

## Regionals 2017: the electoral map towards 2018

Only five months since the Attorney General denounced a constitutional crisis, and just two months after the government put an end to four months of intense protests by imposing an unconstitutional National Constituent Assembly (ANC), Venezuela is getting ready to, once again, set off down the electoral path in the middle of an unprecedented humanitarian crisis.

In **Ecoanalítica**, we believe that Venezuelans must not go down through a false debate between an electoral fight and street protests, because they are both valid pressure mechanisms. For the moment, with more than a week until the elections, the opposition's coalition has decided to participate in the October 15<sup>th</sup> contest. The objective is to show political strength and corner up the government between losing a significant amount of regional states, or perpetrating a massive electoral fraud under the eyes of the international community, which would trigger another round of sanctions.

Although they may be atypical, the elections scheduled for October 15<sup>th</sup> pose a challenge for both sides, at the end of a year that was filled with uncertainty on the political front. At **Ecoanalítica** we have set for ourselves the task of elucidating what the political map in Venezuela will look like on October 16<sup>th</sup>, how we will get there, why, and which will be its repercussions in the medium term.

### What are the questions?

During political confusion and a fierce debate, Venezuelans will go to the polls once again. Broadly speaking, there are several questions: Who are the candidates? Who will be the winners? How many states will end up red, and how many will be blue? How will the actions of the National Electoral Council (CNE) affect the results? What will the significance of abstention? and how might the political map look like in the event of presidential elections being held next year? The purpose of this report is to answer, one by one, these and other questions regarding what might happen on October 15<sup>th</sup>.

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### In the first place, what is the average candidate like?

Before getting into the electoral process as such (and everything that it involves), it is worth describing the average candidate who is running at these elections. In short, a candidate's profile has a direct impact on the perception that the population might have of him, and of the people's inclination to vote for that candidate. Bearing this in mind, at **Ecoanalítica** we constructed a model of the "average candidate" for the October 15<sup>th</sup> regional elections.

*The average pro-government candidate* is male (82.6%), about 53 years of age, has been a governor (57%) or a minister (70%), but does not have experience as a mayor (17%) or in the legislature (35%). This candidate has a strong military background (43%), in some states he hopes to be reelected as governor (48%), and took part in the Constituent National Assembly in 2017 (26%) but preferred to opt for a regional governorship.

*The average opposition candidate* is also male (87%), around 52 years of age, does not have sufficient experience as a governor (26%) or a mayor (39%), but does have sufficient experience in the legislature (78%). He is running strictly as a civilian and has no trace of a military background. He is moderately *Adeco* (52%), but represents an alliance of five parties and one independent.

**The Average Candidate (Regional Elections 2017)**

Attributes	PSUV	MUD
Experience Gob. + Alc.	70%	52%
Experience as Governor	57%	26%
Experience as Mayor	17%	39%
Parliamentary Experience	35%	78%
Experience as Minister	70%	-
Military Background	43%	-
Deputy for the ANC	26%	-
Aspiring a Re-election	48%	-
Political Party (MUD)	-	52,2% AD
Age	52.7	51.6
Sex	82,6% (M)	87% (M)

Source: Ecoanalítica

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## The model.

In our attempt at approximating to what might happen on October 15, we came across the first problem: How can we transfer what is a nationwide political trend to the different states? In a nutshell, even though they share similar ideological and cultural characteristics, and are generally suffering from similar problems, the states differ in the way they have behaved at elections in the past

For this reason, even though a sizeable number of opinion polls show a clear rejection of the present administration (which largely favors the opposition)<sup>1</sup>, it would be a mistake to assume that this situation will be transferred homogeneously to each of the states. The population is different, the electoral processes and candidates are different, and the context changes from election to election.

Given this situation, and taking a series of models used in previous elections as reference<sup>2</sup>, the idea is to break down the election considered as a nationwide process into 23 elections (one for each state), to draw out what the political map in Venezuela might look like on October 16<sup>th</sup>.

We will start with the premise that the national political debate (how people perceive the situation in the country) and expected levels of abstention will be the main determining factors. Furthermore, not all states display the same behavior when it comes to these variables. For example, the weight of abstention on Miranda's results is far different from that in Lara or Portuguesa. The same happens with the impact of people's perception of the country's situation.

Henceforth, the objective of the model was to calculate the different elasticities<sup>3</sup> of the pro-government vote, considering the people's perception of the situation in the country, and the levels of abstention (based on the results of nine previous elections).

Regarding the metric, our country-perception variable will be the "country climate" measured by the polling agency **Consultores 21**. For the "abstention" and "*Chavista* results" variables, we used data published by the CNE. Once we calculated the

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<sup>1</sup> As revealed in the latest opinion polls conducted by the pollsters Datanálisis, Consultores 21, and Croes, Gutierrez y Asociados, among others.

<sup>2</sup> [Omar Zambrano \(2015\)](#) and [Francisco Toro y el equipo de Caracas Chronicles \(2010\)](#)

<sup>3</sup> Broadly speaking, when we talk of elasticities we refer to how sensitive one variable is to changes in another variable.

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elasticities<sup>4</sup>, based on an assumed abstention on October 15<sup>th</sup> and the latest information available from **Consultores 21**, we were able to draw a map for October 16<sup>th</sup>.

### 18 to 5.

Based on the results generated by the model, assuming a degree of stability in the country climate indicator in terms of what happened in 2Q2017, and with a similar level of abstention as in the 2012 regional elections (close to 46%), the opposition should obtain 18 governorships against the government's core 5. But in recent weeks the participation indicators have even gone higher. If the opposition manages to achieve participation levels similar to those in the 2015 parliamentary elections (where curiously the same leaders who preach abstention today, used to preach it then), they could actually win in all states except Delta Amacuro. In the following days, the opposition's capacity to obtain a higher participation level and "educate" its voters will be fundamental for the advance of democratic values.

#### Regional Elections 2017

Amazonas	MUD	Nueva Esparta	MUD
Anzoategui	MUD	Portuguesa	MUD
Apure	MUD	Táchira	MUD
Aragua	MUD	Trujillo	MUD
Barinas	MUD	Vargas	MUD
Bolívar	MUD	Zulia	MUD
Carabobo	MUD	Sucre	PSUV
Falcón	MUD	Yaracuy	PSUV
Lara	MUD	Guárico	PSUV
Mérida	MUD	Cojedes	PSUV
Miranda	MUD	Delta Amacuro	PSUV
Monagas	MUD	MUD <b>(63.4%)</b> vs PSUV <b>(36.4%)*</b>	

Sources: Ecoanalítica

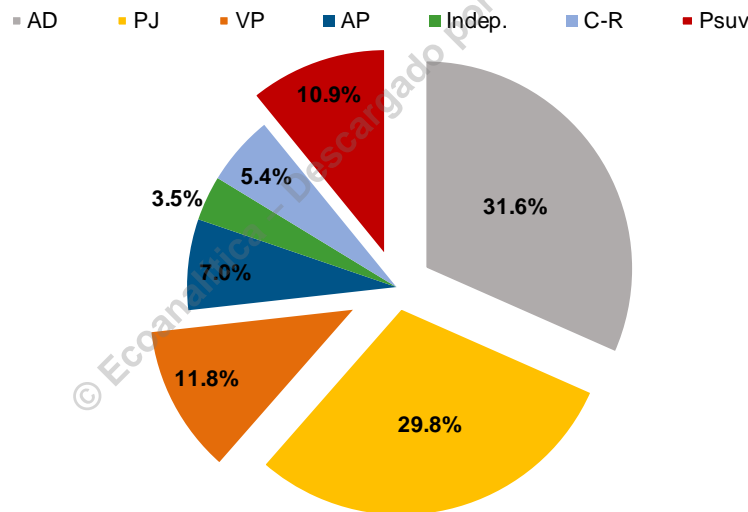
\*National Total

<sup>4</sup> The method of calculation is based on 23 log-log regressions for each state, taking the results obtained by the pro-government vote as the dependent variable, whereas the perception metric and abstention will serve as independent variables.

Following our abstention assumption, we estimate that the opposition will obtain around 63.6% of the votes nationwide, achieving a historical opposition win. In this scenario, if we break down the votes into the Democratic Unity Alliance and the remaining opposition parties, we find that, in terms of governorships, the first political party in Venezuela would be *Acción Democrática* (AD) with nine governorships, followed by the United Socialist Party of Venezuela (PSUV) with five, *Primero Justicia* (PJ) with four, *Voluntad Popular* (VP) with two, and *Avanzada Progresista* (AP), *La Causa R* (CR) and independents with one governorship each.

However, if we ponder based on population, we find a political structure headed by AD, followed immediately by PJ, then VP, the PSUV, AP, CR, and the independents coming last. Hence, despite winning five governorships, the PSUV would drop to the fourth place as a political force in Venezuela.

### Political Map after the Regional Election

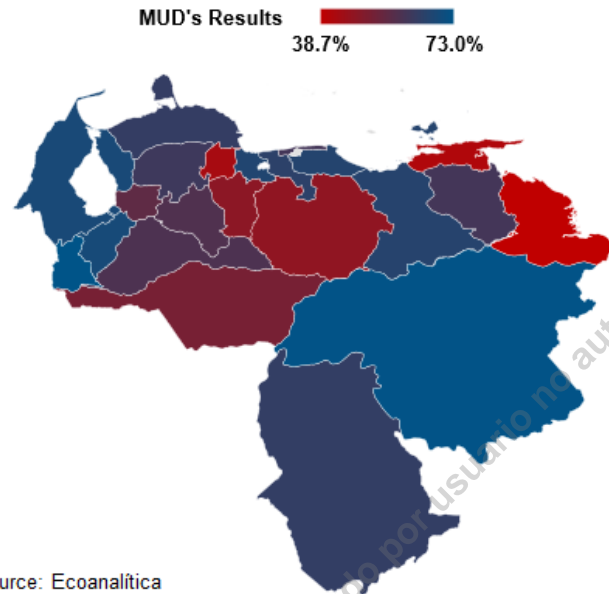


Source: Ecoanalítica

In this scenario, the opposition would win by a margin of more than 10% in more than 14 states (by obtaining more than 60% of valid ballots) and with a margin of more than 5% in the four remaining states.

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### Estimations for the Regional Elections 2017



Additionally, according to the model, on average, abstention has historically favored the pro-government candidates in recent years, in each of the states, and more so in those where the opposition has done better (Zulia, Táchira, Mérida, and Miranda, to name but four). In other words, high participation has always favored the opposition's cause.

#### The CNE shock.

Even though an initial projection gives the opposition 18 governorships, the different irregularities in the campaign, as well as the way the elections are set up, take on a hugely relevant role in what, potentially, could be a victory by the opposition on October 15<sup>th</sup>. Here are some of the main irregularities:

1. The National Electoral Council's refusal to replace the candidates who did not win at the opposition primaries on the ballot sheet with those who did.
2. The political disqualification of many mayors and other opposition leaders who have an important level of popular support in a number of states.
3. The elimination of some 7000 polling booths in areas that are historically dominated by the opposition, forcing voters to travel longer distances and with less access to public transport.
4. Suspension of the use of indelible ink, which helps to avoid people voting more than once.

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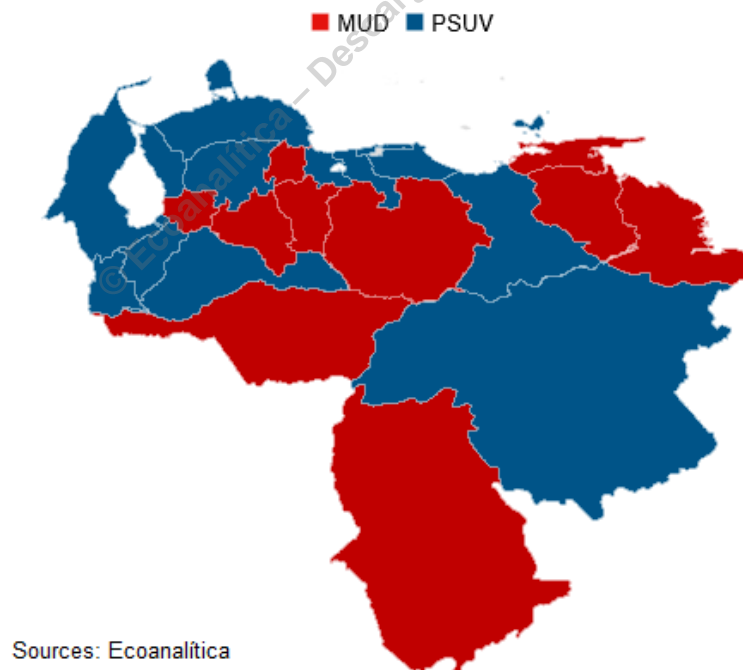
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These irregularities could potentially change the results in as many as 5 states: Amazonas (multiple opposition candidates), Monagas (significantly sensible to the issue of lack of candidate substitution), and Portuguesa, Trujillo, and Apure (close margin). Essentially, by not complying with the electoral law, which clearly states in its calendar a specific time for candidate substitution, the CNE could hand out 5 states to the regime. But in any case, if current conditions stay the same, no candidates are disqualified, and no anomalies occur, the opposition would go from controlling 3 governorships in the present to 13 in the worst-case scenario, or even 22 (if the electorate decides to go out and vote).

### How will this leave the map?

In a scenario in which the effect of these irregularities is absolute, the opposition would win 13 governorships against 10 by the pro-government parties. This would mean that, even though the opposition would come out the winner in terms of the number of votes, the PSUV would be better positioned in the political map in the short term.

### Regional Results with CNE Shock



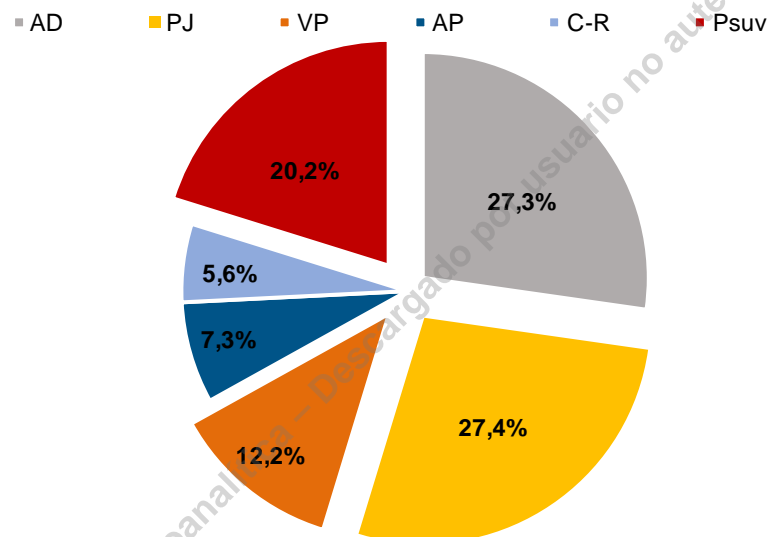
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If this scenario plays out, where the regime's lack of institutionalism is used to favor its own odds, *Primero Justicia* would become the main political force in Venezuela, with 4,718,312 electors under their governorships, followed by *Acción Democrática* with 4,686,651, the United Socialist Party of Venezuela with 3,469,926, *Voluntad Popular* with 2,101,200, and in the last places *Avanzada Progresista* and *La Causa R* with 1,250,901 and 964,327 respectively.

### Political Map after the Regional Election (considering the potential impact of the CNE)



Source: Ecoanalítica

### What is the winning candidate like?

*The winning pro-government candidate, on average,* tends to be female as opposed to the average candidate, who is male (70%), and to have more experience as a governor (70%) but less as a minister (50%) or a legislator (30%). She (or he) still tends to be someone with a military background (30%) or was a member of the Constituent National Assembly (10%), but less so than the average pro-government candidate. It seems that the *Chavistas* who win are the ones who more closely fit the role of governor and who have spent more time putting down roots where they have governed.

*The winning opposition candidate, on average,* is definitely male (92.3%), has less experience as governor than the average opposition candidate (15%), but more experience as mayor (54%). The area where he has experience is definitely the legislature (85%), because the opposition candidates include a large number of deputies who won seats in the December 6, 2015 elections. Last of all, this candidate is more

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diverse in party terms than the average opposition candidate: only 46% are *Acción Democrática*, which leaves more room for *Primero Justicia* (23%) and *Voluntad Popular* (15%).

### The Average Candidate (Regional Elections 2017)

Attributes	PSUV	MUD	PSUV (Winner)	MUD (Ganador)
Experience Gob. + Alc.	70%	52%	90%	54%
Experience as Governor	57%	26%	70%	15%
Experience as Mayor	17%	39%	20%	54%
Parliamentary Experience	35%	78%	30%	85%
Experience as Minister	70%	-	50%	-
Military Background	43%	-	30%	-
Deputy for the ANC	26%	-	10%	-
Aspiring a Re-election	48%	-	70%	-
Political Party (MUD)	-	52,2% (AD)	-	46,2% (AD)
Age	52.7	51.6	51.6	50.1
Sex	82,6% (M)	87% (M)	70% (M)	92,3% (M)

Source: Ecoanalítica

### The change.

It's logical to assume that after five years of a deep economic crisis, the vast rejection from the population towards the government's model flirts with being absolute. Now, as we mentioned previously, a nationwide trend won't necessarily translate to all states. The fact that some rural states have a serfdom-based structure, as well as the regime's inherent advantages, could give them additional governorships.

However, the government stands today near the possibility of losing most of their governorships. At this point, a new debate opens up: is the government capable of closing the gap even more with new tricks and cheats? In **Ecoanalítica** we believe they can't. On broad strokes, the persistent pressure from the international community, and its threat of further sanctions, significantly increase the costs of undemocratic strategies.

From the opposition's side, it will be necessary to appropriately define the minimum electoral conditions to participate in 2018's scheduled elections. If they opt for staying inside the electoral field, the real challenge will be to develop an efficient communicational strategy that accomplishes the education of their average voter and transmits the importance of voting as a medium of achieving results. Our strength depends on our unity. Finally, two important political forces will emerge from this election, and will lead towards

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2018: AD and PJ. In the case of VP, even though they couldn't consolidate a win in the primaries, they will still be a competitive force in 2018.

It's still early to reach further conclusions. However, in **Ecoanalítica** we believe that 2018 will be a crucial year to define if the country finally settles in the path to democracy with a new political leadership, with critical changes in the political and economic front. If not, we will be stuck in a vicious circle of wealth destruction, authoritarianism, and generalized poverty. In any scenario, the following weeks will significantly determine the path that Venezuela will travel.

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## WEEKLY INDICATORS

Weekly Economic Indicators			
	1st Week September	Weekly var. (%)	Depre/Apre (pp) <sup>1</sup>
<b>FX Dicom (VEF/USD)</b>	3345.0	2.9	2.8
	4th Week September	Weekly var. (pp)	Annual var. (pp)
<b>Lending Interest Rate (%)</b>	21.8	0.2	0.1
	5th Week September	Weekly var. (pp)	Annual var. (pp)
<b>Overnight Interest Rate (%)</b>	0.1	0.1	-1.4
	5th Week September	Weekly var. (%)	Annual var. (%)
<b>International Reserves (USD Bn)</b>	9.9	0.6	-17.5
	4th Week September	Weekly var. (%)	Annual var. (%)
<b>Monetary Liquidity (VEF Bn)</b>	39,594	5.9	505.6
Price of International Oil Baskets (USD/bl)			
	5th Week September	Weekly var. (%)	Annual var. (%)
<b>WTI</b>	51.7	3.2	12.4
<b>Brent</b>	57.9	3.8	22.1
Price of the Venezuelan oil basket (USD/bl)			
	5th Week September	Weekly var. (%)	Annual var. (%)
<b>Weekly Average</b>	50.4	3.9	29.8
<b>Annual Average</b>	44.3	0.4	32.1

Sources: BCV, MENPET, ONT and Ecoanalítica

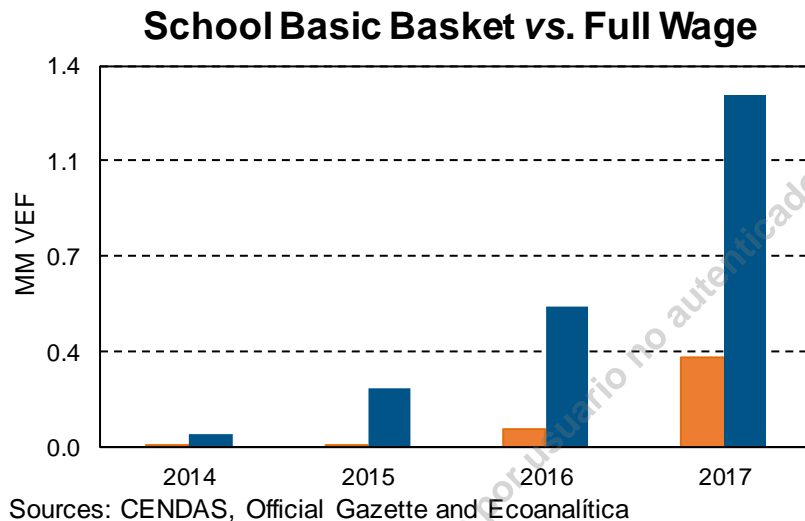
\* Annual variation of accumulated expenditure.

<sup>1</sup> Depreciation (+)/Appreciation (-)

Price of the Venezuelan oil basket published in yuans since 09/08/2017

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**CHART OF THE WEEK: “VIOLATED RIGHTS”**


The minimum standard of living is becoming a luxury for people in Venezuela. Families are becoming daily more hard pressed to cover needs such as food, health, clothing, and education. Voracious inflation, added to the distortion in relative prices and the restricted supply of goods and services, has made access to a wide variety of basic goods difficult.

In Venezuela, some services are free of charge, among them public education. However, despite this the cost of school supplies, uniforms and other items the schools require pupils to supply in order to properly carry out their activities, add a far from trivial cost to the family budget.

According to the Documentation and Social Analysis Center of the Venezuelan Teachers' Federation (CENDAS-FVM), a child in basic education requires an investment of approximately VEF 1.3 million in order to start school year 2017-2018. That is equivalent to four full wages (minimum wage plus meals allowance) or 9.5 minimum wages. Out of that amount, 72.3% goes on uniforms, 14.6% is for school supplies, and the remaining 12.9% is for textbooks. An average family (with an income equivalent to two full wages and two children of school age) would be able to cover only 25.1% of those expenditures.

The right to quality education is provided for in the Constitution. The government is under the obligation to create the necessary conditions for the proper educational development of the population, where free education means not only free of charge but also free access to quality education.

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**ECONOMIC TIPS**

**An injection of public funds.** At a meeting with the regime's candidates for the states of Monagas, Lara, Mérida, Guárico, Falcón, Delta Amacuro, Zulia, Vargas, Trujillo, Táchira, and Portuguesa, President Nicolás Maduro announced the distribution of funds amounting to VEF 498.77 billion to these states.

**How is the cake divided up?** Falcón is to get VEF 140.03 billion, Zulia VEF 49.89 billion, Guárico VEF 56.79 billion, Lara VEF 147.17 billion, Mérida VEF 44.53 billion, Vargas VEF 78.12 billion, Trujillo VEF 32.76 billion, Delta Amacuro VEF 60.91 billion, and Monagas VEF 98.43 billion. These funds are to be put to a wide variety of uses, from infrastructure to health.

**Gold for the reserves.** The Minister for Ecological Mining Development, Víctor Cano, stated that some 476 kilos of gold (equivalent to 45 ingots) had been sent to the Central Bank. This latest delivery brings the amount of gold from the Mining Arc received by the Central Bank to just over 4 tons, a figure that, according to the minister, "*had not been reached since 2009.*"

**Three-times world champion.** Venezuela ranked last for the third year running in the EFW (Economic Freedom of the World) Index. The index was presented by the Center of Dissemination of Economic Knowledge for Freedom (Cedice Libertad) together with the Fraser Institute of Canada. Venezuela scored below 5/10 on all items evaluated, with the healthy currency indicator posting the worst score (1.9).

**Rejection from nearer home.** Rick Scott, the governor of Florida, announced a new bill which would prohibit the State of Florida from investing in any company having ties with individuals associated with the Nicolás Maduro administration. However, the governor stated that this prohibition would not apply to "*businesses that provide much needed goods and services to the Venezuelan people.*"

**Crumbs don't make a difference.** The international reserves closed at USD 9.93 billion. While this is an increase of 0.62% compared to the close of the week, the reserves posted a drop of 1.8% compared to the close of August and of 9.7% compared to the close of 2016.

**It continues to grow.** According to figures published by the Central Bank of Venezuela, money supply closed the week of September 22 at VEF 39.59 trillion for an increase of 279.7% compared to 2016.

## OIL TIPS

**Evasive measures.** After holding a meeting with the vice president of Rosneft (Didier Casimiro), the Oil Minister (Eulogio Del Pino) commented that, as a result of the sanctions imposed by the United States at the end of August, PDVSA and the Russian state-owned oil company were studying alternative mechanisms in order to be able to maintain trade relations.

**To stop the decline in production.** Minister Del Pino commented that, at the meeting, they also discussed developing a plan to increase the production of the joint ventures Petromiranda, Petrovictoria, and Petromonagas.

**Things grew in September.** Ivan Freites, a member of the board of the Unitary Federation of Workers in the Oil, Gas, Derivatives and Like Industries (Futpv), said that the production capacity at El Palito, Amuay, Cardón, and Puerto La Cruz refineries had shrunk by 70% over the past two years. Installed production capacity is 1.3 mb/d.

**Consequences of terrible management.** Freites commented, moreover, that due to the decline in the country's production capacity, it has been necessary to import more than 100 kb/d to meet domestic consumption, ten times more than at the end of the 1970s.

**Looking for more barrels.** The president of PDVSA, Nelson Martínez, met with representatives of Halliburton and Schlumberger with a view to evaluating the rehabilitation of wells in Zulia state and the northern part of Monagas. In statements by Martínez published in a press release, he commented that this cooperation could raise production by between 200 kb/d and 300 kb/d.

**Everything's under control.** This Saturday, Minister Del Pino gave assurances that the supply of gasoline is guaranteed throughout the country. He attributed the supply problem to the economic sanctions imposed by the United States, which have delayed the payments of sales to PDVSA.

**No pluses without minuses.** According to an exclusive published by *El Mundo*, there are plans to raise the price of gasoline to just above the cost of production. However, the source of the information insists that the increase is to be announced along with a series of direct subsidies to be distributed through the Carnet of the Fatherland.

**SPS on the Venezuelan oil scene.** Venezuela's ambassador in Russia, Carlos Farías, and the CEO of Southern Procurement Services (SPS), Manuel Chinchilla, held a

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meeting during the Russian Oil Fair 2017. They discussed the features of the investment agreement between PDVSA and SPS.

**It has Russian support.** At the meeting, Southern Procurement Services (SPS), a company owned by Venezuelans and registered in the United Kingdom, reached several commercial agreements with the Rimeria Group: consultancy services to be provided by the Russian company; an exclusivity agreement for the Alnas brand of piping for the acquisition of electric submersible pumps; and the opening of a line of credit for SPS.

**Prices, a lifesaver.** The investment bank Torino Capital stated that it expects oil exports to go up by 18.3% thanks to higher crude prices. In the same statement, it pointed out that exports had gone up by 37.7% in the first half of the year compared to the same period last year.

**Things looked up in September.** OPEC production increased by 50 kb/d in September due to higher production in Iraq (40 kb/d) and Libya (50 kb/d), both of which are exempt from the agreed cuts.

**What's the reason for that?** However, the reason for the increase has to do solely with the upturn in prices, as the volume of crude sold fell by 2% in the first quarters of 2017 compared to the same period in 2016.

**Still lagging on full compliance.** It is estimated that compliance with the production cut agreement by OPEC member countries is 86%, down from August (89%).

**China's consumption is still strong.** According to its customs statistics, China imported 281.1 million tons of crude in the first eight months of 2017, an increase of 12.3% (950 kb/d) compared to the same period last year.

**Players switch places.** The same source reports that Saudi Arabia has now fallen to third place as the country exporting most crude to China. Saudi crude exports to China fell by 1.7% (to 1.03 mb/d) in the first eight months of the year compared to the same period in 2016. Currently, China imports more crude from Russia (1.16 mb/d) and Angola (1.05 mb/d).

**Looking at 2018.** The International Energy Agency (IEA) expects crude stocks to increase in 2018. Olivier Lejeune, an oil storage market analyst at the IEA, added that this increase assumes of stable OPEC production, which will mean that no big jumps in stocks in OECD countries will be observed, and also takes into account the uncertainty regarding Chinese imports and projections for US shale oil.

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## BUSINESS SECTOR TIPS

**On the right path.** President Nicolás Maduro announced that, this week, they will be handing over the 1,800,000<sup>th</sup> home built under the Great Venezuela Housing Mission since this program was created six years ago. He also revealed that the target for this program is to hand over 3 million homes by 2019.

**They're busy at the ports.** 6,900 tons of malted barley arrived at the port in Maracaibo from Belgium. Boliports also reported the arrival of 252 containers on board the Nikolas and the UBC Sagunto.

**That includes departures as well.** According to statements by the president of Puerto Cabello Chamber of Commerce, Jorge Aroca, 11,000 containers have departed from Puerto Cabello terminal so far this year, 20% more than during the same period in 2016.

**Guaranteeing the flow.** As part of its operation under the Strategic Plan for Guaranteeing the Circulation of the Monetary Cone carried out without prior warning in the provinces, the Superintendency of Banking Sector Institutions (Sudeban) inspected 10,428 establishments. The outcome was 2631 administrative procedures and 145 penal procedures plus the blocking of 194 points of sale and 540 more in the process of being blocked. Besides that, access to 65 accounts was restricted and VEF 966,833,230 was seized.

**Oil for the ninth engine.** Minister for Tourism Marleny Contreras stated that the sector has VEF 200.0 billion for developing more than 900 projects that, according to the minister, are currently being executed.

**A present for the return to classes.** President Nicolás Maduro announced the conclusion of the distribution via the Carnet of the Fatherland of a VEF 250,000 bonus to 3 million families to assist with the purchase of school supplies.

**Centralizing efforts.** President Maduro also confirmed the creation of the Consorcio Agroalimentario del Sur, also known as Agrosur, which will gather together all domestic agricultural production. Reinaldo Castañeda has been appointed as its president.

**Will it be a good year?** President Maduro announced that, by the end of the year, it was planned to plant more than one million hectares of corn and another 361,000 hectares of rice, levels that, according to Maduro, have not been achieved since the crop cycle 2007-2008. Furthermore, Minister for Agricultural Production and Lands Wilmar Castro Soteldo

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said that 641,341 hectares had been given over to cereal crops and that it was planned to cover 70% of the sacks needed to plant the entire surface to be planted with corn.

**Carabobo, a power state.** Vice President Tareck El Aissami announced the creation of a Special Productive Economic Zone in the Puerto Cabello-Morón region with a view to “consolidating the new economic model sustained on social production and overcoming difficulties.” Candidate to the governorship of Carabobo Rafael Lacava was appointed as the person in charge of the agency.

**Mettle of aluminum.** Minister for Basic, Strategic and Socialist Industries Juan Arias stated that Venalum was to change its scheme for exporting aluminum products. Priority will now be given to sales in the domestic market, leaving surplus primary aluminum for export. This decision was taken due to the withdrawal of 140 pots from production last week due to power failures.

**The big fish.** Minister for Fisheries and Aquiculture Orlando Maneiro said that the Fish Fair and Sardine Caravan programs have catered to nearly 12 million customers since their creation, and in particular they have distributed sardines to 9.9 million people.

**Present and future workers.** Vice Minister for Youth and Sports Yurami Quintero said that Agro-urban Job Plan for Young People announced by President Nicolás Maduro has plans to gradually bring 100,000 young people on board. She added that there are already plans to find jobs for 10,000 young people in the mining sector and to place 25,000 more in jobs having to do with sports.

## WORLD ECONOMY TIPS

**Revised upward.** Growth in the US economy during the second quarter was revised upwards to 3.1% compared to the same quarter last year from the original report of 3%. This means that the world’s biggest economy posted its best rate of growth since the first quarter of 2015.

**Confidence in the future.** In September, confidence in the economy in the euro zone reached its highest level since July 2007 at 113.0 points of the pertinent index from 111.9 points in August. All sectors of the economy, except the financial sector, showed strong optimism regarding the future.

**Accompanied by growing demand.** The Purchasing Managers’ Index (PMI) for the manufacturing sector in the euro zone was 58.1 points in September, up from the 57.4

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points posted in August and the highest score since February 2014. It is expected that the good results will be maintained throughout October, at least.

**Not everything tallies.** According to preliminary calculations, in September inflation in the euro zone was 1.5% year-on-year versus 1.6% forecast by analysts. This result is still a long way off the inflation target of 2% set by the European Central Bank.

**Falling into a slump.** In the second quarter of the year the British economy posted its worst performance since 2013, with growth of 1.5% compared to the 1.8% posted in the first quarter. This drop occurred in an environment of uncertainty owing to the country's withdrawal from the European Union.

**There's confidence in Japan as well.** Confidence among companies in Japan reached its highest level since September 2007, according to a quarterly survey conducted by the Bank of Japan. The survey produced a score of 22 points of the benchmark index, overshooting the 18 points forecast previously by analysts.

**And higher production.** Industrial production in Japan exceeded expectations in August, going up by 2.1% compared to July. This result was driven by the production of construction equipment, automobiles, and electronic parts.

**Prices gather momentum.** Similarly, the underlying consumer price index in Japan, which includes oil products but excludes fresh foods, went up in August by 0.7%, year-on-year, its biggest monthly increase since 2015. Analysts attribute this result to higher energy prices.

**Lots of jobs, few workers.** The positive price and inflation results in Japan occurred in a situation in which unemployment was at 2.8%, its lowest level in 23 years. This situation is due, in part, to a contraction in the economically active population in Japan because of the aging of the population.

**The stimulus continues.** According to the president of the Banco Central do Brasil, Ilan Goldfajn, the bank plans to implement a moderate cut in the reference interest rate in the near future. Analysts forecast that the interest rate will go down to 7% from the current 8.25%.

**Emerging from the tunnel.** Manufacturing activity in Brazil as measured by the Purchasing Managers' Index (PMI) went up in September for the sixth month in a row to 50.9 points, repeating the result for August. In the past few months activity has been driven by strong demand, both at home and abroad.

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**Albeit with ups and downs.** Even so, Brazil's industrial production fell in August by 0.8% compared to July, considering seasonal factors, after four consecutive months of growth. The drop was due to the lack of rain in the central-southern region of the country, which affected agro-industrial production.

**Next year will be better.** According to forecasts by the Chilean Government, Chile's economy will grow by 3% in 2018, supported by higher public spending and improved expectations for global trade. The government also forecasts a reduction in the fiscal deficit to 1.9% from the 2.7% expected this year.

## POLITICAL TIPS

**Avoiding problems.** Minister of Defense Vladimir Padrino López stated that the country's political sectors are the only ones that can help solve the crisis the country is experiencing. He stated that the Bolivarian National Armed Force (FANB) should not intervene in solving the conflict. *"Only the politicians are going to solve this problem; it is not via the military route that it will be solved,"* he claimed.

**Listen to your own advice.** President Nicolás Maduro demanded that Prime Minister Mariano Rajoy of Spain deal with what is happening in Catalonia and forget about the situation in Venezuela. President Maduro also questioned the repression by the police during the referendum on Catalonia's independence, alleging that the Catalanian people *"only wanted to exercise their democratic right to the vote."*

**Seeking to cover all bases.** The Democratic Unity Alliance has presented a new strategy for protecting the votes at the regional elections scheduled for October 15. The Alliance's campaign chief, Gerardo Blyde, announced the deployment of a Suffrage Defense Commando, the purpose of which will be to *"avoid an election fraud being committed, in the event that the National Electoral Council (CNE) and the government decide to try it."*

**Make no mistake.** The Democratic Unity Alliance also denounced that the Nicolás Maduro administration is manipulating the law by not allowing the substitution of candidates on the ballot for the regional elections. Its spokesperson, Gerardo Blyde, said that *"we're going to denounce each violation of the law wherever it's necessary..."*

**Severe punishment.** Governor of Miranda State Henrique Capriles Radonski said that the regional elections should be seen *"as a way of punishing Maduro."* *"We have to ratify that we're the majority and, what is more, we must fight because we are facing extremely adverse conditions..."* he explained.

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**The most motivated sector.** As for Deputy to the National Assembly Juan Andrés Mejía, he pointed out that the leaders of the Democratic Unity Alliance, including himself, had the challenge of motivating middle-class voters who do not see the need to take part in the gubernatorial elections to exercise their right to vote.

**Divided, but not that much.** President Nicolás Maduro said that the Venezuelan opposition had abandoned the political dialog after “*internal fights*” over the candidatures for the regional elections. In an apparent contradiction, President Maduro then claimed that “*that there is 90% progress for reaching a first agreement among Venezuelans, despite our differences.*”

**The accusations continue.** Former Prosecutor General Luisa Ortega Díaz said that torture had become a practice in Venezuela. In her statements at the Prosecutors’ and Attorneys’ Convention in Peru, Ortega Díaz claimed that Venezuelans “*have increasingly fewer rights and attempting to exercise any of them can turn them into prisoners of crime...*”

**“He who rests is lost.”** Secretary General of the Organization of American States (OAS) Luis Almagro said that the sanctions against the Nicolás Maduro regime should be stronger and more general to achieve the goal, which is Venezuela’s return to the path of democracy. However, he also said that there should be internal pressure too, so he called on the Venezuelan opposition to be “*strong.*”

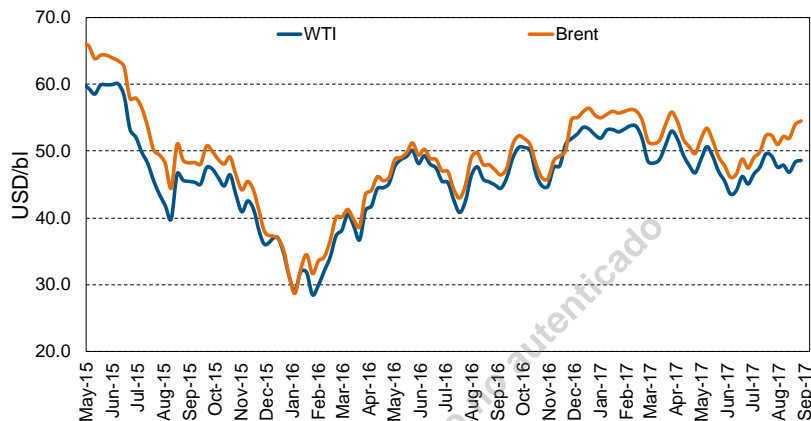
**Seeking sanctions.** Almagro suggested that the sanctions should apply to the entire government, which, in his opinion, is a regimen that “*has completely finished with the rule of law.*” Consequently, the secretary general of the OAS commented that “*multilateral sanctions are needed; let the European Union join in.*”

**Calling for answers.** The president of the National Assembly, Julio Borges, reported that a commission of deputies handed in a document to the National Electoral Council (CNE), in which they urged the CNE to comply with the Organic Law on Electoral Processes. Borges stressed that they would report the irregularities that have been occurring during the election campaign as well as the lack of a response from the CNE regarding the substitution of candidates on the ballot.

**The eternal enemy.** President Nicolás Maduro denounced an alleged plan being orchestrated by the Venezuelan opposition to sabotage public services in the run-up to the elections. “*They attacked a very important power station; there weren’t any consequences, but it was a terrorist attack...*,” he said. He also warned employees of the state-owned oil company, PDVSA, regarding possible damage to the oil industry.

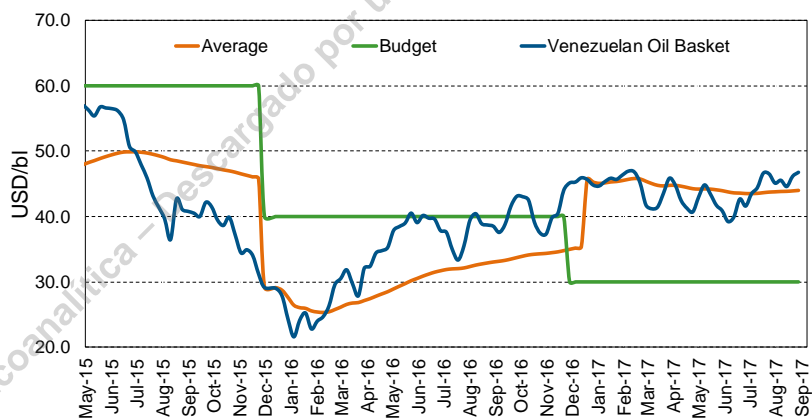
**ECONOMIC INDICATORS**

**Oil Prices (WTI and Brent)**



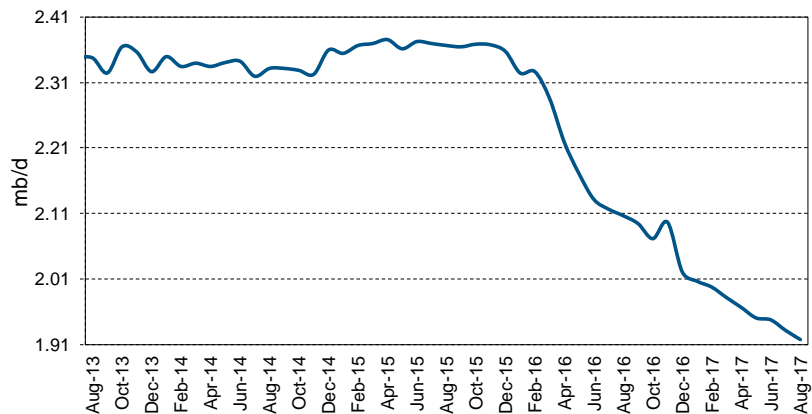
Sources: Menpet and Ecoanalítica

**Oil Price (Venezuelan Basket)**



Sources: Menpet and Ecoanalítica

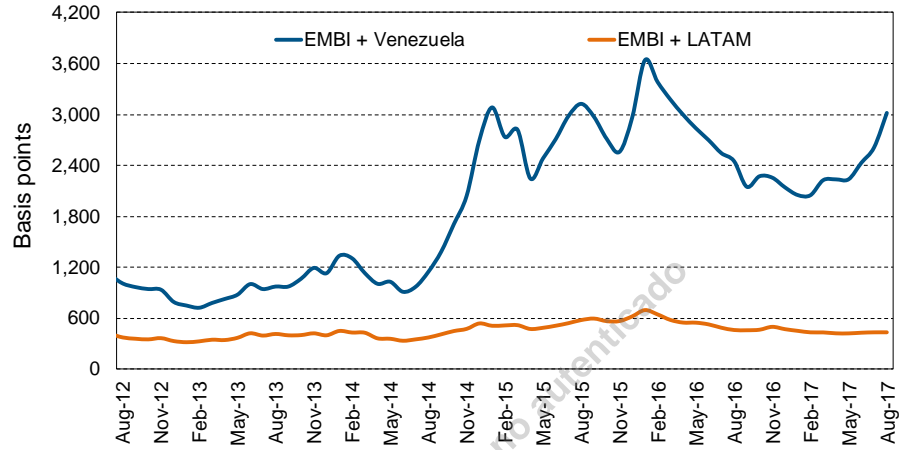
**Oil Production (Secondary sources)**



Sources: OPEC and Ecoanalítica

**ECONOMIC INDICATORS**

**EMBI**



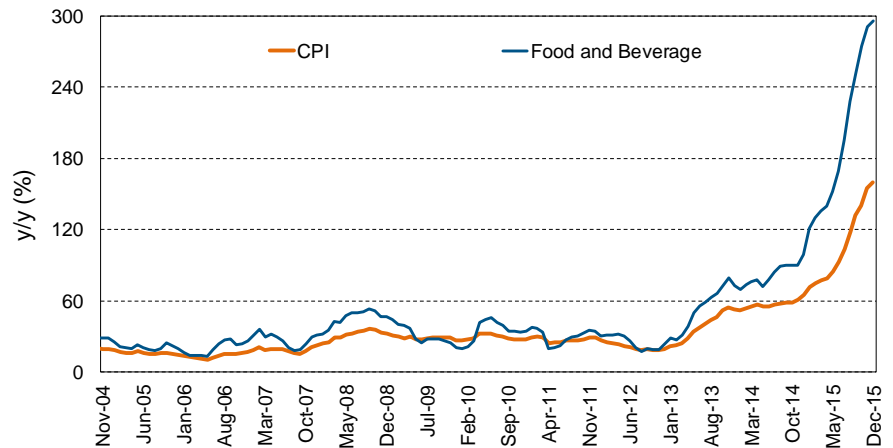
Sources: BCRP and Ecoanalítica

**FX Reserves (BCV)**



Sources: BCV and Ecoanalítica

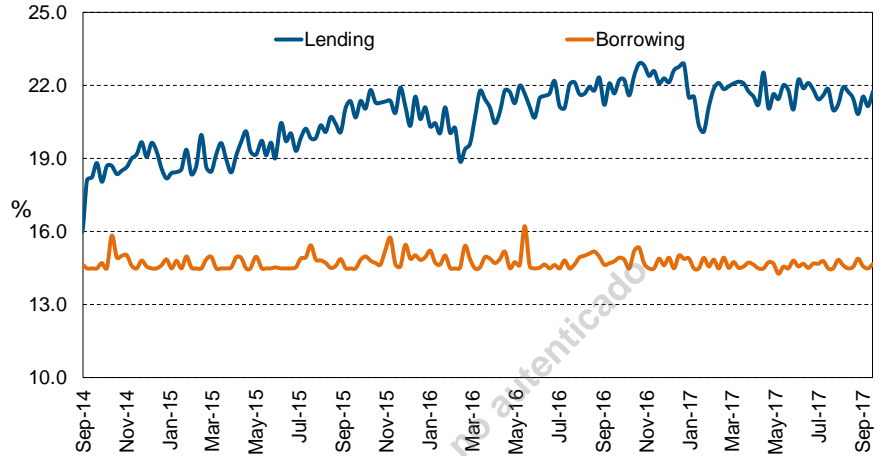
**Inflation (BCV)**



Sources: BCV and Ecoanalítica

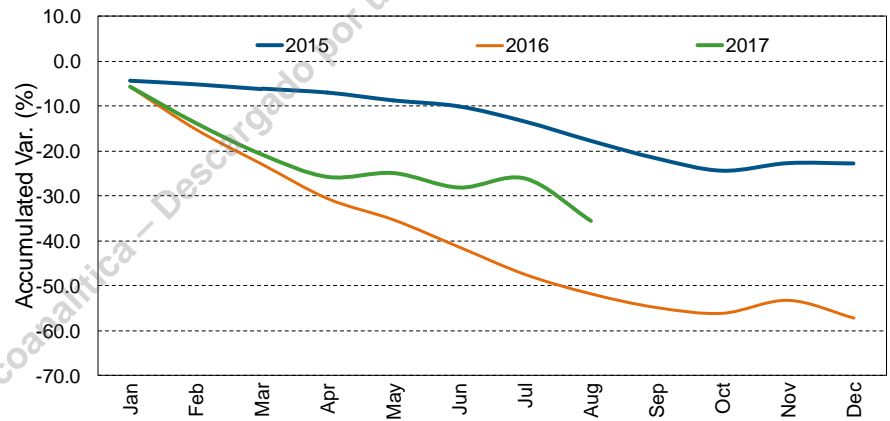
**ECONOMIC INDICATORS**

**Interest Rate  
(Six major banks)**



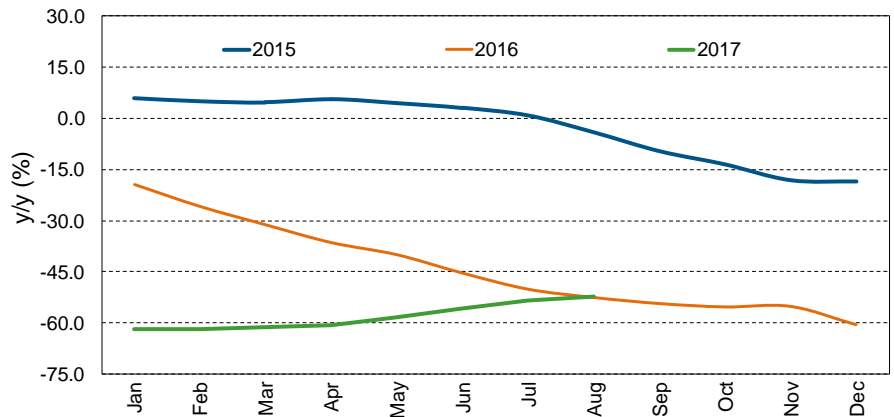
Sources: BCV and Ecoanalítica

**M2 Expansion  
(Real)**



Sources: BCV and Ecoanalítica

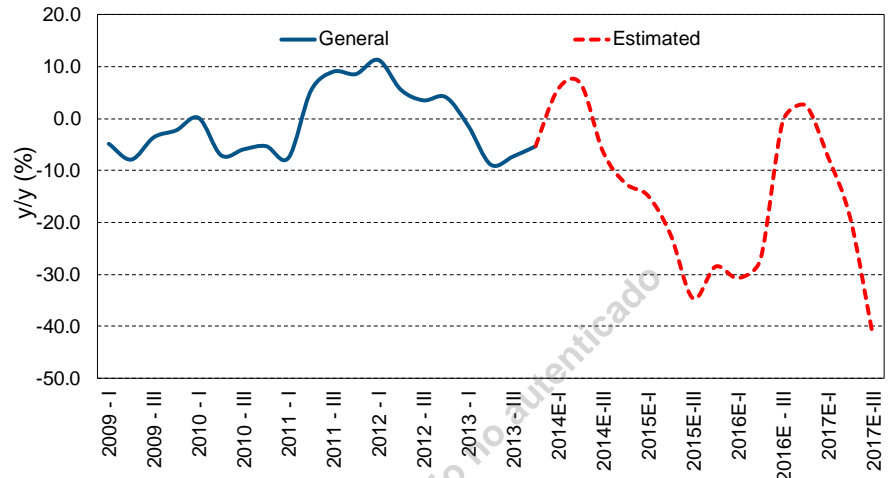
**Loan Portfolio  
(Real)**



Sources: SUDEBAN and Ecoanalítica

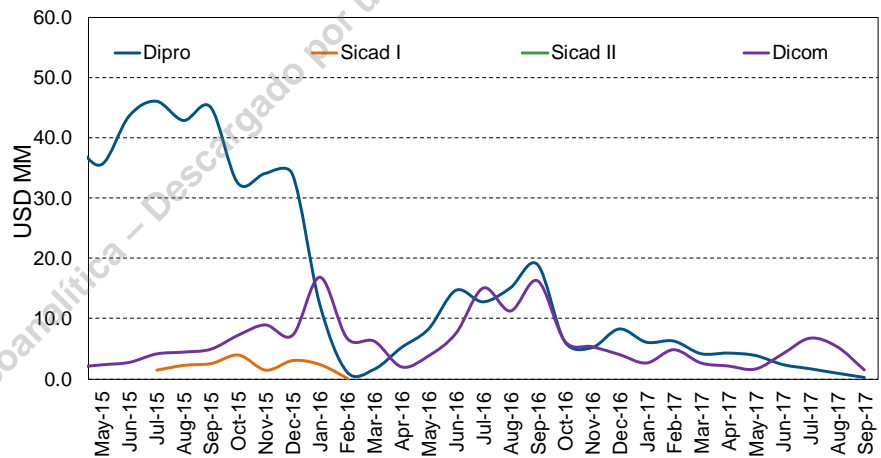
**ECONOMIC INDICATORS**

**Real Wage Index**



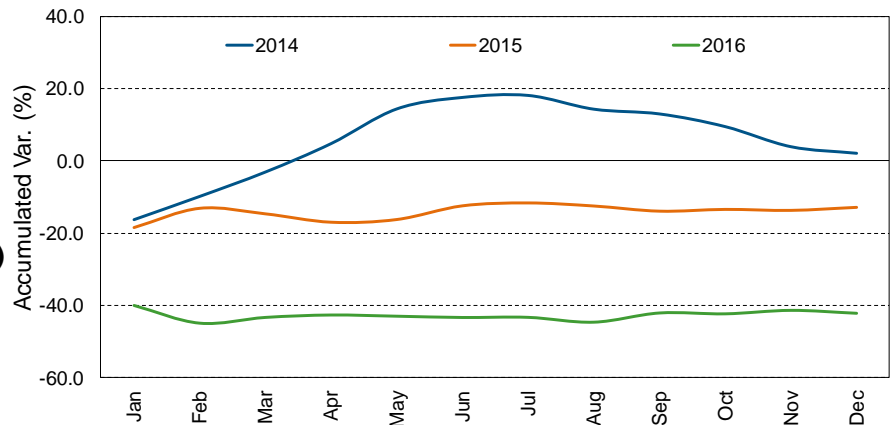
Sources: BCV and Ecoanalítica

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



Source: Ecoanalítica

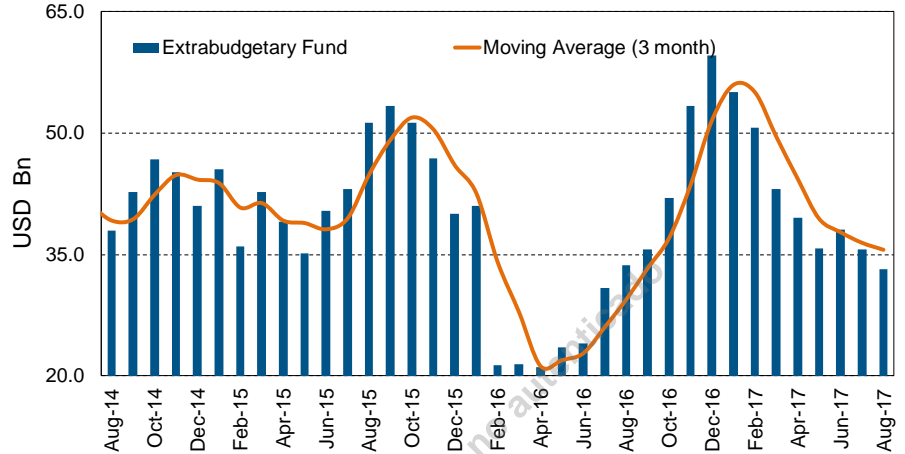
**Primary Spending NTO (Real - Central Government)**



Sources: ONT and Ecoanalítica

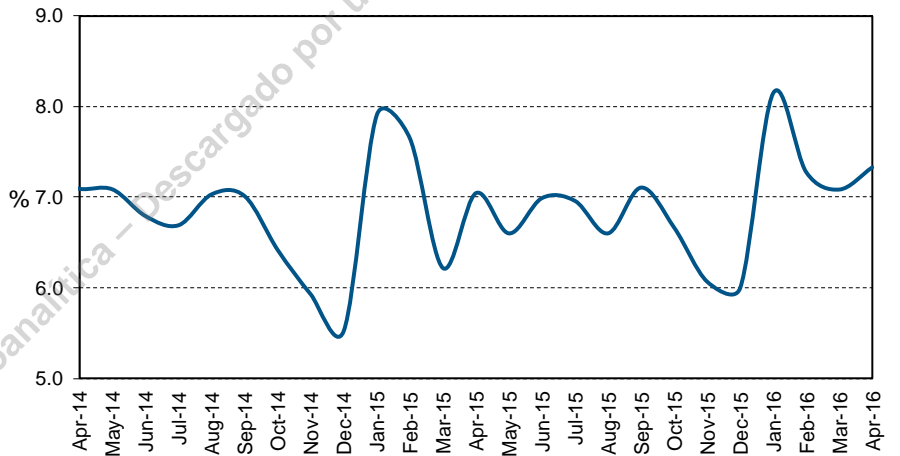
**ECONOMIC INDICATORS**

**State Extrabudgetary Resources**



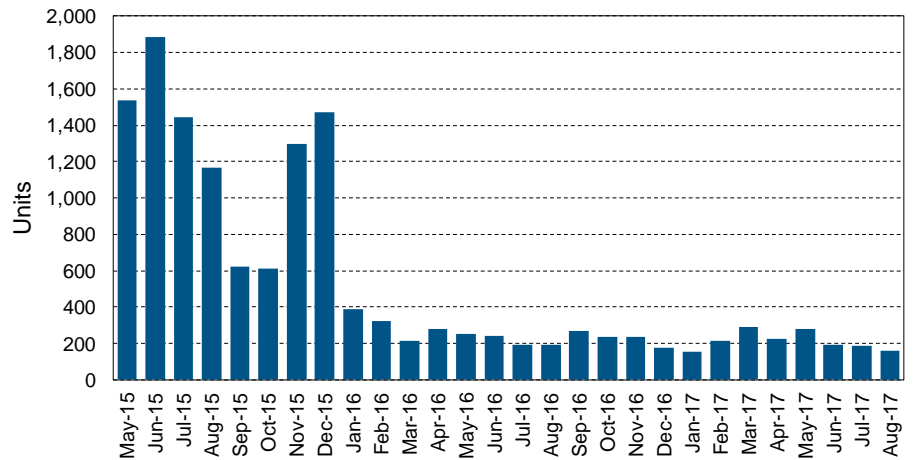
Source: Ecoanalítica

**Unemployment Rate**



Sources: INE and Ecoanalítica

**Vehicle Sales**



Sources: CAVENEZ and Ecoanalítica

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