



Forbidden reproduction and/or distribution

What to expect for Venezuela in 2020 and 2021? A brief update

One month after our quarterly report, visions for the Venezuelan economy next year do not seem to have changed significantly, at least not for the better. On the one hand, we Venezuelans have witnessed greater tensions in the local exchange market in recent weeks, with upward pressure on domestic prices that, according to our projections, will lead us back to the eye of the hyperinflationary hurricane. The implications of such pressures for the coming year do not seem so trivial, both in fiscal terms and in the decision making of the private sector.

On the side of real activity, the oil industry shows no signs of recovery from our latest forecasts, while local manufacturing and commerce were partially benefited by a more sustained easing of the official quarantine, which will be in place throughout next month. However, on the demand side, the cumulative effect of the official countermeasures seems to bring bad news for a commercial sector in need of resources and eager to benefit from such reopening.

With this in mind, we present below a brief update of the main economic forecasts for the end of 2020 and for the coming year, useful for local business managers to redefine and reassess those strategies aimed at ensuring their operation in the months to come.

A new reality

In the oil sector, although recent unofficial figures point to a slight recovery in oil production in October (473 kb/d), the trend in higher external sales of local crude oil was reversed during this period. Strictly speaking, various specialized sources reported a level of oil exports close to 359 kb/d at the end of this month, reaching a historic low.

This result was partly due to the expiry of some of those exemptions from US sanctions on PDVSA operations. Strictly speaking, clients such as Eni and Repsol, among others, made purchases last month in anticipation of not being able to buy more Venezuelan crude oil in the following periods. With the limitations imposed by the pandemic and the collapse of the local oil industry, we estimate that such exports will not exceed 400 kb/d for the remainder of the year. This would bring national oil revenues close to US\$5.9

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report.
Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.
(+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

billion by the end of 2020; with the possibility that they will be even lower if not all exports generate cash flow¹.

In the non-oil area, despite the greater flexibilities over official quarantine derived from the new "7+7 extended" scheme, both manufacturing and commerce could face limited private consumption due to the impacts of the pandemic on the income of Venezuelans since the first quarter of 2020. As we noted in our previous weekly report², some of the local population may not have the savings needed to fully leverage the resumption of business activity. In this regard, we do not foresee any change in our forecast of the contraction of associated private spending for this year (28.8%).

In fact, the loss of income of households, businesses and the government in Venezuela (after the passage of COVID-19) will continue to be a key element for local economic activity next year. Even if the oil industry is progressively reactivated with a potential cessation of the pandemic and a greater reopening of trade on a global scale, the real national sector will face a demand still hung over from what happened this year. Given this, Venezuela will probably be the only country in the region that will continue to show an economic contraction during 2021 (estimated at -1.9% per year, according to our latest updates).

GDP and real consumption projections (chg. % y/y)				
	GDP		Consumo privado	
	2020	2021	2020	2021
LATAM ¹	-7.5	4.1	-8.1	4.2
Argentina	-11.6	4.5	-13.1	4.8
Colombia	-6.7	4.6	-7.5	5.0
Brazil	-5.4	3.4	-6	3.7
Peru	-12.5	9.3	-10.5	7.5
Venezuela	-34.5	-1.9	-28.8	-9.1

Sources: FocusEconomics and Ecoanalítica.

¹Total consumption estimates for LATAM.

¹ [Reuters](#). (2020). *Venezuela's oil exports fall to new low in October as clients walk away: data*.

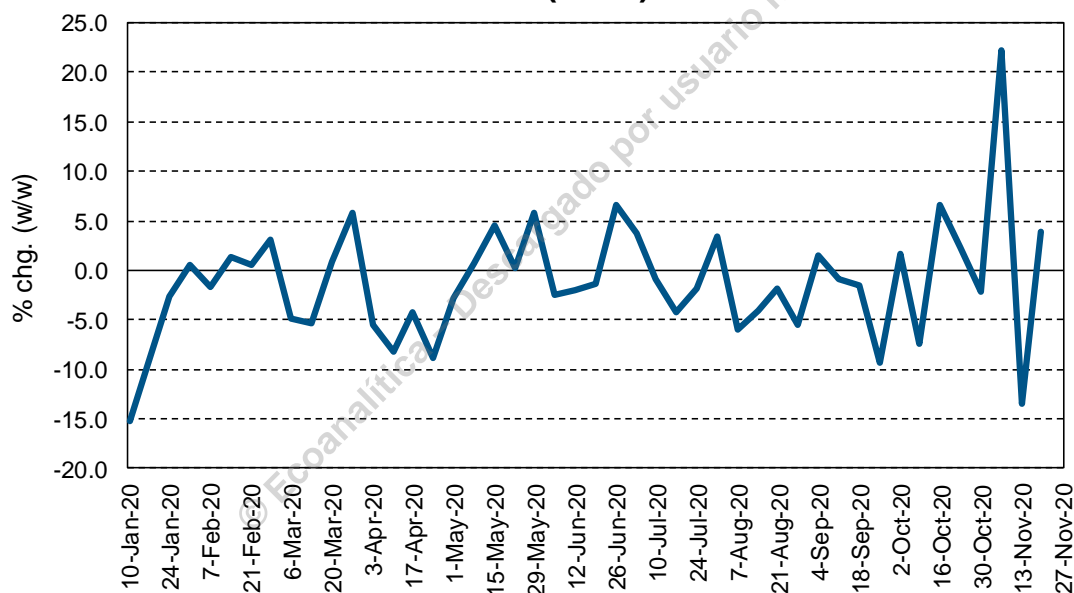
² Weekly Report N°42. *A happy December? Some implications of the temporary commercial reopening in Venezuela*. 2020.

Year 16. Number 43. Week I
 December 2020

Fiscal management and prices: bread for today, hunger for tomorrow

In line with our forecasts, during November, there was an increase in the Executive's disbursements in local currency for recurrent transfers' payments, year-end bonuses and adjustments in the public payroll, in the midst of the collapse of the nation's oil revenues. The proximity of the electoral process of the new Legislative Power also contributed to increase this expenditure, causing the monetary base to accelerate its growth rate in real terms to 22.51% in the first week of November, a record not seen since February 2019 when it increased by 24.0%.

Weekly money base real growth (2020)



Sources: BCV and Ecoanalítica

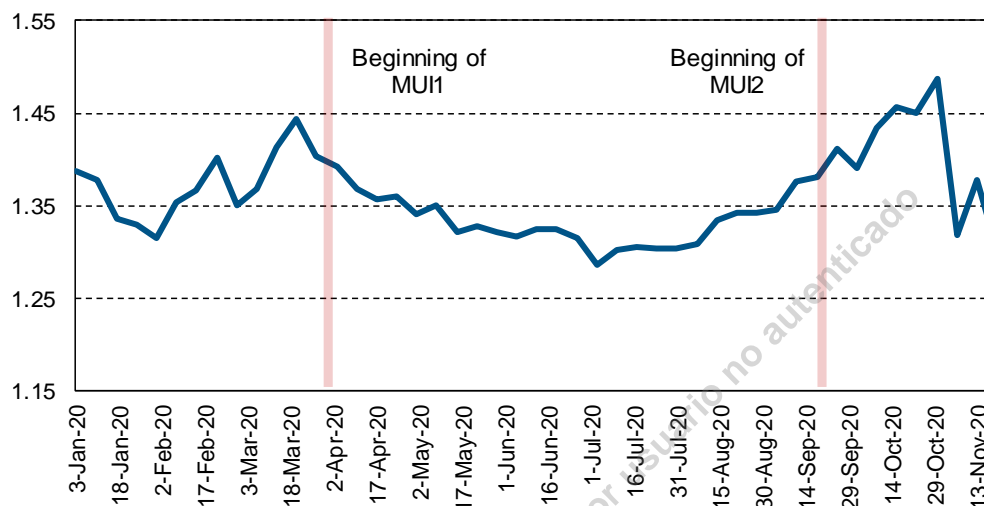
Similarly, with the temporary relief provided by the cut in reserve requirements effective since mid-September, credit intermediation rose slightly in the same period and, with it, the monetary multiplier. However, its evolution continued to be limited by the higher costs associated with indexing this financing to the official exchange rate marker.

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report. Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.
 (+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

Year 16. Number 43. Week I
 December 2020

Money multiplier (M2/MB) 2020



Sources: BCV and Ecoanalítica

Naturally, with macroeconomic instability and institutional weakness still present on local market, such adjustments led to an overreaction of inflation and foreign currency prices last month. Following these disturbances, prices in Venezuela would grow by 79.0% on average by the end of November and the exchange rate (official and unofficial) would rise beyond the VES 1,000,000/USD. Both food and housing services would show the greatest price adjustments, so the cost of fiscal expansion was highly regressive as it concentrated on the prices of those goods most consumed by the poorest population.

Although such adjustments were foreseeable with the current political and institutional framework, the uncertainty about the local economic development for the coming year (especially after the cessation of the measures to contain the pandemic), the doubts regarding the supply of gasoline in the domestic market during the coming months (with the recent episodes of deep shortages in some regions of the country) and the recent changes in the official position respect to transactional dollarization in Venezuela, ended up enhancing the effects of such monetary imbalances on the price structure.

Similarly, potential supply constraints related to the commercial limitations imposed by the pandemic have contributed to recent price increases. It is expected that 2020 will close with an annual inflation of 2,915% and an unofficial exchange rate that varies between VES 1.4MM - VES 1.8MM per dollar, depending on the public spending level during the rest of the year.

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report. Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.
 (+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

Year 16. Number 43. Week I
 December 2020

With this scenario, contrary to the official discourse of the Executive, it is not possible to foresee an end to hyperinflation in Venezuela in the medium term. With respect to tariffs for the coming months, recent inflationary pressures impose initial conditions for next year very similar to those seen in 2020: inflation decelerated exclusively by restrictions on demand and by the effects of local dollarization, although still exposed to the fiscal limitations of the Executive (and its reactions to it).

Money and prices projections (y/y)		
	2020	2021
Inflation (%)	2,916	2,785
Non-official ER (VES MM/USD) ^{1/}	1.43 - 1.81	34.5
Monetary Base chg. (%)	1,198	1,413

Source: Ecoanalítica.

1/ End-of-period value.

On average, an average inflation of 33.0% is expected by 2021, with an annual record of 2,800%, eop. The collapse of demand for bolivars seems more than unstoppable, with a real annual fall in the monetary base of almost 50%, in addition to a dollar with a price above the VES/USD 30.0 MM, but which will lose close to 17% of its purchasing power in the local market next year. Such results will further affect Venezuelans' spending decisions in the months to come.

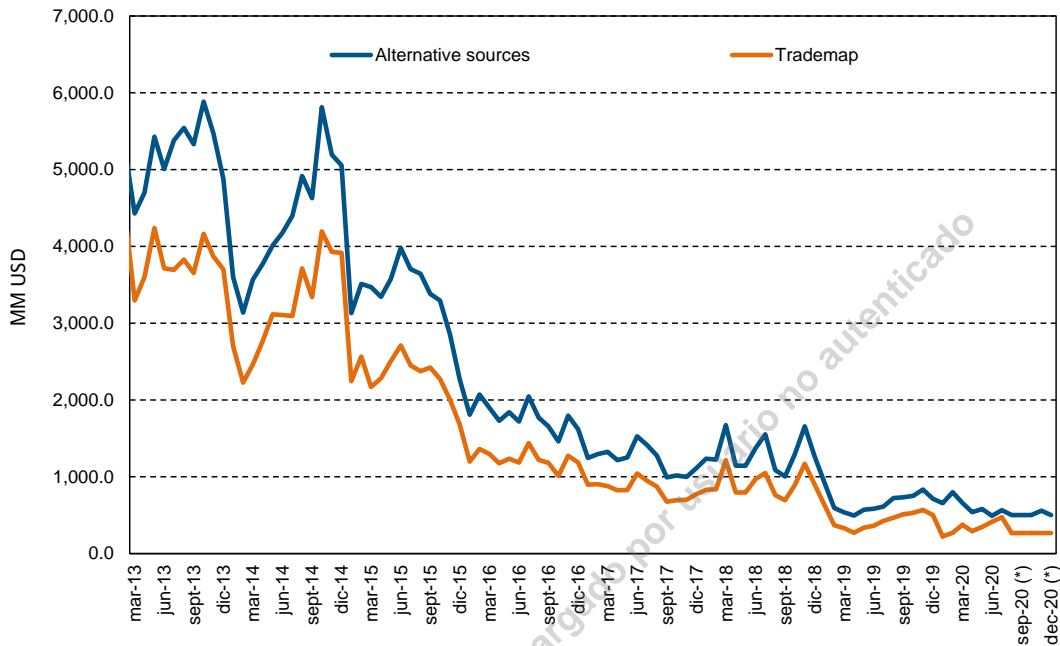
An autarkic economy?

In addition to the changes on local oil business, its fiscal implications and the corresponding foreign currency supply to the country, a critical area for the Venezuelan economy in the midst of the pandemic has been foreign trade. In particular, the most recent updates of import figures show that during 3Q2020 these purchases fell by 3.2% over the previous quarter. Again, alternative sources differ slightly from those reported by our main trading partners ³, although both continue to maintain the same trend, being this clear evidence of the impact that COVID-19 has had on trade with our main partners.

We believe that this behavior could persist in the fourth quarter, though partially offset by rise on imported goods demand during the recent official quarantine relaxing, which means accumulated imports between USD 5.3 billion and USD 7.0 billion for 2020, equivalent to, at least, 13.5% fall compared to what was seen in 2019.

³ Using *mirror data* from the United Nations Trademap.

Total imports



(*) Projected data.
Sources: UN Comtrade, Trademap, FMI and Ecoanalítica.

We anticipate that, assuming a global halt to the COVID-19 pandemic by 2021, oil production, exports and domestic consumption will progressively return to levels close to those seen in early 2020. However, it is assumed that this would not become evident until the second half of the year, when the local oil industry would find more space to place crude oil (in terms of what has been seen in recent months), but even facing a hostile external environment marked by US sanctions, no access to foreign financing and institutional problems in the country.

We estimate that imports will continue to fall during this period, due in part to the decline that local production will continue to show next year. In **Ecoanalítica** we believe that the Executive will have as a priority the importation of fuel and basic foods, while the private sector will continue to act as a relevant actor in such acquisitions (as has been happening during the pandemic). Based on these assumptions and by assuming that the Executive will implement a strategy regarding its debt commitments similar to that observed in 2020, the deficit in foreign currency availability will remain close to USD 1.3 billion at end of next year.

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report. Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

The official position

Unfortunately, with the recent decisions taken by the Executive regarding payments and foreign exchange, no major changes are expected in the official position on the handling of the domestic economic crisis. In fact, local managers seem more likely to exacerbate the bi-monetary environment in Venezuela (in transactional terms), thus allowing the use of foreign currency strictly at levels that mitigate hyperinflation and elevate access to goods and services for a larger fraction of Venezuelans. With this, local government would continue to use on fiscal deficit monetization as the "cartridge to burn" in case oil activity continues to decline and inflation does not lose ground, in addition to allowing it to maintain political spaces in the fraction of the population that still benefits from the public bonus system.

However, when added to the frictions already faced by foreign currency as a means of local payment (cash shortages, high premiums for payment in bolivars or the fetish on the quality of bills), this "official" reluctance to limit dollarization (transactional and financial) will cause the cost of operating in foreign currency in Venezuela to rise beyond that imposed by the real appreciation itself. This may impose an implicit limit on such dollarization and its potential benefits, already altered by the commercial dynamics under pandemic.

Similarly, because it is not done officially, dollarization continues to emerge as a new source of social inequality in the country. With the rejection of payments in local currency, more and more Venezuelans are not enjoying the real benefits of dollarization. Greater exclusion not only means greater poverty, but also greater informality, with the effects that this will have on formal activity.

Perhaps the greatest lesson from the above is the expected change in consumption patterns of Venezuelans or in the target population of Venezuelan private business: a household that will ration its priority expenditures by seeking more accessible product or service presentations and by turning to new "neighborhood" markets or second-hand product markets, while devoting a fraction of its foreign currency savings to paying for other services (including gasoline). However, we will also see a household looking to take greater advantage of the "home economy" by making greater use of digital channels and delivery services, and looking for alternative methods of payment.

**Luis Arturo Bárcenas
Corina Fung.**

Year 16. Number 43. Week I
 December 2020

WEEKLY INDICATORS

Weekly Economic Indicators			
	1st Week December	Weekly chg. (%)	Depre/Apre (pp) ¹
FX Boards (VES/USD)²	1,016,664.96	26.5	21.0
	3rd Week November	Weekly chg. (pp)	Annual chg. (pp)
Lending Interest Rate (%)	38.4	1.8	9.8
	1st Week December	Weekly chg. (pp)	Annual chg. (pp)
Overnight Interest Rate (%)	74.6	48.5	-179.6
	4th Week November	Weekly chg. (%)	Annual chg. (%)
International Reserves (USD Bn)	6.2	-1.8	-21.2
	3rd Week November	Weekly chg. (%)	Annual chg. (%)
Monetary Liquidity (MM VES)	364,978,354	7.9	1,265.4
Price of International Oil Baskets (USD/bl)			
	3rd Week November	Weekly chg. (%)	Annual chg. (%)
WTI	42.0	3.3	-25.2
Brent	43.8	4.6	-30.2
Price of the Venezuelan oil basket (USD/bl)			
	5th Week July	Weekly chg. (%)	Annual chg. (%)
Weekly Average	22.4	0.0	-61.9
Annual Average	28.8	-0.7	-51.7

Sources: BCV, MENPET, ONT and Ecoanalítica

* Annual variation of accumulated expenditure.

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

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report. Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.
 (+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

Year 16. Number 43. Week I
 December 2020

CHART OF THE WEEK: "WELCOME TO THE ("PROUD") TOP 3"

Periods and Magnitude of Past Hyperinflations									
Position	Name	Starting Year	Months of Duration	Highest Monthly Rate (%)	Position	Name	Starting Year	Months of Duration	Highest Monthly Rate (%)
1	Nicaragua	1986	58	261	16	Germany	1922	17	3.0*10 ⁴
2	Greece	1941	44	1.4*10 ⁴	17	Danzig	1922	15	2.4*10 ³
3	Venezuela	2017	36	261	18	Armenia	1993	15	438
4	Ukraine	1992	35	285	19	Bosnia & Herz.	1992	15	322
5	China	1943	26	302	20	Polonia	1923	13	275
6	Rusia/USSR	1922	26	212	21	Georgia	1993	13	211
7	Angola	1994	26	84	22	Hungary	1945	12	4.2*10 ¹⁶
8	Azerbaijan	1992	24	118	23	Moldova	1992	12	240
9	Turkmenistan	1992	23	429	24	Austria	1921	12	129
10	Yugoslavia	1992	22	3.1*10 ⁸	25	Congo (Zaire)	1991	12	114
11	Tajikistan	1992	22	201	26	Hungary	1923	12	98
12	Zimbabwe	2007	20	7.9*10 ¹⁰	27	Phillipines	1944	12	60
13	China	1947	20	5.0*10 ³	28	Congo (Zaire)	1993	11	250
14	France	1795	19	304	29	Argentina	1989	11	197
15	Bolivia	1984	18	183	30	Taiwan	1948	8	108

Sources: Hanke, S. & Krus, N; and Ecoanalítica

Only considering the cases that lasted 6 or more months.

Delcy Rodríguez, Vice President and Minister of Economy and Finance, declared with enough confidence, last month, that Venezuela had already come out of hyperinflation; however, the figures show the opposite. According to **Ecoanalítica's** estimations, the price variation in November was 79.03%, thus the country celebrates three years in hyperinflation. With this, Venezuela rises to the third place in **Ecoanalítica's** hyperinflationary ranking, where we list these cases by longevity.

With 36 months of duration, hyperinflation in Venezuela is only surpassed (in duration) by Nicaragua in 1966 with 58 months and Greece in 1941 with 44 months. Under Cagan's definition (1956), a hyperinflationary process has a monthly price variation greater than or equal to 50.0%, and it ends when the monthly variation accumulates 12 consecutive months below this threshold.

Since February 2019, the variation of prices has slowed down. When prices were rising by approximately 12.7% per week, they began to increase by 4.6% on average. They even decreased by 0.2% in the week of October 9-16 this year. Because of this, it was thought that Venezuela would soon cease its hyperinflationary period. November's figure poses a different scenario, since it has been the highest monthly variation in the whole year. As long as the government does not implement, in a responsible manner, the necessary monetary and fiscal corrective measures, it would not be strange that we will soon be in the first place in the ranking.

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report. Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.
 (+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

ECONOMIC TIPS

COVID-19 in Venezuela. According to government figures as of December 3, the number of positive cases of coronavirus reached 103,067 and the number of deaths was 905.

Partially confined. For the week of November 30 to December 6, all the states in the country remained in a stage of *"safe, voluntary and conscious flexibilization"* after Maduro announced that the entire month of December will be handled under this scheme. The different sectors of the economy carried out their activities in a controlled manner, there were fewer restrictions on the mobility of citizens and less capacity was allowed.

Sanctions on telecommunications. The United States Department of the Treasury announced new sanctions on the National Electronics Import and Export Corporation (CEIEC), accusing them of *"restricting Internet service and carrying out digital surveillance and cybernetic operations against political opponents"* in support of Nicolas Maduro's government.

Alert of any setback. In this sense, Steven Mnuchin, Secretary of the Treasury of the United States, expressed that *"the United States will not hesitate to attack anyone who helps suppress the democratic will of the Venezuelan people and others in the world."*

Threat-free accusations. For its part, the Venezuelan Ministry of Foreign Affairs, through a press release, qualified the sanctions as *"illegal"* and affirmed that they have the objective of *"destabilizing Venezuelan society"* on the eve of the electoral process and of wanting to *"affect projects for the well-being of Venezuelans."*

Threatening accusations. CEIEC, for its part, has not issued any comments; however, the Chinese Foreign Minister responded strongly and demanded that the sanctions be lifted because they are *"illegal and are a mistake"*. He added that *"China will take the necessary measures to safeguard the rights and interests of its companies."*

Better by 2020, worse by 2021. The Organization for Economic Cooperation and Development (OECD) adjusted its global economic growth prospects. Its projections indicate that world GDP in 2020 will fall by 4.2%, somewhat better than the 4.5% drop previously projected, but they estimate growth of 4.2%, a figure below the 5% growth previously forecast.

From puddle to puddle. Jorge Arreaza indicated that the government of Nicolás Maduro has formally requested that Venezuela become part of the Friendship and Cooperation Treaty of the Association of Southeast Asian Nations in order to *"have a much closer and"*

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report.
Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.
(+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

Year 16. Number 43. Week I
December 2020

more productive relationship" and obtain new investments within the framework of the Anti-Blockade Law.

Is the state getting smaller and smaller? The Central Bank of Venezuela (BCV), in Official Gazette No. 41,958, relaxed the State monopoly on gold exports and now allows private parties to directly trade the mineral abroad, under authorization of the BCV and with a tax ranging from 9% to 14% of the authorized exportable value.

Or is it so that there is no record? The Gazette did not eliminate the obligation of the private gold producers registered in the Single Mining Registry to offer 100% of their production to the BCV, but it did raise the option that the Bank may decline this offer and authorize the export under the aforementioned taxes.

Money boards. For the week of December 4, the average rate for money tables was VES 1,016,665/USD. This represents a 21% depreciation from last week.

Liquids? Liquidity was VES 364,978,354 million for the week of November 20, a variation of 7.9% in nominal terms in relation to the previous week (November 13) and 1,265.4% in relation to last year.

OIL TIPS

Is nothing written in stone? Juan Guaidó, the president in charge of Venezuela, declared that there are plans to appeal the decision issued by a U.S. court that ruled that PDVSA 2020 bonds, in which 50.1% of Citgo shares are guaranteed as collateral, are "valid and enforceable".

Exercising its rights. The political faction led by Guaidó is recognized by U.S. courts to represent Venezuela's interests. It had introduced a lawsuit to declare the PDVSA 2020 bonds as invalid, since they had been issued without the approval of Parliament.

Will there be more orders from Iran? Reuters sources stated that gasoline production at the El Palito refinery would have stopped days later. However, the agency was unable to obtain details about the reasons for the shutdown of the processing plant with a capacity of 146 kb/d of gasoline.

The only standing bastion. Reuters sources commented that gasoline production resumed at the Cardon refinery's fluid catalytic cracking unit. According to unionist Ivan

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report.
Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.
(+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

Year 16. Number 43. Week I
December 2020

Freites and one of the sources, the plant's gasoline production would range from 25 kb/d to 30 kb/d, although its production capacity is 310 kb/d.

The support. The same sources announced that Amuay is also operational producing virgin gasoline. This would be used as raw material for the production of gasoline in Cardón.

Direct figures as of October. According to direct sources, Venezuela's oil production in the month of October was 473 kb/d, this would represent an increase of 76 kb/d as reported in September and 434 kb/d less than at the close of 2019.

Secondary figures as of October. On the other hand, according to secondary sources collected by OPEC, Venezuelan crude oil production was 367 kb/d in October. This would represent a drop of 25 kb/d with respect to the previous month and 368 kb/d with respect to the closing of 2019.

Rebound effect? (I) Tracking data from tankers and analysts compiled by Reuters seems to predict an increase in Venezuela's oil exports after they showed their lowest figure since 1940 in October.

Rebound effect? (II) The significant drop observed in October was due to the fact that several clients with longstanding business relationships had given up working with PDVSA for fear of US sanctions as the deadline for one of the licenses approached.

Rebound effect? (III) Faced with this, the Venezuelan state-owned oil company would have resorted to alternative practices to position its crude in the market, from transferring shipments among offshore tankers to disguise its origin to delivering the oil to little-known clients with no experience in the industry.

Rebound effect? (IV) According to the information gathered, during the month of November at least 18 cargo ships would sail from Venezuela. Eight have already been loaded so far this month -among them two chartered by the Thai company Tipco Asphalt PCL- with 5.1 million barrels of Venezuelan oil and fuel.

Rebound effect? (V) Five are heading to Venezuela with their Automatic Identification System (AIS) turned off, according to information collected by TankerTrackers. Another two Petrochina tankers, with a capacity of two million barrels, are in Venezuelan waters near the Jose terminal waiting for cargo, according to information from Refinitiv Eikon.

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report. Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.
(+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

Year 16. Number 43. Week I
December 2020

Rebound effect? (VI) It is expected that this activity will allow the resumption of oil production in some key projects in the Orinoco Oil Belt, after the drop in sales forced an increase in inventory levels and a cut in production.

Evasive Actions (I). An Iranian official, who has kept his identity secret, has confirmed to Reuters that his country is advising Venezuela on strategies to evade US sanctions and position Venezuelan oil in Asia.

Evasive Actions (II). These include turning off the identification navigation systems, changing the names and countries of registration of vessels, transferring cargo at sea, transferring ownership of vessels, and using briefcase companies to acquire and operate tankers. They have even changed the names of the tankers to those of others already dismantled.

Diligent and neophyte network (I). A Reuters report has concluded that more than 30 tankers have been hired by a group of companies that have appeared as buyers of Venezuelan oil this year.

Diligent and neophyte network (II). Of these, 21 have no history of oil trade. Most seem to be based in Russia, but complete information on their addresses is not available. These customers imported over 25 million barrels of oil between April and October, accounting for a quarter of the country's total oil exports in that period.

Diligent and neophyte network (III). According to documents reviewed by Reuters, before the 2019 sanctions, it was a requirement to be a PDVSA client to have at least two years of experience and to have a verifiable creditworthiness.

Diligent and neophyte network (IV). However, the state-owned company suspended the rigorous selection process and it has come to be observed that almost all trace of these customers is being erased from the company's records once they have received a few shipments. One official went so far as to declare that no supporting documents have been requested and that "*we are adding ghost companies*".

Diligent and neophyte network (V). 15 of the companies were registered in June by a Russian company called OGX Trading, which was founded in March, close to the date of the sanctions applied to Rosneft Trading. It is also run by Sergei Basov, who has been linked to Betsy Mata, a shareholder in a Turkish company linked to the CLAP food program.

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report.
Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.
(+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

SECTORIAL TIPS

Fighting against the powers of the market. The National Superintendence for the Defense of Socioeconomic Rights (Sundde) began days of supervision and price control in supermarkets in the state of Nueva Esparta, enforcing the prices set for primary foods.

Where does the shortage come from? The establishments visited by the Sundde prosecutors were Plaza Urbana, Minimar.E, Minimarket Manuel and Central Juangriego, where profit margins and purchase invoices were reviewed and price variations were noted.

Default or loss. During the inspection and control day, non-compliance with the formalities established in Article 46 of the Organic Law on Fair Prices (LOPJ) and alterations in the list of agreed prices of several products were detected.

The new anti-price virus. They also announced that the Sundde will deploy throughout the island territory and throughout the country the days of inspection and control of stores.

Jobs at risk... According to the president of the Confederation of Industrialists of Venezuela (Conindustria), Adán Celis Michelena, close to 150,000 people are at risk of becoming unemployed with the closing of some 1,200 industries throughout the country.

families at risk. Celli added that if we consider that around 150,000 people are at risk of losing their jobs, we are talking about 600,000 Venezuelans who could be affected, since the number of possible unemployed is multiplied by 4, which is the average number of a family in the country.

Welcome to the digital age (I). Richard Ujueta, president of the Venezuelan Chamber of Electronic Commerce (Cavecom), reported that the growth of the sector was above 2,000%. Ujueta indicated that, for the first quarter of 2021, a study on this subject will be carried out, but he specified that the estimated percentage of growth "*could be small*".

Welcome to the digital age (II). Cavecom's President pointed out that only in Mercado Libre there are 270,000 e-Commerce vendors. He also added that, with respect to payment methods, in 2019 there were 20 initiatives while today there are 200 payment method solutions and more are being incorporated every day.

Welcome to the digital age (III). Ujueta added that if credit cards become valid in terms of limits, the financial system will be turned around. If the government allows banks to

connect with means of payment, e-commerce will have an exponential growth in consumption.

Not very competitive. Juan Pablo Olalquiaga, president of the Foundation for Education and Industrial Innovation (Fundei), said that the Venezuelan industry has more structure than it needs to serve the local market, making products that are produced more productively in other parts of the world. In addition, due to the destruction of supply chains, it has very low or non-existent levels of competitiveness.

We need to reinvent ourselves. Olalquiaga emphasized that the national company operates with a very low level of research and with the mistaken perception that what is important is to obtain gains in competitiveness instead of thinking about how to reinvent itself in the face of the new realities of internal and external markets.

Reviving public transport. José Vicente Rangel Ávalos, mayor of the municipality of Sucre, announced the reactivation, with health prevention measures due to the pandemic, of the operations of the Terminal de Oriente Antonio José de Sucre in Caracas, after eight months of closure.

INTERNATIONAL TIPS

COVID-19 in the world. According to figures published by the World Health Organization (WHO), the number of positive cases of coronavirus reached 64,508,175 on December 3 and 1,492,636 deaths were recorded for the same date.

More people in need of humanitarian aid (I). According to a United Nations (UN) report, the pandemic has caused a 40% increase in the number of people in need of humanitarian assistance worldwide. The agency is asking for \$35 billion to help many of these people by 2021.

More people in need of humanitarian aid (II). The UN has established 34 humanitarian response plans covering 56 countries by 2021. The aim is to help 160 million of the estimated 235 million people who will be most vulnerable worldwide because of hunger, internal conflict, the effects of climate change, and now the coronavirus pandemic.

Immune before Christmas? The Secretary of Health of the United States, Alex Azar, communicated that they could begin to administer to the population of the United States the first two vaccines against the coronavirus before Christmas.

The last attempt (I). The United Kingdom and the European Union resumed face-to-face trade negotiations, in a last attempt to try to close a deal just five weeks before the end of their current relationship.

The last attempt (II). Negotiations will be resumed on the three main issues that have presented the greatest obstacle: fishing quotas, state aid and future dispute resolution schemes. Regarding the possibility of reaching an agreement, Boris Johnson, Prime Minister of the United Kingdom, indicated: "*clearly there are substantial and important differences that still need to be overcome in order to move forward*".

Debt vs. COVID-19. According to sources consulted by *Reuters*, Germany plans to raise almost EUR 180 billion in debt next year, almost double the amount initially planned, while the German government is expanding aid measures to mitigate the impact of the COVID-19 pandemic.

From lender to spender (I). The Bank of Japan is quietly reversing its unpopular negative interest rate strategy with a controversial plan designed to encourage mergers between weaker and smaller banks. The plan is to pay 0.1% interest on deposits from lenders that reduce costs, increase profits or merge with others.

From provider to spender (II). The program means that the Bank of Japan will for the first time offer payments to a specific sector with the objective of promoting reform in that sector.

Recovering the Mexican economy. The Government of Mexico announced that, together with the private sector, a second investment package will be implemented to revitalize the Mexican economy. The plan is equivalent to USD 11,366 million and includes 29 infrastructure projects, particularly in energy and transportation.

Infrastructure plan, part two. The plan gives continuity to a first program launched in October by the administration of Andrés Manuel López Obrador. Between the two, there are 68 projects of approximately US\$ 24.9 billion.

Ready for 2021. According to the Mexican government, investments will represent 2.3% of the GDP. Additionally, Lopez Obrador communicated that, thanks to these initiatives, the local economy will recover its lost strength in the first trimester of 2021.

Nearly half a million new jobs. The president of Mexico's Business Coordinating Council (CCE), Carlos Salazar, estimated that both government programs will create 400,000 formal jobs. He also revealed that a third package will be launched, without detailing dates.

Defending the indefensible? The Central Bank of Argentina (BCRA) sold nearly USD 335 million of its international reserves in November, to stop the persistent depreciation of the local currency due to investors' distrust of the economy's evolution.

At least a minor loss. Despite the fact that this sale represents the fifth consecutive month in which the entity's interventions show a negative balance, on the basis of official data from the monetary authority, sales fell considerably with respect to previous months. The sale was lower than the USD 1.09 billion and USD 1.68 billion sold in October and September, respectively.

Does it seem to work? According to the Argentine monetary entity, the fact that the need for central bank intervention in the official market is significantly lower month after month shows that the filters are working to avoid distortions in the exchange market.

Coming out of production shrinkage, one step at a time. According to the Central Bank of Chile, the Chilean economy fell 1.2% year-on-year in October, mitigating the decline of previous months, but still affected by the impact of the coronavirus pandemic. It was detailed that the activities that explained the fall were services and the production of goods, while trade grew 17%.

If I don't sell, I won't produce. The Colombian Government reported that coal production in Colombia plummeted to 11 million tons in the third quarter of this year, equivalent to 47.1% year-on-year. According to the Executive, this is due to a lower extraction due to low prices, the coronavirus pandemic and a prolonged strike in one of the mines.

POLITICAL TIPS

There are less and less left. Juan Guaidó's government ambassador to the United Kingdom, Vanessa Neumann, resigned from her post, according to the Financial Times. Neumann's reasons refer to *"the future of Guaidó's leadership is unclear within the opposition,"* adding that *"the fight against Maduro will continue, and I will personally continue that fight."*

Timely release... The NGO Coalition for Human Rights and Democracy reported that on December 1, 40 military personnel were released, of which the Criminal Forum was monitoring only 3 because they were considered political prisoners, the rest were serving sentences for common crimes.

...but only for the headlines. According to the Penal Forum, as of November 23 there are 365 political prisoners, of which 237 are civilians and 128 are military. Of that number, 363 are adults and 2 are adolescents. Among the prisoners there are 341 men and 24 women.

Election protocol. Indira Alfonzo, president of the National Electoral Council, announced that 350,000 security officers were deployed throughout the national territory in order to safeguard the December 6 elections. In this sense, he detailed that 250,000 are members of the Bolivarian National Guard, while the remaining 100,000 belong to state or national police forces.

Standing firm. Tarek William Saab reported that the Public Prosecutor's Office sent to the Office of the Prosecutor of the International Criminal Court (ICC) an "extensive report" that responds to the requests made by the ICC in October and as evidence of the investigations that are being carried out on public officials of the government of Nicolás Maduro for human rights violations and crimes against humanity.

Taking it to the Venezuelan. For its part, the Public Ministry, demonstrating "maximum transparency" (according to the statement), invites the prosecutor of the ICC, Fatou Bensouda, to visit the country.

Let's remember. The investigations currently underway are Venezuela I, presented by a group of countries seeking to examine alleged human rights violations committed in the framework of the 2017 protests, and Venezuela II, introduced by the government of Nicolás Maduro to determine whether the sanctions imposed by the United States and the European Union represent crimes against humanity.

Political change... Leopoldo Lopez said that *"I am concerned that some people think this is not the time for regime change and decide to focus on addressing the humanitarian crisis, but the best way to address the humanitarian tragedy is to promote political change because the source of the crisis is political"* at a forum organized by the Council on Foreign Relations.

... equal to a humanitarian solution. The opposition leader stressed that it is necessary to *"build a new cycle"* of protests and mobilization against Maduro because the situation in Venezuela continues to worsen. In turn, he emphasized that the December 6 elections are *"a new attempt to replace the legitimacy of the National Assembly through a fraudulent process that neither the United States nor Europe will recognize."*

The tongue is the punishment of the body. Diosdado Cabello, during the electoral campaign, expressed that *"he who does not vote, does not eat. For the one who does not*

vote, there is no food. He who does not vote, does not eat, a quarantine is applied there without eating".

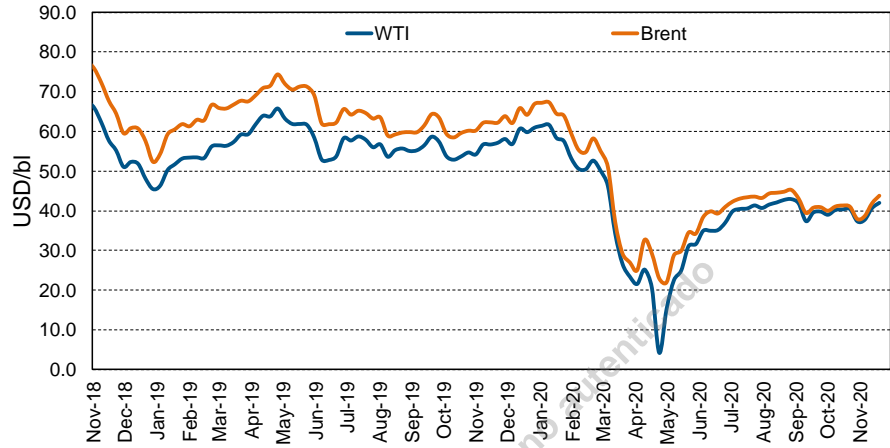
With the eye on it. In response, Congresswoman Delsa Solórzano indicated, through her Twitter account, that the Rome Statute establishes that the systematic use of hunger as a political tool is a crime of extermination and warned that an official notification will be sent to the International Criminal Court, which is the body that oversees compliance with the Statute.

The church manifests its position. The Venezuelan Episcopal Conference indicated in a communiqué that *"the electoral event called for December 6, far from contributing to the democratic solution of the political situation that we are living today, tends to aggravate it and will not help to solve the real problems of the people"*. Furthermore, they manifested their support to the popular consultation organized by the opposition.

© Ecoanalítica – Descargado por usuario no autenticado

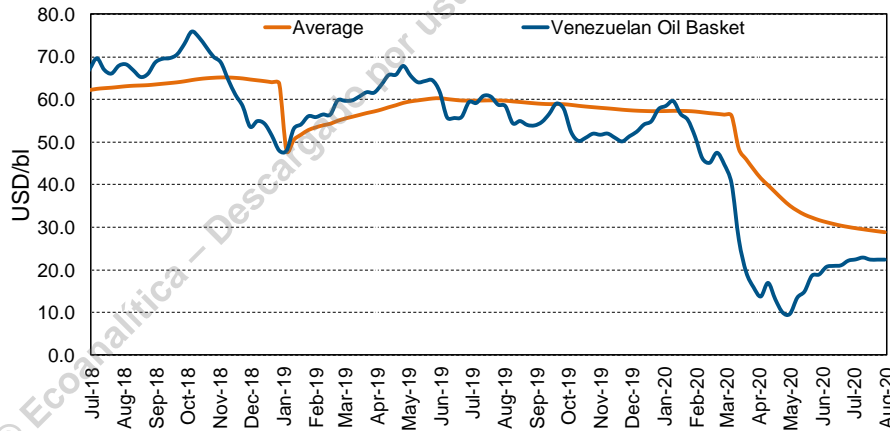
ECONOMIC INDICATORS

**Oil Prices
(WTI and Brent)**



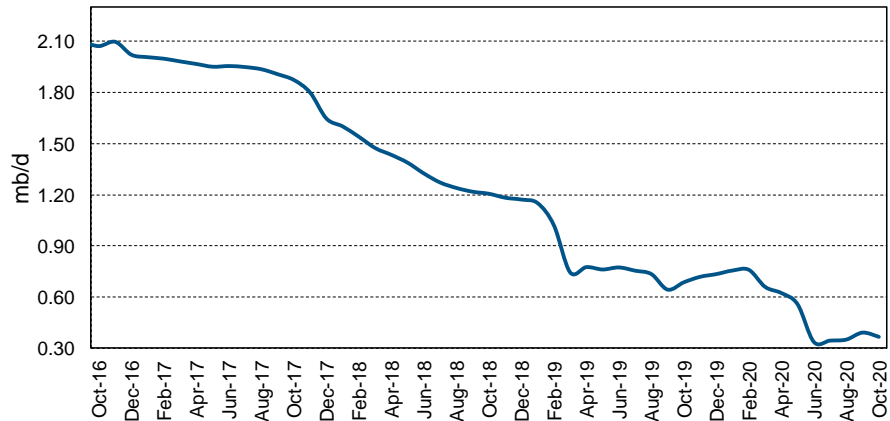
Sources: Menpet and Ecoanalítica

**Oil Price
(Venezuelan Basket)**



Sources: Menpet and Ecoanalítica

**Oil Production
(Secondary sources)**



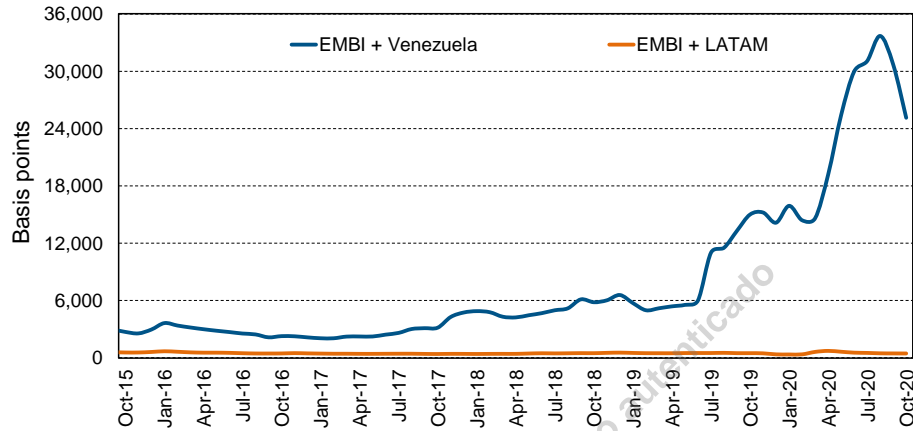
Sources: OPEC and Ecoanalítica

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report. Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.
Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.
(+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

Year 16. Number 43. Week I
December 2020

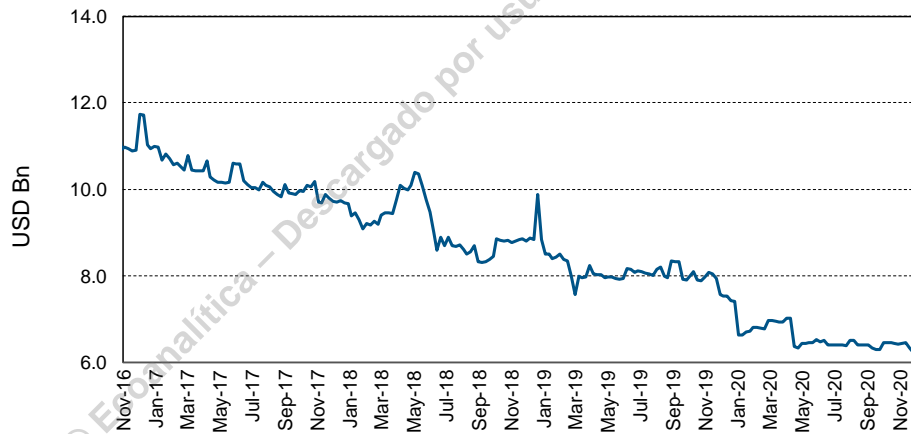
ECONOMIC INDICATORS

EMBI



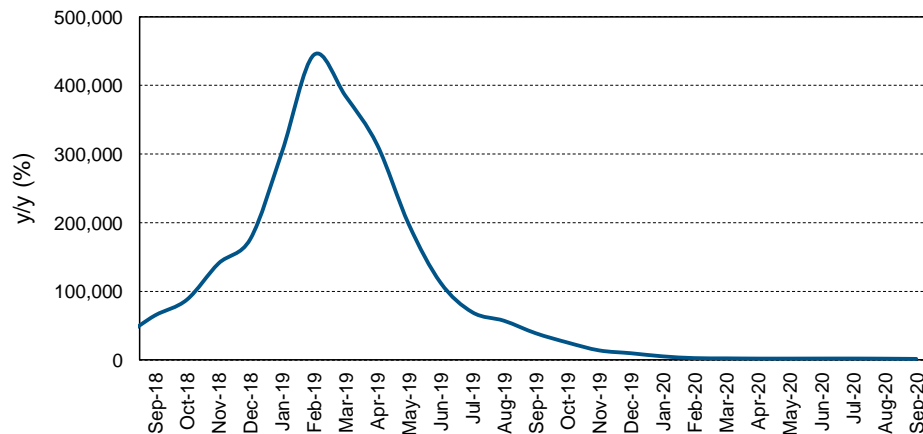
Sources: BCRP and Ecoanalítica

FX Reserves (BCV)



Sources: BCV and Ecoanalítica

Inflation (BCV)



Sources: BCV and Ecoanalítica

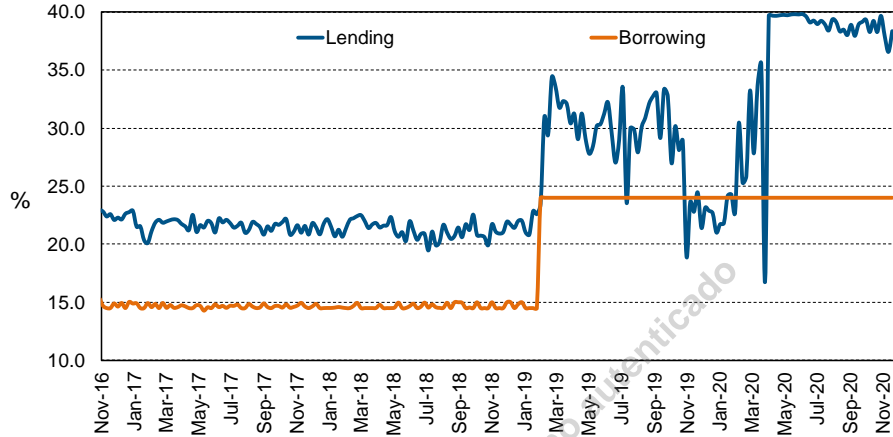
It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report. Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.
(+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

Year 16. Number 43. Week I
December 2020

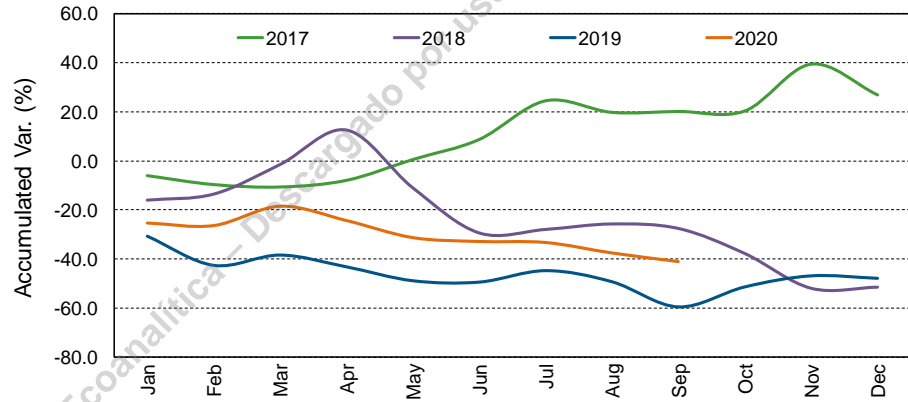
ECONOMIC INDICATORS

**Interest Rate
(Six major banks)**



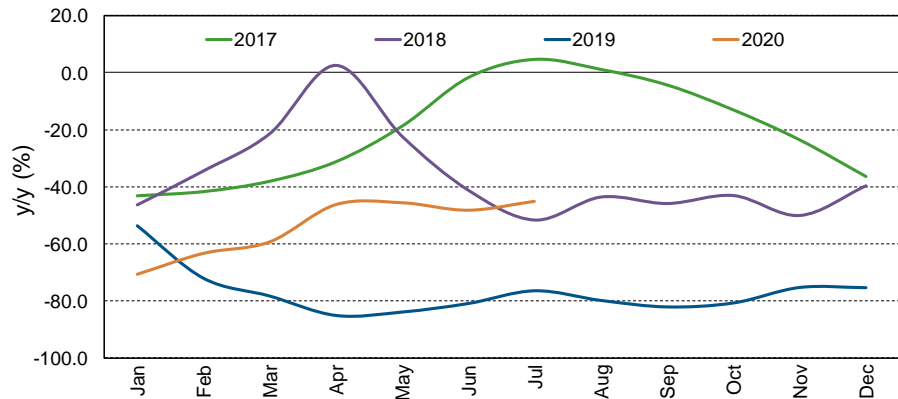
Sources: BCV and Ecoanalítica

**M2 Expansion
(Real)**



Sources: BCV and Ecoanalítica

**Loan Portfolio
(Real)**



Sources: SUDEBAN and Ecoanalítica

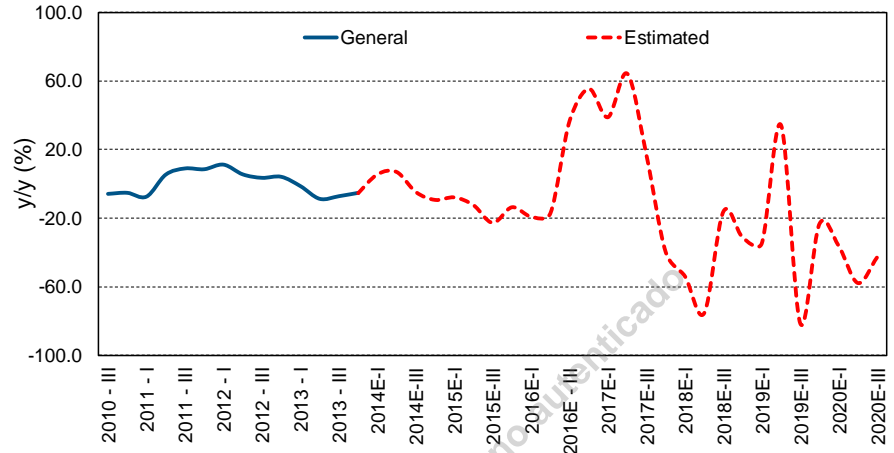
It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report. Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.
(+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

Year 16. Number 43. Week I
December 2020

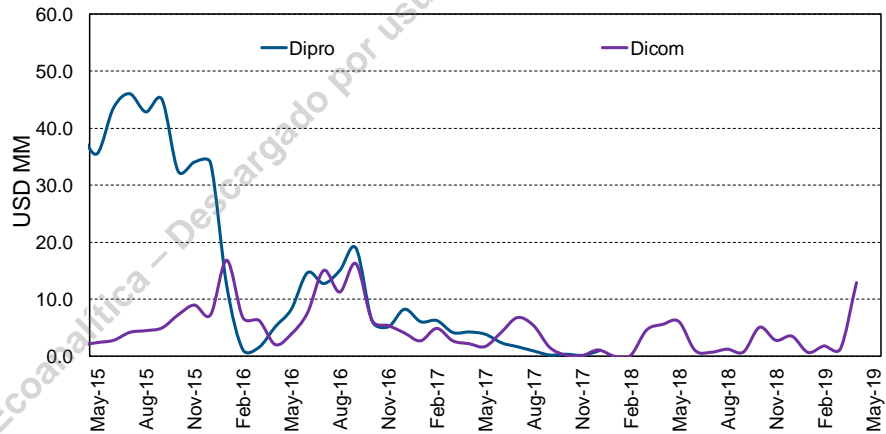
ECONOMIC INDICATORS

Real Wage Index



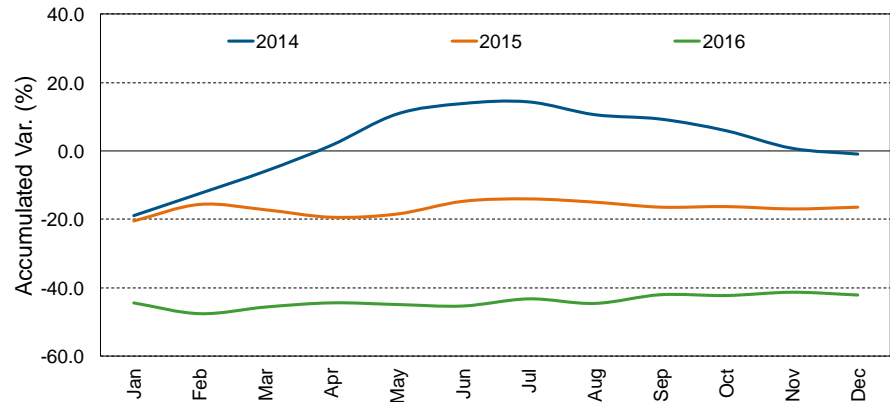
Sources: BCV and Ecoanalítica

Disbursements to the Private Sector (Daily Average)



Source: Ecoanalítica

Primary Spending NTO (Real - Central Government)



Sources: ONT and Ecoanalítica

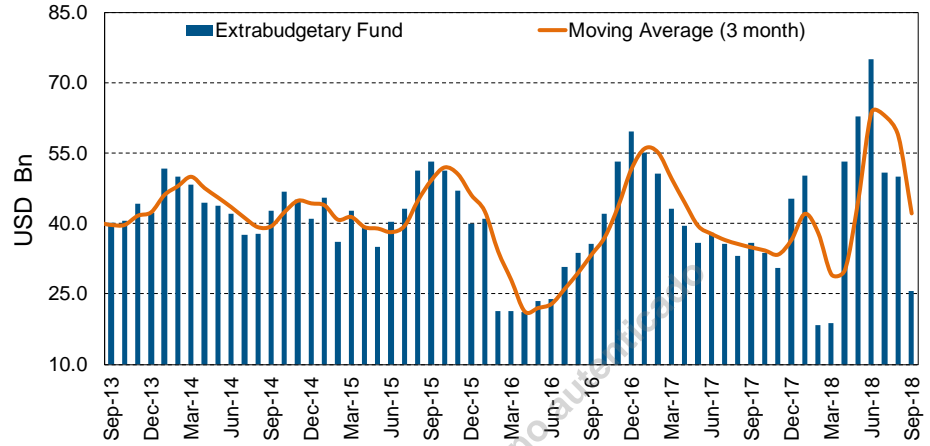
It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report. Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.
(+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

Year 16. Number 43. Week I
December 2020

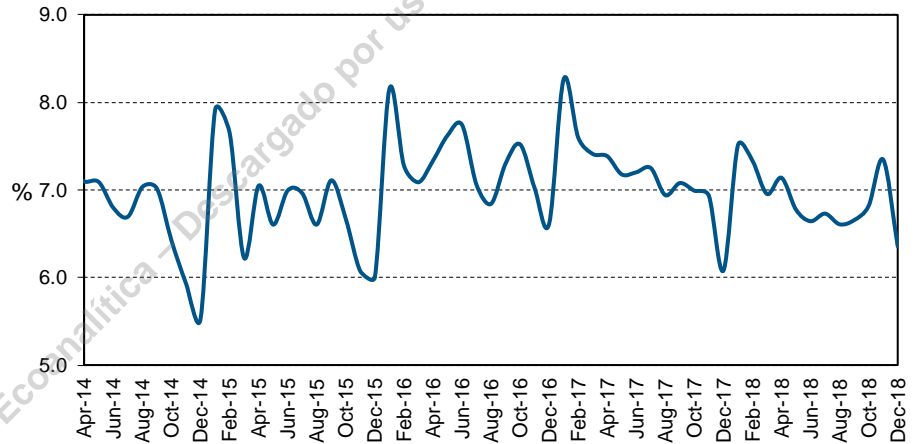
ECONOMIC INDICATORS

State Extrabudgetary Resources



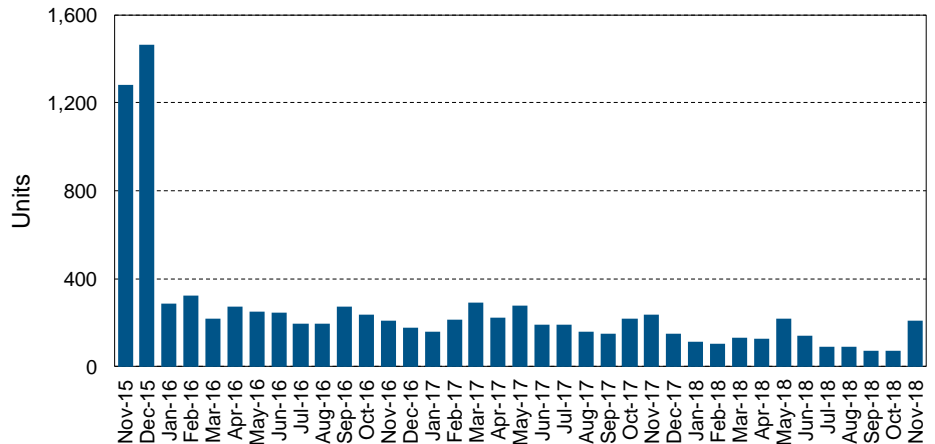
Source: Ecoanalítica

Unemployment Rate



Sources: INE and Ecoanalítica

Vehicle Sales



Sources: CAVENEZ and Ecoanalítica

It is forbidden the total or partial reproduction, publication and/or distribution of the content in this report. Detecting an information leak will cause the cancellation of the contract without any refund of the subscription.

Av. Blandín, C.C. Mata de Coco, piso 5, oficina 5-E, La Castellana, Caracas, 1060, Venezuela.
(+58 212) 266 9080 / Fax (+58 212) 266 5119 / RIF J-31130403-7

ECOANALÍTICA'S TEAM

Asdrúbal Oliveros / Director

asdrubalo@ecoanalitica.net / @aroliveros

Pedro Palma / Director

pedrop@ecoanalitica.net / @palmapedroa

Cristina Rodríguez / Director

crisinar@ecoanalitica.net

Luis Arturo Bárcenas / Senior Economist

luisb@ecoanalitica.net / @barcenasluis

Giorgio Cunto Morales / Economist

giorgioc@ecoanalitica.net / @giorgiocunto

Corina Fung / Economist

corinaf@ecoanalitica.net / @corinafung7

Jhoan F. Castellano / Economist

jhoanc@ecoanalitica.net / @castellanojhoan

RESEARCH ASSISTANT

Diego Santana

Diego Almau



CONTACT US

Venezuela: (+58-212) 266 9080/ Fax: (+58-212) 266 5119

Estados Unidos: +1 (212) 994.1850

Ventas@ecoanalitica.net

www.ecoanalitica.com

@ecoanalitica