

Maduro, the Central Bank, Sudeban and Seniat

Why did the dollar take a 33.5% leap last week? The short version is because PDVSA paid its suppliers. The long version, however, is complex and involves four main characters: Nicolás Maduro, the Central Bank of Venezuela, the Superintendency of Banking Sector Institutions (Sudeban), and the National Integrated Customs and Tax Administration Service (Seniat).

On the one hand seigniorage has gone down and Seniat's tax receipts have remained relatively stable in 2019, which means that a growing proportion of spending has been financed organically based on what taxes allow. This has made it possible for there to be a slowdown in inflation and in depreciation. Now, in a less turbulent sea, monetary shocks are more readily visible than in 2018, when they were not the exception but the rule.

On the other hand, a combination of an aggressive appreciation of the real exchange rate and the 23 October bank reform have fundamentally altered the structure of incentives in the foreign exchange market. With these new incentives, the nominal exchange rate will respond to different market pressures.

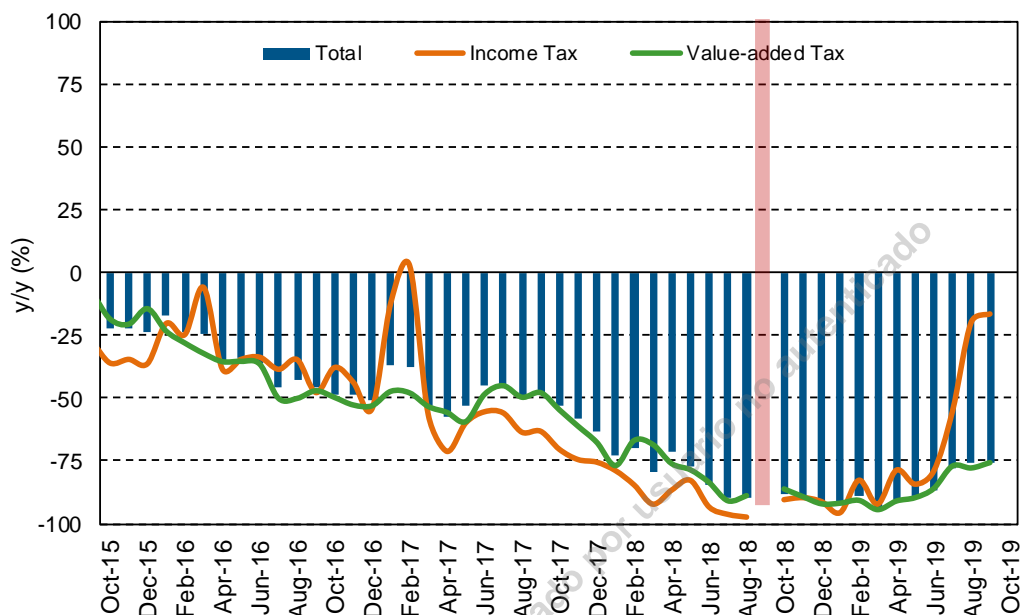
What is more, even though there has been some turbulence recently in this new relative calm, at **Ecoanalítica** we believe there is more turbulence to come, particularly in November for seasonal reasons. Given the recent structural changes, we believe that the next nominal money shocks will affect nominal variables in the prices of goods, services and foreign currency; but we also believe they will have an impact on some real variables.

The tax reform

Between January and September 2019, Seniat's tax receipts shrank by 10.6% in real terms, driven mainly by a 33.6% contraction in others income¹. Even though this is a drop, the situation is drastically different from last year, when real tax receipts contracted by 74.0% between January and September.

¹ By other rents, we mean the union between the categories "customs rents" and "other internal rents" of the Seniat.

Evolution of Non-oil Real Internal Revenue Service



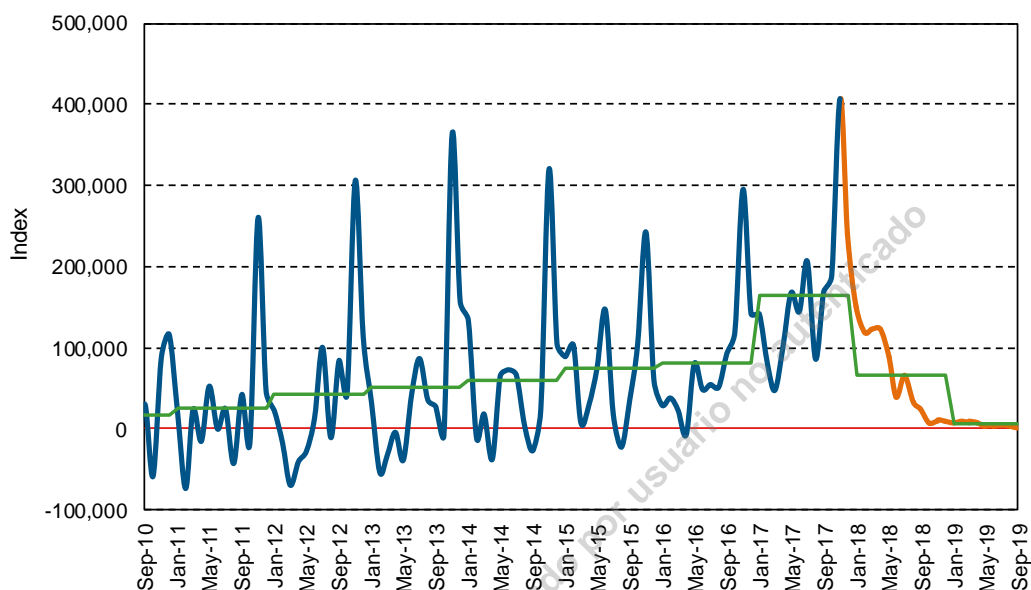
Sources: SENIAT and Ecoanalítica

Note: Data corresponding to september 2018 was never published by Seniat

The reduction in the contraction in tax receipts was due mainly to value added tax (VAT), which went fall by 1.6% in real terms over this period. The contrast compared to monetary financing is remarkable. Between January and September, primary seigniorage² fell by 74.1%.

² Purchasing power of funds received by non-financial institutions directly from the Central Bank.

Monthly Primary Seigniorage



Source: BCV and Ecoanalítica

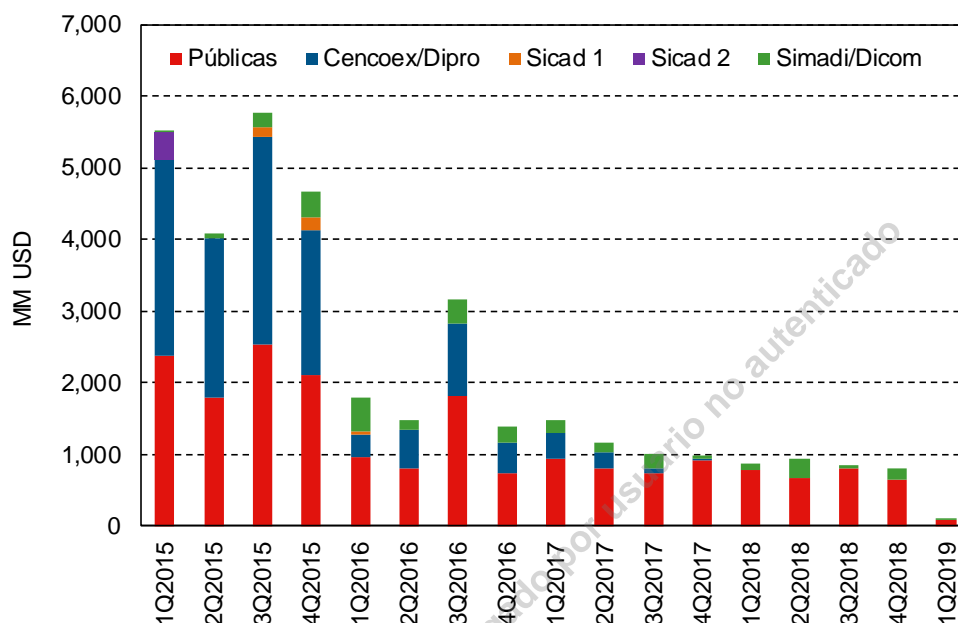
This reduction in seigniorage was due, in part, to the gap between the official and the parallel market exchange rates closing. In December 2017, whereas the parallel market rate was VEF 111,413.2/USD, the official exchange rate was only VEF 10.0/USD. So, state-owned companies with revenues in foreign currency such as PDVSA had to sell their foreign currency to the Central Bank at an unfavorable rate before being able to cover their costs in bolivars. Given the magnitude of the disparity between the exchange rates, PDVSA was unable to cover its costs without monetary financing from the Central Bank.

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Exchange rate subsidy by scheme



Sources: BCV and Ecoanalítica

So, narrowing the gap between the exchange rates has played a key role in reducing seigniorage and bringing down inflation. But this measure has had a political cost for Maduro. In fact, closing the exchange rate gap meant a USD 754.5 million reduction in the foreign exchange subsidy that the president indirectly transfers to the groups close to him³.

This measure was not taken in isolation because it was accompanied by a substantial contraction in real wages in the public sector, which have been anchored to the imaginary metric of the Petro since August 2018.

So near and yet so far

As a result of the reduction in monetary financing of Central Government spending and PDVSA's operating costs, an increasingly large proportion of public spending has been financed with revenues from taxation. Between 2012 and 2016, the amount of spending financed by primary seigniorage was 0.64 times that of non-oil tax collection, on average. The following year, that proportion grew gradually until it reached an all-time high in

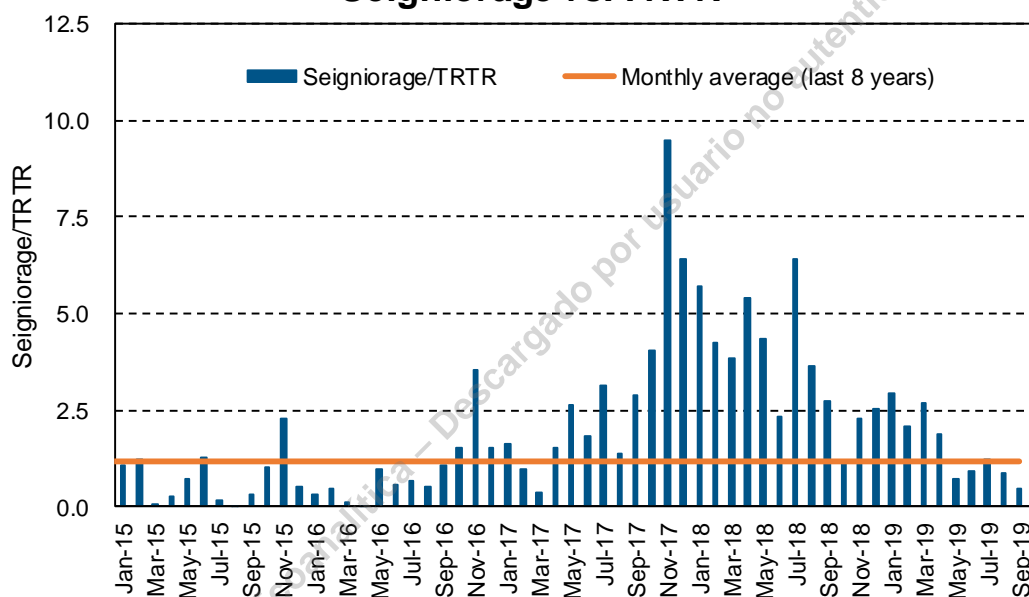
³ Amount obtained by comparing the exchange subsidy of the first quarter of 2018 with the first quarter of 2019.

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November 2017, when “receipts” from primary seigniorage were equivalent to 9.48 times the nonoil tax receipts obtained by Seniat.

Between November 2017 and July 2018, the proportion remained extremely high, averaging 5.35. Nevertheless, since the August 2018 tax reform, both tax rates and the frequency with which taxes were collected have increased and a policy of cutting wages in the public sector and the foreign exchange subsidy has been implemented.

Seigniorage vs. TRTR



Sources: BCV and Ecoanalítica
 TRTR: Total Real Tax Revenue

So the proportion was gradually reduced until it was reversed in May this year. Two months ago, in September, primary seigniorage was equivalent to 0.45 times the nonoil receipts obtained by Seniat. Although this is on the right track for reducing monetary irresponsibility, the fact of the matter is that the public sector is still extremely irresponsible in fiscal terms and its second-hand financing arm continues to be the Central Bank.

Therefore, any surplus or extraordinary spending continues to be financed with the emission of new bolívares. Maduro managed to reverse the financing from seigniorage/financing from taxes ratio to 2016 levels, but in this year Maduro’s financing policy was already quite irresponsible.

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The new incentives

The new foreign exchange market has three relatively recent characteristics: (i) a more overvalued real exchange rate, which encourages households and companies to get organized and buy foreign currency in order to import; (ii) a public sector that is intervening in this market by performing open market operations with euros in cash; and (iii) a new regulatory framework for the banking sector that reduces the incentives for engaging in intertemporal arbitrage with the price of the dollar, but encourages leverage for buying foreign currency and importing goods whenever there is a profit margin of more than 6%.

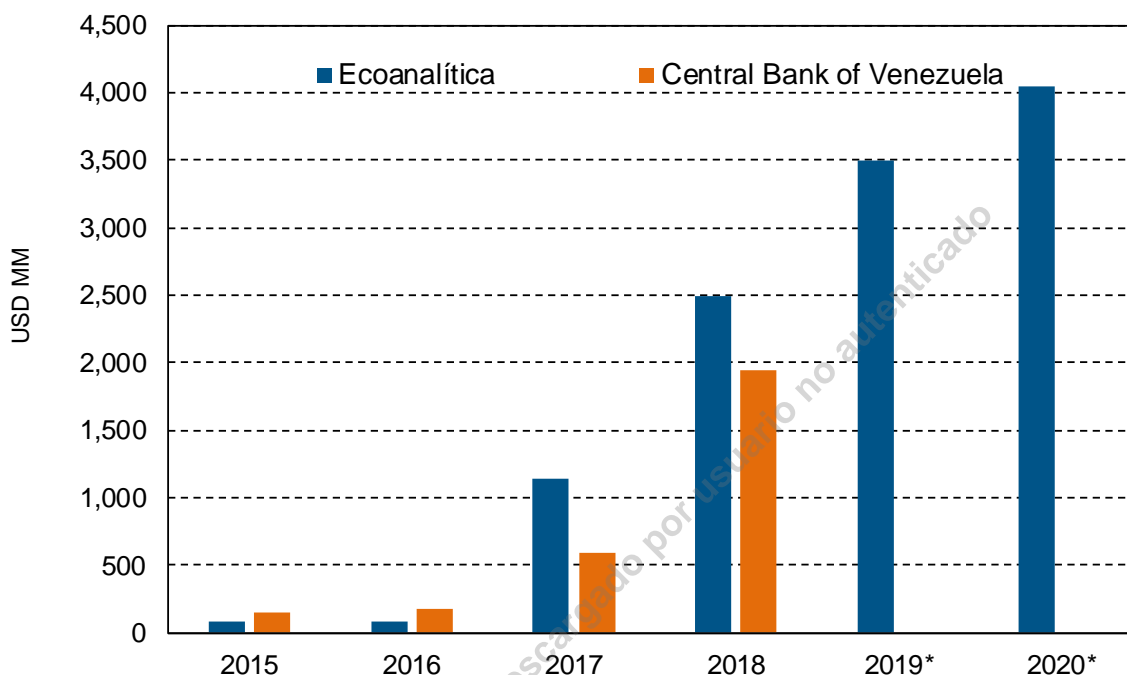
As for the appreciation of the real exchange rate, we have commented on this extensively at **Ecoanalítica**. For an historic overview of this issue we suggest that our readers consult our Weekly Report Number 41, 2018, and for an analysis of its consequences we recommend they take a look at Foreign Exchange Bulletin Number 9, 2018.

In broad terms, the appreciation of the exchange rate has occurred as the prices of goods and services have gone up faster than the price of foreign currency in the foreign exchange market. There are several reasons for this phenomenon.

One of the most noteworthy reasons is a foreign currency supply shock due to the 2,912.0% increase in the influx of foreign currency between 2015 and 2018, as well as to a series of shocks that reduced the demand for foreign currency due to the lack of savings for coverage by households, the lack of cash flow and profits for coverage by companies, and the lack of access to credit in the middle of an economic depression that has no precedent in Venezuela's history.

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Remittances to Venezuela (MM USD)



Sources: World Bank, Cemla, BCV and Ecoanalítica
 Note: Current transfers from BCV are valued as remittances.

In the first half of 2018, a common explanation was the contraction in wages and the increase in poverty that forced households to allocate a larger slice of their income to consumption to the detriment of saving in foreign currency. In the second half of 2018, companies experienced additional shocks as a result of the contraction in the economy and the tax reform.

At the end of 2018 and the beginning of 2019, the increase in the legal reserve requirements for the banking sector reduced the supply of credit, which had a disproportionate impact on the exchange rate compared to other prices. In addition, since February, the public sector has been intervening in the foreign exchange market with the sale of euros in cash in an attempt to hold the exchange rate down.

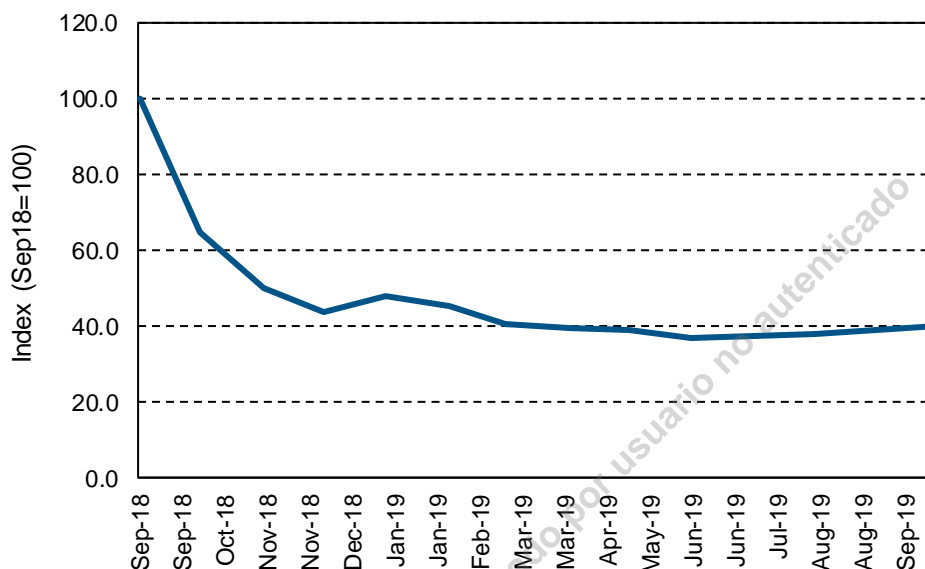
After this series of shocks, the real exchange rate seems to have stabilized to the extent that it has not experienced any major spikes and *the cost of living has stopped getting more expensive in dollars*. This does not mean that the cost of living has got cheaper, simply that it is no longer going up by leaps and bounds.

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Purchasing power loss of the dollar (NA)



Sources: Dolar Web, National Assembly and Ecoanalítica.

A more elastic current account?

Economic theory preaches that variations in the real exchange rate cause shocks in the balance of payment's current account. The reason for this is simple: as long as the real exchange rate appreciates, imports are going to be more competitive for local consumers and exports are going to be less competitive for foreign consumers.

However, despite the aggressive appreciation of the real exchange rate in 2018, private sector imports contracted by 21.7%, compares with 2017. However, this elasticity cannot be separated from the fact that the economy contracted by 19.6% during the last year. Similarly, according to the Central Bank, private sector imports contracted by 15.6% in the first quarter of this year compared to the fourth quarter of 2018. But this cannot be separated from the credit block in February. In addition, at **Ecoanalítica** we believe that the Central Bank has underestimated the level of door-to-door imports.

As for what the future holds in store, it is worth noting that imports should respond to the real exchange rate incentives, which means it will become a more relevant factor in the demand for foreign currency.

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The reform of the banking sector's regulations implemented two weeks ago should promote greater sensitivity in imports. Given that corporate loans have been indexed to the exchange rate and also that the maximum interest rate on those loans is 6%, businesses that engage in importing products can leverage their operations via the banks by buying foreign currency and increasing their inventory. To the extent that these businesses can price their products in dollars or index their prices to the dollar, they will be covered from the foreign exchange risk.

The money market is not sterile

As for what will happen in the medium term, we believe that the big money shocks caused by the Central Government's or PDVSA's fiscal imbalances will be sporadic. As a result, prices and the exchange rate will move at the stable pace of regular monetary growth, with exceptional erratic spikes determined by discretionary decisions on the part of the fiscal authorities and PDVSA.

Unlike the XXth century monetarists, we believe that, as Venezuela has shown, nominal variables can have a negative impact on real variables. Even though a monetary shock may be sterile in the long term, if prices multiply by the same factor as money supply, the fact is that a monetary expansion will generate distortions in the short and medium terms.

For example, when the Central Bank emits money to finance the public sector's payroll spending, the new bolivars enter the economy via public sector employees and overheat prices in the sectors where their demand is disproportionate first, such as food and transport.

In the long term, once the money has passed through the economy several times, all the prices may have been overheated to the same extent, but in the medium and short term the heterogeneity of its passage through the economy generates distortions in relative prices with implications for the decisions taken by the suppliers of goods and services.

The same happens once the money enters the financial system. To the extent that the banks lend part of the new bolivars deposited (22.4% of deposits under the present levels of the legal reserve requirements), then the recipients of these additional credits will engage in secondary seigniorage⁴ and, depending on what they do with their money, they will overheat some prices in the economy more than others.

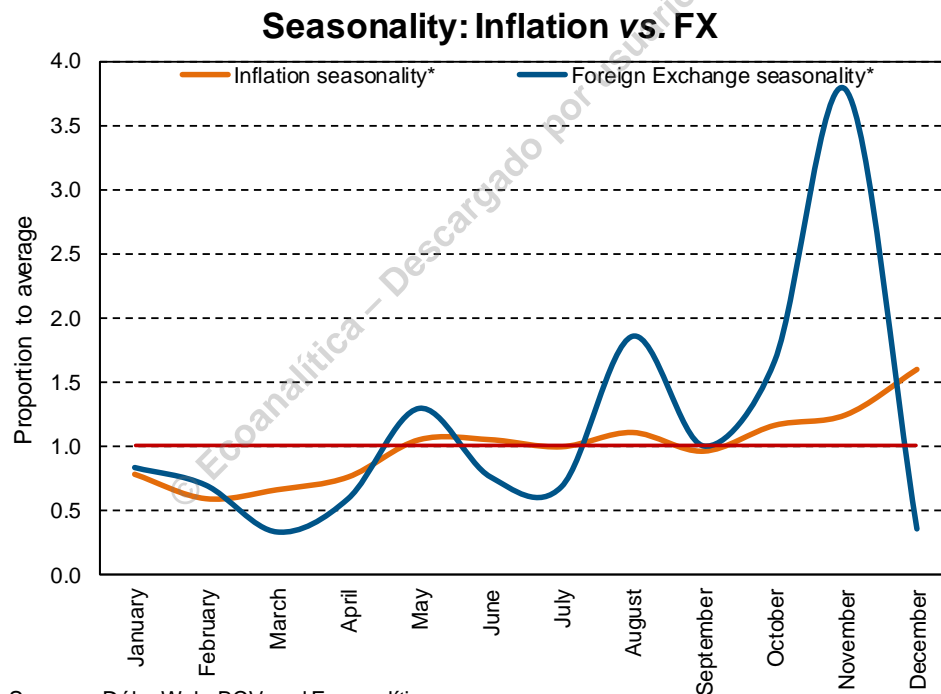
So, if secondary seigniorage goes disproportionately to the foreign exchange market to the detriment of the goods and services market, then the real exchange rate will vary.

⁴ Purchasing power of new funds entering the economy through the financial sector as part of the monetary multiplier.

Now that there are greater incentives to import inputs and consumer goods, it is possible that a significant proportion of secondary seigniorage will go to the foreign exchange market. However, it will only be possible to say whether that is true, empirically, in a few weeks' time.

Santa Claus and the acid test

In November, we expect fiscal irresponsibility to go up a notch or two, as happens every year. Maduro has reduced seigniorage to 2016 levels, but in 2016 (and every year since 2010), seigniorage in November was the highest in the year, 12.8 times more than the average for the remaining 11 months.



Sources: Dólar Web, BCV and Ecoanalítica
*Average seasonality between 2012 and 2018

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This phenomenon, which we called “the acid test” in Foreign Exchange Bulletins Numbers 9 and 11 of last year, threatens to make a comeback. If this happens, we will witness new jumps in prices driven by wage hikes, Christmas bonuses, end-of-year bonuses, and an overall expansion in fiscal spending and in the exchange rate, and we will also have sufficient data to determine how the real exchange rate will react in the short term to monetary shocks under the new scheme of incentives.

Guillermo Arcay Finlay

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WEEKLY INDICATORS

Weekly Economic Indicators			
	4th Week October	Weekly chg. (%)	Depre/Apre (pp) ¹
FX Boards (VES/USD)²	23,605.94	28.4	22.1
	3rd Week October	Weekly chg. (pp)	Annual chg. (pp)
Lending Interest Rate (%)	28.1	-2.1	7.5
	4th Week October	Weekly chg. (pp)	Annual chg. (pp)
Overnight Interest Rate (%)	111.8	-11.3	98.6
	4th Week October	Weekly chg. (%)	Annual chg. (%)
International Reserves (USD Bn)	7.9	-0.1	-10.6
	3rd Week October	Weekly chg. (%)	Annual chg. (%)
Monetary Liquidity (MM VES)	17,431,292	6.4	9,567.8
Price of International Oil Baskets (USD/bl)			
	4th Week October	Weekly chg. (%)	Annual chg. (%)
WTI	54.7	1.9	-19.3
Brent	60.2	1.0	-22.7
Price of the Venezuelan oil basket (USD/bl)			
	4th Week October	Weekly chg. (%)	Annual chg. (%)
Weekly Average	52.0	1.9	-25.8
Annual Average	58.2	-0.3	-10.6

Sources: BCV, MENPET, ONT and Ecoanalítica

* Annual variation of accumulated expenditure.

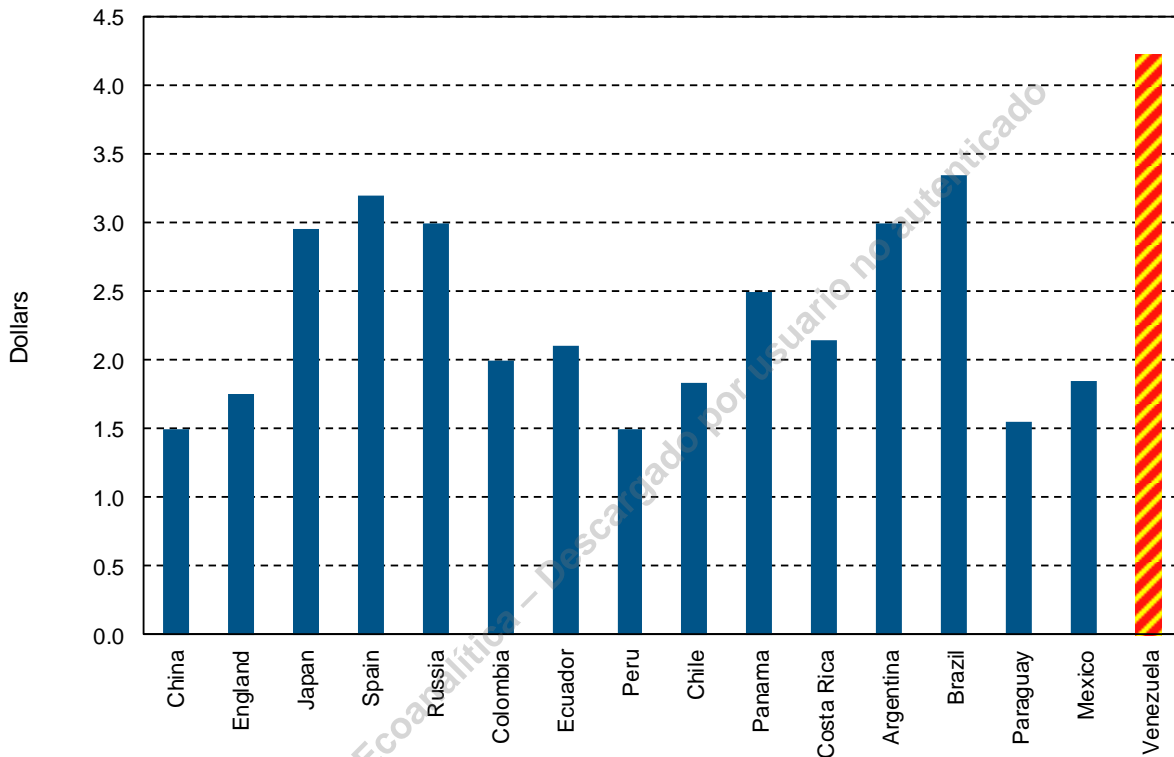
¹ Depreciation (+)/Appreciation (-)² FX Borads' average exchange rate

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CHART OF THE WEEK: “BURNT TO A CRISP”

Prices of McDonald’s fries



Sources: the Voz de América and Ecoanalítica.

The Voice of America, the US Government’s international radio and television broadcasting service, did some research into the price in dollars at which McDonald’s sell French fries in different countries. The findings of this research showed that in Venezuela they cost USD 4.5; however, because of the increase in the parallel exchange rate, the price has since fallen to USD 4.23. Even so, the French fries sold in Venezuela continue to be the most expensive on the American Continent, one dollar more than in Brazil (the second most expensive). The Voice of America also said that the price of French fries in Venezuela is higher than at least 11 other countries outside the region, among them Japan, China and Russia.

These differences in the price of French fries are due to the real appreciation of the bolivar against the dollar, which means that local prices have gone up faster than the price of the parallel dollar, with the result that goods and services are more expensive in both dollars

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and bolivars. For that reason, before this appreciation occurred, the prices of goods would go up in bolivars but remained relatively constant in dollar terms (with the exchange rate being the adjustment variable). However, given the hyperinflation we have been facing for nearly two years, the increase in the parallel exchange rate seems to be falling further and further behind the increase in prices.

The reason for conducting this research was to demonstrate how a food item recognized as being popular and that is fairly affordable in most countries can become a luxury in Venezuela. The upshot is that the minimum wage in Venezuela is barely enough to pay for a food item of low nutritional value.

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ECONOMIC TIPS

An overview of the situation. The International Monetary Fund (IMF) recently published its report *Economic Outlook: The Americas – Frustrated by Uncertainty*, in which it gives an overview of the general behavior of the region's economy.

Venezuela in the middle of it all. The report stresses the role played by Venezuela due to the mass exodus of Venezuelans to other parts of the region -4.5 million according to the United Nations High Commissioner for Refugees (UNHCR)-, which means a major variable for the governments in the region and for the multilateral agencies that are providing them with assistance.

Venezuela according to the Fund, Part I. The IMF confirmed the figure for the drop in Venezuela's gross domestic product (GDP) of 35% (for a cumulative drop of 65% since 2013) and highlighted the situation of the oil industry, the conditions the private sector is facing, and the crisis in basic services as the causes for this contraction.

Venezuela according to the Fund, Part II. The IMF also confirmed its inflation estimate for 2019 at 200,000% and expects it to pick up in the second half of the year as a result of the government incurring in monetary financing due to the reduction in its external revenues.

Offering their “neighbor” help. Russia's Vice Minister of Finance Sergei Storchak said that Russia is considering the possibility of sending a permanent delegation of economic advisors to Venezuela to solve the problems it is having with its foreign creditors.

Responding to a request. According to Storchak, the idea arose in response to a request by Nicolás Maduro after a group of advisors visited Venezuela a few months back. Maduro apparently asked that this be developed into a permanent advisory scheme instead of occasional consultations.

For as long as necessary. Storchak commented that, as a general rule, advisors spend a long period of time observing the entire economic situation in the petitioner country in order to arrive at relevant conclusions. However, he did not say who would be coming or when, how long they would stay or whether, at the end of the day, they would, in fact, come.

China, the path, Part I. The Kiel Institute for the World Economy published a research paper signed by Sebastian Horn, Carmen Reinhart, and Christoph Trebesch that gives an overview of the nature of developing countries' debt with China.

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China, the path, Part II. The findings of this research reveal that Venezuela owes an amount that is approximately equivalent to 20% of its GDP. However, in their paper the researchers do not say how much they estimate Venezuela owes China or how much Venezuela's GDP is in dollars.

OIL TIPS

Doubting everyone. The president of the Russian state-owned oil company Rosneft, Igor Sechin, said that he considered Venezuela, Iran, Libya, Iraq, Nigeria and Saudi Arabia to be "fragile suppliers." While there are reasons for doubting the reliability of most of these countries, Saudi Arabia's inclusion in this list is due to the attacks on its refineries last month.

Giving advanced notice of the agenda. Russia's Energy Minister Pavel Sokorin commented that the slowdown in the growth of crude production in the United States would be discussed at the next meeting of the Organization of Petroleum Exporting Countries (OPEC+) to be held on December 5 and 6.

They are still first. Data from China's General Administration of Customs for September show that Saudi Arabia is still the main exporter of crude to China, with 7.17 million tons of crude shipped.

Losing market share. China's crude imports for the year up to September came to 59.7 million tons, 55.4% more than during the same period in 2018. Even so, imports from Venezuela were down compared to last year to 588,698 tons as at September.

Playing on all fronts. Sources consulted by Reuters said that Juan Guaidó's team of advisors hoped to file a lawsuit for the annulment of PDVSA Bond 2020 before a New York court.

Dealing with the problem. This is happening despite the fact that the US Department of the Treasury froze any action attempted by PDVSA bondholders to take possession of Citgo on January 22. Even so, one of the sources said that the legal argument for filing the lawsuit was based on the fact that the issuing of the bond was invalid because it was not authorized by the National Assembly, which means that Citgo was not, in principle, put up as collateral.

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Making sure of gasoline supply. Sources at the Ministry of Oil told Argus Media that PDVSA was importing around 60 kb/d of gasoline, a fraction of total demand that domestic refineries are unable to meet.

Where those imports go. These imports are being sent to Amuay and Cardón refineries, Bajo Grande Terminal near Lake Maracaibo, and Jose Refining Complex in Anzoátegui state, according to officials at these facilities.

The need for a quality product. Some of these sources said that only poor quality gasoline is being produced at Amuay, 40-60 octane gasoline, below the ministry's benchmark quality of 87-95 octanes.

An explanation for the poor quality. This poor quality can be explained by the operating capacity of the Amuay-Cardón refining complex, which, according to one of the sources, is at 10%.

The capital is given priority. Moreover, according to the same sources, PDVSA is giving priority to Caracas. In mid-October, supply was split equally between Caracas and the rest of the country, with 35 kb/d going to Caracas and 35 kb/d to the other 23 states.

Necessity breeds illegality. Given its scant operating capacity, PDVSA has lost effective control over 13 of those 23 states to corrupt military officers, local authorities, and armed gangs that openly demand food and cash before filling up people's tanks. Moreover, the amount of gasoline sold in those states is restricted to 20 liters for small vehicles and 30 for large vehicles.

The cost of low operating capacity. According to these sources, the smuggling of gasoline into Colombia has got less, going from 100 kb/d in 2017 to 25 kb/d today due to the low level of domestic supply.

The report's estimates. Last of all, the sources revealed that domestic demand for gasoline is estimated at 130 kb/d. This indicates a downward trend given that it was 150 kb/d in 2018, 175 kb/d in 2017, and 300 kb/d in 2012.

BUSINESS SECTOR TIPS

They're back! The US software company Adobe Systems Incorporated has announced that the US Government has issued a license that allows the company to provide all its products and services in Venezuela. As a result, access by its clients to Creative Cloud

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and Document Cloud will not be interrupted and they will continue to enjoy the same products and services as before.

More restrictions on credit, Part I. The Central Bank of Venezuela has issued new guidelines on the regulation of local credit activity. In specific terms, these resolutions imply indexation of new bank loans to the fluctuations in the reference exchange rate via the Investment Index (INDI). Based on what has been published in the Official Gazette, this suggests that bank financing will get more expensive as the exchange rate goes up.

More restrictions on credit, Part II. From now on, loans granted will be expressed in Commercial Credit Value Units (UVCC after their initials in Spanish) based on the quotient between the amount of the negotiated loan and the INDI. When the loan is discharged, the balance on it will be reconverted to foreign currency taking this quotient into account.

The social side of business. “*Negotiation and dialog: key elements for coexistence*” was the slogan for the 19th Business Social Responsibility Symposium organized by VenAmCham’s Social Alliance. This event sought to collaborate with the construction of a social agenda for the country and to give importance to the value of work.

Greater responsibility. During the event, Luis Maturén, the general manager of Datos Group, offered an overview of his *Pulso Social* (Social Pulse) research, in which he explained that around 54% of Venezuelans prefer to work at companies that include issues affecting society among their corporate objectives.

Private business to the rescue. Maturén also stressed that 67% of the companies consulted referred to the responsible behavior of private companies and 90% said they benefited from programs implemented by private business.

An exhibition that rose to the occasion? *Expo Aéreo Venezuela 2019*, held in Maracay, Aragua state, ended on October 27. At this event, the Venezuelan State sought to forge alliances between state-owned and private companies to strengthen trade in Venezuela.

Direct flights to Mexico. Ramón Velásquez, the president of *Consortio Venezolano de Industrias Aeronáuticas y Servicios Aéreos* (Conviasa), has announced that the airline is to activate two new international routes to Mexico, specifically to Cancun and Toluca, starting on November 15. There will be flights on Mondays and Fridays and they will offer 1,600 seats a month.

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The bonuses are back “victorious.” The Central Government has started to hand out the new “*Victorious Venezuela*” bonus via the Carnet of the Fatherland. The amount of the bonus is VES 75,000 and beneficiaries will be notified via a text message.

Projects Banco Bicentenario handed over a total of VES 286 million to participants in the Miranda Entrepreneurship Route under its Social Credit Program to strengthen its “social-production” projects. The entrepreneurial initiatives focus on areas that have been hard hit by the contraction in the economy and hyperinflation such as confectionary, textiles, hygiene, cleaning products, technology, tourism, pharmaceuticals, and carpentry.

The tamarind to the rescue. According to People’s Power Ministry for Productive Agriculture and Lands, Venezuela is currently exporting tamarind, turmeric, and shrimp in addition to other items that the country produces a surplus of.

Did the credit portfolio grow? Sudeban published its statistics for September. The banking sector’s gross credit portfolio grew 24.9% month to month and 6,921.7% year on year in nominal terms. However, in real terms it shrunk 82.1% year on year due to hyperinflation.

Economic destinations of credit portfolio. Only the automotive credits and the mortgages credits increase year on year on real terms 1,113.4% and 6.52% respectively. The others credits fall year on year on real terms. The worst performing was the manufacturing (-85.4%) followed by microloans (-81.4%), consumption credits (-80.9%), agricultural loans (-76.2%), and finally tourism credits (-45.8%).

Consumption decrees. Commercial and consumption loans still occupy most of the credit portfolio. Between September of 2018 and 2019 their participation fall from 82.9% to 77.5% of gross credits. Agricultural are now 14.6% of the total.

WORLD ECONOMY TIPS

A race against the decline in trade. On October 28 US President Donald Trump commented that he expected to sign a significant portion of the trade agreement with China earlier than anticipated. “*We are looking probably to be ahead of schedule to sign a very big portion of the China deal, we’ll call it Phase One but it’s a very big portion,*” he said. He also announced that he hopes to sign an agreement with China’s President Xi Jinping in November during a summit in Chile.

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Third time lucky. The European Union has agreed to and the United Kingdom has approved postponing the United Kingdom's withdrawal from the European Union until January 31. This latest postponement of Brexit, the third, is accompanied by some conditions, among them the refusal to renegotiate Johnson's divorce agreement and giving the green light for the other 27 countries of the European Union to meet without the United Kingdom to discuss bloc's future.

I won't cry for you Argentina. On Sunday, October 26, Alberto Fernández emerged as the winner of the general elections, which means he will take office as the president of Argentina on December 10. Responding to the news, Argentina's financial markets were erratic, fueled by a cocktail of hopes for an orderly transition and uncertainty regarding the new government's future policies.

Continuity? Following these results, opposition candidate Alberto Fernández met with the outgoing president, Mauricio Macri, preferred by the markets, in an attempt to establish a dialog that will make it possible to reduce the effects of a severe economic crisis.

A South American collision. Brazil's President Jair Bolsonaro said that Argentinean voters had made a mistake and that he had no intention of congratulating Fernández on his victory. The outcome of the elections paves the way for putting the two biggest economies of South America on a collision course that could harm the future of the trade bloc MERCOSUR.

Problems for MERCOSUR. Even Brazil's Secretary of Commerce Lucas Ferraz said that the government was committed to promoting change in the Common Market of the South (MERCOSUR) to stimulate trade both inside and outside the bloc still further, explaining that "*Brazil is committed to a reform of MERCOSUR, proposing new measures to promote more trade inside and outside the bloc.*"

Ready for what's in store. Argentina's Central Bank announced a new ceiling on the purchase of foreign currency via exchange controls in an attempt to prevent the country's international reserves from continuing to fall. This new amount is USD 200 a month purchased via bank accounts and USD 100 a month purchased in cash.

The protests continue. La Paz and cities such as Santa Cruz and Bolivia's economic, agricultural and industrial centers have ground to a halt. The streets are half empty, stores are closed, and town hall offices (in the hands of the opposition) and schools have not opened their doors. There have been demonstrations in Bolivia since October 20 when the Supreme Electoral Council (TSE) suddenly suspended the publication of a vote

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recount only to announce one day later that the present president, Evo Morales, was the winner.

New boys in the copper industry. Ecuador's Vice Minister of Mines Fernando Benalzácar announced that El Mirador copper mine, owned by a unit of the Chinese consortium CRCC-Tongguan, is to dispatch its first large shipment of copper in a few weeks' time, indicating its ambition to become an exporter of copper.

The copper experts are suffering. Chile's La Escondida mine, the home of the world's largest copper deposits, continues to operate at below capacity due to a strike by its workers to get the company to attend to their demands and in support of the social movements that have the country in an upheaval. The mine's labor union agreed to a partial down-tools in response to "abuses" by the company and also in support of the demonstrations.

POLITICAL TIPS

A radical change of attitude. After rejecting aid under the World Food Program (WFP) promoted by the United Nations Food and Agriculture Organization (FAO) on several occasions, Nicolás Maduro said in a nationwide networked broadcast that he hoped to arrange for the implementation of this program as soon as possible.

Before it was "no,"... Even though the WFP warned in January of the high risk of malnutrition being run by millions of Venezuelans and offered its help regardless of who was in power, the offer was not accepted. Because of this, the program has limited its efforts to attending to Venezuelan migrants in countries such as Colombia and Ecuador.

...but now it's "yes." Despite this, Maduro confirmed his desire to sign a humanitarian cooperation agreement with the WFP, saying he was ready and did not understand why the WFP was taking so long.

A new danger. Diosdado Cabello, the vice president of the United Socialist Party of Venezuela (PSUV) considers that recent events in Bolivia are a plan by the United States to carry out a coup d'état.

The enemy's still there. After saying this, Cabello urged that the "peace crews" be reactivated to defend Venezuela from what he considers to be interference in the region by the United States.

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A direct threat. Cabello also made an appearance at an event on the border with Colombia during which he said that Venezuela had two Russian Pechora missiles, which he described as “really hot stuff.”

In the crosshairs. Commenting on the purpose of the missiles, he said they were aimed at La Candelaria and El Nogal, two residential areas of Bogota. The choice of these areas, according to Cabello, was due to the fact that the people who live there are not Colombia’s working class but its bourgeoisie, “the ones who have looted Colombia.”

The reaction. In response, Colombia’s Ministry of Foreign Affairs exhorted the international community to take action with regard to Cabello’s threats against Colombia’s population.

Range exaggerated. However, Víctor Mijares, a professor at *Universidad de Los Andes* and a defense expert, said that, due to the characteristics of the missiles, it is unlikely they would reach an objective much further than a department on the Colombian border, which means they would not be capable of reaching Bogota.

Don’t get swindled. In a Twit, the diplomatic representatives appointed by Juan Guaidó to the Venezuelan Embassy in the United States issued a warning about what they called a “swindle” of the regime’s, which consists of charging for a service of giving false appointments for renewing Venezuelan passports in the United States.

The solution. For those who have already fallen for the con and made the payment, the recommendation is that they notify their bank of the fraudulent transaction and send a copy of the documents in question to the consulate’s email for them to take the matter up with the pertinent US authorities.

No longer available. With a view to avoiding similar situations, they reminded people that, due to the fact that the Maduro administration is not recognized by the US Government, the network of consulates that used to operate in the United States has been dismantled, which means that the servers that provided the connection for processing formalities with the Venezuelan authorities have been withdrawn.

Paying a return visit. The Operational Strategic Command of the Bolivarian National Armed Force (Ceofanb) reported that an unidentified drone flew over the Paraguaná Refining Complex’s facilities, located in Falcón state. It is at these facilities that the gasoline that is distributed to all parts of the country is produced.

Two and two allegedly make four. Due to this incident, Ceofanb Commander Remigio Ceballos ordered more patrols at the complex and said it was strange that the incident

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occurred only days after the opposition issued a call for people to take action on the streets.

Seeking to retake possession. Elisa Trotta, Venezuela's ambassador in Argentina appointed by Juan Guaidó, said that the embassy's installations had been usurped by officials of Maduro's regime.

They're not allowing it. Commenting on this situation Trotta said that they were working together with the Argentinean Government to take back control of the embassy. She also expressed her concern regarding the vulnerable situation Venezuelans find themselves in when they arrive in Argentina.

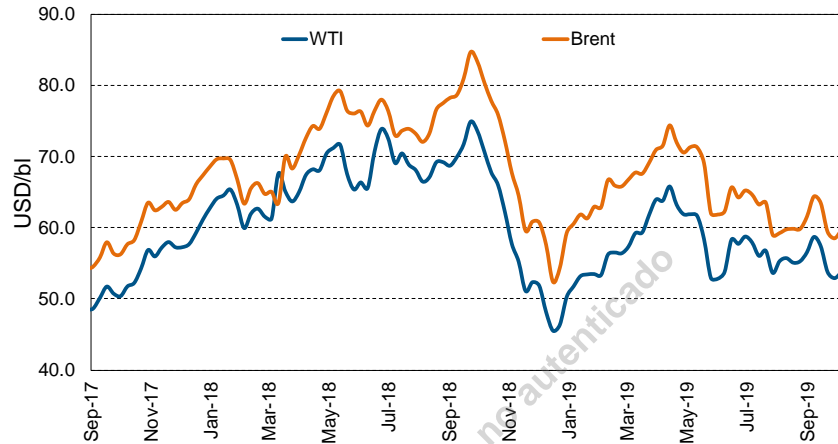
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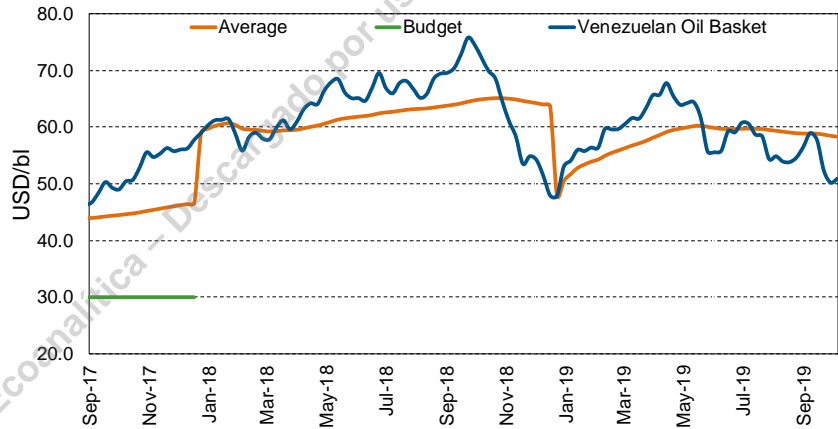
ECONOMIC INDICATORS

**Oil Prices
(WTI and Brent)**



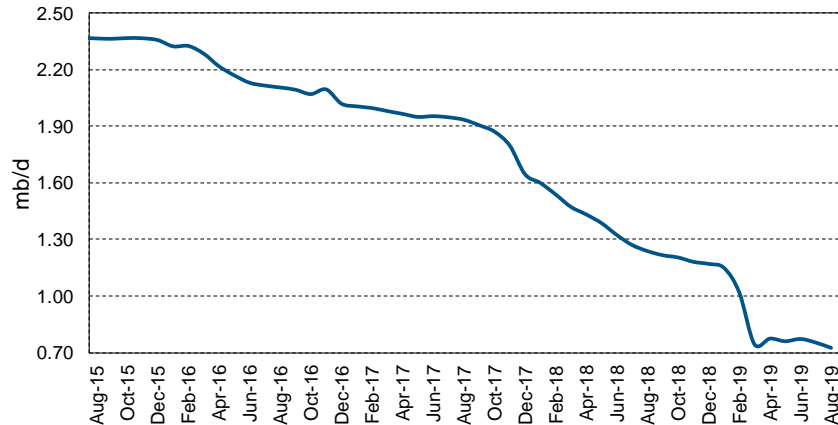
Sources: Menpet and Ecoanalítica

**Oil Price
(Venezuelan Basket)**



Sources: Menpet and Ecoanalítica

**Oil Production
(Secondary sources)**

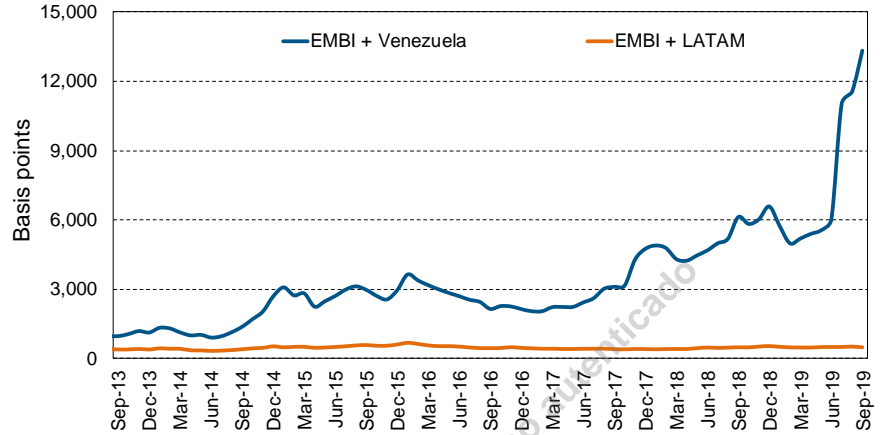


Sources: OPEC and Ecoanalítica

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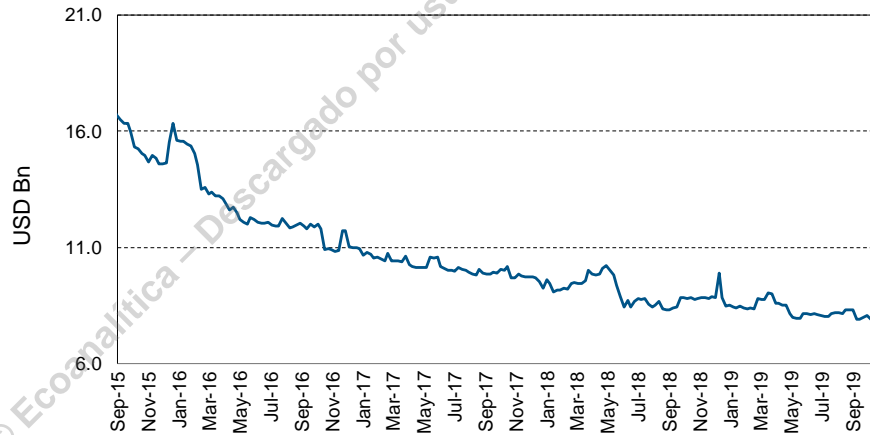
ECONOMIC INDICATORS

EMBI



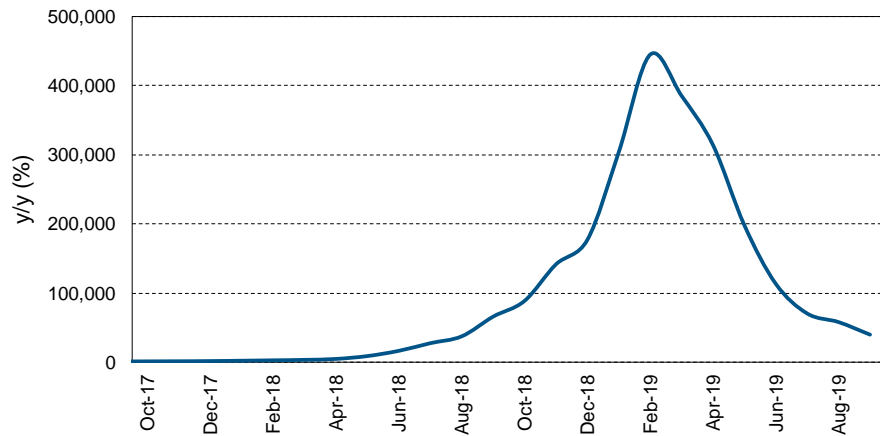
Sources: BCRP and Ecoanalítica

FX Reserves (BCV)



Sources: BCV and Ecoanalítica

Inflation (BCV)



Sources: BCV and Ecoanalítica

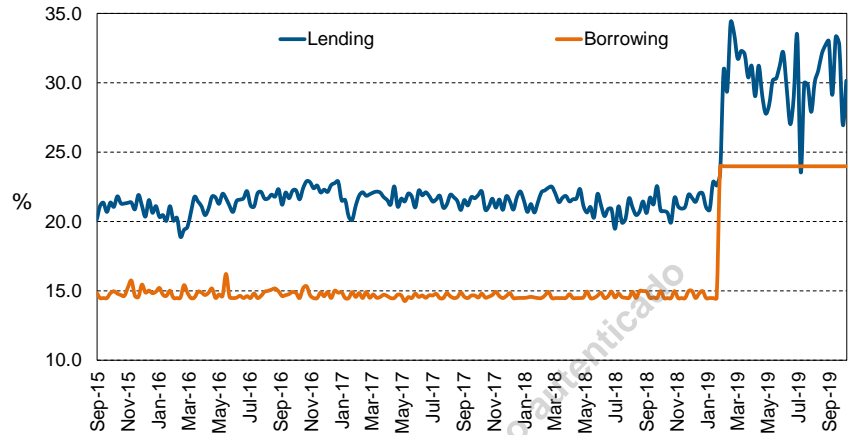
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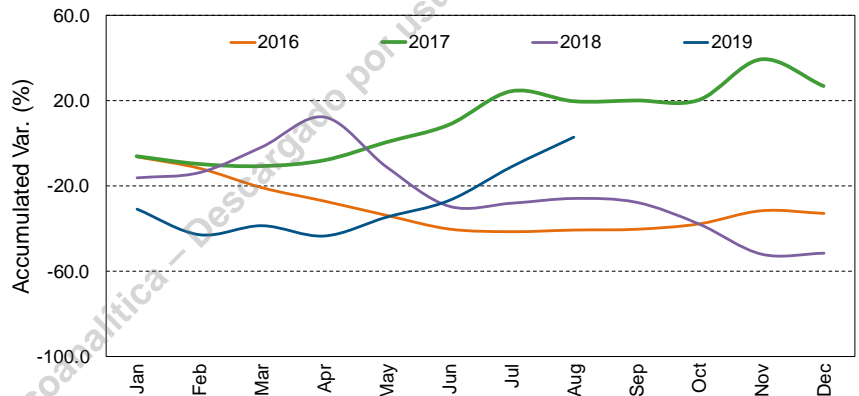
ECONOMIC INDICATORS

**Interest Rate
(Six major banks)**



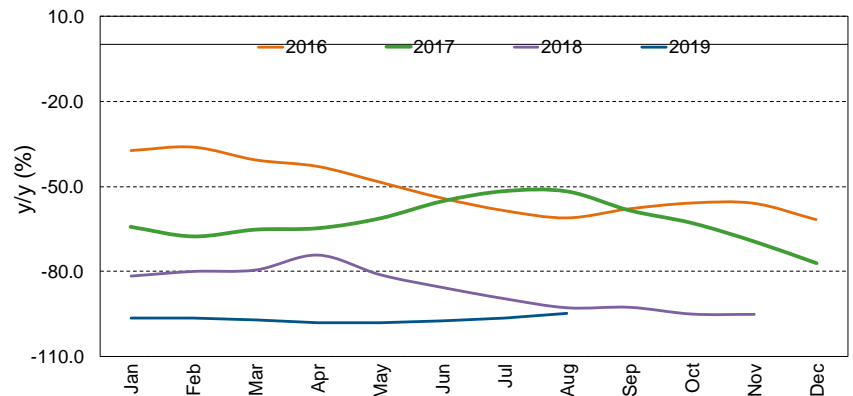
Sources: BCV and Ecoanalítica

**M2 Expansion
(Real)**



Sources: BCV and Ecoanalítica

**Loan Portfolio
(Real)**



Sources: SUDEBAN and Ecoanalítica

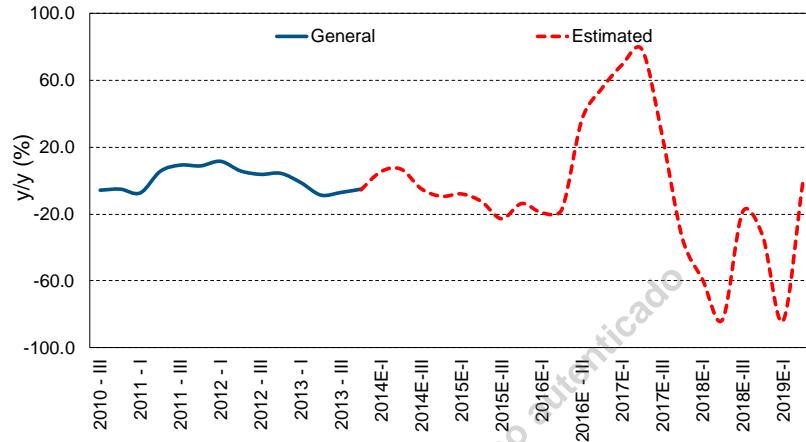
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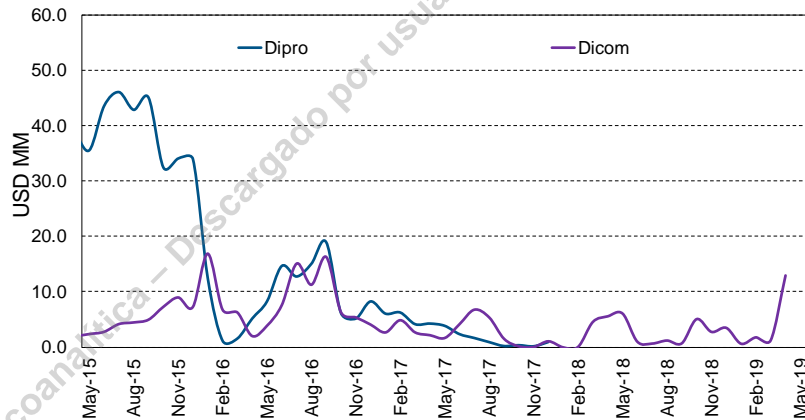
ECONOMIC INDICATORS

Real Wage Index



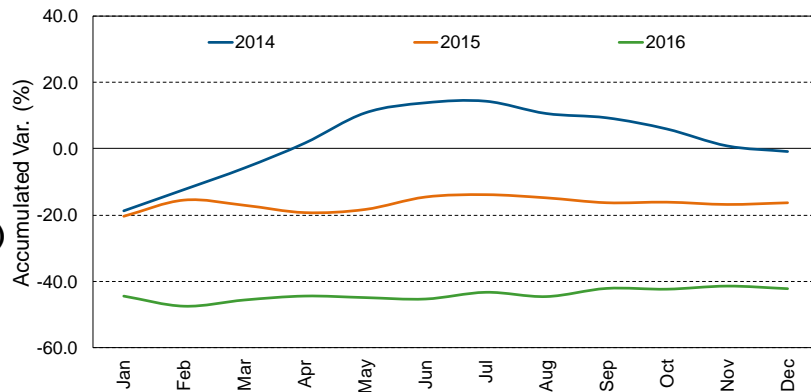
Sources: BCV and Ecoanalítica

Disbursements to the Private Sector (Daily Average)



Source: Ecoanalítica

Primary Spending NTO (Real - Central Government)



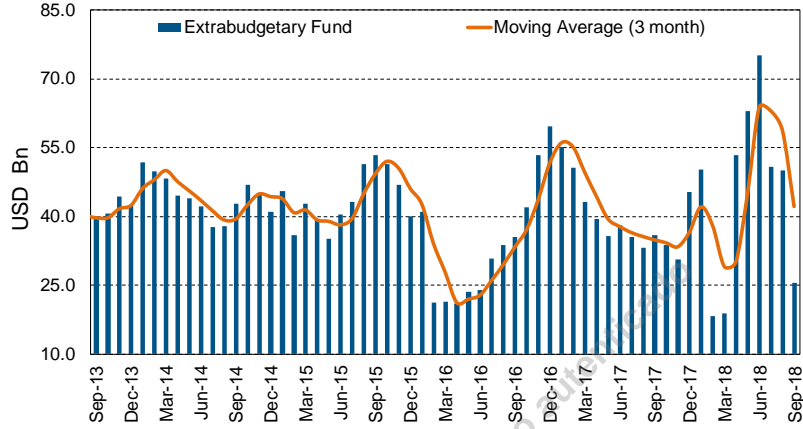
Sources: ONT and Ecoanalítica

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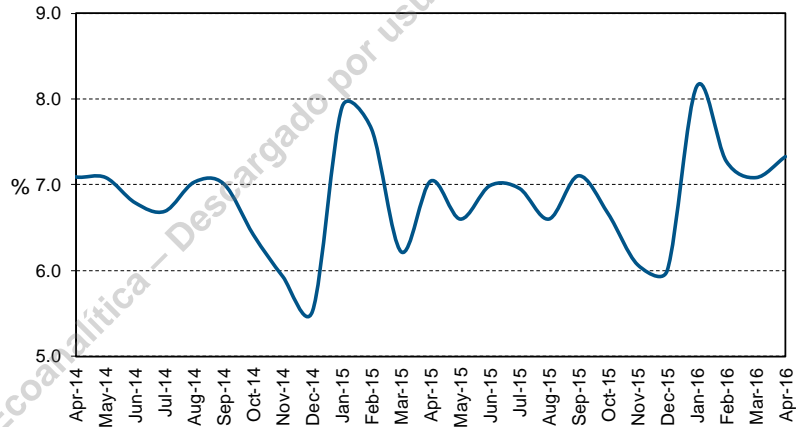
ECONOMIC INDICATORS

State Extrabudgetary Resources



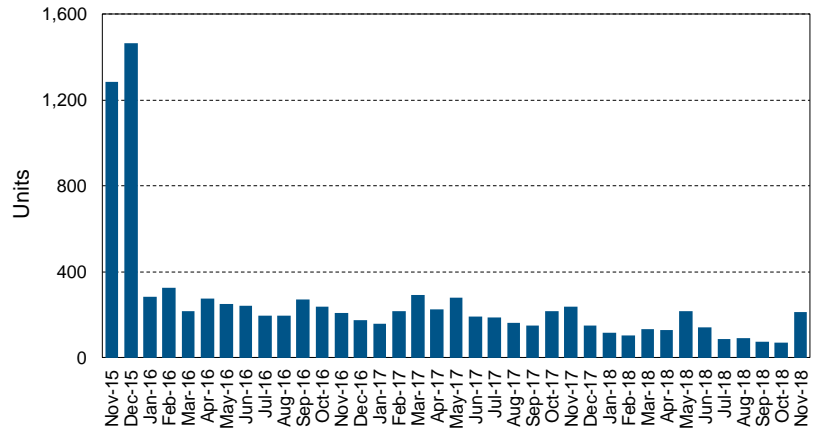
Source: Ecoanalítica

Unemployment Rate



Sources: INE and Ecoanalítica

Vehicle Sales



Sources: CAVENEZ and Ecoanalítica

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