



Weekly Report

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PDVSA: Wanting to, but not being able to

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Since October 2008, the Ministry of the People's Power for Energy and Petroleum (Menpet) has been carrying out the selection process for new partners to develop the Carabobo block of the Orinoco Oil Belt. This will be the first time in 11 years that PDVSA will begin to develop a new oil producing region, an event that will make Venezuela one of the most important oil producing nations in the world and that will play an important part in doubling the company's declining oil production in the middle term.

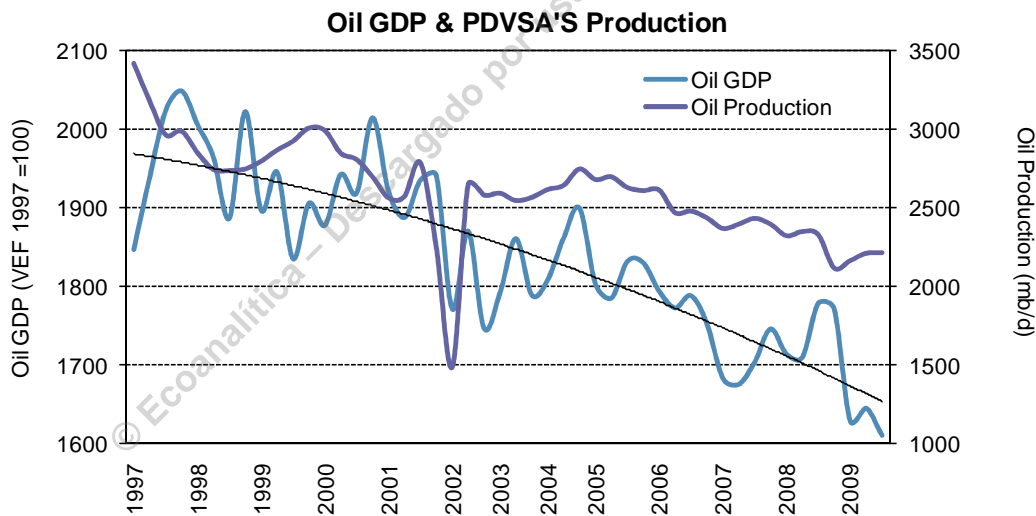
Last week, insuring that the international companies participating in this venture would have legal security with regard to their investments made in Venezuela, President Chávez, along with the Minister of Energy and Petroleum and president of PDVSA, Rafael Ramírez, announced the consortiums, winners of the bidding process, which will begin developing the Carabobo block. This Report will focus on highlighting the impact this project will have on PDVSA, and the fact that looking at the company books, it seems impossible that it will be able to carry it out. Therefore, we



feel that it is very likely that the Venezuelan oil company will turn to the market in search of new financing.

Why the Orinoco Oil Belt?

At **Ecoanalítica**, we have mentioned on a number of occasions that PDVSA's oil production, and therefore the oil activity has been dropping for the last 11 years; it has going from producing around 3.0 million barrels a day (mb/d) in December 1998 to 2.2 mb/d in December 2009. This has happened, beside the OPEC target cuts, for a number of reasons: a lack of investment by PDVSA (to maintain and to increase oil production), the natural decline in production of light crude oil wells, the increased number of programmed and not-programmed stops in operation of the main refineries in the country, the nationalization of oil service (contractors) companies and the labor problems this led to.



Sources: BCV, Bloomberg and Ecoanalítica

With this in mind, and taking into consideration that PDVSA has steadily become more and more involved in other sectors of the economy, the need to increase crude oil production has become imperative. The Menpet is very much aware of this fact and that is why it highlighted the opportunities that were being opened up for the foreign investors participating in extracting crude oil from the Orinoco Oil Belt.

Very attractive

The area offers some very attractive qualities for oil producing companies: oil production cost in Venezuela are very competitive compared to other (approximately US\$32/bl); the Orinoco Oil Belt has one of the largest certified oil reserves in the world; and the area offers a certain amount of



infrastructure that is already in place due to other similar projects already being developed in the vicinity.

The Carabobo block is considered one of the most prolific in the Orinoco Oil Belt, because according to the Menpet and PDVSA, the block has 227 billion barrels of Original Oil In Place in its seven blocks.

The long awaited results

The bidding process was plagued by a series of conflicts based mainly on two variables: one, the price of the crude oil basket, which has always been a point of contention, ever since Venezuela has been an oil producing State; and the other being the Administration's strategy. So, after almost a year and a half of waiting, with at least 28 companies participating, the Administration chose two consortiums to carry out the project.

The first consortium is made up by *Mitsubishi e Inpex*, from Japan; *Chevron*, from the United States; and *Suelopetrol*, from Venezuela. It was selected to develop the Carabobo 3 project (which included 3 blocks) for the purpose of building a heavy crude oil upgrader in the region of Soledad, Anzoátegui state. This group consigned a bond for US\$500 million and US\$1.0 billion in financing for PDVSA, with production expected to be between 400 and 480 thousand barrels a day (kb/d).

The second consortium made up by *Repsol*, from Spain; *Petronas*, from Malaysia; and *Oil and Natural Gas Corporation*, *Oil Indian Limited* and *Indian Oil Corporation*, from India. It was selected to develop the Carabobo 1 project (which includes 2 blocks). This group gave US\$1.05 billion. It will also build an upgrader in Anzoátegui state, and estimates that it will produce 480 kb/d. The Carabobo 2 project will be reserved for PDVSA, and the company is also the major shareholder (60%) in the other two projects.

Two giants

At *Ecoanalítica*, we consider it to be very positive that two of the world's largest oil companies such as *Chevron* and *Repsol*, ventured to be a part of a project located in Venezuela. However, the fact that the Carabobo 2 project is being reserved for PDVSA and that two other giants that wanted in were left out such as *Total* and *Statoil*, which not only would have lightened PDVSA's financial load, but would have also brought a lot of know-how to the project, especially with regard to the technology needed to upgrade heavy and extra-heavy crude oil. And all this doesn't even take into consideration the benefits of foreign investment in the growth of the GDP.

The rules of the game

The consortiums, which will begin to produce their first volumes of crude oil in 2016, will follow the legal and fiscal guidelines as established by the Republic of Venezuela and as stated in the Organic Law of Hydrocarbons,



such as the payment of 33.3% in Royalties, a 50% Income Tax rate and 50% of hydrocarbon sales. Furthermore, Minister Ramírez explained that Venezuela took in resources equaling US\$2.23 billion during the selection phase. Nevertheless, besides no mention was made of whether the international arbitration was accepted or not, we think that somehow it was included in some clause of the contract.

It's not only Carabobo

The Orinoco Oil Belt area is made up of three other blocks, Boyacá, Junín and Ayacucho. The whole area is going to be explored and at least 15% of the total of 1.36 billion barrels of Original Oil In Place will be certified, in other words, 210 billion barrels of reserves quantified and certified, of which 153 billion barrels have been approved by the close of 2008.

During the last year, the development of Junín block has also moved forward, on the way to fulfilling the objectives of the Oil Seeding Plan. This area includes projects underway in sub-blocks Junín 5 and 6. In Junín 5, Italian oil company ENI and PDVSA are about to begin construction on a refinery this year. Said refinery will have a refining production capacity of 350 kb/d and it is expected to begin operations in 2017. In Junín 6, a consortium made up of a number of Russian companies and PDVSA, signed the constitution contract to create a mixed company on February 1. It is expected to produce almost 500 kb/d, with a joint investment of US\$18.0 billion.

The selection process for partners of another sub-block, Junín 10, was suspended because the Menpet could not reach an agreement with the consortium that was interested. Now, this sub-block will also be left for PDVSA to develop on its own.

It is extremely important for the future of PDVSA and the strategic plans of the Administration (Missions, Mercal, Fonden) that these blocks (Carabobo and Junín) be developed since they make up approximately 57.6% of the Orinoco Oil Belt reserves. It's expected that oil production increase to 4.3 million barrels daily by 2015.

And the Mariscal Sucre project?

According to statements made by the Minister of Energy and Petroleum, Rafael Ramírez, the companies that took part in the tender for the offshore gas extraction project Mariscal Sucre (which investments are around US\$8.50 billion), "did not meet expectations," therefore, this project will be developed without the participation of foreign investment.

How much will be invested?

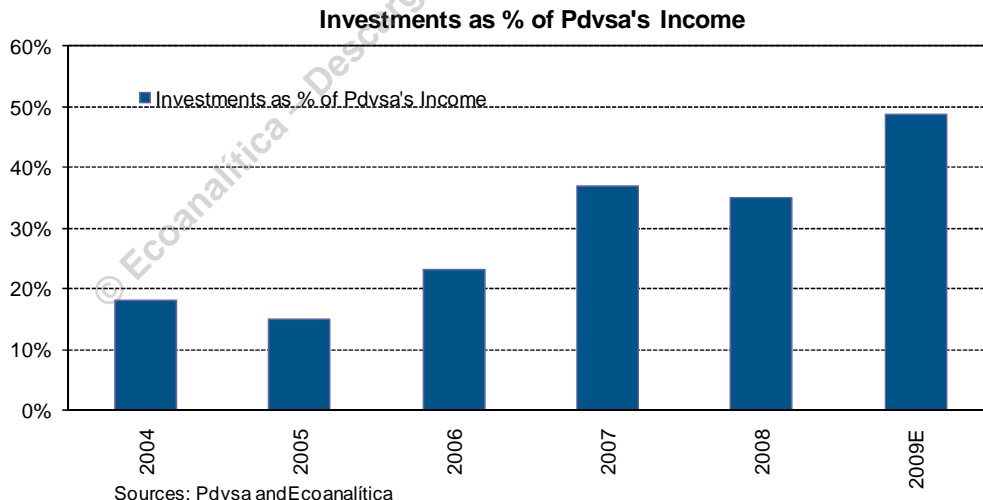
Minister Ramírez explained that investments will be made for around US\$80.0 billion up until 2016, of which US\$30.0 billion will be earmarked for



the two Carabobo blocks and US\$50.0 billion for the Junín blocks. This investment will increase Venezuela's oil production and put it at 6 mb/d in seven years.

Taking these figures into consideration, at **Ecoanalítica**, we have made our own calculations in order to analyze the impact this investment will have on PDVSA accounts.

If we take all three projects (Carabobo, Junín and Mariscal Sucre) into account, we're talking about an investment of around US\$88.50 billion in six years. Based on the schema of resources used for investment by PDVSA, as appears on company books as of December 31, 2008 (the latest figures available), we can analyze that the percentage of revenue available for PDVSA (after fiscal contributions, social spending, payment of dividends, and debt buy-back) which would correspond to investments, on average, for the years 2004-2008 equaled approximately 25.7% of its revenues, which would be available to face these projects.

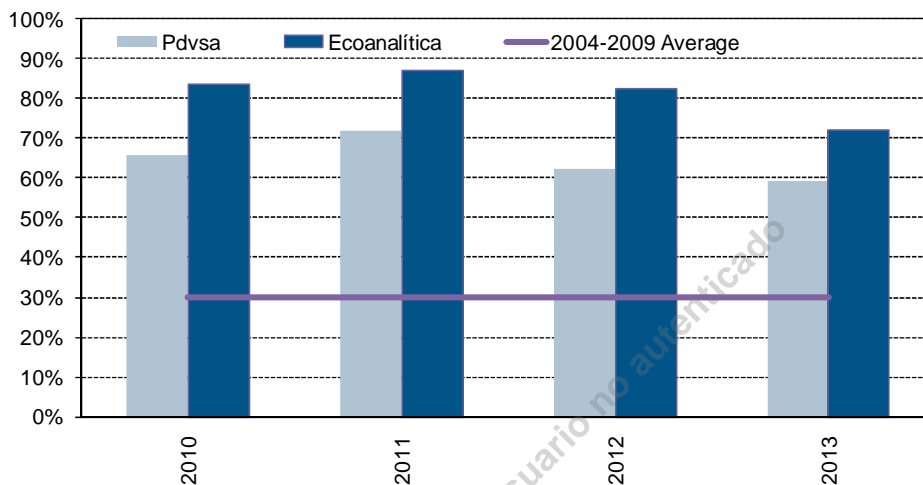


So, taking into account the information released by PDVSA and our calculations, at **Ecoanalítica**, we estimate that for the next five years, PDVSA will have to use 81.4% of its available revenue for investments, which means that it will go from a yearly average used for investment projects of US\$9.96 billion to average yearly amounts of US\$32.85 billion, and this is just between the period of 2010-2014.





Stimulated Investments



Sources: Pdvsa and Ecoanalítica

As things stand, it's not viable

Though crude oil prices improved during the second semester of last year, and projections are that prices will continue to remain healthy in the short and medium term, and all this places PDVSA in a quite favorable position, the company has obligations that seem to go beyond what this improved situation will be able to cover. We're talking about pending obligations with its suppliers, the signing of the oil contract, the increase in debt service, and last but not least, its contributions to FONDEN. And all this doesn't even take into account the critical domestic oil production situation which makes it virtually impossible for PDVSA to face all these needs by itself.

Bond issuances are not out of the question

It seems that PDVSA is finally realizing how important it is to increase oil production, and finalizing the conformation of these consortiums in order to begin the exploitation of the Orinoco Oil Belt is an extremely positive step.

However, since PDVSA is spread so thin, with so many other responsibilities besides the oil industry, at **Ecoanalítica** we believe that it is quite probable that PDVSA look to the capitals market during the second semester of this year to look for financing. And more so after the consolidated debt report at the close of 2009 showed that PDVSA still had more margin to borrow.

To soften is the option

It is important to clarify that though Pdvsa might come to external financing to stimulate its investments, in agreement to our calculations, the magnitude of the above mentioned requirements and of other financial charges of the company goes beyond simple financings. In **Ecoanalítica** we believe that the best form of which Pdvsa could face to these needs would be by means of the opening strategy, but improving the current scheme of the contracts,



specifically by means of the term softening of the same ones, so that the business become more attractive for the potential partners and this way assure a sustainable development for the industry in the long term.

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Economic Tips

Borrowing will help make economy more fluid. Jorge Giordani, Minister of Planning and Finance stated that placement of Treasury Bills and issuances of public debt, as stipulated within the 2010 Borrowing Law, will help make the economy more fluid. The resources collected from the issuances will serve to cover the needs and investments in the productive sector, and adding incentives for economic growth.

Salaries. Figures released by the Central Bank of Venezuela (BCV) show that for the last quarter of 2009, the salary index accumulated 21.2% during the year. This is below the amount the CPI index increased during the same year at 26.9%. This is just another example of the loss of purchasing power that people suffered in 2009.

Salaries by institutional sectors. According to figures released by the Central Bank of Venezuela (BCV), salaries by sectors show that salary accumulation in 2009 for the private sector was at 22.2%, while public sector salaries only accumulated 19.1%.

Inflation for the Caracas Metropolitan Area (CMA) in January by sectors. The inflation for the CMA during the month of January by items shows that food and non alcoholic beverages went up by 2.2%; alcoholic beverages and tobacco up by 6.3%; clothing and foot ware, 0.9%; rent, 1.6%; household services, not including telephone, 0.5%; household appliances, 1.8%; health, 3.2%; transportation, 3.1%; communication, 2.1%; recreation and culture, 2.6%; educational services, 4.3%; restaurants and hotels, 1.8% and miscellaneous goods and services, 2.8%.

Basic basket for January. The Center for Documentation and Analysis for Workers (Cenda) released its figures for the cost of the basic basket for the month of January which was at VEF 4,039, up by 1.6% from the previous month. Products which led to this increase were: the personal hygiene goods basket and the household cleaners basket up by 4.3%; housing costs up by 1.9%; clothing and foot ware up by 1.9%; health goods and services up 1.4%; and the food basket up by 1.3%.

Basic basket vs. minimum wage. According to figures released by Cenda, the current minimum wage is at VEF 967.07 a month, and two minimum wage incomes equals VEF 1,934.14, which is still only enough to buy 47.8% of the basic basket.

Whole sale price index for January. Measuring the Whole Sale price index with taxes for the month of January shows that inflation in January was at 1.4% and the Y/Y inflation rate was at 22.22%. If we break this down to domestic Whole Sale price index and imports we have that it was at 1.4% and 1.3%, respectively.



Interest rates. The lending rate for the first week in February was at 19.8%, up by 84 basic points compared to the previous week. Time deposits and savings rates were at 14.6% and 12.6%, respectively, with time deposits up by 13 basic points and the savings rate remaining constant.

International Reserves. International reserves were down by 1.3% going from US\$32.388 million during the fourth week of January to US\$31,966 billion in the first week of February. Compared to the previous year, international reserves are up by 5.8%.

Monetary liquidity. Monetary liquidity for the first week of February was up by 0.2% compared to the last week of January settling at VEF 234,058 million. Compared to the previous year, monetary liquidity has increased in nominal terms by 23.9% but dropped by 3.0% in real terms.

Oil Tips

Cutback on oil export of by-products. As a consequence of the electric power crisis the country is going through, and in order to meet the growing domestic demand for electric power and to be able to produce more thermal electric power, PDVSA expects that it will be cutting back on the export of oil by-products in 2010. The domestic demand for fuel has increased during the last few years and could accelerate in 2010 if the Administration's plan to increase the generation of thermal electric power is put into effect. The Minister of Energy and Petroleum and president of PDVSA, Rafael Ramírez, announced that the increasing imports of fuel that have been coming into the country will drop when the refineries which have been shut down due to maintenance begin operation again.

Upgrader shutdowns affect PDVSA. The recurring shutdowns of the upgrader installations, which improve the quality of heavy and extra-heavy crude oil making into a lighter type of crude oil product fit for export, since August of 2009 has affected PDVSA's logistics. Menpet figures show that in January a shipment of 105 kb/d was imported, of which 82.4 kb/d was diluted crude oil. The vice-president of Exploration and Production, Eulogio del Pino, said that the company was forced to store the diluted crude oil in its installations in the Caribbean and import it in January in order to meet its export obligations.



Without reserves. The Minister of Energy and Petroleum and president of PDVSA, Rafael Ramírez, stated that the oil companies participating in the Carabobo would be able to register on the books their part of the crude oil reserves, but they would not be able to use these reserves as collateral to borrow. "They can register the reserves for accounting purposes, but they can not use them as collateral, they can't be used to borrow."

Increasing the recovery level is a challenge. During the announcements of the winners of the Carabobo project tender, the Minister of Energy and Petroleum, Rafael Ramírez, explained that in the Carabobo 1 and 3 blocks, the Original Oil In Place recovery factor is expected to be around 20%, but that there are estimates which suggest that it could be as high as 40%. The vice-president of Exploration and Production of Repsol, Nemesio Fernández, stated that it is not easy to increase recovery levels, "it's going to be a challenge in which the cooperation between the technical teams from PDVSA and the other companies will be fundamental." The companies will have between 25 and 40 years to extract said quantities of crude oil, but during that time the figures could increase.

Domestic oil production up in January. According to figures released by OPEC in its February report, Venezuelan domestic production increased by 4.6% in January to settle at an average of 2.364 million barrels a day (mb/d), up from the 2.259 mb/d produced the previous month. The figures represented an increase in production of 105 thousand barrels of crude oil per day. OPEC total production, including Iraq, was at 29.19 mb/d in January, up from the 29.13 mb/d posted in December thanks to production increases from Angola and Venezuela, while production dropped in Nigeria and Iraq.

Cut projections. The OPEC 2010 February report also pointed out that the cartel's oil basket at the beginning of February was trading at US\$69.76/bl, significantly down from the January average which was at US\$76/bl. The report also cut back its estimates of world oil demands in 2010 by 10 thousand barrels a day (kb/d) putting it at around 810 kb/d in 2010.

What does British Petroleum say? According to statements released by chief economist for BP, Christof Ruehl, crude oil will maintain its current price range throughout 2010, though some momentary price increase peaks are possible. Oil has been trading at a relatively stable range between US\$69/bl and US\$84/bl since the beginning of October. The same factors that made prices increase by almost 100% in 2009 (lower OPEC production, and the global economic recovery) will maintain prices in 2010 and fix the bottom for prices.

International baskets. Near New York Stock Exchange closing time on Thursday, February 18, WTI was trading at US\$79.0bl, up by 4.9% compared to the US\$75.3/bl it



closed at last Thursday. Brent was up by 4.8% compared to the US\$74.1/bl it closed on last Thursday February 11, to settle at US\$77.7/bl.

Venezuelan oil basket. The price of the Venezuelan oil basket dropped last week to close at US\$65.7/bl, down by US\$2.0 compared to the US\$67.7/bl of the previous week. The yearly average of the Venezuelan oil basket dropped to US\$69.9/bl.

Business Sector Tips

Some solutions may be at hand. Representatives of the state-run electric power sector, after having carried out a series of meetings, state that the equipment to be installed has been evaluated and that electric power generation could increase by 4,000 megawatts in 2010. They also pointed out that currently, Venezuela is exporting electric power to Brazil, around 80 megawatts. Brazil has stated that it is willing to stop importing electric power and is able to export power to Venezuela.

Bogota offers help. The Colombian Ministry of Mines and Energy offered to export electric power to Venezuela last Thursday. The offer, without it having been made official, was immediately rejected by the Venezuelan vice-president of the Republic, Elías Jaua. Notwithstanding, the Colombian Minister, Hernán Martínez, indicated that he would send a formal proposal. Following this, the Minister of Electric Power, Alí Rodríguez, stated that the Ministry is willing to listen to proposals offering electric power from any country. This shows discrepancies and a lack of coordination among the Administration's cabinet members.

Electric power ring for the Greater Caracas area. Government representative stated that after inspecting the Josefa Joaquina Sánchez (Tacoa) electric power generating station, made up of 4 thermal electric power units that in the short term increase electric power generation by 134 megawatts for the Electricidad de Caracas (EDC) (electric power company). The approximate investment is of US\$125 million. The EDC installed capacity is 1,750 megawatts, while the average demand is at 2,000 megawatts, with the difference coming from the Guri complex.

Electric power sector consuming more fuel oil. The National Electric Power System (SEN) has increased the amount of fuel oil it is using in order to generate more thermal electric power. The increase between December 2008 and 2009 was of 48%, going from using 188,900 tons to 279,700 tons. Upon comparing yearly accumulated levels between 2008 and 2009 we find that the increase was of 60.71%.



Gasoil demand also increased. The use of gasoil by thermal electric power generation plants increased by 17.7%, going from 231.4 million liters (61.1 million gallons) to 272.0 million liters (71.85 million gallons), between 2008 and 2009.

Giordani: US-dollar flow back to normal. According to Jorge Giordani, Minister of Planning and Finance, the assigning of foreign currency for imports through CADIVI is flowing normal since the end of January. Before the end of the month, US\$1.50 billion was liquidated. The Minister pointed out that the government has been issuing a constant flow of foreign currency. In February, around US\$130 million a day has been liquidated.

Meeting with the food sector. CADIVI authorities held meetings with representatives of the different chambers of the food and beverages sector in order to exchange information and evaluate the authorization process for acquiring foreign currency.

Bicentenario hypermarkets inaugurated. The Bicentenario hypermarket chain was inaugurated, thereby replacing the expropriated Éxito chain that is still in negotiations. It looks like the original owners of the Éxito chain, the Casino group, will transfer 80% of the shares to the State, thereby making it a mixed company. The transfer will include the Éxito chain and the Cada supermarket chain.

Expropriated Polar warehouses in Lara state. The President of the Republic ordered the immediate expropriation and evacuation of a number of warehouse facilities belonging to the Polar company located on Libertador avenue in Barquisimeto. The reason for the expropriation was to make room to build housing units, and since the warehouses are in the city limits and should be placed outside, thereby leaving city space to be used by the people. The company has enough resources to accommodate its warehouses outside the city.

Mining sector shrinking. The report released by the Venezuelan Mining Chamber shows the metal mining industry shrinking significantly in 2009. The president of the Chamber, Gilberto Sánchez Albornoz, stated that steel production dropped by 35%, while coal production dropped by 53%. Non-metal mining dropped by 30%.

Cell phone tariffs expected to change. Currently, the tariff to import cell phones is at 5%, while the tariff to import parts to assemble cell phones is between 10% and 15%. Venezuelan telephone company representatives are looking for a change in the tariffs which may allow them to assemble cell phones here.

Banco Real loans without collateral. Since Julio Herrera Velutini sold Banco Real in June to Pedro Torres Ciliberto, 55% of the loan portfolio was classified as being free loans, or loans without collateral.



More controls for brokerage houses. The Administration is working on measures to limit the volume of operations of brokerage houses in relation to their paid capital. The aim is to stop the investor's money being used in high risk operations. Brokerage houses in other countries have to guarantee US\$0.50 for every US\$1.00 invested.

Brokerage houses respond. Representatives from brokerage houses propose to create a collateral fund along the line of Fogade, but private or with participation from both sectors, as a means of insuring clients and investors resources.

World Crisis Tips

US consumer confidence down. US consumer confidence dropped slightly to 73.7 points from its two year high point registered last month (74.4) during the month of February according to surveys carried out by the University of Michigan. The market was expecting the confidence index to register 75 points. The personal finances component fell to its lowest point in 12 months, while the overall general feeling about how the economy was doing increased by 3.7% to its highest point since March 2008.

Greece used derivatives in order to enter European Union. The Euro dropped to its lowest point in nine months against the US-dollar. Markets have reacted very negatively to the evidence that Greece used derivative instruments in order to lower its debt in 2001 so that it could enter the European Union. The Greek Finance Minister stated that the government hadn't done anything wrong, that such practices were legal back then and that since they have been made illegal, the government has not used the instrument again.

Greece promises to lower its deficit by 4%. Greece' fiscal deficit is close to 13% of its GDP, four times higher than what is allowed by the European Union (EU) and its debt quotient over GDP is 120%. The government of Greece has promised to lower its deficit by 4% points by the end of the year and to lower it another 2.8% by 2012. The EU will be forced to bail Greece out in order to avoid market tremors to spread to Spain, Italy, and Portugal, countries which also have fiscal problems, though no where as bad as Greece.

Dubai World will try to re-structure its debt. The conglomerate of businesses known as Dubai World, responsible for a number of eccentric building projects in Dubai, among them Island World and Island Palm, will try to re-structure US\$22.0 billion in international bonds. The initial proposal is to pay 60% of the nominal value of the bonds in installments up until 2017, paying the interest in 2017, but with a



sovereign guarantee by the Dubai government. The proposal was rejected by investment banks and individual investors. Dubai Credit Default Swaps reached historic high levels, above 650 points, even higher than in November month, when the maturity date of the bonds was extended six months.

Inflationary outbreak in England. The UK National Statistics Office reported that consumer prices continued to increase during the January going from a Y/Y inflation rate of 2.9% to 3.5%, the highest increase in inflation since November 2008. Consequently, the Governor of the Central bank was forced to write a letter to the Chancellor explaining that this increase in prices is not permanent and will be back to normal by the second semester of the year. But, if inflation does not return to its expected level, then the Bank of England will have to increase its interest rates quicker than it would have liked and the monetary expansion plan will have to be suspended.

Japan grows by 4.6% during the fourth quarter 2009. The second largest economy in the world increased its economic growth by 4.6% of GDP (SAAR), but third quarter figures were adjusted downward from 1.3% to 0% by the Bank of Japan. The foreign sector was the main contributor to this growth with exports increasing by 21.7% (SAAR), while imports only increased by 5.3% (SAAR).

Consequences of the crisis. At least 14 million Latin Americans have returned to poverty due to the effects of the crisis, according to estimates of the World Bank (WB), stated Felipe Jaramillo, director of the WB in Bolivia, Ecuador, Peru, and Venezuela. *"The subject that most concerns us in poverty; we keep a close eye on poverty calculations and indicators; it does not make us very happy to see that these indicators which have been steadily improving in Latin America for the past eight years, now have stalled due to the crisis."* According to the director of the WB, in 2009, poverty levels returned to where they were in 2007, erasing the last two years improvements.

Political Tips

National Assembly to investigate Rodríguez and Porras. Léster Rodríguez, Mayor of Mérida, Baltazar Porras, first vice-president of the *Conferencia Episcopal Venezolana* and Mario Bonucci, rector of the *Universidad de Los Andes*, will be investigated by the Domestic Policies Commission of the National Assembly pertaining to the events which occurred in the Andean region and which left two students dead. National Assembly representative, Iris Varela, stated that behind these events are "macabre political interests." The Governor of the state and leader of the PSUV,



Marcos Díaz Orellana, is only being “invited” to the National Assembly to share any information he may have regarding the events.

Chávez demands that Falcón and Sáez work together. In order to gain another political victory in the upcoming elections, Chávez demanded that his allies in Lara state work together. During the inauguration of the Bicentenario hypermarket in Barquisimeto, the President reminded the Governor and the Mayor that “there is no way out but to work together, because if not, you’ll be left out.”

1 month = 7 Ministers replaced. Ramón Carrizales replacement was only the beginning of a wave of replacements and resignations. The last change, and most surprising, was the replacement of the Minister of trade and the president of the Indepabis, Eduardo Samán, who was replaced by Richard Canán, who was the vice-minister of Agriculture Economy. Other who were replaced were: Carlos Rotondaro, Minister of Health (“due to health concerns”), Ramón Carrizales, vice-President and Minister of Defense (personal reasons), Yubirí Ortega (Carrizales’ wife), Minister of Environment, Eugenio Vásquez, president of Banco de Venezuela and minister of the Public Banking System; Pedro Morejón, Minister of Tourism , and Héctor Soto Minister of Culture.

Youth front to fight against “fascists.” In his latest statements, the President says that youth must flock to this Front in order to fight against fascism. He also reminded the authors of the well known slogan “*Tas ponchao*” (you’re outta here), that these adversaries use young people to create disturbances and perturb the country.

Only 12 out of 22 primaries. With respect to the upcoming parliament elections, only 12 of the 22 districts traditionally favor the opposition. Of the districts traditionally chavista, the opposition has a chance to fight for the seat in districts 1 and 3 in Anzoátegui state, and district 3 in Táchira state and district 1 in Zulia state.

Jorge Rodríguez: we don’t want to harm any workers. Jorge Rodríguez, Mayor of Libertador Municipality, in recent statements said that the Francia building located in from of Plaza Bolívar in Caracas, was built as an office building and now there are 91 jewelry stores occupying the building, with no papers to certify the properties they occupy. He also stated that he was not out to hurt any workers, that they should take their case to the legal offices of the municipality in order to defend their rights.

Demographic study results. Two weeks ago, a demographic study of the country began and it is expected to be concluded by April. Elías El Juri, president of the national Statistics Institute (INE), explained that the demographic study will provide updated information regarding birth rates, mortality rates, migrations, and other related areas.



“Colombia’s offer is a political operation.” Alí Rodríguez Araque, Minister of Electric Power doubts the sincerity of the energy proposal offered by Colombia, saying that it is a political operation that tries to put the country in a defensive posture.

Chávez will not travel to Ecuador. The Extraordinary Summit of South American Nations Union held in Ecuadaro did not count with the attendance of President Chávez because he was otherwise occupied with the countries current energy crisis.

Ravell is out. Director and shareholder of the Globovisión news television station, Alberto Federico Ravell, announced his resignation. A press release stated that *“Globovisión would like to inform the public that our General Director, Alberto Federico Ravell; friend, colleague, founder, director and partner of this company has resigned from his position.”* The statement continued to say that Ravell had resigned but remains as a shareholder of the network founded 15 years ago. More specific reasons for his resignation were not given. The newspaper *El Nacional* published that unknown shareholders had pressured for a modification in the stations editorial line and the resignation of Ravell and Leopoldo Castillo.

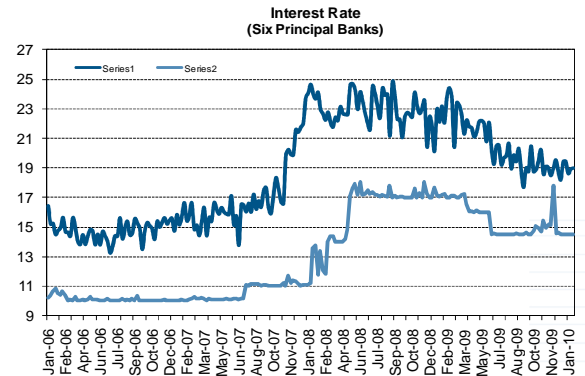
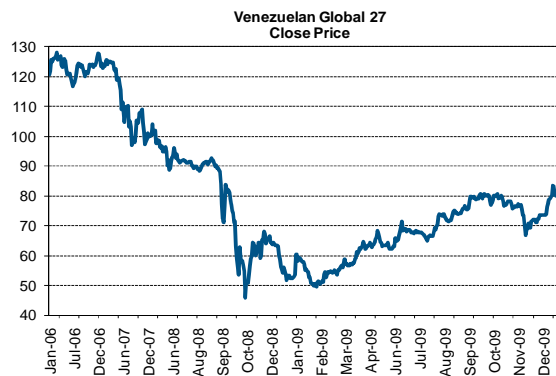
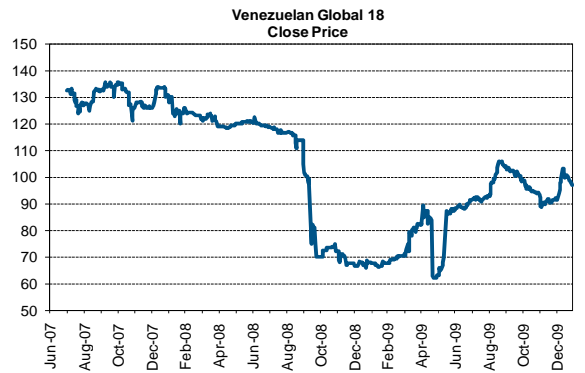
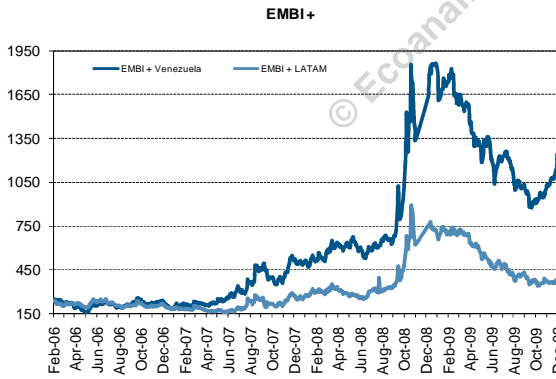
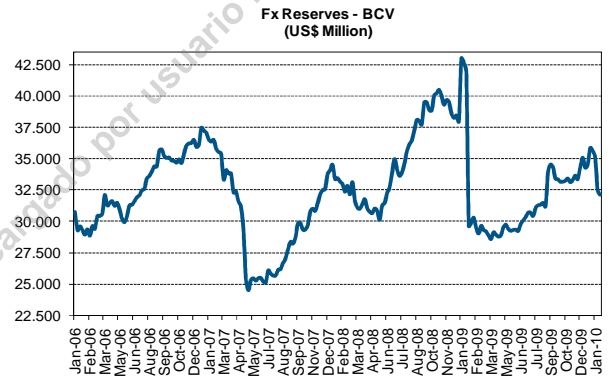
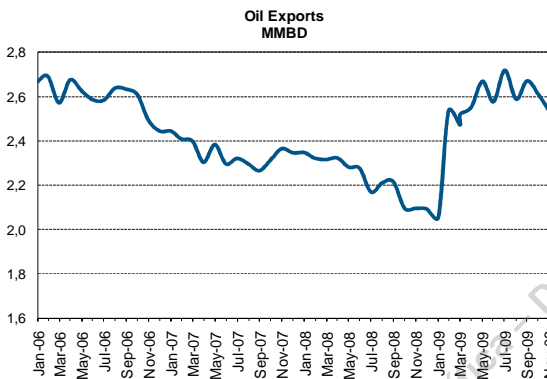
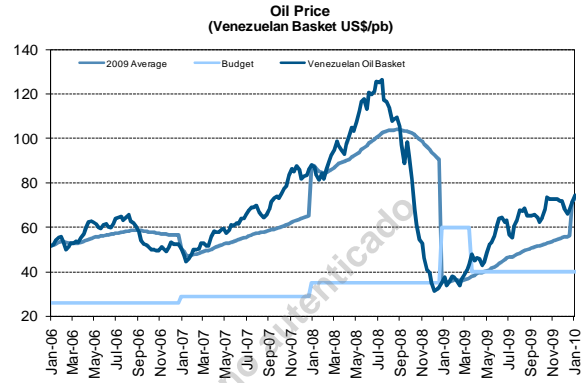
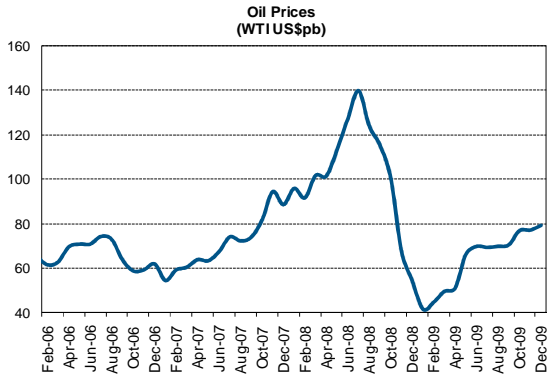
New president for FOGADE. In accordance with presidential Decree No. 7.229, published in the *Gaceta Oficial* No. 39.364, the new president of Fund for Deposits Guarantees and Banking System Protection (Fogade) is David Alejandro Alastre. Alastre replaces Humberto Ortega Díaz, who will be the head of the Ministry of State for the Public Banking System and the Banco de Venezuela

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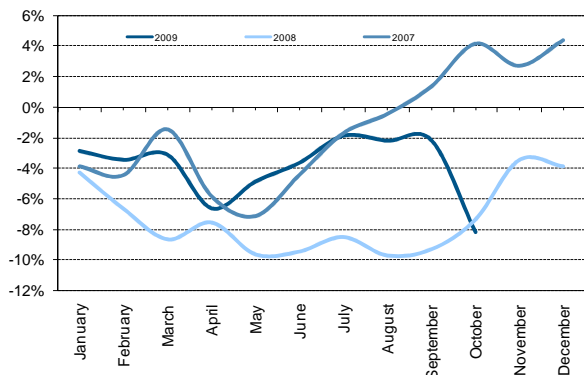


ECONOMIC OVERVIEW

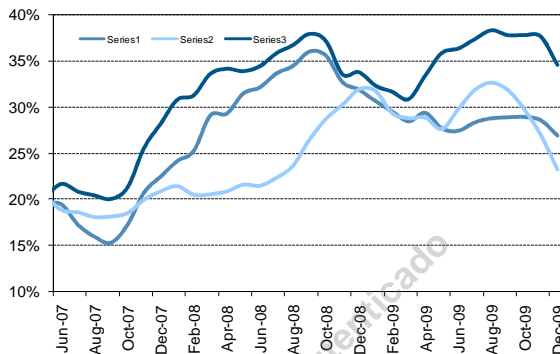




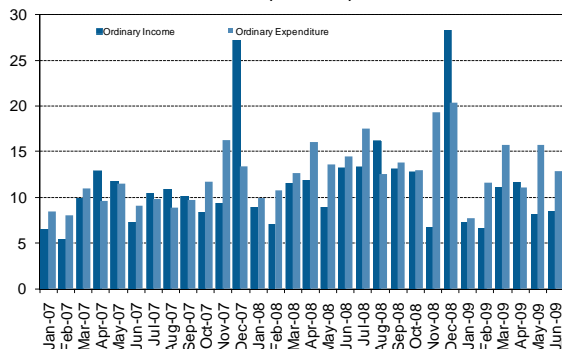
Real Expansion (M2)



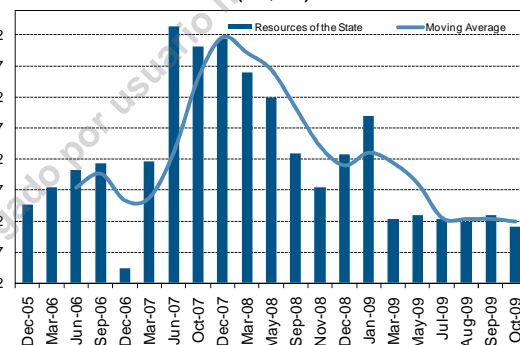
Inflation (Last 12 Months)



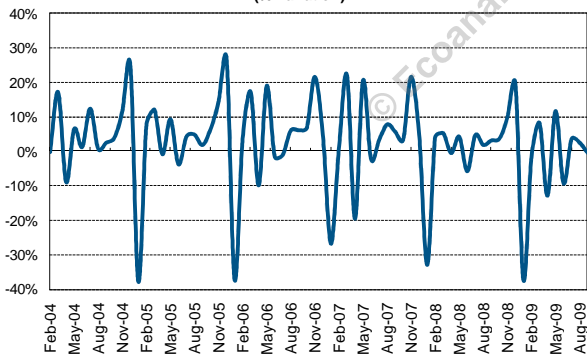
Central Government (VEB Billion)



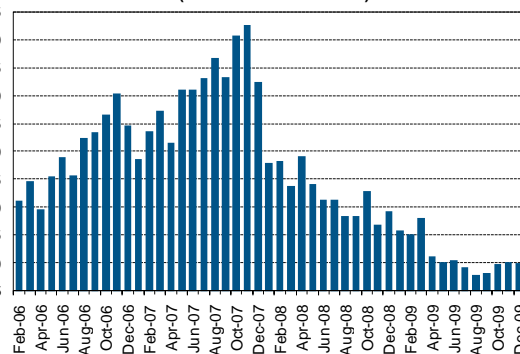
Resources of the State (US \$ MM)



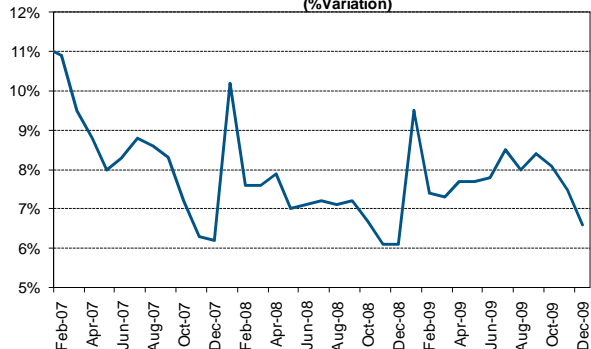
Volume of Sales (% Variation)



Sale of Vehicles (Thousands of Sold Units)



Rate of unemployment (%Variation)



Disbursement (US\$ Million)

