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Cash flow in 2017: scraping the bottom of the barrel

Since crude prices plummeted half way through 2014, the Executive has been faced with an increasingly diminished cash flow, which has forced it to sell off a large part of its external assets and conduct unconventional financing operations in order to close the external gap.

In 2016, the Executive faced a foreign exchange deficit of USD 16.0 billion, which it managed to close through various transactions such as a gold swap, liquidation of extra budgetary resources and reserves, remission of payment of a bilateral loan with Russia and the financing through accounts receivable operations of PDVSA, which caused that, together with the cut to half of imports for the second consecutive year, the country managed to result unscathed in 2016. Having reached this point, it seems to us that there are few options left to the government for obtaining financing in 2017, which makes taking a look at those options a useful exercise.

Fragility on the horizon

First of all we need to define precisely what deficit we are talking about. So, taking an estimated price for the Venezuelan oil basket in 2017 of USD 40.0/bl., we forecast that the nation's foreign currency revenues will come to USD 22.3 billion, only 18.8% more than in 2016. This meager increase in the nation's foreign currency revenues is influenced by the fact that PDVSA is finding it impossible to maintain oil production and also by the Organization of the Petroleum Exporting Countries (OPEC) agreement, which means that our estimated exports come to 1.91 mb/d.

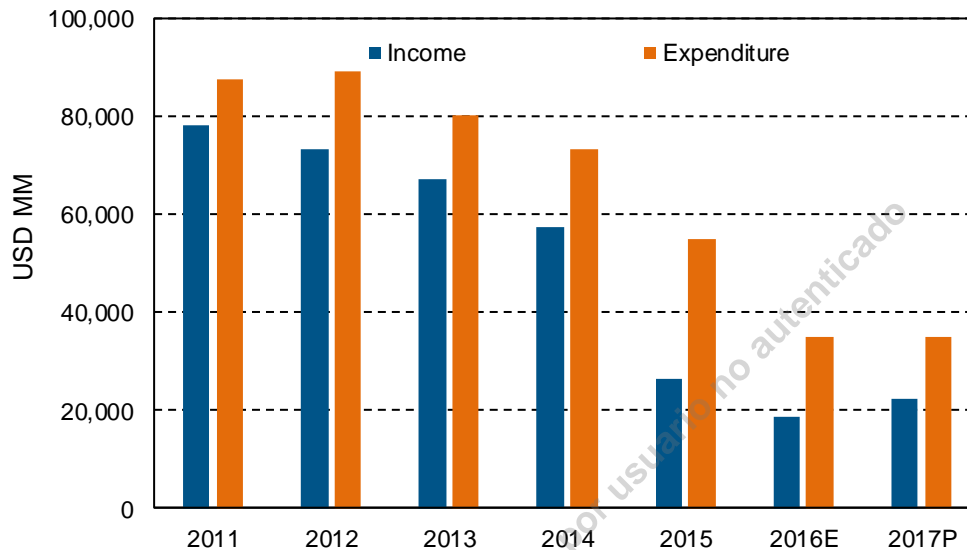
On the other hand, we calculate that outflows will come to USD 34.9 billion, an increase of 0.4% compared to last year, driven mainly by a slight recovery in imports, as a consequence of the increase of oil exports, which are at minimal levels, and also by the increase in the servicing of the external debt (PDVSA and government), which comes to USD 11.6 billion in 2017. Moreover, in a situation of more constraints, we estimate that private sector capital flight will continue to be restricted and that it will come to USD 550 million. All this gives a foreign currency deficit of USD 11.8 billion in 2017.

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Income and Expenditure of Hard Currency



Sources: BCV, Mpetromin and Ecoanalítica

How much cloth do we have to cut in 2017?

Closing the year with a foreign currency deficit is nothing new for Venezuela, which has done this for at least the past seven years. What is new, however, is that, for the first time, we have exhausted most of our sources of financing and, as we at **Ecoanalítica** see it, the amount of financing that can be raised is less than the external deficit. Nevertheless, sight should not be lost of the fact that, so far, the Executive has been very creative when it comes to finding sources of financing and it could surprise us again this year with operations that might well leave the country on the brink of bankruptcy but will allow it to put off the inevitable for another year.

China, is the honeymoon over?

Thanks to its relationship with China, the government was able to increase the import boom initially, and, in recent years, to ride out the drop in foreign currency revenues. Venezuela has received loans amounting to some USD 54.0 billion via the Chinese Fund; however, this arrangement has also meant outflows of some USD 5.0 billion a year in repayments and interest on the different tranches.

In 2016, faced with the restricted flow of foreign currency and the major cut in imports that had to be made, the government resorted once again to its friendship with the Asian Giant

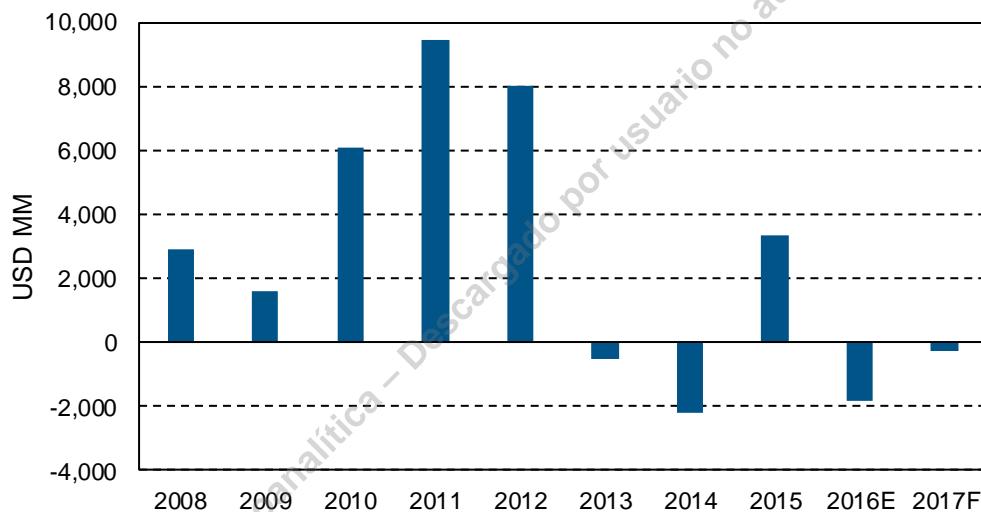
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and managed to get it to suspend repayments of the debt for three years (from March 2016 to March 2018), which has freed up barrels of PDVSA's depleted production. However, given the critical external situation, this help was not sufficient, and it is known that the government was making intense efforts to renew the Large Volume Long-term Fund or tranche C, which was finally repaid in October, but without much success. At **Ecoanalítica** we do not expect tranches of the Chinese Fund to be renewed this year, which means that the role of this mechanism in 2017 will have little impact on financing the deficit, apart from the suspension of payments.

Total Net Cash Flow of Chinese Fund



Source: Ecoanalítica

So, where's the money to come from?

First of all, Venezuela currently has USD 10.7 billion in international reserves, 71.3% of which are in monetary gold. That is why one of the possible courses of action open to the Executive when it comes to closing the gap on the external accounts is another gold swap, which could be in the order of USD 3.5 billion. This is not the first time Venezuela has conducted transactions of this type. In 2015 it conducted four such transactions amounting to USD 4.04 billion, one of them with Deutsche Bank.

Another possible transaction that could be added to the sources of external financing is the realization of a part of Venezuela's assets in the International Monetary Fund (IMF), which come to USD 1.4 billion. At **Ecoanalítica** we estimate that this operation could come to USD 500 million.

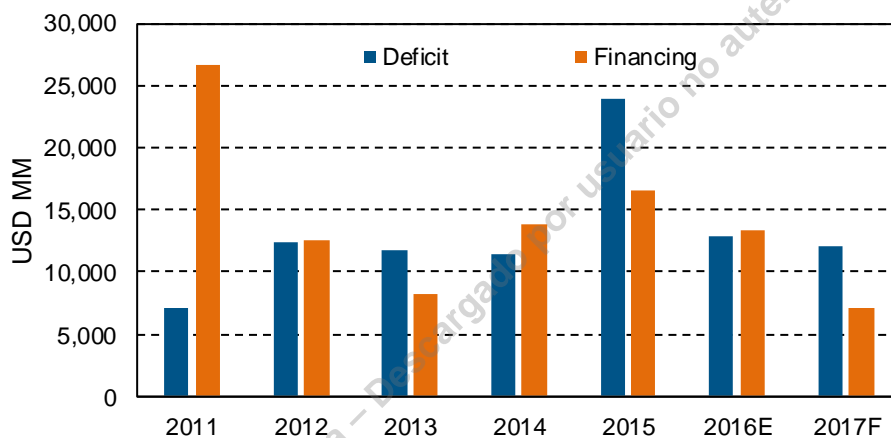
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Apart from that, thanks to the opacity with which the oil revenues have been handled throughout the *Chavista* era, an extra-budgetary structure was built up that at one point had USD 19.3 billion in foreign currency, but in recent years has shrunk considerably and closed 2016 at USD 1.9 billion, USD 2.1 billion less than in 2015 and a drop of USD 15.9 billion compared to January 2014, prior to the drop in crude prices. Quite apart from how little this may be when compared to previous years, it is all that is left of the cushion and the government will undoubtedly spend it if necessary.

Hard Currency Deficit vs. Financing



Sources: BCV, Metromin and Ecoanalítica

There's no longer enough cloth

Even though, on average, Venezuela has posted a persistent deficit in terms of the flow of foreign currency, the situation has changed. The costs of adjustment have placed the country in an extremely vulnerable position with scant room for maneuver. The incredible amount needed to service the debt next year (USD 11.7 billion), the extreme depletion of assets, and an outlook of uncertainty on the political front are forcing policymakers to work miracles in the context of a reduced flow of foreign currency. But, as we can see, not even miracles seem to be enough, as with all these operations the government would only manage to finance some USD 5.0 billion to USD 7.0 billion of the deficit, which would leave us with USD 6.4 billion to cover.

Not such a sure bet

It is this entire situation that is pushing the government to try by every means to achieve an increase in oil prices. However, oil experts point out that, if the cut proposed by OPEC

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is actually implemented, the most prices could be expected to increase would be to USD 60.0/bl. for Brent, which would give a price for the Venezuelan oil basket of around USD 50.0/bl. At **Ecoanalítica**, as an exercise, we have projected a foreign currency flow at that price and the result continues to be not very encouraging.

Hard Currency Cash Flow (USD Bn)

Concept	2014	2015	2016E	2017*	2017**
Income					
Net Oil Exports (mb/d)	1.94	1.76	1.66	1.61	1.67
Oil Exports (mb/d)	2.2	2.2	2.0	1.9	2.0
Oil Imports (mb/d)	0.3	0.4	0.3	0.3	0.3
Energy Agreements (mb/d)	0.2	0.2	0.1	0.1	0.1
Effective Oil Exports (mb/d)	1.7	1.6	1.6	1.5	1.6
Brent Price (USD/bl)	103.5	53.8	44.5	50.6	63.3
Venezuelan Oil Basket Price (USD/bl)	88.4	44.7	35.2	40.0	50.0
Oil Income	65.3	32.1	23.9	27.9	35.9
Oil Imports	10.8	7.8	6.4	7.3	9.1
"Net" Oil Income	54.5	24.3	17.5	20.6	26.8
Non-Oil Income	3.0	2.1	1.3	1.7	1.7
Total Income	57.4	26.4	18.8	22.3	28.5
Expenditure					
Non-oil Public Imports	36.7	28.7	11.6	11.6	11.6
Services	7.9	6.4	4.1	4.0	4.0
Rent and Current Transfers	8.6	8.4	7.3	7.2	7.2
Public External Debt	10.3	10.4	10.9	11.7	11.7
Capitals Outflow and Others	9.7	0.9	1.0	0.6	0.6
Total Expenditure	73.2	54.8	34.8	34.9	34.9
Result	-15.7	-28.3	-16.0	-12.6	-6.4

Source: BCV, Mefbp, Pdvs and Ecoanalítica

As we see, as long as the price of oil is closer to USD 50.0/bl, we will be able to calm a bit, however, when approaching USD 40.0/bl the chances of ending the year without a default are reduced. So, we can draw several conclusions:

1. Although this year we expect higher oil revenues as a result of an increase in prices, it will not be possible to increase imports as it was thought because the external position of the public sector is lesser and less liquid than that of the beginning of 2016. In the scenario with a barrel at USD 50.0/bl, imports could rise slightly, but not significantly because there will not be a significant change in the macro environment. This reinforces our near zero growth scenarios for 2017.

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2. In a scenario of USD 40.0/bl average for the Venezuelan oil basket, there is a gap of more than USD 5.0 billion for which there is no clear source of financing. However, the Government through a combination of more aggressive sale of foreign assets, signing of agreements, new bond issues, China, Russia, etc. could close that gap, reaching a situation totally vulnerable for 2018, presidential election year.

3. And the final conclusion, but not least, is that we see that with less than USD 40.0/bl, the default seems inevitable.

Importing or paying

The price of oil will continue to be the core element of the external dynamic in Venezuela. However, seeing these figures, at **Ecoanalítica** we are of the opinion that, even in the best scenario, the external deficit poses huge challenges for the State in terms of financing that exceed the Executive's capacity. This means that the situation will become more complicated and the diatribe on whether to pay the external debt or maintain the level of imports will take on more weight, so increasing the likelihood of a default this year.

Pilar Navarro
Alejandro Grisanti

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WEEKLY INDICATORS

Weekly Economic Indicators			
	2nd Week January	Weekly var. (%)	Depre/Apre (pp) ¹
FX Dicom (VEF/USD)	676.8	0.1	0.1
	1st Week January	Weekly var. (pp)	Annual var. (pp)
Lending Interest Rate (%)	21.5	-1.4	2.6
	2nd Week January	Weekly var. (pp)	Annual var. (pp)
Overnight Interest Rate (%)	0.0	-0.1	-0.2
	2nd Week January	Weekly var. (%)	Annual var. (%)
International Reserves (USD Bn)	10.7	-2.2	-31.6
	1st Week January	Weekly var. (%)	Annual var. (%)
Monetary Liquidity (VEF Bn)	10,499	0.7	161.2
Price of International Oil Baskets (USD/bl)			
	2nd Week January	Weekly var. (%)	Annual var. (%)
WTI	52.4	-1.6	67.2
Brent	55.4	-1.9	76.0
Price of the Venezuelan oil basket (USD/bl)			
	2nd Week January	Weekly var. (%)	Annual var. (%)
Weekly Average	44.8	-1.8	83.8
Annual Average	45.2	-0.9	73.2

Sources: BCV, MENPET, ONT and Ecoanalítica

* Annual variation of accumulated expenditure.

¹ Depreciation (+)/Appreciation (-)

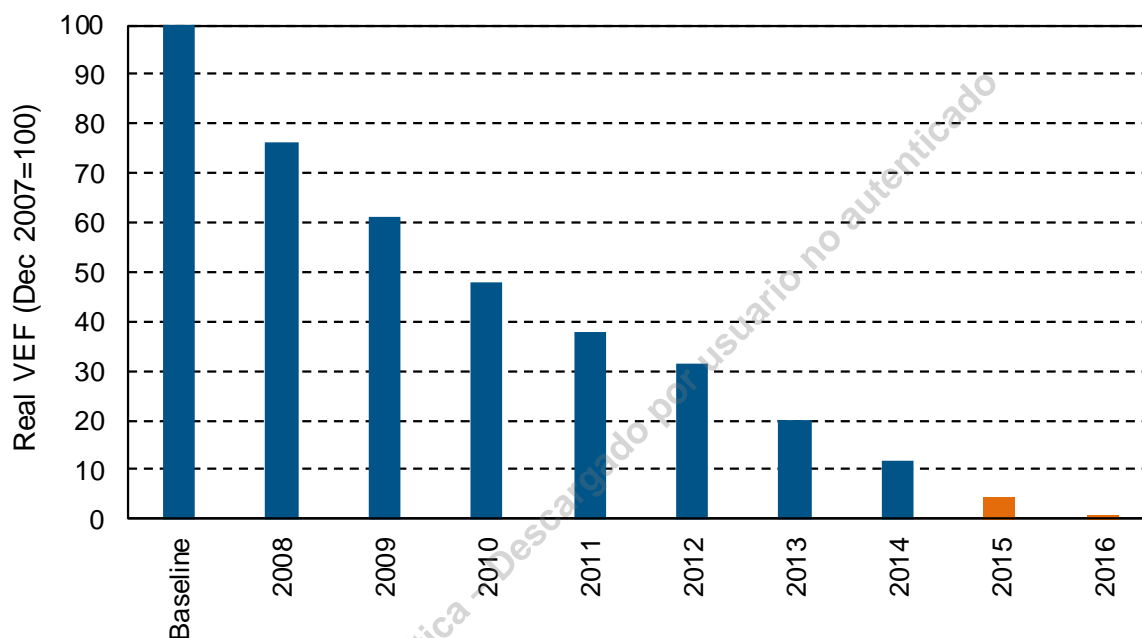
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CHART OF THE WEEK: “THE STRENGTH COULD NOT LONGER TAKE IT AFTER 8 YEARS”

VEF 100 Bill Value



Sources: BCV and Ecoanalítica

On December 4, 2016 the Central Bank of Venezuela announced with a great fanfare the entry into force of the new monetary cone, geared fundamentally to making the system of payment more efficient and facilitating commercial transactions, among other things. However, in **Ecoanalítica**'s view, the problem is not the value of the bills but the inflationary dynamic Venezuela is experiencing.

Fighting the problem of inflation continues to be a task, and an historic one, that the Venezuelan nation has pending. This means that any series of monetary policies that do not give inflation the leading role it warrants as one of their key objectives could definitely turn out to be ineffectual.

Consequently, the fate of the new monetary cone, unaccompanied as it is by greater fiscal and monetary discipline among other things, has been sealed at birth, the same fate of the VEF 100 bill: the steady erosion of its value, making a new monetary cone necessary, for purely practical reasons, in the medium term.

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ECONOMIC TIPS

Latin Focus Consensus. The results of the January survey 2017 show that the analysts' consensus foresees a contraction of GDP this year of 4.1%, along with an inflation of 747.4%. The results also predict that at the end of 2017 the restricted Public Sector deficit is expected to be close to 14.7% of GDP. Regarding the price of the Venezuelan oil basket, they project that the average price will be around USD44.8/bl. Finally, they consider an unemployment rate of 9.9% for this year.

The bills have arrived! After considerable delay, last Monday part of the new monetary cone proposed by the Central Bank started to go into circulation. The VEF 20,000, VEF 5,000 and VEF 500 bills started to be traded in the different banks around the country, but the VEF 1,000, VEF 2,000, and VEF 10,000 bills have still not made their official appearance.

Sixth time lucky. President Nicolás Maduro announced that the 2017 Extraordinary Economic Emergency Decree would go into effect on Monday, January 16, in the interests of "*maintaining the country's economic and productive stability.*"

Long live the bolivar. In addition, the President extended the deadline for the withdrawal of the VEF 100 bills to February 20 this year, so as to give time for the bills of the new monetary cone, which started to be distributed by the different banks around the country on Monday, January 16, to circulate.

Defending the people. Repeating the measure implemented last year, President Maduro announced that the new floor for paying income tax would be raised to 6,000 tax units, an increase of 100.0% compared to the minimum income applicable last year. He also announced the inclusion of a payment of 1.0% for companies with a net worth of 11 million tax units or more.

More help. Continuing in helpful vein, the President announced an increase of 28.2% in the subsidy distributed via the Homes of the Fatherland e-cards, from VEF 39,000 to VEF 50,000.

Employment is one of the targets. Among other announcements, Maduro put unemployment at the center of his economic and social policy for the next few years, making unemployment of close to 4.0% the final target, 2.8 percentage points (pp) lower than the average for 2015 (6.8%) and 3.5 percentage points lower than the average for the period January-April 2016, the last period for which official figures have been published by the National Statistics Institute (INE).

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Foreign exchange kicks off! As announced by President Maduro, the foreign exchange houses located along the border with Colombia started to operate last Monday.

Micro devaluation. Governor of Táchira José Gregorio Vielma Mora stated that trading operations started at an exchange rate of COP 4.0/VEF. Taking the representative market rate (RMR) at the time of writing (COP 2,935.9/USD), that gives an implicit exchange rate of VEF 733.9/USD, which is slightly higher than the rate traded via the Marginal Foreign Currency System (SIMADI).

With the help of the Central Bank. Vielma Mora also gave assurances that the Central Bank of Venezuela is to be the new exchange houses' main foreign currency supplier. "We have millions of Colombian pesos and other currencies in the vaults," he claimed.

What do you need to do? Carlos Dorado, the president of Italcambio, described the procedure as "fairly simple." Anyone wishing to obtain foreign currency should get into Italcambio's webpage to request an appointment. Once the date of the appointment has been given, they should go to the corresponding foreign exchange house with their identity card, tax registration number (RIF), a utility bill showing that they are resident in the area, and their income tax return. Initially, transactions equivalent to USD 200 a day in cash and USD 300 a day by transfer will be allowed.

Will the exchange rate fluctuate? Continuing with his explanation of the new system, Dorado said that the exchange rate will be adjusted in line with the dynamic of supply and demand, a condition he considers fundamental for guaranteeing the measure's success. As for Vielma Mora, he said that they "were using ranges that are going to be extremely surprising (...) It won't be a gap of 10 or 20 or 30 percent. With this measure we're seeking legitimacy of the market vis-à-vis the Central Bank of Colombia,"

The table is served. At **Ecoanalítica** we are of the opinion that, as it stands, the measure will have no impact on the present foreign exchange dynamic. Setting the exchange rate mentioned above, far from contributing to dismantling the parallel exchange rate scheme, will foster arbitrage and corruption by offering foreign currency at an exchange rate that is way below the market rate. In addition, the ceiling on sales and the number of requirements raise the transaction costs associated with each operation, reducing the incentives to take part.

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OIL TIPS

PDVSA-leaks. According to an internal document of PDVSA leaked by Reuters, it is expected that PDVSA's oil production will be in the region of 2.5 million barrels a day (2.50 mb/d) in 2017. The news agency also reported that oil shipments to the United States had dropped to their lowest level since 1991.

Shortage of diluents. Among the difficulties listed in the article is the lack of diluents for processing the heavy oil from the Orinoco Oil Belt due to the scant capacity for paying suppliers. This has resulted in the buildup of tankers off PDVSA's ports waiting for payment in order to be able to unload their cargo.

A card up his sleeve? During his presentation of the Report and Accounts for 2016, President Maduro stated that Venezuela was to propose a new measure to OPEC to push up oil prices, in addition to the production cut already agreed by the cartel, but he did not give any details of the measure.

Barkindo's visit. The secretary general of OPEC, Mohammed Barkindo, met with President Maduro at Miraflores Palace to discuss the situation of the world oil market.

A new summit on the horizon. President Maduro said that at the meeting they discussed the need to call an extraordinary meeting of OPEC and non-OPEC countries to formulate new strategies that would make it possible to stabilize crude prices "for the next 10, 15 or 20 years."

Turbulence ahead. The executive director of the International Energy Agency (IEA), Fatih Birol, said that, although he sees a rebalancing of the oil market in the first half of the year, oil prices will show greater volatility in 2017 compared to previous year.

A promise from Saudi Arabia. Saudi Arabia's oil minister confirmed that his country would adhere strictly to the commitments to cut production undertaken in the last OPEC agreement. He reported that Saudi Arabia is reducing its production to below 10.00 mb/d, which is more than the agreed cut.

And he's confident others are doing the same. He also said that he is seeing strong signs of commitment by the other members of OPEC, claiming that many countries are cutting their production more than agreed, but without going into details.

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No longer than June. However, he also clarified that he considers it unlikely that the agreement would continue beyond the stipulated six months, after which they would let market forces do their job.

China's production at minimal levels... According to specialist agencies consulted by Reuters, China's oil production is expected to drop by 7.0% in 2017 after falling 6.9% during the first 11 months of 2016. This drop would be equivalent to 240.00 kb/d.

...and imports at an all-time high. As for China's crude imports, they hit their highest level in December, reaching 8.57 mb/d, 9% higher than in November.

Not as positive as it looks. However, that increase was due more to an increase in refined product exports and expectations of an increase in oil prices in the short term due to the OPEC agreement.

Drop in Libya's production. Libya's oil production fell sharply to 655.00 kb/d from 700.00 kb/d the previous week due to a deficit in storage capacity and bad weather, according to the president of the state-owned oil corporation, Mustafa Sanalla. This drop is a sign that Libya still has a long way to go in order to be able to get its production back to normal.

BUSINESS SECTOR TIPS

Between 15 days and two months. The process of calibrating the ATMs to enable them to handle the new monetary-cone bills could take between 15 days and two months, according to Minister for the Economy and Finance Ramón Lobo. *"There's a whole process and the time needed to calibrate the ATMs, and that depends on the technological level of the ATMs,"* he explained.

Excessive charges. Users have denounced that establishments located in popular markets both in Caracas and in the provinces are charging an additional 10.0% and 15.0% for the use of credit, debit and prepaid cards and other means of electronic payment.

A sweet deal. In December, the Executive decided to reduce value added tax (VAT) by two percentage points to encourage people to pay for their purchases electronically. The shortage of bills and inflation have boosted the use of points of sale and some people have turned this into a business. Roberto León, the president of the National Users and

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Consumers Alliance (Anauco), denounced that this was a bad practice that should be sanctioned.

Food reserves. President Nicolás Maduro ordered the drawing up of a special investment plan for raising production and reinforcing food reserves with availability of 90 days. *“It’s a special plan that will operate parallel to the Local Supply and Production Committees (CLAPs),”* he said and made the Armed Force responsible for carrying it out.

They didn’t meet the goals. In 2016, the CLAPs catered to 1,945,000 families in 644 prioritized parishes with the distribution of food and personal hygiene products, according to the chief of the CLAP Control Center, Freddy Bernal, who admitted that 80.0% of prioritized parishes were catered to in 2016.

Contradictory measures. In 2016 the government authorized the private sector to import basic basket goods using their own dollars as a measure to reduce the chronic shortages. However, these products are not being sold at regulated prices, which means that not everyone can afford them.

Price hikes to the detriment of the needy. One example of this is sugar, whose price, according to a directive issued by the Superintendency for the Defense of Socioeconomic Rights (Sundde), has been set at VEF 460 a kilo. However, you find prices of VEF 5,118 or more, which is 1,112.0% higher than the price set by Sundde.

Tourism heads the list. In December the agricultural portfolio posted growth of 2.4%, micro credits grew by 6.0%, loans to the tourism sector showed an increase of 28.8%, mortgages were up 2.8%, and loans to manufacturing increased by 2.0%.

A new year, new prices. The new year brought with it increases in prices for the majority of imported products. Precooked cornmeal is at VEF 4,612.5, more than 700% more than the official price of VEF 639 set by Sundde and quite a bit higher than the price stipulated by re-sellers (between VEF 3,500 and VEF 4,000 a kilo).

Alternative solutions ignored. The industry had asked the Executive to set the price of precooked cornmeal at VEF 770 a kilo, which would allow them to cover their costs and obtain a small profit that would allow them to increase their production. But Sundde ignored the agreement and set the price of corn at VEF 200 a kilo and raised the price of precooked cornmeal to VEF 639, which is not enough to cover production and distribution costs.

Sky high. Rice has also reappeared but marked at VEF 4,437, 3,697.5% more than the official sales price of VEF 120, set back in May 2016 following the authorization of the

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last price increase. Pasta is also to be had, but half a kilo is being sold at VEF 3,312, 35,346.8% higher than the price of the regulated rice (VEF 9.4), whereas mayonnaise is being sold at VEF 5,700 for a 500 gram jar, nearly three times the price it was on sale for in October.

Portfolio up. According to the latest report on the Venezuelan financial system conducted by GlobalScope (December), the loans portfolio came to VEF 5.9 trillion, for an increase of 8.3% compared to November and up 140.0% from last year.

WORLD ECONOMY TIPS

The “empire” gets its figures revised upward. The International Monetary Fund (IMF) raised its forecast for economic growth in the United States by 0.1 of a percentage point for 2017 and by 0.4 of a percentage point for 2018. This is due to the expansive fiscal reforms that President elect Donald Trump is expected to implement, among them tax cuts and increased spending on infrastructure.

More growth for the US. This revision takes economic growth in the United States to 2.3% in 2017 and to 2.5% in 2018, which could boost inflation given that the United States is currently close to full employment.

Some forecasts remain unchanged... IMF kept its forecast for world economic growth unchanged at 3.4% for 2017, despite the uncertainty being generated by the Donald Trump administration’s proposals.

... but they’re down for Latin America. However, the IMF revised its forecast for Latin America down due to the region’s performance in 2016, which turned out to be a contraction of 0.7%, pulled down by Brazil and Mexico. Consequently, the Fund expects growth of 1.2% for the region.

China has a global vision. The State Council of the People’s Republic of China announced new measures to increase foreign investment, among them a relaxation of restrictions on financial institutions. This is in line with the speech given by China’s President Xi Jinping at the World Economic Forum in Davos, in which he defended globalization and spoke out against protectionism.

In case there was any doubt. UK Prime Minister Theresa May reiterated that the United Kingdom would leave the European single market when it leaves the bloc, putting an end to speculation on the possibility of a “soft Brexit.” Brexit has raised major questions about

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immigration, zero tariffs for exporters, and the rights of Europeans who live in the United Kingdom, among others.

An unexpected slowdown. Brazil's Broad Nationwide Consumer Price Index was 6.2% at the close of 2016, within the government's target range with a top of 6.5%. Inflation slowed down compared to the close of 2015 (10.6%). In monthly terms, inflation was up 0.3% in December compared to November.

And now more cuts. This slowdown in prices allowed the Central Bank to start cutting interest rates, which were at 14.3%, to try to jumpstart the Brazilian economy, which is in a recession. This is the third rate cut in a row. The last cut was 0.7 of a percentage point, bringing the rate to 13.0%, its lowest since April 2015 when it was 12.8% a year.

Better than before. The Central Bank of Brazil adjusted its economic growth estimates for this year to 0.5% and cut its estimate for inflation to 4.8%. For 2018 it expects inflation of 4.5% and growth of 2.2%. These estimates offer a more optimistic outlook, as Brazil closed 2015 with a contraction of 3.8%, the biggest in 25 years, and a drop of 3.5% in 2016; which meant contractions two years in a row for the first time in more than 80 years.

Come hell or high water. At the Economic Outlook Seminar, Mexico's Secretary of the Treasury José Antonio Meade stated that Mexico's economy grew by 2.2% in 2016, despite the present situation, which is a good result compared to the region. Mexico closed 2015 with growth of 2.5% and 2.1% in 2014.

Overshooting the target. Inflation in Mexico in 2016 was 3.4%, above the country's inflation target, which is giving rise to concerns over high consumer prices in 2017, as a result of both the increase in the price of gasoline and the depreciation of the peso.

Gasoline hike. The price of gasoline went up by 8.0% in Argentina after an agreement was reached between the government and the oil companies. This gives a total increase in nominal terms of 38.0% since Mauricio Macri assumed the presidency.

Its rates are unchanged. The Central Bank of Peru kept its interest rate unchanged at 4.2% for the eleventh month running following its last meeting. This was due to the fact that inflation is expected to continue within its target range and is showing a downward trend.

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POLITICAL TIPS

It's still in contempt. In its rulings 02 and 03 of 2017, the Constitutional Chamber of the Supreme Tribunal of Justice, ratified that the National Assembly is still in contempt as a result of which it annulled all the acts issued by the National Assembly on January 5 and 9, which allowed President Maduro to give his annual message before the Supreme Tribunal of Justice.

He was sorry. At the start of his annual message, President Maduro lamented not presenting his report in the chamber of the National Assembly despite all the efforts made at the negotiating table, claiming that he had no alternative. *"I ratify my willingness to dialog in order to advance and continue keeping our word with patience, dignity and wisdom,"* he said.

Don't get dressed up Julio, you're not going. In his message, President Maduro reiterated that, following the ruling handed down recently by the Supreme Tribunal of Justice, Henry Ramos Allup was still at the head of the National Assembly, thus quashing the election of the new board of officers for the 2017 period of sessions a few days ago.

To Chuo with love. The President also sent greetings to the executive secretary of the Democratic Unity Alliance, Jesús "Chuo" Torrealba, claiming that he *"liked him"* and constantly communicated with him, something Torrealba strongly denied hours later.

The unconstitutional prevails. The president of the National Assembly, Julio Borges, attacked the justices of the Supreme Tribunal of Justice with their complicity in disregarding the Constitution after it authorized the President to present the Report and Accounts at the seat of the Judiciary not of the Legislature. *"The fact that the President does not render an accounting before the National Assembly is yet further proof of his having abandoned office,"* claimed Borges.

We want to vote! The leader of *Un Nuevo Tiempo* (UNT), Stalin González, said that this week the Legislature would request the Electoral Branch to *"publish the election schedule for electing governors and mayors."*

Clear accounting. The comptroller general, Manuel Galindo, confirmed the opening of an administrative procedure against the governor of Miranda state, Henrique Capriles. Galindo said that this step was taken as a result of a series of audits conducted in 2012 and 2015 in Miranda state by the Miranda State Comptroller's Office.

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Do what they may. Even though there has been just one hearing, the Comptroller General's Office imposed a series of fines on the governor and other persons implicated in the case and also ruled on their administrative liability in the irregularities with which they have been charged. In response to this ruling, Capriles warned that this was the start of a road that would end with him being disqualified politically, saying that "*There's no one who can prevent my struggle for change in the country.*"

Counterpoint. The first vice president of the United Socialist Party of Venezuela (PSUV), Diosdado Cabello, called on the government coalition to take part in a "happy" and "combat-oriented" demonstration next Monday, January 23. This mobilization will also be an opportunity to accompany the Venezuelan journalist and guerrilla Fabricio Ojeda, whose remains are to be moved to the National Pantheon that same day.

Now the struggle is for the right to vote. Meanwhile, the governor of Miranda state, Henrique Capriles, ratified the call to march on January 23 to protest against the Government and demand that elections be held. "*The call I'm making for the 23rd is for the holding of elections and for this to be the start of a struggle until we have elections,*" he said.

LEGISLATIVE TIPS

Impartiality took a back seat. The second vice president of the National Assembly, Deputy Dennis Fernández, said that President Nicolás Maduro clearly violated the Constitution when he presented the Report and Accounts on his conduct of the country during 2016 before the Supreme Tribunal of Justice, in other words before a branch of government under the Executive's control. She recalled that the National Assembly is an autonomous and independent Branch of Government and that the rendering of accounts should have been before the National Assembly.

No further extensions. The National Assembly, in its Special Session, only with the votes of the Deputies of the Unit, rejected the sixth extension of the Economic Emergency Decree announced by President Nicolás Maduro, since it allows the Head of the State to make decisions that do not solve the economic and social problems of the country.

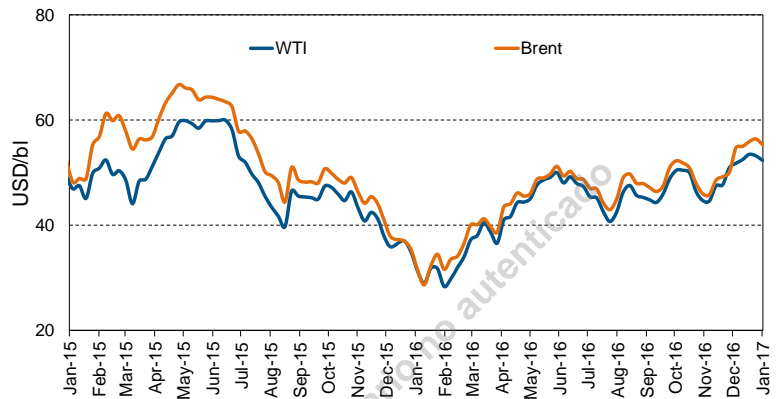
Alteration of the constitutional order. In the Draft Agreement, not only is rejected the Decree published in the Official Gazette no. 41,074, but also denounces that it deepens the serious alteration of the constitutional and democratic order that Venezuela suffers, in addition that, according to Julio Borges president of the Parliament, represents a complete abandonment of the Constitution by Nicolás Maduro.

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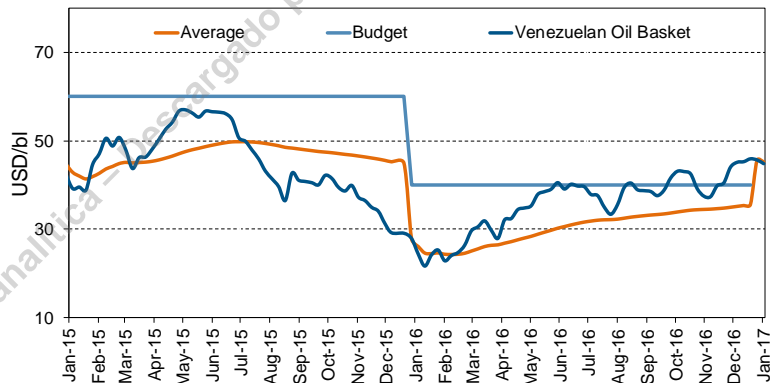
ECONOMIC INDICATORS

**Oil Prices
(WTI and Brent)**



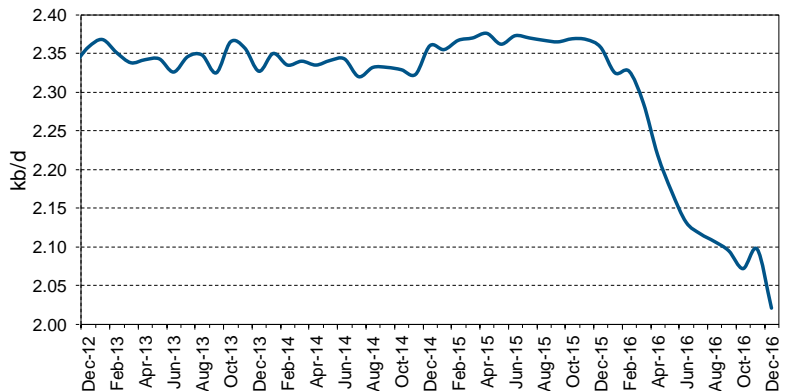
Sources: Menpet and Ecoanalítica

**Oil Price
(Venezuelan Basket)**



Sources: Menpet and Ecoanalítica

**Oil Production
(Secondary sources)**



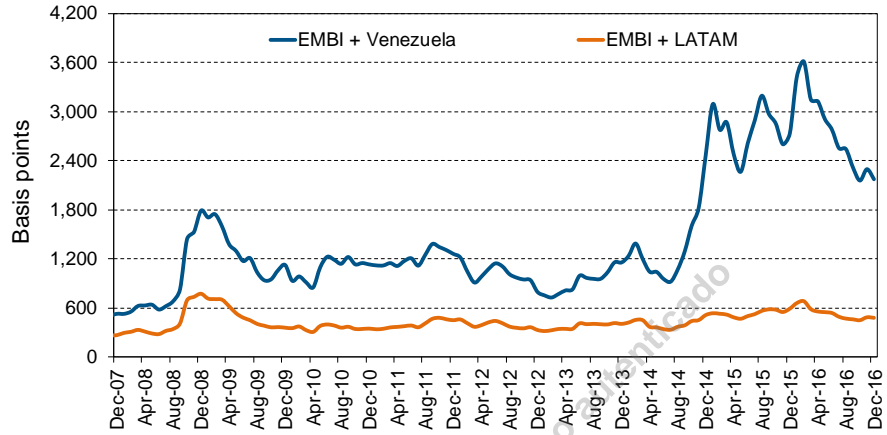
Sources: OPEC and Ecoanalítica

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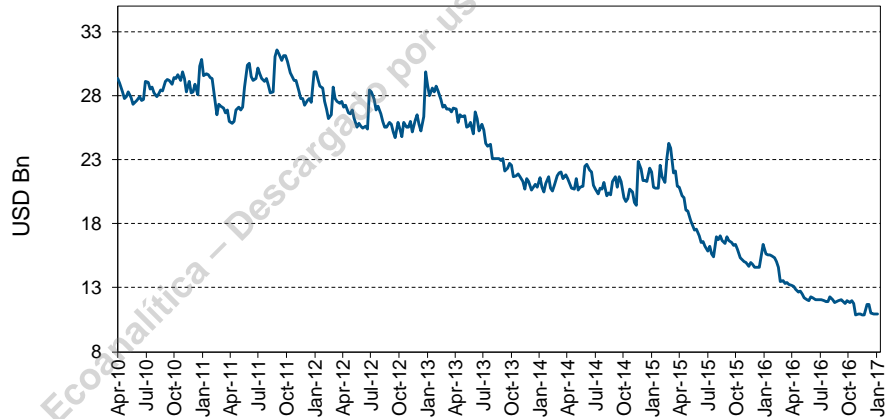
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EMBI



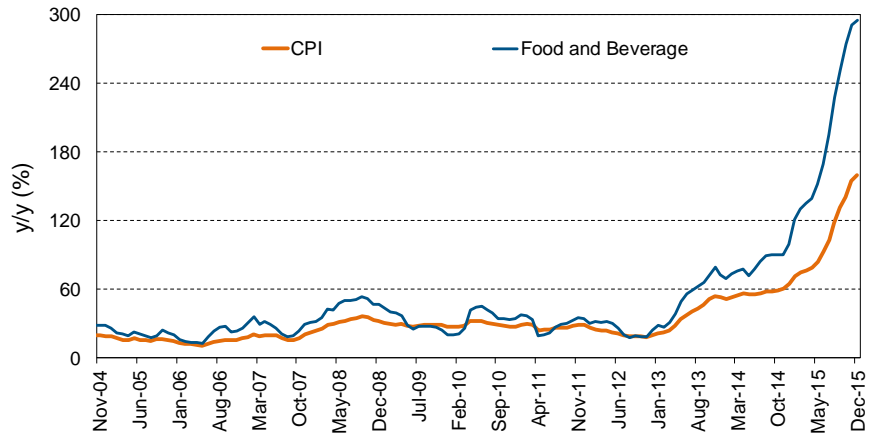
Sources: BCRP and Ecoanalítica

FX Reserves (BCV)



Sources: BCV and Ecoanalítica

Inflation (BCV)



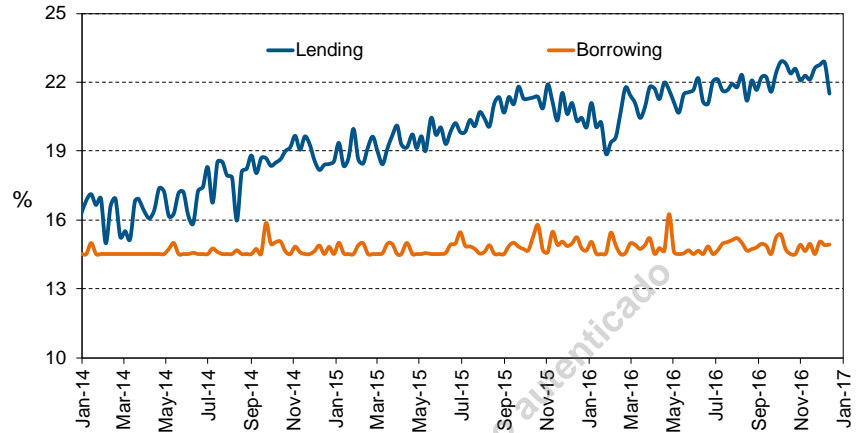
Sources: BCV and Ecoanalítica

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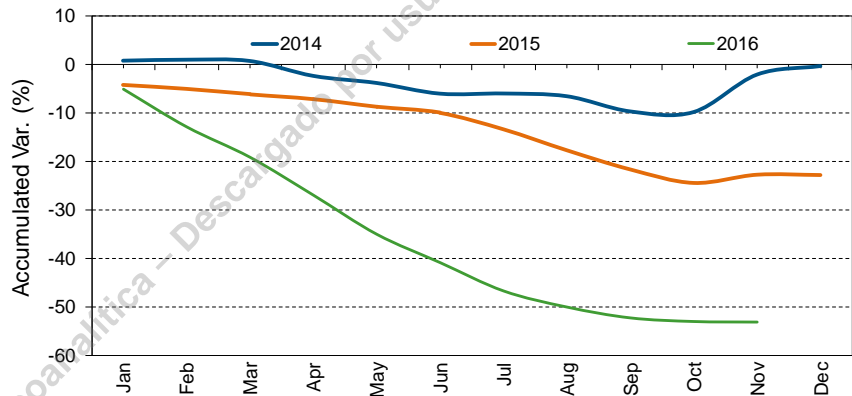
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**Interest Rate
(Six major banks)**



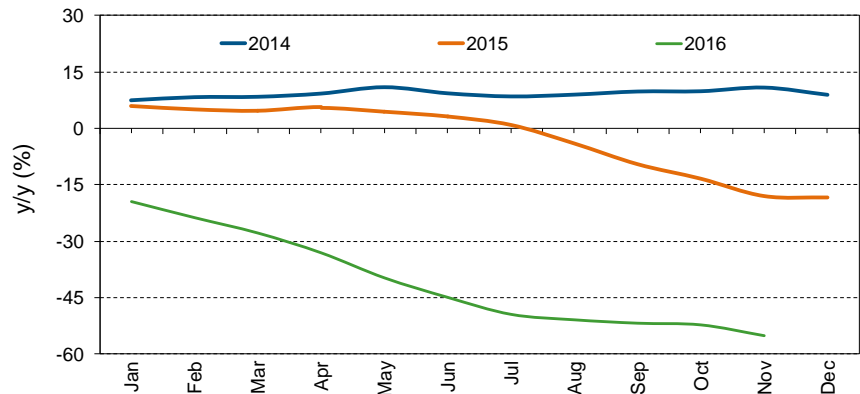
Sources: BCV and Ecoanalítica

**M2 Expansion
(Real)**



Sources: BCV and Ecoanalítica

**Loan Portfolio
(Real)**



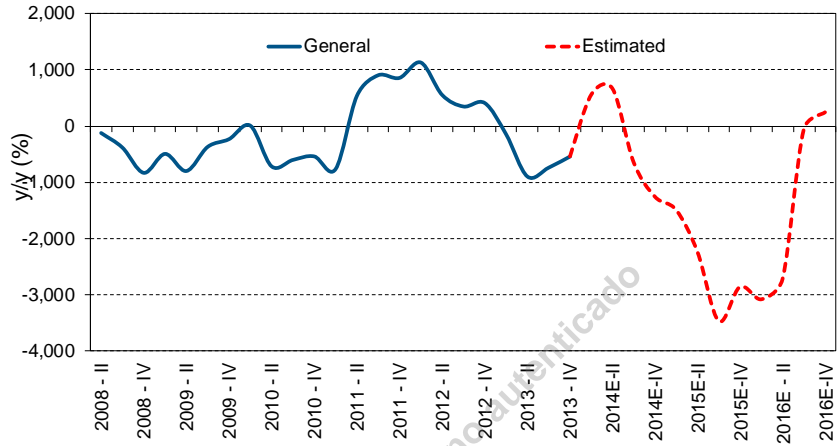
Sources: SUDEBAN and Ecoanalítica

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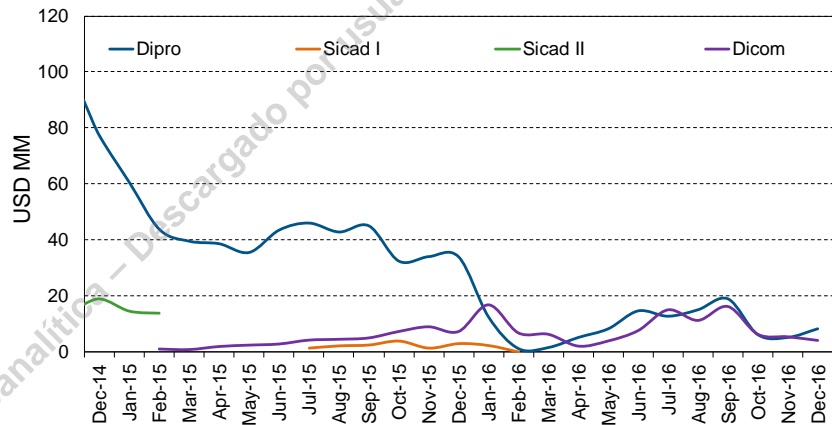
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Real Wage Index



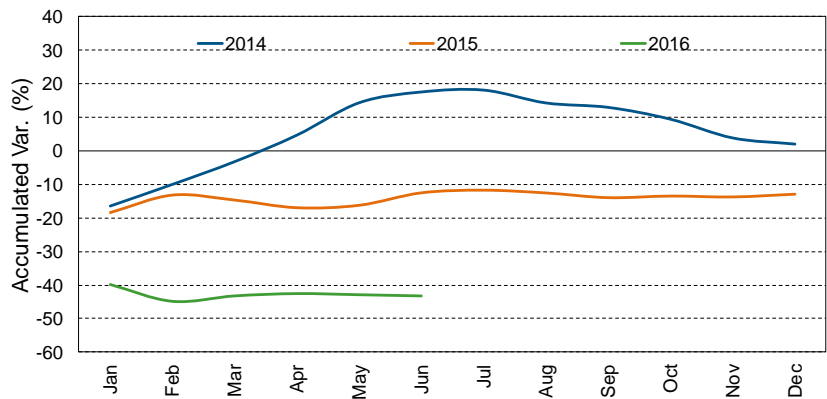
Sources: BCV and Ecoanalítica

Disbursements to the Private Sector (Daily Average)



Source: Ecoanalítica

Primary Spending NTO (Real - Central Government)



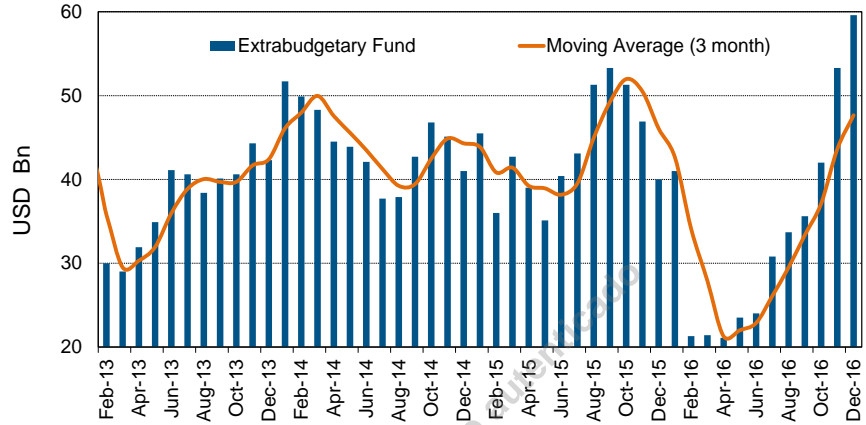
Sources: ONT and Ecoanalítica

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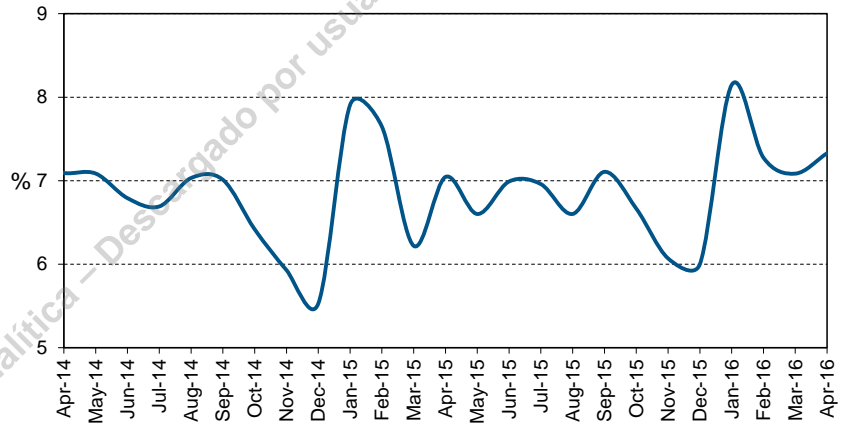
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State Extrabudgetary Resources



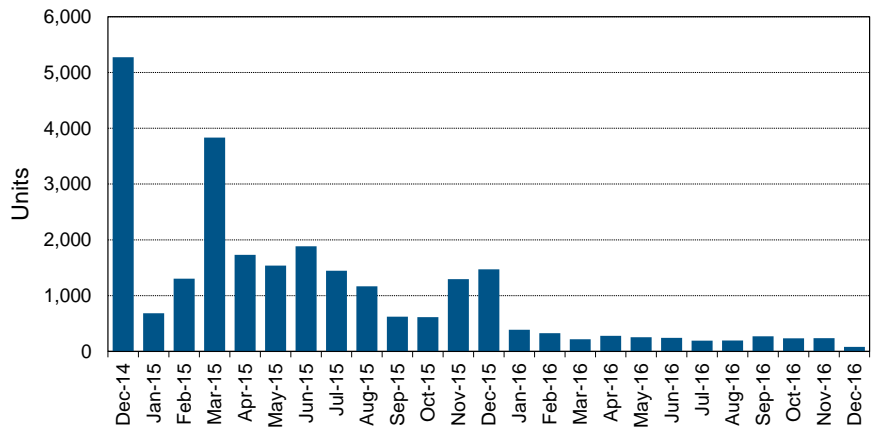
Source: Ecoanalítica

Unemployment Rate



Sources: INE and Ecoanalítica

Vehicle Sales



Sources: CAVENEZ and Ecoanalítica

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