



Weekly Report

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*Balance-of Payment figures for 3Q2012:
Expensive oil is no longer enough*

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Along with its figures of economic activity, the BCV also published preliminary numbers of the Balance of Payments (BP) corresponding to the nine first months of 2012 (Jan-Sep 2012). Now with this data, we can have an idea of how foreign sector accounts will look like in 2012, which we estimate to maintain a positive balance in the current account, because high oil prices, but it will not be sufficient to obtain an overall positive result in view of the widening deficit in the capital and financial account, which promises a dark 2013 on foreign exchange.

Current account balance drops

In Jan-Sep 2012, according to BCV figures, the Balance of Payment ran a deficit of US\$4.28 billion, which translates into an increase of 39.9% with respect to Jan-Sep 2011 (US\$3.06 billion). This increase in deficit of global balance of the Balance of Payment is a consequence of the 35.9% contraction of current account surplus (which only in 3Q2012 shrank 49.0% on a year-to-year basis), which closed September at US\$13.36 billion. The lower Current Account surplus couldn't be offset by the decrease in capital and financial account deficit, which in Jan-Sep 2012



lost 29.4% on a year-to-year basis. The negative balance of error and omission account decreased 3.9% in the first nine months of the year, to US\$2.91 billion.

BALANCE OF PAYMENTS General Summary (MMUS\$)	Q32012	Q32011	y/y (%)	Cumulative Jan-Sep 2012	Cumulative Jan-Sep 2011	y/y (%)
Current Account	3,552	6,959	-49.0%	13,369	20,844	-35.9%
Goods	9,341	12,023	-22.3%	31,922	36,440	-12.4%
Oil Exports	22,465	22,767	-1.3%	69,789	66,327	5.2%
Non-Oil Exports	816	1,172	-30.4%	2,866	3,600	-20.4%
Import of goods f.o.b.	-13,940	-11,916	17.0%	-40,733	-33,487	21.6%
Services	-3,733	-3,410	9.5%	-11,864	-10,071	17.8%
Others	-2,056	-1,654	24.3%	-6,689	-5,525	21.1%
Capital Account	-6,433	-7,617	-15.5%	-17,652	-23,905	-26.2%
Public Sector	-2,284	-3,638	-37.2%	-5,318	-13,989	-62.0%
Private Sector	-4,149	-3,979	4.3%	-12,334	-9,916	24.4%
Variation of the International Reserves	-2,881	-658	337.8%	-4,283	-3,061	39.9%

Sources: BCV and Ecoanalítica

Current Account breakdown shows that trade balance ran a surplus of US\$31.92 billion, down 12.4% from that registered in the same period in 2011. This decrease in the positive balance of the trade balance was attributable to the 2.3% drop in average price of Venezuelan oil basket during 3Q2012. This led oil exports to increase just 5.2% in the first nine months of the year, whereas non-oil exports lost 20.4%, both on a year-to-year basis.

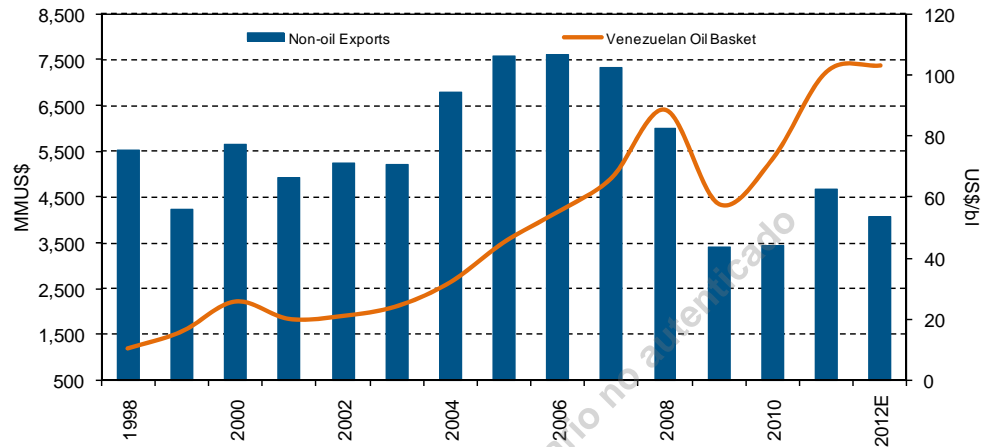
No diversification According to the BCV report, in the third quarter 2012 alone, non-oil exports dropped 30.4% on a year-to-year basis, to US\$816 million, due to contractions seen in foreign sales of public sector (-33.3%) and private sector (-26.7%). Public sector exports of iron, steel and aluminum dropped (this drop is associated to the critical situation of Guayana basic industries). Private sales, in turn, fell in items like gold, propylene, hydrogen peroxide, nickel and ferrosilicon.

This way, in spite of the resource obtained from oil exports in recent years, Venezuela's economy hasn't diversified. Today, we are found in a more vulnerable situation than 14 years ago, when non-oil exports accounted for 31.2% of total exports, whereas in 2011, they represented just 4.8% and have dropped 19.1% over the past 14 years. At **Ecoanalítica**, we estimated that this indicator is of the order of US\$4,855 billion in 2012, down 12.2% from 1998-2011 average (US\$5.52 billion).





Non-oil related exports Vs. Venezuelan oil basket



Sources: BCV, Menpet and Ecoanalítica

Public sector is moving apace

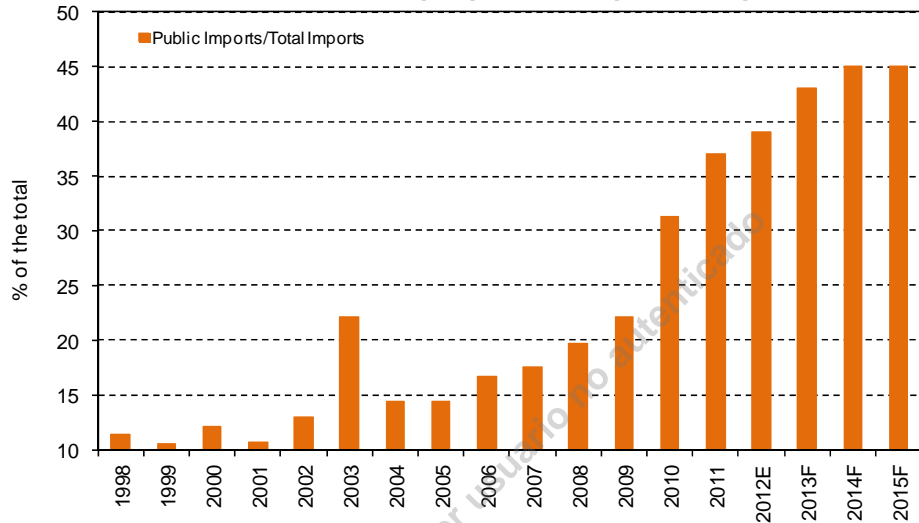
On the import side, BP grew 21.6% on a year-to-year basis in the first nine months of 2012. Breaking down total imports per sector, we can see that public imports gained 23.6% and private imports, 20.5%, to US\$15.32 billion and US\$25.40 billion, respectively. According to the BCV, import expansion was associated with the more dynamic aggregated domestic demand and GDP expansion.

Notwithstanding, the advance of public imports, which grew 41.7% in 3Q2012, cannot be denied, whereas private imports only grew 5.9%, both with respect to the same period 2011. At **Ecoanalítica**, we continue to sustain the thesis that as the State intensifies its control over the economy, public import share of total imports will be proportionally higher. For this year, we expect public imports to account for almost 40% of the total and 45% for 2015.





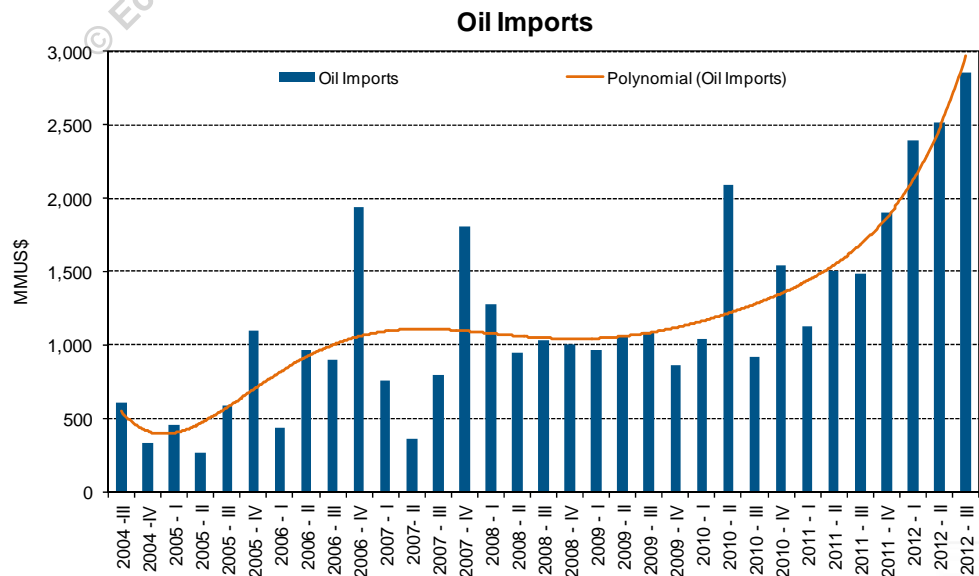
Evolution of the proportion of public imports



Sources: BCV and Ecoanalítica

Oil imports soar

We cannot lose sight of the oil component of public imports, which, as we warned, has been registering a significant increase in recent years; in the first nine months of 2012, it expanded a striking 88.5% on a year-to-year basis (only in 3Q2012, oil imports grew 92.5% on a year-to-year basis). The deterioration of Venezuelan refining system, which throughout 2021 was shut down on multiple occasions, is not a secret. This situation reached its peak with the tragic explosion in Amuay refinery.



Sources: BCV and Ecoanalítica



The “remaining” grows

An analysis of the behavior of CIF private imports, which include freight and insurance costs, shows a growth of 21.1% on a year-to-year basis, to US\$21.71 billion for the first nine months of the year. Breaking down per financing source, we see something very interesting: while Cadivi foreign currency allocation have remained practically static, dropping only 0.2%, and Sitme's, in spite of a 24.9% growth, continue to be below the volume required to finance the amount registered in the BP for the first nine months of the year, the “remaining” balance was 15.7% of imports, when in the same period 2011, it was just 2.7%; therefore, it could be inferred that the increase in private exports is being financed by alternative mechanisms.

Concept	Jan-Sep 2012		Jan-Sep 2011		y/y
	2012	Quote	2011	Quote	
Imports (US\$ million)	45,015		36,777		22.4%
Public	17,298	38.4%	13,880	37.7%	24.6%
Private	27,717	61.6%	22,897	62.3%	21.1%
Private Impots (US\$ million)	27,717		22,897		21.1%
Cadivi + Aladi + Sucre	17,790	64.2%	17,820	77.8%	-0.2%
Sitme	5,563	20.1%	4,453	19.4%	24.9%
Remanent	4,364	15.7%	623	2.7%	600.2%

Sources: Cadivi, BCV and Ecoanalítica

At **Ecoanalítica**, we believe that this difference is due to two factors. First, given cuts and delays in foreign currency allocation (especially through Cadivi), the private sector has had to assume payment of foreign purchases through their deposits abroad (hence the decrease in assets in coins and deposits of the private sector in the account Other Investment). Second, import overbilling, which we believe could be about 20%. However, we expect that in this year's consolidated figures, this remaining balance is reduced to 10%, which would translated into an implicit devaluation of weighed exchange rate of private imports. We estimate that devaluation could be of 1.5%.

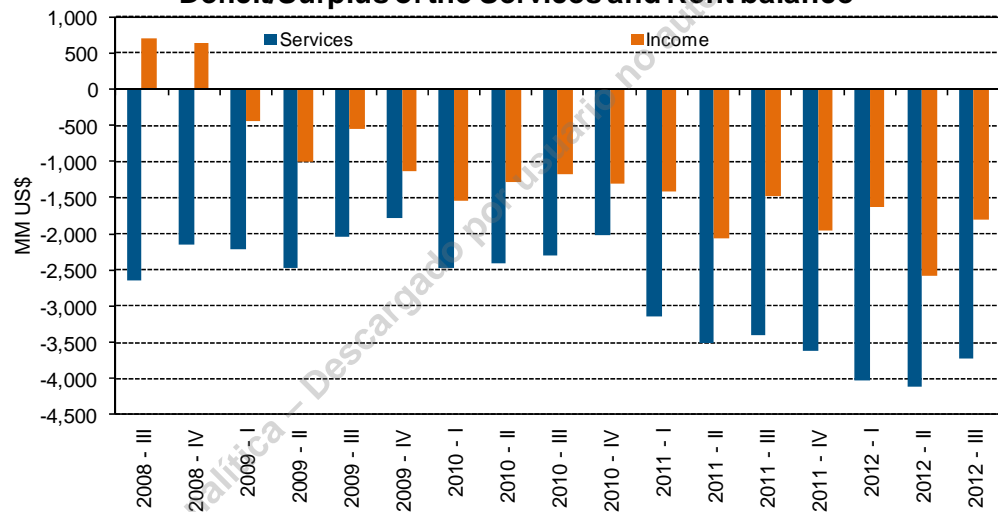
¿Imports, Cuban doctors and joint ventures absorb all the dollars?

To conclude with current account sub-accounts, the balance of services posted a deficit of US\$11.86 billion, up 17.8% from the same period 2011. This deficit was associated to net outlays corresponding to other services (linked to payments for technical counseling and health care, by virtue of international agreements), which in Jan-Sep 2012 ran a deficit of US\$5.29 billion (up 3.2% from 2011) in addition to the significant growth of 30.6% y/y in transportation services recorded a deficit of US\$4.09 billion, associated to the increase of imports.



Balance of rent category, in turn, showed a deficit of US\$5.99 billion, up 21.2% from the one registered in the same period 2011. According to the BCV, this expansion was influenced by the increase in outlays for dividends and profits distributed, which were concentrated in oil joint ventures, banks and non-financial private business; and payments to non-residents of interests on PDVSA debt bonds and loans of the financial sector. Concerning current transfers, the increase in remittances determined a deficit balance of US\$692 million.

Deficit/Surplus of the Services and Rent balance



Sources: BCV and Ecoanalítica

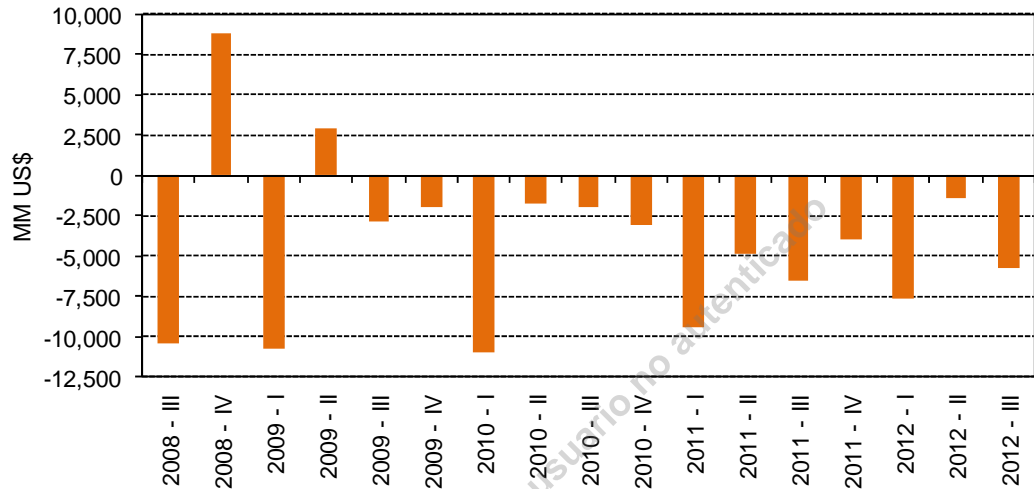
Capital and financial accounts drop... But not enough

Deficit of capital and financial account showed a decrease of 29.4% in Jan-Sep 2012, which is basically explained by the drop in Other investment sub-account deficit (-31.4%, y/y), as well as by the 241.4% increase in the portfolio investment sub-account surplus. The higher surplus of portfolio investment, according to the BCV, "is explained by the significant increase in the oil industry and government debt papers, traded through Sitme, which ended up in the hand of non-residents."





Deficit/Surplus Capital Account



Sources: BCV and Ecoanalítica

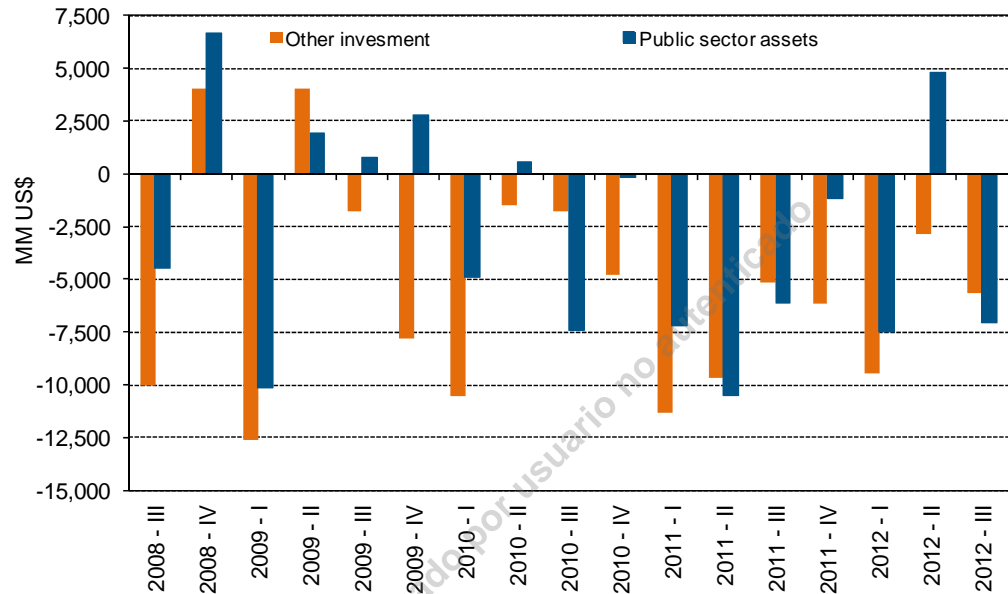
“Other investments” needs a thorough analysis

The net effect of deficit decline in the other investment sub-account in the first nine months of the year is essentially attributable to the decrease in public assets in 2Q2012, when crude oil price drops forced the government to reduce assets positions in US\$4.79 billion abroad to lower capital account deficit. However, in 3Q2012, when prices of the Venezuelan oil basket recovered, the administration once again accumulated foreign assets mainly deposits of the national treasury and public financial institutions that administer state investment funds, including Fonden and the Chinese Fund.





Other Investment Account vs. Public Sector Asset Balance



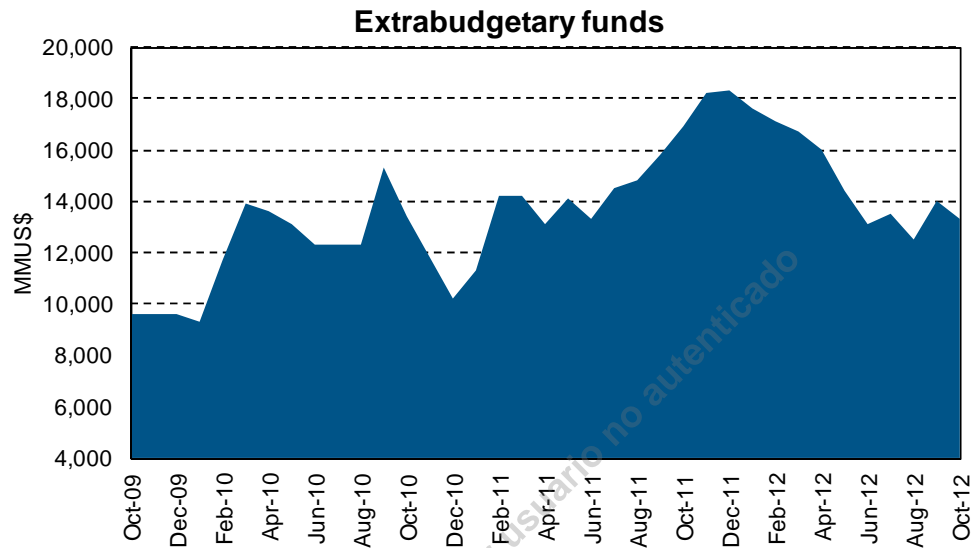
Sources: BCV and Ecoanalítica

In spite of all, State funds did not recover

In terms of the international investment position, where the BCV registers balances of the country's foreign assets position, the public sector closed 3Q2012 with a balance of US\$33.72 billion in the coins and deposit account, which in comparison with the balance of the same quarter previous year shows a drop of 10.7%. This means that even though public sector capital outflow abroad increased in 3Q2012, this wasn't enough to reach the level of foreign resources of 3Q2011 (US\$37.76 billion).

However, as mentioned before, we at **Ecoanalítica** believe that these amounts registered by the BCV are way too high, since they include balances committed to projects with foreign entities and the difference in PDVSA oil billing. Leaving only the non-committed placed amount, the balance of the government's available foreign assets closed September at just US\$14.0 billion.



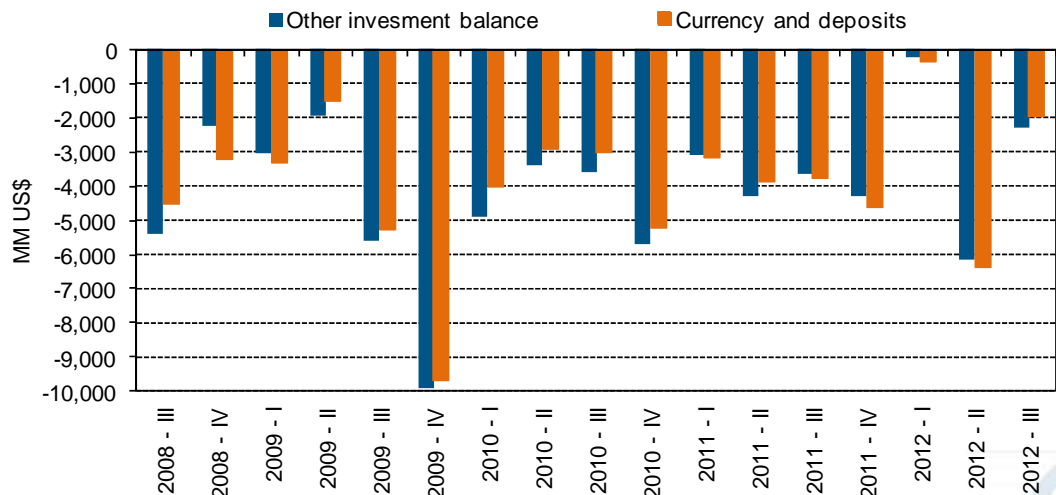


Source: Ecoanalítica

Private assets continue to fall

Whereas flows of foreign assets of the public sector grew again in 3Q2012, those of the private sector continued to fall, for a cumulative contraction of 20.0% in the first nine months of the year with respect to Jan-Sep 2011, mainly explained by the drop in the coins and deposits category that, as mentioned before, given cuts and delays in foreign currency allocation in Cadivi forced the private sector to bear the costs of their imports at the expense of their foreign assets.

Private sector: Other Investment Account vs. Currency and Deposits Balance



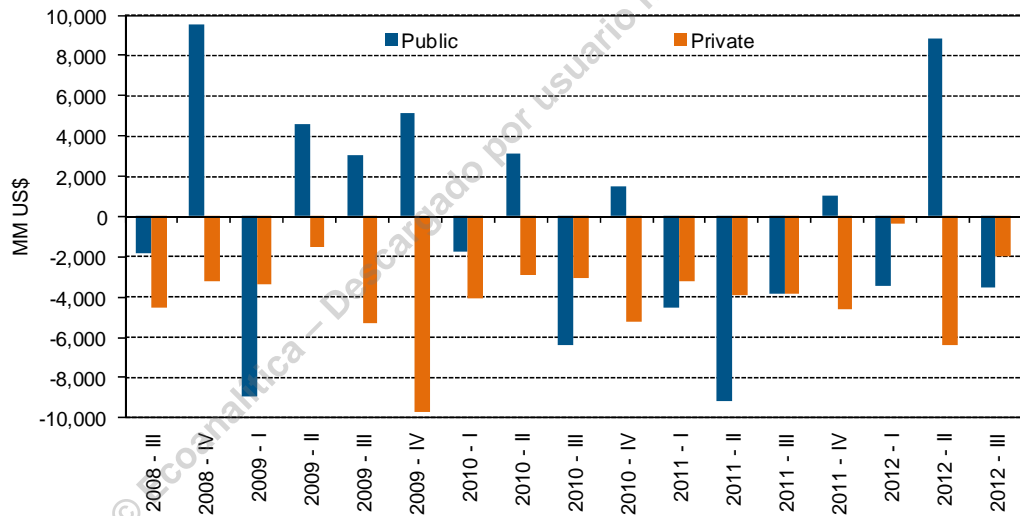
Sources: BCV and Ecoanalítica



Get aside, so I can take your place, please

As we know, the coin and deposit sub-account is directly linked to the capital outflow to finance foreign transactions and to protect equity. As we have mentioned at *Ecoanalítica*, the administration has proven to be successful in containing capital flight of the private sector since the elimination of the swap dollar, because since 2007, when the economy began to “walk toward Socialism,” this account showed an average negative quarterly balance of US\$4.26 billion, whereas so far in 2012, this average has declined 32.1%, to US\$1.97 billion at the end of 3Q2012, while public foreign assets have increased.

Public vs. Private Currency and Deposits Subaccount Balance



Sources: BCV and Ecoanalítica

Expensive oil is no longer enough

Overall, results of foreign accounts corresponding to Jan-Sep 2012 show that high oil prices, although they have allowed current account to post a positive balance, don't represent an enough cash basis for the administration's foreign currency requirements, given increasing (private and public) imports and the government's weakness resulting to the accumulation of off-budget funds, which has been reflected in the constant drop in foreign currency allocations for the private sector. This (along with the fiscal situation, the bolivar nominal overvaluation, among other things) reflects the imminence of an exchange rate adjustment for the upcoming year.





Economic Tips

No more gifts. In a TV interview, Jorge Giordani, Minister of Finance, criticized the rentier way of thinking, which is deeply rooted in Venezuelans' minds, and added that in the case of electric power and gasoline consumption, which have been strongly subsidized, "gifts have to end and people will have to pay." Giordani reminded the case of Venezuela's gas stations, where sometimes tips are higher than the cost of refilling the tank.

"I don't know what they are complaining about." Minister of Finance Jorge Giordani pointed out that the GDP share of non-oil and non-financial private sector runs at almost two thirds (60.5%), and that, consequently, GDP growth reflects that that sector is growing; *"I don't know what they are complaining about."* As to measures intended to stimulate private sector, Giordani underscored productivity increase through the development of public infrastructure vis-à-vis Venezuela's accession to Mercosur.

"Convenient" exchange rate. As to Venezuela's accession to Mercosur, Benjamín Tripier, president of the Consultative Council of the Venezuela-Argentina Chamber of Commerce (Cavenarg), believes that setting an *"exchange rate favorable for exports"* is convenient. Tripier pointed out that *"if dollars that are to come for exports are exchanged at the official exchange rate, perhaps they aren't enough to cover exporters' costs;"* therefore, it is necessary to set a favorable exchange rate that doesn't affect exchange rate for imports.

BCV liquid reserves dropped 60% in nine months. According to BCV figures, cash dollars used to immediately pay for imports amounted US\$2.24 billion in September, down 60% for the year-to-date y down 93% on a year-to-year basis. The lower availability of liquid reserves affects the allocation of foreign currency for imports to businesses that have previously received Cadivi's authorization.

Fraud with dollars for travels. Manuel Barroso, president of Cadivi, reported that applications for foreign currency for travels have increased over recent weeks but that irregularities have been detected: almost 90 thousand people have obtained foreign currency from Cadivi but haven't travelled. Barroso reminded that people that incur in this kind of offense may be punished with 3-7 years in prison, as per article 10. Law against Exchange Crimes.





Debt exceeds US\$100.0 billion. According to figures released by the Minister of Finance in late September, total debt balance of the central government is running at US\$100.96 billion, up 35.6% from the balance posted in September 2011. Debt increase is attributable to the higher domestic debt (up 65.4% on a year-to-year basis), whereas foreign debt grew 9.2% to US\$43.57 billion.

Unsustainable pace. Debt growth rate isn't sustainable; therefore the government is expected to cut spending or adjust exchange rate in 2013 to correct fiscal deficit, which *Ecoanalítica* estimates at 15.1% of GDP at the end of the year. A lower fiscal spending and/or a higher exchange rate would lead to an economic deceleration, in an economy in which the productive apparatus depends on imported raw materials and demand is stimulated through public spending.

How much will be cut back? According to Barclays Capital recent reports, public spending would be reduced by 3.7% of GDP in 2013, whereas to be able to cover part of the expenses the government has incurred, the official exchange rate would be set at VEB 6.5/US\$. Barclays expects that given the adjustment measures, the economy would only grow 0.3% in 2013.

Again. A study released by Brazil's Getulio Vargas Foundation on economic studies, Venezuela kept a stable business environment with an Economic Climate Index (ECI) of 3.4 (unchanged from July), but is among the worst in the region. The country with the highest index in October was Brazil (6.1), followed by Bolivia (6), Chile (5.9), Peru (5.8), Paraguay (5.5) and Uruguay (5.3); Argentina and Mexico scored 4.9 and Venezuela 3.4.

Interest rates. The lending rate for the third week of November was at 15.7%, up by 0.7 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 3.7%, going from US\$25.1 billion during the third week of November to US\$26.1 billion during the fourth week of November. Compared to the same period last year, international reserves have decreased by 6.2%.

Monetary liquidity. Monetary liquidity (M2) went up by 3.9% in the third week of November compared to the previous week, settling at VEB 634.494 billion. The M2 has increased 56.4% in relation with the same period last year.

Sitme figures. So far this year, US\$9.1 billion have been negotiated through the System for Foreign Currency Transactions (Sitme), averaging US\$40.9 million a day,



with an implicit exchange rate of 5.3 VEB/US\$; this represents an increase of US\$1.3 billion (16.7%) over the same period of 2011, when US\$7.8 billion were negotiated. Lastly, during the fourth week of November the amount traded reached US\$74.8 million, US\$52.3 million less than the previous week when US\$127 million were traded, with a daily average of US\$25.4 million.

Oil Tips

Oil imports continue apace. Balance-of-Payment statistics released by the BCV show that oil imports by the government amounted to US\$7.76 billion until 3Q2012, up 88.4% from US\$4.11 billion for the same period in 2011. Furthermore, this amount accounted for 50.6% of overall public imports for the year-to-date, substantially higher than that of 2011 (32.7%).

More help for PDVSA. BCV figures show that as of early November, financial assistance by the Central Bank grew by 21.2% in comparison with October, from VEB 124.7 billion to VEB 151.1 billion. Cash requirements by the oil industry have increased because of obligations imposed by the central government, including home construction plans, missions, labor liabilities, mining and investments for Guayana basic industries.

Drilling rigs paralyzed due to lack of payment. A group of oil workers that are working with four PDVSA's service contractors shut down 30 drilling rigs in "El Menito" (Zulia State), to demand payment of labor debts. Workers are demanding payment of debts amounting to VEB 29 million, which have accrued since last July, corresponding to retroactive payments as per the new oil collective contract, which have an impact on wages and other remunerations.

Petromonagas at full capacity. In a press note, PDVSA stated that its affiliate Petromonagas expects to reach its full XH oil upgrading capacity by end-2012, going from 97 kb/d up to 108 kb/d of upgraded crude oil. PDVSA also informed that major maintenance works are currently being conducted at Petromonagas' plant, at a cost of US\$400 million, more than one third of its total operation costs.

Less gasoline, more gas. To increase oil exports and earn more foreign currency, the administration, through the Ministry of Energy and Petroleum, has devised a plan to "rationalize" the domestic fuel market. The strategy is intended to reduce liquid fuel



consumption least by 5% (32 kb/d) in 2013, Saved fuel would be sold on international markets and the use of natural gas for vehicles and petroleum liquefied gas would be promoted.

PDVSA Gas paid debt and Mayor lifted hunger strike. In a press note, PDVSA Gas informed that the debt of VEB 25,557,758 to Freites Municipality, Anzoátegui State, was fully paid; therefore Mayor Evelyn Urdaneta lifted the hunger strike she had been staging for six days in front of PDVSA's headquarters in La Campiña, Caracas.

Big finding. Mexican state-owned Pemex announced the discovery of a well that could hold reserves of up to 500 million crude oil barrels. After hearing the news, President Felipe Calderón said that this is "*the biggest underground oil finding in the last decade in Mexico.*" Calderón recalled that this finding is additional to recent oil discoveries in deep waters of the Gulf of Mexico "*which continue to be very successful and further strengthen Pemex' hydrocarbon reserves.*"

International baskets. Last Friday, November 23rd in New York, WTI closed at US\$87.5/bl, which shows an increase of 2.1% compared to US\$85.8/bl recorded the previous week. Meanwhile, Brent increased by 0.8% to reach US\$ 110.4/bl compared to the previous week when it reached US\$109.5/bl.

Local basket price. On Friday, November 23rd the Venezuelan oil basket price closed at US\$97.2/bl resulting in an increase of 1.3% compared to the US\$95.9/bl recorded the previous week. Meanwhile, the average of the Venezuelan oil basket stands at US\$ 104.0/bl.

Business Sector Tips

Renault to start operations in Venezuela. Ricardo Menéndez, Vice-President for the Productive Economic Area, informed that agreements have been signed with France's Renault "*which will start operations in Venezuela thanks to the relation we have established.*" Menéndez offered this statement on the occasion of the 3rd meeting of the France-Venezuela high-level bilateral commission, in which "*both countries discussed topics of strategic interest related to complementariness in energy, social economy, and tourism areas, as well as the installation of Renault in Venezuela,*" Menéndez stressed.



Food production drops. Data published by BCV in 3Q2012 show that the production of food, beverages and tobacco dropped 1% with respect to the same period in 2011, for six quarters in a row of contraction. Food is a paramount component of the Venezuelan consumption basket, thus a decrease in food production, unless it's covered with imports, will have a significant impact on inflation.

"We are producing at loss." Lorenzo Mendoza, Empresas Polar CEO, stated that prices of corn pre-cooked flour have to be adjusted because Polar is producing at loss. Mendoza pointed out that 46% increase in corn price decreed in past August by the administration has impacted industrial costs and reminded that in August, members of the government cabinet assured that *"prices would be reviewed in October,"* but this hasn't happened.

You push, I push. Carlos Osorio, Minister of Food, stated that the administration is willing to review pre-cooked flour prices, but made it very clear that they won't make any adjustment in response to any pressure from any particular sector. *"We tell Empresas Polar's CEO that if he believes that he cannot sustain costs of the plant of corn pre-cooked flour, we are ready to process corn there; we have no problem at all; if his plant is not operating profitably, he can lend it to us because we are ready to work there,"* Osorio stressed.

Let's clear the ports. Pedro Castro, vice-president of state-owned Bolivariana de Puertos (Bolipuertos), informed that the transfer of heavy load on Sundays and moving empty containers to areas outside ports are some of the measures intended to clear ports of La Guaira and Puerto Cabello. According to Castro, *"the increase in imports due to Christmas season and the decrease in storage capacity have resulted in difficulties in load handling."*

Immediate effect. Upon implementation of the contingency plan, the Port of La Guaira registered an increase of 40% in load dispatch, according to a press note published by Bolipuertos. Official figures show that 3,350 containers lefts La Guaira last week, up from the average of 2,400/week normally registered by Bolipuertos.

9,000 medicaments targeted. The National Superintended for Costs and Prices, Karlin Granadillo, informed that her office is analyzing costs of 9,000 medicaments being sold in Venezuela to determine if *"all of them have to be controlled, or just a few."* Granadillo underscored the fact that prices of some 3,000 medicaments are controlled since 2003 and didn't give a date to announce future controls.

Sidor is facing problems due to payment delays. Operations at Sidor were kept at a minimum for two days, due to a workers' strike who were protesting for the delay in payment of year-end bonuses and poor dining conditions. Operations in the plant



were restarted after union leaders signed an agreement with the company's management, according to which Sidor pledges to pay the year-end bonus that had to be paid on November 15th.

Homes will cost VEB 83.0 billion in 2013. According to the Draft Budget Law for 2013, investment in "*Gran Misión Vivienda Venezuela*" (home construction program) would reach VEB 29.9 billion next year. These moneys would be channeled through the Simón Bolívar Reconstructing Fund. Next year, the Fund is expected to administer resources contributed by PDVSA and those from banks' mortgage mandatory quota, so as to attain the global construction target of 360,000 homes.

World Economy Tips

Greece gets out again. According to Germany's Finance Minister, Wolfgang Schaeuble, euro zone government and the International Monetary Fund (IMF) agreed upon a program to repurchase Greece debt, as a part of measures intended to cover Greece's financial needs. Schaeuble pointed out that measures won't compromise 2013 German budget and that measures additional to those already taken are required to cover Greek deficit.

Run of bad luck. Japan's exports have dropped for the fifth month in a row, affected by the weak global demand and Chinese consumers boycott in response to the territorial dispute that both Asian countries maintain for a group of islands. Total exports fell 6.5% in October with respect to past year, whereas shipments to China, Japan's main export market, dropped 11.6% (y/y) in October, after declining 14.6% (y/y) in September.

UE hasn't reached any agreement. European Union (EU) leaders dropped talks on 2014-2020 budget, after no agreement was reached, and a few days after additional cuts demanded by the UK were rejected. Discussions will be retaken in early-2013. The last time the EU held its never-ending budget negotiations, an agreement was reached after six months.

Negative thinking. According to the European Commission, EU service companies are more pessimistic than in 2009, given the few possibilities that the region may retake its growth pace in a short term. Data of the last survey on industrial confidence



showed the weakest reading of activity in the service sector in 40 months. In Germany, the largest economy in Europe, industrialists' confidence dropped 45.7. According to the Purchase Management Markit Index, any reading below 50 is a sign of contraction.

China with a year-end boost. Data released by HSBC show that the Purchase Management Index (PMI) in China will record 50.4 in November, which hints to an expansion of this sector. Chinese economy is highly dependent on the manufacturing sector, and as such, a growth in this sector would mean a significant boost for the end of the year.

ECB: a regulating entity or another assistance fund? At a meeting in Frankfurt, regulating entities and European banks demanded more clarity about the role of the European Central Bank (ECB) as an oversight entity. Martin Blessing, representative of Germany's second largest bank Commerzbank, pointed out that one of the main concerns is whether the ECB will focus on stabilizing markets or on providing backstage financial assistance to the euro zone weakest countries.

Hunger in Latin America. According to a report presented by the UN Food and Agriculture Organization (FAO), between 2010-2012, hunger affected 49 million of people in Latin America, down just one million people (2%) from the previous three-year period. The decrease has been lower than the region's growth rate; therefore FAO points out that the problem is not production, but access to food.

Independence isn't free. The independence of the Spanish region of Catalonia from Spain is a scenario about which many entrepreneurs are concerned due to an eventual exit from the EU, albeit for a short time. In addition to its independence, the region would have to face its debts alone. Catalonia's debt amounts to EUR85.0 billion and its service reaches EUR6.0 billion in 2013; therefore it would probably need additional help by the central government.

And the cost for Spain. An eventual independence of Catalonia would also impact Spain, especially its trade balance, because almost one third of Spain's exports come from that region. Spanish fiscal accounts would also be affected, because Catalonia pays an estimated amount of EUR16.0 billion more than what it receives in exchange from Madrid. Finally, Spain would loss a fifth of its GDP and a territory that has attracted more than 3,000 international investors. This would certainly be a hart blow.

Latin America with good climate for businesses. The Economic Climate Index (ECI) for Latin America grew from 4.8 points in July up to 5.2 in October, up from 4.4 points registered in October 2011, according to a study released by Brazil's center for



economic studies of the Getulio Vargas Foundation. The index is measured quarterly and took into account the evaluation by 140 experts from 18 countries.

Green Friday. According to data published by the National Retail Federation (NRF), U.S. citizens spent US\$59.0 billion in pre-Christmas sales in the week of the popular “Black Friday.” According to NRF, the number of buyers grew 9% with respect to 2011, whereas average expenses were US\$423 per day, up 6% from last year.

Political Tips

Chávez is “nowhere to be seen”. Candidate for Governor of Miranda State, Henrique Capriles Radonski publicly asked President Hugo Chávez to show its face to the country and fulfill all the made promises during the campaign. “*The President offered marvels during his campaign, but he is now missing, nowhere to be seen, and we must remember he promised solutions regarding safety, housing and employment*”, stated Capriles.

Several brains, better than one? Given the little presence of President Chávez in the campaign for gubernatorial election, either for health or agenda reasons, the members of the PSUV National Board has engaged in the task of “selling” their candidates. The PSUV leadership, with Diosdado Cabello at the head, has visited the province on November 5th to settle internal conflicts and make it clear who is in charge of the party; certainly not the candidates.

Endangered red bastion. According to a survey conducted by Datanálisis between October 26th and November 3rd, vote intent in favor of Richard Mardo, MUD’s candidate, is of about 38%, whereas 35.1% would vote for the government’s candidate, Tarek El Aissami. It seems that the poor management of the lame-duck Governor, Rafael Isea, and the imposition of an “imported” candidate are complicating the possibility that *Chavismo* may remain at the Governor’s office of Aragua State.

Constituent debate until November 30th. Jacqueline Faría, head of government of the Capital District, stated that systematization of proposals presented by citizens for the “*constituent debate for the construction of the 2013-2019 government plan*” will start on November 30th. Faría denied that the administration’s intention with the plan is to change any form of government that doesn’t correspond to people’s power, and



reminded that all political players were invited to participate and contribute with proposals.

The people already said no. Eveling Trejo de Rosales, Mayor of Maracaibo, asked the national government to respect the decision of the Venezuelan people that in 2007 said “No” to the constitutional referendum that expected to turn Venezuela into a communal state. *“On December 2, 2007, we emphatically said “no” when we were asked whether we wanted to continue being a Federal State or if we wanted to become a Communal State,”* Mayor Trejo said.

Schools will close on December 11th. Mariann Hanson, Minister of Education, announced that as part of the logistics for December 16th gubernatorial election, classes will be suspended starting from December 11th in schools that are going to be used as polling centers. Hanson highlighted that schools that aren’t going to be polling centers, classes will remain as normal, whereas in those where activities will be suspended, classes will restart on Tuesday, December 18th until Friday 21st.

We want election in April. Ramón Muchacho, member of Primero Justicia party and candidate for Chacao mayor (Miranda State), said that the election authority is obeying orders by President Hugo Chávez, *“to try to suspend April’s mayor election, and later, with the unconstitutional idea of imposing the communal State, to eliminate decentralization.”* Emilio Graterón, Chacao Municipality Mayor, believes that April’s election suspension *“is another sign of the Executive Power interference in the Election Branch of Power.”*

Municipal election for the first half of 2013. Vicente Díaz, member of the National Election Board (CNE), assured that mayor and municipal council election will be called in the upcoming days, for the first half of 2013. In relation to press reports according to which the CNE would be considering changing the date of the election which is originally scheduled for April 14th, Díaz stated that election *“is to take place according to the procedures established, upon publication of the official election announcement and schedule.”*

Only one witness. The CNE started the process to provide witnesses from the different political and social organizations that will participate in Dec. 16th election with their corresponding credentials. According to resolution approved by the CNE board, in next December 16th election, *“a maximum of one witness per candidate, political party or alliance, group of voters, community or indigenous organization will be allowed to be present at the same polling center.”*

Another call for justice. Antonio Ledezma, who coordinates support for gubernatorial election on behalf of MUD, demanded the government to release



political prisoners and to declare amnesty for all exiles. *“Christmas without political prisoners is a request that has been made for years (...) it’s unbelievable that while Chávez only was two years jailed for his actions, Oscar Pérez (former representative to Miranda Legislative Council) is exiled for having participated in a peaceful demonstration in 2009,”* Ledezma added.

Human Rights: many reports, few proceedings. Dorialbys De la Rosa, legal coordinator of Cofavic, an NGO that fights for human rights, assured that only 3% of reports on violations of human rights become accusations, whereas the rest isn’t resolved. De la Rosa pointed out that the State has to solve this situation, because the fact that crime victims see that responsible aren’t condemned undermines confidence in institutions and *“therefore, people won’t report violations of human rights.”*

Legislative Tips

Giving life after one’s life. The Law on Donation and Organ, Tissue and Cells Transplants on Human Beings entered into force on November 26th. This legal instrument establishes that any non-disabled over-18 person who has been diagnosed as brain-dead will be automatically labeled as organ donor unless previous manifestation of a contrary will exists. Deputy for the Partido Socialista Unido de Venezuela (PSUV), Oswaldo Vera affirmed that this law is an instrument to give life to those Venezuelans who are on a transplant list.

The Armed Forces in mourning. Three days of mourning for the Armed Forces were established by the 40,056 Official Gazette because of the accidental death of the Bolivarian Aviation Major José Marín Barrios. The accident occurred during the aerial practice for the Bolivarian Military Aviation Anniversary Parade at the El Libertador Air Base (BAEL for its Spanish acronym) in Palo Negro, Aragua State.

Statements by the Supreme Court still missing. After waiting for a decision by the Sala Constitucional of the Supreme Court of Justice (Tribunal Supremo de Justicia) for almost ten months, Human Rights activists and journalists gathered in front of the Court to request a revision on the petition to drop the charges presented in January.

Worker’s Councils Law. The Commission for Social Development of the National Assembly (AN) is currently revising various law projects regarding the upcoming



Worker's Councils Law before allowing the proposal to be discussed at the National Assembly. The discussion process (workers included) shall start on 2013 in order to approve the new legislative framework for May, 1st. The Labor Law foresees the organ called Worker's Council and allows a special regulation law to be implemented.

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