

## The hyperinflationary green mile.

At On September 1st, the Central Bank of Venezuela (BCV) made public the inflation figures for the months of June and July 2020. According to the data of the issuing entity, the average inter-monthly inflation for the first semester of the year is 29.7%, with an accumulated 491.9% in the same period. Put in a historical and regional context, official Venezuelan figures<sup>1</sup> show a deceleration in the rise of prices with respect to the years 2018 and 2019 and maintain persistently high levels and well above the international average.

In **Ecoanalítica** we consider that the fiscal adjustment implemented by the Executive since mid 2018<sup>2</sup> has caused the Venezuelan hyperinflationary episode to come out of its most explosive phase to "stabilize" at low double-digit average inter-monthly inflation. The fiscal and external restrictions faced by the Venezuelan State, added to a climate of economic and political pessimism in the short term, make it difficult for inflation to be contained at lower levels.

This *status quo* in prices, which has been in effect for a few months, even before the COVID-19 pandemic, is becoming a structural dynamic of the Venezuelan economy, to which businesses and households will have to adapt in view of long term horizons.

### Is there light at the end of the tunnel?

The most popular referential threshold<sup>3</sup> for analyzing the end of hyperinflation in Venezuela corresponds to the lower limit of 50% inter-monthly defined by Cagan (1956)<sup>4</sup> with the corresponding requirement of twelve continuous months below that threshold to qualify a particular episode as concluded<sup>5</sup>. Under this perspective, Venezuela has been in a hyperinflationary episode for 34 months, according to figures from **Ecoanalítica** for

<sup>1</sup> The same ones that should be analyzed with some caution as explained in our weekly report No. 17 *The strange world of official inflation figures*.

<sup>2</sup> Weekly Report No. 30 of Week IV of August, *Two Years of Prosperity*

<sup>3</sup> Employed by **Ecoanalítica** and by other firms and institutions.

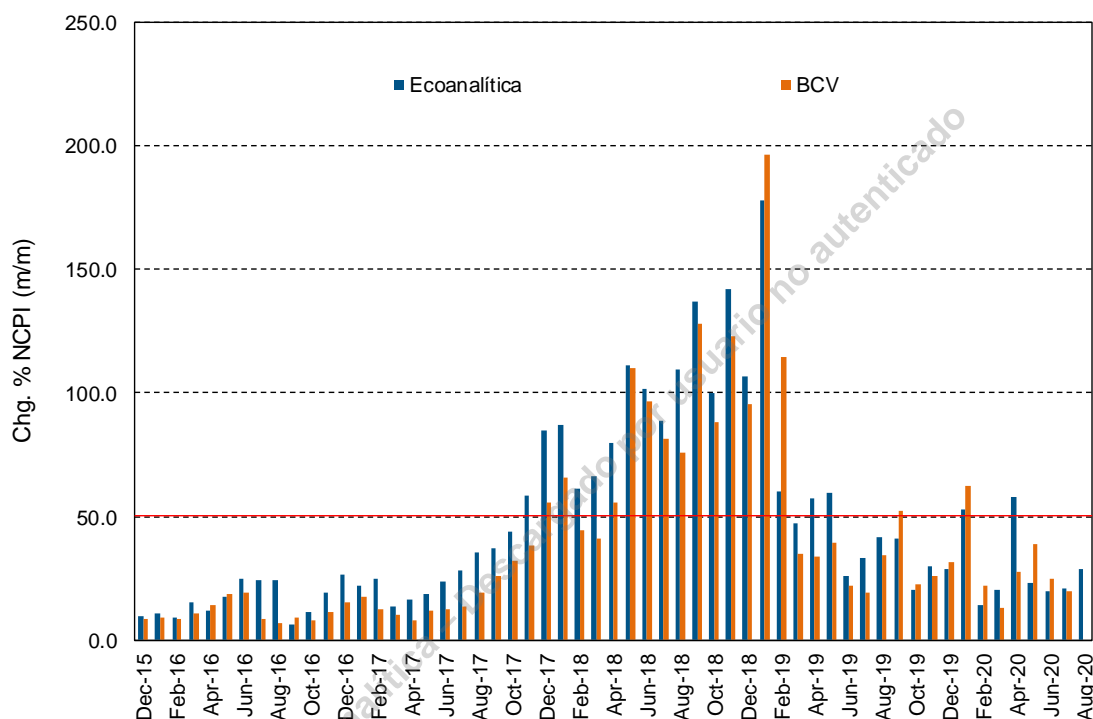
<sup>4</sup> Cagan, P. (1956). *The monetary dynamics of hyperinflation*. Studies in the Quantity Theory of Money.

<sup>5</sup> Specifically, the hyperinflationary episode will last until the last month in which there is a price rise of more than 50% before a full year below the threshold.

Year 16. Number 32. Week II  
 September 2020

the<sup>6</sup> end of August 2020, with April<sup>7</sup> being the most recent month in which inflation was above Cagan's threshold.

### Monthly inflation



Sources: BCV and Ecoanalítica

As of March 2019, a series of short periods<sup>8</sup> began to be registered in which inflation remained below 50% for some months, as a consequence of the fiscal and credit containment policies implemented by the Executive, to later exceed the threshold for monetary and exchange rate shocks; this describes the current dynamics of prices in Venezuela. Since March 2019, 14 months out of 18 register inflation below the threshold.

### Not very encouraging metrics

Given this behavior, the question may arise as to whether Venezuela is in the direction of formally coming out of its hyperinflationary cycle in the medium term. To clarify this scenario, we can complement Cagan's standard, which in itself is better calibrated for

<sup>6</sup> 33 according to BCV figures.

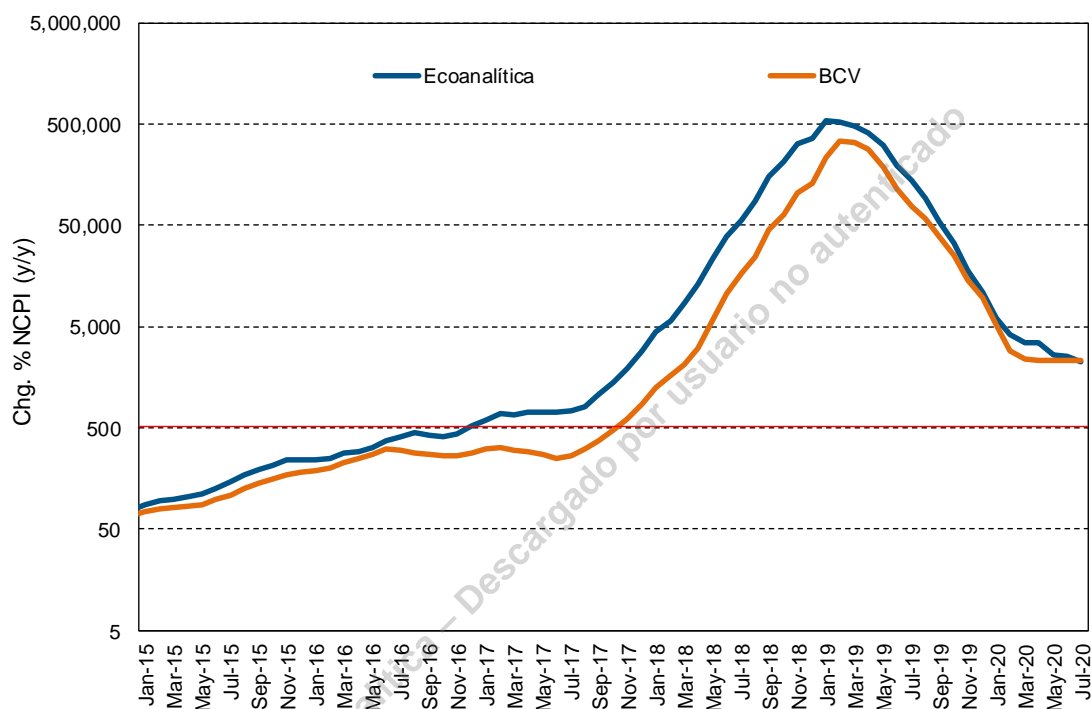
<sup>7</sup> With a monthly inflation of 58.03%.

<sup>8</sup> From 3 to 7 months.

Year 16. Number 32. Week II  
 September 2020

sudden and short-lived hyperinflationary episodes, with the 500% annual threshold proposed by Reinhart and Rogoff (2011)<sup>9</sup> to analyze trends over longer periods.

### Annual inflation



Note: logarithmic scale.

Sources: BCV and Ecoanalítica

By visualizing monthly inflation in year-on-year terms, we can extract some important observations. In principle, the hyperinflationary episode in Venezuela would have started in January 2017, according to **Ecoanalítica's** figures; practically a year earlier than Cagan's threshold would dictate. Secondly, the divergence of interannual figures between BCV and **Ecoanalítica** measurements is closing and by July they register interannual inflation of 2,357.0% and 2,266.2%, respectively. Finally, at these levels, the upward trend of prices in Venezuela in the long term continues within the hyperinflationary range and requires further reductions to exit it.

<sup>9</sup> Reinhart, C. M., & Rogoff, K. S. (2011). *From financial crash to debt crisis*. American Economic Review, 101(5), 1676-1706.

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report. Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.  
 (+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

Year 16. Number 32. Week II  
 September 2020

For comparative purposes, we can say that, in order to get out of the Reinhart and Rogoff year-on-year threshold, monthly inflation below 16% is required over a year, with February 2020 being the only month after March 2017 that is below that level<sup>10</sup>.

### Beyond an Academic Postulate

In **Ecoanalítica** we consider that, beyond the metrics congruent with the economic literature used to delimit the boundaries of a hyperinflationary episode subject to criteria with a certain degree of arbitrariness, the most important conclusion in practical terms of this type of analysis is that the price inertia in Venezuela will continue to reflect an underlying tendency of loss of confidence in the local monetary sign in very atypical magnitudes within the continent.

Even outside the inflationary peak of late 2018 and early 2019, the general behavior of prices in Venezuela still shows weekly inflation higher than that of the largest economies in Latin America in a year. If we take the inter-monthly inflation since January 2010, we can see that Venezuela has the highest median inflation with 9.4%, this being 7.2 times the median inflation of the second country with the highest inflation, Argentina. In fact, even including years with relatively low monthly inflation, the first quartile of monthly inflation in Venezuela is still higher than the maximum recorded for Peru, Mexico, Colombia, Chile and Brazil.

### Monthly inflation (%) in Latin America (2010-2020)

	Argentina	Brazil	Chile	Colombia	Ecuador	Mexico	Peru	Venezuela
Minimum	0.2	-0.3	-0.5	-0.4	-0.7	-1.0	-0.5	0.8
1st quartile	0.8	0.2	0.1	0.1	0.0	0.1	0.1	2.5
Median	1.3	0.4	0.2	0.3	0.2	0.4	0.2	9.4
3rd quartile	2.6	0.6	0.4	0.5	0.4	0.5	0.4	26.2
Maximum	6.5	1.5	1.0	1.3	1.1	1.7	1.3	178.1
Average	1.8	0.5	0.3	0.3	0.2	0.3	0.2	23.1

Note: Sample of monthly inflations from Jan-10 to Aug-20 for each country

Sources: Central Bank of each country, BCV and Ecoanalítica

### Collapsing steps in the monetary hierarchy

Venezuela is facing in the first half of the 21st century a magnified version of the chronically high inflation that afflicted the rest of the region during much of the 20th

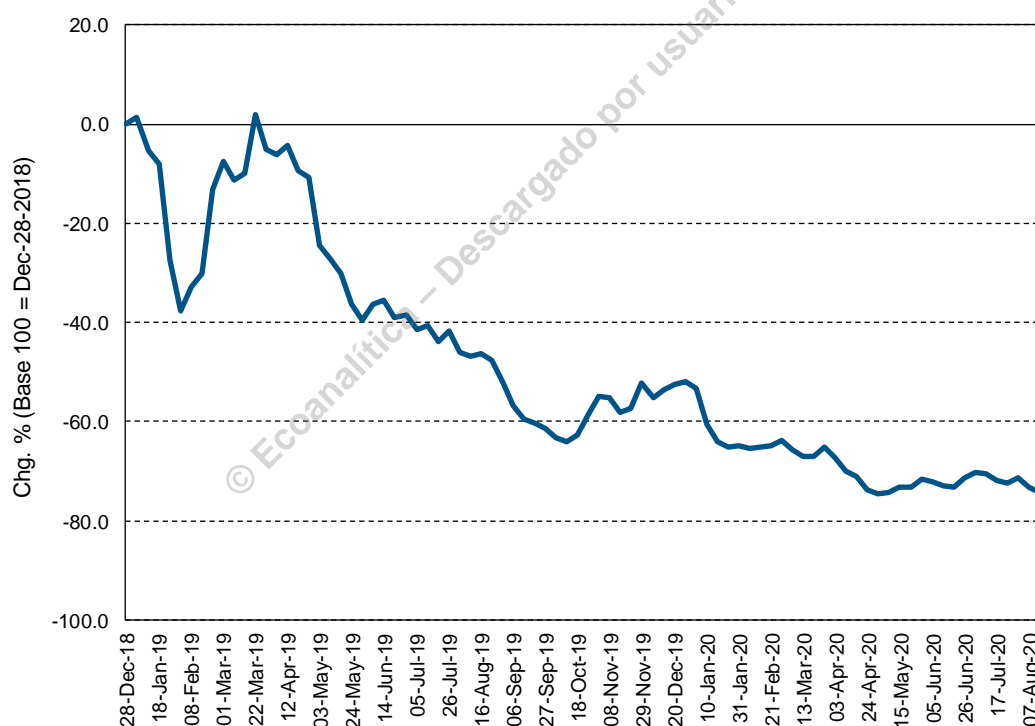
<sup>10</sup> With 14.0% inflation

Year 16. Number 32. Week II  
 September 2020

century. As with its regional peers, the prolonged accumulation of fiscal and monetary imbalances eventually translates into a progressive, and potentially irreversible, rejection of the legal tender.

Since the beginning of 2019, the real demand for bolivars has contracted by an average of 1,4% per week and has reached an accumulated drop of 74,8% up to the week of August 21<sup>st</sup>, with a relative stabilization since April due to a lower use of foreign currency in cash as a result of the decrease in physical transactions due to reduced mobility in the pandemic environment, added to the adoption of the bolivar as a "return" currency to complete operations that cannot be carried out in foreign currency due to logistical frictions or availability restrictions.

### Cumulative change of the money demand



Sources: BCV and Ecoanalítica

This rejection for bolivars is also shown in a persistent demand for foreign currency, reflected in a 549.6% raise in the exchange rate since the beginning of the year up to the week of September 4<sup>th</sup>. Despite the fall of economic activity and import's contraction, the continuous ascent of foreign exchange markers signals worsening expectations in regards to general economic performance and the usefulness, or lack thereof, of the legal tender. In such context, the behavior of both inflation and depreciation could be seen as

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report. Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandin, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.  
 (+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

Year 16. Number 32. Week II  
September 2020

displays of consumption patterns in favor of goods or foreign currency; with the bolivar as an instrument of increasingly disposable nature.

### The winter will be long

At **Ecoanalítica** we consider that the limited range of fiscal and external maneuvering to which the Venezuelan State is subject makes it difficult for the imbalances that cause price increases to be completely eliminated so as to reduce the annual inflation below 3 digits in the medium term. Similarly, price inertia rests on a monetary balance that is very vulnerable to monetary shocks with fiscal backgrounds, which may be compromised if the Executive plans a fiscal expansion to coincide with the celebration of the parliamentary elections scheduled for the end of the year. In that case, although we do not anticipate an inflationary response of the magnitude of the last semester of 2018, we warn that a considerable acceleration in price increases remains a tangible risk despite signs of relative calm.

**Giorgio Cunto.**

© Ecoanalítica – Descargado por usuario: [unreadable]

Year 16. Number 32. Week II  
 September 2020

## WEEKLY INDICATORS

Weekly Economic Indicators			
	2nd Week September	Weekly chg. (%)	Depre/Apre (pp) <sup>1</sup>
FX Boards (VES/USD) <sup>2</sup>	360,514.35	7.6	7.1
	4th Week August	Weekly chg. (pp)	Annual chg. (pp)
Lending Interest Rate (%)	38.0	-0.5	5.3
	4th Week August	Weekly chg. (pp)	Annual chg. (pp)
Overnight Interest Rate (%)	358.0	28.3	229.3
	1st Week September	Weekly chg. (%)	Annual chg. (%)
International Reserves (USD Bn)	6.4	0.4	-22.8
	4th Week August	Weekly chg. (%)	Annual chg. (%)
Monetary Liquidity (MM VES)	179,755,274	2.2	1,230.6
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

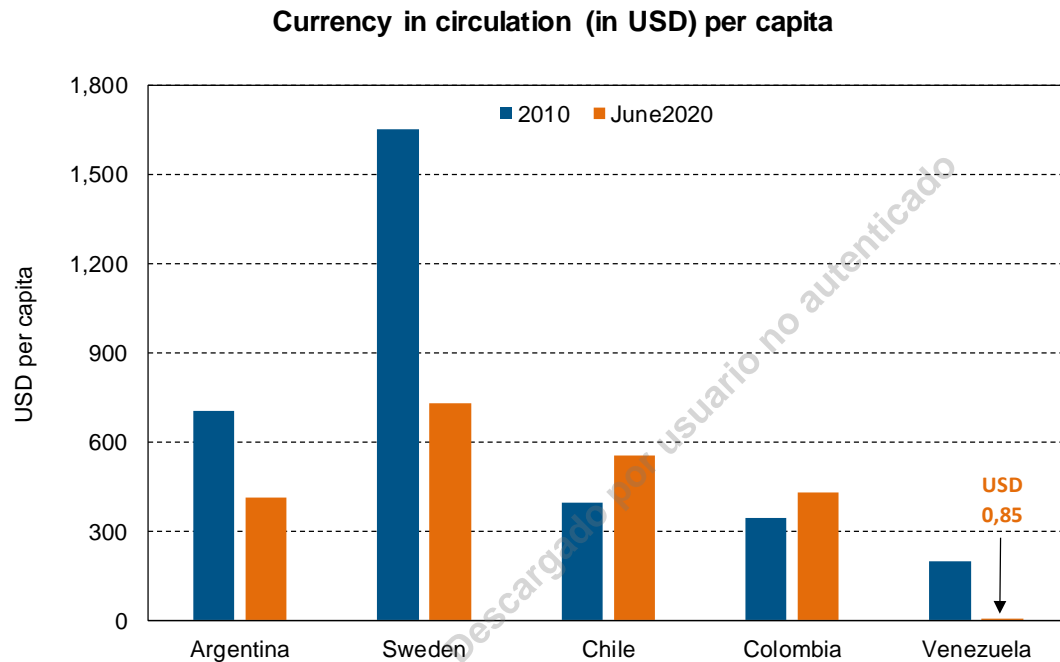
Sources: BCV, MENPET, ONT and Ecoanalítica

\* Annual variation of accumulated expenditure.

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

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report. Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.  
 (+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

**CHART OF THE WEEK: “(IN) EFFECTIVE”**


Sources: Central banks, Institutes of Statistics, World Bank and Ecoanalítica

Note: Currency in circulation refers to bills and coins in the hands of households, firms and banks

Although advances have been made in technology to abandon cash as a daily payment method, its use persists due to the ease it provides for reasons of speed and convenience. In the above mentioned case studies, it is observed how -on average- the money in circulation (bills and coins in the hands of households, companies and banks) in per capita terms is approximately USD 530.1 by June 2020 (except for the case of Venezuela).

Each one of them reveals different stories; Colombia and Chile show an increase (with respect to 2010) in the circulating currency distributed in the population; because, even though progress is being made in the diversification of payment methods, confidence in their currency (particularly cash) as a means of exchange is maintained by enjoying price stability and having a monetary authority capable (in operational and fiscal terms) of satisfying the demand for cash.

In the case of Sweden, it is a country that has made a firm commitment to replacing cash with electronic channels and the inclusion of methods that facilitate transactions with

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report.  
 Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.  
 (+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

crypto-currencies, which is why there has been a marked contraction in the money circulating per capita between 2010 and June 2020. Argentina also shows a similar trend, although generated by the high inflation observed in recent years that has caused cash to lose its transactional value.

Venezuela would correspond to a case like that of Argentina, but in greater dimensions due to the present hyperinflationary process. Taking into account the official exchange rate series published by the BCV, the value of working capital per capita would have gone from USD 198.6 in 2010 to USD 0.85 at the end of the first semester of this year, a contraction of 99.6% in almost a decade. If we take a reference value of the cost of the basic basket in the same month (according to Cendas), on average, a Venezuelan would need 316 times his current cash endowment to give his family access to a minimum category of goods.

This is not a problem that escapes the Executive, on June 12, 2019, the BCV announced in a statement that it would put into circulation three new bills (of VES 10,000, 20,000 and 50,000) to "facilitate transactions", since then these bills have lost 97.5% of their purchasing power. This has greater impact when taking into consideration that there are still informal markets that are managed without electronic payment methods, developing exclusively in cash (where payment for the use of public transport stands out). Further expansion of the monetary cone may be announced in the near or distant future, but without structural reform to stop the hyperinflationary process, these limitations will persist.

## ECONOMIC TIPS

**COVID-19 in Venezuela.** According to government figures at the 10 of September, the number of positive cases of coronavirus reached 56.751 and the number of deaths was 452.

**Confined.** For the week of September 7 to 14, all the states in the country were under a scheme of general flexibilization, where activity was allowed in staggered time blocks for the different sectors of the economy.

**Interim bonds.** The Government of Juan Guaidó began transferring USD 100 to workers in the healthcare sector as of Friday, September 4. According to statements by the Interim President, around 3,000 workers have received the transfer.

**Where does the money come from?** The funds come from Nicolas Maduro's government accounts seized by the U.S. Treasury Department. After the Office of Foreign Assets Control approved the request to mobilize the funds in August, the opposition leader announced that the transfer began.

**Bonuses and more bonuses.** The Government of Nicolás Maduro announced last Wednesday, September 2nd, the delivery of the "José Gregorio Hernández" bond through the Patria system. This transference was directed to people with some disability. In addition, users of social media reported that the amount awarded was VES 240,000.

**Less credits.** In its press release, the Superintendence of the Banking Sector Institutions (Sudeban) published figures that showed the state of credit in Venezuela for the month of June. The total loan portfolio was of VES 31,857,015 million, which represents a real monthly decrease of 6.3% and a fall of 48.19% in real year-on-year terms.

**Trade and consumption.** Commercial loans showed a real year-on-year fall of 55.35% and 11.78% from the previous month, while consumer loans had a real year-on-year fall of 73.55% and 2.31% from the previous month.

**Agriculture and manufacturing.** In detail, agricultural loans showed a monthly expansion in real terms of 23.27% and a real year-on-year decrease of 3.55%. On the other hand, manufacturing credits increased 132% in real terms since June of last year and decreased 25.4% in real terms with respect to the previous month.

Year 16. Number 32. Week II  
September 2020

**Directed or not?** More generally, the directed portfolio was VES 11,253,290 million, 35.32% of the total portfolio, while the non-directed portfolio was VES 21,653,985 million, 67.97% of the total portfolio.

**Suspended.** Official Gazette No. 41,956 decreed the suspension of up to six months of the payment of rent for housing or commercial premises. In turn, Decree No. 4,279 suspends for the same period of time the fees for the rental of commercial properties and those used as main residence.

**Money tables.** For September's 10 week, the average rate for money tables was VES 360,514.4/USD. This represents a depreciation of 7.1% from last week.

**Liquids? (I).** Liquidity was VES 179,755,274 million for the week of August 28<sup>th</sup>, a variation of 2,2% in nominal terms with respect to the previous week (August 21<sup>st</sup>) and of 1,230.6% with respect to last year.

**Liquids? (II).** In real terms, liquidity for the month of July was VES 160,313,664 million, which, in real terms, indicates that liquidity was reduced by 37.12% with respect to the same month of the previous year. In addition, despite the shortage of bills and coins, these increased 619.45% in nominal terms from the previous year.

## OIL TIPS

**With home delivery.** PDVSA will deliver around two million barrels of crude on board the Russian flag tanker Máximo Gorki, owned by Venezuela. In spite of the sanctions imposed by the United States, PDVSA had not had the need to execute an operation such as this, but the threats by the US government to the transporters have forced the oil company to pay for the freight.

**Preventing a seizure.** According to a Reuters' source, PDVSA signed two separate contracts, one to sell the crude and the other one for the freight; with this separation, the crude inside the vessel is legally owned by the buyer once the tanker has sailed, regardless of whether they seize the vessel.

**Where does it go?** The ship is heading to Singapore and is expected to arrive in mid-October; however, Reuters sources indicated that its final destination will be Fujairah, in the United Arab Emirates.

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report.  
Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.  
(+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

Year 16. Number 32. Week II  
September 2020

**Exports increase.** A source from Argus Media indicated that Venezuela's oil exports during August averaged almost 440,000 barrels per day. Shipments to Reliance Industries in India represented more than 210,000 barrels per day, while 66,000 barrels per day of crude and distillates were sent to Cuba.

**And the production.** Due to inventory rotation, according to Argus Media, Venezuela's crude production increased and reached 380,000 barrels per day in the last few weeks, allowing PDVSA to restart production in the Orinoco heavy oil zone.

**Call for justice.** Carlos Vecchio stated that the U.S. Department of Justice introduced a petition for the protection of Citgo before the Delaware Court for a hearing scheduled for September 17th regarding the possible sale of Citgo assets for payment of debt to Crystallex, ConocoPhillips, among others.

**What are they arguing?** In the proceeding, the US entity explained that Citgo, being an autonomous oil company, does not have to assume the consequences of the irresponsible management of the regimes of Hugo Chávez and Nicolás Maduro and, consequently, asks the tribunal to dismiss the proposal of the Canadian mining company Crystallex to advance in a possible sale.

**New environmental hazard.** Sources from PDVSA revealed to Argus Media that the engine room and adjacent compartments in the Venezuelan flag ship Nabarima, anchored in the Corocoro field in the Gulf of Paria, are being flooded. PDVSA operates PetroSucre and its minority partner is Italy's Eni with a 26% participation.

**Trinidad and Tobago prepared.** For his part, the Minister of Energy of Trinidad and Tobago, Franklin Khan, informed that he is ready to activate a bilateral contingency plan for oil spills, which has alerted the international community to a new oil disaster like the one that occurred a few days ago near the coasts of the state of Falcon.

**Liar!** PDVSA informed that the platform is stable and meets the conditions to operate. The statement explains that "representatives of the National Institute of Aquatic Spaces (INEA) have come aboard (the Nabarima) on different occasions to certify its optimum conditions" and that the last visit was on August 16th of this year, so they believe these accusations as false.

**Although they are waiting for the green light.** In turn, the Italian oil company Eni, mentioned that the ship had stabilized, but that the crude on board would be transferred to another tanker, once the U.S. gave the "green light" to ensure compliance with sanctions.

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report.  
Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.  
(+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

**Repsol more outside than inside.** Diplomatic sources assured the newspaper Vozpópuli that the oil company will leave the country "in the short term" due to the threat of sanctions by the United States and the continuous problems in production, facts that have led the company to reduce a great part of its patrimonial exposure in the country.

## SECTORIAL TIPS

**Airline agreement.** Brigadier General Ramón Velásquez Araguayán, Deputy Minister of Air Transport, presented a proposal to airlines to build an alliance to coordinate services, with the aim of covering a greater number of international routes in Europe and Asia.

**Support for those who have been hit the hardest.** The purpose of Velasquez' proposal is to create a support mechanism for the aeronautical sector that has been strongly affected by the six-month closure due to the pandemic and to turn the country into a great connection center in the region. Even so, the National Institute of Civil Aeronautics (INAC) has not communicated anything about the reactivation of air operations in the country.

**Nutrition a mirror image of the economy (I).** According to figures from the Nadbio Foundation, the national consumption of protein per capita is 65.9% below the recommendations of organizations specialized in nutrition. The healthy consumption of animal protein is 18.15 kilograms per capita per year and in Venezuela citizens can only eat 6.13 kilograms per year.

**Nutrition a mirror image of the economy (II).** The Nadbio Foundation highlighted that the consumption of other products such as dairy products and eggs show how the loss of value of the currency and the low levels of production have led the country to acute malnutrition. Experts recommend an intake of 3.84 kilograms of dairy products and 0.93 kilograms of eggs, and in Venezuela this intake is of 1.56 kilograms and 0.43 kilograms, respectively.

**Unrealistic plan.** Despite these results, Nicolas Maduro' s government initiated an agricultural export plan that means allocating 30% of a national production mortgage to international markets. Several farmers consulted explain that, if that 30% of current production is sold abroad, the intake of meat and dairy products in the country will provide less than 10% of national consumption.

**Necessary foreign currencies.** This plan may be motivated by the need of the National Executive to produce foreign currency in order to promote public expenditure, especially

at a time when the oil sector has contracted its foreign exchange inflow and parliamentary elections are to be held.

**Dress code: casual.** The director of the Venezuelan Institute of Milk and Meat (Invelecar), Rodrigo Agudo, warned that 55% of meat processing in Venezuela is done in informal slaughterhouses.

**Reasons.** Agudo explained that price regulation has caused the informal market to grow. The director of Invelecar indicated that in 2016, classified slaughterhouses with sanitary surveillance processed 80% of the animals that were slaughtered in the country; however, by 2020 these do not process more than 45%.

**The recovery is in the fields.** Armando Chacín, president of the National Federation of Cattlemen of Venezuela (Fedenaga), argued that the agricultural sector is the solution to Venezuela's economic problems. Chacín declared that the field "*has an enormous potential to be exploited*".

**A difficult road ahead.** Chacín recognized the obstacles faced by producers in developing their economic activity due to poorly functioning public services and insecurity. The president of Fedenaga noted that "*you can still go down further and be in worse conditions,*" but he remains optimistic.

**How to recover a sector?** The president of the Federation of Sugarcane Growers Associations of Venezuela (Fesoca), José Ricardo Álvarez, indicated that the price of sugar at the consumer level should range between USD 1.30 and USD 1.50 per kilo, to allow the recovery of this sector.

**No support.** The President of Fesoca explained that it had been agreed with the national government that the price of USD 1 for the product would be respected; however, this has not been complied with despite the fact that in his opinion it was "*a price for survival*".

**There is no authority.** Vito Vincenslao, president of Consecomericio Apure, considered it necessary to put into action a continuous flexibilization in order to make trade more dynamic. In addition to this, Apure's merchants denounce that the uncontrolled entry of products from the Colombian border into the state has expanded informal trade, to the detriment of established businesses that have seen their income reduced by the quarantine.

## INTERNATIONAL TIPS

**COVID-19 in the world.** According to figures published by the World Health Organization (WHO) on the 10<sup>th</sup> of September, the number of positive cases of coronavirus reached 27,863,733, and the number of deaths reached 903,686.

**Trade agreement: tug of war (I).** Donald Trump, president of the United States, reiterated the idea of decoupling the U.S. economy from China and suggested that his country would not lose money if it stopped doing business with the Asian giant. At the press conference Trump stated that "decoupling is an interesting word".

**Trade agreement: tug of war (II).** The US President added that it will encourage the transfer of jobs from China to the US by imposing tariffs on companies that leave the US to create jobs in China and other countries.

**Trade agreement: tug of war (III).** These statements highlight the fragile balance in Phase One of the US-China trade agreement, threatened by political conflict exacerbated by the pandemic, the Hong Kong crisis and political sanctions imposed by both countries.

**One month of negotiations.** After deciding to leave the European bloc about four years ago, the British government set a deadline of October 15 to reach a free trade agreement with the European Union. After the official departure from the EU on January 31, there has been little progress towards a new trade pact between the UK and the bloc.

**Stagnant at key points.** Negotiations on the new Brexit Trade agreement have stalled mainly because of the UK's insistence on maintaining full autonomy over state aid and fishing.

**With or without a trade agreement, the UK is out.** Under these conditions, the United Kingdom began the new round of talks with the European Union warning that it was accelerating preparations to leave the bloc without a trade agreement.

**One step forward, two steps back (I).** Additionally, problems between the two sides intensified after reports were released that the Boris Johnson Administration was planning new legislation to scrap sections of the Brexit Withdrawal Agreement signed in January.

**One step forward, two steps back (II).** The latter can create friction that is detrimental to the peace agreement with Northern Ireland (which is part of the United Kingdom), with which special arrangements were made to avoid a hard border. On the other hand, in the

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report.  
Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.  
(+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

event that the "divorce pact" is altered, the European Union threatened that there would be no trade agreement.

**Euros and euros against the coronavirus.** The French government published a stimulus plan equivalent to EUR 100 billion over two years to mitigate the economic impact of the coronavirus pandemic. The funds will be distributed in public investments, subsidies and tax cuts.

**How will they be distributed?** Specifically, the French stimulus plan will allocate EUR 35 billion to make the French economy more competitive, EUR 30 billion for the development of green energies and EUR 25 billion to support employment.

**Vaccines for all Japanese people.** The Government of Japan announced that it would assume the cost of providing the population with COVID-19 vaccines, aiming for comprehensive vaccination against the pandemic. In addition, the government plans to create funds to compensate for possible side effects of the vaccines.

**Right on target.** The Chilean National Institute of Statistics (INE) announced that consumer prices in Chile rose 0.1% per month in August, mainly due to increases in clothing, footwear and food. Likewise, the INE indicated that inflation has been 2.4% in the last 12 months, which is within the Central Bank's tolerance range.

## POLITICAL TIPS

**Turkish dialogue.** Henrique Capriles and Stalin Gonzalez are the opposition leaders who spoke with Turkey and the Maduro government in the new dialogue to seek better conditions and guarantees for the election of December 6th such as international observation by the European Union; this news was confirmed by the Turkish Foreign Minister, Mevlut Cavusoglu.

**Backed up.** Capriles and the Fuerza del Cambio, a party created to accredit eyewitnesses to the 2012 presidential elections, nominated names for the 277 positions to be elected in the National Assembly. Capriles warned that, although "*the spaces were filled because of a schedule issue, they are not definitive*".

**The necessary conditions.** The former presidential candidate explained that, although he is willing to support the election, conditions such as the observation of the process by the European Union are needed. Capriles added that "if there are conditions, this election can open new spaces for agreements that allow for a presidential election".

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report.  
Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.  
(+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

**Where was the support?** Several opposition party leaders who said they would not participate in the December 6 elections condemned Capriles' support for the electoral process. María Corina Machado, coordinator of Vente Venezuela; the ex-metropolitan mayor, Antonio Ledezma; the first vice president of the National Assembly, Juan Pablo Guanipa, and other opposition leaders questioned the decision and loyalty of the ex-governor of Miranda.

**Two realities.** Juan Guaidó, with the support of 37 political parties and 15 social organizations presented the "unitary pact" and made it clear that he does not support the electoral process of December 6th. This roadmap considers the popular consultation to ask the country's population if they wish to extend Guaidó's interim mandate beyond January 5, 2021.

**The heavyweights come out to play.** Nicolas Maduro announced that eight of his ministers will be candidates for deputies to the National Assembly (NA), which means that they will retire from their functions as of September 5th.

**All-stars play (I).** The ministers of Maduro's government are Jorge Rodríguez, Minister of Communication and Information; Blanca Eekhout, Minister of Communes; Aloha Núñez, Minister of Indigenous Peoples; Iris Varela, Minister of Prison Affairs; Asia Villegas of the Ministry of Women; Pedro Infante, Minister of Youth; Gabriela Peña of Urban Agriculture, and Admiral Gilberto Pinto of the Ministry of Ecological Development.

**All-stars play (II).** In addition, the Maduro government announced that Diosdado Cabello, president of the National Constituent Assembly, and Cilia Flores, former president of the National Assembly, head the national list of candidates representing the Great Patriotic Pole.

**Instrumental agreement.** Juan Guaidó revealed, in a conversation held with the Charge d'Affaires for the U.S. Foreign Office for Venezuela, James Story, that an agreement had been reached with the DEA and, furthermore, the designation of the FAES as a terrorist organization by the United States.

**The possibilities are even bigger.** Ivan Simonovis, Special Commissioner for Security and Intelligence of the Government of Juan Guaidó, praised the cooperation agreements with the DEA. Simonovis declared that the anti-drug agreement, Venezuela-USA, will broaden the margin of action for "*the identification, location, operational and financial neutralization of persons, companies, and partners linked to the Maduro regime*".

Year 16. Number 32. Week II  
September 2020

**More on the "list".** The United States sanctioned Indira Alfonso and José Gutiérrez, who had been designated in July as directors of the National Electoral Council (CNE); furthermore, David De Lima, ex-governor of the State of Anzoátegui and the Attorney General of the Republic, Reinaldo Muñoz, were added to the US black list.

**I take it from you, I give it back.** The Supreme Court of Justice (TSJ) suspended its decision to intervene in the directive of Primero Justicia, although the latter refused to participate in the elections and supports Guaidó.

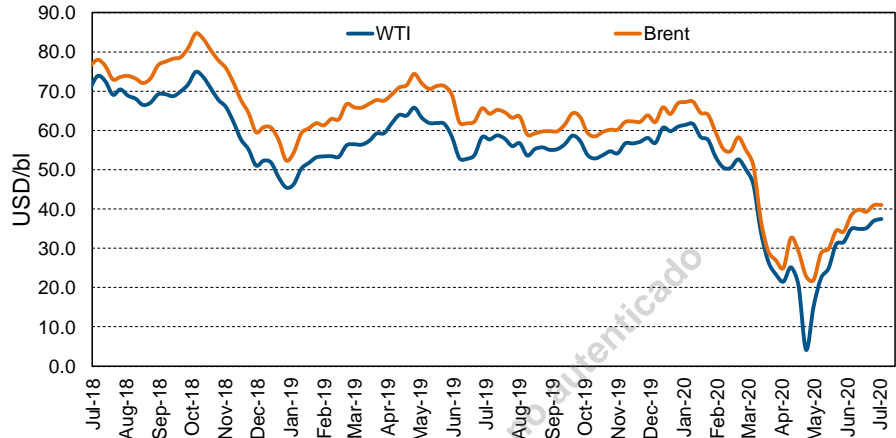
© Ecoanalítica – Descargado por usuario no autenticado

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report.  
Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.  
(+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

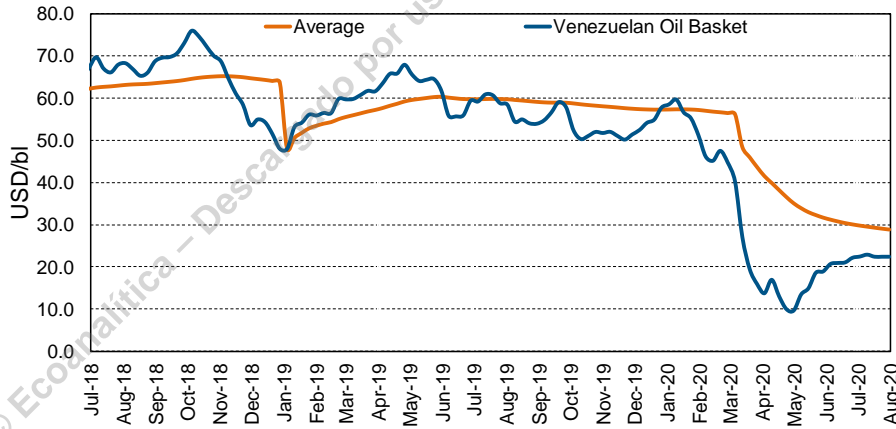
**ECONOMIC INDICATORS**

**Oil Prices  
(WTI and Brent)**



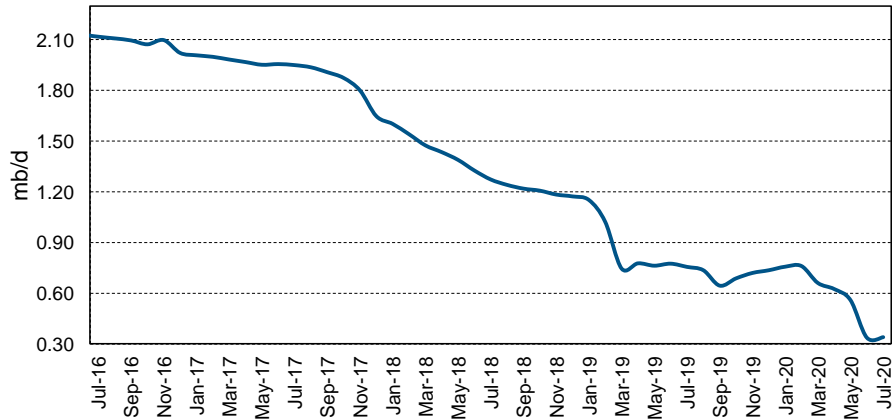
Sources: Menpet and Ecoanalítica

**Oil Price  
(Venezuelan Basket)**



Sources: Menpet and Ecoanalítica

**Oil Production  
(Secondary sources)**

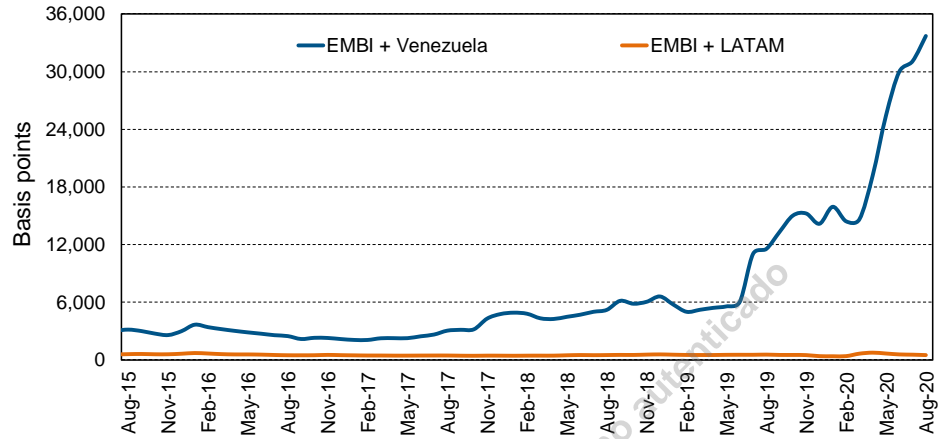


Sources: OPEC and Ecoanalítica

Year 16. Number 31. Week I  
September 2020

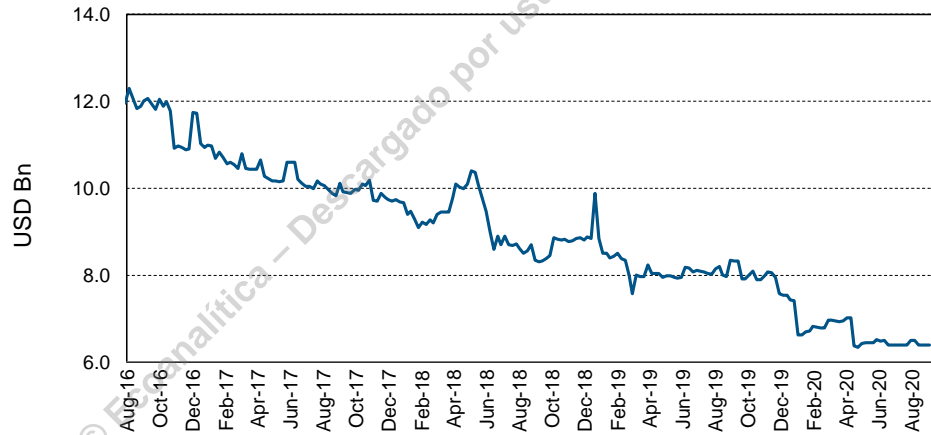
**ECONOMIC INDICATORS**

**EMBI**



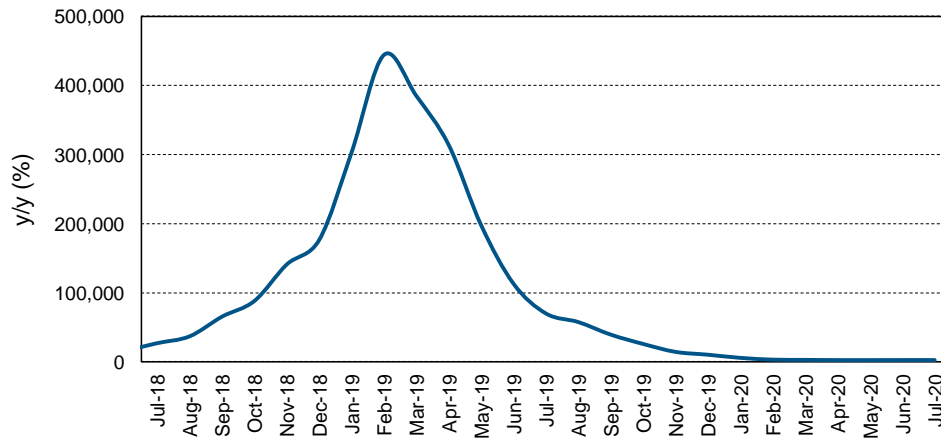
Sources: BCRP and Ecoanalítica

**FX Reserves (BCV)**



Sources: BCV and Ecoanalítica

**Inflation (BCV)**



Sources: BCV and Ecoanalítica

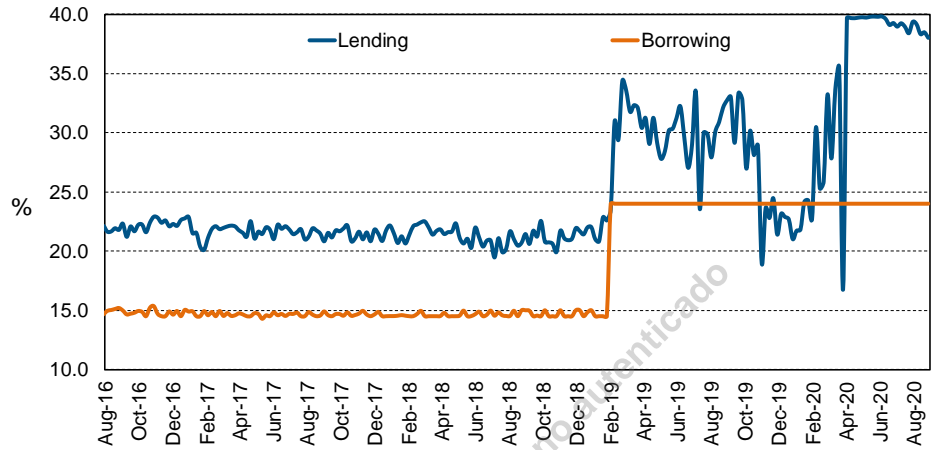
It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report. Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.  
(+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

Year 16. Number 31. Week I  
September 2020

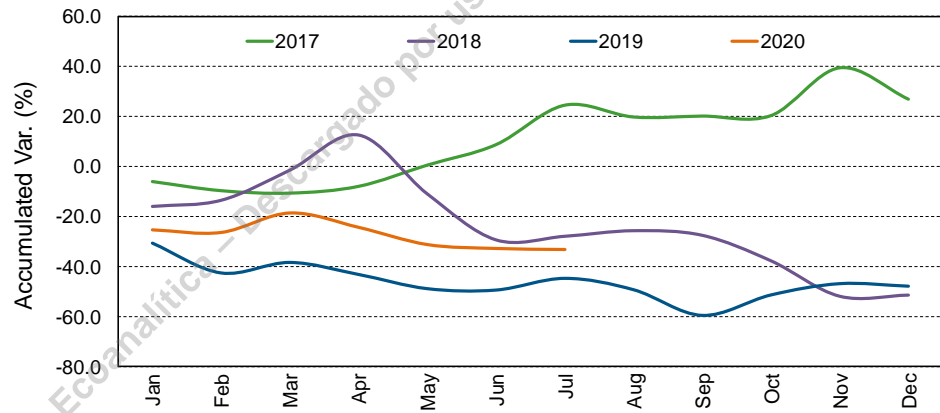
**ECONOMIC INDICATORS**

**Interest Rate  
(Six major banks)**



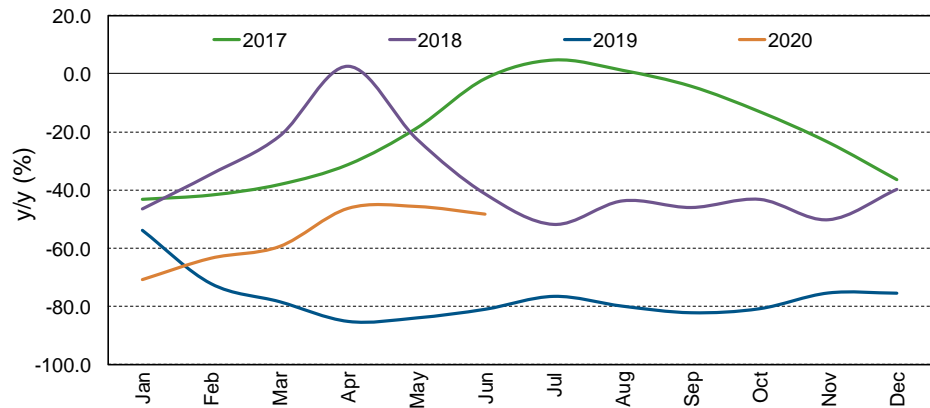
Sources: BCV and Ecoanalítica

**M2 Expansion  
(Real)**



Sources: BCV and Ecoanalítica

**Loan Portfolio  
(Real)**



Sources: SUDEBAN and Ecoanalítica

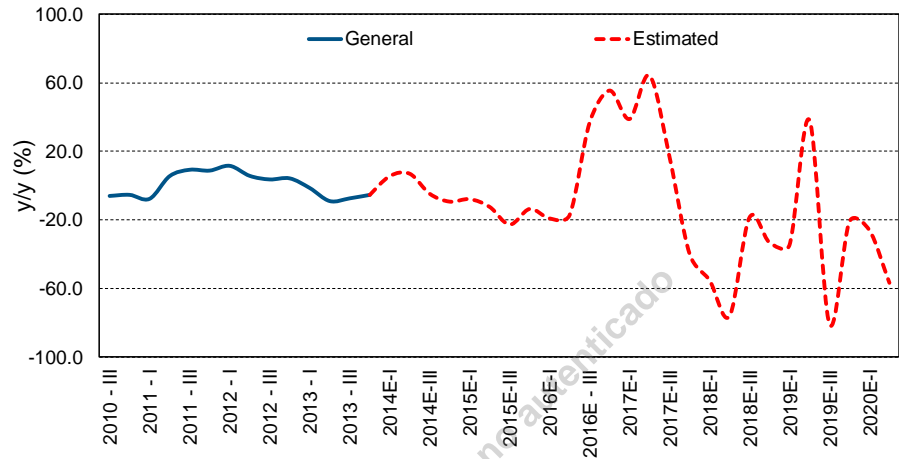
It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report. Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.  
(+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

Year 16. Number 31. Week I  
September 2020

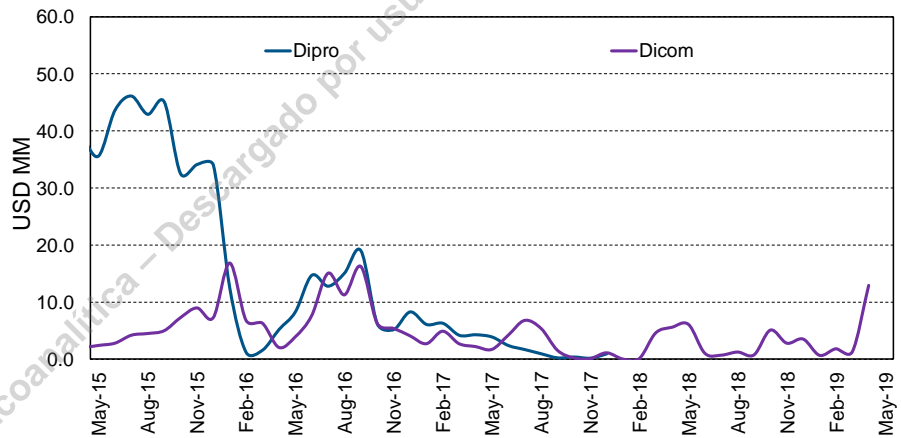
**ECONOMIC INDICATORS**

**Real Wage Index**



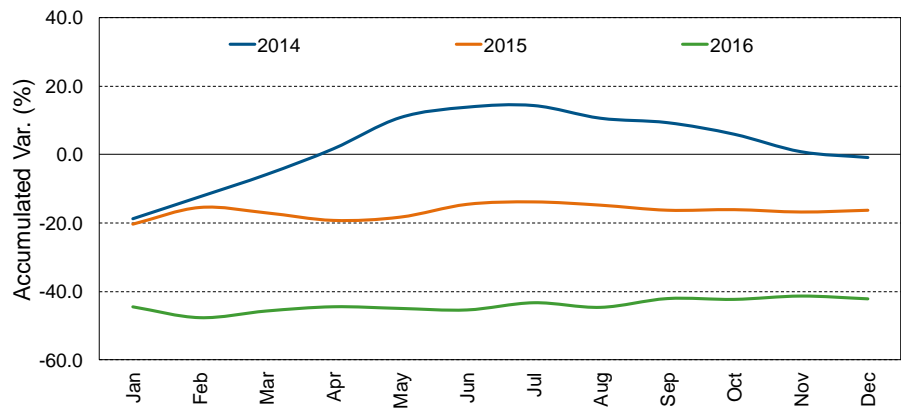
Sources: BCV and Ecoanalítica

**Disbursements to the Private Sector (Daily Average)**



Source: Ecoanalítica

**Primary Spending NTO (Real - Central Government)**



Sources: ONT and Ecoanalítica

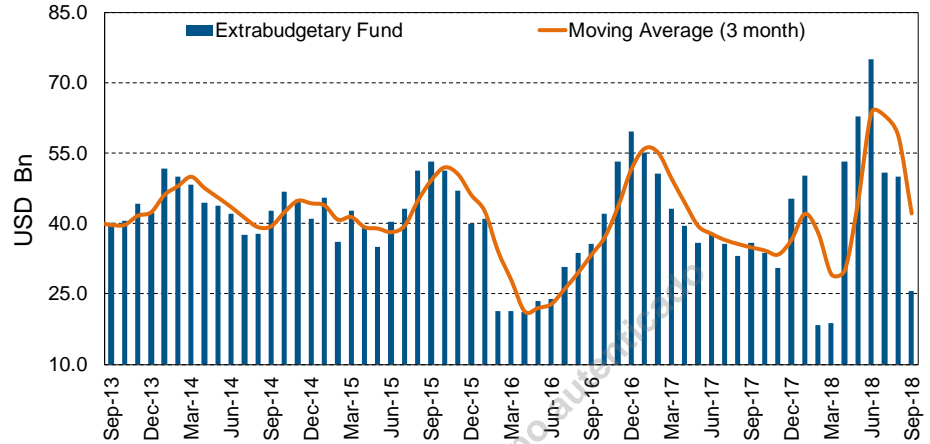
It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report. Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.  
(+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

Year 16. Number 31. Week I  
September 2020

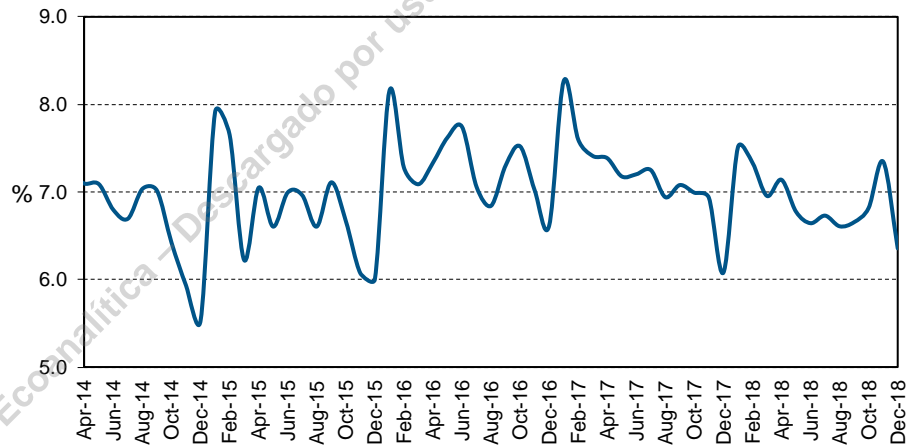
**ECONOMIC INDICATORS**

**State Extrabudgetary Resources**



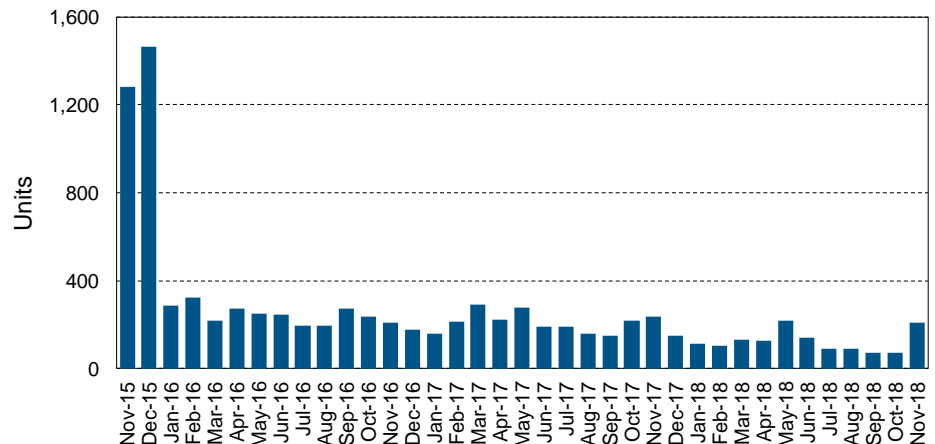
Source: Ecoanalítica

**Unemployment Rate**



Sources: INE and Ecoanalítica

**Vehicle Sales**



Sources: CAVENEZ and Ecoanalítica

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report. Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.  
(+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

## ECOANALÍTICA'S TEAM

**Asdrúbal Oliveros** / Director

asdrubalo@ecoanalitica.net / @aroliveros

**Pedro Palma** / Director

pedrop@ecoanalitica.net / @palmapedroa

**Cristina Rodríguez** / Director

crisinar@ecoanalitica.net

**Luis Arturo Bárcenas** / Senior Economist

luisb@ecoanalitica.net / @barcenasluis

**Giorgio Cunto Morales** / Economist

giorgioc@ecoanalitica.net / @giorgiocunto

**Corina Fung** / Economist

corinaf@ecoanalitica.net / @corinafung7

**Jhoan F. Castellano** / Economist

jhoanc@ecoanalitica.net / @castellanojhoan

## RESEARCH ASSISTANT

Diego Santana

Diego Almau

Manuel Pérez-Luna



## CONTACT US

Venezuela: (+58-212) 266 9080/ Fax: (+58-212) 266 5119

Estados Unidos: +1 (212) 994.1850

Ventas@ecoanalitica.net

[www.ecoanalitica.com](http://www.ecoanalitica.com)

@ecoanalitica