



Weekly Report

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*Will the devaluation makes us
more competitive?*

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One of the reasons given by the Administration in order to justify the devaluation was that it would add incentives for private exports, since the fixed exchange rate that has been in place for the last few years has produced an ever increasing over-valuation of our local currency with respect to the currencies of our main trading partners. This has made our exports less and less competitive and imports cheaper and more abundant.

This Report will deal with the subject of how competitive Venezuela is after the devaluation. We will be using our Real Exchange Rate Index as our main indicator and we will analyze if in fact the devaluation is enough to re-ignite the export sector of our economy.

**First of all, what
is a Real
Exchange Rate?**

In past Reports, we have introduced our Real Exchange Rate Index. It's an indicator that measures how competitive our tradable goods are in relation to our main trade partners through the relative variation of the consumer price indexes and exchange rates of the countries being considered.



If for example, Venezuela has a monthly inflation rate that is two percentage points over its trade partners, then our exchange rate should be devalued by 2% over the average (weighted) depreciation rate of our trade partners in order to maintain our competitiveness constant.

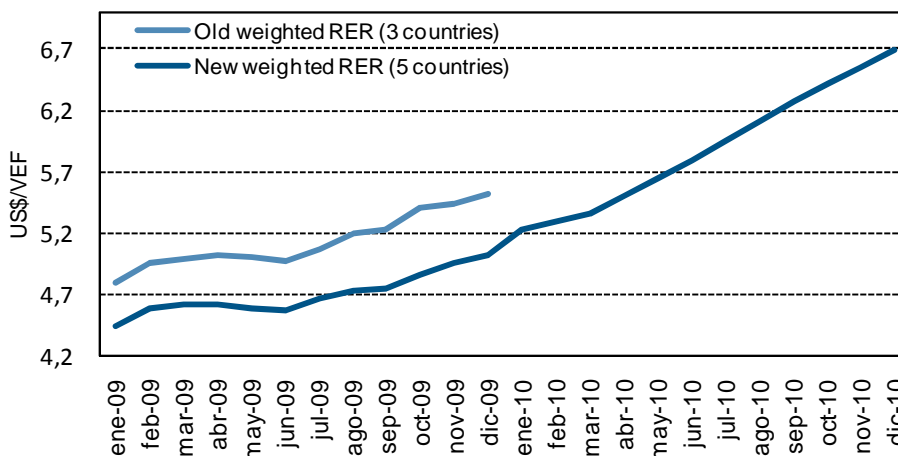
Our Real Exchange Rate (RER) Index uses the period between, 1990-1993, as its base period, given that at the time there was a free floating exchange rate in place and relatively few price distortions in evidence, contrary to what we have today. This is how we determine the value that our currency should have in relation to the US-dollar in order to remain in competitive balance with the rest of the countries included in the index.

There used to be 3 now there are 5

At *Ecoanalítica*, we have improved our Real Exchange Rate indicator in order to provide our clients with a more accurate tool. It used to only include Venezuela's three main trading partners (United States, Colombia, and Brazil). However, in recent years, foreign trade with China has acquired greater importance, putting it in third place ahead of Brazil, which slips to fourth place.

Therefore, we decided to update our RER Index indicator include Venezuela's five main trading partners: United States, Colombia, China, Brazil, and Mexico (in order of importance). The following graph shows the comparison between the old and the new updated RER, it is clear that the trend is the same: as Venezuela keeps a fixed exchange rate, it has a continuous loss of competitiveness, due to having the higher inflation rate between its commercial partners.

Comparison between the RER with 3 vs 5 countries



Source: BCV, Bloomberg y Ecoanalítica

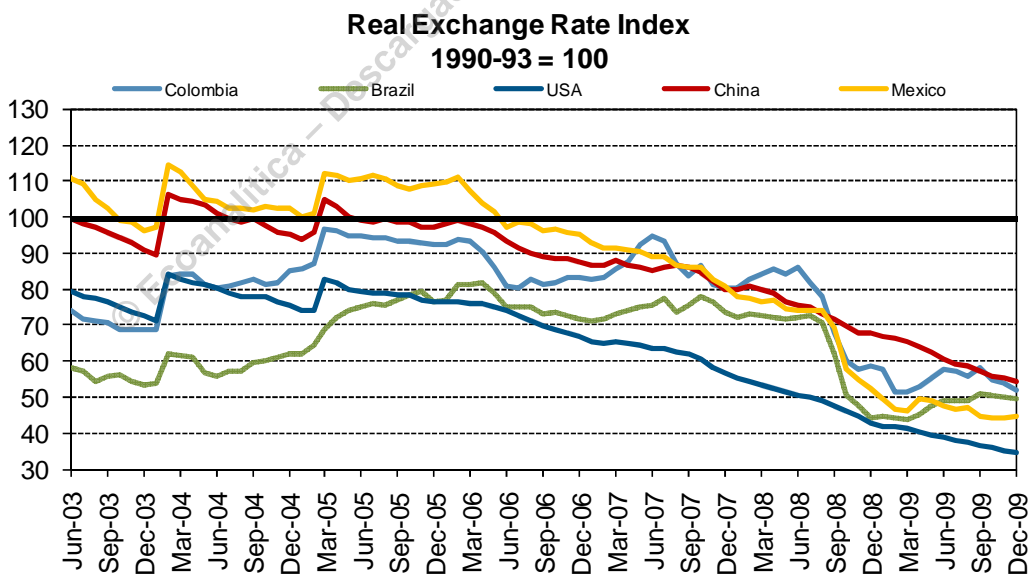




The new weighted RER, which takes account of the relative importance of these five countries, was at VEF 5.2/US\$ at the close of January 2010. Some of our clients will recall that, in the December Foreign Exchange Report, we put the real exchange rate at VEF 5.5/US\$. The reduction of this rate is due to the fact that, with the new weightings, which were updated using the latest foreign trade data from the National Statistics Institute (INE), the United States emerges as the country with the lowest cumulative inflation of the five trading partners during the period under study and obtains a lower weighting than previously, whereas the four remaining trading partners (with higher inflation) have been given higher weightings.

**Let's get to the point:
competitiveness**

If we evaluate our RER index before the devaluation we can see how the fixed exchange rate continually deteriorated our competitiveness. This trend was interrupted only by two small devaluations in February 2003 and March 2005.



At the close of 2009, our currency was over-valued by 67% with respect to the U.S., in other words, in order to compensate for Venezuela's higher inflation rate, the exchange rate should have been adjusted by VEF 6.20/US\$ in order to make our tradable goods competitive in the U.S. market.

With respect to our other trade partners the situation wasn't much better, though not as bad as with the U.S. (the country with the lowest rate of

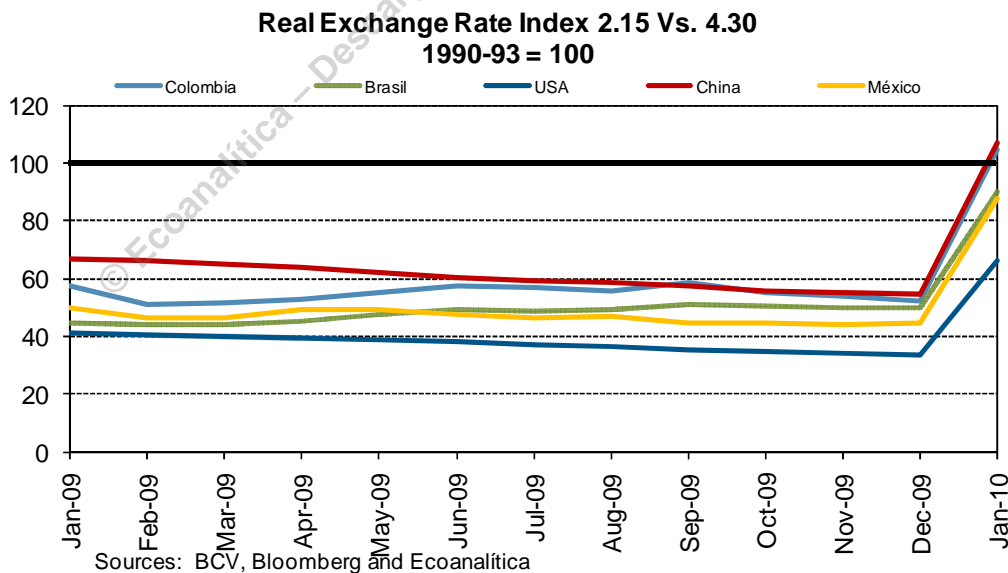


inflation of the five): with respect to Colombia, Venezuela presented an over-valuation of 48%, therefore the RER between Colombia and Venezuela should be at VEF 4.1/US\$; with respect to Brazil, the exchange rate needs to be at VEF 4.3/US\$ since the over-valuation of the bolivar is by 50%; with China and Mexico the situation is similar with an over-valuation of 45% and 55%, which implies a RER of VEF 3.9/US\$ and VEF4.8/US\$, respectively.

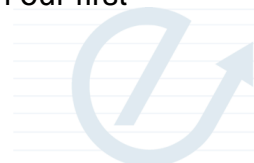
What's the situation like after the devaluation?

The main problem with calculating how much competitiveness was gained after the devaluation has to do with deciding which exchange rate to use now that we have a multiple exchange rate system implemented.

On the one hand, private exporters see their profits in bolivars double from VEF 2.15/US\$ to getting VEF 4.30/US\$ for their export goods. Looking at it like this it surely creates incentives to produce for exports. The following graph shows how the over-valuation of the bolivar with respect to private exports is now much better.



But on the other hand, the devaluation for import products is 100%, only for 25% of the goods and services (non-priority goods), in other words, almost a third of what before was imported at VEF2.15/US\$ is now being imported at VEF4.30/US\$, according to our calculations which we released in our first Weekly Report of 2010.

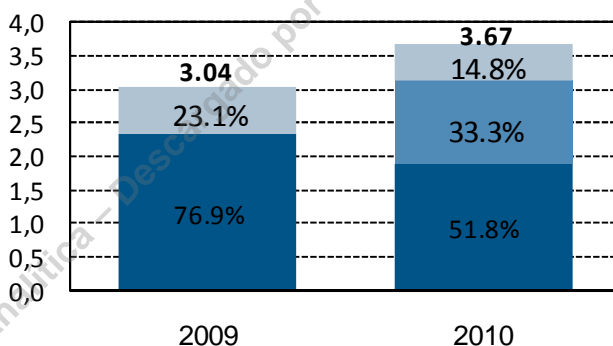




51.8% of goods and services imported were devalued by 21% (priority goods), in other words almost two thirds of was being imported before at VEF 2.15/US\$ in now imported at VEF2.60/US\$. So, continuing with our projections, more than a third of what was being imported through the parallel market will now be able to do so at VEF 4.3 VEF/US\$, and the rest will continue to finance their imports through the parallel market.

Average Exchange rate for imports

- Imports through Cadivi (2.15)
- Imports through Cadivi (4.30)
- Imports through the parallel market (6)



Sources: BCV, Cadivi and Ecoanalítica

So, in order to evaluate how much the competitiveness of our tradable goods and services increased as a result of the devaluation, we have to calculate the weight of the exchange rates used to import and export. In our first Weekly Report released in 2010, we already calculated the exchange rate of total imports in 2009 which averaged at VEF 3.04/US\$ and we projected that this year it would average VEF 3.44/US\$. Then, in our Weekly Report number 3 – 2010, we calculated the average exchange rate that PDVSA used to export which was at VEF 2.7/US\$ and we projected that in 2010 it would average around VEF 4.0/US\$. We called this the “fiscal dollar.”

After weighting these exchange rates by the volume of imports and exports in Venezuela (using Balance of Payments data), we obtained that the weighted exchange rate for foreign trade in 2009 was at VEF 2.80/US\$ (including the parallel market), and after the devaluation this average would increase by 36% to VEF 3.8/US\$

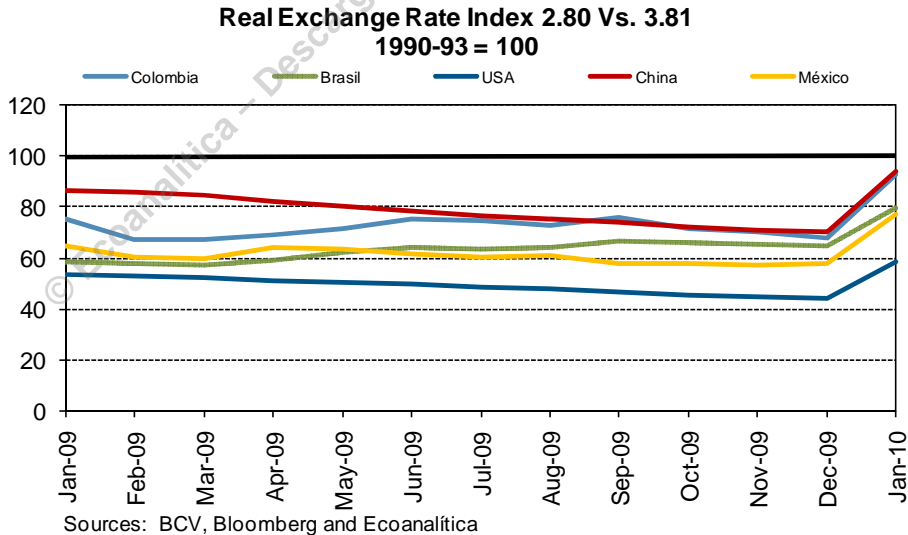


Weighted foreign trade exchange rate		
Exports (64.2%)	2009	2010
Oil (94%)	2.70	4.00
Non Oil (6%)	2.15	4.30
Importaciones (35.8%)	3.04	3.44
Weighted foreign trade ER	2.80	3.81
Weighted devaluation		36%

Sources: BCV, Bloomberg and Ecoanalítica

We still have an appreciated exchange rate, just not as much

If we again evaluate the appreciation of our currency with respect to the weighted foreign trade exchange rate, we would find that the bolivar went from having a weighted over-valuation of 45.2% before the devaluation to being over-valued by 29.2% after the devaluation.



So, it's obvious that we still have an exchange rate that makes importing goods look attractive and domestic production (for domestic consumption or for export) look like a dead end project.

Competitiveness is not just about the exchange rate

The exchange rate isn't everything, just ask the Chinese. For the last years they have a fixed depreciated exchange rate, which is to say that the CNY/US\$ exchange is above China's balance price, just the opposite of our situation in Venezuela where our appreciated exchange rate is below our



RER. The Chinese still manage to make their exports competitive and not create incentives for imports.

It's only one of the 12 pillars which makes-up competitiveness

According to the Global Competitiveness Index (GCI) Report released by the World Economic Forum, there are 12 pillars of competitiveness that are evaluated and weighted in order to make-up the GCI in which Venezuela was ranked 113 out of 133 countries, in other words, not a very competitive country.

1. **Institutions.** The lack of protection for property rights and copyrights, the mistrust the people have of politicians, the lack of independence of the judicial powers, the lack of transparency with which the Administration makes its decisions and carries out public spending all have led to Venezuela being ranked last in this index of competitiveness , 133 out of 133.

2. **Infrastructure. In this index, Venezuela came in 106 out of 133.** The main problem which was highlighted in last year's GCI report was the quality of the infrastructure of the ports, a category where we came in 129. However, the quality of the electric power supply (ranked 105) is the country's main problem now, it must not have been so evident last year when the report came out.

3. **Macroeconomic stability.** The most important point here which makes for a hostile business environment is the inflation rate where Venezuela came in ranked second to the last. The Administration's fiscal sustainability is not in doubt and even less so after the devaluation.

4 and 5. **Health, primary education, higher education, and training.** The quality of the education was the biggest problem here, in all its levels. The country came in 117. On the positive side, our life expectancy score ranked us 45.

6 and 7. **Goods market efficiency and Labor market efficiency.** Venezuela was ranked second to the last and last respectively in these two categories. Excess regulations in prices and salaries, State monopolies, exchange controls, all kill any incentives there may be for competitiveness in our local markets.

8. **Financial market sophistication (ranked 126).** We have a long way to go before we improve in this category. There is almost no capital market to speak of and we have one of the lowest levels of banking participation by the people in Latin America, (22.4% loan quotient/GDP and 38.3% deposits



quotient/GDP), this makes access to loans very difficult for micro-businesses.

9 and 10. **Technological readiness and market size.** In this category we have some advantages and some disadvantages. We have certain advantages with regard to the size of our markets (domestic and international) due to the oil industry, placing 33 and 43 respectively. Due to the size of our local market we have advantages such as internet and telecommunications but we are lagging very far behind in terms of using technology at the business level, especially in producing goods.

10 and 12. **Business sophistication and innovation.** Due to the general hostile business environment that exists in Venezuela, excess regulations, high risk, the country ranked last in business environment and 127 in business sophistication and this lack of incentive to compete locally does not breed innovation which we came in 130 place.

Conclusion

In conclusion, though the devaluation may increase exports for those few private sector businesses left that are still exporting, the overall benefits gained from this event are not enough to start a mad rush to begin to find new products to develop to export, since the country's business environment is still very hostile.

The five main problems which make it difficult to do business in Venezuela as identified by the World Economic Forum are: the exchange control, the unstable political situation the country is in, the Government's inefficient bureaucracy, labor regulations, and inflation levels. As long as the Administration doesn't implement policies to solve these problems, our competitiveness will continue to decrease, until the next devaluation.





Economic Tips

CPI for January at 1.7%. The National Consumer Price Index kept by the Central Bank of Venezuela along with the National Statistics Institute has inflation for the month of January 2010 registering 1.7%, the same as inflation registered for the month of December 2009 and much lower than what it registered in January 2009. The Y/Y inflation index registers 24.3% while the month to month inflationary core variation was at 2.0%. The inflation for the metropolitan area of Caracas was 2.4% in the first month of the year.

First supplemental appropriations of the year authorized. The National Assembly has already begun to use 2009 surplus resources and approved VEF 437 million in supplemental appropriations which were taken out of the Miranda Fund, according to a report released by the Finance Commission. Of the resources that were approved, VEF 262.1 million went to the Ministry of Food, VEF 128.8 million to the Ministry of Sports, and VEF 13.9 million to the Ministry of Communication and Information.

New Borrowing Law. The new Borrowing Law sets a maximum limit to the amount of debt that can be issued at VEF 10.20 billion, and issuances in local and foreign currency are being considered. Currently, foreign currency (US-dollar) issuances are expected to yield between 13.9% and 14.6% for papers maturing in periods of between three and twenty years. Issuances in bolivars are expected to be made in Vebonos or TIF (fixed interest titles) maturing between 2012 and 2020.

Conindustria inflation projections. Carlos Larrazabal, president of Conindustria states that the flow of foreign currency begin liquidated by CADIVI is but a trickle at the moment. Furthermore, the Government has not approved a foreign currency budget. Therefore, with regard to inflation, Conindustria, at first glance, expects that inflation will be around 35%. However, if things continue as they are and don't improve soon, inflation could reach 50%.

Sucre exchange rate. The Sucre currency system used by ALBA countries to carry out certain trade operations will be valued at Sucre 1.25/US\$. Initially, the currency will only be used for electronic transactions.

The Tax Unit increased. The Government increased the amount of the Tax Unit from VEF 55 to VEF 65, which represents an adjustment of 17%. This adjustment in the amount of the Tax Unit is supposed to adjust for inflation, though statements from the Government call it an economic policy aimed at optimizing productive development plans for the country.



IDB loan. This Thursday, the International Development Bank announced the approval of a US\$ 50 million loan to Venezuela for the purpose of financing investments to improve the drinking water service, optimizing the supply of water to 80,000 homes. The Government expects that this project will help save around 25.5 million cubic meters of water a year.

Parallel market uncontrollable. The Administration issued US\$40 million in exchange bonds this week, but the parallel exchange rate continues to increase reaching levels of VEF 6.50/US\$, which represents a 16% increase compared to its most recent low posted on January 14. It seems that the measures being implemented by the Administration are not enough. With CADIVI not liquidating foreign currency in a fluid manner, the Government's issuances of foreign currency are simply not enough to cover the demand of the market. Plus, the first issuances favored natural persons and not those that need the foreign currency the most, the business sector.

Poverty drops in 2009 according to the INE. Elías Eljuri, president of the National Statistics Institute (INE) stated that the data on poverty show that it closed 2009 at a level of 24.2%, while extreme poverty levels closed at 6%, thereby dropping four times the levels recorded in 2002. Just in 2009, the figures show a drop of 20%.

Interest rates. The lending rate for the fourth week in the month of January was at 19%, up by 8 basic points compared to the previous week. Time deposits and savings rates were at 14.5% and 12.6%, respectively, with time deposits down by 2 basic points and the savings rate remaining constant.

International Reserves. International reserves were up by 0.83% going from US\$ 32,12 billion during the fourth week of January to US\$32,39 billion in the first week of February. Compared to the previous year, international reserves are up by 7.2%.

Monetary liquidity. Monetary liquidity for the fourth week of January was down by 0.7% compared to the third week settling at VEF 233,69 billion. Compared to the previous year, monetary liquidity has increased in nominal terms by 22.6% but dropped by 1.4% overall.

Exchange bonds auction. The Central Bank of Venezuela has carried out six issuances of exchange bonds, in total issuing US\$260 million in bonds of which US\$40 million was placed in the market. The price for each bond, during the last issuance, was at 112%, with a unit value of US\$1,000, at an exchange rate of VEF 4.3/US\$. These are zero coupon bonds, 90 day maturity, and they have a maximum commission of 1% by intermediaries, which all allows for the acquisition of foreign currency at an implicit rate of VEF 4.87/US\$ upon reaching maturity.



Oil Tips

Plant shut-downs continue in 2010. The maintenance shut-down of two filling plants that supply the country's central region, as well as a failure report in the Amuay refinery this last week (affecting the production of 105 kb/d of gasoline for over four days), reduced fuel inventories. The states of Barinas, Guarico and part of Apure are the most affected regions when dispatch from said Pdvsa plant is shut down. Sources indicate Pdvsa is completing its inventories with fuel imported by Petrobras, and from the Isla refinery, in Curacao.

Citgo's commitment. The Pdvsa affiliate's debt operations increased by 7.14% during 2009, an absolute variation by US\$161 million, going from US\$2.2 billion and the end of 2008 to US\$2.4 billion by end-2009. The obligations acquired by Citgo represent 11.2% of Pdvsa's financial debt. Financing was obtained via 4 loan facilities totaling US\$1.7 billion by end-2009, and the volume of crude oil inventories and accounts receivable generated by the company were included as warranty for the loan.

But that's not all... There are three additional loan facilities, one of them for US\$225 million, endorsed by the company's accounts receivable and due this year, and the other two (one for US\$607 million and the other for US\$511 million) are stipulated to be redeemed in 2012.

Checkbook in hand. Pdvsa started carrying out the investments planned for this year, including the construction of oil pipelines in the south of Monagas and Anzoátegui. The investment is close to US\$175 million with the purpose of boosting progress in the construction labors of the important pipeline that will allow conducting the crude oil extracted from the Orinoco Oil Belt to the storage facilities in the south-east, upgraders and shipping terminals.

Mariscal Sucre Armed Force. After deciding to develop the off-shore natural gas project Mariscal Sucre by its own means, Pdvsa, with the support of the Armed Force, will complete the operations to begin looking for free natural gas under the seabed with the help of an oceanographic vessel, in order to pan the sea's hydrography, oceanography, sea meteorology, water signalization and superficial geophysics in the areas where the project will be developed.

Effective at the end of this month. According to statements issued by Eudis Girot, representative of the Fupty and member of the negotiation commission, after completing the 2009-2011 contract's written document (which cover approximately 94 thousand Pdvsa workers), this week, it is expected to be deposited in the Ministry of



Labor to complete the signatures, so the workers of the country's largest industry are expected to start receiving the benefits of the collective labor agreement by the end of this month.

What about the debt payment? During 2009, Pdvsa tried to renegotiate the payment of accounts receivable related to gasoil supplied during the 2004 – 2008 period for around US\$300 million with the Paraguayan company Petropar. On February 8, the government of Paraguay announced they had signed an agreement (last December) with Pdvsa to supply and transport 60,000 cubic meters of gasoil for diesel engines, at a cost of US\$42.15 per cubic meter. After the Paraguayan parliament rejected the inclusion of Venezuela in the Mercosur, it is worth asking, what happened with the payment of that debt?

Crisis in Europe: Will it affect oil? The weak fiscal situation and its consequent implication in Portugal, Italy, Greece and Spain's public debts, have left these countries under the eye of risk raters and turned them into the less trusted European stock markets. Said countrys' growth is jeopardized, and so is the growth of crude oil demand.

It has already affected it. In *Ecoanalitica* we consider the effects of the European fiscal crisis have already reflected in the oil market during the past few weeks, and will probably not continue to affect crude oil prices in the midterm, since these countries, with large fiscal deficits and issues, represent a very small part of the crude oil demand. On the other hand, China (one of the world's largest demands) will continue to grow between 8% and 9% this year.

International Oil baskets. At New York market's closing time, this Thursday, February 11, the WTI was at US\$75.2/bl showing a 2.8% increase compared to the US\$73.1/bl of the previous Thursday. The Brent increased as well by 2.0% to reach US\$73.9/bl, compared to US\$72.5/bl of Thursday, February 4.

Local oil basket price. The Venezuelan oil basket price went down last week, to close on Friday, February 5 at US\$67.7/bl, US\$1.1 less than the US\$66.6/bl of the previous week. The oil basket's annual average remained stable at US\$70.6/bl.

Business Sector Tips

Electric plan and penalties. The first point regarding the Head of State's decree of electric emergency was to give an incentive to save electricity. Consumers increasing



their energy demand by 10% will have a 100% overcharge, those increasing their consumption by 20% will have a 200% overcharge and so on. Likewise, anyone using over 500 Kw who doesn't lower their consumption by at least 10% will have a 75% overcharge in their electric bills, however, if someone saves that percentage, a 25% discount will be applied, and those who save 20% will receive a 50% discount. The list of consumers who shall meet these measures will be released within days. In the commercial sector, companies with consumptions over 25 Kw/h will need to reduce them by 10% the first month, and then an additional 10% the next month, taking the same month of 2010 as reference. A client committing several infractions could have the service suspended permanently.

Automotive sector crumbles. 4,642 units were manufactured during January of 2010, a 51.17% decrease. Out of the seven auto assemblers in Venezuela, only two had a positive performance, Iveco and MMC Automotriz. Regarding new vehicle sales, there was a 53.5% fall, represented by a 17.4% reduction in national vehicles and a 90.3% reduction in imported vehicles, due to the Government's reluctance to authorizing import licenses.

Cantv to pay dividends. The extraordinary Assembly of Shareholders of Cantv announced the payment of dividends for VEF 150 million, indicating a benefit of VEF 0.1905631 per share, to be paid to those enrolled in the free list of shareholders from Monday February 22 to February 11 of 2010.

Fundelec to help the needy. Fundación para el Desarrollo Electrico (Foundation for Electric Development, Fundelec) is planning to invest VEF 26.58 million in the program Sembrando Luz (Spreading Light), expecting to install 1,531 photovoltaic systems in indigenous, border and isolated areas of Venezuela.

Construction projections adjusted. Both the public and private sectors adjusted their housing project execution projections from 150,000 units to 100,000 units due to the restrictions being applied to the sector, such as the prohibition to charge CPI and the supervision by Indepabis. The shortage of construction materials, such as rebars produced by Sidor, is another issue being considered.

Fedenaga fears for milk and meat production. The president of Federación Venezolana de Ganaderos (Venezuelan Stockbreeders' Federation, Fedenaga), said producing milk costs 3.5 VEF/Lt, and the price of milk to distributors is calculated at 1.9 VEF/Lt, an 84.2% difference. This happens because the price of production supplies have increased, such as the price of molasses which went from VEF 280 to VEF 800 per 200 liters, the price of minerals quadrupled and veterinary medicines increased by 60% last year. The salary raise of 2010 is another factor to be included.



National cattle production. The prices issue is seriously worrying national cattle producers too, since there is a 40% gap in cattle prices, reason why Fedenaga is currently requesting a price increase from VEF 5.5 to VEF 7 per kilogram. Imports are currently taking 59% of the offer. PIDA expects production to grow by 546,668 tons, which represents 5% compared to 2009, when it grew by 2%.

Increase in agricultural production. The Venezuelan Government, through PIDA, expects to achieve a 33% increase of the white corn sowing surface; 57.7% for yellow corn; 3.2% for rice; 21.5% for sorghum; 17.4% for coffee and 8.7% for sugar cane.

Incongruence with PIDA prices. For the Plan Integral de Desarrollo Agrícola (Integral Agricultural Development Plan, PIDA) the Government's goal is to produce 2,263,525 tons of milk, 3.6% more than in 2008. According to PIDA figures, in 2009, 2,184,574 tons of milk were produced, 13% more than in 2008, an increase that was denied by the president of Fedenaga, who said the real production was 1,460,000 tons. This makes achieving the proposed goal quite unlikely, should this situation continue.

Import from Colombia. Imports from Colombia to Venezuela reduced by over 35% in 2009, by Barkly reaching US\$4 billion. Imports dropped by 71.5% y/y only in November, according to the National Administrative Statistics Department, holding the end of meet and live stock from Venezuela as the main responsible.

A halt to medicine consumption. Medicine consumption is expected to grow by only 2% in Venezuela in 2010, mainly caused by the contraction of people's purchasing power due to the country's crisis and devaluation. This is based in the fact that during the years 2008 and 2009, this sector grew by only 4.4% and 2.7% respectively. Also, medicine supply will depend on the amount foreign currency approved by Cadivi.

World Crisis Tips

US unemployment rate down. For January of 2010, the US unemployment rate reached 9.7%, its lowest level since August of last year. The expectations aim to a unemployment rate of 10%, although this number suggests no startles in the labor market, since the rate is still up by 2 points compared to January of 2009. Additionally, the unemployment rate including part-time workers and those excluded due to economic reasons went dropped to 16.5%, still higher than the 14% recorded for January of 2009, though.



An increased productivity lowers costs. The workers productivity continued to increase during the fourth quarter of 2009. For this period, the increase in productivity was 6.2%, indicating a smaller increase percentage than the one registered on the third quarter of the same year when productivity grew by 7.2%. The increase in productivity represented a bigger growth of the product (5.7% in q/q seasonally adjusted annual rate). This boost reduced costs by 4.4%, the highest percentage recorded since 2002 (except for the first quarter of 2009).

Obama's measure faces obstacles in the Congress. President Barack Obama proposed a measure to guarantee employment to the active unemployed people. The measure consists on a loan for US\$5,000 per employee for businesses that can generate new jobs. However, this measure is facing difficulties in the Congress, for they assure that Obama's main goal (creating new jobs) will be much harder to achieve than he thinks.

Debt limit increased by US\$1.9 trillion. US credit limit will be extended, according to a decision of the House of Representatives, which stimulated the total debt to US\$14.3 trillion. However, the "pay as you go" mechanism will be implemented. This mechanism requires any increase in expenses to be compensated with cuts in other federal disbursements.

Commercial deficit increases. The pound sterling weakened again to record levels against the US\$ and with the Euro, Its falling trend continues for the third consecutive week. According to official numbers, the British commercial balance deficit increased significantly by December of last year. This balance gap went from £6.8 billion in November to £7.2 billion in December of 2009, being the highest level recorded since January of the same year. This reality, along with the poor recovery of the United Kingdom, increases the concern about the British economic health.

Bank of England suspends monetary expansion. The Bank of England's Monetary Policy Committee decided to suspend for now the monetary expansion for £200 billion that had been previously planned, this being the first pause in the expansive monetary policy since March of 2009. The reference interest rate was left stable at the minimum of 0.5%, after England left the recession last week with a q/q seasonally adjusted annual growth of 0.1% during the fourth quarter of 2009.

G7 must rescue Greece. From Canada, ministers of finance and officials of the G7 countries insisted there should be an European solution for the problems affecting Greece, Portugal and Spain, without the help of the IMF. Experts in finance said it was necessary to maintain the economic stimuli until a stabilization environment was achieved, but it is also necessary to reduce the budgetary deficit.



German exports increase. According to official numbers, exports grew by 3.4% in a month to month basis, registering an amount of €69 billion for December of 2009. This had not been experienced in Germany since October of 2008. Imports dropped by 6.5% in the same period. According to the federal officer, Destais, the international trade trend had a positive contribution to the economic growth in the last quarter of 2009.

Checking account surplus. Japan reported a checking account surplus of ¥900.8 billion, equivalent to US\$10.09 billion, after having carried out seasonal adjustments, said the country's minister of finance. Exports went up by 11.7%, reaching ¥5.13 quadrillion, the highest level in the last 15 months. Imports dropped by 6% to reach ¥4.49 quadrillion.

Political Tips

Demands to publish electoral enrollment centers. Spokespersons for Sumate, Roberto Abdul, Dashiel Lopez and Edsel Moreno, said an additional 6,500 witnesses will be needed for the September elections, that is, if the CNE opens the 1,125 new voting centers published on January 19. They also indicated that, regarding the personal identification operative to be held for this election, the presence of fiscals guaranteeing the transparency of the process was fundamental.

No agreement on gender parity. CNE rectors proposed the decision that would obligate political parties to present candidates depending on the gender of those running for representative seats in the upcoming parliamentary election. The rule being discussed by the rectors would be extensive to nominal candidates, and would cause list-type candidates not only to be pro-parity, but to modify their candidates' genders.

Constituent process continues. President Chavez said the constituent process was not over yet, and urged the upcoming election's pro-government candidates to retake the issue. As for PSUV candidates, Chavez said they hadn't reached a decision yet.

Tension between Colombia and Venezuela. The agreement between Colombia and USA that allows posting American soldiers in Colombian soil has increased the tension between the neighboring countries. The relations between Colombia and Venezuela have been progressively deteriorating since end-2009. The political analyst Andy Webb-Vidal is examining the reason for this hostility and predicts a possible war.



33 more years? In the past celebration of 4F, President Chavez said the revolution had arrived to rule for 900 years, to get back at the 90 years of being ruled by the oligarchy. Having said that, Chavez started counting: I'm 55 years old and I've been president for 11 years. I promise to take care of myself for the next 11 years and, God willing, I'll be 66 and, if you want, I'll have been president for 22 years. And I don't want to think about the next 11 years, for I'll be 77 and will have been president for 33 years. The people that present started clapping in approval.

Judge Afiuni still waiting for an answer. Judge Maria Lourdes Afiuni is currently undergoing a penal process for allegedly having allowed the escape of entrepreneur Eligio Cedeño. However, there has been no information of administrative procedures removing her from office. According to this, she will continue to be a permanent judge since, according to the judge's attorneys the accusation was introduced outside of the 45-day period established by the Law.

"Here we are, holding Bolivar's sword." In Chavez's soldier decoration of February 04, he said he would defend his government with arms, if necessary. "If they want to use arms, here we are, holding Bolivar's sword." Referring to student representatives as "white hands," he warned they would not defeat this revolution.

"The 'Ultrachavista' will be activated." For Americo Martin, the arrival of Cuban Ramiro Valdes is a move by Fidel Castro, "for whom Chavez's loss of power would place Cuba in a desperate situation that can not be allowed and would mean the rise of the 'Ultrachavista'." Without Chavez's economic support, Cuba would fall in the hands of the USA by way of the development of an economic scheme similar to China's socialism.

Chavez: everyone, pick a side. In his Sunday radio show, President Chavez said loud and clear, "there is no grey zone, here." "Everyone, pick a side: this is a fight of classes. Conciliation is not possible in a real revolution." Chavez rejected the opposition polls, "they say 70% is against me" and compared the pro-Chavez "united block" with the country's "oppositions," "one is more fascist than the other, some abide the law," and said "they won't stick together even with superglue, which they tell me is good for that."

Baduel denies it. Former minister of Defense, Raul Isaias Baduel, was surprised of finding his name in the list of people who signed the most recent public announcement by the Polo Constitucional (Constitutional Pole), asking for President Hugo Chavez's resignation for considering his ruling as "illegitimate." Although the said group's leaders had told him of the announcement, Baduel says he didn't sign the document because it was not of his absolute conviction.



11 years = 11 reasons for the crisis. Alfonso Marquina of UNT (Un Nuevo Tiempo – A new Time) announced 11 reasons that explain the government’s loss of popularity in 11 years. Among said reasons were inflation, unemployment, the crime rate, healthcare and corruption.

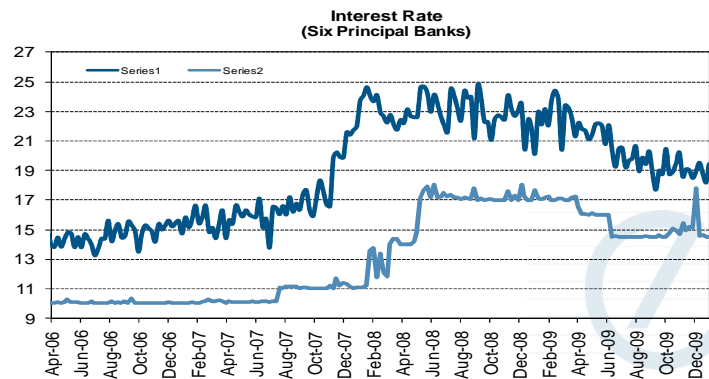
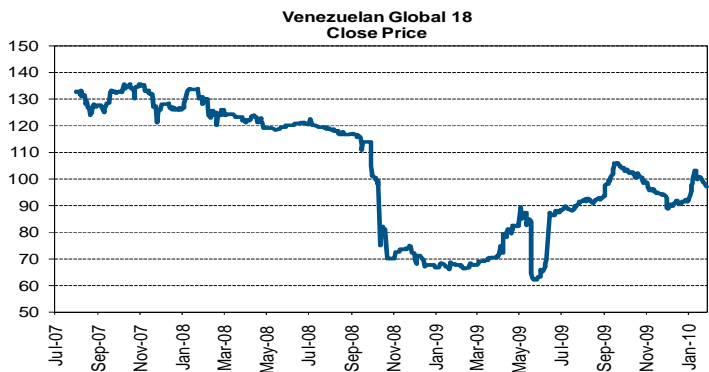
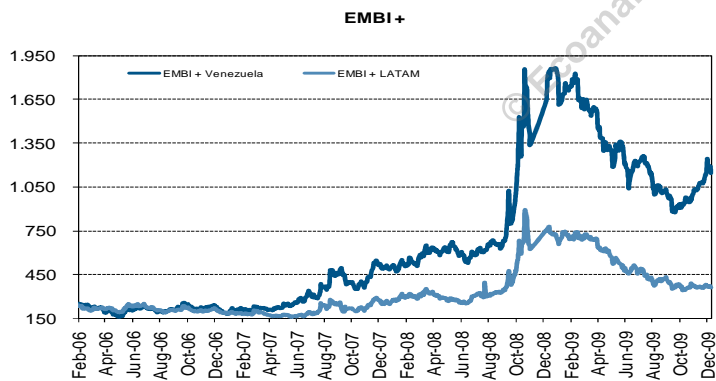
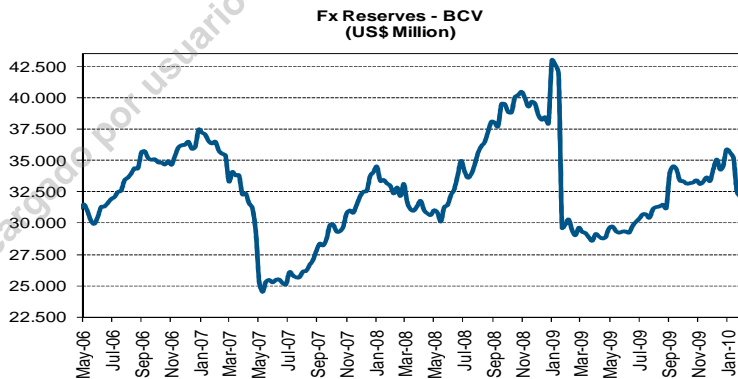
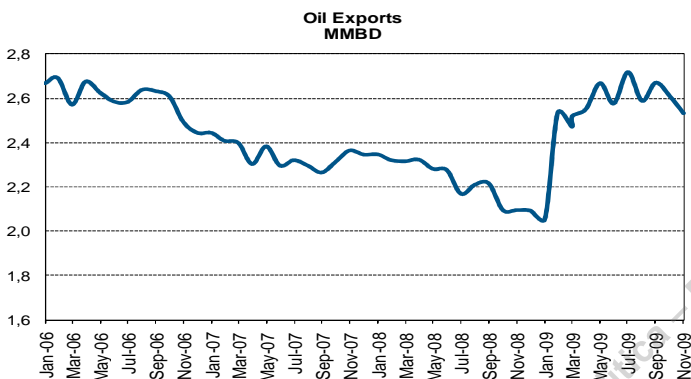
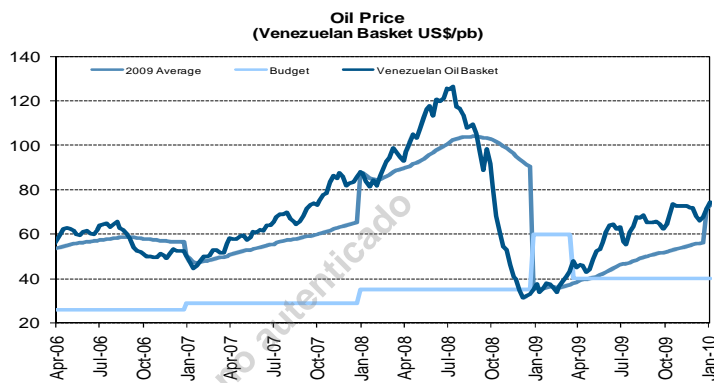
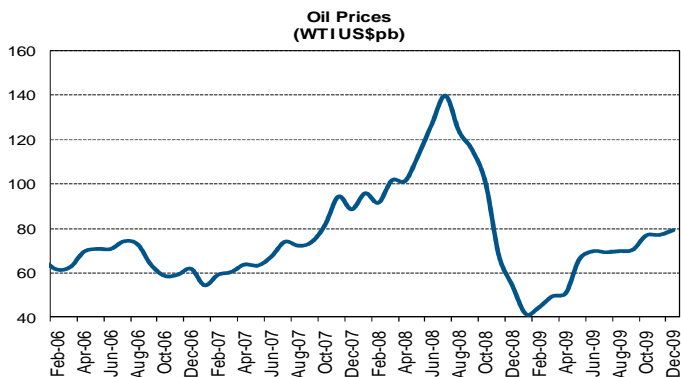
Shannon’s statement aims to a destabilize. Francisco Arias Cardenas, vice-minister for Latin America and the Caribbean, rejected the statement issued by Thomas Shannon, US Ambassador in Brazil, for considering them to be a threat to the country’s stabilization. He also said these types of statements were disrespectful and an interference, and especially when they were issued from a brother nation, for they only look to put a stop on the transformations taking place in Latin America.

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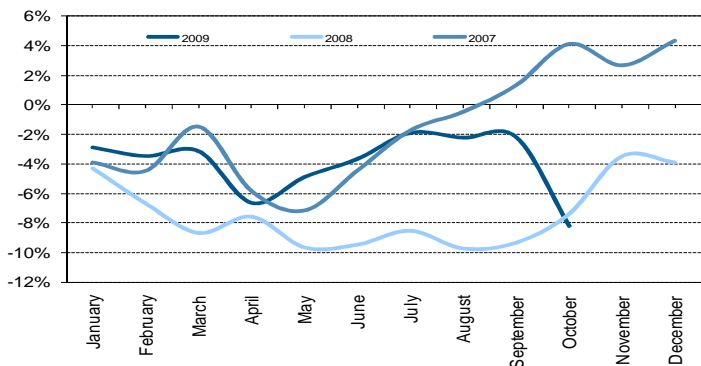


ECONOMIC OVERVIEW

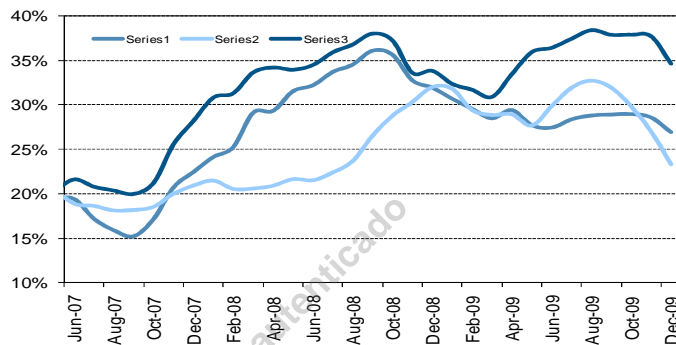




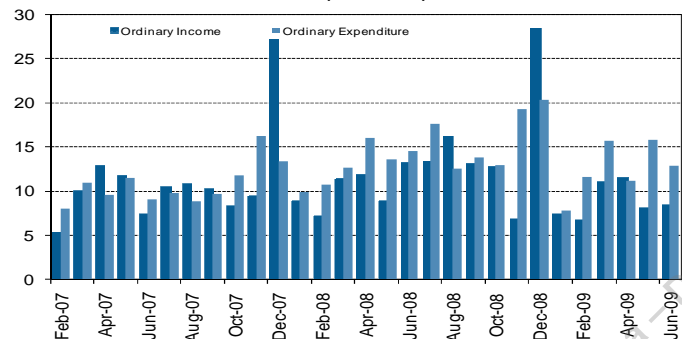
Real Expansion (M2)



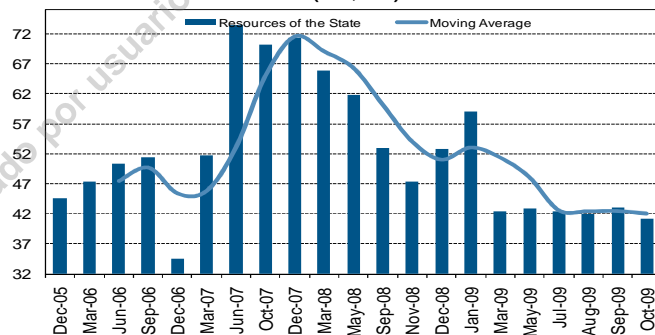
Inflation (Last 12 Months)



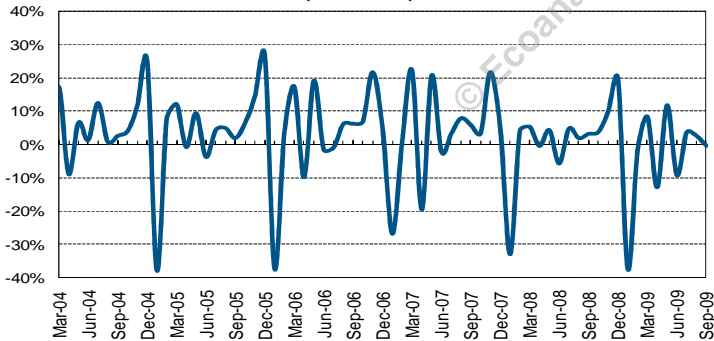
Central Government (VEB Billion)



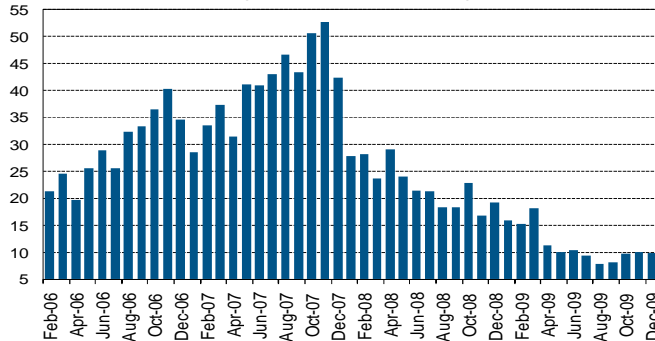
Resources of the State (US \$ MM)



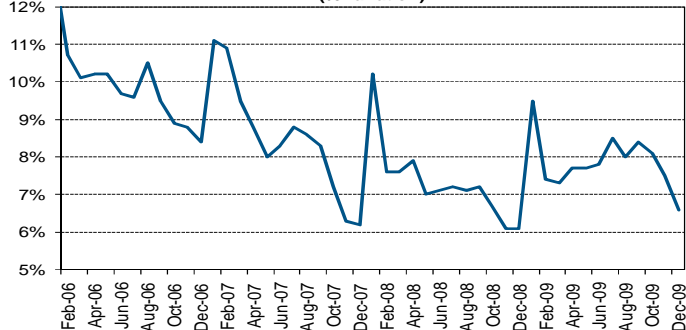
Volume of Sales (% Variation)



Sale of Vehicles (Thousands of Sold Units)



Rate of unemployment (%Variation)



Disbursement (US\$ Million)

