



# Weekly Report

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*No more recession?  
The 2010 labor market and  
2011 outlook*

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Despite the fact that the Venezuelan economy has been in a recession for six straight quarters, unemployment hasn't increased significantly. But other elements within the labor dynamics are worrying. We will focus on these issues in this Report.

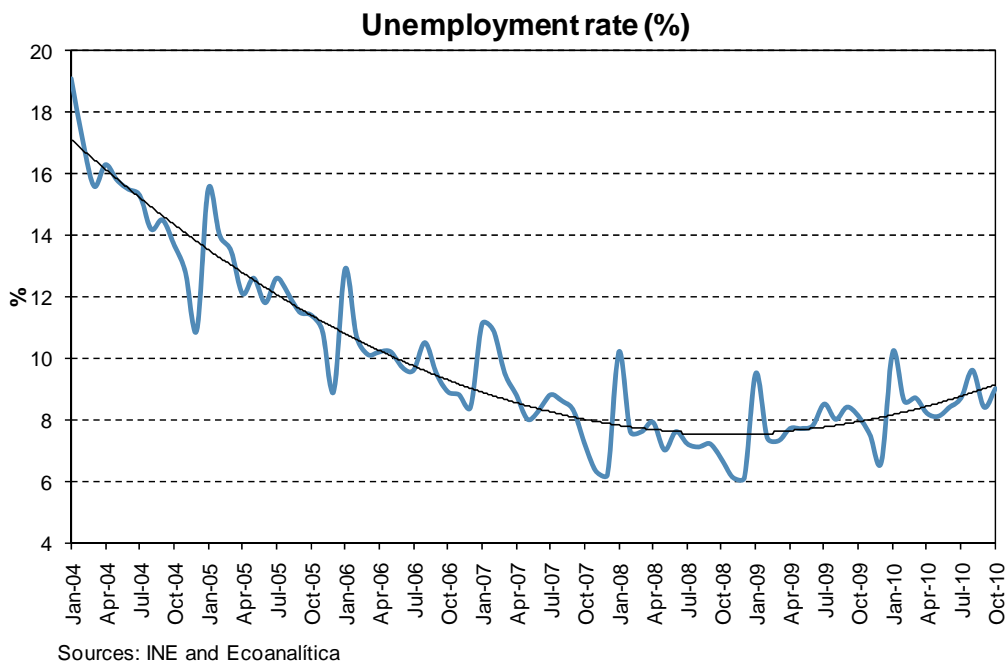
**During the last  
two years  
unemployment  
has gone up**

Between January and October 2010, the unemployment rate has been at 8.8%, up by only 0.8 percentage points compared to the same period in 2009. This figure, according to the president of the National Statistics Institute (INE), Elías Eljuri, is the product of economic and social policies that look to stabilize unemployment, and "the figures continue to be way below those that were being registered when President Chávez took office (15.3%) or even after the effects of the coup or when the oil industry was sabotaged between 2002-2003 (16.7%)." Notwithstanding all this, the fact is that the unemployment figures registered in October 2010 reflect a 0.9 percentage point increase in unemployment compared to the same month last year, when unemployment was at 8.1%. Furthermore, the



unemployment rate in 2008 was at 6.7%, which means that unemployment has been increasing for the past two years.

The Home Survey carried out by the INE shows that the informal economy for the month of October 2010 represented 43.5% of the active labor market, which means that 5,241,449 of the total number of workers (13,234,557 people) are working in the informal market. So, the employment rate for the informal sector of the economy during the first ten months of 2010 is at 43.9%, up from the 43.7% registered during the first ten months of the previous year.



### Shift in the private sector and the informal sector jobs

Under a free market labor situation, when the economy is shrinking and the private sector is hurting not only due to the recession the country is going through but also due to continual expropriations and nationalizations carried out by the Administration, part of its so-called “social development plan,” which has led to the closing of numerous companies, and the private sector being slowly replaced by state-run enterprises, not only in the areas of production but also those that generate jobs, the private sector, naturally, becomes much weaker. This limits the private sector’s ability to respond to changes in the market environment, and at the same time, leads to deteriorating labor conditions and the quality of jobs, especially in the formal sector of the economy.

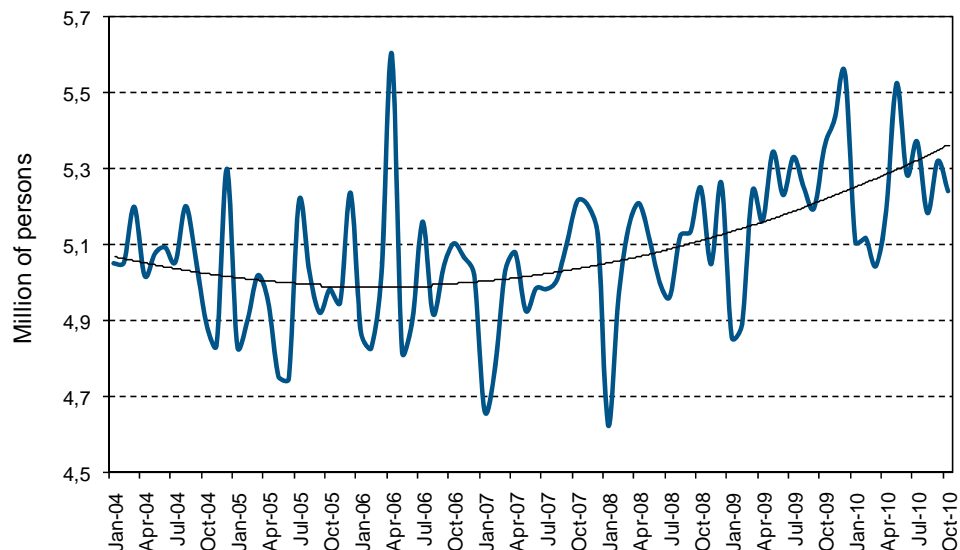


**Employers disheartened**

Consequently, the transformation that is currently taking place in the job market, especially during the last three years, when the effects of the recent expropriation policies have been felt the most, reflect that the number of employers in the private sector is steadily dropping. INE figures back this statement up showing that in the year 2000, the number of employers was at 463,945, while in 2010 that number has dropped to 357,478. And the disappearance of employers is not limited to large and medium sized companies; in fact, it seems that small companies, those that hire less than five people, have suffered the most. The INE report also states that employers in the informal sector dropped by 27.6% in the last decade.

And this is not the only reason the private sector is becoming weaker and the number of employers is dropping, it is also due to a number of people that are unable to find jobs in the public or private sector and have gone into business for themselves or become independent contractors. This group of self-employed workers has gone from around 3,185,822 people ten years ago to 3,857,304 people in 2010, up by 21%.

**Informal sector unemployment**



Sources: INE and Ecoanalítica

**Drop in purchasing power**

The last quarterly report released by the Central Bank of Venezuela (UCV) shows the Wage Index for the third quarter 2010 at 21.7% compared to that

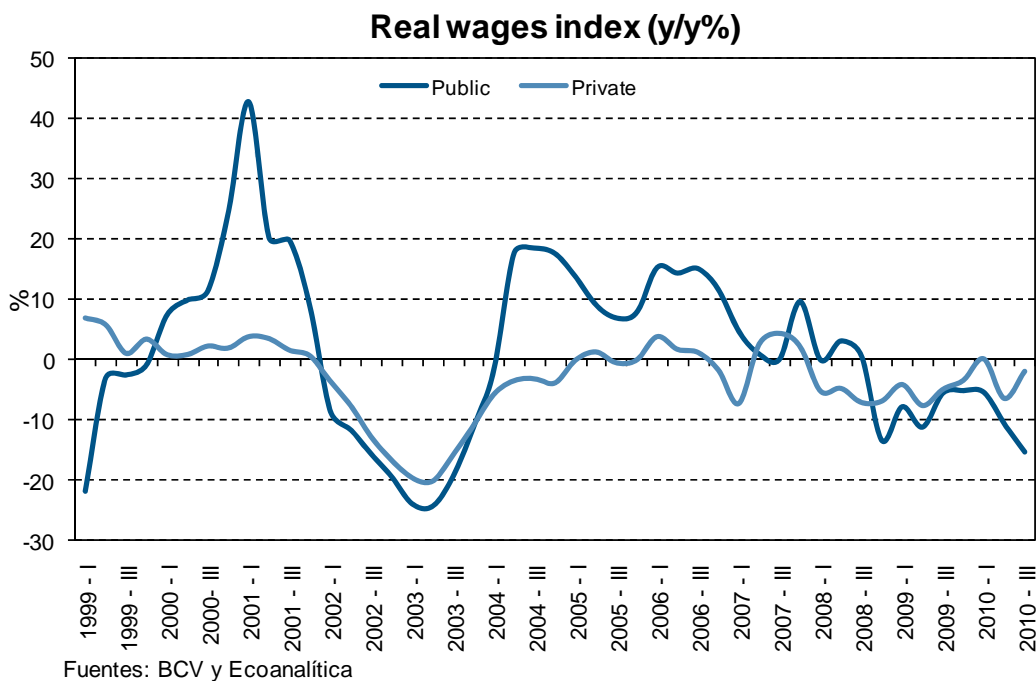




registered during the third quarter 2009. But, if you take into account inflation based on the CPI variations for the Caracas Metropolitan Area, you find that wages for the third quarter 2010 shrank by 6.3% (-1.8% in the private sector, -15.3% in the public sector). And this has been the case for the last eleven quarters in a row, wages shrinking of a y/y basis, with this year's third quarter figures being the lowest ever recorded during a third quarter since 2001. At the close of the third quarter 2010, the accumulated drop in purchasing power of real wages was at 31%. During the same period wages increased by 18.3%, but this was not enough to cover the increase in average prices which was at 23.7%.

### The public sector still ahead

If we compared the private sector Wage Index with the public sector Index we can see that public sector wages continue to be higher than the private sector. But, it's important to point out that after almost ten years of higher wage increases in the public sector compare to the private sector, at the end of 2007, this tendency began to change. Since the end of 2007, private sector real wages shrank by an average of 8% while public sector real wages shrank by 26%.



And, if we consider the inflation rate of the item Food and Non-alcoholic Beverages, the item which carries the most weight in the inflation index according to how households weigh their spending, and the item which



during the period has had the highest increase in its inflation rate, around 31%, eating away even more at the purchasing power of worker wages. So much so, that it reflects an accumulative real drop in wages of 58% compared to the historic low drop in purchasing power registered during the third quarter 2001.

### The new Labor Law

The Organic Labor Law (LOT) should have been approved before the close of the first semester 2010, but due to other pressing matters, this Law which has one of the main promises made during the Constitutional Reform vote held in December 2007, will be considered from approval in 2011.

It's worth remembering that among the main issues being introduced by this new Law will be: increased participation by workers in the control and management of the company; workers can make sure agreements made with the State be fulfilled, such as social security payments, among other things. The employee can monitor the company's compliance of State laws; subcontracting agreements which shortchange worker benefits will be eliminated, the gradual shortening of the work week until reaching 36 hours a week, increased overtime wages, making it so it will be better to hire another worker rather than to pay overtime, and other issues in accordance to what has been stipulated in the Constitution.

### What to expect in the coming year

Facing a drop in economic activity and taking into account that there is a freeze on firing mandated, at **Ecoanalítica** we believe that the unemployment rate will increase by around 1 percentage point and close the year out at around 9%, and the unemployment rate for 2011 is estimated at 9.5%, a reflection of companies closing down (voluntarily or involuntarily due to nationalizations), people leaving their jobs voluntarily, and the normal increase of the number of people looking for jobs for the first time.

Elías Eljuri, president of the INE is predicting that unemployment will be at around 7% in 2011, worst case scenario, 7.8%, taking into account the Administration's development plans which according to Eljuri will propel the economy and significantly lower unemployment. It's also important to point out that according to Elías Eljuri, society is in a much better place now in terms of social equality and that it will continue to get better as it further transitions into a socialist society.





## Economic Tips

**Chinese Fund Renewed.** Minister of Planning and Finance, Jorge Giordani spent three days in China signing an agricultural and development cooperation agreements. He also signed the memo of understanding to renew the Venezuela-China Joint Fund, with a US\$4 billion contribution from the Chinese government and a US\$2 billion contribution from Venezuela, devoted to development projects in both countries. Among his interlocutors were vice Prime Minister Li Keqiang, one of the nine members of the Politburo Permanent Committee and possible successor of Wen Jiabao in 2012. Li stated *“Venezuela has become one of China’s most important commercial partners in Latin America.”*

**Last transfer to Fonden.** BCV made another transfer to the National Development Fund (Fonden), this time for US\$250 million. With this transfer, the Central Bank of Venezuela completed the US\$7 billion requested by President Hugo Chavez last January. It is worth pointing out that in this opportunity the BCV made the deposits throughout the year, as opposed to other years when all transfers took place within the first three months. One of the reasons of this installment scheme was the unavailability of foreign currency. By end 2010, the BCV needs to estimate the appropriate level of reserves in order to give way to 2011’s transfers.

**How much has been transferred?** According to numbers handled by the public finance office, since 2005 the BCV has given approximately US\$38 billion to Fonden, more than Pdvsa’s contribution of US\$21 billion. Fonden, besides being used to cater to productive investment projects, can also be used to pay debts and cover emergency expenses, such as the disbursements made by the National Administration in light of the natural disasters occurred in November.

**November inflation won’t reach 30.0%.** BCV informed November’s Consumer Price Index had a 1.5% variation, just like in October. However, the 11-month accumulated inflation reaches 24.9%. BCV data reveals that price deceleration in November was observed in alcoholic beverages with a 3.1% variation, restaurants and hotels with a 2.1% variation, and home equipment with a 1.8% variation. BCV also highlighted the supply shortage index in the Metropolitan Area of Caracas increased from 10.7% to 11.4%.

**Inflationary Core.** The Inflationary Core (NIF) increased from 1.7% in October to 2.2% in November, as a result of large growths observed in 3 of its 4 components: prepared foods, from 2.6% to 3.2%, non-administered services, from 1.4% to 2.0%,



and textiles and clothing, from 1.4% to 1.5%. The remaining category, industrial goods except for foods and textiles, the m/m rate remained at 1.9%.

**Inflation by city.** Breaking down the INPC (National Consumer Price Index) by city, we can observe decelerations compared to the previous month in 3 out of 11 cities: Caracas, from 1.5% to 1.3%; Barcelona- Puerto La Cruz, from 1.8% to 1.6% and Rest of the Country from 1.6% to 1.5%. On the other hand, in 8 cities the Consumer Price Index was higher than October's reading: Barquisimeto, from 1.3% to 2.0%; Maracay, from 1.3% to 1.9%; San Cristobal, from 1.2% to 1.7%; Maracaibo, from 1.4% to 1.8%; Valencia, from 1.4% to 1.7%; Ciudad Guayana, from 1.7% to 1.9% and Mérida, from 1.2% to 1.3%. Maturin's variation remained at 1.6%.

**Interest rate.** The lending rate for the fourth week in November was at 18.0%, up by 36 base points compared to the previous week. Time deposits and savings rates were steady at 14.9% and 12.6%, respectively.

**International reserves.** International reserves increased 0.1% going from US\$28.26 billion during the fourth week in November to US\$28.28 billion during the first week of December. Compared to the same period last year, international reserves have dropped by 17.6%. On November, 26, the BCV transfer US\$250 million more to the Fonden, accumulating US\$6.25 billion on transfers to this fund this year.

**Monetary liquidity.** Monetary liquidity for the fourth week in November was up by 1.9%, compared to the previous week settling at VEF 278.0 billion. Year-to-date the M2 has increased 18.1% and 19.6% year-on-year.

**Sitme figures.** To date, US\$4,543 million have been negotiated through the Integrated System for Foreign Currency Transactions (Sitme), averaging US\$35.8 million a day, with an implicit exchange rate of VEF 5.3/US\$. Last week the traded amount reached US\$209.9 million, US\$17 million less than last week when braided US\$226.9 million.

## Oil Tips

**US\$40 billion to be invested in the Orinoco Oil Belt.** According to Pdvsa's president, Rafael Ramirez, the development of exploitation projects in the Orinoco Oil Belt carried out by the Venezuelan State-owned oil company and several Chinese companies will imply an investment of nearly US\$40 billion, from beginning to end,



expected to be in 2016. The Sinopec-(China Petroleum & Chemical Corporation)-Pdvsa project will cover blocks Junin 1 and 8, and is expected to extract a maximum of 400 thousand barrels of extra-heavy crude oil per day. The creation of a joint venture with China National Petroleum Corporation (CNPC) was also agreed to exploit Block Junin 4, which has a production capacity of 400 thousand barrels of extra-heavy oil per month to be processed in an oil upgrader. Pdvsa's president closed by saying these agreements "turn us (Venezuela) into China's third largest hydrocarbon supplier," and indicated Venezuela was currently delivering approximately 362 thousand barrels of oil per day to China.

**And more projects.** Besides the oil projects, it was agreed for the company China National Offshore Oil Corporation (Cnooc) to be part of the natural gas project Mariscal Sucre, supposed to begin operations and production in 2012, after several years of delays. This project will have a capacity of 12 billion cubic feet of gas and 37 thousand condensed barrels per day. Project Sucre is the remodeling of Project Cristobal Colon, which includes the fields of Dragon, Patao, Mejillones and Rio Caribe, and required an investment of US\$8 billion.

**Problems continue at refineries.** Over the last week there have been several incidents affecting oil facilities in Anzoátegui, Falcón and Carabobo. The refineries of Amuay and Cardon, with a joint processing capacity of 645,000 barrels per day, have suffered from power shutdowns due to malfunctions in their substations, causing their partial and total operative shutdowns, respectively. Likewise, the Orinoco Oil Belt's upgraders, able to process 620,000 barrels per day, are working at 76% of capacity due to different mechanical, logistics and weather factors. The El Palito refinery, in Carabobo, able to process 146,000 barrels per day, also had to cut production to a minimum this week because the rain did not allow them to download supplies. This information was confirmed by Pdvsa.

**The problem goes beyond the failures.** According to Jose Bodas, secretary general of the Single Federation of Workers in the fields of Oil, Gas and the like (Futpv), said the oil activity had not only been affected by the rain, but said the lack of investment in refineries and the poor general maintenance performed in the industry were the main two causes of these shutdowns and the harming events in production. Specifically in El Palito, he says, boiler systems, electric systems and fire plans have failed, resulting in operative delays because, among other things, "they need to change compressors, mechanical seals, and others. That's why gasoline and crude oil production has decreased." According to an oil industry failure report prepared by the Secretary General of Futpv, the El Palito refinery accumulates problems such as "several electric plant boilers with hot points in the metal frames, keeping them operative but endangering workers and passersby."



**But Pdvsa says different.** In a press release issued by Jesus Sanchez, general manager of the refining complex of El Palito on December 6 of 2010, Pdvsa assures the operations at the refining complex located in Carabobo are completely normal, guaranteeing fuel and oil byproduct production to cater for the demand in the central-western region of Venezuela. The refinery is currently meeting its goals in load and supply of 91 and 95-octane gasoline, gasoil and airplane fuel. In the letter, Sanchez assured “the stock currently held in the refining center and distribution plants of Yagua and Barquisimeto are enough to cater to the domestic demand” and weather was the only factor making difficult the download through the sea terminal.

**Another joint venture created.** The National Assembly authorized the creation of a joint venture between Corporacion Venezolana de Petroleo (CVP), Comercial Cupet of Cuba and Sonangol of Angola, with a stock participation of 60%, 20% and 20%, respectively. This information was published in Official Gazette number 39,566 dated December 3 of 2010. This company will be allowed to carry out primary oil deposit exploration, oil extraction and natural gas extraction, recollection, transportation and initial storage activities, in conformity with article 9 of the Organic law of Hydrocarbons. This company will operate in the areas of Miga and Melones West, both in Anzoátegui, in a surface of 213.15 square km and the agreement has a validity of 25 years, from the moment of publication in Official Gazette.

**International oil baskets.** At the close of the New York market last Thursday, December 9, the WTI was at US\$88.8/bl, showing a 0.9% increase compared to the US\$88.0/bl of the previous Thursday. The Brent increased by 0.9% to reach US\$91.7/bl, compared to US\$90.9/bl of Thursday, December 2<sup>nd</sup>.

**Local oil basket price.** The Venezuelan oil basket price increased last week, to close at US\$79.2/bl on Friday, December 3<sup>rd</sup>, up by US\$3.1 or 4.0% from the US\$76.1/bl registered the previous week. Meanwhile, the basket’s annual average is at US\$70.6/bl.

## Business Sector Tips

**Public Securities Exchange regulation in effect.** According to a resolution published by the National Securities Superintendence in Official Gazette N° 39,566, the general regulation for the Public Securities Exchange Bicentenaria’s operation is now in effect. Said normative establishes the institution’s job is to offer services to place operations with securities issued by public entities, public companies owned by



the State, social or collective property, joint ventures and private companies as well as savings funds of public entities, organized communities, autonomous institutions, small and mid-sized enterprises and the Republic.

**...the aforementioned legal instrument ratifies that** this new institution will be managed by a board integrated by one president and two directors, with their respective substitutes, all of whom will be of free appointment and destitution by the Minister of the People's Power with competence in Finance.

**Brokerage houses also need to remove Ticc.** According to a new memo issued by the National Securities Superintendence (Sunaval), brokerage houses will also need to remove Interest and Covered Capital Securities (Ticc) from their portfolios, by selling them to banks which, as intermediaries, will be entitled to trading them in the System for Transactions with Securities in Foreign Currency (Sitme).

**Cadivi suspended users from RUSAD due to incorrect use of foreign currency.** The Currency Administration Commission preventively suspended a significant number of users from the Registry of Currency Administration System Users (Rusad) for alleged irregularities.

**Legal persons will need to update their information with Cadivi in 2011.** According to resolution N° 106 published by the Currency Administration Commission (Cadivi) in Official Gazette N° 39,566, legal persons enrolled in the Registry of Currency Administration System Users (Rusad) will need to update their information before Cadivi between January and March of 2011. Users who fail to update their information will be suspended from the Rusad, with an extension term of 180 days to carry out the update. Should users fail to update their information in the extended period of 180 days, they will be removed from the system.

**Public home construction decreased by 56% in one year.** President Chavez assures home construction is a "*personal challenge*," so he claims investments should be oriented to wards home building, but official figures show that as of September of 2010 a total of 11,000 homes had been finished, 56% less than the number reported in the same period of 2009, and a 76% fall compared to the 46,000 housing solutions reported in 2006.

**Home construction on hold due to fewer investments and supply shortage.** Official and unofficial private firm numbers reveal that as of the third quarter of 2010 the construction of 58,800 homes was put on hold, a 150% increase compared to the same month of 2009. Off that number, 33,300 units corresponded to the public sector and 25,500 to the private sector, all as a result of fewer investments, delays in the



granting of government subsidies and problems with supplies such as cement and steel bars.

**Government to build homes in El Avila National Park.** The Administration announced the top construction height would be increased by 80-100 meters. He also indicated the decision would not affect the Guarairarepano (Avila mountain), and authorized the turning-in of 597 homes in eight urbanisms as the result of the measures taken on 33 construction companies and real estate promoters for unlawfully charging the NCPI, among other factors.

**Emergency law regulates sale and construction of homes.** The National Administration already submitted the Emergency Law for Urban Lands and Housing draft which, besides creating ways to deal with emergencies, declares idle urban lands as public utility and regulates the construction and sale processes of housing units. The text also indicates the state will be allowed to order the creation of emergency zones to occupy urban lands suitable to build housing units, among other things.

**Fitch indicates the Venezuelan banking systems handling margin decreases.** Fitch Ratings, one of the largest global economy risk raters, made a special report on the Venezuelan banking system's situation on November 3. According to this report, even though the banking system has been able to surf its environment, it is not immune to turbulent waters. Operative earnings increase up to 2% of assets in the first semester of 2010, representing only 20% of their equity, which would be inadequate to compensate Venezuela's elevated inflation.

**Creation of new State Company Venecom authorized.** According to the decree published in Official Gazette N° 39,563, the abovementioned company will be in charge of importing, exporting and marketing goods and products such as: food, textiles, footwear, home equipment, home appliances, personal care products and car accessories, among others. Venecom will be attached to the Ministry of Commerce and has a Capital of VEB 100 million.

**Vehicle production down by 6.1% compared to 2009.** The automotive industry is on its way to finishing its third consecutive year in the reds. Numbers show between January and November of 2010 vehicle production shrunk by 6.1% compared to the same period of 2009, so, in order for the seven local assemblers to reach their goal of manufacturing 111,554 vehicles they will need to put together 13,534 in December, a number that seems hard to reach, considering the manufacturing average in 2010 is 8,910 cars per month.

**Public spending cutback affected roads and metro and lines.** The National Administration reduced the investment in road works, which held back the execution of





projects. According to official numbers, road works (highways, bridges and transportation) in the third quarter of 2010 decreased by 50% compared to the same period of 2009.

**Land in Maiquetia airport expropriated.** President Hugo Chavez recently announced 36 hectares of land owned by the Maiquetia airport in Vargas would be expropriated to build housing complexes and assist the people affected by the rain as well as those living in high-risk conditions.

**Producers demand technical assistance and supplies.** The recovery of vegetable crops affected by the rain will highly depend on the timely supply of agricultural provisions, as well as the technical assistance required by small and mid-sized producers, since this guarantees a better yield in the mid term.

**Conseturismo anticipates contraction in touristic activity.** In light of the deterioration suffered by several touristic states due to the flooding and now the temporary occupation of hotels to assist the victims, as ordered by President Chavez, the president of the Higher Tourism Council, William Bracho, estimated that under these circumstances the activity could fall by up to 40%

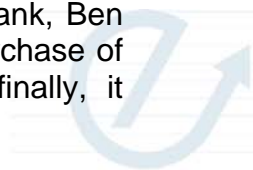
## *World Crisis Tips*

**President Obama announced a deal to extend Bush-era tax cuts**, which were due to expire at the end of the year, for the higher-income bracket as well as middle-class Americans for two years. The agreement, which still must be sold to congressional Democrats, had Obama compromising on rates for the wealthiest Americans in exchange for a \$120 billion break on payroll taxes and the extension of unemployment benefits

**Markets react positively to the measure.** Markets began the day up fueled by the news of the resolution, with analysts running to update their U.S. GDP growth figures for 2011 in light of the tax deal struck by President Barack Obama and congressional Republicans, particularly the surprise one-year reduction in payroll taxes.

**The Federal Reserve could expand its long term plans to purchase bonds.**

During an interview on CBS News, the Chairman of the Federal Reserve Bank, Ben Bernanke said, "It depends on the efficacy of their existing program (the purchase of US\$600,000 in bonds before July 2011); it depends, on inflation; and finally, it





depends on how the economy and the job market look.” “We’re getting awfully close to the range where prices would actually start falling,” which would lead to falling wages and an overall downward spiral for the economy, Bernanke said. Critics who say the Fed risks overheating the economy and fueling inflation “are not looking at the risks of not acting,” he said. “Fear of inflation, I think, is way overstated.”

**U.S. unemployment rate up.** PLS figures reveal that the unemployment rate for the month of November was at 9.8%, up by 0.2 percentage points compared to the previous month. People starting new jobs only increased by 39,000, significantly less than what was expected by the market (142,000).

**Ireland presented its austerity plan before Parliament.** Finance Minister Brian Lenihan told parliament, as he presented the 2011 budget plan that foresees an overall adjustment of €6.0 billion (\$8.0 billion). The budget’s approval by parliament is a crucial step that would allow Ireland to tap an €85.0 billion rescue package put together by international lenders, including the European Union and the International Monetary Fund. These include an overhaul of the Irish banking system and reducing the government deficit to below 3% of gross domestic product by 2015, extending a previous 2014 deadline. The Irish government has already publicized its budget plans, which include €15.0 billion worth of tax hikes and spending cuts over the next four years.

**International Monetary Fund criticizes Europe's response to euro-zone fiscal crisis.** IMF Managing Director Dominique Strauss-Kahn criticized Europe’s disjointed response to the euro-zones debt crisis. "The euro-zone has to provide a comprehensive solution to this problem," said Strauss-Kahn. Some central bankers and market participants say it would have been better to have put Portugal protectively under the EU/IMF financial umbrella last week at the same time as Ireland rather than dealing with one troubled country after another, and risk the market becoming even more volatile.

**Service sector doing well in Europe.** Service production indexes in the euro-zone for the month of November were very positive. Indexes are at 75% of their previous best levels with Germany, the service sector leader in the euro-zone, at 90% production. The m/m increase in the service sector in November is the sixth highest registered in the euro-zone in last eight years and a half.





## Political Tips

**Jaua receives Ambassadors' credentials.** Vice-president Elías Jaua received credentials of 18 new ambassadors at the “Casa Amarilla Antonio José de Sucre,” headquarters of the Ministry of Foreign Affairs. Ambassadors who presented their credentials were Bolivia's: Jorge Alvarado; Ventsislav Anguelov Ivanov from Bulgaria; from Panama: Pedro Pereira Arosemena; Ghassan Sulaiman Abbas from the Syrian Arab Republic, Chile's Mauricio Ugalde Bilbao, Abjasia, Brazil's José Antonio Marcondes De Carvalho; Abdulrahman Bin Abdulaziz Bin Sulaiman Abanmy from Saudi Arabia; Catherine Elizabeth Nettleton from the UK; Sandra Lorraine Phillis from Barbados; Canada's Pal Gibbard; Switzerland's Markus Alexander Antonietti; Spain's Juan Ramón Serrat Cuenca; Helge Skaara from Norway; Paraguay's Augusto Campo; Colombia's José Fernando Bautista; Jamaica's Clinton George Whyms; and Italy's Paolo Serpi.

**Results of D5 elections: 2 governors and 11 majors were elected.** Upon closing the poll centers in 11 municipalities, the regional electoral boards disclosed the preliminary results and announced that five MUD's candidates and eight from the PSUV had been elected: Luis Gallardo and Liborio Guarulla were elected governors of Guárico and Amazonas, respectively. Candidates elected majors were: Eveling Trejo (MUD) Maracaibo Municipality, Zulia; Ricardo Capella (PSUV), Nirgua Municipality, Yaracuy; José Luis Rodríguez (MUD), Carrizal Municipality, Miranda; Mery Carmona (MUD), Panamericano Municipality, Táchira; Tiberio Bermúdez (PSUV), Miranda Municipality, Zulia; Richard Fermín (MUD), Arismendi Municipality, Nueva Esparta; Miguel Marín (PSUV), Boconó Municipality, Trujillo; Argelia Figueredo (PSUV), Achaguas Municipality, Apure; Jose Douglas Linares (PSUV), Miranda Municipality, Trujillo; Eduardo Sequera (PSUV), Miranda Municipality, Carabobo; Dilcio Scott (PSUV), Manuel Monge Municipality, Yaracuy.

**D5 breaks the trend from S26 elections.** According to the preliminary results announced by the CNE, opposition parties suffered a setback on D5 elections. Of 1,761,961 registered voters, 52.4% abstained, mainly due to the characteristics of the electoral event and the current state of emergency declared in almost the entire country. Of the votes casted, PSUV obtained 489,777 (52.72%), whereas the MUD and PPT candidates got 440,237 votes (47.28%). Even though the PSUV obtained fewer votes, its drop wasn't as pronounced as that of the opposition parties. It's worth highlighting that the Government lost one governor (Amazonas State) and tow major (Asunción in Nueva Esparta and Panamericano in Táchira).



**Jaua: this was an overwhelming victory.** Vice-president Elías Jaua assured that the results obtained in the December 5 elections represent an overwhelming victory for the national Government. “This has been an overwhelming victory of the Bolivarian Revolution, PSUV, their allies, the Communist party and other political organizations that support our candidates,” he added. According to Jaua, victory in Guárico represented a tribute to the late William Lara.

**AN will limit investments in science and technology.** With the amendment of the Organic Law on Science, Technology and Innovation, the National Assembly (AN) could modify provision in article 98 of the Constitution: “Cultural creation is free. This freedom comprises the right to investment, production and dissemination of the creative, scientific, technological and humanistic work (...).” Therefore, this change concentrates economic contributions from the private sector for scientific development in the State’s hands, which will only support those initiatives that are in line with the National Plan for Economic-Social Development of the Nation Simón Bolívar.

**The Government will take control of 20% of Globovisión.** Sindicato Ávila, property of Nelson Mezerhane and owner of 20% of shares of Globovisión, was liquidated by order of the Bank Superintendent’s Office (Sudebán), according to the Official Gazette No. 39566. Through Fogade, the State will be a shareholder entitled to receive dividends and attend to shareholders’ meetings.

**Miranda passes the First Job Law.** The Legislative Council of Miranda State passed in its second discussion the First Job Law, which is intended to help inexperienced young people to access the labor market. The law was submitted to the plenary session by Primero Justicia and is the result of extensive public consultations throughout the state with the participation of young people and business sectors.

**Venezuela’s map to be modified to create the communal confederation.** The National Assembly (AN) will submit to second discussion the law that will modify the country’s territorial division, creating a new map of the Socialist Communal State. The draft Communes Organic Law, approved in the first discussion on June 22<sup>nd</sup>, provides for the figures of “communal cities” and “union of communes.” After having consulted the public to prepare the final report, PSUV representatives drafted a title on “communal aggregation systems,” which adds other “people’s power organs.”

**Chávez: “Capriles is a lackey of the Empire, a fascist.”** In a meeting with officials from Zulia state, President Chávez said that among the bourgeoisie there are a number of characters elbowing each other trying to see which stands out the most. Later, speaking about Henrique Capriles Radonski, Chávez pointed out that: “Miranda’s governor? He’s very welcome. I would have shaken his hand if he would have come,” because in times of emergency “the people is our priority.” President



Chávez added that Capriles Radonski is a “lackey of the Empire” and a “fascist that criticizes me calling me irresponsible because I ordered hotels to be taken over.”

**Venezuela receives assistance from Bolivia.** Vice-president Elías Jaua received 55 tons of rice, 400 mattresses, 420 packages of drinking water, and 550 boxes of infant formula from Bolivia. Jaua stated: “On behalf of President Chávez I would like deeply thank the brother Plurinational State of Bolivia.” Spokespersons from Bolivia pointed out that they are preparing a second assistance package.

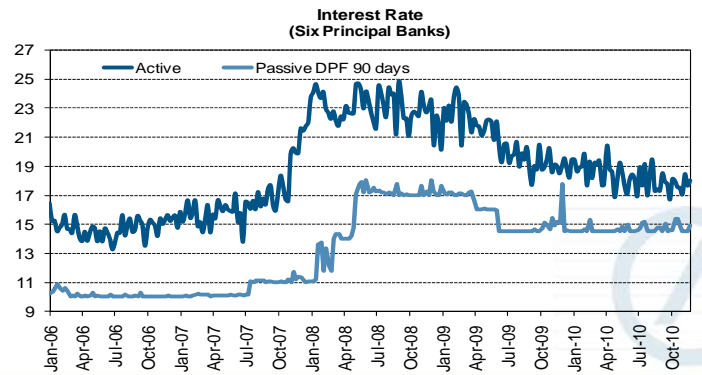
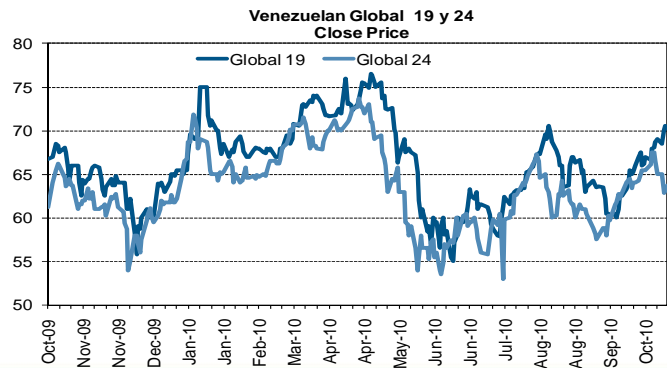
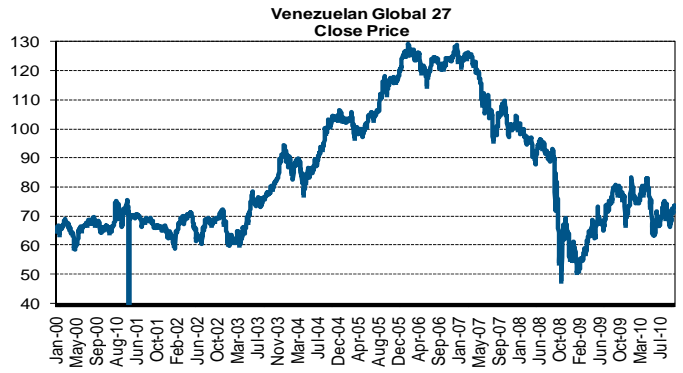
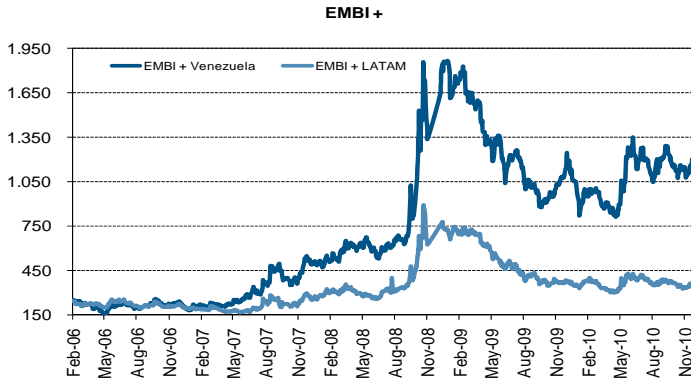
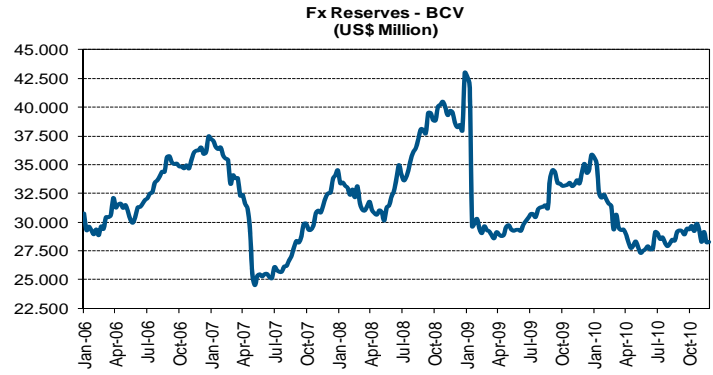
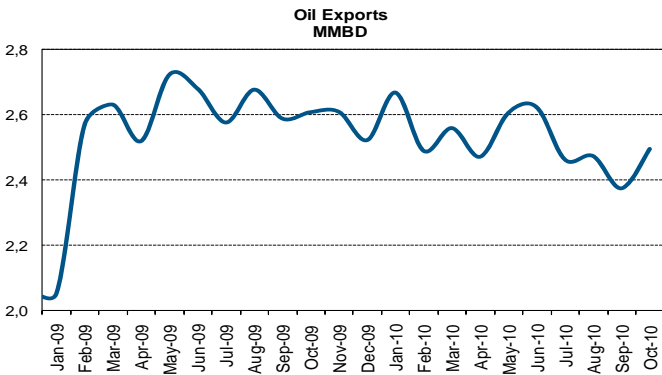
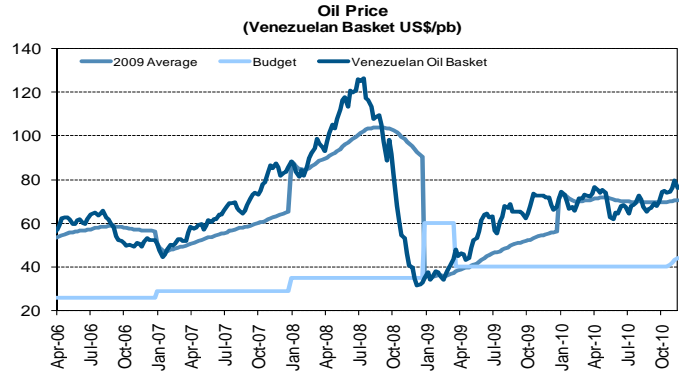
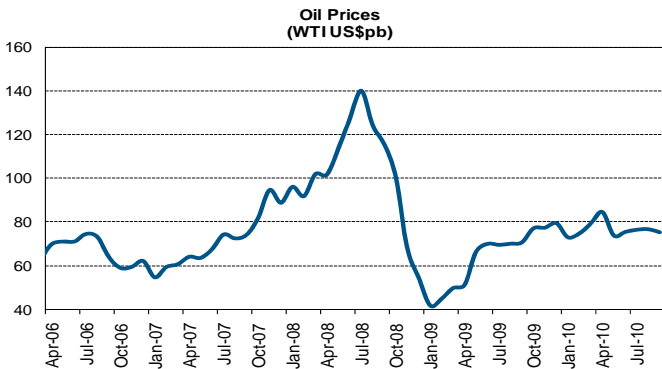
**AN suggests the creation of the National Communal Bank.** In the report on the impact of the Commune Law proposed by the Economic Research and Advisory Commission, the AN proposes the creation of the National Communal Bank to support lower income population sectors. The report points out that a larger number of institutions would imply them to be small and weak; whereas a big communal bank will represent a “powerful financial institution that will serve all communes with counters for their members and productive centers that will be installed in the communes.”

**National Assembly speeds up the people’s power package.** The National Assembly’s plenary session entered a clearance stage. Among its plans is not leaving the following five laws to be discussed in the new parliament: Organic Law of the Communal Economic System, Organic Law of Social Comptrollership, Organic Law of Communal Groups, Organic Law of Public and People’s Planning and Organic Law of the People’s Power.



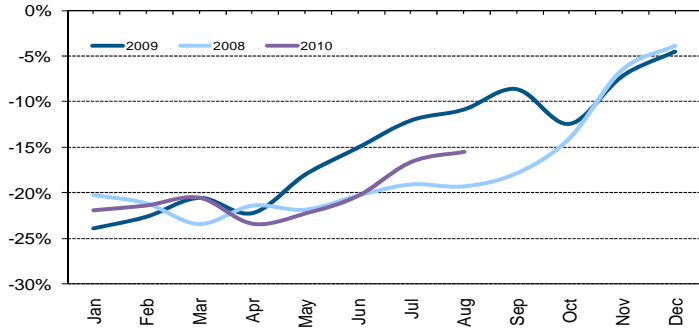


## ECONOMIC OVERVIEW

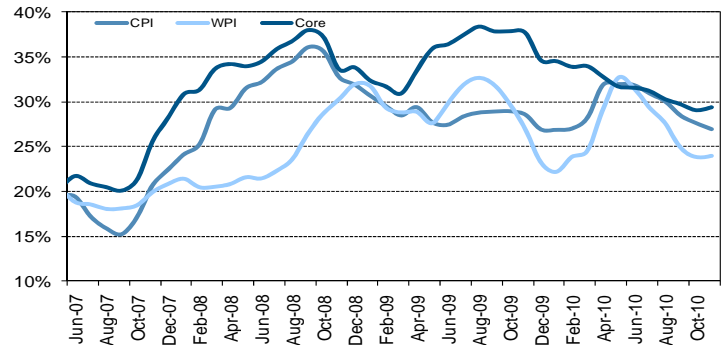




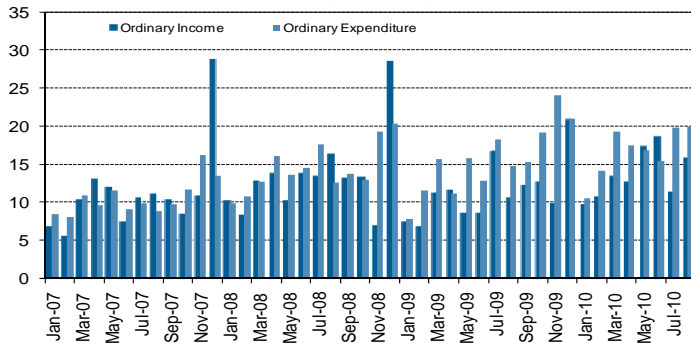
**Real Expansion (M2)**



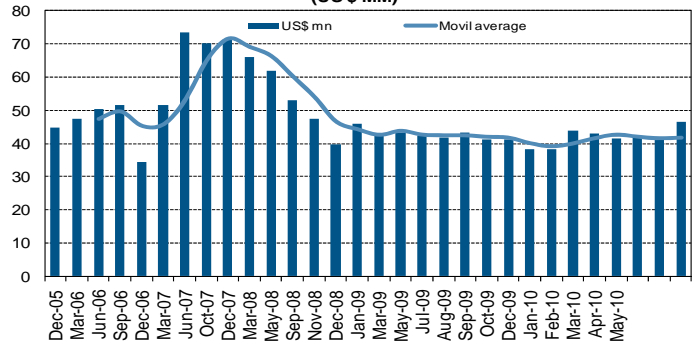
**Inflation (Last 12 Months)**



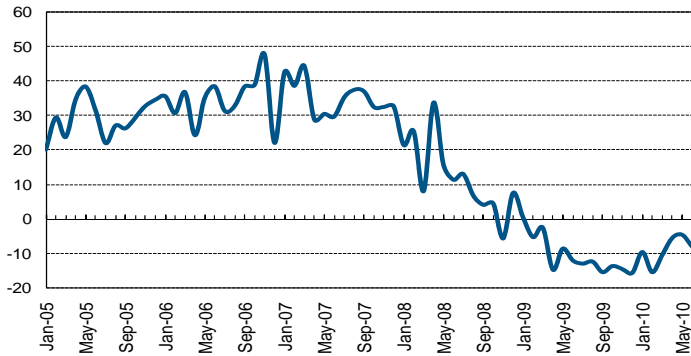
**Central Government (VEB Billion)**



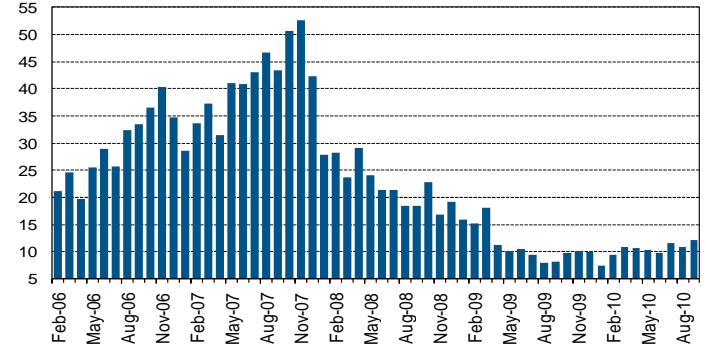
**Resources of the State (US \$ MM)**



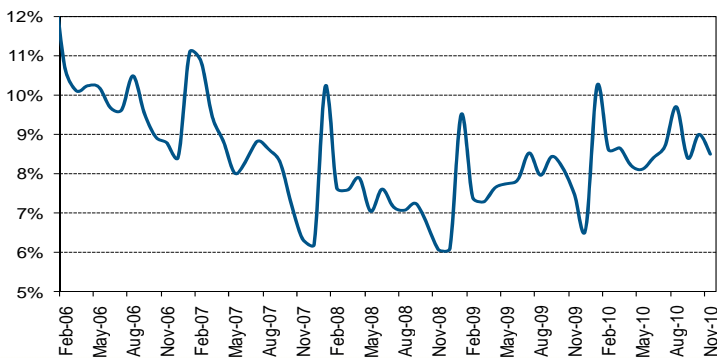
**Volume of Sales (% Variation)**



**Sale of Vehicles (Thousands of Sold Units)**



**Rate of unemployment**



**Disbursement (US\$ Million)**

