

Dec. 6th: during a transition you can't be celebrating victories

Throughout its history, Venezuela has had a policy of regimes¹, one after the other, without this meaning that they were dictatorial or not. We have seen this from Independence and continuing down through the Táchira military hegemony, the dictatorships of Gómez and Pérez, and the Pact of Punto Fijo, right up to today's 21st Century Socialism. It is important to bear in mind that the departure of the majority of these regimes has been violent, a circumstance that, rather than generating effective changes in the system, makes it worse.

Considering this is pertinent at a time when it might seem to us that 21st Century Socialism is coming to an end. Now the question is: What will be the trigger and process that will bring this about? What political scenarios are looming on the horizon for 2016? Given the proximity of parliamentary elections in our country, at **Ecoanalítica** we consider taking a close look at today's political situation to be of the utmost relevance in order to better understand what might await us next year on both the economic and political fronts.

Understanding what happened, so as not to do it again

It is a secret to no one that the past 16 years have marked what will be the next generation in Venezuela. However, whether the government's influence has been negative or positive during that time is a highly subjective issue. The Hugo Chávez administration took office for the first time in 1999, having obtained 56.2% of the votes, an unprecedented result that would put an end to the long period of two-party rule by *Acción Democrática* (AD) and *partido social cristiano* COPEI and, for many, it was a consequence of the failure to attend to the masses and their discontent.

In 2002, the confrontations between the private sector and the government led to an oil strike that would lead to President Chávez being forced to leave office, on

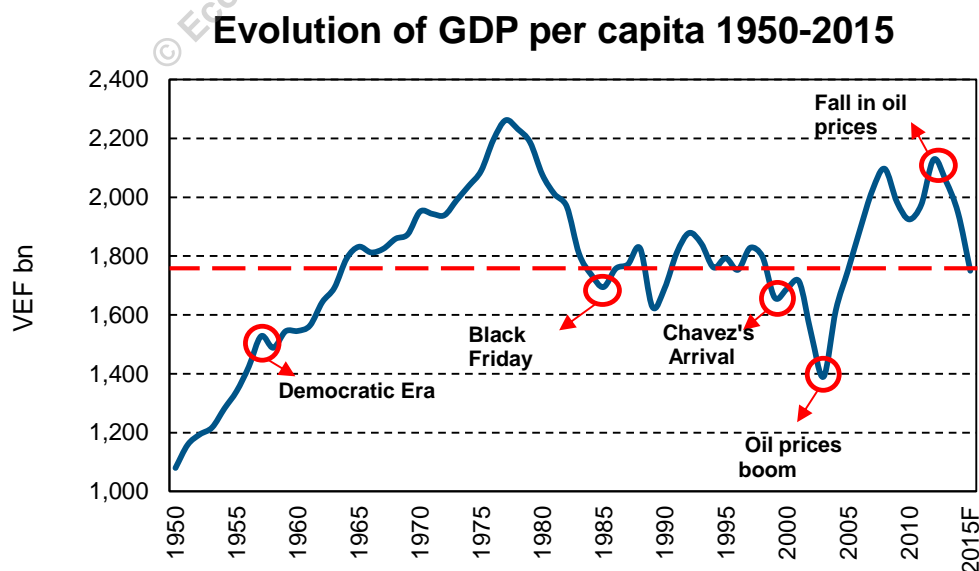
¹ Regime understood as the organizational model of constitutional power that takes a State based on the relationship between the different branches.

April 11, 2002, but only for two days. After that, the government became more radical.

Over the next few years, Chávez addressed himself to increasing public spending (with oil prices of more than US\$100 per barrel/bl.), which earned him the sympathy of the masses. At the elections held after 1998, Chávez was to lose not a single one. He won the 2000 presidential elections with 59.8%, the 2006 elections with 62.8%, and the most controversial election, the recall referendum in 2004, where important part of the victory can be attributed to the increase on spending in the social missions, to the detriment of the general discontent of the population.

Despite this, Chávez won the referendum with 59.1% of the votes. So things continued until October 2012, when he won his last election against the opposition candidate, Henrique Capriles Radonski, with 55.0% of the votes, the presidential election at which Chávez emerged with his popularity at its lowest ebb.

Now then, while Chávez was chalking up one victory after the next at the polls, an economic phenomenon was occurring: oil prices were going up. They reached their peak of US\$103.5/bl. in 2012. However, this was not transformed into development or evolution for our economy. On the contrary, we can see that today's Gross Domestic Product (GDP) per capita is the same as in 1964. If account is taken of technological progress and the effect of globalization, this means that Venezuela has lagged behind the rest of the world.



Source: BCV, INE and Ecoanalítica

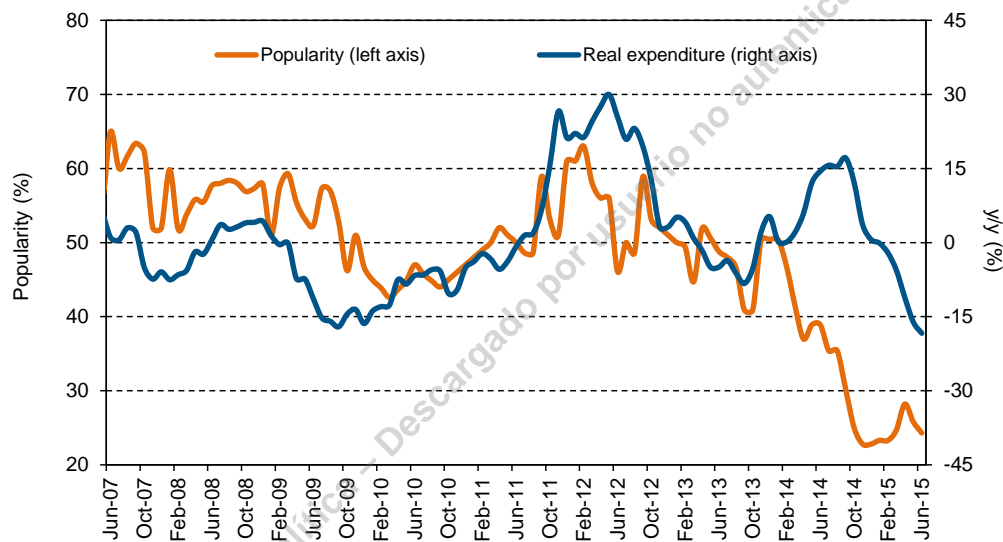
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In 2013, inflation was 56.2%, 38.2 percentage points (pp) higher than in 1998, and in the last year that Chávez was in office, stringent exchange and price controls were in place and a policy of expropriating private businesses was being implemented. All these factors were in conflict with the oil revenues that the country received during that decade.

Central Government Real Spending vs. Popularity



Source: National Treasury Office, BCV, Datanálisis and Ecoanalítica

However, there is a variable that has always been present during this administration: public spending. This increase from 25.7 to 44.0 GDP points in the 15 years of Chávez' terms in office, which, besides winning him elections, contributed to creating a society based on subsidies. We can see, then, the importance of public spending for the elections held during those years. And the point is that Chávez spent his entire time in office in an eternal campaign; there were always elections. In fact, in the next three years, 2016 will probably be the only year when no elections will be held.

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Elections	✓	✓	✓	X	X	X	✓	✓	✓	✓	✓	✓	✓	✓	X	✓	✓	X	✓	✓	✓
Presidential	✓		✓						✓						✓	✓					✓
Regional	✓		✓				✓	✓			✓		✓		✓	✓					✓
Legislative	✓		✓					✓					✓								
Referendums		✓	✓				✓			✓		✓									

Source: Michael Penfold and Ecoanalítica

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When you change the actor, you change the show

After the death of Chávez in March 2013, Venezuela was forced to hold early presidential elections, where the main candidates were to be the then foreign minister, Nicolás Maduro, and the opposition candidate Henrique Capriles. The opposition saw these elections as the perfect opportunity to get rid of the *Chavista* regime, and the government side viewed a new actor who lacked the charisma of “their commander” with skepticism.

As a consequence, the results of these elections were very close, with the National Electoral Council (CNE) proclaiming Nicolás Maduro as the winner with 50.6% of the votes, only 223,599 more than Capriles. The opposition claimed that there had been a fraud; the government side was looking forward to the continuation of Chávez.

But the economic situation (which played a crucial role for Maduro) changed; the price of oil plummeted in 2014 to US\$49.5/bl. on the end of the year (49.0% less than the same period in 2013). With little money to spend on subsidies, Maduro’s mistakes, his lack of charisma, the persecution of political leaders, and the effects in the economy began to generate widespread dissatisfaction among the population.

Where are we now?

During Maduro’s term in office, Venezuela has seen its economy deteriorate rapidly. The price of oil has gone down by 22.5% so far this year and, at the time of writing, it is at US\$36.5/bl, 47.9% less than during the same period in 2014. At **Ecoanalítica** we forecast that inflation will close 2015 at 208.6%. On top of that controls have been stepped up and the government has not taken any adjustment measures to deal with inflation.

The failure to allocate foreign currency to companies via official mechanisms has resulted in a foreign exchange spread of 13,819.4% between the Cencoex rate and the parallel market rate. The government has, in turn, focused its attention on destroying the value chains and the private sector, generating a process of deindustrialization in our country.

These factors have led to the shortages becoming more acute, which has generated long queues of shoppers hoping to buy basic products outside supermarkets and resulted in the emergence of “*bachaqueros*” (scalpers, who sell regulated products at extortionate prices), yet another distortion in the market.

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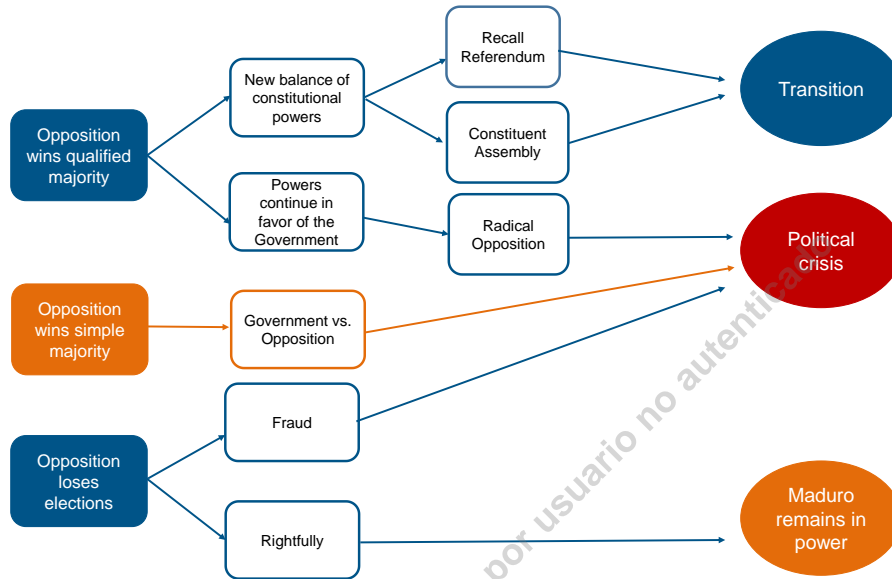
If to this situation we add that in **Ecoanalítica** we estimate that people's purchasing power has shrunk by 33.8%, the latent problem of the lack of security, and the constant cases of corruption involving the government, it is hardly surprising that people's acceptance of Maduro has taken a nosedive this year, nor is it harebrained to think that, since we are just a few weeks away from parliamentary elections, this could change the balance of power in the country.

December 6: more than an election, potentially the point of inflection

We are only a few days from the elections that will renew the deputies to the National Assembly and most of the pollsters give the opposition as the undeniable winner, something never seen before in an election of this caliber.

According to data supplied by Datanálisis, in October, 90.2% of Venezuelans felt that the situation of the country was negative; 79.6% stated that they felt bad; and 77.6% evaluated the Executive's performance as negative, compared to 40.4% in April 2013. These figures confirm that the country is demanding an urgent change and that the December 6 elections will be a reflection of that discontent.

The data from Datanálisis show that approximately 70.0% of voters will turn out to the polls, and 63.2% of that group says that they will vote for the opposition, whereas 28.2% intend to vote for the government candidates, giving a difference that not even Chávez obtained at any of election. The question is then: What are the scenarios for 2016?



Source: Barclays and Ecoanalítica

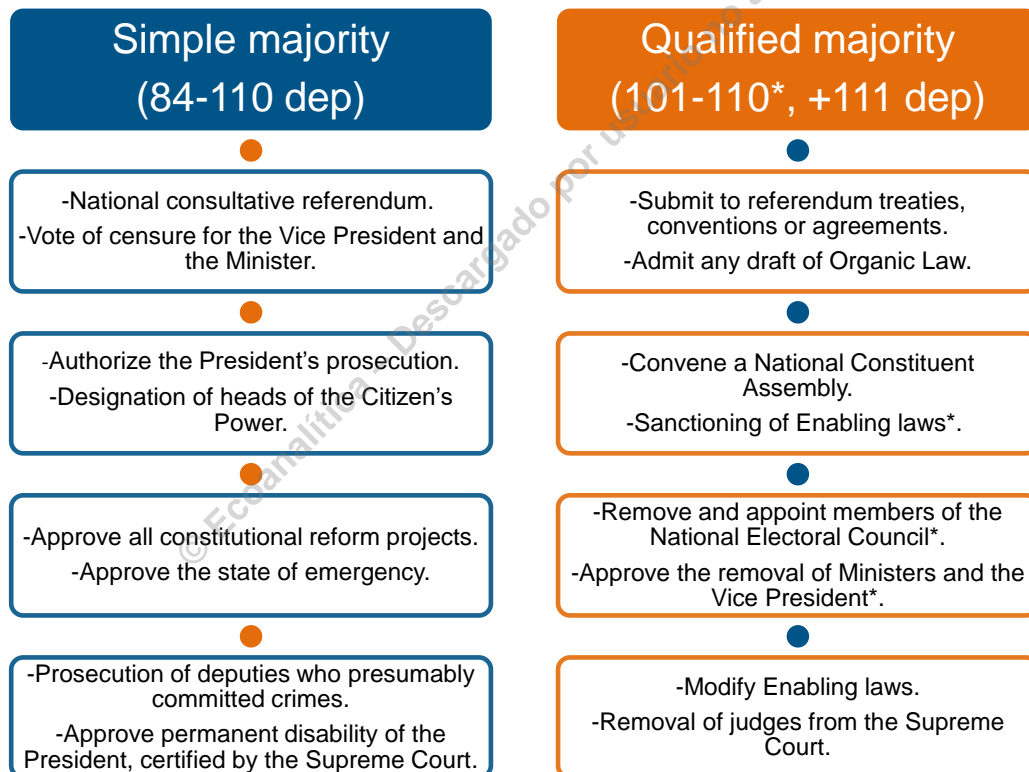
A scenario where the opposition obtains a two-thirds majority would open up the possibility of different options for it to make changes, while at the same time it could divide the opposition over which option to adopt. The most radical members will seek the early departure of the Executive by calling a recall referendum, whereas the more moderate ones will try to balance the powers allocated to members of the opposition in the public institutions (Supreme Tribunal of Justice, National Electoral Council, Public Prosecutor’s Office, and so on). In this scenario the opposition must act with prudence as this is a first step in the transition, not the final result.

In the scenario where the opposition obtains an absolute majority, there could be a confrontation between government and opposition, as the opposition will not be able to request either a recall referendum or amendments to the Constitution that would directly affect the Executive. For that reason, negotiation should prevail as the most effective mechanism for achieving change. However, it should be noted that the social and economic crisis will get worse if this confrontation occurs as it could prevent the implementation of essential economic adjustments.

Last of all, the least likely, but not impossible, scenario is where the government side wins the elections, which would result in the government losing even more credibility, the economic crisis would get worse, and the population would be the hardest hit. Moreover, the fraud would increase the possibility of an unconstitutional solution.

Leaving speculations aside, what can really be done?

If the opposition wins either the absolute or two-thirds majority, it will not be the end of the battle, merely a first step towards the transition. There has been a great deal of speculation about what can or cannot be done with the powers that a majority in the National Assembly would confer. While the government would still count on the majority of the branches of government, the legislative branch could modify the composition of those other branches.



* Corresponding powers from 101 deputies.

However, regardless of whether the opposition wins an absolute or two-thirds majority, there can be no denying that the model has been fractured. The economic and social factors have become aligned in such a fashion that sustaining 21st Century Socialism using the formula of increasing spending to win popularity is no longer viable. That means that the Venezuelan political system will have to reinvent itself, whereas the private sector will have to protect itself the best it can.

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An historic result implies an historic response

As the days go by, the possibility of the government canceling the elections becomes increasingly remote, which reduces the possibility of fraud and increases the possibility of a transition occurring. Now then, the opposition's strategy must change. Instead of focusing solely on changing the person in charge of directing the system, it should focus on changing how the system is managed.

It is worth pointing out that, at the moment, the late President Chávez enjoys approval of 58.0%, whereas opposition leaders such as Leopoldo López and Henrique Capriles have approval of 52.5% and 48.7%, respectively. That means that the population has fallen out with *Chavismo* but they are still not in love with the opposition. It is here that the opposition should focus on learning from its mistakes.

As Argentina's recently elected president, Mauricio Macri, said: "*It's a change of era that should lead us to the future and should not stop at taking revenge or settling accounts.*" The Venezuelan opposition has an historic opportunity in its hands to begin a successful transition in which bridges of understanding should be built in favor of balancing the branches of government and making effective economic adjustments.

Cristina Parilli

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WEEKLY INDICATORS

Weekly Economic Indicators			
	2nd Week November	Weekly var. (pp)	Annual var. (pp)
Lending Interest Rate (%)	21.4	0.0	2.3
	3rd Week November	Weekly var. (pp)	Annual var. (pp)
Overnight Interest Rate (%)	1.1	-4.2	0.4
	3rd Week November	Weekly var. (%)	Annual var. (%)
International Reserves (Bn US\$)	14.96	2.0	-35.8
	3rd Week November	Weekly var. (%)	Annual var. (%)*
Central Government Spending (VEF Bn)	67.6	-56.7	77.6
	2nd Week November	Weekly var. (%)	Annual var. (%)
Monetary Liquidity (VEF Bn)	3,550	5.7	100.2
Price of International Oil Baskets (US\$/bl)			
	3rd Week November	Weekly var. (%)	Annual var. (%)
WTI	40.9	-11.9	-38.3
Brent	44.2	-10.0	-44.0
Price of the Venezuelan oil basket (US\$/bl)			
	3rd Week November	Weekly var. (%)	Annual var. (%)
Weekly Average	36.5	-2.1	-47.9
Annual Average	46.4	-0.5	-49.7

Source: BCV, MENPET, ONT and Ecoanalítica

* Annual variation of accumulated expenditure.

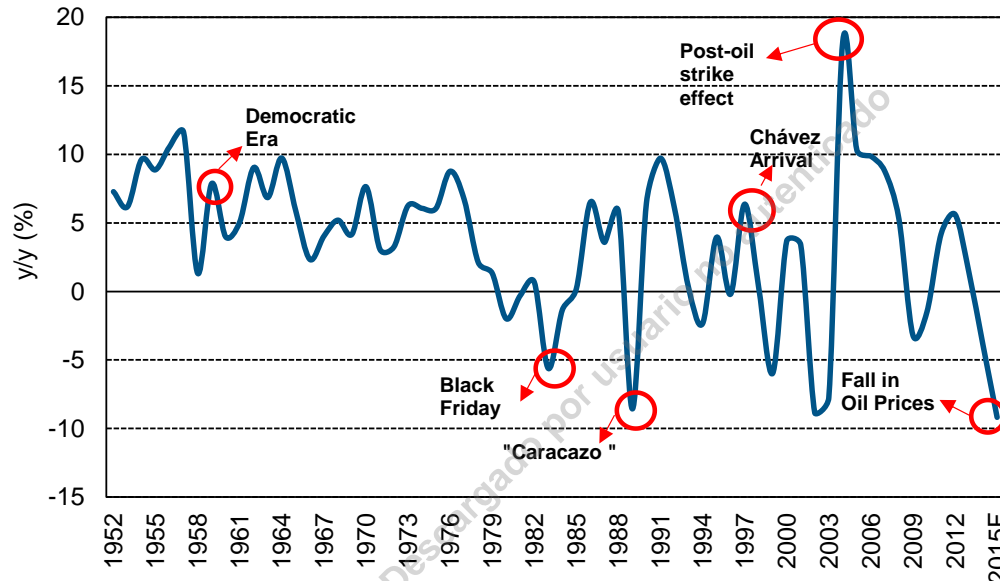
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CHART OF THE WEEK: "2015: A RECORD FALL"

GDP Evolution 1952-2015



Source: Central Bank and Ecoanalítica

In the Venezuelans collective memory, the common ground is that the worst economic crisis the country's ever experienced, was on the 80's, marked with the events of "The Black Friday" in 1983, or the "Caracazo" in 1989, however, looking into de GDP dynamic, we conclude that this statement not necessarily remains true.

Venezuela has experienced different of economic cycles, each one with different political and economic features, with the influence of internal and external factors. We have periods where the main objective was to fix the unbalances caused by strong external shocks, like the fall of the oil prices, shocks that caused serious contraction periods. (On this matter, we find a contraction of 8.6%, contemporaneous with the *Caracazo* Events).

When comparing these episodes we see that 2015 doesn't rise up as well. In 2015 we have a mix of negative factors (Internal and external), and according to several analysis, the contraction will accelerate on this periods. There are several reasons that could explain this particular dynamic, but the main conclusion is, that if the distortions that live in the Venezuelan economic system, doesn't get solved through the proper adjustment that generates a new confidence weather, we'll probably experience an even bigger contraction on 2016.

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ECONOMIC TIPS

Taking a nosedive. According to information that we have been able to gather at **Ecoanalítica**, the funds in dollars that the Venezuelan State had in October came to US\$6.7 billion, a reduction of 19.3% compared to September (US\$8.3 billion). Compared to a year ago, dollar funds contracted by 15.2% (US\$7.9 billion in October 2014).

In order to honor its liabilities. While the government exercises a great deal of discretion when it comes to using these funds, their reduction in October may be due to the fact that in October and November the government had to honor its external commitments (debt servicing).

International reserves down. Other accounts that have posted a drop are the international reserves. In October they averaged US\$15.73 billion, 22.0% less (US\$4.46 billion) than the average in October 2014 (US\$20.19 billion). If we compare the last week of 2014 with the second week of November, the reserves have taken a drop of 34.3% (US\$7.66 million less).

Their lowest in the entire year. According to data published by the Central Bank of Venezuela, the international reserves came to US\$14.67 billion in the second week of November, their lowest level this year. These extremely low levels of reserves are similar to those in 1999, when they averaged US\$14.33 billion. The drop in the international reserves is due mainly, apart from the increase in imports and the drop in production, to the drop in oil prices.

Worse off. The 2015 living conditions survey (ENCOVI after its initials in Spanish) conducted by *Universidad Católica Andrés Bello (UCAB)*, *Universidad Central de Venezuela (UCV)*, and *Universidad Simón Bolívar (USB)* indicates that families' purchasing power has undergone "*the biggest contraction in the country's entire socioeconomic history*," which explains why 73.0% of households and 76.0% of Venezuelans are in a situation of income poverty.

It's even worse when compared to last year. Last year's survey (ENCOVI 2014) revealed that the number of households in a situation of income poverty was 48.4% and that the number of poor people, using the same methodology, was 52.6%. This means that, in only 12 months, households in a situation of poverty have increase by 24.6 pp and persons in a situation of poverty by 23.4%.

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The deterioration is evident. While surveys only give an approximation of the situation, they do reflect the socioeconomic conditions in the country. According to our estimates, in the third quarter of 2015 (3Q2015), purchasing power had fallen by 33.9%, year-on-year, whereas inflation, as at October, was 187.5% (also year-on-year). These are just two of the many indicators that reflect the current situation state of deterioration in Venezuela.

OIL TIPS

Supplies for PDVSA on standby. According to industry sources, between 15 and 20 tankers with millions of barrels of crude and additives onboard could spend weeks anchored off the coasts of Aruba, Curacao and Paraguaná Peninsula as they wait for their companies to receive the corresponding disbursements before docking at Venezuela's oil facilities. This indicates that the serious liquidity problems being experienced by the state-owned oil company have got worse.

PDVSA could sue. The president of PDVSA, Eulogio Del Pino, said that PDVSA is evaluating the possibility of taking legal action in response to espionage engaged in by the US Government on the state-owned oil company. *"It's something inadmissible,"* he said, adding, *"We're going to make a complaint about this situation before the law."*

At a six-year low. The Venezuelan oil barrel price suffered another setback with a loss of US\$2.8, resulting in it closing last week at US\$34.5/bl., its lowest price in more than six years, according to a report by the Ministry of Oil and Mining. *"The high levels of inventories in the main consumer centers continued to bring pressure to bear on crude prices this week,"* said the ministry.

It could always get worse. Oil operators are getting ready for another drop in prices in March 2016, according to market information, as a warmer winter in the north could affect demand precisely when exports of Iranian crude hit the market again once the sanctions against Iran have been lifted. Oil futures have already lost nearly 60.0% of their value since mid-2014 as supplies exceed demand.

Opening of the gas summit. Last week, President Nicolás Maduro arrived at Tehran's Summit Conference Hall to take part in the opening of the Third Gas Exporting Countries Forum (GECF) Summit. The forum is made up of 12 countries -Algeria, Bolivia, Egypt, Equatorial Guinea, Iran, Libya, Nigeria, Qatar, Russia,

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Trinidad & Tobago, the United Arab Emirates (UAE), and Venezuela- and accounts for 67.0% of the world's proven natural gas reserves and 42.0% of global supply.

Defending the price of gas. Venezuela's position at the forum was to defend gas prices, as it has been doing with oil prices, which have been falling for more than a year due largely to shale oil production in USA. Venezuela has natural gas reserves of some 197.1 trillion cubic feet, which ranks it sixth in the world.

A "fair price" for gas. At the GECF, the countries called for a fair price that would defend investments in the only source of "clean" energy that can guarantee the world's energy needs and sustainable development in the immediate future. This was the main conclusion reached by the Third GECF Summit. It also called for boosting the promotion of the consumption of natural gas as the cleanest fossil fuel. Last of all, none of the participants said directly that it was necessary to turn the forum into an organization along the lines of Organization of the Petroleum Exporting Countries (OPEC).

It's not asking permission, it's notifying. Iran, one of OPEC's member countries, announced that it will not ask for permission to increase its production. Iran's oil minister, Bijan Namdar Zanganeh said, "*We will not negotiate with OPEC to increase our production. We will only notify them when we adapt.*" Iran, which lost its international market share because of sanctions, expects to increase its production in early 2016.

OPEC has to act. On the occasion of the GECF, Oil Minister Eulogio Del Pino said that OPEC should adopt measures soon to stabilize the crude market. "*We do not agree with the position that says that the market is somehow going to dictate the price of crude. We do not agree with that position adopted by Saudi Arabia,*" he commented, adding that "*Iran is announcing that its production is going to increase as soon as the sanctions are lifted and we need to do something. We (OPEC) cannot allow ourselves to get into a price war.*"

But Russia thinks otherwise. At the GECF, Russian Energy Minister Alexander Novak said that the best way to deal with the imbalance in the world oil market is to leave supply and demand to even out over the long term. He also maintained that, today, the volumes of production are not growing at the same pace they used to, that there is even an across-the-board reduction in volumes, and that it could take some time before the market gets back into balance on its own.

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A change of heart? Saudi Arabia's cabinet has said that it is ready to cooperate with OPEC and non-OPEC countries to achieve stability in the oil market. The markets have been attentive to any comments from the Saudis in the hope of some sign of change in their position of not cutting production to defend oil prices.

It's not possible to wait for the others. In the opinion of Iran's oil minister, Bijan Zanganeh, there is not sufficient will within OPEC to act to support oil prices. *"It's OPEC's mission to stabilize the market for the benefit of all its members,"* he said, adding *"if (that) is subject to cooperation with non-OPEC producers then it means we are going to do nothing."*

BUSINESS SECTOR TIPS

Products will continue to disappear. Vice President Jorge Arreaza insisted that the prices of ham and pork products must be adjusted to the recent price regulation approved by the National Superintendency for the Defense of Socioeconomic Rights (Sundde). Arreaza denounced that these products are being sold at "excessively high" prices in supermarkets and other establishments.

Regulating everyone. Vice President Jorge Arreaza announced that representatives of companies that engage in e-commerce are to meet with the Executive to evaluate proper compliance with the Fair Prices Act and Administrative Directive 070/2015, which establishes the rules for this sector. *"It can't be that they become channels for the irregular and speculative diversion of products that Venezuelans need,"* said Arreaza.

Christmas with a difference. The traditional sale of natural pine trees from Canada kicked off with a restriction: the number of trees on offer was less than in 2014, with the result that the entire stock was sold out in just two days, according to sector sources. *"Suppliers only sent us 800 trees, which were not enough to be able to cater to the clientele, and that meant that a lot of people were unable to buy their Christmas tree this year,"* said one merchant.

Trying to keep up supplies for the Christmas season. The Vice Presidency for Food Sovereignty met to follow up the food supply plan for the Christmas season, according to Food Sovereignty Vice President Carlos Osorio, who explained that *"we (in the Central Government) are taking decisive action to favor the Venezuelan people."*

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Measures to avoid running out of eggs. Vice President Jorge Arreaza announced that poultry farmers are to receive a transition subsidy following the setting of a fair price for the carton of eggs. *“We must look for ways to stabilize the costs of production throughout the country’s animal protein chain as soon as possible, with a view to guaranteeing prices that are sustainable over time,”* said Arreaza.

Potato deficit. The country’s potato farmers have warned of the lack of seed potatoes for the planting season and have declared maximum alert owing to the delay in the arrival of seed potatoes from Canada. Julio de La Cruz, the president of *Asociación de Productores de Papa* (Asopapa) Trujillo, Ernesto Torres, the president of Lara State Potato Farmers Council, and Julio Paredes, the president of Fenaphort, claimed that 4,500 tons of seed potatoes should arrive on December 1 for distribution.

Attention needs to be paid to the cattle rearing sector. The president of the National Cattlemen’s Federation of Venezuela (Fedenaga) Carlos Albornoz, called on the government to pay greater attention to all actors who are producing food and to have “really” comprehensive encounters. *“We cannot support proposals that are not proposals for activating farming, cattlemen and farmers in general. Public policies should be based on increasing supply,”* explained Albornoz.

Since people are not traveling abroad... According to José Yapur, the president of *Consejo Superior de Turismo* (Conseturismo), domestic hotels will have an occupancy rate of nearly 70.0% over the Christmas season, except for December 30 and 31 and January 1, when it is estimated that occupancy will be between 76.0% and 79.0%. Occupancy will be lower starting on December 15. In Yapur’s opinion, expectations for December are similar to those for August, when the number of holidaymakers was between 15.0% and 20.0% lower than in 2014.

Trying to win the elections. President Nicolás Maduro announced that the nationwide basic target for *Misión Vivienda* in 2016 is 500,000 homes and that at least 47.0% would be built by people’s power. *“When one builds one’s own building, one’s own home, one’s own community, it’s a special kind of love. When one lays one’s block and starts to see how the columns go up, how beautiful,”* said the President.

When times are lean. According to the Ministry for Aquatic and Air Transport, 310 containers of wood, plastic and other inputs were dispatched to different countries via Bolipuertos in La Guaira. On the other hand, 109 containers of food, essential

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products, and medicines were brought in from abroad, specifically from Colombia and Panama, to contribute to the local market.

WORLD ECONOMY TIPS

Argentina has a new president. In the second round of the presidential elections, Mauricio Macri was elected the new president of Argentina for the period 2015-2019 with 51.4% of the votes. Macri's triumph puts an end to 12 years of Kirchnerism in Argentina, which commenced with the first Nestor Kirchner administration. According to official figures, the turnout for these elections was only 74.0%.

A unique victory. Mauricio Macri is the first non-Peronist president in more than a decade. Moreover, although Macri heads up an alliance of non-Peronist parties, he is not anti-Peronist and represents a movement of the center-right. Macri faces the challenge of governing without the backing of a majority in congress as both the Senate and the Chamber of Deputies continue to have a Kirchnerist majority.

We're more than ready. The president and chief executive officer of the Federal Reserve Bank of San Francisco, John Williams, said that there is a "strong case" for raising interest rates when US Federal Reserve policymakers meet next month. "The data I think have been overall encouraging, especially on the labor market," he commented.

Don't worry, we will get there. Chinese Prime Minister Li Keqiang said that China is set to achieve its growth target of 7.0% this year and announced that the Chinese economy is undergoing adjustments in order to maintain a reasonable level of expansion in the medium and long terms. Moreover, China is studying the possibility of setting up a multilateral financial institution with the countries of Central and Eastern Europe.

Boosting the domestic economy. China is to promote the development of commerce, health, and tourism with a view to boosting domestic consumption. Moreover, China's State Council said that it would encourage financial institutions to accept a broader range of guarantees for loans to companies in "lifestyle" related sectors. Expectations are that the next measures to be implemented by the Chinese Government will provide incentives for consumer credit and improve the system of payments via Internet.

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Improving inter-regional relations. China's Ministry of Foreign Affairs is offering countries in Southeast Asia US\$10.0 billion in loans for infrastructure with a view to improving the commercial integration of this region and China. It is also to hand over US\$560 million to underdeveloped countries in the Association of Southeast Asian Nations (ASEAN) in 2016.

They need to be prepared. European Central Bank's governing council member Erkki Liikanen said that the euro zone's inflation and growth prospects are facing downside risks and that, therefore, the European Central Bank (ECB) should be willing and able to act to achieve its price growth target. *"The growth and inflation outlook is still subject to downside risks"* said Liikanen.

Positive indicators. According to the index prepared based on Markit's survey of business activity in the euro zone, business activity posted its biggest growth since mid-2011 and was much higher than expected given the depreciation of the euro against the dollar (weakening of the currency) and a price cut in imports. The index was 54.4 points, up 0.5 of a point from October (53.9).

Something else is needed. Even though the upturn in activity may be welcomed by policymakers at the ECB, the discounts applied by companies suggest that the "ultra-flexible" monetary policy is not getting inflation any nearer their target of 2.0% a year. This was an opinion expressed by Markit.

The threats will not stop the meetings. The finance ministers of the 19 countries that use the euro met in Brussels despite the security alert of possible terrorist attacks. It is thought that the European Union's monetary policy and the depreciation of the euro were among the issues discussed at the meeting, although no statement has been made with regard to the policies that are going to be taken.

For the seventh month running. The preliminary Purchasing Managers' Index (PMI) for Japan's manufacturing sector compiled by Markit/Nikkei was 52.8 points in November, according to seasonally adjusted figures, compared to 52.4 points in October, in other words an increase of 0.4 points. The index remained above the 50-point threshold, which separates expansion from contraction, for the seventh month running.

They fell, but are recovering. Last week the index of the main commodities, the Thomson Reuters Core Commodity CRB Index, fell to its lowest level in the past 13 years. However, it managed to recover thanks to a slight increase in oil prices and

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an upturn in cereal prices. Copper and nickel were the metals that were most affected by the drop in prices.

POLITICAL TIPS

Winds of change in Latin America. Argentina's President-elect Mauricio Macri ratified that he would request that Mercosur's Democratic Clause be applied to Venezuela at the bloc's next meeting to be held in December. *"We're going to do what we said we'd do during the campaign. We're going to invoke the democratic clause against Venezuela. It deserves it for the abuses (it has committed) and for persecuting members of the opposition,"* said Macri.

The different tendencies in alignment. The executive secretary of the Democratic Unity Alliance, Jesús "Chuo" Torrealba, congratulated Mauricio Macri on his victory at the Argentinean elections. *"Macri's triumph is part of a series of developments that are happening in the region. What is moving through Latin America is change, and democratic change,"* said Torrealba.

Wounded democracy. Luis Manuel Diaz, secretary general of Democratic Action party, was killed during a rally in support of the candidate for deputy Rummy Olivo and Leopoldo Lopez's wife, Lilian Tintori. The regional leader was killed by several gunshots. Democratic Action leader, Henry Ramos, blamed armed gangs of shooting from a vehicle.

Don't let them pull the wool over your eyes. Torrealba, urged the *Unión de Naciones Suramericanas* (UNASUR) commission that is currently in Venezuela to investigate recent violent attacks on opposition candidates and leaders. He also said that the Unity Alliance would not sign the agreement proposed by UNASUR. *"We're not going to sign a blank check for anyone. In any event, we can make a counterproposal,"* he said.

International public pressure. *The Washington Post* gave over its editorial to the parliamentary elections in Venezuela. In it, the newspaper states that the US and other countries in the region should bring more pressure to bear on President Nicolás Maduro with regard to the December 6th legislative elections and to be ready to respond with sanctions if those elections are not free and fair.

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Playing dirty. Marialbert Barrios, Democratic Unity Alliance candidate to the National Assembly publicly denounced that individuals kidnapped three opposition activists who were traveling in a truck. Barrios said that the people who were kidnapped were hanging up campaign banners in Catia, Sucre Municipality in Caracas. *“The PSUV has gone into desperation mode,”* said Barrios.

Asking for forgiveness. Ernesto Villegas, the PSUV’s candidate to the National Assembly for Caracas Circuit 1, addressed his words to government supporters who are a bit *“irritated, annoyed and doubtful”* to urge them to vote on December 6th. In his speech, Villegas said that they should not step aside and that they should take a step forward to add to the votes.

Believing his own lies. Campaign chief for the government’s side, Jorge Rodríguez, said that more than 7.5 million people had been contacted during the second trial run of the elections conducted by the government alliance *Gran Polo Patriótico* (GPP). *“Each Bolívar and Chávez Battle Unit (UBCh) chief communicated with the campaign chief at the central room during the deployment operation of the general trial run on the way to victory,”* stressed Rodríguez.

LEGISLATIVE TIPS

A new president for Conviasa. According to *Gaceta Oficial* No. 40,793, Franklin Rafael Gil Espinoza has been appointed president of Consorcio Venezolano de Industrias Aeronáuticas y Servicios Aéreos S.A. (Conviasa). Conviasa is a state-owned company attached to the People’s Power Ministry for Aquatic and Air Transport. Gil Espinoza replaces Eduardo Antonio Falcón Gotopo, who left the post on April 9.

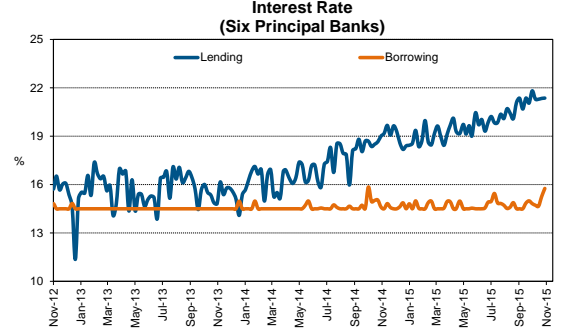
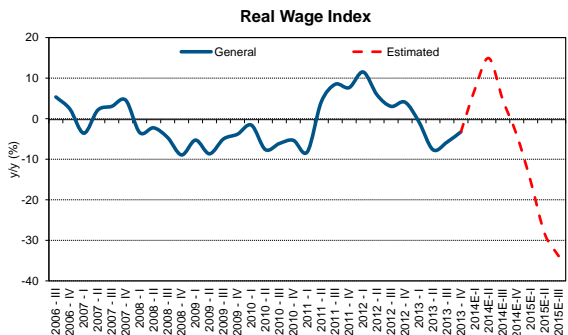
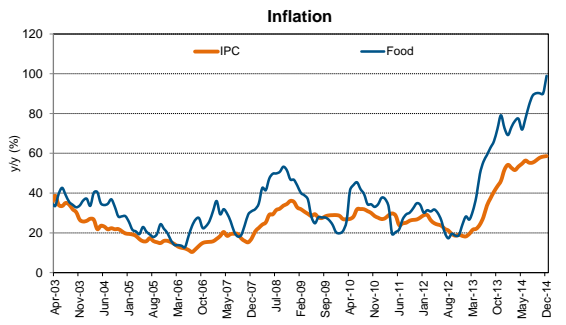
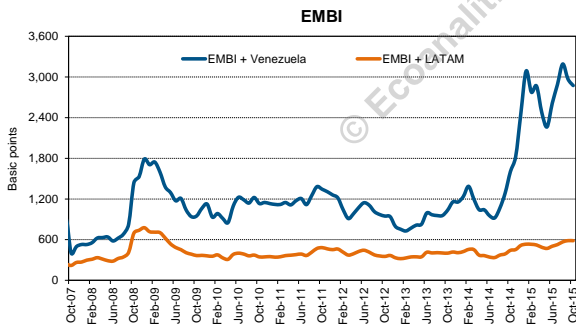
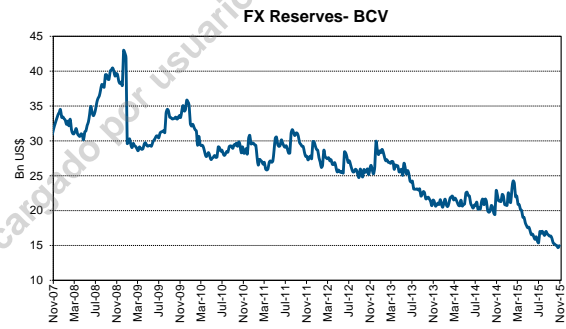
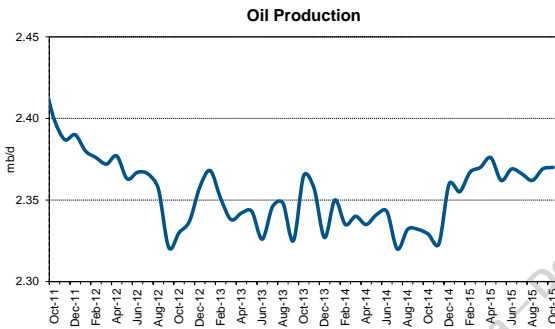
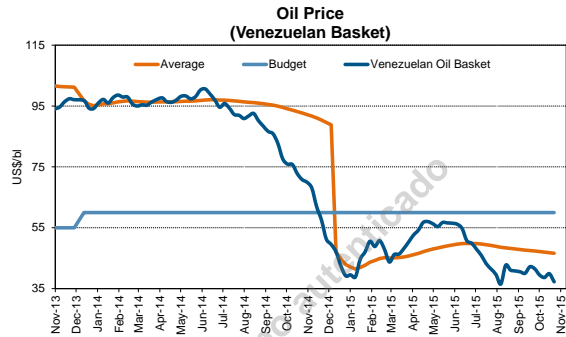
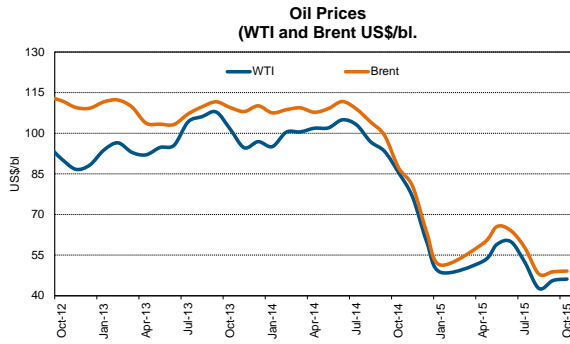
Just for this year. The Executive’s decision to give pensioners of the Venezuelan Social Security Institute (IVSS) an extra month’s year-end bonus applies to this year only. The presidential decree referring to the additional or third month of the year-end bonus was published in *Gaceta Oficial* No. 40,783, dated November 9th. According to current Venezuelan law, this bonus is for two months’ pension.

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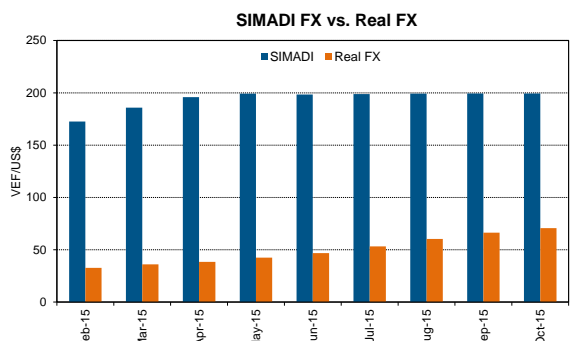
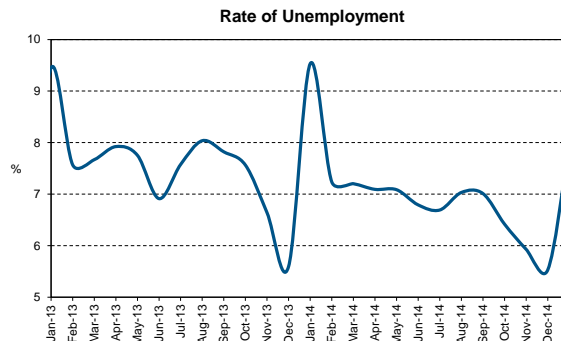
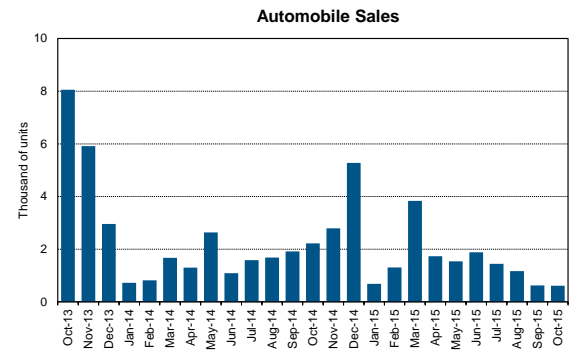
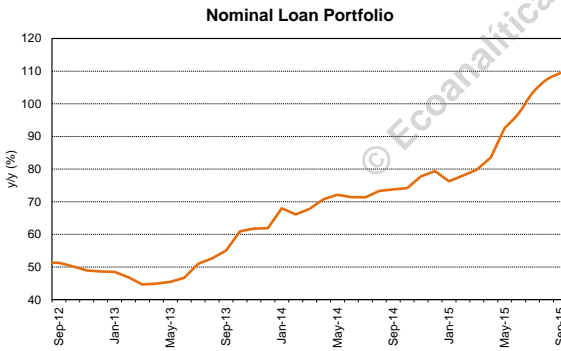
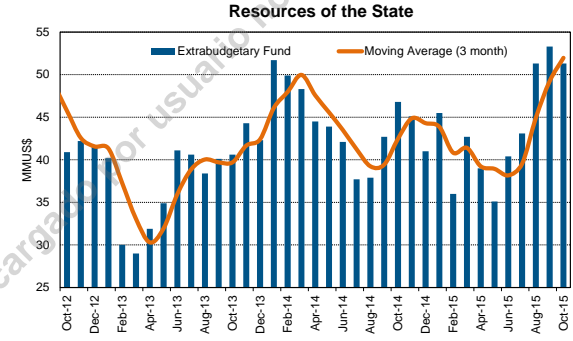
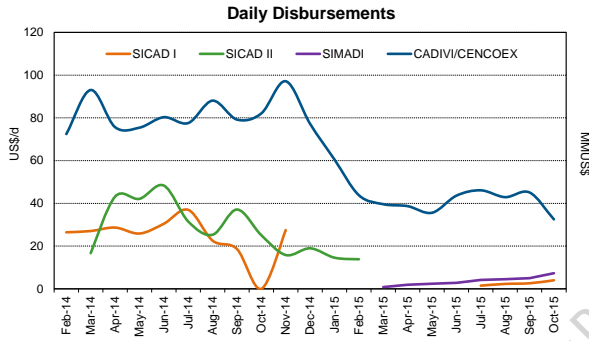
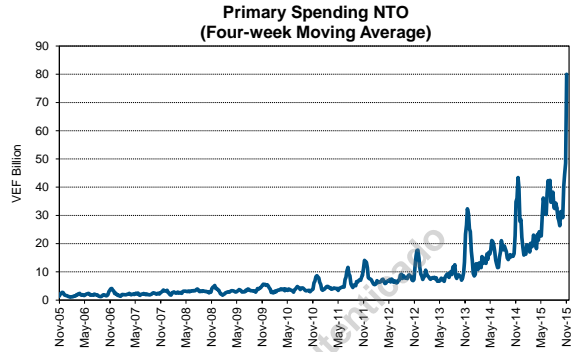
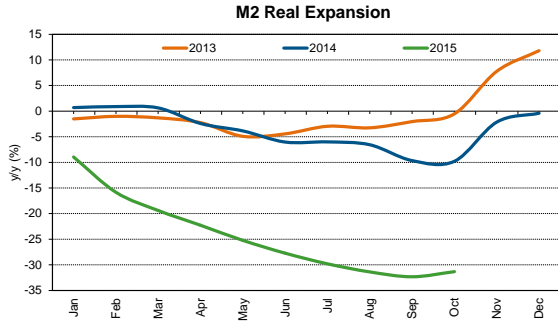
ECONOMIC OVERVIEW



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