



Forbidden reproduction and/or distribution

7 key factors of the Venezuelan economy in 2021

The Venezuelan economy begins 2021 facing numerous challenges that arise from the prolongation of the COVID-19 pandemic shocks and the reduction of its productive base after seven years of **uninterrupted** recession and three years of a hyperinflationary process. The effects of such long-term macro trends have a transformational enough impact to shape the economic environment of the coming years and, therefore, condition the action of firms, households and authorities.

At **Ecoanalítica** we believe that the local market is entering a period of "stabilization in the pit", in which the rate of degradation of macroeconomic indicators is slowing down, but without this translating into a sufficiently pronounced reversion to be considered a recovery. The agents will gradually adapt to the new economic dimension characterized by a change in the scope of the public sector in a low-productivity environment. In this sense, we consider the following 7 keys as the most sensitive when considering economic strategies.

1) Widespread stagnation, signs of dynamics in specific niches

During 2020 the Venezuelan gross domestic product (GDP) contracted by 32.5% in real terms to accumulate a contraction of 79.4% between the close of 2013 and 2020. During 2021 the Venezuelan economy will remain in recession, but with a much more moderate rate of contraction of 1.1%. The size of the economy is one-fifth of what it was 53 years ago and will remain essentially unchanged throughout this year.

The absence of double-digit declines makes it easier to anchor expectations regarding the overall size of the market in the short term; however, sectoral performance is asymmetric; some will have more pronounced declines while others show signs of recovery. In that sense, the non-oil economy¹ will be more dynamic in the service sectors (with growth of 7.6%), construction (7.1%), agriculture (3.0%) and communications (2.6%). On the other hand, the sectors that will register the deepest falls will be government services (16.1%), mining (10.6%) and transportation and storage (7.4%).

¹ That in its aggregate will continue to contract.

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Real year-on-year variations by sector (%)

Sector	2020	2021
Gross Domestic Product	-32.5	-1.1
Oil Gross Domestic Product	-35.5	2.6
Non-oil Gross Domestic Product	-32.1	-1.5
Agriculture	-29.5	3.0
Mining	-20.0	-10.6
Manufacture	-34.6	0.5
Construction	-22.8	18.4
Utilities	-39.0	-5.1
Retail and Repair Services	-42.1	-4.6
Transportation and Storage	-46.9	-10.7
Communications	-21.6	1.5
Financial Institutions and Insurances	-52.1	0.7
Government Services	-39.2	-16.3
Other Services	-53.5	5.3

Source: Ecoanalítica.

2) The entrepreneurial state and entry of new participants

The drop in government services is a sign of a general trend towards the resizing and reduction of the Venezuelan State's direct participation in economic activity, which opens up some spaces that can be occupied by the private sector to provide substitute offers².

Illustrated by the approval of the *Anti-Blockade Law*³, the new focus of the Executive is centered on delimiting the legal parameters within which the economic arrangements will be developed, with certain openness for the participation of third parties in the administration, operation or ownership of entities that are formally under state control. In this sense, it is likely that in the future the partial relaxation of government restrictions in certain economic areas will continue and the management of public enterprises will be modified.

At **Ecoanalítica** we are cautious about labeling these measures as complete *liberalization*. The measures adopted by the Executive are a readjustment according to

² In cases such as basic services (water, electricity, sanitation and communication), these offerings are limited by the absence of economies of scale, leaving non-trivial portions of the population without coverage.

³ Ecoanalítica. (2020). *Anti-blocking law: Little Perestroika and no glasnost*.

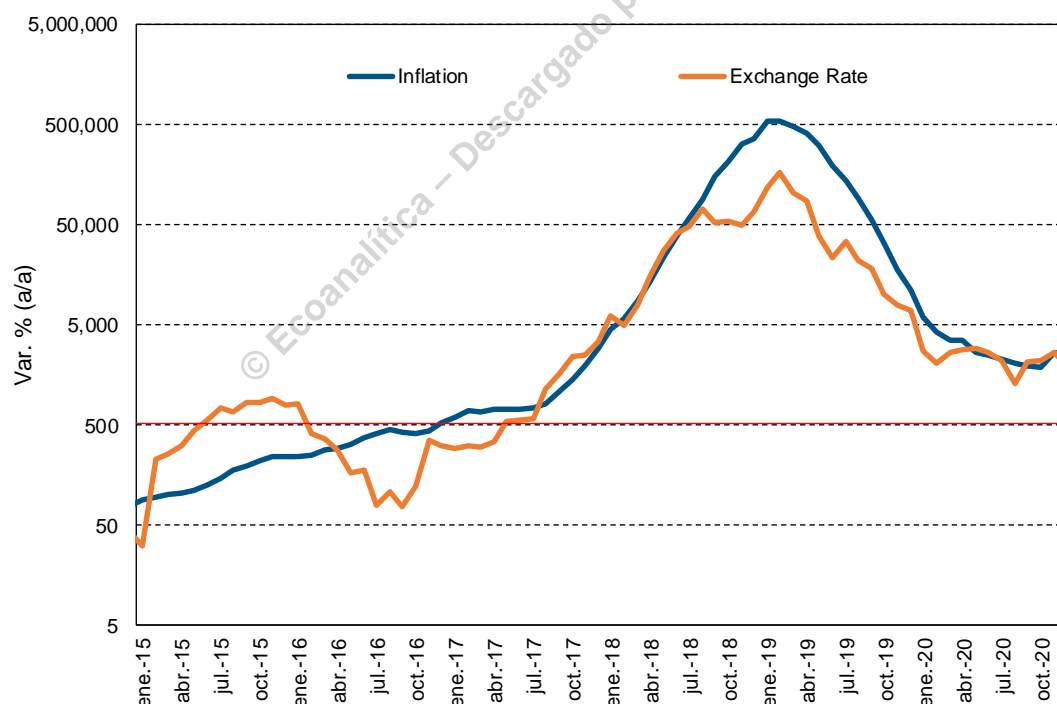
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its limited financial, technical, and logistical capacity to intervene directly on a large scale. Within the legal framework of recent reforms, there are still provisions that give the State ample discretion to control, dispose of, and employ economic resources.

3) Inflationary and exchange rate pressures will continue to lurk

The rise in prices in Venezuela has slowed from its peak of 359,908% year-on-year in December, 2018 to 2,509.9% by the end of 2020. This trend should continue in 2021 to the extent that the Executive adheres to its strategy of containing public expenditure and its monetization. Venezuela will technically continue within a hyperinflationary episode⁴, with the highest and most volatile price variations in the world. Such increases will be asymmetrical throughout the different items, including the exchange rate, which has gone from growing at annual rates of 66,293.4% in December 2018 to 1,843.0% in December 2020.

Year-on-year inflation and exchange rate variations



Note: the graph is built in logarithmic scales.
 Sources: BCV and Ecoanalítica

⁴ At least, according to Rogoff and Reinhart's definition (2011) that raises a threshold from 500% year-on-year. It remains to be seen whether inter-monthly inflation can remain for 12 consecutive months below Cagan's (1956) threshold of 50%.

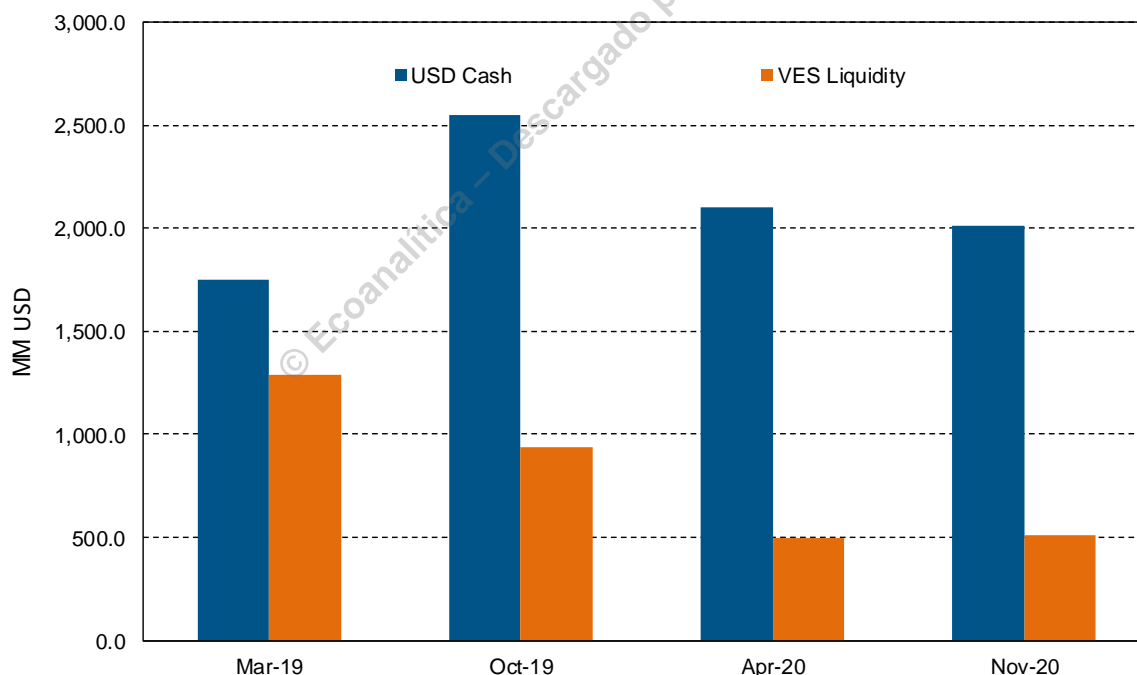
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These differences between general inflation and the exchange rate will determine the evolution of the loss of purchasing power of currencies in the Venezuelan economy, which is an important factor to consider in an environment where expectations are anchored to the exchange rate, even when the exchange rate does not behave completely in line with prices in *bolívares*.

4) Financial Dollarization on sight

Inflationary and exchange rate pressures draw an underlying dynamic in which the real demand for real balances in bolivars remains very weak. The decreasing usefulness of the legal tender as money⁵ led to the emerging adoption of other currencies, whose use already averages 65.9%⁶ of transactions in the main metropolitan areas and their cash circulation was, at the end of 2020, 3.9 times the total liquidity in bolivars.

Circulation by currency



Note: Liquidity (M2) in VES converted to USD the official exchange rate by month's ending.
 Sources: Gallup and Ecoanalítica.

⁵ In its functions as a unit of account, means of payment and reserve of value.

⁶ Ecoanalítica. (2020). *Exchange Rate Report: Dollarization study in Venezuela, November 2020*.

As a result, the State will have to formalize operations in foreign currency within the Venezuelan financial system in order to recover bank intermediation and to have access to sources of tax collection in more solid currencies. Recent statements by authorities⁷ point in that direction; although operational details remain unclear.

5) Possible monetary reconversion with a digital focus

Financial dollarization does not necessarily mean the complete disappearance of the *bolívar*. The Executive continues to have incentives not to dispense with its seigniorage capacities, and its use will continue to cover a non-trivial space as long as it continues to be the main income of citizens who make up the public payroll, pensioners and other recipients of government bonuses.

For this universe that continues to be managed in *bolívares*, the government's action more in line with its logistical restrictions is a new monetary reconversion⁸ to relieve calculations in computer systems with a strategy of "digitalized economy"⁹ that focuses on electronic transactions in the face of the challenge of trying to recover the cash endowment in *bolívares* while inflationary pressure remains significant.

6) External sector and international sanctions

As COVID-19 vaccination processes advance in advanced and emerging economies, improvements in international trade expectations may benefit the Venezuelan external sector via prices, even when their quantities remain without further growth. Both import and remittance levels will experience rebounds¹⁰, although without returning to 2019 levels.

On this area, the greatest restriction to commercialization will continue to be the profile of US sanctions on the Venezuelan government. At **Ecoanalítica** we do not anticipate major changes by the new Biden administration in terms of sanctions policy during the first quarter of the year. Subsequently, its configuration will be a function of the pressure strategy that the U.S. government adopts to obtain concessions from the Venezuelan State and adjustment to mitigate the impact on the humanitarian nature.

⁷ [VTV](#). (2021). *EN 2021 | Presidente Maduro anuncia que Venezuela fortalecerá el bolívar, la producción nacional y los CLAP y creará 100% economía digital*.

⁸ The number of zeros to be eliminated will depend on the moment of execution of the reform, the most intuitive criterion being that in which the exchange rate with respect to the dollar is a figure for the purpose of equalizing reference amounts.

⁹ [El Universal](#). (2021). *Maduro plantea la economía digital: abrir cuentas en dólares y pagar en bolívares*.

¹⁰ In the case of remittances these would rise to USD 1,950.5 million.

7) Black economy weight

As long as the sanctions remain in place and the oil sector is diminished, the Venezuelan state will continue to use opaque channels to deal with shocks to its foreign exchange flow and maintain federated income distribution systems for the internal cohesion of the governing coalition.

Like the Venezuelan economy in general, this "black economy" has decreased in size from approximately USD 14.95 billion in 2018 to 8.3 billion in 2020¹¹. Its composition is linked to the existence of activities that present opportunities for arbitration such as the scope of sanctions. Thus, with the elimination of the exchange rate subsidy and gasoline, the illegal economy is mainly based on drug trafficking.

Income from illicit activities (USD MMM)		
Activity	2018	2020
Gold smuggling	2.7	2.5
Oil smuggling	2.5	-
Narcotic drug trafficking	2.7	4.1
Exchange rate subsidy	3.4	-
Over-invoicing	3.7	0.5
Extortion	-	1.2
Total	14.95	8.30
Proportion of GDP (%)	22.0	20.8

Source: OEA, UN Comtrade, TSI and Ecoanalítica.

The existence of these activities frames an inertia in which significant segments of the Venezuelan economy will operate in conditions of little transparency and at the margin of formal systems, with a growing "gray area" in their interaction and integration with traditional activities.

New balances demand new strategies

At **Ecoanalítica** we believe that the Venezuelan economy continues to be exposed to high levels of uncertainty in the short term. The COVID-19 pandemic will continue to be one of the main conditions for the development of economic activity and its effect could extend until 2022, depending on the speed with which the vaccination protocols are executed.

¹¹It is important to note that these estimates are subject to a high degree of uncertainty inherent in the nature of the activities listed.

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Similarly, the direction of the changes from the Executive is conditioned by its expectation to remain politically stable. This stability seems more likely in 2021 than in 2019 or 2020, but it is not yet assured so as to rule out sudden shifts.

However, the reordering of the Venezuelan economic structure is sufficiently consolidated to persist, regardless of occasional short-term fluctuations. In this sense, households and firms will have to design their strategies around a smaller and more bimonthly economy, where state intervention and scope are reduced, which in turn implies that private actors will only be able to count on their own financial muscle to survive.

Giorgio Cunto Morales.

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WEEKLY INDICATORS

Weekly Economic Indicators			
	3rd Week January	Weekly chg. (%)	Depre/Apre (pp) ¹
FX Boards (VES/USD) ²	1,486,495.69	25.3	20.2
	1st Week January	Weekly chg. (pp)	Annual chg. (pp)
Lending Interest Rate (%)	37.7	-1.0	15.9
	3rd Week January	Weekly chg. (pp)	Annual chg. (pp)
Overnight Interest Rate (%)	70.0	-1289.0	-173.1
	2nd Week January	Weekly chg. (%)	Annual chg. (%)
International Reserves (USD Bn)	6.4	-0.3	-4.7
	1st Week January	Weekly chg. (%)	Annual chg. (%)
Monetary Liquidity (MM VES)	584,666,078	9.1	1,150.8
Price of International Oil Baskets (USD/bl)			
	2nd Week January	Weekly chg. (%)	Annual chg. (%)
WTI	50.1	4.4	-14.3
Brent	53.3	4.9	-17.3
Price of the Venezuelan oil basket (USD/bl)			
	5th Week July	Weekly chg. (%)	Annual chg. (%)
Weekly Average	22.4	0.0	-61.9
Annual Average	28.8	-0.7	-51.7

Sources: BCV, MENPET, ONT and Ecoanalítica

* Annual variation of accumulated expenditure.

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

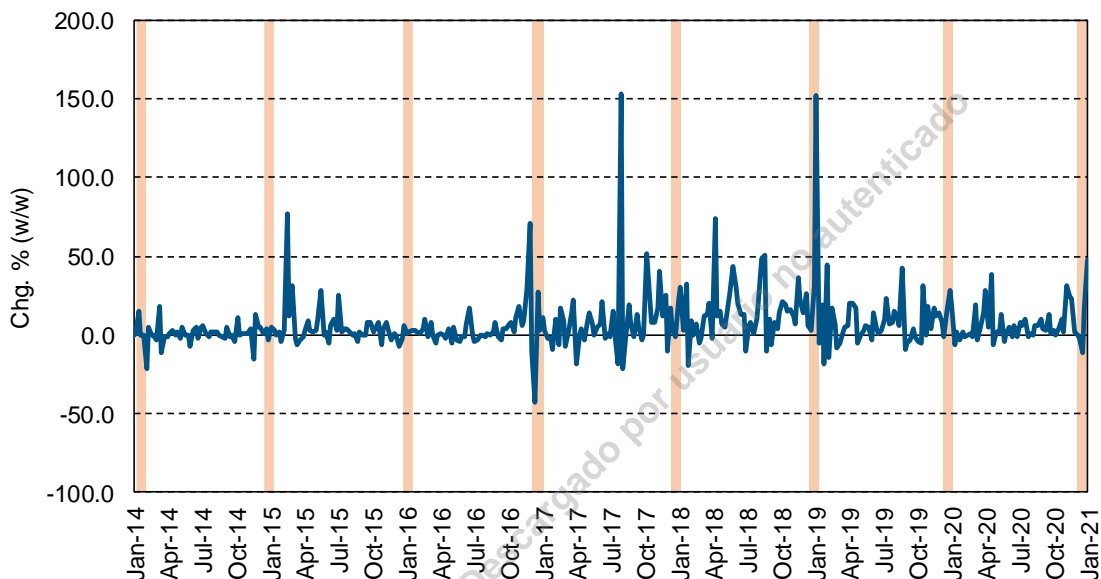
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CHART OF THE WEEK: "NEW YEAR'S JUMP"

Foreign exchange rate weekly variation (%)



Note: the bars indicate the first week of each year.
 Sources: LocalBitcoin and Ecoanalítica.

After the exchange rate (ER) remained relatively stable in December, with a weekly increase of no more than 17% and even decreases in the weeks of December 11, 18 and 25, the price of the currency grew 47.1% in the first week of January, which is equivalent to leaving its almost immobile state and placing itself 46.0 percentage points (pp) above the average seen the previous month. In order to discern if this is a common occurrence, at **Ecoanalítica** we decided to analyze the behavior of the indicator during the first week of previous years.

As can be seen in the graph, the variation of the ER is usually greater at the beginning of the year than in the previous December. The first week of the year is taken to be from January 1 to January 8, which corresponds to the dates of return to work, which could be an explanation behind this fact. The graph also shows that, of all the beginnings of the year, the first week of January 2019 saw the second largest jump in the ER (152.1%)¹². It could be thought that this strong increase was responsible for the highest monthly inflation recorded in our data (196.6%).

¹² The first was during the week of August 4, 2017, as illustrated in the graph.

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Another striking increase is that of the first week of 2018, with a jump of 30.7%, compared to previous weekly increases that averaged 6.5%. Likewise, after the progress of the indicator in this first week, the rest of January also tends to have less variation than that. Of the 7 years of data collected, 5 have shown variations of 3 pp or even 100 pp below the variation of the first week. If we only take this into consideration, it could be expected that the ER will remain stable in the coming weeks, although its trend in the medium and long term is always upwards.

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ECONOMIC TIPS

COVID-19 in Venezuela. According to government figures as of January 14, the number of positive cases of coronavirus reached 117,811 and the number of deaths was 1,084.

Partially confined. For the week of January 11-18, all states in the country were managed under a "safe and disciplined flexibilization" scheme within the 7+7 plus scheme, as indicated by Nicolás Maduro. During this week, the activity of the different sectors of the economy developed in a controlled manner, with fewer restrictions on the mobility of citizens and allowing for reduced capacity.

Ambitious start. The president announced that a proposal formulated by Minister Aristóbulo Istúriz to implement a partial classroom modality for high school and university students starting in the second quarter of 2021 is being evaluated.

Figures for the beginning of the year (I). According to the World Bank, the global economy will grow 4% in 2021, after a contraction of 4.3% in 2020. The Latin American and Caribbean region is expected to grow 3.7% by the end of 2021. The Bank warns that projections would be greatly affected if vaccination efforts are delayed.

Figures for the beginning of the year (II). The Economic Commission for Latin America and the Caribbean (ECLAC) calculated the Venezuelan economic contraction at 30% for 2020 and forecasts that the economy will contract by 7% in 2021.

End of year figures. The Venezuelan Finance Observatory of the National Assembly published its inflation figures for the end of the year, which state that December inflation was at 21.2% and accumulated inflation at 3,713%.

2021 digital... Nicolás Maduro, in an interview with the portal Telesur, indicated that one of the main goals for 2021 is a deeper, expanding digital economy. In this sense, he explained that "I have set the goal: 100% digital economy, that everyone has their payment methods in debit and credit cards."

...with the petro as a focus. In detail, Maduro said he added to his to-do list that all cash in the country should disappear. To this end, he plans to extend the use of the petro, mainly through the mobile application "Petro App" which allows the conversion of cryptomoney into *bolívares* or dollars and plans to reinforce it to be used in digital transactions.

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1 dollar for 0.5 dollars. In a report by the Voice of America portal for Sabana Grande, it is documented that there are street vendors who offer to exchange damaged dollar bills for up to 50% less than their original value. "*Many businesses that do not accept damaged bills, and people, so as not to lose all their money, prefer to receive even less,*" said a merchant to the portal.

Money tables. For the week of January 15, the average rate for money tables was VES 1,486,495.7/USD. This represents a depreciation of 20.2% with respect to last week.

Liquids? Liquidity was VES 584,666,078 million for the week of January 1, a variation of 9.1% in nominal terms with respect to the previous week (December 25) and 1,150.8% with respect to last year.

Short of cash. Coins and bills presented a balance of VES 12,590,898 million for the week of December 1, which represents a proportion of 2.15% with respect to monetary liquidity. This figure is the lowest since the week of October 17, 2018, just before the monetary reconversion went into effect.

OIL TIPS

Starting the 20s as in the 40s. Internal PDVSA documents reviewed by Reuters and data from Refinitiv Eikon revealed that PDVSA's crude oil exports averaged 626.5 kb/d during 2020, the lowest level observed since 1943.

One third less. This value would represent a drop of 37.5% compared to what was observed in 2019, when exports averaged 1,002 kb/d. For comparison purposes, the drop in global market supply in 2020 was 9.0%. In addition, fuel imports in the same year were 51.0% lower than in 2019.

November production (I). As reported directly by PDVSA to OPEC, Venezuela's crude production in November 2020 was 434 kb/d, which would represent a drop of 39 kb/d with respect to the previous month and 679 kb/d with respect to the average of 2019.

November production (II). According to secondary sources, November production was 407 kb/d, which is equivalent to an increase of 25 kb/d compared to October 2020 and a reduction of 389 kb/d compared to the average reported in 2019.

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Exchange of terms (I). Energy News Today reported that Rosneft and Repsol have resumed their commercial activities with PDVSA as an exchange of refined products for Venezuelan crude.

Exchange of terms (II). According to the portal, 250,000 liters of low sulfur diesel were received to be sent to the Amuay refinery in order to resume its local supply needed for vehicles related to the transportation and agricultural sector. On the other hand, Rosneft unloaded at the Cardón refinery 540,000 barrels of vacuum gas oil (VGO), necessary for the production of fuel.

Market without vacuum (I). Other documents held by Reuters revealed that, during 2020, three companies based in the United Arab Emirates (UAE) were in charge of 3.9% of the total crude oil shipments of PDVSA in the year.

Market without vacuum (II). These companies are Muhit Maritime, Issa Shipping FZE and Asia Charm Ltd. Since the beginning of 2019, they have been acquiring vessels that, for the most part, make trips related to Venezuela, according to a review made by Reuters to data from Refinitiv Eikon.

Opportunity to take advantage. During July and August of last year, Muhit Maritime acquired three vessels from Eurotankers Inc. that had previously operated routes related to Venezuela.

Same operation, different names. The three ships changed their names to Alsatayir, Almada and Alasfal. Between them they carried out the transfer of crude oil from ship to ship at sea, which is known to have been carried out by those in charge of moving Venezuelan crude oil to avoid U.S. sanctions.

Same operation, different names (II). Thus, on July 31, Almada was carrying 650,000 barrels of Venezuelan Boscan crude oil after receiving the oil at sea from Alasfal. Then, on August 21, it loaded another 650,000 barrels of the same oil in a similar operation. Both vessels then headed for Malaysian waters, where they would make a further transfer of the cargo. Finally, the cargo would arrive at the port of Qingdao in China.

The other operation (I). On the other hand, Issa acquired three super tankers from the Greek company Altomare SA between January and June this year. Issa's maritime division was established in the second half of 2019 and its fleet is only composed of these three vessels. The tankers loaded two million barrels of crude oil each after being acquired by Issa

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The other operation (II). Asia Charm has a fleet of 15 vessels which, according to data from Refinitiv Eikon, has only made trips related to Venezuela. One of them, renamed Yoselin, has carried out crude oil transfers at sea to the three vessels owned by Issa.

Will the law fall? A spokesperson for the U.S. Secretary of State said that "*they are monitoring any creative attempts to circumvent the sanctions,*" including from companies based in allied countries such as the UAE. The UAE government assured that an in-depth investigation is being carried out on Muhit Maritime, Issa Shipping and Asia Charm

With no one behind. The oil service company Halliburton Co. announced that they have eliminated all of their staff positions at PDVSA. The company clarified that they will keep their facilities and equipment in the country and added that the decision to withdraw their personnel arises from the limitations imposed by the sanctions to operate in Venezuela.

In the Caribbean. Meanwhile, the Marbella (from Issa) loaded two million barrels of oil from Venezuela in early December and was scheduled to perform the same operation in late December and early January. Muhit Maritime's Alsatayir was 48 km off the Venezuelan coast in mid-December and the Nabiin, from the same company, was in a port in Paraguaná. This last ship had been acquired by Muhit Maritime in November and was previously known as the Euroforce, a ship that was sanctioned by the US in June 2020.

Peer-to-peer lending. Internal PDVSA documents reviewed by Reuters revealed that the state oil company is using tankers belonging to the National Iranian Oil Company to export Venezuelan crude.

Masters of disguise. Thus, the vessel Ndros would have loaded 1.9 million barrels of Venezuelan crude oil for export; however, data from Tanker Trankers revealed that the tanker Ndros would have been discarded in 2018 and that the tanker that arrived in Venezuelan territory could be a Liberian-flagged vessel called Calliop. It belongs to a company in Hong Kong called Ship Management Services Ltd, who acquired the vessel in October 2020.

A safe semester. The U.S. Treasury Department extended the measure that exempts transactions with the PDVSA 2020 bond until July 2021. This decision would make it impossible for the bond creditors to obtain shares of Citgo Petroleum, placed as collateral of the bond, for the period established.

Avoiding disaster (I). PDVSA ordered a month ago the transfer of crude oil from the floating installation at sea Nabarima to the tanker Icarus, owned by PDVSA Two sources declared to Reuters that this was due to the request of the governments of two countries

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close to the location of Nabarima, due to the fear they have about the possibility of a spill from the terminal.

Avoiding disaster (II). According to the same sources, the transfer is expected to take several weeks. It will be transferred from the terminal located in the extreme east of the country to Icarus, which was then anchored in the Gulf of Paria. Nabarima had 1.3 million barrels in its inventory.

SECTORIAL TIPS

The last enemy: the universities (I). The Minister of University Education, Cesar Trompiz, announced that he plans to freeze the enrollment of private universities with the argument that the measure seeks to avoid the inflationary impact.

The last enemy: the universities (II). According to the information office of the Ministry of University Education, the measure implies that private universities anchor their fees to the amount they set in the last quarter of 2020.

Regulation not feasible in hyperinflation. Authorities of the main private universities in the country qualified as "*unviable*" to freeze their monthly payments in the midst of the hyperinflation that Venezuela is experiencing.

Asphyxiated studio houses. The rector of the Universidad Católica Andrés Bello, Francisco José Virtuoso, said that in the short term this directive "*does not pose major problems*", but that in the medium and long term it will end up suffocating the institutions.

Repeating history. On the other hand, the rector of the Metropolitan University, Benjamin Scharifker, said that this is "*an unrealistic request*". He said that, if applied, it would condemn private universities to the same fate as public universities that are paralyzed due to lack of resources.

"7+7", a counterproductive scheme. The President of the Venezuelan Chamber of Shopping Centers, Freddy Cohen, expressed that the "7+7" plan only brings more agglomerations in public spaces, therefore, he urged the government to eliminate the strategy to avoid a greater number of COVID-19 infections in the country.

2021 in the dark (I). Aixa López, president of the Committee of People Affected by Power Outages, reported that 2020 closed with 157,719 power failures throughout the country and added that 2021 will present "many difficulties" in electrical matters.

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2021 in the dark (II). López indicated that the states most affected by the power cuts were: Zulia, Táchira, Mérida, Trujillo, Barinas and Portuguesa. While in Caracas at least 10 daily decreases were registered.

Travel in a pandemic. During the week of relaxation from January 11 to 17, the National Institute of Civil Aeronautics (INAC in Spanish) enabled the operation of routes to Canaima, Nueva Esparta (Porlamar) and Los Roques, from and to the airports of Maiquetía, Caracas, Maracaibo (La Chinita) and Valencia.

With eyes wide open (I). The Vice Minister of Commerce and President of Almacenamiento Caracas, Luis Villegas Ramírez, announced that supervision will be reinforced to enforce biosecurity measures in commercial establishments and care in private clinics.

With eyes wide open (II). On the other hand, the Vice-Minister remarked that among the control measures that will be reinforced will be the supervision of private clinics to guarantee "the attention of the people".

No sweets and bitter coffee (I). Sugar cane producers in the state of Portuguesa denounced that the shortage of fuel continues to affect the production of the field. According to "El Impulso", at least 5,000 workers are on the verge of losing their jobs because they do not have diesel to light the machinery and grind the 6,000 tons of cane per day.

Without sweets and bitter coffee (II). In order to save sugar production, workers say that the government needs to provide at least 4 or 5 gandolas a day with fuel.

Cooperation is sought. The Venezuelan Federation of Chambers of Commerce and Production (Fedecámaras in Spanish) argued that a "*productive dialogue*" with the national Executive is needed in order to bring the country out of the "current economic stagnation".

Main proposal: dollar accounts. The vice president of Fedecámaras, Fernando Cepada, said that among the proposals of the organization is to allow dollar accounts in the country. However, he added that currently there is not much confidence in foreign currency deposits in Venezuelan banks, because at any moment the government could reverse the measures.

Fear of competition. The president of the Venezuelan Chamber of Automotive Products Manufacturers (Favenpa in Spanish), Omar Bautista, hopes that a measure can be

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established that will only allow the import of products that are not manufactured in the country, in view of the fact that in 2020 import levels were high and exempt from taxes.

INTERNATIONAL TIPS

COVID-19 in the world. According to figures published by the World Health Organization (WHO), the number of positive cases of coronavirus reached 92,353,551 on January 14 and 1,978,737 deaths were recorded for the same date.

Biden president. In the early morning of January 7, President-elect Joe Biden's victory in the United States was confirmed, after multiple attempts by President Donald Trump to reverse the results, who argued that fraud was present in the election. Trump's information campaign ended with protests and the invasion of the U.S. Capitol on January 6, which postponed certification until the following day.

Green light for the Democratic political program. Following the results of Georgia's senatorial election in early January, Biden will assume the presidency with support in both houses of Congress. This will allow him to fulfill his agenda and pass legislation without major obstacles.

Attacks and counter-attacks. The United States, Canada and the United Kingdom condemned the arrest of 53 pro-democracy activists in Hong Kong, incited by the Chinese government. In response, US Secretary of State Mike Pompeo assured that the US government would sanction those involved in the arrests, increasing geopolitical tensions between the world's two largest economies.

Christmas spirit agreement (I). The United Kingdom and the European Union succeeded in establishing a post-brexit trade agreement, after several months of intense negotiations. The "EU-UK Trade and Cooperation Agreement" was established on December 24 and achieved concessions on key points for both parties.

Christmas spirit agreement (II). One of the key points of the agreement is fishing in waters belonging to the United Kingdom. In this case, it was decided that the European Union's fishing quota in British waters will be reduced by 25%, coming into force in five and a half years.

Christmas spirit agreement (III). Additionally, the agreement establishes zero tariffs and quotas in the trade between both blocks, representing approximately USD 893 billion in goods, according to British Prime Minister Boris Johnson.

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Vaccine Hunt (I). The European Union reached an agreement with Pfizer and BioNTech for 300 million additional vaccines against COVID-19, which would give the European block almost half of the total vaccines produced by the pharmaceutical company.

Vaccine hunting (II). Mexican President Andres Manuel Lopez Obrador announced that Mexico will receive approximately 400,000 to 500,000 vaccines from Pfizer per week.

Vaccine hunting (III). On the other hand, Pfizer agreed the sale of 600 million doses with the United States, of which 200 million have already been ordered. While 120 million vaccines are reserved by Japan and 40 million by the United Kingdom.

Peace in the Middle East. After three years, Saudi Arabia, the United Arab Emirates, Bahrain and Egypt have decided to end the blockade of Qatar, initiated by accusations of terrorist financing by the Qatar authorities. In this way, the countries of the Middle East will resume trade, flights and diplomatic relations with each other.

POLITICAL TIPS

The fact... The National Assembly of Venezuela, in the hands of the opposition, approved a statute that extends its mandate until 2021. In this sense, Juan Guaidó expressed that "*despite the threats of the dictatorship and the intimidation of the regime, the parliament will continue in this extraordinary period*".

...and their national reactions... The Supreme Court of Justice issued a ruling in which it declared that the resolution of the opposing National Assembly "for the purpose of perpetuating, extending or continuing their status as legislators of the National Assembly" became "devoid of validity and judicial effect. In this way, they establish the legal framework to make the new Assembly elected on December 6 the one that has important judicial effects.

...North American... After this decision, the United States replaced the sanction that protects CITGO from the holders of the PDVSA 2020 Bond, in addition to issuing new sanctions, which allow transactions with the National Assembly and other agencies attached to the opposition government.

... South Americans ... The United States is joined by the Lima Group in recognizing the opposition leader in his extension in the presidency of the National Assembly. Regarding the National Assembly elected on December 6, they indicated that "*this illegitimate*

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National Assembly is the product of the fraudulent elections of December 6, 2020, organized by the illegitimate regime of Nicolás Maduro.

... and European not so good. For its part, the European Union reported that it can no longer legally recognize Venezuelan opposition leader Juan Guaidó as the country's legitimate head of state after he lost his position as head of parliament, since Europeans do not agree with the extension of the presidency of the National Assembly and would favor an election that would choose the new leader.

But the threats continue. Despite this, an official EU communiqué threatened more sanctions against the Maduro government, in addition to an arms embargo and more sanctions than those already imposed on Venezuelan officials, to denounce what they consider violations of rights and the breakdown of democracy.

The church establishes its position. The Venezuelan Episcopal Conference made public a pastoral exhortation in the CXV Plenary Ordinary Assembly of the Venezuelan Episcopate in which they establish that in Chapter 6 of the Constitution they watch over "*human rights that have been unknown by their own authors*", and that "*it is notorious how the quality of life, education, health and basic services have deteriorated; we suffer unstoppable inflation and a devaluation that has impoverished the entire population*".

Also against the new assembly. Likewise, he also pronounced himself on the establishment of the new National Assembly, about which they argue that "*the installation of a National Assembly that lacks a democratic foundation, in the midst of 'revanchism', of a disqualification of opposition leaders, of intimidation and threats of persecution, does not help to solve the problems of the people nor does it create confidence for the recovery of the country*".

With territorial airs... Guyana rejected and qualified as "deeply disturbing" a decree signed by Nicolás Maduro by which he establishes a territory for the development of the "Atlantic Facade" to reinforce Venezuela's sovereignty in that area, according to the official document.

...begins 2021. In retaliation, Jorge Arreaza indicated in his Twitter account that "*Venezuela rejects the statements of the President of Guyana, on matters of our internal jurisdiction*" and qualified as "*regrettable*" the statements of the Guiana President on the matter.

Joint rejection (I). In a joint declaration, the President of Colombia, Iván Duque, and the President of Ecuador, Lenín Moreno, rejected the installation of the new National Assembly elected on December 6.

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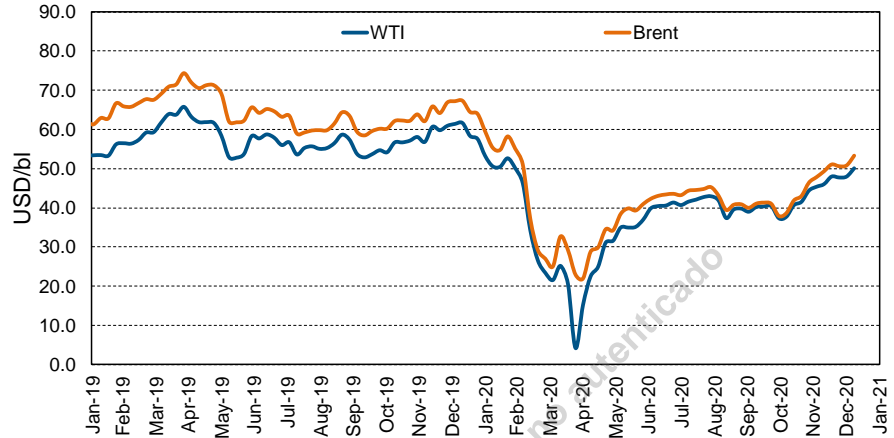
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Joint rejection (II). In turn, Duque added that his governments have warned in different multilateral forums about the *"interests that the Venezuelan dictatorship has had in influencing, in influencing different processes taking place in Latin America"*.

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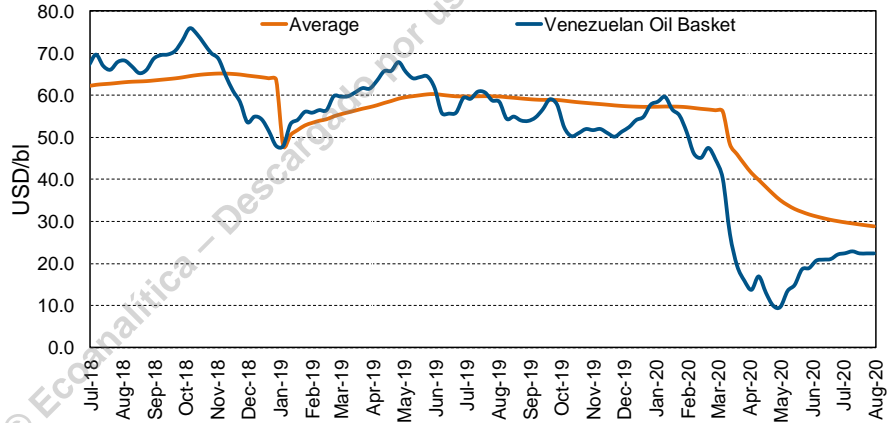
ECONOMIC INDICATORS

**Oil Prices
(WTI and Brent)**



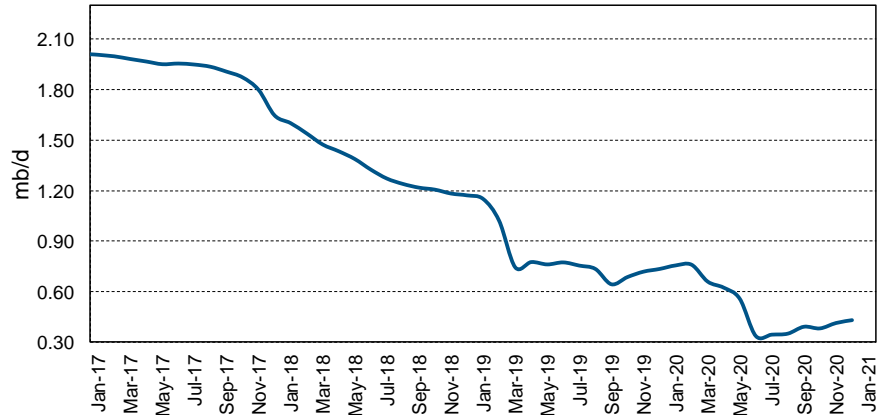
Sources: Menpet and Ecoanalítica

**Oil Price
(Venezuelan Basket)**



Sources: Menpet and Ecoanalítica

**Oil Production
(Secondary sources)**

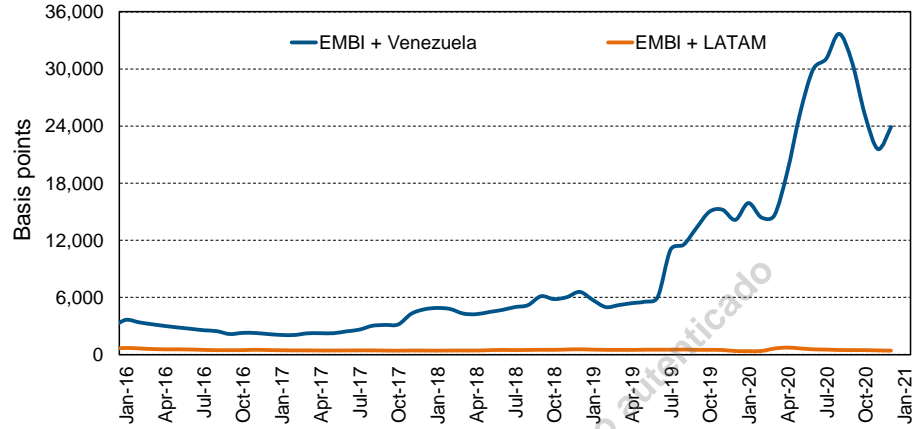


Sources: OPEC and Ecoanalítica

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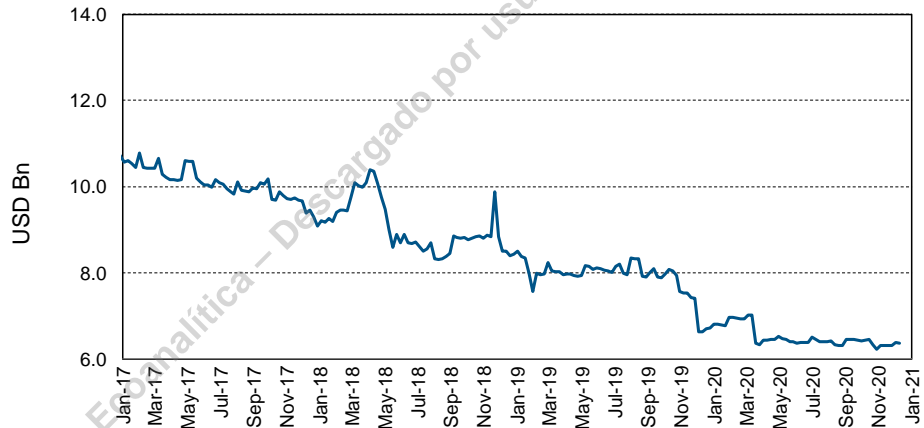
ECONOMIC INDICATORS

EMBI



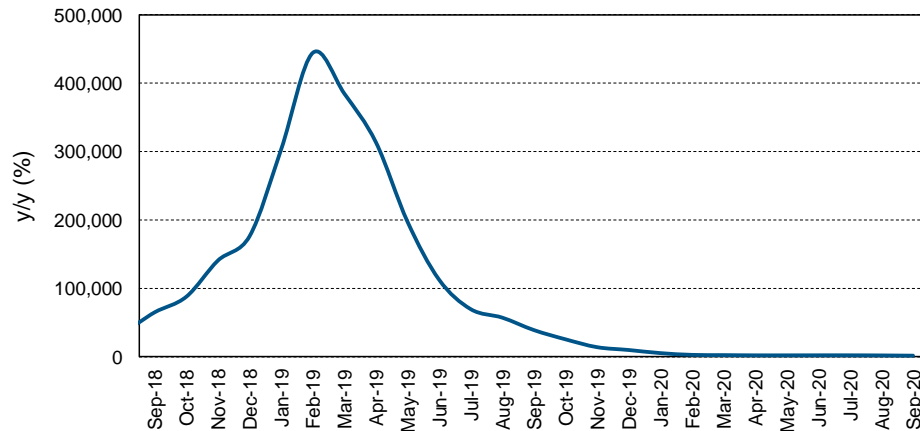
Sources: BCRP and Ecoanalítica

FX Reserves (BCV)



Sources: BCV and Ecoanalítica

Inflation (BCV)



Sources: BCV and Ecoanalítica

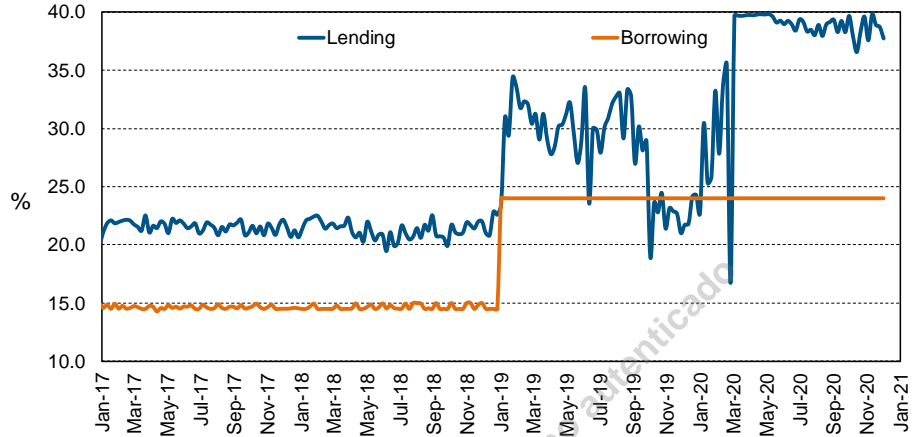
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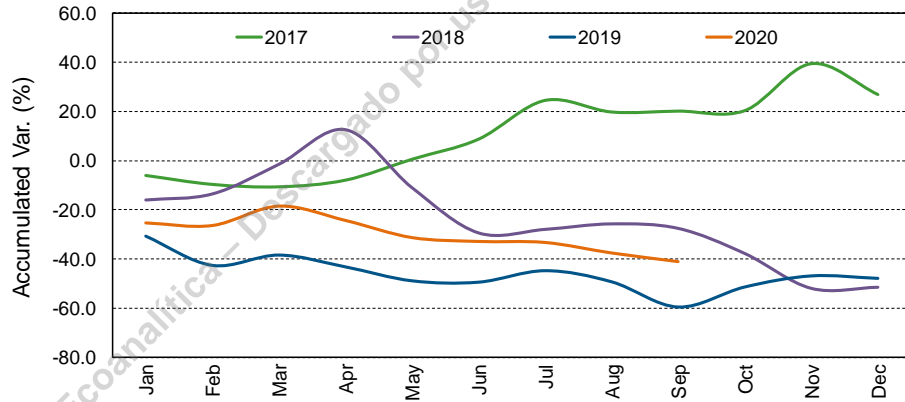
ECONOMIC INDICATORS

**Interest Rate
(Six major banks)**



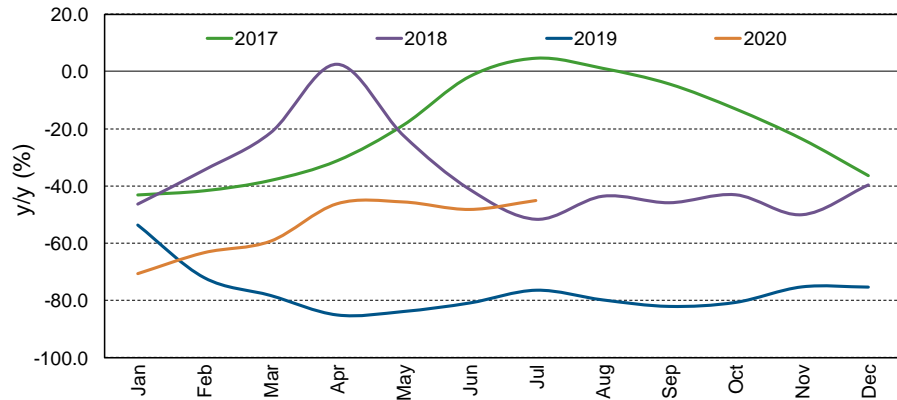
Sources: BCV and Ecoanalítica

**M2 Expansion
(Real)**



Sources: BCV and Ecoanalítica

**Loan Portfolio
(Real)**



Sources: SUDEBAN and Ecoanalítica

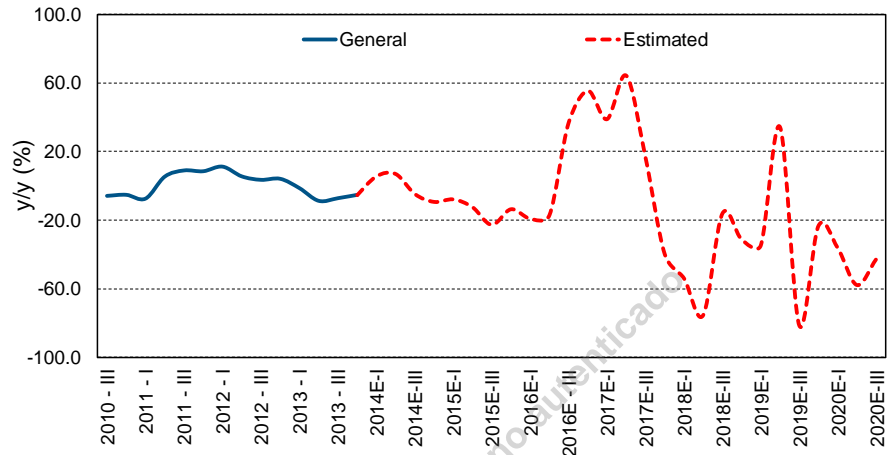
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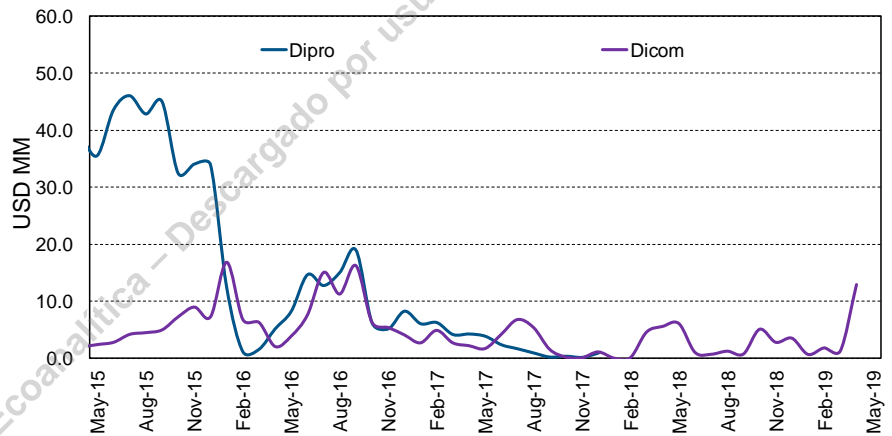
ECONOMIC INDICATORS

Real Wage Index



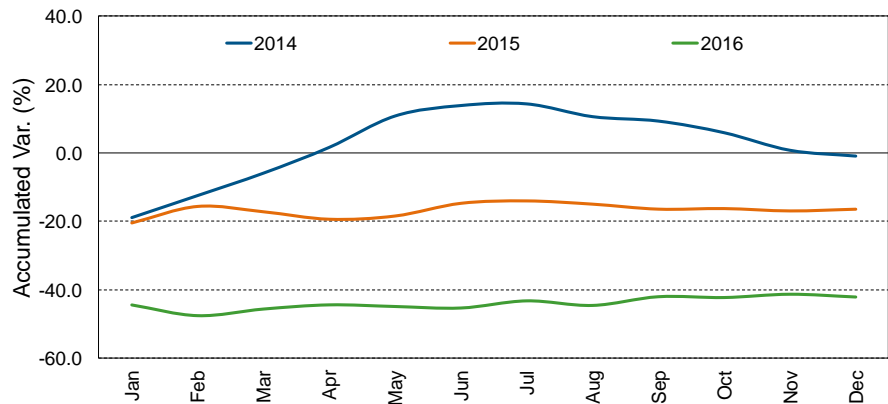
Sources: BCV and Ecoanalítica

Disbursements to the Private Sector (Daily Average)



Source: Ecoanalítica

Primary Spending NTO (Real - Central Government)



Sources: ONT and Ecoanalítica

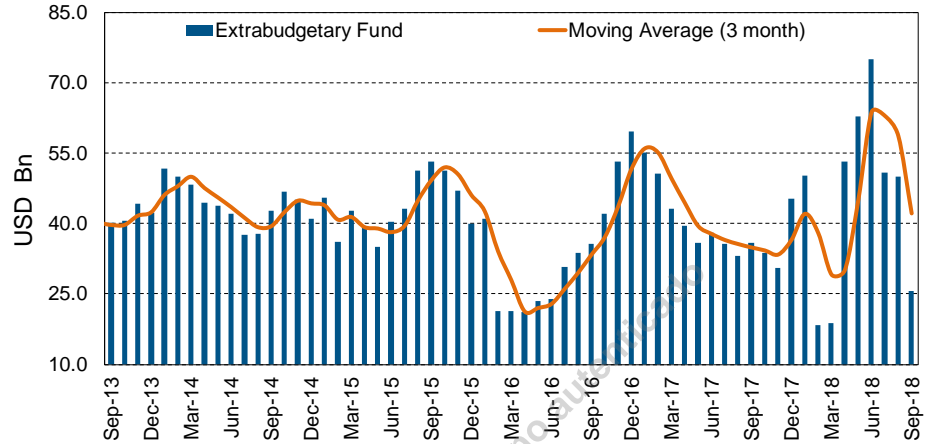
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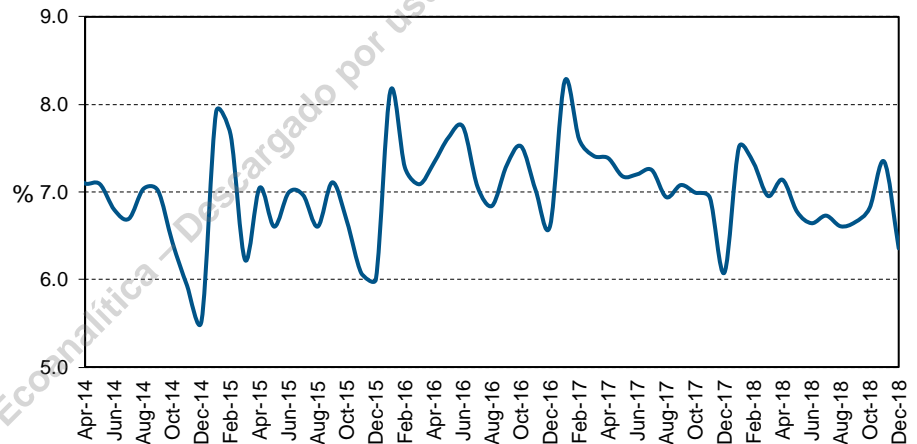
ECONOMIC INDICATORS

State Extrabudgetary Resources



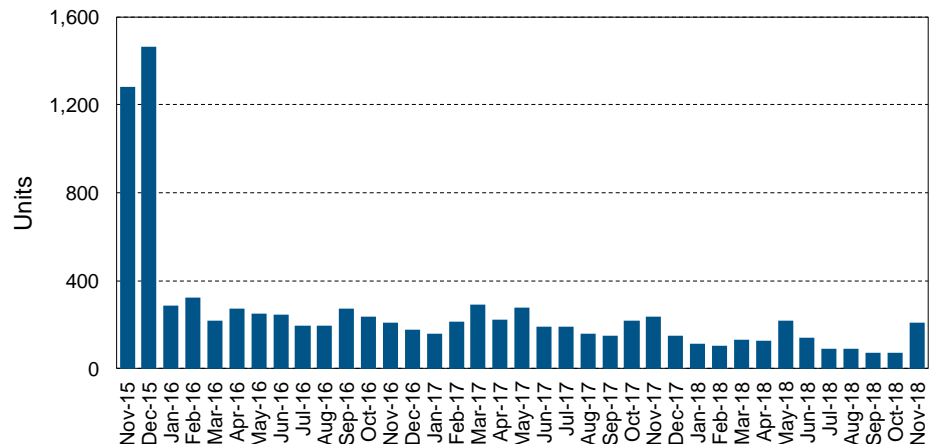
Source: Ecoanalítica

Unemployment Rate



Sources: INE and Ecoanalítica

Vehicle Sales



Sources: CAVENEZ and Ecoanalítica

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(+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

ECOANALÍTICA'S TEAM

Alejandro Grisanti / Director

alejandrog@ecoanalitica.net / @agrisanti

Asdrúbal Oliveros / Director

asdrubalo@ecoanalitica.net / @aroliveros

Pedro Palma / Director

pedrop@ecoanalitica.net / @palmapedroa

Cristina Rodríguez / Director

cristinar@ecoanalitica.net

Luis Arturo Bárcenas / Senior Economist

luisb@ecoanalitica.net / @barcenasluis

Giorgio Cunto Morales / Economist

giorgioc@ecoanalitica.net / @giorgiocunto

Corina Fung / Economist

corinaf@ecoanalitica.net / @corinafung7

Jhoan F. Castellano / Economist

jhoanc@ecoanalitica.net / @castellanojhoan

RESEARCH ASSISTANT

Diego Santana

Diego Almau



CONTACT US

Venezuela: (+58-212) 266 9080/ Fax: (+58-212) 266 5119

Estados Unidos: +1 (212) 994.1850

Ventas@ecoanalitica.net

www.ecoanalitica.com

@ecoanalitica