

Encovi 2019-2020: A murky present for an uncertain future.

The National Survey of Living Conditions (Encovi) emerged as a project coordinated jointly by the Central University of Venezuela (UCV), the Simón Bolívar University (USB) and the Andrés Bello Catholic University (UCAB) to provide information once a year on the living conditions of the Venezuelan population, in a context where the National Institute of Statistics (INE) had stopped publishing indicators such as poverty, employment, health, nutrition, employment, security and migration.

Even though the INE has published similar official results for 2018, we at **Ecoanalítica** **have** questioned their veracity in previous reports, so the¹results of ENCOVI are still necessary for an X-ray of the quality of life of Venezuelans.

In its sixth edition, the data was collected between November 2019 and March 2020. This time, the researchers were able to expand the sample to 9,932 households, add more federal entities consulted and implement the use of electronic survey instruments. Despite the operational limitations related to the pandemic,²the survey collects key data on the behavior of Venezuelans in this new context of the pandemic, which we will repair later.

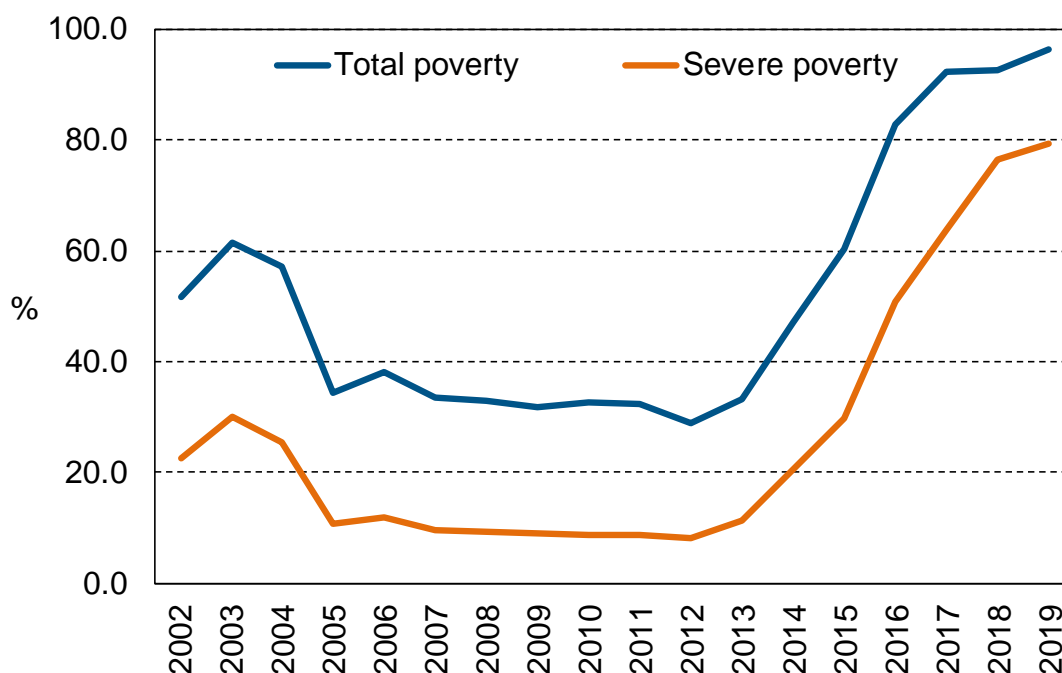
One of the main findings of the survey is the measurement of income poverty, which they estimated for this edition at 96.2%, and extreme poverty, which they estimated at 79.3%. This would represent increases of 3.6 percentage points (pp) and 2.8 pp, respectively, compared to the measurements made in 2018. If revised towards 2014, the increases in poverty indicators would amount to 49.2 pp and 58.7 pp, respectively.

¹ Weekly Report N° 37 (2019). *INExacto: a look at the new INE figures.*

² Although the initial intention of the research team was to consult 16,920 households, the situation related to the COVID-19 pandemic forced the interruption of the data collection process until the sample and dates mentioned. Even with this, the information presented allows us to know the general situation prior to the limitations that the containment measures would bring.

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Evolution of the poverty level



Sources: INE, Encovi and Ecoanalítica

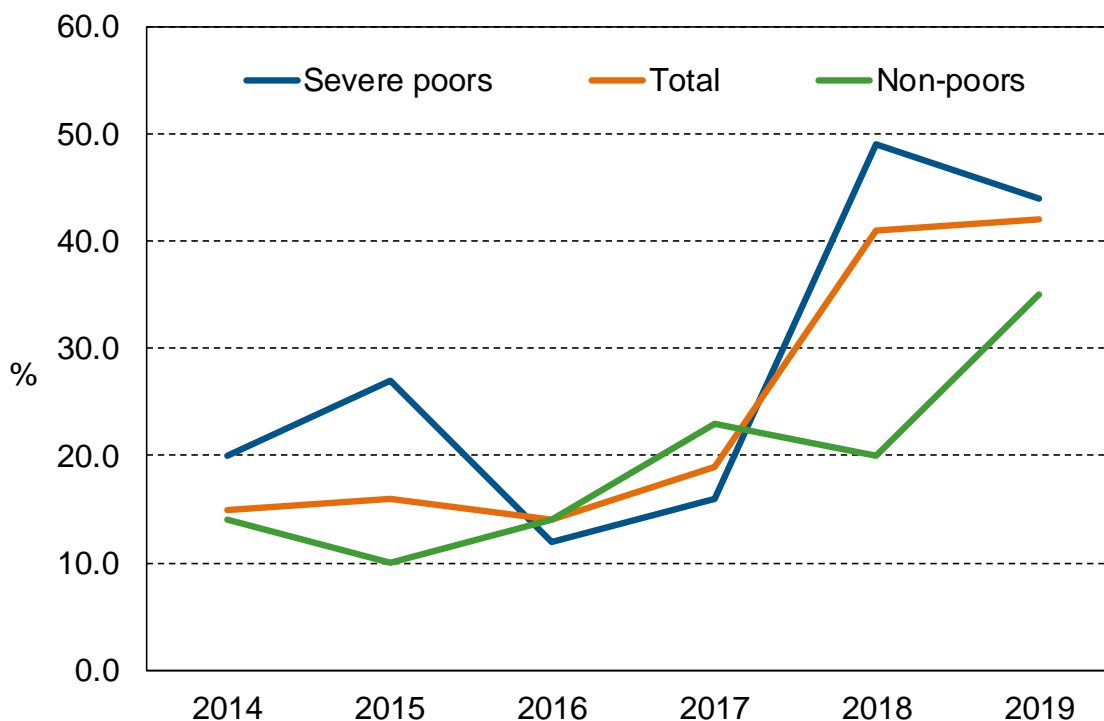
These are not the only income poverty methodologies that should stand out. According to the survey data, the average individual income would be approximately USD 0.72 per day, which would mean that 54.6% of the total national population would be in a state of extreme poverty according to the World Bank's threshold of USD 1.9 per day. At the same time, the researchers introduced the concepts of "Consumption Poverty" or "Biological Poverty", that would indicate the number of households whose members do not individually consume a minimum caloric content of 2000 kcal per day; according to their publications, 68.0% of Venezuelans would not meet this minimum consumption standard.

These values take on a new dimension when the dependence of non-working transfers (whether public or private) on total household income is reviewed. For the last edition, the weight of these flows would represent -on average- 44.0% of the income of households in extreme poverty and 35.0% in non-poor households; a ratio that has increased significantly since 2017, since the ponderations in that year represented 16.0% and 23.0%, respectively.

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Weight of non-labour transfers on total income



Source: Encovi

These figures only confirm the impact on the country's inhabitants of the six consecutive years of contraction of the Gross Domestic Product (GDP) - accumulating a fall of 69.4% - and the 33 months of hyperinflation driven by a series of erroneous economic policies; however, it should also be considered - as the surveyors warn - that the income reported by individuals in the survey may be underestimated, since the source of income may be of informal origin or the respondent may decide to omit information³.

To the above, it should be added that the hyperinflationary process brings almost the entire population under the poverty reference, so it is necessary to construct an alternative indicator that allows for the discrimination of different types of poverty.

³ Shonkwiler, J. S., Grigorian, D. A., Melkonyan, T. A. (2011). Controlling for the underreporting of remittances. *Applied Economics*, 43(30), pp. 4817-4826. Disponible en: <https://www.tandfonline.com/doi/abs/10.1080/00036846.2010.498359>.

The researchers mention two possible reasons for underreporting of income in household surveys: they may perceive some risk of losing benefits from the state or international agencies or to avoid lawsuits from neighbours and relatives.

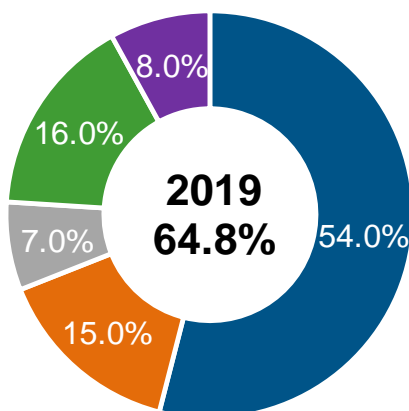
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The multiplicity of poverty

In response to this need, Encovi has developed a Multidimensional Poverty Indicator, which adds characteristics of employment, education, public services and housing to income considerations. Thus, 64.8% of Venezuelan households would fall into the multidimensional poverty category, which would represent an increase of 13.8 pp compared to 2018 and 25.5 pp compared to 2014.

Multidimensional Poverty Weights

■ Living standards ■ Employment ■ Education ■ Public utilities ■ Housing



Sources: Encovi and Ecoanalítica.

For the quantification of the indicator, Encovi uses the following weights for the indicated criteria: 54.0% for the standard of living of the individual (determined by income), 15.0% for the characteristics of his/her employment, 7.0% for education, 16.0% according to the quality of the public services he/she enjoys and 8.0% in the conditions of the household in which he/she resides.

Thus, this strong increase in multidimensional poverty would be justified by the deterioration of household income and the greater precariousness of working and housing conditions; however, an improvement in the provision and quality of public services and, in certain cases, in housing conditions was noted, due to the fact that some people began to occupy the homes left by the migrant population.

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Unequal at local and regional levels

Even with the possible acceptance of the idea that all Venezuelans are poor in this context, there are still marked differences in the levels of income received. Thus, the data collected in Encovi 2019-2020 would reveal a Gini coefficient value of⁴ 51.0, placing Venezuela as the second most unequal country in the region (only behind Brazil, which has a coefficient value of 53.9).

If we look more closely at the survey results, we see marked differences between the first and last income quintiles of the sample. At the educational level, the head of household in the highest income quintile has, on average, almost two years more schooling than the head in the lowest quintile. Wealthier households have greater availability of services such as water supply and sewer system, while at the employment level, the unemployment rate for the highest quintile is 2.1% and for the lowest quintile is 6.7%; in addition, the female employment rate in the highest income households is 58.2%, compared to 29.1% in the lowest.

⁴ The Gini index is a frequently used indicator of the degree of inequality, measuring the income concentration of a region's inhabitants. The value of the index ranges from 0 to 100 (in the case of the values reported by Encovi), where 0 represents the maximum equality (all inhabitants have the same income level) and 1 the maximum inequality (all the income of the region is held by one inhabitant).

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Differences between households according to their income		
Feature	Quintile I	Quintile V
Schooling of the head of household	9.1 years	10.9 years
Presence of water service	75.7%	82.7%
Presence of wastewater service	77.9%	90.4%
Members per room	2.3	1.3
Households with children attending school	92.0%	96.1%
Unemployment rate	6.7%	2.1%
Female occupancy rate	29.1%	58.2%

Sources: Encovi and Ecoanalítica

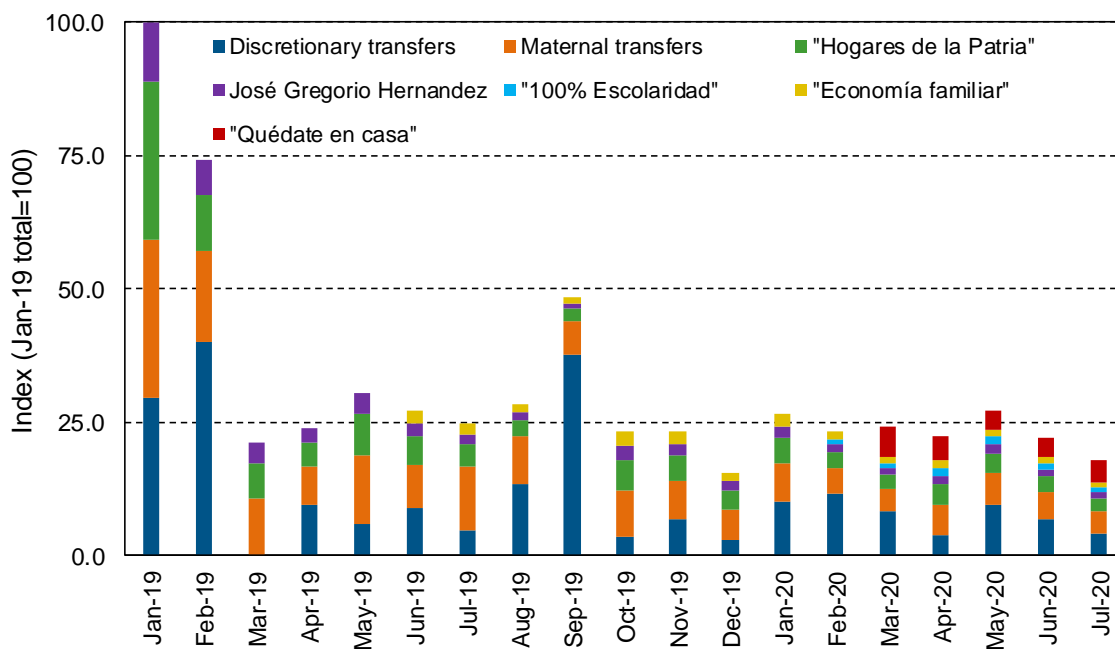
What has the government done to address these shortcomings?

In the absence of structural policies that would allow the population's level of well-being to recover, the Executive has opted for specific policies to mitigate, to some extent, households' deficiencies, particularly with direct transfers through the Patria platform and with food subsidies through the distribution of Clap boxes.

The installation of an electronic platform would facilitate the scope of transfers to be granted by the State, which would encourage households to rely on this mechanism. In fact, the average weight of public non-working transfers on total reported family income would be 25.3%. However, even though there is a reported increase in the receipt of public transfers as a result of the installation of containment measures and the arrival of the pandemic, the⁵loss of purchasing power of these bonds as a result of the inflationary process, which has accumulated 82.0% since January 2019, must be considered.

⁵ 25% of households reported receiving transfers from public institutions between October 2019 and February 2020, this increased to 52% in March/April.

Fatherland's transfers*



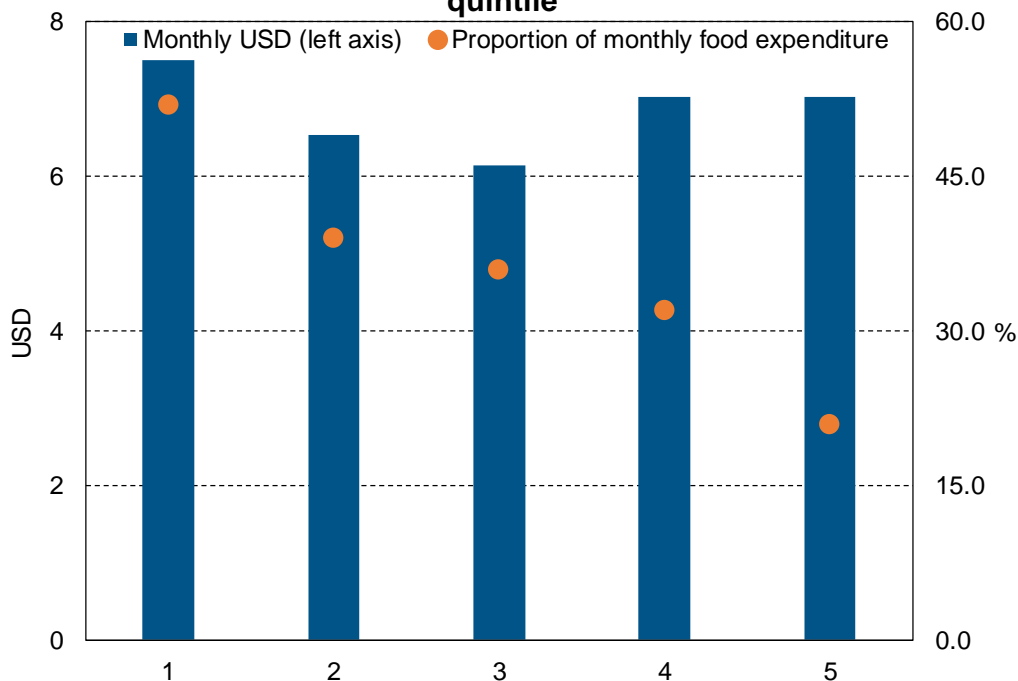
Sources: Official announcements, Patria.org and Ecoanalítica
*Amounts adjusted for inflation

In the case of Clap boxes, although they involve an implicit average subsidy of USD 7.0 per month, they are not exempt from limitations. First, the average interval of receipt of the box in a household is approximately 45 days, although 46.0% of the respondents said that they do not have a defined periodicity. Then, it is observed that 5.0% of the extremely poor would report not having received the box, while 22.0% of the non-poor or extremely poor said that they had received it. These elements at the distributional level acquire a new nuance when we review how the households in the sample distribute their expenditures and, precisely, it is the households in the lowest income quintile where the subsidy from Clap boxes represents the greatest weight over their total monthly food expenditure (52.0% of the total).

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Implicit subsidy of the Cajas Clap according to income quintile



Source: Encovi

Even though these mechanisms remain in place, the State has lost sources of income and financing in the monetary, external and fiscal areas,⁶so it must be taken into consideration that the capacity of the Executive to maintain them has been difficult in the last two years.

Precariousness in a pandemic

As mentioned, this new assessment incorporates some measurements of the impact of the pandemic on households in the country. According to the survey, the most tangible effect is seen in respondents' income and employment. This was foreseeable, considering that the containment measures force a greater paralysis of commercial activities in Venezuela, in addition to job losses and, consequently, the level of household income.

As has been the usual pattern in the values reviewed in this report, income generation capacity was presented as one of the main concerns of households, especially when the weight of transfers on total income was reviewed.

⁶ For more detailed information, please see our 1st and 2nd Quarter Outlook reports this year: *Defeated by the Invisible* and *The Pandemic (and the Collapse) Re-Emerge*, respectively.

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First, there was a 6.9 pp increase in the unemployment rate nationally and a 10.2 pp increase in the capital region⁷. This would lead to 43.0% of the households surveyed reporting the inability to work or the loss (total or partial) of their income level. The most affected groups would be the upper strata⁸, those linked to the construction, mining, trade and service sectors (transport, hotels and finance).

A new year, a new plan

In the baseline scenario of extreme poverty of 79.3 per cent, Encovi had proposed a plan that would lead the country to a stage of development. Identifying that transfers have only reduced extreme poverty by 1.5 pp, they proposed a direct transfer plan of USD 2.07 per day to 6.5 million households. If we maintain this assumption, a scenario with a *perfectly* targeted transfer program could be envisaged, covering a budget of USD 4.9 billion per year. This plan should be complemented by measures to promote the incorporation of women into the labor market, a return on education, food security programs and a social protection network focused on vulnerable populations, all under the umbrella of an economic restructuring plan focused on stabilization and economic growth.

However, this plan is compromised by the COVID-19 situation. The conclusions of the Encovi indicate that the pandemic will bring a health crisis whose magnitude cannot be projected at this time. The conclusions of the Encovi indicate that the pandemic will bring a health crisis whose magnitude cannot be projected at this time. It should be borne in mind that, in view of the decline in household income, poverty could increase as a result of reduced consumption; consequently, a higher-cost transfer program should be considered, even when uncertainty and fear of contagion envelop the country.

Entrepreneurship in the face of an impoverished consumer.

These numbers unequivocally reveal that across all classes the possibilities of Venezuelan consumption have diminished. For the same reason, given the limitations of spending, their consumption patterns would change, prioritizing articles of basic need for others considered luxury items, causing the firms to have to update their portfolio of goods and services to one more framed by the conjuncture.

Within such prioritization by consumers, the new purchase decision for an item or another will be governed by the stipulated price, the quality of the product and the trust

⁷ This is because the containment measures, as expressed by the respondents, were more strictly enforced than in the rest of the country.

⁸ 53.0% of households in the highest income quintile reported being unable to work or having lost income.

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that the consumer may have in the brand (in that order). In addition, these limitations would force competition among firms to ensure the purchase of their products, so they must add strategies and incentives that allow differentiation from competition.

Jhoan F. Castellano

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WEEKLY INDICATORS

Weekly Economic Indicators			
	1st Week August	Weekly chg. (%)	Depre/Apre (pp) ¹
FX Boards (VES/USD)²	265,597.91	8.4	7.7
	4th Week July	Weekly chg. (pp)	Annual chg. (pp)
Lending Interest Rate (%)	38.4	-0.5	8.5
	5th Week July	Weekly chg. (pp)	Annual chg. (pp)
Overnight Interest Rate (%)	343.7	30.3	215.1
	5th Week July	Weekly chg. (%)	Annual chg. (%)
International Reserves (USD Bn)	6.5	2.1	-18.6
	4th Week July	Weekly chg. (%)	Annual chg. (%)
Monetary Liquidity (MM VES)	154,040,945	5.0	1,416.6
Price of International Oil Baskets (USD/bl)			
	1st Week July	Weekly chg. (%)	Annual chg. (%)
WTI	37.5	1.3	-35.1
Brent	41.0	0.2	-36.1
Price of the Venezuelan oil basket (USD/bl)			
	1st Week July	Weekly chg. (%)	Annual chg. (%)
Weekly Average	22.4	1.3	-62.1
Annual Average	29.8	-0.9	-50.1

Sources: BCV, MENPET, ONT and Ecoanalítica

* Annual variation of accumulated expenditure.

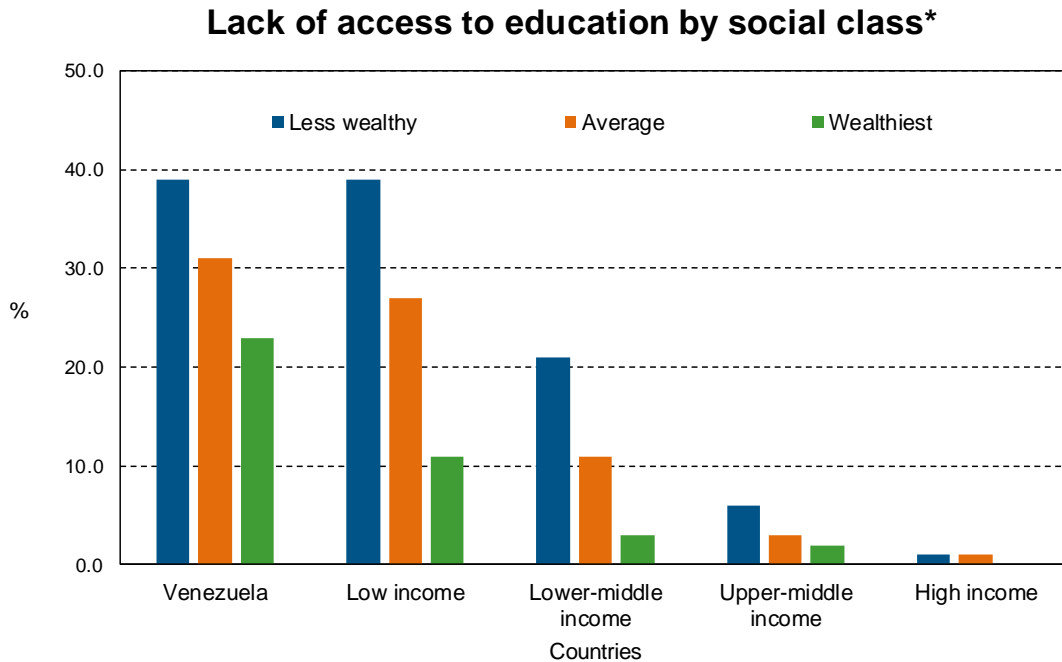
¹ Depreciation (+)/Appreciation (-)

² FX Borads' average exchange rate

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CHART OF THE WEEK: "UNEQUAL VIRTUAL CLASSES"



Sources: UNESCO, Encovi and Ecoanalítica.

*The graph shows the percentage of the population by social class that doesn't have access to education.

Directly or indirectly, numerous areas and socio-economic sectors have been affected by the COVID-19 pandemic. The effects that have already been observed are not trivial, such as increased inequality in education. In order to prevent the spread of the virus, educational establishments around the world have had to close down their face-to-face classes and adapt to the virtual or *online* format. Reality shows that not everyone has been able to adapt in the same way.

The graph shows the lack of school coverage by social stratum (percentage of the population without access to education) before the COVID-19 crisis for a group of countries grouped by income level. Not surprisingly, higher-income countries have greater coverage, even within the least wealthy strata. Moreover, as we can see, the lack of access to education in Venezuela is similar to (and even more serious than) the average for low-income countries. Could it be that these figures have worsened during the pandemic?

In the United Kingdom (a high-income country), 66.7% of private schools already had platforms for virtual classes, while for public schools this number drops to just 25%, says

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The Economist. Then, at home, the main problem is that not all children have an individual computer, laptop or smartphone to use in these situations. Many students in this nation (possibly the poorest) have to share these devices with other family members and some simply drop out.

Also, a⁹ recent study by Harvard and Brown universities found a positive correlation between the use of an online platform for learning mathematics and average household income and grades earned within the U.S. population, i.e. the higher the average household income, the greater the likelihood that children will attend virtual classes and, in turn, earn higher grades. This problem of inequality extends to other countries. In Bolivia, for example, the school year was closed by presidential decree because it was unable to guarantee access to virtual education¹⁰.

In Venezuela, inequality in access to education was already a latent problem prior to the pandemic. The wealthiest quintile of the population has greater access to education services at all ages than other strata, according to Encovi figures¹¹. With the arrival of COVID-19, Nicolás Maduro announced that the school year would be conducted virtually until further notice. Here the complications described above arise; children from less wealthy households will have less possibilities to use these platforms; however, the entire Venezuelan population is at the mercy of internet connection and electricity failures (53.9% and 57.4% have had interruptions of these services during the quarantine)¹², without which it is not possible to carry out these activities.

⁹ Chetty, R. Friedmand, J, et al. 17 de junio, 2020. *How Did COVID-19 and Stabilization Policies Affect Spending and Employment? A New Real-Time Economic Tracker Based on Private Sector Data.*

¹⁰ [The Associated Press](#). August 3, 2020. *Bolivia closes school year due to pandemic.*

¹¹ According to the National Survey of Living Conditions 2019-2020

¹² According to the Venezuelan Observatory of Public Services

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ECONOMIC TIPS

COVID-19 in Venezuela. According to government figures, the number of positive cases of coronavirus reached 22,299 on August 6 and the number of deaths was 271 by the same date.

Strong sorrows. The National Survey on the Impact of Covid-19 in Venezuela, published by the interim presidency, revealed that 79% of households have no income or savings to survive through the confinement measures.

Here we go. Consecutively, the survey highlighted that 17.8% of the population have what they need to survive between one week and one month without receiving any income and only 3.2% of those surveyed stated that they have what they need to spend quarantine with more than one month without income.

Gas. The survey, which also investigates the state of the country's basic services, highlighted that gas service is one of the scarcest, which leads to 42.2% of those surveyed declaring that they do not have access to it and 25.1% stating that they receive the service once a month.

Light and water. Of those surveyed, 93.1% stated that there were interruptions in the electricity service, while 70.6% of those surveyed said that the water service was deficient or of poor quality.

Gasoline. 34.5% of respondents reported no access to fuel and reports of service failures were 56.7%.

Public spending? (I). Miguel Pizarro, commissioner to the United Nations, explained that the last stage was achieved to transfer funds to the Pan American Health Organization (PAHO) and the International Federation of the Red Cross. For now, the time and amount of funds destined to these institutions is unknown.

Public spending? (II). Funds will come in the form of supplies, protective equipment for health personnel and increased capacity for detection of COVID-19 to decentralize the processing of PCR tests.

Taxing. José Cabello, National Customs and Tax Superintendent, announced that the SENIAT collected VES 113,622,279 million through the different rates, taxes and tax contributions in the first half of 2020. He also added that in July VES 30,774,952 million were collected for the same concept.

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Public waste. Jesús Armas, president of the NGO Ciudadanía Sin Límites, stated that a total of 552 tankers exchanged for oil with a Mexican company are valued at US\$40 million; however, the amount of oil delivered by PDVSA was US\$300 million.

Money tables. As of August 6, the average rate for money tables was VES 265,597.91/USD. This represents a 7.7% depreciation from last week.

Liquids? Liquidity was VES 154,040,945 million for the week of July 24, a variation of 5.0% in nominal terms from the previous week (July 17) and 1,416.6% from last year.

OIL TIPS

Value in books... Chevron reduced the book value of its \$2.6 billion in assets in Venezuela, along with other impairments related to the low oil price environment and the aftermath of the pandemic, resulting in an \$8.3 billion loss for the second quarter.

... minus depreciation... In April, the U.S. Office of Foreign Assets Control (OFAC) extended the authorization for Chevron to continue operating in Venezuela until December 1st, but the conditions of the exemption prohibit it from drilling, lifting, buying or processing crude oil or products of Venezuelan origin and limit the activities to the maintenance of essential operations and contracts.

...and amortization. This means that Chevron will no longer be able to get its share of heavy oil from PetroPiar with state-owned PdV. The company also has a minority stake in the PdV company PetroBoscan in western Venezuela, from which it will also be unable to make a profit.

So scarce... According to PDVSA officials interviewed for a report by Argus Media, the satisfaction of domestic demand for Liquid Petroleum Gas is almost as low as the satisfaction of domestic demand for gasoline.

...like gasoline. The Jose Cryogenic Complex currently produces 33,000 barrels per day of different types of gas, while domestic demand is estimated at about 200,000 barrels per day. According to sources, the government is giving priority to deliveries to Caracas, but the Petroleum Ministry concedes that even in the capital up to 85% of households are without supply.

What happened, happened. Freddy Alvarado, executive secretary of the United Federation of Oil Workers of Venezuela (Futpv), reported that this Monday, August 3, activities at the El Palito refinery restarted and it is currently producing at 7% of its

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capacity of 140,000 barrels of gasoline per day, which is estimated to be between 8,000 and 10,000 barrels per day.

On the way (I). The Milazzo refinery in Italy, whose ownership is shared equally between the Italian oil company Eni and the Kuwaiti oil company KPC, should receive 750,000 barrels of Venezuelan crude oil on board the Delta Captain next month.

On the way (II). This would be the second load of Venezuelan oil that Milazzo receives in 2020. It should be remembered that Eni is part of the oil-for-diesel exchanges that Repsol (Spain) and Reliance (India) carry out with PDVSA.

Crude for diesel (I). According to Argus Media, senior officials of the State Department and the White House National Security Council are reconsidering continuing the exemptions that these companies have, since they allow them to make these exchanges of oil for diesel.

Crude by diesel (II). Under the exchange agreements, Repsol and Eni get Venezuelan crude oil as payment for the exclusive extraction of natural gas from their offshore Perla field, north of the Paraguaná peninsula, and as payment for other PDVSA debts, with the diesel sent back to settle their books.

Closed by Covid (I). Metor 1, one of the plants that make up the Mitsubishi-operated Methanol de Oriente (Metor) refinery with a production capacity of 750,000 tons per year, closed on July 31st and will remain so until August 15th as part of the precautionary measures taken to confront the pandemic.

Closed by Covid (II). Metor 2, with a capacity of 850,000 tons per year, closed on August 4th and will remain so until August 18th.

New discovery... British oil company Neptune Energy and its partners discovered oil on a drilling license area in the Norwegian part of the North Sea, and will now consider options for developing the find.

...in the North Sea. The Dugong well is estimated to contain between 40 million and 120 million barrels of oil, making it the largest find off the coast of Norway so far this year.

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SECTOR TIPS

Shop with your ID. In the state of Miranda, the purchase of food by the last two digits of ID's was established. Héctor Rodríguez, Governor of Miranda, described this as a protective measure against coronavirus; however, Consecomercio warned that this measure could increase infections and also generate queues and shortages.

The economic police (I). The Ministry of National Commerce, through the National Superintendence for the Defense of Socioeconomic Rights (Sundde), sanctioned 688 businesses for the alleged crimes of non-compliance with formalities and speculation.

The economic police (II). The sanctions were issued after a thousand inspections in July to large supermarket chains, grocery stores, wholesale markets and pharmacies in the country.

Broken laws. Sanctioned traders are accused of not complying with the Maximum Price of Sale to the Public (PMVP) law, among other socioeconomic crimes explained in the Organic Law of Fair Prices (LOPJ).

The most affected. The largest franchises sanctioned were: Central Madeirense in Yaracuy, Nuevo Mundo in Nueva Esparta, Market Place and la Tiendita del Éxito in Barinas.

Restructuring because of the coronavirus (I). Omar Prieto, Governor of Zulia, announced that the "Las Pulgas" market in Maracaibo will be restructured, since it was one of the main hotspots for the transmission of COVID-19 due to its commercial contact with Colombia.

Restructuring because of the coronavirus (II). Prieto declared that they already have *"giraffes, fences and gates to control access with collective discipline in the midst of the battle against Covid-19"*. In addition, he said that *"8,000 tons of asphalt, lighting system, security and legal regularization of the premises were added to the disinfection tunnels"*.

They're begging for flexibility. The Venezuelan Chamber of Shopping Centers (Cavececo) asked the authorities to make confinement more flexible in order to survive the crisis facing this sector of the economy. According to the organization, these businesses generate 600,000 jobs throughout the country.

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Why them, and not us? Claudia Itriago, director of Cavececo, declared that *"it is unfair that the merchants inside a shopping center are closed, and those on the street, regardless of their business, remain open."*

New forms of payment (I). Luis Alberto Salazar, director of the Committee of Users of Public Transport, proposed to the national Executive and to the Superintendence of the Institutions of the Banking Sector of Venezuela (Sudeban) to expand the methods of payment of the urban and interurban ticket, due to the deficit of cash after the closing of the banks by the measures of confinement.

New forms of payment (II). Salazar explained that they have *"proposed that virtual points of sale be made, that mobile payment be made, that any form of access be made so that the users can pay for the ticket, because in short there is no way or means of obtaining cash"*.

Paralyzed. The José Cryogenic Plant in Monagas state was paralyzed in July. In response, María Gabriela Hernández del Castillo, a deputy in the National Assembly, denounced the serious situation in the gas sector, which has been suffering from government inefficiency for more than ten years.

Inefficient expropriation. The deputy argued that the difficult situation to obtain gas was aggravated when the Maduro government decided that PDVSA would take care of the gas and, to that end, took private companies out of the production and distribution chain, generating distribution problems.

INTERNATIONAL TIPS

COVID-19 in the world. According to figures published by the World Health Organization (WHO), the number of positive cases of coronavirus reached 18,810,392 on Aug. 6 and the number of deaths was 270,273 by the same date.

With elections, but no economic plan. White House Chief of Staff, Mark Meadows said the U.S. presidential election will be held November 3. In addition, he said he was not optimistic about reaching an agreement soon with Democrats on a new law to help Americans most affected by the coronavirus crisis.

Look out! No construction. Construction spending in the United States fell by 0.7% in June, led by a decline in spending on both private and public projects. Spending was at its lowest level since June 2019.

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Another month avoiding red ink. The purchasing managers' index, compiled by the Chinese government, rose to 51.1 in July, compared to 50.9 in June (the 50-point mark separates growth from contraction). The June figure represents the highest level since March.

What the coronavirus took away (I). According to official figures from the Spanish government, the Spanish economy contracted by 18.5% in the second quarter in comparison with the previous quarter, due to the containment measures imposed from mid-March to June to stop the spread of the pandemic. In year-on-year terms, the fall is even greater, presenting a contraction of 22.1% of GDP.

What the coronavirus took away (II). Despite the gradual decline, Spain received 97.7% fewer tourists in June than the same period last year, according to figures from the National Statistics Institute (INE). This represents a half-yearly loss of EUR 28.54 billion in one of the European country's main activities.

What the coronavirus took away (III). Similarly, official data indicated that the French economy contracted 13.8% in the second quarter compared to the first quarter of the year. The worst contraction since World War II, led by falls in consumption, investment and trade due to national confinement.

One more try. After British and EU officials indicated that they believed they would not reach a trade agreement by 2020, the UK and the EU scheduled further meetings to negotiate trade issues until October 2.

Deadline: October. The EU has indicated that negotiators must seal any agreement before October in order to receive ratification by all 27 countries in the bloc. So far, the most controversial points, which have hampered the possibility of reaching an agreement, are differences over fishing quotas and guarantees of fair competition.

Also in meetings with Japan. Meanwhile, Britain's Trade Minister, Liz Truss, will meet with Japanese Foreign Minister, Toshimitsu Motegi, for talks, which the Japanese minister described as "difficult", in the hope of finding a middle ground and establishing a post-brexit trade agreement to replace the Japan-EU Economic Partnership Agreement (EPA).

Successful renegotiation? The Argentine government announced that it had reached an agreement with three groups of creditors to restructure US\$ 65 billion in foreign sovereign debt, helping the South American nation emerge from a default and to relieve the economy.

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Problems in the automotive sector. Official data indicated that car sales in Mexico fell 31.3% in July compared to July 2019, this being the fifth consecutive month in the midst of a decline in demand due to the coronavirus pandemic. The Mexican Association of Automotive Industry (AMIA) estimates that the automotive sector represents about 4% of Mexican GDP and generates nearly one million direct jobs.

Brazilian industries, fighting the current. Official figures showed that Brazil's industrial production grew by 8.9% per month in June, indicating that the sector is still recovering from the heavy losses of the beginning of the year, when closures due to the coronavirus almost completely paralyzed activity.

POLITICAL TIPS

The first domino falls. The Court of Appeal of Cape Verde authorized the extradition of Alex Saab, Maduro's front man, to the United States. Saab is accused by the Guaidó government of managing Nicolas Maduro's money obtained from illegal activities such as mining and drug trafficking.

Panic defense. Saab's defense, which includes former Spanish judge Baltasar Garzón, announced that they will appeal the extradition to the Cape Verdean Supreme Court. If that does not work, "an application for amparo will be made to the Constitutional Court," because they consider that the decision taken does not respect Saab's rights.

Stradizione (I)! The Supreme Court of Justice announced that it declared it "appropriate" to request the extradition of Rafael Ramírez from Italy. Ramírez was the director of PDVSA between 2004 and 2013 and was the oil minister during the Chávez government.

Stradizione (II)! The Supreme Court of Justice wants to submit Ramírez to criminal proceedings in Venezuela for the alleged commission of the crimes of "*peculado doloso propio, evasion of bidding procedures and association (to commit a crime)*".

Marked abstention. The 27 political parties conforming the opposition alliance decided unanimously that they would not participate in the parliamentary elections scheduled for December 6 because they consider them "*electoral fraud*" that does not ensure a fair and competitive process.

New offensive. The opposition parties called on the sectors of the country to build a new democratic strategy against the parliamentary election. Similarly, Juan Guaidó declared that he will fight for Venezuela, that "*nobody accepts impositions from a regime*".

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in agony". This decision was supported by the United States to encourage the international community to reject this election.

New rules. The National Electoral Council (CNE), established by the TSJ of Maduro, changed the rules regarding the election of indigenous deputies, eliminating direct voting and establishing a system of delegates. According to the body, this new system "*vindicates the customs, uses, and practices of indigenous communities*."

Against. Indigenous organizations in the state of Amazonas expressed their discontent with the new rules established by the CNE to eliminate direct indigenous voting, since they consider that the measure violates their rights as citizens.

"Transparent." Nicolás Maduro revealed that the parliamentary elections, to be held at the end of 2020, will have "*an open door*" for electoral accompaniment by foreign countries, including organizations from the United States.

International call. Maduro stated that he wants "*electoral bodies to come from Africa, Asia, Europe, the United States, Latin America (and) the Caribbean*," thus leaving the door open for the December 6 election.

Front line protection. Juan Guaidó delivered protective equipment to doctors in Caracas. Guaidó stressed that for "*the first time in history we have managed to recover money from corruption to give it today to those who need it most*".

Necessary resources. This aid to the health sector came about because the Guaidó government managed to unfreeze USD 20 million, which blocked Maduro's administration abroad. Of that amount, USD 10 million came from the Federal Reserve of New York and USD 3 million from the Bank of Spain.

We're talking. Nicolas Maduro said during a national broadcast that he received a message from Elliot Abrams, the U.S. special envoy to Venezuela. Maduro stated that "*a conversation is pending, I already got your message*"; however, Abrams denied having sent a message to Maduro.

"Support for dialogue." Maduro *spoke* about the visit of a delegation from the Kingdom of Norway that was recently in Venezuela and declared that "*everything that was discussed with the Norwegian delegation will continue*", that he "*has always supported dialogue*".

Back on the stage? Henrique Capriles, leader of Primero Justicia, asked the opposition to reconsider their goal for December 6, the date set for the parliamentary elections. For his part, Capriles thinks that this could be a day of "*civil rebellion of the ballots*".

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Robbery. Colombian authorities reported that the Venezuelan Consulate in Bogotá was looted and destroyed months after the Nicolás Maduro government broke off relations with Colombia.

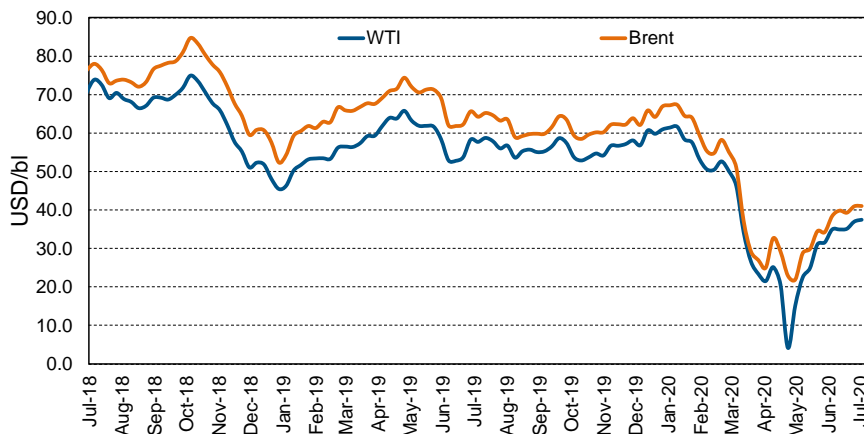
"I'm calling the principal". Jorge Arreaza, Minister of Foreign Affairs, declared that Venezuela *"reserves any measure in the order of the criterion of reciprocity, but it will always be a measure within the framework of legality and within the framework of civility, and not this savagery"*. Because of this, Arreaza affirmed that he will go to the UN Secretary General to deal with the problem

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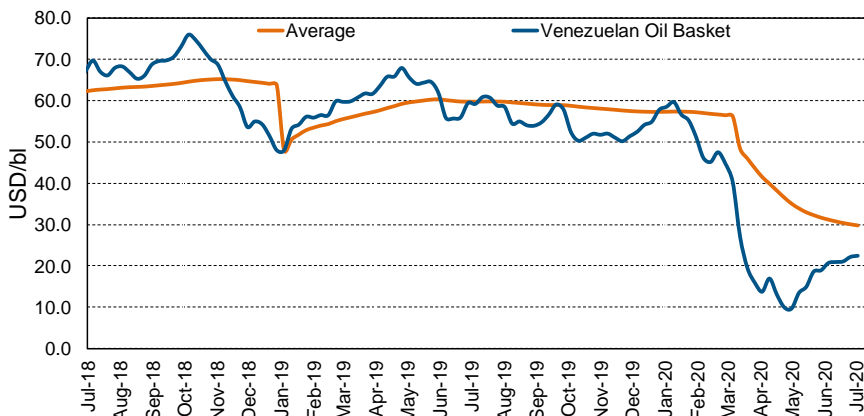
ECONOMIC DATA

**Oil Prices
(WTI and Brent)**



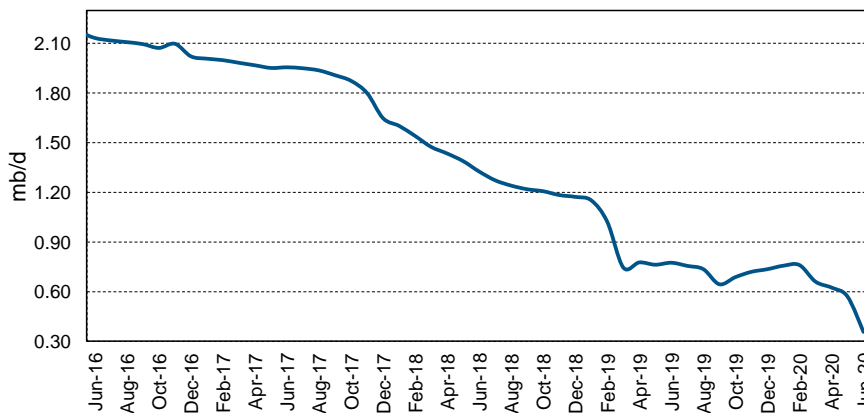
Sources: Menpet and Ecoanalítica

**Oil Price
(Venezuelan Basket)**



Sources: Menpet and Ecoanalítica

**Oil Production
(Secondary sources)**



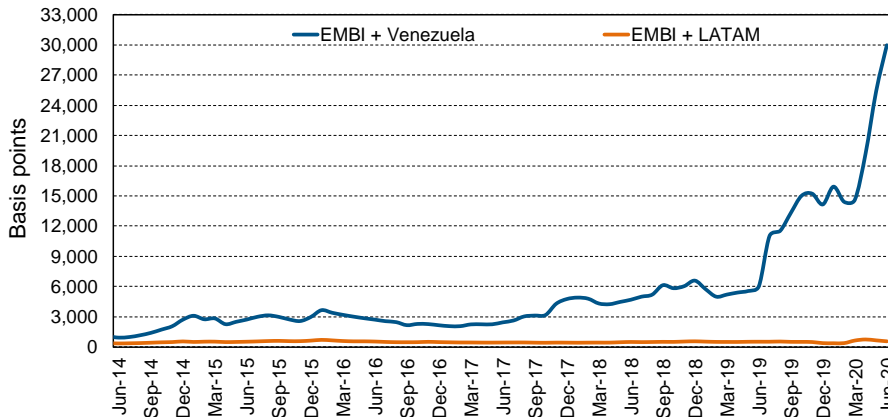
Sources: OPEC and Ecoanalítica

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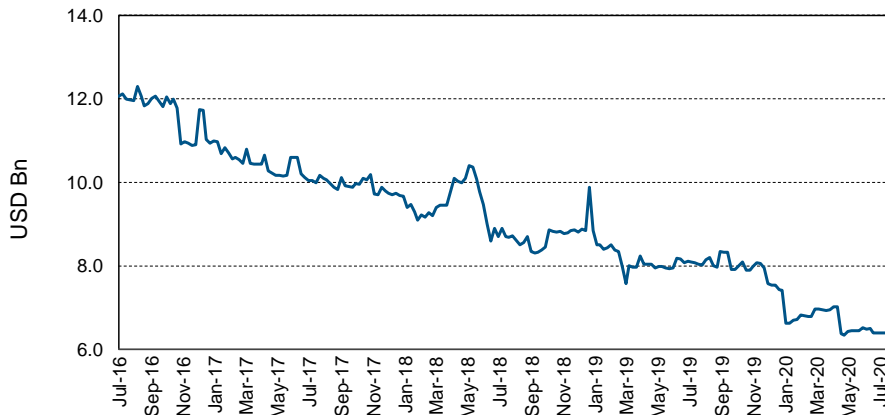
ECONOMIC DATA

EMBI



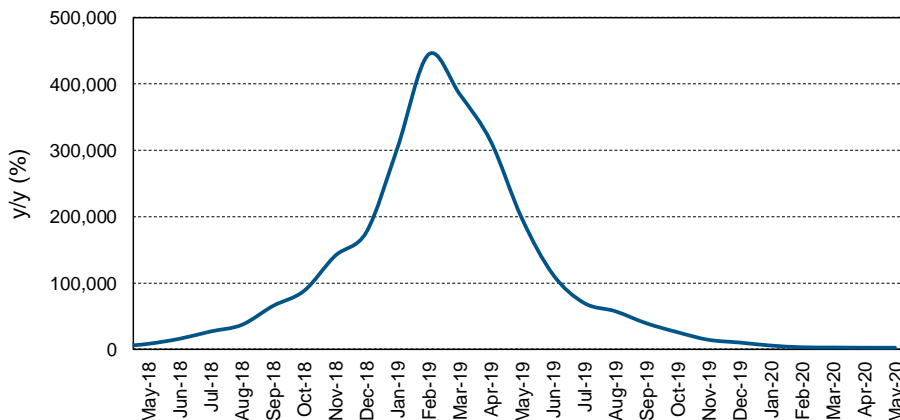
Sources: BCRP and Ecoanalítica

FX Reserves (BCV)



Sources: BCV and Ecoanalítica

Inflation (BCV)

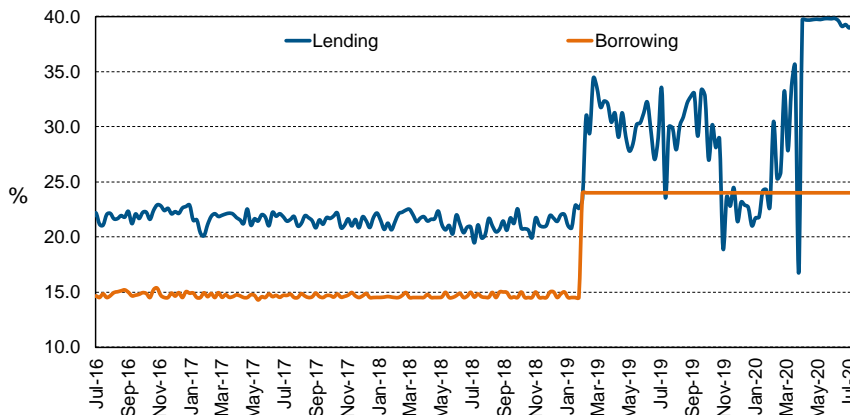


Sources: BCV and Ecoanalítica

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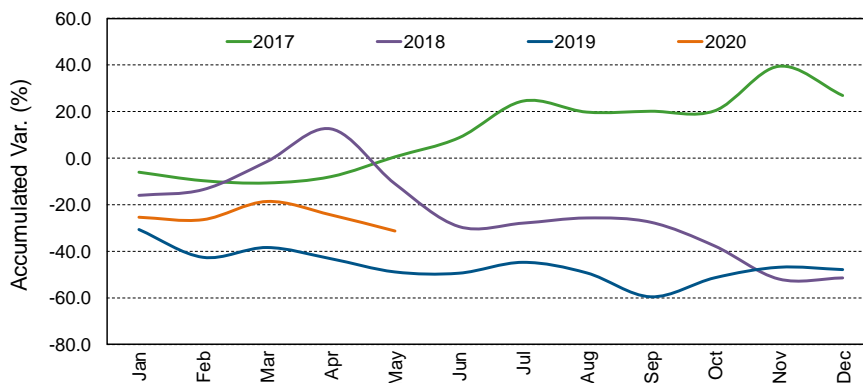
ECONOMIC DATA

**Interest Rate
(Six major banks)**



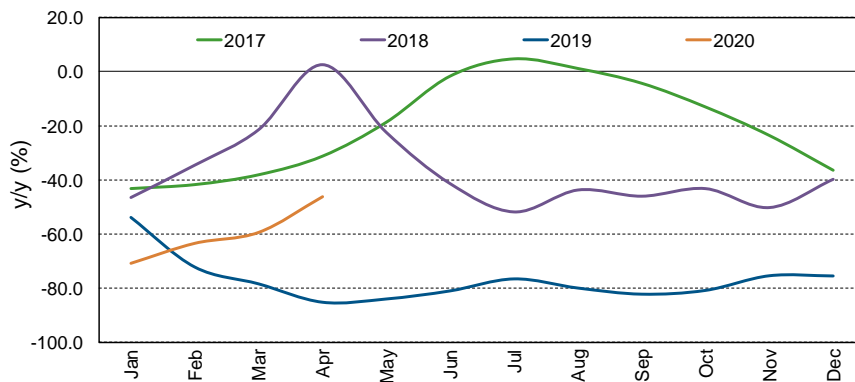
Sources: BCV and Ecoanalítica

**M2 Expansion
(Real)**



Sources: BCV and Ecoanalítica

**Loan Portfolio
(Real)**



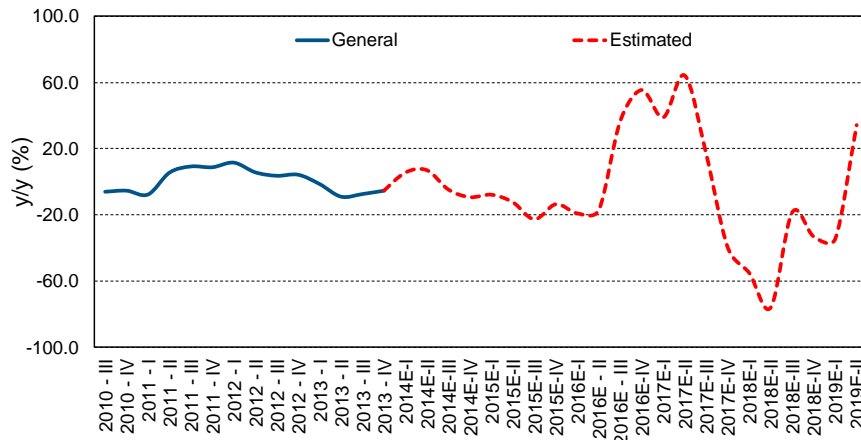
Sources: SUDEBAN and Ecoanalítica

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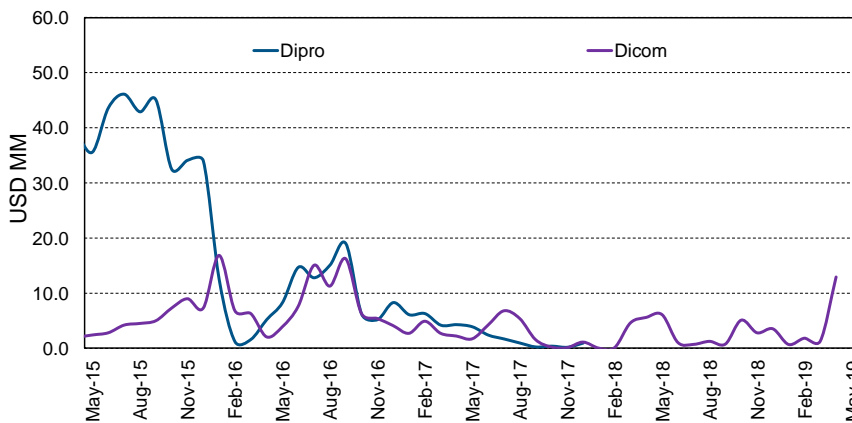
ECONOMIC DATA

Real Wage Index



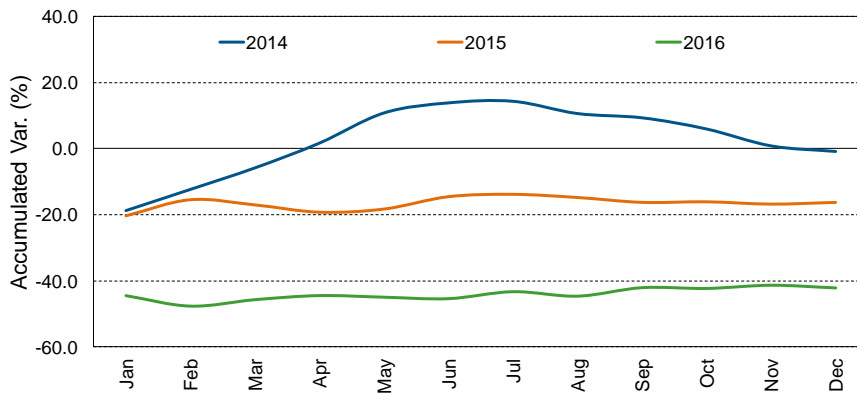
Sources: BCV and Ecoanalítica

Disbursements to the Private Sector (Daily Average)



Source: Ecoanalítica

Primary Spending NTO (Real - Central Government)



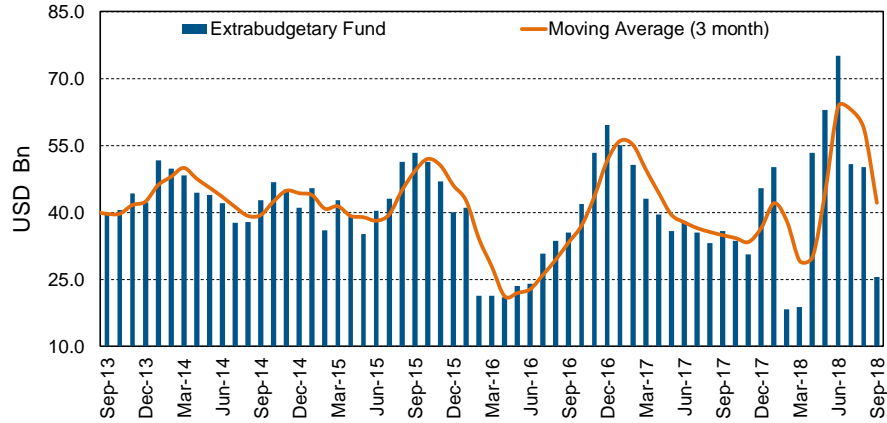
Sources: ONT and Ecoanalítica

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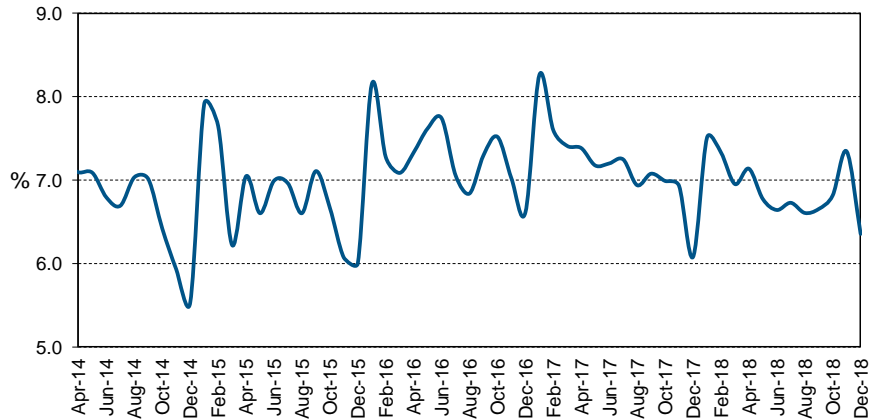
ECONOMIC DATA

State Extrabudgetary Resources



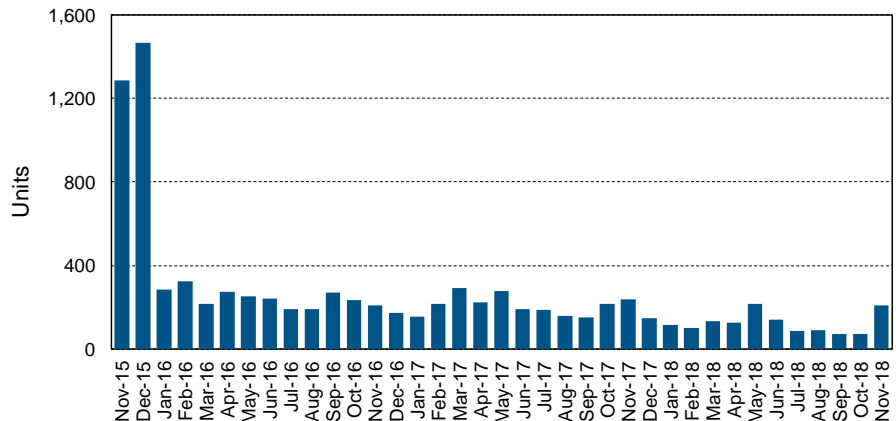
Source: Ecoanalítica

Unemployment Rate



Sources: INE and Ecoanalítica

Vehicle Sales



Sources: CAVENEZ and Ecoanalítica

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