WEEKLY REPORT
Year 16. Number 40. Week II
November 2020

Ecoanalítica
acompañando las buenas decisiones

Can dollarization lead to greater inequality?

As monetary and exchange arrangement under which an economy can operate, dollarization seems to cause effects beyond economic sphere in those markets where it is applied. Licandro and Mello (2016)[1] commented that there is a subjective dimension of this process, called *cultural dollarization*. In it, economic agents value or use the dollar as a unit of account in assets that are not necessarily denominated under such unit. The researchers identified that this phenomenon was first observed in the valuation of high-value assets (such as real estate or cars), thus inferring that, as a result, it would be the households with the highest level of income where the development of this phenomenon should be most clearly observed.

The Venezuelan case seems to be no stranger to this type of dollarization. As the bolivar lost its value and the deterioration of its use as a unit of account began to be observed, it appreciated as in items similar to those mentioned, the unit of reference for prices was marked in the foreign currency. However, with the increased use of foreign currency for transactional purposes in response to the failure of traditional payment systems during the national blackout of April 2019, the phenomenon described has extended, to the point where it is normal to mark prices of basic goods and services -such as food and beverages- using the dollar as a reference

Evidence of this is offered in the different studies that we have carried out from **Ecoanalítica**[2] to measure the degree in which the economy has been dollarized in the national territory. These reveal that the percentage of transactions that have been carried out in foreign currencies with respect to the total have increased, going from 53.0% in November 2019 to 64.3% in February 2020.

[1] Licandro; G & Mello; M (2018). *Dolarización cultural y financiera de los hogares uruguayos*. CEMLA. Available here.
[2] Weekly Report N° 39 (2019). *General features of transactional dollarization in Venezuela*. November, 2019. and Weekly Report N° 7 (2020). *A New study on dollarization in Venezuela*. February, 2020.

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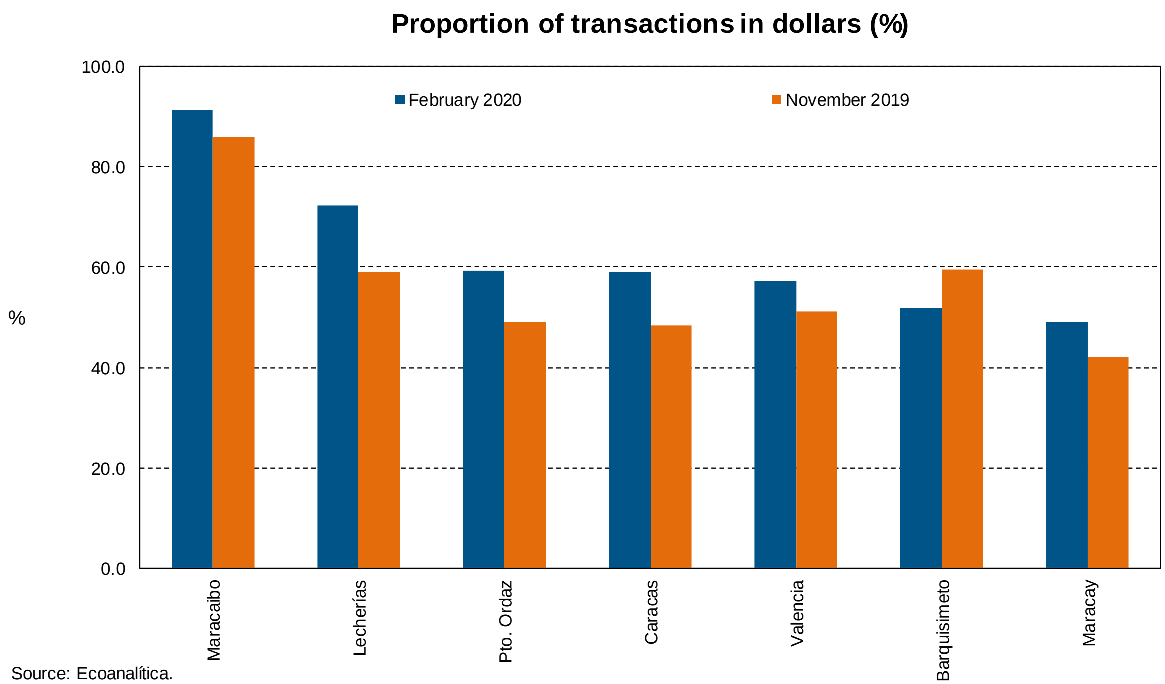

Source: Ecoanalítica.
Note: Data collected in February.

This evolution of the phenomenon led the local banks to offer services aimed at attracting foreign currency, although they would later be limited by an ordinance of the Central Bank of Venezuela[3] . Even with this, at **Ecoanalítica** we are of the opinion that the use of foreign currency in transactions will persist in the country and we do not observe that in the short term it will revert.

Thus, the appearance of dollarization in Venezuela's daily life, together with a policy of liberalization in the areas of imports, prices and employment that allowed a certain amount of respite from private activity, led to a perception of stability and even improvement on the part of the population. This was even perceived by the most vulnerable social sectors, who see how access to foreign currency is becoming more common and even allows them a certain level of savings[4]. However, the use of dollars in the local economy is not necessarily a magic solution.

[3] Available here.

[4] Mesones, G and Carrero, G (2020). *Having dollars in the neighborhoods is no longer a privilege*. Counterpoint. Available here.

Good for everyone?

As already mentioned, the presence of the use of foreign currency has touched diverse social groups and has generated some relief in the population. However, this does not mean that the opportunities for consumption and improvement are homogeneous in each of these groups.

For a first approximation of these differences, it is observed that a study carried out by **Ecoanalítica** in August revealed that approximately 59.0% of the cash dollars that circulate in the country are appropriated by 2.3% of the total population. This accumulation of large masses of money in the hands of a very small segment of the population is what recently motivated Laya and Vasquez (2020)[5] to publish an article in which they catalogued dollarization in Venezuela as a "Darwinian" phenomenon, where the apparent general improvement brought about by the flexibilization policies promoted by the government and the partial resolution of the problems of scarcity that were common in the country would only be taken advantage of by those who had a constant and significant flow of foreign currency income.

This makes sense if we take into account that the main sources of foreign currency come from previous savings in foreign currency made by Venezuelans, something that could not have been practiced by all social levels, taking into account that income poverty in the country has averaged 51.5% in the last 10 years.

[5] Laya y Vasquez (2020). *As Venezuelans Starve, Luxury Dollar Economy Booms in Caracas*. Bloomberg. Available here.

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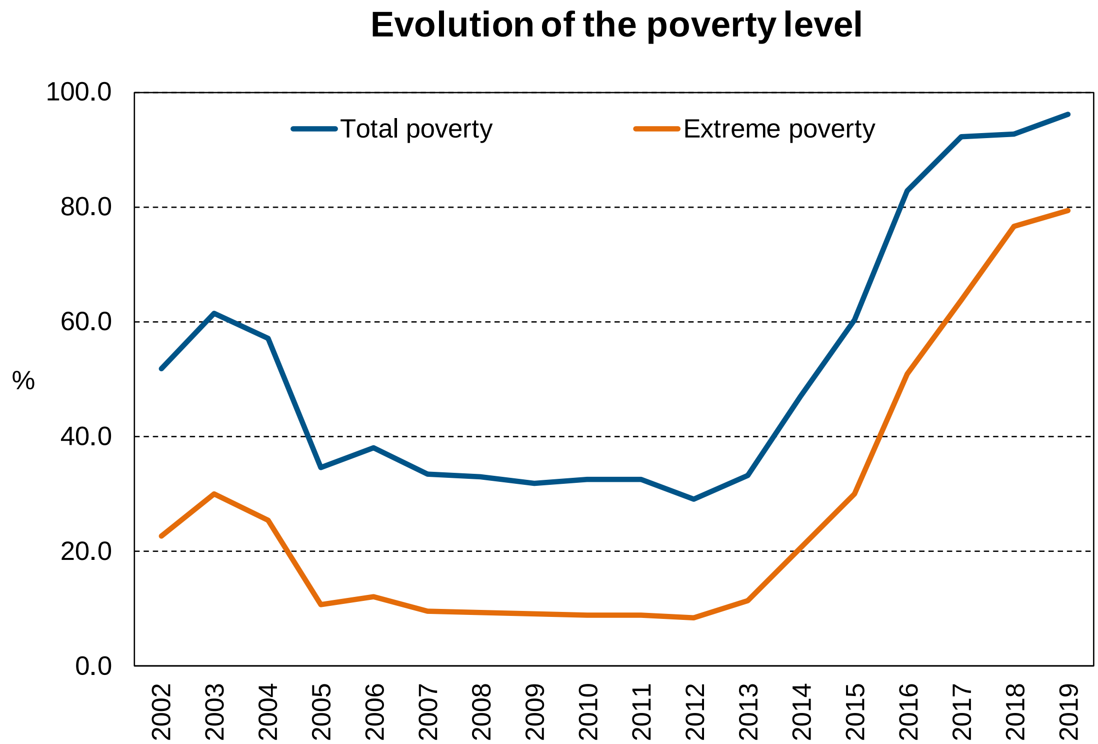

Sources: INE, Encovi and Ecoanalítica
Note: The indicator shows the proportion of poor Venezuelans over the total.

To this reason that drives the differences in consumption among Venezuelan households must be added the initial reason that drives the emergence of dollarization: the hyperinflationary process that has already accumulated almost three years. The level of local prices has grown at a higher rate than the valuation of foreign currency, making it necessary to have a greater amount of dollars to compare the same basket of goods.

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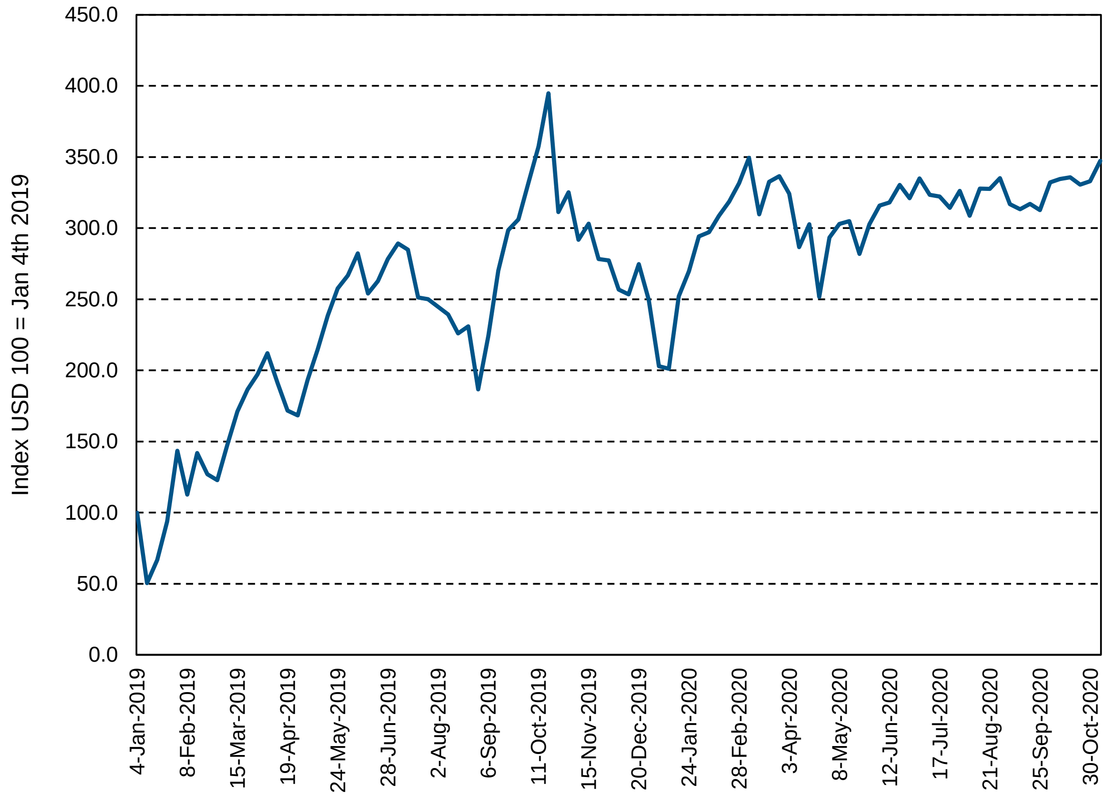
USD required to keep purchasing power



Sources: LocalBitcoin, BCV and Ecoanalítica.

Thus, for the same basket of goods that in January 2018 required USD 100, USD 347.2 would now be needed. This is something that definitely does not escape public opinion, seeing that protests have been formed in different unions demanding the imposition of a significant increase in wages, using the foreign currency as a reference in these requests[6]. However, the low national productivity does not allow, in principle, that such adjustments be available in all sectors and, consequently, for the entire population.

There are even clear differences in the methods of payment available. The Zelle payment platform has emerged as the most common method of use for electronic transfers in foreign currency in Venezuela. Its advantages include its ease of use and the elimination of the inconvenience of non-return on cash transactions. However, not everyone has

[6] Salas, J (2019). *Trade unionists: Demand that business unions dollarize salaries*. El Impulso. Available here.

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access to the platform, as it can only be used by those who have a bank account in the United States.

The Venezuelan diaspora has offered alternatives to those who have not been able to go to the United States and open that account. Those who have relied on family members and acquaintances to use their account as their own[7]; however, mobilizing the funds requires the participation of the migrant, making a possible transaction difficult if he or she is not available to make it.

A look at other experiences.

The experience in countries with formal dollarization reveals similarities to the Venezuelan case, to review it, we use the following examples

El Salvador:

In El Salvador, Towers and Botzuki (2004)[8] identified some of the consequences of the 2001 dollarization of that country on its most vulnerable population. The main impact is the inflationary impact of the rounding of prices from the local currency (the Salvadoran colón) to the US dollar.

In the country, the exchange rate was set at SVC 8.75/USD, so that any price previously marked at SVC 8.75 would be denominated in USD 1. The problem lay in those prices below that value in colons, which were rounded to USD 1, especially in the more informal markets; researchers placed as an example the cost of a good at SVC 7.0 which, after being transformed into dollars, (at USD 1 rounded) would see its value increased by 25.0%. This problem arose, in part, because of the difficulties of giving change in those locations, especially in the case of physical money presentations of less than USD 1.

This problem would be exacerbated in the Venezuelan case, as there are even difficulties in giving change even in presentations of USD 1 or USD 5, where rounding becomes even more important in the most vulnerable populations where great value is placed on the little that can be saved because of the difficulty involved in accumulating it.

At the same time, the authors pointed out that the educational factor in the poorest populations must be considered. In interviews conducted as part of that research, the locals mentioned that they were skeptical about the use of foreign currency, claiming that

[7] Rosati, R; Vasquez A & Surane, J (2020). *Zelle Has Turneded Dollar-Starved Venezuela into a Cashless Test Lab*. Bloomberg. Available here.
[8] Towers; M & Borzutzki, S (2004). *The Socioeconomic Implications of Dollarization in El Salvador*. Latin American Politics and Society, Vol. 46, N°3. Available here.

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they could be cheated by the use of counterfeit bills. Something similar occurred in Venezuela, but the increase in transaction costs would occur in the rejection of deteriorated bills or of a certain serial; an aspect in which the populations with lower income would be more vulnerable, since they would have greater difficulties in having an alternative for the payment instrument rejected under those criteria.

Cambodia:

Odajima (2017)[9] made a review through a national survey on household behavior in a dollarized environment. The main advantage of these surveys is that participating households responded not only if they made expenditures or received income in foreign currency, but their responses allowed them to observe the weight of these on the total. Two clear trends can be observed: households with higher incomes have greater inflows in foreign currency, and are those that have a greater weight over total spending in less essential or "more luxury" items.

In other words, although not directly established in the research work, it is those households that receive a greater weight of their income in foreign currency that can incur greater luxury expenses such as those related to real estate, clothing and restaurants.

[9] Odajima, K (2017). *Dollarization in Cambodia: Behavior of Households and Enterprises in a Highly Dollarized Environment*. En K. Kubo, Dollarization and De-dollarization in Transitional Economies of Southeast Asia (pp 33-73).

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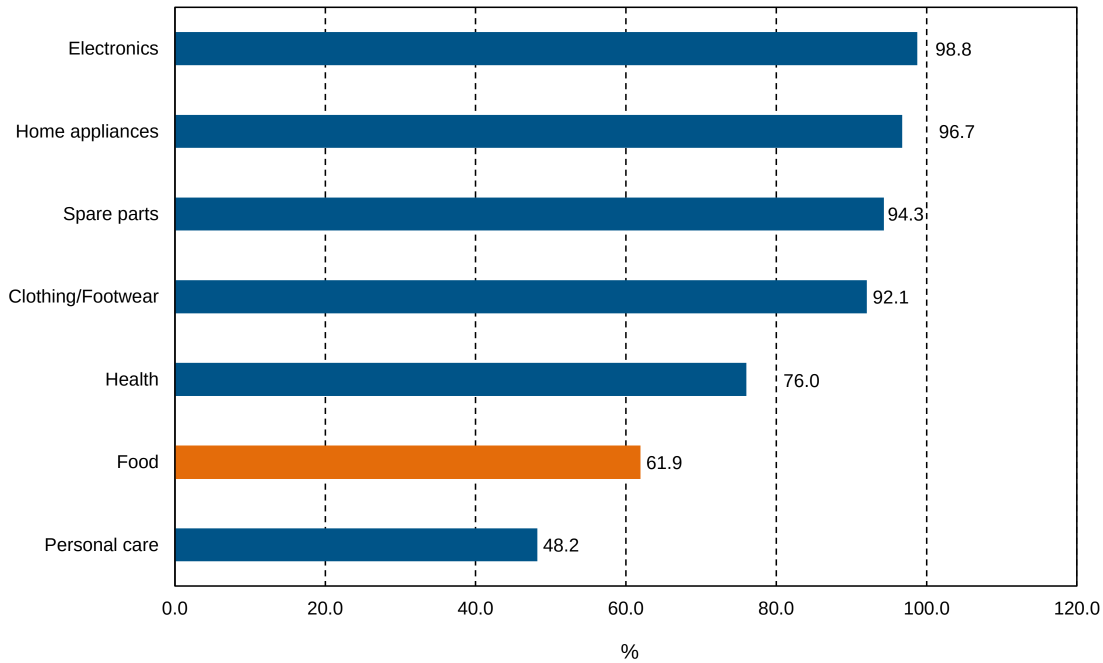
Proportions of transactions in dollars (%)



Source: Ecoanalítica.
Note: Data collected in February.

Thus, the *dollarization of expenditures* becomes more common in higher income households, who - at the same time - are those with more immediate access to foreign currency income. Therefore, it is normal that in Venezuela the most "luxurious" items are mainly transacted in foreign currency; according to our study carried out in February[10], at the national level, it was observed that more than 9 out of 10 transactions in electronic matters, household appliances, spare parts and clothing were made in foreign currency, while in more essential items such as food and personal care goods the proportion of transactions made in foreign currency was 61.9% and 48.2%, respectively.

Ecuador:

Bebzuck (2008)[11] made a comparison of poverty levels in Ecuador before and after the entry of dollarization into the country. While the researcher noted that dollarization did have a significant effect on reducing poverty in the country, explaining between 22.0%

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[10] Weekly Report N° 7 (2020). *New study of dollarization in Venezuela*. February, 2020.
[11] Bebczuk, R. (2008). *Dolarización y Pobreza en Ecuador*. CEDLAS, Working Papers 0066, CEDLAS, National University of La Plata. Available [here].

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and 31.0% of the estimated drop in the indicator, which varies between 1.3% and 6.0% between 1999 and 2005, the main reasons for this drop are the lower cost of tradable goods in the reference consumption basket and the reallocation of labor to the non-tradable sector.

However, in the same document it was pointed out that, although dollarization can be identified as responsible for deactivating the increases in poverty prior to the installation of the measure, it was not observed that "it *has managed to print a decreasing trend in structural poverty*". It was clarified that this type of effect is achieved in climates of stability and growth of activity in the long term, so that dollarization would only generate relief in the form of "*exchange rate and inflationary readjustment" that are* exhausted in the short term (in the case of Ecuador, three years).

At the same time, a study by the Directorate General of Studies of the Central Bank of Ecuador (2010)[12] found that the level of inequality (measured by the Gini coefficient) increased two years after implementing dollarization, but then fell (at the end of the last decade) to 1995 levels. The researchers conclude that it was the subsequent implementation of a social coverage plan that really contributed to lowering the levels of inequality, with dollarization being a component that exacerbated it in the short term. In other words, the importance of effective and sustainable stability, growth and distribution policies is once again stressed over the mere appearance of dollarization to improve socioeconomic indicators.

Green inequality.

In other countries, this constant review of the relationship between the presence of foreign currencies in the local economic flow and the evolution of economic and social indicators leads to a frequent debate on the convenience of allowing or reversing the intensity of the use of foreign currencies. In Venezuela, it does not seem to be a debate on this issue in the short term; however, as the phenomenon persists, the consequences (both positive and negative) that derive from this should be reviewed and incorporated in the relevant analyses throughout the economic and social spectrum of the country.

For the moment, dollarization has clearly separated the population between those who have income or savings in foreign currency and the tools to circulate them and those who do not, and this difference may only deepen in the short term until the necessary structural reforms in the country are carried out.

Jhoan F. Castellano.

[12] Central Bank of Ecuador (2010). *La Economía Ecuatoriana luego de 10 años de dolarización*. Available here.

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WEEKLY INDICATORS

Weekly Economic Indicators

	2nd Week November	Weekly chg. (%)	Depre/Apre (pp)[1]
FX Boards (VES/USD)[2]	551,928.08	11.2	10.1
	5th Week October	Weekly chg. (pp)	Annual chg. (pp)
Lending Interest Rate (%)	39.7	1.4	11.1
	2nd Week November	Weekly chg. (pp)	Annual chg. (pp)
Overnight Interest Rate (%)	32.5	-441.9	-221.6
	1st Week November	Weekly chg. (%)	Annual chg. (%)
International Reserves (USD Bn)	6.4	0.2	-18.5
	5th Week October	Weekly chg. (%)	Annual chg. (%)
Monetary Liquidity (MM VES)	277,629,536	10.7	938.6
Price of International Oil Baskets (USD/bl)			
	5th Week October	Weekly chg. (%)	Annual chg. (%)
WTI	37.3	-7.7	-33.5
Brent	37.9	-7.5	-39.6
Price of the Venezuelan oil basket (USD/bl)			
	5th Week July	Weekly chg. (%)	Annual chg. (%)
Weekly Average	22.4	0.0	-61.9
Annual Average	28.8	-0.7	-51.7

Sources: BCV, MENPET, ONT and Ecoanalítica

* Annual variation of accumulated expenditure.

[1] Depreciation (+)/Apreciation (-)

[2] FX Borads' average exchange rate

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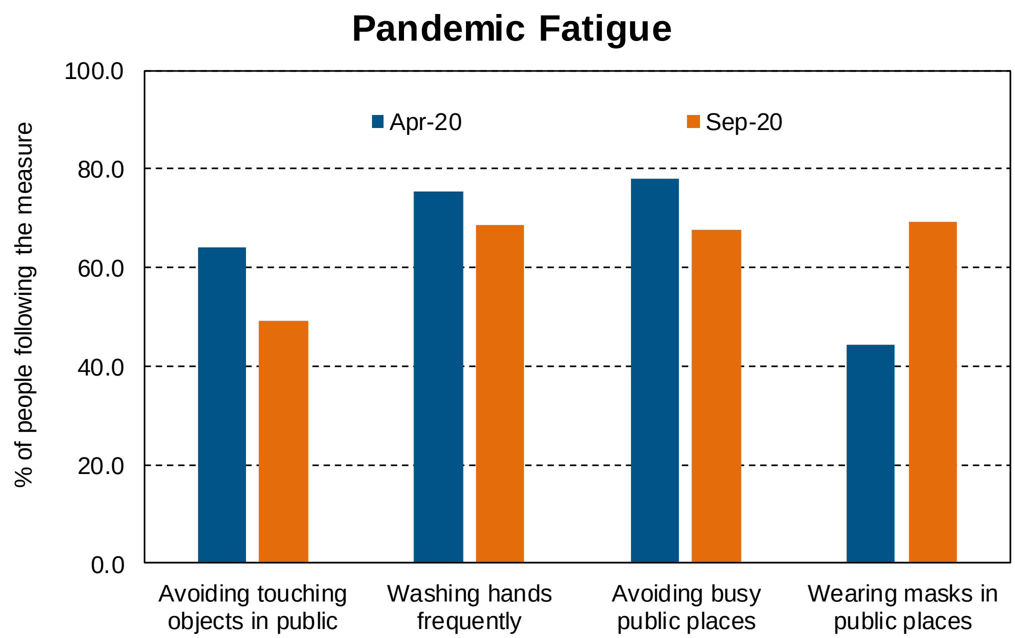
CHART OF THE WEEK: "THE PANDEMIC OF FATIGHE"



Sources: Yougov, The Economist and Ecoanalítica.
*Average data from countries of Europe, North America and Asia.

By this date, 11 months have passed since the arrival of COVID-19 and 34 weeks since the beginning of the quarantine in Venezuela. During this time, people have had to follow specific recommendations that help reduce the spread of the virus while maintaining the search for a cure. These measures consist of avoiding places where people congregate, avoiding contact with objects in public places, washing hands, and using a mask when leaving the house. Over time, people have begun to experience *"pandemic fatigue,"* which has been reflected in the relaxation of most of these measures, as shown by the YouGov data[13].

The graph shows the percentage of people meeting recommendations in April compared to September for a group of countries in North America, Europe and Asia. As can be seen, fewer people continue to comply with the recommendations. When 78% of people avoided going to crowded places in the early stages of the pandemic, that number is now

[13] YouGov (2020). *Personal measures taken to avoid COVID-19.*

67.5 percent. Also, 75.4% of people were washing their hands frequently in April, while in September that figure decreased by 6.9 percentage points (pp).

The Economist comments that the populations of countries in Asia, such as China and Malaysia, and the Middle East maintain strict measures, while the Nordic, European and North American countries have been laxer. This may be due to people's tiredness in following unusual and sustained practices that require constant attention, in addition to their interest in returning to their activities on a regular basis. According to mobility trends[14], more and more people are returning to their jobs and engaging in activities outside their homes. These changes may explain, in part, the development of the second wave of contagion in Europe.

The use of the mouthpiece remains the most internationally accepted measure and the only one that has expanded since the beginning of the pandemic. When previously only 44.5% of people used it when leaving home, in September the number increased to 69.3%. Everyone wants to return to pre-pandemic activities; however, they seem to accept that masks are here to stay and be part of the *"new normal*.

[14] OurWorldInData (2020). *Mobility Trends.*

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ECONOMIC TIPS

COVID-19 in Venezuela. According to government figures as of November 12, the number of positive cases of coronavirus reached 95,445 and the death toll was 834.

Partially unconfined. For the week of November 8-15, all the states in the country were handled under a restricted flexibilization phase as part of the "*7+7 plus*" scheme. Thirty-seven sectors of the economy were allowed to carry out activities with strict confinement measures and the free movement of the country's citizens was prohibited.

Surprisingly low inflation. The Venezuelan Finance Observatory of the National Assembly published its inflation figures for October, which showed a variation of 23.8% since September. Also, the price level increased 1,798.6% since the beginning of the year and 3,332% since October 2019.

What went up and what came down? The items that showed the greatest increase were "home equipment" with 34.2% and "food and non-alcoholic beverages" with 32.1%. On the other hand, the items that showed the least variation were "services" with 4.8% and "communication services" with 11.5%, while the "entertainment" item remained stable.

Possible minimum salary increase. Unofficial sources close to the government reported that an increase in the minimum wage is being discussed, but that there is no concrete decision yet. The information reveals that the minimum wage could reach VES 1,200,000 per month, complemented by a bonus for an equal amount, so that the minimum comprehensive income would be VES 2,400,000 or USD 4.19 at the official exchange rate of November 12.

With subjective legislation. In this sense, Oscar Meza, president of the Center for Documentation and Social Analysis of the Venezuelan Federation of Teachers (Cendas-FVM), argued that if the establishment of the minimum wage were governed by the Organic Labor Law (LOTT), the minimum wage should cover, as a minimum, the cost of the Family Food Basket, and should therefore be set at USD 300.

Bonuses and more bonuses. It was announced that the "Bono 100% escolaridad" (100% schooling bonus) will be given, starting on November 5th, through the Patria system. The bonus will be distributed gradually and, for the time being, the amount of the bonus is not known.

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More flexibility for Christmas? Nicolás Maduro announced that a special flexibilization is being considered for December. In this sense, he expressed that "if everything goes well, if we consolidate this trend we could have a special flexibilization between December 1st and 31st. That's the idea I have. The scientific team is already analyzing it. Then in January we will see."

Money tables. For the week of November 13, the average rate for money tables was VES 551,928.1/USD. This represents a depreciation of 10.1% with respect to last week.

Too much liquid. Liquidity was VES 277,629,536 million for the week of October 30, a variation of 10.7% in nominal terms in relation to the previous week (October 23) and 938.6% in relation to last year.

The cannonball sounds. The weekly increase of 10.7% in monetary liquidity could be responding to the monetary financing of the increase in public spending in these weeks prior to Christmas. In this sense, liquidity has varied on average 4.4% since the beginning of the year; however, the average variation of liquidity for November and December 2019 was 8.97%, so it is expected that these variations will remain higher than the average for the rest of the year.

OIL TIPS

To the rescue. The U.S. State Department reported that efforts to prevent a spill at the Nabarima floating oil storage and discharge facility will not be affected by the sanctions.

Now, how should we do it? Eni indicated that he will execute his plan to unload Nabarima's crude oil once it is approved by PDVSA. For its part, the Venezuelan oil company has not issued a communiqué informing on the steps to be taken, but it is known by unofficial sources that it is preparing its own plan to unload some crude on board the Nabarima to its tanker Icarus.

Tic toc, tic toc. Eni must wait for PDVSA's approval, since part of the 1.3 million barrels within the Nabarima belongs to Petrosucre in the following proportion: 74% for PDVSA and 26% for the Italian Eni.

It came on. Sources related to the matter informed Reuters that the Panamanian flag ship Teseo, property of PDVSA, is being repaired in Cuba after suffering damages due to a fire.

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Due to lack of maintenance. The fire originated in the ship's engine room while unloading. The ship would have sailed from Cardón with 500,000 barrels of fuel oil for electricity generation to the port of Felton in Cuba. Reuters sources attribute the fire to the lack of maintenance of PDVSA's naval fleet.

Half of what September was. Antonio de la Cruz, reported that PDVSA's oil exports fell by 58% in October, compared to September. It is estimated that net income was USD 130 million.

You can count it with your fingers. According to the Tanker Trakers portal, exports stood at approximately 5.5 million barrels as of October 14th, generating a flow of USD 98 million. In the third week of the month, another 2 million barrels were added for USD 32 million, but their destination is unknown. Finally, three oil tankers were sent to Cuba, each with about 300,000 barrels of crude oil.

Double confirmation. According to Argus Media, crude exports averaged 350,000 barrels per day in October after its main commercial partners, Repsol, Tipco, and Eni, stopped buying crude, most of the month, due to the fact that the United States suspended the permit these companies had to make diesel *swaps* for Venezuelan crude with PDVSA.

At 10%. Fabiola Zerpa, journalist from the Bloomberg agency, indicated that the El Palito, Amuay and Cardón refineries are operating at less than 10% of their total capacity since last year.

Another Christmas with a shortage? He added that, according to an announcement by Nicolás Maduro, there are gasoline inventories in the country for 20 more days; however, he argued that this is an estimate that considers a daily crude oil production of 2 million barrels.

At least in green. British Petroleum reported operating revenues of USD 0.1 billion for the third quarter of the year. This represents a decrease of $2.2 billion from the same quarter last year, but a big improvement compared to its second quarter loss of $6.7 billion.

For the future of the company. Royal Dutch Shell reported that it will cut approximately 9,000 jobs before the end of 2022; of these, 1,500 are people who have agreed to retire that year. Shell currently employs 83,000 people worldwide. The decision comes five months after Shell reduced its dividend for the first time since World War II.

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Good news for everyone. The West Texas Intermediate (WTI) closed on November 9th registering a rise of 8.48% to position itself at USD 40.29 per barrel after the announcement of promising results in the coronavirus vaccine trials being developed by Pfizer and BioNTech.

SECTORIAL TIPS

Goodbye Cargill. After 34 years operating in Venezuela, the U.S.-based multinational food company Cargill reported that it sold its assets in Venezuela to a group of investors represented by the Phoenix Global Investment fund and the Puig Group, after evaluating its investment portfolio.

A process of months. In the statement, Cargill indicated that the sale will take "*several months to complete*", a sale that involves its "*wheat flour, pasta, edible oils, vegetable fats, salt and animal feed production plants*".

A good way out. Similarly, the multinational said it seeks to ensure the continuity of operations as a food company, access to products and employment of its workers.

Reopening (slowly) the tourism sector. The Board of Directors of Avemarep (Venezuelan Association of Wholesalers and Companies of Tourist Representations) informed that, after a meeting with the Minister of Tourism, Alí Padrón, several points were agreed upon that will allow the reactivation of this sector.

Faster than the "*7+7 Plus*". Among the points approved are the gradual flexibilization of the entire tourism sector to seek to go beyond the "*7 + 7 Plus*" scheme and the permission for tourism companies to sell tickets.

First, a tour of the Caribbean. Padrón added that all the air space will be progressively opened and gave as examples of destinations Mexico, Dominican Republic, Havana, among others.

There are flights, but no passports. With regard to the Saime, the Minister said that measures will be taken for the issuance of passports and extensions respecting restrictions, protocols and the like.

Coronavirus free? Finally, Ali Padron commented on the protocols for dealing with the pandemic and the operation of tourism companies. He informed that in his office they are working on the creation of a seal called "*Safe Space*".

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Back to the 70s. Fedeagro's vice president, Celso Fantinel, reported that the 2020 crops are very similar to those of the 1970s. He pointed out that this represents a great delay, especially considering that at that time the population was barely a third of the current one.

No support, no crops. Fantinel tried to warn and ask for help from the Executive, considering that winter planting is the most important of the cycle; however, there was no response from the Government. Fantinel explained that, without this support, only 15 to 20% of the demand will be met, which will lead to a further increase in the price of agricultural goods.

From Turkey to the world. Turkish Airlines informed travel agencies that it will resume operations from Caracas with two weekly frequencies from November 17 to December 29 of this year. These flights will be on Tuesdays and Saturdays, with immediate connection to Europe and the Middle East.

And now, how do we stay awake? (I) The national coordinator of the National Association of Coffee Growers, Maximiliano Perez, reported that Venezuela's coffee production has fallen 94.2%.

And now, how do we stay awake? (II) This fall is due to the fact that coffee growers have had to abandon their farms and stop production because they do not have the resources to cover the costs of fertilizers and the fuel they use for transportation and agricultural machinery.

Two options: imported or unhealthy. Perez added that, due to the low national production, the coffee that is currently seen on the shelves is imported, so you see variety in price, aroma and flavor. On the other hand, the Coordinator warned that the sale of artisanal coffee that has proliferated throughout the country presents great risks, since they do not comply with sanitary protocols.

Bonuses and more bonuses. Sistema Patria announced, through its Twitter account, that in November a retroactive payment will be made for all the bonds granted through the Carnet de la Patria. It was not specified which will be the increase of the bonds, the reference on which the retroactive will be calculated nor the date of beginning.

INTERNATIONAL TIPS

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COVID-19 in the world. According to figures published by the World Health Organization (WHO), the number of positive cases of coronavirus reached 51,456,775 on November 12 and 1,272,094 deaths were recorded for the same date.

A big step forward. The drug manufacturer Pfizer Inc announced that its experimental vaccine against COVID-19 has an efficacy of more than 90%, according to the results of the first trials.

The permits are still missing. Pfizer and its German partner BioNTech SE said they had not yet found any serious safety concerns and planned to apply for emergency use authorization in the U.S. this month, increasing the possibility of a regulatory decision in December.

Ready for 2020 and more for 2021. If *Pfizer* is granted a permit, the companies estimate that they can distribute up to 50 million doses this year, enough to protect 25 million people, and then produce up to 1.3 billion doses in 2021.

After a long wait. The U.S. Democratic Party candidate, Joseph Biden, has been projected as the winner of the U.S. presidential election, beating the current president, Donald Trump.

Projected by means of both sides. Biden's victory has been projected by media such as ABC, The Associated Press and Fox News, securing (so far) 279 of the 270 votes needed to win the electoral college.

Clinging to the position. Despite the projection of the U.S. media, Donald Trump and his Republican Party team have introduced lawsuits in key states, such as Pennsylvania, Arizona, Georgia and Nevada, alleging that there have been irregularities in the counting of votes, especially absentee ballots (which had a strong bias toward the Democratic Party).

This is not over. In addition to the presidency, the Democratic Party managed to maintain control of the House of Representatives, which it has led since the 2018 elections, while control of the Senate remains uncertain until January of next year, when elections for two seats in Georgia will decide which party will get the majority in that chamber.

Fighting fire with fire. The European Union imposed tariffs on US products valued at USD 4 billion, exercising its right, recognized by the World Trade Organization (WTO), to take measures to compensate the subsidies granted to the US aircraft manufacturer Boeing, which are part of a long dispute over subsidies to civil aviation.

"I stop if you stop". EU Trade Commissioner, Valdis Dombrovskis, said that tariffs on US exports of planes and parts and various agricultural products could be suspended if the US does the same, but Washington has not yet agreed to do so.

The winner of the trade war? (I) Chinese exports increased 11.4% in October over the previous year, showing an acceleration after the 9.9% increase in September. This increase expanded the October trade surplus to USD 58.44 billion. In particular, China's trade surplus with the United States expanded to USD 31.37 billion in the same month.

The winner of the trade war? (II) On the other side of the trade balance, imports increased 4.7% year-on-year in October, a slower pace than the 13.2% growth in September, thus explaining the increase in the trade surplus.

Packages and more packages. Italy approved a new economic aid package equivalent to EUR 2.9 billion to cushion the impact of the restrictions it recently introduced in order to curb the upsurge of the coronavirus pandemic.

Less taxes and transfers. The Italian package delays until spring tax payments due in November and increases transfers to companies operating in regions classified as "*red*" or "*orange",* affected by the stricter limitations.

Grateful to copper (I). According to figures published by the Central Bank of Chile, the Latin American country registered in October a commercial surplus of USD 1.208 million, motivated by a rise in exports of 12.9% in annual terms and a fall in imports of 14.5% with respect to the same period last year.

Grateful to copper (II). More than half of the value of Chilean exports in October corresponded to copper shipments, which were equivalent to USD 3,211 million, a year-on-year increase of 24% in the midst of a sustained recovery in global metal prices and despite the impact of the pandemic on production.

One promises, and other renegotiates. An International Monetary Fund (IMF) spokesperson announced that the organization will send a mission to Argentina on November 10 to start negotiations for a new agreement with the government, in order to renegotiate the credit that the country signed in 2018 for approximately USD 57 billion, of which USD 44 billion has already been disbursed.

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POLITICAL TIPS

Bolivian regret. Jorge Arreaza, Minister of Foreign Affairs, informed that the government of Nicolás Maduro has once again "taken possession" of the seat of the Venezuelan Embassy in Bolivia. In a series of videos and photos published in the Twitter account of the Venezuelan Foreign Affairs Ministry, a group headed by Arreaza is shown inside the embassy's facilities.

Veni, vidi, vici. The action takes place after Arreaza arrived in Bolivia as a guest at the swearing-in ceremony of newly elected President Luis Arce, who is a new ally of Nicolas Maduro's government.

Although warned. For his part, Arce had expressed last November 10 that "*the Venezuelan Embassy in La Paz will be recovered, they will recover it today, the keys, they will recover it from the coup perpetrators that assaulted and usurped it*".

Change the government, change the rules. The ambassadors of Juan Guaidó's government had taken over the embassy last year after Evo Morales resigned from the presidency. Jeanine Añez who temporarily took over, recognized Guaidó as the leader of Venezuela and asked him to appoint a representative.

Safe and sound. For his part, the ambassador designated by the administration of Juan Guaidó in Bolivia, José Gregorio Cumare, alerted the international community that the Vienna Convention, referring to diplomatic relations, was violated when he was violently expelled from the diplomatic headquarters in La Paz, in addition to denouncing that his residence was assaulted.

Demands are advancing. The prosecutor of the International Criminal Court (ICC), Fatou Bensouda, declared that she had concluded the preliminary examination of two processes, Venezuela I and II, and it was determined that "with respect to the Venezuela I process ..., there are reasonable grounds to believe that crimes within the jurisdiction of the ICC have occurred in Venezuela.

What are they about? The ICC is investigating two issues about Venezuela. The Venezuela I process deals with alleged crimes committed since April 2017 in the context of demonstrations and political disturbances. The Venezuela II process deals with alleged crimes against humanity committed by officials of the Venezuelan government.

An investigation has not yet been opened... The Attorney General, Tarek Williams Saab, in his visit to the ICC, announced in a press conference that "*We must make it clear* *that, both in the meeting and in her subsequent press release, the ICC prosecutor, Fatou Bensouda, ratified that both processes, Venezuela I and Venezuela II, remain under preliminary examination with a view to making a decision on whether to open an investigation or not. In other words, an investigation has not been initiated*".

... but it will soon be. For her part, Luisa Ortega Díaz, the former Prosecutor General, indicated that the next step before the ICC is for Prosecutor Bensouda to present the case before the body's Preliminary Chamber. She added that "*if the prosecutor of the ICC has already publicly stated that she believes there are grounds to believe that crimes against humanity were committed in Venezuela, it is likely that she has already made this request. We are verifying whether the Preliminary Chamber has indeed received the request*".

Relief of personnel... Spain's Ambassador to Venezuela, Jesús Silva, left the country last November 8 after the Ministry of Foreign Affairs relieved him of his post to appoint Juan Fernández Trigo, Ambassador of the peninsular nation to Cuba, as "*Chargé d'Affaires with Cabinet Letters*".

... and of title. The decision is taken as a measure to put on record that Spain does not recognize the 2018 presidential elections. The same was done with the ambassador in Bolivia where another "*Chargé d'Affaires*" was appointed.

To vote and to the streets. Juan Guaidó made a call to participate in the popular consultation to be held between December 5 and 12 in person and through digital platforms and invited Venezuelans to mobilize on the last day of the consultation.

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WEEKLY REPORT

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November 2020

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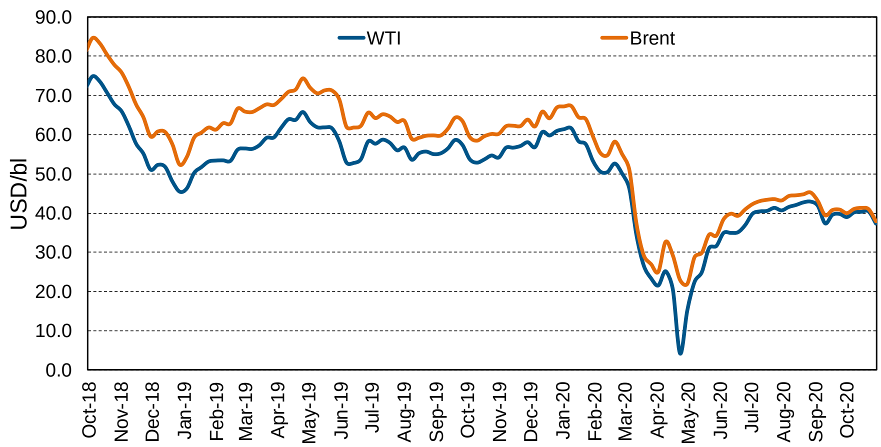
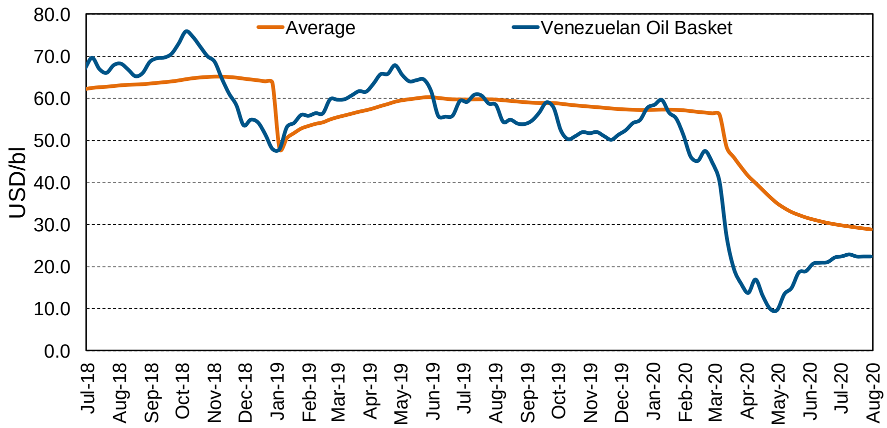
ECONOMIC INDICATORS

Oil Prices (WTI and Brent)



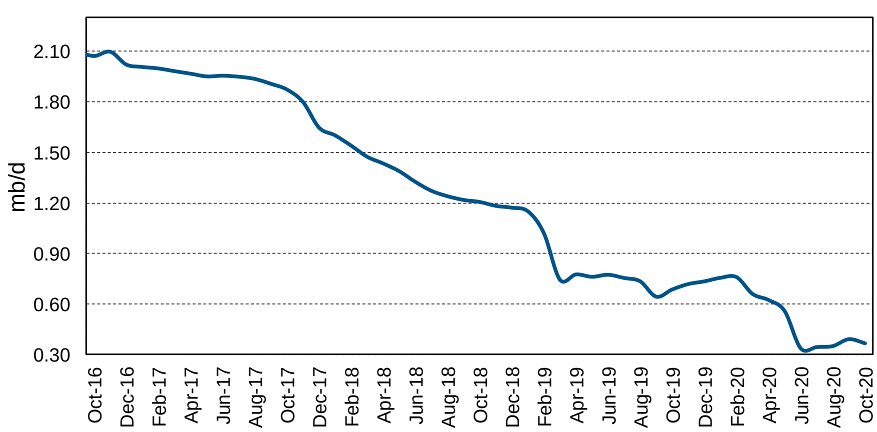
Sources: Menpet and Ecoanalítica

Oil Price (Venezuelan Basket)



Sources: Menpet and Ecoanalítica

Oil Production (Secondary sources)



Sources: OPEC and Ecoanalítica

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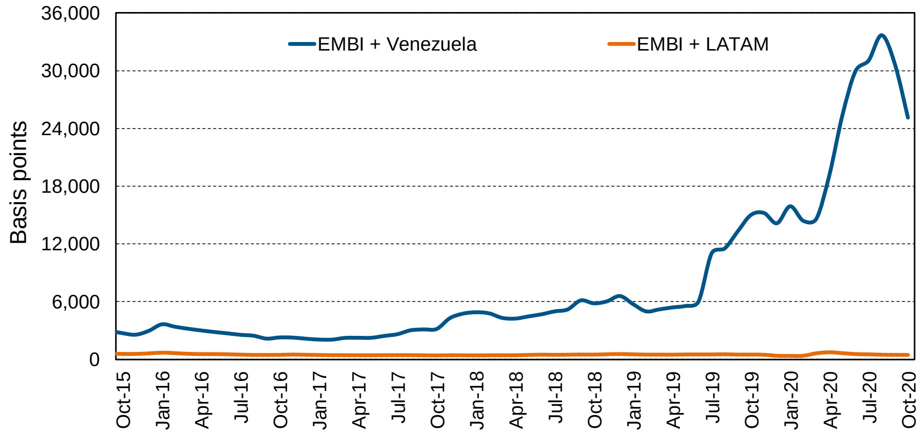
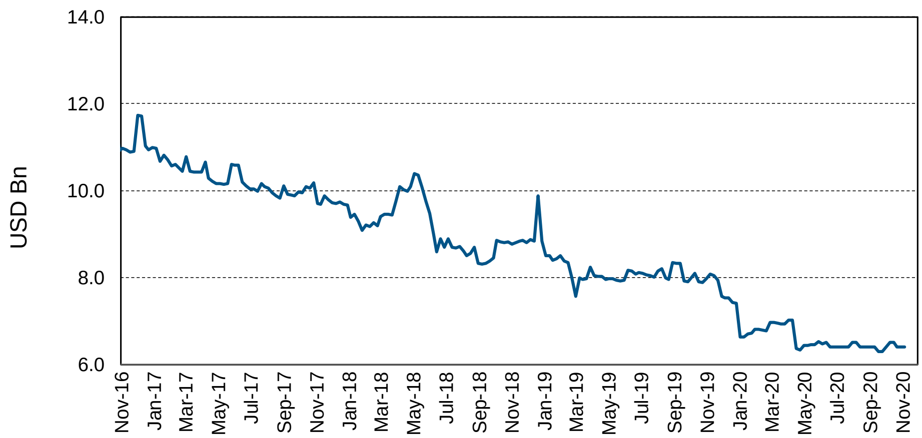
ECONOMIC INDICATORS

EMBI



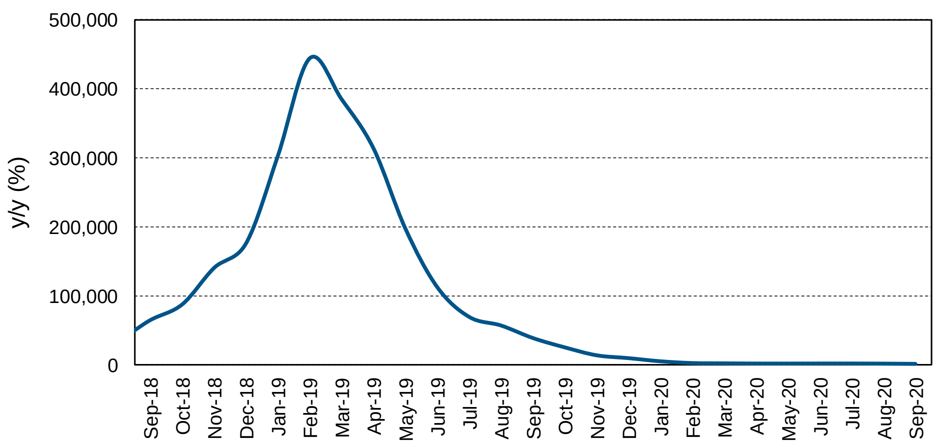
Sources: BCRP and Ecoanalítica

FX Reserves (BCV)



Sources: BCV and Ecoanalítica

Inflation (BCV)



Sources:BCV and Ecoanalítica

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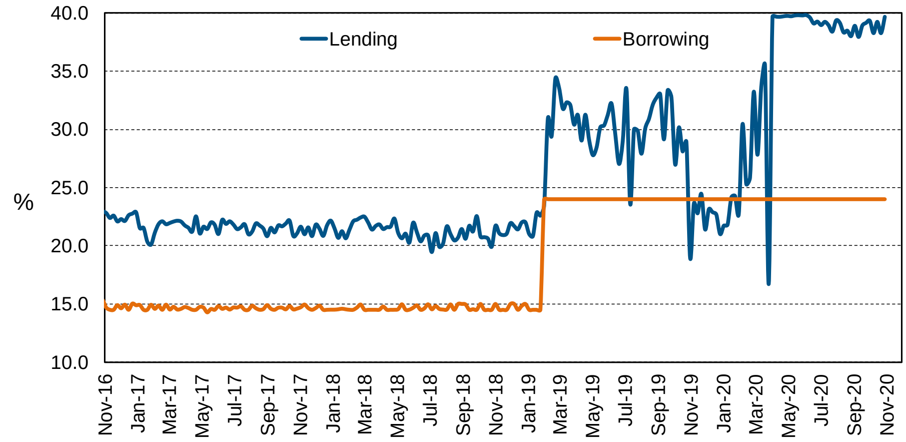
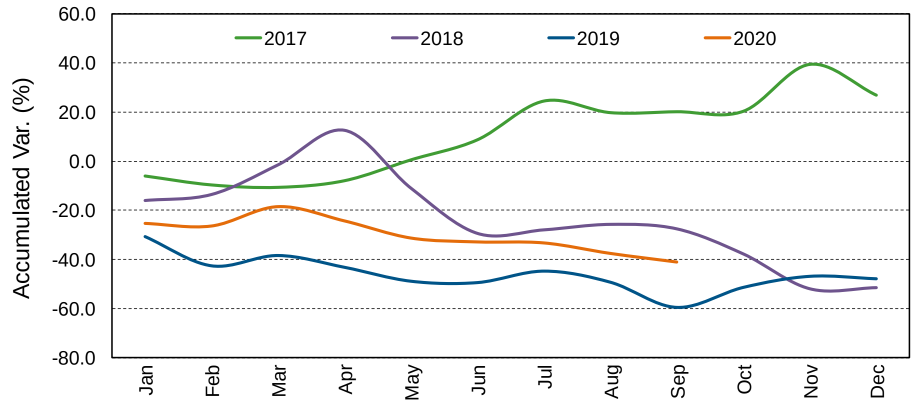
ECONOMIC INDICATORS

Interest Rate (Six major banks)



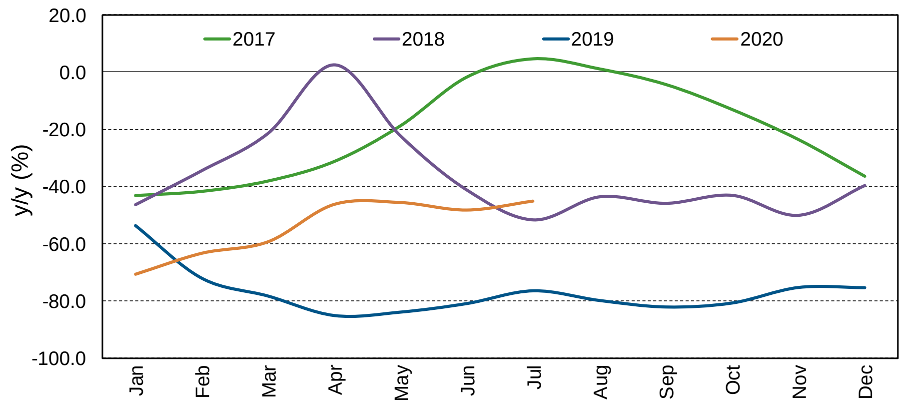
Sources: BCV and Ecoanalítica

M2 Expansion (Real)



Sources: BCV and Ecoanalítica

Loan Portfolio (Real)



Sources: SUDEBAN and Ecoanalítica

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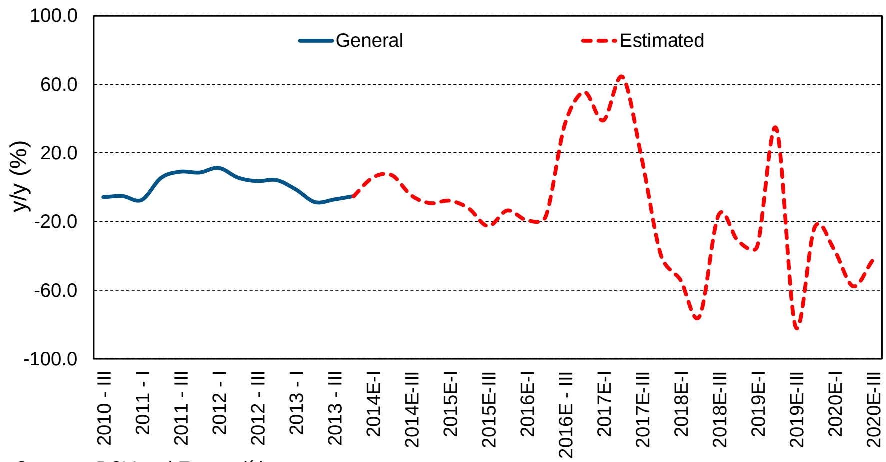
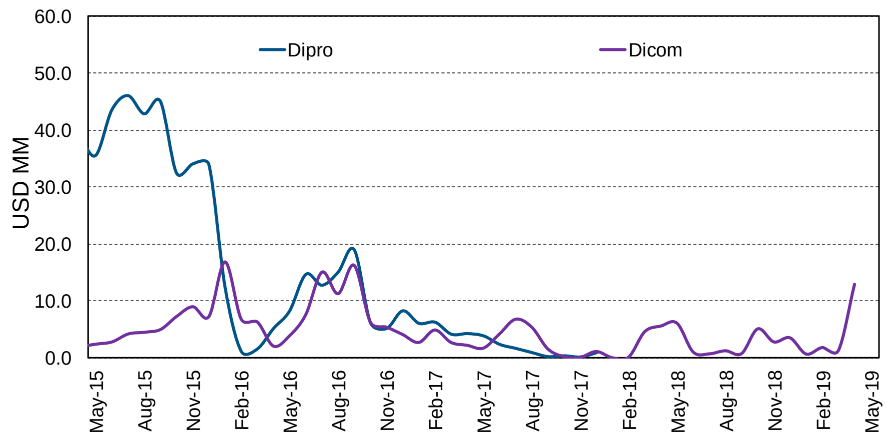
Real Wage Index



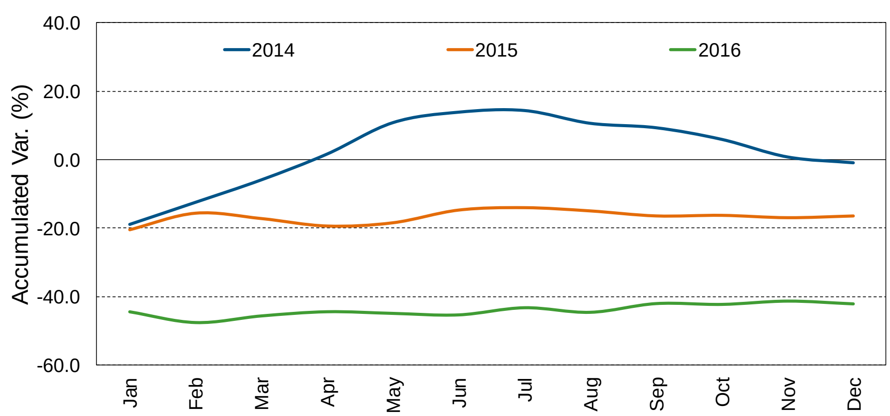
Sources: BCV and Ecoanalítica

Disbursements to the Private Sector (Daily Average)



Source: Ecoanalítica

Primary Spending NTO (Real - Central Government)



Sources: ONT and Ecoanalítica

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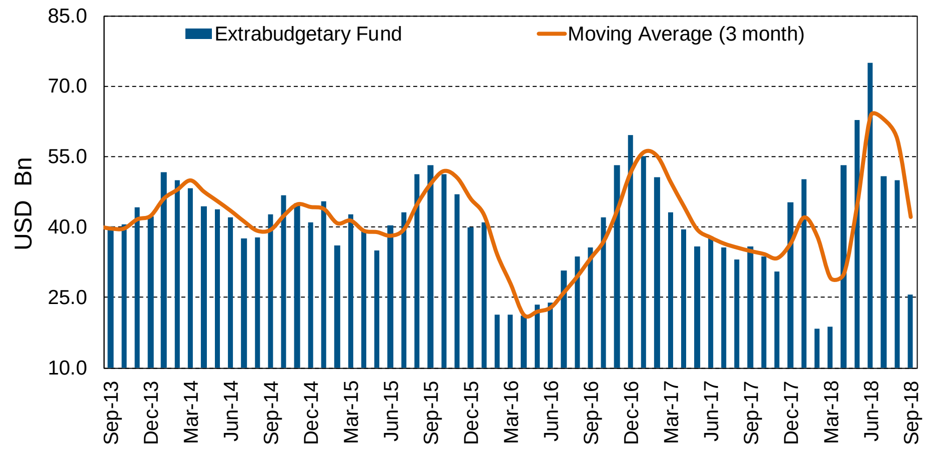
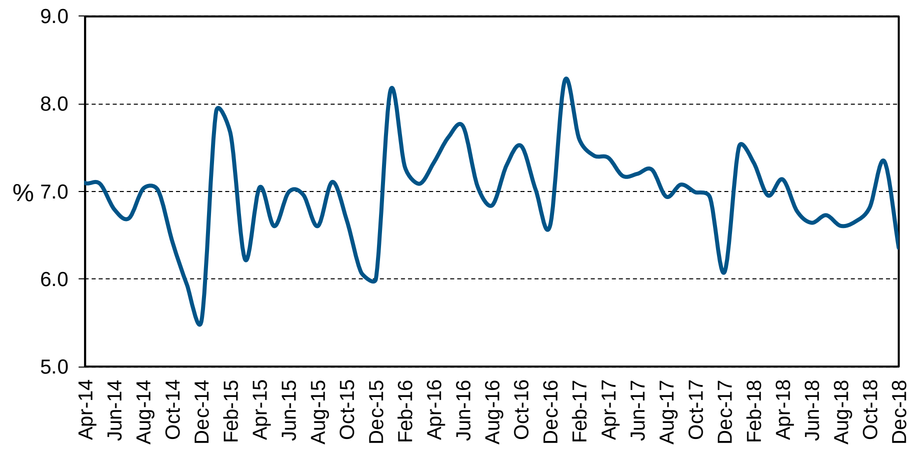
ECONOMIC INDICATORS

State Extrabudgetary Resources



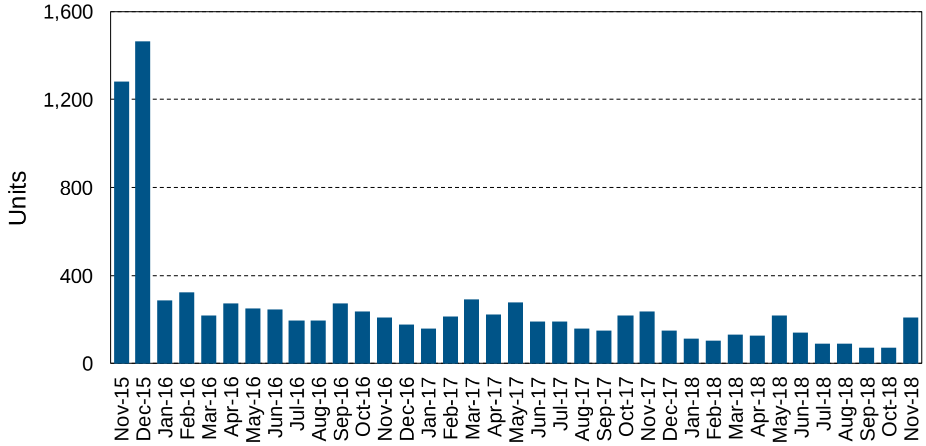
Source: Ecoanalítica

Unemployment Rate



Sources: INE and Ecoanalítica

Vehicle Sales



Sources: CAVENEZ and Ecoanalítica

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