



Weekly Report

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By:
Asdrúbal Oliveros
Jessica Grisanti
Gabriel Villamizar

Waiting for the adjustment...

Ecoanalítica's Team*
*Pilar Navarro, María Andrea Manuzzato,
Daniel Cárdenas and Benjamín Matos.

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Together with economic growth figures, Central Bank of Venezuela (BCV) also published preliminary balance of payments (BP) figures for the first semester of 2013 (1S2013). The BP of 1S2013 shows the effects of the fall of oil prices in the first half of the year, as well as an unexpected increase in imports (given exchange rate adjustments), and its effects on the current account and the accumulation of reserves.

Also noteworthy in the first half of the year, is the completely opposite behavior of public and private sectors regarding their relation with the rest of the world, particularly regarding exports, imports and investment position.

According to BCV figures, the BP in 1S2013 had a deficit of US\$1.91 billion, an increase of 36.7% compared to 1S2011 (US\$1.40 billion). This increase in the deficit of the BP's global balance is due to the 51.3% drop in the negative balance of capital and financial accounts.



The BP's current account had a surplus of only US\$3.31 billion, a 64.5% drop compared to the US\$9.35 billion surplus during the first semester of the previous year. This current account performance is due to the 24.2% reduction in the trade balance surplus, at US\$17.10 billion, due to the 9.7% drop in the exports of goods during 1S2013, caused by the drop of oil exports, due to somewhat lower oil prices during that period.

| BALANCE OF PAYMENTS | | | |
|-------------------------------|---------------|---------------|-------------|
| General Summary | 1H2013 | 1H2012 | Var. |
| (MMUS\$) | | | |
| Current Account | 3,319 | 9,356 | -64.5% |
| Goods | 17,103 | 22,600 | -24.3% |
| Oil Exports | 42,940 | 47,324 | -9.3% |
| Non-Oil Exports | 1,682 | 2,080 | -19.1% |
| Import of goods f.o.b. | -27,519 | -26,804 | 2.7% |
| Services | -8,189 | -8,153 | 0.4% |
| Others | -5,595 | -5,091 | 9.9% |
| Capital Account | -5,235 | -10,758 | -51.3% |
| Public Sector | -1,567 | -4,893 | -68.0% |
| Private Sector | -4,469 | -6,813 | -34.4% |
| Reserves Variation | -1,916 | -1,402 | 36.7% |

Sources: BCV and Ecoanalítica

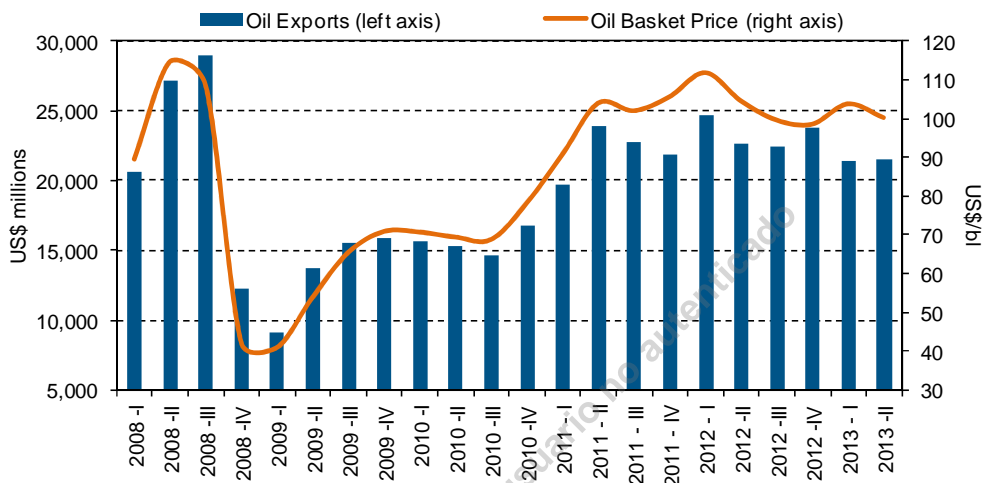
Once again oil

Total exports reached US\$44.62 billion between January and June, driven basically by oil exports (US\$ 42.94 billion), which fell 9.3%, due to the 5.7% drop in the average price of the Venezuelan basket. This drop in the value of oil exports, together with credit facilities via energy agreements, significantly reduced the flow of currency of the Republic during the first semester of the year, limiting the assignment of dollars through alternative ways, and complicating the management of exchange rate policies.





Oil Exports vs. Oil price basket



Sources: BCV, Menpet and Ecoanalitica

Regarding no-oil exports, they amounted to US\$1.68 million by the end of 1S2012, a drop of 19.1% compared to the same period the year before, due mainly to the 38.8% drop in public non-oil exports (chemicals, iron, and steel), while private non-oil exports increased 9.9% compared to the first semester of 2012.

And imports are unstoppable

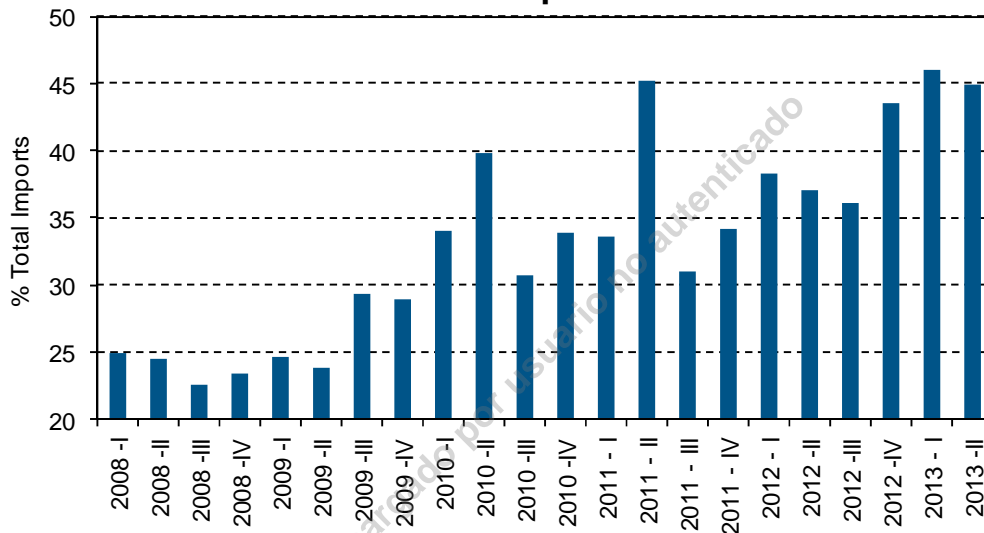
Neither exchange rate adjustments, the lower flow of currency from the alternative market, or the closing of alternative mechanisms to assign dollars (Sitme) have been enough to have a significant adjustment in the import of goods which were US\$27.51 billion by the end of 1S2013, 2.7% over the level observed the same period last year. The explanation behind this unexpected increase in foreign purchases is the 23.7% increase in the public import of goods and services, which were US\$12.51 billion by the end of the first half of the year, counteracting the 10.1% drop in private imports during the same period, which amounted to US\$15.00 billion.

The increase of public imports over total imports has been a State policy striving to have additional control over the assignment of currency (besides that exerted by Cadivi), by significantly determining the import of some items. Together with this policy, issues in the national refining complexes has made necessary the import of higher volumes (and therefore amounts) of refined oil products to meet domestic demand, and to be used as inputs for heavy oil extraction. For the end of 1S2013 public imports represented 45.5% of total foreign purchases. **Ecoanalítica**



estimates that by the end of 2013, public exports will represent 47.0% of the total, close to US\$24.00 billion.

Public Imports



Sources: BCV y Ecoanalítica

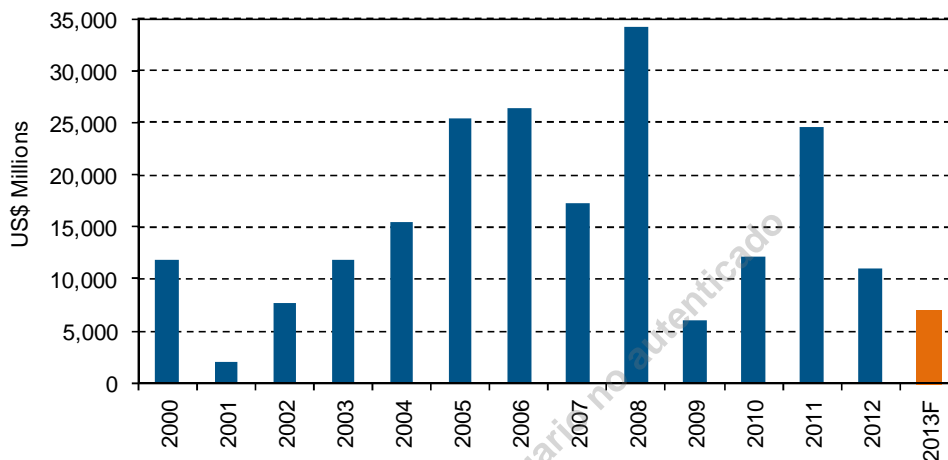
The result: a worrying current account

The drop of exports, the increase of imports, and significant negative balances for services (US\$8.18 billion) and rent (US\$5.04 billion) have made the positive balance of the BP current account fall by 64.5% (a/a) during the first half of the year, so **Ecoanalítica** forecasts that the balance will be around US\$7.00 billion by the end of year. This is worrisome, considering that the outflow of private capitals (the so-called capital flight) could well be over US\$10.00 billion, leading to a significant fall of the international reserves, if it isn't compensated by an inflow of funds, either directly or through direct investment or through the dis-accumulation of public funds abroad.





Current Account Balance



Sources: BCV and Ecoanalítica

The situation is worse considering the low availability of extra-budgetary funds (liquid) that the government has to counteract significant reductions in the current account, which closed 1S2013 at around US\$12.60 billion, 3.8% below the amount a year ago. This represents a low maneuvering margin in the event of negative oil Price variations, which could affect the availability of currency from oil exports in the near future.

Resorting to capital accounts

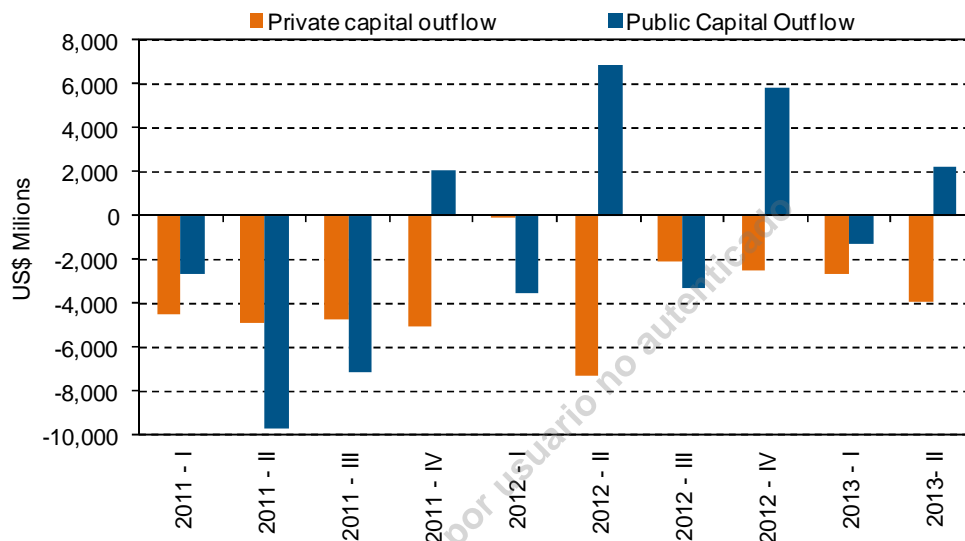
The 64.3% (a/a) reduction in the capital account deficit of the BP during 1S2013 was mainly due to a 49.4% reduction in the balance of the other investments account (with a value of US\$6.18 billion), mainly that coming from the public sector by 68.0 %, while capital accounts of the private sector reduced their negative balance by 34.4%.

The results of the capital accounts of the BP also reflect that although the public sector had to use its funds abroad, the entry of public funds amounting to US\$855 million in the first six months of the year was 66.3% less than that observed in 1S2012, while the outflow of private capitals, reached US\$6.54 billion in the first semester of the year (11.3% below that recorded during the same period in 2012), which translated into a drop of US\$4.08 billion in international reserves during the first half of the year.





Private and Public Capital Outflow



Sources: BCV and Ecoanalítica

The greater entry of public funds in dollars was during the second quarter of the year, when there was a drop of US\$1.45 billion in portfolio assets of the public sector, and of US\$2.61 billion in foreign deposits of the National Development Fund (Fondo de Desarrollo Nacional - Fonden) and the Treasury (Oficina Nacional del Tesoro - ONT), resources that the government had to use, given the drop in exports, and were destined to imports and the execution of government investment programs, respectively.

Less strength, more vulnerability

Altogether, the deterioration of the current account, together with the movement of funds to compensate it, by the end of 1S2013, there was a drop in the Republic's international investment, which was US\$148.87 billion, 3.1% less than at the end of 1S2012 (US\$153.58 billion). This situation reflects the worsening of the investment position of the public sector, whose liabilities increased 14.8%, while its assets only increased 0.9%, compared to the end of June 2012, while the private sector strengthened its assets position by 4.5% and its liabilities fell 1.6%.

In sum, the nation's foreign accounts continued showing a deterioration of income in currency and a significant lack of flexibility in the spending for goods, services, and rent, with a public sector that reduced its exports, increased its imports, and had a decrease in its foreign assets, while the private sector adjusted its foreign purchases, increased its exports, and increased its investment position.



With international reserves tied to the Price of gold, and exports tied to oil geopolitical cycles, it will be difficult not to see an adjustment in public imports during the second half of the year, considering the high debt service amounts that this sector must confront, and the its low availability of liquid funds in currency. This situation could be avoided by increasing foreign financing, whether by issuing bonds, or taking new loans through mechanisms like the Chinese fund, which would allow avoiding another shortage rise, like the one in the first quarter of the year-, and would delay, again, adjustments considered unpopular, in view of the upcoming elections.

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Economic Tips

Tax collection for July. According to the figures released by the National Integrated Service for Tax Administration (Seniat), VEB 22.238 billion were collected in taxes for the month of July. Of this amount, VEB 5.238 billion (23.6%) came from Income Tax, and VEB 10.824 billion (48.7%) from the VAT. The agency raised VEB 142.912 billion during the first seven months of 2013, of which VEB 40.138 billion came from Income Tax (28.1%), and VEB 66.424 billion from Value Added Tax (VAT) (46.5% of the total).

In real terms, July tax collection was up by 11.6% compared to the same period last year. Both, the Customs revenue and the VAT increased in real terms compared to the same period last year, by 3.0% and 22.1%, respectively. Revenue coming in due to Income Tax went up by 3.7% in real terms compared to the same period last year. Total revenue in the first seven months of this year grew by 12.9%. In turn, VAT and Other income from customs increased in real terms, 17.7% and 4.8% y/y respectively. Meanwhile, income tax revenues increased 15.4% in real terms over the same period of 2012.

US\$1.22 billion for Sicad. The Government, through public Banks, has a stock of bonds in currency of approximately US\$1.22 billion, which could be used in Sicad. Recalling that besides the sale of cash, the Exchange rate rules provide the possibility of selling debt papers in dollars.

Exchange rate crime law ineffective. Nelson Merentes, President of BCV, said that the laws on exchange rate crimes, and on capital market crimes have not fulfilled its objective, and the National Assembly has been working on reforming the. *"The parallel dollar is the one disturbing the economy, and makes the Venezuelan society anxious; to solve this, several laws must be modified "*, said Merentes.

No Sicad for travelers in September. According to information of the Ministry of Finance, BCV in September it won't invite individuals for the next Sicad auction. Therefore, people with tickets for December will have to wait for another Sicad auction. They added that the Sicad for travelers will be open in the months with long and short vacations, and people traveling off-season will have to go through Cadivi.

Private workers the most affected. In the last 14 years, private sector employees have been severely affected, losing 30.0% of their purchasing power, while in the case of public sector employees, they have lost only 1.0% of their purchasing



capacity. This result, obtained by comparing the variation in remuneration index (private and public) with the inflation index of the metropolitan area between 1Q1998 and 1Q2013, shows the hostile relation that Government has had with private companies.

Dollar in a halo of mystery. Armando León, BCV director, said that exchange rate issue is very complicated, and changes are necessary to make the system more flexible. *"The greatest flexibility possible must be given so that small and medium companies (private) and the public sector can operate with more transparency. As the law improves, the price of the dollar will no longer be a mystery"*, said León.

More subsidies. The National Bank for Housing and Habitat (Banco Nacional de Vivienda and Habitat - Banaviv) published a list of 4,073 families that will receive Direct Housing Subsidy, a non-reimbursable help of the Venezuelan State to help people acquire their house. The total amount authorized for this subsidy was VEB 604 million, as informed by the State entity in charge of administrating the financial resources of the National Housing and Habitat System.

No success in economic matters. Nelson Merentes, Minister of Finance, talked about the country's situation today, and said that *"this is a government approved in 18 elections, with success in social matters, but still needs to have success in economic matters. What does this mean? Entering a stable growth route (...), have a certain amount of years where all factors in the economy are growing"*. Merentes added that to achieve this economic success all knots must be untied, to produce much more, and thus not only meet domestic consumption demands but also export.

The new minimum wage is here. The second increase of the minimum wage of workers in Venezuela entered into force, established at 10%, placing it at VEB 2,702.73. The third and last adjustment of the minimum wage is still to come in November, which will be between 5% and 10%, taking as reference the behavior of the National Consumer Price Index (Índice Nacional de Precios al Consumidor - INPC) for this year, as informed by President Nicolás Maduro in April.

42 persons detained for Exchange rate crimes. José Khan, President of Cadivi, said that 42 people were detained for alleged Exchange rate crimes since the entity started a series of inspections to Exchange offices. Most of the cases are of people who sold their travel quota to exchange rate operators, without knowing it was illegal, but there are also the so-called briefcase companies, said Khan. This inspection to Exchange offices by Cadivi started in July with the seizure of four establishments in Caracas due to exchange rate crimes.





BCV increases financing. BCV financing to State companies, which started in 2010, has increased quickly, and a good example is the 14.0% increase in August, going from US\$35.00 billion the previous month, to US\$39.00 billion. Of the total financing, the one that increased the most was for non-oil companies, which got 64.0%. Meanwhile financial aid to Pdvsa increased 9.0%.

Interest rates. The lending rate for the fourth week of August was at 17.1%, up by 0.7 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 decreased by 0.7%, going from US\$23.11 billion during the fourth week of August to US\$22.94 billion during the fifth week of August. Compared to the same period last year, international reserves have decreased by 11.8%.

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 0.5% in the fourth week of August compared to the previous week, settling at VEB 900.24 billion. The M2 has increased 63.7% in relation with the same period last year.

Oil Tips

FCC unit stopped. The Fluid Catalytic Cracking Unit (FCC) of the El Palito refinery will shut down this week, for maintenance. The FCC, with a processing capacity of around 70 thousand barrels per day (kb/d), used to obtain high octane gasoline and fuel, will undergo a "very short shutdown", according to the general manager of El Palito, Jesús Sánchez.

Pdvsa negotiates new credit with Reliance, from India. Pdvsa expects to negotiate with Reliance from India, a financing scheme similar to the one it has with



other foreign companies, like Chevron from the US, CNPC from China, and Rosneft and Gazprombank from Russia. Rafael Ramírez, Minister of Oil and Mines, met with the director of Reliance Industries, Shri PMS Prasad, to finalize the renewal of heavy crude oil supplies for 400 kb/d and speed up disbursements, for loans and direct participation in several projects.

A large amount in damages. Rafael Ramírez Minister of Oil said that the corporation has estimated at US\$1.00 billion the damages caused by the explosion due to a gas leak in the storage area in the western refinery of Amuay a year ago. Ramírez said that Pdvsa destined that amount to repair the tanks that were affected by the fire, as well as indemnities and part of the unemployment benefits due to the explosion.

Pdvsa will create joint ventures for gas condensates. Minister Ramírez informed that Pdvsa and Italian oil company Eni will create a joint venture to develop gas condensates in the Perla 3X reservoir, in Falcón. The official said that they are working so that the *"first billion cubic feet enter the system by December 2014. It is a commitment of our work teams. We will solve any legal or administrative issue so that the times are shortened"*.

Almost a million barrels of oil for Asia. Venezuela already sells around one million barrels per day (mb/d) of oil to East Asia, which represents 40.0% of total crude exports, said Minister Ramírez. He said that presently, the country sends around 320 kb/d of heavy oil to India, of a quota established in 2012 of up to 400 kb/d. If we add the close to 600 kb/d that Venezuela sells to China, crude exports to that region are close to 1 mb/d, he said.

Oil imports increase. BCV figures reveal that by the end of the first semester of the year (1S2013) oil imports reached US\$6.10 billion, 24.0% more than in 1S2012, when it was US\$4.90 billion. In its second quarter report, BCV admits that in refined products predominated in the purchases, imports that in six years have increased 308.0%.

Venezuelan refining circuit operates at 74.0% of its capacity. Venezuela's refining circuit is processing 1.2 mb/d of crude including Isla in Curacao, that is, it is operating at 74.0% of its capacity. A long chain of fires, small explosions and energy cuts have recently affected Venezuelan plants. The incidents have forced Pdvsa to import oil products, a growing trend that is affecting the country's balance of payments.

OPEC production fell in August. Crude oil production in OPEC declined in August given that riots and conflicts in Libya interrupted supplies, offsetting the greater



supply of Saudi Arabia and the recovery in Iraq. OPEC's supplies averaged 30.3 mb/d, below the reviewed figure for July of 30.5 mb/d, according to the transport data survey and oil company sources, OPEC, and consultants.

Oil Price increases will reduce the deficit of dollars. Tensions in the Middle East drove the Brent oil Price to US\$116/bl, the highest of the last six months. The Venezuelan oil basket is usually around 5.0% below Brent, that is, if this Price remains, Pdvs's barrels would start selling at US\$110/bl, a 10.0% increase versus the average in 1S2013. This would have a positive effect in government income, which would have extra resources to call for a Sicad auction without touching international reserves of the securities portfolio of BCV.

Irregular purchases. ALBA Petróleos of El Salvador didn't ask the authorization of the competent regulating entity to purchase its first gas station, one of the causes of the investigation it is being subjected to, for doing a merger, said the advisor of the company, José Luis Merino. The Competence Superintendence announced that it opened a sanction procedure against the Venezuelan-Salvadoran ALBA Petróleos for not asking authorization to execute five mergers with other businesses. However, Merino only admitted the "error" in the first purchase operation of a service station.

International oil baskets. At closing time on August 30th in the New York Stock Exchange, the price of the WTI was US\$108.1/bl, up by 2.2% when compared to the reported the previous week. The Brent increased by 3.2% to reach US\$113.5/bl, compared to the previous week's US\$110.0/bl.

Local oil basket price. The Venezuelan oil basket price closed last week at US\$107.2/bl on Friday August 30th, a 2.0% increase compared to the US\$105.1/bl of the previous week. The annual average price of the Venezuelan oil basket is US\$102.6/bl.

Business Sector Tips

Great blackout. A fault in the 765kV transmission line in the stretch La horqueta-La Arenosa, located between Guarico and Aragua states and considered the backbone of the national electricity system, left without service from 12:39 pm on Tuesday, 3 September to 18 states for several hours. Electricity Minister Jesse Chacon said that to restore the service was given priority to the center and the capital because of the



essential activities of mass transit, as the Metro de Caracas and then start the recovery of the West and in the Andes.

Auto parts hard hit. The Chamber of Venezuelan Manufacturers of Automobile Products (Cámara de Fabricantes Venezolanos de Productos Automotores - Favenpa) said that the production of auto-parts fell 8.0% in 1S2013. According to José Luis Hernández, President of Favenpa, the delay in the currency delivery is one of the main reasons for the drop of production. On the other hand, the reduction of car assembly in the country, 33.9% according to Cavenez, has also had a strong impact on sales.

Agro benefitted. The producers of paddy rice, white and yellow corn, soy, sorghum, and sugar will receive government subsidies. These foods will be subsidized as follows: rice VEB 2.1/Kg over the existing VEB 2.5/Kg, white corn VEB 1.75kg over the existing VEB 3.9/Kg, yellow corn VEB 1.7/Kg over the effective VEB 1.9Kg, sorghum VEB 0.6/Kg over the existing VEB 3.34/Kg, soy for VEB 1.2/Kg and sugar for VEB 4.4/Kg.

Companies expect 45.0% inflation. Jorge Roig, President of Fedecámaras, said that they expect an inflation of 45.0% by the end of 2013. He also said that he believes the problem could get worse if structural measures aren't taken, and the policy of spot solutions continues, like using Sicad only during some seasons.

Everything goes to taxes. According to a report of Fedecámaras, 75.0% of the profit of the companies goes to pay Para fiscal taxes, said Jorge Roig, President of the Federation. He also explained that Venezuela is the country with the most taxes of this type, because besides the ISLR, they must pay the tax established in the Science and Technology Law, the Sport Law, the National Antidrug Organization (ONA), the Culture law, and Ince.

Steel and cement production fall. Cement and Steel production fell in 1S2013 due to a lack of spare parts and intermittent supplies of raw materials said trade unionists. *"The input for the iron rod plant is the billet and for the year, dispatch has been irregular. There is also a lack of refractory bricks, used in the Steel plant"*, said José Luis Alcocer, trade union leader at Sidor. He added that the company is working at 30% of its installed capacity. The situation has made the mills of bars and wire rods stop their activities.

Government offers to assemble 33.0% of the demand for cars. The government continues expanding its participation in the car industry. Although the results in some of its plants aren't optimal, the Ministry of Industries expects the State to produce one third of the passenger vehicles. This is around 30 thousand cars per year, because



the production of private assemblers has stagnated at around 100 thousand units since 2008.

Critical shortages. According to BCV figures, the shortage index of six basic foods was over 60.0% in July. A report of BCV mentions critical shortages in cooking oil, which is missing in 78.0% of the stores. Refined sugar scarcity was 66.0%, and powdered milk was missing in 76.3% of the stores visited by BCV representatives. In the case of wheat flour, the shortage is 62.0%, yellow cheese is another with a shortage of over 40.0%, and finally the beef that arrives is not enough to supply market needs.

40.0% of faults in medication distribution. Freddy Ceballos, President of the Venezuelan Pharmaceuticals Federation (Federación Farmacéutica de Venezuela FFV), said that the sector has 40.0% of faults in the distribution of medications in the country. Ceballos said that there is no continuity in the distribution of products. *"The market is totally intermittent, a problem is solved, and another begins. There is no continuity in the market; there is no quality in the distribution, like there used to be in the country"*. He also highlighted that they require currency to solve the crisis.

More efficient distribution of food. The Superintendencia de Silos, Almacenes and Depósitos Agrícolas - SADA) has reviewed 60,000 companies in the food sector for the year, approving more than 3 million mobilization guides, controlling the transfer of food items within the territory. In this sense, more than 13.5 million tons of food has been distributed through SADA. Superintendent Luis Moreno said that the production and distribution of food nationwide has improved, as a result of the good practices of the superintendencia.

World Economy Tips

Second quarter strong. Another country that surprised in 2Q2013 was the United States, as informed by the Trade Department; its GDP grew 2.5%, while the Government expected 1.7% and economists interviewed by Reuters estimated 2.2%. This unexpected growth was caused by an increase in exports, which strengthens the argument favoring the Federal Reserve to start reducing its monetary relief program.



Projections rise. The Organization for Economic Cooperation and Development (OECD) raised its growth projections for Germany, France, and the United Kingdom, placing them at 0.7%, 0.3% and 1.5% respectively. In previous projections, Germany and the United Kingdom grew 0.4% and 0.8% respectively, while France fell 0.3%. The OECD also called on the most indebted countries in the European Union to start generating the changes necessary to improve competitiveness and thus improve their present situation.

The Yen falls in Asia. While concerns about an imminent attack against Syria diminished, the yen yielded against the dollar in Asia. The dollar increased 0.5% to 98.63 yens, moving away from the recently achieved minimum level of 96.81 yen. The Euro also increased 0.4% to 130.29 yen. *"The appetite for risk is generally improving. I believe that the delays in the military attack against Syria will help the global climate in terms of risk"*, said the global currency strategy head of Credit Agricole in Hong Kong, Mitul Kotecha.

Optimism increases. Optimism in the economy of the Euro zone increased significantly in August, although high unemployment, mainly in the weakest countries of the block, highlighted the gap that separates the recovering north from the weakened south. The trust of company managers consulted by the European Commission increased for the fourth consecutive month in the Euro Zone, said European Union executives. Germany and Holland were the countries with the greatest positive trend, but also Italy, France, and Spain stand out.

Germany grows strongly. The German Institute for Economic Research (DIW) considers that the country's economy will remain in a solid path of growth, and between July and September it will grow 0.4% compared to the previous quarter. The DIW also explained that it is a noteworthy increase, although the evolution isn't as dynamic as in the second quarter, where GDP increased 0.7%.

More structural reforms. The European Commissioner for Economic and Monetary Matters, Olli Rehn, said that France needed more efforts to reform its economy, although it has progressed in this sense. *"France has taken steps to reduce labor costs, and it is going in the right direction, but obviously more is needed, and we are presently studying the pension reform"*, said Rehn.

There is still hope. María Dolores de Cospedal, secretary general of the People's Party (PP) of Spain explained in a press conference that President Rajoy gave a closed-door statement before the National Committee of PP, and in those statements, the President said that the January – August 2013 period have been the first eight months since 1999 regarding labor. Cospedal added that the Government



considers that they are in a situation to start growing, since a proper diagnosis was done to implement pertinent reforms.

Brazil surpasses expectations. The Brazilian economy grew at its highest pace in almost three years during 2Q2013, over the expectations of analysts, using stimuli that fostered investments and industrial production. The statistics agency IBGE announced that Brazil's GDP increased 1.5% during 2Q2013 compared to the previous quarter, while economists had forecasted a growth of 0.9%. Likewise, investments and industrial production expanded during the same period 3.6% and 2.0% respectively.

Debt pardoned. Several European countries pardoned Nicaragua's debt for US\$7.4 million between January and June of this year, according to the Central Bank of Nicaragua. Initially, the debt was US\$7.1 million, but interests and commissions had to be added. The countries that pardoned the debt to Nicaragua were Spain and Slovakia, but also the Nordic Development Fund, formed by Denmark, Finland, Norway, Iceland, and Sweden.

Argentina will reopen the debt restructuring. Argentina will open indefinitely the third debt swap for suspension of payment in less than a decade, according to the Argentinean Government. With this measure, the South American country expects to improve its relations with US Federal Courts, which criticized the way in which they handled the suspension of payments for US\$100.00 billion, entering a strong economic crisis in 2002.

Goldman Sachs raises its forecast. The investment and securities bank Goldman Sachs raised its forecasts for the Price of gold for 2S2013, at US\$1.388 the ounce, while it maintained its forecasts for the mid and long term. *"We believe that the recent rise is because investors are positioning themselves for an increase in inflation rates, and speculations about a possible military attack on Syria"*, said the bank in an investigation note.

Political Tips

Electric shock. President Nicolas Maduro accused the opposition of resuming a plan to affect performance in the country after the blackouts that occurred Tuesday afternoon September 3 and that affected central and western regions of the country.



Earlier in the day he ordered the Bolivarian National Armed Force to patrol the affected areas and called for maximum cooperation. It also requested the support of electrical workers and the public *"to go to a new stage in the struggle for system sabotage vaccinate"*.

A manipulation. Minister for Electric Power, Jesse Chacón, said the power failure, which occurred in several states is due to the release of a mesh in one of the towers on line 765 while warned that "manipulation" would be also behind the blackout. *"A mesh came off on the power lines and produced a short (...) the mesh is clear from the left arm on the power lines and of course, with the humidity, it produces a short firing line"*, Chacon said. He also added, *"The first report, we noted that there was a manipulation of the mechanisms of the grid connection."*

History repeats itself...Another assassination story. Nicolás Maduro, President of the Republic, said that two persons from Colombia were detained *"hired by the drug cartels to assassinate the head of State. "It is a plan to assassinate the head of State of their country"*, said Maduro. He also revealed that *"the plan was to eliminate me simultaneously with the attack against Syria, to annul this portent that Venezuela is, this portent of morality and politics that Venezuela is in Latin America and the world. It is an imperialist offensive"*.

"The Assassination hides their incapacity to rule". Henrique Capriles, governor of Miranda, said that the future can't be stopped, because the country believes less and less in what is deemed a farce from Miraflores. *"They are capable of inventing the most absurd theories of conspiracy and assassination, not realizing that with each action they confess their absolute incapacity to govern. The government spends billions in advertising, in propaganda, in lies on paper. Its only intention is to try to convince others that nothing is happening, that everything is fine, and that there is no crisis. They do that to avoid their responsibility"*.

Economic war against Venezuela. Nicolás Maduro President of the Republic said that they met at the White House at the end of July to update the economic war against Venezuela. He said that Treasury Department representatives addressed those issues, and they have calculated a date for the economic collapse in Venezuela, and social chaos, similar to what happened in Egypt. Maduro said that that won't happen, because the country will have an advancing economy at the end of 2013 and for 2014. He said that they were thinking about a *"Transition Government for Venezuela, to install it after the chaos. Do you think that the people will put up with a transition Government, with bourgeois?"* he asked.

The target is 1 million militias. Minutes after an act where weapons were rendered useless, President Nicolás Maduro announced that the government has set the goal



of adding 1 million militias distributed around the country, to defend the homeland. In the swearing in of the Secretariat of the Movement for Peace and Life, the head of state said: *"Our people must be armed and be part of the Navy, the Aviation, the Army, the Bolivarian National Guard, or the Bolivarian National Militia. We now have 400,000 militias, but sooner rather than later, we must reach 1 million militias"*.

Opposition invites to take over the networks and the street. The opposition is proposing to not fall into the game of restricting the discussion to matters that interest the Government, and focus on discussing the problems of the country to find solutions. Henrique Capriles said that the government is pressuring so that he doesn't appear on TV anymore, so he asked citizens again to open accounts in twitter to disseminate his message, and invited the people to turn around the political situation of the country on December 8th (8D) and reiterated MUD's candidates.

Capriles: "If this doesn't stop, it will be the worst health crisis of the country". Henrique Capriles, governor of Miranda, said that government officials have a double discourse and lie when talking about the alleged benefits of the public health system. Capriles, during the inauguration of a mobile emergency unit Pronto Socorro in Los Valles del Tuy said that if workers from the institutions are invited to go to the Salud Miranda centers, *"the first to try it is the governor, who has to be attentive"*. He used the opportunity to ask the team that Works in the Salud Miranda System, to *"work committed with the State, not with Capriles"*.

Less red shirts. Diosdado Cabello, President of the NA, said that Minister Rodriguez Torres asked him to avoid red shirts, that *"in the photos that Colombian hit men had, I am wearing a shirt of the same color as now (red). I didn't realize that"*. He insisted that the hit men didn't have to know him to assassinate him, *"these individuals don't have to know me or any of us, they just have a mission"*.

Cabello: We hope that the opposition feels conscientious about the country. Diosdado Cabello, first vice-president of the Socialist Party of Venezuela (PSUV), urged representatives for the opposition *"to be conscientious"* and approve the enabling law against corruption. *"We hope that among the group of opposition representatives there is conscientiousness about the country, and not just oppose us because they hate us"*, he said. Cabello rejected the statements of several representatives of Primero Justicia who say that the government is keen against the party with the yellow standard.

Alive and kicking. Aristóbulo Istúriz, governor of Anzoátegui, denied rumors about his poor health, which would force him to leave his office. Comments have been going around for some days through web pages and the social networks. The regional Administration representative denied that he would leave the office for which



he was elected on December 16, 2012. “They said that I have prostate cancer, that I am dying and will be replaced by Nelson Moreno (President of the State Legislative Council). I am fine, I am alive and kicking”, he said.

Legislative Tips

Coming soon... Plan de la Patria 2014. Executive Vice President of the Republic, Jorge Arreaza, announced that during the month of September will be given to the National Assembly, the draft of the Law for social and economic development program, also known as *Plan de la Patria*. The plan includes consolidating socialism through the participation of the communities in the production processes and the establishment of a system of large missions, the model will be based on oil revenues.

Automobile Law Review. The Attorney General's Office reviews the legal provision that requires cars to be sold at prices marked in February. The assembly and the Ministries of Industry and Finance have been meeting since the law that regulates the buying and selling new and used vehicles has being enacted, and would impact on the survivability of industries. Assemblers have asked to discuss penalties as they are exaggerated and could jeopardize dealers, as well as the obligation to publish a waiting list that violates the confidentiality of business in a country with high levels of insecurity.

The automobile law will meet its implementation in official act. The law of buying and selling new and used vehicles will be signed by President Nicolas Maduro in an official ceremony where he will sign its implementation and explain the scope of the law, as indicated by the vice president of the National Assembly, Dario Vivas, in a briefing on the legal text. For his part, President of Indepabis, Eduardo Saman, said that although there is a comprehensive legal framework the importance of the law is that it is a specific rule will facilitate control over the sector.

Electrical fines removed. Charges in residential electric service billing and private legal sector were removed by resolution of the Ministry of Electric Power. In the Official Gazette No. 40,236 was published the total repeal for the Resolution No. 080 published in 2011 that was intended to residential consumption stops and charges in billing who exceeded certain levels of consumption. In the resolution published, extra charges in the bills were eliminated, and it only keeps the urge to maintain a reduction in consumption by 10.0%.



Government decrees Health Sector Staff. The Vice President of the Republic, Jorge Arreaza, announced the creation of a general staff that plan to activate all the power and all the force of the state to address specific problems in at least 11 hospitals. He also indicated that President Nicolas Maduro approved VEB 300 million to make 11 micro-missions, which will address the shortcomings in the same number of centers throughout the country.

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ECONOMIC OVERVIEW

