

Game theory of protests

As the end of May draws near and after 56 days of continuous protests, the political picture in Venezuela would seem to be different, with some exceptions, to what happened in 2014.

1. 86.8% of Venezuelans classify the present situation as “negative,” 24.1 percentage points more than at the start of 2014¹.
2. Nearly 74.1% of the population evaluates Nicolás Maduro’s performance as president negatively (22.1 percentage points more than at the start of 2014).
3. Approximately 56% of the population only has one or two meals a day.
4. Measures such as the potential elimination of exchange and price controls and the privatization of certain expropriated companies enjoy a degree of support among civil society (62.3%, 59%, and 54.3%, respectively).

In general terms, the worsening of the economic crisis and the intensification of the political conflict offer a completely different game board for a possible political transition in Venezuela.

However, despite the fact that the political narrative in both years is based on the need for a transition and the rejection of certain government abuses and arbitrary actions, the central element that unites them is the protest and its role as an instrument capable of resulting in some kind of change, either in how politics are conducted or in those in power.

Now then, the calls to protest have been different in terms of intensity, magnitude and forcefulness and, in the context of a process that the opposition forces have described as being “for the long haul,” understanding the fundamental issues that prompt individuals to protest is crucial when analyzing processes of this type.

¹This and subsequent data are taken from the findings of the latest *Venebarometro* opinion poll presented at **Ecoanalítica**’s Forum held on April 4 this year.

What motivates people?

Bearing this brief introduction in mind, it is necessary to isolate the decision-making process of the different players while understanding protests as a collective phenomena. It is necessary to analyze which variables contribute to make protesting an individual's best strategy.

Information plays a key role in this dynamic. Put briefly, the most common questions people usually ask themselves before turning out for a demonstration (or adopting a position regarding the protest dynamic in general) tend to be along the lines of:

Will enough people go?

- How many people are really prepared to take to the streets?
- Will turning out to protest do any good? What's the specific purpose of the protest?
- Will we achieve anything? What do I gain by joining or not joining the demonstration? What do I lose?

If all the answers to this questionnaire are the right ones, in a population where rejection of the top government leaders is significant and the potential benefits of getting rid of them are considered to be substantial, the best strategy possible for a sizeable number of individuals will be to turn out on the streets.

With this in mind, Barbera & Jackson (2016)² propose a small model in which they seek to make sense of what are effectively the drivers that influence an individual to turn out to protest in a scenario of uncertainty.

Let us take a scenario in which we have two types of players. One of them ("Radicals"), based on his perception of the world, tends to allocate a higher probability of success to the protest than the other ("Moderates").

In addition, we will assume that, in order for a protest to be successful, it is necessary for a proportion Q of the total population to take part; in other words, if we assume that Q is equivalent to 0.5 (50%), as long as a larger number of individuals equivalent to 50% of the electorate takes part, the protest will be successful.

² In the interests of simplicity, we will summarize and adapt the original model proposed by Barbera & Jackson (2016) to facilitate the explanation of the model's general conclusions.

New Matrix of Prizes for Participating or Not in the March

	Success	Failure
Participates	Benefit for participating	Loss for participating
Refuses to participate	0	0

In the above matrix we have organized the potential rewards of taking part or not taking part in the protest, depending on whether it is successful or not. Here there are three elements that need to be highlighted.

1. We will have a kind of general gains and losses depending on whether the protest is successful or not³.
2. In the event that the player takes part and the protest is successful, the player will have a gain (B_E) (an ethical gain, for example).
3. Last of all, in the event that the player takes part and the protest fails (P_P), the player will assume a kind of sunk cost that will necessarily be negative.

Last of all, the fundamental input for deciding whether to take part in the protest or not will depend on the probabilities of success assigned to the protest and the costs associated with taking part.

Now, the player will determine that probability based on the information he has available to him and his set of beliefs about the other players; in other words, what are the chances that the other person thinks like me and, moreover, is prepared to protest openly?

$$P_E(B_E) + P_F(P_P) \geq 0$$

By way of conclusion, given the matrix of rewards, the player's best strategy will be to take part in the protest if and only if the expected value (what the player expects will happen, on average) of the rewards and/or costs associated with taking part is greater than zero.

³ In a scenario where both players see protesting as a valid mechanism for improving the situation.

Nevertheless, it is worth clarifying that, in order to achieve a successful revolution, it is necessary for the number of type “Radicals” agents to be a majority, otherwise the revolution will not be successful.

Information is power

As we can see from the above conclusion, the three elements that influence probabilities and the dynamic associated with the costs and rewards of taking part or not taking part in the protests.

- Insofar as the individual sees a greater probability of success (inferring that there are more type “A” players), he will be more inclined to take part in the protest, given his scheme of costs and restrictions.
- An alteration in the potential costs of taking part (personal safety, repression, restrictions on access to basic supplies, and so on)
- Analogically, the greater the benefits associated with taking part the more likely the player’s best option will be to join the protest.

In general terms, citizens are not isolated individuals. They interact among each other (moderates and radicals), inform themselves and live in a context that brings additional data on the opinions of others.

Due to these interactions, the expectations of the individual will change. If that is the case, it might change in one of the following directions: Either he gets demotivated and opts out of protests, or he gets an infuse of motives and confidence and decides to protests.

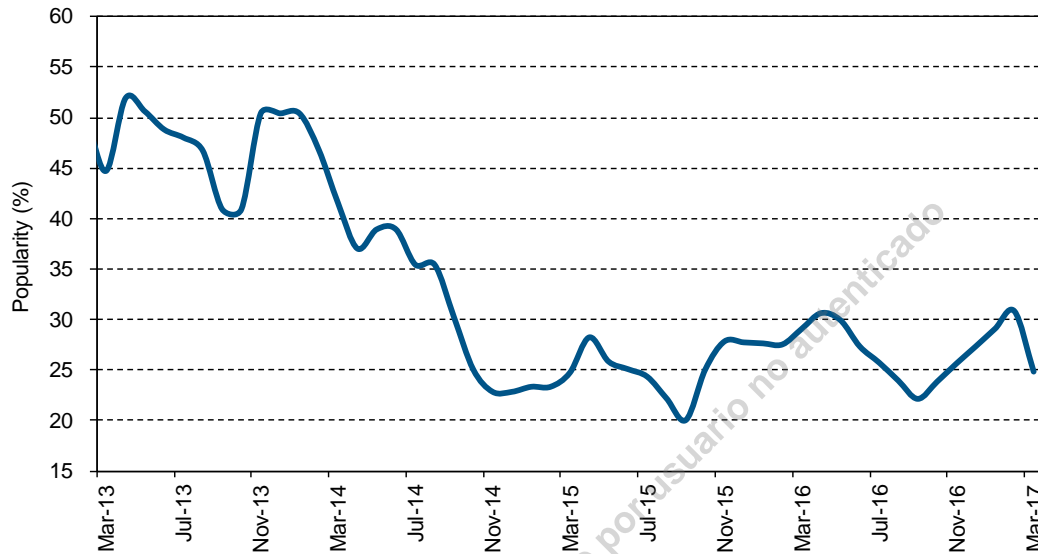
If a “radical” interacts with a “moderate”, given a certain level of self-confidence, he might end up demotivated. The contrary might happen if he interacts with other of his peers.

Generally speaking, individuals tend to interact in groups of peers with similar beliefs. Such a situation will tend to create a feedback loop reinforcing his initial opinions and disposition towards protests. Additionally, if a group decides to protest, it might be costly to separate from them.

Last of all, it is worth noting that we are continuously bombarded with information of different kinds that can alter (for good or ill) our vision of how the game board is set up and the real possibilities of generating a change, such as opinion polls or what is published on the social networks, for example.

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Popularity of Nicolas Maduro's Government



Sources: Datanálisis, Venebarómetro and Ecoanalítica

An escalation in the magnitude of the calls to protest tends to be a fundamental piece of information. A large number of individuals protesting contributes two important conclusions for an agent who is inclined to protest openly:

1. The number of “Radicals” is high.
2. Those individuals not only disapprove of the present situation but they are prepared to assume the cost associated with protesting openly.

Even though the protests have reached a high level of participation, it is important to work on the narrative accompanying the process and improve the channels through which it is transmitted. That in order to make the citizenry feel that it is possible to achieve a regime change.

This means defining objectives, establishing clear channels of causality on why we have reached this point and to build a narrative that draws together the different sectors of civil society, and, above all, to mitigate people’s weariness, stressing the progress made and generating an environment of cooperation where there is an atmosphere of “yes we can.”

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... But that is not all

However, even though the flow of information to which we are exposed fuels greater possibilities of success in our imagination, there are physical and economic restrictions that raise the direct costs associated with protesting, where the government may manage to play a key role, the main ones being:

1. The cost of repression (fear for one's personal safety)
2. Potential exclusion from a subsidy of some kind (bag of food from the Local Supply and Production Committees (CLAPs), for example), which varies depending on a player's social stratum
3. The opportunity cost measured in terms of the income a player does not earn because he joins a protest
4. Being physically unable and tiredness in general (something that has an impact on a player's productivity)

Last of all, it is important to point out the role of the most underprivileged sector of the population, as, generally speaking, in the minds of Venezuelans this role is of particular importance and weight when it comes to the effectiveness of any protest.

Understanding that the widespread deterioration of living conditions and the restrictions on the access to a variety of goods and services put the hardest hit sector of the population in survival mode is fundamental.

Here it should be noted that protesting is a time-intensive action; in other words, it requires sacrificing the hours the call to protest implies, during which time the individual's income can, in some cases, be zero. With this in mind, for an individual who values his time highly since he uses most of it simply to survive, turning out to protest implies higher costs and more severe restrictions.

A guide among uncertainty

Each experience is different. The players are not the same as in previous experiences and, due to that, their cost structure is different. Even if forecasting the results of massive protests is hard, our previous analysis offers a guide which could mitigate uncertainty.

Gorka Lalaguna

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WEEKLY INDICATORS

Weekly Economic Indicators			
	3rd Week May	Weekly var. (%)	Depre/Apre (pp) ¹
FX Dicom (VEF/USD)	726.8	0.6	0.6
	2nd Week May	Weekly var. (pp)	Annual var. (pp)
Lending Interest Rate (%)	21.4	-0.2	-0.5
	3rd Week May	Weekly var. (pp)	Annual var. (pp)
Overnight Interest Rate (%)	0.0	0.0	-6.7
	3rd Week May	Weekly var. (%)	Annual var. (%)
International Reserves (USD Bn)	10.1	0.0	-17.0
	2nd Week May	Weekly var. (%)	Annual var. (%)
Monetary Liquidity (VEF Bn)	15,866	3.1	239.4
Price of International Oil Baskets (USD/bl)			
	3rd Week May	Weekly var. (%)	Annual var. (%)
WTI	48.8	4.3	2.2
Brent	51.8	4.4	6.3
Price of the Venezuelan oil basket (USD/bl)			
	3rd Week May	Weekly var. (%)	Annual var. (%)
Weekly Average	43.0	4.2	13.6
Annual Average	44.2	-0.6	52.9

Sources: BCV, MENPET, ONT and Ecoanalítica

* Annual variation of accumulated expenditure.

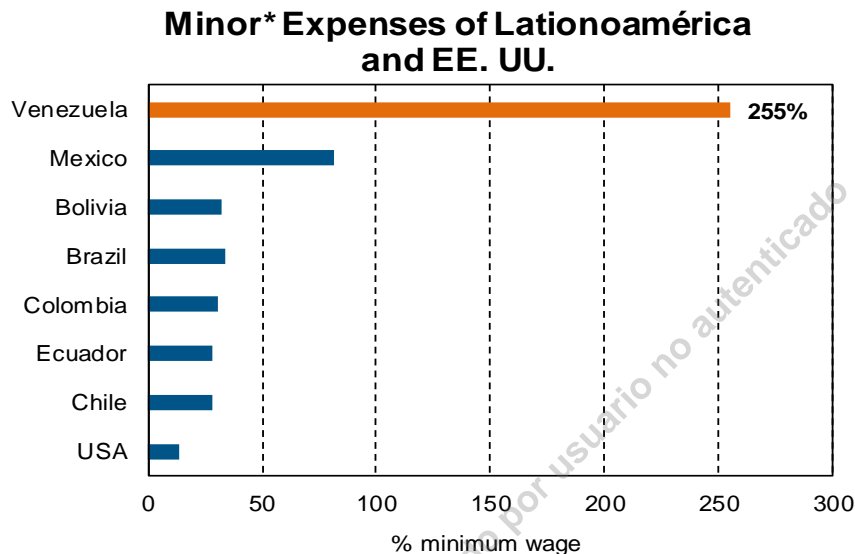
¹ Depreciation (+)/Appreciation (-)

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CHART OF THE WEEK: “GIVING YOURSELF A TREAT IS EXPENSIVE”



Sources: Preciosmundi and Ecoanalítica

*including non-staple expenses extrabudgetary for example: mineral water, gum, cigarette, tip etc.

“Minor” expenses are those outlays we make every day without even noticing. They are those items of consumption that, while they may seem insignificant, manage to upset our personal budget. For purposes of measurement, in all parts of the world these expenditures are classified by type of product and frequency of consumption. For example, a mineral water, five times a week; dining out, once a week; taxi services, once a week; an espresso, three times a week; a packet of cigarettes, once a week; and a soda/soft drink, three times a week.

In Venezuela, the present situation is critical as regards purchasing power. Inflation in April was 16.6% and cumulative inflation for the period January-April this year was 101.5%. This inflationary dynamic has a significant impact on all the goods and services in the economy. Today, for the average person expenditures are limited to food items, and not all households can afford them. In April, the Family Food Basket closed at VEF 867,772, equivalent to 5.8 times the overall minimum wage and 21.4 times the minimum wage without the meals allowance.

In Venezuela “minor” expenditures are equivalent to 255.0% of the minimum wage, whereas in Ecuador they account for 27.9%, in Chile they are equivalent to 28.3%, and in Mexico, the most extreme case, they eat up 81.5%. Generally speaking Latin America compares unfavorably with the United States, where “minor” expenditures account for only 13.6% of the minimum wage.

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ECONOMIC TIPS

The “new DICOM” is finally here. Minister for the Economy and Finance Ramón Lobo finally announced details regarding how the revamped foreign currency allocation system is to function. The first auction is to be held on Friday, May 25.

About the auctions. Minister Lobo said that there will be two auctions a week, a regular auction and a contingency auction. The latter will be held only if the exchange rate determined by supply and demand falls outside the bands defined by the Central Bank.

About the weekly schedule. In the case of the Regular Auctions, the process will start each Monday with the call to bid, and the auction will be held the following Wednesday. If the resultant exchange rate falls within the exchange rate bands, the awarding of foreign currency and publication of the amounts awarded will be carried out that same day. If it does not, the Contingency Auction will be activated, the auction will be postponed until Friday and only “prioritized sectors” will be admitted as participants.

About the exchange rate bands. The lower limit is VEF 1,800/USD, upper limit is VEF 2,000/USD. The Central Bank will deduce the exchange rate for each auction based on supply and demand and that rate will be compared with the exchange rate band defined by the Central Bank. Those interested in participating, should submit the exchange rate at which they wish to sell/buy foreign currency via the webpage, and the Central Bank will take this information for performing its calculations.

About the award amount ceilings. The maximum amount of foreign currency that can be purchased in the case of individuals is USD 500 per quarter and USD 2000 per year, whereas the maximum for companies is equivalent to 30.0% of their updated average monthly gross income as declared on their income tax return for the immediately preceding fiscal year up to a ceiling of USD 400,000 a month and USD 2 million a year.

About the sale amount ceilings. Companies may sell up to USD 10,000 (no mention is made of how frequently) through exchange houses at the exchange rate resulting from the most recent auction.

About the requirements for taking part. Generally speaking, participants must have a foreign currency account with a state-owned bank (Banco Bicentenario, Banco de Venezuela, Banco del Tesoro). All sectors may take part provided they comply with the provisions set forth in Foreign Exchange Agreements No. 20 and No 38.

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What happened with the VEF 10/USD FX? The new DICOM will substitute the DICOM and DIPRO (protected foreign Exchange) for private sector transactions. The DIPRO was created in March 2016, aimed at goods and services operations identified as priorities. As of now, this preferential Exchange rate (VEF 10/USD) will be available only for State.

Hard to believe but true. The Economy and Finances minister, Ramón Lobo, said that 10,000 people have already registered in the system to participate in the "nuevo Dicom". Between natural and legal, one day after the implementation of the online system, there was a significant participation. Although some claim that they have not been able to access the website.

Deficient decisions. It was eliminated just the exchange agreement 33. There was no mention about the other agreements that run the DIPRO, leaving a legal vacuum on the allocation process of foreign currency.

External debt hits USD 46.83 billion. According to the National Public Credit Office (ONCP), in March 2017, the Central Government's external public debt came to USD 46.83 billion, which is USD 63 million more than in 4Q2016, due mainly to an increase in bilateral debt of USD 67 million.

The debt is still high. According to figures from the ONCP, the external debt with bondholders remains at USD 36.08 billion and the Central Government owes multilateral agencies USD 5.43 billion, commercial banks USD 1.26 billion, and USD 4.07 billion in bilateral debt.

Nearly USD 1.0 billion in debt servicing. In 1Q2017 USD 6.06 billion was paid out in servicing the total debt, USD 986 million of which was for servicing the external debt and USD 5.08 billion for the domestic debt.

Every dollar counts. In 1Q2017 loans from the external sector went up to USD 52 million, loans from commercial banks came to USD 4 million, and loans from multilateral agencies amounted to USD 48 million, according to the ONCP.

Debt servicing came to USD 986 million. Payments for servicing the Central Government's external debt came to USD 986 million in 1Q2017, USD 844 million of which was for payment of interest (85.7%), according to figures from the ONCP.

The domestic debt shrank by 2.5%. At the end of March 2017, the Central Government's domestic public debt came to VEF 994.37 billion, for an increase of 2.5% or VEF 25.09 billion compared to 4Q2016, according to the ONCP.

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How much does the domestic debt come to? According to the ONCP, the Central Government's domestic debt went down to USD 99.44 billion. However, that figure is calculated based on the DIPRO exchange rate, which means that it is overvalued. In **Ecoanalítica's** view, the domestic debt in dollars calculated at the real exchange rate comes to only USD 1,006 million.

The basic basket reaches VEF 1,214,020. According to the report of the Social Analysis and Documentation Center of the Venezuelan Federation of Teachers (Centro de Documentación y Análisis Social de la Federación Venezolana de Maestros - CENDAS), the cost of the Basic Family Basket (Canasta Básica Familiar - CBF) in April 2017 was VEF 1,214,020, an increase of 13.6% with respect to the prior month, and 374.0% with respect to April, 2016.

The behavior of the CBF in April was marked by an increase of its seven items, among them: personal hygiene and house cleaning items (33.3%) and food (16.1%).

Making a slight effort. VEF 45.0 billion of the money in circulation has been mopped up so far in May through the Extraordinary Absorption Operations, which, added to the amount siphoned off during the first four months of the year, gives a total of VEF 300.0 billion to date. *DirectoBCV* bonds in May totaled VEF 21.0 billion.

Cut by nearly half in five months. Up until May, 45.8% of the total amount of money in circulation in 2016 (VEF 700.7 billion) had been siphoned off. According to an official statement, the Central Bank "uses these mechanisms to sterilize surplus liquidity and gradually control inflation in favor of strengthening the economy."

Again it comes as no surprise. The Central Government has extended the life of the VEF 100 banknote for the seventh time. The new date for its withdrawal from circulation is July 20 this year. Vice President Tarek El Aissami said "*the national financial system will guarantee the full circulation of the VEF 100 banknote at all its agencies and ATMs.*"

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OIL TIPS

It will go on line one day. Minister of Oil Nelson Martínez inspected the progress made on the Deep Conversion Project that is being executed at Puerto La Cruz Refinery. The purpose of the project is to provide capacity for processing an additional 80,000 barrels a day (80 kb/d) of light crude and to incorporate 100 kb/d of extra heavy crude.

“Good” gas. PDVSA and Shell have evaluated a project for dispatching gas to Trinidad & Tobago. The gas will be dispatched via a gas pipeline, called the Dragon-Hibiscus pipeline, which is 91% complete. The gas will be transferred from Dragon Field in Sucre state to the Hibiscus Field in Trinidad & Tobago.

As though that were not enough. According to several industry sources, last Sunday there was a fire at one of the three distillation plants at Isla Refinery on Curacao, which is under a lease contract to PDVSA until 2019. However, according to PDVSA’s president, Eulogio Del Pino, the fire was quickly brought under control.

A key element. According to the news agency Reuters, Isla Refinery was operating at around 50% of capacity and, given the widespread deterioration of Venezuela’s refining park, this refinery has taken on a leading role in PDVSA’s aggregate operations.

What impact could this have? According to some analysts, Isla Refinery, which has a processing capacity of close to 335 kb/d, is currently processing around 180 kb/d of fuel, 25% of which is gasoline for vehicles and the remainder is made up of other distillates.

God Bless America. In addition, following the overall drop in Venezuela’s oil production, Isla Refinery started to import crude from the United States in order to maintain its operations (close to 30 kb/d in 2016), a tendency that is expected to continue throughout 2017.

And in the United States they want to sell the reserves. US President Donald Trump is to submit a plan to Congress for selling part of the crude reserves in fiscal year 2018. At the moment the United States’ reserves are around 688 million barrels.

What effect will this have on the market? Since shale oil production started to step up, the United States’ imports of crude have dropped significantly, from 10 million barrels a day (mb/d) to a low of 7 mb/d. This reduction in imports has affected producers of conventional crude and has increased the volatility of crude prices.

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But OPEC seeks stability. The ministry of energy of Saudi Arabia, a leading member of the Organization of Petroleum Exporting Countries (OPEC), announced that there is consensus as regards extending the agreement on oil production ceilings for a further nine months and even on adding other members.

The agreement has worked, in part. According to OPEC, compliance with the agreement has been almost complete, with 98.0%. Initially, the cut was successful in achieving a recovery of oil prices; however, the recovery of prices also brought about an increase in the output of shale oil. The growth in the production of shale oil has, once again, curbed the upturn in prices.

There has already been a reaction. Upon learning of the announcement of consensus among Saudi Arabia, Iraq and other OPEC allies (including Venezuela) and non-OPEC members, such as Russia, regarding the possible extension of the agreement, the market reacted and crude prices posted increases.

BUSINESS SECTOR TIPS

Loans portfolio grew by 12.5% in April. According to the latest figures published by Sudeban, in April the gross loans portfolio of the commercial and universal banks posted nominal growth year-on-year of 184.1%, which in real terms (adjusted for inflation) meant a reduction of 60.6% compared to April 2016.

Breakdown of loans by economic sector. As for the structure of the banking sector's loans portfolio by economic sector, all sectors posted variations year-on-year in real terms, headed by vehicle loans (-72.8%), followed by micro credits (-72.1%), mortgages (-69.6%), agricultural loans (-68.8%), loans to the manufacturing sector (-66.4%), and last of all consumer loans (-62.8%).

Share of commercial loans increases. As for each sector's share in the loans portfolio, commercial loans continue to be in the lead, going from 66.2% in April 2016 to 72.9% in April this year, followed by credit cards, which accounted for 16.2% of the total portfolio despite having dropped by 0.6 of a percentage point compared to April 2016. As for mortgages, their share shrank from 4.1% in April 2016 to 3.1% in April 2017. The farm loans' share also shrank to 12.4%.

Delinquency down. There has been a reduction in delinquency. In April the portfolio's delinquency index (Overdue Loans + Loans in Litigation / Total Gross Loans) was 0.2%, lower than in March.

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A cloudy outlook. Medicine shortages are getting steadily worse. The president of the Pharmaceutical Industry Chamber (CIFAR), Tito López, said that the situation of shortages in the sector is giving cause for concern. *“There are laboratories that have inputs for a month and a half and those that are in a slightly better situation have inventories for three months maximum,”* he explained.

Letting patients die. López also commented that the lack of inputs is due to the delay in the Central Government handing over foreign currency, as the sector has not been allocated foreign currency since October last year, which is having a huge impact on its supplies.

BOD at the height of its performance. Banco Occidental de Descuento (BOD) grew by 62.4% in the first four months of the year. The bank's loans portfolio totaled VEF 859.5 billion, consolidating its position as the third private bank in this area, according to BOD. Not only that, the volume of deposits from the general public grew by 55.4% over the same period.

Training up the new generations. The General Port Protection Department at Bolivariana de Puertos (Bolipuertos) is implementing the Protection Accompaniment Route program at port terminals, which includes workshops for getting closer to the workers with a view to providing them with methodological tools and techniques. The purpose of the program is to enhance the training of the ports' human resources.

Innovating. According to Minister for the Social Process of Work Francisco Torrealba, the company *TodoTicket* has completed the adaptations that were needed to allow *TodoTicket* users to withdraw money from Banesco's ATMs. The maximum that users will be able to withdraw from these ATMs is VEF 15,000.

WORLD ECONOMY TIPS

Slowing down. According to figures from the Organization for Economic Co-operation and Development (OECD), expansion of the world's most developed economies slowed down in the first quarter of 2017 at 0.4%, three tenths of a percentage point less than in the last quarter of 2016.

Europe still on a winning streak. The index for the euro zone measured by the consulting firm Markit went up to 57 points in May, its best score since the first quarter of

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2011. What is more, new hires in the manufacturing sector posted their biggest increase since August 2007.

Improving, but still negative. As for consumer confidence in the euro zone measured by the European Commission, it was -3.3 points in May, up 0.3 of a point from April. Even though this is a negative result, it is the best since July 2007.

Finding a job. Unemployment in France fell by 0.3 of a percentage point in the first quarter to stabilize at 9.3% of the economically active population, the lowest level since autumn 2012. This brings the total number of unemployed in Metropolitan France to 2.7 million.

Post-Brexit roller coaster. In April, retail sales in the United Kingdom rose by 2.3% compared to the previous month, after having fallen 1.4% in March. This increase contrasts with the drops observed in the first quarter and exceeds expectations of analysts, who were anticipating an upturn of 1.0%.

Exports and the deficit on the rise. Spain's trade deficit increased by 83.3% in March compared to March last year. This was due to a 19.1% increase in imports as a result of higher oil prices. However, exports rose by 19.1% to EUR 27.68 billion, the highest monthly figure in the historic series.

Japan's economy looks strong. The Japanese economy expanded in the first quarter by 2.2% compared to a year ago, its biggest rate of growth since the first quarter last year and far exceeding the expectations of analysts, who anticipated growth of 1.7%.

Trade surplus continues. Moreover the Japanese economy posted a trade surplus of USD / yen 4.32 billion in April, making this the third month running with a surplus. However, this surplus was 40.7% less than the one it posted in April last year.

Brazil in the crosshairs. The credit rating agency Standard & Poors revised Brazil's credit outlook downward in view of the present climate of political uncertainty generated by the accusations of corruption against President Michel Temer. This could put the South American giant's incipient economic recovery at risk.

Although inflation is down. Inflation in Brazil slowed down in May to 3.8% year-on-year, the first time it has fallen below the 4% barrier in more than ten years. This could mean that the Banco Central do Brasil might reduce its reference interest rate.

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Year 13. Number 19 Week IV
May 2017

Job hunting. The number of unemployed and underemployed people in Brazil reached a record 26.5 million, which is equivalent to 24.1% of the economically active population, compared to 19.3% posted in the first quarter of 2016.

Fish and clothing. According to figures from the Peruvian Exporters Association (ADEX), Peruvian exports will grow by 9.6% in 2017 to a total of USD 38.65 billion, driven mainly by growth in exports of fish products and textiles and clothing.

POLITICAL TIPS

Constituent Assembly for peace! On Tuesday, May 23, President Nicolás Maduro set forth the bases for the process of electing the National Constituent Assembly he proposed on May 1.

“Total representation.” According to Nicolás Maduro’s proposal, the members of the National Constituent Assembly will be elected on the basis of territorial areas and sectors of society by means of universal, direct and secret vote. The sectors are workers, farm workers and fishermen, students, the disabled, the indigenous peoples, pensioners, businessmen, the communes, and the communal councils.

The game hasn’t started, and you’re already losing... President Maduro announced that the National Constituent Assembly will be made up of 540 members, 364 of whom will be chosen based on territorial area, and the indigenous peoples will have eight seats. It will be a single chamber assembly and there will be no alternate constituent members.

Choosing the members. One constituent member per municipality will be chosen by name and two members who are to represent the capital cities will be chosen by list. As for the sectors, their members will be elected from national lists. Constituent members representing the different territorial areas may be nominated by anyone, whereas constituent members who are to represent the different sectors must be nominated by their sector.

Shielded by God. The members of the Constituent Assembly will enjoy immunity on the terms they themselves determine in the Constituent Assembly. However, the incumbents of top government posts, heads of the branches of government, and elected government officials may not be nominated.

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Year 13. Number 19 Week IV
May 2017

Discretion, the hallmark of the revolution. President Maduro stated that the National Electoral Council (CNE) should request information from “*duly established*” worker and student sectors.

Keep calm, and smile! Tibusay Lucena, president of the National Electoral Council (CNE), informed that the directory of the entity approved “by unanimity” the comital bases presented by the president Nicolás Maduro for the National Constituent Assembly, and the electoral schedule for July. Lucena announced the regional elections, already expired since last December, for December 10th of the current year.

Distorted unanimity. Luis Rondón, CNE’s principal, denied the “unanimity” of the decision, as in rejection, stated observations and considerations for the comital bases.

Participatory and Protagonic! Over the considerations, Rondón mentioned the exclusion of the announcement by the people, neither is included the consultation of the text once is finished its redaction, which attempts the progressivity of the political rights, contemplated in the Human Rights. “The president has the initiative, however, not the announcement”

New Constitution, without constitutionality. Rondón stated that the comital bases don’t establish in the decree the time of functionality of the National Constituent Assembly, and that the proposed sectorial representation contemplates an electoral sub register, which could attempt the universality of the vote, so the constitutionality.

Accepting the excess. Luisa Ortega Díaz, Chief Prosecutor of the Republic, pronounced with the balance of injuries after the repression to protests by the police. The Prosecutor rejected the excessive acts of the police, violating “fundamental rights”, the act of paramilitary groups and the inaction of the police in situations that require their participation.

Exposing Pinocchio. The Prosecutor also referred to Juan Pernaleté’s case, a young student killed in the past April 26th protests. Ortega, confirmed that the cause of death was the impact of a teargas bomb in the chest, and denying the government’s version which involved a bolt gun.

“Do, and let people do”, clever advice. In response to the Prosecutor’s declarations, “chavismo” public figures stated their disagreement and reject. Néstor Reverol, minister of Homeland Affairs, Justice and Peace, criticized the labor of the Prosecutor, accusing the Public Ministry of supporting the violence and impunity.

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Year 13. Number 19 Week IV
May 2017

Seeking for the cameras. The Supreme Tribunal of Justice still on the news. The Constitutional Chamber admitted demands over eight opposition mayors, which towns has been the scene in the protests since April. The objective of the demand in that the mayor seek security in towns, preventing the block of public streets and avenues.

For those who like a ruckus. On May 16, the Constitutional Chamber of the Supreme Tribunal of Justice handed down another ruling that triggered further controversy in the country. In its Ruling No. 355, the Constitutional Chamber settled five appeals for annulment filed against the reform of the Organic Municipal Branch of Government Law (LOPPM).

Changing the game rules. Ruling No. 355 accepts citizens' assemblies as the method for choosing Parish Councils. Previously Parish Councils were elected by means of universal, direct and secret vote; however, after the reform of the LOPPM, these bodies will now be elected by the communal councils, eliminating the direct vote.

There is no violation... full steam ahead. The ruling, described as unconstitutional by experts, has caused a political and legal uproar. In response to these accusations, the Supreme Tribunal of Justice stated that second degree elections do not violate the right to suffrage and that, on the contrary, they "*give a new dimension to the concept of sovereignty and the historical superseding of the State of representative democracy...*"

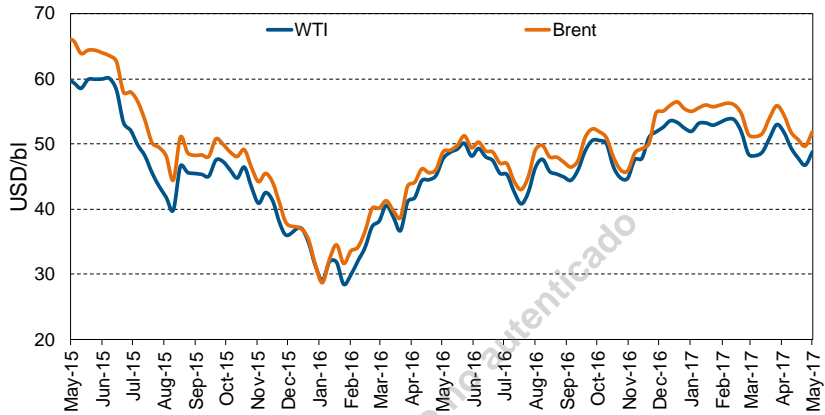
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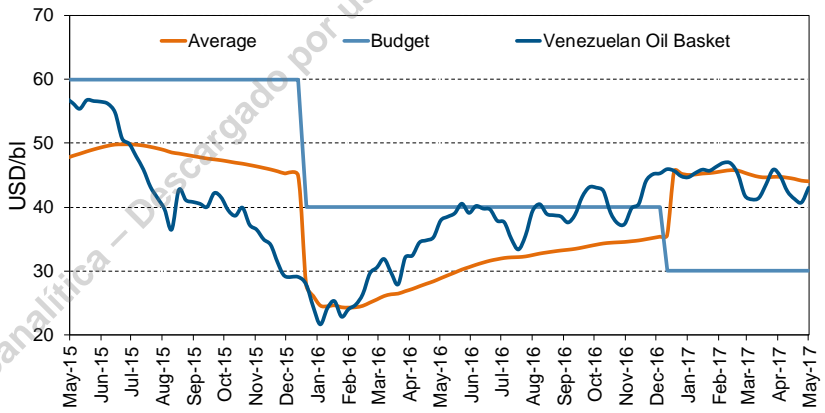
ECONOMIC INDICATORS

Oil Prices (WTI and Brent)



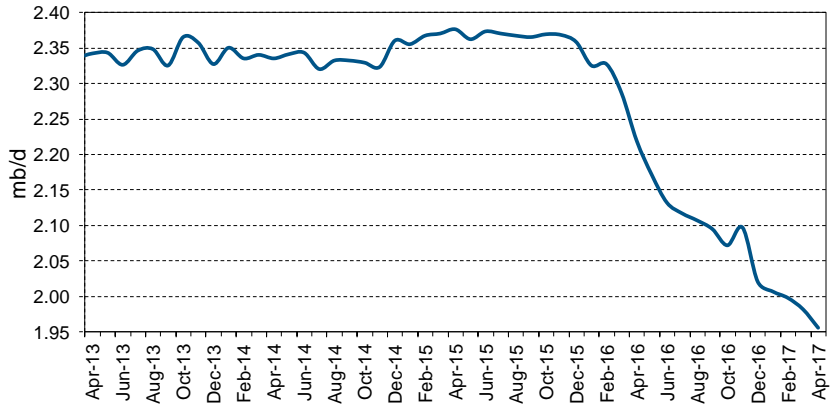
Sources: Menpet and Ecoanalítica

Oil Price (Venezuelan Basket)



Sources: Menpet and Ecoanalítica

Oil Production (Secondary sources)

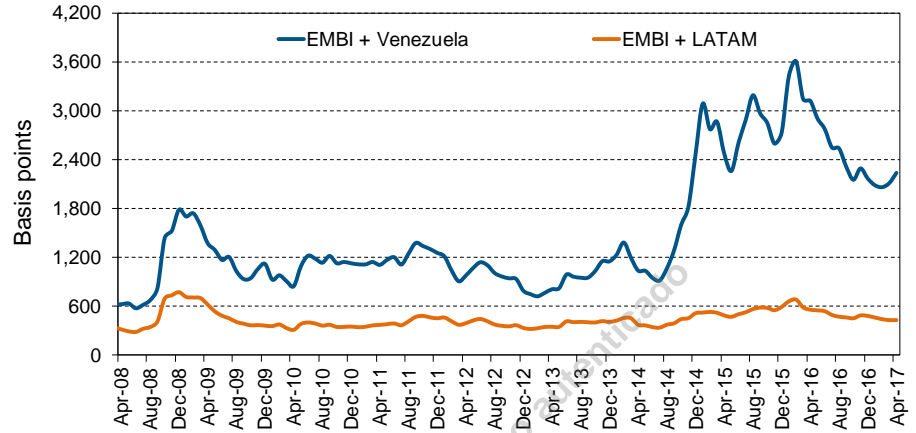


Sources: OPEC and Ecoanalítica

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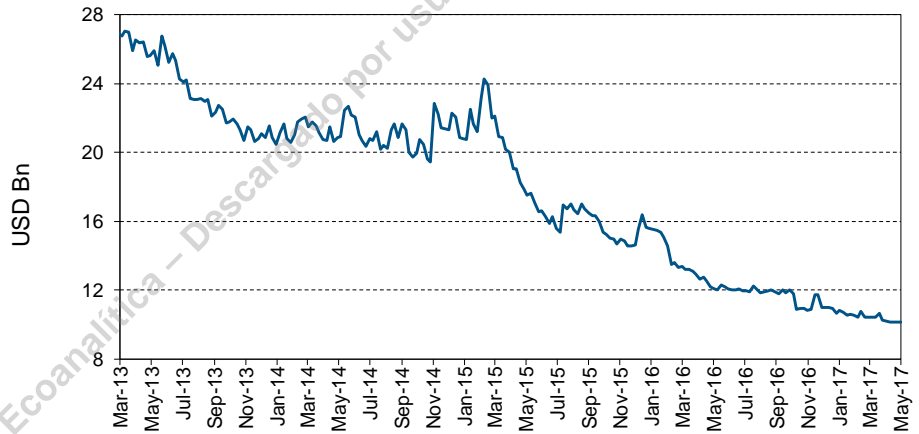
ECONOMIC INDICATORS

EMBI



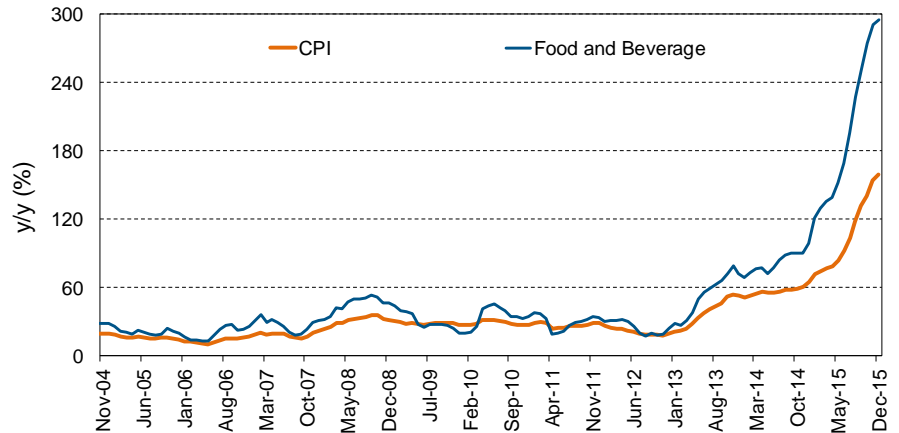
Sources: BCRP and Ecoanalítica

FX Reserves (BCV)



Sources: BCV and Ecoanalítica

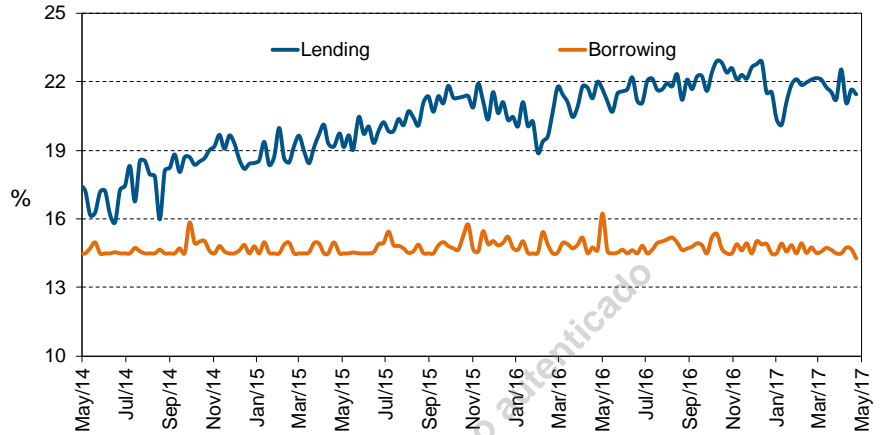
Inflation (BCV)



Sources: BCV and Ecoanalítica

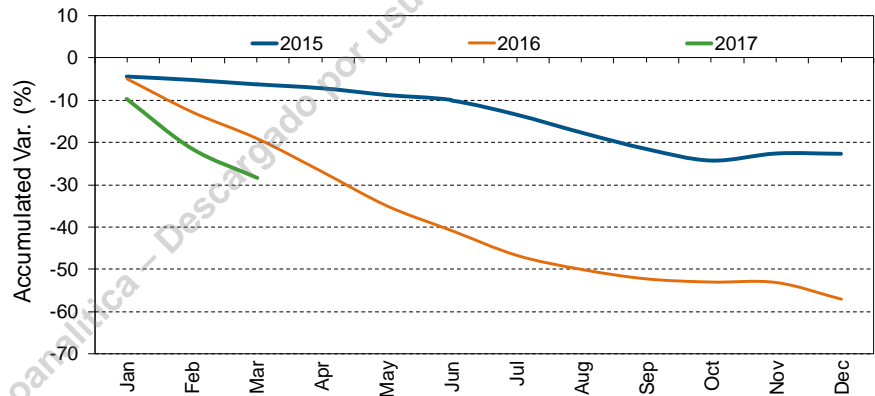
ECONOMIC INDICATORS

**Interest Rate
(Six major banks)**



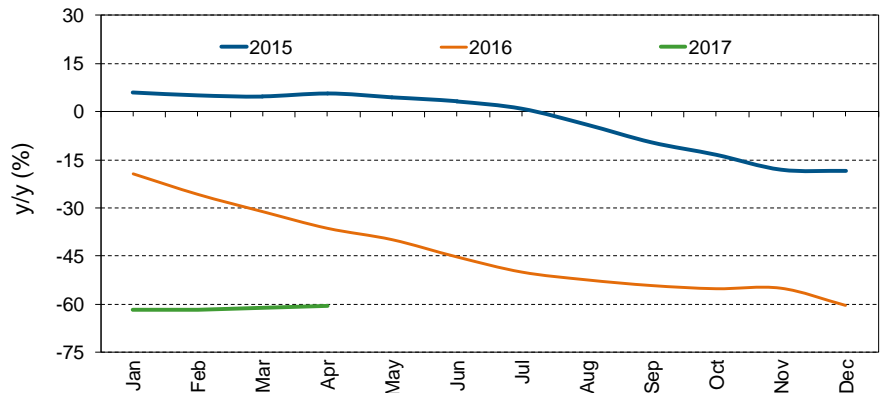
Sources: BCV and Ecoanalítica

**M2 Expansion
(Real)**



Sources: BCV and Ecoanalítica

**Loan Portfolio
(Real)**



Sources: SUDEBAN and Ecoanalítica

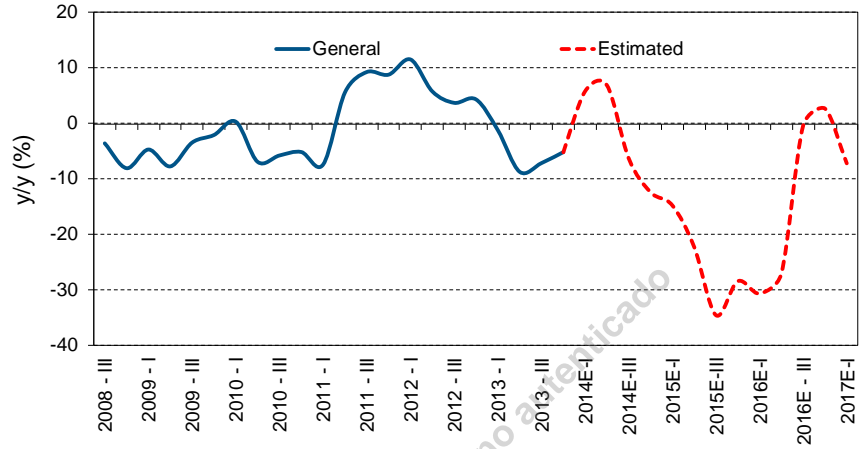
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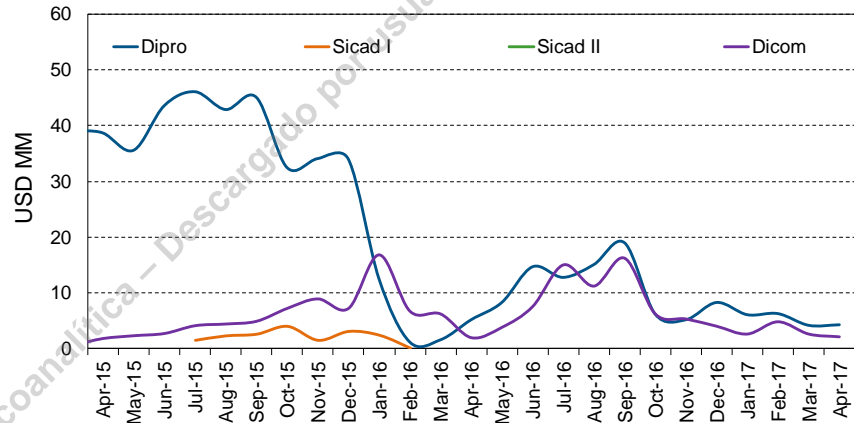
ECONOMIC INDICATORS

Real Wage Index



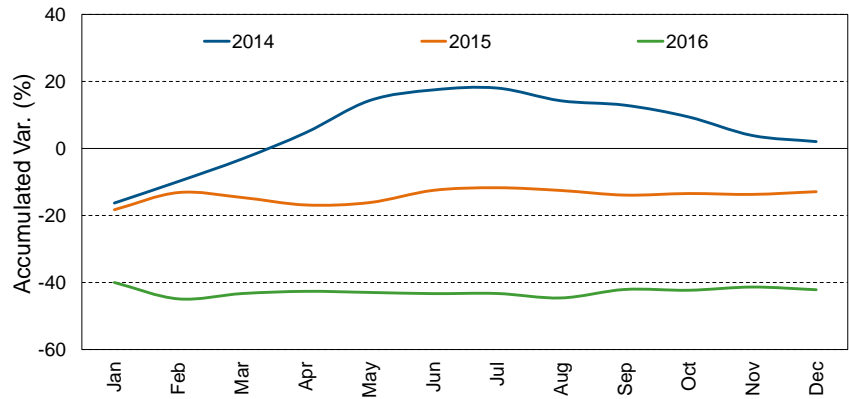
Sources: BCV and Ecoanalítica

Disbursements to the Private Sector (Daily Average)



Source: Ecoanalítica

Primary Spending NTO (Real - Central Government)



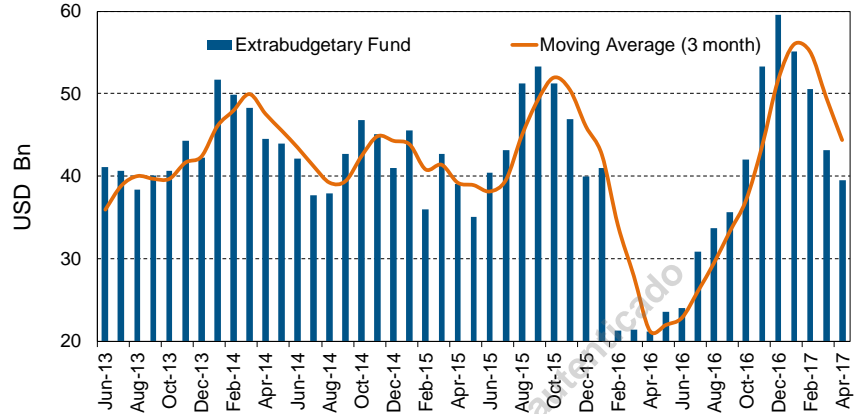
Sources: ONT and Ecoanalítica

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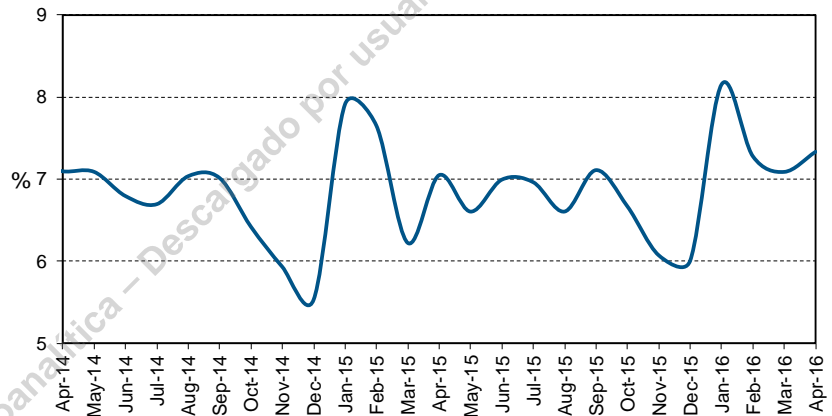
ECONOMIC INDICATORS

State Extrabudgetary Resources



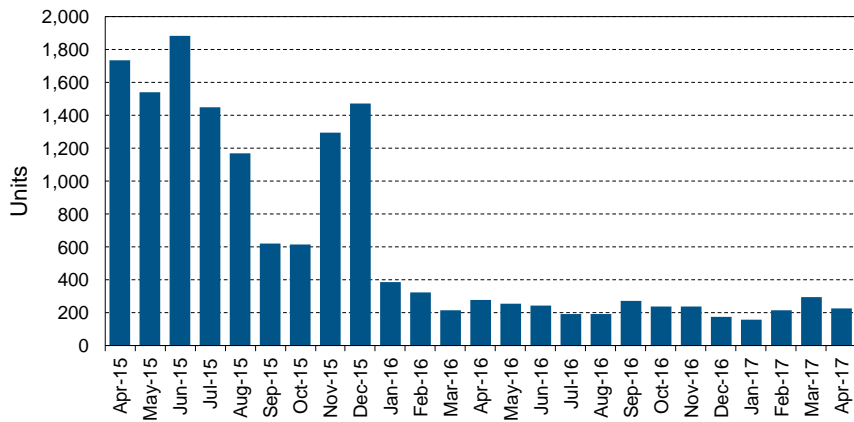
Source: Ecoanalítica

Unemployment Rate



Sources: INE and Ecoanalítica

Vehicle Sales



Sources: CAVENEZ and Ecoanalítica

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