



Weekly Report

Year 9, Number 35
Week II, September 2013

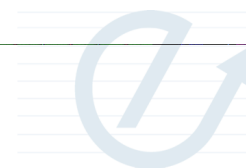
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Construction falling down

Ecoanalítica's Team*
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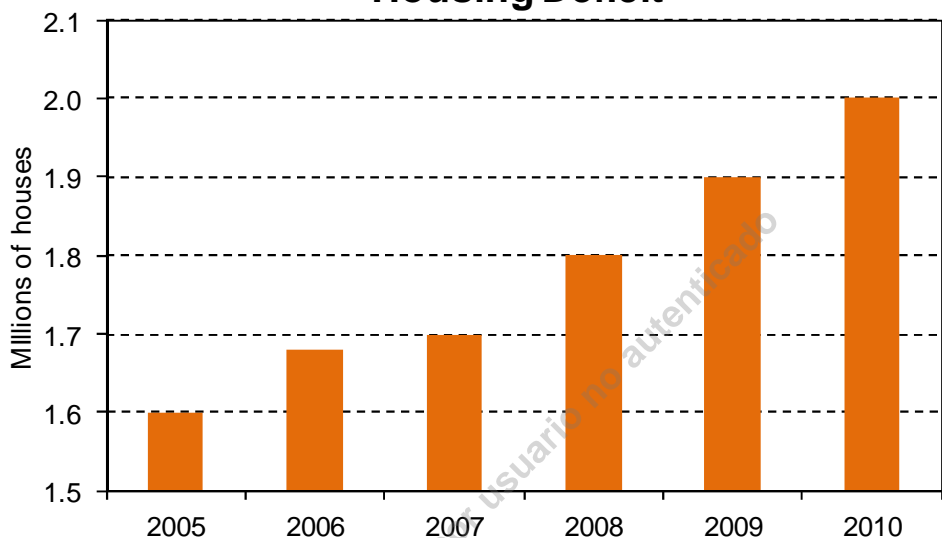
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The construction sector has always been relevant in our country's dynamism throughout the years: the banner of many presidential campaigns has been to energize the economy by expanding the construction sector. According to the latest statistics of the National Institute of Statistics (Instituto Nacional de Estadística - INE) in 2010 the housing deficit in Venezuela was 2.0 million; the Government, to solve this issue, created Gran Misión Vivienda Venezuela (GMVV) in 2011 to meet the target of building two million housing units in a 2011-2017 term, and from then on has had a firm posture regarding public construction.





Housing Deficit



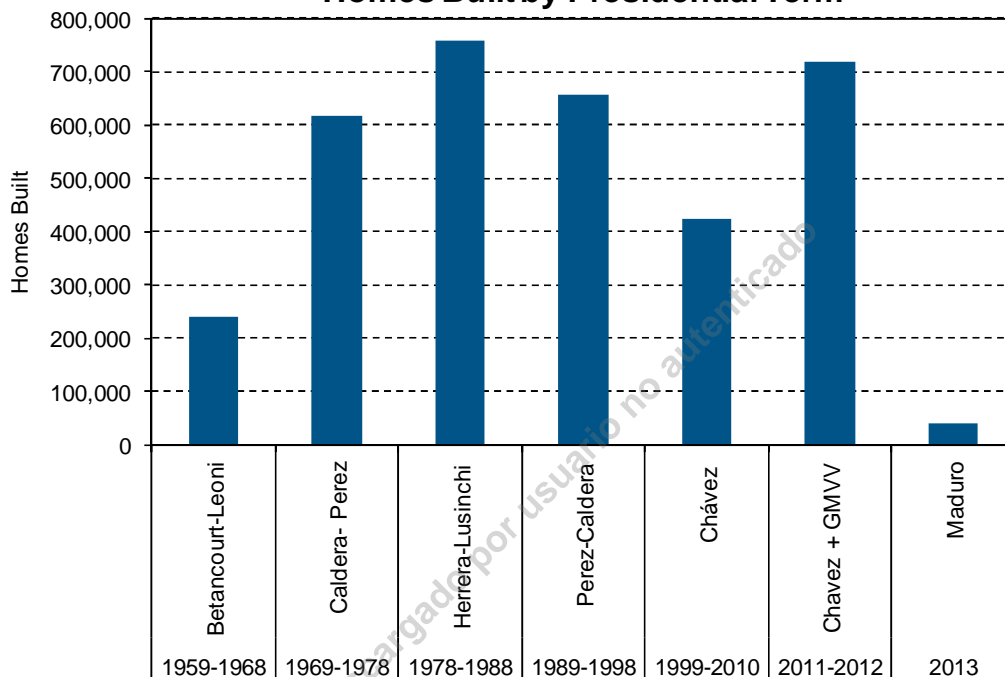
Sources: INE and Ecoanalítica

Between the years of 1999-2010 the public sector built a total of 283,452 housing units, and since the GMVV started two years ago, according to Government figures 422,340 have been built, meaning that public construction of housing units increased 48.9% and has become more important and dynamic.





Homes Built by Presidential Term



Sources: CVC and Ecoanalítica

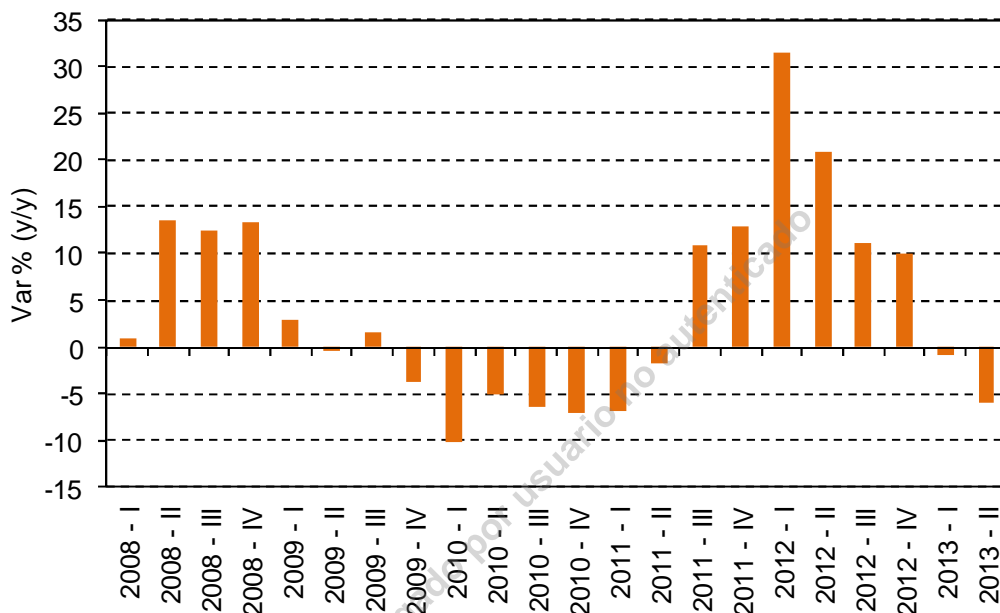
Reversal

For the second quarter of this year (2Q2013) the Gross Domestic Product (GDP) of the construction sector fell 6.0%, compared to 2Q2012. During eight quarters, the activity grew until 4Q2012, but slowdowns in spending and issues in the supply of materials, strongly affected the sector, which accumulates two quarters with a reversal of the trend: a contraction of 3.8% for 1S2013. The construction sector, next to the oil sector, has the heaviest weight in the Venezuelan economy (7.7%), therefore, its contraction significantly impacts total non-oil GDP.





Construction GDP



Sources: BCV and Ecoanalítica

Lack of materials

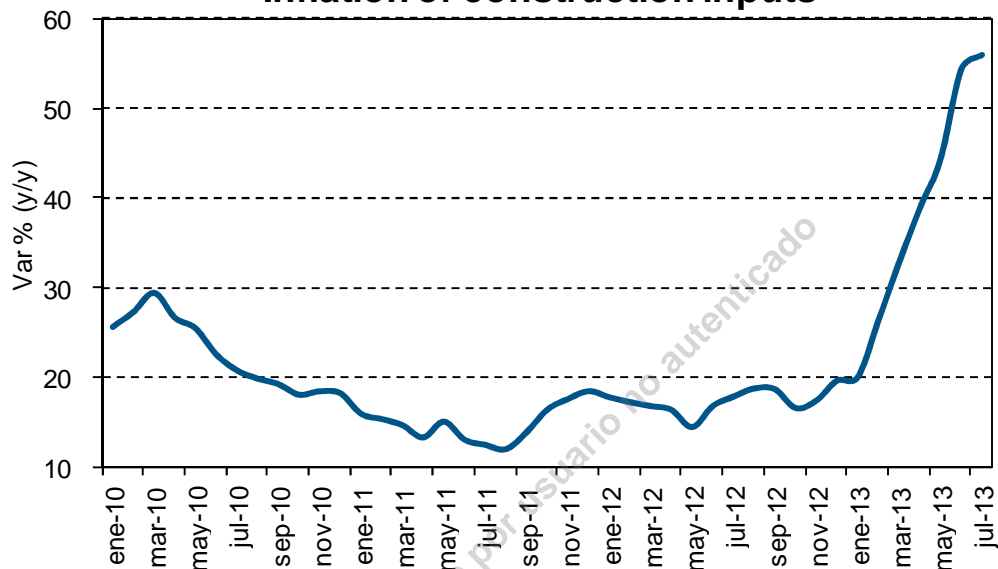
The poor performance of construction GDP is mainly due to the lower availability of raw materials like iron rods and cement. We must remember that most of the industries providing these materials are in the government's hands as a result of the expropriations, and starting in 2010 it is in charge of producing construction materials. The issue is that these State companies are not operating at full capacity, and once the GMVV started in 2011, the situation worsened due to an increase in the demand of these products. Thus, the Government set its priorities, allotting most of the production to public construction and limiting the amounts for the private sector, making it lose its drive, and from 1Q2010 to 4Q2012, it fell 15.9% on average

Together with the great shortage of construction materials, the price control of materials like cement and iron rods have reduced their production, distribution, and availability. Also, in July there was 55.8% increase in the price of other products for producers, compared to the same period last year. Since the GMVV started, the price of construction materials at the producer level increased 83.5%, making construction one of the most expensive sectors of our economy.





Inflation of construction inputs



Sources: BCV and Ecoanalítica

Public construction loses its drive

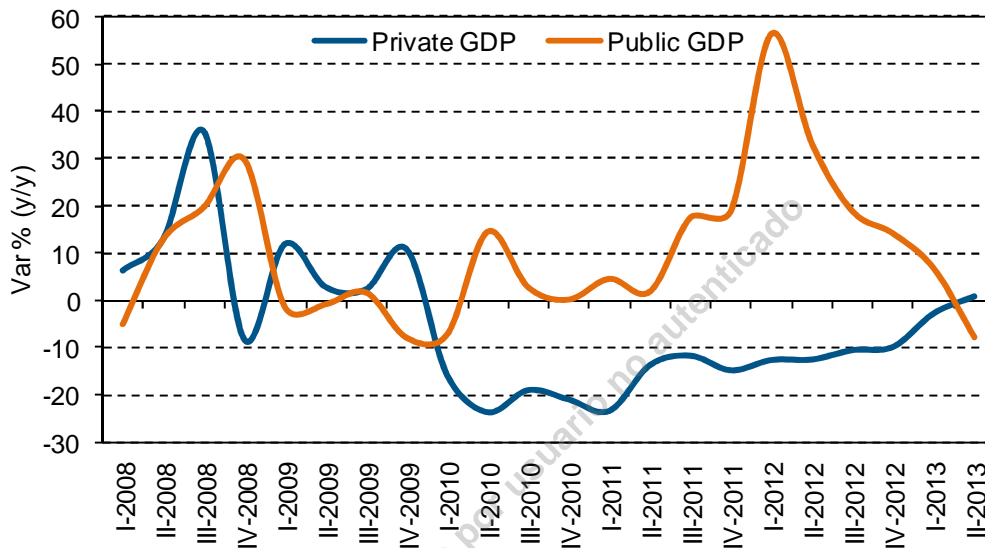
A report of the Central Bank of Venezuela (BCV) states that by 2Q2013 the drop in public construction responds to a lower execution of works for the GMVV, since many works have not been finished. This lower execution affected public construction, with a reduction of 7.9% compared to 2Q2012.

On the other hand, the private sector had a slight increase of 0.7%, driven by the execution of non-residential works like shopping malls, industrial complexes and offices. However, the limitation of materials, which mostly go to the public sector, the issues obtaining construction permits, and labor issues have prevented the private sector from recovering the drive it had in 2009, when the greatest amount of housing built by the private sector was recorded, that according to figures of the Venezuelan Chamber of Construction (CVC) were 68,196.





Construction GDP Public vs. Private



Sources: BCV, CVC and Ecoanalítica

And the GMVV in intensive care

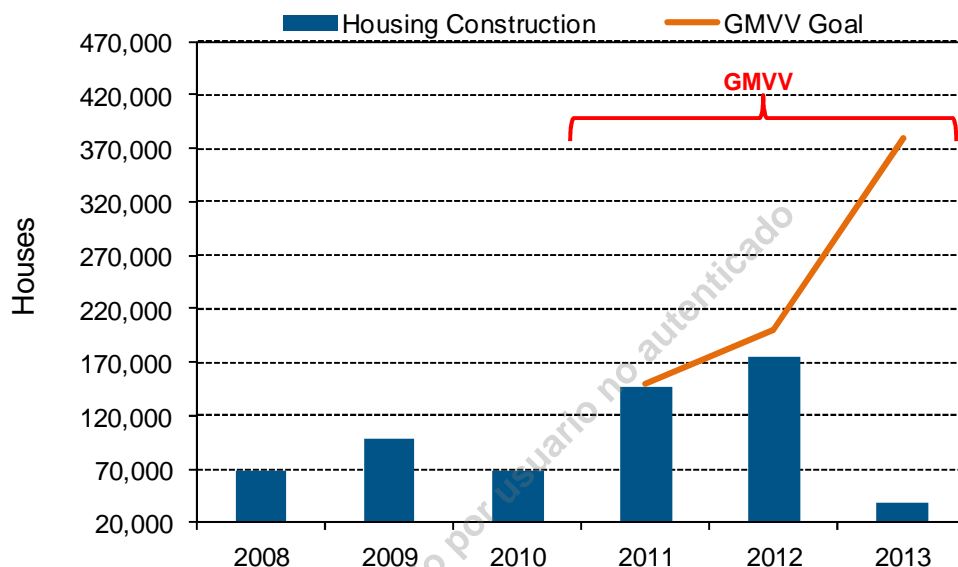
After the launch of GMVV in 2011, the government said that the construction sector would reactivate in its second anniversary; however, by the end of 2012 174,268 housing units had been built, or 87.1% of the target for 2013, so the outlook is quite different.

Figures from the Superior Housing Entity show that between January and May 2012, 63,315 housing units were finished, but during the same period in 2013 only 39,291 housing units were built. Thus, the number of finished units dropped 38.0%. The target for 2013 is to build 380,000 housing units, however, up to May, only 10.0% of the target had been reached. This means that for the remainder of the year, the government has to build 340,000 housing units to meet the established target, this means they will have to build 10,625 homes per week.





Housing Construction vs. GMVV Goal



Sources: BCV and Ecoanalítica

Materials are not the only issue

Despite the shortage of construction materials in the country, there are two additional complications: labor and trade union issues in the sector, and the policies implemented by the government.

According to a BCV report, the purchasing power of workers in this sector had the worst result among all other economic activities, falling 18.4% in real terms in the second quarter of the year, due to the high inflation that is 32.9%, which is higher than expected, and salary increases have fallen short. On the other hand, there are labor conflicts in the basic industries; labor stoppages, rallies, road blockages, and assemblies delay production in the sector and reduce its dynamism.

To revert this issue with the construction labor force, the government approved a 30.0% salary increase in the sector for this year, in 2014, a second part will be paid, between 25.0% and 30.0%, and in 2015 there will be a third increase, between 25.0% and 30.0%. Although these measures calm the situation in the short term, they will complicate the cost structure of companies.

Among the Government policies that have negatively affected the sector are delays in payments and delays in Government financing to finish the works, together with delays in contracting, which has led to a loss of trust in it, and a reduction of investments in the sector.



**Not everything
is lost**

We can summarize the issues of the construction sector into four components: first the Central Government's non-compliance with its policies and targets which has hindered the sector; second, the private sector has been very limited due to the actions of the CG and the wide area it has assumed in the construction sector; third, the labor force has been greatly affected by high inflation; and finally, the issues in construction materials, a key element to dynamize it.

Although the outlook of the construction sector is not bright, not everything is lost if the Government makes up for the time lost, drives the engine of the GMVV once again, boosts the basic industries to produce the materials necessary, and gives the private sector more freedom to act in construction; then there could be an improvement in the sector for the last quarter of the year, mainly given the elections, and thus an improvement in the economic growth of the country, which **Ecoanalítica** estimates it will be between 1.0% and 2.0%, we also estimate a growth between 1.5% and 2.0% for the construction sector.

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Economic Tips

Inflation reached 3.0% in August. According to figures published by the Central Bank of Venezuela (BCV), the National Consumer Price Index (Índice Nacional de Precios al Consumidor - INPC) variation for August was 3.0%, or year on year inflation of 45.4%.

Meanwhile, core inflation registered an increase of 3.9% in August. The year on year inflation registered 47.0%

Recreation and culture with highest inflation. Among the 13 categories studied by the BCV, recreation and culture group recorded the highest inflation in the month of August with 7.5%, followed by clothing and footwear with 4.4%, and alcohol and tobacco with 3, 9%.

CPI reached 2.9% in August. According to figures published by the Central Bank of Venezuela (BCV), consumer price index for the Metropolitan Area of Caracas (IPC-AMC) variation for April was 2.9%, or a year on year inflation of 43.4%.

Higher inflation for the poor. Although the year on year inflation in August of the consumer price index for the Metropolitan Area of Caracas (IPC-AMC) had a variation of 43.4%, inflation for class I of the population, which includes the poorest families, increased 48.5%. Classes II, III and IV registered a variation of 46.7%, 43.5% and 41.1% respectively.

Inflation in the controlled products was 34.6%. The controlled and non-controlled products recorded in August an inflation of 1.9% and 3.7% respectively, the goods that are subject to regulation advanced 34.6% over the same period in 2012, while non-controlled advanced 52.7%.

Geographical results. Of the 11 cities surveyed, San Cristobal in August recorded the highest inflation with 3.9%, followed by Merida and Barquisimeto with 3.3% and Maracaibo with 3.0%. Domains that major deceleration recorded in August were Barcelona-Puerto La Cruz with 2.1% and Caracas 3.0%.

Scarcity index increases. In August, the scarcity index increased from 19.4% to 20.0%, which means that out of every 100 products that consumers requested in stores, supermarkets and other establishments throughout the country, 20 were not available.



The world upside down. According to Eduardo Samán, President of Indepabis, the country's product shortages are due to supply issues, which is normal in an electoral year. Samán explained that whenever there are elections, shortages increase due to the practice of some economic sectors of deviating products trying to "*generate dissatisfaction among the population*".

Apparently now. Nicolás Maduro, President of the Republic, said that he doesn't rule out the creation of a new exchange rate system that complements the Foreign Currency Administration Commission (Comisión de Administración de Divisas - Cadivi) and the Complementary Foreign Currency Administration System (Sistema complementario de Administración de Divisas - Sicad). Maduro said that Cadivi covers between 92% and 95% of the country's currency requirements, and the purpose of the new system would be to meet the remaining percentage, to stabilize the exchange rate market.

Next week. Nelson Merentes, Minister of Finance, said that next week they will give the details of the new system to acquire currency. Merentes said that his office will give a press conference describing the phases of the new mechanism, and announce whether it will be implemented this year. The operation of the system shall be revealed "*when everything is agreed between entrepreneurs and the economic cabinet*", said Merentes.

The laws have to change. Nelson Merentes, Minister of Finance, said that the Exchange Rate Crimes Law hasn't had the expected results, and "*parliament representatives, economic agents and the Government*" know this. A possible reform of the Exchange Rate Crimes Law would allow the return of bond operations and the sale of dollars by Pdvsa, two fundamental pillars for opening a legal parallel currency market.

Price of imported goods is sky high. According to BCV statistics, the wholesale price of imported goods increased 32.0% in the first seven months of this year, clearly leaving behind the 5.4% increase during the same period in 2012, the largest increase in 13 years.

A scheme with Pdvsa at the head. According to unofficial sources, the greatest supplier in the new currency market would be Pdvsa, which with the reform of the exchange rate crime law, could sell at an exchange rate well over the Cadivi rate (VEB 6.3/US\$), allowing it to improve its cash flow since it would obtain more bolivars per dollar. Also, with the new market, exchange transactions with bonds in bolivars could resume.





We have the resources. Nicolás Maduro, President of the Republic, said that the country has enough currency to guarantee the operations of the economy up to 2016. "*The resources in bolívares are guaranteed so that Venezuela ends 2013 perfectly well, and up to 2016. We have the resources! We have them!*", said Maduro.

Almost last. According to the latest Global Competitiveness Report, by the World Economic Forum, Venezuela is one of the least competitive countries in the world, in place 134 out of 148 nations. The report defines competitiveness as the series of institutions, policies, and factors that determine the productivity level of a country, and places Venezuela in the next to last position for the continent, Haiti being the worst.

We grew in the second, but what about the third? According to the last report of Barclays Capital, the growth of the economy in the 2Q2013 was at the expense of a reduction in the Republic's foreign assets, which allowed public spending to maintain its pace. This is evidenced by the 33.5% (a/a) drop in cash deposits of the public sector abroad, which were US\$20.41 billion, the end of the 1S2013.

Interest rates. The lending rate for the first week of September was at 16.4%, up by 0.3 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 1.4% in the fifth week of August compared to the previous week, settling at VEB 912.99 billion. The M2 has increased 62.9% in relation with the same period last year.





Oil Tips

US\$1.24 billion for litigations. Pdvsa is today immerse in different suits and litigations (as is the Republic as well) before ICSID and the International Chamber of Commerce (ICC), for expropriations and alleged non-compliance with oil contracts, ending 2012 with a provision of funds for US\$1.24 billion for those claims. This information was published by Pdvsa's Accounting Report of 2012.

Oil workers strive for a salary increase. Willis Rangel, President of the Unitary Labor Federation of Venezuela (Federación Unitaria of Trabajo de Venezuela - Futpv), informed that the federation will present the Labor Ministry a draft collective bargaining agreement for the sector. Rangel said that the main aspiration of workers are the adjustment in the amount of the Electronic Food Card of workers, a salary increase, pension improvements, and the reactivation of recreation areas and clubs for workers.

Drilling barge sank. A drilling barge of Pdvsa with 20 crewmembers sank last week in Lagunillas, Zulia, according to workers of the oil company. The barge sank due to bad weather conditions, and the sailors were rescued by boat that was in the area. Francisco Luna, executive secretary of the Futpv, said that the accident was due to the little or zero maintenance given to water operation equipment by Pdvsa.

Colombia will pay VEB 4.9 per liter of gasoline. Rafael Ramírez, Minister of Oil, informed that the price of the liter of gasoline sold in Colombia went from VEB 1.86 to VEB 4.9 a through the dispatch agreement with Ecopetrol for the North Department of Santander, and with Wayúu cooperatives for the Colombian Department of the Guajira. This new price is a 163.4% increase, and is considerably higher than the present price in Venezuelan territory, of VEB 0.097.

Re-supplying the border. The gas stations that respond to the Special Border Fuel Supply Service shall be supplied with 10 million liters per month, twice the supply available in those stations, at a price of VEB 12 per liter, according to Rafael Ramírez, Minister of oil.

More than one year later. Rafael Ramírez, Minister of Oil and Mining and President of Pdvsa, presented the technical report of the state owned oil company regarding the explosion in the Amuay refinery, more than one year ago. Pdvsa's investigation shows that the gas cloud in block 23 of the sphere zone of the refinery was caused



by the accumulation of 3,570 barrels of olefins in a non-confined space, due to the meteorological conditions of that day.

Another sabotage. Minister Ramírez explained, after presenting the reasons for the explosion in Amuay before oil industry representatives and workers that everything was due to sabotage. *"We have elements that lead to the conclusion, without any doubt, that it was a deliberate sabotage action that led to the explosion and the terrible consequences for the people and the country"*, said Ramírez in his explanation.

Everything under control. Rafael Ramírez, President of Pdvsa and Minister of Oil, explained that after the nationwide blackout, there were no problems in refining, transmission, distribution, gas compression process or in production areas. Likewise, Rafael Ramírez cleared out concerns about gasoline supplies nationwide, saying that it was guaranteed. He also explained that the Alberto Lovera Plant and the Thermoelectric Center in Anzoátegui and Carabobo participated in restoring the electric power system.

Gas pipeline progressing. A section of the José Francisco Bermúdez North Eastern Gas Pipeline was inaugurated in Nueva Esparta, to transport natural gas to industries, businesses, and residences in Margarita and Coche. It goes from Cumaná to Isla Margarita. With the inauguration of the gas pipeline, the thermoelectric plants Luisa Cáceres de Arismendi and Juan Bautista Arismendi will be supplied by natural gas, reducing liquid fuel consumption.

Imports at a winners' pace. During the 1S2013, Venezuelan exports of oil and refined products to the U.S.A fell 9.5% compared to the first half of last year, evidencing the priority given to the markets in China and India regarding oil and refined products shipments. However, the import of refined products from U.S.A increased 92.0% according to the U.S. Energy Department during the same period.

Trying to stop smuggling. 272 gasoline chips have been retained by the National Guard, which were used to smuggle gasoline to Colombia from Táchira. Some of the irregularities observed was the use of chips belonging to vehicles being repaired, to transport fuel from other vehicles.

Petrocaribe gives a push. Rafael Ramírez, Minister of Oil, announced at the Ministerial Council of Petrocaribe that during its 8 years of existence, the agreement has helped negotiate more than 232 million barrels. According to the Minister, this guarantees 40.0% of electric power consumption in the Caribbean, equivalent to an average of 80 kb/d per year, delivered according to the statutes of the oil alliance.



Petronas out of Petrocarabobo. The Malaysian Oil Company Petronas is leaving Petrocarabobo, one of the largest projects in the Orinoco Oil Belt, due to tensions with Pdvsa regarding contract terms. Pdvsa has 60.0% of the project, while the remaining 40.0% belongs to a consortium formed by Petronas, Repsol, ONGC and two other Indian companies.

International oil baskets. At closing time on September 06th in the New York Stock Exchange, the price of the WTI was US\$107.9/bl, down by 0.1% when compared to the reported the previous week. The Brent increased by 1.1% to reach US\$114.8/bl, compared to the previous week's US\$113.5/bl.

Local oil basket price. The Venezuelan oil basket price closed last week at US\$107.0/bl on Friday September 06th, a 0.2% decrease compared to the US\$107.2/bl of the previous week. The annual average price of the Venezuelan oil basket is US\$102.8/bl.

Business Sector Tips

Manufacturing: 16 years of stagnation. According to figures of the Production Volume Index of private manufacturers, prepared by BCV, between 1997 and June of 2013 it only grew 15.4%, or an average annual growth of only 1% in the last 16 years. The situation is even worse in nine industrial areas, which according to BCV produce less today than 16 years ago, among them textiles, clothing, leather tanning, machinery, and equipment, as well as vehicles.

Food sales fall. According to BCV figures, food sales dropped in June, after increasing since February of this year. In food retailers, the drop was 2.2%, while for wholesalers, the drop was 6.8% and for those retailers that don't sell food exclusively, the drop was 7.2%.

Poor growth. The price index, volume, and value of the private industry, prepared by BCV between 1997 and June of 2013, clearly reveal that we are in a dis-industrialization process, since during that period, private production only increased 15.4% in real terms. This increase is barely half the population increase for the same period according to INE, which was 31.3%.





4.166 housing units for 17 states. Ricardo Molina, Minister of Housing and Hábitat, said that the GMVV will deliver 4,166 housing units to families in Miranda, Falcón, Trujillo, Nueva Esparta, Lara, Mérida, Anzoátegui, Sucre, Aragua, Carabobo, Cojedes, Delta Amacuro, Zulia, Amazonas, Apure, Capital District, and Portuguesa. Molina also said that those benefitted by this upcoming housing units come from different shelters, and said that of the 40,000 people in the shelters, there are approximately 4,000 left.

Car production in reverse. Car production has fallen significantly this year, and Cavenez figures are clear, indicating that between January and August 2013 50,967 vehicles were assembled, a 32.7% drop compared to the same period the year before, when 75,752 cars were produced. The data also show that only in August 7,134 vehicles were assembled, which compared to the 9,464 vehicles assembled in August of 2012 represents a drop of 24,6%.

Stop the import of vehicles. Automotive industry workers requested the Administration to suspend the import of finished vehicles to *"preserve currency to cover the needs of the nation and other activities that contribute to GDP"*, and showed their concern for the possible closing of several companies due to the entry into force of the Law Regulating the Purchase and Sale of Vehicles.

Industries and businesses having a hard time. Jorge Roig, President of Fedecámaras, explained that blackouts are nothing new, and happen all the time in the interior of the country; however, last week's blackout was special because it was general. Eduardo Garmendia, President of Conindustria, said that any electric power interruption has negative consequences for the industrial process, because although they have auxiliary plants, companies see their yield reduced.

Speculators will be intervened. President Nicolás Maduro informed that all businesses involved in speculation, hoarding or sabotage will be intervened directly by the Administration. Maduro said that he will use a hard hand and ordered the National Bolivarian Armed Forces to include in the Plan Patria Segura a special plan especial to back the actions of Sundecop and Indepabis against hoarding and speculation.

Organoponics return. President Nicolás Maduro informed that the Government will promote again organoponic planting, to try and fight inflation and shortages. *"I want us to strongly resume production through organoponics, so that communal councils and communes become food producers"*, said Maduro, adding that they gave instructions to the ministries in the agro-productive and economic areas to resume the projects that started a decade ago.



Subsidy payment mechanism established. Official Gazette N° 40.245 established the mechanism to pay the subsidy of domestically produced paddy rice, white corn, yellow corn, and soy. It will be done as follows: The centers receiving the crops must create a file for each producer, including some documents (copy of ID card or RIF, Document Proving that they are Producer, Reception Ballots, and Mobilization Guides).

New president of Abastos Bicentenario. Fabiana Rodríguez has been appointed president of the Abastos Bicentenario supermarket network, according to Official Gazette N° 40.246. Rodríguez, who had already been marketing vice-president of the state network of popular markets, Mercal and member of the board of the Superintendence of Silos, warehouses and agricultural deposits, will replace Rafael Coronado Patiño, who had been President of the supermarket network since 2011.

World Economy Tips

Good signs. According to the Global All-Industry Output Index- Gaio estimated by JPMorgan investment bank, global economic growth reached in August its highest rate of the last 16 months, thanks to a significant increase in service and manufacturing activities. The industrial index was 55.2 points in August, 1.2 points more than in July, giving signs of a greater expansion of global manufacturing.

The Eurozone moderates its contraction. The economy of the 17 countries in the Eurozone dropped 0.5% (a/a) altogether in 2Q2013, according to data published by the Statistics Department of the European Union (Eurostat). Among the countries with a positive performance in 2Q2013 are Estonia (1.4%), Slovakia (0.8%), Germany (0.5%) and France (0.3), while Cyprus (5.2%), Greece (3.8%), Slovenia (2.2%), and Portugal (2.0%) had the greatest contractions.

Still a burden for global trade. Roberto Azevedo, Director General of the World Trade Organization (WTO) said that the organization reviewed its growth estimates of international trade for 2013 downward, and expects it to be 2.5%, instead of 3.3%. Azevedo explained that the main reason for the review is that the economy of the European Union (EU) was expected to increase in the second quarter of this year, which didn't happen.



Better 2013, worse 2014. The European Central Bank (ECB) forecasted a better outlook for the economy of the Eurozone this year, forecasting a contraction of 0.4% (a/a), 0.2pp over the 0.6% (a/a) expected three months ago. At the same time, the ECB reduced its economic growth forecast for 2014 by 0.1 pp, from the 1.1% (a/a) estimated in June.

The same policies. A lower economic slowdown, a greater number of orders for manufactured goods, a lower inflation (1.3% a/a in August when in July it was 1.6%) were the indicators considered by the ECB to maintain its monetary policy stable. The ECB maintained the main refinancing rate at a historical low level of 0.5%, the deposit rate at 0%, and its marginal rate at 1.0%.

But the crisis isn't over. The group of the 20 largest economies in the world (G-20) stated that although the global economy is improving, it is still too early to state that it has ended, since emerging markets are confronting a growing volatility due to the possibility that the US Federal Reserve (FED) puts an end to its bond purchase program (monetary expansion), which would restrict investment flows to their economies and slowdown their growth.

Symbolic measures. Within the framework of the G-20 meeting, the emerging economies known as Brics (Brazil, Russia, India, China and South Africa) agreed to inject US\$100.0 billion to a reserve fund to help counteract a possible balance of payment crisis. Although the amount injected is considerable, it is symbolic considering the billions of dollars negotiated in the exchange rate markets of those countries.

The results can already be seen, but the measures continue. The Bank of Japan (BOJ) maintained stable its monetary policy, while it reviewed its evaluation of the economy upwards, driven by signs of benefits derived from its expansive economic policy. The BOJ maintained its commitment of increasing the purchase of assets at a pace from 60 billion yen per year (US\$594.0 billion) to YEN 70 billion per year (US\$692.0 billion).

Not so bad for Greece in 2013. Antonis Samaras Greek Prime Minister, said that the economy of his country will contract less than expected this year, and will grow again in 2014. Samaras' statements come a week after the growth figures of Greece were revealed, showing a 3.8% (a/a) contraction during 2Q2013, the lowest in almost three years due to an improvement in the tourism sector.

Benefits are over. According to the General Secretary of the Economic Commission for Latin America and the Caribbean (ECLAC), Alicia Bárcena, the economic driver for exports in Latin America started dropping, so the region must get used to a



“mediocre growth” in the near future. Lower growth expectations for China and a more difficult access to cheap financing for the countries in the region (given the normalization of US monetary policies) will affect the growth of the region in the next years.

Political Tips

From bad to worse... or so it is seen in Venezuela. According to the latest survey by the Venezuelan Institute of Data Analysis (Instituto Venezolano de Análisis de Datos - IVAD), 67.5% of Venezuelans have a negative perception of the country's economic situation. IVAD's measurements reveal that the negative perception about the economy increased 17 pp in the last four months.

And a Government hanging by a thread. According to the latest on economic and political perceptions of the Venezuelan population done by IVAD, 66.9% of Venezuelans qualify the present political situation as “unstable”. The study by IVAD also revealed that 48.3% of the population isn't satisfied with the election of Nicolás Maduro, while 44.6% say that "*Nicolás Maduro has thrown away the legacy of Hugo Chávez*" during his administration.

Who are the corrupt? Regarding the perception of corruption study by IVAD at the end of August, 62.8% of those surveyed consider the Government responsible for its persistence, 52.0% believes that during the administration of Nicolás Maduro there has been more corruption than during the government of Hugo Chávez, and only 7.1% believe that the measures announced to fight corruption will be useful.

Hard hand against speculators. Nicolás Maduro, President of the Republic, called on entrepreneurs "*to not participate in speculation and hoarding*", adding that companies that participate in speculative plans, hoarding or sabotage will be intervened directly by the Administration. Regarding supplies, Maduro reminded that the Government invests billions of dollars to guarantee food production in the country, and the import of basic products.

Punishing vote. The IVAD study reveals that 60.0% of Venezuelans are willing to vote in the municipal elections of December 8. 66.4% said that they would "definitely vote". Only 15.0% said that “definitely” or “probably” won't vote. Most (43.0%) said they disagreed with the ruling party candidate for their municipality.



The Government has to rectify. Henrique Capriles, Governor of Miranda, said that a wide majority believes that the economic outlook is negative and that the Government is responsible; there *"will come a moment were either the Government rectifies or it won't be able to cope with the situation"*. Capriles also reminded that the constitution provides several mechanisms that could put an end to the Government, through democratic and peaceful means, before it finishes the 6 years of mandate.

Out because of a decision against it. This week Venezuela's decision to abandon the Inter American System of Justice entered into force, leaving all individuals in the country without the protection of the Inter American Human Rights Court. Venezuela announced last year its decision to leave the Inter American System of Justice, after a decision of the IACHR in favor of Raúl Díaz, accused of terrorism and tried for putting bombs in the diplomatic headquarters of Spain and Colombia in Caracas.

A great setback. Amnesty International (AI) asked Venezuela to revert its decision to leave the Inter American Commission on Human Rights (IACHR), a decision it considers a "serious setback". For AI, the decision is *"an affront to the victims of human rights violations, and places future generations of Venezuelans at risk"*, and also *"goes against the Venezuelan Constitution, which guarantees access to international organizations for protection"*.

"We are not the ones that have to rectify". Elías Jaua, Foreign Affairs Minister, defended Venezuela's decision to withdraw from the Inter American Human Rights System. *"As long as there isn't an integral transformation (...) of the Inter American Human Rights System, Venezuela won't be part of it"*, said Jaua, who also added that Venezuela doesn't have to rectify, but the IACHR.

Death of Chávez will be investigated. President Nicolás Maduro informed that the Government is waiting for *"the historic moment"* to create a commission of scientists to investigate the causes of the *"strange, abrupt, and surprising disease"* that caused the death of former President Hugo Chávez. Chávez died in March, after suffering from cancer for XX years and took him to the operating room XX times.

Yet another challenge. Henrique Capriles, Governor of Miranda, informed that his campaign command presented before the IACHR and the UN Human Rights Commission, the challenges against the electoral process of April 14. On May 2, Capriles challenged the whole electoral process, and was considered inadmissible by the Constitutional Hall of the Supreme Court of Justice (TSJ) due to lack of precision about the acts challenged, and lack of documents considered indispensable.

All to the left. Luis Emilio Rondón, political director of the National Electoral Council, informed that the first phase to select the position in the electoral is over, in which 52



national political organizations participate, and the indigenous representation. The Card of Unidad Democrática for the municipal elections will be on the last line of the first column, down and to the left in the electoral ballot, while PSUV will have its logo and image with the eyes of Chávez in the first row, to the left.

Legislatives Tips

Try to fulfill the agenda. The Integral Social Development Commission of the National Assembly (NA), headed by representative Oswaldo Vera, will try during the second legislative period of 2013 to create several laws in its agenda, like the Special Law for the Socialist Council of Workers, the pension and other economic assignment law, and the health regime law, and the national public health system law. A new law is added to the agenda: the social security law for artists and culture workers.

New laws will come. Both the bill regulating and controlling funeral and cemetery services, and the Draft Law on the rental of business spaces, presented to the Coordinating Commission of the NA by the President of the parliamentary entity, representative Elio Serrano, are ready in terms of their articles and the public consultation. Thus, Serrano hopes that by the end of the year they become Laws of the Republic.





ECONOMIC OVERVIEW

