



# Weekly Report

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*Will the spending feast continue?*

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With the first nine months of the year behind us and the presidential election held, how has public spending been holding up? And more to the point, now that the presidential election is behind us, how will public spending continue to perform for the rest of the year? This Report will shed some light on this issue.

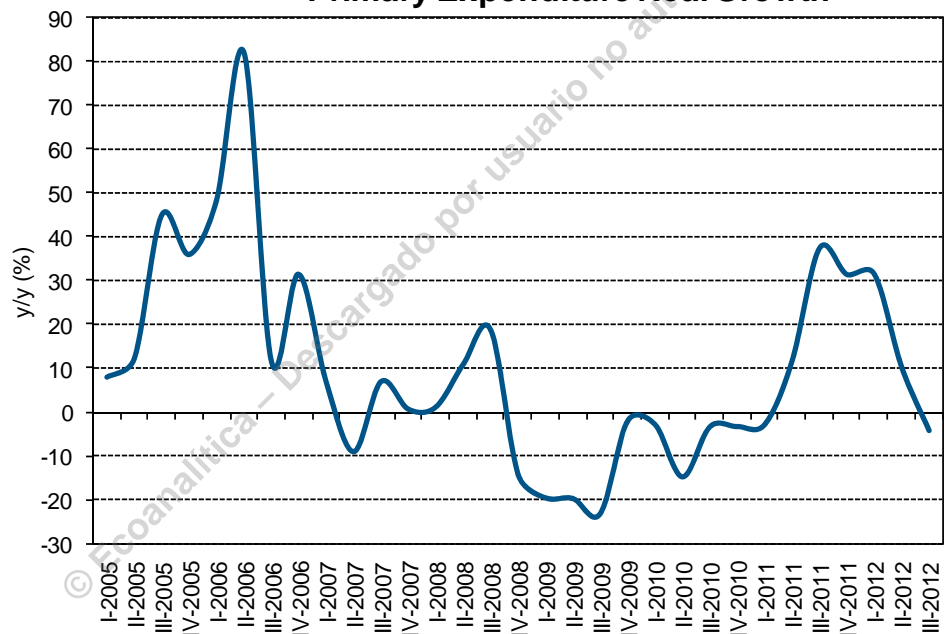
## **2012 begins and public spending took off**

Between 2009 and 2010, Central Government public spending dropped by 16.3% and 10.0%, respectively, according to figures released by the National Treasury Office (ONT). After two years dropping, in June 2011, gearing up for the presidential election, the Administration decided to reactivate fiscal spending, with government spending closing out the year up by 26.2% in real terms. Public spending increase continue until the beginning of this year, and in the first quarter 2012, spending behaved much as was expected during an election year, with monthly average public spending at around VEB 27.92 billion, up by 31.3% in real terms compared to the same period in 2011.



However, as we have mentioned before at **Ecoanalítica**, this presidential election campaign was atypical, and starting during the second quarter 2012, public spending began to ease up, with the monthly average only reaching VEB 28.78 billion, which represented a real y/y growth rate of only 10.0%. This slowdown in public spending started in the second quarter 2012, with a drop of 17.8% in June, a y/y real drop of 33.2% in July, quite significant if you take into account that a presidential election was to be held in October of the same year.

### Primary Expenditure Real Growth

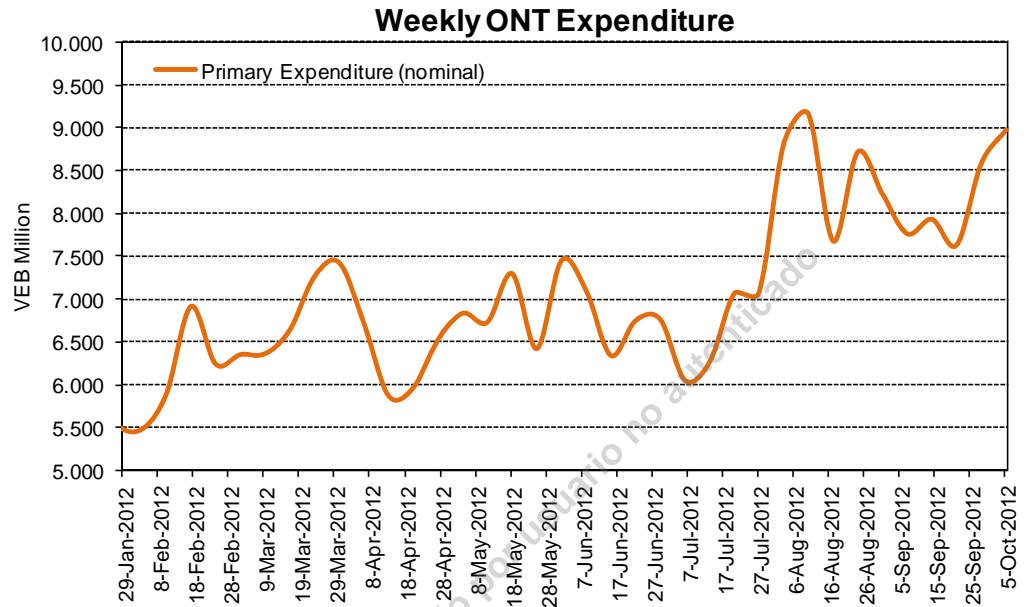


Sources: ONT and Ecoanalítica

### Appearances can be deceiving

By tracking the weekly figures released by the National Treasury Office, we can analyze the behavior of primary spending (which does not include public debt expenditures) with more detail. First, we noticed that the four week running average of public spending fluctuated between VEB 5.0 billion and VEB 7.0 billion, from January until the last week in July. This is when, with just two month left before the presidential election, public spending spiked in August and September, with y/y real growth levels of 43.7% and 12.3% respectively; showing that public spending actually did increase in the weeks before the presidential election.



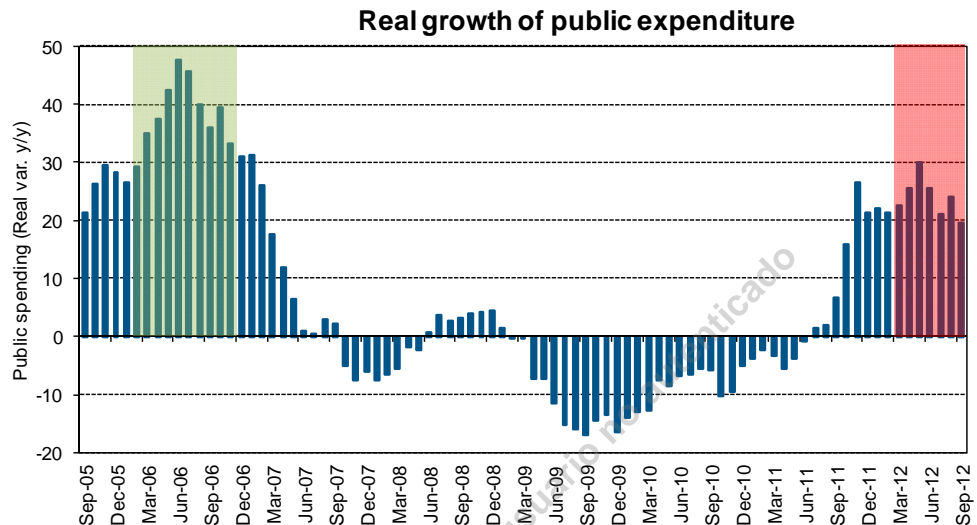


Sources: ONT, BCV and Ecoanalítica

## An atypical campaign

As we have mentioned in previous Reports, the behavior of public spending in 2012 was very different from public spending in 2006, during the previous presidential campaign, when public spending reached real accumulated growth levels of 65.3%. This was due to a series of unexpected changes, such as President Chávez illness which has led to the more radical wing of the chavista Administration to be in control of economic policies and the President's election campaign. With the radical wing calling the shots, fiscal spending was harnessed in order to control inflation and what public spending took place was focused on investing in the Great Housing Mission.





Sources: ONT, BCV and Ecoanalítica

### A passive Central Bank

Another difference that stands out is that thanks to an aggressive domestic debt policy, the increase in liquidity has been contained, though it was still able to increase by 29.1% in real terms so far this year. In this matter, the Central Bank of Venezuela has pretty much stepped into the background with respect to the control of the amount of currency circulating, cutting back on the placement of deposit certificates (essential instrument in monetary policies) and leaving much more space to be covered by the issuance of public debt, thereby shifting the control of monetary policies to the Administration (Executive Office), and this has contributed to it increasing the domestic debt by 40.2%.

Most of the additional debt placements made by the Government and the Treasury has been absorbed by the public banking system, which has increased its assets in State bonds by 34%. A good portion of the resources obtained by the public banking system comes from the deposits of its clients, which for the most part are Ministries, and public employees that receive their money through a payroll account. In other words, the government is recycling, through the banking system, money that has already been spent, at a very low cost.

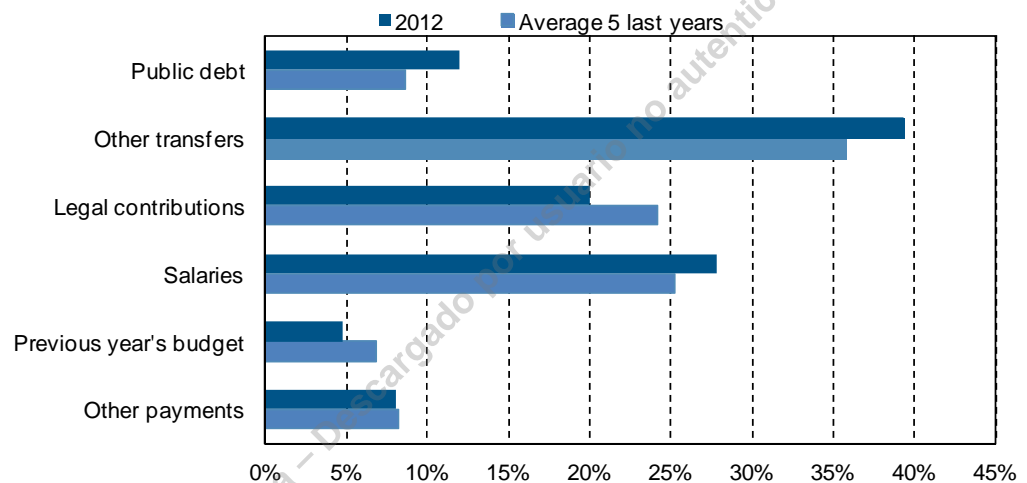
### Where is spending going?

By analyzing the composition of this year's public spending, up until the first week in October, we find that 39.3% was allocated for Other Transfers toward decentralized entities, while 27.8% was allocated for the payment of Remunerations, 20.0% went to legal contributions for Governor's and Mayor's Offices, and 8.1% went to other payments. Lastly, payments labeled public debt added up to VEB 33.97 billion, representing 12.0% of



spending in 2012. When comparing these proportions to the average of the last five years, we find that the component that has increased the most within the composition of overall public spending is Other Transfers, which is up by 3.6 percentage points (pp) compared to its average of the last five years, followed by public debt payments, up by 3.3 pp, and Remunerations, up by 2.6 pp.

### Treasury's structure of payments



Sources: ONT and Ecoanalítica

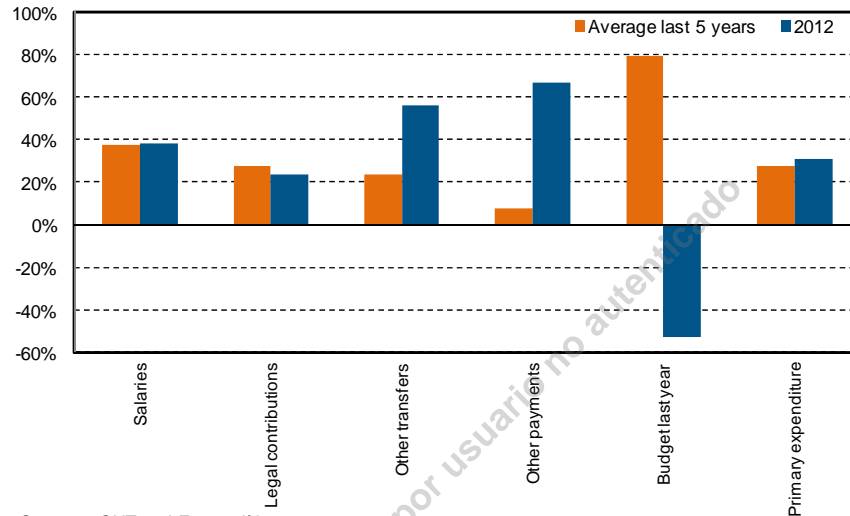
### Houses and salaries, that's what there is

As mentioned before, the component that has increased the most so far this year is Other Transfers, up by 56.4% compared to the same period in 2011. This increase is associated to the Great Housing Mission, which is financed by spending allocated to decentralized entities such as mixed companies that produce construction materials, the National Housing Institute, the Habitat Mission Foundation, and the National Institute for Urban Lands. Remunerations increased by 38.1% so far this year and the Other Payments component, associated with payments to suppliers and contracting companies, was up by 66.6%.





### Growth of public expenditure by group



Sources: ONT and Ecoanalítica

#### How much is left?

During the first nine months of the year, public spending didn't go beyond 74.1% of the budget agreed to (approved budget plus supplemental credits), the 25% remaining, the remainins funds should be used between October and December. At **Ecoanalítica**, we estimated that the budget of supplemental appropriations could easily reach VEB 230.9 billion. This means that the budget at the close of December would at around VEB 528.83 billion, of which VEB 220.81 billion would have been used during the last three months of the year.

#### Is the engine still running?

For the fourth quarter of 2012, we expect fiscal spending to continue and project that average monthly spending will be at VEB 73.60 billion, up by 115% than the average of VEB 34.22 billion used during the first nine months of the year, a bit higher than the seasonal increase which usually occurs at this time of the year. With respect to the fourth quarter 2012, public spending will increase by 42.2% in real terms.

And if all these figures hold true, at the close of 2012, the government will have spent VEB 528.83 billion, up by 16.2% in real terms compared to 2011 and up by 77.6% compared to the original budget approved for this fiscal cycle.

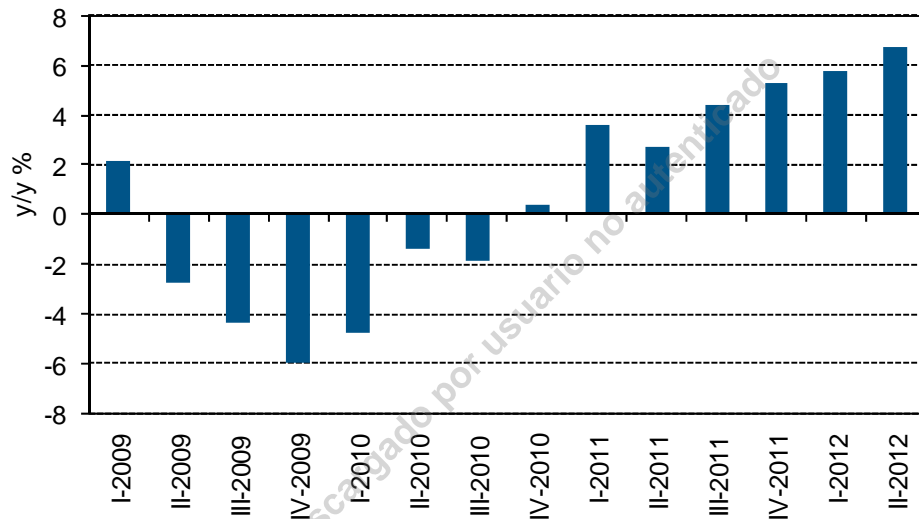
#### Consumption has a good outlook

Maintaining fiscal spending during the last quarter of the year will lead to optimistic estimates in increases in private consumption, to be added to the increase reflected in the previous months. We estimate that private consumption will increase by 5.6% in the third quarter of 2012. It's



important to point out that the Latin Focus Consensus survey estimates that private consumption will increase by 6.1% and 6.3% in the third and fourth quarters this year, respectively.

### Private Final Consumption



Sources: BCV and Ecoanalítica

#### Facing the music sooner than later

Increased public spending, focused on certain sectors (this year it was construction), continues to be the main engine behind Venezuela's economic growth. And, as Minister Giordani has stated, it is essential to continue on the path of economic growth. The government has maintained, during an election year, expansive fiscal and monetary policies, taking care not to leave any evidence behind or in view of the imbalances that exist in its accounts and the possible effects these will have on inflation, something that we do not believe will continue to be sustainable in the short term.

Adjustment will have to be made, and they will be focused on reducing fiscal account imbalances; therefore, we estimate that fiscal spending in 2013 will be up by 3.9%, around 12 percentage points less than what spending is estimated to close 2012 out at, and a 2013 deficit that will be down by 2.1 percentage points. We also expect an imminent adjustment of the exchange rate that will allow the government to have enough resources to balance its accounts, since it will receive a significant amount more of bolivars for the exchange of each US-dollar.





Despite the oil bonanza, the economy's expenditure engine must lower its rhythm, and the effect this will have on economic growth will be considerable. Facing this situation, there is no doubt that diversification continues to be the path that must be followed, since it allows for a sector or an activity that is failing to be replaced by another that is doing better as the main engine for the economy.

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## Economic Tips

**Tax collection in September.** According to figures released by the National Integrated Service for Tax Administration (Seniat), VEB 16.7 billion were collected in taxes for the month of September. Of this amount, VEB 4.1 billion (25,4%) are Income Tax, while VEB 9.7 billion (58.4%) were collected as VAT.

**In real terms,** September tax collection was up by 8.2% compared to the same period last year. The VAT increased by 13.0% in real terms compared to the same period last year, while the Customs Revenue decreased 8.9% respectively. Revenue collected as Income Tax went up by 12.7% in real terms compared to the same period last year.

Concepts (VEB Million)	Sep-11	Sep-12	Var (%)	Real Var	Jan-Sep 2011	Jan-Sep 2012	Nominal Var	Real Var
<b>Total Income</b>	13,059	16,679	27.7%	8.2%	104,970	136,412	30.0%	6.5%
<b>Income Tax</b>	3,119	4,147	32.9%	12.7%	104,970	36,388	-65.3%	-71.6%
<b>VAT (Internal)</b>	5,912	7,882	33.3%	13.0%	45,239	61,715	36.4%	11.8%
<b>Customs revenue*</b>	3,245	3,489	7.5%	-8.9%	24,452	29,307	19.9%	-1.7%
<b>Other Internal Revenue</b>	683	885	29.5%	9.8%	6,060	7,397	22.1%	0.1%
Spirits	203	217	6.9%	-9.4%	1,291	1,657	28.4%	5.3%
Cigarettes	453	632	39.6%	18.3%	4,483	5,429	21.1%	-0.7%
Inheritance	22	28	31.1%	11.1%	174	237	36.0%	11.5%
Random games or bets	6	7	19.8%	1.5%	108	74	-31.5%	-43.8%
<b>Others</b>	100	277	178.1%	135.7%	1,247	1,605	28.8%	5.6%

Sources: Seniat and Ecoanalítica.

\* Includes VAT on imports

**2013 budget, not so new.** This past October 14, the Administration presented before the National Assembly the draft of the 2013 National Budget Law and the 2013 Especial Borrowing Law draft that will be introduced and explained by Minister Giordani during the plenary session held on October 23. Ricardo Sanguino stated that "the project contains the basic principles established in the 2013-2019 Economic Development Plan as well as those established in the first socialist plan."

**Debt classification remains the same.** Standard & Poor's (S&P), Fitch and Moody's all left Venezuela's debt classification rating without change, at B+ after the reelection of President Hugo Chávez, according to S&P, "there have been no change in the key suppositions," where political uncertainty and relative solid financial situation co-exist.

**91.3% of the debt placed.** Figures released from the finance office reveal that up until October 11, VEB 86.50 billion in bonds have been placed, which represents 91.3% of the total debt programmed for this year which is VEB 94.77 billion. The



Ministry of Planning and Finance, faced with the urgency of supplying more resources in order to cover official entity financial needs, continues to accelerate debt bond issuances.

**Far from optimum levels.** Venezuelan International reserve levels remain below optimum levels as defined by government authorities. On October 15, these assets deposited in the Central Bank of Venezuela (BCV) were at US\$25.72 billion, with the optimum level being estimated at 26.80 billion.

**"Prices in a straight jacket."** The Administration has stated that the government has no plans to dismantle nor make more flexible the price control system. Keeping a tight control on prices is part of the strategy of keeping a rein on inflation. At **Ecoanalítica**, we believe that the Administration, anticipating the increase in public spending that there would be this year, tightened its hold on price controls in order to avoid losing control of inflation, which is why it chose to radically control prices.

**"A lot of work to do" in order to get single digit inflation.** The president of the BCV, Nelson Merentes, pointed out that society must "work hard" in order to reach single digit inflation, and also produce more and avoid price gouging. Echoing Merentes, the president of the National Statistics Institute (INE), Elías Eljuri, assured that single digit inflation will be achieved because control policies, food supply, and production in the country have improved.

**Nicaragua aid down slightly.** Venezuela's aid package to Nicaragua reached US\$328.4 million in the first semester 2012. This is 4.7% less than during the same period last year when it was at US\$345 million. Venezuelan aid from the first semester is broken down into oil deliveries (US\$281 million and direct foreign investment for the construction of a refinery (US\$47 million), informed the Central Bank of Nicaragua in a report about official foreign cooperation.

**Venezuelan finances vulnerable.** Venezuelan finances were evaluated in a recent report released by Morgan Stanley Corporation. According to this firm, investment in Venezuela had dropped despite current high oil prices. After analyzing the country's indicators, the company stated that this vulnerability could intensify if the Venezuelan government continued with the Great Housing Mission Venezuela.

**Interest rates.** The lending rate for the fourth week of September was at 15.7%, down by 1.0 percentage points compared to the previous week. The time deposit rate remained unchanged since July 2011 in 14.5%, while the passive rate has not experienced any significant variation since November 2011, placing well at 12.5%.



**International reserves.** International reserves decreased 2.4%, going from US\$25.43 billion during the first week of October to US\$24.81 billion during the second week of October. Compared to the same period last year, international reserves have decreased by 16.6%.

**Monetary liquidity.** Monetary liquidity (M2) grew by 0.2% in the first week of October compared to the previous week, settling at VEB 581.02 billion. The M2 has increased 59.5% in relation with the same period last year.

**Sitme figures.** So far this year, US\$8.22 billion have been negotiated through the System for Foreign Currency Transactions (Sitme), averaging US\$42.6 million a day, with an implicit exchange rate of 5.3 VEB/US\$; this represents an increase of US\$1.67 billion (25.5%) over the same period of 2011, when US\$6.55 billion were negotiated. Lastly, during the second week of October the amount traded reached US\$140.9 million, US\$41.7 million less than the previous week when US\$182.5 million were traded, with a daily average of US\$36.5 million.

## Oil Tips

**Selling foreign fuel oil.** Since the Amuay refinery crisis, which current production is at 330,000 barrels a day (kb/d), barely at 52% of its capacity, Pdvsa has been forced to buy fuel oil from third parties in order to meet its obligations with Asia, especially China. According to the OPEC October report, Venezuela is the fifth most important supplier of hydrocarbons and oil by-products for China, after Saudi Arabia, Angola, Russia, and Iran.

**Pdvsa paying interest to bond holders.** Pdvsa informed via a press release that on October 15, it made interest payments on its bonds maturing in April, with an interest rate of 5.3%, 5.4% and 5.5% maturing in 2017, 2027 and 2037, respectively. Such bonds were issued with an equivalent value to US\$ 7,500 million.

**Worldwide fuel consumption.** According to OPEC's October report, Venezuela is the country with the highest consumption level of fossil fuel during the first seven months of the year. According to secondary OPEC sources, fuel demand in Venezuela increased by 23% during the aforementioned period. This is equal to a 2.8 million liter per day increase in consumption. The most important factor leading to this



increase is the government's subsidy of gasoline, along with fuel contraband to neighboring countries.

**Gasoline trucks as a backup plan for Yagua.** The communities bordering the El Churro sector in Carabobo state announced their concern due to gasoline leak that is spilling an undetermined quantity of fuel into the Aguas Calientes river. This happened on Sunday, October 7 at around 2 am after a fuel pipeline that connects the El Palito refinery Pdvsa filling station in Yagua ruptured. This rupture has forced the pipeline to be shut down and all deliveries between El Palito and Yagua to be carried out by truck.

**Fuel leak under control in Carabobo.** Though no official announcement was made by Pdvsa addressing the leak in Carabobo, the company reported that the leak was under control.

**Bajo Grande incident will not affect gasoline deliveries.** The director general for Internal Marketing for the Ministry of Petroleum and Mining, Gladys Parada, announced that the explosion caused by lightening at the delivery plant at Bajo Grande in Zulia state will not cause any additional delays in fuel deliveries.

**Crude oil shipments to U.S. top 965 kb/d.** Preliminary statistics from the Energy Department of the United States show that during the month of September 2012, Venezuelan crude oil exports to the U.S. reached 965 kb/d. This is up by 22% compared to the same time last year when deliveries were at around 790 kb/d.

**Another lightening strike at El Palito?** Another lightening strike causes a fire in a section of tank 80x7 of the refining sector at the El Palito refinery in Carabobo state. The event, which took place at 4:40 pm on Monday, October 15, occurred after a lightning storm occurred along the Carabobo coast.

**International baskets.** Last Friday, October 12<sup>th</sup> in New York, WTI closed at US\$91.0/bl, which shows a decrease of 0.3% compared to US\$91.3/bl recorded the previous week. Meanwhile, Brent grew by 2.1% to reach US\$ 113.7/bl compared to the previous week when it reached US\$111.4/bl.

**Local basket price.** On Friday, October 12<sup>th</sup> the Venezuelan oil basket price closed at US\$102.1/bl resulting in an increase of 1.4% compared to US\$100.7/bl recorded the previous week. Meanwhile, the average of the Venezuelan oil basket stands at US\$ 104.9/bl.





## Business Sector Tips

**Food consumption increased by 60% during the last decade.** The vice-president of the Economy Production Area, Ricardo Menéndez, stated that Venezuelans annually consume around 25.7 million tons of food, up by 60% in the last ten years. Menéndez stated that the “average life expectancy of all inhabitants has increased by more than two years. In revolution we have more life, bigger children, longer life expectancy.”

**Auto industry production capacity up by 34%.** The automobile sector’s production capacity has increased by 34%, thanks to 16 projects carried out by the government with private domestic and international companies, announced Ricardo Menéndez. He also said that one of the goals planned for the coming years is for Venezuela to produce transmissions and engines for automobiles.

**Steel production.** Since the nationalization of the steel industry, steel production has been inconsistent. Problems with the supply of steel have resulted in increased prices. The latest figures released by Sidor show that steel production dropped by 16.7% during the month of September compared to the month of September 2011, and 55.8% compared to the year before the company was nationalized.

**Dragging feet on collective bargaining agreements.** The more than 15,000 workers for the Guayana basic industry companies still don’t have a collective bargaining agreement despite a number of heated discussions since the order came from President Chávez to carry out the corresponding negotiations. Sector unions will demand that the Administration pay the bonuses upfront and make the salary increases official in the coming months.

**138 days to obtain foreign currency.** Ángel Márquez, vice-president of the Pharmaceutical Industry Chamber, stated that the average waiting time to obtain foreign currency is 138 days. Even though this period has slightly shortened over the past two months, it is still too long as compared with the 11-15 days of last year. “*It would be ideal if we could return to that flow,*” Márquez assured and added that these delays are preventing the sector from complying with their obligations abroad.

**Medicine registration deadline extended.** Sundecop has extended the deadline for pharmacies to present the requirements so as to prevent them from being fined. However, Freddy Ceballos, president of the Venezuelan Pharmacy Federation,



stated that more than 3,000 pharmacies have not been able to complete this procedure, because many of them don't have the technology required, knowledge or enough personnel to comply with. Superintendent Karlin Granadillo, in turn, informed one month ago that Sundecop would organize workshops, provide two telephone numbers and a tutorial video; however, the process still appears to present a number of problems.

**New mechanism for foreign currency with credit cards.** Cadivi, the exchange authority informed that they will implement a new mechanism to apply for foreign currency for purchases abroad with credit cards in the 2012-2013 period. According to the press note published by Cadivi, the system will allow users to place the amount they expect to use for each calendar year once the application is confirmed.

**Training for dairy producers.** In collaboration with official entities related to the agricultural industry, French Lactalis' Parmalat will provide assistance and training for more than 1,800 small and medium-sized dairy producers in Zulia, Barinas, Portuguesa, Táchira, Mérida, Bolívar and Lara in 2013. This initiative is part of the company's new development and modernization of the dairy sector, with a view to obtaining new reliable suppliers of local raw milk with a better quality.

**Agropatria is preparing agro-chemicals.** Iván Gil, president of Agropatria, stated that the state-owned company has enough material in stock to produce agro-chemicals required for the Venezuelan agricultural sector in the north-summer sowing cycle. Likewise, Gil informed that extending the distribution of agro-chemicals to private dealers is being considered so as to guarantee that Agropatria products get to those regions where the socialist network don't have agencies.

**"Gran Misión Vivienda" (Great Housing Mission) continues.** President Hugo Chávez authorized more than VEB 7.0 billion to purchase, extend and build homes in several states of the country. President Chávez explained that VEB 6.5 billion will be used to finance improvements in 40,000 housing units and expand another 26,000, within the framework of the "Gran Misión Vivienda Venezuela".

**New glitch in port procedures.** National authorities have imposed a new control over port procedures, namely, "sub-aquatic" inspections of the vessels once they have unloaded the goods and departure from national ports. After unloading at docks, the vessels have to wait anchored and endure one-to-two day delays until authorities inspect their hull. A source linked to maritime control stated, "*If more obstacles are created, additional costs to freight emerge.*"





## World Economy Tips

**Nobel for “economic engineering”** U.S. Alvin E. Roth and Lloyd S. Shapley were awarded the Nobel Prize in Economics, for “*an outstanding example of economic engineering.*” Roth and Shapley research works, focused on explaining the works of resource allocation in different spheres, apart from paving the way for a flourishing field in economic research, have led to a practical design of more efficient mercantile institutions.

**Déjà vu.** The beaten U.S. housing market would appear to be standing up; recent increases in prices, sales and home construction have been evident signs of a recovery of this sector; therefore, given the low financing rates, it is not a surprise that we could see a new mortgage boom. According to Barclays Capital, home prices could reach a new peak by 2015, with increases between 5 and 7.5% per year.

**Stable inflation in the euro zone.** According to numbers published by the statistics agency of the European Union (Eurostat), yearly inflation in the euro zone closed September at 2.6%, down 0.4% from the same period in 2011. Monthly inflation in September was estimated at 0.7%, mainly due to the substantial increase in clothing prices (14%).

**Portugal to apply extreme austerity policies.** Portugal's government presented the most austere budget in many years: a combination of strong increases in taxes with cuts in spending, as a tool to face the country's huge deficit. Portugal Minister of Finance, Vitor Gaspar, stated that this is the only way to comply with the terms of an international bailout worth US\$100.0 billion. Tax increase could represent a loss of one or more monthly wages for medium-income families.

**Chinese surprise.** According to a report by China's General Custom Administration, exports registered US\$186.35 billion in September, up 9.9% from the same period in 2011. The growth rate doubles that expected by analysts. Chinese imports, in turn, increased by 2.4% on a year-to-year basis.

**Disappointment in the US.** U.S. trade deficit increased by 4.1% from July to August, to US\$44.21 billion, the U.S. Department of Commerce informed. The higher deficit is attributed to a drop of 1% in export of goods, whereas imports declined 0.1%. The measure of quantitative flexibility implemented by the Fed and the subsequent loss of dollar value are expected to be a significant incentive for exports.



**Stoppable unemployment in Greece.** According to Greece's statistics agency, unemployment rate reached 25.1% in July, up about 7.3 percentage point from July 2011. Five years of recession in a row, an acute financial crisis and the recent budgetary cuts have turned Greece into a country with one of the most adverse labor markets for those who are looking for a job.

**Boots were made for walking.** Numbers released by Spain's National Statistics Institute (INE) show that in the first nine month of 2012, a total of 420,150 people have left the country, up about 37,539 people from the same period in 2011. Spain's adverse economic situation and unemployment has encouraged Spanish citizens to move to other countries and many immigrants that arrived in Spain in the '90s to return to their countries of origin.

**Playing with food.** World food prices increased again in September, this time by 1.4% according to a report by UN's FAO. In its report, FAO points out that price increases reported since July hasn't been a consequence of supply or demand problems, but of the speculative investment today observed in more than 60% of food markets.

**Fight against speculation.** In an attempt to counteract the high degree of financial speculation on global food markets, the European Parliament commission on economic and monetary affairs voted in late September in favor of regulating the financial market of energy and food derivatives. The project is intended to limit the market share to which "speculators" have access, but is strongly opposed by Britain's financial sector, which prefers continue with market self-regulation.

## Political Tips

**Chávez is proclaimed President.** In a ceremony at the National Electoral Council headquarters, Hugo Chávez was presented by the president of the electoral branch or government, Tibisay Lucena, with the credential proclaiming him President of the Republic for the 2013-2019 term. The reelected president pledged to "*gladly give my life to serve the suffering people for them to have a homeland.*" Likewise, Chávez reassured his willingness to dialogue, provided it is not imposed, with some opposition sectors.



**The need to continue with Chávez.** October 7 election was a demonstration that *“the people need”* to continue with Chávez, according to Jorge Rodríguez, head of the campaign Carabobo Command. Rodríguez stated that the 11% difference over Capriles made it clear that the people *“was very aware of the implicit threat in Capriles’ proposal,”* which was aimed at *“reducing the size of the State, dismantle social missions,”* and, therefore, *“dismantle the immense achievements of the Revolution.”*

**New Cabinet’s members.** President Chávez swore in the new Vice-President, Nicolás Maduro, and the new ministers of Agriculture and Land, Juan Carlos Loyo; Interior and Justice, Néstor Reverol; Presidential Office and Follow-up, Carmen Meléndez; and Indigenous Peoples, Aloha Núñez, at the Miraflores Presidential Palace. The outgoing ministers had temporarily separated from their posts as a prerequisite to run for next December gubernatorial election.

**Capriles to run for another term in Miranda.** The former presidential candidate, Henrique Capriles, registered to the CNE as a candidate for the reelection as Governor of Miranda state. Capriles assured that in addition to his duties as governor, he will continue to accompany the millions of Venezuelans who voted for him and the opposition candidates running for governor in other states.

**No time for mourning.** Sucre Municipality Mayor (Miranda state), Carlos Ocariz, ratified his support for Henrique Capriles’ candidacy to Miranda governor’s office and turned down his aspiration to become governor of that state. Ocariz called the population to participate in the upcoming gubernatorial election. *“We need those six million and a half Venezuelans; we cannot risk to lose spaces that have already been gained (...) the country has no time for mourning,”* Ocariz pointed out.,

**Let’s defend decentralization.** The Executive Secretary of the Democratic Unity Panel (MUD), Ramón Guillermo Avelo, pointed out that although *“gubernatorial election will certainly be influenced by the results of October 7’s election,”* the opposition has to continue defending the spaces already gained. According to Avelo, *“governor’s offices are not something that the winner of the presidential election is throwing in for free, but power spaces that are close to citizens and as such have to be strengthened and valued.”*

**Again in campaign.** Spokespeople of the National Electoral Board (JNE) informed that the campaign for the upcoming gubernatorial election will start on November 1<sup>st</sup>, and extend up until December 13<sup>th</sup>, Public servants running for posts in this election will have to temporarily separate from their posts, from the beginning of the campaign until the Election Day.



**Requirements.** Citizens running for governors do not have either to live or being registered in the state they expect to rule. Candidates have to be at least 25 years old and be registered in the Election Roll. Mayor candidates have to demonstrate that they have lived at least three years in the municipality they are running for.

**Time to chose.** According to Luis Vicente León, Datanálisis director, between 10% and 15% of votes obtained by the government and the opposition in the presidential election will be lost in the gubernatorial election. Therefore, mobilizing voters will be essential. León believes that the opposition has to focus on those states in which it still has an option to win: Miranda, Zulia, Carabobo, Táchira, Nueva Esparta, Anzoátegui, Monagas and Lara; although he does not rule out that other states may be won.

**People have to mobilize and vote.** In an event of members of Voluntad Popular party, Leopoldo López called Venezuelans to mobilize and vote in next December 16's gubernatorial election. López said that, while the opposition still has to improve certain areas, its proposal of a country of "*peace, opportunities and progress*" is the right way; what we need is "*reaching out to those people who haven't still heard this message and those places where the opposition hasn't still got,*" López pointed out

## Legislatives Tips

**The revolution to control cable TV companies.** Deputy to Caracas Dario Vivas, president of the Commission of the People's Power and Communication Media of the National Assembly, informed that his commission is currently developing a law to regulate cable and satellite television. The responsible of the writing, Deputy Blanca Eekhout, stated that the commission is considering the claims of paid-TV costumers and of regional TV companies, "*who have been excluded of these services or have to pay high prices*" in order to make their emissions.

**Brazilian style.** When asked on how could paid TV be regulated, Eekhout used Brazil's example. "*They (the Brazilians) allowed national production to enter paid TV channels. Nowadays you can see Brazilian movies in TNT. We want our visual media industry to also have a place in this programmation.*"





**Planning laws to be reformed.** The Commission of the People's Power and Communication Media shall make an urgent reform of the Law on Local Planning Councils and the Law of State Planning Councils. *"We need to present a reform proposal as soon as possible because the governor and mayor elections are just around the corner, and we must be clear on the role of these councils, which shall help on the transfer of responsibilities to the People's Power"*, said Dario Vivas, president of the commission.

**National Assembly to decide on Caldera case.** The commission of the National Assembly that is currently investigating Deputy Juan Carlos Caldera for alleged unethical activities is going to publish the result of the investigations based on the available proofs. This was informed by Deputy to Aragua State Elvis Amoroso (PSUV Party), president of the named commission on October 17. He also added that the investigations did not freeze at any moment and that the commission is still accepting any proofs of Caldera's alleged actions and of the financing of Henrique Capriles Radonski's campaign.

**Funeral services Law Project ready.** The Permanent Administration and Services Commission of the National Assembly finished its law project on the regulation of funeral and cemetery services, which is expected to be discussed next week at the Assembly. The Deputy to Zulia State Hernán Alemán (Acción Democrática Party) stated that the main goal of this law is to normalize these services in order to provide the businesses related to these activities (as well as the clients) clear game rules and thus combat the current anarchy the sector is currently living.

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**ECONOMIC OVERVIEW**

