

## Is it fifty thousand, five billion or five trillion bolivars?

On Wednesday, June 12, the Central Bank of Venezuela published the expansion of the monetary cone on its webpage with the introduction of VES 10,000, VES 20,000 and VES 50,000 banknotes, which were apparently to go into circulation on June 13. According to the Central Bank, the purpose of the measure was to “make the system of payments more efficient and facilitate transactions.” This is the fourth time in three years that the government has made changes to the monetary cone.

The reasons given by the Central Bank can be interpreted as an acknowledgement that there are currently insufficient bank notes to perform daily purchase operations in a situation of hyperinflation, something that is inevitable given that it was difficult to purchase any good or service with the highest denomination banknote before the announcement (VES 500), except for gasoline and public transport.

Changes of this type are as necessary as they are predictable, since making adjustments to banknote denominations on its own does little to bring down the pressure of inflation that takes away purchasing power from each banknote in the first place.

### Picking up the pace as never before

Looked at from an historical viewpoint, updates of the monetary cone have not been that frequent in Venezuela. The bolivar was adopted as the local currency in 1879 during the second Antonio Guzmán Blanco administration and its use precedes the creation of the Central Bank of Venezuela, which took charge of its centralized emission in 1939. The first series of banknotes issued by the Central Bank appeared in the 1940s and included denominations that had been in circulation for decades, when they were issued by other banks. It was not until the mid-1990s that the Central Bank issued coins worth more than 1,000 bolivars<sup>1</sup>, just over a century after the bolivar made its first appearance. The cone continued to be updated up until 1998, with lower denomination banknotes being eventually demonetized and replaced by coins.

<sup>1</sup> Some 1,000 bolivar denominations, such as those of Banco Caracas and Banco de Venezuela, go back to the 1890s.

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### Bank notes issued by the BCV

<b>Bolívar (1879-2007)</b>		<b>Bolívar Fuerte (2008-2018)</b>		<b>Bolívar Soberano (2018-present)</b>	
Bank note	Year	Bank note	Year	Bank note	Year
1*	1989	2	2008	2	2018
2*	1989	5	2008	5	2018
5	1966	10	2008	10	2018
10	1945	20	2008	20	2018
20	1941	50	2008	50	2018
50	1940	100	2008	100	2018
100	1940	500	2016	500	2018
500	1940	1,000	2016	10,000	2019
1,000	1991	2,000	2016	20,000	2019
2,000	1994	5,000	2016	50,000	2019
5,000	1994	10,000	2016	-	-
10,000	1998	20,000	2016	-	-
20,000	1998	100,000	2017	-	-
50,000	1998	-	-	-	-

\*Issued to handle a coin scarcity emergency in 1988-1989

Sources: Numismatic Catalogue of Venezuela and Ecoanalítica.

In 2008, the monetary cone was “restarted” with the appearance of the *bolívar fuerte* or “strong” bolivar (VEF), a redenomination that lopped three zeros off with a view to simplifying calculations. This family of banknotes was to last without any updates until the end of 2016, when it was expanded from six different denominations to 12. After the emission of the VEF 100,000 banknote in November 2017, the monetary cone was updated once again with another monetary redenomination and the emission of the *bolívar soberano* or “sovereign” bolivar (VES) in August 2018, this time lopping off five zeros. After all these changes, VES 100 are equivalent in nominal terms to VEF 10 million or VEB 10 billion.

As can be seen, the monetary cone updates have become increasingly more frequent. Over the lapse of three generations of bolivars, the time it takes to update the repertoire of banknotes went down from a century to less than a decade and then to less than a year.

The changes to the monetary cone are due to the need to maintain a supply of banknotes that is more or less in line with the overall behavior of prices in an economy. The more prices go up, the higher nominal value of the banknotes the Central Bank needs to issue

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will have to be, otherwise the amount of banknotes needed to perform transactions grows to the point where using them ceases to be practical.

Even though the specific criteria used by the Central Bank to decide when to issue new banknotes and what value to assign to them are not made public, it is reasonable to think that the simplest procedure for updates of this type is to adjust for inflation since the last redenomination and, if necessary, to anticipate the inflation those banknotes will encounter in the medium term, with a view to extending their useful life.

### Are these adjustments enough?

Normally, the launching of new banknotes would “displace” any lower-value banknotes that might have fallen out of use due to rising prices. A dynamic is created that is fed by renewing some banknotes and abandoning others, so modifying the repertoire of banknotes that the general public actually demands and uses.

The hyperinflationary episode in which Venezuela has found itself since November 2017 has rendered all the original denominations of the “sovereign” bolivar obsolete, which means that the actual use of the monetary cone will be limited, at least in the short term, to only three banknotes. For that reason, it is advisable to identify what their equivalent purchasing power in terms of the previous banknotes will be.

In a scenario in which all the banknotes of the current monetary cone are replaced, we are able to calculate what a new family of banknotes would be by adjusting the denominations in circulation since August 2018 for inflation. In the case of the three new banknotes, we can identify which banknotes they would be “replacing” by comparing the results of the adjustment to the nominal value of the new banknotes.

This calculation produces considerable differences depending on which inflation figures are used. According to the Central Bank, cumulative inflation between the redenomination and April 2019<sup>2</sup> was 25,619%, which would indicate an update of the VES 50, VES 100, and VES 200 banknotes. According to **Ecoanalítica**'s figures, inflation over that period (including the increase in prices in May and the first weeks of June) was 119,609%, resulting in the VES 10, VES 20 and VES 50 banknotes being the ones updated, even though inflation has already left behind this last group of bills. In both scenarios, the highest and lowest value bills of the family of banknotes are left out.

<sup>2</sup> Last figure available at the time of going to press.

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### Bank notes ajusted by inflation

Bank notes	Adjusted Value (BCV*)	Adjusted Value (Ecoanalítica**)
2 Bolívares	514	2,394
5 Bolívares	1,286	5,985
10 Bolívares	2,572	<b>11,969</b>
20 Bolívares	5,144	<b>23,938</b>
50 Bolívares	<b>12,859</b>	<b>59,846</b>
100 Bolívares	<b>25,719</b>	119,692
200 Bolívares	<b>51,437</b>	239,385
500 Bolívares	128,593	598,462

\*Using monthly inflation data available until April 2018

\*\*Using weekly inflation between weeks of 08/24/2018 and 06/14/2019

Sources: BCV and Ecoanalítica

### How much does the highest denomination banknote buy?

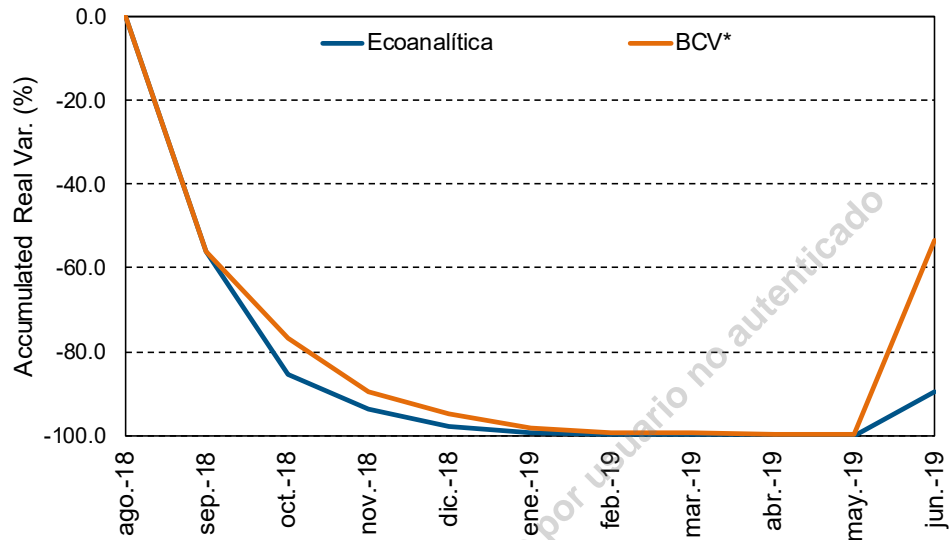
Given that the monetary cone used on a daily basis<sup>3</sup> is going from seven different banknotes to three, it is natural that users would want to know how the purchasing power of the monetary cone to which they have access is evolving in real terms. Using the inflation figures from the Central Bank and **Ecoanalítica** we can observe how the purchasing power of the highest denomination banknote has evolved from the redenomination (VES 500) up until the entry into circulation of the new VES 50,000 banknote.

Based on information provided by the Central Bank, up until April, the highest-denomination banknote in circulation had posted a cumulative drop in its real purchasing power of 99.5%. Based on **Ecoanalítica**'s figures, that drop was 99.8%. With the entry into circulation of the VES 50,000 banknote, this loss is reduced to 53.3% and 89.7%, respectively. In both cases, there has been a loss in real terms and the purchasing power of the highest denomination banknote is considerably less than it was in August last year.

<sup>3</sup> Except in the case of public transport, where the low-denomination banknotes could still be of some use

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### Evolution of the real purchasing power of the highest denomination national bank note



Sources: BCV and Ecoanalítica  
 BCV's inflation only available up to april 2019

This result is to be expected when the nominal increase from 500 to 50,000 (9,900%) is less than both inflation metrics, which points to the need for VES 130,000 and VES 600,000 banknotes, respectively, in order to maintain purchasing power.

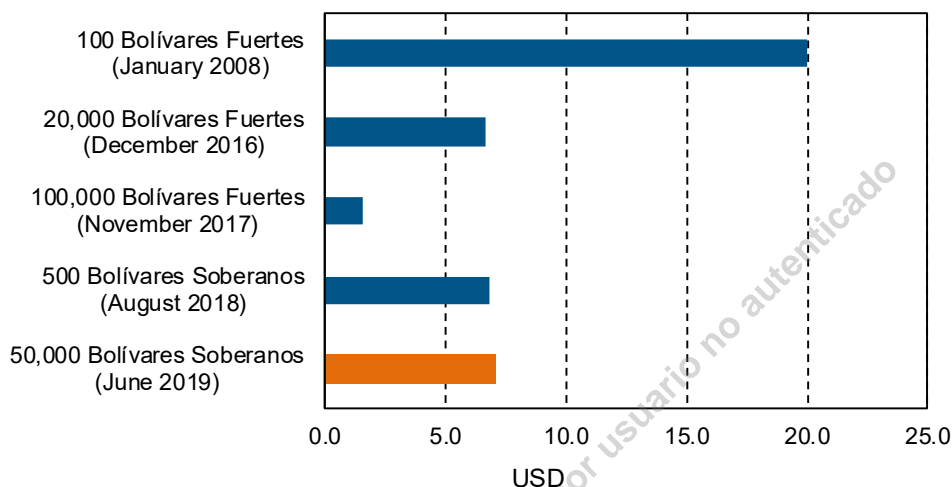
Another metric in which the user might be interested is the purchasing power of the new banknotes in terms of foreign currencies, in particular the US dollar. Given the strides that a process of spontaneous dollarization<sup>4</sup> has made in the Venezuelan economy, it comes as no surprise that private individuals and companies calculate the value of the banknotes not only in terms of their evolution compared to inflation but also compared to the exchange rate.

Taking the unofficial exchange rate at the time of the entry into force of what at that point were the highest denomination banknotes, this new VES 50,000 banknote was equivalent to USD 7.1. This is not very different from the value of the VEF 20,000 banknote, but is still a substantial drop from the VEF 100 banknotes, which was worth USD 20 when it was first issued in January 2008.

<sup>4</sup> Foreign Exchange Report "De Debate is over: The dollarization emerged".

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### Value of the highest denomination bank note at the time it was first issued



Sources: Local Bitcoin and Ecoanalítica

With regard to its equivalence in dollars, the new VES 50,000 banknote is a bit closer to maintaining the value its predecessor enjoyed when it was launched. However, as the bolivar devalues, this value in dollars will naturally go down<sup>5</sup>.

#### Scheduled obsolescence?

It is fairly obvious that the monetary cone's new banknotes have not recovered the value of their predecessors in real terms, either as regards their purchasing power or compared to the dollar. As for how long their useful life will be, that will depend on inflation, and here the government could be taking advantage of a momentary slowdown<sup>6</sup> in the rate at which prices are going up.

At **Ecoanalítica** we estimate that inflation could average 86.9% a month throughout the rest of the year, and at that rate it would take 7.4 months for prices to make up the two zeros that the Central Bank has just added on to the banknotes. Although this situation might be less aggressive than seemed likely at the start of the year, it is still showing signs of the vicious circle in which the Central Bank is caught up. The increase in prices has forced the Central Bank to lop zeros off the bolivar, but once the amounts become

<sup>5</sup> In the week immediately following the launching of the new banknotes, the exchange rate went up by 2.3%.

<sup>6</sup> Weekly Report "What is behind the slowdown in inflation?"

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unmanageable for users and the system of payments again, the Central Bank will have to implement a redenomination and the cycle will be repeated *ad infinitum* with no real impact on the purchasing power of the bolivar.

**Giorgio Cunto**

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## WEEKLY INDICATORS

Weekly Economic Indicators			
	3rd Week June	Weekly chg. (%)	Depre/Apre (pp) <sup>1</sup>
<b>FX Boards (VES/USD)<sup>2</sup></b>	6,273.25	1.8	1.8
	1st Week June	Weekly chg. (pp)	Annual chg. (pp)
<b>Lending Interest Rate (%)</b>	32.8	0.6	11.3
	2nd Week June	Weekly chg. (pp)	Annual chg. (pp)
<b>Overnight Interest Rate (%)</b>	125.5	12.2	117.5
	2nd Week June	Weekly chg. (%)	Annual chg. (%)
<b>International Reserves (USD Bn)</b>	8.2	-0.3	-3.5
	1st Week June	Weekly chg. (%)	Annual chg. (%)
<b>Monetary Liquidity (MM VES)</b>	6,948,598	3.2	51,197.0
Price of International Oil Baskets (USD/bl)			
	2nd Week June	Weekly chg. (%)	Annual chg. (%)
<b>WTI</b>	52.8	-0.2	-20.4
<b>Brent</b>	61.8	-0.3	-19.0
Price of the Venezuelan oil basket (USD/bl)			
	2nd Week June	Weekly chg. (%)	Annual chg. (%)
<b>Weekly Average</b>	55.6	-0.2	-14.7
<b>Annual Average</b>	59.9	-0.3	-3.2

Sources: BCV, MENPET, ONT and Ecoanalítica

\* Annual variation of accumulated expenditure.

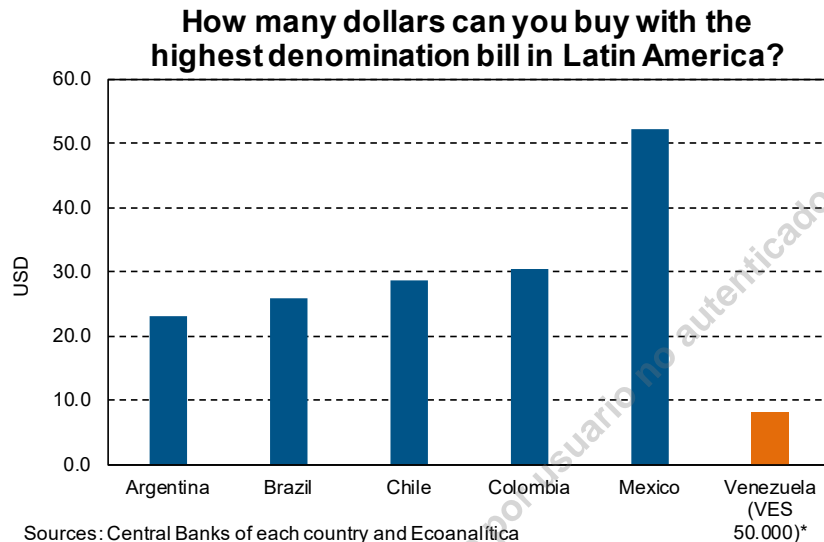
<sup>1</sup> Depreciation (+)/Appreciation (-)<sup>2</sup> FX Borads' average exchange rate

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## GRAPH OF THE WEEK: “MONOPOLY MONEY”



Sources: Central Banks of each country and Ecoanalítica  
 Note: It was used the highest denomination bill of each country and the last FX available to date.  
 \*Calculated with the official FX.

On Wednesday, June 12, the Central Bank of Venezuela expanded the current monetary cone by incorporating three new banknotes: the VES 10,000, VES 20,000, and VES 50,000 banknotes. The latter replaces the VES 500 banknote as the bill with the highest denomination. According to the Central Bank, the purpose of including these banknotes was to make the system of payments more efficient and facilitate commercial transactions. In a country that is in the throes of hyperinflation, this measure makes sense since banknotes constantly lose their purchasing power, making it necessary to have ever larger quantities of them in order to be able to buy the same good.

Looked at in relative terms, it is possible to calculate how many dollars can be bought with the highest denomination banknote. Prior to June 12, the highest denomination banknote was the VES 500 bill, which was not even enough to buy USD 0.25. Now with the VES 500,000 bill one can buy USD 8 (at the reference exchange rate), which improves things. However, when we compare the situation with other countries in Latin America, this banknote has a low dollar-purchasing power. In Argentina, Brazil, Chile and Colombia their respective highest denomination banknotes buy between USD 23 and USD 30.4. And in Mexico, its highest denomination banknote buys USD 52.2.

Expanding the monetary cone brings temporary relief for performing some transactions, but, as can be seen, it does not eliminate its disadvantages compared to the currencies of other countries in the region. What is more, as inflation in Venezuela increases, these banknotes will lose their purchasing power putting us back where we started.

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**ECONOMIC TIPS**

**A jump to VES 50,000.** On June 12, the Central Bank of Venezuela published the expansion of the monetary cone on its webpage with the introduction of VES 10,000, VES 20,000 and VES 50,000 banknotes, which were supposedly to go into circulation on June 13. According to the Central Bank, the purpose of the measure was to “*make the system of payments more efficient and facilitate transactions.*”

**A hundredth was sufficient.** The reasons given by the Central Bank can be interpreted as an acknowledgement that there are not enough of the current banknotes to perform daily purchase operations given that the highest denomination banknote (VES 500) does not cover the cost of the majority of products, except for gasoline.

**Where did the gold go?** According to a piece of investigative reporting by *The Washington Post*, the Nicolás Maduro regime is selling off the country’s gold reserves through companies in Uganda in order to get around the sanctions imposed by the United States.

**Uganda, our new trading partner.** According to this report, at least 7.4 tons of gold (valued at more than USD 300 million) were moved from Venezuela to a refinery in Uganda in early March. The gold was transported by Russian aircraft in two separate flights.

**Not totally unnoticed.** Sources inside Uganda’s police force said that the documents accompanying the ingots stated that the gold came from the Central Bank of Venezuela, but that the identification markings had been scratched off.

**Only a fragment of what we have already lost.** According to *The Washington Post*, the final destination of Venezuela’s gold is Turkey, where it will be sold. Between the end of 2017 and February 2019, the Central Bank sold 73.3 tons of gold. Buyers include companies in the United Arab Emirates and Turkey.

**Wages are not enough.** According to figures published by the Documentation and Social Analysis Center of the Venezuelan Teachers’ Federation (**CENDAS-FVM**), food prices shot up in May, with the 60-product food basket monitored by the organization increasing by 41.8% (to VES 156,627.16) compared to April.

**30 minimum wages just to survive.** The increase in the food basket in May was equivalent to nine minimum wages of VES 40,000, which means that a family of four needed the equivalent of 30 minimum wages to cover their basic food expenditures.

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**The tragedy of the international reserves.** The week of June 14, the international reserves closed at USD 8,153 million for a drop of 0.03% compared to the close of the previous week. That gives a drop year-on-year of 3.5%.

**Money supply.** Money supply came to VES 6,9 trillion in the week of June 7 for an increase of 3.2% in nominal terms compared to the previous week and of 51,197.0% compared to the same week last year. However, in real terms, that gives a drop of 61.8% for the year to date.

**Foreign Exchange Desks.** The last buy-sell operations by the banks' foreign exchange desks were performed on June 19. The rate was VES 6,273/USD, for a premium of 15.9% compared to the unofficial rate.

**State-owned versus private sector banks.** The private sector banks (Banco Nacional de Crédito, Banco Exterior, and Bancaribe) traded at an average rate of VES 6,312/USD, whereas the rate established by the state-owned banks was lower, at VES 6,218/USD.

## OIL TIPS

**Some minor changes.** PDVSA has replaced its chief officer in charge of commerce and supply. According to the Official Gazette dated June 12, José Rojas Reyes, who was appointed in October, is no longer a member of PDVSA's board of directors. Marcos Rojas Marchena now occupies his place; he is also vice president for international affairs.

**Reactivating Isla.** PDVSA plans to reactivate Isla Refinery on Curacao in July, according to the news agency S&P Global Platts. This will be done with crude imported from third parties, according to the Government of Curacao.

**Decisions, decisions.** Company officials and labor leaders from the refinery met with Manuel Quevedo to reach an agreement on starting up the refinery again. One of them said, "*PDVSA will have to make the decision to send some 3 million barrels of crude to generate cash flow to cover expenses from September to December 2019 or send \$60 million to honor the contract.*"

**Someone loses, someone gains.** In the event that the funds are not sent to the refinery, Isla would declare bankruptcy, reports Global Platts. The refinery is completely paralyzed waiting for PDVSA to make good on its promises to reactivate production.

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**End of the contracts.** Quite apart from Isla's reactivation, a labor leader at Refinería di Korsou (RdK), the owner of the refinery and storage facilities on Curacao, explained that they would take charge of operations at Isla starting in July. The contract under which PDVSA operates the refinery comes to an end this year and RdK has decided to take charge of operations until a new agreement is reached.

**Poor offers.** According to the same official, RdK has not reached an agreement with international companies interested in taking over the operation of Isla. *"We believe that there are no agreements because the offers that have been made are not good for the Curacao Government,"* he said.

**Not operating to capacity.** Isla has the capacity to process 335 kb/d but in practice this volume is not possible due to lack of maintenance of the infrastructure. Actual throughput is estimated at between 270 kb/d and 290 kb/d. Part of the infrastructure has been in a state of deterioration since 2017 and 2018 when there was a fire at a distillation unit.

**Always the same, lack of maintenance.** In concrete terms, it has not been possible to carry out the maintenance plans for the refinery either. The maintenance plans for the tanks and ports were postponed, as were plans for overhauling the refinery, which were not executed owing to lack of funding. Besides that, routine maintenance is at risk since the lack of budgeted funds is resulting in the contracts with the companies that were to carry it out being cancelled.

**Difficulties.** In that same context, US sanctions also pose an obstacle. Many international companies have said they do not want to work with the refinery any more. Apart from anything else, the fact that Isla is not operating has affected the entire island. According to Curacao's Central Bank, the refinery accounts for 14% of the country's GDP and is the second largest employer after the government, which means that it affects nearly all sectors of the island.

**Higher than expected.** The agency S&P Global Platts reports that Saudi Arabia's oil reserves are 11% higher than was thought. At the end of 2018, it was thought that Saudi Arabia had 297.7 billion barrels of proven crude and liquid natural gas, but this year its reserves went up by 1.7 billion barrels.

## BUSINESS SECTOR TIPS

**Low fares.** The Caracas Metro announced in its Twitter account that the fare for the Metro is to go up to VES 40 starting on Monday, June 17.

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**A significant increase?** This is an increase in the fare of 3,900% since December 2018, when it was set at VES 1.00.

**Metro 2.0.** In addition to ticket purchase and checking at turn styles, which had been suspended at most stations, the measure also contemplates the option of recharging smart fare cards.

**Clarifying doubts.** The superintendent of the National Integrated Customs and Tax Administration Service (Seniat) clarified that charging taxes in dollars is not allowed, after local media made mention of this possibility.

**CLAP scandal in Mexico.** The Financial Intelligence Unit of Mexico's Department of Finance and Public Credit has accused 25 companies associated with the Local Supply and Production Committees (CLAPs) with money laundering and with sending poor quality food products to Venezuela. Santiago Nieto, the head of the unit, said that there were private individuals involved in the case but that their names would not be made known for the moment by order of the court.

**The failing electricity service.** Reinaldo Díaz, a member of the board of the National Federation of Electricity Workers (Fetraelec), commented on the brain drain the sector is suffering from. He added that as many as 20,000 employees had resigned with the result that those who were still on the payroll were overexploited and people who were not necessarily professionals in the field were being hired, which was leading to a decline in the service.

**Thinking in greenbacks.** According to figures published by Datanálisis, approximately two out of every 10 Venezuelans receive their pay in foreign currency or in bolivars adjusted to the current exchange rate. A breakdown of these figures reveals that 7.7% of the population receives foreign currency as a form of compensation and 7.3% receives payment in bolivars adjusted to the unofficial exchange rate. Besides that, the percentage of people who receive their pay in foreign currency went from 4.3% to 7.7% in the space of two months.

**A look at industry in Venezuela, Part I.** Juan Pablo Olalquiaga, the president of the Venezuelan Confederation of Industrialists (Conindustria), chaired the presentation of Conindustria's Industrial Situation Survey.

**A look at industry in Venezuela, Part II.** Olalquiaga revealed that Conindustria estimated that industrial companies were working at 18% of their installed capacity.

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**A look at industry in Venezuela, Part III.** Ninety percent of the companies consulted considered that their situation had deteriorated in the past year. Olalquiaga clarified that this was due to “*the electricity crisis that affected financial transactions and the legal reserve requirements that have put an end to the banks as sources of financing for companies.*” Sixty-four percent of the companies surveyed expected the situation to get worse next year.

**A look at industry in Venezuela, Part IV.** Employment figures show that 84% of the companies had reduced their payroll, a figure that goes up to 93% in the case of small companies.

**A look at industry in Venezuela, Part V.** The drop in sales and the scant availability of credit are also reflected in planned investments. The survey reveals that 32% of all industrial companies do not expect to make any investment, 29% will be investing in inventory, and 31% will be investing in order to maintain their operating capacity. Only 4% are thinking of making large-scale investments, in machinery or buildings for example.

**One more bites the dust.** The US transnational company Minnesota Mining and Manufacturing Company (3M) has decided to suspend its operations in Venezuela after declaring a loss of USD 160 million in its quarterly report. It alleges, moreover, that the complicated local environment does not allow the company to carry out its daily operations.

**Where calm does not reign.** The report *Conflictividad Social en Venezuela* (Social Conflict in Venezuela) produced by the Venezuelan Social Conflict Observatory (OVCS) reveals that there was a total of 1,541 protests in Venezuela during May. The main reasons for the protests were problems with utilities and the shortage of gasoline.

## WORLD ECONOMY TIPS

**Did they see that coming?** The Indian Government decided to impose tariffs on 28 products from the United States following a decision taken by the US Government early this month. Almonds, walnuts and apples are among the products affected. India is the biggest buyer of US almonds in the world and the second biggest buyer of apples.

**What happened?** Early this month, under the general policy of imposing tariffs on countries with which the United States has a large trade deficit, the US Government eliminated the privileges enjoyed by India under the Generalized System of Preferences (GSP). This program allowed India to export up to USD 5.6 million’s worth of products to

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the United States duty free. At that point, India stated that it would prepare a measure to “defend its national interests.”

**Forewarned is forearmed.** Graciela Márquez, Mexico’s secretary for the economy, appeared before the Senate to say that Mexico is ready to apply tariffs on a list of products from the United States (but making no mention of which) should the United States decide to once again impose tariffs on Mexican products.

**There will be additional measures.** Márquez said, furthermore, that the measure would be accompanied by bilateral and multilateral defense procedures under the rules of the North American Free Trade Agreement (NAFTA) and the World Trade Organization (WTO).

**Ghost busting.** A report from the US Department of Commerce revealed that retail sales in May were up 0.5% compared to April. Moreover, the figures for April were revised upwards to 0.3% (previously this indicator had posted a drop of 0.2%). The importance of this figure is that it will calm fears of a slowdown in expected growth for this quarter.

**Feeling the pressure, Part I.** China’s National Bureau of Statistics reported that growth of industrial production had slowed down to 5% year-on-year, a 17-year low. Reuters conducted a specialist survey that revealed consensus regarding growth of 5.5%, 0.5 percentage points higher than the figure posted.

**Feeling the pressure, Part II.** Investment in fixed assets in China went up by 5.6% during January-May compared to the same period last year. This means a slowdown in growth compared to January-April (6.1%) and also compared to the expectations of those consulted by Reuters for January-May (6.1%).

**A request to reconsider from the home front.** A letter signed by 600 US companies led by Wal-Mart and Target Corp. was handed in to President Donald Trump. The letter urges that a settlement of the trade dispute be reached since the tariffs are having a negative impact on US companies and consumers.

**Bit by bit.** The Government of Argentina revealed that inflation in May was 3.1%. The increase in the Consumer Price Index for the year to date was 19.2% and year-on-year it was 57.3%

**Everything’s in order.** The president of the Central Bank of Argentina, Guido Sandleris, said, “*Inflation is going to continue to come down.*” He stressed that the strategy of not expanding the monetary base meant that foreign exchange stability was not being put at risk and that, therefore, inflation was not spiraling as it was last year.

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**Juggling the accounts.** The pension system the Brazilian Government has planned will cost it BRL 1.13 trillion (USD 290.48 billion). This is a key element for balancing Brazil's public accounts and creating the conditions for economic growth, according to a report by Deputy Samuel Moreira. It is expected that the measure will produce a saving of BRL 913.4 billion (USD 234.81 billion) over ten years.

**Problems of form.** Brazil's Minister for the Economy Paulo Guedes said he was in disagreement with the agreement reached by Congress to cut the pension plan savings target from BRL 1.2 trillion (USD 308.85 billion) to BRL 860 billion (USD 221 billion).

**It could be raised further.** The minister added that the plan could be improved by bumping up the savings by BRL 100 billion to a total of BRL 960 billion. This would be possible if there were a tightening of the rules for the transition to the new pension system, which were relaxed under the agreements reached by the congressmen. According to Guedes, this cut will not generate a significant impact on the national accounts, which means that, in six years' time, the country will be back where it started.

**Proof of the need for the plan.** A survey of 78 financial institutions conducted by the Central Bank of Brazil revealed that it was estimated that economic activity would grow by 0.93% this year, on average, a marked slowdown from the last estimates (1%) and from those made at the start of the year (2.5%).

**Putting the accounts on a healthy footing.** Colombia's Ministry for the Economy and Finance announced the buyback of USD 1.18 billion in bonds paid for with the funds obtained from the 2029 bond issue (USD 1.13 billion), which has allowed Colombia to reduce its external debt by USD 50.37 million.

**A feeling of optimism.** Germany's Construction Industry Federation (HDB) raised its forecast for the year-on-year increase in the sector's sales in 2019 from 6% to 8.5%. The reason for this upward revision is the boom in housing construction in Germany, which is expected to reach 300,000 units by the end of the year.

## POLITICAL TIPS

**Europe is thinking of attacking.** A group of five countries –Germany, Spain, France, Great Britain, and Holland- is considering imposing travel and financial restrictions on Nicolás Maduro and other high-level Venezuelan government officials in response to the recent severe measures taken against the opposition.

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**Waiting for the right time.** Although Maduro is just one of a number of government officials on whom sanctions might be applied, a final decision has not been taken because of differences regarding whether this is the right time, due to fears that this could hinder the efforts that are currently being made to reach a negotiated solution to the country's crisis.

**Irregularities in Colombia.** Humberto Calderón Berti, Guaidó's representative in Bogotá, reported that the National Assembly's diplomatic representation in Colombia had opened an investigation into the alleged irregular use of funds intended to assist hundreds of members of Venezuela's security forces who are refugees in Colombia.

**PanAm Post blows the whistle.** Calderón Berti's announcement came two days after *PanAm Post* posted a report on its webpage in which it pointed the finger at two of Guaidó's collaborators for their alleged participation in "acts of corruption" involving funds intended to cover the expenses of members of Venezuela's security forces who had deserted.

**The trial is finally going to start.** The Caracas Court of Control ordered that Roberto Marrero and Juan Antonio Planchart be held in preventive custody and be sent to trial. Marrero and Planchart are accused of money laundering, association with intent to commit a crime, and conspiracy. The court also ordered that the block on their bank accounts and the ban on them transferring and encumbering assets be maintained.

**The much awaited visit.** After numerous requests from political actors and nongovernment organizations, Michelle Bachelet, the United Nations' high commissioner for human rights, paid a visit to Venezuela between June 19 and 21 with a view to verifying the violations of human rights in the country.

**Open to talking with everyone.** During her three-day visit, Bachelet met with Head of Government Nicolás Maduro, the president of the National Assembly, Juan Guaidó, members of the Constituent National Assembly, victims of violations of human rights and their families, government officials, and representatives of different sectors of the country.

**Tragedies in the Caribbean, Part I.** The office of the United Nations High Commissioner for Refugees (UNHCR) requested Venezuela and the governments of nearby countries to coordinate with one another to assist Venezuelans who attempt to emigrate to islands in the Caribbean and thereby curb the wave of shipwrecks in the area, which have resulted in more than 90 disappearances so far this year.

**Tragedies in the Caribbean, Part II.** Deputy Carlos Valero, the chairman of the special committee for investigating the shipwrecks of vessels that were sailing illegally to Trinidad & Tobago, said he would present the case of the 90 people who had disappeared to Michelle Bachelet during her visit.

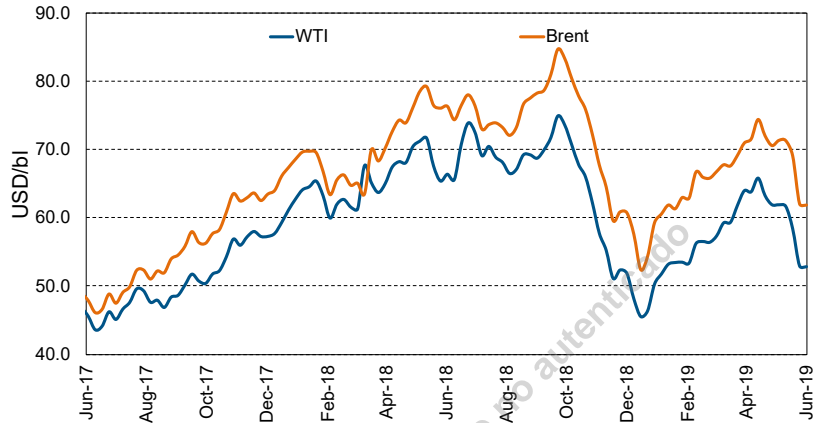
**Yet another one goes into exile.** Deputy Richard Blanco left the Argentinean Embassy in Caracas, where he was staying, to cross the border into Colombia. He gave news of his departure in the social media, explaining that he crossed Guarumito River using a little used path to enter Colombia.

**Russia in favor of dialog.** At a meeting with the secretary general of Venezuela's Defense Council, the secretary of Russia's Security Council, Nikolai Patrushev, confirmed Russia's willingness to promote the Nicolás Maduro administration's dialog with the opposition.

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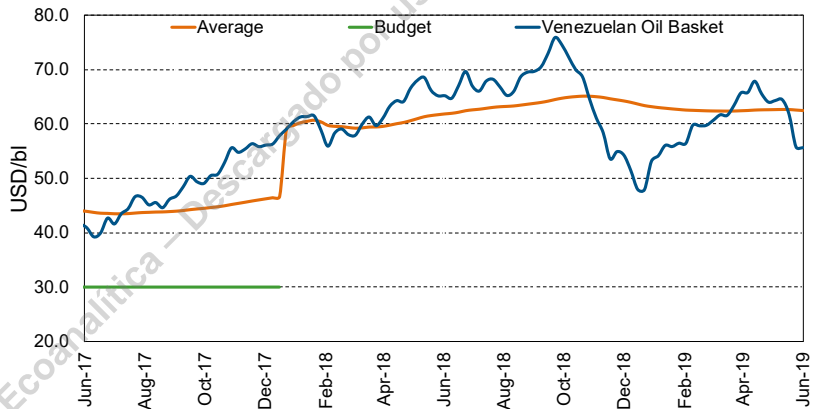
**ECONOMIC INDICATORS**

**Oil Prices  
(WTI and Brent)**



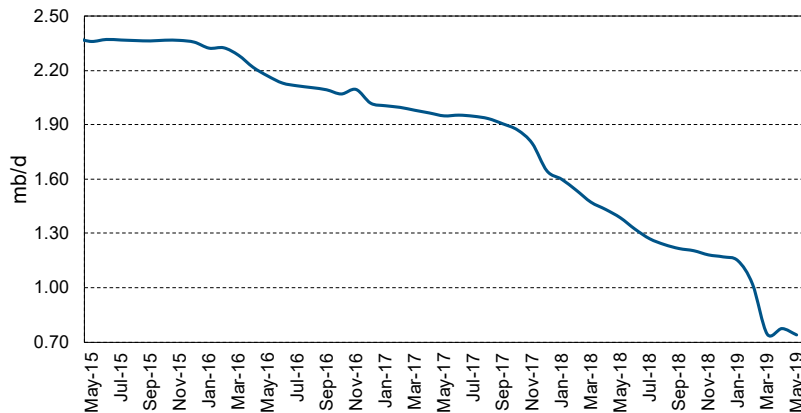
Sources: Menpet and Ecoanalítica

**Oil Price  
(Venezuelan Basket)**



Sources: Menpet and Ecoanalítica

**Oil Production  
(Secondary sources)**

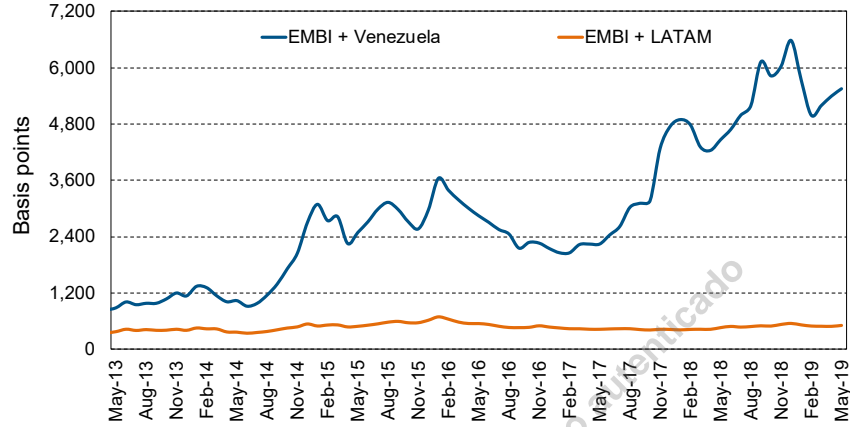


Sources: OPEC and Ecoanalítica

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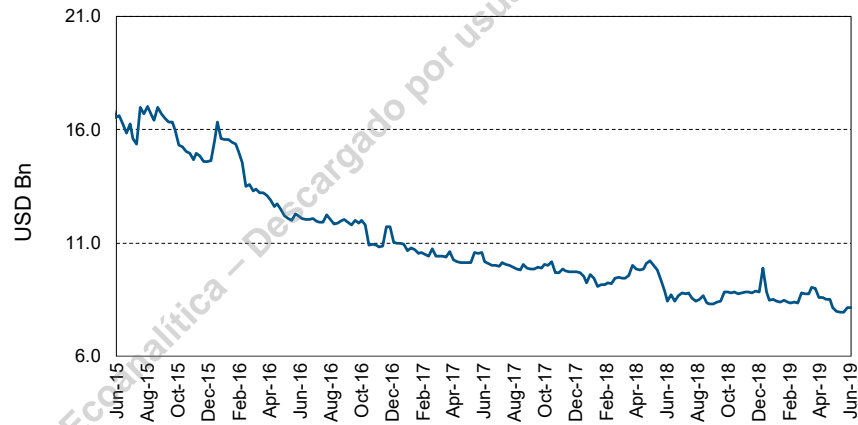
**ECONOMIC INDICATORS**

**EMBI**



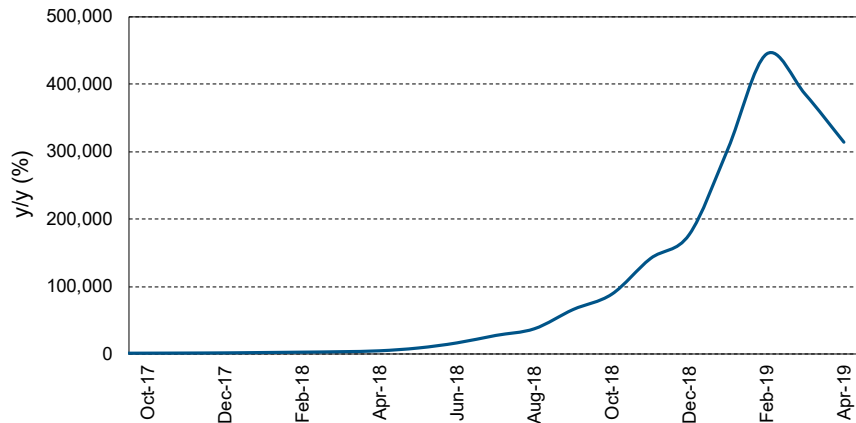
Sources: BCRP and Ecoanalítica

**FX Reserves (BCV)**



Sources: BCV and Ecoanalítica

**Inflation (BCV)**



Sources: BCV and Ecoanalítica

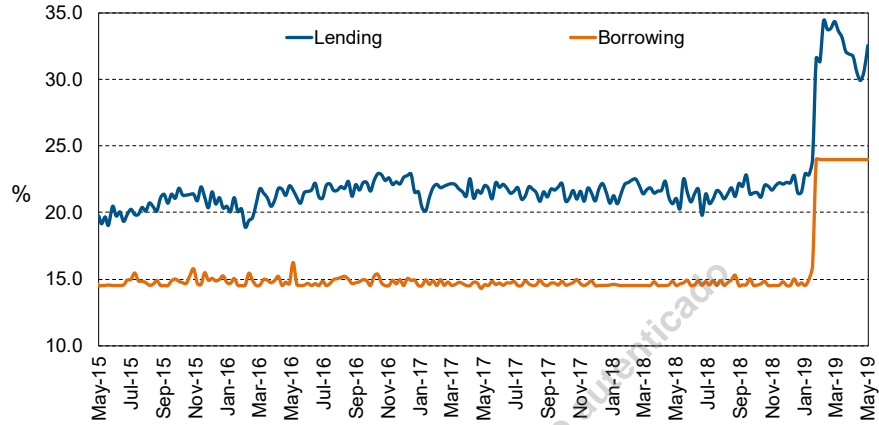
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Year 15 Number 21 Week III  
June 2019

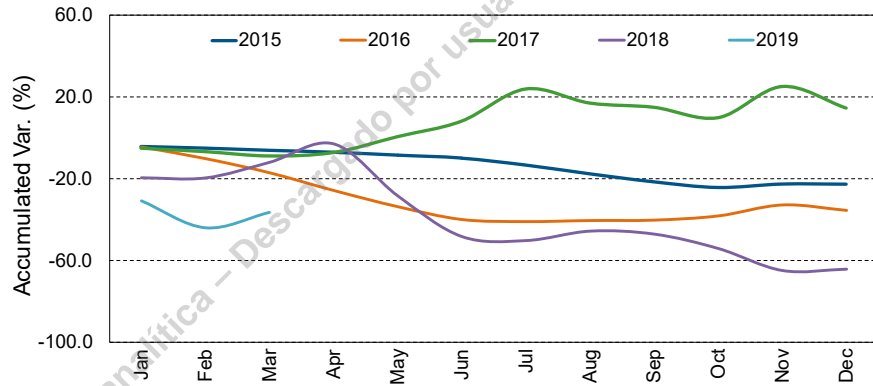
**ECONOMIC INDICATORS**

**Interest Rate  
(Six major banks)**



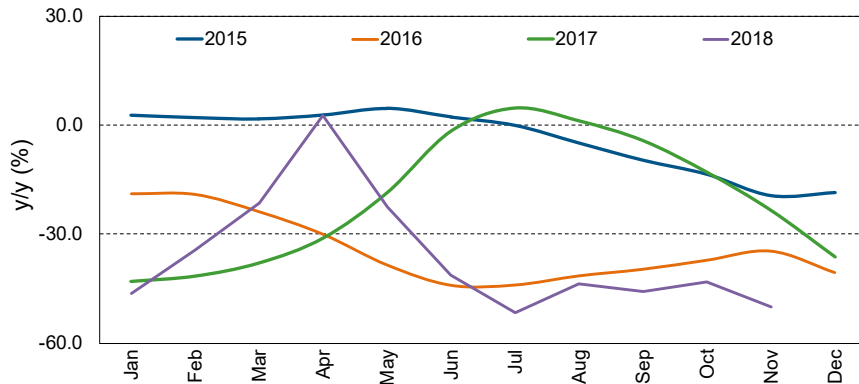
Sources: BCV and Ecoanalítica

**M2 Expansion  
(Real)**



Sources: BCV and Ecoanalítica

**Loan Portfolio  
(Real)**



Sources: SUDEBAN and Ecoanalítica

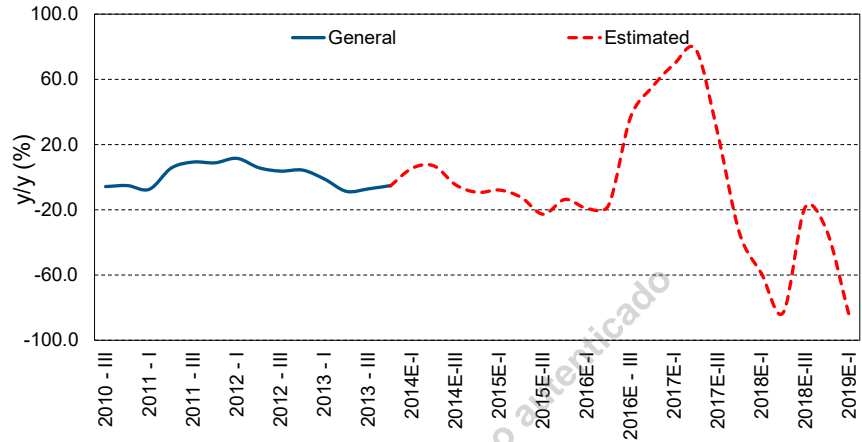
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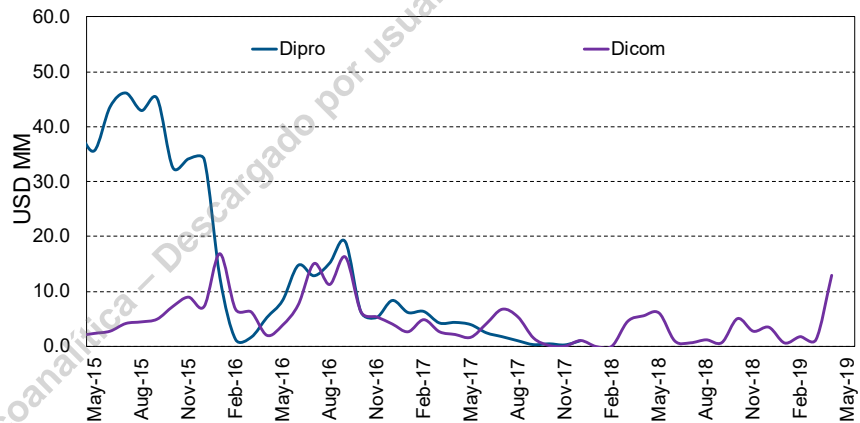
**ECONOMIC INDICATORS**

**Real Wage Index**



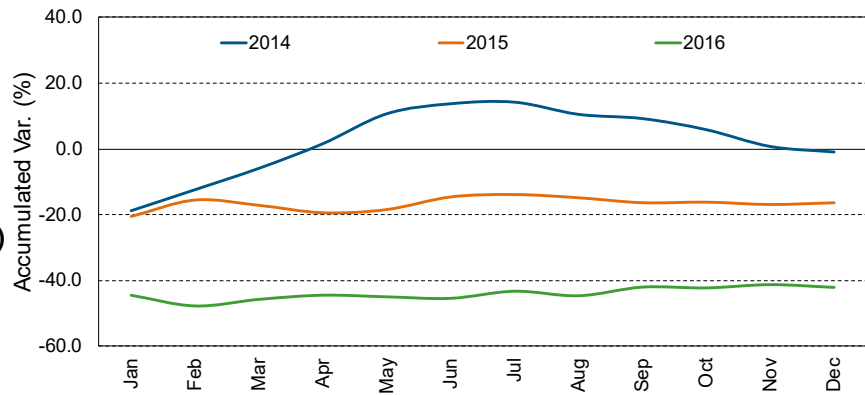
Sources: BCV and Ecoanalítica

**Disbursements to the Private Sector (Daily Average)**



Source: Ecoanalítica

**Primary Spending NTO (Real - Central Government)**



Sources: ONT and Ecoanalítica

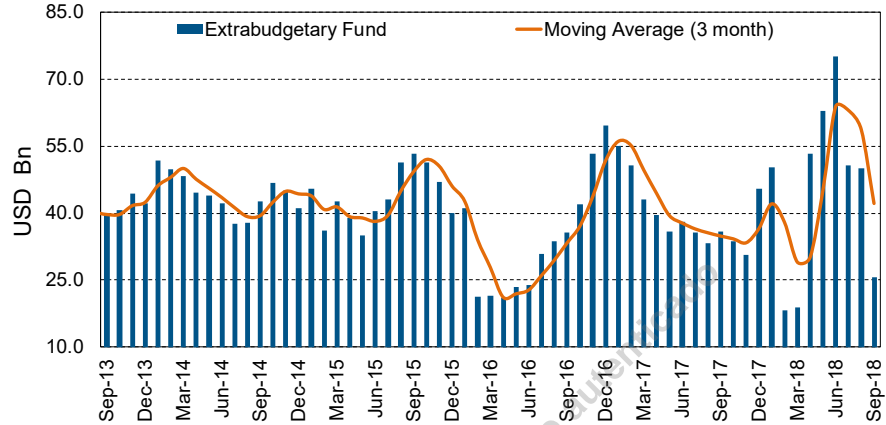
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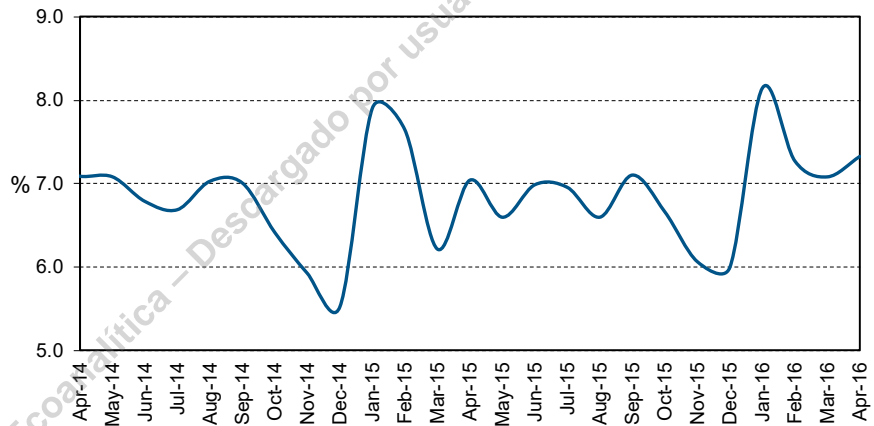
**ECONOMIC INDICATORS**

**State Extrabudgetary Resources**



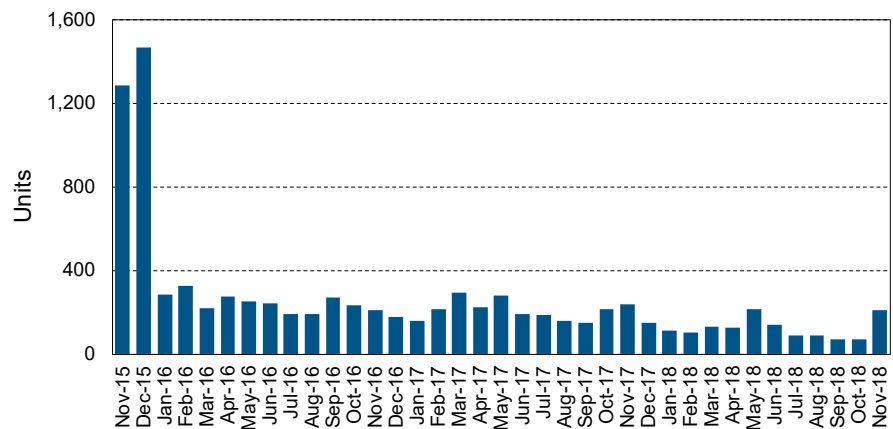
Source: Ecoanalítica

**Unemployment Rate**



Sources: INE and Ecoanalítica

**Vehicle Sales**



Sources: CAVENEZ and Ecoanalítica

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