

Is the Venezuelan economy being dollarized?

In recent weeks, the dollarization issue has been part of Venezuelans' daily round and opinions on the matter are varied. This time at **Ecoanalítica** we wish to offer an analysis of the implications of dollarizing an economy, what the government is doing, and what we consider are the basic conditions for implementing such a scheme.

Dollarization schemes

In economic theory, when we talk of dollarizing the economy of a country we find two approaches: informal dollarization and formal dollarization.

By informal dollarization, we mean a spontaneous process that occurs as a consequence of the gradual deterioration of the functions of money as a means of circulation, a store of value, and a unit of exchange. This prompts agents to protect themselves by acquiring assets in a foreign currency that is commonly strong and accepted internationally, such as the US dollar, and, as a result, the acquired currency starts to perform the functions of money. This process generally consists of three phases:

1. Asset replacement: This is where agents acquire bonds and papers denominated in a foreign currency and make deposits in accounts abroad for the purposes of safeguarding their assets and saving.
2. Monetary substitution: This occurs when the local currency begins to lose its function as a means of payment and agents acquire bills, coins and even bank accounts in dollars.
3. Real substitution: This happens when the buying and selling of goods and/or services –even food, beverages, and entertainment- start to be conducted using the foreign currency.

According to Calvo (1996), there is a relationship of dependency among the different phases of dollarization. However monetary substitution is considered a higher state of the process.

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Formal dollarization, on the other hand, is an economic policy measure adopted as a consequence of pressure having been brought to bear over a period of time by agents in the economy as a consequence of a loss of confidence in the local currency. Official dollarization normally occurs by stages, as follows:

1. Determining the exchange rate
2. Acquisition of bills of the foreign currency by the central bank
3. Producing coins
4. Exchanging local currency for foreign currency
5. Transition period
6. Stabilizing all the central bank's liabilities and dollarizing all its accounts
7. Determining the new functions of the central bank

In addition, formal dollarization adopts certain elementary principles on which it rests, among them establishing the foreign currency as the only currency in circulation; having the monetary base determined henceforth by the external sector (i.e. the balance of payments and the balance of payments position), thus generating, by definition, the free movement of capital; and, last of all, the necessity of changing the central bank's functions.

In Venezuela's case, we do not fit into either of the two schemes and, therefore, it cannot be said that our economy is in the process of dollarization. Although some might think that the economy is dollarized due to the practice of estimating the replacement cost of merchandise at the parallel exchange rate engaged in by a large number of companies, nothing is further from the truth.

Two typical examples: Ecuador and Panama

It is said that Ecuador, for example, solved its problems by dollarizing the economy. Talking of "solving" the problems of a country's economy is a very broad concept. It is true to some extent that it solved the problem of high inflation rapidly and in one fell swoop, and that is why, given the problems of inflation Venezuela is experiencing, this measure looks attractive. However, first of all, Ecuador's oil sector does not compare to Venezuela's, nor does the size of its economy. The elements of propagation that the oil sector has in Venezuela are not comparable to those of Ecuador's oil sector.

In the case of Panama, which is the other example that is often cited, this is a country with a predominantly service economy and that is much smaller. So, using either of these countries as a reference means ignoring Venezuela's circumstances and the nature of its economy.

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While at **Ecoanalítica** we are aware of the positive effects that adopting a strong currency would have, we consider that what would be lost in terms of economic policy is much more than what would be gained in stability, particularly if account is taken of the characteristics of the Venezuelan economy.

What is the government up to?

It is obvious that the government is implementing the strategy of weathering the crisis and surviving. As we have mentioned previously, in 2015 there will be some sectors that will benefit more than others from this situation. The news that a company is to start selling its products in dollars is simply confirmation that the company or the sector to which it belongs is not going to receive dollars at the official exchange rate and that the government still expects the supply of foreign currency via Marginal Exchange System (SIMADI) to come from private sources and that it does not plan to have PDVSA take part in this system.

Why are they doing it? The fact that the government is allowing a sector to sell its products in dollars stems from its compromised cash flow this year. The cash deficit for this year amounts to about US \$ 23.156 million and the priority basis only under the assumption of a significant drop in total imports (30.0%). So, as the government does not have the same levels of revenue as last year, it has to choose which type of shortages will be least costly.

Today it is more evident than ever that there is a division between priority and non-priority sectors, where the former will have access to foreign currency at the official exchange rate and the latter will have to resort to alternative markets. Likewise, the fact that certain sectors will be selling in dollars will have an impact on those sectors and on related industries and this situation could have a domino effect that is potentially dangerous, particularly given the social implications.

In the end only a privileged stratum will be able to buy those products priced in foreign currency; the rest of society will continue to suffer from the chronic shortages of those goods and services: air tickets, vehicles, and real estate, to name just a few. So it does not look as though this is a strategy for improving Venezuelans' standard of living.

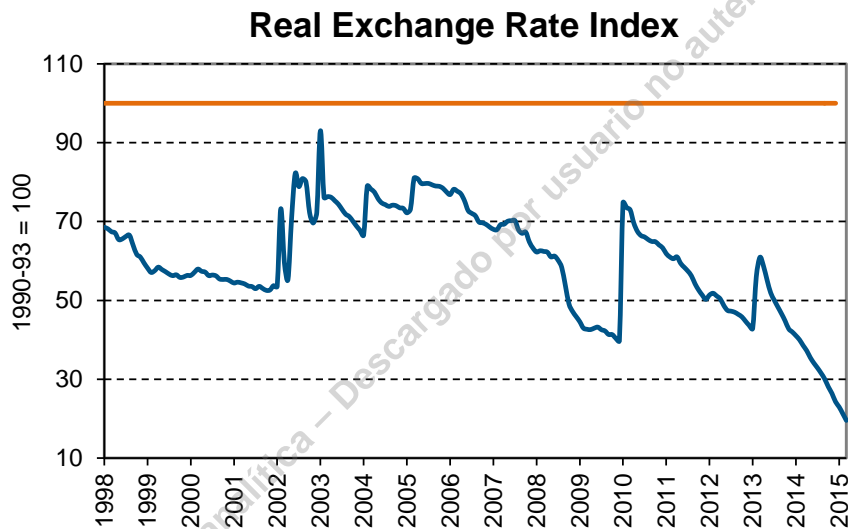
Hypothetically speaking, if several sectors were to migrate to a market where their products are sold in dollars, Venezuela would suffer the worst of both worlds: an incomplete scheme of dollarization, where part of the economy trades in dollars but wages continue to be in bolivars and the government continues with its lack of fiscal discipline, generating high inflation as a result. What is happening in Venezuela is simply that the government is continuing with its strategy of postponing the inevitable.

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A possible scheme

At Ecoanalítica we consider that it is necessary for certain basic conditions to exist in order for dollarization to take place.

First of all, the initial conversion exchange rate has to be in line with the overvaluation of the local currency; in other words, there has to be an adjustment in the exchange rate to correct the local currency's margins of overvaluation before dollarizing. In March 2015 the official exchange rate presented 80.4 % overvalued in real terms.

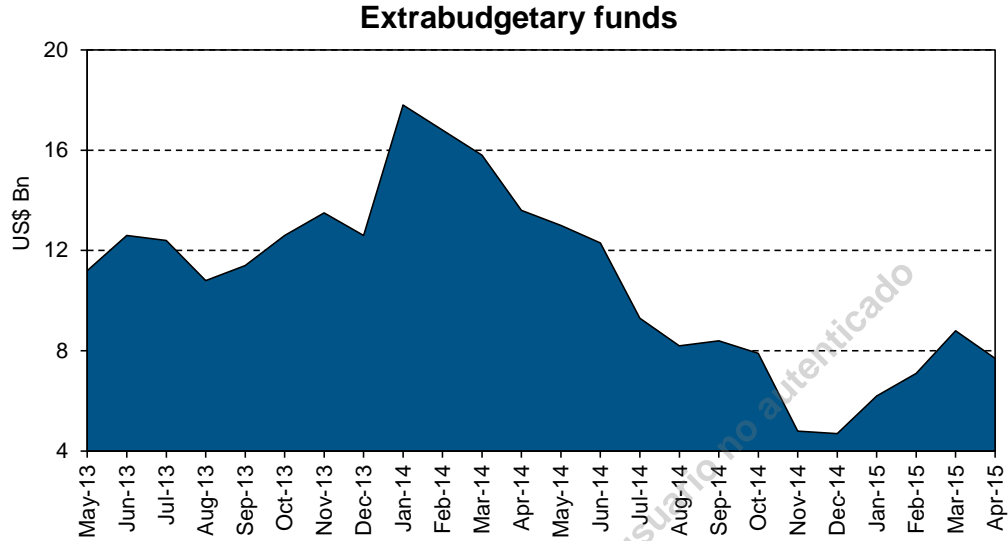


Source: Ecoanalítica

Second, the financial system has to be highly solvent, sound, and competitive and have access to lines of credit with foreign banks. For that to occur, it is necessary to eliminate the Central Bank as the lender of last resort and also to pass strict legislation for the banking sector and establish mechanisms for its effective supervision, among other measures.

Third, it is important to maintain a high level of international reserves and extra-budgetary funds in order to defray the costs associated with dollarization. The extrabudgetary resources in dollars in April 2015 closed at US\$7.7 billion, a fall of 43.4 % yoy.

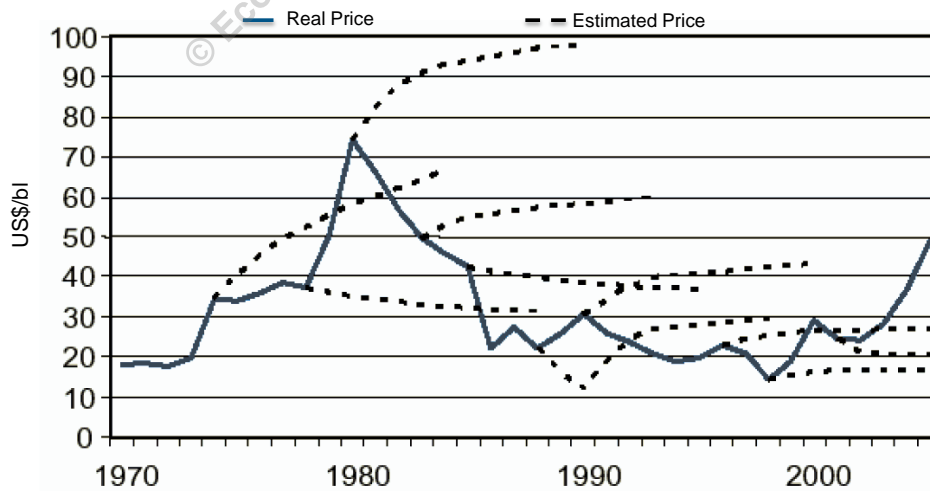
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Source: Ecoanalítica

Fourth, it is necessary to have an efficient, functional macroeconomic stabilization fund that contributes to achieving discipline in fiscal spending and serves to cushion the shocks from the volatility of oil prices. During the period 2011-2014 the average Venezuelan oil basket was above US\$85/bbl , while an average barrel is projected at US\$46/bbl this year.

Real Price of Oil vs. Estimated Price



Sources: World Bank and Ecoanalítica

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Fifth, there need to be effective stimuli for the tradable goods industry in order to make their products more competitive in external markets. And last but not least, it is necessary for there to be high mobility of factors of production and commerce between the dollarizing country or region and the reserve-currency country.

Given the foregoing, it is obvious that certain conditions that Venezuela does not have at the moment would have to exist. Therefore, **Ecoanalítica** considers that dollarization is not the best foreign exchange policy for the country. Moreover, many of the considerable advantages of dollarization prophesied by those who are in favor of this measure are usually less than expected.

The alleged advantages

It is said that dollarization would stabilize inflation and bring it down to international single-digit levels; however, there is no reason for the foreign exchange policy to be an anti-inflation policy. Inflation in Venezuela is not due solely to monetary expansion.

Under this scheme, any political influence in the handling of the monetary and fiscal policy is eliminated, but the vulnerability of the country to external shocks is not and, what is more, fiscal policy loses its punch.

Furthermore the monetary scheme gains credibility and, as a consequence, the country attracts foreign capital and achieves greater integration with international, capital, and securities markets, attracting investment. However, while dollarization reduces the foreign exchange risk, it does not reduce the country risk; the perception of Venezuela as an “emerging market” would persist.

So, at Ecoanalítica, bearing in mind that the benefits are not guaranteed and the costs for the State in terms of capacity for implementing macroeconomic and financial adjustments are so high, dollarizing the economy is not the best foreign exchange policy for Venezuela.

What needs to be done?

Below are three issues that need to be addressed in order to improve the macroeconomic conditions in Venezuela. While this does not mean that implementing them will be easy, we are of the opinion that, if the economic policy focuses on these areas, the long-term outlook for Venezuela will improve.

- Consolidating extra-budgetary funds as part of the international reserves to improve the risk perception of Venezuela

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- Fiscal discipline: implementing clear fiscal rules to reduce monetization of the deficit and reduce it, thereby achieving price stability
- Using the oil revenue for investment programs that will increase the country's domestic product and encourage savings with a view to stabilization (growth and development).

The majority of countries are not dollarized and they have found the necessary equilibrium that has allowed them to achieve sustainable development. Worthy of consideration are Brazil and Mexico, which have not needed to take extreme measures to achieve a true impact on the economy. In Venezuela's case the problem is one of political economics not of economic policy and, as always, we insist that what is needed is the political will to change the economic model and implement the adjustment measures that are so sorely needed.

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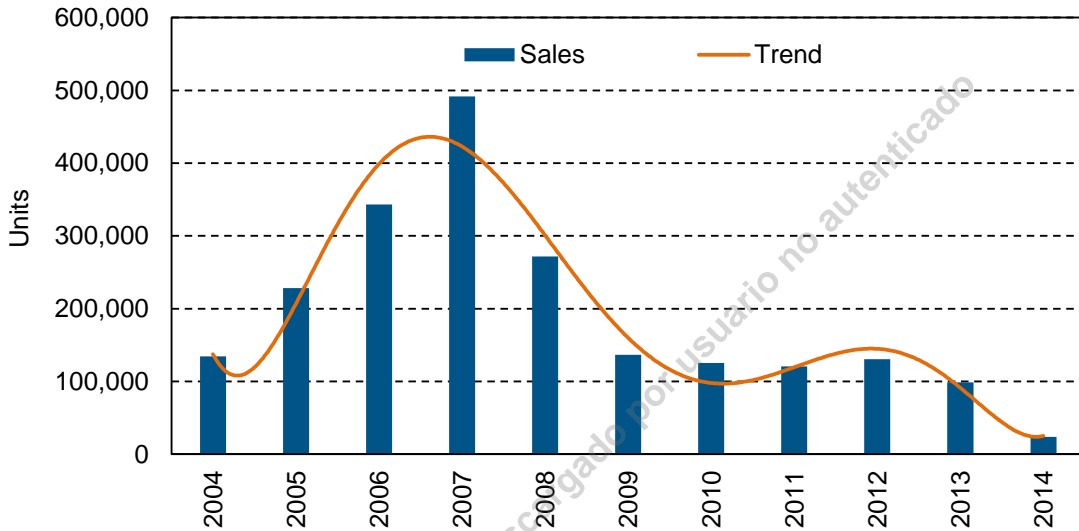
WEEKLY INDICATORS

| Weekly Economic Indicators | | | |
|----------------------------------------------|---------------------|-------------------------|-------------------------|
| | 1st Week May | Weekly var. (pp) | Annual var. (pp) |
| Lending interest rate (%) | 19.16 | -0.14 | 2.73 |
| | 2nd Week May | Weekly var. (pp) | Annual var. (pp) |
| Overnight interest rate (%) | 1.0 | 0.07 | -3.16 |
| | 1st Week May | Weekly var. (%) | Annual var. (%) |
| International reserves (Bn US\$) | 18.26 | -4.0 | -11.6 |
| | 2nd Week May | Weekly var. (%) | Accum. Var. (%) |
| Central Government spending (Bn VEB) | 41.75 | 172.1 | 39.7 |
| | 1st Week May | Weekly var. (%) | Annual var. (%) |
| Monetary liquidity (Bn VEB) | 2,307 | 2.2 | 67.7 |
| Price of International Oil Baskets (US\$/bl) | | | |
| | 2nd Week May | Weekly var. (%) | Annual var. (%) |
| WTI | 60.0 | 0.5 | -40.8 |
| Brent | 66.1 | -1.0 | -38.7 |
| Price of the Venezuelan oil basket (US\$/bl) | | | |
| | 2nd Week May | Weekly var. (%) | Annual var. (%) |
| Weekly average | 57.0 | 0.5 | -41.2 |
| Annual average | 47.6 | 1.0 | -50.6 |

Sources: BCV, Menpet, ONT and Ecoanalítica

GRAPH OF THE WEEK: "IN BOLIVARS OR DOLLARS THE BOOM IS OVER"

Vehicles Sales



Sources: CAVENEZ and Ecoanalítica

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ECONOMIC TIPS

Central Bank sets interest rates. The Central Bank has published the new interest rates applicable to payroll liabilities, credit card operations, and loans to the tourism sector. According to the regulations published by the Central Bank, the interest rate applicable to delays in paying wages, longevity and severance benefits, and indemnities has gone up from 18.9% in March to 19.5%; the rates for credit card operations remain unchanged; and the rates for tourism have been cut slightly to 10.6%.

The bolivar is the only legal tender. Vice President for Planning and Knowledge Ricardo Menéndez stressed that only the bolivar is legal tender in Venezuela. He gave these statements in reference to the announcement by representatives of the labor union at Ford Motors de Venezuela regarding the company's plans to start selling its vehicles in dollars in July. *"We have the vision of fighting the economic war and confronting the shortages war that the actors of the economic war have plotted,"* said the VP.

Directo BCV auction. Last Tuesday, the Central Bank placed VEB 600 million in the investment instrument "Directo BCV." The auction was intended for private individuals, savings banks, savings funds, and similar savings associations in the public sector. The Central Bank's board of directors has determined that these instruments shall not be negotiable, the only exception being if they are sold by their holders prior to maturity and only to the Central Bank for 100.0% of their value.

Payroll liabilities now more onerous. Last week the National Assembly approved 11 supplementary appropriations totaling VEB 53.9 billion. A high percentage of that amount is earmarked for payments to be made by ministries and other government agencies and VEB 11.96 billion is intended to cover the wage increase for workers of the state governments and mayoralities.

More and more supplementary appropriations. The National Assembly's Finance Committee approved six supplementary appropriations totaling VEB 2.95 billion, according to Deputy Alexander Dudamel, who is a member of this committee. The Ministry of Homeland Affairs is to receive VEB 219 million, the Ministry of Agriculture and Lands VEB 1.0 billion, and the Ministry for Housing and Habitat VEB 1.5 billion. Supplementary appropriations approved this year,

as at April, came to VEB 117,419 million, increasing the original budget by 15.8%.

Business as usual. The vice president for credit cards at Banco Industrial de Venezuela, José Ibarra, stated that the bank is operating as usual and that they have not received any notification of an alleged elimination. Ibarra forestalled rumors that started when some of the state-owned bank's employees claimed that, following the closing down of some branches and the transfer of several teller stations to other state-owned banks, Banco Industrial de Venezuela would be closing its doors.

Working miracles. After the international reserves fell to a 12-year low in April, Venezuela withdrew part of the savings it had with the International Monetary Fund (IMF). According to the IMF, Venezuela reduced its position in special drawing rights (SDR) by some US\$380 million in April, which allowed it to transfer those funds to its cash reserves. The Central Bank includes the amounts Venezuela holds at the IMF in its calculations of the country's international reserves and now that money is available in liquid assets administered by the Central Bank.

Venezuela will grow in 2016. According to the United Nations (UN), the gross domestic product (GDP) of Venezuela will grow 1.0% in 2016, after decreasing 0.5% in 2015, according to estimates of the organization in its report projections. The UN also estimates that inflation in the country remains high, with a projection of 53.2% in 2015 and 30.6% in 2016.

OIL TIPS

Payment of interest. On May 18, PDVSA paid interest on PDVSA Bonds 2012, 2024, and 2035, issued in November 2011, May 2014, and May 2012, respectively. The amount paid in interest came to US\$404 million. Before the end of the month, interest payments on PDVSA Bonds 17 and 26 have to be made, which, at **Ecoanalítica** we estimate come to US\$396.4 million.

No cut in crude output in the short term. According to Iran's Vice Minister for Oil Rokneddin Javadi it is unlikely that the Organization of Petroleum Exporting Countries (OPEC) will decide to cut production at its next meeting in June. Iran, together with Venezuela, has repeatedly asked OPEC to cut oil

production to shore up crude prices as the slump in those prices has reduced the revenues of oil producing countries.

Free of sanctions. According to statements made by Iran's Vice Minister for Oil Rokneddin Javadi, he expects Iran's crude exports to return to pre-sanction levels in three months. *"We hope to come back to the export levels that we had before the sanctions,"* said Javadi, who is also a director of the National Iranian Oil Company. Before the sanctions Iran exported 2.5 million barrels per day (mb/d) on average and today its exports are in the region of 1.0 mb/d.

Gas production moves ahead. In June, PDVSA is to start gas production in Cardón IV Block, part of the Rafael Urdaneta Gas Project, which is expected to produce 150 million standard cubic feet a day (MMSCFD). The project is being executed by PDVSA's Executive Offshore Division in partnership with ENI (Italy) and Repsol (Spain) and it is estimated that gas production will reach 450 MMSCFD by September.

Kuwait's expectations. Kuwait's governor to OPEC, Nawal al-Fuzai'a, forecasts that global crude prices will fall in the second half of 2015 (2H2015). He also said that any supply surplus would come more from shale producers than from traditional OPEC producers. *"It is expected that a kind of a balance will exist in the oil market in the second half of 2015 which will support prices,"* said Kuwait's governor.

Increases in production. Last week, Colombia's state-owned oil company, Ecopetrol, announced that its oil and gas production increased in the first quarter of 2015 (1Q2015) compared to the same quarter last year. Production in 1Q2015 came to 722,000 barrels per day (kb/d), 13 kb/d over the established target and 17 kb/d more than production in 1Q2014. According to Ecopetrol, this improved performance was due to the incorporation of new fields from which nearly 20.0% of domestic production is obtained.

SIDOR provides support. With a view to boosting oil production and recovering Guayana's industrial park, Siderúrgica del Orinoco Alfredo Maneiro (SIDOR) dispatched the first delivery of linear pipe to Bariven, a PDVSA affiliate, which are to be used for lining wells and oil pipelines in the Hugo Chávez Frías Orinoco Oil Belt. The delivery consists of 30,000 tons of 8", 9", and 12" pipe at a cost of US\$210 million.

They want to be on the payroll. Outsourced workers at PDVSA's Boyacá Division are demanding a decision regarding their incorporation into the regular payroll as promised by former President Hugo Chávez Frías. According to the workers, who have been providing their services to the state-owned oil company on an outsourced basis for many years, May 7th was the deadline for their incorporation into the payroll and they are still waiting for a decision from PDVSA. Incorporating outsourced workers into the payroll will increase PDVSA's operating costs even more.

BUSINESS SECTOR TIPS

New car sales up by 33.5%. According to figures from the Venezuelan Automotive Chamber (CAVENEZ), April's new car sales up 33.5% compared to the same period of 2014. 7551 units have been commercialized from January to April, 3.041 more vehicles (67.4%) than the same period of 2014. Out of the total sales, 7.504 vehicles were manufactured inside the country, while 47 were imported. This groups registered an increase of 68.2% and a decrease of 2.1% respectively.

Production of new cars increased 102.4%. According to data released by CAVENEZ in April the production of new cars increased 102.4% over the same period last year, standing at 1,601 units. Therefore, cumulative production from January through April 2015 was 7,690 units, an increase of 83.1% with respect to the 4.199 units assembled in the same period in 2014.

Keep your hands off. Last week, the president of the Federation of Commerce and Production Chambers and Associations of Venezuela (FEDECAMARAS), Jorge Roig, said that if the government gets its hands on the product distribution centers, it would be the worst mistake the government could make. According to Roig, centralizing the distribution centers would only ensure the collapse of the system, which would have negative consequences for the private sector of the economy.

They're going over the border. According to the president of the National Assembly's Finance and Economic Development Committee, Ricardo Sanguino, the smuggling of essential products out of the country has caused the shortages of inputs. Sanguino claims that between 30.0% and 40.0% of domestic demand goes to border areas. He also said that production problems

at state-owned and private companies have caused imbalances in the production chain.

We've been left out! José Cinnirella, the president of the National Auto Parts Chamber of Commerce (CANIDRA), said that the auto parts trade sector had not succeeded in getting any foreign currency for the past four months, which means that companies have been using up their inventories. Cinnirella explained that the sector needs around US\$1.2 billion in order to meet demand and that the deficit of spare parts is currently between 70.0% and 75.0%.

Agropatria is falling short. The National Confederation of Farmers and Cattlemen (CONFAGAN) has warned the government that the agricultural sector needs to receive supplies as a matter of urgency in order to balance beef prices, as Agropatria is covering only 30.0% of the demand for the inputs needed to raise livestock. Representatives of CONFAGAN claim that the remaining demand (70.0%) is being covered by some 600 private distributors, which, in CONFAGAN's opinion, are "tremendous profiteers."

The price needs to go up. The Venezuelan Rice Mills Association (ASOVEMA) has announced that, due to the increase in the industry's production costs, the price of class I white table rice needs to be increased to VEB 38.7/kg. According to ASOVEMA, the price of rice has been frozen since October 2014, when an increase was authorized that was insufficient to allow the industry to recover from the negative impact of 12 years of price controls. The price proposed by the industry is based on the present price for paddy rice –the raw material for table rice- of VEB 8.6/kg.

Getting snarled up in red tape again. The Venezuelan Food Industry Chamber (CAVIDEA) claims that the recurring problems with the Integral Agro-food Control System (SICA) have resulted in major delays in dispatching food products to stores around the country. *"There have been problems getting into SICA, which has resulted in delays in processing the Mobilization Waybills required by the National Agro-food Management Superintendency (SUNAGRO). That is affecting the frequencies of dispatches,"* said sector representatives.

Give them their money back. The president of the National Users and Consumers Association (ANAUCO), Roberto León Parilli, said that, due to CENCOEX Directive 011 (which cut the foreign currency quota for travel), tickets for foreign travel should be reimbursed. Since the new regulations were

issued, users have been calling for the amount they paid for their tickets to be reimbursed either because they consider that the new quota for their destination is insufficient or because they do not have a credit card with a state-owned bank.

No gasoline, no food. The president of the Táchira State Cattlemen's Association (ASOGATA), Luis Hernández, and the president of the Sur del Lago Cattlemen's Federation (FEGALAGO), Armando Chacín, have warned that the 60.0% reduction in the monthly fuel allowance for farmers and cattle ranchers in Táchira and Zulia will seriously affect the domestic production of beef and agricultural crops, as the gasoil is not only used for farm machinery but also for power generation plants and water pumps.

WORLD ECONOMY TIPS

A generous World Bank. On Monday, the World Bank announced plans to double its investment in public education over the next five years, focusing on improving the quality of education instead of increasing the number of pupils. It said that it will spend US\$5.0 billion by 2020, twice the amount spent in the past five years, in an attempt to reach more than 120 million children who are not in school and some 250 million more who cannot read or write despite attending school.

Washington and Havana forging ever closer ties. The United States (US) and Cuba are closer than ever to an agreement on restoring diplomatic relations, said a high-level source at the US Department of State. On Thursday, May 21th, Americans and Cubans held the fourth high-level meeting to work towards restoring diplomatic relations, following the historic announcement on December 17th of the decision by both countries to leave behind the brake in relations that lasted half a century.

China bets on gold. China is expected to reveal its gold reserve position shortly. Bloomberg estimates that China's gold reserves are in the region of 3,510 tons, which would place China second among the countries with the largest gold reserves (after the United States with 8,134 tons). This aggressive policy of acquiring gold is part of China's strategy of reducing its reliance on the dollar as backing for the yuan and of giving China's currency a much more important role in the international economic system.

Fears of default. On Monday, investors were getting rid of their Greek bonds given that Greece's precarious financial situation and its reluctance to implement reforms suggest that it could have problems making its debt payments next month. In a leaked internal memorandum, the International Monetary Fund admitted that Greece has few options open to it for making the June 5 payment and that the IMF would not rush a "quick and dirty" review in order to disburse more bailout funds for Athens.

Differing opinions. Pierre Moscovici, the European Union's Economic and Monetary Affairs Commissioner, said on Monday that Greece and its partners in the EU were nearer an agreement on many areas of reforms, as Athens is being more constructive on privatization issues. He did stress, however, that time was running out.

Chile is growing. In the first quarter of the year, Chile's gross domestic product (GDP) grew by 2.4% year-on-year, driven by domestic demand and growth in mining and services, according to the Central Bank of Chile. The negative economic note for the Michelle Bachelet administration is the contraction in investment as a result of a drop in spending on machinery and equipment. This result was released within days of Bachelet changing part of her cabinet with a view to overcoming a crisis of confidence in her government.

Colombia could do better. According to the co-director of the Central Bank of Colombia, Adolfo Meisel, Colombia's economy could grow by 3.5% due to a recovery in export revenues and increased consumption of domestically produced goods. His estimates were made public a day after President Santos described the Central Bank's estimate of 3.2% as pessimistic. The slowdown in the Colombian economy is occurring in the midst of the shock produced by the drop in international oil prices.

Brazil is to spend less. The Brazilian Government plans to cut its spending to 2013 levels, said Finance Minister Joaquim Levy on the eve of a meeting of the Executive to analyze new budget cuts. Levy, the economic chief of the Dilma Rousseff administration, stressed that his aim is to maintain discipline in the public accounts, which closed 2014 with a swollen deficit. In 2014 Brazil had a fiscal deficit (including payment of interest on its debt) of 5.7% of GDP, the country's worst results since 2002.

POLITICAL TIPS

Everything's under control. The primaries to select opposition candidates to run at the parliamentary elections called by the Democratic Unity Alliance were held in 33 electoral districts in 13 states and, according to members of the Primaries Electoral Commission, in a climate of total normality. Forty candidates were elected at the primaries; the remainder had already been chosen by consensus of the parties belonging to the Unity Alliance.

A good turnout. The chairman of the Democratic Unity Alliance's Electoral Commission for Internal Elections, José Luis Cartaya, confirmed that 543,493 people voted at the Venezuelan opposition's primaries; in other words 7.43% of the total electorate. A hundred and nine candidates took part in the primaries in the hope of being chosen as the opposition's candidates to stand for Falcon, Monagas, Nueva Esparta, Portuguesa, Táchira, Carabobo, Trujillo, Zulia, Anzoátegui, Bolívar, Cojedes, and the Capital District.

Now all that's left are the parliamentary elections. After the Democratic Unity Alliance's primaries had been held, National Assembly Deputy Richard Blanco demanded that the National Electoral Council announce the date for the parliamentary elections immediately and expressed his satisfaction at the outcome of the Unity Alliance's primaries.

The UN asks for explanations. The food shortages are one of the concerns of the United Nations' Committee on Economic, Social, and Cultural Rights. This is one of the most important issues in the report compiled by UN experts and it is to be studied in Geneva on June 2th. The committee will also evaluate the situation of health care, education, housing, jobs, the environment, and vulnerable groups in Venezuela.

Serious investigations. US prosecutors are investigating several high-level Venezuelan government officials, among them the president of the National Assembly, Diosdado Cabello, on suspicion of having turned Venezuela into a global cocaine trafficking and money laundering center. A division of the US Drug Enforcement Administration (DEA) and federal prosecutors in New York and Miami are building cases using evidence furnished by former cocaine traffickers and informants who were close to top Venezuelan government officials.

Less freedom of expression? Caracas Metropolitan Area court judge 12 issued a ban on leaving the country on the directors of the newspapers *El Nacional* and *Tal Cual* and the news webpage *La Patilla* in connection with a libel lawsuit filed by the president of the National Assembly, Diosdado Cabello. Miguel Henrique Otero, the president of *El Nacional*, claimed that the judge issued the ban on leaving the country “without having issued the notification papers,” which he considered “totally irregular.”

More clientelism, less effort. President Nicolás Maduro announced that the government is to draw up a special plan for allocating homes to young couples between the ages of 21 and 30 under the Great Venezuelan Housing Mission. This project is to be reviewed and discussed at the next meeting of the Presidential Youth and Students Council.

LEGISLATIVE TIPS

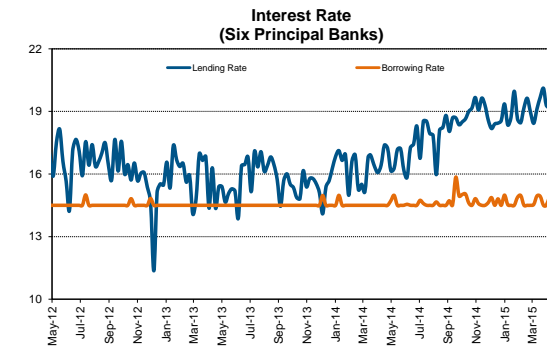
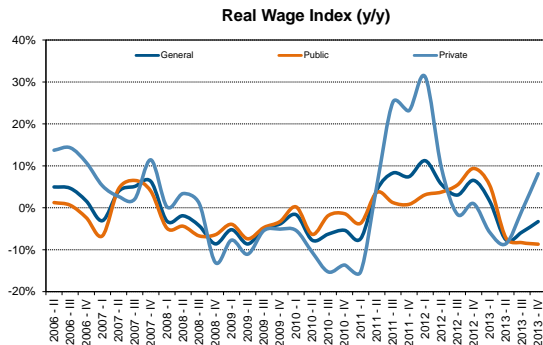
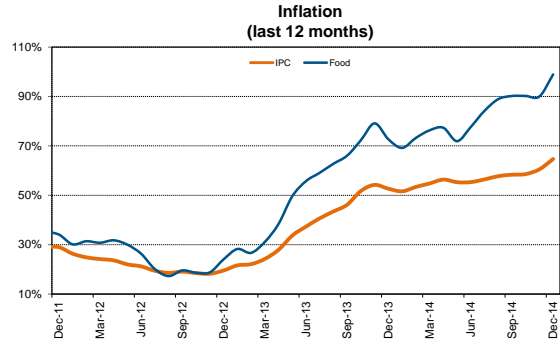
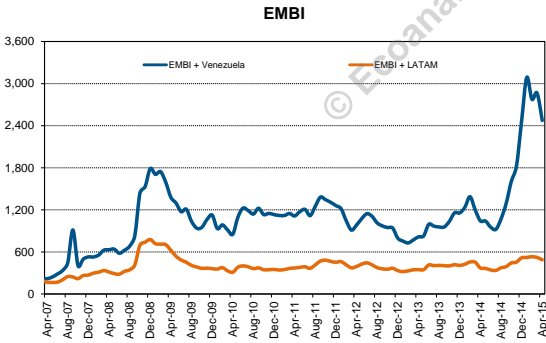
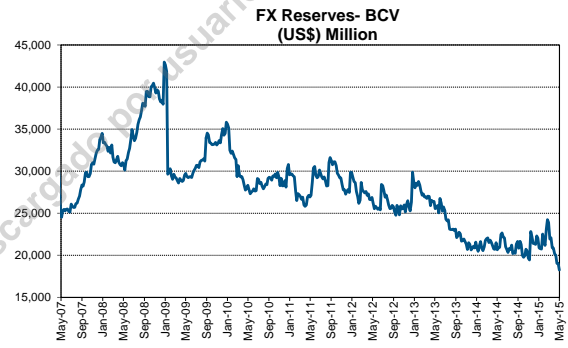
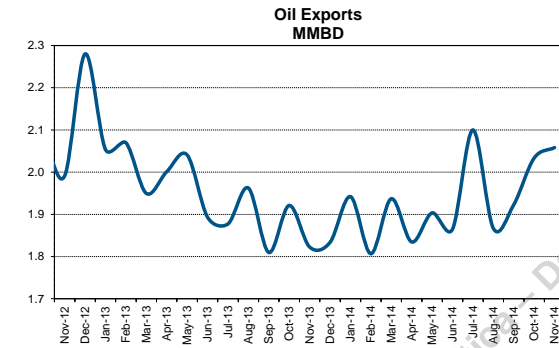
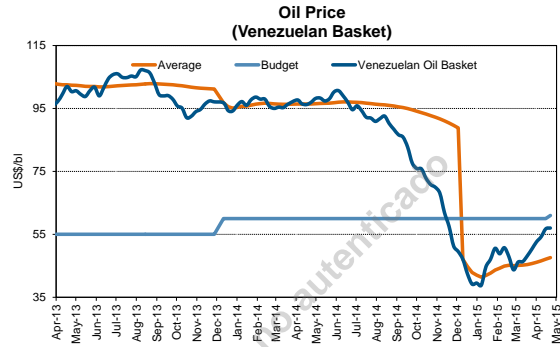
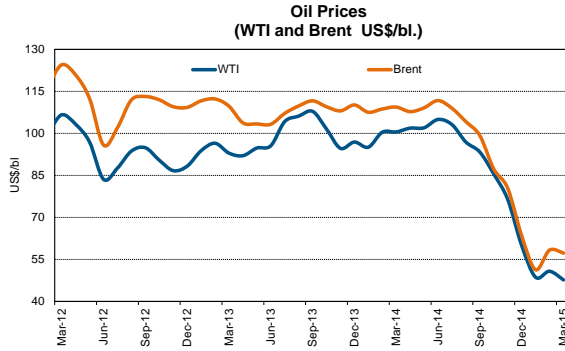
A new director. According to *Gaceta Oficial* N° 40,661, Sergio Alejandro Silvio Prato has been appointed as Maiquetía International Airport Institute’s new director general. Silvio replaces Luis Graterol as the director of Venezuela’s main airport, which is attached to the Ministry for Aquatic and Air Transport.

It’s been made official. The new salary scale for government service employees has been published in *Gaceta Oficial* No. 40,660. Besides the new salaries, the salary scales for career government officials based on the Job Classification System for the National Government Services were also approved.

New charges. The new rates to be charged nationwide for hauling materials, inputs and raw materials intended for construction have been published in *Gaceta Oficial* N° 40,659. According to the resolution, the country has been divided up into 12 areas for the purpose of determining haulage rates based on a table of charges set forth in the resolution.

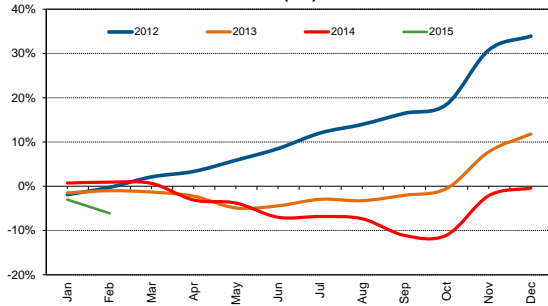
A new board. The People’s Power Ministry for University Education, Science and Technology published Resolution N° 418 in *Gaceta Oficial* N° 40,662, which officially appoints the members of the Board of Directors of the National Science, Technology and Innovation Fund (FONACIT).

ECONOMIC OVERVIEW

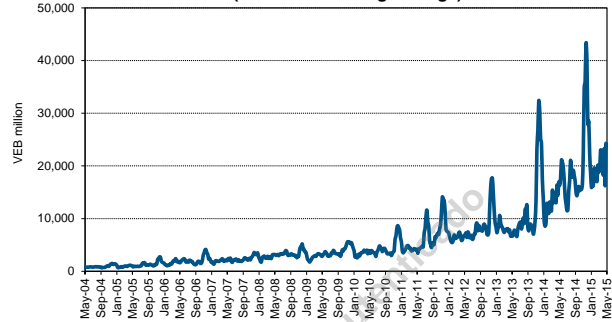


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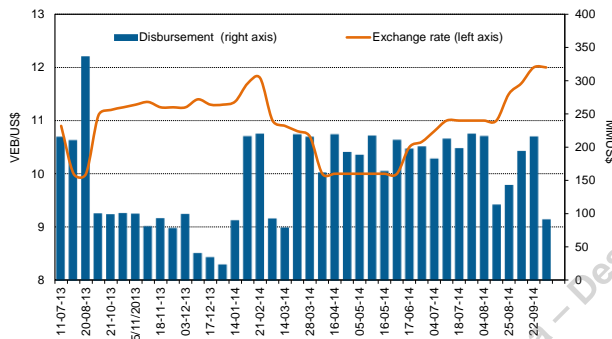
Year on Year Real Expansion (M2)



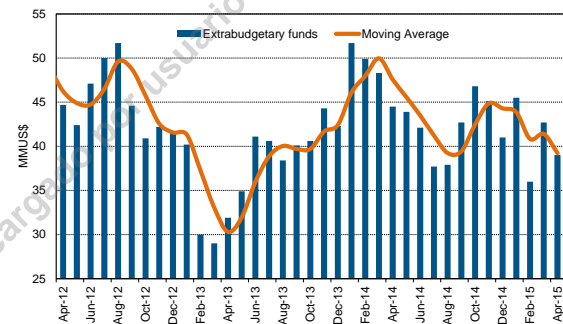
Primary Spending NTO (Four-week Moving Average)



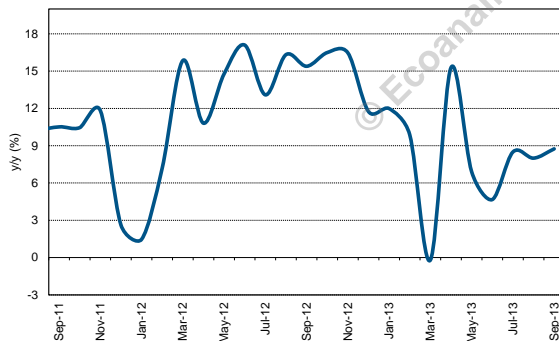
SICAD I



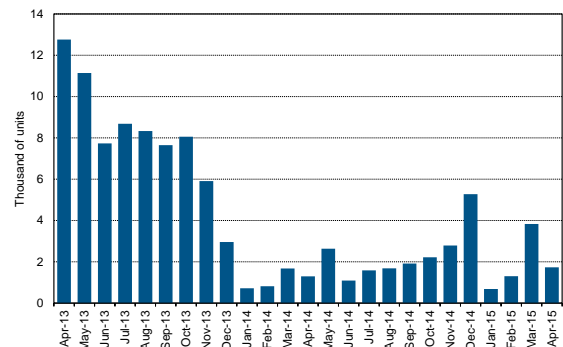
Resources of the State



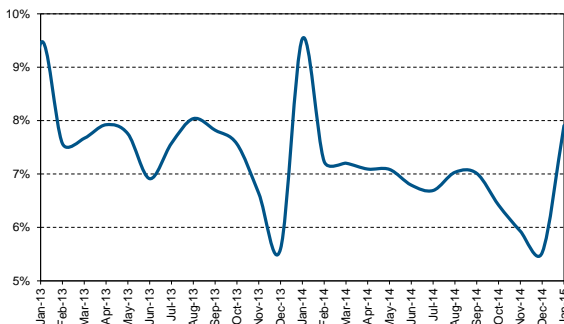
Volume of Sales



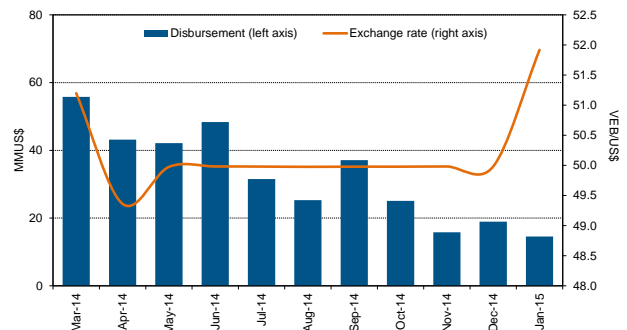
Automobile Sales



Rate of unemployment



SICAD II



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