



Weekly Report

Year 9, Number 27
Week III, July 2013

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So, how's spending in 2013?

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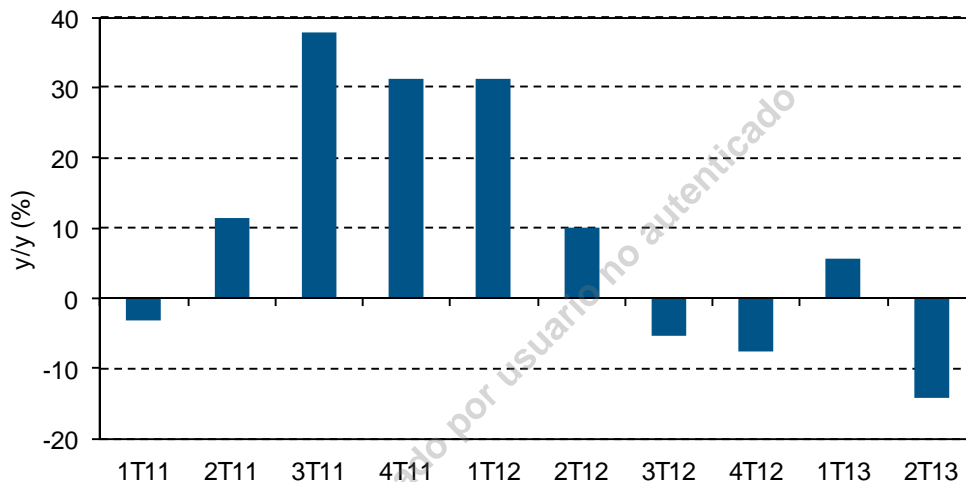
2012 was an atypical election year. The absence of Chávez and the election campaign being run by *Chavismo's* so-called "radical wing" resulted in fiscal impulse being contained with a view to controlling inflationary stimuli and channeling spending to investments associated with the Great Venezuela Housing Mission (GVHM), which led to a slowing down in spending from third quarter of 2012 (3Q2012) onwards and to cumulative expansion in real terms of only 3.5% in 2012, which is negligible when compared to growth of other election years, such as 2006, when it grew by 39.4% in real terms.

2013, however, is a typical post-electoral hangover year. After speeding up execution of spending in the first two months of the year, with growth of 20.4% in real terms compared to 2012 according to figures issued by the National Treasury Office, cumulative primary government spending started on a downward path to post a drop of 4.3% in the first half of the year and 14.2% in 2Q2013 alone. As can be seen, with the mini election campaign



behind it, which had maintained fiscal impulse in January and February, the government started to tighten its belt.

Real spending growth



Sources: ONT and Ecoanalítica

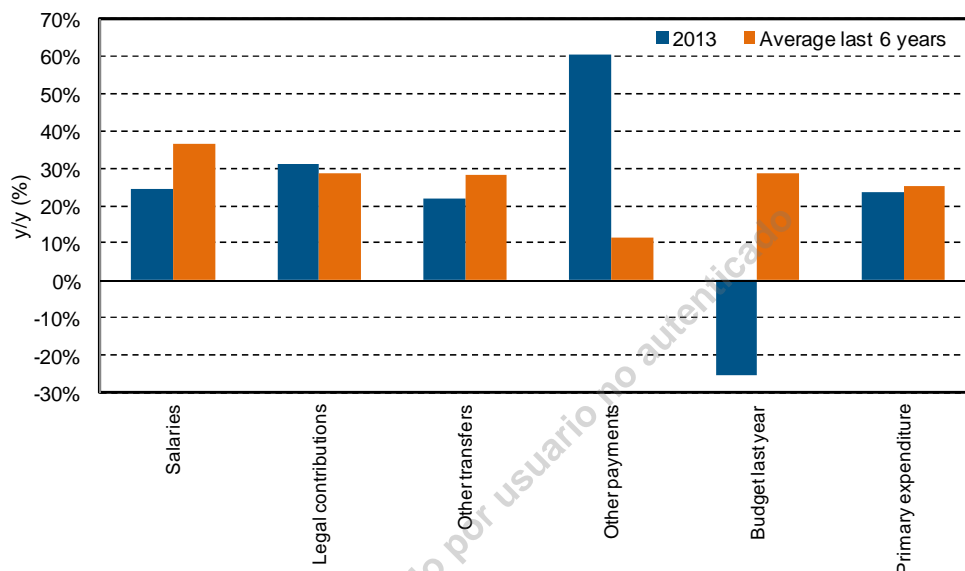
Pay your debts

Even though total spending has slowed down, there are components within its structure that have picked up. Such is the case of “other payments,” associated with payments to suppliers and contractors, which has grown by 60.2% in nominal terms and 24.0% in real terms so far this year, whereas all the other components have slowed down compared to the growth they posted in 2012 and even contracted in real terms. Worthy of special mention is “Other Transfers,” associated with spending on the government’s special investment plans that are financed through spending channeled to decentralized entities, which, after posting growth of 72.3% in the first half of 2012 (1H2012), grew by only 22.1% in 1H2013, a drop of 5.5% in real terms.





Growth of public expenditure by group



Sources: ONT and Ecoanalítica

The weight of the debt

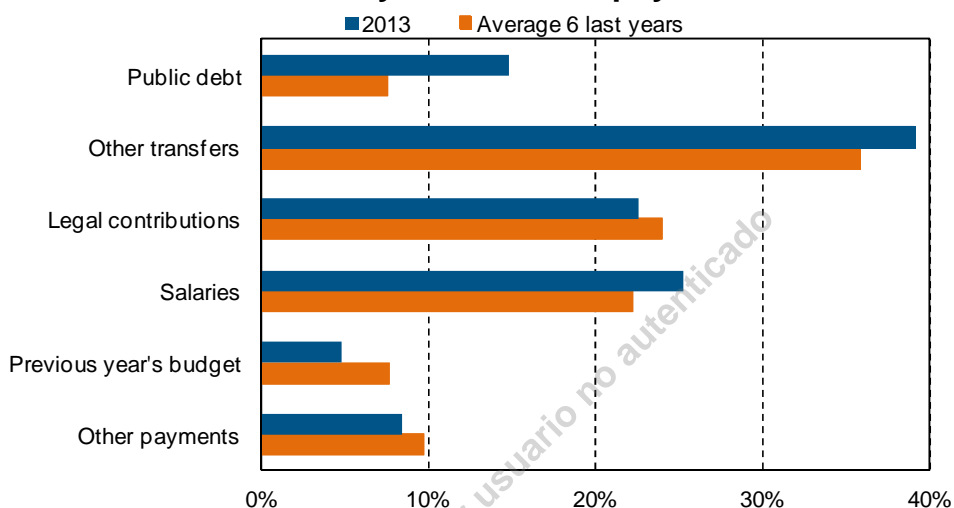
On analyzing the breakdown of spending so far this year (up until the first week of July), we find that 35.8% was allocated to “Other Transfers” to decentralized entities, with 23.9% being allocated to legal contributions to state governments and mayoralities, 22.2% going to pay remunerations, and 9.7% to make other payments. Lastly, public debt payments came to VEB 31.59 billion, accounting for 14.8% of spending so far this year.

On comparing these percentages with the averages for the past six years, what emerges as most remarkable is that, whereas “Other Transfers” was the component with the most vigorous growth in 2012 mainly thanks to the GVHM, “Public Debt” was the component that most increased its weight, growing by 4.4 percentage points (pp) compared to its average for the past six years. As can be seen, once the pressure of the elections on the spending structure was off, what remained was the weight of the debt.





Treasury's structure of payments



Sources: ONT and Ecoanalítica

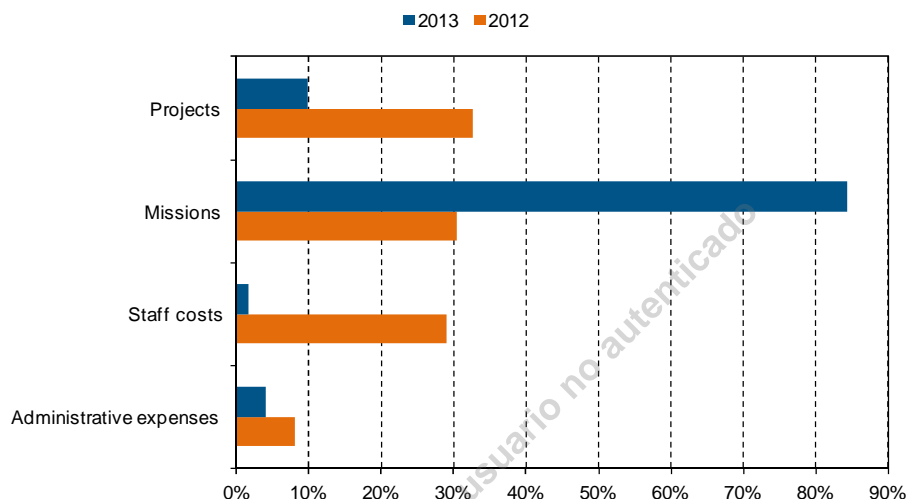
Applying the brake to supplementary appropriations

Another post-electoral feature is the drop in the rate at which supplementary appropriations are being approved. As at June, the National Assembly (NA) had approved VEB 34.73 billion in supplementary appropriations, which means a drop of 35.2% compared to the amount approved during the same period in 2012. With these supplementary appropriations, the budget approved for the current year (VEB 396.41 billion) has been increased by 8.7% to VEB 430.96 billion. Moreover, the destination of the supplementary appropriations has also changed; whereas in 2012 the lion's share went to finance projects, in 2013 almost all have been allocated to missions, transfers and donations.





Public expenditure through additional credits



Sources: ONT and Ecoanalítica

So, we see how, in 1H2013, executed spending accounts for 55.1% of the agreed budget (the original budget plus supplementary appropriations), which means that the remainder will have to be executed between July and December.

Inelastic spending

Now then, as we have mentioned previously at *Ecoanalítica*, the more the State expands in the Venezuelan economy, the more difficult it becomes to significantly bring down spending levels. In 2013, the Housing Mission is continuing and, on top of that, we have the increase in the minimum wage, the adjustments to government service employees' salary scales, and the upcoming municipal elections, all of them factors that prevent spending from being reduced below a minimal level. This leads us to estimate that the supplementary allocations budget could reach VEB 174.02 billion and the budget could close at VEB 570.43 billion in December, VEB 333.00 billion of which would be executed in the second half of the year.

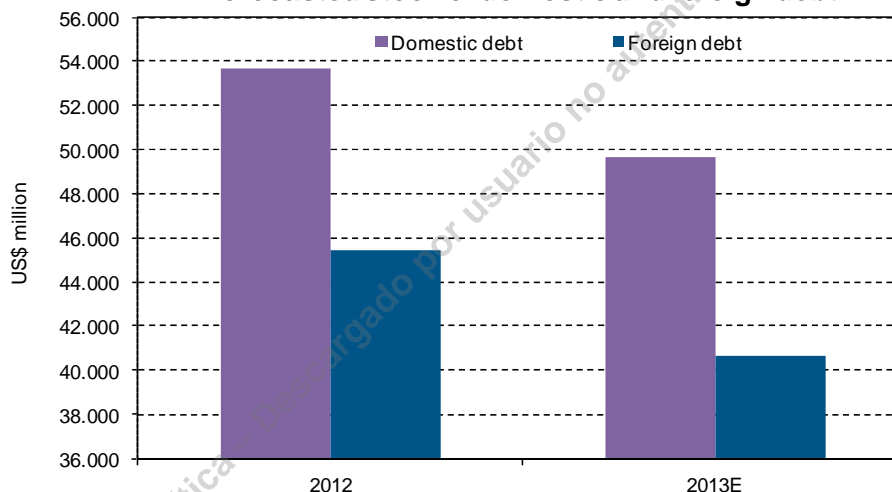
Revvng up domestic debt

With crude prices more or less static, sluggish oil production, and restricted spending, the government has less room for maneuvering on the fiscal front this year, which is why it has continued with an aggressive policy of domestic borrowing that has resulted in the Executive placing nearly 100% of the total amount of debt authorized during the first half of the year. The NA approved a supplementary indebtedness bill in the sum of VEB 76.00 billion, bringing the indebtedness ceiling for the current year to VEB 192.68 billion.



On the other hand, the external debt has remained practically unchanged since 2012, with the government having a preference for borrowing on the domestic market, which has resulted in the domestic debt growing by around 15.00% a quarter. However, thanks to the effects of the devaluation, the domestic debt will drop in 2013. So, at **Ecoanalítica** we expect the domestic debt to come to US\$49.65 billion, whereas the external debt will be in the region of US\$8.00 billion.

Forecasted stock of domestic and foreign debt



Sources: Ministerio de Finanzas, BCV and Ecoanalítica

Municipal elections around the corner

As mentioned earlier, despite the slowing down in spending in 1H2013, sight must not be lost of the municipal elections in December, which we believe will lead the Executive to increase spending in the last quarters of 2013.

We expect fiscal impulse to pick up in 3Q2013 and forecast that average monthly spending in the last two quarters will be in the region of VEB 55.50 billion, 40.3% more than the average of VEB 39.57 billion executed in the first half of the year. Even so, we estimate that cumulative spending in 2013 will drop by 11.3% in real terms.

Revising fiscal policy

When talking of spending, at **Ecoanalítica** we feel duty bound to mention that there are aspects of how fiscal policy is currently being implemented that give cause for concern. The excessive fiscal spending, which is being channeled mainly to current spending, and the level of indebtedness that represents 51.6% of the Gross Domestic Product (GDP), and has taken total public sector debt to historic highs, are the main factors that the new government needs to revise.



It is obvious that social spending is a matter of honor for *Chavismo* and that, given the elections in December, any drastic cuts could hurt the government at the polls, which makes considering tightening up spending difficult in the short term, particularly if account is also taken of the slowing down of the economy and spiraling inflation, situations where direct state subsidies become even more necessary for the lower-income strata.

Despite this, the Maduro administration has shown signs of economic pragmatism and has made approaches to the private sector, albeit timid ones, that could point to this new administration seeking channels of a less radical economic policy that could return spaces to the private sector and lead it to implement more prudent measures.

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Economic Tips

“We’ve got a chance to grow.” PSUV Deputy Jesús Faría, vice chairman of the NA Finance Committee, expects the economic scenario to be positive in the second half of the year. Faría assured that the foreign exchange measures and the political stability will result in production taking off in the next six months, although he does not believe that growth will be as high as in previous years, as, in all likelihood, GDP will grow by between 2.0% and 3.0%.

More measures. The chairman of the NA Finance Committee, Ricardo Sanguino, revealed that President Nicolás Maduro is apparently about to announce new economic measures geared to revising prices and boosting production. Sanguino added that *“policies are going to be designed to encourage export production, stimulate the domestic market, and generate surpluses, not just financing (...). Another policy is going to be a quarterly revision of the prices of products that are regulated.”*

“We’re going to bring down prices that are inflated.” The president of the Institute for the Defense of People’s Access to Goods and Service (Indepabis), Eduardo Samán, has assured that, with the participation of the people, Indepabis is going to *“bring down prices that are unjustifiably inflated.* Samán urged companies in each link of the marketing chain, from distributors to retailers, to bring down the prices of products, which in his opinion, have been increased far too much.

More flexible price regulation. Food Minister Félix Osorio admitted that, in Venezuela, it is private companies that produce most of the food but that, thanks to cooperation agreements with other countries, the government has managed to acquire food to build up the food reserve. Osorio added that they will fulfill the commitment to revise the prices of regulated food items on a regular basis, but that price controls will not be lifted on any of the products that are presently regulated.

Travelers under scrutiny. The Foreign Currency Administration Commission (CADIVI) and the Identification, Migration and Immigration Administration Service (SAIME) are to join forces to prevent foreign exchange offenses. SAIME’s director, Juan Carlos Dugarte, announced that they will be starting technical working groups to cross information and identify how many people obtain authorizations to acquire foreign currency for paying for items they consume abroad but do not show up on SAIME’s records as having traveled abroad.



SICAD will bring down the parallel rate. In the opinion of Barclays Capital's chief economist, Alejandro Grisanti, if the auctions of the Supplementary Foreign Currency Administration System (SICAD) are held in a way that allows the exchange rate to float freely, the price of the dollar on the parallel market should come down in the coming months. Grisanti explained that the auctions will not only allow the government to obtain more resources via another devaluation, but that they will mean a revaluation of the exchange rate for companies that will no longer have to acquiring foreign currency on the black market at a price that is not real.

Printing banknotes. The Central Bank of Venezuela's practice of financing PDVSA and the state-owned companies is on the increase. The Central Bank's figures show that its financial aid to public sector entities as at June 21, 2013 came to VEB 192.70 billion (US\$30.50 billion), up 51.2% in dollar terms from a year ago (VEB 87.00 billion or US\$20.23 billion). This means that the bank is printing more bolivars to cover the needs of state-owned companies.

Plenty for spending, but nothing for investing. The Ministry of Finance has submitted the Supplementary Indebtedness Bill for 2013 in the sum of VEB 76.00 billion. Of that amount, 58% will go to paying pensions and payroll liabilities. This means that the amounts allocated to payroll liabilities in the original budget were insufficient, as a result of which supplementary appropriations were approved in May and June and, now, they are resorting to borrowing. The bill specifies that VEB 41.20 billion will be allocated to pensions and VEB 2.68 billion to payroll liabilities.

SICAD's secret. Central Bank Director Armando León stated that the processes involved in the SICAD auctions are flowing normally. He also warned that banks that do not comply with the requirement of receiving applications from people interested in taking part in the auctions will be sanctioned. León pointed out that the prices resulting from foreign exchange auctions will not be published, as this is not allowed under the Foreign Exchange Crimes Act.

Bond swap. The government has proposed that the banks swap bonds issued by PDVSA and Banesca for papers issued by the Simón Bolívar Reconstruction Fund. The banks would hand over bonds in the sum of VEB 8.90 billion whose maturity date is June 27, 2014 and that pay interest at 3.75% a year, and in return for papers on the same terms, but without the backing of PDVSA or Banesca. The banks will have until July 22 to accept the swap.

Win-win. The swap would allow PDVSA to no longer enter these bonds on its balance sheets and to strengthen its financial position with a view to obtaining fresh loans, whereas the government would exchange debt in dollars for debt in bolivars, which would be easily eroded by devaluation. The benefit for the banks would be that



the money placed in the bonds would count towards the compulsory credits they have to allocate to home mortgages and the agricultural sector.

Interest rates. The lending rate for the first week of July was at 13.9%, down by 1.3 percentage points compared to the previous week. The time deposit rate was at 14.5%, without variations compared to the previous week, while the passive rate has not experienced any significant variation since November 2011, placing well at 12.5%.

International reserves. International reserves decreased by 1.7%, going from US\$25.748 billion during the fourth week of June to US\$25.324 billion during the first week of July. Compared to the same period last year, international reserves have decreased by 10.4%.

Central government expenditure. On Friday July 12th according to figures from the ONT primary spending was VEB 9.55 billion, which means an increase of 54.2 % when compared to the previous week when it was VEB 6.19 billion; when compared to the same period last year we observe an increase of 38.6%. Until June the cumulative primary expenditure in real terms (measured in 2007 prices) is VEB 56.75 billion, with a variation (y/y) of -4.3%.

Monetary liquidity. Monetary liquidity (M2) increased 1.1% in the first week of July compared to the previous week, settling at VEB 851.43 billion. The M2 has increased 64.2% in relation with the same period last year.

Oil Tips

More oil! Oil Minister Rafael Ramírez has stated that PDVSA must “*increase oil production,*” and that to do this it is necessary for “*the new national policy to accompany us, to take measures and steps to achieve sustained growth in production.*” Ramírez also stressed that the state-owned oil company is maintaining its finances in perfect balance, citing that its net worth went from US\$ 33.00 billion in 1998 to US\$ 75.83 billion in 2012.

Argentina relaxes controls. The Argentinian Government has announced that, now, it is to allow oil companies that invest in the country’s extensive nonconventional resources to export part of their production and have free access to foreign currency,



which could relax a series of major restrictions. The new regulations establish that companies that have plans to invest at least US\$1.00 billion over the next five years will be able to sell 20,0% of their crude or natural gas production abroad free of tax.

US\$900 million a year in investment. Petróleos Mexicanos (Pemex) has announced that it expects the three companies that were awarded contracts for exploiting mature oil fields to invest some US\$900 million a year. The companies were Halliburton - Mexico, for exploiting the Humapa field, Operadora de Campos DWF, for the Miquetla Block, and Petrolite, for the Soledad area, all in Chicontepec, an area that is located between the states of Veracruz and Puebla.

On the down side. According to information provided to the Organization of Oil Exporting Countries (OPEC) by the Venezuelan Government, 1Q2013 closed with a drop of 1.9% (yoy) in Venezuela's oil production, whereas the drop in 2Q2013 was apparently 1.5% (yoy). The decline in production was due mainly to technical problems in fields in the Eastern Region. PDVSA President Rafael Ramírez explained the importance of increasing production in the Orinoco Oil Belt in order to compensate for this decline.

Less income and higher expenditures. PDVSA's budget grew by 25.0% in 2013 as a result of, among other things, a 26.0% increase in operating costs, a 7.5% increase in its payroll, a 12.0% increase in personnel-related expenditures, and a 7% increase in expenditures on supplies. On the other hand, the company is forecasting that operating expenditures will fall by 0.8% and export revenues will go up by 1.7%, which would mean a better operating margin this year.

Recovery in sight. According to reports by the International Energy Agency (IEA) and OPEC, a strong increase in world oil demand is expected in 2014. The IEA expects that the demand for crude next year will come to 92 mb/d, whereas OPEC estimates that it will be near the 90.7 mb/d mark. Most of the demand will be accompanied by improved expectations for economic recovery.

We can't get anything right. Despite the increase in oil demand forecast for 2014, OPEC could emerge weakened as a consequence of the upturn in the exploitation of nonconventional oil in Canadian and US fields. The weight of OPEC countries in the world oil market could be seriously impaired, whereas the United States could occupy a larger share of the market. This increase in supply by non-OPEC countries could doom any attempt by the cartel to keep prices high by implementing production cuts to failure.

80 kb/d a year. According to the EIA, world production will increase by 8.4 mb/d a year and the United States and Iraq will be the countries to lead oil supply until 2018,



both sustained by an aggressive increase in their production, whereas Venezuela's production, which has been increasing at an "incredibly slow" pace, will grow by some 400 kb/d over the same period, a scant 80 kb/d a year.

Pensioners bearing torches. The PDSVA Pensioners' Committee is waiting on the outcome of a meeting it is to have with representatives of the oil company, and if there are not positive results for the 25,000 plus pensioners throughout the country, it plans to mobilize its people and take strong action, which they are already preparing, according to committee member Luis Villasmil Montiel.

PDVSA has a foot in Bolivia. The Bolivian department of Tarija is to be the site for the drilling of Ypfb Petroandina's first oil well, which will take place in mid-August. *"We're going to reach the Tomachi Formation (...); in Timboy, we're going to liquid and to gas. In gas, we're planning on nearly 1 TCF (trillion cubic feet), and as for liquids, they have to be verified. A 2D seismic interpretation was conducted on site,"* said the oil company's executive president, Jaime Arancibia.

International oil baskets. At closing time on July 12th in the New York Stock Exchange, the price of the WTI was US\$104.3/bl, a 2.9% increase compared to the US\$101.2/bl reported the previous week. The Brent increased by 3.6% to reach US\$107.8/bl, compared to the previous week's US\$104.1/bl.

Local oil basket price. The Venezuelan oil basket price closed last week at US\$104.5/bl on Friday July 12th, a 2.8% increase compared to the US\$101.6/bl of the previous week. The annual average price of the Venezuelan oil basket is US\$101.9/bl.

Business Sector Tips

Butchers up in arms. Butchers are protesting at Indepabis' constant inspections of supermarkets and butcher's shops to regulate the price of meat. José Flores, a member of the butchers' organization in Carabobo, said that the government should sit down with the sector to revise the regulated prices, which, at VEB 27.29/kilo do not cover the VEB 50/kilo or VEB 53/kilo the butcher's shops have to pay. It is worth noting that beef imports fell by 43.5% in 1H2013 compared to imports for the same period last year.



Fresh foreign currency to come from tourists. President Nicolás Maduro announced that the government is looking for ways to allow the State to sell bolivars to tourists. Last year, 782,000 tourists entered the country and, when they failed to find exchange bureaus in the hotels and banks, they had to resort to the unofficial market. President Maduro estimates that the tourism sector, based on the entry of 3 million tourists, has the potential to generate around VEB 2.00 billion, if the necessary measures are taken.

Private sector owes US\$8.00 billion. Fedecámaras President Jorge Roig applauded the creation of SICAD, but claimed that private companies need another system in order to be able to pay their debts with foreign suppliers. Roig stated that the private sector owes some US\$8.00 billion and that some of the debts fell due as long as 360 days ago.

Inflation in the agricultural sector. The increase in the prices of agricultural products came to 35.7% in 1H2013, much higher than the 4.9% posted in the same period in 2012. The president of Asoma, Pedro Rivas, explained that this increase was due to the higher prices of imported inputs, hit by the devaluation at the start of the year, and the shortages of inputs such as seeds, agricultural chemicals and implements, which have impacted production costs and are being passed on to the consumer.

Interest rates for tourism cut. Minister for Tourism Andrés Izarra has said that, thanks to the new Resolution 049 signed jointly with the Ministry for Public Sector Banks, a reduction of 3 pp has been applied to the rate on loans for the tourism sector, which have dropped from 10.12% to 7.12%. Furthermore, the Minister for Public Sector Banks has given assurances that there is no type of risk in financially supporting tourism. *“The average default rate for the financial sector is 0.98%, whereas the rate for the tourism loans portfolio is 0.14%.”*

No foreign currency, no medicines. According to the Pharmaceutical Industry Chamber (CIFAR), supplies of medicines are at approximately 40% and will continue that way if there continues to be no “*continuity*” in the supply of foreign currency from CADIVI. Ángel Márquez, CIFAR’s executive vice president, also pointed out that the industry’s performance is being greatly affected by the price freeze on 30% of medicines implemented by Sundecop since 2003, a situation that will have to change if the industry is to improve its performance.

Building homes. The Minister for Oil and Mining and Coordinator of the Higher Housing Organ, Rafael Ramírez, stated that, at the moment, they are in the process of building 362,250 homes under the GVHM, 95% of this year’s goal of 380,000 units. He also said that, on July 15, a start will be made on a further 180,000 units so



as to keep to this year's schedule. This means that GVHM will have to speed up the pace of construction during the second half of the year if it wants to reach the goal.

More expensive corn. The president of Fedeagro, Antonio Pestana, has said that, according to their production cost analysis, the kilo of white corn should be at VEB 4.40, which means raising the current price, approved last year, by 100%. He argues that the way to bring down inflation is to increase production, which is difficult at the moment given the atypical conditions in the crop climate.

Collapse of the present economic model. The president of Fedecámaras, Jorge Roig, warns that inflation for businesses this year will close at between 39.0% and 40.0% due to the collapse of the present economic model. Roig maintains that, while SICAD will help to revive the market, the effect on prices will not be apparent until 2014 and that the foreign currency for inputs and raw materials for regulated items should continue to come from CADIVI.

AVCH requests changes. The Venezuelan Clinics and Hospitals Association (AVCH) has submitted to Sundecop the reasons why it is requesting changes to Directive 294 published in *Gaceta Oficial* No. 40,196, which regulates the prices of medical services based on the economic situation in 2011. AVCH claims that the sector will not be able to meet its production costs as its average profitability is currently 5.0% and average profits are between 5.0% and 7.0%.

Guri's Unit 10 back in service. This Monday, Generation Unit No. 10 in the Machine Room at the Simón Bolívar Hydroelectric Power Station, in Guri, went back into service after repairs had been completed. The unit is expected to generate 360 megawatts and this will make a significant contribution to the output of the chain of Hydroelectric Power Stations on the Lower Caroní, which supply 64.0% of the energy used in Venezuela.

Margarita drowning in debt. Minister for Tourism Andrés Izarra visited Nueva Esparta to start to correct the situation of some tourism companies that are in serious default with the National Tourism Institute (Inatur). He explained that during this vacation season they will start to conduct inspections on at least half the 800 tourism enterprises on Margarita and that companies that are way behind in paying their contributions will not be allowed to continue to apply for foreign currency from CADIVI.

Worker protests in Guayana. Workers at Venalum, an aluminum company located in Guayana, are protesting to demand the signing of collective employment contracts, which expired five years ago. A series of circumstances, such as the absence of representatives from the General Attorney's Office and the Ministry of Finance and



the lack of up-to-date information, has prevented negotiations leading to the signing of the contracts from coming to anything.

World Economy Tips

Expansion, for now. The chairman of the US Federal Reserve (FED), Ben Bernanke, said that the agency in charge of monetary policy should maintain an expansive policy due to the low level of inflation and an unemployment rate that could be undervaluing the job market situation. *“The general message is expansion. A highly expansive policy is necessary in the near future,”* said Bernanke at an economic conference in Cambridge, Massachusetts.

Exaggerated figures. The chairman of the FED, Ben Bernanke, assured that the unemployment rate of 7.6%, *“to say the least, exaggerates the health of the job market,”* and he stated that the FED will not automatically raise interest rates when unemployment reaches 6.5%. These statements by Bernanke were given after learning of the minutes of the FOMC’s June meeting, which show greater consensus on the probable need to start tapering measures to stimulate the economy soon.

China continues putting on the brake. Growth of China’s GDP slowed down to 7.5% (yoy) in 2Q2013, which increases pressure on Peking to speed up reforms, as this is the ninth out of the last 10 quarters that has posted slower growth. Despite this slowing down in growth, spokespersons from the National Statistics Office consider that the economy could still achieve the annual growth goal of 7.5%.

BOJ keeps its promise. The Bank of Japan (BOJ) kept its monetary policy stable and offered a more optimistic outlook for the economy due to growing signs that the positive effects being generated by the weakness of the yen and the government’s pro-inflation policies are increasing. As expected, the BOJ voted unanimously in favor of keeping its promise of increasing the monetary base –i.e. cash and deposits at the Central Bank- at a rate of between US\$600.00 billion and US\$700.00 billion a year.

Industrial production doing badly. Industrial production in the Eurozone fell by 0.3% in May compared to April, whereas production in the European Union (EU) was down by 0.6%, according to data published by the statistics office (Eurostat). Compared to the same period last year, manufacturing production posted a drop of



1.3% in the Eurozone and 1.6% in the EU, indicating that the region is still suffering from the consequences of the recession.

Less state aid, more private responsibility. As a result of changes that the European Commission (EC) has made to the regulations governing state aid granted to banks in difficulties, now the shareholders and holders of junior debt of banks rescued by governments will have to assume the burden of reorganizing those unstable banks. In addition, starting August 1, any bank in the EU that needs state aid will have to submit a detail reorganization plan that will ensure its viability before it receives state aid.

France, from bad to worse? Ratings agency Fitch downgraded France's public debt from AAA to AA+ due to the country's poor economic outlook in the context of the Eurozone debt crisis and the need for structural reforms. "*Fitch now forecasts that gross public debt will peak at 96.0% of GDP in 2014 and will only be reduced gradually over the long term, reaching 92.0% in 2017,*" stated Fitch in a communiqué.

Someone got it right. Standard & Poor's upgraded its outlook for Ireland's credit rating saying that its debt could be reduced faster than expected, which fuels the hope that the EU will have at least one successful rescue. "*Upgrading the outlook reflects our opinion that Ireland's public debt load as a percentage of GDP will probably be reduced more quickly than we anticipated earlier,*" said S&P in a communiqué.

Outlook for Italy negative. Standard & Poor's (S&P) downgraded Italy's sovereign debt by one level, from BBB+ to BBB, taking account of the deterioration of the country's economic outlook. According to S&P, the downgrade reflects its view that the outlook for growth has deteriorated further after a decade of real growth that averaged -0.04%, given that Italy's economic production was 8.0% lower than in 4Q2007 and continues to decline.

USA and China weaken Latin America. The main Latin American economies will probably grow less in 2013 than expected due to the slowing down of the Chinese economy and the risk that the United States will adopt a less expansive monetary policy. The forecast is that the Venezuelan and Brazilian economies will be the hardest hit. In the same vein, most of the region's economies will remain comfortably far from a recession, although their investment flows could be significantly affected.





Political Tips

Maduro calls on the country to join *Patria Segura*. President Nicolás Maduro called on state governors and the people in general to join in the actions being coordinated by the State security agencies that seek to protect the security of the population and the country. On Twitter, Maduro exhorted them to “*assume the active role of Patria Segura with Minister Rodríguez Torres and the Bolivarian National Armed Force. Let’s move forward.*” The *Patria Segura* (Safe Nation) Plan is scheduled to be implemented in Apure, Amazonas, Portuguesa, and Nueva Esparta this week.

Corruption on the increase, say the majority. Yesterday, Transparencia Venezuela published Transparency International’s Global Transparency Barometer, which covers 107 countries and indicates that 65.0% of Venezuelans believe that corruption has increased in the past two years; 73.0% say they are prepared to report it; and 88.0% indicate their willingness to fight it. According to the survey, on a scale of 1 to 5 where 5 is extremely corrupt and 1 is not corrupt, the police were the Venezuelan institution perceived as being the most corrupt with a score of 4.4.

Is corruption being punished on both sides? The chairman of the National Assembly’s Comptroller’s Committee, Deputy Pedro Carreño, gave assurances that government officials belonging to both the opposition and *Chavismo* are being investigated for acts of corruption. “*Two mayors voted into office thanks to supporters of the revolution, one in Falcón and another in Portuguesa, were expelled and it was the members of the PSUV in those states who filed the accusations,*” claimed Carreño. He also explained that, in cases where members of the opposition are being investigated, the immediate reaction is always to say that these measures are reprisals.

185,770 voters relocated. The revision of the Preliminary Electoral Roll for the municipal elections resulted in the relocation of 185,770 voters, 110,030 of whom will vote in a different municipality to the one in which they voted at the regional and presidential elections, and 31,840 had to be relocated because the polling station to which they were assigned had been closed. All voters in the last group were relocated to polling stations in the parish where they voted originally.

Recall for 41 PSUV deputies. The party *Democracia Renovadora* is proposing that there be a recall referendum for 41 PSUV deputies, among them María León, Elvis



Amoroso, Saúl Ortega, Aristóbulo Istúriz, Freddy Bernal, Robert Serra, Diosdado Cabello, Iris Varela, Ricardo Sanguino, Jesús Faría, and Héctor Navarro. According to José García Urquiola, the party's secretary, this application was made based on Article 72 of the Constitution of the Bolivarian Republic of Venezuela *"to recall all those deputies who have not performed the function for which they were elected."*

Third time lucky? Miranda Governor Henry Capriles explained that SICAD is a third devaluation because the price set at the auction will be higher than the official exchange rate. He also pointed out that this "new devaluation" is a harsh blow to the Venezuelan economy, which already has inflation of 25% so far this year.

Single ballot. The Alliance for Democratic Unity (MUD) is to go to the municipal elections with a single ballot to *"make it easier for voters, make things less confusing, and take advantage of the experience of the April 14 elections."* The parties Vanguardia Popular, Movimiento Republicano, and MAS have made the MUD's willingness to discuss certain candidacies to councilor –in cases where the possible candidates do not have the support of the party coalition but are strong leaders in their constituencies- a condition of joining the opposition's ballot.

Piñera and Bachelet still up in the air. Miranda Governor Henrique Capriles is to visit Chile and hopes to meet with President Sebastián Piñera and former President and presidential candidate Michelle Bachelet. Already on Capriles' agenda are meetings with legislators from the government party, Unión Democrática Independiente (UDI), and other political parties.

MERCOSUR at our feet. President Nicolás Maduro assumed the presidency of the Common Market of the South (MERCOSUR) and said that he hoped that the bloc would *"go beyond trade to the economic"* and even make progress on the social front (education, health, food, among other things). He also explained that one of the main things he wants to achieve during his term as president is to get Paraguay to rejoin the bloc.

Legislative Tips

Vehicles buy and sell bill aims at full control of the market. The NA has resumed its debate of the bill that aims to regulate the buying and selling of vehicles, with 31 of its 38 articles already having been approved. Some of the notable restrictions



approved thus far are the ban on selling automobiles for more than the value set by the authorities, the requirement that the owner of a vehicle acquired under one of the state plans wait for three years after making the purchase before reselling the vehicle, and the rule that states that the media may not advertise automobiles at prices above those established by the authorities.

Betancourt and Merentes are now governors. Finance Minister Nelson Merentes has been appointed as governor to the World Bank, the Andean Development Corporation (CAF), the Inter-American Development Bank (IADB), and also to the Board of Governors of the OPEC Fund; and the president of the Central Bank of Venezuela, Edmée Betancourt, has been appointed as governor to the International Monetary Fund (IMF). These appointments were published in *Gaceta Oficial* No. 40,207.

More debt. This week was adopted at a second review in the Finance Committee of the AN a Law of Complementary Borrowing that allows the government to borrow an additional VEB 76 billion for the second half of the year. The initial law contemplates VEB 116.6 billion and with the additional debt, the government will end this year doing public credit operations by VEB 192.6 billion.

Bolivia clears the way to the Mercosur. The AN this week approved the protocol of accession of Bolivia to Mercosur as a full member. Bolivia was invited last December by the presidents of the Mercosur to join the bloc, which already is an associate member, but his accession shall take effect once the parliaments of the five member countries ratify its incorporation.





ECONOMIC OVERVIEW

