

## The Military Influence

It is no secret to anyone that one of the main features of the *chavista* regime has been the increasingly leading role of the military over the years.

It should be noted that this type of dominant role of the armed forces has been more the rule rather than the exception in Venezuela's history. After independence, the great majority of governments that ruled the nation during the first hundred years of republican history were led by the military.

But once democracy was attained, much emphasis was placed on keeping the armed forces far from civilian life. In fact, the military did not even have the right to vote in elections, because their role had to be strictly non-belligerent. When Hugo Chávez came to power, however, the military once again took center stage. Invoking the principle of civil-military cooperation, the National Armed Forces (FAN) were considered to have an active role in the provision of public goods and services.

In this context, active members of the FAN not only regained the right to vote, but were also put at the helm of various ministries and important government agencies. In addition, they began to accumulate a degree of economic power that was unprecedented in previous governments.

This phenomenon has had important repercussions on the current political dynamics, and it will continue to do so for the coming years. As chaotic as democratic institutions may sometimes be, their value is not truly appreciated until we start losing them.

### Democracies, dictatorships and mixed regimes

In the literature of political economy, the influence of the military on the political dynamics of nations has been studied, especially the role they play in determining whether a country functions as a dictatorship or as a democracy.

One of the most important works in this regard was authored by Acemoglu, Ticchi and Vindigni (2010). In this paper, the population was divided into three main groups: working

majority, oligarchic elite and the military. Depending on which of these sectors holds power at a given time, three types of regimes are considered: democracies, oligarchies and military dictatorships.

According to this model, both military dictatorships and democracies are stable regimes, i.e. that endure in time. For their part, oligarchies are seen as much weaker regimes, because they depend on the military to maintain their position.

In a democracy, the main role of the armed forces is to defend the nation from an external threat, in addition to ensuring law enforcement internally. Apart from these roles, it is counter-intuitive for a democracy to allow the size and power of the military to grow too large. First, because increasing military spending means less funds available to provide public goods. Second, because too powerful and influential armed forces can pose a threat to democracy itself.

Military dictatorships, on the other hand, distribute resources in order to maximize the income and power of the military leadership. They have little incentive to share that power with the rest of society, which is left in a very weak position to oppose the military.

Finally, regimes where a minority of (non-military) citizens accumulate political power are the most interesting case. They need the military to be able to repress the rest of the population in case of discontent. But at the same time, they expose themselves to the risk of this sector becoming too powerful and ending up overthrowing them.

In this case, it is normal for oligarchies to grant the military increasing economic incentives to maintain the status quo and avoid a possible transition, whether to democracy or military dictatorship.

This last scenario of the analysis is particularly relevant for the Venezuelan case during the Maduro regime, especially during the situation in 2017. Maduro's government is based on a structure of economic groups that profit from the distortions in the Venezuelan economy, while the majority of Venezuelans have seen their purchasing power dramatically reduced.

In the context of fierce protests that have taken place throughout this year, the government had to resort to the military sector to repress protesters violently. The army was faced with the choice of having to bear the costs of repression to keep the regime in power, allowing a peaceful political transition, or facilitating a transition under the pretext of defending the majorities, and then take over the country.

In the end, the armed forces defended the status quo. The high levels of repression allowed Maduro to retain power while convening a National Constituent Assembly. And as established in the cited paper, there is a series of strong economic incentives that explain this support.

### The Olive Green Dollar

During Maduro's government, the influence of the armed forces took on a much larger scale than it already had under Hugo Chávez. Given the more authoritarian nature shown by Maduro compared with his predecessor, his dependence on the armed force is much more evident.

During this period, the main use of public funds has been the import of goods at a preferential exchange rate, especially food products. And the political positions in the hands of the military not only give them direct control of conventional public spending, but also place them strategically to handle the allocation of foreign currency.

#### Main members of the military high command in the ministerial cabinet

Name	Ministry	In charge since
Manuel Quevedo	Housing	August 2015
Wilmar Castro Soteldo	Agriculture	January 2016
Luis Motta Domínguez	Electric Energy	January 2016
Nestor Reverol	Internal Affairs and Justice	August 2016
César Alberto Salazar Coll	Transportation and Public Works	January 2017
Luis Alberto Medina Ramírez	Food	August 2017

Source: Ecoanalítica

Major General Luis Alberto Medina Ramírez is the current Minister of Food. His predecessors were Carlos Osorio, Felix Osorio and Rodolfo Marcos Torres, all members of the army high command. In turn, the Minister of Agriculture is Wilmar Castro Soteldo, who was recently appointed vice president of economy.

In connection with the control of food distribution is the control of the financial sector. Rodolfo Marcos Torres used to be Minister for Public Banking and headed directly Banco de Venezuela, the largest government-owned bank in the country. From these

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positions he has had a great influence on the allocation of foreign currency. Additionally, he was elected governor of Aragua in the last regional elections.

The other sector under direct control of the military high command is infrastructure, which traditionally handles the largest amounts of discretionary spending that is not linked to payroll payments.

Major General Luis Motta Domínguez is the head of the Ministry of Electric Power since 2015. The Ministry of Housing and Habitat is controlled by Major General Manuel Quevedo, who is also director of the housing program *Gran Misión Barrio Nuevo, Barrio Tricolor*. Finally, the Minister of Transport and Public Works is Admiral César Alberto Salazar Coll.

The joint management of the food sector, the infrastructure sector and public banking places the armed forces in a highly strategic position when it comes to absorbing revenues from the State.

But, in addition, it gives them a leading role in the provision of private goods and in decision-making at the political level. In a way, it is becoming increasingly difficult to distinguish between the oligarchic elite defined by Acemoglu, and the armed sector that supports it. In some way, the two classes are merging. Or the second one is smoothly displacing the first one.

This situation of institutional limbo becomes much more evident when we observe the participation of the armed force in activities that not only move away from the area of security and defense, but also from the provision of public goods.

## From the Red Bourgeoisie to the Green Bourgeoisie

In recent years, around 20 companies under the direct control of the armed forces have been incorporated, as part of what Minister Vladimir Padrino López has called the Military Industrial Engine.

*Compañía Anónima Venezolana de Industrias Militares*, Cavim, has existed for decades, and is responsible for manufacturing military supplies, such as guns or bullets or communications equipment. It is understandable that the Armed Forces have a company dedicated specifically to manufacturing military equipment. But the new companies are active in sectors increasingly separated from the areas of security and defense.

### Main companies owned by the Armed Forces

Company	Foundation year	Business sector	2017 Budget (Millions of VEF)
Caminpeg	2016	Oil and Mining	270,000
Tiuna Industrial Complex	2016	Manufacture	170,000
AgroFanb	2013	Agriculture	1,700
Emiltra	2013	Transportation	1,300
Emsoven	2008	Transportation	1,400
Constructora FANB	2013	Construction	6,000
Cancorfanb	2014	Mining	6,000

Sources: Cronica Uno and Ecoanalítica

Perhaps the most evident case is the creation of *Compañía Anónima Militar de Industrias Mineras, Petrolíferas y de Gas* (Camimpeg). This company was created in March 2016, and has the authority to participate directly in the oil and mining industries, and it already has been awarded contracts in the Orinoco Oil Belt and the Orinoco Mining Arc.

On the other hand, there is the Tiuna Industrial Complex, a manufacturing park located in the Tiuna military fort. It manufactures products related to the textile sector, mainly uniforms, but also items of civil use such as backpacks or school and industrial uniforms. It employs an estimated 1,800 people and produces 11 million pieces annually.

Another relevant case is Empresa Militar de Transporte (Emiltra), created in August 2013, providing freight services to both public and private companies. Being a property of the armed forces, it has a natural competitive advantage over its private competitors, as it is protected against bribes and insecurity on the roads.

There are also other unusual cases, such as Empresa Agropecuaria de la Fuerza Armada Nacional Bolivariana, or *AgroFanb* (Agriculture and Livestock), and Constructora de la Fuerza Armada Nacional Bolivariana, or *Contrufanb* (Construction).

Many of these companies are in fact joint ventures where the armed forces retain 51% of the shares, and the remaining 49% are owned by economic groups in the private sector, which are effectively in charge of the day-to-day operations of these companies.

## Long-Term Consequences

The economic power demonstrated by the military is an essential factor not only to understand the current political dynamics, but to foresee the scenarios that could play out in the coming years.

In the work cited above, there is a scenario called “Transitional Democracy”, in which a country manages to move from an oligarchic to a democratic regime thanks to popular pressure, but the new government is limited by the power held by the military.

During such period, the risk of a coup d'état remains latent, because the military will be wary of losing the power they gained during the oligarchic period, and will have incentives to take power for themselves. This would be the most extreme scenario, since military, political and business power would be combined in a single elite.

In any case, the military sector will have full prominence in the coming months. The armed establishment was key so that Maduro could retain his power during the months of protest and, probably, have an essential role in case of transition.

Any coherent plan of economic recovery must start at the liberalization of the foreign exchange market. Given the links of armed forces with the sources of foreign exchange income, this situation poses serious conflicts of interest for a transitional government, regardless of its political tendency.

Venezuela has endured an unusual situation in its political economy. After a series of military regimes, it effectively achieved a political transition towards a civilian-led democracy. But contrary to political theory, it has managed to place itself back under the boot of the men in arms. The genie is out of the bottle, and it will be very difficult to put it back in.

**Armando Gagliardi**

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## WEEKLY INDICATORS

Weekly Economic Indicators			
	1st Week September	Weekly var. (%)	Depre/Apre (pp) <sup>1</sup>
FX Dicom (VEF/USD)	3,345	2.9	2.8
	3rd Week October	Weekly var. (pp)	Annual var. (pp)
Lending Interest Rate (%)	20.8	-1.3	-1.6
	4th Week October	Weekly var. (pp)	Annual var. (pp)
Overnight Interest Rate (%)	0.0	-0.2	-0.3
	4th Week October	Weekly var. (%)	Annual var. (%)
International Reserves (USD Bn)	10.2	1.4	-6.8
	3rd Week October	Weekly var. (%)	Annual var. (%)
Monetary Liquidity (VEF Bn)	50,307	4.2	601.0
Price of International Oil Baskets (USD/bl)			
	4th Week October	Weekly var. (%)	Annual var. (%)
WTI	52.2	1.0	4.3
Brent	58.2	1.0	14.4
Price of the Venezuelan oil basket (USD/bl)			
	4th Week October	Weekly var. (%)	Annual var. (%)
Weekly Average	50.7	3.4	17.9
Annual Average	44.8	0.7	31.2

Sources: BCV, MENPET, ONT and Ecoanalítica

\* Annual variation of accumulated expenditure.

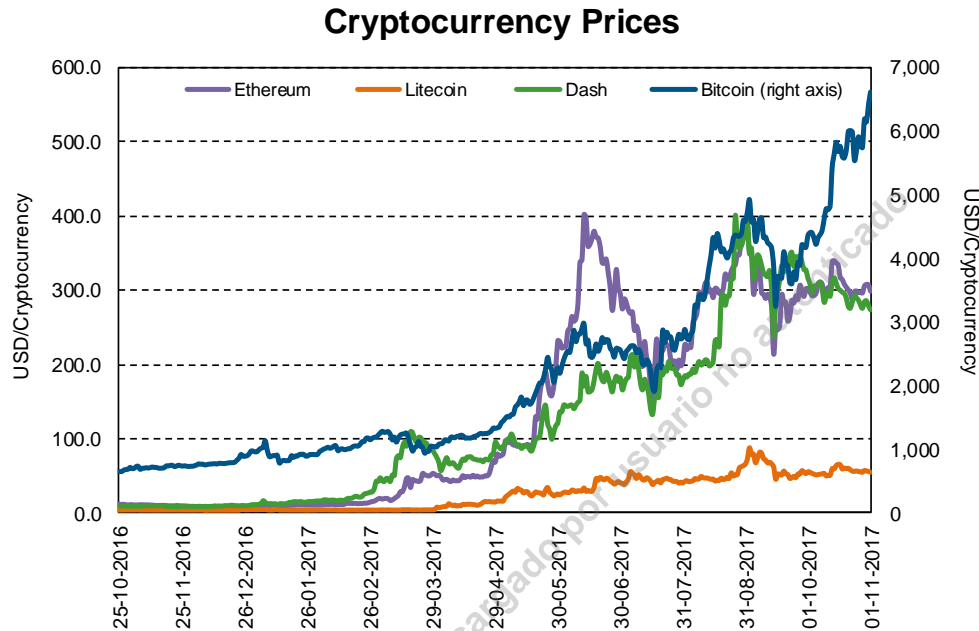
<sup>1</sup> Depreciation (+)/Appreciation (-)

Price of the Venezuelan oil basket published in yuans since 09/08/2017

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## CHART OF THE WEEK: "SPIKY BUT TRENDY"



Sources: Coinmarket, Cryptocompare and Ecoanalítica.

In the Venezuelan economy we are used to seeing all prices increase. In the rest of the world, the economy does not work like that. It is strange for an internationally traded asset to have a sustained price increase over time. This seems to be the case of cryptocurrencies.

The most popular cryptocurrency, Bitcoin, has seen its value increase from USD 698 on November 1, 2016, to USD 6,612 on November 1, 2017, which accounts for an 846.4% increase in just one year. Its growth has been highly volatile, but maintains a clear upward trend.

Following the success of Bitcoin, a series of secondary cryptocurrencies have emerged in the market. Some have failed; however, a select group has started to settle in the market. Notably Ethereum, Litecoin, and Dash have positioned themselves as the main alternative, although their price behavior is highly correlated to that of Bitcoin.

These three currencies took the central ideas of Bitcoin, and gave them a specific twist that makes them special. Each has a purpose and a specific function that positions them as alternatives, but are sufficiently similar to Bitcoin to capitalize on the popularity of the central currency. Only time will tell which one will be the first to consolidate as virtual money.

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**ECONOMIC TIPS**

**Monetary illusion.** President Nicolás Maduro announced a 30.0% raise in the minimum wage to VEF 177,504.4 a month plus an adjustment in the base figure for calculating the “Socialist *Cestaticket*” (meals allowance) to 31 tax units a day (which is VEF 279,000).

**New bill.** Moreover, he announced that will be put into circulation a new bill. The monetary cone will be expanded with the inclusion of a VEF 100,000 bill. The President said that this week will come into force and circulation.

**Reductions, reductions.** According to the Economic Commission for Latin America and the Caribbean (ECLAC), in its International Trade Outlook for Latin America and the Caribbean, Venezuelan imports will decrease 21.8% on an annual basis. The drop in 2016 was 35.7%. Imports from the United States will increase 65.9% and from China 0.3%.

**And more reductions.** At the same time, exports will grow a measly 4.9% from a 25.4% drop in 2016. Exports to the European Union will grow 9.8%, and the US 1.7%, while purchases from China and the rest of Asia will shrink by 2.2% and 2.7%, respectively, according to the report.

**An illegitimate body making its moves.** The National Constituent Assembly (ANC) appointed Ramón Lobo as the new president of the Venezuelan Central Bank (BCV). After a stint at the Ministry of Economy and Finance, he now heads the principal monetary authority in the country.

**Small growth.** According to data released by the BCV, international reserves recovered USD 141 million, during the week of October 27. This increase placed them at USD 10.18 billion. The overall decline this year to date is in the order of 7.3% (USD 797 million).

**Non-stop spiral.** As of October 20, the monetary base showed an increase of 28.3% month-on-month. The total value amounts to VEF 29.4 trillion. In just one week, it grew 3.2%, for a total growth in 2017 of 446.2% driven mainly by financing to public non-financial companies (972.3%).

**Six-fold increase.** Monetary liquidity closed on October 20 at VEF 50.3 trillion. In only one month, it grew 27.1% and the weekly increase was 4.2%. For the same period last year, liquidity amounted to just VEF 7.2 trillion, which accounted for a 601.0% growth. Also, 83.1% of liquidity is represented by cash deposits.

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## OIL TIPS

**Making an effort.** A few days ago, the Venezuelan state-owned oil company PDVSA announced that, through its subsidiary, PDVSA Gas, it started drilling the first non-associated gas well (called SRA-3), in the Campo San Ramón, San Francisco municipality, in Zulia.

**Where will it go?** Within the framework of the national gasification plan, the produced volume will target the domestic gas distribution system of the west coast of Zulia state.

**Rising production.** According to a statement issued by the Iraqi Oil Minister, Jabbar Al Luaibi, the crude export capacity of this Arab nation increased to 4.6 million barrels per day (mb/d) after adding a floating terminal in the Persian Gulf that adds about 900,000 barrels per day (kb/d) of capacity to the original production level.

**In context.** Also noteworthy is that Iraq has always been reluctant to set limits on its production levels as it seeks to make up for more than 35 years of wars and sanctions that have diminished its potential as an oil nation.

**We may not continue.** According to an exclusive note published by Reuters, Ecuador could terminate its membership in the Organization of Petroleum Exporting Countries (OPEC) if they are not granted an exemption from the agreed pact to cut the aggregate oil production levels.

**We simply cannot comply.** It is worth noting that Ecuador's Oil Minister Carlos Pérez said that the Andean country will request the OPEC plenary in November to be excluded from the agreement proposed by the oil cartel to reduce aggregate production levels, due to serious difficulties on the fiscal front caused by the fall in oil prices since 2014.

**The Prince has spoken.** Mohammed Bin Salman, Prince of Saudi Arabia, said that the nation feels prepared to support a potential extension of the production cut which has proved effective in stabilizing the oil market. *"The Kingdom confirms its readiness to extend the production cut which has proven effective in bringing about a new balance to the market,"* he said in a statement.

**The table is set.** OPEC Secretary General Mohammad Barkindo welcomed the statement by the Saudi prince and said that this position, together with the statement made by Russian President Vladimir Putin days ago, seem to mitigate the uncertainty surrounding OPEC's meeting scheduled for the end of the month, as the probability of extending the agreement beyond March 2018 increased.

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**How long could the extension be?** According to an exclusive note published by Reuters, according to a series of officials close to the organization, OPEC would be evaluating a nine-month extension that would prolong the agreement through 2018. However, the decision could be postponed to early next year depending on how the debate inside the cartel unfolds.

## SECTOR TIPS

**And now it's the milk.** Roger Figueroa, president of the Venezuelan Chamber of Dairy Industries (Cavilac) said members have held talks with the government to assess milk prices. Lack of inputs and high production costs, and low fixed prices, have led to a critical situation in the market. In this connection Figueroa said, *"The problem is not the price but the lack of inputs that make that price go so high."*

**Food in the port, not in the markets.** National Port Authority *Bolipuertos* announced through a press release that 11,049 tons of food arrived at the port of La Guaira, from Mexico. Foodstuffs that made it to port include: corn flour, rice, oil, sugar and grains. Another shipment arrived to La Guaira from Curacao and Panama, with 842 tons of food, medicines and personal hygiene items.

**Inflation is the problem.** After the National Superintendency for the Defense of Social and Economic Rights (Sundde) set the price of beef at VEF 41,000 per kg, the National Federation of Livestock Producers (Fedenaga) through its president, Carlos Albornoz, said that fixing the price of beef is a measure that will soon lose its validity if hyperinflation is not corrected.

**And it's not the only one.** On the proposal of "local markets" – whose goal is for producers to sell meat directly to the population, without intermediaries and at lower prices – Albornoz said that, although it is a way to alleviate part of the effects of the crisis, "humanitarian aid" measures must be taken.

**Checking that everything is in order.** The Superintendency for the Defense of Socioeconomic Rights (Sundde) completed the supervision on 611 meat and poultry distributors throughout the nation which began on October 18. They pledge to address the conclusions in working groups under "Plan 50."

**Asking accounts.** The Ministry of Finance and the Superintendency of Banking Sector Institutions (Sudeban) published the rules for the implementation of the second phase of revaluation of assets in banking institutions subject to inspection, control and regulation

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by said entity. Each institution must show its plan, terms and conditions that they deem necessary to complete the process, including a report with the appropriate reasons.

**Approaching the limits.** José Luis Fernández, president of the Association of Metallurgical Industries and Mining, said that inventories of industries that are part of the organization are in a precarious situation, to the point that they have enough to “*work for one month at most.*”

**With our own hands.** Eliana Leal, spokesperson for the Workers' Union and part of the ANC, proposed to occupy the General Motors (GM) plant in order to “reactivate production”. She explained that the plan is to recover public transport units to “*generate our own income; we have skilled labor*”, in addition to attracting new investors and coordinating with those enrolled in the *Chamba Juvenil* youth employment plan for the incorporation of new employees.

**One step further.** On the other hand, Christian Pereira, president of the Federation that groups the trade unions of the sector, suggested that the imports of vehicles should be reduced in order to strengthen the national industry. The benefits of occupying the GM plant include that this plant has one of the most advanced painting plants in the country.

**With the bare minimum.** The commerce sector “is trying to survive,” said María Carolina Uzcátegui, president of the National Council of Commerce and Services (Consecomercio). The problems facing the sector include notably the lack of raw material.

**Banking assistants.** Apprentices of the *Chamba Juvenil* Plan joined Banco del Tesoro. A total of 41 young people will be trained in theory and practice for one year and six months. These new workers, aged from 14 to 18 years, will serve as integral financial clerks. The human talent team at Banco del Tesoro informed that they will be remunerated in compliance with the law.

## INTERNATIONAL ECONOMY TIPS

**Year-on-year acceleration.** Economic activity in the Eurozone expanded by 0.6% in the third quarter of the year, from a 0.7% growth experienced in the previous quarter. Compared to the same quarter last year, growth was up 2.5%, compared to the 2.3% rate recorded the previous quarter.

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**At the lowest since the crisis.** The unemployment rate in the Eurozone fell by one tenth of a percentage point in September, to 8.9%, its lowest level since January 2009. The highest rates were recorded in Greece (21.0%) and Spain (16.7%), while the lowest were in the Czech Republic (2.7%) and Germany (3.6%).

**Further from the goal.** The inflation rate in the Eurozone slowed down to 1.4% year-on-year in October, compared to 1.5% recorded the previous month. The core inflation indicator, which excludes the most volatile sectors, grew 0.9% in October, compared to 1.1% in September.

**Since the bubble burst.** The economic confidence in the Eurozone rose 0.9 points in October, to 114.0 points, the highest level for this indicator since January 2001, when the so-called “dotcom bubble” burst. In the European Union as a whole, the score was 114.2 points, the highest since 2007.

**Better outlook.** The Bank of Japan maintained its monetary policy at its October meeting. However, it lowered its inflation forecast for the current fiscal year by three tenths of a percentage point (pp) to 0.8%, and increased its growth forecast by a tenth of percentage points to 1.9%.

**Strength in consumption.** Retail sales in Japan increased at a 2.2% year-on-year rate in September, the largest growth rate in three months, driven by spending on clothing and everyday products. Even so, the result was below the 2.5% growth rate forecast by analysts.

**Steady Profits.** Profits of industrial enterprises in China reported an 27.7% increase in September. This is the largest increase in the sector since December 2011, when it grew by 31.5%. The result was driven by sectors such as electricity, alcohol and electronics.

**Fall from the top.** The Purchasing Managers Index (PMI) of the manufacturing sector fell to 51.6 points in October, from 52.4 points in September. It should be noted, however, that the September figure was the highest for the sector in five years. Analysts attributed the result to interruptions in industrial activity due to environmental audits in northeastern China.

**Recovery of exports.** According to ECLAC estimates, exports from Latin America will grow by 10.0% in 2017, after three consecutive years of contraction. In total, 6.5 pp are due to an increase in prices, and 3.5 percentage points to growth in volumes. The largest growth will be recorded in shipments to China and the United States.

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**Imports as well.** Meanwhile, according to the same report, imports would grow 7.0%, after four years of decline. In this case, 5.0 pp are due to an increase in prices and 2.0 pp to larger volumes.

**Another sign of recovery.** The unemployment rate in Brazil, which is calculated by a three-month moving average, fell to 12.4% in September, versus 12.6% recorded in August. This is the sixth consecutive month of decline in the indicator.

**The deficit also declines.** Brazil reported a primary fiscal deficit of USD 6.54 billion in September, which is below analysts' forecasts. Thus, it accumulated a deficit of USD 46,868 million in the 12 months before September, or 2.35% of GDP, a decrease compared to the 3.04% balance in the twelve months prior to September 2016.

**Seasonal descent.** Chile's manufacturing production contracted 1.4% in September compared with the previous month, due in part to a differential of two business days between the two periods. Thus, in seasonally adjusted terms, the fall was 0.8%. The decline was caused by a lower production of compost and fertilizers.

**Surprise measure.** The Central Bank of Colombia announced a cut in its referential interest rate of 25 basis points, to 5.0%. The decision took markets by surprise, which expected rates to remain unchanged. According to the issuing entity, the decision is due to lower inflation than originally estimated.

## POLITICAL TIPS

**With a “touch” of cynicism.** Last Thursday, October 26, the National Constituent Assembly (ANC) approved the conduct of municipal elections in December 2017, *“in order to help some sectors of the Venezuelan opposition to get back on the path of political and democratic coexistence.”*

**And a little bit of good sense.** In face of this call, several opposition parties agreed not to nominate candidates for mayors, warning that those who do so would be sanctioned. Acción Democrática (AD), Un Nuevo Tiempo (UNT) and Alianza Bravo Pueblo (ABP), after consulting with the regional leadership, concluded that the process is flawed. Similarly, Primero Justicia (PJ), Voluntad Popular (VP), Movimiento Progresista, ABP and Causa R would not endorse the elections because the National Electoral Council (CNE) favors the ruling party.

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**Reinventing the wheel.** In this connection, the president of the National Assembly (AN), Julio Borges, rejected the participation in the municipal elections set by the ANC for December, if there are no changes in the CNE. *"If we fail in our struggle to change these electoral conditions... we cannot participate in a process that will be biased, as was the elections of governors, and marked by unfairness, by fraud, by all the destruction of the opinion of Venezuelans,"* he said.

**Wandering in search of a coherent discourse.** For his part, the Secretary General of AD, Henry Ramos Allup, after the elected governors of his party were sworn in before the ANC, said that if any party leader decides to run for office in municipal elections they will be excluded from party ranks; *"If AD members decide to run, they will have the same treatment as the four governors who were sworn in before the ANC, who were excluded,"* he said.

**Somebody seem to find it.** In contrast, another political parties like Avanzada Progresista (AP) and Comité de Organización Política Electoral (Copei) announced their participation in the municipal elections. In addition, Henry Falcon, member of AP, named as incoherent the fact that several parties of the opposition agree not to participate.

**It took a lot, some would say...** While mayors, deputies and politicians of several parties enrolled as candidates for the elections, VP, PJ and Causa R formed together the movement "Venezuela goes first", leaving a side AD, UNT and AP.

**But it's better late than never.** What seem to be an alliance, integrated by two of the biggest parties, will defend the vote and seek for a presidential candidate. In his declarations, Julio Borges explained the "skipping the municipal elections isn't the same as remain as passive", in contrast, the movement has as its final objective to seek for the right electoral conditions that could guarantee transparency, denunciate over international institutions the electoral fraud and find "unity" for the presidential elections.

**Don't get so excited.** However, VP's provisional secretary, Freddy Guevara, try to "clear up misconceptions" about the movement stating that "Venezuela goes first" is not a new political platform but the name of several acts supporting the governor elected in the Zulia state, Juan Pablo Guanipa. Even though VP, PJ, and Causa R are working together "to build a new and firm unity, with clear and inclusive principles, it is not a new G3".

**There are some curious "coincidences".** The Political-Administrative Chamber of the Supreme Court, through judgment No. 1169, decided to suspend, through an injunctive measure, the political disqualification of UNT party leader from Zulia state Manuel Rosales, who was disqualified in August 2014 by the Comptroller General of the Republic (CGR), for a period of seven years and six months.

**But apparently not.** However, in response to the alleged “qualification”, leader Manuel Rosales said about the ruling that the decision is a response to a request he filed in 2015 against an arbitrary procedure by the CGR; however, he noted: *“I’ve been qualified for months... the government wants to divide us, because it is the only path on which they can advance...”*

**Acknowledging mistakes.** Freddy Guevara, VP national interim coordinator, read a communiqué from the party in which seven points are outlined to face the political situation of Venezuelan opposition, the municipal elections and the crisis. The first point highlights that the party apologizes to Venezuelans for the mistakes they have made and proposes a series of actions that he believes the opposition should take on.

**United “Leadership.”** The proposed actions include the election of a leader who can assume a presidential candidacy and summon the people to build a national and international movement to achieve free presidential elections and a solution to the crisis.

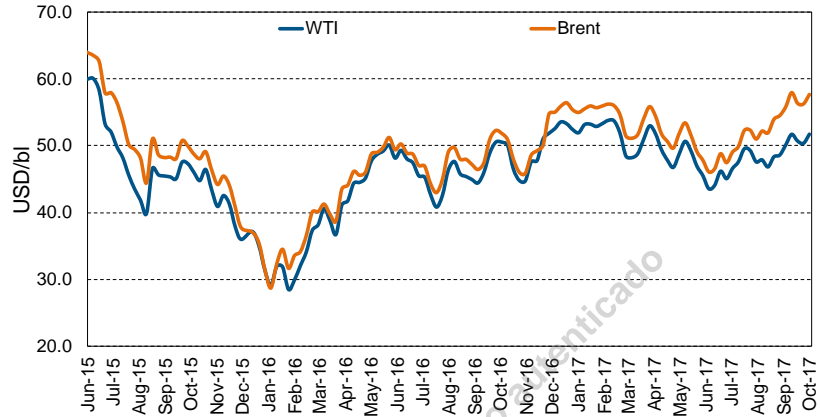
**New old, new old.** Similarly, the note calls for the construction of a new national unity with the following objectives: a) to overcome the dictatorship, not legitimize it, b) to repudiate the constituent fraud c) to achieve free elections, d) not to validate the dictatorship in rigged elections, e) to achieve change and freedom in all contexts, f) to strengthen international pressure, g) clear rules of struggle, and h) the incorporation of social sectors in this new unity.

**Why are you going to travel?** Following the path of violation of fundamental rights, the director of the Identification and Migration Service (SAIME), Juan Carlos Dugarte, said the demand for passports is very high and does not match the number of people traveling abroad, *“75% of people who apply to get a passport do not travel... why do they want a passport if they don’t travel?”*, he wondered.

**The infinite spinner.** In the midst of an economic and social crisis one step away from hyperinflation and default, former Vice President of Petroleos de Venezuela S.A., Simón Zerpa was appointed as the new Minister of Economy and Finance. The decision was made by Presidential Decree No. 3126 published in the Official Gazette. Also, Decree No. 3,127 appointed Wilmar Castro Alfredo Soteldo as the new sector vice president for the Economy.

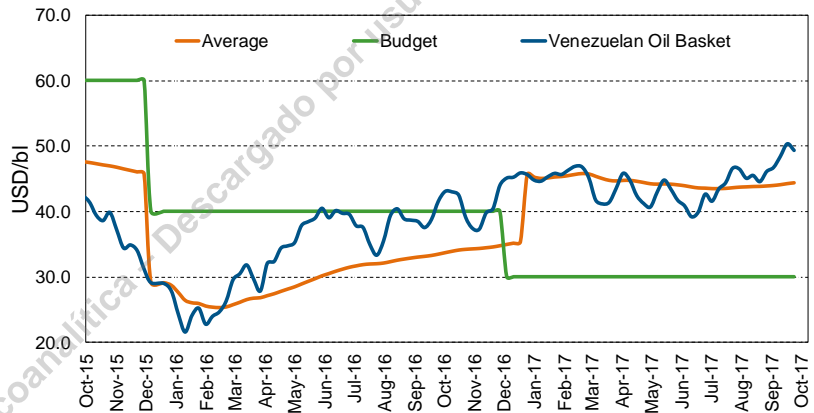
**ECONOMIC INDICATORS**

**Oil Prices  
(WTI and Brent)**



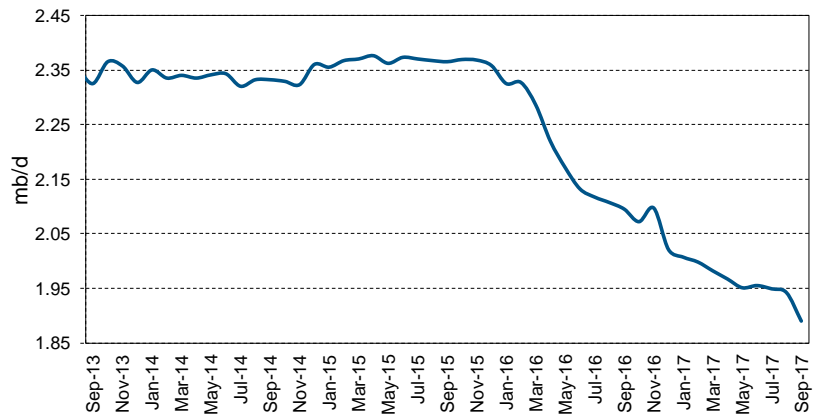
Sources: Menpet and Ecoanalítica

**Oil Price  
(Venezuelan Basket)**



Sources: Menpet and Ecoanalítica

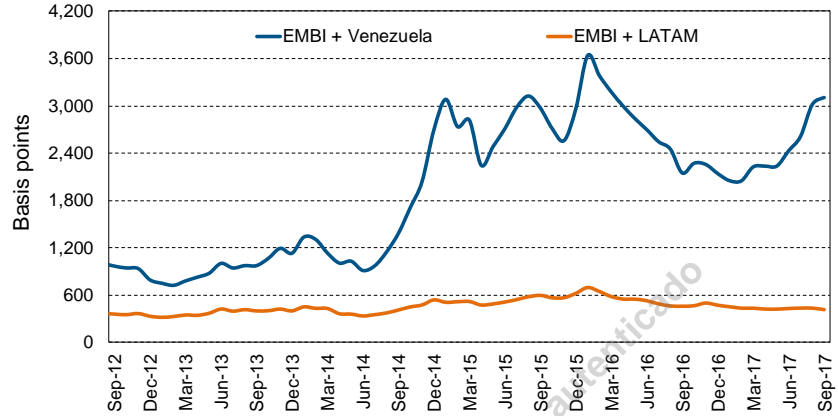
**Oil Production  
(Secondary sources)**



Sources: OPEC and Ecoanalítica

**ECONOMIC INDICATORS**

**EMBI**



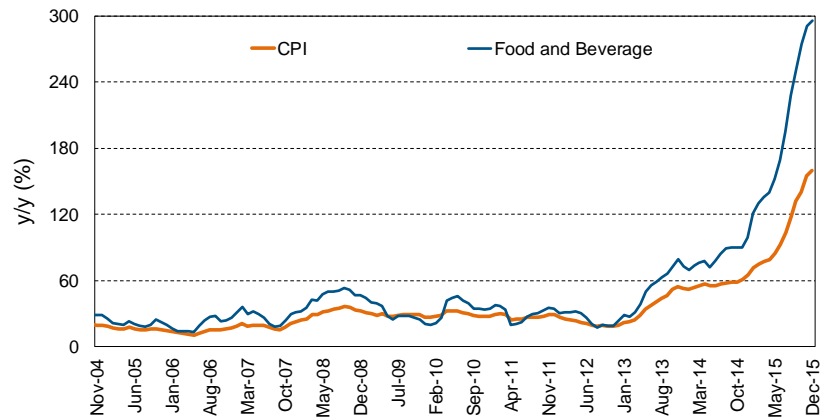
Sources: BCRP and Ecoanalítica

**FX Reserves (BCV)**



Sources: BCV and Ecoanalítica

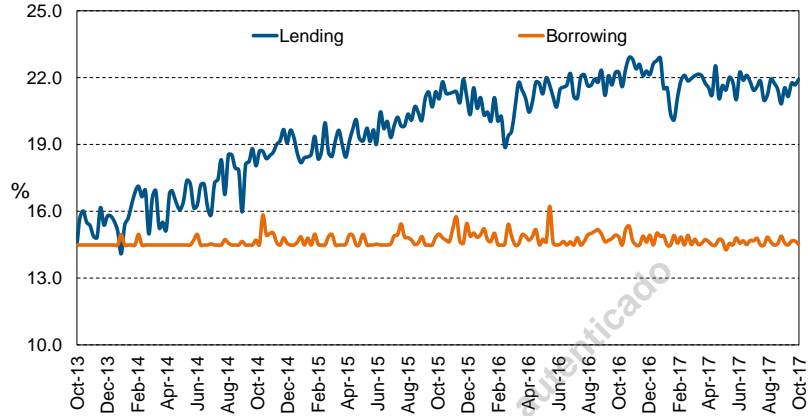
**Inflation (BCV)**



Sources: BCV and Ecoanalítica

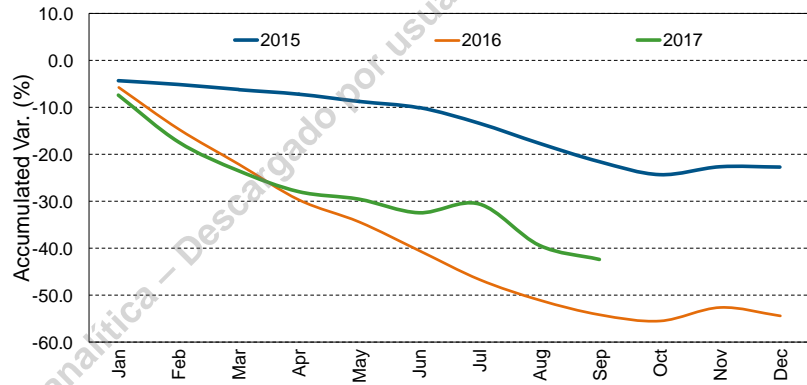
**ECONOMIC INDICATORS**

**Interest Rate  
(Six major banks)**



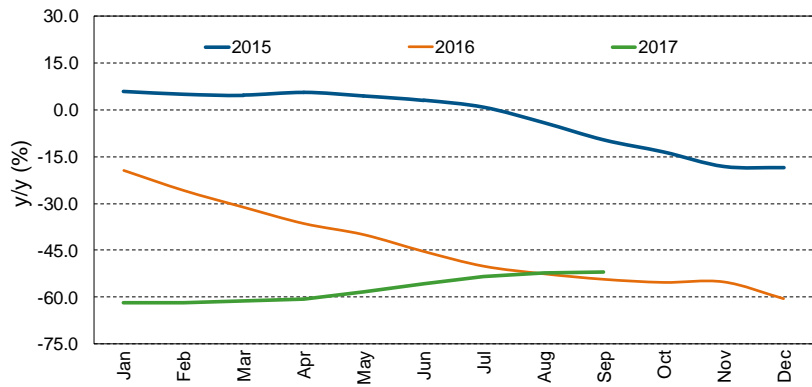
Sources: BCV and Ecoanalítica

**M2 Expansion  
(Real)**



Sources: BCV and Ecoanalítica

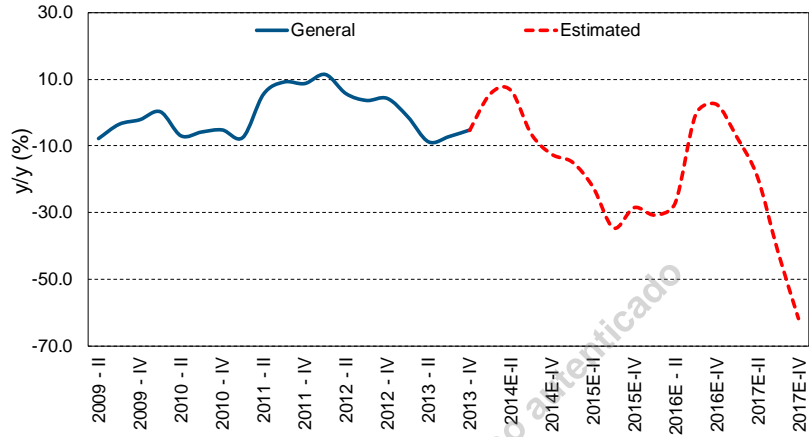
**Loan Portfolio  
(Real)**



Sources: SUDEBAN and Ecoanalítica

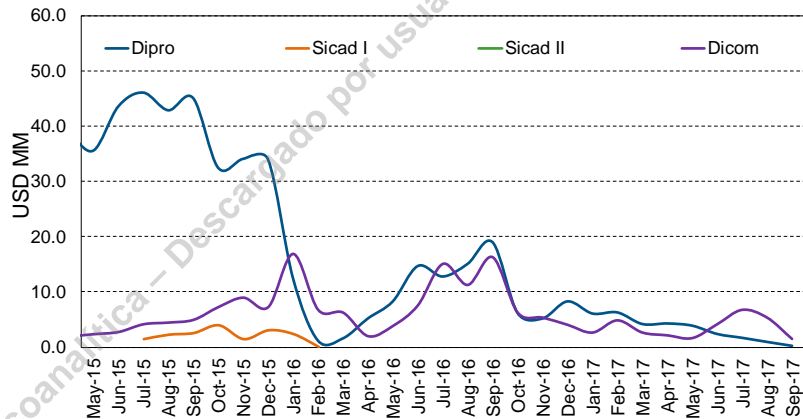
**ECONOMIC INDICATORS**

**Real Wage Index**



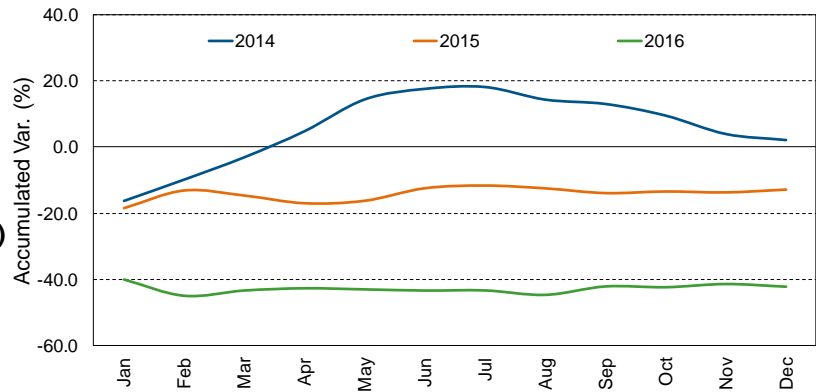
Sources: BCV and Ecoanalítica

**Disbursements to the Private Sector (Daily Average)**



Source: Ecoanalítica

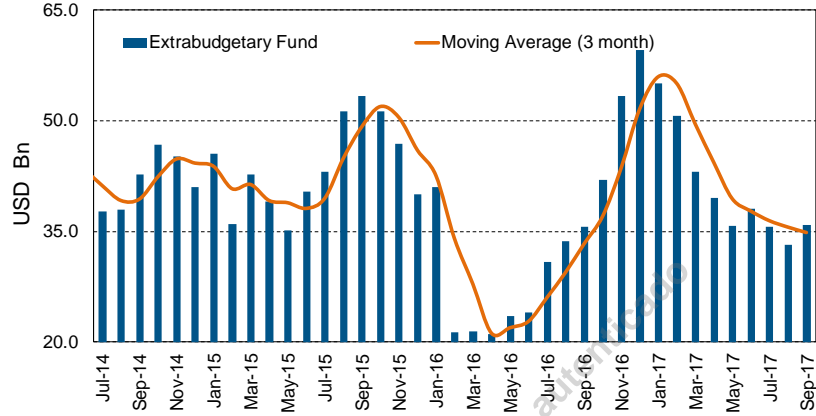
**Primary Spending NTO (Real - Central Government)**



Sources: ONT and Ecoanalítica

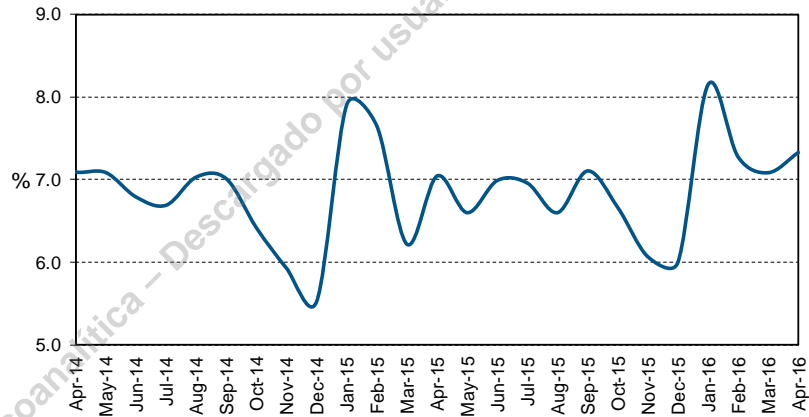
**ECONOMIC INDICATORS**

**State Extrabudgetary Resources**



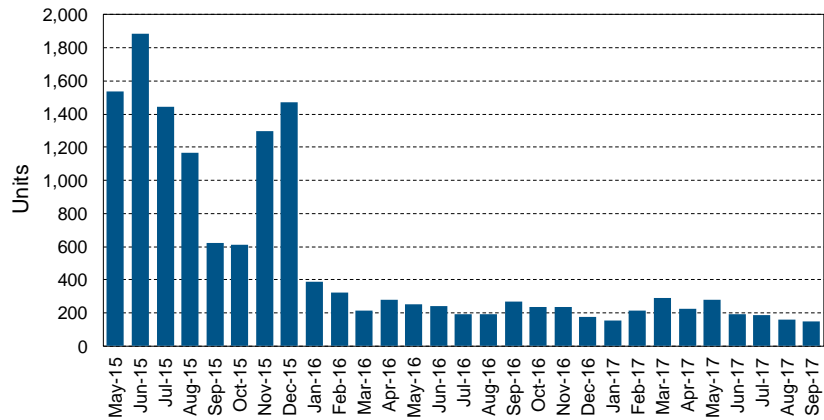
Source: Ecoanalítica

**Unemployment Rate**



Sources: INE and Ecoanalítica

**Vehicle Sales**



Sources: CAVENEZ and Ecoanalítica

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