

PDVSA on the horns of a dilemma: to eat or to produce

It is a secret to no one that the way the accounts are handled in Venezuela is becoming more opaque by the day and it is more than evident that the drop in oil prices has had a negative impact on the government's finances, reducing our capacity to import and raising shortages to critical levels. At the center of this uncertainty is PDVSA, which is practically the only generator of the foreign currency the country receives and on whose sales the supply of practically everything our country needs depends. For that reason, at **Ecoanalítica** we have set ourselves the task of throwing some light, albeit briefly, on what has been happening with PDVSA's cash flow so far this year.

A first half year short on cash

Based on the production figures reported by the state-owned oil company to OPEC and an estimated value of cash-generating exports, at **Ecoanalítica** we have projected PDVSA's approximate revenues for the first half of the year. The first thing that grabs our attention is how, despite the gradual increase in crude prices over the past few months, revenues from exports have been shrinking. This is due to the drop in production and, therefore, in exports.

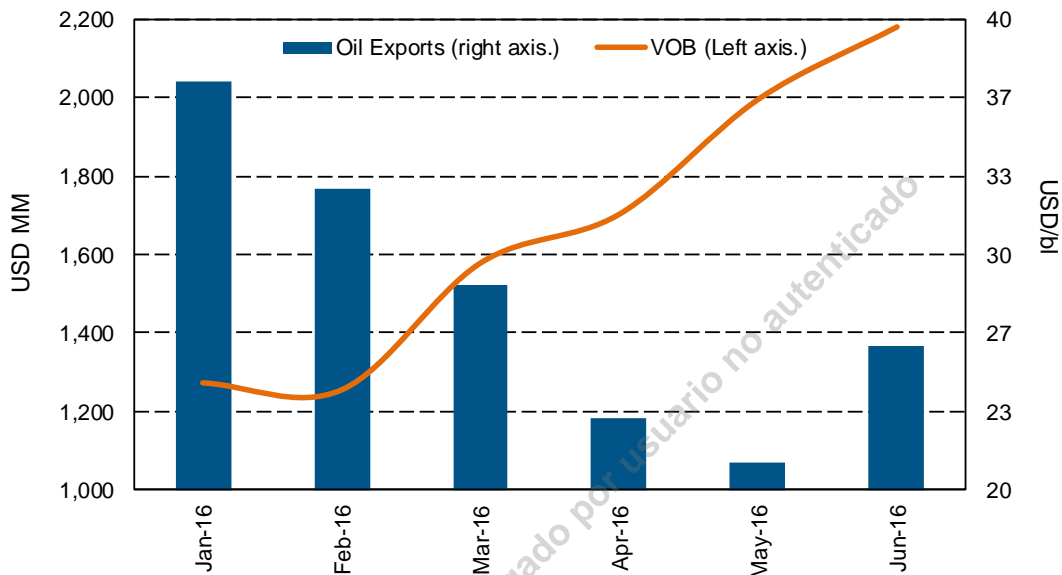
So we find that, whereas in January we estimated revenues from net oil exports in the region of US\$2.04 billion, when the price of crude was at US\$24.3 per barril (bl), in June we received revenues of around US\$1.37 billion, when the price of the Venezuelan crude basket was at US\$39.7/bl. However, that calculation is not quite true given that oil billings take around three months on average to be collected. This means that what we received in the first half of the year (1H2016) was calculated taking production and price assumptions for the period October 2015-March 2016.

Based on the foregoing we can say that PDVSA's cash flow still has to feel the beneficial effect of the increase in crude prices between April and July. On the other hand, it should not be forgotten that production has fallen dramatically in recent months, which has neutralized the positive effect of higher prices.

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Oil Exports vs. Venezuelan Oil Basket



Sources: Menpet, Pdvsa and Ecoanalítica

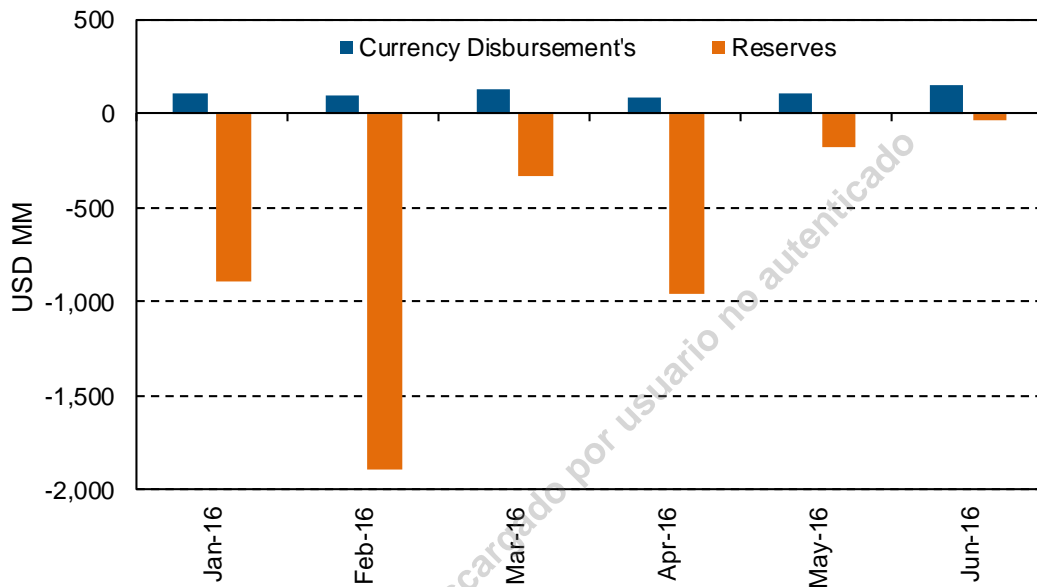
Divvying up the proceeds

Taking these estimates, we find that PDVSA had revenues in the order of US\$8.94 billion in the 1H2016. If we assume that the money to pay for servicing the debt contracted by PDVSA in the first six months of the year was taken out of that amount, we need to deduct US\$1.22 billion for that. Likewise, and as we have heard President Maduro state almost every month, despite being the country's main generator of foreign currency, PDVSA has made negligible transfers to the Central Bank of Venezuela, averaging US\$110.5 million a month and totaling US\$663 million in the first half year, an amount that also has to be deducted from PDVSA's cash flow but has not served to prevent the drop in the international reserves.

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Currency Disbursement's to the BCV vs. Reserves Variation



Sources: BCV and Ecoanalítica

A very heavy burden

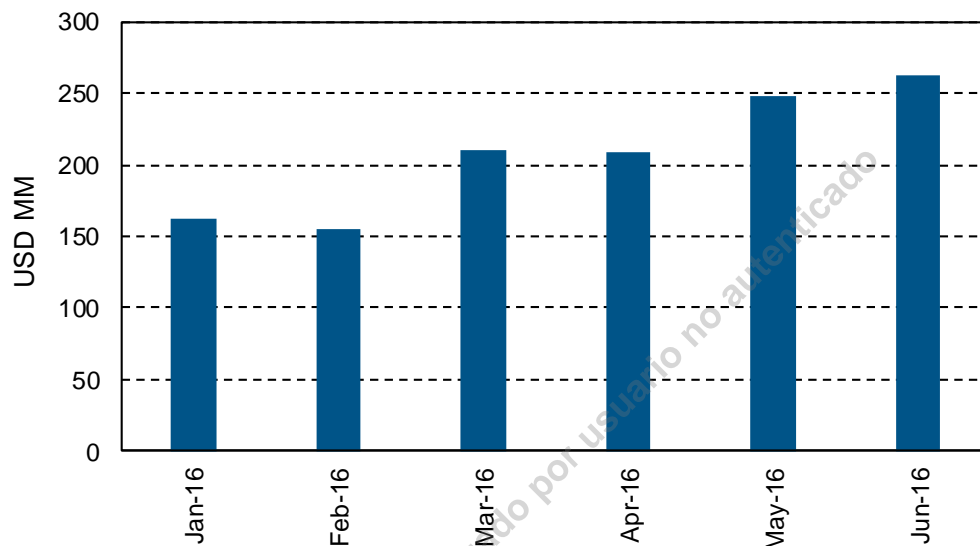
Despite having raised the domestic price of gasoline and the expected reduction in the consumption of the higher octane gasoline and, therefore, in the external purchases of products required to produce it, PDVSA's imports have not been reduced as anticipated, given the need to buy light gasoline needed by the upgraders in the Orinoco Oil Belt, which makes imports practically inelastic. At **Ecoanalítica** we estimate that imports averaged 242,000 barrels a day (kb/d) in the 1H2016, a significantly higher figure than the historic average of 100 kb/d. So we find that oil imports in the 1H2016 were in the region of US\$1.2 billion, a sum that also has to be deducted from the company's revenues.

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Year 12. Number 28. Week III
 July 2016

Oil Imports



Sources: Menpet and Ecoanalítica

What are they doing with the money?

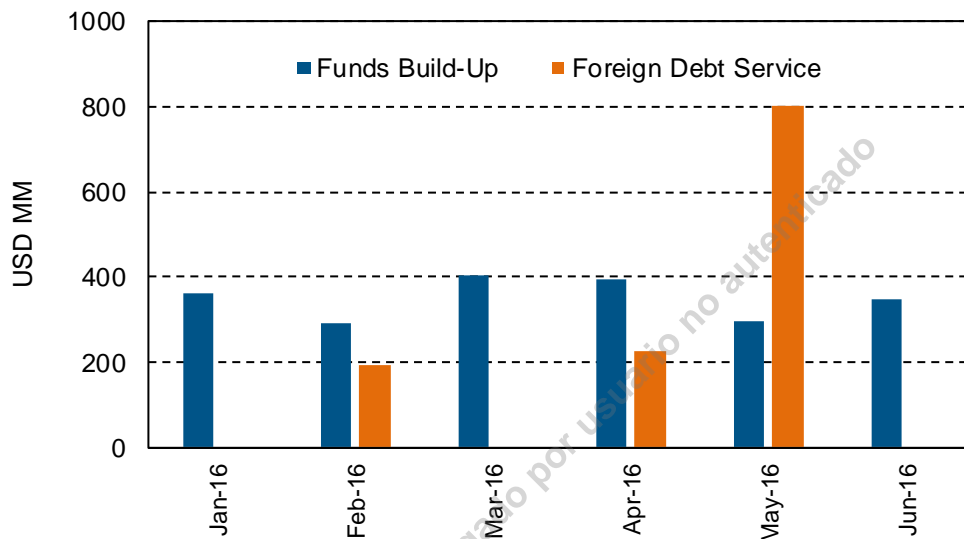
Given the revenues calculated above and deducting all the amounts mentioned previously, PDVSA still has US\$5.861 to play with. And that gives rise to the question: What is it doing with that money? Clearly it is not handing it over to the Central Bank to cover private import requirements or to pay off the debts with its suppliers.

According to information obtained by **Ecoanalítica**, in the first six months of the year, PDVSA used part of its foreign currency revenues to build up its cash on hand in order to meet its external debt payments in the second half of the year. It has been setting aside approximately US\$350 million a month on average to that cash fund with the result that, at the end of June, it already had around US\$2.09 billion available. However, debt servicing payments that PDVSA has to meet by the end of the year, including capital and interest, come to US\$4.192, which means that it still has to save more money, and that does not include the payments that fall due in 1H2017, which will come to US\$4.268.

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Funds Build-Up vs. PDVSA's Foreign Debt Service



Sources: Barclays, Mefbp and Ecoanalítica

It is important to highlight that, with the increasing possibility of a recall referendum this year, the money accumulated by PDVSA for debt repayment is likely to be used on a discretionary basis by the government. This has occurred in previous months when the president ordered the withdrawal of USD 1,000 million to finance imports of food sector.

Stretching the pennies

Now then, we can say that PDVSA still has US\$4,97 billion to play with; however, we know that a large part of that amount has been allocated to paying for public sector imports. As we mentioned in last week's report, "The private sector breaking into the piggy bank and hoping for the best," public sector imports account for 65,2% of total imports and many of them go directly from PDVSA via missions and other mechanisms.

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Year 12. Number 28. Week III
 July 2016

	Oil Exports (USD MM)	Foreign exchange deliverys to the BCV	Pdvsa Cash Accumulation (Debt 4T2016)	Pdvsa Debt Service	Pdvsa net cash
Jan-2016	2,041	106	362	-	1,573
Feb-2016	1,766	96	291	191	1,188
Mar-2016	1,522	126	405	-	991
Apr-2016	1,183	82	392	226	484
May-2016	1,067	105	296	800	-135
Jun-2016	1,364	148	346	-	870
Total	8,943	663	2,092	1,218	4,970

Source: Ecoanalítica

At this point, we can say that we are in the worst possible scenario, with low crude prices and declining oil production, and the decision now is whether the little foreign currency that is coming into the country should be used to maintain production or to import. As we have mentioned in previous reports, at **Ecoanalítica** we view the present state of the oil industry with concern. We estimate that, this year, crude will average US\$32,7/bl. and that production will be in the region of 2,40 mb/d, which would give revenues of around US\$21.190 million. However, if the situation gets worse, it is likely that the downward revision of our estimates will be conservative.

Pilar Navarro

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Year 12. Number 28. Week III
 July 2016

WEEKLY INDICATORS

Weekly Economic Indicators			
	2nd Week July	Weekly var. (pp)	Depre/Apre (pp) ¹
FX Dicom (VEF/USD)	641.8	0.3	0.3
	1st Week July	Weekly var. (pp)	Annual var. (pp)
Lending Interest Rate (%)	21.2	-1.0	2.3
	2nd Week July	Weekly var. (pp)	Annual var. (pp)
Overnight Interest Rate (%)	10.2	7.3	-1.0
	2nd Week July	Weekly var. (%)	Annual var. (%)
International Reserves (Bn USD)	11.96	-1.1	-26.4
	1st Week July	Weekly var. (%)	Annual var. (%)*
Central Government Spending (VEF Bn)	58.1	-10.3	95.4
	1st Week July	Weekly var. (%)	Annual var. (%)
Monetary Liquidity (VEF Bn)	5,292	0.4	97.8
Price of International Oil Baskets (USD/bl)			
	2nd Week July	Weekly var. (%)	Annual var. (%)
WTI	45.5	-4.1	-10.9
Brent	47.0	-3.5	-18.7
Price of the Venezuelan oil basket (USD/bl)			
	2nd Week July	Weekly var. (%)	Annual var. (%)
Weekly Average	37.9	-4.4	-25.3
Annual Average	31.9	0.7	-36.0

Sources: BCV, MENPET, ONT and Ecoanalítica

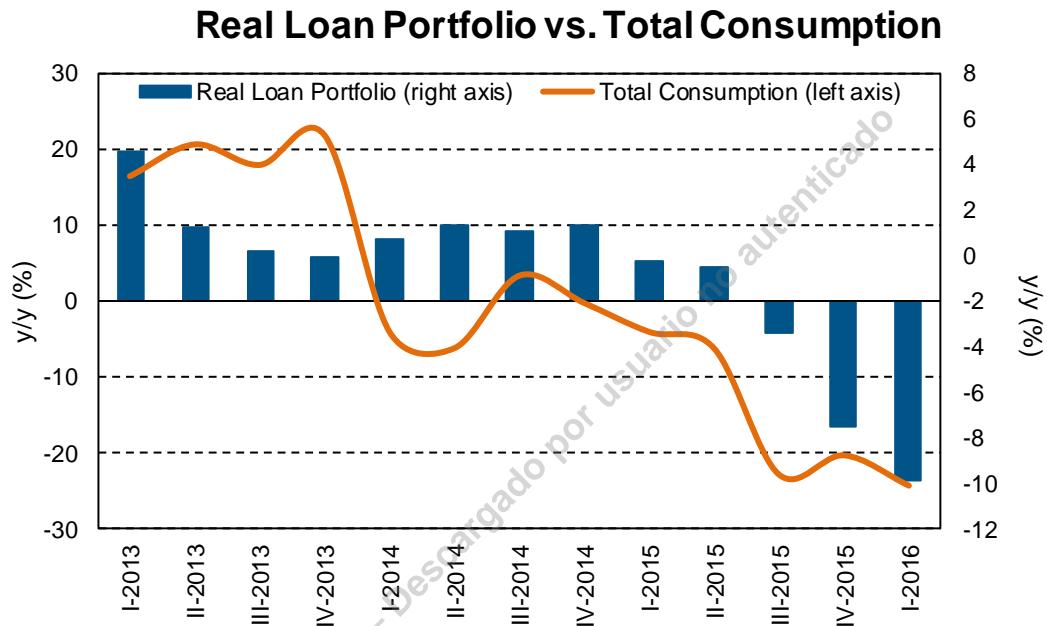
* Annual variation of accumulated expenditure.

¹ Depreciation (+)/Appreciation (-)

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CHART OF THE WEEK: “THE CREDIT ENGINE IS MELTED”



Sources: BCV, Sudeban y Ecoanalítica

In the past few years, the loans portfolio / total consumption ratio has been a key factor for understanding the behavior of consumption, indicating in part that there is a direct relationship between these variables; in other words, if there is growth in the loans portfolio in real terms, this will be reflected in higher consumption. In this regard, due to the existence of negative real interest rates, credit was the main support of consumption until fairly recently. However, since 2014, increasingly high inflation has shrunk the financial system’s lending capacity, which has had a negative impact on consumption.

In 2015, inflation spiraled even higher (180.0% according to the Central Bank of Venezuela) and, as a result, in 2Q2015 that earlier positive growth of the loans portfolio became a contraction, which was reflected in a considerable drop in consumption. The story seems to have repeated itself in 1Q2016, when cumulative inflation was 39.8%, having an impact on growth in the loans portfolio and consumption and with the contraction in consumption estimated at more than 10.0%.

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ECONOMIC TIPS

Worker's Food Basket reaches VEF 75,623. According to the last report by the Cenda, the Worker's Food Basket (CAT for its Spanish acronym) reached VEF 75,623 on February 2016. This represents an increase of 10.9% compared to the previous month and of 423.3% compared to February 2015. During the first two months the accumulated variation of the CAT was 28.4% (VEF 17,707).

Family income only covers 12.8% of the basket. According to the report by Cenda, the minimum wage of VEF 9,648, effective in February 2016 had a hypothetical purchasing power of 12.8% and a deficit only to food acquisition of 87.1% (VEF 65,975). That means that, a family today requires more than seven the minimum wage just to cover their basic expenses on food.

The end of the road. After a business relationship of many years standing, Citigroup announced that, upon having conducted a periodic risk management review of Venezuela, it had decided to suspend correspondent banking and also the servicing of certain accounts in Venezuela within 30 days' time. The accounts that will be affected include a number of accounts associated with the Central Bank of Venezuela and Banco de Venezuela.

Are imports at risk? In general terms, the vast majority of imports made by the private sector are conducted via SIMADI (now DICOM), where correspondent accounts play an extremely important role in how this mechanism operates. Given this situation, the Central Bank of Venezuela could opt for establishing a new correspondent arrangement with another bank or it could amend Foreign Exchange Agreement No. 20 to allow local financial institutions to use their own international correspondent banks to perform operations via DICOM.

Set fair for 300,000. According to the latest report published by the Documentation and Social Analysis Center of the Venezuelan Teachers' Federation (CENDAS-FVM), the Family Food Basket came to VEF 277,432.38 in June, up nearly 22.5% (VEF 50,970.71) from the previous month. But the outlook gets even blacker when account is taken of the fact that in June this year the family food basket had gone up by 766.3% since June 2015 and that it cost nearly 18.4 minimum wages.

We're continuing in the fight. Vice President for the Economy Miguel Pérez Abad stated that they are continuing to work on reducing the country's reliance on raw materials imports with a view to saving more foreign currency that could be

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Year 12. Number 28. Week III
July 2016

reinvested in the supply plan and also be used to contribute to further develop the country's industrial sector.

Grim outlook for the short term. In its latest report, Goldman Sachs describes a far from encouraging outlook for the Venezuelan economy this year. Among its projections are a contraction of nearly 7.8% accompanied by inflation of around 275.5%, a drop in imports of 24.1%, and a reduction in total exports of 27.3%.

And in the long term? The investment bank also highlights that the environment of hyperinflation, a sizeable fiscal deficit, the real appreciation of the currency, and restricted access to international markets are the main factors that will contribute to an increase in the possibility of the economic and social crisis continuing for some time to come, stating that the situation could even carry through to 2019.

A rescheduling on the horizon? Goldman Sachs also points out that, unless significant changes are made to the government's policies or, failing that, there is a considerable increase in oil prices at least in the medium term, the market views a scenario of default and possible rescheduling of the nation's outstanding foreign debt as something feasible.

Growth is only in nominal terms. The Venezuelan financial system's loans portfolio posted an increase of nearly 7.8% in June compared to May, bringing the annual rate of growth as at June to around 117.0%, both in nominal terms. However, if account is taken of inflation, we find that there has been a contraction in real terms of 13.6% between May and June and of nearly 49.9% compared to June last year.

OIL TIPS

Reviving production. Minister of Oil and Mining and President of PDVSA Eulogio Del Pino has made it clear that production in the Orinoco Oil Belt continues to increase. *"Our production in the Orinoco Oil Belt continues to grow and grow with the enthusiasm of our workers, with new strategies we are developing with both our partners and our workers,"* said Del Pino during a visit to the area.

Swapping one debt for another. Minister Del Pino said that PDVSA is currently negotiating the use of financial instruments as a means of payment for outstanding invoices with service companies. Since 2015, PDVSA has been negotiating this strategy, which offers credit notes maturing in 2019 and earning interest of 6.5%.

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Year 12. Number 28. Week III
July 2016

The minister claimed that, this way “*we will exchange a commercial debt for a financial debt, which will allow them (the service companies) to obtain cash and also have instruments with an economic yield in order to manage the situation of low prices.*”

World supply on the up. According to the latest report from the International Energy Agency (IEA), global supply increased in June by 0.6 mb/d compared to the previous month to 96.0 mb/d, after interruptions in production from the Organization of Petroleum Exporting Countries (OPEC) in May. Global production was down 750.0 kb/d compared to last year. Non-OPEC supply is expected to contract by 0.9 mb/d in 2016 to 56.5 mb/d, although it is projected that it will increase by some 0.2 mb/d in 2017.

Demand at its highest. According to the IEA, global demand grew by 1.4 mb/d in the second quarter of the year (2Q2016) compared to the same period in 2015, a situation that is unlikely to continue the rest of the year. As for 2017, the forecast is for demand to slow down with a drop of 1.3 mb/d and average consumption of 97.4 mb/d.

Record OPEC production. OPEC crude output was up 400.0 kb/d in June to an eight-year high of 33.21 mb/d, according to data published by the IEA. This result was a consequence of Gabon rejoining the market, a significant increase in Saudi Arabia’s output, which reached 10.45 mb/d, and the recovery of Nigerian fields following attacks by rebel groups.

The Middle East to the rescue. The increase in output in the Middle East has raised OPEC supply by 510.0 kb/d compared to last year. This is a record for the region, which today supplies 35.0% of global oil demand, a percentage not reached since 1970, proving that, even though United State oil production continues to grow, the traditional markets are still essential.

On a steady slide. Crude prices have been sliding steadily from their high of US\$51.23/bbl. in early June, which has resulted in the oil barrel trading at between US\$44.7 and US\$59.88. The drop in prices at the end of last month can be explained mainly by the drawdown of inventories in the United States.

Record increases. According to figures published by the IEA, the inventories of the Organisation for Economic Cooperation and Development (OECD) were up 13.5 mb/d in May to a record 3.074 b/d at the end of the month. Preliminary data for June

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Year 12. Number 28. Week III
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indicate an increase of 0.9 mb/d, whereas floating storage has reached their highest levels since 2009.

Refinery activity down. In its report, the IEA states that global refining activity fell 1.0 mb/d in April and remained 1.5 mb/d below last year's levels due to significant cuts in consumption in a number of regions. This prompted the IEA to adjust its projections for 2Q2016, leaving refinery consumption at 78.5 mb/d. This is the first annual drop in three years. Estimates for 3Q2016 are more stable at around 80.95 mb/d.

Slowly but surely. In May China's demand for crude grew by only 130 kb/d compared to May 2015. Similarly, demand for gasoline in the United States was up by only 75 kb/d from last year, 410 kb/d less than expected. These figures are part of a trend of a slowdown in annual increases in demand in the world's main economies.

Petrobras is not for sale. The president of the Brazilian oil company Petrobras, Pedro Parente, gave assurances that the company was not going to be privatized. In statements to the daily newspaper *Folha*, Parente was emphatic in saying that Brazilian society was not even ready to discuss such a possibility. Due to the cases of corruption that have resulted in the company having financial difficulties, the possibility of selling of assets and concessions of major oil fields has been broached.

BUSINESS SECTOR TIPS

New vehicle sales down 87.1%. According to data supplied by the Automotive Chamber of Venezuela (Cavenez), new vehicle sales in June fell by 87.1% compared to June 2015. Between January and June this year, 1,104 vehicles were sold, 9,268 units less than during the same period in 2015. The breakdown of sales was as follows: locally manufactured vehicles, 1,593 units (down 85.4% from last year); and imported vehicles, 111 units (an improvement of 70.0% compared to 2015).

Vehicle production fell by 82.8%. According to data published by Cavenez, vehicle production in June fell by 82.8% compared to June last year to 323 units. This brings cumulative production between January and June 2016 to 1,550 units, 85.8% lower than the same period last year, when it came to 10,922 units.

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Year 12. Number 28. Week III
July 2016

That's not the way. The president of Fedecámaras, Francisco Martínez, said that the Great Sovereign and Secure Supply Mission was another step in the wrong direction, claiming that stepping up controls and a bias towards imports were not useful alternatives. As Martínez sees it, *"The problem will not be addressed until the fence around the economy and the business sector is lifted or they are no longer imprisoned."*

That's no way to solve the problem. Juan Pablo Olalquiaga, the president of Venezuelan Confederation of Industries (Coindustrias), was highly critical of the new alternative proposed by the Executive, in the form of the Great Sovereign and Secure Supply Mission, as a solution to the economic problems Venezuela is experiencing. *"Management of the economy should fall to the Executive and to the ministers specializing in economic matters. But this time it has been handed over to the minister of defense, and one would like to know what the General's competences are for understanding the problems the Venezuelan economy is suffering from,"* said Olalquiaga.

Slowly but surely. Colombia's Foreign Minister María Ángela Holguín announced that the Colombian-Venezuelan border would remain closed until it is opened permanently, following a meeting with the governor of Táchira state, José Gregorio Vielma Mora, and the governor of Norte de Santander, William Villamizar. *"We're working on having an organized border, a legal border, an effective border from the point of view of migration that remains open permanently,"* she said.

All for one and one for all. Three of the largest telecommunications companies, namely Movistar, Movilnet, and CANTV, have taken the decision to considerably increase the charges for their various telephony and Internet services. After charges had been allowed to lag behind, some increases were close to 300.0% and even higher, thus increasing the weight of this current expenditure in Venezuelans' monthly budgets, with some plans being equivalent to 20.0%, 30.0% and even 70.0% of the minimum wage.

It's not possible without private business. With its decision to suspend operations indefinitely given the deterioration in economic conditions and the business climate in Venezuela, Kimberly Clark has joined the long list of transnational companies that have been forced to leave the country because of the profound crisis Venezuela is experiencing. In the space of just two years, Venezuela has seen Bridgestone cease operations, General Mills sell Diablitos Underwood, and Palmolive-Colgate close down its Colgate production lines, to name but a few.

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Not enough to bridge the gap. Tomás Ramos, the president of the Venezuelan Federation of Bakeries and Similar Industries (Fevipan), said that the lack of wheat had contributed to the suspension of operations at a number of plants throughout the country, with the result that the production of bread had been affected. He also highlighted the fact that the recent arrival of only 30,000 tons of wheat was only enough to cover 20.0% of demand, claiming that the ideal would be to receive between 100,000 and 150,000 tons of wheat a month in order to keep production levels stable.

Neither one thing nor the other. José Antonio García, the spokesman for Únete Workers Union stressed the negative impact that the present crisis has had on worker absenteeism. According to García, one in ten workers do not show up for work for a variety of reasons and three in ten decide to take time off in order to shop for essential products such as food and cleaning and personal hygiene products.

WORLD ECONOMY TIPS

They're in no hurry. The authorities at the United States Federal Reserve (FED) are in no hurry to raise interest rates while the situation in the aftermath of the referendum held on June 23 in the United Kingdom. James Bullard, the president of the Federal Reserve Bank of St. Louis, said that, after Brexit, some people want to wait and see and that he was happy with that approach for now. "*There's really no rush,*" concluded Bullard. The rates of between 0.25% and 0.50% will be maintained until June next year, at the earliest.

The English spring another surprise. The Bank of England surprised many investors last Thursday when it maintained its interest rates. Following Brexit, investors expected the first cut in more than seven years of seeking to achieve stability. Furthermore, representatives of the Bank of England made it known that it was likely that a package of measures to stimulate the economy would be announced in three weeks' time, once the impact of Brexit on the British economy had been evaluated.

Brexit continues to set the pace. The value of assets in UK funds has dropped by more than US\$40.0 billion in the aftermath of Brexit. Much of this drop in value was due to the depreciation of the pound. The drop of nearly 8.2% in assets is in line with the drop in the pound over the past three weeks. The real estate sector has

been the hardest hit by this phenomenon, with the freezing or cutback of £18.0 billion in loans to minority investors.

Inflation makes a comeback. The euro zone posted inflation once again in June, after four months of falling or stable prices. Prices went up by 0.1% from the previous month, according to Eurostat. Core inflation, which excludes energy and the more volatile food products, remained at 0.8% in May. The sector posting the highest inflation was services, the most important component in the euro zone, with an increase of 1.1% year-on-year.

Euro zone production down. Industrial production in the euro zone fell more than expected in May. The reduction of 1.2% compared to May 2015 was driven by the drop in energy production. The energy sector experienced the biggest setback, posting a contraction of 4.3%, after two months running of increases in production.

Spain reaches its limit. Spain's public debt came to EUR 1.09 trillion in May, up from April, when it was EUR 1.07 trillion. The debt / GDP ratio came to 99.9%, an increase of nearly 1.0% compared to April. The Spanish Government plans to close the year with a debt / GDP ratio of 99.1%. Before the onset of the crisis in 2007, Spain's debt was equivalent to 35.5% of the country's GDP.

Terrorism hits the economy. The European stock markets plummeted on Friday, hard hit by the drop in the tourism and travel sector. Following the attack on Nice, which resulted in 80 dead and dozens wounded, airline and travel company shares were seriously affected. Air France, KLM, EasyJet and IAG fell by between 1.6% and 3.0%, whereas the France's CAC 40 Stock Market Index depreciated by 0.5%.

Very good, but very fast. The Chinese economy grew by 6.7% in 2Q2016 compared to the same quarter last year. Slightly higher than estimated growth was achieved thanks to efforts made by the Chinese Government to stabilize the economy. Despite this, however, the drop in private investment prompted the Chinese Government to increase public spending by 19.9% in June. Consequently, a slowdown in growth is forecast for the second half of the year.

Slowdown in China's recovery. China's exports fell more than expected in June, following a contraction in global demand and the decision by the United Kingdom (one of its main trading partners) to leave the European Union (EU). Exports shrank by 4.8% compared to June last year and imports fell even more, down 8.4% from June 2015.

Year 12. Number 28. Week III
July 2016

Sky high. Housing prices in 70 Chinese cities went up by 7.3% in June compared to June last year. This means another hike in housing prices, which already went up 6.9% in May from May 2015, a situation that has helped growth of the Chinese economy and the recovery of the real estate market. The increase in housing prices has led some experts to fear that the real estate market in some cities is overheating.

POLITICAL TIPS

CNE showing signs of fear. Cliver Alcalá, the former commander of the Integral Defense Network (REDI), together with former ministers of the late President Hugo Chávez, handed in a document to the National Electoral Council (CNE) in which they demand, on behalf of *Marea Socialista*, that the recall referendum be held. Alcalá criticized the way in which the CNE received the document, saying: *“The CNE was terrified to receive a communication that tells it, among other demands, to respect the Constitution. Prior censorship!”*

Support for the recall referendum continues to grow. The pollster Venebarómetro published the findings of its latest poll, according to which 58.0% of those interviewed would be “very willing” to sign in favor of the recall referendum. According to the pollster, this means that there would be 11.4 million voters who would be prepared to activate this process. The poll shows that there has been an increase of 18.0% in those supporting the referendum compared to February.

The Unity Alliance gets moving. The Democratic Unity Alliance and its main leaders concluded the first round in their efforts to promote the recall referendum. The Unity Alliance visited Aragua, Carabobo, Zulia, Monagas, Nueva Esparta, Táchira, Bolívar, and the Capital District between July 14 and 17. During his visit to Puerto Cabello, Governor of Miranda Henrique Capriles Radonski ratified his conviction of the need to press for the recall referendum and said: *“We can’t wait for the CNE to set the date for the 20.0% at their convenience. We have to get organized and bring pressure to bear. The recall referendum is our right and we’re going to exercise it in 2016.”*

Capriles calls on people to take to the streets. Governor of Miranda Henrique Capriles Radonski said that there would be a march on the CNE to demand a date for collecting the signatures of 20.0% of the electorate. From the Valles del Tuy, Capriles said: *“This week we’ll mobilize people to the CNE to get the four ladies to give a date for the 20.0%. We’ll announce when it’s going to be.”* He also made it

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clear how important it was to bring pressure to bear to demand the holding of the referendum. *“We’ll get mobilized because we Venezuelans can’t stand by with our arms crossed while they continue to destroy the country,”* he said.

Chaderton admits to shortcomings and incompetence. Roy Chaderton, the government’s delegate for dialog and former Venezuelan Ambassador to the Organization of American States (OAS), said that some members of the government have not been up to carrying out President Nicolás Maduro’s project. Chaderton also described the country’s economic and social crisis as a disaster and a tragedy, but that it would be gradually solved by the Executive.

Going to Colombia in search of what? Vielma Mora, the governor of Táchira state, claimed that Venezuelans who are crossing the border into Colombia are not going to find food. He also denounced that there are smuggled Venezuelan products being sold in Colombia with a heavy markup. *“It’s not true that going to Colombia to shop is much cheaper than shopping in Venezuela. The Venezuelans who crossed the border this weekend have come back with very few products. What they’ve bought is toilet paper,”* said the governor.

People crowd the border. 80,000 people crossed Simón Bolívar and Pedro María Ureña bridges on the Colombian-Venezuelan border, according to Víctor Bautista, a spokesperson of Colombia’s Ministry of Foreign Affairs. The Colombian Government announced a special dispatch of basic products to restock stores in Cúcuta, following the visit by thousands of Venezuelans. This has given rise to different opinions with regard to the reopening of the Colombian-Venezuelan border, an issue that will be discussed on August 4.

A call for a police force for Greater Caracas. The mayor of Sucre Municipality, Carlos Ocariz, submitted a proposal to the National Assembly’s Homeland Policy Committee for the creation of a police force for the Caracas Metropolitan Area. The mayor, whose municipality belongs to Greater Caracas, ratified the need to take measures given the lack of security, a situation he described as *“critical.”* He also classified the Central Government’s attempts to fight crime with the creation of the National Police Force as a *“failure.”*

Cabello on the defensive. Deputy for the United Socialist Party of Venezuela (PSUV) Diosdado Cabello said that, in the event that there was a change in the Executive with the Democratic Unity Alliance governing, his militants would *“take to the streets.”* Cabello warned what the consequences would be in a hypothetical turn of events. *“Let’s do an exercise to strengthen our resolve. Let’s think about the*

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Venezuelan rightwing governing this country. What would we do if the rightwing were to govern this country? We'd rise up, right?"

Making sure of production. Minister of Defense General Vladimir Padrino López said that the government would intervene in some companies if necessary. During inspections of *El Tunel* milk, eggs, and meat processing plants, the minister stated: *"It's a matter of controlling all the processes throughout the country, not intervening in but controlling the processes. In cases where it's necessary to intervene, we'll intervene."* With these words the minister made it clear that his intention was to monitor the production process of Venezuelan industries.

LEGISLATIVE TIPS

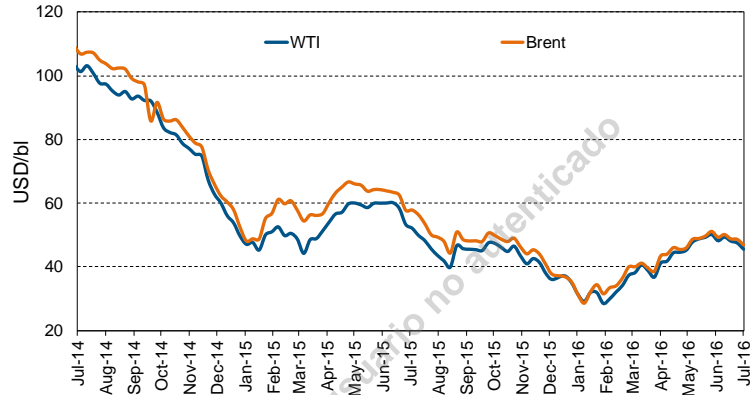
Tailor-made laws. The Supreme Court (TSJ) authorized the Central Bank to use the international reserves and acquire loans without previous approval of the National Assembly (AN). The courts president, Gladys Gutierrez, highlighted the importance of the measure stating that *"it is in the nation's special interest due to the economic state of emergency currently enforced"*. *Gutierrez justified the ruling "the previous control the National Assembly had over the Central Bank violated its constitutional autonomy"*.

Another 60 days. Decree 2270 published in *Gaceta Oficial Extraordinario* 6219 on Friday, July 11, extends the economic emergency decree issued on January 14 this year for a further 60 days. The reason for the extension is that the *exceptional, extraordinary and short-term circumstances* that prompted the declaration of an economic emergency persist.

The battle of the institutions continues. The opposition majority in the National Assembly rejected the proposal of a second extension to the state of economic exception and emergency. Its refusal to approve the extension was based on the unconstitutional nature of a second extension given that this is not an option established in the Constitution and on the fact that the economy has continued to deteriorate since the issuing of the original decree.

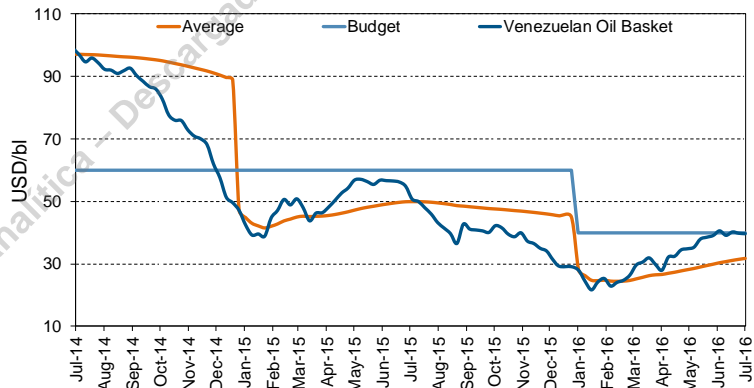
ECONOMIC INDICATORS

Oil Prices (WTI and Brent)



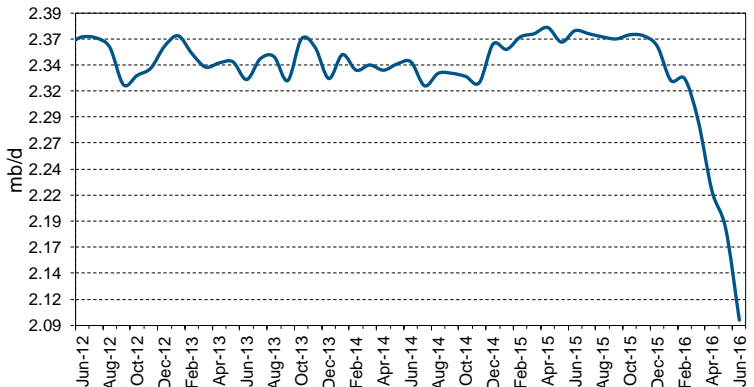
Sources: Menpet and Ecoanalítica

Oil Price (Venezuelan Basket)



Sources: Menpet and Ecoanalítica

Oil Production



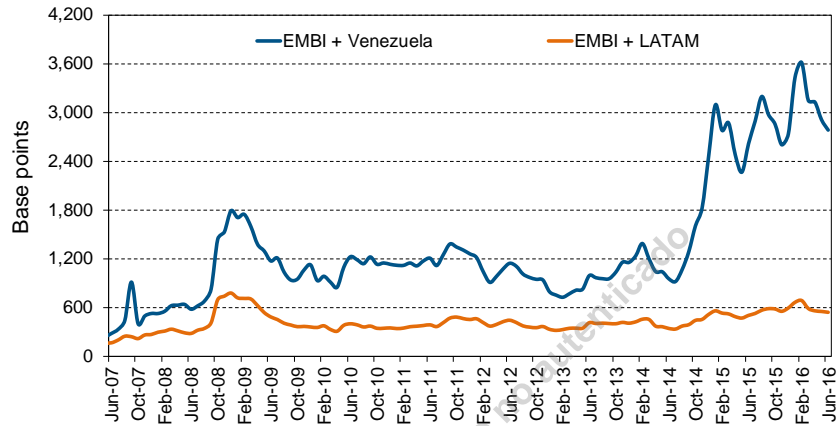
Sources: OPEP and Ecoanalítica

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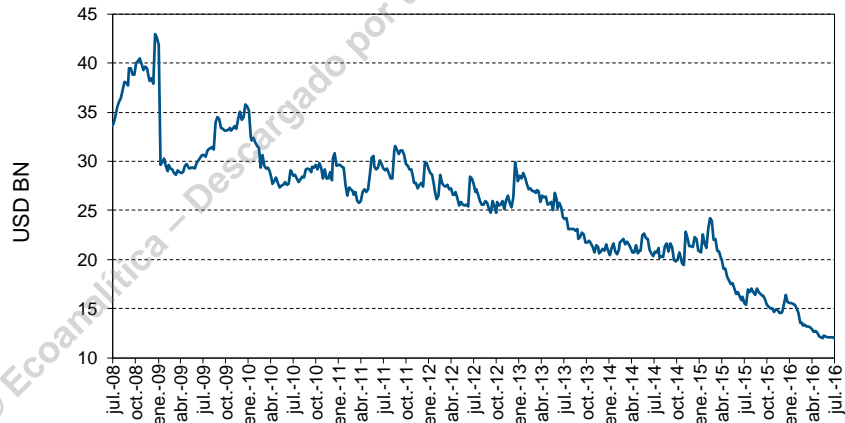
Year 12. Number 28. Week III
July 2016

EMBI



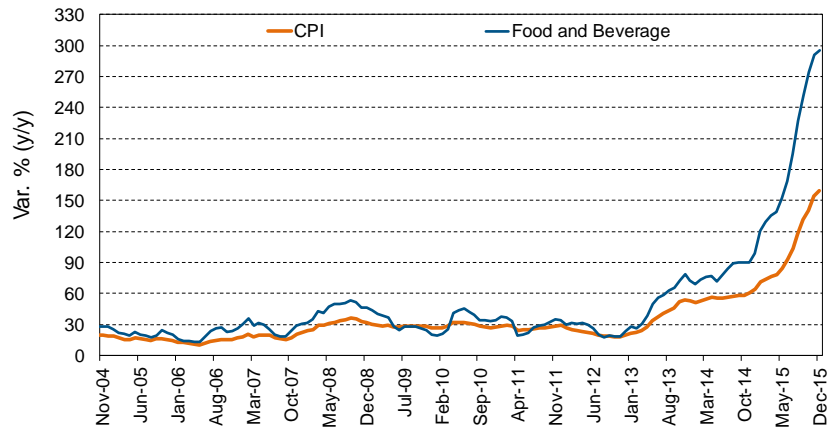
Sources: BCRP and Ecoanalítica

FX Reserves (BCV)



Sources: BCV and Ecoanalítica

Inflation (BCV)



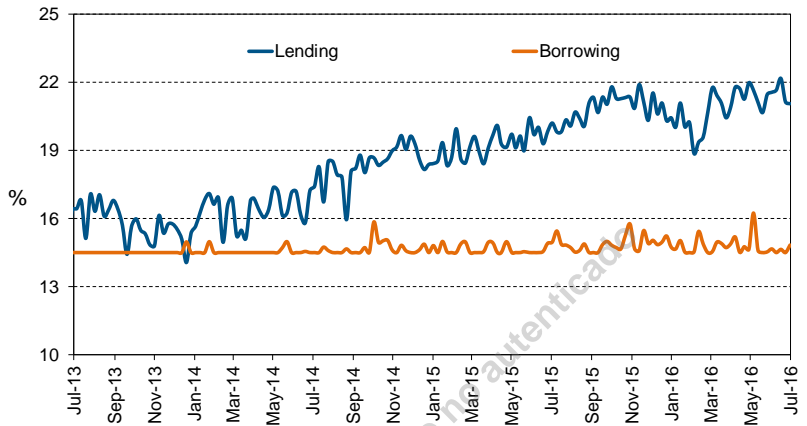
Sources: BCV and Ecoanalítica

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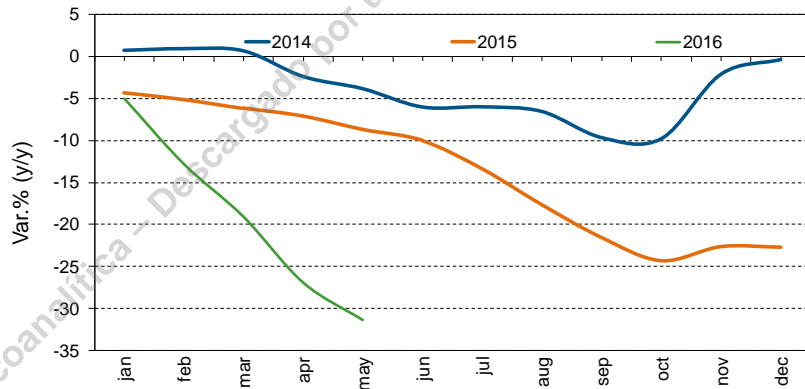
Year 12. Number 28. Week III
July 2016

**Interest Rate
(Six major banks)**



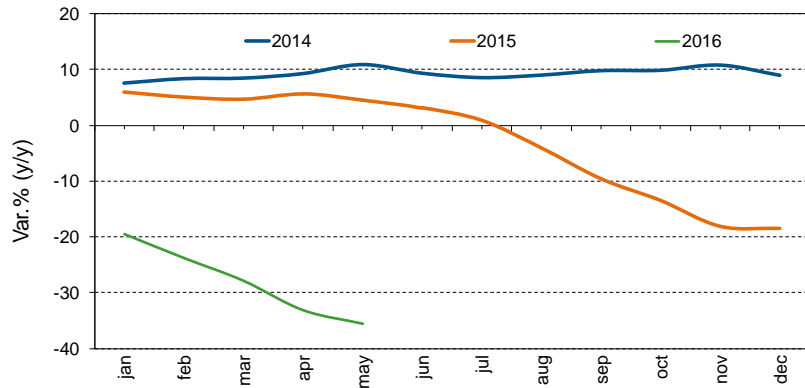
Sources: BCV and Ecoanalítica

**M2 Expansion
(Real)**



Sources: BCV and Ecoanalítica

**Loan Portfolio
(Real)**



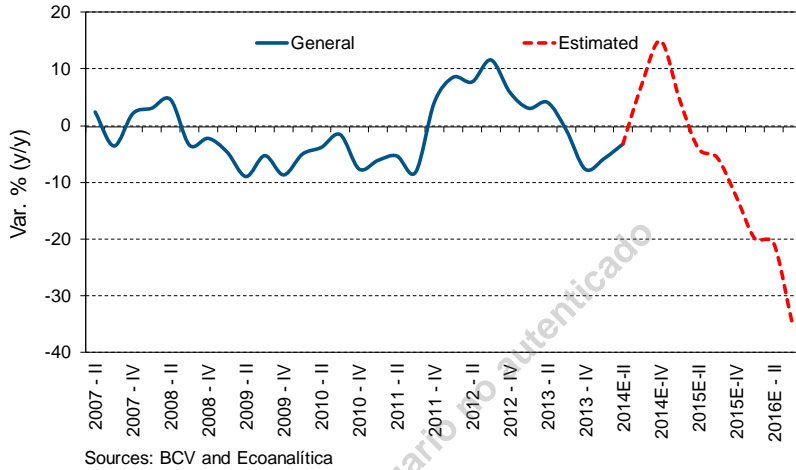
Sources: SUDEBAN and Ecoanalítica

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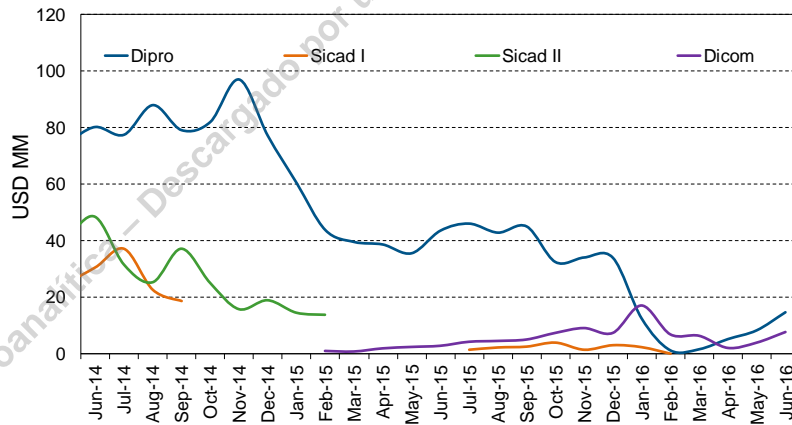
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Year 12. Number 28. Week III
July 2016

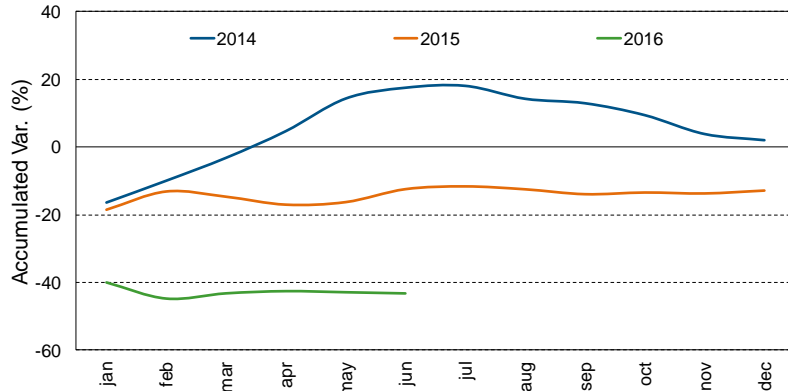
Real Wage Index



Disbursements to the Private Sector (Daily Average)



Primary Spending NTO (Real - Central Government)

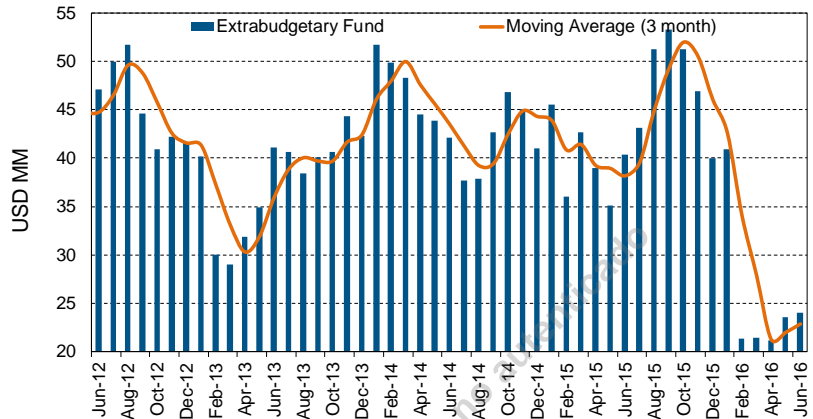


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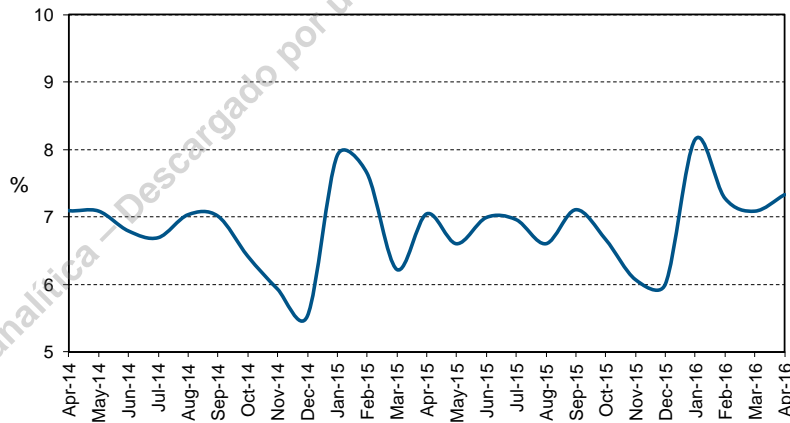
Year 12. Number 28. Week III
July 2016

State Extrabudgetary Resources



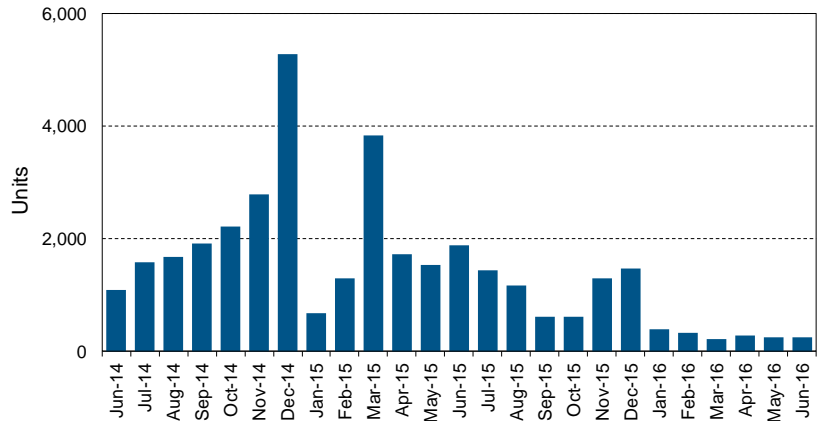
Sources: Ecoanalítica

Unemployment Rate



Sources: INE and Ecoanalítica

Vehicle Sales



Sources: CAVENEZ and Ecoanalítica

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