

12 questions about rising petrol prices (I)

On May 30, 2020, the Venezuelan Executive announced a new scheme for car fuel sales, under which a substantial adjustment is made to prices that, until recently, had been the lowest on the planet. Since August 2018¹, local authorities have communicated their intentions to increase the price of gasoline to "international levels"; however, initiatives to materialize such increases were hampered by the absence of a clear adjustment schedule and technical inadequacies in the collection and administration of the subsidy.

The details on the design, implementation, sustainability, and impact of the measures remain limited. From **Ecoanalítica**, we have given ourselves the task of answering, in two parts, what we consider to be central questions in order to analyze the changes in the fuel subsidy in Venezuela.

1) What are the measures?

On June 1, a "subsidized" price of VES 5,000 per liter was established for the sale of gasoline in 1,368 stations in the national territory, with a monthly purchase limit of 120 liters per motor vehicle, 60 liters in the case of motorcycles. Vehicle owners must be registered in the Patria system² or at the base of the Instituto Nacional de Tránsito Terrestre (INTTT) and their access to the stations depends on the day of the week and their vehicle's license plate number.

In addition, the plan provides for 200 stations to be made available for sale without restriction at an "international" price (equivalent to USD 0.5 per liter) with the possibility of paying in foreign currency. Finally, a 100% subsidy is established for fuel for public transport and freight for a period of 90 days.

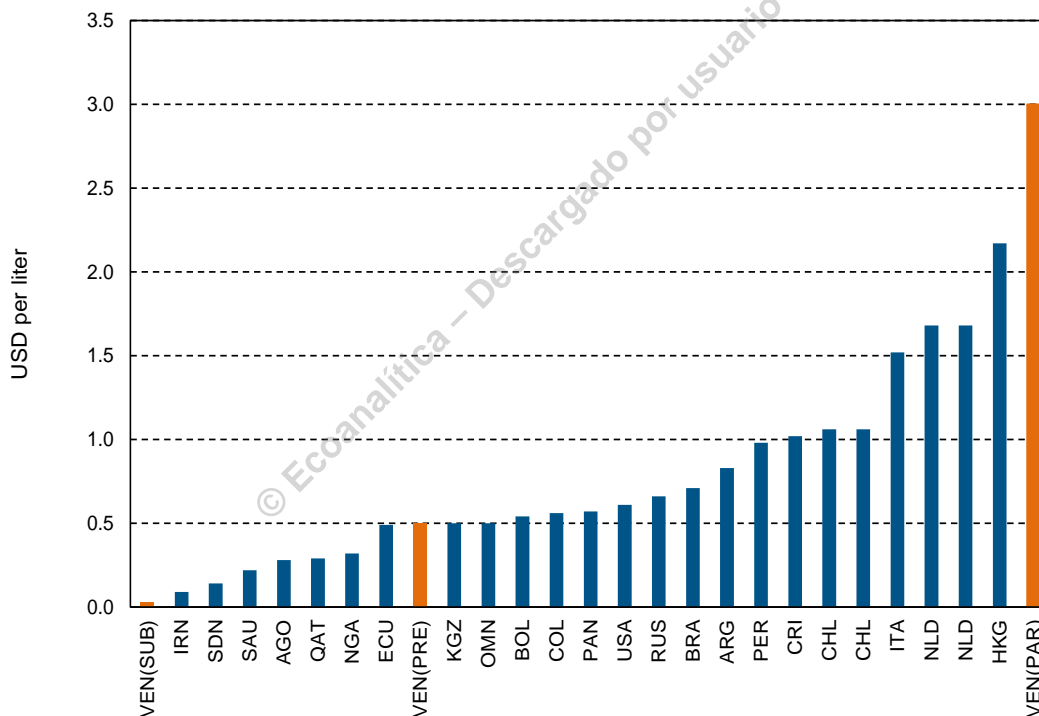
¹ Weekly Report N°32 of 2018: *The Mature Plan*

² Used for low-cost bonus and food distribution.

2) How much does this increase represent?

The price of gasoline prior to the adjustment was VES 0.00006 per liter³. The increase to VES 5,000 per liter represents a nominal increase of 8 billion percent⁴ and 166 billion⁵ percent for the increase to USD 0.5 per liter⁶. Initially, these increases may seem considerable, but when compared to other countries, the "subsidized" price is still the lowest in the world. As far as the "international" price used by the Venezuelan government is concerned, we see that it is equivalent to the price in force in Kyrgyzstan or Oman.

International gasoline prices



Note: VEN(SUB) corresponds to the "subsidized" price of VES 5,000/litre at a ER of VES 200,000/USD, VEN(PRE) is the international" price of USD 0.5/litre, and VEN(PAR) is the parallel market of USD 3/litre.
Sources: GlobalPetrolPrices.com and Ecoanalítica.

³ For 95 octane gasoline. The 91-octane gasoline was priced at VES 0.0001 per liter.

⁴ 8,333,333,233%

⁵ 166,666,666,567%

⁶ Using a reference exchange rate of VES 200,000/USD.

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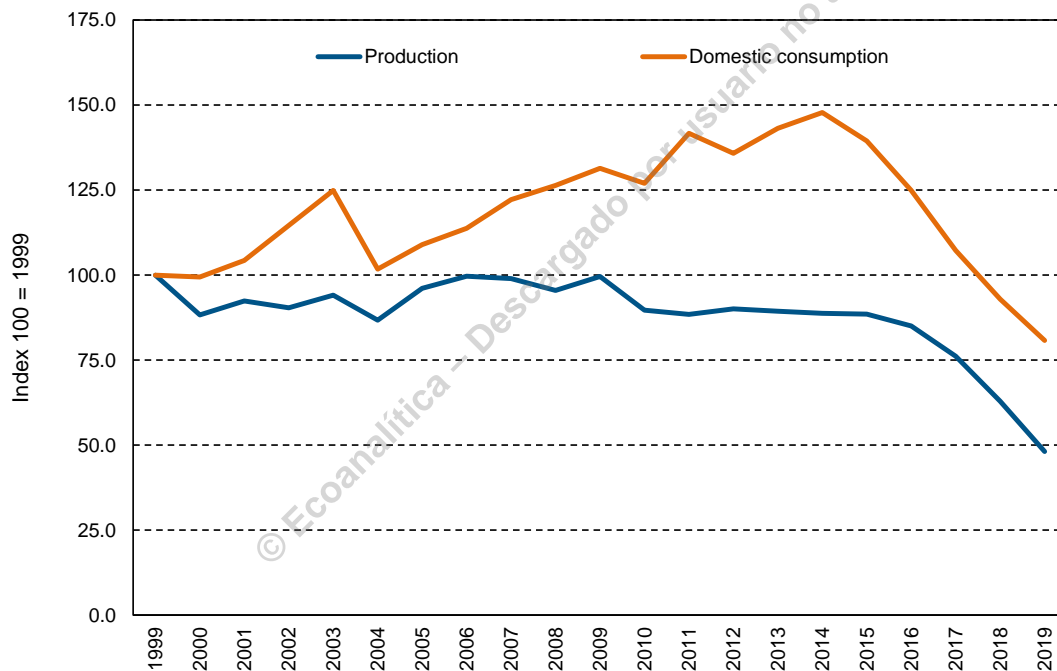
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3) Will the fuel supply be normalized in Venezuela?

The price adjustment alone does not guarantee the restitution of the service in all the Venezuelan territory. Car gas supply depends on the availability of fuel obtained from local refining or from imports to which the Executive has access. On both fronts, the Venezuelan industry is vulnerable. National refining capacity has fallen from 936 kb/d in 2012 to 261 kb/d in 2020 because of disinvestment, infrastructure degradation, and management inefficiency.

Evolution of local oil aggregates



Sources: PDVSA, PODE and Ecoanalítica.

This forces the use of imports of diluents and finished gasoline to supply the domestic market, which are restricted by the international sanctions imposed on the Venezuelan oil industry. If we assume that domestic demand remains at 140 kb/d⁷ and that local refining capacity covers, in an optimistic scenario, 55.0% of those needs, then 77 kb/d of fuel imports will be required which, given international price projections, would cost

⁷ Domestic demand is inhibited by containment measures due to the VOC-19 pandemic, reduced to 67 kb/d.

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the Executive USD 460 million. For comparison purposes, 10 shipments similar to those received from Iran on 25 May would be needed to cover the rest of the year.

4) What is the fiscal impact?

The fuel subsidy in Venezuela represents considerable fiscal and opportunity costs for the State which, essentially, sells gasoline at a loss without recovering production or import costs⁸. Such loss is exacerbated by excess demand encouraged by an artificially cheap price. The size of the subsidy is not directly reflected in the budget, so estimates of it may vary⁹; however, they point in the direction of being considerable.

Between 2008-2016, the annual gasoline subsidy averaged USD 9,394 million. With the fall in oil prices and the economic recession, which itself diminishes domestic consumption needs, the size of the subsidy has fallen to USD 7,107 million in 2019. However, the fuel¹⁰ subsidy remained a significant portion of the size of the Venezuelan economy, reaching 13.1% of GDP¹¹.

⁸ Nor take advantage of export prices when it was refined locally.

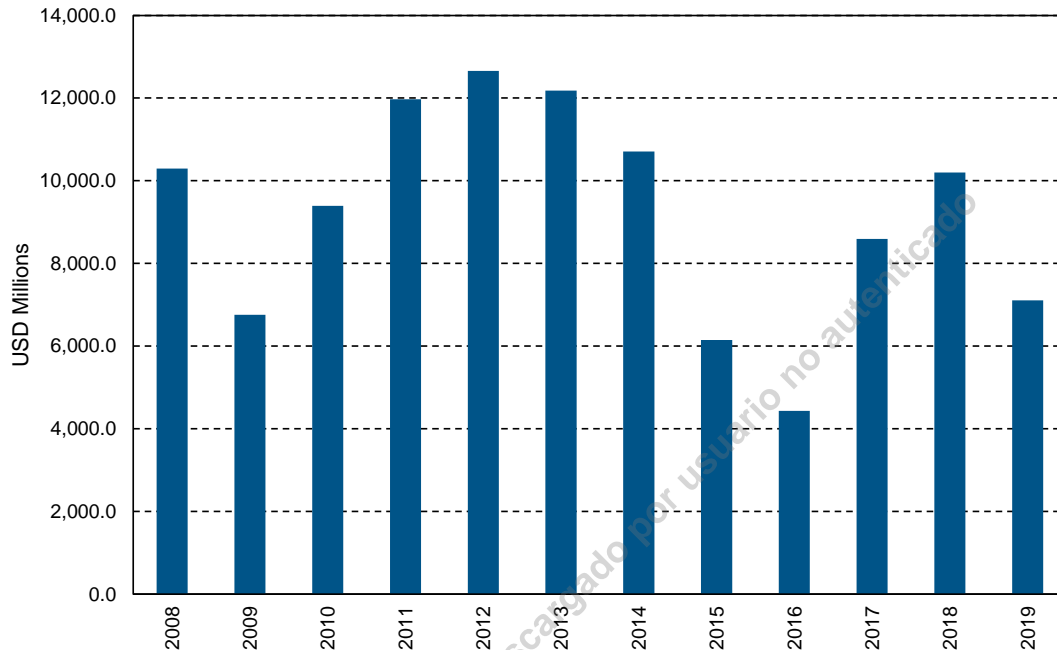
⁹ Dependent on effective subsidy rate, domestic consumption and effective production/import costs.

¹⁰ Considering subsidies on gasoline, diesel, natural gas, PLG and others.

¹¹ Key, Hernández, J., Monsalve, D., Curiel, C., Obuchi, R., Cárdenas, D., Oliveros, A. and Lalaguna, G. (2019): *Estimación de los efectos de los subsidios de servicios en la economía venezolana e identificación de oportunidades de reformas que permitan la redistribución eficiente del ingreso*. Unpublished work. Caracas: IESA and Embajada Británica en Venezuela.

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Fuel subsidies in Venezuela



Sources: IEA, IESA and Ecoanalítica

At **Ecoanalítica**, we believe that the fiscal relief will be linked to how close the sales price is to the import costs. Even if the Executive were to eliminate completely the subsidy, its range of fiscal maneuvering would still be limited due to restrictions on export flows and the exclusion of international financial markets.

5) What distortions does the reform introduce?

The reform establishes differentiated prices for a segmented market of homogeneous goods (fuel), an "energy Cadivi" that operates in a similar way to the former multiple exchange rate system in which the Executive distributes quotas, or quantities, and preferential prices at its discretion.

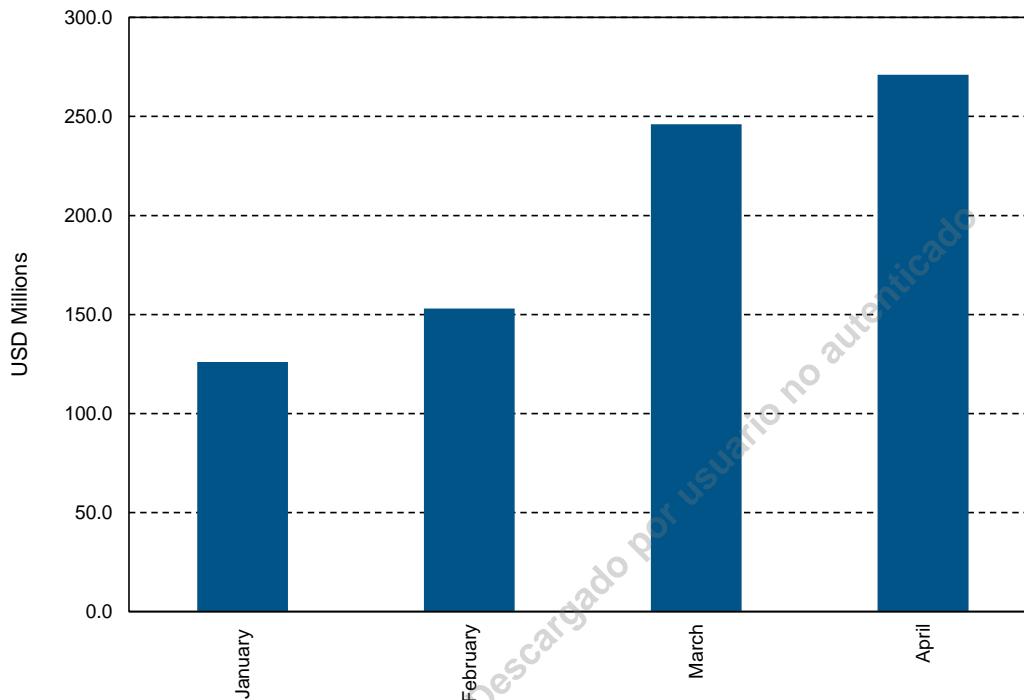
The existence of different prices for the same item distorts the structure of demand and, therefore, stimulates it excessively in the band of the artificially low subsidized price, which puts pressure on the availability of fuel at that price until it finally runs out, especially if there are opportunities for arbitration to resell it in other markets.

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Internal fuel smuggling (2020)



Source: Ecoanalítica.

There is a 1,900% differential between the new subsidized price and the international benchmark used by the Executive. The difference grows around 15.900% if compared to the price of USD 4 per liter¹² found in some areas of Venezuela during the most acute period of the shortage. The existence of high rates of return on arbitration is fertile ground for corruption and internal fuel smuggling. In a scenario where gasoline supplies are insufficient to supply official markets or where there is pronounced inequality in regional coverage, the rise of black markets is very likely.

6) What will be the effect on prices?

The increase in fuel prices will have an initial impact on cost structures previously set on the basis of virtually non-existent fuel expenses and should therefore be reflected in inflationary pressure throughout the month. It is important to note that some items had already incorporated higher prices for fuel achieved in parallel markets into their cost

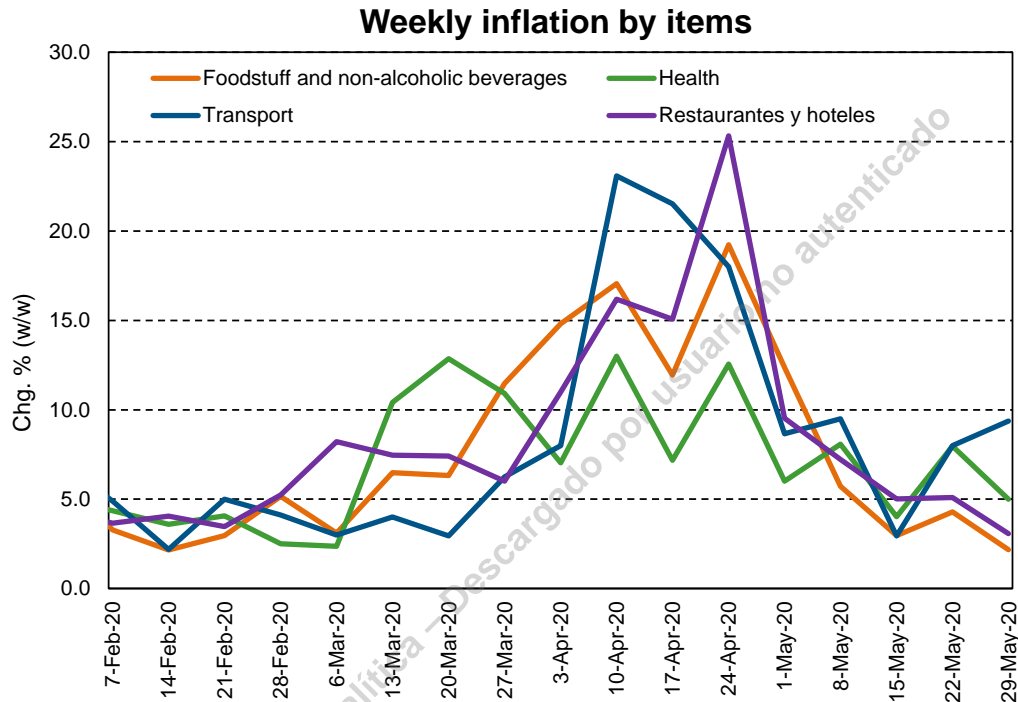
¹² Reuters (26 de abril de 2020) *Venezuela's gasoline goes from world's cheapest to steepest*. Extraído de: <https://www.reuters.com/article/us-venezuela-gasoline/venezuelas-gasoline-goes-from-worlds-cheapest-to-steepest-idUSKCN2280H1>

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structures. For example, the "transport" item registered significant increases in the weeks of 10 and 17 April, when the fuel shortage deepened, and many opted for the parallel market.



Source: Ecoanalítica

The magnitude of the inflationary effect of the increase in the price of gasoline will depend on whether the Executive makes subsequent increases. In that regard, there are no details on how the new sales prices will react to changes in international fuel prices or to local prices. Sudden increases or decreases in import prices affect local prices to the extent that they are passed on to the selling price of gasoline. On the other hand, the inertial inflationary pressure of the Venezuelan economy can leave fuel behind and effectively make it cheaper in relative terms and expand the fiscal weight of the subsidy in real terms.

It is also worth mentioning that no mention has been made of whether differentiated fuel prices will be considered in the cost structures of goods with controlled or "agreed" prices. At **Ecoanalítica**, we consider it unfeasible for differentiated prices to be extended to finished products, so we believe that producers will adjust their cost structures according to expectations of replacement, for the availability and certainty of access, of subsidized gasoline or, failing that, of the parallel market.

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7) What should the government have done?

At **Ecoanalítica** we believe that setting multiple gasoline prices leads to perverse rent capture incentives. In order to eliminate, or reduce, the distortions that motivate arbitrage, the ideal would be to establish a single fuel price at international levels, at the import price if the gasoline comes from abroad, or at the export price if it is refined locally, and to use the income collected from the differential between the cost of production and sale to finance social investments.

It is advisable to simultaneously establish a compensation or direct transfer mechanism, whether universal or targeted, to mitigate the impact on household income and allow the most vulnerable citizens to have access to fuel if they need it. In this way, the price mechanism operates more efficiently to facilitate the emptying of the fuel market, alleviate fiscal space, and mitigate the negative externalities associated with the consumption of artificially cheap gasoline.

Subsidy reforms are usually technically and politically complicated processes with many sensitive considerations. We will discuss this in depth in the next issue of these series of questions.

Giorgio Cunto
Jhoan F. Castellano

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WEEKLY INDICATORS

Weekly Economic Indicators			
	5th Week May	Weekly chg. (%)	Depre/Apre (pp) ¹
FX Boards (VES/USD) ²	197,214.95	4.8	4.6
	4th Week May	Weekly chg. (pp)	Annual chg. (pp)
Lending Interest Rate (%)	39.8	0.0	9.5
	5th Week May	Weekly chg. (pp)	Annual chg. (pp)
Overnight Interest Rate (%)	87.6	-28.0	-21.0
	5th Week May	Weekly chg. (%)	Annual chg. (%)
International Reserves (USD Bn)	6.4	0.2	-18.8
	4th Week May	Weekly chg. (%)	Annual chg. (%)
Monetary Liquidity (MM VES)	105,818,827	5.4	1,533.9
Price of International Oil Baskets (USD/bl)			
	1st Week May	Weekly chg. (%)	Annual chg. (%)
WTI	22.5	47.8	-63.7
Brent	28.8	31.1	-59.2
Price of the Venezuelan oil basket (USD/bl)			
	1st Week May	Weekly chg. (%)	Annual chg. (%)
Weekly Average	13.4	39.1	-79.0
Annual Average	33.9	-3.2	-43.3

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: "AROUND THE WORLD IN 91 DOLLARS"

Travel costs per gasoline prices (USD)			
	Subsidized	Unsubsidized	Black market
Residential travel (round trip)*	0.2	3.9	23.7
Commercial travel (round trip)**	0.5	10.5	62.9
Around the world***	91.4	1,763.3	10,579.8

Note: we assume an average fuel efficiency of 0.088 liters per kilometer traveled

*Average distance from Caracas to los Teques (30.3 km), Guarenas (38.1 km) and Charallave (66.1 km)

**The distance between Caracas and Maracay (119.1 km) was used as a reference

***40,075 km

Sources: Reuters and Ecoanalítica

On May 30, Maduro announced adjustments to the price of gasoline. The new prices were established under a differentiated scheme, in which part of the population has access to a subsidized price equivalent to USD 0.025 per liter and the rest has access to a non-subsidized price of USD 0.5 per liter. The existence of this type of scheme and the limited supply of gasoline on the domestic market will lead to the emergence of a third price on the black market, similar to that observed throughout the quarantine, which, according to *Reuters*, had reached between USD 2 and USD 4 per liter. These new prices will dramatically affect the Venezuelan economic dynamics; therefore, it is important to compare the new transport costs that Venezuelans will face under this new price mechanism.

Assuming an average yield of 0.088 liters per kilometer, a residential (home - work - home) round trip of approximately 89.7 km would cost an average of USD 0.2 with subsidized gasoline, USD 3.9 using unsubsidized gasoline and USD 23.7 with gasoline purchased on the black market. The differences become more drastic if we assume an average commercial return trip (e.g., to the industrial zone located in the center of the country) of 238.2 km. In this case, costs rise to USD 0.5 (subsidized), USD 10.5 (unsubsidized) and USD 62.9 (black market). It is important to take into account that this type of trip is normally carried out with means of transport that consume more litres per kilometre travelled, so the costs and differences between prices could be much greater. If we take these examples to an absurd level, going around the planet (40,075 km) would cost only USD 91.4 with subsidized gasoline, USD 1,763.3 with unsubsidized gasoline and USD 10,579.8 with the parallel market.

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These fuel increases, and subsequent increases in transportation costs, will have a significant impact on the prices of goods and services, further curtailing the purchasing power of Venezuelans. On the other hand, the differentiated scheme will encourage arbitrage in the domestic market, creating a black economy and establishing another means of illicit income for those who ration the limited supply of gasoline.

Although in the past **Ecoanalítica** has recommended an increase in gasoline prices, the means and conditions in which these changes were made could worsen the economic crisis. There are multiple alternatives to the differentiated pricing scheme chosen by the State, it is up to them to reflect and establish the option that minimizes the damage caused to a people seriously weakened by a prolonged economic contraction.

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ECONOMIC TIPS

COVID-19 in Venezuela. According to official figures, the number of positive cases of coronavirus reached 1,662 on June 1 and 17 deaths were recorded by the same date.

A 5x10 syncopated (I). In a national chain, Nicolás Maduro explained a method of flexibilization of the 5x10 confinement, where 5 days of organized flexibilization will be executed and other 10 days of confinement where the impact of flexibilization will be evaluated. This measure does not apply to states bordering Colombia and Brazil, where there is a significant increase in cases.

A 5x10 syncopated (II). In detail, from 7:00 am to 2:00 pm the medical and dental offices will be open. Between 10:00 am and 4:00 pm, textile and shoe industries, chemical raw materials, hardware stores, and hairdressing salons will open. Finally, public transportation will be allowed to operate between 7:00 am and 5:00 pm and the construction sector will be allowed to operate, but the national chain schedule was not specified.

A 5x10 syncopated (III). Minister Jorge Rodríguez announced the lifting of the curfew in Nueva Esparta state, although the relaxation measures will not be applied, and recalled that mobilization between states is still prohibited. He informed that there are plans to carry out 10 million tests, both rapid and RCP tests.

More and more bonuses. President Nicolás Maduro announced, through the Carnet de la Patria Twitter account, that from May 28th to June 4th the "Discipline and Awareness" bonus will be given directly and gradually. The amount of the bonus will be VES 500.000,00.

Meat doesn't grind itself. According to the record kept by the news program Efecto Cocuyo in the Guaicaipuro Market, the kilogram of ground meat increased 158.82% from the week of May 21 to May 29, being the item that presented the biggest increase. The prices in the delicatessens of the market decreased small percentages while those of the proteins increased differently.

It would be the same with or without minimum wage. The Caracas Food Basket, which records the prices of seven basic items, published by Congressman José Guerra, presented a variation of 7% per week, for May 31, and reached a cost of VES 3,075,000 or USD 16.68. The congressman said that with the minimum wage only 13% of the products can be purchased.

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A subjective impact. According to Congressman Angel Alvarado, the increase in the price of gasoline will affect the National Consumer Price Index by 5%, which, for an economy with 80% inter-monthly inflation or more than 4,000% annual inflation, would be considered a marginal increase.

Remittances in migration (I). According to the newspaper Crónica Uno, after the pandemic, only 20% of Venezuelan households received remittances, compared to 35% of households before the crisis.

Remittances in migration (II). Economist Aldo Contreras estimated that exchange houses stopped receiving around US\$ 400 million per month due to their closure and that the Zelle system and transfers in bolivars are replacing exchange houses.

Taking it... Delcy Rodriguez reported that the Central Bank of Venezuela will continue the lawsuit against the Bank of England for the "theft of 31 tons of gold".

...to the very end. The announcement was made after the BCV reported that the English court had set a hearing for June following its appeal against the Bank of England's refusal to hand over the Venezuelan gold.

Money tables. For the week of May 29, the average rate for money tables was VES 197,214.9/USD. This represents a 4.8% depreciation from last week.

OIL TIPS

A structural change? (I). In a national chain, President Nicolas Maduro established a new system of differentiated fuel prices. He reported that the first 120 litres of consumption per four-wheeled vehicle and the first 60 litres per motorcycle will be subsidised at a price of VES 5,000 per litre.

A structural change? (II). In addition, he indicated that public passenger and cargo transport will be fully subsidized for a period of 90 days and announced that around 200 service stations will be enabled to purchase and distribute gasoline privately and that this gasoline will be sold at a price of USD 0.5 per liter.

A structural change? (III). Finally, the National Executive explained a system of "peak and plate" to refuel, in which the user will have access to the subsidized fuel on a specific day of the week that will depend on the last number of the plate of his vehicle.

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They came... At a press conference, Nicolas Maduro stated that he will make a trip to Iran soon to sign trade agreements between Iran and Venezuela in several sectors, including energy.

...to stay. This announcement comes after an Iranian Foreign Ministry spokesman told a press conference that "Iran is practicing its free trade rights with Venezuela and we are ready to send more ships if Caracas demands more supplies from Iran.

Bankruptcy on board (I). The company Libre Abordo declared itself bankrupt and reported that it had terminated the food-for-oil agreement it had signed with the Venezuelan government in which barrels of oil were traded for tankers.

Bankruptcy on board (II). This happens after the United States Government announced the beginning of investigations by the Federal Bureau of Investigation (FBI) on several companies such as Libre Abordo or Schlager Business Group.

It's raining sanctions (I). The U.S. Treasury Department sanctioned four oil companies for offering Venezuelan crude oil transportation services despite the embargo in place since February 2019.

Raining sanctions (II). Three of the sanctioned companies have their headquarters in the Marshall Islands: Afranav Maritime LTD, owner of the Panamanian ship Athens Voyager; Adamant Maritime LTD, owner of the Bahamian ship Seahero; and Sanibel Shiptrade LTD, owner of the ship Voyager I, with the flag of the country of its headquarters. And a fourth company based in Greece called Seacomber LTD, owner of the Maltese ship Chios I.

Watching the road (I). Elliot Abrams, the U.S. Government's special envoy for Venezuela, announced that a campaign is underway to get international companies to step aside in gasoline transactions between Iran and Venezuela.

Watching the road (II). Specifically, he stated that "we have alerted the shipping community around the world, ship owners, ship captains, ship insurers, and we have alerted the ports along the road between Iran and Venezuela" in order to remind them of the legal consequences they would have with the United States Government.

First to enter.... The first two Iranian tankers to arrive have already set sail from Venezuelan ports this weekend. The "Fortune" (subject to sanctions by the U.S. government) began its journey on Sunday to Bandar Abbas, its original port, while the "Forest" set sail from the Cardon refinery and soon after turned off its geo-locator.

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...first out. The Iranian tanker "Faxon" arrived at the terminal in Guaraguao, Anzoátegui state, and is estimated to be unloading some 270,000 barrels of fuel. In addition, the Iranian tanker "Clavel" is expected to arrive in the coming weeks at the Bajo Grande terminal in Zulia with some 360,000 barrels of fuel.

OPEC+ is back. A new meeting of the members of the Organization of Petroleum Exporting Countries is scheduled for June 10, but there is internal pressure for this meeting to be held on June 4.

OPEC+ is back (II). At this meeting, the ministers of the member countries are expected to discuss the extension of the withdrawal of 9.7 million barrels of oil per day from the market by at least three months, in addition to a collective reduction of 7.7 million barrels of oil per day for the second part of the year.

SECTOR TIPS

Starting with the left (I). Hugo Ocando, president of United Transport for Venezuela, reported that numerous failures occurred on the first day of implementation of the new scheme of differentiated prices for gasoline and a "100.0% subsidy" of diesel and gasoline to transport of cargo and collective passengers.

Starting with the left (II). The leader of the association also announced that security forces prevented access to some service stations on the grounds that they had incomplete information about the protocol to be followed. In addition, he reported that other stations supplied up to 60 litres.

Starting with the left (III). According to the Panorama portal, in Maracaibo, the service stations supplied a maximum of 30 liters and without the new subsidized price, since they did not yet have the biopayment system.

In confinement... The Federation of Chambers and Associations of Commerce and Production of Venezuela (Fedecámaras), in its study of the Digital Observatory of Productivity, reported that 62.8% of companies are completely paralyzed in the current situation.

...not just because of the pandemic. Of the companies still in business, 29.0% operate with restricted hours and only 8.2% keep up with regular working hours. Of the companies that are operating, 46.0% will be able to stay open for a maximum of six months and 36.0% only have the capacity to remain open for a period of between one and four weeks without operating.

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Hazardous flexibility (I). Felipe Capozzolo, president of the National Council of Trade and Services (Consecomercio), pointed out that it is important to observe the protocols issued by the International Labour Organization in a systematic way.

Hazardous flexibility (II). He indicated that the National Institute of Prevention, Health and Safety at Work (Inpsasel), the National Autonomous Service for Standardization, Quality, Metrology and Regulations (Sencamer) and the Development Fund for Standardization, Quality, Certification and Metrology (Fodenorca) can work together to provide surveillance.

Dangerous flexibility (III). Finally, he added that although the shopping centres were not included in the plan to relax the confinement, they will be open to give access to the premises that were.

A long journey to resume travel. Federico Serrano, director of the Venezuelan Association of Travel and Tourism (Avavit), said that tourism activity in the country will take one or two years to normalize. He also indicated that before the pandemic, nearly 1,000 tourism agencies operated in the country, of which only 300 were registered with the Association.

Centres without shops. According to Freddy Cohen, president of the Venezuelan Chamber of Shopping Centers (Caveco), the country requires a more accelerated flexibilization that includes shopping centers, since about 500,000 stable jobs depend on it.

Trading in survival. The Economic Commission for Consecomercio estimated that before the pandemic, 30% of its members were in special circumstances very conducive to closing their businesses.

Half bank (I). Antonio Morales, President of the Superintendence of Banking Sector Institutions, Sudeban, indicated that during the week he has opened between 40.0% and 45.0% of the banking agencies nationwide.

Half bank (II). In addition, he highlighted that all public and private banks are willing to support the Biopayment system for the payment of gasoline using debit and credit cards. Finally, the directors of the banks were urged to establish home services for the elderly to avoid their mobilization towards the banking agencies.

Churches at half speed. Through the "ecclesial protocol for the relaxation of quarantine", the Venezuelan Episcopal Conference (CEV) is preparing for the reactivation of activities in three stages. The masses will be held with a maximum of

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50% of the capacity and the use of mask will be obligatory and a distance of 1.5 meters between each person will be safeguarded.

INTERNATIONAL TIPS

COVID-19 in the world. According to figures published by the World Health Organisation (WHO), the number of positive cases of coronavirus reached 6,416,828 on 4 June and the number of deaths was 381,867 for the same record.

Fighting for Hong Kong (I) Donald Trump, President of the United States, ordered a process of elimination of the special treatment to Hong Kong to punish China. This is because the Chinese Government imposed new national security legislation on the territory, so, according to Trump, the privileges granted to the former British colony are no longer justified.

Fighting for Hong Kong (II) According to Donald Trump, the new US sanctions would affect a wide range of agreements with Hong Kong, from "*the extradition treaty to export controls on dual-use technologies and more, with few exceptions*".

Fighting for Hong Kong (III) China responded to Trump's announcements by assuring that U.S. attempts to harm Chinese interests in Hong Kong will be met with strong retaliation measures. This dispute puts at risk the progress made by the two countries on trade issues last year.

Bidding shock. Official Japanese government data indicated that factory output fell by 9.1% in April from the previous month, the largest drop since the series became available in 2013.

Crash in the lawsuit. Official data also showed that retail sales in Japan fell by 13.7% in April compared to the previous year, mainly due to lower demand for general merchandise, clothing and vehicles. This is the sharpest fall since May 1998.

USD 2.2 billion to the rescue. Both figures were released after Japan's economy entered recession for the first time in four and a half years in the first quarter. In response, the government lifted the state of emergency and approved a second stimulus package worth USD 1.1 trillion, bringing the total stimulus commitment to save the economy from the pandemic to USD 2.2 trillion.

Taking advantage of the aids at your disposal. Pedro Sánchez, President of the Spanish Government, said he expects Spain to obtain EUR 140 billion (USD 155.37

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billion) from the new European Union recovery fund. This amount represents 18.7% of the total of this fund, which offers a combination of grants and loans to the countries most affected by the pandemic.

One last extension (I). In addition, Sanchez announced that he will ask Parliament to extend the containment measures until 21 June, "*to put a definitive end to this health emergency*". This extension would be the "last and definitive" two-week extension of the state of alert.

One last extension (II). Sanchez indicated that as of June 21, the state of national alarm will end and with it the confinement measures, allowing citizens to move freely in their regions. He added that as of July 1 citizens would be able to move around the country.

Breaking unwanted records. The Central Bank of Chile reported that in April the Chilean economy plummeted 14.1% compared to the same period last year, its worst record ever, mainly due to the measures taken to contain the spread of the coronavirus.

Mining in Peru, touching the bottom of three decades (I). According to Peru's National Institute of Statistics and Informatics (INEI), the country's mining and hydrocarbon sector showed a 42.3% year-on-year drop in April. This contraction is the deepest that the sector has presented in approximately three decades.

Mining in Peru, touching the bottom of three decades (II). INEI explained that in April copper production fell by 34.7%, gold by 53.5%, zinc by 86.3% and silver by 73.6%. It added that iron production was zero that month.

POLITICAL TIPS

Will the protests come back? (I). The National Assembly (NA), led by Juan Guaidó, approved an agreement on 31 May to reject the petrol increase decreed by Nicolás Maduro. The NA called on citizens to "*raise their voices in protest*" and hold "*peaceful and street demonstrations*" which will be accompanied by the deputies.

Will the protests come back? (II). The agreement, approved unanimously, includes that Juan Guaidó, in the framework of a National Emergency Government, will propose to the country a plan for the rescue of the energy industry, to generate "serious and successful" alternatives that promote the economic development of Venezuelans.

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A few million more reward (I). The U.S. State Department issued a \$5 million reward for information leading to the capture of Joselit Ramirez, Venezuela's National Superintendent of Cryptoactive and Related Activities (Sunacrip).

A few million more reward (II). The statement accuses Ramirez of supporting international organized crime. The U.S. Attorney's Office revealed that the Venezuelan official committed several crimes in an attempt to evade the sanctions that the Office of Foreign Assets Control (OFAC) imposed on Maduro and other related officials.

The witch-hunt continues: Borjas. The Juan Guaidó Communications Center reported on May 29 that officials of the Special Action Forces (Faes) detained a member of their team, Vicente Borjas Troconis, with his wife and children.

The witch hunt continues: Hernandez. Likewise, José Ignacio Hernández, special prosecutor appointed by Guaidó, denounced that a commission of officials from the Bolivarian National Intelligence Service (Sebin) tried to raid his former residence.

The gold rush. According to Guaidó and Hernández, the repressions by Faes and Sebin are "*the retaliation of the Nicolas Maduro regime*" for the latest actions taken by Guaidó's team to protect the Republic's gold, which is protected in England.

The Venezuela case, an international problem (I). Fatou Bensouda, attorney general of the International Criminal Court (ICC), announced that her office has made "*significant progress*" in the preliminary examination opened to Venezuela in February 2018 and explained that she expects to take further decisions in the coming months.

The Venezuela case, an international problem (II). Bensouda recalled that he has received two referrals to investigate crimes against humanity in Venezuela. One by six countries (Canada, Colombia, Argentina, Chile, Peru and Paraguay), for alleged abuses by Venezuelan security forces against opposition demonstrators, and the other by Nicolas Maduro, due to economic sanctions imposed by the United States.

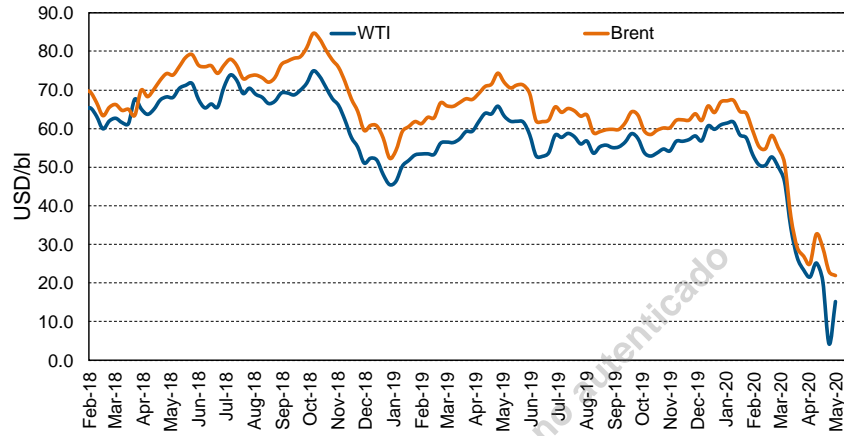
Operation Gideon continues to have implications. In a statement, the Supreme Court of Justice said that the "Anti-Terrorism Courts" deprived eight people allegedly involved in Operation Gideon of their freedom. The accused are: Erickson Chaya Barroeta, José Alexander Sanguino, Juan Fred Acosta, Andreina Alemán Castellanos and Yolimar Alemán De Chaya.

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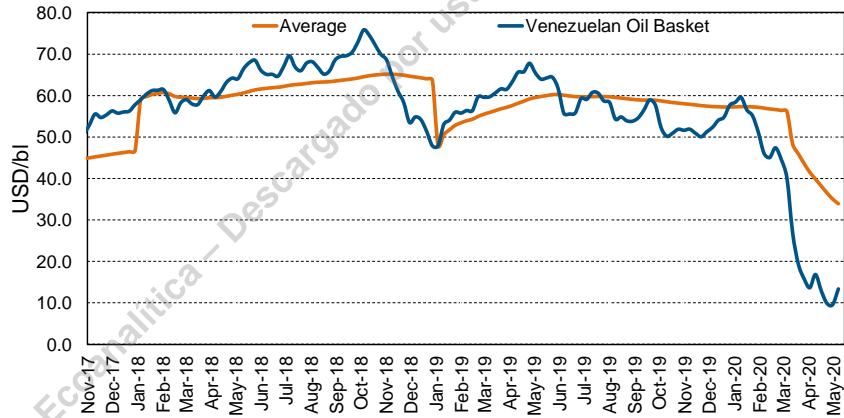
ECONOMIC DATA

**Oil Prices
(WTI and Brent)**



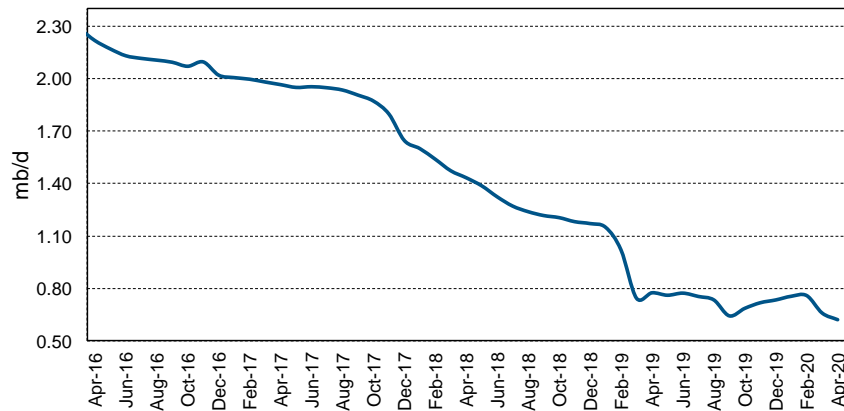
Sources: Menpet and Ecoanalítica

**Oil Price
(Venezuelan Basket)**



Sources: Menpet and Ecoanalítica

**Oil Production
(Secondary sources)**



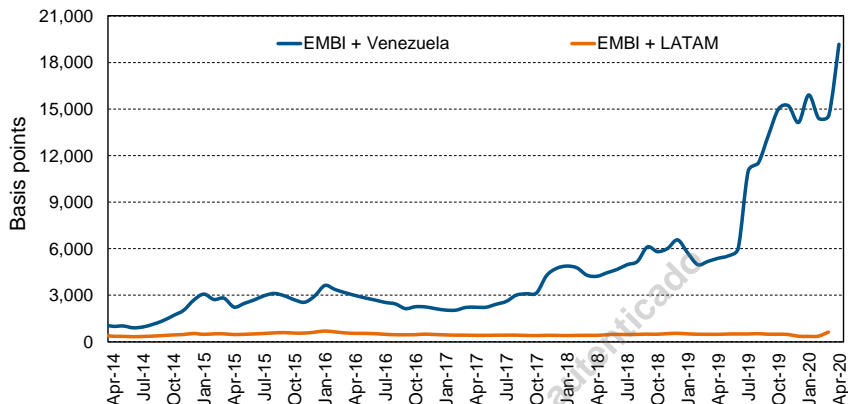
Sources: OPEC and Ecoanalítica

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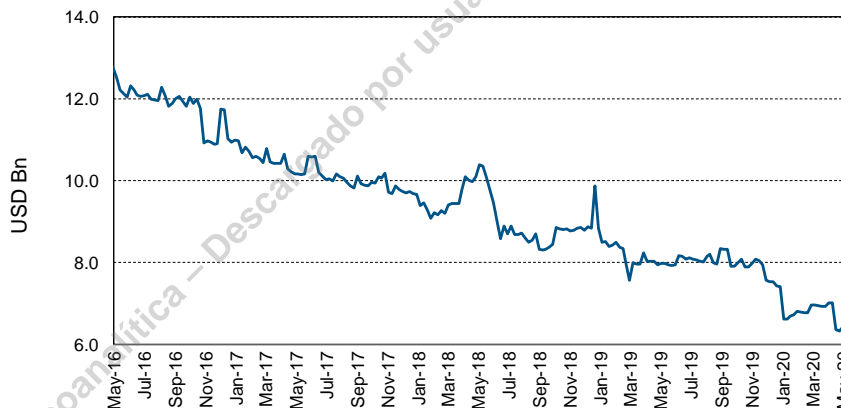
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EMBI



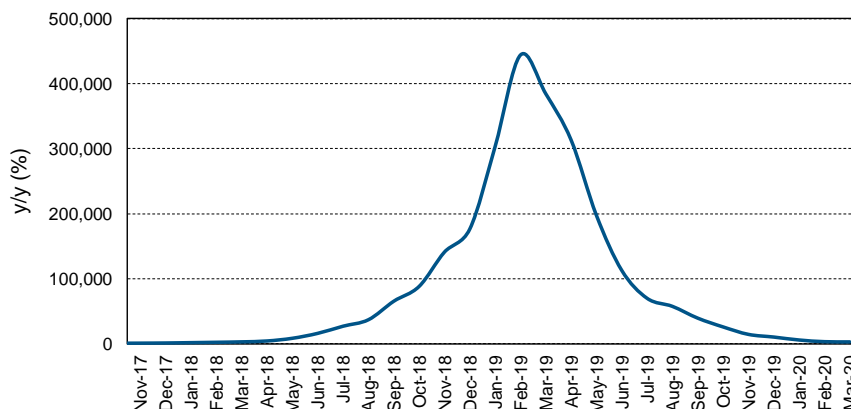
Sources: BCRP and Ecoanalítica

FX Reserves (BCV)



Sources: BCV and Ecoanalítica

Inflation (BCV)



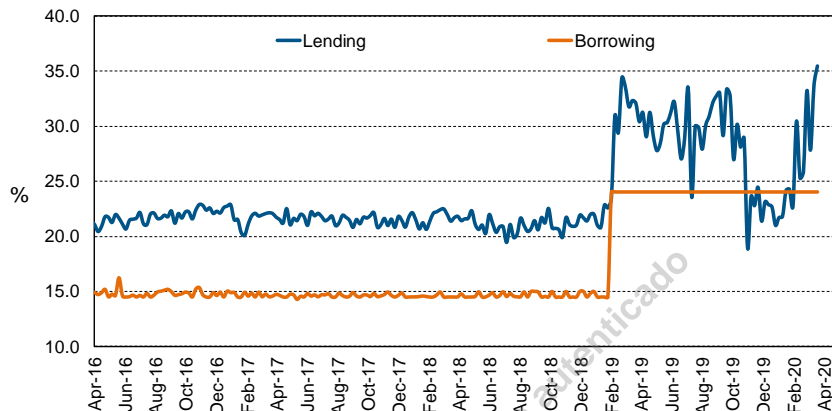
Sources: BCV and Ecoanalítica

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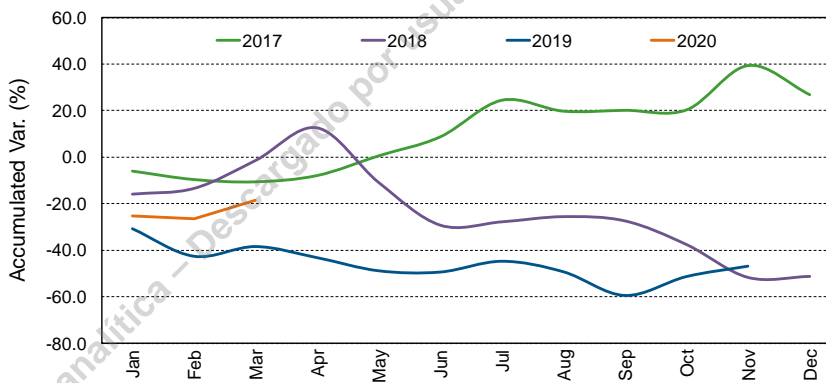
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**Interest Rate
(Six major banks)**



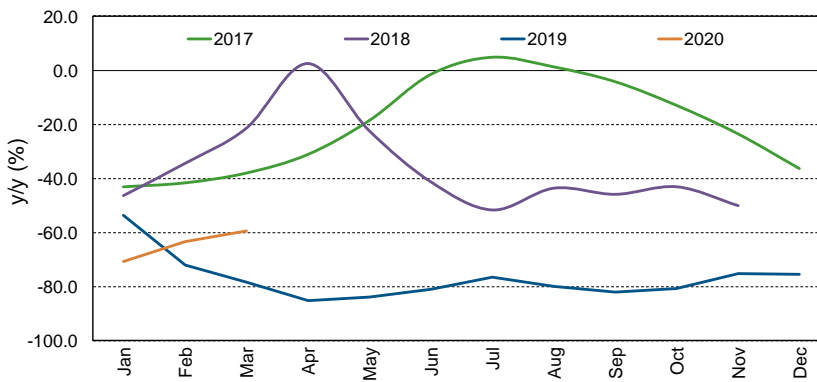
Sources: BCV and Ecoanalítica

**M2 Expansion
(Real)**



Sources: BCV and Ecoanalítica

**Loan Portfolio
(Real)**



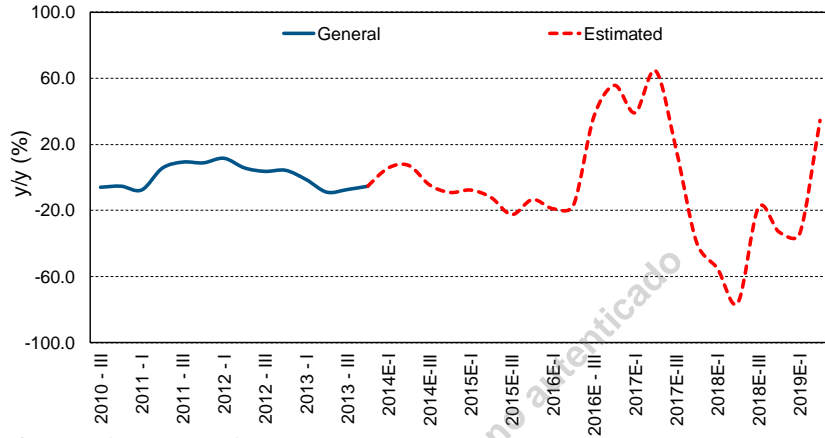
Sources: SUDEBAN and Ecoanalítica

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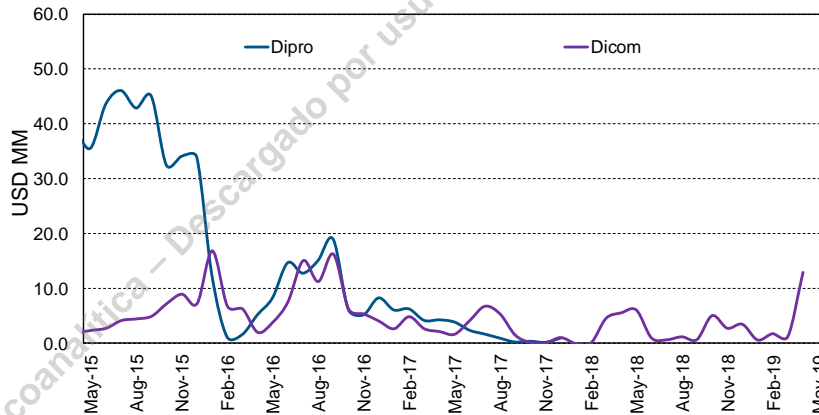
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Real Wage Index



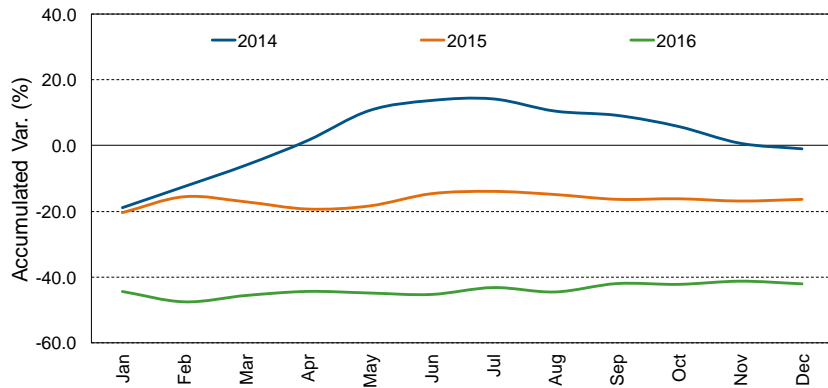
Sources: BCV and Ecoanalítica

Disbursements to the Private Sector (Daily Average)



Source: Ecoanalítica

Primary Spending NTO (Real - Central Government)



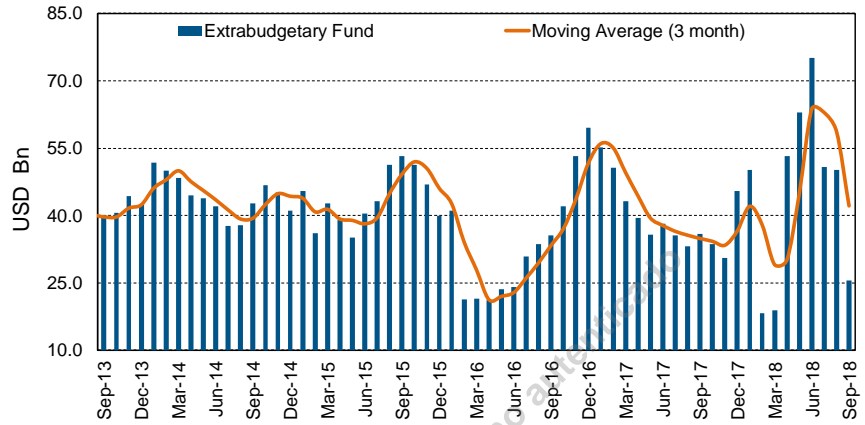
Sources: ONT and Ecoanalítica

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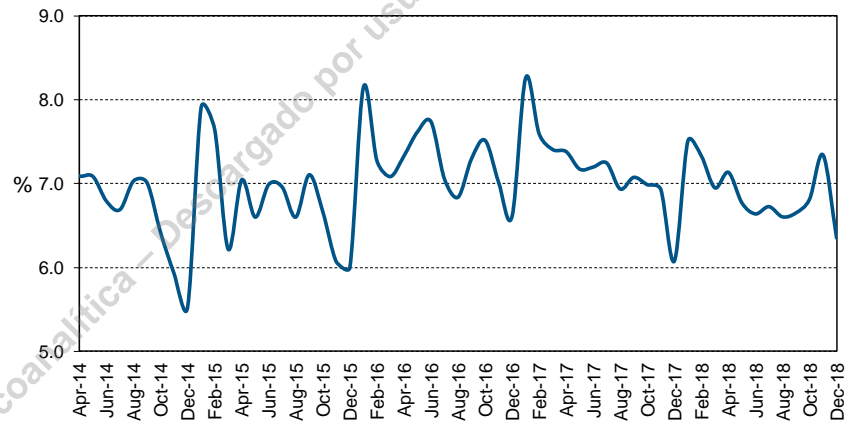
ECONOMIC DATA

State Extrabudgetary Resources



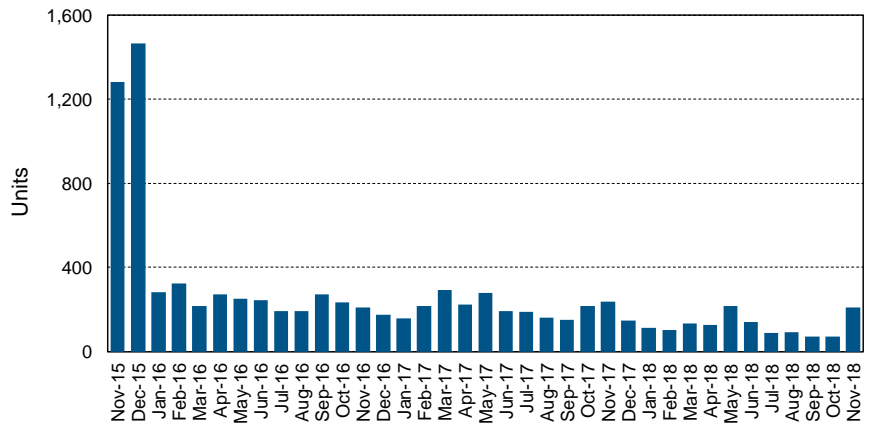
Source: Ecoanalítica

Unemployment Rate



Sources: INE and Ecoanalítica

Vehicle Sales



Sources: CAVENEZ and Ecoanalítica

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