

**CONTENT****ECONOMIC SITUATION**

Oil Market  
External Sector  
Government Finance  
Public Debt  
Monetary Market  
Interest Rates  
Real Sector  
Labor Market  
Prices

**NEW LEGISLATION****ECONOMIC INDICATORS****ECONOMIC SITUATION****GEMA MURILLO\***[gmurillo@bancomercantil.com](mailto:gmurillo@bancomercantil.com)**OIL MARKET**

During the first seven months of the year, the prices of the principal oil markers have been rising, mainly due to supply restrictions (particularly in non-OPEC countries), as well as to the geo-political tensions in the Middle East and North Africa, and to the higher demand from emergent economies, led by China and India. Similarly, the weakening of the dollar after a slower economic recovery than expected in the United States, together with the announcements from the latest meeting of the Federal Reserve, which show a disposition for an increased monetary stimulus to that country's economy if the recovery does not manage to reduce unemployment, have driven up the prices of assets in dollars, including oil.

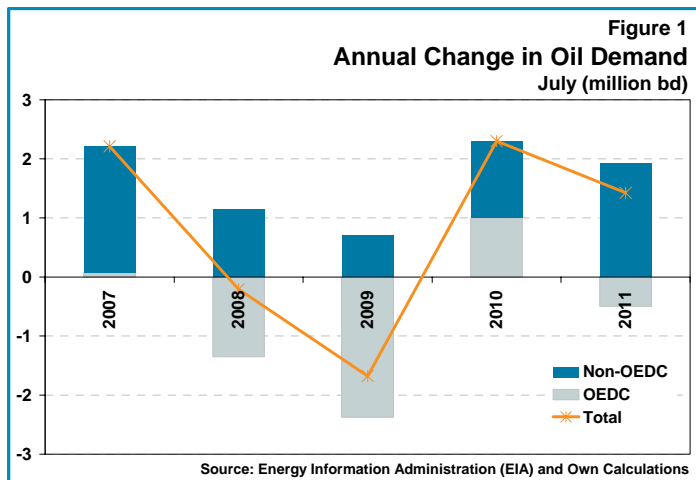
The Brent marker reached an average of US\$/b 116.5 during July, for a month-on-month 2% increase. During the first seven months of the year, this marker averaged US\$/b 111.8, a 43.5% increase in comparison with the same period of last year. On the other hand, the WTI marker averaged US\$/b 97.2 in July, for a month-on-month growth

of barely 0.6%. During the January-July period, the WTI marker averaged US\$/b 98.2, a 26% increase when compared with the same period of last year.

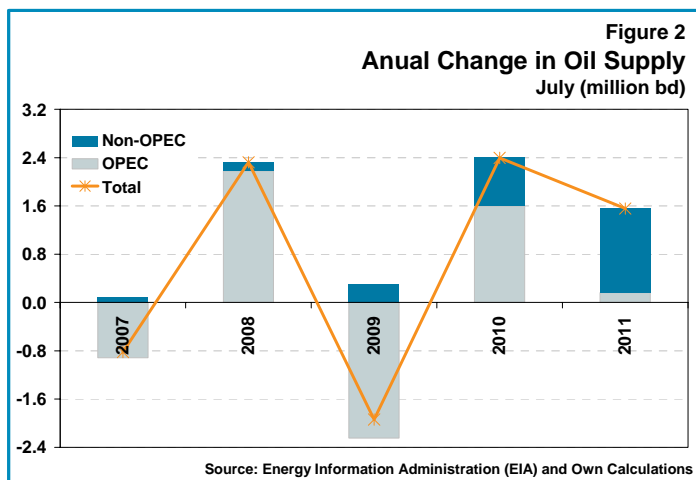
The prices of both the OPEC and the Venezuelan oil baskets also improved. The OPEC basket during July came to US\$/b 111.4, a month-on-month 2% growth. During the January-July period, this marker averaged US\$/b 107.2, 42% higher than in the same period of last year. On the other hand, the Venezuelan oil basket averaged US\$/b 105.9 in July, a 3.3% month-on-month increase. Consequently, during the first seven months of the year, the Venezuelan oil basket averaged US\$/b 98.7, almost US\$/b 30 over the price for the same period of 2010.

The U.S. Energy Information Administration (EIA) recently reported that world oil demand reached 88.4 million barrels per day (mbd) in July, a 1.42 mbd increase when compared with the same month of 2010. The higher demand in non-OECD countries explains the whole growth of world demand, of 1.92 mbd year-on-year increase. In contrast, the OECD countries reduced their year-on-year demand for oil by 500 thousand barrels per day (kbd) (see Figure 1).

All of the Non-OECD countries increased their crude demand, particularly China, with a 1.1 mbd increase in July in comparison with the same month of the previous year, explaining almost 80% of the total world demand increase. On the other hand, the 440 kbd and 340 kbd declines of oil demand in Europe and in the United States, respectively, during July with respect to the same month of 2010, explain the total contraction of oil demand in OECD countries. Japan, Canada and a few other countries increased their demand during the period by 160 kbd, 90 kbd and 30 kbd, respectively.

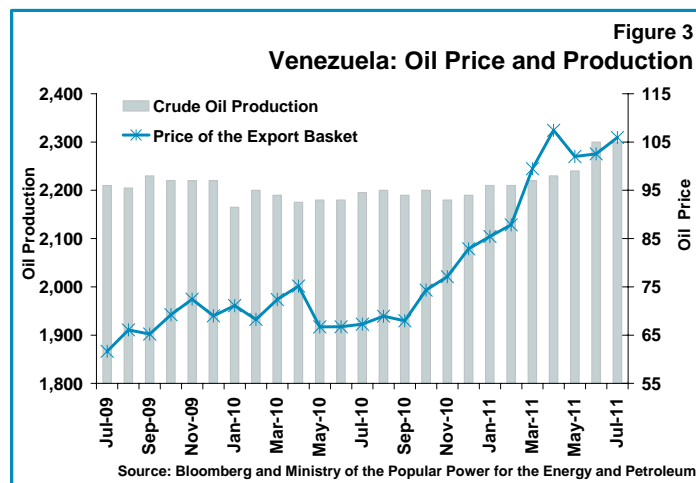


World oil supply increased by 1.56 mbd in July with respect to the same month of last year, although 35% below the growth during July 2010. Consequently, world oil supply came to 88.8 bmd during July of this year. Non-OPEC supply explains almost 90% of world supply increase, with a 1.39 mbd expansion with respect to July of last year. This increase in Non-OPEC supply is due to the growth in the US and China (most Non-OPEC countries showed some increase). On the other hand, OPEC production increased by 160 kbd in July with respect to the same month of last year. This expansion in OPEC supply can be explained by production increases in Saudi Arabia, the United Arab Emirates (+300 kbd each) and Iraq (+250 kbd), which were partially offset by the strong decline in production in Libya, which came to 1.45 mbd, due to the political conflict in that country (see Figure 2). Consequently, OPEC spare capacity was reduced by 700 kbd down to 2.9 mbd.



The combined effect of world oil demand and supply changes during July caused a build-up of oil stocks in OECD countries (of both crude and products) of almost 70

million barrels, in contrast with the 17 million barrel reduction which took place during the same month of 2010. According to Bloomberg, Venezuelan oil production during the January-July period came to 2.244 mbd, a 61 kbd increase with respect to the same period of last year (see Figure 3).



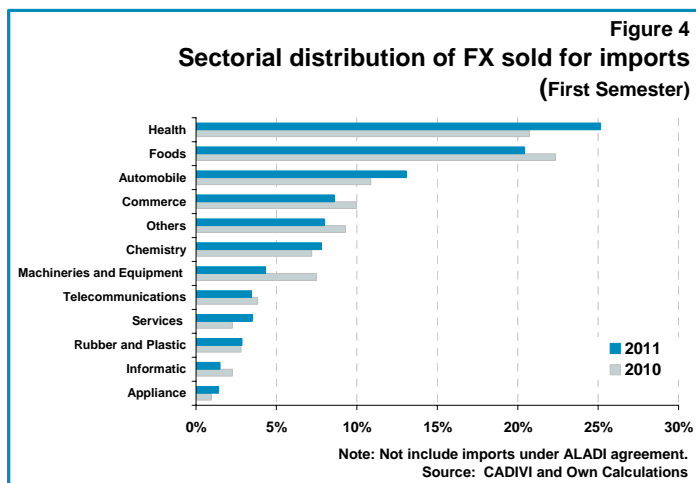
## EXTERNAL SECTOR

International reserves in the hands of the BCV fell by nearly US\$ 500 million during the first seven months of the year with respect to the close of 2010, mostly due to the transfer of US\$ 3 billion from the BCV to FONDEN during the first seven months of this year, and also to the slight increase in foreign exchange authorizations by CADIVI. Consequently, by the close of July, reserves came to US\$ 29.017 billion, the highest level since January of this year. To be noted is that this decline in external assets in the hands of the BCV was partially offset by the high oil prices, up almost 40% on average over the prices of the first seven months of 2010.

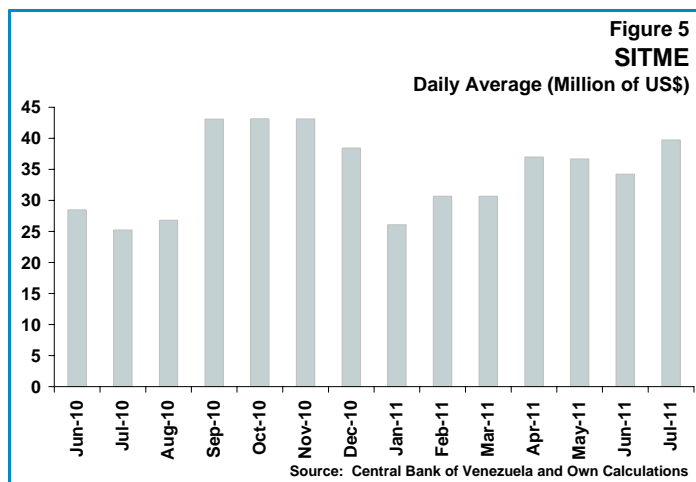
CADIVI published statistics for the authorization and payment of foreign currency for the second quarter of the year. According to CADIVI, total approved requests in the first half of the year increased by barely 1.8%, while foreign exchange actually paid by the BCV showed a year-on-year increase of 2.8%.

Consequently, during the first six months of the year, the daily average of foreign exchange paid out by the BCV came to US\$ 115 million, barely US\$ 3 million on average above the foreign currency paid out during the same period of the previous year. According to CADIVI, 65.1% of foreign exchange was authorized for Imports, 16.1% to payments under the ALADI Agreement, 5.6% to Credit Cards, 4.3% to Airlines, 2.7% to Family Remittances, and

6.2% to Other. To be noted is that almost all kinds of foreign exchange requests were considerably higher than in the first half of 2010. However, the almost 66% decline in requests for Imports, Insurance and Reinsurance, and Retired Persons partially offset the growth in all other requests.



Total foreign exchange authorized for Imports during the January-July period (not including imports under the ALADI Agreement<sup>1</sup>) came to US\$ 9.404 billion. Economic sectors that received more foreign exchange were: Health (25.1%), Food (20.4%), Automotive (13.1%), Commerce (8.6%), Chemical (7.8%) and Machinery and Equipment (4.3%). To be noted is the significant 97% increase in foreign exchange for the Automotive sector, which explains the 220 basis points (bp) increase in participation of total foreign exchange for imports, which increased from 10.9% during the first six months of 2010, to 13.1% during the same period of the current year, while the sectors of Machinery and Equipment, Food and Commerce reduced



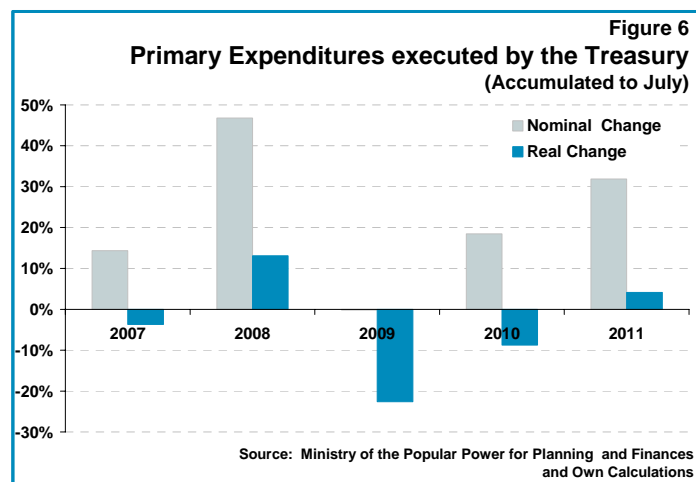
their participation by 320 bp, 190 bp and 140 bp, respectively (see Figure 4).

Finally, during the first seven months of the year, the daily average sale of foreign exchange through the SITME came to US\$ 33.6 million at an implicit weighted average exchange rate of Bs./US\$ 5.30, which makes the total paid out through the SITME come to US\$ 4.658 billion so far this year (see Figure 5).

## GOVERNMENT FINANCE

The financial performance of the Central Government during the first seven months of the year showed a significant increase in public spending, basically due to the increase of oil prices and to the higher value of oil contribution to the Treasury after the unification of the official exchange rates.

Information on primary expenditures, according to the National Treasury and provided by the Planning and Finance Ministry (excluding the service of the public debt), indicates that these amounts came to Bs. 139.6 billion during the first seven months of the year, a 31.9% nominal increase in comparison with the same period of last year. Given the high inflation of the period, in real terms the result was a 4.1% increase<sup>2</sup> (see Figure 6). To be noted is that during the period actual expenditures were 4.4% less than the expected amount of Bs. 145.4 billion. The composition of expenditures during the January-July period of this year included 35.8% for Other Transfers to decentralized institutions of the Public Administration, 28.1% for Remunerations, 22.7% for Legal Allocation to States and Municipalities, 6.8% for Other Payments and



<sup>1</sup> Foreign exchange for this concept increased by 24.5% in comparison with the first half of 2010 to reach US\$ 2.341 billion.

<sup>2</sup> Spending had not increased in real terms since January-July 2008.

Table 1  
**Domestic Taxes**  
Acumulated to June (Million of Bs.)

	2010	2011	Nominal Change	Real Change
<b>Income Tax</b>	<b>14,621</b>	<b>19,119</b>	<b>30.8%</b>	<b>3.1%</b>
<b>Value Added Tax</b>	<b>25,260</b>	<b>37,151</b>	<b>47.1%</b>	<b>15.9%</b>
Wholesale Operators	20,378	28,630	40.5%	10.6%
Imports Operators	4,882	8,521	74.5%	37.8%
<b>Customs</b>	<b>3,980</b>	<b>6,608</b>	<b>66.0%</b>	<b>31.1%</b>
<b>Domestic Income</b>	<b>3,487</b>	<b>3,886</b>	<b>11.5%</b>	<b>-12.0%</b>
Alcoholic Beverages	585	665	13.7%	-9.7%
Tabacco	2,670	3,023	13.2%	-10.7%
Fiscal Duties	27	-	-100.0%	223.3%
Inheritance	94	109	15.9%	-24.6%
Gambling & Casinos	111	89	-19.6%	-36.0%
Others	<b>578</b>	<b>680</b>	<b>17.7%</b>	<b>-21.2%</b>
<b>Total</b>	<b>47,927</b>	<b>67,444</b>	<b>40.7%</b>	<b>10.9%</b>

Source: SENIAT and Own Calculations

6.6% for pending obligations from the previous year's Budget.

Internal tax collection under SENIAT reached Bs. 67.4

billion during the first six months of the year, a important nominal 40.7% increase in comparison with taxes collected during the same period of 2010 and the largest increase since 2006. After adjusting for inflation, the increase was 10.9% in total tax collection, in contrast with the 1.6% decline of the first six months of 2010.

There were important differences in types of taxes. Collected

Internal Revenue showed a real 12% decrease, while Customs Duties, VAT and Income Tax (*ISLR – Impuesto Sobre la Renta*) showed real year-on-year increases of 31.1%, 15.9%<sup>3</sup> and 3.1%, respectively. This important increase in Customs Duties and VAT (particularly for Imports) was due, among other factors, to the adjustment of the official exchange rate in January of this year (see Table 1).

<sup>3</sup> Collection of VAT for imports grew by 37.8% in real terms.

Additional credits approved by the National Assembly and decreed by the Executive came to Bs. 55.4 billion through July, almost 40% over the approved amount for the same period of 2010. Consequently, the National Budget (including these changes) to date reaches Bs. 258.6 billion, 36.7% over the original approved budget (Bs. 204.2 billion). Additional credits went to the following sectors: 63.8% to Social Sectors, 23.3% to Other Sectors, 9.2% to Production and 3.8% to General. To be noted is that, as happened last year, no additional credits have been approved for the Special Economic Assignments Law (*LAEE – Ley de Asignaciones Económicas Especiales*) or for the Legal Allocation to States (see Table 2).

Table 2  
**Additional Credits by Economic Destiny**  
Million of Bs.

	Social Sectors	Productive Sectors	General Sectors	Public Debt	Constitutional Allowances	LSEA <sup>1/</sup>	Other Sectors	TOTAL
<b>TOTAL 2010</b>	<b>8,862</b>	<b>5,589</b>	<b>1,546</b>	-	-	-	<b>23,611</b>	<b>39,608</b>
January	-	-	-	-	-	-	-	-
February	405	-	33	-	-	-	-	438
March	2,182	3,348	-	-	-	-	-	5,530
April	1,532	1,975	-	-	-	-	201	3,708
May	890	100	-	-	-	-	3,668	4,658
June	3,588	118	1,013	-	-	-	17,507	22,226
July	265	48	500	-	-	-	2,235	3,049
<b>TOTAL 2011</b>	<b>35,296</b>	<b>5,091</b>	<b>2,098</b>	-	-	-	<b>12,871</b>	<b>55,355</b>
January	456	2	-	-	-	-	-	458
February	321	3,032	-	-	-	-	89	3,442
March	703	271	585	-	-	-	1,354	2,913
April	1,883	-	41	-	-	-	1,366	3,290
May	462	-	409	-	-	-	4,274	5,144
June	8,914	509	227	-	-	-	1,433	11,083
July	22,558	1,277	835	-	-	-	4,354	29,024

Note: <sup>1/</sup> Law of Special Economic Allowances.

Source: Official Gazettes of the Bolivarian Republic of Venezuela and Own Calculations

## PUBLIC DEBT

During the first seven months of the year, awards of DPN Bonds and Treasury Bills grew significantly. The program of weekly auctions of Treasury Bills, approved in Official Gazette N° 39,591 of January 11 of this year, began January 18, subject to a maximum Bs. 6.89 billion in circulation by the close of the 2011 fiscal year. Consequently, total awards came to Bs. 14.6 billion for the January-July period, a 35.1% increase in comparison with the same period of last year. These instruments were

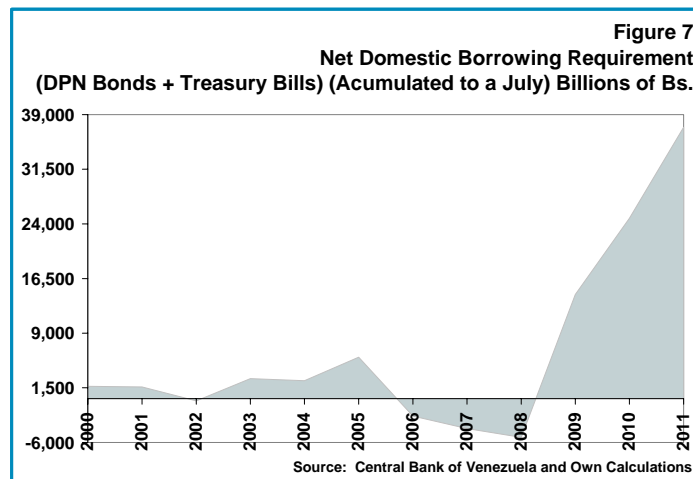
awarded as follows: 94.2% at 91- and 105-days, and the remaining 5.8% for 182- and 364-days. However, these larger placements have an average yield of 7%,<sup>4</sup> almost 140 bp below that of last year.

Additionally, the program of weekly auctions of VEBONOS and TIF was started on January 19, according to approval of Bs. 45 billion in Official Gazette N° 39,591, that is almost 90% of the maximum amount of indebtedness approved by the Special Indebtedness Law of 2011. Funds from placement of these bonds will go to: the Service of the Public Debt, Debt Refinancing or Restructuring, Government Finances and financing of projects. Consequently, during the first seven months of the year, the National Executive placed a total of Bs. 38.9 billion through the BCV, 58.7% over the amount for the same period of 2010, with an effective yield of 17.4%. To be noted is that Bs. 11.3 billion of the total placement is a Special Public Debt Bonds Offer to the principal entities of the public financial system,<sup>5</sup> and that almost Bs. 3 billion correspond to the 2010 Indebtedness Law. There remains, consequently, some Bs. 9.1 billion to be placed, out of the amount approved in the early days of January (Bs. 45 billion).

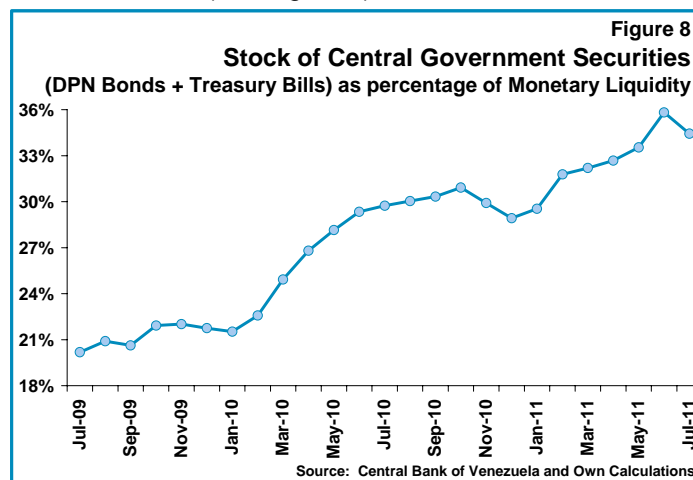
Additionally, on June 13 of this year, according to Official Gazette N° 39,694, the National Assembly approved the 2011 Complementary Special Indebtedness Law, for Bs. 45 billion, which will be used to finance the “Great Venezuela Agriculture Mission” (Bs. 10 billion), the “Great Venezuela Housing Mission” (Bs. 10 billion), the “Great Venezuela Jobs Mission” (Bs. 10 billion), the service of the Public Debt (Bs. 6 billion), debt refinancing or restructuring (Bs. 4 billion), and for emergencies and natural disasters (Bs. 5 billion).

On the other hand, maturities of internal public debt for the period came to Bs. 16.2 billion (71.7% in Treasury Bills and 28.3% in DPN Bonds), for a positive net internal indebtedness of Bs. 37.3 billion, the highest for a similar period since the statistical series became available (1999) (see Figure 7), 50.5% over the positive net internal

indebtedness of Bs. 24.8 billion of the first seven months of 2010.



Given the large awards of DPN Bonds and Treasury Bills, the stock of Government securities came to Bs. 121.8 billion by the close of the January-July period (93.3% of the stock are DPN Bonds), 44.3% over the total in circulation at the close of December 2010 (Bs. 84.5 billion). To be noted is that this stock of securities represents 34.4% of monetary liquidity, still below the 83% historical maximum of October 2003 (see Figure 8).



Additionally, on July 26 of this year, the Planning and Finance Ministry announced the Offer of the 2031 International Redeemable Sovereign Bond for US\$ 4.2 billion, to be sold in bolívares at the official exchange rate (Bs./US\$ 4.30). This issue was for companies in food, health and capital goods (Category I) and for individuals and legal persons not included in Category I (Category II). This issue was almost completely composed of a certificate maturing in August 2031 with an 11.95% coupon. Each investor had access to the offer with a minimum of US\$ 3,000, with the price of the instrument set by the Planning

<sup>4</sup> Consequently, there was a reduction of financing costs of the instrument, and of the payment of interest for VEBONOS, which are linked to the yield rates of Treasury Bills.

<sup>5</sup> Bs. 3.5 billion of this amount is an offer only for Banco Industrial and Banco del Tesoro, announced at the end of March and actually awarded by mid-June. Bs. 7.8 billion remaining from a total Bs. 10 billion were placed with the principal entities of the public financial sector.

and Finance Ministry at 100%, for a total of almost Bs. 18.1 billion. To be noted is that funds obtained from placement of this instrument will go to the service of the Public Debt, the “Great Venezuela Housing Mission” and the “Great Venezuela Agriculture Mission” for the 2011 fiscal year, according to the 2011 Complementary Special Indebtedness Law.<sup>6</sup> The method for assigning the certificates is shown in Table 3.

by the economic recovery of the first quarter of the year, the net expansive effect of OMAs and the larger secondary creation of money by way of loans.

Monetary Liquidity (M2) came to Bs. 353.8 billion during the week of July 29, a cumulative 21.2% increase in comparison with the close of 2010, and the highest growth for a similar period since 2006 (see Figure 9). After

adjusting for the inflation of the period, there was a real M2 expansion of 3.1%, in significant contrast with the real 8% decline of July 2010, and which had not been seen since December 2007.

The largest cumulative growth was that of Money in Circulation (Coins and Bills plus Demand Deposits), which explains 81.7% of the nominal increase of liquidity for a 23.2% cumulative growth, a little more than 660 bp over the cumulative increase during the same period of 2010.<sup>7</sup> On the other hand,

Quasi-Money (Savings plus Term Deposits) showed a cumulative growth of 15.2%, which explains 18.3% of M2’s nominal increase. Consequently, the participation of Money in Circulation went from 70.4% by the close of July 2010 to 75.7% in the same month of this year, the highest level since the statistical series became available (1968)<sup>8</sup> (see Figure 10).

**Table 3**  
**Allocation Mechanism International Sovereign Bond 2031**

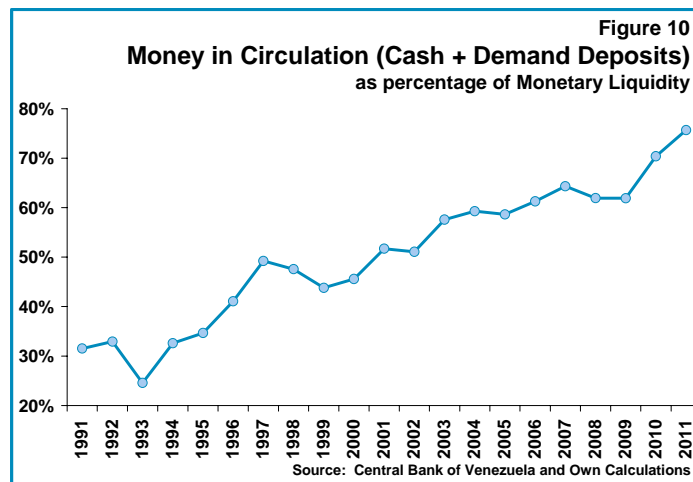
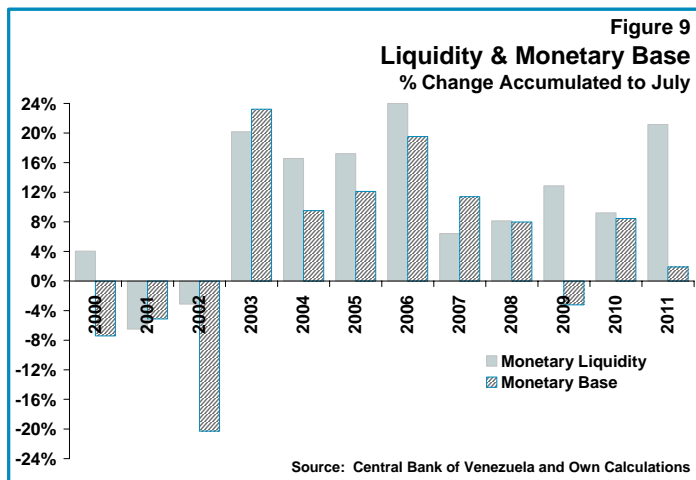
ALLOCATION CATEGORY I	
Ranges	Allocation
From US\$ 3,000 Until US\$ 4,950,000	100% of the position
Greater than US\$ 4,950,000	0% of the position
ALLOCATION CATEGORY II	
Ranges	Allocation
From US\$ 3,000 Until US\$ 6,000	100% of the position
Greater than US\$ 6,000	0% of the position
Entities of the Public Financial System (*)	100% of the position
Fund Pension of PDVSA Employees	57,37% of the position

(\*) Corresponds to positions on their own

Source: National Public Credit Office

## MONETARY MARKET

There was a significant increase in the means of payment in the hands of the public during the first seven months of the year, with a growth rate not observed for a similar period since 2006. This was partly due to the increase in fiscal contributions from increased oil prices and the higher value of oil contributions due to the unification of the official exchange rate. This behavior was also explained



<sup>6</sup> The National Executive, therefore, has some Bs. 43.2 billion to place as DPN Bonds during the rest of the year, distributed as follows: Bs. 9.1 billion from the remainder approved for this year, Bs. 7.2 billion from not yet approved debt contracts and Bs. 26.9 billion from the Complementary Special Indebtedness Law (for Bs. 45 billion, from which Bs. 18.1 billion for the 2031 International Sovereign Bond issue must be deducted).

<sup>7</sup> A quite different performance was observed for the components of Money in Circulation, with Demand Deposits showing a cumulative 30.2% growth, which explains the increase in Money in Circulation, while Coins and Bills dropped by 11.5%.

<sup>8</sup> This behavior of Money in Circulation could indicate a higher preference of the public for more liquid instruments in a high inflation rates scenario.

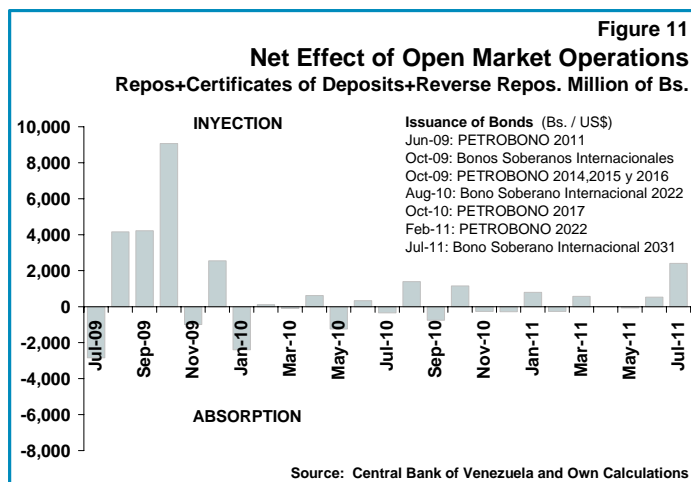
On the other hand, the Monetary Base, or high-powered money came to Bs. 128.6 billion by July 29, a slight cumulative increase of 1.9% in comparison with the close of 2010, which in turn, contrasts with the 8.5% cumulative increase of the same period of 2010. To be noted is that since the end of 2009 no detailed information has been published about the sources for the Monetary Base.

Banking liquidity surpluses averaged Bs. 28.7 billion per month through July, 82.8% over the average of the same period of last year (Bs. 15.7 billion). This level is 9.2% of M2, 220 bp over the amount for the same period of 2010 (7%). To be noted is that this strong expansion of liquidity surpluses can be explained by the limits on placement of CDs and Repos of the Central Bank from December 2009. Monetary policy so far has been directed towards generating more liquidity in order to deal with the significant approved indebtedness and to stimulate internal economic activity. Consequently, the BCV had a more relaxed performance than last year regarding awards of CDs (CDs – *Certificados de Depósito*) and Repos (the principal instruments of the BCV to absorb money in circulation). In effect, placements of these absorption instruments during the period came to Bs. 54.9 billion, 18% less than in the 2010 January-July period.

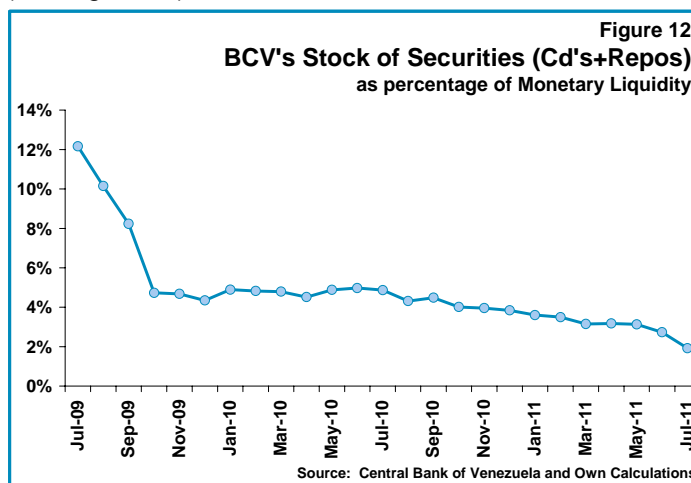
On the other hand, the Purchases of DPN Bonds under Resale Agreements (Reverse Repos), Bs. 9.5 billion were placed through July at an average yield of 19%, 56.8% below the yields of the first seven months of 2010 (Bs. 14.9 billion).

The combined maturities of CDs and Repos for the January-July period came to Bs. 59.7 billion, in contrast with the 65.1 billion of the first seven months of 2010. Consequently, open market operations, both absorption and injection operations, caused a liquidity expansion of Bs. 3.9 billion (see Figure 11), in contrast with net absorption of Bs. 3 billion during the same period of 2010. Given the lesser awards of loan instruments by the BCV, together with the slight 10 bp decrease in the average weighted yield of CDs and Repos, interest paid by the BCV of Bs. 373.1 billion during the first seven months of the year declined by 8.5%, when compared with the same period of 2010.

Consequently, the balance in circulation of CDs and Repos declined from Bs. 11.2 billion at the close of 2010 to Bs.



6.8 billion at the close of July 2011, barely 1.9% of M2 and 300 bp below the level for the same month of 2010. This was the lowest value since April 2002 (0.8%)<sup>9</sup> (see Figure 12).



According to Official Gazette N° 39,710 of July 11 of this year, the BCV modified terms and conditions for the reduction of the minimum legal reserves that financial institutions must maintain in the BCV within the framework of the "Great Venezuela Housing Mission". The reduction from 17% to 14% will be applied to those financial institutions taking part in this social program of the National Executive, through the acquisition of certificates issued within the framework of this program; in contrast, those institutions not taking part in the program from July 18 will continue to calculate their 17% legal reserves and add an extra 6% to the total of Net Obligations Reserve Base and Ceded Investments Reserve Base plus Marginal Balance during the week ending July 8, 2011.

<sup>9</sup> The highest historical maximum was 46.2% in April 2006.

Similarly, according to Official Gazette N° 39,716 of July 19 of this year, the Housing and Habitat Ministry modified the mandatory mortgage portfolio originally approved by the end of April. Although it remains at 12% of the gross bank portfolio at the close of 2010, maintaining the percentage for construction of homes (2%), the distribution of the other 10% was changed: 50% will also go to construction (as before), 40% to acquisition of principal home (formerly 35%) and 10% to improvements, additions and self-construction (formerly 15%). Additionally, the portfolio for acquisition of principal homes was divided, with 80% going to families earning 4 minimum wages or less and the remaining 20% to families with monthly incomes over 4 minimum wages. In both cases, also, 80% goes to the acquisition of new houses and the rest for existing houses.

### INTEREST RATES

During the first seven months of the year, interest rates tended to decline, as they did in 2009 and 2010. This trend continues to reverse the rising tendency of the last few years. However, it is worth noting that the rate of contraction is slightly slower this year than in 2010.

Lending rates of Commercial and Universal Banks averaged 17.7% during the first seven months of 2011, an almost 70 bp decline in comparison with the average rate during the same period of 2010 (a little more than 230 bp below the decline during the January-July period of last year). Rates for all sectors experienced declines. Rates declining more than the global rate (70 bp) were: Mines and Quarries (-331 bp, with respect to the first seven months of 2010), Vehicle Acquisition (-188 bp), Communications (-172 bp), Tourism (-154 bp), Services (-140 bp), Industrial (-97 bp) and Mortgages (-86 bp) (see Table 4).

On the other hand, the rate for Savings Deposits averaged 12.6%, the same as in the first seven months of 2010. However, rates for 90-day Term Deposits declined by almost 30 bp to reach a 14.5% average for the January-July period of this year, both rates barely above their legal minimum levels of 12.5% and 14.5%, respectively. As a result, the relative financial margin came to 17.6% on average for the period, 160 bp below the value for the first

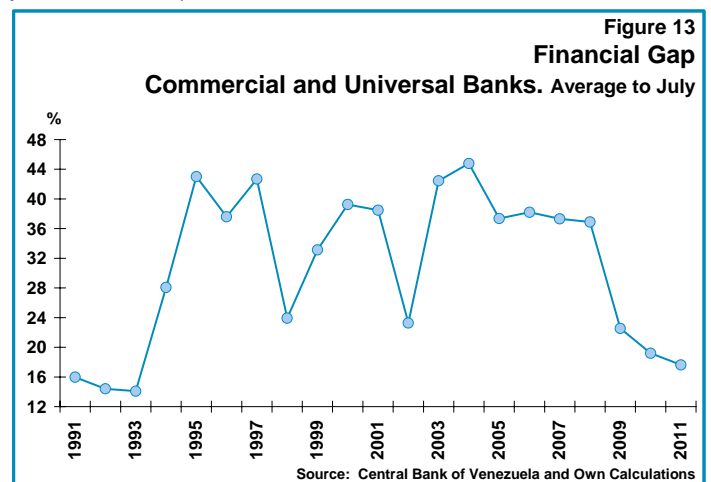
seven months of 2010 (19.2%). It was also the lowest level for a similar period since 1993 (see Figure 13).

**Table 4**  
**Commercial and Universal Banks**  
**Average Interest Rates by Economic Destination**  
**Average until July**

	2009	2010	2011
<b>AVERAGE LENDING RATE</b>	<b>21.5</b>	<b>18.3</b>	<b>17.7</b>
Agriculture	12.7	12.3	12.1
Industrial	19.9	17.6	16.6
Commerce	24.7	21.4	20.8
Services	24.1	22.2	20.9
Mortgage	17.4	11.1	10.2
Transportation	23.2	22.5	22.1
Tourism	18.1	15.9	14.3
Communication	23.9	20.2	18.4
Vehicles	26.0	23.2	21.3
Other Private Sectors	23.9	22.9	22.3
Mining and Quarries	24.4	21.0	17.7
Electricity and Water	24.8	22.7	22.3
Credit Cards	30.7	28.6	28.3

Source: Central Bank of Venezuela and Own Calculations

In a context of declining interest rates and rising prices, the average lending and borrowing rates continued to be negative in real terms during the first seven months of the year, although the lower inflation rates for the period caused real rates to be less negative than in the same period of 2010. The real lending rate was -10.4% (-11% during the first seven months of 2010), while the real borrowing rate came to -12.8% (-13.6% for the same period of 2010).<sup>10</sup>



### REAL SECTOR

During the first quarter of the year, internal economic activity showed a 4.5% expansion when compared with the same period of 2010. This growth follows a long period of

<sup>10</sup> Negative interest rates stimulate credit and the reduction of savings, which make them factors that promote internal aggregate demand, an expansion of which provokes a rise of prices, all other things remaining equal.

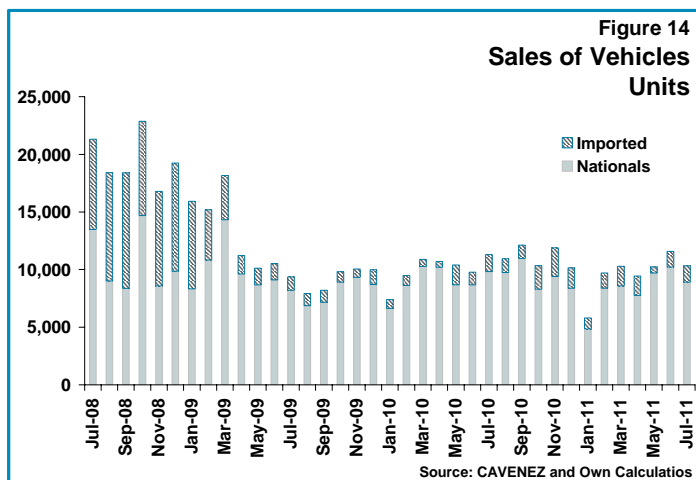
contraction since the second quarter of 2009 and which had continued for seven consecutive quarters. Economic recovery is expected to continue during the second half of the year, due to the effect of increased real primary public spending of the first seven months of the year and the recovery of credit in real terms throughout the year.

The main available monthly indicators of internal economic activity (loan portfolio and oil production, among others) generally show an improvement in production and in consumption.

The net banking loan portfolio showed a real year-on-year increase of 7.7% by the close of the first six months of the year, the highest real increase since May 2008, in contrast with the real 11.3% decline at the close of June 2010.

On the other hand, oil production increased by 61 mbd during the first seven months of the year, a 2.8% increase with respect to the January-July period of the previous year. Consequently, average production for the first seven months of the year came to 2.244 mbd.

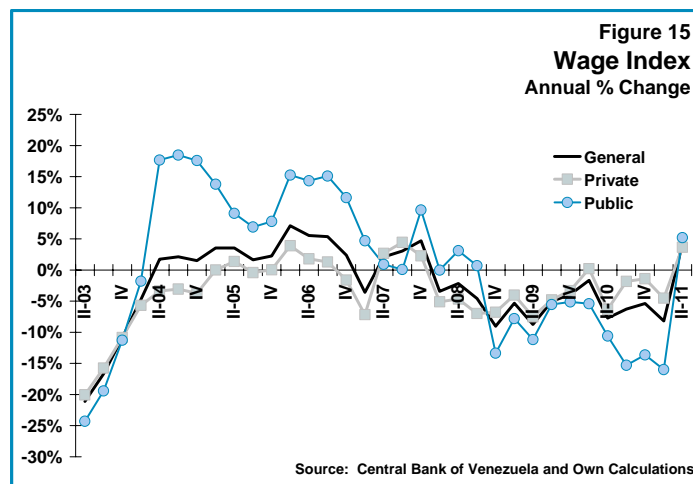
However, other indicators that have traditionally been used to mark economic activity, such as vehicle sales, do not support the impression of a recovery in economic activity. Total sales of new cars reached 67,359 units during the January-July period of this year, a 4.1% decline when compared with the same period of last year. To be noted is that this decline was explained completely by the 7.2% decline in sales of national vehicles, as imports increased by 26.8%. Consequently, sales of imported vehicles increased their participation in total sales from 10% at the close of the first seven months of 2010 to 13.3% in the same period of the current year (see Figure 14).



## LABOR MARKET

The unemployment rate averaged 8.8% during the first half of the year, 10 bp over the level for the same period of 2010, according to figures published by the National Statistics Institute (*INE – Instituto Nacional de Estadística*). This result can be explained by an average 2.7% increase in the idle population for the first six months of the year, although slightly more than 900 bp below the growth for the same period of last year (12%). Consequently, the number of unemployed persons for the January-July period of this year came to an average 1,163,760, while the economically active population (*PEA – Población Económicamente Activa*) grew by 1.5% during the same period. On the other hand, the average employed population rose by 1.4% during the first six months of the year, a little over 60 bp over the increase of the same period of 2010.

Public sector employment increased by 103,245 jobs (4.5%), the highest increase since the same period of 2009 and 110 bp over the increase of the same period of 2010.<sup>11</sup> The private sector showed an increase of 58,935 jobs (0.6%), 50 bp over the growth of the first six months of last year (0.1%).



Within the employed population, the increase corresponded to the formal sector of the economy, which expanded by 2.7% with respect to the average during the first six months of 2010. At the same time, the informal sector showed a slight 0.4% decrease. Consequently, participation of the formal sector within the employed population increased by 80 bp with respect to the January-June period of 2010, to reach 56.9%.

<sup>11</sup> Participation of the public sector within the employed population has been consistently growing during the last eight years, from 14.1% during the January-June period of 2003 to 20% during the same period of this year.

According to figures from the BCV, the Remunerations Index (*IRE – Índice de Remuneraciones a los Asalariados*) for the second quarter of the year showed a nominal 29.8% year-on-year increase (in comparison with a similar period of last year), a little more than 800 bp over the growth of the same quarter of last year. After adjusting for the inflation of the period, the increase was 4.2% after thirteen consecutive quarters of real year-on-year declines. The nominal increase of remunerations in the public sector came to 31.1%, the highest nominal increase since the third quarter of 2008. In real terms, after ten consecutive quarters of declines, there was a 5.2% increase (a 10.6% real decline in the same quarter of 2010). On the other hand, private sector remunerations increased by 29.2% in nominal terms, a little more than 560 bp over the growth of the second quarter of 2010. Similarly, there was a real 3.7% increase (a real 6.3% decline during the same period of last year) (see Figure 15).

## PRICES

According to BCV data, the rate of growth of the INPC (*INPC – Índice Nacional de Precios al Consumidor*) increased by 2.7% during July, 130 bp over the level of the same month of last year. Consequently, the INPC showed a cumulative 16% variation during the year, 200 bp below the value for the first seven months of 2010. The month's result can be explained by the rising prices in three of the eleven geographical areas of the Index: Barquisimeto (3.1%), Maturín (2.8%) and rest of the country (2.9%).

The only group showing a variation above the national average (2.7%) during July was Food and Non Alcoholic Beverages with a 4.8% price increase. Within this group, the largest increase was the inflation in Foods, which came to 5.1%, under the influence of the strong increase of

prices of agricultural goods, which rose by 12.1% during July. Groups showing larger cumulative variations than the national average were: Transportation (19.4%), Various Goods and Services (18.7%), Food and Non Alcoholic Beverages (18.4%), Alcoholic Beverages and Tobacco (17.8%), Health (17.7%), Restaurants and Hotels (17%) and Household Appliances (16.6%) (see Table 5).

When considering the Inflationary Core, which excludes seasonal factors and price controls, price variations came to 1.9% during July for a cumulative 16.6% increase during the first seven months of the year, 60 bp over the cumulative variation of the INPC (16%). In contrast, during the same period of 2010, the INPC stood over the Inflationary Core, with a 150 bp difference between both measures.

The Consumer Price Index for the Caracas Metropolitan Area (*IPC-AMC – Índice de Precios al Consumidor del Área Metropolitana de Caracas*) rose for the third consecutive month, this time by 2.5%, a 30 bp increase when compared to the previous month, for a cumulative 17.5% for the first seven months of the year, 90 bp below the value for the same period of last year (18.6%).

Six of the thirteen groups of the IPC-AMC showed cumulative rates of inflation over the general average (17.5%), namely: Various Goods and Services (23.5%), Transport (22.8%), Health (21.4%), Restaurants and Hotels (20.2%), Household Appliances (20.1%) and Food and Non Alcoholic Beverages (19.5%).

On the other hand, for the third consecutive month the Inflationary Core showed a variation rate below that of the IPC-AMC reaching 1.8% in July, 10 bp over the previous

Table 5  
Inflation by Sector  
% Change Accumulated to July

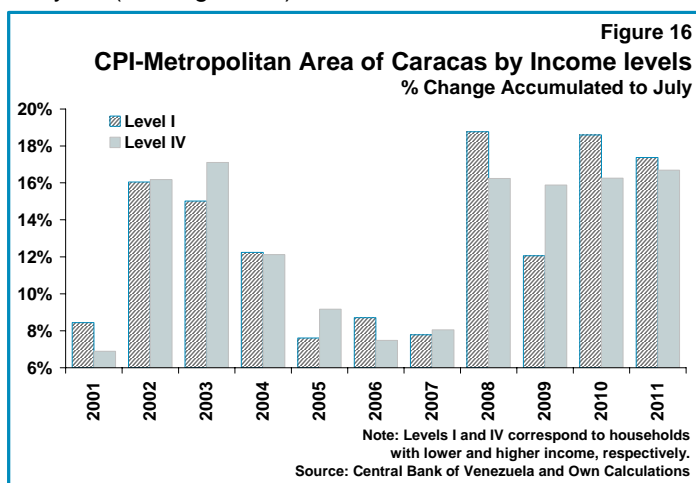
	National	Barquisimeto	Barcelona	Caracas	Ciudad Guayana	Maracaibo	Maracay	Maturín	Mérida	San Cristóbal	Valencia	Rest <sup>1/</sup>
<b>GENERAL INDEX</b>	<b>16.0</b>	<b>15.5</b>	<b>15.8</b>	<b>17.5</b>	<b>15.0</b>	<b>15.0</b>	<b>15.2</b>	<b>15.1</b>	<b>14.7</b>	<b>14.7</b>	<b>15.6</b>	<b>15.8</b>
Foodstuffs & Non-Alcoholic Beverages	18.4	18.3	17.8	19.5	17.9	18.0	17.0	17.8	18.3	17.7	18.9	18.2
Alcoholic Beverages & Tobacco	17.8	17.9	18.9	16.4	16.8	17.6	17.6	17.3	21.1	15.4	18.9	18.4
Clothing & Footwear	9.7	10.7	8.2	11.2	8.3	9.8	6.4	9.3	7.1	7.5	13.6	9.3
Housing Rent	7.1	7.8	8.9	5.1	7.8	7.0	7.4	4.9	8.1	8.9	5.8	8.0
House Services (excluding Phone Services)	3.1	5.6	5.2	5.7	3.0	3.3	1.3	0.4	-0.1	2.7	1.8	1.2
Home Equipment	16.6	19.4	17.4	20.1	14.8	14.8	16.9	14.5	12.4	15.1	15.7	15.2
Health	17.7	13.8	16.3	21.4	16.8	17.0	15.4	16.4	17.4	14.2	14.4	15.2
Transportation	19.4	17.1	21.8	22.8	15.6	11.2	18.9	15.3	21.6	16.7	17.1	20.4
Communications	2.7	3.3	2.4	2.5	2.6	2.4	2.6	3.0	2.8	2.4	4.6	2.7
Culture	12.7	8.7	10.4	12.2	13.8	11.9	11.2	11.3	7.9	10.8	12.8	14.2
Education Services	10.0	9.7	4.3	11.0	9.7	11.1	14.4	9.7	8.3	4.4	6.0	10.1
Restaurants & Hotels	17.0	16.9	17.3	20.2	14.8	17.6	14.9	13.5	14.4	15.5	17.4	15.0
Other Good and Services	18.7	16.1	17.7	23.5	16.8	15.9	17.7	20.2	16.6	18.4	15.8	17.2

Note: 1/ Include a representative sample of 74 localities (cities small medians and, as well as rural areas).

Source: Central Bank of Venezuela and Own Calculations

month. The cumulative variation of the Core was 19%, 150 bp over the cumulative variation of the IPC-AMC, which was 30 bp over the variation of the Core during the same period of last year.

To be noted is that, together with the substantial increase in food prices, Stratum I (the lowest income section) showed the highest inflation during July at 3.3%, almost 120 bp over the inflation of the stratum of highest income and almost 230 bp over the value for the same month of last year (see Figure 16).



The “Law for Fair Costs and Prices” was approved in Official Gazette N° 39,715 of July 18 of this year. Its main goal is the regulation of prices for all goods and services produced, imported or marketed in the country, with the sole exception of banks and financial institutions, which are under the supervision of the Superintendency of Institutions of the Banking Sector. Controls for profits of companies according to their cost structure will also be established under this new law.

A National Integrated System of Costs and Prices will be established under a National Superintendency of Costs and Prices, which will have a National Register of Prices for all Goods and Services. Legal persons and individuals must register and keep their information updated, as well as the list of goods and services

they market. One of the main functions of the Superintendency is determining fair prices of goods and services, depending on the information from regulated entities about cost structures, and general, administrative and sales expenses, among others. In consequence, whoever sells or provide services with prices above those determined by the Superintendency or above those reported by each regulated entity, shall be sanctioned, as well as those who fail to register with the National Registry of Goods and Services and those who fail to report changes in their price or cost structures, among others. This Law will take effect on November 22 of this year.

Similarly, in Official Gazette N° 39,719 of July 22 of this year, the Education Ministry and the Commerce Ministry issued a joint Resolution establishing a maximum 22% increase in school registration fees and monthly payments for private educational institutions of the Basic (Primary) Education Sub-system for the whole national territory.

Finally, maximum selling prices to the public of several goods under price control were adjusted upwards. The principal changes are summarized in Table 6.

<b>Table 6</b>		
<b>Principal price adjustments in goods under control</b>		
Date	Official Gazettes	Measures
May 2, 2011	N° 39,664	*An upward adjustment in the Maximum Price paid to producers of these goods: White Corn (1 Kg) (30%), Yellow Corn (1 Kg) (30%), Rice Paddy Type A and B (1 Kg) (on average 30%) and Soybeans domestically produced (1 Kg) (30%)
June 2, 2011	N° 39,687	* An upward adjustment in the Maximum Sale Price of the following goods: Refined Sugar (Presentations 2Kg, 1 Kg, 900g and 800g) (on average 31%), Brown Sugar (Presentations 2Kg, 1 Kg, 900g and 800g) (on average 31%). * An upward adjustment in the Maximum Price paid to producers of these goods: Sugar Package at industry door (Presentations 2Kg, 1 Kg, 900g and 800g) (on average 31%), Sugar Package at wholesale door (Presentations 2Kg, 1 Kg, 900g and 800g) (on average 31%).
June 17, 2011	N° 39,698	* An upward adjustment in the Maximum Sale Price of the following goods: Beef in all its qualities (1 Kg) (29%). * An upward adjustment in the Maximum Price paid to producers of these goods: Cattle (Kg) (29%), Cattle in profit center (Kg) (29%), Beef in profit center (Kg) (29%).
July 28, 2011	N° 39,723	* An upward adjustment in the Maximum Sale Price of the following goods: Whole Chicken (1 Kg) (38%), Chicken Breast with bone and boneless (1 Kg) (on average 38%), Chicken thighs with bone and boneless (1 Kg) (on average 38%). * An upward adjustment in the Maximum Price paid to producers of these goods: Chicken at plant gate (1 Kg) (38%), Chicken wholesale (1 Kg) (38%).

Source: Official Gazettes of the Bolivarian Republic of Venezuela

**NEW LEGISLATION IN THE ECONOMIC AND SECTORIAL FIELD  
MONTH OF JULY 2011**

OFFICIAL GAZETTE N°	DATE	SUMMARY
39.708	07/07/2011	Resolution: Nationwide Regulations for opening, moving or closing agencies, offices, branches and business centers, and for installing or closing external or associated tellers, information desks, automatic or electronic teller machines and other forms of service to clients and users.
39.711	07/12/2011	Decree N° 8,322, for the 718th Issue of National Public Debt Bonds as internal loans, to finance the "Great Venezuela Agriculture Mission." (Bs. 10.000.000.000).
39.711	07/12/2011	Decree N° 8,323, for the 723rd Issue of National Public Debt Bonds as internal loans, for Emergencies and Natural Disasters. (Bs. 5.000.000.000).
39.711	07/12/2011	Decree N° 8,324, for the 720th Issue of National Public Debt Bonds as internal loans, to finance the "Great Venezuela Jobs Mission." (Bs. 10.000.000.000).
39.711	07/12/2011	Decree N° 8,325, for the 719th Issue of National Public Debt Bonds as internal loans, to finance the "Great Venezuela Housing Mission." (Bs. 10.000.000.000).
39.711	07/12/2011	Decree N° 8,326, for the 722nd Issue of National Public Debt Bonds as internal loans, to Refinance or Restructure Public Debt. (Bs. 4.000.000.000)
39.711	07/12/2011	Decree N° 8,327, for the 721st Issue of National Public Debt Bonds as internal loans, to finance the Service of the Public Debt. (Bs. 6.000.000.000).
39.712	07/13/2011	Resolution N° 11-07-01: banking institutions may only charge commissions, fees and/or other charges for items determined by the Central Bank of Venezuela through Resolutions and Official Notices, up to the maximum amounts permitted therein.
39.713	07/14/2011	Resolution enacting the Partial Reform of the Regulations for the Electronic Compensation System (changes Articles 29 and 60 and cancels Title III).
39.713	07/14/2011	Decree N° 8,332, enacting the Partial Reform of the Regulations for the Workers Food Law.
39.715	07/18/2011	Decree N° 8,331, enacting the Law of Fair Costs and Prices.
39.716	07/19/2011	Resolution: Establishes at 12% the compulsory minimum percentage of the gross annual loan portfolio that institutions of the banking sector must provide from their own resources, in order to grant mortgages for the construction, acquisition, additions, improvements and self-construction of main homes.
39.716	07/19/2011	Resolution: Establishes financial conditions for banking institutions to grant loans for the acquisition of main homes, using their own resources and funds under the Law of Housing and Habitat.
39.719	07/22/2011	Joint Resolutions N° DM/063 and DM/083, establishing that registration fees and monthly payments of private educational institutions of the Basic (Primary) Education Subsystem in the country may increase up to 22%.
39.720	07/25/2011	Resolution N° 121: Regulations on fees and contributions to be paid by persons under the National Securities Superintendency.
39.723	07/28/2011	Joint Resolutions N° DM/3046, DM/ 077, DM/078, DM/026-11 and DM/090, establishing nationwide maximum sales prices (Precio Máximo de Venta al Público – PMVP and Precio Máximo de Venta – PMV) of food products mentioned therein.
39.724	07/29/2011	Joint Resolution establishing methods for banks to assign resources to finance projects by communal councils or other forms of social organization.

Source: Official Gazette of the Bolivarian Republic of Venezuela

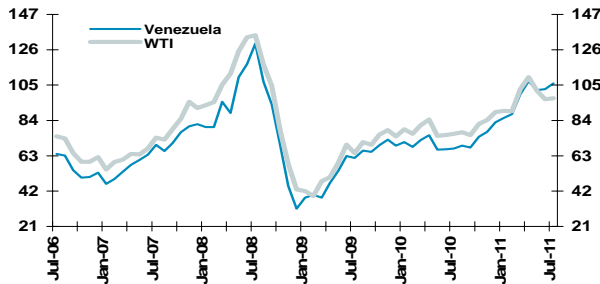
This bulletin has been prepared by the Economic Research Management, by Mercantil C.A., (Banco Universal), coordinated by Francisco Vivancos Cabello.  
Economic Research team: Inés Fasanaro, Gema Murillo, Carmen J. Noguera, Leonardo Vera.  
The opinions expressed in this bulletin are responsibility of the authors and do not necessarily express the opinion of the institution.  
Edificio Mercantil, Av. Andrés Bello, N° 1-Zip Code N°789 - Caracas 1010A. Venezuela.  
Legal Deposit: 83-0181. Vol 33, N° 06

ECONOMIC INDICATORS	2008	2009	2010	Mar-11	Apr-11	May-11	Jun-11	Jul-11	% Change	% Change
<b>EXTERNAL SECTOR</b>										
Volume of Production of Crude (thousands of barrels)	2,353	2,181	2,187	2,220	2,230	2,240	2,300	2,300	5.0%	4.8%
Price West Texas Intermediate (WTI) (US\$/b)	99.9	55.3	58.8	102.6	109.7	101.9	96.6	97.2	9.2%	27.9%
Venezuelan Oil Basket Price (US\$/b)	86.5	57.0	72.7	99.5	107.4	102.0	102.6	105.9	27.8%	57.5%
OPEC Price (US\$/b)	94.4	55.0	58.2	109.7	117.5	110.4	109.2	111.4	26.1%	53.8%
Non Traditional Exports (Million of US\$)	5,426	2,380	2,486	256	209	432			107.7%	175.2%
Imports <sup>1</sup> (Million of US\$)	45,128	36,908	30,745	3,072	2,424	2,949			25.7%	14.4%
Gross International Reserves (Million of US\$)	42,299	35,000	29,500	26,861	26,910	28,882	28,386	29,017	(1.6)%	5.9%
Priority Imports Exchange Rate (Bs./US\$)		2.15	2.60	2.60	2.60	2.60	2.60	2.60	0.0%	0.0%
Non-Priority Imports "Oil Dollar" Exchange Rate (Bs./US\$)	2.15	2.15	4.30	4.30	4.30	4.30	4.30	4.30	0.0%	0.0%
<b>REAL SECTOR</b>										
Index 1997 = 100										
Sales Volume Index	216.6	192.7	178.7	199.0	185.9				(23.3)%	14.4%
Wholesale	143.3	122.1	130.8	158.7	135.7				(3.8)%	11.3%
Detail	265.7	239.8	210.8	226.1	219.6				(29.3)%	15.8%
Automotive Vehicles	189.8	127.4	85.2	85.9	87.5				4.6%	(8.7)%
Parts, Pieces & Accessories of Automotive Vehicles	171.7	149.5	149.0	166.6	173.6				21.4%	12.6%
Fuels for Automotive Vehicles	128.9	180.7	169.8	165.0	181.7				11.3%	9.6%
Foods, Beverages & Tobacco in Non-Specialized Storehouses	337.0	324.2	267.9	240.9	229.1				(30.5)%	(6.1)%
Other Products in Non-Specialized Storehouses	159.1	247.7	184.7	181.4	156.8				(37.2)%	(15.2)%
Foods, Beverages & Tobacco in Specialized Storehouses	248.7	217.4	185.5	225.2	216.3				(15.9)%	80.5%
Pharmaceutical & Medicinal Products, Cosmetic & Toiletries	401.7	409.3	316.0	431.2	350.4				(19.4)%	32.2%
Textile Products, Apparel, Footwear & Leather's Articles	490.8	394.4	367.7	539.6	530.9				(39.2)%	89.2%
Articles & Equipment of Domestic Use	608.1	490.7	441.6	302.3	312.6				(54.2)%	(11.9)%
Articles of Ironworks, Paintings & Products of Glass	107.2	99.8	83.2	101.3	96.0				4.5%	22.9%
Other Products in Specialized Storehouses	85.8	90.0	113.8	134.7	129.8				(33.8)%	6.1%
Volume Index of Private Manufacturing Industry	125.6	110.7	108.1	120.2	98.8				6.6%	(4.8)%
<b>MONETARY AGGREGATES</b>										
Million of Bs.										
Liquidity (M2)	194,275	235,401	292,016	308,150	312,908	320,625	353,765	353,765 *****/	21.1%	37.6%
Currency & Demand Deposits (M1)	142,036	155,269	217,350	231,440	234,275	241,044	267,742	267,742 *****/	23.2%	48.0%
Monetary Base	83,787	98,903	126,218	127,182 */	124,525 **/	127,226***/	115,913 *****/	128,619 *****/	1.9%	19.9%
Net International Reserves	89,048	74,544	75,571							
Net National Treasury Agency	(9,474)	(3,488)								
PDVSA	(351)	(6,091)								
Other Net Public Sector Accounts	2,624	919								
Financial Sector	161	3								
Credit Instruments Placed by BCV	(23,041)	(7,563)								
Capital & Other Net Accounts	17,477	38,354								
<b>MONETARY MARKET</b>										
Million of Bs.										
Awarded Repos	795	12,637	35,274	2,433	3,596	2,813	3,294	2,849	2.9%	(20.9)%
Awarded CDs	179,520	170,804	79,600	6,744	4,035	5,906	3,800	3,054	(27.6)%	(52.5)%
Awarded Repos+CDs (Average Weekly)	3,468	3,481	2,364	2,185	2,120	1,982	1,867	1,554	(18.8)%	(35.0)%
Purchases DPN (Average Weekly)	586	461	681	405	386	269	194	0	(22.5)%	(100.0)%
Outstanding Repos	-	2,653	2,770	2,447	3,677	3,131	2,925	2,714	(2.1)%	(15.3)%
Outstanding CDs	22,715	7,584	8,450	7,256	6,259	6,907	6,233	4,097	(51.5)%	(56.0)%
Average Effective Returns Repos	6.50	6.27	6.08	6.0	6.2	6.1	6.1	6.3	23.8	26.0
Average Effective Returns CDs	12.34	8.97	6.43	6.3	6.3	6.4	6.3	6.3	(13.5)	(5.2)
<b>COMMERCIAL &amp; UNIVERSAL BANKS</b>										
Million of Bs.										
Credit Portfolio	128,243	139,067	177,624	183,068	187,019	191,005	199,894	207,059 *****/	16.6%	37.8%
Investments	59,049	59,445	84,015	121,116	110,943	117,252	123,117	127,976 *****/	52.3%	56.3%
Total Deposits	175,984	184,977	253,275	278,426	281,860	285,497	297,373	314,824 *****/	24.3%	44.0%
Demand Deposits	106,763	115,498	180,900	201,650	203,901	206,934	216,193	229,738 *****/	27.0%	51.5%
Saving Deposits	45,777	47,996	62,553	66,020	67,123	67,549	69,507	73,476 *****/	17.5%	36.7%
Term Deposits	23,444	21,483	9,823	10,755	10,835	11,014	11,672	11,610 *****/	18.2%	(12.1)%
<b>INTEREST RATES</b>										
Annual Percentage										
Overnight (Min - Max)	0.01-56.0	0.01-38.0	0.1-20.0	0.3-14.0	0.3-14.0	0.2-13.0	0.07-13.0	0.1-3.0	-	-
Overnight (Average)	10.15	9.30	5.36	10.28	9.52	8.13	4.08	0.35	(1,175)	(180)
Loans (6 Main Banks)	22.77	20.61	17.99	17.13	17.69	18.17	17.41	18.16	27	43
90 Days Deposits (6 Main Banks)	16.55	15.57	14.73	14.86	15.04	15.10	14.77	14.56	(44)	(39)
Libor 90 Days	2.79	0.65	0.34	0.30	0.27	0.25	0.25	0.26	(5)	(20)
<b>CENTRAL GOVERNMENT <sup>2/</sup></b>										
Million of Bs.										
Total Revenues	163,878	192,529	241,760	23,757					(74.3)%	10.7%
Oil Ordinary Revenues	81,397	52,989	59,659	1,470					(80.6)%	(26.2)%
Non-Oil Ordinary Revenues	71,496	83,878	104,444	14,284					(68.3)%	27.1%
Extraordinary Revenues	24,298	55,862	79,198	8,003					(7.5)%	(2.7)%
Domestic Borrowing	21	22,764	25,495	3,257					(61.6)%	(45.4)%
External Borrowing	6,503	8,759	6,526	1					(99.6)%	(83.3)%
Others	10,134	15,695	30,061	2,209					(92.0)%	1,037.6%
Total Expenditures	181,795	197,511	245,317	23,521					(73.7)%	16.6%
Ordinary Expenditures	174,440	187,220	228,994	21,901					(73.5)%	13.8%
Total Debt Amortizations	6,775	10,291	9,135	2					(100.0)%	(99.8)%
Domestic Debt Amortizations	6,506	9,307	15,952	1,620					(75.5)%	73.0%
External Debt Amortizations	269	985	371	-					(100.0)%	-
Effective Placements of DPN+Treasury Bills	4,053	28,301	52,542	7,227	6,299	7,719	15,225	4,192	51.5%	(21.7)%
Net Borrowing Bonds DPN	(5,790)	14,557	31,134	4,145	1,899	4,680	13,094	1,500	61.1%	(63.4)%
Net Borrowing Treasury Bills	(90)	2,314	1,356	874	1,134	553	(407)	79	(14.8)%	(123.5)%
Public Debt Securities Average Effective Yields										
60-360 Days		9.84								
361-1080 Days	15.52	12.59	14.10						-	(1,419)
1081-1800 Days	16.58	12.62	15.72	16.65				16.24	(137)	13
1801-2520 Days		11.87	16.82	17.27	17.65	17.25	17.59	17.85	(64)	(113)
2521-3240 Days		8.48	14.79				17.98	18.15	1.815	1.815
3241-5760 Days			16.05							
Treasury Bills Average Yield										
60-80 Days										
81-110 Days	11.52	10.39	8.38	7.00	6.89	7.16	6.46	6.56	(152)	(187)
111-150 Days										
151-180 Days		9.69								
181-269 Days		11.12	8.76	6.89	6.68	6.27	5.71	5.18	518	(335)
<b>PRICE INDEX (CARACAS)</b>										
% Change Dec/Dec										
Consumer	31.9	26.9	27.4	1.6	1.3	2.9	2.2	2.5	17.5%	26.1%
Foods & Non Alcoholic Beverages	46.7	20.4	34.4	1.1	0.9	3.2	3.4	5.1	19.5%	26.8%
Alcoholic Beverages & Tobaccos	28.3	47.7	48.5	1.0	3.0	2.3	3.2	0.7	16.4%	35.0%
Apparel & Footwear	18.8	22.1	18.6	1.2	1.2	2.0	1.7	1.4	11.2%	19.9%
House Rent	7.0	16.1	11.6	0.3	0.1	0.1	0.1	0.6	5.1%	8.8%
Household Services (excluding Phone Services)	5.5	3.9	4.4	0.3	0.3	(0.1)	0.1	0.8	5.7%	7.9%
Home Equipment	34.7	39.2	28.7	4.7	1.6	3.8	1.7	1.3	20.1%	26.7%
Health	26.9	34.3	25.0	1.3	2.1	1.6	1.8	0.9	21.4%	29.7%
Transport	29.9	30.5	26.5	1.6	1.2	6.1	3.1	1.3	22.8%	30.7%
Communications	7.3	9.4	6.8	0.4	0.3	0.9	0.3	0.1	2.5%	5.1%
Culture	25.1	26.9	28.7	2.7	1.4	1.1	0.8	1.5	12.2%	21.4%
Educational Services	28.5	29.4	24.7	0.5	0.0	4.5	1.4	1.2	11.0%	26.0%
Restaurants & Hotels	49.6	33.6	31.7	2.3	2.0	2.8	1.9	3.4	20.2%	32.2%
Miscellaneous Goods & Services	37.8	50.7	39.3	2.2	2.5	2.6	2.2	1.4	23.5%	37.5%
Core Inflation <sup>3/</sup>	33.8	34.6	29.3	2.9	1.8	2.3	1.7	1.8	19.0%	30.1%
Private Manufacturing Production	25.2	26.5	22.0	2.2	1.9	1.6	1.6	0.8	13.9%	19.2%
Wholesale	32.4	24.8	26.8	1.2	0.9	1.7	2.1	2.4	12.7%	19.9%
National	36.7	22.2	28.8	1.4	1.0	1.8	2.4	2.8	13.3%	21.3%
Imported	17.1	35.7	19.3	0.6	0.6	1.7	1.1	0.8	10.0%	14.6%
Construction Materials (Wholesales)	23.3	18.7	18.9	1.1	0.7	(0.6)	3.6	0.5	9.2%	12.3%
<b>LABOR MARKET</b>										
Second Half Percentage										
Unemployment Rate	6.9	7.7	8.5	8.6	8.1	8.4	8.6		211	23
Activity Rate	65.2	65.0	64.7	64.0	64.5	63.8	64.2		(146)	(56)
Formal Occupation	56.6	56.0	56.1	57.4	57.7	56.1	57.3		95	130
Public Sector Occupation	18.1	19.7	19.2	20.4	19.6	21.3	19.9		44	100

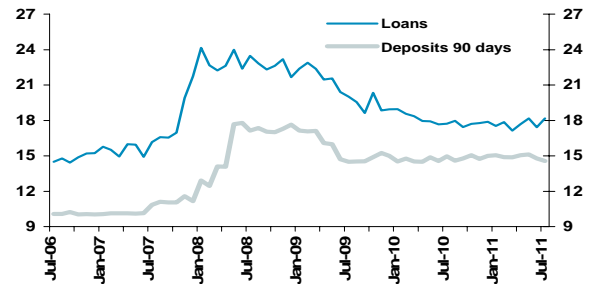
Notes: \*/ As of 0

## Economic Indicators

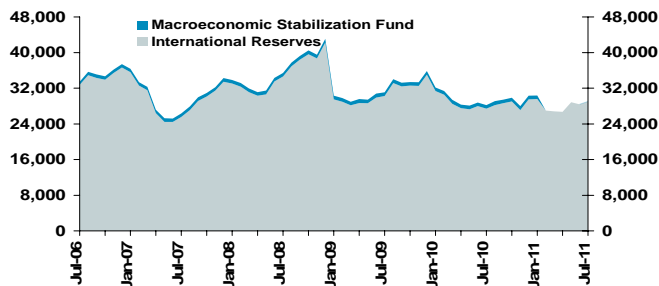
**Oil Price**  
(US\$/b)



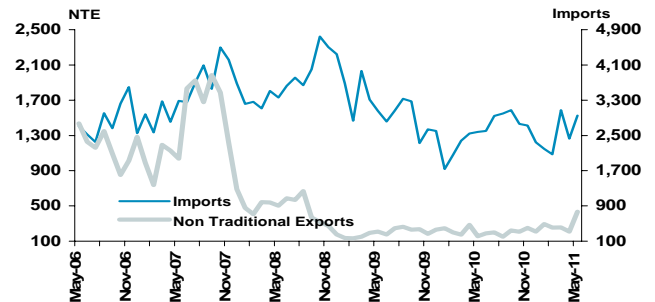
**Interest Rates. 6 Main Banks**  
%



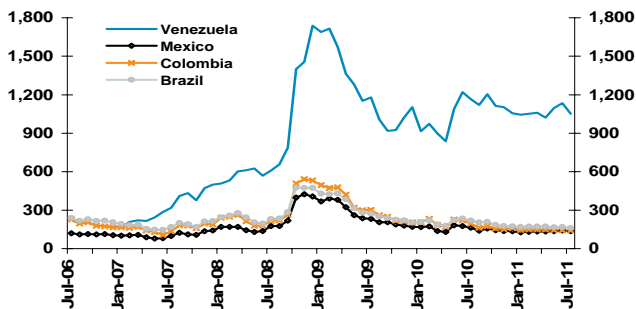
**International Reserves and Macroeconomic Stabilization Fund (Million of US\$)**



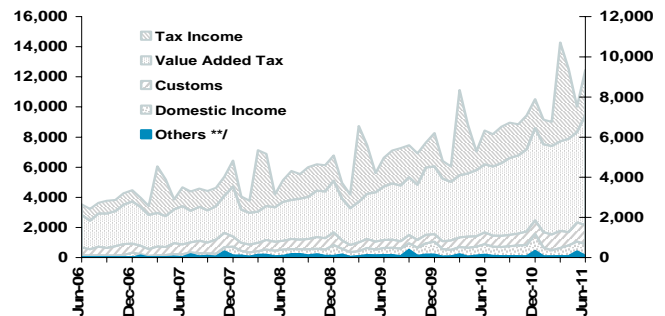
**Non Traditional Exports (NTE) & Imports (MMUS\$)**



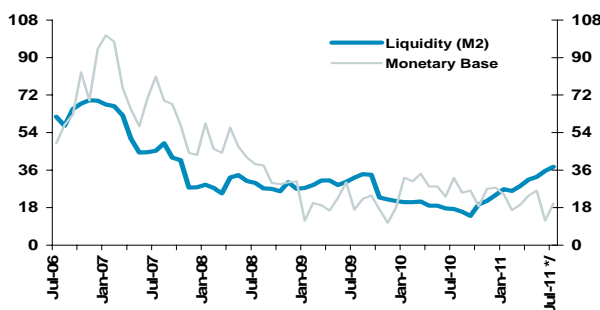
**Sovereign Spreads. Diferentials EMBI+**  
Basic Points



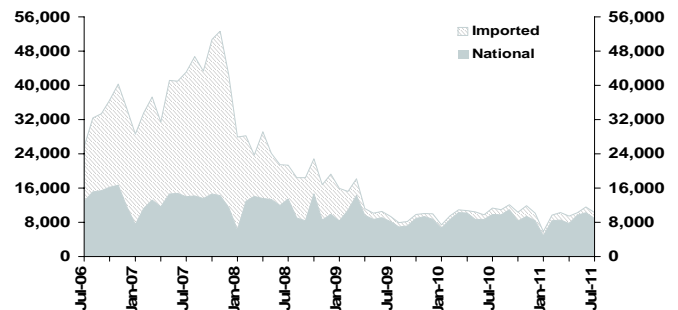
**Domestic Taxes**  
Million of Bs.



**Monetary Aggregates**  
% Change Y o Y



**Sales of Vehicles**  
Units

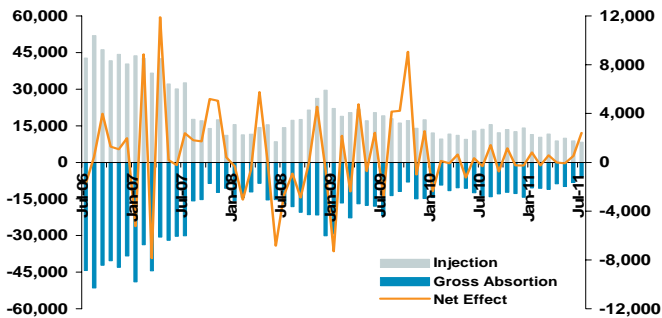


Notes: Y o Y: Change of the month with respect to the same month of the previous year. The Emerging Markets Bond Index Plus (EMBI+) tracks total returns for traded external debt instruments in the emerging markets. The instruments include external-currency-denominated Brady bonds, loans and Eurobonds, as well as U.S. dollar local markets instruments. Five Year Average Range: Average of the minimum and maximum values of the previous five years. \*/ As of 07/29/2011. \*\*/ Includes collection of outstanding rights, fines, interest, repayments to the Treasury, the Comptroller's objections customs and internal taxes. It also includes collection by matches, which was repealed by Payment Suspension Act Law according to GO N° 38,480 dated 06.17.2006. Source: Central Bank of Venezuela, Reuters, Bloomberg, National Statistics Institute, Ministry of Energy & Oil, Cavenez, International Monetary Fund, OPSIS and Own Calculations

## Economic Indicators

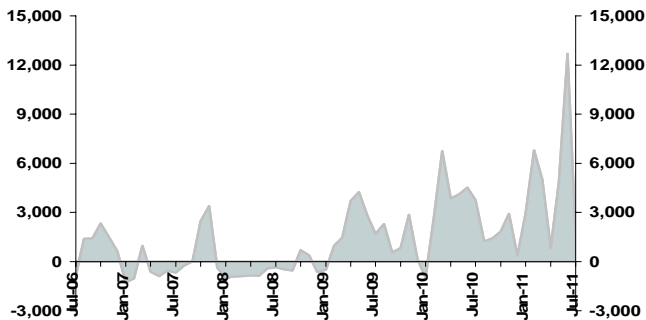
### Open Market Operations

Repos+CD+Purchase Under Resale Agreement. Million of Bs.



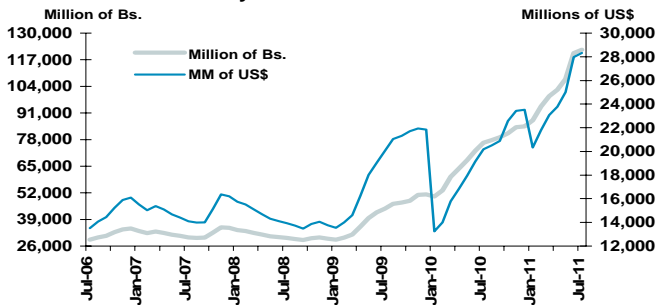
### Net Domestic Borrowing<sup>1/</sup>

Million of Bs.



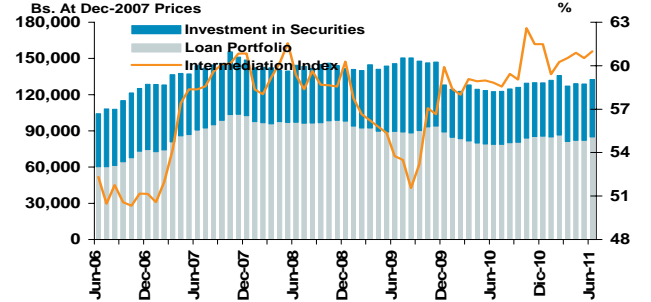
### Domestic Debt Stock

DPN Bonds + Treasury Bills



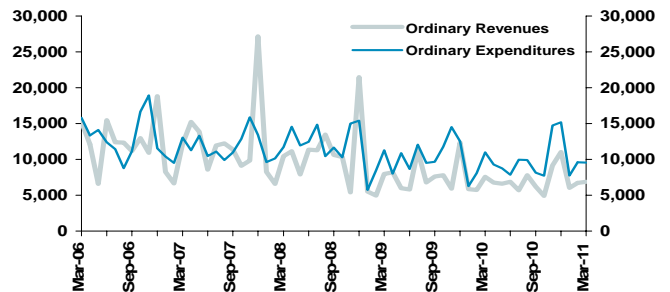
### Commercial & Universal Banks

Credit, Portfolio Investment Bs. At Dec-2007 Prices



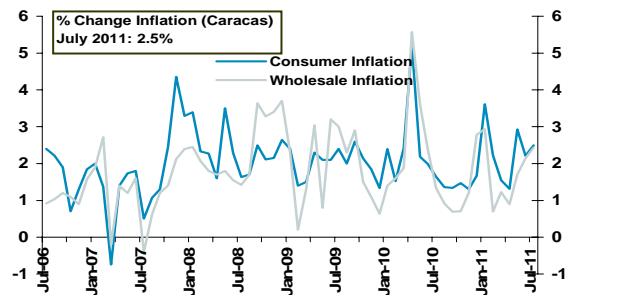
### Central Government

Bs. At Dec-2007 Prices

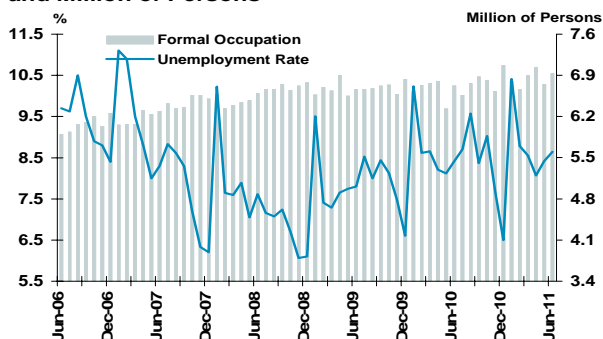


### Inflation (Caracas)

% Change M o M



### Labor Market % and Million of Persons



### Real Sector and External Sector

% Change	2008	2009	2010	IQ2011
Total GDP	4.6%	-3.5%	-1.7%	4.5%
Oil GDP	2.9%	-7.4%	0.1%	-1.8%
Non-Oil GDP	4.8%	-2.1%	-1.8%	5.2%
Private Consumption	7.1%	-3.2%	-3.8%	3.7%
Investment	-3.3%	-8.2%	-0.8%	4.9%
<b>(Millions US\$)</b>				
Trade Balance	45,656	19,153	35,390	11,140
Current Account	37,392	8,561	14,378	7,518
Capital Account	-24,820	-14,040	-18,799	-10,504
Balance of Payments	9,275	-10,262	-7,948	-3,743

Note: M o M: Change of the month with respect to the month previous, 1/ Net Domestic Borrowing is calculated as the difference between placements and maturities of short-term and long-term Treasury bonds. \*/ (S/S-2); \*\*/ (Q/Q-4).

Source: Central Bank of Venezuela, Balance sheets of Financial Institutions, National Institute of Statistics and Own Calculations