

## Foreign currency income: every party has its hangover

Looking for financing, selling off assets, and cutting back foreign currency spending have been the main “measures” adopted by the government so far this year. That same eagerness to obtain funds in foreign currency, the failure to publish figures (balance of payments and foreign trade figures), and the use of a large slice of the international reserves to meet external liabilities have once again put in doubt the government’s ability to honor its commitments in what remains of 2015.

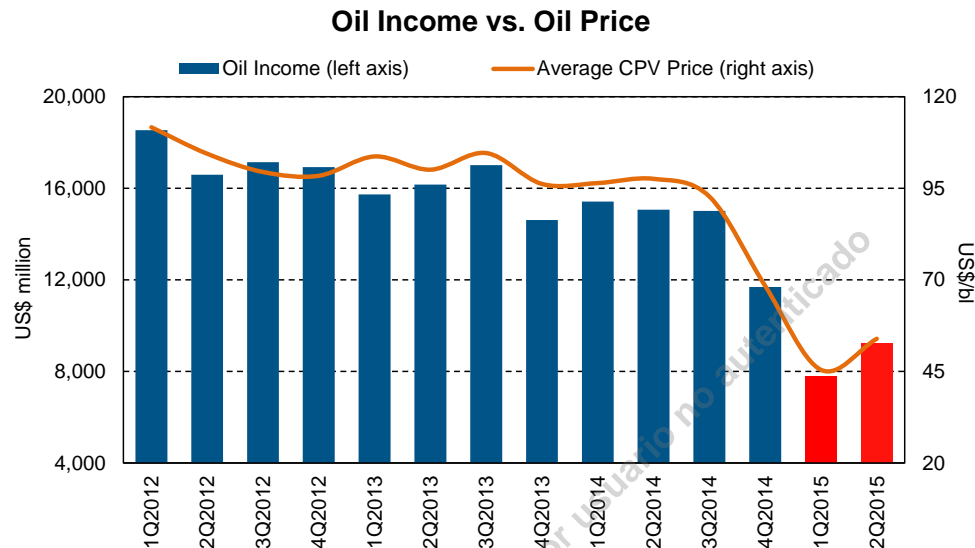
Given a new estimate for oil prices –a tad more favorable than our estimate at the start of the year- and the fact that elections are going to be held, there are some questions that need to be asked: Will the government be able to cope with the shortage of foreign currency in what remains of 2015, what will be the situation as regards of foreign currency allocations, and if the Government will be able to meet the external debt payments in the second half of the year? Questions that we will attempt to answer in this report.

### Oil, always oil

The determining factor in the evolution of foreign currency revenues in 2015 has been the price of oil. In the first half of the year (1H2015), the price of the Venezuelan oil basket (CVP) averaged US\$49.7/bl, a contraction of 48.8% compared to the same period in 2014.

Lower prices meant that in 1H2015 revenues from oil exports came to US\$16.99 billion, a contraction of 44.3% compared to the figure for the first six months of 2014. The magnitude of the drop in prices also meant that the impact the small adjustments in the volumes of shipments to China and to countries under energy cooperation agreements or marginal increases in production that are contributing to increase the volume of cash-generating barrels exported has become insignificant.

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Sources: Barclays Research, MENPET and Ecoanalítica

The fact of having less foreign currency available has forced the government to make cuts in the allocations of foreign currency to the private sector, which has been getting the short end of the stick. At **Ecoanalítica** we estimate that the cut of 58.0% in allocations via official mechanisms (Cencoex and its complementary systems) implemented in the first five months has allowed the government to make a saving of US\$7.15 billion, at the cost of a contraction in the production apparatus and greater shortages. However, the inelastic component of foreign currency outgoings (expenditures having to do with servicing the debt) has required a sizeable disbursement of funds.

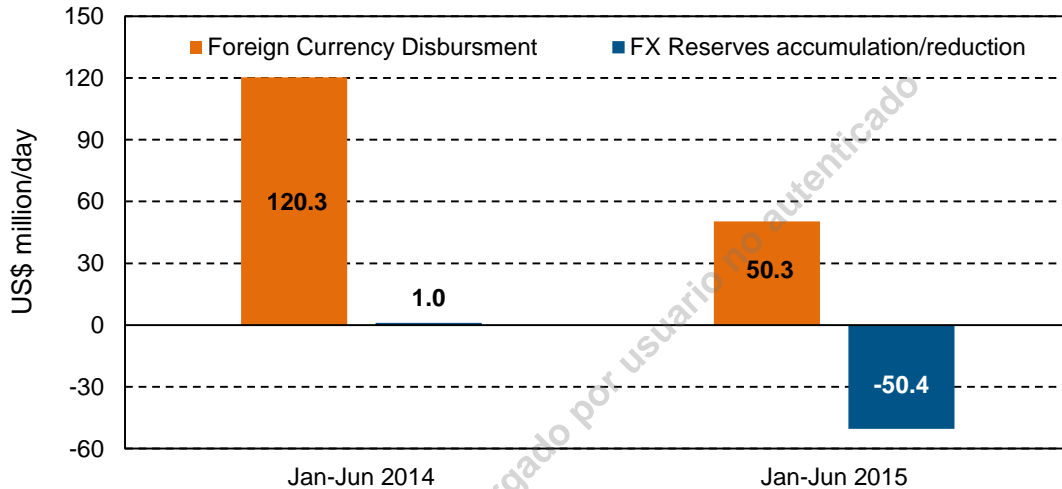
### Breaking into the piggy bank

Given an scenario of contracting revenues and the inelasticity of expenditures, the government has found it necessary to implement “financial engineering” measures in which use of the international reserves has played a fundamental role.

At **Ecoanalítica** we estimate that the daily drawdown on the international reserves was US\$50.4 million (in average) during the 1H2015; and it is not mere chance that this is almost exactly the same amount of foreign currency allocated to the private sector during the first five months of the year, estimated at US\$50.3 million a day. In other words, it could be said that, so far this year, the government has had to dip into the international reserves in order to allocate foreign currency to the private

sector. If this continues, the international reserves would be reaching a floor of nearly US\$9.8 billion by year-end.

**Foreign Currency Disbursement vs. FX Reserves Variation**



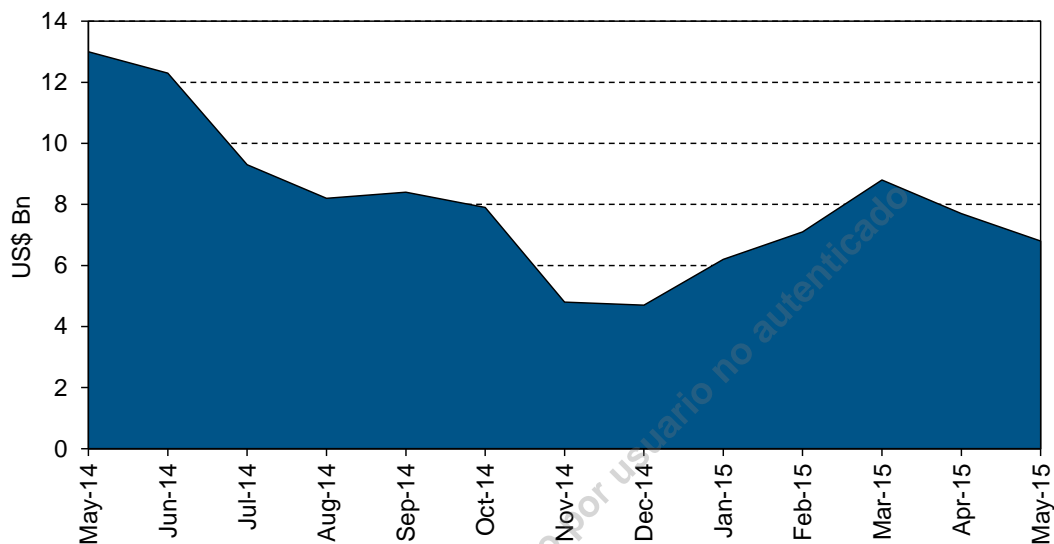
Sources: BCV and Ecoanalítica

If the drop in the international reserves is worrying, the way in which this has been handled is no less so. In order to be able to make use of the reserve funds, the Central Bank has had to perform unconventional operations: a swap of around US\$1.5 billion in gold reserves and withdrawing funds deposited with the IMF (US\$383 million in May and US\$1.5 million in June). Besides that, it has been necessary to transfer funds to the reserves, the biggest transfer being one for US\$1.93 billion from PDVSA following the discount on the debt receivable from the Dominican Republic.

And the international reserves are not the only funds that have suffered. The government has also dipped into the foreign currency extra-budgetary funds. At **Ecoanalítica** we estimate that, between March and May, the State's extra-budgetary funds shrank by 22.7%, after a quarter in which the government was accumulating funds in preparation for making large debt payments in the third and fourth months of the year.

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### Extrabudgetary Funds



Source: Ecoanalítica

### Will things be less tight in the next half?

As for what the second half of the year holds in store, at **Ecoanalítica** we expect that the funds obtained from credit operations and debt discounts and the effect of the recovery of oil prices in the second quarter of the year (2Q2015), which will be felt in 3T2015, will mean that the government will be able to count on a larger flow of foreign currency, although it is unlikely that this will result in a buildup of reserves or funds.

We expect the government to start making use of the funds obtained from the renewal of tranche B of the Chinese Fund loan (US\$5.0 billion) in August (probably to finance public sector imports) and we do not discard the possibility of another discount on PDVSA's accounts receivable of around US\$1.1 billion (a discount of more than 50.0% on a debt with a nominal value of just over US\$2.2 billion).

Even though foreign currency inflows will be greater in 2H2015, outflows will also increase. Debt servicing (the Republic and PDVSA) will require disbursements of US\$6.3 billion, 51.2% more than was paid out in 1H2015. In addition to larger outflows for servicing the debt, there will be an increase in public sector imports, something that is to be expected in the run-up to elections.

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## How much are we talking about?

In short, with an estimated price for the *CPV* of US\$55.1/bl, we forecast that the nation's foreign currency revenues will come to US\$41.8 billion in 2015, down 36.0% from the revenues posted in 2014.

Moreover, we calculate that outgoings will come to US\$59.7 billion, a reduction of 41.0% year-on-year, a figure that will not be less due to the inelasticity of items such as foreign debt servicing (US\$14.1 billion) and oil imports (US\$5.2 billion), which accounts for 29,7% of the economy's foreign currency requirements this year, whereas other items, such as private imports, will continue to be sacrificed, facing a cut of 31,6% compared to the US\$25.2 billion allocated in 2014.

Hard currency cash flow (US\$ Bn)					
Concept	2011	2012	2013	2014E	2015F
<b>Liquid foreign assets stock</b>					
Public sector	26.9	31.6	20.6	13.3	14.4
<b>Income</b>					
Oil Exports (mb/d)	2.31	2.40	2.27	2.28	2.29
Energy Agreements (mb/d)	0.24	0.16	0.11	0.11	0.11
Effective Oil Exports (mb/d)	2.07	2.24	2.16	2.17	2.18
Venezuelan Oil Basket Price (US\$/bl)	100.4	103.5	98.1	88.4	55.1
<b>Oil Income</b>	<b>75.8</b>	<b>83.3</b>	<b>77.2</b>	<b>69.9</b>	<b>43.8</b>
Oil Imports	6.0	11.8	9.2	7.6	5.2
<b>"Net" Oil Income</b>	<b>69.8</b>	<b>71.5</b>	<b>67.9</b>	<b>62.3</b>	<b>38.7</b>
<b>Non-Oil Income</b>	<b>4.7</b>	<b>3.8</b>	<b>3.4</b>	<b>3.1</b>	<b>3.2</b>
<b>Total Income</b>	<b>74.5</b>	<b>75.3</b>	<b>71.3</b>	<b>65.4</b>	<b>41.8</b>
<b>Expenditure</b>					
<b>Non-oil Public Imports</b>	<b>13.0</b>	<b>14.3</b>	<b>16.1</b>	<b>14.9</b>	<b>10.2</b>
<b>Private Imports Through CADIVI-CENCOEX</b>	<b>24.5</b>	<b>24.1</b>	<b>21.1</b>	<b>13.7</b>	<b>11.9</b>
<b>Non-Priority Private Imports</b>	<b>7.9</b>	<b>15.2</b>	<b>12.2</b>	<b>11.5</b>	<b>5.3</b>
Services	9.1	9.9	12.1	9.6	6.7
Rent and Current Transfers	3.8	5.5	6.5	7.4	4.2
<b>Public External Debt</b>	<b>13.5</b>	<b>13.8</b>	<b>15.9</b>	<b>17.5</b>	<b>14.1</b>
Central Government	6.4	7.5	7.1	7.0	6.1
PDVSA	3.6	2.4	4.4	7.0	6.0
Chinese Fund	3.5	3.9	4.4	3.4	2.1
<b>Capitals Outflow and Others</b>	<b>19.2</b>	<b>12.0</b>	<b>8.6</b>	<b>9.7</b>	<b>7.3</b>
<b>Total Expenditure</b>	<b>91.0</b>	<b>94.8</b>	<b>92.4</b>	<b>84.3</b>	<b>59.7</b>
<b>Result</b>	<b>-16.5</b>	<b>-19.5</b>	<b>-21.1</b>	<b>-18.9</b>	<b>-17.9</b>

Sources: BCV, MEFBP, PDVSA and Ecoanalítica

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Expenditures in excess of revenues would generate a foreign currency deficit of US\$17.9 billion in 2015, which the government has been covering by different means: credit operations by Citgo (US\$2.5 billion), selling off the Dominican Republic's debt (US\$1.9 billion), and a swap of the country's gold reserves (US\$1.5 billion). The remaining US\$12.0 billion will have to be covered by renewing tranche B of a loan via the Chinese Fund (US\$5.0 billion), making use of extra-budgetary funds, and other operations (further discounts, fresh loans, issuance of debt denominated in Yuan) that the government could resort to.

Despite a persistent gap between revenues and expenditures and the latent risks in a scenario of a drop in oil prices<sup>1</sup>, at **Ecoanalítica** we expect the need to keep the domestic market supplied in the run-up to the elections will prompt the government to increase the allocations of dollars to priority sectors, which we expect will average US\$65.0 million a day in 2H2015, a measure that will also be accompanied by an increase in public sector imports.

**Gabriel Villamizar**

<sup>1</sup> At the moment Iran is negotiating an agreement that would put an end to the economic sanctions to which it is currently subject. This would allow it to increase its oil exports by nearly 1.0 mb/d, a situation that would have a considerable impact on oil prices given the current world oversupply of oil.

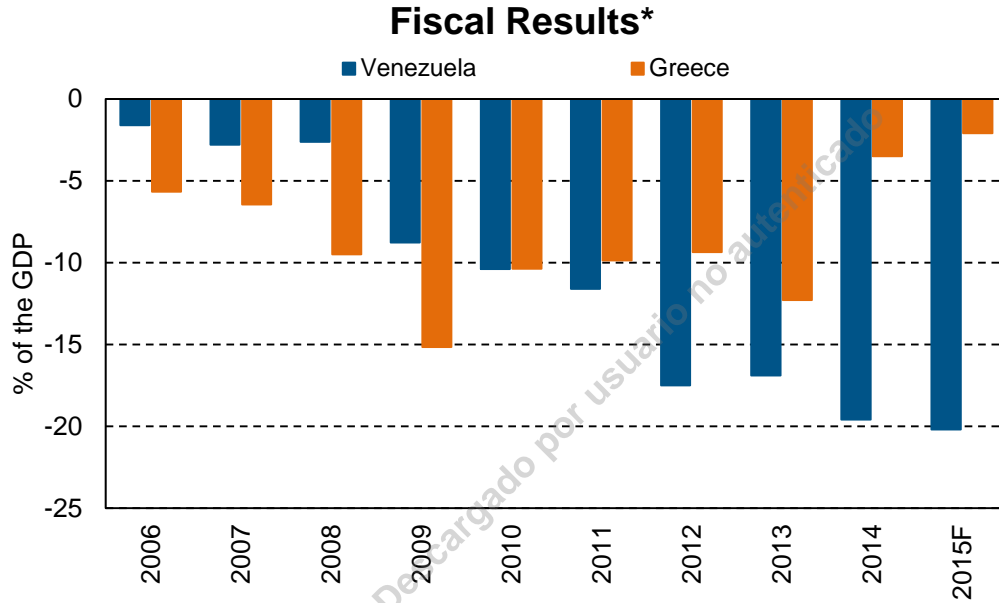
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## WEEKLY INDICATORS

Weekly Economic Indicators			
	4th Week June	Weekly var. (pp)	Annual var. (pp)
Lending interest rate (%)	20.0	0.0	3.8
	1st Week July	Weekly var. (pp)	Annual var. (pp)
Overnight interest rate (%)	0.7	-1.0	-6.2
	1st Week July	Weekly var. (%)	Annual var. (%)
International reserves (Bn US\$)	15.87	-2.3	-23.3
	1st Week July	Weekly var. (%)	Accum. var. (%)
Central Government spending (VEF Bn)	26.2	-64.3	62.7
	4th Week June	Weekly var. (%)	Annual var. (%)
Monetary liquidity (VEF Bn)	2,620	3.5	81.1
Price of International Oil Baskets (US\$/bl)			
	1st Week July	Weekly var. (%)	Annual var. (%)
WTI	58.3	-3.0	-44.5
Brent	62.6	-1.4	-44.1
Price of the Venezuelan oil basket (US\$/bl)			
	1st Week July	Weekly var. (%)	Annual var. (%)
Weekly average	54.8	-2.4	-44.7
Annual average	49.8	0.4	-48.7

Sources: BCV, Menpet, ONT and Ecoanalítica

GRAPH OF THE WEEK: “NOT EVEN IN FISCAL INDISCIPLINE GRECE CAN BEAT US”



Source: EUROSTAT, FED and Ecoanalítica  
\* Surplus (+) / Deficit (-)

**ECONOMIC TIPS**

**First Semester tax collection.** The *Servicio Nacional Integrado de Administración Aduanera y Tributaria* (Seniat), informed that collected VEF 438.8 billion in the 1H2015, an increase of 110.7% in comparison with the 1S2014 and a fulfillment of 190.3% in relation with the goal for this period. For **Ecoanalítica** this jump in the tax collection is associated with the increased in the liquor taxes and the change in the reference exchange rate for the custom tax, as well as the underestimation of the collection goal.

**Dollar drought at foreign exchange houses.** It did not take long for the expectations raised four months ago with the creation of the Marginal Foreign Currency System (SIMADI) to fall flat. According to our estimates, whereas last year US\$35.0 million a day was disbursed via SICAD II, this year only US\$1.9 million a day is being allocated via SIMADI. Representatives of the stockbrokerage houses have commented that, even though they are still actively participating in the system, they have no foreign currency because it has been three months since the Central Bank has given them any.

**Bridging gaps.** Francisco Rodríguez, director for the Andean region at Bank of America, said that, in view of the drop in oil prices, the adjustments that need to be made include putting up the price of gasoline, modifying the exchange controls regime with a view to correcting the huge exchange rate spread, and reducing imports to levels that can be covered with an oil price of US\$56.0/bl.

**Till the last bean.** *“The price has dropped (...) to US\$56.0/bl. and that is the reason why the government is using assets, is using international reserves, is selling Petrocaribe invoices, is selling refineries; in other words, it is using some of those assets to bridge the gap between US\$75.0/bl and US\$56.0/bl, says the BofA director, Francisco Rodriguez.*

**Grabbing what they can.** The President of Uruguay, Tabaré Vázquez, announced that his government and the Venezuelan Executive had reached an agreement on settling their countries' respective bilateral debts for oil and food. Under this agreement, Uruguay will settle its debt of approximately US\$400 million, payable initially over 15 years, with a payment of US\$262 million, a discount of approximately 38.0%, said Tabaré. In exchange for this payment, Venezuela has undertaken to pay amounts owed Uruguayan food companies immediately.

**BCV fix rates.** The BCV published the interest rates that will pay the bonds from the public national debt. For the bonds that mature on October 2016 and October 2017 the fixed rate will be 9.9%, and for the ones that expire on Jan 1<sup>st</sup>, 2020 the rate will be 16.1% and variable. The frequency payment for all bonds is quarterly.

**Jaua admits it, more or less.** Minister for the Communes Elías Jaua considered that the Nicolás Maduro administration's performance is facing some structural weaknesses. "...progress has been made in some (aspects) of the revolution and in others we have still not managed to overcome being anchored to the oil rentier culture," he explained. "There will not be economic stability in Venezuela if production is not increased, but not from the profiteering point of view or from the point of view of the productive sectors exercising absolute discretion, but in order to meet goods and needs at a fair price," said the candidate to the parliamentary elections.

**Socialism is the only dish on the menu.** The political parties that are allied with the government have demanded a debate among "revolutionaries" to define the economic model that is to be developed and to then start talks with the country's private sector. Carlos Aquino, a member of the Communist Party of Venezuela's political bureau, explained that the reason for this discussion is to make it clear that the economic system to be imposed in Venezuela is socialism and that the encounter should be with the new board of directors that is to be appointed at Fedecámaras' general assembly.

**Employees and dogs.** At its meeting on Tuesday, July 7, the National Assembly's Permanent Finance and Social Development Committee approved four supplementary appropriations totaling VEF 387 million. Two of the supplementary appropriations were for the Ministry of Communication and Information to cover an adjustment in employees' wages and salaries table and the increase in pensions. The other two were for the Vice Presidency of the Republic to finance *Misión Nevado* (cat and dog rescue program).

## OIL TIPS

**OPEC steps up production.** According to Bloomberg's figures, crude output from the members of the Organization of Petroleum Exporting Countries (OPEC) in June came to 32.1 million barrels per day (mb/d), up 0.7 mb/d from May and the highest

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since September 2012. This jump was due to an increase in Iraq's production of 0.6 mb/d (14.8%) and increases in production from Iran (1.8%) and Nigeria 1.7%).

**A record month.** Bloomberg's figures show that Saudi Arabia's oil production in June came to a record 10.5 mb/d. Before last month, Saudi Arabia's maximum output was in September 2014. Besides Saudi Arabia, the United States posted record production in June, of 9.6 mb/d. Given these results, at **Ecoanalítica** we expect oil prices to close 2015 at around present levels.

**Iran is waiting for the green light.** The commissioner for oil affairs at Iran's Ministry of Planning and Supervision, Mansour Moazami, said that Iran aims to double crude output as soon as the economic sanctions imposed by the United States are lifted. He also admitted that they will put pressure on the other OPEC countries to change the production quotas. If this happens, Iran's crude production would go from 1.2 mb/d to 2.3 mb/d.

**The United States increases its inventories.** The figures in the weekly report by the US Department of Energy show that US oil stocks closed June at 465.4 mb, up 2.4 mb from the previous week. This is the highest inventory level for the close of the first quarter in 80 years.

**Perla turns on the tap.** The Spanish oil company Repsol started up the first production well in the Perla mega oil field located in Cardón IV Block in the Gulf of Venezuela. Perla is the biggest offshore field in Latin America. Production is expected to start off at 150 million cubic feet of gas a day and to reach 1.2 billion cubic feet a day by 2020.

**They've already found oil.** Minister of Governance Raphael Trotman announced that the oil found by the US oil company ExxonMobil in the Essequibo region could be between 800 million barrels and 1.5 billion barrels. The Government of Guyana has said that ExxonMobil will continue with its exploration activities despite Venezuela's requests that the oil company stop operating in a territory that it claims as its own.

**PDVSA bonds cheaper.** The drop in oil prices driven by the increase in supply in June and uncertainty over what might happen between Iran and the G7 dragged down the price of PDVSA bonds. The bonds posting the biggest drops were: PDVSA2037, which lost 5.0% during the first week of July to 33.5%; PDVSA2024, which fell by 4.8% to 35.1%; and PDVSA2026, which posted a drop of 3.4% to 35.1%.

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**Paying with crude.** Panama's Vice President and Foreign Minister Isabel De Saint Malo said that one of the options that have been proposed for settling the debt Venezuelan importers have with Panamanian companies owing to the lack of foreign currency is that Venezuela send oil or natural gas to those companies. According to Panama's Ministry of Commerce and Industry, this debt comes to more than US\$1.0 billion.

**Schlumberger brings things up to date.** The president of PDVSA, Eulogio Del Pino, met with the chairman and chief executive officer of the French oil company Schlumberger, Paal Kibsgaard, to review joint agreements and analyze the execution of potential new projects. Del Pino said that they hoped to announce new agreements aimed at developing production in Venezuela shortly. Schlumberger provides PDVSA with services associated with oil exploration and production activities in the Orinoco Oil Belt.

**Industrializing the Orinoco Oil Belt.** Representatives of PDVSA and The Little and Medium Industrials Federation (Fedeindustria) are to sign an Umbrella Cooperation Agreement to monitor the process of industrialization and to include small and medium industrialists in the plan for establishing solutions to the demand for goods and services in the Orinoco Oil Belt.

**The embassy answers Reuters.** The Venezuelan Embassy in the United Kingdom responded to an article by the news agency Reuters in which it attacks the state-owned oil company PDVSA. In the communiqué, the Embassy stated that the article "*attacks the Venezuelan oil industry at close range without arguments.*" The article "*Pirates and hold-ups: crime strikes Venezuela's oil industry*" claims that the performance of the oil industry is being affected by crime.

## BUSINESS SECTOR TIPS

**Just one state-owned bank.** Minister for the Economy, Finance and State-owned Banks Rodolfo Marco Torres announced that Venezuela's state-owned banks would be unified shortly. This will allow depositors who have an account at a bank run by the State to perform transactions between that and any other state-owned bank.

**Don't hold your breath waiting for auto parts.** The president of the National Auto Parts Chamber (CANIDRA), José Cinnirella, explained that, despite the foreign currency applied for through Cencoex at the last auction, it is unlikely that the auto

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parts will arrive in the country before the end of 2015. This delay is due to the possibilities of losing suppliers due to failure to make payment on time, plus the three months it takes to place the orders, 45 days for the parts to arrive, and another 45 days or so to produce the end product.

**Cencoex is not disbursing enough.** The Venezuelan Association of Medical, Dental, Laboratory and Related Equipment Distributors (AVEDEM) said that Cencoex had disbursed US\$25.9 million of the US\$54.6 million it owed them, which will enable them to resume the purchase of inputs and reagents with which to supply the laboratories. However, the president of the Federation of Bioanalysts Associations, Judith León, said that this disbursement was “*only a palliative that will last a couple of months.*”

**Medical equipment waiting for spare parts.** Health sector sources revealed that nearly half the medical equipment items in the country’s public and private health facilities are not working owing to the lack of spare parts. They also said that, as a result of the last disbursement of foreign currency for the sector (US\$20.0 million), the number of equipment items out of service went from 57.0% to 45.0% and that, in order to get all the equipment functioning again, they need around US\$42.0 million. According to the sources, the government had apparently offered to approve Foreign Currency Acquisition Authorizations (AADs) in that amount for the first weeks of July.

**Foreign currency is the key.** The president of the Pharmaceutical Industry Chamber (CIFAR), Tito López, said that so far they have received US\$124.0 million in payment of the foreign currency debt, which is around US\$534.0 million. He admitted that 99.0% of the inputs they use to produce pharmaceuticals are imported, which explains the problems the industry is experiencing in terms of shortages.

**They’re still trying to reduce demand.** Minister for Electric Power and President of Corpoelec Jesse Chacón officially launched the fourth phase of the campaign “*I’m aware; efficient consumption,*” which seeks to “*reach 20.0% of residential users who are still outside the green consumption bands.*” The minister explained that the energy subsidy will be 80.0% and that “*anyone who consumes above rational demand will have to pay for that consumption, which will be outside the subsidy.*”

**The poultry industry isn’t getting off the ground.** A poultry industry source said that they only have concentrated feed for the chickens for 15 days due to the fact that the government has centralized imports and has not managed to meet demand in the sector. The source explained that “*the lack of raw materials is preventing the*

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*chickens from growing and developing in optimum conditions.”* The shortage of raw materials has been reflected in a reduction in productivity, as the sector met 100.0% of domestic chicken and egg consumption in 2014 and now only covers 70.0%.

**Another blow to sales.** Fray Roa, the director general of the Venezuelan Federation of Liquor Stores and Similar Businesses (FEVELIF), announced that Directive 019 (which is expected to go into force next week) requires liquor stores to open between 11:00 a.m. and 7:00 p.m., which means cutting the opening hours established in current legislation by four hours. This will result in a reduction in sales, which, according to Fray Roa “*are already pretty bad.*”

**But consumption stays the same.** According to figures from FEVELIF, the increase in the liquor sector’s cost structure (up by between 300.0% and 500.0% in the past 18 months) has not resulted in a reduction in the consumption of alcohol, but of in consumption shifting to cheaper beverages. In the past year, the consumption of whisky has dropped by between 20.0% and 62.0% and rum by between 33.0% and 60.0%, whereas the consumption of anisette has gone up by 110.0%, *aguardiente* by 130.0%, *cocuy* (sometimes referred to as Venezuelan tequila) by 201.0%, and beer by 200.0%.

## WORLD ECONOMY TIPS

**Greece says “No.”** The Greeks rejected the austerity measures proposed by the country’s European creditors. Prime Minister Alexis Tsipras obtained a victory with 61.3% of the votes versus 38.7% votes in favor of the measures. With a turnout of 60.0%, the prime minister said, “*There are no easy solutions -- but a fair solution can be found, if both sides want it.*” He stated that, before negotiating, he would propose solvency of the banks and a reduction of the debt to the creditors.

**Finance minister resigns.** Greece’s Finance Minister Yanis Varufakis announced his resignation following the victory of the “no” vote at the referendum. Varufakis explained that Prime Minister Alexis Tsipras believed that his absence would clear the way for a new bailout package. Varufakis is replaced by Euclid Tsakalotos, who has taken part in several negotiations.

**More and more controls.** Although the banks in Greece stayed closed until Tuesday, July 7, Tsipras had to extend the capital controls until Wednesday, as the

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banks were running out of reserves. The financial markets were also affected. The euro depreciated by 0.4% to EUR 1.1069/US\$ in London.

**Losing hope.** In June, the United States created 223,000 jobs, less than the 233,000 new jobs the market was hoping for, and there were 31,000 fewer jobs than in May. The unemployment rate was 5.3%, down 2 decimal points. It is worth noting that the labor force participation rate decreased to 62.6% in June from 62.9% in May, the lowest rate since October 1977.

**7.0% growth for China.** Manufacturing was the sector to post the slowest growth in June, whereas the services sector posted fast growth. Even though the Chinese economy is showing signs of improvement, "*arduous efforts are still needed to consolidate the foundation of economic stabilization and ensure the achievement of the full-year growth target,*" according to Sheng Laiyun, a spokesman at the National Bureau of Statistics (NBS). The Chinese Government estimates growth of 7.0% in 2015.

**Drop in China's stock market causes scare.** While the financial world is anxiously following the Greek crisis, Chinese stock markets are contemplating their navel, as China's parks have gone into a free-fall not seen since the 2008 recession, a situation that has made international investors nervous. Analysts insist that the plummeting of the markets of the world's second largest economy (30.0% in the last month) has nothing to do with Greece and that it is simply a symptom of stock market volatility, made more acute in China by the participation of tens of millions of individual investors with scant financial information.

**Investing in entrepreneurs.** The Inter-American Development Bank (IDB) has authorized the setting up of a US\$2.0 billion fund for financing small infrastructure projects, associations, and companies in Latin America, which is to start operating next year. Luis Alberto Moreno, the bank's president, said that this financing will help to narrow the infrastructure investment gap in Latin America.

**China and Colombia forge closer ties.** The governments of China and Colombia have speeded up negotiations on the free trade agreement (FTA) between the two countries following the visit by the president of Colombian Congress, David Name, to China. Following his meetings, Name said: "*Colombia wants an FTA with China, but one where both countries win. Our position is very clear on brands, copyrights, and we want it to be established that China will invest in agricultural technology in Colombia, which is what we need most.*"

**POLITICAL TIPS**

**In lean times everything's grist for the mill.** After three years of silence on the diplomatic front, President Nicolás Maduro went before the National Assembly to propose a debate on Venezuela's claim on the Essequibo region, which is rich in gold, diamonds, and oil. He also questioned Guyana's President David Granger for his position against Venezuela. Maduro said that he would contact the secretary general of the United Nations, Ban Ki-moon, as the claim on the Essequibo has been in the hands of the secretary general since 1983 by agreement of the two countries, as provided for in the Geneva Agreement.

**Moving its chessmen.** Segundo Meléndez, the president of *Movimiento al Socialismo* (MAS), insisted that there is a need for national dialog and he reiterated his concern over the fact that the only thing the government coalition is interested in is in remaining in power. He also referred to the border dispute with Guyana, which prompted President Nicolás Maduro to go before the National Assembly. "We reached this situation with Guyana as a consequence of the Chávez administration having neglected this problem," stressed Meléndez, adding that Maduro is using the Essequibo issue to increase his administration's popularity in the run-up to the parliamentary elections.

**Electoral Roll is almost ready.** Today, five months before the parliamentary elections, the National Electoral Council (CNE) announced that, as at May 31, 2015, a total of 19,571,043 people were registered to vote. Between February 2 and May 31, 504,661 people registered to vote at the parliamentary elections to be held on December 6.

**An "admirable" campaign?** After the primaries of the United Socialist Party of Venezuela (PSUV), the opposition now knows what to expect at the parliamentary elections that are to be held in December. "The opposition must get ready for a military campaign, sneaky backstabbing, rather than an election campaign," warned political scientist Luis Salamanca. Assisted voting, rousting voters out of their homes to go and vote, and threats directed at government service employees by the President himself, who said that the government would know for whom everyone voted, were all tactics observed at the PSUV primaries.

**The Church calls on people to vote.** The president of the Venezuelan Synod, Monseigneur Diego Padrón, called on people to vote given the importance of the parliamentary elections to be held on December 6. "Society will be forced to

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*restructure itself after the elections. Given the country's tremendous difficulties, the solution has to be democratic, constitutional, and appropriate,"* said Monseigneur Padrón. Referring to Pope Francis' tour of Latin America, he said that there were not the facilities for the Pope to visit Venezuela in view of the political and social situation in the country and the situation of the political prisoners.

**Harping on the economic war.** During the commemoration of the 204<sup>th</sup> anniversary of the signing of Venezuela's Act of Independence, President Nicolás Maduro called on the people and the Bolivarian National Armed Force (FANB) to continue the struggle to win the war that, according to the President, is being waged by some sectors. On the matter of exchange controls, the speaker of the day, Aristóbulo Istúriz, explained that this was a political not an economic measure. *"If we lift them, they'll overthrow us,"* said Istúriz. It should be remembered that there are currently four exchange rates and that the spread between the Cencoex and the unofficial rate is 7,855.7%.

**Getting back his strength.** Leopoldo López' wife, Lilian Tintori, reported on the physical condition of *Voluntad Popular's* national coordinator following the lifting of his 30-day hunger strike. *"Leopoldo has put on weight and is eating three meals a day. His soul is full of faith and love for Venezuela,"* said Tintori in her Twitter account. Following a visit to Ramo Verde prison, she also denounced that López continues to be isolated in a 2.6 m by 2.7 m cell.

## LEGISLATIVE TIPS

**A toothless law.** Spurred on by the present dispute with Guyana over the Essequibo region, President Nicolás Maduro is to create a law on border affairs making use of the Special Powers Act granted him by the National Assembly. This law is to provide for the creation of a special commission of state with presidential ranking to handle all border issues affecting Venezuela and Latin America. It is to be chaired by Vice President Jorge Arreaza; its other members will be the Minister of Defense, the Minister of Foreign Affairs, the Minister of the Office of the Presidency, a representative of the Attorney General's Office, the president of the Supreme Tribunal of Justice (TSJ), and a representative of the National Assembly.

**New defense zones.** A resolution announcing the creation of the Maritime and Insular Integral Defense Operations Zones (ZODIMAIN) attached to the Strategic Maritime and Insular Integral Defense Region (REDIMAIN) has been published in

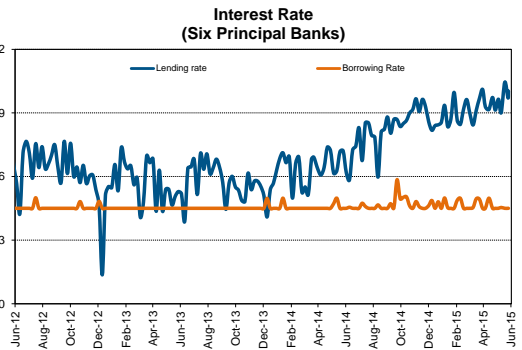
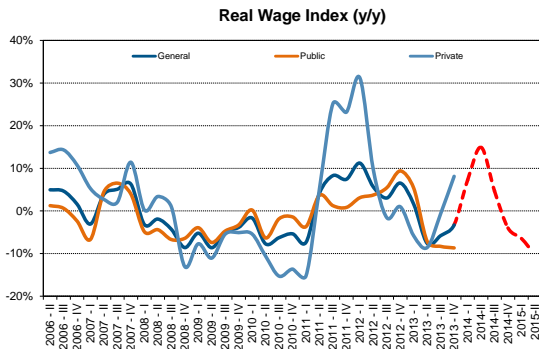
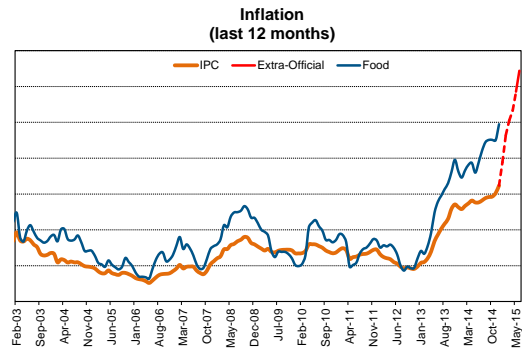
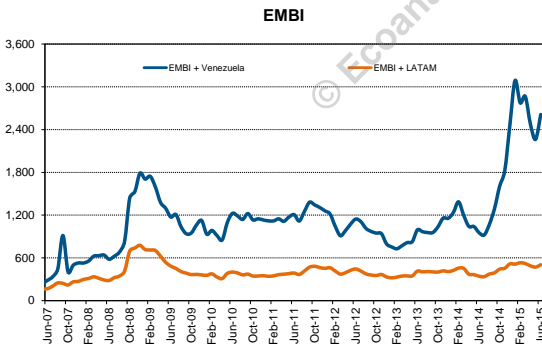
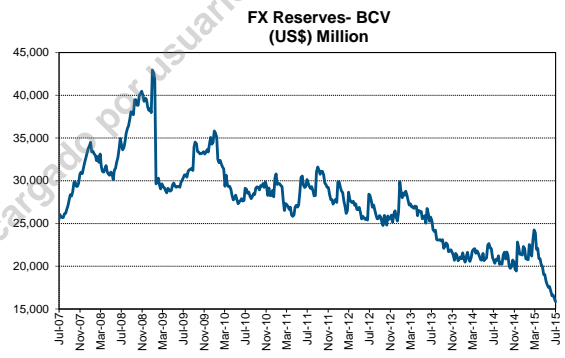
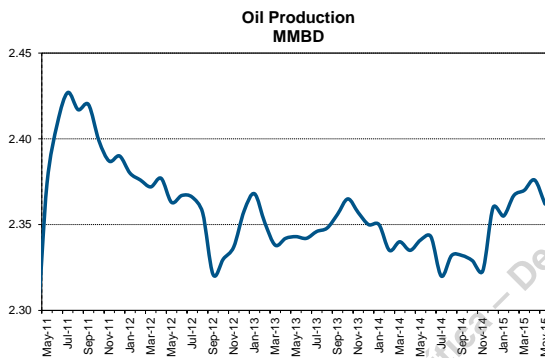
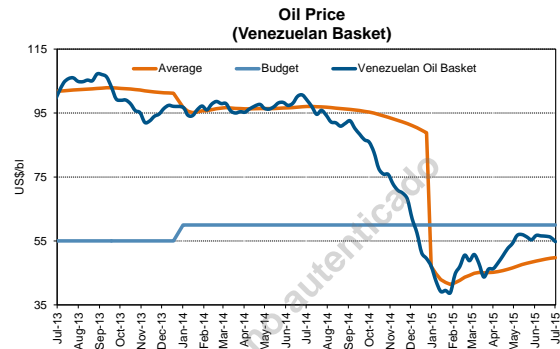
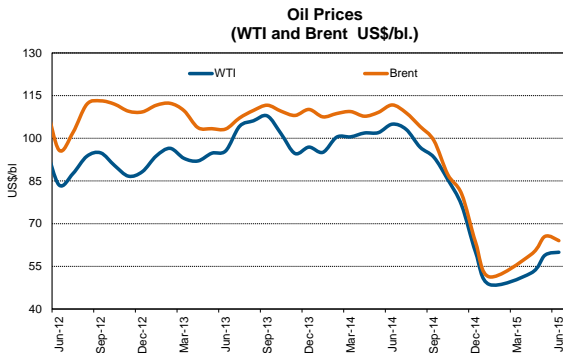
*Gaceta Oficial* No. 40,696. In the context of the border dispute with Guyana, the mission of the ZODIMAIN is to plan, conduct, and carry out operations in defense of the country's maritime, insular, continental, and air space for the purpose of guaranteeing the security of the territory.

**Is what he's suffered still not enough?** The decision declaring the petition for reconsideration of a ruling filed by the legal counsel of former San Cristóbal Mayor Daniel Ceballos to be unfounded and confirming all the terms of that ruling was published in *Gaceta Oficial* No. 40,695. That means that Ceballos' disqualification has been confirmed and that he will not be able to hold public office for a period of 12 months.

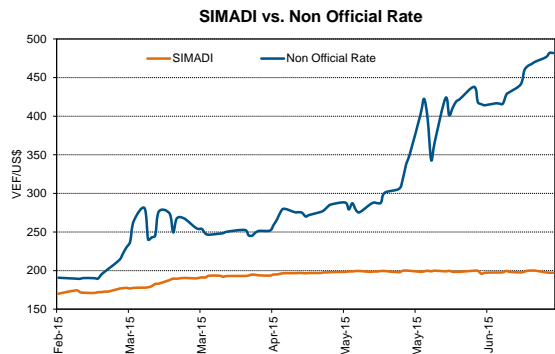
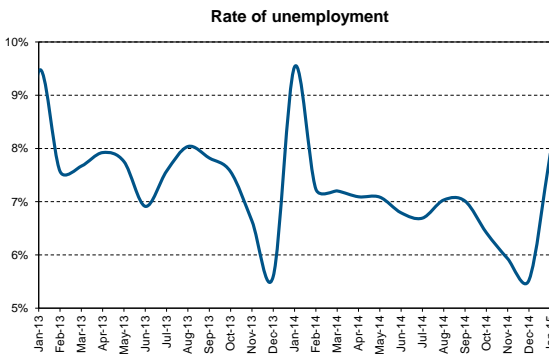
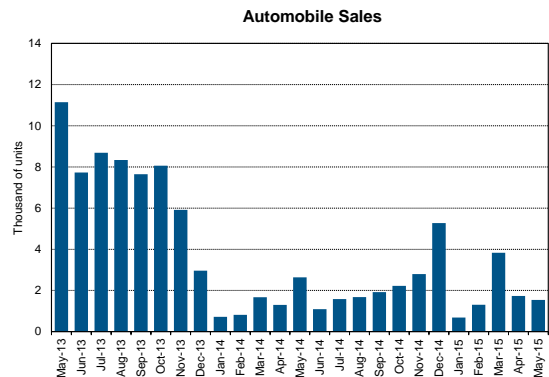
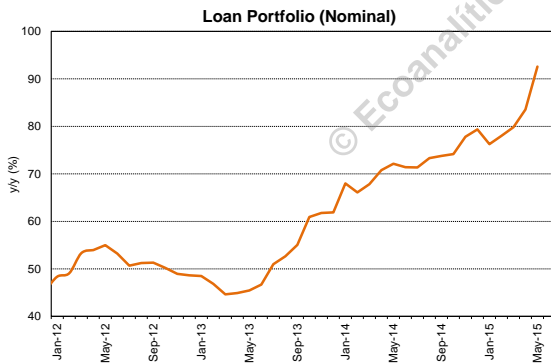
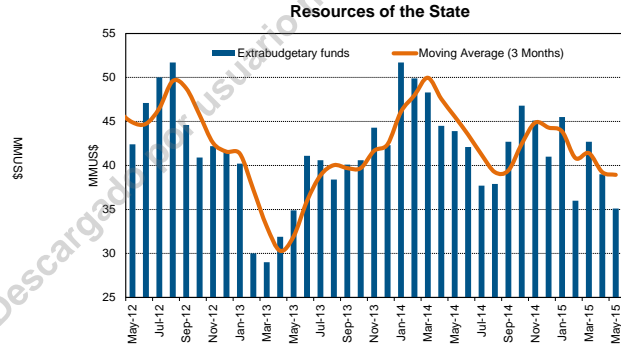
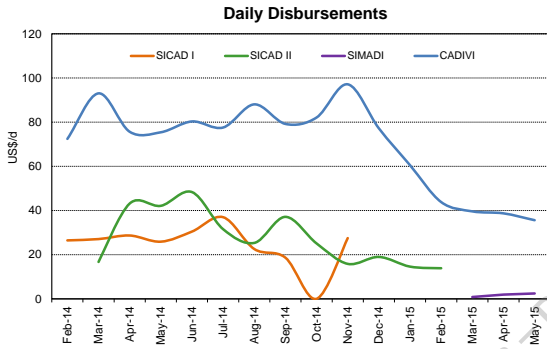
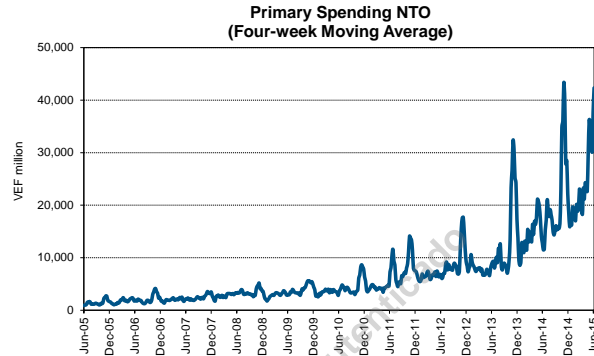
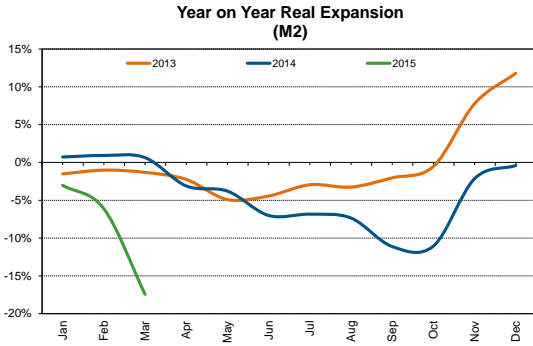
**State of emergency in Falcón.** A state of emergency due to the lack of water has been declared in Falcón state by means of a presidential decree published in *Gaceta Oficial* No. 40,696. The decree authorizes the Ministry for Eco-socialism and Waters to issue such special emergency measures as it deems appropriate in order to guarantee the water supply for the inhabitants of Falcón. It also instructs the local water authority (Hidrológica de los Médanos Falconianos, C.A.) to speed up the schedules for making the investments in and executing the infrastructure works for providing the public potable water service. Falcón is just one of the many states in Venezuela where there is rationing of potable water and other services, such as electricity.

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**ECONOMIC OVERVIEW**



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