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The art of payroll: Wages in Venezuela

Among the many challenges faced by Venezuelan companies, the establishment of a salary scheme adequate to the current economic situation stands out. Whether it is the choice of the currency of payment or the management of different adjustment strategies (indexing to the exchange rate or inflation), deciding how much and how to pay employees is one of the most important and difficult day-to-day problems in the country's private sector.

Especially the scarcity of official information - such as wage, productivity, and inflation figures - makes it difficult for firms to adjust their wages to their environment. In response to this, in recent years, alternative studies have been published that shed light on existing conditions and thus make it possible to infer wage differentials across the economy and create corresponding strategies. In this regard, this report will review the most recent unofficial wage figures, framing the respective dynamics in the national and international contexts, and then offer recommendations that respond to these new conditions.

A look at the parallel figures

The Business Survey conducted by the Inter-American Development Bank (IDB) together with the Instituto de Estudios Superiores Administrativos (IESA)¹ summarizes the Venezuelan labor environment as one of low wages, with a low proportion of skilled labor, difficulty in attracting experienced human capital in the domestic market, lack of internal training in firms and a labor force that lacks motivation and commitment.

In this sense, the IDB's work, conducted between the last half of 2019 and the first half of 2020, shows a private sector strongly impacted by the economic contraction, where 57.3% of firms claimed to have reduced their payroll in the last two fiscal years, with 15.7% reporting an increase and 27.0% with no salary modifications. Among these, 38.8% of firms indicated that their wage changes were due to changes in the economic environment and 33.0% to changes in demand for their goods.

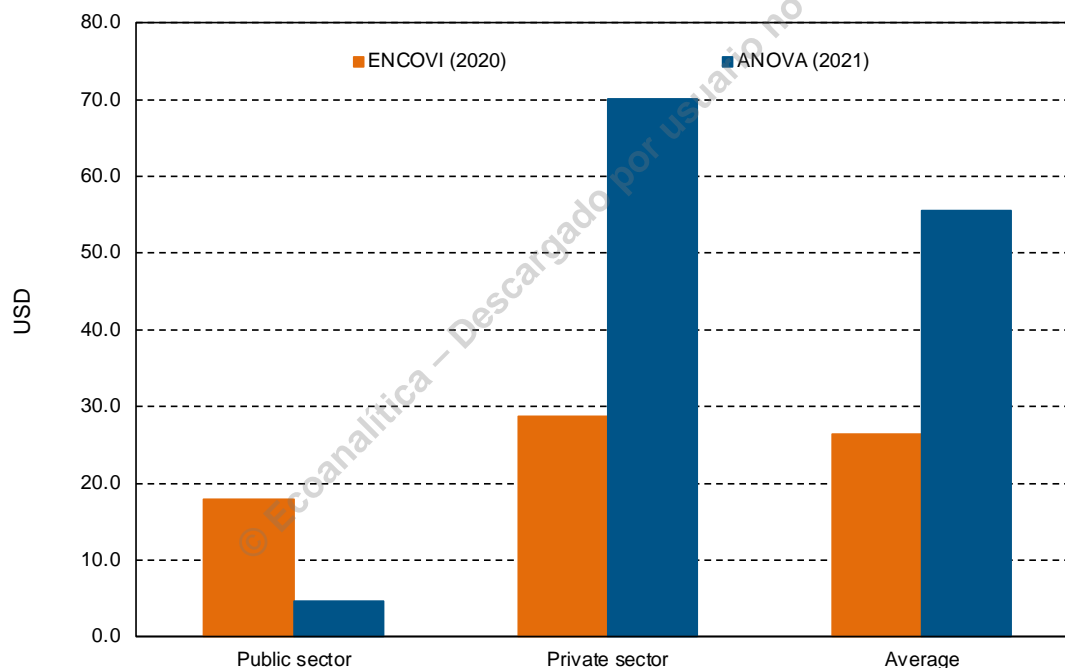
¹ Saboin, J. (2021). *The Venezuelan Enterprise: Current situation, challenges and opportunities*. IDB.

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Improvements in 2021

On the other hand, the Venezuelan Workers' Compensation Index (IRT, for its initials in Spanish), conducted by ANOVA² and composed of data collected between October 2020 and February 2021³ seems to point to better trends for 2021. On average, the IRT grew 22.7% between January 2020 and January 2021, driven exclusively by wage increases in the private sector, which grew 41.5% in the aforementioned period, while the public sector experienced a drop of 82.7%.

Monthly average wages



Note: ENCOVI's data was published in 2020 and ANOVA's in 2021.
 Sources: ANOVA, ENCOVI and Ecoanalítica.

In this sense, the consultant's survey estimated that the average monthly remuneration of a Venezuelan worker was USD 55.5 for January 2021, when the private and public

² ANOVA (2021). *Índice de Remuneraciones de los Trabajadores*.

³ For the construction of the IRT, a total of 313 firms were surveyed belonging to 5 sectors of the Venezuelan non-financial economy, namely agriculture and related activities, construction, manufacturing industry, commerce and services, and the public sector (excluding banking, insurance and other financial institutions).

sectors presented a monthly average of USD 70.1 and USD 4.7, respectively. This seems to point to an expansion of the gap between private and public salaries (USD 65.4 in 2021), which was only USD 10.9 in early 2020, with private and public salaries standing at USD 28.8 and USD 17.9, respectively, according to data compiled by ENCOVI⁴. It should be noted that this increase (both in the gap and in private wages) does not seem to be due to an increase in productivity, but rather to the loss of purchasing power of the dollar and informal dollarization⁵.

A sectoral approach

The aforementioned literature seems to coincide in the wage differences between sectors, where manufacturing predominated with higher wages. Both the IRT and ENCOVI surveys marked manufacturing with average wages equivalent to USD 89.7 (2021) and USD 40.3 (2020); followed by agriculture (USD 85.9), commerce (USD 68.6) and construction (USD 51.4). The IDB report notes that this may be because manufacturing companies tend to be larger and therefore have a greater capacity to pay than other types of businesses.

In this way, the IDB underlines that large companies seem to be the ones that pay the best wages, followed by small and, lastly, medium-sized companies, although the highest average minimum wage is in small companies. The lagging wages in medium-sized firms seem to indicate that they are suffering the most in the country, probably because they depend more on bank financing and are more vulnerable to labor regulations⁶.

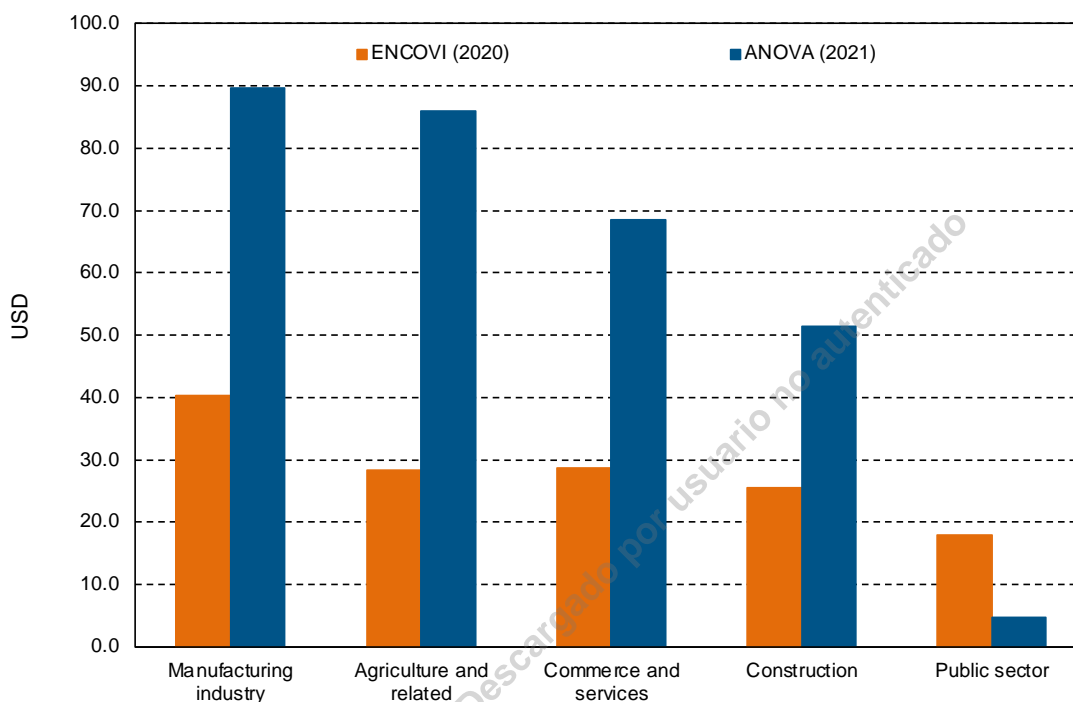
⁴ The National Survey of Living Conditions (ENCOVI) is an initiative carried out by Venezuelan universities to produce relevant information that has ceased to be published by official public agencies.

⁵ Additionally, another reason for the increase in 2021 may be due to methodological problems, where the sample used by ANOVA is different from that of ENCOVI. However, it should be noted that ANOVA uses the figures collected by ENCOVI as the basis for its study.

⁶ For more information, see our Weekly Report N° 10 of 2021: Radiography of the Venezuelan company. Part I: The average company. And our Weekly Report N° 11 of 2021: Radiography of the Venezuelan Company. Part II: The Mountain to Climb.

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Monthly average wages by sectors



Note: ENCOVI's data was published in 2020 and ANOVA's in 2021.
 Sources: ANOVA, ENCOVI and Ecoanalítica.

Lagging behind the region

On a regional scale, the Venezuelan economy presents significantly lower amounts than those of its neighbors. The average monthly salary in Latin America is close to USD 457, 8.2 times the average salary in Venezuela. Even Nicaragua, the country with the lowest salaries after Venezuela, is 4.8 times higher than the average Venezuelan salary⁷.

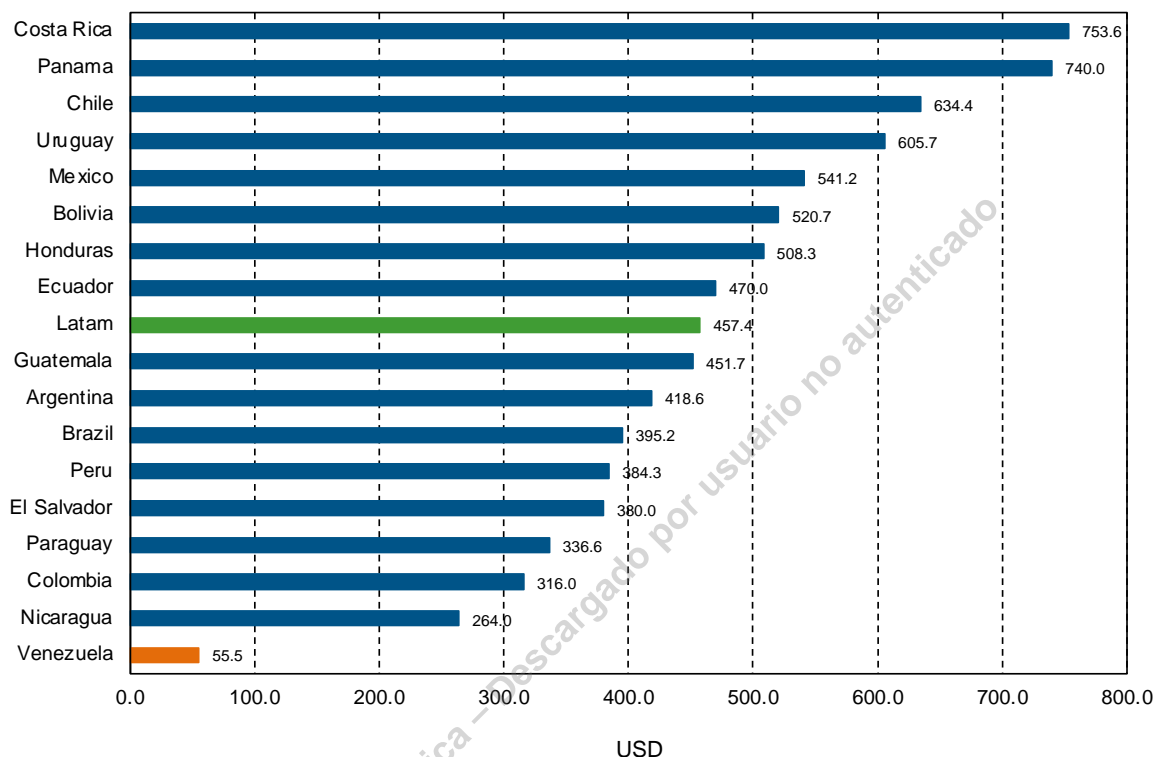
⁷ The countries considered were: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru and Uruguay.

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Monthly average wage by country



Sources: ANOVA, Preciosmundi and Ecoanalítica.

On the one hand, the wage gap between Venezuela and the rest of the region is another sign of the serious economic situation in which the country finds itself. However, the wage gap may also present an opportunity for Venezuela's skilled labor force, especially in a pandemic environment where telecommuting continues to be promoted; under these conditions, foreign companies could access skilled labor remotely and at lower costs.

Adjustments in the face of an unstable dollar

Like the rest of the economy, remunerations have seen a transition towards the use of foreign currency, mainly in dollars. According to ANOVA's National Remuneration Survey, salaries in dollars went from representing 17.4% of the payroll to 46.0% of it between 2020 and 2021, which is similar to data collected by **Ecoanalítica** indicating that by March 2021 a transactional dollarization of 67.1%⁸.

⁸ Exchange Market Report of April 2021: *Transactional dollarization study in Venezuela: March 2021.*

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However, neither full dollarization of wages nor indexation to exchange rate or inflation variations are sufficient strategies to maintain the purchasing power of the payroll. This is due to the fact that throughout 2021 the real appreciation of the exchange rate has been maintained, the counterpart of which is observed in a rise in the cost of living in dollars or the loss of purchasing power of foreign currency within the Venezuelan economy. As a result, the exchange rate hike continued without reversing its general lag with respect to general prices⁹ in the first seven months of the year, which in essence makes the exchange rate cheaper in relative terms and fosters greater demand within the exchange market.

Variation of living costs in USD (%)									
	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Cumulative variation ¹	Interannual Inflation ²
Foodstuff and non-alcoholic beverages	-0.4	5.5	7.8	4.4	3.5	9.4	8.6	45.4	90.0
Alcoholic beverages and tobacco	6.0	-0.1	2.0	3.8	-5.5	2.7	10.6	20.4	14.8
Clothing and footwear	-2.5	-4.0	-3.5	-0.5	-8.6	2.1	2.4	-14.1	-33.6
Housing rent	-17.3	2.7	3.7	-2.8	-3.5	4.2	1.8	-12.4	-40.6
Home services except telephone	-3.5	9.2	12.1	5.8	-1.6	13.8	15.4	61.5	143.0
Home equipment	9.5	-0.8	3.2	1.6	-4.4	4.7	2.9	17.2	0.3
Health	-9.7	8.8	11.0	8.8	-1.5	8.8	5.7	34.4	44.8
Transport	-4.9	15.3	18.6	-6.5	-2.7	18.1	7.4	50.1	92.6
Communications	-19.0	18.4	17.4	-9.4	8.5	13.5	-6.8	17.0	41.2
Entertainment and culture	-19.1	-2.8	-0.5	-9.4	-9.6	0.4	0.2	-35.5	-51.5
Education services	-21.3	7.7	8.3	-7.9	-4.4	2.1	-3.2	-20.1	-37.4
Restaurants and hotels	11.3	6.2	10.2	9.3	-1.8	7.5	11.7	67.8	94.9
Other goods and services	-6.4	9.3	9.8	-1.2	-0.1	5.6	2.9	20.7	17.7
Exchange rate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Underlying Inflation	2.2	4.9	4.8	3.4	1.6	5.1	8.9	35.1	44.6
NCPI Ecoanalítica (BCV methodology)	-3.7	5.8	7.9	0.9	-1.0	8.1	5.8	25.8	35.7

Source: Ecoanalítica.

¹Cumulative variation since the start of the year.

²Last twelve months' variation.

Until July 2021, the cost of living in dollars has risen 25.8%, that is, what cost USD 100 at the beginning of the year now costs on average USD 126. In addition, the variation of the purchasing power of the dollar has not been symmetrical in the different items of the basket, where "Restaurants and hotels" and "Housing services except telephone" were the sectors that increased the most against the dollar, increasing their cost in dollars by 67.8% and 61.5% so far this year, while "Entertainment and culture" and "Education services" have been the items that have become cheaper against the currency.

This seems to be the main reason why wages have increased in dollar value in 2021, as firms have tried to maintain the purchasing power of their compensation as the dollar cost of living increases. However, this increase has not quite matched the real appreciation of the exchange rate, while wages increased 22.7% between January 2020 and 2021¹⁰, the cost of living in dollars rose 42.6% in the same time frame¹¹.

⁹ Prices have risen 357.5% in 2021, while the exchange rate has increased only 263.7%.

¹⁰ According to the IRT, developed by ANOVA.

¹¹ In fact, the increase in the private sector IRT is even closer to the increase in the cost of living in dollars, standing at 41.5%, a difference of only 1.1 percentage points.

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In this sense, maintaining a dollarized scheme, or one that only adjusts to exchange rate or price dynamics, can be detrimental for both employees and firms. At **Ecoanalítica** we promote the establishment of mixed schemes, which consider both exchange rate and price variations, in order to ensure a certain stability in the purchasing power of salaries. Likewise, it is favorable to monitor the variations in the cost of living in dollars by item, which, beyond serving as a decision-making tool for establishing prices, can be useful for detecting the consumption basket of employees and constructing salary schemes in accordance with their needs.

How to design the road ahead?

Like the rest of the economy, the labor sector has seen drastic changes in recent years. ENCOVI (2020) reported a drop of 3.0 million employed persons¹², while the economically active population observed a decrease of 4.6 million people. This seems to be mainly attributed to the large migratory waves that Venezuela has experienced in recent years, which, beyond seeking higher wages, are looking for a better quality of life. In this context, industries have had to adapt to a tight labor market, with a shortage of qualified personnel and high turnover. The IDB survey also found that just over half of the companies surveyed (50.9%) have had difficulty finding skilled labor¹³. As a result, firms have had to resort to hiring people who do not have the qualifications and credentials needed for the job.

Considering these restrictions, at **Ecoanalítica** we recommend:

- Maintain a flexible payment scheme that allows adapting to the high degree of uncertainty in the economy, considering both exchange rate and inflationary fluctuations. This is relevant regardless of whether foreign currency or bolivars are used as a means of remuneration, since the purchasing power of currencies can vary significantly if hyperinflation continues.
- Considering the possible mismatch between the preparation of new employees and the position they would occupy; firms can establish training schemes that accelerate the labor adaptation process and maintain operability with the same levels of quality.
- Firms need to make sure they take care of their employees by paying the best they can; today, it is more costly to replace than to retain human capital.
- Beyond salary adjustments, companies should consider benefits (e.g., transportation and health insurance), which can help retain talent.

¹² Compared to the latest official figures published by the National Institute of Statistics in 2018.

¹³ Especially in the areas of technology and computing, finance, management and marketing.

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In an environment like the Venezuelan one, maintaining and developing human capital is one of the pillars that ensure the survival -and growth- of a company. For this reason, salaries, the main way to attract and retain talent, stand out as a key element for success in the Venezuelan situation.

Diego Santana Fombona

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WEEKLY INDICATORS

Weekly Economic Indicators			
	1st Week September	Weekly chg. (%)	Depre/Apre (pp) ¹
FX Boards (VES/USD) ²	4,126,483.3	-0.2	-0.2
	3rd Week August	Weekly chg. (pp)	Annual chg. (pp)
Lending Interest Rate (%)	52.9	-3.6	14.4
	1st Week September	Weekly chg. (pp)	Annual chg. (pp)
Overnight Interest Rate (%)	136.7	-26.3	-181.1
	4th Week August	Weekly chg. (%)	Annual chg. (%)
International Reserves (USD Bn)	6.2	-0.3	-2.9
	3rd Week August	Weekly chg. (%)	Annual chg. (%)
Monetary Liquidity (MM VES)	2,255,879,196.0	0.4	1,212.8
Price of International Oil Baskets (USD/bl)			
	4th Week August	Weekly chg. (%)	Annual chg. (%)
WTI	67.6	3.9	59.7
Brent	71.0	4.3	58.7
Price of the Venezuelan oil basket (USD/bl)			
	5th Week July	Weekly chg. (%)	Annual chg. (%)
Weekly Average	22.4	0.0	-61.9
Annual Average	28.8	-0.7	-51.7

Sources: BCV, MENPET, ONT and Ecoanalítica

* Annual variation of accumulated expenditure.

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

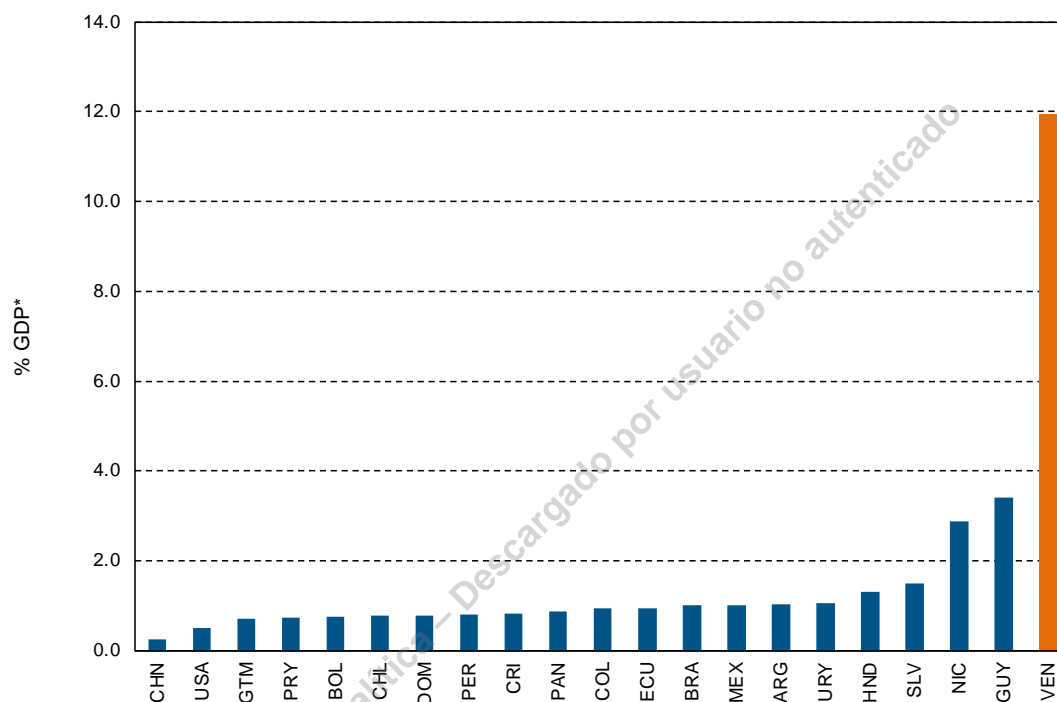
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CHART OF THE WEEK: "THE FUND TO THE RESCUE?"

Special Drawing Rights (SDR) allocation as a percentage of GDP



(*): Estimates of nominal GDP issued by the IMF for 2021 have been used.

Note: The DEG valuation for August, 30, which corresponds to 1.42 USD per 1 DEG has been used.

Sources: International Monetary Fund and Ecoanalítica.

The International Monetary Fund (IMF) approved in August the largest allocation of Special Drawing Rights (SDRs) in history, amounting to USD 650 billion. SDRs are reserve assets created by the Fund and indexed to a basket of currencies composed of US dollars (USD), euros (EUR), Chinese yuan (CNH), Japanese yen (JPY), and British pounds (GBP). With these rights, the IMF seeks to support the reserves of each of its members and expand global liquidity, as they imply the possibility for them to obtain additional reserves in foreign currencies at the expense of the SDRs allocated to them. Therefore, this decision is considered as another significant measure of the organization to stimulate the economic recovery after the global crisis caused by the coronavirus.

In principle, the allocations established for members are proportional to their quotas in the IMF. In terms of gross domestic product (GDP), it can be observed that for developed economies such as the US or emerging economies such as China, allocations are

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relatively limited (0.5% and 0.25%, respectively). However, for developing countries, such as those in Latin America, the amounts may not be negligible. This is the case of Guyana and Nicaragua, for which allocations are equivalent to 3.4% and 2.9% of GDP. In addition, the case of Venezuela stands out, which theoretically would have access to around USD 5.07 billion, representing 11.9% of its gross domestic product estimated by the IMF for 2021. These figures suggest a misaligned quota as they do not reflect the country's economic contraction and its diminished attribution to the international economy. Given the current crisis, if the State were able to access its SDRs, the relief on the economy would be much greater compared to other countries. However, this will not be possible until the internal problems over the recognition of official authorities by IMF members are clarified

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ECONOMIC TIPS

COVID-19 in Venezuela. According to government figures as of September 1, the country has 334,343 registered cases of the coronavirus and 4,010 deaths. According to OurWorldInData, as of Aug. 27, an estimated 20.9 percent of the population had received at least one dose of a vaccine.

Unconfined against the pandemic. The week of 30 August to 5 September was managed under relaxed containment measures, in line with the "7+7" approach to the pandemic by national authorities. During this week, containment measures were relaxed and all sectors of the economy maintained their activity following the relevant biosecurity standards.

Solutions. After Juan Guaidó commented on the low percentage of immunization in the country, showing data from the University of Washington that there are less than 5% of the population fully vaccinated, President Nicolás Maduro assured that the Government will triple the number of vaccines in the country to "*get closer to the goal of 70%*".

Multi-million dollar recovery. Werner Gutiérrez, professor at the University of Zulia and agronomist, said that a strategy to restore the agricultural industry in the next 4 or 5 years would require an investment of USD 12 million, according to calculations made by agronomists.

About the new scale. The Central Bank of Venezuela (BCV) informed that as of September 1 it will be mandatory to express the prices of goods and services in both sovereign bolivars and digital bolivars, whose banknotes and coins will enter into circulation on October 1.

The dollarization of rent. The Venezuelan Chamber of Real Estate demanded the Government to legalize the collection of rents in foreign currency. The president of the Chamber, Francisco López, emphasized the need for this measure in view of the common practice of making informal agreements in dollars. In this regard, he explained that the secondary real estate market is expected to close the year with a growth of 20%.

The decree varies (I). The executive vice-president of the Republic, Delcy Rodríguez, in her capacity as minister of Economy, Finance and Foreign Trade, modified the decree that eliminates the exoneration of tariffs on 597 products as of November 30. This modification was published in the Extraordinary Official Gazette No. 6.639 on August 25.

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The decree varies (II). In this resolution published in the Official Gazette, 32 products located in appendices I and II of the original rule are eliminated and replaced by 31 tariff codes that are distributed in different appendices of the law.

Change of perspective... Adán Celis, the first vice-president of Fedecámaras, said that in order to generate progress in Venezuela, a "turnaround" in economic policies must be made. He also stressed the importance of finding a way to recover Venezuelans' income.

... and concerns. On the other hand, it was reported that Fedecámaras is preparing an inventory of the damage caused by the most recent rains in the productive sectors, especially in the agricultural part.

Bonuses and more bonuses. On August 26, the distribution of four bonuses through the Patria system for the personnel of certain public sector entities began. Through this scheme, active workers will receive the equivalent of USD 3.7, while retirees will receive around USD 2.7.

Money Tables. For the first week of September, the average rate of the money tables was VES 4,126,483.3/USD, which represents an appreciation of 0.2% with respect to the previous week.

Liquid? Liquidity was VES 2,255,879,196.0 million for the week of August 27, a change of 0.4% in nominal terms from the previous week and 1,212.8% from a year ago.

OIL TIPS

Mission ahead (I). According to Carlos Jordá, Citgo's chief executive, the firm has set itself the mission of restoring fuel supplies once the sanctions imposed by the United States are lifted.

Mission to the future (II). Jordá stated that until Venezuela had local refining capacity, it could receive between 100 kb/d and 150 kb/d of crude in exchange for fuel. In addition, he said Citgo could "*provide a bridge for (oil) products and help reactivate the refineries*".

Another "goodbye" for the industry. According to Reuters, Japanese oil company Inpex Corp. sold 70% of its stake in Gas Guárico and 30% in Petroguarico to Sucre, a private exploration and production firm operating in Latin America. Inpex is thus one of the last major companies to leave the Venezuelan industry.

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The arrival of Ida (I). The arrival of Hurricane Ida in the Gulf of Mexico on 27 August caused a disruption in US oil production by forcing the shutdown of fields that contribute 17% of the country's total oil production.

Ida's arrival (II). In addition to the suspension of production of 1.7 mb/d as of August 29, the hurricane halted nearly 94% of natural gas production in the Gulf.

Pemex finds a shortcut (I). Following Pemex's August 22 loss, which was equivalent to a quarter of its total production, due to an explosion on its platforms in the Gulf of Mexico, the oil company has resorted to the use of nitrogen injections in underwater wells to hastily increase production.

Pemex finds a shortcut (II). Although this measure has helped bring production levels to one-sixth of what they were originally, experts suggest that the use of nitrogen could hinder exploration of adjacent fields in the long term.

Green changes in China (I). PetroChina announced its new goals for the transition to green energy. By 2035, it estimates that renewable energies will make up 33% of its energy mix. In addition, the oil company's strategy will be to reach maximum carbon dioxide emissions by 2025 in order to achieve carbon neutrality by 2050.

Green changes in China (II). For its part, Sinopec disclosed that it is in the process of diversifying its fuel portfolio, including greater quantities of petrochemical products, but also energy sources with less environmental impact to increase its competitiveness.

Ministerial conclusions. After the meeting of OPEC and OPEC+ countries on 1 September, it was agreed to continue with the monthly production program established in their last meeting, which took place in July of the present year. In this light, it was agreed to increase the volume of overall monthly production by 0.4 mb/d for October.

Drill movement. The number of active drill rigs in the US decreased by 3 units to 621 in the week to August 27, while the number in the Permian Basin rose to 263, its highest level since April 2020.

US oil (I). The banking firm Morgan Stanley predicted a "*considerable deficit*" in U.S. oil inventories for the second half of 2021, taking into account the inertia of the delta variant on market uncertainty.

U.S. oil (II). Despite this, the firm suggested that the outlook for 2022 appears to be positive, with favorable commodity prices and lower cost structures, as well as the ongoing recovery in inflation levels and global activity.

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Among irregularities. According to the Consejo Ciudadano por el Combustible (Citizens' Council for Fuel), irregularities in the supply of fuel at authorized service stations in the country have increased in the last two months. The Council pointed out the case of Zulia, a state in which only 6.3% of the 63 stations in Maracaibo and San Francisco were operational in one day.

SECTORAL TIPS

The natural blow (I). The president of the National Institute of Meteorology and Hydrology (Inameh), José Ramón Pereira, said that heavy rainfall will continue at least until the end of September, so the risk conditions will remain, especially in populations near rivers.

The natural blow (II). Pereira explained that the rainy season has changed since "*there are fewer days of precipitation, but when it rains, it is much more intense,*" which is why, in the Merida towns of Tovar and Santa Cruz de Mora, in a few hours there were the rains that should have fallen in a whole month; he added that all this is due to climate change and that it is imperative to have contingency plans.

Repeated request. The president of the Venezuelan Real Estate Chamber, Francisco López Domínguez, requested the authorities to allow the legalization of the collection of rents in dollars and assured that the secondary market ended the first semester of the year with a 15% growth.

Booming sector... The president of the Federation of Associations of Sugar Cane Growers of Venezuela (Fesoca), José Ricardo Álvarez, assured that sugar cane milling increased 20% with respect to 2020, despite the fact that ten of the country's sugar mills in the hands of the State are closed and that only four of the six in the private sector are operational.

...which will double its production. Álvarez said they had projected a milling of "2,400,000 tons for the beginning of harvest, but we will be close to 3,380,000 tons of cane," so he estimates an increase of 50% of the harvest of 2021-2022.

They only supply two months of consumption. The president of the Venezuelan Federation of Rice Producing Organizations (Fevearroz), José Luis Pérez, reported that for the winter harvest cycle only managed to plant a total of 33,000 hectares of rice, of the 60,000 that were projected.

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The new wave is coming. According to figures from the NGO Doctors United of Venezuela (MUV), less than 3% of the population in Venezuela is vaccinated, so they warned that a new surge of COVID-19 infections in the country seems imminent, due to the early start of classes and the election campaign for the regional and local elections on November 21.

National aeronautics "recovered" (I). According to Ramón Velázquez Araguayán, president of Consorcio Venezolano de Industrias Aeronáuticas y Servicios Aéreos S.A (Conviasa), the airline's fleet is 85% operational.

National aeronautics "recovered" (II). Velasquez said that the Minister of Transport, Hipolito Abreu, is committed to its development project, which will place them "*among the 22 countries in the world that have their own aviation industry, for the development and production of aircraft and parts for their support, along with the National Institute of Civil Aeronautics*".

Conditioned optimism. The president of the Superior Council of Tourism (Conseturismo), Leudo González, expressed his optimism about the proposals that were discussed at a meeting with the Ministry of Tourism to include the sector in the new legal regulations on Special Economic Zones; however, he asserted that for this to happen it is "*crucial*" that the structure of services throughout the country be strengthened.

One third inoperative... The President of the Hotel Chamber of Nueva Esparta reported that about 30% of the hotels in the state are closed and said that at least 60% of them will hardly be able to resume their operations, so the safest thing is that they are definitive closures.

...and occupancy is not helping. Colmenares says that there has been an increase in occupancy in recent months thanks to the school holiday season; however, this is only 8% to 10%, so the hotel sector is not hosting enough tourists to cover the primary expenses to maintain itself.

INTERNATIONAL TIPS

COVID-19 worldwide. As of September 1, the World Health Organization (WHO) reported that the number of COVID-19 cases reached 217,558,771 and the number of deaths was 4,517,240. As of September 1, 39.9 percent of the world's population has received at least one dose of the vaccine.

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Turning off the printer... In his annual speech at the Jackson Hole Economic Policy Symposium, Jerome Powell indicated that the Federal Reserve (Fed) may begin to ease the pace of asset purchases this year as it monitors the evolving risks of the pandemic.

... from the Fed? In this sense, Powell clarified that "*We have indicated that we will continue to buy assets at the current pace until we see substantial progress toward our objectives of maximum employment and price stability*". In addition, Powell explained that interest rate hikes or *quantitative easing* will be assessed as the economy returns to full employment and the inflation rate reaches the Fed's 2% year-over-year target.

International isolation (I). The International Monetary Fund declared that Afghanistan will not be able to access the resources it is entitled to in this multilateral because of the lack of clarity in the international community on the recognition of a government in Afghanistan, an IMF spokesman said.

International isolation (II). Due to these measures, the Afghan government was unable to access more than USD 370 million (GBP 268 million) that was part of the IMF's overall response to the economic crisis generated by the pandemic in the form of Special Drawing Rights converted into local currency.

International isolation (III). On the other hand, a spokesman for Joe Biden's government announced that the new Afghan Taliban government will not be able to access the USD 9 billion held by the Da Afghanistan Bank (Central Bank of Afghanistan) in international reserves that are safeguarded in accounts within US territory.

The repercussions of... According to the UK Society of Motor Manufacturers and Traders (SMMT), UK car production was down 37.6% (53,438 vehicles produced) on July 2020, the worst July result since 1956.

... semiconductor shortages. This result comes after Brazil also reported a severe decline in automobile production, both caused by the shortage of semiconductors that is affecting global automotive production.

An unexpected resurgence... Daily new cases of COVID-19 in Israel reached an all-time high of 12,113 on 24 August, surpassing January's peak of 11,934. However, as a result of more than 63% of the Israeli population having received two doses of any COVID-19 vaccine, 476 deaths from COVID-19 have been reported in Israel in the past month, compared to 1,471 in January.

... requiring third doses. In response, the Israeli government has extended the inoculation programme for a third dose of the Pfizer-produced vaccine, which was initially designed for people over the age of 60, to people over 30, and the age limit is expected to be lowered in the near future.

A transitory milestone? (I). Germany's Federal Statistical Office reported a year-on-year increase in consumer prices of 3.9% in August, which represents the biggest increase in the indicator since December 1993, when the German economy boomed after reunification.

A transitory milestone? (II). A Commerzbank analyst told Reuters that this increase is due to a rise in energy and food prices, while core inflation probably even fell slightly from 2.9% to 2.8% year-on-year, indicating that this increase may be transitory.

POLITICAL TIPS

Preparations continue... The National Electoral Council (CNE) began the audit of the voting machine software in order to validate and certify the applications that will be used in the mega regional elections on November 21. Sixteen audits of the automated voting system are scheduled to be carried out before, during and after the elections.

... and extensions. On the other hand, the president of the CNE, Pedro Calzadilla, announced the extension of the deadline to submit nominations for the mega-elections until September 1.

The first round is over (I). The organization Human Rights Watch (HRW) recommended that the central axis of the negotiations between the Venezuelan government and the opposition should be the humanitarian emergency and human rights.

The first round is over (II). So far, the agenda includes political rights for all, electoral guarantees and a timetable for observable elections, lifting of sanctions, respect for the rule of law and renunciation of violence.

Watched and denied. Former opposition deputy Delsa Solórzano reported that the authorities prevented the Inter-Parliamentary Union (IPU) mission from visiting political prisoners Juan Requesens and Gilberto Sojo. IPU members held meetings with authorities of the Legislative Branch, including its president, Deputy Jorge Rodríguez, and its first vice-president, Iris Varela.

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Early investigation phase? The International Criminal Court (ICC) is currently considering opening a formal investigation against the Venezuelan government for systematic human rights violations. Although the ICC's new prosecutor, Karim Khan, has not concluded the preliminary examination on Venezuela, everything seems to indicate that the investigation phase will begin.

We'll see. The U.S. ambassador to Venezuela, James Story, said that his return to the country will depend on the progress made in the talks between the government of Nicolas Maduro and the opposition in Mexico with the mediation of Norway.

They confirm their attendance. The political parties of the G4, including Voluntad Popular, are willing to participate in the regional and municipal elections of November 21. However, the small parties that make up the unitary platform, such as La Causa R, make it difficult for the other parties to make a decision and announce it to the country by deciding that they will not participate in the elections.

At liberty. The Government of Nicolas Maduro released opposition leader Freddy Guevara, who had been imprisoned for more than a month in the Helicoide. Guevara received a measure of conditional release, the details of which are still unknown. Maduro's representatives have proposed that the Deputy attend the negotiation that began in Mexico City.

A clear message. The national coordinator of the Union and Progress movement, Mercedes Malavé, commented that the most important thing is not to achieve opposition unity, but to unify the population to recover the vote as an instrument of political change. She emphasized that the vote is the only democratic way established by the Constitution.

Proposals. A group of individuals addressed the G4 parties, the Alianza Democrática, the Alternativa Popular Revolucionaria and those who have nominated candidates, and requested that they consider, in Caracas, the name of Vladimir Villegas as an option for consensus and unitary agreement.

On board... The government of Nicolas Maduro accused Colombia of increasing tensions between the two countries and seeking to generate "false conflicts" by the publication of a statement, which alleges that Venezuelan military violated the "right to free navigation" in that country, to retain and seize a boat.

... and without warning. The Venezuelan government rejected the event after Colombia ratified a complaint made by the Navy of the country, which said that two members of the GNB held a boat in an area of the Amazonian department of Guainía, in Colombian territory, and made a search.

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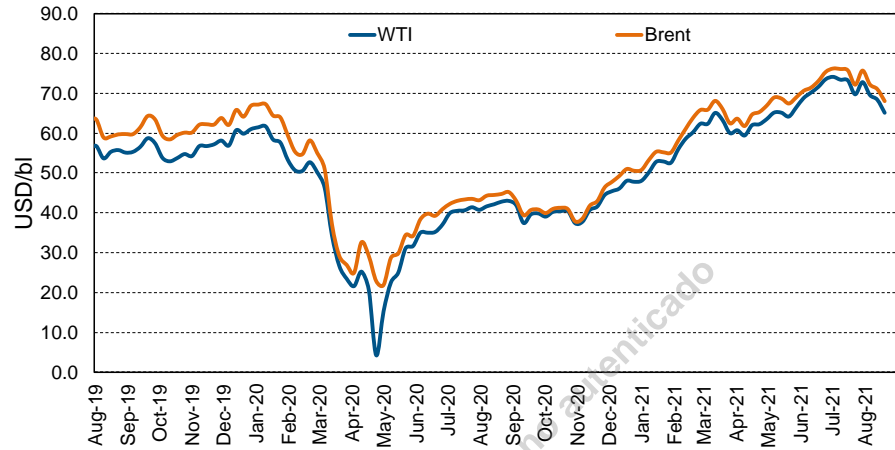
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Inexplicable. The Bolivarian National Guard has denied, since August 28, the entry of humanitarian aid to the municipality of Tovar, one of the three most affected in the state of Mérida by heavy rains and a landslide. In response to this, the Bishop of Mérida, Luis Enrique Rojas, confronted the officials to demand respect for the people and that the aid reach the victims.

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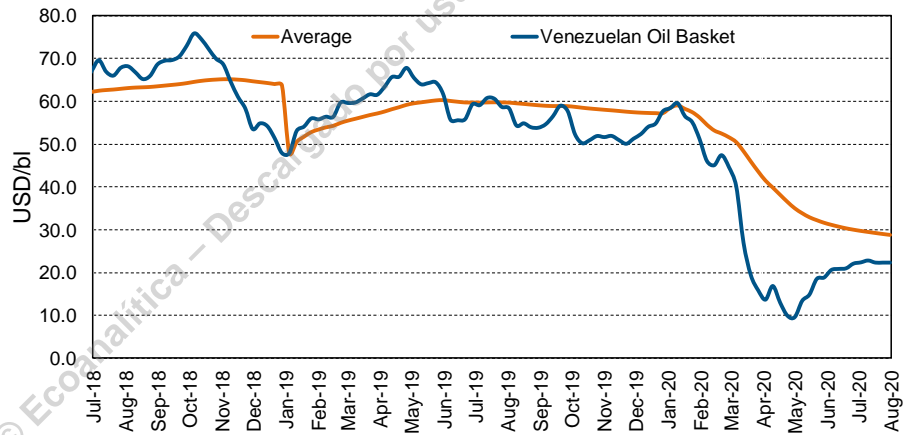
ECONOMIC INDICATORS

**Oil Prices
(WTI and Brent)**



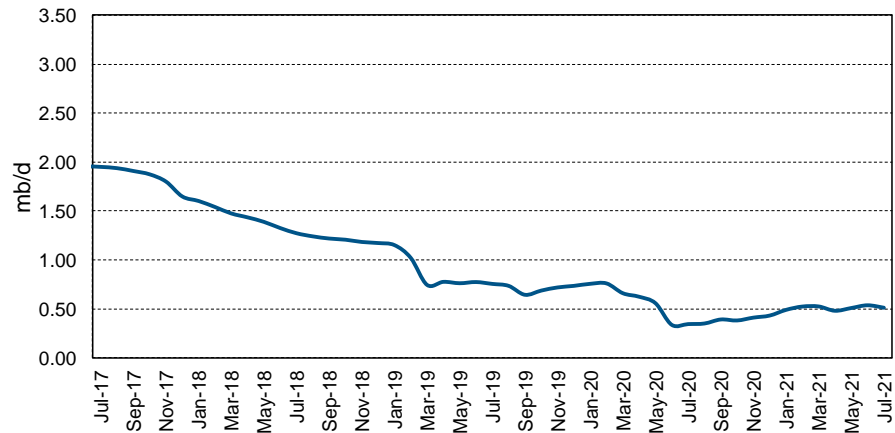
Sources: Menpet and Ecoanalítica

**Oil Price
(Venezuelan Basket)**



Sources: Menpet and Ecoanalítica

**Oil Production
(Secondary sources)**

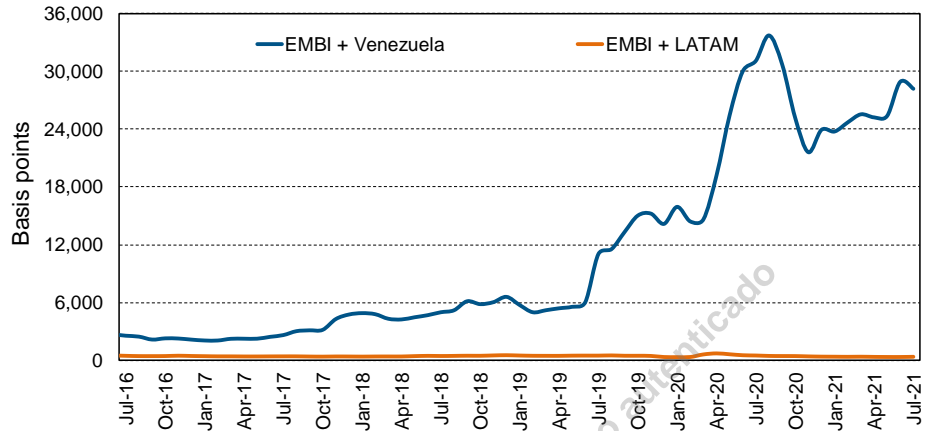


Sources: OPEC and Ecoanalítica

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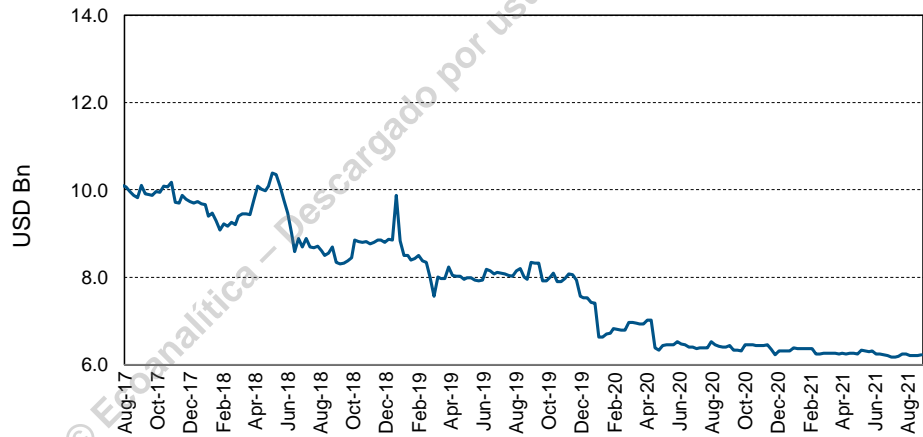
ECONOMIC INDICATORS

EMBI



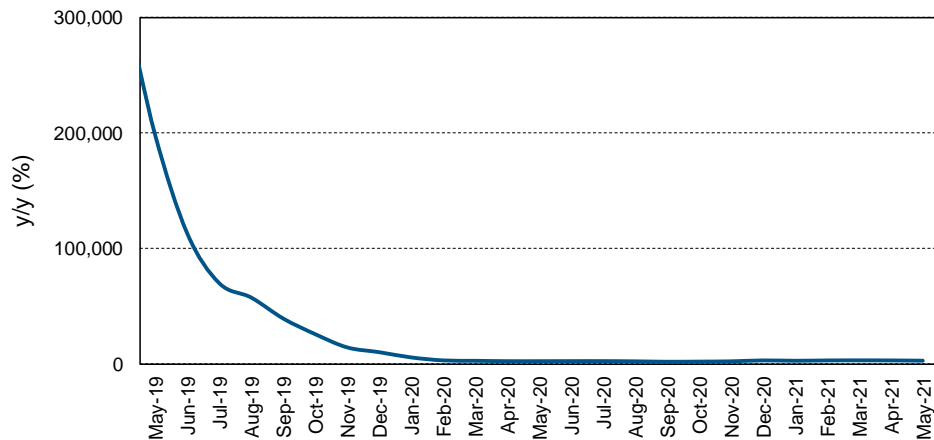
Sources: BCRP and Ecoanalítica

FX Reserves (BCV)



Sources: BCV and Ecoanalítica

Inflation (BCV)



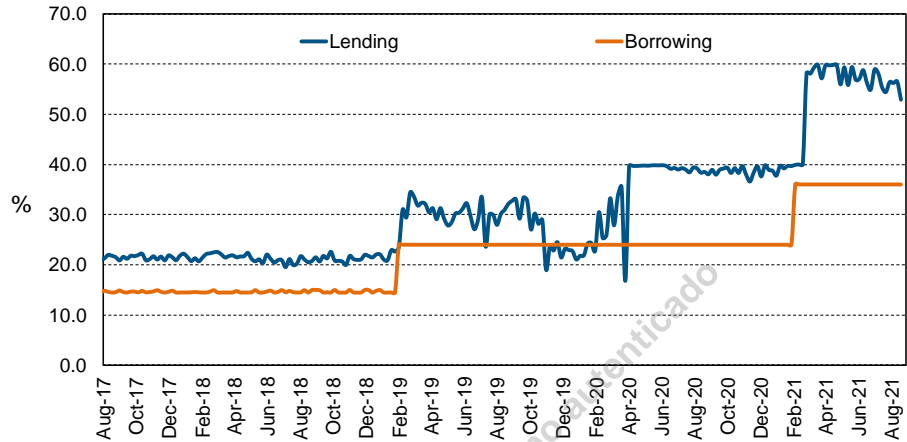
Sources: BCV and Ecoanalítica

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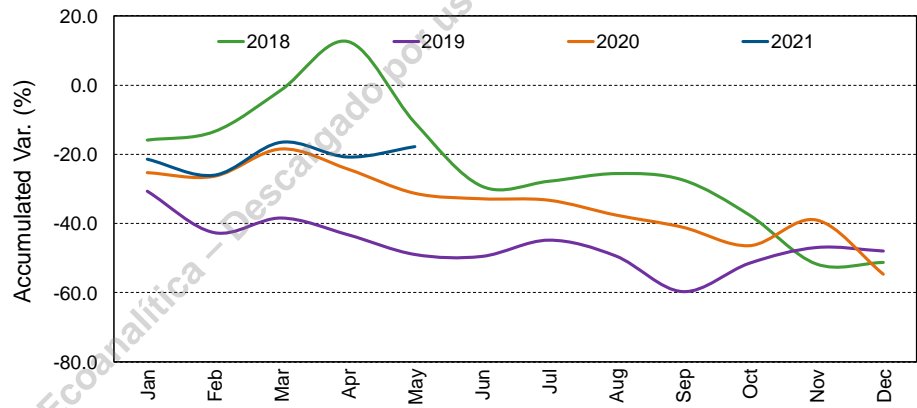
ECONOMIC INDICATORS

**Interest Rate
(Six major banks)**



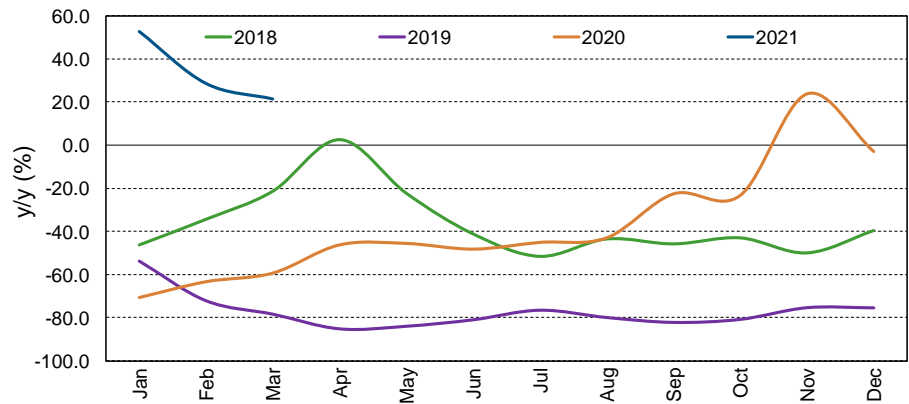
Sources: BCV and Ecoanalítica

**M2 Expansion
(Real)**



Sources: BCV and Ecoanalítica

**Loan Portfolio
(Real)**



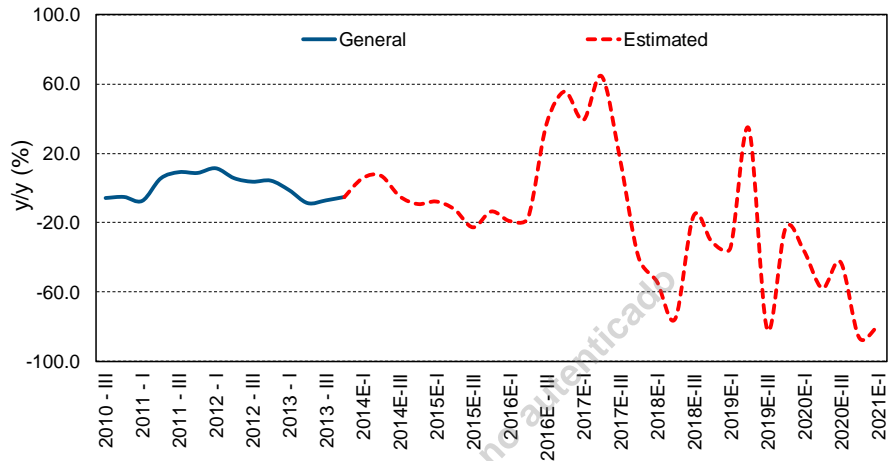
Sources: SUDEBAN and Ecoanalítica

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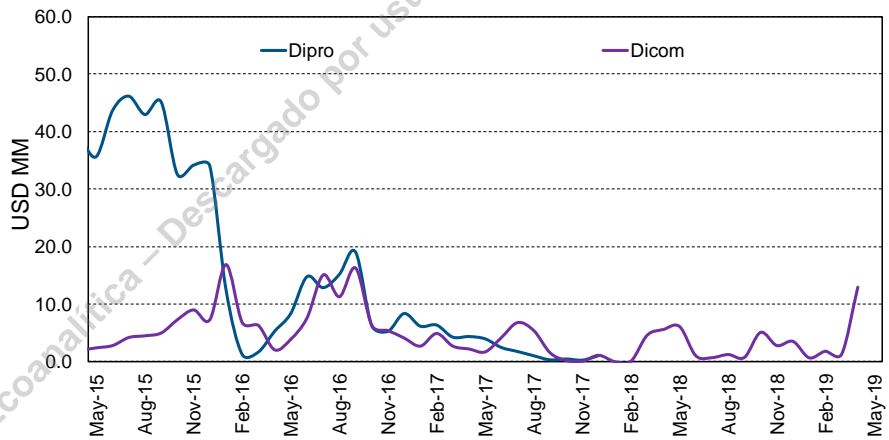
ECONOMIC INDICATORS

Real Wage Index



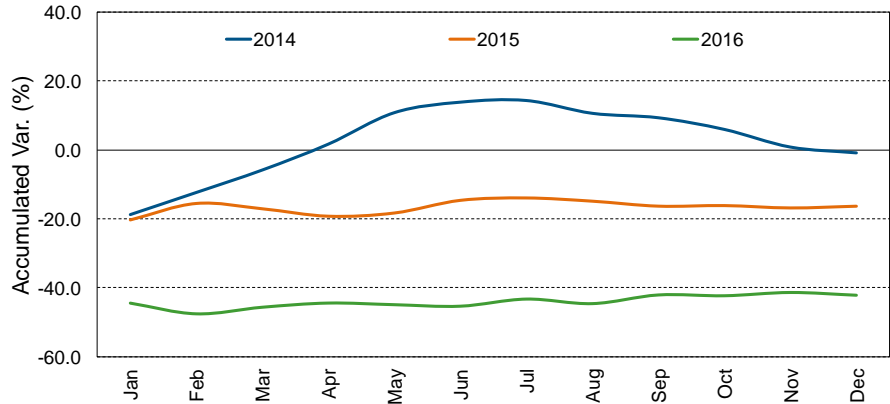
Sources: BCV and Ecoanalítica

Disbursements to the Private Sector (Daily Average)



Source: Ecoanalítica

Primary Spending NTO (Real - Central Government)



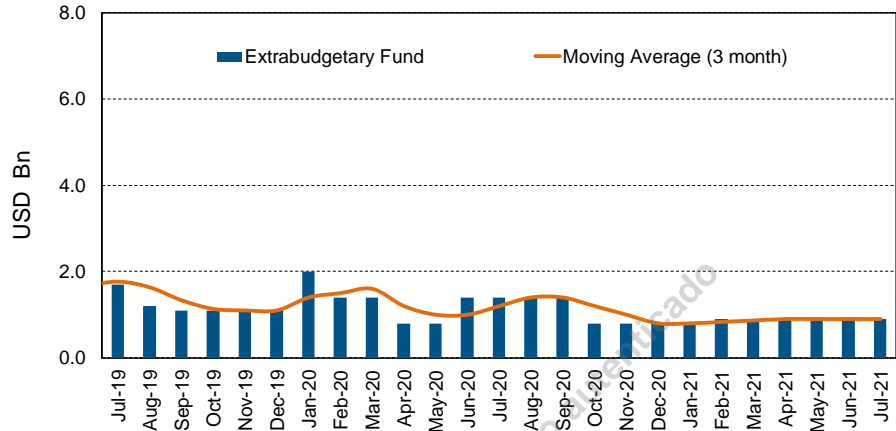
Sources: ONT and Ecoanalítica

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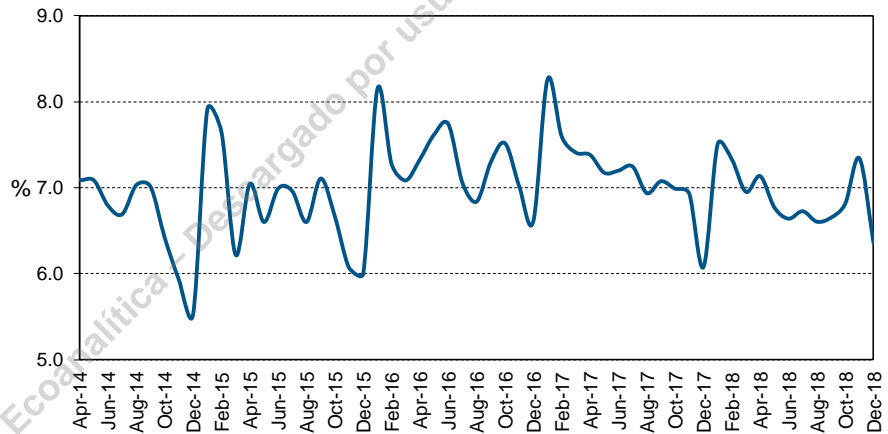
ECONOMIC INDICATORS

State Extrabudgetary Resources



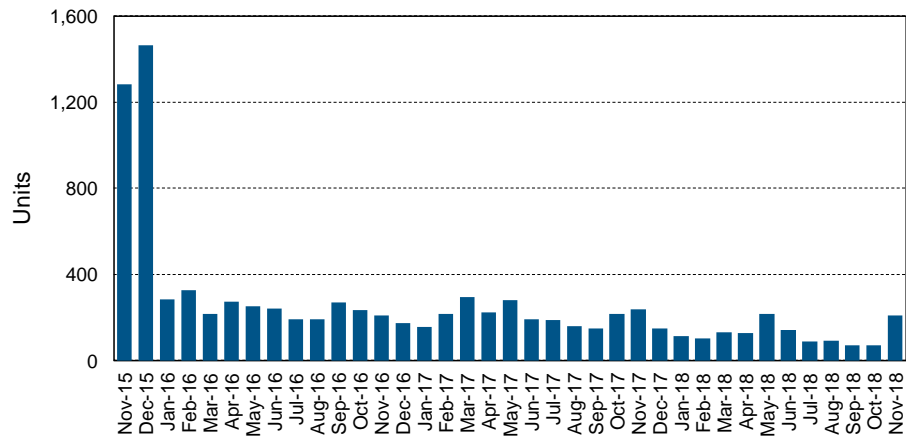
Source: Ecoanalítica

Unemployment Rate



Sources: INE and Ecoanalítica

Vehicle Sales



Sources: CAVENEZ and Ecoanalítica

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