



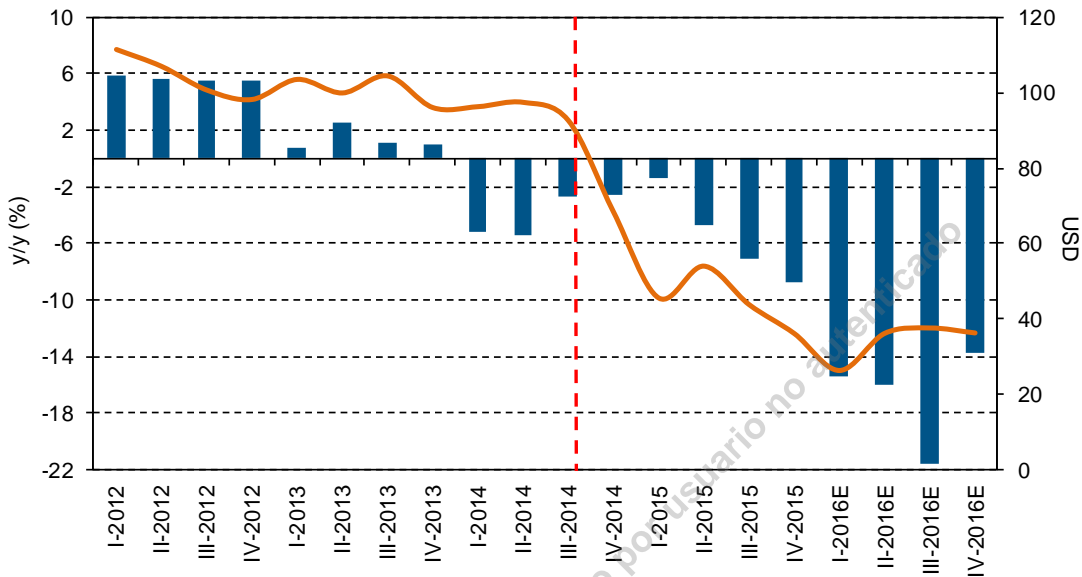
## Oil and Politics: Chronicles of the crisis

At the end of 2014, after reaching historical highs, oil prices plummeted from an average of USD 99.8/bl. that year to an average of USD 53.8/bl. the following year, a situation that resulted in a huge revenue decline for countries that are reliant on oil exports. Given this turn of events, many oil exporting countries focused their strategy on investment and saving.

### Neglecting the Crown's Jewel

During the oil price boom, Venezuela, unlike other oil exporting countries, took no action in terms of saving; on the contrary, it used the revenues that were generated to indulge in its favorite rentier behavior.

**GDP Growth vs. Venezuelan Oil Basket**



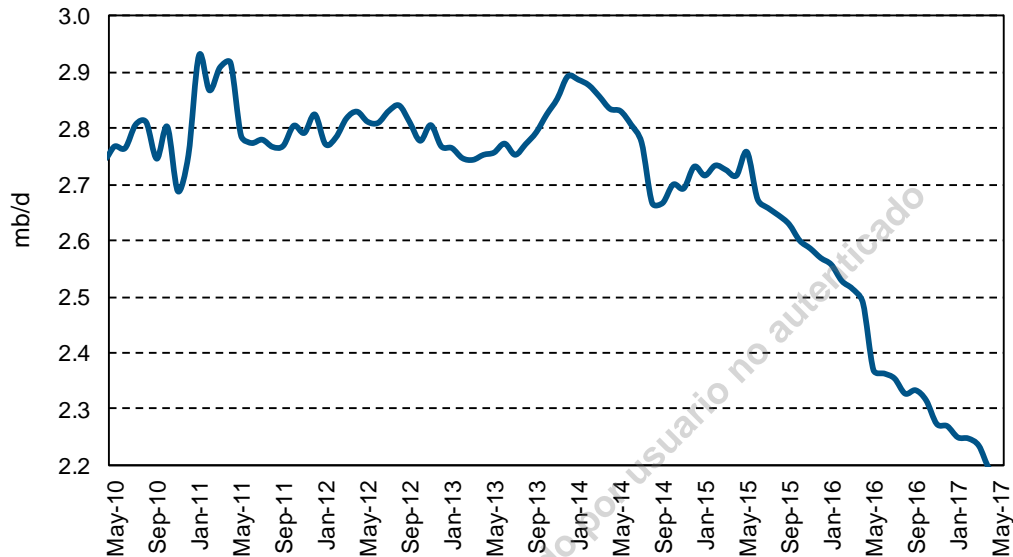
Source: BCV, MENPET and Ecoanalítica

The drop in oil prices, added to the oil industry’s poor performance, has affected Venezuela’s position internationally. Venezuela’s oil industry has shrunk over the past few years. While it is true that oil production has been declining since the start of the Hugo Chávez administration, that decline has become more pronounced in recent years, posting a drop in product of 24.2% between 2014 and the present day.

The drop in production has speeded up in the past few years driven by two fundamental factors: first, the contraction in investment, which fell by around 40% between 2014 and 2015 (the last year for which data is available), reducing the production capacity of the state-oil company (PDVSA); and second, PDVSA’s departure from the oil business as its core activity and main objective and its incursion into other sectors, such as the commercialization and distribution of food.

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### Oil Production



Sources: OPEP and Ecoanalítica

According to figures published by OPEC based on information supplied by PDVSA, Venezuela's production fell by 7.6% in May this year compared to May 2016 to 2.19 mb/d. However, according to secondary sources, it fell by 9.6% to 2.0 mb/d.

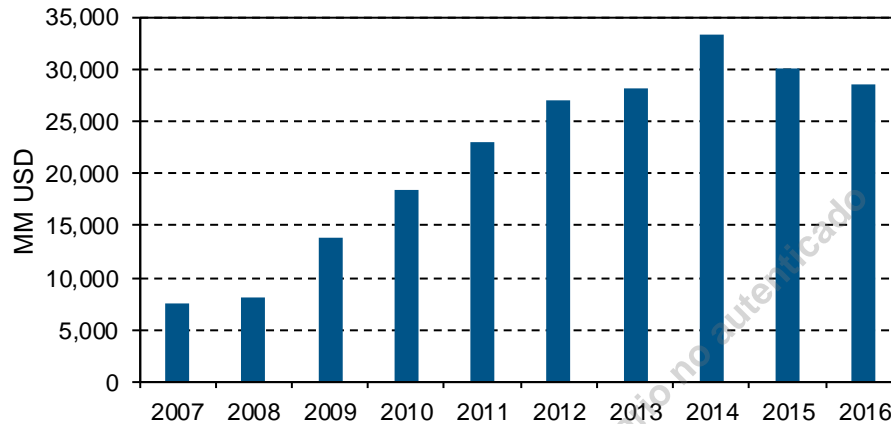
### Debts weigh heavy: one step at a time

Even when issuing debt is a common practice among companies and governments to improve cash flow, it can become a dangerous strategy if implemented recklessly. In the past, borrowing in Venezuela was kept under control. However, in 2007 Venezuela embarked on a race of indebtedness by increasing the issuing of foreign currency-denominated bonds by 279.6% to a USD 41.027 billion net debt level in 2016.

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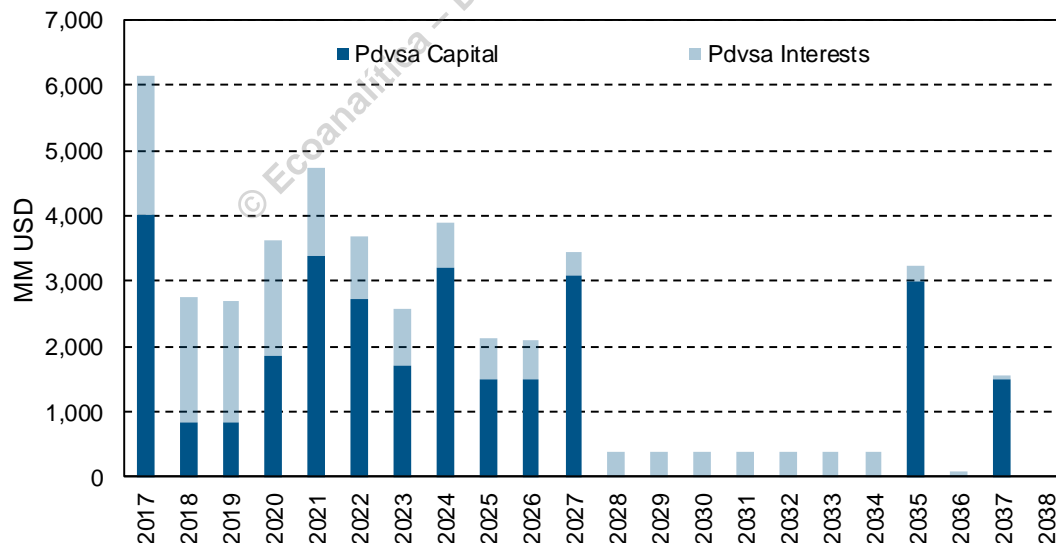
### PDVSA's Bonds



Sources: PDVSA and Ecoanalítica

The repercussions of this increase in terms of how it has impacted the nation's cash flow have not gone unnoticed.

### External Debt Service



Sources: MEFBP and Ecoanalítica

In 2017, the nation will have to disburse USD 9.51 billion in external debt payments, USD 4.02 billion of which is for PDVSA's account for payment of PDVSA 17 and PDVSA 17N bonds, and the remaining USD 3.11 billion is for debt servicing this year.

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However, settling the bill in full this year does not clear the decks entirely. Debt servicing in 2018 and 2019 comes to around USD 5.45 billion, but 2020 poses an even bigger headache as Venezuela will have to shell out USD 3.62 billion in debt payments.

## Involving politics in the economic game

The Venezuelan Government has shown a clear tendency to involve political interests in decisions that should be taken in line with economic theory, turning economic policy decisions into decisions that are strictly political.

The payment of external liabilities in a context of diminished oil revenues and with the international reserves at their lowest since 1995 has resulted in a 25.7% cut in exports in the first quarter of this year. The social and economic costs have not been minor ones in a country whose production apparatus has been destroyed and that is totally dependent on imported inputs. Despite this, the government's interests are aligned with paying the debt.

Consequently, in a country where the dynamic of protests has shaken things up on the political front and changed the game rules, leaving the political situation out of the analysis is not an option, since, even though the Executive's dominant strategy has been focused on paying the external debt regardless of the cost, it would seem that continuing with this strategy is becoming increasingly uncertain as the climate of protests intensifies.

## Between now and July 31, what are the options?

With a Constituent National Assembly *ad portas* and a dynamic on the streets that shows no signs of letting up in the short term, it would seem that the debt, upon being subordinated to the political, could be affected.

In this regard, the dynamic of the protests has turned things around, increasingly raising the possibilities of a transition, which, in turn, will have an impact on the debt situation. Given this turn of events, we at **Ecoanalítica** have posed the question: What are the scenarios in the event of a Constituent National Assembly?

First of all, there is the possibility that the process of installing a Constituent National Assembly will in fact go ahead. A consequence of this first scenario would be a reaction by the international community aimed at isolating Venezuela, which could end up in sanctions or, thinking of more extreme measures, in an oil blockade, with major repercussions for the nation's cash flow and where it is unlikely that payment of the debt would be made.

Another possible scenario is that, even though the Constituent National Assembly is not called, there is no real change in the government; in other words, this is a scenario in which the Executive accepts the defeat of the constituent assembly but remains at the helm of the nation. In this case, the government could consider continuing with its practice of cutting back imports in order to meet its financial obligations.

Last of all, there is the possibility of a transition in government. This scenario could play out in two ways: with *PSUV* remaining in charge of the country or with a change in the economic model as a consequence of an opposition government taking the reins of office. In the first case, it can be expected that the tendency to pay the debt will be maintained; however, the second case would involve a friendly rescheduling of the same.

### **A pessimistic scenario: the consequences of sanctions**

Analyzing the first scenario and bearing in mind rumors of possible sanctions against Venezuela by the US Government, the implications in terms of a total suspension of trade in oil<sup>1</sup> between the two countries are overwhelming.

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<sup>1</sup> The most extreme case would be a blockade or the total suspension of trade. This would mean that Venezuela would no longer import to or export from the United States.

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### Hard Currency Cash Flow

Concept	1Q2017	2Q2017	3Q2017	4Q2017	2017
<b>Income</b>					
Oil Exports (mb/d)	1.8	1.8	1.8	1.8	1.8
Energy Agreements (mb/d)	0.1	0.1	0.1	0.1	0.1
Oil Imports (mb/d)	0.2	0.2	0.2	0.2	0.2
<b>Cash-effective Barrels</b>	1.6	1.6	1.6	1.6	1.6
<b>Effective Oil Exports (mb/d)*</b>	1.9	1.9	1.9	1.9	1.9
Brent Price (USD/bl)*	51.1	54.7	51.6	56.6	53.5
Venezuelan Oil Basket Price (USD/bl)*	42.0	44.8	42.9	45.8	43.9
<b>Oil Income</b>	7,129	7,613	7,292	4,315	26,349
<b>Oil Imports</b>	694.4	744.0	702.1	311.0	2,452
"Net" Oil Income	6,435	6,869	6,590	4,004	23,897
<b>Non-Oil Income</b>	504	454	401	371	1,730
<b>Total Income</b>	6,938	7,323	6,992	4,375	25,627
<b>Expenditure</b>					
<b>Total Imports (MM USD)</b>	3,499	2,708	3,078	3,647	12,932
Others Oil Imports	1,193	738	893	1,504	4,327
Non-oil Public Imports	2,307	1,970	2,185	2,143	8,604
<b>Services</b>	1,857	1,764	1,823	1,833	7,278
<b>Rent and Current Transfers</b>	840	1,030	954	992	3,817
<b>External Debt Service (MM USD)</b>	1,544	4,364	1,544	4,215	11,666
<b>Private Capitals Outflow</b>	137.5	137.5	137.5	137.5	550
<b>Total Expenditure</b>	7,878	10,003	7,536	10,825	36,242
<b>Result</b>	-939	-2,681	-545	-6,450	<b>-10,615</b>

Sources: BCV, Menpet, Pdvsa and Ecoanalítica

\* Considers a 90 day lag due to the internal dynamics of the oil market

\* We take into account the reexported imports

The possibility of stopping trade in oil with the United States needs to be evaluated from two main angles: from the point of view of revenues, i.e. crude exports, and from the point of view of expenditures, i.e. oil imports (products and diluents).

Oil exports to the United States are close to 750 kb/d and account for 40% of total crude exports. Consequently, stopping this trade would considerably reduce revenues. However, suspending trade in oil would also free up some cash on the expenditures side as a result of the drop in oil imports from the United States, which represent around 59.5% of total oil imports .

An evaluation of the consequences of these hypothetical sanctions reveals that the impact on cash flow in 4Q2017 would make it more difficult to meet debt payments. In the fourth quarter of the year, the external deficit would increase in USD 3.46 billion to USD 6.45 billion, putting the country's finances in an unsustainable position.

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## How can Venezuela finance it?

In this situation, the Executive's margin of maneuver would be limited. The Venezuelan Government could resort to international financing, which, if feasible, would involve higher interest rates associated with a higher risk of default and a possible change in direction in economic policies, depending on who the guarantor is.

But there is another alternative that consists of financing the gap with the proceeds from selling off external assets. However, turning 64.1% of the international reserves (USD 10.06 billion at the close of June) into cash does not seem to be an optimal solution either. Trying to liquidate those assets (particularly the monetary gold) involves high discounts due to the immediate need for cash.

Last of all, the government could intensify the strategy of cutting back imports; however even reducing imports to zero would not free up enough cash to cover the shortfall, as the debts are equivalent to 162.9% of imports. It looks as though a mixed strategy is the most viable one for the Executive; in other words, a strategy that combines all the alternatives described above to some degree.

## A dangerous situation on the horizon

The situation Venezuela finds itself in is uncertain and the next few months will define the outcome. The combination of the oil market, the domestic political situation, and diplomatic relations will determine which path economic policy will take. Just a month away from the elections for a Constituent National Assembly, only time will tell.

**Mariana Petitjean**

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## WEEKLY INDICATORS

Weekly Economic Indicators			
	<b>5th Week June</b>	<b>Weekly var. (%)</b>	<b>Depre/Apre (pp)<sup>1</sup></b>
<b>FX Dicom (VEF/USD)</b>	2640.0	0.0	0.0
	<b>2nd Week June</b>	<b>Weekly var. (pp)</b>	<b>Annual var. (pp)</b>
<b>Lending Interest Rate (%)</b>	21.9	-0.3	0.3
	<b>5th Week June</b>	<b>Weekly var. (pp)</b>	<b>Annual var. (pp)</b>
<b>Overnight Interest Rate (%)</b>	2.0	2.0	-1.1
	<b>4th Week June</b>	<b>Weekly var. (%)</b>	<b>Annual var. (%)</b>
<b>International Reserves (USD Bn)</b>	10.1	-0.9	-16.4
	<b>3rd Week June</b>	<b>Weekly var. (%)</b>	<b>Annual var. (%)</b>
<b>Monetary Liquidity (VEF Bn)</b>	19,903	3.5	277.6
Price of International Oil Baskets (USD/b)			
	<b>4th Week June</b>	<b>Weekly var. (%)</b>	<b>Annual var. (%)</b>
<b>WTI</b>	43.5	-4.3	-11.7
<b>Brent</b>	46.1	-3.7	-8.3
Price of the Venezuelan oil basket (USD/b)			
	<b>4th Week June</b>	<b>Weekly var. (%)</b>	<b>Annual var. (%)</b>
<b>Weekly Average</b>	39.2	-4.1	-2.3
<b>Annual Average</b>	43.8	-0.4	41.2

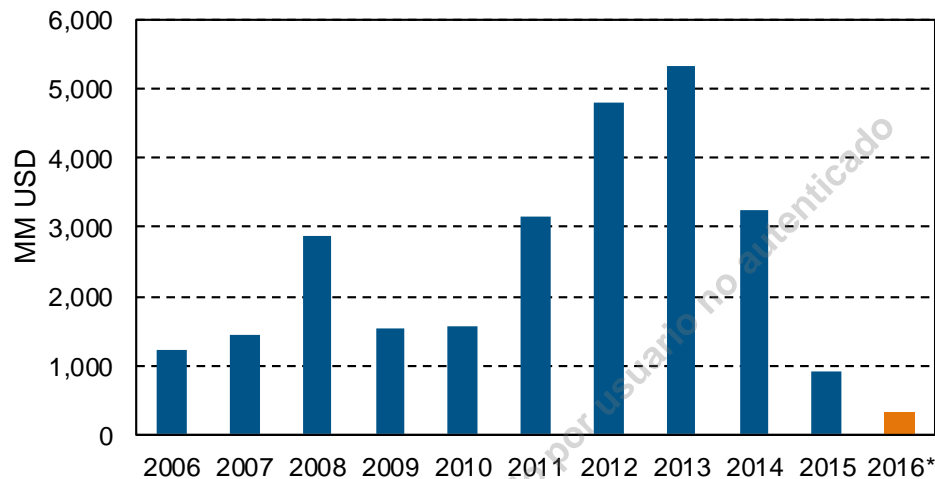
Sources: BCV, MENPET, ONT and Ecoanalítica

\* Annual variation of accumulated expenditure.

<sup>1</sup> Depreciation (+)/Appreciation (-)

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**CHART OF THE WEEK: “STERILE STRATEGIES”**
**Petrocaribe financing**


Sources: PDVSA and Ecoanalítica

\*Estimated

June 29 is the 12th anniversary of the Petrocaribe cooperation agreement. Its main purported objective has been to achieve energy security, socioeconomic development, and regional integration through participation among the countries of the Caribbean.

Venezuela's energy contribution to 18 countries of the Caribbean is delimited by financing terms attached to the oil barrel price. If the price is below USD 30/bl, payment term would be over 17 years at an annual interest rate of 2.0%. For the recipient countries, the agreement represents a considerable cash flow relief. During the last two years, Venezuela has given considerable discounts in these compromises, with the purpose of covering its pressing currency deficit (Dominican Republic, in 2015, received a 52.0% discount over its debt)

In 2013, when the oil barrel price averaged USD 101, total financing came to nearly USD 5.33 billion. At Ecoanalítica we estimate that the total financing in 2016 came to USD 324 million. Although funding diminished, the opportunity cost of not receiving those revenues is considerably high, especially considering the current cuts to imports and debt service compromises.

There seems to be no participation benefits for Venezuela. However, in the diplomatic front, it has generated some return to the Maduro administration.

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**ECONOMIC TIPS**

**A new mode.** The fifth auction of the foreign currency allocation system DICOM was held resorting to the “Contingency Auction” option, according to the DICOM webpage. This mode is activated when demand and supply are not covered at an exchange rate that falls within the foreign exchange bands.

**It has started to come down.** The total awarded at this auction was USD 17.9 million, 41.5% less than the amount awarded at the previous auction. Companies were allocated USD 15.7 million (39% less than at the previous auction), 72.5% of which was for the purchase of raw materials and 17.6% for inputs and spare parts.

**Readjustment.** The exchange rate remained at VEF 2640/USD. The currency bands were recently modified; the new range is: VEF 2,310/USD and 2,970/USD. The devaluation of the upper limit was 11.1%.

**What was the first exchange rate?** However, the exchange rate resulting from the Ordinary Auction did not fall within the bands, which was why the Contingency Auction was activated. There are doubts as to whether the exchange rate from the ordinary auction will be published.

**For coverage.** 6263 private individuals were allocated USD 2.3 million (12.8% of the total), 40.5% of which was for savings and 32.4% for travel abroad.

**Now for the sixth DICOM.** The process for the next auction opens on Thursday, June 29. Those who were not allocated foreign currency at the fifth auction and whose bids are still valid may take part.

**At rock bottom.** The international reserves closed at USD 10.09 billion on June 23, down -0.95% from the previous week. The contraction compared to the close of 2016 was -8.1%.

**The basic basket reaches VEF 1,426,363.4.** According to the report of the Social Analysis and Documentation Center of the Venezuelan Federation of Teachers (Centro de Documentación y Análisis Social de la Federación Venezolana de Maestros - CENDAS), the cost of the Basic Family Basket (Canasta Básica Familiar - CBF) in May 2017 was VEF 1,426,363.4, an increase of 17.5% with respect to the prior month, and 363.8% with respect to May, 2016.

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**The behavior of the CBF in May** was marked by an increase of its seven items, among them: personal hygiene and house cleaning items (25.1%) and food (14.2%).

**Seventeen products are running low.** According to the same report, 17 products are in short supply of the 58 that the Basket have (29.3.0%). And according to registered by Cendas, at least 60 products are scarce outside the basket.

**A lunch costs VEF 6,500.** Also note that the average cost of a lunch is VEF 6,500, while the food ticket is in VEF 4,500 per day, for May. And to buy the basket requires 17.3 minimum wages.

## OIL TIPS

**Together to the bitter end.** The president and chief executive officer of the Russian oil company Rosneft, Igor Sechin, said that they would never leave Venezuela.

**Leaking oil.** According to an exclusive published by the news agency Reuters, PDVSA is apparently seeking to purchase some 6.3 million barrels (mb) of fuel and other diluents in what would be one of the biggest operations performed by the state-owned oil company in recent years.

**Diluents are important.** According to Reuters, PDVSA, whose refining park is operating at its lowest since March thanks to the lack of available light crude, has significantly increased its purchases of fuel abroad to keep the industry's operations going and guarantee supplies of fuel to the domestic market.

**42%.** In addition, according to some documents to which Reuters had access, Paraguaná Refining Center (which includes Amuay and Cardón refineries) plans to operate at 42% of its capacity (955,000 barrels a day (955 kb/d)) next month.

**From the fallen tree, everyone makes firewood.** A few days ago, PDVSA announced that Portugal's Economic and Fiscal Crimes Unit was collaborating with the investigation being conducted by the Spanish authorities into operations by Banco Espíritu Santo in which PDVSA and some of its affiliates could be involved.

**What is it that's being investigated?** According to the article, the Portuguese justice administration agencies are investigating a case of alleged misappropriation of PDVSA's funds that had apparently been channeled through the bank in question between 2009 and 2014.

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**Taking the offensive!** In response to these developments, PDVSA announced that it had activated a specialist team of advisors through its Investigations and Control Committee to determine whether or not a fraud had been committed against the company.

**Shipments under Petrocaribe stalled.** According to figures published by the Dominican Republic's Ministry of Finance, the Dominican Republic's debt with PDVSA at the close of the first four months of the year remained unchanged from December last year at around USD 214 million, which gives grounds for assuming that there has been a significant reduction in shipments to the rest of the region under the Petrocaribe agreement.

**Back to below USD 40.** At the close of last week, the Venezuelan Oil Basket posted a drop from the previous week of 4% (USD 1.7) to USD 39.2 per barrel (bl.), the lowest price posted so far this year. This is the first time that the Venezuelan Oil Basket has fallen below USD 40/bl. since last November prior to the production cut agreement proposed by the Organization of Petroleum Exporting Countries (OPEC).

**No one's suggesting a change.** According to several delegates of the Organization of Petroleum Exporting Countries (OPEC), today there are no plans for a bigger cut in production than the one proposed in the agreement reached a few months ago.

**Although it's worth reviewing our position.** While a bigger cut is certainly an option, some OPEC delegates left the door open to putting a ceiling on the production of countries such as Libya and Nigeria.

**Everyone's on the same page.** If to this we add the most recent statements by OPEC and non-OPEC participants in the agreement renewed a couple of months ago, there does not seem to be any reason for thinking about bigger cuts. In line with this, a few days ago Iran said that it was necessary to wait for the renewal of the agreement to have an effect before taking a decision, and Saudi Arabia and Russia have made statements in which they claim that the market was moving in the right direction.

**USD 55 is the ceiling.** Ian Taylor, the CEO of the largest crude trading company, Vitol, said that Brent would fluctuate in a range of between USD 40/bl. and USD 55/bl. over the next quarters thanks to an increase in crude production from the United States, which would torpedo OPEC's attempts to stabilize the market.

**Bets are on the third quarter.** In Taylor's view, it is to be expected that the market will tend to be more in balance in the third quarter of the year (3Q2017) as inventories ease up somewhat. Even so Taylor remains skeptical as regards 4Q2017 on the grounds of a

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potential increase in production from the United States, which would add to the already considerable oversupply in the market.

## BUSINESS SECTOR TIPS

**Natural adjustments.** María Carolina Uzcátegui, the president of the National Commerce and Services Council (Consecomercio), said that the increase in the exchange rate from VEF 727/USD to VEF 2160/USD caused an increase of 300% in import duties.

**It's not enough.** She also said that the allocation of USD 400,000 a year for companies is insufficient as *"it's not enough to repair machinery, buy equipment or replace raw materials."*

**Things are tight.** The president of Carabobo Chamber of Industrialists, Adán Celis, said that the lack of raw materials has meant that some companies are operating at 30% of their capacity and that others have even stopped production, reducing working hours and temporarily laying off workers in some cases.

**Everything's under control.** The president of Bolivariana de Puertos (Bolipuertos), Efraín Velasco Lugo, said that imports and exports had increased in the past few months. This Thursday, 130 containers with food, medicines and personal hygiene articles arrived at La Guaira Port.

**They're staying.** The courier service company DHL ratified that it wanted to continue to operate in Venezuela after it was said that it was in the process of winding up operations. The company's president, César Ramírez, stated that they were taking steps to restore the service.

**Problems with mailing.** Agents of Venseric, the company in charge of security services for DHL, commented that they feared losing their jobs given the measures the State had taken to restrict companies that provide international package mailing services.

**Lack of security contributes to hunger.** According to Carlos Odoardo Albornoz, the president of the National Cattlemen's Federation of Venezuela (Fedenaga), the lack of security in rural areas has considerably affected production capacity, to the point where those areas have been left undefended. He added that 1Q2017 was the most difficult in the past 70 years.

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**“Cereal Development Plan.”** The Executive started up the “Cereal Development Plan” in Guárico state by delivering inputs to farmers and transferring Francisco Lazo Martí Processing Plant over to the Ministry of Food.

**Funds for development.** The National Productive Economy Council handed over more than VEF 78.0 billion and USD 10 million to businessmen who took part in Expo Venezuela as a Power 2017 and Expo Sovereign Production 2017.

**More roofs!** Minister for Housing and Habitat Manuel Quevedo announced that 441,523 homes had been upgraded in different parts of the country as part of the shanty district improvement program *Gran Misión Barrio, Nuevo Barrio Tricolor*. In addition, 3,000 upgraded homes were handed over in Lara state.

**The challenge of putting bread on the table.** The president of the National Federation of Flour Workers (Fetraharina), Juan Crespo, said that the 30,000 tons of wheat that enter the country each month are insufficient and for that reason several mills are not operating, causing problems for the country’s 10,000 bakeries. He also explained that at least 120,000 tons of wheat a month are needed to guarantee the supply of flour.

**Consumer loans up by 242.8%.** According to figures published at the end of May by the National Banking System (SBN), consumer loans came to VEF 1.87 trillion, up VEF 1.2 trillion from the close of 2016.

**Commercial loans portfolio grew by 271.17%.** According to a recent report published by ICG Consultores, the commercial loans portfolio went up by VEF 4.18 trillion between May last year and May this year to VEF 5.73 trillion.

## WORLD ECONOMY TIPS

**It won’t grow that much.** The International Monetary Fund (IMF) revised its growth forecasts for the United States in 2017 and 2018 downward to 2.1%. It had previously estimated growth of 2.3% in 2017 and 2.5% in 2018.

**Disappointed with Trump.** With this revision the IMF abandons its earlier assumption that the reduction in taxes and the increase in spending promoted by the new Donald Trump administration would boost the US economy. The IMF argues that it does not have details of the new administration’s policy plans.

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**Less idle capacity.** The IMF also justified the revision of its forecast based on the fact that unemployment in the United States is falling to levels close to full employment, which leaves a smaller margin for growth in the short term.

**Fewer orders.** Capital goods orders in the United States, excluding aircraft and defense, fell by -0.2% in May after going up by 0.1% in April. Analysts expected growth of 0.3% in May. This result would point to a slowdown in activity in the sector in the second quarter of the year.

**Housing sales up.** Sales of new single-family homes in the United States went up in May by 2.9% to a seasonally adjusted figure of 610,000 units, whereas the sales figures for April were revised upwards to 593,000 units. Analysts forecast sales of 597,000 units.

**Although at higher prices.** In April the prices of single-family homes in the United States, as measured by the Case-Shiller Index, rose by 5.7% year-on-year, below the increase of 5.9% forecast by analysts.

**A positive announcement, but with reservations.** The president of the European Central Bank (ECB), Mario Draghi, suggested that the ECB could adjust its monetary policy in the last months of the year, given signs that point to a speeding up of growth in the euro zone. However, Draghi also noted that the euro zone still needs “considerable monetary support.”

**Moving towards less flexibility.** At the moment the ECB is maintaining an ultra-flexible monetary policy with negative interest rates and mass purchases of financial assets. Analysts expect an announcement of an adjustment to the scheme to be made at the ECB’s next policy meeting, which is to be held on September 7.

**Confidence at an all-time high.** Germany’s business confidence index published by the Ifo Institute was 115.1 points in June compared to a score of 114.6 points in May. This is the index’s best result in the historical series, yet another sign of the German economy’s good state of health.

**The construction boom continues.** In May the earnings of industrial companies in China rose by 16.7% year-on-year to a total of USD 91.25 billion. This rebound is attributed to a greater demand for construction materials, given the upsurge posted in spending on infrastructure.

**Political uncertainty.** Consumer confidence in Brazil fell back by 1.9 points in April to 82.3 points after posting an increase in May. Analysts attribute this drop to the recent political crisis in Brazil, which has put President Michel Temer in check.

**External sector posts record surplus.** Brazil achieved a surplus on its current account in the region of USD 2.88 billion in May, way above the estimates given by analysts and its best result in the historical series since 1995. This result is due mainly to a trade surplus of USD 7.4 billion.

**And with the deficit in recovery.** The deficit accumulated on the current account so far this year comes to USD 616 million, only one tenth of the deficit posted for the first five months of 2016.

**Mexico is on the right path.** Economic activity in Mexico in April posted growth of 0.1% compared to March for growth of 2.8% compared to April last year. This recovery was led by growth of 0.5% in the services sector, which offset drops of 0.3% in industry and 0.9% in agriculture.

## POLITICAL TIPS

**Seeking democracy.** The attorney general, Luisa Ortega Díaz, said that she does not aspire to run for president. On the contrary, she said that her aspiration is “*to defend the present Constitution and the rights of the citizens.*” She also said that a reversal in rights that have already been conquered cannot be allowed.

**“Knock-knock, who’s there?”** President Nicolás Maduro denounced an alleged plan for hacking the National Electoral Council’s (CNE) database. The president claimed that the plan was aimed at the holding of the elections to the Constituent National Assembly on July 30.

**And not to be outdone...** Given this situation, the president of the CNE, Tibisay Lucena, said that sabotaging of the elections on July 30 had to be prevented. She said that anyone who was not in agreement with the Constituent National Assembly could abstain but could not prevent other voters from exercising their rights, and she threatened anyone who tried to sabotage the elections with criminal charges.

**Someone who knows how things really work.** Former CNE Director Vicente Díaz, on the other hand, denied the possibility that the CNE’s security system could be hacked. He explained that the CNE has “*two-way communication with a recognition protocol*”

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which is different from one machine to the next and that the “*transmission of data only occurs when voting has concluded, when the machine is plugged in,*” a process that lasts only seconds. This means that it would be necessary to hack into each machine.

**Eyes are everywhere.** President Nicolás Maduro said that there are “cooperating patriots” throughout the country who are providing information regarding alleged conspiracies. “*There are cooperating patriots who are giving us information in every home, everywhere,*” he claimed.

**So far but so near.** Former Minister for Foreign Affairs Delcy Rodríguez reiterated that the Government of Venezuela will not recognize the decisions handed down by the Organization of American States (OAS). Rodríguez claimed that the opposition got up from the negotiating table because they are seeking international interventionism.

**Under the military boot.** Prosecutor General Luisa Ortega Díaz said that the Judiciary is subordinated to the Bolivarian Intelligence Service (Sebin), a situation that has turned it into a “police state” instead of ensuring the defense of citizens’ rights.

**A dark horizon.** The prosecutor general also referred to the Constituent National Assembly, claiming that “*if the constituent (assembly) were to come about, we Venezuelans would start to live the darkest hours of our republican history and democracy would be dismantled once and for all.*”

**The spy.** President Nicolás Maduro accused a high-ranking Venezuelan military officer of treason and of having betrayed the confidence of the late President Hugo Chávez, but without giving a name. On the other hand, the news portal *Ultimas Noticias* claimed that former Minister for Homeland Affairs and Justice Miguel Rodríguez Torres works for the US intelligence agency, the CIA.

**At the request of the “Supreme One.”** In response to this accusation, Rodríguez Torres revealed that he maintained relations with the CIA and other international intelligence services in the past at the request of the late President Hugo Chávez with a view to maintaining the best relations with the intelligence services that had representation in Venezuela.

**Willingly or by force.** President Nicolás Maduro said that if the country were to find itself in a context of violence in which the Bolivarian Revolution were destroyed, “*we would go into battle and what we were unable to achieve with votes, we would achieve with weapons.*”

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**Flunking its report card as well.** In its annual report on the traffic of persons, the US Department of State kept Venezuela in the group of countries that do not meet their obligations or show signs of progress in this area. Venezuela has been included in this group for the fourth year running.

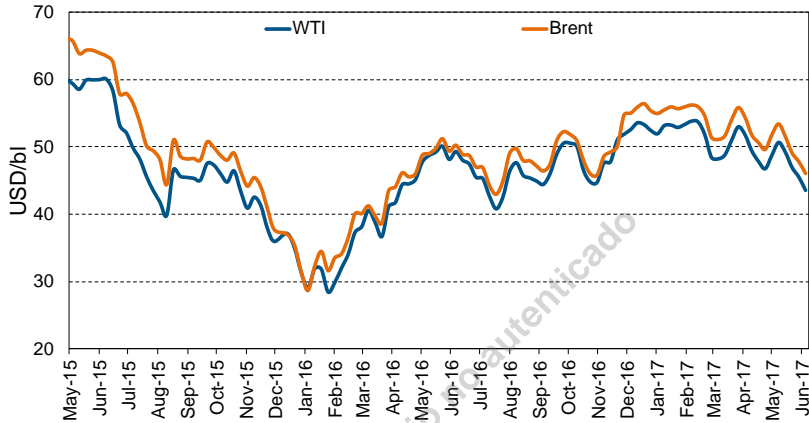
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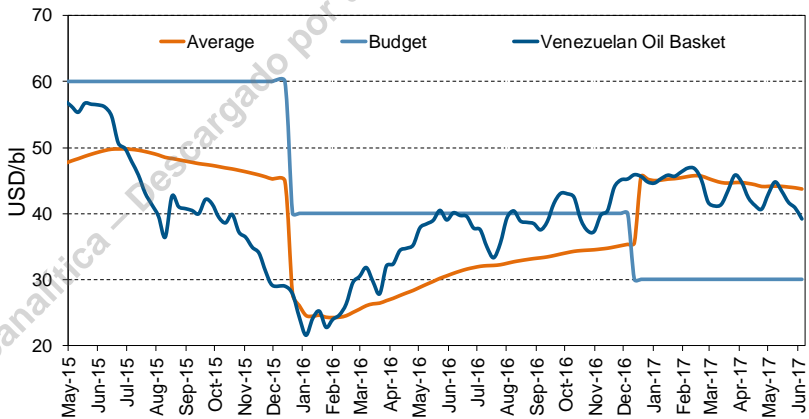
**ECONOMIC INDICATORS**

**Oil Prices  
(WTI and Brent)**



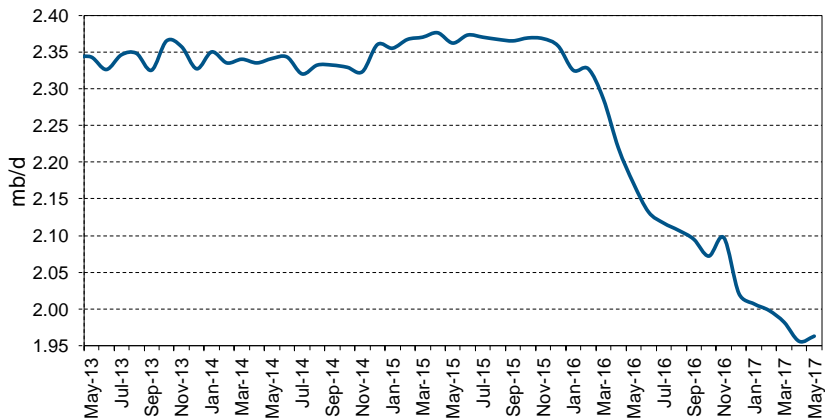
Sources: Menpet and Ecoanalítica

**Oil Price  
(Venezuelan Basket)**



Sources: Menpet and Ecoanalítica

**Oil Production  
(Secondary sources)**

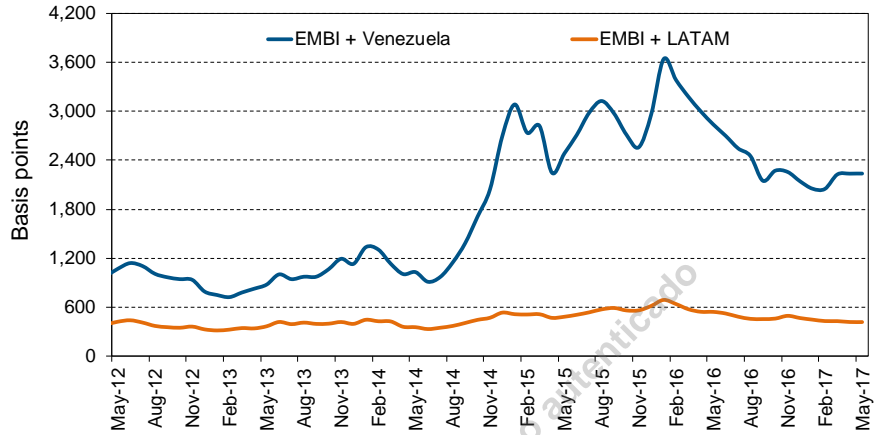


Sources: OPEC and Ecoanalítica

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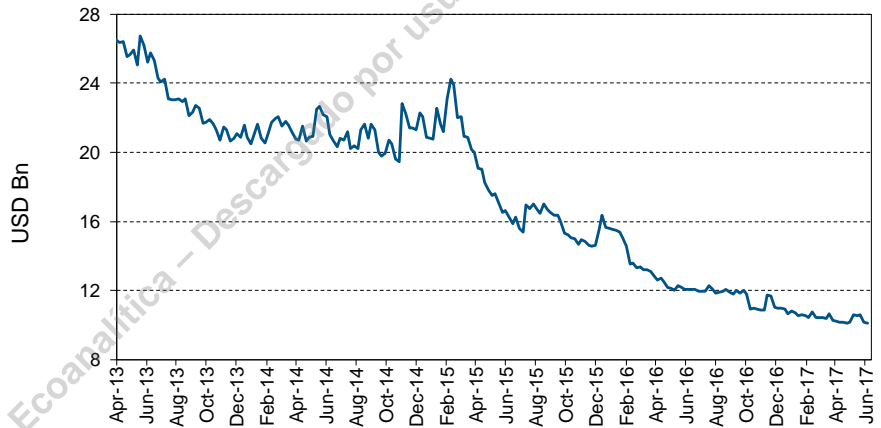
**ECONOMIC INDICATORS**

**EMBI**



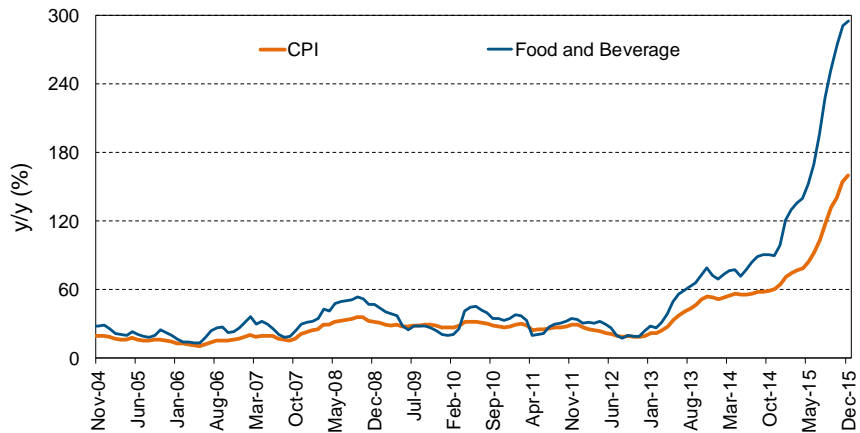
Sources: BCRP and Ecoanalítica

**FX Reserves (BCV)**



Sources: BCV and Ecoanalítica

**Inflation (BCV)**

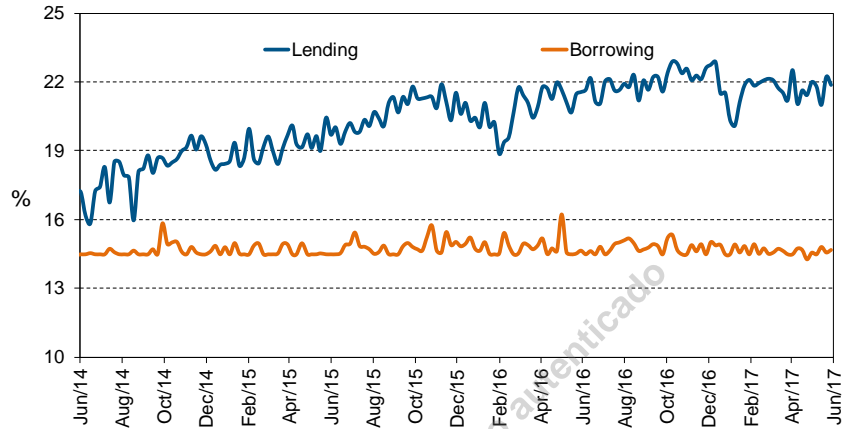


Sources: BCV and Ecoanalítica

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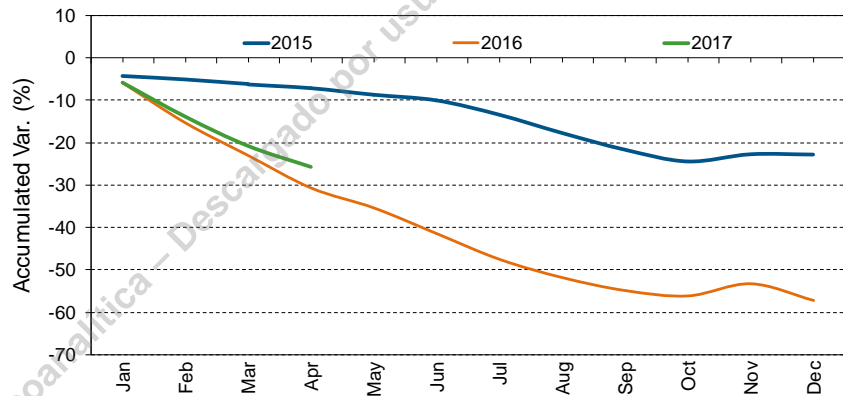
**ECONOMIC INDICATORS**

**Interest Rate  
(Six major banks)**



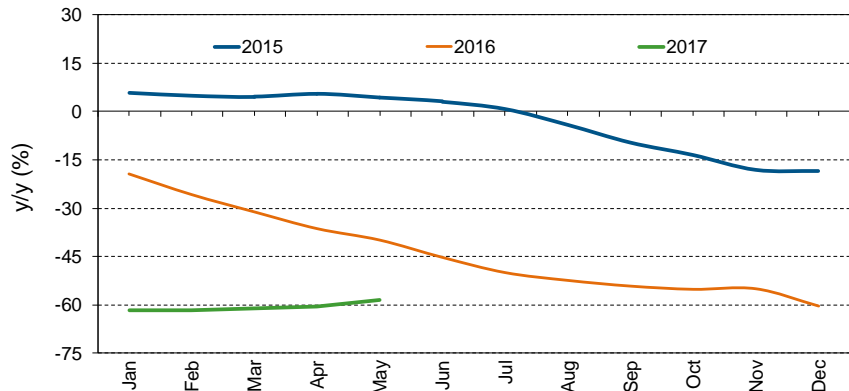
Sources: BCV and Ecoanalítica

**M2 Expansion  
(Real)**



Sources: BCV and Ecoanalítica

**Loan Portfolio  
(Real)**



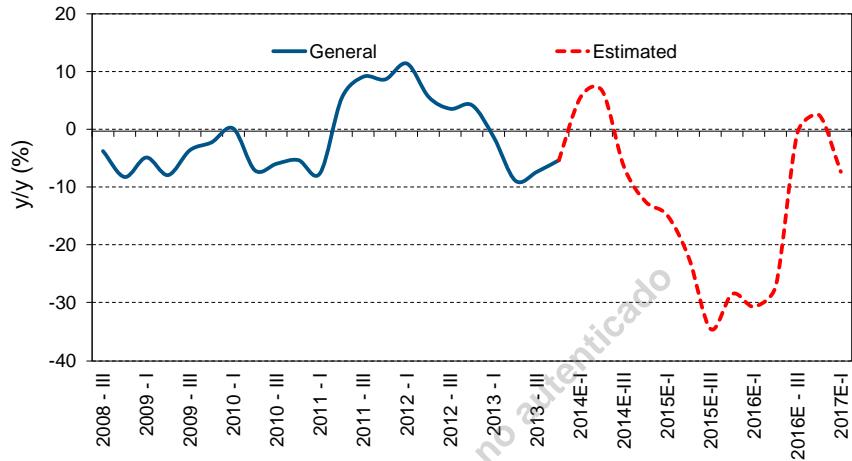
Sources: SUDEBAN and Ecoanalítica

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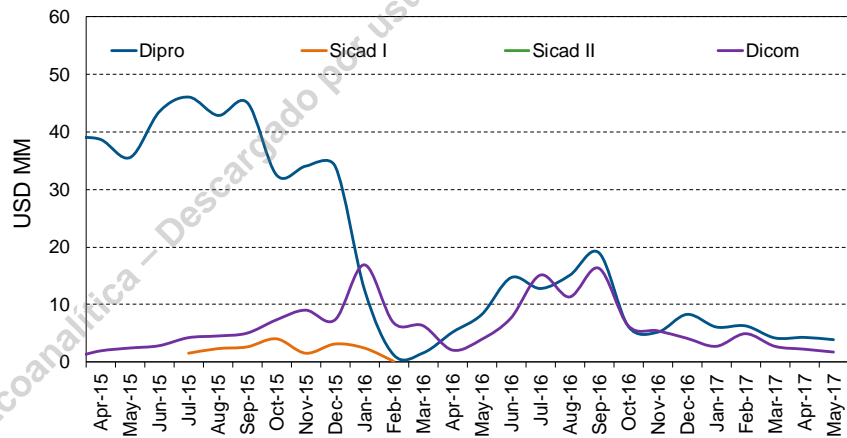
**ECONOMIC INDICATORS**

**Real Wage Index**



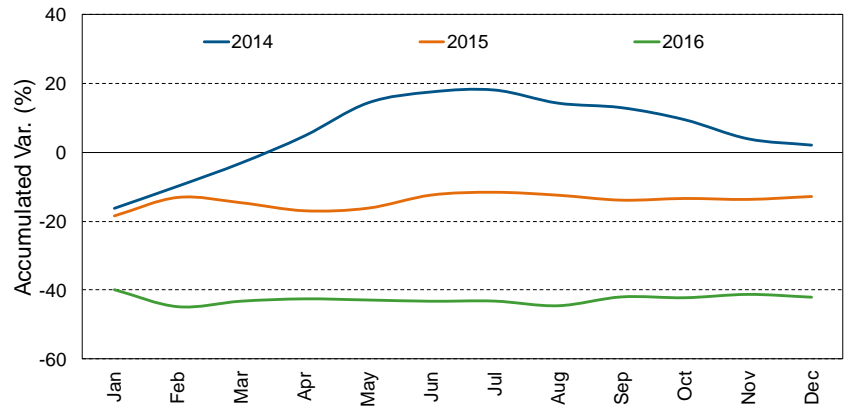
Sources: BCV and Ecoanalítica

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



Source: Ecoanalítica

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



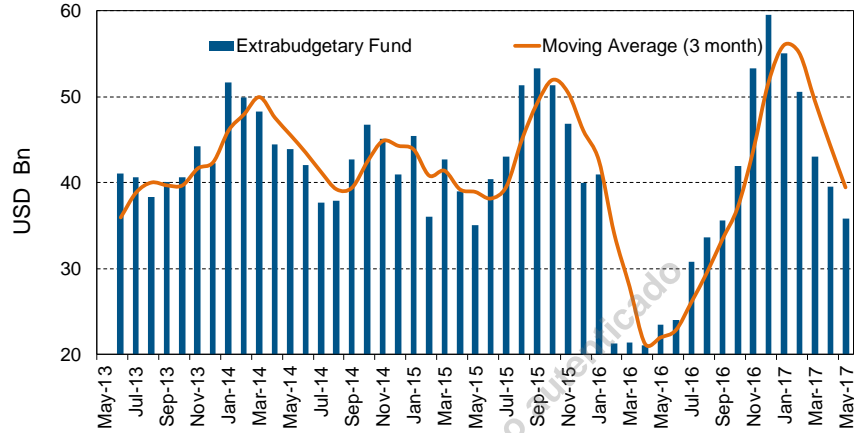
Sources: ONT and Ecoanalítica

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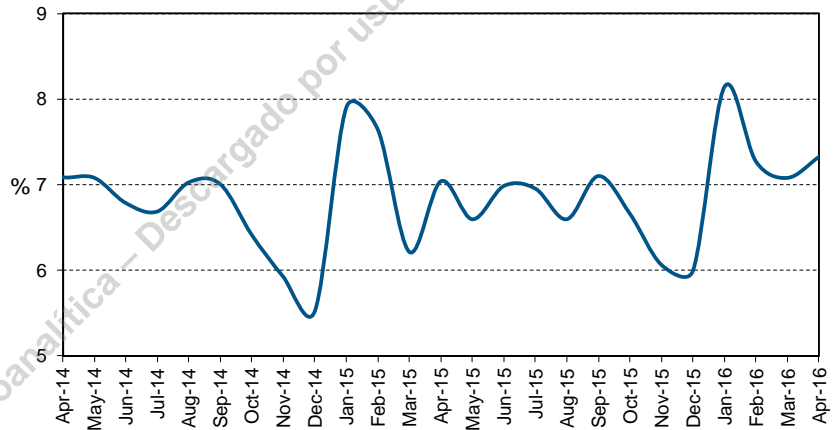
**ECONOMIC INDICATORS**

**State Extrabudgetary Resources**



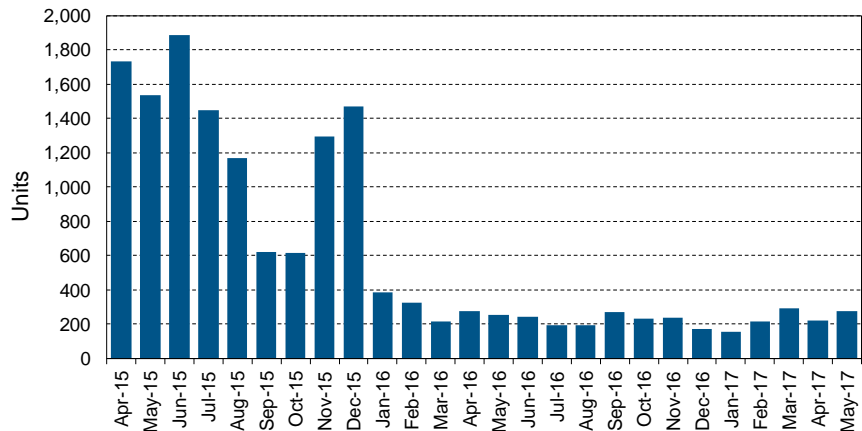
Source: Ecoanalítica

**Unemployment Rate**



Sources: INE and Ecoanalítica

**Vehicle Sales**



Sources: CAVENEZ and Ecoanalítica

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