

WEEKLY REPORT

Year 17. Number 17. Week IV
May 2021



Ecoanalítica

acompañando las buenas decisiones

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Once upon a time... There was an oil country (part I)

Until a few years ago, Venezuela and its economic history had a clear protagonist: oil. This has changed after several events in recent years, in which bad public administration, sanctions and new international trends have caused the Venezuelan economy to lose its clear leader in hydrocarbons.

This does not mean that the oil sector cannot make a triumphant comeback in the long term, but the current conditions of the industry cast doubt on the possibility of achieving such a resurgence. In this sense, it is worth detailing the factors that today determine the situation of the Venezuelan oil industry, the recent events that could mark new trends for PDVSA and the feasibility of obtaining the financing required to recover the production levels of the last century.

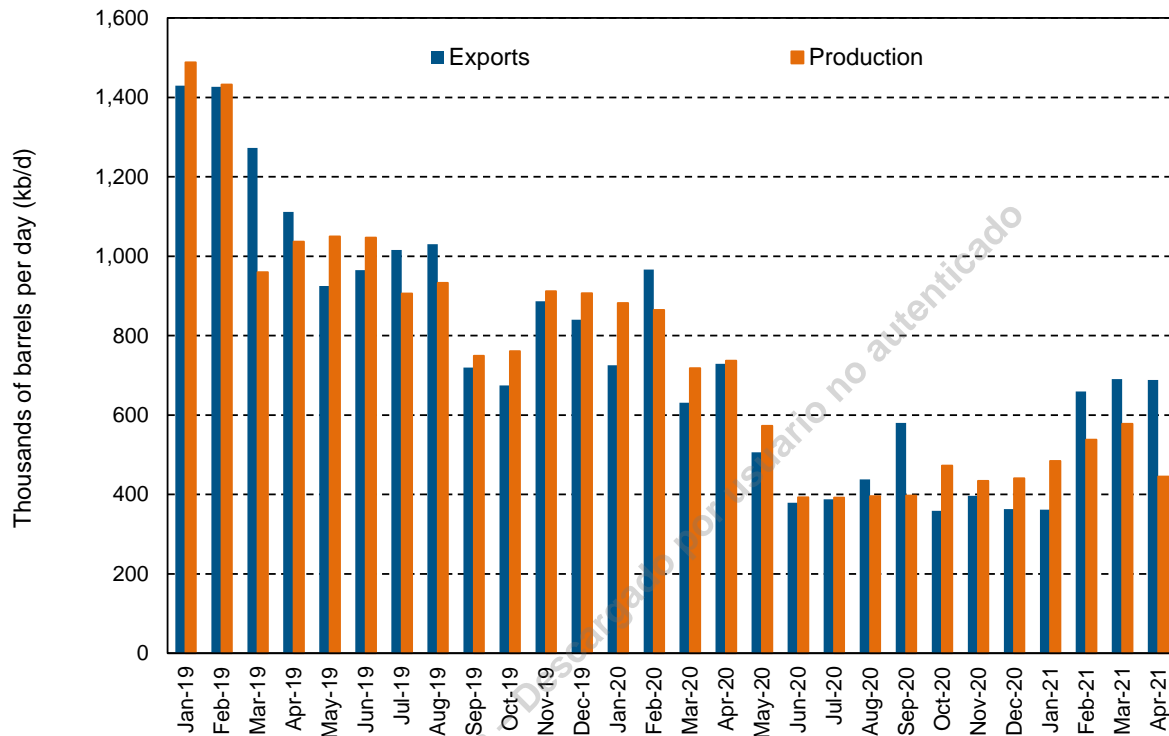
How do we find each other?

After a slight recovery in the first quarter of 2021, when the average production increased 105 kb/d compared to the previous period, April's figures marked a reversal of the trend and showed a 28.7% drop in year-on-year terms (reaching a production of 445 kb/d). The increase observed at the beginning of the year seems to be attributed to the fact that PDVSA was able to overcome the suspension of activities at its headquarters and to lower shocks caused by power failures or operational restrictions. However, April's drop shows that PDVSA has not yet reached the necessary conditions to significantly increase its production in the short and medium terms, particularly when observing the limitations due to the lack of active drilling rigs¹ and the barriers to external financing.

¹ By June 2020, PDVSA ceased to have active oil drills, implying a total drop with respect to the previous year.

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Oil Exports vs. Production



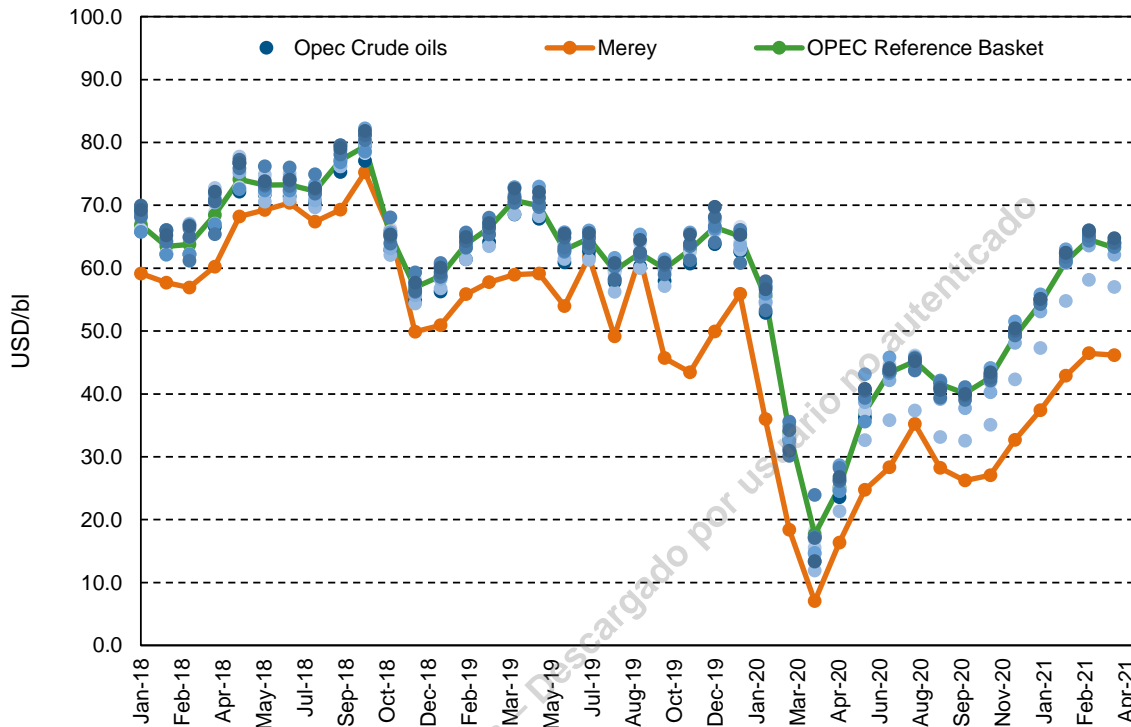
Sources: OPEC, Pdvsa, Reuters and Ecoanalítica.

On the export side, barrels sold to trading partners exceed production levels. By April 2021, international crude oil sales exceeded production by 244 kb/d, which implies that a fraction of exports comes from inventories accumulated during the last three quarters of 2020, when the pandemic and sanctions significantly limited the commercialization of Venezuelan crude. Thanks to the aforementioned inventories, PDVSA has been able to partially take advantage of higher oil prices, including Merrey, which reached USD 46.2 per barrel in April, an increase of 43.4% after the historical low observed in April 2020 (USD 7.0 per barrel).

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Dispersion of crude oil prices in the OPEC basket



Sources: OPEP and Ecoanalítica.

Despite inventory conditions and higher prices, international sanctions imposed by the United States have continued to limit the commercialization of Venezuelan oil. As a result, PDVSA has continued to resort to price discounts² and opaque shipping operations that allow its partners to slip under the U.S. radar and evade possible secondary sanctions. In order to evade such sanctions, tankers bound for Venezuela turn off their automatic identification systems so as not to report their position³ and, in addition, transfer barrel cargoes from tanker to tanker overseas. The use of this technique increased in April, after technical failures occurred at the Jose oil terminal⁴.

² Compared to Brent, the Merey discount was 28.8% in April 2021.

³ Cohen, L. and Párraga, M. (2021). *Slew of tankers sail toward Venezuela, suggesting oil export rebound*. Reuters.

⁴ Guanipa, M. and Párraga, M. (2021). *More crude to China helped Venezuela maintain exports in March - data*. Reuters.

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China: a new turning point

The Venezuelan oil industry received another blow on May 14, when China reformed its tariff policy on bitumen, a category that includes Venezuelan Merey. The Chinese authorities decided to close an ambiguity in its commercial legislation that allowed the import of heavy crude at prices lower than those of other hydrocarbons without presenting quotas on the quantity imported. With this modification, the Chinese government will now levy a tax of USD 29.6 per barrel on diluted bitumen⁵.

According to *Argus Media* figures, the Chinese decision puts at risk around 400,000 Venezuelan barrels per day⁶, the commercialization of which will be drastically restricted once the tariff is applied on June 12. Without many other markets to turn to, PDVSA plans to ship as much crude as possible before the stipulated date, in the hope that the barrels arriving until June 11 will be exempt from the tariff⁷, which could be reflected in a temporary increase in exports; this is only a short-term solution. Venezuelan authorities will have to look for other trade partners or negotiate tariff exemptions with China if they do not want to see their exports reduced, which does not seem feasible at present.

A limited and costly industry

Recently, the Executive Branch made statements in which it hinted at the low profitability of the industry and alleged the need to receive new foreign investments. Thus, Nicolás Maduro stated in March that the possibility of modifying the legislation to allow "*new business models*"⁸ within the industry is being studied.

In addition, *Reuters*⁹ reported in February that a document entitled "*Investment Opportunities*", prepared by the Planning and Engineering Division of PDVSA, was circulating, inviting domestic and foreign investors to participate in the industry (again) "*under new commercial models*". The document highlights that the main new association model to be implemented would be production service agreements (PSA), which contemplate that the contractors would finance the totality of the operations in the fields and would receive as payment a part of the cash flow of the projects, while the Venezuelan State would continue to be the sole owner of the fields and the infrastructure.

⁵ *Argus Media*. (2021). *China tax reform augurs trade flow shake-up*.

⁶ *Argus Media*. (2021). *New Chinese tax narrows Venezuela's oil export options*.

⁷ *Argus Media*. (2021). *Venezuela scrambling to load oil ahead of China tax*.

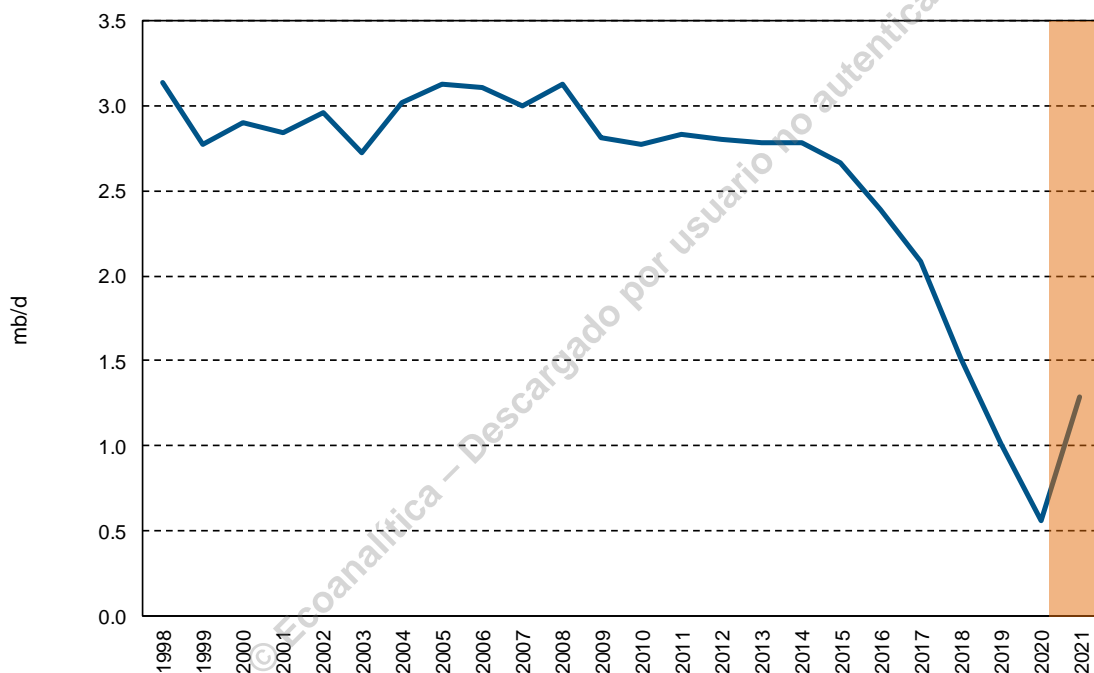
⁸ *Reuters*. (2021). *Venezuela to weigh oil law reform to allow 'new models,' Maduro says*.

⁹ *Cohen, L.* (2021). (OFFICIAL) *Venezuela needs \$58 bln to restore crude output to 1998 levels -document*. Reuters.

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In terms of figures, the document revealed that the state-owned company had determined that an investment of USD 58,000 million was required to reach again the production values of 1998 (3.4 mb/d). Although PDVSA did not establish a specific time frame for this objective, it did project a production goal for the end of 2021 of 1.28 mb/d, which would mean an increase of 131.0% over last year and of 1.3% in relation to the last official figures available¹⁰, although there have been 10 years of uninterrupted falls.

Official oil production forecast



Sources: Pdvsa, Opep, Reuters and Ecoanalítica.

Note: The highlighted area corresponds to the value of the official oil production forecasted for 2021, according to the PDVSA Investment Opportunities document reviewed by Reuters.

In line with both information, in March, it was reported¹¹ that representatives of foreign oil companies held meetings with representatives of Pdvsa in order to position themselves favorably at the moment when the possibility of partnering with the state-owned company materializes. Thus, companies such as Chevron, Total and Eni would be willing to analyze more tangible agreements once Venezuela is in a better position without international sanctions.

¹⁰ Corresponding to March 2021. No information is available for April.

¹¹ Bartenstein, B. and Zerpa, F. (2021). At a Hotel in Caracas, Oil Executives Weigh a Return to Venezuela. Bloomberg.

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However, contrary to what was revealed in the "*Investment Opportunities*" document, the enactment of a new energy law would allow the partners, who jointly join the projects, the opportunity to establish their commercial activities and, at the same time, take control of Venezuelan assets. This would be part of a strategy to avoid US sanctions, which stipulate that they cannot carry out operations with Pdvsa, but, in principle, they can extract crude from national reserves. Although larger and more reputable companies would wait for the lifting of the sanctions, it could be expected that other companies would consider these conditions sufficient to avoid being sanctioned and embark on these projects.

Even so, the most outstanding aspect of all this information is the contradiction in the conditions of the possible commercial agreements with the new investors, which is in line with the lack of information from the State or the Executive. Although the Executive has expressed the need to attract new investments, it has not yet informed about the modifications to the law being handled or the incentives that will be offered to investors.

Absence of guarantees

The lack of information and movement at the legislative level gives reason to believe that, although the need for new revenue streams is imperative, these statements will probably not materialize into changes in the industry. There is already the precedent of the announcement of changes in the economic paradigm through the enactment of the Anti-Blockchain Act in October 2020. In this law, the promise of economic liberalization and private participation was overshadowed by the absence of legal guarantees protecting investors from discretionary actions by the State.

Similar limitations were identified by Monaldi, Hernández and La Rosa (2020)¹² to analyze the drop in foreign direct investment in the sector over the last fifteen years. First, the authors mention how the conditions established at the beginning of the 1990s, with a fiscal regime that guaranteed profitability to develop integrated projects and contracts that offered legal guarantees to external investors in case of any dispute, allowed the entry of billions of dollars in investment, permitted the development of infrastructure, the discovery of new reserves and the increase of production capacity by more than one million barrels per day.

However, once this investment cycle came to an end, the largest projects in the Orinoco Belt finished their construction phases (spending billions of dollars in sunk costs), some exploration processes started their commercialization phase and crude oil prices

¹² Hernández, I., La Rosa, J. and Monaldi, F. (2020). *The Collapse of the Venezuelan Oil Industry: The Role of Foreign Direct Investment in Resource-Rich Regions*.

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increased, the Venezuelan Government proceeded to expropriate the assets of external investors.

Logically, this "legal instability" led several investors to avoid renewing their commitments in the industry and repelled the possible interest of new ones. As a result, although there were low-risk geological conditions and high prices, only allied countries with an interest in securing energy resources and political influence participated. Thus, China and Russia would acquire production rights over the national oil reserves so that, later, the fiscal terms, the discretionary policies of the Executive with the revenues obtained, the economic instability, the lack of investor protection and the operational inefficiency of PDVSA would cause all investment projects initiated after 2006 to end in failure.

Siembra Petrolera Plan goals and actual production (kb/d)				
Production	Target	Real	Target	Real
	2012	2012	2019	2019
Direct management (Pdvsa)	4,000	1,829	2,000	765
Mature fields (joint ventures)	460	463	2,000	279
Orinoco Oil Belt (joint ventures)	622	645	1,910	458
Orinoco Oil Belt (new projects)	615	0	2,090	69
Total	5,697	2,937	8,000	1,571

Sources: Monalfí, F., Hernández, J., La Rosa, I. (2020)

Among the causes of this lack of new investments were the low credibility of the Government to respect the contractual terms subscribed, especially those related to the autonomy of the joint venture to comply with the payment schedule, and the fact that the final decisions depended on a small nucleus within the Government, a structure that generated little confidence to make large investments in projects that were to last for decades. All this was set against a backdrop of deteriorating local institutions due to a growing concentration of power in the Executive, which led to increasingly unpredictable contracts and reduced investment incentives as expropriation benefits were extended in a context of high oil prices and the end of the investment cycle.

These investment limitations could be extrapolated to any other sector. No change has been observed in any of the above reasons. Therefore, whether it is to revive an oil industry in serious difficulties or to attract investment for the development of a sector with potential, the need for reforms continues to exist.

The oil industry: a blind street

The restrictions to international trade, aggravated by the Chinese reform, and the inability of the Venezuelan State to reactivate its production through external financing, make

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more evident the change of paradigms of the Venezuelan economy, where oil does not have the prominence it had in the past. As we pointed out in the fiscal section of our Perspectives Report: "The new Chinese "New Year""¹³, the fall in revenues by this means would lead the State to allow transactional dollarization to maintain its course in order to continue having a dynamizing effect on the real economy, but with the expectation of being able to establish new taxes or modify the current ones.

In the meantime, multiple innovative proposals are emerging that propose abandoning the use of hydrocarbons by 2050¹⁴. This leaves Venezuela with approximately 30 years to take advantage of the largest proven oil reserves in the world. The short time remaining highlights the importance of designing new strategies to take advantage of the current advantages as new opportunities develop. Therefore, in the next report, **Ecoanalítica** will address the following questions: Should Venezuela take advantage of the advantages still offered by the oil sector or should it move towards other industries as soon as possible? And, if the latter question is affirmative, in which industries could the Venezuelan economy specialize and how could it obtain the financing to do so?

Jhoan F. Castellano
Diego Santana Fombona

¹³ For more information, please refer to the section "*Monetary and fiscal policy: Launching a lifeline to refloat an anchor*" in the aforementioned 2021 Outlook Report N°1: *The new Chinese "New Year"*.
Energy Sector.

¹⁴ International Energy Agency. (2021). *Net Zero by 2050: A Roadmap for the Global*

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WEEKLY INDICATORS

Weekly Economic Indicators			
	4th Week May	Weekly chg. (%)	Depre/Apre (pp) ¹
FX Boards (VES/USD) ²	3,050,340.00	3.4	3.3
	2nd Week May	Weekly chg. (pp)	Annual chg. (pp)
Lending Interest Rate (%)	55.8	-3.6	16.1
	3rd Week May	Weekly chg. (pp)	Annual chg. (pp)
Overnight Interest Rate (%)	411.1	143.5	308.4
	3rd Week May	Weekly chg. (%)	Annual chg. (%)
International Reserves (USD Bn)	6,313.0	0.3	-2.1
	2nd Week May	Weekly chg. (%)	Annual chg. (%)
Monetary Liquidity (MM VES)	1,403,490,029.23	6.6	1,287.0
Price of International Oil Baskets (USD/bl)			
	2nd Week May	Weekly chg. (%)	Annual chg. (%)
WTI	65.1	0.0	144.9
Brent	68.7	-0.4	151.9
Price of the Venezuelan oil basket (USD/bl)			
	5th Week July	Weekly chg. (%)	Annual chg. (%)
Weekly Average	22.4	0.0	-61.9
Annual Average	28.8	-0.7	-51.7

Sources: BCV, MENPET, ONT and Ecoanalítica

* Annual variation of accumulated expenditure.

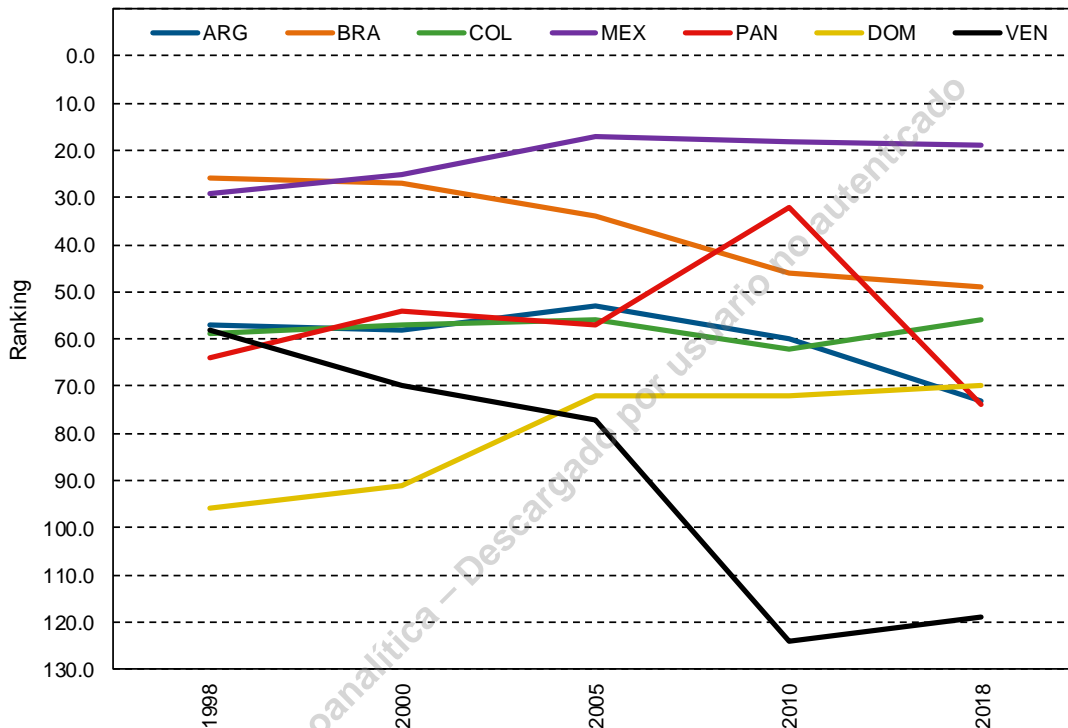
¹ Depreciation (+)/Appreciation (-)² FX Borads' average exchange rate

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CHART OF THE WEEK: “(IM)PRODUCTIVE CHANGES”.

Latin America Economic Complexity



Sources: The Atlas of Economic Complexity, The Observatory of Economic Complexity y Ecoanalítica.

A country's Economic Complexity is the expression of its productive know-how in the goods it manufactures and exports. Countries with greater economic complexity tend to be more diversified and have more sophisticated productive capacity or know-how. In general, economies with greater complexity tend to be more prosperous.

The Atlas of Economic Complexity ranks 129 countries according to their complexity. For 2018, at the top are advanced economies such as Japan, Switzerland, South Korea and Germany. The Latin American region tends to be of medium-low complexity, where we find Mexico in the highest position, 19, and then a gap opens up to Costa Rica in 47th place.

The positions are not usually static, the ranking has been expanding as new economies are included. Some countries have gained positions for 2018, such as the Dominican

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Republic in 50th place and Colombia, in 56th place; others have dropped, such as Panama and Argentina which went from 64th and 57th places in 1998, to position themselves, in 2018, in 74th and 73rd places, respectively.

Venezuela has an index that has been decreasing over the years. In 1998, Venezuela was in 58th position in the ranking based on 120 countries studied in that year; and, by 2018, it was in 119th position out of 129 countries studied. The country's low ranking is due to its low diversification coupled with few sophisticated exports. Similarly, the economic contraction leaves Venezuela with few avenues to be competitive in more complex activities in the short term.

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ECONOMIC TIPS

COVID-19 in Venezuela. According to governmental figures as of May 27, the country accumulated 227,407 registered cases of coronavirus and 2,559 deaths. At the same time, as of May 19, it is estimated that 1.1% of the population has received at least one dose of some vaccine.

Unconfined against the pandemic. The week of May 23-30 was managed under a scheme of relaxation of containment measures, in accordance with the "7+7" scheme with which the national authorities have approached the pandemic. During this week, the containment measures were relaxed and all sectors of the economy maintained their activity respecting the relevant biosecurity norms.

The workers food basket (I). The Centro de Documentación y Análisis de los Trabajadores (Cenda) published the price of its food basket for workers, which was VES 529,597,458.7, or USD 192.9 at the official exchange rate at the close of the month.

The workers food basket (II). In bolivars, the basket showed an inter-monthly variation upward of 23.3%, equivalent to VES 100,125,650.14, while, so far this year, it had an accumulated variation of 142.54% and increased 1,727.92% with respect to April 2020.

Petare inflates. The Petare basket, carried by National Assembly deputy Angel Alvarado, stood at VES 73.2 million, or USD 23.5, and showed a variation of 2.66% in bolivars and -3.9% in dollars, in the week of May 10-22.

Retroactivated. The Venezuelan Social Security Institute (IVSS) informed that it deposited the June pension on May 21. The total amount was VES 12.2 million, of which VES 7 million corresponds to the pension payment and VES 5.2 million is the retroactive payment for May.

Let's save in petros (I). Nicolás Maduro approved a proposal to create a National Social Benefits Fund. The President indicated that the proposal comes from the Ministry of Labor and that it will be anchored to the value of the petro "so that they do not suffer the burden and wear and tear of induced inflation".

Let's save in petros (II). In detail, Maduro stated that "Social benefits must comply with the objective of supporting the worker's savings. (...). I have insisted on integrating the savings banks". He also expressed his support to new enterprises and added that it is necessary to provide facilities for their commercial registration.

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Towards a bimonetary environment. The dean of the School of Economics and Social Sciences of the Universidad Católica Andrés Bello, Ronald Balza, indicated that he disagrees with the total disappearance of the bolivar as the country's currency and stated that a multi-currency or *bimonetary* system is necessary, which is mainly composed of the U.S. dollar and the bolivar.

Import prohibitions. Freddy Bernal, Governor of Táchira State, indicated on May 22 that the 15-day term will be extended for traders in the state to withdraw coffee from Colombia.

Bonds and more bonds. The Patria system began the delivery of the "Conscience and Union" bond between May 24 and May 30. The amount to be delivered is VES 7,160,000, or USD 2.35.

Money tables. For the fourth week of May, the average money desk rate was VES 3,050,340.0/USD, representing a 0.2% depreciation from the previous week.

Liquid? Liquidity was VES 1.4 million for the week of May 14, a variation of 6.6% in nominal terms with respect to the previous week and 1,287% with respect to last year.

OIL TIPS

Wanting to step on the gas (I). In view of the new tax that China will impose as of June 12 on the diluted bitumen it indirectly buys from Venezuela, *Argus Media* reported that PDVSA is waiting for the Chinese government to reconsider the measure and will try to export as much crude as possible from the Jose terminal before that date.

Wanting to step on the gas (II). However, it seems difficult to achieve a higher export volume via Shandong, the Chinese province that receives Venezuelan crude blended and renamed in Malaysia, because PDVSA exported 380,000 barrels per day (kb/d) of Meroy below forecast in the first half of May.

On standby. According to unofficial sources, a group of tankers is forming near La Borracha Island waiting to sail with a cargo of 19.6 million barrels (650 kb/d, according to official planning); however, there have been recent interruptions in the process due to inconsistencies in quality and lack of inventory.

Making it clear (I). Joe Biden's administration publicly announced on May 19 that it has no immediate plans to relax the sanctions imposed by the United States (US) on the Venezuelan oil sector.

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Making it clear (II). Likewise, he stated that the ban on the exchange of crude for diesel between the Spanish oil company Repsol and the Italian Eni and PDVSA, a business that is currently being carried out, will continue.

Setting the record straight. According to Brian Nichols, Assistant Secretary of State nominee for the Western Hemisphere, Venezuela does indeed have enough diesel for at least the next six months, so the administration would only consider changing its policy on this resource "*if there is a problem there for Venezuelans*".

OPEC vs. the IEA (I). On May 18, the International Energy Agency (IEA) declared that emerging oil and gas projects should be rejected in order to achieve the goal of zero carbon dioxide emissions by 2050.

OPEC vs. the IEA (II). In response, on May 20, OPEC warned its members that adopting such a measure would imply increased volatility in the oil market and would jeopardize the investment currently required in the non-renewable fuels industry.

The go-ahead (I). According to S&P Platts, confidence in the Mexican oil industry is on the rise following the recent acquisition of USD 250 million in financing from conglomerate PetroBal for the development of new projects.

The go-ahead (II). This would be the first production sharing contract of this nature and the first one granted to finance the exploitation of offshore fields in Mexico.

Between protests and production. Colombia's Energy Ministry announced on May 19 that national oil production fell below 700 kb/d, which corresponds to the lowest level reported since 2009. The Ministry explained that the drop was the result of the effect of nationwide transit blockades and protests on the production and distribution capacity of crude oil, derivative products and other minerals.

Problems in supplying (I). The cyber attack that abruptly affected Colonial Pipeline's operating system in mid-May continues to impact the supply of fuel to U.S. service stations.

Problems in supplying (II). The aftermath of the attack continues, despite the fact that the company announced the restitution of the full operation of the system on Monday 17 of the same month, date on which 11,667 stations nationwide were without gasoline to dispense.

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SECTORIAL TIPS

They are coming. According to the Pan American Health Organization (PAHO), Venezuela still owes about USD 18 million to the COVAX mechanism; however, the country has already paid a little more than USD 101 million, so it claims that the COVID-19 vaccines could arrive in July.

Working with what is available. Nicolás Maduro announced a new phase of vaccination against COVID-19 for the last week of May thanks to 1,300,000 doses that arrived from China. This day will focus on vaccinating children under 60 years of age, whose health is compromised with two or more serious or chronic diseases.

70.0% paralyzed. The Venezuelan Oil Workers Front denounced that out of 1,786 gasoline stations in Venezuela, only 536 are operational.

Naval advance. The Minister of the People's Power for Transportation, Hipólito Abreu, informed that they are expanding the fleet of ships with national engineering, according to the proposal of the National Waterways Plan, with the purpose of creating new water routes and consolidating the existing ones.

Modernizing what is necessary. The president of the National Council of Commerce and Services (Consecomercio), Felipe Capozzolo, informed that they proposed to the Ministry of National Commerce and the Commission of Dialogue and Peace of the 6D National Assembly to implement a digital invoice containing the most modern aspects of the invoicing system.

Demands. The president of the Venezuelan Medical Federation, Douglas León Natera, demanded the President of Venezuela to pay a salary of US\$ 1500 to the health guild.

Contraction of 84.6%. According to the president of Conindustria, Adán Celis, out of 13,000 industrial establishments that existed in the country, less than 2,000 are still active, due to the economic situation of the last few years. He added that a good part of the companies that have closed were located in Carabobo, which had always been the industrial state par excellence of the country.

Is normality returning? Nicolás Maduro announced that they estimate to resume face-to-face classes for the 2021-2022 academic year, detailing that he believes that "...Now if we are going to achieve it safely, guaranteeing the lives of students, teachers, workers and families."

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Finally! (I). The President of Venezuela authorized resources for the creation of 48 Communal Public Works Brigades for the university sector, which will be dedicated to the maintenance of two houses of study per state.

Finally! (II). Nicolás Maduro addressed the University Councils and rectors saying: "*I extend my hand for the integral physical and architectural recovery of the country's universities*", assuring that "*whatever is necessary*" will be invested.

Asking for too much? The Maracaibo Chamber of Commerce asked the Venezuelan Central Bank for a new monetary reconversion process to be accompanied by complementary measures to control inflation and stabilize the value of the currency.

The good side of the bad. The vice-president of the Association of Medical Equipment Distributors and Importers (Avedem), Ricardo Trinca, reported that, with the pandemic, a "slight" recovery has been seen in the market thanks to new clients and a rebound in purchases of medical equipment to treat COVID-19.

Half. According to Edgar Medina, the president of the Táchira State Cattlemen's Association (Asogata), the cost of producing milk is USD 0.3 per liter, so production has decreased by 50.0%; however, according to Medina, this decrease in production has not translated into shortages in the domestic market because the purchasing power of citizens prevents mass consumption of milk and cheese.

Potential to be exploited. The president of the Chamber of Businessmen of Guarenas-Guatire, Giovanni Celano, announced that the municipal government, workers and businessmen of that area agreed to create a customs office in Guarenas with the purpose of rescuing its export potential, since it has more than 600 industries.

INTERNATIONAL TIPS

COVID-19 in the world. The World Health Organization (WHO) has indicated that, as of May 27, the number of COVID-19 cases reached 168,040,871 and the number of deaths was 3,494,758 for the same date. As of May 26, 1,545,967,545 doses of vaccine against the disease have been administered worldwide.

Global cooperation (I). The International Monetary Fund (IMF) proposed a plan to vaccinate at least 40.0% of the world's population by the end of the year, which will be

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financed with USD 50 billion. In turn, they plan to have at least 60.0% of the world's population vaccinated by the end of 2022 to enable a sustainable global economic recovery.

Global cooperation (II). At a G20 summit on May 21, the manufacturers of COVID-19 vaccines, Pfizer, Moderna and Johnson&Johnson, pledged to donate 3.5 billion doses to the most disadvantaged countries. The plan calls for supplying 1.3 billion doses this year and the rest in 2022.

A first step (I). Janet Yellen, head of the U.S. Treasury Department, announced on May 20 that she had formalized her proposal to reach a consensus on a global minimum tax for corporations of at least 15.0%, in the meetings she has held with officials from other countries on this issue.

A first step (II). According to the European Commissioner for the Economy, Paolo Gentiloni, this proposal "*Rather than a step backwards, it could be a step forward on the road to reaching an agreement*".

More needs to be done. The director general of the World Trade Organization (WTO), Ngozi Okonjo-Iweala, acknowledged that lifting patents on COVID-19 vaccines is not enough to increase their production. She added that other measures, such as removing export restrictions, are also necessary.

Containment measures (I). Last Sunday, May 23, the Chinese authorities met with executives of the local metals industry to explain the zero tolerance policy and the heavy penalties for monopolistic behavior that has stimulated the rise in the prices of these goods.

Containment measures (II). The National Development and Reform Commission (NDRC) stated that the rise in *commodity prices* has generated expectations of rising inflation that could affect China's growth. At the same time, metal prices in international markets fell after the events in the Asian country.

Beijing and bitcoin. China's government has begun to tighten its crackdown on the country's bitcoin industry. Liu He, China's vice premier, stated that the authorities will *crack down on "bitcoin mining and trading activity"* in order to stabilize the financial markets.

Proposals in the Commonwealth of Nations. On May 21, the Government of the United Kingdom offered Australia a free trade agreement in which both countries would be

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exempt from import duties on agricultural goods for the next 15 years. A favorable consolidation of this agreement is expected in early June.

Up inflation. The United Kingdom experienced a doubling of its monthly inflation at the end of April, rising from 0.7% in March to 1.5%. The rise in prices, which was the largest change since March 2020, was mainly attributable to higher costs within the "Energy" and "Clothing" categories.

Ecuador inaugurates President. Last Monday, May 24, Guillermo Lasso was sworn in as President of Ecuador. He obtained 52% of the support of the electorate and was the candidate of the Social Christian Party. Lasso is the first right-wing president to take office in 18 years.

POLITICAL TIPS

Uncertain balance. The last time Nicolás Maduro spoke of figures, at the end of April, there were 930,000 doses, but the Minister of Health, Carlos Alvarado, stated a day later that Venezuela had 1,480,000 doses, without mentioning the origin or date of arrival.

Contradictory. Carlos Alvarado assured, on Sunday, May 23, that more than 90% of the country's health personnel have been vaccinated against the coronavirus. This figure contrasts with a recent statement by Jaime Lorenzo, director of Médicos Unidos de Venezuela, who affirmed that Venezuela ranks last among immunized countries, with only 0.8% of the population vaccinated.

Consequence of the confrontations (I). The NGO Fundaredes calculated more than 16 confrontations between members of the Armed Forces and irregular armed groups from Colombia during the two months of combat in the border state of Apure.

Consequences of the confrontations (II). In the absence of official figures, the balance presented by Fundaredes shows more than 20 deaths, 8 kidnapped, more than 7,000 displaced to Colombia and at least 3 disappeared.

They ask for their release. On May 22, Fundaredes released a new video of the Venezuelan military kidnapped by the FARC, in which the members of the Armed Forces give proof of life and request that an agreement be reached for their prompt release. They requested Diosdado Cabello to expedite the necessary steps to free them.

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It's serious. The National Electoral Council (CNE) published this Saturday the official schedule for the regional and municipal "mega-elections" (so called by the CNE) to be held next November 21. There will be a special 45-day electoral registration day for new voters, starting on June 1 until July 15.

It continues to grow. The NGO Foro Penal released, this May 21, the updated number of political prisoners, which totals 306, of which 98 are in the Ramo Verde prison and 34 in the Military Counterintelligence Directorate (DGCIM).

What they see and we do not. The President of Argentina, Alberto Fernández, mentioned that *"the problem of human rights in Venezuela was disappearing"*. Juan Guaidó regretted, in an interview published on May 22 in Clarín newspaper, that the President of Argentina minimizes human rights violations in the country.

More control. The Government of Nicolás Maduro informed about the activation of a digital registry for international Non-Governmental Organizations (NGOs) that want to work in the country, in order to promote the transparency of their work and facilitate coordination with the State and the actors involved.

Slight scare. Leocenis García, coordinator of the political party Prociudadanos, was arrested on May 22, at the National Guard border post in Carretal, Zulia state, when he was arriving to the country from an international tour in the United States and Colombia. In the afternoon of the same day, García informed in a press release that he was already free.

Without control. Rodrigo Cabezas Morales, former Minister of Finance of the late President Hugo Chavez, requested that a State of Sanitary Emergency be declared in the state of Zulia. He qualified the situation as "rampant" as a consequence of the COVID-19 pandemic.

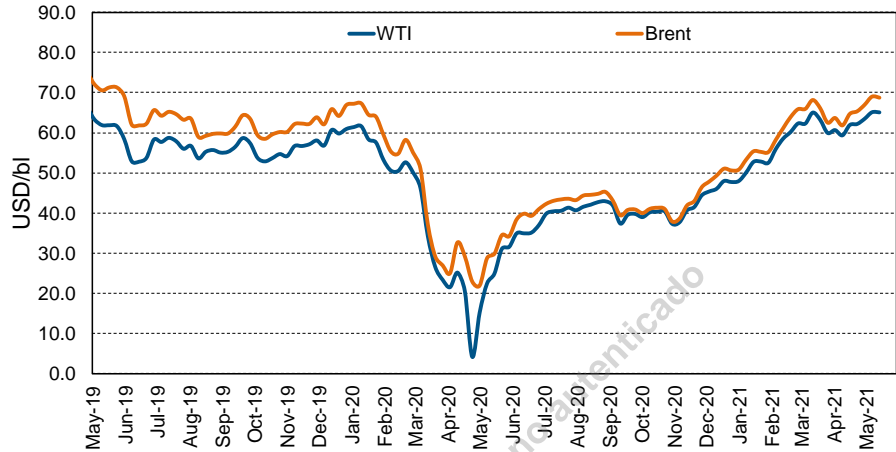
New actions ruled. The Supreme Court of Justice (TSJ) declared an extension of 12 months for the Acción Democrática (AD) party to carry out an internal consultation to renew its by-laws. Likewise, the TSJ states that this internal consultation must be made for the election of the National, State and Municipal Political Directorates of AD.

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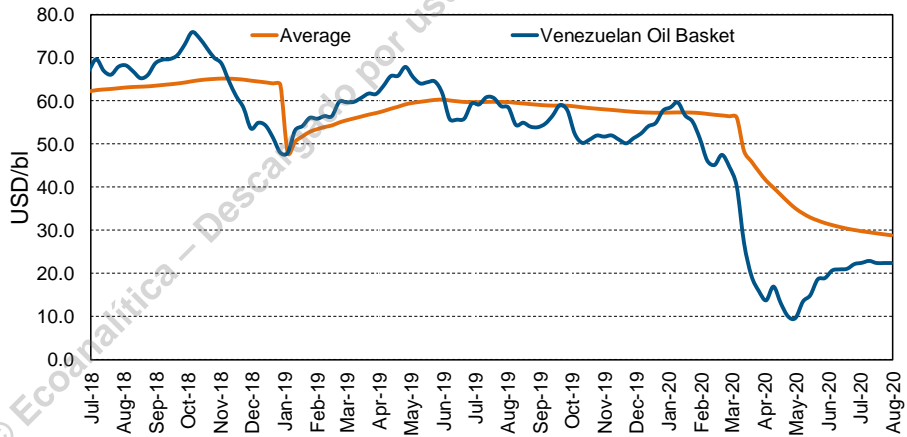
ECONOMIC INDICATORS

**Oil Prices
(WTI and Brent)**



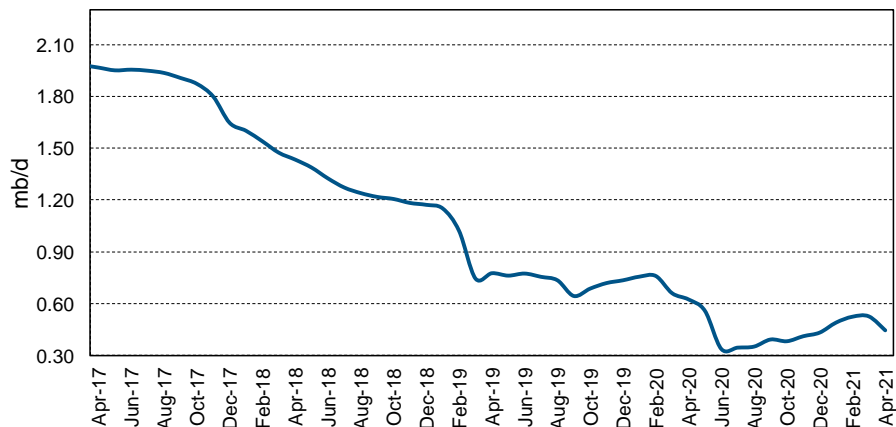
Sources: Menpet and Ecoanalítica

**Oil Price
(Venezuelan Basket)**



Sources: Menpet and Ecoanalítica

**Oil Production
(Secondary sources)**



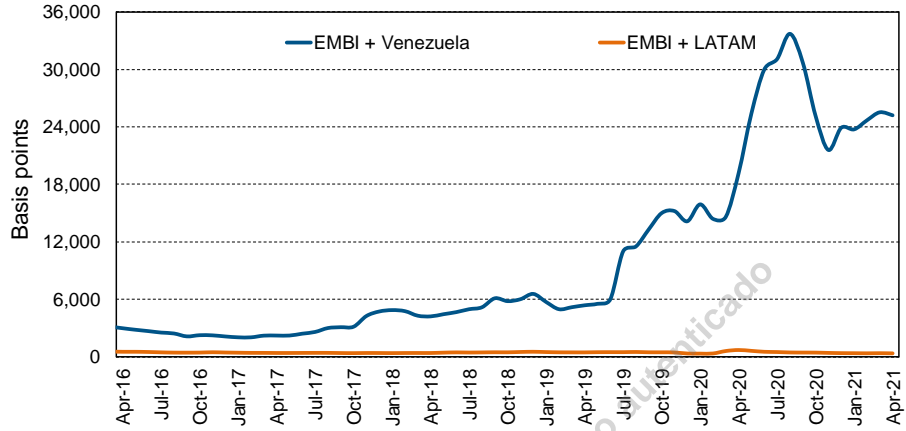
Sources: OPEC and Ecoanalítica

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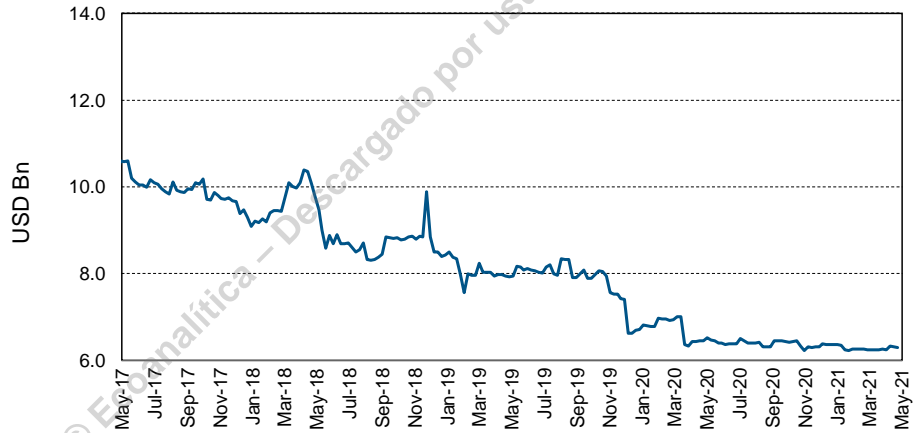
ECONOMIC INDICATORS

EMBI



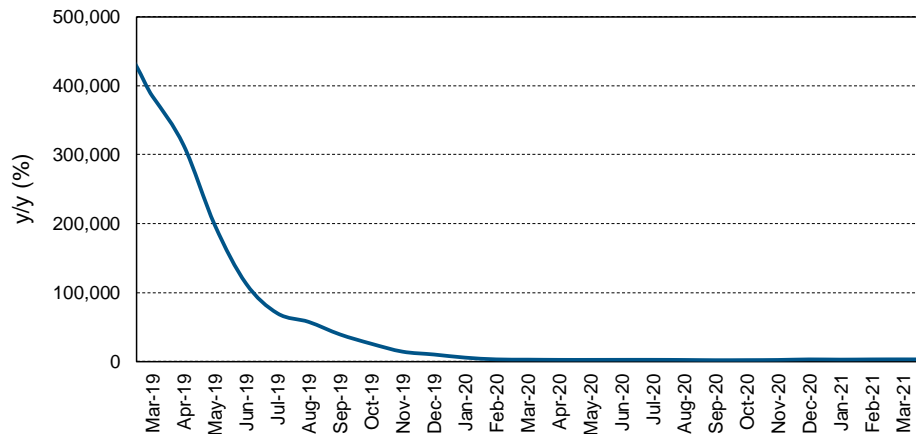
Sources: BCRP and Ecoanalítica

FX Reserves (BCV)



Sources: BCV and Ecoanalítica

Inflation (BCV)



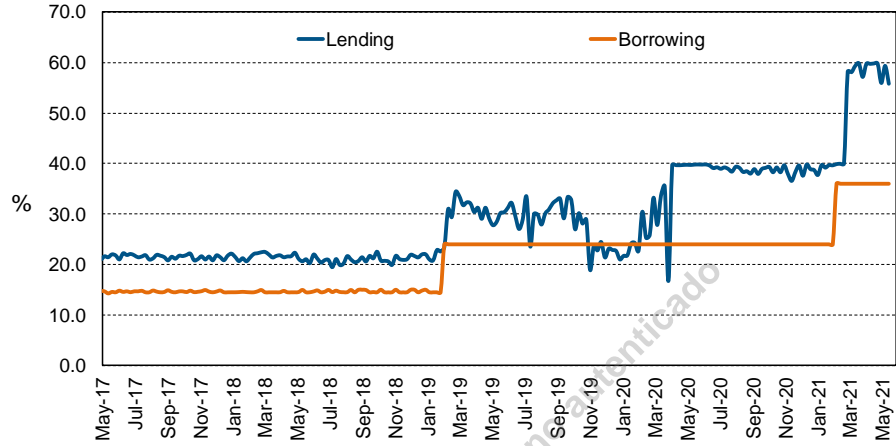
Sources: BCV and Ecoanalítica

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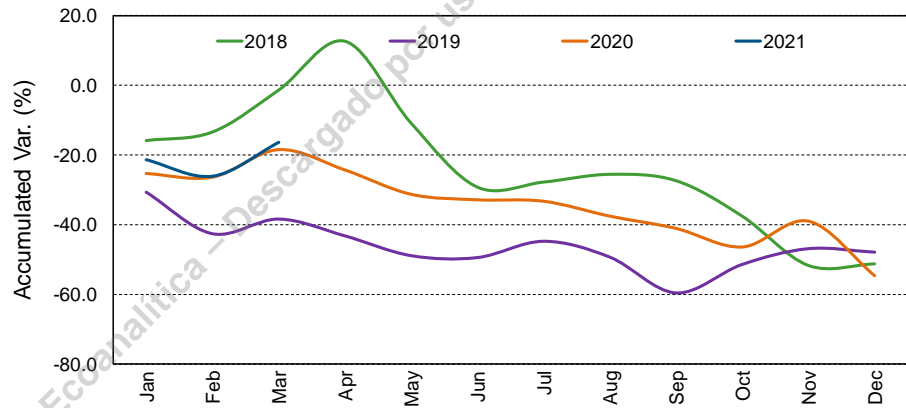
ECONOMIC INDICATORS

**Interest Rate
(Six major banks)**



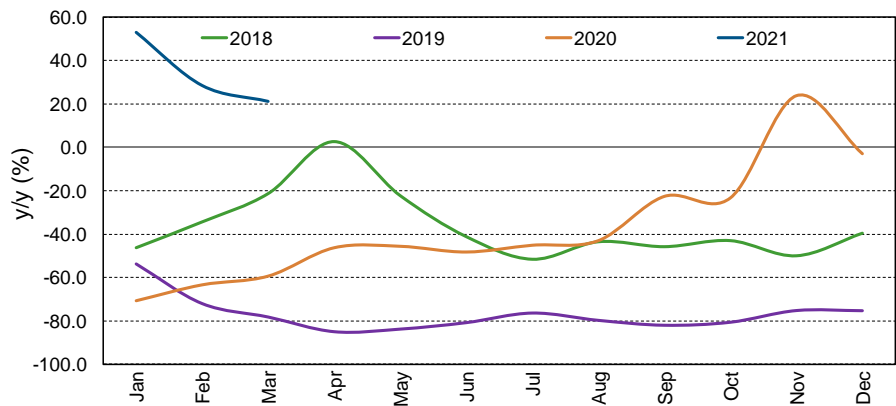
Sources: BCV and Ecoanalítica

**M2 Expansion
(Real)**



Sources: BCV and Ecoanalítica

**Loan Portfolio
(Real)**



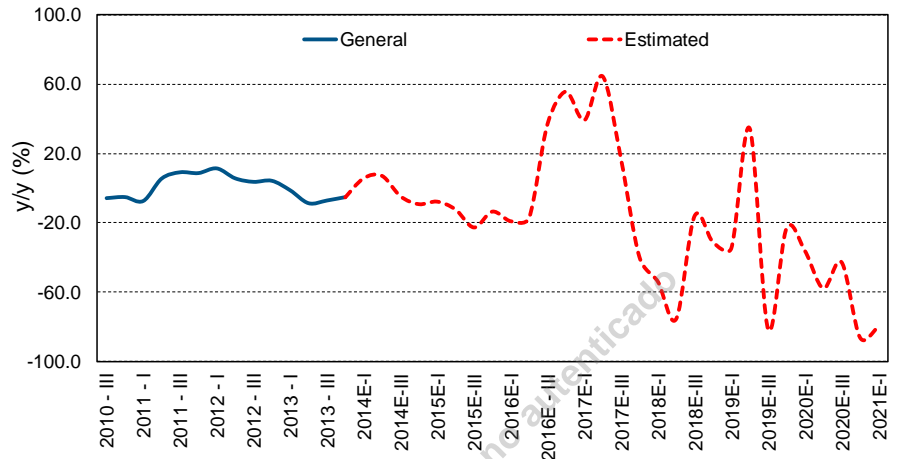
Sources: SUDEBAN and Ecoanalítica

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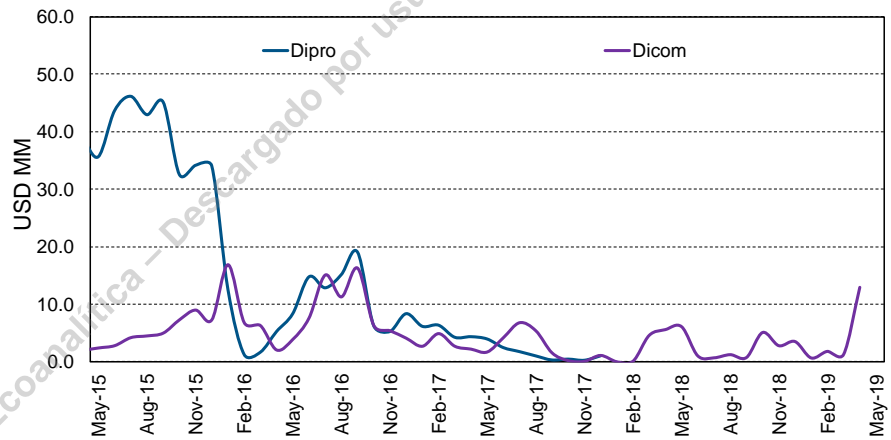
ECONOMIC INDICATORS

Real Wage Index



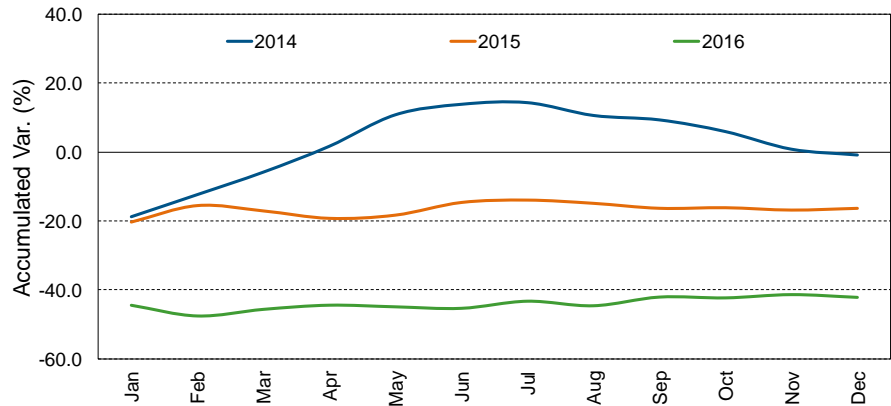
Sources: BCV and Ecoanalítica

Disbursements to the Private Sector (Daily Average)



Source: Ecoanalítica

Primary Spending NTO (Real - Central Government)



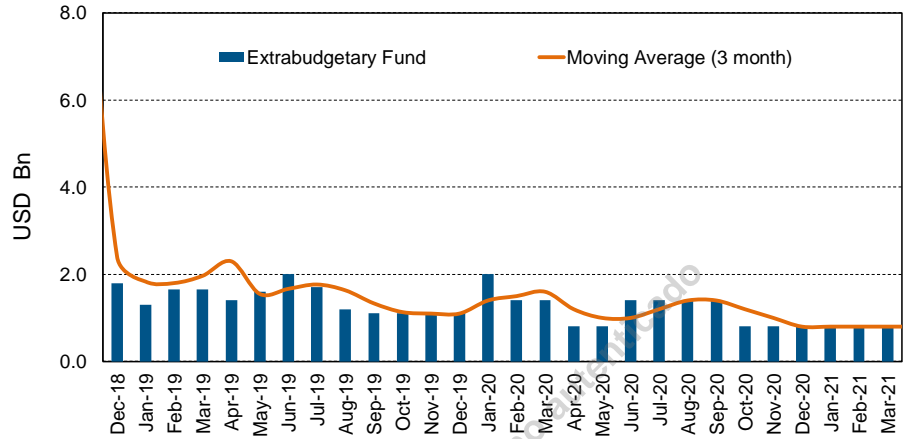
Sources: ONT and Ecoanalítica

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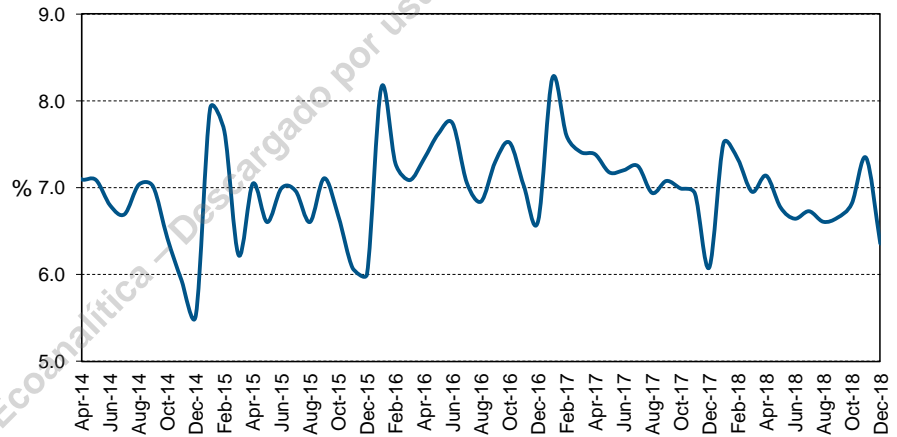
ECONOMIC INDICATORS

State Extrabudgetary Resources



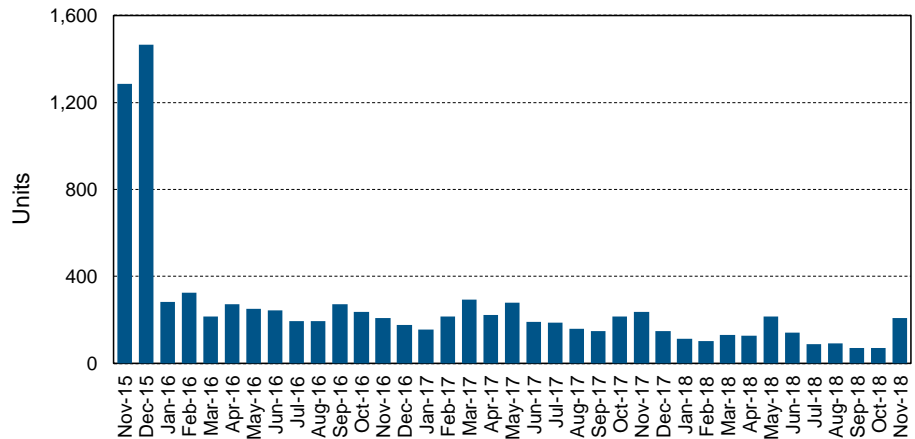
Source: Ecoanalítica

Unemployment Rate



Sources: INE and Ecoanalítica

Vehicle Sales



Sources: CAVENEZ and Ecoanalítica

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