

## The game of transition What options are left for Maduro?

The last couple of weeks have been marked by some of the highest and most intense levels of social turmoil in Venezuela's recent history. Chavismo has never before faced such a combination of economic crisis, high disapproval rates, and mass protests.

The closest thing to the current situation was the period between 2002-2003, when the government had a disapproval rate around 70%, and faced a prolonged wave of demonstrations, including a general national strike. Although, in the end, the government overcame that crisis, circumstances are completely different this time.

Even though oil prices are, in fact, higher than those in 2002-2003, at least in nominal terms, the current debt level, recession and economic distortions are much more pronounced, just like the hardships the overall population is suffering in Venezuela.

Back then, the Opposition was represented by the so-called Coordinadora Democrática, which didn't have visible political leaders, so much so that for the 2000 presidential election, the Opposition candidate was Francisco Arias Cárdenas, a former Chavista activist. And, during the events which took place in April 2002, power was temporarily assumed by Pedro Carmona Estanga, who, at the time, was president of Fedecámaras (chamber of commerce). Now, the Opposition has recognizable leaders spearheading events and much more experience fighting Chavismo.

The economic crisis of the past few years has rendered the situation increasingly unmanageable. With civil unrest and protests increasing, in response, Maduro could be forced to implement a coherent strategy, if he wants his government to survive.

The first option on the table is to negotiate; that is, sitting down and talking with Opposition leaders behind closed doors. The other is to come down hard on the people protesting in the streets. Both scenarios involve risks and benefits for both sides, because both can lead to victory or defeat for either one of them.

In that context, the government is the player who sets the rules of the game due to its position of power. Simultaneously, depending on which strategy the Government decides to come out with, the Opposition can then make their move.

## Negotiation Scenario

In this scenario, the Government proposes implicitly or explicitly what might be a viable alternative: to initiate a negotiation process to obtain favorable exit conditions or to improve its position in the short term.

This was probably what the those who took part in the round of talks in 2016, including Pope Francis, had in mind. While this option is questionable in ethical terms, it might be the most convenient for practical purposes.

This alternative could mirror the deal that FARC made with the Colombian government in 2016, in which the guerrilla group handed over what they had left in terms of their capacity to wage war in exchange for political immunity for their leaders and reduction of sentence for their members.

If the government sets up this scenario, the three possible outcomes would be as follows:

### Total opposition victory: A change of government

It was the scenario that many opposition sympathizers had in mind at the time of the suspension of the recall referendum. A general uprising against the government occurs while the government tries to negotiate and it translates quickly into a regime change, with few guarantees for the outgoing rulers. Given the will to power shown by the Government, it seems the less likely scenario.

### Intermediate outcome: A Negotiated exit.

A change of government takes place. The government party loses power, but manages to maintain many of its privileges, obtaining some kind of immunity or safeguard to retain at least part of its patrimony in a new government that is friend of the regime.

Another modality that was considered was the possibility of a “third-way” election option. In this case, elections would be held. The opposition candidates participating, who if they won would represent (in theory) a change in government, have previously agreed to in some way maintain the interests of the current members of government.

Year 13. Number 18 Week III  
May 2017

For the government, this option poses significant risks, because it implies that Chavismo leadership effectively loses all power and will depend on their allies indefinitely, and in the world of mafias and politics, nobody has friends.

This would expose them to becoming exchange tokens to be traded in future dealings with the US, because once they are deprived of power, they are disposable. Likewise, their fortunes in US dollars inside and outside Venezuela could be sized. This option is particularly dangerous to those government figures accused of drug trafficking.

The members of Maduro's regime every reason to try to avoid this outcome; but, notwithstanding, this solution is preferable to a non-negotiated solution, in which they would still lose all power, but without the benefits of a negotiated solution. Likewise, this would be the best outcome for the Opposition, because the change of regime would be relatively easy with little or no trauma, and they would have better governance perspectives for the first years of an eventual opposition government.

## Government victory: Status Quo

The government succeeds in manipulating the possible transition, so that it maintains protests under control without having to effectively surrender power.

This was the card played in 2016: betting on the fact that the Opposition gains more with a negotiated solution, the government offered the Opposition the possibility of holding elections or even recognizing the National Assembly in exchange for stopping the protests. The outcome was that protests lost momentum and, in the end, the government didn't give up anything.

This seems to be the reason behind convening a constituent assembly. At first glance, the constituent assembly can be seen as a form of peaceful transition, because voters are given the possibility to be a part of something much more profound and important than a change of power: the possibility of changing the Constitution itself.

In this case, the constituent assembly would try to generate a divide inside the Opposition leadership, between those who would adhere the constituent assembly (which would imply stopping protests), and those who would call on not to recognize the constituent assembly. If this is the case, the strategy would lead to nothing.

## Conflict

In this case, the government decides to take it as far as it will go, to hold on to power no matter what. The regime is betting that fear will take precedence over rage and to pay

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Year 13. Number 18 Week III  
May 2017

any price to keep the armed forces loyal; albeit by the threat of drug trafficking accusation against many generals or the effectiveness of the Cuban surveillance apparatus.

The population can't keep rallying and protesting indefinitely and, eventually, the most active protest leaders will end up in jail, injured or dead. In this regard, the option of a constituent assembly would serve to lay the institutional foundations of a post-democratic Chavismo.

### **Government's victory: Indefinite dictatorship**

The government takes over and consolidates its power by force and takes advantage of the constituent assembly to erase the last democratic institutions. It uses the combination of repression by the armed forces, threats by paramilitary groups, and an increasing dependence on CLAPs (food bags sold and distributed by government entities) and other government structures to access food and other basic goods.

In this scenario, the current economic and social crisis will remain latent for a long time, and Chavismo will firmly entrench itself in power.

### **Opposition victory: Sudden change of power**

The government cannot appease protests, which continue in spite of repression and the passing of time. The situation in Venezuelan is on more and more headlines of international press. People in areas of Caracas that hadn't protested before start to go out and protest. The government is unable to cope with protests, having to withdraw security forces to protect key institutions and losing effective control of territory, both in Caracas and the rest of the country.

After a period of chaos and looting, factors inside the armed forces or even inside Chavismo force Maduro out of power. This outcome would be the worst-case scenario for the regime and, undoubtedly, it isn't the best for the Opposition either, which would inherit a country in a total state of anarchy.

### **To dialogue vs to fight**

By means of game theory, a "payment matrix" can be elaborated, which illustrates what would be the relative gain of both parties to each outcome. In parentheses the result for the opposition is placed first, and secondly the result for the government. The payment matrix faced by both the Government and the opposition is approximately as follows:

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Year 13. Number 18 Week III  
 May 2017

### Matrix Negotiation Scenario: October-December 2016

Oposition	Government	
	A) To Negotiate	B) Not to negotiate
To Negotiate	Negotiated Exit (10,-5)	Status Quo (-15,15)
Not to Negotiate	C) Total opposition victory (15,-15)	D) Conflict (-10,-10)

The opposition came to the negotiating table seeking to maximize its gain in quadrant A, and assuming that the government would be interested in minimizing its losses by betting on a negotiated exit. However, the government was more ambitious than expected, and decided to deliberately stop the negotiations by not giving in to any of the demands of the opposition, bringing the situation to quadrant B, thus maximizing its profit.

The opposition responded by leaving the negotiating table, bringing the situation to quadrant D, which would lead to the situation of general confrontation that is currently under way in the country. In this situation, a second matrix is opened, based on the result of the previous one.

The government underestimated the opposition's ability and resolve to convene a new round of protests, and decided to divest the National Assembly of its powers without foreseeing the consequences it would bring.

Now the country is in a spiral of protest and repression, where both sides bet on resisting more than the enemy, trying to locate either in quadrant B or C. This time both profits and risks of both sides have grown considerably over the previous payment matrix.

### Matrix Conflict Scenario April-May 2017

Oposition	Government	
	Not to Repress	To Repress
Stop Protest	A) Negotiated Exit (5,-10)	B) Indefinite dictatorship (-20,10)
To Protest	C) Sudden Change of Power (15,-30)	D) Collapse (-25,-25)

If the government wanted to sit down to negotiate again, returning to quadrant A, it would have to face bargaining conditions much worse than it had during the previous round, as "punishment" for its behavior in the previous round of negotiations.

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Year 13. Number 18 Week III  
May 2017

Overall, the total cost to society is increasing as time passes and conflict intensifies. The cycle of negotiations and ruptures can be repeated indefinitely, until both sides are clear about both their own capacity for mobilization in the streets and the ability of the opposing side, thus allowing a definitive agreement based on the balance of forces. The quicker you get to that point the less suffering the country has to endure.

**Armando Gagliardi**

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Year 13. Number 18 Week III  
 May 2017

## WEEKLY INDICATORS

Weekly Economic Indicators			
	2nd Week May	Weekly var. (%)	Depre/Apre (pp) <sup>1</sup>
FX Dicom (VEF/USD)	722.3	0.4	0.4
	1st Week May	Weekly var. (pp)	Annual var. (pp)
Lending Interest Rate (%)	21.6	0.6	0.4
	2nd Week May	Weekly var. (pp)	Annual var. (pp)
Overnight Interest Rate (%)	0.0	0.0	-3.9
	2nd Week May	Weekly var. (%)	Annual var. (%)
International Reserves (USD Bn)	10.1	0.0	-17.0
	1st Week May	Weekly var. (%)	Annual var. (%)
Monetary Liquidity (VEF Bn)	15,384	1.8	234.1
Price of International Oil Baskets (USD/bl)			
	2nd Week May	Weekly var. (%)	Annual var. (%)
WTI	46.7	-2.3	3.5
Brent	49.6	-2.0	7.8
Price of the Venezuelan oil basket (USD/bl)			
	2nd Week May	Weekly var. (%)	Annual var. (%)
Weekly Average	41.3	0.0	17.0
Annual Average	44.4	0.0	56.3

Sources: BCV, MENPET, ONT and Ecoanalítica

\* Annual variation of accumulated expenditure.

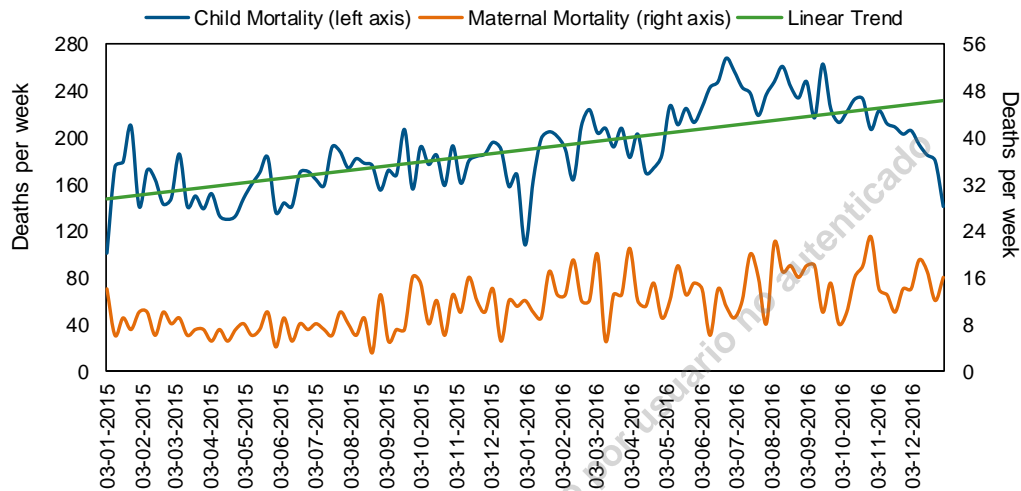
<sup>1</sup> Depreciation (+)/Appreciation (-)

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**CHART OF THE WEEK: “MUST DEAL WITH THE IMPORTANT”**

**Mortality Rate´s: Child vs. Maternal**



Sources: MPPS and Ecoanalítica

Figures of the People’s Ministry for Health (MPPS) have caused alarm over the last couple of weeks. Between 2015 and 2016, child mortality rate grew 30.5%. Likewise, maternal mortality rate also grew substantially, from 446 maternal deaths in 2015 up to a total of 742 in 2016 (66.4%).

The main causes of maternal and child mortality include, among others: difficult access to basic goods and services, as well as poor quality in the country’s health care system. This significant increase reflects the impact of the current acute economic crises on social welfare. The loss of purchase power prevents families from covering their food and health care needs, thus making it impossible for mothers to eat properly and receive the type of care they need during pregnancy and delivery. The macroeconomic conditions, such as shortages (29.3% in March), import restriction (-50.7% in 2016), production disincentive, among others, don’t favor the good maternal and child physical development.

Between mid-2014 and 2016, maternal and child mortality rates have followed a growing trend; child mortality slightly decreased in the last weeks of 2016, with a contraction of -31.6% between the first week (206 deaths) and the last week (141 deaths) of December, still worrisome figures.

The State must guarantee minimum welfare conditions, applying proper public policies and clearly prioritizing problems. However, the gap between theory and practice is becoming wider and wider in Venezuela.

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**ECONOMIC TIPS**

**The exception or the rule?** The state of Economic Emergency is once again extended. According to the Official Gazette Extra 6,298 of May 13, the State of Exception Decree, which includes the Economic Emergency, has been extended for another 60 days, extensible for an equal period.

**May 23 is the day.** Nicolás Maduro announced that the "new Dicom" will start operations on May 23th. The President said that *"it has been prepared in great detail, I have appointed a special team led by the new director of the Central Bank of Venezuela, Dr. Pedro Maldonado. He has participated in all the engineering of this process, which will allow us to erase any source of exchange rate speculation."*

**16.5%.** Inflation rate obtained through the Consumer Price Index of the National Assembly (IPCAN) was 16.5%, just in April, whereas cumulative inflation in January-April 2017 was 92.8%.

**Latin Focus Consensus.** The results of the May survey 2017 show that the analysts' consensus foresees a contraction of GDP this year of 5.2%, along with an inflation of 905.9%. The results also predict that at the end of 2017 the central Government deficit is expected to be close to 15.8% of GDP. Regarding the price of the Venezuelan oil basket, they project that the average price will be around USD45.0/bl. Finally, they consider an unemployment rate of 10.8% for this year.

**Family Food Basket.** According to the Documentation and Social Analysis Center of the Venezuelan Teachers' Federation (CENDAS-FVM), in April 2017 the Family Food Basket came to VEF 867,772.0, for an increase of VEF 95,157.7 or 12.3% compared to March 2017. The increase year-on-year between April 2016 and April 2017 was 369.3%.

**The hiking prices of food.** The cost of the Food Basket in April was due to the increase in price of nine groups of products: meat and preparations, 22.7%; milk, cheeses and eggs, 19.4%; sauce and mayonnaise, 8.1%; fats and oils, 7.1%; root vegetables, tubers and others, 6.9%; cereals and derived products, 3.5%; grains, 1.6% and fish and seafood, 1.1%. As for the prices of sugar and salt, they fell by 4.9% and coffee keep at VEF 14,900/kg, as last month.

**Expensive and scarce.** According to Cendas' report, 17 of the 58 products making up the family food basket are experiencing shortages, namely: powdered milk, beef, margarine, sugar, corn oil, Santa Bárbara hard white cheese, yellow cheese, dried peas, lentils, beans, rice, flour, oatmeal, bread, pasta, cornmeal flour, coffee.

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Year 13. Number 18 Week III  
May 2017

**Price controls have left their mark.** Cendas states that the gap between the regulated prices and the prices of products in the market place is 7,405.5% and that an average lunch for a worker costs VEF 6,200.0, which is not covered by the food voucher, currently at VEF 3,600.0 per day.

**Producing.** 453 kg of gold from Arco Minero del Orinoco, Bolívar state, was transferred to the vaults of the Central Bank of Venezuela. Viceminister for Economic Area Ramón Lobo said that one ton kg of gold had been transferred in this year.

**As in any country of emigrants.** Eleonora Blasa, assistant to the President of the Network of Foreign Exchange Offices, pointed out that remittances to Venezuela increased by 40.0% on a year-to-year basis. This increase was registered at the 50 offices located in the national territory and the border areas.

**At what expense?** Blasa also stated: *“Before, we saw this trend; now, we’re processing a high number of transactions per month, mainly due to the large number of Venezuelans leaving the country,” adding that “this is convenient, because this activates the virtuous circle of foreign currency.”* For 2016, the World Bank indicated that remittances to Latin America grew by 6.9% with respect to 2016, which accounted for USD 73.0 billion for the region.

**But not to the formal economic sector.** In 2014, the Inter-American Development Bank (IADB) published data on the inflow of remittances to Venezuela, which amounted to USD 897 million; whereas the Central Bank of Venezuela (BCV) reported USD 61 million only; this means that the total of foreign currency doesn’t go to the formal sector of the economy and that the 40.0% mentioned above is underestimated.

**Scrapping the bottom of the barrel.** According to the BCV, international reserves closed at USD 10.123 billion the week ending on May 12, for a contraction of -0.17% from the previous week. At the end of 2016, reserves were at USD 10.97 billion; total drop for the year is -7.8%.

**Austerity.** According to Torino Capital, the real primary expenditures of the Central Government had a year on year contraction of -40.0% in April. The month on month decrease was -4.4%. Up to April 2017, the decrease in spending was -28.1%.

**House devil, street angel.** President Nicolás Maduro announced that international commitments for USD 60.0 billion have been paid in spite of oil price drop. Venezuela is the country with the highest level of foreign debt payment per capita, Maduro assured.

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Year 13. Number 18 Week III  
May 2017

## OIL TIPS

**Plummeting production!** According to figures released by the Organization of Petroleum Exporting Countries (OPEC), Venezuelan oil production registered a drop close to 41 thousand barrels/day (kb/d) in April, based on the information directly provided by the Venezuelan state-owned oil company to the OPEC.

**Six months and counting.** April joins an almost uninterrupted drop of 23 months (except for September 2016) in oil production, thus reaching a cumulative contraction of 76 kb/d for the year so far. In this regard, oil production reached a decrease close to 296 kb/d, compared with the same previous period.

**And what about secondary sources?** Now, analyzing the production dynamics according to secondary sources, we observe a 26 kb/d drop in March-April this year (15 kb/d less than the figure reported by primary sources). By the same token, cumulative contraction in production would reach 65 kb/d for the year to date, which would imply a decrease of 263 kb/d from April last year.

**Which could be the cause?** Starting January 2017, the quota proposed by OPEC for Venezuela dropped to 1.97 million barrel daily (mb/d), based on secondary sources provided by the Organization within the framework of an agreement intended to increase crude oil prices in the short term. However, in April, production dropped below this level, which could reflect the impact of the internal operational problems in production drop additional to the mere compliance with the quota. ,

**Trusting drilling rigs!** Furthermore, according to Baker Hughes, 56 drilling rigs were operating, for the highest level since May 2016. For Torino Capital, the information is positive. The fact an increase in the indicator reflects that incentives to produce have multiplied thanks to a price effect of sorts, higher than that of last year. In this sense, Torino Capital estimates that fields and projects more sensitive to price levels will grow, in an attempt to neutralize drop in other areas.

**Right and proper.** Russia and Saudi Arabia, the largest global oil producers, underscored the necessity to extend, at least until March 2018, the production cut proposed by OPEC, with the aim of reducing current excess supply and pushing prices upward.

**Together as one.** According to Reuters, Iran, the OPEC third largest oil producer, might support a proposal by Russia and Saudi Arabia to extend production cut for another nine months.

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Year 13. Number 18 Week III  
May 2017

**Not only Iran.** Furthermore, Iraq and Venezuela, through their Oil Ministers, announced that they would support the proposal presented by Russia and Saudi Arabia.

**Aiming at balance.** According to the International Energy Agency (IEA), the global oil market is moving toward a new balance and the velocity at which crude oil supply and demand are converging has accelerated, even when the inventory level isn't still reflecting the attempt by OPEC to stabilize the market.

**Up and down.** According to the IEA, crude oil commercial inventories fell almost 32.9 million barrels (mb) (1.1 mb/d) to 3,025 mb at the end of April. However, the agency states that at the end of the first quarter of 2017 (1Q2017), total inventories of OECD countries grew by 24.1 mb as a result of a significant inventory accumulation in January.

**Let them go up!** Furthermore, preliminary information suggests that inventories continued their growing trend in April. However, the agency points out that, if the trend exhibited by OPEC continues, we could see a drop close to 700 kb/d in inventories for 2Q2017.

**Demand: nothing to worry about.** On a different note, the agency decided to maintain their estimation of 97.9 mb/d (up 1.3 mb/d from 2016) thanks to a deceleration in demand by key players such as the US, Canada and Turkey.

**And what about supply?** According to the IEA, global oil supply fell by 140 kb/d in April, to about 96.2 mb/d to date. Notwithstanding, the organization highlights that the strong production growth in countries like the US, Brazil and Kazakhstan may result in an aggregated increase of 600 kb/d in non-OPEC production throughout the year

**FocusEconomics Consensus.** In the report, Consensus Forecast Commodities of May 2017, analyst consensus expects that Brent price will average USD 54.6/bl for 2Q2017, for a yearly average of USD 56.4/bl. Furthermore, the report estimates that this will reach USD 61.4/bl for 2018.

**FocusEconomics Consensus.** According to the same report, the survey shows that the consensus is forecasting that WTI price will average USD 53.1/bl for 2Q2017, for a yearly average of USD 54.3/bl. Furthermore, they estimate that price will reach USD 59.8/bl in 2018.

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**BUSINESS SECTOR TIPS**

**Sales of new car down 19.7%.** According to data released by Cámara Automotriz de Venezuela (Cavenez) (association of car manufacturers and dealers in Venezuela), sales of new cars were down 19.7% in April compared to the same period in 2016. 889 units were sold between January and April, 319 less than the number of units sold in the same period in 2016.

**Car production dropped 44.4%.** According to data released by Cavenez, car production dropped 44.4% in April with respect to the same period last year, with 80 units. Therefore, cumulative production between January and April 2017 was 631 units, 29.6% down from the same period in 2016, when cumulative production reached 896 units.

**Bank deposits again on the rise.** According to the report released by ICG Consultores, bank deposits amounted to VEF 16.2 trillion in April, for a year-to-year increase of 229.9%, and 44.6% for the year to date.

**Bank availability also increased.** Bank availabilities reached VEF 7.41 trillion in April, according to ICG, for an increase of 440.9% compared to the same month last year, and 48.58% for the year to date.

**The number of flights followed suit.** Cámara de Empresas Venezolanas de Transporte Aéreo (Ceveta) (association of Venezuelan airlines), in a communication to the Vice President of Venezuela states that, over the past 9 years, the number of national flights departing from Maiquetía Airport fell by 45.3%, from 75,154 flights in 2007 to 41,082 in 2016.

**The crisis impacts tourism.** Likewise, according to the document, the number of passengers also contracted between 2014 and 2017, for a 38.7% drop on the domestic market.

**Clipped wings.** In the communication, Ceveta points out that difficulties that have led to the contraction of the activity include foreign currency shortages, as well as the control of national airfares, which haven't been adjusted to operational costs and are representing huge losses for the airlines.

**Neither near nor far.** Foreign airlines, in turn, are also facing a dismal situation. The International Air Transport Association (IATA), in its last report, points out that the sales of air tickets to foreign countries went down 63.0% in the first quarter of the year, in

Year 13. Number 18 Week III  
May 2017

comparison to the same period of the previous year, for a year-to-year drop of 57.0% in March.

**Construction in revolution times.** The Superintendent for the Defense of Socioeconomic Rights (Sundde) seized 262 bags of cement in Caracas. Since the bags stored didn't have a supporting invoice, Sundde took the merchandise under preventive seizure and earmarked it for the operational plant of the Great Mission Barrio Nuevo, Barrio Tricolor.

**Resounding support for the bonus.** President Nicolás Maduro approved funds for VEF 16.53 billion to implement mother and child and sexual health support programs, which include opening pre-delivery rooms, mother care homes and the acquisition of contraceptives. Funds will come from the Endogenous Development Fund (Fonden).

**Another defense.** Elena Rodríguez, vice-president of dealers who filed the complaint against General Motors Co (GMC), Automotriz Latino and Centro Mercantil, denied that the government had seized the company's facilities, as the company stated after its goods were embargoed in April.

**Big scam.** Rodríguez pointed out that "*the Venezuelan government neither expropriated nor seized GMC property. The decision resulted from a 17-year long lawsuit between individuals.*" Rodríguez assured that the company used the embargo decision to close its operations in the country and pay less to its employees.

**Saving the crop.** The director of the Ministry for Productive Agriculture and Lands in Portuguesa State, Nelly Gil, informed that fertilizers and other inputs are being received and allocated among the public and private sectors to meet the goal of 542 thousand hectares of cereals during the winter cycle of this year.

## WORLD ECONOMY TIPS

**Generalized hacking.** Computers in public and private entities in more than 100 countries were simultaneously hacked with the virus known as *WannaCry*, the origin of which is unknown.

**Mass failure.** The attackers demanded an amount of money between USD 300 and USD 600 in exchange for the recovery of the information in every computer. However, according to the reports, the perpetrators only collected about USD 70.000.

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Year 13. Number 18 Week III  
May 2017

**Gaining momentum.** Factory production in the US, according to FED data, grew 1% in April from the previous month, for its highest monthly increase since February 2014, mainly due to automotive production.

**Positive forecasts.** The European Commission improved its economic growth forecast for the Eurozone by one tenth, up to 1.7% from 1.6% set before. This increment would be due to improved perspectives in private consumption and the foreign sector.

**Other indicators.** Likewise, the Commission forecast that unemployment rate will decrease to 9.4% in 2017 and 8.9% in 2018, from the 10.0% registered in 2016. Public deficit, in turn, should drop at a rate of 1.4% in 2017 and 1.3% in 2018, from 1.5% in 2016.

**Almost normal.** According to Jens Wiedman, president of the Bundesbank, the normalization of the economic situation in the Eurozone and Macron's victory in France would help the European Central Bank to normalize its ultra-flexible monetary policy.

**Portugal's recovery.** Portugal's GDP expanded 2.8 in the first quarter of 2017, for its highest growth rate since 4Q2007. This growth would be largely due to a higher foreign demand and, secondly, to an increase in domestic consumption.

**Europe periphery recovers.** It is worth highlighting that Portugal had been one of the most affected economies by the crisis of the Eurozone. However, over recent months, the country has managed to correct its course. The economy has been growing for three years in a row and, in 2016, the country posted a deficit of 2.4%, for its best fiscal result since the arrival of democracy in 1974.

**Some perform better than others.** Italian public debt marked a new record high, reaching EUR 2.26 billion in March, up 0.9% from February and 1.3% from March 2016. Only in 2017, Italy's public debt has increased by EUR 42.36 billion.

**Also impacted.** Britain's inflation grew at a rate of 2.7% in April, for its highest growth since September 2013. The increase in prices is mainly due to the pound depreciation after Brexit. This inflation is expected to reduce the real wages in the short term.

**Living from exports.** Japan's current account balance registered a surplus of USD 25.45 billion, a result that is more sound than expected; with this, the indicator has been growing for 33 months in a row.

**The new silk road.** The President of China, Xi Jinping, promised USD 124.0 billion for the development of the so-called "Silk Road", a trade corridor between East and West with which China expects to increase its influence on global economic dynamics.

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Year 13. Number 18 Week III  
May 2017

**Peru stays on the positive side.** Peruvian trade balance posted a surplus of USD 76 million in March, thereby maintaining a positive balance in terms of this indicator for nine consecutive months now. This figure represents an increase of 15.5% in exports and 13.0% in imports with respect to March 2016.

**Uruguay's industry plummets.** Industrial production in Uruguay, as measured by the Physical Volume Index (IVF) dropped 11.6% in March compared to the same month in 2016. The sector with the most pronounced drop was "Manufacture of Coal and Crude Oil Byproducts", which lost 9.3%. This way, the IVF would accumulate a decrease of 7.4% for the first quarter of the year.

## POLITICAL TIPS

**It's difficult to say "happy Mother's Day!"**. Given the political and social situation prevailing in the country, a number of Venezuelan moms stated that they were all mourning on the past Mother's Day. However, several Opposition leaders expressed their strength and hope messages in this difficult time.

**Moving message.** Henrique Capriles, governor of Miranda, on the occasion of the Mother's Day, sent his message to the mothers of policemen and military: "*You have the opportunity to ask them to rectify. Talk to your children and tell them that what they're doing is wrong,*" Capriles stated.

**"The political wildcard"**. Vice-President for territorial socialism and minister for the Communes, Aristóbulo Istúriz, assured that the Venezuelan Opposition "*is killing their own people to blame the government,*" talking about the people who have been killed during opposition protests.

**Rain or shine.** President Nicolás Maduro assured that there will be presidential election in 2018, "*rain or shine,*" as provided for in the Constitution. President Maduro stated that he's anxious to call the people to vote, because, in his opinion, they would obtain a resounding victory against the Opposition.

**The first civilian dictatorship.** Elías Jaua, Minister of Education, stated that, contrary to what the Opposition says about the government, "*the MUD leadership is a dictatorship, because they don't have any type of democratic communication with the national government.*"

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Year 13. Number 18 Week III  
May 2017

**Tired of waiting.** Likewise, the Minister and chairman of the Presidential Committee for the National Constituent Assembly, stressed their willingness to hold elections once the National Electoral Council (CNE) convenes them. *“If we have to elect governors at the end of this year, we’re doing it and we will hold presidential elections in 2018,”* he added.

**Flowers and many colors.** Furthermore, Jaua denied the possibility of a war taking place in the country. He reiterated that the national government will prevent an *“irresponsible leadership”* from leading young people in the country toward a war.

**Isn’t civilian justice enough?** Néstor Reverol, Minister of the Interior, Justice and Peace, announced that offenders are being brought *“before military courts.”* The Minister explained that people who commit acts of vandalism, terrorism, assault commercial outlets or offend the National Bolivarian Armed Force (FANB) will be brought before the *“military justice.”*

**Many robberies, few military ...Much less money.** Likewise, Reverol stated that investigation teams will be created to evaluate assaults against commercial outlets, putting emphasis on the commitment assumed by the government to finance the repair of damages caused.

**Mixing pears and apples.** Venezuelan Ambassador to the UN, Rafael Ramírez, has questioned the reasons for convening a constituent assembly, although he defends the President’s power to convene it. The Ambassador has criticized that a constituent assembly is being convened to solve a political situation that has not resulted from the current Constitution.

**Clear goals.** To Ramírez, *“if the idea is developing a means to overcome the political impasse, we have to assume this in the understanding that this and not any other is the goal...,”* meaning that the bases of the Constitution have to be protected.

**Without changing the rules.** The Ambassador also warns about the weakened people’s support for the ruling party, in comparison to the support Hugo Chávez had when he came to power. Therefore, he urges *“not to scarify the bases of the Constitution, for the sake of any political calculation or tactical decision,”* because this would weaken the Revolution.

**Constituent assembly lobbying.** Julio Borges, president of the National Assembly (AN), informed about an alleged meeting between Nicolás Maduro, Elías Jaua and some Generals of the Armed Force, at which Maduro’s arguments in favor of the National Constituent Assembly would be presented, as well as those against Opposition protests.

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Year 13. Number 18 Week III  
May 2017

**What is sauce for the goose...** Borges urged Vladimir Padrino, Minister of Defense, to provide the Democratic Unity Panel (MUD) with the same opportunity to access the High Military Command and expose their point of view and the *“opinion of the majority of the people.”*

**“Free right to my protest”.** Héctor Rodríguez, vice-president of Partido Socialista Unido de Venezuela (PSUV, ruling party), stated that “the free right to protest” is guaranteed in Venezuela, and blamed the Venezuelan Opposition for the violent events that have occurred during the protests that began in April.

**Reflection or mediation.** Furthermore, the head of the government fraction at the AN asked the Venezuelan Bishops’ Conference to reflect and reiterated his invitation to discuss with the Presidential Committee for the National Constituent Assembly convened by president Nicolás Maduro.

**First of all, communicate.** Rodríguez explained that the national government would hold information rounds about the constituent assembly in the different communities. However, *“we’ll remain mobilized in defense of peace and stability,”* Rodríguez added.

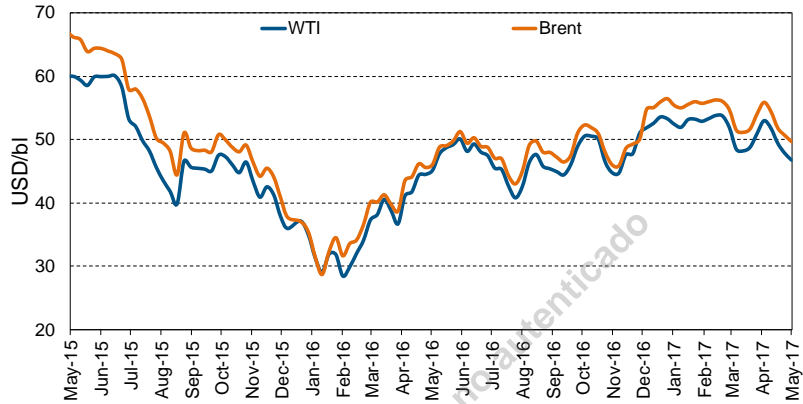
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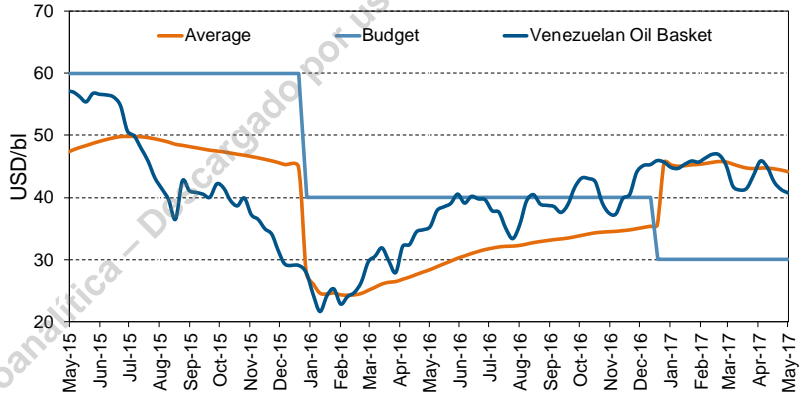
**ECONOMIC INDICATORS**

**Oil Prices (WTI and Brent)**



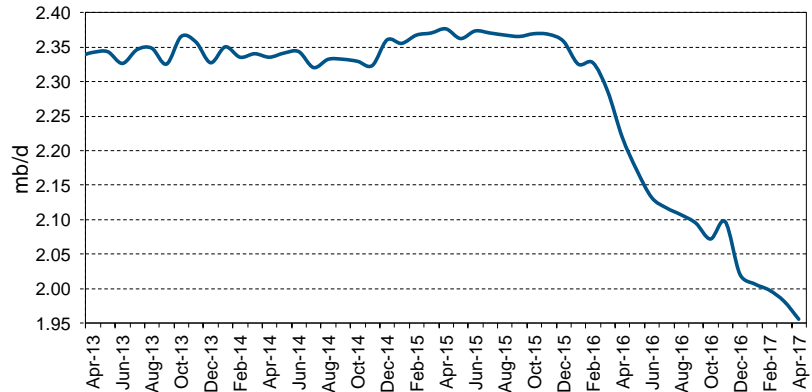
Sources: Menpet and Ecoanalítica

**Oil Price (Venezuelan Basket)**



Sources: Menpet and Ecoanalítica

**Oil Production (Secondary sources)**

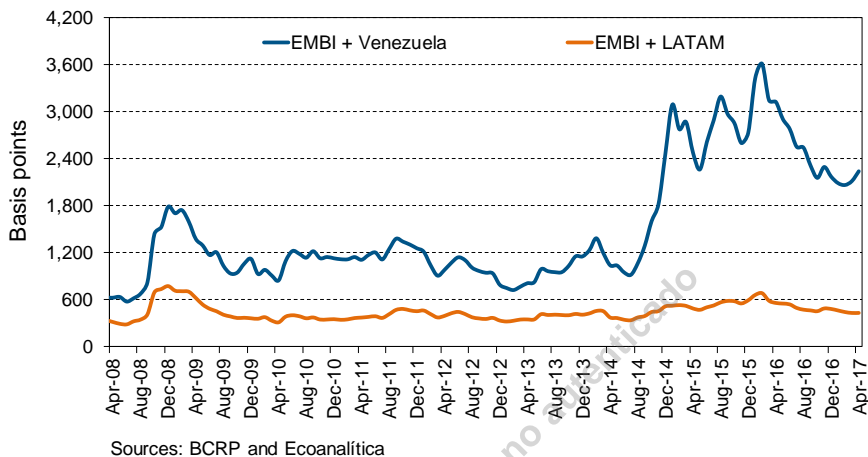


Sources: OPEC and Ecoanalítica

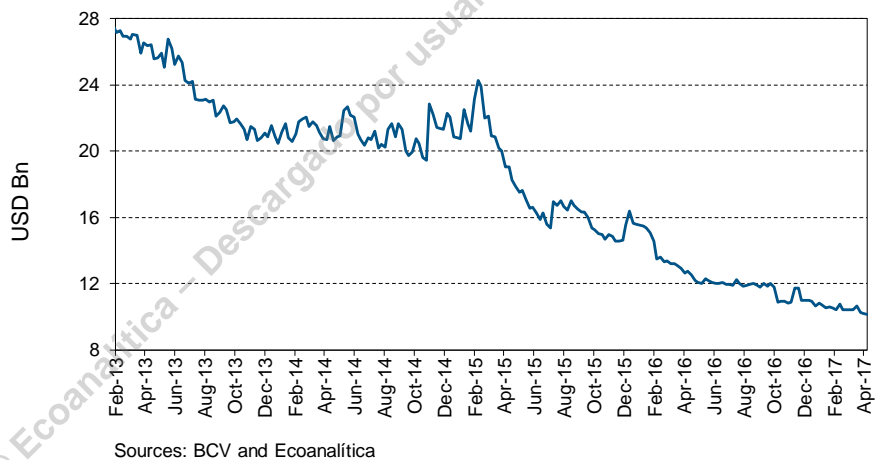
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**ECONOMIC INDICATORS**

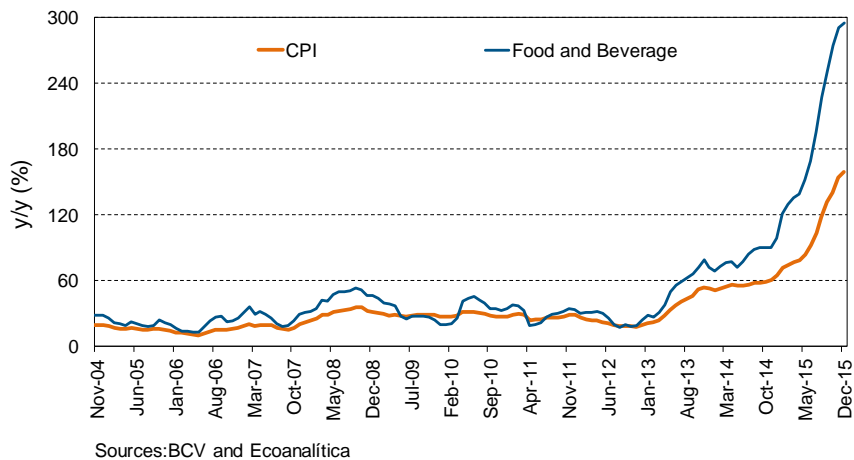
**EMBI**



**FX Reserves (BCV)**

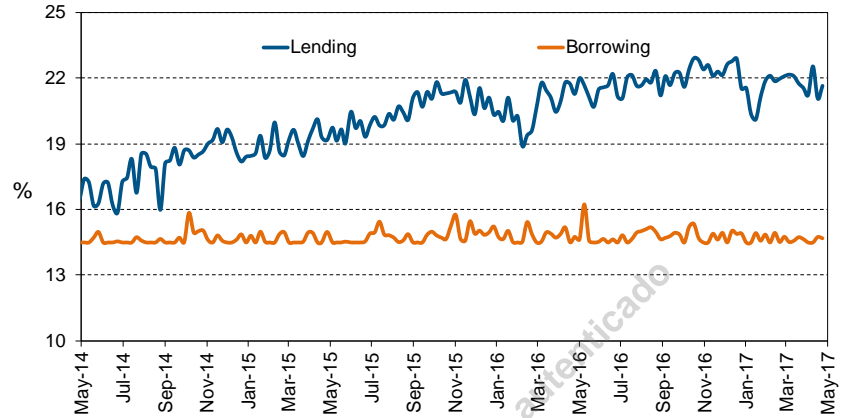


**Inflation (BCV)**



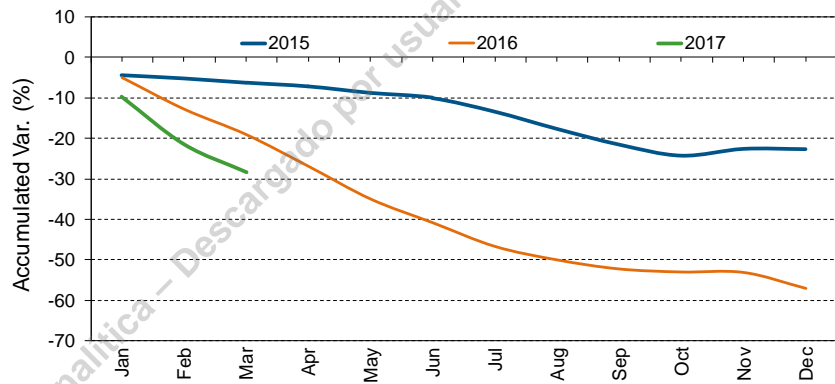
**ECONOMIC INDICATORS**

**Interest Rate  
(Six major banks)**



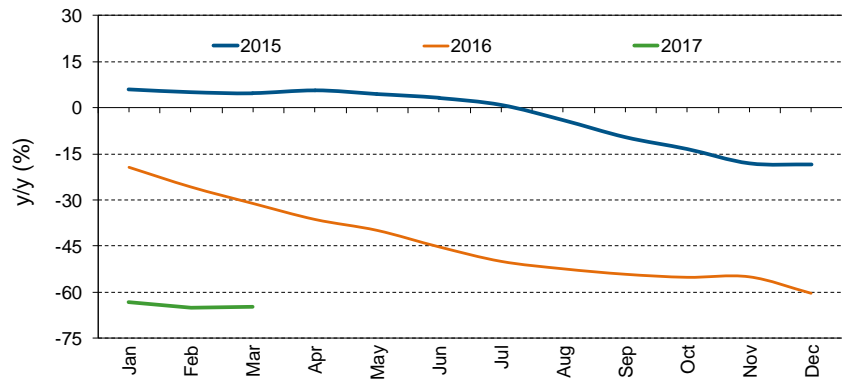
Sources: BCV and Ecoanalítica

**M2 Expansion  
(Real)**



Sources: BCV and Ecoanalítica

**Loan Portfolio  
(Real)**



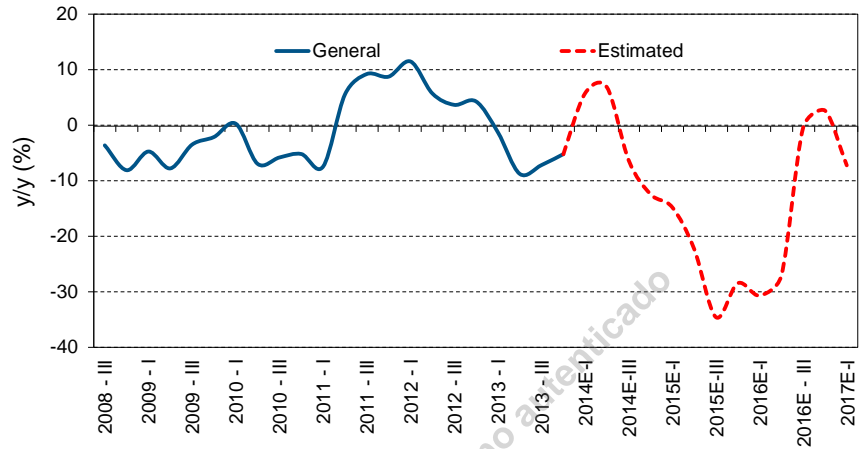
Sources: SUDEBAN and Ecoanalítica

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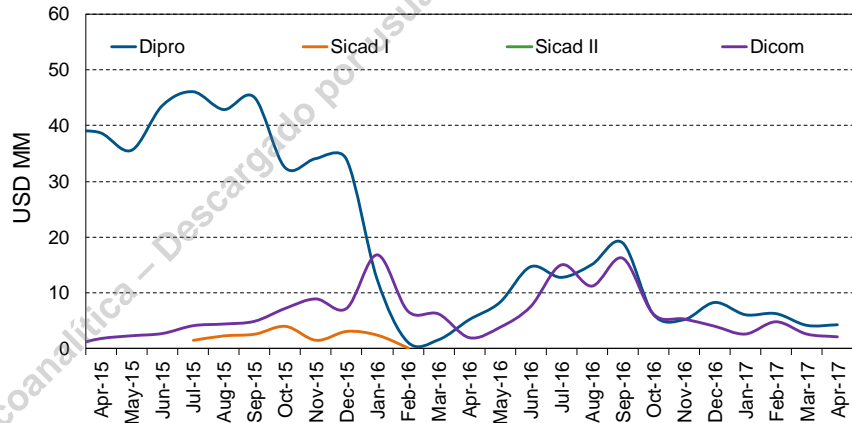
**ECONOMIC INDICATORS**

**Real Wage Index**



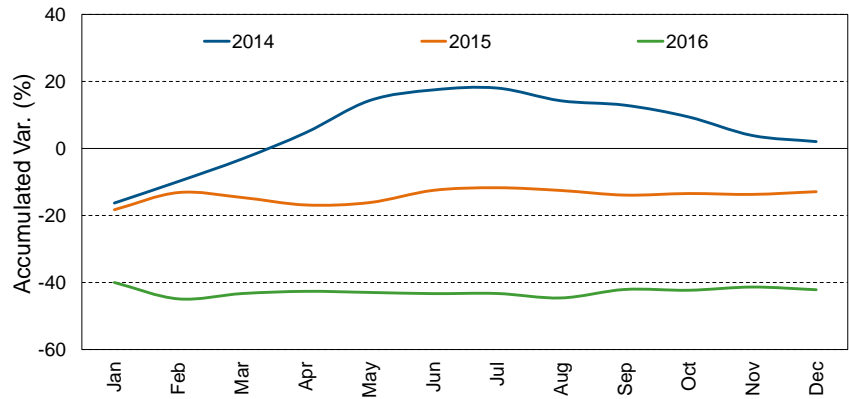
Sources: BCV and Ecoanalítica

**Disbursements to the Private Sector (Daily Average)**



Source: Ecoanalítica

**Primary Spending NTO (Real - Central Government)**



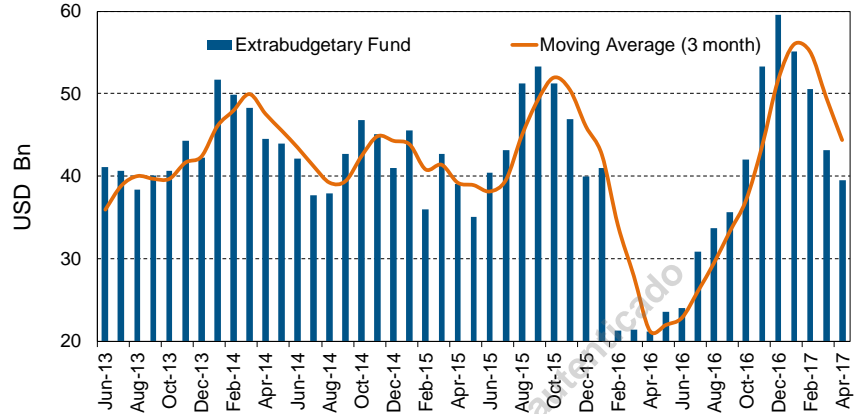
Sources: ONT and Ecoanalítica

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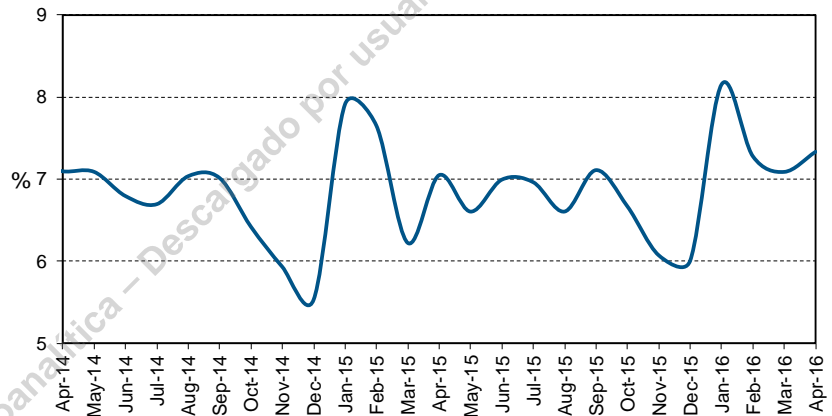
**ECONOMIC INDICATORS**

**State Extrabudgetary Resources**



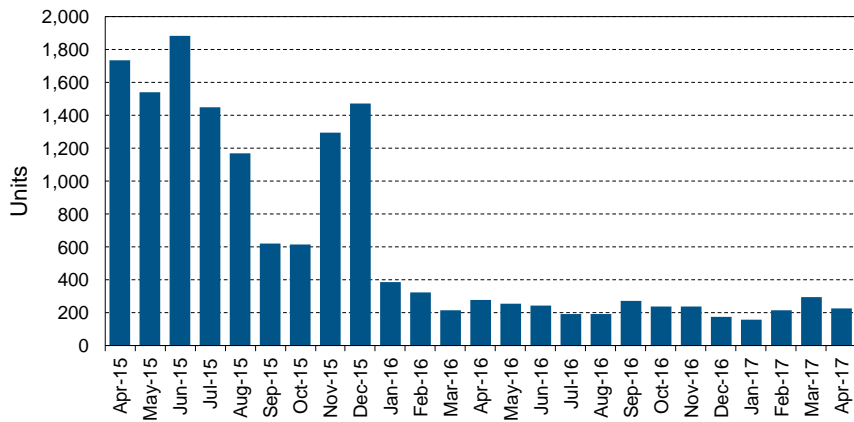
Source: Ecoanalítica

**Unemployment Rate**



Sources: INE and Ecoanalítica

**Vehicle Sales**



Sources: CAVENEZ and Ecoanalítica

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