



Weekly Report

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1S2013 is over: How is the Venezuelan economy doing?

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With the first half of the year, and most of the third quarter over, and in view of the publication of economic activity figures for the second quarter of 2013 (2Q2013) by the Central Bank of Venezuela (BCV) in **Ecoanalítica** we will review some of the leading indicators to determine how the economy went in the first half of the year and how will they behavior during the remainder of 2013.

Automotive sector in the doldrums

One of the sectors that has been hit the hardest by the lack of currency has been the automotive sector, which in the first six months of the year dropped its monthly production by 3,208 vehicles, from 9,470 to 6,262 between January and July, 2012, and up to July accumulated a production drop of 33.9% compared to the same period in 2012. For the year, 43,833 cars have been produced in Venezuela, 22,455 vehicles less sold in the local market compared to the same period in 2012.

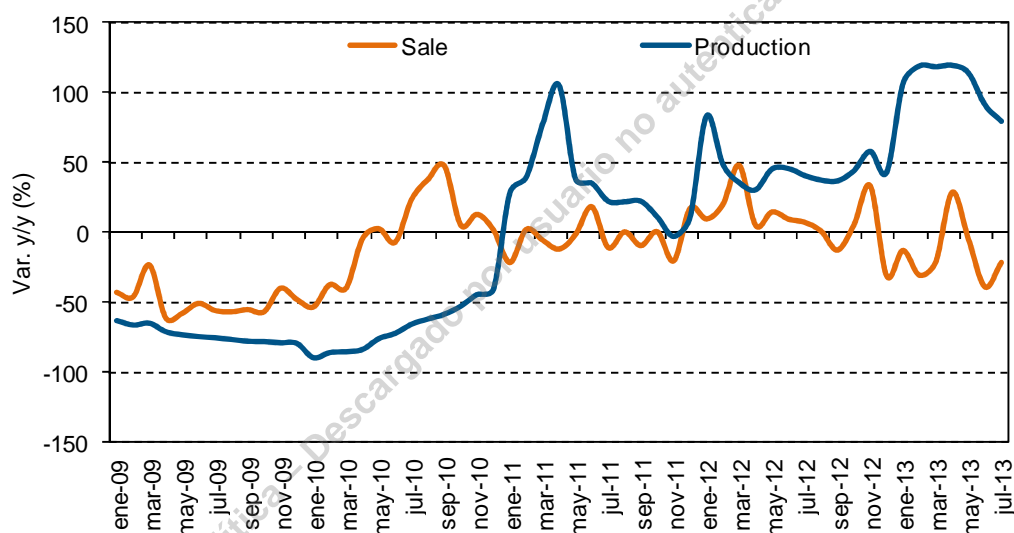
The drop in local production was partially offset by foreign supplies, since the sale of imported cars increased in the first six months of the year by



79.9%, while the sale of domestic vehicles fell 34.4% during the same period. However, this increase in the sale of imported vehicles is mainly due to direct purchases from the public sector.

In total, 65,966 vehicles were sold between January and July of this year, or 12,685 vehicles less than during the same period in 2012.

Production and sale of Vehicles



Sources: Cavenez and Ecoanalítica

Liquidity and public spending go hand in hand

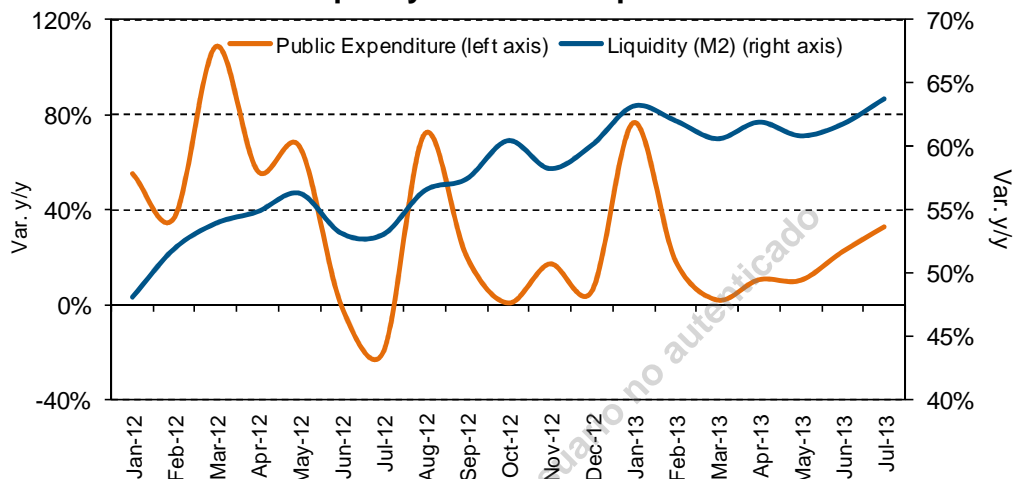
After the mini electoral campaign, which maintained the fiscal drive between January and February, government slashed spending in March. Added to this, the escalating inflation led the central government primary spending began to decline in real terms until July accumulating a fall of 4.6% and 14.2% only in the 2T2013. However, the spending in nominal was stable in 2T2013, with a nominal growth of 29.4% respect to the same period of 2012.

Given the close relation between fiscal spending and liquidity, spending behavior meant stability in nominal growth in liquidity, which in 2T2013 recorded an average variation of 61.5%, although thanks to rising inflation meant a significant slowdown in real growth of the same.





Liquidity vs. Public Expenditure



Sources: BCV, ONT y Ecoanalítica

Credit remains

As expected, the rate of expansion of liquidity resulted that the rate of growth of the loan portfolio remained stable and after slowing in March, began to recover in the 2Q2013. However, in real terms there was a slowdown in credit growth, which went at a real rate of 22.1% (y/y) in January to just 6.8% in June

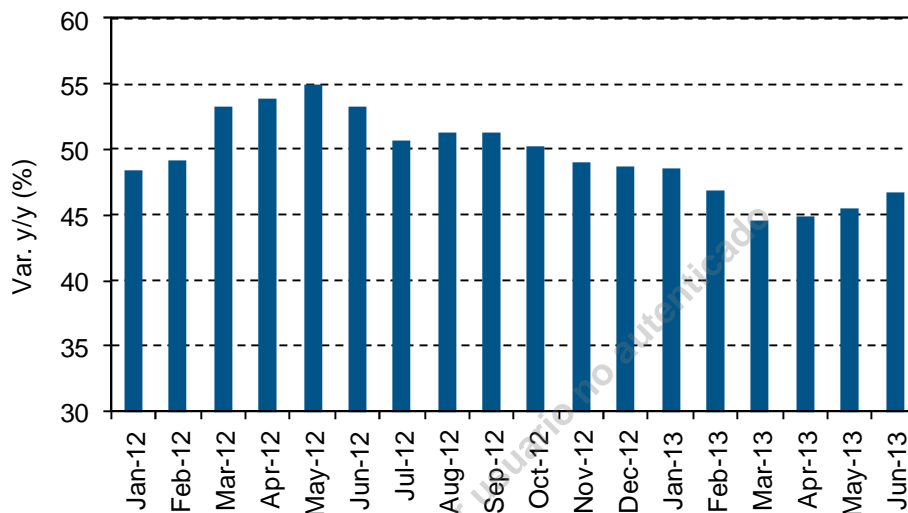
This behavior of the credit portfolio partly explains the behavior of both the financial sector and consumption in 2Q2013, which recorded increases of 24.3% (y/y) and 5.5% respectively. We must, on the one hand, the slowdown in growth of the loan portfolio in real terms indicates that it would be very difficult for the industry to sustain growth rates above 30.0% as in previous quarters, however, although the growth rate credit portfolio decreased in real terms, some portfolios did in greater proportion than others.

Among consumption credits, those to purchase vehicles went from growing 11.1% in real terms y/y to falling 11.4%, while credit card consumption, although slower, are still dynamic, with a real growth of 18.8% y/y in June. The mortgage, agricultural, and manufacturing credit portfolios are falling, while micro-credits are still the most dynamic, with a real growth of 48.5% y/y.





Credit Portfolio Growth



Sources: Sudeban and Ecoanalítica

In **Ecoanalítica** we have the view that the behavior of the consumer portfolio of credit card indicates how the local economic agents, in view of the inflationary process in negative real interest rates, prefer to maintain consumption financed.

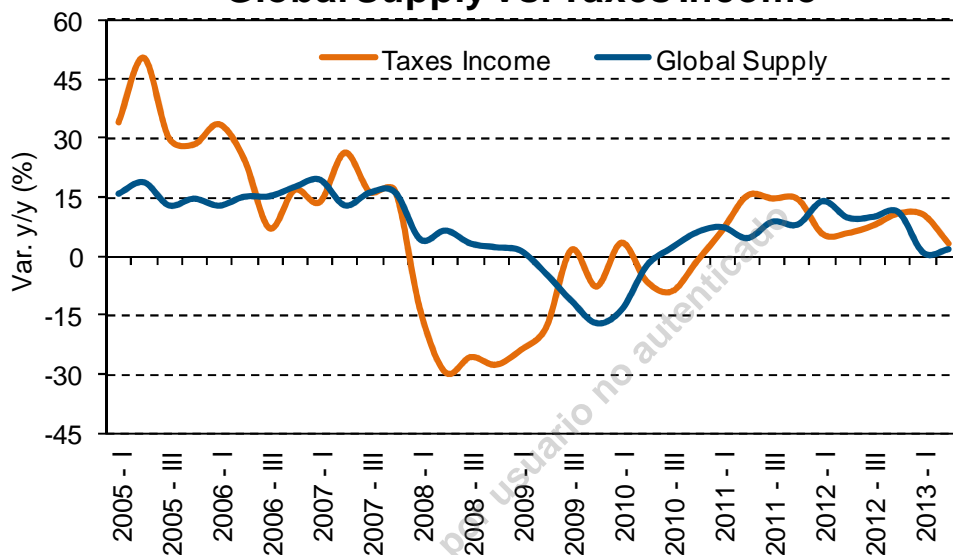
Another sign: collection

Another variable that goes hand in hand with the behavior of economic activities is collection of taxes, with a correlation of 59.0% with global aggregate demand. According to figures of the National Integrated Tax Administration Service (Servicio Nacional Integrado de Administración Tributaria - Seniat), in the first six months of the year it collected VEB 120.67 billion, a real growth of 12.0% compared to the same period in 2012. However, analyzing the quarterly behavior, total collection went from growing 10.6% in real terms in 1Q2013 to only 3.3% in 2Q2013, compared to the same period of 2012.





Global Supply Vs. Taxes Income



Sources: Seniat, BCV and Ecoanalítica

However, it is important to consider the individual behavior of the elements that are part of the total tax collection, because although total collection slowed down, not all of its components did so. On the one hand, income tax (Impuesto sobre la renta - ISLR) fell abruptly, from growing 31.8% in real terms in 1Q2013, to falling 10.8%, and VAT increased from 3.8 in 1Q2013 to 9.1% in 2Q2013, another sign that despite the escalating inflation consumption in 2Q2013 reactivated.

A positive sign

Regarding the exchange rate market, for the year Cadivi (the only official mechanism after the elimination of Sitme and the reactivation of Sicad in June) has not published information regarding liquidation and/or approval of foreign currency. However, the information obtained by **Ecoanalítica** indicates a significant increase in liquidations in the last three months (May, June, and July).

According to our estimates, in the beginning of the year Cadivi was liquidating a daily average of US\$85 and US\$90 million; this increased to US\$110 million in May, US\$125 in June, and almost US\$150 million in July. For **Ecoanalítica** this effort by Cadivi explains the drop in the international reserves of the last weeks, and indicates that the government is trying to reduce inflation (specifically in strategic sectors) and attack the issues of scarcity and shortages, also explains the growth of some sectors of economic activity, such as food.



A better end of the year

It is evident that the Venezuelan economy walked the path of the slowdown in the first half of 2013, since all activities grew lower than in the first half of 2012, however, the fiscal stimulus, growth in liquidity and household leverage in 2T2013 generated that financial activity and domestic consumption will continue to be the support of Venezuelan economic activity, and that in this quarter the figures were better than expected.

However, as we have mentioned in previous reports, we must not lose sight of the municipal elections of December, which we believe will make the Administration increase spending in the last two quarters of 2013. For 3Q2013 we expect the fiscal drive to increase, and the average monthly spending for the last two quarters will be around VEB 55.50 billion, 40.3% higher than the average of VEB 39.57 billion spent during the first semester of the year. In any event we estimate the accumulated spending for 2013 to fall 11.3% in real terms.

In the exchange rate policy, given the level of the reserves, and with no perspectives of an oil production increase in the short term, we believe that Cadivi will slow down its liquidation pace, to around US\$100 million per day. However, we cannot rule out the possibility of “mega auctions” in Sicad for more than US\$200 million, with contributions from Fonden and the Treasury, but at most, there could be two for the remainder of the year, and all sectors and private individuals could be invited to participate.

In general, **Ecoanalítica** maintains that 2013 is a year of slowdown, however, the government is giving signs of movement towards pragmatism, which could make economic activity close the year closer to stagnation than to contraction, so we estimate growth to be around 0.4% this year.





Economic Tips

GDP grew 2.6% 2Q2013. The Central Bank of Venezuela said that the economy grew by 2.6% over the same period of 2012. When evaluating the performance of sectors we obtain that the oil sector grew by 1.3% and non-oil 2.9% in 2T2013.

GDP for non-oil sectors. The sectors that grew the most were: financial institutions and insurance (24.3%), communications (6.7%), electricity and water (6.0%), manufacturing (5.7%), trade and repair services (4.2%), services trade (3.5%), rental (3.2%) and government services (2.9%). During this period the performance of these sectors was driven by the increase in aggregate domestic demand, greater availability of imported inputs, the increase in availability of electricity and the increase of public spending.

Food basket increased by 1.5% in July. According to figures released by the National Statistics Institute (INE), the food basket value was VEB 2,779.1 in July, up 1.5% from June and up 52.5% from July 2012, thus meaning that the reference food basket increased VEB 957 in one year.

The item that had the highest increase was Onions (28.8%), followed by Melons (19.2%), Lentils (18.3%), Ocumo (15.5%), beans (14.1%); pumpkin (14.0%), bananas (13.6%) and canned sardines with a rise of 14.0%.

Minimum wage only covers 88.4%. The above signifies that minimum wage isn't enough to buy basic foodstuffs, because a worker earning the minimum wage (VEB 2,457) could only buy 88.4% of the basket estimated by INE.

Fourth Sicad's auction. On Tuesday August 20th BCV made the call for the fourth Sicad's auction, receiving of purchase orders from authorized institutions begun on Wednesday, August 21st at 9:00am and ended on Thursday, August 22nd at 12:00m. The amount of the auction for companies increased to US\$300 million and in the case of natural persons was US\$30 million.

Specific sectors. In the held auction, participated natural individuals and companies in food and trade sectors (food and drinks), only products of the Christmas basket, commerce and manufacturing, both only for bicycles, parts and parts for assembly of these or toys, textile, fabrics which are inputs only for clothing, and chemical (inputs and raw materials for the manufacture of paints, varnishes and similar coatings).



A new exchange rate system. President Nicolás Maduro announced the creation of a new exchange rate system, to optimize it and make it stable. The plan has two directions: to strengthen capital accounts with the inflow of currency, and to optimize the currency granted to the production sector. Although President Maduro didn't explain the scope of a new exchange rate system, sources consulted mentioned the need to change some laws, to relax the schemes for exporters.

Exorbitant spending. With the additional credits approved this year, the government's budgeted spending for 2013 increased to VEB 507.6 billion. The figure indicates that in eight months, expenditures were 7.5% higher than the total for 2012, which closed at VEB 472.1 billion. The legislative balance published in the portal of the National Assembly (AN) states that by the end of the parliamentary activity, in August, they had authorized VEB111.20 billion in extra-budgetary resources. With these approvals, the national budget for 2013 set at VEB 396.40 billion, increases 28.0%.

More debt, more spending. The Ministry of Finance informed that between August and September, it will place VEB 9.60 billion in bonds. In a communiqué, the Ministry informed that every week, VEB1.60 billion would be auctioned in securities that mature between 2015 and 2027. These issues are part of the Complementary Indebtedness Law, authorized in July, for VEB 7.60 billion, and will be executed during the second semester.

Credit portfolio increased 51.9% in 12 months. Investments in securities by banks increased 75.7% in one year, according to information of the Superintendencia of Bank Sector Institutions (Superintendencia de Instituciones del Sector Bancario - Sudeban). In a communiqué, the entity said that at the end of July, investments in securities reached VEB 362.0 billion, or 31.2% of the system's total assets. According to official figures, in one year the credit portfolio increased 51.9%.

Plan Maduro falls short. In a situation of skyrocketing prices, basic products shortages, and dwindling growth, President Nicolás Maduro, took measures that are in the right direction but are implemented incompletely, and therefore are insufficient to take the economy out of this picture of high inflation and stagnation. Although the power of the radical wing decreased, there is dialog with the private sector, a system to increase the supply of dollars started operating, and a review of the price of controlled products started, these steps clash with the barriers that weaken its effects.

Public debt will be US\$219.10 billion in 2013. This year, the Administration is negotiating the additional debt, as it did in 2011 and 2012, and simultaneously, it is negotiating debt through official entities and requesting more financing, which



increases the obligations of the Republic. **Ecoanalítica** estimates that public sector debt will close at US\$219.10 billion, and although the balance would be lower compared to 2012, the burden is still heavy, and estimate that the weight of the total debt will end up representing 70.4% of Gross Domestic Product (GDP).

Maduro calls for foreign investment. President Nicolás Maduro, during a Ministerial Council, invited foreign companies to invest in the country, despite the actions and the discourse of the Government, now the head of State calls on foreign capitals. He said that *"if international companies want to come to Venezuela and associate to private or public capital, or invest by themselves, come to Venezuela, the country of opportunities; sit down with us around this table, and we will guarantee the conditions for your investment to be productive"*.

Liquid reserves of the BCV fall. The balance of BCV for July reveals that by the end of that month, liquid reserves, used for imports and foreign debt payments, closed at US\$1.8 billion, less than during the same period in 2012 when it was US\$1.9 billion. The balance of liquid reserves evidences the limitations that BCV has to speed up the delivery of foreign currency.

Gold reserves fall. The July balance shows that reserves in gold were at US\$17.0 billion, while in the same period in 2012 they were US\$19.0 billion. BCV assets also were affected by the price of gold: for the year, it lost more than 20.0% of its value. In seven months, international reserves dropped almost US\$6.0 billion, and compared to other years, in this period, BCV has not made transfers to Fonden.

Interest rates. The lending rate for the second week of August was at 17.1%, up by 1.9 pp compared to the previous week. The time deposit rate was at 14.5%, without variations compared to the previous week, while the passive rate has not experienced any significant variation since November 2011, placing well at 12.5%.

International reserves. International reserves increased by 0.01%, going from US\$23.069 billion during the second week of August to US\$23.071 billion during the third week of August. Compared to the same period last year, international reserves have decreased by 9.8%.

Central government expenditure. On Friday August 16th according to figures from the ONT primary spending was VEB 18.59 billion, which means an increase of 253.1% when compared to the previous week when it was VEB 5.27 billion; when compared to the same period last year we observe an increase of 251.8%. So far this year the cumulative primary expenditure in real terms (measured in 2007 prices) is VEB 71.17 billion, with a variation (y/y) of -14.1%.



Monetary liquidity. Monetary liquidity (M2) increased 0.1% in the second week of August compared to the previous week, settling at VEB 878.22 billion. The M2 has increased 63.4% in relation with the same period last year.

Oil Tips

15 events in 105 days. Since May and up to now, 15 events have been reported, such as fires, shutdowns, power outages, and leaks in the Amuay and Cardón refineries (which form the Paraguaná Refining Center -Centro Refinador Paraguaná, CRP), El Palito, Puerto La Cruz and Isla, the latter in Curacao and operated by Pdvsa. Considering the last 12 months, events and accidents in Pdvsa refineries add up to more than 24, or an average of two events per month, most in CRP.

Another incident. On Tuesday August 20th at night there was a fire at the top of the north concrete fireplace located in Block 29 of the Amuay Refinery, located in Falcon state. This ignition, the statement said, was caused by the ionization of the atmosphere due to the presence of rains accompanied by thunderstorms. Pdvsa said that the incident did not represent any danger to the refinery facilities or for the communities surrounding the CRP.

Units in El Palito start up. In the afternoon of Sunday August 18, the El Palito refinery stopped operating due to an electric power failure from Planta Centro, a facility of the National Electric Power System (Sistema Eléctrico Nacional -SEN) which fed the nine plants of the El Palito refinery in Carabobo; they started operating in the early hours of Monday.

A general industrial safety inspection starts in Pdvsa. On Monday, August 19, the inspection of oil areas in the country will begin, to verify the condition of the plants, as well as compliance with industrial safety and hygiene protocols. It will be a joint evaluation carried out by workers, prevention delegates, and industry authorities, according to a Schedule agreed with Eulogio Del Pino, vice-president for exploration and production of Pdvsa.

Oil prices increase due to violence in Egypt. Oil prices increased in London and New York, the Brent reaching its highest level in four months, driven by fears that the escalation of violence in Egypt could affect the Suez Canal, or spread throughout the Middle East, where some supplies are already interrupted. Egypt is not one of the



main oil producers, but it has the strategically important Suez Canal and the Sumed pipeline. Investors fear that riots may affect supply routes, or spread to neighboring oil exporting countries.

Petrobras will revert the oil production drop. Petrobras will start producing from four new maritime development platforms in the last semester of the year, and will connect 36 new wells, allowing it to revert the present production drop, and significantly increase future production. *“Of the seven new production platforms that will start operating this year, three have already been installed, but are producing experimentally, and three others will start operating at the end of the year”*, said José Formigli, director of Exploration and Production.

Ecuador decides to develop an oil field. Ecuador may decide to develop its largest oil reservoir located in an ecologic reserve, given the poor response of rich nations to contribute to an economic fund that would prevent its development. President Rafael Correa announced the government’s decision regarding the proposal, whose economic results have not been the ones expected, and one source said that the president will inform about the “steps necessary” to develop block ITT, located in the Yasuní reserve.

Peña Nieto launches a modernizing reform. Enrique Peña, President of Mexico Nieto launched an initiative to change the Constitution, to make private sector investments in the energy sector more attractive, and in oil matters, share the risks in exploration and extraction of non-conventional reservoirs. *“With this reform, we will make the energy sector one of the most powerful of the economy”* said the Mexican head of State.

Mexico will export natural gas, with the energy reform. Enrique Peña Nieto, President of Mexico, said that his country, which presently imports 30.0% of natural gas natural and has supply problems, *“has the potential to even be an exporter”* of this resource, if the energy reform initiative sent to the Congress is approved. *“It is an irony that a country as rich as Mexico, particularly in gas, has to import one third of the country’s demand”*, said the head of state.

Pemex will pay taxes for development and exploration. Mexican oil company Pemex could start paying income tax for exploration and extraction of crude oil and gas, under the new fiscal scheme presented in the Government’s energy reform. The reform presented to Congress this week by President Enrique Peña, strives to attract private investments to the sector, through shared benefit contracts for crude and gas exploration and extraction activities, which are now reserved for the state owned company.



A fiscal reform is essential for Pemex. The Government of Mexico said today that the new fiscal regime that will rule Pemex, if the energy reform is approved, will be a fundamental element for the public company to be competitive, modern, and with the capacity to grow. Luis Videgaray, Minister of Development, explained that the proposed regime must allow companies recover their costs, pay royalties to the Government for exploiting the crude, and keep part of the earnings.

International oil baskets. At closing time on August 9th in the New York Stock Exchange, the price of the WTI was US\$105.3/bl, remaining stable compared to the reported the previous week. The Brent remained stable at US\$107.9/bl, comparing it to the previous week.

Local oil basket price. The Venezuelan oil basket price closed last week at US\$104.8/bl on Friday August 9th, a 0.1% decrease compared to the US\$104.9/bl of the previous week. The annual average price of the Venezuelan oil basket is US\$102.3/bl.

Business Sector Tips

Price adjustments for pasta, bread, and flour. Félix Osorio, Minister of Food, notified representatives of the wheat circuit, that a 25.0% adjustment in the price of pasta, bread, and pre-cooked corn meal will be authorized, according to food sector sources. According to this increase, the kilogram of pasta would go from VEB 4.33 to VEB 5.41, the kilogram of bread from VEB 5.52 to VEB 6.90 and the kilogram of pre-cooked corn meal would go from VEB 5.93 to VEB 7.41.

Food sector will have more foreign currency. The Administration is fine-tuning the details to implement a mechanism to assign currency through Cadivi, to meet the needs of the productive chain of each item in the food sector. Rafael Coronado Patiño. Vice minister for Food, informed that the mechanism is in the phase of reviewing tariff codes, and the codes of companies making imports in each sector.

The price of new cars will fall 30.0%. The law regulating the purchase and sale of vehicles establishes in its first transitory provision, that the sales price, once the law is passed will be those of February 28 of this year, that is, prices will fall 30.0%. After this publication, the automotive industry clarified that *"the prices in February didn't have the devaluation; in March the adjustment considering the 46,5% devaluation*



decreed by the government in February was made ", showing that the price adjustment won't take into consideration the devaluation.

Insurance policies will have less coverage. The entry into force of the Law regulating the purchase and sale of vehicles will imply a loss of capital for car owners. This is explained in the transitory provision of the text, which says that *"the present car insurance policies, for an amount higher than the maximum sales price of the vehicle, established by the mechanisms included in this Law will remain in force until they expire. To renew the policy, the price will be set according to the maximum sales price established by the authorities"*.

The regulation will come gradually. After approving the Law regulating the purchase and sale of New and Used, Domestic or Imported Land Vehicles, the AN must now deal with certain aspects of the law. As representative Elio Serrano said, the Administration has 180 days to regulate the price of spare parts, which are so many that their price will be regulated gradually. *"Their regulation won't be easy: first will be those with high demand, like tires, brakes, lubricants, among others"*, said Serrano.

90 days more. According to a presidential decree published in Official Gazette 40.227, the state of emergency of the national electric power system and service was extended for 90 days starting on July 21, 2013. *"Although it is true that efforts have been made by the different actors of the electric power system to increase generation and reduce interruptions, more work is needed to overcome the state of emergency"*, explained representatives of the Ministry of Electric Power.

Local industry works at half speed The Venezuelan Confederation of Industrialists (Confederación Venezolana de Industriales -Conindustria) carried out a survey among 300 companies during 2Q2013, and the conclusion was that the industry barely used 54.33% of its installed capacity. The same survey carried out during 2Q2012 gave a result of 55.96%, showing that the use of the installed capacity fell 1.63% compared to the same period last year, approaching the use of only half the capacity.

Surprise for the beginning of classes The start of this new school term will be marked by inflation, since the price of school supplies are two, three, and even four times higher compared to last year. According to a study by El Universal, this year, the cost of school supplies increased between 78.0% and 314.0% on average, without the textbooks. The basic list of school supplies authorized by the Ministry of Education increased 149.0%, to VEB 537.6.





Operational failures. A commission of the National Institute of Labor Safety, Health and Prevention (Instituto Nacional de Prevención, Salud and Seguridad Laborales - Inpasasel) visited CVG Minerven, which has been operating at minimum services for 58 days, and requested the creation of a committee of labor safety and hygiene to correct risk situations in production areas. The operations of CVG Minerven are at minimum startup conditions, due to deficiencies in production and industrial safety matters.

More problems for the food sector. The shutdown caused by conflicts and absenteeism has certainly had serious consequences for food sector companies, and this is well reflected in the survey carried out by Conindustria, which shows that for 2Q2013 labor conflicts were 61.0%, whole food sector estimates place absenteeism between 16.0% and 20.0%.

More price adjustments to come. After the Administration made announcements indicating that it has 22 points with recommendations to increase the price of basic products, the food industry is waiting what will happen. During meetings between the food sector and the government, it was said that the reviews for increases will be done between August and September.

Road tolls will be reactivated. José Luís Bernardo Hurtado, Executive President of the Urban Transportation National Fund (Fundación Fondo Nacional de Transporte Urbano - Fontur) and vice-minister of Ground Transportation Services, announced the reactivation of road tolls. Likewise, Bernardo explained that an integral tollbooth rehabilitation plan is being designed for the national territory, but didn't mention the rates that will be charged.

World Economy Tips

Good news and a bad news. United States (U.S.) macroeconomic indicators have shown both sides of the coin, starting with unemployment subsidy requests which fell unexpectedly two weeks ago, establishing their best level in almost six years, with a total of 320.000 applications. In the meantime, inflation increased slightly in July, since according to the Department of Labor, inflation increased 0.2% that month, or 2.0% y/y.





More trade surplus. According to data of the European Union (EU) Statistics Office, Eurostat, the trade surplus of the Eurozone increased in June y/y, and compared to the previous month, while imports continued falling. Imports in the 17 countries using the Euro fell 6.0% y/y for the second consecutive month in June, while exports fell 3.0% almost for the second consecutive month.

Inflation still below target. According to data of the European Union Statistics Office, Eurostat, confirmed that the annual inflation rate remained stable for the second consecutive month in July, at 1.6%, remaining below the target of the European Central Bank of less than 2.0%. Inflation fell 0.5% in July compared to June, with a generalized fall of prices, excluding services and volatile energy costs.

No proof of fraud. EU's development aid for Hungary has been temporarily suspended due to failures in the country's financial control systems but there are no proofs of fraud, according to a responsible entity of the European Commission. The office of Prime Minister Viktor Orban said that the EU suspended 13 of the 15 programs financed with European money, among them projects like road construction and social cohesion programs.

Germany and France to the rescue. After a higher than expected growth in the two largest economies of the Eurozone, Germany and France, the EU could come out of its highest recession so far, confirming the expectations of a fragile recovery. The 17 countries using the Euro needed seven quarters to start growing again, with a growth of 0.3% seasonally adjusted, in the three months up to June, according to the European Union Statistics Office, Eurostat.

Higher than forecasted. The German economy grew 0.7% inter-quarterly in 2Q2013, its greatest growth in one year, higher than expected due in part to public and private domestic consumption, as revealed by non-seasonal data. In inter-annual terms, the German growth was 0.9%. *"In the second quarter of 2013 the positive impetus came from a higher consumption by private and public domestic budgets in the first quarter"*, said the German office of statistics in a communiqué.

Up to their head in debt. The Bank of Spain published that for June, the public debt of all public administrations in Spain reached the record amount of EUR 943.70 billion in June, equivalent to 91.1% of the GDP expected for the year (EUR 1.03 billion). With the new public debt increase, the public debt /GDP ratio is only 3 tenths away from the 91.4% for this year.

Israel tries to improve its Latin American friendships. Israel will try to boost trade exchanges with Mexico, Chile, Colombia and Peru, given the weakening of European economies due to the financial crisis in which the region has been immersed for



years. Israeli Prime Minister, Benjamin Netanyahu, ordered a significant increase in trade with the above mentioned Latin American countries, considered as friendly states, which could be the first impulse to increase trade with Central and South America.

Brazil trusts the Real. Guido Mantega, Minister of Development, said that the government of Brazil trusts that the Real won't continue falling, but acknowledges that there is great volatility in the exchange rate market due to the expectations of a hardening of US monetary policies. *"This change is not final. It can go up a little, go down a little, or stay where it is. I don't know, but the government is trying to prevent an excessive volatility"*, said Mantega.

Argentina will pay part of the debt. The Central Bank of Argentina approved the use of US\$2.50 billion to pay for the public debt due for the remainder of 2013, using its international reserves, which will soon fall again. *"The Board of Directors made the decision in agreement with the authorization given by the Organic Charter of the Central Bank and after concluding that the resulting level of reserves guarantees the execution of exchange rate policies, considering the evolution of foreign accounts"*, said the bank in a communiqué.

Political Tips

A new enabling law. Last Friday, August 16, the Venezuelan head of state announced that he would request enabling powers to the AN, to make laws allowing him to implement direct actions against corruption. MUD said that its representatives will say "no" to this request, whenever it is debated in Parliament. The vice president questioned this by arguing that *"those that beforehand oppose the request for enabling powers to legislate against corruption are suspect of it"*.

A smoke curtain. Tomás Guanipa (PJ-Zulia), AN representative, didn't rule out that the request made by Nicolás Maduro himself, to approve an enabling law is a smoke curtain that the ruling party is using, as it did before with accusations against Primero Justicia (PJ) representatives. Guanipa reminded that for an enabling law, PSUV requires a qualified majority of 99 votes, and so far doesn't have them.

Capriles will visit 334 municipalities. Henrique Capriles Radonski informed that December 8 will be a plebiscite against the Government, and that he will be the head



of the 334 campaign commands, and of the 4,874 list and nominal council members. Starting the first week of September, he will start visiting the country, *"not to raise the hand of any candidate, but to support them"*, he explained. This doesn't include the El Hatillo municipality, because an agreement wasn't reached, and several candidates will compete.

Social networks, given the harassment against the media. Henrique Capriles, governor of Miranda presented on August 19 all the candidates for major of the 21 municipalities of Miranda gave specific instructions for each locality: *"The campaign must focus on solutions; let us not waste time attacking the adversary"*. To this end, he said that MUD candidates must use the support of social networks, because the opposition has increasingly fewer media to express itself. He celebrated that despite the Government's harassment against the media, there are still journalists fighting.

The key to the future. The municipal elections of 8D aren't just any other election, but *"the key to the future of the country"*, said Henrique Capriles, governor of Miranda. *"Dec. 8 will determine what will happen in the country in the next years. Let it be a great consultation about the situation we are living; we must win it all over the country; each vote counts"*, said Capriles during the act presenting the candidates for majors and council members of the 21 municipalities of Miranda.

Villegas: Opposition supporters will vote for me for the Metropolitan Mayoralty. Journalist Ernesto Villegas, former Minister of Communication and Information, and PSUV candidate for the Metropolitan mayoralty, said that although it may bother government adversaries, he is sure that many opposition supporters will vote for him. Villegas underscored that his duty as a *"revolutionary"* is to displace Antonio Ledezma, who in his opinion is a terrible metropolitan mayor, and put the mayoralty to serve all citizens.

MUD demands the resignation of Jesse Chacón. The Mesa de la Unidad asks for the resignation of Jesse Chacón, Minister of Electric Power, for not fulfilling the 100 day term established to solve the sector's crisis. *"Despite the fact this is a vacation season, when demand falls, Corpoelec continues rationing electricity in most of the country, and there are still interruptions due to failures, blamed on rain and floods"*, said AN representative Enrique Márquez.

"Corruption isn't debated, it is combated". María Corina Machado, MUD representative, said that *"corruption isn't debated, it is combated"*, and urged the Government to have the political vocation of calling things by their name. *"The government has all the tools, but doesn't have the political vocation of calling things by their name, confront those that have taken the resources of Venezuelans away, who are very close to Mr. Maduro"*, she said



Maduro challenges the opposition to a debate in a national mandatory broadcast (cadena nacional). The head of state challenged the opposition to a public debate in a national broadcast, to discuss the corruption claims against individuals linked to PJ: *"I challenge you to a public debate about all these claims, one by one; if you want, we can do that in a national broadcast so the country knows the truth and the manipulation stops. (...) this used to be a business place until Chávez came and had it stopped"*.

Government restructuring. President Nicolás Maduro announced that a restructuring of the National Government is being planned. The ministries will be reviewed, which work, which are pertinent, how are they organized, said the head of state. The goal is reorganization *towards more efficiency*", he explained. The head of state informed that a Vice-Ministry will be created specialized in the dissemination and democratization of the construction of communes, and will be called Communicational Vice-Ministry for Communes and the People's Power.

Legislatives Tips

BCV and Cadivi have new President. Through two decrees published in Official Gazette 40.227 the President of the Republic made official the appointment of Eudomar Tovar as President of BCV, and of José Khan as President of the Foreign Currency Administration Commission (Comisión de Administración de Divisas - Cadivi). The text also includes the appointment of Julio César Vilorio as executive vice-president of Cadivi.

First legislative period of the AN over. The AN will go on recess, after seven months of activity and more than 28 sessions, with a balance of 12 laws passed, 40 approbatory laws, 30 agreements, 132 additional credits, and the authorization of 30 ambassadors. The Venezuelan parliament started sessions on January 5 of this year, with Diosdado Cabello as president. During the 2011 legislative year, the parliament approved 37 laws, and 28 during 2012.

Another law is coming The AN passed and approved the Special Law on the Theft of Vehicles and Related Crimes. This law tries to simplify and penalize the crimes committed, to provide the victims of car theft more security. Congressman Edgar Lucena added that the legal instrument is not enough, but also *"the political will to enforce it"*.



Infogovernment Law approved. During its second discussion, the Infogovernment draft law was approved. Due to changes, the law will be sent to the Permanent Commission on Science and Technology, to elaborate the report and elaborate the final draft. Blanca Eekhout, second vice-minister of parliament, said that it is *“a victory for the people, the use of technologies as a function of the right to knowledge. It is a victory of all the movements that for years have been working for free software for all Venezuelans”*.

New Minister of Environment. Tadeo Rodríguez was appointed Minister of Environment, as published in Official Gazette 40.321. Also, Francisco Guerra and Jesús Castillo were appointed as Vice Minister of Environmental Organization and Administration, and Vice Minister of Environmental Conservation respectively, according to the above mentioned Official Gazette. Former Minister of Environment, Dante Rivas leaves his post to be one of the PSUV candidates for the municipal elections of Dec. 8.

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ECONOMIC OVERVIEW

