

A brief overview of Venezuela's multiple exchange rates

Given the opacity of information from the public sector, in addition to the discretionary handling of the foreign exchange operations for which its authorities are responsible, where the complicated flow of foreign exchange in Venezuela is not acknowledged, the local market faces multiple exchange rates. Not only do exchange controls impose a series of restrictions on foreign currency, forcing Venezuelans to resort to an unofficial market with a variety of exchange rates, but there is also the role played by official and unofficial operations for local importers and the impact this can have on local prices. This situation gives rise to alternative definitions of the exchange rate, which makes determining which marker has the predominant role in the local economy even more challenging.

At Ecoanalítica we recognize these differences and for that reason we have produced two rates associated with these aspects. On the one hand we have calculated **the import exchange rate**, determined based on how imports are financed. In other words, this exchange rate is an average between the exchange rate arrived at via the official DICOM mechanism and the unofficial market, based on the weight of each system in the leverage of imported goods and services.

In the past few months, given the greater use of unofficial foreign exchange operations and with 132.7% more imports having been brought in at the parallel rate than forecast in the first half of the year, the unofficial exchange rate has expanded its radius of action in the dynamic of the import exchange rate, particularly given the absence of devaluations in the official rate. Nevertheless, since public sector imports still account for a sizeable portion of total imports (71.9% in the first half of the year), the outcome of the DICOM auctions still has considerable influence on the import exchange rate.

On the other hand, we have the **consumer exchange rate**, where the variations are more closely linked to the way in which each exchange rate (official/unofficial) affects the representative consumption basket. So, changes in its behavior also reveal modifications in how imports are financed, this time taking into consideration the importance of each item in the average pattern of domestic consumption.

The recent structure of the consumption basket and the structure of the payment of imports have made it possible to identify more clearly how the unofficial exchange rate

impacts consumer prices. Important items in the basket such as food and some non-tradable items seem to be less noticeably leveraged with dollars obtained at the official rate via the public auctions. This has meant that the consumption exchange rate (in contrast to the import exchange rate) depends less on the official rate. Moreover, depending on the sector in question, it is likely that there will be a degree of asymmetry in the information revealed by each exchange rate, which will be an important element for companies seeking to identify what prices consumers would pay in their sector.

Obviously, the foregoing definitions will not only depend on what happens at the DICOM auctions, but also on what occurs in the parallel foreign exchange market, something that is complicated given the multiple notions of exchange rates considered. The dynamic of the parallel foreign exchange market in Venezuela has gravitated towards three main indicators: the rate from DolarToday, the implicit exchange rate given by the value of the BitCoin, and the rate associated with transactions between companies at money desks (known as the corporate dollar).

Given the lack of official corrective measures on both the foreign exchange and monetary and fiscal fronts, the unofficial foreign exchange market in Venezuela has inherited the distortion of relative prices in the goods market, which has resulted in these exchange rates not converging towards a common pattern in recent months. It is necessary, therefore, to also validate the usefulness of these markers in terms of the imbalances underlying the hyperinflation in Venezuela.

Given the foregoing, the question is: How informative are the exchange rates employed? A useful criterion for answering this question comes from the relationship between the creation of money and domestic inflation. As we have stressed in previous reports, Venezuela's huge fiscal deficit, the collapse of the demand for money and the restrictions on external financing have resulted in the link between monetary aggregates and the spiraling of inflation becoming even closer. So, taking that relationship as a premise, besides the fact that local prices enhance exchange rate pressures through their impacts over the real exchange rate, it is possible that the marker that has the closest relationship to the flow of money and the variation in domestic prices is the most suitable one for trying to understand the imbalances behind our hyperinflationary situation.

A theoretical approximation to this relationship in hyperinflation comes from the monetary approach to the exchange rate proposed by Frenkel (1976) and expanded by Engsted (1996)¹. Based on the existence of a parity exchange rate (i.e. the rate that guarantees that an agent is just as inclined to buy a basket of local goods as to buy a basket of imported goods) and also on a demand for real balances as defined a *lá* Cagan, according

¹ Engsted, T (1996). The monetary model of the exchange rate under hyperinflation: New encouraging evidence. *Economics Letters*, vol 51 (1), pp 37-44.

to which the holding of money by agents depends largely on expectations regarding future inflation, we can come up with an exchange rate compatible with the following equations:

$$m_t - p_t = -\alpha E_t(p_{t+1} - p_t)$$

$$p_t = e_t + p_t^*$$

where p is the level of local prices (in each period), p^* the level of external prices, e the exchange rate, and m the money stock. If we take external inflation as a given (bearing in mind the dominance of local hyperinflation), these equations make it possible to describe the dynamic of the exchange rate associated with modifications in monetary aggregates, as follows:

$$e_t = (1 - \beta) \sum_{i=0}^{\infty} \beta^i E_t m_{t+i}$$

The latter suggests that, even when there may be deviations in the exchange rate that are not compatible with an expected growth in monetary aggregates, the positive relationship between markers will tend to prevail in the long term. Strictly speaking, given the relationship between the aggregates and inflation, any expansion in money supply will result in greater inflationary pressures, forcing the demand for local currency to be diverted to demand for external assets given the reduced purchasing power of the former. This results in a higher exchange rate, at least in theory.

This relationship also allows us to confirm the scant sustainability of the recent increase in the prices of local goods in dollars. Specifically, as long as foreign exchange pressures are not generated as the local hyperinflationary situation gets worse, the overvaluation of the bolivar against the parity exchange rate (implicit in the previous equation) will drive a bigger demand for foreign currency that will, once again, make a bigger increase in the exchange rate compatible with the increase in money supply observed (and expected) in the past few months.

As usual, stylized facts can reveal some initial approximations to this relationship. A comparison of inflation data (obtained using the Central Bank's method) and the monthly growth in money supply (M2) as well as the variation in the former exchange rates between 2014 and September 2018² reveals some particular aspects:

² As Engsted suggests (1996), in hyperinflations, the geometric character of the underlying process of inflation, money and exchange rate data makes it possible to obtain a long-term relationship between the rates of growth of the latter and not between their levels (as usually happens in these cases). In addition, in this report, it is only showed the correlation among series, which could provide just a limited perspective

- In terms of the unofficial exchange rate, the implicit BitCoin rate shows a closer relationship with the growth in M2 and with prices.
- While the relationship of money supply with the import exchange rate is similar to its relationship with the consumer exchange rate, the correlation with the latter tends to be moderately higher.
- However, the exchange rate for private sector imports tends to be more in line with the changes in M2 than the exchange rate for public sector imports. This seems to reflect the role of the parallel exchange rate in these imports and in the demand for bolivars.
- A breakdown by item reveals that alcoholic beverages, leisure, restaurants, and household equipment have parities that have a closer relationship with money supply. These items traditionally enjoy lower foreign exchange subsidies, which means that, once again, the role of the parallel foreign exchange market seems to be implicit in these findings.
- The results are maintained if the sample is restricted to only data between 2017 and 2018, when the economy formally entered hyperinflation.

These findings are partially confirmed by the “direct” relationship with prices. In this case, whereas the implicit BitCoin exchange rate shows a high correlation compared to the rest, the differences in the information revealed by the import exchange rate and the consumer exchange rate seem less clear. In that sense, the ER for public imports would also comprise valuable information regarding changes on domestic prices.

In order to offer better arguments, we performed a simple econometric exercise in which the acceleration of the variation in the exchange rate depends on the acceleration in prices and on the change in money supply, adjusted by the “long-term” relationship between said variables. Even with the technical limitations (where the asymmetry of the changes in prices and the exchange rate are not fully reflected) and the few data available, this estimate allows us to evaluate (from a general perspective) the long-term relationship between the indicators and the speed at which temporary changes in these indicators revert to that relationship³.

depending on the context. A more detailed analysis was carried by graphically comparing all the related data series, where it was confirmed the main findings exposed here. These graphics are available upon request.

³ Strictly speaking, a vector autoregressive system was estimated with vector error correction (VEC), parameterized based on the data’s characteristics.

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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

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Correlations ER, inflation and broad money

ER definition	M2	Inflation
ER BitCoin	0.647	0.502
ER DolarToday	0.571	0.406
ER Corporate	0.441	0.256
ER imports	0.717	0.746
ER public imports	0.478	0.566
ER private imports	0.588	0.548
ER consumers	0.724	0.717

Source: Ecoanalítica

Correlations M2 and consumer ER by item

Alcoholic beverages and tobacco	0.709
Entertainment and culture	0.709
Restaurants and hotels	0.685
Communications	0.678
Home equipment	0.672
Other goods and services	0.661
Health	0.636
Clothing and footwear	0.610
Foodstuff and non-alcoholic beverages	0.601
Education services	0.595
Transport	0.585
Home services except telephone	0.584
Housing rent	0.462

Source: Ecoanalítica

The findings reveal that, even with the few differences in magnitude associated with each exchange rate, the consumer exchange rate seems to have a closer tie with the variations in money supply in the long term compared to what we see with the import exchange rate (and even with the pure unofficial exchange rate). This makes it possible for short-term deviations in this exchange rate to be “reinstated” faster on the vector that characterizes

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said long-term relationship. Nevertheless, by import type, this mechanism seems to be more relevant for the private ones.

Speed of adjustment to long-run vector (*)

ER definition	Coefficient	Significance
ER BitCoin	-0.51	[-3.02186]
ER consumers	-0.58	[-1.99304]
ER imports	-0.57	[-1.85031]
ER public imports	-1.10	[-5.24876]
ER private imports	-0.98	[-3.34675]

Source: Ecoanalítica

(*) A higher coefficient suggests a quick adjustment of ER variation to its money-prices long-run vector. Significance below -1.64 suggests statistical relevance.

Strangely enough, the exchange rate for public sector imports reveals that it adjusts fast to the long-term situation. What this could suggest is that the rigidities in this exchange rate resulting from a greater level of participation by foreign currency obtained via the DICOM auctions in financing these imports will only be appreciable in the short term.

To sum up, the foregoing does not seem to provide a clear argument that allows us to define a single exchange rate that reveals more information on the underlying processes in the local economy in the terms proposed. In general, the consumer exchange rate and the BitCoin exchange rate seem to be the most indicated for linking the dynamic of short-term prices and money to a long-term factor that would quickly correct any temporary deviation in those indicators. However, the information on imports cannot be ignored. Specifically, the exchange rate for private sector imports could reveal an interesting dynamic about the impact of the parallel market on these transactions, where changes in the exchange rate for public sector imports associated with adjustments in the DICOM auctions do not seem to adversely affect its adjustment over the long term.

Luis Arturo Bárcenas.

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WEEKLY INDICATORS

Weekly Economic Indicators			
	2nd Week October	Weekly chg. (%)	Depre/Apre (pp) ¹
FX Dicom (VES/USD)	62.78	0.8	0.8
	4th Week September	Weekly chg. (pp)	Annual chg. (pp)
Lending Interest Rate (%)	22.8	0.9	1.1
	1st Week October	Weekly chg. (pp)	Annual chg. (pp)
Overnight Interest Rate (%)	5.3	0.7	5.3
	1st Week October	Weekly chg. (%)	Annual chg. (%)
International Reserves (USD Bn)	8.9	4.9	-10.6
	4th Week September	Weekly chg. (%)	Annual chg. (%)
Monetary Liquidity (VES)	146,425,235	28.7	34,490.2
Price of International Oil Baskets (USD/b)			
	1st Week October	Weekly chg. (%)	Annual chg. (%)
WTI	74.9	4.4	47.8
Brent	84.7	4.5	50.3
Price of the Venezuelan oil basket (USD/b)			
	1st Week October	Weekly chg. (%)	Annual chg. (%)
Weekly Average	75.9	3.9	53.8
Annual Average	64.5	0.5	45.4

Sources: BCV, MENPET, ONT and Ecoanalítica

* Annual variation of accumulated expenditure.

¹ Depreciation (+)/Appreciation (-)

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

21st century depressions		
	GDP contraction (%)	Time period
Yemen	-70.0	2010-2017
Libya	-62.0	2010-2011
South Sudan	-54.0	2011-2012
Ecuatorial Guinea	-44.0	2008-2017
Libya	-43.0	2012-2016
San Marino	-38.0	2008-2015
Timor-Leste	-37.0	2012-2014
Venezuela	-37.0	2012-2017
Kuwait	-32.0	2007-2017
Liberia	-31.0	2002-2003
South Sudan	-26.0	2013-2017
Antigua and Barbuda	-24.0	2007-2011

Sources: IMF and Ecoanalítica

Six months ago, the International Monetary Fund (IMF) projected inflation by the end of 2018 by around 1,800,000% and a GDP contraction until 15%. This week, the IMF published its latest updated report with results that are not more encouraging.

In particular, it forecasts inflation of up to 10,000,000% by the close of 2019 and it adjusted its estimate for the drop in GDP in 2018 to 18%. According to the IMF's statistics, Venezuela ranks among the ten countries with the biggest depression in the 21st century. Others on that list are South Sudan, Liberia and Libya. Yemen is in first place with a contraction of 70% over seven years, followed by Libya with a contraction of 62% in one year. Venezuela comes eighth with a contraction of 37% over five years, from 2012 to 2017.

Wars, armed rebellions, civil unrest and even natural disasters were the causes of such calamitous contractions in the majority of these countries. The situations in San Marino and Venezuela came about for different reasons. In San Marino it happened as a consequence of the 2008 financial crisis, whereas in Venezuela it has been caused by, among other things, the distortions resulting from far from good economic policy decisions.

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ECONOMIC TIPS

A “slight” adjustment. In a recent report, the International Monetary Fund (IMF) published an adjustment to its forecast for inflation in Venezuela in 2018, raising it from 1,000,000% to 1,370,000%.

2019 out of synch. However, the most astonishing figure in the report is that the IMF expects the hyperinflationary trend to continue in 2019 and to close that year at 10,000,000%.

The causes of this disaster. In its report, the IMF argues that this situation of spiraling hyperinflation is due to monetary financing of the fiscal deficit and loss of confidence in the local currency.

Producing less and less. The IMF also forecasts that the drop in gross domestic product (GDP) this year will be 18% and that it will be “only” 5% in 2019.

An approximate figure for the deficit. The IMF expects the deficit on the current account to be 6.1% of GDP this year and 4% in 2019.

A worsening of unemployment. It also forecasts that unemployment in 2018 will be 34.3% and 39% in 2019. It should be noted that the figure published by the IMF for 2017 was 27.1%.

Venezuela: at the far end of the curve. The World Bank published its estimates for the performance of economic activity in Latin America for 2018 and 2019. Worthy of note is that its projections include a section for the region that excludes Venezuela.

Latin America in 2018. The World Bank has projected that the region will post growth of 0.6% in 2018 and 1.6% in 2019. However, if Venezuela is removed from the sample, those figures go up to 1.6% and 2.1%, respectively. The World Bank forecasts that the contraction in economic activity in Venezuela will be 18.2% in 2018 and 8.4% in 2019.

Imports in a delicate situation. Harvard University’s Center for International Development published the evolution of indicators in order to put Venezuela’s precarious situation into context. According to the center, oil production has fallen by 54% since 1998, food imports went down by 70% between 2014 and 2016, and the drop in imports of medicines and medical equipment in the past five years is the biggest worldwide since 1962.

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Claiming the gold. Since the Venezuelan Government allowed a swap operation with Deutsche Bank to lapse, the German bank took possession of 90 tons of Venezuelan gold. Venezuela put up gold worth USD 1.7 billion in exchange for USD 1.2 billion in cash and will get another USD 500 million in cash to reflect the difference between the amount of the loan and the warranty.

Planning in hyperinflation. The Constituent National Assembly's vice president for planning, Ricardo Menéndez, announced that the national budget for 2019 would be submitted to the Constituent National Assembly. It is worth noting that the budget for 2018 has never been published.

OIL TIPS

How many rigs are left? Baker Hughes reported that the number of active rigs in Venezuela as at September 18 this year was 25, down from the 27 reported for August. Baker Hughes reported that there were 50 active rigs at the end of 2017, which gives a drop so far this year of 50%.

PDVSA workers protest. Protests by workers at PDVSA continued on Monday, October 8, in Anzoátegui state. They are demanding that the government respect the salary scales and improve the meals allowance.

In Guayana as well. Workers from the basic industry companies in Guayana, Bolívar state, were also out protesting in Puerto Ordaz, rejecting the elimination of the salary scales. This brings the number of weeks of worker protests to three.

Exports to the United States are up. According to the news agency Reuters, Venezuela's sales of crude to the United States reached their highest so far this year. The United States imported 601,505 barrels a day (b/d) in September, for an increase of 28% compared to August.

Thanks to Citgo and Valero. This increase in the imports of Venezuelan crude by the United States was driven by purchases on the part of Valero Energy and Citgo, which purchased around 250 kb/d in September. The average purchases by these companies so far this year is 170 kb/d, according to Reuters.

Date for sanctions against Iran approaches... Iran's crude exports have already been affected by US sanctions, despite the fact that they have not been applied yet. However,

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according to sources consulted by Reuters, India is to buy 9 mb/d in November, which will alleviate Iran's situation somewhat.

...but India is to give them a respite. *"India is continuing with its relationship with both its key energy partners Iran and the United States,"* reported the news agency. Furthermore, the European Union is discussing setting up a special channel for facilitating trade with Iran. It will be known what Iran's future will be in November, when the sanctions go into effect.

Michael. Thirteen oil and gas platforms in the Gulf of Mexico were evacuated due to the intensification of Hurricane Michael, which is headed for that part of Central America. The companies stopped the production of nearly 324,190 b/d of crude and nearly 284 million cubic feet of natural gas.

Ecuador develops its oil industry. Last Friday, October 5, Ecuador signed four service contracts to raise its oil production. These contracts also contained clauses that modified the rates in key oil fields. The total investment is USD 1.6 billion.

Ambitious but feasible. Ecuador's target is to raise its output to 700 kb/d by 2021 from the 36.3 kb/d it is currently producing. The Ecuadorian Government's strategy is to allow private capital to have a bigger participation in the oil sector.

BUSINESS SECTOR TIPS

Getting out of Venezuela. The new charge for obtaining a Venezuelan passport goes into effect this week. Obtaining a new passport will now cost VES 7,200 and an extension will cost VES 3,600. The cost for Venezuelans outside the country will be USD 200 for a new passport and USD 100 for an extension.

Some prices have yet to be agreed. The government, via the Ministry of Health and the Superintendency for the Defense of Socioeconomic Rights (Sundde), has met with the Pharmaceutical Federation of Venezuela (Fefarven) to establish agreed prices for medicines.

This will not solve the crisis. After two meetings, it has not been possible to reach an agreement, however. Freddy Ceballos, the president of Fefarven, said that *"we don't have to reach agreed prices, what we have to do is to encourage the production of medicines so that the country can start to function."*

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Between 80% and 85%. According to Ceballos, the lack of medicines in the country's pharmacies is between 80% and 85%, a situation that has led to the closing down of some 150 pharmacies in the past 18 months. However, Vice President Delcy Rodríguez has announced that the prices of 60 medicines are to be agreed shortly.

Sundde takeover... Workers of Smurfit Kappa Cartón de Venezuela protested in Portuguesa state over their jobs and in support of the company, which was intervened by the Superintendency for the Defense of Socioeconomic Rights (Sundde) in August.

...on grounds of conspiracy and sabotage. Sundde claims that Smurfit Kappa was "sabotaging domestic production" via its monopoly in the manufacturing of packaging material. Because of this, the company announced the deconsolidation of its operations in Venezuela. This situation puts the jobs of its employees at risk, who expressed their concern by protesting last weekend.

Protests over wages. On Friday, October 5, workers protested outside the Ministry for Labor and Social Security in downtown Caracas. The workers who took part in the protest came from different sectors and labor unions, among them the Workers Confederation of Venezuela (CTV) and the Unitary Workers Union of Venezuela (CTUV).

In Caracas and in the rest of the country. The protests were not only in Caracas, however. They were also held in 21 of the country's states. The purpose of the protests was to deliver a document demanding "*decent wages and better working conditions*" at the local Labor Offices. Since they were not attended to, the workers announced "*a nationwide mobilization to be held on October 18.*"

When diphtheria and measles lie in wait. The Ministry of Health has reactivated the measles and diphtheria immunization plan. Part of the plan consists of vaccination operatives for children at state-run schools and the elimination of mosquito breeding grounds to prevent dengue and the transmission of malaria. Even so, the situation of the health sector is more serious than it looks.

More serious than it looks. According to the Pan American Health Organization (PAHO), diphtheria caused 40 deaths between January and April. In addition, 904 cases of measles have been reported in Venezuela so far this year, the biggest outbreak of this disease in Latin America.

WORLD ECONOMY TIPS

Gloomy predictions from the Fund. Prior to its meeting in Indonesia, the International Monetary Fund (IMF) said that the world economy is stagnated and it revised its growth forecast downwards for the first time in two years. This downward revision is due mainly to growing trade tensions and the difficulties being experienced by emerging markets, phenomena that could eliminate a significant portion of global growth.

Under threat. The IMF estimates that global production could fall by more than 0.8% in 2020 and stay 0.4% below its long-term trend line in a scenario in which Donald Trump carries out all his threats, including global tariffs on motor vehicles. According to the IMF's models, production could fall by more than 1.6% in China and by more than 0.9% in the United States next year.

The FED isn't stopping. US President Donald Trump criticized the Federal Reserve because it continues putting up interest rates without taking the fact that inflation remains low into consideration. The Federal Reserve raised its interest rates in September and maintained its policy of continuing with a restricted monetary policy, as it forecasts at least three more years of economic growth in the United States.

China succumbs. Chinese shares plummeted despite the announcement at the weekend that Peking is to reduce the level of cash the banks must maintain as reserves, a sign of investors' concerns over the trade war with the United States. Furthermore, the yuan fell after the People's Bank of China established a weaker exchange rate against the dollar on May 11, 2017, and analysts expect the depreciation trend to continue.

Unwilling to take risks. Because of the increase in interest rates in the United States and the drop in value of the Chinese currency and Chinese shares, the European financial market posted lower yields. This is an indication of how the trade war has generated a growing aversion to risk in the European stock markets.

Mexico follows suit. The Mexican peso was devalued in line with the currencies of other emerging countries. The peso was trading at USD 19/MXN, for a drop of 0.39% compared to the reference rate. This is due to the increase in global aversion to risk after the International Monetary Fund revised its expectations for global growth downwards.

Figures from the World Bank. The World Bank forecasts that the economy of Latin America and the Caribbean will grow 0.6% this year and 1.6% in 2019, rates that are below its projections given at the start of the year, giving rise to the bank's concern regarding the outlook for the region. On the other hand, the International Monetary Fund

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(IMF) estimated in July that the region's economy could grow at a rate of 1.6% this year and 2.6% in 2019. The IMF is to update its projections next week during its autumn meeting in Indonesia.

South America fails to make the grade. The World Bank calculates that 29 out of the 32 countries in the region will post a negative fiscal balance this year, which the public sector debt will be more than 60% of regional GDP, and that six countries will have debt of more than 80%. It also forecasts that South America will contract by 0.1% this year and will grow by 1.2% in 2019, way below Central America (2.8% in 2018 and 3.2% in 2019), the Caribbean (3.7% in 2018 and 3.5% in 2019), and Mexico (2.3% for both years).

POLITICAL TIPS

The death of Fernando Albán. On October 8, Prosecutor General Tarek William Saab announced the suicide of Fernando Albán, a municipal councilor for Libertador Municipality in Caracas. The councilor was arrested last Friday and was being investigated on the grounds of being implicated in the attempt on Nicolás Maduro's life in August.

Strange circumstances. According to the prosecutor general, Albán committed suicide by jumping out of a window in a waiting room on the tenth story of the building where he was being held one day before his arraignment. Albán's lawyer, Joel García, said that they were waiting to confirm whether or not it was suicide, since Saab's statements indicate *a priori* "which way the investigation is going to be biased, as they have already decided it was suicide."

The opposition's response. Seven political parties and organizations condemned the death of the councilor. They all repudiated what happened and said that the government was responsible. *Primero Justicia*, the party to which Albán belonged, issued a press release in which it claimed that the councilor was "murdered in the hands of Nicolás Maduro's regime at the headquarters of the Sebin in Plaza Venezuela."

It's not even worth it. *Voluntad Popular* issued another press release, which, besides putting the blame on the government, said it was not going to ask for an investigation "because we know that everything the regime investigates and does is a lie; they manipulate everything."

Europe makes demands. As for Europe, the High Representative of the European Union for Foreign Affairs and Security Policy, Federica Mogherini, urged the Venezuelan

Government to conduct a “*rigorous and independent*” investigation. She also reiterated the European Union’s call to the Venezuelan Government for it to “*release all political prisoners.*”

Bolsonaro distances himself from Venezuela. Brazilian presidential candidate Jair Bolsonaro said that Brazilians want to move away from the socialism that exists in Venezuela. “*The good people in Brazil want to move away from socialism and they do not want to live in a regime like the one in Venezuela,*” claimed the candidate.

On the campaign trail. Representatives of a sector of the Venezuelan opposition held a meeting with US Senator Bob Corker, who arrived in Venezuela on Sunday to mediate the political crisis. According to journalists, Corker also met with Governor of Carabobo Rafael Lacava on Sunday, although no details of that meeting were given, and he said he planned to meet with Maduro.

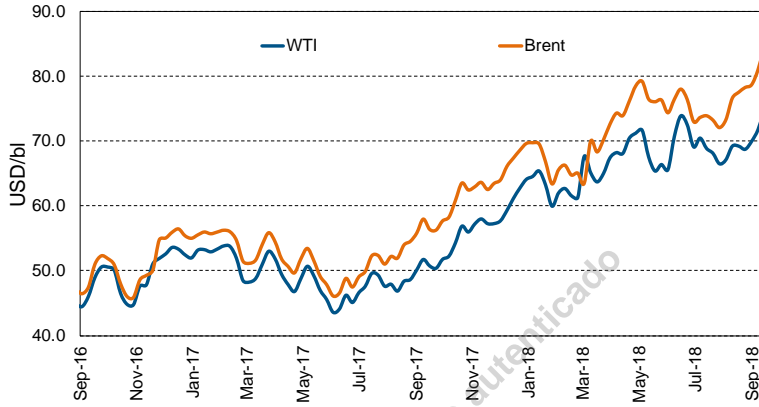
Colombians at La Yaguara. The Office of the United Nations High Commissioner for Refugees expressed his “profound concern” regarding the detention of 59 Colombians in Venezuela for two years with no charges having been brought. According to the High Commissioner, the detainees were arrested during different security operations in August and September 2016 and are being held in a single cell at La Yaguara Detention Center.

The migration police. Vice President Delcy Rodríguez announced that the migration policy now have a director, Major General Luis Santiago González Rodríguez. According to the vice president, the new director is to be in charge of migration at the borders and in the country’s ports and airports and will come under the Bolivarian National Police Force.

UNHCR at the border. UN High Commissioner for Refugees Filippo Grandi said that his presence on the border with Venezuela symbolizes the willingness of the international community to help solve the migration crisis. The commissioner is to meet with Colombia’s President Ivan Duque tomorrow to talk about the exodus of Venezuelans.

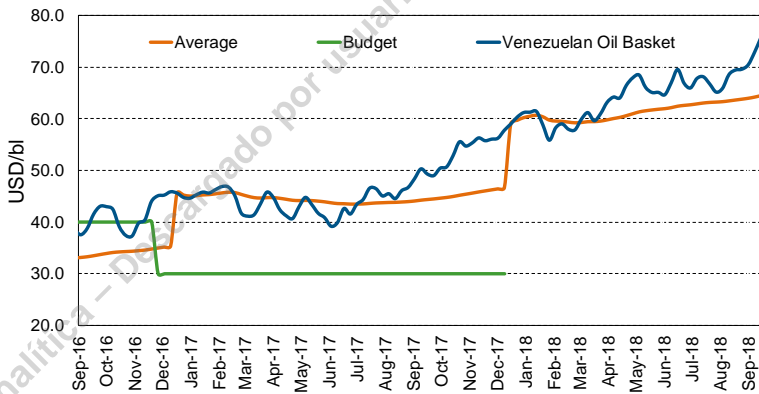
ECONOMIC INDICATORS

Oil Prices (WTI and Brent)



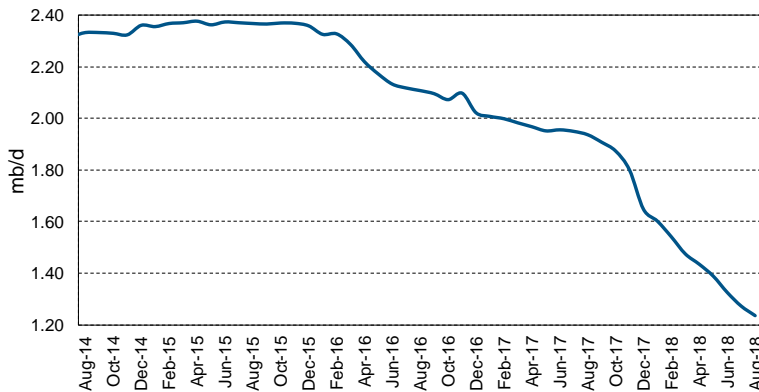
Sources: Menpet and Ecoanalítica

Oil Price (Venezuelan Basket)



Sources: Menpet and Ecoanalítica

Oil Production (Secondary sources)

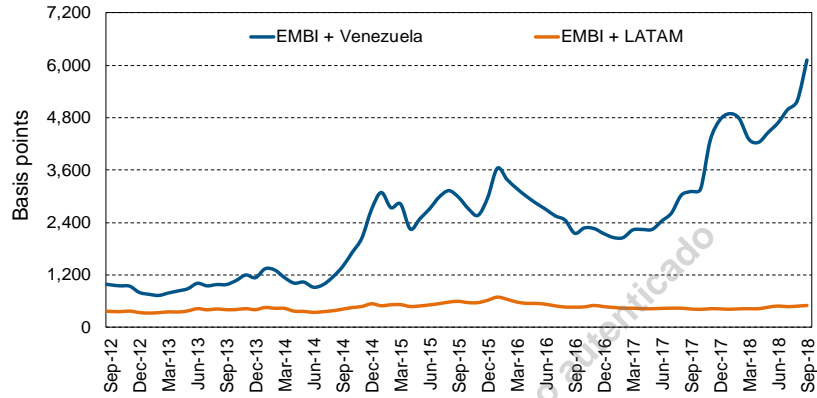


Sources: OPEC and Ecoanalítica

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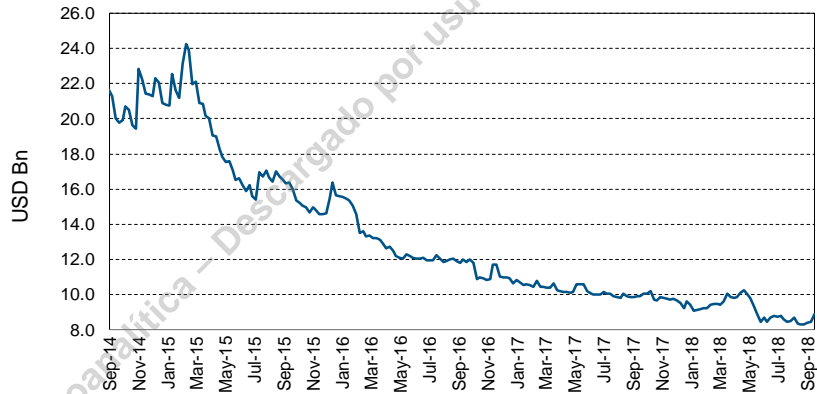
ECONOMIC INDICATORS

EMBI



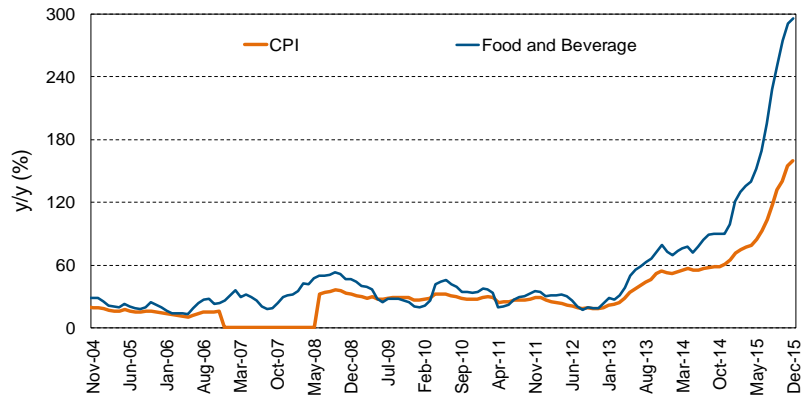
Sources: BCRP and Ecoanalítica

FX Reserves (BCV)



Sources: BCV and Ecoanalítica

Inflation (BCV)



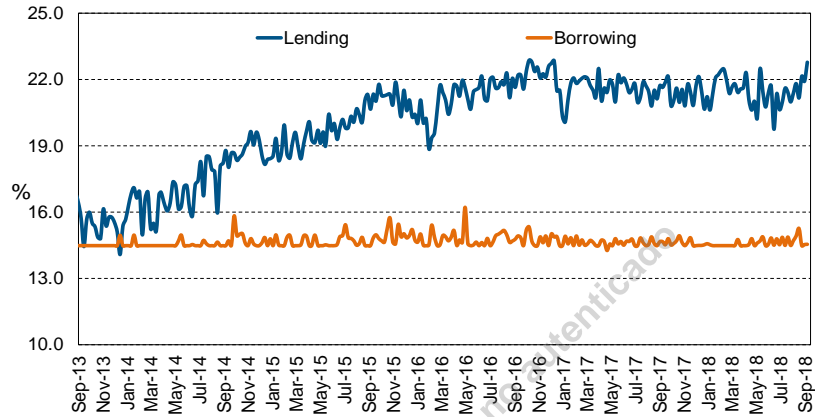
Sources: BCV and Ecoanalítica

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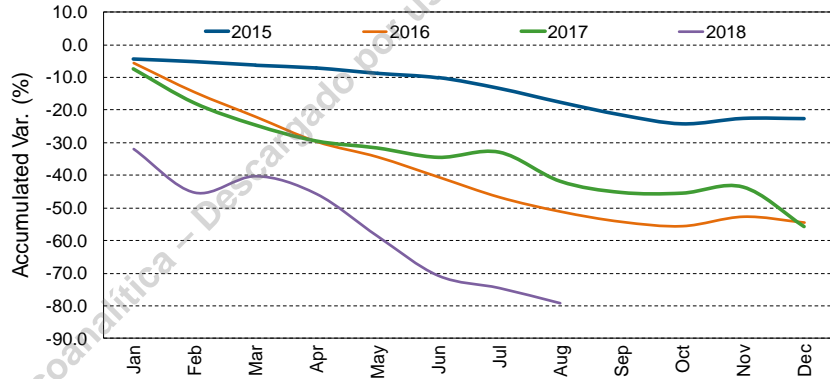
ECONOMIC INDICATORS

**Interest Rate
(Six major banks)**



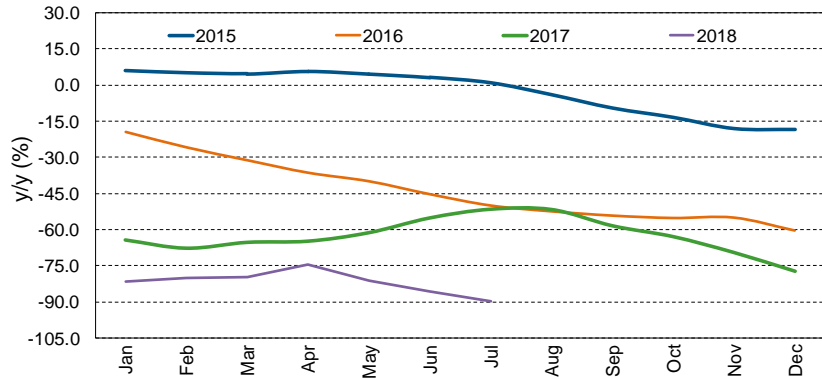
Sources: BCV and Ecoanalítica

**M2 Expansion
(Real)**



Sources: BCV and Ecoanalítica

**Loan Portfolio
(Real)**



Sources: SUDEBAN and Ecoanalítica

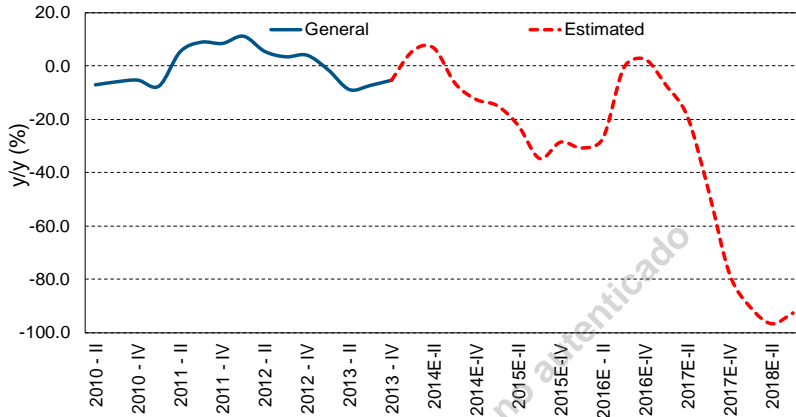
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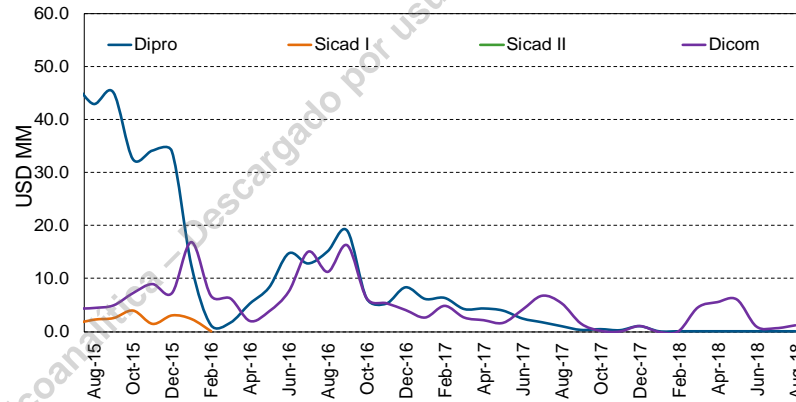
ECONOMIC INDICATORS

Real Wage Index



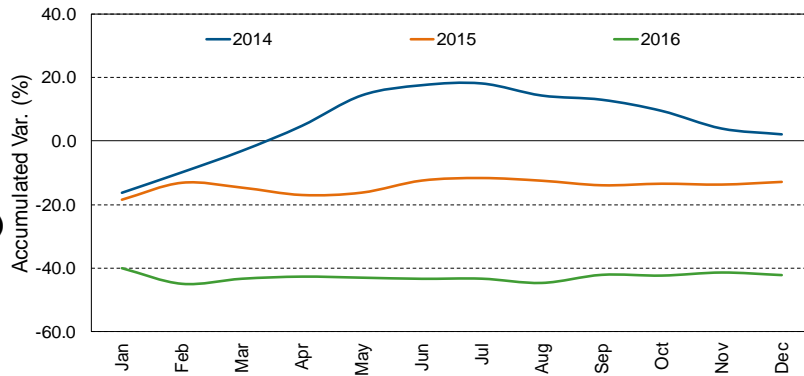
Sources: BCV and Ecoanalítica

Disbursements to the Private Sector (Daily Average)



Source: Ecoanalítica

Primary Spending NTO (Real - Central Government)



Sources: ONT and Ecoanalítica

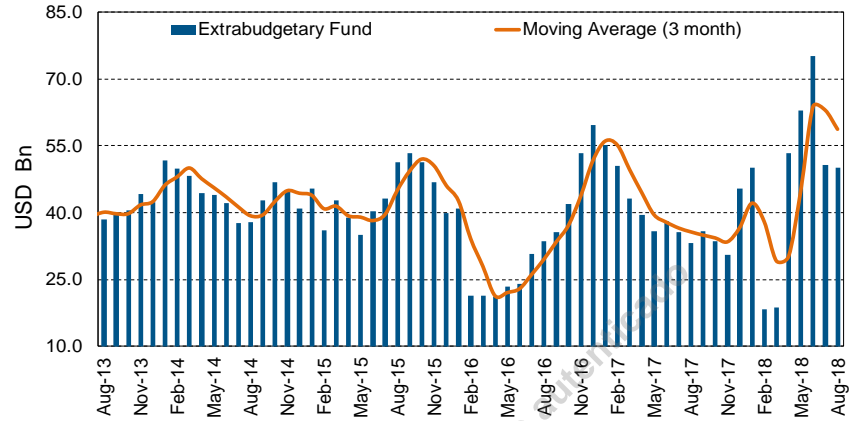
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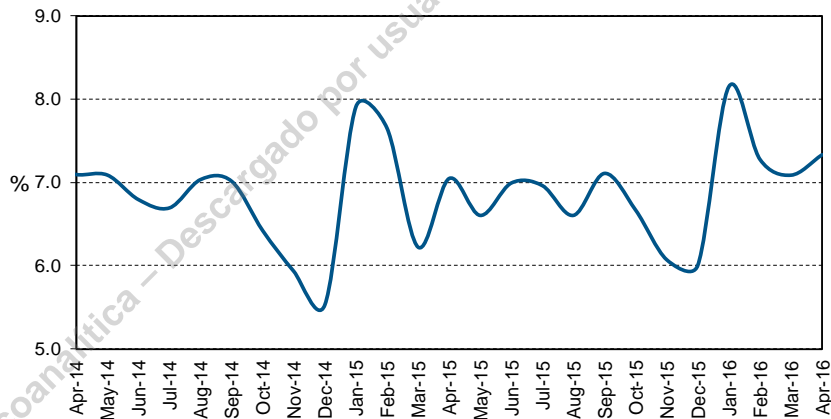
ECONOMIC INDICATORS

State Extrabudgetary Resources



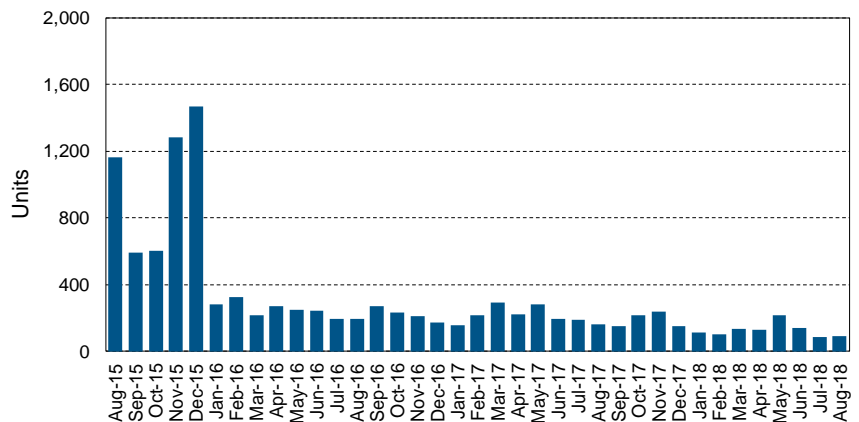
Source: Ecoanalítica

Unemployment Rate



Sources: INE and Ecoanalítica

Vehicle Sales



Sources: CAVENEZ and Ecoanalítica

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(+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

cristinar@ecoanalitica.net

Luis Arturo Bárcenas / Senior Economist

luisb@ecoanalitica.net / @barcenasluis

Gorka Lalaguna / Economist

gorkal@ecoanalitica.net / @GorkaLG

Guillermo Arcay Finlay / Economist

guillermoaf@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