

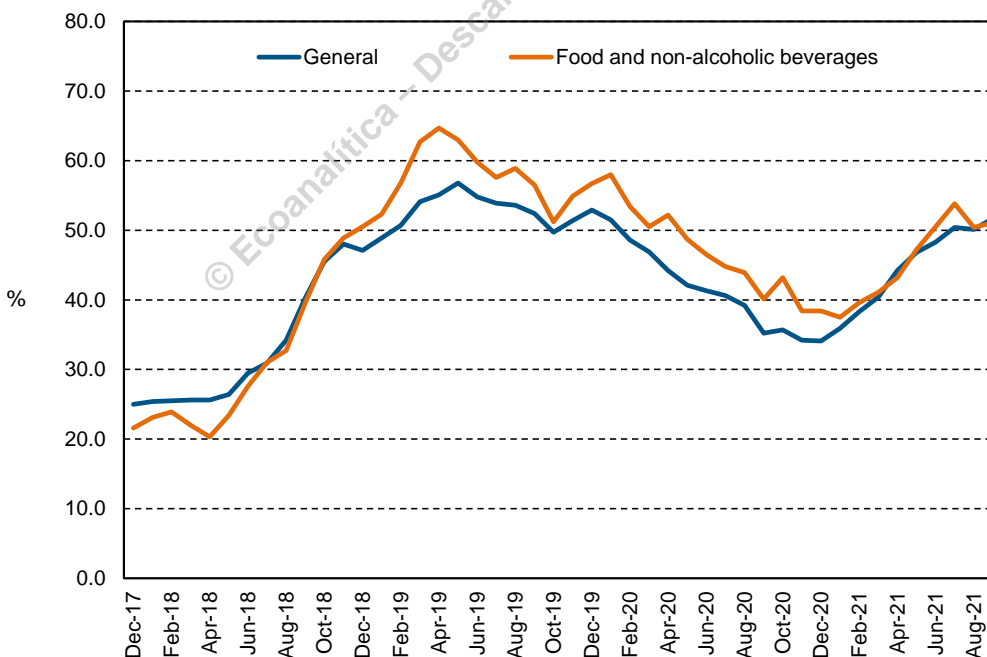


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## Don't cry for me, Argentina The return of price controls

Since the end of 2020, the Argentine economy has been showing a greater increase in local prices. Such behavior seems to respond, at least partially, to the effects of the pandemic on domestic activities, which has resulted in a larger fiscal gap and monetary issues promoted by the Executive to counteract such costs<sup>1</sup>, in addition to the constant tensions on the Argentine peso in an environment where the distrust of the locals regarding their currency and the management of Alberto Fernández (AF) persists. Faced with such adjustments, the government resumed a practice widely known in the region (especially in Venezuela): price controls.

### Year-on-year inflation in Argentina



Sources: BCRA and Ecoanalítica.

<sup>1</sup> The larger monetary injections have also come from the government's looser stance on credit and taxation, in the context of the legislative elections to be held on November 21<sup>st</sup>.

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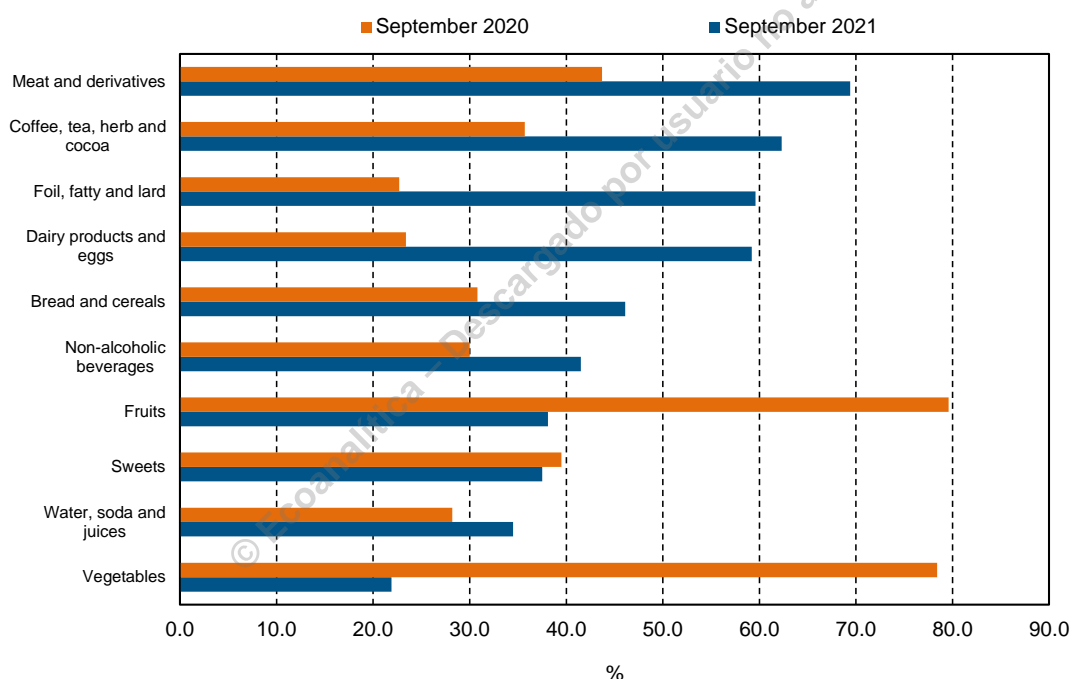
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Strictly speaking, the AF administration ordered on October 7<sup>th</sup> the freezing of tariffs on 1,432 products of the mass consumption basket in the country, for a period of 90 continuous days, after having limited beef exports (an item that has become very expensive in recent months) as a mechanism to improve domestic supply and mitigate the pressure on prices. The measure was implemented unilaterally by the regulators, after failing to reach agreements between the various private business associations about the conditions of the new regulation, and will be accompanied by recurrent inspections of supermarkets and shops in different provinces of the country to ensure compliance, according to official announcements.

### Food and beverages inflation by item in Argentina



Sources: BCRA and Ecoanalítica.

Despite the need to curb the price escalation without jeopardizing the plans implemented by the Argentine government (that is, without having to cut social assistance payments or special financing programs), the adoption of this type of measures has more political than economic overtones. In fact, this type of stance has even been seen in economies such as the United States, where, in the 1970s, then-President Richard Nixon would apply domestic price and wage controls in order to secure his re-election (according to the evidence), even with the macroeconomic risks that such actions entailed<sup>2</sup>. In this sense,

<sup>2</sup> See Abrams, B. and Butkiewicz, J. (2007). *The political economy of wage and price control: evidence from the Nixon Tapes*. Department of Economics. University of Delaware. Working Paper 10.

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there seems to be widespread recognition of the collateral effects of such controls, but this has not prevented the South American nation from implementing them for decades. In this report, we will briefly evaluate that history and review some of the arguments that dismiss this type of controls as a measure to curb inflation in that (and other) countries.

### The eternal *déjà vu*

For Argentina, as for Venezuela, the history of price controls is long and dates back to the mid-twentieth century; it shows how little success they had in eradicating the imbalances behind the acceleration of inflation in that country:

1. **1952.** Juan Domingo Perón's first term created the *National Commission of Prices and Wages* to prevent "unjustified" rate fixing. It would succeed in reducing inflation to below 5.0% per year in 1952 (from 38.0%), although it then expanded again to 12.3% in 1955.
2. **1973.** In the second term of Peronism, with the help of Minister José Ber Gelbard and his idea of the social pact, the government, industry and trade unions reached price agreements. Inflation was reduced from 60% a year in 1972 to 17% in 1973, although it would rise above 170% only two years later.
3. **1985.** Under the government of Raúl Alfonsín, the Austral Plan was applied, which included freezing the prices of public services and imposing limits on the prices of the basic food basket. An average annual inflation rate of 400% was reported during that period, giving way to the first process of hyperinflation in Argentina.
4. **2006-2013.** Néstor Kirchner's administration carried out several agreements on the prices to be charged in some sectors such as dairy. Then, in 2013, President Cristina Fernández implemented the "*Precios Cuidados*" (Cared Prices) program, fixing the prices of certain items of the basic food basket, within the framework of the agreements reached between the government and various supermarket chains and local suppliers. The period would culminate with an annual inflation rate of 25%, from a record 38.5% in 2014.
5. **2015-2019.** The government of Mauricio Macri maintained in its initial stages the *Precios Cuidados* program, although for a smaller spectrum of products. Then, in 2019, an agreement was reached with 16 companies to freeze the prices of 60 food products for six months and VAT was eliminated for some foods; however, inflation that year would reach 53.8%.
6. **2020.** With the arrival of the pandemic, the AF Government relaunched the *Precios Cuidados* program, which initially froze 400 items as of March 6<sup>th</sup>, 2020. In September, the new *Precios Cuidados para la Construcción* program was announced. It includes a variety of 93 top-brand products from 17 different items. Annual inflation would fall to 34.1% by the end of the year.

### Controls and shortages went to the field one day...

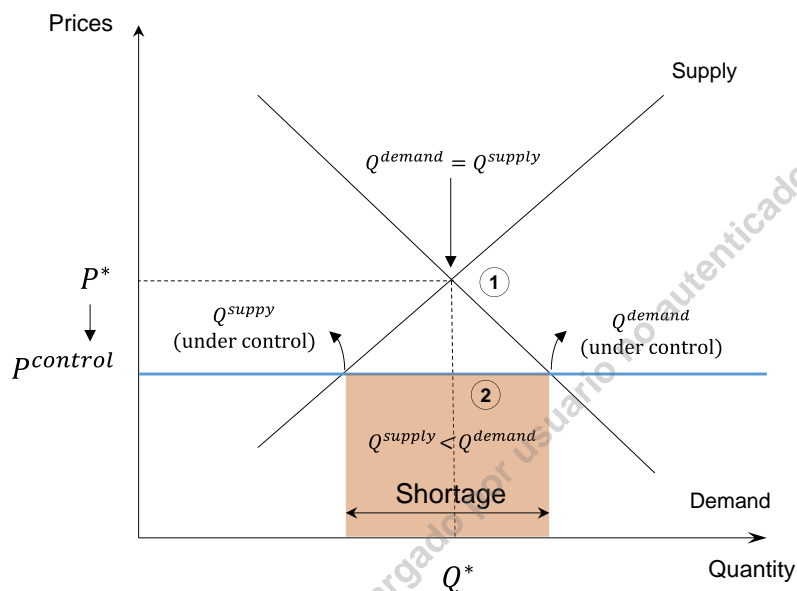
With a price control, shortages of certain goods seem to be the rule. In our Weekly Report N°15 of 2020<sup>3</sup>, published in the midst of the Executive's attempts to implement forced price fixing on several companies in the food and meat sector in Venezuela, we outlined some of the mechanisms under which price controls tend to turn into shortages and end up putting even more upward pressure on prices. Basically, arbitrary price fixing ends up affecting the ability of prices to inform suppliers and demanders about market conditions. In this sense, as prices cease to be informative, changes in demand and supply will lead to a shortage of the goods under regulation. This occurs because:

- Regulated prices tend to raise consumer interest in acquiring the goods under control quickly (by becoming very cheap) to a level that exceeds the capacity of producers to offer such products.
- On the supply side, controlled prices imply an identical profit for each additional good produced, which reduces the incentive for producers to buy more inventory or hire more staff, while driving out those producers who have costs above the regulated price. The end result will be a lower supply of the controlled good.
- In the absence of control, the increased demand would lead to an increase in prices to levels above what buyers would be willing to pay and where there is more reason for firms to produce more or to try to enter a market that allows them to defray costs.

The key point is that the shortages resulting from the controls tend to act as a sort of "shadow" price of the controlled goods. As it happened between 2013-2016 in Venezuela, when the so-called *bachaquerismo* caused Venezuelans to resort to informal markets to acquire goods whose supply was affected by the aforementioned mechanisms. In conclusion, failures in the supply of certain regulated goods end up influencing their cost. In other words, the control is even more counterproductive as a measure to reduce inflation.

<sup>3</sup> Weekly Report N°15 of 2020: *The perfect storm: price controls during quarantine.*

### Market adjustments under price controls



Source: Ecoanalítica.

Some studies suggest that failures in the provision of goods in the midst of a price control tend to force the abandonment of controls and raise post-control inflationary pressures (Álvarez and Werning, 2021)<sup>4</sup>. On the one hand, this may be due to how controls end up reinforcing inflationary inertia, that is, the link between the price increase reported today with past inflation. Also, the fact that some businesses use the diversification of their portfolio to be able to sell other goods at free prices and compensate for the limits of the control could promote new price increases once the measures cease.

In fact, recent work for the Argentine case (Aparicio and Cavallo, 2018)<sup>5</sup> provides evidence of how price controls in that country have lost effectiveness as suppliers introduce new products at higher prices, which, in the aggregate, causes prices to continue to rise even though the supply of regulated ones would be affected.

<sup>4</sup> Alvarez, F. and Werning, I. (2021). *The macroeconomic of prices control*. MIT, forthcoming.

<sup>5</sup> Aparicio, D. & Cavallo, D. (2018). *Targeted price controls on supermarket products*. NBER Working Paper No. 24275.

### Failure foretold?

Argentina's macroeconomic picture is pessimistic enough to think that the price freeze will prevent inflation from picking up further in the coming months. Even if it shows a greater recovery after the passage of COVID-19, the local market still drags one of the largest contractions seen in the region in 2020, with an exchange rate that will continue to rise and with an unstable political and institutional framework. In this sense, pricing will not prevent the AF management from abandoning the populist policies that support it in such a delicate environment but that, in turn, will continue to put upward pressure on tariffs in the country.

#### Principal macroeconomic indicators of Argentina

| Indicators                             | 2020 | 2021 (*) | 2022 (*) |
|--|------|----------|----------|
| Real GDP growth (%)                    | -9.9 | 7.3      | 2.3      |
| Inflation (%), end of period           | 36.1 | 49.2     | 45.2     |
| Exchange rate (ARS/USD), end of period | 84.1 | 110.0    | 157.5    |
| Unemployment (% del AP)                | 11.6 | 10.6     | 10.2     |
| Monetary base growth (%)               | 30.3 | 49.4     | 52.3     |
| Fiscal deficit (% of GDP)              | -8.5 | -5.2     | -4.4     |

(\*) Estimates.

Sources: FocusEconomics and Ecoanalítica.

In this context, the dangers of price controls for the Argentine nation seem to be greater than the short-term inflationary relief they can bring. The lessons are not only for Argentina, but also for Venezuela. Measures such as the control of "reconverted" prices or the attempt to regulate school fees qualify as official actions that prevent prices from doing their job. In the words of James A. Dorn<sup>6</sup>: "(...) the loss of economic freedom is a high price to pay for the false promise of ending inflation by suppressing market forces". Under such premise, and with the ever-present temptation within the Venezuelan Executive power to resume tariff controls, it is the task of the local private sector to foresee ex ante the possible repercussions of this type of measures in order to adapt its business in the most expeditious way possible.

**Luis Arturo Bárcenas**

<sup>6</sup> Vice President of Monetary Studies at the Cato Institute.

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## WEEKLY INDICATORS

| Weekly Economic Indicators                  |                      |                     |                                 |
|---|----------------------|---------------------|---------------------------------|
|   | 1st Week November    | Weekly chg.<br>(%)  | Depre/Apre<br>(pp) <sup>1</sup> |
| FX Boards (VES/USD) <sup>2</sup>            | 4.4                  | 2.8                 | 2.7                             |
|   | 3rd Week October     | Weekly chg.<br>(pp) | Annual chg.<br>(pp)             |
| Lending Interest Rate<br>(%)                | 58.8                 | 3.5                 | 19.8                            |
|   | 4th Week October     | Weekly chg.<br>(pp) | Annual chg.<br>(pp)             |
| Overnight Interest<br>Rate (%)              | 176.6                | 12.0                | -34.7                           |
|   | 4th Week October     | Weekly chg.<br>(%)  | Annual chg.<br>(%)              |
| International Reserves<br>(USD Bn)          | 11.1                 | -0.36               | 72.0                            |
|   | 3rd Week October     | Weekly chg.<br>(%)  | Annual chg.<br>(%)              |
| Monetary Liquidity<br>(MM VES)**            | 2,954.7              | 5.1                 | 1,111.9                         |
| Price of International Oil Baskets (USD/bl) |                      |                     |                                 |
|   | 4th Week October     | Weekly chg.<br>(%)  | Annual chg.<br>(%)              |
| WTI   | 83.8                 | 0.4                 | 112.5                           |
| Brent                                       | 84.1                 | 82.0                | 109.0                           |
| Price of the Venezuelan oil basket (USD/bl) |                      |                     |                                 |
|   | 5th Week July (2020) | Weekly chg.<br>(%)  | Annual chg.<br>(%)              |
| Weekly Average                              | 22.4                 | 0.0                 | -61.9                           |
| Annual Average                              | 28.8                 | -0.7                | -51.7                           |

Sources: BCV, MENPET, ONT and Ecoanalítica

\* Annual variation of accumulated expenditure.

\*\* Reconverted amounts.

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

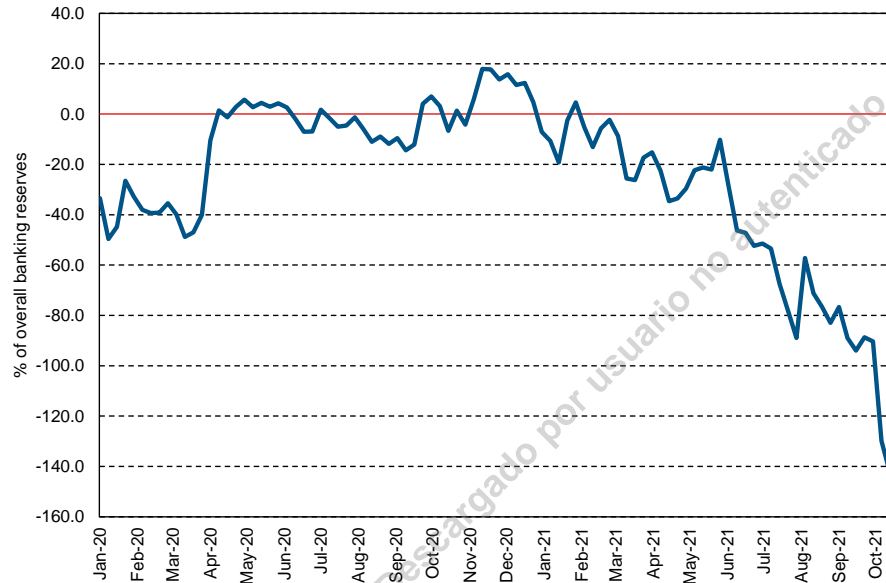
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### CHART OF THE WEEK: “BOLIVARS? NO, THANK YOU...”

Weekly legal banking reserves surplus/ deficit onto BCV since 2020 (\*)



(\*) Positive: reserves surplus (relative to minimum requirement); negative: reserve deficit  
 Sources: BCV and Ecoanalítica.

Since the beginning of 2021, the liquidity crisis (in bolivars) of banks in Venezuela has worsened. High reserve requirements (deposits immobilized in the central bank, BCV) have caused local entities to accumulate reserves in the issuing entity that do not allow them to cover the minimum level they are required to keep immobilized. In October, banks showed such low reserves that, even with the slowdown in the growth of local currency deposits, the amount of reserve requirements more than doubled. In other words, all the resources of the banks in the issuing entity seem to be not only insufficient to comply with such regulations, but also to carry out transactions in bolivars without friction.

In any financial environment, such levels of illiquidity would lead to a systemic crisis in the banking sector, driving the entities to insolvency and leaving them with very few tools to respond to one of their main creditors: the savers. Not in vain, the local interbank market has reported in several weeks of the year maximum annual rates above 1,500%, with bolivars that, paradoxically, have become increasingly scarce in the midst of a hyperinflation still in force. Despite this, local banking shows no signs of a generalized collapse, beyond the high costs of operating in this environment. The reason? Dollarization in local transactions. With a currency gaining ground as a means of

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payment, the use of bolivars in everyday banking operations seems to have lost weight. In the last year, banks in Venezuela have been able to absorb a larger fraction of the circulation of foreign currency in cash, which already comprises more than 50% of the deposits in private entities, generating more income through commissions. With this, it seems that banks have found a new way to stay afloat in the midst of credit constraints and where liquidity in local currency seems to matter less than in the past.

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## ECONOMIC TIPS

**COVID-19 in Venezuela.** According to government figures as of November 3<sup>rd</sup>, the country has 408,727 registered cases of the coronavirus and 4,915 deaths. According to OurWorldInData, it is estimated that 34.6% of the population had received at least one dose of a vaccine as of October 8<sup>th</sup>.

**Unconfined against the pandemic.** The week from November 1<sup>st</sup> to 7<sup>th</sup> was managed under the relaxation of the confinement measures, following the guidelines announced by the Government of Nicolás Maduro to maintain the relaxation of these measures until January 2022, at which time it will be evaluated whether to maintain the extended relaxation or return to the 7+7 system.

**Vaccination balance.** According to Maduro, as of October 31<sup>st</sup>, 67% of Venezuelans have been immunized, and now the goal is to reach 85% before the end of 2021, as he assures that they already have the necessary antigens. Meanwhile, there are nine states that have already surpassed the goal of 70% of vaccinated; Táchira leads the list, followed by Caracas and La Guaira, said the president.

**Vaccines for children have arrived.** Nicolás Maduro announced that in the coming days vaccines against COVID-19 will arrive in the country to be applied to infants from the age of two, but he did not specify which vaccine. Vice President Delcy Rodríguez said that next week the vaccination for this population will start.

**And more are on the way.** The Pan American Health Organization (PAHO) reported on October 27<sup>th</sup> that another batch of COVID-19 vaccine will arrive in Venezuela in the coming days, adding to the more than three million vaccines that arrived through the Covax mechanism, part of a total of 12,068,000 doses provided by it.

**New vaccination centers.** Regarding the working table of the Executive with the Chamber of Shopping Centers and the pharmacy sector to incorporate at least 400 vaccination points against COVID-19 in its affiliated establishments, the director of the Venezuelan Chamber of Shopping Centers (Cavececo, in Spanish), Claudia Itriago, reported that already two shopping centers in Maracaibo and one in Barquisimeto have such points in operation.

**The process is suspended.** The Central Bank of Venezuela (BCV) issued a circular on October 29<sup>th</sup> informing all legal entities, public or private, interested in obtaining authorization to perform functions as a Non-Banking Payment Service Provider, of the suspension of the process of processing and granting of authorizations for such purpose.

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**Caracas prices.** According to the Observatory of Public Spending of *Cedice Libertad*, the general price index for Caracas decreased by 3.7% in the first two weeks of October with respect to the previous fortnight. The observatory revealed an estimated average biweekly consumption of USD 432.

**Survival basket.** According to Angel Alvarado, economist of the Venezuelan Observatory of Finance, the basic survival basket for a four-member household would cost USD 22.4 for the week corresponding to October 29<sup>th</sup>. This basket would only cover 60% of the household's food needs, and showed a decrease of 3.1% in its price compared to the previous week.

**Bonus.** On October 26<sup>th</sup>, the Government began to grant the monthly bonus *Economía Familiar* in the amount of VES 3.5, through the digital platform *Patria*, to households with greater economic vulnerability. As of November 4<sup>th</sup>, the bonus is equivalent to USD 0.77.

## OIL TIPS

**Higher figures (I).** According to PDVSA documents and Refinitiv Eikon data, Reuters reported that Venezuela's exports for October were over 700 kb/d. This is attributed to the state-owned company's ability to acquire the necessary diluents to increase production.

**Higher figures (II).** According to the same report, PDVSA saw improvements in its capacity to send shipments to other countries, which totaled approximately 30 between crude oil and refined products. The main destination of exports was Asia.

**The shipment arrived.** On October 27<sup>th</sup> began the unloading of a cargo of 2.1 million barrels of light oil from Iran that arrived at the terminal of José, Anzoátegui. This is the most recent transaction to be executed as part of the crude-for-gas exchanges that began between Iran and Venezuela in September and will continue until March.

**New board (I).** Citgo's effort to start negotiations with its creditors, to avoid the process of auctioning its assets, has led it to consider the insertion of two of its executives as new members of the board of directors that will be part of the group that will hold the talks.

**New board (II).** CEO Carlos Jordá is expected to return to the board after four months on the sidelines and Jack Lynch, who leads the firm's legal and government relations practice, is also expected to join the board.

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**All time high (I).** Oil prices, benchmarked by Brent and WTI, reached their highest levels in years last week. Brent futures, meanwhile, settled at their highest price since October 2018, reaching approximately USD 86.7/b.

**All time high (II).** Similarly, WTI hit USD 85.41/b, its highest since October 2014. According to Reuters, the rise is attributed to the continued increase in oil demand which, "in view of the limited supply response, is reducing global inventories".

**Washington's request (I).** At the COP26 UN summit, the US reiterated its request to the major crude oil exporters to maximize their capacity to increase production in order to achieve a balance between energy markets.

**Washington's request (II).** The Biden administration said high oil prices could hinder not only the goal of post-pandemic economic recovery, but also the climate goals negotiated at the conference.

**Good outlook for BP.** Energy company BP announced that its debt was reduced in the third quarter of the year, leveraged by high oil and gas prices. In addition, the company was able to earn USD 3.3 billion in revenues during the period. BP plans to buy back USD 2.5 billion of its own shares to retire them from the market before announcing the results of the last quarter of 2021.

**Chinese offer.** In view of the current crude oil prices, the Chinese government took the decision to offer crude oil products from the national reserve after holding its first auction last week. This would represent an effort by the state to secure local supply and address inflationary pressure.

**Pemex on the ropes (I).** *Petróleos Mexicanos*, known as Pemex, is once again in a complicated situation facing the last quarter of the year, given the loss of USD 3.7 billion during the third quarter of 2021.

**Pemex on the ropes (II).** According to Reuters, the oil company suffered internal problems related to high tax obligations, the inability to pay its debt with creditors and the disadvantage of foreign exchange.

**Iraq in force (I).** Iraq's oil ministry announced on November 1<sup>st</sup> that the country's oil exports increased from 3.08 mb/d to 3.12 mb/d in the last month, and Iraqi oil revenue rose to USD 7.68 billion.

**Iraq in force (II).** In addition, Minister Ihsan Jabbar announced that the government will soon sign contracts worth billions of dollars with the Saudi Arabian oil company, Saudi

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Aramco, currently the company with the world's largest market capitalization in the crude oil industry.

## SECTORAL TIPS

**Flying allowed throughout the country.** According to the Minister of Land Transportation, Hipólito Abreu, with the extended flexibilization that began on November 1<sup>st</sup>, the supervised opening of the operations of general, private and commercial aviation is authorized in the country's controlled airports, authorization that includes the states of Bolívar and Táchira and that will be in force until December 31<sup>st</sup> of this year.

**Requirements.** In order to be able to fly, the National Institute of Civil Aeronautics (*INAC*, in Spanish) indicated that aircraft that have not flown for more than 180 days must comply with the evaluation process required by the aeronautical authorities, while those that have maintained active operations will have to submit a flight plan.

**Opening to the world is being evaluated (I).** The vice minister of Air Transport and president of *Conviasa*, Ramón Velásquez Araguayán, confirmed that there will be a gradual opening of international flights to and from Venezuela, suspended because of the pandemic.

**Opening to the world is being evaluated (II).** The next route to be reactivated will be Caracas-Madrid, through several airlines; however, the Presidential Commission of COVID-19 will have the last word.

**Opening to the world is being evaluated (III).** The National Institute of Civil Aeronautics (*INAC*) authorized Plus Ultra, Iberia and Air Europa to make special flights during the extended flexibilization; however, the governments of Spain and Venezuela are still in the phase of approaches to regularize the flights and it is possible that the Iberian country will be incorporated at the end of the year or at the beginning of 2022 as a safe route for Venezuela.

**They approve the scientifically authorized...** The Venezuelan Society of Infectious Diseases (*SVI*, in Spanish) supports the start of vaccination in the country for children from the age of twelve with Sinopharm and Sinovac, as they have demonstrated safety and very good immune response in published studies. It also proposes that vaccination with these drugs be extended to children from the age of six, as this will allow the desired collective immunity to be achieved more quickly.

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**...and disapprove what it is not.** The SVI reiterates that *"the Abdala and Soberana 2 vaccine candidates still lack sufficient technical support and scientific endorsement, so we reject their open use in the adult population and children, until there is more scientific weight for their use outside the experimental setting"*.

**A halt to face-to-face classes.** As reported by the Minister of Education, Yelitza Santaella, 86.43% of students joined the classrooms. According to Nicolás Maduro, on-site classes will be suspended in mid-November in order to hand over educational institutions to *Plan República*, in preparation for the regional elections on November 21<sup>st</sup>.

**They import everything.** The president of the Venezuelan Association of the Plastics Industry (AVIPLA, in Spanish), Khalil Nasser, regretted that, due to the deterioration of *Pequiven*, the sector must import 85% of the raw material from the U.S.

**Contraction of 63.7% in 16 years.** According to Nasser, *"In 2005 the processing sector generated 57,000 direct jobs in 827 companies, with a consumption between 200,000 to 230,000 tons per year, now the sector consists of 300 companies, generating 20,000 jobs and an approximate consumption of 35 thousand tons per year"*.

**Welcomed in British soil.** The UK Embassy informed through its Twitter account that, thanks to Venezuela's removal from the UK's red list of travel restrictions, the UK Visas and Immigration Department (UKVI) will start issuing visitor visas in the country again as of November 1<sup>st</sup>.

**Supermarkets in recovery (I).** The president of the National Association of Supermarkets and Supermarkets (*Ansa*, in Spanish), Italo Atencio, said that the sector is beginning to recover in sales, supply and consumption of basic products, specifically the basket of non-perishable food and soft drinks after the fall that occurred in 2020.

**Supermarkets in recovery (II).** According to Atencio, the growth of the items in the basket of non-perishables has been 5% between January and August 2021, compared to the same period of 2019.

**An interesting solution.** The president of *Fedecámaras Táchira*, Maximiliano Vásquez, proposed buying electricity and fuel from Colombia, since *"In the past Venezuela sold electricity to Colombia and those transmission channels are there, so it would be relatively easy to buy electricity and fuel from Colombia"*.

**Sorry for the inconvenience.** *Cantv* informed its customers that it will not suspend services to users affected by unusually high bills for national long distance calls (*LDN*, in

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Spanish), since the billing system is still in the process of adjustment to the new monetary expression.

## POLITICAL TIPS

**It could be better.** "*It could be better*", considered Nicolás Maduro, the relationship of his nation with Argentina, through the administration of the *Frente de Todos*. He justified that it was not easy to rebuild the link of the passage of Mauricio Macri by the *Casa Rosada* and asked President Alberto Fernandez to "*move further in building trust*".

**A discreet visit...** The visit to Venezuela of Karim Khan, Prosecutor of the International Criminal Court, has been handled with total discretion. It is known that the Prosecutor, who took office on June 16<sup>th</sup>, will meet with senior officials of the government of Nicolás Maduro, especially those who are accused of committing crimes. There are also versions about the possibility of meeting with victims, their families and NGOs.

**...that many are talking about (I).** The visit takes place in the context of the final phase of the preliminary examination of Venezuela for the alleged commission of crimes against humanity. The country is a signatory to the Rome Statute, created by the International Criminal Court, and is therefore obliged to cooperate with the court's efforts to determine whether there are responsibilities.

**...that many are talking about (II).** Nicolás Maduro began on November 1<sup>st</sup> by holding a meeting with Karim Khan, which was also attended by the Minister of Foreign Affairs, Félix Plasencia.

**that many are talking about (III).** The *Voluntad Popular (VP)* party, which is led by Leopoldo López and in which Juan Guaidó has made a good part of his career, assured that the visit to the country of the ICC Prosecutor is absolutely controlled by the authorities. According to the said party, the Prosecutor is not scheduled to meet with NGOs that have effectively investigated the issue for many years and have provided information to the ICC.

**Verifying justice.** Luis Eduardo Martínez, deputy of the National Assembly and candidate for governor of Aragua, met with the European Union Electoral Observation Mission headed by Hugus Cayzac of France and Luiza Nicoleta of Belgium. The observers informed Martínez that the objective of the EOM is to contribute to the strengthening of Venezuelan political institutions and the electoral system.

**In detail.** Kristina Rosales, the new Spanish-language spokeswoman for the U.S. State Department, said the people of Venezuela must be able to choose their leaders through free and fair elections. Rosales said Joe Biden's administration is closely watching the process for the November 21<sup>st</sup> elections.

**Little information.** According to testimonies received by *Efecto Cocuyo*, citizens' interest in the electoral process is low. It was even common for those interviewed to be unaware of the posts being contested in this election and the candidates in their jurisdictions.

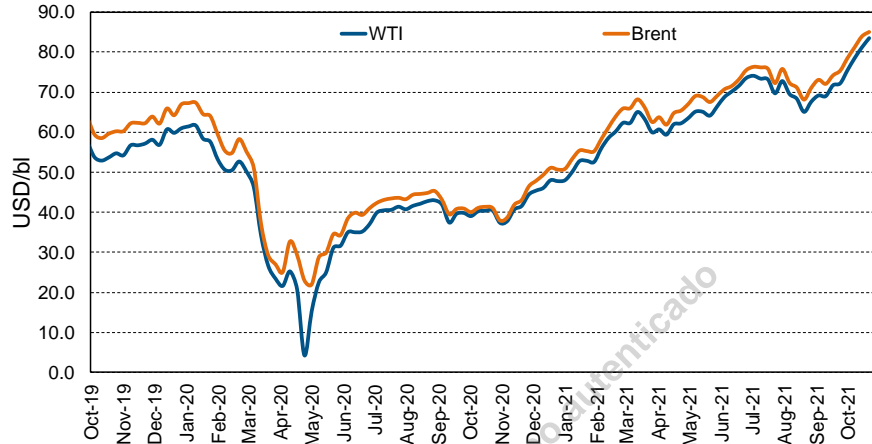
**Postponed.** The hearing of businessman Alex Saab, scheduled for Monday, November 1<sup>st</sup>, was postponed until November 15<sup>th</sup>. AP journalist Joshua Goodman reported that no statement was presented on November 1<sup>st</sup> at the Southern District Court of Florida, where Saab's case is being heard.

**Global score.** Venezuela ranks last out of 139 countries in the Rule of Law Index of the World Justice Project. To develop the index, the performance of judges and prosecutors, limits to government power, the status of corruption, transparency in decision-making, respect for the fundamental rights of citizens, internal order and security and compliance with laws were evaluated.

**Aggressions.** A few hours before the start of the electoral campaign ahead of the November 21<sup>st</sup> elections, four people were injured in an attack by militants of the United Socialist Party (*PSUV*, in Spanish) against citizens of the Democratic Unity Table (*MUD*, in Spanish) in Araure, Portuguesa state.

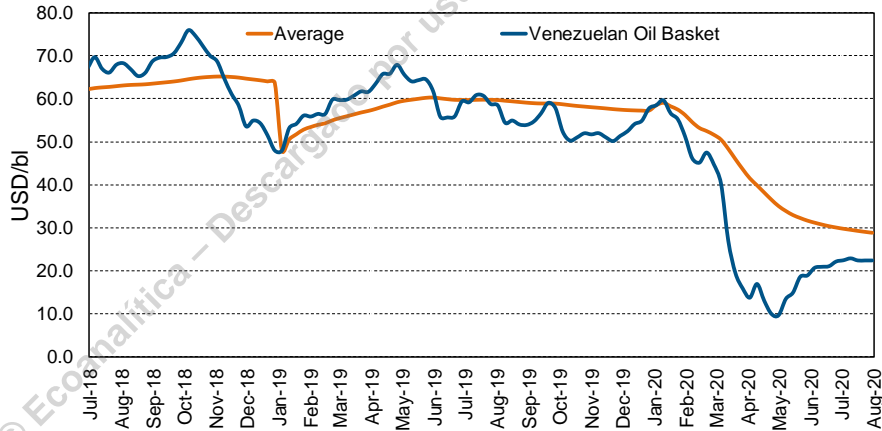
**ECONOMIC INDICATORS**

**Oil Prices  
(WTI and Brent)**



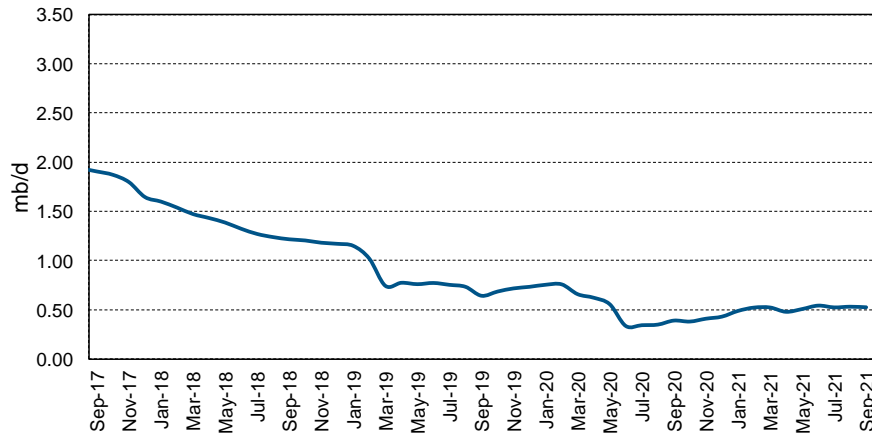
Sources: Menpet and Ecoanalítica

**Oil Price  
(Venezuelan Basket)**



Sources: Menpet and Ecoanalítica

**Oil Production  
(Secondary sources)**

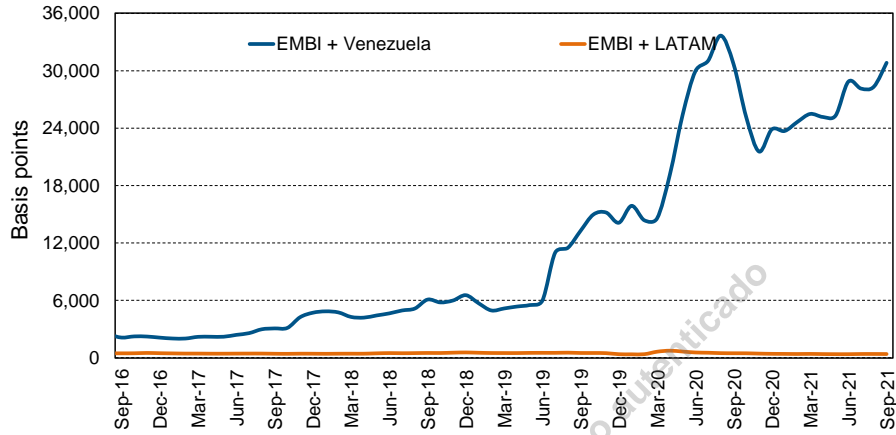


Sources: OPEC and Ecoanalítica

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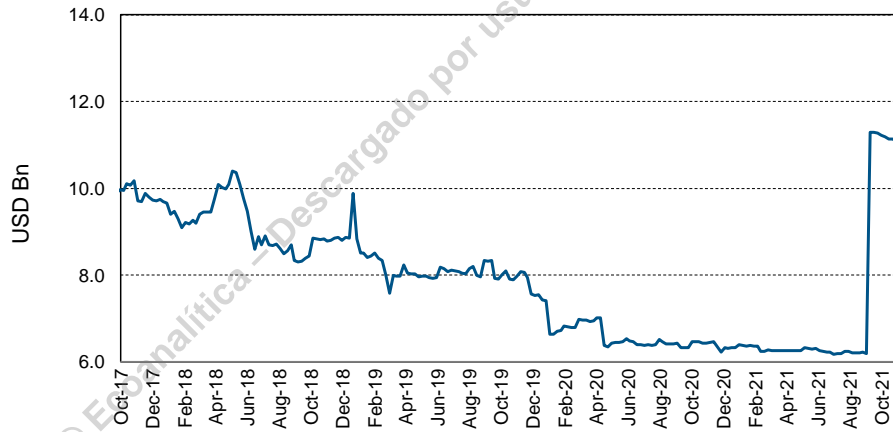
**ECONOMIC INDICATORS**

**EMBI**



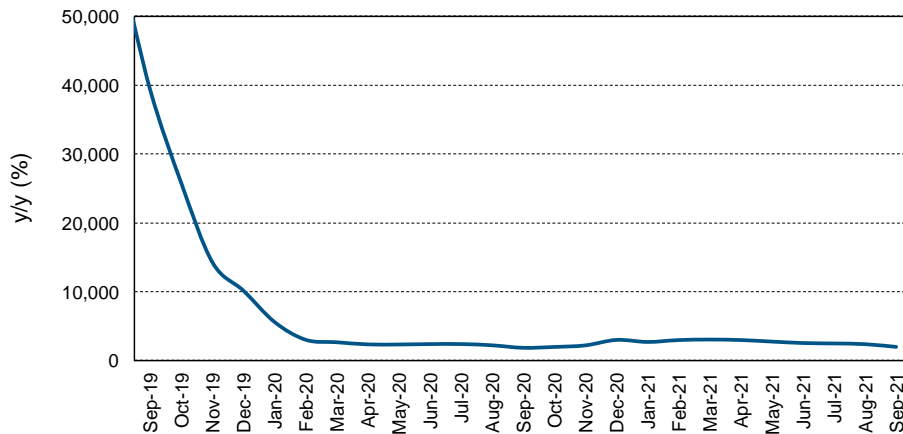
Sources: BCRP and Ecoanalítica

**FX Reserves (BCV)**



Sources: BCV and Ecoanalítica

**Inflation (BCV)**



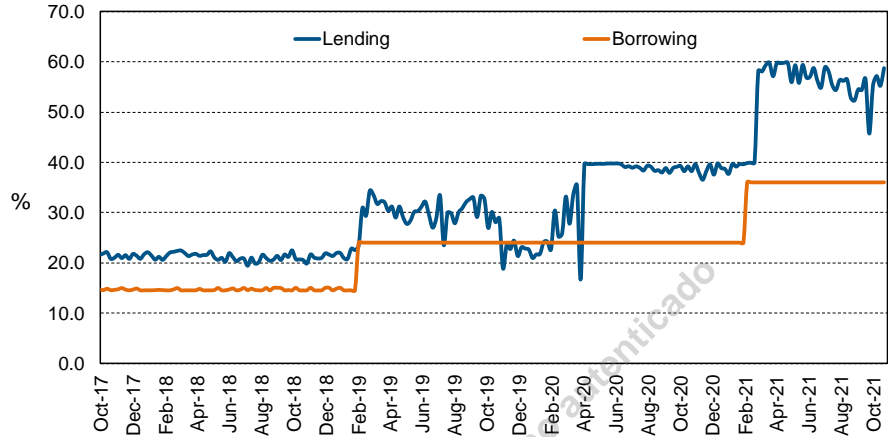
Sources: BCV and Ecoanalítica

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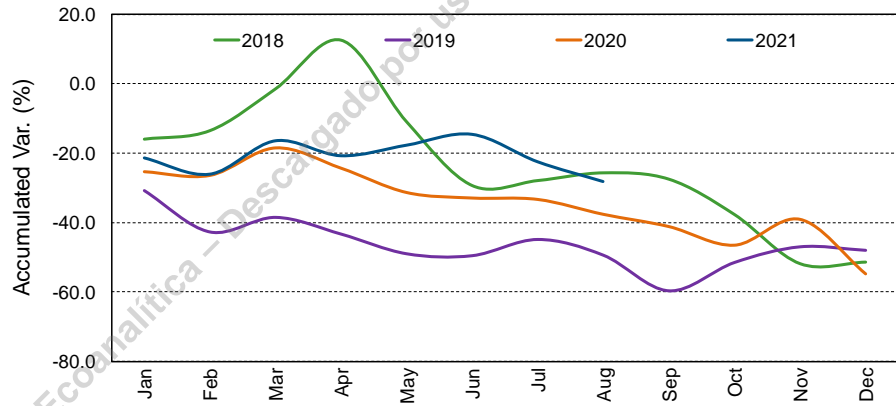
**ECONOMIC INDICATORS**

**Interest Rate  
(Six major banks)**



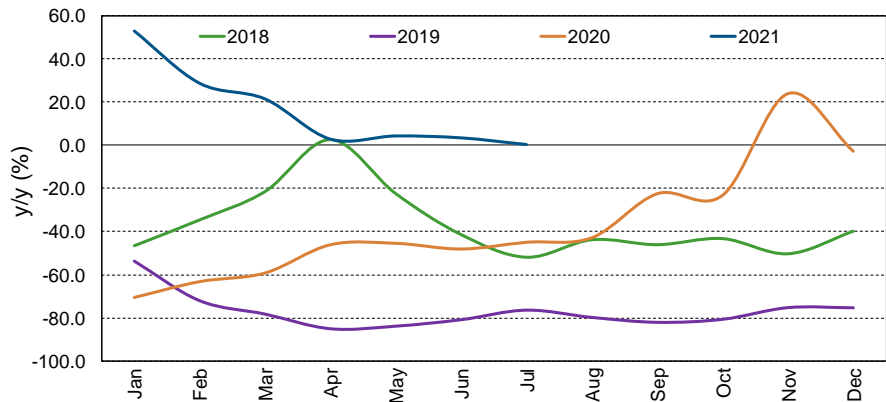
Sources: BCV and Ecoanalítica

**M2 Expansion  
(Real)**



Sources: BCV and Ecoanalítica

**Loan Portfolio  
(Real)**

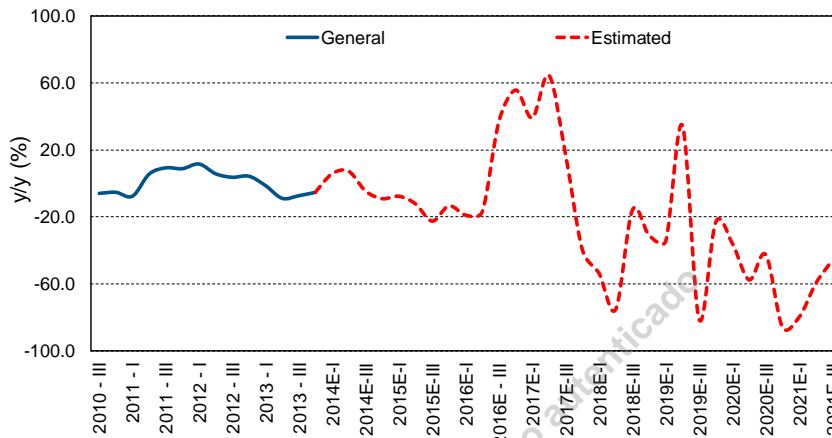


Sources: SUDEBAN and Ecoanalítica

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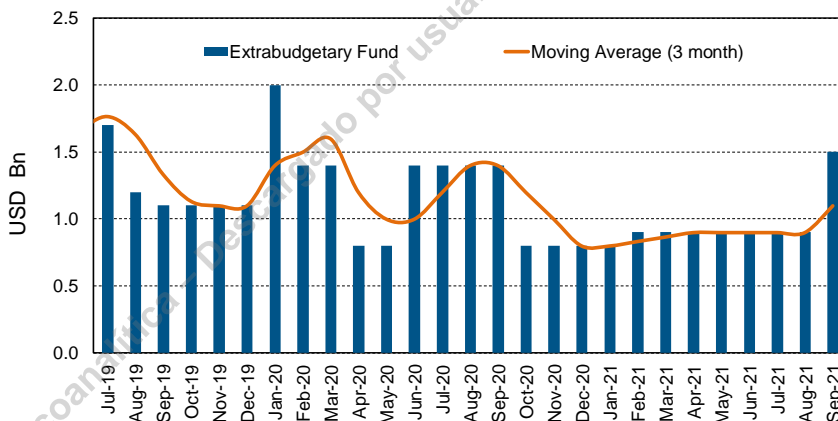
**ECONOMIC INDICATORS**

Real Wage Index



Sources: BCV and Ecoanalítica

State Extrabudgetary Resources



Source: Ecoanalítica

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