

The government is importing less

November 2017 was a milestone in Venezuela's history. After years of giving priority to political benefits over economic benefits and postponing any necessary economic reform in the face of a system that was clearly unsustainable, the Nicolás Maduro administration was presented with two main bills: the foreign currency deficit that resulted in the default on the country's debt in the international financial market and a deficit in bolivars covered by emitting money that resulted in hyperinflation that has lasted for 11 months.

The restrictions, both the domestic and external, are crucial for understanding the dynamic of the economy in 2018. In the first place, the external restriction was so severe that, without resorting to default, the government would have had a foreign currency deficit of USD 11.1 billion. The only way to solve this was to not honor the Republic's and PDVSA's financial obligations and refrain from disbursing around USD 10.2 billion in debt servicing. Thanks to this maneuver, the government was able to survive financially during the first three quarters of 2018. However, this strategy cannot be repeated indefinitely.

Moreover, during this period of hyperinflation, the foreign exchange dynamic has undergone structural changes that have caused the variation in the exchange rate to lag behind the prices of goods and services in the economy, resulting in a true appreciation of the Venezuelan consumption basket.

Both phenomena have influenced the level of imports and their breakdown by sector and the level of imports during 2018 to date. Moreover, they will be crucial for the future dynamic of the country's external situation. For that reason, this report evaluates the performance of those variables.

A shift in the breakdown of imports

Strangely enough, imports in Venezuela in the first half of 2018 were at almost at the same level as in the same period last year. For an entire year, it fell by only 0.2%. However, a closer look at the breakdown of imports reveals that the State has focused its efforts on maintaining oil imports afloat at the expense of all other types of imports.

So, public sector nonoil imports shrank by 8.2% compared to last year and private sector imports that relied on disbursements of foreign currency via official mechanisms fell by 84%. In general terms, foreign currency restrictions on the States' coffers resulted in a

Year 14. Number 38 Week I
 October 2018

cost in terms of import levels of USD 971 million, from USD 2.71 billion in 1H2017 to USD 1.74 billion in 1H2018.

		Total Imports by sector and mechanism (USD MM)						
		1S2017	2S2017	1S2018	USD MM	Var. % (s/s)	USD MM	Var. % (y/y)
Public	Oil	2.960	2.392	2.988	596	24,9	28,2	1,0
	Non oil	1.720	1.817	1.580	-238	-13,1	-140,5	-8,2
Private	Dicom	989	403	158	-245	-60,8	-830,7	-84,0
	Parallel	701	951	1.631	680	71,5	929,9	132,7
Total		6.369	5.563	6.356	793	14,2	-13,1	-0,2
Officials		5.668	4.612	4.725	113	2,5	-943,0	-16,6
Oil		2.960	2.392	2.988	596	24,9	28,2	1,0
Non oil		2.709	2.220	1.738	-483	-21,7	-971,2	-35,9

Source: Ecoanalítica

However, imports brought in with dollars obtained via the parallel foreign exchange market managed to offset this dynamic almost entirely, going from USD 701 million in 1H2017 to USD 1.63 billion in 1H2018. In other words, they increased by around 132.7% compared to the same period in 2017. The trend was maintained until the end of last year, when imports via this mechanism rose by 71.5%.

In relative terms, the importance of the parallel market in the Venezuelan economy's imports scheme increased, going from accounting for 11% (63.2% of private sector imports) in 1H2017 to 25.7% (91.2%) in 1H2018.

		Total Imports by sector and mechanism (MM USD)			
		1S2017	Weight	1S2018	Weight
Public	Oil	2.960	46,5	2.988	47,0
	Non oil	1.720	27,0	1.580	24,9
Private	Dicom	407,1	6,4	157,8	2,5
	Parallel	700,6	11,0	1.631	25,7
Total		6.369	100,0	6.356	100,0

Source: Ecoanalítica

In other words, had it not been for the private sector –and the parallel market in particular–, imports would have contracted by around 16.6% (USD 943 million) in 1H2018 compared to 1H2017.

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report. Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.
 (+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

Everything has a price

Inevitably, this shift in the breakdown of imports had an impact on prices. Based on the data obtained for 1H2018, we find that the weighted exchange rate for imports (the average rate at which imports are brought in via all mechanisms, weighted based on their relative volume) was VES 3/USD, a depreciation of 99.8% compared to 1H2017 and 98.7% compared to the aggregate average for last year.

However, a closer look of how the exchange rate evolved in each sector reveals that the adjustment via prices has been transferred more to the private sector and to Venezuelan consumers. During 1H2018, the weighted exchange rate for private sector imports was VES 9.7/USD for an increase of nearly 42.256% in a matter of 12 months.

As for the weighted exchange rate for public sector imports, it was VES 0.5/USD (94.8% below than private sector rate and 95.0% under the unofficial exchange rate). However, in the third quarter, the situation of the exchange rate for public sector imports underwent a significant change.

The multiplicity of exchange rates and the sustained lag in the public sector market introduced strong fiscal pressures that had a significant impact on hyperinflation and also a widespread distortion of relative prices in the economy. The re-launching of the DICOM system with an initial devaluation of 95.9% that put the exchange rate at VES 60.27/USD served to narrow the gap between the exchange rate for public sector imports and the unofficial foreign exchange market rate.

Whereas the difference between the parallel rate and the exchange rate for public sector imports averaged 2,369.5% between January and July this year, last year this difference reached peaks of more than 70,000%. That is no small difference. It does not look as though the presence of a gap between exchange rates is going to disappear, which means that the distortion will persist.

This will contribute yet another factor to the persistence of the hyperinflationary environment that, added to the worsening situation on the external front, will generate a dilemma in the public sector over whether or not to eliminate the exchange rate subsidy. In fact, even with the devaluation of the official exchange rate, the gap between it and the unofficial rate has persisted, averaging 0.2% a week, and there are no signs that the public sector is willing to give up this subsidy, preferring to lean on the private sector in order to maintain the status quo.

All this has created a situation that has allowed the State to maintain oil imports at almost constant levels (with timid growth of 1% in 1H2018 compared to 1H2017), with less

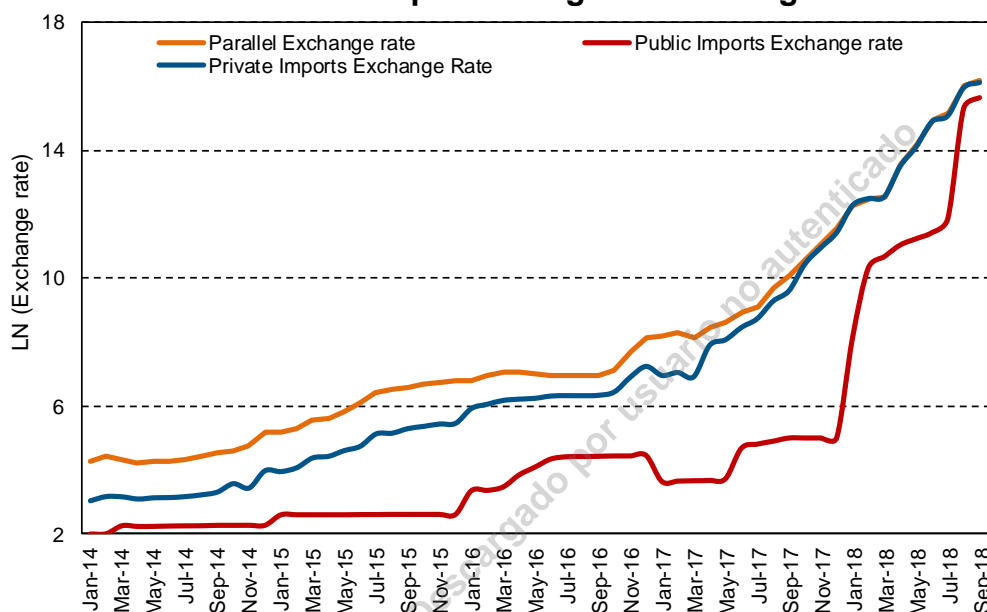
It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report.
Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.
(+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

Year 14. Number 38 Week I
 October 2018

foreign currency disbursed to the private sector, pushing the latter to rely more on the unofficial exchange market.

Evolution of Import's Weighted Exchange Rate*



Sources: BCV and Ecoanalítica

*Weighted by volume of transactions using each mechanism by each sector

The partial decision by the public sector to appoint the private sector as the sponge that would absorb the costs associated with maintaining this subsidy became apparent when the unofficial market rate went from being four times the exchange rate for private sector imports to being only 4.4% higher.

Economic downturn vs savings and imports

Now that the Recovery and Economic Prosperity Plan is in full swing, there has been a shift in the roles of the public and private sectors in terms of the breakdown of imports for 2H2018. Given the private sector's new role in the economy, the question is what incentives could there be for it to maintain –or even increase– its level of imports?

The recent real appreciation of the Venezuelan consumption basket could provide the private sector with an incentive to import goods. However, it would be irresponsible not to point out that there is no certainty that this phenomenon will continue in the long term. Not only that, with a cumulative drop in economic activity¹ of 20.3% in the first half of the

¹ According to the Economic Activity Index developed by **Ecoanalítica**

year (and a projected drop in consumption of 18.2%), the outlook for 2H2018 is far from encouraging, which means that, taking everything into consideration, the private sector's capacity for assuming such a cost could be in doubt.

Moreover, given a structural change in the savings component of the demand for foreign currency in the foreign exchange market, it seems that the only thing that could stop the asymmetric growth between the exchange rate and the other prices in the economy will be the import component of that demand, once imports are sufficiently competitive and for as long as they remain so.

As for the savings dynamic, the demand for foreign currency usually increases in the fourth quarter of the year from households seeking to protect their Christmas and other end-of-year bonuses from inflation and from businesses seeking to take advantage of an increase (or in this case less of a contraction) in sales during the Christmas season.

So, during this period the relative increase in the demand for foreign currency for purposes of coverage usually depreciates the exchange rate 2.8 times more than in the first three months of the year, on average. To avoid this phenomenon, what has happened each year since 2012, the government has tried to offer savings alternatives such as gold certificates and, in the past week, the petro. But, in **Ecoanalítica's** opinion, none of these options will work for maintaining the value of money over time and Venezuelans will resort to the dollar.

If that happens, through the last 3 months of the year, the nominal exchange rate could depreciate faster than inflation goes up, as has occurred in 7 of the past 8 years, and the real exchange rate could depreciate, reducing the competitiveness of imports against local products. That is why, indirectly, the level of imports brought in at the unofficial exchange rate will depend on the dynamic of the real exchange rate, which in turn will depend on the behavior of savings, both by companies and by households, and also on the magnitude of the drop in real income and aggregate consumption as a result of the great economic depression Venezuela is currently experiencing.

Guillermo Arcay Finlay
Jhoan F. Castellano

Year 14. Number 38 Week I
 October 2018

WEEKLY INDICATORS

Weekly Economic Indicators			
	1st Week October	Weekly chg. (%)	Depre/Apre (pp) ¹
FX Dicom (VES/USD)	62.26	0.4	0.4
	3rd Week September	Weekly chg. (pp)	Annual chg. (pp)
Lending Interest Rate (%)	22.0	-0.2	0.2
	4th Week September	Weekly chg. (pp)	Annual chg. (pp)
Overnight Interest Rate (%)	4.6	-0.2	4.5
	4th Week September	Weekly chg. (%)	Annual chg. (%)
International Reserves (USD Bn)	8.5	0.8	-14.9
	3rd Week September	Weekly chg. (%)	Annual chg. (%)
Monetary Liquidity (VES)	113,776,458	11.2	28,635.6
Price of International Oil Baskets (USD/bl)			
	4th Week September	Weekly chg. (%)	Annual chg. (%)
WTI	71.8	2.6	38.8
Brent	81.0	3.0	39.8
Price of the Venezuelan oil basket (USD/bl)			
	4th Week September	Weekly chg. (%)	Annual chg. (%)
Weekly Average	73.0	3.5	45.0
Annual Average	64.2	0.4	45.2

Sources: BCV, MENPET, ONT and Ecoanalítica

* Annual variation of accumulated expenditure.

¹ Depreciation (+)/Appreciation (-)

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report.
 Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.
 (+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

GRAPH OF THE WEEK: “THE MYTH OF PAYING SALARIES IN DOLLARS”

USD 100 in 2018		
Mes	USD	VES
January	100.0	199.9
February	155.9	380.4
March	284.1	719.3
April	193.7	1260
May	186.8	2255
June	193.4	5543
July	366.3	12981
August	307.9	31896
September	937.6	98818

Sources: BCV, LocalBitcoin and Ecoanalítica

Because of the high levels of inflation and the consequent loss of purchasing power of salaries denominated in “strong” bolivars (VEF), remunerations in a foreign currency (in particularly the US dollar) became popular, the argument being that they would maintain some degree of purchasing power over time.

However, that has not been the case. There is not a single month this year in which the monthly devaluation of the exchange rate has coincided with the rate of inflation, which means that it would be impossible for a remuneration agreed in January this year (let us say USD 100) to have maintained its same purchasing power for the rest of the year.

On the contrary, the acceleration of the hyperinflationary process has meant that the cost of living in dollars has gone up in Venezuela. So, for example, those USD 100 mentioned earlier would have had to be adjusted to USD 156 in February in order to maintain their purchasing power. This has continued throughout the year and, as inflation has spiraled, we now find that the remuneration for September would have had to have been raised to USD 935. Bearing in mind the transaction costs inherent in maintaining a salary scheme in dollars for every employee on the payroll, it might be worth considering a scheme indexed to inflation.

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report. Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.
 (+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

ECONOMIC TIPS

And the petro is out the gate! President Nicolás Maduro revealed a new white paper that explains the fundamental characteristics of the latest version of the petro, this time as a “domestic and international currency of exchange.” This white paper contains substantial differences to its predecessor published in February.

Hello “diversification.” In the first place, the petro will not only be backed by oil reserves. Now, it is apparently to be backed by a “commodities basket” made up of natural resources on Venezuelan soil. Fifty percent of that backing is supposedly to be in oil, 20% in gold, 20% in iron, and 10% in diamonds.

New backing, same price. However, the value of the petro will continued to be pegged to the Venezuelan Oil Basket, for now. The initial value has been set at a barrel price of USD 60, but this will be updated based on the commodity basket scale.

100 million petros. Maduro proposed a new emission of 100 million petros. Fifty-one percent of this emission will stay in the legal reserves at the National Crypto Assets Superintendence and the Crypto Assets Treasury and the remaining 49% will be for sale to the general public. If the petro actually ends up being a cryptocurrency, the 51% will allow the government to change the rules of the blockchain in its favor and at its discretion.

From gold to the petro. In addition, Maduro decreed the start of a savings plan in petros. The plan consists of monetarily “compensating” anyone who keeps petros in their digital billfolds. The National Crypto Assets Superintendence and the Crypto Assets Treasury will define how long they must be held, after which time the holders will “*receive an estimable compensation in petros.*”

A cryptocurrency, but not quite. Maduro ratified that the petro will not be mined. This is a big difference from other cryptocurrencies. In his opinion, this will avoid speculation in the system.

Payments in petros. The white paper extends the list of products, goods and services that will have to be paid in petros. They include international aviation fuel, the sale of oil, payments to hotels by tourists in Venezuela, and airfares purchased by Venezuelans outside the country.

We can only wait and see. Venezuelans will also be able to buy the petro in exchange for sovereign bolivars starting on November 5. It will also be possible to pay for or send

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report.
Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.
(+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

Year 14. Number 38 Week I
October 2018

remittances in petros. Although President Maduro stated that the country's six major exchange houses would be able to exchange petros, none of them have petros to sell, for now.

DICOM Auction 24. The exchange rate resulting from DICOM Auction 24 was VES 62.17/USD for a depreciation of 0.21% compared to the previous auction. The average depreciation for September thus far is 0.15%.

All-time highs. The total amount disbursed at Auctions 41 and 42 hit all-time highs at VES 5.3 million and VES 5.2 million, respectively. A total of 218 companies and 6,929 private individuals obtained foreign currency from the two auctions.

Creeping up. The international reserves have gone up by an average of 0.6% in the past three weeks. In the week ending September 28, they closed at USD 8.45 billion.

Money supply. According to the last figure available, money supply was at VES 113.78 billion, up 11.23% from last week. Money supply has gone up by VES 12.30 billion a week on average.

Going up less. The monetary base is at VES 62.75 billion for an increase of 3% compared to the previous week and an increase year-on-year of 27,291.6%. The weekly growth of the monetary base in 2018 to date has been 11.8% on average.

OIL TIPS

And the international price? Even though President Nicolás Maduro announced that gasoline would start to be sold at international prices starting in October, it is still being sold at the old price.

It's coming... Via its Twitter account, the Ministry of Oil revealed that the new price of gasoline would be announced in the first week of October. In addition, the government announced that the process for paying for gasoline and information on how the direct subsidy is to work would be announced at the same time as the new price.

...slowly but surely? In the words of President Maduro, "*The details of how the direct subsidy is to work are being fine tuned and the new scheme for fuel prices will be in place for two years, by which time it is hoped that the country's economy will have recovered and be stabilized.*"

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report.
Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.
(+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

Year 14. Number 38 Week I
October 2018

The collapse continues. Meanwhile the news agency Reuters reports a 3.8% drop in Venezuela's oil production from last month's. It puts production for September at 1.25 million barrels a day (mb/d). Production of 1.42 mb/d was reported for July and 1.30 mb/d for August. The figures noted by Reuters imply a huge drop of 170 mb/d.

The last straw. The state-owned oil company PDVSA did not pay the wages for September as its workers expected. Employees protested at Petropiar, located in Anzoátegui state, shouting, "*Fair wages, now!*" and employees at Petrocedeño agreed to protest on Wednesday, October 3.

It's not enough. A press release issued by the company announced that in the first few days of October the system of payment would be adapted to the new salary scale and take into account the meals bonus paid via the Meals Bonus E-Card. But the workers are far from happy and have decided to continue protesting until their demands are met.

Protests. Gregorio Rodríguez, a leader of one of the oil unions in Puerto La Cruz, said that the company had not given any details of the new wages or how the new salary scale would be structured. The protests spread from the company's head offices to some of the city's main streets.

OPEC in September. The production of the Organization of Petroleum Exporting Countries (OPEC) went up slightly in September. The increases in output by Libya, Saudi Arabia, and Angola were offset by the drop in shipments from Iran.

Ups and downs. Reuters reports OPEC production of 32.85 mb/d this month, the highest this year and an increase of 90 kb/d since August. According to the survey, Libya was the country with the highest production, with more than 1.0 mb/d. The biggest drop was posted by Iran with a reduction of 100 kb/d.

A customer of the United States. The Mexican state-owned oil company Pemex expects to import around 100,000 b/d of light crude from the United States between the end of October and early November. Pemex' refineries have been producing at below capacity due to accidents and operational problems.

Seeking to raise production. Carlos Trevino, the company's director, explained that the imported crude would be blended with Mexican crude in order to be able to "*continue the refining process. We should be at around 800,000 b/d by the end of the year,*" he said.

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report.
Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.
(+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

BUSINESS SECTOR TIPS

“We’ve improved.” The Superintendency of Banking Sector Institutions (Sudeban) said that the circulation of banknotes had improved by 95% after instructing state-owned and private banks to set a minimum ceiling of VES 10,000 for points of purchase, raise the limits on e-transfers, and not restrict the amount of cash delivered via ATMs.

Fixing ATMs. In addition, Sudeban said that it was working on a plan to recover defective ATMs. It is to set up working groups with the Banking Association of Venezuela and the state-owned banks to improve the situation.

No more meat. The vice president of the National Cattlemen’s Federation of Venezuela (Fedenaga), Luis Prado, said that eliminating the wholesaler from the beef distribution chain, as proposed by the government, would only result in there being no more sales of meat.

“30% is ours.” Luis Prado commented that the National Integral Livestock Health Institute (INSAI), the agency that issues the permits for moving livestock, is requesting cattlemen to sell 30% of their merchandise to the state governments at the prices the latter stipulate. *“We’re losing money and we’re still selling,”* he said.

Prices that were never agreed. Prado stressed, yet again, that the government is not taking the costs of producing beef into account when establishing prices, which is having serious consequences for distributors. On top of all the obstacles that already exist in the distribution chain, now beef will be in short supply.

Metro workers to get a bigger wage. Minister for the Social Process of Work Eduardo Piñate signed the new salary scale for the workers of the Caracas Metro, which is to go into effect the first week of October.

Another savings plan... Franklin Rondón, the president of the National Federation of Public Sector Workers (Fentrasep), proposed a national plan for workers’ savings banks. In addition, Martha González Fernández, the person in charge of the Savings Banks Superintendency (Sudeca), said that it was necessary to *“re-launch the savings banks.”*

...to encourage participation in another savings plan. González said that the savings banks with a combined membership of more than one million public sector workers *“have VES 40,675,388 available, an amount that could be used in investments to strengthen their cash flow and thereby improve the service to their members.”* Apparently, the

Year 14. Number 38 Week I
October 2018

ultimate goal of these workers' savings banks is to encourage their members to take part in the Gold Savings Plan.

Diphtheria... According to figures published by the Pan American Health Organization (PAHO), there have been 1,217 cases of diphtheria in Venezuela since the reappearance of the disease in July 2016. The number of deaths from diphtheria has reached 201, which gives a mortality rate among confirmed cases of 16.5%.

..., a virus that has made a comeback. Diphtheria had been eradicated in Venezuela for 24 years. The only way to prevent it is by vaccination. Once it has been detected, measures must be taken fast because it is highly contagious and spreads rapidly. Today, the virus is active in 22 states in Venezuela.

Flooded. Heavy rains in Táchira caused the El Corozo-Santa Ana road to collapse and the flooding of 101 homes. Local Civil Protection chief Jaiberth Zambrano said that the homes were flooded because of the lack of maintenance of the town's storm water drainage systems.

Left in the dark. It is now five months since the power cables were stolen from the *Universidad Central de Venezuela's* School of Journalism. Students are still waiting for the new cables to be installed. However this process has been delayed, preventing classes from starting.

Outrages against education. Stefani Sahuquillo, the president of the UCV's Communication Students Union, said that the deterioration is not only in the School of Journalism, but in all the other schools, and not only at the UCV. *"That's enough of outrages against education. This affects the entire country because it compromises its development,"* she said.

WORLD ECONOMY TIPS

Remarkably good. US Federal Reserve Chairman Jerome Powell forecast a "remarkably positive outlook" for the US economy, which, according to him, is on the verge of a "historically rare" era of ultra-low unemployment and tame prices.

NAFTA has survived. The United States and Canada managed to reach a last-minute agreement to keep the North America Free Trade Agreement (NAFTA), a multilateral agreement that also includes Mexico, thus saving the free trade zone that has generated USD 1.2 trillion in trade from collapse.

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report.
Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.
(+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

Year 14. Number 38 Week I
October 2018

From NAFTA to USMCA. The new treaty is called the US-Mexico-Canada Agreement (USMCA) and the plan is for the leaders of the three North American countries to sign it before the end of November. According to US Trade Representative Robert Lighthizer, the treaty will create “*good well-paying jobs and new opportunities*” for 500 million people.

High but stagnated. The managing director of the International Monetary Fund (IMF), Christine Lagarde, said that global growth was at its highest level since 2011 but had plateaued with fewer countries participating in the expansion. Lagarde explained that trade disputes were starting to dim the outlook for global growth, which is why she urged countries to resolve their differences.

A grey future. She also said that in July the IMF had projected 3.9% global growth for both 2018 and 2019, but that the outlook had since become “*less bright*,” as could be seen from the IMF’s updated figures. She explained that, while the United States was growing strongly, there were signs of slowing in the euro zone and Japan.

More words from Lagarde. On the matter of the trade war between the United States and China, Lagarde added: “*We are not seeing broader financial contagion, so far, but we also know that conditions can change rapidly. If the current trade disputes were to escalate further, they could deliver a shock to a broader range of emerging and developing economies.*”

China stands firm. At the United Nations General Assembly, the Chinese Government’s top diplomat, Wang Yi, said there was “*no cause for panic*” because of the frictions between Peking and Washington, stressing that his country would not be blackmailed or yield to pressure on trade issues. “*Protectionism will only hurt oneself, and unilateral moves will bring damage to all*,” said Wang.

No sea access for Bolivia. The International Court of Justice in The Hague ruled that Chile is not under the obligation to negotiate with Bolivia regarding its claim over access to the sea. With 12 votes in favor and three against the court dismissed all the arguments presented by La Paz in the lawsuit filed in 2013. Bolivia’s president, Evo Morales, said that they would not give up this historical claim.

Argentina takes baby steps. The Argentinean peso appreciated 4.42% against the dollar (to ARP 39.55/USD) thanks to a series of measures implemented by the Central Bank to regulate the foreign exchange market. Operators commented that the Central Bank had awarded ARP 71.06 billion (around USD 1.78 billion) in an auction of Liquidity Letters (Leliq), which had an average yield rate of 67.18%.

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report.
Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.
(+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

Support from the most developed countries. The finance ministers of the Group of Seven Most Developed Countries (G7) backed the efforts of the Argentinean Government to stabilize its financial situation. Bearing in mind the support that has also been forthcoming from the International Monetary Fund (IMF), this announcement shows the considerable interest of the international community (mainly the developed countries) in quickly improving Argentina's economic situation.

POLITICAL TIPS

Election Schedule. The National Electoral Council (CNE) has called municipal elections for December 9. It announced that the election campaign will run from October 22 to November 7. In other words, candidates will have 16 days in which to make their programs known and win over voters.

Registered but not publicly recognized. Diosdado Cabello, the first vice president of the United Socialist Party of Venezuela (PSUV), announced that the government coalition had registered more than 2,000 candidates to run in the elections for municipal councilors. Despite the announcement, the list of government coalition candidates has not been made public.

Keeping a close eye on Venezuela. Human rights experts at the United Nations denounced that children are dying from causes that could be prevented. The main causes mentioned were the deterioration of health care centers, the shortage of medicines, and the lack of effective hygiene measures.

Situations that are censured... The experts recommended the Venezuelan Government to consider the need for accepting international cooperation, which would make it possible to restore the country's health system. They also revealed that they had received information regarding harassment and intimidation of health workers, journalists, and family members of victims who have denounced and filed complaints regarding these cases.

...or are in the crosshairs. Twenty-three members of the United Nations Human Rights Council voted in favor and approved a resolution that urges the Venezuelan Government to accept humanitarian aid and cooperate with the Office of the High Commissioner for Human Rights. In addition, the Council's High Commissioner, Michelle Bachelet, is to prepare a report on the situation of human rights in Venezuela.

A first historic step. This resolution is considered by experts to be the first historic step in defense of the country, since it recognizes that Venezuela needs humanitarian aid. According to Alí Daniels, the director of *Acceso a la Justicia*, “*this is the first time the Human Rights Council has spoken about Venezuela and declared a humanitarian crisis. It’s no longer just us the NGOs that are saying it, now it’s an organ of the United Nations that is announcing it and is upsetting the government.*”

Welcome to “Paradise.” Following the approval of the resolution, Diosdado Cabello repeated that the United Nations High Commissioner for Human Rights was welcome to come to Venezuela. However, he clarified that the United States “*knows nothing about humanitarian aid*” and that “*there was no humanitarian crisis*” in Venezuela.

And the ILO as well. The director general of the International Labour Organization (ILO), Guy Ryder, said he was examining the grave labor situation in Venezuela and requested the Venezuelan Government for its collaboration so that he might pay a visit and be able to issue a report. He explained that the purpose of the visit was “*not to condemn, punish, but to seek solutions, open spaces of dialog with a view to achieving full respect for ratified agreements.*”

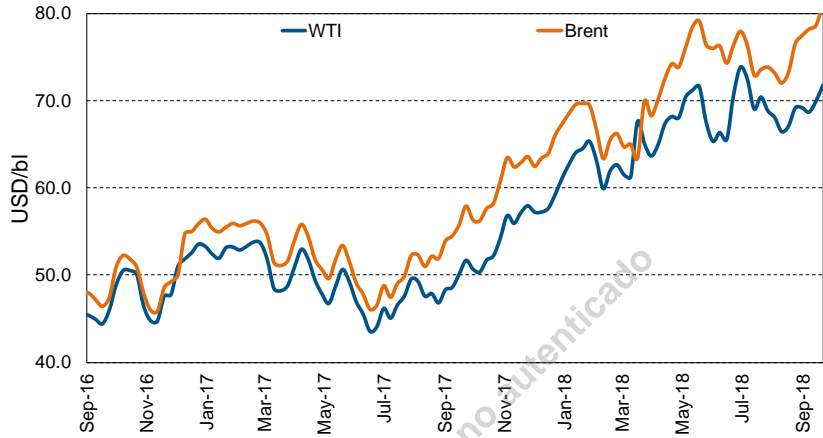
The Pope falls in step. In a communiqué containing his words during an audience held at the Vatican, the Pope remembered Venezuela and its crisis: “*I am thinking, in particular, of the Rosminian sisters who work in Venezuela, who are called upon to be witnesses of spiritual and material proximity to such a harshly affected population.*”

From all sides. The Prosecutor’s Office of the International Criminal Court (ICC) confirmed that it had received a petition from Colombia, Argentina, Chile, Paraguay, Peru and Canada to investigate alleged crimes of *lèse humanité* committed in Venezuela since February 12, 2014. This is the first time in the court’s 16 years of existence that a group of member states has remitted the situation of a third country to the Prosecutor’s Office of the ICC.

Another turn in the case. Joel García, the lawyer in charge of Juan Requesens’ defense, announced that the accusation against his client was not filed on the date stipulated and that, as a consequence, he would file a request for the unconditional Requesens’ release. This is because Requesens’ defense team only had access to the case file two weeks after, a case file that has deficiencies, according to García.

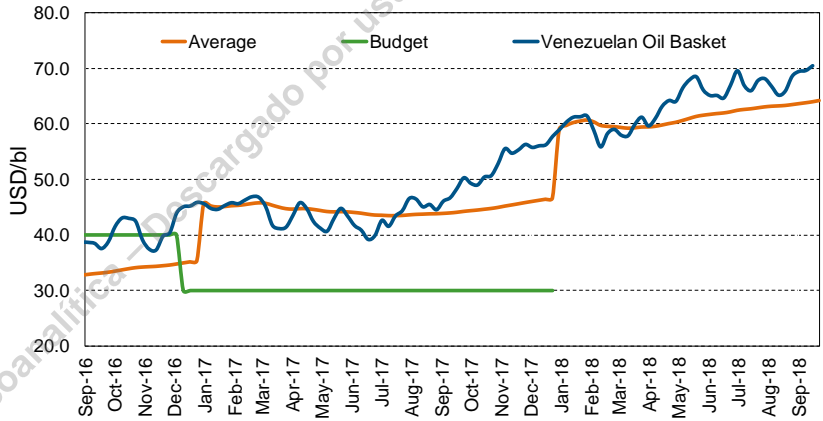
ECONOMIC INDICATORS

**Oil Prices
(WTI and Brent)**



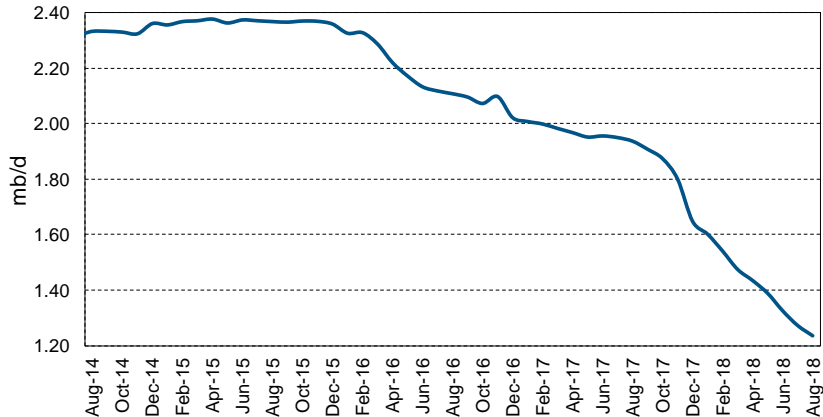
Sources: Menpet and Ecoanalítica

**Oil Price
(Venezuelan Basket)**



Sources: Menpet and Ecoanalítica

**Oil Production
(Secondary sources)**

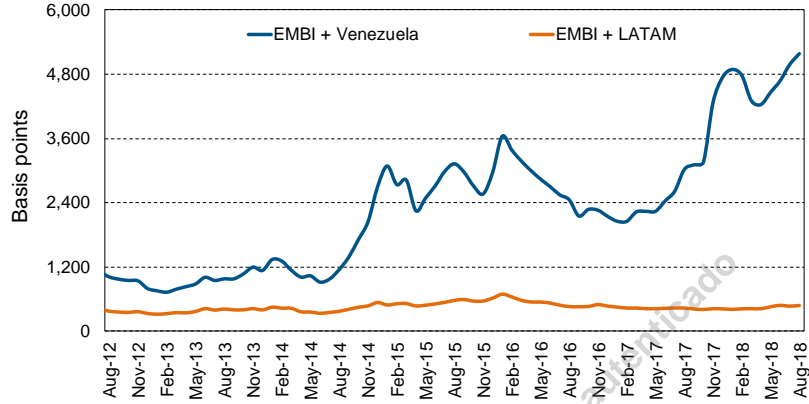


Sources: OPEC and Ecoanalítica

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report. Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

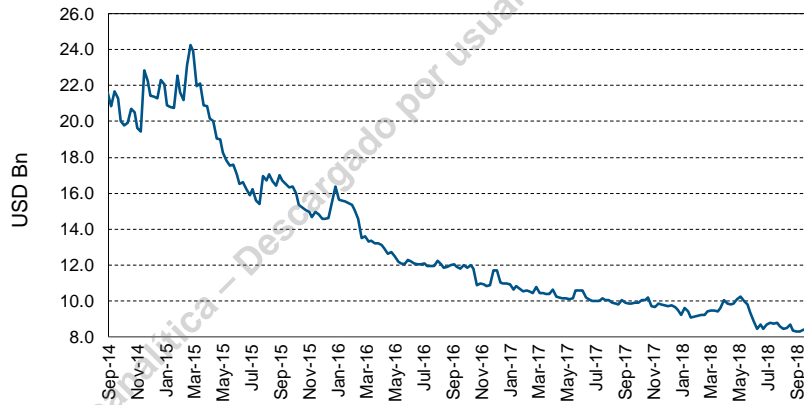
ECONOMIC INDICATORS

EMBI



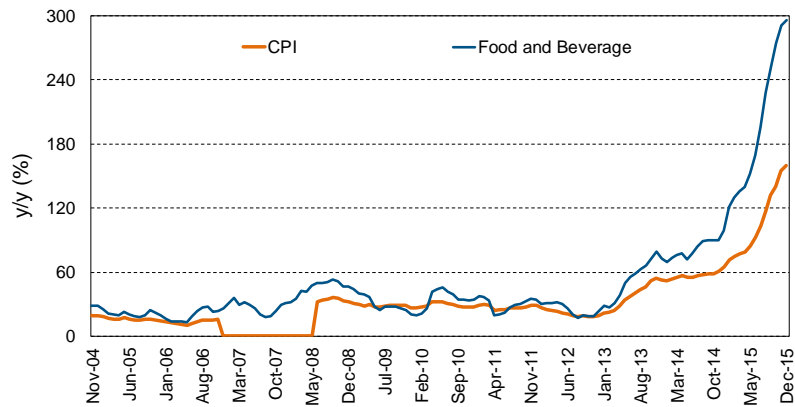
Sources: BCRP and Ecoanalítica

FX Reserves (BCV)



Sources: BCV and Ecoanalítica

Inflation (BCV)



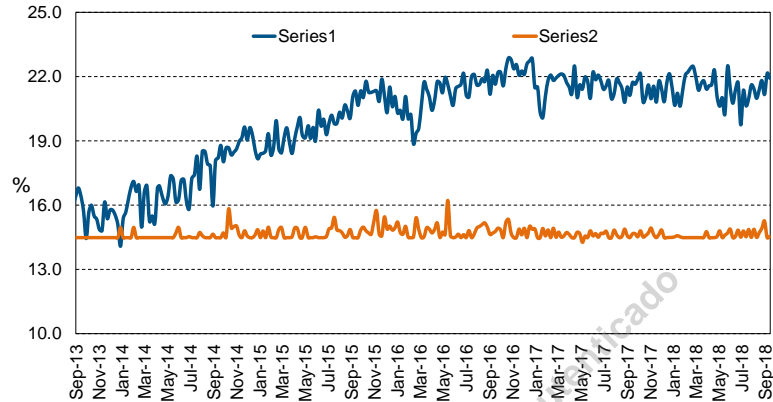
Sources: BCV and Ecoanalítica

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report. Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Year 14 Number 38 Week I
October 2018

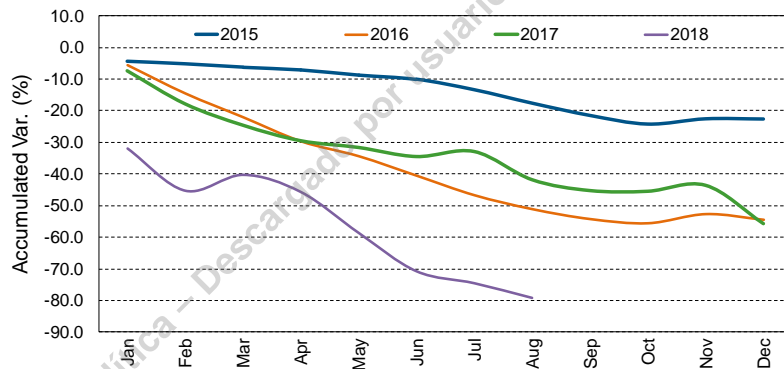
ECONOMIC INDICATORS

**Interest Rate
(Six major banks)**



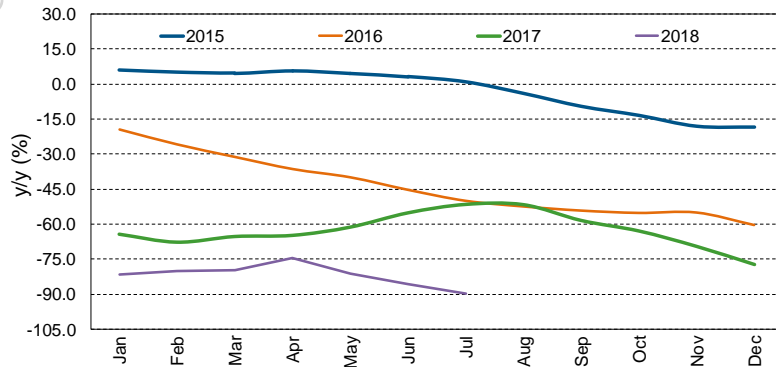
Sources: BCV and Ecoanalítica

**M2 Expansion
(Real)**



Sources: BCV and Ecoanalítica

**Loan Portfolio
(Real)**



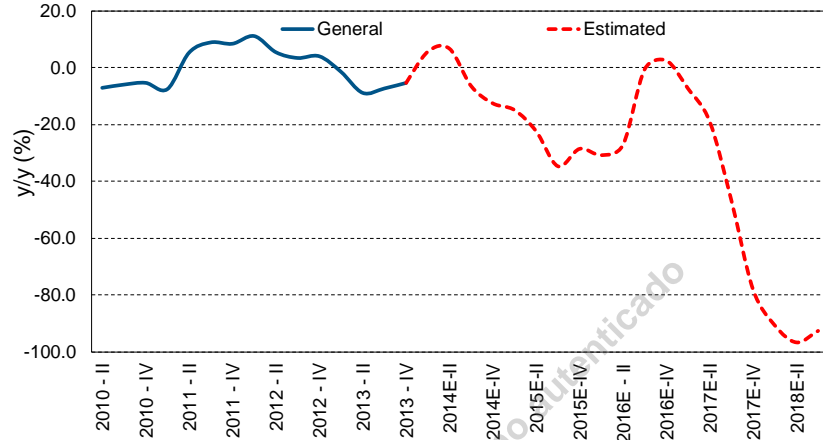
Sources: SUDEBAN and Ecoanalítica

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report. Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.
(+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

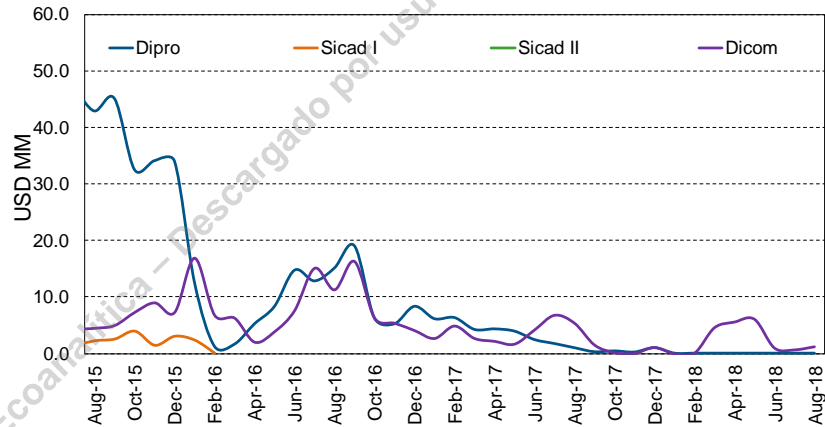
ECONOMIC INDICATORS

Real Wage Index



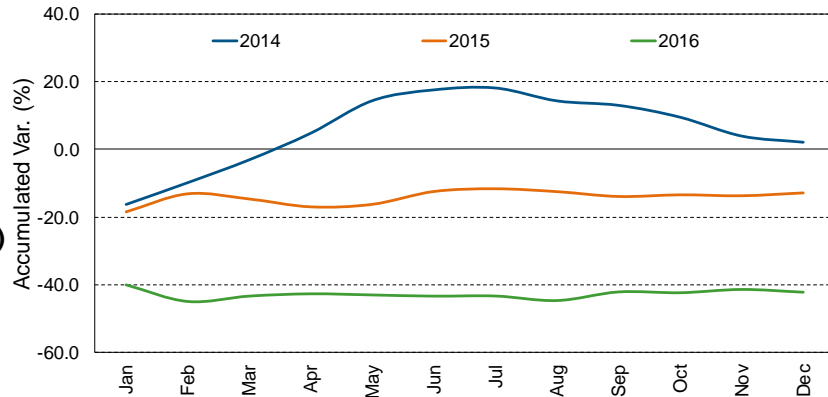
Sources: BCV and Ecoanalítica

Disbursements to the Private Sector (Daily Average)



Source: Ecoanalítica

Primary Spending NTO (Real - Central Government)



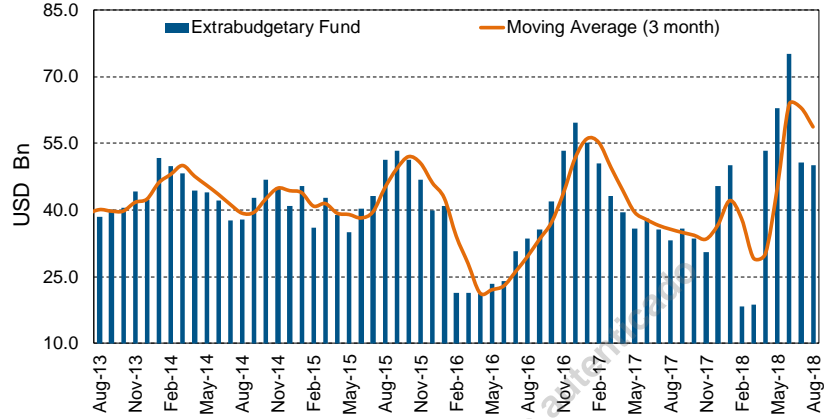
Sources: ONT and Ecoanalítica

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report. Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.
(+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

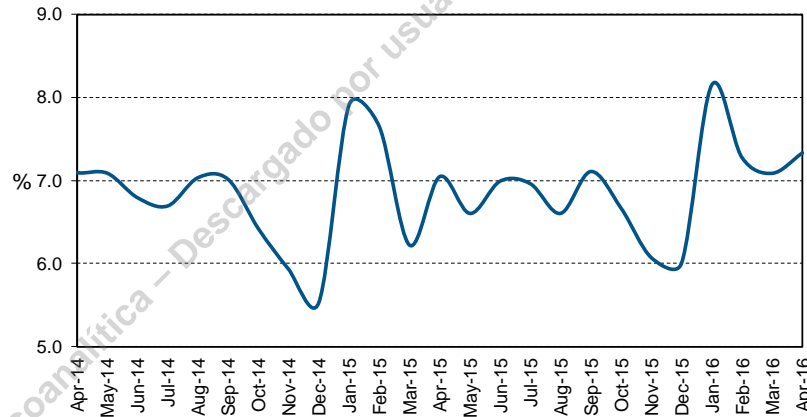
ECONOMIC INDICATORS

State Extrabudgetary Resources



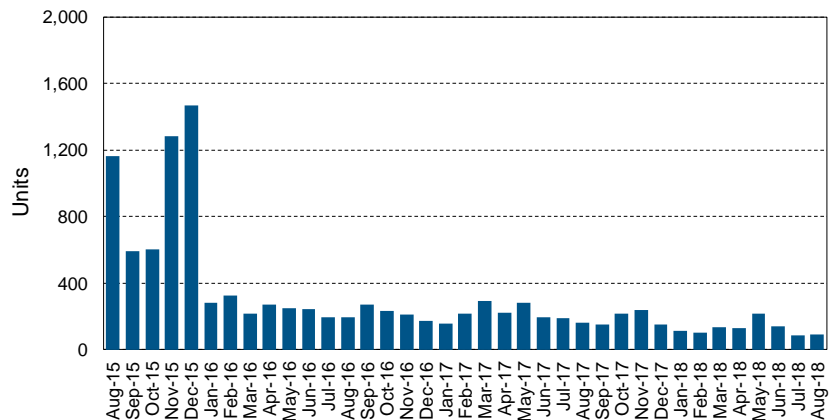
Source: Ecoanalítica

Unemployment Rate



Sources: INE and Ecoanalítica

Vehicle Sales



Sources: CAVENEZ and Ecoanalítica

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report. Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.
(+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

ECOANALÍTICA'S TEAM

Alejandro Grisanti / Director

alejandrog@ecoanalitica.net / @agrisanti

Asdrúbal Oliveros / Director

asdrubalo@ecoanalitica.net / @aroliveros

Pedro Palma / Director

pedrop@ecoanalitica.net / @palmapedroa

Cristina Rodríguez / Director

crstinar@ecoanalitica.net

Luis Arturo Bárcenas / Senior Economist

luisb@ecoanalitica.net / @barcenasluis

Gorka Lalaguna / Economist

gorkal@ecoanalitica.net / @GorkaLG

Guillermo Arcay Finlay / Economist

guillermoa@ecoanalitica.net / @guillermoarcayf

RESEARCH ASSISTANT

Jhoan F. Castellano

Corina Fung

Diego Santana

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