



Weekly Report

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GDP 3Q2012: begins to decelerate?

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During a press conference, Nelson Merentes, President of the Central Bank of Venezuela, announced the Gross Domestic Product (GDP) growth figures for the third quarter of 2012 (3Q2012), which increased 5.2% compared to the same period the year before, a second consecutive quarter slowdown since the 6% growth of the first quarter, a figure that was recently corrected. Throughout this report, we will try to analyze the most important aspects that affected the growth of the product during the first nine months of 2012.

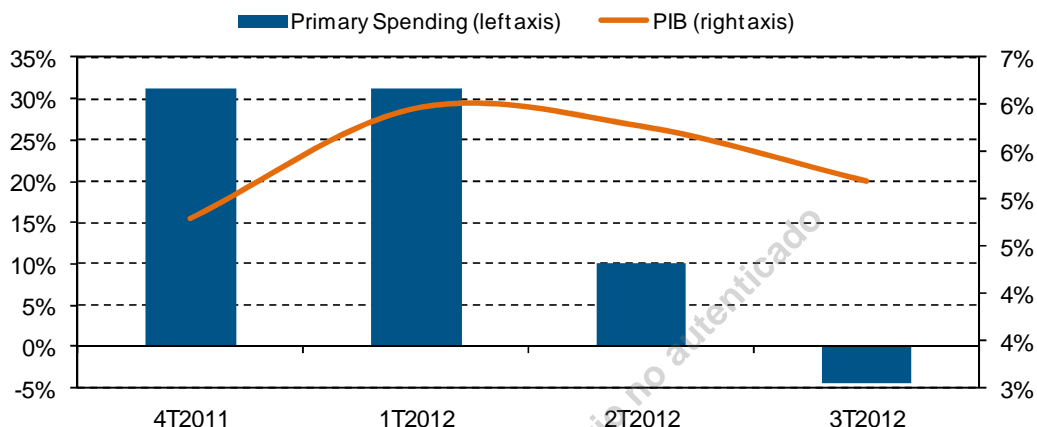
A “disappointing” third quarter

The 5.2% growth during 3Q2012 implies that there were eight consecutive quarters with a positive GDP variation, although it was disappointing for many who expected a higher rate, particularly during an electoral year, in which government expenditures should be higher. The fact is that the spending executed by the ONT grew less than during the previous two quarters.





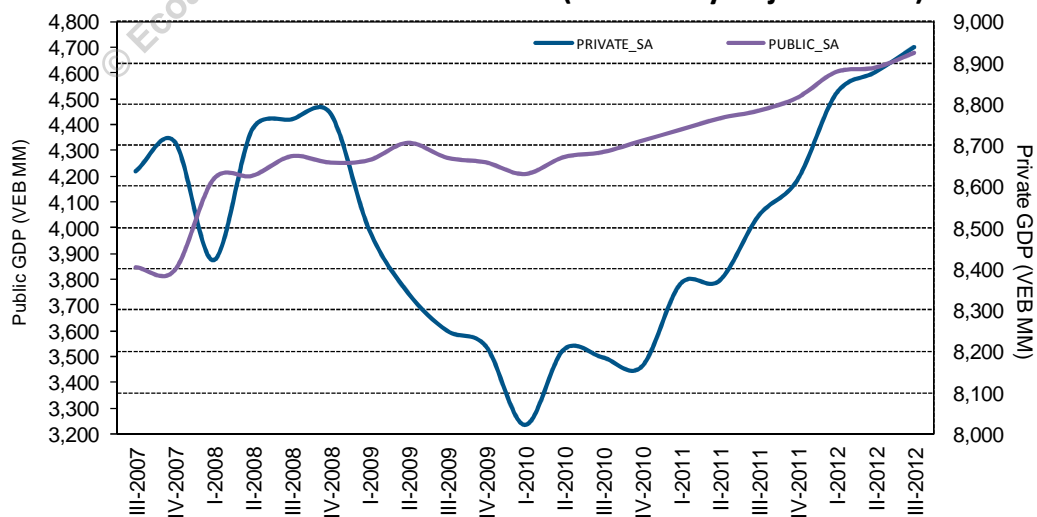
Primary spending growth Vs. PIB growth



Sources: BCV, ONT and Ecoanalítica

According to BCV figures, growth increased 3.6 percent points compared to the previous quarter. However, the seasonally adjusted GDP (SAR) only varied 1% with respect to 2Q2012, that is, eliminating the effects of the normal variations during the economic cycle (short term). Regarding seasonally adjusted GDP (SAR) variations by sector, there is a growth rate of 1.2% for the public sector and 0.7% for the private sector.

Public GDP Vs. Private GDP (Seasonally Adjusted - SA)



Sources: BCV and Ecoanalítica



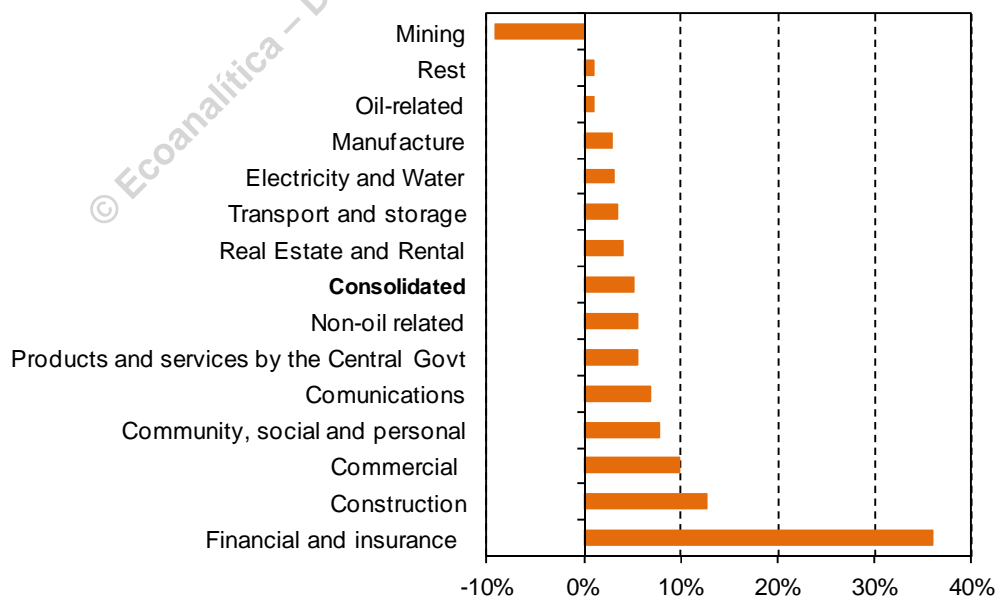


The quarterly result was due to a 5.4% (a/a) increase in non-oil GDP, and 1.1% (a/a) in the oil GDP, which fell 0.4% compared to the previous quarter, due to a lower average price of US\$98.97/bl in 3Q2012, while in 2Q2012 it had been US\$103.47/bl.

By activity, we see that the construction sector slowed down, with a growth of 12.6% during 3Q2012, when it had been growing at rates of over 20% per year. This activity was driven by the 31.2% increase in new housing units by the public sector, while residential construction in the private sector only increased 0.8%.

Other sectors with a lower annual growth rate compared to the previous quarters were electricity, water, transportation, storage, and communications. Financial institutions, insurance, entrepreneurial services, rentals, community and personal services, general government services, and manufacturing had higher growth rates than in 2Q2012.

Growth by economic activity Q32012



Sources: BCV and Ecoanalítica

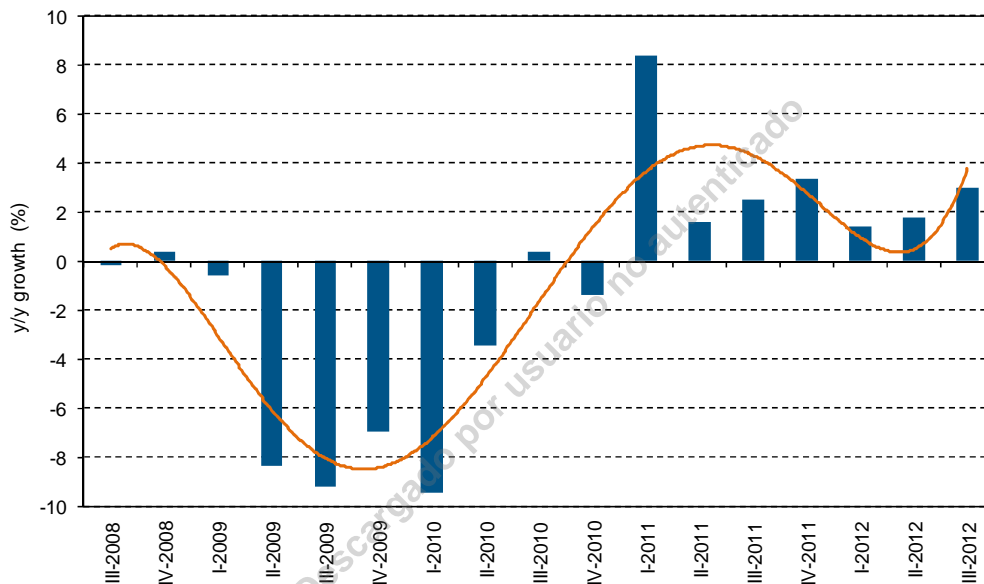
Manufacturing appears to be alive

The good news appears to be the “recovery” of manufacturing activities, with a 3.9% growth in the private component, particularly in middle industry areas like paper, textiles, wood products, furniture, among others;



while other areas like metal products, machinery, electrical appliances, food, beverages, and tobacco had a drop in their production.

Real growth of the Manufacture GDP



Sources: BCV and Ecoanalítica

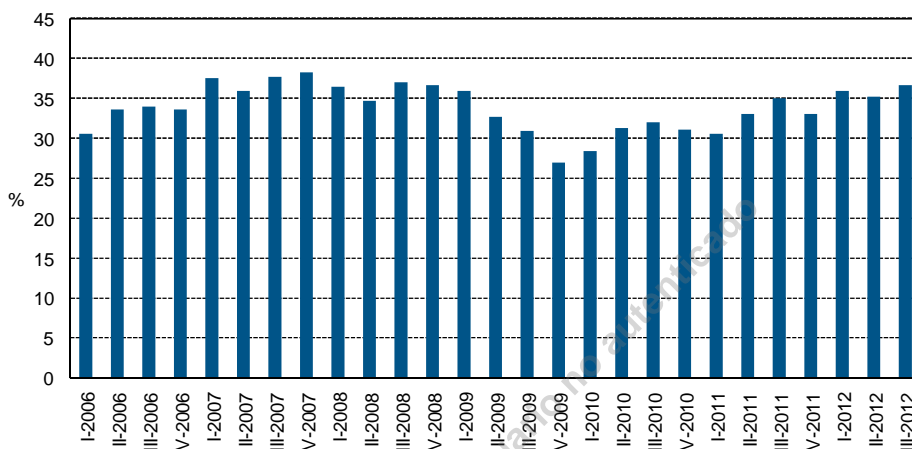
Imbalances continue

While GDP grew 5.2% during 3Q2012, domestic aggregate demand (final goods and services required by national agents) grew 8.2%, so once again, a significant part had to be supplied by imports. **Ecoanalítica** estimates that on average, 34% of the final goods and services consumed in the country in the last 6 years were imported, which is significant considering that private services (housing, health, education, transportation, intermediation, entertainment, trade) and services provided by the general government, are non-tradable goods, so that figure refers basically to the import of manufactured goods.





Imports / Domestic Aggregate Demand (base 1997)



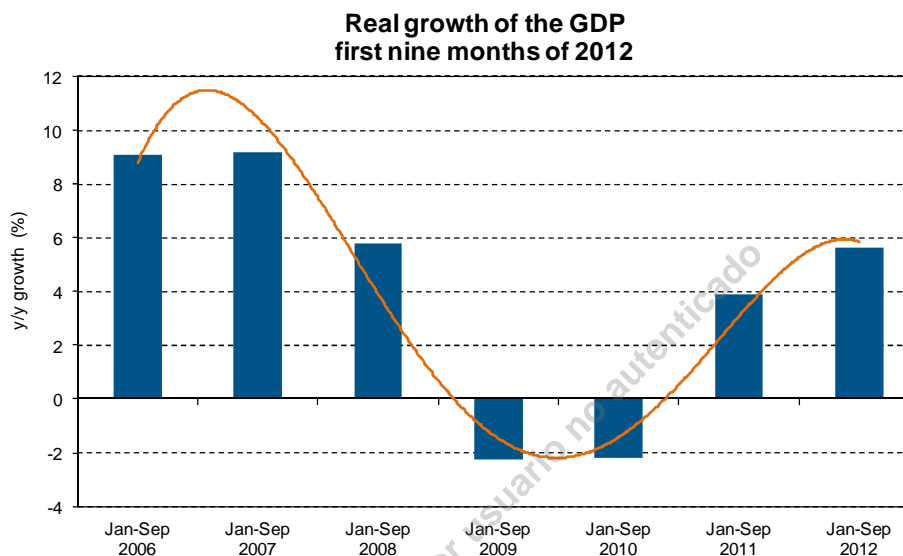
Sources: BCV and Ecoanalítica

It is impossible for a country to produce everything it consumes, and trade exchanges occur between exporters and importers that benefit from them. What is noteworthy is the proportion of foreign supplies that depend on the generation of foreign currency from oil activities, which tend to have volatile prices, and whose negative shocks tend to have a significant impact on consumption demand, the volume of imports, and therefore, on the quality of life of Venezuelans.

How are we doing?

Data from 3Q2012 and from previous quarters allow us to obtain the growth rates of the economy for the first nine months of the year, and have a clearer idea of how it will be at the end of 2012. During the first nine months of 2012, GDP grew 5.6% compared to the same period (January-September) in 2011, driven by a 3.3% growth in public GDP, and 6.4% in private GDP; although these rates show that we emerged from the slump of 2009 and 2010, they are still below the rates of previous years.





Sources: BCV and Ecoanalítica

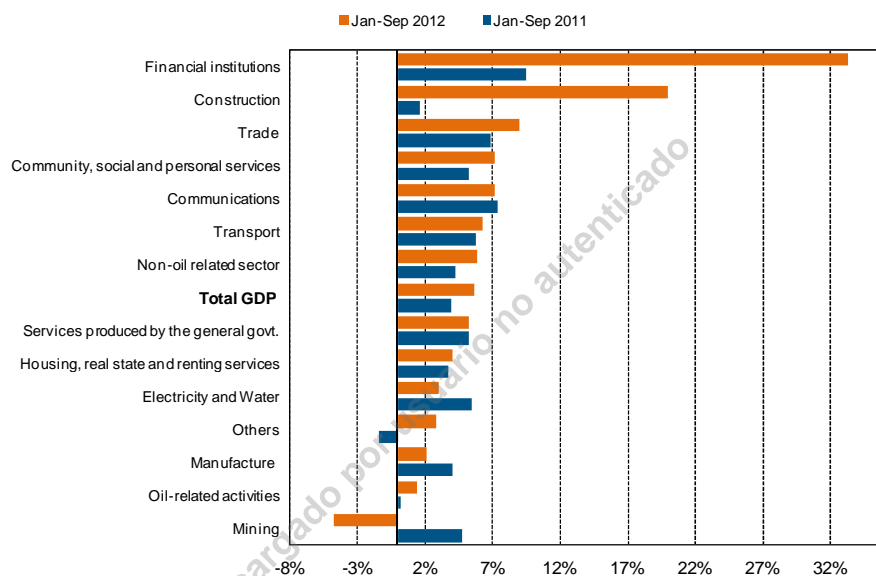
Non-tradable goods, the driver

The sectors that have become “the drivers of the economy” for the first nine months of the year are financial and insurance institutions, which grew 33.3% compared to the first nine months of 2011, construction which grew 20% in its added value, driven by state policies on housing, and trade 9%, so we can say that non tradable sectors have “supported” the pace of growth; in the meantime, tradable sectors (non-oil) like manufacturing and mining had an unsatisfactory behavior, the former with a 2.1% growth, and the second with a -4.8% drop.





Growth by economic activity



Sources: BCV and Ecoanalítica

Although throughout the year, non-tradable sectors have driven growth, the three press communiqués of the BCV regarding GDP evolution mention that one of the determining factors of the “favorable” behavior of economic activities is “the greater supply of imported inputs and raw materials destined for production”, so it is not by chance that imports increased 21.2% during the first nine months of the year.

This is compounded by the fact that most of the foreign currency entering the country come from a single activity, because as we said in a previous section, not only a large part of the goods we consume are imported, but even the production of national goods and services –tradable and non-tradable - is significantly determined by the availability of foreign currency.

A dynamic demand

On the other hand, the demand of final goods and services was dynamic, with a 11.5% growth during the first nine months of the year, driven by the 5.9% growth of the government’s final consumption, and of 6.9% in consumption, the repression of inflation, and an important expansion of public spending during the months prior to the electoral campaign. Export demand fell 0.3% between January and September, compared to the same period in 2011, due to a 20.4% reduction in non-oil exports, while oil

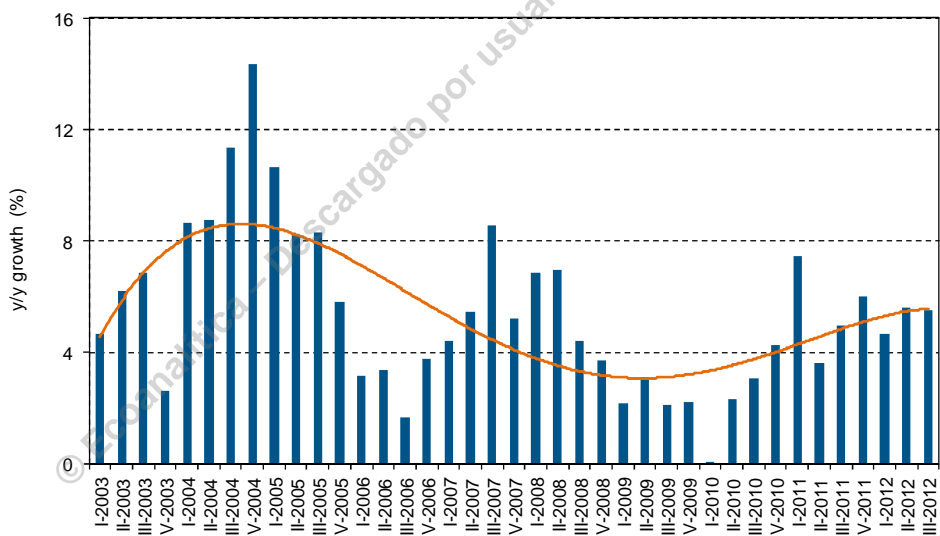


exports only increased 5.2%, driven by a 6.5% growth in oil production during the first nine months of the year (according to OPEC figures).

Growth and “wellbeing”

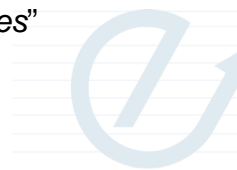
GDP and consumption have increased, but for the purposes of the “*quality of life of Venezuelans*” Jorge Giordani, Minister of Planning and Finances, said that the growth of the item classified as General Government Service Producers must be taken into account for 39 consecutive months, which for 3Q2012 had a participation of 12% in the consolidated GDP, with a 5.5% growth. An activity that according to the Minister has an influence is the provision of education and health services, which translate into an improvement in the quality of life of Venezuelans.

Real growth of the Services produced by the General Government



Sources: BCV and Ecoanalítica

Although it cannot be denied that more education and health services contribute to improve the quality of life, a growth in that “activity” doesn’t imply *per se* a growth in government services. According to the “program to update macroeconomic estimates” (Pracem), published by the BCV, which guide the estimates made by the BCV, the production of general government goods and services is classified as “another non-market production”, a type of production “*supplied to homes or the community as a whole, free or at insignificant prices*” and evaluated “*by adding the costs incurred in intermediate consumption, payment to wage earners, fixed capital consumption, and other taxes, minus the production subsidies*”



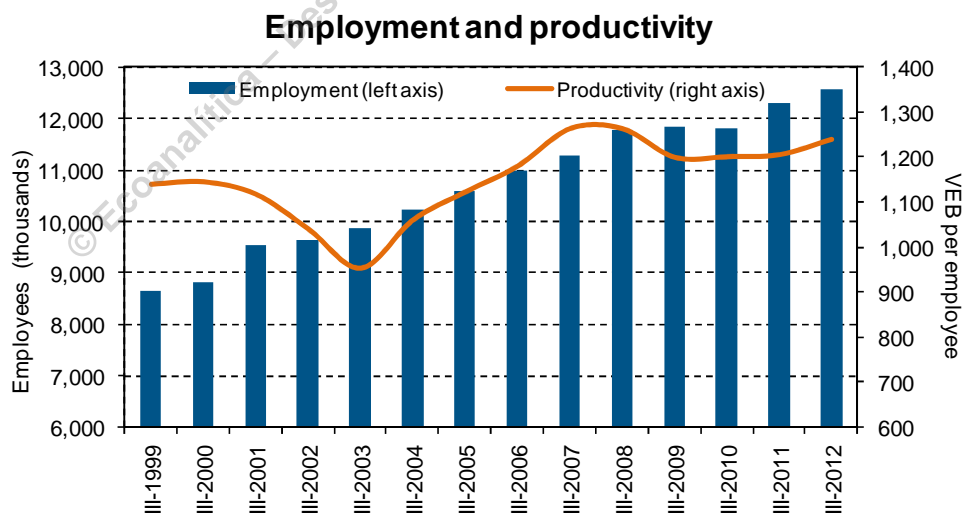


Indeed, the difficulty in estimating the value of goods that are not merchandise makes the evaluation method used by the BCV appropriate, but to interpret the growth of government services as the most important fact is more than questionable, because the sustained increase in real terms of the costs of providing a service doesn't necessarily mean a greater provision of said service or an improvement of its quality.

And productivity?

Most governments defend and maintain policies like job creation, forgetting that the ultimate goal of work is to generate products that can be used to meet the needs of the population.

A higher employment rate has been considered another positive aspect of a favorable GDP evolution, an employment that has also been qualified as "productive". Although there is no doubt that an increase in employment is noteworthy, 44.6% between 1Q1999 and 3Q2012, productivity per worker, measured in bolivars per worker (at 1997 prices) has only increased 12.2%, so the increase in employment has not translated into a creation of goods and services in the same proportion.



Soures: BCV, INE and Ecoanalítica

Growth has slowed down, and although the engines are still on, the last results presented make a growth of 6% seem unreachable for 2012. The "disappointing" quarterly results have been accompanied by a discourse in which both the growth of added value of an activity in which only costs are accounted, and in a productivity that hasn't taken off, are considered



“outstanding”, while the constant imbalances and the dependence of certain sectors are dismissed. Although the outlook doesn’t seem favorable for 2013, we must take into account that Venezuela has what many countries would like to have: a growing and increasing demand, and the availability of a significant wealth of resources, factors that together with the proper policies, could significantly boost supplies, and mitigate the imbalances seen so far.

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Economic Tips

Once again, last place. A ranking by the Competitiveness Institute of the ADEN Business School in Argentina, Venezuela has the last place of all the Latin American countries in terms of competitiveness. The evaluation by ADEN considers aspects such as satisfaction of basic human needs, institutional transparency, macroeconomic stability, health, education, market competitiveness, worker's efficiency and access to technology.

Sitme's supply is dry. Despite the fact that Sitme's liquidation of foreign currency reached US\$127 million, the amount negotiated by the end of the week (US\$17,3 million) shows that the Sitme is drying up. At *Ecoanalítica*, we consider that an injection of bonds from the banking sector (that has a US\$2.000 million bond stock) could sustain the system until the beginning of 2013.

And BCV is running short on currency. According to BCV figures, liquid reserved reaches US\$1.600 million in October, 11,1% lower than the US\$1.800 million recorded in September. The information issued by the monetary authority keeps indicating that most of the country's reserves are non-operative (around 75% of the BCV assets are monetary gold), and the total reserve assets locates at US\$25.86 billion, under the "optimal" level of US\$ 26.8 billion.

Expenditure increases. According to figures by the Ministry of Finance, 82% of the approved budget (VEB 349,529 million) had been executed by the end of October. The amount executed up to the end of the 10th month of 2012 represents an increase of 12.4% compared to the VEB 256,317 million executed in the same period of 2011. The presidential elections and the increased size of the State inside the economy have had an impact on the behavior of the Central Government's expenditure.

The 60's are back, baby. According to BCV figures, the size of the industry inside the GDP is the same as half a century ago. The manufacturing sector represented 14% of the GDP back in 1965, exactly the same percentage by the end of the first semester of 2012. Economist José Guerra affirmed that "*the marker indicated that the national industry produces proportionally the same as five decades ago*".

Supervised prices for the holidays. Minister of Nutrition, Carlos Osorio, informed that a supervision of the typical products of the December holidays will begin next Friday, in order to prevent food price speculation. Osorio pointed out that special attention will be given to olives, capers, panettoni and Christmas ham. He also



informed that Mercal expects to sell about 14,000 tons of pork thigh on its “Feria Socialista Navideña”.

Living in Caracas: expensive. A study about the cost of live carried out by the firm EuroCost International affirms that Caracas went up by 23 places in the “most expensive cities of the world” ranking. The Venezuelan capital is only surpassed by Sao Paulo and Rio de Janeiro, the most expensive ones in South America. Caracas is now the 20th most expensive city in the world. The study considered inflation, health costs, housing, school expenses and the food basket during the month of June.

Interest rates. The lending rate for the second week of November was at 16.5%, up by 0.5 percentage points compared to the previous week. The time deposit rate remained unchanged since July 2011 in 14.5%, while the passive rate has not experienced any significant variation since November 2011, placing well at 12.5%.

International reserves. International reserves decreased 3.2%, going from US\$25.98 billion during the second week of November to US\$25.14 billion during the third week of November. Compared to the same period last year, international reserves have decreased by 9.5%.

Monetary liquidity. Monetary liquidity (M2) up by 1.8% in the second week of November compared to the previous week, settling at VEB 610.6 billion. The M2 has increased 56.7% in relation with the same period last year.

Sitme figures. So far this year, US\$8.98 billion have been negotiated through the System for Foreign Currency Transactions (Sitme), averaging US\$41.6 million a day, with an implicit exchange rate of 5.3 VEB/US\$; this represents an increase of US\$1.4 billion (18.6%) over the same period of 2011, when US\$7.6 billion were negotiated. Lastly, during the second week of November the amount traded reached US\$127 million, US\$19.0 million less than the previous week when US\$108 million were traded, with a daily average of US\$25.4 million.





Oil Tips

Refining falls. The difficult situation of Venezuelan refineries is forcing an increase in the import of Methyl Terbutyl Ether (Mtbe) to produce gasoline. Javier Larrañaga, former manager of the Cardón Plant, explained that *“in Venezuela we have the capacity to produce Mtbe, but the alkylation plant in Cardón stopped, and so has the one at El Palito, so the production is not what it should be”*; this implies an additional burden to the already tight budget of Pdvsa.

5 per month. This is the rate of accidents recorded by Pdvsa for 2012, according to sources related to the industry. By the end of October there were 54 accidents in Pdvsa facilities. According to the data supplied, 16.3% of the incidents were due to mechanical problems and equipment failure, 24% were occupational accidents or operational mistakes, 9% were explosions, 20.3% spills, and 31.4% broken pipelines and fires.

It is felt in production. By September, the number of accidents was higher than the total number for 2011, which was 48. The effects of these events were felt particularly in production drops and in damages. According to a review of newspaper items made by sources related to oil, daily losses are between 45,000 and 60,000 barrels of oil per day (kb/d).

Looking for alternatives. Although Pdvsa hasn't issued official data on the amount of the accounts payable, debts with suppliers have accumulated this year. Sources indicate that although Pdvsa has paid very few debts, they are making an effort to pay through mechanisms other than cash. Although it has been said that the bonds of the Uruguayan company Ancap owned by Pdvsa could be used to make payments, more than two months have gone by since the possibility of paying with bonds was announced, but nothing has crystallized.

Production falls in October. According to OPEC's monthly report, Venezuela's crude oil extraction fell 1.8% in October. According to secondary market sources, during the tenth month of the year Venezuela produced 2.34 mb/d, a drop of 45 kb/d compared to the 2.38 mb/d of October, 2011. However, month by month, Venezuelan production increased 18.30 kb/d (0.7%) compared to September of this year.

According to Pdvsa... it also fell. According to Venezuela's statistics for OPEC (the so-called direct sources), crude oil production was 2.78 mb/d in October, a drop of 33



kb/d (1.2%) compared to 2.81 mb/d in September. Altogether, OPEC's production reached 30.95 mb/d in October, including the extraction of Iraq, a violation of the maximum production of 30 mb/d agreed by the organization during its mid-year meeting.

Towards energy independence. The recent report of the US Department of Energy (DOE) made an unexpected announcement: The country is planning to surpass Saudi Arabia as hydrocarbon producer by 2017, and by 2030 it plans to be a net oil exporter. US gas and oil production has increased in the last years due to the development of new production techniques, however, the relative cost of oil must be between US\$50/bl-US\$90/bl to guarantee production, so the future of non-conventional crude oil production is uncertain.

Venezuela will miss its main buyer. The DOE's announcement, that the US will no longer depend on imported oil by 2020, will directly impact Venezuela's oil income, since supplies to that country represent 43.6% of Pdvsa's exports of crude oil and its products. José Toro Hardy, former director of Pdvsa, said that the government must change its oil trade policy to compensate the loss of its main client, mainly because the other volumes of oil exported to other countries don't represent an immediate income of currency.

The coke paradox. For several years, getting coke from oil, a byproduct of oil refining, has become an issue in the Jose Industrial Complex, due to a lack of dispatch and utilization facilities. The paradox is that while gigantic coke mountains accumulate in Jose, the basic industries of Guayana have stopped due to a lack of calcinated coke and metallurgic coke supplies, required as inputs by Carbonorca, Venalum, Alcasa, and Sidor.

Note even those abroad are safe. According to Ángel Meier, president of the worker's union of Pdvsa's Isla Refinery, the facility was operating at one third its capacity, after the restart of the catalytic cracking unit (FCC) which hadn't worked for four months. The Curaçao Refinery, with a capacity to process 335 kb/d and a wide storage network, has been operating at low rates in the last years due to frequent issues in the industrial services supplied by the Island's government.

Venezuela: just oil to give. During the 1st Meeting of National Oil and Gas Companies of Unasur, Faddy Kaboul, planning director of the State Owned Company, presented joint development opportunities for Unasur countries, including projects in the Orinoco Oil Belt, off-shore gas production and the Deltana Platform, as well as in refining and petrochemistry. Kaboul said that the development of the FPO, the largest reservoir of liquid hydrocarbons in the world, represents great possibilities for Unasur.



International baskets. Last Friday, November 16th in New York, WTI remained stable at the same price of last week, closing at US\$85.8/bl. Meanwhile, Brent increased by 1.6% to reach US\$ 109.5/bl compared to the previous week when it reached US\$107.7/bl.

Local basket price. On Friday, November 16th, the Venezuelan oil basket price closed at US\$95.9/bl resulting in a decrease of 0.5% compared to the US\$96.4/bl recorded the previous week. Meanwhile, the average of the Venezuelan oil basket stands at US\$ 104.1/bl.

Business Sector Tips

Automotive sector received US\$ 2.04 billion. Cadivi said in a communiqué, that for the year the automotive sector has been assigned US\$2.04 million for ordinary imports, Aladi agreement, and Sucre. The commission indicated that these data were given to sector representatives during a meeting. "*Cadivi is an official entity that has opened its doors to the private sector*".

Loan portfolio grew 26.8% in October. According to last figures released by the Bank Superintendent's Office (Sudeban) in October, gross credit portfolio of commercial and universal banks grew 50.3% in nominal terms and in real terms (excluding inflation), it meant a year-to-year increase of 26.8%, up 18 percentage points (pp) from real increase experienced in October 2011 (8.7%).

More micro credits. In relation to the structure of the banks' loan portfolio in terms of economic destination, all sectors showed year-to-year increases in real terms, led by micro credits (+64.6%), which posted the highest increase since March 2006, followed by tourism (+37.9%), commercial credits (+35.7%), placements earmarked for the manufacturing sector (+31.5%), agricultural credits (+23.0%), consumption credits (+17.5%) and finally mortgages (+6.7%).

Commercial credits' share increases. Concerning share in loan portfolio, commercial loans grew a little more than 2.5 pp, from 36.4% in October 2011 to 38.9% in the same month 2012, followed by the 1.1 pp increases in micro credits, reaching 4.7% of total portfolio. Mortgages, in turn, recorded a marked drop, from 13.9% in October 2011 to 11.7% in October 2012. Similarly, the share of consumption credits and credit cards decreased to 16.9% and 16.5%, respectively.



Delinquency drops. Concerning portfolio quality, improvements were reported in all credit destinations. Therefore, delinquency indices in micro credit portfolio (Due Portfolio + Portfolio in Litigation / Gross Portfolio) registered an annual decline of 1.5 pp, from 2.7% in October 2011 to 1.2% in the same month 2012, followed by 0.9 pp and 0.6 pp drops in delinquency in portfolios earmarked for agricultural sectors and mortgage to levels of 1.9% and 1.6%, respectively. This improvement in bank's portfolios that are in dire straits is attributable to the higher increase in local economic activity.

From bad to worse. Carlos Larrazábal, president of Conindustria, said that for the first time, the lack of raw materials is the main problem industries face, greater than political uncertainty. He also said that the Law of Costs is causing historically high levels of shortages. During an event on the perspectives and challenges for 2013, Larrazábal said that his sector isn't expecting immediate significant changes from the government, and that the Administration's insistence on the Labor Law and the implementation of the communal State are the next challenges.

The threat of Mercorsur. According to a flash survey carried out by Conindustria, 51% of Venezuelan industrialists consider that Venezuela's entry to Mercosur will be negative, 41% didn't show concerns about the country's entry to the regional block, and only 8% is planning to increase production to export products. Conindustria's survey also revealed that 93% of those consulted consider that the investment climate in the country is negative.

The exchange rate issue. Conindustria's survey also revealed that only 8% of those surveyed said that their currency requirements were 100% covered; 30% said that they were partially covered, and 62% said that it was poorly covered. In this sense, one third of those surveyed said that the main challenge for this year will be obtaining foreign currency, 30% said that it will be to look for "more efficiency", and 14% said that complying with the labor laws will be the main challenge for 2013.

More foreign currency, please. Carlos Larrazábal, president of Conindustria, asked the Administration to speed-up the liquidation of foreign currency. The representative said that Cadivi has delays of up 150 days, compounded by the drop in the amounts negotiated through Sitme to "extremely low" levels. This situation has made the debt of domestic companies with international suppliers increase significantly, and credit lines with the home offices are to the top.

The time is over. Last Thursday, November 15, the time for pharmacies to register their cost structures before Sundecop was over. According to the organization's information, at the end of October, 2,275 pharmacies had registered, however, sector estimates indicate that in the country there are almost 6,000 pharmacies. Of these,



the small and independent ones are those with the greatest problems to register in Sundecop's Automated Price System (Sistema Automatizado de Precios - Sisap).

Medication regulation...almost there. William Contreras, Sundecop intendant, said that at least 9,000 medications will be regulated by the Law of Fair Costs and Prices. He added that the entry into force of this regulation is expected *"in the next few days"* and is part of the new stage in the price control process of the health sector. He said that a new price control system will be established that considers medications as a social good and not as merchandise.

Regulation vs. Review. Freddy Ceballos, president of the Pharmaceutical Federation, said that most medications are being regulated, as part of a State policy, but there must be a periodic review of prices to avoid serious distribution problems. Ceballos said that if this periodic review is not done within Sundecop, there will be supply issues in the pharmaceutical market.

Threats and sanctions. The Venezuelan Pharmaceutical Federation declared an emergency after the statements of Karlin Granadillo, national superintendent of Costs and Prices (Sundecop). The President of the Pharmaceutical Federation said that most medications are being regulated, a State policy according to which, pharmacies that didn't register in the Automated Price Administration System during the time frame established, will be sanctioned. *"It is unexplainable that the Regulating State itself is promoting the destruction of the most susceptible area of the medication distribution sector..."* he said in a communiqué. The federation urged the Superintendence to evaluate the situation and propose an internal review, before sanctioning more than half of the independent pharmacies.

Electric power sector mired. The Federation of Electric Power Workers (Federación de Trabajadores Eléctricos -Fetraelec) published a document informing about the reality of the electric power system. They say that "36% of the installed generation capacity, 23,554 megawatts (Mw) is unavailable "due to the regular shutdown of some units and plants". Workers say that the *"Total Interruption Time (TTI) indicator is 39 hours/year, when the Latin American TTI is 6 hours/year. This is one of the main indicators of the quality of service"*.

No CO². The *"intermittent operations of Pequiven El Tablazo and the unexpected shutdown of the Pequiven Plant in Morón"* have made the companies grouped in the National Association of Beverages (Asociación Nacional de Bebidas Refrescantes - Anber) reach *"critical inventory raw material levels"*. Anber indicated in a press release that *"they are facing an emergency for the Christmas season due to insufficient supplies of raw materials for the production of carbon dioxide (CO₂), essential for the production of malt and carbonated beverages"*.



In 2013 the Misión Vivienda will continue. For 2013, the government aspires to build 300,000 houses through the Misión Vivienda and thus, the injection of funds, and the control of the distribution of inputs will increase, and the search for idle urban lands will continue. The 2013 Budget Law states that investments in the house construction program will be VEB 29.90 billion, but only VEB 2.90 billion are through the Housing Ministry, most resources will be channeled through the other funds that the Administration has for projects.

World Economy Tips

The Sandy effect. To the weakness of the US industry was added to the effects of hurricane Sandy, making industrial production fall 0.4% in October, after increasing 0.2% in September. The drop was the result of a 0.9% reduction in manufacturing, while the production of high tech goods increased 1.1%. The US Federal Reserve indicated that industrial production could have increased approximately 0.6% if the climatic phenomenon hadn't occurred.

Avoiding the abyss. After attending a meeting between President Barack Obama and republican and democrat leaders of the Senate and the Chamber of Representatives, Timothy Geithner, US Treasury Secretary, said that an agreement in the next few weeks is "feasible" to avoid the feared "fiscal cliff", and massive cuts of at least US\$500.0 billion in 2013, which would make the country enter a new recession.

Meager growth at the EU. According to figures of the Statistics Department of the European Union (EU), the community's GDP increased 0.1% in 3Q2012 (a/a). The EU countries with the greatest growth in 3Q2012 were Latvia (5.3%), Estonia (3.4%) and Lithuania (3.3%); while the countries with the sharpest drop in their product were Greece (7.2%), Portugal (3.4%), and Italy (2.4%).

Unexpected results in France. According to preliminary data of France's Office of Statistics (INSEE) the nation's GDP increased an unexpected 0.2% during 3Q2012. Despite the good news, fears that the French economy could go into a recession at the end of the year remain, and as an anticipated signal of this, the INSEE reviewed the industrial production for 2Q2012 downward, falling 0.1% (a/a) after being estimated as stable.



Growth in Germany slows down. According to the Central Bank of Germany (Bundesbank) the country's GDP growth during 3Q2012 was 0.9% (a/a) a slowdown compared to the rates in prior quarters. The lower dynamism of the German economy was due to a significant drop in the demand for industrial products, a drop of 2.7% for domestic demand, and 3% for foreign demand, both affected by the slowdown of the industrial economy.

But the country is still attractive. According to Germany's office for Statistics, 501,000 people moved to that country during the first semester of the year, a 15% increase compared to the same period in 2011. Although most immigrants came from Poland, the Statistics Office said that arrivals from Greece increased 78%, while those from Spain and Portugal increased 53%. Despite signs of a slowdown, the relative strength of the labor market attracted an increasing number of workers from Southern Europe to Germany last year.

And Spain is plummeting. The Spanish GDP fell 1.6% (a/a) during 3Q2012, 0.2% more than in the previous quarter, according to data published by the National Institute of Statistics (INE) of Spain. Despite the stable 2.4% growth in export demand, a sharper drop in domestic demand (4% a/a) made the Spanish economy have negative growth rates for the fifth consecutive quarter.

Buy a house and get your residence. Jaime García-Legaz, Spanish Trade Secretary, announced that the government is considering changing the law to grant residence permit to foreigners who buy a home for more EUR160,000. This measure has the purpose of driving real estate sales, one of the sectors that has been more severely affected by the financial crisis in the country. According to García-Legaz, the target markets are *"the Russian or the Chinese, which already have a significant housing demand in Spain"*.

What had to happen, happened. Yoshihiko Noda, Japanese Prime Minister, dissolved the lower chamber of his country's parliament, and called for elections, leaving the oppositions with no arguments for the political blockade against the promulgation of the necessary laws to increase public spending and stimulate the economy. The parliament was dissolved after the growth figures revealed that the growth of third economy of the world fell to 3.5% (a/a) during 3Q2012.

India opens up to foreign investment. India started lifting its barriers to foreign investment, and recently eliminated the restrictions against large retailers and against companies in the aviation industry and audiovisuals, while they are studying proposals to increase the foreign investment allowed for insurance companies and pension funds. Although the measures are aggressive, foreign companies must associate with Indian companies to enter that Asian market.



Political Tips

Reconciliation knocking at our doors? William Ostick, State Department Spokesman, said that the United States believes it is important to maintain diplomatic relations with Venezuela. *"We have important issues to discuss with the government of Venezuela"*, he said to AFP, however *"I can't predict when both governments will be ready to exchange ambassadors"*. Nicolás Maduro, Venezuelan Foreign Affairs Minister, said that after the reelection of Obama, his government *"has no problems"* in reinstating the ambassadors, which have been absent since 2010.

In a HR Paradise. During the opening of the ninth forum on the Rights of Children and Adolescents, Luisa Estella Morales, President of the Supreme Tribunal of Justice, said that in the last years Venezuela has strived to strengthen all policies that guarantee and promote the defense of human rights (HR) and thus, has been able to fulfill the guidelines established by international organizations on that matter.

MUD won't discuss. Without extending a formal invitation, ruling party spokespersons are willing to have the opposition participate in the discussions about the government program. What is the response of the opposition? The Mesa de la Unidad Democrática clarified that they are not avoiding the discussion of Hugo Chávez's government program, but won't do so during the regional election period, because they consider that the dialog that the ruling party is proposing is just a distraction, and a way to test the reaction of society to their proposals.

"They must know that it is a lie". President Chávez said that the opposition "is lying" when it says that the government is trying to call for a National Constituent Assembly (Asamblea Nacional Constituyente - ANC) to eliminate governors and mayors. It is not the same as calling for a debate, as part of a process to create a new homeland", he said. In this sense, he said that "to make a new Constitution, a National Constituent Assembly (ANC) would have to be summoned, but not during this period of debate of the project for the nation.

CNE says no. The Voter Information System (Sistema de Información al Elector - SIE) won't be eliminated. Although Súmate and the Carter Center urged the National Electoral Council to remove the SIE, or make it optional, the majority at the CNE agreed to maintain it for the regional elections of December 16, with one vote against from Vicente Díaz, who says that SIE doesn't provide relevant information and generates delays.



Black sheep. While Latin America moves forward, Venezuela seems to be a burden for the region. According to the last Democratic Development Index published by the World Bank, in the last decade the democratic system has consolidated in the region. However, in the report that German Foundation Konrad Adenauer has been doing since 2002, there are reversals in several countries, specifically Venezuela, located at the bottom of the ranking, that is, the worse democracy, or the least developed among the 18 evaluated.

First things first. Mercedes De Freitas, director of the NGO “Transparencia Venezuela”, said that for communal councils to be *“a real instrument for participation, there must first be more decentralization, that is, more power, autonomy, and resources for governor’s and mayor’s offices”*. De Freitas said that the General Comptroller’s task is to evaluate the communal councils and explained that there is no information about the resource allocation and their use by these people’s power organizations.

Selective comptrollership. Due to alleged corruption actions, the Attorney General appointed a prosecutor with competence in the whole nation, and Yanis Domínguez, anticorruption prosecutor 12 of Zulia, to start a criminal investigation against State governor Pablo Pérez. Perez is now part of the list of opposition governors being investigated: Henri Falcón, Morel Rodríguez, César Pérez Vivas, and José Gregorio Briceño.

Legislatives Tips

Street discussions. From November 14 to 30, there will be debates at the Diego Ibarra square in Caracas, as part of the event that the ruling party calls *“Constituent process to elaborate the second socialist development plan for the Nation 2013-2019”*. Likewise, in each state of the country, a public space called “Ciudad Debate” will be enabled to gather the proposals of the citizens.

The scheme to calculate rentals is ready. The law of real estate rentals has been in force for one year, and it was this week that the methodology to calculate the rental rates for housing units became official. Article 74 of the law establishes that the Ministry of Housing must issue a table with the types of housing, considering their structure, walls, roof, flooring, sanitary, electrical and mechanical facilities; also sewer facilities, doors, windows, and any other distinguishing characteristic of the units.



The discussion of the 2013 budget continues. The Finance and Economic Development Commission of the National Assembly (NA) continued the discussion of the 2013 budget this week. This time they presented the expense forecasts for next year, particularly for ministries and institutions ascribed to the vice-presidency for the economic and productive area. Projects were presented in oil and mining, industries, agriculture and lands, tourism, science, technology and innovation, trade, food, and electric power.

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ECONOMIC OVERVIEW

