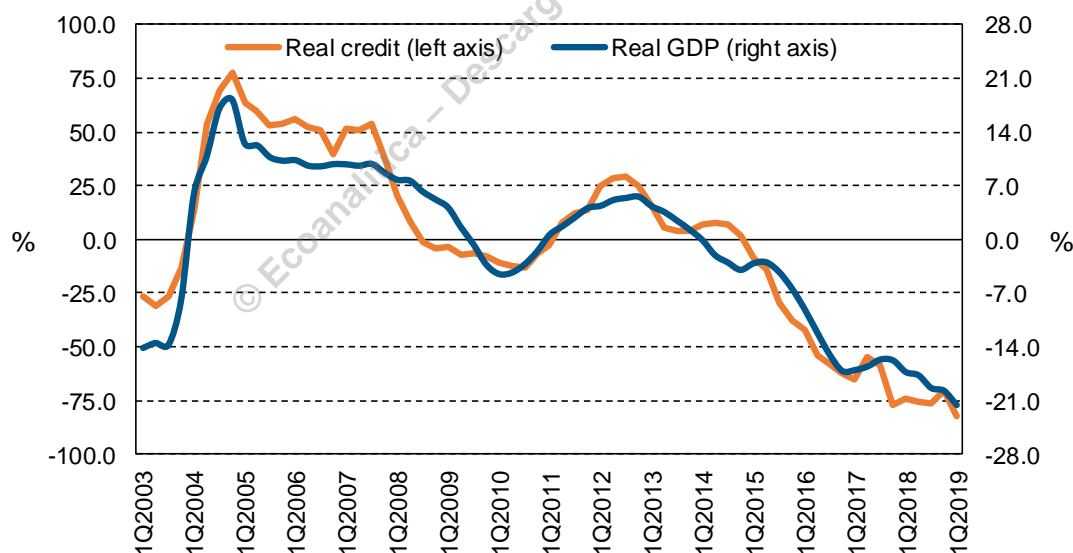


Neither faith (nor MUI¹) moves mountains: The collapse of credit in Venezuela.

As we have outlined in previous reports, banks have been subject to a restrictive reserve policy since early 2019, which has further limited their ability to carry out their most traditional activity: intermediation of resources and risk management. The latest figures published by the Superintendence of the Banking Sector (Sudeban, in Spanish) for July continue to point to a banking sector that is more distant from traditional credit activity and increasingly dependent on non-financial services, adding to the marked exposure to local macroeconomic imbalances that this financing already suffered.

GDP and bank credit growth (annual variations)



Sources: BCV, Sudeban and Ecoanalítica

On the other hand, in an environment of growing transactional dollarization, the means of payment in local currency managed by banks have been progressively displaced by foreign currency transactional mechanisms, which have an impact on the composition of deposits available for lending. In an environment where financial institutions are still

¹ MUI stands for Monto Único de Incentivo which means Incentive of Unique Amount in Spanish.

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limited to accumulating foreign currency assets, this phenomenon has not only increased the role of non-financial commissions in profitability (and ultimately, in the patrimony of banks), but also constitutes an additional limitation to credit, as we will see in this report.

The rectifications of the Executive to its mistakes in the regulation of credit in Venezuela have been not only insufficient, but also costly. In addition to a first (attempt to) "stimulus" to credit executed at the beginning of the official quarantine, based on the unification of the reserve requirement and recurrent discounts to the amount of legal reserves demanded each week, the local banking system was benefited last Friday with the assignment of a new "Incentive of Unique Amount" (MUI 2, for "*Monto Único de Incentivo 2*" in Spanish). However, in an environment still plagued by hyperinflation and the consequent exchange rate tensions, such changes do not represent a substantial and transversal improvement in the loans of the system as a whole and generate, at the same time, new sources of exchange rate instability.

Without lifting heads

Bank credit in Venezuela is still as absent as before. Both the limitations still in force due to the strict policy of legal reserve and the slowdown in real activity as a result of the COVID-19 pandemic have led to new contractions in the real financing granted by the banks in the last few months, which accumulates, up to July, a reduction of -28.1% with respect to what was seen at the end of 2019. Although the collapse of credit was not as drastic as that reported last year, this was only due to the partial recovery of commercial loans after the first deductions from the amounts required as legal reserve².

As expected, in the face of such discounts in legal reserves, the banks' strategy concentrated on guiding the unexpected rise in surplus reserves towards greater trade financing and thus benefiting from their indexation to the official exchange rate marker through the Units of Value of Commercial Credit (UVCC in Spanish) (whenever the exchange rate pressures inherent in these adjustments materialize)³. In addition to the increased agricultural loans (also covered against losses in the bolivar through their conversion to Units of Value of Productive Credit)⁴ granted by the public banking sector,

² Details can be found in this year's Outlook Note N°1 of this year: *New legal reserve guidelines. More of the same?*

³ Let us recall that, since October, the credit portfolio of the banks in Venezuela (except for consumer financing) are indexed to the rise in the exchange rate through variations in the so-called investment index (IDI). This implies that, in the midst of depreciation of the bolivar, the value in local currency of these credits grows at the same rhythm as the exchange rate. Further details on this dynamic can be found in our Outlook Note N°1 of 2019: *The UVCC: new restrictions on credit*.

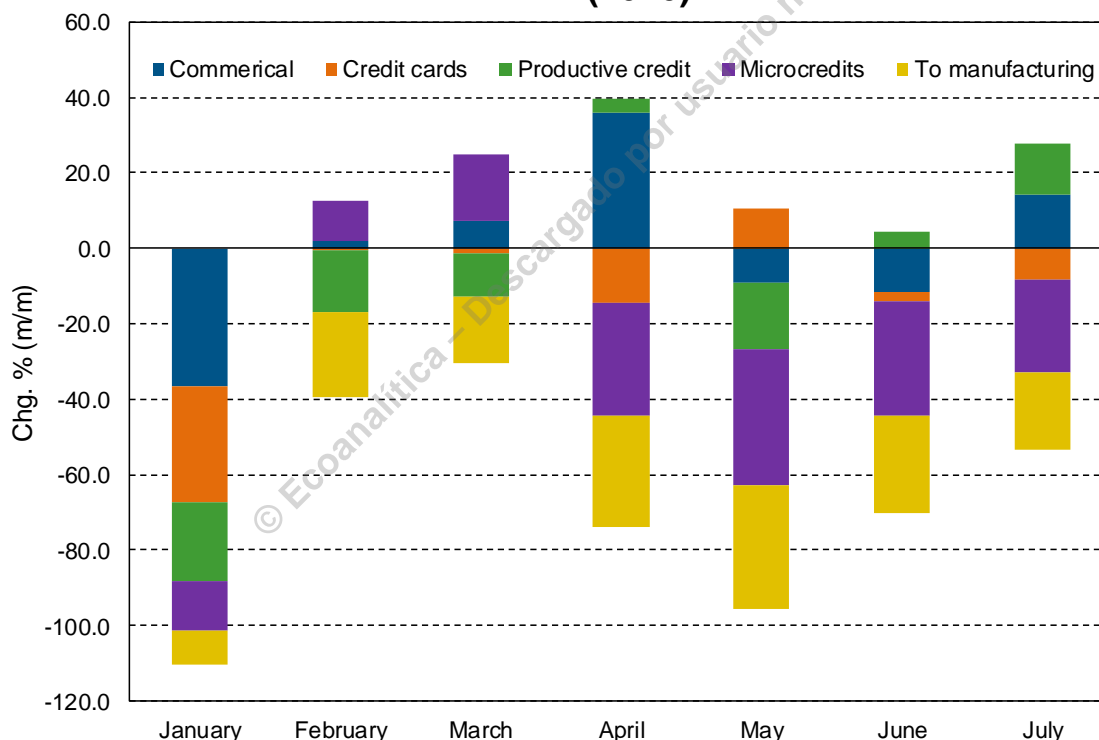
⁴ Established in resolution 20-02-01 of the BCV, dated February 20, 2020.

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commercial loans would expand by 36.1% between March and April, once the reserve requirement deductions became effective.

Although such financing would rise again in real terms in June and consumer loans showed a (very) slight recovery in May, the measure did not end up driving a sustained credit boom in the aggregate. In fact, both microenterprise and manufacturing lending, two of the activities that were to be protected by the latest set of measures implemented by the Executive to counteract the real effects of the COVID-19 pandemic, showed sustained real declines despite the new discounts.

Real change of credit by type (2020)



Sources: Sudeban and Ecoanalítica

In that context, the BCV would order the MUI 2 last Friday. As we explained in our note this week⁵, the main weakness of this type of measure (as potential drivers of bank credit) is its valuation in local currency. As they are defined as a fixed discount in bolivars, their

⁵ Outlook Note N°4, 2020: *New "incentives" for bank credit in Venezuela.*

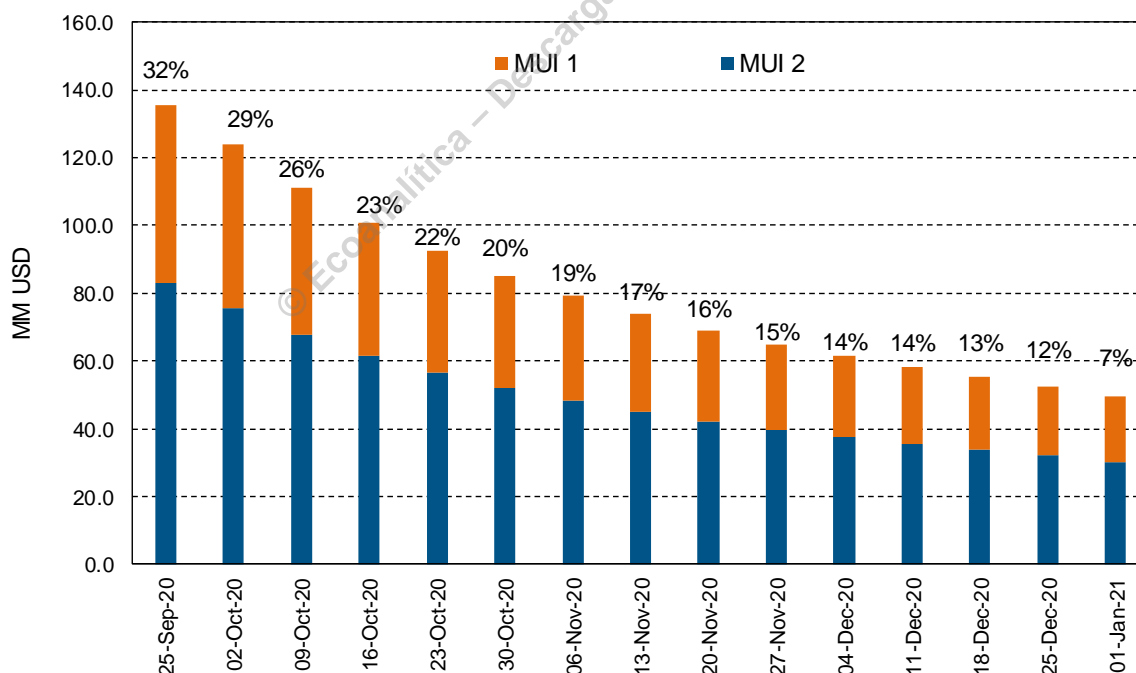
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scope is subject to the exchange and inflationary tensions that still persist in our market. In other words, to the extent that such policy "changes" drive strong alterations in the exchange market (as we will detail later), their value in real terms will be increasingly reduced and, with it, their capacity to cover legal reserves that do not stop growing.

Precisely the other vulnerability of this type of measure is the persistence of high fitting levels. Since these legal reserves are fixed as a fraction of deposits (which, in turn, grow at levels close to local inflation), fixed discounts quickly lag behind the rate at which the required reserves grow.

The numbers speak for themselves: the first stimulus (MUI 1) went from representing 35.8% of the Legal Reserve Fund (total amount of the legal reserve of all banks deposited in the BCV) in the week of its application to barely 12.8% of said resources for the week prior to the new measure. Similarly, if we assume an exchange rate at the end of the year that is around VES 995,000 /USD, the amount of the new MUI 2 could be reduced by half before next November.

Estimated MUI for 2020



Note: The percentages reflect the fraction of each MUI according to the last reported legal reserves (Sep-11).

Sources: BCV and Ecoanalítica

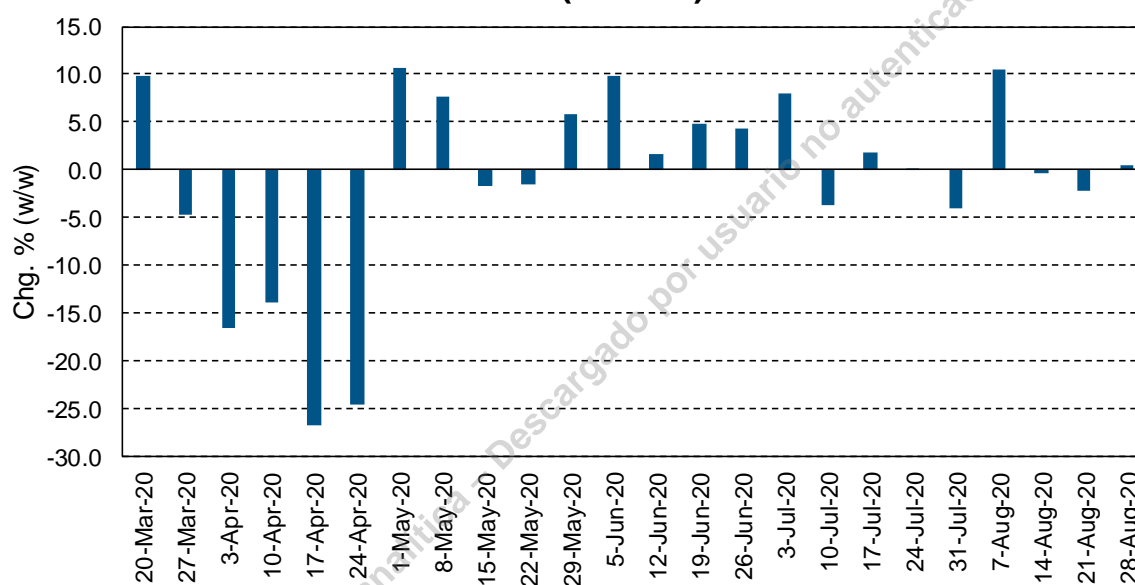
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In fact, in our Outlook Note we highlighted how, despite seeing even a recovery in credits (measured in dollars) in the weeks following the initial stimulus (consistent in part with what was described above), it was not immediate and was of a transitory nature. The cash surplus would only last from mid-April to the beginning of June. Such a dynamic will probably be observed with the entry into force of the MUI 2.

Absolute change of credits (in USD)



Sources: Sudeban and Ecoanalítica

On the other hand, even though increased intermediation favors banks in terms of revenue, either through traditional channels (interest or commissions) or through foreign exchange (financing foreign exchange purchases through third parties and earning through exchange rate differentials), there are still considerations of default risk that banks may consider when using the new stimulus to provide new loans. Beyond the currency indexation of these loans, improved financing is likely to favor the corporate sector (with greater current repayment capacity) over households (with more volatile incomes). Thus, because they are not indexed to the exchange rate, delinquencies in consumer finance (by credit cards, for example) may be more costly to the bank⁶ in relative terms.

⁶ A risk that cannot be transferred to the fees charged, given the control over them.

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Finally, a brief examination of the credit portfolio of those banks that would most benefit from the new MUI⁷ allows us to identify that 1) some belong to the stratum of large entities, 2) they concentrate their loans mostly on commercial or agricultural loans, and 3) they showed increases in real terms in their total credits with the first stimulus. These aspects will condition the final effects of the new discounts on the supply of local loans.

Profile of potential beneficiaries of MUI 2 (figures as of April, 2020)								
Stratum	% of reserves on the BCV ^{1/}	Reserves / Deposits ^{1/}	% Total deposits	Real chg. of total credit	Credit distribution			
					Commercial	Credit cards	Agricultural	Manufacturing
Public	23.0%	18.2%	48.5%	40.0%	43.0%	2.5%	36.4%	3.3%
Private	16.7%	71.9%	8.9%	21.3%	49.9%	4.9%	33.8%	9.0%
Private	14.7%	66.8%	8.4%	0.6%	45.4%	1.6%	13.9%	26.0%
Private	11.6%	62.0%	7.2%	20.6%	51.4%	4.5%	26.2%	9.2%
Public	9.6%	82.6%	4.5%	-14.2%	26.1%	51.2%	12.9%	0.0%

^{1/} July figures. Legal requirements deficit proxy (higher ratio, higher deficit)

Sources: Sudeban, BCV and Ecoanalítica

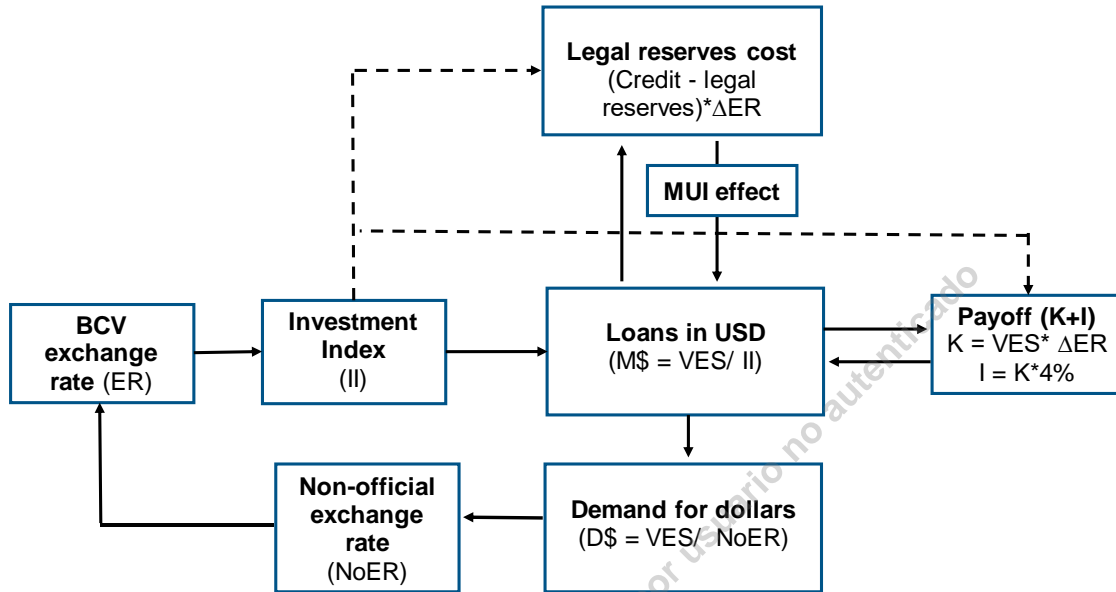
Tension, tension and more tension

A pervasive element in the ineffectiveness of recent credit stimuli and in the response of banks to it is the relationship between credit and the exchange rate. In a hyperinflationary environment, any monetary shock to local agents (issuance of money by central banks, unanticipated payments of labor bonuses, or unusual increases in loans) will be directed by them to the acquisition of foreign currency (or to durable assets) as a hedging mechanism.

This increased pressure on demand ends up driving recurrent increases in the exchange rate. Under such mechanism, even with a low commercial activity as a result of the official quarantine, it is more than foreseeable that the exchange rate in Venezuela will rise with the new stimuli, simply because the monetary and institutional imbalances behind the local hyperinflation have not ceased. If the hypothesis of the use of more resources in trade financing is fulfilled, this forecast becomes stronger due to the greater depth of the foreign exchange market at the corporate level (precisely, the recipients of this type of credit).

⁷ Considering the distribution criteria of the MUI 2, it is assumed that the banks that will receive a greater fraction of this are those that currently show the greatest proportion of cash holdings in the BCV (with respect to the total), in addition to a greater volume of these reserves in terms of their deposits.

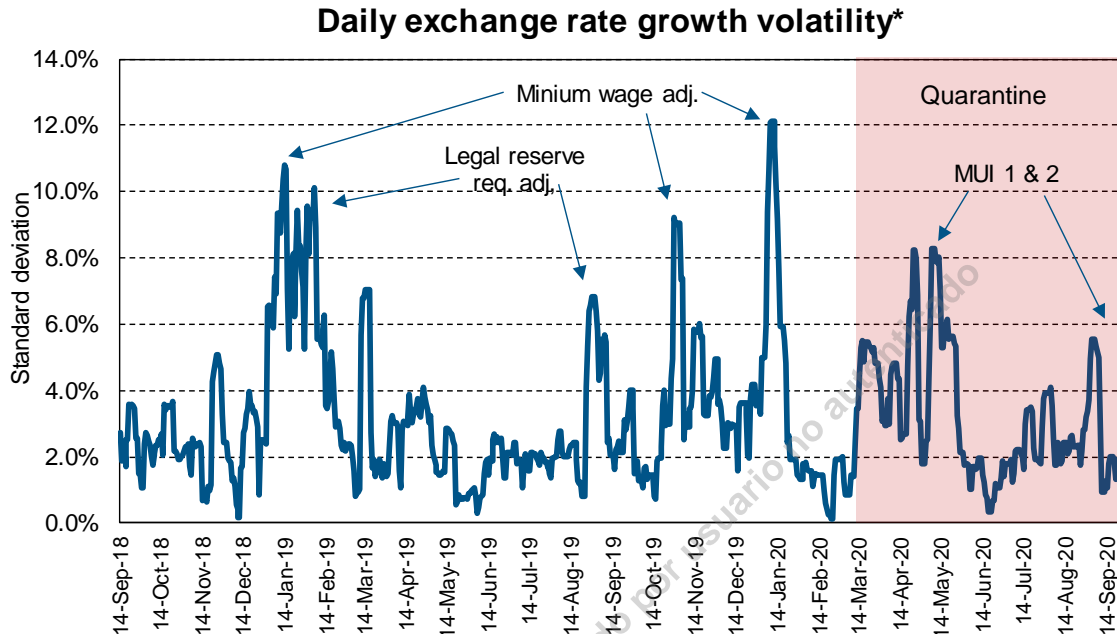
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In fact, according to the evidence presented in our FX report of July 2020: *Exchange rate volatility and its effects on inflation in Venezuela*, changes in the reserve requirements act as triggers for greater volatility of the exchange rate markers. Therefore, Venezuelans act immediately by buying and selling currencies in a more recurrent manner in the face of the uncertainty that reigns for any change in the reserve requirement (and its future effect on the exchange rate). In addition, the introduction of MUI 2 is likely to cause large swings in the price of the currency, making it even more difficult to forecast in the future.

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However, in terms of exchange rate pressures, the increased flow of money for new credit will have a serious competitor in the coming weeks: the shortage of gasoline. So the potential incentives for bank financing will (probably) coincide with weeks of local fuel supply failures, the consequent resurgence of black markets and thus a greater demand for foreign currency to pay for it.

How much can the exchange rate grow in this new credit scenario? If we use as a counterfactual what we saw with the MUI 1, we observe that the unofficial marker rose 96.4% in its first month of operation (114,7% in the corporate segment), despite the new pricing scheme for local gasoline (and the pressures of the unofficial market had ceased). By applying such a variation, the exchange rate could reach VES 750,000/ USD by mid-October.

The supremacy of currencies

In addition to the limitations of the legal reserve, the credit activity has also been slowed down by the transactional dollarization that operates in the country since the implementation of greater exchange rate flexibility in 2018. In recent months, the use of foreign currency as a means of payment has been exacerbated, not only by the collapse of public services, but also by limitations on means of payment resulting from trade restrictions associated with quarantine (in addition to the zero cash flow in local currency).

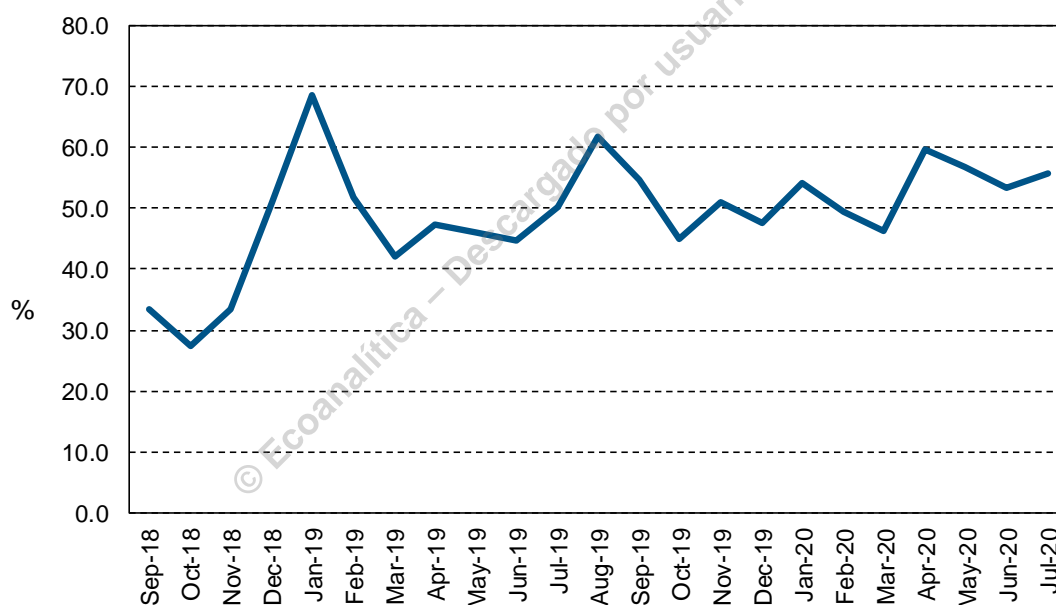
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This, in part, has been taken advantage of by banks, which continue to offer more instruments for capturing foreign currency in cash (sight deposits and custody, in essence) and, in addition, various services for mobilizing foreign currency among their clients (and among banks, although still in a limited form). However, this has also increased the accumulation of "non-lending" deposits, since banks are not authorized under the Exchange Agreement 1 to maintain active positions derived from transactions made in Venezuela in foreign currency. In other words, foreign currency deposits received by local banks, whether from current cash circulation or deposits from previous regulated schemes, may not be used to offer financing in the same currency⁸.

Deposits in foreign currency (as a proportion of cash deposits)*



*Excludes funds in trusts and non-interest-bearing cash deposits.

Sources: Sudeban and Ecoanalítica

⁸ Even in a scheme of indexing loans in bolivars, it does not make much sense to finance in local currency by using demand deposits in foreign currency (discounting trusts), taking "advantage" of their lower reserve requirements with respect to those in local currency. This is because, since such indexation is based on the so-called Investment Index (and, therefore, on the unofficial exchange rate), differences may arise between the growth rate of assets and liabilities in foreign currency. This would expose banks to the so-called "mismatch" of currencies in their balance sheets, where liabilities would grow faster than the credits they leverage, causing banks to become insolvent during exchange rate increases and unable to honor the debt with their depositors.

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Therefore, as long as they cannot be used in the credit activity (in the same denomination), these deposits generate income to the bank exclusively by mobility or payments and, at the same time, make the base of bank liabilities grow without a consideration on the assets side (as it would happen with the captures in Bolívares, if there were less requirements of legal reserve), even when they are excluded from the calculation of the legal reserve.

On the net, if the commissions charged by banks for the mobilization of such currencies do not exceed the potential profits that they could obtain (in a hypothetical case) from their resale through third parties, the expenses generated by such liabilities are even greater.

In the end, is this type of stimulus worthwhile?

Despite further reductions in reserve requirements, figures on the potential reactivation of local credit are not entirely encouraging. The latest experiences in this regard reveal that more profound changes are required in this policy, which will allow for the elevation of credit to levels that contribute to the recovery of the private sector (especially in the current context), beyond the exchange rate pressures that have ended up being generated. On the net, sporadic stimuli that do not lead to deep rectifications in local credit activity will continue to generate more costs than benefits for Venezuelans.

Luis Arturo Bárcenas

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WEEKLY INDICATORS

Weekly Economic Indicators			
	4th Week September	Weekly chg. (%)	Depre/Apre (pp) ¹
FX Boards (VES/USD) ²	374,393.96	1.4	1.4
	2nd Week September	Weekly chg. (pp)	Annual chg. (pp)
Lending Interest Rate (%)	37.9	-1.0	4.6
	3rd Week September	Weekly chg. (pp)	Annual chg. (pp)
Overnight Interest Rate (%)	188.5	-71.8	59.8
	3rd Week September	Weekly chg. (%)	Annual chg. (%)
International Reserves (USD Bn)	6.3	0.0	-21.0
	2nd Week September	Weekly chg. (%)	Annual chg. (%)
Monetary Liquidity (MM VES)	197,952,054	3.9	1,189.7
Price of International Oil Baskets (USD/bl)			
	3rd Week September	Weekly chg. (%)	Annual chg. (%)
WTI	39.6	5.8	-29.6
Brent	40.8	3.3	-35.0
Price of the Venezuelan oil basket (USD/bl)			
	5th Week July	Weekly chg. (%)	Annual chg. (%)
Weekly Average	22.4	0.0	-61.9
Annual Average	28.8	-0.7	-51.7

Sources: BCV, MENPET, ONT and Ecoanalítica

* Annual variation of accumulated expenditure.

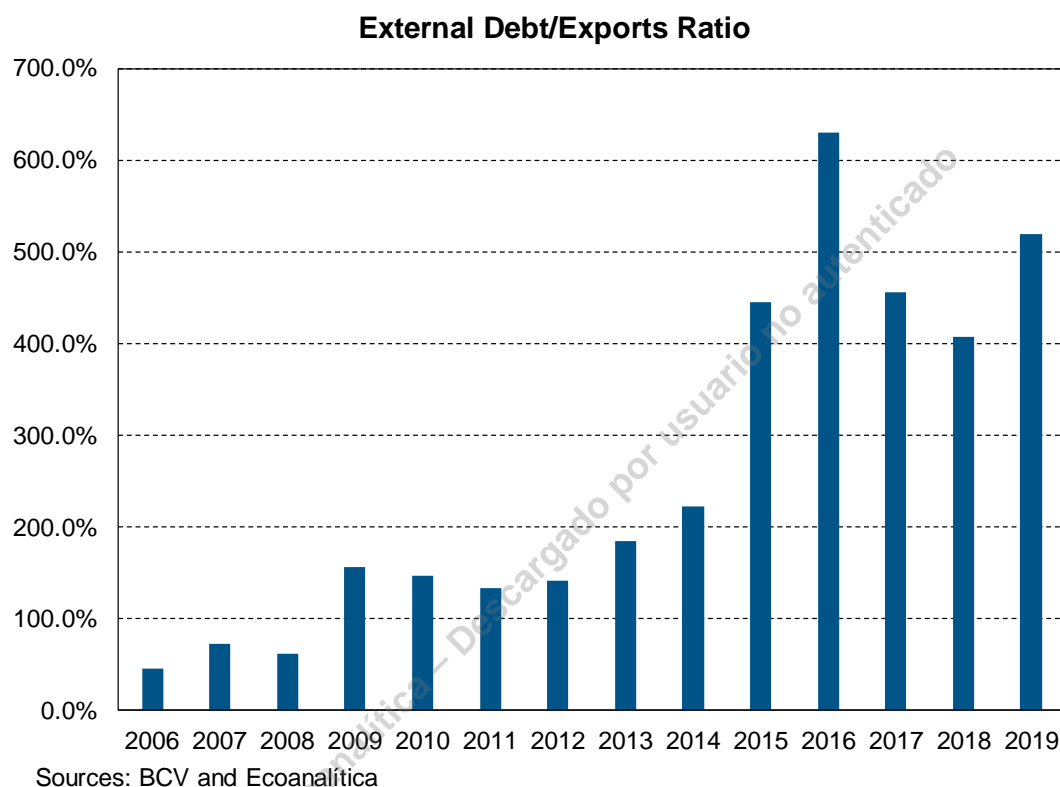
¹ Depreciation (+)/Appreciation (-)² FX Borads' average exchange rate

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CHART OF THE WEEK: "IT IS NOT SOMETHING NEW"



The recently appointed Minister of Economics and Finance, Delcy Rodríguez (who also holds the position of Executive Vice President) announced last September 15 that they would seek to reach an "interruption agreement" with the bond holders of the Republic, and of the state owned companies PDVSA and Electricidad de Caracas, for the payment of interest and capital. In other words, the Executive shows a new interest in renegotiating or raising the terms of payment of its high debt with foreign creditors.

Without taking into account the legal limitations that the Nicolás government faces in order to carry out this type of negotiation (linked to its recognition in the legal instances that regulate the instruments to be negotiated, in addition to the sanctions on the part of the United States), this decision arises exclusively, in the words of the minister, from the impossibility on the part of the Republic to honor these commitments in the midst of the sanctions that the United States government imposed on the country.

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However, the historical management of the Executive itself must be taken into consideration in the financial management of its balance sheet. As of 2009, a process of over-indebtedness of the Republic began that was not very consistent with the good results of our economy in the external sphere, in which the *stock of external debt* would increase by 52.7%, international reserves averaged USD 36,305 million in the last 4 years and exports stood at USD 58,518 million. With this, the level of debt would go from representing 62.5% of exports in 2008 to 156.6% in 2009.

Between 2009 and 2014, even with an annual (average) increase in Exports of 6.7%, the foreign debt continued to rise by an annual average of 12.9%, leading to the fact that, in 2014, export revenues would represent a little less than half of the outstanding debt, in a period when, in addition, international reserves would begin to give way and fall to the range of USD 20 billion. In other words, six years ago there were already indicators that warned of the possible insolvency of the Executive.

With such a precedent, the probability of the Government's default with its creditors rose dramatically with the progressive deterioration in oil activity that began in 2015 (also due to the marked disinvestment and failures in the operational management of this activity by the State) and with the collapse of crude oil globally. With this, and even with a debt market practically closed for the local economy, the value of the foreign debt reached more than six times the value of the country's export income at the end of 2016, a level that has remained practically unchanged until today. In short, in order to assess the present of our economy, its past cannot be ignored.

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ECONOMIC TIPS

COVID-19 in Venezuela. According to government figures as of September 24, the number of positive cases of coronavirus reached 69,439 and the number of deaths was 574.

Confined. For the week of September 20-26, the majority of the states in the country were managed under a scheme of general flexibilization, where activity was allowed in staggered time bands of the different sectors of the economy, excluding some border municipalities, which remain in radical confinement.

More money to lend. On September 17, the Venezuelan Central Bank (BCV) issued a circular indicating that "an amount equivalent to VES 30 billion (in Spanish billions stands for a million of millions) will be discounted from the total reserve requirements". According to the average exchange rate for that week of VES 375,000, USD 80 million will be released.

How? The applicable reserve discount will be determined by a methodology set out in the circular that will be in force until September 17, 2021 on a weekly basis and in proportion to the participation of each bank in the total amount of reserve.

Where will the "billions" go? Considering what is established in the resolution, approximately VES 19 billion of the VES 30 billion released, will not increase the credit portfolio, since they will be destined to cover the deficit of the reserve requirement of the private banks with the BCV.

More understandable figures. At the current exchange rate of VES 375,000, it is then estimated that the bank will have approximately USD 29 million, which is presumably directed largely to commercial financing, due to its indexation to the exchange rate through the Commercial Credit Value Unit.

Where will it impact? More upward pressure on the exchange rate is expected as new excesses in bolivar circulation due to the financing put pressure on the demand for foreign currency.

Bonuses and more bonuses. On September 17, the "Stay at Home Bonus" began to be issued through the "Patria" system corresponding to September. This bonus is aimed at independent workers. For the time being, the amount of this bonus is not known; however, the transference corresponding to August was of VES 900,000.

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Dollar pensioners. The Venezuelan Institute of Social Security (IVSS) informed that the payment of the pension corresponding to the month of October began to be deposited as from September 22. The transfer will be of VES 400,000, a little more than one dollar.

Unfrozen... A Mexican court has unfrozen the bank accounts of Libre Abordo, which is blacklisted by the U.S. for trading oil with PDVSA despite U.S. sanctions.

Momentarily? In a statement, Mexico's Financial Intelligence Unit (FIU) reported that it did not agree with the local judge's decision and had filed an appeal of the decision.

The basket continues to grow. The price of the Cendas-FVM Family Food Basket in August stood at VES 91,834,057.99, an increase of VES 17,863,940.08, with respect to July, that is, an increase of 24.2% and 1,607.5% since August of the previous year.

Money tables. For the week of September 24, the average rate for money tables was VES 374,394.0/USD. This represents a depreciation of 1.4% with respect to last week.

Liquids? (I). Liquidity was VES 197,952,054 million for the week of September 14, a variation of 3.9% in nominal terms with respect to the previous week (September 7) and 1,189.7% with respect to last year.

OIL TIPS

Another recovery plan. Reuters agency reports that PDVSA is implementing measures to recover part of the oil production lost in recent months. The plan consists in mixing crude from the Orinoco Belt together with crude from Iran, according to company documents.

Strategy with joint ventures (I). According to the agency, the joint venture with China National Petroelum Corp (CNPC), Petrosinovensa, resumed operations after a three-month shutdown. It is now processing 64.5 kb/d of diluted crude oil to produce around 77 kb/d of exportable Merrey crude.

Strategy with mixed companies (II). Additionally, with the discharge of 500 kb/d of Iranian crude last September 13th in the mixed company Petropiar, PDVSA also seeks to boost operations in this refinery.

What happened to the Merrey? Reuters reports that PDVSA is experiencing quality problems in the delivery of Merrey, the most popular variety of its exports among its clients

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in Asia and Europe. These problems have caused delays in exports, forcing PDVSA to replace scheduled shipments of Merey with other varieties such as Hammock and Leona 24.

Each joint venture (I). Sources estimate that Petropiar, a joint venture with Chevron, is producing 50 kb/d on average, while Petromonagas, a joint venture with Russia, is producing 37 kb/d on average and Sinovensa is producing 15 kb/d on average. The total crude oil production of the Orinoco Belt was around 212 kb/d during the first 15 days of September, an increase in relation to the 140 kb/d output in August.

Each joint venture (II). In a disaggregated way by blocks, it is estimated that the production of the Orinoco Belt has been like this: in Carabobo it was produced around 75 kb/d, Ayacucho with 124 kb/d, Junín with 3 kb/d and Boyacá with 10 kb/d.

The usual failures. PDVSA documents indicate that the difficulties in producing are due to the saturation of the storage tanks and the recurrent electrical failures that have negatively affected the pumping, processing and transportation of crude oil.

One less customer (I). The Thai bitumen company, Tipco, will stop its purchases of Venezuelan oil at the end of November in order to avoid US sanctions, reports Argus Media. 90% of the Kemaman refinery's crude oil supplies come from Venezuela. It is planned to close Tipco until further notice.

One less customer (II). *"The Kemaman refinery will have to close temporarily until the sanctions against Venezuela are lifted or we find an alternative source of inputs,"* reported Tipco, after the US Treasury asked it to stop commercial activities with Venezuela.

The return from India? According to Reuters, India registered 140.9 kb/d of oil imports from Venezuela in August, after not importing in the two previous months. The average of imports from January to August was 210.3 kb/d, 41% less than in the same period last year. India has been importing more from Ecuador, Qatar, United Arab Emirates, Kazakhstan, Egypt and the United States.

SECTORIAL TIPS

Enemy number one: the clinics and pharmacies (I) The Ministry of National Commerce, through the National Superintendence for the Defense of Socioeconomic Rights (Sundde), carried out an inspection deployment in private health centers.

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Enemy number one: the clinics and pharmacies (II) The deployment, headed by the Minister of Commerce, Eneida Laya, supervised centers such as the Hospital de Clínicas Caracas, Urológico San Román and the Policlínica Metropolitana, located in Greater Caracas.

More audits are coming. According to the Minister, the objective of these actions is to verify compliance with the Organic Law on Fair Prices (LOPJ). Likewise, she announced that they will carry out more audits in private clinics and pharmacies in the country.

Business hunting (I). Similarly, the Ministry of People's Power for National Trade is deployed with a team throughout the country since September 21 to enforce health standards against COVID-19 during the week of relaxation.

Business hunting (II). Eneida Laya pointed out that those businesses that "are *not authorized and have worked clandestinely, especially restaurants, must comply with the rules or be closed by security personnel.*"

Questioning the 7+7. Felipe Capozzolo, president of Consecomercio, argued that the application of the 7+7, designed by Maduro's administration, is complicated from a productive point of view, since it is difficult for industries to turn engines on and off every 7 days. Capozzolo proposed that strategies must be changed and adapted to new times.

Billing the fifth part. Ivan Puerta, president of the Venezuelan National Chamber of Restaurants, declared that, through home delivery services, restaurants manage to invoice an average of 20% of what they invoiced before the pandemic.

Few employees to survive the pandemic. Puerta also indicated that some restaurants have been left with only 10-20% of the workforce to maintain their operations.

Coronavirus and lack of power, the perfect combination. The president of Fedecámaras Zulia, Ricardo Acosta Cedeño, stated that a little more than 75% of the industrial and commercial sector of the state is partially paralyzed due to the pandemic and the electrical crisis that continues to intensify in the region.

Worse in the West. With respect to the electricity crisis, Cedeño indicated that the western coast of the lake has only three thermoelectric plants and only one is operating at 10% of its capacity, while the eastern coast has the benefit of receiving electricity from the national interconnected system of Guri.

Until the middle of the day without power. Due to the above and to the lack of maintenance and investment in the national electrical system and in the thermoelectric

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(+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

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plants, the region must maintain daily energy rations that go from 6, 8 to 12 hours a day depending on the geographic location.

A fraction of the Zulia industry. When touching on the subject of the industry's paralysis, Cedeño pointed out that 70% of Zulia's industries are not working and the 30% that are active only produce at 18% and 20% of their capacity.

Paralyzed Monagas. Fernando Frias, president of Fedecamaras Monagas, indicated that 93% of the commercial and industrial activity in the region is paralyzed due to the 7+7 scheme decreed by the National Executive and the failures in public services.

Guilty? Frías argued that a company cannot plan or carry out a constant activity with the 7+7 plan. He also indicated that about 10% of the businesses "are moderately active".

Finally heard, but not enough. Ricardo Cusano, president of Fedecámaras, described as positive the decision of the national government to reform the legal reserve; however, Cusano considered it insufficient and remarked that the reform had been a request of the economic sector of the country since two years ago.

Requesting gasoline (I). Freddy Cohen, president of the Venezuelan Chamber of Shopping Centers (Cavececo), said that the shortage of fuel limits the work of the shopping centers due to the obstacles it represents for the mobilization.

Requesting gasoline (II). Celso Fantinel, first vice-president of Fedeagro, reiterated that the shortage of fuel makes it impossible to move food to the interior of the country, so he asked the government to cover the fuel needs of the farmers.

More than a week waiting. Fantinel stressed the gravity of the situation, pointing out that in areas in the west of the country, Venezuelan producers "wait *eight or more days in line*".

INTERNATIONAL TIPS

COVID-19 in the world. According to figures published by the World Health Organization (WHO) as of September 24, the number of positive cases of coronavirus reached 31,779,835 and the number of deaths was 975,104.

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A global solution. WHO announced that more than 170 countries joined the COVAX global initiative to ensure equitable distribution of future doses of a COVID-19 vaccine; however, the powers that be, China and the United States, did not sign up.

Target: 2 billion vaccines by 2021. According to the statement issued by WHO and the GAVI vaccine alliance, the list includes 64 rich and self-financing nations. They also indicated that COVAX's goal is to deliver 2 billion doses of a safe and effective vaccine by the end of 2021 worldwide.

There is a lack of funds! Additionally, it was noted that \$1.4 billion has already been committed for vaccine research and development, but that \$700 million to \$800 million is urgently needed. It was also noted that there are countries that are providing funds, although they do not plan to use the plan's vaccine supplies, such as France and Germany.

More dollars for the agricultural sector (I). The United States Department of Agriculture (USDA) revealed a second round of aid for the agricultural sector affected by COVID-19. This will provide US\$14 billion to producers of grains such as corn, soybeans and wheat, in addition to livestock, dairy and tobacco.

More dollars for the agricultural sector (II) The new assistance is in addition to a \$19 billion funding program announced in April to help the sector deal with the impact of the virus. Less than \$10 billion has been delivered from that package to date.

Rates at zero (as inflation allows). The U.S. Federal Reserve has kept interest rates near zero, indicating that it would commit to keeping them at that level until inflation accelerates and is on track to "moderately exceed" its 2% inflation target "for a while."

Less leverage, more credit (I). The European Central Bank (ECB) has eased the capital requirement, which represents a relief of EUR 73 billion for the banks in the Eurozone, allowing them to keep the credit tap open in the midst of the coronavirus pandemic.

Less leverage, more credit (II). Thus, the 115 banks supervised by the ECB will be able to exclude part of their exposure to central banks (including deposits) from the calculation of their leverage ratio until June 2021.

Stopping the second wave. Boris Johnson, Prime Minister of the United Kingdom, announced the re-imposition of six-month restrictions to stop a second wave of COVID-19. Johnson called on the British to work from home whenever possible and ordered the earlier closure of restaurants and bars, with restrictions likely to be extended for six months.

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A smaller trade deficit. The Spanish trade deficit contracted by 54.2% in the first half of 2020, compared to the same period last year, and stood at EUR 7,880 million.

Fewer exports, but even fewer imports. According to the Spanish Ministry of Industry, Trade and Tourism, the reduction in the deficit is due to the fact that imports fell faster than exports, while the country continued to suffer the consequences of the coronavirus.

How much does it look disaggregated? Spanish figures indicate that during this period imports fell by 18.2% to EUR 155,370 million, while exports fell by 14.6% to EUR 147,490 million.

From surplus to deficit. Argentina's Ministry of Economy indicated that the South American country presented a primary fiscal deficit of ARS 89,499 million (approximately USD 1,206.5 million) in August, after having presented a primary fiscal surplus of ARS 13,746 million (close to USD 251.5 million) in the same month last year.

The restriction is extended until October. The Argentine government extended until October 11th the restrictions to circulate due to the coronavirus pandemic, recommending the increase of controls in the provinces most affected by the virus recently.

POLITICAL TIPS

An extensive report. According to the latest human rights report by a team of UN investigators, the government of Nicolás Maduro has committed systematic human rights violations, including murder and torture that constitute crimes against humanity.

What is the line of command? Specifically, it is indicated that Maduro ordered the director of the Bolivarian Intelligence Service, SEBIN, to detain the opponents "without a warrant," indicated Francisco Cox, of the UN Investigation Mission, in a briefing.

With many cases. The report was based on more than 270 interviews with victims, witnesses, former officials and lawyers and on confidential documents. Among them was the former head of the National Intelligence Service, General Christopher Figuera, whose testimony was corroborated, according to the report.

And with the possibility of taking judicial action... In addition, it is indicated that other national jurisdictions and the International Criminal Court (ICC), which opened a preliminary examination in Venezuela in 2018, should consider the possibility of initiating

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judicial proceedings. The panel found that army, police, and intelligence officers had committed extrajudicial killings and urged the government to dissolve the Special Action Forces (FAES).

... but not in the country. Maikel Moreno, president of the Supreme Court of Justice (TSJ), described the report of the United Nations Fact-Finding Mission on Venezuela as "biased", "unilateral" and accused the Lima Group of promoting it.

New sanctions... The United States imposed new sanctions on Iran's Ministry of Defense and others involved in its nuclear program. Iran declared that the new US sanctions, targeting 27 Iranian entities and individuals in the nuclear, missile and conventional weapons sectors, would have no effect and accused the US of seeking publicity.

...for Iran and Maduro. U.S. Secretary of State Mike Pompeo told reporters that Washington had imposed new sanctions on Nicolas Maduro under the order and accused Iran and Venezuela of working "to circumvent the UN arms embargo" for nearly two years.

Formal invitation. Nicolás Maduro invited the United Nations (UN) to send a technical commission to attend the parliamentary elections in Venezuela, scheduled for December 6.

But hurry up. Furthermore, the president added that it would be "impossible" to delay the parliamentary elections scheduled for December 6, after the European Union suggested postponing the vote in order to comply with the conditions presented by the bloc for sending an observation mission.

Will the party be good? For his part, the European Union's High Representative for Foreign Policy, Josep Borrell, said that there is a "window of opportunity" for the European Union to send a mission of observers to the parliamentary elections, but he recalled that the conditions for doing so have not yet been met.

The FinCEN Files. These are reports of suspicious financial activity sent by financial institutions to the U.S. Department of Treasury's Financial Crime Enforcement Network (FinCEN) that include over 2,100 "suspicious activity reports".

With Venezuela. Among the FinCEN files are the names of characters such as Alex Saab, accused of being Nicolas Maduro's front man, and Martin Lutsgarten, a Venezuelan businessman who got rich "as a currency broker for the Venezuelan elite suspected of stealing billions" and now cooperates with the US justice system.

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Hanging around. Nicolás Maduro rejected the tour that Mike Pompeo is making through Guyana, Brazil and Colombia and denounced that the North American country "has plans to seriously disturb the peace" of Venezuela, on the eve of the legislative elections of next December 6.

Nine states protested. On September 21, protests were registered in Amazonas, Barinas, Bolívar, Cojedes, Lara, Miranda, Nueva Esparta, Táchira and Vargas, due to the shortage of gasoline, power cuts, lack of domestic gas and water, which in some regions has been failing for a month.

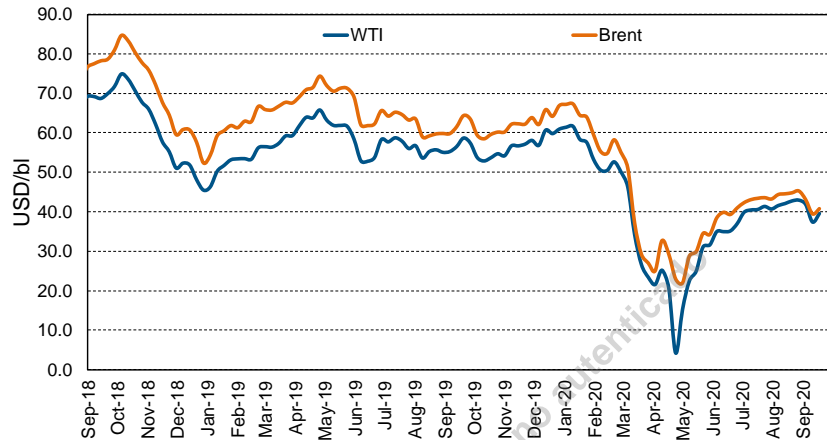
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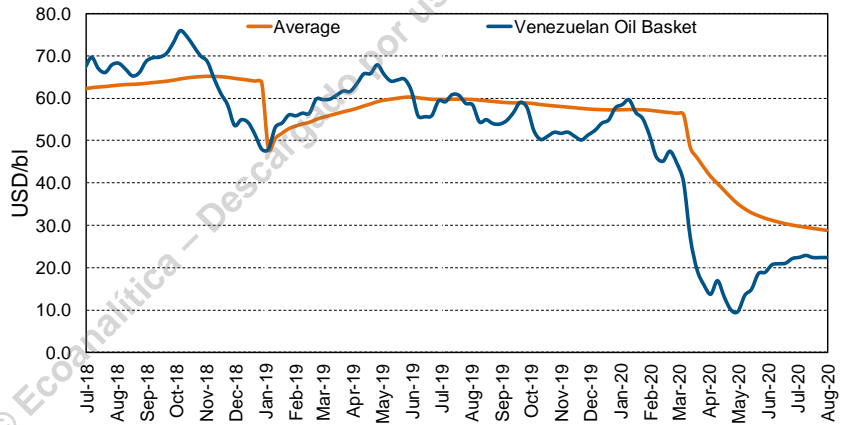
ECONOMIC INDICATORS

**Oil Prices
(WTI and Brent)**



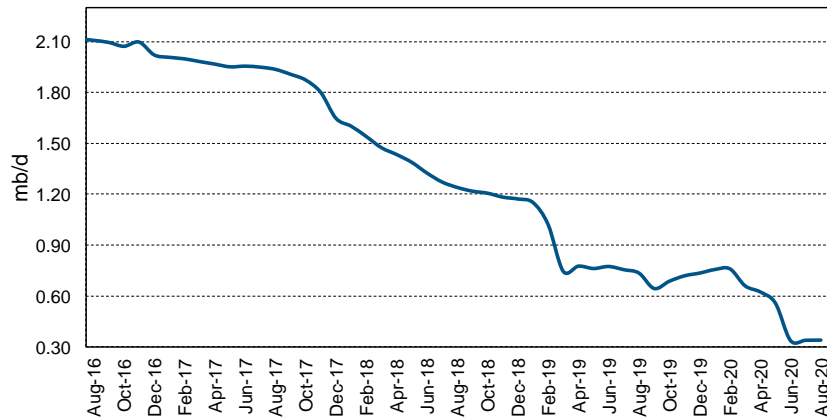
Sources: Menpet and Ecoanalítica

**Oil Price
(Venezuelan Basket)**



Sources: Menpet and Ecoanalítica

**Oil Production
(Secondary sources)**

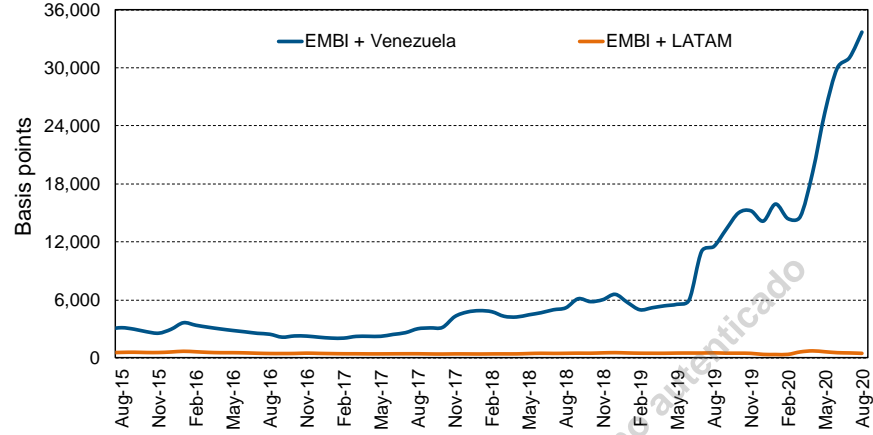


Sources: OPEC and Ecoanalítica

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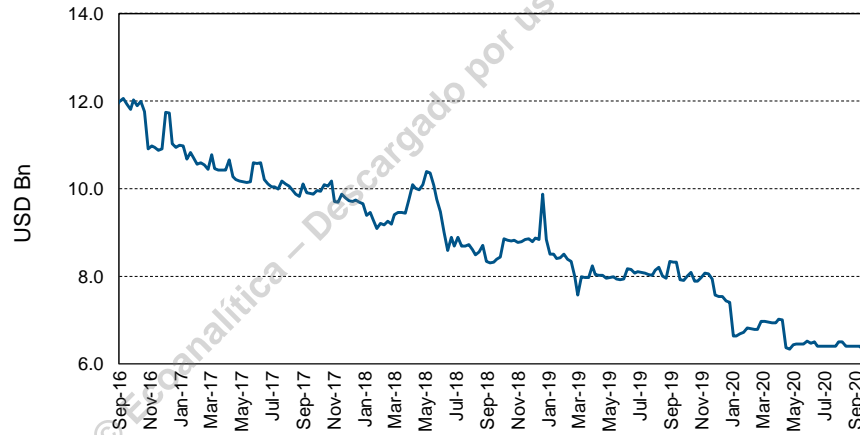
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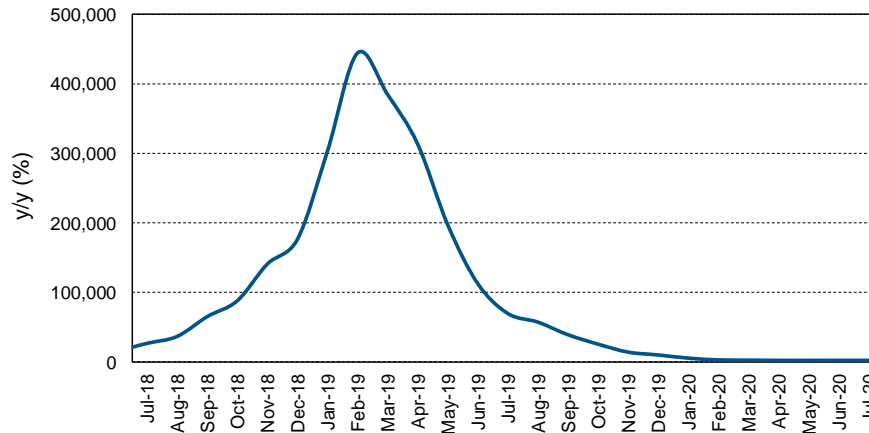
Sources: BCRP and Ecoanalítica

FX Reserves (BCV)



Sources: BCV and Ecoanalítica

Inflation (BCV)



Sources: BCV and Ecoanalítica

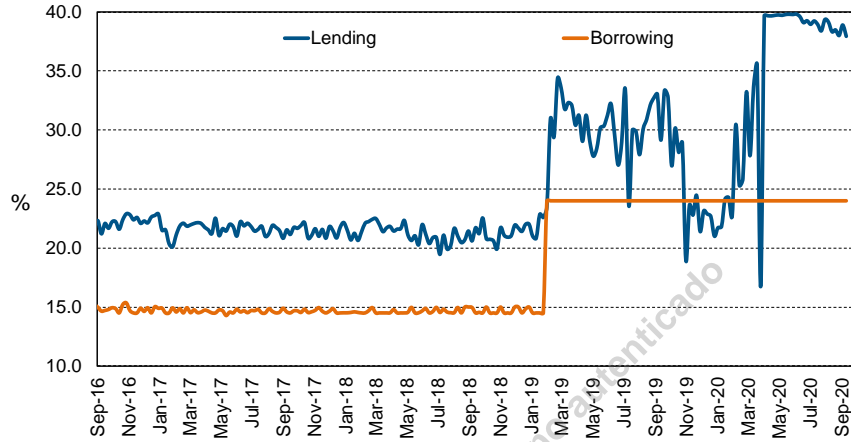
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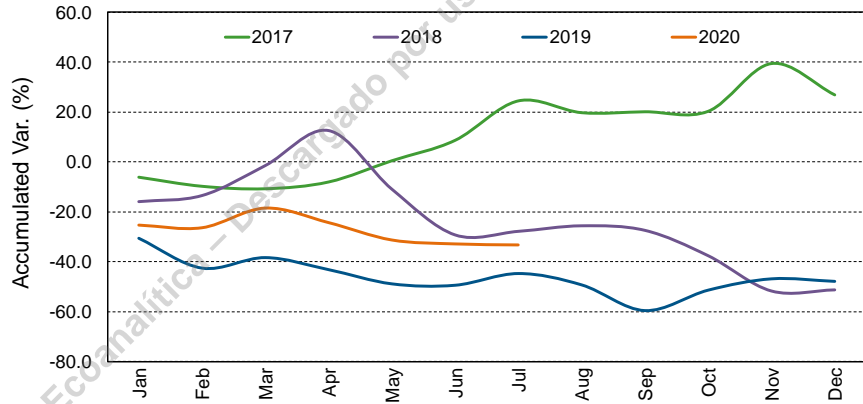
ECONOMIC INDICATORS

**Interest Rate
(Six major banks)**



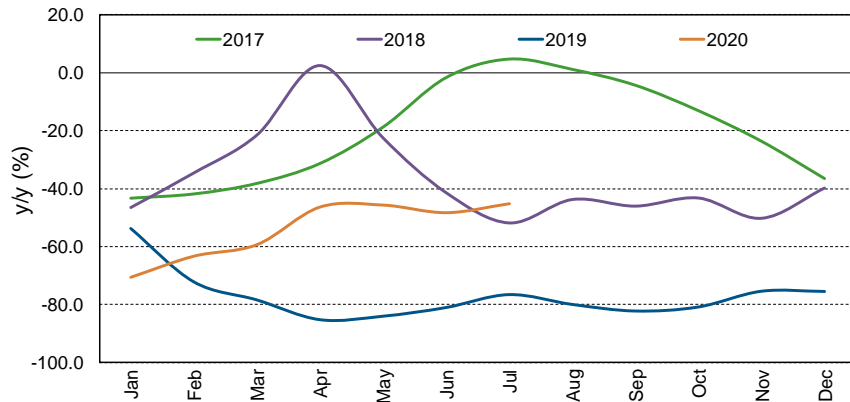
Sources: BCV and Ecoanalítica

**M2 Expansion
(Real)**



Sources: BCV and Ecoanalítica

**Loan Portfolio
(Real)**



Sources: SUDEBAN and Ecoanalítica

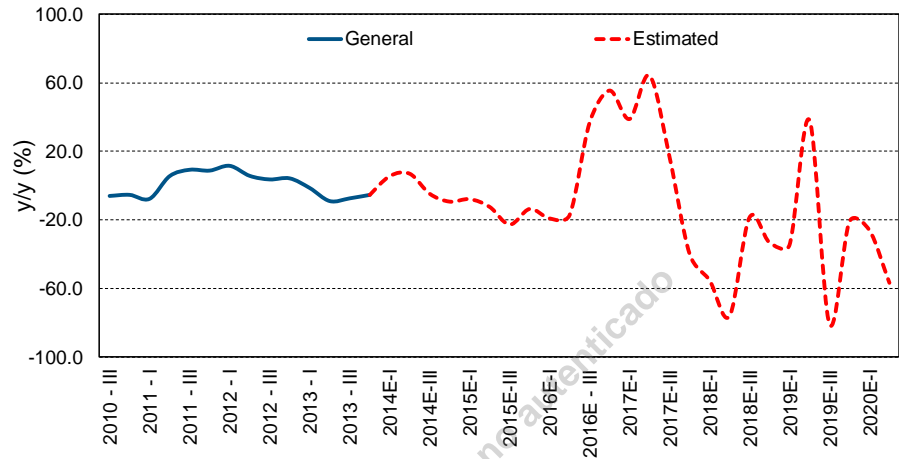
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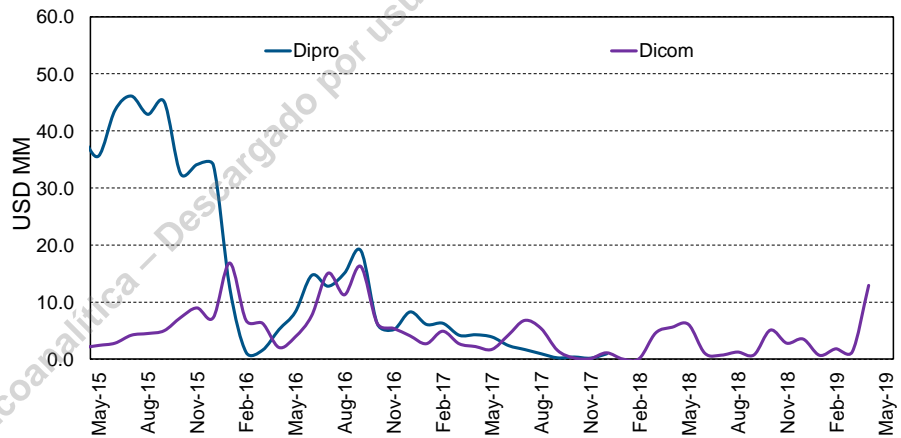
ECONOMIC INDICATORS

Real Wage Index



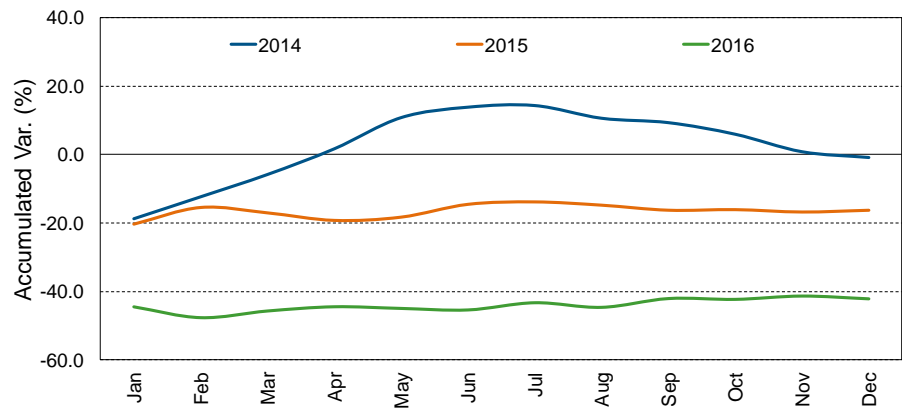
Sources: BCV and Ecoanalítica

Disbursements to the Private Sector (Daily Average)



Source: Ecoanalítica

Primary Spending NTO (Real - Central Government)



Sources: ONT and Ecoanalítica

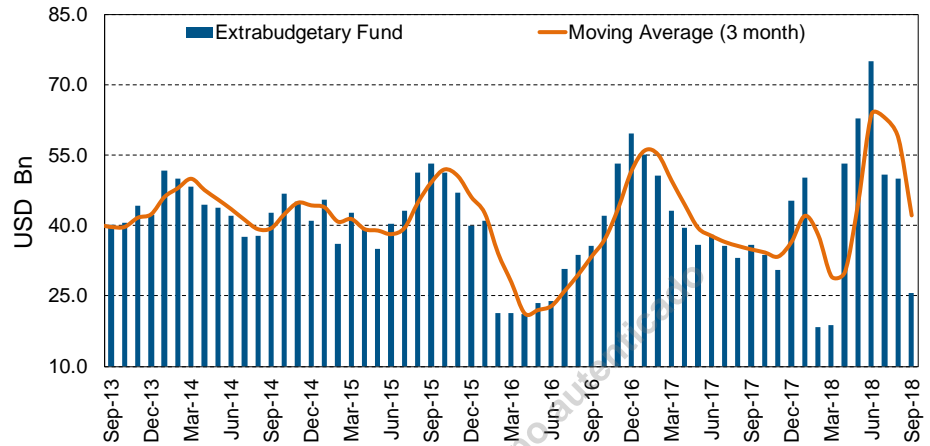
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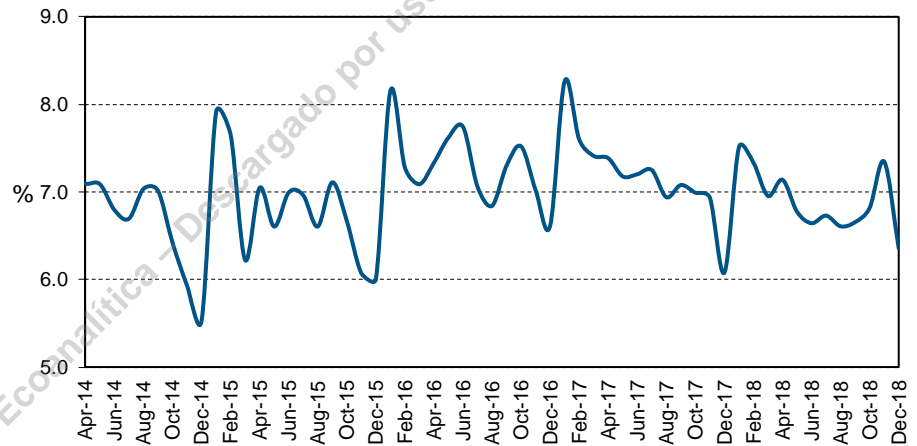
ECONOMIC INDICATORS

State Extrabudgetary Resources



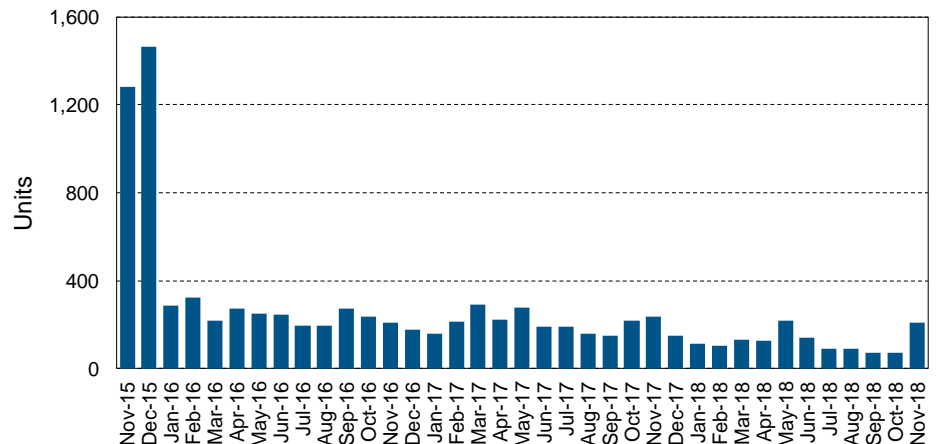
Source: Ecoanalítica

Unemployment Rate



Sources: INE and Ecoanalítica

Vehicle Sales



Sources: CAVENEZ and Ecoanalítica

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(+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



CONTACT US

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

Estados Unidos: +1 (212) 994.1850

Ventas@ecoanalitica.net

www.ecoanalitica.com

@ecoanalitica