

## The economy after December 6

The results of the December 6 parliamentary elections were as surprising as they were conclusive, giving the opposition a clear two-thirds majority, which, as we explained in one of our earlier reports ([Dec. 6th: during a transition you can't be celebrating victories](#)), gives it room for making decisions that may have an impact on the country's economy.

Winds of change are blowing and, in this report, we want to propose post-election scenarios and highlight, both for the government and the opposition, the impacts they might have. We also offer an analysis of the economic measures that are being proposed within the Executive for implementation before the end of the year.

### An unthinkable outcome

According to the official results issued by the National Electoral Council (CNE), the Democratic Unity Alliance obtained a total of 7,707,422 votes nationwide (56.2%), which gives it 112 deputies in the National Assembly. As for the United Socialist Party of Venezuela (PSUV), it obtained a total of 5,599,025 votes nationwide (40.8%), giving it 55 deputies. This is a resounding victory for the Venezuelan opposition, which managed to beat the government coalition option by a margin of 2,108,397 votes and obtain a two-thirds majority.

	<b>MUD</b>	<b>%</b>	<b>PSUV</b>	<b>%</b>	<b>Total</b>
<b>Nº votes</b>	7,707,422	56.2%	5,599,025	40.8%	13,306,447
<b>Nº deputies</b>	112	67.1%	55	32.9%	167

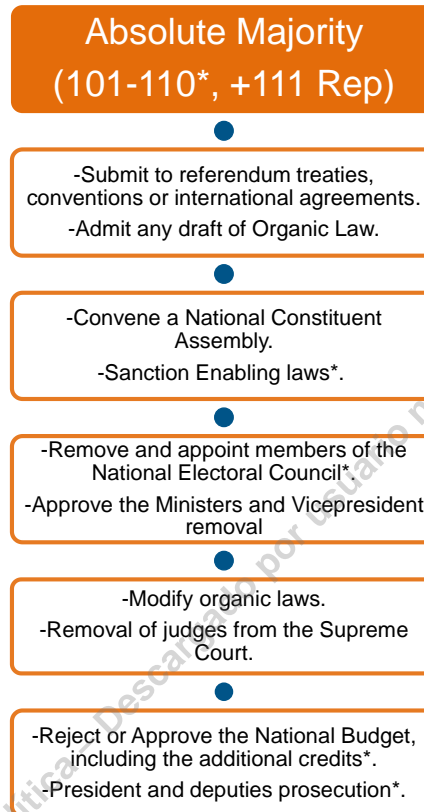
Source: CNE and Ecoanalítica

These results indicate that the opposition, now that it has obtained a two-thirds majority, will have powers that will allow it a wide range of action in the Venezuelan political scene. It also reflects the high level of polarization in the country. Given this situation, there was no place for the independent candidates; however, the null votes were high compared to previous elections.

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\*101 deputies attributions  
 Source: Ecoanalítica

The actual outcome of the December 6 elections was presented as a scenario that, while it was true that there was some probability of this occurring, it was very slight. As a result, both the government side and the opposition are in a situation they were not expecting and this could mean that the decisions that are to be taken will be different to the ones proposed before the results were known.

### A weakened *Chavismo*

Given elections during which *Chavismo* conducted its campaign taking tremendously unfair advantage of its position as the governing party, the impact of within the *Chavismo*, which we can divide in:

- Whereas, in our analysis of the economic situation prior to the elections, we talked about the fact that the government had largely lost its political capital in 2015 as a consequence of an economic model that had collapsed, the actual

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results point to a bigger loss than expected. Today, *Chavismo* has lost one of the branches of government that allowed it to legislate freely. And without political power, decision-making becomes a complex process.

- The economic crisis played a fundamental role in this being such a resounding defeat, which shows that the shortages, inflation, and the huge loss of purchasing power weight heavily among voters who, considering that the government is to blame for this situation, voted against it.
- The government is now faced with the need to take economic measures to avoid an even bigger loss of political capital. If the crisis was a fundamental factor for voters, not solving it will mean less support for a government coalition that is already in a very weak position.

### The government with the measures on the table

At **Ecoanalítica** we have managed to obtain information that indicates that the government is proposing different economic measures for dealing with the crisis that caused its defeat at the polls.

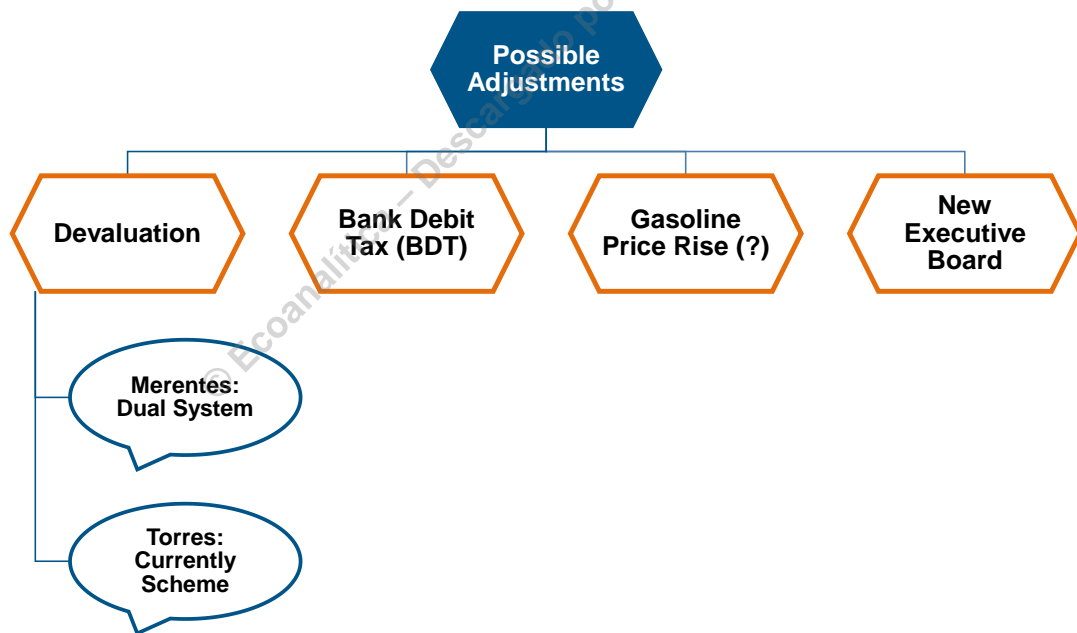
First of all, on the exchange rate issue, there are two tendencies. The one presented by Nelson Merentes, the president of the Central Bank of Venezuela, proposes a devaluation of the official CENCOEX exchange rate, which would go from VEF 6.3/US\$ to VEF 25.0/US\$, elimination of SICAD I, and maintaining the official SIMADI exchange rate, which is fluctuating at around VEF 200.0/US\$. In addition, efforts would be made to achieve unification of the exchange rates at the start of 2017.

Then there is Minister Marco Torres' proposal, where the idea is to maintain the multiple exchange rate schemes that currently exist in the Venezuelan foreign exchange regime, but with a bigger devaluation in each of the exchange rates. Whichever of these proposals is adopted would mean devaluing as a mechanism of adjustment and also disbursement of more foreign currency at the higher exchange rates.

Secondly, a tax reform is being proposed for the purpose of increasing tax receipts and, therefore, fiscal revenues. It is likely that a bank debit tax (BDT), with which we are already familiar in Venezuela, will make a comeback. This time, the tax would be levied on all types of financial operations at a rate of 0.5%. This tax would bring in the equivalent of 1.3 points of GDP.

A third point, but less likely than the first two, is that the issue of raising the price of gasoline is being considered once again. Last year we saw how a lot of money was spent on convincing people of the need for the adjustment, but it never happened. This time, the fear on the government side is that putting up gasoline prices could generate a loss of it's already much shrunken political capital.

Last of all, the scenario has opened up for a reorganization of the Executive. Here the expectation is that the country's principal ministers and the Vice President of the Republic will be changed. It is worth noting that it is highly likely that *Chavismo's* hard-line deputies elect, such as Diosdado Cabello, Cilia Flores, and Elías Jaua, to name just three, will resign their seats as deputies in order to be appointed to posts within the government by the President of the Republic. If that happens, the alternate members will take their seats in the National Assembly.



Source: Ecoanalítica

### Huge challenges for the opposition

The big winner of the December 6 elections was, undoubtedly, the opposition, which will have power in its hands for the first time in 17 years. Quite apart from the powers that the opposition benches obtain with their two-thirds majority, at **Ecoanalítica** we

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are of the opinion that the big task that the deputies who have been elected have before them is that of legislating and fulfilling their role as a check and balance to the Executive Branch.

An opposition National Assembly should focus its efforts on three fundamental areas: the first is the summoning of ministers for questioning and rendering of accounts, with emphasis on the economic measures that have been taken and the actions that are to be taken to reverse the crisis situation. The second is that greater control should be exercised over the performance of the budget; at the moment, there is no control of spending and it is far from transparent. And the third is demanding that official statistics be transparent and be published in a timely manner and that the Access to Information Act be complied with, both of which are necessary in order to be able to evaluate public policies.

In a polarized environment where there are scant possibilities of negotiation, we consider that the strategy that should be adopted in order to bring about change is that of an amendment to the Constitution. A recall referendum would mean that the opposition would have to obtain at least the same number of votes obtained by President Maduro in the 2013 presidential elections, whereas with an amendment it would be possible to achieve the same objectives but with an electoral victory of an absolute majority (50+1).

Another way of reading the results is in the context of the parties that are members of the Democratic Unity Alliance, where one group maintains that voting is the only way to get out of this situation and move ahead and another does not believe in that method. With this victory, it has been demonstrated that the vote is a powerful tool and the group that does not believe in the vote will have to decide whether it will continue to support that school of thought or whether it will accept the reality of the situation. The key issue here is: wait until the 2018 election or shape change.

### Uncertainty for the private sector

We want to impress on our clients that 2016 is going to be a crucial year and that uncertainty will be the reigning factor. For that reason, keeping themselves up to date with what is happening and obtaining advice is vital. Resistance is the measure that should be adopted, as a new assembly does not guarantee a better year in 2016, but it does increase the likelihood of the transition occurring more rapidly, either because *Chavismo* decides to include more profound changes in its model or, on the contrary, other actors, with a different model, come into play. Given these

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results, it is also worth noting the increase in legal certainty that this implies for the private sector, an indispensable factor for investment.

The much awaited December 6 has passed and the results were conclusive, but the fact of the matter is that *Chavismo's* economic model has collapsed and we find ourselves faced with a structural fracture that demands that the present administration do a complete about-face in its economic policy, otherwise the result will be that it will be replaced as a political model.

**Carlos Miguel Álvarez**

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## WEEKLY INDICATORS

Weekly Economic Indicators			
	4th Week November	Weekly var. (pp)	Annual var. (pp)
Lending Interest Rate (%)	21.9	1.0	1.2
	1st Week December	Weekly var. (pp)	Annual var. (pp)
Overnight Interest Rate (%)	0.9	-1.1	0.8
	1st Week December	Weekly var. (%)	Annual var. (%)
International Reserves (Bn US\$)	14.60	-1.6	-30.7
	1st Week December	Weekly var. (%)	Annual var. (%)*
Central Government Spending (VEF Bn)	69.2	-37.9	83.7
	4th Week November	Weekly var. (%)	Annual var. (%)
Monetary Liquidity (VEF Bn)	3,716	3.1	97.8
Price of International Oil Baskets (US\$/bl)			
	1st Week December	Weekly var. (%)	Annual var. (%)
WTI	41.3	-3.0	-36.8
Brent	44.1	-3.1	-37.6
Price of the Venezuelan oil basket (US\$/bl)			
	1st Week December	Weekly var. (%)	Annual var. (%)
Weekly Average	34.1	-2.5	-45.0
Annual Average	45.9	-0.5	-49.7

Source: BCV, MENPET, ONT and Ecoanalítica

\* Annual variation of accumulated expenditure.

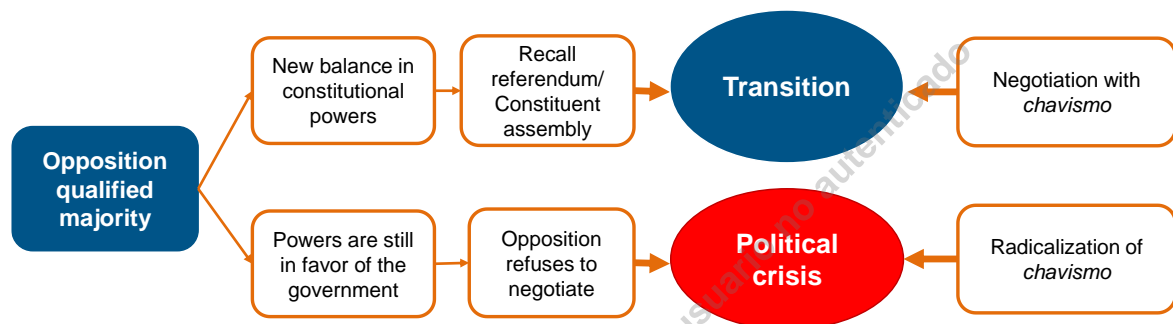
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## CHART OF THE WEEK: “THE 2016’s POLITICAL DILEMMA?”

### The 2016’s Political Dilemma



After the expectations generated with regard to the December 6 parliamentary elections, we have a situation where the opposition beat the government coalition by a wide margin, obtaining 112 deputies (a two-thirds majority) who have been elected to legislate in the next National Assembly, which will enter into session on January 5, 2016.

The victory that has given the opposition a two-thirds majority opens the possibility of a variety of options for bringing about change and, at the same time, could divide the opposition with regard to which position to take. The more radical elements will seek the President’s early departure by calling a recall referendum, whereas the moderates will try to achieve a balance in the branches of government by appointing members of the opposition to posts in the different public institutions (Supreme Tribunal of Justice, National Electoral Council, Public Prosecutor’s Office, and so on). On the other hand there is a less likely scenario where the government retains control of the branches of government and the opposition refuses to negotiate, generating a clash of powers, which will only lead to a governance crisis in the country.

Now then, with this unexpected result of an overwhelming victory, the scenario looks favorable for the Venezuelan opposition. However, that is not the end of the game, much less so with an administration that continues to exercise control over the other four branches of government, which means that the opposition must maintain a strategy that will make it possible to slowly bring about an effective change that is favorable for the country and not a strategy that, on the contrary, will polarize decision-making still further.

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## ECONOMIC TIPS

**That's someone else's responsibility.** According to the chief of economic research for Latin America at Barclays Capital, Alejandro Grisanti, the National Assembly should not make fixing the distortions in the economy their main objective, since that task falls to the Executive Branch. He also said that the National Assembly should take care of restoring the proper functioning of the country's institutions and promote the reforming of the social policies that are already in place.

**Now they have to deal with the country.** After the parliamentary elections, Francisco Rodríguez, the chief economist for Latin America at Bank of America (BofA), pointed to the need for a macroeconomic stabilization program that includes the adjustment of fuel prices that has been put off so far. He also explained that implementing a macroeconomic stabilization program and adopting a mechanism for indexing wages form part of his proposals for solving Venezuela's economic situation.

**We demand publication of the figures.** This Tuesday, the economist and deputy elect to the new National Assembly José Guerra demanded that the authorities at the Central Bank of Venezuela, the National Statistics Institute (INE), Petróleos de Venezuela, S.A. (PDVSA), and the Ministry of Finance hand over information and figures *"that they've been hiding for a year."* *"The country cannot support your having hidden the figures and statistics for an entire year (...)"*, said Guerra.

**Things will continue to be difficult in 2016.** After revising downward our oil price projections, the foreign currency deficit in 2016 will be US\$17.43 billion, according to our calculations; and we estimate that in 2015 it will come to US\$21.57 billion, calculated based on an average oil barrel price of US\$45.4.

## OIL TIPS

**The crude plummets.** The prices of WTI and Brent plummeted last week as a result of the OPEC's decisions. WTI fell by 5.8% on Friday to close at US\$37.7/bl., its lowest price this year and a level not seen in nearly seven years. As for futures prices, the European oil barrel was below the US\$42.0 barrier and closed the week at US\$40.7, down 5.3% from the close of the previous session.

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**The supply of fuel is guaranteed.** Last Sunday, PDVSA announced in a communiqué that all the industry's activities were being carried out as normal while users exercised their right to vote at the 2015 parliamentary elections and stressed that both the supply of fuel throughout the country and the operation of the production and refining centers were guaranteed.

**It's back on the agenda.** The economist Francisco Rodríguez pointed out that it was necessary to have a macroeconomic stabilization program that includes adjusting the price of fuel, something that has been put off so far. One way of increasing the cost of fuel, explained Rodríguez, would be to implement a program of subsidies where Venezuelans would obtain discounts on essential goods and the total amount would be financed by revenues obtained from a tax on gasoline.

**A warning from Del Pino.** Before the Organization of Petroleum Exporting Countries (OPEC) meeting, Minister of Oil and Mining Eulogio Del Pino reiterated the need to cut production and ratified that, if this was not done, a catastrophe could occur with oil prices. He considered that at least 1.5 million barrels of crude a day (1.5 mb/d) should be withdrawn from the market, taking into account that the price of oil has fallen by US\$20.0 since June 2014. *"If we continue with the same strategy, the price is going to fall a further US\$20 after the meeting,"* he said.

**OPEC in the crosshairs.** On December 4, the eyes of the economic world were on Vienna during the 168<sup>th</sup> Conference of the OPEC, at which Minister of Oil and Mining and President of PDVSA Eulogio Del Pino urged member countries to work to stabilize oil prices.

**Falling on stony ground.** Venezuela's proposals at the OPEC Conference fell on stony ground after the cartel decided to maintain its strategy of producing oil at almost record levels. The Conference's final declaration did not mention a new production ceiling, which could allow member countries to continue producing oil at the present levels in a market that already has surplus supply.

**Iran is being awkward.** The OPEC meeting ended in acrimony after Iran said that it would not consider reducing its pumping until it recovers following years of sanctions by the West. The meeting was marked by the challenge of reaching an agreement, bearing in mind that Iran will be returning to the market. *"We cannot put a number now because Iran is coming, we don't know when Iran will come, and we will have to accommodate Iran one way or the other,"* said OPEC Secretary General Abdullah al-Badri.

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**“The business with OPEC is incomprehensible.”** This was the opinion of President Rafael Correa of Ecuador, who also said that the lack of agreement within OPEC was due to geopolitical reasons. That lack of agreement “*can only be understood from a geopolitical viewpoint (...) to harm Iran, to harm Russia, to harm Venezuela, probably Ecuador, and benefit the United States (US), which is in a pre-election year,*” commented Correa, claiming that “*there is no other logical explanation for this.*”

**The logical thing is to cut production.** President Correa also said that “*The logical thing is to reduce supply,*” and for that reason OPEC’s decision cannot “*be understood from a technical point of view.*” He recalled that Ecuador proposed in Vienna that the cartel cut their quota by 2.0%, which would have encouraged a price recovery. He said that, at the moment, Ecuadorian oil is selling at US\$34.0/US\$, below the minimum price of US\$39.0/bl. that is required for there to be a true contribution to the government’s budget.

## BUSINESS SECTOR TIPS

**There’s still work to be done.** After the parliamentary elections Fedecámaras stated that a change in direction is urgently needed, something that, they acknowledge, is not easy but is possible. “*The new National Assembly must take measures soon that will make it possible to establish a change in the political, economic and social system. The country decided in favor of more enterprise, more work, and more productivity,*” said the president of Fedecámaras, Francisco Martínez.

**They arrived too late for the party.** According to information from Bolipuertos, a total of 30 containers with boneless legs of pork and another 833 containers with basic basket products have been unloaded at Puerto Cabello. The containers, which came from Brazil, held 540 tons of boneless legs of pork, 3,240 tons of beef, 792 tons of margarine, 3,600 tons of chicken, 11,700 tons of powdered milk, and 1,512 tons of black beans. This shipment was consigned to Corporación de Abastecimientos y Servicios Agrícolas (CASA).

**Regulating Christmas.** The National Federation of Flour Workers (Fetraharina) maintains that the retail price for *pan de jamón* should be VEF 1,500 per loaf. “*From the 50 to 60 loaves a day that were made last year, bakeries are now producing 15*

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and they don't sell them all because people can't pay between VEF 1,800 and VEF 3,000," said Juan Crespo, the president of Fetraharina.

**Cutting back purchases.** Guyana's Prime Minister Moses Nagamootoo said that the Guyanese Government expects to finalize an agreement in the next few weeks so that Mexico can replace Venezuela as the main buyer of Guyana's rice. Apart from that, Venezuela has been cutting back its purchases of rice from Guyana, a situation that has coincided with the stepping up of the border dispute over the Essequibo region.

**Reaffirming its willingness to work for Venezuela.** The Venezuelan Franchise Chamber (Profranquicias) wishes to announce to the general public in Venezuela its continuing willingness to take profound and innovative steps in the construction of a new country. *"It is the responsibility of private enterprise, accompanied by the community and with the support of the State, to generate the wealth that is needed to promote the country's moral and material progress,"* stated the Chamber.

## WORLD ECONOMY TIPS

**Everything is nearly ready.** In November the US labor market posted 211,000 new jobs, sufficient growth in employment to do away with the last major obstacle to the US Federal Reserve (FED) raising interest rates this month for the first time in nine and a half years. Moreover, in November the unemployment rate was 5.0%, the lowest level since April 2008.

**Nothing will make them change their mind.** The November job creation figure would have to be very negative for the FED to change its decision regarding whether or not to raise interest rates this month. US FED Chairwoman Janet Yellen said that even if the payroll were to increase by only 100,000 jobs in November, that figure would be sufficient to adjust interest rates.

**With a trade surplus.** China's trade remained weak in November, when exports fell by 6.8% compared to November 2014. This is the fifth month running that exports have contracted. As for imports, in November they fell for the 13<sup>th</sup> month in a row, dropping by 8.7%. These results gave a trade surplus of US\$54.1 billion, down US\$7.54 billion from the surplus posted in October (US\$61.64 billion).

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**At minimal levels.** The Purchasing Managers' Index (PMI) for China's services sector compiled by Caixin/Markit fell to 51.2 points in November from its three-month high of 52.0 posted in October. A figure of more than 50 points indicates growth in activity compared to the previous month, whereas a figure below 50 points suggests a contraction. This contraction in November was due to a slowdown in new orders.

**Not such positive figures.** Meanwhile, the index compiled by Caixin/Markit that reflects the behavior of new business in China fell to 51.1 points, compared to 52.9 points in October, revealing weaker domestic and external demand, whereas employment in China's services sector grew marginally, posting its lowest growth in three months.

**They're taking measures.** The ECB reduced the interest rate on its deposit facility to stimulate the credit business and boost inflation and announced the extension of its bond purchasing program. The bank's president, Mario Draghi, said that the bond purchasing program would include not only regional and municipal debt but also reinvestment of principal payments on the securities purchased under this program.

**To improve the environment.** In Draghi's opinion, these adjustments are going to help improve the environment in the European Union. "*This will contribute both to favorable liquidity conditions and to an appropriate monetary policy stance,*" he said. However, the president of the ECB did not specify the additional volume that this measure would contribute to the monthly purchases, which are currently at some EUR 60.0 billion a month.

**Revising its projections.** Goldman Sachs, one of the most pessimistic banks with regard to the outlook for the euro, revised its forecasts for this currency downward, saying that it no longer expects it to fall below parity with the dollar next year. The investment bank revised its projections due to the fact that the stimulus package announced last week by the European Central Bank (ECB) to fight deflation was not as energetic as expected.

**It all depends on what you compare them with.** The European Union's statistics office, Eurostat, reported that retail sales in the 19 countries that share the euro fell by 0.1% in October, but had posted a cumulative increase of 2.5% over the past 12 months. This monthly drop, for the second month running, was due to a reduction in spending on food, beverages, and fuel.

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## POLITICAL TIPS

**A resounding historic victory.** At a press conference, the Democratic Unity Alliance stated that the Venezuelan opposition had obtained 112 deputies, which guarantees it a two-thirds majority in the National Assembly.

**Who won and where?** Here is a table with the complete list of the new deputies to the National Assembly and the parties they represent:

State	MUD	PSUV
<b>Distrito Capital</b>	Jesus Antonio Abreu	Tania Díaz
	Maribel Barrios	
	Jorge Millán	
	Henry Ramos Allup	
	José Guerra	
	Richard Blanco	
	Stalin González	
<b>Amazonas</b>	Julio Haron Igarza	Miguel Tadeo
	Nirma Guarulla	
<b>Anzoátegui</b>	Antonio Barreto	Earle Herrera
	José Brito	
	Chaim José Bucarán	
	Richard Arteaga	
	Carlos Michelangeli	
	Armando Amas	
<b>Apure</b>	Luis Lippa	Cristóbal Jiménez
		Domingo Santana
<b>Aragua</b>	Ismael García	Ricardo Molina
	José Trujillo	
	Amelia Belisario	
	Melva Paredes	
	Karin Salanova	
	Simón Catzadilla	
	Mariela Magallanes	
Dinorah Figuera		
<b>Barinas</b>	Maribel Guedez	Ásdrubal Chávez
	Adolfo Superfano	
	Freddy Superfano	
	Andrés Camejo	
<b>Bolívar</b>	Olivia Lozano	Héctor Rodríguez
	Luis Silva	
	José Prat	
	Francisco Sucre	
	Freddy Valera	
	Amerigo De Grazia	
<b>Carabobo</b>	Yidío De Abreu	Saúl Ortega
	Williams Gil	Hector Agüero
	Carlos Berrizbeitia	
	Juan Matheus	
	Ángel Álvarez	
	Bozo Marco	
<b>Cojedes</b>	Dennis Fernández	Cilia Flores
		Jorge Pérez
<b>Delta Amacuro</b>	José España	Nosliw Rodríguez
		Carlos Gómez
<b>Falcón</b>	Gregorio Graterol	Victor Clark
	Luis Stefanelli	Jesús Montilla
	Eliezer Sirt	
	Juan Manauere	
<b>Guárico</b>	Carlos Prosperí	Juan Marín
		Cordero Lara
		Oscar Figuera
		Christopher Constant
		Eustoquio Contreras
<b>Lara</b>	Maria Pérez	Julio Chávez
	Bolivia Suárez	Ramón Lobo
	Luis Florido	Germán Ferrer
	Alfonso Marquina	
<b>Mérida</b>	Teodoro Campos	
	Edgar Zambrano	
	Milagro Valero	Ramón Lobo
	Alexis Paparoni	
<b>Miranda</b>	Addy Valero	
	Williams Dávila	
	Carlos Paparoni	
	Julio Borges	Haiman El Troudi
	Luis Moreno	Nora Delgado
<b>Monagas</b>	Delsa Solorzano	Elias Jaua
	Freddy Guevara	Genkerve Tovar
	Miguel Pizarro	Elio Serrano
	Adriana D Elia	
	Rafael Guzman	
	Pierre Maroun	Hugo Carvajal
<b>Nueva Esparta</b>	María Hernández	Carlos Flores
	Juan Pablo García	
	Miguel Véliz	
<b>Portuguesa</b>	Tobias Bolívar	Dinorah Villasmil
	Luis Emilio Rondón	
	Orlando Ávila	
<b>Portuguesa</b>	Jony Rahal	
	Maria Martinez	Mariana Lerín
<b>Sucre</b>	Robert Alcalá	Luis Soteldo
	José Noriega	William Pérez
	Milagros Paz	Francisco Torrealba
		Rafael Calles
<b>Táchira</b>	Ezequiel Pérez	Gilberto Pinto
	Sonia Medina	Edwin Rojas
	Laidy Gomez	Rafael Rodríguez
	Gaby Arellano	José Sanguino
	Juan Requesens	
<b>Trujillo</b>	Sergio Vergara	
	Carlos González	Hugbel Roa
<b>Vargas</b>	Conrado Pérez	Yolmar Gudiño
		Loengri Matheus
<b>Yaracuy</b>	José Olivares	Ramón Vivas
	Milagros Eulate	
	Juan Guaido	
<b>Zulia</b>	Biagio Gianninoto	Yú Tannous
	Luis Parra	Carlos Gamarra
		Haydee Huerfano
	Enrique Márquez	Omar Prieto
<b>Voto Indígena</b>	Timoteo Zambrano	Sergio Fuenmayor
	Omar Barboza	
	Avilio Troconiz	
	Elimar Díaz	
	Nora Bracho	
	Elias Matta	
	Juan Pablo Guanipa	
	William Barrientos	
Hernán Aleman		
<b>Voto Indígena</b>	Juan Velazco	
	José Luis Pirela	
	Freddy Paz	
	Virgilio Ferrer	
<b>Voto Indígena</b>	Gladys Gualpo	
	Romel Guzmana	

Source: ONE and Ecoanalítica

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**The good things in life are worth waiting for.** Two days after the elections, the National Electoral Council finally confirmed Karin Salanova as the deputy elect for Circuit 3 in Aragua state, which confirms the Democratic Unity Alliance's two-thirds majority of 112 seats. According to unofficial sources, the result was very close, with the Democratic Alliance candidate winning by a margin of only 83 votes. Circuit 3 has always supported the government in the past and was a circuit where the government coalition won the last elections with backing of more than 62.0%.

**Changing the unimaginable.** The hard fought electoral circuits in these elections were those where the PSUV used to win by between 20 and 30 percentage points. The Democratic Unity Alliance managed to turn around 20 historically *Chavista* circuits. The tendency in the past was for PSUV to win by a margin of between 10 and 15 points in eight of them and by between 15 and 22.79 points in the remaining 12.

**The candidate to win by the biggest margin.** *Voluntad Popular* (VP) coordinator and deputy elect to the National Assembly Freddy Guevara obtained the win with the widest margin, in this case over PSUV candidate Georgette Topalian by 195,700 votes. Guevara ran for Circuit 2 in Miranda state and obtained 233,974 votes (84.8%), whereas *Chavismo's* candidate managed to get only 38,274 votes (13.8%).

**What no one thought they were going to admit.** President Nicolás Maduro recognized the results of the parliamentary elections, in which the opposition obtained the majority of seats in the National Assembly. *"We've heard the official bulletin. It's been a long, intense day. We've come here to recognize these adverse results and to say to Venezuela that democracy and the Constitution have won and that we accept the results,"* were the words of the President.

**Taking the defeat lying down.** In response to the defeat suffered by the Great Patriotic Pole (GPP) at the parliamentary elections, former candidate to the National Assembly Jacqueline Faría gave assurances that the members of the government coalition are going to overcome the difficulties because they are "a people that grows in adversity." *"President Nicolás Maduro is a democratic leader. Together with him we're going to consolidate the revolution and move ahead,"* stated Faría.

**A sweet escape.** President of the Republic, Nicolas Maduro, has demanded the resignation of his ministers to conduct a "restructuring" of his government after the historic and resounding victory of the opposition in the legislative elections of the 6th of December. *"I ask the Cabinet to resign to do a restructuring, renovation and profound change in the national government",* said Maduro.

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**From prison, but not absent.** Leopoldo López, the coordinator of VP, claimed that last Sunday Venezuelans wrote a new chapter in the country's history by subjecting the parliamentary votes to their will. *"Yesterday, a people aware of their full strength overwhelmingly expressed their desire for change! A people that voted and defended their votes to the end!"* published López in his Twitter account.

**International support.** The Democratic Party's pre-candidate to the US presidential elections Hillary Clinton said she was on the side of the Venezuelan people, referring to the parliamentary elections held on Sunday. "Taking a democratic step, the Venezuelan people voted for change. We are with the Venezuelan people," said Clinton, stressing the importance of the victory for Venezuelan democracy.

**How the observers responded.** The six former Latin American presidents who accompanied the elections at the invitation of the opposition congratulated Venezuelans for the way the elections were carried out, considering it *"an example for the rest of the world."* They were pleased that, despite the concerns they had owing to the observations made to the National Electoral Council by the Organization of American States (OAS), the obstacles were overcome and that *"the democratic vocation and desire for change"* had been demonstrated.

**Congratulations continue to come from abroad.** Luis Almagro, the secretary general of the OAS, congratulated Venezuela for exercising its right to vote with a turnout of more than 74.0%. "The politicians and political parties demonstrated a degree of maturity that will be necessary in order to move ahead in the coming months, based on the Constitution and respect for the institutions," said the secretary general.

## LEGISLATIVE TIPS

**The numbers in the National Assembly.** In the past five years, the deputies had to raise their hands to approve a law only 66 times, and on two of those occasions it was to grant the President special powers that render the parliament inoperative as long as they are in force. Moreover, of the 64 remaining laws, five were national budget laws and six indebtedness laws, which means that the National Assembly performed its legislative function on only 53 occasions.

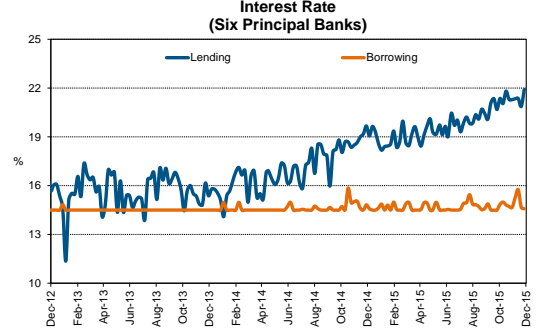
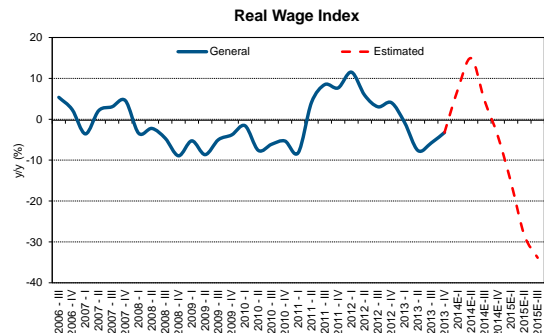
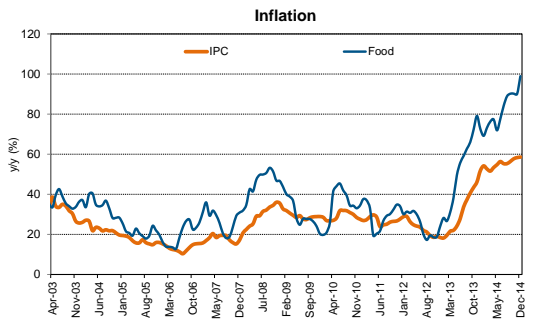
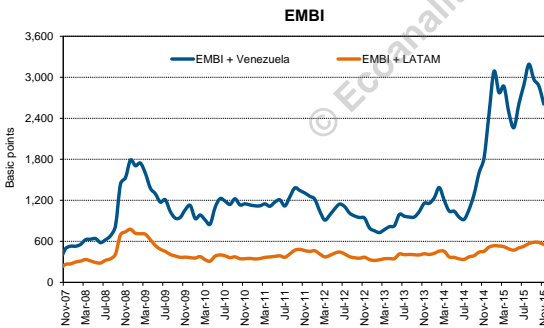
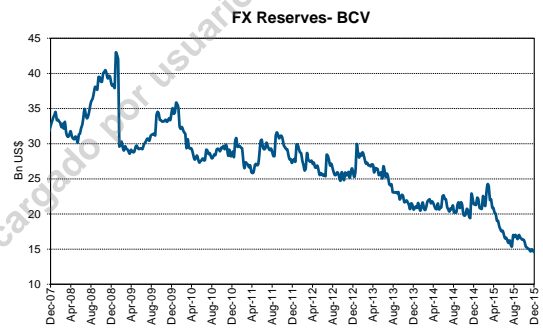
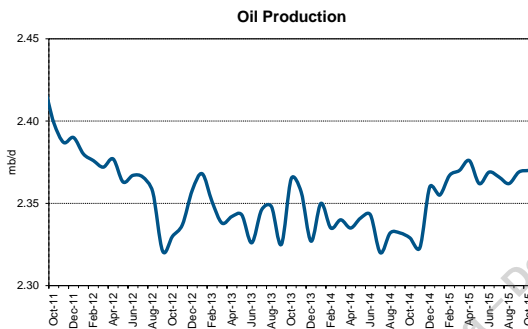
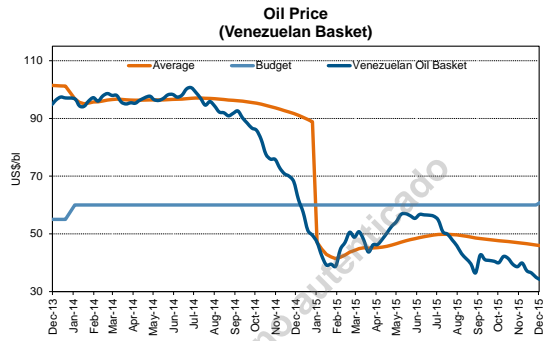
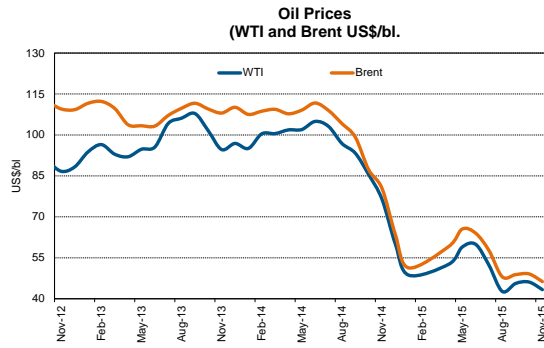
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**2013 was the most productive year.** The most productive year in this past five-year period was 2013, when 20 laws were passed, whereas 18 were passed in 2014 and 16 in 2011. The year in which there was least legislative activity was 2015, as, since last March when President Maduro was granted a Special Powers Act, only two laws have been passed, one of them the 2016 Budget Act. In 2013, the National Assembly's legislative activity was limited to passing only nine laws.

**Laws in the crosshairs.** A group of experts suggests that part of the solution to the crisis involves reformulating laws such as the Labor Law, the Central Bank of Venezuela Act, the Fair Prices Act and the Government Procurement Act. The economist Víctor Álvarez claimed that there are a group of 10 laws that need to be amended, such as the Central Bank of Venezuela Act, so that Fonden can be replaced with a Macroeconomic Stabilization Fund. In his opinion, the Capital Repatriation Act, and the National Training and Socialist Education Institute (INCES) Act should also be amended.

**Housing mission is being stepped up.** A decree was published in *Gaceta Oficial* No. 40,804 dated Tuesday, December 7, that establishes that government officials, workers and service providers of the Great Venezuela Housing Mission must work throughout December. The decree states that the purpose of the resolution is to guarantee the completion and handing over of the housing developments in the shortest time possible.

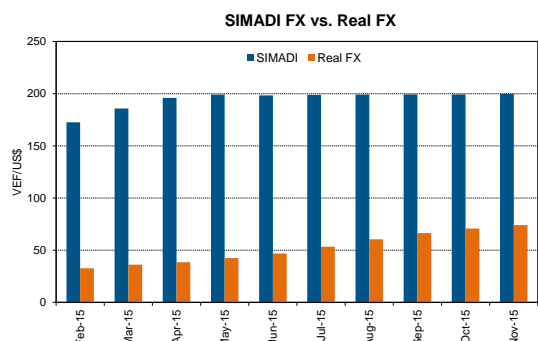
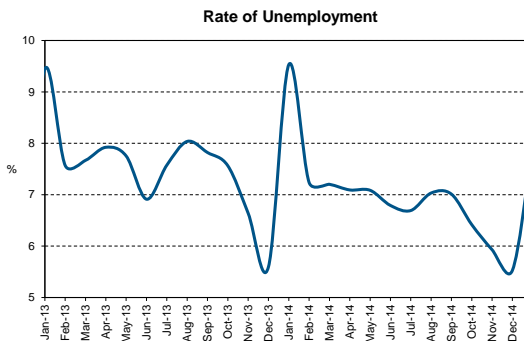
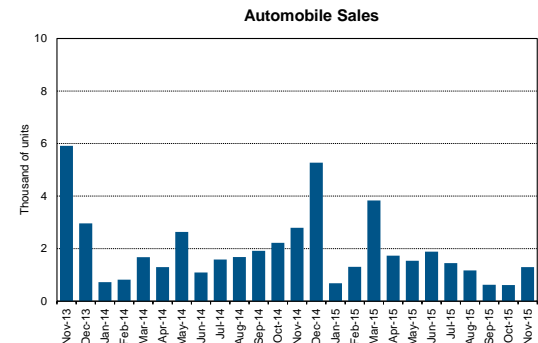
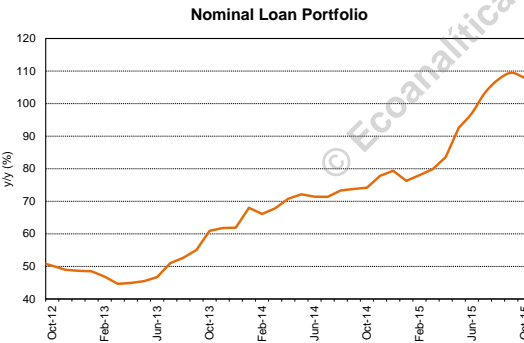
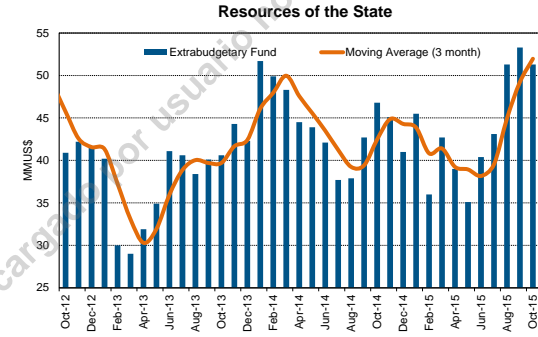
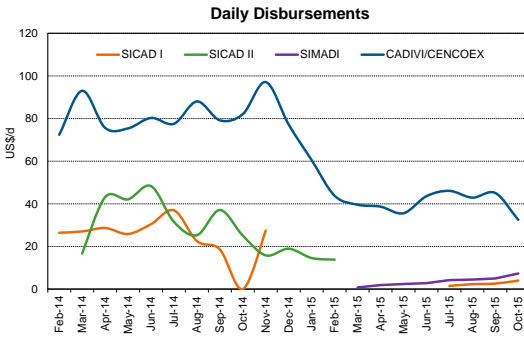
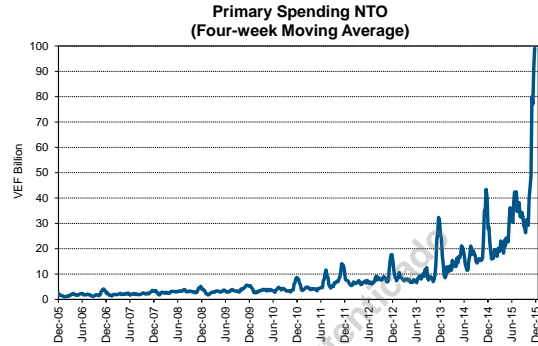
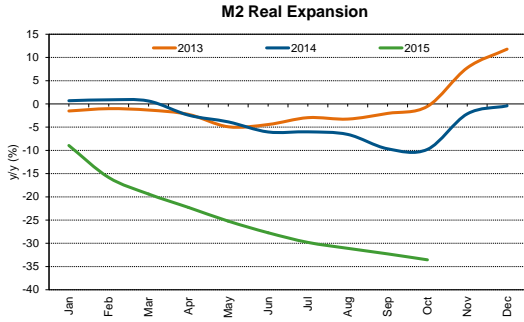
**ECONOMIC OVERVIEW**



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