

A look at the figures adjusted for inflation

On May 28 the Central Bank of Venezuela published a series of databases with updated figures. Some of them, such as the “Manufacturing volume and price index” had not been updated since 2012, and the majority of the remainder had not been published since 2105 or 2016. There are different hypotheses for the possible reasons for the publication of these data.

Some sources report that the Venezuelan State could be getting ready to seek financing from a multilateral agency; but it is highly unlikely that any multilateral agency would finance the regime without obtaining the approval of the National Assembly or guarantees regarding repayment capacity. Other sources claim that this is a requirement made by Russia and China, who are looking to have a better understanding of the situation of their past investments. However, there would seem to be no reasons for publishing the figures if it were possible to perform the transfer directly with bilateral partners.

For now, the most plausible scenario seems to be a hybrid of the two. According to this hypothesis, Maduro’s main allies at the International Monetary Fund (IMF) apparently advised him to publish the figures to avoid a meeting of the board being held at which Juan Guaidó could be recognized as the President of Venezuela.

Even so, it is difficult to believe that Nicolás Maduro would agree to publish economic figures after having hidden them for between 3 and 4 years solely to avoid problems with the IMF. It could be that, in addition, Maduro sees that the political cost of publishing the figures has diminished, possibly because the collapse of the economy in the past six years is no longer a secret and because he believes that the figures could show some improvement in the economy in the coming months.

In any event, despite the uncertainty regarding the reasons why the figures have been published, the fact is that the Central Bank has recognized that Venezuela has been in a recession since 2013 and that the private sector has contracted by 46.0% since 2013, with the public sector contracting by 20.1%, manufacturing by 66.2%, consumption by 43.6%, and investment by 87.1% over the same period.

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Moreover, just as the figures show the biggest economic depression in the history of Latin America, they also show signs of both internal and external methodological inconsistency. In some cases, particularly in the balance of payments, debt stock/flow and prices, there are valid reasons for not taking the figures at their face value. The situation of the rest will be analyzed in subsequent reports.

The problem of internal inconsistency

Since May 2014, the Central Bank's Nationwide Consumer Price Index (NCPI) figures have shown inconsistencies in their composition and in the official methodology that has been used, in theory, since 2007. According to this methodology, each of the study's 13 groups of goods and services maintains a constant weighting in the consumer basket considered by the NCPI. This basket, in theory, reflects the consumption proportions in the basket of the average Venezuelan in 2007.

NCPI's Basket of goods weighing (BCV)	
Food and non-alcoholic beverages	32.2%
Alcoholic beverages and tobacco	3.0%
Clothing and footwear	7.2%
Housing rent	9.8%
Home services except telephone	2.3%
Home equipment	5.6%
Health	4.3%
Transport	10.8%
Communications	3.8%
Entertainment and culture	3.6%
Education services	2.7%
Restaurants and hotels	8.8%
Other goods and services	5.8%
Total	100.0%

Sources: BCV and Ecoanalítica

This assumption has had methodological shortcomings right from the start. After a contraction in the economy of 52.4% in 5 years, in which different sectors experienced contractions of asymmetrical proportions and where this occurred simultaneously with different rates of hyperinflation depending on the goods and services in question

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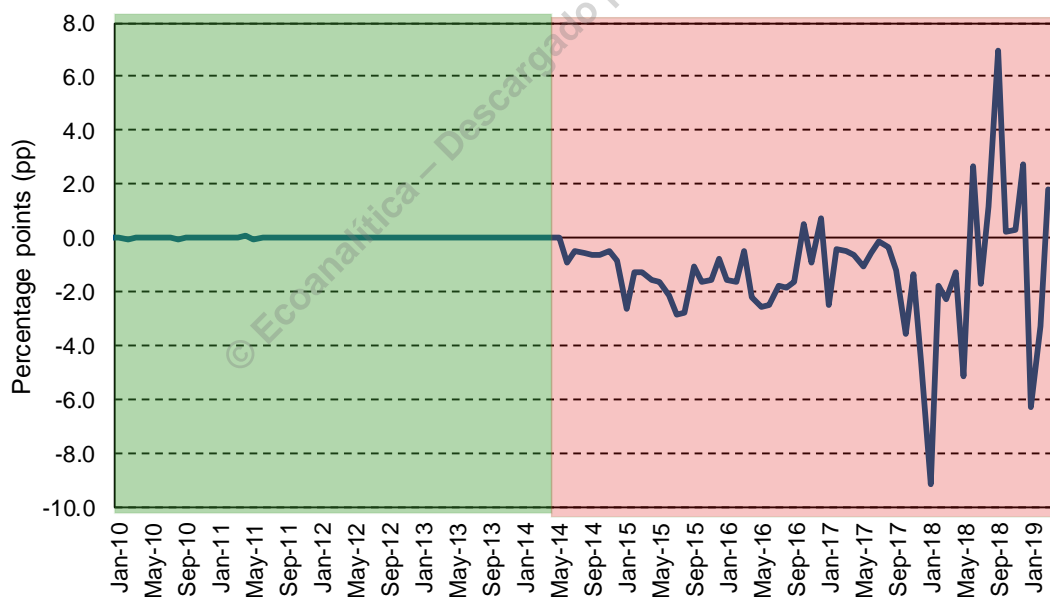
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(distorting relative prices), it is logical to assume that the average Venezuelan's consumption basket has experienced some major distortions.

One of those distortions is the proportion of consumption allocated to food and transport. As restrictions on people's budgets increased, forcing them to do without non-priority items, the proportion allocated to food and transport should have increased. It so happens that, according to **Ecoanalítica's** figures, these two items are the ones that have experienced the biggest hyperinflationary explosions.

However, apart from the shortcomings of dynamic consistency, the NCPI published by the Central Bank fails to comply with its own methodological parameters. Prior to 2014, the inflation figures by item, weighted using their proportion in the basket, coincided with the published general NCPI; since then they have not.

**Difference between NCPI (May 2019)- vs NCPI (2007
 weighing)**



Sources: BCV and Econanalítica

Since May 2014, the deviations of the published NCPI from the index reconstructed based on the official weightings have averaged 1.8 percentage points a month. Strangely enough, the bias is negative. However, in 2018, it averaged 3.0.

Relatively unreal

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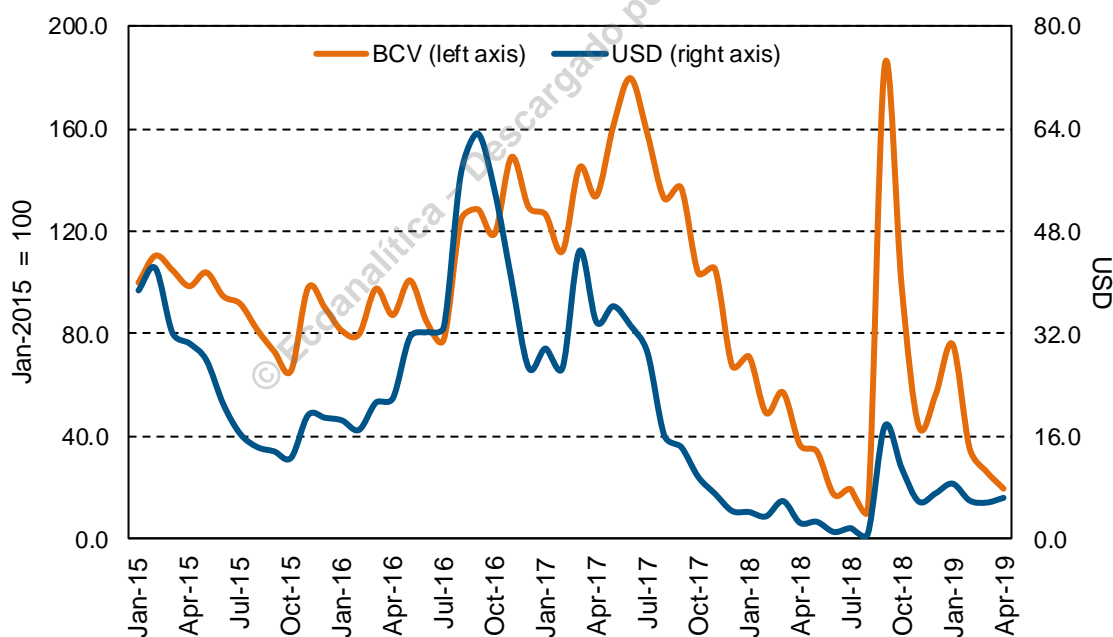
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Besides the internal inconsistencies in the inflation data, there are inconsistencies between those data and the figures from other sectors of the economy. Three examples that illustrate the problem are the wage indicators, the nonoil tax receipt indicators, and the level of the real exchange rate.

With regard to the overall wage, according to the Central Bank's figures, this has contracted by only 72.3% in real terms since January 2018, and, according to **Ecoanalítica's** figures, it contracted by 70.2% in real terms so far this year alone. As we have warned at **Ecoanalítica**, the lag in the level of the overall wage, which has been indexed to the rest of the public sector's wage structure since August 2018, has become one of the main fiscal adjustment variables since Maduro announced his anti-inflation plan. Not just the Central Bank's data do not seem to reflect this delay, and show August 2018's increase as a real increase compared to 2017's peak.

Real salary (BCV) vs salary in USD



Sources: BCV and Econanalítica

In second place we have the real nonoil tax receipt figures published by the National Integrated Customs and Tax Administration Service (Seniat). According to the Central Bank's inflation figures, in 9 out of the past 12 months Seniat increased its tax receipts in real terms respect to the same month of the previous year. Receipts from VAT had apparently increased 13.6% in the past 12 months, whereas manufacturing posted a

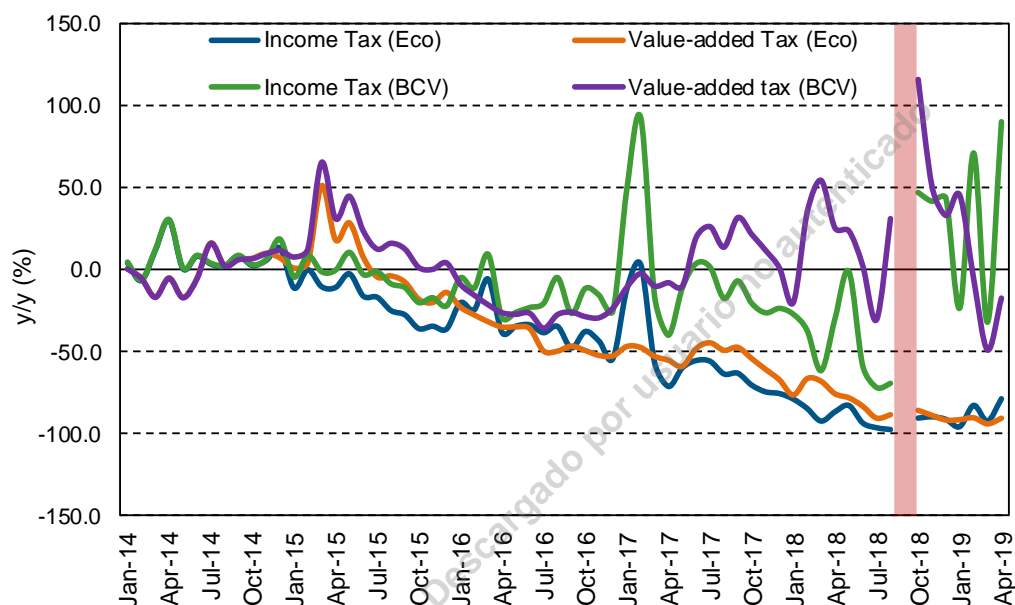
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cumulative contraction of 46.1%, consumption a contraction of 24.0%, and GDP a contraction of 22.5%.

Evolution of Non-oil Real Internal Revenue Service



Sources: SENIAT and Ecoanalítica

Note: Data corresponding to september 2018 was never published by Seniat

This contrasts with our estimates of a contraction of 68.7% in real nonoil tax receipts over the past 12 months, which would explain the increase in the monetary financing requirements for fiscal spending, the 64,924% expansion in the monetary base in just one year, and the explosion of hyperinflation.

The least plausible explanation is probably the level of the implicit real exchange rate in the Central Bank's inflation figures. Between 1991 and mid-2012, Venezuela enjoyed relative stability in its real exchange rate in the parallel foreign exchange market. In other words, during that period, inflation and the depreciation of the unofficial exchange rate were relatively similar in terms of magnitude. At the end of 2012 that ratio became distorted as a result of a series of shocks to the foreign exchange market, and Venezuela became relatively cheaper in international terms than it had been historically.

From 2017 onwards, data compiled by **Ecoanalítica** reflects a process of appreciation of the real exchange rate. At precisely the same time as hyperinflation started, prices went up at a higher rate than the exchange rate depreciated. Since then, the discussion

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about the cost of living having become more expensive in dollars has become widespread in Venezuela, and the real exchange rate has crossed the historical equilibrium level. This means that, today, goods in the local market are less competitive in the international market than they were in the past.

However, according to the Central Bank's figures, the nominal exchange rate that would take the real exchange rate to its historical level of equilibrium closed April at VES 397.1/USD (1/10 of the level reflected by the official exchange rate and 1/12 of the level of the parallel exchange rate). According to the Central Bank, then, the dollar is more expensive than it should be in the official market and yields much more than in the past. As the Central Bank sees it, real appreciation is virtually inexistent and the cost of living in dollars has not become more expensive.

Ecoanalítica versus the Central Bank

According to the data gathered and processed by **Ecoanalítica** to calculate the NCPI, inflation was 19 times higher than reported by the Central Bank since the start of 2018. It is possible that some of the difference can be explained by the Central Bank grossly overestimating the highly regulated products in the average Venezuelan's consumption basket, even though these products are also reflected in **Ecoanalítica's** NCPI.

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BCV and Ecoanalítica's goods inflation difference

Month	Food and non-alcoholic beverages	Housing rent	Home services except	Home equipment	Transport	Restaurants and hotels
Jan-18	63.30	13.90	54.95	49.78	-14.91	24.00
Feb-18	103.22	33.43	60.24	4.24	8.29	75.79
Mar-18	44.21	26.99	65.77	1.14	57.90	116.02
Apr-18	61.10	-9.73	80.67	88.34	-14.64	36.30
May-18	95.18	37.03	139.31	95.64	-2.50	91.61
Jun-18	103.72	-31.81	-432.43	50.87	5.71	102.28
Jul-18	107.85	-54.57	111.16	70.18	69.08	131.78
Aug-18	175.45	-988.11	157.62	149.29	53.38	284.06
Sep-18	18.79	-410.00	314.90	-107.16	8.69	1.66
Oct-18	161.63	-136.81	233.35	110.33	222.39	187.77
Nov-18	10.60	-41.06	-16.19	-9.18	129.14	86.20
Dec-18	133.35	10.22	-2435.04	-8.15	184.05	125.96
Jan-19	123.95	-44.50	-284.80	-8.17	309.14	152.74
Feb-19	-41.61	-28.97	69.19	-88.68	33.82	-14.60
Mar-19	18.68	-189.00	39.37	-26.58	62.20	8.53
Apr-19	20.30	-15.35	69.56	3.11	75.16	43.34

Sources: BCV and Ecoanalítica

Note: the percentage points difference was calculated by subtracting Ecoanalítica's inflation by goods minus BCV's inflation

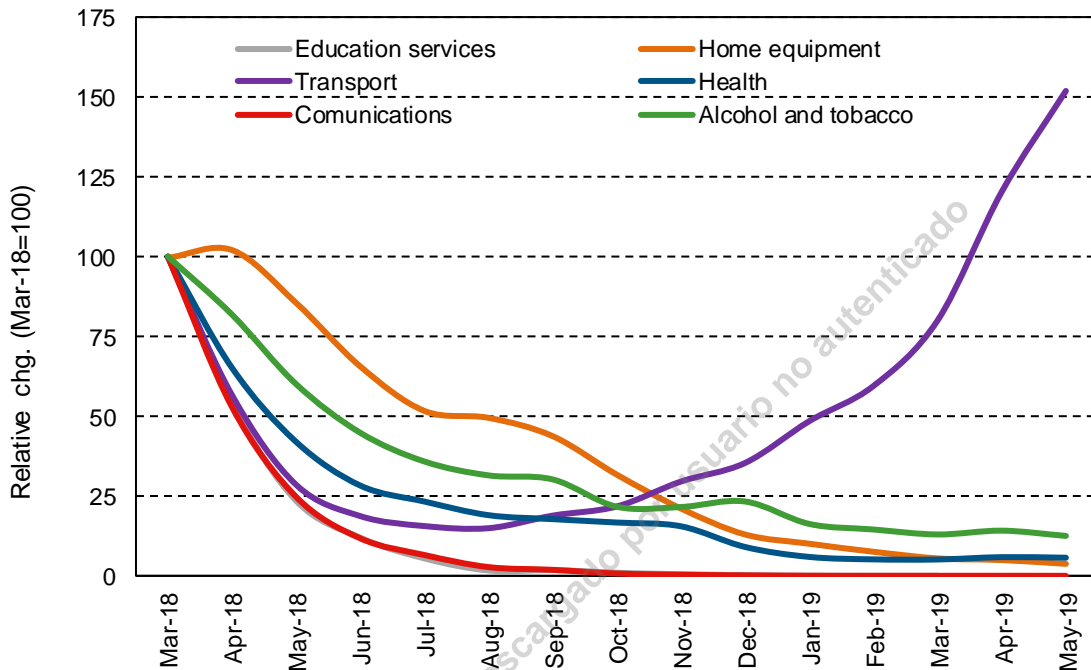
Even so, if **Ecoanalítica's** series of prices for food and nonalcoholic beverages is replaced with the Central Bank's series, the inflation of the general basket continues to be 3.4 times higher than reported by the Central Bank.

Another item grossly underestimated by the Central Bank is the transport services sector. According to **Ecoanalítica's** figures, the transport sector has experienced the highest rate of inflation of all the items since October 2018 as a result of a growing crisis in the supply of public and private transport and stringent price regulation in this sector ceasing to be enforced. This item has a considerable impact on the NCPI, given that, according to the Central Bank's official methodology, it accounts for 10.8% of the NCPI basket.

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Relative Prices to Foodstuff (Ecoanalítica)

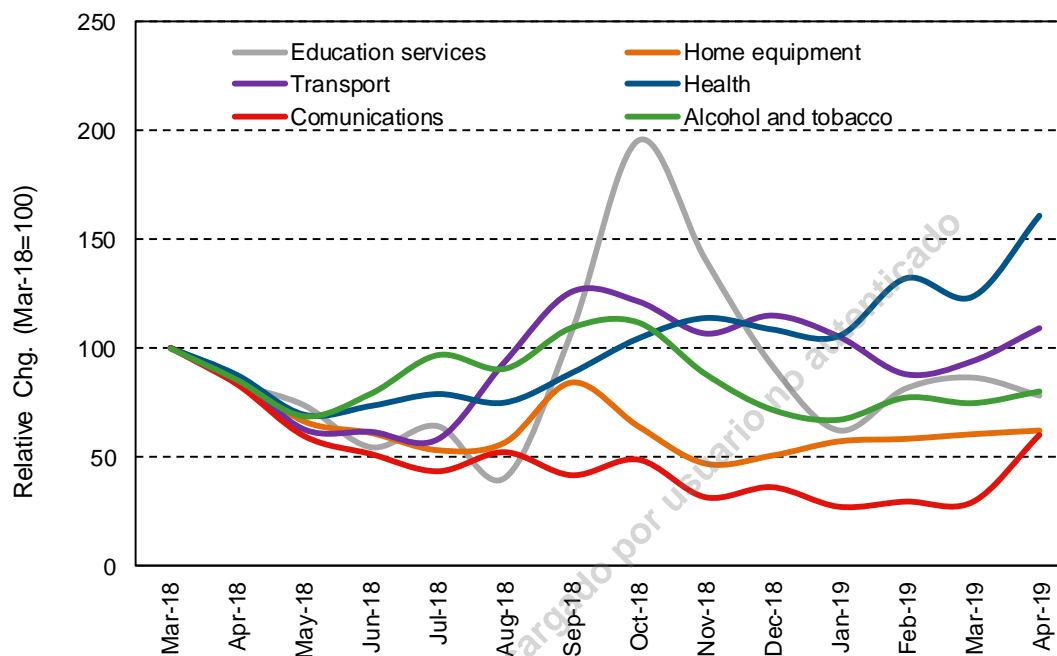


Sources: BCV and Ecoanalítica

Apart from that, there are reasons for believing, that, given a modification to the methodology, the weighting of this sector should be greater than 10.8%. However, according to the Central Bank, transport services posted inflation of 134,238% in 2018 (1/15 of the inflation reported by **Ecoanalítica's** figures).

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Relative Prices to Foodstuff (BCV)



Sources: BCV and Ecoanalítica

Moreover, the Central Bank's inflation figures show a less severe distortion of relative prices than the distortion reflected by **Ecoanalítica's** data. Even so, there are big differences between our estimates and BCV's. According to BCV's data, the increase in education services prices were 95.6% higher than those from Foodstuff in October 2018, but with **Ecoanalítica** estimations, were 99,0% lower.

Not even our model could predict how underestimated

When the internal inconsistencies in the Central Bank's figures became apparent in 2014, at **Ecoanalítica** we started to calculate an estimated version of the NCPI that would take the structural underestimation of the official inflation figures into account. For four years the figures were not published, with the exception of some 2016 data sent to the US Securities and Exchange Commission (SEC) in 2017. Hence our clients had to anticipate the possibility of underestimated official inflation figures being published and adjust their balance sheets accordingly.

Our projection for the underestimated variation in this inflation index in 2018 was 220,962%, taking into account the historical data of underestimation by the Central Bank. But the data published shows even lower inflation (130,060%). So, the

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underestimation of inflation was even greater than the Central Bank's own historical underestimation.

The Central Bank has admitted that Venezuela is experiencing a severe hyperinflationary crisis, but it has underestimated the magnitude of that crisis. Therefore, our recommendation to our clients is that they avoid determining their business strategies based on the hypotheses of the recently published inflation figures. We also recommend not waiting for the exchange rate to appreciate in nominal terms to the implicit equilibrium levels reflected by the Central Bank's figures.

Guillermo Arcay Finlay

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WEEKLY INDICATORS

Weekly Economic Indicators			
	5th Week May	Weekly chg. (%)	Depre/Apre (pp) ¹
FX Boards (VES/USD) ²	5,829.65	3.4	3.3
	5th Week May	Weekly chg. (pp)	Annual chg. (pp)
Lending Interest Rate (%)	31.4	-1.2	9.1
	1st Week June	Weekly chg. (pp)	Annual chg. (pp)
Overnight Interest Rate (%)	113.3	1.3	113.3
	1st Week June	Weekly chg. (%)	Annual chg. (%)
International Reserves (USD Bn)	8.0	0.0	-15.0
	5th Week May	Weekly chg. (%)	Annual chg. (%)
Monetary Liquidity (MM VES)	6,476,486	7.1	56,834.0
Price of International Oil Baskets (USD/bl)			
	5th Week May	Weekly chg. (%)	Annual chg. (%)
WTI	58.4	-5.3	-13.6
Brent	69.1	-3.1	-9.7
Price of the Venezuelan oil basket (USD/bl)			
	5th Week May	Weekly chg. (%)	Annual chg. (%)
Weekly Average	61.7	-4.3	-6.8
Annual Average	60.3	0.2	-2.1

Sources: BCV, MENPET, ONT and Ecoanalítica

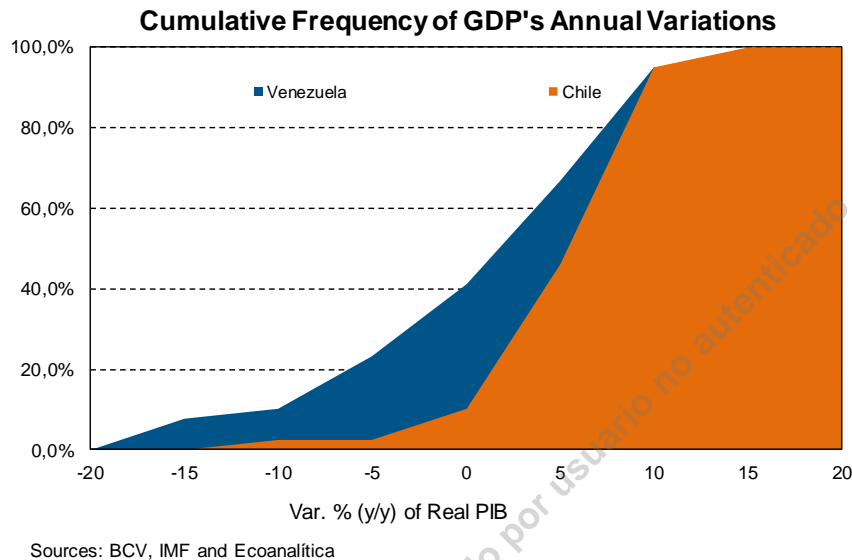
* Annual variation of accumulated expenditure.

¹ Depreciation (+)/Appreciation (-)² FX Borads' average exchange rate

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GRAPH OF THE WEEK: “OUR DAILY BREAD IN VENEZUELA”



According to the Central Bank of Venezuela, the cumulative drop in local economic activity between 2013 and 2018 was 48.3%. Mention is made of this figure to illustrate the catastrophe the country has experienced within a short space of time.

But the history of economic contractions in Venezuela seems to go back much further. If we measure the relative cumulative frequency (percentage of years in which there was a drop to a given level) of the fluctuations in real GDP since 1980, we find that, in the past 38 years, the local economy has contracted in approximately 16 of those years (41%). This contrasts with what we find in Chile, for example, which has only posted contractions in its GDP in four of those years (approximately 10.3%).

The data also reveal an interesting fact: both countries show, in historic terms, a very similar probability of posting growth in their economies of more than 10%. This endorses a degree of similarity between the two countries in terms of “potential” or possible economic growth, which makes the deterioration that Venezuela’s economy has experienced more dramatic when compared to the boom experienced by Chile’s.

In Venezuela, there were already annual contractions prior to Maduro taking office. However, the fact that there have been nearly as many contractions as growths in annual GDP merely indicates that the extremely poor macro performances are not recent phenomena. While the catastrophe of the past few years has few (or no) precedents regardless of the metric used, it is always a good idea to perform these exercises of introspection with a view to better dealing with changes in the future.

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ECONOMIC TIPS

Default. Venezuela has fallen into default with Deutsche Bank AG due to failure to pay interest on a USD 750 million gold swap, according to Bloomberg. The news agency reports that the gold served as a guarantee for the contract signed in 2016. Under this contract Venezuela obtained a loan from the German bank and put up 20 tons of gold as collateral. The expiry date of the contract was 2021.

Negotiations. At the same time, the team headed by Juan Guaidó requested that the difference in price between the date of acquisition of the gold and the current date be deposited in funds beyond Nicolás Maduro's reach. That amount comes to USD 120 million. Deutsche Bank has not issued any comment in this regard, despite the fact that people in Guaidó's team say that they have been communicating with the bank.

With the "legitimate" authorities. José Ignacio Hernández, Guaidó's attorney general based in the United States, said that they were "*in contact with Deutsche Bank to negotiate the terms under which the difference owed to the Central Bank would be paid to Venezuela's legitimate government (...) Deutsche Bank cannot risk negotiating with the illegitimate Central Bank authorities.*"

Selling off the gold. The agency Bloomberg reports that Venezuela has sold around USD 570 million of the Central Bank's gold reserves in the past two weeks. This amount represents 9.7 tons of gold sold on May 10 and a further 4 tons sold on May 13. This sale resulted in the country's reserves dropping from USD 7.9 billion to their lowest level in 29 years.

Cocking a snook at the sanctions. Venezuela has sold around 23 tons of gold since April. Bloomberg comments that this has been a way of challenging the US economic blockade on the Nicolás Maduro regime's operations. Last month, the Central Bank joined the list of organizations sanctioned by the US Treasury Department's Office of Foreign Assets Control (OFAC).

The main customers. The gold sales have been made with companies in the United Arab Emirates and Turkey as US sanctions on operations performed by the Maduro regime have increased. The Central Bank has decided not to give its position regarding this situation.

The reserves are steadily shrinking. In the week of May 30, the international reserves closed at USD 7.9 billion, for a drop of 0.7% compared to the previous week (May 24) and a drop of 15.4% compared to a year ago.

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Foreign exchange desks. According to the Central Bank, the last intermediation by the foreign exchange desks was on May 29 and the resultant exchange rate was VES 5,829.7/USD. That gives a recovery of 0.1% compared to the day before but a depreciation of 3.3% compared to the same day the previous week.

Money supply, up or down? Money supply came to VES 6.48 trillion in the week of May 24, up 7.1% in nominal terms compared to the previous week and 56,834% higher than a year ago. However, in real terms, this represents a drop of 6.5% compared to last week and a drop of 60% for the year to date.

OIL TIPS

An extension to the deadline. The US oil company Chevron is negotiating to obtain an exemption from the White House's sanctions in order to continue operating under oil contracts with Venezuela, according to Bloomberg. Initially, the company is requesting an extension to the July 27 deadline. In addition, it is waiting on the extension to know whether it can go ahead with outstanding orders with PDVSA or not.

Outstanding projects. Chevron is requesting this extension due to concerns regarding the projects it still has in Venezuela. The company is hiring workers to help with maintenance and some engineering projects in the Orinoco Oil Belt, which indicates that it does not intend to cease operations with PDVSA in the short term.

No intention of leaving? Chevron's CEO, Mike Wirth, has indicated that they intend to stay in Venezuela. During an interview, he said, "*We work closely with the US government to understand how their policy objectives are being manifested through the sanctions they have issued.*" Bloomberg reports that Chevron's production in Venezuela came to 42,000 barrels of oil a day (b/d) and 9 million cubic feet of natural gas in 2018.

Using anything to pay for gasoline. BBC News has reported on the unusual gasoline situation in Venezuela. Customers are currently paying with whatever they happen to have at hand and gas stations are taking anything from bolivars to candy, cookies, felt-tip pens and packets of rice or pre-cooked cornmeal.

745 cars later. And the lines of vehicles waiting to fill up get longer and longer. According to BBC News, the lines can stretch for as much as five kilometers (equivalent to 745 vehicles) and give rise to business opportunities for those willing to "stand in" for drivers unwilling or unable to wait that long in the line.

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Aruba is to decide. Aruba's Prime Minister Evelyn Wever-Croes announced that the Aruban Government is setting up an advisory committee to decide the future of Citgo Refinery, which has a production capacity of 209 kb/d. The committee is to decide the future of this refinery located on the island and that is currently not operating.

Three options. Since the US sanctions were implemented, this refinery has not been operating because PDVSA had to suspend a renewal contract that would have allowed the company to reopen it, according to the news agency Reuters. The options on the table are continuing to work with Citgo, negotiating the end of the contract, or putting the refinery to some other use.

Imports down. Imports of US crude by member countries of the Organization of Petroleum Exporting Countries (OPEC) have fallen below 1.5 mb/d, according to the US Energy Information Administration. This is the lowest figure for these imports in the past 33 years.

Production is going to improve. Weather conditions and low oil prices are the factors that have had a negative impact on crude production in the United States in the first months of the year. However, given that the United States started to produce 1.2 mb/d in April, it is estimated that this situation will change in what remains of 2019. The Department of Energy estimates production of 13.4 mb/d for 2020.

Data from 1965... The oil company BP has published its historical overview of worldwide crude production. According to this source, in 1965 the countries with the highest crude production were the United States (9 mb/d), the Soviet Union (4.9 mb/d) and Venezuela (3.5 b/d). In 2017, the United States headed the ranking with 13.1 mb/d, followed by Saudi Arabia with 12 mb/d, and Russia with 11.3 mb/d. Venezuela had been bumped off the top 10 of oil producing countries.

... through to 2017. According to the 2017 ranking, those three countries together accounted for 39.1% of global crude production and around 24.9% of proven oil reserves. BP highlights, moreover, that the first ten countries in the ranking combined account for 70% of total crude production.

BUSINESS SECTOR TIPS

Manufacturing down since the days of Chávez. According to Juan Pablo Olalquiaga, the president of the Venezuelan Confederation of Industrialists (Conindustria),

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Venezuela's manufacturing sector has contracted by 95% since 1999, when the late President Hugo Chávez came to power.

Only a part is left. Olalquiaga claims that "*what is operating in terms of manufacturing capacity in Venezuela at this time is close to 5%,"* if compared to what it was at the end of the second Rafael Caldera administration.

21 and still counting. By the period July-September 2018, the industrial sector had already posted 21 quarters running with a drop in manufacturing GDP. Olalquiaga explained that there used to be around 12,700 industrial companies operating in Venezuela and as at December last year, only 2,500 were working.

Without spare parts, people or money. The president of the Venezuelan Automobile Products Manufacturers Chamber (Favenpa), Omar Bautista, warned that 43% of the auto parts sector had cut back on their activities or are not operating at all due to "*the lack of spare parts, the departure of human talent, and the scant economic revenues they are generating.*"

Down to only 65 units. Bautista commented that in the first four months of the year 65 motor vehicle units were assembled, for a drop of 80% compared to last year and of 99% compared to a year ago.

Less milk than in the rest of the world. Carlos Albornoz, the president of the Venezuelan Dairy and Meat Institute (Invelecar), reported that the consumption per capita of milk in Venezuela was below the limits proposed by the United Nations Food and Agriculture Organization (FAO).

From 45 million to only 7 million. According to figures provided by the Venezuelan Dairy Industries Chamber (Cavilac), milk production in Venezuela was 7 million liters in mid-May, down from the 45 million liters produced in May 2018.

Several causes, one consequence. Roger Figueroa, the president of Cavilac, added that there had been an 80% drop in the industrial production of dairy products due to the problems with electricity, the economic crisis, and the lack of capital.

Teaching to fish or food for one day? Spokespersons for the National Fishermen's Councils (CONPPA) approved the creation of a General Staff for Fisheries and Aquiculture, which is to be installed soon, for the purpose of guaranteeing the execution of the sector's plan for 2019.

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Maduro's new project. The 2019 National Fisheries and Aquiculture Plan is being promoted directly by Nicolás Maduro, who said that the idea was to achieve production of 30,000 metric tons of different marine species under the plan.

Food for one day. Maduro also approved funds for purchasing spare parts for the repair of 12,000 engines, overhauling 200 refrigerated vehicles, buying three fish processing plants and 2,500 new boats, and reconditioning 60 fishermen's homes.

WORLD ECONOMY TIPS

Tariffs as the solution to everything. President Donald Trump announced that the US Government would raise tariffs on Mexican goods by 5% a month until October unless the Mexican Government manages to stop the flow of illegal migrants to the United States.

Yet more negotiations. Given this decision, Mexico sent a delegation to the United States headed by Minister of Foreign Affairs Marcelo Ebrard. The delegation had meetings with US Secretary of Commerce Wilbur Ross and US Secretary of Agriculture Sonny Perdue.

Positive expectations. Mexico's ambassador to the United States, Martha Bárcena, said they expect Mexico and the United States to reach an agreement that would make it possible to solve the dispute. Mexico's President Andrés López Obrador was also optimistic that an agreement satisfactory to both parties would be reached. Meanwhile, Trump is insisting that the Mexican Government has all the necessary tools to stop the flow of illegal immigrants.

An impossible request. Mexico's foreign affairs minister claimed that the US measure would have no effect on the illegal migratory movements to the United States. He did say, however, that it would have negative consequences for the economies and consumers in both countries.

Meanwhile, on the eastern front. Trump also said that the negotiations with China were progressing positively. He claimed that China wanted to reach an "agreement."

Always doing things his way. Before embarking on his visit to London, President Trump commented that the United Kingdom should withdraw from the European Union. What is more, he advised the UK not to pay the European Union's fine of USD 49.24 billion for the withdrawal.

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Less than before, but on the right track. During his annual rendering of accounts before Congress, Chile's President Sebastián Piñera said that, due to the trade tensions between China and the United States, the growth of the economy was expected to slow down compared to 2018, from 4% to between 3% and 3.5%.

Seeking alternatives. Piñera recalled that the trade war between the two global giants had affected copper prices and made fuel more expensive. As a result, in order to shore up the economy, Piñera requested fast approval of reforms in the areas of taxation, labor and pensions.

An adverse situation that can be overcome. A document published by the Chinese Government was optimistic regarding China's future in the short term. According to reports, managers are confident that they will be able to guarantee a good boost to sustained economic development even in the climate of uncertainty caused by trade tensions with the United States.

An unfertile strategy. China's Vice Minister for Trade Wang Shouwen said that the pressure being brought to bear by the United States to force a trade agreement would not cause China to change the way it behaves. Moreover, he called the insinuations that China has wanted to impede talks irresponsible.

A healthy political environment. Peru's Ministry for the Economy and Finance said that public investment (which covers ministries and other public institutions) went up by 20% in May compared to May last year, emphasizing the increases in investment in Transport and Communications (32%), Agriculture (134%), and Education (16%).

No reason for tariffs to become an excuse. Acting White House chief of staff Mick Mulvaney said that the imposing of tariffs should not become an impediment to Mexico, Canada and the United States reaching an agreement. He only commented that the tariffs had to do with a border dispute and hoped that the other parties involved in the trade agreement would not rule out the agreement.

"Alternative" sea ports for Bolivia. Bolivia's Vice Minister for Foreign Trade Benjamín Blanco announced that Bolivia was seeking to promote its international trade by using ports of the Andean Community. This would be part of a series of agreements that the member countries of the community (Colombia, Ecuador, Peru and Bolivia) are working on to improve trade complementarity and access to markets for other countries.

POLITICAL TIPS

In a constant state of emergency. On June 4 the Venezuela's National Assembly approved the *"Agreement alerting of the risk of a humanitarian catastrophe in Venezuela as a result of the worsening of the complex humanitarian emergency."* The agreement poses the need to warn the world of a possible humanitarian catastrophe, requests aid from nongovernment organizations, and calls on the Church to act to deal with the emergency.

Goodbye Putin? Part I. US President Donald Trump announced that the Russian Government told him of the departure of its personnel from Venezuela. Via Twitter, Trump said, *"Russia has informed us that they have taken the majority of their personnel out of Venezuela."*

Goodbye Putin? Part II. The Russian Government responded denying that it had told the United States of the alleged withdrawal of technical experts from Venezuela. The Kremlin's spokesperson said that there were experts that were taking care of the maintenance of equipment supplied to Venezuela previously, as Moscow has stressed since the polemic regarding Russian presence in the country arose.

The waiting is over. Brazil's President Jair Bolsonaro acknowledged María Teresa Blandina as Venezuela's ambassador to his country four months after she was appointed by the National Assembly.

Better late than never. According to Brazilian news channels, the length of time it took to acknowledge Blandina was due to pressure from Brazil's military wing, which still wants to avoid tensions with the Maduro regime.

Another ambassador in the Continent. Upon learning of the news, Venezuela's Acting President Juan Guaidó thanked the Brazilian Government for its support, saying, *"Acknowledging our ambassador is to acknowledge the efforts of a country that is determined to conquer its freedom."*

By fair means or foul. A group of journalists led by the National Press Workers Union (STNP) entered the Venezuelan Parliament by force because the Bolivarian National Guard had prevented the press from entering the premises for more than a month.

Everyone is at the same place. At a meeting held on Monday, June 3, the foreign affairs ministers of Canada, Chile and Peru, members of the Group of Lima, the High Representative of the European Union for Foreign Affairs and Security Policy, and the

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foreign affairs ministers of Portugal and Uruguay reiterated their commitment to achieve “a peaceful transition aimed at free and fair elections” in Venezuela.

2,000 in the first day. Trinidad & Tobago’s Acting Minister for National Security Fitzgerald Hinds reported that at least 2,000 Venezuelan migrants had registered during the first data collection day for opting for formal permits that will allow them to live and work in Trinidad & Tobago.

The numbers just keep on growing. According to figures issued by the United Nations High Commissioner for Refugees (UNHCR), in March, April and May, Venezuelan migration went from 3.4 million people to 3.9 million, which means nearly 500,000 new migrants and refugees from Venezuela.

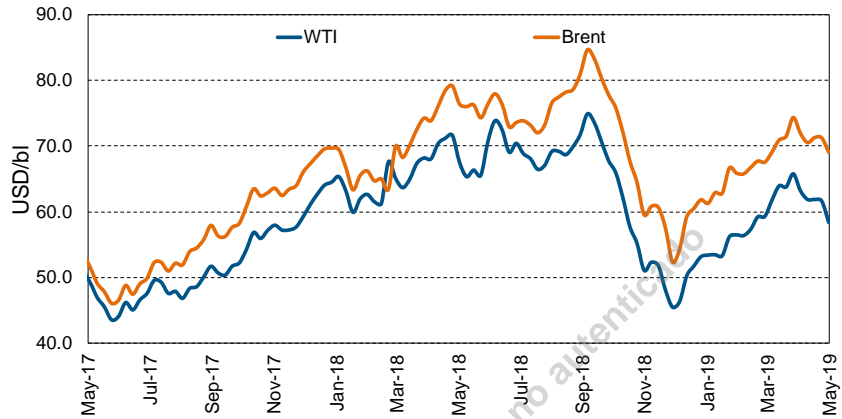
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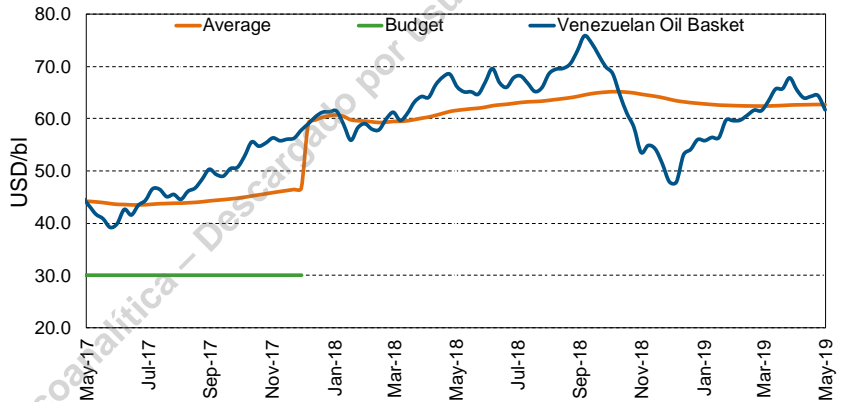
ECONOMIC INDICATORS

**Oil Prices
(WTI and Brent)**



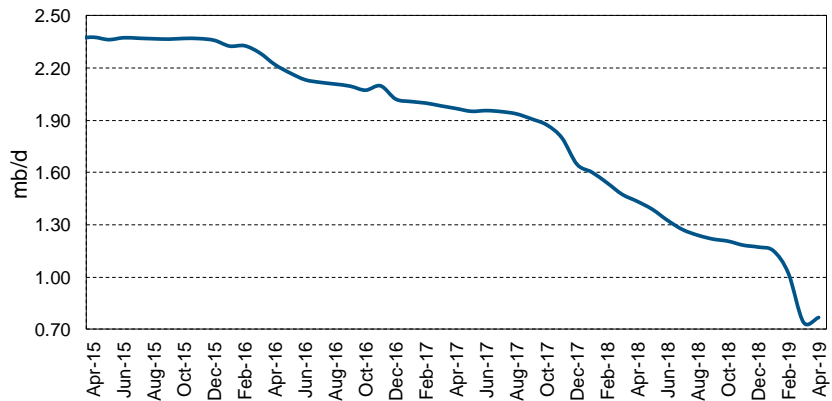
Sources: Menpet and Ecoanalítica

**Oil Price
(Venezuelan Basket)**



Sources: Menpet and Ecoanalítica

**Oil Production
(Secondary sources)**

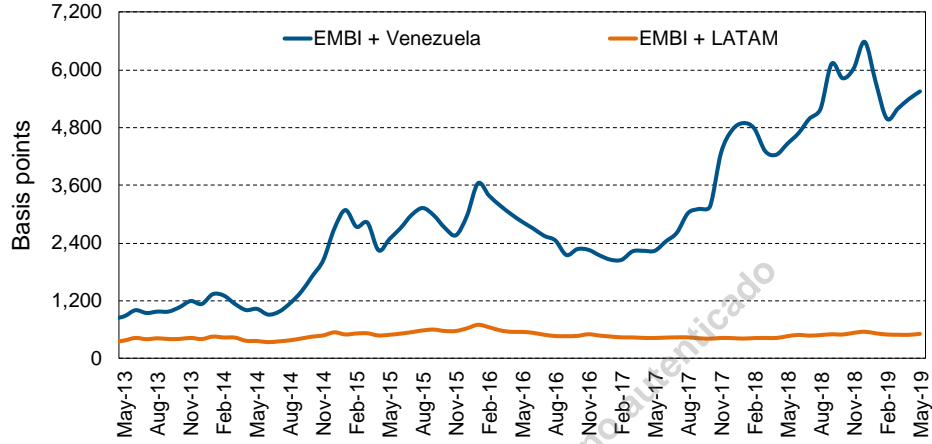


Sources: OPEC and Ecoanalítica

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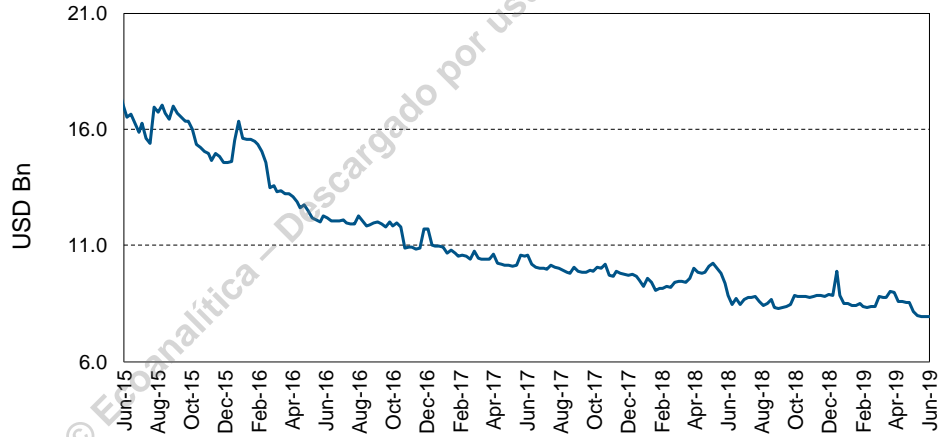
ECONOMIC INDICATORS

EMBI



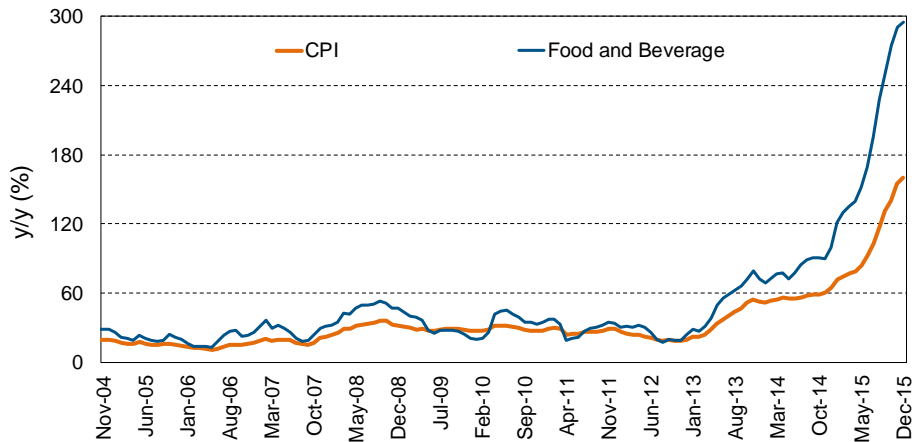
Sources: BCRP and Ecoanalítica

FX Reserves (BCV)



Sources: BCV and Ecoanalítica

Inflation (BCV)



Sources: BCV and Ecoanalítica

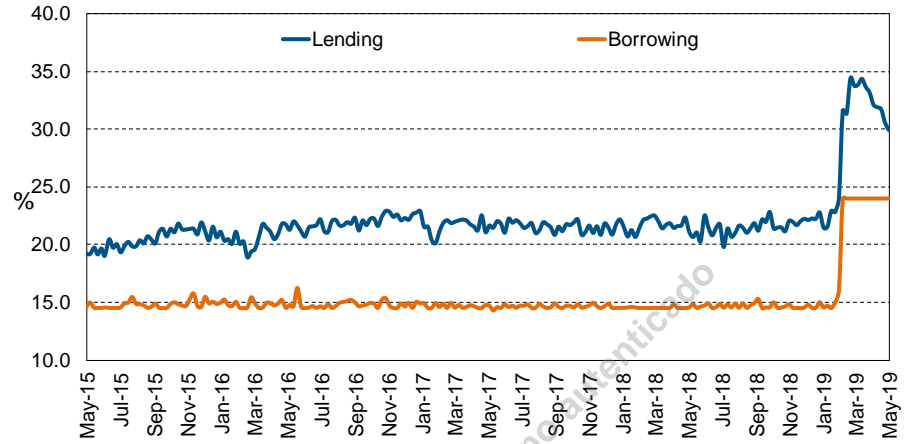
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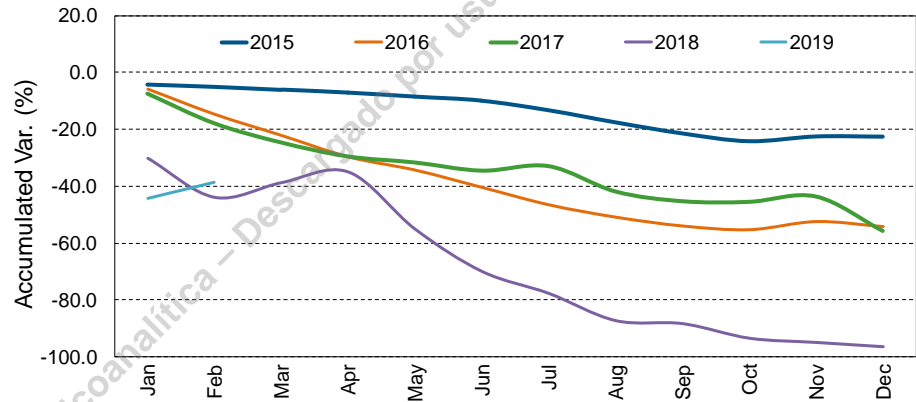
ECONOMIC INDICATORS

**Interest Rate
(Six major banks)**



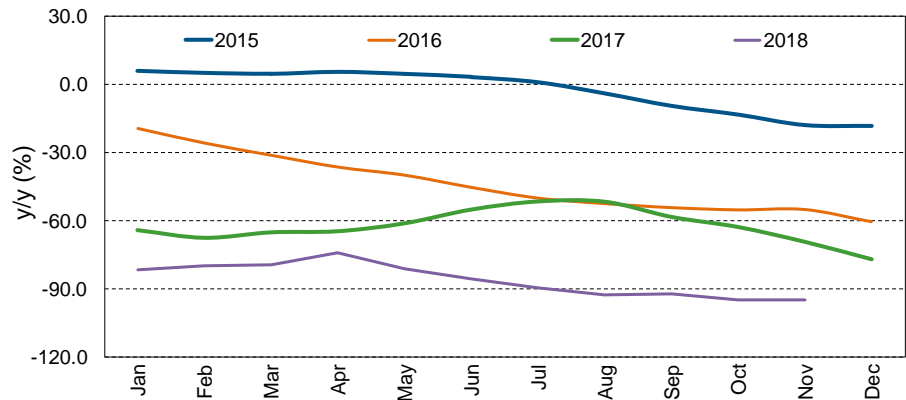
Sources: BCV and Ecoanalítica

**M2 Expansion
(Real)**



Sources: BCV and Ecoanalítica

**Loan Portfolio
(Real)**



Sources: SUDEBAN and Ecoanalítica

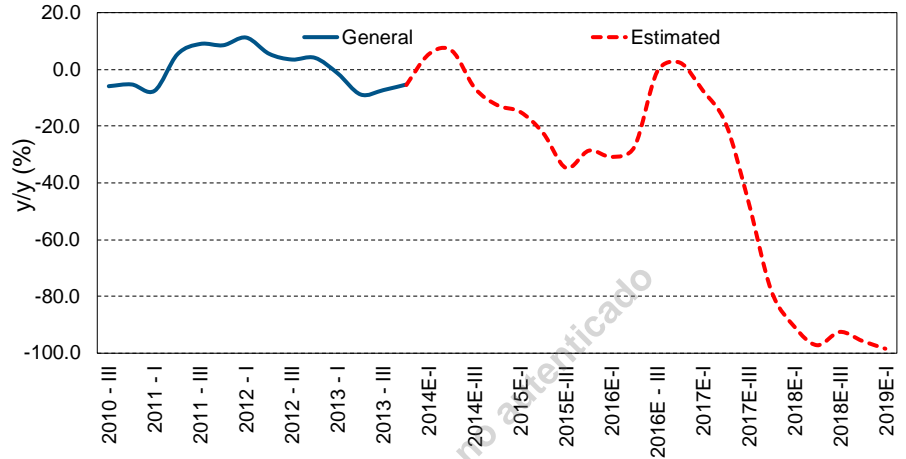
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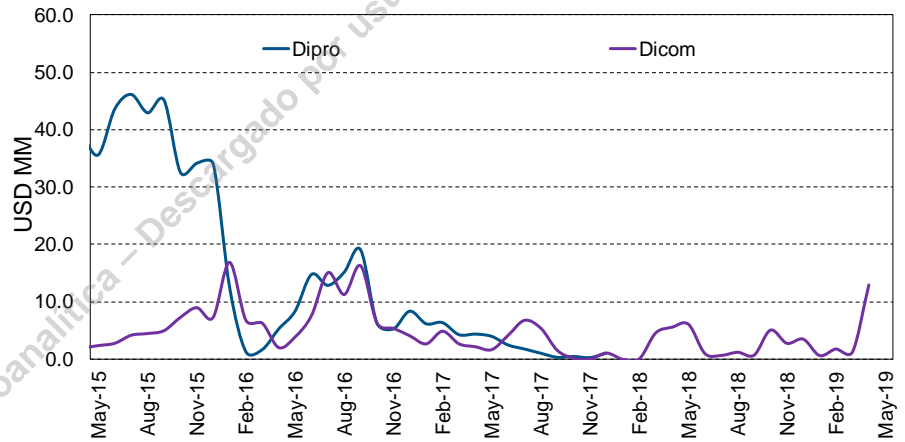
ECONOMIC INDICATORS

Real Wage Index



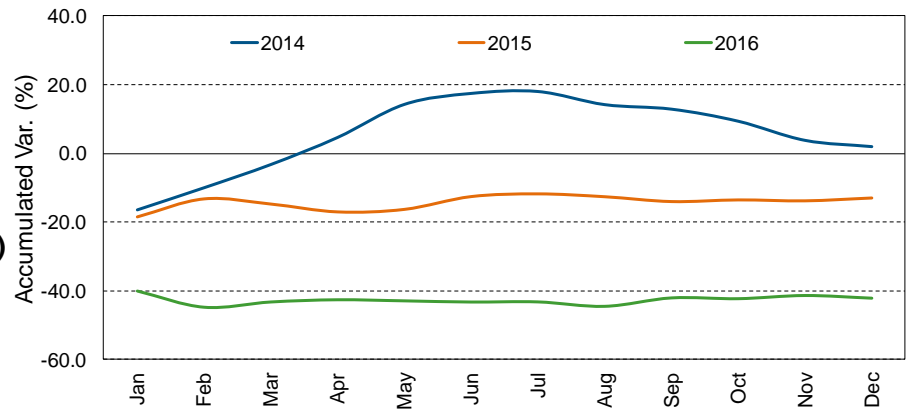
Sources: BCV and Ecoanalítica

Disbursements to the Private Sector (Daily Average)



Source: Ecoanalítica

Primary Spending NTO (Real - Central Government)



Sources: ONT and Ecoanalítica

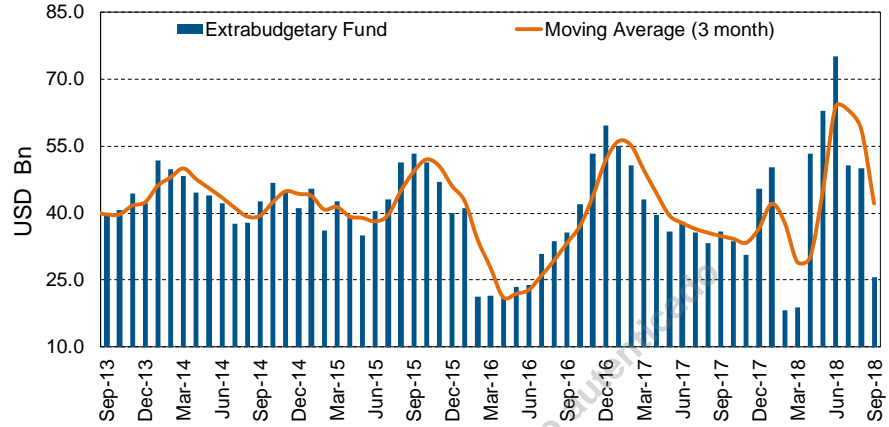
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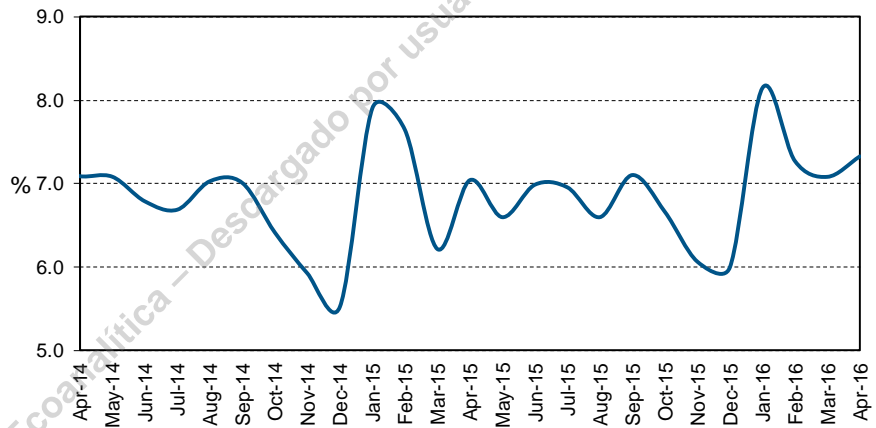
ECONOMIC INDICATORS

State Extrabudgetary Resources



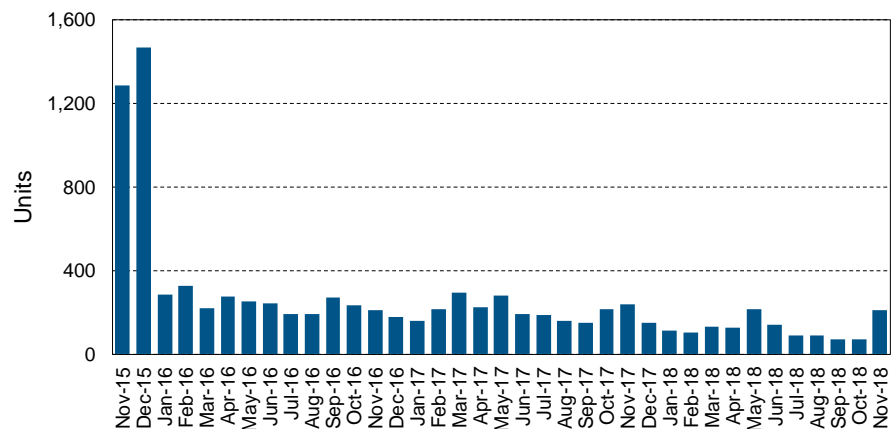
Source: Ecoanalítica

Unemployment Rate



Sources: INE and Ecoanalítica

Vehicle Sales



Sources: CAVENEZ and Ecoanalítica

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