

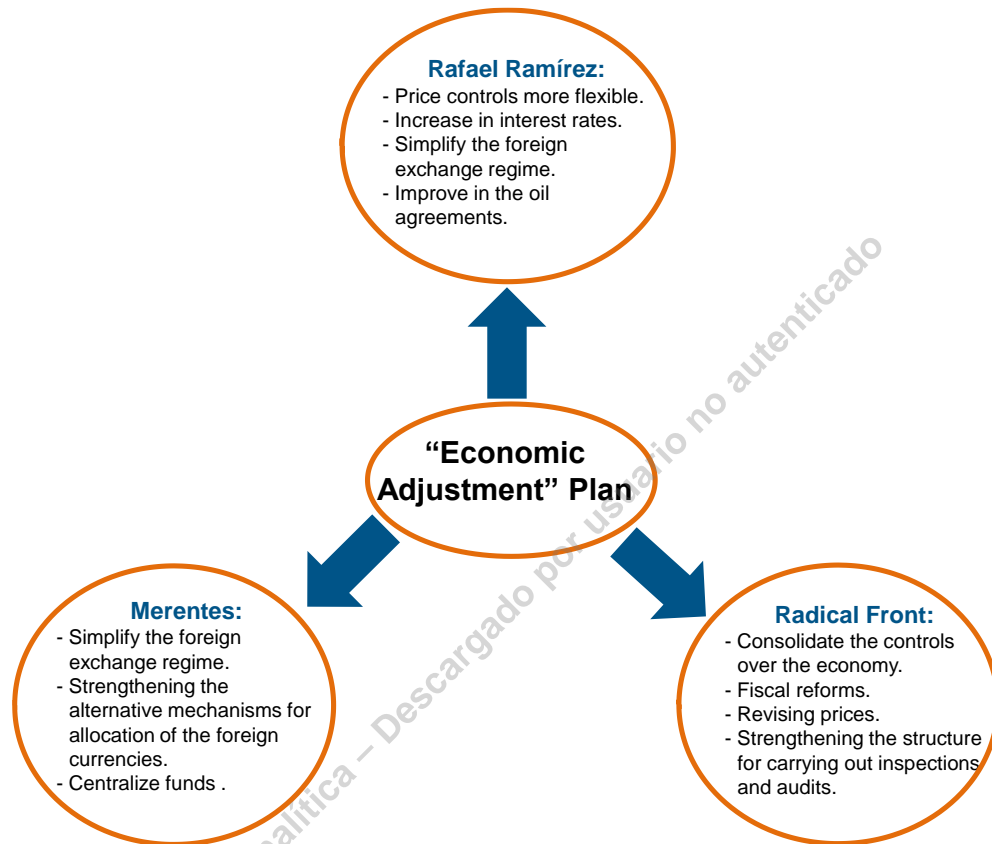
## Chavez Radicals and their Recipe for Disaster

During his term in office, President Nicolás Maduro has had a variety of advisors, both political and economic. In 2014 we learned at **Ecoanalítica** that the government had several action plans to “boost” the economy headed up by different factions of *Chavismo*: pragmatic, radical and military.

The pragmatic front, led by the former president of Petróleos de Venezuela S.A. (PDVSA), Rafael Ramírez, proposed making price controls more flexible, raising interest rates, simplifying the foreign exchange regime, and improving the oil agreements. The radical front proposed economic measures that would consolidate the controls over the economy, among them introducing fiscal reforms, revising prices, and strengthening the structure for carrying out inspections and audits. The military wing of the government has consistently been the most uncertain, however its main objective has been to remain in power and continue enjoying the benefits of distributing the nation’s revenue.

Relatively important personalities within *Chavismo* have also put their cards on the table. At one point, Merentes, today the president of the Central Bank of Venezuela, proposed simplifying the foreign exchange regime (making it a dual system), strengthening the defunct SICAD II, centralizing funds in dollars in order to improve signaling to the international market, and issuing fresh debt.

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However, following the “economic shakeup” announced last year, the government moved its men and decided to opt for a model of much more radical political and economic control, which it has been implementing since then. In addition, the political weight of Maduro and his closest circle has increased, resulting in string-pulling in government circles.

### Tony Boza, the new favorite

At **Ecoanalítica** we have evaluated *Madurismo*’s current proposal for solving the economic crisis by analyzing the action plan drawn up by Tony Boza, allegedly an advisor to the Executive, based on his book “*La guerra contra el pueblo*” (The War Against the People). This plan focuses on four control proposals:

- **Popular price, foreign currency and profits observatories:** The proposal is for popular organizations (communal councils, cooperatives, etc.) to have a technological platform with access to the cost structures of companies in the

country, as well as a listing showing with which foreign exchange scheme (Cencoex, SICAD or SIMADI) each one operates. The communal councils would have a committee in charge of verifying the fair prices of goods with a view to denouncing any irregularities; in other words, more and yet more controls.

Special note should be taken of the fact that, in this proposal, whose main objective is to curb the shortages, Boza does not take incentives for domestic production into account, and relies solely on the creation of vices in the economy like “*bachaqueo*”.

- **Nationalization of foreign trade:** The idea is for everything that has to do with imports and/or exports to be handled by the State. The “political analyst’s” argument is based on the fact that, in “*a country where 97.0% to 98.0% of foreign currency is produced by the Venezuelan State, it is impossible to create a free import market*” and, for that reason, “*the State is under the obligation to control imports and be the factor that brings products into the country and guarantees their fair price.*”

This idea is not a new one. Several groups close to the government have repeatedly proposed total control of imports. Former Planning Minister Jorge Giordani supported the thesis that the State should take charge of imports and that the government should assume a more decisive role in the economic dynamic. However, it has been shown that the Executive is not the most efficient actor when it comes to performing activities that fall outside its spheres of competence. Contrary of the idea to incentive the private production, which it is up to five times more productive than the public sector.

- **Nationalizing the banks:** According to Boza, the banking sector plays a key role in the decline of the economy since it plays at “*destabilizing the model.*” Maduro’s advisor suggests that the elements of distortion, such as the parallel dollar, are caused by the participation of the banks. That is why, in his opinion, the sector should be nationalized. He also claims that the banking system acts in favor of smuggling money out of the country in border zones.

However, it seems that Boza has not taken into account the consequences of nationalizing the banks (greater exposure to risk and external shocks, scant diversification, moral risk, and so on). Besides, at **Ecoanalítica** we wish to point out that the banking sector is one of the sectors of the economy that have suggested the need for transparency in the parallel market on numerous occasions and that, if it wanted to nationalize the banking sector, the government does not have the

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resources to purchase all the private banks. Apart from that, there are the harmful effects that such a measure would have in the economy and in society.

- **Expansion of productive credit in bolivars:** On this point, Boza focuses not on consumer credit but on credit for small and medium-size companies, which is nothing new. *“We have thousands of productive initiatives of family micro enterprises, cooperatives, from small and medium enterprises that are prepared to favor the country. That can be done without foreign currency; it can be done simply by expanding credit in bolivars.”*

However, Boza does not take into consideration the so-called “big” companies or the debt that the government currently has with those companies. Besides, he focuses on credit in bolivars, stressing that “foreign currency is not needed,” but ignores that most of the inputs domestic companies use to produce is imported. And, last of all, this then gives us to understand that Boza plans to implement this expansion of productive credit through monetary financing by the Central Bank, which would further fuel inflation.

Boza believes that, with all these “adjustments,” his proposal can *“achieve peace in order to combat the economic war,”* even when all these adjustments stipulate major restrictions on the private economy and a high level of participation by the State.

## Two proposals, two responses

The proposals of the government’s current advisor are much more worrying, as they mean plunging the country into a corrupt-communist model that is much worse than the one we are observing at the moment: a stepping up of controls at all levels of the economy, from imports and exports to the handling of foreign currency and the banks, to control exercised from the “popular observatories.”

At **Ecoanalítica** we refer to this scenario as “the mine field”; in other words a scenario where the same pattern of action in the country’s economic policies would continue to be implemented. *Chavismo’s* most radical groups, such as those mentioned earlier, defend the proposal that seeks to increase public sector imports, stricter monitoring and auditing of the private sector, and greater state control of the distribution of basic products.

In view of the proposals being put forward by the government, we have come up with three different scenarios for 2015: radicalization of the model (proposed by

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Tony Boza), a dual system, and the proposal of a plan of incentives, which we at **Ecoanalítica** support.

### Scenarios 2016

Macroeconomic Variable	Radicalization	Dual Scheme	Stimulus Package
<b>Weighted Exchange Rate</b> (VEF/US\$) (Official)*	40.7	92.5	160.6
<b>Inflation</b>	823.6%	295.4%	306.5%
<b>GDP y/y (%)</b>	-9.60	-6.20	-3.90

Sources: BCV, MEFBP and Ecoanalítica

\*Excludes non-official Exchange Rate.

What has been the outcome of this model for the Venezuelan economy? High levels of shortages, 60.7% in May according to Datanalisis, inflation of 90.6% accumulated in July, according to our estimates, and a loss of purchasing power in the region of 15.6% in the first six months of the year.

Therefore, if the government decides to radicalize the model, our expectation is that the necessary adjustments will not be made, which means that the amounts of foreign currency disbursed will be increasingly smaller, exacerbating the price of the unofficial dollar and making shortages more acute. Given this situation, inflation would skyrocket to 823.6% and our economy would embark on a hyperinflationary process in which the entire domestic production chain would be adversely affected.

By way of contrast, at **Ecoanalítica** we propose a plan for stimulating the Venezuelan economy in which we consider it would be necessary to converge the different exchange rates, where the exchange rate would be VEF 160.5/US\$ (real exchange rate), disbursements of foreign currency would actually be made to the productive sector, the parallel market would be legalized and recognized, and the foreign exchange spread (currently at 10,645.9% between the official CENCOEX rate and the parallel market rate) would be reduced.

It would also be necessary to reduce or lift the controls on capital, reduce financing by the Central Bank to cover the fiscal deficit, and trim spending, which would result in inflation of 306.5%, which while not a low figure, would be the result of the profound adjustments that need to be made.

It is important to note that our proposal is one of adjustments over the short, medium and long term, which would make it possible to obtain positive lasting changes in

our economy, unlike the proposal made by Maduro's new advisor, Tony Boza, which seeks to continue with a model that has clearly failed.

### **Perverse incentives: He who cuts and serves the cake keeps the biggest slice**

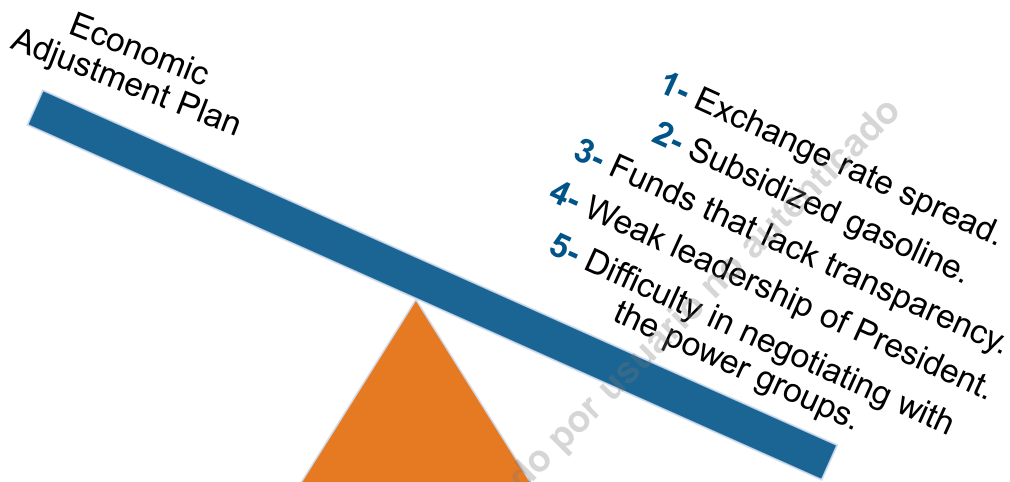
The key question is: If we're doing so badly, why not take measures even when they mean facing economic hardships in the short term? The answer is the groups of power that have grown up around the rent of the nation in recent years.

The power clusters have taken advantage of the distortions generated by the economic model. Price controls and the bureaucracy that has grown up around the production processes have generated a wide range of opportunities for arbitrage:

- **Exchange rate spread:** The groups benefit from the sharing out of foreign currency via Cencoex. Obtaining dollars at VEF 6.3/US\$ and selling them at VEF 696.7/US\$ (the price on the parallel market at the time of going to press) is a sweet deal: a profit of 10,959.8%. Simplifying the foreign exchange regime would undoubtedly mean losing major quotas of power and revenue. That is why those who benefit from this distortion are opposed to any simplification of the foreign exchange regime, which explains the failure of mechanisms such as SICAD II and SIMADI.
- **Subsidized gasoline:** Quite apart from the political and social implications of putting up fuel prices, one element that has significant weight is the huge business that stems from smuggling gasoline, which, according to our estimates, comes to around 120,000 barrels a day (kb/d). Having a gasoline price that is more in line with reality would affect the direct and indirect beneficiaries of this practice and it is evident that they have every incentive for preventing an adjustment of this kind.
- **Funds that lack transparency:** Centralizing the funds would send out an extremely positive signal to the market and would strengthen the position of the Republic abroad. However, the power groups behind the handling of those resources reject the idea. Greater transparency in the management of these funds means that less discretion could be exercised when it comes to allocating resources.

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## What and/or who has more weight?



Besides the problem of the power groups that have grown up around the sharing out of the nation's rent and that is preventing decisions from being taken, we have two more elements: President Nicolás Maduro's weak leadership when it comes to implementing economic adjustment measures and the difficult task of negotiating with the power clusters and other ideological factions that coexist within *Chavismo*. These two points are of key importance when it comes to understanding why it takes so long to implement reforms and why they are left unfinished.

### Dollars don't save models

After analyzing the proposal from the government's new advisor, we cannot but be concerned with regard to the policies that are to be implemented over the next few months. The economic crisis that we are experiencing today is nothing more than the result of 15 years of implementing mistaken policies, which means that the model is unsustainable.

If the proposal presented by the government did not work with oil prices of more than US\$ 100.0/bl., thinking that it will work with an oil barrel price of less than US\$50.0 makes no sense. Tony Boza proposes radicalizing a model that has proved to be everything that should not be done.

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On the contrary, Venezuela needs economic decisions that provide incentives for domestic production and help to reduce the present imbalances in the economy. It is vital that common sense be returned to decision making in a government that lacks even a sense of where it stands. Supporting radicalization of a model that has proved to be a failure is not a possibility.

**Lesner Castillo**  
**Cristina Parilli**

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## WEEKLY INDICATORS

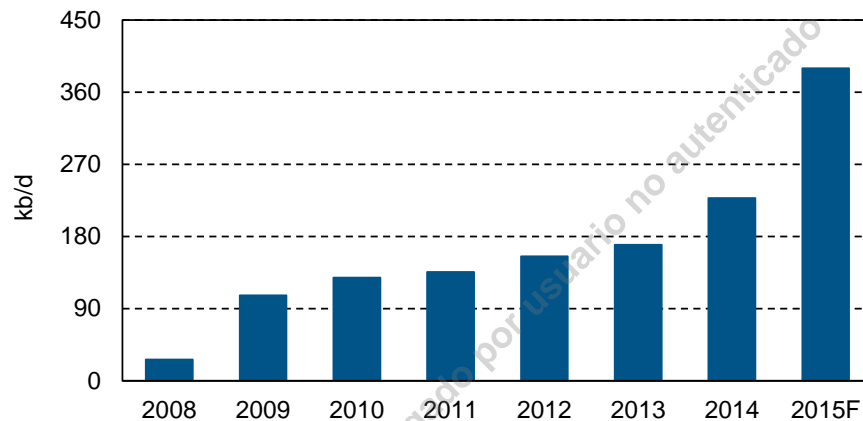
Weekly Economic Indicators			
	4th Week July	Weekly var. (pp)	Annual var. (pp)
Lending interest rate (%)	19.8	-0.4	1.5
	5th Week July	Weekly var. (pp)	Annual var. (pp)
Overnight interest rate (%)	2.4	-1.5	-11.3
	4th Week July	Weekly var. (%)	Annual var. (%)
International reserves (Bn US\$)	15.39	-1.4	-25.6
	4th Week July	Weekly var. (%)	Accum. var. (%)
Central Government spending (VEF Bn)	34.5	-19.1	64.0
	4th Week July	Weekly var. (%)	Annual var. (%)
Monetary liquidity (VEF Bn)	2,744	1.5	84.5
Price of International Oil Baskets (US\$/bl)			
	5th Week July	Weekly var. (%)	Annual var. (%)
WTI	48.2	-3.3	-52.1
Brent	53.6	-5.0	-50.0
Price of the Venezuelan oil basket (US\$/bl)			
	5th Week July	Weekly var. (%)	Annual var. (%)
Weekly average	45.9	-4.2	-51.4
Annual average	49.7	-0.2	-48.7

Source: BCV, MENPET, ONT and Ecoanalítica

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### GRAPH OF THE WEEK: "VENEZUELA EVEN MORE COMPROMISED"

**Barrels Sent to China for Debt Service Payment**



Source: Barclays and Ecoanalítica

In recent years, China, through its lending, has been one of the lungs of government spending. The probability of a fall in oil prices did not seem to be on the head of those who annually renewed and opened new sections of the Chinese Fund. However, that moment has come, and today, when the shortage of foreign currencies is more acute than ever, it is when oil production is more committed.

With an increasing debt with China, the Republic went to commit US\$0.85 billion (26.4 k/bd at an average price of US\$88.6 per barrel) in 2008 to US\$7.82 billion (390.0 k/bd at an average price of US\$55.1 per barrel), in a 2015 in which the budget of foreign currency is tighter than ever and the economic and political situation cries out for an increase of disbursements. Speaking of oil production, in 2008 it was sent to China 0.8% of the total, in the mean-time, in 2015 it begins to represent 13.6% of the total production itself.

Lending conditions between China and Venezuela are still very attractive for a government that does not want to make any adjustments to their economy. Nevertheless, if this trend keeps this way, making those adjustments will become a reality that the government could not escape. The oil production do not increase and an even more proportion of itself goes to China for nothing in return.

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## ECONOMIC TIPS

**Keep on going.** Accumulated inflation so far in 2015 was 90.6% a difference of 147.0 perceptual points (pp) over the same period last year. At the same time the underlying inflation \* for July it stood at 22.5%, which means a underlying inflation of 164.4% in the first seven months of 2015.

**All increasingly expensive.** The consumption weighted exchange rate stood for the month of July in VEF 240.1/US\$, which means a depreciation of 83.9% compared to same month of the last year. Also, if we compare this with the consumption weighted exchange rate of July 2014 (VEF 25.7/US\$), a variation of 832.9% is presented.

**I'll lend you money, but on my terms.** In March it was revealed that China would grant Venezuela two new loans totaling US\$10.0 billion. The first US\$5.0 billion was apparently deposited in the Chinese-Venezuelan Fund in April to be used to finance production projects. The remainder was negotiated as a "special loan" for Petróleos de Venezuela, S.A. (PDVSA), the condition being that the money would be used, in principle, for financing oil projects.

**They finally gave it to us.** Vice President for the Economy Rodolfo Marco Torres announced that Venezuela received US\$5.0 billion as part of the second renewal of tranche B from the Joint Chinese-Venezuelan Fund, which will permit the development of major works in the country. He stressed that the renewal of this tranche "*shows the confidence between the two governments for promoting the strategic alliance and reaffirms Venezuela's soundness as China's trading partner.*" He also pointed out that these funds are to boost and diversify the economy.

**Curbing the trend or brushing the figures under the carpet?** The Central Bank's reserves increased by 10.3% in the last days of July, going from US\$15.4 billion to US\$16.9 billion. This increase means that the downward trend the reserves had been experiencing has stopped. This increase could be due to Jamaica's payment of its debt under the Petrocaribe Energy Agreement (US\$1.500 million) and/or to the renewal of tranche B from the Chinese Fund. When the Dominican Republic's debt was paid, the funds were immediately transferred to the Central Bank's accounts.

**Hand in hand with China.** The government has started a series of working sessions with 11 Chinese companies with a view to setting up economic and strategic

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alliances that will make it possible to boost the country's development. *"We're starting meetings with Chinese companies that are interested in investing in Venezuela. It's an issue that is a sign of the country's profound credibility internationally,"* said Vice President for Planning and Knowledge Ricardo Menéndez. He also explained that this plan covers the development of projects in sectors such as iron, steel, aluminum, agriculture, and hydrocarbons associated with the Hugo Chávez Orinoco Oil Belt.

**The never-ending tale of import substitution.** Last week, President Nicolás Maduro announced the creation of a high-level presidential commission that is to be charged with drawing up an import substitution action plan. The commission is to be formed by PDVSA, SIDOR, *Industrial del Aluminio*, and CANTV. This is not the first time that the government has created a commission to raise the country's productivity; however, it seems that all the other plans have failed.

## OIL TIPS

**Increased refining in the eastern region.** With the start-up of the Deep Conversion Project at Puerto La Cruz Refinery (Anzoátegui), PDVSA hopes to increase diesel production by 89.5% (to 72.0 kb/d) and jet fuel production by 250.0% (to 35.0 kb/d) at this complex. Valeria Negretti, the project's deputy manager, explained that international companies had invested US\$834 million in executing the civil works for the project.

**This project changes everything.** According to the president of PDVSA, Eulogio Del Pino, the Deep Conversion Project *"will permit Puerto La Cruz Refinery (...) to process oil from the Orinoco Oil Belt,"* thus making it possible to *"manufacture new products for export, which will result in the generation of foreign currency and revenues that are important for the Nation."* Del Pino pointed out that they had obtained financing of more than US\$4.0 billion for the entire project, mainly from Japan and Korea.

**Has Exxon given up?** The president of the Latin American Parliament in Venezuela (Parlatino), Ángel Rodríguez, claimed that ExxonMobil had withdrawn its drillship Deepwater Champion from the waters of the Stabroek Block field in the Essequibo region. According to the webpage *marinetraffic*, the Exxon vessel has been anchored in the Gulf of Mexico for several days.

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**Mission accomplished.** ExxonMobil's Country Manager Jeff Simon said that the ship had completed the work it was carrying out in Liza-1 (an area of the Stabroek Block field) on schedule and that they were planning further drilling in the future. He explained that they had gathered sufficient information and data in this first phase that they were thinking of returning next year or maybe before, but that they were definitely going to be back.

**With domestic suppliers.** President Nicolás Maduro announced the signing of an agreement between PDVSA and Fedeinustria for the creation of 21 joint ventures that are to supply inputs and services for boosting the Orinoco Oil Belt, which, according to Maduro, is currently producing 1.33 mb/d. The president of Fedeinustria, Miguel Pérez Abad, pointed out that these small and medium companies “*will substitute imports for PDVSA to the value of US\$2.5 billion a year.*”

**More investment in Guayana.** The president of PDVSA, Eulogio Del Pino, signed agreements for VEF 796 million and US\$16 million with two companies and three metal working consortia that are to supply equipment and accessories required for extracting crude in the Guayana region. These alliances include the procurement of equipment required for the Fluids Processing Center belonging to Petrocarabobo, a joint venture located in the Carabobo Division of the Orinoco Oil Belt.

**Get ready for the rebound.** In its latest oil market report, Barclays forecasts that oil prices will rebound in the coming months. According to the investment bank, market perception of a supply surplus is off the mark and the numerous risks on the supply side and the upward revision of demand estimates in the next few months could lead to a correction in the trend in prices, which it estimates are undervalued.

**Back to US\$60/bl.?** According to Barclays there are three key factors that could well put the crude market back on the path of an upturn in prices: i) the fact that OPEC production levels are not sustainable, since the climate and sabotage could affect production in Iraq and the sanctions on Iran will not be lifted until 2016; ii) reports of tighter oversupply from oil agencies in the coming months; and ii) the fact that the buildup of inventories in the United States (US) has been exaggerated, as have signals regarding output estimates.

**Saudi Arabia will produce less.** According to the *Wall Street Journal*, Saudi Arabia will cut back its production by between 200 kb/d and 300 kb/d after the summer, when local energy demand tends to drop off. With the adjustment, Saudi output would be reduced to 10.3 mb/d and remain at around 10.0 mb/d until the end of the year.

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**Some go up...** According to the consulting firm Oil and Gas UK, hydrocarbons production in the North Sea grew by 2.5% (y-o-y) in the first half of the year, despite the drop in crude prices. The consulting firm believes that production in the region could increase this year for the first time since the year 2000. While production has increased in the North Sea and Aberdeen, there have been massive layoffs and cuts in costs since November last year.

**...and others come down.** Russia's oil production fell to 10.65 mb/d in July (from 10.71 mb/d the previous month), according to data from Russia's Energy Ministry. The drop had to do with lower production of condensates by Gazprom, which carried out maintenance on its gas plants in July. However, thanks to a weak ruble, Russia has managed to keep its production above Saudi Arabia's and close to its maximum (despite low prices and sanctions by the West).

**It's a synch.** Iran could increase its production of crude by as much as 500 kb/d one week after international sanctions are lifted and by 1.0 mb/d one month later, according to Iran's Oil Minister Bijan Namdar Zanganeh. He claimed that, if OPEC refuses to make room for Iranian exports once sanctions are lifted (by November at the latest, in Zanganeh's opinion), the markets would see lower oil prices.

## BUSINESS SECTOR TIPS

**One step at a time.** Minister for the Economy and Finance Rodolfo Marcos Torres announced that disbursement would be made of the first tranche of the last SICAD auction in the sum of approximately US\$146 million for the transport sector. He also stated that companies in the auto parts, assembly materials, construction machinery, and public roads maintenance inputs sectors would also obtain foreign currency from the State at the preferential rate.

**CONINDUSTRIA economic package.** The President of the Venezuelan Confederation of Industrialists (CONINDUSTRIA), Juan Pablo Olalquiaga, proposed the returning of nationalized companies to the private sector and the disassemble of price controls, replacing it by direct subsidies. Also, he recommended the legalization of the foreign currency non official market to increase the competitiveness of industry and the national productivity.

**Industrial looking options.** The President of CONINDUSTRIA, suggested the securitization of the debt with international suppliers as a policy to "raise domestic

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*production" in the short term. He also introduced the possibility of "a new debt issuance or the use of the stock of securities issued by the Government that are again in the hands of the executive, because they have been buying them back".*

**To the rescue.** Juan Pablo Olalquiaga also proposed that CONINDUSTRIA needs to take part in the high-level import substitution commission created by President Nicolás Maduro and suggested a number of different aspects that should be considered by the commission, such as the migration of companies to the private sector and making the exchange control regime and the Fair Prices Act more flexible, for example.

**Hamstrung by the government.** Pablo Castro, the president of the National Federation of Beverage Industry Workers (FENTRIBEB), denounced that the government has still not disbursed the foreign currency required to pay the debt with the sector's foreign suppliers, which currently comes to US\$270 million, and that this situation is restricting the opening of new lines of credit that would make it possible to purchase raw materials that are essential for production.

**Closing ranks...** Francisco Martínez, the president of FEDECAMARAS, claimed that the attacks on different companies whose warehouses located in the Yaguara Industrial Zone (Miranda state) were expropriated could affect the efficiency of the food distribution system in the region. He also warned of the concerns that have arisen on the labor front, as a large number of workers will be affected.

**...and proposing solutions.** Martínez also said that one of his biggest challenges as the president of FEDECAMARAS is to achieve greater consensus between the public and private sectors in the interests of rescuing the country's economy. However, he stated that it was necessary for the government to implement a policy geared to promoting and developing domestic production and recommended making the different controls that currently exist in the economy much more flexible.

**Increasingly divorced from our past.** Vicente Pérez, the executive director for the coffee sector at the Confederation of Agricultural and Livestock Producers Associations (Fedeagro), warned of the continuing decline in coffee production, which is barely sufficient to cover 25.0% of domestic demand. He also claimed that the different controls on the prices of a variety of elementary items and the increase in the parallel dollar are the main causes of the drop in production and the disappearance of coffee exports.

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**Barely surviving...** Miguel Eseverri, the president of the Venezuelan Metallurgical and Mining Industrialists Association (AIMM), warned that metallurgical companies are operating at 30.0% of their installed capacity due to the persistent lack of raw materials and inputs, most of which used to come from the different basic industries located in Guayana.

**...and without being able to import.** The president of the AIMM highlighted the scant margin of maneuver the industry has in the matter of inputs, which have been affected by the drop in production at the different basic industry companies, since it does not have the necessary foreign currency in order to be able to substitute the inputs and materials needed to maintain and increase production with imports.

## WORLD ECONOMY TIPS

**All for one and one for all.** European Commissioner for Trade Cecilia Malmstrom stated that the different European negotiators are seeking to finalize a trade agreement with the US, in a scenario of optimism, by next year. If an agreement is reached, the Transatlantic Trade and Investment Partnership (TTIP) would account for one third of world trade and become the biggest treaty of its kind.

**Manufacturing declines.** The final result of the Purchasing Managers' Index (PMI) for China's manufacturing sector in July prepared by Markit was 47.8 points, a drop of 1.6 points compared to June. This is the index's lowest level since July 2013 and it is the fifth month in which the index has been below 50 points. This datum reinforces the idea that the Chinese economy needs more stimuli to prevent it from cooling down still further at a time when it is facing new risks due to the high volatility of the stock market.

**Going from bad to worse.** The recent results showing how the performance of the Chinese economy is having spillover effects in the different countries and regions that coexist in the world economy, such as the Latin American market, for example, which started off the week with a much weakened currencies in a number of the region's countries, among them the Brazilian real, which fell to an all-time low and the Colombian peso and the Chilean peso, which posted losses of 1.4% and 1.2%, respectively.

**They want inflation, we don't.** The European Union's statistics office (Eurostat) reported that the variation, year-on-year, in consumer prices in the 19 countries

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making up the European Union was 0.2% in June, unchanged from the previous month. Despite having overcome deflation in April, inflation continues way below the targets set by the European Central Bank (ECB).

**Riding out the storm.** Manufacturing activity in the European Union grew more than expected in July this year, despite a series of incidents that caused economic turbulence in the monetary union, the main one being the Greek crisis. On the other hand, after a relatively favorable reaction despite the negative expectations that had been generated with regard to Europe, it is expected that the Eurozone's monetary authorities will take things more calmly.

**Waiting with bated breath...** Olga Gerovasili, a spokesperson for the Greek Government, gave assurances that Greece expects to conclude the bailout agreement by August 18, once stage two of the negotiations, which seeks to iron out the wording of the agreement, has been concluded.

**...although there are preliminary agreements.** Greece and its international creditors reached a commitment on the crucial pensions issue as part of the negotiations of a third bailout. Both parties agreed that the reform will not affect people who were entitled to retire up until June this year. The reform contemplates preventing early retirements and raising the age for obtaining a pension.

**The party's over.** The Commission for Latin America and the Caribbean (ECLAC) forecast average growth of 0.5% for the region this year, driven mainly by the economies of Panama (6.0%) and Mexico (2.8%), among others. Worthy of note are the feeble performance of Argentina's economy with forecast growth of 0.7% and the expected contraction in the Brazilian (-1.5%) and Venezuelan (-5.5%) economies.

**Holding out to the bitter end.** The "Free Associated State of Puerto Rico," an unincorporated territory of the United States, failed to pay the full amount of its US\$58 million debt, which meant that it fell into partial default for the first time in its history. The lack of liquidity, problems of solvency, and difficulties on the fiscal front combined to make it impossible for Puerto Rico to make payment.

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## POLITICAL TIPS

**The chosen ones.** President Nicolás Maduro confirmed who are to run as list candidates at the December 6 parliamentary elections for PSUV, while the Executive Secretary of the MUD, Jesús Torrealba, announced the candidates the political opposition. The following is a list of the candidates

Candidates for National Assembly		
Estate	MUD	PSUV
Amazonas	Nirma Guarulla	Miguel Rodríguez
Anzoátegui	Mauligmer Baloa	Nicia Maldonado
	Antonio María Barreto Sira	Earle Herrera
Apure	Luis Lippa	Cristobal Jiménez
	Julio Montoya	Emma Díaz
Aragua	Dinorah Figuera	Ricardo Molina
	Gilberto Sojo	Roque Valero
Barinas	Julio César Reyes	Asdrúbal Chávez
	Pablo Moronta	Nancy Pérez
Bolívar	Ángel Medina	Hector Rodríguez
	Aliana Estrada	Rubén Limardo
Carabobo	Carlos Eduardo Berrizbeitia	Saúl Ortega
	Juan Miguel Matheus	Héctor Breña
Cojedes	Dennis Yuramis Fernández Solórz	Cilia Flores
	José Correa	Asdrúbal Salazar
Delta Amacuro	José Antonio España	Pedro Carreño
	Larissa González	Loa Tamarones
Distrito Capital	Tomás Guanipa	Tania Díaz
	Manuela Bolívar	Ilenia M
Falcón	José Gregorio Graterol	Victor Clark
	Mabelly Josefina Soto	Sol Musset
Guárico	Carlos Modesto Prospero Manuitt	Adolfo Fajardo
	Eudoro González	Nubia Loreto
Lara	Edgar José Zambrano Ramírez	Carmen Melendez
	Guillermo Palacios	William Gil
Mérida	Milagro Valero	Ramón Lobo
Miranda	Julio Borges	Haiman El Troudi
	Luis Aquiles Moreno	Érika Ortega
Monagas	Carlos Vecchio	Diosdado Cabello
	José Gregorio Aparicio	Euribes Guevara
Nueva Esparta	Tobías Rafael Bolívar Parra	Dinorah Villasmil
	Oscar Adolfo Ronderos Rangel	Dante Rivas
Portuguesa	Wilfredo Galíndez Rojas	Rafael Calle
Sucre	Robert José Alcalá Arellán	Gilberto Pinto
	Dennsys Pasos	Carlos Martínez
Táchira	Ezequiel Pérez Roa	Carla Jiménez
	Rosmit Mantilla	Jonathan García
Trujillo	Carlos Andrés González	Ukbel Rojas
	Emilio Fajardo	Gerardo Márquez
Vargas	José Manuel Olivares	Dario Vivas
	Juan Guaidó	Oswaldo Vera
Yaracuy	Biaggio Pileri	Yul Yabur
	Jesús Gabriel Peña Navas	Braulio Álvarez
Zulia	Enrique Márquez	Omar Prieto
	Timoteo Zambrano	Aloha Nuñez

Source: MUD, PSUV and Ecoanalítica

**A vacuum that has to be filled.** The sociologist Isabel Pereira is to stand in for María Corina Machado –who was politically disqualified recently- as candidate to the National Assembly. *“Isabel Pereira is an academician who enjoys my total trust. They betrayed me once and that won’t happen again,”* said María Corina Machado in reference to Pereira’s candidature.

**Machado ignored.** After internal debates, the MUD made the adjustments needed for the elections and postulated their candidates without taking in count the proposal of Maria Corina Machado, who propound Isabel Pereira as her replacement, and expelling Copei. The executive secretary of the MUD, Jesús Torrealba, ratified that Freddy Guevara, deputy coordinator of the party *Voluntad Popular* (VP), will replace Machado and lead the circuit 2 of the Miranda state.

**The US is not out of the dispute.** The US Department of State sent a communication asking the Venezuelan government to review the decision to barred candidates for the parliamentary elections. They also called for the national government to allow a “credible” electoral observation of the elections.

**Capriles’ beef.** Miranda State Governor Henrique Capriles claimed that inflation for the year to date is 87.0%. According to the governor, that is the reason why the Central Bank is not publishing inflation figures. *“Do you know why they’re not publishing inflation (figures)? We’ve got 87.0% in the (first) seven months of 2015, the highest in the world. Let them talk about that!”* said Capriles.

**Direct intervention.** The Supreme Tribunal of Justice (TSJ) has agreed to take precautionary measures and the appointment of an ad hoc meeting on the Social Christian Party (COPEI) *“Carrying out the statutory consultation with the State Authority Policy Addresses COPEI on applications in parliamentary elections this year were ordered, and ordered the National Electoral Council (CNE) to refrain from accepting any nomination”*, says the official information of the Supreme Court.

**Bye Bye COPEI.** The MUD agreed not to post any of the candidates elected by COPEI, in the 27 spots that correspond them for consensus, because they can be removed by the new board.

**A time bomb.** According to the Venezuelan Social Conflict Observatory (OVCS), there have been 56 cases of looting and 502 protests so far this year caused by the shortages of food, medicines, and personal care products. Although 98.0% of the protests were peaceful, the OVCS finds the increase in acts of vandalism against stores, pharmacies, and supermarkets worrying.

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**People are unpredictable.** The warehouses of the supermarket Uniferia in San Félix, Bolívar state, were looted by a group of customers who were standing in line waiting to buy basic basket food products. The incident resulted in the death of one person, more than 60 arrests, and a state of alert in the region.

**Another call to protest.** The Democratic Unity Alliance has called a “*national day of protest against hunger and crime and for freedom*” to be held on August 8. The Unity Alliance issued the call following the looting in San Félix, Bolívar state. “*We condemn the intolerable and unbelievable situation of ruin that the Venezuelan people have to put up with today due to the destruction of the economy perpetrated by the government,*” declared the Unity Alliance in an official communiqué.

## LEGISLATIVE TIPS

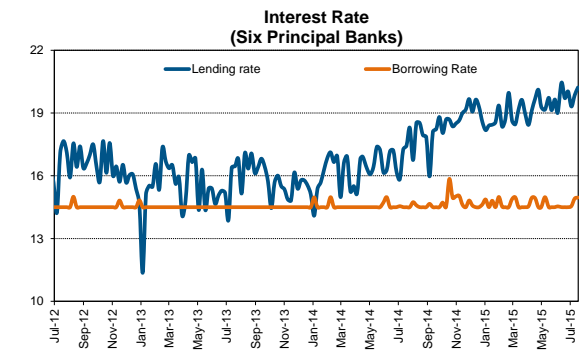
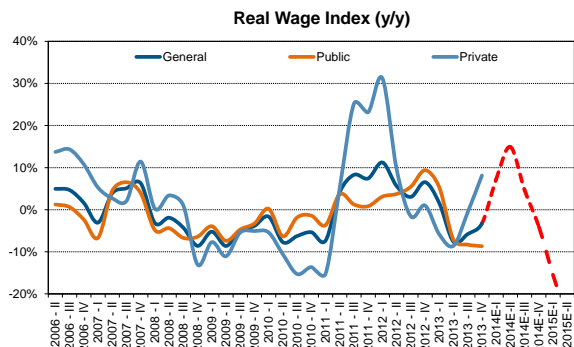
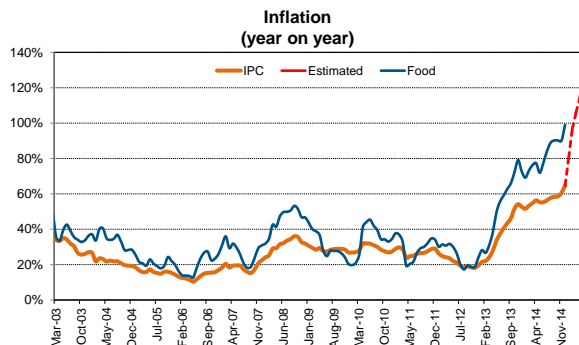
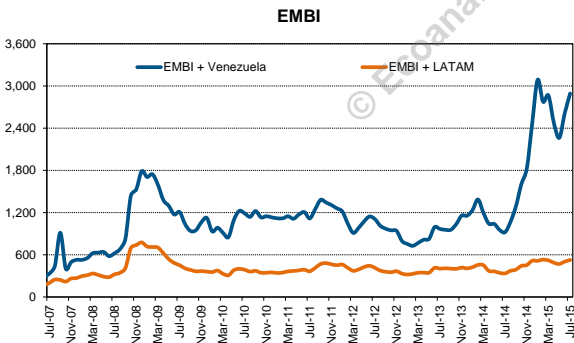
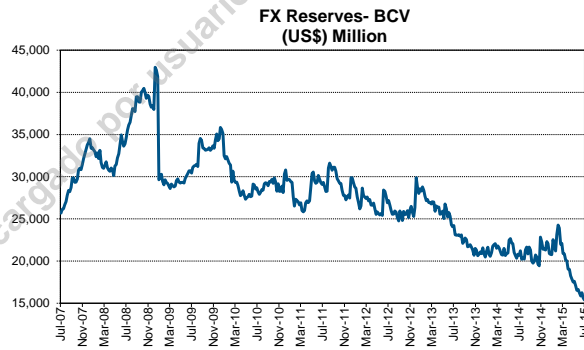
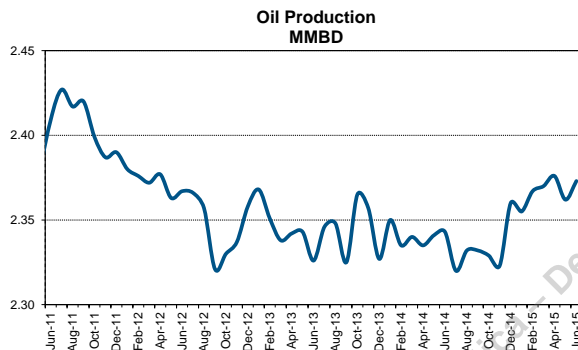
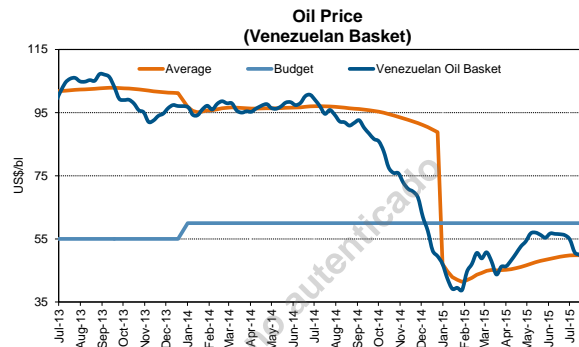
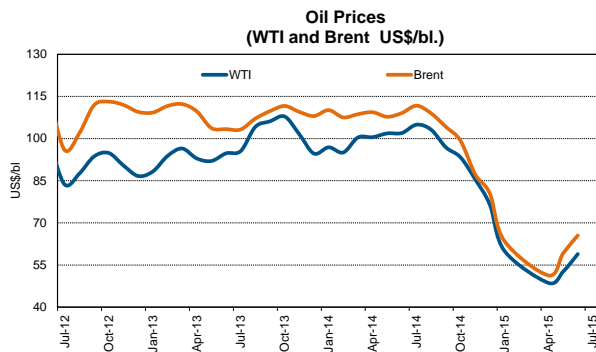
**Health insurance from state-owned insurance companies only.** National, state, and municipal government service agencies that currently have health insurance policies with private insurance companies will have to replace them with policies from state-owned insurance companies before December 31, 2015, according to a notification from the Ministry for the Economy and Finance published in *Gaceta Oficial* No. 40,712, dated July 29, 2015. The order is issued in compliance with Transitional Provision 8 of the Insurance Business Act published on July 29, 2010.

**Changing the light bulb at Corpoelec.** The appointment of Luis Motta Domínguez as president of Corporación Eléctrica Nacional (CORPOLEC) was made official in *Gaceta Oficial* No. 40,714. Motta Domínguez replaces Jesse Chacón, who had been Corpoelec’s president since April 2014 and who is to continue as Minister for Electric Power.

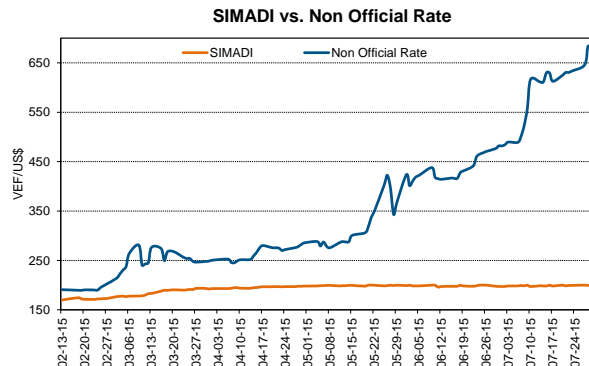
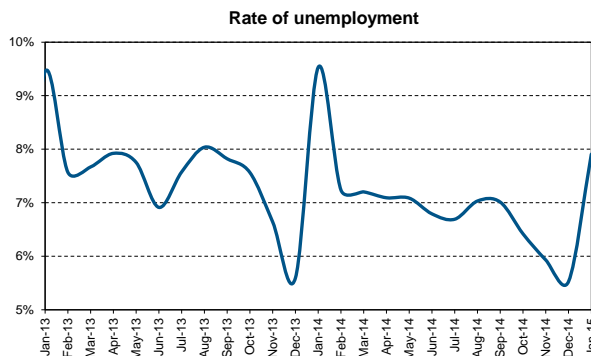
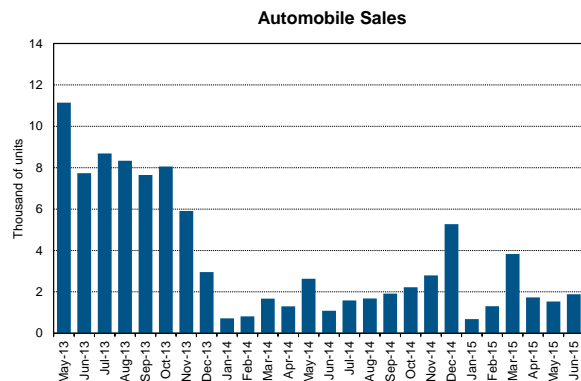
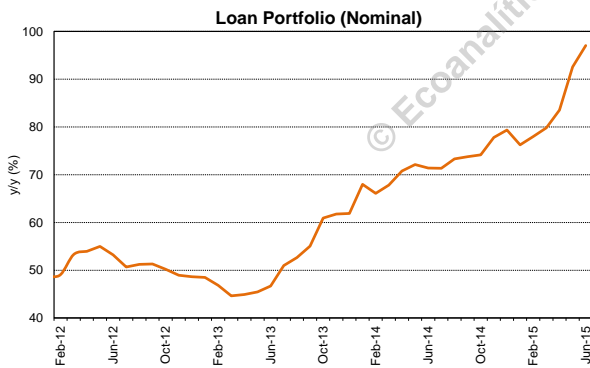
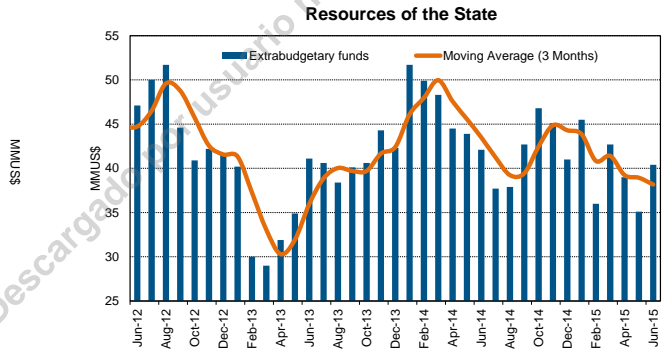
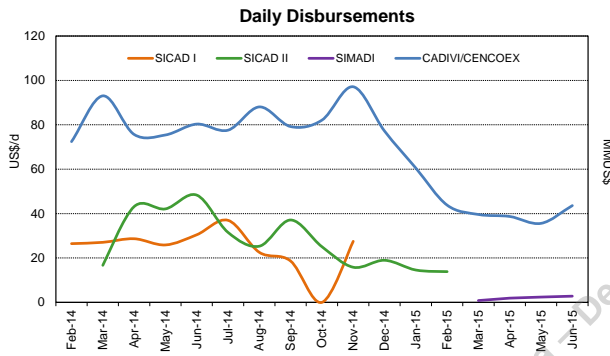
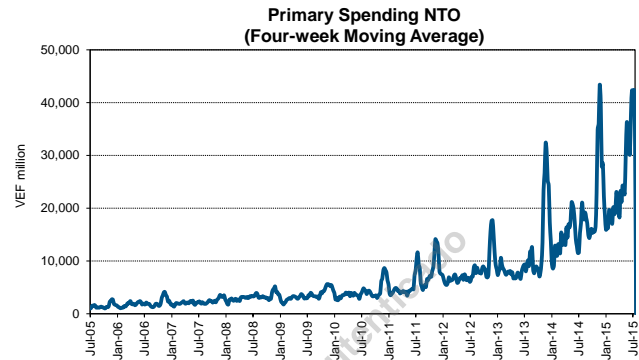
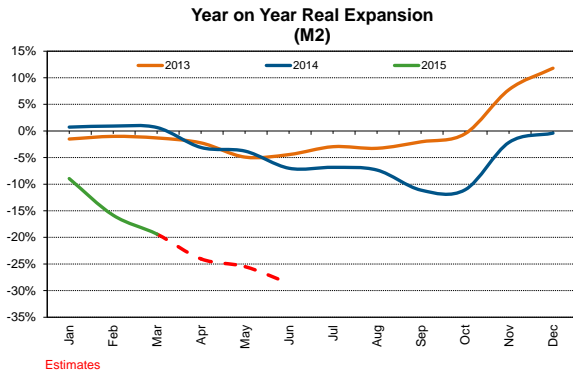
**Eljuri gets to go to the FAO.** The appointment of Elías Eljuri as Venezuela’s ambassador and permanent representative to the United Nations Food and Agriculture Organization (FAO) was made official in *Gaceta Oficial* No. 40,699.

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**ECONOMIC OVERVIEW**



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