



Weekly Report

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*Growth figures for 3Q2013:
The economy loses momentum*

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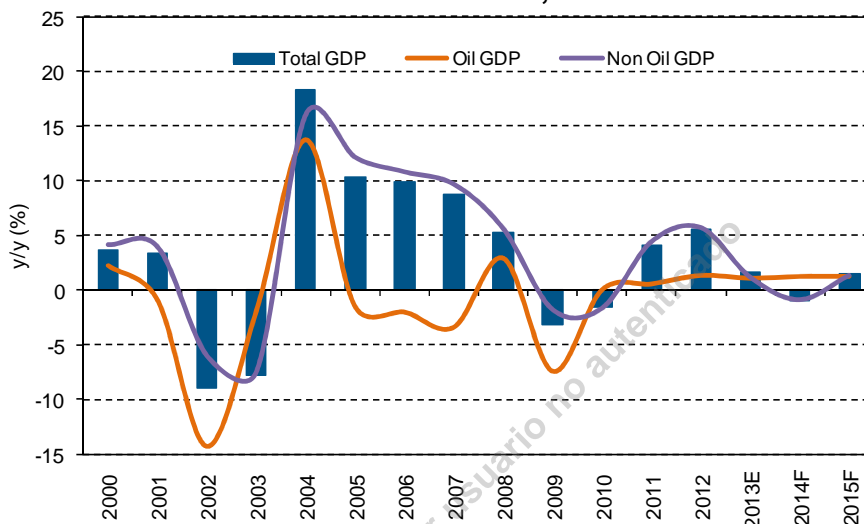
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The growth figures for the third quarter of 2013 (2Q2013) were published last month. While they came as no surprise, they indicate that next year will be a difficult one, particularly in terms of growth. According to figures published by the Central Bank of Venezuela (BCV), Gross Domestic Product (GDP) grew at a rate of 1.1% (yoy) in 3Q2013 and proceeded to slow down thereafter compared to the growth posted in 2012. The slight growth in economic activity in 3Q2013 was due to growth of 1.7% in the oil sector and 0.7% in the non-oil sector, both compared to the same period in 2012. At **Ecoanalítica** we estimate that GDP will end up growing by 1.7% as a result of growth of 1.1% in the oil sector and 1.3% in the non-oil sector.





Evolution of GDP: Total, Oil and Non Oil



Sources: BCV and Ecoanalítica

On the demand side, the Central Bank's statistics for 3Q2013 show that final government consumption grew by 2.7% (yoy), whereas private consumption was up by 4.2% (yoy), and that gross capital formation contracted by 14.4%, with the result that domestic aggregate demand ended up contracting by 4.4%. The fact that the contraction in aggregate supply (4.9%) was greater than the contraction in domestic demand resulted in much of the increase in consumption being covered at the expense of a lower build-up of inventories (29.5%) compared to 3Q2013, which could affect the supplying of the goods market in the near future.

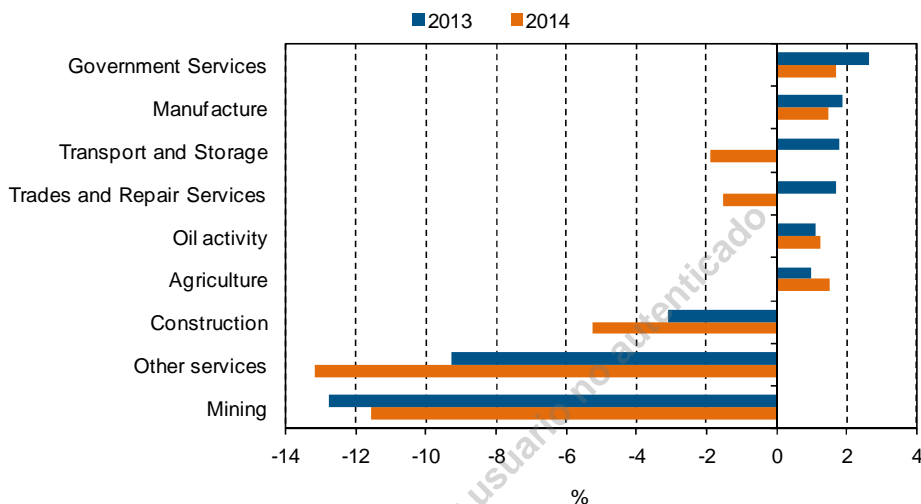
The non-tradable sector, the hardest hit

In an economy that obtains high levels of revenue from exporting a commodity, and more so in one that maintains its local currency overvalued, and where the positive phase of the economic cycle has benefited the non-tradable sector in particular, it is precisely this sector that will be most affected as a result of the slight contraction in 2014. Construction, commerce, and transport are among the non-tradable goods producer sectors that will post a contraction next year; whereas sectors such as government services and financial institutions will show a significant slowing down in growth compared to 2013. As for the tradable sector, it will grow by 1.5% accompanied by almost vegetative growth of 1.9% in manufacturing production.





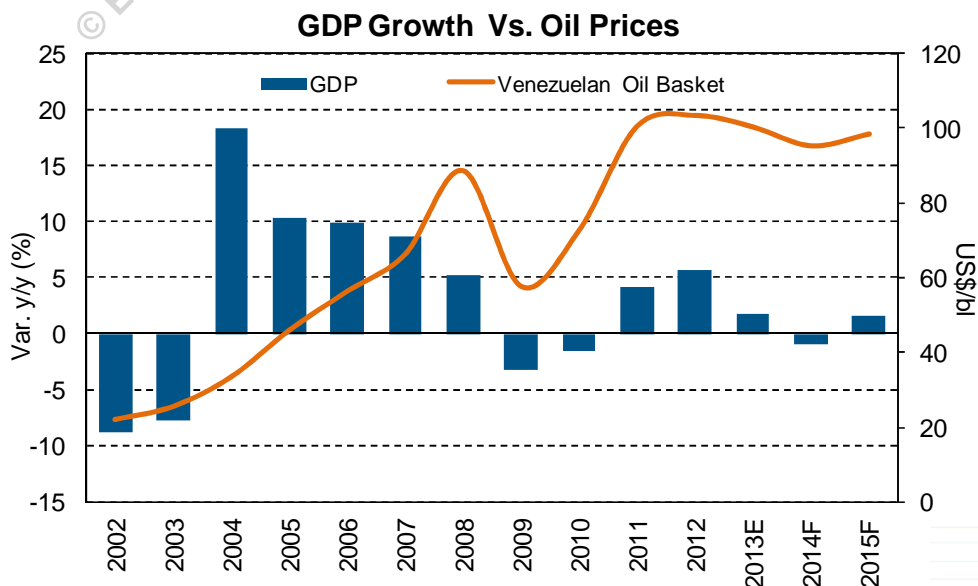
Growth by Economical Activity



Sources: BCV and Ecoanalítica

Beware of external shocks

Since 2010, the high oil prices have made it possible to maintain high levels of spending. However, in 2013, this spending has been insufficient to revive the economy, which has been hobbled by huge imbalances that generate tremendous inefficiencies. Although the oil boom has allowed those imbalances to grow, they have been reflected in sizeable fiscal deficits, a constant overvaluation of the local currency, and a considerable shrinking of the Central Bank's reserves. The situation could change in 2014, but not for the better.



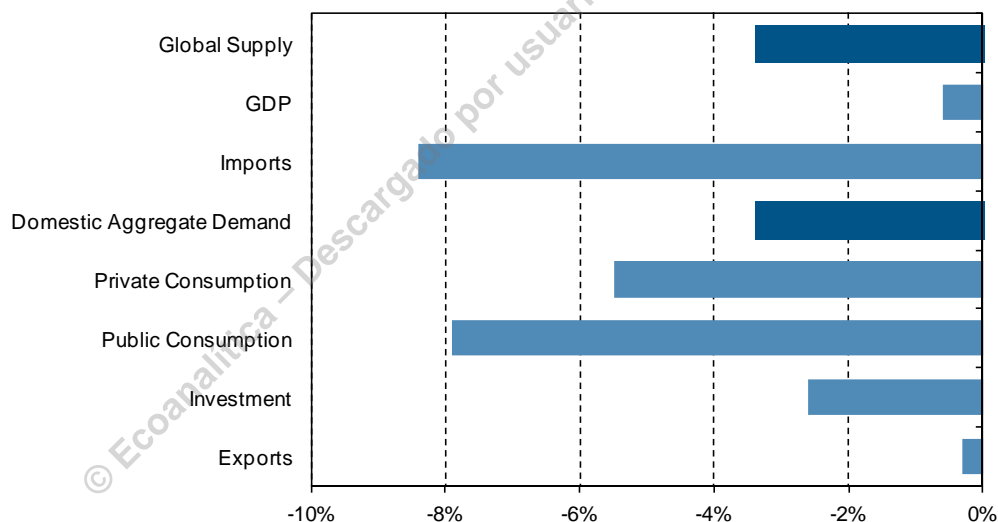
Sources: BCV and Ecoanalítica



On the domestic supply side, the reduction in revenues from the oil business will mean that the lower levels of production by the domestic productive apparatus (-1.0%) –due to a contraction in the official supply of foreign currency- cannot be offset by increased volumes of final goods imports, which will contract by 8.0%. As for aggregate demand, due to the fact that 40.0% of public sector revenues depend on the oil business, at **Ecoanalítica** we forecast a contraction of 7.1% in government spending on final goods, with a consequent contraction in private consumption (5.1%).

Global Supply and Demand 2014

v/y % Var. (1997=100)



Sources: BCV and Ecoanalítica

And what about the balance of payments?

In the first nine months of the year, the balance of payment's (BP) current account posted a surplus of US\$7.48 billion, a drop of 35.6% compared to the surplus of US\$11.61 billion for the same period last year. This performance of the current account was due to the 12.1% reduction in the trade balance surplus, which came to US\$27.44 billion, mainly as a result of the 8.0% contraction in goods exports, which was caused by the drop in oil exports owing to some prices being a bit lower during that period.





BALANCE OF PAYMENTS			
General Summary (US\$ million)	Jan-Sep 2013	Jan-Sep 2012	y/y % var.
Current Account	7,484	11,614	-35.6%
Goods	27,442	31,216	-12.1%
Oil Exports	64,396	69,788	-7.7%
Non-Oil Exports	2,485	2,926	-15.1%
Import of goods f.o.b.	-39,439	-41,498	-5.0%
Services	-11,870	-11,910	-0.3%
Others	-8,088	-7,692	5.1%
Capital Account	-10,789	-15,897	-32.1%
Public Sector	-4,325	-7,223	-40.1%
Private Sector	-7,265	-9,993	-27.3%
Reserves Variation	-3,305	-4,283	-22.8%

Sources: BCV and Ecoanalítica

The reduction in exports, both oil (-7.7%) and non-oil (-15.1%), between January and September was offset in part by the 5.0% drop, year-on-year, of imports, something that comes as no surprise in view of the restrictions in the foreign exchange market for the private sector, which has posted a contraction in its imports of 13.2% so far this year compared to the same period in 2012. As for public sector imports, while they posted a cumulative expansion of 9.0%, in 3Q2013, the shortage of foreign currency seems to have affected this sector as well, given that its imports contracted by 14.% year-on-year.

As we warned previously at **Ecoanalítica** and as has now been confirmed by the cumulative figures on the external accounts, this will be a year in which the balance on the current account will fall sharply. With an oil price that has maintained a steady downward trend, which we estimate will end the year with an average of US\$100.3/bl, and given that PDVSA has found it impossible to increase oil production, the inflow of dollars has shrunk considerably, a situation that it was attempted to counteract with a foreign exchange rate shock and by putting a brake on the allocation of foreign currency to the private sector. Nevertheless, while our estimate is for the balance on the current account to remain in the black, at **Ecoanalítica** we expect it to close the year at around US\$10.80 billion, which is equivalent to a drop of 1.9%.





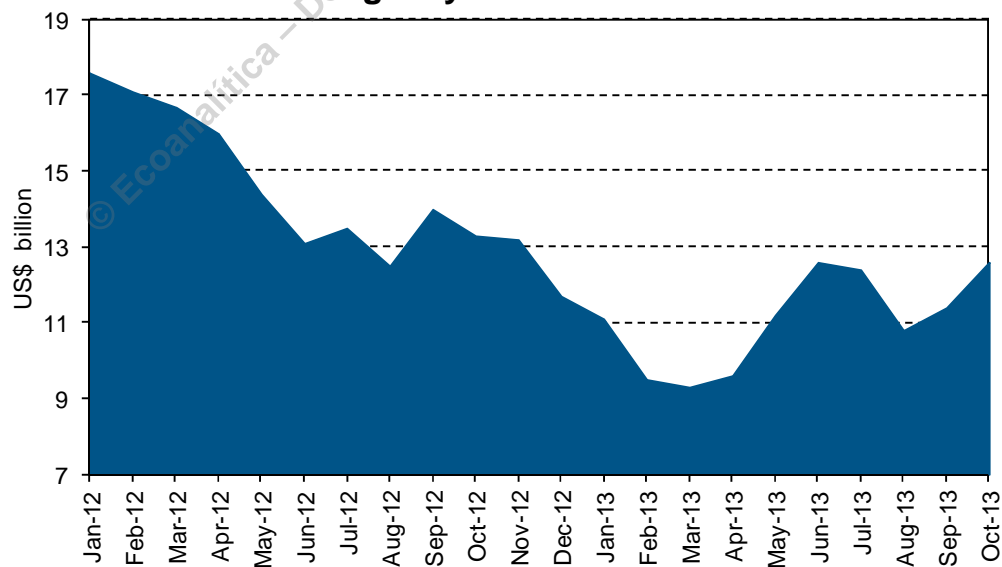
Direct investment is not what it appears to be

At the close of 3Q2013, the deficit on the balance of payments' capital and financial account shrank by 42.5% year-on-year as a consequence of a 39.6% reduction in the balance on the other investment account (which posted US\$10.15 billion), mainly investment from the public sector, which contracted by 46.6%. Likewise, the direct investment sub-account went from a negative balance in 2012 to a positive balance of US\$2.36 billion at the close of 3Q2013. However, at **Ecoanalítica** we have already pointed out that, rather than reflecting the entry of investment into the country, this account refers to foreign companies' profits that are pending repatriation, in particular the profits of oil companies, which, owing to the restrictions in Venezuela, have not been allocated foreign currency. It could also include liabilities such as commercial credits and dividends payable of private nonfinancial companies.

Dipping into the funds

Although, in Venezuela, the current account has historically financed the financial account, faced with the present situation, the government has resorted to dipping into its funds held overseas to mitigate the reduction in the flows of foreign currency entering the country from oil exports.

Extrabudgetary Resources in Currencies

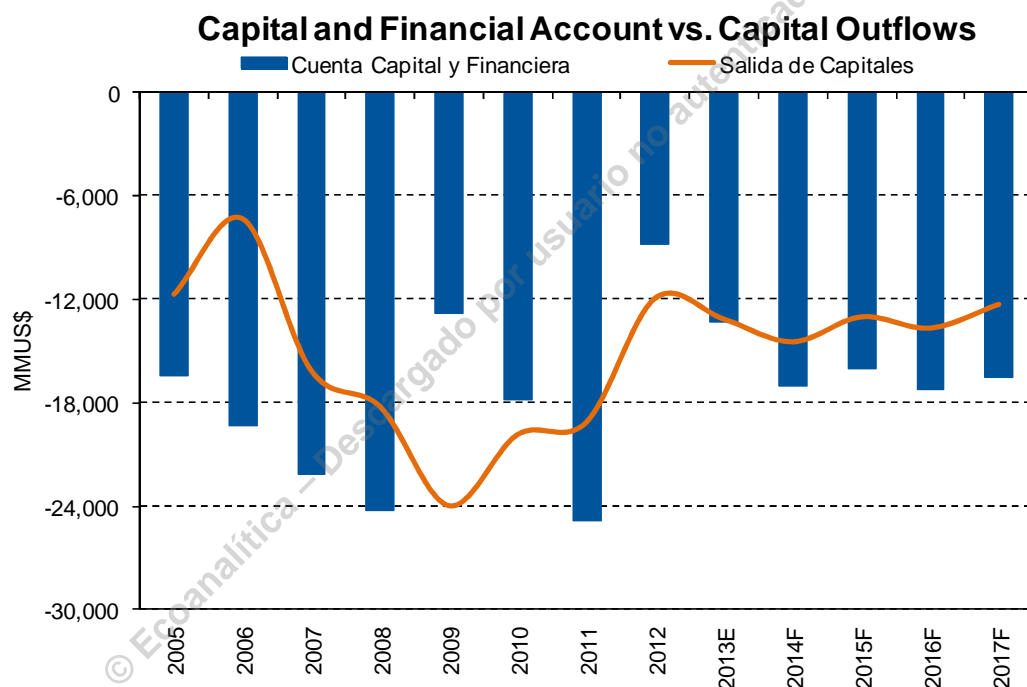


Source: Ecoanalítica

So, the results of the balance of payments' financial account also reflect how the public sector had to make use of the funds it maintains overseas. The entry of public funds via the coins and notes sub-account came to US\$3.18 billion in the first nine months of the year, up 54.2% from the



same period in 2012. As for private capital outflows, which came to US\$9.77 billion between January and September (2.9% more than in the same period in 2012), they resulted in a drop of US\$3.31 billion in the international reserves during that period. Based on this cumulative figure, at **Ecoanalítica** we estimate that the capital and financial account will close the year at US\$13.28 billion and that private capital outflows will come to US\$13.18 billion.



Sources: BCV and Ecoanalítica

As we warned previously at **Ecoanalítica**, given growing fiscal needs and stagnated oil production, an oil price in the region of US\$100/bl has turned out to be insufficient to cover the importing boom we have had and does not provide a sufficient cash basis to meet the Executive's foreign currency needs, which has meant that the government has had to dip into its external assets held abroad. However, the steady decline in the international reserves, which we estimate will close 2013 in the region of US\$23.61 billion, plus the fiscal situation and the nominal overvaluation of the bolivar, points, in our opinion, to the imminence of another adjustment in the exchange rate next year.





Economic Tips

Merentes: Inflation will close very high. Finance Minister Nelson Merentes said that inflation this year will close “with a high figure.” However, he stressed that this situation will change in 2014 when the government also has plans to increase economic development and generate new sources of jobs. In statements to the state-owned television station, Merentes explained that he still does not have a final figure for inflation at the close of the year owing to the fact that National Statistics Institute (INE) and the BCV are still working on it.

And it will continue high. According to the “*Plan de la Patria*” (Plan of the Nation) approved by the National Assembly (NA) recently, the inflation goal for the next five years is 20.0% a year, whereas economic growth is set at between 3.0% and 4.0% a year. The new “goals” imply abandoning the objective of bringing down inflation to a single digit by 2016 and achieving sustained growth of 6.0% a year, as proposed by the economic cabinet last year.

Central Bank detects faults in drafting of orders for SICAD. A Central Bank circular sent to banks that process foreign currency purchase orders via SICAD reveals that the Central Bank has detected errors. The BCV informs the banks that companies’ orders “*must contain a clear and precise description of the product to be imported, among other things.*” It adds that “*otherwise the order books of the banks that fail to comply with this obligation will be annulled.*” The Central Bank indicates that this measure is without detriment to the provisions contained in Article 15 of the resolution, which sets forth the rules for the functioning of SICAD.

Two foreign exchange adjustments planned for early next year: Venezuela’s economy will contract next year as a result of a hefty adjustment to the exchange rate in early January, according to estimates by Merrill Lynch. The devaluation could raise the official rate from VEB 6.30/US\$ to VEB 11.00/US\$. Later there would be another devaluation to VEB 18.00/US\$, giving an average of VEB 14.50/US\$. Also a strong upturn in inflation to 75.0% looks fairly likely, with the risk of an increase in social unrest and discontent. This is the conclusion reached in Merrill Lynch’s recently published report on the economic performance of countries in Latin America.

Foreign banks expect devaluation of the bolivar shortly. Once the December 8 (D8) elections are over, the Nicolás Maduro administration will have to deal with economic problems that, in the opinion of three foreign banks, Barclays, Bank of America and Nomura, will force a devaluation of the bolivar soon. Government



spending exceeds revenues by more than 15% of GDP and, therefore, the government will need to obtain more bolivars for its petrodollars. At the same time, the fact that it has maintained the official exchange rate at VEB 6.30/US\$ while inflation has skyrocketed has made the dollar very cheap and the demand for foreign currency has become unsustainable.

Government requests creation of new instruments. A meeting of the authorities of the Central Bank, the Ministry for State-owned Banks, and the Banking Association of Venezuela sought a rapprochement with private financial institutions with a view to creating new instruments that would encourage people to save and that would also mop up liquidity. A reminder was given that excess money on the street is one of the factors that push up prices and that, besides boosting consumption, an effort must be made to encourage saving. The representatives of the Central Bank proposed that private banks take the initiative of offering the general public a fixed-term instrument –which has already been designed for the state-owned banks- whose term is only one year and with an interest rate of more than 16.0%, as established in the new regulations on interest rates for savings.

Lack of policies penalizes employment among young people. Paving the way to enable future generations to join the job market is still an issue that needs to be addressed in today's Venezuela. With unemployment among young people at twice the national average, they are definitely the segment of the population that finds it most difficult to get a job. According to the National Statistics Institute (INE), unemployment in the 15-24 age group was 15.9% in October, which, in absolute terms, means that, out of a total of 1,062,709 unemployed persons, 357,866 young people did not have a job.

Going for the communes: According to *Plan de la Patria 2013-2019*, the government plans to consolidate the socialist productive model in the hands of people's power, and it is to create new structures to that end. The plan establishes the setting up of communal federations and confederations and states that it is necessary to speed up the forming of communal councils, "*guaranteeing coverage of 70.0% of the total organized population in communal councils by 2019.*"

Interest rates. The lending rate for the first week of December was at 15.8%, up by 0.4 percentage points (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 4.6%, going from US\$21.29 billion during the fifth week of November to US\$20.64 billion during the first



week of November. Compared to the same period last year, international reserves have decreased by 19.8%.

Central government expenditure. On Friday November 6th according to figures from the ONT primary spending was VEB 18.04 billion, which means an increase of 52.1% when compared to the previous week when it was VEB 34.67 billion; when compared to the same period last year we observe an increase of 263.1%.

Monetary liquidity. Monetary liquidity (M2) increased 10.4% in the first week of December compared to the previous week, settling at VEB 1.17 trillion. The M2 has increased 73.4% in relation with the same period last year.

Oil Tips

Drowning in debt: The Central Bank's financing of PDVSA has increased by 187.2% this year, reaching a total of US\$65.2 billion at the end of November –far more than the nation's international reserves-, whereas last year it totaled US\$22.7 billion. Another striking figure is the amount of PDVSA's debt with the Central Bank for October, which was in the region of US\$43.7 billion, indicating that the Central Bank's financing of PDVSA increased by 49.2% in just one month.

Bi-national plans are put on the table. The government is putting together a financial scheme via different funds and based on what is proposed in the *Plan de la Patria* 2013-2019, a structure that it will seek to expand. This program seeks to promote the creation of new mechanisms for obtaining funding that will be paid for with shipments of crude, as happens now with the China-Venezuela Fund.

Plan de la Patria lowers its sights. *Plan de la Patria* 2013-2019 establishes a series of national goals that, in the case of the oil sector, imply a marked reduction in the production expectations PDVSA proposed in its business plan, "Sowing the Oil Plan 2012-2019," at a time when oil exports have dropped, which has resulted in number of problems for Venezuela. The oil production goal for next year, established in the plan approved by the NA, is in the region of 3.3 mb/d, which brings down the goal previously set for 2014 (4 mb/d) by 17.5%.

Devaluation reduced PDVSA's expenditures. PDVSA's financial report for 1H2013 shows that the company managed to improve and even reduce certain items due to



the devaluation of the bolivar vis-à-vis the dollar at the start of the year, as the company's cash flow in local currency improved. This is apparent when one sees that operating expenditures, which came to US\$9.13 billion in 1H2013, posted a drop of 2.04% compared to the US\$9.32 billion for the same period in 2012.

Everything under control? PDVSA's refining director and the manager of Paraguaná Refining Center, Jesús Luongo, explained that the country's refineries are functioning normally and gave assurances that Venezuela has sufficient inventories of fuel and lubricants. *"As our Vice President for Refining, Trade and Supply, Asdrúbal Chávez has said, PDVSA's refining circuit is operating quite normally. We are processing 1,2mb/d,"* added Luongo.

PDVSA and Repsol sign an agreement. The Venezuelan Government and the Spanish oil company Repsol signed a new agreement under which the European company is to invest US\$1.2 billion in the joint venture Petroquiriquire, in which PDVSA is the majority shareholder. This investment will strengthen Repsol's presence in Venezuela by joining up with projects such as the project for exploiting Cardón IV bloc in Falcón state, which has one of the largest reserves of gas in the continent.

It's Citgo's fault. Citgo Petroleum, the PDVSA affiliate that operates in the United States (USA) refining and marketing crude and fuel, had a considerable impact on total net purchases of crude and derivatives made by PDVSA in 1H2013. PDVSA's financial report for 1H2013 explains that it was an increase in the volume of products purchased by Citgo from sources other than PDVSA that caused net purchases of crude and derivatives to grow by 4.06%.

PDVSA seeks to build a new refinery. PDVSA has signed a contract with a consortium made up of Hyundai Engineering & Construction, Hyundai Engineering, and Wison Engineering. The US\$2.31 billion contract is mainly for the engineering, procurement, and construction of the first phase of Batalla de Santa Inés Refinery. The signing of the contract took place on the future site of the new complex. Under the contract, the Asian consortium commits to putting up the financing for building the first phase of the refinery.

Oil for electricity: PDVSA's half-yearly balance sheet shows that Venezuela's oil exports have been affected by the unstoppable growth of the domestic hydrocarbons market. The oil company's report reveals that, at the close of 1H2013, Corpoelec owed PDVSA US\$1.213 billion for diesel deliveries to power stations.

US oil inventories drop. Oil stocks in the USA fell unexpectedly, unlike derivative stocks, which increased sharply according to a report by the Energy Information



Administration (EIA). Crude inventories fell by 5.6 mb to 385.83 mb, whereas stocks of gasoline grew by 1.8 mb to 212.43 mb and stocks of distillates went up by 2.6 mb to 113.52 mb.

OPEC remains optimistic. The Organization of Petroleum Exporting Countries (OPEC), which supplies approximately one third of the world demand for crude, has decided to bet on demand not falling and that there will be no overproduction. For that reason OPEC has decided to maintain its production ceiling at 30 mb/d.

Ecopetrol gives the green light. The Colombian oil company Ecopetrol, which is controlled by the government, has given assurances that the Caño del Sur bloc is commercially viable. Ecopetrol, the sole owner, reported that the bloc has initially proven reserves of 22.4 mb and that it could contain as much as 492 mb of crude. The oil company's president, Javier Gutiérrez, stated that, after declaring commercial viability, a start will be made on the commercial exploitation of the bloc, which has a surface area of 54,211 hectares.

International oil baskets. At closing time on December 6th in the New York Stock Exchange, the price of the WTI was US\$95.4/bl, up by 2.1% when compared to the reported the previous week. The Brent increased by 0.3% when compared to the previous week, to reach US\$111.3/bl.

Local oil basket price. The Venezuelan oil basket price closed last week at US\$96.4/bl on Friday December 6th, a 1.8% increase compared to the US\$96.4/bl of the previous week. The annual average price of the Venezuelan oil basket is US\$101.3/bl.

Business Sector Tips

New car sales decreased 51.1%. Data released by the Venezuelan Automotive Chamber (Cavenez), sales of new cars down 51.1% in November with respect to the same period in 2012. From January through November, 95,919 units were sold, down 26,441 cars from the same period in 2012; of these, 69,839 correspond to local manufacture and 26,080 were imported, down 30.6% and up 19.9%, respectively.

Production of new cars decreased 47.7%. According to data released by Cavenez, in November the production of new cars decreased 47.7% with regard to the same



period in 2012, to 4,703 units. Therefore, cumulative production from January through November 2013 was 69,966 units, a loss of 30.8% with respect to the 101,069 assembled in the same period in 2012.

The worst November: After closing last month with production of 4,703 vehicles, assemblers face their worst November in 12 years. Cavenez reports that 2005 was the best year, when 24,421 units were assembled. Since then there has been a slow decline in production, which got worse in 2008 when the so-called “new automotive policy” went into effect. This policy aimed to increase domestic production but meant the start of state control of activity in the sector.

Six months in which to apply for licenses: Decree 625, which establishes that private individuals are to be allowed to import vehicles, also sets June 4 next year as the deadline for applying for the vehicle import license. The decree states that the first requirement is that the person who wishes to import must already have the dollars and that they must be deposited in an account at a state-owned bank. The time limit on issuing the import licenses is due to the fact that this decree offers only a short-term solution.

Insurance companies concerned: The president of the Venezuelan Insurance Companies Chamber, Alesia Rodríguez, said that the association’s main concern is the way in which the fair prices of vehicles are to be determined under the Vehicles Act. Rodríguez hopes that a realistic method will be used that takes account of an adequate supply of vehicles and the level of inflation in Venezuela, among other variables. Otherwise, she added, the entire value chain, including the end consumer, could be adversely affected.

53.0% of industrial companies reduced production in 3Q2013. Conindustria forecasts that the supply of finished products at the start of next year will be “fairly compromised,” due to the drop in production and the collective Christmas-New Year vacations. According to the Business Sector Survey for 2Q2013, 53.0% of the industrialists claim that production fell and 60.5% warn that raw material inventories are down also. The president of the Venezuelan Confederation of industrialists (Conindustria), Eduardo Garmendia, recalled that, according to figures published by the Central Bank, industry grew by only 1.0% in the third quarter of the year.

Lack of confidence slows down replenishment of inventories. Fedecámaras has warned of a drop in inventories without the possibility of them being replenished as fast as the market demands. Based on a study conducted by Consecomericio, Jorge Roig, its president, reported that the drop in inventories is around 26.0%. *“Inventories, like everything else, shrink bit by bit and they are used up, and when*



they are used they are not being replaced at the same rate because businessmen don't feel confident about replenishing those inventories," explained Roig.

Exporters hope for incentives for this sector. The Venezuelan Exporters Association claimed that *"it is absolutely essential that, when negotiating international purchases, the Venezuelan Government offer domestic products that we can sell overseas with a view to improving the trade balance with those countries, as in the cases of Colombia, Argentina, Brazil, and Uruguay, to name but a few, and even to propose trade compensation arrangements"*. They hope that, given the creation of the National Foreign Trade Center, measures will be taken that will provide incentives for exports, such as the activation of reimbursement of VAT and drawbacks.

Closing the border generates losses of VEB 120 million a day. The executive president of the Venezuelan-Colombian Chamber (Cavecol), Luis Alberto Russian, claims that temporarily closing the border affects trade between Colombia and Venezuela. He said that this measure, which is taken for increasingly longer periods prior to the holding of elections, affects the people living in the area, such as the population of Cúcuta. He pointed out that closing the border generates losses of VEB 120 million a day. The only import and export operations that are carried out are operations with merchandise that is already in Venezuelan territory. As at October 31, 2013, trade between the two countries closed at VEB 2.24 billion, down 9.0% from last year.

Joint venture with LG: The Ministry for Industries signed a contract with the South Korean company LG to set up a joint venture to produce and import the company's electronic equipment and appliances, which go from television sets to refrigerators, cellular phones, and tablets. Minister for Industries Ricardo Menéndez estimated that the assembly stage in Venezuela could start up by the end of 2014, after a mission from the parent company visits Venezuela in January to fine tune the details of the plant, its location and layout, and early importing.

Establishments will be closed down if they don't toe the line. In the opinion of Housing and Habitat Minister Ricardo Molina, many businessmen and builders of shopping malls have adopted the practice of charging high lease rentals for commercial premises as a fast and effective way of getting back their investment. Molina commented that businessmen will have to abide by the laws on lease rentals passed by Central Government and reminded them that the owners of commercial premises must reduce the price of the square meter in lease contracts to VEB 250, effective immediately.

Goals looking unattainable: One of the recent changes the government has made to the *Plan de la Patria*, is to reset the goals for food production. In the plan



presented by Chávez, the goal was to increase domestic food production by 45.0% “going from 29.4 million tons to 42.7 million tons a year.” The new plan, while it maintains the same goal figure, proposes an increase of 80.0%. This rethinking of the production goal in the *Plan de la Patria* means that greater efforts will have to be made to achieve estimated production by 2019, which is nearly twice current production.

Bolivian milk: Given the shortages of basic products in Venezuela, milk, sugar, and beef are among the items that continue to arrive at our ports. Bolivia has made a shipment of 2,000 tons of powdered milk, according to Bolivia’s Minister for Productive Development and Plural Economy Teresa Morales. On December 5, Bolivia sent a first shipment of 2,000 tons of powdered milk purchased for the Corporación de Abastecimiento y Servicios Agrícolas (CASA) at a cost of US\$2.5 million. Morales also said that the more exports of soya, textiles, leather products, and wood are being coordinated with Suministros Venezolanos Industriales CA (Suvinca).

World Economy Tips

Rebound effect or good times? Unemployment in the United States fell to 7.0% in November, the lowest level in five years, according to the Bureau of Labor Statistics (BLS). The figures reflect the return of federal employees to the labor market, who were considered unemployed in October following the partial shutdown of the Federal Government as a result of a dispute over the budget. According to the BLS, 203,000 jobs were created in November.

United States grows more than expected. The economy grew at an annual rate of 3.6% in the third quarter –much stronger than expected-, according to a government report published on Thursday. But there is rain on this parade. This number is not as good as it looks. The main reason why the growth in the country’s GDP was so strong was because companies have been building up bigger inventories. If the impact of the rise in inventories is taken into account, growth in GDP would be only 1.9%.

OECD sees improved outlooks for the main economies. The outlook for the main economies has improved and the euro zone is gathering momentum as the debt crisis stabilizes, said the Organisation for Economic Co-operation and Development



(OECD) on Monday. The organization, whose headquarters is in Paris, commented that its leading compound indicator, which covers 33 member countries, shows that growth has resumed its long-term trend. The indicator, which is designed to mark points of inflection in the economic cycle, advanced to 100.7 in October from 100.6 points in September. This puts it quite a bit above the long-term average of 100 and takes it to its highest level in more than two years.

Trade expectations grow following WTO agreement. The worldwide trade reform agreement reached last week by the World Trade Organization (WTO) could make the Trans-Pacific Agreement a reality. This agreement would establish a free trade bloc that would extend from Vietnam to Chile and Japan and encompass 800 million people and nearly 40.0% of the global economy. The WTO pact is highly positive for Brazil, as it facilitates the access of its products to markets throughout the world, said Brazil's president, Dilma Rousseff.

EU fines banks for manipulating rates. The competent authorities of the European Union (EU) imposed a record fine of EUR 1.7 billion on six banks, among them Deutsche Bank, the Royal Bank of Scotland, and Citigroup, for manipulating interbank reference rates. The other firms that were fined are JP Morgan, Société Générale, and the broker RP Martin, said Reuters. The fines imposed by the European Commission, which along with authorities in the rest of the world, has been investigating the manipulation of the London Interbank Offered Rate (Libor) and its European equivalent Euribor, take the total amount of fines resulting from the scandal to US\$6 billion.

Italian economy stagnated in third quarter: Italy's economy stagnated in the third quarter, marking the end of two years of contraction, informed the country's national statistics office (ISTAT), following a revision of a preliminary estimate that now shows that GDP posted no changes between July and September, whereas the original information indicated a contraction of 0.1%. An ISTAT spokesperson said that, "from the technical point of view, these data are not sufficient to say that the recession has ended." GDP fell by 1.8% year-on-year, revised upward from a preliminary estimate of a contraction of 1.9%.

Spain: a November with a drop in unemployment for the first time. In Spain, the number of people without a job fell, albeit only slightly, last month for the first time in the month of November, according to data published yesterday by the Labor Ministry, which the Mariano Rajoy administration has interpreted as being fresh signs of improvement. The number of persons unemployed fell last month by 2,475, the first time there has been a drop in the month of November since 1996, when this historical series was started. The total figure of unemployed persons currently registered with the public employment services comes to 4,808,908.



Paraguay signs protocol on Venezuela joining MERCOSUR. After the president of Paraguay, Horacio Cartes, signed the protocol for Venezuela to join MERCOSUR, the Paraguayan Senate ratified his decision and sent it to the Chamber of Deputies, where the present administration has a comfortable majority, for its ratification. Besides ratifying Venezuela's joining MERCOSUR, Paraguay is seeking to have the decision taken in its absence annulled, said Paraguay's foreign affairs minister, Eladio Loizaga.

Protests spread throughout Argentina. At least seven provinces in Argentina are scenarios of protests by groups of policemen demanding wage increases, which triggered looting of stores in some places. For nearly a week now, following a wave of attacks on businesses in the city of Córdoba that occurred at the same time as a policemen's strike for higher wages, similar protests have been occurring in other districts, causing four deaths and dozens of wounded.

Grateful for the support: Vice Foreign Affairs Minister Eduardo Zuaín met with the chargé d'affaires of the US Embassy in Buenos Aires, Kevin Sullivan, whom he thanked for the support the United States gave Argentina in the matter of the so-called "vulture funds." In a document, US Solicitor General Donald Verrilli maintained that this principle effectively protects Argentina from the decision that would force Bank of America Corp and Banco de la Nación Argentina to hand over information on Argentinean assets abroad.

Argentina imposes a more expensive dollar for travelers going abroad. Argentineans who want to buy dollars to travel abroad will have to pay a higher rate than the official exchange rate and a 35.0% tax on their credit card purchases, announced the government this Tuesday, in yet another attempt to stem the draining of the Central Bank's reserves. The Cristina Fernández de Kirchner administration raised the tax on purchases made outside Argentina from 20.0% to 35.0%, which can be offset against the annual profit tax.

Political Tips

CNE: Participation was 58.92%. The president of the National Electoral Council (CNE), Tibisay Lucena, announced that participation in the elections held on Sunday, December 8, was 58.9%. The results were based on counts received from 97.5% of the polling booths. Lucena gave the figures for the country's 20 capital cities and the



Caracas Metropolitan Mayoralty and the nationwide results by political party. The PSUV won 13 capital cities and obtained 4,584,477 (44.2%) of the votes nationwide, and the Democratic Unity Alliance (MUD) won seven mayoralties plus the Caracas Metropolitan Mayoralty and obtained 4,252,082 (41.0%) of the votes cast.

Maduro proclaimed a government victory in three out of four municipalities. President Nicolás Maduro claimed that the government had obtained another victory at the municipal elections since its candidates won the majority of the country's municipalities and obtained more votes nationwide than the opposition's candidates. *"For every three mayoralties that the revolution won, the opposition got one,"* he said. In an event held in Plaza Bolívar in Caracas, the president added that the government's triumph is yet further proof of the love Venezuelans have for the deceased president.

But the opposition won some major municipalities. The results of the December 8 elections have allowed the Democratic Alliance to win power bases in several of the country's states. It went from dominating 55 municipalities to controlling a total of 73, including important cities such as Valencia and Barquisimeto. As for the capitals of the federal entities, the government won 15 and the opposition won eight. So, the Democratic Alliance recovered four (Barquisimeto, Valencia, Maturín, and Barinas) and lost only two (Ciudad Bolívar and San Carlos).

Capriles: This country doesn't have an owner. The responsibility of giving the Simón Bolívar Campaign Team's interpretation of the results fell to Henrique Capriles, who headed up the campaign. Instead of a detailed analysis, he called on people to realize that the country is divided: *"I think it has been made clear that this country doesn't have an owner."* Capriles considered that Maduro's threatening discourse ignores the truth of what happened on Sunday, when only 58.0% of the population voted. *"A lot of people didn't vote. That has to be analyzed. That's a challenge for us and it should be for the government, who conducted a campaign of abuses,"* he said.

Opposition has grown since 2006. The gap between *Chavismo* and the opposition has been closing steadily over the past seven years. Whereas the difference between the two sides at the 2006 presidential elections was 26.3 pp (3,016,614 votes), at the elections held on April 14 this year it was only 1.6 points (223,599 votes). The evolution of the results indicates that, even in the opposition's worst scenario, the gap between the number of votes it obtained nationwide and the votes for *Chavismo* has continued to shrink.

Maduro proposes meeting with all the new mayors. The President of the Republic, Nicolás Maduro, announced that he will call on *"all mayors elected next*



Sunday to a meeting on Tuesday the 10th, without exception.” He explained that the candidates to mayor that the CNE says that the people chose, elected them as mayors, “regardless of who they are, will be here at Miraflores on Tuesday the 10th at a meeting with the Head of State. I’m also going to call on all the country’s governors so that we make a single unitary plan, so that we unite efforts.”

Aveledo: The Unity Alliance will exist until its task is done. Ramón Guillermo Aveledo, the executive secretary of the Democratic Unity Alliance, ratified that, no matter the outcome of Sunday’s elections, the Alliance will continue until its goal has been attained. *“The Unity Alliance is the project for building a peaceful, democratic, constitutional, and electoral project,”* he said at a press conference in the late afternoon, from the National Simón Bolívar Campaign Team headquarters. In response to a question, he said that the Democratic Unity Alliance always makes adjustments and that it would make those that are necessary, *“but the Unity Alliance will always be at Venezuela’s service until its task is done.”*

Opposition admits that abstention affected its results. After learning of the election results, there are disappointments on both sides. The Democratic Unity Alliance increased its number of municipalities, but the thesis of a plebiscite proposed by Miranda Governor Henrique Capriles was defeated, because the reds obtained 5,111,336 votes versus 4,435,097 for the Unity Alliance. After hearing the results, Capriles stressed that “no one can feel they have won” because the electoral scene continues to be two-colored and participation in the elections was only 58.0%.

The opposition will have 47 municipal councilors out of 64 in Caracas. In the Caracas Metropolitan Area’s five municipalities, the opposition will have 47 seats on the municipal councils out of a total of 64, 13 more than it has had since 2004. While the number of votes the opposition obtained on Sunday was similar to that obtained at the last regional elections (2008), it should be remembered that the outgoing councilors had been in office since 2005, because the elections for renewing the municipal councils had been postponed repeatedly.

Designated, not elected: President Nicolás Maduro appointed former candidate to mayor for the Caracas Metropolitan Area, Ernesto Villegas, as the new Minister for the Transformation of Caracas and Chief of the Presidential Office for Special Projects (Opppe). The President made the announcement from Los Teques, Miranda state, during a visit he paid there accompanied by the recently elected mayor of Guaicaipuro Municipality, Francisco Garcés and Foreign Minister Elías Jaua.

Maduro wants to lay down socialist guidelines. At an event at Miraflores, the president of the National Assembly, Diosdado Cabello, delivered the Economic and Social Development Plan of the Nation 2013-2019 to President Nicolás Maduro. The



plan, which was created by Hugo Chávez, was approved last Tuesday by the government benches in the National Assembly. *“This Plan de la Patria is the meeting point of all the paths, struggles, ideas, aspirations of the people. Not in the phase of resistance, today I receive it in the phase of the offensive to make it a reality and consolidate the paths that Chávez left us,”* said the Head of State during his speech, in which he claimed that the deceased president never improvised.

Legislative Tips

Firing freeze is to continue for another year. *Gaceta Oficial* No. 40,310 establishes that a new firing freeze decree will go into effect in January 2014 for a period of one year. This decree establishes job stability for all workers regardless of their wage level, with the exception of workers in management positions and seasonal workers.

New amendment: *Gaceta Oficial* No. 40,311 establishes that the partial amendment to the Law on the Financial Administration of the Public Sector has already gone into effect. The amendment modified Article 178 of the current law, adding the following: *“from the period corresponding to fiscal years 2017 through 2019, inclusive, the budget’s multi-year framework shall be formulated and sanctioned in accordance with the provisions of Title II hereof.”*

2014 Budget Bill approved. After having approved the 2014 Budget Bill in early November, the National Assembly’s Board of Officers conducted a session at the Federal Legislative Palace in Caracas, where they held the second debate of the bill, and approved it. This law will come into force on 2014.

Fishing and marketing of sardines regulated: *Gaceta Oficial* No. 40,308 establishes the regulation of sardine fishing and related activities in Venezuela. Among other things, the new regulations establish that anyone engaging in sardine fishing must have a government permit, that exploiting this resource is reserved to artisanal fishing and that it will be allowed in the country’s coastal and insular areas, and that the months of January, February, and March will be closed season for fishing sardines.

Investigation into foreign currency disbursements between 2011 and 2013: *Gaceta Oficial* No. 40,307 establishes the creation of the Presidential Commission for



Verification of Approval for Granting Foreign Currency by the State from 2011 to 2013. The commission's task will be to investigate foreign currency granted to state-owned and private companies by the government between 2011 and 2013 to determine whether the foreign currency so granted was strictly appropriate and also met with the purposes of the State, and to take the necessary action in both the public and private sector.

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ECONOMIC OVERVIEW

