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Does size matter?

Venezuela's economic and social debacle of the last eight years is undeniable. Within that deterioration, one of the critical points has been, in addition to the onset of hyperinflation at the end of 2017, the marked contraction of real activity. According to estimates by **Ecoanalítica**, the Venezuelan market contracted in 2020 to 21.0% of the size it reported in 2013. Beyond the implications of such a reduction in the scope of income generation for households and companies in the country, the above has marked a change in the way domestic companies perceive their advantages over their competitors. In particular, much of this notion lies in the fact that, in an environment with less aggressive inflation and a lack of financing alternatives, many of the domestic firms have had to adopt new strategies that allow for the sustainability of the local business.

Since the limitations to bank and tax credit imposed by the Executive since the beginning of 2019, companies went from operating in an environment where less attention was paid to market share and price distortion was used as a margin generator to operating in an environment where a more diversified product portfolio is sought in order to reduce costs and keep the largest market share. On the other hand, in the midst of changes on Venezuelans' consumption patterns (both in quantity and quality), the fact that prices are still rising and there is no marked collapse in the population's access to some goods suggests that supply has not been harmed and that, therefore, the new strategies have had an effect.

Even, local firms have recently been perceiving some stability around the disadvantageous conditions offered by the Venezuelan economy in recent years. In Conindustria's¹ Industrial Situation Survey taken during the first quarter of 2021, it was observed that 39% of the participants stated that the economic situation of their company had not changed in the last year, a relative figure that has been increasing since the last measurement².

¹ Conindustria (2021). *Encuesta de Coyuntura Industrial I 2021*.

² In the same survey conducted in the first quarter of 2020, only 19% of companies had stated that their economic situation remained the same as in the previous year.

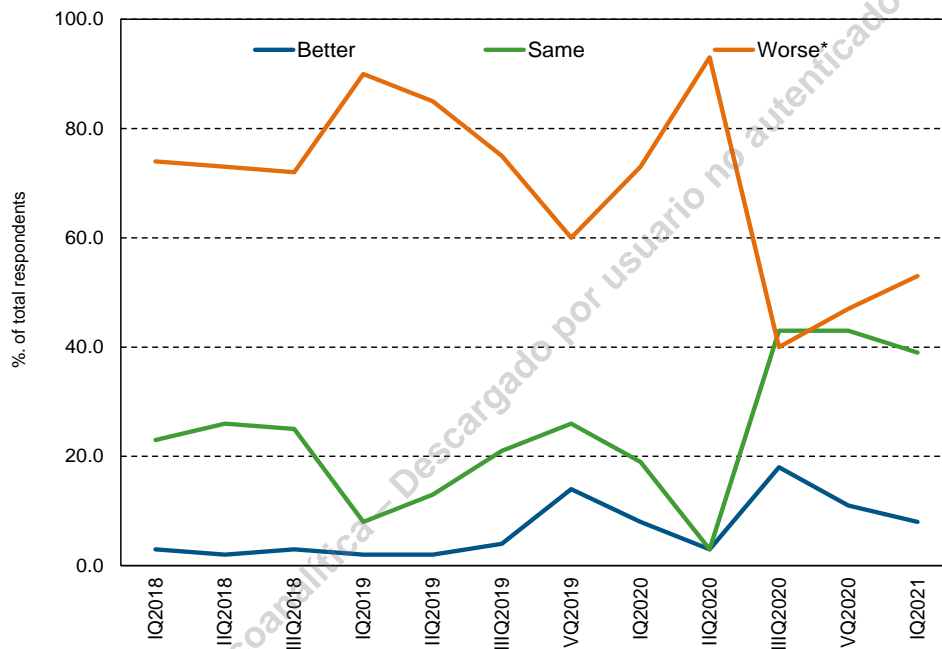
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Something similar is observed in the commercial sector. The survey conducted by the *Camara de Comercio de Maracaibo*³ shows that 23% of those consulted consider that the progress of their company during the quarter remained the same with respect to the previous period, but with an increasing relative participation of this perception throughout the last year.

Perception of the industrial company's situation



Note: Perception compared to the same period of the previous year.
 *Includes answers of "worse" or "much worse".
 Sources: Conindustria and Ecoanalítica.

Under this new context, in terms of size, "less" seems to be "more" for the costs and benefits of a private sector facing a reduced economy, but with certain purchasing power, that is, companies in Venezuela seem to have assumed downsizing as a means of survival. Now, it is pertinent to ask the question: does downsizing threaten business stability in Venezuela? Is it the best answer in the midst of a recessionary cycle? This brief report will attempt to provide some arguments in this regard.

³ *Cámara de Comercio de Maracaibo (2021). Encuesta de Coyuntura Económica II Trimestre de 2021. Julio 2021.*

The debate

In order to analyze the attitude of the Venezuelan business in the new context, it is worthwhile to examine some issues that link its structure (size) with its efficiency. This relationship is framed within the main paradigm of industrial organization called Structure-Conduct-Performance (SCP), which indicates that the “shape” of a market (competition, monopoly, collusion, etc.) defines the behavior and strategies of a firm, as well as the results obtained in its business. This type of approach is often used to analyze, for example, the role of the structure of banking systems in their behavior and strategies. In particular, a concentrated market (less competitive) is mentioned as a determinant of margins and risk-taking. However, some views indicate that, in the search for efficiency, firms (financial or not) tend to collude more and adopt common strategies. In other words, efficiency determines market structure. We speak, therefore, of a bidirectional relationship.

In this debate there are other arguments in which concentration tends to be associated with higher margins. In this regard, the concept of downsizing has emerged as an entrepreneurial scheme to reduce business complexity, as a way to become more "competitive" (in the midst of adverse business cycles) or to increase margins (through greater efficiency). Although this vision makes use of the same relationship between size and performance already mentioned, this strategy usually employs more "transitory" mechanisms that do not always require a radical change in the market structure⁴.

A key aspect is to understand how downsizing and its link to efficiency are not only more important in recessions, but also change in the midst of recessions. For example, as an economy grows, firms may become more efficient by achieving higher productivity, hiring more skilled staff, or using new technology that allows them to offer more goods or services with the same inputs (or offer the same, but using fewer inputs). All this changes in recessions, especially for those businesses whose performance is closely linked to the real cycle (such as hotels or restaurants). In this context, efficiency gains should be achieved by reducing costs, either by cutting expenses (which occurs with a downsizing strategy) or by improving the profitability of existing assets.

In this regard, works such as Patel & Guedes (2017)⁵ find evidence in service companies that used to obtain higher margins in recessionary cycles by increasing the profitability of their intangible assets (*marketing*, brands, patents). Although such strategies are not

⁴ This can occur through staff reductions or technological improvements, without necessarily involving strategic alliances with other companies.

⁵ Patel, P. & Guedes, M. *Surviving the recession with efficiency improvements: The case of hospitality firms in Portugal*. Int J Tourism Res. 2017; 19: 594- 604.

directly related to size, they do seem to be affordable or achievable for smaller companies that are not able to face higher costs.

Along similar lines, Goesaert, Heinz and Vanormelingen (2015)⁶ concluded that both productivity and profitability in the German manufacturing industry fell after downsizing decisions were made and do not exceed their pre-restructuring levels. The researchers allude that this was due to behavioral reasons; where employees might not support or understand the decision to incur widespread layoffs (with the uncertainty that brings) if the argument is to improve efficiency. In addition, laying off staff undermines the "morale" of the remaining employees and negatively affects the company's productivity. Conclusion: a reduction in the workforce, regardless of the reason, does not necessarily translate into an improvement in terms of efficiency.

On the other hand, strategies to promote efficiency are not the only ones that firms can implement. In this regard, Hill (1988)⁷ discusses the difficulty of moving towards a single low-cost strategy and argues that firms cannot maintain over time a permanent position as leaders in terms of low prices. This is because the comparative advantages that economies of scale and learning curves provide in terms of costs (and, consequently, prices) are exhausted, so that other firms can occupy that position over time.

Therefore, the study highlights the need to implement a more sustainable strategy in the form of differentiation of the firm, either at the market or industry level that make the service or product difficult to imitate, which generates brand loyalty, creates a lasting asset and generates economies of scope.

Gumbau and Maudos (2000)⁸ also investigated this issue. They reviewed figures from Spanish industries to find a positive relationship between efficiency and profitability, the former being a differentiating element for the profitability of the firms in each industry, but argued that the market share of each firm also has a similar relationship with the revenues obtained that is not affected by the introduction of efficiency-related variables, that is, that regardless of the levels of efficiency reached by the firm, its market share in the market in which it operates cannot be discarded when explaining its profits.

⁶ Goesaert, T; Heinz, M. & Vanormelingen, S. (2015). *Downsizing and firm performance: evidence from German firm data*. *Industrial and Corporate Change*, Volume 24, Issue 6, December 2015, Pages 1443-1472.

⁷ Hill, C. (1988). *Differentiation versus Low Cost or Differentiation and Low Cost: A Contingency Framework*. *The Academy of Management Review*, 13(3), 401-412.

⁸ Gumbau, M. & Maudos, J. (2000). *Profitability, Market Structure and Efficiency: An Application To The Spanish Industry*. Working Papers. Series EC 2000-05, Valencian Institute of Economic Research.

Thus, an expanded amalgam of strategies could present challenges in terms of implementation, especially for smaller firms, but Ebben and Johnson (2005)⁹ suggest that applying mixed strategies in response to changes in demand (such as offering greater variety) could be beneficial as long as they are optimized within the particular internal production chain. This discussion reveals that the size of firms is not the only argument for guaranteeing their sustainability; therefore, it should not become the only element on which their survival depends.

A 20th from past Venezuela?

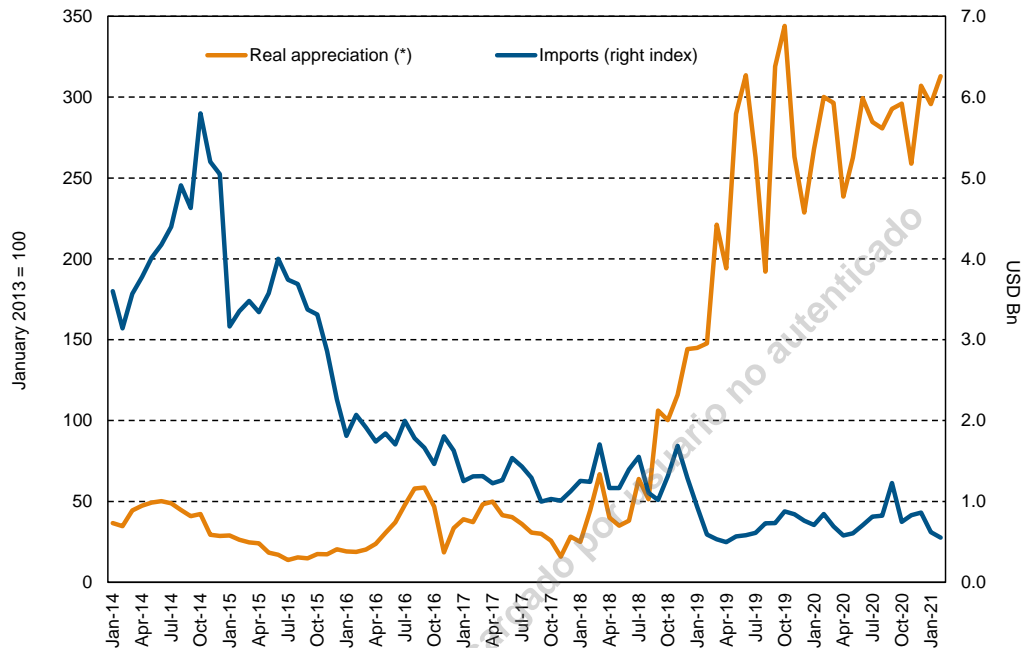
There are several signs that seem to reveal that the Venezuelan market has adapted to a smaller size. On the one hand, the dynamics of imports in Venezuela have shown "stability" around USD 717.2 MM in the last two years and a still reduced¹⁰ capacity. Although this responds to the fall in domestic demand, it also seems to indicate that the local private sector has adjusted to the smaller size of its business. On the one hand, the data show how, even with the high real appreciation of the exchange rate and selective tariff policies in favor of finished goods, external purchases from local firms have not yet risen sufficiently.

⁹ Ebben, J & Johnson, A. (2005). *Efficiency, flexibility, or both? Evidence linking strategy to performance in small firms*. *Strat. Mgmt. J.*, 26: 1249-1259.

¹⁰ According to Conindustria's latest survey of private manufacturing as of the first quarter of 2021, about 46% of local firms imported less than 10 containers of external goods. Although this number may have been influenced by pandemic constraints, the trend of a low level of imports was maintained compared to what was seen at the end of 2019 (where 60% of local firms acquired the same number of containers).

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Imports and real monthly exchange rate appreciation



(*) Value in USD of a local basket of goods costing USD 100 in 2013.
 Sources: IMF, LocalBitcoins and Ecoanalítica.

Although this may be a response to the limited income of the private sector (especially during the pandemic), this suggests, in part, that Venezuelan firms decided to import only what was necessary in the current context: smaller size, fewer imports. This decision is even reflected in the fact that there are still goods with recurrent price increases (despite the general slowdown), which suggests that imports continue at levels that do not completely reduce the internal gap between supply and demand in certain items. An additional fact that shows how the import dynamics in Venezuela also responds to supply decisions comes from the increase reported in 2020, in a period when the limitations of COVID-19 on Venezuelan consumption were more than evident.

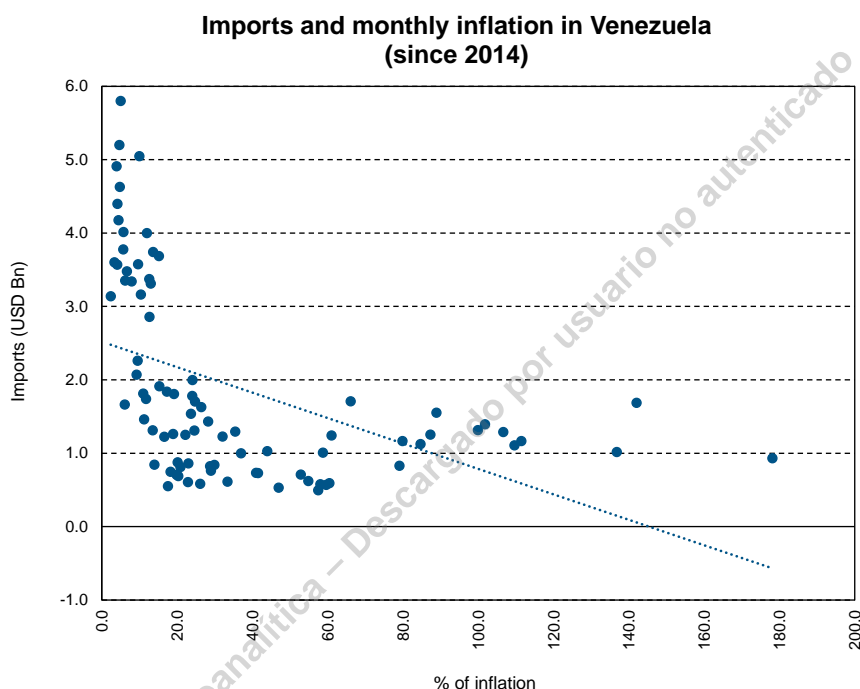
Another approximation to the role of imports (as a metric of the size of the economy) in the strategies of local firms is their relationship with the prices agreed in the country since the beginning of the domestic contraction. Precisely, a first reading of the data seems to indicate a positive relationship of such prices with the monthly flow of imports, but then it becomes a negative relationship seen even since the beginning of the fall of the local GDP. In this sense, in the context of exchange control, while higher imports seemed to

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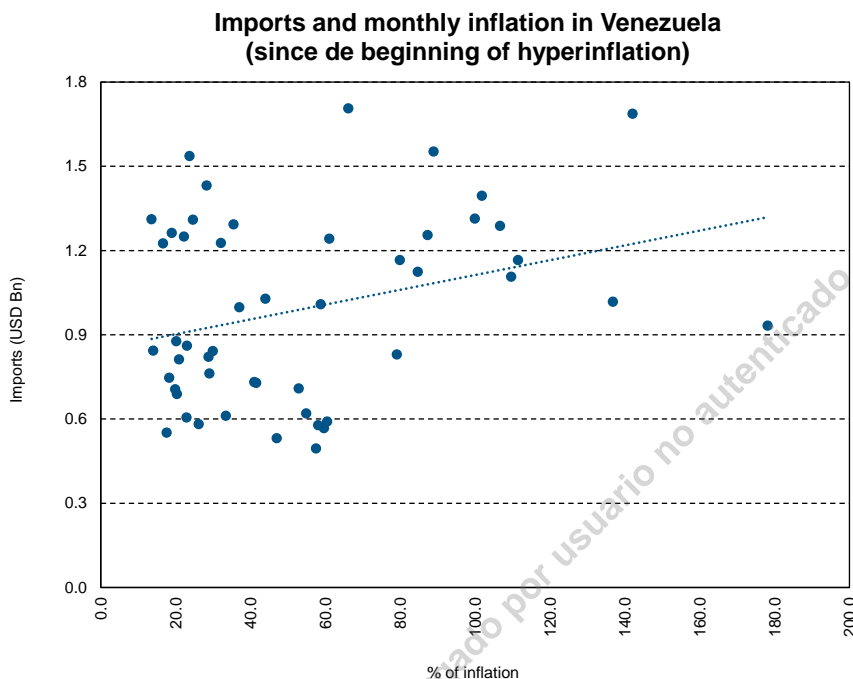
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constitute a mechanism for a greater supply of goods in the country¹¹, since hyperinflation they became an adjustment variable in the face of lower domestic spending as they were reduced as prices reflected the fall in household demand. With the (almost complete) exit of the Government from the import business, private sector decisions seem to be clear: downsizing (imports) to maintain profits in an environment of less aggressive prices.



¹¹ An argument in this regard is offered in Bárcenas, Chirinos and Pagliacci (2013): *Transmission of macroeconomic shocks in Venezuela: a structural factor model approach*. El Trimestre Económico, vol LXXX (4), 320, pp 903-942.

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Sources: IMF and Ecoanalítica.

Visions for the company

The domestic corporate landscape has changed. Their reduced size invites to update internal processes, risk maps and competitors in an environment still marked by the absence of credit facilities or foreign exchange subsidies, and by a disorderly monetary environment. In this context, at **Ecoanalítica** we reiterate that the reduction in size of companies does not necessarily have to become negative news, depending on the set of strategies that would be implemented *a posteriori* to improve production chains of each business.

In the current situation, as we reviewed previously, the reduction of the workforce should be a last resort due to the loss of knowledge or motivation (for the remaining employees) that this strategy may leave. However, maintaining its size should not necessarily be the only measure to be considered in this matter, since the current situation makes it necessary to consider whether acting under a fixed compensation scheme could be detrimental. Therefore, the relevance and possibility of making adjustments on a recurring basis should be reviewed.

Luis Arturo Bárcenas
Jhoan F. Castellano

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WEEKLY INDICATORS

Weekly Economic Indicators			
	5th Week July	Weekly chg. (%)	Depre/Apre (pp) ¹
FX Boards (VES/USD)²	3,835,233.4	5.1	4.9
	3rd Week July	Weekly chg. (pp)	Annual chg. (pp)
Lending Interest Rate (%)	55.4	-2.8	16.4
	5th Week July	Weekly chg. (pp)	Annual chg. (pp)
Overnight Interest Rate (%)	628.1	77.2	365.2
	4th Week July	Weekly chg. (%)	Annual chg. (%)
International Reserves (USD Bn)	6.2	-0.8	-3.1
	3rd Week July	Weekly chg. (%)	Annual chg. (%)
Monetary Liquidity (MM VES)	2,127,744,599.3	2.7	1,320.2
Price of International Oil Baskets (USD/bl)			
	3rd Week July	Weekly chg. (%)	Annual chg. (%)
WTI	73.2	-0.2	80.4
Brent	75.8	-0.4	75.8
Price of the Venezuelan oil basket (USD/bl)			
	5th Week July	Weekly chg. (%)	Annual chg. (%)
Weekly Average	22.4	0.0	-61.9
Annual Average	28.8	-0.7	-51.7

Sources: BCV, MENPET, ONT and Ecoanalítica

* Annual variation of accumulated expenditure.

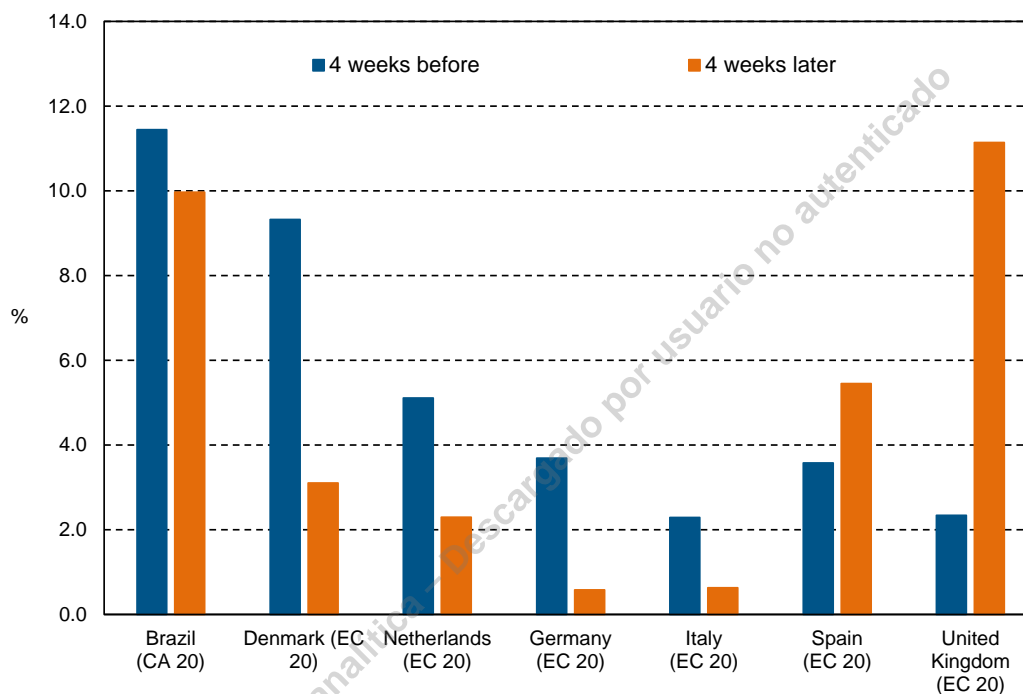
¹ Depreciation (+)/Appreciation (-)² FX Borads' average exchange rate

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CHART OF THE WEEK: "COVID-19 CUP".

Cumulative growth of COVID-19 cases during the major football championships of 2021



(*) CA: *Copa América*; EC: UEFA EURO 2020.
 Sources: JHU CSSE Data and Ecoanalítica.

July and June of this year have been hectic months in terms of major sports competitions. Just a month ago, two of the biggest international soccer tournaments ended (*Copa America* and *Euro Cup*), while two more are underway: the Olympic Games in Tokyo and the so-called *Gold Cup* in the USA, the soccer tournament for Central American countries. Such an agglomeration of events arose due to the closures of mass public activities forced in 2020 amid the rise of the COVID-19 pandemic. Thus, this year, almost six months after the vaccination process began, the green light was given to hold such events, some without public (in the case of the *Copa America*) and others with massive attendance of people and in several European countries with high percentages of vaccination.

Were such tournaments counterproductive in the context of the pandemic? While there were many nations (such as Denmark, the Netherlands, Germany and Italy) that came

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through the sporting competition with a reduction in their infections, other countries such as the United Kingdom and Spain reported a spike in the number of cumulative cases of COVID-19 within a month of the start of the tournament. Of these, the United Kingdom, the runner-up in European soccer, showed a monthly growth rate almost five times higher than that seen in the month before the competition, and was undoubtedly the big loser. Italy, on the other hand, seemed to be unaffected even by the celebrations of the new sports championship, where the cases reported after the end of the European tournament did not seem to rise.

Surprisingly, after having organized the South American tournament without public attendance (except for the final match), Brazil showed a drop in the number of infections after the regional championship. However, the reduction was very slight, and there was a rebound in the number of cases, almost as high as in England, after the *Copa America*, so it is not possible to say that the limitations on the presence of the public in the stadiums effectively curbed the escalation of the new virus in that country. Based on the above, it is worth asking whether nations (including the most developed ones) are really prepared to continue to reopen completely, even if it puts their inhabitants at risk. The COVID-19 Cup is still in progress.

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ECONOMIC TIPS

COVID-19 in Venezuela. According to government figures as of July 29th, the country accumulated 302,988 registered cases of coronavirus and 3,542 deaths. According to OurWorldInData, as of July 12th, it is estimated that 10.2% of the population has received at least one dose of some vaccine.

Confined against the pandemic. The week of July 26th to August 2nd was managed under a scheme of radicalization of the containment measures, in accordance with the "7+7" scheme with which the national authorities have approached the pandemic. During this week, containment measures were reinforced and all sectors of the economy maintained their activity following the relevant biosecurity norms.

Legal reserve modifications... Luis Martínez, deputy to the National Assembly elected in 2020, informed that he will chair the recently appointed special sub-commission for the follow up and work with the banking sector. In addition, Martínez indicated that proposed modifications to the current legislation have been discussed with the private and public banking sector.

... on the way. This new working group arises, according to Martínez, from the need to reactivate credit without overflowing liquidity, to advance the monetary reconversion and to evaluate the authorization of loans in foreign currency, in addition to resolving the valuation of assets, especially the debt of the Government and Petróleos de Venezuela.

On the rise (I). The Venezuelan Finance Observatory (OVF) published the Economic Activity Index for the second quarter of 2021, which reflects a 3% drop in interannual terms and an increase of 8.36% in quarterly terms.

On the rise (II). According to Manuel León, OVF spokesman, the quarterly increase is mainly due to a rebound in oil production. In detail, the oil sector grew 8.5% in the second quarter compared to the first quarter of the year; however, on a year-over-year basis, the index decreased 2.4%.

On the rise (III). Finally, León indicated that, if oil production levels of approximately 540,000 barrels of oil per day are maintained, the GDP would grow close to 4% by the end of the year.

Focused on the economy (I). At the annual meeting of Fedecámaras, Delcy Rodríguez announced the installation of a working table together with the private sector to promote

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domestic production and substitute imported products, in order to achieve foreign currency savings and bet on the transformation of the economic model.

Focused on the economy (II). For his part, Nicolás Maduro announced the installation of a Presidential Council of Economy with two objectives; one of these is to create a *"productive export map of the Venezuelan economy, the substitution of imports... On the one hand, we substitute, we satisfy needs, we continue creating jobs, we continue creating wealth and, on the other hand, we are clearly establishing all the exporting capacity"*.

Petare inflates. The Petare basket, an indicator published by Congressman Angel Alvarado, had a variation in bolivars of 18.2% and in dollars of 7.5% from July 18th to 24th.

Bonuses and more bonuses. Through the Patria system, the delivery of a bonus for the birthday of the Liberator Simón Bolívar began on July 24th through July 30th. This has an amount of VES 7,080,000 and its delivery will be made in a direct and gradual manner.

Money tables. For the fifth week of July, the average money desk rate was VES 3,835,233.4/USD, representing a 4.9% depreciation from the previous week.

Liquid? Liquidity was VES 2,127,744.599.3 million for the week of July 16th, a variation of 2.7% in nominal terms with respect to the previous week and 1,320.2% with respect to last year.

OIL TIPS

Failed attempts (I). Curaçao is consolidating its state-owned energy assets and selling off stocks amid uncertainty over the reactivation of its oil refinery. State-owned RdK, owner of the 335 kb/d capacity Isla refinery, will shut down its money-losing refinery services subsidiary as of September 30th.

Failed attempts (II). At the same time, RdK is beginning to sell 865,000 barrels of locally stored Venezuelan crude, products and blends it acquired from CRU in a June 11th auction.

In decline. India's petroleum product exports declined in June. According to data for the month from India's Ministry of Petroleum, exports stood at 5.1 MM tons, down 10.5% from 5.7 MM tons in May.

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Now there is only one... US oil company ExxonMobil informed *Argus Media* of the cessation of operations at its 120 kb/d capacity Slagen refinery in Norway. Around 60% of Slagen's products were exported. Its closure leaves the 200 kb/d Mongstad plant under state control as Norway's only refinery.

... and the shutdowns continue. Slagen was the fifth European refinery to shut down completely since the COVID-19 pandemic, bringing the lost crude distillation capacity to more than 600 kb/d. At the same time, TotalEnergies shut down its 93 kb/d Grandpuits refinery in France and will convert it to process pure renewable fuels.

It became major (I). The dispute between the state of Michigan and the Canadian company Enbridge over the 540 kb/d crude oil and natural gas (NGL) pipeline is not likely to be resolved through negotiations by the federal government, but rather in the U.S. courts.

It became major (II). U.S. Secretary of State Tony Blinken has told Michigan Governor Gretchen Whitmer that "*there is no formal bilateral process between the federal governments*" of the U.S. and Canada regarding the Line 5 closure order issued by the state of Michigan.

It became major (III). The two countries have held multiple previous high-level discussions on Line 5. In addition to the closure order, the state of Michigan filed a lawsuit in Ingham County Circuit Court alleging that Enbridge has violated easement conditions, including one that limits unsupported pipe runs and another that mandates lining the pipeline.

For being a winner (I). The United Arab Emirates' Dana Gas will continue to exploit its mature oil and gas assets in Egypt after winning an arbitration case brought by Houston-based IPR Energy.

For being a winner (II). The arbitration was initiated in April by IPR Energy over Dana Gas' decision to terminate an agreement to sell the assets to them, but the London Court of Arbitration Tribunal ruled in favor of Dana Gas.

Slowly... The recovery in oil prices is encouraging some U.S. drillers to get back to work along with improved investment prospects in the upstream sector for major OPEC producers as last year's drastic supply cuts are reversed.

... and with new changes. However, that recovery has not distracted the utility sector's efforts to diversify into clean energy technologies. The largest U.S. oil service companies are expanding into renewables and other lower-carbon sectors.

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Collective increase. OPEC's two largest producers, Saudi Arabia and Russia, may increase crude production to 9.6 mb/d in August and 9.7 mb/d in September, according to quotas seen by *Argus Media*.

SECTORIAL TIPS

The worst in the region. According to a study published by the international consulting firm Ipsos, the Government of Nicolás Maduro has handled in the worst way the control of the COVID-19 pandemic and, above all, vaccination, with a disapproval of 90%.

The cause of the decline... Eduardo Stigol, president of Inter de Venezuela, stated that the challenge of the last four years for the telecommunications sector has been the low tariffs, which has stopped the necessary investments and repairs.

... and the actions to stop it (I). Stigol affirmed that, together with the National Telecommunications Commission (Conatel), the company has been working to gradually recompose the tariffs for Internet and subscription television services. He added that they want to adapt the coaxial cable network to improve the Internet service.

... and the actions to stop it (II). Stigol also noted that, to prevent networks from being disrupted by power failures, the company is relocating power sources to buildings and other locations with in-house power generation. In addition, it is rebuilding coaxial cable networks with 100% fiber optic networks.

... and the actions to stop it (III). The President of Inter stated that the advantages offered by the fiber optic network are higher speed in navigation and increased TV resolution and added that "*There are already more than 50,000 homes in the country enjoying this service and we will not stop until the entire network is upgraded*".

In agreement, but with conditions. A massive survey launched through the Patria platform, of 3,213,285 registered, shows that 62.6% considered that a greater flexibility of the "7+7" method is necessary, but 94.3% stated that it should be done with strict biosafety measures, such as the use of masks and social distancing.

The experts speak. The president of the Venezuelan Medical Federation (FMV), Douglas León Natera, reiterated the call to the national government to tighten the restrictions for prevention against COVID-19, instead of eliminating them, and asserted that total flexibility would be "*disastrous*".

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Can it be treated? The NGO Monitor Salud reported that out of 1,167 beds to treat cases of COVID-19 in hospitals are occupied, which represents 66.9% of the total of 1,744 existing beds in sentinel hospitals. The organization also reported that there is a total of 237 beds for patients with the virus in intensive care units (ICU), of which 35.3% are occupied.

Growing sector... According to the director of *Conindustria* and president of the Chamber of the Pharmaceutical Industry (CIFAR in Spanish), Tito López, in the first six months of the year, there has been an "11% growth compared to 2020 in terms of units", thanks to the arrival of new players and companies that are commercializing; this has boosted the opening of many pharmacies.

... and outstanding in the region. He added that drug prices in the country are up to three to five times cheaper than those in the Latin American region: "*We are at an average price of USD 2.89, while in other countries such as Ecuador, the average price is USD 8, we still maintain an affordable price*".

Until when? According to the president of the Venezuelan Society of Family Agriculture, Juan Carlos Montesinos, there was a loss of 600,000 tons of solid food and 480 million liters of milk during the first half of the year, so that an average of 30,000 tons of food are lost weekly as a result of fuel shortages.

New face at the helm... Luigi Pisella will replace Adán Celis Michelena as president of *Conindustria* for the period 2021-2023. At the installation ceremony he assured that his administration will focus on recovering workers' salaries and keeping the companies operational.

... willing to dialogue. "*We are going to ensure that many expropriated companies are returned to their owners and, additionally, generate an environment of prosperity, of trust, where we are all included. We are willing to dialogue with whomever we have to dialogue with in order to lead the country towards a better future*".

Where is sovereignty? The president of the Venezuelan Council of Commerce and Services (*Consecomercio* in Spanish), Tiziana Polesel, denounced that there is "*unfair competition*" between imports and domestic production, because no taxes are charged to market products in the country, but the domestic manufacturer of the same product is charged all taxes to import inputs.

They want to reach a consensus... During the opening speech of the seventy-seventh Annual Assembly of Fedecámaras, its former president, Ricardo Cusanno, asked the country's authorities to trust Venezuelan businessmen, making it clear that the association

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is committed to a broad understanding with the Government that will lead to a future of progress.

... departing from the official model. The new president of *Fedecámaras*, Carlos Fernández, announced in his acceptance speech that he considers that the only way to face the country's crisis is with market solutions, "*because rentierism and populism can no longer have the answers that the country needs*".

"Construction continues in Venezuela". The Minister of Habitat and Housing, Ildemaro Villarroel, affirmed that "*Nicolás Maduro and the Gran Misión Vivienda Venezuela (GMVV) have not stopped the construction of new homes*", for which reason "*3,600,000 homes*" were delivered on July 22nd.

What is it paid with? The Minister informed that the GMVV has been using the petro for the last two and a half years to pay "*serious companies*" that build in the country and that place and trade in petro for the construction of houses.

INTERNATIONAL TIPS

COVID-19 in the world. As of July 29th, the World Health Organization (WHO) indicated that the number of COVID-19 cases reached 195,886,929 and the number of deaths reached 4,189,148 by the same date. As of the same day, 3,829,935,772 doses of vaccine against the disease have been administered worldwide.

Same figure. The International Monetary Fund (IMF) indicated that its July forecast for global economic growth for 2021 remains at 6%, as stated in April; however, the organization clarifies that the composition of this growth has changed between April and July and highlights the importance of accelerating the pace of vaccination to consolidate this recovery.

What was not achieved... At the G20 Energy and Environment Ministers' meeting in Naples, China and India could not be convinced to keep global warming to 1.5 degrees Celsius, the lowest possible figure envisaged in the Paris Climate Change Agreements, and to eliminate fossil fuel subsidies and the closure of carbon power plants by 2025.

... and what is. However, the ministers signed a communiqué on July 22nd in which they supported the protection of ecosystems and biodiversity, as well as the promotion of the circular economy and green finance, among other elements.

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The UN will also debate. A total of 195 countries will begin on July 26th to examine the new forecasts of the climate experts of the United Nations (UN). It is a benchmark report that should reinforce calls for faster action against climate change in the midst of a string of catastrophes.

Sinopharm, not very effective. According to a study by the University of Sri Jayewardenepura, the Colombo Municipal Council in Sri Lanka and the University of Oxford, the Sinopharm vaccine elicited weaker immune responses against the delta variant.

AstraZeneca, effective. AstraZeneca Pharmaceuticals reported that its Vaxzevria vaccine is highly effective in preventing severe cases of COVID-19 and hospitalizations caused by beta and delta variants.

Increase that is not celebrated. According to the Bureau of Labor Statistics (BLS), the weekly number of U.S. jobless claims for the week of July 17th jumped to 419,000, compared to 368,000 claims the previous week.

To modify the debt (I). On July 23rd, U.S. Treasury Secretary Janet Yellen sent a letter to the U.S. Congress to raise or suspend the debt limit; otherwise, she will have to take action to avoid a default.

To modify the debt (II). Yellen announced that the Treasury Department will suspend the sale of local and government bonds on July 30th until action is taken on the debt ceiling; if Congress fails to do so, it will take extraordinary measures on August 2nd.

Unanimous opposition. 50 Republican senators voted against President Joe Biden's infrastructure plan, which aimed to invest \$1.2 trillion over eight years in the nation's roads, bridges and ports.

Helpless for Russia. Argentina, Mexico, Guatemala, Nicaragua, Honduras, Honduras, Bolivia, Venezuela, Paraguay and Guyana, countries that signed contracts with the Russian Direct Investment Fund (RDIF) to acquire the Sputnik V vaccine, are being affected by delays in production that have prevented them from meeting the contract deadlines, which is already causing concern and cancellations in Latin American countries.

For medicinal purposes. Colombian President Iván Duque signed a decree authorizing the export of dried cannabis flower for medicinal purposes to provide more incentives to the pharmaceutical industry in the country and guarantee access to medicines derived from the plant.

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New government. Haiti's interim Prime Minister Claude Joseph resigned on July 20th and handed over his post to Ariel Henry. Joseph will again serve as Minister of Foreign Affairs in the new government, which lacks a president, and will have the task of organizing new elections as soon as possible.

POLITICAL TIPS

Insured. On December 6th, the National Assembly (NA) approved the Organic Law of Prevention and Social Security of the Citizen Security Bodies of the Bolivarian Republic of Venezuela to guarantee attention and protection to uniformed personnel in situations of health, disability and housing contingencies, among others.

European observation (I). The technical mission of the European Union (EU), which evaluates if the political conditions exist to deploy an electoral observation mission in the country, "refines a memorandum of understanding", informed the chief rector of the National Electoral Council (CNE), Roberto Picón.

European observation (II). It depends on this mission that the elections of next November 21st have European observation. In an interview with journalist Eduardo Rodríguez, Picón comments that "*if the EU decides to come, it is an endorsement that in Venezuela there can be conditions according to an international democratic standard*".

They need answers. The electoral analysis NGO, *Súmate*, demanded the CNE to correct certain situations, which they have described as irregular, regarding the schedule for the mega regional and municipal mega-elections of 2021, which prevent "*guaranteeing the full exercise of the rights of the voters*".

Meetings. Representatives of the Venezuelan civil society, grouped in the so-called Civic Forum, will be touring the United States in order to promote dialogue with the Government of Joe Biden.

Ready to travel... President Nicolás Maduro assured that he is ready to sit down to negotiate with the opposition in Mexico, a country that, for now, has not been confirmed as the venue for negotiations, despite the fact that the Maduro government has mentioned it on several occasions.

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...soon. Maduro stated that he expects negotiations with the opposition to begin in August and said that he expects the participation of several governments, including possibly the US.

Flagrant provocation. A U.S. Air Force military aircraft flew through Venezuelan airspace, informed the Bolivarian National Armed Forces (FANB), through a communiqué signed by the Minister of Defense, Vladimir Padrino López.

How many have applied? (I). Four months into the registration process to obtain Temporary Protected Status in the U.S., the latest report of the U.S. Citizenship and Immigration Services (USCIS) indicated that only one out of three Venezuelans who qualify for TPS would have opted for this measure.

How many have applied? (II). USCIS estimates indicate that about 323,000 Venezuelans are eligible for immigration protection, but only 115,000 of them have applied as of July 15th.

Despite different thoughts. President Nicolás Maduro considered the participation of the Executive Vice President, Delcy Rodríguez, in the Annual Assembly of the Venezuelan Federation of Chambers of Commerce and Production (*Fedecámaras* in Spanish), as a democratic reunion, representing peace and the path to dialogue.

They go hand in hand. Although the opposition is a co-participant in the failure of the negotiation, the Government of Nicolás Maduro executed several delaying tactics that frustrated the attempts to reach political agreements in the past. The NGO Foro Penal was able to determine that there is a tendency in the Government to increase political repression when the dialogues begin.

Opposition candidates. With only 16 days to start the nomination period, the number of pre-candidates in the ranks of the opposition is growing, including the sectors that support Juan Guaidó. Some repeated faces such as Henri Falcón and Manuel Rosales are measuring their support for the November 21st elections.

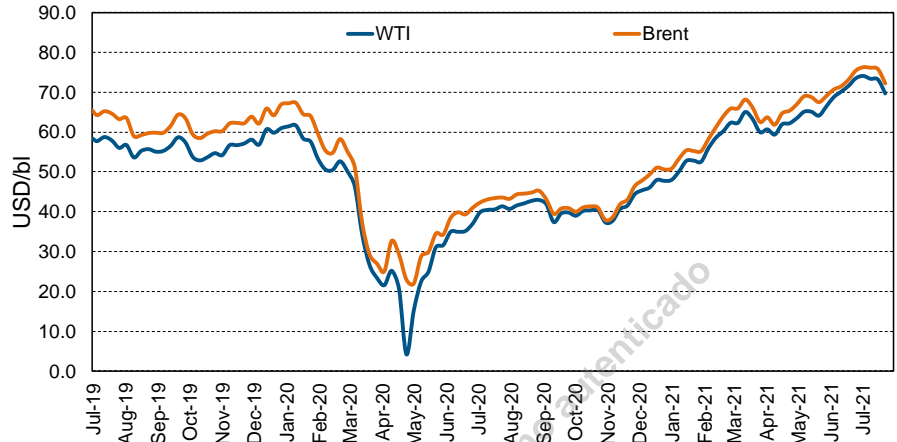
Taking action. The commissioner for Human Rights and Attention to Victims of the interim government of Juan Guaidó, Humberto Prado, requested international organizations to pronounce themselves on human rights violations in Venezuela. Prado emphasized the systematic political persecution exercised by officials of the Maduro administration.

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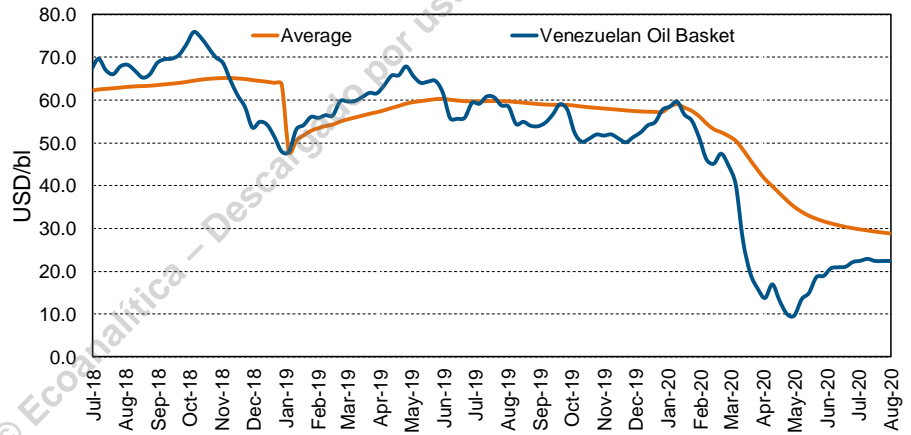
ECONOMIC INDICATORS

**Oil Prices
(WTI and Brent)**



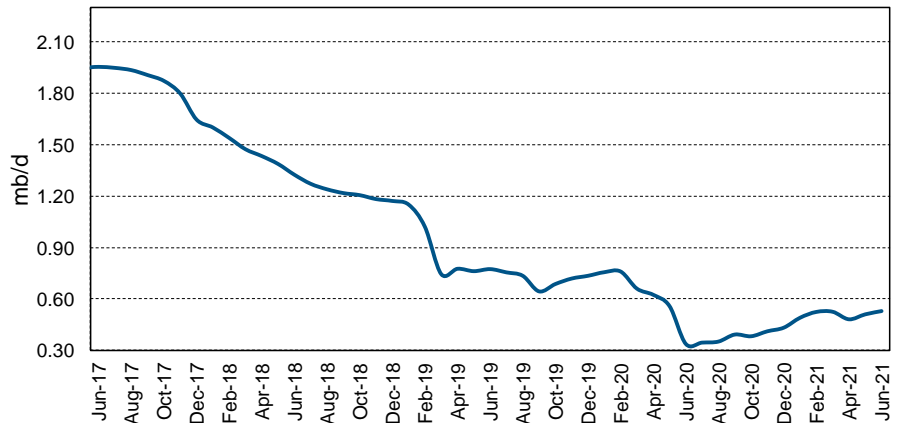
Sources: Menpet and Ecoanalítica

**Oil Price
(Venezuelan Basket)**



Sources: Menpet and Ecoanalítica

**Oil Production
(Secondary sources)**

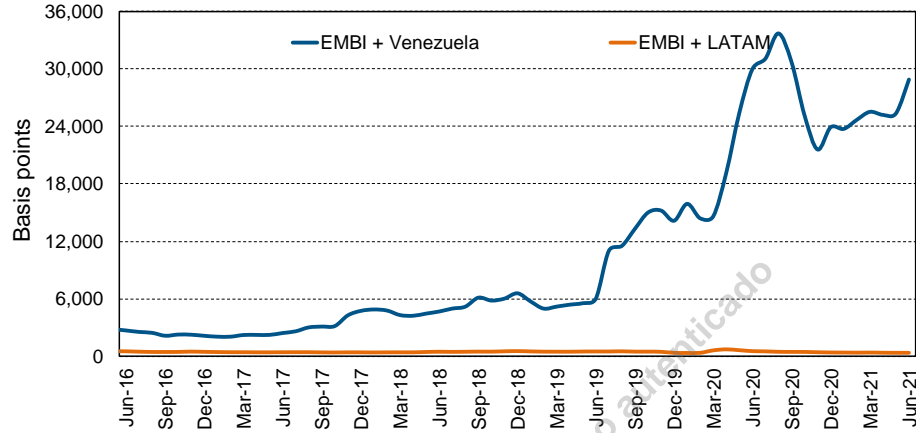


Sources: OPEC and Ecoanalítica

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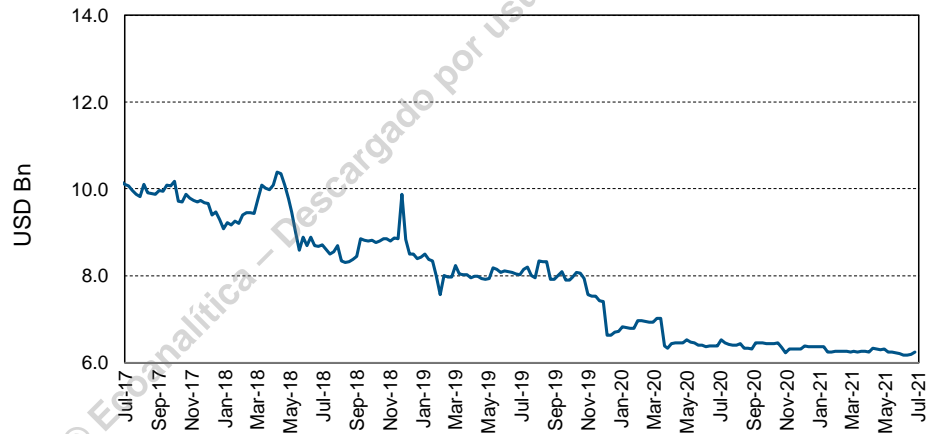
ECONOMIC INDICATORS

EMBI



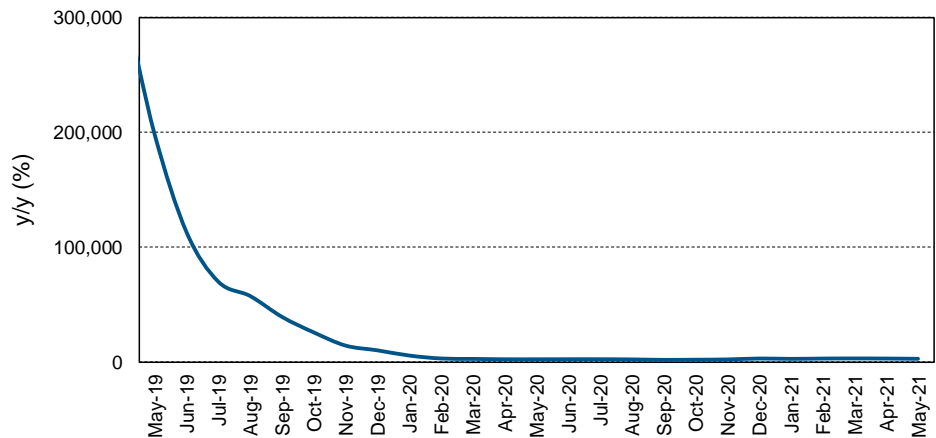
Sources: BCRP and Ecoanalítica

FX Reserves (BCV)



Sources: BCV and Ecoanalítica

Inflation (BCV)



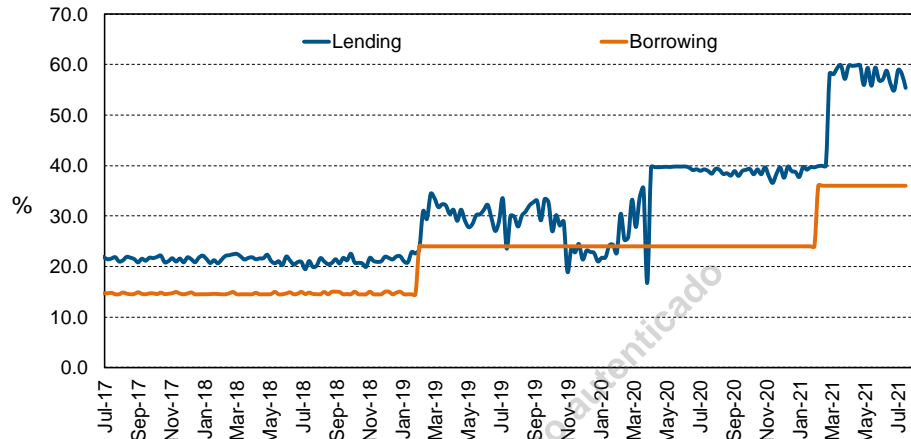
Sources: BCV and Ecoanalítica

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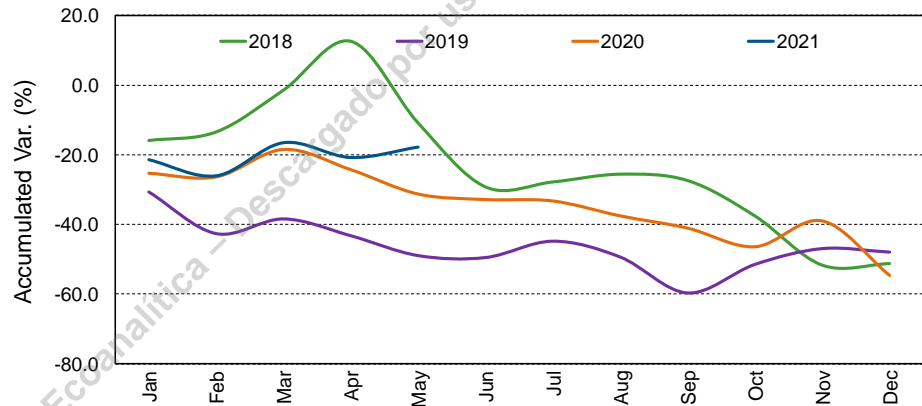
ECONOMIC INDICATORS

**Interest Rate
(Six major banks)**



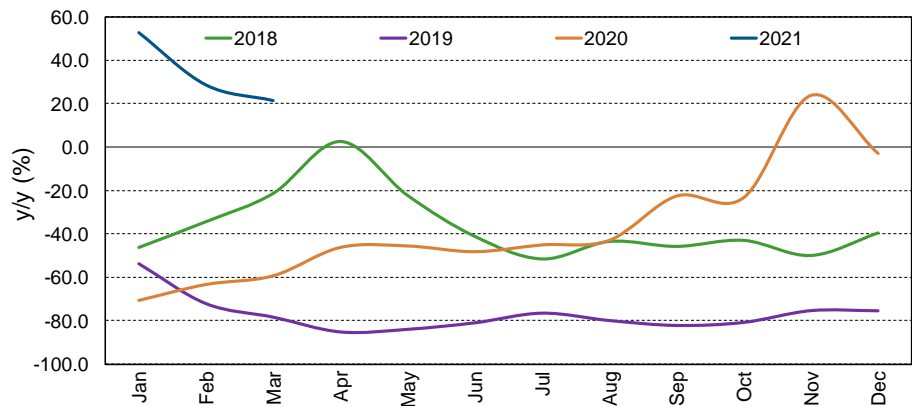
Sources: BCV and Ecoanalítica

**M2 Expansion
(Real)**



Sources: BCV and Ecoanalítica

**Loan Portfolio
(Real)**



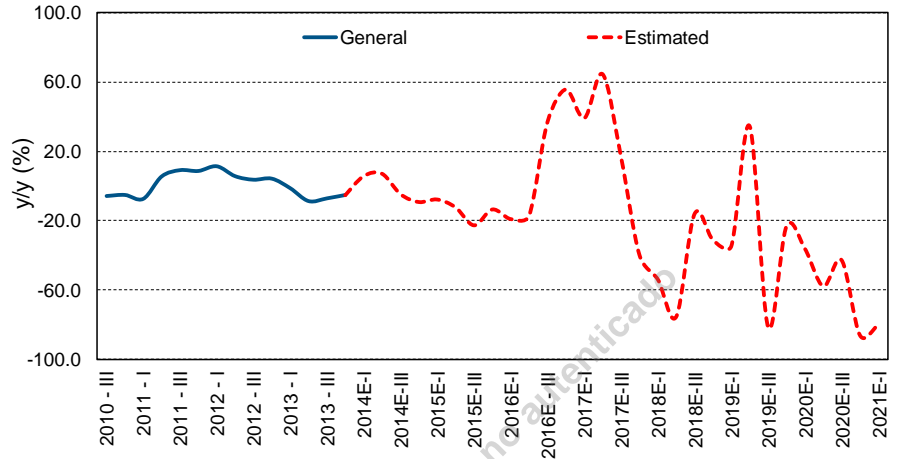
Sources: SUDEBAN and Ecoanalítica

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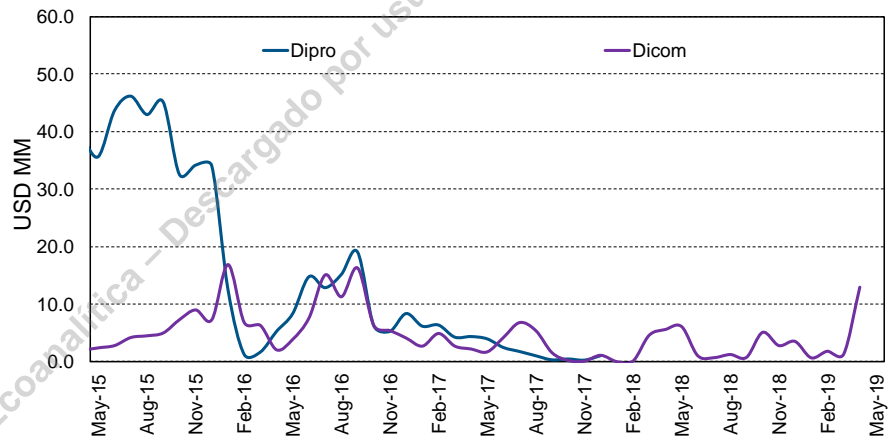
ECONOMIC INDICATORS

Real Wage Index



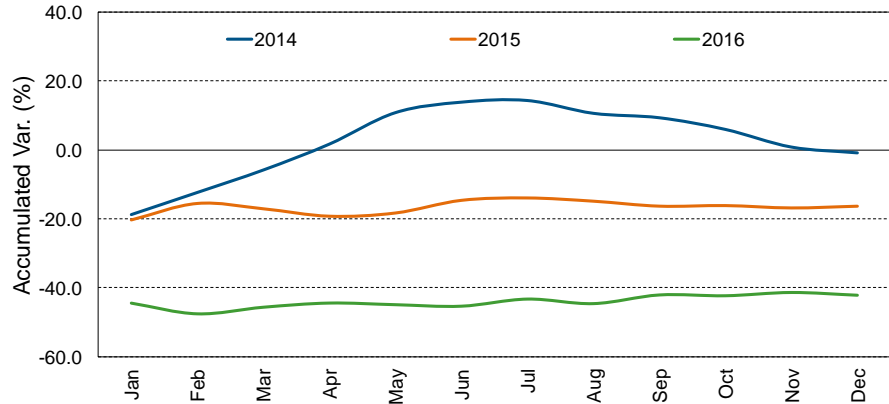
Sources: BCV and Ecoanalítica

Disbursements to the Private Sector (Daily Average)



Source: Ecoanalítica

Primary Spending NTO (Real - Central Government)



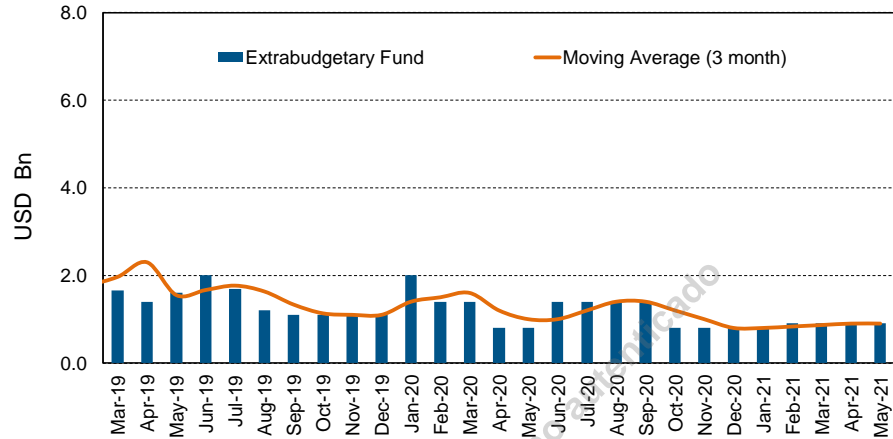
Sources: ONT and Ecoanalítica

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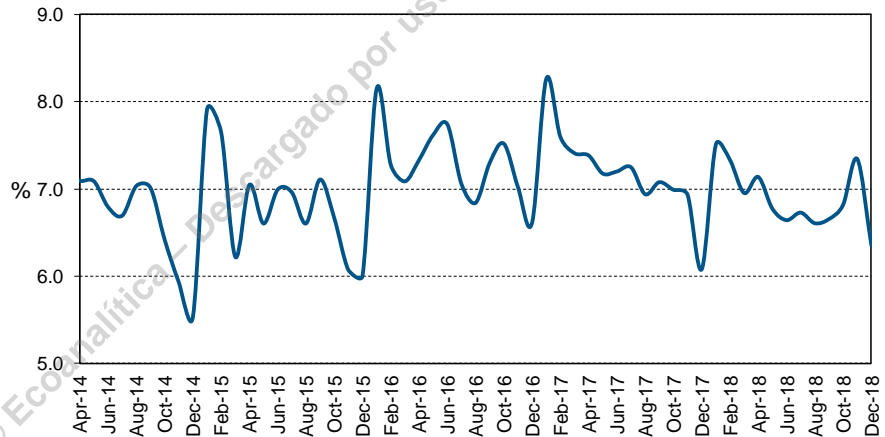
ECONOMIC INDICATORS

State Extrabudgetary Resources



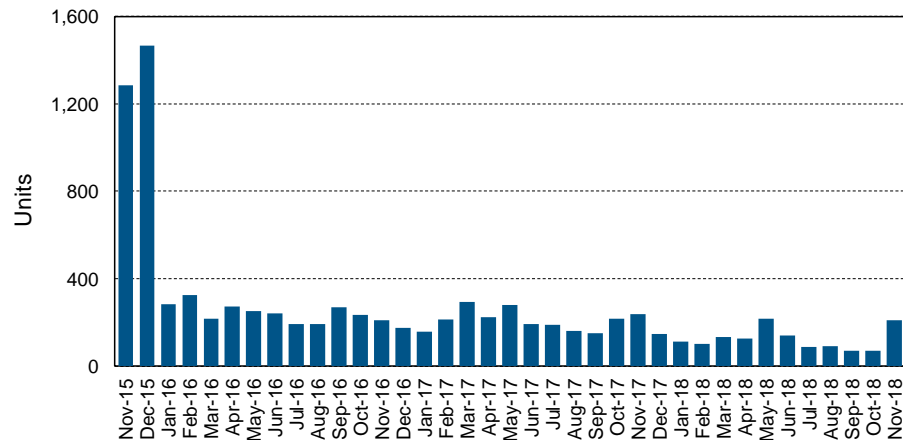
Source: Ecoanalítica

Unemployment Rate



Sources: INE and Ecoanalítica

Vehicle Sales



Sources: CAVENEZ and Ecoanalítica

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