

Venezuela's Trade Interconnectivity

Economic *interconnectivity* among nations can be defined by the growth in bilateral relations in the accelerated process of globalization that has taken place from the 1980s to the present day¹. This interconnectivity manifests itself in the two channels via which transborder economic shocks are transmitted: the financial channel and the trade channel.

As a matter of fact, the 2007-2008 global financial crisis drew much more attention to the former and a greater level of scrutiny. The trade channel has attracted far less emphasis, even when it has involved the real sphere in the equation of bilateral relations. However, understanding the dimensions and dynamics making up that trade channel is important when it comes to analyzing international economic crises.

The global series of trade interactions make up a complex system that can be analyzed to assess the degree of participation and, therefore, importance of each country within that system. The results of a recent study on 189 jurisdictions show how Venezuela is positioned within the world trade network and what implications its position in the network has.

Systemic importance

Errico and Massara (2011)² established the bases of an empirical approach for studying the importance of the external sector of countries as participants in world trade. They start from the notion that, regardless of a given country's absolute size (within a jurisdiction) or relative size (within the world system), studying the interconnectivity of those trade sectors is of vital importance. The general idea is that the more numerous links a given jurisdiction has with the world trade system and the stronger those links are, the greater the risks that afflictions in that sector will have repercussions in other jurisdictions, or on the stability of the system in general.

¹ Lane, P. & Milesi-Ferretti, G. M. (2007). *The External Wealth of Nations Mark II*, Journal of International Economics, 73(2), November.

² Errico, M. L., & Massara, M. A. (2011). *Assessing Systemic Trade Interconnectedness: An Empirical Approach* (No. 11-214). International Monetary Fund

Let us take an economy with a significant number of trade ties and trading partners. Modifications in its terms of trade or in its tariff scheme or macroeconomic imbalances that even affect its internal absorption would end up affecting its trade activities with foreign markets, whose effects, adverse or otherwise depending on the shock, would be transferred to (or “infect”) its trading partners. When we speak of a highly connected economy, the contagion of events of this type (particularly if they are unexpected) would be proportionally greater if said connections are strong and numerous.

Based on this argument, Errico’s and Massara’s approach seeks to identify jurisdictions that are *systemically important* for world trade, with the purpose of complementing the International Monetary Fund’s financial interconnectivity studies using information from the IMF’s Direction of Trade Statistics (DOTS).

Cunto (2018)³ uses Errico’s and Massara’s methodology, with some modifications, to analyze a series of more recent data (for 2015), to which he adds groupings by regional groups for comparative purposes. It is on the basis of the findings of this analysis that we will study Venezuela’s trade interconnectivity.

Analysis of networks and international trade

Determining jurisdictions that are systemically important for world trade is a two-stage process. In the first stage, indicators are calculated for the categories of **size** and **interconnectivity** of the external sector for all countries included in the sample, establishing a ranking for each indicator and category. In the second stage, the size and interconnectivity rankings are incorporated into compound systemic importance index, thereby also identifying the most important elements of the network based on both sets of metrics.

Analyzing the size indicators is a fairly direct process. One simply uses measures for evaluating the absolute and relative dimensions of a country’s external sector, namely:

- *Total exports* (X)⁴
- *Total imports* (M)⁵
- *Volume or the sum of exports and imports* (X + M)

³ Cunto, G. (2018) *DataViz: Interconectividad Comercial Sistémica utilizando R*. Universidad Metropolitana (Unimet).

⁴ Valued in nominal US dollars per incoterm FOB (Free on Board).

⁵ Valued in nominal US dollars per incoterm CIF (Cost, Insurance and Freight).

- *Volume as a share of GDP (X + M)*

Using these indicators, a general *size ranking* is calculated based on the average score of the four indicators.

Analyzing the interconnectivity indicators, on the other hand, is a slightly more sophisticated process. A network is constructed based on a series of bilateral relations (in this case exports) between the different jurisdictions. Each country is a node⁶ in the network, and each bilateral relation is a link between those nodes. For practical purposes, this trade network is constructed from an extensive list consisting of only three variables: the exporting country, its counterpart, and a binary value (0 or 1) that identifies the existence of a significant link between the two.

It is on the basis of this series of ties that trade interconnectivity is assessed, determined by a series of *positional characteristics*. These characteristics are a series of properties on the node (country) level that describe the occupancy of a given place, or function, within the trade network. This gives rise to the *centrality* indicators or the indication of the most important actors in the network based on a given metric. The measures assessed are:

- *Degree centrality*: the number of significant links that a given node has. The more links an economy has, the more central it is. This measure can be broken down by the direction of the trade flow into both *in-degrees* (where the country receives) and *out-degrees* (where the country sends).
- *Closeness centrality*: indicates how close a node is to the other nodes in the network.
- *Betweenness centrality*: indicates the number of times a node is on the shortest path; in other words, how often a country serves as “a bridge” on the path or trade relationship between two other markets.
- *Prestige*: is determined by a linear system that calculates the “quality of the company” given by the links. Each country is given a score based on how connected the other nodes with which this specific jurisdiction has links are; in other words, it measures how close a node is to other important nodes.

As with size indicators, a *general interconnectivity* ranking is established based on the average ranking of the five indicators.

⁶ In network jargon, a node is simply a point of connection between several links (in our case, bilateral or trade relations).

Year 14. Number 45 Week III
November 2018

Taking the general size and interconnectivity rankings, a systemic importance index is calculated using a weighted average of both. For the purposes of this study a weighting of 0.7/0.3 (70% for size and 30% for interconnectivity) was used, similar to the relative weights in the IMF's financial interconnectivity studies⁷.

Network construction and processing

To construct the world trade network, export data⁸ (X) from the Direction of Trade Statistics (DOT) for 2015 was used in combination with GDP statistics from the World Economic Outlook Report, both of the IMF. Account was taken only of "significant" bilateral relations of more than 0.1% of the exporting country's GDP. The network covers 189 nodes (countries) and 4,355 links. The information is then processed using a specialized package⁹ in R statistical language.

Global results

The world trade network is represented in Figure 2, where each country is a circular node. The straight lines connecting two nodes are their trade links; and the diameter of each node indicates its size ranking. Only the 50 systemically most important jurisdictions are identified.

⁷ IMF (2010). *Integrating Stability Assessments Under the Financial Sector Assessment Program into Article IV Surveillance: Background Material*.

⁸ Since the network establishes the difference between the exporter and recipient in each link, it incorporates a theoretical explanation by the DOTS in which imports from a jurisdiction are equivalent to the sum of exports of its counterparts to that first jurisdiction.

⁹ Specifically *igraph* (1).

Year 14. Number 45 Week III
 November 2018

Global market network (2015*)



Sources: IMF DOTS, IMF WEO, Cunto (2018) and Ecoanalítica
 *The colors indicate country groups by their market type (Light blue: Sub-Saharan Africa; Yellow: Latin America and the Caribbean; Purple: Independent Community of States; Dark Blue: Advanced Economies; Magenta: Emerging in Asia; Orange: Emerging in Europe; Green: Middle East, North Africa, Afghanistan and Pakistan)

The group of the top 50 countries that together are the most relevant in international trade is dominated by advanced and emerging countries in Asia (26 and 7 countries, respectively) and the other positions are occupied by jurisdictions belonging to groups¹⁰ in the Middle East and North Africa (5); Latin America and the Caribbean (4); emerging economies in Europe (4); the Community of Independent States (2); and Sub-Saharan Africa (2).

¹⁰ The IMF's classification of regional groups is based not only on geographic location but also on level of development, political-historical association, and other factors.

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Year 14. Number 45 Week III
 November 2018

Venezuela is outside this group, occupying the 66th place in the general ranking; and while it is in 50th place in the size ranking, its place in the interconnectivity ranking is much less favorable: 108th.

Systemic Commercial Interconnectivity Ranking			
Jurisdiction	Global ranking	Size ranking	Interconnectivity ranking
China	1	1	2
Germany	2	3	3
United States	3	2	8
United Kingdom	4	5	6
The Netherlands	5	7	1
Iran	62	45	107
Croatia	63	69	54
Peru	64	54	91
Pakistan	65	63	72
Venezuela	66	50	108
Oman	67	58	89
Estonia	68	75	49
Serbia	69	73	60
Bahrein	70	71	66
Tonga	185	183	184
Sao Tome and Principe	186	188	172
Tuvalu	187	189	170
Comoros	188	187	186
Palau	189	186	188

Sources: IMF DOTS, IMF WEO, Cunto (2018) and Ecoanalítica

Results for Venezuela

At first glance, Venezuela's results for 2015 indicate a relatively important position in the network from the standpoint of size, but that is penalized by a comparatively disadvantageous position in terms of interconnectivity. In point of fact, Venezuela has one of the biggest absolute differences between the two rankings (58, the ninth biggest). Let us take a closer look at this result, which is so out of balance, and see how it compares to its regional group or, at least, within the South American subcontinent.

In 2015, Venezuela exported USD 37.3 billion in goods and imported USD 40.1 million, consistent with 52nd place in the ranking for both metrics. With an estimated GDP of USD

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Year 14. Number 45 Week III
 November 2018

242.6 billion, the volume of the external sector was equivalent to 32% of GDP. This figure is relatively low in terms of the system, but is not very different to the figure for Colombia, a neighboring economy. Venezuela is in sixth place in terms of size ranking in the Latin America and Caribbean group behind Mexico, Brazil, Chile, Argentina and Colombia.

Size ranking indicators					
Jurisdiction	General size ranking	Exports (X)	Imports (M)	Volume (X + M)	Volume over GDP
China	1	1	2	1	157
United States	2	2	1	2	185
Germany	3	3	3	3	63
Japan	4	4	4	4	170
United Kingdom	5	9	5	5	151
Nigeria	46	44	54	46	186
Colombia	47	53	47	49	168
Kuwait	48	47	59	51	53
Qatar	49	37	60	45	73
Venezuela	50	52	52	53	165
Ukraine	51	51	55	56	40
Algeria	52	55	48	52	107
Iraq	53	48	58	50	110
Peru	54	57	51	57	150
Nauru	185	180	188	188	13
Palau	186	188	185	185	81
Comoros	187	187	186	186	176
Sao Tome and Principe	188	186	187	187	112
Tuvalu	189	189	189	189	16

Sources: FMI DOTS, FMI WEO and Cunto (2018)

The Latin America and Caribbean group tends to occupy low places in the interconnectivity ranking, having the lowest mean position (97th) of all the regional groups. In the case of Venezuela, it occupies 108th place in the general interconnectivity ranking and 14th place within its regional group (out of 32¹¹).

¹¹ It should be noted that the majority of jurisdictions in this group are small economies in Central America and the Caribbean.

Year 14. Number 45 Week III
 November 2018

Interconnectivity indicators ranking

Jurisdiction	General interconnectivity ranking	Input levels	Output levels	Proximity	Intermediation	Prestige
The Netherlands	1	3	3	3	2	1
China	2	2	41	2	9	5
Germany	3	4	14	5	11	2
Belgium	4	11	2	11	5	3
Italy	5	6	22	4	19	4
Gabon	104	148	78	99	119	102
Costa Rica	105	103	91	114	6	111
Tanzania	106	90	111	104	44	116
Iran	107	51	165	131	98	105
Venezuela	108	57	158	105	34	128
Jordan	109	92	103	107	124	106
Congo	110	124	90	106	68	109
Albania	111	81	107	112	141	104
Mauritania	112	165	88	110	154	107
Yemen	185	110	189	189	167	183
Comoros	186	173	183	183	179	185
Macao	187	149	187	185	168	186
Palau	188	186	188	184	185	189
East Timor	189	189	186	173	188	187

Sources: FMI DOTS and Cunto (2018)

In terms of interconnectivity, the strongest indicators for Venezuela are the intermediation indicator (34th in the global ranking and seventh in Latin America and the Caribbean) and the in-degree indicator (57th in the global ranking and fourth in its group), it being the recipient of 19 significant links. This means that, relatively speaking, Venezuela plays the role of “bridge” between other nodes and at the same time is a significant partner in a not inconsiderable number of jurisdictions.

However, in the rest of the indicators, Venezuela occupies much lower places. Its degree of closeness puts it in 105th place in the global ranking (12th in Latin America and the Caribbean). Its prestige score is worse: 125th in the global ranking and 17th in its regional group. This means that Venezuela is not particularly close to the other nodes in the network in general and that the nodes that are linked to Venezuela do not have very high connection scores either.

Venezuela's worst metric is its out-degree centrality or the significant links that Venezuela has. With only 11 links higher than 0.1% of GDP, Venezuela has one of the lowest export destination scores. Not only does it occupy 158th place in the global system but it occupies 23rd place within the Latin America and Caribbean group along with the Dominican Republic, Jamaica, Saint Lucia and Saint Vincent.

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What do these results mean in a context of economic crisis?

Based on IMF data for 2015, we find that Venezuela occupies a far from insignificant position in the world trade network, but a relatively weak position in terms of interconnectivity for an economy of its size; i.e. it is not a jurisdiction that is systemically important.

On the one hand, this means that the risk of propagating shocks posed by the Venezuelan economy will not have a high impact on the stability of the system in general. On the other, the foregoing means that Venezuela is not completely integrated into the world trade network, which limits its access to the benefits of large-scale trade. What is more, the few recipients of its exports also tell us of the scant diversification of the portfolio of products generated by the domestic market and, therefore, of the marked structural failings that the Venezuela is still suffering from as a result of its heavy reliance on oil activities.

The most sensitive aspect of these findings is that Venezuela's position was based almost exclusively on its size indicators. And, according to data from the DOTS for 2017, exports and imports apparently posted nominal reductions of 12.3% and 65.1%, respectively. Not only would this mean a shock with potential transborder repercussions, it would also further weaken Venezuela's participation in the world trade network and its place in the general ranking. In a way, the loss of trade interconnectivity could be added to the list of economic challenges Venezuela is facing, and neither the starting point presented in this study nor the probable evolution of the indicators offers an encouraging picture for the short or medium term.

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Year 14. Number 45 Week III
 November 2018

WEEKLY INDICATORS

Weekly Economic Indicators			
	4th Week November	Weekly chg. (%)	Depre/Apre (pp) ¹
FX Dicom (VES/USD)	72.79	11.2	10.1
	2nd Week November	Weekly chg. (pp)	Annual chg. (pp)
Lending Interest Rate (%)	22.0	-0.1	1.0
	3rd Week November	Weekly chg. (pp)	Annual chg. (pp)
Overnight Interest Rate (%)	18.1	3.0	17.8
	3rd Week November	Weekly chg. (%)	Annual chg. (%)
International Reserves (USD Bn)	8.8	0.6	-10.4
	2nd Week November	Weekly chg. (%)	Annual chg. (%)
Monetary Liquidity (VES)	260,154,097	4.6	40,097.5
Price of International Oil Baskets (USD/bl)			
	3rd Week November	Weekly chg. (%)	Annual chg. (%)
WTI	57.7	-7.2	3.2
Brent	67.7	-6.2	8.5
Price of the Venezuelan oil basket (USD/bl)			
	3rd Week November	Weekly chg. (%)	Annual chg. (%)
Weekly Average	61.1	-5.5	11.5
Annual Average	65.1	-0.1	43.3

Sources: BCV, MENPET, ONT and Ecoanalítica

* Annual variation of accumulated expenditure.

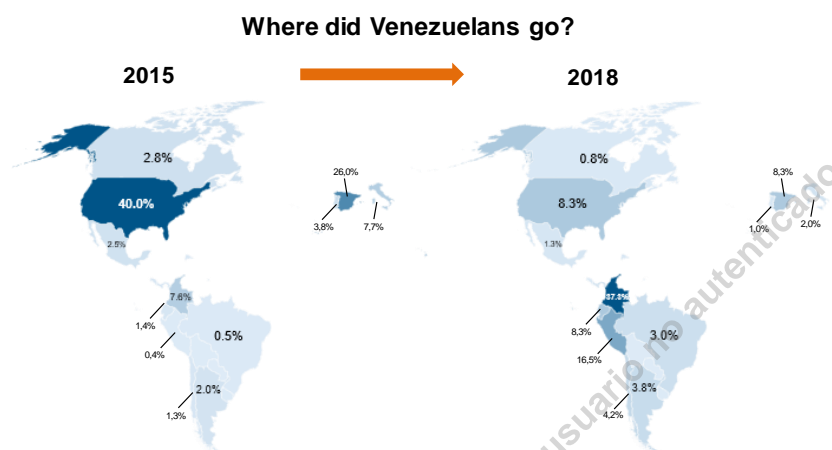
¹ Depreciation (+)/Appreciation (-)

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Year 14. Number 45 Week III
 November 2018

GRAPH OF THE WEEK: “SCATTERED THROUGHOUT THE WORLD”



Sources: IOM and Ecoanalítica

An annual contraction in economic activity of approximately 23.5% and monthly inflation of more than 100% are two of the main factors in Venezuela's current economic situation. Then there are other factors such as the lack of personal safety, the deterioration in public services, and political instability that affect people's daily lives and have prompted many to emigrate from their country of origin.

In which parts of the world are Venezuelans to be found? According to figures from the International Organization for Migration (IOM), in 2015, the majority of Venezuelan migrants were in the United States (49%) and in some European countries such as Spain (26%) and Italy (7.7%). Among the Latin American countries, Colombia had the highest percentage of Venezuelans (7.6%). By 2018, there had been significant changes. Not only had the number of emigrants increased to more than two million, according to the IOM, but now the majority was concentrated in Latin America. Colombia has 37.3% of total Venezuelan migrants, followed by Peru with 16.5% and Ecuador with 8.3%. In view of the fact that these are neighboring countries, these figures also confirm the recent and crude reality of the increase in overland migrations reported during last months.

Given its magnitude, this situation has become an issue of debate in these countries. For that reason, the second International Technical Meeting on the mobility of Venezuelans in the Americas is to be held this week in Quito, Ecuador, at which Latin American governments, along with international agencies, aim to reach an agreement on policies and other actions regarding the regulation of migratory flows.

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ECONOMIC TIPS

Doing its homework. According to the news agency Bloomberg, officers at the Central Bank of Venezuela are working on sending inflation and growth figures to the International Monetary Fund (IMF).

Deadline. According to Bloomberg, in a telephone conference, the IMF notified the Central Bank it had until November 30 to deliver the information. Failure to do so “*could give rise to various sanctions, including voting rights or withdrawal from the fund.*”

Experts in the invisible. President Nicolás Maduro stated that experts in the area had evaluated the performance and characteristics of the Petro. He claimed that the Petro had been classified as an “*innovative project that will open the doors to our development.*”

A work in progress. At a meeting of the High-Level Russia-Venezuela Intergovernmental Commission (CIAN), headed up by Vice President for the Economy Tareck El Aissami and Russia’s ambassador in Venezuela, Vladimir Zaemskiy, it was agreed to hold a meeting on December 13 at which the revision and promotion of bilateral agreements between the two countries would be discussed.

A hidden opportunity? Torino Capital revealed that Venezuela’s exports increased by 2.1% in August compared to July and by 25.1% compared to August last year to USD 3.22 billion. This information comes from data published by Venezuela’s 30 trading partners. It also warned that this trend could be temporary.

Imports down. Torino Capital also published information regarding Venezuela’s imports, maintaining that, in August, they broke with the upward trend of the past three months, down 25% from July and posting a reduction of 9% year-on-year.

Gold via the Petro. Minister for Ecological Mining Development Víctor Cano said that they are thinking of certifying a second gold reserve in Venezuela and that the next step will be to make that gold available to the general public “*via the Petro.*”

Seeking to close the gap? In the past three weeks, the average increase in the DICOM exchange rate was 3.6%. This might seem to be a minimal variation compared to that of other indicators. However, if account is taken of the behavior of the DICOM exchange rate since this system was “re-launched” in August, the average increase has been 0.25% and the highest, in the last week of August, was 1.1%.

Year 14. Number 45 Week III
November 2018

Monetary goals? The growth in money supply in the second week of November was 4.6%, the lowest since the second week of January.

The food basket reaches VES 52,322.32. According to the report of the Social Analysis and Documentation Center of the Venezuelan Federation of Teachers (Centro de Documentación y Análisis Social de la Federación Venezolana de Maestros - Cendas), the cost of the Food Family Basket (Canasta Alimentaria Familiar - CAF) in October 2018 was VES 52,322.3, an increase of 128.2% with respect to the prior month, and 133,443.4% with respect to October 2017.

The behavior of the CAF in October. was marked by an increase in fats and oils (278.7%), meat and meat products (221.3%); beans (155.1%); coffee (127.6%); fruit and vegetables (115.5%); cereals and cereals products (111.4%); milk, cheeses and eggs (103.6%); fish and seafood (79.9%) tubercles and others (78.3%); sugar and salt (52.4%); sauce and mayonnaise (45.9%).

The basic basket reaches VES 82,415.8. According to the report of the Social Analysis and Documentation Center of the Venezuelan Federation of Teachers (Centro de Documentación y Análisis Social de la Federación Venezolana de Maestros - Cendas), the cost of the Basic Family Basket (Canasta Básica Familiar - CBF) in October 2018 was VEF 82,415.8 an increase of 87.0% with respect to the prior month, and 147,229.0% with respect to October, 2017.

The behavior of the CBF in October. was marked by an increase in all of its seven items, among them: housing rent (670.0%), food (128.2%) and health (61.0%).

Twenty-four products are running low. According to the same report, 24 products are in short supply of the 60 that the Basket have (40.0%). Also, there are 34 other commodities that are scarce.

Lunch costs VES 390.0. Also, they enhance that the average cost of a lunch is VES 390.0, while the food ticket costs VES 180, for October. And to buy the basket requires 29.1 minimum wages.

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Year 14. Number 45 Week III
November 2018

The behavior of the CBF in October. was marked by an increase in all of its seven items, among them: housing rent (670.0%), food (128.2%) and health (61.0%)

OIL TIPS

Lines even for gasoline. Waiting in lines to fill up the gasoline tank is commonplace today in Venezuela, according to Reuters. The lack of investment, maintenance and personnel in the hydrocarbons sector are the causes of the sharp drop in the production of crude.

Plan B failed. The shortfalls in gasoline are apparently to be covered by fuel from Curaçao. However, in the wake of the dispute between PDVSA and ConocoPhillips, Isla Refinery is no longer producing any crude, which has made the gasoline shortage in Venezuela more acute.

Plan C failed as well. Reuters also reported that another cause of the shortage was the withdrawal of gasoline from Brazil that was contaminated with the water in the ships' tanks. The water caused the ethanol to exceed permitted levels, which meant that it could not be distributed to the service stations.

Not even at half-steam. At the moment Amuay and Cardón, Venezuela's biggest refineries, are operating at 33% of their processing capacity. PDVSA is only supplying 296,000 barrels a day (b/d), according to the company's internal documents.

From Venezuela to India. It was reported that PDVSA sent shipments of 472.8 kb/d to India in October, nearly twice what it sent in September. This increase in shipments to India explains the reduction in shipments to the United States that same month.

But they're falling. However, the trend of Venezuela's exports to India continues to decline. The average shipment of crude between January and October this year was 351 kb/d, 15% less than over the same period in 2017.

From Venezuela to the United States. On the other hand, PDVSA's exports to the United States are also in a nosedive. The average shipment of crude between January and October this year was 498.4 kb/d, down 20% from the shipments sent during the same period last year.

The replacements. The countries that have partially replaced India and the United States as recipients of Venezuela's crude shipments are Canada and private producers in Brazil,

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Year 14. Number 45 Week III
November 2018

in the case of the United States, and Mexico, Iran, Iraq and the United States, in the case of India.

Replacements in Curaçao. Three employees at Isla Refinery on Curaçao have been replaced as a result of investigations into corruption at the refinery. One of them is the refinery's director, Roderick Van Kwartel, who was replaced by Marelin de Lannoy, the founder of the firm Quality Council NV.

A new refinery in Mexico? Among the political consultations to be held shortly in Mexico is the consultation on the project for the construction of a refinery in Tabasco. Although López Obrador has said the project will only cost 50.0 billion pesos, more realistic estimates put the cost at as much as USD 8.0 billion.

Taking the lead. According to projections by the International Energy Agency (IEA), the United States will provide 75% of the growth in oil supply and 40% of the growth in the supply of gas up until 2025.

The Trifecta. The Organization of Petroleum Exporting Countries (OPEC) has lost all the control it had over the oil market, reports Bloomberg. According to this news agency, three men, President Donald Trump (USA), President Vladimir Putin (Russia), and Crown Prince Mohammed bin Salman (Saudi Arabia), are the ones who will determine the price of crude next year.

Three giants. These three countries produce most of the world's oil. Between them they produce more than the 15 remaining members of OPEC together. Given what has happened this year in the oil market and at OPEC meetings, it comes as no surprise that it will be these three titans that will define the oil market in the future.

BUSINESS SECTOR TIPS

Seeing is believing (I). Minister for the Communes Blanca Eekhout said that the Venezuelan Government was working on consolidating the Economic Recovery Plan via the farming and animal husbandry sector. At Expo Portuguesa 2018, the government showed the strategic regions for recovering the country's production.

Seeing is believing (II). The chairman of the Constituent National Assembly's Workers' Committee, Francisco Torrealba, commented that they were to set up a dialog with the country's business sectors to achieve the stabilization of the country.

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Year 14. Number 45 Week III
November 2018

A farm in Caracas. A socialist commune located in a well-to-do residential area of Caracas turned the backyard of a house into a grazing ground for urban cattle. The leaders of the commune bought 11 450 kilo steers and are keeping them in the garden to fatten them. They said that this was a way of getting cheaper meat.

What about sanitation? The commune has even sold some of the meat from the cattle to at least 100 people. However, neighbors have met to protest due to the bad smell, flies, and health risks this situation poses.

Demanding wage improvements. 150 employees of Ford Motors de Venezuela went on strike last week to demand better bonuses and wages. *Efecto Cocuyo* reported that this initiative did not come from the workers' union.

Corruption at 42 companies. The latest report from the NGO Transparencia Venezuela blames the Hugo Chávez and Nicolás Maduro administrations for the food crisis the country is experiencing. It also specifies that there are 42 companies implicated in cases of corruption, in particular Agropatria, Hidroeléctrica Tocoma, and PDVSA.

45 victims. Last week the number of children suffering from severe malnutrition at Manuel Núñez Tovar Hospital in Maturín rose to 45. Moreover, 45 patients have died from severe malnutrition, which is caused by a deficit in the consumption of calories; the majority of them also presented problems of dehydration.

Living in the dark. La Guajira Municipality in Zulia state has been suffering from power outs in the past month that have left at least 200 indigenous communities without electricity. The mayoralty has submitted the corresponding complaints to Corpoelec but has received no reply.

Meeting in Quito. A second international technical round of meetings on the mobility of Venezuelans in the Americas is to be held in Quito, Ecuador. Representatives from the Office of the United Nations High Commissioner for Refugees and the International Organization for Migration (IOM) are to attend the meeting and they are to be joined by 22 countries as observers and by another 25 international agencies.

Agreeing migratory policies. The purpose of this meeting is to reach an agreement on public policies and other actions regarding the regulation of migratory flows. Ecuador's Vice Minister for Human Mobility Santiago Chávez said that "*we governments must work intensely and in a coordinated manner with international agencies.*"

A problem that affects other countries. He also confirmed that the number of Venezuelan migrants who have entered Ecuador since 2014 comes to 1.2 million. As at

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Year 14. Number 45 Week III
November 2018

October, between 230,000 and 250,000 of them were still in Ecuadorian territory. Given the seriousness of the situation, the Ecuadorian Government considers this meeting to be highly relevant.

WORLD ECONOMY TIPS

US stock market plummets. This crash was due mainly to the technology sector. The publication of lower earnings than expected prompted investors to sell their shares. The drop in the stock market was accompanied by a drop in US Treasury Bills and world oil prices, which hit a 12-month low.

More than one loose end. Investors also mentioned the growing trade tensions, the slowing down of retail sales, and fractures in the credit market as causes of the crash of the US financial market.

United States versus China. US Vice President Mike Pence announced that his government plans to create an alternative to China's Belt and Silk Road Initiative at the Asia-Pacific Cooperation Meeting. Pence took the opportunity to condemn the trade strategies of his Asian counterpart.

The FED continues with the good news. In October, the US Federal Reserve published an increase in industrial production for the 16th month running, this time an increase of 0.1% compared to September. As a result of the continuing trade war with China, economists forecast that this will be the last month to post an increase in production.

Europe on the defensive. The European Parliament plans to establish laws for regulating foreign investment. These laws are to establish regulations that will stop the negative effects of foreign investment on the bloc's national security, consideration being given mainly to Chinese acquisitions that have generated political imbalances recently.

Disasters hit Africa. The drop in oil prices and the increases in interest rates by the FED have prompted several central banks in Africa to consider a cycle of increases in their interest rates. This is due to the fact that monetary policymakers in African countries are putting plans in place to avoid a likely flight of capital.

The Central Bank of India gives in. The Central Bank of India has given an undertaking to the Indian Government to study the possibility of sharing part of its capital. The bank announced that it would set up a panel to consider the funds it could potentially transfer

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Year 14. Number 45 Week III
November 2018

directly to the government but did not agree to the request to lower interest rates to facilitate credits to several banks that are in a precarious situation.

Chile hangs strong. Mario Marcel, the president of the Central Bank of Chile, reported that, even though the Chilean economy had shown a high level of resilience to external shocks, there were elements that could be strengthened, such as the public debt and capitalization of the banks. This announcement was accompanied by an increase in the interest rates to 2.75%, up 0.25 percentage points from the previous rate.

The index has spoken. The Central Bank of Brazil reported that, even though its economic activity index (IBC-Br) was down 0.09% in September, in the third quarter it closed up 1.74% compared to the previous quarter. The IBC-Br is widely considered the datum that reflects Brazil's gross domestic product.

The nail in the coffin. Because of the current state of the markets, Goldman Sachs suggested that investors should dial back on risk. They announced it is time to increase cash holdings and move to more defensive stocks, forecasting a modest 1% return for the S&P 500 in 2019.

POLITICAL TIPS

The rejections continue. The National Assembly rejected President Nicolás Maduro's appointment of chiefs of Venezuela's permanent diplomatic missions. This rejection was due to the fact that the appointment was not approved first by the National Assembly, which means it is in violation of the Constitution.

Actions to be taken. The National Assembly declared that any acts performed by any ambassador who has been appointed without complying with the constitutional control procedure will be considered null and void. It is also to send official communiqués to all the countries to which Nicolás Maduro has appointed chiefs of diplomatic missions without complying with the necessary procedures.

United States exercises pressure on all fronts. The Prosecutor's Office in the United States has accused Raúl Gorrín, a Venezuelan businessman and the owner of Globovisión, of being implicated in acts of money laundering, conspiracy and bribery, apparently committed jointly with Alejandro Andrade and Claudia Díaz, former treasurers during the Hugo Chávez administration.

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Easy come, easy go. According to the Prosecutor's Office, Gorrín took advantage of the exchange controls in Venezuela to perform irregular transactions that, via banks in Panama and Switzerland, allowed him to buy properties in the United States. For that reason, the Prosecutor's Office requested the Miami court hearing the case to order the confiscation of more than 20 properties belonging to Gorrín.

Worrying contradictions. Councilor Fernando Albán's defense team denounced irregularities in the investigation into Albán's death. The documents in the case file to which the lawyers had access state that it was a "*crime of homicide*," and for that reason they are demanding transparency in this case from Tarek William Saab, who, contrary to what the case file states, said that Albán committed suicide.

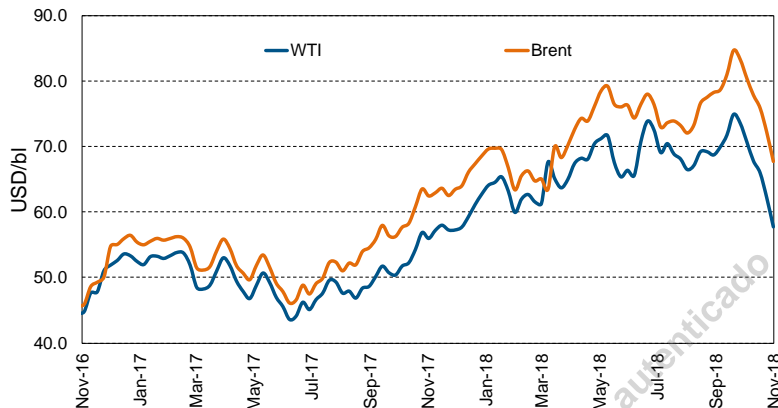
From analysis to action? Delegates from 17 member states of the Organization of American States (OAS) visited the two main border crossings between Colombia and Venezuela. The United States' ambassador to the OAS, Carlos Trujillo, said it was "*an obligation of the OAS*" to help seek a solution to the critical situation faced by Venezuelans who arrive in Colombia.

The death of Alí Rodríguez Araque. The honorary president of Petróleos de Venezuela, S.A. (PDVSA) and Venezuela's ambassador to Cuba since 2014, Alí Rodríguez, passed away on November 19, in Havana. Rodríguez Araque was minister of foreign affairs, president of the state-owned oil company PDVSA, and represented Venezuela before the Organization of Petroleum Exporting Countries (OPEC), where he held the post of secretary general.

An alert from afar. The Supreme Tribunal of Justice in exile requested Jurgen Stock, the secretary general of Interpol, to issue a "*red notice*" with a view to obtaining international cooperation for the arrest of Nicolás Maduro Moros. Maduro was sentenced to 18 years three months in prison by the Supreme Tribunal of Justice, to be served in Ramo Verde Prison in Venezuela.

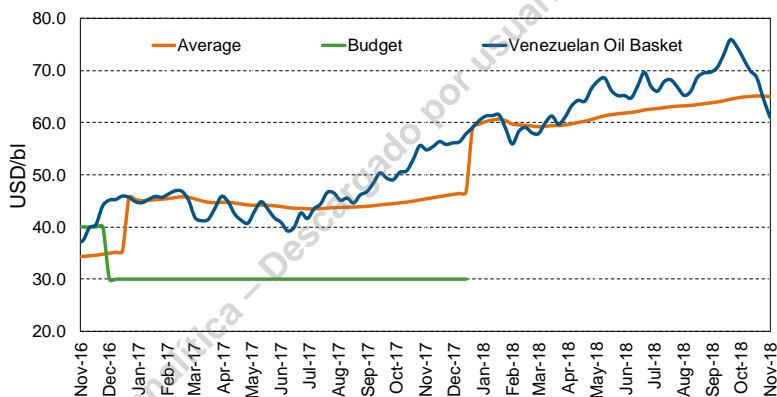
ECONOMIC INDICATORS

**Oil Prices
(WTI and Brent)**



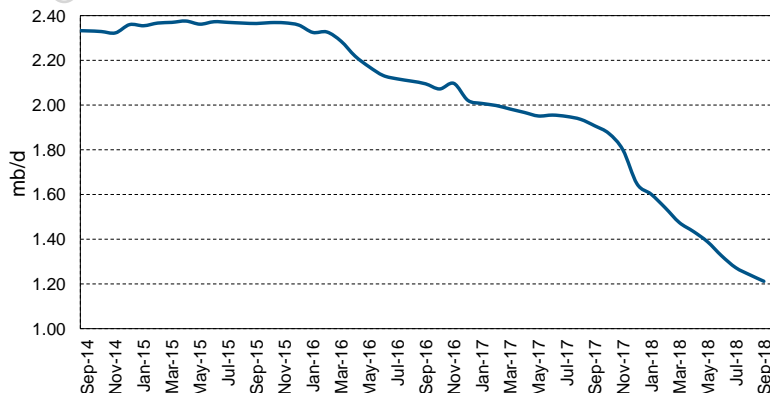
Sources: Menpet and Ecoanalítica

**Oil Price
(Venezuelan Basket)**



Sources: Menpet and Ecoanalítica

**Oil Production
(Secondary sources)**

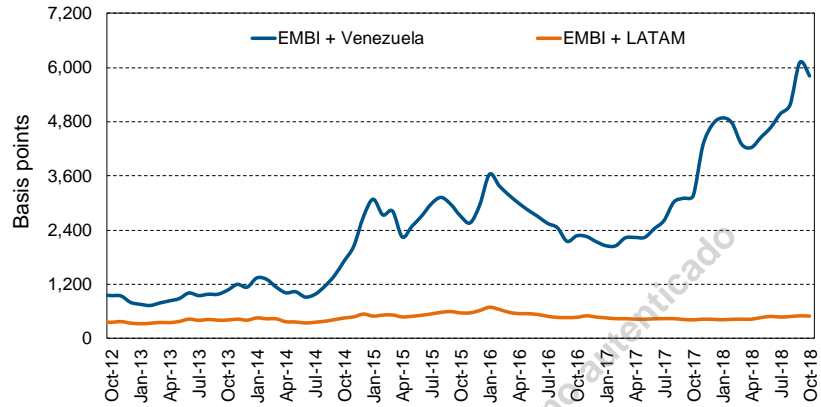


Sources: OPEC and Ecoanalítica

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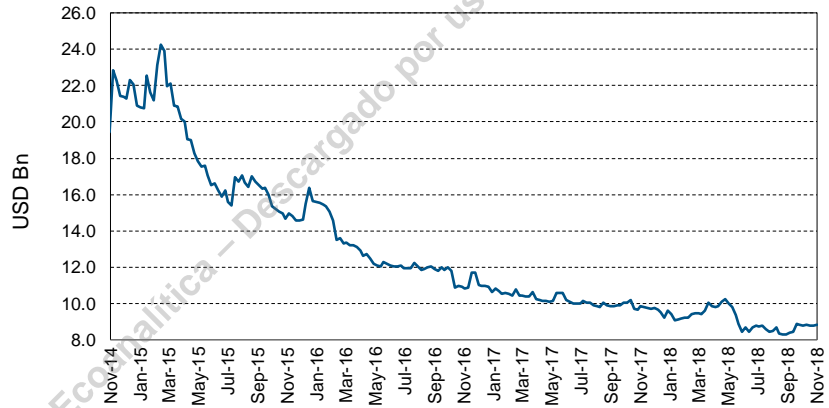
ECONOMIC INDICATORS

EMBI



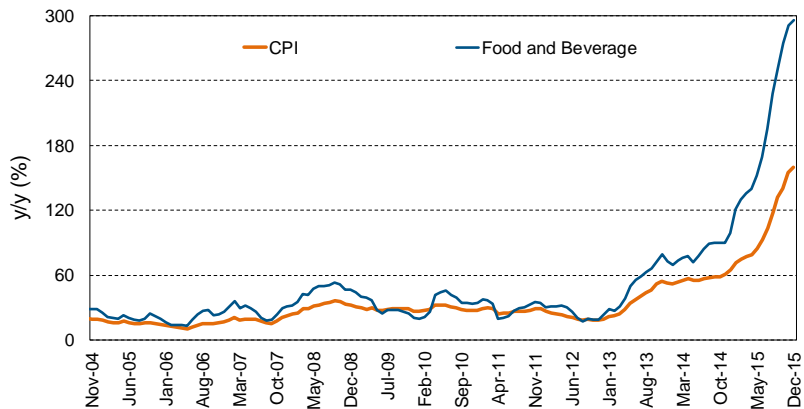
Sources: BCRP and Ecoanalítica

FX Reserves (BCV)



Sources: BCV and Ecoanalítica

Inflation (BCV)

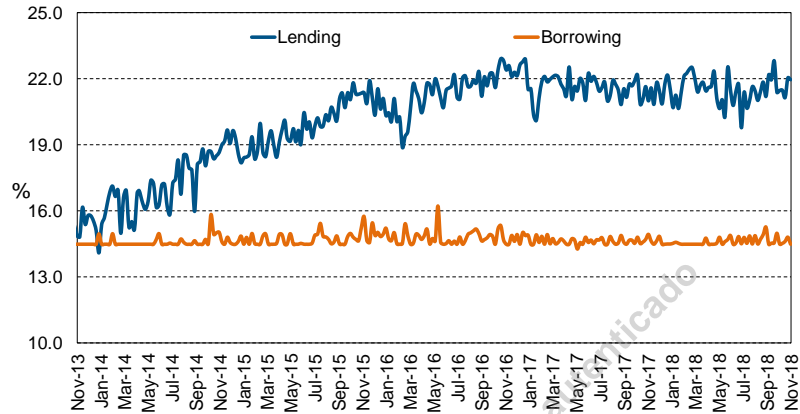


Sources: BCV and Ecoanalítica

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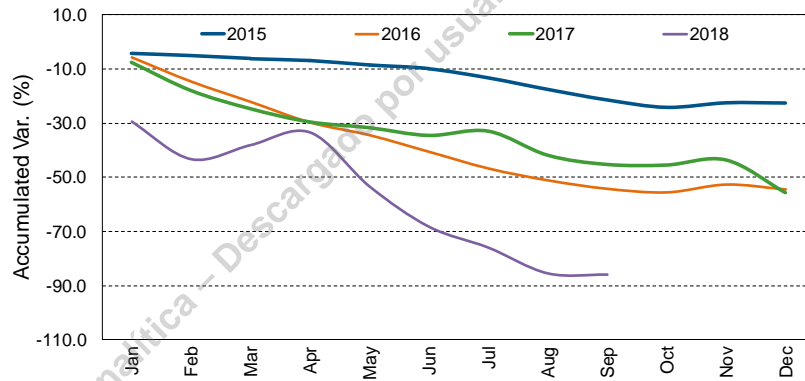
ECONOMIC INDICATORS

**Interest Rate
(Six major banks)**



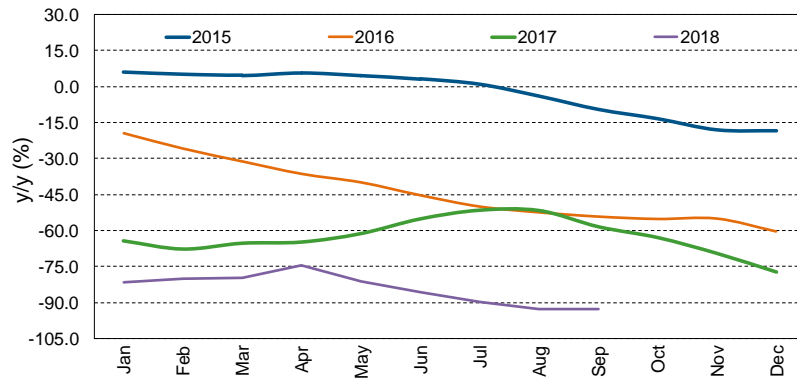
Sources: BCV and Ecoanalítica

**M2 Expansion
(Real)**



Sources: BCV and Ecoanalítica

**Loan Portfolio
(Real)**



Sources: SUDEBAN and Ecoanalítica

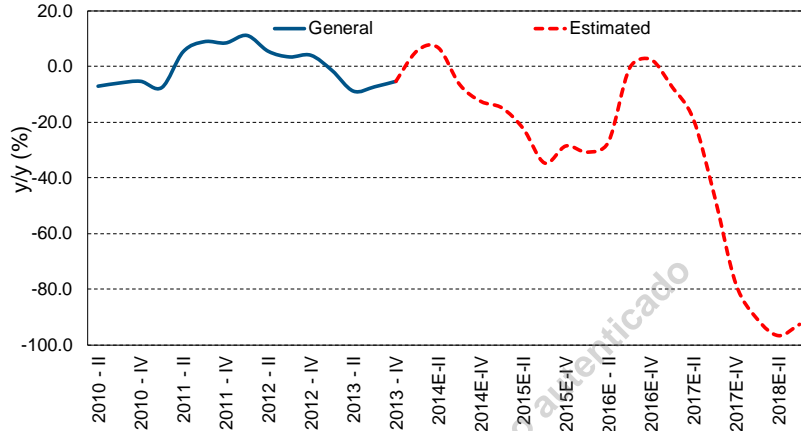
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Year 14 Number 45 Week III
November 2018

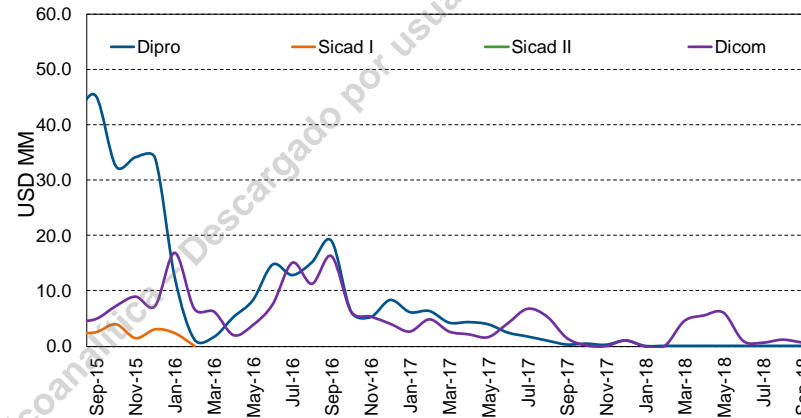
ECONOMIC INDICATORS

Real Wage Index



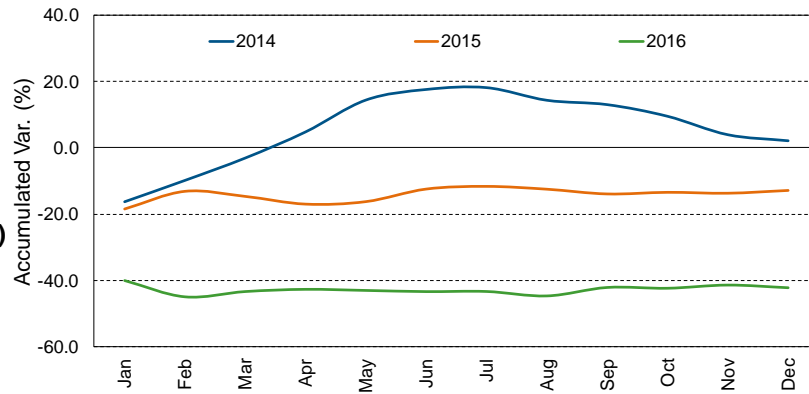
Sources: BCV and Ecoanalítica

Disbursements to the Private Sector (Daily Average)



Source: Ecoanalítica

Primary Spending NTO (Real - Central Government)



Sources: ONT and Ecoanalítica

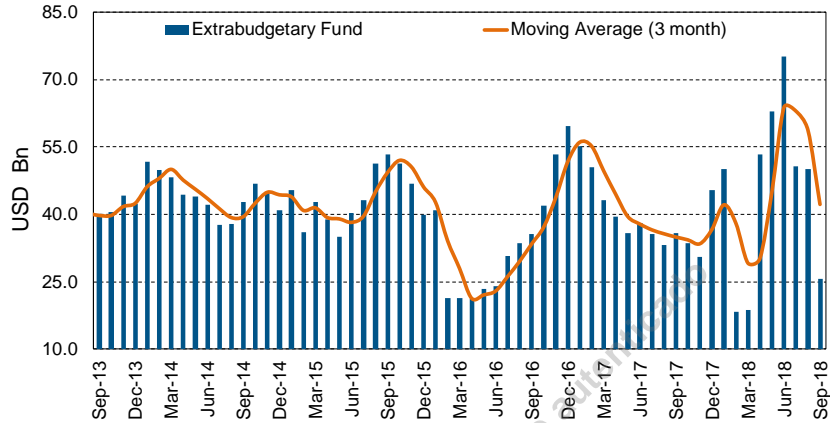
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November 2018

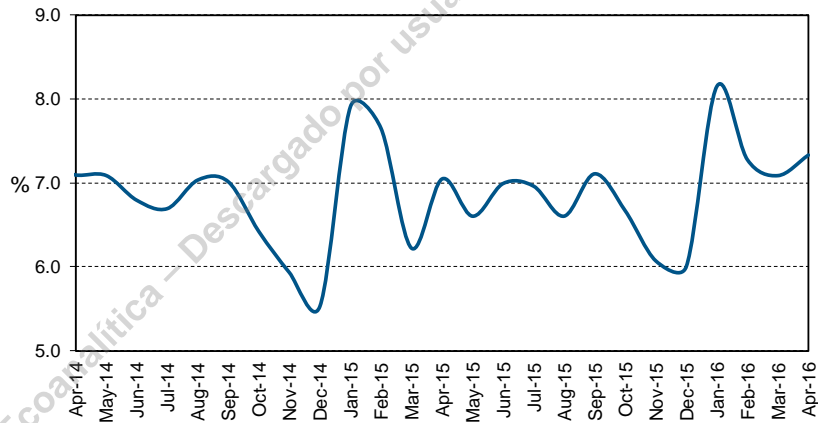
ECONOMIC INDICATORS

State Extrabudgetary Resources



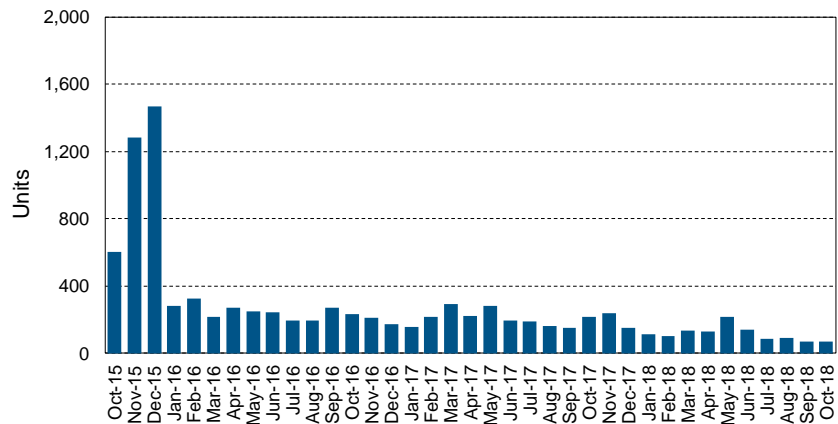
Source: Ecoanalítica

Unemployment Rate



Sources: INE and Ecoanalítica

Vehicle Sales



Sources: CAVENEZ and Ecoanalítica

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