



Weekly Report

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***2012 PDVSA Financial Figures:
The time has come for action***

Ecoanalítica's Team*

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"There are three things you can never take back: an arrow that's been shot, words spoken, and an opportunity lost"
Chinese Proverb

In this report, we briefly analyze, from the financial perspective, the performance of Petróleos de Venezuela S.A. (PDVSA) throughout 2012. The results reveal an increase in financial debt, a significant increase in accounts receivable and significant needs to increase the company's cash flow to cover debt service and investment requirements in medullar areas in the medium term.

In spite of cuts in contributions to social development and "*Fondo de Desarrollo Nacional*" (Fonden) and some sensible investments, the industry's operational costs were substantially higher; this has to do with a lack of technical efficiency and the lower production capacity of the petroleum industry. Given the significant importance of PDVSA in terms of the growth of the Venezuelan economy, we are concerned about the

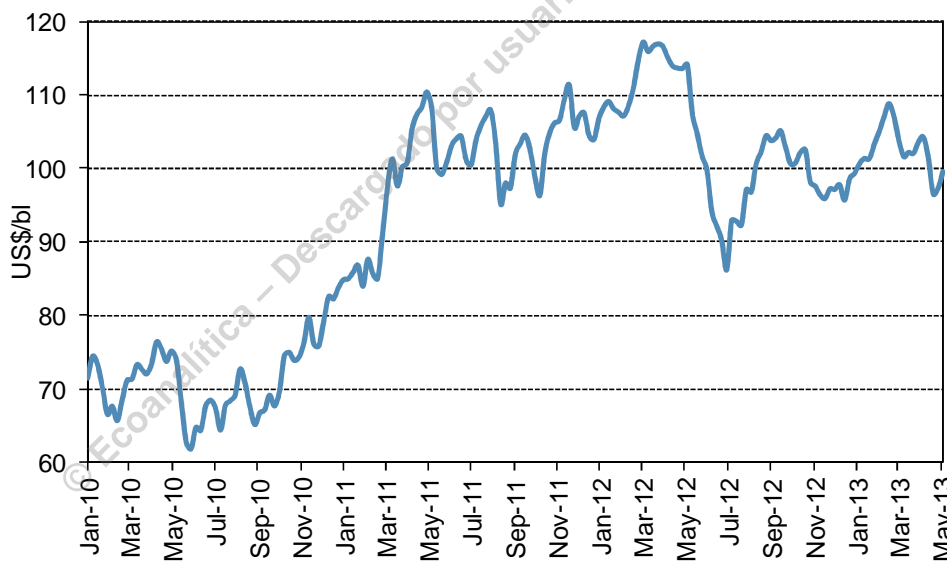


sustainability of the current economic model. Needless to say that the adjustments we propose in this report are not only necessary but unavoidable.

What kind of environment has PDVSA faced?

The oil environment over the last two years was shaped by a weak global macroeconomic context, a surreptitious adjustment in market fundamentals (production and consumption), and the geopolitical circumstances in the Middle East and the North of Africa. In this context, when we take into account the behavior of the Venezuelan crude oil prices throughout 2012, we can see a slight price increase of 2.3%, from US\$101.1/bl in 2011 to US\$103.4/bl.

Venezuelan Oil Basket



Sources: Menpet and Ecoanalítica

PDVSA decreased its expenses in spite of the election year

Relatively stable oil prices and oil production was clearly reflected in PDVSA financial figures, in which total revenues posted a slight decline with respect to the previous year (down by US\$295 million) settling at US\$124.45 billion. This still allowed the Administration to expand fiscal and quasi-fiscal spending again, a subject we will be dealing with later.

Along with the drop in revenues, expenses fell 5.6% on a year-to-year basis, which reflects a difference of US\$6.64 billion, going from US\$119.60 billion to US\$112.96 billion; whereas net operational profits reached US\$4.21 billion, which, compared to the US\$3.14 billion of 2011, translates into an increase of 34.1%.

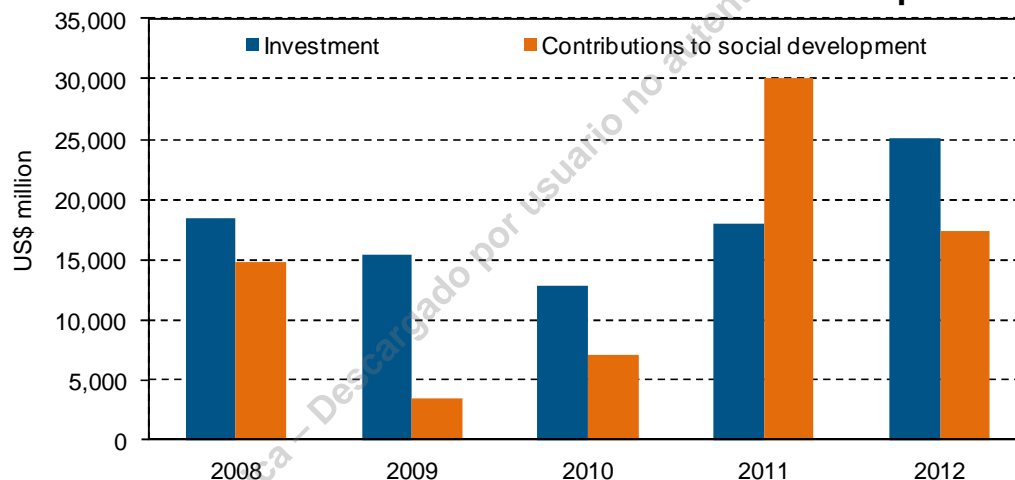




Less quasi-fiscal spending; higher investment?

The drop in PDVSA spending is basically attributable to the cut in contributions to social development and transfers to Fonden, by 42.2% and 42.6%, respectively. Investments in medullar areas, in turn, rose 39.8% last year, to US\$25.03 billion. Taking into account the amounts transferred to Fonden plus social development contributions, US\$17.33 billion, we can say that last year, in spite of its being an election year, PDVSA reoriented its spending in a more efficient manner.

Investment Vs Contributions to social development



Source: Pdvsa y Ecoanalítica

Note: Contributions to social development includes Fonden contributions

Operational surplus falls 14.0%

Notwithstanding, earnings before interest, taxes (including contributions to missions and Fonden), depreciation, and amortization, EBITDA, at end-2012 totaled US\$39.33 billion, down 14.0% from EBITDA of US\$45.75 billion in 2011. EBITDA account for a margin of 31.6% in comparison to total revenues for the period, whereas in 2011 they represented 36.7%.

This decrease is mainly due to the increase of 58.0% in operational expenses of PDVSA, which amounted to US\$23.01 billion, thus suggesting, in addition to the effect of exchange appreciation, problems related to operational efficiency of the industry, which are potentially linked to the inflated payroll and the negotiation of collective contracts. However, this year's exchange adjustments will improve the execution of expenses in bolivars in the industry.





EBITDA (US\$ million)

	2010	2011	2012
Net Income	3,722	3,143	4,215
Financial Expenses	8,810	3,649	3,401
Income Tax	3,849	2,007	7,279
Depreciation and Amortization	6,037	6,871	7,105
Social Development	5,326	15,604	9,025
Contributions to Fonden	1,692	14,475	8,311
EBITDA	29,436	45,749	39,336

Sources: PDVSA and Ecoanalítica

Increasing operational cash flow of the company is necessary

Furthermore, we can see that the company's cash flow figures were positive (US\$8.23 billion) in the reported period, down 4.4% from 2011 (US\$8.61 billion). That is, the net cash movement of the year was negative (US\$377 million). This can be attributed to the fact that for several years now, operational cash flow has been lower than cash movement for investment activities; therefore, the main flow of liquid funds of the company comes from financing activities. However, cash received by financial debt issuance dropped last year by 33.5%, to US\$7.13 billion.

Debt continued to increase

Consequently, PDVSA's debt grew by 14.7% in 2012 with respect to 2011, from US\$34.9 billion to US\$40.02 billion. It's worth highlighting that the largest part of this debt is related to the issuance of bonds maturing in 2035, investment certificates and collateralized loans. Even though PDVSA earmarked a substantial part of its revenues for investment, since debt increased in a larger proportion than equity, we can infer that most of the investment spending was used to maintain installed capacity. This is why, the company's equity risk also grew to 52.8%.

Borrowing Capacity

	2006	2007	2008	2009	2010	2011	2012
Total Debt (MMUS\$)	2,914	16,611	15,478	21,897	24,950	34,892	40,026
Patrimony (MMUS\$)	53,103	56,062	71,513	74,389	75,314	73,883	75,828
Debt/Patrimony (%)	5.5	29.6	21.6	29.4	33.1	47.2	52.8

Sources: PDVSA and Ecoanalítica

If we take into account that PDVSA's equity risk was 21.6% in 2008, when crude oil prices were at outstanding levels (US\$94.1/bl on average) and that over the last two years, the Venezuelan oil barrel exceeded the US\$100 ceiling, the debt/equity difference between these two years results in an increase of 31.1 percentage points (pp), thus revealing how the Administration's management has deteriorated PDVSA's financial



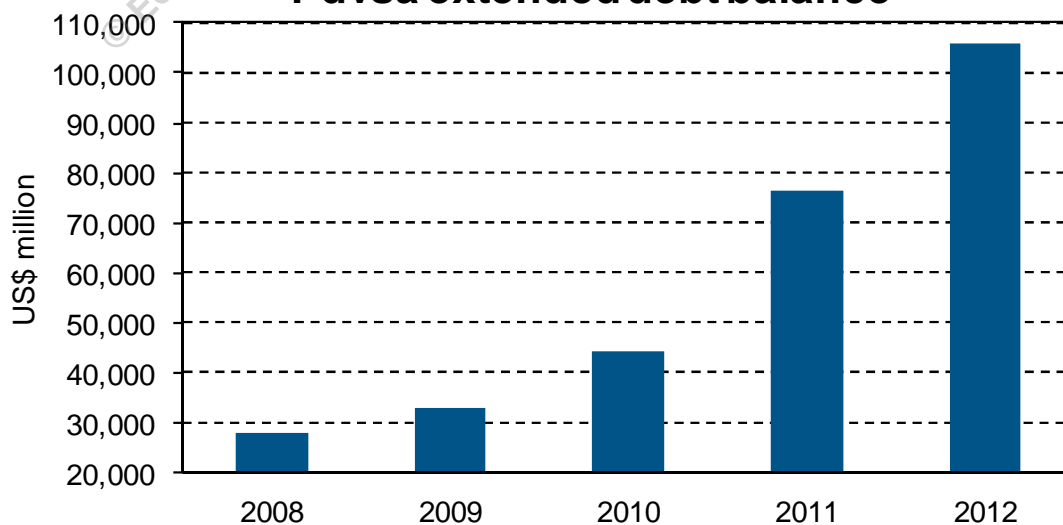
position over recent years. Considering that funds obtained through financing have been earmarked toward areas that aren't related to the company's operational capacity (for instance, offering dollars at an appreciated exchange rate in the economy), its equity remains stagnated, in spite of the prevailing high oil prices.

Furthermore, it's worth mentioning the increase in debt to suppliers and contractors, as well as financing with public institutions like the Central Bank of Venezuela (BCV) and state-owned banks. Debt to suppliers and contractors grew 42.5% last year to US\$27.26 billion. Debt to the BCV, in turn, closed 2012 at VEB 163.8 billion (US\$38.1 billion) and presently amounts to VEB165.5 billion (US\$26.3 billion, taking into account devaluation).

This financing with public institutions can be considered transfers by the BCV, with maturities that could be permanently extended. According to sources from the BCV, these would be loans denominated in bolivars at a very low interest rate, which implies a real loss of their value, considering high inflation and devaluation.

Therefore, the balance of PDVSA's extended debt reached US\$105.8 billion at the end of 2012, up 38.7% from 2011, accounting for 139.5% of equity.

Pdvsa extended debt balance



Source: Pdvsa, BCV and Ecoanalítica





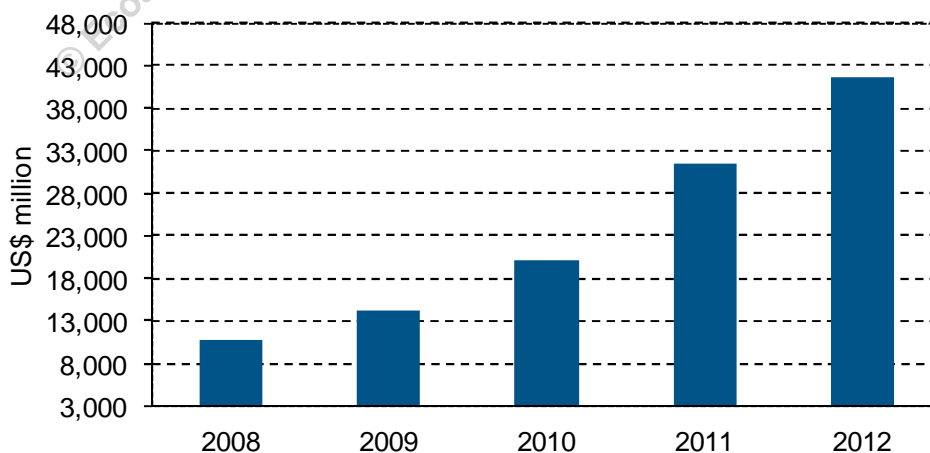
Accounts receivable, a very high cost at this time

Without ignoring the current circumstances of the national economy in a context of fiscal pressures, investment needs, debt and debt service increase for the upcoming years, it's clear that PDVSA needs to evaluate the increase in its accounts receivable.

At the end of 2012, the oil company's accounts receivable increased 32.1% to US\$41.71 billion, equivalent to 34.3% of oil export revenues. It's worth underscoring the sustained increase in this item over recent years, averaging 40.5% of year-to-year growth over the last 5 years. In our opinion, this increase shows the effect not only of the financing but also the sharing and joint venture schemes presented in the energy cooperation agreements with countries in the Caribbean, Central and South America.

For *Ecoanalítica*, these financing schemes have to be rethought if the company wants to continue paying contributions to the Administration, increase production and honor short- and medium-term financial commitments. All this, without dismissing the region's potential within the trade and supply chain. And looking at the recently held Petrocaribe Summit meeting, talks did lean towards a rationalization of the current agreement, but it was very worrying that significant, concrete measures were not proposed.

Pdvsa account receivable



Source: Pdvsa and Ecoanalítica

It's now or never

Even though the new PDVSA has proven to be politically profitable, its management model reveals significant vulnerabilities, not only from the point of view of the industry, but due to the impact that said industry



produces on the Venezuelan economy. Given the present political and economic circumstances, we at **Ecoanalítica** believe that now is the time to make important decisions; it's necessary to review the debt profile, financing schemes, contributions to missions and Fonden. It's clear that today, PDVSA's and the country's needs are huge.

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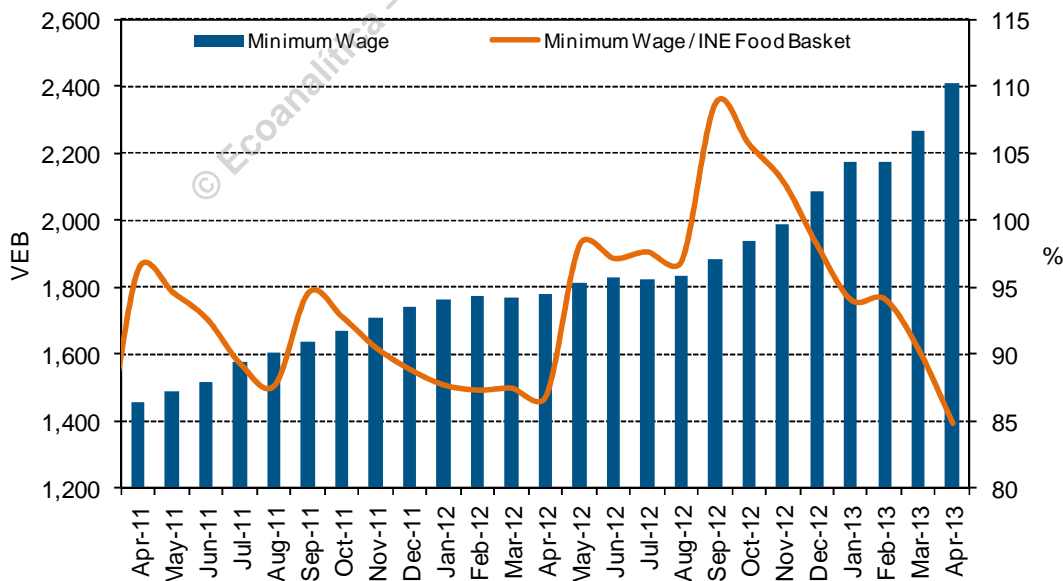
Economic Tips

Food basket increased by 6.4% in April. According to figures released by the National Statistics Institute (INE), the food basket value was VEB 2,411.1 in April, up 6.4% from March and up 35.4% from April 2012, thus meaning that the reference food basket increased VEB 630.7 in one year.

The item that had the highest increase: was eggs that increased 38.1%; Tomatoes (23.3%), paprika (15.7%), meat (14.5%), meat ground beef (13.9%) and white cheese with an increase of 10.7%.

Minimum wage only covered 84.9%. The above signifies that minimum wage isn't enough to buy basic foodstuffs, because a worker earning the minimum wage (VEB 2,047) could only buy 84.9% of the basket estimated by INE.

INE's food basket Vs. Minimum wage's purchasing power



Sources: INE and Ecoanalítica

Unemployment rate at 7.9%. According to numbers released by the INE, unemployment rate decreased 0.7 pp in April, as compared to the same period in



2012, when unemployment rate closed at 8.6%; this means that in the fourth month of the year, 1.086.681 people didn't have a job.

Inactivity rate decreases. According to inactivity rate figures published by INE, shows that decreased 0.1 pp compared to April 2012, to settle at 35.9%. Within this, men inactivity increased 0.9 pp, and stood at 22.9%. By the other hand, women inactivity, decreased 1.1 percentage points, and stood at 48.6%.

Informality rate at 39.8%. According to INE's figures, at end-April, 5,025,215 people were employed at the informal sector (39.8% of working population), decreasing 1.5 percentage points compared to the same period in 2012. For its part, formal sector employs 60.2% of working population.

US\$90.0 billion in subsidies. Over the last 14 years, the government has based its economic policy on keeping high subsidies, which presently account for 25%-30% of Gross Development Product (GDP), according to our Editor, Asdrúbal Oliveros. This percentage is equivalent to about US\$90.0 billion, which is a heavy burden for the State that has been accumulating a high fiscal deficit since 2006. One of the most conspicuous subsidies is that of gasoline, which currently represents about 5% of GDP.

In three stages. Cadivi vice-president, José Khan, explained at the first working group between the government and different businessmen that the commitments assumed by Cadivi (resulting from backlog in foreign currency settlement) will be honored in three stages, the first being the debts to small firms which have already been authorized. *"The aim is injecting money to this sector for them to recover their credit facilities,"* Khan said. Backlogs in foreign currency settlement have resulted in a debt of US\$8.0 billion.

New administration; new turnover times? Nelson Merentes, Minister of Finance, stated that Cadivi has already overcome the problems due to the backlog in the allocation of foreign currency to about 1,500 small firms. According to Merentes, Cadivi is dealing with about 3,020 firms and is capable of addressing them all; however he pointed out that each firm has its own particulars, reason for which permanent working groups have been set up for each industrial sector.

A faraway inflation target. Minister Nelson Merentes pointed out that *"it's very difficult"* that the inflation target set by the government in this year's budget can be met. Even though Merentes didn't want to provide any projection, he assured that the intent is to attain the inflation target of 14%-16% for 2013; otherwise, it will be revised. In the first four months of the year alone, cumulative inflation posted 12.5%.



83.3% of the government's target, which renders attaining this year's target very difficult.

Adjustments still to be made. Costs Superintendent's Office (Sundecop) set prices for 204 varieties of different products in February 2012 and up until now, these prices haven't been adjusted. The Law on Fair Cost and Prices provides for that costs have to be updated on a yearly, quarterly, monthly and weekly basis, but Sundecop hasn't made these adjustments.

Beneficiaries will have to pay. Beneficiaries of the government housing program "*Gran Misión Vivienda Venezuela*" (GMVV) will have to pay for the houses they have been delivered, President Nicolás Maduro announced. Prices for these homes will be set so that their collection process may be started. This will allow the administration to "*raise funds and have the financial muscle to build the other things that have to be built,*" and in the case of those citizens that don't have the funds to pay the homes, they will be charged a "*symbolic payment,*" Maduro assured.

Another housing fund. President Nicolás Maduro announced the creation of a National Housing Fund that will be entrusted with the administration of moneys collected by homes delivered within the framework of the "*Gran Misión Vivienda Venezuela.*" Maduro assured that the Fund will help balance investment for the construction of new homes. The new fund will be added to the scheme of parallel spending or "new financial institutional framework" that the government has been advancing since 2004.

Super Friends to the rescue. President Nicolás Maduro said that large shipments of food have departed from Argentina, Uruguay, Brazil and China, the so-called "strategic allies," which will strengthen the country's food reserves and allow the country to fight shortages especially of food products. Maduro also underscored that resources, along with a powerful food distribution chain, are available to strengthen public food marketing chains.

Tax incentives for productivity. Ricardo Menéndez, Minister of Industry, informed that the government signed a decree exonerating imports of capital goods from Value Added Tax (VAT). This decision forms part of a number of strategic measures intended to promote modernization of the Venezuelan industrial apparatus, which, according to Menéndez, is something that hasn't been made since the '80s.

Interest rates. The lending rate for the second week of May was at 16.3%, up by 1.9 pp compared to the previous week. The time deposit rate was at 14.5%, without variations compared to the previous week, while the passive rate has not experienced any significant variation since November 2011, placing well at 12.5%.



International reserves. International reserves went up by 0.3%, going from US\$25.59 billion during the second of May to US\$25.68 billion during the third week of May. Compared to the same period last year, international reserves have increased by 0.6%.

Central government expenditure. On Friday May 17th according to figures from the National Treasury Office (ONT) primary spending was VEB 10.72 billion, which means an increase of 73.9% when compared to the previous week when it was VEB 6.16 billion; when compared to the same period last year we observe a increase of 18.2%.

Monetary liquidity. Monetary liquidity (M2) increased 0.3% in the second week of May compared to the previous week, settling at VEB 776.31 billion. The M2 has increased 62.96% in relation with the same period last year.

Oil Tips

More loans from China. China's China National Petroleum Corporation (CNPC) and Chevron will close agreements with PDVSA to finance the production capacity expansion of joint ventures Petroboscán and Petrosinovensa. US\$2.0 billion will be received from Chevron and US\$4.0 billion from CNPC. Eulogio del Pino, PDVSA vice-president of Exploration and Production, announced that the agreements are expected to be signed in coming days.

Let's pay interest. PDVSA announced the payment of interests on bonds PDV 2013, 2021 and 2035. On Friday, May 17th, PDVSA paid the interests corresponding to the six-month period ended in May, to all holders of bonds maturing in 2013, 2021 and 2035.

Shipments to China grow. Crude oil shipments to China grew 18.0% (y/y) in 1Q2013, for a total of 626 kb/d for the year-to-date, Minister Rafael Ramírez announced. China's share in the domestic oil market has been increasing over the past 14 years, to the detriment of shipments to the United States (US), which continues to be the main market for the Venezuelan oil, although it has been decreasing since 1999. It's worth mentioning that shipments to China have grown largely because they are used to pay loans to the Asian country.



PDVSA will invest in Zulia state. US\$2.4 billion will be invested in Tía Juana, Lagunillas and Bachaquero oil fields, located on the Eastern Coast of Maracaibo Lake. The investment will be applied to infrastructure expansion and maintenance. These projects include the expansion of the oil well injection systems, steam generation and the construction of a new fuel plant.

Oil shipments to the US are at 2002-2003 levels. According to the US Energy Information Administration (EIA), Venezuelan oil exports to the US averaged 542 kb/d in February, for a record level since 2003 oil strike. PDVSA president Rafael Ramírez assured that market with the US, which is still the main destination for the Venezuelan crude oil, won't be closed.

Fewer shipments, less dollars. The drop in oil shipments to the US has negatively impacted PDVSA cash flow and, thus, foreign currency supply in the country. This has forced President Nicolas Maduro to cut back imports and urge the private sector to use local products.

Good pace in the Orinoco Oil Belt. After the review of the quarterly production plan, Rafael Ramírez pointed out that production is expected to reach 4 mb/d by 2019. This will help create about 100,000 new jobs in the area. Ramírez added that more than 10,500 wells will be drilled and investment in roads and highways will be made, among other infrastructure projects, "*in pursue of social and economic development of the Orinoco Oil Belt.*"

International oil baskets. At closing time on May 17th in the New York Stock Exchange, the price of the WTI was US\$94.9/bl, a 1.1% decrease compared to the US\$96.1/bl reported the previous week. The Brent decreased by 1.2% to reach US\$103.4/bl, compared to the previous week's US\$104.6/bl.

Local oil basket price. The Venezuelan oil basket price closed last week at US\$100.4/bl on Friday May 17th, a 1.6% decrease compared to the US\$101.9/bl of the previous week. The annual average price of the Venezuelan oil basket is US\$102.3/bl.





Business Sector Tips

Government and Polar make peace. President Nicolás Maduro informed that he offered *“full support by the government”* to Lorenzo Mendoza, CEO of Empresas Polar, for the group to produce at full throttle, and was pleased that differences with Mendoza have been left behind. Maduro stated that Lorenzo Mendoza put forward a number of subjects and presented a series of proposals, and assured that now the government will proceed *“accordingly”* because they took note of Mendoza’s requests.

Farewell to mandatory distribution. Lorenzo Mendoza pointed out that meetings first with Vice-President Jorge Arreaza and then with President Nicolás Maduro were *“cordial”* and *“useful for the country,”* because it was agreed *“not to politicize the economic issue,”* among other things. The proposals presented by Polar included eliminating the rule applied by the Superintendent of Agricultural Silos and Warehouses, according to which distribution of food product distribution has to be prioritized in Caracas major supermarket chains, because this has impacted small and medium-sized food outlets in Caracas and other regions in the country.

Mendoza is debunked. Joel Level, secretary general of the workers’ union at Alimentos Polar denied that Empresas Polar have increased the production of precooked corn flour, as Mendoza assured. Level emphasized that production hasn’t been increased in any of the three Polar’s plants. *“Neither Chivacoa, nor Turmero, nor Cumaná, which are the three plants where precooked corn flour is processed, have increased production...Instead, production of pet and dog food was increased in Chivacoa (Yaracuy state) and the same happened with MiGurt yoghurt at Valencia plant.”*

80% without foreign currency. Mauricio Tancredi, president of Consecomercio, pointed out that imports arriving to Puerto Cabello and La Guaira Ports fell 40.0%-45.0% in 1Q2013, and added that over 80.0% of the trade sector don’t have access to foreign currency allocated by Cadivi. Therefore, Tancredi believes that *“an expeditious and transparent mechanism that allows businessmen to have quicker access to foreign currency, either through Sicad or a mixed scheme, is necessary.”* Tancredi assured that businesses have put emphasis on managing their inventories; *“for instance, if they lasted one month before, they last three months now,”* but it’s important that dollars begins to flow.



Merentes delivered his promise. Jorge Roig, vice-president of Fedecámaras, expressed his satisfaction for the dialogue climate in the country aiming at overcome production problems in the business sector. *“We’re pleased because dialogue has taken place not only between Lorenzo Mendoza and President Maduro, but also at the regional level. Merentes has certainly honored his promise, because past-due applications have been processed and a little more movement is being seen at Cadivi”*, Roig said.

Production and inventories at critical levels. The private sector is at “critical levels” in terms of production, inventories and sales, Jorge Botti, president of Fedecámaras, stated at the end of the inter-sector meeting held every month at the business association. Without providing further detail, Botti listed obstacles that are affecting each sector. Concerning the industry, he stated that in 2013, production has registered significant declines and that manufacturing industries have had problems with packaging, paper and label printing, thus impacting manufacturing processes.

Botti: Prices of controlled product should be revised. Botti also said that prices of controlled products should be immediately revised so as to mobilize the economy. *“The products that are most scarce are those with controlled prices (...) We have to revise prices, adopt a price system that speeds up price adjustments. Price-controlled products have to be revised every three months to prevent shortages like the current one.”* Botti added that the problems of the economy won’t be solved quickly because the time required for import procedures exceeds 60 days.

Nor even close. The situation of the local cheese industry is the same after the 20% price adjustment authorized by the government. Cheese controlled prices haven’t been adjusted for 17 months now, during which time, a backlog between 157%-204% was accumulated in terms of production costs, which wasn’t compensated for by the increase. Vice-president of Aniquesos, Edgar Grisolia, explained that to prepare one kilo of Gouda cheese, nine liters of milk are required; since milk price is at VEB 7/L, the raw material alone costs VEB 64 and the price was set at VEB 58.3/kilo.

A lot of work to do in industries at Guayana. The work teams of the new iron-steel and aluminum corporations incorporated by the government to organize and optimize operation, planning, production and marketing activities of CVG companies, were formally set up in Ciudad Guayana, Bolívar state, on May 15th. Ricardo Menéndez, Minister for Industries, informed that the first action taken was the implementation of a single purchase system of inputs and raw materials, and a unified product marketing system, so as to reduce costs and guarantee control by the Venezuelan State over these processes.





Food imports grew 58.0% in 2012. According to INE figures, Venezuela imported US\$8.12 billion in food in 2012, up 58% from the previous year, when food imports reached US\$5.1 billion. While the INE reports this high increase, the results of the situation survey for 4Q2012, periodically conducted by Conindustria, reveal that 50% of businesses interviewed registered drops in their production levels.

Even toilet paper...The government announced the import of 50 million of toilet paper rolls to meet the “*excess demand*” for that product over recent weeks. Minister Fleming pointed out that the first shipment of 20 million of rolls will arrive in Venezuela from Friday 17th to Wednesday 22nd of this month. According to the Minister of Trade, this is the amount required to cover about two weeks of toilet paper consumption.

Now it's sugar cane growers' turn. The Official Gazette No. 40,166, dated May 14, 2013, established “*a direct, single and interim subsidy for sugar cane producers,*” based on the difference existing between the maximum sale price set by the government of VEB 5.04/kilo and the effective sale price of the product. The subsidy is equivalent to VEB 1.8/kilo produced and will be received by growers delivering their crops between September 24, 2012 and September 30, 2013.

World Economy Tips

The US is approaching the cliff, again. The agreement reached by the US Congress authorizing government borrowing will reach its limit this week; notwithstanding, Obama's administration assured that no immediate financial problems are expected. The Treasury Secretary, Jacob Lew, said that the increase in fiscal revenues and extraordinary measures that have been taken will allow the government to continue to pay its debt at least until September.

Inflation slows down. Consumer Price Index (CPI) in the US registered its steepest month-to-month drop over the four last years, contracting 0.4% in April due to the decline in gasoline prices, with a year-to-year variation of 1.1% (April 2013/April 2012). Signs of contained inflationary pressures could reinforce the argument that favors that Fed should maintain its very flexible monetary policy.

Unavoidable vacations. More than 820,000 employees of the US administration will enjoy several non-remunerated free days, due to the automatic spending cuts in the



budget of the present fiscal year, resulting from the lack of agreement between the Congress and the White House on reducing the fiscal deficit and/or raising the debt limit. This number is expected to grow as ministries make their own decisions about how will they apply the cuts they have been assigned.

Never-ending recession. Euro zone GDP shrank 0.2% in 1Q2013 according to Eurostat, falling for the sixth quarter in a row. This is the longest recession period since the data was first registered in 1995. The contraction was higher than expected and reveals the immense impact of the bank and debt crisis on the euro zone, and erases any optimism with regard to a soon recovery.

Some surprise. According to estimates released by the Cabinet Office of the Japanese government, Japan's economy grew 0.9% (y/y) in 1Q2013, due to the sound private consumption and the increase in exports, derived from the aggressive monetary and fiscal stimulus, which have significantly weakened Japanese currency. Capital expenses, however, disappointed and fell 0.7% (y/y), a sign that, in spite of the increased businesses' confidence, firms continue to be cautious when it comes to increase investment.

Others disappoint. German economy barely escaped recession in 1Q2013, by registering a GDP increase of 0.1% with respect to 4Q2012, which was mainly promoted by a higher private consumption, Destatis (statistics office) reported. On a year-to-year basis, GDP registered a contraction of 1.4% in 1Q2013, due to the concurrence of more holidays than in the first three months of 2012.

France is immersed in a little recession. France fell in a shallow recession in 1Q2013, when French economy contracted 0.3% (y/y) due to a contraction of 1.8% in investment, 0.2% in consumption and 0.6% in exports, France's National Institute of Statistics and Economic Studies reported. This recession has come together with a record high in unemployment rate in March.

A president for the EU. French president, François Hollande, proposed the creation of an economic government in the euro zone, which has its own Budget, right to issue debt, a harmonized fiscal system and a full-time president. Hollande's goal is the creation of a politically complete EU over the two coming years, to which Germany is opposed so as not to mutualize debt among European states.

Bank assets will be reviewed. The European Bank Authority will analyze how large banks can be classified and how loans and other assets can be valued, with a view to rendering tension tests they perform more accurate. One of the reasons for this change can be attributed to the fact that in the previous analyses, problems in the balances of banks from Spain, Ireland and Cyprus have been detected.



Collateral damage. According to Cepal, the highest vulnerability face by Latin America at present is exchange appreciation by the large volume of economic stimulus in the developed world. Monetary flexibility in Europe, the US and Japan has impacted competitiveness of exports in the region; therefore, Cepal countries should evaluate the timing and measures required to administer mass capital inflow, Cepal pointed out.

Political Tips

Another recording; another scandal. Representatives from the Democratic Unity Panel (MUD) presented a recording in which the host of TV show “*La Hojilla*” and Chavista communicational leader, Mario Silva, accuses Diosdado Cabello, president of the National Assembly (AN), for being responsible for corruption crimes and attempting against Nicolás Maduro’s government stability, with the aim of maintaining power quotas. According to Representative Ismael García, in the recording, Silva is talking with Aramís Palacios, a member of Cuban G2 and head of counterintelligence in Venezuela.

Standing up? Mario Silva, host of “*La Hojilla*” TV show, categorically rejected accusations made against him by MUD representatives, who presented a recording of a talk between Silva and a member of Cuban military intelligence. Silva warned that the recording could be a “montage” with audio fragments taken from his show, and assured in a recorded statement that he is ready to be submitted to the relevant investigations. Finally, Silva said goodbye to his audience for a while allegedly due to health reasons.

Will, a first-necessity product. Governor Henrique Capriles regretted that the lack of local production is affecting all Venezuelans alike, regardless of their ideology. “*It is unjustifiable that our people have to suffer due to the lack of political will of a group that wants to remain clung to power (...) Today our people is talking about shortages and the high cost of products. This is why I wonder how our state and our country would be if the resources we receive through the oil rent were used for the benefit of the people.*”

Almost perfect. Sandra Oblitas, vice-president of the National Election Council (CNE), assured that 75.6% of polling stations have been audited with a compatibility of 99.98%. “*The remaining 0.02% doesn’t correspond to any data inconsistencies,*



but to duly supported differences (...) in minutes signed by station members and voters' lists," Oblitas added.

Nothing more than a farce. Governor Henrique Capriles said that the audit being carried out by the CNE is a "farce." *"We said it a few days ago, and we reiterate it now: the audit being conducted by some CNE directors is a farce (...) Those directors have mocked and lied to the country and the international community; an audit without voters' list is a farce,"* Capriles pointed out.

Invisible revolution. President Nicolás Maduro said that the Venezuelan "right" (opposition) is trying to manipulate private communication media in an attempt to render the "achievements" of the revolution invisible. Maduro mentioned as an example the "*Patria Segura*" plan, which, in his opinion, has been "*ignored by the media,*" which resort to violence to "*make a feast*" and are largely responsible for deaths and violence in the country.

And what about a safe country? Miguel Rodríguez Torres, Minister of the Interior and Justice, announced that 14 municipal police corps will be eliminated over the coming days, but he didn't specify which. *"These police corps isn't adjusted to the new police model, don't meet standards, aren't equipped or duly organized to do their work and some of them are involved in severe organizational and discipline problems,"* Torres explained.

An alliance "to defend life." President Nicolás Maduro announced that he will meet with the owners of the major TV channels in the country to offer them and "*alliance to defend life,*" oriented to reduce violence in the country. Maduro has repeatedly reiterated the necessity that TV programs cease to "*promote disloyalty, treason, drug trafficking,*" and change their programs to reduce violence.

You cannot take back what you give. Governor Henrique Capriles questioned that the government now wants to charge homes delivered within the framework of the "*Gran Misión Vivienda Venezuela.*" According to Capriles, free social programs have to exist for people to come out from poverty. Finally, the opposition leader pointed out that the home subsidy mechanism should have been clarified from the beginning. *"Why they didn't say that during the election campaign?"* Capriles asked.

Approaching the Empire. Nicolás Maduro's administration has set normalizing its diplomatic relations with the US as a goal of its foreign policy, Minister Elías Jaua stated and pointed out that this will depend on "*mutual respect*" and on the fact that the US no longer "*interferes*" in Venezuela's domestic affairs. In addition to bridging differences with Obama's administration, Jaua expects ties with other sectors of the US society to become closer.



Representative brought to trial. Attorney General Luisa Ortega informed that her office requested the Supreme Court of Justice (TSJ) to carry out a preliminary hearing against Representative Juan Carlos Caldera, who was charged for corruption in 2012. Ortega pointed out that charges against Caldera include assumption of own benefit and money laundering. On his part, Caldera said he was aware of the situation and assured that he'll appear before the relevant entities.

Legislative Tips

AN passes Law against Torture Crimes. The Commission on Interior Policy of the AN passed the Special Law against Torture Crimes. Torture was classified as a serious crime that would imply between 3 and 25 years of prison. A few days ago, Representative Elvis Amoroso blamed Henrique Capriles for the violent events occurred after April 14 election and announced that stances like that taken by the former candidate could be punished by this law.

“El Chacal.” The Commission on Foreign Policy of the AN will submit a report to the Ministry of Foreign Affairs on reports and the petition presented by Vladimir Ramírez Sánchez, concerning the situation of his brother, Ilich Ramírez Sánchez, aka “El Chacal”, who has allegedly been victim of violation of human rights, while he is in France serving a life sentence. The Commission will request the Ministry a report explaining the actions taken by the Ministry of Foreign Affairs in relation to this case.

The calculation system is ready. Representative Claudio Farías, a member of the Commission on Administration and Services, revealed that the formula to set prices for motor vehicles, which was considered the main difficulty to pass the law, is ready. Farías explained that Sundecop will fix the maximum sale price of vehicles on a webpage, once the law has been approved.

How will the calculation look like? Farías explained that all, new and used, vehicles, will be sold taking the price in effect on February 28, 2013 as a base price, and that 10% depreciation will be subtracted from that amount. *“If a new or used vehicle cost VEB 600,000 on February 28th, the maximum sale price at which the vehicle can be sold is that amount less 10%,”* Farías pointed out.

Activities are resumed. After a 21-day break due to the fighting between government and opposition representatives, the National Assembly resumed its



plenary sessions past Tuesday, May 21st, with the discussion of the Laws on Disarmament and Foreign Service and the approval of 12 supplementary appropriations earmarked for the Vice-President's Office, the ministries of the Interior, Defense, Trade, Labor, and Land Transportation, and the Government of the Capital District.

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ECONOMIC OVERVIEW

