

WEEKLY REPORT

Year 17. Number 3. Week V
January 2021



Ecoanalítica

acompañando las buenas decisiones

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Bank credit in the spotlight... again.

On January 19th, the Official Gazette No. 42,050 was published, which presents new resolutions of the Venezuelan Central Bank and announced the modification of the current legal reserve and new considerations in credit matters.

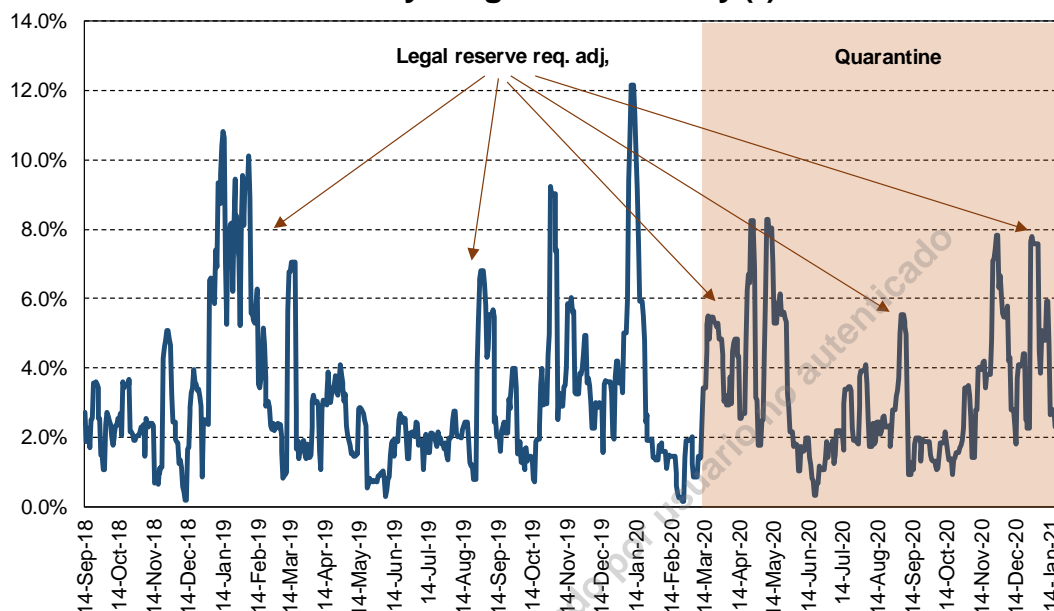
These could be considered as an update to previous resolutions published in the last two years relative to bank credit, to adjust them to the context of the health emergency. The publication even refers to the importance that credit could have on commercial activity and consumption, but without leaving aside the vision framed since the establishment of the Economic Recovery and Prosperity Plan on "reducing the negative impacts on the value of the currency caused by arbitrage operations".

Still, with this objective in mind, an increase of 15.4% in the unofficial exchange rate could be observed at the end of last week, just three days after the announcement of the reserve requirement modification. During this period, the price of the currency would also show the usual volatility associated with changes in the Executive's monetary stance, so that agent's expectations regarding the expansion of credit (or in the flow of bolivars in general) continue to be linked to a depreciation of the local currency.

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Daily ER growth volatility (*)



(*) Measured as 7-day-window standard deviation over daily log-differenced non-official ER
 Source: Localbitcoins y Ecoanalítica.

In this report we will review the modifications of these resolutions, among which are the new rules that will govern the legal reserve, the new credit indexation scheme and the modifications to the interest rate scheme. In addition, a brief analysis will be made on the initial implications of the new measures.

Less requirements?

¹The new minimum bank reserve requirement was set at 85.0%², but there was no change in the reserve requirement related to foreign currency transactions (31.0%)³ or in the special reserve requirement for penalties in case of failure to provide the relevant balance sheet information to the BCV.

Although the penalty mechanism for reserve requirement non-compliance remained practically unchanged, the criteria (based on the "size" of such non-compliance) for its application were partially relaxed. Previously, two percentage points were added to the

¹ [BCV](#). (January 19, 2021). *Rules governing the constitution of the legal reserve*.

² Net obligations and assigned investments

³ De facto, domestic banks are not (yet) forced to accumulate reserve requirements in foreign currency, due to the lack of foreign branches at the service of the BCV.

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interest rate⁴ on which the daily financial cost applied to the deficit depended if the deficit increased to between 3 and 4 times its size in a continuous period of 30 days, and 4 pp were added to such rate if such magnitude exceeded 5 times its size. Now, in order to apply such premiums, the reserve requirement shortfall must increase (in the same period) between 3 and 7 times its previous levels or in multiples of eight, respectively.

In the case of microfinance⁵ banks, they went from a scheme requiring a lower financial intermediation ratio (from 70% to 50%) to having to deliver a higher minimum reserve requirement (from 20% to 40%).

In principle, this new reserve requirement policy configuration could be interpreted as a greater willingness of regulators to offer domestic banks a larger deposit base to boost credit in local currency, although using the new reserve requirement conditions for microfinance banks to mitigate possible increases in the unofficial exchange rate. However, when considering that the weight of the reserve requirement of this section represented, on average, only 0.13% of the total during 2020, such limitations seem, in the first instance, insufficient in terms of the BCV's anti-inflationary objectives.

Beyond this, and considering the small volume of resources that could be released with the new reserve requirements (as we will see below), such changes were accompanied by other measures that could alter the demand for credit and render the reserve requirement cuts ineffective.

Dollarized loans (and interest)

In the same Gazette (but in a different resolution)⁶ it was announced that, as of February 1, 2021, the credits granted by the national banks must be expressed under a new measure called Commercial Value Unit (UVC, in Spanish).

This will be used to express all domestic bank loans, whether they are related to the Single National Productive Portfolio or not. To calculate the UVC, the amount of the credit granted is divided by the Investment Index (IDI, in Spanish) published daily, a procedure identical to that which has been used with the *Commercial UVC* or *UVCC*. The press release also hints that this is a unification of the *UVCC* and *regulated UVC* or *UVCP* in the same unit of measurement, specifying that the credits granted before the stipulated date will continue to be expressed in those units.

⁴ Determined by the rediscount rate used by the BCV, established at 12% as of February 1, 2021.

⁵ Provided that their purpose is to grant loans to microfinance activities.

⁶ The 21-01-02 resolution,

In addition to maintaining the indexation of credits to the official exchange rate, what is noteworthy in the new measures is the incorporation of consumer credits (including credit cards) to the indexation scheme, not considered in the previous regulations. Given the role that this type of financing had in the past to leverage the foreign currency hedging of households and companies, the BCV seems to make clear with this measure its intention to continue using credit limitations as a "forced" anchor of local prices, although losing sight of the effects of such restriction on private spending as we will see below.

On the other hand, the interest rates for these new loans were established. In the case of commercial loans and microcredits, the maximum rate that may be agreed upon was increased to 10.0%, maintaining the minimum at 4.0%, and the single annual rate at which loans granted within the framework of the Single National Productive Portfolio may be agreed upon was set at 2.0%.

With respect to the rates to be applied to new consumer loans indexed to the exchange rate, the resolution imposes that those loans whose financing line exceeds 20,400 UVC (at the end of the week it was equivalent to USD 99,7) must be agreed with an interest rate higher or equal to 10.0%. Those amounts below the threshold will be excluded from the resolution, so that, in principle, they will still be expressed in bolivars and the interest rate will continue to be published monthly by the BCV⁷.

In addition to these measures, the delinquency rate on indexed loans was increased from 0.5% to 0.8% and the rates on savings and time deposits were increased to 32.0% and 36.0%, respectively. However, these increases are not expected to be particularly significant given the expected growth of the exchange rate and the price level.

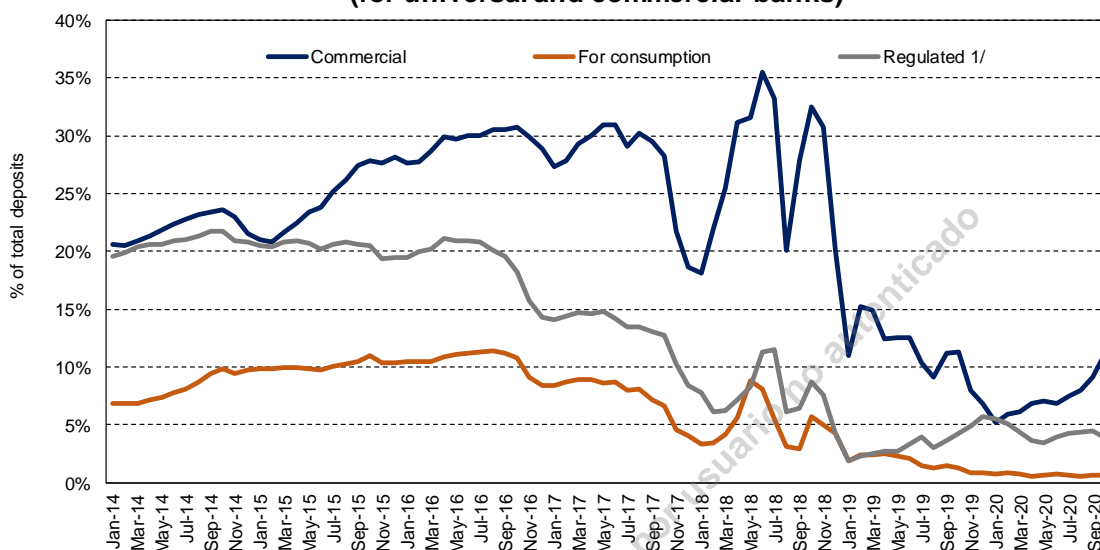
The new modality on consumer loans could generate incentives for private banks to divert their credit supply to a greater extent to this type of financing which, in the absence of a maximum rate, may set a rate structure that will help with the collapse of their income derived from the reserve requirement itself (if hyperinflation allows it). In fact, since the reference value is -for the time being- fixed, as the official exchange rate rises, the minimum amount above which these loans may be negotiated at virtually free rates will be reduced.

However, this is unlikely to be a significant change, given that consumer loans in the first ten months of 2020 represented on average 5.5% of the total loan portfolio.

⁷ [BCV](#). Current rates for the month of January range from 17.0% to 40.0%.

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**Credit intermediation by type of loan
 (for universal and commercial banks)**



1/ Mortgages, SME credits, agricultural, tourism and industrial loans.
 Sources: Sudeban and Ecoanalítica.

In any case, the effects that indexation will have on the cost of consumer credit cannot be neglected, summarized in the expression $(1 + q_t)(1 + i_t)$ where q is the real change in the exchange rate (or the degree to which local goods become more expensive in USD), and i is the annual rate to be applied to each loan. In this sense, although it is likely that the real appreciation (falls in q) will persist throughout 2021, in the months " t " in which such increase in the exchange rate eases (q increases, in annual terms), the payment of the contracted credits will suffer a considerable increase, even deflated by prices.

In fact, if banks seek to set positive nominal rates for "free" consumer financing, their effective cost may grow beyond the growth of prices, something presumably unaffordable for many potential borrowers. Thus, the demand for these loans would potentially be concentrated in those debtors with incomes indexed to the exchange rate or who receive income exclusively in foreign currency, depending on the agreed rate. Conclusion? Local lending would become even more "exclusive".

Will the new cuts have an effect?

Beyond the effects on the demand side, a valid question is whether the new reserve requirement ratios imply a release of resources that would make a difference in Venezuela's lending activity. Strictly speaking, this does not seem to be the case: a brief counterfactual with data observed in the last quarter of 2020 shows how, had the new reserve requirement ratios been applied in that period, banks would have drawn down an

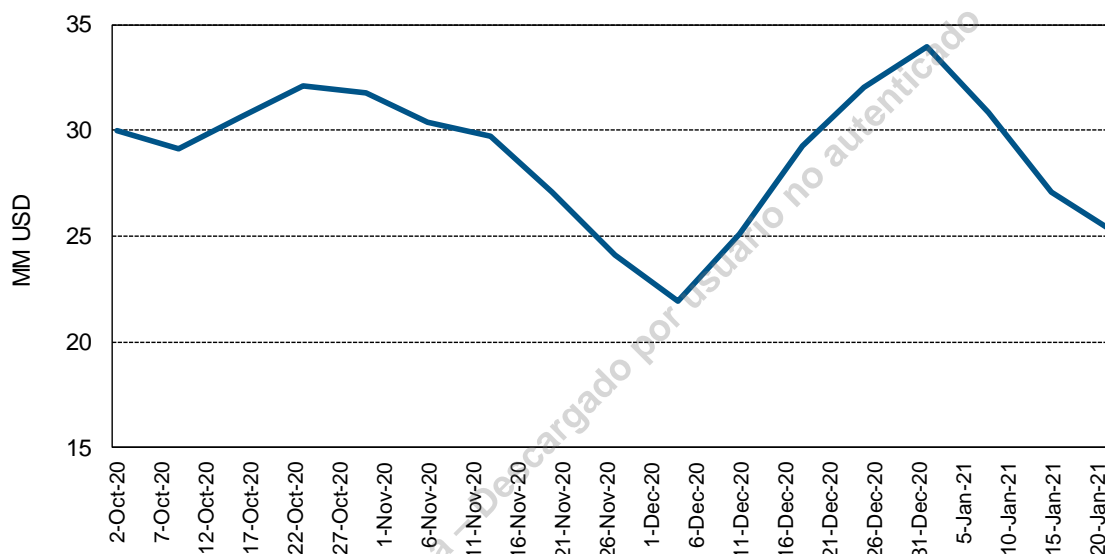
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additional USD 20 to 30 million each week. In terms of the flow of funding seen in the same period (on average, USD 6.2 MM, with a maximum increase of up to USD 22.11 MM), this cut in requirements would have leveraged only 4.6 weeks of bank lending activity.

"Additional" reserves after new legal reserves requirements



Sources: BCV and Ecoanalítica.

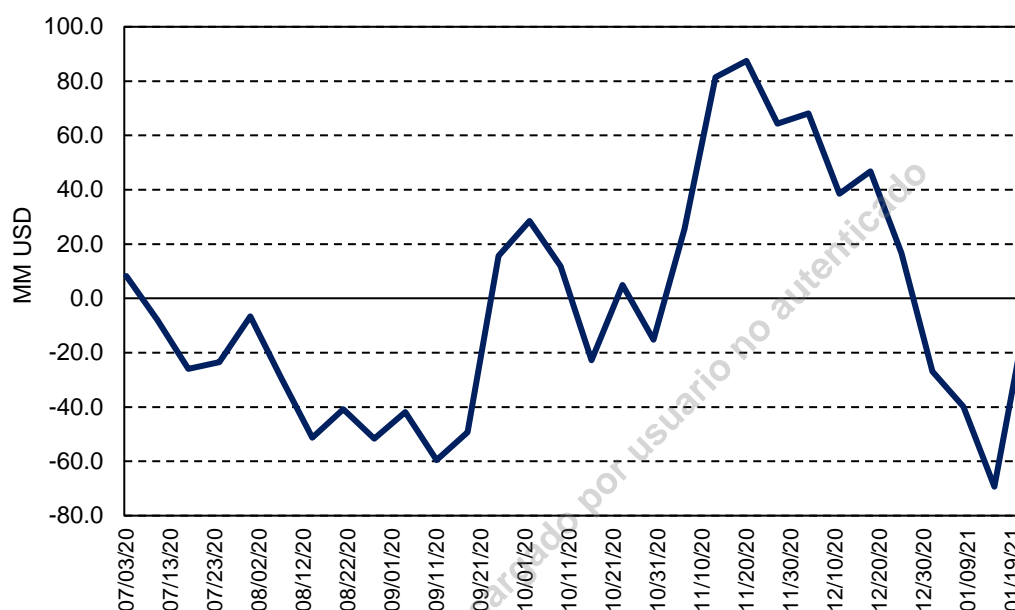
However, whether local banks can take advantage of the resources freed up by the new reserve requirements depends on whether: 1) the institutions use all (or a large part) of the funds resulting from these cuts to grant financing and 2) the previous reserve requirements deficits are relatively low. The balance sheet figures of local institutions show the opposite: banks not only started the year with a marked illiquidity (where the reserve requirement deficit peaked at USD 70 MM, but also continue to show high operating expenses and a high dependence on fee collection⁸, in addition to an "inflated" capital via foreign exchange gains. Such figures seem to minimize the impact of the new measures and even of the previously authorized cuts in reserve requirements, since such deterioration in income occurred in the midst of the setting of the so-called MUI⁹.

⁸ In October, the banks' operating expenses flow reached USD 20.4 MM (or 1.3 times their financial income).

⁹ See our current economic situation notes titled *New "incentives" for bank credit in Venezuela*.

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Gap between banks' deposits on central bank and legal reserves (in USD)



Sources: BCV and Ecoanalítica.

On the other hand, it cannot be ignored that, even with these "incentives" on the supply side, bank credit in Venezuela continues to face limitations on the demand side, as long as hyperinflation and its effects on the exchange rate remain in force. Such restrictions have been aggravated by the pandemic and the cessation of local commercial activity as a result of the official quarantine.

How much of an adjustment to credit is required to generate significant impacts at the real level? A brief quantitative approximation shows that had a reserve requirement policy been maintained with the objective of setting the intermediation rate of regulated loans at up to 7.6% of deposits (average ratio as of 2018), above what was actually reported during 2019 (5.1%), manufacturing industry production would have grown 3.7% as of September 2020, on a year-on-year basis (holding everything else constant), a record higher than the 0.7% that was "recorded" with the credit supply actually observed. In the case of commerce activities, the rise in commercial loans to 27.4% of bank deposits (from a previous 11%) would have slowed the annual decline in this activity to 4.0% (from an "observed" contraction of 8.7%), had nothing else changed¹⁰.

¹⁰ This brief analysis was based on the calculation of the elasticity between real non-oil activity, private consumption and real annual credit growth in Venezuela by type, monthly and quarterly between 2008 and 2020. Several econometric techniques were used to control for real dynamics explained by other factors

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Impact of real commercial and regulated credits reductions over annual local commercial and manufacturing production growth

Quarter	Estimated scenario ^{1/}		"Hypothetical" scenario ^{2/}	
	Commercial	Manufacturing	Commercial	Manufacturing
Apr-20	-24.6%	-3.2%	-12.5%	-1.9%
May-20	-19.1%	-0.8%	-6.9%	1.8%
Jun-20	-19.3%	-1.2%	-6.3%	2.2%
Jul-20	-14.4%	-3.1%	-7.3%	1.5%
Aug-20	-13.6%	-1.0%	-10.6%	-0.6%
Sep-20	-8.7%	0.7%	-4.0%	3.7%
Oct-20	-4.1%	-3.9%	-4.1%	3.6%

1/ Maximum impact, by using actual annual real credit growth for each month.

2/ Maximum impact, by using "projected" credit growth, assuming an credit intermediation ratio of 7.6% (for regulated credits) and 27.4% (for commercial credits).

Sources: Sudeban, BCV and Ecoanalítica.

What about consumption? Using historical official data on private consumption, and contrasting with the figures for financing to such sector (in real terms), it was determined that under a hypothetical case where banks in Venezuela would have ceded 5.8% of their deposits under consumer credit (such ratio being the average observed during 2018), consumption spending in households and local companies would have "only" contracted between 0.7% and 4.6% by the third quarter of 2020 (on a year-on-year basis)¹¹. With the figures observed in this credit, this spending contracted (approximately) between 1.2% and 7.3%, controlling for the rest of its determinants.

(hyperinflation, general activity, money market and external sector), in addition to the potential endogeneity between financing, production and spending.

¹¹ This brief analysis was based on the calculation of the elasticity between real non-oil activity, private consumption and real annual credit growth in Venezuela by type, monthly and quarterly between 2008 and 2020. Several econometric techniques were used to control for real dynamics explained by other factors (hyperinflation, general activity, money market and external sector), in addition to the potential endogeneity between financing and production.

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Impact of real consumption credit reductions over annual local private consumption growth

Quarter	Estimated scenario ^{1/}		"Hypothetical" scenario ^{2/}	
	Min	Max	Min	Max
2019Q2	-2.2%	-13.2%	-1.0%	-6.1%
2019Q3	-1.8%	-11.0%	-0.9%	-5.7%
2019Q4	-2.5%	-15.1%	-1.0%	-6.3%
2020Q1	-1.6%	-9.9%	-0.9%	-5.4%
2020Q2	-1.4%	-8.7%	-0.8%	-5.1%
2020Q3	-1.2%	-7.3%	-0.7%	-4.6%

1/ By using actual annual real credit growth for each quarter.

2/ By using "projected" credit growth, assuming an credit intermediation ratio of 5.8%

Sources: Sudeban, BCV and Ecoanalítica.

In fact, setting a reserve requirement that would have placed the ratio of consumer credit to deposits at 6.8% would have led to a "real" increase in the latter (with respect to last year), with positive impacts on private spending. However, this would have meant an increase in this ratio from 0.6% (its value as of September), something that is not in the Executive's interest in its eagerness to use credit cuts as an anchor for prices.

And in the end...?

A priori, the new measures could be seen as an extension of the tools available to the banking sector to generate income. However, the economic environment has not changed much since the last modifications were made last year. The aftermath of the COVID-19 health emergency, hyperinflation and dollarization remain in place, so it may continue to be more attractive for firms in Venezuela to dedicate this expansion of available resources to arbitrage activities, hedging or to defray operating costs.

It should also be considered that incurring in credit indexed to exchange rate fluctuations could be unattractive in a context in which activity is still limited by the restrictions inherent to the quarantine still in force. In this current scenario, this cut would be insufficient to generate a significant impact on economic activity, where the context prevails over the "mere official will" for banks to grant financing without jeopardizing their inflationary targets. For local companies and households, this implies a greater search for alternative

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short-term financing mechanisms (including private lenders or self-financing mechanisms) that will allow them to continue operating.

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WEEKLY INDICATORS

Weekly Economic Indicators			
	5th Week January	Weekly chg. (%)	Depre/Apre (pp) ¹
FX Boards (VES/USD) ²	1,769,380.50	16.6	14.3
	2nd Week January	Weekly chg. (pp)	Annual chg. (pp)
Lending Interest Rate (%)	39.7	2.0	17.9
	5th Week January	Weekly chg. (pp)	Annual chg. (pp)
Overnight Interest Rate (%)	542.9	353.4	299.7
	4th Week January	Weekly chg. (%)	Annual chg. (%)
International Reserves (USD Bn)	6.4	0.0	-4.7
	3rd Week January	Weekly chg. (%)	Annual chg. (%)
Monetary Liquidity (MM VES)	594,097,150	2.5	1,171.0
Price of International Oil Baskets (USD/bl)			
	3rd Week January	Weekly chg. (%)	Annual chg. (%)
WTI	52.8	5.3	-9.7
Brent	55.4	3.9	-14.1
Price of the Venezuelan oil basket (USD/bl)			
	5th Week July	Weekly chg. (%)	Annual chg. (%)
Weekly Average	22.4	0.0	-61.9
Annual Average	28.8	-0.7	-51.7

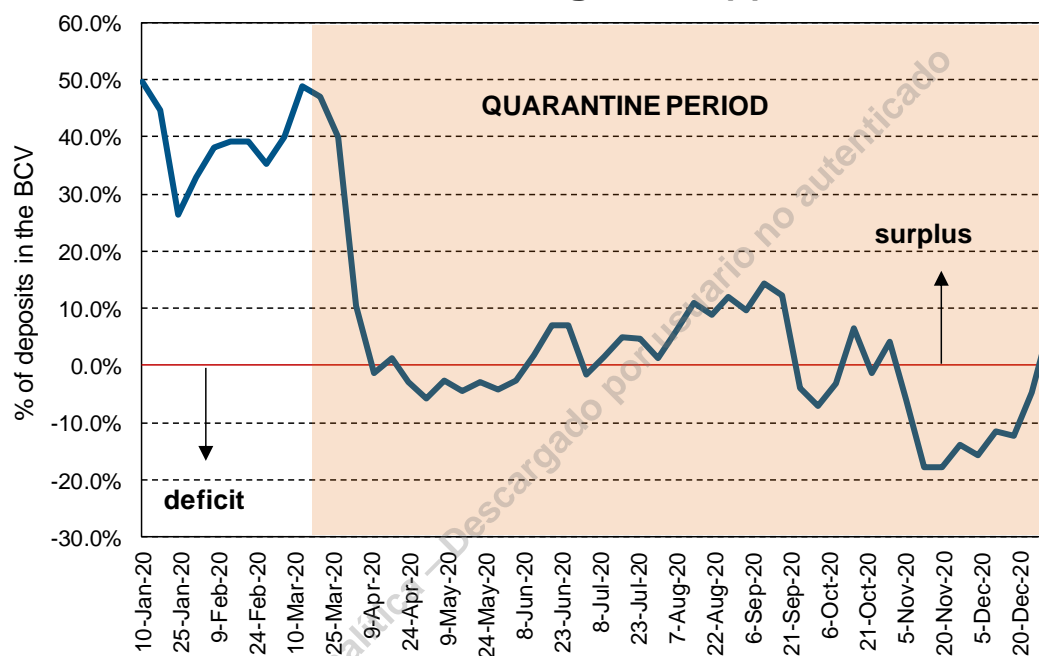
Sources: BCV, MENPET, ONT and Ecoanalítica

* Annual variation of accumulated expenditure.

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

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CHART OF THE WEEK: "THE BANKS WITHOUT "GAS""
Excess bank reserves in Venezuela during 2020 (*)


(*) Deposits of banks at the BCV, subtracting the legal reserve requirement.
 Source: BCV and Ecoanalítica.

The deterioration shown by local banks as a result of the strict reserve requirement policy maintained by the Venezuelan Central Bank (BCV in Spanish) has been accentuated since the beginning of the pandemic. In particular, since part of the deposits are immobilized in the issuing entity, the banks are not only exposed to marked limitations to lend (being these deposits the main source to generate financing) but have also witnessed a sharp drop in their liquid assets (usually called availabilities or bank reserves). Thus, once the pandemic arrived, the availability of funds for local banks to operate fell dramatically, and the consequences of the banks' obligations with the BCV went beyond credit intermediation. The car began to run out of gas.

In fact, this situation of illiquidity (which began with the reserve requirement hikes) started to worsen with the effects of the quarantine on local commercial activity. Fewer operations meant fewer transactions and, therefore, fewer deposits to convert into liquid assets (as

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well as fewer commissions and, therefore, less income generation). On the other hand, the contractionary fiscal stance of the Executive during the pandemic also meant a reduction in the resources available to banks to accumulate this type of assets, in an environment where dollarization was not enough to offset the adverse impact of the lower inflow of bolivars. Thus, in the face of a high reserve requirement (for each deposit obtained), banks would soon begin to show bank reserves below the required legal reserve requirement (deficit, or bank reserves below zero) once the quarantine began.

With the gradual return to activities derived from the application of the 7+7 distancing scheme, and with the periodic cuts to the reserve requirements ordered by the BCV between April and January, the banks' liquid assets would begin to show a slight recovery, although only reaching levels below those seen prior to the arrival of the pandemic. The relief would be short-lived, especially when the Executive began with a greater injection of resources (through the payment of bonds or adjustments to public sector salaries) as mechanisms to counteract the crisis left by the pandemic. Unlike what happened at the beginning of the pandemic, this increase in deposits generated more liabilities to the banks than income (or liquid assets), leading to a further reduction in their liquid assets.

Beyond the latest modifications to the reserve requirement, the question remains as to whether regulators in Venezuela have internalized the gravity of operating an economy with a bank without funds to operate or to provide liquidity to leverage market transactions. Without gasoline, the car does not run and, in this case, traveling the tumultuous road of the pandemic will be something less than tragic for Venezuelans.

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ECONOMIC TIPS

COVID-19 in Venezuela. According to government figures as of January 29, the number of positive cases of coronavirus reached 124,958 and the number of deaths was 1,165.

Partially confined. For the week of January 25 to February 1, all the states of the country were managed under a partial flexibilization scheme, within the 7+7 plus scheme, as indicated by Nicolás Maduro. During this week, the activity of the different sectors was carried out in a controlled manner under more severe restrictions than in the flexibilization weeks, to the mobility of citizens and allowing a lower capacity.

We continue to fall while others rise. In a report published on January 25, the United Nations indicated that the Venezuelan economy contracted 30% in 2020. For 2021, the UN foresees a 7% decline in the Gross Domestic Product. For Latin America and the Caribbean, the UN estimated a drop of 8% in the GDP in 2020 and forecasts a growth of 3.8% for 2021.

Crawling peg. Last Monday, January 25th, the Venezuelan Central Bank made an intervention in the currency exchange boards in which it placed euros at a rate of VES 2,114,542.02 per euro. This would be the seventh intervention made by the monetary authority so far this year. The volume of the placement is still unknown. As a consequence, the price of the dollar fell 0.39% on Monday, January 25, and closed at VES 1,732,056.01.

Tax season. Official Gazette No. 42,049 clarifies the panorama for the exoneration of taxpayers who must file the ISLR before March 31st. This new decree stipulates that, upon prior request, taxpayers with a territorial source enrichment in excess of 5,000 Tax Units could be subject to a suspension of the payment of the ISLR.

Worrying plunge. According to the United Nations Conference on Trade and Development (UNCTAD), foreign direct investment (FDI) plummeted 42% on a global scale in 2020, affected by the COVID-19 pandemic. For 2021, the agency maintains projections that indicate a drop in FDI of between 5% and 10%.

Momentary suspension (I). The United Nations Office for the Coordination of Humanitarian Affairs (OCHA) reported that it has temporarily suspended programs that provide cash transfers to vulnerable populations through local non-profit organizations.

Momentary suspension (II). The suspension follows the arrest of five members of the HIV prevention organization, Azul Positivo, who are now facing charges of illicit

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association and money laundering. In detail, OCHA announced that "*we are working with the relevant authorities to bring them (cash transfer programs) in line with the country's financial/banking regulatory framework with the objective of reactivating them, ensuring the safety of humanitarian workers and continuing to support...vulnerable people.*"

Inflation projections. Oscar Meza, director of the Center for Documentation and Social Analysis of the Venezuelan Federation of Teachers (Cendas - FVM), stated that food prices will probably increase 70% in January due to the increase in the VES/USD exchange rate.

Money tables. For the week of January 29, the average money desk rate was VES 1,769,380.5/USD. This represents a 14.3% depreciation from last week.

Liquid? Liquidity was VES 594,097,150 million for the week of January 15, a variation of 2.5% in nominal terms with respect to the previous week (January 8) and 1,171.0% with respect to last year.

OIL TIPS

Disguising the truth. According to invoices and emails reviewed by *Bloomberg*, Iranian and Chinese traders have begun to "dope" Venezuelan crude oil with chemical additives and to change its name in the documentation to sell it as a completely different oil, leaving no trace of its Venezuelan origin, thus avoiding the retaliation of U.S. sanctions.

The cat and mouse game. This technique is in addition to many others they have implemented to avoid U.S. sanctions, such as ship-to-ship transfers overseas, setting up shell companies and turning off satellite signals to avoid detection.

Just the tip of the iceberg. Bloomberg indicated that at least 11.3 million barrels of Venezuelan oil were sold by Swissoil Trading SA (located in Switzerland) and delivered to China in 2020, under other names. Customs data consulted suggests that these documents represent the tip of the iceberg and that other companies are also engaged in this type of doping and sale.

It doesn't add up... China has not officially imported Venezuelan crude since September 2019, while its purchases of this crude from Malaysia, which has not significantly increased its heavy crude production capacities, rose to their highest level on record last year.

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...Now it does. Instead, data compiled by Bloomberg show that more than half of Venezuela's oil exports ended up last year in China. In fact, in December, all of the country's oil exports were destined for China.

Fighting for swaps. Representatives of fuel suppliers to Venezuela, importers of Venezuelan oil and national leaders announced that they plan to pressure the new administration of U.S. President Joe Biden to reverse the ban on crude-for-diesel swaps implemented by the Trump team.

Who are the holders? Among the companies that frequently participated in such swaps are Reliance Industries Ltd of India, Repsol SA of Spain and Eni SpA of Italy. The permits allowed the companies to refine Venezuelan crude in exchange for diesel even in the midst of sanctions.

The humanitarian argument. According to sources consulted by *Reuters*, Reliance has sent Biden allies briefing materials on the potential humanitarian consequences of the diesel swaps ban in the hope that the new administration will reinstate the exemption.

Recalibrating positions. In response to such requests, Biden's Secretary of State nominee, Tony Blinken, indicated that the administration broadly supports the policy of pressuring Caracas to hold new elections, but added that more must be done in terms of humanitarian assistance, given the "*suffering of the Venezuelan people.*"

New president, new strategy. *Argus Media* noted that such a humanitarian bent is prompting the Biden administration to weigh whether non-U.S. companies can resume diesel trades and reinstate less restrictive waiver conditions for U.S. companies with Venezuelan assets, according to oil industry officials.

Diesel drought. According to internal PDVSA documents reviewed by *Reuters*, Venezuela has not received diesel imports since November. Additionally, the consulting firm *Gas Energy Latin America* warns that the country's diesel inventories could run out in March or April, which would aggravate Venezuela's dependence on fuel imports from Iran, especially gasoline.

We cannot do it alone. On the other hand, a source consulted by *Reuters* indicated that the two main plants of the Paraguaná Refining complex are producing, together, around 30,000 barrels of diesel per day (bpd). Additionally, *Gas Energy* estimates that consumption ranged between 42,000 and 59,000 bpd in 2020.

But better alone than in bad company. In this regard, PDVSA's diesel shipments to Cuba averaged around 4,000 bpd in the last three months of the year, a small fraction of

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the total 75,000 bpd it sent to the island during that period, according to internal PDVSA documents reviewed by Reuters.

Reaching out (I). Reuters reported that PDVSA sent letters to partners in December asking if they wished to keep stakes in its various projects once they expire. Contracts for many of the companies expire in 2026, with the option to renew for 15 years.

Reaching out (II). The negotiation period for the possible renewal begins five years before the expiration date, said the sources, who described the communications as procedural. PDVSA's partners include Chevron Corp, China National Petroleum Corp, Eni of Italy and Total of France.

SECTORIAL TIPS

Cultural return. Nicolás Maduro authorized "*the programmed and safe reopening*" of theaters, museums and all cultural spaces under the 7+7 flexibilization scheme approved in the country.

Ready for February. In this regard, the president of the Venezuelan Association of Film Exhibitors, Abdel Guerere, pointed out that the reopening of the country's movie theaters is expected for February 9.

Waiting to act. Guerere explained that they are waiting for the ministerial resolution that contemplates such authorization to operate and subsequently adapt the cinema spaces with the pertinent biosafety protocols.

Each one at its own pace. In addition to this, the union leader pointed out that there are 64 movie theaters in the country and they will be conditioned progressively, since not all of them have the necessary supplies to be adjusted in such a short period of time.

Controls, controls, bankruptcy. Leonardo Palacios, president of the Caracas Chamber of Commerce, argued that the policy of controlling prices is a blow to the industry that keeps operating and generating formal employment in the country.

There are better options. Instead, Palacios believes that the authorities should concentrate on stabilizing the economy and providing conditions for private investment and the strengthening of domestic production, taking into account the impact that the pandemic and hyperinflation have had on the country's business sector.

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Only a fraction of the past. Aquiles Hopkins, president of Fedeagro, pointed out that the total credit portfolio of the bank "is around USD 100 million, that is, 6% of what was once the agricultural portfolio".

Half and half. In addition, Hopkins pointed out that domestic agricultural production only supplies 20% of desirable consumption, while the population has access to 40%. This means that 20% is being imported and 20% comes from the countryside.

Fingers crossed. Alberto Vieira, president of the National Federation of Hotels of Venezuela, called on the Government to enable the sector to operate during seasons such as Carnival or Easter and to be able to "recover the economic losses resulting from the sanitary situation".

Dollarized rates (I). The governor of Portuguesa, Rafael Calles, announced that domestic gas rates in the state will be expressed in foreign currency and will be paid in bolivars at the BCV rate of the day.

Dollarized rates (II). Calles informed that the kilo of gas in bulk was established at USD 0.02 and with this the current price of the smallest cylinder, the 10 kilograms, is USD 2. According to the Governor, this will allow covering the expenses of the company Portugas, in charge of the transportation and distribution of gas in the state.

A means of 2019. Noel Naar, president of the Federation of Agricultural Producers of Bolivar state, reported that Bolivar's agricultural production decreased 50% in 2020 in relation to the previous year.

Always the fuel. Naar indicated that the association was affected, as in several states, by the absence of the fuel required for agricultural operations. Additionally, he pointed out that, although they have been called as a prioritized sector, this "has not been enough for the total number of producers".

Flexible transportation (I). The Venezuelan Minister of Land Transportation, Hipólito Abreu, informed that the interurban operations in the country were reactivated for the new week of flexibilization from January 25 to January 31.

Flexible transportation (II). For the same week, the National Institute of Civil Aeronautics (INAC) enabled the operation of routes to Nueva Esparta (Porlamar) from and to the airports of Maiquetia, Maracaibo (La Chinita) and Valencia.

Panamanian Sundays. Turpial Airlines announced that as of January 31 it will fly every Sunday from Arturo Michelena International Airport in Valencia to Panama.

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INTERNATIONAL TIPS

COVID-19 in the world. According to figures released by the World Health Organization (WHO), the number of positive cases of coronavirus reached 100,866,032 on January 28, and the number of deaths reached 2,174,129 by the same date.

Sensitive vaccine delays. After AstraZeneca informed the European Union (EU) that it was falling behind its supply target because of production problems with its COVID-19 vaccine, EU Health Commissioner Stella Kyriakides said the EU *"will take all necessary measures to protect its citizens,"* resulting in a tightening of containment measures.

Pandemic Guac-a-Mole (I). Moderna's COVID-19 vaccine appears to work against the new, more infectious variants of the virus found in the UK and South Africa. Experts believe the UK strain, which emerged in September, may be up to 70% more transmissible.

Pandemic Guac-a-Mole (II). Early laboratory tests suggest that the antibodies triggered by the vaccine can recognize and fight the new variants. In addition, early results indicate that Pfizer's vaccine also protects against the new UK variant.

For mismanagement of the pandemic. Italy's Prime Minister, Giuseppe Conte, resigned on January 26, following criticism of his handling of the COVID-19 pandemic. Conte plans to agree with the President to form a stronger government after losing his majority in the Senate. Should he fail to do so, the task could fall to someone else, failing which new elections would be held.

Women in power. Janet Yellen was elected by the Senate as the first woman to serve in the role of U.S. Treasury Secretary. Yellen, who led the U.S. central bank from 2014 to 2018, won bipartisan support from members of the Senate Finance Committee.

Wall Street likes this. In her welcome speech, the Treasury Secretary expounded that *"The focus now is not on raising taxes. It's about programs that will help us get through the pandemic."*

Social responses to confinement. In Rotterdam, after a weekend of riots, riot police in the Netherlands have again clashed with demonstrators defying the confinement measures. More than 150 people were arrested. In this regard, the Prime Minister, Mark Rutte, has condemned the protests and called them *"criminal violence"*.

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Sued for defamation. Dominion Voting Systems, the company that provided the voting machinery in the U.S. presidential election, filed a defamation lawsuit against Donald Trump's lawyer Rudolph Giuliani, seeking USD 1.3 billion (GBP 950 million) in damages.

Bad practices in Chinese mining. Nine Chinese miners were found lifeless a day after eleven of their colleagues were rescued after two weeks trapped in a gold mine in Shandong province. The miners were trapped in the Hushan mine when the tunnel entrance collapsed following an explosion on January 10.

The opposition keeps pushing. In a video, Alexei Navalny, a Russian opposition leader imprisoned last week after arriving in Russia after recovering from a poisoning attempt against him, indicates that Vladimir Putin owns a mansion on the shores of the Black Sea. In response, Vladimir Putin referred to the video explaining that "*it does not belong to me*".

Not so quiet. Mexico's President Andrés Manuel López Obrador, 67, has announced that he has tested positive for COVID-19. On his Twitter account, he indicated that his symptoms were mild and that he was "*optimistic*" after the diagnosis. López stated that he will continue to work from home and has even established conversations with President Vladimir Putin to acquire a batch of Sputnik-V vaccine.

POLITICAL TIPS

A gift on the way out (I). The former president of the United States, Donald Trump, ordered last Tuesday, January 20, to defer for 18 months, with some exceptions, the deportations of Venezuelans under a document commonly known as *Deferred Enforce Departure*. The former president also ordered the Department of Homeland Security to take measures to authorize the employment of the beneficiaries of the measure during the established period.

A gift on the way out (II). The Executive Order states that "The autocratic government of Nicolás Maduro has consistently violated the sovereign freedoms possessed by the Venezuelan people. Through force and fraud, the Maduro regime is responsible for the worst humanitarian crisis in the Western Hemisphere in recent history."

A gift on the way out (III). Since 2017, the United States has deported almost 4,200 Venezuelans. According to figures from that nation's government, 2019 was the year that registered the highest number, with 1,619. In comparison, that same year, more than

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215,000 Mexicans, more than 53,000 Guatemalans, 40,700 Hondurans and 18,000 Salvadorans were deported.

An Entrance Gift (I). Democratic Senator Bob Menendez will promote another initiative for Venezuelan exiles in the United States called Temporary Protection Status (TPS), which would allow migrants a legal status to work and live in the country.

An Entrance Gift (II). On the campaign trail, Joe Biden indicated his support for TPS and it is expected to be a measure taken in the first few years of his presidency or at the end of the 18 months of DED enacted by former President Trump.

House arrest. Alex Saab, Nicolás Maduro's front man, detained in the Terra Boa prison in Cape Verde since June 12, 2020, will remain under house arrest, under heavy surveillance, under the responsibility of a National Police device that has already delimited a security perimeter.

What comes next? The Supreme Court of Cape Verde will get ready to decide whether or not to extradite Saab to the United States, a country that considers Saab a key player in getting to the gold and dollars that have left Venezuela for Iran, Turkey and Russia.

Invited in advance (I). During an act in the United Socialist Party of Venezuela, Nicolás Maduro invited the European Union (EU) to the gubernatorial elections, still without date, which are expected to be held this year. The President did not specify if the invitation is made with the purpose of sending an observation mission.

Invited in advance (II). Specifically, he mentioned that "*All international organizations are invited, the European Union, Madam Vice President, Mr. Chancellor, the invitation must be ratified with time to the European Union, they have time*".

We have plenty. Jorge Arreaza, Minister of Foreign Affairs, informed that they will establish an agreement to deliver five gandolas with oxygen to Manaus, Brazil, every seven days. He expressed that "*We are establishing an agreement so that 80,000 kilos more, 5 gandolas, can arrive every 7 days to Manaus (Brazil)*", through the state channel Venezolana de Televisión (VTV).

Let's negotiate. Enrique Capriles criticized the strategies of the opposition; he indicated that this should be evaluated, since there are factors of Chavismo that wish to negotiate. In this sense, he indicated that "*The free world (...) urges a negotiated political solution. I do believe that this negotiation process must be built*". He also revealed that "*Last year there was a first effort, but it did not go all the way*".

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No hole is a trench in a pandemic. President Iván Duque informed that the Minister of Defense died as a consequence of having contracted COVID-19 at the age of 68. In this regard, Juan Guaidó stated in his Twitter account that *"With pain we received the news of the sudden death of Carlos Holmes Trujillo, invaluable human being, faithful defender of democracy and a great Colombian"*.

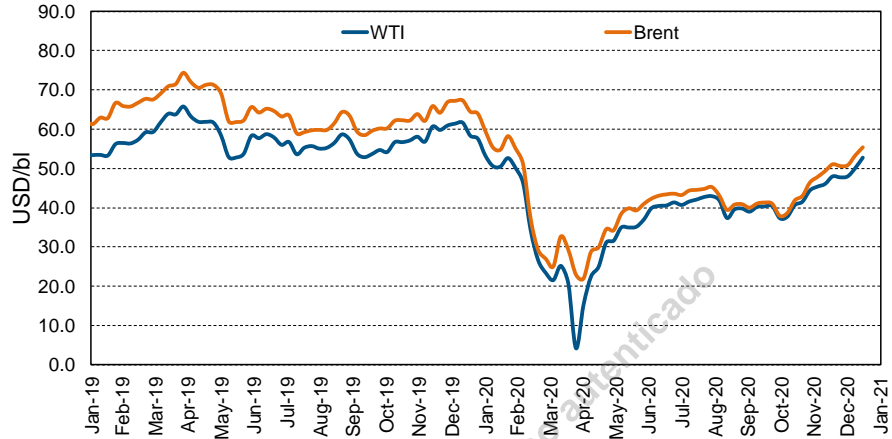
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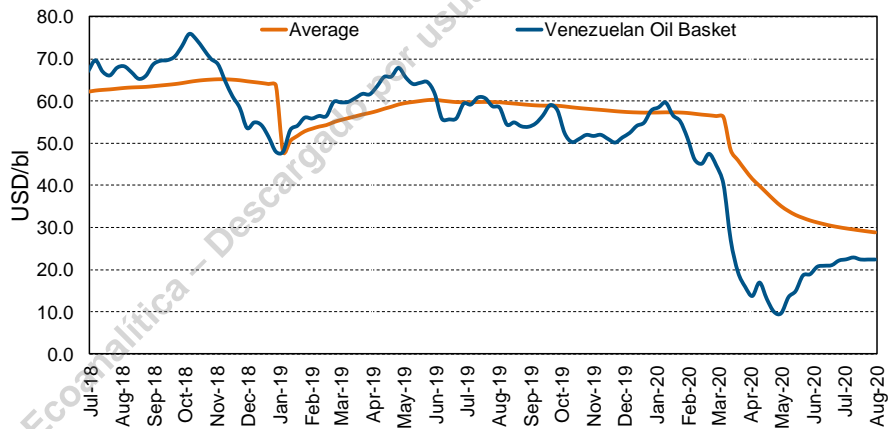
ECONOMIC INDICATORS

Oil Prices
(WTI and Brent)



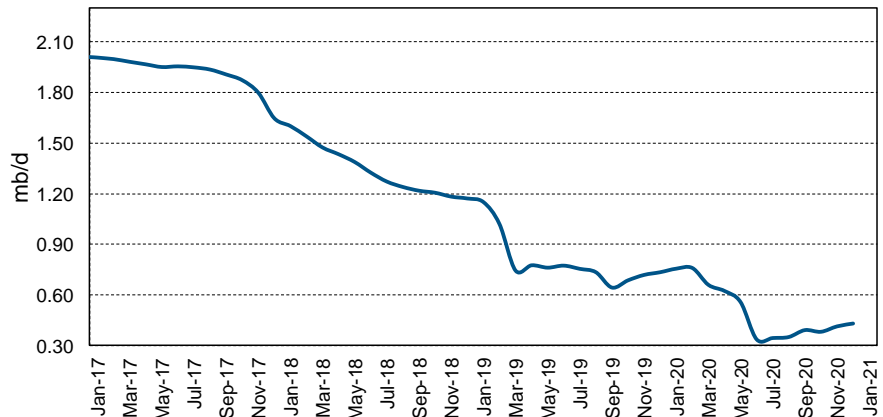
Sources: Menpet and Ecoanalítica

Oil Price
(Venezuelan Basket)



Sources: Menpet and Ecoanalítica

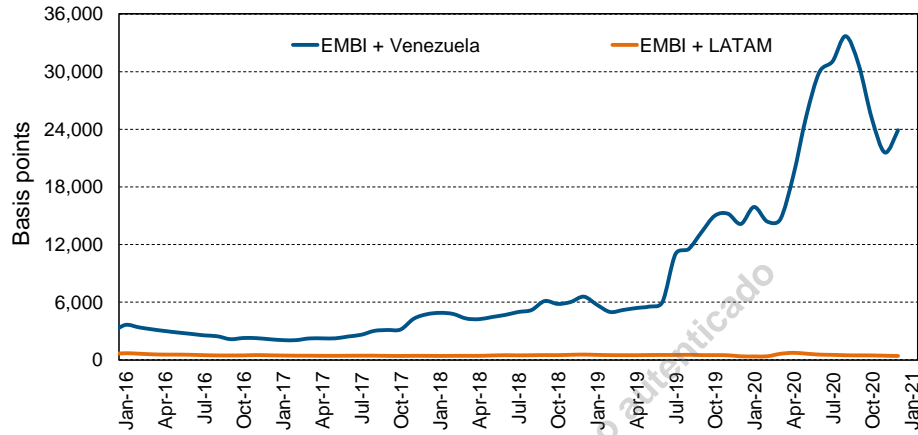
Oil Production
(Secondary sources)



Sources: OPEC and Ecoanalítica

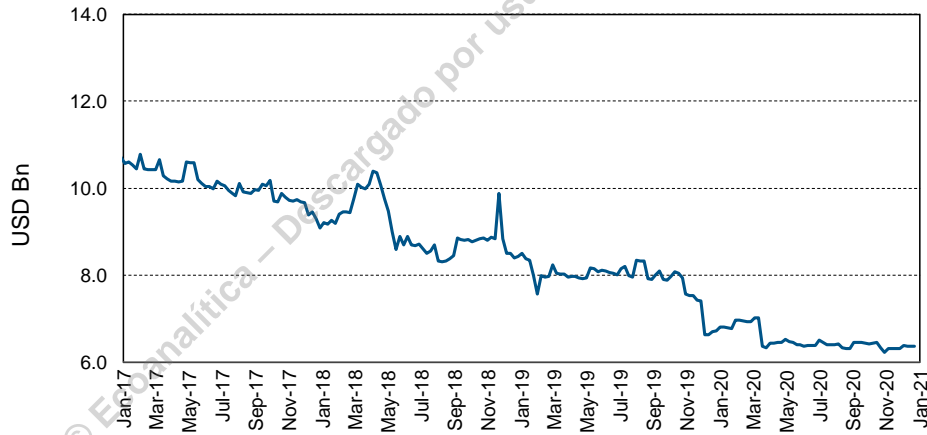
ECONOMIC INDICATORS

EMBI



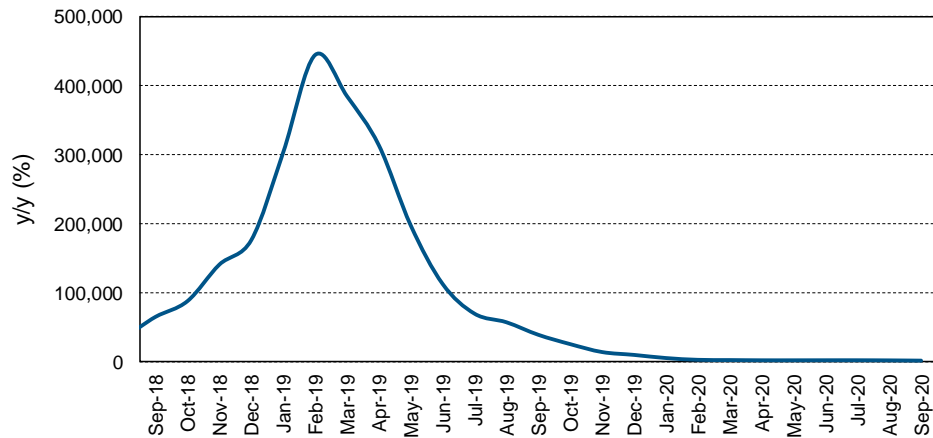
Sources: BCRP and Ecoanalítica

FX Reserves (BCV)



Sources: BCV and Ecoanalítica

Inflation (BCV)



Sources: BCV and Ecoanalítica

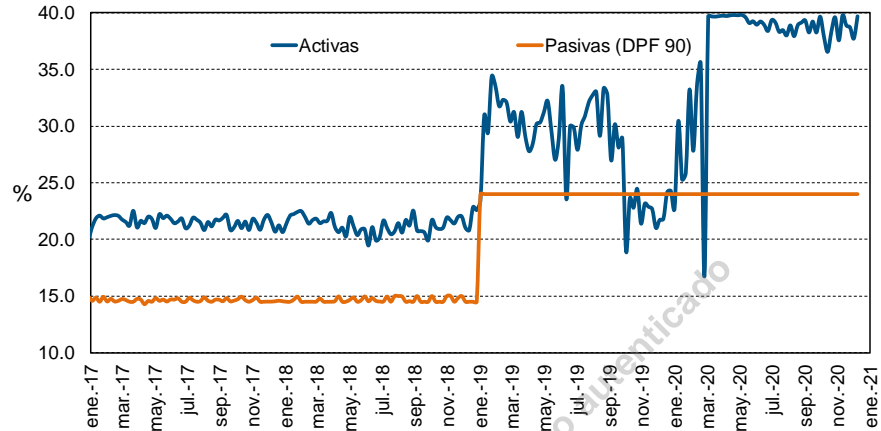
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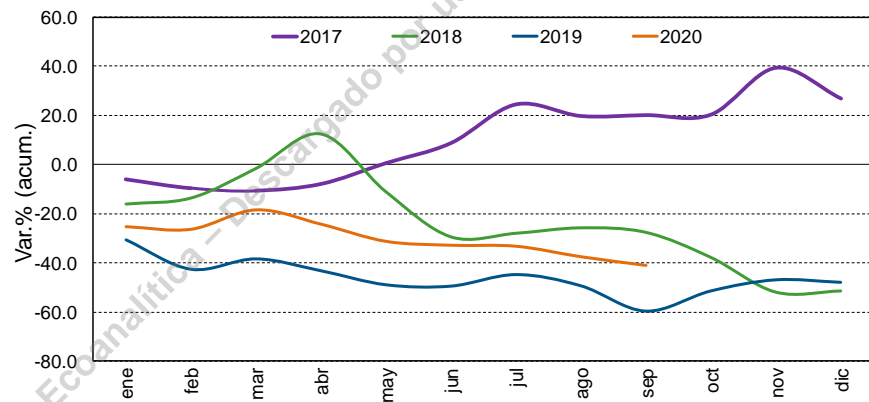
ECONOMIC INDICATORS

Tasa de interés
(seis principales bancos)

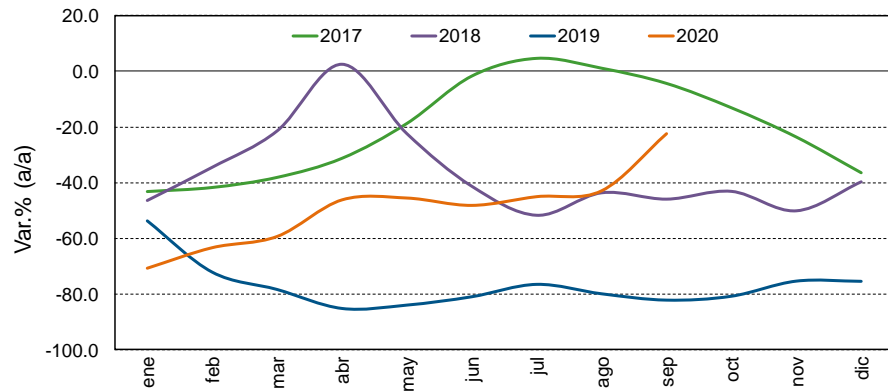


Fuentes: BCV y Ecoanalítica

Expansión de M2
(real)



Expansión de la
cartera de crédito
(real)



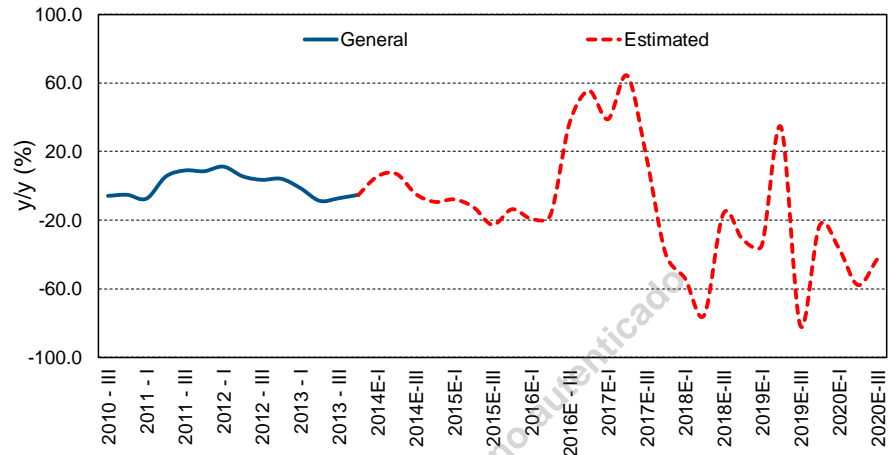
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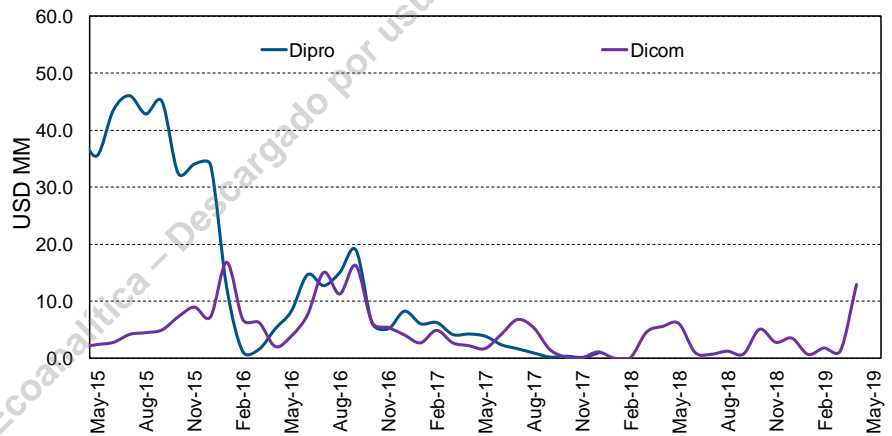
ECONOMIC INDICATORS

Real Wage Index



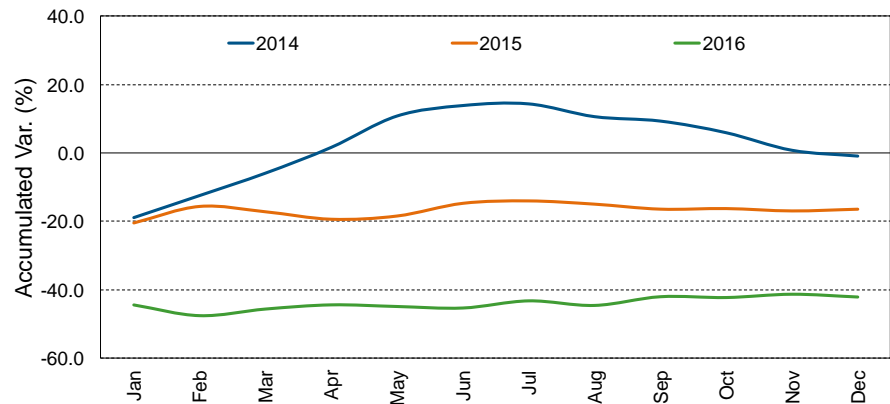
Sources: BCV and Ecoanalítica

Disbursements to the Private Sector (Daily Average)



Source: Ecoanalítica

Primary Spending NTO (Real - Central Government)



Sources: ONT and Ecoanalítica

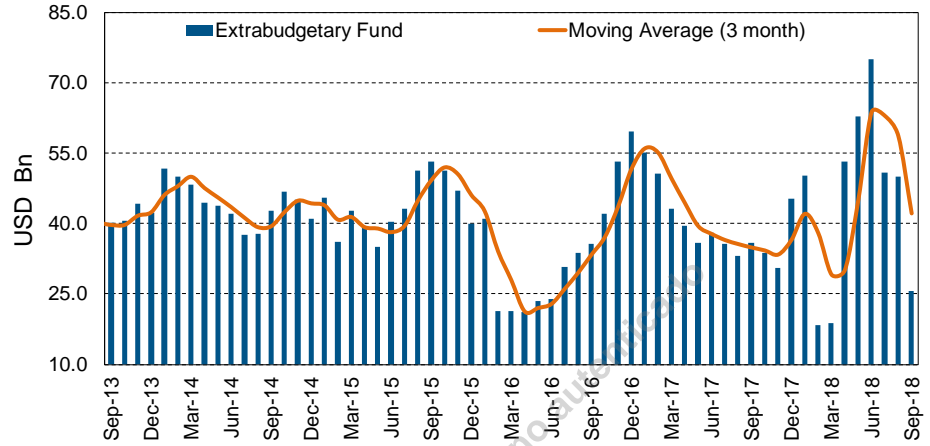
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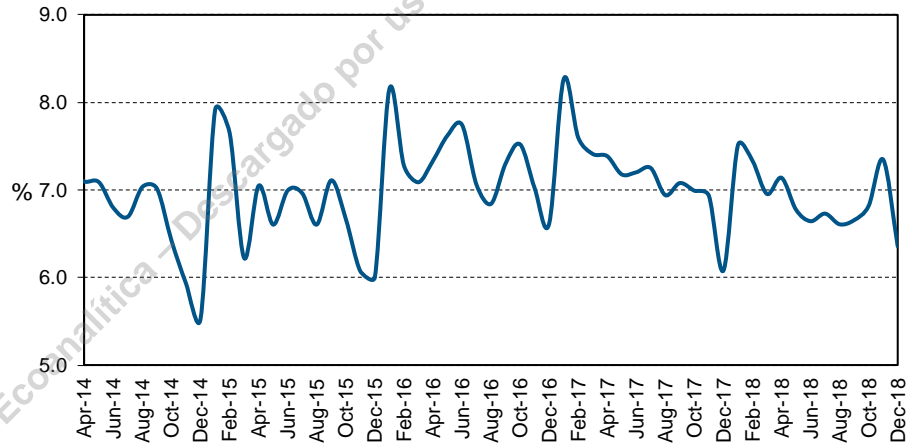
ECONOMIC INDICATORS

State Extrabudgetary Resources



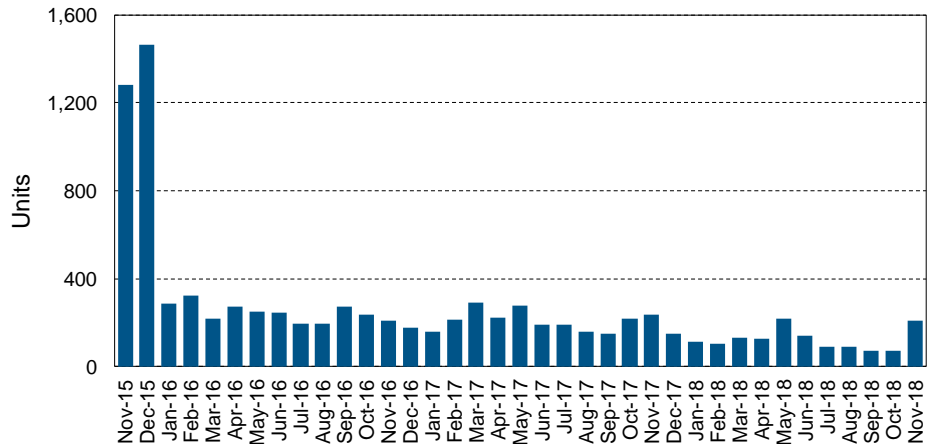
Source: Ecoanalítica

Unemployment Rate



Sources: INE and Ecoanalítica

Vehicle Sales



Sources: CAVENEZ and Ecoanalítica

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