

Some preliminary indicators: Between economic crisis and shortage of adjustments

Now that we are halfway through the year it is important to stop a moment to analyze how the local macroeconomic environment has been behaving. Despite the dearth of figures on economic activity in Venezuela, at **Ecoanalítica** we have gathered some indicators to do an analysis of the behavior of the Venezuelan economy so far this year.

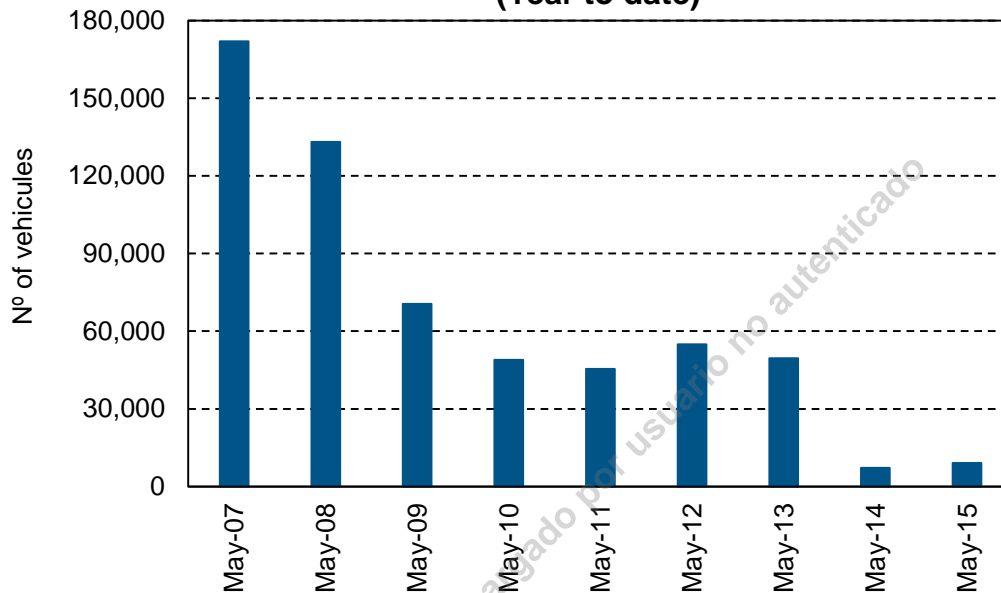
Automotive sector: looking for options

As mentioned in previous reports, in recent years the situation of the Venezuelan automotive sector has been a critical one, with vehicle sales going from 491,899 units in 2007 to a negligible 23,707 units in 2014 and production falling from an average of 14,368 units in 2007 to 1,647 units in 2014. The main cause of the sector's crisis, the same one that has been affecting all areas of production in Venezuela, has been the reduction in the allocations of foreign currency, which also explains the dramatic drop in imported vehicle sales (from 336,365 vehicles in 2007 to only 457 last year). However, in **Ecoanalítica's** view this situation is also due to a government policy of stopping the growth of the local automotive park, thereby curbing the growth of the gasoline subsidy.

It seems that the sector's downward trend hit bottom last year, as this year there has been a slight improvement on the almost inexistent activity in 2014. Between January and May, car sales came to 9,088 units, an increase of 27.2% compared to the same period in 2014. Similarly, the production of vehicles up until May came to 9,041 units, up 66.1% from January-May last year. The behavior of the automotive sector has an impact on both gross domestic product (GDP) and the performance of domestic demand through consumption, besides influencing the performance of associated industrial, commercial and service sectors.

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Car Purchases (Year to date)



Sources: CAVENEZ and Ecoanalítica

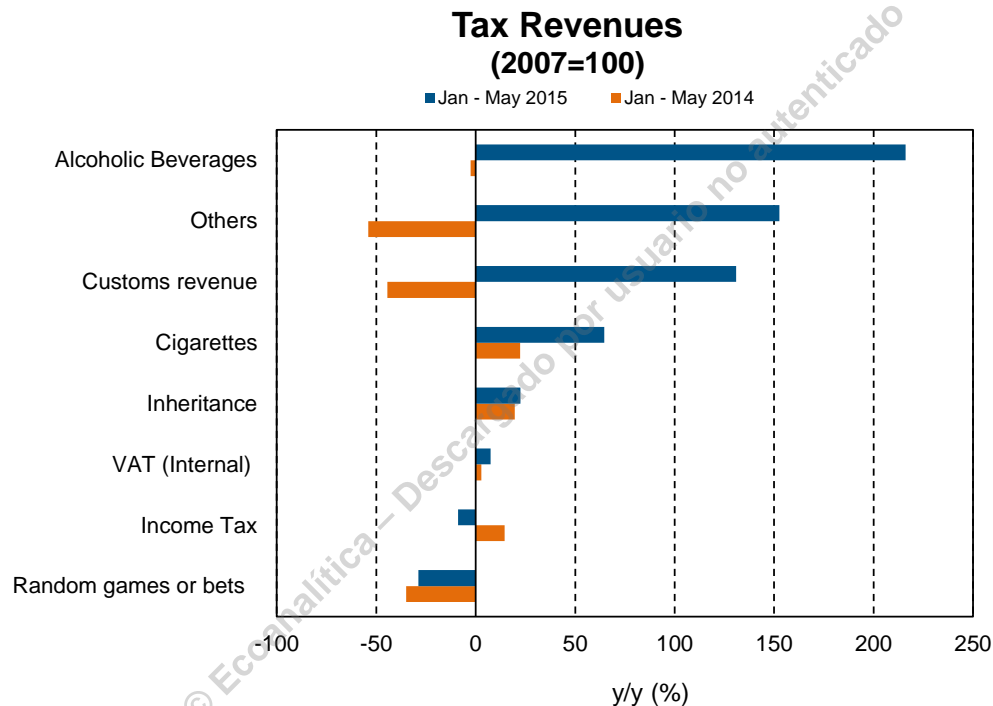
Moreover, given the shortage of foreign currency, some assemblers proposed to the government that they be authorized to sell vehicles in dollars as an alternative that would allow them to resume operations that had been shut down owing to the lack of inputs. This proposal is still being negotiated by the vehicle assemblers and the Executive to find ways to start sales in dollars, which means that shortly we could be witnessing the first sales in dollars in Venezuela.

Tax receipts and distortions

According to figures from Seniat (National Integrated Tax Administration Service), the tax agency collected VEF 351.2 billion in taxes in the first five months of the year, which gives a nominal increase of 138.6% and a real increase of 19.4% compared to the same period in 2014. An analysis of the behavior of tax receipts by quarter reveals that they grew by 17.1% in real terms in 1Q2015 compared to 1Q2014.

Although previously tax collections (after adjusting for inflation) could serve us as a preliminary indicator of how aggregate demand was behaving, today it is the changes in the tax regulations applicable to liquor and the reference exchange rate for import duties more than the increases in prices that have generated a major distortion in the growth of

tax receipts. That is why, despite the palpable deterioration in the economic situation, tax receipts have been growing in real terms. An example of this is that the components that have grown most this year so far are tax revenue from Alcoholic Beverages with nominal growth of 531.5% (216.1% in real terms) and revenue from customs duties and charges, with nominal growth of 361.3% (130.9% in real terms).



Sources: SENIAT and Ecoanalítica

This tax reform has allowed the government to increase its nonoil tax revenues in real terms at a time when crude prices are falling and inflation is escalating. However, there are other components that more truly reflect economic performance, such as income tax, which contracted 8.8% in real terms in the first five months of the year.

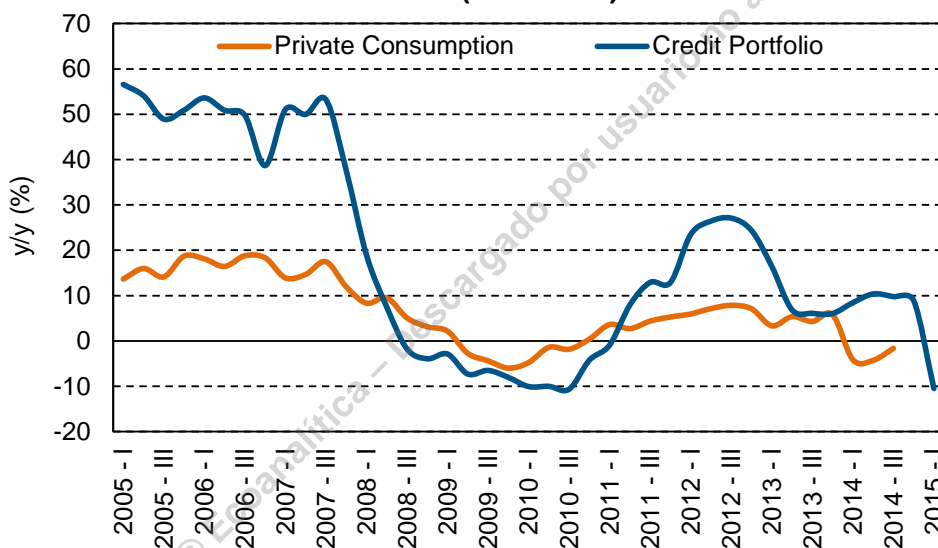
In negative terrain

Thanks to negative real interest rates and the continuing expansion of liquidity, the performance of the loans portfolio had been consistently buoyant in Venezuela, acting as a complement for expanding private consumption. However, the drop in purchasing power in 2015 seems to be having an impact on the loans portfolio as it is posting negative real growth for the first time since 2011.

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In 1Q2015, the gross loans portfolio came to nearly VEF 1.3 trillion, which gives a nominal increase of 79.8% but a real drop of 10.5%; similarly, as at May, the loans portfolio had fallen to VEF 1.5 trillion for a drop in real terms of 11.3%. This behavior of the loans portfolio is linked to the performance of private consumption, given the correlation of 90.4% between the two series, which means that, even though private consumption fell into negative terrain some time back (in 2104 it grew only 0.8% between January and September), we can expect new minimum levels this year.

Private Consumption vs. Loans Portfolio (2007=100)



Sources: BCV, SUDEBAN and Ecoanalítica

The financial sector, not as solid as it has been

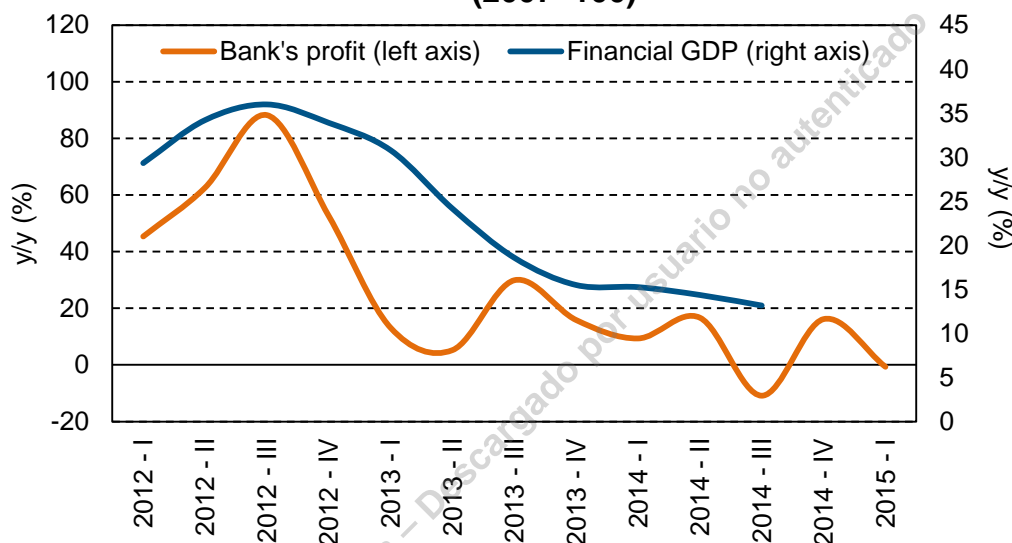
In 2014, the financial sector posted cumulative growth to September of 14.2% according to official figures; and, even though this was way below its growth in previous years (33.5% in 2012), it was one of the two sectors to perform positively last year. In 2015, the situation does not seem to be that good, in view of the fact that, although liquidity continues to expand (it had grown by 64.2% up until 1Q2015), it is slowing down while inflation is increasing.

An analysis of the behavior of the banking sector's gross profits, a leading indicator of what is happening with financial GDP, reveals how it posted a real constant drop in 1Q2015 of 0.7%. However, we are expecting a strong expansion in fiscal spending in the

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second half of the year in view of the parliamentary elections in December and the payments of labor earnings to the public sector employees. This seasonal and electoral factors will have positive repercussions on the sector.

Bank's Profit vs. Financial GDP (2007=100)

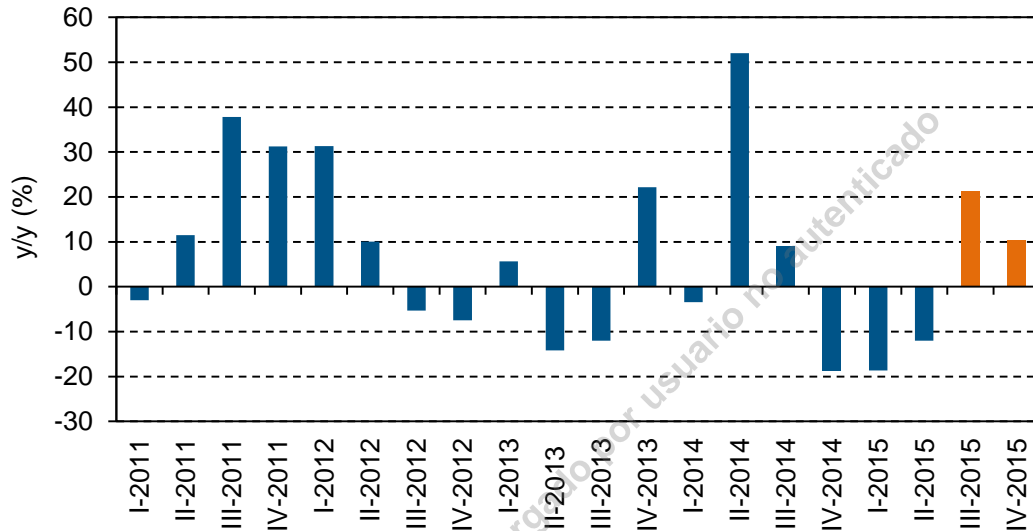


Sources: BCV, SUDEBAN and Ecoanalítica

Will the engines get fired up?

The drop in oil revenues seems to be affecting the performance of government spending, since it was to be expected that real expansion in spending would have already taken off given that this is an election year. However, primary government spending contracted 18.7% in 1Q2015 in real terms quarter-on-quarter and 23.0% up until May year-on-year. Nevertheless, at **Ecoanalítica** we expect that, despite spiraling inflation, in view not only of seasonal factors but also because of the parliamentary elections, government spending will expand by 21.3% in 3Q105 and by 2.7% in 4Q2015, both in real terms.

**Primary Central Government Real Expenditure
(2007=100)**



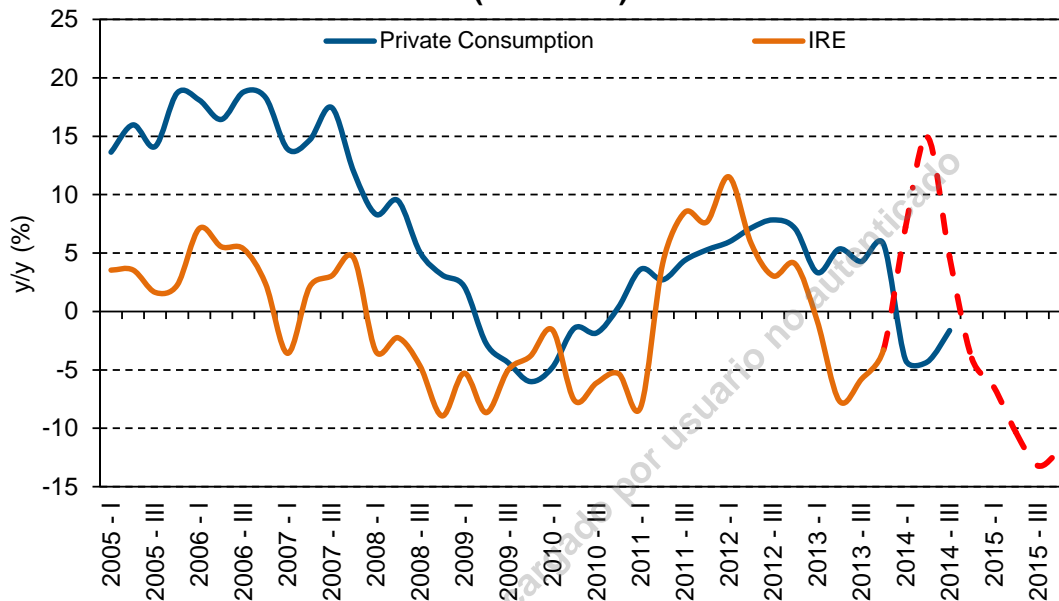
Sources: ONT and Ecoanalítica

Things are difficult for the government

Even though spending is expected to expand in the second half of 2015, this has increasingly less capacity for generating well-being in the population given the drop in purchasing power, which in turn has repercussions on consumption. In view of this, another indicator that could give us clues as to the behavior of consumption is the Real Wage Index (IRE), which at **Ecoanalítica** we estimate contracted 6.5% in 1Q2015 and expect will continue to contract throughout the rest of the year.

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Private Consumption vs. Real Wages (2007=100)



Sources: BCV and Ecoanalítica

Shortage of adjustments

There is nothing new. The first half of 2015 has been marked by shortages, inflation, shutting down of production, lack of inputs, and escalation of the parallel exchange rate and it looks as though now even sectors such as the financial sector that, until last year were posting positive results, are showing signs of depletion. In short, the economy is heading for trouble and needs drastic adjustments. The big question is whether the government will implement the adjustment and recovery plan the Venezuelan economy so desperately needs. In **Ecoanalítica** we do not see any economic adjustment until the parliamentary elections, due the political cost. Nevertheless, the cost of doing nothing can be extremely high.

Carlos Miguel Álvarez
Pilar Navarro

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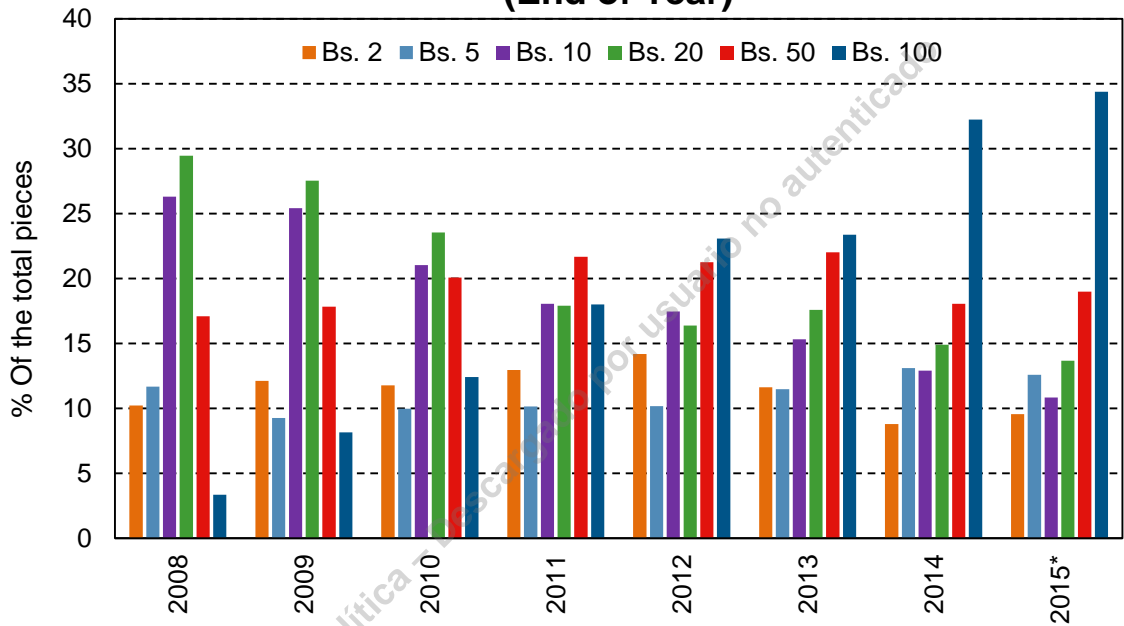
WEEKLY INDICATORS

Weekly Economic Indicators			
	4th Week June	Weekly var. (pp)	Annual var. (pp)
Lending interest rate (%)	19.1	-1.5	2.6
	4th Week June	Weekly var. (pp)	Annual var. (pp)
Overnight interest rate (%)	6.9	0.3	0.3
	3rd Week June	Weekly var. (%)	Annual var. (%)
International reserves (Bn US\$)	16.63	0.6	-24.2
	4th Week June	Weekly var. (%)	Accum. var. (%)
Central Government spending (Bn VEB)	73.48	68.3	59.7
	3rd Week June	Weekly var. (%)	Annual var. (%)
Monetary liquidity (Bn VEB)	2,530	1.1	76.4
Price of International Oil Baskets (US\$/bl)			
	3rd Week June	Weekly var. (%)	Annual var. (%)
WTI	60.0	0.1	-43.5
Brent	63.5	-0.7	-44.4
Price of the Venezuelan oil basket (US\$/bl)			
	4th Week June	Weekly var. (%)	Annual var. (%)
Weekly average	56.2	-0.6	-44.2
Annual average	49.3	0.0	-49.1

Sources: BCV, Menpet, ONT and Ecoanalítica

GRAPH OF THE WEEK: “THE ECONOMY NEEDS, URGENTLY, NEW BILLS”

**Composition of Bills in Circulation
(End of Year)**



Sources: BCV and Ecoanalítica
*May figures

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ECONOMIC TIPS

Going cap in hand to Moscow. Venezuela is looking to Russia and China for loans in order to be able to honor its liabilities. Petróleos de Venezuela, S.A (PDVSA) has hired Gazprombank JSC, headquartered in Moscow, to organize the sale of up to US\$1.6 billion in yuan-denominated bonds. This is due to the fact that PDVSA is unable to issue dollar-denominated notes as the market is demanding yields of more than 20.0% a year. This is the first time that a Latin American junk-rated company is seeking to borrow Chinese currency in the bond market.

Default in 2016? Even though for 2015 do not expect a default, for the next year Venezuela has to pay US\$10,057 for debt service. Bond intermediaries estimate the likelihood of a default in 2016 at 52.0%, the highest in the world. According to Alejandro Grisanti, research chief for Latin America at Barclays Capital, *“Venezuela will likely be able to pay its obligations until the first quarter of 2016. Further payments will depend on the oil price and China’s ability to maintain or increase its level of exposure to Venezuela.”*

Making sure of the elections. A supplementary appropriation of VEF 730 million was unanimously approved for the National Electoral Council (CNE) to enable it to organize the parliamentary elections to be held on December 6 this year. The National Assembly had nine requests for supplementary appropriations from the Executive on its agenda totaling VEF 2.1 billion, a third of which was specifically for the CNE.

Less investment for Venezuela. According to the World Investment Report 2015 prepared by the United Nations Conference on Trade and Development (UNCTAD), in 2014 foreign direct investment (FDI) in Latin America and the Caribbean fell by 14.0%. On the matter of the contraction of FDI in the extractive industries sector in 2014, the report highlights that Venezuela posted a reduction of 88.0%, the highest in the region, from US\$2.7 billion in 2013 to US\$320 million in 2014.

Ranked among the worst. According to UNCTAD, one of the causes of the reduction of FDI in Venezuela is the drop in oil prices, by an average of US\$54.8/bbl. so far in 2015. Moreover Venezuela has a far from favorable business climate, which affects not only foreign but also domestic investment. Venezuela, which is suffering from high levels of inflation and shortages, came in 182nd place out of 189 countries in the 2015 Doing Business ranking; in other words, it is the eighth worst economy in the world for doing business.

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Policies that do not favor investment. Referring to the UNCTAD's findings about Venezuela, Eduardo Porcarelli, the executive director of the National Investment Promotion Council (Conapri), said that there were "*several elements that create difficulties, in particular access to foreign currency, not only for bringing in the inputs that are necessary in order to produce, but also for sending the foreign currency that is left after taxes to parent companies.*" He added that the Foreign Investment Act does not encourage the attraction of foreign capital because it is not adapted to the characteristics of today's transactions and does not have defined parameters.

More auctions. The Central Bank of Venezuela called a *DirectoBCV* bonds auction (Auction No. 65) in the sum of VEF 600 million. The bonds to be auctioned are for terms of 90 and 180 days with yields based on annual interest rates of 16.5% and 17.0%, respectively. The *DirectoBCV* bonds will bear a fixed annual rate of interest, be placed at par, as determined by the Central Bank's Board of Directors, and will not be negotiable, unless they are sold by their holders prior to maturity to the Central Bank only.

Shift from formal to informal employment. Figures from the National Statistics Institute (INE) indicate that 5,394,922 people were employed in the formal sector in January 2015, which is equivalent to 41.2% of the total number of employed persons. A comparison of this figure with the figure for 2014 reveals that 455,935 people joined the informal sector. However, the General Workers Confederation (CGT) claims that the number of workers who moved over to the informal sector is much higher. According to the CGT the closing down of companies and the elimination of outsourced workers in the public sector have resulted in the loss of more than 3,800 formal jobs this year.

A problem for productivity. On the matter of informal employment, Aureliano Conchesso, the president of Fedecámaras' Labor Committee said that the increase informal employment generates a considerable reduction in productivity. "Modern countries have their employed population producing at high levels of efficiency and that speeds up their development. Living in a country with an inflationary economy is not a justification for not obtaining a university degree," stressed Conchesso.

OIL TIPS

Petrocaribe for a while yet. Venezuela's Foreign Affairs Minister, Delcy Rodríguez, and Minister for Oil and Mining Asdrúbal Chávez gave assurances that the

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Caribbean energy supply agreement, Petrocaribe, will continue to exist regardless of the present instability of and drop in international crude prices. According to the authorities, Venezuela exports 100,000 barrels a day (kb/d) that are paid for partly in cash and partly with goods and services, generally food.

Petrocaribe the superhero. In a statement, Minister for Oil and Mining Asdrúbal Chávez claimed that the region would collapse without Petrocaribe. *“Petrocaribe is an integrating and unifying mechanism. It solves the asymmetries in access to energy resources via a fair and equitable exchange. (...) This region would collapse without Petrocaribe.”* He also recalled that, before Petrocaribe was created, PDVSA signed the San José agreement, a strategic alliance between Venezuela and Mexico that supplied the countries of the Caribbean with hydrocarbons.

They postponed the decision. Although June 30 was the deadline for Iran and the six major powers to decide whether to put an end to the veto on exports from Tehran (Iran), they decided to extend it to July 7 in order to reach a consensus on a common position. According to the International Energy Agency (IEA), Iran could produce, if the sanctions are lifted, 3.4 million barrels per day (mb/d) to 3.6 mb/d to.

Making more payments with oil. Uruguay's Foreign Affairs Minister, Rodolfo Nin Novoa, stated that they are working on an arrangement for offsetting the US\$70 million debt that Venezuela has with Uruguayan exporters against oil shipments. The debt is mainly from the purchase of dairy products, chemicals, and textiles. According to the Exporters' Union of Uruguay (UEU), *“Uruguayan exporters have had problems collecting from Venezuela for years. Collecting those debts became a problem for Uruguayan businessmen because of the restrictions that Venezuelan importers still have.”*

Owing the one who's in debt. According to figures from Haiti's Development Assistance Programs Monetization Bureau (BMPAD), Haiti's long-term debt with Petrocaribe comes to nearly US\$2.0 billion, payable over 25 years at an annual interest rate of 1.0%. Petrocaribe financed 234 projects in Haiti between 2011 and 2014 to the tune of US\$1.2 billion. However, Pedro Canino, Venezuela's ambassador to Haiti, reiterated the Venezuelan Government's commitment to continue the Petrocaribe cooperation agreement with Haiti.

That trial is a lie! The US oil company Chevron requested the Constitutional Court of Ecuador to dismiss a multimillion judgment handed down against it in 2011 by Ecuadorian courts and to annul the environmental lawsuit brought against it for “environmental damages” to the Amazonia region of Ecuador. Chevron claims that

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the judgment is fraudulent as the trial was full of fraudulent evidence and acts of corruption. According to Ecuador's courts, the company will have to pay US\$9.5 billion in environmental and social damages.

Peru is looking for a new buyer. According to the president of Perupetro, Pacific Rubiales (Canada), Pluspetrol (Argentina), and Perenco (an Anglo-French oil company) are interested in bidding on Peru's biggest oil field despite the drop in oil prices. The field in question is Lot 192 located in Amazonia. It has been exploited by Pluspetrol for the past 15 years but its management contract ends in August, which is why the government is looking to sign a new 30-year operations contract.

BUSINESS SECTOR TIPS

SICA wasn't up to the job. The Integrated Food Control System (SICA) has been experiencing problems for several months now. According to food industry representatives the system stopped issuing mobilization waybills when the government decided to incorporate six personal care articles and household cleaning products to the control list. As a consequence, several companies had to stop production because they were unable to dispatch their inventories to distributors and buyers.

The technical problems continue. According to the Venezuelan Food Industry Chamber (CAVIDEA), the distribution of food in the country is still not completely back to normal due to the fact that SICA has not been able to solve the technical problems that are preventing companies from obtaining the mobilization waybills that transport units are required to have. Because of these delays, the chamber proposed to the National Agro-food Management Superintendency (SUNAGRO) that inventory control be started afresh from the moment SICA restarted its operations.

The milk has arrived but without packaging. Dairy sector sources reported that approximately 16,000 tons of powdered milk had arrived at the country's ports, the first delivery of the 54,000 tons imported from Brazil in the first quarter of the year. However, according to the president of the Venezuelan Food and Transport Cooperative, the problem now is not the existence of inventories but difficulties with packaging and prices. The cooperative said that the price of laminated packaging for milk had gone up by 400.0% between January and June this year.

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We're gradually running out of motorbikes. The Association of Motorbike Industrialists, Manufacturers and Assemblers (AIFEM) said that motorbike production in May came to a total of 2,472 units, down 85.2% from production over the same period last year. It also reported that 26,286 units were produced in the first five months of this year, a reduction of 66.9% compared to the same period in 2014 (79,543 units).

Sales are also down. According to data from the AIFEM, 6,582 motorbikes were sold in May, a drop of 60.9% compared to May 2014, when 16,816 units were sold. Similarly, sales in the first five months of the year totaled 25,811 units, a contraction of 68.1% compared to the same period last year (80,842 units).

No greenbacks, no motorbikes. AIFEM points out that two of the main problems that have caused the contraction in motorbike production in Venezuela are the lack of raw materials for assembling motorbikes and the delays in allocating foreign currency. Moreover, according to AIFEM, the sector owes international suppliers around U\$842 million, a situation that, in its opinion, is putting at risk 15,000 direct and indirect jobs generated by the motorbike industry.

"Bachaqueo," the new formula for making ends meet. The chairperson of the Labor Affairs Committee at the Venezuelan Confederation of Industrialists (CONINDUSTRIA), Maryolga Girán, explained that workers are selling regulated products in offices at higher prices in order to earn some extra money that will allow them to cover their monthly expenses. According to Girán, this new form of "*bachaqueo*" (informal resale of regulated products with a hefty markup) is a totally personal initiative and she comments that workers have even resorted to withdrawing their termination and longevity benefits in order to have capital with which to buy regulated products.

A blow to formal employment and productivity. At **Ecoanalítica** we are of the opinion that practices of this type affect formal employment, since "*bachaqueo*" creates incentives for people to leave their jobs and engage in these kinds of transactions. Apart from that, when employees spend time they should be working buying or looking for regulated products, this has direct repercussions on companies' productivity: the more time spent queuing up to buy products during working hours, the less time spent on work activities.

Resurrecting unsuccessful plans. Last week, President Nicolás Maduro announced the resurrection of the Socialist Guayana Plan created in 2009 by former President Hugo Chávez. The plan included the creation of a new management

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model where production would be controlled by the workers, who were also promised improved benefits. However, according to labor union leaders at the basic industry companies, the targets have not been met and there has not been greater working class participation.

Calling on Maduro. The president of the FEDECÁMARAS, Jorge Roig, claimed that, in order to improve relations between the country's economic sectors and the government, the President of the Republic should meet with businessmen to dialog. *"Leaving is not an option for the business sector (...), which is why we sit down to dialog with the government of the day to solve the economy's problems (...). The government should be credible; there should be clear game rules,"* said Roig.

There's no way we can compete. The oil agro-industry has requested the government to put up the prices of cooking oil, which is being imported at the VEF 6.30/US\$ exchange rate, as producing it in the country is five to six times more expensive than importing it. *"If we were operating on equal terms, the domestic product would be more competitive. Domestic cooking oil, whose production cost is much higher, is not going to compete with imported cooking oil subsidized at VEF 6.30/US\$,"* explained Agustín Hernández, the director general of the AB group of companies that produces palm oil and derivatives such as fats and margarines.

WORLD ECONOMY TIPS

Greece hits bottom. The extension of the deadline for Greece to repay US\$1.6 billion in bailout funds to the International Monetary Fund (IMF) has expired. One result of Greece's failure to repay the IMF could be its expulsion from the fund's membership in two years' time. Greece also has to pay Greek banks EUR 2.0 billion in treasury bills without the help of the European Central Bank (EBC). Moreover, it has to pay the EBC EUR 3.5 billion; if it fails to do so, Greek banks will no longer have access to the EBC.

A referendum for the chaos. Greece has been called to vote in a referendum on whether or not to accept the economic plan for the country proposed by the European institutions. However, Greek Prime Minister Alexis Tsipras hinted that he could resign if the result of the referendum, called for July 5, obtains a majority vote in favor. In the view of Jean-Claude Juncker, the president of the European Commission, however, a "no" vote would mean that Greece is saying "no" to Europe.

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The worst since 2011. The European stock exchanges posted a significant drop first thing Monday morning after Greece closed its banks and imposed controls on capital. Germany's DAX and France's CAC fell by 4.0%, whereas the Eurozone index, Euro STOXX 50, also fell back by nearly 4.0%, the worst drop in a single session since the end of 2011. According to a report by Goldman Sachs, the risk of a Grexit (from the Eurozone) is increasing and uncertainty is growing as incursions are made into the uncharted territory of debt default, controls on deposits, and paying with promissory notes..

Unconditional support from China. China's Prime Minister Li Keqiang promised that China would hold on to its Eurozone debt and added that Greece's financial crisis was Beijing's problem too. The prime minister stated that "this is not only a European problem, but relates to China-Europe too and is a problem for the world." Li plans to meet with the president of the European Commission, Jean-Claude Juncker, and with the head of the European Council, Donald Tusk.

Cut in interest rates. The People's Bank of China has cut its reference interest rates to 4.8%. This is the fourth cut it has implemented since November in its attempt to reduce financing costs and support an economy that is slowing down. Given the decline of the real estate sector, overcapacity in the manufacturing sector, and a problem with local debt, growth of China's economy is expected to slow down to a 25-year low, to around 7.0%, in 2015 compared to 7.4% in 2014.

The US economy still hasn't taken off. Since the end of the recession in June 2009, the United State (US) economy has not managed to grow much more than 2.0% a year. Gregory Daco, an economist at Oxford Economics, forecasts that an improvement in the labor market will help consumption and that the problems created by uneven growth in the world economy and the contraction of the US energy industry will disappear. He also forecasts that GDP will grow by 2.3% in 2015, whereas the US Federal Reserve expects the US economy to grow by between 1.8% and 2.0% this year.

United States has its Greece too. Puerto Rico has accumulated a debt of US\$72.0 billion, equivalent to nearly 70.0% of its GPD, much more than any other state in the Union. Analysts estimate that the Central Government will run out of funds in July, which would lead to government offices being closed, employees being put on unpaid leave, and other emergency measures. US Treasury Department officials have been traveling between Washington, New York and San Juan this year to force government officials in Puerto Rico to close the budgetary gaps.

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Brazil is looking for investors. Brazil's President, Dilma Rousseff, said that Brazil needs to have a more business-friendly environment in order to attract the investment the country needs to recover its growth. The president and some of her ministers are currently in New York to present a package of infrastructure works to investors with which they hope to attract investment at a time when Brazil's largest contractors are involved in a corruption scandal inside the state-owned oil company, Petrobras.

POLITICAL TIPS

A resounding record. According to the first vice president of the United Socialist Party of Venezuela (PSUV), a total of 3,162,400 people (22.8% more than at the 2010 primaries) voted at the primaries to choose the candidates who are to run for the government coalition at the parliamentary elections in December. Cabello highlighted the fact that the candidates who are to run at parliamentary elections were chosen in direct elections by a party's grassroots in the 87 electoral districts for the first time.

The PSUV primaries left a lot to be desired. The executive secretary of the Democratic Unity Alliance, Jesús Torrealba, described the series of pressures and abuses that, according to him, different government agencies incurred in during the government party's primaries as "*a general trial run of arbitrary acts.*" Torrealba claimed that public sector employees were pressured into taking part in the PSUV primaries, that the same would happen at the parliamentary elections in December, and that the country had to get organized to deal with this situation.

Don't underestimate us. In response to doubts expressed by sectors of the opposition regarding the turnout for the PSUV's primaries, the first vice president of the government party, Diosdado Cabello, claimed that the participation of more than 3.1 million voters was "*an objective fact*" and that "*underestimating it is a bad symptom,*" because "*whoever does that normally ends up losing (the elections).*" Cabello called on government supporters not to make the mistake of being overconfident, because what happened at the primaries was just a "warm-up."

Dialog, again. President Nicolás Maduro has said that he wants to dialog with businessmen and the country's production sector and he called on all sectors, "*without exclusion,*" to attend a "Special Production-Economic Dialog Session at Miraflores," although he did not specify a date. "*I'm prepared to open dialog once*

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again for them to come and speak and make a commitment,” explained Maduro, who considers that “it is necessary to renew the call to all the forces of production.”

Equality imposed by law. The CNE issued a rule according to which at least 40.0% of a political party’s candidates who are to run at the upcoming legislative elections must be women. A provision making it compulsory to comply with quotas based on gender existed in the Master Suffrage and Political Participation Act that was repealed in 2009 by the government majority in the National Assembly. So far the directors of the CNE have not approved the Special Regulations that will regulate and explain the scope of the new measure.

They’ll abide by the measure. The political parties making up the Democratic Unity Alliance will take the necessary steps to adapt to the new rule on gender equality with regard to candidates, although most of them are still waiting for the final version of the regulations announced by the CNE. The changes in the candidates will be made by each party individually based on the number of regular and alternate candidates they have obtained, either as a result of the primaries or through consensus.

Trial runs to be held starting in October. According to the schedule drawn up by the National Elections Board, a trial run of the December parliamentary elections will be held on October 18. This trial run will serve to check the functioning of the automated voting system, logistics, contingency voting plans, the transmission of data, how the security, transfer, and reception systems work at the polling stations, and the successful activation of the different operators involved in any electoral process.

The Venezuelan State is a bad father. Human rights organizations denounced before the United Nations (UN) that the “(Venezuelan) *State has not fulfilled its international legal obligation to protect civil and political rights, and serious violations of human rights continue to be committed*” in Venezuela. These organizations urged the United Nations Human Rights Committee to address the denunciations of human rights violations and the issues of persistent impunity, weakening of the institutions that uphold the rule of law, and the lack of freedom of expression during the review of Venezuela’s compliance with the International Covenant on Civil and Political Rights.

Human rights are respected in Venezuela. During her presentation of the periodic report to the United Nations Human Rights Committee, Prosecutor General, Luisa Ortega Díaz, gave assurances that human rights are respected and guaranteed in

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Venezuela. Ortega also stressed that the right to peaceful demonstration, free of weapons, was also respected and pointed out that “*the Venezuelan State does not endorse action by the police that infringes the human rights of citizens, rather it condemns it.*”

LEGISLATIVE TIPS

Chinese Fund reloaded. In Official Gazette N°. 40.692 (June, 30th) was published the 5th Amendment to the Agreement between the Governments of China and Venezuela on the Joint Sino-Venezuela Financing Fund. According to the amendment China increases the loan under Tranche B to US\$5.0 billion from US\$4.0 billion and extends the term to five years from three years. The money will most likely be disbursed in Q3 2015.

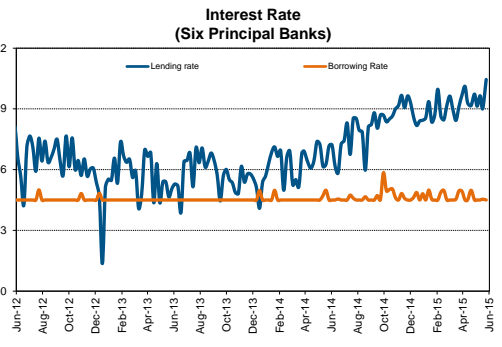
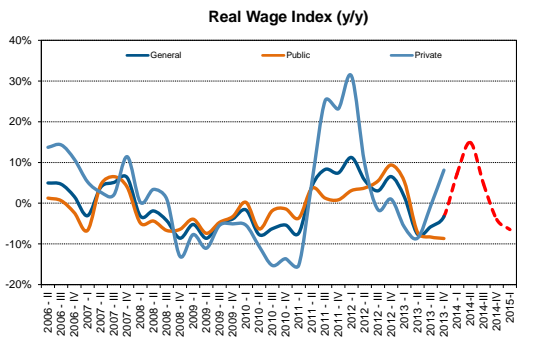
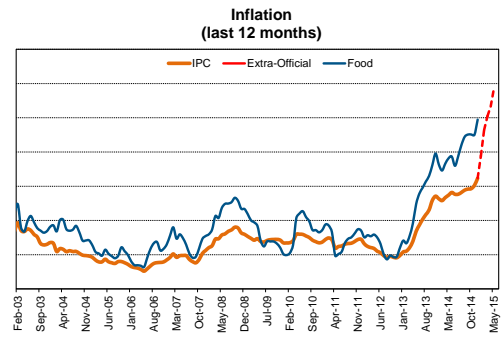
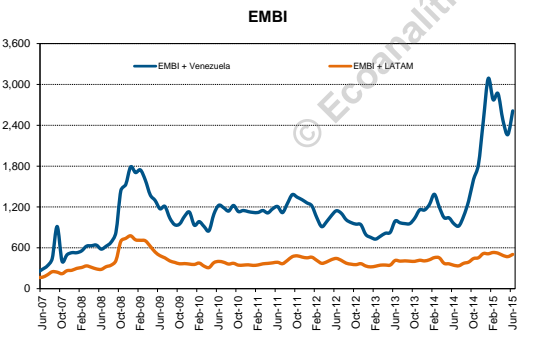
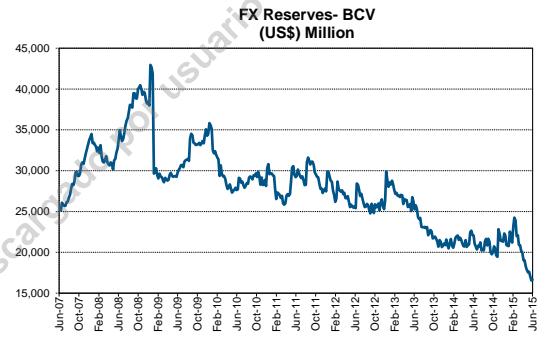
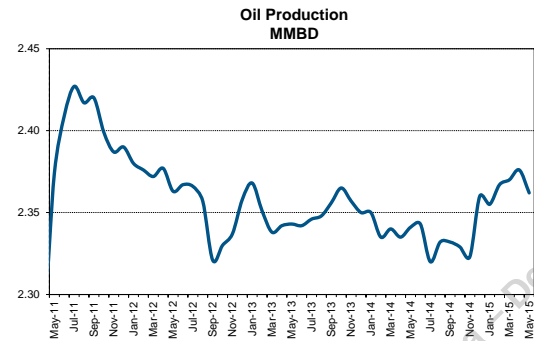
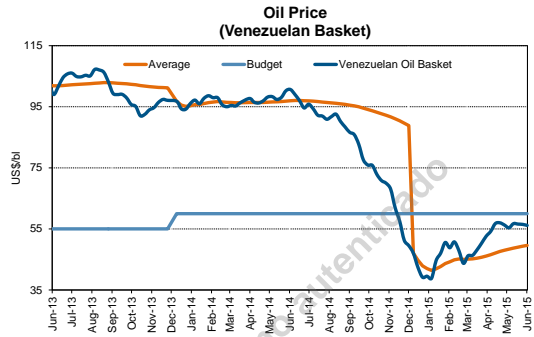
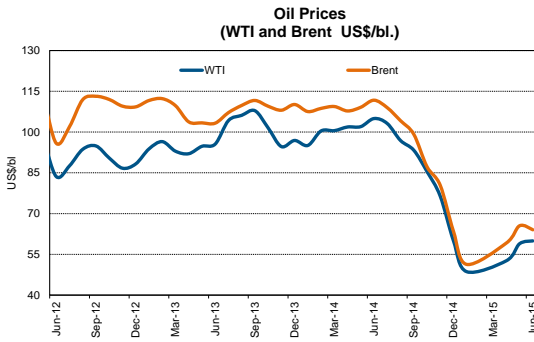
BCV will rule the gold market. The Ministry for Oil and Mining and the BCV have issued a joint resolution (*Gaceta Oficial* N°. 40,692) which states that individuals and firms involved in the exploration and mining of gold in Venezuela must sell to the BCV the mineral extracted in its activities. Prior to the sale of the gold mined, producers must be enrolled in the Provisional Registry of Gold Sellers, to be administered by the central bank. This rule will remain in effect until November 18, 2015.

Conglomerates are to keep an eye on food production. The Ministry for Food published a resolution in *Gaceta Oficial* No. 40,690, dated June 26, that establishes the regulations that are to apply to the organization and functioning of the so-called “Food Production Conglomerates.” These regulations give these conglomerates the authority to “*monitor the behavior of the marketing and distribution network of public sector and private sector products and the provision of services at fair and solidary prices.*”

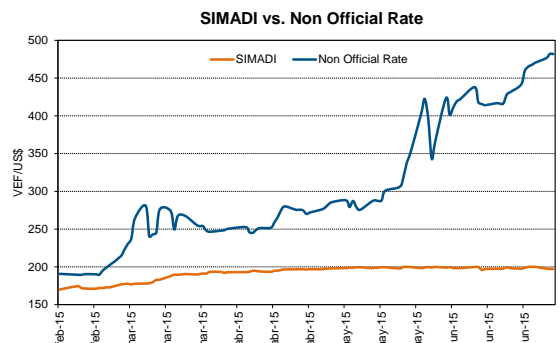
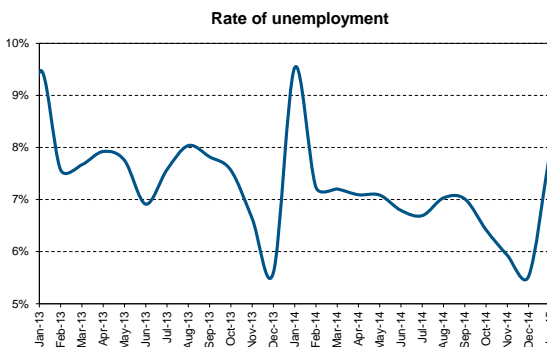
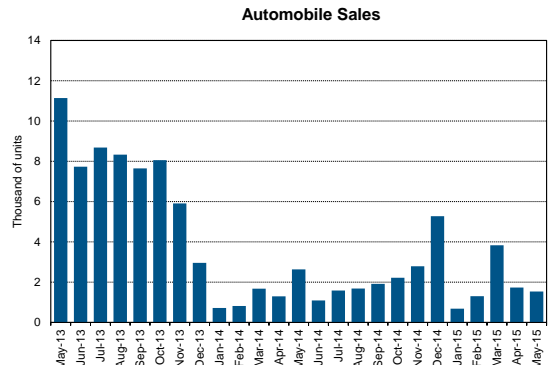
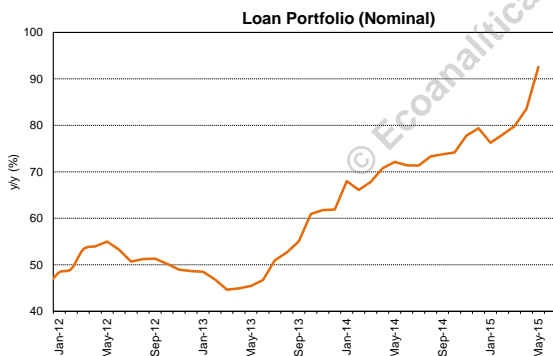
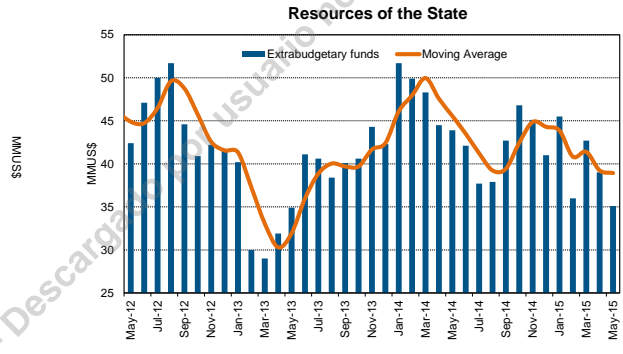
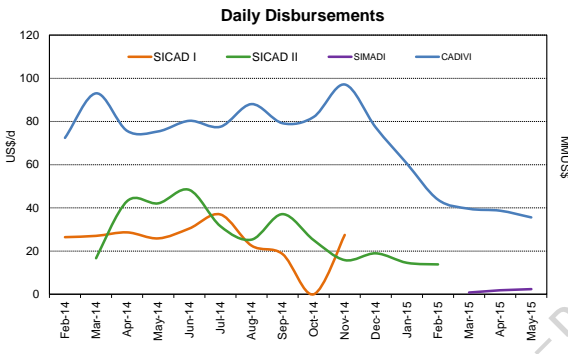
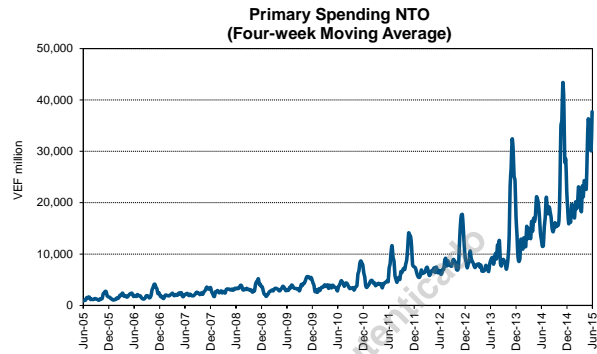
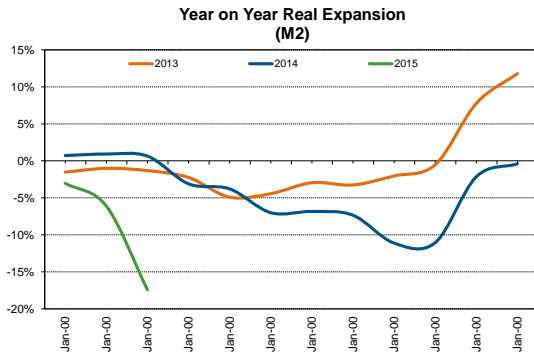
Decentralizing certification of documents. The Registry and Notary’s Offices Service (SAREN) has authorized the certification of documents at the Main Registries in each state, a procedure that until now was only performed at SAREN’s headquarters in Caracas and that made it necessary for users living in other parts of the country to travel to Caracas. This measure will benefit the more than 400 people a day or 8,000 people a month who used to have to travel to the Caracas from different parts of the country in order to do business at SAREN’s head office.

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ECONOMIC OVERVIEW



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