



## Weekly Report

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### *The endless story of inflation in Venezuela*

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During most of 2012 the Government contained inflation by delaying the price adjustment of controlled products –a long list of foods, medicines, and personal care items-, assigning a large amount of cheap dollars to the private sector and importing a large volume of products –mostly food-, a strategy that started wearing out last December.

In 2013 the devaluation of February, the lower assignment of currency to the private sector, the lack of alternative mechanisms to Sitme –which was eliminated in February and supplied those who suffered the delays in Cadivi's assignment- and the rise in the price of the dollar in the parallel market–due to a lower supply and increasingly negative expectations- has led to the escalation of inflation and unprecedented shortages for the last 7 years. This rendered the idea proposed at the beginning of the year by Nelson Merentes Minister of Finance, and–then President of the Central Bank- non-executable, since manufacturing production increased only 0.6% between June 2012 and June 2013.



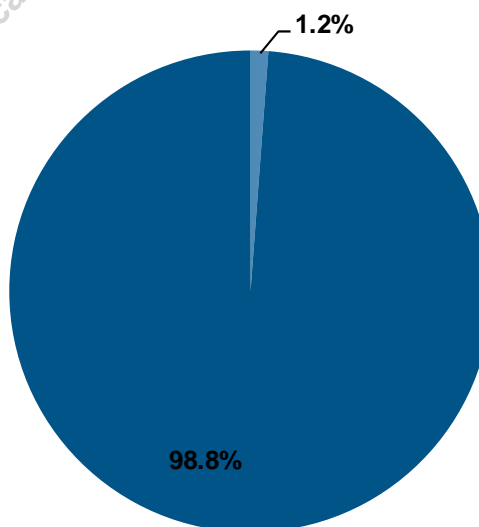
### Yet another improvisation

By not making provisions, and with upcoming elections, the Government opted to mitigate the problem of inflation using the inventories of the private sector “in an involuntary manner, alleging the assignment of dollars at VEB 6.3/US\$ to announce price drops “*Black Friday*” style in appliances, while the country is about to receive a “wave” of public imports, which besides food, there are also items such as toys, so that “*parents can by Christmas presents to their children*”.

**Ecoanalítica** considers that the Government’s measure to “set fair prices” of the last two weeks won’t significantly reduce inflation, because so far the prices that have been adjusted only affect 1.2% of the Venezuelan consumption basket. However, the measure could lead to greater shortages in the next months since merchants –not only those in the areas presently affected – may be motivated to reduce their inventories to minimize losses given the possible adjustment of prices below replacement costs, thus reducing trade activities and affecting related activities such as transportation.

### Household appliance's weight of the total NCPI basket

■ Household appliances and tools      ■ Rest of the items



Fuentes: BCV y Ecoanalítica

### A structural evil?

High inflation has been a persistent phenomenon in Venezuela, so much so that it is dubbed as structural by many. The reason of its existence has also been blamed to the so-called Dutch disease, that is, the entry of large

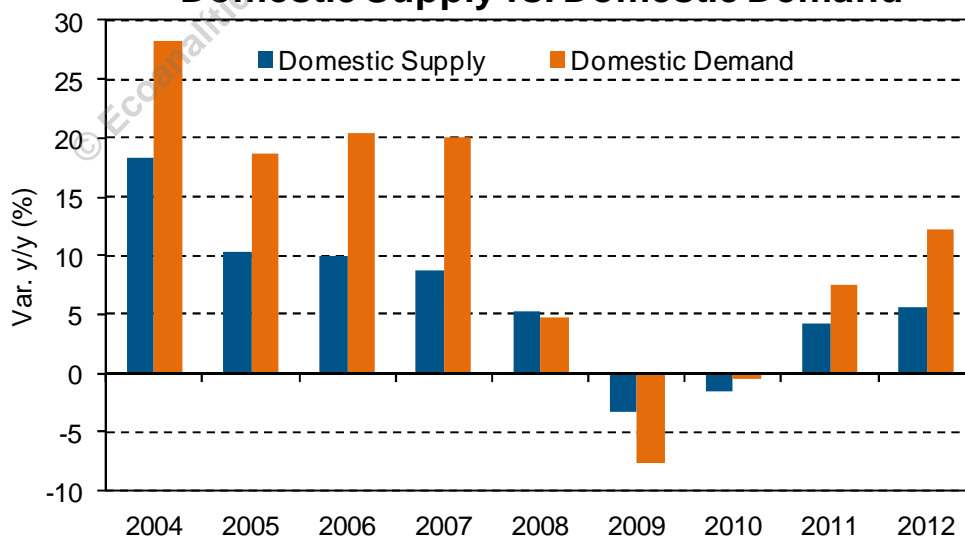


amounts of dollars through oil exports, that when converted to the local currency leads to the issuing of bolivars and to a domestic demand that pushes prices upwards, mainly in the services area.

The fact is that the constant rise of domestic prices has led to multiple factors, from devaluations, cost indexing, a constant monetary expansion, and above all, a significant gap between the supply and the demand of goods and services, which have not been dealt with correctly by the different governments.

In the last years, the greater pressure on prices came from the goods and services market and the exchange rate market. In the former, there has been an increasing demand, driven by public spending, and above all social spending by the Government, a suitable environment for any company wanting to expand; unfortunately, the increase in demand was accompanied by the stagnation, and even contraction in some sectors - in the supply of products, due to obstacles in obtaining currency, price regulations, the risk of expropriations which discourage productive investment, and the presence of a constant over-valuation of the currency, making trade more profitable than manufacturing.

### Domestic Supply vs. Domestic Demand



Fuentes: BCV y Ecoanalítica

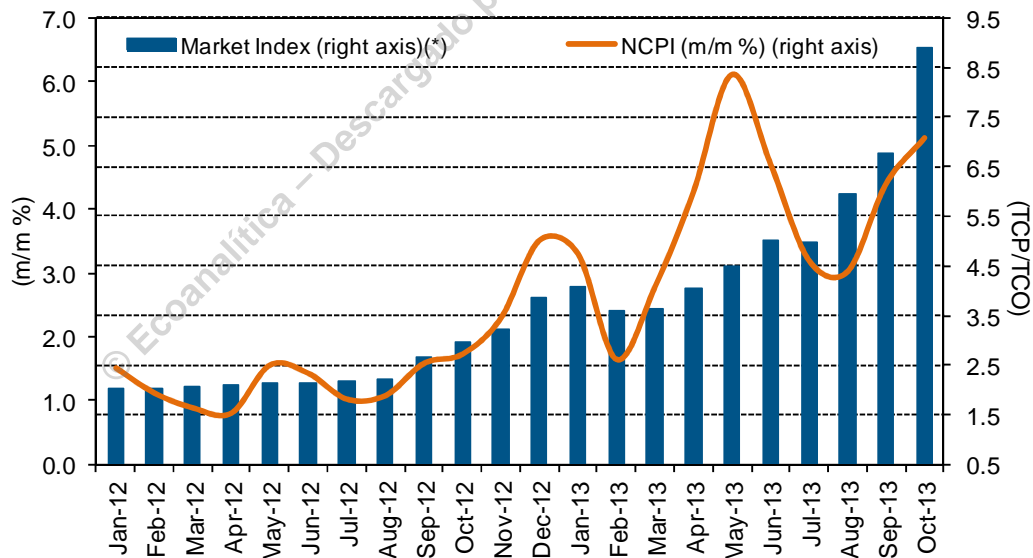
In the exchange rate market, over-valuation has made the currency demand grow exponentially, and the most profitable business in the



country is to acquire currency at the official exchange rate, making it even more difficult for producers and even marketers to obtain currency, and forcing them to go to a market where the exchange rate is much higher than the official rate and is much more volatile, thus significantly affecting the establishment of prices.

Also, the common delays of Cadivi, and the way in which this mechanism liquidates the dollars (after the closing of imports) force importers to go to that alternative market and not receive dollars at the official exchange rate, so that becomes, whether they have Cadivi dollars or not, a price marker for the replacement of merchandise. Thus, although most imports have been made through Cadivi at an official exchange rate that varies once a year, the domestic prices vary monthly, linked to the price of the parallel dollar which varies every day.

### NCPI vs. Market Index



Sources: BCV y Ecoanalítica

\*Note: Due to the Exchange Control Violation Law prevents the publication of the value of the parallel exchange rate, in **Ecoanalítica** we have created a market index, consisting of the ratio between the exchange rate in the parallel market (TCP) and the official exchange rate (TCO).

### Or poorly structured solutions?

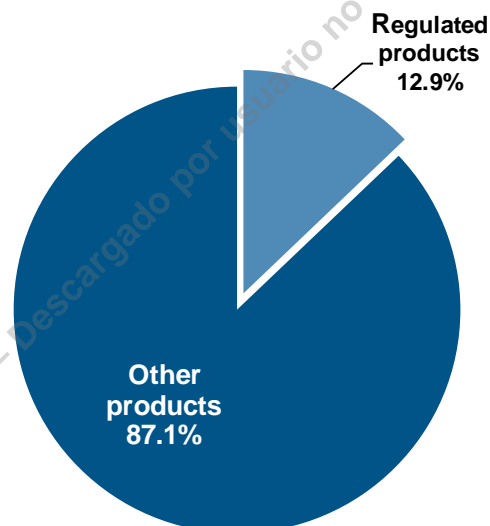
Among the measures that the Government has adopted to fight inflation, are price controls of products considered basic, which further discourages their production domestically, particularly when prices are not updated in up to 55 months, while the industry producing them faces a significant inflation in the cost of raw materials, and have to make significant salary adjustments for employees. Price controls are not new, they existed in the



governments of Jaime Lusinchi and Rafael Caldera (second period), when the annual average inflation was 29.3% and 55.4% respectively.

**Ecoanalítica** estimates that 12.9% of the goods and services that the average Venezuelan consumes are subject to some type of price control or subsidy (direct or indirect). Nevertheless, the country remains is still in the 10 countries with the highest inflation since 2006, according to the World Bank (WB).

### Weight of Regulated Products in the NCPI Food Basket



Sources: BCV and Ecoanalítica

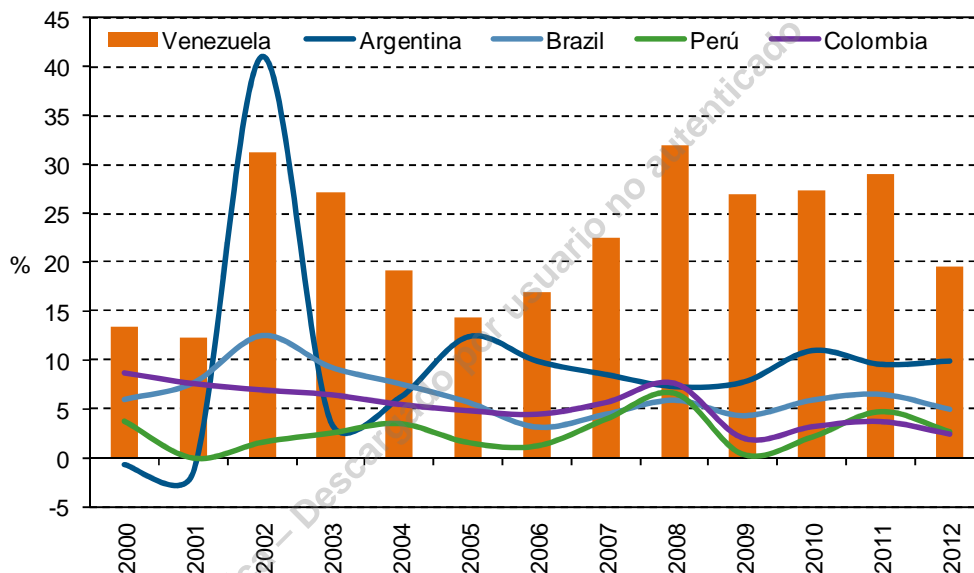
Price controls have been implemented together with a fixed exchange rate that hasn't helped curb the price of imported goods, given the exchange rate control that has restricted the supply of dollars, and fostered, together with the over-valuation of the currency, the emergence of parallel markets and opportunities to "speculate".

Along the sidelines, there is the Central Bank of Venezuela (BCV) with no responsibility in exchange rate matters, and apparently free of blame, but which due to its inaction has contributed to the persistence of inflation. While the Central Banks of countries like Brazil, Colombia and Peru, with flexible exchange rate systems and economies that are more open and exposed to the recent global crisis, have used their policy instruments (interest rate controls) to regulate liquidity and keep inflation at bay, the BCV has created a scenario of high liquidity to promote greater economic



growth, but given the obstacles in supplies, the result is a greater amount of circulating goods, with fewer goods to buy, leading to inflationary pressures.

### Venezuela's Inflation vs. Some Latinamerican countries



Sources: BCV, IMF and Ecoanalítica

#### Deflation by Decree?

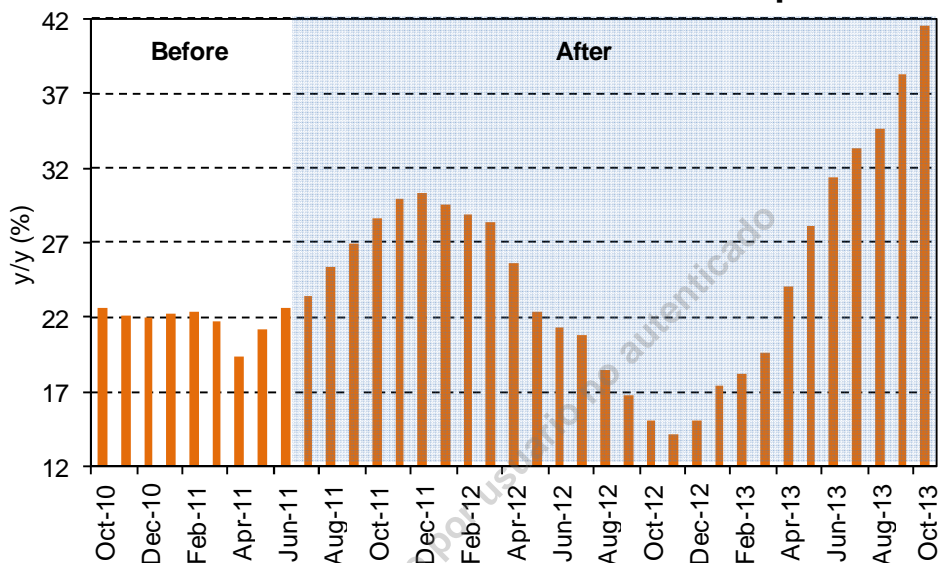
Nicolás Maduro, President of the Republic, said that he will continue implementing actions to fight price increases, which according to him are due to the “speculation of merchants”, and said that he will use the powers granted by the National Assembly (NA) through the recently approved Enabling Law, to issue a law of “prices, costs, and profits”, in order to set “fair prices” for the goods and services in the economy and limit profit margins between 15.0% and 30.0% depending on the productive sector.

This is not the first time that the Government regulates prices and costs. In July, 2011, in order to fight “speculation, which leads to inflation”, the Law of Fair Costs and Prices was issued, to establish a registry of production and marketing costs for the goods and services produced, imported or traded in the Venezuelan economy, and this establish fair selling prices. This law had a transient impact on prices, but didn't contain price variations, not even of controlled products which between July 2011 and October 2013 had a variation of 76.9%.





### NCPI Before and After Sundecop



Sources: BCV and Ecoanalítica

Regarding the establishment of profit limits, **Ecoanalítica** considers it difficult to match the profits of industrial sectors with different types of production, different financial costs (given the existence of credit portfolios at the same rates), and within the same industry, different companies with different degrees of efficiency in the use of resources. Among the adverse effects of measures like the one described by President Maduro (imposing profit margins of 15.0% and 30.0%) are: an over-estimation of costs by companies being audited, the drop of private investment, and the drop in income tax collection in the affected sectors; so this is not a regulation that will encourage national production, although it would partially mitigate shortages and inflation.

#### What to expect for 2014

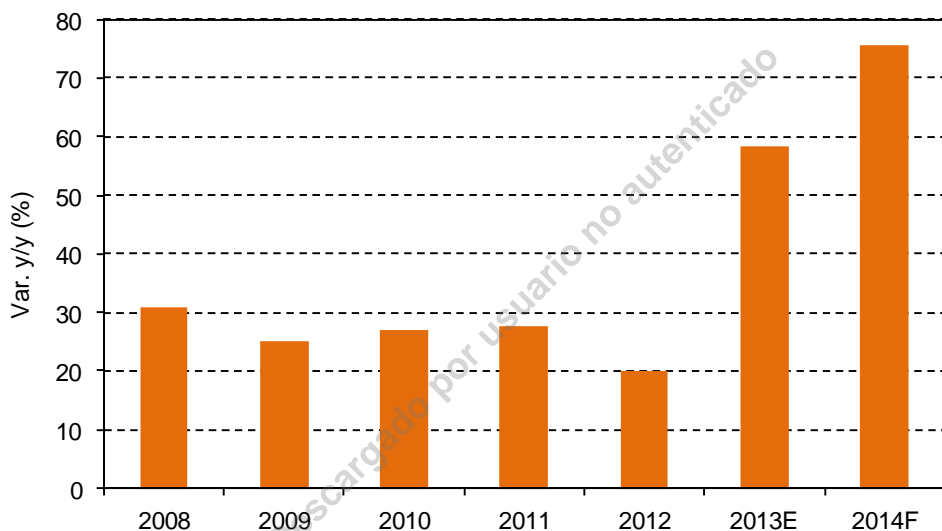
Minister Merentes has said that for 2014 the great challenge of the Government, in economic matters will be to “*increase production in areas that are essential for Venezuelans*”, among them food, personal hygiene products and cleaning products, to “*make progress in slowing down inflation*”, which he expects to be at 26 - 28%. His words are reminiscent of his statements last year, regarding the measures to be implemented this year, words that apparently were swept by the wind.

**Ecoanalítica** expects that a devaluation from VEB 6.3/US\$ to VEB 11/US\$ (74.6%) for food, medicines, and basic items, and to VEB 14.5/US\$ (130.2%) for everything else; the restriction in the generation of



currency and thus the possibility to import –given a 5.5% drop in oil prices - and the continuing expansive monetary policy, will be reason enough for inflation to triple government estimates, at 76.1% for 2014.

### NCPI



Sources: BCV and Ecoanalítica



## Economic Tips

**Food basket increased by 3.5% in October.** According to figures released by the National Statistics Institute (INE), the food basket value was VEB 3,161.4 in October, up 3.5% from September and up 53.5% from October 2012, thus meaning that the reference food basket increased VEB 1,224 in one year.

**Chicken eggs registered the highest cost.** VEB 47.13 was used to buy these products, up 157.3% points from October 2012. The second most expensive group was mangos, for which VEB 19.88/kg was used and registered a year on year variation of 53.5%.

**Minimum wage only covers 85.8%.** The above signifies that minimum wage isn't enough to buy basic foodstuffs, because a worker earning the minimum wage (VEB 2,702.7) could only buy 85.8% of the basket estimated by INE.

**There are dollars?** Nicolás Maduro, President of the Republic, said that there are enough dollars in the country, and that there won't be a shortage. He also said that 30.0% more has been invested compared to what had to be invested in dollars through the different mechanisms that grant currency, like Cadivi, Sicad, for the proper functioning of the economy.

**Reserves for only 4 months of imports.** BCV figures show that by mid- November international reserves were at US\$20.69 billion, 31.0% less than the amount during the same period in 2012 and the lowest since 2004. Taking as a reference that the country's total imports (CIF) amounted to US\$65.36 billion in 2012, it is evident that the present reserves only cover 3.8 months of imports.

**Alternative market will help balance the currency budget.** The vice-president for the Economic Area, Rafael Ramírez, recalled the proposal of the alternative currency market as an option to relieve Pdvsa's burden of being the country's main and greatest supplier of currency. The high official announced to Pdvsa's partners that they will be able to open their accounts in dollars in Venezuela to participate in this new market. *"We told them that they have to bring their dollars, because we are going to have a complementary system to enable changing the currency"*, said Ramírez.

**Less production, more shortages.** Our director Asdrúbal Oliveros gave his opinion regarding the statement of Minister Rafael Ramírez (saying that Cadivi had granted



US\$33.00 billion for imports), and said that that figure doesn't correspond to the reality. Oliveros said that there is a strong restriction in the delivery of currency at the official rate, which was reflected in the balance of payments of 1S2013.

**Currency demand in Sicad falls.** Results announced by BCV showed that the demand of Sicad fell 15.7% in the eighth auction. The information states that US\$81.63 million were assigned between individuals and companies, the latter through Pdvsa 2035 bonds. The companies obtained VEB 71.6 million. This is the first time that Sicad doesn't place US\$100 million.

**Travelers left out of the new auction.** The BCV called for a new auction of the Complementary Currency Administration System (Sistema Complementario de Administración de Divisas - Sicad) for individuals, for US\$5 million, where travelers may not participate. The call indicates that individuals may opt for a minimum of US\$500 and a maximum of US\$2.500 for studies abroad, health related expenses, scientific research, sport, culture, and other special emergency cases.

**Audits won't stop.** President Nicolás Maduro said that the audits that the government started two weeks ago will be permanent, and will be protected by the Enabling Law. *"They will be permanent, now under the enabling law (the audits) and we guarantee the supply of all dimensions of the country's production and marketing chains"*, said Maduro. He explained that his Government is *"establishing the new system to monitor the permanence of measures to lower the prices of all products"*.

**The debt also increases.** The public finance entity revealed figures that state that by 3Q2013 the domestic debt was US\$66.70 billion and grows 12.0% compared to 2012, when it was US\$59.60 billion. After the devaluation in February of this year, the authorities announced that the domestic debt balance dropped 32.0%, but indebtedness increased, minimizing the effect of that reduction.

**Single registry for small entrepreneurs.** President Nicolás Maduro announced that the Government will soon open a registry for small and medium entrepreneurs, to administer the money of a protection fund to guarantee the sale of products at fair prices. *"We are ready... for me to protect you; you must tell me who your suppliers are. We will stabilize prices, if it is possible"*, said Maduro. He also announced the future creation of the National Foreign Trade Center, to centralize the control of the currency assigned through Cadivi and Sicad.

**Public bank credits increase.** The net credit portfolio of public banks increased 72.2% a/a, at US\$157.67 billion for October, according to the monthly report published by the Superintendence of Banking Sector Institutions (Superintendencia



de Instituciones del Sector Bancario - Sudeban). While credit intermediation of public banks increased 0.49 percent in October compared to the previous month, at 45.6%.

**Interest rates.** The lending rate for the second week of November was at 14.9%, down by 0.5 pp compared to the previous week. The time deposit rate was at 14.5%, without variations compared to the previous week, while the passive rate has not experienced any significant variation since November 2011, placing well at 12.5%.

**International reserves.** International reserves decreased by 2.9%, going from US\$21.31 billion during the second week of November to US\$20.69 billion during the third week of November. Compared to the same period last year, international reserves have decreased by 17.7%.

**Central government expenditure.** On Friday August 16<sup>th</sup> according to figures from the ONT primary spending was VEB 18.59 billion, which means an increase of 253.1% when compared to the previous week when it was VEB 5.27 billion; when compared to the same period last year we observe an increase of 251.8%. So far this year the cumulative primary expenditure in real terms (measured in 2007 prices) is VEB 71.17 billion, with a variation (y/y) of -14.1%.

**Monetary liquidity.** Monetary liquidity (M2) increased 2.0% in the second week of November compared to the previous week, settling at VEB 1,060 billion. The M2 has increased 73.6% in relation with the same period last year.

## Oil Tips

**Pdvsa will issue bonds for US\$4.50 billion.** The price of the Venezuelan sovereign debt bonds of Petróleos de Venezuela (Pdvsa) fell between 1.0% and 4.0% due to actions by the Administration against appliance stores. However, this didn't prevent Pdvsa from officially announcing a new issue of bonds for US\$4.50 billion, of which US\$3.0 will be to finance the debt with contractors, and the remainder will be transferred to BCV to solve the country's currency liquidity needs.

**The Pdvsa 2026 bond will be a private issue.** According to Official Gazette N° 40.295 the private offer of the Pdvsa 2026 bond was authorized. The issue price was 100% of its face value, the coupon 6% annual, payable every six months, and the minimum negotiation amount will be US\$100 in integral multiples of US\$1. The



operation shall be coordinated by Citibank and Evrofinance, and will be done through the Luxembourg Stock Exchange.

**It will help pay the debt.** One third of the US\$4.50 billion in Pdvsa issues will be used by the oil company to reduce part of its debt with BCV. At the end of September, BCV's financing to Pdvsa reached the record figure of VEB252.500 billion, which at the official exchange rate is US\$40.00 billion. So these bonds would only represent around 4.0% of the debt. The finance team of the oil company is sure that next year there will be a devaluation that will help reduce the amount of this debt.

**Now not only do we subsidize fuel, we also import it.** Despite having the largest reserves of crude in the world, last year Venezuela became a net fuel importer due to severe issues in its refining network. Lack of maintenance and last year's explosion at the Amuay refinery limit the present crude processing rates, forcing Pdvsa to import components and finished products, while domestic demand increases rapidly due to fuel subsidies and the installation of more thermoelectric plants.

**U.S. will become the largest crude oil producer in 2015.** According to the last annual report of the International Energy Agency (IEA) the U.S. will become the largest producer of crude in the world by 2015, ahead of Russia and Saudi Arabia, thanks to the energy *boom* due to the use of hydraulic fracturing techniques to develop shale oil. The oil revolution in the U.S. led to a greater level of energy Independence, producing in October the greatest amount since 1989, and a reduction of imports to levels comparable to those in 1991.

**Shale gas debate in Europe.** European Union (EU) politicians and experts met to analyze the revolution of the energy sector and the use of shale gas in Europe, highly exploited in the US. The agenda dealt with the economic viability of this gas, its social acceptance, and energy security. Defenders of shale gas development underscored its low price for consumers, and the creation of jobs, while detractors underscored its high environmental costs.

**International oil baskets.** At closing time on November 15<sup>th</sup> in the New York Stock Exchange, the price of the WTI was US\$94.1/bl, down by 0.2% when compared to the reported the previous week. The Brent increased by 1.3% when compared to the previous week, to reach US\$106.6/bl.

**Local oil basket price.** The Venezuelan oil basket price closed last week at US\$92.5/bl on Friday November 15<sup>th</sup>, a 0.5% increase compared to the US\$92.1/bl of the previous week. The annual average price of the Venezuelan oil basket is US\$101.8/bl.



## Business Sector Tips

**The State will import appliances.** The head of the Higher Entity for the Defense of Popular Economy, Hebert García Plaza, informed that the State will import directly the products to replace the inventory of appliances. *"We met with the large distributors. They presented a list of the appliances they need and the government, through the Ministry of Trade, is undergoing the administrative process to acquire them"*, he said. He added that the products will be distributed by stores that were audited and that sold their goods through supervised sales operations.

**Price of cell phones, tablets, cars and spare parts will drop.** President Nicolás Maduro announced that the price of cell phones, lap tops and tablets will be reviewed. *"Cell phone prices are also falling because they were being sold at exorbitant prices"*. Maduro warned that the Attorney General has the order to incarcerate any person that tries to cut in the lines where *"the people are waiting in peace"* to purchase appliances at "fair prices".

**Threatened by the authorities.** After several days of ordering price reductions, stores in the country's shopping malls have queues of shoppers hunting for products at low prices. Some store salespersons said they had been threatened with incarceration by Indepabis officials if they don't implement the price reduction, *"the crime of usury is paid with imprisonment. Look for your invoices and books that tomorrow we will audit them"*, were the words uttered by officials.

**Government signs an agreement with Mabe.** Minister Ricardo Menéndez said that *"Mabe will join the Venezuelan State and expand its production capacity. It is a matter of great strategic importance"*. He also informed that this agreement will achieve an annual production of 150,000 appliances, which in the future will be exported to Members of Mercosur, Petrocaribe and the Bolivarian Alliance for the Peoples of Our America (Alba).

**By their own free will.** Transportation companies, manufacturers, importers and distributors, said they would announce in the next few days the price discounts for spare parts and vehicle parts. The information was confirmed by Haiman El Troudi, Minister of Ground Transportation, after a meeting with 50 representatives of the area, urging them to lower the price of products.





**Fined for usury.** The bus manufacturer Encava, in Carabobo, was fined for usury with 5,000 tax units (UT), within the framework of an operation carried out by Indepabis, said Ricardo Menéndez Minister of the People's Power for Industry this Thursday. At the public transport vehicle producer, he said that in the next 72 hours the team of inspectors will remain at the site investigating the alleged crimes identified during the inspection.

**Government intensifies surveillances in the food sector.** The Government will increase the supervision of distributors of pre-cooked corn meal and powdered milk, said Félix Osorio, Minister of Food. Osorio said that during the supervisions of silos and supermarkets, a possible extraction smuggling was detected, *"we found raw materials in greater amount than the inventory of the National Superintendence of Agricultural Silos, Warehouses and Deposits, there is a great mafia that is detouring the merchandise"*, he said.

**Airplane tickets must adjust to a price band.** The National Civil Aeronautics Institute (INAC) met with representatives of national and international airlines that operate in the country to discuss the price and the re-sale of tickets. Pedro Alberto González, President of INAC, said at the meeting that *"the price of international tickets must adjust to a price band"*. On September 12, the institute asked airlines to *"present their cost structures, to evaluate the price of their services, to start the review of international airfares"*.

**CVG postponed the payment agreed to Sidor's Class "B" shareholders.** Sidor Class "B" shareholders were expecting on November 15 the reimbursement of the first part of their shares, but the commitment made by the head of the CVG, Carlos Osorio, was not honored. Representing the entity, Andrés Morffe, informed that to carry out the transfer of actions, two steps are required, administrative and legal: first verify the status of shareholders and update their data, and second, finalize the share transfer contract.

**Strike in Sidor deepens.** Sidor and CVG Directors warned, in an internal bulletin, that they would discount the salaries of workers that remained in their protest strike. The warning has been interpreted as an attempt to beat the labor protest, by going against the family income. It is also interpreted as a new offensive of Nicolás Maduro against steel workers, whom he has repeatedly insulted in radio and TV joint mandatory broadcasts, in an attempt to criminalize their demands. The new labor conflict, the third in the last two months, occurred because grassroots workers and trade union sectors consider they are being mocked.





## World Economy Tips

**Bernanke isn't trusting.** Ben Bernanke, President of the US Federal Reserve, said that the Central Bank will be watchful to prevent inflation from decelerating too much, compared to 2.0% target of the FED. *"As you know, my mandate ends in a few months and I would like to leave with an unemployment rate at around 5 percent instead of 7 percent. It is important that we continue providing the support necessary for people to recover their jobs, and prevent inflation from decelerating too much"*, said Bernanke.

**New economic and social reforms in China.** China announced on Friday a detailed reform plan which promises great changes in the economy and the social web of the country, in an attempt to promote new sources of growth given the present signs of a slow-down. A document distributed by the Communist Party reveals that the Asian country will speed up the convertibility of the capital accounts, eliminate residency restrictions in small cities and towns, integrate social, urban, and rural security systems, and implement an environmental tax, among others.

**Recovery of the Euro zone slows down.** The economic recovery of the Euro zone slowed down more than expected in 3Q2013, dragged by France and Italy, but remains in positive terrain thanks to the economic growth of Germany. The Economy of the Euro Zone grew 0.1% between July and September compared to the previous quarter, when it increased for the first time 18 months.

**MEDE as last resort.** The ministers of finance of the European Union agreed that the European Rescue Fund, MEDE, will be available as a last resort to compare the shares in banks that need to be rescued, if neither the investors nor the Government are willing to provide funds. *"The direct re-capitalization instrument could also be used when the agreement with national procedures and the Euro zone enters into force, in line with the agreements of the Euro Group June, 2013 and after the implementation of the Single Supervisory Mechanism"*, said the Ministers.

**Germany will support its recovery.** The German economy is growing steadily, so the Central Bank of that country, the Bundesbank said that the growth of its economy will consolidate in the next months thanks to domestic demand and a better global outlook. *"There is a good chance that Germany's growth will strengthen even more in the upcoming months. Although exports have lost some impetus, and entrepreneurial*



*investment has dropped, many areas of the domestic economy, like housing construction and private consumption are growing”, said the bank in a report*

**Ireland won't ask for a credit line.** Enda Kenny, Prime Minister of Ireland, said that the country will make a clean exit from the bailout granted by the European Union and the International Monetary Fund (IMF), and won't need a precautionary credit line the next month. The European Commission, the European Central Bank, and the IMF considered finalized the last aid portion, for EUR 85.0 billion two weeks ago, with paved the way for Ireland to complete its exit from the rescue by the end of 2013.

**Spanish debt reaches 92.7% of GDP.** Data from the Bank of Spain revealed that the public administration debt in Spain increased in September by around EUR 10.00 billion and is around EUR 954.86 billion. This debt volume is equivalent to around 92.7% of GDP, compared to the revised government target for 2013 of 94.2% of GDP.

**Leaving the bailout by June 2014 is essential.** Paolo Portas vice Prime Minister of Portugal, said during a visit to Spain that the Portuguese government is willing to exit the community aid program in June of next year, and recovery the sovereignty of the country. *“We don't want more time, more money or more Troika. We want to end the program by June”,* said Portas.

**Several budgets could violate EU laws.** The European commission explained that the draft budgets of Italy and Finland for 2014 run the risk of violating the laws of the European Union, while those of France, Spain and the Netherlands barely abide by the rules. It is the first time that the administrative arm of the European Union reviews the fundamental principles of draft budgets of Euro Zone countries, before they are given to the national parliaments to check whether they are in line with the block's laws.

## *Political Tips*

**Maduro gathers strength in economic matters, with total power.** President Nicolás Maduro received from the National Assembly a group of special powers (decrees with force of law) to fight corruption and what he has called an *“economic war”* with the approval, in its second discussion, of the Enabling Law. These powers may be used by the head of state for one year.



**Maduro doesn't understand why lowering prices is being rejected.** President Nicolás Maduro made a public consultation through Twitter, consulting the people why the Mesa de la Unidad Democrática (MUD) rejects and opposes the measures implemented by the National Government against speculation. *"I ask you all, why is MUD rejecting the measures I took to lower prices. Why are they making up lies to defend the usurers?"* asked Maduro in the social network.

**Maduro wants the enabling law to concentrate power.** Representative Julio Borges explained that already *"in other enabling laws, the fair prices law had been approved, so what are they going to approve now. You want the enabling law to concentrate power around you"*. He also said that the opposition brought in laws signed by the people that have not been approved by the Assembly. *"We brought the first job law, the benefit tickets (cestaticket) for pensioners, the "misiones" law, and they put them in the back drawer"*, said Borges.

**Refrigerators with no food.** Henrique Capriles Radonski, governor of Miranda, blamed the Government of Nicolás Maduro for destroying national production. *"Do you know why prices increase?, because if there are no dollars, there is no food, and if today we have less dollars, because oil production isn't enough to buy everything, what happens? When our people go out to buy, everything is gone, and it isn't replaced, and the price of whatever little is left, is up in the skies. That is the way the economy works anywhere in the planet"*, said Capriles during an internet broadcast.

**Campaign starts with great media broadcast.** The electoral campaign started with a heavy media component for chavismo with statements from President Nicolás Maduro asking to have an *"elevated and pedagogical"* electoral campaign. This came together with statements from several candidates and political figures, covered in full by State owned media. Adán Chávez, Governor of Barinas, said that *"the electoral machine is ready and in gear for December 8"*, while the Governor of Carabobo, Francisco Ameliach, called upon his followers to organize themselves.

**Maduro institutionalized electoral opportunism and advantages.** Vicente Díaz, CNE director, is still trying to make electoral rules be followed. His last battle at the National Electoral Council (CNE) is to try that the *"Day of Loyalty and Love to Hugo Chávez"* doesn't threaten the democratic quality of the municipal elections. Nevertheless, as in other occasions related to the Presidency of the country, his posture isn't supported at the meetings of directors of the electoral entity.

**The Government gave Cuba our sovereignty.** Representative Maria Corina Machado said that President Nicolás Maduro encouraged *"looting from Miraflores, they have given Venezuela away, our marred sovereignty has been given to Cuba"*. Machado also said that with the Enabling Law *"the Government is marking the end of*



*this regime, the end of this nightmare. You, Mr. Maduro, have been in power for 15 years. You have controlled all the money, all the institutions, all the weapons, all the dollars, all the power. What have you done with this power? You have ruined Venezuela”.*

**David Uzcátegui once again suspended.** With little time for the elections of December 8, the Supreme Tribunal of Justice (TSJ) eliminated the opposition candidate for the Baruta Mayoralty, David Uzcátegui, by once again suspending him. The decision was made by the Constitutional Hall, which rendered ineffective decision number 1047, made in July, annulling the permit to hold a public post imposed by the General Comptrollership of the Republic for five years.

## Legislative Tips

**Enabling Act approved.** The Enabling Act that gives President Nicolás Maduro the ability to issue decrees with the force of law for one year was published in the *Extraordinary Official Gazette* N° 6,112. It was requested by the President to fight against corruption and the "economic war". On regard to the fight against corruption, the law allows to strengthen penalty mechanisms, make rules against money laundering, combat illegal financing of political parties, among other measures, while on economic defense, it allows the President to plan, rationalize and regulate the economy towards economic stability and strengthen the fight against hoarding and speculation and regulate currency applications.

**VEB17.80 billion in additional credits approved.** The extra-budget spending of the Government continues to rise: the NA approved last week VEB17.80 billion in additional credits, to cover labor liabilities in the public administration, so extraordinary operations authorized in the year reached VEB240.0 billion.

**Funeral Services Law approved.** The Law to Regulate and Control Funeral and Cemetery Services was approved on Tuesday, November 19 at the plenary of the NA. The purpose of the legal instrument with 62 articles is to regulate and control the activities and conditions of funeral homes and cemeteries, as well as protect the rights of users, and the implementation of health, environmental, and civil rules related to those services.





## ECONOMIC OVERVIEW

