

The new non-oil reality in Venezuela: Part II: Commercial sector and COVID-19.

In the previous report¹, we reviewed the perception of the Venezuelan industry in the first quarter of this year and found that it was in a precarious position for the coming months under quarantine.

As the industrial sector, the commercial sector also presented difficulties at the end of the first quarter of this year, especially outside the capital region. An assessment by the Maracaibo Chamber of Commerce (MCC) identified some of the difficulties faced by companies in the sector in periods prior to the arrival of COVID-19 in the country. One of the main concerns of the guild² was the decline in demand for its products. It was noted that 93.0% of those surveyed shared that their sales were down compared to the fourth quarter of 2019.

Another vulnerability exposed by regional entrepreneurs was the weak financial management of the business³ for the rest of the year. In this line, 74.0% declared that their investments decreased with respect to the 4Q2019 and highlighted that, for the second consecutive quarter, their financing through national bank loans had been zero.

Furthermore, 85.0% classified the situation of their company during 1Q2020 as "adverse" and 61.0% expect such qualification to be maintained during the 2Q2020. With respect to the 2Q2020 projections, not even considering the tightening of the containment measures, 67.0% expected their investments to be reduced and 54.0% expected their number of employees to decrease.

¹ Weekly Report N° 24, (2020): The new non-oil reality in Venezuela: Part I: Private manufacturing.

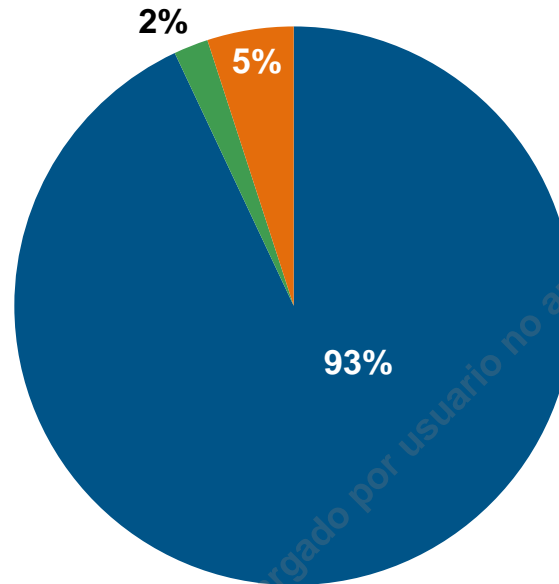
² 41.0% of those surveyed described the weakness of demand as the main factor causing concern for the rest of 2020.

³ In a similar line to the previous reference, with the difference that it would be 9.0% of the sample.

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Sales' performance compared to the previous quarter

■ Decreased ■ Increased ■ No change



Source: Cámara de Comercio de Maracaibo.
 Note: Percentage of total firms surveyed.

In addition, respondents identified fuel shortages (18.0% considered this to be the main factor), political uncertainty (18.0%), and the current level of taxation (6.0%) as the main factors that could affect their activities.

The balance between risk and permanence.

Once the confinement and the pause of business activities in Venezuela began to be extended indefinitely, the union leaders expressed the concerns of their sectors regarding the pandemic and the measures taken accordingly. The president of the Venezuelan Confederation of Industrialists (Conindustria), Adán Celis,⁴ had declared on June 22 that the new scheme of 7+7 relaxation of the quarantine was not viable in the industry, so it was imperative to implement a safety protocol that would allow them to work safely and permanently.

⁴ Tagliafico, F (2020). *Conindustria: Protocol must be implemented to activate companies permanently and safely*. Decrypted. Available at: <https://www.descifrado.com/2020/06/22/conindustria-hay-que-implementar-protocolo-para-activar-empresas-de-forma-permanente-y-segura/>

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At the same time, the president of the National Council of Trade and Services (Consecomercio), Felipe Capozzolo⁵, made similar comments on the disadvantages of this scheme and added the risk of possible consumer crowding because they would try to anticipate the unavailability of goods and services during the week of the scheme's confinement.

Industry in quarantine.

In this regard, in addition to the main features that marked the sector during the first quarter of the year (reviewed in our previous weekly report), Conindustria⁶ also examined the perspectives of the industrialists in the face of the new context imposed by the pandemic, the official quarantine and the measures taken by the Executive to reduce its impact.

Firstly, half of those surveyed said that their company's operations would be affected by more than 50.0% as a result of the paralysis of economic activity within the framework of the state of national alarm. In addition, 60.0% stated that the economic measures announced by the Executive have been ineffective and 29.0% classified them as insufficient; it is worth noting that 62.0% of those surveyed assured that their company is not a beneficiary of the measure related to the payment of payroll by the Executive and another 13.0% directly does not apply.

In that sense, this evaluation would also reveal that 75.0% of the companies surveyed would be assuming considerable changes in their cost structure due, precisely, to the increase in the minimum wage ordered by the regulators during the period of inactivity.

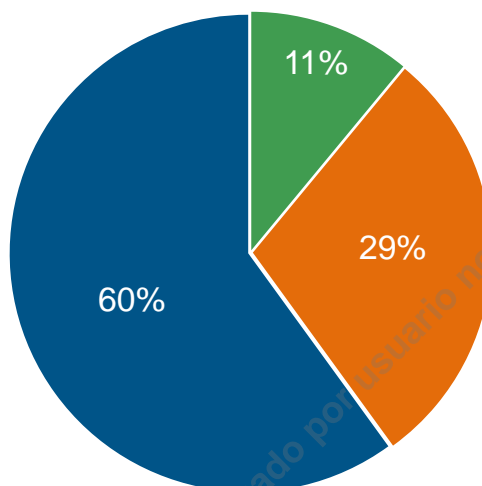
⁵ Salas, J (2020). *Capozzolo: We are trying to prevent the closure of businesses and the loss of jobs.* The Impulse. Available at: <https://www.elimpulso.com/2020/06/17/capozzolo-estamos-tratando-de-impedir-el-cierre-de-comercios-y-la-perdida-de-empleos/>

⁶ Through the same survey reviewed in the previous weekly report: The Qualitative Survey of the Industrial Situation. First quarter 2020. Available at: https://www.conindustria.org/?page_id=175#

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Rating of the economic measures announced by the Government

■ Appropriate ■ Insufficient ■ Deficient



Source: Conindustria.
 Note: Percentage of total firms surveyed.

In addition, the survey asked what changes could be made to improve the operation and prospects of the sector. Half of the companies consulted agree that the main measure that should be taken to minimize the economic impact that COVID-19 would bring is support for the mobilization of personnel, products, inputs and raw materials; 12.0% said that the legal reserve should be freed up to achieve a greater circulation of credits that would allow the sector to finance itself.

Likewise, the remaining 38.0% considered that the main measures that should be taken are fiscal, whether it be changing the modality of weekly to monthly collection of VAT and Income Tax, suspending or relaxing payments for state or municipal declarations, exempting imports of essential products and even creating a system of fiscal incentives for a period of one year.

The areas that the industrial associations consider should be the target of official policies are those elements previously identified that, according to the survey itself, already affected the sector before the pandemic; therefore, the above simply shows how the sector recognizes a greater aggravation of these aspects in the midst of official quarantine and the little willingness of the Government to address, so far, the great vulnerabilities of the private manufacturing sector in Venezuela.

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The companies surveyed pointed out proposals that would guarantee operational and productive continuity during the "*pandemic*". Of the five main resulting measures, four are health initiatives: informative campaigns, the production of manuals and hygiene procedures, the provision of personal protection equipment, and means of transport for employees. This would be in line with the statements of trade representatives outlined above: the priority for the industry would be to return to normal daily operations without interruption so that the negative impacts of containment can be contained.

Commerce from home

The commercial sector also has not spared the shocks and measures needed to deal with COVID-19. In a consultation carried out by Consecomericio with 72 companies during the month of May⁷, the situation of these companies and the measures they have implemented to mitigate the effects of confinement.

Firstly, 74% of the companies surveyed claimed to be open or partially open; however, they considered that the effect of COVID-19 would be negative. To the question "How serious do you consider the effect of the coronavirus on the economy" 12.0% answered "medium-high" and 42.0% responded, "high".

However, one advantage of this sector is its ability to adapt to the constraints of quarantine. Therefore, 40.0% of those surveyed said they had implemented home delivery services for their products and 38.0% said they were considering the implementation of digital wallets in foreign currencies to facilitate the transaction of their products. At the same time, they stated that 69.0% and 64.0% of suppliers and customers, respectively, had adopted digital strategies to offer or request their goods and services.

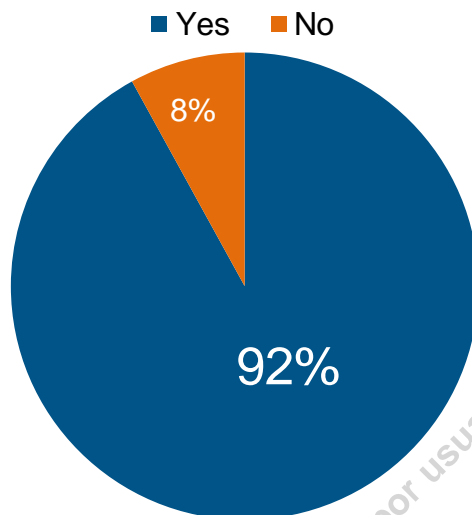
Another study conducted by the CCM, also in May, revealed some of the measures that marabout merchants are implementing in order to remain operational. More than half of those surveyed stated that they have incorporated actions to safeguard the health of their employees. Among these measures are social distancing, providing adequate facilities and equipment for personal hygiene, and constantly providing updated information to their employees.

At the time the survey was conducted, 58 days of quarantine had already been accumulated, 92.0% of those surveyed had assured that they intended to *immediately* restart their activities, which would be in line with all the investment they had declared to have made to adapt their facilities to the circumstances of the pandemic.

⁷ Consecomericio (2020). *Consecomericio consults on the current situation of Venezuelan companies.*

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Agreement of firms on restarting immediately activities*



Source: Cámara de Comercio de Maracaibo.
Note: Percentage of total firms surveyed.

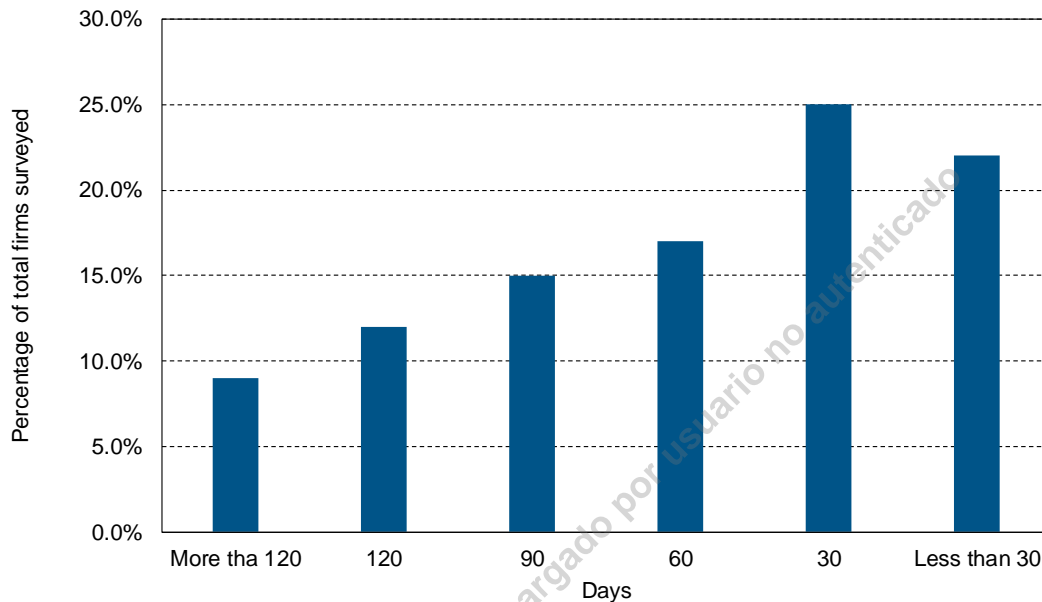
In addition, respondents reported that they had implemented complementary measures such as: reassignment of projects, the advance of holidays, charitable activities in vulnerable communities, advertising campaigns on social networks, payment of extraordinary bonuses, advances in salary payments and the halting of salary adjustments. This last measure stood out because 41.0% declared that they had implemented it.

Despite these actions, respondents indicated that they are aware that they cannot guarantee the future of their operation in the long term. Finally, the study revealed that 47.0% of the businesses surveyed in the city considered that, if the quarantine was extended, they would not be able to remain operational beyond next month.

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Time expected to be able to mantain labor costs if the quarantine is extended*



Source: Cámara de Comercio de Maracaibo.

*In case of not being able to produce or market goods and services.

Is there a more radical scenario coming?

After three and a half months of confinements, radical quarantines, and 5x10 and 7x7 schemes, we are clearly observing, at least from the official narrative, a clear increase in the daily infection curve. For example, in the last week of June, we observed an increase of 140.0% in the average number of daily infections with respect to the first week of the same month.

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The Academy of Physical, Mathematical and Natural Sciences⁸ had published a report in May in which it projected that a similar scenario would occur to the one recognized so far, with an acceleration of the daily cases of contagion observed between June and September. If the institute's projections are fully met, a peak of between 1,000 and 4,000 cases per day would be expected in the period indicated. Given the recent radicalization of quarantine in local outbreaks throughout the country, it would not be surprising if we were to enter a new phase of confinement like the first steps of the measure imposed in March.

Faced with this possible risk, the non-oil sector, shielded almost exclusively by the private sector, will have to prepare for a longer quarantine without significant support from the Executive.

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⁸ ACFIMAN (2020). Current status of the COVID-19 pandemic in Venezuela and its possible trajectories under different scenarios. Available at: <https://acfiman.org/2020/05/08/estado-actual-de-la-epidemia-de-la-covid-19-en-venezuela-y-sus-posibles-trayectorias-bajo-varios-escenarios/>

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WEEKLY INDICATORS

Weekly Economic Indicators			
	1st Week July	Weekly chg. (%)	Depre/Apre (pp) ¹
FX Boards (VES/USD) ²	205,733.57	0.3	0.3
	4th Week June	Weekly chg. (pp)	Annual chg. (pp)
Lending Interest Rate (%)	39.3	0.2	12.2
	1st Week July	Weekly chg. (pp)	Annual chg. (pp)
Overnight Interest Rate (%)	90.9	-23.3	-35.2
	1st Week July	Weekly chg. (%)	Annual chg. (%)
International Reserves (USD Bn)	6.4	-0.4	-21.3
	2nd Week June	Weekly chg. (%)	Annual chg. (%)
Monetary Liquidity (MM VES)	122,023,084	6.5	1,577.6
Price of International Oil Baskets (USD/bl)			
	1st Week July	Weekly chg. (%)	Annual chg. (%)
WTI	37.5	1.3	-35.1
Brent	41.0	0.2	-36.1
Price of the Venezuelan oil basket (USD/bl)			
	1st Week July	Weekly chg. (%)	Annual chg. (%)
Weekly Average	22.4	1.3	-62.1
Annual Average	29.8	-0.9	-50.1

Sources: BCV, MENPET, ONT and Ecoanalítica

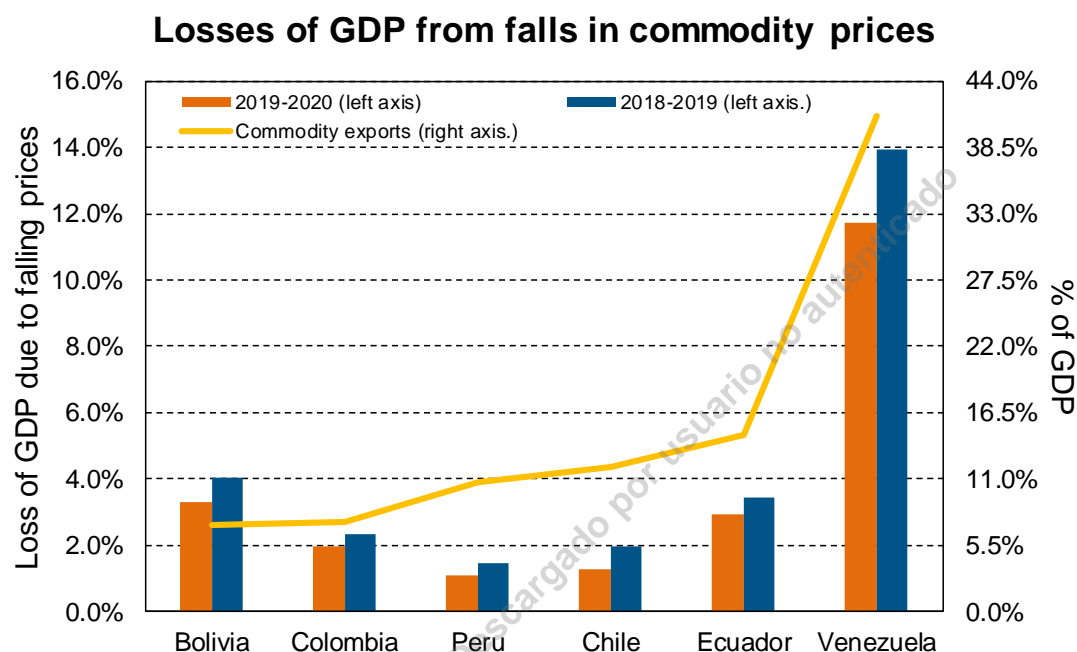
* Annual variation of accumulated expenditure.

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

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CHART OF THE WEEK: SAVED BY THE BLACK GOLD?



Source: World Integrated Trade Solutions, Observatory of Economic Complexity and Ecoanalítica.

In recent months, demand for oil and other raw materials has been affected by the contraction in global economic activity due to COVID-19. In that sense, Latin America is the most affected continent, because it depends considerably on the commercial exchange of these inputs with the rest of the world as a traditional mechanism to generate foreign exchange and fiscal income.

This drop in demand has also meant a reduction in the value of these "*commodities*", and since such raw materials will not recover their lost value until global trade is normalized, we should not expect these prices to increase in the short term; however, this has not been the case for all relevant raw materials for Latin America. For example, the price of gold (and even other metals) has risen as it serves as a financial refuge for global capital in times of recession and declining interest rates. In that sense, how COVID-19 has affected the economies of the region depends, in part, on the importance of the mining and energy sector of each country.

If we look at the percentage of GDP represented by exports of raw materials together with the potential losses due to falls in *commodities* between 2018 and what was seen in 2020 (weighted by the composition of each country's exports), we can see how in Peru, for

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example, despite the fact that sales of such inputs reached nearly 10% of total production in 2018, the economic contraction resulting from the fall in prices for inputs would be low compared to other countries in the region, due to being the country that trades the most gold in South America.

On the other hand, we find countries such as Ecuador, which specializes in oil and has greater exposure to the collapse of raw materials (almost 15% of its GDP), or Chile, where 50% of exports come from the copper trade and therefore has greater advantages than the rest given the lower losses in its main export. Countries such as Bolivia and Colombia are having greater difficulties than expected, despite being more diversified than others in the energy and mining sector.

The situation in Venezuela is alarming. If we exclusively consider the fall in oil prices between 2019 and 2020 (including the "negative" prices of April), the country would face an economic contraction of close to 12%, without taking into account the potential losses resulting from the collapse of local oil production and exports. This is, of course, due to the enormous dependence of fiscal management on these activities (more than 40% of GDP). Such conditions place the country as one of the least prepared economies to face COVID-19, in terms of its capacity to generate external resources. The Executive is facing serious difficulties in accessing the foreign exchange required to stimulate the local productive apparatus during quarantine. It is impossible to know to what extent the situation is sustainable, but it can be stated that the oil industry will not serve as a financial cushion to face the COVID-19 crisis in the short or medium term.

ECONOMIC TIPS

COVID-19 in Venezuela. According to government figures, the number of positive cases of coronavirus reached 8,008 on July 9 and the number of deaths was 75 by the same date.

New metrics. The National Survey on Living Conditions 2019-2020 conducted by researchers from the UCAB, UCV and USB was published, this time around using new tools for data collection and 13 specific topics on the living conditions of Venezuelans between November 2019 and March 2020.

Migration (I). ENCOVI 2019-2020 estimated that around 2.3 million Venezuelans emigrated between 2017 and 2019, this is in contrast to the 2.7 million calculated by the International Organization for Migration, whose results are justified by methodological reasons.

Migration (II). According to polls, 19% of households had at least one of their members migrated. Among the reasons for emigrating, 82.8% migrated to find or obtain another job, 5.8% for family reunification and 1.7% because they changed their place of work.

Unemployment (I). The survey shows that 44% of the population over 15 is economically inactive, levels that had been reached in 2015.

Poverty (I). Following the methodology applied previously, it was reported that 96.2% of households are in poverty and 79.3% are in extreme poverty.

Poverty (II). Whereas, using the multidimensional method, which includes five variables related to employment, education, housing conditions and public services, it is estimated that 65% of households are in poverty.

Impact of the pandemic (I). Due to mobility restrictions, ENCOVI 2019-2020 estimates that unemployment increased by 6.9% nationally and 43% of households reported being unable to work or losing income due to the pandemic. The report's researchers warn that households will need more government aid and foreign currency transfers.

Impact of the pandemic (II). The number of households that reported receiving government transfers rose from 25% between October and February to 52% between March and April, with an average of US\$ 5 each.

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The verdict is... After the four-day hearing in the High Court in London, Justice Nigel Teare presented the sentence in which it is stipulated that Great Britain unequivocally recognizes Guaidó as interim constitutional president.

Who has the power? In this sense, the possibility that the Central Bank of Venezuela may mobilize the gold reserves held in the Bank of England is rejected; therefore, the ad-hoc board of directors of the Central Bank of Venezuela (appointed by Guaidó) will request recognition to be able to mobilize the gold as the entity in charge, since this was recognized in the ruling.

And they keep insisting. Sarosh Zaiwalla, the BCV's representative in the trial, informed that the official body will seek to appeal the judge's decision; however, deputy Angel Alvarado sees with very little concern that the appeal will have any impact on the final verdict.

Bonds and more bonds. On Monday, July 6, the "Bono contra la Guerra Económica" (Bond against the Economic War) for senior citizens in the amount of VES 300,000 was issued, complementing the pension for VES 400,000.

Tourism can't stay at home. The Inter-American Development Bank (IDB) forecasted a drop in tourism activity in Latin America and the Caribbean that would be between 43.8% and 68.8% compared to last year; however, Venezuela is one of the least tourism-dependent countries, displaying only a 5.5% in the Tourism Dependency Index led by the IDB.

Hurry up! The Government of Russia and the Government of Venezuela have agreed the payment of USD 133 million between 2019 and 2022 and USD 684 million between 2023 and 2026 in capital and interest payments as part of the debt restructuring plan in which Venezuela will have to pay a total of USD 3.12 billion to the Kremlin.

Should I go or should I stay? Foreign Minister Jorge Arreaza reported that Venezuela will allow the European Union's ambassador to stay in Caracas, but not the special envoy, who was expelled from the country last week.

OIL TIPS

We hit bottom... According to data from Refinitiv Eikon, PDVSA's production of crude oil and derivatives for June was 379,000 barrels per day, the lowest daily production since 1943. This production was exported in a total of 17 vessels.

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...but we're still full. The country with the largest declared oil reserves in the world, which in the 1990s exported 3.5 million barrels a day, has drastically reduced its production, as oil inventories are at their peak. By the end of June, it had accumulated 14.5 million barrels of crude after reaching 14.9 million barrels in the middle of that month in Puerto José in Anzoátegui.

Completely stopped. According to Baker Hughes' monthly count, no oil extraction platforms are operational in the country. It should be remembered that more than a hundred platforms were operational in 1998 and that there were still 22 operational extractors in June 2019.

Where did they go? (I). Exports to Europe accounted for the majority, with 130,000 barrels a day exported to Repsol in Spain and Eni in Italy. These operations are exempt from sanctions as they are carried out for unpaid debt.

Where did they go? (II). Exports to Cuba increased from 67,000 barrels of oil per day in May to 82,300 barrels per day in June.

With a court order (I). According to The Wall Street Journal, U.S. Department of Justice prosecutors issued an order to seize 1.1 million barrels of gasoline on board the Bella, Bering, Pandi and Luna tankers, all flying a Liberian flag, which were scheduled to be transported from Iran to Venezuela in the coming weeks.

With a court order (II). Reuters sources reported that legally gasoline could only be seized if the ships pass through U.S. maritime space, but this action could encourage other countries to cooperate in the operation.

Cardon (I) was burned. A fire was recorded at the Cardón refinery's catalytic plant in Punto Fijo and the official cause is not known at this time. Congressman José Antonio Mendoza reported on Twitter that "the drainage system in the trenches of the catalytic plant blew up, generating an enormous fire".

Cardon (II) was burned. According to Victor Clark, Governor of Falcon State, the incident was quickly controlled, and no one was injured. Although government sources declare that there was no damage, sources close to Reuters assured that the catalytic cracking unit was stopped after the fire.

Cardon (III) was burned. As a result, daily production of between 15,000 and 30,000 barrels of gasoline was stopped. The Cardón Refinery was reactivated in mid-June after

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receiving imported components from Iran and has a total refining capacity of 310,000 barrels of crude oil per day

New ad-hoc directive (I). The National Assembly, controlled by the opposition, appointed three new members to form the ad-hoc board of directors of PDVSA. These appointments follow the resignations of Alejandro Grisanti and Maria Lizardo last month.

New ad-hoc directive (II) The new directors are Horacio Mendoza, an important executive in the 2002 oil strike, Javier Linares, who currently serves on an ad-hoc board of PDVSA's foreign relations, and Luis Vílchez, a retired PDVSA project engineer.

Usual business (I). The Maltese-flagged ship Gemma arrived this week at Venezuelan shores with oil products from the Italian refinery of Milazzo as part of the debt swap agreement with Spain's Repsol and Italy's Eni.

Usual business (II). This refinery, operated by Eni and the Kuwaiti state oil company KPC, received about one million barrels of Venezuelan crude oil in the week of June 29.

The little that is still produced... According to sources at El Carabobeño, the Cuban-flagged Sandino, which is subject to sanctions by the U.S. Office of Foreign Assets Control (OFAC), docked at the El Palito refinery on July 5.

...it is going to Cuba. This was done to refuel at the El Palito refinery for transport to Cuba. According to Marine Traffic, three tankers are said to have left Venezuela in June for Cuba.

SECTORIAL TIPS

Devastating fall. Lorenzo Monasterio, president of Un Nuevo Tiempo in Lara, explained the unfortunate situation of the agricultural sector, pointing out that agricultural production could fall to historic levels due to the absence of government policies to deal with the crisis experienced by the country's farmers.

Delays. Monasterio explains that the situation is so dire that "*by the 5th of July the fields should have been sown 40 days ago but this is not what happened in the field of our state*". This shows how the sector has been affected by the economic crisis and how the lack of equipment has delayed production.

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Fewer **vegetables**. The deplorable situation of the agricultural sector has affected the production of vegetables in the Quibor Valley, where 5,000 hectares were once planted, while nowadays only 400 hectares are cultivated.

Production tragedy. Monasterio pointed out that agricultural production will reach such a precarious situation that it will not be possible to produce even 10% of what was produced in 2019. Monasterio added that "in the face of this tragedy, a change of government is necessary for Venezuela to overcome the crisis that is affecting the people".

Industry in Lara paralyzed. Mohamed Hussein, president of the Chamber of Industries of Lara, assured that almost 80% of the industries of the State are paralyzed since the beginning of quarantine in Venezuela.

Impossible conditions. Expropriations, threats, and misguided economic policies have led to a drop in productive activity in Lara's manufacturing sector, according to Hussein. The state's industrial zone has become a graveyard of warehouses, where few companies are still working at only 18% of their capacity.

It's over! Hussein denounced that "*The sad thing is that the industrial sector, on average, pays its workers much more than other sectors do. Since the March 16 and 17 closure, all industries have paid all their workers in full, through a well-diminished cash flow because without income and sales there is nowhere to get the money*".

Decreased capacity. In the latest study by the Venezuelan Confederation of Industrialists (Conindustria) for the first quarter of 2020, the sector's installed capacity utilization at the national level fell to 18.1%, which represents a decrease of 3 percentage points (pp) compared to the mediation of the last quarter of 2019 when it was at 21%.

They can't take it anymore! In the same survey, conducted before the beginning of the quarantine, it is revealed that 60% of Venezuelan industrialists estimate that they will not be able to continue operating beyond one year if the economic crisis continues.

A quarter. Hussein pointed out that one of the indicators showing this historical decline is that, at its best, in Lara, there were about 1,200 industrial companies, while today there are no more than 300 companies operating.

Food security (I). The National Survey on Living Conditions (ENCOVI) was published on 7 July. This report shows that 3 out of 4 Venezuelan households suffer from food insecurity.

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Food security (II). The report shows that in 2018, only 1 out of every 10 households could be categorized as not being Food Insecure (FIS) and, according to the ETA 2020, there would be only 3% in that condition; therefore, ENCOVI reports 639,000 children under 5 suffer chronic malnutrition.

Education (I). The survey shows that the potential demand for education has fallen, and there is no progress in coverage. The educational path of children enrolled in the academic period 2019-2020 has been affected by the severity of the crisis of the previous year.

Education (II). The report shows that the severe educational lag doubles for men and triples for women. Nearly 2 out of 5 have some level of educational lag, which encourages educational exclusion, which increases considerably in the poorest population from 12 to 17 years of age, where 27% are in severe educational lag.

Activity condition (I). The ENCOVI survey shows a decline in the number of employees and an increase in self-employed workers. In addition, the manufacturing sector halved its capacity to absorb the labor force in only 5 years, while the service and trade sector has been able to employ a bigger part of the population.

Activity status (II). ENCOVI shows that 70% of the active population works more than 35 hours per week, while 24% works more than 46 hours per week. Only 23% work less than 35 hours per week and of the latter percentage, 65% would prefer to work more hours and 54% have run errands to work more hours.

WORLD ECONOMY TIPS

COVID-19 in the world. According to figures published by the World Health Organization (WHO), the number of positive cases of coronavirus reached 12,041,480 on July 9, with 549,468 deaths recorded for the same date.

Services are back in business. The Institute of Management and Supply (ISM) published that its index of non-manufacturing activity (services) rose to 57.1 in June, a recovery from the 45.4 recorded in May. The index implies a good turn in the U.S. economic growth trend, as the 50 mark on the index separates the growth from contraction.

Companies need Phase 1 (I). In a letter to U.S. Treasury Secretary Steven Mnuchin, U.S. Trade Representative Robert Lighthizer, Chinese Vice Premier Liu He, the U.S.

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Chamber of Commerce and more than 40 trade associations called for increased efforts to implement the Phase 1 trade agreement signed in January by the world's two largest economies.

Companies need Phase 1 (II). The US group said it was encouraged by the progress made so far but called for a significant increase in US purchases of goods and services by China in the coming weeks.

An expected leap (I). The Caixin/Markit China Services Purchasing Managers' Index rose to 58.4 in June, the highest reading since April 2010. This increase was due to the easing of measures to contain the coronavirus, which encouraged consumption, according to the private survey.

An expected leap (II). The index is up from 55.0 in May, moving further away from the low recorded in February when the closure due to the coronavirus paralyzed the economy.

Corn: zero tariffs (I). The European Union reduced its tariffs on corn imports to zero from the previous EUR 4.65 per ton. The zero-tariff ruling will also apply to imports of rye and sorghum.

Maize: zero tariffs (II). Corn markets plummeted in 2020 as the coronavirus epidemic ruined demand for fuels, including ethanol, which normally makes up a large part of cereal supplies. The recent recovery in international market prices led the bloc to eliminate these tariffs, in order to facilitate imports.

Europe against money laundering. The European Commission announced that it is suing Austria, Belgium, and the Netherlands because the three countries have not fully integrated the EU anti-money laundering standards into their national laws.

The reasons. The Commission indicated that the legislation of these countries lacked provisions to address money laundering. It noted, primarily, Austria's gambling, and betting legislation; the exchange of documents, and information by Financial Intelligence Units in Belgium; and the required information on beneficial ownership of companies, and other legal entities in the Netherlands.

Will it be resolved in court? The European Commission's complaint was lodged with the European Court of Justice, which has final jurisdiction in the Member States, asking it to approve financial sanctions against the three countries.

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Ready to stimulate the economy (I). The President of the Government of Spain, Pedro Sánchez, announced that his administration is preparing an investment plan of EUR 150 billion (USD 168.41 billion), financed by European Union funds, with the aim of helping the Spanish economy recover from the coronavirus.

Ready to stimulate the economy (II). Sánchez explained that the project will be "*a public investment plan that will also mobilize private resources*". So far, the European Union has indicated that Spain would receive around EUR 140 billion from the special recovery fund.

Ready for restructuring. The Argentine government sent a new debt restructuring proposal to the U.S. Securities and Exchange Commission (SEC), in which the government would begin paying in one year, instead of three, and coupon payments on the new bonds, even if the start at starting at low levels, it could increase to about 5%.

Happy creditors. According to *Reuters*, Argentina's new offer was approved by investors, boosting Argentine bond prices in the face of positive expectations of an agreement between the parties before the extended dialogue deadline of Aug. 4.

POLITICAL TIPS

We're not participating! The deputies of the National Assembly (NA) reported that, on June 30, they had agreed not to participate in the parliamentary elections called by the National Electoral Council (NEC) imposed by the TSJ. They argued that this process does not meet the minimum conditions that guarantee the voting rights of every citizen.

Necessary conditions. According to the NA, the key conditions for establishing a free election process are the appointment of a new NEC, the release of political prisoners and the lifting of sanctions.

The United Kingdom joins in. After the European Union (EU) imposed sanctions on the individuals appointed by the TSJ to form the new NEC and the replacement of several members of the boards of the main opposition parties, the United Kingdom decided to apply the same sanctions dictated by the EU against government officials.

More recognition. Slovakia joins the list of 60 countries that recognize Juan Guaidó as the legitimate president of Venezuela.

More Members. The NEC approved a new composition of the National Assembly. The number of deputies will increase from 167 to 277, of which 48 will be elected by a national

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list of proportional representation, and the election between uninominal and lists will be balanced 51-49.

We've got a date! The National Electoral Council called for parliamentary elections on December 6. Indira Alfonzo, president of the electoral body, announced that in mid-July the electoral register will be updated and in August the political organizations must make the nominations of their candidates.

Against. Juan Guaidó opposed this decision and declared that such legislative elections are not valid; he also accused Maduro of manipulating the process. Guaidó posted on his Twitter account: "Venezuelans do not recognize a farce, as we did not in May 2018".

105. For the 2020 parliamentarians, 105 political organizations will be able to have a card, although the new NEC excluded the Justice First and People's Will parties. Also, most of the parties involved in the elections are related to the Maduro Government or are part of a small minority of the opposition.

Drug trafficking in Venezuela. Craig Faller, head of the United States Southern Command, declared that Venezuela has become a paradise for drug trafficking, narcoterrorism, and other types of illicit activities. He added that for Venezuela the trafficking of illicit substances is fundamental; that is why the United States has joined with other Central American nations to combat drug trafficking.

The violations continue. The United Nations (UN) denounced that human rights violations continue in Venezuela. Michelle Bachelet, High Commissioner of that organization, expressed her concern about the decrease in the possibilities of having credible and democratic elections.

The report. The UN report shows that in Venezuela 1,324 people died in 5 months in police and military operations. In addition to this, the Penal Forum published a report in which it states that in Venezuela there are currently 424 political prisoners

Support from America! On July 5th, the day of Venezuela's independence celebration, the White House ratified its opposition to Maduro's socialist government and, Mike Pompeo recognized the work of Guaidó and the NA in the struggle for freedom. For his part, presidential candidate Joe Biden supported the efforts for the democracy of the Venezuelan people and condemned Maduro's government.

International Support (I)! The international community demonstrated its support for Guaidó through messages sent on July 5. Queen Elizabeth II congratulated Venezuela on its Independence Day in a letter sent to Juan Guaidó.

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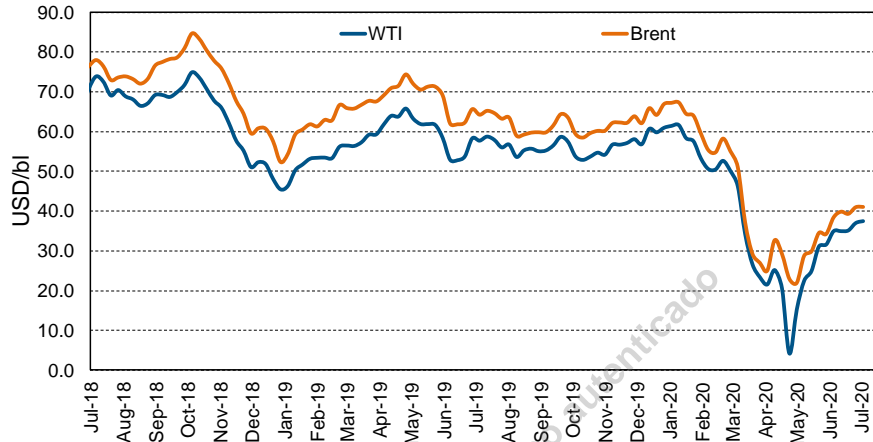
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International Support (II)! The Minister of Foreign Affairs of Canada, the European Parliament, and Paraguay expressed their support to Venezuela and Guaidó through congratulations for Venezuela's Independence Day.

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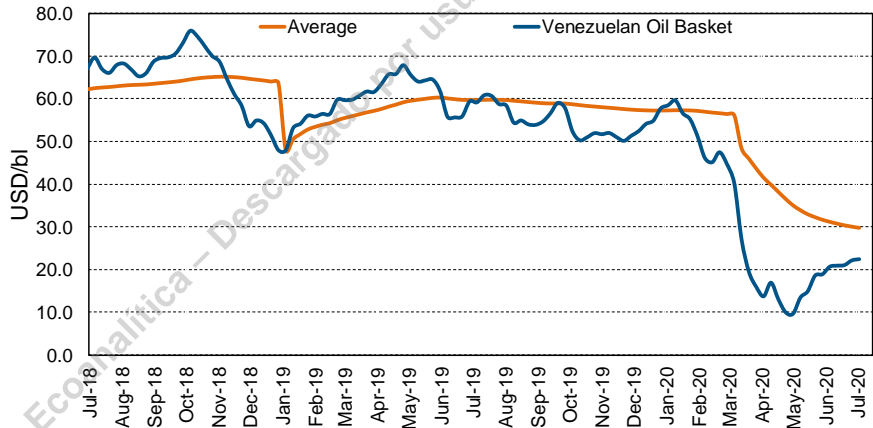
ECONOMIC INDICATORS

Oil Prices
(WTI and Brent)



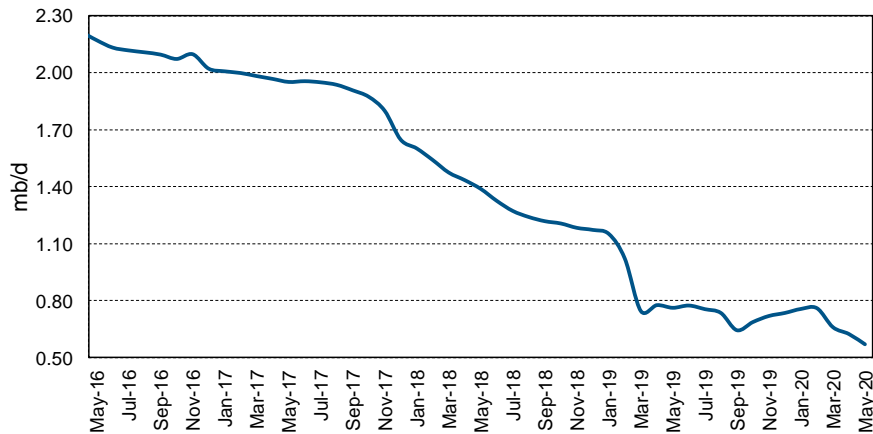
Sources: Menpet and Ecoanalítica

Oil Price
(Venezuelan Basket)



Sources: Menpet and Ecoanalítica

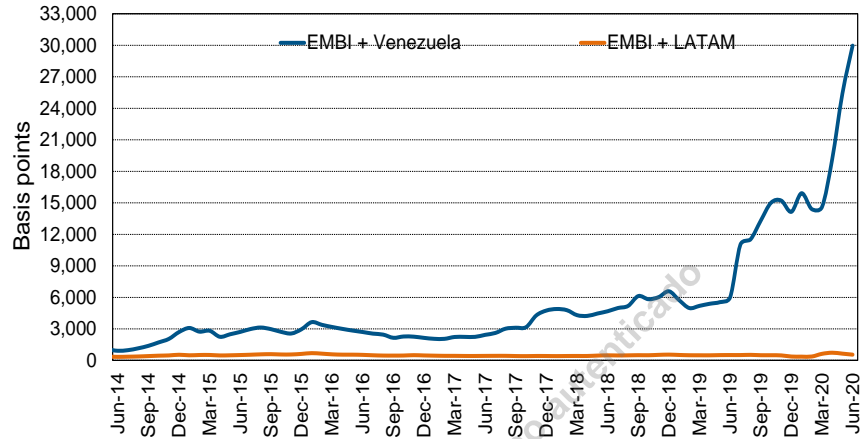
Oil Production
(Secondary sources)



Sources: OPEC and Ecoanalítica

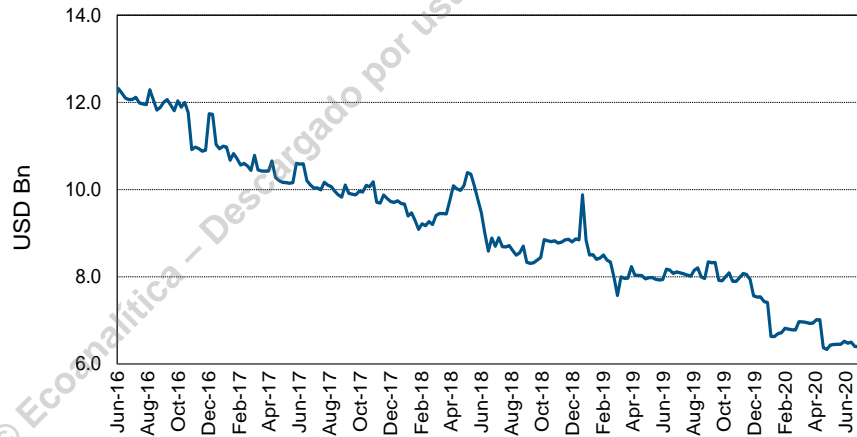
ECONOMIC INDICATORS

EMBI



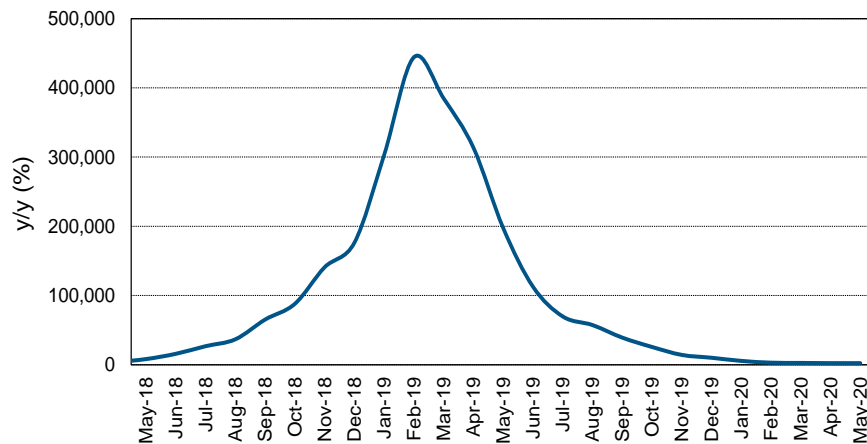
Sources: BCRP and Ecoanalítica

FX Reserves (BCV)



Sources: BCV and Ecoanalítica

Inflation (BCV)



Sources: BCV and Ecoanalítica

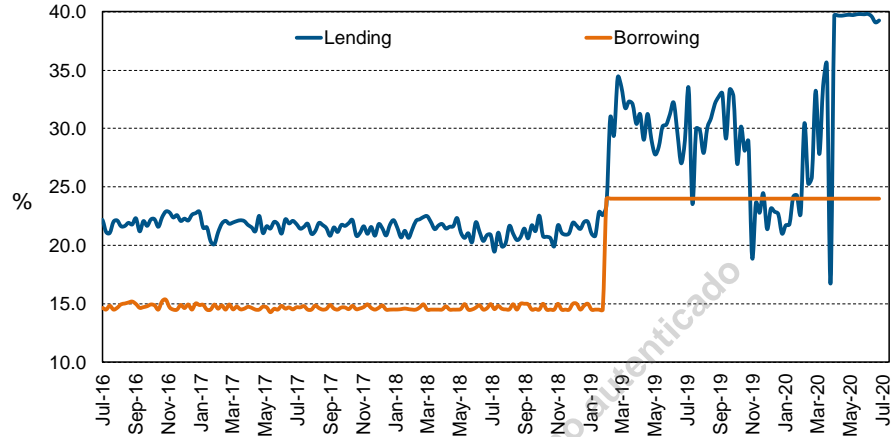
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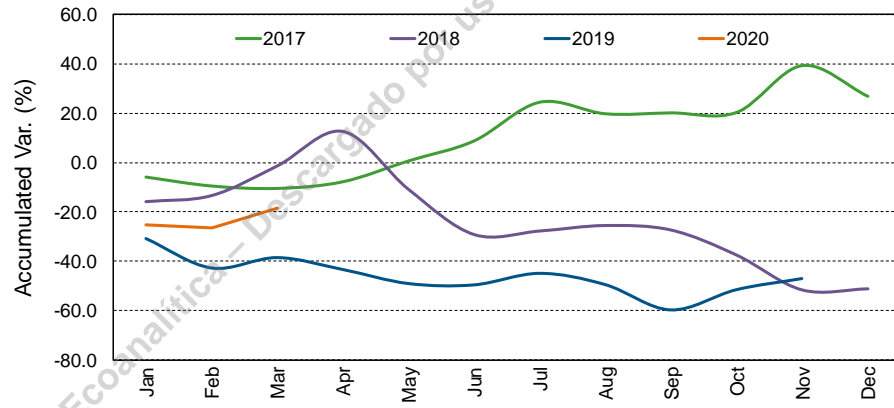
ECONOMIC INDICATORS

**Interest Rate
(Six major banks)**



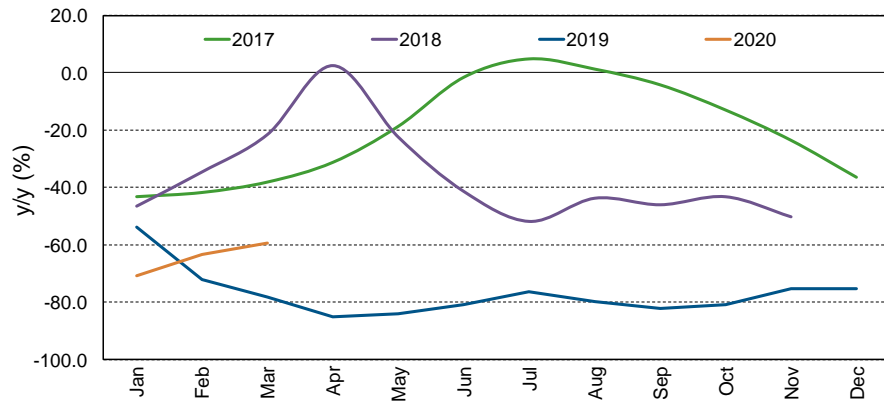
Sources: BCV and Ecoanalítica

**M2 Expansion
(Real)**



Sources: BCV and Ecoanalítica

**Loan Portfolio
(Real)**



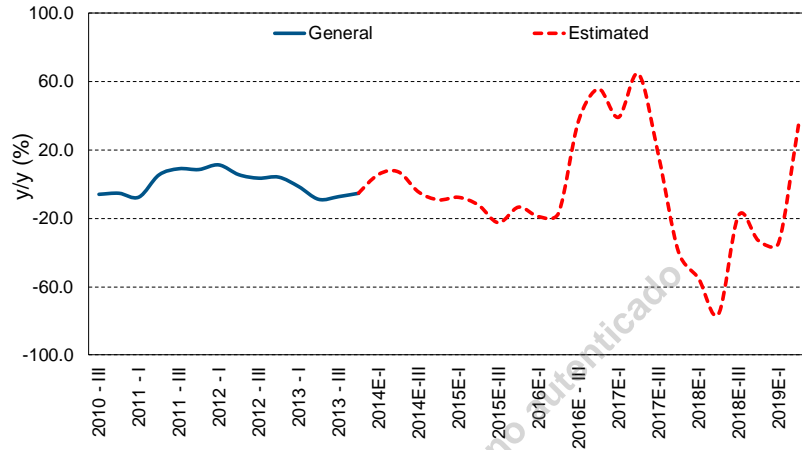
Sources: SUDEBAN and Ecoanalítica

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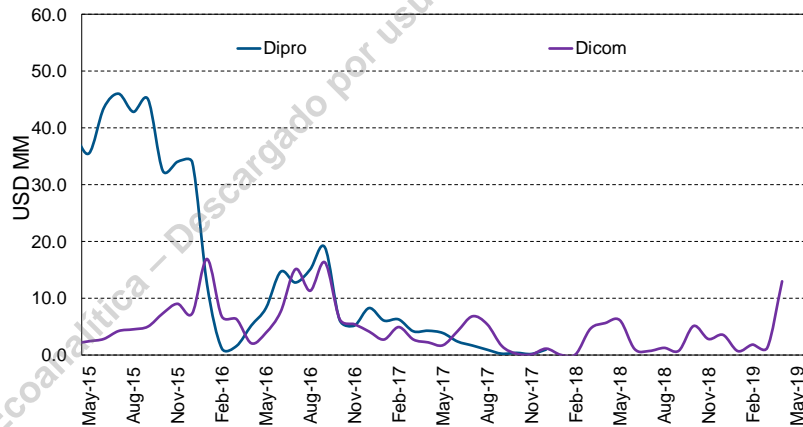
ECONOMIC INDICATORS

Real Wage Index



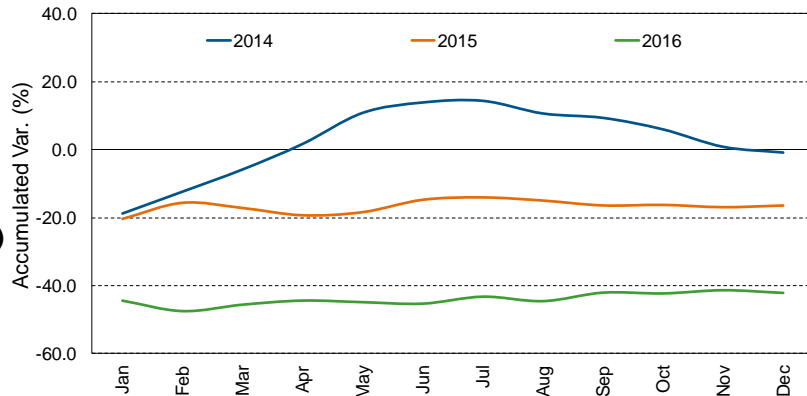
Sources: BCV and Ecoanalítica

Disbursements to the Private Sector (Daily Average)



Source: Ecoanalítica

Primary Spending NTO (Real - Central Government)



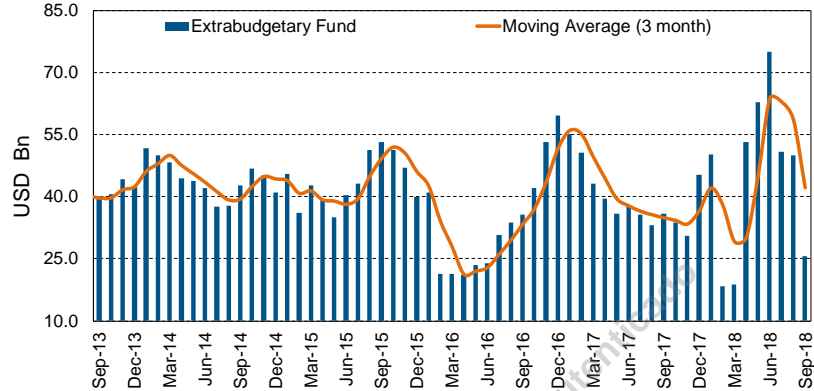
Sources: ONT and Ecoanalítica

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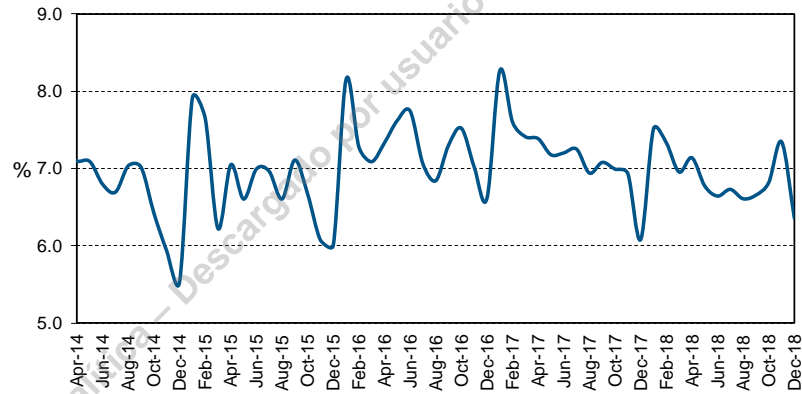
ECONOMIC INDICATORS

State Extrabudgetary Resources



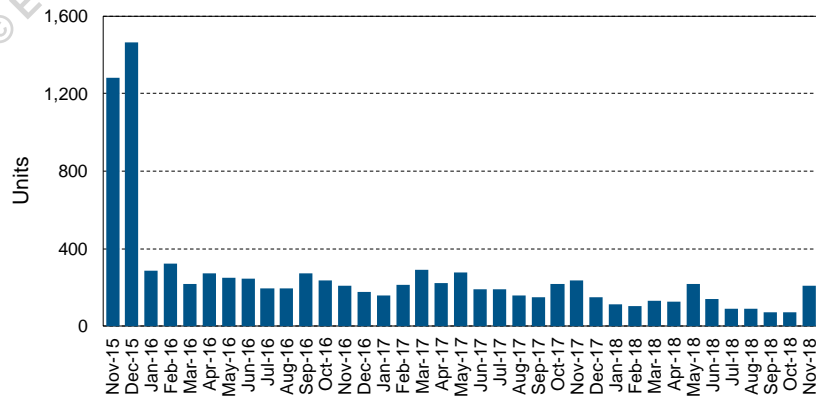
Source: Ecoanalítica

Unemployment Rate



Sources: INE and Ecoanalítica

Vehicle Sales



Sources: CAVENEZ and Ecoanalítica

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