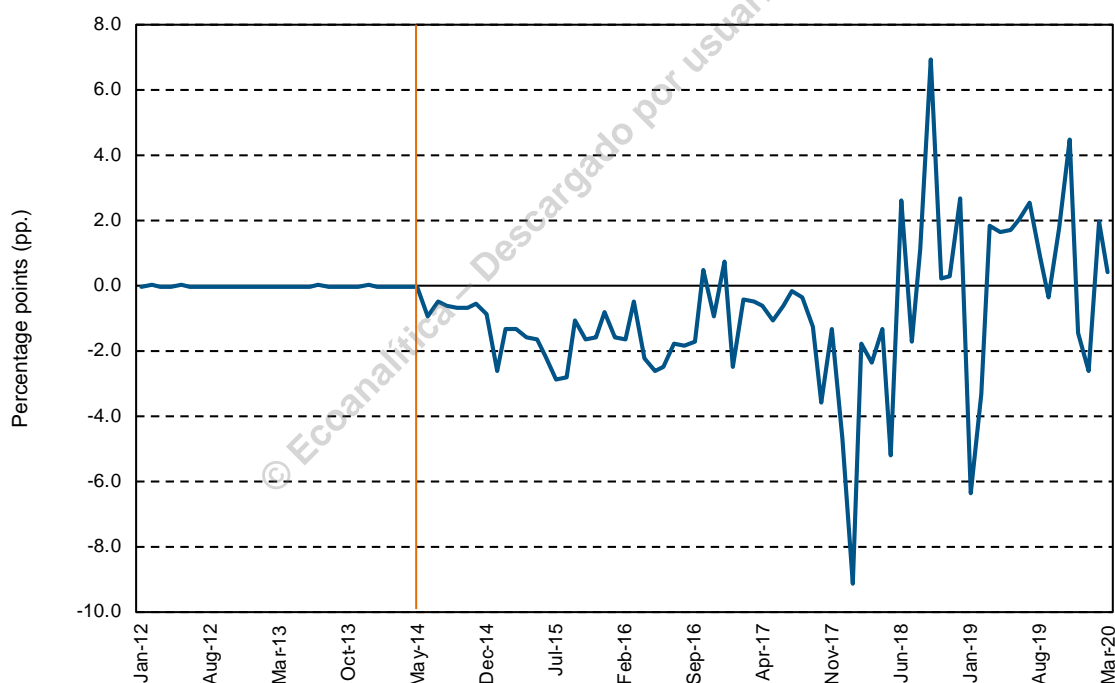
² In essence, because that is how general inflation is determined in the first place.

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essentially zero until May 2014; since then, the figures reported by the issuing entity are inconsistent with its own methodological limitations³.

During the following 40 months, until September 2017, the difference between reported general inflation and "break-even" inflation using the 2007 weights averaged 1.2 percentage points (pp.), with general inflation consistently underestimated with respect to what the BCV methodology would indicate. Starting in the last quarter of 2017, the beginning of the hyperinflationary episode in Venezuela, this difference in inflation became much more volatile, both in magnitude and in the direction of the difference, with peaks of up to 9.1 pp in January 2018. We can also observe that, until mid-2018, overall CPI inflation was usually below break-even inflation, a trend that has since been reversed.

Monthly inflation: NCPI (March 2020) - NCPI (2007 weights)



Note: Differences between the NCPI inflation (chg. %) reported by the BCV and the NCPI calculated according to the BCV weights.
 Sources: BCV and Ecoanalítica

At first glance, these differences may seem inconsequential in a hyperinflationary environment with high month-to-month inflation rates; however, the cumulative effect of these differences has non-trivial effects on year-end cumulative inflation calculations. By

³ BCV (2008). *Methodology for calculating the construction input price index*. Taken from: <http://www.bcv.org.ve/metodologia-de-calculo-del-indice-nacional-de-precios-al-consumidor>

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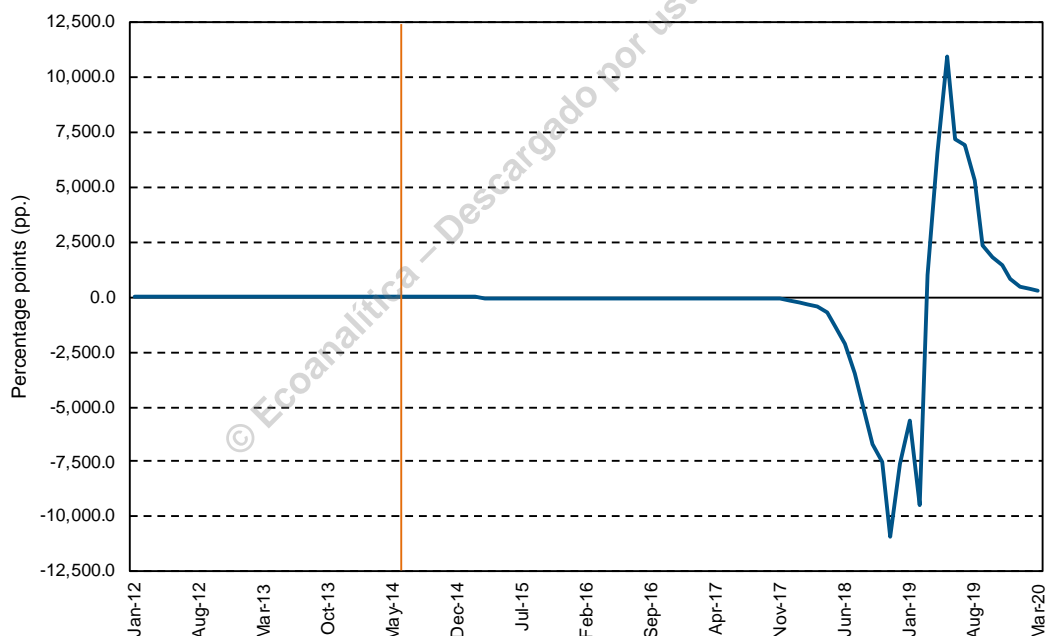
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2018, the cumulative differences between the general CPI and its implicit calculation from headings resulted in year-on-year inflation of 130,060.2% for the former index, compared to 137,614.3% for the latter, equivalent to a difference of 7,554.0 pp.

Can the crooked tree straighten its trunk?

With a slightly longer accumulated inflation horizon, we can see more clearly the direction and persistence of this difference between the inflation reported by the BCV and what should be its methodologically consistent result. By comparing the overall CPI inflation and its implied inflation by item, we can observe a reversal of the trend of negative differences in⁴ March 2019 which, after an excessive correction, has been progressively reducing.

Annual inflation: NCPI (March 2020) - NCPI (weights 2007)



Note: Since June 2014 the differences between both annual inflations exceed 1 pp.
 Sources: BCV and Ecoanalítica

By the end of March 2020, the gaps had narrowed sufficiently to bring cumulative⁵ first-quarter inflation down to less than 1 pp. The evolution of these gaps has yet to be seen with the information for the second quarter of⁶ the year, especially with the effects of the

⁴ Underestimation of CPI inflation from headings.

⁵ 124.0% vs. 123.1%

⁶ As long as the BCV makes them public.

quarantine in response to the VOC-19 pandemic and the interruption of activity, which adds considerable difficulties to the collection of price information.

The behaviour of the differences between the two inflation measures, and their volatility since 2017, would indicate that the BCV is persistently adjusting its methodological procedure to make its own calculations, at least compared to what are the latest standards disclosed to the public.

What would be the exchange rate?

In an environment in which the Venezuelan economy is undergoing a process of transactional dollarization, the relationship between the exchange rate and inflation drastically affects the decisions that economic agents take with respect to trade flows abroad and, at the same time, determines the evolution of the purchasing power of currencies in the Venezuelan economy. Under this perspective, the BCV data provide results that are the opposite of those obtained with **Ecoanalítica's** information.

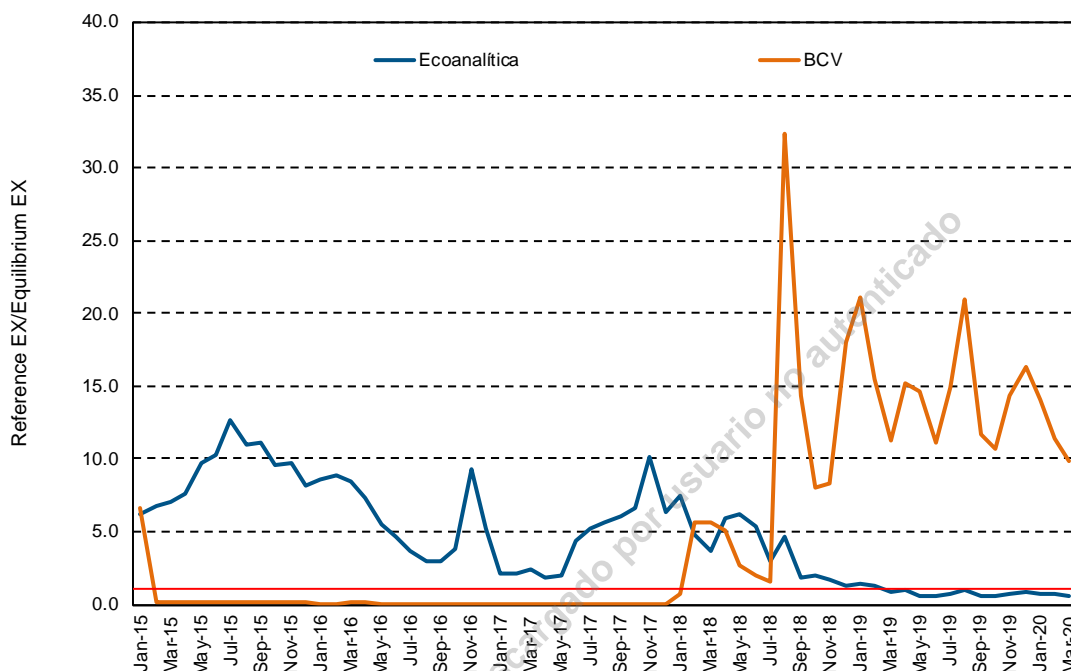
According to data from **Ecoanalítica**, from the beginning of the hyperinflationary process in November 2017, a clear tendency of appreciation of the real exchange rate is registered, illustrated in the evolution of the distance between the parallel exchange rate and the parity⁷ corresponding to the nominal exchange rate of external balance. The effect of persistent delays in the variation of the nominal exchange rate regarding inflation is translated into an equilibrium rate of VES 153,803.8/USD for March 2020, while the parallel rate was equal to 0.50 times that amount.

If the exercise is recalculated using BCV inflation, it turns out that the nominal external balance rate for March 2020 would only be VES 8,107.9/USD, far below the rate recorded by BCV itself for the end of the month, which was 9.9 times that amount. In other words, according to BCV information, Venezuela has been immersed in a persistent process of exchange rate depreciation since the beginning of hyperinflation.

⁷ Calculated as the division between the parallel exchange rate and the equilibrium rate, where a value of 1 means that both rates are equal (parity), less than 1, or in that direction, indicates that the exchange rate is appreciated, below equilibrium and values greater than 1, or in that direction, implies that the exchange rate is depreciated, above equilibrium.

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Distance from parity with the equilibrium exchange rate



Note 1: Parity equal to 1.

Note 2: Equilibrium EX is different for Ecoanalítica's inflation and the BCV's inflation.

Note 3: The "Ecoanalítica" series uses the Non-official EX of the end of month. The "BCV" series uses the official EX of the end of the month.

Sources: BCV and Ecoanalítica

In an environment of depreciation, the incentive for local producers would face the incentives to export to international markets in order to take advantage of the relative cheapness of domestic goods. In addition, the State and Venezuelan companies would be encouraged to turn to local production in the face of higher imports; however, this scenario is eliminated by evidence⁸ pointing in the opposite direction, given the growing preference of public authorities and local private companies for imports to cover the shortcomings of domestic production.

How much does \$100 buy?

These differences in the direction of the real exchange rate have an impact on the direction of the purchasing power of the United States currency when it comes to acquiring Venezuelan goods in the local market, specifically, when defining how many nominal dollars would be required to maintain the real purchasing power of a particular amount at a given time. If we start from USD 100 at the end of 2018, which was equivalent

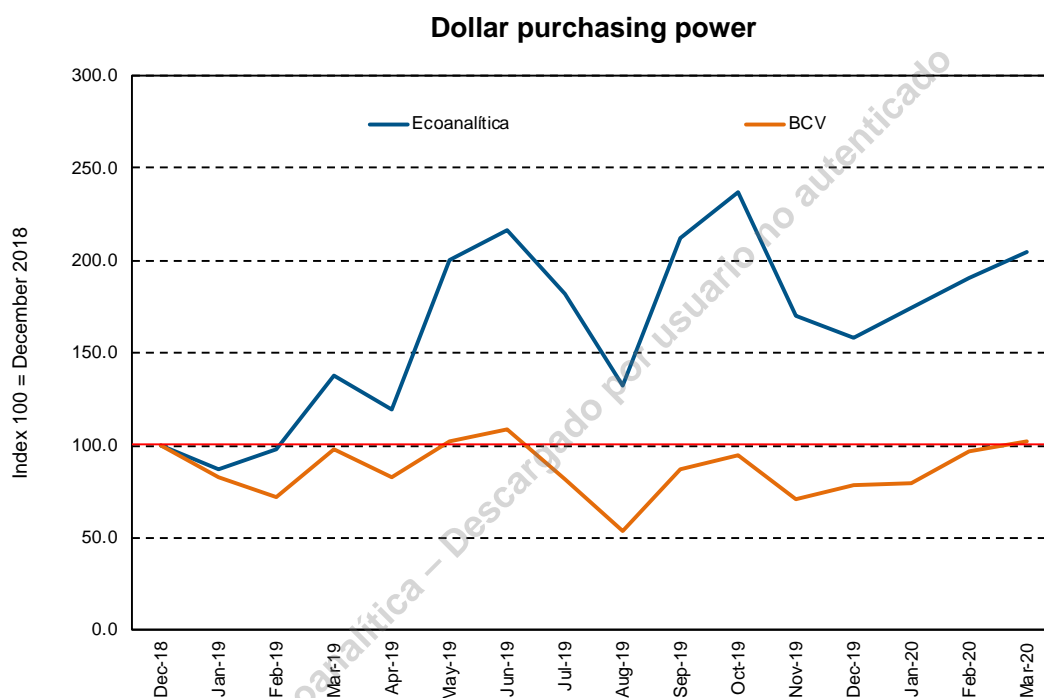
⁸ Exchange Market Report N°9, 2019: *Appreciate the exchange (rate)*.

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to the beginning of 2019, USD 205.2 nominal dollars were required at the end of March 2020 to maintain purchasing power (using **Ecoanalítica's** inflation). This result is consistent with the variations in the exchange rate lagging behind inflation in 9 of the 15 months analyzed and with the purchasing power of the dollar not being able to return to⁹ that observed at the beginning of March 2019.



Note: The series represent the dollars required to maintain the purchasing power of USD 100 in December 2018.
 Sources: BCV and Ecoanalítica

For its part, the inflation reported by the BCV¹⁰ describes a sequence in which the US dollar not only maintains purchasing power, but also gains considerable ground during August 2019 and remains relatively strong until the beginning of 2020. In other words, Venezuelan consumers whose transactions are denominated or anchored in the U.S. currency would experience a drop in nominal spending needs to maintain purchasing power for most of the last year and would need USD 101.8 at the end of March 2020 to cover in real terms what was acquired at the beginning of 2019.

As we established in a previous report published in February of this year¹¹, this perception of stability of the cost of living in dollars could be one of the reasons for the progressive

⁹ Or get lower, which would mean a gain in purchasing power.

¹⁰ Calculated in conjunction with the exchange rate changes reported by the BCV.

¹¹ Weekly Report N°5, 2020: *Tax Reform in Dollarization*.

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adoption of markers calculated with respect to the exchange rate as a reference for government calculations of taxes, fees and fines. The Executive would be allowing dollarization, in part, because it perceives it as a stabilizer of its local purchasing power.

Another relative price dimension

With the processes of hyperinflation and dollarization affecting different items asymmetrically, the price relations between them are in constant movement. If we compare **Ecoanalítica's** inflation with that of the BCV for the interannual period between March 2019 and March 2020, **Ecoanalítica's** has a greater dispersion with a range of 614.0% to 10,520.8%, while the BCV's reduces this range to a third, with inflation between 1,972.0% and 4,929.5%.

Annual inflation Mar19-Mar20 (%)			
Good	Ecoanalítica	BCV ¹	Difference (pp.)
Food and non-alcoholic beverages	4,402.8	1,972.0	2,430.8
Alcoholic beverages and tobacco	2,829.9	2,024.4	805.5
Clothing and footwear	701.0	4,570.5	-3,869.5
Housing rent	1,444.1	2,289.7	-845.5
Home services except telephone	10,467.8	3,720.4	6,747.4
Home equipment	614.0	2,155.8	-1,541.8
Health	5,413.3	4,471.0	942.3
Transport	7,974.2	4,214.8	3,759.4
Communications	1,613.1	3,680.3	-2,067.3
Entertainment and culture	3,858.2	3,466.6	391.6
Education services	1,823.7	4,929.5	-3,105.8
Restaurants and hotels	10,520.8	2,481.3	8,039.5
Other goods and services	1,476.0	2,499.6	-1,023.6
NCPI (BCV Methodology)	3,456.9	2,430.6	1,026.3
Exchange rate chg.²	2,290.4	2,287.5	2.9

Sources: BCV and Ecoanalítica.

¹General inflation reported by the BCV.

²Non-official EX for the Ecoanalítica column.

The most notable is the order of items that are relatively more expensive or less expensive than the others. According to information from **Ecoanalítica**, the items with the greatest price increases correspond to "Restaurants and hotels", "Housing services, except telephone" and "Transportation", in accordance with the adjustments accelerated in 2019 with the *de facto* liberalization of some controls and readjustment to new consumption patterns. "Health" and "Food" will follow, with upward take-offs at the end of the first quarter of 2020,¹² as an immediate response to the VOC-19 pandemic.

¹² And extendable to the second quarter.

The adjustment of relative prices in "Transportation" is, in part, reflected by the BCV, and represents the fourth item with the highest inflation in its sample, although 3,759.4 pp below that reported by **Ecoanalítica**. In contrast, the BCV points out the "Food" and "Non-alcoholic beverages" items as the ones with the lowest inflation for its sample throughout the last year, which would describe a relative decrease of these items with respect to the others.

The underestimation of the food category, methodologically the one with the highest weight in the basket,¹³ may be due to a substantial presence of foodstuffs subject to controls as part of the basket analyzed by the regulatory entity, which could also keep the general inflation figure contained, at least when compared with other markers.

Confusing signals for complex routes

Inconsistencies remain between the inflation figures reported by the BCV and the methodology with which the monetary authority supposedly calculates them. Such inconsistencies are volatile per se and cannot be considered to remain in one direction for long periods. Even if these differences were to be reduced, the overall picture that describes official inflation when used to make adjustments in real terms is not very consistent with the practical evidence of the exchange rate, fiscal or business environment.

From **Ecoanalítica** we recommend our clients to maintain caution with respect to the incorporation of the BCV information within the planning strategies, since the reflected information can be fed by a distant sample that usually is out of the reach of the Venezuelan companies, with additional risks that this information causes error in the magnitude of some variables and the direction of the same.

Finally, the pace of publication and the uncertainty that it will actually take place mean that there is no full guarantee that the information will be available and can be used over short time horizons. Beyond the fact that it serves to analyze what can be part of the information vector that motivates the actions of the Executive, unfortunately, the information of the BCV cannot yet be catalogued as a reliable input for navigation decisions in the Venezuelan economy.

Giorgio Cunto Morales

¹³ Much more so when looking at lower income households.

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WEEKLY INDICATORS

Weekly Economic Indicators			
	2nd Week May	Weekly chg. (%)	Depre/Apre (pp) ¹
FX Boards (VES/USD) ²	179,104.58	3.6	3.4
	4th Week March	Weekly chg. (pp)	Annual chg. (pp)
Lending Interest Rate (%)	16.7	-64.9	-13.7
	1st Week May	Weekly chg. (pp)	Annual chg. (pp)
Overnight Interest Rate (%)	98.7	17.2	26.3
	1st Week May	Weekly chg. (%)	Annual chg. (%)
International Reserves (USD Bn)	6.4	0.2	-19.2
	5th Week April	Weekly chg. (%)	Annual chg. (%)
Monetary Liquidity (MM VES)	89,515,638	5.0	1,564.7
Price of International Oil Baskets (USD/bl)			
	1st Week May	Weekly chg. (%)	Annual chg. (%)
WTI	22.5	47.8	-63.7
Brent	28.8	31.1	-59.2
Price of the Venezuelan oil basket (USD/bl)			
	1st Week May	Weekly chg. (%)	Annual chg. (%)
Weekly Average	13.4	39.1	-79.0
Annual Average	33.9	-3.2	-43.3

Sources: BCV, MENPET, ONT and Ecoanalítica

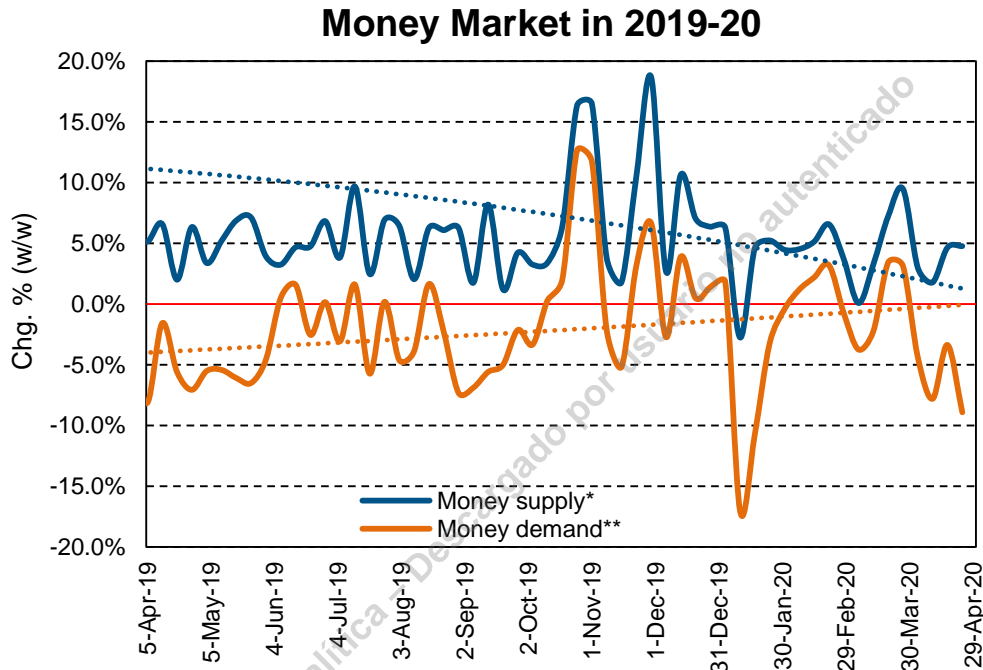
* Annual variation of accumulated expenditure.

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

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CHART OF THE WEEK: "THE RETURN OF THE COLLAPSE IN DEMAND FOR MONEY"



Sources: BCV and Ecoanalítica.

*Cumulative change in nominal monetary liquidity (M2).

**Its accumulated impact is assumed as the accumulated variation of M2 in real terms.

The recent fall in oil prices and Venezuelan oil production generated an almost widespread expectation that tighter financial constraints would force the Central Bank of Venezuela (BCV) to increase the pace of monetary base issuance to cover the new gap, thus worsening hyperinflationary levels. However, despite the fact that the National Assembly announced a 58.8 percentage point month-on-month increase in April inflation, the BCV's monetary aggregates figures show an average weekly growth in monetary liquidity of 3.8% in April, a number that is in line with the average growth of 5.5% during the first 18 weeks of 2020. If the inflationary increase in April is not due to a monetary expansion to finance a new fiscal imbalance, then what is it?

Ecoanalítica believes that, between the second week of January and the end of March, the demand for money remained static. That is, money supply shocks were quickly absorbed by prices and prices increased in the same proportion as monetary aggregates. This situation contrasts greatly with what has been experienced since the beginning of

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hyperinflation. While money demand collapsed by an average of -4.1% each week between 2018 and 2019, between week 3 and week 10 of 2020 it varied by an average of -1.8% per week. Before April, it seemed that after a cumulative fall of 64.1% in demand for bolivars, a kind of floor had been reached from which there was no further way down. It was thought that the bolivar was already as negligible as it could be and that it could not be dug at all; however, in April a further cumulative contraction of 25.5% of the demand for money was reported (5.1% average weekly to).

This drop in the demand for money is due to two main factors: an increase in the speed of circulation of the bolivar and a contraction in the size of the economy through which the bolivar circulates. In early 2019, we reported that every time Nicolas Maduro announced economic measures on national television, the demand for money collapsed 2-3 times more than expected during that week. It is possible that his repeated announcements and public presence during the quarantine have caused a similar effect and it is plausible that if they cease, the effect on the demand for money will be reduced. As for the effect of the economic contraction, slowing it down will be more difficult than not appearing on television.

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ECONOMIC TIPS

April's inflation. The National Assembly (NA) published the inflation recorded for April, which was 80.0% and represents an increase of 58.8 percentage points (pp) compared to that published in March (21.2%). The annual and accumulated inflation was 4.210% and 341.61%, respectively.

The highlights. The items that reflected a greater variation were Health (162.4%), Alcoholic beverages and tobacco (132.7%), Housing rentals (112.3%) and Transportation (108.6%), while the items of Communication and Entertainment services did not register an increase this month.

Are we surprised? The state of emergency decree was extended for 60 days, which began on May 4. This decision is due to the *"extraordinary circumstances in the social, economic and political fields that affect the constitutional order"*.

It itches and spreads. The measure is established in Official Gazette No. 6,534, Decree No. 4,194 and is the twenty-eighth extension to the state of emergency that was implemented in January 2016.

Higher clearance. This prevents, temporarily and exceptionally, senior officials from being prosecuted for political sanctions. It also empowers Nicolás Maduro to make economic decisions that should be approved by parliament, such as imposing exceptional regulations to authorize negotiations with various sources of funding, including the National Treasury. It also allows him to approve and sign public interest contracts to obtain financial resources.

The biggest "disaster". Alejandro Werner, director for the western hemisphere at the International Monetary Fund (IMF), said the country's macroeconomic and social situation represents a decade of decline and has been the most serious in the region.

No chance. In addition, Werner stressed that the country does not yet meet the conditions set by the agency for emergency loans to be approved.

Partial modification. The Ministry of National Trade, through a list published on its Twitter, updated the prices of the 27 regulated products and included two types of mortadella, beef and pork cuts. The total amount of the sum of all products is VES 16.26 million. This list only modified the values in bolivars but kept the stipulated in dollars.

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Turbulent agreements (I). According to Bloomberg sources, Maduro is organizing an exchange with Iran, which consists of giving gold for gasoline products. According to the firm, this plan involves Alex Nain Saab Moran, a Colombian accused by the United States of participating in the sale of gold for food between Venezuela and Turkey.

Turbulent agreements (II). These sources assure that last month PDVSA executives traveled with Saab to Tehran, the capital of Iran, as part of an exchange of gold for additives, parts and technicians.

Turbulent agreements (III). The information given indicates that, following the trip, about 9 tons of gold, worth approximately \$500 million, have been loaded onto aircraft of the Tehran-based Mahan Air.

Fewer and fewer reservations. For the week of May 8, international reserves closed at USD 6.446 billion, a drop of 0.2% from the previous week's close (May 1). At a year-on-year level, the amount represents a decrease of 19.2%.

Money tables. As of May 12, the average rate for money tables was VES 179,104.5/USD. This represents a 3.4% depreciation from last week.

Liquids? Liquidity was VES 89,515,638 million for the week of May 1, a variation of 5.0% in nominal terms from the previous week (April 24) and 1564.7% from last year.

OIL TIPS

April's production (I). The Organization of Petroleum Exporting Countries (OPEC) published its monthly report for the month of May, in which it indicates that Venezuelan oil production for April, according to secondary sources, was 622 kb/d, representing a decrease of 5.8% over the previous month's production (660 kb/d).

April's production (II). However, the figures shown in that report, according to primary sources, establish that Venezuela's oil production for March was 737 kb/d, 19 kb/d more than March's production (718 kb/d).

Main concern: gasoline. According to *Argus Media*, the Iranian and Chinese governments are working with the state-owned PDV to restart the Paraguana Refining Center (CRP), which has the capacity to refine 940,000 bpd. In this way, the Venezuelan government plans to re-establish the supply of gasoline in the country.

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Across the Atlantic. According to the source, Iranian state-owned Mahan Air has made 16 direct flights from Tehran to an airport near the PRC, carrying catalysts, refinery parts and technicians from Iran and China.

Gasoline for gold. *Argus Media* points out that the Venezuelan government has paid for the services of Iran and China with the BCV's gold reserves. The bank points out that USD 500 million in gold have been sent to Iran since April 22.

One step at a time (I). The report indicates that PDV, with the support of technicians from these two countries, is focusing on re-establishing the production of 86,000 bpd of gasoline in the Cardón refinery, which together with Amuay (635,000 bpd) make up the CRP.

One step at a time (II). Oil Minister Tareck El Aissami reported that once crude refining resumes in Cardón, technicians from Iran and China will support PDV's efforts to restart Amuay and the El Palito refinery in Carabobo, with the capacity to refine 140,000 bpd.

Depending on old friends. According to *Reuters* sources, a joint project between PDVSA and GPB Global Resources BV (an international oil company based in Amsterdam), has received at least two shipments of Venezuelan crude in recent months, as debt payments originated from a project in the mixed Petrozamora.

Direct from the lake... Partners like GPB have been used by PDVSA as intermediaries to distribute Venezuelan oil, seeking to evade U.S. sanctions. In this way, the oil company has received 1.1 mbpd of crude extracted by Petrozamora in Lake Maracaibo.

...for Asia. *Reuters* added that the tankers in charge of exporting said crude oil, the Eurodignity and the Eurovoyager, have been located since the end of April near or in the direction of Malaysia.

PDVSA ad hoc in transition. Economist Alejandro Grisanti, one of nine members of the ad hoc management board of Petróleos de Venezuela (PDVSA) appointed by the National Assembly, announced that a transition process is underway to replace him.

The Assembly's plan. Deputy Luis Stefanelli, a member of the National Assembly's Energy and Petroleum Commission, introduced the draft of a new organic law on hydrocarbons to parliament.

The AVH. Stefanelli described that the law proposes the creation of the Venezuelan Agency of Hydrocarbons (AVH), which will act as an autonomous institute attached to the

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Ministry of Petroleum. It would take on the role of regulator of contracts with private national and foreign companies.

Going back to traditional rates. The deputy also stressed that royalties would be reduced to 16.67%, considered to be the historical rate set in the 1943 legislation. Stefanelli assured that this level would allow to attract investments, which at this moment are unfeasible at the current rate of 30.0%.

Citgo and Colombia. According to the U.S. Energy Information Agency (EIA), in the first two months of 2020, Citgo purchased 75,700 bpd of Colombian oil. This represents 22% of the exports from that South American country to the North American market during January and February of this year. This represents a year-on-year growth of 131.3%.

Brazil, a new oil power? The Brazilian company Petrobras reported that during the month of April it exported an average of 1 mbpd, which represents a year-on-year increase of 145%. This figure represents the historical maximum of the Brazilian company and exceeds the maximum registered in December last year of 771,000 bpd.

SECTORIAL TIPS

Loan portfolio in March. According to the figures of the Superintendence of Banking Institutions (Sudeban), the total bank loan portfolio in March was VES 14,934 MMM, which in nominal terms means an increase of 928.8% compared to the same month last year and an increase of 11.8% over the previous month. Of this figure, VES 829 MMM were non-performing credits, which represented 5.6% of the total portfolio.

Deposits structure in March. According to Sudeban, total deposits by commercial banks stood at VES 132.868 MMM, which represents a monthly variation of 17.4% and an annual increase of 1,717.6% in nominal terms.

In real terms. The real loan portfolio in March 2020, as compared to the same month of the previous year, decreased 59.3% and 1.3% as compared to the previous month. In turn, the structure of deposits showed an annual decrease of 28.1% and a monthly increase of 3.6%.

Different time zones in the same area. Tareck El Aissami explained that the government is studying the use of "time bands" to reactivate some sectors and make mobility as little as possible. He also explained that the economic team of the presidency

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is proposing to implement security protocols that are already being applied in some sectors to gradually reactivate economic activity.

They're almost starting to pass the bridge. The Mayor's Office of Maracaibo, in its Decree 0036 of 2020, established that it allowed the industrial, commercial and transport sectors to restart activities and cease quarantine measures.

Until it was corrected. However, Fedecámaras Zulia issued a statement expressing concern about the measures. After this, Mayor Willy Casanova amended the decree and established that only the food and health sectors will be able to operate, from 8:00 am to 6:00 pm.

A patriotic mother. Nicolás Maduro announced the delivery of the "Mother's Day bonus" through the card from the *Patria* system and specified that it will be given between May 10 and 12. The amount of the transfer is still unknown.

Eager to get started. In a statement, the Maracaibo Chamber of Commerce (Consecomercio Maracaibo) demanded the relaxation of social distancing measures as of May 13. In detail, it considered that the industrial, commercial and service sectors of the Zulia capital are ready to reactivate their operations.

With everything under control. The Chamber also stated that the infection figures for Venezuela and the state of Zulia are among the lowest in all of Latin America, so an immediate but gradual reopening is necessary to avoid the bankruptcy of many businesses.

Starting with the right foot. The Venezuelan Confederation of Industrialists (Conindustria) published a COVID-19 Safety Protocol in conjunction with health sector experts and recommendations from the World Health Organization (WHO). The protocol outlines the steps to be taken to initiate the lifting of quarantine measures.

Precautions ahead. In detail, the report recommends that companies implement staggered entry and exit schedules to avoid crowding, install sanitary equipment at the entrances to the facilities, and use mouthpieces in the work area if working less than one meter apart between workers, and wear gloves at all times.

Unhealthy health sector. Tito López, president of the Venezuelan Chamber of the Pharmaceutical Industry (CIFAR) reported that if social distancing measures are not lifted in Venezuela in the next few days, around 45.0% of companies in the sector could close down.

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Even the rains won't fix it. According to the president of the Society of Agricultural Engineers of Venezuela, Saúl López, by the time the rainy season returns, the production of vegetable seedlings, fruits and vegetables is expected to fall by 25.0% due to the shortage of fuel.

Like the hare and the tortoise. In turn, he reported that approximately 32 tons of fertilizer would arrive, but this would only cover about 14.0% of the national demand for fertilizer.

INTERNATIONAL TIPS

COVID-19 in the world. According to figures published by the World Health Organization (WHO), the number of positive cases of coronavirus reached 4,170,424 on May 14, with 287,399 deaths recorded for the same date.

Applied. According to Bernardo Mariano, head of information at the World Health Organization (WHO), the agency plans to launch an application in May that will allow people in countries with few resources to evaluate whether or not they might have the new coronavirus.

For tastes and colors. Mariano added that although WHO will release a version available to everyone in the application stores, any government will be able to use the underlying technology, add features and launch its own application.

Still no cure, but with treatment. Margaret Harris, a spokeswoman for the World Health Organization, reported that there are multiple treatments that appear to be limiting the severity and prolongation of the COVID-19 respiratory infection. She added that the organization is focusing on getting more information about four or five of the most promising therapies.

No jobs. The U.S. Department of Labor's monthly employment report indicates that the U.S. economy lost 20.5 million jobs in April, the sharpest drop in payrolls since the Great Depression. With this collapse, the unemployment rate rose to 14.7% in the month indicated.

It could be as much as a fifth of the workforce. However, the Labor Department noted that millions of U.S. residents were counted as employed in April despite being out of work, suggesting that the actual unemployment rate in April was close to 19.5%. According to the Government, the unemployment rate should have included people on temporary unpaid leave due to the coronavirus pandemic.

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One step forward, two steps back (I). Donald Trump, President of the United States, announced that he opposes the renegotiation of the Phase 1 trade agreement with China, the first step towards ending the trade war between the two largest economies in the world.

One step forward, two steps back (II). Trump responds to statements by some government advisors in Beijing urging further talks and possibly invalidating the pact.

Plan: low rates. Steven Mnuchin, U.S. Treasury Secretary, said he does not see the need for the country to buy back debt. Instead, Mnuchin plans long-term debt to keep interest rates low.

Two or three more months. British Foreign Secretary Dominic Raab said that non-essential retailers would not return to work until June at the earliest, while other sectors would not be reactivated until at least July.

From oil income to taxes (I). The Saudi Arabian Minister of Finance announced that he will triple the value added tax (VAT) rate in the kingdom, suspending benefits for state employees. This increase will attempt to shore up finances that have been badly affected by low oil prices and the slowdown caused by the coronavirus.

From oil income to taxes (II). The Finance Minister added that the Saudi Arabian government will suspend the cost-of-living allowance from 1 June and the value-added tax will be increased from 5% to 15% from July 1.

Additional days to negotiate. The Argentine government announced that it will extend negotiations for the restructuring of a USD 65 billion sovereign debt until May 22, after its initial restructuring offer was rejected by creditors.

POLITICAL TIPS

"No massive public acts" Nicolás Maduro stated on Sunday, May 10, through a national channel, that the quarantine has been disrespected, giving way to massive public acts that have caused a significant increase in positive cases of COVID-19 over the weekend.

90tine: a larger quarantine. Maduro indicated that this increase should be an alarm, so the social distancing measures will be implemented again. Days later he announced that the quarantine is extended for 30 more days.

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Most captured (I). Remigio Ceballos, Commander of the Bolivarian National Armed Forces (FANB), reported that eight people were captured who are allegedly linked to Operation Gideon, which the regime exposes as an invasion attempt by a group of mercenaries.

Most captured (II). In addition to this, Ceballos indicated that six more individuals were detained, three in the state of Aragua and another three in the state of Vargas, in the sector of San Miguel de Carayaca. These captures have been made in the framework of Operation Black First carried out by the FANB.

Accused of aiding and abetting. Maduro accused the Silvercorp company and Juan Guaidó, whom he accused of being a fugitive from justice, of being linked to these groups of detainees.

Linked to drug traffickers. Similarly, the Minister of Communication and Information, Jorge Rodríguez, blamed the President of Colombia and the President of the United States, Ivan Duque and Donald Trump, respectively, for having used drug traffickers to attack the country through this operation.

Great setup. However, Guaidó denied these accusations and assured that the entire operation was prepared by the regime to victimize itself internationally and use it for propaganda. He also claimed that this plan was used to deceive lieutenants and attack them.

Withdrawal. Juan José Rendón, political strategist, and Sergio Vergara, deputy of the National Assembly, presented their letter of resignation from the positions of general strategist and commissioner in the Guaidó Presidential Committee, who accepted both resignations.

Supporting from a distance. Despite this, both representatives ratified their support for the "democratic cause" and urged the international community to strengthen support for Guaidó's activities.

Other intentions (I). Julio Borges, the presidential Commissioner for Foreign Affairs appointed by Guaidó, said that the trip to Trinidad and Tobago in March by Delcy Rodríguez, the regime's vice-president, was not intended to address support for the pandemic, as Rodríguez indicated.

Other intentions (II). According to Borges, the purpose of the project was to conclude oil and gas agreements. For that reason, Rodríguez traveled accompanied by Asdrúbal Chávez and other officials of the national oil company PDVSA.

Attached to the plan. The political coordinator of the security area of *Plan País*, Alfredo Jimeno, indicated that, in view of the difficult situation being experienced in the prisons, six priority measures were considered that seek to resolve the serious crisis. The measures in the plan are to be applied after a national emergency government is formed.

Separate yourself from bad friends. A group of retired military personnel, called the Institutional Military Front, asked the National Assembly (NA) to break off diplomatic relations with Cuba as an act of sovereignty. The petition was signed by 278 members and included a request for the official cessation of resource aid that Venezuela sends to that country.

40 cases transferred. The president of the Commission of Indigenous Peoples of the NA, Gladys Guaipo, reported that 40 indigenous Venezuelans of the Warao ethnic group were transferred to the state of Paraíba, Brazil, to take the COVID-19 test, which was positive for the entire group.

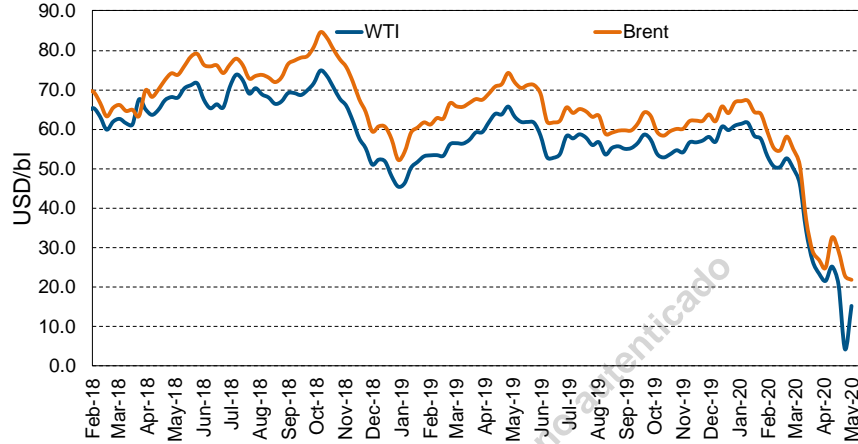
Care on the outside. Guaidó indicated that the information was confirmed by the Federal Public Ministry of that country, in which the 40 indigenous refugees remain in the Archdiocesan Social Center of San Jose.

Off the bill. The congresswoman stressed that the pandemic has severely affected these indigenous communities, but that these cases are not counted in the national statistics since these groups are far removed from the main cities of Delta Amacuro and Bolívar states.

No more violence. The National Communication Center, the Guaidó team's Twitter account, published a statement informing the international community about the increase in repressive and violent activities carried out by the regime. The communiqué refers to the unofficial executions that have taken place in Petare shanty town, Miranda state.

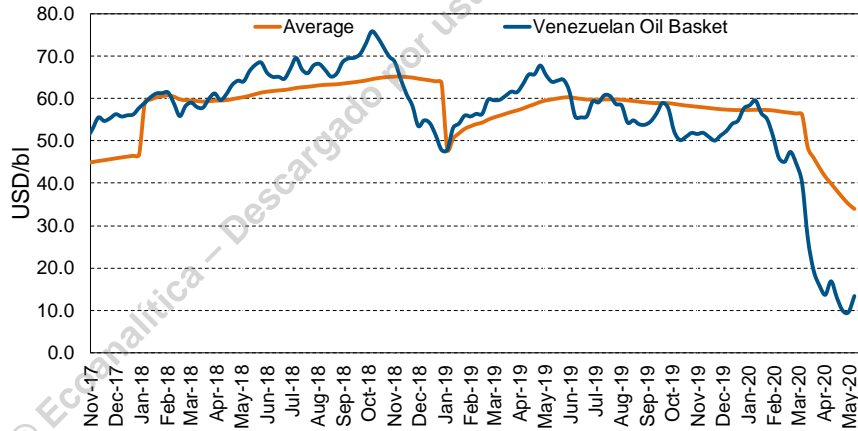
ECONOMIC INDICATORS

**Oil Prices
(WTI and Brent)**



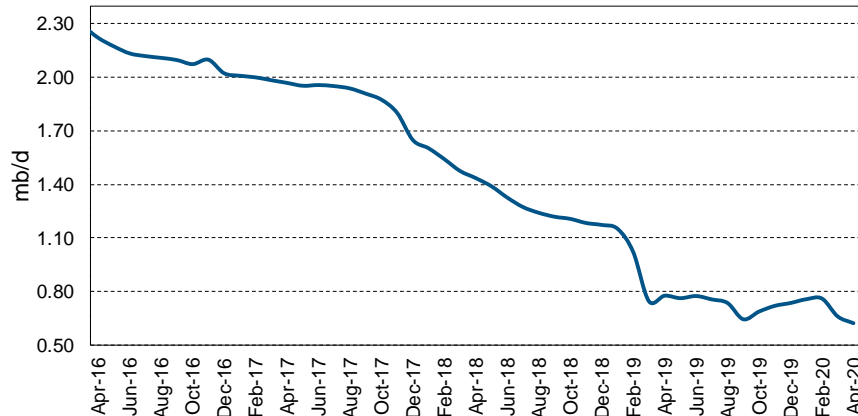
Sources: Menpet and Ecoanalítica

**Oil Price
(Venezuelan Basket)**



Sources: Menpet and Ecoanalítica

**Oil Production
(Secondary sources)**

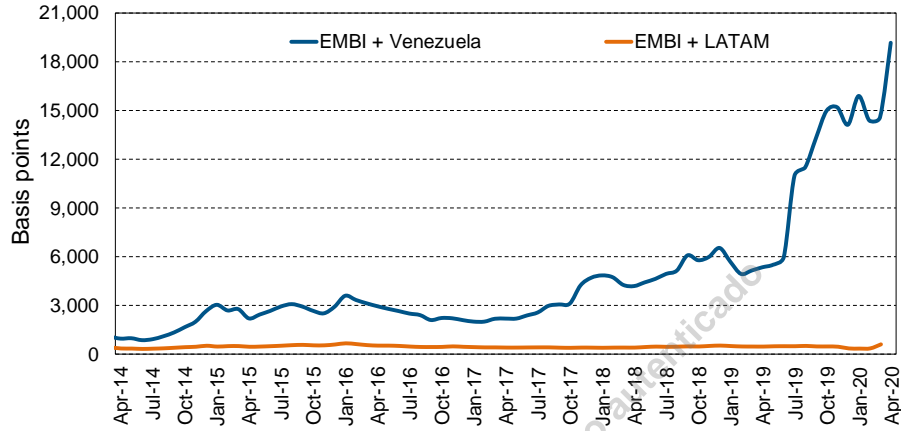


Sources: OPEC and Ecoanalítica

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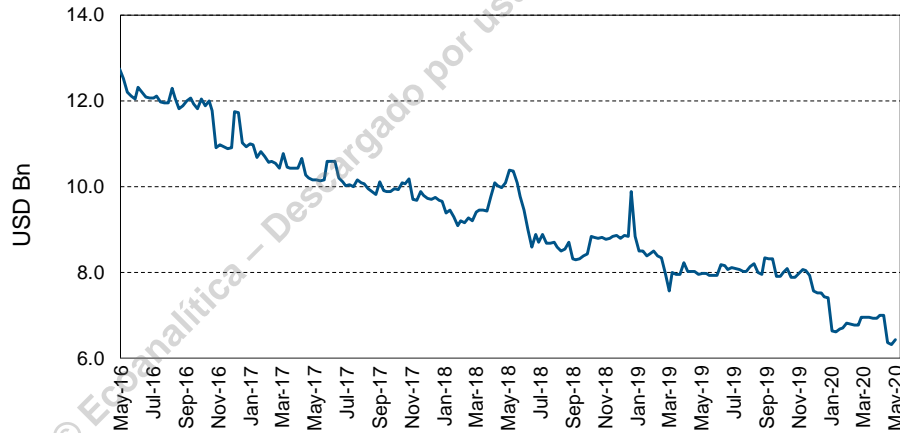
ECONOMIC INDICATORS

EMBI



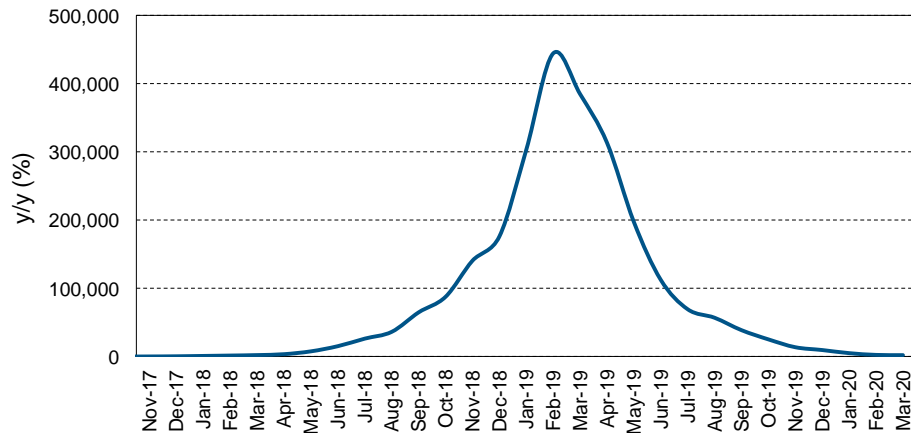
Sources: BCRP and Ecoanalítica

FX Reserves (BCV)



Sources: BCV and Ecoanalítica

Inflation (BCV)



Sources: BCV and Ecoanalítica

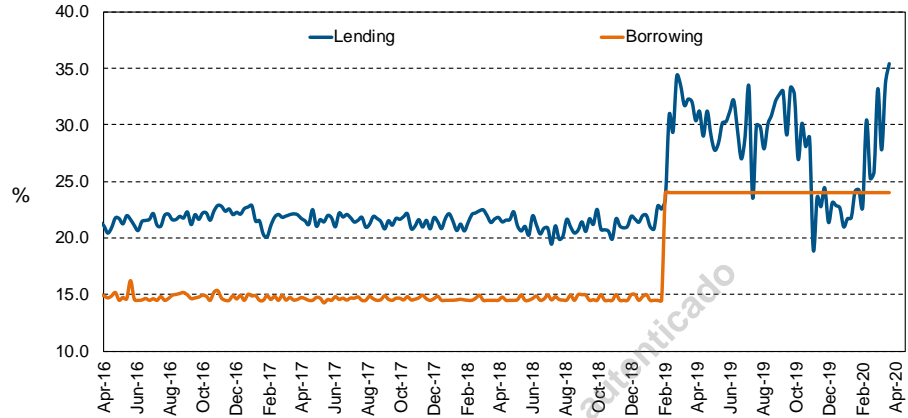
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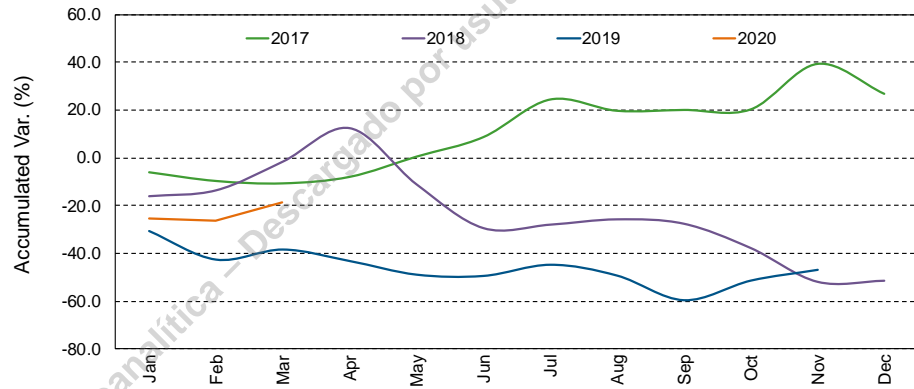
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ECONOMIC INDICATORS

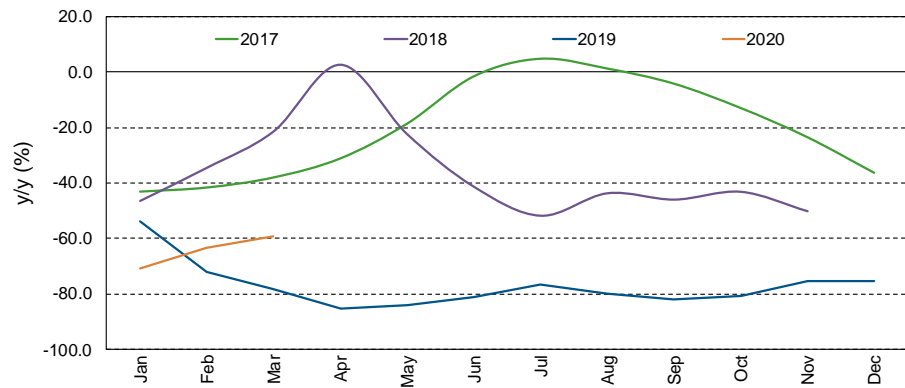
**Interest Rate
(Six major banks)**



**M2 Expansion
(Real)**



**Loan Portfolio
(Real)**



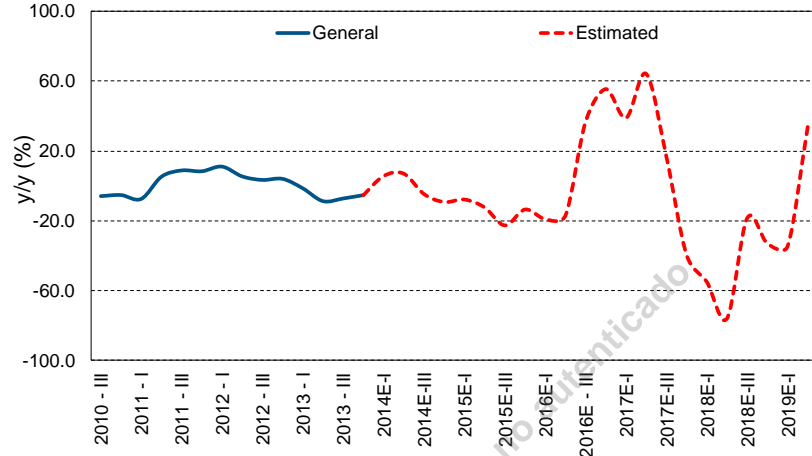
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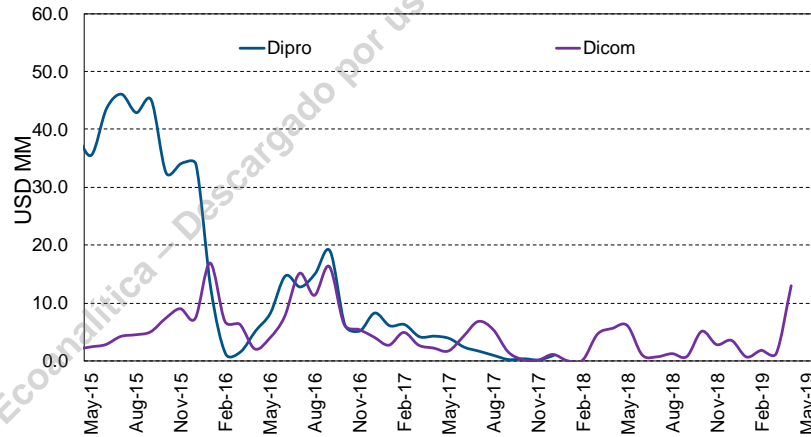
ECONOMIC INDICATORS

Real Wage Index



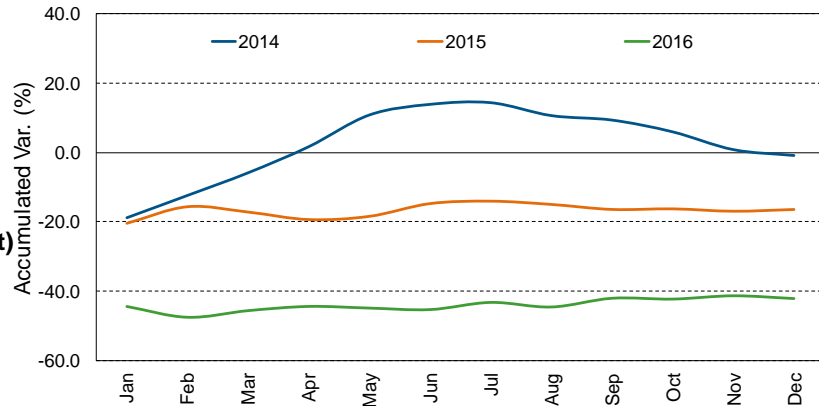
Sources: BCV and Ecoanalítica

Disbursements to the Private Sector (Daily Average)



Source: Ecoanalítica

Primary Spending NTO (Real - Central Government)



Sources: ONT and Ecoanalítica

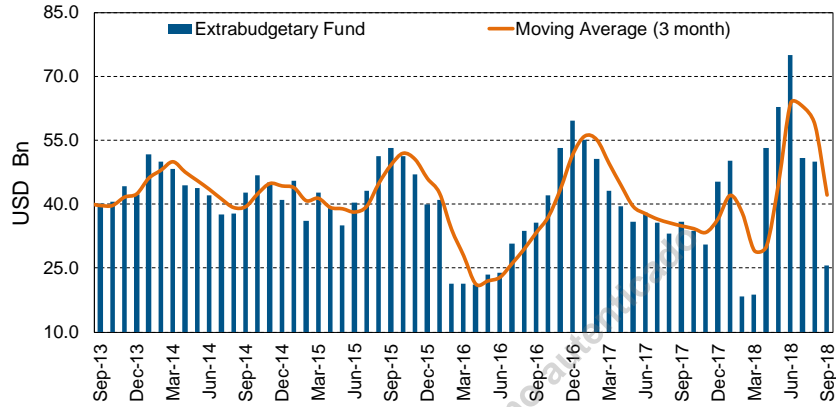
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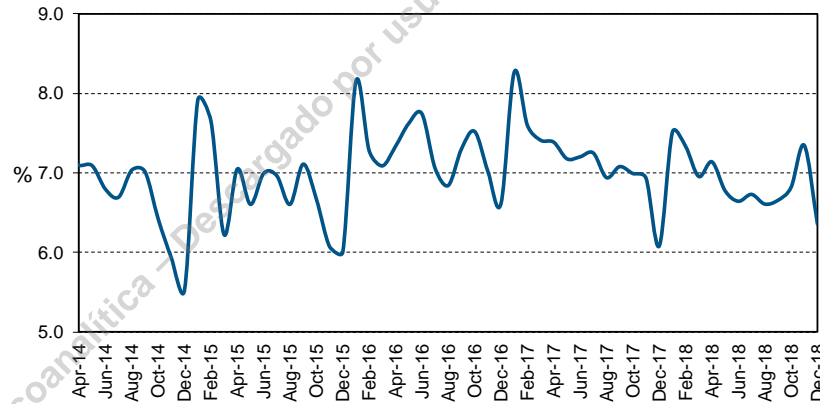
ECONOMIC INDICATORS

State Extrabudgetary Resources



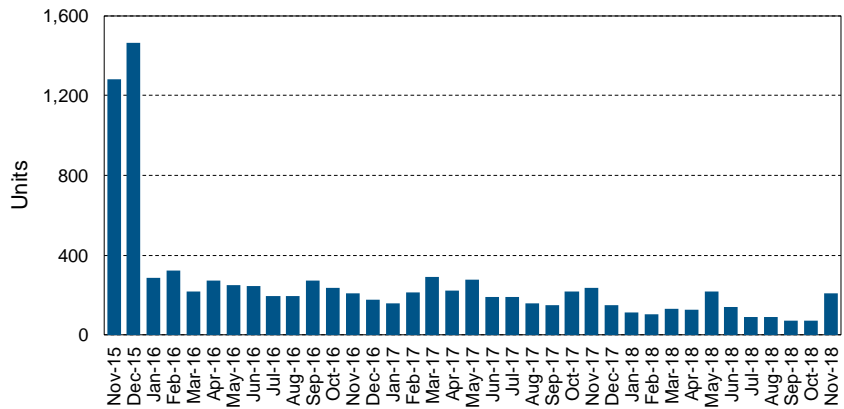
Source: Ecoanalítica

Unemployment Rate



Sources: INE and Ecoanalítica

Vehicle Sales



Sources: CAVENEZ and Ecoanalítica

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