



# Weekly Report

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***Fiscal Management of the  
Central Government: A  
Prelude of what is to come?***

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The Central Bank of Venezuela (BCV) has published the figures for the fiscal management of the Central Government (CG) corresponding to the first quarter of the year, as well as the closing figures for 2010. These are an appetizer of what the government is preparing regarding expenditures for the next few months.

### Just one part...

We must start by saying that the figures of the CG allow us to make a partial analysis of the fiscal management, since the CG is just one part of the Public Sector (PS), representing between 70% and 75% of total expenditures. The difference is in the management of non-financial public enterprises (particularly PDVSA) and entities like Fonden, among others. However, given the delays of the Ministry of Planning and Finances (MPF) to publish these data, the figures of the BCV provide some information.

### The importance of fiscal management

In an economy like the Venezuelan, public expenditures are an energizing element *par excellence*. In a context where oil prices are rising, and the proximity of a presidential election, it is clear that the government will use



public expenditures as a tool to stimulate economic activity. Also, public expenditures have a direct impact on President Chávez's popularity index. In 2011 and later in 2012, the evolution of public expenditures will be a key element to evaluate these two factors.

**What happened in 2010?**

According to the BCV, in 2010 the CG had a reduction in fiscal income of 3.0% in real terms, interannually. There was a rise in non-oil income of 2.7% with respect to 2009. A fact that must be mentioned is the 16.2% drop in income tax in real terms, interannually, while VAT rose in real terms 4.4% during the same period.

**A logic fall?**

Oil income dropped 13.3% in real terms with respect to 2009. This is in line with the reduction in oil production, but is also due to the effects of the agreement with China on oil related fiscal contributions, since the one mandating these agreements is Banderas, and Pdvsa discounts that cost from its fiscal contributions.

**How much was spent?**

Based on BCV figures, the total expenditure of the CG in 2010 was VEB 228.90 billion, a nominal increase of 22.3% compared to 2009, but a drop of 5.3% when inflation for the period is discounted. This reduction is added to the one in 2009, although as we have already stated, it doesn't include expenditures outside the CG. Thus, in 2010, the fiscal deficit of the CG was VEB 37.20 billion, greater than the one for 2009, which was VEB 34.20 billion. Reviewing the financing needs, or the resources that the CG obtained to cover the deficit and pay the debt, we see that they were VEB 40.50 billion.





FISCAL BALANCE				
CENTRAL GOVERNMENT	2009	2010	Nominal Variation	Real Variation
(VEB Million)				
<b>Total Revenue</b>	153,024	191,680	25.3%	-3.0%
<b>Non-Oil Revenue</b>	99,373	131,769	32.6%	2.7%
<b>Oil Revenue</b>	53,500	59,911	12.0%	-13.3%
<b>Oil Income Tax</b>	12,943	8,550	-33.9%	-48.8%
<b>Central Bank Earnings</b>	151	-	-	-
<b>Total Expenditure</b>	187,229	228,945	22.3%	-5.3%
<b>Fiscal Balance</b>	(34,205)	(37,265)	8.9%	-15.6%
<b>Non Oil Balance</b>	(87,856)	(97,176)	10.6%	-14.3%
<b>Debt Amortization</b>	4,540	3,280	-27.7%	-44.0%
<b>Financing Requirements</b>	38,745	40,545	4.6%	-18.9%
<b>Foreign Debt</b>	8,759	6,526	-25.5%	-42.3%
<b>Domestic Debt</b>	25,657	33,834	31.9%	2.2%
<b>Tresury Bonds</b>	22,764	28,219	24.0%	-4.0%
<b>Tresury Debt</b>	2,893	5,614	94.1%	50.3%
<b>Others</b>	4,329	186	-95.7%	-96.7%

Sources: BCV and Ecoanalítica

**The chavista logic is ratified in the management of fiscal accounts?**

How were these resource needs covered? Very expensively. As can be seen in the previous table, the CG issued debt (domestic and foreign) for VEB 40.36 billion. Thus, we reiterate the logic of the present administration regarding fiscal management: resources are being accumulated, many of which are managed in a discretionary manner, while the debt increases and elevates its service in the future.

Between 2009 and 2010, extra budgetary resources (in bolivars) increased by VEB 16.70 billion, according to *Ecoanalítica's* estimates.

Government Resources (In VEB)	2009	2010	Nominal Variation	Real Variation
BANDES	0.2	0.5	141.9%	87.4%
BDT	0.2	0.5	141.9%	87.4%
Depósitos en el Sistema Financiero	40.5	41.9	3.3%	-19.9%
Fondo Miranda	5.2	22.1	328.3%	231.8%
Tesorería Nacional	13.3	13.5	1.4%	-21.4%
FONDEN	3.9	6.0	54.5%	19.7%
<b>Total</b>	<b>67.7</b>	<b>84.5</b>	<b>24.8%</b>	<b>-3.3%</b>

Source: Ecoanalítica

\*Not Included: Government Resources in US dollar



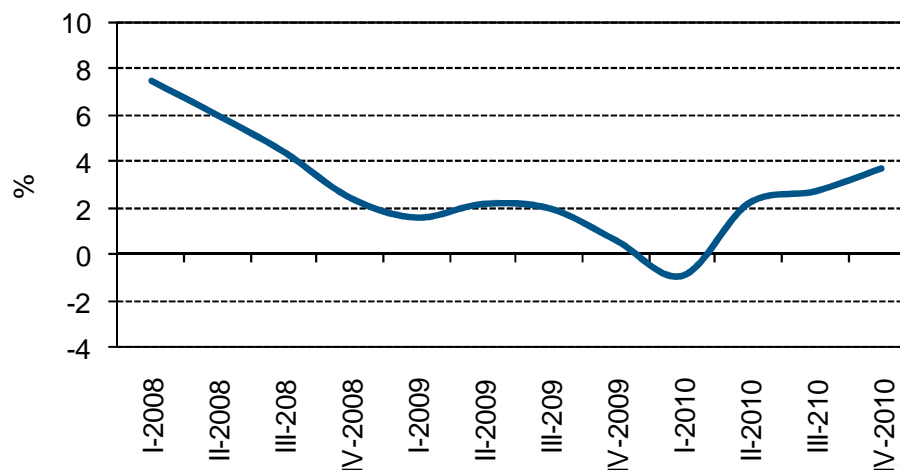
**And how are things going in 2011?**

According to the BCV, in the first quarter of 2011, the fiscal income of the CG had a real growth of 12.8% interannually. However, it must be noted that oil income increased 17.3% in real terms, compared to the first quarter of 2010. Income through Seniat increased 11.4% in the first quarter, compared to the same period the year before.

FISCAL BALANCE CENTRAL GOVERNMENT (VEB Million)	March 2010	March 2011	Nominal Variation	January-March 2010	January-March 2011	Nominal Variation	Real Variation
Total Revenue	13,537	17,962	32.7%	32,230	46,930	45.6%	12.8%
Non-Oil Revenue	11,433	16,493	44.3%	24,578	35,348	43.8%	11.4%
Oil Revenue	2,104	1,470	-30.1%	7,651	11,582	51.4%	17.3%
Central Bank Earnings	-	-	-	-	-	-	-
Total Expenditure	19,238	21,901	13.8%	43,773	60,674	38.6%	7.4%
Fiscal Balance	(5,701)	(3,939)	-	(11,543)	(13,744)	-	-
Non Oil Balance	(7,805)	(5,408)	-	(19,194)	(25,325)	-	-
Debt Amortization	-	-	-	755	260	-	-
Financing Requirements	5,701	3,939	-	12,298	14,004	-	-
Foreing Debt	7	1	-	53	991	-	-
Domestic Debt	7,090	4,173	-	9,971	11,736	-	-
Treasury Bonds	5,963	3,257	-	8,475	9,788	-	-
Treasury Debt	1,127	916	-	1,496	1,948	-	-
Others	-1,395	-235	-	2,274	1,277	-	-

Regarding expenditures, there is an increase of 7.4% in real terms, interannually. This is in line with the increase in public consumption reported by the BCV for the first quarter of the year, which was 10.4% interannually.

**Evolution Public Consumption**



Sources: BCV and Ecoanalítica



### A manageable administration

In the first quarter, the pace of income expansion was faster than that of expenditures. During that same period, the fiscal deficit of the CG was VEB 13.74 billion (US\$ 3.19 billion), slightly higher (in bolivars) compared to the first quarter of 2010 which was VEB 11.54 billion. This is in line with the rise in oil prices, which help avoid a greater decay in fiscal management figures.

Among BCV figures, there is the de-accumulation of funds in the Treasury for VEB 1.27 billion (US\$ 297 million), while internal indebtedness in public debt bonds and Treasury Bonds was VEB 11.73 billion. Thus, in the first quarter our thesis is repeated: the government prefers to be indebted to maintain parallel funds and spend with no control.

### And the next few months?

Along these lines, by the end of 2011, the expenditures of the CG will be equivalent to VEB 291 billion (US\$ 67.61 billion), which would lead to a deficit of VEB 40.79 billion (US\$ 7.99 billion) equivalent to 2.9 GDP points. This deficit will be financed mainly through internal debt. However, if the whole structure of the Public Sector is evaluated, this deficit would increase substantially.

FISCAL BALANCE CENTRAL GOVERNMENT (VEB Billion)	2010	2011F*	Nominal Variation	Real Variation
Total Revenue	191,680	249,938	30.4%	2.3%
Non-Oil Revenue	131,769	150,968	14.6%	-10.1%
Oil Revenue	59,911	98,970	65.2%	29.6%
Central Bank Earnings	-	-	-	-
Total Expenditure	228,945	290,723	27.0%	-0.4%
Fiscal Balance	(37,265)	(40,785)	9.4%	-14.2%
Non Oil Balance	(97,176)	(139,755)	43.8%	12.8%
Debt Amortization	3,280	8,838	169.4%	111.3%
Financing Requirements	40,545	44,939	10.8%	-13.1%

\*Estimated

Sources: BCV and Ecoanalítica

### And in 2012?

This fiscal expansion will continue in 2012 in its three areas: the regular structure defined by the National Budget, the use of resources from parallel funds, and the aggressive indebtedness policy. So for 2012, **Ecoanalítica** projects CG expenditures to be 2.9 GDP points, with a deficit of 3.7% of GDP.

The government is immersed in a spiral where it wants the best of both worlds: on the one hand increase expenditures, and on the other



accumulate significant amounts of resources. For this reason, the Government is constantly on guard regarding taxes and regarding indebtedness.

In other words, the Government knows, although doesn't admit it, that the situation can become difficult in the future, and seems to be preparing for it.

**And what  
about  
businesses?**

Companies must be clear that a greater public expenditure like the one expected for the next few months, will have a positive impact on the economy, but lower than the impact of prior years (particularly the period between 2006 – 2008), so it is important to take this into consideration, particularly regarding inventories, and distribution channels among others. This higher expenditure levels will generate inflationary pressures, which the government will try to reduce through administered increases in controlled products, greater control over the private sector, debt issuing (particularly domestic) and more imports from the public sector.

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## Economic Tips

**Collection by Seniat reached VEB 10.01 billion in May.** According to figures of the National Integrated Service of Tax and Customs Administration (Servicio Nacional Integrado de Administración Tributaria y Aduanera -Seniat), in May it collected VEB 10.01 billion, which compared to what was collected in May 2010 (VEB 7.04 billion) shows a nominal increase of 42.2%, or an increase of 13.9% in real terms. This year, Seniat has collected VEB 54.98 billion, that is 39.3% more than was collected during the same period last year in nominal terms, and a real increase of 9.5%, consistent with the recovery in economic activity.

**Venezuela recovers towards economic growth.** The permanent secretary of the Latin American and Caribbean Economic System (Sela), José Ribera Banuet, stated that Latin America will have 5.0% economic recovery this year. He said that the countries that will grow faster in the region are Brazil, Peru, and Chile. He also said that Venezuela will grow 4.0% in 2011.

**Unemployment was 8.4% in May.** According to the National Institute of Statistics (INE), the unemployment rate for May was 8.4%, a change of 0.3 percent points with respect to the same period in 2010.

**Youth unemployment rate was 17.7% in May.** According to the INE, the unemployment rate among youths between 15 and 24 years old for May was 17.7%, an increase of 0.7 percent points with respect to the same period in 2010. This figure doubles the general unemployment rate in the country for the same month, which was 8.4%. In absolute terms, in May of this year there were 385,063 individuals between 15 and 24 years old that were looking for a job but didn't find one.

**And public employees increase.** According to INE, in just one month, 163,027 people entered the public payroll. Since 2005, the Venezuelan government has carried out a deep process of expropriations and nationalizations, plus the creation of more ministries and institutions, which has caused a sharp increase in the size of the government. The government payroll has over 2,500,000 people from all levels.

**Insufficient foreign currency.** At *Ecoanalítica* we believe that the Administration is evaluating three scenarios for issuing public debt (Republic and Pdvsa) in dollars for the remainder of 2011. In these scenarios, the Administration is contemplating to issue more debt to complete the assignment of foreign currency by Cadivi and Sitme.



Sectors considered non-priority, and private individuals will receive insufficient amounts, or less than the amount requested.

**More foreign currency through Sitme.** The Central Bank of Venezuela will offer more currency through Sitme, in order to cover the unmet demand for some imports. It is also expected that Pdvsa will pay some obligations of the BCV, and for this it is preparing a private issue of bonds in dollars, which the BCV will acquire to increase the liquidity of the papers, and thus increase the bond auctions for importers. It is estimated that by the end of 2011 total indebtedness would have increased by US\$9 billion, including another open issue, and the private one they are preparing.

**The bonds rise.** Venezuela's segment in JP Morgan's reference index for emerging markets is negotiated with a differential of 1.092 with respect to US Treasury bonds, the highest differential in the index. Nevertheless, the component in the index was of 47 basic points narrower while the general EMBI+ index is 10 basic points more, at 294 points. Speculations about Chávez's health may have marginally affected trust in the market, but the most important factor is a return of the appetite for risk in global markets in general.

**Labor payments for 2011 amount to VEB 19 billion.** Labor commitments generated throughout 2011 have a cost of VEB 19 billion for the treasury; this amount includes the impact of minimum wage adjustments and pensions, the increase in public employee salaries, the salary increases for university staff members, and end of year payments.

**Additional credits.** In almost six months, the National Assembly approved VEB 25.300 billion in additional credits, and of these operations, 45% has been to take care of general labor commitments during this fiscal year.

**Slowly increasing.** Operations with SUCRE are on the rise. Commercial transactions for 47 million sucres have been performed during the year, within the framework of the Unitary System of Regional Payment Compensation (Sistema Unitario de Compensación Regional de Pagos – Sucre), and another 97 million are being negotiated. The goal is to reach 300 million sucres in trade exchanges between Bolivia, Ecuador, Cuba and Venezuela, the countries that are a part of the system.

**Interest rates.** The lending rate for the second week in June was at 18.49%, increased by 0.21 perceptual points compared to the previous week. Time deposits also were increased by 0.22 perceptual points to reach 14.78%, while the passive has not submitted any variation significant since January 2010, placing well at 12.61%.



**International reserves.** International reserves increased 0.4% going from US\$29.11 billion during the third week in June to US\$29.32 billion during the fourth week in June. Compared to the same period last year, international reserves have decreased by 0.1%.

**Monetary liquidity.** Monetary liquidity in the third week in June creased 0.1% compared to the previous week settling at VEB 324.2 billion. The M2 has creased 31.2% year-on-year.

**Sitme figures.** So far this year, US\$3.87 billion have been negotiated through the Integrated System for Foreign Currency Transactions (Sitme), averaging US\$34.2 million a day, with an implicit exchange rate of 5,3 VEB/US\$. Last week the traded amount reached US\$145.3 million, US\$4.4 million less than last week when braided US\$149.7 million.

## Oil Tips

**Pdvsa's revenues reached US\$3.2 billion in 2010.** According to a recent statement issued by Minister of Energy and Oil, Rafael Ramirez, Pdvsa's earnings reached US\$3.2 billion in 2010 and the company's contribution to the national treasury reached VEB 58.91 billion. Ramirez said the company's income had been US\$94.9 billion and the social contribution reached US\$20.5 billion.

**Pdvsa receives loan for US\$1.5 billion.** Last June 28, Venezuela agreed to receive a loan for US\$1.5 billion from Japanese firms, to be paid with crude oil. The loan has a validity of 15 years and will bear a LIBOR interest rate of +3.8%. The amount will be used in expansion projects at the El Palito Refinery in Puerto Cabello and the Puerto La Cruz Refinery, in order to increase their installed capacities to 280,000 bl/d and 210,000 bl/d respectively.

**Another loan for Pdvsa: Italy offers funds too.** Pdvsa's restless labors to get funds usually aims to China, but this time Italy is involved too. Minister of Energy and Oil and president of Pdvsa, Rafael Ramirez, announced Venezuela was expecting two loans, one from the National Petroleum Corporation for US\$4 billion for a public-private company to be created between Pdvsa and China, and the second loan for US\$1 billion to create another public-private company between Pdvsa and the Italian



oil company ENI. *"We are making efforts for most loans to come this year,"* said Ramirez.

**And the funds will be invested in...** the Orinoco Oil Belt, which requires nearly US\$80 billion in joint investment by Pdvsa and its partners to develop the infrastructure for the areas of extraction, processing, upgrading, and refining of extra-heavy crude oil. The president of Pdvsa expressed his satisfaction and ease for *"knowing those funds will be available. We require a guaranteed fiscal support, given the great volatility of crude oil prices."*

**Pdvsa's financial debt increases.** With the new loans and agreements, Pdvsa's financial debt would exceed US\$24.95 billion as of the end of 2010, and the number would jump to US\$30 billion after the offering and issuing of Pdvsa bonds 2017 and 2022 for US\$3 billion each, plus the Japanese loan for US\$1.5 billion, and these new loans from China and Italy. All of the above has occurred in 2011.

**Chevron expects early production at the Orinoco Oil Belt.** The North American oil company, Chevron, expects to obtain an early production of 50,000 barrels per day by September of 2012 from its new exploitation in the Carabobo block at the Orinoco Oil Belt, said the president of the company for Africa and Latin America, Ali Moshiri Efe. Moshiri explained his company had the *"technology and human resources"* to start working with its public-private partnership with Pdvsa in the Orinoco Oil Belt, pending the Venezuelan company's approval.

**Oil prices down due to consumer nations' use of reserves.** Oil markets reacted negatively to the International Energy Agency's (IEA) announcement that its member countries (the main crude oil consumers) would release nearly 60 million barrels from their reserves in July to compensate the absence of Libya's supply. IEA justified its decision stating *"a greater adjustment of the oil market threats to affect the fragile recovery of the global economy."*

**Iran and two Persian Gulf States stand up to the IEA.** They stated IEA's use of emergency reserves was not justified. *"Oil prices didn't jump to 150 USD. There's no reason to do this. The market is not facing a shortage of supply. IEA is doing politics with the United States,"* said a delegate quoted by Reuters. The release of 60 million barrels of oil as of the end of July is estimated to have the potential to decrease the price of Brent crude oil by US\$10 to US\$12.

**OPEC proposes suspending the use of oil reserves.** The reactions to the announcement to release oil consuming countries' reserves continue. OPEC's Secretary General, Abdullah al-Badri, stated last Monday, June 27, he disagreed with the measure taken by the IEA-member countries of using 60 million barrels from their



crude oil reserves. *"I hope this practice will be stopped and stopped immediately,"* said al-Badri in Vienna, after the meeting between the group of oil producers and the European Union (EU).

**IEA's stock release plan.** The IEA's plan specifies Japan and South Korea will release oil in Asia, 4 million barrels of crude oil and 4 million barrels of refined products for Japan and nearly 3.46 million barrels of crude oil for South Korea. Nearly 19.2 million barrels will be released in Europe, of which 4.2 million correspond to crude oil and 15 million correspond to refined products. Crude oil will be released mainly in Germany and Holland, while refined products will come from France, Italy, Great Britain, Germany, Spain and Turkey.

**Ramirez rejects impact of IEA's decision.** The Venezuelan Minister of Energy and Oil and president of Pdvs, Rafael Ramirez, rejected the impact of the release of crude oil stocks in the long term, warning that the objective of the IEA introducing stock crude oil into the market was to manipulate the price for a while. *"It's a situation because all these countries have limited reserves. They have a minimum stock level and the situation will be critical if they exceed that limit,"* he stated last Saturday, June 25.

**International oil baskets.** At closing time on June 24 in the New York Exchange, the price of the WTI was US\$93.22/bl, a significant fall compared to the US\$97.14 reported the previous week. The Brent fell by 5.0% to reach US\$111.46/bl, compared to the previous week's US\$117.01/bl.

**Local oil basket price.** The Venezuelan oil basket price decreased last week, closing at US\$101.07/bl on Friday June 24 a 3.1% fall compared to the US\$104.29/bl of the previous week. The annual average price of the Venezuelan oil basket is US\$97.68/bl.

## Business Sector Tips

**Attraction of capital up by 10.6%.** Universal and Commercial Banks reported a total of VEB 354.74 million in attracted capital in May of 2011, 3.4% more than in April of 2011 and a 32.7% increase compared to May of 2010. Compared to the end of 2010, the increase is by 10.6%, equivalent to 34.12 billion.



**Limits for insurance commissions.** The National Government set limits to insurance brokers' commissions. Brokers will receive a maximum commission of 30% of the premium, according to the Superintendence of the Insurance Activity, as per Providence 000824 published in *Official Gazette N° 39702*. These limits vary depending on the type of policy. The 30% upper limit is for fire, earthquake and business interruption insurance policies. Bonuses and incentive programs are also regulated.

**Electric sector has received US\$9.2 billion.** The Minister of Electric Energy, Ali Rodríguez Araque, said the National Government had invested over US\$9.2 billion in the acquisition of new equipment and the rehabilitation of others in the fields of electric generation, distribution and transmission.

**Planta Centro working at half capacity.** The situation of the thermoelectric plant Planta Centro is still precarious. This week's generation is 530 megawatts, provided by only two of its units. Carabobo newspapers say the system receives 290 megawatts from unit four and 240 from unit three.

**Entrepreneurs fear extension of the electric crisis.** Entrepreneurs estimate the electric crisis will limit the nation's development in the coming years. According to members of the business environment, the electric issue, among others, will continue to impact the possibility of a n economic improvement beyond 2012, limiting the nation's development alternatives.

**Fuel shortage to hamper electric generators' operation.** The National Government's goal to reach a global electric generation capacity of 26,171 megawatts by 2012 might be affected by Pdvsa's low production of diesel and natural gas, and the problem is even bigger, if we consider the auto-generating plant the private sector is expected to install.

**Rational use of electricity and gasoline to become a law.** The National Assembly's Energy and Mines Commission finished a first draft for the Law for the Rational and Efficient Use of Energy, which not only establishes the provisions to rationalize electricity consumption in the nation, but also includes oil byproducts such as gasoline and other fuels.

**Mission reinforces state food distribution.** Out of the 586,000 producers who enrolled in Mission AgroVenezuela, about 12,000 dedicated to growing vegetables received loans for VEB 271 million, and committed to devote their production to public distribution networks.





**SENIAT penalizes telecommunications companies.** SENIAT penalized the subscription TV companies DirecTV and NetUno, and the Mobile phone provider Digitel for *“not complying with formal duties.”* Initially, the entity had also decided to shut the companies down administratively, but *someone realized a shutdown would be a disaster* and the measure was revoked, leaving only fines to be paid.

**Meat price adjustment underestimates the sector’s costs.** The 30% price increase to all meat levels is completely off from the real situation, according to official statistics, in which the price of one kilogram of first class meat was regulated lower than the cost of the following category, and stockbreeders claim it barely covers 52% of the cost of production.

**Price of milk 120% below the real cost.** Milk producers are facing a critical future due to the low profitability of the activity, a situation that puts national production in jeopardy.

**Food prices remain stable in the region.** Over the last few months, food inflation has stabilized in Latin America and the Caribbean at 7.4% y/y, according to a report issued by the United Nations’ Regional Food and Agriculture Organization (FAO). This result shows a similar behavior for at least three months.

**Loans for farmers.** Mission AgroVenezuela carried out two simultaneous events to grant 575 loans to farmers of the municipalities of Bermudez, Arismendi and Benitez, in the Sucre state, as part of the 2,460 loans being granted since June 24 for a total amount of VEB 34 million.

**Mission reinforces state food distribution.** Out of the 586,000 producers who enrolled in Mission AgroVenezuela, about 12,000 dedicated to growing vegetables received loans for VEB 271 million, and committed to devote their production to public distribution networks.

**...With this,** the State expects to strengthen the stock of vegetables to be distributed through Vegetable Fairs organized by the Ministry of Agriculture and Lands and the Venezuelan Food Corporation (CVAL).

**Empresas Polar receives award for outstanding performance.** In celebration of the 25<sup>th</sup> anniversary of the magazine AmericaEconomia, a business forum in Chile acknowledged the labor of a group of entrepreneurs in the region, including Lorenzo Mendoza, CEO of Empresas Polar.

**Companies face obstacles to import electric equipment.** Representatives of the National Association of Industrials and Manufacturers of Electric, Electronic Boards



and Equipment and the Like (Antave), are facing obstacles to import manufactured electric equipment and pieces to assemble in Venezuela.

**Doubts for mortgage portfolio persist.** Last May, the Ministry of Housing published a decree stating the mandatory mortgage loan portfolio, establishing an upper limit for the access to financings, and ever since, banks are asking the ministry to clarify the normative, which they still haven't.

**Plastic sector reports shortage of supplies.** Pequiven's supply of raw materials to the private sector is not enough, and this continues to affect the production of plastics, said Hugo Del' Oglio, president of the Venezuelan Association of Plastic Industries (Avipla). Food packages, home appliances and construction materials are some of the products affected by this shortage.

## World Economy Tips

**US Debt gets alarming.** The limit of the US debt, currently US\$14.3 billion, should be increased before August 2, or the US Treasury Department will not have enough money to pay the nation's debts. Not being able to pay the debt could sink global markets and increase the risk of another recession in the United States. The current federal deficit is US\$1.4 billion, one of the highest debt levels, based on the size of the economy, since World War II.

**US: Republicans opposed to raising taxes.** Two of the high-rank republican representatives in the US Senate refused last Sunday to include a raise of taxes in an agreement to increase the fiscal debt limit and reduce the budget deficit. President Obama said he was committed to working with Congress to solve the Government debt problem, but admitted the focus could not be only in cutting back on the spending as republicans demand.

**China is not seeking commercial surplus.** On Sunday, June 26, Wen Jiabao, First Minister of China, stated he had no intentions to seek commercial surplus and his nation was really seeking a balanced and sustainable growth of commerce. Wen issued these statements during a three-day visit to Great Britain, with an agenda filled with political and commercial points. He also expressed that China would lend money to European countries with credit difficulties, just like he promised Hungary this week.



**Fiscal reforms in Greece could be difficult to approve.** Next week, the Greek Parliament will vote on a series of measures including €6.5 billion in austerity plans for this year, and €22 billion in savings for the 2012-2015 period in order to reduce the deficit and continue to receive help from the European Union (EU) and the International Monetary Fund (IMF). Several Greek ministers and congressmen have urged the Parliament to authorize the unpopular measures, requested by international moneylanders, in exchange for avoiding the nation's bankruptcy. However, the approval of specific laws to apply the fiscal reforms and the privatization of public companies might be hard to achieve.

**Germany says no Greek budget cuts, no bailout aid.** German Minister of Finance, Wolfgang Schaeuble, warned that a veto to the Greek Government's austerity plan by the Parliament next week could lead Athens to not getting the rescue needed to remain solvent. *"The stability of the entire euro zone would be in danger and we would need to quickly ensure that the risk of contagion for the financial system and other euro area countries would be contained,"* he said.

**Brazil's current account gap keeps growing.** The largest economy in Latin America reported a current account deficit by US\$4.1 billion in May, more than twice the negative balance of US\$2 billion reported the same month of 2010. For this reason, companies sent more money offshore and Brazilians travel abroad more, said the Central Bank on Monday, June 27. Brazilians have been able to travel because their currency (real) has been getting stronger over the last few years. The current account gap in 12 months is now equivalent to 2.29% of the nation's Gross Domestic Product (GDP), said the institution.

**Mexico reports trade balance surplus.** A report issued by Mexico's National Institute of Statistics and Geography (Inegi) revealed that the nation's trade balance reported a US\$555 million surplus in May, to total US\$3.23 billion. The report highlights the fact that this year's May surplus is higher than that of 2010, when it reached US\$173 million. Total exports increased by 25.4% compared to May of 2010. The preferred market for non-oil sales is the United States with 23.3%.

**Peruvian domestic demand grows.** After having gained 10.6% in the first quarter of 2011, Peru's domestic demand grew by 9.6% in April as a result of the contraction of the public spending, as indicated by the Central Bank of Reserve (BCR), reflecting more spending both in private consumption and investment. With this result, the indicator has a 10.3% accumulated expansion in the first four months of 2011.

**Argentina's tax revenues increase due to soy exports.** Argentina's Ministry of Agriculture reported the nation's tax revenues would exceed last year's collection of US\$8 billion for the rights to export Soybeans in the 2010-2011-period. The



increased international prices will make this growth possible. The price of soybeans in the US market increased by 60% compared to last year.

**G20 in discussions to regulate agricultural markets.** During a summit celebrated last Wednesday, June 22, G20 ministers of agriculture discussed France's proposal to regulate commodity markets and establish emergency measures to control the elevated and volatile food prices. The increasing demand for food and fuels will maintain commodities under pressure during this decade, international organizations warned last week.

**FAO: Food crisis will persist for years.** The recently elect head of the United Nation's Food and Agriculture Organization (FAO), Jose Graziano da Silva, expects the high prices of food to last for several years and cause problems to importing countries. Da Silva said the volatility might even be worse than the sustained high prices faced by both farmers and consumers, due to the uncertainty it generates. World food prices reached a record early this year, boosted mainly by climate instability.

## Political Tips

**Polls show 42% support National Administration.** A recent study carried out by the survey firm Keller indicates that nearly 42% of the people think positively of President Chavez, while 53% have negative opinions. Likewise, the firm indicates that 23% of the people back the social-economical actions implemented by the Government, while 72% believe a change is necessary,

... **According to Keller's study**, 66% of respondents are in favor of a decentralized government system while 28% are in favor of a centralized government.

**No to the excessive secrecy!** Congressman Americo de Grazia (LCR-Bolivar), in representation of the Democratic Unity Table, demanded the government to offer daily medical reports about the President's health. *"No to the excessive secrecy on this topic. Authoritarian governments send pictures, Democratic governments provide information. People need information, not pictures."*

**National meeting of Primero Justicia in Caracas.** The National directorate of the political party Primero Justicia held a meeting in Caracas including its regional authorities of 24 federal entities to discuss the party's political and legislative



agendas in attention to immediate tasks such as the presidential campaign of the MUD, for which PJ postulated Governor of Miranda, Henrique Capriles as pre-candidate.

**Immunity is provided by the people.** Days ago, the opposition wing of the parliament, represented by the Democratic Unity Table, accompanied William Ojeda (UNT-Miranda) in a press conference as a sign of solidarity with this congressman threatened of being deprived of his parliamentary immunity. Ojeda leaned towards minimizing the threats against his immunity, assuring it was a privilege granted by the people, so he will continue to meet his obligations with no fear.

**Doubts arise due to lack of information.** The Venezuelan Government and leaders of the president's party repeated today that President Hugo Chavez was recovering satisfactorily and the opposition insisted that there was a lack of information about the president's situation.

**World press also tries to decipher the enigma.** President Hugo Chavez is always present, at least in people's comments. In the absence of his long speeches, international media talk about his stretched silence and jump into the bowl of versions about his health condition, after he received surgery in La Havana, Cuba, on June 10 for a pelvic abscess.

**PPT assures the nation suffers from lack of power.** In the opinion of Patria Para Todos, the crisis at the El Rodeo penitentiary is an evidence of the nation's social deterioration and a Government that *"in its effort to remain in power, forgot about ethics and society."* Andrea Tavares, speaker for PPT, said yesterday that the very same violence that strikes penitentiaries is lived in underprivileged neighborhoods and even schools of Venezuela.

**Chavez breaks silence on Twitter.** *"Good morning, my candangueros! Today is the day of my Army and the sun is bright! A huge hug to all my soldiers and beloved people!"* With that tweet, President Chavez broke his 20-day silence yesterday. However, the Head of State did not mention any of his current health problems of nation issues in his return to Twitter.

**Adan Chavez urges Psuv not to "forget."** *"This revolution was born in the bicentennial era, by way of election, and we want to continue that way, peacefully helping build Bolivarian socialism, but aware of all threatening dangers and our restless enemy. We can not forget other fighting methods as authentic revolutionaries."*





**1.5 billion Voters can access the Electoral Registry.** The data update and new-voter enrollment in the Electoral Registry operatives scheduled for July 15 could incorporate 1.3 billion voters.

**Chancellor Maduro to attend Mercosur summit.** Venezuela will be represented by Chancellor Nicolas Maduro in the XLI Summit of Mercosur Presidents, in light of President Chavez's health condition, said this week the Chancellor of Paraguay, Jorge Lara Castro.

**Collecting signatures for Minister El Aissami to resign.** The Democratic Unity Table's (MUD) Social Fight Commission started collecting signatures to demand the resignation of Minister of Internal Affairs and Justice, Tareck El Aissami, as they hold him responsible for the highest crime rate in the 12 years of Government of Hugo Chavez.

**VEB 2.19 billion of the surplus have gone to the penitentiary system.** Since 2002, at least 13 supplementary appropriations have been approved by the National Assembly. VEB 1 million 287 have been used to execute the Program to Reform the Judicial Penal System.

**US includes Venezuela in people trafficking black list.** Last Monday, the US placed Venezuela for the first time in the group of nations that, along with Cuba, could face sanctions due to weak efforts to fight people trafficking.

## *Legislatives Tips*

**William Ojeda removed from National Assembly.** A special commission of the National Assembly authorized the destitution of opposition congressman William Ojeda as Vice president of the Commission of Cults and the Penitentiary Regime. The removal was caused by Ojeda's inappropriate behavior before the media by transmitting destabilizing messages outside his responsibilities.

**Law Against Social Discrimination.** According to the vice president of the National Assembly, Aristobulo Isturiz, the second discussion of the Organic Law against Racial Discrimination is scheduled for the first week of July. He also proposed the creation of a fund Alianza Bolivariana para pueblos de nuestra America (ALBA) for afro descendents.



**National Assembly to debate case of El Rodeo.** According to the president of the National Assembly, Fernando Soto Rojas, the second point of discussion will be the situation in El Rodeo and the penitentiary situation. He will propose the legislative power to investigate how the weapons were infiltrated in the facilities of El Rodeo II.

**Law against forgetting.** The plenary session of the National Assembly held the first discussion on the draft to Sanction the Crimes, Disappearances, Tortures and other Human Rights Violations generated by political reasons occurred during the 1985-1998-period. The draft will be presented by Parlatino Representative, Marelis Perez, and the president of the National Assembly, Fernando Soto Rojas.

**Resources approved for university student services.** The Venezuelan Minister for College Education announced he received the approval of supplementary appropriations for VEB 596 million exclusively to guarantee the correct operation of student services in official universities, such as the cafeteria, transportation, medical services and libraries. Out of the total approved, VEB 192 million will be invested in recovering and maintaining student the transportation service, and the acquisition of buses. VEB 310 million were approved for the food area, in order to guarantee supply in school cafeterias.

**Law of Sports should not be ambiguous or decentralized.** Most representatives of the National Assembly's sub-commission approved the proposal of the International Olympic Committee (IOC) and the autonomy of sports federations to choose their authorities will be respected, thus eliminating some conflicts. The polemic instrument threatens to centralize all sports activities and passing any private initiative through the State's bureaucratic controls, which has alerted the representatives of the Democratic Unity Table.

**Laws do not specify period to cover vacant chair at the nation's General Comptrollership.** Pro-government and opposing congressmen were avoiding issuing public statements on the mechanism they would use to substitute Clodosbaldo Russian, showing the *"terrible legislative technique"* of V-Republic parliaments, as neither the Organic Law of Comptrollership, reformed in December of 2010, nor the law of the Citizen's Power, promulgated in 2001, establish periods or procedures to cover vacant chairs due to resignation, physical inability or death in the organism in charge of supervising the use of public funds.

**Primero Justicia demands Law of Transparency and Access to Public Information.** The national secretary general of Primero Justicia, Congressman Tomas Guanipa, urged the parliament to discuss and approve the Law of Transparency and Access to Public Information as soon as possible.



**ECONOMIC OVERVIEW**

