

Two years of prosperity

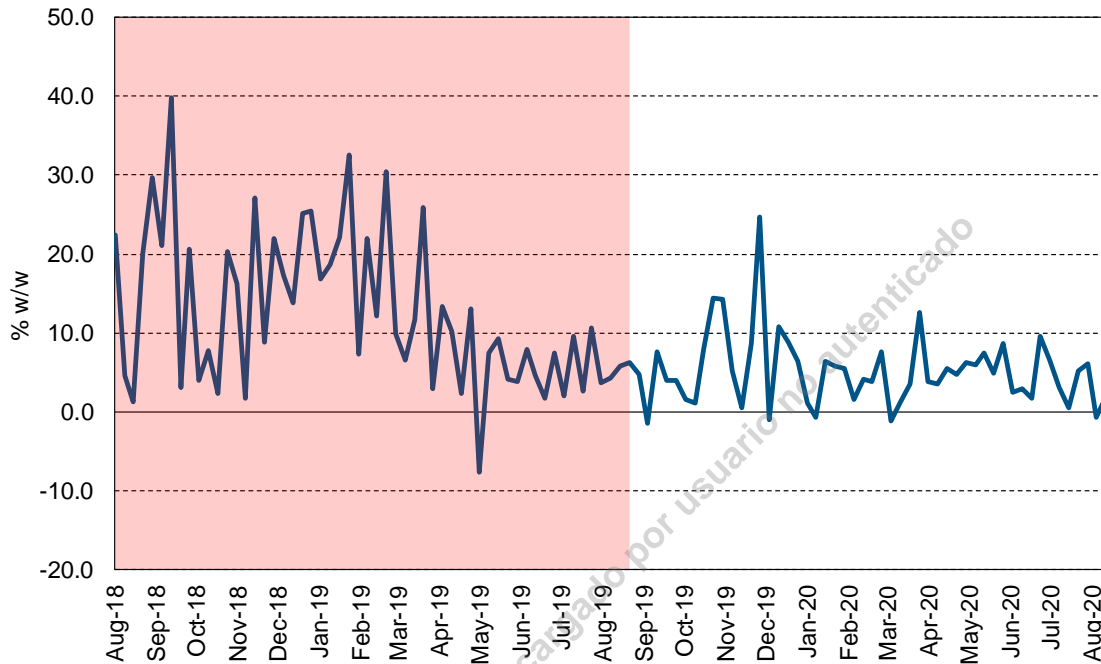
Last August 22nd it was two years since President Nicolas Maduro, in a national chain, began what his administration would call the Economic Recovery and Prosperity Plan (PRE). Strictly speaking, this set of measures was, in the first instance, the first official recognition of local hyperinflation, of its relationship with the collapse of the bolivar as a reserve of value and means of payment, and of the fiscal origins of such collapse. Although it is assumed that policy makers had the best intentions of correcting part of such fiscal imbalances, we observe that, after two years of being initiated, the new plan has only exacerbated the imbalances behind the deterioration of the local currency, in which the deceleration of the price increase is due to contractive demand shocks following the changes imposed on the dynamics of credit and on the way the Government has intervened in the money market.

The collapse of the demand for bolivares and the interest in seeking refuge in foreign currency has not ceased in the two years that the PRE has been in effect, leaving the Executive with very few options for eradicating hyperinflation or, at least, for providing more stable living conditions for citizens. With the current limitations in the creation of income from oil exploitation and with no possibilities of accessing external financing, the only alternative for the government to mitigate any social and economic tension that may arise from the current context is reduced to printing more and more money. Thus, in order not to revive inflationary pressures, the real official adjustment in the midst of the PRE has been to plunge Venezuelans into an environment of repressed income. In the end, as we will see, the last two years of prosperity have been nothing but a series of failures with greater costs for Venezuelans and lesser for the Executive.

Failure 1: a false sovereign

One of the pillars of the new plan was the initiation of fiscal adjustments to mitigate monetary imbalances and the collapse of money demand behind hyperinflation. To this end, the government would order the migration to a new tax collection scheme, while adjusting the frequency and amounts delivered to households through the Patria bonus system. This meant a brake on the pace of growth of the monetary base (amount of monetary liabilities issued by the Central Bank).

Monetary Base weekly variation



Sources: BCV and Ecoanalítica.

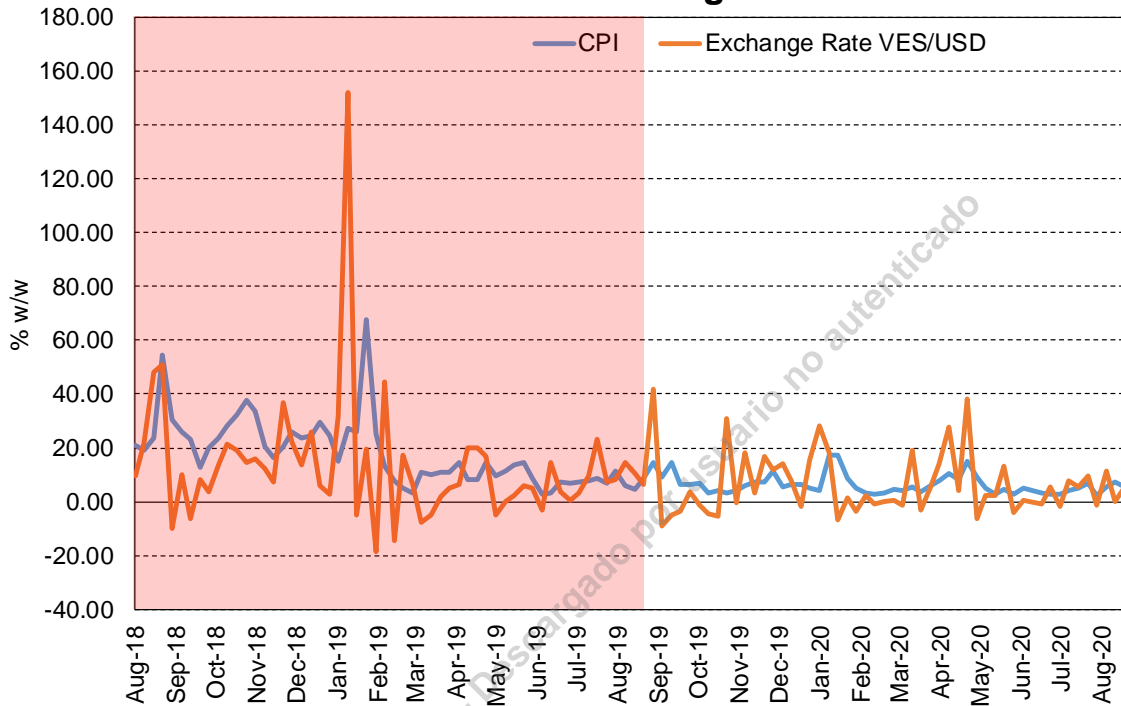
Despite betraying itself and causing a rise of 126.3% in the first weeks of the PRE (strictly linked to the adjustment of the minimum wage in the middle of the nascent indexation scheme, which we will see later), the amount of money coming directly from the BCV reduced its growth by 2.6% per week, after growing to 39.9% at the height of hyperinflation. Immediately, prices and the exchange rate began to slow down their advance, showing variations of at least 5.6% and 5.1% each week after the beginning of the PRE.

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Inflation and exchange rate variation



Source: BCV and Ecoanalítica.

Did this adjustment in the money supply improve the credibility of the bolivar? Not at all. Despite such decelerations, after two years of the PRE (until July), prices have accumulated to date a rise of 1,830,000% and the official exchange rate is 4,768 times that set at the beginning of the plan. According to the official metrics, food prices rose 1,630,000% in the same period, so the government has also failed to protect the poorest and to provide them with greater access to those goods in which they are most interested. Another fact is even more revealing: in the midst of the price increases, they still grew by at average 12.1% each week in the first two years of the PRE, that is, at rates higher than those seen annually in countries like Colombia or Peru only by 2019 (3.8% and 1.9%, respectively). Such numbers are consistent with a collapse in demand still legitimate for bolivares (even during the quarantine imposed to contain the pandemic) in favor of a preference for foreign currency or other assets.

In the midst of the fiscal adjustments, the Government would undertake a new monetary reconversion based on the expression of all local prices within a new sovereign bolivar scale (VES) under the ratio 1 VES:100,000 VEF. The reconversion was accompanied by the establishment of a new family of currencies that suffered from the same problems of their predecessors in terms of circulation. According to the official figures, after one year,

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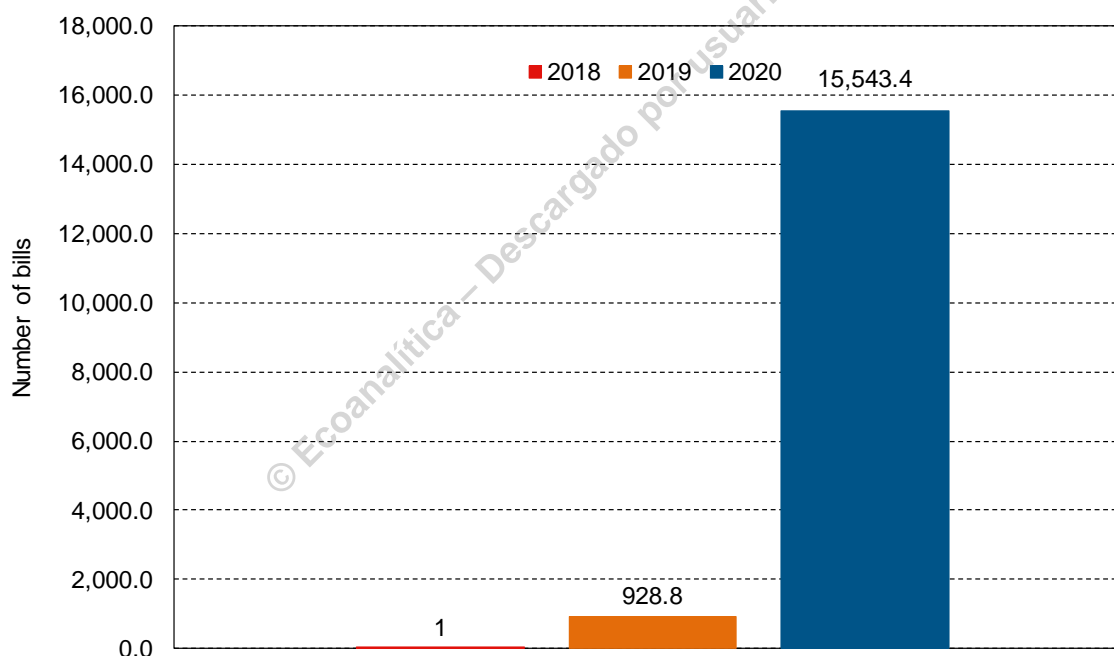
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only 7.8% of ¹useful bills in regular transactions were in circulation (with respect to the total) and 3.3% at present, that is, less than 1.68 USD and 0.68 USD per inhabitant, in each case.

The recovery of cash with the new price expression and the new family of currencies lasted practically 11 months, after which the cash to liquidity ratio returned to its pre-conversion values. To purchase what you could consume with the higher denomination bills of the new cone at the beginning of the PRE, 15,543.4 units are required today, considering the inflation estimated by **Ecoanalítica**.

500 VES bills needed to consume 500 VES in August 2018



Source: Ecoanalítica.

¹ As hyperinflation continued, low-denomination bills lost their use value even for payment of very low value transactions, such as public transport fares or gasoline. Thus, less than 4 months after the start of the conversion, cases began to be detected in which businesses and transporters began to reject payments on such bills. See <https://elmercurioweb.com/noticias/2018/12/20/el-billete-de-bss-2-est-comenzando-a-ser-rechazado-en-las-calles>.

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Failure 2: anchor without links

As part of the PRE, the Nicolás Maduro government made important modifications to the exchange rate. Even though, since 2014, the legal framework protected the execution of private exchange transactions without the mediation of the Central Bank (BCV), with the repeal of the Exchange Crimes Law in force since 2005 (with several changes over last years), and the entry into force of a new exchange agreement, the doors were opened, in fact, to the transactional dollarization. Likewise, the Government initiated a scheme (self-described) of anchoring inflationary expectations. In this case, the reference variable for price setting was the recent official cryptocurrency called petro, according to which prices and salaries would be set according to a parity defined by the BCV of petro/VES or petro/USD.

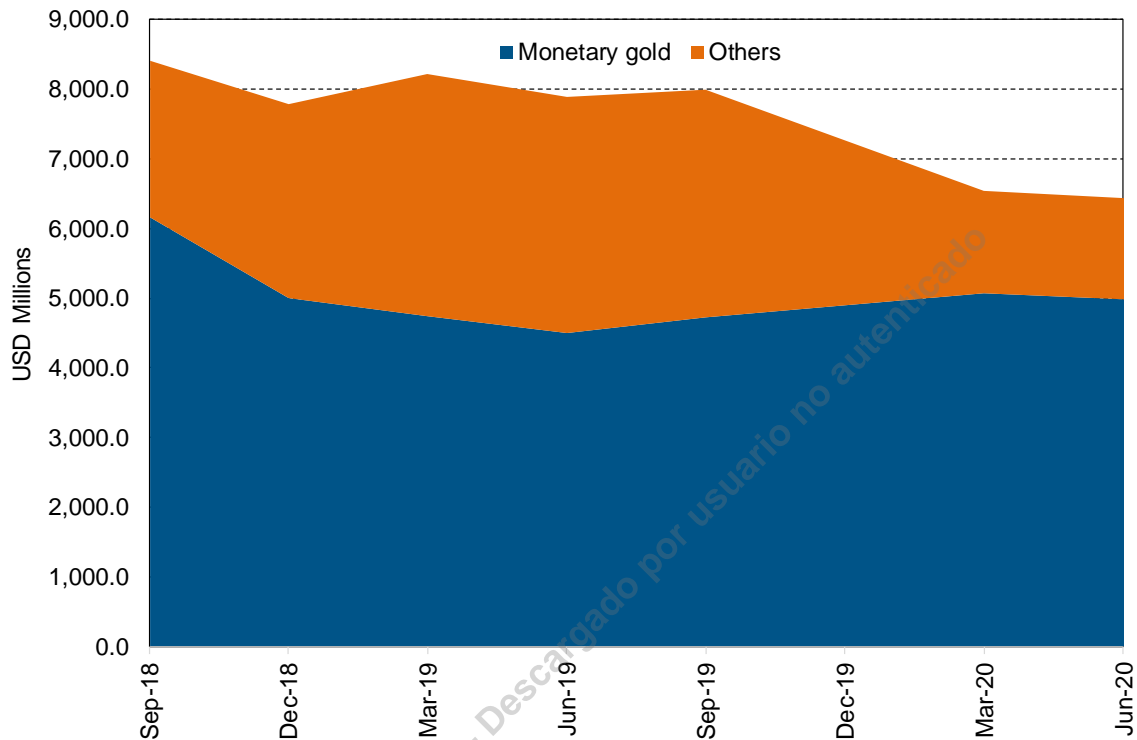
However, as we mentioned in the January 2019 exchange report, the new rule had no real grip from its inception, not only because of the lack of external assets to support the value (in dollars) of the petro, but also because of the lack of credibility necessary for local agents to be encouraged to save on the new asset and also to adopt it as a pricing mechanism. In other words, there was no guarantee that each petro would be fully backed by its dollar value (given the lack of foreign currency in the public budget) or in bolivars (more bolivars would undermine the newly adopted fiscal discipline).

In addition, the transitory fluctuations that the BCV frequently imposed on the base money supply, through greater financing of the payment of bonuses, and the adjustments to the minimum wage that were completely incompatible with the official oil quotations, ended up revealing the true intentions of the Executive on the use of this cryptocurrency as a "nominal" anchor in literal terms, that is, an indicator aimed at signaling a forced (or fictitious) stability in local exchange transactions and, therefore, less (equally fictitious) tension on the value of the bolivar.

An element that reveals the low capacity of the BCV to maintain such rule is the availability of assets during the validity of the petro currency. Not only was the collapse of international reserves notorious after one year, but also changes on its composition became evident, mainly concentrated in monetary gold. Reserves in this asset fell by nearly 76.5 tons in the two years of the ERP, during which time total foreign assets went from USD 8,400.7 MM to USD 6,439.7 MM, that is, less than 68.0% of value of imports to 2019, according to our calculations. It is not surprising, therefore, that after having started with official values of 60 VES/USD and 3,600 VES/PTR, both the official dollar and the petro are currently quoted at 5,276.5 times their initial values.

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International Reserves



Sources: BCV and Ecoanalítica

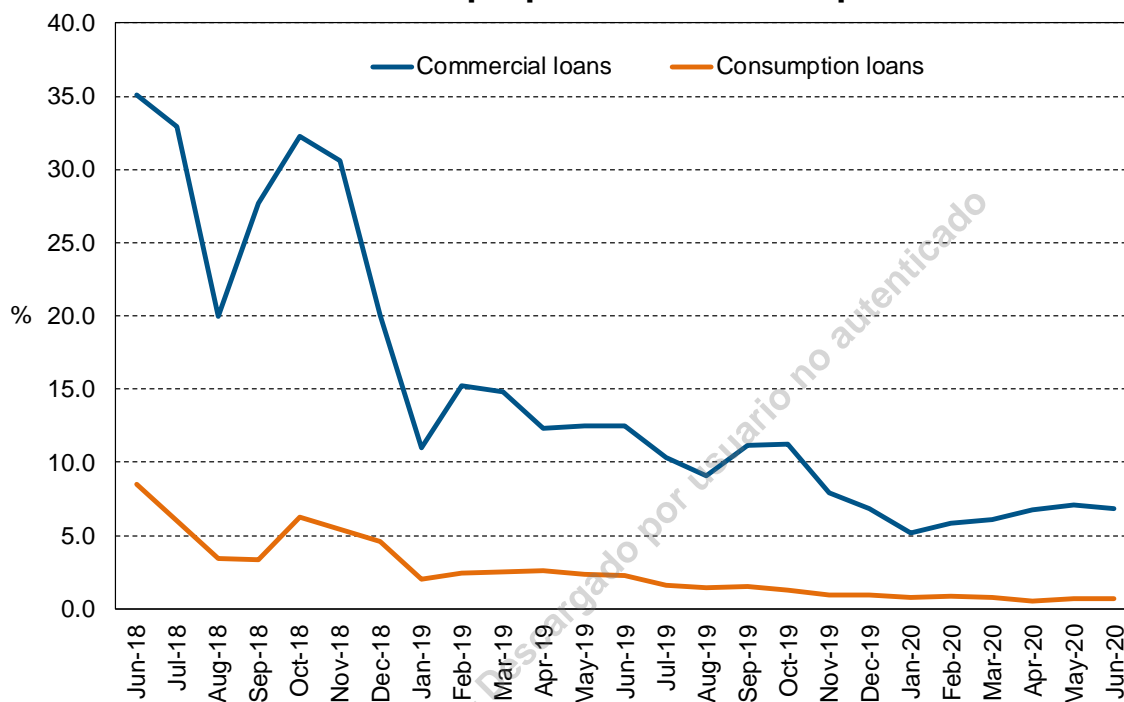
Failure 3: no credit, no paradise

The disappearance of bank credit is perhaps the best expression of the failure of the PRE. With the beginning of this plan, the reserve requirement policy was implemented as a mechanism to slow down exchange rate adjustments under the idea that the supply of credit was the only factor behind the increase in the exchange rate. The initial adjustments were followed by at least eight modifications, ranging from the adjustment of the marginal reserve requirement to the setting of penalties for its noncompliance with the official exchange rate, with the obvious purpose of tightening the limitations to financing on the purchase of foreign currency. Currently, banks do not lend more than 11.5% of their deposits, after having assigned up to 54.8% of these liabilities prior to the ERP.

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Loans as proportion of total deposits



Sources: Sudeban and Ecoanalítica.

What the regulators lost sight of was the real effects of such a contraction. Both consumer and commercial (business) loans were reduced to a minimum in the first year of the ERP and did not show any recovery after the slight adjustments made to the reserve requirement policy as a result of the official countermeasures against the arrival of COVID-19. This not only meant a sharp reduction in the demand for foreign currency (compatible with the behavior of the exchange rate after these measures), but also in real private consumption. Once the PRE had begun, according to the BCV's own figures, this expenditure fell by 24.4% during the next two quarters, a contraction larger than that observed throughout the same quarters of previous year.

On the business side, the lack of credit continues to figure as one of the three most restrictive elements of private production and manufacturing, according to Conindustria's measurements as of the third quarter of this year. Such are the limitations implied by the legal reserve requirements that the trade union representatives themselves have raised the idea of the flexibility of the legal reserve as a key policy to support the supply of goods from the private sector in the midst of the pandemic².

² <https://www.fedecamarasradio.com/conindustria-se-necesita-un-60-o-70-de-liberacion-del-encaje-legal/>

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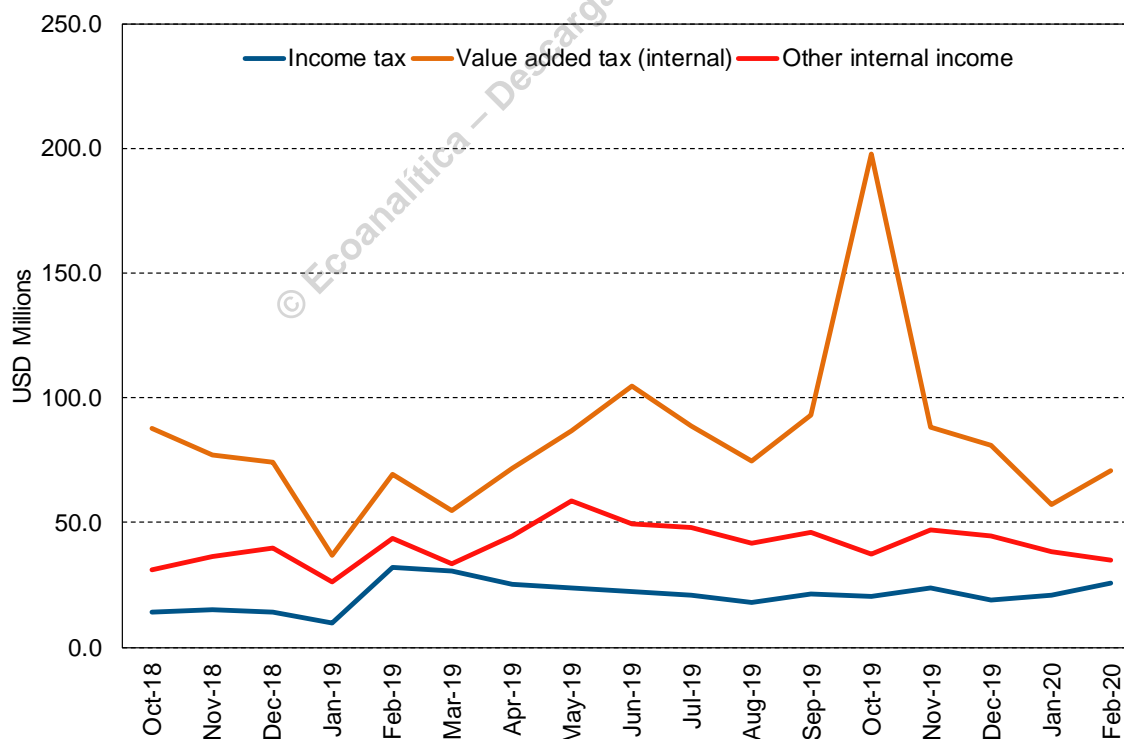
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Failure 4: The tax guillotine

Among the fiscal measures imposed in the framework of the PRE, the increase of the Value Added Tax of 4 percentage points (up to 16%) was ordered, in addition to the payment and declaration of such taxes with a weekly frequency, while the payment of monthly advances of the Income Tax (ISLR) was established. This implied the need for the Government to transfer, through a payment acceleration scheme, the costs derived from the real loss of taxes (under the action of the Olivera-Tanzi effect) to those who pay such taxes (households and companies).

The need to cover the costs of higher inflation on fiscal taxes was evident in the attempts to index some regional taxes to the official quotations of the higher value currencies (in this case, the Euro). In spite of the new schemes, the government did not manage to avoid the collapse of non-oil taxes in the two years of the ERP, so advance payments only constituted greater limitations to the dynamics of the private sector.

Recaudación tributaria



Fuentes: Seriat y Ecoanalítica.

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Success? 1: Adjusting the price of gasoline

One of the Executive's promises when announcing the new PRE was to adjust the sale price of domestic gasoline in a space of two years, in order to help reduce the fiscal deficit and mitigate inflationary pressures. Incredibly, the Executive complied with such promise in a shorter time than that initially established and put in place a new pricing scheme for local gasoline that implied an increase of up to 165,092,158,233%% of the initial price (for unsubsidized sales).

Of course, while the adjustment met the fiscal needs of the Executive, this time the budgetary constraints were exacerbated by the restrictions on oil exports and tax collection with the arrival of the COVID-19 pandemic. Prior to such adjustments, the country had already experienced a failed attempt to raise the price of gasoline in 2018, through the official biopayment mechanism, in an environment of severe domestic fuel shortages, leading to the emergence, for the first time, of unofficial markets with prices above USD 1/liter.

The new scheme meant the temporary disappearance of such informal markets, although their existence (as well as the potential disappearance of the subsidized gasoline supply scheme) remains present in the local market due to the precarious fiscal situation of the government.

Final failure: not achieving (or desiring) redemption

If we look at what other countries have undertaken in terms of public policies to counteract the adverse effects of COVID-19 in the region, it was possible to foresee a change in the government's position on local fiscal and monetary management. Despite a shrinking budget and few options to leverage the little spending it has been doing, there was an option to provide greater incentives to the private sector to be the one to support a partial recovery of the local productive apparatus in the midst of the pandemic, as it did in 2019.

What happened was completely the opposite: the legal reserve policy was maintained, unified this time in a single requirement of 93.0% of bank deposits, no modifications were observed in the tax policy (in fact, the dates of payment and declaration of Income Tax were maintained even after the official quarantine began), the renegotiation of payment plans in credits was authorized and commercial leases and the payment of basic services were frozen³. In addition, many companies did not take advantage of the partial payment of the private sector payroll offered by the Government through the system of official

³ Strictly speaking, the interruption of such services was suspended due to late payments.

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bonuses in the context of the pandemic⁴, because they had already experienced the discretion applied by the Executive in the payment of the private sector payroll during the first ERP salary adjustment. In the end, unfortunately, not even the pandemic itself has managed to make the Government give in to its restrictive fiscal stance, so the ERP continues to generate more burdens than relief among citizens.

Milestones of the second anniversary of the PRE (official figures)

	Year 1	Year 2
Annual Inflation (%)	58,561	1,669
VES/USD end of period	20,511	316,590
Loans/Deposits (%)	13.5	11.5
Monetary Base average weekly growth (%)	12.4	5.2
Petro/VES	1,244,784	18,995,403
Minimum wage USD	1.9	1.5

Sources: BCV, Sudeban and Ecoanalítica.

Luis Arturo Bárcenas.

⁴ A PGA Group survey carried on the early stages of official quarantine identified that only 36% of surveyed companies made use of the Executive's labor subsidy.

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WEEKLY INDICATORS

Weekly Economic Indicators			
	4th Week August	Weekly chg. (%)	Depre/Apre (pp) ¹
FX Boards (VES/USD) ²	316,590.05	6.7	6.3
	2nd Week August	Weekly chg. (pp)	Annual chg. (pp)
Lending Interest Rate (%)	38.3	-0.8	8.3
	3rd Week August	Weekly chg. (pp)	Annual chg. (pp)
Overnight Interest Rate (%)	315.9	10.9	188.2
	3rd Week August	Weekly chg. (%)	Annual chg. (%)
International Reserves (USD Bn)	6.4	0.0	-19.5
	2nd Week August	Weekly chg. (%)	Annual chg. (%)
Monetary Liquidity (MM VES)	169,003,832	3.9	1,290.1
Price of International Oil Baskets (USD/bl)			
	1st Week July	Weekly chg. (%)	Annual chg. (%)
WTI	37.5	1.3	-35.1
Brent	41.0	0.2	-36.1
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.

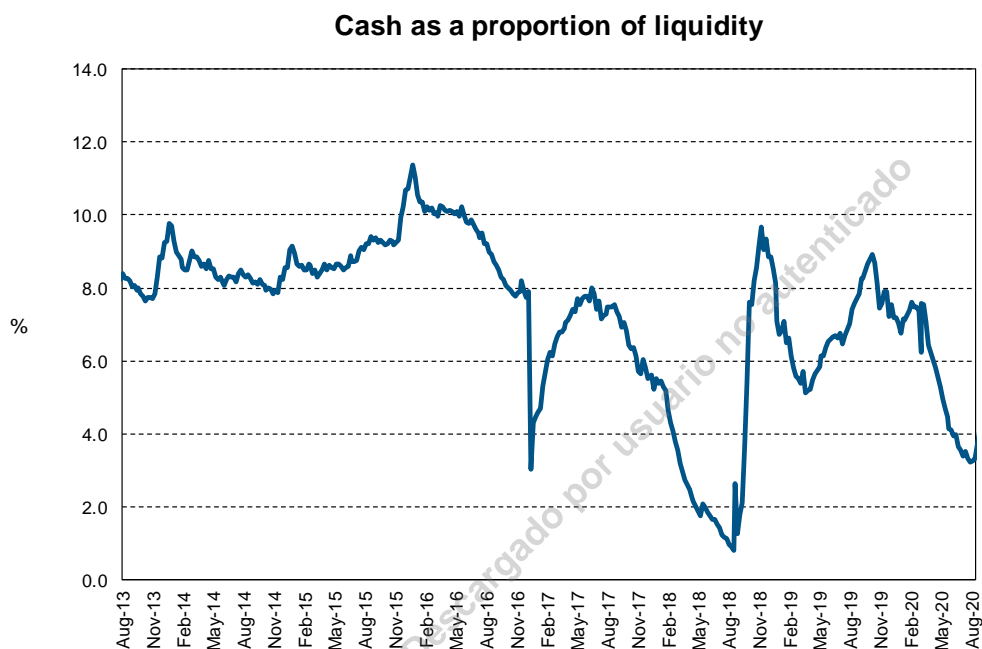
¹ Depreciation (+)/Appreciation (-)² FX Borads' average exchange rate

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CHART OF THE WEEK: " CASH FADING AWAY"



Sources: BCV and Ecoanalítica

Two years after the monetary reconversion that consisted of the adoption of the sovereign bolivar (VES), the availability of cash to carry out transactions is still plagued by obstacles for users. An outdated currency denomination with very low nominal value pieces for daily operations, together with the lag in the rhythm of coins and bills, makes cash difficult to find in sufficient quantities to carry out transactions.

This "shortage" of coins and bills can be observed by comparing their relative presence with the rest of the bolivars. Between 1997 and 2015, cash as a proportion of monetary liquidity, or all bolivars in circulation, averaged 10.6%; enough to cover the needs at the time being. At the end of 2016, this proportion fell momentarily and swiftly to 3.0% with the initiative to demonetize the 100 bolívares fuertes (VEF) banknote, the largest denomination at the time.

Since then, and despite repeated postponements in the demonetization of the VEF 100 bill and the extensions of the currency denomination in 2017, the hyperinflationary pressure exceeded the capacity of the BCV to supply the local market. By the time of the

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monetary reconversion at the end of August 2018, the ratio of cash to liquidity was at an all-time low of 0.8%.

With the introduction of the sovereign bolivar, issuance costs were reduced in order to recover the availability of bills, since fewer pieces with larger denominations were required to meet the demand for cash. Between October 2018 and March 2020 the relative availability of cash was around 9.3% and 5.2%, averaging 7.2%. Despite the potential relief given by the conversion, challenges such as keeping the currency denomination updated in a hyperinflationary environment, regional imbalances in cash endowment and the difficulty of preventing the bolivar from being displaced by foreign currency for cash operations are faced.

Since the start of the COVID-19 pandemic, relative cash availability has again fallen sharply, reaching 3.3% in the week of August 14, the same level it was in December 2016.

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ECONOMIC TIPS

COVID-19 in Venezuela. According to government figures, the number of positive cases of coronavirus reached 41,965 on August 28th and the number of deaths was 351 by the same date.

Tax amortization. Ruling No. 118 of the Constitutional Chamber of the Supreme Court of Justice from August 17, orders the 305 municipalities that signed the tax amortization agreement to adjust all their tax ordinances in accordance with this agreement within 30 days after the date of issuance of the ruling.

Underway. It also urges non-signatory municipal governments to sign the agreement and instructs them to express their adhesion within 15 days; however, it does not indicate what would happen in the event that any mayoralty is not included in the agreement.

What is it about? The agreement first announced by Delcy Rodríguez will allow the delay of the payments of rates or tax contributions that burden the municipalities in all the national territory

Turkish cooperation. Jorge Arreaza informed that cooperation agreements in economic, social, and health matters were signed with Turkey. For the time being, it is known that the company Summa was hired to build a General Hospital in the country and a new housing complex, besides carrying out a project within the framework of the Housing Mission of Venezuela in the state of Vargas.

Turkish cooperation (II). Likewise, Arreaza informed that Turkish Airlines will be one of the first airlines to restart operations when flights resume in Venezuela and that a donation of almost 20 tons of supplies for the assistance of patients suffering from COVID-19 was received in July and distributed in Zulia, Carabobo, Caracas, and Bolívar.

Unlimited within the same bank. The Superintendence of Banking Sector Institutions (Sudeban), through the form number STB-DSB-CJ-OD-04264 published last August 13, eliminated the daily limit for transfers between accounts in the same bank. The measure will be implemented 10 days after the publication of the form.

Transfers and more transfers(I). As of August 18, the Venezuelan government gave the "stay at home" bond to people with the condition of "independent worker" registered in the Patria system. Up to now, the amount of the transfer is not known, but it is worth remembering that the last one for the same concept was of VES 900,000.

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Bonds and more bonds (II). From August 25 to August 31, the Venezuelan Government delivered the "discipline and commitment bond" for an amount of VES 1,200,000 to all citizens affiliated to the Patria system.

No reserves (I). The country's international reserves fell by 7 tons in the first half of the year and reached a total of 98 tons, which represents a historical minimum in 50 years.

No reserves (II). The fall is due to the new dynamics of the Venezuelan government to obtain foreign currency. Before the destruction of the oil industry, the Central Bank obtained foreign currency through PDVSA and exchanged it for bolivars that the oil company used for the payment of salaries, taxes, and obligations in the national territory. Today, the Central Bank allows the Executive to use the reserves for transactions such as buying gasoline from Iran or as a mechanism to obtain foreign currency.

Money tables. For the week of August 28th, the average rate for money tables was VES 316,590.1/USD. This represents a depreciation of 6.3% from last week.

Liquids? Liquidity was VES 169,003,832 million for the week of August 10th, a variation of 3.9% in nominal terms in relation to the previous week (August 3rd) and of 1,290.1% with respect to last year.

OIL TIPS

Lower demand (I). The International Energy Agency (IEA) reduced its oil demand projections for 2020. In detail, it estimated oil demand at 91.9 million barrels per day, 140,000 barrels per day less than announced in the previous report.

Lower demand (II). By 2021, the said agency projects a demand of 97.1 million barrels per day, 240,000 barrels per day less than indicated in the previous report. The IEA states that "The air and land transportation sectors, which are both essential components of oil consumption, continue to experience difficulties".

First confiscation. Donald Trump, president of the United States, assured that the US government confiscated four vessels (Bella, Bering, Pandi, and Luna) with Liberian flag that transported gasoline from Iran to Venezuela. In turn, Trump indicated that the ships are on their way to Houston and that some are already there.

How much? The U.S. Department of Justice said the confiscated shipment was now in U.S. custody "with the help of foreign partners" and added that the amount confiscated

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was about 1.116 million barrels of fuel, making it the largest seizure of Iranian fuel by the U.S.

How? A U.S. Government official told the Associated Press that none of the seizures involved the use of military force and the boats were not physically seized. Instead, U.S. officials threatened ship owners, insurers, and captains with sanctions to force them to surrender their cargo.

They lie! However, Iran's Ambassador to Venezuela declared the reports to be "another lie and psychological warfare" by the United States. "The ships are not Iranian, and neither the owner nor his flag has anything to do with Iran," Hojat Soltani said on Twitter.

Is it confirmed? As of the date of this report, it is unclear where the ships are currently located, as none have their geo-locator on and none appear to have transmitted collision-avoidance beacons in several weeks, according to the MarineTraffic.com website.

Bajo Grande returns... Omar Prieto, Governor of Zulia State, stated that PDVSA seeks to restart asphalt production at the Bajo Grande refinery, with a capacity of 16,000 barrels of asphalt per day.

...on big time. Prieto announced on Twitter that an important discussion was held with PDVSA Occidente and its operational coordination for the re-launching of the Bajo Grande asphalt plant. It is worth remembering that Bajo Grande has been out of service since November 2018.

Time is running out. U.S. government officials told Reuters that they are considering putting a deadline in October to rescind authorizations that allow Venezuelan oil transactions, such as swaps and debt payments, that do not involve cash payments to the Maduro government.

And there are a few left. The authorized companies are the Italian Eni, the Spanish Repsol, the Indian Reliance Industries, and the Thai Tipco Asphalt. On the other hand, the United States sanctioned Rosneft Trading and gave Chevron Corp until December 1st of this year to close all its operations in the country.

What do they think? Of the authorized companies, Repsol reported that in 2019 they had USD 239 million in debt receivables and that their operations are in full compliance with international laws. Eni indicated that they are operating under all regulations imposed by the United States and that they would continue to do so under a continuous dialogue with the relevant authorities.

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Outside the Dow Jones. Along with two other companies, Exxon Mobile was removed from the Dow Jones Index to be replaced by Salesforce, a software developer. It is worth remembering that the oil company has been a participant in the index since 1928, but the drop in its market capitalization after the pandemic forced it to be replaced by other companies so that the index remains representative.

SECTORIAL TIPS

Very precarious situation. According to the figures managed by Consecomercio, between 80% and 90% of the commerce and industrial companies (including those in the agricultural sector) are in serious trouble. Out of 2500 companies consulted, 30% said they are at risk of closure.

Stores need to open. Consecomercio has made a call to "*all sectors and the Venezuelan State*" to nail down a proposal where a process of de-escalation of the quarantine is initiated in a controlled way, in agreement with the sectors and supervised by the authorities for the fulfillment of the necessary sanitary measures.

A better plan for flexibility (I). The Economic Commission of Consecomercio highlighted that "*one week is not enough to attend to the costs or expenses, nor the payroll of the workers who help keep the companies operating*" by highlighting the importance of changing the 7x7 scheme.

A better plan for flexibility (II). The commission argued that "*there are industries that cannot turn their processes on and off on a weekly basis. An operational continuity scheme is needed*". For this reason, Consecomercio requests that no sector be excluded from flexibilization because 3,000,000 private jobs depend on it.

The perfect plan. The plan of flexibility for the private sector that Consecomercio proposes to the National Executive consists of: a controlled de-escalation that allows the reactivation of all sectors, the use of teleworking where possible, the strict use of masks, hand washing, social distancing, the reporting to the authorities of any hotspots of contagion and the imposition of sanctions in case of non-compliance.

We need alcohol. Representatives of the liquor sector asked the government to relax the ban on sales of alcohol to allow this sector of the economy to survive after what has been five months of closure because if this sector remains closed, 150,000 direct jobs and at least 500,000 indirect jobs in the secondary liquor sector would be at risk.

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Totally broken. Johnson Delgado, president of the Liquor Chamber of the state of Táchira (Catalita), stated that sales have fallen 90% and that about 65% of the businesses dedicated to the sale of alcohol canceled rentals. As a result, there have been many bankruptcies in the food and beverage industry.

Important sector. Delgado pointed out that this sector is "*the second economic sector in contributions to the Treasury through taxes*". In 2018 they contributed "*23% of Seniat's income*". In addition, due to the closure of formal sales, clandestine sales and smuggling of alcoholic beverages that do not pay taxes have grown considerably.

Without gasoline, there is no production. Mayte Cánovas, a producer of jurisdiction, explained that the producers of meat and milk in the municipality of Catatumbo in the state of Zulia denounce that they have been without gasoline for two months, which has paralyzed the agricultural activity in this region.

The shoes never went for a run. The president of the Venezuelan Chamber of Footwear and Components (Cavecal), Luigi Pisella, revealed that the footwear sector has not begun full operations in 2020, due to the restrictions implemented to contain the pandemic.

Foreign shoes can run (I). Pisella criticized that while the national industry suffers the economic symptoms of the implemented restrictions of quarantine, imported shoes from the Asian continent continue to arrive.

Foreign shoes can run (II). Pisella stated that "*imported products do not pay VAT while the national industry even after all the calls we have made continues to pay VAT in advance*".

Bob will not be able to build anymore. The Venezuelan Chamber of Construction, CVC, revealed that 56.7% of the affiliated companies have projects paralyzed due to the restrictions imposed to contain the pandemic.

A beaten sector (I). Mauricio Brin, president of the Chamber, pointed out that the construction sector was already hit with a substantial accumulated fall of 97% in the last 8 years, which represents around one million jobs lost.

A beaten sector (II). Brin stated that currently "*about 350 companies are active. Of these, 56.7% had projects under development prior to the pandemic*". He added that 80,000 jobs had been activated for the execution of these projects, which are at risk due to the shutdown.

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Inefficient system. Brin explained that the construction sector needs to be prioritized as one of the essential areas for them to be able to work continuously because the 7x7 scheme is completely inefficient and no progress has been made so far.

INTERNATIONAL TIPS

COVID-19 in the world. According to figures published by the World Health Organization (WHO) as of the 28th of August, the number of positive cases of coronavirus reached 24,196,836 and the number of deaths was 825,696.

Putting the brakes on? WHO also noted that, although the pandemic continues, the increase in cases and deaths has slowed worldwide, except in Southeast Asia and the Eastern Mediterranean regions.

America remains the focus. However, in its latest epidemiological updates, WHO noted that the Americas remains the most affected region, with half of the new cases reported and 62% of the 39,240 deaths worldwide during the week of August 16-23.

It's official, Phase One is still on... U.S. Trade Representative Robert Lighthizer, U.S. Treasury Secretary Steven Mnuchin, and Chinese Vice Premier Liu He reaffirmed the commitment of the two countries to the Phase One trade agreement, despite China's delays in its obligations to purchase U.S. products.

...After all. The commitment was made through a phone call, which represents the first formal dialogue since the beginning of May. The meeting took place amid growing concerns that the agreement could be on shaky ground in an increasingly conflictual bilateral relationship due primarily to recent political sanctions and criticism of the handling and causes of the pandemic.

"Recovering" the works. Despite the negotiations, U.S. President Donald Trump promised to create 10 million jobs in 10 months by partially granting tax credits to companies that move their manufacturing facilities from China to the United States.

National records continue to be broken (I). According to official figures, Japan, the world's third-largest economy, contracted by 7.8% in the April-June quarter compared to the first quarter of the year, marking the largest decline since comparable data became available in 1980.

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National records continue to be broken (II). The German Statistics Office indicated that the German economy contracted by 10.1% in the second quarter of 2020 compared to the previous quarter. It noted that consumer spending, business investment, and exports collapsed at the height of the COVID-19 pandemic.

National records continue to be broken (III). This second-quarter economic downturn was considerably sharper than the contractions recorded during the financial crisis over a decade ago and represents the sharpest decline since Germany began recording quarterly GDP estimates in 1970.

Good neighbor policy (I). The United States announced that it will support Colombia with an investment plan that contemplates up to USD 5 billion in private funds for economic and social development and improving security in rural areas hit by drug-trafficking violence.

Good neighbor policy (II). The U.S.-Colombia Growth Initiative will seek to enhance legal economic opportunities in rural areas where illegal armed groups promote the planting of coca leaf (the raw material for cocaine) by providing private investment, technical assistance, and infrastructure to improve market connections.

A big step forward. Additionally, Colombian President Ivan Duque announced that the country will enter a "selective" quarantine period after more than five months of mandatory preventive isolation to contain the coronavirus pandemic. Duque added that the country will be part of the Johnson & Johnson vaccine trials.

POLITICAL TIPS

Unity Pact (I). Juan Guaidó announced that he will consult with different political parties and sectors of the country on a roadmap where he puts forward as his main objectives: to denounce the electoral fraud of the parliamentary elections and to call on the country to demonstrate its will through a mechanism of massive popular participation.

Unity Pact (II). The political leader indicated that individual and group meetings will be held with political leaders, unions, and institutions with the objective of discussing and achieving "a common and definitive route to present to Venezuelans and their allies."

The usual suspects. In this statement, Juan Guaidó called on political leaders to continue the struggle for democracy in Venezuela, despite their differences. He called on

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leaders such as Leopoldo López, María Corina Machado, Henrique Capriles Radonski, Henri Ramos Allup, and Manuel Rosales, among others.

Disagreement from within. Henrique Capriles criticized Guaidó and his "route" and stated that they have to "put their feet on the ground and not keep feeding fantasies." In light of this, Guaidó will hold meetings with Capriles so that the former governor of Miranda can present his plan to the opposition.

Intervened. The Supreme Court of Justice (SCJ) intervened in the Chavista parties Movimiento Tupamaro and Patria Para Todos (PPT). The SCJ appointed an ad hoc board to bring together the leadership of these political parties.

"Necessary" change. Judge Arcadio Delgado highlighted that "an ad hoc Board of Directors is appointed to carry out the necessary restructuring process". Due to the change, the new directives may use the logo, symbols, emblems, colors, and any concept of the Tupamaro party and PPT.

Attack on an ally. The intervention of the Tupamaro movement comes just after the intervened leadership announced that it was going to join forces with other left-wing parties like the PPT and the Venezuelan Communist Party to register independent candidates from the PSUV for the December 6 parliamentary elections.

Direct response. The Tupamaro movement stressed that the actions of the TSJ are a "cunning attack", a robbery of the party, and announced that they are going to mobilize in the streets. In response, members of the Tupamaro party protested to reject the decision of the Supreme Court of Justice of August 20 and to defend the autonomy of the party.

PSUV breaking friendships. Pedro Eusse, leader of the Communist Party of Venezuela (CPV), assured that his disagreement with the United Socialist Party of Venezuela (PSUV) is only in electoral matters since the CPV wanted to run independent candidates to the PSUV for the parliamentary elections, which the PSUV opposes.

Total subordination. Even so, Eusse openly rejected the presence of officials from the Bolivarian Intelligence Service (Sebin) at the CPV headquarters in Puerto Cabello and warned that if this is to intimidate the party for going to the December 6 elections separately, they did not achieve their goal. The CVP and the Tupamaro movement formed a "popular revolutionary alliance".

Iranian missiles (I). Iván Duque, president of Colombia, denounced that Nicolás Maduro intends to acquire medium and long-range missiles through Iran, which, for the Colombian

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president, puts in danger the continental peace. This possible purchase was also denounced by the Minister of Defense of Colombia, Carlos Holmes Trujillo.

Iranian missiles (II). Padrino López attacked Duque for criticizing the possible purchase of missiles from Iran and, simultaneously, Nicolás Maduro, in a national chain, declared that the purchase "*is not a bad idea*".

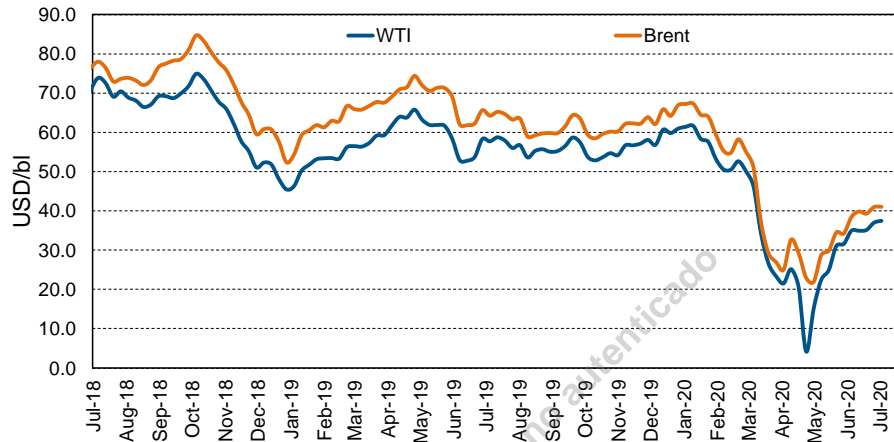
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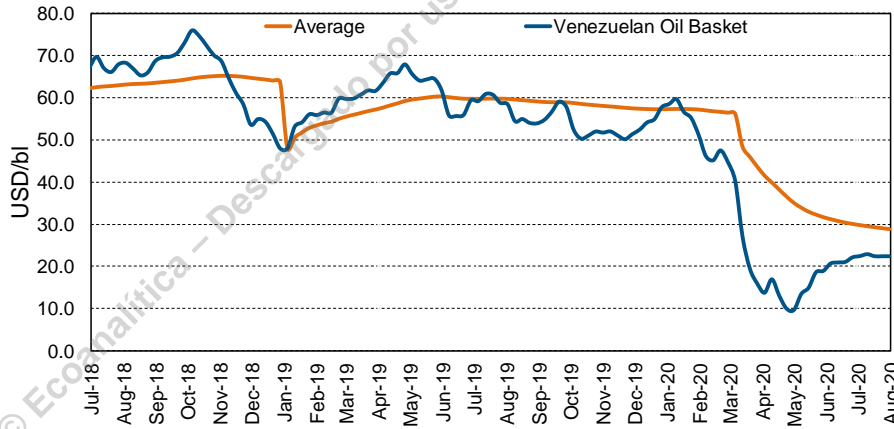
ECONOMIC INDICATORS

**Oil Prices
(WTI and Brent)**



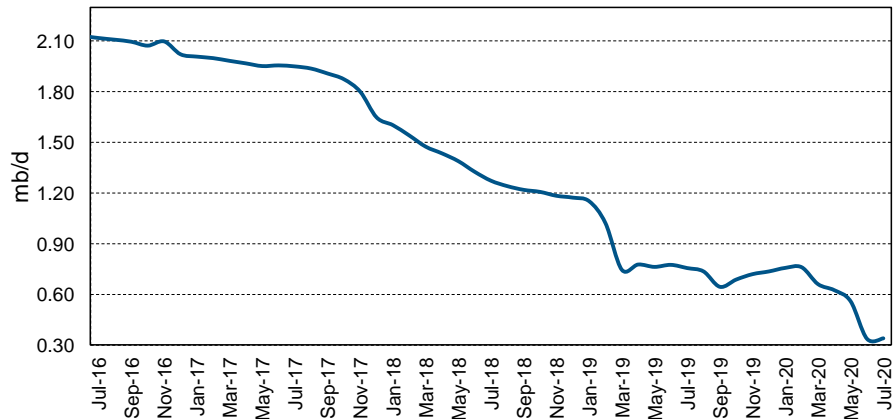
Sources: Menpet and Ecoanalítica

**Oil Price
(Venezuelan Basket)**



Sources: Menpet and Ecoanalítica

**Oil Production
(Secondary sources)**

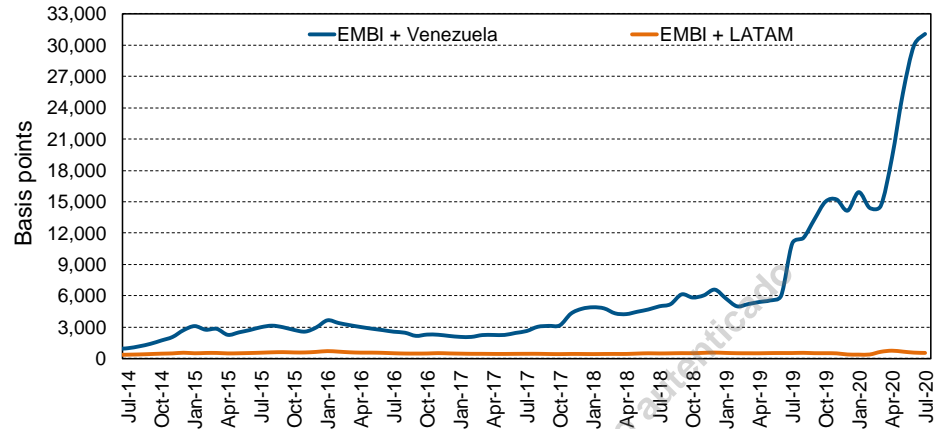


Sources: OPEC and Ecoanalítica

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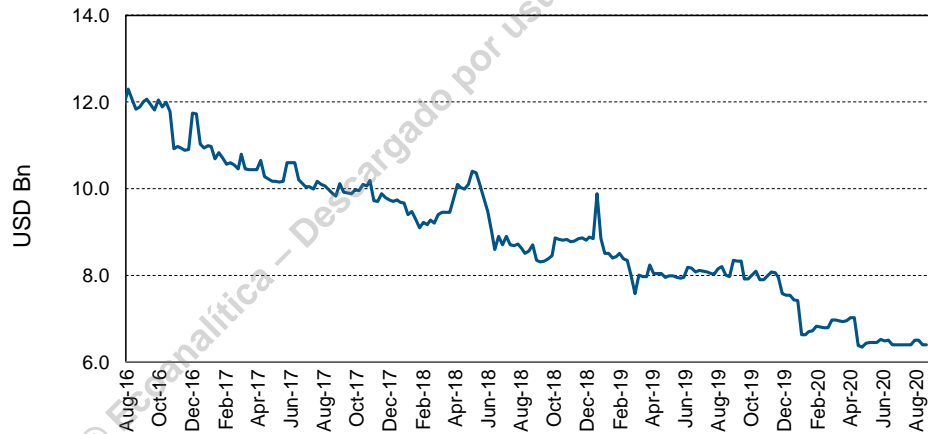
ECONOMIC INDICATORS

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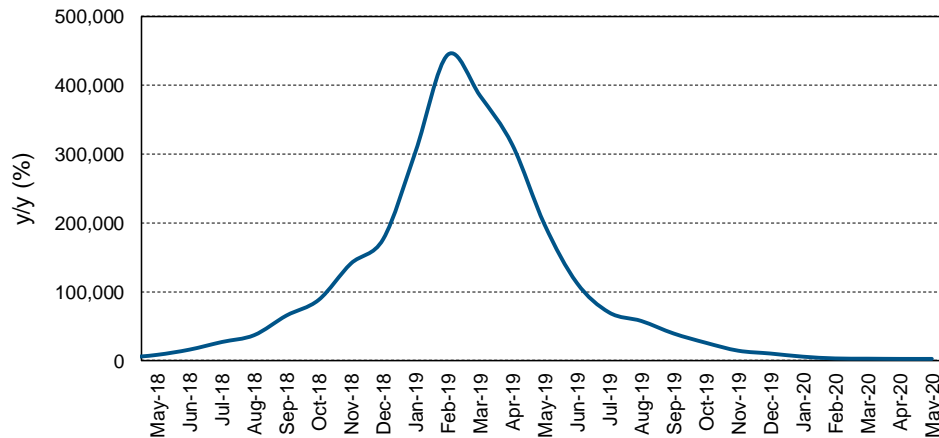
Sources: BCRP and Ecoanalítica

FX Reserves (BCV)



Sources: BCV and Ecoanalítica

Inflation (BCV)



Sources: BCV and Ecoanalítica

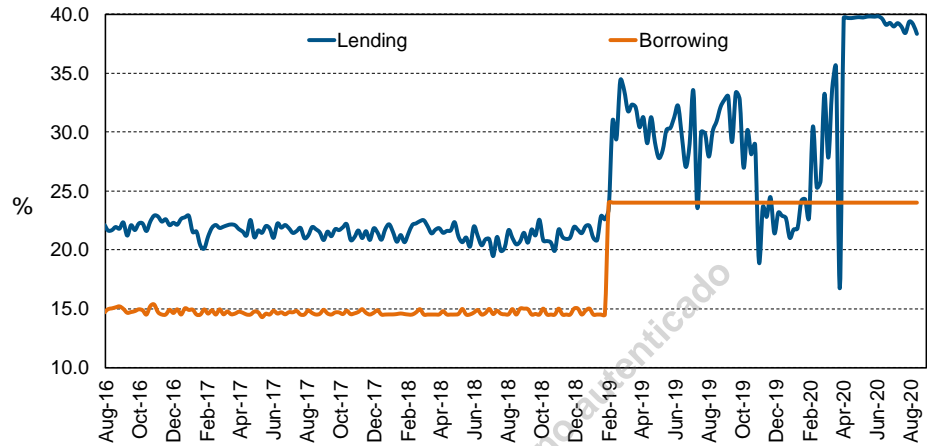
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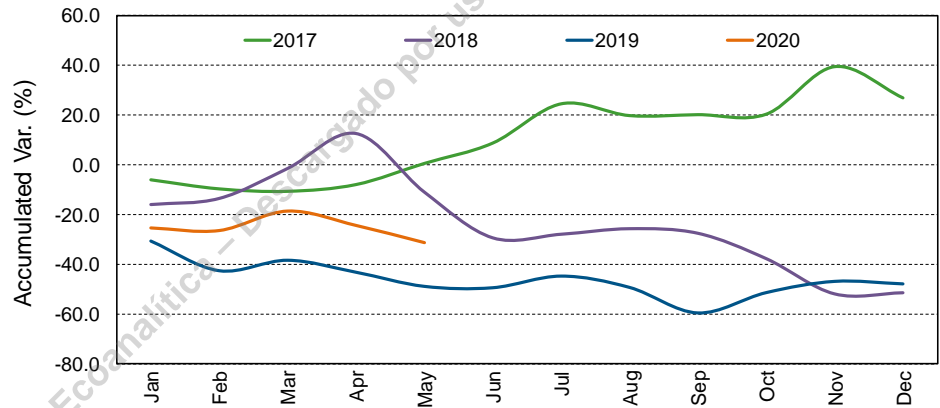
ECONOMIC INDICATORS

**Interest Rate
(Six major banks)**



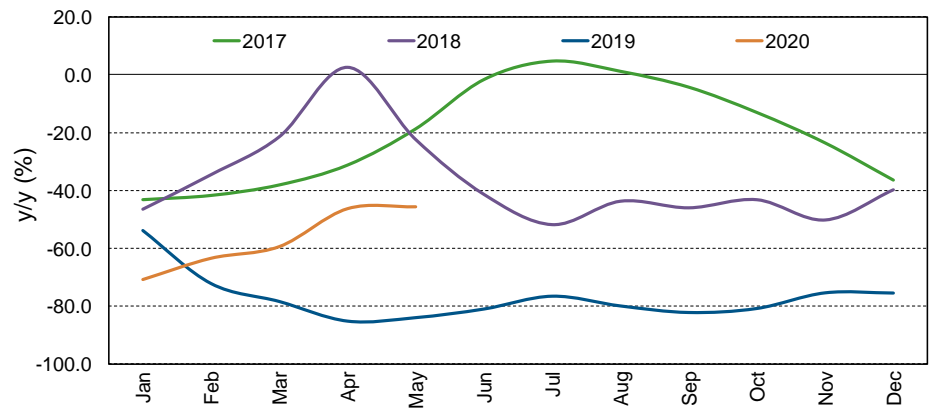
Sources: BCV and Ecoanalítica

**M2 Expansion
(Real)**



Sources: BCV and Ecoanalítica

**Loan Portfolio
(Real)**



Sources: SUDEBAN and Ecoanalítica

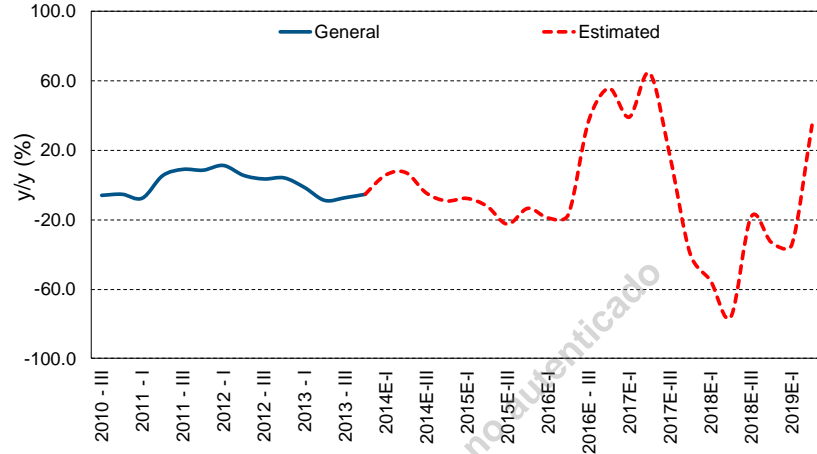
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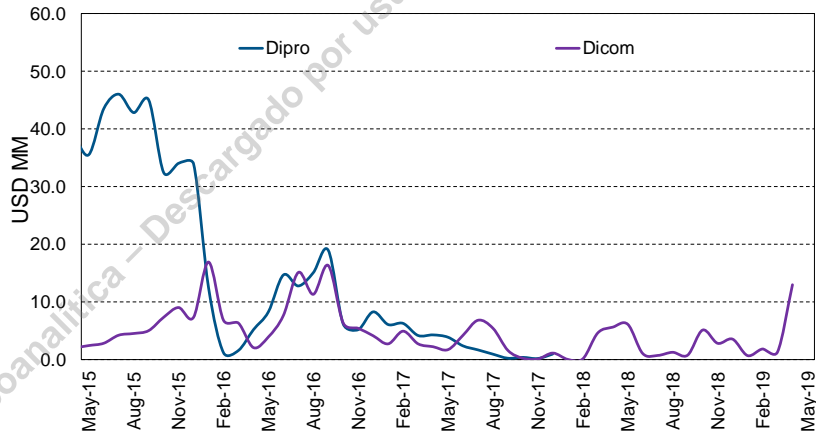
ECONOMIC INDICATORS

Real Wage Index



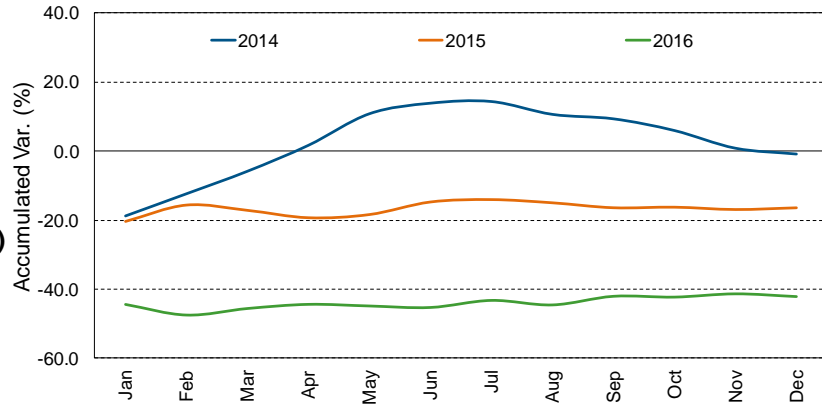
Sources: BCV and Ecoanalítica

Disbursements to the Private Sector (Daily Average)



Source: Ecoanalítica

Primary Spending NTO (Real - Central Government)



Sources: ONT and Ecoanalítica

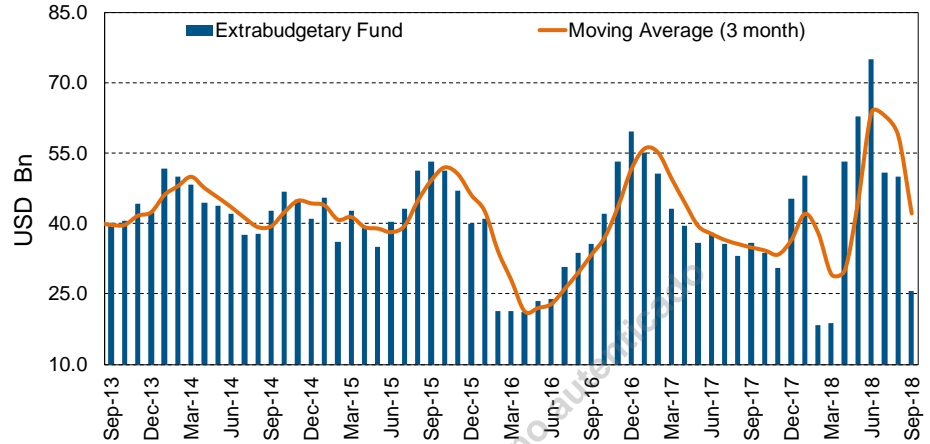
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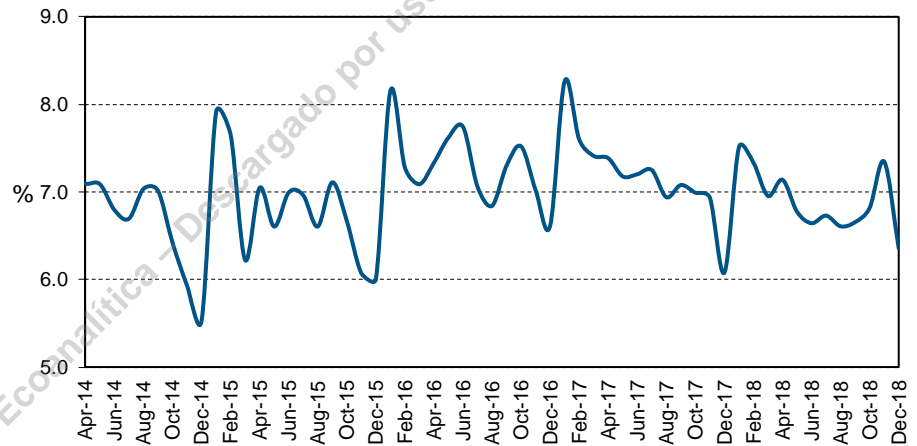
ECONOMIC INDICATORS

State Extrabudgetary Resources



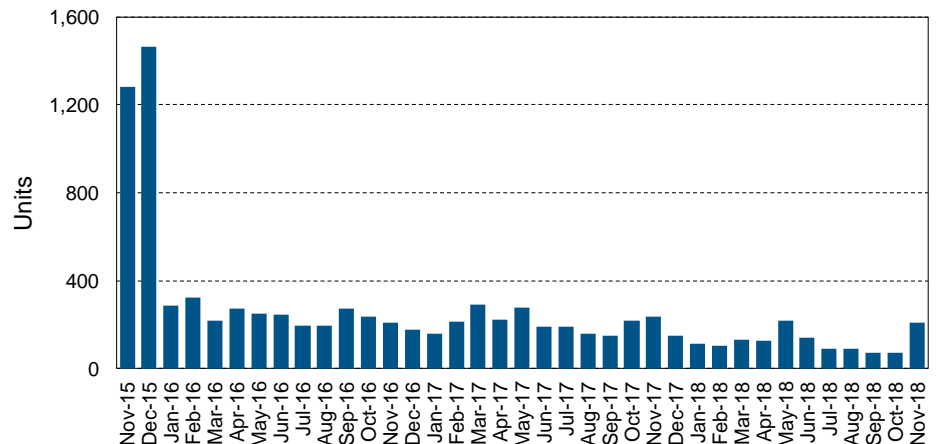
Source: Ecoanalítica

Unemployment Rate



Sources: INE and Ecoanalítica

Vehicle Sales



Sources: CAVENEZ and Ecoanalítica

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