

## Massaging or methodological error? The truth about inflation figures in Venezuela

The delays<sup>1</sup> in publishing inflation and other figures by the Central Bank so far this year and the “material errors” that have occurred in official press releases having to do with the evolution of prices have resulted in the numbers estimated by the Central Bank losing credibility.

The unjustified delay in the monthly publication of price statistics has led many to think that the Central Bank and the National Statistics Institute (INE) manipulate or “massage” inflation estimates so as to present results that are better than they actually are and lessen the political cost for the government of presenting bad results.

### Talking of massaging

If we are to talk of massaging, we need to refer to the case of Argentina, a country where lack of confidence in official figures has led economic agents to seek alternative measures. The questioning of inflation figures in Argentina led to the appearance, in 2007, of the portal “inflacionVerdadera.com,” which provides alternative price indices to those offered by Argentina’s National Statistics and Census Institute (INDEC) using prices, obtained daily, of products sold at two large Buenos Aires supermarkets and the same methodologies as Argentina’s statistics institute<sup>2</sup>. This initiative was a first step for the Billion Prices Project, an academic initiative of the Massachusetts Institute of Technology (MIT) that uses prices gathered daily in hundreds of online stores around the world for economic research purposes.

<sup>1</sup> According to information regarding the dissemination of NCPI results posted on the INE’s webpage, the majority of the countries publish their price figures during the two weeks following the close of the month in question.

<sup>2</sup> Today, the InflacionVerdadera.com index is broader than the INDEC index, covering more product categories and using tens of thousands of daily prices obtained online from a large number of stores and sources of data from all parts of the Argentine Republic.

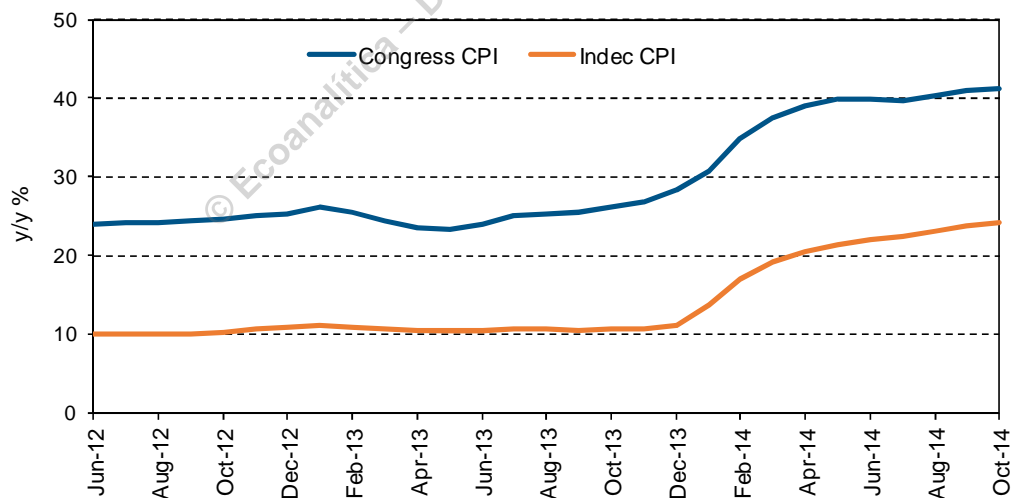
Year 10. Number 46. Week IV  
November 2014

So great was the pressure from academic circles with regard to Argentina's economic statistics that the Argentinean Government was censured in early 2013 by the International Monetary Fund (IMF) due to the lack of confidence in the economic growth and inflation data estimated by INDEC, a situation that also led a group of countries (among them the United States, Germany, Great Britain, and Japan) to stand by their decisions to block loans for Argentina at the World Bank and the Inter-American Development Bank (IDB) until the situation of the statistics is normalized.

### Credibility has to do with more than figures

In February this year, the Argentinean Government and INDEC presented the new Nationwide Urban Consumer Price Index (IPCNU), which, although broader than the previous index (in that it includes new geographical domains), maintains the discrepancies between official figures and those estimated by private firms. At the close of October, inflation in Argentina as measured by INDEC was 24.1% (y-o-y), whereas the variation in the consumer price index "IPC Congreso" (an average of the forecasts by private consulting firms) came to 41.2%.

**Official Inflation vs Alternative Measures in Argentina**



Sources: INDEC and Ecoanalítica

Quite apart from the discrepancy between the inflation figures shown by private companies and those published by government agencies in Argentina, it is clear that the new measures presented by the Argentinean Government are not helping to restore confidence in official statistics, particularly because INDEC has stopped providing information on the prices of the goods and services making up its basket, has not made

Year 10. Number 46. Week IV  
November 2014

public information on the regional baskets comprising the new national indicator, and has stopped publishing monthly data on the baskets for poverty and indigence levels.

As in Argentina, the opacity of the figures and the ever decreasing level of detail in the publications put out by the Central Bank and the INE are factors that undermine the credibility of these institutions and encourage the emergence of alternative measures of the variations in prices.

### It isn't massaging but poor measures

At **Ecoanalítica** we consider that the problem of the inflation figures in Venezuela, unlike in other countries such as Argentina, is not a matter of a lack of confidence in the figures issued by the technical bodies, as we are of the opinion that the Central Bank does not alter the result of the price measurements. However, the estimates of the Nationwide Consumer Price Index (NCPI) performed by the INE and the Central Bank are affected by a series of distortions peculiar to the Venezuelan economy that have to do with the presence of exchange controls, the setting of prices, and subsidies in goods and services.

The effect of the foreign exchange distortions on prices is one of the most important: the exchange rate on the parallel or black foreign exchange market, through which around 10.0% of private sector imports and more than 32.8% of capital outflows were financed (from 2003 to 2013), has an impact on the setting of prices and these effects are not fully reflected in the measure used by the bodies in charge of compiling price statistics.

Another aspect that needs to be taken into account is that the Central Bank utilizes categories of "controlled" and "uncontrolled" goods and services, which serve as a reference in the matter of inflation. But in the case of controlled products, the Central Bank's sample has, in our opinion, a bias towards food distribution programs run by the State (Mercal and Pdval) that are heavily subsidized but that only represent between 30.0% and 35.0% of the distribution of essential goods. In other words, we believe that the sample of these programs in the index is overestimated.

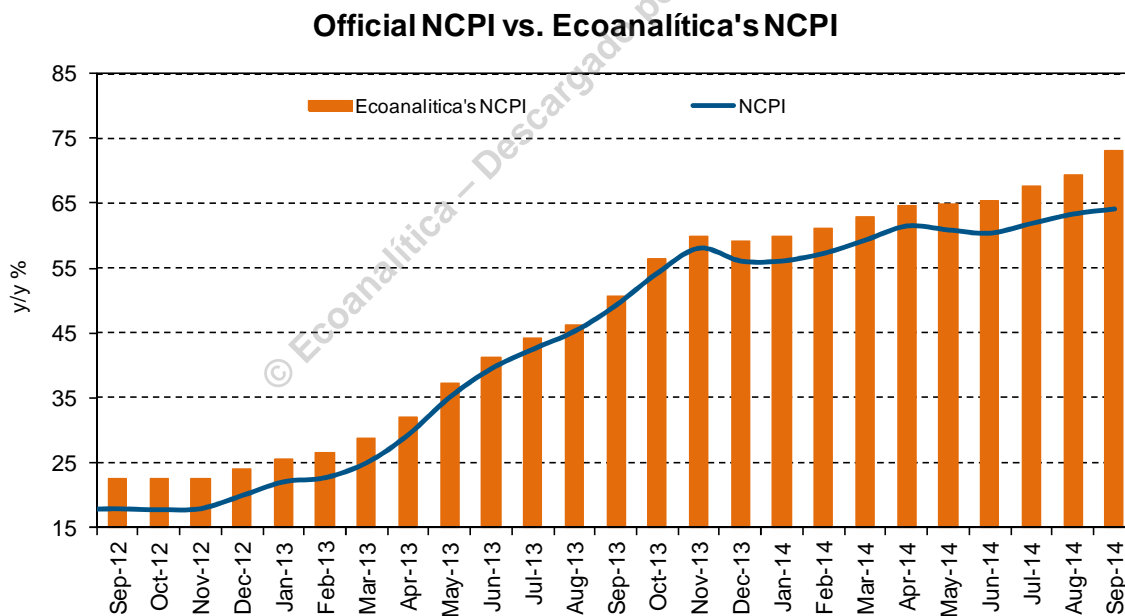
Lastly, the current estimation of the NCPI does not take account of problems associated with shortages, shortfalls in supply, and the development of black and informal markets (with prices that are higher than the official prices).

Year 10. Number 46. Week IV  
November 2014

## An alternative measure

In our writings and presentations, we have warned our clients and the public in general of these distortions; but here there is no alternative inflation index as there is in Argentina. Since 2007, we have attempted at **Ecoanalítica** to isolate the structures of control and foreign exchange distortions and we have designed an underlying inflation index, which is not a measure that challenges the official indicator but an indicator that shows a measure of inflation that tries to reduce the effect of the structure of controls and subsidies and distortions.

At **Ecoanalítica** we estimate that underlying inflation at the close of August came to 69.4%, some 6.0 percentage points higher than the inflation estimated by the Central Bank, and we forecast that it will be 83.8% this year (11.8 percentage points higher than official inflation).



Sources: BCV and Ecoanalítica

Year 10. Number 46. Week IV  
November 2014

## Generating expectations necessarily means restoring credibility

Today, Venezuela is trapped in a cycle that starts and ends with the increase in consumer prices: higher prices result in higher negotiated salaries; they in turn result in higher production costs and, last of all, those higher production costs once again put pressure on consumer prices, completing a cycle that is influenced by expectations that prices may increase.

A key actor in forming expectations in any economy is the central bank, the guarantor of price stability that should convince economic agents that price levels will not go up so much in the future or that they will go up at a target rate, the purpose being to turn expectations into an ally instead of an enemy.

That is why at **Ecoanalítica** we consider that the Central Bank should correct the methodology it uses for measuring inflation and resume the punctual and detailed publication of macroeconomic figures for the purpose of recovering part of the credibility it has lost in recent months and to become an institution that helps to establish economic agents' expectations by controlling one of the determining factors of the inflationary spiral that Venezuela is currently experiencing.

**Gabriel Villamizar**

Year 10. Number 46. Week IV  
November 2014

## ECONOMIC TIPS

**Food basket increased by 6.5% in September.** According to figures released by the National Statistics Institute (INE), the food basket value was VEB 5,741 in September, up 6.5% from August and up 87.9% from September 2013, thus meaning that the reference food basket increased VEB 2,686 in one year.

**Tomatoes registered the highest cost.** VEB 91.0/kg was used to buy these products, up 42.2% points from the previous month. The second most expensive group was pasteurized milk, for which VEB 9.3 was used and registered a monthly variation of 40.2%.

**Minimum wage only covers 85.1%.** The above signifies that minimum wage isn't enough to buy basic foodstuffs, because a worker earning the minimum wage (VEB 4,889) could only buy 85.1% of the basket estimated by INE.

**The reserves swell.** The international reserves grew by nearly US\$4.0 billion last week to US\$23.18 billion, their highest since September last year. President Nicolás Maduro said that this increase was due to a transfer of US\$4.0 billion corresponding to the "new tranche of financing from the Chinese Fund" to the Central Bank's coffers.

**The bonds respond.** The transfer of foreign currency from the Chinese Fund to the Central Bank was absorbed by the bond market with increases of 1.6 points in sovereign papers and of 2.8 points in PDVSA bonds. In PDVSA's curve, the most significant weekly recoveries were concentrated in short- and medium-term securities.

**Necessary measures.** Bank of America economist Francisco Rodríguez stated that adjusting the foreign exchange regime to realistic levels would take the market to an exchange rate of VEB 35.0/US\$ and he gave the reminder that "the Central Bank's primary job is to preserve the currency's value." He also suggested that, if the exchange rates are unified, the price of gasoline should be raised in order to use those revenues to finance the sectors of society in greatest need.

**The foreign exchange subsidy is no mere trifle.** Bank of America pointed out that the foreign exchange subsidy is equivalent to US\$50.0 billion. In his

Year 10. Number 46. Week IV  
November 2014

statements he explained that the foreign exchange subsidy “*is being paid for with the highest tax there is right now: inflation.*” He also claimed that there are two options for putting a brake on consumption: balancing the fiscal accounts and adjusting external consumption, which has been happening via a 33.0% reduction in imports in the past two years.

**A somewhat flexible agreement.** There have been three amendments to the agreements with China that have adjusted the terms of the loans. In 2012, a minimum number of barrels to be dispatched to pay the tranches was set; the following year, the two tranches set at US\$12.0 billion were increased; and in October, the National Assembly approved a new protocol, which does not establish a deadline for paying one of the tranches of the Joint Fund and eliminates the ceilings on the number of barrels to be shipped in payment of the debts with the China Development Bank.

**Doing the math.** National Integrated Customs and Tax Administration Service (Seniat) Superintendent and Minister for Industry José David Cabello explained that what they are aiming to do with the income tax reforms is to dismantle a system that sought to “*protect the big capitalists.*” The superintendent said that he expected that the modifications would result in additional tax revenues of VEB 80.0 billion for fiscal year 2015.

**Cock-and-bull stories.** Vice President for the Economy and Minister for the Economy, Finance and Public Sector Banks Rodolfo Marco Torres maintained that the announced fiscal reforms “*are going to allow us to fight the economic war.*” Furthermore, representatives of the cabinet stated that both the fiscal reforms and the 56 laws approved by President Nicolás Maduro under the Special Powers Act will lead to 2015 being “*an excellent year as far as production is concerned.*”

**So much debt isn't necessary.** According to the Ministry for the Economy and Finance, a total of VEB 67.1 billion in debt has been issued so far this year of the VEB 102.5 billion scheduled for 2014. Vice President for the Economy and Minister for the Economy and Finance Rodolfo Marco Torres admitted that it is not necessary to place all the debt planned for 2014, which is something “*positive.*”

**Some information about the debt.** After the National Assembly's Finance Committee reviewed the 2015 Indebtedness Act, the chief of the National Public Credit Office, Beatriz Bolívar, said that the Central Government's debt

Year 10. Number 46. Week IV  
November 2014

for 2015 was estimated at between 27.0% and 30.0% of gross domestic product (GDP). She admitted that the portion of the debt scheduled for this year and has yet to be performed is for refinancing the debt.

**People are feeling the crisis.** The Omnibus Survey conducted by Datanálisis in September-October reveals that the consumer confidence index is 25.4%, which means a drop of 6.3 percentage points compared to the previous survey conducted in May. According to the survey's findings, only 11.3% of consumers are prepared to purchase durable goods, whereas a third of those consulted were pessimistic with regard to the economic situation in 2015.

**Red siskins abound.** The Central Bank has put 50.4 million new VEB 100 banknotes into circulation, the largest amount so far this year. With this number of new banknotes going into circulation, at the close of October, VEB 100 banknotes accounted for 28.3% of the money that passes from hand to hand. According to the Central Bank, there are currently 1.02 trillion VEB 100 banknotes, 63.2% more than were in circulation in October 2013.

**Interest rates.** The lending rate for the second week of November was at 19.0%, increasing 0.3 percentage points (pp) compared to the previous week. The time deposit rate was at 14.6%, decreasing by 0.4 pp compared to the previous week, while the passive rate was at 14.4%, 0.3 pp higher than last week.

**International reserves.** International reserves went down by 4.1%, going from US\$20.48 billion during the fifth week of October to US\$19.64 billion during the first week of November. Compared to the same period last year, international reserves have decreased by 9.2%.

**Central government expenditure.** On November 21st according to figures from the NTO primary spending was VEB 24.60 billion, which means an increase of 1.3%; when compared to the same period last year. So far this year, the primary expenditure accumulates VEB 818.7 billion, 65.3% more than the same period last year.

**Monetary liquidity.** Money liquidity (M2) increased 6.4% in the second week of November from the week prior, to settle at VEB 1.8 trillion. The M2 has increased 62.0% in relation with the same period last year.

Year 10. Number 46. Week IV  
November 2014

Supply through SICAD II (US\$ MM)					
Day	Total daily	Public Sector	(%)	Private Sector	(%)
11/18/2014	14.9	14.7	98.7	0.2	1.3
11/19/2014	15.6	15.2	97.4	0.4	2.6
11/20/2014	16.0	14.8	92.5	1.2	7.5
11/21/2014	15.5	15.3	98.7	0.2	1.3
11/24/2014	15.4	15.1	98.1	0.3	1.9

Source: Ecoanalítica

## OIL TIPS

**OPEC does not flinch.** OPEC held, in Vienna, its largest gathering of recent years, menaced by falling oil prices that fueled the divisions between supporters of a production cut and defenders of the status quo. The ministers of the 12 member states of OPEC maintained the collective production ceiling fixed for three years at 30.0 million barrels per day (mb / d). The fall in prices has a negative influence on the income of OPEC countries and some, beginning with Venezuela, have pushed the rest to reduce production and stabilize the fall or even boost prices.

**Venezuela loses power.** The tour of Foreign Minister Rafael Ramirez, who traveled in a week Algeria, Qatar, Iran and Russia for support for the position of Venezuela to cut production to stem the decline in oil prices in recent months was unsuccessful; the cartel decision to maintain production reveals the loss of influence of the country in the international community. Although among the countries visited are some of the closest allies of Venezuela, any publicly committed to supporting a cut within OPEC.

**Saudi Arabia is reluctant.** Saudi Arabia and other Persian Gulf nations are convinced that the tactic of reducing crude output in order to push up the price of oil no longer works and they are not willing to do what Venezuela has done, which is to sacrifice markets. The reluctance of some OPEC members to cut production is also due to the fact that a steady recovery of prices would encourage the extraction of oil from nontraditional sources, such as shale oil.

**Power out shut down Cardón.** The naphtha reformer at Cardón Refinery, the country's second largest, is out of service because of a damaged filter following a power out early this month, according to workers at the facility. The reformer, which produces finished gasoline, had been out of service for

Year 10. Number 46. Week IV  
November 2014

more than a month due to maintenance. The workers calculated that they could try to start up the unit again in about five days' time.

**Buying whatever's available.** Since the end of October, PDVSA has imported some 4 million barrels (mb) of light crude from Algeria and more than 3 million barrels of oil products, including gasoline and diesel, at a time when it is having problems at its refineries and scheduled maintenance programs are being carried out at some of its crude upgraders. In addition, PDVSA launched a tender on the open market to buy a shipment of 700,000 barrels of Russian Urals crude, which will be received on the island of Curacao between December 15 and 31.

**From Algeria to China.** Venezuela sent China the first shipment of extra-heavy crude blended with light petroleum imported from Algeria. PDVSA started to import Saharan Blend in October after signing a supply contract with the Algerian state-owned Sonatrach to use it as a diluent for its extra-heavy crudes. The supertanker Carabobo is carrying 1.8 mb of Meroy heavy crude, which will reach China in 46 days' time, according to PDVSA.

**A better price.** According to Foreign Affairs Minister and former Oil Minister Rafael Ramírez, the Meroy blend made with Algerian crude commands a price that is nearly US\$20.0/bbl. higher than the diluted crude oil made using naphtha.

**PDVSA guarantees supply of gasoline.** Following a collapse of motor vehicle traffic in Valencia last week due to the shortage of fuel that generated long queues at service stations, the president of PDVSA, Eulogio del Pino, guaranteed the supply of gasoline to the country's central states. He said: *"PDVSA guarantees the supply of gasoline in Carabobo and Aragua. The stations will be supplied throughout the night. We call on people not to repeat rumors."*

**PDVSA opens urea and ammonia plants.** PDVSA officially opened the urea and ammonia plants at Morón Petrochemical Complex, now named after Hugo Chávez, which will multiply the production of fertilizers in Venezuela thanks to an investment of US\$2.44 billion. The plants will raise the production of ammonia by 277.7% from 180,000 metric tons to 680,000 metric tons a year. Maduro explained that these units will produce 630,000 metric tons of fertilizers and 770,000 metric tons of urea a year.

Year 10. Number 46. Week IV  
November 2014

**International oil baskets.** At closing time on November 21st in the New York Stock Exchange, the price of the WTI was US\$75.3/bl, down by 2.4% when compared to the reported the previous week. The Brent decreased by 2.7% when compared to the previous week, to reach US\$78.9/bl.

**Local oil basket price.** The Venezuelan oil basket price closed at US\$69.0/bl on Friday November 21st decreasing by 2.6% when compared to the reported the previous week. The annual average price of the Venezuelan oil basket is US\$92.2/bl.

## BUSINESS SECTOR TIPS

**Getting back into gear.** The vehicle assembler General Motors de Venezuela, which has plants in Valencia and Mariara, Carabobo state, has started up the production of cars again after signing a new collective employment contract that had been on the negotiating table for 14 months. The secretary general of the assembler's labor union, Willian Cedeño, explained that, following the signing of this agreement, it is estimated that they will close the year with between 4,000 and 5,000 vehicles assembled, going from assembling only 15 vehicles a day in recent months to 130 vehicles a day by year-end.

**It was on the cards.** The executive president of the Airlines Association of Venezuela (ALAV), Humberto Figuera, said that the offer of seats during the first ten months of the year had dropped by 46.3% compared to the same period in 2013. Figuera commented that, during that same period in 2013, 3,133,144 air tickets were sold, whereas only 1,450,000 tickets had been sold as at October 2014, less than half the number sold in 2013.

**80.0% back to normal.** The Venezuelan Chamber of Shopping Malls (Cavececo) announced that around 80.0% of the establishments in the country's shopping malls have given assurances that they have stocks of merchandise for the Christmas season. The vice president of Cavececo, Juan Carlos Serra, said that merchants and shopping centers are "*making efforts to get their operations back to normal*" after recovering from the "*harsh blow*" received as a result of the application of the temporary commercial premises leasing law in December last year.

Year 10. Number 46. Week IV  
November 2014

**“My Well-equipped Home” is back.** Minister for Commerce Isabel Delgado announced that the sale of “My Well-equipped Home” merchandise has already started via the State’s different marketing networks. Delgado explained that the distribution process had already started and that it had been redesigned so that all sectors of the population might have access to the products. At the moment the State has 600,000 products for sale and all the program’s sales points throughout the country are expected to be operating shortly.

**Going after the street vendors.** Fair Prices Superintendent Andrés Eloy Méndez announced that Sunde is to start an operative to seize the merchandise from street vendors who continue to sell regulated products. Despite this, many informal vendors have said that this measure has not been implemented, as a result of which they have been able to continue selling these articles at their regular sites.

**Government is to activate cement sales system.** The government has announced that it is to activate a system for the sale and distribution of cement in order to avoid hoarding of this product and profiteering, according to an announcement made by President Nicolás Maduro. The government started to regulate cement sales back in mid-August when the cement plants notified construction companies that they could only purchase cement at plants located near the works they were executing.

**Bank merger.** Vice President for the Economy and Minister for the Economy and Finance Rodolfo Marco Torres has published the approval of the merger of Banco Bicentenario, Banco de la Mujer, and Banco del Pueblo to create Banco Bicentenario de la Clase Obrera, de la Mujer y de las Comunas. *“Next year, our challenge will be to work alongside the communes, women, and the working class by implementing easily accessible products and services in order to promote banking socialization and support the country’s development,”* explained Torres.

**Against clandestine liquor sales.** The president of the Caracas Liquor Store Owners Association (Asolicorca), Carlos Salazar, requested an extension of opening hours for selling alcoholic beverages with a view to cutting down the clandestine liquor sales that have proliferated as a result of the rigid opening hours established for liquor stores. According to Salazar, this measure would be to the State’s benefit as it would generate more revenues for the Treasury from taxes levied on alcoholic beverages.

Year 10. Number 46. Week IV  
November 2014

**Invisible results.** The Vice President for Agri-Food Security and Sovereignty Yván Gil claimed that one million tons of paddy rice had been produced so far this year, for an increase of 10.0% compared to the amount produced during the same period in 2013. Gil also said that 2.7 million liters of milk had been processed so far this year for an increase of 5.0% compared to the same period in 2013. Given this situation, Gil added that the production of precooked cornmeal in Venezuela is 100% guaranteed.

**Cornmeal distribution is under way.** Minister for Food Iván José Bello announced that the Corporación de Abastecimiento y Servicios Agrícolas (CASA) had distributed 1,228 tons of white corn to three precooked cornmeal processing plants. Furthermore, he gave assurances that the Venalcasa plant has dispatched 30 metric tons of cornmeal to the different Mercal networks in Carora and that, at the moment, the Bravo Cacique plant in Yaracuy has an inventory of 16 tons of cornmeal.

**Dream on.** Minister for Agriculture and Lands José Luis Berroterán said that, at the ministry, they expect to increase domestic food production by between 15.0% and 18.0% in 2015, with a view to reducing imports of traditional products. *“We’re going to import less corn, less traditional products for balanced feed; but the most important part is the integration through which producers are going to appropriate the agri-industrial process, because it’s necessary to have a nucleus of development on the community level,”* added the minister.

## WORLD ECONOMY TIPS

**The bad news continues.** A private survey shows that the growth of the great Chinese manufacturing sector stagnated in November due to a contraction in production, the first in six months. This result joins the run of negative results posted by the second world power in recent months, which puts more pressure on Peking to further stimulate the economy with a view to avoiding a more pronounced slowing down than expected.

**A surprise measure.** After a two-year wait, China has unexpectedly cut its interest rates with a view to boosting expansion in its economy at a time when it is set on a path of the slowest growth in nearly a quarter of a century. This measure comes as a consequence of a series of bad news with regard

Year 10. Number 46. Week IV  
November 2014

to its economic indicators. The People's Bank of China said that it would reduce its one-year benchmark lending rate by 40 basis points (bp) to 5.6% and added that the one-year benchmark deposit rates would be cut by 25 bp.

**New engines.** China's Prime Minister Li Keqiang has called for "*new growth engines*" with which to counter slowing growth in the world's second largest economy. This request came following the unexpected decision to cut interest rates. These statements were prompted by concerns in the country regarding economic performance, which makes it clear that it is necessary to support new areas of growth at this time, something that Li supports and sought to promote with his recent speech.

**New strategy.** The European Central Bank (ECB) has begun buying asset-backed securities, thus launching one of the activities announced in recent months with which it seeks to shore up credit and economic activity. This measure has now become a key part of ECB Governor Mario Draghi's policy with which he expects to expand the bank's balance sheet by more than EUR 1.0 billion. And, according to statements by the ECB itself, this program will continue for at least two years.

**There is no total risk.** Vice president of the ECB Vitor Constancio said that Europe is not at risk of "*full deflation*," but stressed that the present rate of inflation in the region is dangerously low. Constancio explained that he did not think "*that in Europe there is the risk of falling into full deflation*" because nominal salaries would have to fall in all member countries, which, according to him, could not happen.

**Waiting to see.** The chairman of the European Union's trade ministers said that the proposal on a free trade agreement between Europe and the United States would fall through if European leaders give in to pressure to remove investment protection. This treaty would bring benefits of around US\$100.0 billion a year for both parties. But at the moment talks on the issue have slowed down due to fierce resistance to the clause for settling disputes between states and investors from ecological groups and Germany.

**Unexpected upturn.** After six months on the wane, business confidence in Germany bounced back in November, which gives the feeling that Europe's first economy could be gathering momentum after avoiding falling into a recession in 3Q2014 by a hair's breadth. The Lfo Institute for Economic Studies' business sentiment index, which is based on a monthly survey of

Year 10. Number 46. Week IV  
November 2014

some 7,000 companies, rose from 103.2 in October to 104.7 in November, breaking completely with previous negative expectations.

**It's turning out to be expensive.** Russia's Finance Minister Anton Siluanov said that the drop in oil prices and the sanctions imposed on Russia by the West over the crisis in Ukraine are costing his country approximately US\$140.0 billion *"We're losing around \$40 billion a year because of geopolitical sanctions, and about \$90 billion to \$100 billion from oil prices falling by 30 percent,"* explained Siluanov.

**Rebellious Greece.** The Greek Government has ignored the objections raised by the IMF and the European Union and submitted an almost balanced budget for next year, despite warnings that it could fail to meet its deficit target. Greece and its foreign creditors have been in disagreement over the deficit forecast for next year, as investors point out that Greece will fail to meet the goal of 0.2% due to the new debt repayment plan for Greeks who owe the State money.

**New team, new measures.** Everything indicates that Brazil's new economic team –as yet to be confirmed by President Dilma Rousseff- is preparing cuts for the 2015 budget that could be announced shortly. It seems that the total amount of the cuts is to be announced together with the names of the members of the new economic team, one of whom is expected to be the chief of the asset management division at Brazil's second largest private bank (Bradesco S.A.), Joaquim Levy.

## POLITICAL TIPS

**A National Anti-corruption Corps created.** Maduro announced the creation of the National Anti-corruption Corps under the Special Powers Act. This new agency is to report directly to the Presidency of the Republic and will have a team made up of police officers and special public prosecutors. He explained that the amendment to the law incorporates sanctions for international bribery and also states that there is no statute of limitations in cases of crimes against public patrimony.

**Dealing with security issues.** Maduro signed a law that will permit the creation of the People's Protection System for Peace, also contemplated in

Year 10. Number 46. Week IV  
November 2014

the amendment to the Security of the Nation Act and the amendment to the Bolivarian National Armed Force (FANB) Act. He also signed the so-called Police Revolution Act, which, he stressed, is to be a tool *“gained to offer instruments that will restructure whatever needs purging in the entire police corps system.”*

**Judges removed from office among candidates to the TJS.** Among the 424 candidates who put forward their names to the Judicial Nominations Committee to be considered for a seat on the Supreme Tribunal of Justice, there are judges, public prosecutors and even practicing lawyers who have been removed from office, sanctioned or even been investigated in connection with criminal cases in recent years. The list includes judges who were sanctioned by the Supreme Court of Justice (TJS) Judicial Committee or by the extinct Commission for the Functioning and Restructuring of the Judicial System, such as Juan Carlos Cuenca and Maikel Moreno Pérez.

**Tibisay seeks reelection.** The chairwoman of the Electoral Nominations Committee, Blanca Eekhout, stated that, according to the Constitution and the Electoral Branch Act, the National Electoral Council (CNE) directors have the legitimate right to be reelected *“and more so if their performance (in office) has been proven and effective.”* *“Any sector of society may nominate Director Tibisay Lucena, as in fact they have (...) Tibisay Lucena has the constitutional right to opt for reelection,”* said Eekhout.

**Deputies in 2015 should be under 30 years of age.** President Maduro stated that, next year, he wants 50.0% of the seats in the National Assembly (AN) to be occupied by university students under the age of 30. The announcement was made in reference to the parliamentary elections that are to be held in December next year. *“You should continue gaining experience in politics. You’re the golden generation, the Chávez generation.”*

**PSUV elections marked by abstention.** Empty polling stations were what marked the PSUV’s elections to select 3,988 *Buen Vivir* (Good Living) Circle chiefs. As happened at previous internal elections, only those belonging to the party machine, between 10.0% and 15.0% of the militants, turned out. *“Taking what happened in Miranda as a guide, abstention is approximately 95.0%, conclusive,”* stated the governor for Miranda state, Henrique Capriles.

**Irresponsible passing of laws.** National Assembly Deputy Alfonso Marquina said that the approval of the decrees and laws under the Special

Year 10. Number 46. Week IV  
November 2014

Powers Act was an irresponsible decision by the Central Government. *“What the President has decreed is a whole lot of laws, more than 50. We can’t give an exact figure due to the irresponsibility of this government that, after a year of doing precisely nothing, approves all this,”* commented the deputy.

**Defending the People’s Communication Act.** The vice chairwoman of the National Assembly’s Media Committee, Tania Díaz, called on journalists not to *“demonize”* the People’s Communication Act and described the criticisms leveled at the law by the National Journalists Association as *“absurd.”* *“It seems we don’t have the power or the right to discuss communications issues. The large number of lies inhibits debate,”* claimed Díaz.

**The State did not violate human rights.** *“We’re aware that the State did not violate our human rights. However, for example, Ms. María Corina Machado was a deputy when she called on people to protest and then they set fire to a pre-school. She violated the rights of all those children,”* said Bolivarian National Guard Lieutenant Yendri Velásquez, a member of the Committee of Families of Victims of the *Guarimbas* and the Ongoing Coup (*guarimbas* = street protests). *“I’m given the responsibility of defending my component, because we were demonized. We’re aware that there were some excesses, but those responsible are being investigated,”* she added.

**There will be no Tascón List.** Leaders of the political party *Voluntad Popular* have started to collect signatures in support of the proposal of having a Constituent Assembly to achieve a reform in Venezuela. Leopoldo López’ wife, Lilian Tintori, said that the goal is to get one million signatures. *“Unlike what happened in the past, there will be no Tascón List, because the signatures will be kept safe and because eight in ten Venezuelans want a change and will not permit abuses!”* Tintori said that a National Constituent Assembly would permit the release of political prisoners and also make it possible to recover democracy.

**New Public Procurement Act.** Availing himself of the Special Powers Act, President Nicolás Maduro promulgated an amendment to the Public Procurement Act that simplifies formalities and includes different mechanisms for channeling funds to the People’s Branch of Government. This amendment establishes *“the way in which the State contracts the People’s Branch to undertake works with the communes, the communal councils, and the popular forces,”* according to President.

Year 10. Number 46. Week IV  
November 2014

## LEGISLATIVE TIPS

**New Central Bank of Venezuela Act passed.** Using the powers granted him under the Special Powers Act, President Nicolás Maduro amended the CBV Act and created a special set of regulations for the Central Bank's assets. These legal instruments, which were not announced, are to be published in *Gaceta Extraordinaria* No. 6,154. Sources at the Central Bank say that the changes seek to have renminbi (Chinese currency) and extracted oil entered on the books as reserves.

**New appointments.** On October 24, the appointments of Carmen Meléndez and Padrino López at the head of the Ministry of Homeland, Justice and Peace and the Ministry of Defense, respectively, were made official. Nicolás Maduro explained that the decision had been taken with a view to both military officers continuing their work in building the new Bolivarian National Armed Force.

**30.0% of foreign investment is to be for domestic production.** The Foreign Investment Act approved by President Maduro under the Special Powers Act provides that 30.0% of the capital invested is to be earmarked for domestic production, according to an announcement by Minister for Commerce Isabel Delgado this Friday. Foreign companies interested in Venezuela should take into account that *"30.0% of their production will be domestic, that it should have added value for domestic products."*

**New law on regionalization.** National Strategic Development Zones, Special Economic Zones, Engine Districts, and Border Trade Citadels are some of the land use planning concepts that could be used in Venezuela to guarantee the boost to the economy as stipulated in the Law on Comprehensive Regionalization for the Socio-productive Development of the Nation, one of the 28 laws and decrees promulgated by President Nicolás Maduro.

**A law that will force companies to dispose of assets.** The Anti-monopoly Act will force companies to dispose of companies and plants that result in cartelization of commerce, said Minister for Commerce Isabel Delgado. Under the new legislation, processes must occur where *"other sectors and actors come to participate; and those plants and businesses have to belong to other actors,"* she explained.

Year 10. Number 46. Week IV  
November 2014

**Agri-food production inspections.** The National Comprehensive Agri-food Act approved by President Nicolás Maduro under the Special Powers Act provides for the creation of the National Agri-food Superintendency (Sunagro) that is to inspect the production, processing, distribution, and importing of food; moreover it will have access to information, in real time, supplied by different authorities and the People's Branch of Government.

**Getting a passport is now going to cost more.** The director of the Administrative Identification, Migration and Immigration Service (Saime), Juan Carlos Dugarte, announced that, on Monday, November 24, the cost of issuing a passport for adults, minors, and senior citizens will be 12 tax units (VEB 1,524). He stressed that, as a passport is an identification document used to travel abroad, *"the formalities associated with it have a cost, as its preparation involves an arduous process besides materials with the appropriate technology to prevent it being interfered with."*

**And anyone who doesn't collect their passport will be fined.** Saime is to fine users who do not collect their passports within 30 days of the established date in the sum of VEB 1,016 (8 tax units), according to Saime's director, Juan Carlos Dugarte. He explained that this measure seeks to raise user awareness with regard to the delays that there have been in people picking up their passports, commenting that more than a thousand passports have not been claimed nationwide.

**Another amendment to the Foreign Exchange Crimes Act.** Using the powers granted him under the Special Powers Act, President Maduro amended this law once again, although no details have been given of the changes. The amended law is to be published in *Gaceta Oficial Extraordinaria* No. 6,150. In February the law was amended to form SICAD II and allow private individuals and companies to buy foreign currency via three mechanisms at different exchange rates. The law also provides for the sanctions and fines to be applied in the event of foreign exchange irregularities.

**A long list of candidates to the CNE.** The list of candidates from civil society wishing to become directors of the National Electoral Council in the place of Tibisay Lucena, Vicente Díaz, and Sandra Oblitas was 245 names long when the time allowed for submitting nominations closed, according to the chairwoman of the Electoral Nominations Committee, Blanca Eekhout. Eekhout, who is also the second vice president of the National Assembly,

Year 10. Number 46. Week IV  
November 2014

announced that, according to the Electoral Processes Act, the National Assembly has a maximum of 20 calendar days starting on Monday, November 24, in which to evaluate the documents submitted by the nominees.

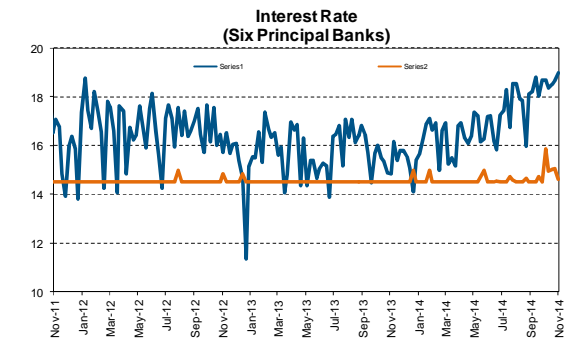
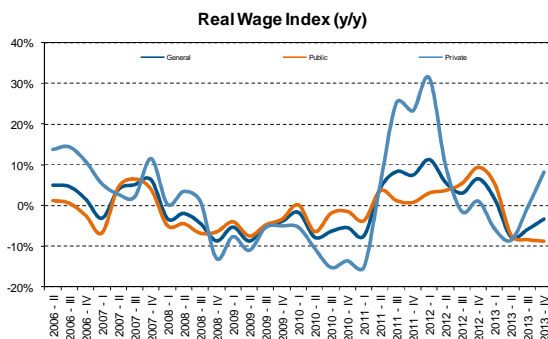
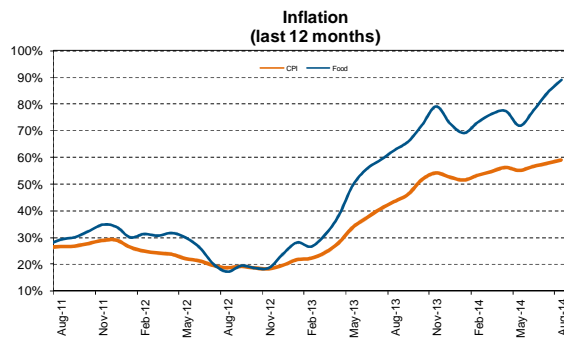
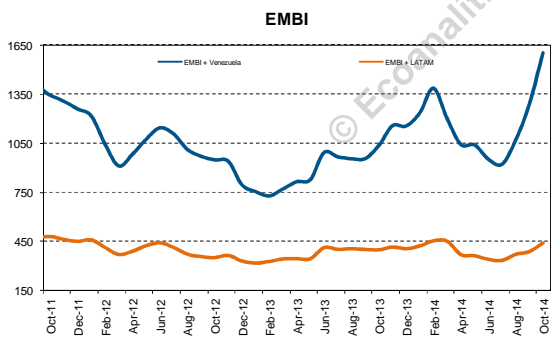
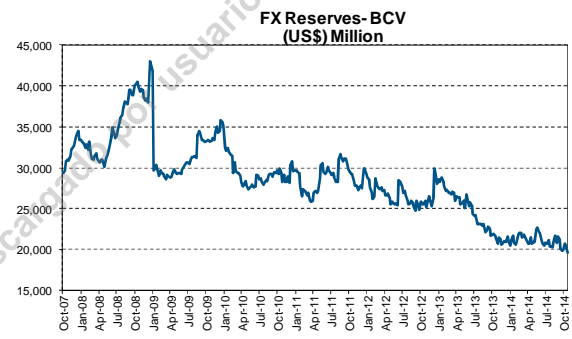
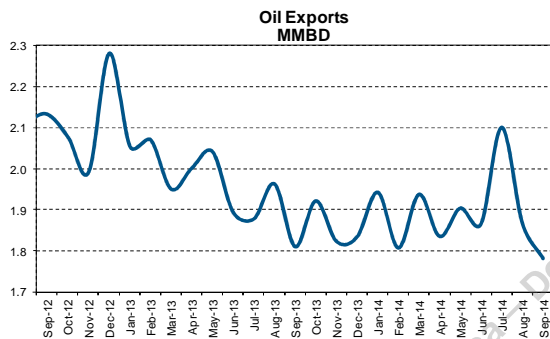
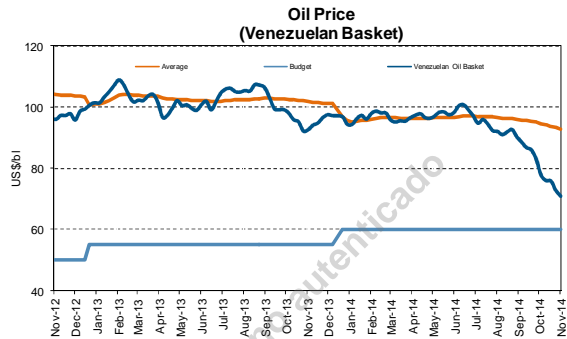
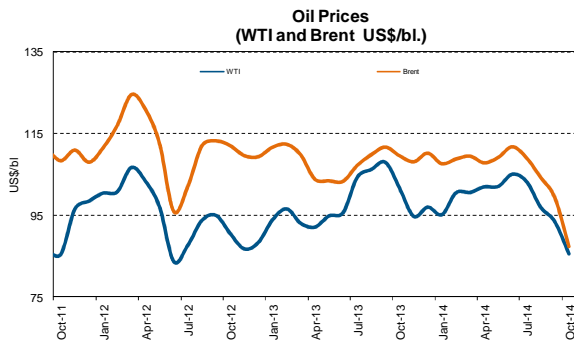
**The present members of the TSJ want to stay.** The 12 justices who are currently covering the vacancies at the Supreme Tribunal of Justice want to become fixtures. Most of these justices joined the TSJ in December 2012 upon the expiry of the 12-year term of the judges who were elected in 2000 as part of the process of re-legitimizing the national authorities following the approval of the 1999 Constitution.

**AgroVenezuela Mission Act.** Vice President for Agri-food Security and Sovereignty Yván Gil announced the laws on agri-food issues that have been approved under the Special Powers Act. *“The Great AgroVenezuela Mission Act will act as the master law under which the Ministry for Food, the Ministry for Agriculture and Lands and attached agencies are going to work together.”* He added that the ministries that are directly involved in production, such as the Ministry for Industry and the Ministry for Energy and Oil, as well as Pequiven and the National Agricultural Research Institute, will also form part of this body.

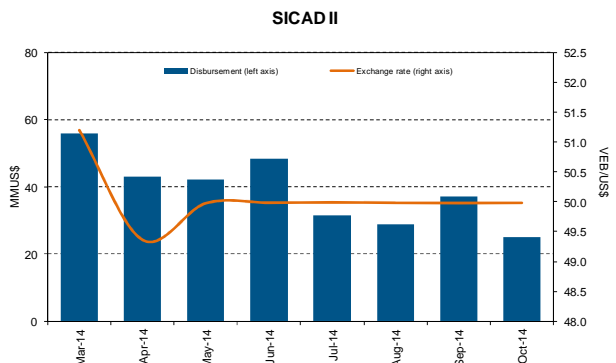
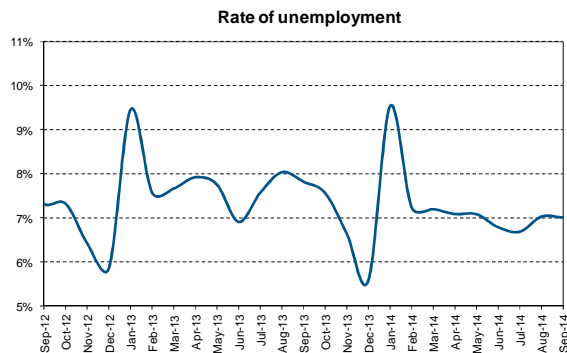
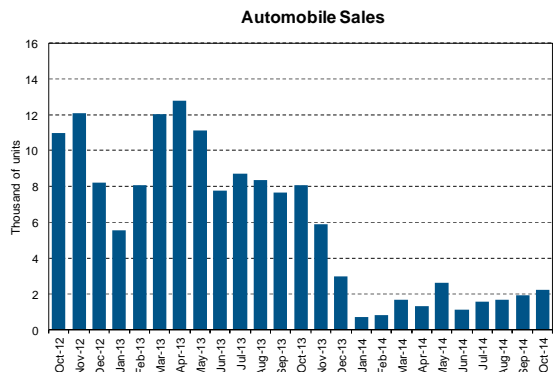
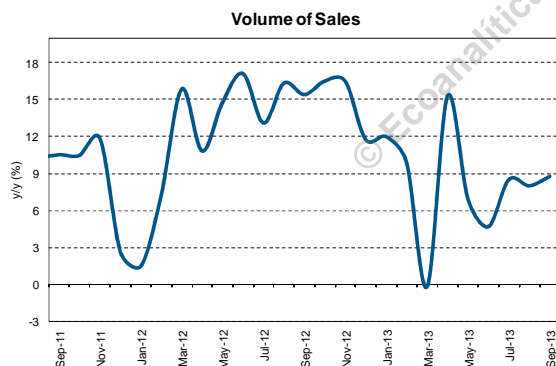
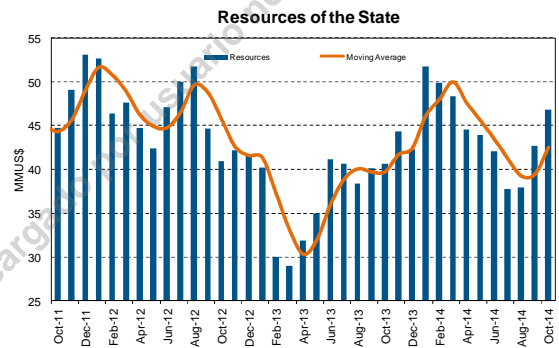
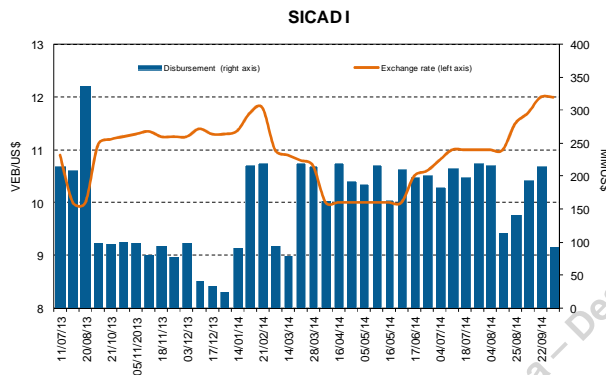
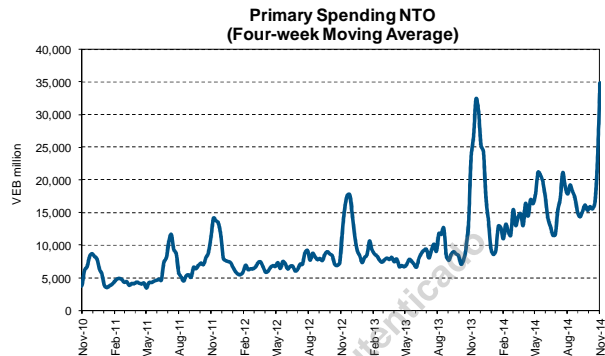
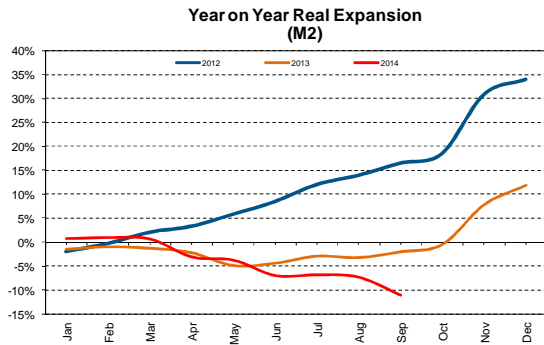
© Ecoanalítica – Todos los derechos reservados. No se permite la explotación económica ni la transformación de esta obra. Queda permitida la impresión en su totalidad.

Year 10. Number 46. Week IV  
November 2014

**ECONOMIC OVERVIEW**



Year 10. Number 46. Week IV  
November 2014



## ECOANALÍTICA'S TEAM

**Asdrúbal Oliveros** / Director

asdrubalo@ecoanalitica.net / @aroliveros

**Pedro Palma** / Director

pedrop@ecoanalitica.net / @palmapedroa

**Cristina Rodríguez** / Director

crisinar@ecoanalitica.net

**Jessica Grisanti** / Senior Economist

jessicag@ecoanalitica.net / @jessigrisanti

**Gabriel Villamizar** / Economist

gabrielv@ecoanalitica.net / @gabvillamizar

## RESEARCH ASSISTANTS

Pilar Navarro

Lesner Castillo

Daniel Cárdenas

Benjamín Matos

Arturo Villegas

Cristina Parilli

## EDITION

Argelia Guédez

## CONTACT US

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

Colombia: (+57-1-508 6554)

mercadeo@ecoanalitica.net

foros@ecoanalitica.net

[www.ecoanalitica.net](http://www.ecoanalitica.net)

@ecoanalitica