



Weekly Report

Year 9, Number 47
Week I, December 2013

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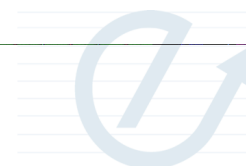
The Central Bank: torn between independence and complicity

Ecoanalítica's Team*
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As a result of the 2008 world financial crisis, there have been major changes in the way people perceive the banking business. The adverse effects of what was a malfunctioning of the risk mitigation mechanisms implemented by the banks have given rise to more stringent regulations and the creation of specific bailout mechanisms for banks in difficulties. At the same time, the tendency to demand greater transparency in the banking business has become more marked, and central banks have not escaped these demands.

The increase in transparency of central banks worldwide has come in response to pressure by society to make banks more answerable to the general public, given that their actions, while well intentioned as far as achieving the objectives of low inflation (and of driving growth in recent years) is concerned tend to have considerable side effects for savers and borrowers.





The importance of being transparent

As central banks have become more independent when choosing their policies, transparency has become a mechanism that allows the general public to evaluate whether the actions they take are consistent with their policies' objectives.

Transparency allows the goods and services, financial, and foreign exchange markets to respond to economic policy decisions in a way that is less volatile. The more transparent a central bank is with regard to its macroeconomic outlook and how this is related to its set of policies, the less of a surprise economic policy decisions are.

Besides, being transparent is one way a central bank increases its credibility with in terms of meeting its objectives. If a central bank undertakes to achieve low stable inflation, that objective is more credible if it explains in detail how its policies will help to do this, otherwise keeping everything in the dark combined with repeated failures to meet macroeconomic goals end up destroying the little credibility it may still have.

How transparent is the Central Bank of Venezuela?

Recently, the Bank of Korea (BOK) made public a research document¹ in which the transparency of 120 central banks around the world was measured (between 1998 and 2010) and the possible effects that more or less transparency could have on volatility and the level of inflation were evaluated.

The BOK report includes a central bank transparency index which measures: political transparency (clarity of the bank's objectives), economic transparency (availability of data, access to models and predictions), procedural transparency (clarity with regard to why measures are taken), policy transparency (clarity with regard to implications of economic policy), and operational transparency (clarity regarding how decisions will be taken and their side effects controlled).

According to the BOK report, in 2010 the Central Bank of Venezuela (BCV) achieved a score of 4 (out of a possible 15 points) and was ranked 76th out of 120 central banks studied and 15th out of the 24 American central banks measured in the same report. While the Central Bank of Venezuela does not come out looking good as far as transparency is concerned, it should be noted that, between 1998 and 2010, its

¹ Central Bank Transparency and Independency: Updates and Measures, Nergiz Dincer & Barry Eichengreen, BOK Working Paper, 2013.



transparency indicator went up from one to four, in line with the general world trend.

Central Bank Transparency Index

Ranking	Country	1998	2004	2010
1	Sweden	9.0	14.5	14.5
2	New Zealand	10.5	14.0	14.0
3	Hungary	3.5	7.0	13.5
4	Czech Republic	8.5	11.5	12.0
5	United Kingdom	11.0	12.5	12.0
6	Israel	5.5	8.5	11.5
7	Australia	8.0	9.0	11.0
8	Canada	10.5	11.0	11.0
9	US	8.5	10.0	11.0
10	Japan	8.0	9.5	10.5
76	Venezuela	1.0	4.0	4.0

Sources: BOK and Ecoanalítica

At *Ecoanalítica* we consider that, while the BCV has acted with due transparency in accordance with its primary objective (price stability), it has not been clear when it comes to the mechanisms by means of which it pretends to achieve that objective; nor has it explained the consequences of its monetary policy (currently expansive), which, added to the failure to meet the inflation goal, has prevented it from gaining a degree of credibility.

**Independence:
another key
aspect**

Together with transparency -a characteristic that allows a central bank to adequately communicate what its measures intend to achieve and thereby improve the effectiveness of its policies-, independence or the capacity to choose its own economic (monetary and foreign exchange) policies in the attainment of its objectives has proved to be an important factor in reducing volatility and inflation. A more independent central bank will be less prone to sacrifice its inflation goal to the possibility of promoting greater growth, even if this request were to come from the executive branch.

Generally speaking, a central bank is considered to have greater independence if its president is appointed by the bank's committee and not by the leader of the government (president or prime minister, as the case may be) or by the minister in charge of finance, if he may not be removed from office and his term in office is for a considerable period of



time. Moreover, a central bank is more independent to the extent that: i) its policy decisions are taken without the direct participation of the government; ii) price stability is its only or prime objective; and iii) there is a ceiling on the amounts the government may borrow from the central bank.

As for the BCV's degree of independence, the research conducted by the BOK ranks it 23rd out of 89 central banks studied with a score of 0.73 out of a maximum of one point (2010).

Central Bank Independency Index		
Ranking	Country	2010
1	Krgyz Republic	0.83
2	Latvia	0.83
3	Lithuania	0.79
4	Romania	0.79
5	Estonia	0.79
6	Armenia	0.77
7	Sweden	0.77
8	Hungary	0.77
9	Macedonia	0.74
10	Indonesia	0.73
23	Venezuela	0.64

Sources: BOK and Ecoanalítica

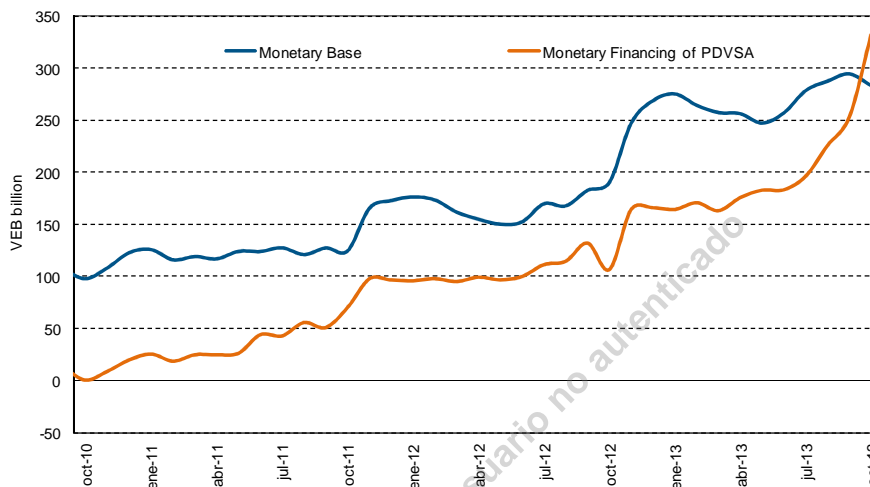
The BCV "*is autonomous in the formulation and implementation of the policies within its sphere of competence*" and is not subordinate to the guidelines of the Executive, according to the BCV Act. However, the fact that the Central Bank's president and part of its board of directors are appointed by the President of the Republic may well mean that economic policymakers are not entirely independent.

But it does not guarantee a good performance

The Central Bank's independence is called into question when, despite the fact that it is forbidden to finance fiscal deficits by law, it has been continuously financing PDVSA (since 2010), a company that has been performing a large part of the government's social spending and that presently has an outstanding debt with the Central Bank of VEB 411.2 billion (US\$65.3 billion). The continuous financing of PDVSA has been one of the main causes of the expansion in the monetary base observed in recent years and has led to a considerable increase in the amount of money in circulation (liquidity) in the economy.



Monetary Financing of PDVSA



Sources: BCV and Ecoanalítica

Besides favoring PDVSA, the environment of high liquidity created by the Central Bank facilitates the placement of debt by Central Government, which is finding foreign borrowing extremely expensive, and is a measure that promotes greater economic growth by expanding credit, since expanding liquidity makes the banks more willing to lend money at low rates of interest.

So, the lack of transparency allows the Central Bank to implement this expansive policy without informing the general public about the pressures that greater liquidity imply i) for prices, since there are more bolivars on the streets chasing the same number of goods; and ii) in the area of foreign exchange, since there are more bolivars chasing the same quantity of dollars, while at the same time it ends up making things easier for the public sector.

At **Ecoanalítica** we do not foresee this trend changing in the short term. The fact that the country's foreign currency cash flow is so tight, plus the fact that it will be impossible to implement major fiscal adjustments, means that the public sector's financing needs will be high, which, given high interest rates on the external debt and a more stringent repayment profile, means that the Executive will continue to favor domestic debt and providing PDVSA with monetary financing, thus expanding liquidity to 82.6% in 2014.





Economic Tips

Now it is not illegal. According to the Presidential Decree that amends the Exchange Crimes Act (Extraordinary Gazette N° 6.117), residents who have accounts in foreign currency at any public bank are exempted from declaring the amounts and source of the deposits made in such accounts.

16.0% interest on savings: President Nicolás Maduro has announced three measures to encourage saving: raising the interest rate on savings to 16.0% for private individuals with balances of up to VEB 20.000; creating a fixed-income instrument paying interest of 15%, with a maximum of VEB 1 million, to be issued by state-owned banks; and a National Savings Plan, where people will be able to buy domestic debt in bolivars or dollars in 2014.

Tenth auction allocated US\$79 million. The tenth auction of the Complementary Foreign Currency Administration System (SICAD) awarded US\$79 million of the US\$100 million offered. Private individuals received US\$14.4 million of the total amount allocated, and companies acquired the remaining US\$64.6 million. Participants in the auction included 484 companies and 17,488 private individuals.

Economic plan of attack is to unfold in three stages. President Nicolás Maduro explained that the economic plan of attack on profiteering that the government is planning will take three years and will be implemented in three stages. While he gave no details of the plan, he said that the first objective in stage one is to achieve a real equilibrium of economic values by means of the law. *“The first stage will be the stage of seeking equilibrium in the economy and stabilization of the real prices of products,”* said Maduro.

Central Bank seeks to recover sectors in decline. The Central Bank seeks to tie the forecasts of economic growth for the close of 2013 and 2014 to a series of measures designed to recover sectors that have been experiencing a decline, such as oil, manufacturing, and construction. Central Bank President Eudomar Tovar explained that part of the measures will be contracts for exploiting the Orinoco Oil Belt and other hydrocarbon-related activities, agreements already signed with China, works under the “Great Venezuela Housing Mission” (GMVV), and other projects.

Delays of up to 700 days: The president of the Venezuelan Federation of Trade and Production Chambers and Associations (Fedecámaras), Jorge Roig, denounced that delays in disbursing foreign currency are now as long as 700 days. He also said that



only 2.0% of companies in Venezuela receive dollars at the official exchange rate. *“The allocation of dollars is neither sufficient nor timely; nor have the dollars been allocated to those who should have received them. We’re still in time to stop the crisis and the deterioration and also to prevent this getting worse in 2014. There’s a better way of doing things,”* added Roig.

No swapping of gold: The Central Bank denied that it is considering the possibility of swapping reserve gold for dollars in order to increase dollar liquidity in Venezuela. Local and international media had reported that the government was evaluating the possibility of performing a swap operation involving the 367.6 tons of gold it has in reserves. However, a source at the Central Bank said that that particular rumor was doing the rounds a long time ago and that an operation of that kind is not on the cards.

A commission to investigate CADIVI: President Nicolás Maduro has said that a special commission is to be set up to investigate the mechanisms used to grant foreign currency to shell companies via the Foreign Currency Administration Commission (CADIVI) and the Foreign-Currency Securities Transactions System (SITME). *“I’m going to expose what happened here. Government officials are undoubtedly implicated, despite the fact that CADIVI has worked fairly well; however, it is still a fraud for the Republic,”* said Maduro.

The special commission already has members. President Nicolás Maduro has already appointed the members of the special commission that is to investigate CADIVI and the extinct SITME. They are Ricardo Sanguino and Jesús Faría, both deputies to the National Assembly; Vladimir Padrino López, Strategic Operational Commander of the Bolivarian National Armed Force; Luisa Ortega Díaz, Prosecutor General of the Republic; and Gustavo Hernández, Vice Minister for the Economy.

Special provisions are to be maintained. The Superintendency of Banks (Sudeban) issued a resolution that makes it obligatory for financial institutions to maintain, for another twelve months, the provisions they should have set up last year to cover situations in which clients who have been subjected to measures of expropriation, occupation, intervention or preventive embargo by the State are unable to pay their loans. *“The events and circumstances that gave rise to the aforementioned temporary measures continue to exist to date,”* said Sudeban when justifying the measure.

More financing for PDVSA: The Central Bank’s financing of PDVSA continues to increase and the bank’s monetary base statistics make this quite clear, showing that aid to the oil company grew by 49% between October and November. At the end of



October, financing granted to PDVSA came to VEB 275.9 billion and at the close of November it came to VEB 411.2 billion.

In search of more foreign investment: The current need to increase the supply of foreign currency is putting considerable pressure on the government to find fresh foreign investment. This led the president of the National Foreign Trade Center, Alejandro Fleming, to state that this agency will not only take charge of the process of importing, but that it will also promote the necessary conditions for attracting that foreign capital.

Interest rates. The lending rate for the fourth week of November was at 16.2%, up by 1.3 pp compared to the previous week. The time deposit rate was at 14.5%, without variations compared to the previous week, while the passive rate has not experienced any significant variation since November 2011, placing well at 12.5%.

International reserves. International reserves decreased by 0.9%, going from US\$21.49 billion during the fourth week of November to US\$21.30 billion during the fifth week of November. Compared to the same period last year, international reserves have decreased by 19.6%.

Central government expenditure. On Friday November 29th according to figures from the ONT primary spending was VEB 35.84 billion, which means an increase of 42.7% when compared to the previous week when it was VEB 25.57 billion; when compared to the same period last year we observe an increase of 126.2%.

Monetary liquidity. Monetary liquidity (M2) increased 2.0% in the fifth week of November compared to the previous week, settling at VEB 1.13 trillion. The M2 has increased 73.1% in relation with the same period last year.

Oil Tips

It doesn't take much to make Ramírez happy. Oil Minister Rafael Ramírez said that the Executive is "satisfied" with the growth achieved by the oil sector in 3Q2013 of 0.7%. In an attempt to explain this stagnation despite the expansion plans, Ramírez pointed out that Venezuela would not produce above the OPEC quota and that, in terms of volume capacity, "we'll continue at 3 mb/d." He also highlighted that "the Central Bank measures construction in the oil sector" and that this grew by 7.0%.



which means that “we’re clearly engaged in the construction of installations, of oil pipelines,” stated Ramírez.

PDVSA asks for time out. The president of the Unitary Federation of Oil Workers (FUTPV), Wills Rangel, said that PDVSA had requested a recess until December 10 before resuming negotiations of the oil sector’s collective employment contract, since PDVSA had not taken into account the inclusion of 700 workers of PDV Marina as beneficiaries under the contract or the impact of contract workers (35,000 workers) on the income scales. Rangel also reported that 60 of the contract’s 81 clauses have been approved, leaving only those dealing with economic issues to be discussed.

Gas workers left out in the cold: A group of PDVSA Gas Comunal workers protested because 12,000 employees have not been included in the collective employment contract. The workers allege that they have been left out for eight years and that the company’s directors changed the name to “Gas Comunal” in order to exclude them. However, Wills Rangel, the president of FUTPV, offered another interpretation, saying that “the workers of PDVSA Gas Comunal have their own contract and are not involved in core oil business activities.”

PDVSA signs agreement with Gazprombank. Last Thursday, November 28, PDVSA signed the terms for financing in the sum of US\$1 billion with the Russian bank Gazprombank for the joint venture Petrozamora, a company founded with the Russian firm Gazprom that is operating in the Bachaquero Tierra and Lagunilla Tierra fields in Lake Maracaibo. The loan will be used to cover the cost of expanding production from the present 60,000 b/d to some 104,000 b/d. Ramírez revealed that, by the end of the contract in 25 years’ time, they expect to have extracted 808 million barrels of crude.

That takes them to US\$9.98 billion. With this agreement PDVSA ensures funding to the tune of US\$9.98 billion. Petrosinovensa has a loan in the sum of US\$4.02 billion from the Chinese company CNPC and Petroboscán a loan for US\$2 billion from Chevron. The Italian corporation ENI is to finance Petro Junín in the sum of US\$1.76 billion, and a loan of US\$1.2 billion for Petroquiriquire is about to be signed with Repsol. The plan is to use all these loans to expand the production of crude at these companies from 365 kb/d to around 678 kb/d.

Exports down: According to the Central Bank, oil exports came to US\$64.40 billion between January and September, a drop of 11.4% compared to the same period in 2012. A number of factors have contributed to this behavior, mainly the lower volume of derivatives being supplied due to problems at the refineries and the weight of the domestic market, which, as Minister Ramírez admitted, is taking 716 kb/d at the moment, 5.0% more than last year. Aside from that, PDVSA has commitments with



Petrocaribe and the agreement with China, which have coincided with the continued stagnation in production.

PDVSA Servicios is the bottleneck. PDVSA Servicios, the PDVSA affiliate in charge of contracting inputs, has been fingered by representatives of the international companies as the cause of the delays in the Orinoco Oil Belt projects. The partners reject the excessive centralization of procedures and also the scant transparency. However, in the opinion of José Luis Parada, PDVSA Servicios' president, the achievements of the last few years outweigh the problems. Despite this, the figures for the increase in production in the Orinoco Oil Belt show noncompliance of between 75.0% and 85.0%.

After the mega blackout... everything's operating normally. Following the blackout that affected several states this Monday, December 2, PDVSA announced in a press release that "the oil industry is functioning normally" and ratified that "the supply of fuel is guaranteed." "Operations are being carried out without problems at the oil company's production and refining centers and administrative offices, as are shipments of crude and derivatives to the domestic and international markets," explained the press release.

International oil baskets. At closing time on November 29th in the New York Stock Exchange, the price of the WTI was US\$93.4/bl, down by 0.4% when compared to the reported the previous week. The Brent increased by 2.4% when compared to the previous week, to reach US\$111.0/bl.

Local oil basket price. The Venezuelan oil basket price closed last week at US\$94.7/bl on Friday November 29th, a 0.7% increase compared to the US\$94.0/bl of the previous week. The annual average price of the Venezuelan oil basket is US\$101.4/bl.

Business Sector Tips

And this is what Chacón said on Friday... Minister for Electric Power Jesse Chacón said in a videoconference for Corpoelec workers that there had been a 42.0% reduction in failures in transmission compared to the first half of November 2012. He also stated that "one of the biggest achievements in the past six months is



that there have been no restrictions as regards power transmission limits in the central western, central, and eastern regions of the country.”

But then, on Monday, the blackout: On Monday, December 2, there was such a massive power outage that it plunged the center and western regions of the country into darkness at 8:10 p.m. There were blackouts in Vargas, Aragua, Miranda, Lara, Zulia, Carabobo, Falcón, Táchira, Mérida, Yaracuy, Barinas, Trujillo, Guárico, Apure, and Caracas. Later that night, after 11 o'clock, Minister Chacón stated that “the failure that occurred today is a provoked failure,” and explained that they had found the conductor had become dislodged at San Gerónimo Power Station in Guárico state.

Public sector manufacturing plummets. According to a Central Bank report, running counter to the overall growth in GDP of 1.1%, in 3Q2013 public sector manufacturing fell by 13.5% compared to a year ago. This performance is due to labor problems in the base metals industry, which fell by 14.8%. Between July and September, there were protests and stoppages at the basic industry companies in Guayana, which is worrying because this has brought companies such as SIDOR, the engine of the regional economy and the supplier of products for the construction industry, the GMVV, cans for the food industry, and other products, to the brink of ruin.

Go slow: SIDOR has been on strike three weeks now, and last week workers stepped up the pressure by organizing two motorcades with the fleet of buses belonging to the state-owned corporation in a “go slow” to the CVG’s headquarters and along Avenida Guayana. The president of the Single Steel Industry Workers Union, José Luis Hernández, led the protest and once again demanded the removal of the presidents of CVG and SIDOR, Carlos Osorio and Javier Sarmiento. Hernández repeated their demands for calling off the strike, which include the payment of a 125-day end-of-year bonus based on the total salary.

Pay what you owe. Last week minority shareholders of SIDOR living in Caracas and the central states of the country updated their data in an operation carried out by CVG with the purpose of purging the list of the steel company’s shareholders. During this procedure, the minority shareholders ratified their willingness to withdraw from the company, a prerequisite for transferring and paying for the shares held by the co-owners, which are equivalent to 20.0% of the steel company’s capital. However, it is unlikely that payment will be made this year.

Making proposals: For the second time this year, SIDOR’s workers went to the Vice Presidency of the Republic to submit a plan for recovering the company in six months to the Executive. José Luis Hernández, the labor union’s president, explained that



part of the plan involves increasing the price of rebar to VEB 70 per unit via presidential decree, the purpose being to put an end to profiteering. Hernández maintained that the industry finds itself at a critical time and invited President Maduro to set up a high-level commission to review SIDOR's future.

And public sector construction as well: Following the launching of the GMVV, the authorities gave assurances that “the engine of the construction industry” was being revived and, in fact, under this plan, public sector construction posted eight quarters of growth. However, problems with the distribution of inputs have affected the sector, which has posted contractions for the last three quarters. In the period July-September 2013, overall construction fell by 3.2% owing to the poor performance by government entities, which was reflected in the result for public sector construction, down 2.0% compared to a year ago.

Food imports invincible: According to figures from the National Statistics Institute, agricultural, food, and beverages imports grew by 27.7% between January and July 2013 to total more than US\$5.7 billion. The figures show that Venezuela continues to rely on imports to keep food companies operating and to ensure food supplies. In its quarterly report, the Central Bank states that the food industry performed positively due to the greater availability of inputs and raw materials for processing items such as oil, wheat, and pasta and for milling. The food industry grew by 2.6% in the third quarter, making this the fourth quarter running with positive figures.

Venecom will be able to import. The recently created Venezuelan Foreign Trade Corporation (Venecom) will be able to import and supply goods and inputs that state-owned and private companies need to produce, according to the decree that creates this state-owned company. As for the National Foreign Trade Center, which is to be in charge of coordinating policies concerning foreign currency, imports and exports, it will establish the criteria to enable Venecom to qualify the companies that are to be included in the new register for obtaining access to foreign currency, as well as the list of suppliers that are to be included in the Nation's General Foreign Currency Program.

Smurfit Kappa occupied: Minister for Industries Ricardo Menéndez announced the temporary occupation of Smurfit Kappa on the grounds of product overpricing. The minister said that the purpose of temporarily occupying the company is “to guarantee raw materials for the entire food chain” and does not involve the administrative control of the company. He also stressed that, between January 2012 and November 2013, they had detected price differences that promoted profiteering.

Grave situation: The president of Fedecámaras, Jorge Roig, described the country's economic situation as “grave” and considered that the short-term outlook for 2014 is



“complicated.” Roig pointed out that “only 2.0% of companies in Venezuela receive CADIVI dollars” and commented that the foreign currency approval process is suffering from “delays of up to 700 days.” Roig also rejected the inspections of commercial establishments being carried out by the government. “Merchants have been subjected to public scorn on television shows without the right to defense.”

Milk inventories are at minimum levels. Shortages of dried milk have averaged 65.4% in the past 12 months. Between October and August this year, total absence of this product was between 84.3% and 87.7%, the highest in 2013, according to the Central Bank. The situation is now becoming even more critical. At the moment, the dairy industry has only 600 tons of milk, when weekly requirements are in the order of 2,000 tons. Roger Figueroa, the president of Cavilac, said that companies do not have milk inventories and that they do not know whether the State, via CASA, has stocks available.

World Economy Tips

Promises for 2014: During a meeting of its political committee, the Chinese Government promised to speed up its reforms in 2014, while maintaining stability and consistency in its policies. These reforms mean that China will promote reasonable growth of investments next year and will foster new areas of growth for consumption.

Manufacturing grows, but the problems persist. An intense demand for manufactured products raised production at factories in the European Union (EU) to levels not seen in the past two and a half years, allowing companies to build up a small backlog of work. Despite this, Markit, a company that compiles purchasing managers indexes (PMI), assured that “*the manufacturing PMI surveys for November bring good news overall, but suggest that there is still a lot to be concerned about with regard to the situation of the economy in the euro zone. The main cause for concern is France.*”

EU and IMF cancel visit to Athens. Creditors of the EU backing Greece and the International Monetary Fund (IMF) canceled what would have been their next visit to Athens, which could result in a delay in the disbursement of fresh loans for Greece. Official sources maintained that the reason for cancelling the visit was that certain reforms promised as a part of Greece’s bailout program had not been implemented. However, a European Commission spokesperson gave assurances that they will



continue talks with Greece, even though no decision has been taken as to when the mission will return.

Capital deficit of EUR 280 billion: Pressure brought to bear by the European Central Bank (ECB) and national regulatory agencies will leave European banks with a capital deficit of EUR 280 billion, which they will have to raise in 2014, according to consultants at PricewaterhouseCoopers (PwC). The ECB is to submit banks in the euro zone to an overall revision of their assets next year in a process that could reveal high capital requirements if it is found that the banks have not made sufficient provision for dealing with their high-risk debts.

Fifth and last: The IMF has started its fifth and last visit to Spain to analyze the bailout plan for Spanish banks. *“An IMF team started talks in Madrid with the government and representatives of the private sector on the fifth and last independent report on the appraisal of the Spanish banking sector’s program,”* said IMF spokesperson Angela Gaviria. The preliminary conclusions of this visit are expected to be published in mid-December and the final report will be made available in February next year.

Tension in the financial system at pre-crisis levels: The ECB has assured that tensions in the financial system have eased to levels not observed since the start of the financial crisis in 2007. In its financial stability review, the ECB stated that the main risks for financial stability in the euro zone are financial and economic shocks, tensions in sovereign debt markets, global financial market turbulence, and bank funding challenges in the euro zone periphery.

Contraction in private loans increases. The contraction in loans to households and companies in the euro zone increased in October, exposing the weakness of the bloc’s economy at a time when the ECB is considering the possibility of taking new measures. ECB data revealed that loans to the private sector fell by 2.1% in October compared to the same month a year ago.

Spain will make its objective. The Spanish Government has claimed that it will achieve the public deficit goal of 5.8% of GDP in 2014, thanks to an improvement in the economic situation and some lower State financing costs that will make it possible to post net job creation. *“I’m convinced that this year we’ll achieve 6.5% and 5.8% next year,”* said Minister of Economy Luis de Guindos.

Hollande has doubts. French President François Hollande raised doubts with regard whether he will be able to keep his promise of bringing down unemployment by year-end when he gave assurances that it would take whatever time was necessary. *“It will be a struggle; it’s a struggle we have assumed, fought month after*



month. *We'll have to work on this inexorably and it will take whatever time is necessary,*" said the French President. Unemployment is currently at 10.9%.

Recalling 2011: Unemployment in Germany rose in November to its highest level since April 2011, whereas the jobless rate remained near its minimum since the reunification of the country more than two decades ago, according to data published by the employment office. The data shows that the number of people out of work came to 2,985 million, whereas the jobless rate came to 6.9%.

Political Tips

Power outage caused by electoral trend? The explanation Finance Minister Nelson Merentes gave for the blackout in nearly 12 states was the trend he claims exists for the December 8 municipal elections. *"There's a maxim in democracy in Venezuela and that is that a strong change in trend can occur if there's a complex event, an event that shakes up Venezuelan society, and it comes as no surprise that there are sectors, fortunately in the minority but who can do a lot of damage, who believe that this could happen,"* added Merentes.

Strange and provoked: Just minutes after the power outage that affected nearly half the country, Energy Minister Jesse Chacón announced that it was caused by a failure that he didn't know how or why it occurred, but that he described as *"strange and provoked."* He also gave assurances that he would conduct the pertinent investigations and catch those who did something to transmission line 765, which was the one affected.

Democratic Alliance warns of new farce. The Democratic Unity Alliance has warned once again of the irresponsible use of unfounded accusations by the government and expressed its concern that sectors aligned with the government could mount criminal attacks on the electricity system in order to create an atmosphere of chaos, anxiety, and anguish, to unmentionable ends. The coordinator of the Democratic Alliance's Technical Energy Team, Manuel Guevara, said that *"the government makes no secret of its interest in wanting to make sectors of the opposition responsible, with no proof, of the electricity crisis, for clearly political and electoral ends."*



We have to safeguard the votes. During his “Crusade for Venezuela” to accompany Democratic Alliance candidates to the December 8 (D8) municipal elections, Miranda State Governor Henrique Capriles Radonski explained, *“It’s extremely important to spend the entire day at the polling stations, to take people to vote, and then at 6 o’clock in the evening to wait for the count in order to safeguard the votes (...) We defeat fraud by safeguarding the votes.”*

Ledezma demands control of state-owned media: Metropolitan Mayor Antonio Ledezma had a meeting with the president of the National Electoral Council (CNE), Tibisay Lucena, and Director Vicente Díaz to demand that controls be established on the use of state-owned media by the government. *“This business of the nationwide networked broadcasts is an abuse. I was in an interview at a television station and not two minutes went by before they launched one of those broadcasts,”* added Ledezma.

Not afraid: Lara Governor Henri Falcón told the government and the deputies of the National Assembly (AN), *“They’re going to have to kill us because we’re not going to run, much less are we leaving, no matter what they dream up.”* He also maintained that the Venezuelan people are seeking to transform the country, which is why the slogan is *“street and vote.”* *“If we want to put an end to this situation, we all have to turn out to vote for the democratic candidates. Let no one make the mistake of taking a trip around town and letting the country continue to go under,”* added Falcón.

Things that need fixing: Democratic Alliance representative to the CNE, Vicente Bello, maintained that the CNE should correct some issues having to do with the advertisements explaining certain details of the election process, such as the registering of those who are to accompany voters who are unable to cast their vote without assistance. Bello also explained that everyone who accompanies another person to cast their vote because they suffer from some kind of disability or limitation must be registered, as the system will operate nationwide.

Maduro calls for national dialog. President Nicolás Maduro has announced that, after the D8 elections, he intends to call a *“national social dialog,”* where all the mayors who won the municipal elections will take part for the purpose of starting to implement the Plan of the Fatherland. *“I’m going to call on them all (mayors), because by December 9, this Plan of the Fatherland will already be law of the Republic that must be observed, by mandate of the Constitution (...) I’m going to tell them ‘No’ to sabotage, ‘No’ to the use of the mayoralties to neglect the community, to destroy the President,”* explained Maduro.

CNE withdraws propaganda from the television. The CNE ordered the withdrawal of electoral propaganda items belonging to the candidates Ramón Muchacho, Miguel



Flores, and Héctor Catalán that were being aired by television service providers on the grounds that they infringe the campaign regulations for the upcoming D8 elections. The CNE's press release includes the approval of the suspension measure and the decision to urge representatives of the media to refrain from engaging in their own election campaign.

Capriles claims 60.0%. Governor Henrique Capriles Radonski maintained that, after the December 8 elections, the Democratic Unity Alliance will be governing more than 60.0% of the country's population. He took the opportunity to also explain that *"the December 8 elections are an opportunity to express that desire for change that we want. We must vote to rescue the country from the economic chaos into which the government has plunged us."*

Legislative Tips

New lease rentals: In *Gaceta Oficial* of November 29, the government published the decree forbidding lease rentals in foreign currency and payments based on a percentage of the leaseholder's gross or net sales. The decree establishes that the price per square meter of premises intended for commercial purposes may not exceed VEB 250. If the current price is higher, it will be brought down and if it is lower, the lease rental established in the contract between the parties will be maintained.

Sale of basic goods regulated in Táchira: Táchira Governor José Vielma Mora has issued a decree ordering the controlled sale of a number of products and establishing a series of requirements people will have to meet in order to be able to buy those products at establishments in Táchira state. These requirements include presenting an identity card, a certificate of residence, a public utility receipt, and other documentary proof.

Budget approved: The AN's Finance Committee approved the report of the 2014 Budget Bill following its second debate exactly as submitted by the Executive in mid-October. The deputies also passed the 2014 Indebtedness Bill and the BCV's budget.

More bureaucracy: The Decree promulgating the National Foreign Trade Center Law and the Venezuelan Foreign Trade Corporation (Venecom) Law appeared in



Gaceta Oficial Extraordinaria No. 6,116. The decree also indicates that Venecom will be attached to the Ministry for the Economy, headed by Rafael Ramírez. This is the first set of regulations enacted by President Nicolás Maduro using the special powers he was granted by the AN.

Backwards and forwards: The decree also eliminates the Higher Organ for Optimization of the Foreign Exchange System, created in February 2013, and the National Exports Council, which was established by decree only a month ago. We hope that these new agencies will last longer, although, as spokespersons of companies belonging to the Venezuelan Exporters Association (AVEX) have said, the government “will manage to put its discourse on the strengthening of non-oil exports into practice” only if it has the “political will” to do so.

Approved Plan for the Nation. On Tuesday, December 3, after being discussed by the AN was passed into law the so-called “Plan of the Nation 2013-2019”. This document was developed by President Chavez and establishes macroeconomic targets for that period as an annual growth rate of between 3.0% and 4.0%, inflation below 20% and an average rate of unemployment between 5.0% and 7.0%. As we see, 2013 started on the wrong foot against targets.

Vehicle law is ready! President Maduro, signed on 4 December, the N° 625 decree which establish the Production Scheme for Motor Vehicles Assembled in Venezuela as well as a fair price for their sale and importation of vehicles for individuals. Maduro said he met with the minister of industries and they are working on sincerer producer prices and price-to-door factory of any vehicle.

The full combo. Along vehicle law, reform of the law against illegal currency “to relax and allow the opening of bank accounts in the public network” was enacted. President Maduro said that those who have lawfully acquired dollars may open accounts in public banks to buy family cars, once, over the next six months. Maduro said that the objective of the decision is to lower the prices of new and secondary market.





ECONOMIC OVERVIEW

