

Oil Venezuela: the highest wages in Latin America or the most overvalued?

Time and again, the government's spokespersons have defended the increase in Venezuelan workers' purchasing power as a major social achievement. Following the increase in the minimum wage decreed a month ago, President Nicolás Maduro claimed that the minimum wage of Venezuelan workers was ranked as the highest in Latin America (which is bad for the competitiveness of domestic industry).

Calculated at the official exchange rate of VEB 6.3/US\$ (one of the three official rates that currently exist), the minimum wage of VEB 4,251 is equivalent to US\$674 a month, endorsing the President's claim. The question is, however, why calculate the minimum wage at that exchange rate and not at another?

Cost of living at VEB 6.30/US\$?

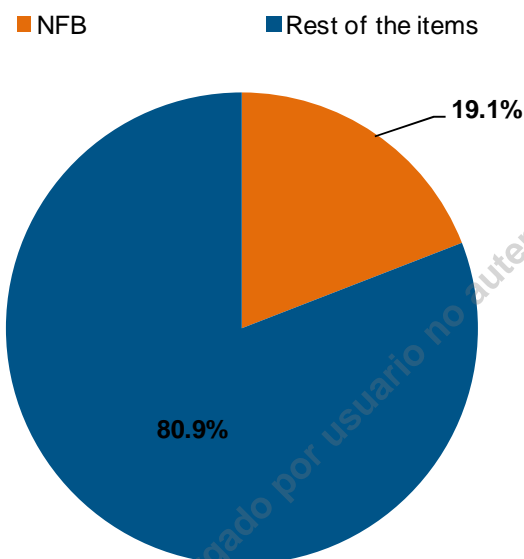
As a general rule, the government tends to calculate workers' cost of living (and therefore their purchasing power) at the exchange rate at which the goods used to calculate the Normative Food Basket (CAN) compiled by the National Statistics Institute (INE) are imported (or produced).

The CAN is a statistical indicator that measures the monthly cost of a series of food items that "fully cover the nutritional requirements" of a family of five and that serves as a benchmark for setting the minimum wage, calculating poverty indexes, and formulating subsidy policies.

It should be noted that the CAN takes into account the lowest price possible at which the food items considered can be bought and that those food items account for only 19.1% of the goods measured in the Nationwide Consumer Price Index (NCPI.)

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NFB's Weight of the Total NCPI Basket



Sources: BCV, INE, and Ecoanalítica

Doing the math...

The problem arises when it comes to applying one of the four exchange rates (Cencoex, SICAD I, SICAD II or the parallel rate) to the remaining 80.9% of the NCPI basket that is not taken into account by the government when establishing its wages policy. The multiplicity of groups of products or services (13 in all) and exchange rates makes calculating the Venezuelan workers' wage in dollars quite a challenge.

At **Ecoanalítica** we have undertaken the task of calculating a weighted exchange rate that reflects the cost in dollars of the goods consumed by the average Venezuelan. The first step consists of taking account of the way the companies that produce goods and provide services are financed in each of the 13 groups of products or services (food and nonalcoholic beverages, alcoholic beverages and tobacco, clothing and footwear, housing rental, home services, household equipment, health, transport, communications, education services, restaurants and hotels, and miscellaneous goods and services), in other words how many dollars they receive via Cencoex, SICAD I, SICAD II and the parallel market, so as to determine the weighted exchange rate for each group of goods or services.

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The second step involves considering the estimated exchange rates and the weight of each group of goods or services in the NCPI basket so as to be able to calculate the exchange rate that the Venezuelan consumer has to face.

At **Ecoanalítica** we estimate that, in 2014, the Venezuelan consumer will face an exchange rate of nearly VEB 21.6/US\$, which will be determined mainly by an exchange rate of VEB 12.6/US\$ for food and nonalcoholic beverages and exchange rates of VEB 29.5/US\$ for clothing and footwear and VEB 9.2/US\$ for transport.

Weighted Exchange Rate of the Venezuelan Consumer

	Weight on the NCPI Basket	Weighted Exchange Rate (VEB/US\$)
Food and nonalcoholic beverages	32.2%	12.6
Alcohol and snuff	3.0%	60.0
Clothing and footwear	7.2%	29.5
Rent	9.8%	11.7
Housing services (except telephone)	2.3%	9.2
Household equipment	5.6%	34.6
Health	4.3%	14.4
Transportation	10.8%	9.2
Communications	3.8%	23.8
Recreation and culture	3.6%	43.9
Education services	2.7%	11.7
Restaurants and hotels	8.8%	57.6
Micellaneous goods and services	5.8%	15.3
Total	100.0%	21.6

Sources: BCV and Ecoanalítica

As always, the calculations leave out certain factors, which need to be mentioned: the effects of shortages, which are at very high levels in some food items and could in some cases alter the weightings of the basket, are not included; account is not taken of the overpricing consumers have to face when they purchase products from informal establishments; and, last of all, account is not taken of transaction costs (time consumed finding out where products can be bought and standing in line to get them), which can be measured in working hours lost. Despite all that, estimating the weighted exchange rates makes it possible to identify groups of products or services that, due to their weight in the consumption basket or the high exchange rate at which they are

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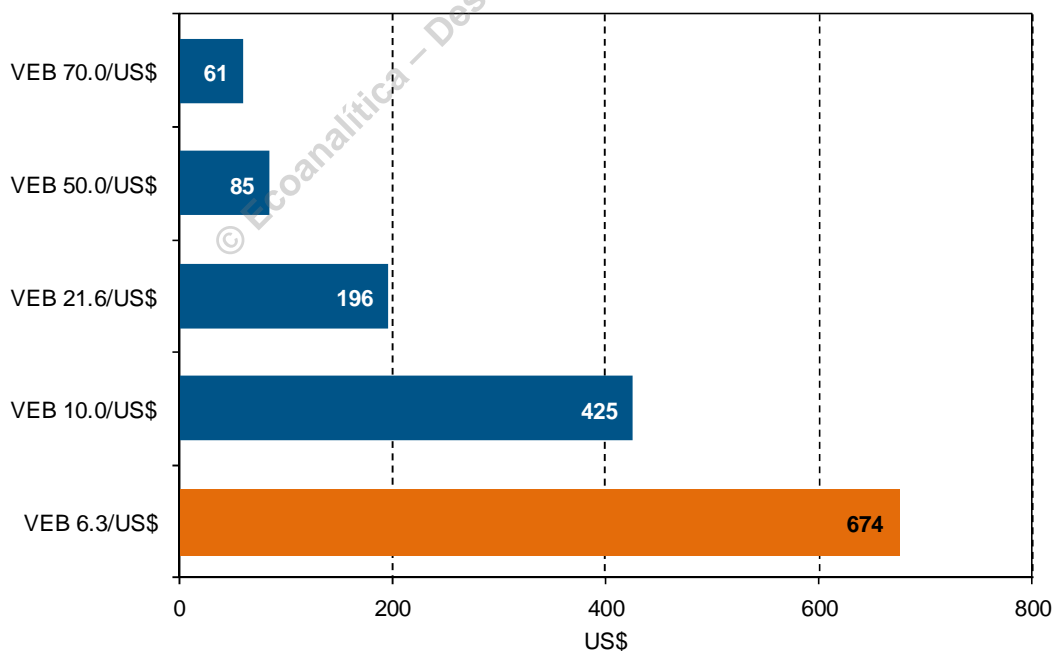
traded, could be causing a loss in the purchasing power of wages and salaries in dollar terms.

Give me an exchange rate and I'll tell you how much you earn

As mentioned earlier, at an exchange rate of VEB 6.3/US\$, the Venezuelan workers' minimum wage is nearly US\$674 a month, an amount that starts to shrink every time a higher exchange rate is used. So it is that US\$674 a month becomes US\$425 when the SICAD I exchange rate is used (currently VEB 10.0/US\$), which gives a loss in purchasing power of 36.9%, and becomes US\$85 when the SICAD II exchange rate is used (VEB 50.0/US\$), for a loss of 87.4%, or just VEB 60.7/US\$ when the parallel exchange rate at the time of going to press is used, giving a foreign exchange loss of 91.0%.

Now then, by using a weighted exchange rate of VEB 21.6/US\$, the minimum wage comes to US\$196 a month, 70.9% less than estimated by government spokespersons.

Minimum Wage Calculated at Different Exchange Rates



Sources: INE and Ecoanalítica

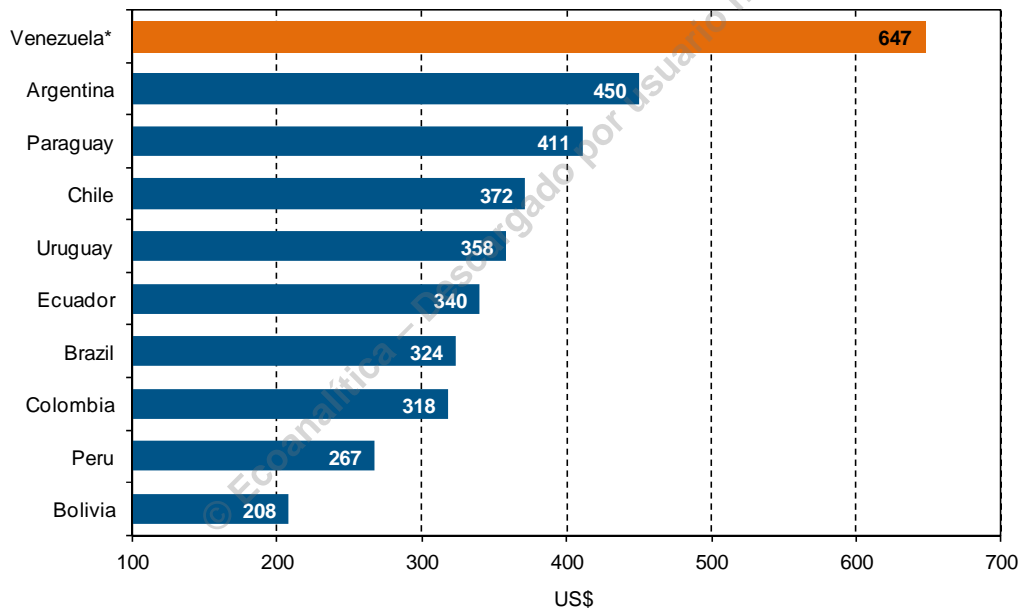
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Dropping from first to last

Just as the minimum wage deflates as higher exchange rates, or exchange rates that consider the entire consumption basket, are applied, so social “achievements” evaporate and positions in international rankings are lost.

If we take the VEB 6.3/US\$ exchange rate, Venezuela ranks as the country with the highest minimum wage in Latin America, with US\$647 a month, US\$197 (43.7%) higher than Argentina and US\$439 (211.1%) above Bolivia, the last country in the ranking.

Minimum Wage in Some Latin America Countries



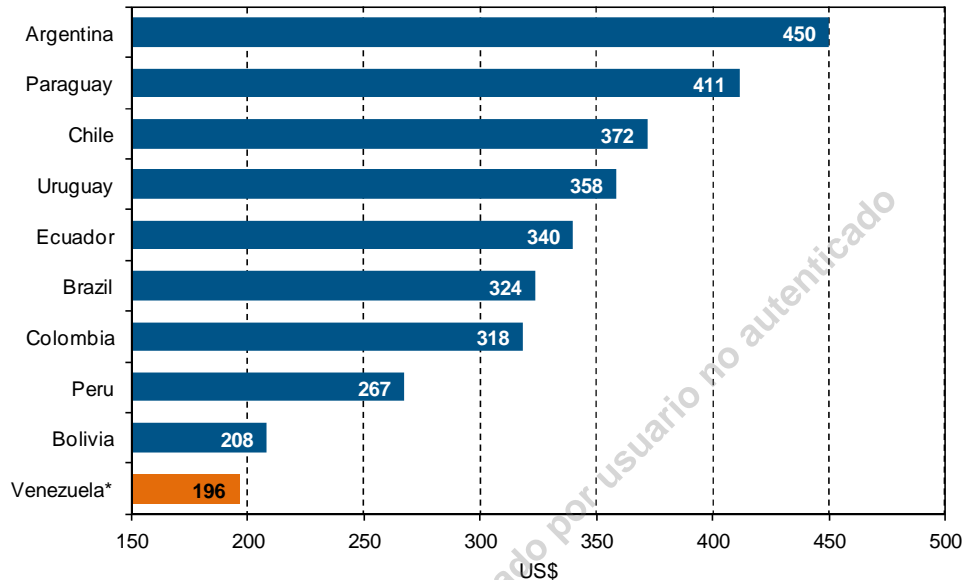
Sources: Banxico, OIT and Ecoanalítica

* Estimated at an Exchange Rate of VEB 6.3/US\$

If we take the exchange rate facing the Venezuelan consumer, which is VEB 21.6/US\$ this year, Venezuela has a minimum wage of US\$196, and ranks last among this countries.

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Minimum Wage in Some Latin America Countries



Sources: Banxico, OIT y Ecoanalítica
* Estimated at an Exchange Rate of VEB 21.6/US\$

Selective pegging does more than any wage increase

As we have pointed out in previous reports, increasing the minimum wage has been one of the measures used by the government to mitigate the rising cost of living for workers, due in part to its failure to meet inflation goals. This is not a viable option given the indexation of labor costs (higher wages result in higher labor costs and, therefore, in higher prices for goods).

At **Ecoanalítica** we consider that, since it is the government that controls the flow of foreign currency to the private sector and, therefore, to the different industrial sectors, it has the power to bring down the cost of living for Venezuelan workers if it redirects resources or implements programs that help to increase productivity in those groups of products or services that face a higher exchange rate like household equipment and clothing and footwear or that have a greater weight in the consumption basket, such as food and nonalcoholic beverages, transportation, and rent, which would go a long way to appreciating the exchange rate facing workers and, therefore their external purchasing power.

Asdrúbal Oliveros
Gabriel Villamizar

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ECONOMIC TIPS

Unemployment rate at 7.1%. According to numbers released by the INE, unemployment rate decreased 0.8 percentage points (pp) in April, compared to the same period in 2013, when unemployment rate closed at 7.1%. This means that in the fourth month of the year, 998,019 people didn't have a job.

Inactivity rate decreases. According to inactivity rate figures published by INE, shows that decreased 0.7 pp compared to April 2013, to settle at 35.1%. Within this, men inactivity decreased 1.3 pp, and stood at 21.6%. By the other hand, women inactivity decreased 0.2 pp compared to the same period in 2013, and stood at 48.4%.

Informality rate at 40.7%. According to INE's figures, at end-April, 5,314,876 people were employed at the informal sector (40.7% of working population), increasing 0.9 pp compared to the same period in 2013. For its part, formal sector employed 59.3% of working population; decreasing 0.9 pp compared to same period last year, but grew 0.9 pp from the previous month.

List of the most wanted. A report by the Central Bank reveals a list of the 20 basic food items that posted shortages of more than 30.0% in April, among them milk in its different presentations, baby-food, sugar, ground coffee, vegetable oil, mortadella, and flour. The list includes some acute cases, such as powdered low-fat milk, compotes, and precooked cornmeal, which posted shortages of 99.8%, 98.2%, and 81.0%, respectively.

CADIVI misappropriations come to 95.8% of the international reserves. Deputy Ricardo Sanguino said that investigations conducted by the committee in charge of looking into the use of foreign currency during the period 2011-2013, concluded that CADIVI approved US\$20.0 billion for imports that never entered Venezuela. This amazing figure undoubtedly gives cause for alarm, as it is equivalent to 95.8% of the country's international reserves as at mid-May this year.

Poverty in Venezuela up by 6.1%. The latest report published by the National Statistics Institute (INE) reveals that there was a 6.1% increase in poverty in Venezuela in 2013, after it went from 21.2% in 2012 to 27.3% last year, equivalent to 1.78 million poor people. The INE also states in its report that the extreme poverty indicator went up by 2.7% last year, from 7.1% in

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2012 to 9.8% in 2013, which is equivalent to 733,000 persons in extreme poverty.

Drop in private consumption. Our director, Asdrúbal Oliveros, explained that private consumption in Venezuela will drop by 5.0% this year as a result of the high inflation that is attacking the population's purchasing power. *"This dramatic drop in purchasing power that workers have experienced is not the fault of the companies; it's inflation that's to blame,"* added Oliveros when talking about the causes of the present economic difficulties.

The new BCV. The Government and the National Assembly (AN) made an adjustment in the management of the BCV this week. William Cañas, Sohail Franklin Mendez and Hernandez will be the new directors of the BCV. Mendez, who is close to Vice President of the Economic Area, Rafael Ramirez, served as Viceminister of Petroleum and Mining, while Hernandez is Vice Minister of Economy and International Cooperation in the Office of Foreign Affairs. Meanwhile, Cañas is currently Viceminister of Cencorex.

The investigation starts. The National Foreign Trade Center (Cencorex) has started the operative to verify the proper use of foreign currency authorized by CADIVI and later Cencorex between May 2013 and April this year. A list of the people who are being investigated can be found on Cencorex's webpage, and they should go to the agency's head office in Caracas, with the documentary proof that they have been requested to present previously, for it to be checked.

Interest rates. The lending rate for the third week of May was at 17.4%, up by 1.0 percentage points (pp) compared to the previous week. The time deposit rate was at 14.5%, without variation compared to previous week, while the passive rate has not experienced any significant variation, placing well at 14.1%.

International reserves. International reserves increased by 0.5%, going from US\$20.8 billion during the second week of May to US\$20.9 billion during the third week of May. Compared to the same period last year, international reserves have decreased by 18.6%.

Central government expenditure. On May 23th according to figures from the NTO primary spending was VEB 25.7 billion, which means an increase of 249.2%; when it is compared to the same period last year. So far this year,

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the primary expenditure accumulates VEB 299.1 billion 80.0% more than the same period last year.

Monetary liquidity. Money liquidity (M2) increased 0.7% in the third week of May from the week prior, to settle at VEB 1.4 trillion. The M2 has increased 75.1% in relation with the same period last year.

Supply through SICAD II (US\$ MM)					
Day	Total daily	Public Sector	(%)	Private Sector	(%)
5/19/2014	39.5	36.1	91.4	3.4	8.6
5/20/2014	26.9	26.4	98.1	0.5	1.9
5/21/2014	41.0	38.2	93.2	2.8	6.8
5/22/2014	42.3	36.0	85.1	6.3	14.9
5/23/2014	41.8	41.5	99.3	0.3	0.7
5/26/2014	36.6	30.9	84.4	5.7	15.6

Sources: Ecoanalítica

OIL TIPS

New line of credit: The president of PDVSA, Rafael Ramírez, announced the signing of agreements with the oil service companies Halliburton, Schlumberger, and Weatherford that contemplate a US\$2.0 billion line of credit. According to information released by PDVSA, loan agreements have been signed with seven oil companies (CNPC, Chevron, Eni, Gazprom, Repsol, Perenco, and Suelopetrol), and the funds are to be used to raise production. Ramírez said that three of the companies are expected to “*increase their drilling and well-working activity*” under these agreements.

Seeking financing: PDVSA has signed a contract under which it undertakes to supply the Russian company Rosneft with 1.6 million tons in oil and 7.5 million tons in oil products over the next five years. The agreement provides for an advance payment of US\$2.0 billion. PDVSA has cash flow problems because it is under the obligation to sell the foreign currency it obtains from the sale of oil at the VEB 6.30/US\$ exchange rate, which does not allow it to honor its liabilities. PDVSA will be able to sell the foreign currency it obtains from this loan via SICAD II at a rate of VEB 49/US\$.

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Now with money in its pocket... Thanks to the agreement with the Russian company Rosneft, since 2013, PDVSA has raised financing of US\$13.02 billion, which is to be used to increase the much reduced production of crude. This agreement with Rosneft gives PDVSA a new breath of life for its plans to increase production this year to 3.3 million barrels a day (mb/d). According to Oil and Mining Minister Rafael Ramírez, these funds have been earmarked for promoting projects in the Orinoco Oil Belt.

Improving revenues: Rafael Ramírez took part in the Saint Petersburg International Economic Forum, where he said that “there has to be stability in producer countries in order to have equilibrium in oil production and in the oil market.” Ramírez claimed that, thanks to its policy of the last 15 years, Venezuela had recovered US\$577.0 billion and invested US\$231.0 billion in social development, after having established payment of royalties as the most efficient method for collecting revenue from the ownership of oil and making adjustments to the tax regime.

International oil baskets. At closing time on May 23th in the New York Stock Exchange, the price of the WTI was US\$103.0/bl, increasing by 1.7% when compared to the reported the previous week. The Brent increased by 1.9% when compared to the previous week, to reach US\$109.9/bl.

Local oil basket price. The Venezuelan oil basket price closed at US\$98.2/bl on Friday May 23th, increasing by 1.3% when compared to the reported the previous week. The annual average price of the Venezuelan oil basket is US\$96.5/bl.

BUSINESS SECTOR TIPS

Airfares at the SICAD II rate: The executive president of the Venezuelan Airlines Association (ALAV), Humberto Figuera, said that, at a meeting with the international airlines, the Minister of Aquatic and Air Transport, Hebert García Plaza, had announced that, starting July 1, airfares would be calculated at the SICAD II exchange rate. García Plaza also said that working groups would be set up with the airlines to bring down the dollar prices of tickets before considering selling them at the SICAD II rate.

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Biting off more than they can chew? Following announcements by several airlines to reduce flight frequencies and temporarily suspend their operations and/or the sale of air tickets, President Maduro proposed, as a medium-term solution, establishing a strategy for covering the routes that connect Venezuela with the rest of the world, starting with Latin America and later incorporating the United States and Europe. “*No one can get the better of Venezuela,*” he claimed. Regarding Alitalia’s announcement to suspend flights between Caracas and Rome, at least until October, the Minister for Aquatic and Air Transport, Hebert García Plaza, said that Conviasa will fly to Italy.

Six lucky ones: Finance Minister Rodolfo Marco Torres announced that the 2013 debt with six airlines had been paid in full – AeroMéxico, Insel Air, Tame Ecuador, and Tiara Air- after a meeting between representatives of the airlines and the Minister for Aquatic and Air Transport, Hebert García Plaza. Avianca and Lacs-Taca are also on the list. It was agreed that the 2013 debt would be paid at the SICAD I exchange rate and the 2012 debt at the official VEB 6.3/US\$ rate.

In the workshop: Forty of the national air fleet’s 120 aircraft are grounded for lack of spare parts. A sector source said that some are being given scheduled maintenance and others unscheduled maintenance, but in both cases the airlines are unable to import the parts that are needed owing to the lack of foreign currency. The domestic airlines operating in Venezuela have a total of 62 aircraft flying, in other words only 51.6% of the fleet. The source claimed that the domestic airlines are in just as critical a situation as the international airlines.

Cencoex cut foreign currency approved for airlines by 78%. Cencoex’s statistics reveal the magnitude of the cut in foreign exchange approvals for the international airlines. The agency in charge of distributing foreign currency at the preferential VEB 6.30/US\$ exchange rate explained that it had approved US\$90.6 million for the airlines in the first four months of 2014. Compared to the figures published by CADIVI for the same period in 2012 (there are no figures for 2013), that gives a drop of 78%.

Alimentos Polar owes US\$197 million. Alimentos Polar’s debt in dollars with its suppliers continues to grow. As at April 20, outstanding payments came to US\$197 million, according to the company’s two-weekly report, in which it states that between April 7 and April 20, it had 179 Foreign Currency

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Disbursement Authorization applications that were waiting for Cencoex's approval. There are applications that have been waiting for as long as 825 days. The company explains that this situation has resulted in the suspension of some lines of credit, as foreign suppliers of goods and raw materials have put a stop on dispatches until outstanding invoices have been paid.

Zotye washes its hands. After the concessionaire La Venezolana published an alleged communiqué by Zotye Holding Group (the manufacturer of one of the three makes of Chinese cars it has been offering since 2013), the local press contacted Jonny Li, Zotye's general manager. When asked about the communiqué he replied that La Venezolana was a "distributor" of the make but he denied the communiqué. He confirmed that they sold 162 units to La Venezolana and that they assembled another 1,100 vehicles after receiving a down payment, but that the balance had not been received and they are now facing "big losses."

The beginning of the end: In 2008, the new automotive policy that sought to strengthen production and restrict mass imports went into effect. That year closed with figures that were lower than in 2007, but acceptable given the size of the domestic market, with sales of 271,622 units, 136,000 of which were produced domestically and 135,000 were imports. The final blow came in 2009, when the then minister for trade, Eduardo Samán, said, "*We can't burn the foreign currency we have buying cars.*" Today, the distributors have been annihilated, to the point where only 48 automobiles were sold between January and April.

90 days of decline. The president of the Federation of Commerce and Production Chambers and Associations of Venezuela (Fedecámaras), Jorge Roig, claimed that the problems affecting Venezuela's productive sector have not been solved, a claim confirmed by official indicators that point to a worsening of the Venezuelan economy in the past 90 days. Roig explained that the main causes of the present problems are price controls, inspections and red tape, the labor laws, and the foreign exchange regime.

At half throttle: Food processing companies are experiencing their worst moment. Shortages of inputs, raw materials, and spare parts are causing production lines to be close down, and this is reflected in food supplies. This is more or less the situation at the processing plants: when there is no lack of raw materials for manufacturing food products, no containers, lids, packaging or labels are available or there is no ink to print the labels and stamp on the

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prices and expiry dates. The authorities have not disbursed the foreign currency on time so that companies can function properly and the debt with the sector comes to US\$2.70 billion, according to the Venezuelan Food Chamber.

Cheese industry is operating at 40% of installed capacity. The interruption in the supply of packaging due to the lack of dollars and the cutback in milk deliveries due to high market prices reduced the industrial production of cheeses in the first four months of the year. Companies that process pasteurized cheeses are operating at 40% of their installed capacity. The companies have met repeatedly with government officials to study the situation, but so far measures that would help to revive production have not been taken.

Deserted shopping malls: Up to 20.0% of the stores in shopping centers are closed due to lack of merchandise and another 10.0% have temporarily closed their doors. Alfredo Cohen, the president of the Venezuelan Shopping Malls Chamber, said that maintaining operations is unviable due to the deficit in the cost structure and the loss of profitability caused by the decree that regulates the rentals of commercial premises and the condominium charges imposed by the government in November 2013. The crisis in the sector may well get worse in the next few days when the commercial premises rentals bill is passed.

Exchange houses urgently need regulations. The president of the Venezuelan Exchange Houses Association, César Atencio, explained that exchange houses need regulations that will allow them to work with SICAD II in order to continue functioning. *"We need a set of regulations that will allow us to continue working (...). We've not billed in four months. If the law doesn't come out in time, there will be no exchange houses left in Venezuela to apply the law to (...). We're reaching the point of closing down companies because they're in a situation of negative capital,"* he added.

Going after illegal trade. Venezuela's Integrated National Customs and Tax Administration Service (Seniat) and Colombia's National Customs and Taxes Office (DIAN) held a bi-national follow-up meeting to supervise progress made on the undertakings given by the foreign ministers of the two nations in the Memorandum of Understanding on Operational Cooperation aimed at combatting illegal trade. During the meeting, the delegations addressed issues having to do with exchanging customs information, carrying out

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operatives against smuggling, and detecting, recovering and returning goods that are banned for export, among others.

WORLD ECONOMY TIPS

China is to investigate. China's government agency, Xinhua, said that China, which is in the middle of a cyber-espionage dispute with the United States, is to investigate suppliers of important technological products and services in order to protect "*national security*" and "*economic and social development*." The agency clarified that, as a consequence, countries that fail to pass the tests will not be able to supply their products and services in China.

Optimistic outlook: The Bank of Japan decided to leave its monetary policy unchanged and raised its assessment of capital expenditure, remaining unfazed in the face of growing evidence that the economy could cope with the problems resulting from an increase in the sales tax without additional monetary stimulation. Consequently, it is expected that the bank's governor, Haruhiko Kuroda, will maintain his optimistic view that Japan is on track for meeting its inflation target of 2.0% in approximately one year's time.

Growth continues. Data supplied by Japan's Finance Ministry indicate that exports posted annual growth of 5.1% in April, up 3.3 percentage points from the previous month, whereas growth in exports compared to the previous month was 0.6%. This growth trend has been maintained for 14 consecutive months. It is worth noting, however, that shipments to the United States were down.

Bank settlement fund: The countries of the European Union reached a final agreement on setting up a common settlement fund in the Eurozone. The purpose of the fund, which will be furnished with EUR 55.0 billion, is to help wind up banks in difficulties. The agreement also provides for the creation of a settlement fund within the next eight years, the purpose of which will be to cover or guarantee at least 1.0% of bank deposits.

ECB makes some changes. The European Central Bank is to cut the remaining margin on its main interest rate and take the rate on overnight bank deposits into negative territory for the first time, in an attempt to avoid

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strengthening the euro and inflation slowing down still further, according to a survey by Reuters. This would seem to be supported by the latest statements by the ECB's president, Mario Draghi, who maintained that the ECB is comfortable with the idea of taking these measures.

Doing better: Germany's Federal Statistics Office gave an early estimate of seasonally adjusted growth in GDP of 0.8% in 1Q2014 compared to the previous quarter and growth of 2.5% compared to 1Q2013. It seems that solid investment, heavy consumer spending, and the mild winter led the Germany economy to post its highest level of growth in the past three years.

Waning confidence: Figures show that confidence among Germany's businessmen fell more than expected in May to its lowest level this year. This indicates that Europe's largest economy is growing slower than in 1Q2014, when it posted its highest growth in three years. The business climate index compiled by the Ifo Institute for Economic Research based on a monthly survey of some 7,000 companies fell from 111.2 in April to 110.4 in May.

Calm reigns in the United Kingdom. Official figures show that, between January and March, households in the United Kingdom spent more and that investment by companies was the highest in 12 months, so prolonging the country's spell of strong economic growth. The UK posted growth in GDP of 0.8% in 1Q2014 compared to 1Q2013, whereas growth year-on-year was 3.1%, the highest since 4Q2007.

Everything under control: Representatives of South America's central banks said that the South American economy is enjoying a phase of sustained growth and that inflation is under control despite uncertainty regarding the global economy. The bankers explained that the majority of countries in the region expect their economies to post sustained growth in 2014. And while inflation in the region is also expected to continue under control, they need to remain watchful given persistent international uncertainty and a degree of volatility in commodity prices.

Ten surprises: The credit insurance company Coface forecasts growth of 3.2% for the BRICS (Brazil, Russia, India, China, and South Africa), which is below the average posted over the past decade. It also said that there are ten emerging economies that have been posting sustained growth and that have a sound business climate. They are Colombia, Indonesia, Peru, Philippines, Sri Lanka, Kenya, Tanzania, Zambia, Bangladesh, and Ethiopia.

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POLITICAL TIPS

Nobody believes in the separation of powers. According to a study of the firm Venebarómetro on the independence of public powers, 60.0% of Venezuelans believe that the CNE reply to the interests of the President. In this regard, 57.0% of Venezuelans believe that the National Prosecutor acts on directions that are given from Miraflores and 58.0% believe that the People's Defence Service meets the indications Nicolas Maduro.

Another magnicide. The Mayor of Libertador municipality, Jorge Rodriguez, showed in a press conference organized by the political leadership of the PSUV evidence that involve various politicians and businessmen in a "assassination plan and a military coup" against President Nicolas Maduro. The involves, according to Rodriguez, were the opposition leaders Maria Corina Machado, Diego Arria and Henrique Salas Romer, and the entrepreneurs Eligio Cedeno and Pedro Mario Burelli.

Approved sanctions. The U.S. House of Representatives approved a set of sanctions against Venezuelan officials arguing violations of Human Rights during the protests occurred in the recent months. According to the resolution were frozen the assets of Luisa Ortega Díaz (prosecutor), Miguel Rodriguez Torres (Minister of Justice and Peace) and of the governors: Henry Rangel Silva (Trujillo), Francisco Rangel Gómez (Bolívar), Jose Vielma Mora (Táchira), Alexis Ramirez (Mérida), among others.

They managed to inherit the municipalities. Rosa de Scarano and Patricia Gutiérrez de Ceballos won the elections for mayors in San Diego (Carabobo) and San Cristóbal (Táchira) and took the places of their husbands, who were removed from office and imprisoned following protests in those municipalities. Rosa de Scarano won a total of 33,910 votes (87.7%) compared to the 4,473 votes (11.6%) obtained by the United Socialist Party of Venezuela (PSUV) candidate; and Patricia de Ceballos got 88,991 votes (73.6%), many more than the 30,887 votes (25.5%) obtained by Alejandro Méndez of the PSUV.

The last resort: Former Citizen Security Secretary at the Greater Caracas Mayoralty, Iván Simonovis, who is serving a 30 year prison sentence for the incidents of April 11 and for whom a petition for a measure on humanitarian grounds was filed more than two years ago, has gone on hunger strike due to the delays in handing down a decision on this petition.

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Aiming for impartiality: Representatives of the Democratic Unity Alliance have stated that they will not lend themselves to a “bureaucratic sharing out” of seats on the National Electoral Council (CNE) and have warned that, if impartial arbitrators are not chosen, they will leave the selection of the CNE’s directors to the Supreme Tribunal of Justice instead of reaching agreements in the National Assembly.

Gossiping with the nonaligned countries: Foreign Affairs Minister Elías Jaua has announced that he will denounce the United States’ interference in Venezuela’s internal affairs at the meeting of the Movement of Nonaligned Countries, claiming that the United States has issued statements and is taking legislative action for the purpose of making negative value judgments regarding actions taken by the Venezuelan Government in response to the protests.

Commitment to coupsters not kept: Members of the armed forces who took part in the attempted coup on February 4, 1992, alongside former President Hugo Chávez protested outside Miraflores Palace because of the government’s failure to comply with the presidential decree issued in 2012 that would allow 1,700 men who took part in the attempted coup to be reinstated in the armed forces and in the social security system.

Poverty mill. Primero Justicia’s national coordinator, Julio Borges, said that the administration presided over by Nicolás Maduro is a “poverty mill,” after the National Statistics Institute published figures showing a 13.8% increase in the number of poor between 2012 and 2013 and, in particular, a 39.1% increase in the number of people in extreme poverty.

Apparently there is no shortage of “coups.” President Nicolás Maduro announced that he would reveal proof of an alleged coup prepared by the Venezuelan opposition and that was supposedly to be mounted in August, when a presidential meeting is scheduled to be held. He also stated that he would make public the names of businessmen and politicians who are supposed to be behind this alleged coup.

The PSUV is not the only party. The secretary general of Patria Para Todos, Rafael Uzcátegui, said that the time had come to form “a Great Patriotic Pole” government, stressing that they were in the presence of a government that excludes the parties making up the Great Patriotic Pole, with the exception of the PSUV. He also stressed that, just as the President is

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seeking to reach an understanding with the Democratic Unity Alliance and businessmen, he should also start a process of dialog with the “*Chavista*” parties.

Venezuela gets its knuckles rapped. The Union of South American Nations (UNASUR) issued a communiqué calling on the countries of the continent to join the American Convention on Human Rights. Only 23 of the 34 countries that are members of the Organization of American States have signed the Convention. Venezuela is one of the 11 countries that have abstained.

At the service of the State or the Party? The Report and Accounts of the Ministry for the President’s Office states that one of the “*strategic lines*” developed in 2013 was the strengthening of the PSUV, the Great Patriotic Pole, and new alliances.

In two months! President Maduro said that the discussion of the Umbrella Socialist Government Service Contract is to be held in 60 days’ time. He also claimed that the new collective employment contract would be “*humanist*.” The contract consists of six modules: scopes and agreements; defense for consolidating the independence of the Nation; defense for consolidating 21st century Bolivarian socialism and social security; encouragement and practice of recreation for enjoying free time; and strengthening Bolivarian socialism as an alternative to the neoliberal model.

Time will tell. The new collective employment contract puts emphasis on promoting worker militias in the government services for the defense of sovereignty and the comprehensive defense of the nation; holding government services’ annual national games; creating children’s and youth orchestras; and a general public sector remunerations system for standardizing wages and salaries. Other proposals include improving and increasing the end-of-year bonus, a special bonus for professionalization, and issuing financial instruments that will make it possible to redeem labor liabilities, to which end the creation of the Banco Popular Obrero is proposed.

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LEGISLATIVES TIPS

Commercial premises rentals law ready: The much anticipated Commercial Premises Rentals Act, which was promulgated by President Nicolás Maduro under the Special Powers Act on Thursday, May 22, was finally published in *Gaceta Oficial* No. 40,418 issued on Monday, May 26. The new law largely respects the agreements reached with the private sector, although it incorporates three relevant changes, according to sector sources.

Sundde has the last word. One of the changes introduced by the law was Article 31, which originally stated that the value of the property at the time of the transaction would be determined by calculating the arithmetic average of the market method and the replacement cost method. Now it establishes that it will be by means of “an appraisal conducted in accordance with the replacement cost method,” and that Sundde is to be the agency responsible for “supervising and agreeing the appraisal method to be used.”

Profits and sales down: The second and third changes were made to Article 32. The maximum annual profit allowed for shopping malls and completely new premises in the first year has been cut from 24% to 20%; and the percentage to be applied to sales for purposes of calculating the rental has gone down from between 1% and 10% to between 1% and 8%, and from between 1% and 20% to between 8% and 15% in the case of operations where entertainment is the main activity.

No greenbacks: The Decree-Law on the Regulation of Rentals for Commercial Premises also bans a series of practices, among them “charging for exhibiting or showing premises for rent; subletting, except in the cases previously agreed with the owner and/or lessor; establishing lease rentals in foreign currency; and adjusting the rental charge during the term of the contract.” The charging of fines by the lessor for failure to open the commercial premises or comply with opening and closing times or storefront and window-dressing requirements is also forbidden.

Will the same happen as with housing? A sector source, who preferred to remain anonymous, said that the impact of the modifications to the commercial premises law will be felt when it comes to determining the lease rental, since this will be set based on the cost of the premises and, going by experiences with the setting of housing prices, it is thought that the

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government's appraisal will be much lower than the market price. Consequently, it is expected that Sundde will determine the value of commercial premises when they are to be leased.

Amendment to housing rental law in the pipeline: Minister for Housing and Habitat Ricardo Molina said that the government is prepared to amend the Housing Rentals Regularization and Control Act, promulgated in November 2011, in view of the fact that *"there have been cases where the tenant has not wanted to leave and the owner is out on the street. That's not fair,"* he stressed. The Association of Urban Proprietors (APIUR) welcomed the minister's announcement.

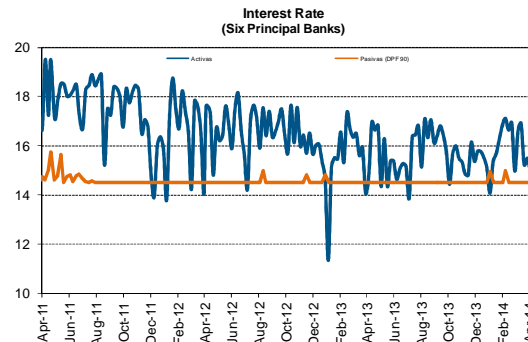
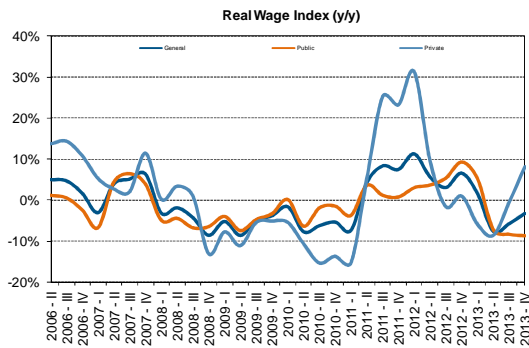
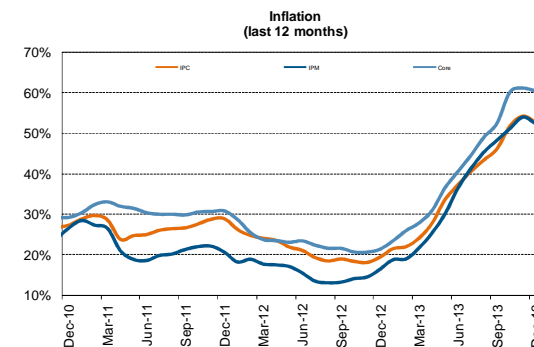
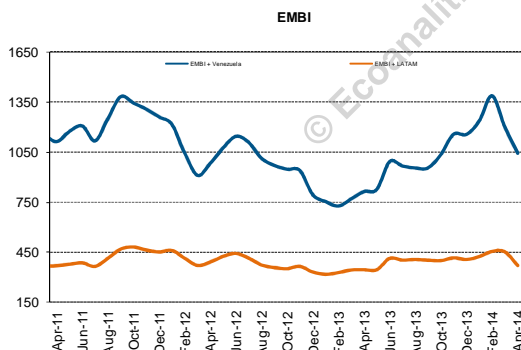
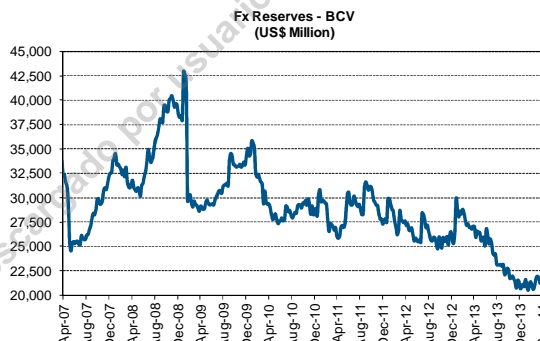
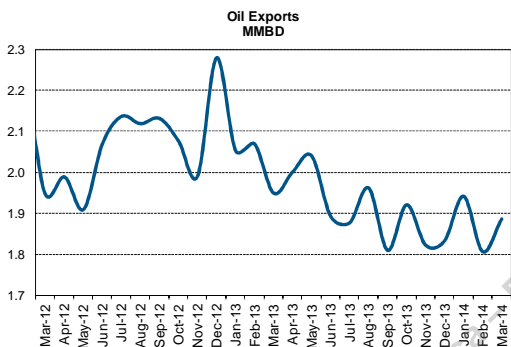
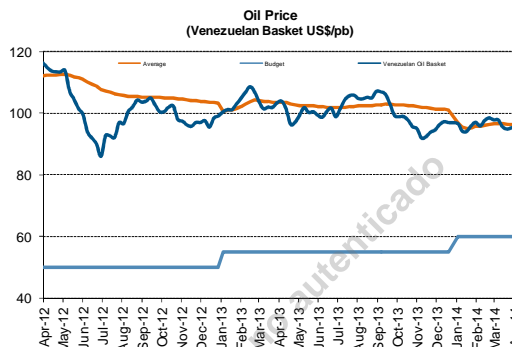
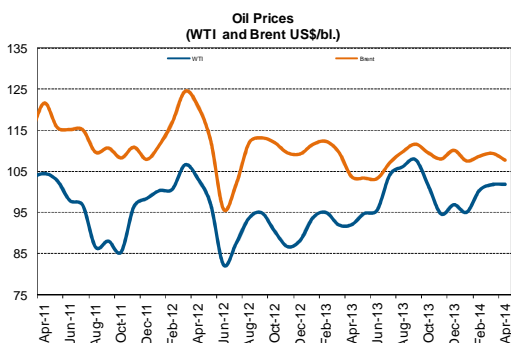
TSJ makes getting a divorce more flexible. Divorce, even when by mutual agreement, can be an unpleasant experience for no few Venezuelans. However, from now on, a decision handed down by the Supreme Tribunal of Justice will shorten the time it takes, as the TSJ has made the procedure for dissolving a marriage more flexible by modifying an article of the Civil Code, but without rewriting it.

Just a bit easier: Ruling No. 446 by the Supreme Tribunal of Justice establishes that *"when the spouses have remained separated in fact for more than five years, either of them may request a divorce alleging a prolonged breakup of life in common,"* whereupon the judge will immediately call a hearing and, *"if the other spouse does not appear personally or if, upon appearing, denies the fact (separation for five years) or if the Public Prosecutor objects, the proceedings shall be declared closed and the order shall be given to file the case."*

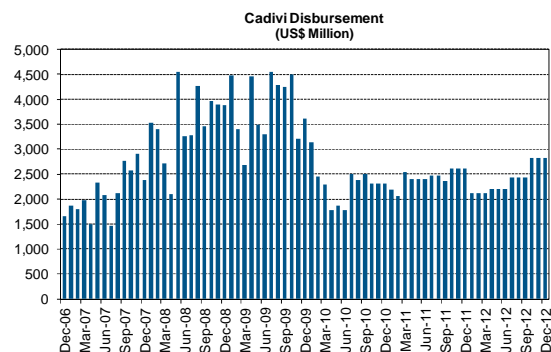
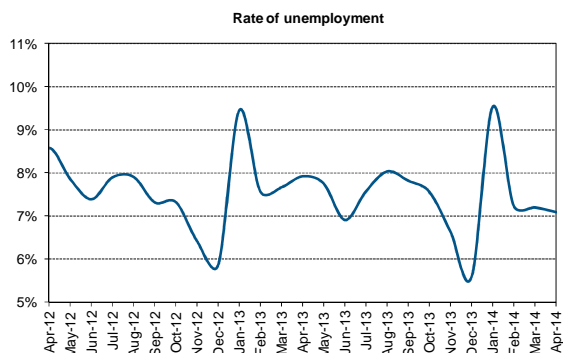
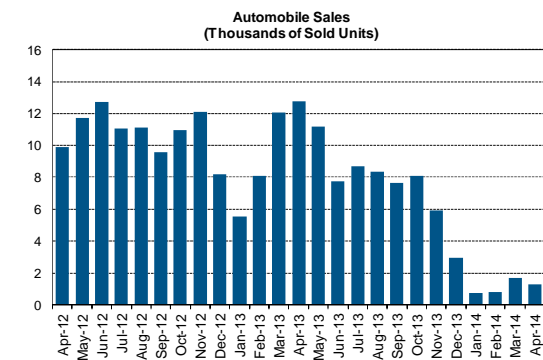
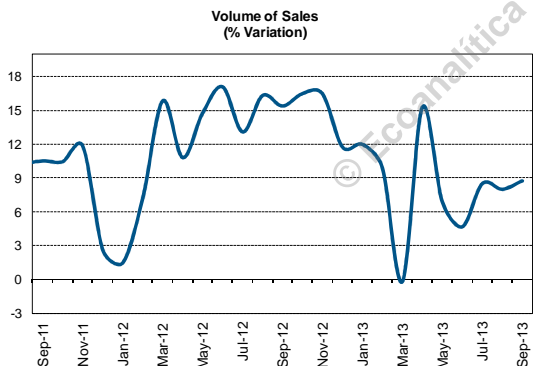
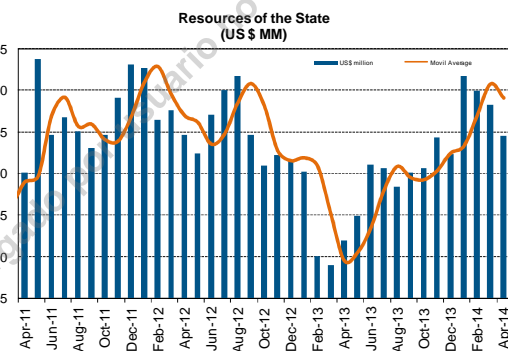
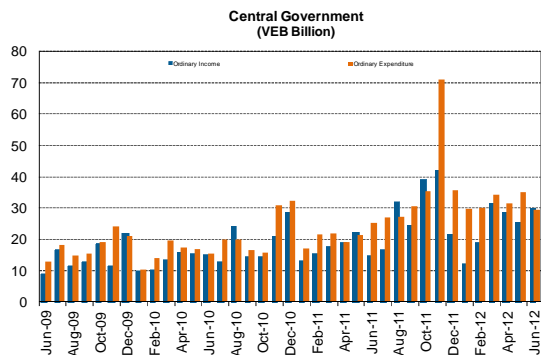
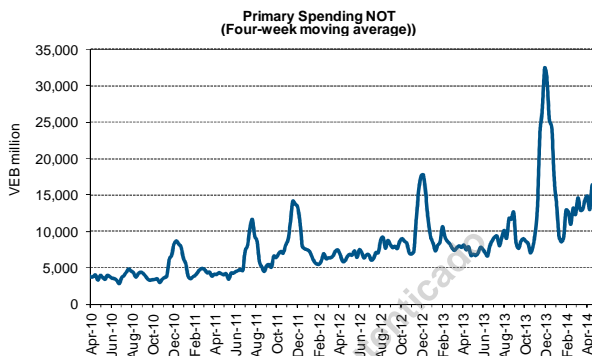
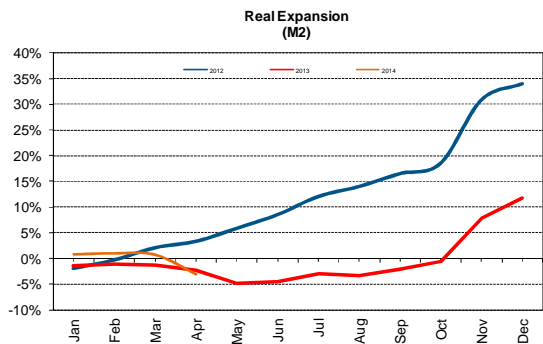
The Constitutional Chamber takes charge. The Constitutional Chamber published ruling No. 474 in which it suspends the competence of the labor courts to call labor union elections, annulling Article 406 of the Law for Labor and Male and Female Workers. It recalled that the Constitution grants the National Electoral Council competence for organizing elections for labor union organizations only through *"an order issued by the Electoral Chamber of this High Tribunal,"* hence only that Chamber *"may order the Electoral Branch to organize electoral processes in the labor unions."*

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ECONOMIC OVERVIEW



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