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Political scenarios in Venezuela: When those with decision power don't know how to use it

At the start of the second quarter of 2016 (2Q2016), Venezuela finds itself plunged in its worst economic crisis in recent decades. As we forecast at the beginning of the year, the economic situation has only got worse, driven by an electricity crisis that has affected the functioning of the entire economy, with rationing of more than four hours a day in the provinces.

The electricity crisis, ever more acute shortages and excessively high levels of inflation have created the conditions for a sharp increase in situations of social conflict in the country, where news of the “lynching” of people for stealing food has become strangely commonplace. These factors have, undoubtedly, affected the dynamic of the political actors, i.e. the opposition and the government, both of which have turned their efforts to achieving their objective: ending 2016 as the winner of the power game in Venezuela.

What do those in power expect?

Society has taken on a fundamental role in how the political environment is developing in 2016. With a Gross Domestic Product (GDP) per capita (US\$) that has shrunk by 57.2% since 2012, an estimated loss of purchasing power in 2016 of 34.8%, forecasted inflation rate at 319.6%, and an average of five hours that a person has to spend in order to buy basic products, the population is close to boiling point.

The massive vote against the government at the last parliamentary elections was only the first warning of the urgent need for a change in the economic model. Meanwhile, the government has reacted by announcing that it is going to cut imports to US\$20.0 billion this year, 39.0% less than what the country imported in 2015, when the levels of shortages were already high.

Of course, talking of something as unpredictable as a “social uprising” could even be considered irresponsible. The political actors should apply themselves to preventing such an occurrence by finding effective solutions to the crisis, bearing in mind that

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Year 12. Number 22. Week II
June 2016

there are other scenarios that could present themselves in the coming months. Obviously, not all sectors present on the political stage have this in mind.

As for the government, it is doing everything in its power to postpone things until 2017, a year in which Maduro could resign and leave the vice president as his successor until 2018. This is the government's main strategy: a transition that they can control. However, not everything is perfect and, given the country's scant revenues, the Executive has decided to channel the funds it has to making external debt payments, something that is reflected mainly in a major cutback in imports. On this point, as we mentioned earlier, the social factor could work seriously against the government.

On the side of the opposition, it has focused on activating all sectors of the country in support of a recall referendum by the end of 2016. The call to collect the signatures of 1.0% of voters required by the National Electoral Council (CNE) in order to activate the referendum was a resounding success, as they managed to collect more than 2,000,000 signatures, many more than the 195,721 that were needed. This was the first sign that the opposition has the necessary support to win a recall referendum.

However, the CNE has done (and will continue to do) everything possible to delay holding the referendum. Here, once again, the role of the social factor stands out. As social pressure builds up, the CNE will have no alternative but to hold the referendum in 2016.

The one-million-dollar question: What's going to happen?

While it is practically impossible to accurately predict what will happen on the political front in 2016, there are scenarios that have a high likelihood of coming to pass if a previous event occurs. At **Ecoanalítica** we consider that the levels of conflict will play a significant role in how the political situation in Venezuela will evolve.

Now then, it is complex to predict whether the level of conflict will be high or low this year. Venezuelans have shown that they have an exceptional ability to adapt and, moments that one might think are a point of inflection turn out not to be. On the other hand, we see how the quality of life is deteriorating at an unprecedented pace, which is why we consider that there is a 50-50 probability that the levels of conflict will increase or remain below the tension threshold.

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Year 12. Number 22. Week II
 June 2016

The dark side of the future

In a scenario where the levels of conflict are maintained relatively low, there are two clear tendencies where the government would have a wider margin for maneuver. Low levels of social conflict in 2016 could lead to a recall or resignation in 2017 or to the Maduro administration continuing until the end of its term.



Stable levels of conflict would allow the government to reach 2017 with manageable wounds. In 2017, the government would have the power to lead a controlled transition, where the only option open to the opposition would be to hold a recall referendum against a new vice president, which would take up much of 2017.

In a resignation/recall scenario in 2017 (80.0% of probability), the two most prominent trends would be a moderate change by the government's own ranks, including negotiations with some actors of the opposition, but that would not lead to a profound change in the present model. We give this scenario a probability of 70.0%. The other trend is that there would be no relevant change in the government's actions, apart from changing the head of the Executive and renewing part of the cabinet, which is why we give this option a probability of 30.0%.

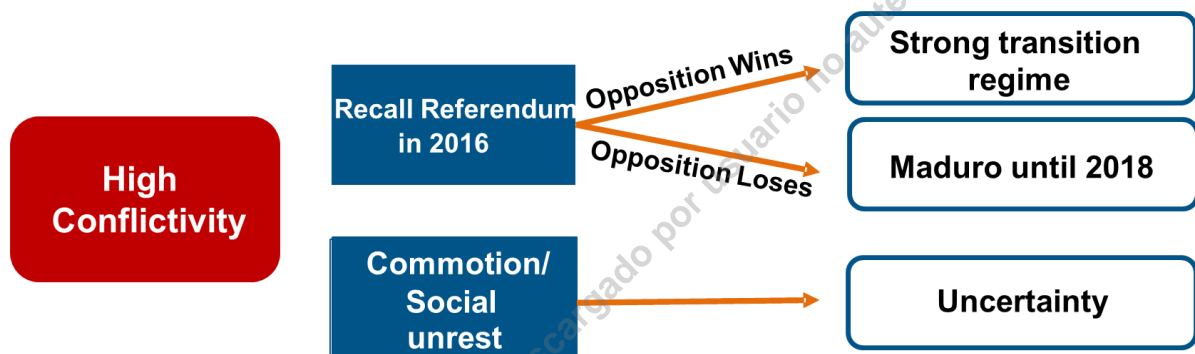
The other probable scenario, in a situation where levels of conflict are low, is the possibility that Maduro will continue in office until the end of his term in 2018 (probability of 20.0%). In this context, we can only expect the crisis to get worse, as there would be no change by the government and the economic distortions would increase upon the government losing even more credibility on the home front and also among the international markets.

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Status: black or white

If, on the other hand, there is a context where the levels of conflict are high, the situation could be diametrically opposed to the scenarios described above. Under these circumstances, at **Ecoanalítica** once again we see two key trends: a scenario where the recall referendum is held this year and another where social tension increases to a point of upheaval, where uncertainty would be the rule.



High levels of social conflict could pave the way to the government allowing, via the CNE, the recall referendum to be held this year as a valve for relieving the high level of social pressure. We give a probability of 70.0% to such a high-conflict scenario. So, there are two possible outcomes in this scenario: that the opposition wins the referendum or loses it.

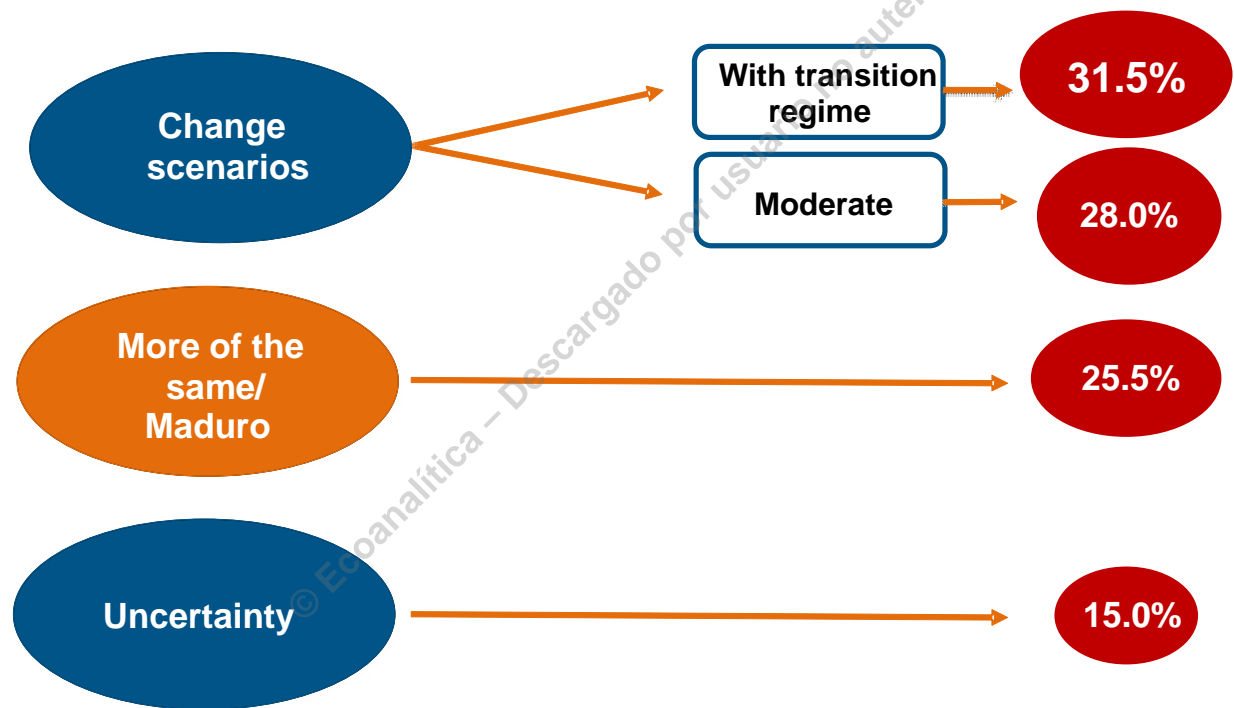
At **Ecoanalítica** we consider there would be a high probability of the opposition winning the referendum and subsequently the presidential elections (90.0%), which would give it a strong mandate for changing the present model. There is a minimal probability of the opposition losing, however, more as a result of distortions in the process than by the number of votes, which would mean that Maduro would complete his term in office and the crisis would become more acute.

The last and most complex scenario is one of a social upheaval/uprising, which we give a probability of 30.0% in an environment of high levels of conflict. In this context, an acceleration in the deterioration of people's quality of life, with no apparent option for political change, would culminate in a state of social upheaval where it would be impossible to predict who the winners would be. In fact, historically, social uprisings have only left behind them consequences and political imbalances. However, as the

pace at which economic and social events move has become significantly faster than the pace of political developments, this is a latent scenario in our country.

Nothing is impossible in politics

Ecoanalítica we have set ourselves the task of assigning a rating to each event cluster indicating the probability of its occurring, based on subjective criteria of our vision regarding the country context for 2016-2017.



Under “scenarios of change” we have put both the moderate change we could experience in the event of a resignation or a recall referendum in 2017 and a strong mandate for implementing change should the opposition win a referendum held in 2016. We have assigned the higher probability of 31.5% to the latter scenario, given the rapid deterioration of the economy we are observing and the social response to that deterioration. To the moderate change we have assigned 28.0%, considering it the most feasible option in a context of low social conflict.

In the “more of the same/Maduro” cluster, we have included the scenarios where Maduro completes his presidential term and where he resigns in 2017, leaving his vice president in charge for the last two years of his term, with no relevant change being

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made to the present model. To these scenarios we have given a joint probability of 25.5%.

Last of all, we have assigned the lowest probability of it occurring to the uncertainty factor, 15.0%, given the difficulty of predicting a state of social upheaval. However, this probability could increase as the pace of deterioration of the economic situation picks up.

When uncertainty is the rule

After having analyzed all the scenarios and their respective probabilities, it is clear to us that the present situation in Venezuela is a highly complex one. In our opinion, the higher the levels of social tension go in 2016, the greater the likelihood there will be of a recall referendum being held and an even greater likelihood of the opposition winning it.

However, if the government manages to postpone things until 2017, then the most likely outcome would be Maduro's resignation with a vice president chosen by consensus within government and military circles completing his term. This could result in the crisis becoming more acute over the next two years, or the government could opt for implementing a moderate change in its policies until 2018, when new presidential elections would be held.

The factor that is unpredictable and that could completely alter the scenarios is a social uprising, where the outcome could be anything from a radical change in model or, on the contrary, a radicalization of the present one. What we do know is that, when it comes to politics, we may have all the answers but then we suddenly find that all the questions have been changed.

Therefore, at **Ecoanalítica** we are of the opinion that it is important to pay attention to changes in the levels of social conflict, which could give us an indication of which scenario we are approaching. As a society, we must put our money on a change of model that will allow us to return to the path of growth. It is worth remembering that it is joint actions that make our wishes come true.

Alejandro Grisanti
Cristina Parilli

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Year 12. Number 22. Week II
 June 2016

WEEKLY INDICATORS

Weekly Economic Indicators			
	1st Week June	Weekly var. (pp)	Depre/Apre (pp) ¹
FX Dicom (VEF/US\$)	538.2	10.2	9.2
	4th Week May	Weekly var. (pp)	Annual var. (pp)
Lending Interest Rate (%)	21.1	-0.5	2.0
	1st Week June	Weekly var. (pp)	Annual var. (pp)
Overnight Interest Rate (%)	6.8	2.4	6.0
	1st Week June	Weekly var. (%)	Annual var. (%)
International Reserves (Bn US\$)	12.29	2.2	-28.0
	1st Week June	Weekly var. (%)	Annual var. (%)*
Central Government Spending (VEF Bn)	77.4	-38.6	91.9
	4th Week May	Weekly var. (%)	Annual var. (%)
Monetary Liquidity (VEF Bn)	4,831	3.1	96.6
Price of International Oil Baskets (US\$/b)			
	1st Week June	Weekly var. (%)	Annual var. (%)
WTI	49.2	1.0	-18.7
Brent	49.8	1.5	-22.7
Price of the Venezuelan oil basket (US\$/bl)			
	1st Week June	Weekly var. (%)	Annual var. (%)
Weekly Average	39.0	1.4	-31.2
Annual Average	29.8	1.5	-38.9

Source: BCV, MENPET, ONT and Ecoanalítica

* Annual variation of accumulated expenditure.

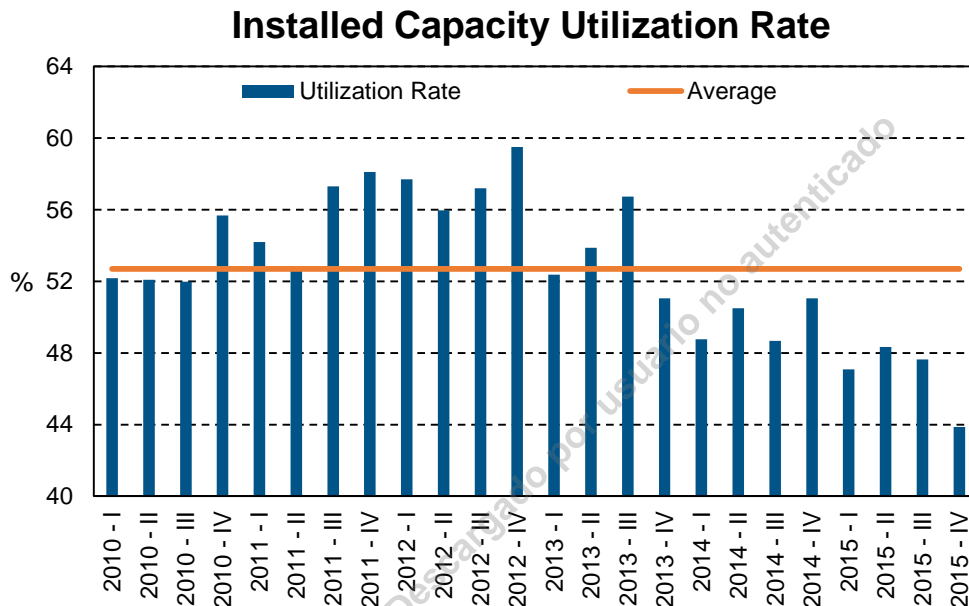
¹ Depreciation (+)/Appreciation (-)

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Year 12. Number 22. Week II
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CHART OF THE WEEK: “RESPONSE TO SHORTAGES: USE OF INSTALLED CAPACITY NOSEDIVES”



Sources: Conindustria y Ecoanalítica

In its Quarterly Situation Survey, in which it gathers the impressions of the industrial sector, the Venezuelan Confederation of Industrialists (Conindustria) publishes a series of degree of utilization figures that show how utilization has dropped 15.6 percentage points since 4Q2012, going from 59.5% to 43.9% at the close of 2015. The situation is even more dramatic if we look at it by size of company, where the small companies seem to have been the most affected with utilization of only 36.4%.

Another factor that needs to be highlighted is that, during 2015, the drop in the degree of utilization of installed capacity accelerated, going from 48.3% in 2Q2015 to 43.9% in 4Q2015, considerably below the average for the past five years. If we take into account the fact that the main “restrictive factors that prevented the increase in production” (political uncertainty, shortages of raw materials, lack of foreign currency, price controls, and electricity rationing, to name a few) pointed to by industrialists are factors that, far from disappearing, have become more pronounced this year (with a drop of 82.1% in the disbursements of foreign currency and a contraction of 42.9% in imports), it can be expected that the drop in activity will be even greater.

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ECONOMIC TIPS

Still climbing. The complementary foreign exchange system rate (DICOM) closed at VEF 572.3/US\$ on June 8th, up VEF 23.1/US\$ from the previous week. This alternative foreign exchange system dealt with 7.9% of foreign currency traded versus 92.1% dealt with by DIPRO.

We'll have to wait and see. Minister for Industry and Commerce Miguel Pérez Abad said that the supply of products made in Venezuela would improve in the next 30 days. Pérez Abad, who is also vice president for the economy, claimed moreover that the updating of prices was conducted in an open and frank dialog and added that the Executive is "aware" of some companies that have produced at a loss.

More promises to be broken? President Nicolás Maduro approved the re-launching of *Misión Guaicaipuro* (restoration of the rights of the indigenous population) and the Plan for the Eradication of Extreme Poverty in Indigenous Communities and allocated some VEF 883 million to the Socialist Efficiency Fund to that end. The Executive explained that this plan also includes the construction of 652 new housing units in those communities.

It's still not enough. The National Superintendency for the Defense of Socioeconomic Rights (Sundde) published Directive 054 in which it corrected the prices of some personal care products, among them sanitary towels and diapers, due to errors in the figures. The new directive states that the packet of 30 sanitary towels will now cost VEF 320.7 and the packet of 40 diapers will cost VEF 364.5.

Revising estimates. Venezuela's GDP will contract by 8.0% in 2016, 2.3% more than the contraction posted in 2015 (5.7%), according to data published by the International Monetary Fund (IMF). According to this information, inflation in Venezuela could go higher than 500.0%, making Venezuelans' domestic economy even more complicated, explained the IMF.

That we rank among the last comes as no surprise. The conditions for doing business in Venezuela continue to deteriorate according to the findings of the report Doing Business 2016 prepared by the World Bank. The report indicates that last year Venezuela was among the worst countries for setting up and running a business. The ranking puts Venezuela in 186th place out of 189 countries, above only South Sudan (187), Libya (188), and Eritrea (189).

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Year 12. Number 22. Week II
June 2016

OIL TIPS

It's going up, thank God. The price of the Venezuelan oil basket rose in the week of May 30 to June 3, 2016, to US\$39.0 per barrel (bl.), up US\$0.5/bl. from the previous week, when it closed at US\$38.48/bl. The Ministry for Oil and Mining stated in a report that *"the average weekly prices of the main marker crudes recovered, driven by expectations of a seasonal increase."*

No changes, for the time being. The oil ministers of the Organization of Petroleum Exporting Countries (OPEC) decided to maintain their levels of crude production unchanged. This was confirmed by the Venezuelan minister, Eulogio Del Pino following the six-monthly meeting of OPEC. Del Pino described as "excellent" the outcome of this meeting at which the ministers agreed to "continue discussing" the different proposals put forward by the member countries for recovering control over the production of crude.

Doors that could open. Del Pino also said that, at the meeting of OPEC ministers, Venezuela had left on the table the possibility of approving a system of production bands or quotas that could avoid violations of OPEC's overall pumping quota. He explained that this system consists of allocating each country a production ceiling and floor and that that way *"we would create a range, that's to say a band, but a production band, not a price band."*

...more than concerned. Del Pino also warned in Vienna of the risk of the price of crude plummeting again during next winter in the Northern Hemisphere due to the circumstantial nature of the present recovery. The situation that has Venezuela concerned would happen in the last quarter. *"We're really concerned about whether we will be able to recover the price by next winter,"* commented Del Pino.

Pay up. PDVSA has given Paraguay 10 days in which to pay US\$287.0 million it owes for crude sold since 2009. However, *"Paraguay has always paid for the supply, but the amount quoted by Venezuela differs from the figure that Paraguay's oil company (Petropar) considers to be the correct one: US\$273 million,"* explained Felipe Oddone, the Paraguayan Government's communications advisor.

Tapping all options. Citgo Petroleum plans to start a project to repair and upgrade its 235.0 kb/d refinery on Aruba in August. The decision was taken after this PDVSA affiliate reached an agreement with the Aruban Government last month to operate the

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Year 12. Number 22. Week II
June 2016

refinery, according to Aruba's labor minister, Paul Croes. "The upgrade will start on August 1 and take 18 months," explained Croes.

Habemus secretary, and it isn't Ali. The Nigerian Mohammed Barkindo was elected as OPEC's secretary general in the place of the Libyan Abdalla S. El-Badri, according to an announcement by OPEC. Barkindo is to take office on August 1. He was interim secretary general in 2006, has extensive oil industry experience in his country and has been the president of the Nigerian National Petroleum Corporation (NNPC).

The other side of the coin. The global oil markets are heading towards rebalancing, claimed Qatar's minister for energy a day after OPEC failed to agree on a clear crude production strategy. "It was a successful meeting; it was full harmony among members. We reviewed thoroughly market's status of oil supply and demand. The worst was over," according to Minister Mohammed Al-Sada.

Iran isn't wasting any time. The Turkish company Unit International announced that it had reached an agreement with the Iranian Government to build seven gas power stations in Iran for a total of EUR 3.7 billion (US\$4.2 billion). This is the biggest contract awarded by Iran since the sanctions the international community had been imposing on its economy due to its polemical nuclear program were lifted in January this year.

A small breathing space for Petrobras. The government of Brazil's interim president, Michel Temer, announced that it would give the oil company Petrobras free rein to set domestic fuel prices and dispute the concessions that are of interest to its shareholders and not only those that are of interest to its comptroller. The new position was established in a communiqué in which Minister of Mines and Energy Fernando Coelho Filho defended reducing state interventionism in the sector.

BUSINESS SECTOR TIPS

Increasing exports. The president of the Venezuelan Exporters Chamber (CAVEX), Miguel Silva Pérez, said that they hoped to reach the target of US\$3.0 billion in nontraditional exports by October or November this year. He explained that they had set themselves the goal of bringing US\$2.0 to US\$3.0 billion into the country between October and November this year from nontraditional exports, mainly to the eastern islands and Central America.

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Year 12. Number 22. Week II
June 2016

Credit for the tourism sector. Vice Minister for Tourism Azucena Jaspe announced that “*more than VEF 5.0 billion in financing has been granted to the tourism sector via the banks, thanks to the democratization of the sector’s loans portfolio.*” Jaspe explained that financing had been arranged for some 743 projects that had been developed from proposals received during 95 working groups held with different sectors involved in this economic activity and members of the regional governments.

One million tourists. Jaspe also highlighted that they hoped to receive more than one million tourists between 2015 and 2019 and at the same time to promote social tourism through the different destinations the country offers. The vice minister said that the idea was not only to give a boost to Margarita Island but also to the Macanao Peninsula, the Island of Coche and the Andean region, particularly now that the Mérida Cable Railway had been reopened.

Open-ended extension. The government, via the Ministry for Electric Power, extended the application of the Load Administration Plan (scheduled electricity cuts) in the provinces. The national electricity sector’s regulatory agency announced that, following implementation of the plan for 40 days, it may be extended for an unspecified period of time “*depending on climatic conditions and the Guri Reservoir.*”

Rationing schedule maintained. The electricity sector’s regulatory agency announced that the rotation of the blocks of time established in the Load Administration Plan would be maintained with a view to preserving the operational capacity of Guri Hydroelectric Power Station. Minister for Electric Power and President of Corpoelec Luis Motta Domínguez said, once again, that, unfortunately, despite the slight increase in the water level in Guri Reservoir, it has not recovered sufficiently.

Ambitious targets. Minister for Productive Agriculture and Lands Wilmar Castro Soteldo announced that the target for annual food production was 25 million tons, with investment of nearly VEF 786.0 billion. He also said that the government had very ambitious food production targets of 18 million tons from plant crops and 6.5 million tons from livestock.

Only half. The Confederation of Agricultural and Livestock Producers Associations (Fedegro) has said that they are in the middle of planting the corn crop but that this year they will only be able to guarantee the supply of 40.0% or 50.0% of white corn and 30.0% of yellow corn requirements. Furthermore, Aquiles Hopkins, Fedegro’s vice president, rejected the new price for corn as he considered it way below the costs they have to face to produce this crop.

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The situation can be overcome. José Agustín Campos, the president of the National Confederation of Farmers and Cattlemen (CONFAGAN), stressed that it is necessary to increase production and productivity in order to be able to make progress in livestock rearing and agriculture. *“We Venezuelans are still in time to make it through this; we can beat this situation. As far as dairy and beef livestock husbandry and crop agriculture are concerned, that can be done immediately,”* explained Campos.

Until the next harvest. Manuel Felipe Larrazábal, the director of Alimentos Polar, ratified that the present levels of raw materials are enough to maintain production until the end of May. Larrazábal said that, at a meeting held last month, Minister for Food Rodolfo Marco Torres had guaranteed the availability of white corn so that Alimentos Polar could maintain production until the next harvest.

What’s needed is the raw material. In order to continue operating with the present levels of production, Alimentos Polar’s cornmeal processing plants require 17,500 tons of white corn a week, according to Larrazábal. He also commented that the recent white corn harvest came to 600,000 tons, whereas the precooked cornmeal industry requires 1,400,000 tons a year of raw material.

Exporting granite. The president of the Association of Granite Companies, Arnoldo García, explained that at least 23 countries buy Venezuelan granite processed by Venezuelan companies. The granite sector representative said that granite exports have doubled since last year thanks to the simplification of export procedures. He also claimed that Venezuelan granite is acknowledged in the international market as being *“one of the hardest in the world,”* ranking seventh on the hardness scale.

WORLD ECONOMY TIPS

Employment figures raise doubts. In May, the US economy created the smallest number of jobs in more than five years as a result of a strike by workers at Verizon, which reveals a weakness in the labor market that could make it difficult for the Federal Reserve to raise interest rates.

Clear hints. The chairwoman of the FED, Janet Yellen, said that an interest rate hike was probably on the way because the positive forces in the economy have outweighed the negative ones in the United States (US), although the weak employment report needs to be evaluated. Even so, her comments were optimistic, generally speaking.

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She mentioned four risks for the US economy -lower demand, lower productivity, inflation, and complications abroad- only to then downplay them all.

Not yet. Following the expectations created by statements the FED's chairwoman, Dennis Lockhart and James Bullard, the presidents of the Atlanta and St. Louis Federal Reserves, respectively, ruled out the possibility of a raise in interest rates next week, although they did reiterate that they still believed that there should be a raise as soon as possible. Other leading Federal Reserve representatives have said that an interest rate hike in June is unlikely.

China sets limits. Next week China is going to submit its "negative list" of sectors that would remain off-limits to US investment in the US-China bilateral investment treaty, said Vice Premier Wang Yang. Top US officials had said that a negative list would be essential for reaching an agreement. "*The United States stands ready to advance the ongoing bilateral investment treaty negotiations,*" said US Treasury Secretary Jack Lew.

ECB revises estimates. The European Central Bank (EBC) increased its inflation forecast for 2016, although it predicted that the increase in prices would stay below its target until 2018 given the difficulties caused by the impact of cheap energy on the prices of other goods and services. The ECB raised its inflation forecast for 2016 to 0.2% from its March estimate of 0.1% and maintained its forecast for 2017 at 1.3%.

The Union loses ground. The opinion poll published by Opinium revealed that the campaign for voting in favor of the United Kingdom staying in the European Union at the referendum to be held on June 23 has shortened its lead in the past two weeks. Other opinion polls conducted in the past week also show that the option favoring leaving the European Union has gained ground. The pound fell sharply on Tuesday when opinion polls revealed that the campaign in favor of abandoning the bloc had a lead of 3 percentage points.

WTO warns about Brexit. The competitiveness of British companies will suffer if the British vote in favor of leaving the European Union, warned the head of the World Trade Organization (WTO), Roberto Azevedo. Azevedo joined the chorus of international figures, including the director of the IMF, Christine Lagarde, who have said that Britain's exit from the European Union (Brexit) would have serious economic consequences.

Japanese manufacturing contracts. Japan's manufacturing activity contracted in May to its lowest level in more than three and a half years in the midst of a drop in new

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Year 12. Number 22. Week II
June 2016

orders, highlighting the weakness of the economy and the pressure on the government and the central bank. According to a Markit communiqué, the consequences of earthquakes registered in the south of Japan in April are still a heavy burden for some producers, although it also mentioned that there had been a sharp contraction in external demand.

Fighting inflation. Inflation in Colombia was up by 0.5% in May, driven by higher prices in housing, health, transport, and food, which maintains the annual rate above the target set by the central bank (Banrep). Inflation for the past 12 months was 8.2% compared to 4.4% for the same period in 2015. Annual inflation is above the target range set by Banrep for the entire year of between 2.0% and 4.0%.

Chile slows down. In April, economic activity in Chile grew by 0.7% year-on-year, the lowest rate of growth since October last year, driven by a contraction in the mining and industrial sector. *“The most relevant aspect is the trend in the behavior of the April figures, which suggests that there will be another slowdown in the next quarter,”* said Benjamín Sierra, an economist at Scotiabank.

POLITICAL TIPS

The Constitution is not subject to dialog. “A mockery” was how Governor of Miranda Henrique Capriles Radonski described the Electoral Branch’s delay in announcing the validation of the signatures, after the Democratic Unity Alliance had handed in nearly 2 million signatures, approximately ten times more than was required. *“The constitutional rights are not negotiated. There’s no need to dialog about what is contemplated in our Constitution,”* commented Capriles.

Anti-CLAP campaign. Deputy for Monagas Diosdado Cabello claimed that there was a media campaign to discredit the Local Supply and Production Committees (CLAPs). Cabello said that the CLAPs *“are a powerful system for the people; and what is the rightwing going to do? Sabotage them.”*

Nationwide broadcasts to defend the model. Between January and May this year, President Nicolás Maduro has taken over the media for his live nationwide networked broadcasts on 51 occasions for a total of 81 hours and 48 minutes. According to the database published by the NGO *Monitoreo Ciudadano*, 19 broadcasts were spent discrediting the decisions taken by the National Assembly and 21 focused on defending the economic model.

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Year 12. Number 22. Week II
June 2016

“We don’t accept tutelage or interventionism.” So declared President Nicolás Maduro in his speech before the 7th Summit of the Association of Caribbean States (AEC), held in Havana. He also thanked the AEC for its special communiqué in which it backed his initiative calling for dialog in Venezuela.

Maduro launches an “anti-empire” campaign. President Nicolás Maduro has declared June to be the start of a permanent campaign “to defeat imperialist intervention and the campaign against Venezuela,” after receiving the young people who marched against the decision taken by Luis Almagro, the secretary general of the Organization of American States (OAS), to activate the Democratic Charter against our country.

National Assembly to annul appointment of justices. The president of the National Assembly, Henry Ramos Allup, said that parliament would proceed to annul the appointment of justices to the Supreme Tribunal of Justice approved on December 23 last year and that it also plans to swear in the deputies for Amazonas.

UNASUR promotes a round of encounters. The former president of the Spanish Government, José Luis Rodríguez Zapatero, traveled to Caracas to continue efforts to promote a dialog between the Venezuelan Government and the opposition, which has the support of the Union of South American Nations (UNASUR). It is not known what Rodríguez Zapatero’s agenda will be or how many days he will remain in Venezuela, but it was learned that he met with the Venezuelan opposition leader Leopoldo López in Ramo Verde military prison.

OAS will not be able to apply the Democratic Charter against Venezuela. Venezuelan Foreign Minister Delcy Rodríguez said that the Democratic Charter of the OAS is activated when there is a rupture in the constitutional order. “*In Venezuela, there is no constitutional rupture,*” she said.

LEGISLATIVE TIPS

More requirements. According to the provisions of Resolution 001, published in *Gaceta Oficial* No. 40,911, the National Integrated Customs and Tax Administration Service (Seniat) shall require the certificates, permits and licenses corresponding to the exporting of nontraditional goods in order to dispatch the merchandise outside the

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country. The regulation will apply only when it is a prior requirement for the tariff sub-item in question.

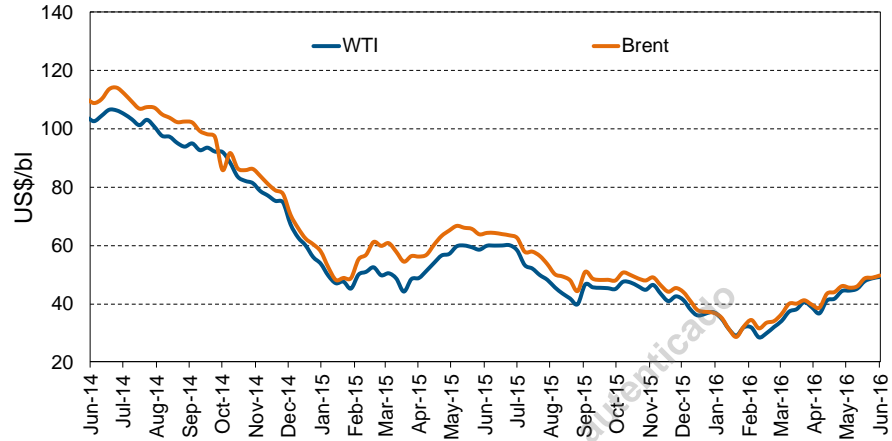
International agreements. The resolution states furthermore that it will also be necessary to issue certificates, permits or licenses “*when their presentation is required in the destination country, pursuant to international agreements.*” Similarly, the resolution does not exempt the national entities or agencies that are responsible for sanitary control and verification.

Contributions of 1.0%. The Executive established recently in a decree published in *Gaceta Oficial* that the annual contribution equivalent to 1.0% of amounts received in health insurance premiums that used to be transferred to the National Public Health System shall now be deposited in Fonden.

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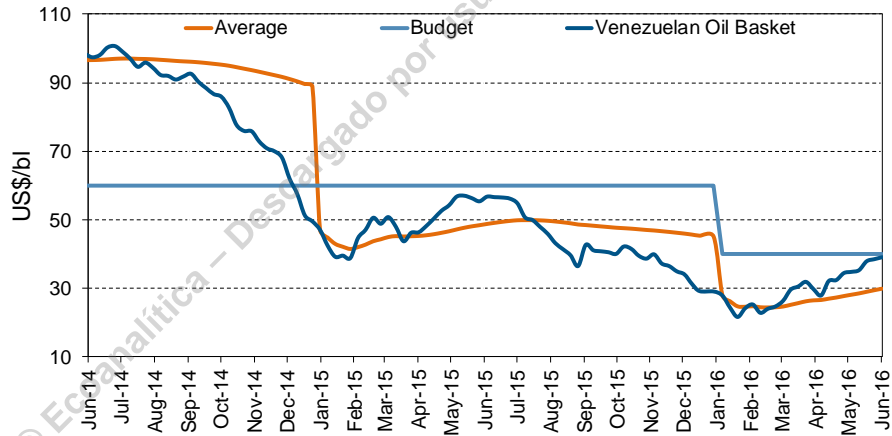
ECONOMIC INDICATORS

**Oil Prices
(WTI and Brent)**



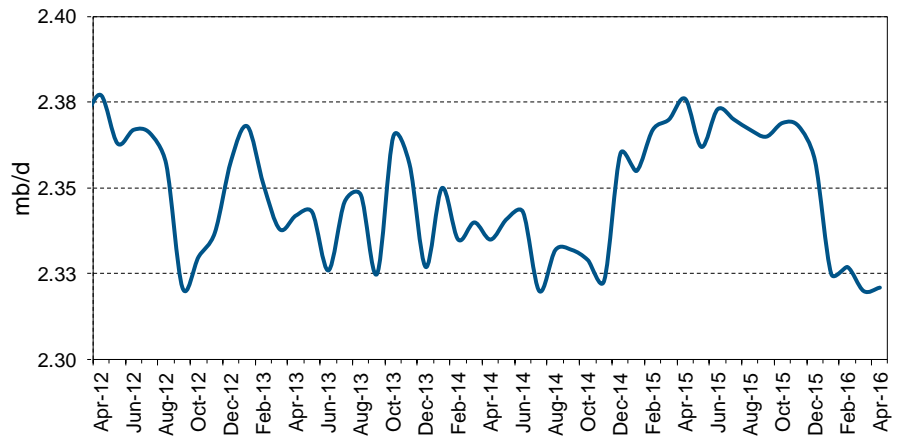
Sources: Menpet and Ecoanalítica

**Oil Price
(Venezuelan Basket)**



Sources: Menpet and Ecoanalítica

Oil Production



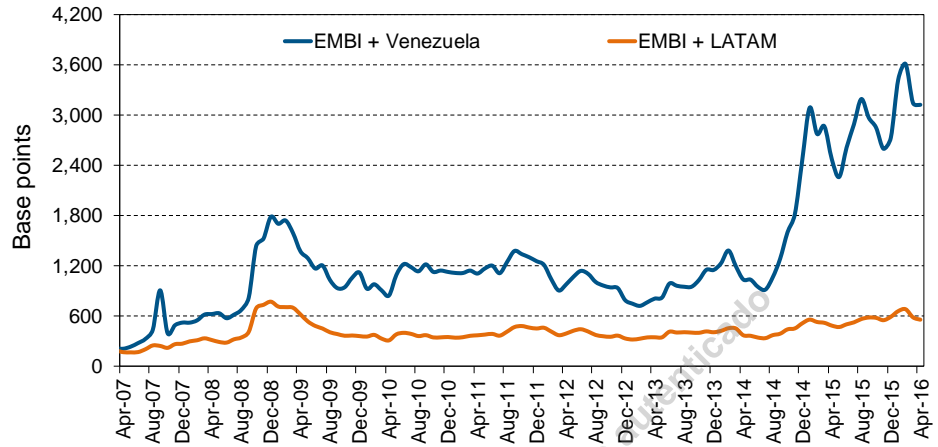
Sources: OPEP and Ecoanalítica

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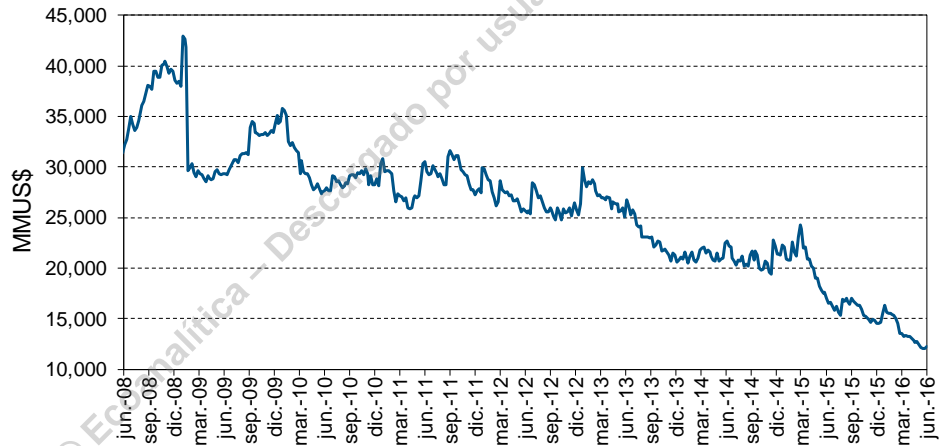
Year 12. Number 22. Week II
June 2016

EMBI



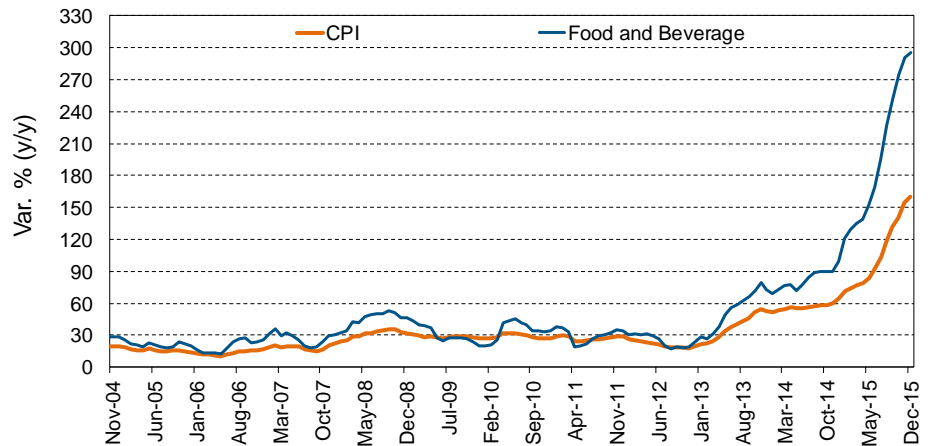
Sources: BCRP and Ecoanalítica

FX Reserves (BCV)



Sources: BCV and Ecoanalítica

Inflation (BCV)



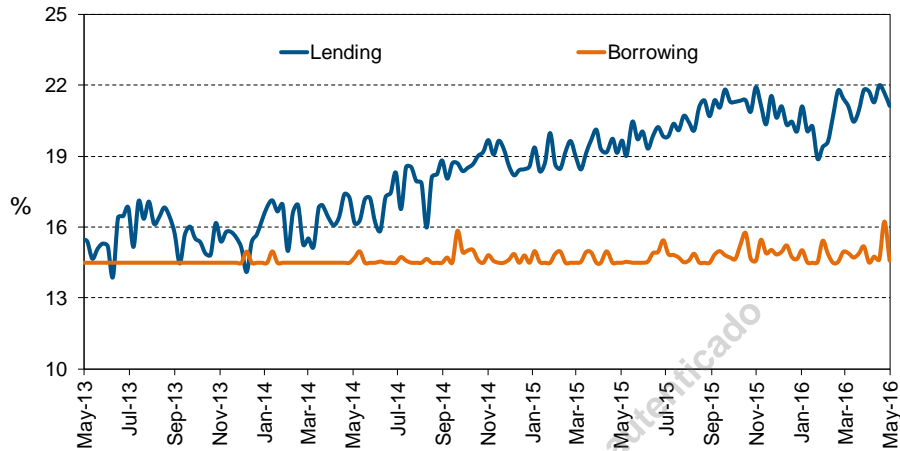
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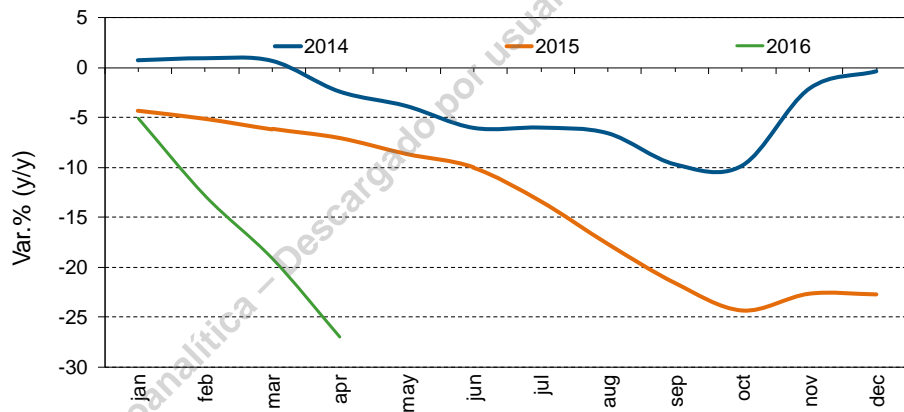
Year 12. Number 22. Week II
June 2016

**Interest Rate
(Six major banks)**



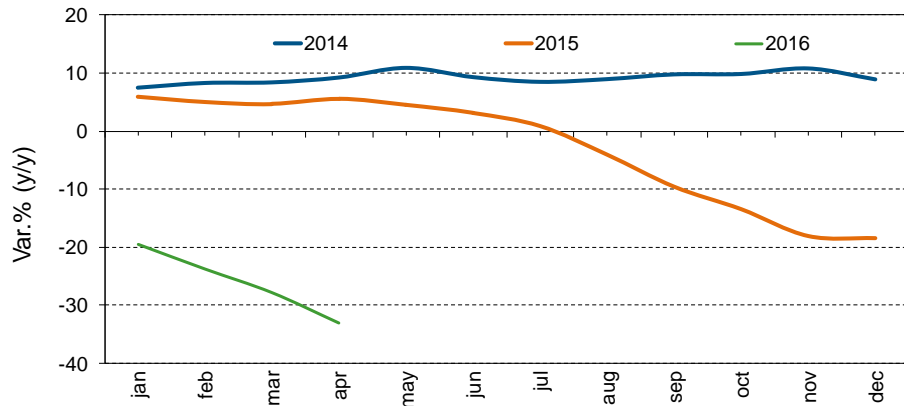
Sources: BCV and Ecoanalítica

**M2 Expansion
(Real)**



Sources: BCV and Ecoanalítica

**Loan Portfolio
(Real)**



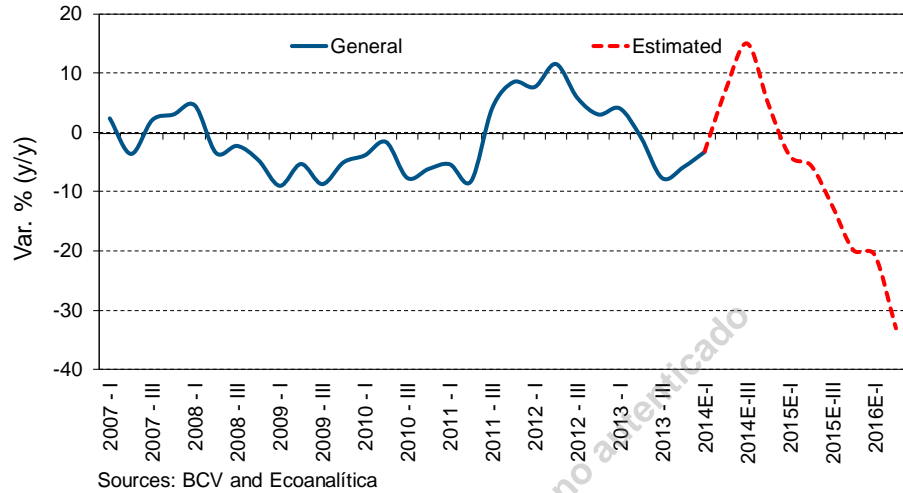
Sources: SUDEBAN and Ecoanalítica

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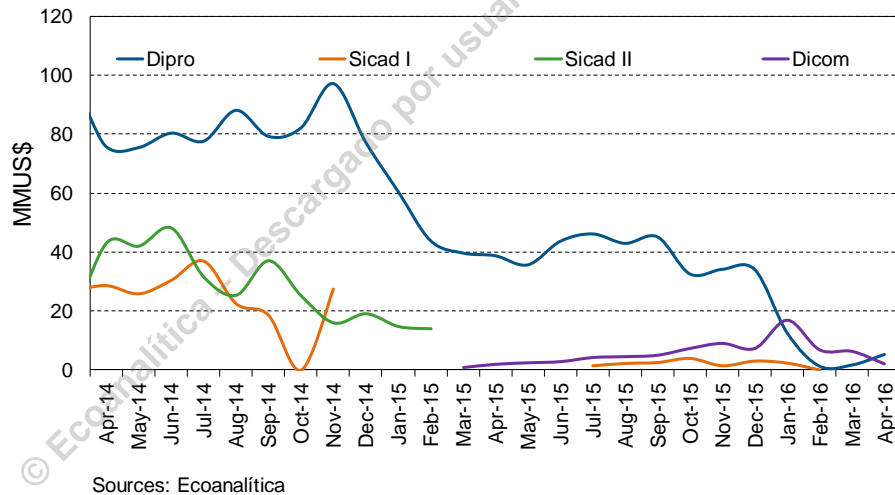
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Year 12. Number 22. Week II
June 2016

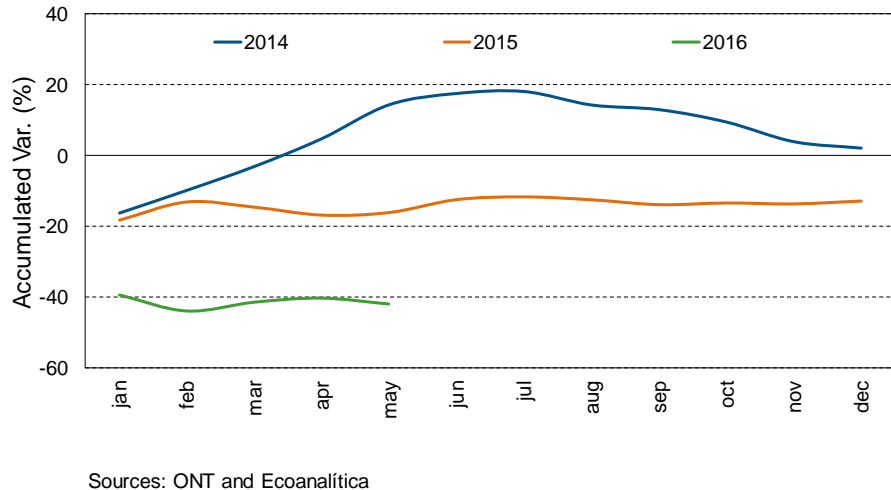
Real Wage Index



Disbursements to the Private Sector (Daily Average)



Primary Spending NTO (Real - Central Government)

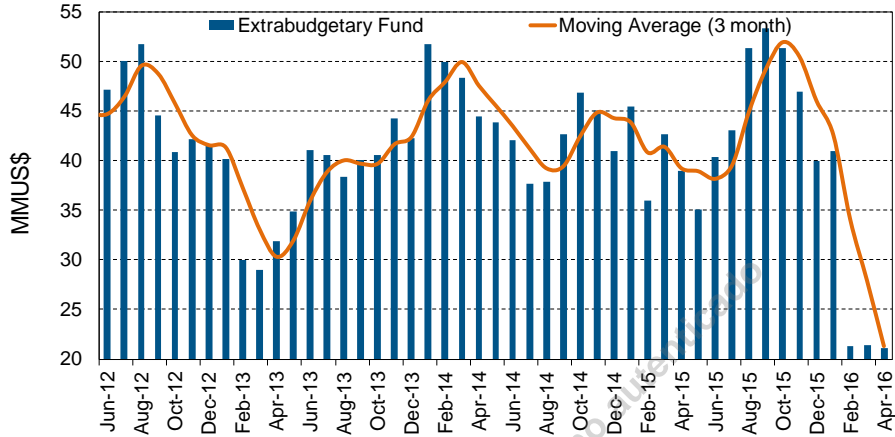


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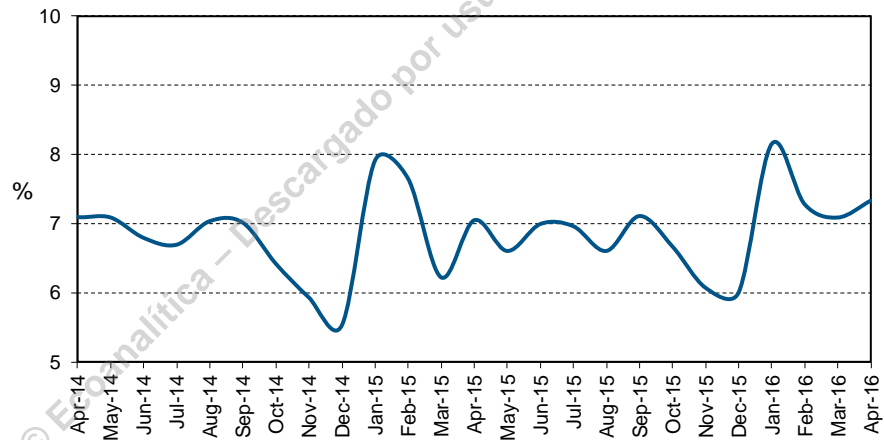
Year 12. Number 22. Week II
June 2016

State Extrabudgetary Resources



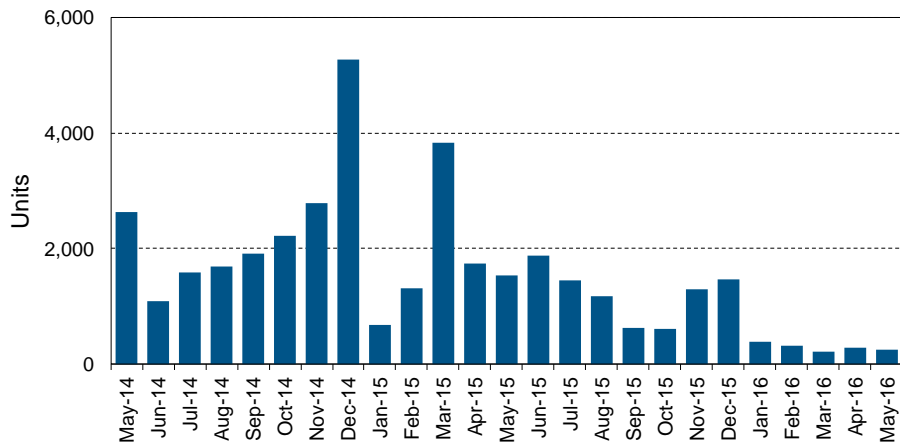
Sources: Ecoanalítica

Unemployment Rate



Sources: INE and Ecoanalítica

Vehicle Sales



Sources: CAVENEZ and Ecoanalítica

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