

2019: Approaching the end of a decade

During 2019 Venezuela found itself in a game of battleships, where the player had to carefully think out its strategy and proceed with caution so as not to lose any of its pieces. The year started with high inflation (261.2%) and the US Government imposing sanctions. So the Venezuelan Government's room for maneuver was considerably reduced, since any false move could have worse consequences on the economic and social fronts.

We cannot forget the mega nationwide power out between March 7 and 12¹, with its aftereffects in the subsequent months and problems with the electricity service that still continue in several parts of the country today². The decline of the basic services persisted³, accompanied by a deterioration in the means of payment, which made transactional dollarization become more widespread.

The most noteworthy of the government's policies were the attack on the banking system via the legal reserve requirements and the practical elimination of credit, which paved the way for a slowdown in inflation and for maintaining the real appreciation of the exchange rate. This series of developments and measures led us to estimate a drop in gross domestic product of 40.2% this year, which, broken down, gives a contraction of 20.0% in oil activity and of 45.4% in nonoil activity. Below is a brief summary of what 2019 meant for Venezuela in terms of the economy.

Operating in the shadows

The sanctions were a kind of straightjacket for Venezuela when it came to operating in the oil market; however, their repercussions were felt in the marketing of crude rather than in actual production. With the United States forbidding its companies to purchase Venezuelan crude and urging other countries to do the same, PDVSA has found itself in a situation in which it does not have anyone to whom to sell the little it produces.

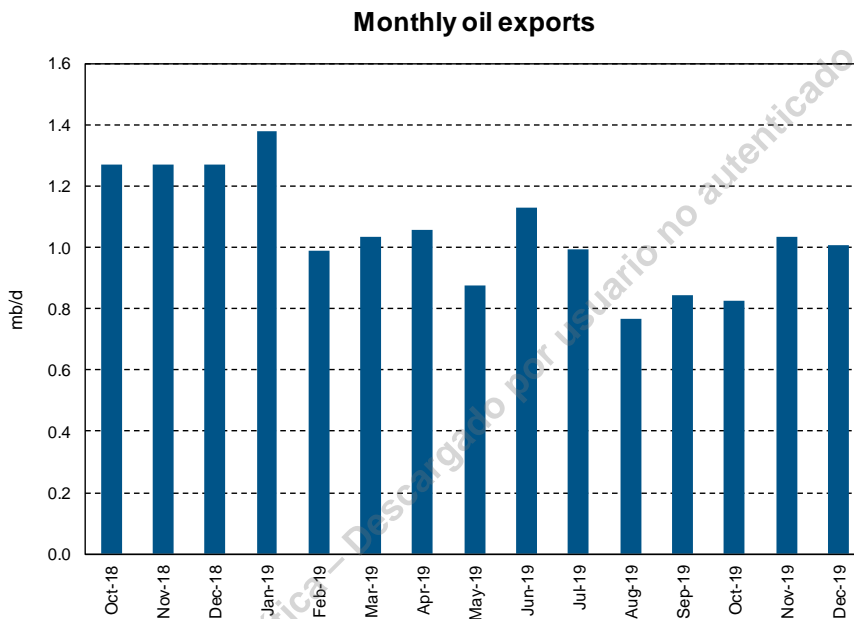
¹ On March 12, electricity only returned in a few Venezuelan states. And after this date there were other blackouts at the national level.

² [El Nacional](#), March 18, 2019. *Servicio Eléctrico sigue sin restituirse totalmente tras el apagón nacional.*

³ Weekly Report Number 31, 2019: *Out of service: the reality of the basic services in Venezuela*

Year 15. Number 42 Week II
 December 2019

As a result, PDVSA started to produce Merey⁴ crude and has focused increasingly on the Asian markets, who are the buyers of this crude. Even though this was a solution to its immediate marketing problem, PDVSA was forced to sell its crude at a discount, quite apart from the fact that Merey commands a lower price among the crudes considered by the Organization of Petroleum Exporting Countries (OPEC).



Sources: Reuters and Ecoanalítica.
 Note: Estimations for December.

The graph shows that oil exports have decreased; however, it is important to highlight that oil exports that used to go mainly to the United States now go to Asia, in particular to China and Malaysia. Now then, as for production, even though at the close of 2018 it was expected that the decline in production would continue, the power outs at the start of the year –and their aftermath– were another factor that made the situation even worse.

Refineries and export terminals, such as Jose in Anzoátegui state, were shut down for several weeks⁵. Power outs continued after March, generating more and more damage to the infrastructure to the point where increasing production no longer seemed to be plausible⁶. As a result of all this, at **Ecoanalítica** we forecast that oil production would average 738 kb/d in 2020, for a drop of 62.6% compared to 2017.

⁴ [Global Platts S&P](#), July 24, 2019. *PDVSA to indefinitely halt production of upgraded synthetic Orinoco crude in August.*

⁵ [Reuters](#), March 26, 2019. *Apagón en Venezuela detiene operaciones de principal terminal petrolero Jose.*

⁶ [Argus Media](#), October 23, 2019. *Venezuela crude production inches back up.*

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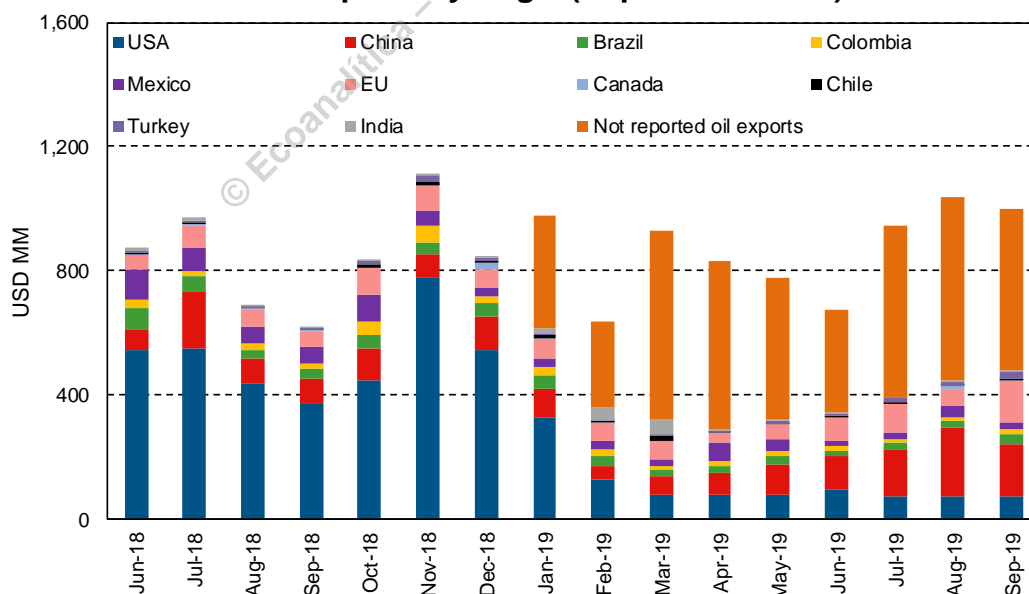
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No friends in the playground

The oil sector is fundamental in how Venezuela's external sector plays out. In this regard, the sanctions were clearly decisive. With major restrictions on the sale of crude, the possibilities of generating cash were reduced and, with them the revenues needed to meet payments and other obligations of the Venezuelan State. As we have mentioned, focusing on other markets meant costs in terms of discounts to customers and evident shortages of fuel in several parts of the country.

Moreover, there were also changes in imports following the implementation of US sanctions. Not only did they drop by 31.1% compared to the previous year⁷, they also underwent changes in terms of their distribution. The United States no longer played the leading role and the roles of Russia, China, India, Turkey, and the European Union as importers increased. China and Turkey increased their share of imports to 172.2% and 132.8% from the first to the third quarter of the year. Nevertheless, account needs to be taken of the fact that these numbers may be underestimated, since not all transactions were reported. Similarly, it is expected that imports will be concentrated even more in Asia.

Imports by origin (Top 10 countries)



Sources: Official data reported by each country and Ecoanalítica.

⁷ Average monthly variation of August, September, and October.

Year 15. Number 42 Week II
 December 2019

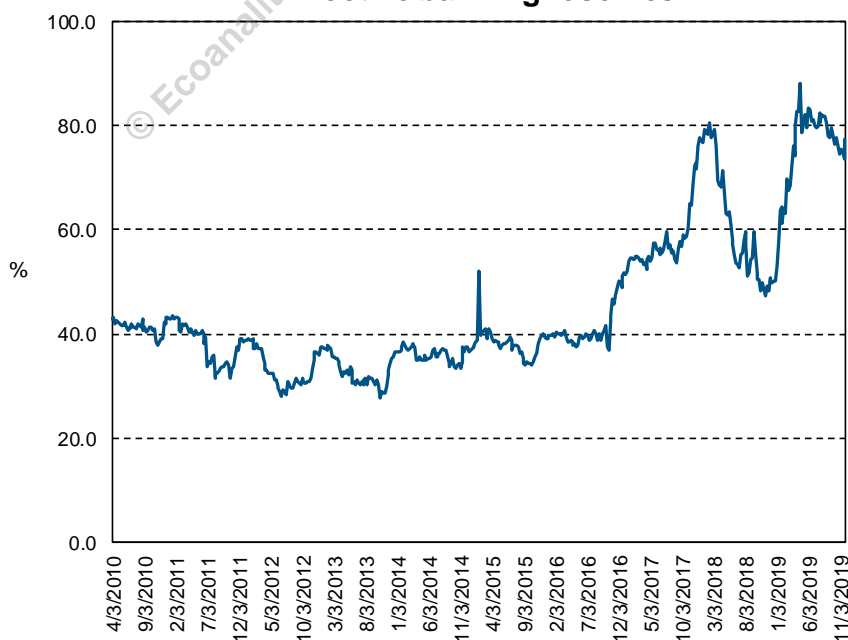
Citgo was an issue that generated tension on the external front. The payment of PDVSA Bond 2020 was scheduled for October 28 (USD 842.0 million in repayment of capital and USD 71.6 in payment of interest). In the event of nonpayment, creditors would be able to seize 50.1% of Citgo's shares. However, a week before that date, the US Government forbid creditors to claim the shares that had been put up as collateral until January 2020, whereas Juan Guaidó's ad hoc PDVSA board of directors maintains that this bond is illegal.

Bearing in mind the above, we estimated that the Venezuelan Government could release USD 913.6 million for the PDVSA Bond 2020, which would still leave USD 450,000 that would have to be paid to Russia and another USD 3,198.1 million to China. In this playground where it has no friends, Venezuela will continue to look for other strategies that will enable it to survive.

There's no smoke without fire

The monetary situation and fiscal policy were behind the behavior of prices and the exchange rate. As we already mentioned briefly, the government has been implementing a fairly aggressive legal reserve requirement policy, which has been modified 10 times since January. At the time of writing, the ordinary legal reserve has been set at 57.0%, the monthly reserve at 100.0%, and the penalties for failing to comply with these requirements at 60.0%.

Effective banking reserves



Sources: BCV and Ecoanalítica.

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During 2019, the government sought to reduce spending in real terms faster than real revenues were falling. This reduction in spending was clear from the fact that wages were allowed to lag behind inflation: whereas there were six increases in the minimum wage in 2018, in 2019 there have only been three, with the government waiting until the last possible moment to decree the increases. Also, distribution of the Bonds of the Fatherland became much more discretionary than before⁸.

Along with this pro-cyclical policy, the government also reduced weekly money emission. On average, growth of the monetary base fell from 12.7% in 2018 to 9.1% in this year, although it stands out a growth of 24.7% in the last week of November. Similarly, seigniorage went down compared to a year ago, 85.0% in October, accompanied by a drop in tax revenues, -69.2% real year-on-year changes for income tax, -52.6% for value added tax (VAT) and -59.6% for total in October.

With all these measures it is not surprising that Venezuela's banking sector has been steadily declining. And even so, with a more restrictive fiscal policy the government did not manage to reduce (much less eliminate) the fiscal deficit as it had promised. We believe that next year the deficit will continue to be financed by money emission. These actions will continue to have an impact on prices and the foreign exchange market and transactional dollarization will become more entrenched.

Driving using the handbrake

Prices and the exchange rate have been the issues of most interest throughout the year. The first month of the year started with extremely high inflation (261.2%), but then inflation started to slow down over the next few months for an average monthly increase in prices of 41.7%, excluding January. It is worth noting that, as we have said in previous reports⁹, this does not mean an end to hyperinflation. However, it does make us think that, next year, the increase in prices will be more modest.

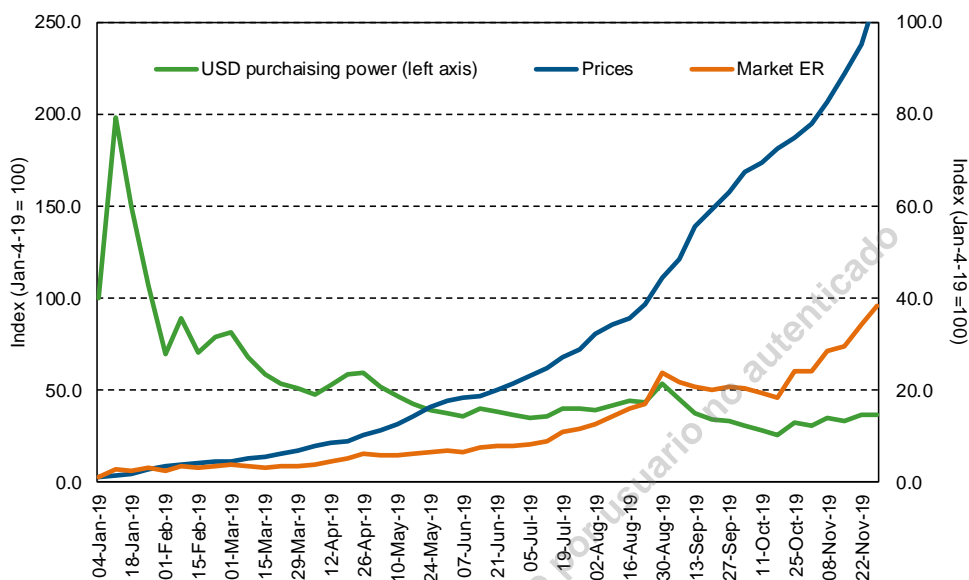
The relationship between the increases in prices and the increases in the exchange rate has remained the same as at the end of last year. Even though prices increased more slowly, they continued to go up faster than the exchange rate, as a result of which the appreciation of the real exchange rate has been maintained. This has opened up opportunities for importing products, which ends up being cheaper than producing them locally.

⁸ Among the bonds issued by the government, one part corresponded to bonds with a fixed frequency, while others were delivered arbitrarily. This arbitrariness has grown, making the delivery of the same increasingly discretionary and with less periodicity.

⁹ Weekly Report Number 18, 2019: *What is behind the slowdown in inflation?*

Year 15. Number 42 Week II
 December 2019

Inflation vs. Depreciation



Sources: API Bitcoin, BCV and Ecoanalítica.

In addition, transactional dollarization, while still informal, has increased significantly. Studies conducted by **Ecoanalítica**¹⁰ found that more than the half of the population has access to foreign currency. For the private sector, this has meant the opening up of a new market niche with consumers who have high purchasing power, giving rise to the *bodegones*, a term given to small up-scale grocery shops. However, companies must also take into account that a large part of the population (the remaining half) still maintains a scheme in bolivars. Besides, as this process of dollarization has not been implemented officially, it will continue to occur in a disorderly fashion and the bolivar will continue to have considerable (although increasingly less) weight in the decisions people take.

As we commented earlier, the considerable restrictions on the fiscal and monetary front have been the factors behind the behavior of these two variables throughout 2019. If the private sector takes advantage of the real appreciation of the exchange rate, the foreign exchange market could evolve more in line with the increase in prices.

¹⁰ Weekly Report Number 39, 2019: *General features of transactional dollarization in Venezuela.*

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Year 15. Number 42 Week II
December 2019

2020: We're still standing

If 2019 was similar to a game of battleships, the situation will not change much in 2020. Any actions taken should not be undertaken lightly. So, the points to be considered with regard to next year are:

- Vulnerable oil production subject to restrictions on the external front and a situation in which PDVSA will, once again, face the challenge of selling its crude.
- Venezuela's market is much smaller and restrictions on credit will continue to set the pattern.
- The real appreciation of the exchange rate will continue; however, to the extent that the private sector takes advantage of this, the foreign exchange market could react more in line with the increase in prices.
- Until it is made official, dollarization will be implemented in a disorderly fashion and the bolivar will continue to have weight in the economy.

The recommendation is for companies to identify their market niche and adapt their commercial and pricing policy based on those new market shares. In this situation, the growing segment of the population that has more access daily to foreign currency offers local companies a good opportunity to expand their business. Taking advantage of the real appreciation of the exchange rate in the foreign exchange market will also be important when it comes to reducing costs by importing. Flexibility continues to be fundamental, particularly in companies' internal processes. Last of all, as always, it is necessary to keep a close watch on possible developments and what 2020 may have in store.

Corina Fung

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Year 15. Number 42 Week II
 December 2019

WEEKLY INDICATORS

Weekly Economic Indicators			
	2nd Week December	Weekly chg. (%)	Depre/Apre (pp) ¹
FX Boards (VES/USD)²	44,610.46	6.0	5.7
	4th Week November	Weekly chg. (pp)	Annual chg. (pp)
Lending Interest Rate (%)	21.4	-3.1	-0.5
	3rd Week December	Weekly chg. (pp)	Annual chg. (pp)
Overnight Interest Rate (%)	326.5	-3.9	322.2
	1st Week December	Weekly chg. (%)	Annual chg. (%)
International Reserves (USD Bn)	7.5	-15.1	-0.4
	4th Week November	Weekly chg. (%)	Annual chg. (%)
Monetary Liquidity (MM VES)	32,741,399	18.7	7,878.1
Price of International Oil Baskets (USD/bl)			
	1st Week December	Weekly chg. (%)	Annual chg. (%)
WTI	56.8	-2.2	8.6
Brent	62.1	-2.7	2.1
Price of the Venezuelan oil basket (USD/bl)			
	1st Week December	Weekly chg. (%)	Annual chg. (%)
Weekly Average	52.4	2.1	-4.5
Annual Average	57.3	-0.2	-11.1

Sources: BCV, MENPET, ONT and Ecoanalítica

* Annual variation of accumulated expenditure.

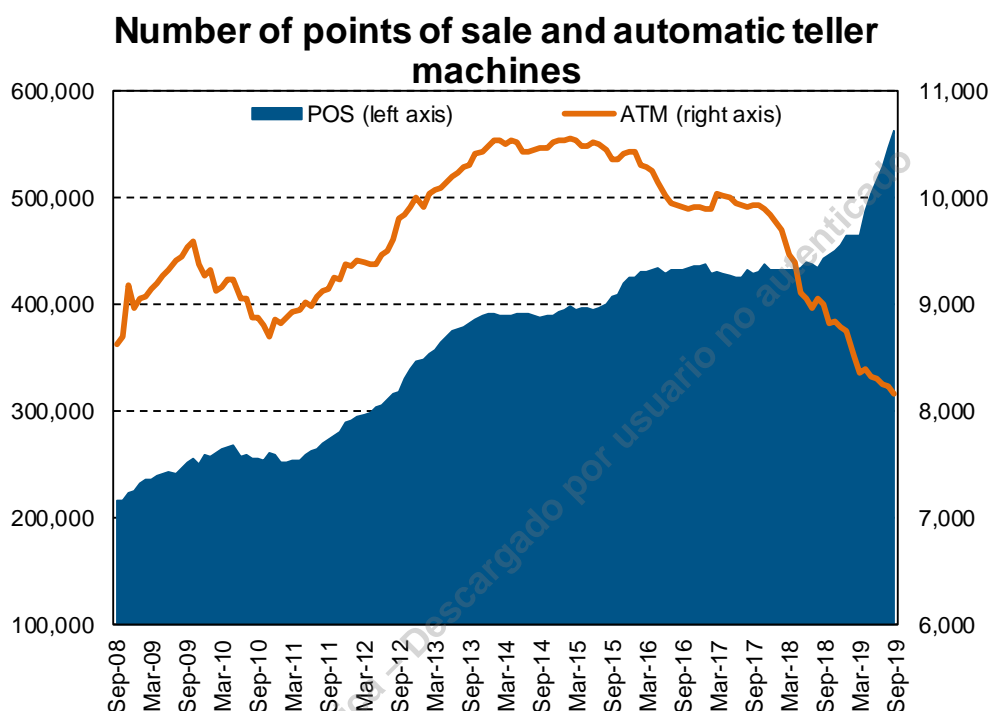
¹ Depreciation (+)/Appreciation (-)² FX Borads' average exchange rate

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Year 15. Number 42 Week II
 December 2019

CHART OF THE WEEK: “WE DO HAVE POINTS OF PURCHASE!”



Sources: BCV and Ecoanalítica

The phenomenon of hyperinflation that started in November 2017 has left the Venezuelan economy with profound scars. These scars can be seen in people's daily round where performing the most basic transactions has become monumentally more difficult and even choosing the means of payment is an important decision.

Normally, when it comes to choosing the means of payment, there are two options: cash or credit or debit card. In order to understand how this dynamic has changed, we can take a look at the number of automatic teller machines and points of purchase in the Venezuelan economy and see whether the preferences or needs are for paying in cash (ATMs) or with plastic (points of purchase). Between November 2017 and September 2019, the number of points of purchase went up by 28.5%. In order to put that figure into perspective, between the end of 2015 and 2017, they only increased by 1.8%. The opposite happened with the ATMs. During those 23 months of high inflation, the number of ATMs in the economy shrank by 17.6% and in September 2019 they posted the lowest number in the past 11 years.

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Year 15. Number 42 Week II
December 2019

So, as inflation picked up, the cash circulating in the economy became increasingly insufficient for performing transactions. Because of this, the need for points of purchase increased drastically to the detriment of the number of ATMs as a mechanism for obtaining cash quickly. Now we are even observing a third option: the dollar and other hard currencies. So, the similarity of these trends to the current makeup of money circulation in Venezuela is logical: fewer and fewer coins and banknotes (fewer ATMs) and more and more quasi money or deposits (more points of purchase).

All this shows how Venezuelans are particularly vulnerable to potential problems with the means of payment, either as a result of failures in the public services that make the points of purchase inoperable or problems with any new system of payments designed by the government. At the end of the day, it does not matter which of the three options they choose as the means of payment, Venezuelans will find the path strewn with uncertainty and difficulties.

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ECONOMIC TIPS

Inflation in November. The National Assembly's Finance Committee published its Nationwide Consumer Price Index (NA-NCPI) for November, putting inflation at 35.8%, 15.1 percentage points higher than in October (20.7%)

Up, up and away. It also reported that cumulative inflation for the year up until November was 5,515.6%. As for inflation for the 12 months since November last year, it came to 13,475.8%.

A seasonal increase. Ángel Alvarado, a member of the Finance Committee, said that inflation in November was higher than in October due mainly to the seasonal behavior usually observed in the last quarter of the year.

It has not gone away. Alvarado also said that, even though it has slowed down somewhat, hyperinflation continues. He explained that this was due largely to the policy of increasing the legal reserve requirements the banks have to meet. This resulted in a reduction in credit and in the decline of the economy becoming more profound. According to Alvarado, the economy had shrunk by 43% to date.

And the never-ending tale continues. Furthermore, since the factors of disorder that caused hyperinflation in the first place are still present, it is likely that it will continue in the first half of next year.

The items posting the biggest hikes. By type of product or service, the items that posted the biggest increases in November were Education with 102.3% followed by Household Equipment (58.1%) and Clothing and Footwear (54.5%).

More time to continue without solving the problem. Decree Number 4019 was published in *Gaceta Oficial* Number 6487. This decree extends the nationwide State of Exception and Economic Emergency established in Decree Number 3980 (September 7) for a period of 60 days. This gives the Central Government the authority to “adopt measures that are urgent, effective, exceptional and necessary.”

Diminishing international reserves. In the week of December 6, the international reserves closed at USD 7.53 billion, down 15.1% compared to the close of the previous week (November 29).

Money desks. The average money desk exchange rate on December 10 was VES 44,610/USD, for a depreciation of 5,7% compared to the previous week.

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Year 15. Number 42 Week II
December 2019

Money supply. Money supply came to VES 32.74 trillion in the week of November 29, up 18.69% in nominal terms compared to the previous week and 7,878.1% higher than in the same week last year.

OIL TIPS

“Yuan-ing” the road, Part I. Five sources consulted by Reuters said that the Nicolás Maduro administration and PDVSA had opted for offering to make payments to their service providers in yuan in recent months because of US sanctions.

“Yuan-ing” the road, Part II. Government officials and officials at the state-owned oil company apparently approached service providers individually in each of the sectors. However, they did not reveal which companies were consulted.

“Yuan-ing” road, Part III. According to Reuters, neither the Central Government nor PDVSA seems to have performed any transactions in yuan. Using this currency will make it possible for the Venezuelan Government to dip into the funds it has in China without any interference from the US Government, although, according to two of the sources, there are strict requirements for opening accounts in Chinese banks, which act as a disincentive to service provider companies.

“Yuan-ing” road, Part IV. The Venezuelan Government has bank accounts in China as a result of the loans amounting to USD 50 billion China granted Venezuela up until 2013 (a debt that has been repaid in oil). According to one of the sources, some oil industry contractors have made being given a document previously stamped or certified by the Chinese authorities stating that they are able to open bank accounts in China a prerequisite to a possible agreement.

November exports, Part I. Internal reports seen by Reuters and data from Refinitiv Eikon show that PDVSA exported 1,037 b/d of crude in November.

November exports, Part II. There were a total of 37 shipments of crude in November, equivalent to that figure of 1,037 b/d, for an increase of 25% compared to October. Broken down by destination, 373.3 kb/d (36%) went to Rosneft, 134.8 kb/d (13%) were sent to Reliance Industries, the Indian refiner, 83 kb/d (8%) were shipped to Repsol, 67 kb/d to Cuba (6.5%), and 60 kb/d to China (5.8%). The destinations of the remainder were not published.

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Cutting off circulation. The United States announced sanctions against six tankers for having taken shipments of Venezuelan crude from Venezuela to Cuba. US Treasury Undersecretary Justin Muzinich added that part of the strategy for eluding the sanctions against the tankers consists of changing their names.

Dispute at sea, Part I. A shipment on board an oil tanker belonging to the Norwegian company Knutsen Group is the subject of a dispute between Citgo's two boards of directors. The shipment consists of 950,000 barrels of crude valued at USD 57 million.

Dispute at sea, Part II. The board of directors appointed by Acting President Juan Guaidó alleges that the directors on the board associated with the Nicolás Maduro administration sent a letter to the oil tanker's captain requesting him to release the shipment. However, the former alleges that this request is not valid, since the shipment belongs to Citgo, PDVSA's US affiliate, which the US authorities recognize as being run by the Juan Guaidó administration.

Some positive news. Citgo reported an increase in its earnings in the third quarter of the year of 76.2% compared to the second quarter, bringing to USD 215 million, thanks to the increase in its refining capacity. The refinery's total production came to 825 kb/d, an increase of 14.3% compared to 2Q2019.

Conflicting interests. Some PDVSA bond creditors hope that Citgo will help to pay some of the Venezuelan state-owned oil company's debt obligations, given that the refinery was used as collateral for some of these bonds.

Thinking long term. It should be noted that Citgo's current strategy consists of reinvesting its earnings in maintenance and updating equipment at its three refineries, which means that, in principle, there should not be enough cash to settle PDVSA's obligations.

Transferring control. According to sources consulted by Reuters, the Maduro administration is apparently considering the possibility of allowing private oil companies that are already in joint ventures with PDVSA to take over the fields where they are operating even though they are not majority shareholders. The agreement would consist, in principle, of eliminating the clause that prevents PDVSA from "*transferring its function as an operator*" to the participating entities.

A welcome invasion. So, in principle, Chevron, Rosneft, and the state-owned China National Petroleum Corp (CNPC) would then have operational control of the biggest oil fields in the country. Apparently, this measure is considered by Nicolás Maduro as a way of softening the impact of US sanctions on production.

At least it is being considered. Oswaldo Cisneros, who has a 40% stake in the joint venture Petrodelta, commented that the offer did exist and that they were considering it. According to Cisneros, PDVSA offered “*a contract in which they hand production over to us; in which they subcontract operation of the field to us.*”

A target of 100 kb/d. Cisneros added that he had received USD 800 million from an unidentified financial institution in Dubai for this project and that they planned to raise production in that field to 100 kb/d over the next three years. PDVSA has apparently allowed Petrodelta to work with this financing, something that was not common practice in the past.

Two governments, twice the support? This proposal is not only being debated within the Maduro administration, but also by the Guaidó administration. It has also been discussed by the Boston Group (a space where officials close to Maduro, members of the opposition and economists who are critical of the government meet to discuss economic and political issues), where, according to two sources, there was consensus among the parties regarding delegating the operation of the oil fields.

BUSINESS SECTOR TIPS

Falling back into the old ways. Vice Minister for the Economy Tareck El Aissami announced that the Sovereign Supply Mission is to occupy 21 state-owned and private slaughterhouses for 180 days, which may be extended for a further period, with a view to fighting the smuggling of meat out of the country. The meat obtained from the occupied slaughterhouses will go to the Local Supply and Production Committees (CLAPs) and the new “*agreed prices*” will be guaranteed.

Double boycott? According to El Aissami, the owners of the slaughterhouses had started a “boycott” to “divert” the meat to “other sectors” and sell it without regard to the “agreed prices” policy. He also commented that the temporary occupation measure guarantees the job stability of the workers and would not stop the sale of the meat.

Construction is in a coma. According to the president of the Venezuelan Construction Chamber (CVC), Mauricio Brin, the construction sector will close 2019 with a contraction of 95%. Brin claims that “*construction by the public sector has come to a halt and in the private sector work is only going ahead on some office buildings in Caracas, Valencia and other capital cities around the country.*”

A new rate! The Ministry of Homeland Affairs, Justice and Peace has updated the charge for verifying documents that are to be legalized via the Legalization and Electronic Apostille System. The new rate is VES 196,507.84.

No guarantees. According to the ministry, payment (calculated in Petros) can be made at the Federal Government Council's Support Office or Ipostel (postal authority) by means of a transfer to Banco de Venezuela. It clarifies, furthermore, that *"payment of the charge does not guarantee international legalization of the document. In the event of any inconsistency or noncompliance with the requirements, verification will be denied."*

Impossible to continue if there is no change. In a joint statement, the Agri-Food Network of Venezuela, the Association of Workers, Entrepreneurs and Micro Businessmen (Atraem), and the Orinoco Group said that a change in the current political and economic model was "indispensable" in order to recovery the country's "viability."

Lack of security and high costs. According to the Agri-Food Network of Venezuela, the main problem currently facing farmers is the lack of security in the countryside and the fact that farmers are unable to afford the materials they need in order to be able to produce.

International aid. Because of this situation, one of the conclusions reached by these three organizations and set forth in the document is that the agri-food sector needs to obtain international agreements, the appropriate channels of food distribution need to be restored, and resources for agricultural production should be provided.

Without gasoline until the 12th... and a bit longer. According to Governor of Carabobo Rafael Lacava, the problems with gasoline throughout Carabobo will continue at least until December 12. He explained that the lack of gasoline was due to the fact that it had not been possible to unload the diluents needed to process the gasoline on time and that this had delayed the dispatch of gasoline from El Palito Refinery.

If there's no gasoline, there's no transport. According to Pablo Abreu, an officer of the Carabobo Single Transport Workers Union, the transport sector has been affected because two service stations where they have special pumps for filling up with gasoil have been experiencing shortages since the weekend.

Falling in the ranking even without all the information. Venezuela ranked 96 in the United Nations' Human Development Index. This means it has dropped seven places in the ranking since 1990, when it came in at 89th place. The report indicates that Venezuela's most vulnerable aspect is the sharp deterioration in its economic

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sustainability. The report notes that several indicators, such as violence against women, education and energy consumption, lack official information.

WORLD ECONOMY TIPS

A strong attack is met with a strong response. The US Government threatened France with implementing high tariffs of as much as 100% on a number of French products, among them cheese, Champaign and cosmetics. This threat was in response to a new tax on digital services established by the French Government that would affect US giants such as Google and Facebook. Reacting to this announcement, France's Finance Minister Bruno Le Maire promised a "strong" response.

An unexpected upturn. Manufacturing posted a recovery in November. The Purchasing Managers Index (PMI) for China's manufacturing industry compiled by Caixin/Markit went up to 51.8 in November from 51.7 in October, its highest score since December 2016, when it was 51.9. The result for November can be considered surprising given the current climate generated by the trade war, although the recent "peace meetings" could have been one of the main catalysts of this upturn.

India continues to slow down. According to information published by the Indian Government, India posted growth of 4.5% in the third quarter of 2019. This is the first time it has fallen below 5% since March 2013. Apart from the slowdown in growth, India is also experiencing a crisis in its financial sector, which could make reversing this trend difficult.

MERCOSUR on the ropes, Part I. On December 2, Donald Trump announced that he would impose tariffs once again on steel and aluminum from MERCOSUR's two main economies, Brazil and Argentina. Trump said that the reason for these tariffs were the massive devaluations of the Argentinean peso and the Brazilian real, claiming that this was not good for US farmers.

MERCOSUR on the ropes, Part II. These tariffs are 25% on steel and 10% on aluminum, overall tariffs from which these economies were exempt. Reacting to the announcement, the four member countries of the South American bloc agreed to meet in Brazil on December 11 to discuss a possible response. This will be difficult given that Argentina's President Mauricio Macri has only a few days left until his term in office ends.

Inflation puts on the brakes in Mexico. Inflation in Mexico for the 12 months up until November slowed down to below the Central Bank's target, according to the National Statistics and Geography Institute (INEGI). This increases expectations that the Central

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Bank will make another cut in the reference interest rate at its December meeting with a view to preventing the economy from deteriorating faster than expected.

Protests hit exports. According to figures published by the Central Bank of Chile, in November Chile's exports posted a contraction of 12% compared to November 2018 in the middle of protests that have had the country in a turmoil for more than a month. One of the main shocks was to the copper industry, which posted a drop of 8.7% compared to a year ago. Imports also posted a drop of 8.3% compared to November 2018.

El Dorado in Ecuador. According to Ecuador's Ministry of Energy, the gold mine Fruta del Norte sent approximately 177.9 tons of gold concentrate to Europe, its first large-scale gold export. The Ecuadorian authorities estimate revenues from gold exports from this mine of around USD 7.89 billion between 2019 and 2034.

POLITICAL TIPS

Sanctioned for the nth time. Representatives of 18 countries attended the meeting of the Inter-American Treaty of Reciprocal Assistance (TIAR) held in Bogota and at which police investigation of and legal action against individuals associated with Nicolás Maduro were considered. As a consequence, 16 of those who attended were in favor of sanctioning 29 government officials and businessmen who have ties with the regime.

A few of the many. As a consequence of this decision, those who have been sanctioned may not travel or conduct financial operations in the American Continent. In addition, Julio Borges, the commissioner for foreign affairs appointed by Juan Guaidó, said that, apart from these 29 individuals, 2000 more who also have ties with the regime are being investigated.

He's not worried. During a ceremony held to celebrate International Disabled Persons Day, Maduro claimed that the TIAR meeting was a failure, calling the countries that participated clowns and saying that no one can interfere with Venezuela.

A distraction. Maduro also referred to Colombia's President Iván Duque, saying he held that meeting to draw attention away from the crisis Colombia is currently experiencing.

Looking for more to join up. During another ceremony held in Vargas, Maduro said that there were already 300,000 militiamen in the People's General Defense Units, adding that he wanted that number to go up to more than 4 million by next year.

To provide “more security.” He also announced that they are going to continue with training the militiamen and with coordinating the weapons system in order to be able to guarantee that every member of the militia has “his weapon, his rifle, his missile.”

He wants to include them. He stated, furthermore, that the Constituent National Assembly was going to approve an amendment to the law that would allow the functions of the militia to be included in the functions of the Bolivarian National Armed Force (FANB), explaining that the members of the militia are the ones in charge of guaranteeing the distribution of the boxes of staples organized by the Local Supply and Production Committees (CLAPs).

Corruption on this side of the fence... In a press release, the US Treasury Department's Office of Foreign Assets Control (OFAC) announced that the former and current directors of the Administrative Identification, Migration, and Immigration Service (SAIME) had been involved in acts of corruption consisting of charging passport applicants thousands of dollars and depositing that money in their personal bank accounts abroad.

Non-Venezuelan Venezuelans. In addition, they are involved in the sale of Venezuelan Passports to non-Venezuelans. Because of this, the US Treasury Department decided to sanction both government officials (Gustavo Vizcaíno and Juan Carlos Dugarte).

..and corruption on the other side as well. A report published by Armando.info denounces that several deputies belonging to opposition parties, some of whom are also on the National Assembly's Comptroller's Committee, agreed to undertake “informal” efforts upon request consisting of issuing letters of good conduct to Colombia's Public Prosecutor's Office or the US Treasury Department for individuals who have been sanctioned because they have been involved in corruption in connection with the CLAP staples program so that these agencies stop investigating those individuals and lift the sanctions imposed on them.

Expelled from their parties. As a consequence of this report, the political parties *Primero Justicia* and *Voluntad Popular* expelled those deputies who, according to the report, are involved in these acts of corruption. Juan Guaidó also referred to these accusations and said they were not going to cover up anyone's crimes.

Taking measures. To deal with the problem, Guaidó announced the removal of the deputies named in the report from the Comptroller's Committee and another from the National Assembly's Environment Committee as well as the intervention of the Permanent Comptroller's Committee, which will conduct the necessary investigations and

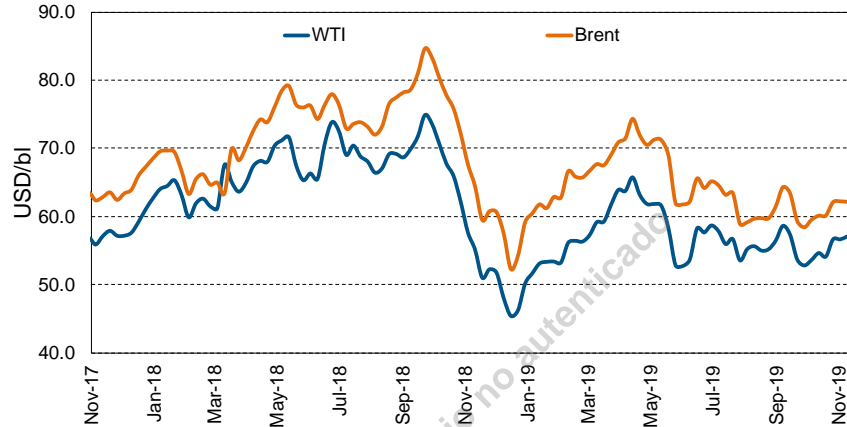
Year 15. Number 42 Week II
December 2019

submit a report on December 18 indicating whether or not those who have been accused are really guilty of corruption.

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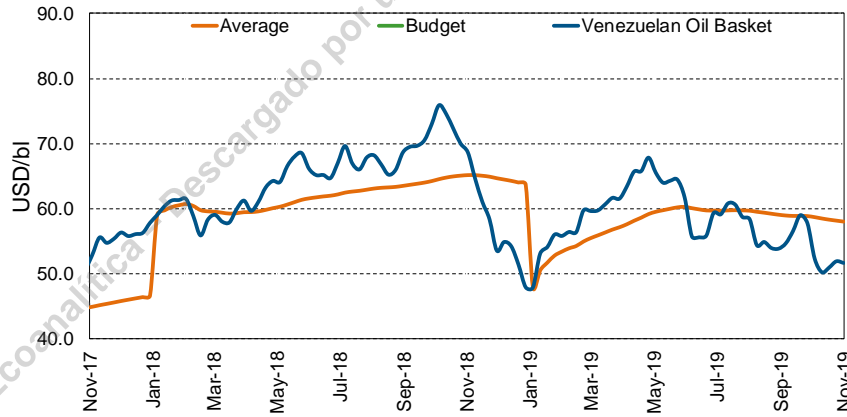
ECONOMIC INDICATORS

**Oil Prices
(WTI and Brent)**



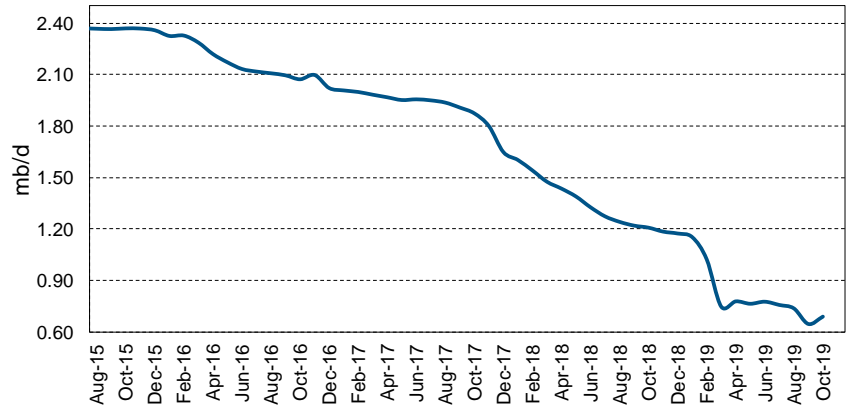
Sources: Menpet and Ecoanalítica

**Oil Price
(Venezuelan Basket)**



Sources: Menpet and Ecoanalítica

**Oil Production
(Secondary sources)**

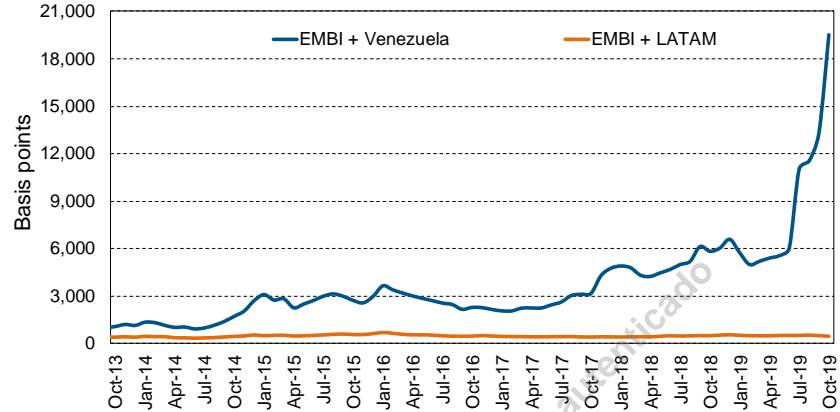


Sources: OPEC and Ecoanalítica

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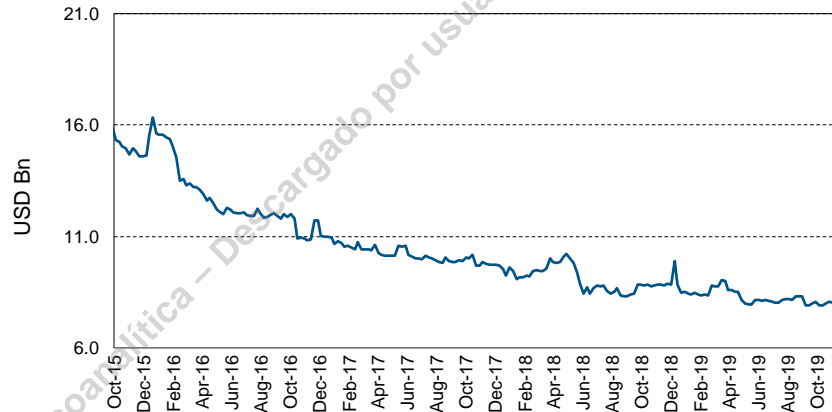
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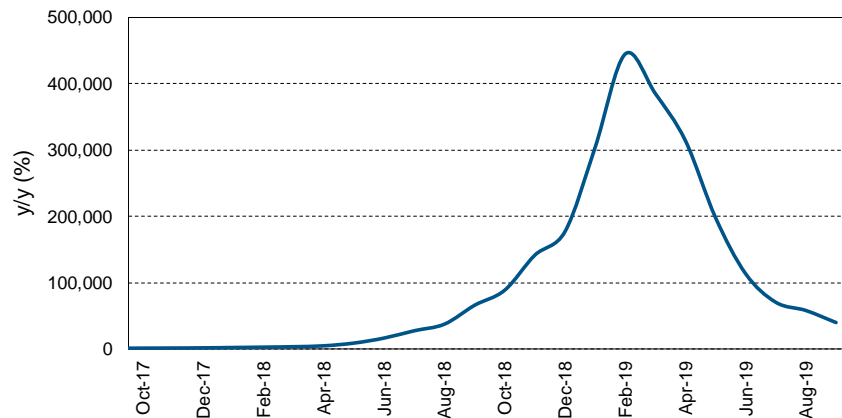
Sources: BCRP and Ecoanalítica

FX Reserves (BCV)



Sources: BCV and Ecoanalítica

Inflation (BCV)



Sources: BCV and Ecoanalítica

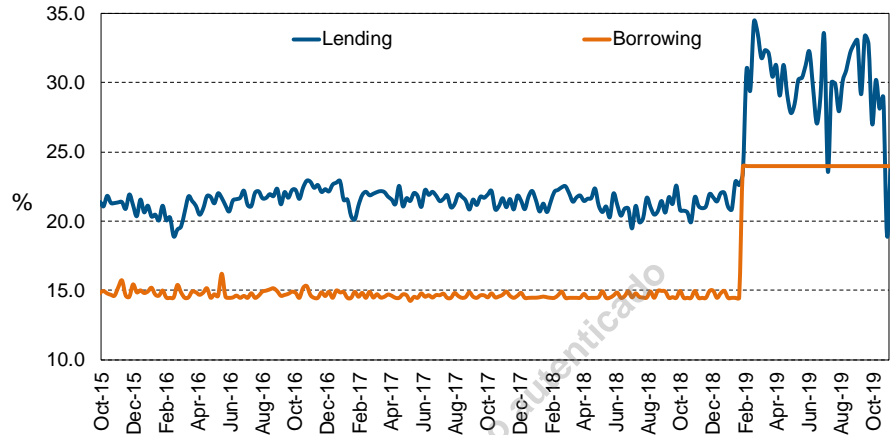
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December 2019

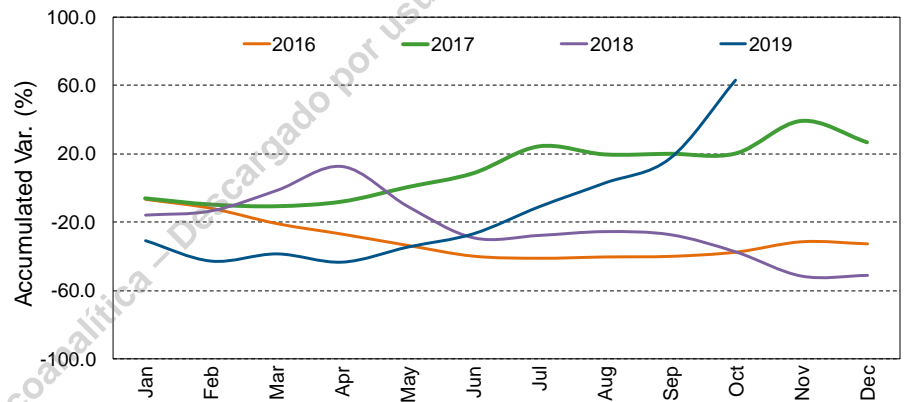
ECONOMIC INDICATORS

**Interest Rate
(Six major banks)**



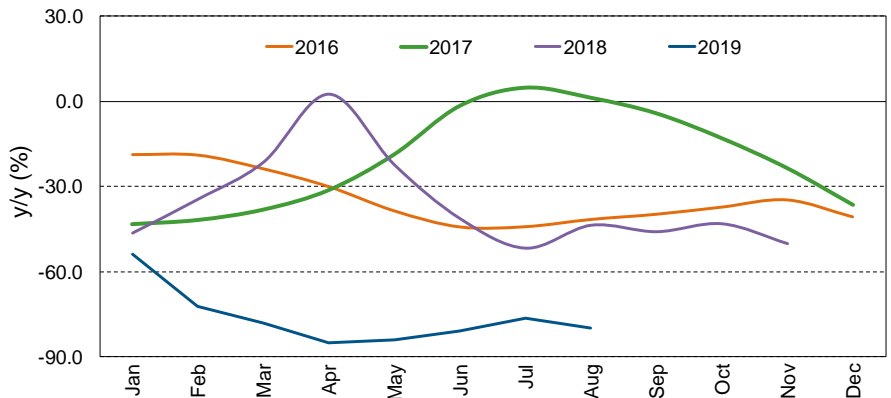
Sources: BCV and Ecoanalítica

**M2 Expansion
(Real)**



Sources: BCV and Ecoanalítica

**Loan Portfolio
(Real)**



Sources: SUDEBAN and Ecoanalítica

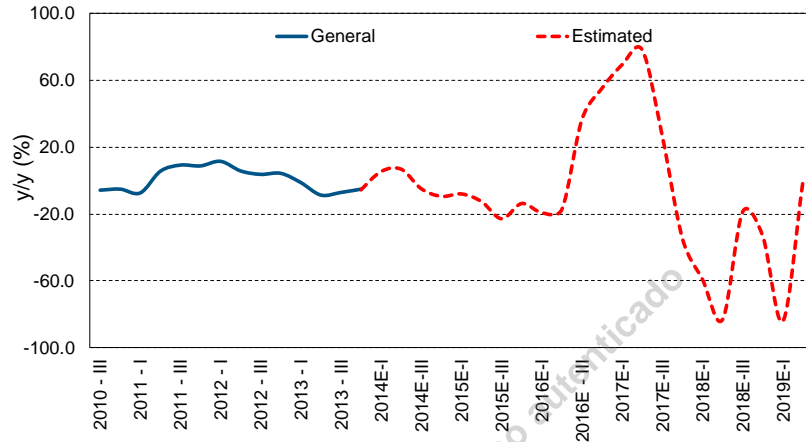
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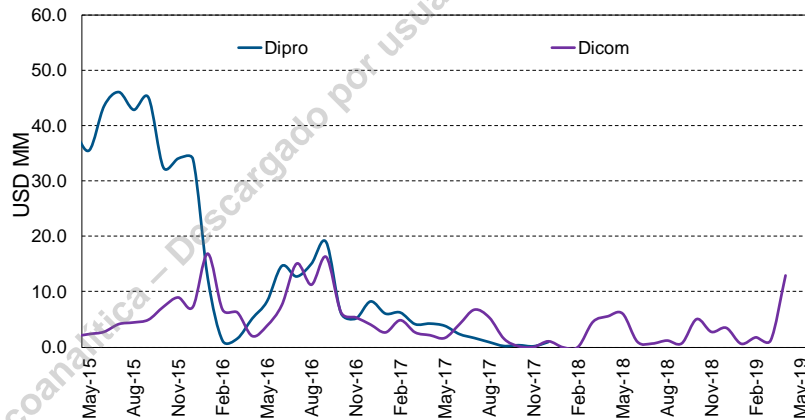
ECONOMIC INDICATORS

Real Wage Index



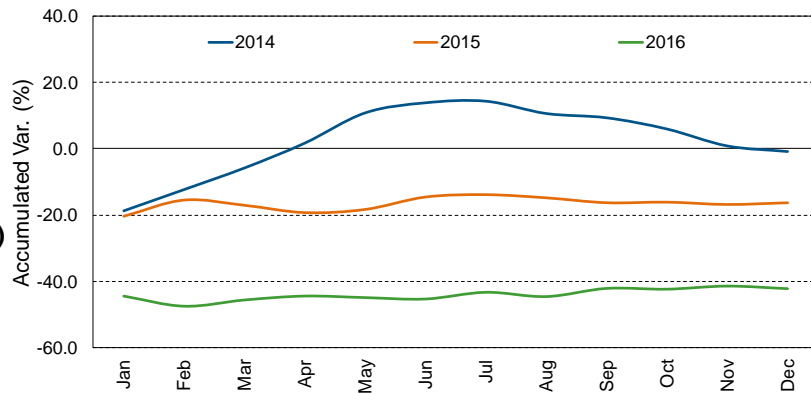
Sources: BCV and Ecoanalítica

Disbursements to the Private Sector (Daily Average)



Source: Ecoanalítica

Primary Spending NTO (Real - Central Government)



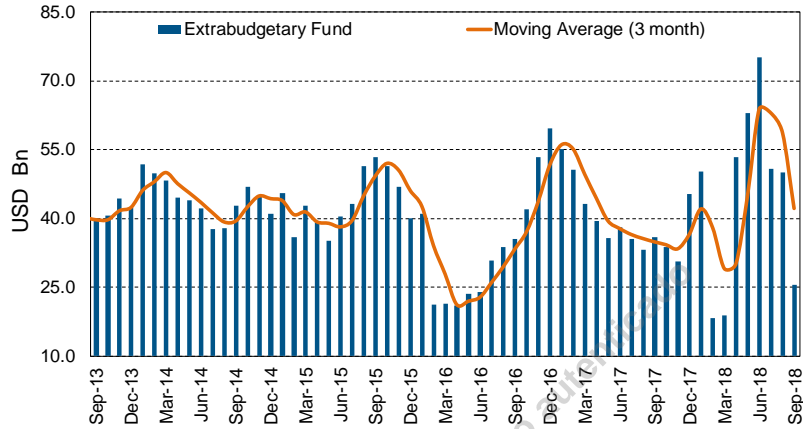
Sources: ONT and Ecoanalítica

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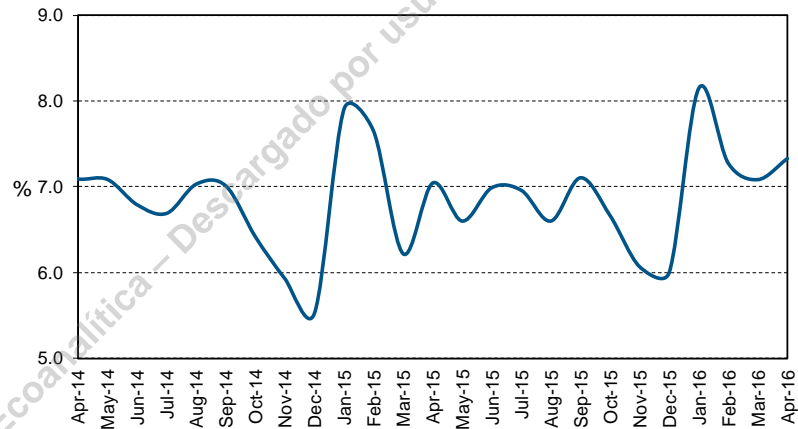
ECONOMIC INDICATORS

State Extrabudgetary Resources



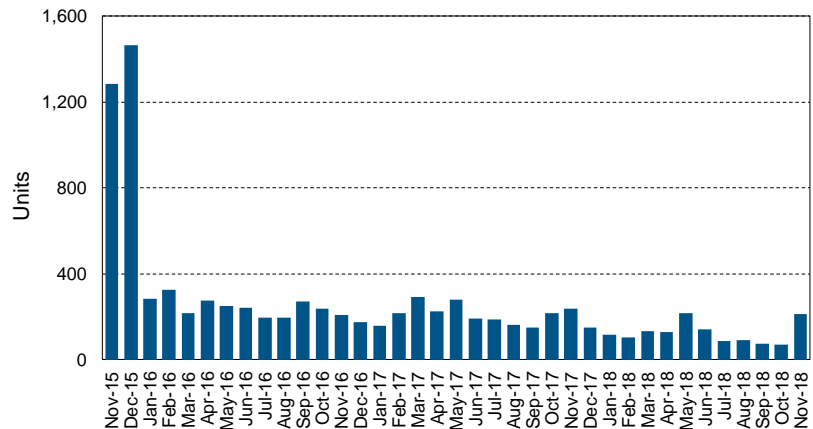
Source: Ecoanalítica

Unemployment Rate



Sources: INE and Ecoanalítica

Vehicle Sales



Sources: CAVENEZ and Ecoanalítica

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