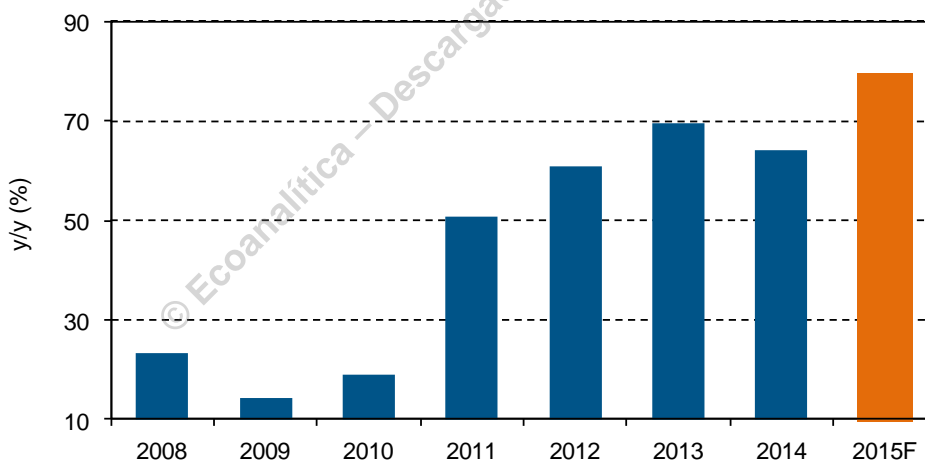


Don't let's drown in liquidity

The expansion of liquidity in recent years has been one of the hallmarks of this government. Since 2010, nominal liquidity has grown at an average of 52.9% a year. In 2014, even when policies were implemented that, in theory, should have curbed the expansion of money in the economy –increase in the legal reserve, the startup of SICAD II, and the holding of special foreign currency auctions by the Central Bank of Venezuela (BCV)-, liquidity grew by 64.0% in nominal terms and by 0.1% in real terms.

Nominal growth of liquidity



Sources: BCV and Ecoanalítica

Given that 2015 is an election year, a reduction in monetary liquidity in the system is unlikely. The government's favorite recipe in election years is to increase public spending with transitory compensation measures that expand liquidity in the system. However, a new foreign exchange mechanism, which is expected to be a free-float system, could have an impact on the amount of money in the economy.

In this weekly report, we are going to take a look at what drives the growth of liquidity in the economic system, what the effects of excess liquidity are, and what the monetary scenario is for 2015.

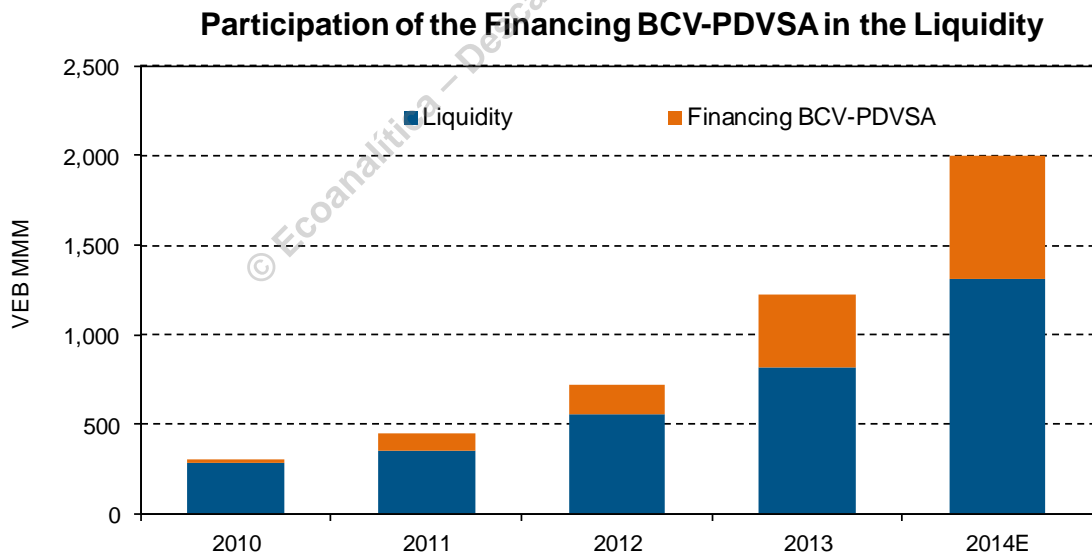
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The “financing” engine

Money supply is determined jointly by the BCV and the national banking system. The BCV operates via operations in the open market to contract or expand money supply depending on the needs of the economy; the banking system uses credits and loans as its main tool.

In Venezuela, one of the accounts that has driven the expansion of the monetary mass most is the BCV's financing of Petróleos de Venezuela, S.A. (PDVSA). In 2010 that financing accounted for 6.5% of the monetary mass and in 2014 it accounted for 34.5%, an increase of 28.0 percentage points in just four years.

Since PDVSA is not able to sell part of its foreign currency revenues at an exchange rate higher than VEB 6.3/US\$ in order to cover its costs in bolivars, it needs financing. Consequently, as long as the state-owned oil company does not sell its foreign currency, or at least part of it, at a higher exchange rate than the one set by Cencorex, the BCV's financing of PDVSA is not going to get less.



Sources: BCV and Ecoanalítica

Hopefully the cycle will be broken

At **Ecoanalítica** we are of the opinion that, if PDVSA is allowed to participate in the Marginal Foreign Currency System (SIMADI), not only with the foreign currency generated by energetic agreements, but with those that come from oil exports, there

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could be a contraction in money supply scenario. PDVSA would be able to swap its revenues in foreign currency in the new foreign exchange mechanism, which we estimate will start off with an exchange rate that will fluctuate between VEB 125/US\$ and VEB 145/US\$. With the sale of just US\$1.96 billion in the new market, at an average exchange rate of VEB135,0/US\$, PDVSA could cover the financing it received from the BCV in 2013 and 2014. This does not mean that Pdvsa will pay the accumulated debt with BCV.

The banks also contribute

As mentioned earlier, the banks also contribute to the expansion of liquidity in the system. Unlike the BCV, the banking system cannot print bolivars to finance the deficit. However, it can multiply the bolivars in the economy by giving credit and via other bank operations.

At **Ecoanalítica** we calculate that the monetary multiplier in the economy, which is a mechanism whereby the monetary mass is expanded, is in the region of 2.4. That means that, for every VEB 100 deposited in the banks, the banks can multiply them to VEB 240.

The two main tools for controlling the monetary multiplier are the legal reserve and expectations. Therefore, if the monetary authorities want to reduce liquidity in the system generated by the banks, they have two options: increase the legal reserve and/or create incentives to get liquidity to contract. Putting up interest rates, performing open market operations, and encouraging saving are all policies that the authorities in charge of monetary policy could implement in order to reduce the quantity of bolivars generated by the banks.

Anything in excess is bad

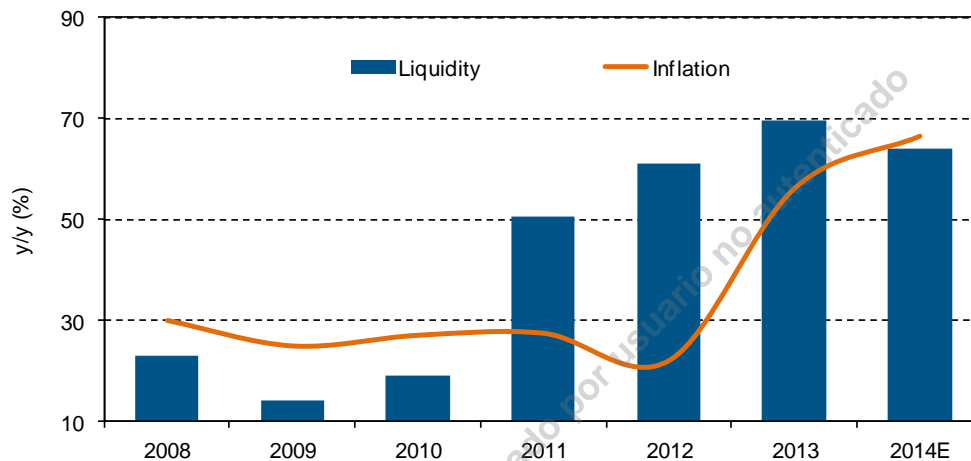
Expansion of liquidity in the system does not necessarily have to be something bad. Economic theory teaches that an increase in liquidity can encourage economic growth. However, when there is excess liquidity negative effects can be generated in the economy, the most harmful being inflationary pressures and depreciation of the nominal exchange rate.

Inflationary pressures: An expansion of the monetary mass brings with it an increase in the demand for goods and services. When there is not sufficient supply to respond to the growth in the amount of money in the economy (as happens in the case of

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Venezuela), obeying the law of supply and demand, prices in the local market will tend to increase, thus generating the process we know as inflation.

Nominal Growth of Liquidity vs. Inflation



Sources: BCV and Ecoanalítica

Pressure on the exchange rate: When there is an excess of liquidity, the money in the local economy tends to lose its value¹ and, therefore, there is an increase in the demand for securities and in the demand for foreign currency. In our specific case, one of the assets in greatest demand by the domestic economy is foreign currency, more specifically the dollar.

When the demand for dollars increases, the bolivar-dollar exchange rate tends to depreciate; in other words, the bolivar loses value. This is due to the fact that, when there is an excess of bolivars and there is no increase in the quantity of dollars available in the economy, the demand for dollars increases, thus generating an increase in the price of the dollar or, looked at from the side of the local economy, the bolivar gets cheaper.

Given that there are exchange controls in Venezuela, the increase in the demand for foreign currency will be reflected in the parallel foreign exchange rate: as the monetary mass expands, the parallel exchange rate will depreciate, generating a spread between the official and unofficial exchange rates. The spread between the official and unofficial exchange rates is currently 2,927.8%.

¹ An increase in money supply that is not met with an equal increase in the demand for money will generate a loss of value of money; therefore, individuals are going to demand more securities and foreign currency, which causes those assets to become more expensive (inverse relationship between interest rates and the price of financial assets).

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At **Ecoanalítica** we consider that these distortions are going to get worse in 2015. For years, the country's productive fabric has been deteriorating, to the point where in the third quarter of last year (3Q2014), aggregate supply (imports plus local products) contracted by 3.2 percentage points. Given a scenario of a contraction in the supply of goods and services and an increase in money supply, increases in prices are inevitable.

Moreover, the sharp drop in oil prices and the contraction of production will reduce the country's foreign currency revenues in 2015. Therefore, with less foreign currency available and a larger quantity of bolivars in the domestic economy, depreciation of the exchange rate is unavoidable.

What will exert the most influence?

While SIMADI is not the only economic policy that is needed to curb the growth of monetary liquidity, it is a start. To the extent that companies and private individuals use this market and burn the surplus bolivars, in the best case scenario, there could be a contraction in monetary liquidity.

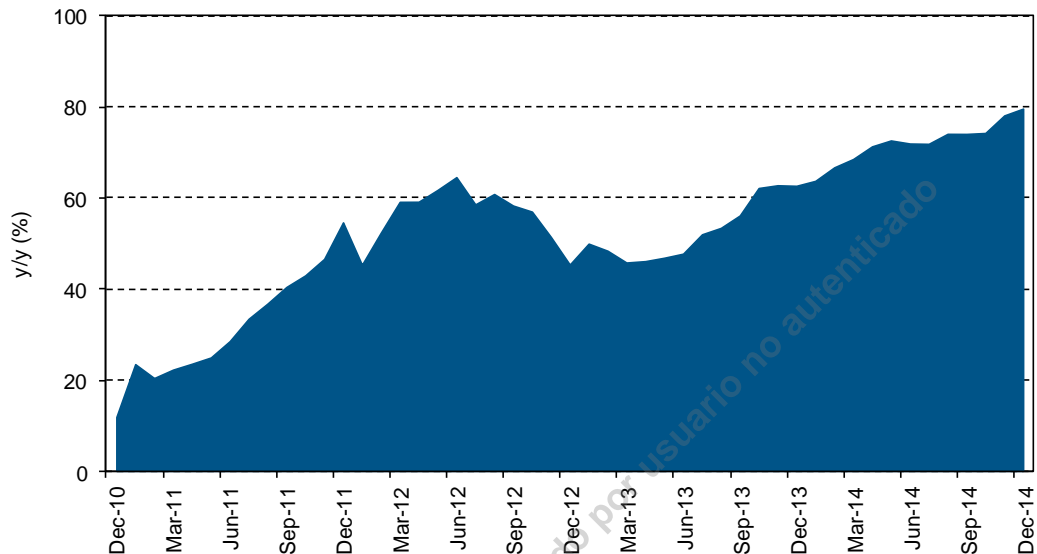
However, it all depends on which exerts more influence: the government's capacity for expanding liquidity or the system's success in absorbing the liquidity in the system.

Don't miss the opportunities

In every crisis there are always opportunities. At **Ecoanalítica** we recommend that our clients use the high level of liquidity to their advantage. The expansion of credit is inherent to monetary expansion. Given the negative interest rates and high inflation that "eats up" the debt, borrowing is still an option.

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Growth of the Credits Portfolio



Sources: Sudeban and Ecoanalítica

If there are funds accumulated with a low return on capital, the ideal would be to use the new foreign exchange system to be implemented shortly. Buying assets that maintain their value -real estate, automobiles, and securities, for example- is also a valid strategy; once again, use credit as an ally.

The outlook for 2015 is not at all promising. It is a year that will demand staying power. The adjustments will be haphazard and slow in coming and will only serve to put out fires. The deterioration of the local economy is a fact. The key for survival lies in how we deal with the crisis and how we turn any difficulty into an opportunity.

Lesner Castillo

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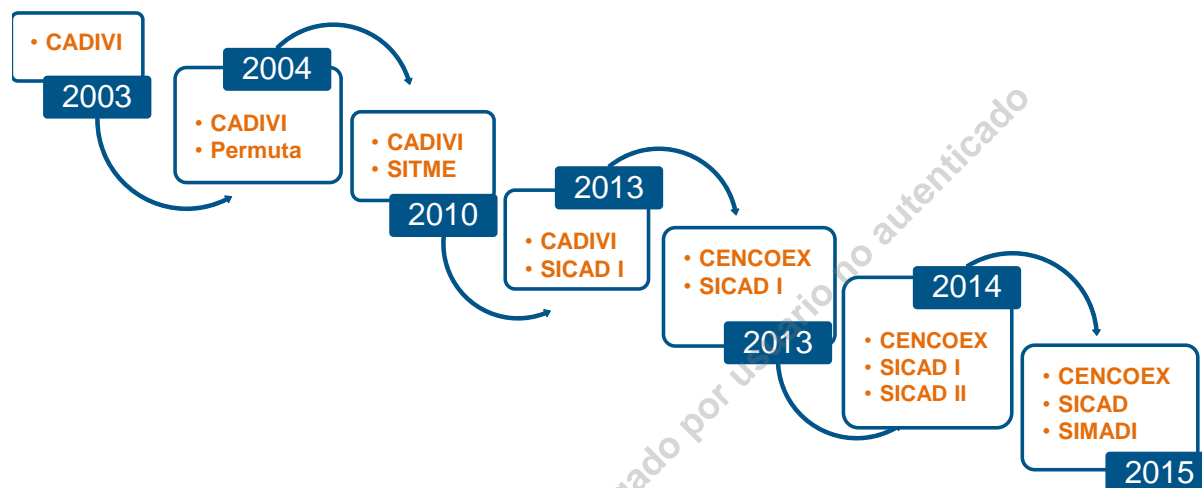
WEEKLY INDICATORS

Weekly Economic Indicators			
	4th week January	Weekly var. (pp)	Annual var. (pp)
Lending interest rate (%)	19.36	0.8	2.51
	4th week January	Weekly var. (pp)	Annual var. (pp)
Overnight interest rate (%)	0.16	-0.084	0.094
	1st week February	Weekly var. (%)	Annual var. (%)
International reserves (MM US\$)	21,629	-4.0	3.9
	1st week February	Weekly var. (%)	Accum. Var. (%)
Central Government spending (MM VEB)	11,041	-53.5	39.3
	4th week January	Weekly var. (%)	Annual var. (%)
Monetary liquidity (MMM VEB)	2,045	1.3	62.4
Prices of international oil baskets (US\$/bl)			
	1st week February	Weekly var. (%)	Annual var. (%)
WTI	49.96	10.6	-48.6
Brent	55.28	13.2	-48.0
Price of the Venezuelan oil basket (US\$/bl)			
	1st week February	Weekly var. (%)	Annual var. (%)
Weekly average	44.64	15.0	-53.5
Annual average	41.94	1.3	-56.2

Sources: BCV, Menpet, ONT and Ecoanalítica

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GRAPH OF THE WEEK: THE EXCHANGE MADNESS IN VENEZUELA



SICAD II

Supply through SICAD II (US\$ MM)					
Day	Total daily	Public Sector	(%)	Private Sector	(%)
1-21-2015	16.0	15.9	99.4	0.1	0.6
1-22-2015	14.8	14.5	98.0	0.3	2.0
1-23-2015	14.0	13.9	99.3	0.1	0.7
1-26-2015	15.3	15.2	99.3	0.1	0.7
1-27-2015	12.6	12.4	98.4	0.2	1.6

Source: Ecoanalítica

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ECONOMIC TIPS

Food basket increased by 6.8% in November. According to figures released by the National Statistics Institute (INE), the food basket value was VEB 6,382.6 in September, up 6.8% from October and up 90.7% from November 2013, thus meaning that the reference food basket increased VEB 3,035.3 in one year.

Rice registered the highest cost. VEB 96.0/kg was used by a family to buy these products, up 44.7% points from the previous month. The second most expensive group was whole milk powder, for which VEB 122.9/kg was used by a family and registered a monthly variation of 35.5%.

Minimum wage only covers 66.6%. All this means that the minimum wage was insufficient to purchase basic food in the month of November, since a worker who accrued a minimum wage of 4251.4 VEB just could buy the 66.6% of the basket calculated by the INE.

From the creators of CADIVI, SICAD, and Cencorex... Minister for the Economy, Finance, and Public Sector Banks Rodolfo Marco Torres revealed the new Marginal Foreign Currency System (SIMADI), which, he explained, would be a *“free system where there are going to be offerors and the market itself is going to decide the exchange rates.”* Companies and private individuals who have accounts in foreign currency in Venezuela will be able to take part in this system. According to the minister, there will be 3,792 points of sale to cater to this market.

SIMADI revealed. According to information gathered by **Ecoanalítica** the new foreign exchange market will start off with an exchange rate of between VEB 130.0/US\$ and VEB 140.0/US\$. The supply of foreign currency to this market from the public and oil sectors will come from PDVSA (US\$2.0 billion), oil companies and partners (US\$1.5 billion), and extra-budgetary funds (US\$1.0 billion from bonds of the Republic and US\$3.0 billion from PDVSA bonds), for a total of US\$7.5 billion.

The dollar at VEB 50/US\$ is to disappear. Minister Rodolfo Marco Torres announced that raw materials, food, and medicines will continue to be imported at VEB 6.30/US\$, which guarantees that 70.0% of imports will be purchased at that exchange rate. As for SICAD I and SICAD II, they are to be

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merged into a single system that will be at the last SICAD I rate, i.e. VEB 12.0/US\$.

There are some restrictions. The president of the National Securities Operators Association (ANOV), Ricardo Montilla, stated that the efficiency of the new foreign exchange system is “ironclad.” He also explained that the clearance and disbursement of securities and cash will be conducted through the Venezuelan Securities Exchange. Last of all, he said that those interested in participating in the new system should sign up with the sector’s register and have an account in foreign currency at a domestic bank.

Abroad they see us in default. The credit rating agency Standard & Poor’s downgraded its rating of Venezuelan bonds from CCC+ to CCC. They explained that, apart from the drop in oil prices, the economic recession, high inflation, and growing shortages have weakened the government’s public support, possibly reducing its political margin for introducing difficult corrective economic measures that could improve its external liquidity position.

Marco Torres doesn’t see things that way. Referring to payment of the debt, Minister Rodolfo Marco Torres stated that “*the government will continue to honor its international and domestic liabilities.*” He recalled that payment of Venezuela Bond 2031 had already been made and that they already have the funds to pay the US\$2.0 billion in interest and the redemption of bonds falling due in March.

Start of bond repayments. Minister Rodolfo Marco Torres stated that Venezuela paid US\$251.0 million in interest on Venezuela Bond 2013. This is equivalent to 45.0% of the Central Government’s debt servicing for February, leaving payment of US\$43.1 million for Venezuela Bond 2016, US\$71.7 million for Venezuela Bond 2018, and US\$191.3 million for Venezuela Bond 2022 still pending.

Back to square one in three months’ time. The 15.0% increase in the minimum wage and in the pensions for government service and Venezuelan Social Security Institute pensioners effective February 1 was authorized in *Gaceta Oficial* N°. 40,597. This increase brings the minimum wage to VEB 5,622.5. At **Ecoanalítica** we estimate that inflation will eat up this increase in about three months.

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Seniat gets cracking. According to the Superintendent of the National Integrated Customs and Tax Administration Service (Seniat), tax receipts in January came to VEB 45.1 billion. At **Ecoanalítica** we estimate that this is equivalent to an increase in receipts in real terms of 9.0% compared to the same period in 2014, in a situation where, in the budget, taxes are 11.5 percentage points higher than those budgeted for last year.

Spending down in January. At the close of January, the National Treasury Office (ONT) posted a reduction in public spending of approximately 18.8% in real terms compared to January 2014. Most of this reduction was due to the drop in legal contributions via the Inter-territorial Compensatory Fund and the Constitutionally-mandated Revenue Sharing Scheme, which fell in real terms by around 61.4%.

OIL TIPS

OPEC has raised its demand forecast. The Organization of Petroleum Exporting Countries (OPEC) has forecast that global demand will grow by 1.17 million barrels a day (mb/d) to 92.32 mb/d in 2015. This increase, according to OPEC, will be positively driven by the drop in crude prices.

Less supply as well. OPEC has pointed out that the 50.0% reduction in prices, which started in June 2014, will slow down production in the United States (US) and in other countries sooner than expected, as a result of which it has cut its forecast for the growth in supply from producers outside the group from 1.27 mb/d to 0.85 mb/d to average 57.09 mb/d. The drop in supply outside OPEC will also be affected by less capital investment by energy companies.

The supply-fest is to continue. According to the International Energy Agency (IEA), the US will continue to be the main source of the increase in world crude output up until 2020 even after the recent sharp drop in prices, thus defying expectations of a dramatic slowing down in the expansion of the pumping of shale oil. The IEA said that the growth in US nonconventional crude supply will slow down quite a bit initially but will gather momentum later, taking production to 5.2 mb/d by 2020.

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Another year when production fell. According to direct OPEC sources, the production of Venezuelan crude averaged 2.68 mb/d in 2014 for a drop of 114,000 barrels a day (kb/d) compared to the average for 2013 (2.79 mb/d). According to information from secondary sources, production averaged 2.33 mb/d in 2014 and only fell by 23 kb/d compared to 2013. These figures indicate that PDVSA's production fell for the third year running.

Citgo places bonds. Citgo Holdings, PDVSA's refining affiliate in the US, placed a five-year bond in the amount of US\$1.5 billion with a yield of 12.0%. The bond is part of a bigger financial package that also includes a three-and-a-half-year bank loan. The purpose of the bond is to pay PDVSA a dividend.

Good trading partners despite everything. According to Reuters, sales to the US of new Venezuelan oil blends made with imported crude doubled in January to 176 kb/d, but the increase was not enough to counteract the drop in total shipments to the US. PDVSA and its joint ventures sent a total of 736 kb/d to the US last year, down 10.5% from December. PDVSA's refining unit in the US, Citgo Petroleum, absorbed the lion's share of these exports.

And now Citibank has also revised downward. The investment bank cut its crude price forecasts and said that the oil market would bottom out between the end of the first quarter of the year and the start of the second. Citibank cut its forecast for the average price of Brent crude in 2015 to US\$54.0/bbl. from US\$63.0/bbl. *"It's impossible to call a bottom point, which could, as a result of oversupply and the economics of storage, fall well below US\$40 a barrel for West Texas Intermediate (WTI), perhaps as low as the US\$20 range for a while,"* said the investment bank in a note to its clients.

Are the bad times over? Last week, crude prices rallied due to the increase in violence in Libya and expectations of an increase in demand for crude from China, thanks to its central bank's monetary easing measures that helped the market to recover from a sharp drop, which pushed the average price for the Venezuela oil barrel up by US\$5.8. Even so, many continue to be pessimistic with regard to the market posting a sustained increase and operators and analysts said that they forecast greater volatility in the next few days.

Venezuela suspends purchases from Algeria. PDVSA has suspended the purchases of light Algerian crude it started in October to blend it with the extra heavy crude from the Orinoco Oil Belt (FPO) due to technical problems

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and disagreements with the seller. Differences over the price of the crude and the impossibility of importing large quantities on a regular basis were the factors that led to the decision.

Supply dropped in January. According to IEA figures, in January global supplies fell by 235 kb/d to 94.1 mb/d due to lower OPEC and non-OPEC production. OPEC output fell by 240 kb/d in January to 30.31 mb/d because of lower output from Iraq and Libya. Moreover, the agency expects the reduction in investment to have an impact on non-OPEC supply in 2015 and that non-OPEC supply will grow by only 800 kb/d in 2015.

England says “no” to fracking. England is getting ready to ban fracking in 40.0% of the areas where there are reserves that could be extracted using this technique. The Labor Party has proposed imposing the ban in national parks, areas of outstanding natural beauty, sites of specific scientific interest, and groundwater source protection zones. According to a report by Greenpeace, only 3.0% of the 931 blocks that are to be awarded are not located in or covered by protected areas.

BUSINESS SECTOR TIPS

New car sales down by 5.4%. According to figures from the Venezuelan Automotive Chamber (Cavenez), January's new car sales down 5.4% compared to the same period of 2015. Out of the total sales, 679 vehicles were manufactured inside the country, while 4 were imported. These groups registered a decrease of 4.7% and a decrease of 71.4% respectively.

Car production increased 63.5%. The latest figures of Cavenez show that the January production increased 63.5% in one year, from 296 vehicles in January 2014 to 484 vehicles in 2015.

Less industry, fewer jobs. According to the president of Conindustria, Eduardo Garmendia, domestic industry has seen the number of manufacturing establishments shrink from 11,117 in 1998 to 7,093 today, which reveals the need to introduce corrective measures into the way the current economic policy is being conducted. Furthermore Garmendia pointed out that the number of direct jobs in industry had also shrunk, from 449,636 in 1998 to 345,168 this year, a drop of 23.2%.

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We're importing because we're not producing. According to Eduardo Garmendia, the president of Conindustria, used capacity in the country's industrial establishments was 50.5%, in 1Q2014, a drop of 9.9 percentage points compared to 1998. Garmendia recalled that, in order to cover the domestic deficit, the government has opted for resorting to imports, which requires using foreign currency to guarantee food security, when the authorities' efforts should be focusing on eliminating the bottlenecks producers have to contend with.

Construction is doing worse than was thought. Aquiles Martini Pietri, the president of the Real Estate Chamber of Venezuela, reported that there was a drop of more than 70.0% in housing construction in 2014 due to the lack of materials. The figures put out by the association differ widely from official figures, according to which 126,000 housing units were built in 2014, 37.3% fewer than the 201,000 units finished in 2013.

The private sector wants to contribute its grain of sand. The president of the Venezuelan Construction Industry Chamber, Jaime Gómez, claimed that no fewer than 300,000 housing units a year need to be built in order to deal with the housing deficit, which currently stands at 2 million homes. Gómez applauded initiatives such as the Great Venezuela Housing Mission (GMVV), although he regretted that the private sector had not been called upon to participate and that the government had decided to "*undertake the construction of housing by dint of dollars and international agreements.*"

No more dollars for the airlines. According to unofficial sources, Minister for Aquatic and Air Transport Giuseppe Yoffreda has apparently informed several international airlines operating in Venezuela that they will not receive disbursements of dollars for air tickets sold in 2015. Since 2014, the government has accumulated a sizeable debt with international airlines, which led to a considerable drop in ticket sales. It is highly likely that, as a result of the new measure, from now on tickets will be offered in foreign currency.

Release the dollars. The second vice president of Fedecámaras, Carlos Larrazábal, claimed that the government's freeze on dollars for companies has caused "*a total shutdown of a country that depends on dollars.*" Larrazábal considers that it is impossible for the private sector to obtain foreign currency from its own exports since "*the (international) markets have*

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been lost as a result of the government's policies," and he estimated that the debt the government has with industry currently comes to US\$10.0 billion.

Putting a stop to the resale of essential products. Miguel Pérez Abab, the president of Fedeindustria and spokesman of the Economic General Staff Presidential Commission, has given assurances that they are working to dismantle the profiteering chain that has been created around the subsidies. Pérez Abab said that citizens who are unable to stand in the lines, who are unable to buy at the regulated prices, have no other choice but to buy from those who resell essential products.

"PVJusto" deadline moved to end of February. Fair Prices Superintendent Andrés Eloy Méndez announced that they are "reaching agreements" so that the marking of products with the Fair Sales Price (PVJusto) can start in the second half of February. Because of operational and technical issues, the agency is to give companies another extension to the deadline for marking the price on all their products. This is the fourth extension of the deadline for implementing the PVJusto measure, which should have gone into effect on February 7 for producers and on February 17 for importers.

WORLD ECONOMY TIPS

United States posted strong growth in jobs and wages in January. According to the US Bureau of Labor Statistics, the number of nonfarm workers increased by 257,000 in January, which is a sign that the economy is getting stronger. This raises the possibility, once again, of the Federal Reserve putting up interest rates in the middle of the year. Moreover, even though the unemployment rate went up by 0.1%, this was due to an increase in the working population, a sign of confidence in the job market.

Drop in Chinese imports, a bad sign. China's imports fell by 19.9% (y-o-y) in January due, mostly, to lower purchases abroad of coal, oil and other commodities, reflecting the considerable slowing down of the world's second largest economy. The drop in imports was the biggest since May 2009, when China's industry was still adjusting its inventories in the wake of the international financial crisis.

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Japan isn't managing to balance its finances. Japan is expected to continue posting a primary budget deficit in 2020, even if it implements the new increase in the consumer tax and revives its economic growth, according to the latest forecasts by the Japanese Government. The primary budget deficit came to 3.3% of GDP in 2014 and, in the best case scenario, will be reduced by half (1.6%), thus failing to meet the government's target of getting out of the red. The Japanese Government plans to present a new fiscal plan next summer with which it hopes to obtain a surplus in its primary budget in 2020.

The Eurozone is showing signs of life. The latest composite leading indicators from the Organisation for Economic Cooperation and Development (OECD), designed to detect points of inflexion in the main economies, point to stable growth in the majority of the large economies of the Eurozone and signs of an upturn in Germany, Italy, and Spain. Composite leading indicators also point to stable growth momentum in the OECD zone as a whole and in some of the main economies, such as the US, Canada, Japan, China, and Brazil, according to the OECD.

Germany's trade surplus up in December. Germany's exports posted their biggest increase in December since September (3.4% year-on-year), whereas imports fell by 0.8% (y-o-y), according to data published by Germany's Federal Statistical Office, which gave a trade surplus of EUR 21.8 billion in December. It is to be expected that the external sector will continue to post sizeable surpluses in the coming months, given the weakness of the euro as a result of the expansive monetary policy being implemented by the ECB.

Neither bailout nor austerity. Recently elected Prime Minister Alexis Tsipras presented his plans for dismantling Greece's "cruel" austerity program, discarding the possibility of extending the international bailout package. Tsipras said that he would reinstate the bonuses for pensioners, put a stop to mass layoffs, and raise the minimum wage to the level it was at prior to the crisis, which would cancel the reforms imposed by Greece's international lenders.

If Portugal could, why can't Greece? Portugal's Minister for Economic Affairs Antonio Pires de Lima discarded any type of debt renegotiation for Greece, saying that the Athens Government had to abide by the game rules established by the members of the Eurozone, particularly bearing in mind the

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sacrifices that had to be made by Portugal, which also had to request a bailout. Portugal left the three-year 78-billion-euro bailout package granted by the European Union (EU) and the International Monetary Fund (IMF) last year, when its economy grew for the first time since the crisis broke in 2010.

A house of cards. In the opinion of Greece's Finance Minister Yanis Varoufakis, if Greece is forced to leave the Eurozone, other countries will follow it and the monetary bloc will collapse. Varoufakis claimed that the problems of Greece's debt should be solved in the context of the rejection of the austerity policies by the Eurozone as a whole, and he called for a mass new-deal-style mass investment program financed by the European Investment Bank.

Emerging countries will post lower growth in 2015. The economies of emerging countries will grow less in 2015 compared to developed countries, according to Banco Santander's affiliate in Brazil. "*The emerging economies make more intensive use of raw materials and when those (the developed) economies consume less, the prices of raw materials end up falling,*" which results in a decline of the external accounts and a deterioration of the real sector, said Mauricio Molán, the chief economist at Banco Santander.

POLITICAL TIPS

Venezuela is raked over the coals. The United Nations Office for Human Rights criticized the authorization given to the Bolivarian National Armed Force that allows it to take part in tasks of repressing demonstrations and, in doing so, to use firearms. "*The use of the military for law-enforcement purposes should only be an exceptional measure in response to an emergency situation (...)*," said Rupert Colville, a spokesman for the UN Office for Human Rights at a press conference.

But finds support from others. The Ministry for Foreign Affairs received a communiqué issued by the Nonaligned Countries Movement (MNOAL) in which this movement rejected the recent decision by the US Government to extend unilateral coercive measures against Venezuela. According to the communiqué, the US is extending the measures "*for the purpose of undermining its (Venezuela's) sovereignty, its political independence, and its right to free determination (...)*."

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Government party primaries slated. President Nicolás Maduro approved the decision to hold primaries in the United Socialist Party of Venezuela (PSUV) to select candidates for the parliamentary elections and stressed that the deadline for receiving nominations was March 22. He also announced who would be in charge of the party's territorial and sectorial vice presidencies. Changes include the replacement of Ernesto Villegas, who had been at the head of the Vice Presidency for Propaganda, Communication and Agitation since 2014, by Víctor Clark.

And the opposition as well. *Alianza Bravo Pueblo* (ABP) Deputy Richard Blanco proposed to the Democratic Unity Alliance that primaries for choosing the candidates who are to run at the legislative elections scheduled for this year be held on Sunday, July 5. Blanco stressed that they should “*take advantage of this historic day to recharge forces and form (...) an assembly that not only raises its voice, but also takes to the streets to fight the ills citizens are suffering.*”

Still no date. The directors of the National Electoral Council (CNE) have still not discussed the date for holding the parliamentary elections. According to CNE Vice President Sandra Oblitas, The National Electoral Board (JNE) technicians are still working on the schedule of activities that have to be completed before formally calling the elections, such as the draw for the polling booth officers (which in theory should be held between March and April) and defining the electoral districts to be used to elect 110 deputies to the National Assembly.

At a snail's pace. Nine months before the 2010 parliamentary elections, the CNE had already announced the date on which they were to be held, whereas they still have not drawn up a schedule for this year's parliamentary elections. Given this situation, opposition political parties have requested the Electoral Branch to set a date for the elections.

Current Events Cabinet. According to a press release by the Ministry of Foreign Affairs, the International Cabinet, made up of Foreign Affairs Minister Delcy Rodríguez, vice ministers of Latin America, and others, has been inducted in Caracas for the purpose of reporting on developments in the world to President Nicolás Maduro and orienting actions by the Venezuelan nation.

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Cabello defends himself. The president of the National Assembly (NA), Diosdado Cabello, said that accusations of his alleged ties with drug trafficking are “a cunning attack” that seeks to paralyze him and to have grounds for saying “that Venezuela is a narco-state.” He claimed, moreover, that democratic stability in Venezuela is guaranteed, although he warned that he does not discard the possibility of some type of attempted coup given the alleged “radical changes” being announced by sectors of the opposition.

“If it’s a matter of war, let’s go to war.” Deputy Cabello exhorted the mayors to take charge of “the economic war (...) to verify what needs to be verified, with the women, with the men. (...) We’re going to go into every part of it, and check everything to the last warehouse. If it’s a matter of war, let’s go to war.” He also urged “revolutionary militants to check to see” why there are lines “in order to improve monitoring of marketing.”

56,0% believe that the government would win. According to the *Monitor País* poll by Hinterlaces, 56.0% of people are convinced that the government could win the next elections if it solves the shortages and brings down the cost of living. When considering this scenario, 40.0% of those interviewed thought that the government would lose the elections regardless of how it responds to the present economic situation.

Lack of unity in the opposition. The report on Hinterlaces’ opinion poll sent to the press includes an assessment of people’s perception of how united the opposition is, according to which 73.0% of those interviewed stated that “the revolution’s adversaries” are very divided. The report did not include an assessment of how people perceived *Chavismo*.

LEGISLATIVE TIPS

There’s no one to sign them into law. Only eight of the 17 laws passed by the NA have been promulgated; in other words, 52.9% of those laws were signed by the Executive and are in force. Some of those that have not yet been signed into law are the Judge’s Code of Ethics, the Partial Amendment to the Law for the Protection of Children and Adolescents, the Law on Protection of Constitutional Rights and Guarantees, and the Telehealth Act.

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New salary scale. *Gaceta Oficial* N°. 40,597, which makes the increase in the minimum wage official starting on February 1, also establishes a new system of remuneration for government service employees and regulates the General Salary Scale for Career Government Service Employees.

Fiscal “Band-Aids” continue. *Gaceta Oficial* N°. 40,594 makes official the resolution issued by the Ministry for Economic Affairs, Finance and Public Sector Banks that sets the special contribution that insurance and reinsurance companies have to pay levied on net premiums collected for insurance policies and prepaid medical schemes at 2.5%. This contribution is to be paid monthly.

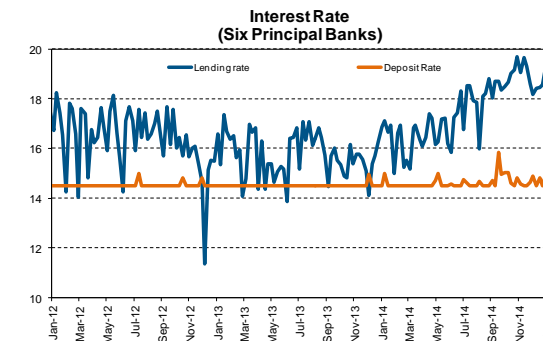
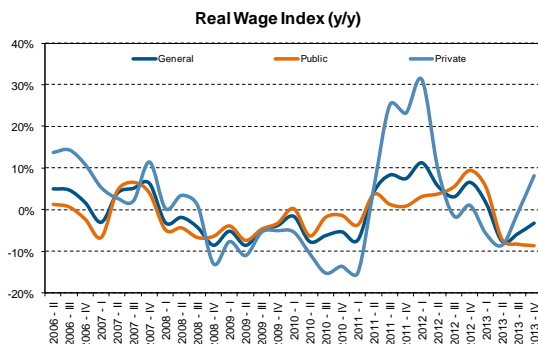
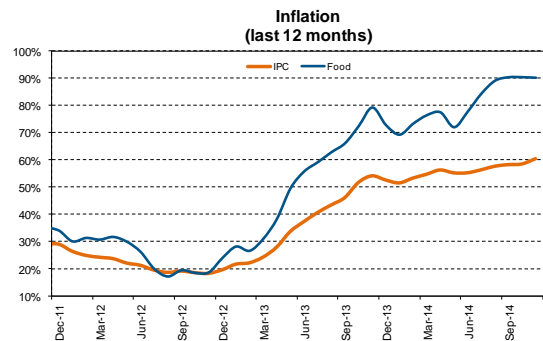
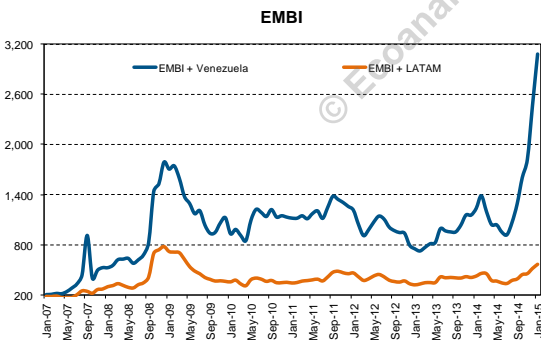
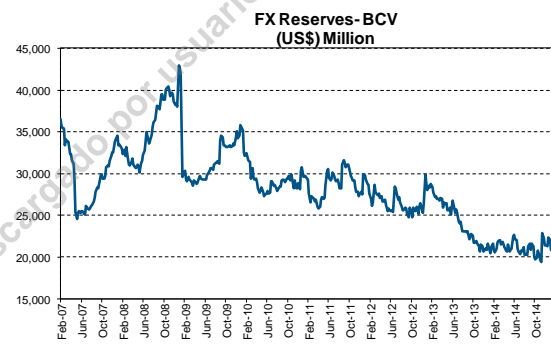
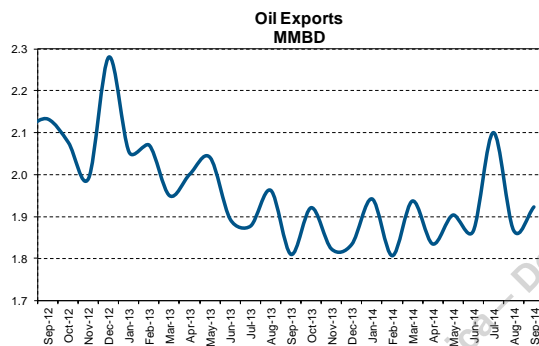
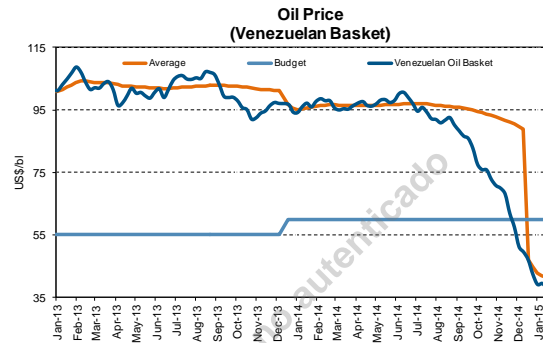
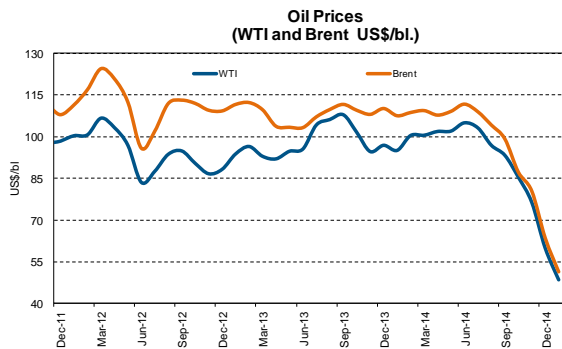
Against the pronouncements by the United States. Seconding the proposal made by PSUV Deputy Saúl Ortega, the NA proposed an agreement in defense of the sovereignty of the Republic in view of the “*maneuvers, pronouncements, and judgments by the US Government against the country.*”

More controls. *Gaceta Oficial* N°. 40,596 establishes a control mechanism for transporters and end users of mineral or chemical fertilizers in the country. This resolution seeks to regulate the acquisition and transportation of mineral or chemical fertilizers by farmers and agricultural producers.

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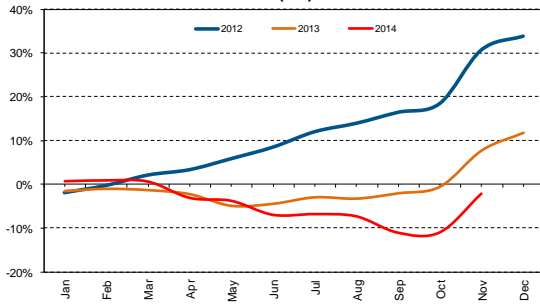
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ECONOMIC OVERVIEW

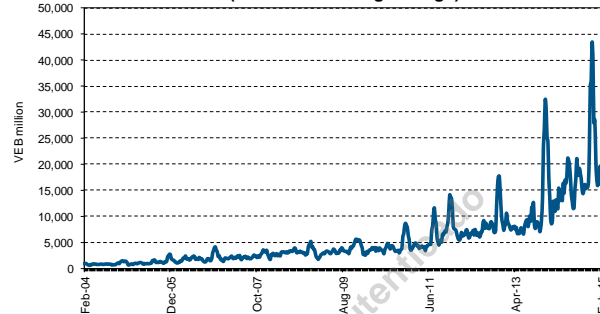


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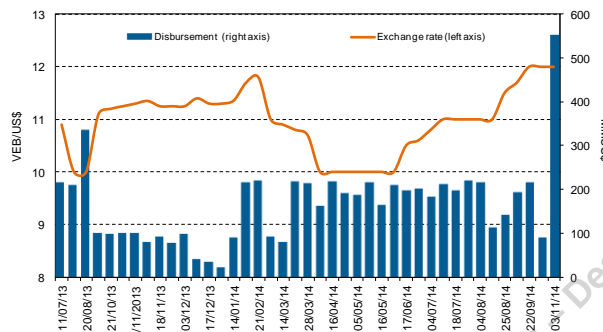
Year on Year Real Expansion (M2)



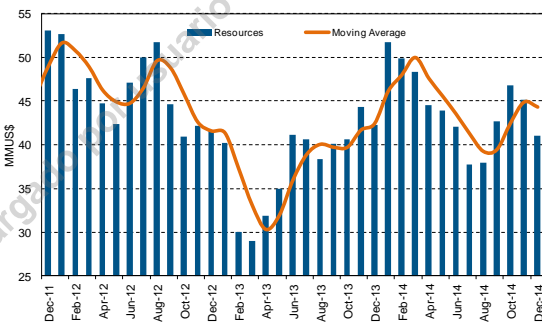
Primary Spending NTO (Four-week Moving Average)



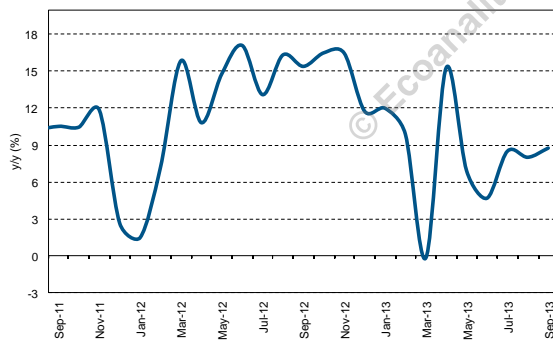
SICAD I



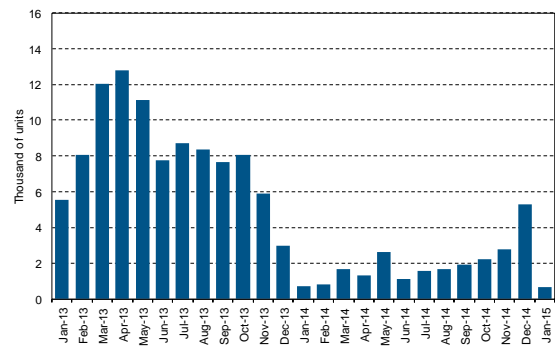
Resources of the State



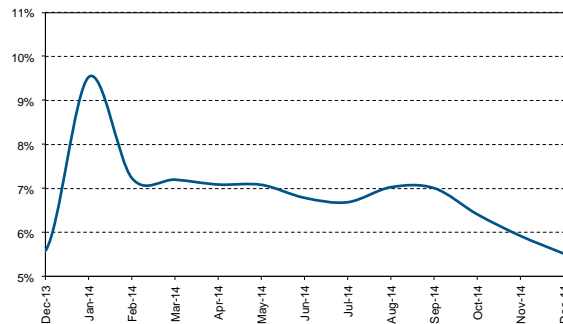
Volume of Sales



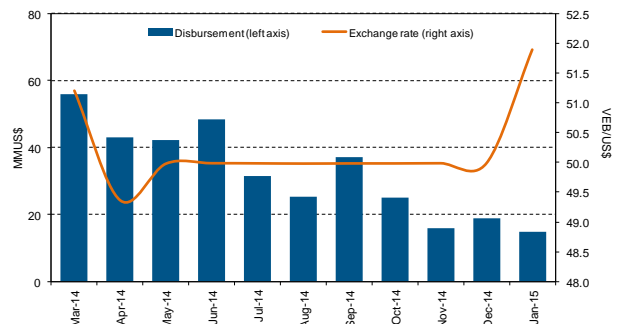
Automobile Sales



Rate of unemployment



SICAD II



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