



Weekly Report

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*What will determine our
Economic Performance?*

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Venezuela is a peculiar economy: not only does it have a structural dependency on oil, which makes it very difficult to predict how the economy will perform, but also, during the last few years, predicting Venezuelan macroeconomic variables has become very dicey because they are so tied to the viability of the Chávez Administration's political project.

**A lot has
changed since
December**

Up until the close of last year, analyst's greatest concerns had to do with how the economy would be impacted by the intervention of a number of small banks. And, since this is an election year, a significant increase in public spending was expected, with the corresponding effect this increase in spending has on the economy. At the close of last year, most analysts that follow Venezuela forecasted that the economy would grow by 0.5% in 2010.

At that time, most had failed to accurately evaluate the impact the electric power crisis, the devaluation of the currency, and the changes made to the foreign exchange system would have on the economy. Therefore, during the five months that have gone by in 2010, the imbalances with respect to

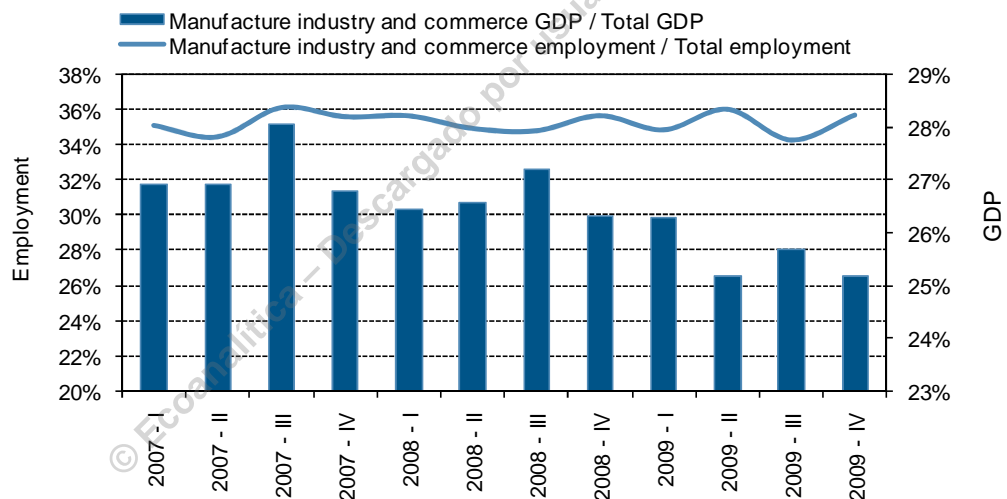


PDVSA and its capacity to generate enough foreign currency to cover the needs of the country have continued to be exacerbated.

Foreign exchange policies and the electric power crisis is the key

In essence, these two factors are what will determine economic activity in 2010. With respect to the electric power crisis, it is very difficult to determine just how much it will impact economic growth, mainly because there is no clear consensus as to how this crisis will continue to develop in the coming months. What is clear is that the manufacturing industry and commerce, the two economic activities most affected by the electric power crisis, represent 25% of GDP and generate 32% of all jobs in the formal market.

GDP Composition/ Manufacture industry and commerce employment



Sources: BCV, INE and Ecoanalítica

The Administration has been picking up the pace

But this isn't all. In a relatively short time, the Administration has unified the Ministries of Economy and Planning; significant resignations have taken place in the Cabinet, being the most important, vice-president, Ramón Carrizalez; a number of brokerage houses have been intervened; the Éxito and CADA supermarket chains have been expropriated, with agreements being reached with its main owner, the Grupo Casino; and PDVSA held a tender and awarded two blocks of the Carabobo field, part of the Orinoco Oil Belt, to foreign consortiums. The Administration also negotiated another loan with China; reformed the Crime Exchange Law, thereby firmly establishing the illegality of parallel market foreign exchange operations, and it began another wave of brokerage houses and brokerage firm interventions. Polar continues to be under the gun, recently being accused of hoarding food, and Monaca was expropriated.



Another phase

It's clear that in this context it's almost impossible to make any projection about Venezuela or to determine any kind of reliable base line of facts. What is clear is that the Venezuelan economy is in a new phase, different from what it was in during the 2004 – 2008 period. Everything points to the fact that the weight of a series of structural factors, such as: almost no private investment; the loss of effectiveness of public spending, unable to generate economic growth; a number of new obstacles which will continue to be a factor in the midterm; the electric power crisis; and the deterioration of the companies which were nationalized, are all leading to a new cycle of economic performance which promise very limited economic grow in the next years.

At *Ecoanalítica*, we believe that the Administration is seriously mistaken in its strategy to promote economic growth if it assumes that all that is needed is to increase public spending and the economy will respond with growth. The economy is in a phase in which structural factors urgently demand solutions. This new phase is different from the 2004–2008 period, when companies were not operating at full capacity and public spending spurred on domestic demand, and consequently, investment, in a context of low interest rates, product of the exchange controls.

The role of the private sector

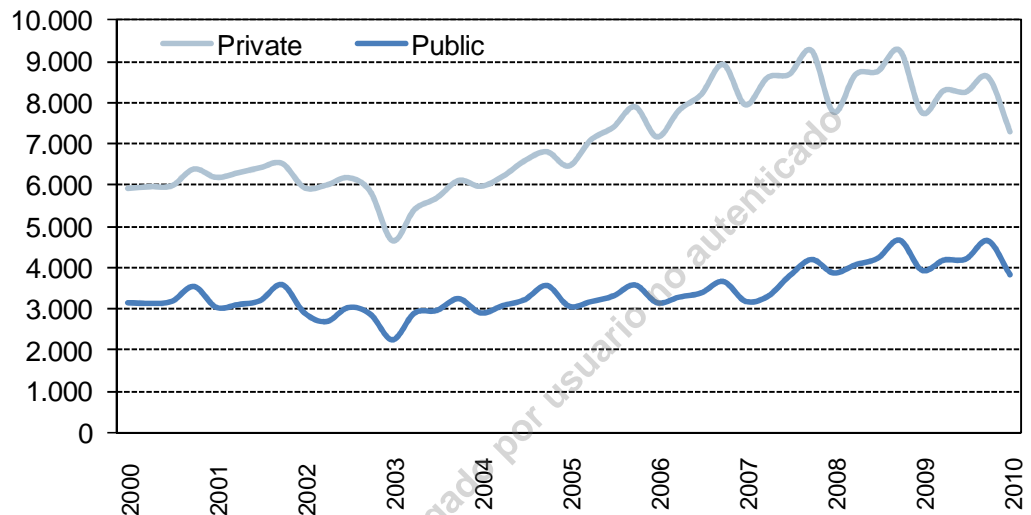
One of the main points reflected by Central Bank of Venezuela (BCV) statistics has to do with the composition of the investment in Venezuela. We feel that this is a key point because during the last few years, given the economic and political dynamics of the country, two flags have continually appeared in BCV data, flags that today we can almost consider as being truths. One is that the private sector doesn't invest, that it only took advantage of the bonanza. And two, a consequence of the first point, that the increase in investment of the last few years has been the responsibility of the public sector.

Keeping this in mind, and using BCV data as a reference, one can see that private sector investment spending over the last 10 years has represented 60% of total investment spending (19% of GDP) and private sector investment spending has traditionally been the most volatile (the animal spirits), given that it is the most sensitive to the changes made to, and the expectations in, the future performance of economic activity. Another fact is that private investment is more diversified than public investment (12.4% of GDP) and it has tended to concentrate on infrastructure projects.





Public and Private investment spending



Sources: BCV and Ecoanalítica

The Administration seems to be unaware of these facts. Minister Giordani has pointed out how important investment is to ensure growth and the BCV has shown that the private sector has played a key part, but that it is very sensitive to changes in the surroundings. So, the Administration should create the ideal conditions so that this flow of investment may continue. Clearly, this is not happening.

The importance of exchange policies

According to the BCV, one of the elements that favored the wave of investment in the period being analyzed was the exchange control, or in other words, that Venezuelan companies had access to foreign currency at the official exchange rate which was clearly overvalued. This made it easy to acquire foreign capital goods, especially those that had to do with transportation equipment and other machinery and equipment. This continued even during the 2008 – 2009 period, when there was clear evidence that the economy was slowing down, due to the positive differential of the exchange rate.

Other factors to consider: the legislative agenda

The Administration has pointed out that the transition towards socialism implies changes in the country's economic model in order to promote social property while keeping private property, but not in the same magnitude. This new productive system is being designed through laws, and according



to National Assembly representative, Carlos Escarrá, the consolidation of this model has stages, as pointed out in an article published in the newspaper, *El Universal*.

Through the last Special Powers Law, legal frameworks were introduced to increase the participation of communal councils in the productive sectors. The current legislative agenda aims to enact the People's Power Law which will establish the directives for the Social Property Law, and the Reform of the Commerce Code, among other instruments.

Former Minister of Planning and Development, Haiman El Troudi, who coordinates one of the teams which advise the President, outlined the types of properties and its participation in each one of the economic sectors, within the framework of the socialist production schema that should emerge during this transition. In this model, the traditional private sector doesn't exist. Instead, it is identified through the Social Production Company, which along with the State, will be the dominating entity. Also present are the mixed-companies, mining, manufacturing, agro-industrial, construction, banking, insurance, transportation, communication, recreation, and housing activities.

During the next few years, the Administration plans to complete its 2007 – 2013 First Socialist Plan which defines the need to spearhead social property as the road to follow towards the transition towards a socialist schema.

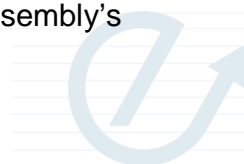
The President's Vision

According to statements gathered by the newspaper *El Universal*, President Chávez has pointed out that *"our vision isn't to create a State-run monopoly. The State has to play different roles, but it can't be the owner of everything, nor can the private sector be either."*

During that statement, President Chávez continued to say that private property could exist within the socialist schema being planned for Venezuela, as long as it is being used to produce goods and services needed by the people and that any resulting surplus not be used to feed economic monopolies.

Laws to keep your eye on

According to a series of article published in the newspaper, *El Universal*, the following laws which may have a significant impact on the current economic legal order governing the country are on the National Assembly's agenda for the current session:





Law	What does it brings?
Reform of the Land Law.	The Parliament has already approved the modifications made to this law in its first discussion and now it is headed for its second discussion. The modifications include the socialist principle: "the land belongs to who works it." It establishes that a farmer who has been working the land for over three years will be given a permit guaranteeing their right to remain on the land. Land owner will no longer be allowed to lease the land to third parties.
The People's Power Law	This text is complemented by the Planning Law. The proposal, which was approved in its first discussion in December 2009 introduces the creation of Communal State, which economic model will be based on social property.
The Social Property Law.	In a number of different instruments the concept of social property has been introduced. The intention is to more clearly develop this concept. The Citizen's Participation Committee has drafted a number of proposals and once the People's Power Law is finished, they will proceed to the final draft of the Social Property Law.
Reform of the People's Economy Law.	The National Assembly will modify this text to include the distribution and commercialization system of goods and services produced by the communes.
Modifications to the Commerce Code	It's being defined. According to the representatives, the legal framework has to be adapted to the new production model and therefore it will be included in social property. There is a proposal to eliminate the concept of profit in this text and replace it with economic activity, as well as regulate company profits.
Economic Activity Law	The Federal Council Government Law will include this Law to decide what economic activities to promote.

Source: Ecoanalítica

Laws to keep your eye on

From the point of view of those implementing Venezuelan economic policies, the overall strategy aims to guarantee the survival of the socialist model being introduced keeping in sight the 2012 presidential election in which President Chávez will most assuredly run for reelection. In other words, the Bolivarian Revolution has reached a point where it has to begin to produce effect answer to social demands. The Administration has to inspire efficiency. The key is to guarantee a level of governability that will allow the revolution to continue. This is the motor behind the Administration's actions as of 2010.

This, in economic terms, demands a change in direction and economic model that is currently being implemented in Venezuela. The economic crisis reflects the situation facing the country and the deterioration of the people's expectations.





Economic Tips

Economy dropping. The BCV released its GDP figures for the first quarter 2010 which were down by 5.8% compared to last year. This reaffirms the economic crisis that the country is going through. The public sector dropped by 2.8% and the private sector by 6.0%. Oil sector dropped by 5.0% and the non-oil sector by 4.9%.

Global demand and supply. BCV figures show that aggregate supply was down by 16.7%, while domestic aggregate demand dropped by 17.8%. With respect to aggregate supply, imports were down by 39.7%. With respect to aggregate demand, imports were down by 8.1%, private consumer spending down by 5.9%, public final consumption spending down 0.2%, and standing out the most, fixed gross investment was down 27.9%.

Balance of Payments. The Balance of Payments Current Account registered a surplus of US\$7.18 billion, while the Capital Account registered a deficit of US\$11.51 billion. The Current Account surplus is explained by improving oil prices and the drop (38.3%) in imports. During the same quarter in 2009, the Current Account registered a deficit of US\$3.71 billion. Exports were at US\$16.42 billion.

CADIVI released first quarter 2010 figures. The Foreign Currency Administration Commission (CADIVI) released its first quarter 2010 figures for foreign currency requests liquidated. The total number of requests was at 72,866, for a total of US\$6.57 billion. This equals a daily amount, according to government entities, of US\$115.20.

Liquidations. For imports, US\$4.86 billion; ALADI agreement, US\$728 million; credit cards, US\$366 million; airlines, US\$315 million; remittances US\$127 million; students, US\$73 million; cash for travelers, US\$32 million; special cases, US\$17 million; insurance and re-insurance and pensions, US\$15 million; consulates and embassies, US\$11 million; foreign investment, US\$8 million; telecommunications, US\$3 million; and private foreign debt, US\$2 million.

CADIVI released first quarter 2010 figures. The Foreign Currency Administration Commission (CADIVI) released its first quarter 2010 figures for foreign currency requests authorized. The total number of requests was at 57,112, for a total of US\$6.29 billion. This equals a daily amount, according to government entities, of US\$110.30.

Authorizations. For imports, US\$4.69 billion; ALADI agreement, US\$728 million; credit cards, US\$208 million; airlines, US\$267 million; remittances US\$148 million;



students, US\$81 million; cash for travelers, US\$36 million; special cases, US\$59 million; insurance and re-insurance, US\$38.1 million; pensions, US\$16.6 million; consulates and embassies, US\$11 million; foreign investment, US\$0.6 million; telecommunications, US\$4.2 million; and private foreign debt, US\$1.8 million; and services, US\$0.3 million.

Spending increases. So far this year, the national Assembly has approved VEF11.90 billion in supplementary appropriations, up by 7.5%, increasing public spending this year to VEF 171.30 billion. Just last week, an additional six supplementary appropriations were approved. Remember, appropriations like this are nothing new, common to this and other Administrations of the past.

Funds authorized to increase salaries. The National Assembly authorized an additional supplementary appropriation for VEF 1.60 billion for the Mayor's and Governor's Offices so that they could pay the wage increase corresponding to this year.

April unemployment figures... The unemployment figures for the month of April were up by 0.6% compared to the previous year and settled at 8.2%. This represents a total of 1,072,612 in the month of April, 72,978 more than the month of April last year.

Employment by sectors: According to the INE monthly report, 11,990,162 people were employed in the month of April, 43.3% from the informal sector. The unemployed population was at 7,102,347 people of which 5,544,695 are students and housewives.

CADIVI foreign currency assignments up until April 30. A report published on the Foreign Currency Administration Commission's (CADIVI) web-page reports that since January 1, 2010, up until April 30, CADIVI has assigned a total of US\$11.82 billion, up by 14.0% compared to 2009 when it had only assigned US\$10.37 billion.

And the foreign currency went to: for imports, more than US\$7.76 was authorized, up by 24.5% compared to 2009 (US\$6.23 billion). It's important to point out that there was a spike in foreign currency being assigned in the month of April, 67.2% or US\$2.34 billion, compared to the US\$1.40 billion approved in April 2009.

Economic Freedom Index. Economic restrictions and regulations imposed by the government have placed Venezuela in 138th place out of 141 countries analyzed making it one of the economies of the world with the least amount of freedom. Only Angola, Myanmar and Zimbabwe have more economic restrictions and are less economically free than Venezuela.





Interest rate. The lending rate for the second week in May was at 19.2%, up by 126 base points compared to the previous week. Time deposits and savings rates were at 14.5 and 12.6, respectively, remaining steady.

International reserves. International reserves dropped by 1.8% going from US\$27.83 billion during the second week in May to US\$27.32 billion during the third week in May. Compared to the same period last year, international reserves dropped by 7.2%.

Monetary liquidity. Monetary liquidity for the second week in May was up by 0.3% compared to the previous week settling at VEF 236.23 billion, and up by 0.2% in nominal terms and down by 12.2% in real terms compared to the same period last year.

Oil Tips

Citgo to issue US\$1.5 billion. Citgo's P&L statement for the first quarter of 2010 indicates a loss of US\$127.7 million in that period, while in the first quarter of 2009 this negative result was US\$20.7 million. This is mainly due to the increase of sales and operation costs, thanks to the raise of crude oil barrel prices, which translates into an inability (or lack of cash flow) to meet the commitments (liabilities) Pdvsa's affiliate maintains with several financial institutions. In light of that, the company is considering the possibility to issue notes for US\$1.5 billion to cover the due payments of two credit lines that reach US\$515 million and US\$609 million, respectively. However, the date of the operation has not been established yet.

What about the debt? In spite of the conflicts generated by the payment of a debt for approximately US\$270 million Petroleos Paraguayos (Petropar) maintains with Pdvsa, the latter will continue to feed Paraguay's strategic gasoil reserve, but changing part of the plan applied. The president of Petropar, Juan Gonzalez Meyer, said Pdvsa will continue to send the usual amount to Paraguay and the fuel is to be deposited in Petropar tanks, but Pdvsa will no longer send fuel to Paraguay to be forwarded to Bolivia. However, none of the two companies mentioned the debt payment.

Why did the crude oil price fall? During May, crude oil prices fell for over US\$10/bl, reporting an 18-month low. This price fall is mainly due to the evolution of the debt crisis in the Euro zone and in subsequent liquidation of financial assets (such as crude oil futures) in the global stock market, which pushed the "spot" value of international oil baskets down. However, the stock taken by the EU finance ministers to guarantee liquidity in vulnerable economies has originated a partial recovery in the value of crude oil futures, boosting the barrel prices in upcoming days.



IEA estimates crude oil demand growth at a low. The International Energy Agency lowered its estimated crude oil demand growth by 190 kb/d in average for 2009 and 2010. The crude oil demand in 2009 closed at 84.8 mb/d (falling by 1.2 mb/d in a y/y basis) and 86.4 mb/d for 2010, which represents a 1.6 mb/d increase.

Pdval to subsidize meat. According to the president of Pdvsa's food industry affiliate, Virginia Mares, over 13,000 tons of meat are already at port and almost 20,000 are about to arrive to be placed all over the country. Mares also said Pdval guarantees the supply of all products in the food basket every day and it is currently offering a 50% discount in second-category meat, "to fight speculation."

Workers expect an advance after Aban Pearl sinking. The president of Federacion Unitaria de Trabajadores (Unitary Federation of Workers, Futpv), Wills Rangel, explained the platform "may have not had the necessary maintenance" and restated that a commission had be assigned to investigate the sinking so he is hoping to reactivate operations with new equipment in two months. He also said the industry's off-shore operations would not be declared in a state of emergency due to the accident, and that the labor and environmental conditions were suitable to resume normal operations.

Protests in Guayana. Pdvsa Gas Comunal workers stood outside the filling plant in Unare (Bolívar State) to protest against the unfair conditions in which they work. Among their demands are: the need to sign an agreement guaranteeing labor benefits to them since their collective labor agreement expired over 4 years ago; they denounce that management makes them work on Saturdays with no salaries or benefits; they complaint about the plant's severe flaws in terms of safety and infrastructure; they also complaint about being deceived, since they were told they would be transferred to Pdvsa and in turn they created a new company, Pdvgas, with a taxpayer Id different to Pdvsa's; and finally, they assured service had gotten worse, highlighting the fact that there are no more gas home-deliveries.

Protests in Petrosucre. Eudis Girot, representative of the Workers' Federation, said that approximately 350 Sucre workers (Corocoro, gulf of Paria, 24 nautical miles from Güiría) are navigating almost blindly, without the necessary buoys. Transportation boats can hold up to 10 people and many times they transport up to 25 workers, risking their lives. He also said there is no custody at the platform and the food service is irregular, to the extent that they sometimes spend 14 days on board and they receive food after the 5th day.

International oil baskets. Near New York market's closing time, last Thursday May 27, the WTI was at US\$73.4bl, showing a 9.2% increase compared to the US\$68.0 /bl



of the previous Thursday. The Brent increased by 5.7% to reach US\$69.8/bl, compared to US\$68.5/bl of Thursday, May 20.

Local oil basket price. The Venezuelan oil basket price decreased last week, to close at US\$62.9/bl on Friday May 14, US\$5.6 less than the US\$68.5/bl of the previous week. Meanwhile, the basket's annual average decreased to US\$71.3/bl.

Business Sector Tips

Telecommunications' sector shrinks. The telecommunications' sector report of results for the first quarter of 2010, published by the National Commission for Telecommunications (Conatel), indicates the operative income has decreased by 8.1% in real terms, y/y. However, on the positive side, investments increase by 17.5% in real terms, when comparing the quarterly results with the amount invested in the same period of 2009.

To be ordered to sell bonds in US\$. According to President Chavez, financial institutions are to be ordered to sell any bonds in foreign currency they hold in their portfolios, so that there is a currency supply in the parallel market administered by the BCV. He said the bands' system to be created is to sell currency at a price not too much over VEF 4.3/US\$. It was also said that most of these securities were held by private banks, since public banks own only US\$126 million.

The amount held by private banks and brokerage houses. Even though President Chavez said all private banks and brokerage houses were to sell their securities to prevent a "supply boycott" in the new currency swap market, by law, they only own 30% of their equity in bonds in foreign currency, which would add up to approximately US\$4 billion, not enough to satisfy the market.

Raids and audits continue. Econoinvest Casa de Bolsa, Venezuela's most important brokerage house, was raided last Monday under the coordination and supervision of the Public Ministry, as part of the investigation of alleged irregularities incurred by some companies.

So far... Up until Tuesday, May 25, 18 financial institutions, brokerage houses and brokerage firms, have been raided, including four underground exchange offices, Heptagon Sociedad de Corretaje, Finalca Casa de Bolsa, Ban Valor Casa de Bolsa, Positiva Sociedad de Corretaje, Premier Sociedad de Corretaje, Equitas Casa de Bolsa, Bestinvest Casa de Bolsa, Venevalores Sociedad de Corretaje, Italbursátil



Casa de Bolsa, BBO Casa de Bolsa, Bencorp Casa de Bolsa, Fidevalores Sociedad de Corretaje, Fortis Sociedad de Corretaje and Econoinvest Casa de Bolsa.

Government Vs. Polar. President Chavez has made it clear that nobody is safe if, one way or another, they mess with the Government's plans, as he announced last weekend. It is time for Empresas Polar now. "If Polar continues to hoard products, then we're going to have to go after them," said President Chavez, indicating that, should Polar be acquired by the Government, beer plants would become food or ice-cream processing plants, highlighting the fact that there's no need for a beer plant. These have not been the only attacks against Empresas Polar; 120 tons of foods were confiscated from them last week in Lara. Company employees have started to protest to defend their jobs.

Sidor less and less active. Sidor union representatives indicate the company is currently producing 80% less than four years ago. The current production goals don't exceed 300 thousand tons per year, when previous goals reached 4.7 million tons per year. Among other things, the billet area has not been producing for the last three months, which has a direct negative impact on the production of rebars and nails. They also said workers had had no answer regarding their salary situation.

Friosa also audited and taken over. Indepabis announced the 90-day preventive and operative take-over of Frigorífico Ordaz, one of the main wholesale food distribution companies in the east side of the country, since, they said, they had detected merchandize pricing and invoicing irregularities. This kind of take-over usually precedes the expropriation of these companies. This measure affects nearly 3 thousand jobs. 1,370 tons of foods were transferred to Mercal.

Harassment in the meat sector continues. Matadero Industrial Centro Occidente (Industrial Slaughter House Centro Occidente, MICO) was penalized and temporarily closed by Seniat, Indepabis and the National Superintendence of Silos, Warehouses and Agricultural Deposits (SADA), due to tax evasion, product overpricing and the hoarse of some cuts of meat.

Eurobras suspended the rehabilitation of the Guri dam. The Consortium Eurobras said the rehabilitation process of the Guri dam's engine rooms I and II, with a joint nominal capacity of 10,000 MW of power, had been suspended. The decision was made due to the Government's delays in paying for the project.

Relevant fall. The executive director of Caracas' Chamber of Commerce, Industries and Services, Victor Maldonado, emphasizes that nearly 30% of the companies managed by the Government have been affected by a loss of commercial dynamics. He also mentioned a 30% decrease in retail sales.



World Crisis Tips

US Senate passes finance reform bill. The US Senate passed the most significant finance reform since the Great Depression. The Congress is expected to approve it and President Obama to sign it by the 4th of July. This senate bill would create an agency to monitor the systemic financial risk and would set capital standards for big banks, force them to divest hedge fund and private equity units, change the way rating agencies rate banks, and allow the Congress to conduct a one-time audit to the Fed's emergency response programs if necessary.

US leading economic indicators down by 0.1%. After 12 consecutive months of growth and a 1.3% increase in March, the Conference Board's Index of leading economic indicators slipped 0.1% in April. Out of the Index's ten components, only four showed improvement: Higher capital goods orders, a higher interest rate, higher stock prices and a longer workweek. Among the components that showed contraction were: lower building permits, lower money supply growth and higher initial claims for unemployment insurance.

US consumer spending expected to keep growing. The Royal Bank of Canada's (RBC) Consumer Attitude and Spending by Household Index (CASH Index) has shown an 85% correlation with the real consumer spending since 2002. During May, the CASH index improved by 12.5% compared to April, so the expectations about the continuous increase of consumer spending are quite positive.

US home prices momentum eases. The Case-Shiller Home Price Index published by Standard and Poors reveals that during the first quarter of 2010 the composite index for 20 cities decreased by 0.5% compared to the fourth quarter of 2009, while the narrower 10-city index decreased by 0.4% and the national index by 3.2%, though these are 3.1%, 2.3% and 2.0% over their values of the first quarter of 2009.

German Financial Community reduced its expectations about the debt crisis. According to the results of the Center for European Economic Research's (ZEW, according to its acronym in German) survey of 275 German investors and institutional analysts held between May 3 and May 17, the percentage of people expecting the economic conditions to improve within the next six months went down from 53% to 45.8% in May, substantially lower than the 57.7% reported in September 2009, but still over the historic average of 27.4%. But the view of current conditions improved, going from -39.2 points to -21.6, a significant improvement from the -92.8 reported one year ago and much over the historic average of -32.4.



Sector benefit outlook in Europe. According to the ZWE survey, the German Financial Community thinks the benefits will increase in almost all sectors except for services, banking and insurance, the most affected by the financial crisis. Small benefit improvements are expected in the fields of telecommunications, information technology and construction, and higher improvements are expected in the automotive, chemistry and pharmaceuticals, machinery, steel and metals and electronics sectors.

Euro zone manufacture orders grow quickly. During the first quarter of 2010, the manufacture orders of all 16 countries in the euro zone grew at a yearly pace of 24.5% compared to the previous quarter. Domestic orders grew by 9.5% while foreign orders grew at an accelerated rate of 33.9%. In spite of the sovereign debt crisis, we expect Europe to continue to grow boosted by the exporting sector, which is in turn being promoted by the depreciation of the euro.

China has the last word regarding the Yuan. In the two-day Strategic and Economic Dialogue held in Beijing between the most important representatives of USA and China, Chinese authorities once again made it clear that "China will independently decide on the specific steps of its exchange rate reforms, based on its own interests, taking into account world economic conditions and China's own development trends." Logically, the Chinese Yuan can not stay at 6.83 CNY/US\$ indefinitely, as it has been since 2008 when the world crisis started, but the moment in which the Yuan begins to appreciate will be a unilateral decision of the Chinese Government.

IMF: Latin America helps shape global economic recovery. The International Monetary Fund declared recently that the region had an outstanding performance during the world crisis compared to the rest of the world and especially to developed economies. The IMF expects Latin America to report an economic growth of over 4% in 2010, after having contracted by 1.8% last year, being Venezuela the only country in the region where the recession is expected to continue. Unemployment was one of the most highlighted factors. In average, in Latin American economies, unemployment rose by two percent points, while in the United States the increase was by 5.5 percent points.

Political Tips

Prepared for the candidacy of unitary parties. The commission in charge of preparing the candidacies for the National Electoral Council needs to have the requirements of all 330 parliament election candidates by May 30. The unity table has not discussed candidacies since the last session of April 24, to the plenary session



has no information about the internal problem of the Copei party. Legally, there is a chance of carrying out modifications one month after the registrations in June 1st in case Copei still hasn't appointed its candidates, said a team member; however, they don't intend to do it.

PPT presented its own candidates. For the first time since the year 2000, the PPT party presented an electoral platform without alliances with the party of President Hugo Chavez, either MVR or PSUV. The official party's former ally presented over 200 candidates to the National Assembly, a heterogeneous group including independent candidates and different sectors of society under the premise of diversity and ending with polarization. Among the candidates is the former PSUV militant Vladimir Villegas, the military Joel Acosta Chirinos and the historian Margarita Lopez Maya, running for circuit 3 of Caracas, which is, Candelaria, El Recreo, San Bernardino, San Pedro and San Agustín.

Ledezma absent in Federal Council. The Metropolitan Major, Antonio Ledezma, was not included in the meeting of the Federal Government Council, to which Cipriano Heredia, representative of ABP, said Ledezma should have been included, not only for his representativeness, but for legal reasons, since the Constitution includes governors and a representation of majors. In light of these accusations, the vice president of Venezuela, Elias Jaua, told Major Ledezma to read article 185 of the Constitution so he could understand why he was denied access to the session celebrated on May 14. Heredia answered: "It is precisely Elias Jaua who should read that article and the rest of the Constitution, since he violates it everyday and doesn't understand what the Federal Government Council was created for in the first place."

"I do finance my PSUV." The United Socialist Party of Venezuela started a fundraiser campaign to be a self-financed organization called: "I do finance my PSUV." An intensive fund raising campaign will take place between May 24 and May 31 inviting followers and militants to donate one day of salary, without obligating public employees to follow this initiative. With this campaign, the party expects to collect between VEF 5 and 6 million, and the money is to be used to pay for the first installment of the party's debt with the National Electoral Council (CNE) after the primary elections of May 2.

Waiting for changes in the TSJ. Ivan Simonovis, Lazaro Forero and Henry Vivas all have one last try to revoke their sentence of 30 years in prison; a review before the Constitutional Courtroom of the Supreme Court of Justice (TSJ), however, they will not request that chance yet. The police officers' attorney, Jose Luis Tamayo, said the Law does not establish a specific time to apply for a constitutional review, so it is pertinent for them to wait for a change in the TSJ.



PSUV obligates militants to take a socialist course. Militants of the United Socialist Party of Venezuela working in the public sector are to be ordered to take a course on socialist formation. Article 11 of the party's articles of association contemplates: "Party militants working or aspiring to work in the public administration or within the PSUV shall pass the formation level of the Socialist Education System corresponding to the position's level." The organization in charge of monitoring compliance with this article is the National Direction.

New minister of health. The president of the Venezuelan medical Federation, Douglas Leon Natera, was in charge of receiving the appointment of the new minister of health Maria Eugenia Sader, substituting Luis Reyes Reyes, former governor of Lara. Natera said: "Being an assimilated military doctor, she has the necessary knowledge, and with this, President Chavez recognizes he must appoint a healthcare professional instead of a military. We believe there is now room for dialogue and we can begin to look for solutions to the problems that affect us."

A Blog, now. In order to provide more coverage to his mission established through the social network Twitter, President Chavez announced the creation of his personal website www.chavez.org.ve. This initiative was taken to prevent the followers of his Twitter account, @Chavezcandanga, from including personal information in their tweets so they can not be victims of fraud or mockery. According to Chavez, Venezuelans will be able to make their requests and will have access to contents about his government project. *"The website will have several sections, Chavez handwritten, Chavez's lines, transcribed speeches, news, Alo Presidente, articles, other contents, Fidel's insights and the People's wall for everyone to write on."*

PSUV list published. The Venezuelan President, in his faculty as the highest-degree officer of the United Socialist Party of Venezuela, published "after an arduous process" the list of the party's candidates to the upcoming parliamentary elections. The official list, read by Chavez, without including substitutes, includes: César Sanguinetti (Amazonas), Earle Herrera (Anzoátegui), Cristóbal Jiménez (Apure), María León (Aragua), Victoria Mata (Bolívar), Giovanni Peña (Barinas), Francisco Ameliach (Carabobo), Erika Farías (Cojedes), Yelitza Santaella (Delta Amacuro), Cilia Flores and Tania Díaz (Distrito Capital), Fernando Soto Rojas (Falcón), Lídice Altuve (Guárico), Luis Reyes Reyes (Lara), Diógenes Andrade (Mérida), Héctor Navarro (Miranda), Diosdado Cabello (Monagas), William Fariñas (Nueva Esparta), Blanca Eckhout (Portuguesa), Luis Acuña Cedeño (Sucre), Iris Valera (Táchira), Manuel Briceño (Trujillo), Oswaldo Vera (Vargas), Francisco Arias Cárdenas (Zulia).

Disqualified due to violations to the Law against Corruption. The former governor of the Sucre State, Ramon Martinez, and the former Major of Maracaibo, Manuel Rosales, were politically disqualified. Both disqualifications were published in the



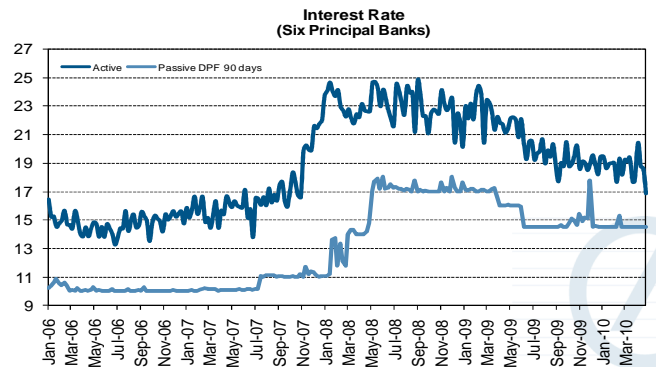
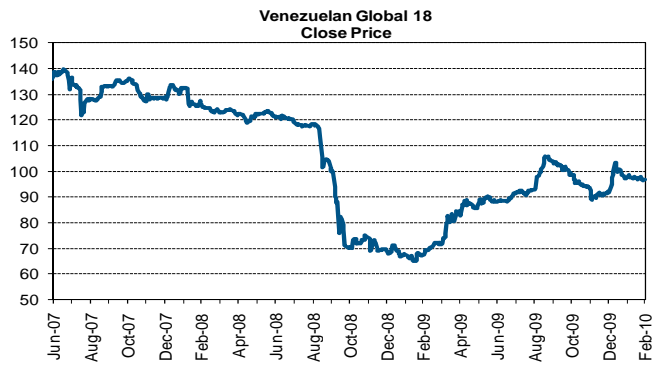
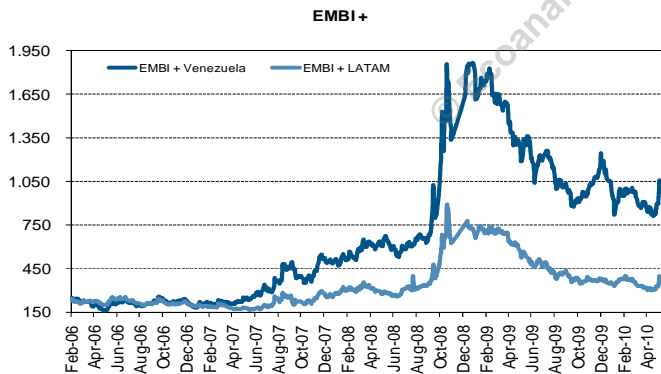
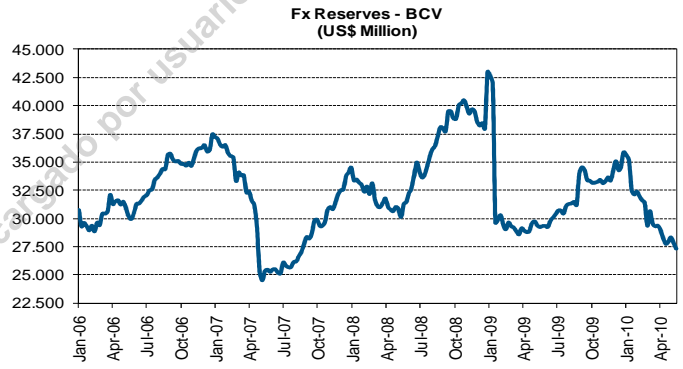
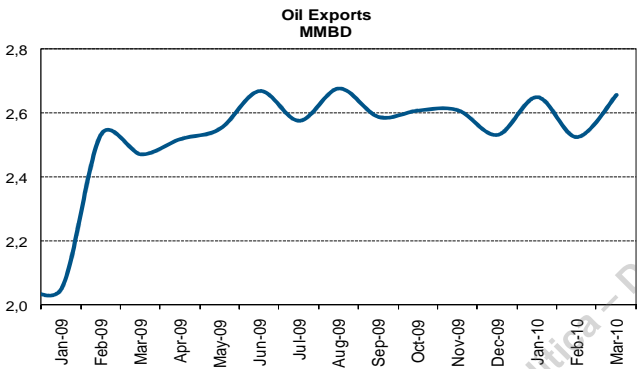
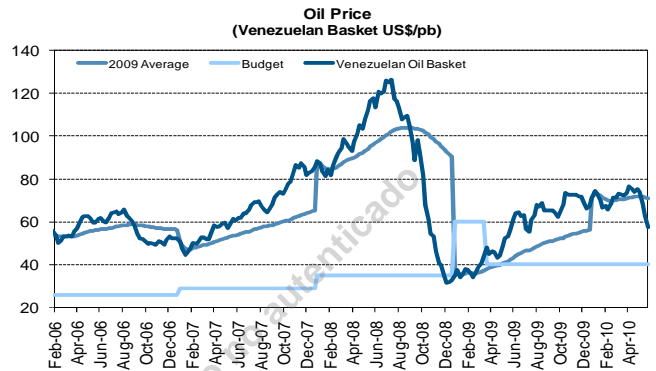
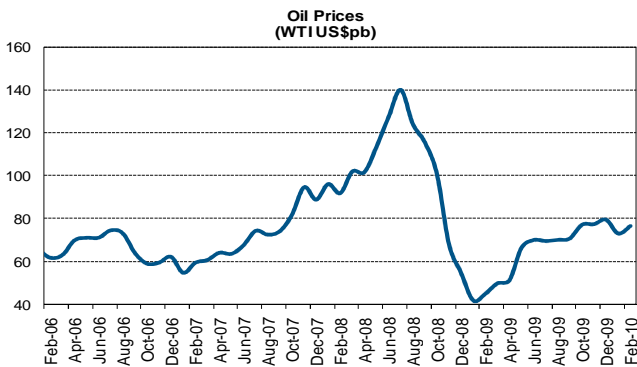
Official Gazette number 39,430 dated May 24, explaining the actions were taken “because they both had incurred in the allegations provided in numerals 1, 2 and 3 of article 39 of the Law against Corruption.” With this action, they are both disqualified to work in any public office.

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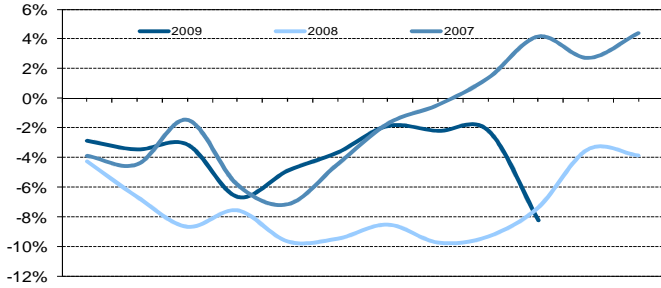


ECONOMIC OVERVIEW

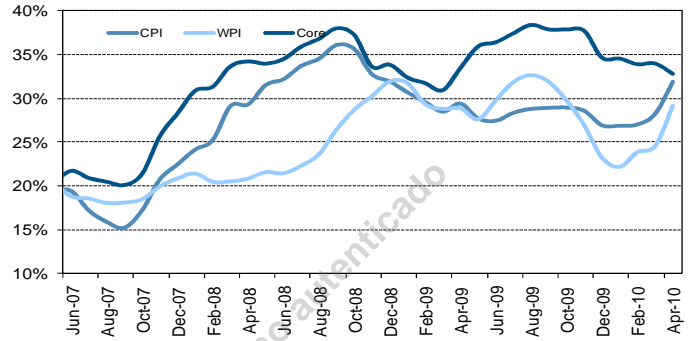




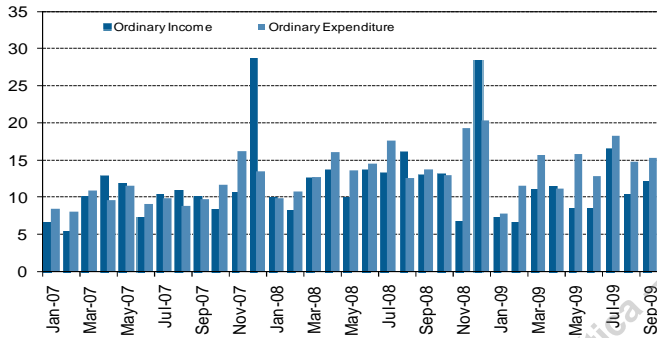
Real Expansion (M2)



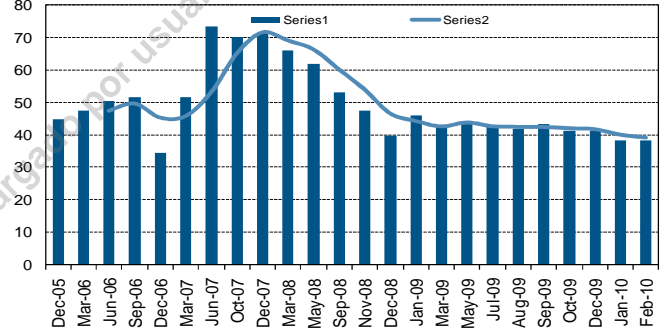
Inflation (Last 12 Months)



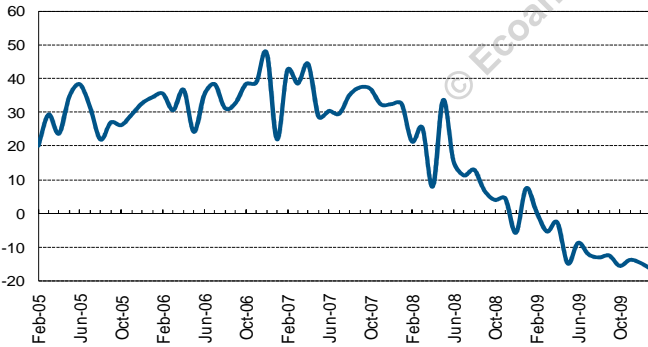
Central Government (VEB Billion)



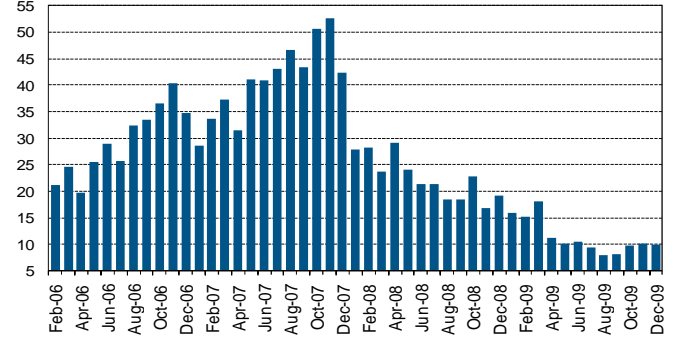
Resources of the State (US \$ MM)



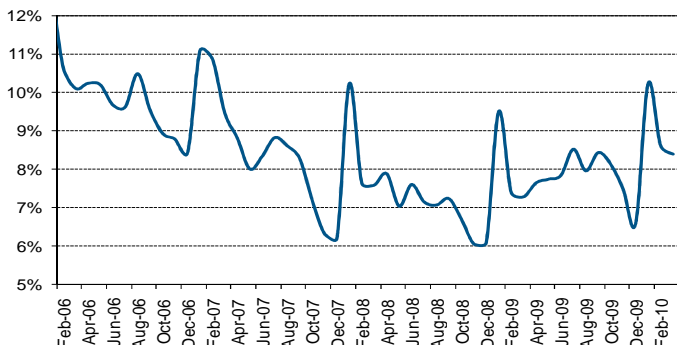
Volume of Sales (% Variation)



Sale of Vehicles (Thousands of Sold Units)



Rate of unemployment



Disbursement (US\$ Million)

