



Weekly Report

Year 9, Number 33
Week V, August 2013

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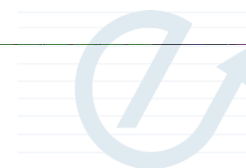
What happened in 2Q2013?

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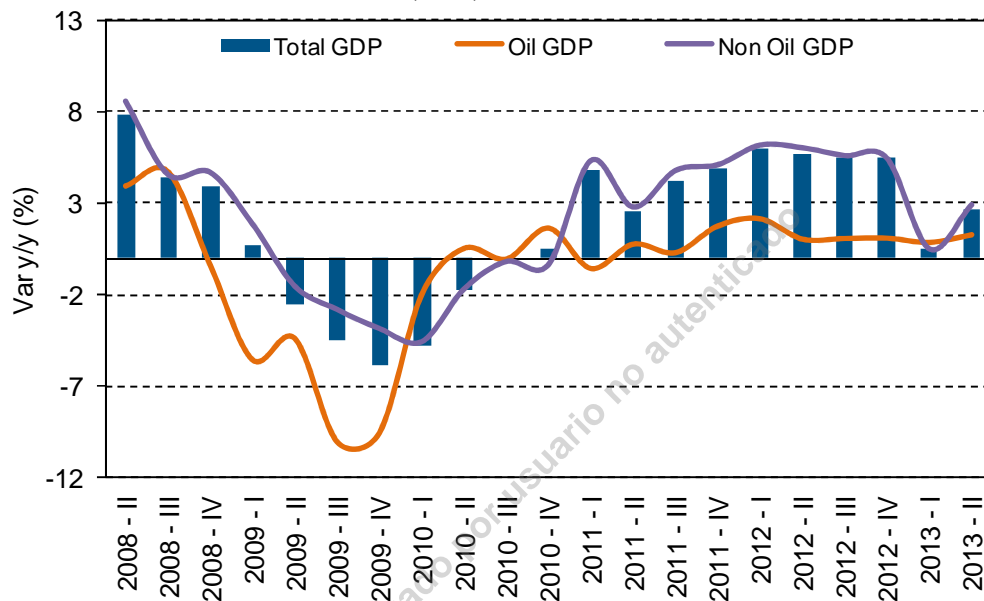
Last week, the new President of the Central Bank of Venezuela (BCV), Eudomar Tovar, together with Ministers Nelson Merentes and Giordani released in a press conference the Gross Domestic Product (GDP) figures for the second quarter of 2013 (2Q2013). The figures for that quarter are definitely surprising, and in this report we will see them in detail.

For the eleventh consecutive quarter the economy grew 2.6%, compared to the same period the year before. This performance, together with a 0.5% growth in 1Q2013 gives a 1.6% growth for the first semester of 2013 (1S2013), an expansion of GDP because in 1S2012 the growth was 5.8%. Nevertheless, we consider that the figures cannot be taken lightly, specifically in a context with an accumulated inflation of 28.9% a scarcity index that doesn't fall below 19.0%, and a persistent exchange rate differential.





Total, Oil, and Non Oil GDP



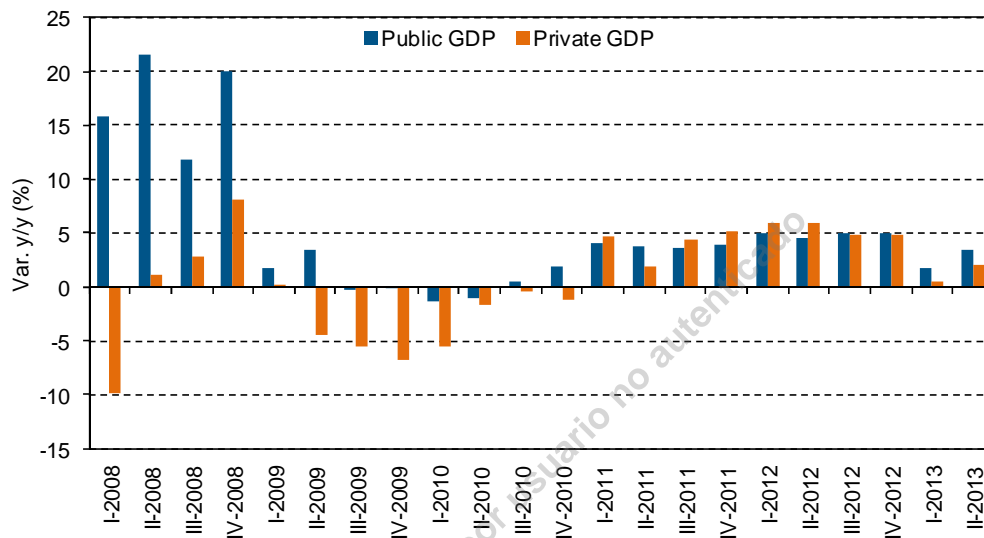
Sources: BCV and Ecoanalítica

During April-June the economic activity saw a 1.3% growth in the oil sector, and 2.9% in the non-oil sector. Meanwhile, from the institutional point of view, the gross added value of the public sector increased 3.5%, and of the private sector 2.2%. So we see that the trend where private GDP has more weight persists, however, public GDP increased significantly in 1Q2008 with respect to its production levels.





Public GDP vs. Private GDP



Sources: BCV y Ecoanalitica

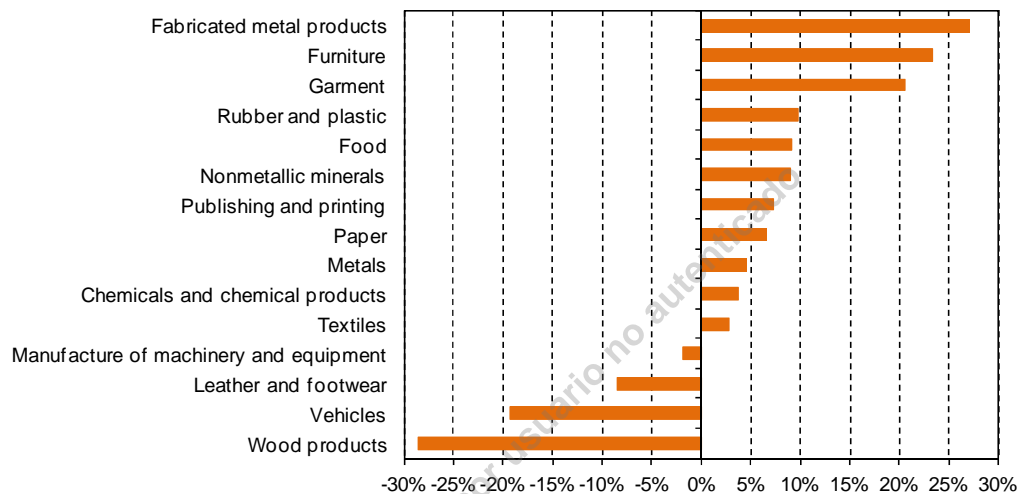
The one making the most noise: Manufacturing

In 2Q2013 there was a significant recovery in the production of most private sector branches, mainly: elaborated metal products (27.0%); furniture (23.4%); clothing (20.5%); rubber and plastic (9.7%); food (9.2%); non-metallic minerals (9.0%); printing and editing (7.3%); paper (6.5%); common metals (4.4%), chemical substances and products (3.7%), and textiles (2.8%). However, the story isn't the same for everybody: wood products (-28.5%); vehicles (-19.3%); leather and shoes (-8.5%) machinery and equipment manufacturing (-1.8%), contracted during the period. Despite this unexpected growth in manufacturing, which in 1S2013 accumulated an expansion of 0.5%, it still isn't at the levels observed in 2Q2011 (8.4%).





Manufacturing Subsectors 2Q2013 (y/y variation)



Sources: BCV y Ecoanalítica

In the above figures, we see a significant growth in the food industry, which according to BCV, it was spurred by a greater availability of raw materials, which led to very positive results in milling products (+9.0%), breads (+23.9%), oils (+24.9%), non-alcoholic beverages (+33.6%) and dairy (+1.9%), among others. **Ecoanalítica** considers that this growth was driven in part by public sector, where the State purchases and then sells to the private sector. This situation is not new for this Government, which has already implemented this policy to sectors like telecommunications and vehicles, the most recent one being food.

Also, according to our estimates at the beginning of the year, Cadivi was liquidating a daily average of US\$85 billion to US\$90 billion; this increased to US\$110 billion in May, US\$125 billion in June and almost US\$150 billion in July. For **Ecoanalítica**, Cadivi's efforts explains the growth in some economic sectors, like food.

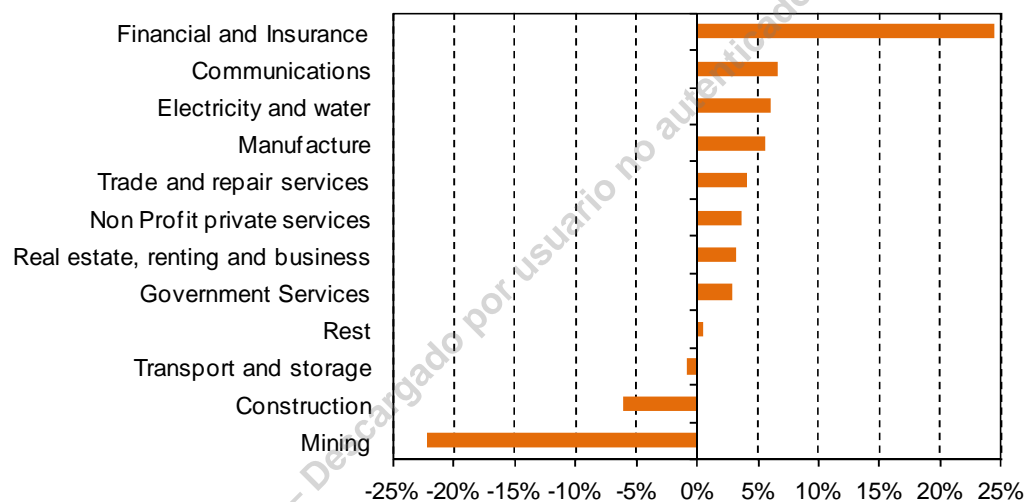
On the other hand, public manufacturing activity increased 1.2%, and this marginal growth is due to the persistent labor, operational, and financial issues in this activity. Some of the positive performances are: chemical substances and products (2.8%), with a greater supply of olefins, resins and primary plastics; the manufacture of common metals (2.3%), characterized by a higher production volume in iron and steel semi-manufactured products, and in other non-metallic minerals (1.1%).



Those that also grew

Among the figures that are not surprising are: financial institutions and insurance, with a growth of 24.3%, where the increase of liquidity played an important role. In 2Q2013 liquidity in nominal terms had an average variation of 61.5%, although thanks to the increase of inflation, it meant a significant slowdown in its real growth.

Growth by Economical Activity in 2Q2013



Source: BCV and Ecoanalítica

On the other hand, communications grew significantly (6.7%) for the thirty-eighth (38) consecutive quarter, in agreement with the greater demand for these services by several sectors, and with the investments made in development, maintenance, and technologic support. BCV also informed that institutionally, the public component increased 7.6%, while the private component increased 5.5%.

General Government services also followed the same trend (2.9%), attributable to a greater provision of public administration services and defense (4.3%), health (3.6%) and education (1.0%); likewise, in the non-oil sector, electric power and water increased 6.0%.

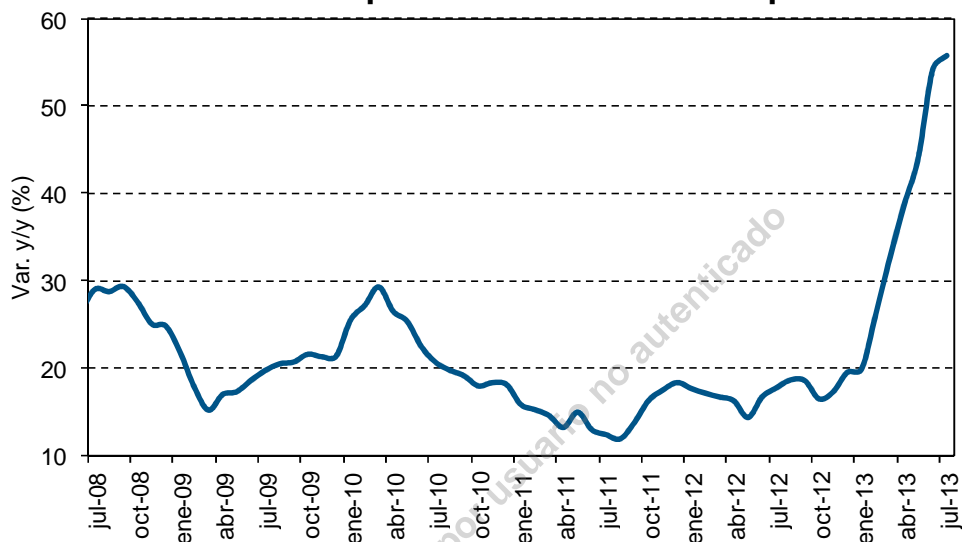
Construction: no longer the driver

The construction sector still has a grim outlook for this year, with a contraction of 6.0%, and it is one of the sectors with more weight in GDP (7.7%), affected by failures in the distribution of basic products (cement and steel), labor issues, and the price increase of inputs.





Var. in the prices of construction inputs



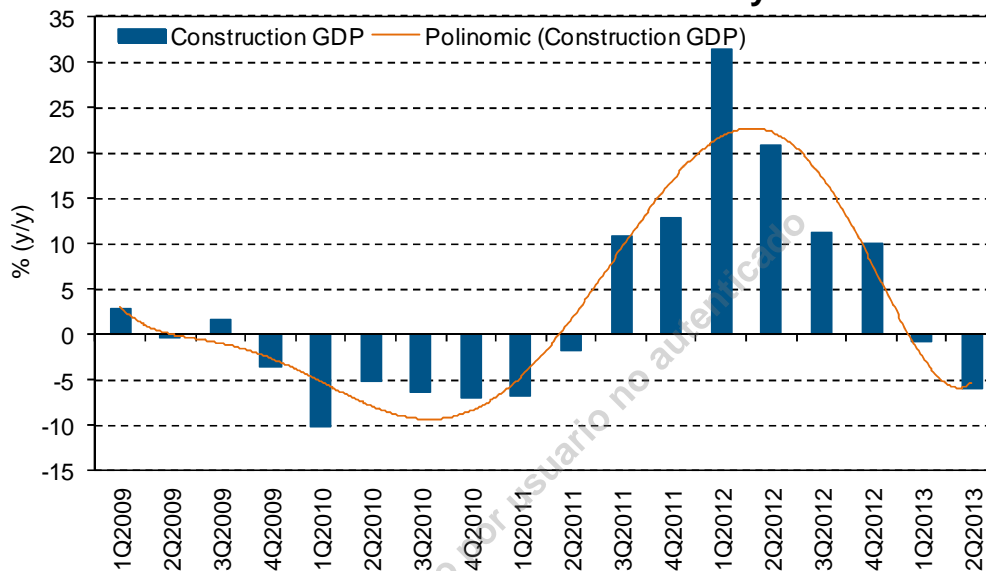
Sources: BCV and Ecoanalítica

In this sector there was a recovery in the construction demanded by the private sector, which increased 0.7%, driven by the execution of non-residential works such as shopping malls, industrial complexes and offices; however, there was less execution of works demanded by the public sector (-7.9%), mainly residential works through the Gran Misión Vivienda Venezuela (GMVV). This year, the number of works executed according to several communication media was 38.000 units, which represents only 10,0% of the total works planned for this year, a topic we will discuss in an upcoming weekly report. **Ecoanalítica** considers that it isn't a sector that is completely lost, since the upcoming municipal elections will drive it, particularly in the last quarter.





GDP of Construction Industry



Sources: BCV and Ecoanalítica

However, the volume of construction required by the oil sector increased for the seventh consecutive quarter (+1.8%), due to major maintenance work in storage capacity and refining shipments.

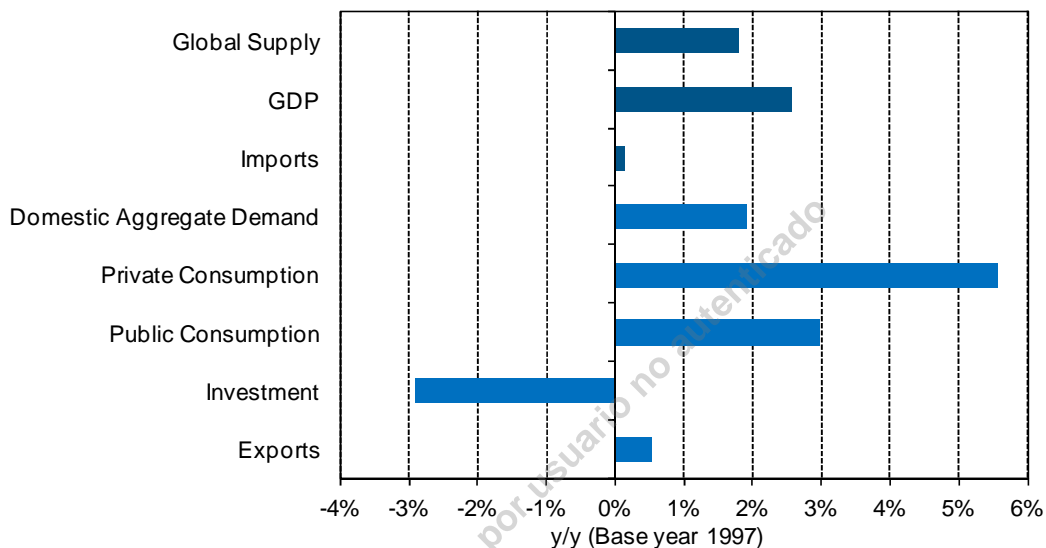
What about consumption?

What is clear is that growth in this second quarter was strongly impacted by private consumption increases (5.5%), and according to BCV a higher employment rate, and minimum wage adjustment policies had an effect in this increase in final private consumption spending, among other things. Now, as we have said in other reports, we consider that the behavior of credit card consumption indicates how the local economy agents, given the inflation and real negative interest rates, prefer to finance themselves to maintain consumption. However, we don't believe that consumption will reach the levels of 2012 (7.0%), basically because of the 7.6% reduction of salaries in real terms for 2013.





Global Supply and Demand 2Q2013



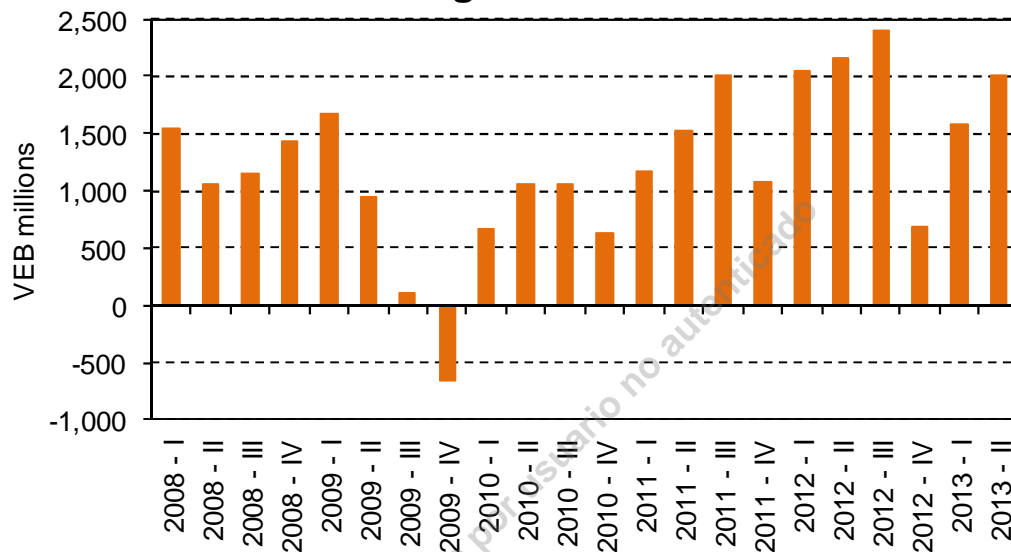
Sources: BCV and Ecoanalítica

Likewise, domestic aggregate demand increased 1.9%, based on the growth of final private consumption and General Government spending (+3.0%), since gross fixed investment fell 2.9%, compared to previous quarters where it had grown. Stocks fell 6.5%, indicating that in this period the reduction of inventories was lower, given the difficulties to import, compared to the beginning of the year; however, it fell in 1T2013, after having a growth trend during 07 consecutive quarters until the 4Q2012, where it experienced a great drop.





Changes in inventories



Sources: BCV and Ecoanalítica

In sum, despite the surprising figures for this period, even with this growth it is still marginal after a growth of over 5.0% in each quarter of last year, so we consider very difficult to have a growth of 6.0% and we project a growth of between 1.0% and 2.0% for 2013, with a slight recovery in 2014. For the remainder of the year, we think that the behavior will be similar to 2Q2013, the last quarter with a better performance, since it is once again an electoral period, but with the reminder that a high public spending and the oil rent are not enough to sustain this economic model that besides being inadequate, it is completely exhausted.





Economic Tips

Results of the BP for the 2Q2013. According to figures released by the BCV, the balance of payments (BP) recorded a deficit of US\$746 million on the 2Q2013. For this same period, the BP shows a surplus of US\$1,835 million in the current account, a deficit of US\$249 million in the capital and financial account and a negative balance of US\$860 million in the errors and omissions account.

Unemployment rate at 7.6%. According to numbers released by the National Statistics Institute (INE), unemployment rate increased 0.3 percentage points (pp) in July, compared to the same period in 2012, when unemployment rate closed at 7.9%. This means that in the seventh month of the year, 1,056,458 people didn't have a job.

Inactivity rate increases. According to inactivity rate figures published by INE, shows that decreased 0.9 pp compared to July 2012, to settle at 35.2%. Within this, men inactivity decreased 1.8 pp, and stood at 20.7%. By the other hand, women inactivity, kept stable compared to the same period in 2012, and stood at 49.2%.

Informality rate at 40.5%. According to INE's figures, at end-July, 5,225,836 people were employed at the informal sector (40.5% of working population), decreasing 1.1 pp compared to the same period in 2012. For its part, formal sector employed 59.5% of working population, increasing 1.1 pp compared to same period last year, but fell 0.6 pp from the previous month.

Sicad assigned US\$275.2 million. The results of the last Sicad auction reveal that BCV continues with its strategy to moderate the price perception of the dollar in the alternative market. The currency was assigned to companies and individuals, at a price of VEB10.0/US\$ and VEB10.3/US\$, respectively. BCV indicated that in this process, a total of US\$275.2 million were sold, and companies were assigned US\$239.7 million. Although the call was for 300 million dollars, the offer was made with Pdvsa securities and therefore the final amount was lower.

BCV decided for bonds. Forced to increase the offer of dollars in Sicad, at a time where liquid reserves are low, BCV decided to offer bonds. The companies that participated in the auction placed their purchase order the amount of dollars that they wanted to purchase, then the BCV will assign bonds with a market value equivalent to the amount of currency requested; then BCV will sell the bonds in the international



market, and once it has the currency, it will distribute it through the private financial entities.

Maduro highlights GDP growth during 2Q2013. Nicolás Maduro, President of the Republic, mentioned the announcement made by representatives of the economic cabinet, that economic growth was 2.6%. *"I congratulate the economic team for these announcements (...) we are recovering the economy little by little, although we are being sabotaged"*, said Maduro. Earlier, the Head of State said that the solution of economic problems was in the hands of the communes, and that the Government continues *"working to respond to the economic war"*.

Public manufacturing increased 1.2%. Public manufacturing increased 1.2% in 2Q2013, said Jorge Giordani Planning Minister. He said that manufacturing is one of the main trade activities that led to a 2.6% GDP growth during 2Q2013. Giordani said that the food sector, whose GDP weight is 10.6%, grew 8.3%. Of the 16 sub-factors measured within public manufacturing, 11 grew, four fell, and one is in the no-growth zone (machinery and electric equipment).

The Government imports... a lot. The private sector share in the country's total imports fell 19.8 pp to the expense of the public sector, which between January and June of this year imported 45.5% of total imports. The import of milk, coffee, beef, chicken and toilet paper reveal how the public sector is now in charge of activities that were previously in the hands of private companies. These imports are also executed to reduce the effects of shortages.

What happened with sales? Non-oil sectors fell 20.6% during 2Q2013 compared to the same period the year before, the lowest level of non-oil exports since 2Q2010. This is in contrast with the statements of Elías Jaua, Foreign Affairs Minister, who in February announced that exchange rate adjustments were made to stimulate export policies.

The model moves forward. The State keeps increasing its weight in the economic activity, and this participation is reflected in the increase of public imports. BCV figures for 1S2013 show that State imports increased 24.0% a/a. Comparing the results of 1S2013 to the same period in 2007, we see that public imports increased by 276.0%. Our director, Asdrúbal Oliveros, says that *"this corresponds to the statified model of the Government"*.

Economic weaknesses. The 2Q2013 figures presented by BCV reveal the economic weaknesses. It isn't only that the economy lost its impetus in 1S2013 growing only 1.6%, but that the apparent expansion of manufacturing is rather recovering the ground lost in the last years. In 2Q2013 manufacturing grew 5.7%,



one of the areas with the best performance, but that production is still 3.3% less than that of 2Q2008, so we see that the industry still isn't recovering everything it lost during the economic recession of 2009 and 2010.

Spending growth marked the start of 2S2013. The contraction in Government spending during 1S2013 is reverting. In July spending towards the operation of official entities and the payment of salaries increased. Data indicate that in July, the Treasury spent VEB 46.0 billion, higher than during the same period in 2012, of VEB 31.0 billion. Given this behavior, the spending executed in seven months reached VEB249.0 billion and increased 22.0% compared to last year.

Barclays: The Government will issue US\$6.0 billion. Barclays Capital, in a report on additional indebtedness, maintains its forecast that the Government will issue bonds in foreign currency in the last quarter of the year. Given the liquidity existing in the national financial system, and the possibility of avoiding exchange rate risk, the expectation is that part of the additional debt will be issued in the domestic market.

BCV financing to Pdvsa continues. One of the reasons liquidity increased is that BCV is making Bolívares to meet the requirements of Pdvsa and state companies; official statistics show that the aid is VEB 216.70 billion, equivalent to US\$34.0 billion. The oil industry is the one with the greatest needs, and monetary base figures indicate that by the end of July, BCV financing to Pdvsa reached VEB 201.200 billion (US\$32 billion) and in 12 months it increased 28.0%.

Interest rates. The lending rate for the third week of August was at 16.3%, down by 0.8 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 0.2%, going from US\$23.071 billion during the third week of August to US\$23.112 billion during the fourth week of August. Compared to the same period last year, international reserves have decreased by 9.6%.

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 2.0% in the third week of August compared to the previous week, settling at VEB 895.56 billion. The M2 has increased 64.0% in relation with the same period last year.

Oil Tips

New security zone. One year after the explosion in Amuay, which killed 40 people, Rafael Ramírez, Minister of Oil and Mining and President of Pdvsa, informed that the state owned oil company is working with international industrial safety companies to re-define the security zones of oil operations facilities. This new security zone would be managed through a Presidential decree, and would affect around 2,000 homes, according to Pdvsa's estimates

Coming soon... while Pdvsa works in the new security zone of the Amuay refinery, Jesús Luongo, manager of the Paraguaná Refining Complex, said that at present they are working directly with the communities to establish communication mechanisms and approaches in case of events that compromise safety. He also reminded that more than 887 housing units and VEB 578 million has been given to the families affected by the explosion.

Scientific sabotage. Once President Nicolás Maduro said that what happened in the Amuay refinery was sabotage, the speeches of the commemorative act followed that line, leaving out any other possible cause, like lack of maintenance or negligence. Minister Ramírez said that *"we have worked on a report for one year, in a scientific manner and with the support of experts, and have established exactly the way in which the tragedy occurred, and the hypothesis with 99% probability is sabotage"*.

90.0% or 99.0%? Despite the scientific report, during the commemoration Ramírez said that the sabotage hypothesis has a probability of 99.0%, however, during the press conference he said that the probability was 90.0%. Referring to the way security was breached in the facility he said: *"These are easy access zones, and people are coming in"* who have nothing to do with the refinery, but indicated that surveillance has been reinforced with FANB members, and progress is being made in delimiting the security zone.

Their theory will be very expensive. Insurance sector sources explained that Pdvsa's insurance policies must have coverage for sabotage, since it is "basic



coverage for an oil company". However, if it is proven that there was sabotage, the deductible amount of the policy is much higher than for common accidents. Also, if lack of maintenance is proven as cause of the explosion, the reinsurers may not only limit payments, but also reject the claim.

Recovery in Block 23. Minister Ramírez informed that 330,000 man hours were used to recover block 23 (the area of the explosion). He also confirmed that the tanks affected were already dismantled, except for one, by PDV Maintenance, and the manufacture of new tanks was already contracted. Regarding the olefin spheres, he said that *"they were subjected to deep maintenance and tests to guarantee their integrity"*.

Cheap oil for Palestine. Elías Jaua, Foreign Affairs Minister, received his Palestinian counterpart Riad Al Maliki at the Casa Amarilla to sign agreements in energy. Jaua explained that the agreement is to *"sell at fair prices and not at the speculative prices that the country is subjected to pay given the blockade by Israel"* and that it *"is a cooperation and formation agreement with the solidarity of our oil industry for technicians in the Palestine industry regarding fuel distribution and management"*.

Commodities fall but not oil. At the forum "Challenges and Opportunities of the Oil Industry", held by the IESA Laura Palacios, from *Global Medley Advisors*, said that the United States (US) Federal Reserve policy is making capitals move away from *commodities* like gold, corn or steel, which accumulate falls in their price for the year, however, the oil market is not being affected by this. Oil prices are maintained thanks to the shocks that have affected the market and that create barriers for the supply of crude oil.

Price stability. Palacios also said that crude oil prices will remain stable the next two or three years within a range of US\$100/bbl. - US\$115/bl. Palacios explained that the price must not increase too much, because the world economy isn't sufficiently strong, which generates downward pressures, while, despite the increase in non OPEC supplies, the present geopolitical problems that oil supplies are facing in some Middle East producing countries will continue generating upward pressures.

The one that produces less. *"Using Government figures regarding production and proven reserves, we reach the conclusion that Venezuela is the oil producing country that extracts less oil with respect to its reserves"*, said economist Francisco Monaldi, director of the International Center for Energy and the Environment (Centro Internacional de Energía and Ambiente) of IESA, adding that there are no signs indicating that the country's oil production fall is reverting, but that there are signs in that direction, like the recent financing.



International oil baskets. At closing time on August 23rd in the New York Stock Exchange, the price of the WTI was US\$105.7/bl, down by 0.6% when compared to the reported the previous week. The Brent increased by 0.6% to reach US\$110.0/bl, compared to the previous week's US\$109.4/bl.

Local oil basket price. The Venezuelan oil basket price closed last week at US\$105.1/bl on Friday August 23rd, a 0.2% decrease compared to the US\$105.3/bl of the previous week. The annual average price of the Venezuelan oil basket is US\$102.5/bl.

Business Sector Tips

To regulate or to not regulate 22.5% is the price of regulated foods during 2013 according to the National Institute of Statistics (Instituto Nacional de Estadísticas - INE). Price controls have had to be ignored by many establishments in order to cover their costs. An example is the price of beef which, although its regulated price is VEB 27.3 per kilo, in July the price was VEB 73.2 per kilo. Thus, we see that price regulations affected supplies, but haven't stopped price increases.

Subsidies insufficient. Yván Gil, Minister of Agriculture and Land, announced on Saturday August 24 that they will activate a plan to approve a subsidy for producers of VEB 3 per liter of raw milk taken to the industry. However, the complaints of sector spokespersons have not delayed, saying that this measure was not discussed amongst farmers, so the sectors states that it is a unilateral and insufficient decision, since it doesn't cover production costs.

A moment of adjustments. The Government authorized the 25% increase in the maximum sale price of pasta, wheat bread and pre-cooked corn meal for the public, published in *Official Gazette* N° 40.234. The kilo of pre-cooked corn meal went from VEB 5.9 to VEB 7.4, pasta from VEB 4.3 the kilo to VEB 5.4 and wheat bread at the bread shop will sell at VEB 6.9 the kilo. It was also established that the production of regulated pasta will be 50.0% and the remainder will be special or premium varieties.

They fell short. A source from the flour sector said that they aspired for VEB 8.50, but estimate that by December and January, 2014 there will be a new increase, according to the gradual increases agreed with the Ministry of Food. Nicolás Constantino, President of the Venezuelan Association of Wheat Mills, said that the



25.0% increase is less than the effects of the 34.0% devaluation of the dollar on raw materials.

Aniquesos suggests a milk import plan. The milk production deficit has reduced production and the supply both of processed, pasteurized, and long life milk as well as of industrial cheese. A BCV measurement indicates that milk, cheese, and egg shortages in July was 32.4%. In this sense, the Association of Cheese Industrialists (Asociación de Industriales del Queso - Aniquesos) proposed a Schedule to import 41 million de liters of raw milk from Colombia, starting with 3,500,000 liters in October, to reach 7,500,000 liters in February, March, and April.

Coffee too. Yván Gil, Minister of Agriculture and Land, also announced increases in the price of coffee for producers, between 37.0% and 66.0%. Gil said that this adjustment won't imply a price increase for consumers, because *"the coffee corporation bought enough coffee to maintain the price"*. The official presented a new classification for the quintal of the product, which now is between VEB 2,657 and VEB 1,700.

It doesn't add up to Fedecámaras. GDP growth figures for 2Q2013 don't correspond to the figures that the private sector has, said Jorge Roig, President of Fedecámaras. *"We must admit that they weren't the figures we expected"*, said Roig. The association questions the growth of the economy in a quarter marked by work day cuts, less currency assignments, and a runaway inflation.

The engine stopped. After the launch of the GMVV, the Government said that *"the engine of construction"* was reactivating, and for eight quarters there was growth, but the slowdown in spending and lack of product supplies hit the sector, which accumulates two quarters with drops. In 2Q2013, the activity in general fell 6.0% due to the poor performance of official entities, which was reflected in the results of public construction, which fell 7.9%.

Tax units per m². According to a proposal of the President of Venezuela's Real Estate Chamber, Aquiles Martini, the value per meter of construction, the unit used in the formula to set the price of a property, could be calculated using tax units. The proposal intends to avoid the offset in rental prices. The director said that inflation displaced the values set in November, 2012.

Supply of construction materials fell 70%. Different shops in west and east Caracas have experienced a significant drop in the supply of construction supplies. *"Dispatches have dropped 60.0% and 70.0% this year"*, said Elías Mekel, manager of a materials distributor in Caracas. A source of the sector explained that there are two main causes for the scarcity: there are many large private projects, like office



buildings and hotels, which has increased demand, and there isn't enough foreign currency to acquire imported materials.

Non-production certificates stuck. José Cinnirella, vice-president of the National Auto part Trade Chamber, said that since last year the Ministry of Industry started to ration the delivery of non-production certificates due to the meager supply of dollars, which has prevented them from meeting all requests. In August, 2012 the procedure necessary to request dollars in Cadivi took between 10 and 15 days, but for many sectors, the wait is more than 90 days, and the non-production certificate specifically was being granted at 40 to 57 days.

Medications too. Restrictions in the approval of national non-production certificates is the main block to import medications and products for the pharmaceutical industry. Freddy Ceballos, President of the Pharmaceutical Federation of Venezuela, said that the requirement is used to ration the dollars. *"20% of what is requested in a non-production certificate is granted"* with the pretext that there isn't sufficient national production, so the medication distribution lacks are around 40%.

What once was will never be again. Trade relations between Venezuela and Colombia have not resumed last year's pace despite the approaches made by authorities of both countries. In 1S2013, bi-national trade dropped, as revealed by data of the National Administrative Statistics Department of Colombia (Departamento Administrativo Nacional de Estadística de Colombia -DANE). In 1S2013 Venezuela's exports to Colombia fell 66.2% a/a, while imports from Colombia fell 4.3% in the same period

Rice crops increase 14.0%. Yván Gil, Minister for Agriculture and Land, informed that the sowing of rice in the country increased 14.0%. *"We have confirmed figures: more than a 14.0% increase in the sowing of rice, mainly in Portuguesa, Cojedes and Barinas, where it has increased considerably"*, said Gil. He also said that everything points at the fact that this year, the crop of rice will be successful.

FAO congratulates Venezuela. Through a communiqué, the Food and Agriculture Organization (FAO) in Venezuela, congratulated and ratified its support to the team of the Ministry for Agriculture and Land for the creation of a Fund to Stimulate Producers. Due to the re-launch of the Gran Misión AgroVenezuela, Yván Gil, head of the Ministry, said that the Fondo is to pay for the subsidy of different items like rice, white and yellow corn, sorghum, soy, and sugar.

Bandes will finance Cantv. Temir Porras, President of Bandes, met with representatives of Cantv and its cell phone branch, Movilnet, to create a work group to define mechanisms and parameters so that the banking entity becomes part of the



financiers of the company's investment plan, estimated at US\$3.20 billion for the next five years. The resources will go to infrastructure, as well as to increase the coverage of its clients, around 15 million users.

World Economy Tips

Consumers have more trust in the U.S. According to a private sector report, consumer trust increased in August. This was clearly reflected in the trust index, which went from 86.0% at the end of July to 88.7% in August. According to *The Conference Board* (a private sector group), consumer trust index increased from 80.3% to 81.5%, over the expectation of economists, which was 79.0%.

Economic stimulus cuts in the U.S. The United States Federal Reserve (FED) made public the minutes of strategic meetings that suggest that the Central Bank may reduce its efforts to stimulate the economy of the country. Draft minutes show that the FED could cut around US\$85.0 billion per month, which is presently being injected in financial markets. The belief is that if the US economy keeps giving positive signs, the reduction could be before the end of the year.

China asks the FED for prudence. According to statements of the Finance vice-minister of China, Zhu Guangyao, and the vice-governor of the Central Bank, Yi Gang, the FED should consider when and how fast to remove the economic stimulus, to prevent damaging the emerging economies. *"But the US (the main currency issuing country) must consider the indirect effect of its monetary policy, mainly the timeliness and the pace of eliminating the ultra-flexible monetary policy"*, said Zhu.

Everything will be alright. The National Office of Statistics of China announced that the economy of that country appears to be stabilizing and on the path to growing 7.5% as planned by the Government. The increase in global demand, and political support could be some of the keys for the country's economic stabilization.

France needs correction. The International Monetary Fund (IMF) published in its last report that France needs to slow down its austerity to help the economy that has been hit by the recession, and resume growth. The IMF also mentioned the need to reduce spending in the country, without increasing taxes, which are among the highest for international standards. French President Francois Hollande said he will try to control de deficit, but didn't rule out a tax increase.



Ask Zeus... or the IMF. Yannis Stournaras, Minister of Finance of Greece, admitted that a new loan for EUR 10.0 billion may be necessary. Stournaras explained that this economic help must not be called a “rescue” but rather “economic support”. This statement is in contrast with that of German Chancellor, Angela Merkel, who said that a new loan for Greece could endanger the economic stability of the European Union (EU).

Mini-crisis. Guido Mantega, Minister of Development of Brazil, admitted that the country is going through a “mini-crisis”. The expectations of the FED’s removal of monetary stimulus affected the depreciation of its currency. The Minister said that once the Federal Reserve removes the stimuli, *“the market will calm down”*.

Central Bank to the rescue. The intervention of the Central Bank of Brazil in the exchange rate market will be of US\$60.0 billion for the remainder of 2013. This injection will be executed after a drop in the value of the Brazilian Real of 16.0% since May. This intervention is expected to grant *“exchange rate coverage to economic agents, and liquidity to the exchange market”*, according to the Brazilian Central Bank.

Argentina loses appeal for debt. The Federal Appeals Tribunal of the Second District of Manhattan in the United States granted a victory for US\$1.4 billion to Argentinean debt holders, in the long dispute that started in 2001. The decision of the tribunal rejected unanimously all the Argentinean arguments, explaining that the country didn’t present any proof that there would be cataclysmic consequences if they were forced to fulfill the promises made in the debt contracts assumed in the 90’s.

Neither purchased nor sold. Latin America’s trade surplus with the United States fell 41.5% in the first half of the year. United States exports to the region increased only 3.0%, while Latin American exports to the United States fell 4.0%. Peru led the growth of trade exchanges with the United States, increasing 19.4%; however, Mexico is still the largest trade partner of the United States in the region, followed by Brazil and Venezuela.

Total agreement. The negotiations of the Pacific Alliance came to an end, and are expected to be signed on the third quarter of this year. This agreement would release 92.0% of the trade of countries that belong to the agreement (Chile, Colombia, Mexico and Peru) and the remaining 8.0% gradually until 2030. Costa Rica and Panama could be the next to adhere to this agreement.





Political Tips

Plan to Assassinate Maduro? Miguel Rodríguez Torres, Minister of the Interior, Justice and Peace, revealed proof of an alleged plan to assassinate President Nicolás Maduro, obtained during an operation called Carpeta Amarilla. During the investigation, Venezuelan authorities detained two Colombian citizens, and are looking for Venezuelan citizen Carlos Salcedo, who is apparently part of the organizing corps of the assassination plan.

Government says Uribe is involved. Miguel Rodríguez Torres, Minister of the Interior, Justice and Peace, presented proof to the country about an assassination plan, and explained that the two Colombian citizens detained in Los Teques are part of a band of 10 hired killers commanded by Alejandro Caicedo Alfonso, and that the plan was organized from Miami and Bogota by different individuals, among them former president Álvaro Uribe Vélez.

The assassination plan is a distraction. Henrique Capriles Radonski, governor of Miranda, said that since Government *"is incapable of solving the economic, political, and social crisis that they created, they are talking about an assassination plan. The new assassination story is a red flag to cover allegations against the Central Government"*. Capriles also mentioned the record of conspiracies that Maduro has against him, and said that *"of the 11 conspiracies claimed by Maduro, 4 are for assassination. He doesn't know how to cover his incapacity"*.

The Government lives in a different world. Henrique Capriles Radonski, governor of Miranda, during a meeting with entrepreneurs and cocoa producers, warned Venezuelans that the Government *"will try to do anything"* to discredit him. He also said that *"whenever you turn on the TV, they (the Government) talk about a world that is different from what we are living. It is important that no one believes those lies"*, referring to the latest statements about the assassination plan.

Maduro sees the opposition nervous. Nicolás Maduro, President of the Republic, said that he isn't scared, and that if some opposition leaders are involved in the assassination plan, they will go to jail. Maduro said that the opposition is nervous. He also said that he is *"the warranty for Peace in Venezuela, if I am assassinated, there will be civil war in the country"*, and warned that *"the international right wing has assassination plans against our Government"*.



Immunity of several representatives to be removed. Diosdado Cabello, President de the National Assembly (NA), said that by September, when parliamentary activities will resume, they will be expecting a request to remove the parliamentary immunity of representative Juan Carlos Caldera and others he didn't mention. Cabello said that these representatives are being investigated for alleged corruption acts.

Another expected surprise. Although the Final Electoral Registry for the municipal elections of 2013 could not be changed after June 21 of this year, last week's publication in the web page of the National Electoral Council shows that changes were made, and ruling party candidates that voted in a municipality different from the one where they aspire to hold a post, were migrated. Some of the most significant ruling party candidates that were changed of municipality are Miguel Pérez Pirela from Chacao to Maracaibo, and Antonio "The Potro" Álvarez from Baruta to Sucre.

19,066,431 electors for 8D. The final Electoral Registry for the local elections was approved by the directors. 19,066,431 electors may vote on December 8 (8D), of which 215,124 are foreigners with more than 10 years of residency in the country. This Electoral Registry excluded the 100,985 voters registered to vote abroad, since the Venezuelan laws don't allow voting abroad for regional or local elections.

PSUV with problems at its grass roots. Today, after the postulations before the CNE closed, and the challenge period is over, there are still dissatisfactions at the grass roots of PSUV and by those aspiring to mayoralties that were left outside, since the candidates for the municipal elections of December 8 were chosen unilaterally. Some of the clear cases that show this problem is the resignation of leader Henry Ramírez in Maracaibo who rejected the candidacy of Miguel Pérez Pirela, and the claims against mayor Jorge Rodríguez.

Maduro interested in the Constituent Assembly. President Nicolás Maduro said he is interested debating ideas and the changes that a Constituent Assembly would imply, just as the opposition said. *"We like that fight. If they propose it, we are all for it. Maybe we can even all go for the Constituent Assembly. We are enthusiastic about it, without leaving our posts as President or Ministers, because the people gave us that, and I will be here the full six years"*, said Maduro.

What worries the most. According Datanalisis insecurity, shortages and inflation are the greatest concern to the Venezuelans. Also in the evaluation of the work of President Nicolás Maduro the result was positive in 48.0%, while for Governor Henrique Capriles it was in 44.0%. On the municipal elections, the president of the Datanalisis projected that the opposition will win in the polls most popular and the government will get more mayors.



What else does the survey says? Regarding the question of who is primarily responsible for failure to achieve some foods, 39.9% said the government and ministers while 20.3% said private companies. Also regarding the question with which the government would negotiate, most (61.7%) responded with employers.

Legislative Tips

Representatives want things clear. Representatives of the Social Development Commission of the NA believe that the Legislative Power should establish the degree of responsibility of the former minister of Health, Eugenia Sader, during the equipment crisis in the 19 public radiotherapy rooms, which were equipped through an agreement signed by the Venezuelan Government and two Argentinean suppliers. *"Many machines were damaged, because the former minister didn't renew the contract in 2012. Due to her negligence, cancer patients have died, and she should assume that responsibility"*, said representative Bernardo Guerra.

Vehicle law to be presented before the Government. Elio Serrano, President of the Permanent Commission of Parliament Administration and Services, said that they will present to the Administration a draft law regulating the Purchase and Sale of New, Used, National or Imported Land Vehicles. The representative also mentioned that the law eliminates the practice of making a new car into a used car, to then sell it at speculative prices in the secondary market.

Bio polymer issue reaches the NA. Women affected by bio-polymer injections presented a set of proposals before the NA to demand that clinics or esthetic centers in the country assume responsibility for the implantation of bio-polymers, according to a note issued by the NA. Carlos Sierra, PSUV representative who received the document, informed that on September 2, an inter-institutional work group could be created to evaluate the proposal.

It won't be the total but those present. Article 203 of the Constitution says that: *"Enabling laws are sanctioned by the NA with three fifths of its members"*. However, as informed by the head of the PSUV Parliamentary Fraction, Pedro Carreño, the party wants to enable President Nicolás Maduro to legislate with the vote of three fifths of the representatives present on the day that the debate is taken to the plenary.



Culture law will be a benchmark. Darío Vivas, first vice-minister of the NA, headed an event to promote and inform about the scope of the Organic Culture Law, which has already been passed. During his intervention, Vivas informed that the Organic Culture Law “*will be a benchmark*” for the creation of other laws, and work teams will be created to ensure compliance with said law.

30 days more without arrivals at Federal Dependencies. *Official Gazette* Nº 40.232 ordered a 30 day extension of the Joint resolution that restricts the arrival of private vessels or air transport units to Federal Dependencies: Isla La Tortuga, Isla Las Tortuguitas, Cayo Herradura and Los Palanquines, to keep recovering the environment in the area.

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ECONOMIC OVERVIEW

