

## What is the potential of the Venezuelan Economy?

The growth of Venezuela's economy has been far from achieving a homogenous and incident-free dynamic. The ups and downs of the oil market, the decisions that have been taken on the economic policy front, and an institutional structure that is incompatible with setting a course to sustainable growth over the long term have paved an extremely uneven path for economic activity.

After posting a recession for eight quarters running and a cumulative contraction of 9.4% between 2013 and 2015, the economy's ability to react has now taken center stage in the public debate on the transition. Despite everything, embedded in that discussion, lies the Venezuelan economy's potential output as a fundamental concept.

### What does economic theory tell us?

Measuring a country's economic activity is crucial for understanding both its growth dynamic and its whereabouts in the economic cycle it finds itself at any given time.

The universe of indicators used as points of reference for this measurement is vast. Understood as the level of aspirate activity consistent with a path of stable growth, the concept of potential output is extremely useful for formulating public policies. In particular, it is of key importance for stabilization policies whose focus is to avoid the buildup of imbalances that could lead to abrupt adjustments in economic activity with a view to restoring macroeconomic equilibriums.

For example, when product is above its potential —positive output gap—, there tends to be a buildup of inflationary pressures. The proposal here is as follows: the more effective product surpasses the path traced by potential output, the greater the pressures on the demand side will be, altering the demand of factors, pushing down unemployment levels and impacting certain fundamental relative prices in the economy —among them wages—, thus suggesting that, if this scenario is maintained, prices will tend to go up thereby generating higher inflation.

If, on the other hand, activity is below potential output —negative output gap—, unemployment and the risks of deflation usually go up driven by relative low levels of demand.

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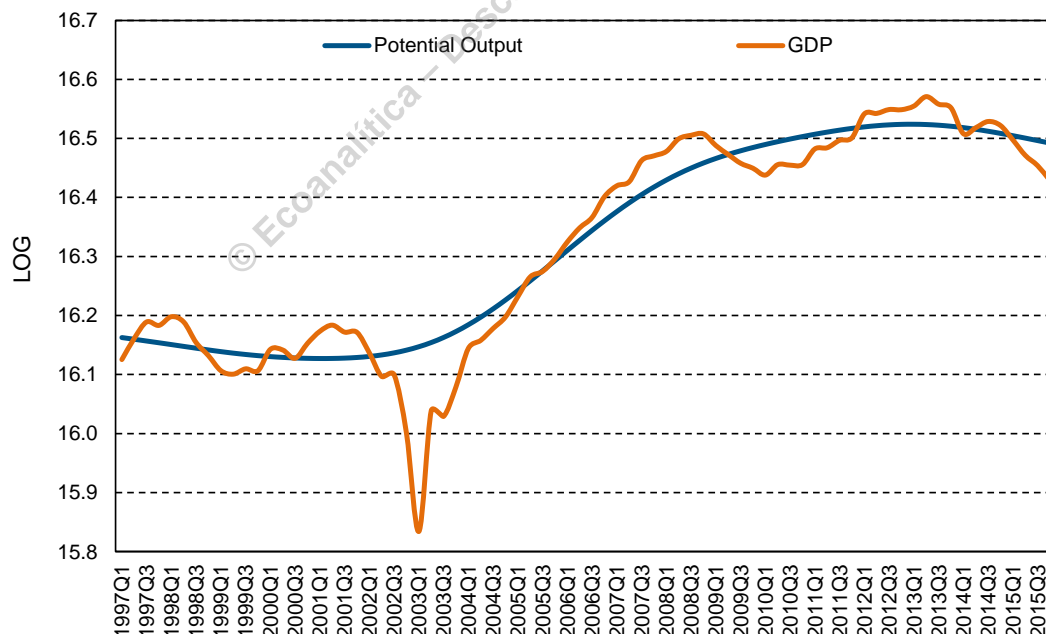
The existence of an output gap provides an opportunity, therefore, for efforts on the economic policy front aimed at bringing the effective growth dynamic progressively closer to the path defined by potential output so as to avoid the buildup of imbalances and preserve growth stability.

### A conventional estimation method

For practical purposes, conventional methods that focus on estimating potential output are varied and far from perfect. One of them, the Hodrick-Prescott filter, attempts to break down a time series, in this case gross domestic product (GDP), into its trend and cyclical components.

The fundamental premise lies in the argument proposed by the authors that the structural component of product tends to be associated with its trend element. At **Ecoanalítica** we have undertaken the task of extrapolating this methodology to the Venezuelan situation and it's dynamic between 1997 and 2015<sup>1</sup>.

**Venezuela's Economy Potential Output  
(Hodrick-Prescott Filter)**



Sources: BCV and Ecoanalítica

<sup>1</sup> In the interests of achieving a sounder level of estimation, the model was adjusted taking account of the 2002-2003 general strike as a strictly transitory shock.

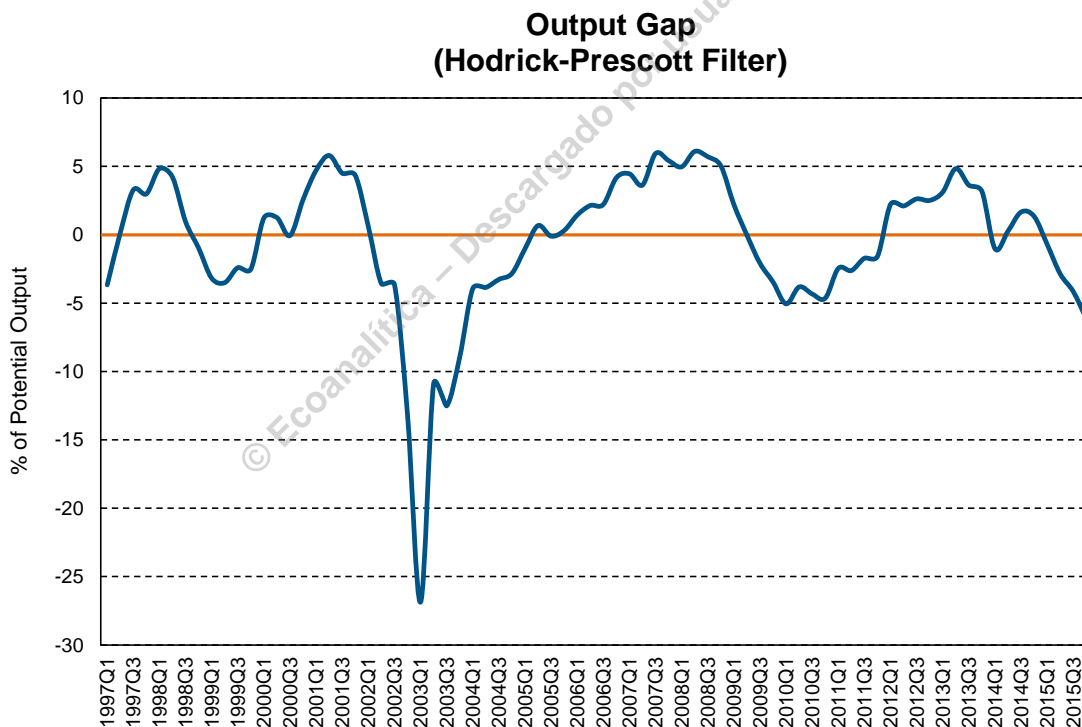
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Despite showing heterogeneous behavior between 1997 and 2002, once the general strike was over a considerable improvement in the terms of trade allowed the economy to embark on an upward path driven, fundamentally, by growth in aggregate demand.

In this context, a major fiscal boost, appreciation of the real exchange rate, and an overall increase in consumption levels permitted Venezuelan economic activity to position itself above its potential path for nearly five years (2005-2009) until it was hit, temporarily, by the shock associated with the financial crisis, which pushed the economy below its potential output until early 2012 when, thanks to the scheduling of elections and a substantial increase in public spending, it again rose above its potential before embarking on a downward trend, on average, in early 2014 before falling below its potential at the start of 2015, where it has remained until now.



Sources: Ecoanalítica

## Oil as the core element

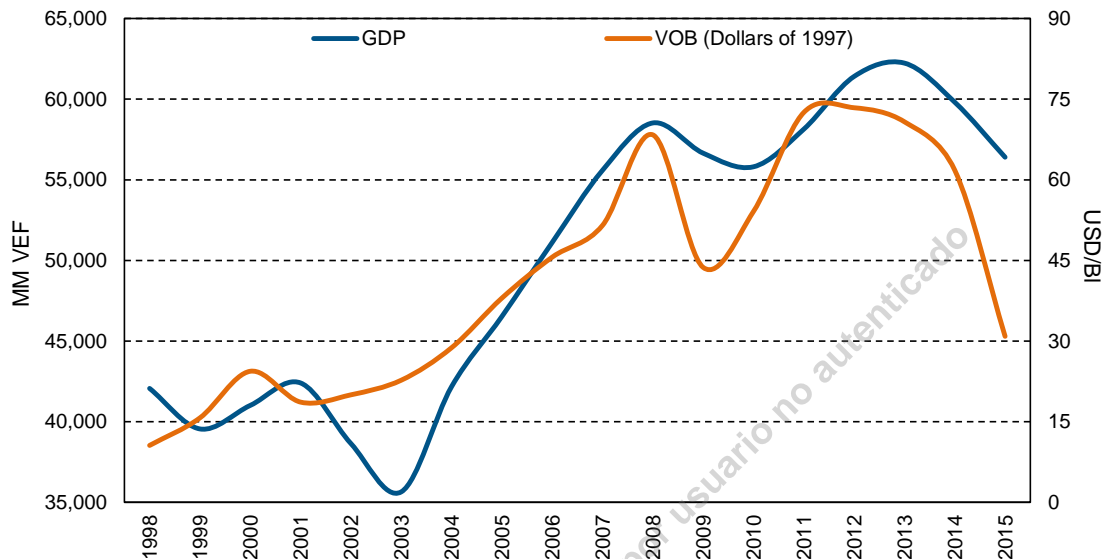
One element stands out: the price of oil and the effects it has on the local economic structure tend to maintain a direct impact on the Venezuelan economy's growth dynamic and, therefore, on potential output estimates.

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### Real GDP vs. Venezuelan Oil Basket



Sources: BCV, Menpet and Ecoanalítica.

Despite the mixed behavior exhibited by the output gap (at times positive and at others negative), it does not hide the buildup of different imbalances that tended to occur in the Venezuelan economy: a significant increase in the fiscal deficit (15.7 percentage points between 2004 and 2015), a sizeable appreciation of the real exchange rate, and cumulative inflation of 2,885.1% (2008-2015) emerge as potential indicators that, at least for the period in question, the path that economic activity was taking was, quite simply, unsustainable.

The results are counterintuitive. In a context of a worsening of different imbalances of the type described above, how can we explain a persistent growth in potential output up until 2014, bearing in mind the unsustainability of the economic activity described for the period in question?

Different authors<sup>2</sup> have stated that, based on conventional methodologies geared to estimating potential output, the resulting output gaps could be either under- or overestimated by not having discounted the effect, for the most part transitory, associated with elements such as the financial cycle or the dynamic of commodities, which in the case of Venezuela would be limited to the dynamic of oil.

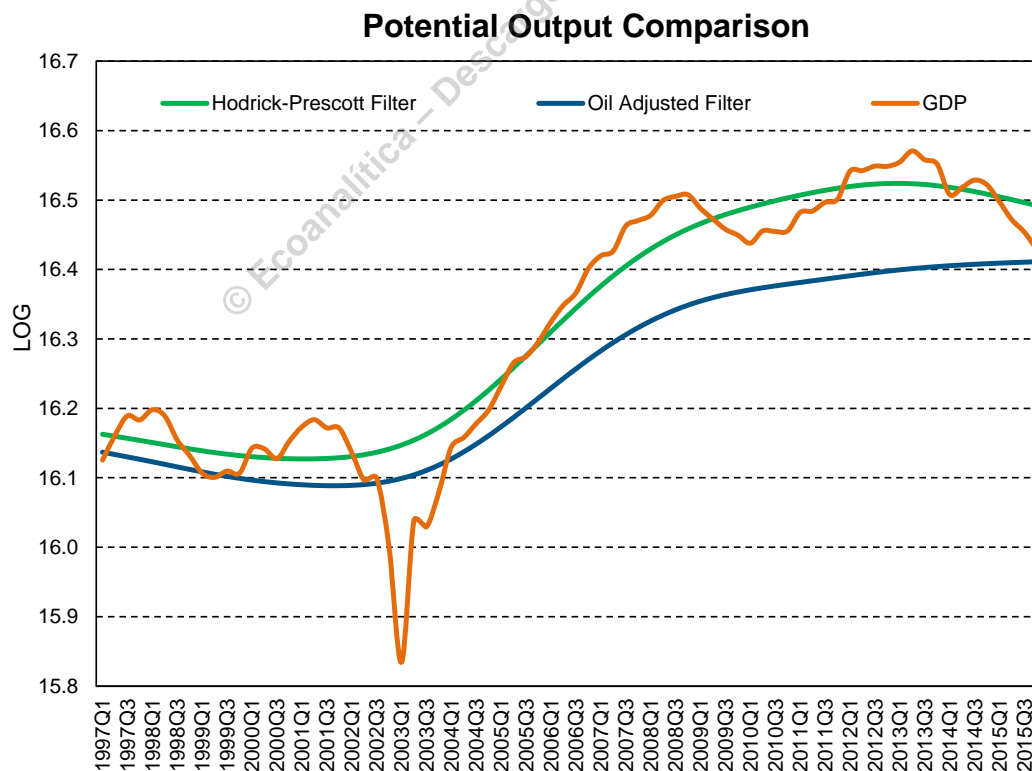
<sup>2</sup> Alberola, Gondo, Lombardi & Urbina (2016) and others.

The commodities boom and the continuing improvement in the terms of trade that the countries of Latin America have enjoyed since the start of the 21st century influenced the performance of economic policy. In this regard, the Latin American economies showed rates of growth that were probably influenced by a transitory component that the authorities possibly took to be more permanent.

Based on this premise, the very definition of the transitory components invites us to think that rates of growth unassociated with a dynamic sustained by structural components such as productivity and efficiency in the use of factors resulted in the implementation of policies in a context where information on the output gap, i.e. potential output, was closely linked to a component that was definitely temporary.

### And if we take oil out of the equation?

Taking the argument proposed above, it would be interesting to attempt to remove the effects of crude prices in the model in question so as to obtain a more precise estimation of the Venezuelan economy's potential.



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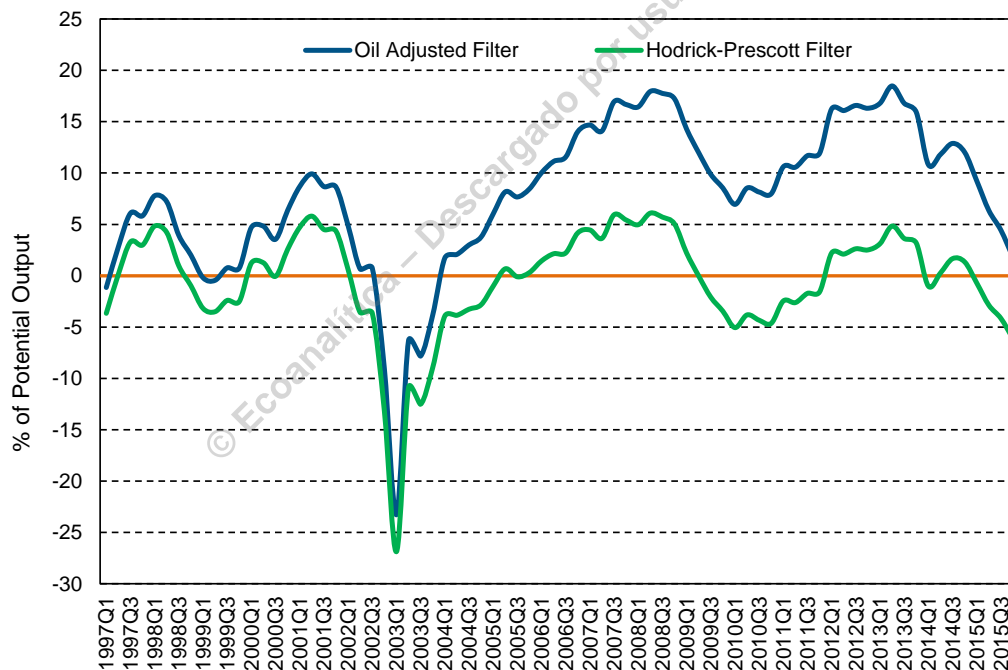
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After performing this exercise, the results change diametrically. The new potential output estimate is now persistently below the previous estimate throughout the sample.

On average, the potential output as measured by the original model is 8.2 percentage points higher than the potential output given by the subsequent model. The difference in the period prior to the price boom (1997-2004) was 4.0 percentage points, whereas it was 11.3 percentage points during the boom and 9.5 percentage points in the post-boom period (2014-2015), 1.8 percentage points lower than during the boom.

When we look at the gaps obtained in both models, we find that, if we remove the impact of crude prices, the output gap turns out to be persistently positive throughout the period following the general strike, which ended in early 2003.

**Output Gaps Comparison**



Sources: Ecoanalítica

Here, the characteristic of unsustainability imprinted on the growth dynamic of economic activity comes to light. In pursuing an economic policy course fed, broadly speaking, by the use of resources from oil revenues, internalizing high commodity prices as something permanent degenerated into strong pressures on the demand side, thus providing incentives for embarking on a path of high growth at the expense of manifold imbalances in the economy without altering, significantly at least, the potential of the Venezuelan economy.

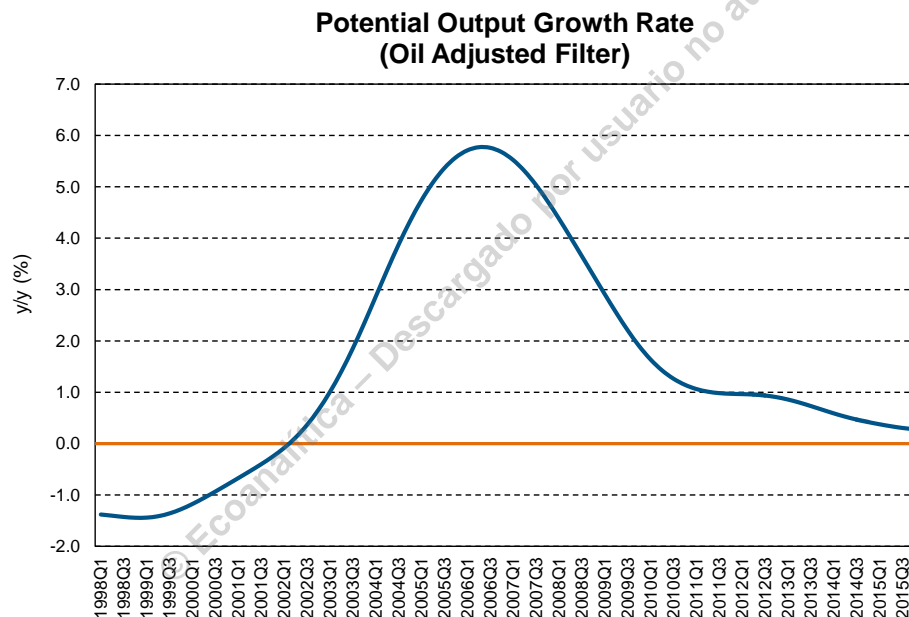
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### What prevails is the structure

Although concepts of this type provide room for a major debate, precisely because of the concepts that sustain them and the methodologies associated with them, the lessons prevail and can be extrapolated to different concepts.

The distortions prevailing in the Venezuelan economy, the restrictions on the micro level that have an impact on the efficiency of economic activity, the set of controls and different incentives biased toward rent-seeking shrink the possibilities of growth in the Venezuelan economy's potential and minimize its ability to react to a possible process of transition.



Sources: Ecoanalítica

Applying the last model used, an analysis of the rates of growth in potential output reveals that, at the end of 2015, they converge to zero. In other words, even though potential output slowed down considerably at the end of the period under study, it remains at the same levels as in 2013, which means that the oil revenues came and went and our aspirate rate of growth remained, broadly speaking, unchanged.

**Gorka Lalaguna  
Salvador Traettino<sup>3</sup>**

<sup>3</sup> Economist from Universidad Católica Andrés Bello, Public Policy assistant in that university and Public Sector experience in CAF -Latin American Development Bank-, among others.

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## WEEKLY INDICATORS

Weekly Economic Indicators			
	4th Week November	Weekly var. (%)	Depre/Apre (pp) <sup>1</sup>
FX Dicom (VEF/USD)	662.0	0.4	0.4
	3rd Week November	Weekly var. (pp)	Annual var. (pp)
Lending Interest Rate (%)	22.6	0.2	1.5
	4th Week November	Weekly var. (pp)	Annual var. (pp)
Overnight Interest Rate (%)	0.2	0.1	-1.8
	3rd Week November	Weekly var. (%)	Annual var. (%)
International Reserves (USD Bn)	10.9	0.2	-26.7
	1st Week July	Weekly var. (%)	Annual var. (%)*
Central Government Spending (VEF Bn)	58.1	-10.3	95.4
	3rd Week November	Weekly var. (%)	Annual var. (%)
Monetary Liquidity (VEF Bn)	8,291	5.5	130.0
Price of International Oil Baskets (USD/b)			
	4th Week November	Weekly var. (%)	Annual var. (%)
WTI	47.6	6.4	5.2
Brent	48.6	5.9	6.9
Price of the Venezuelan oil basket (USD/b)			
	4th Week November	Weekly var. (%)	Annual var. (%)
Weekly Average	39.8	6.7	14.0
Annual Average	34.7	0.3	-24.8

Sources: BCV, MENPET, ONT and Ecoanalítica

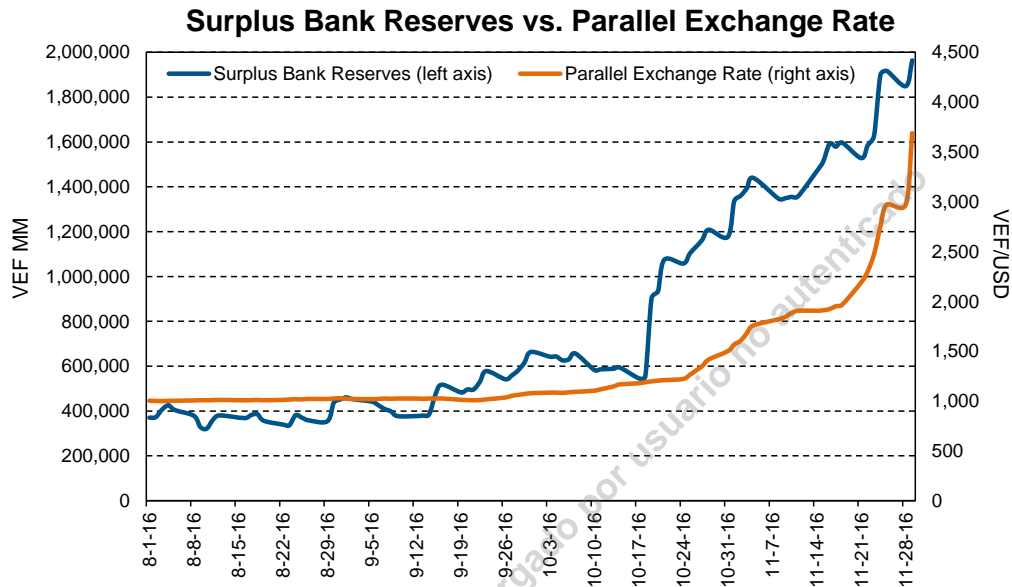
\* Annual variation of accumulated expenditure.

<sup>1</sup> Depreciation (+)/Appreciation (-)

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**CHART OF THE WEEK: “WHAT LIES BEHIND THE RISE OF THE BLACK MARKET”**



Sources: BCV and Ecoanalítica

The parallel exchange rate in Venezuela has been a valve of escape before so many distortions that face the economy of the country. In this sense, a rise in the black market is related to multiple variables, both as economic fundamentals and the expectations of the agents involved in the market.

In the recent rise of the exchange rate we observe how a combination of these factors has generated that any forecast has been short. Thus, we see how on the side of the fundamentals the injection of money has generated pressure on the demand side. When analyzing the surplus bank reserves, we notice how their growth coincides with the moment when the parallel is triggered. On the other hand, the supply of foreign exchange remains very limited, while given the continuity of the political crisis, expectations have been aggravated, thus generating greatest pressure on the price of the parallel.

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## ECONOMIC TIPS

**It won't be below three digits.** Things are not looking good for the end of the year inflation-wise. While no official figures from the Central Bank are available, Goldman Sachs has forecast that inflation by year-end will be 383.1% on average, whereas at **Ecoanalítica** we estimate it will be 511.3%.

**The worst inflation in our history.** In 2017, the Venezuelan economy will experience the worst inflation in its history. It could be 400 times higher than the highest inflation in the rest of the world, putting it in first place, warned the economist and president of Datanálisis Luis Vicente León on Monday.

**15.6% of workers don't have access to e-money.** José Elías Torres, a board member of the Bank Workers' Federation, said that "15.6% of the economically active population of 14.1 million people only uses cash, which is increasing the pressure on the current shortage of banknotes."

**Workers in the informal economy are the most vulnerable.** Torres also explained that 90.0% of workers in the formal sector have electronic cards, whereas only 47.0% of workers in the informal sector have them. He added that the lack of cash is extremely prejudicial for freelancers such as taxi drivers, electronic repairmen, electricians, and itinerant food vendors.

**On the trail of much prized cash.** Due to the current cash shortage, many establishments have decided to set up a "cash advance" option. However, Rattan, Farmatodo, and Locatel are the only private companies that have been authorized by the Superintendency of Banking Sector Institutions (Sudeban) to provide their customers with cash without charging any commission, and other companies that do this will be charged with tax evasion.

**High on the hoped-for list.** Responding to complaints by users due to the restrictions on access to cash, the banking sector issued a communiqué on Friday, November 25, in which it states that these restrictions are the result of the incorporation of new banknotes into the monetary cone.

**Much ado but no results.** Despite statements from the banking sector on the prompt arrival of the new banknotes, the promotion plans and the campaign for familiarizing the population with the different denominations and characteristics of the bills have still not been set in motion. According to banking sector sources, there have been few meetings

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between the Central Bank and the Banking Association of Venezuela (ABV) to discuss the matter.

**The bolivar is cosmic dust.** Antonio Ecarri, the president of the Arturo Uslar Pietri Foundation said that the Plan of the Fatherland had wiped out the bolivar as a currency, as the current cash shortage is proving detrimental to Venezuelans' purchasing power. *"We continue to propose the social market economy as the formula for overcoming the terrible economic crisis the country is going through,"* he added.

## OIL TIPS

**A restructuring (in quotes).** President Nicolás Maduro announced that PDVSA would undergo a "restructuring" with a view to *"strengthening everything: research, scientific and technological creation for substituting imports"* and at the same time to *"consolidate the Sow Oil Plan, raise oil production, and make sure that they don't steal our production."*

**It's up to Del Pino.** No details were given of what concrete measures would be taken to achieve those objectives. The President entrusted the president of PDVSA, Eulogio Del Pino, together with *"a delegation decided by the workers,"* with the task.

**An ever narrower margin.** President Maduro also revealed that the profit that PDVSA obtains is USD 12 for every barrel produced (USD 12/bl.) based on an average price for 2016 of USD 34/bl.

**The University of Harvard gives an opinion.** Harvard University's Center for International Development issued a report prepared by the economists Igor Hernández and Francisco Monaldi that describes PDVSA's future as "grim" in the wake of the difficulties it has been experiencing in recent years. The report states that PDVSA's financial deficit this year is between USD 5.0 billion and USD 10.0 billion.

**The phantom of default has not vanished.** It also points out that the risk of the oil company failing to honor its debt payments is still high, despite the rescheduling of the debt payments falling due in 2016 and 2017.

**Goodbye Isla Refinery.** According to the oil engineer Arnold Voklenborn, Venezuela apparently runs the risk of losing control of the refinery located on Curacao due to PDVSA's bad management of the refinery, which has prompted the island's government to grant the lease contract to Chinese investors.

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**Production halted at Puerto La Cruz.** A total blackout left Puerto La Cruz Refinery without electricity, shutting it down completely. According to statements by workers, the refinery has only been producing since last week.

**Agreement finally reached.** The member countries of the Organization of the Petroleum Exporting Countries (OPEC) agreed a total reduction of 1.2 mb/d. In response, the Brent barrel rose 8.0% after the announcement of the deal, reaching USD 50.0/bl.

#### OPEC Oil Production by Countries

Country	Current Production (kb/d)	Cut Agreed	Resulting Production (kb/d)
Argelia	1,089	-50	1,039
Angola	1,751	-78	1,673
Ecuador	548	-26	522
Gabon	202	-9	193
Indonesia	-	-	-
Iran*	3,707	90	3,797
Irak	4,561	-210	4,351
Kuwait	2,838	-131	2,707
Libia	-	-	-
Nigeria	-	-	-
Qatar	648	-30	618
Saudi Arabia	10,544	-486	10,058
United Arab Emirates	3,013	-139	2,874
Venezuela	2,067	-95	1,972

Sources: OPEC and Ecoanalítica

\*Interpretation given by Ecoanalítica to the official information provided by OPEC

**Iran, without cutting.** Iran, on the other hand, was allowed to increase production by 90.0 kb/d as it is still recovering production levels that had before the imposition of international sanctions. This represents a victory for the Persian country, which was involved in a conflict with Saudi Arabia.

**Venezuela, injured.** Venezuela will be forced to reduce production by 95.0 kb/d to 1,972 mb/d, based on the 2,067 mb/d produced in October, according to figures published in the OPEC report based on secondary sources. It should be noted that the production of this month was the lowest monthly production in this historic series since the oil strike of 2012-2013.

**OPEC is not the only one cutting.** The agreement also includes 600.0 kb/d reduction by non-OPEC countries, mainly 300.0 kb/d from Russia, and the main non-OPEC oil producer. That would total a global production cut of 1.8 mb/d, as a result of the agreement.

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**Optimum Scenario.** The agreement is expected to increase international crude oil prices to a maximum of USD 60.0/bl. This would allocate around USD 50.0/bl the price of the Venezuelan basket, on the most optimistic scenario. However, it still needs to be seen at what extent the participants of the agreement comply with the agreed figures, and the real impact that the reduction will ultimately have on prices.

**External Break-Even.** In **Ecoanalítica**, we consider that, given Venezuelan production levels, and Venezuela's production cuts, the Venezuelan oil basket would have to increase to approximately USD 61.6 / bl to cover Venezuela's external financing needs

## BUSINESS SECTOR TIPS

**Bread today, hunger tomorrow.** Manuel Felipe Larrazábal, a director of Empresas Polar, announced that they would resume production of precooked cornmeal, which has been suspended for more than ten days, as they had reached an agreement with the government regarding the supply of 30,000 tons of corn a day, Monday through Friday, for two weeks.

**Only momentary relief.** This agreement, which has the approval of 98.0% of the workers, will allow the company to operate at 80.0% of its capacity for the next two weeks. However, it is hoped that the government will offer an alternative in order to maintain production after the two weeks that have been agreed have elapsed.

**Fair and necessary.** Larrazábal stressed that it was necessary to implement measures that promote production, dispensing with the controls that are creating so many difficulties for the country's production sectors. He also pointed out that it was necessary to approve an increase in the retail price of precooked cornmeal to VEF 770 in order to provide the company with a profit margin that would allow it to be profitable. The present price of precooked cornmeal is VEF 190.

**From bad to worse.** Representatives of the Confederation of Agricultural and Livestock Producers Associations (Fedegro), the National Confederation of Farmers and Cattlemen (CONFAGAN), the Venezuelan Confederation of Industrialists (Conindustria), and other groups have warned about the levels of supply next year. Price controls, shortages of the inputs that farmers need, and the lack of security in the countryside have resulted in the production of seven of the country's main crops falling this year to the point where it covers only 30.5% of demand, according to Antonio Pestana, the president of Fedegro.

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**The only relief.** This year the only crop that grew was yellow corn, which is not regulated, said Pestana. The production of white corn, sorghum, sugarcane, coffee, soybeans, sunflower seeds, and black beans, on the other hand, continued to drop drastically.

**Hunger tomorrow.** Carlos Albornoz, the president of Fedenaga, agreed with Pestana and added that what was giving most cause for concern was the supply situation next year. *“In 2017 we’ll need around USD 90 million a month for importing food and our real concern is because we know that the dollars aren’t there, and that is going to put tremendous pressure on inflation and the exchange rate,”* he said.

**The chambers agree.** Juan Pablo Olalquiaga, the president of Conindustria, Francisco Martínez, the president of Fedecámaras, and Cipriana Ramos, the president of Consecomercio, also expressed their concern with regard to next year, recalling that the drop in agricultural production was one of the factors that have prompted companies to continue reducing their operations.

**And one more.** The president of the Venezuelan Construction Chamber (CVC), Juan Andrés Sosa, stated that the construction sector is operating at 10.0% of capacity due to the shortages of materials. He also denounced that, at the moment, 50.0% of the population lives in shanty areas compared to 30.0% before *Chavismo* came to power.

**The debacle.** The president of the National Confederation of Farmers and Cattlemen (CONFAGAN), José Agustín Campos, warned that the Venezuelan economy was still in crisis. He added that it was necessary to formulate effective public policies based on national unity and the use of science and technology that would make it possible to make progress in increasing production and productivity. *“We’re a country that has all the conditions necessary in order to produce,”* claimed Campos.

**He’s not the only one.** Members of Café Fama de América’s trade union denounced that production had dropped by 95.0%, which has resulted in the company having to operate at the minimum. *“The company is operating at 5.0% of its maximum capacity; it’s practically bankrupt,”* said directors in a communiqué.

**Seeing is believing.** Efraín Velasco Lugo, the president of Bolivariana de Puertos (Bolipuertos), said that, between July and November this year, the public sector received 2,075,038 tons of basic products through the country’s ports. These products included food, medicine, cleaning products, and personal hygiene articles. He also claimed that direct unloading of this merchandise to the entire distribution system was checked.

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**Getting priorities right.** Carlos Salazar, the president of the Caracas Liquor Vendors Association (Asolicorca), reported that liquor sales had fallen by 60.0% so far this year. He commented that, as a result of the drop in purchasing power, people's priority is buying food, which is more urgent. He also said that the price of liquor had gone up by more than 300.0%.

**Investment needed on a large scale.** The president of the Venezuelan Chamber of Distributors of Heavy and Agricultural Equipment and Spare Parts (Cavedrepa), Erich Hartkopf, said that machinery and equipment to the value of USD 3.0 billion was needed to boost the agricultural and livestock sector and the construction industry over the next two years. He stated that they had sent a communication to the Minister for Industry and Commerce, Carlos Faría, proposing that these funds be made available at the preferential DICOM exchange rate.

## WORLD ECONOMY TIPS

**US growth revised upward.** The United States has revised upward its growth for 3Q2106 for the second time, to an increase year-on-year of 3.2%, its best performance in two years, according to data from the Department of Commerce.

**World adjustment due to the United States.** The Organisation for Economic Co-operation and Development (OECD) revised its projections and in its Global Economic Outlook report estimated global growth of 2.9% for 2016, 3.3% for 2017, and 3.6% for 2018. This adjustment is due to the proposals made by Donald Trump regarding fiscal spending and tax cuts, which are expected to boost the US economy. For that reason, it is estimated that the US economy will grow by 2.3% in 2017 and by 3.0% in 2018.

**Boosting the dollar.** The US Federal Reserve (FED) is expected to raise its interest rates at its next monetary policy meeting in December. This will boost the dollar, which already hit an almost 14-year high in the week November 21-25.

**Expectations and confidence drive gold down.** Gold prices fell to a low of USD 1,180.85 an ounce in response to expectations of an increase in interest rates and an improvement in growth of the world economy.

**Potential for investment in Latin America.** Spain and Qatar hope to sign an agreement in early 2017 to set up a common USD 1.0 billion investment fund in Latin America. The Qatar Investment Authority, a sovereign wealth fund that has tried to diversify its investment portfolio and include assets other than European assets, announced in 2014

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that it would invest USD 20.0 billion in Asia and USD 35.0 billion in the United States and sees a great opportunity in Latin America.

**How will the ECB interpret the mixed signals?** Bank loans to companies in the euro zone grew by 2.1% in October, the biggest increase since June 2011. However, the annual rate of growth in M3, the measure of money in circulation used to estimate economic activity, was 4.4%, its lowest since March 2015. This sends an ambiguous response to the European Central Bank's attempts to carry out a policy of real stimuli for the economy.

**Despite Brexit.** According to the United Kingdom's Office for National Statistics (ONS), business investment grew by 0.9% and the economy by 0.5% in 3Q2016. This was due mostly to a recovery in exports and solid household spending.

**A positive figure for the first time.** In October Spain's Industrial Price Index (IPI) was 0.2% year-on-year, in positive terrain compared to the -2.0% in September. This increase, boosted by energy prices, was the first increase in industrial prices in more than two years, following the downward trend observed in June 2014.

**They continue to go up.** According to Spain's National Statistics Institute, in November prices in Spain went up by 0.7% year-on-year, making this the third month in a row that they have been in positive terrain.

**Fighting deflation.** Japan's underlying consumer price index fell by 0.4% year-on-year for the eighth month running, revealing once again the challenge the Bank of Japan faces in overcoming deflation. The bank has tried to stimulate the economy in order to reach its inflation target of 2.0%, but without much success.

**No more deficit.** According to data from Banco Central do Brazil, Brazil posted a primary budget surplus of USD 11.6 billion in October, the first time it has achieved a positive figure in about six months.

**Brazil joins the club.** Brazil, Latin America's biggest economy, which is going through its worst recession in 80 years besides facing a fiscal crisis, is to join the Paris Club, which offers repayment solutions to developing nations with external debt problems, and is to become the first emerging economy to join the group in 20 years.

**Interest rates to remain the same for now.** Chile's Consumer Price Index (CPI) slowed down to 2.8% year-on-year in October. As a result, it is estimated that the CPI will be close to 3.0% by year-end and that it will remain below that figure in 2017. However, the

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vice president of Chile's Central Bank reported that this slowdown alone would not determine a change in the interest rate.

**Adjusting its goals.** Colombia's economy expanded by 1.2% in 3Q2016 compared to the same quarter in 2015. However, this is less than expected and casts doubts on whether Colombia will be able to achieve its goal by the end of the year. This prompted the government reduced its growth targets for 2016 and 2017.

**Will there be a change in its interest rates?** On Friday, the Central Bank of Colombia kept its interest rate unchanged at 7.75%; however the slowdown in economic growth could prompt the bank to reduce its interest rate at one of its upcoming meetings to avoid greater deterioration in economic activity.

**More deficit.** According to the Central Bank of Peru, Peru posted a fiscal deficit of 4.4% of GDP in 3Q2016, 1.2 percentage points more than the deficit posted in the same quarter last year (3.2%). The bank estimates that Peru will close 2016 with a fiscal deficit of 3.0% of GDP and a deficit of 2.5% in 2017.

## POLITICAL TIPS

**The MUD threatens to leave the dialogue.** The Democratic Unity Alliance (MUD) stated that if the Government does not meet the demands made in the dialogue before December 6th, including the releasing of political prisoners, the establishment of the Commission of Truth, a humanitarian aid for medicines and the repetition of parliamentary elections in Amazonas, will abandon the dialogue.

**The MUD has complied.** The mayor of Sucre municipality, Carlos Ocariz, insisted that the MUD complied with their agreements at the dialogue table, by both disembarking the deputies of Amazonas and stopping protests. Instead, the Government has not met their demands.

**PJ agrees.** *Primero Justicia* supported MUD's decision and ratified that if the Government does not comply before December 6<sup>th</sup>, they will abandon the dialogue table.

**We'll continue with the dialog, reaffirms Maduro.** After a meeting with Spain's former president, José Rodríguez Zapatero, who is one of the dialog's international facilitators, President Nicolás Maduro stated that the Venezuelan Government would remain at the negotiating table, which would continue to make progress, becoming consolidated and stronger in the coming months.

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**Some opposition parties do not agree.** The political parties *Vente Venezuela*, *Voluntad Popular* and *Unidad Visión Venezuela* said that the Democratic Unity Alliance should allow civil society to participate and demanded that the Alliance get up from the negotiating table, as there had been no results and the government had not done what it undertook to do.

**They don't recognize our government.** The 21<sup>st</sup> MERCOSUR Social Summit opened on Monday, November 28, in Caracas. During the two-day session, which was attended by invited members from Brazil, Argentina, Paraguay, and Uruguay, conferences and forums were held to discuss issues having to do with the economy, integration, human rights, and democracy. However, there are conflicts between Venezuela and some members that do not recognize Maduro as the President of Venezuela.

**Even MERCOSUR doesn't want us.** Paraguay's Foreign Minister Eladio Loizaga said that Venezuela would be suspended from MERCOSUR on December 1, which means it will no longer have a voice in the bloc. He added that the suspension would last until the internal statutes had been adjusted, otherwise Venezuela would be vetoed or expelled.

**Delcy wants to protest.** In response to this decision, on Monday, November 28, Minister for Foreign Affairs Delcy Rodríguez called on the people to show their support for Venezuela remaining in MERCOSUR at Venezuelan embassies on December 1.

**In mourning for the other "eternal commander."** On November 26, President Nicolás Maduro declared three days' mourning for the death of the Eternal Commander Fidel Castro, whom he described as an "example of dignity for the peoples" in a communiqué published by the Ministry for Foreign Affairs.

**And what about the dead in Venezuela?** Governor of Miranda State Henrique Capriles questioned the mourning decreed following the death of the former Cuban President and leader Fidel Castro, asking whether mourning would be decreed for the 12 persons murdered in Barlovento, crimes with which the Public Prosecutor's Office has charged 11 members of the army.

**He must quit!** Miranda state governor, Henrique Capriles Radonski, labeled the Operations for the Liberation of the People as "extermination operations" because of the events that had place in Barlovento where 12 people were killed. In this regard, the deputy of the National Assembly for Miranda state, Delsa Solórzano, demanded the resignation of the ombudsman, Tarek William Saab, November 29 in the ordinary session in the National Assembly.

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**Let's continue Fidel's struggle.** Following the death of Cuba's former president, Fidel Castro, Cuba's ambassador in Venezuela, Rogelio Polanco, thanked President Maduro and the Venezuelan people for the tribute rendered and said that Castro would always be united with the "Bolivarian Revolution" and that the struggle for which Castro had "laid down his life and dedicated all his energy" should continue. He added that the departure of the former Cuban President was the "start of the immortality of his ideas of justice, solidarity, and humanity."

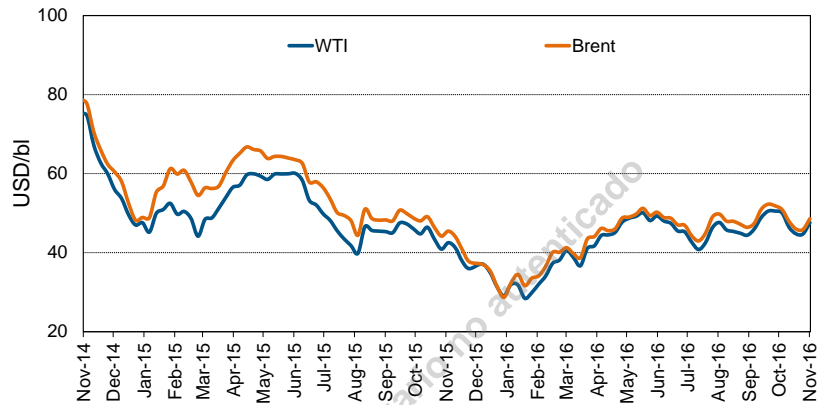
**"We are not a threat."** President Maduro announced a new social program called the "Bernardo Álvarez Mission" in honor of Venezuela's ambassador to the OAS, who died on November 25. The purpose of this mission is to demand that President Obama repeal the decree that classifies Venezuela as an "*unusual and extraordinary threat*" to US foreign policy and that he declare Venezuela to be a threat-free country.

## LEGISLATIVE TIPS

**Fixing the failed model.** Thanks to the Democratic Unity Alliance benches, at the last session of the National Assembly progress was made in the second debate of the bill on activating and strengthening domestic production. The bill contemplates that those who take part in the exploitation of and production in the primary food sector be exonerated from payment of income tax for a period of ten years.

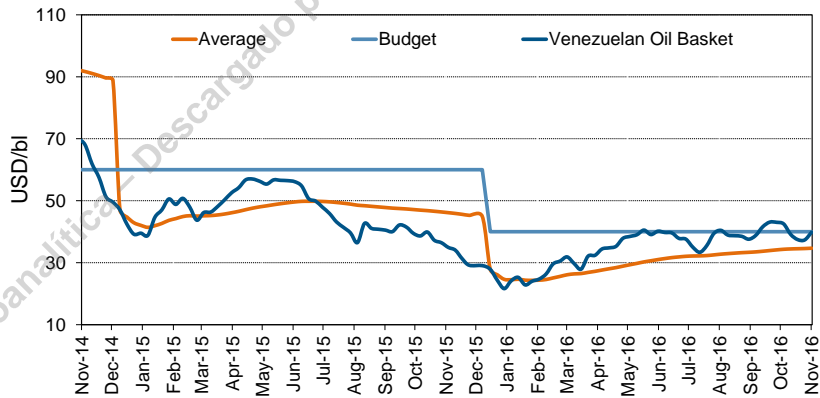
## ECONOMIC INDICATORS

Oil Prices  
(WTI and Brent)



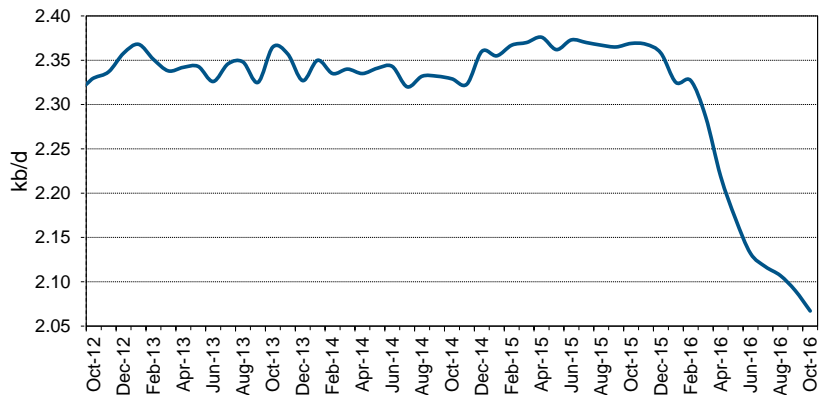
Sources: Menpet and Ecoanalítica

Oil Price  
(Venezuelan Basket)



Sources: Menpet and Ecoanalítica

Oil Production  
(Secondary sources)



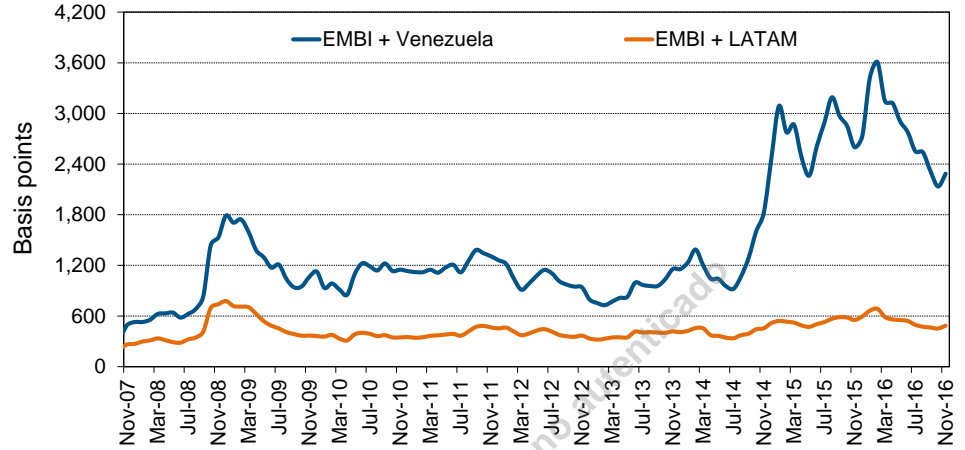
Sources: OPEC and Ecoanalítica

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**EMBI**



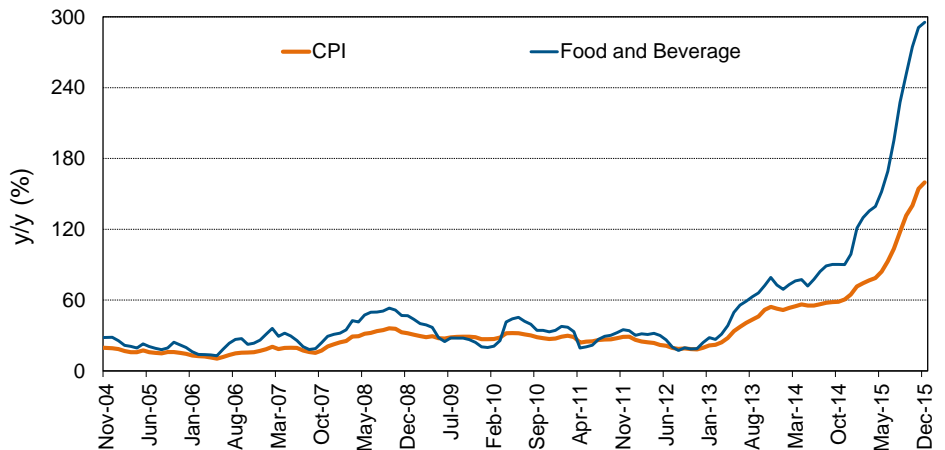
Sources: BCRP and Ecoanalítica

**FX Reserves (BCV)**



Sources: BCV and Ecoanalítica

**Inflation (BCV)**



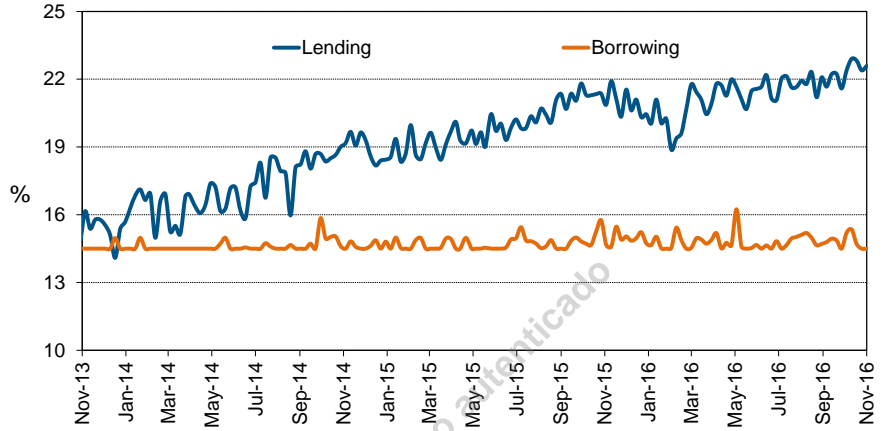
Sources: BCV and Ecoanalítica

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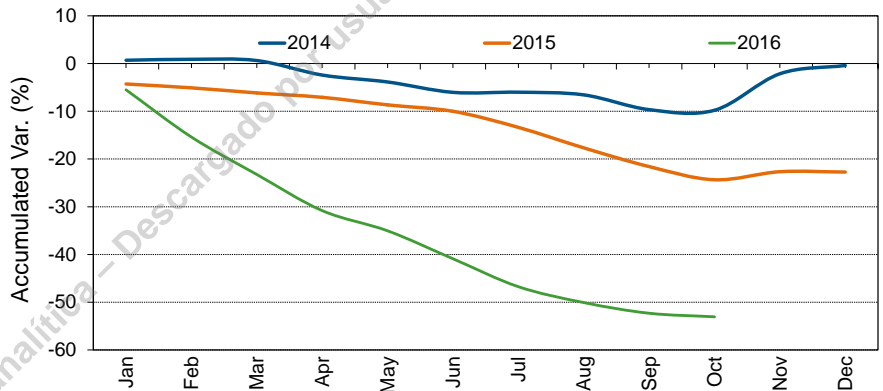
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**Interest Rate  
(Six major banks)**



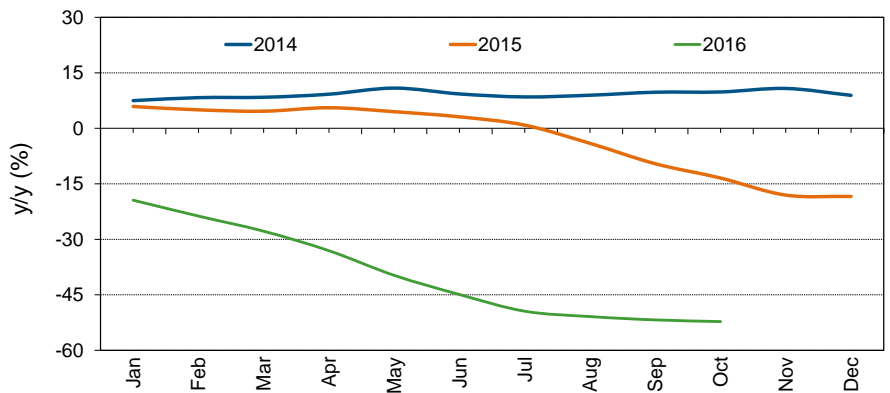
Sources: BCV and Ecoanalítica

**M2 Expansion  
(Real)**



Sources: BCV and Ecoanalítica

**Loan Portfolio  
(Real)**



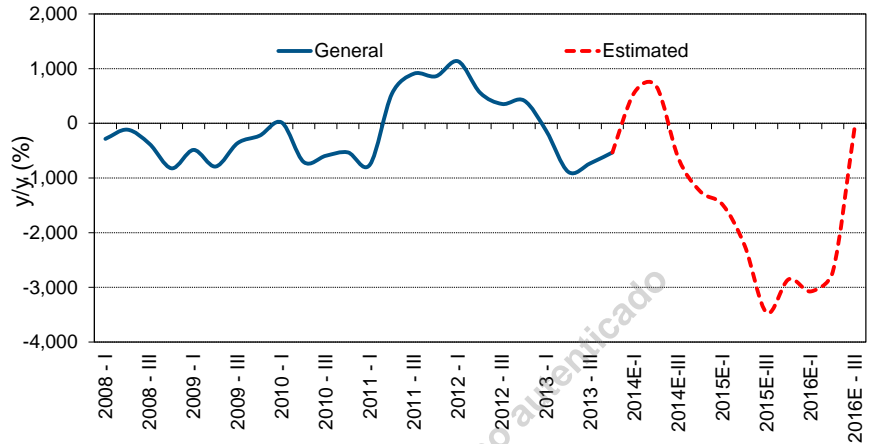
Sources: SUDEBAN and Ecoanalítica

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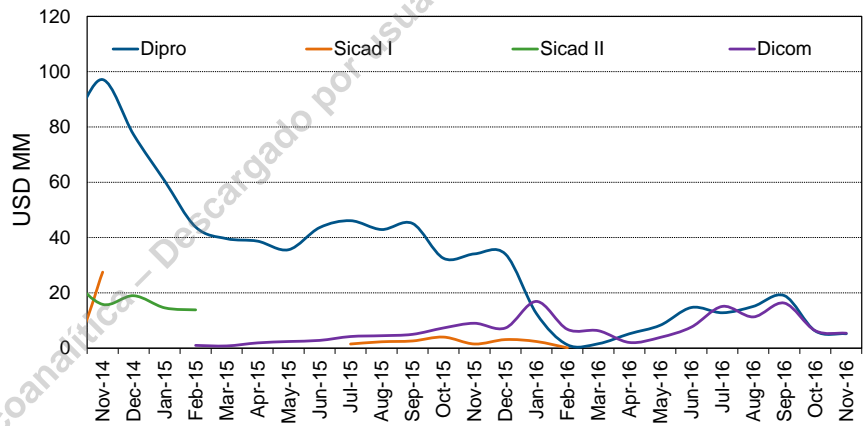
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Real Wage Index



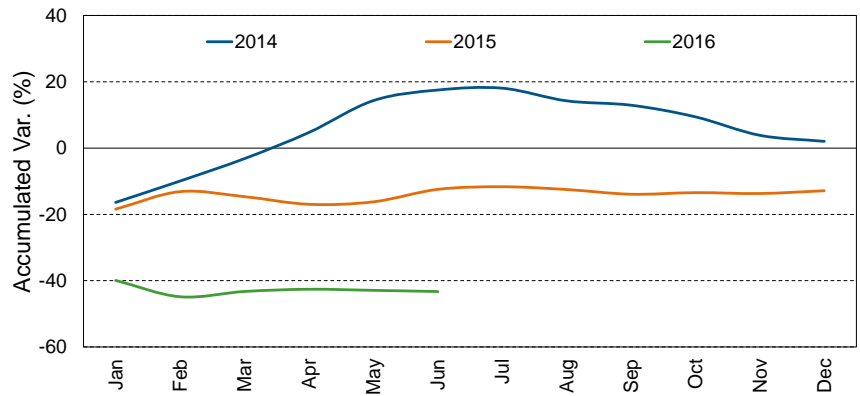
Sources: BCV and Ecoanalítica

Disbursements to the Private Sector (Daily Average)



Source: Ecoanalítica

Primary Spending NTO (Real - Central Government)



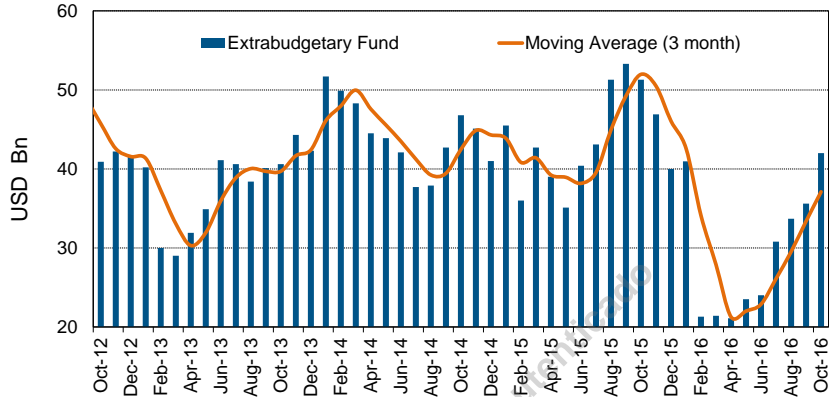
Sources: ONT and Ecoanalítica

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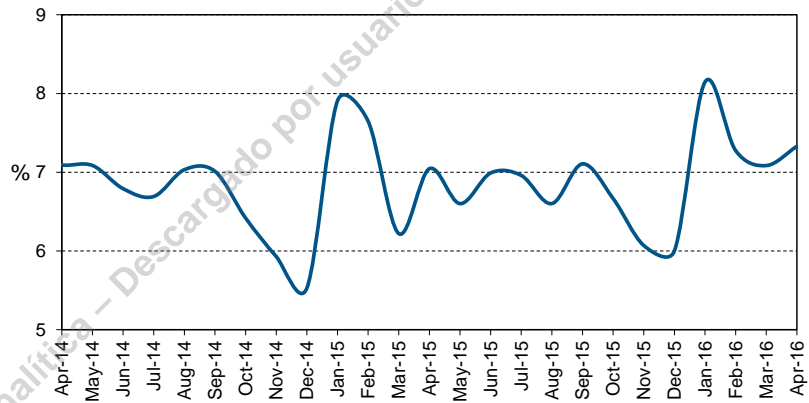
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**State Extrabudgetary Resources**



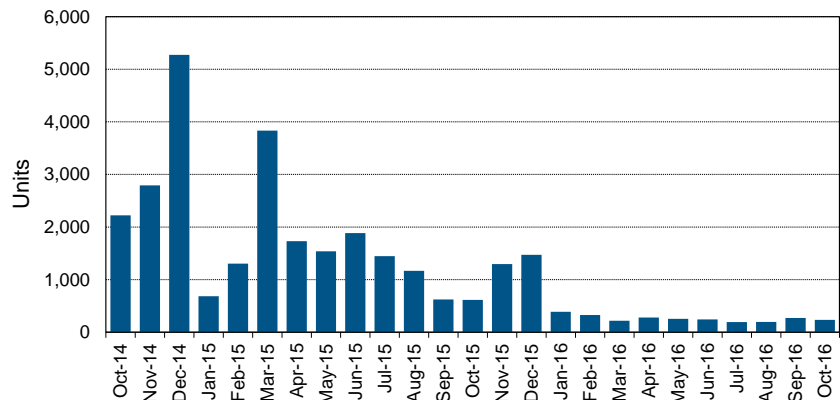
Source: Ecoanalítica

**Unemployment Rate**



Sources: INE and Ecoanalítica

**Vehicle Sales**



Sources: CAVENEZ and Ecoanalítica

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