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NEW LEGISLATION

ECONOMIC INDICATORS

ECONOMIC SITUATION

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OIL MARKET

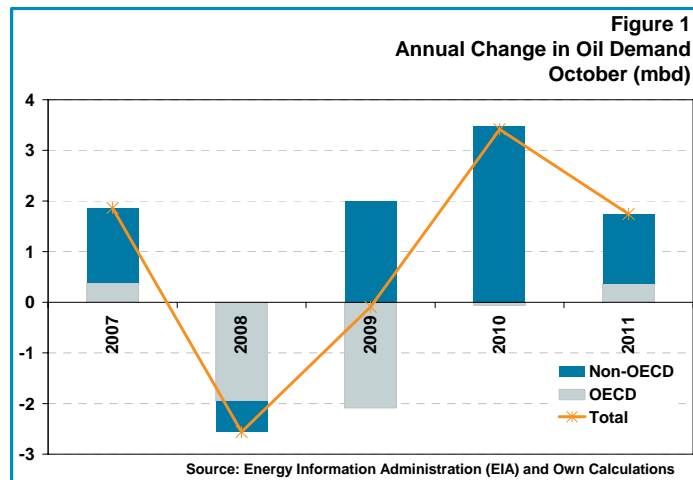
Prices of the main crude oil markers have been increasing steadily during the first ten months of the year, mainly due to supply restrictions, the geo-political situation in the Middle East and North Africa, and the increased demand from emerging economies. The uncertainty of the debt situations in the Euro Zone and the fluctuations of the US dollar have also increased speculation in the futures markets, because of concern about higher prices in the future.

The Brent marker, which serves as the reference in European markets, reached an average of US\$/b 108.3 during October, for a year to date average of US\$/b 111, a 41.7% increase with respect to the same period of 2010. On the other hand, the WTI marker averaged US\$/b 85.4 for a year to date average of US\$/b 94.5, \$17 over that of the same period of the previous year.

The prices of both the OPEC and the Venezuelan baskets also increased. The OPEC basket price reached US\$/b 105.9 during October. In the period between January and

October, the marker averaged US\$/b 107.1, 41.4% over the same period of last year. On the other hand, the Venezuelan oil basket averaged US\$/b 102.3 during October, for a ten-month average of US\$/b 99.4, US\$/b 30 over the average for the same period of last year, and US\$/b 59 over the price established in the 2011 Budget Law.

According to the latest figures published by the US Department of Energy, world petroleum demand during October reached 89.3 million barrels per day (mbd), for a year-on-year increase of 1.7 mbd with respect to the same month of last year. The non-OECD countries were the largest consumers, their demand increasing by 1.37 mbd (+3.3%) and accounting for 79% of the total increase, while the OECD countries increased their year-on-year consumption by 370 kbd (+0.8%), in spite of their policies to reduce the consumption of hydrocarbons (Low Carbon Economy) (See Figure 1).

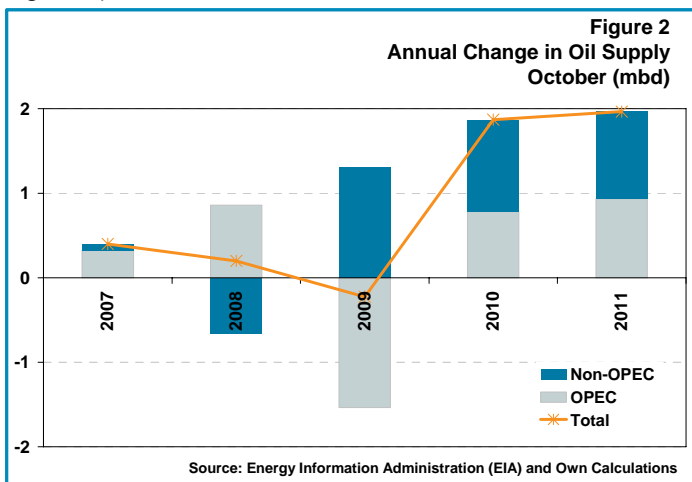


Within the OECD countries, the US reduced its consumption by 80 kbd during October in comparison with the same period of 2010, although it still represents 21% of total consumption. On the other hand, Canada reduced consumption by 20 kbd. The European OECD countries did not change their consumption, while Japan consumed 330 kbd more than in the same month of the previous year (+8.1%). Among the non-OECD countries, the largest increase was that of China (+500 kbd), to reach 10.1 mbd.

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The rest of Asia and the rest of non-OECD countries increased their consumption by 1.2% (+120 kbd) and 1.9% (+490 kbd), respectively.

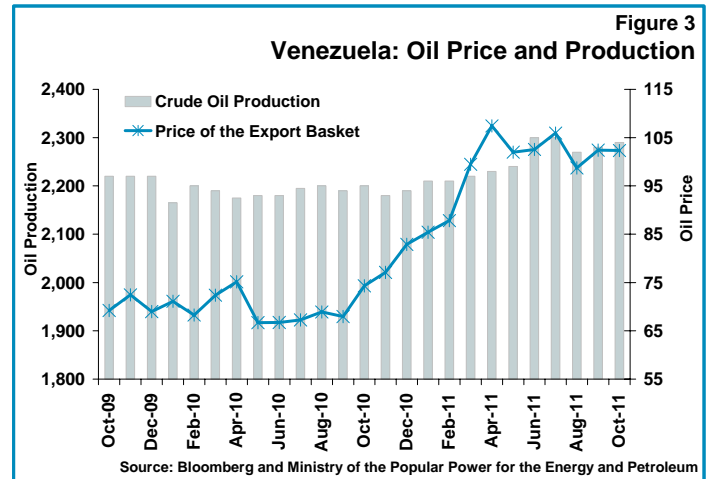
On the supply side, a year-on-year increase of 1.97 mbd was recorded during October (+2.3%), 220 kbd over the increase of demand. Supply from the OPEC countries rose by 940 kbd (+2.7%), which is explained by a 165 kbd increase in crude supply and a strong 775 kbd increase of supply of LPG (largely propane) and other liquid hydrocarbons. Production in Libya has been increasing steadily (350 kbd at present), but on a year-on-year basis, production was down 1.3 mbd. Also down were Nigeria (-170 kbd), Iran (-50 kbd) and Ecuador (-20 kbd). One of the largest producers, Saudi Arabia, increased its supply by 700 kbd, with other significant increases in the Emirates (+300 kbd) plus Iraq and Kuwait (+250 kbd together). In line with the above, the spare capacity of OPEC countries stayed at 2.4 mbd during October. On the other hand, non-OPEC countries represented 52.4% (1.03 mbd) of the total increase. The largest increase took place in North America (+590 kbd), with the US increasing by 330 kbd. Oil production in Asia and Oceania rose by 290 kbd, followed by Central and South America (+200 kbd). To be noted is the 19% production increase in Colombia (+150 kbd). A 130 kbd year-on-year decline took place in Europe due to lower production in older fields, particularly in Norway (See Figure 2).



Therefore, the combined performance of world oil demand and supply during October caused a reduction of commercial stock in OCED countries (including both crude and products) of about 60 million barrels in comparison with October of the previous year.

According to Bloomberg, during the January-October period, Venezuelan oil production reached a 2.25 mbd

average, an increase of 68 kbd compared with the same period of last year (See Figure 3).



EXTERNAL SECTOR

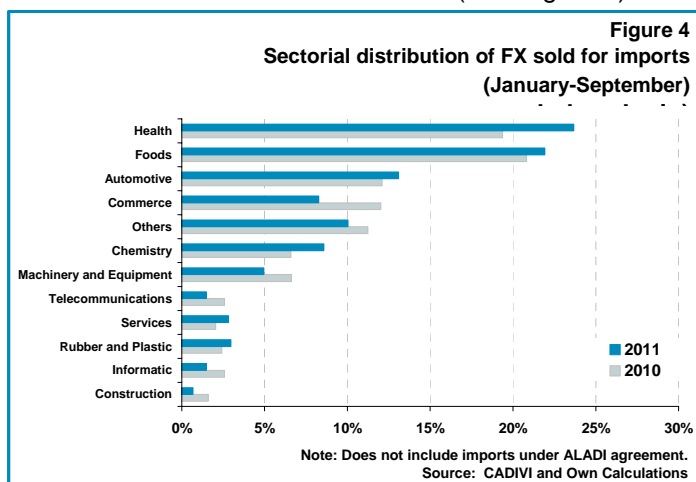
By the end of October, Venezuelan international reserves reached a total of US\$ 29.299 billion, lower than the maximum level reached so far this year on September (US\$ 31.392 billion). International reserves in the hands of the BCV, therefore, showed a cumulative decline of US\$ 201 million with respect to the close of 2010, basically due to the transfer of US\$ 3.5 billion from the BCV to FONDEN, to the slight increase in foreign exchange payments through CADIVI and to other factors offsetting the more than 40% increase in the Venezuelan oil basket.

On the other hand, CADIVI (the Commission for the Administration of Foreign Exchange – *Comisión de Administración de Divisas*) recently published statistics on authorization and payment of foreign exchange for the third quarter of the year, which showed that, for the first nine months of the year, there was a 7.2% increase in total approved requests, however with just a 4.4% increase in foreign exchange actually paid out by the BCV.

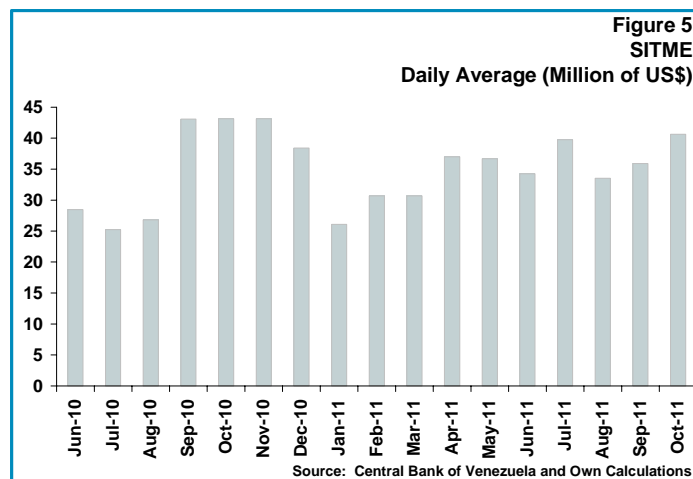
The daily average of foreign exchange paid out by the BCV reached US\$ 121 million, that is, an average of US\$ 6 million over and above the amount paid out during the same period of last year. From the total foreign exchange paid out by the BCV (US\$ 21.906 billion), 63.8% went to Imports, 17% to payments under the ALADI agreement, 6.4% to Credit Cards, 4.2% to Airlines, 2.5% for Family Remittances, and 6.2% for Other. To be noted is that most of the various types of foreign exchange requests showed an increase with respect to the same period of the previous year, although those for Imports, Insurance and

Reinsurance, and Airlines, jointly near 68% of the total amount paid out, actually declined.

On the other hand, the total of foreign exchange paid out for ordinary imports (which do not include imports via the ALADI Agreement¹) reached US\$ 13.986 billion, 5.5% less than for the same period of 2010. Of this amount, the economic sectors which received more foreign exchange were: Health (23.7%), Foods (21.9%), Automotive (13.1%), Chemical (8.6%), Commerce (8.1%) and Machinery and Equipment (5%). Thirteen of the 24 sectors of ordinary imports received less foreign exchange than in the same period of 2010, among which are Construction (-60%), Telecommunications (-50.3%) and Commerce (-35%), although most of these sectors have no significant participation in the total of foreign exchange paid out for ordinary imports. To be noted are the increases in Metallurgy (24.1%), Chemical (23.2%), Health (15.5%) and a mere 2.4% in the Automotive sector (See Figure 4).



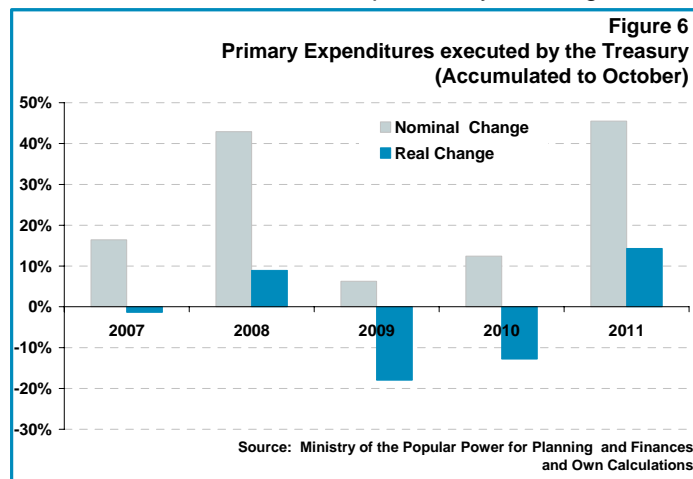
Finally, during the first ten months of the year, the daily average of foreign exchange paid out through SITME reached US\$ 34.5 million at an implicit weighted average of Bs/US\$ 5.30. To be noted is that the average of the negotiated amount during October was the highest of the year so far (US\$ 40.63 million). Therefore, US\$ 6.957 billion have been paid out through SITME (See Figure 5).



GOVERNMENT FINANCE

Primary expenditures for the first ten months of the year, not including the service of the public debt, have strongly increased in comparison with the same period of last year, due to higher petroleum prices and the higher value of fiscal contributions from oil because of the unification of the official exchange rates at the beginning of the year.

These contributions reached Bs. 222.9 billion, for a 45.5% nominal increase. In real terms, it was a strong 14.3% increase, which had not been seen since the same period in 2008 (See Figure 6). Based on the composition of expenditures, Other Transfers To Decentralized Entities in the Public Sector received 38% of the total, 28.1% went to Remunerations, 22.8% to Allocations to States and Municipalities, 7.2% to Other Payments, and a final 4.1% went to commitments from the previous year budget.



¹ To be noted is that foreign exchange contributions for this concept increased by 21.1% in comparison with the first nine months of 2010 to reach US\$ 3.715 billion.

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

	2010	2011	Nominal Change	Real Change
Income Tax	21,564	27,969	29.7%	2.4%
Value Added Tax	39,752	58,974	48.4%	17.0%
Wholesale Operators	32,152	45,240	40.7%	11.0%
Imports Operators	7,600	13,733	80.7%	42.5%
Customs	6,212	10,723	72.6%	36.1%
Domestic Income	5,436	6,061	11.5%	-11.9%
Alcoholic Beverages	1,059	1,291	21.9%	-3.7%
Tabacco	4,008	4,484	11.9%	-11.6%
Fiscal Duties	40	-	-100.0%	246.2%
Inheritance	158	176	11.5%	-43.0%
Gambling & Casinos	171	111	-35.4%	-47.8%
Others	825	1,244	50.8%	17.2%
Total	73,790	104,971	42.3%	12.2%

Source: SENIAT and Own Calculations

SENIAT reported internal tax collection of Bs 105 billion during the first nine months of the year for a 42.3% increase in nominal terms in comparison with collections during the same period of 2010. After adjusting for the

and VAT (mainly in Imports) can be explained by the unification in the official foreign exchange rates in January of this year (See Table 1).

Regarding the fiscal budget, additional credits approved by the National Assembly and decreed by the Executive reached Bs. 151.5 billion through October, 128% over the amount approved during the same period of 2010. Therefore, the approved fiscal budget (after including budget adjustments) reached Bs. 346.1 billion, 69.9% over the initially approved budget (Bs. 204.2 billion). By sectors, the additional

credits went: 61% to Social Sectors, 19.2% to Other Sectors, 10.4% to Productive Sectors, and 9.3% to General Sectors (See Table 2).

Table 2
Additional Credits by Economic Destiny
Million of Bs.

	Social Sectors	Productive Sectors	General Sectors	Public Debt	Constitutional Allowances	LSEA ^{1/}	Other Sectors	TOTAL
TOTAL 2010	24,744	8,031	4,320	-	-	-	29,270	66,368
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
August	10,219	292	1,322	-	-	-	3,195	15,028
September	532	102	1,100	-	-	-	1,109	2,846
October	5,131	2,048	352	-	-	-	1,355	8,886
TOTAL 2011	92,481	15,742	14,145	-	-	-	29,153	151,520
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
August	12,586	2,294	2,760	-	-	-	6,101	23,741
September	14,128	2,207	3,526	-	-	-	2,696	22,557
October	30,471	6,150	5,761	-	-	-	7,485	49,867

Note: ^{1/} Law of Special Economic Allowances.

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

period's inflation, collections were up 12.2%, in contrast with the 4.1% decline during the same period of 2010. By type of taxes, Internal Revenue collections decreased by 11.9% in real terms, while Customs, VAT and Income Taxes showed real year-on-year increases of 36.1%, 17%² and 2.4%, respectively. This notable increase in Customs

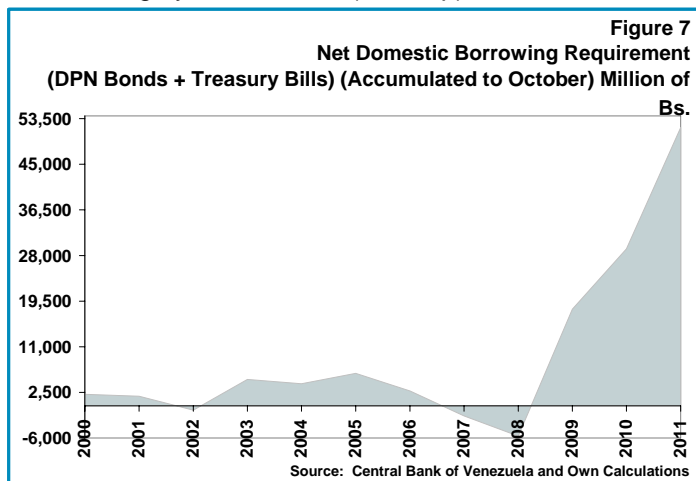
PUBLIC DEBT

Awards of DPN Bonds and Treasury Bills strongly increased during the first ten months of the year, with weekly auctions of Treasury Bills, VEBONOS and TIFs, under the 2011 Special Indebtedness Law and the 2011 Complementary Indebtedness Law, which were used to finance the Great Agro-Venezuelan Mission, the Great Venezuelan Housing Mission, the Great Venezuelan Employment Mission, the service of the public debt, the refinancing or restructuring of the debt and to cover emergencies and natural disasters.

During the January-October period, a total of Bs. 20.9 billion were awarded as Treasury Bills, 43.3% more than in the same period of the previous year with an average yield of 164 basis points (bp) less than in the same period of last

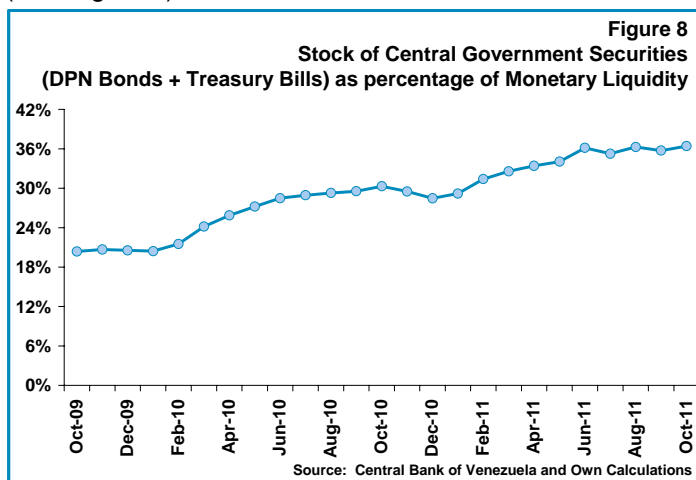
² To be noted is that VAT collection for imports in real terms increased by 42.5%.

year. On the other hand, Bs. 55.4 billion were placed as DPN Bonds, 75.7% more than in the same period of 2010 at an average yield of 17.4% (+187 bp).



Internal public debt maturities during the first ten months of the year were Bs. 24.6 billion (74.9% in Treasury Bills and the 25.1% remainder in DPN Bonds); therefore, net internal indebtedness was positive at Bs 51.8 billion, 77.3% over the net positive internal indebtedness of Bs. 29.2 billion of the same period of 2010 (See Figure 7).

The stock of Central Government securities came to Bs. 135 billion, that is 63.1% more than the balance in circulation at the close of December of 2010 (Bs. 82.7 billion). In terms of monetary liquidity, this stock of securities was 36.4%, still significantly below the historical maximum of 83% of October 2003 (See Figure 8).



On the other hand, on October 11, the Planning and Finance Ministry offered a Bond in dollars, to be paid in Bs

at the official exchange rate, for US\$ 3 billion, at a 95% discount price, maturing in 2026 and an 11.75% coupon. This issue was offered to all corporations in the National Productive Sector (sectors producing food, health, and capital goods), both legal persons and individuals, and to entities in the General Registry of the Ministry for Operations with Public Securities, for a minimum bid of US\$ 3,000. The offer was awarded according to the following criteria: For corporations under Category I between US\$ 3,000 and US\$ 1.47 million were awarded 100% of the amounts requested, while those that requested amounts over US\$ 1.47 million were awarded 0%. Under Category II, corporations were awarded 50% of requests for US\$ 3,000 and 0% to those over that amount. To entities in the public sector 100% was awarded, while public entities in the insurance sector received 81.5% of requests. The method for awarding the certificates is summarized in Table 3.

ALLOCATION CATEGORY I	
Ranges	Allocation
From US\$ 3,000 until US\$ 1,470,000	100% of the position
Greater than US\$ 1,470,000	0% de la postura
ALLOCATION CATEGORY II	
Ranges	Allocation
Equal to US\$ 3,000	50% of the position
Greater than US\$ 3,000	0% of the position
Entities of the Public Financial System (*)	100% of the position
PDVSA Employees's Pension Fund	81,5% of the position

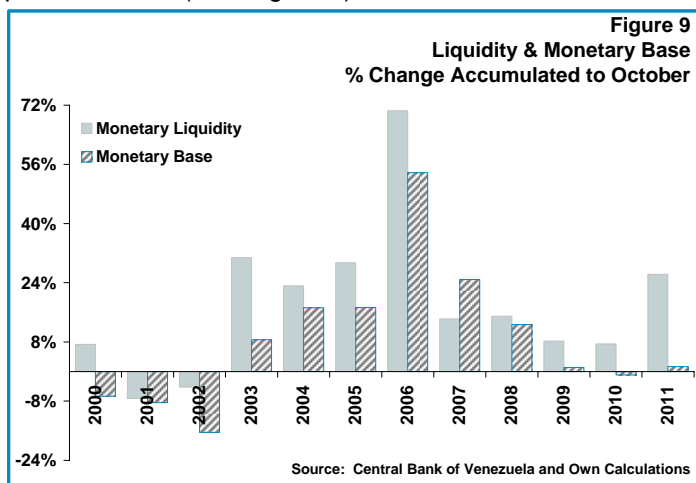
(*) Corresponds to positions on their own
Source: National Public Credit Office

MONETARY MARKET

The BCV has resumed the publication of statistics for the monetary base, for which there was no information since November of 2009, showing methodological changes according to the new legal framework (especially, the last two reforms to the Law of the BCV and the Law of Institutions in the Banking Sector, approved at the end of 2010) and according to recent financial innovations. Methodological changes are centered around three areas: a) measuring holders and issuers of financial assets and the classification of financial instruments; b) classifying holders of financial assets according to their residence (internal and external), and c) widening the coverage of the public financial and non-financial sectors. There were also methodological changes in the measuring of monetary liquidity in the hands of the public (M2), which include financial novelties, such as debit cards and ceded investments. Therefore, money in circulation (M1) is made

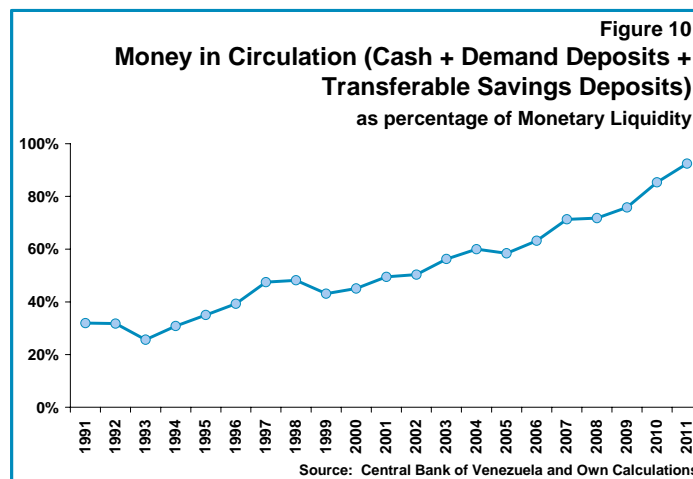
up by a new instrument, called transferable savings deposits, which are those associated to a debit card (being therefore excluded from quasi-money), while quasi-money is now made up by non-transferrable savings deposits, ceded investments and term deposits (which also include savings certificates and unsecured bonds).

On this basis, the monetary market showed an expansion during the first ten months of the year, produced by the economic recovery during the first semester, the growth in the secondary creation of money via banking credits, the larger fiscal contributions and the net expansive effect of OMAs. Monetary liquidity (M2) reached Bs. 374.6 billion during the week of October 28, equivalent to a cumulative 26.3% expansion in comparison with the close of 2010, although much lower than the expansion during the same period of 2006 (See Figure 9).



In real terms, there was a real 1.9% cumulative expansion of M2 which, when compared with October 2010, results in a 9.5% expansion.

By components of M2, the largest nominal cumulative growth was that of Money in Circulation (30.3%); therefore, the indicator of preference for liquidity (money in circulation divided by M2) averaged 93% during the first ten months of the year (See Figure 10). On the other hand, Quasi-Money showed a cumulative 17.6% decline; this situation has had a strong impact since 2010; therefore its participation in M2 is almost insignificant at an average of 7.5%.³



The Monetary Base reached Bs 124.7 billion by October 28, for a slight 1.3% cumulative growth with respect to the close of 2010, which became a strong 18.3% cumulative contraction after adjusting for the inflation of the period. There is information on the components of Monetary Base through October 21, when it reached Bs. 114.9 billion. On that date, when compared to the close of last year, the monetary base had dropped by 6.3%, mainly because of the accumulation of funds in the National Treasury's account with the BCV, which increased 3.3 times with respect to the close of 2010. Also to be noted is that since January 2010, PDVSA's account with the BCV shows a positive balance, which means that since then, the national petroleum company has become a net debtor of the BCV.⁴

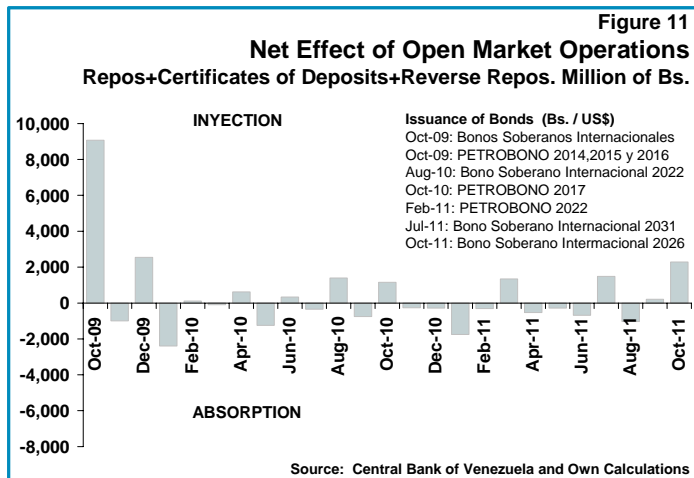
Banking liquidity surpluses reached a month-on-month average of Bs 24.8 billion during the first ten months of the year, 85.6% over the average for the same period of last year (Bs. 15.5 billion). This level is 8.7% of M2, 225 bp over that of the same period of 2010 (6.5%). It is important to note that this strong expansion in liquidity surpluses may be explained by the limits in CD's and Repos placements established by the BCV since December 2009.

In a congruent manner with the approved indebtedness and with the aim of stimulating economic activity, the BCV has applied a more expansive monetary policy than in last year, regarding the awards of CDs and Repos (the principal instruments of the BCV to absorb money in circulation). Placements of these absorption instruments reached Bs 99.2 billion during the period, that is a 4.5% increase when compared with the January-October period of 2010.

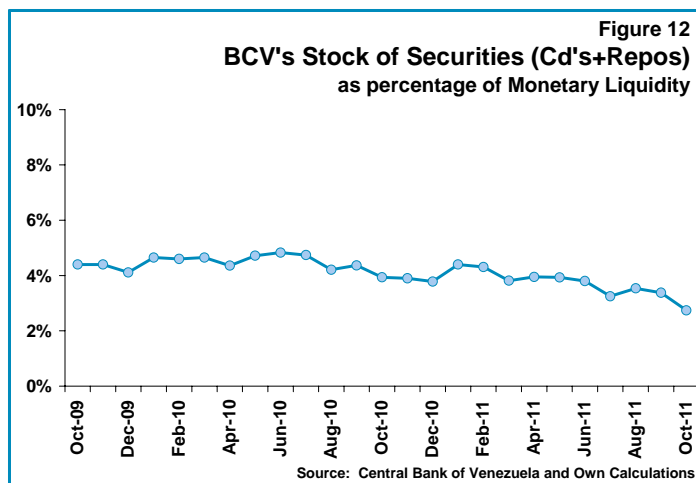
³ To be noted is that, since the statistical series became available (December 1968), quasi-money never had a lower participation in M2, between 30% and 50%, having even reached over 60%. However, since 2008, this participation declined to 24%, continuing to levels under 10%.

⁴ By October 21 of this year, PDVSA maintains a debit amount at the BCV of Bs 58.4 billion.

On the other hand, as regards injection operations through the purchase of DPN Bonds under Resale Agreements (Reverse Repos), Bs. 10.9 billion were placed through October, at an average 19% rate, 58.2% below the rate for the first ten months of 2010 (Bs. 25.9 billion).



Jointly, maturities of CDs and Repos during the January-October period of this year came to Bs 100.7 billion, in comparison with the 95.1 billion of the first ten months of 2010. Open market operations, therefore, caused a liquidity expansion of Bs. 742 million (See Figure 11), in contrast with the net Bs. 3 billion astringency of the same period of 2010. Given the slight increase in awards of absorption instruments by the BCV, together with the slight 3 bp decline in the average weighted yield of CDs and Repos, interests paid by the BCV during the first ten months of the year declined by 5%, when compared with the same period of last year, to stand at Bs 630.7 million. The net amount in circulation of CDs and Repos came to Bs 10.3 billion at the close of October 2011, barely 2.7% of M2, 119 bp below the level of the same month of 2010 (See Figure 12).



INTEREST RATES

Interest rates during the first ten months of the year continued to decline, as they did during the years 2009 and 2010, although at a lower rate than during the last two years.

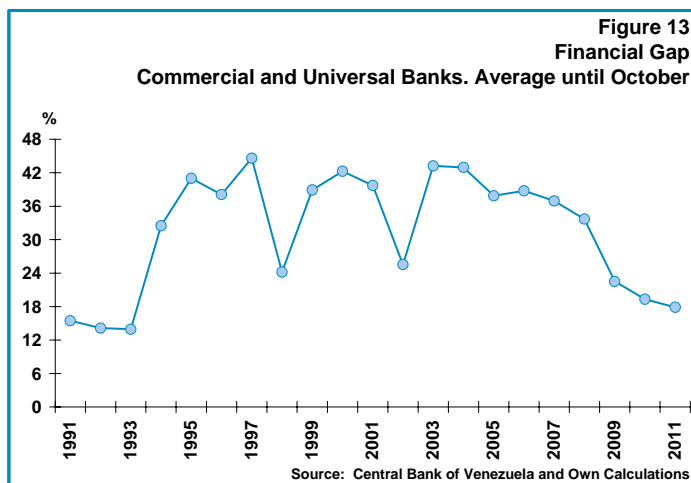
Table 4
Commercial and Universal Banks
Average Interest Rates by Economic Destination
 Average until October

	2009	2010	2011
AVERAGE LENDING RATE	21.0	18.3	17.7
Agriculture	12.6	12.3	12.2
Industrial	19.6	17.5	16.5
Commerce	23.9	21.1	20.6
Services	23.5	22.0	20.7
Mortgage	16.3	11.0	10.2
Transportation	22.8	22.2	22.2
Tourism	17.7	15.5	13.3
Communication	23.4	20.2	18.5
Vehicles	25.2	22.8	21.3
Other Private Sectors	23.7	22.5	21.9
Mining and Quarries	23.2	20.9	17.5
Electricity and Water	24.2	22.5	20.9
Credit Cards	30.0	28.6	28.3

Source: Central Bank of Venezuela and Own Calculations

Lending rates of Commercial and Universal Banks averaged 17.7% during the first ten months of the year, 56 bp below the average rates for the same period of 2010. By economic destination, a decline was observed in all rates of the various sectors, except Transportation (+0.7 bp). Declines over the global lending rate decrease were: Mines and Quarries (-338 bp), Tourism (-224 bp), Communications (-173 bp), Electricity and Water (-159 bp), Vehicle Acquisition (-151 bp), Services (-130 bp), Industrial (-100 bp), Mortgages (-78 bp), and Other Private Sectors (-56 bp) (See Table 4). After adjusting for inflation, the real lending rate was -8.8% (-7.7% in the same period of last year).

On the other hand, the total borrowing rate averaged

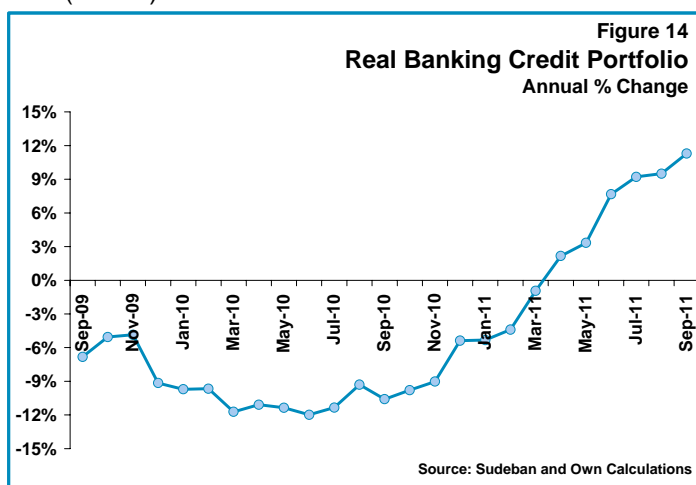


14.5%, -20 bp below the average for the same period of 2010. In real terms, it came to -11.2% (-10.4% in 2010). The relative financial margin came to an average of 17.9% for the first ten months of the year, 144 bp below that of the same period of 2010 (See Figure 13).

REAL SECTOR

Although GDP statistics for the third quarter of the year are not available, monthly indicators of internal economic activity such as lending portfolio, oil production, and vehicle sales among others, seem to indicate that the economy continues to grow as in the last three quarters. An improvement in production and in internal consumption can be seen due to the promotion of real public spending and the recovery of credit in real terms, when the Venezuelan economy already showed a 3.6% GDP increase for the first semester of the year.

The net banking credit portfolio showed a real year-on-year 11.3% variation, in contrast with the real 10.6% decline of September of last year. To be noted is that, from the beginning of the second quarter of the year, there have been real positive variations in the credit portfolio, indicating a recovery of economic activity (See Figure 14). Petroleum production averaged 2.3 mbd during the third quarter of the year, an 88 kbd increase with respect to the same period of the previous year. Therefore, average production for the first ten months of the year came to 2.25 mbd (+3.1%).



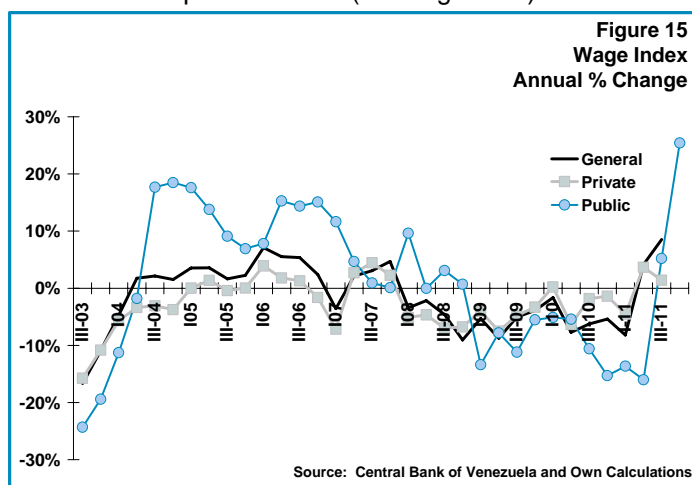
Another indicator of the growth of the economy is total vehicle sales; however, a dissociation has been observed between the GDP cycle and vehicle sales since mid-2008, mainly due to factors affecting supply of vehicles. Therefore, total sales of new cars came to 99,715 units during the first ten months of the year, a 3.1% decline with respect to the same period of last year.

LABOR MARKET

According to figures from the National Statistics Institute (INE – Instituto Nacional de Estadística), the unemployment rate averaged 8,6% during the January-September period, barely 15 bp below that of the same period of 2010. This result can be explained by an average 2.4% decline of the idle population. Therefore, for the period under study, the number of unemployed people averaged 1,141,117 persons, while the economically active population (PEA – Población Económicamente Activa) grew by 1.3% (+176,413 persons) during the same period.

The private sector absorbed an 80% average of the occupied population, with the creation of almost 83,000 new jobs, while occupation in the public sector increased by 4.3% (+98,395) in comparison with the same period of 2010. 57.1% of the occupied population worked in the formal sector of the economy during the first nine months of the year, a barely 98 bp increase with respect to the same period of 2010, while jobs in the informal sector declined by 39,420.

The Index of Remunerations (IRE – Índice de Remuneraciones de los Asalariados) grew by 37.2% during the third quarter in comparison with the previous quarter, for a 1,555 bp increase when compared with the same period of the previous year. After adjusting for inflation, the real IRE showed an 8.5% increase, the largest since the first quarter of 2001. Remunerations in the public sector grew by 58.6%, 3,040 bp higher than those in the private sector due to the approval of 30% to 40% adjustments in the scale of salaries of some sectors of the public administration (the military, medical doctors, and others). In real terms, the public sector showed a 25.8% increase, in contrast with the slight 1.4% increase of the real IRE of the private sector (See Figure 15).



PRICES

After the decline of August and September, the national index of consumer prices (*INPC – Índice Nacional de Precios al Consumidor*), showed a 1.8% inflation during October, 32 bp over that of the same month of last year. Therefore, the cumulative inflation for the year reaches 22.7%, 31 bp below that of the first ten months of 2010. By geographical areas, a strong increase was observed during October in six of the thirteen areas, particularly Puerto La Cruz- Barcelona (2.3%), Caracas (2.2%) and Maturín (2%). Four groups showed variations over the national average during the month of October: Educational Services (3%), Food and non-Alcoholic Beverages (2.5%), and Restaurants and Hotels, and Various Goods and Services (both 1.9%). The sub-group Food, in the group of Food and non-Alcoholic Beverages, showed a strong 2.6% increase, although a decline in agriculture goods has been seen since September. Groups showing cumulative increases for the year over the national average were: Food and non-Alcoholic Beverages (27.7%), Various Goods and Services (25.1%), Restaurants and Hotels (24.3%), Transport (24.2%), Educational Services (23.5%) and Health (23.1%) (See Table 5).

On the other hand, the analysis of the Inflationary Core as an indicator which excludes seasonal factors and controlled prices, shows a 1.7% price variation during October, for a cumulative 22.8% inflation for the first ten months of the year, barely 6 bp over the cumulative NCPI increase (22.7%). In contrast, during the same period of 2010, the NCPI stood over the inflationary core by 41 bp.

The CPI for the Caracas Metropolitan Area (AMC) also

showed a 2.24% increase in October, a 75 bp growth in comparison with the previous month, for a cumulative price increase of 24%, 31 bp below that of the same period of last year (23.7%).

Seven of the thirteen groups making up the IPC-AMC showed cumulative inflation rates above the general average, namely: Various Goods and Services (30%), Transport (29.8%), Food and non Alcoholic Beverages (28.2%), Restaurants and Hotels (27%), Health (26%), Household Equipment (26.2%) and Educational Services (24.9%).

On the other hand, the Index of Wholesale Prices showed a 17.4% cumulative increase, 433 bp below that of October 2010. By components, the internal component showed a 18.6% cumulative inflation, while imports showed a lower increase of just 12.5%.

Regarding legislation, the “Law of Fair Costs and Prices,” approved in Official Gazette N° 39,715 of July 18 of this year is expected to be enacted by the end of November, with the aim of regulating prices for all goods and services produced, imported or commercialized in the country, except banks and financial institutions, still under the supervision of the Superintendency of Institutions of the Banking Sector; this law will establish control mechanisms for company profits depending on its cost structure.

On the other hand, maximum sales prices for several controlled goods were raised between May and October. The analysis of the NCPI by products with controlled or non-controlled prices shows that the cumulative inflation

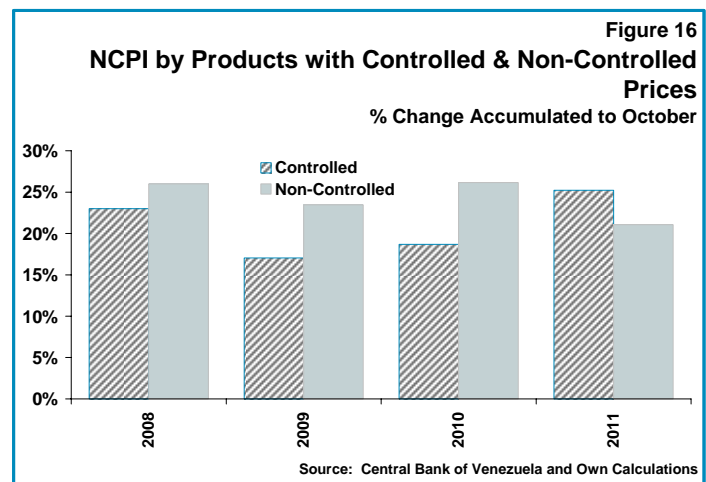
Table 5
Inflation by Sector
% Change Accumulated to October

	National	Barquisimeto	Barcelona	Caracas	Ciudad Guayana	Maracaibo	Maracay	Maturín	Mérida	San Cristóbal	Valencia	Rest ^{1/}
GENERAL INDEX	22.7	21.8	23.5	24.0	22.3	21.4	22.2	22.2	20.5	22.0	22.5	22.5
Foodstuffs & Non-Alcoholic Beverages	27.7	27.8	29.7	28.2	27.7	26.8	27.4	29.3	26.3	27.6	29.4	27.4
Alcoholic Beverages & Tobacco	21.7	20.7	22.9	19.9	21.8	20.6	22.6	22.5	25.8	20.0	22.4	22.4
Clothing & Footwear	13.0	14.7	11.5	14.1	11.7	11.4	11.1	12.9	12.5	10.5	19.2	12.6
Housing Rent	9.8	10.3	13.0	5.8	10.8	8.5	12.0	5.6	10.7	11.5	10.3	11.8
House Services (excluding Phone Services)	3.6	9.5	5.7	6.7	3.6	0.6	1.7	0.6	9.9	2.9	1.9	1.7
Home Equipment	22.1	24.8	24.1	26.2	19.1	20.2	23.0	19.7	18.2	20.0	20.6	20.3
Health	23.1	17.9	23.6	26.3	23.9	23.8	21.5	21.5	23.7	19.1	20.2	20.6
Transportation	24.2	19.7	24.1	29.8	22.9	14.4	23.0	17.9	24.9	28.1	20.1	24.8
Communications	5.7	5.7	4.2	6.9	4.9	6.9	4.9	5.2	5.1	4.1	6.5	4.8
Culture	17.0	14.5	14.8	15.5	18.4	16.4	16.4	15.7	12.9	14.2	18.9	18.6
Education Services	23.5	20.9	20.9	24.9	21.1	21.5	25.1	25.5	18.9	21.2	21.6	24.3
Restaurants & Hotels	24.3	23.4	25.3	27.0	22.6	27.9	21.7	21.8	20.9	21.0	25.0	22.5
Other Good and Services	25.1	21.5	25.1	30.6	23.7	23.8	24.9	25.6	22.0	23.5	21.1	22.9

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

through October of controlled prices has not been higher than that of non-controlled prices, since the statistical data became available (December 2007). So far this year, the cumulative inflation of goods with controlled prices through October came to 25.2%, 414 bp over that of non-controlled (21.1%) (See Figure 16).



NEW LEGISLATION IN THE ECONOMIC AND SECTORIAL FIELD
MONTH OF OCTOBER 2011

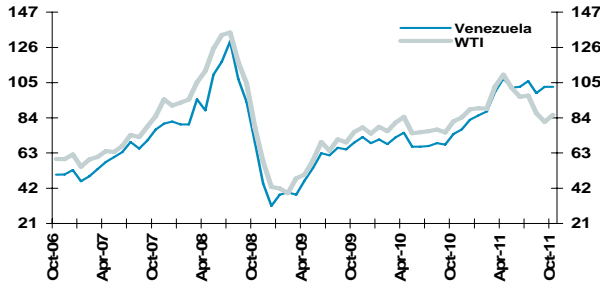
OFFICIAL GAZETTE N°	DATE	SUMMARY
39.770	10/03/2011	Maximum Sales Price to the Public (<i>PMVP – Precio Máximo de Venta al Público</i>) of corn and sunflower oils.
39.770	10/03/2011	Maximum Sales Price to the Public (<i>PMVP – Precio Máximo de Venta al Público</i>) of Milk in its various presentations.
39.771	10/04/2011	Resolution setting a 1.5% fee on net insurance premiums, on amounts for the emission of guarantees for purchases, on amounts charged for health plans contracts or services by companies providing prepaid health services, and on net income from interest on financing granted to insurance policy holders in the case of premium financing companies, for the fiscal year ending December 31, 2011.
39.775	10/10/2011	Guidelines for Participation in the System for the Compulsory and for the Voluntary Savings Funds for Housing.
39.778	10/14/2011	Resolution setting the method for the valuation and accounting record of securities denominated in foreign exchange issued or to be issued by the Republic or by State companies will be made at the average exchange rate for the last working day of each month for operations taking place through SITME, under the administration of the BCV.
39.779	10/17/2011	Agreement to the effect that private legal persons registered in the Registry of Gold Exporters of the Central Bank of Venezuela by the date of enacting the "Decree with Rank, Value and Force of Organic Law Reserving to the State the Gold Exploration and Exploitation Activities as well as those connected and related to them", will be allowed to acquire foreign exchange directly with the Central Bank at the exchange rate established according to Art. 1 of Exchange Agreement N° 14 of December 30, 2010.
39.782	10/20/2011	Regulations for the Application and Registry of Net Benefits derived from the Enactment of Resolution N° 11-10-01 issued by the Central Bank on October 11, 2011.
39.789	31/10/2011	Decree N° 8,548 establishing that entities of the National Public Administration must apply to the corresponding budget items, the amounts needed to pay the 2011 end of year bonus, beginning on November 1, 2011, as indicated therein.

Source: Official Gazettes of the Bolivarian Republic of Venezuela

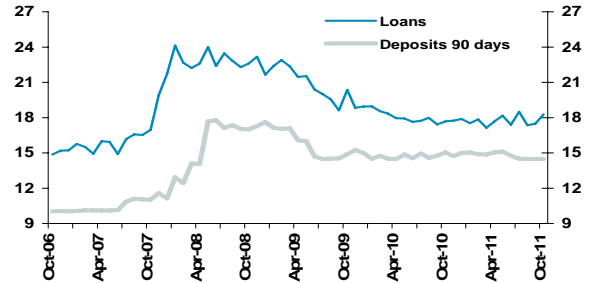
ECONOMIC INDICATORS	2008	2009	2010	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	% Change	% Change
EXTERNAL SECTOR										
Volume of Production of Crude (thousands of barrels)	2,353	2,181	2,187	2,300	2,300	2,270	2,280	2,290	4.6%	4.1%
Price West Texas Intermediate (WTI) (US\$/b)	99.9	55.3	58.8	96.6	97.2	86.7	81.6	85.8	(3.6)%	4.7%
Venezuelan Oil Basket Price (US\$/b)	86.5	57.0	72.7	102.6	105.9	98.7	102.4	102.5	23.7%	38.0%
OEPEC Price (US\$/b)	94.4	55.0	58.2	109.2	111.4	106.3	103.6	106.0	20.0%	32.9%
Non Traditional Exports (Million of US\$)	5,426	2,380	2,486	222	241	-	-	-	(11.9)%	88.0%
Imports 1/ (Million of US\$)	45,128	36,908	30,745	3,114	2,727	-	-	-	(28.3)%	16.6%
Gross International Reserves (Million of US\$)	42,299	35,000	29,500	28,386	29,017	29,063	31,392	29,299	(0.7)%	0.9%
Priority Imports Exchange Rate (Bs/US\$)	2.15	2.15	2.60	2.60	2.60	2.60	2.60	2.60	-	-
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	-	-
REAL SECTOR										
Sales Volume Index	216.6	192.7	178.7	Index 1997 = 100			197.0	-	(18.7)%	22.8%
Wholesale	143.3	122.1	130.8	154.1	-	-	-	-	9.2%	27.3%
Detail	265.7	239.8	210.8	225.8	-	-	-	-	(27.3)%	20.8%
Automotive Vehicles	189.8	127.4	85.2	97.9	-	-	-	-	16.9%	23.9%
Parts, Pieces & Accessories of Automotive Vehicles	171.7	149.5	149.0	174.9	-	-	-	-	22.3%	31.9%
Fuels for Automotive Vehicles	128.9	180.7	169.8	173.9	-	-	-	-	6.6%	9.2%
Foods, Beverages & Tobacco in Non-Specialized Storehouses	337.0	324.2	267.9	223.8	-	-	-	-	(32.1)%	(6.0)%
Other Products in Non-Specialized Storehouses	159.1	247.7	184.7	235.2	-	-	-	-	(5.9)%	34.6%
Foods, Beverages & Tobacco in Specialized Storehouses	248.7	217.4	185.5	216.8	-	-	-	-	(15.7)%	18.2%
Pharmaceutical & Medicinal Products, Cosmetic & Toiletries	401.7	409.3	316.0	350.4	-	-	-	-	(19.4)%	25.4%
Textile Products, Apparel, Footwear & Leather's Articles	490.8	394.4	367.7	574.5	-	-	-	-	(34.2)%	85.6%
Articles & Equipment of Domestic Use	608.1	490.7	441.6	276.3	-	-	-	-	(59.6)%	(27.2)%
Articles of Ironworks, Paintings & Products of Glass	107.2	99.8	83.2	104.1	-	-	-	-	13.4%	34.7%
Other Products in Specialized Storehouses	85.8	90.0	113.8	150.6	-	-	-	-	(23.3)%	51.6%
Volume Index of Private Manufacturing Industry	125.6	110.7	108.1	115.8	-	-	-	-	25.0%	3.7%
MONETARY AGGREGATES										
Liquidity (M2)	194,275	235,401	292,016	340,819	355,596	358,342	369,893	374,605	26.3%	39.9%
Currency & Demand Deposits (M1)	124,036	155,269	171,350	314,307	329,528	330,476	346,735	354,480	30.2%	50.3%
Monetary Base	83,787	98,903	126,218	115,913	128,619	121,147	127,439	124,684	(1.2)%	24.0%
Net International Reserves	89,048	74,544	75,571	121,541	123,691	130,067	132,776	126,170	67.0%	69.0%
Net National Treasury Agency	(9,474)	(3,488)	(17,982)	(41,077)	(43,073)	(67,539)	(62,208)	(76,949)	327.9%	231.2%
PDVSA	(351)	(6,091)	19,484	43,623	42,529	55,270	50,509	58,456	7	199.8%
Other Net Public Sector Accounts	2,624	919	(13,623)	(17,518)	(15,581)	(10,853)	(6,200)	(5,826)	(57.2)%	-15.9%
Financial Sector	161	3	(5,092)	(4,570)	(3,986)	(4,524)	(4,827)	(4,462)	(12.4)%	40.2%
Credit Instruments Placed by BCV	(23,041)	(7,563)	(8,933)	(9,336)	(8,214)	(6,562)	(6,864)	(6,486)	(27.4)%	(8.5)%
Capital & Other Net Accounts	17,477	38,354	65,140	17,223	19,579	14,273	10,708	10,452	(84.0)%	(81.6)%
MONETARY MARKET										
Awarded Repos	795	12,637	35,274	6,650	3,172	2,881	3,577	2,172	(9.4)%	(36.0)%
Awarded CDs	179,520	170,804	79,600	6,656	6,846	6,856	7,235	4,008	(15.5)%	(28.9)%
Awarded Repos+CDs (Average Weekly)	3,468	3,481	2,364	2,720	2,636	2,213	2,457	1,626	3.5%	(31.6)%
Purchases DPN (Average Weekly)	586	461	681	194	-	-	-	-	-	-
Outstanding Repos	-	2,653	2,770	3,312	3,040	3,482	3,190	2,596	(6.3)%	(19.1)%
Outstanding CDs	22,715	7,584	8,450	9,646	8,508	9,150	8,727	7,670	(9.2)%	4.8%
Average Effective Returns Repos	6.50	6.27	6.08	6.1	6.3	6.1	6.1	6.02	(6.0)	(33.5)
Average Effective Returns CDs	12.34	8.97	6.43	6.3	6.3	6.2	6.4	6.22	(20.3)	(13.3)
COMMERCIAL & UNIVERSAL BANKS										
Credit Portfolio	128,243	139,067	177,624	199,894	211,874	221,708	22,2445 **	-	26.2%	43.5%
Investments	59,049	59,445	84,015	123,117	143,991	134,576	135,462 **	-	62.3%	59.5%
Total Deposits	175,984	184,977	253,275	297,373	322,663	327,478 **	-	-	31.1%	49.2%
Demand Deposits	106,763	115,498	180,900	216,193	237,805	240,475	240,484 **	-	35.2%	58.1%
Saving Deposits	45,777	47,996	62,553	69,507	73,072	74,345	73,975 **	-	20.1%	38.9%
Term Deposits	23,444	21,483	9,823	11,672	11,785	13,249	13,019 **	-	25.3%	(10.5)%
INTEREST RATES										
Overnight (Min - Max)	0,01-56.0	0,01-38.0	0,1-20.0	0,07-13.0	0,1-3.0	0,05-1.5	0,05-2.5	0,1-0.5	-	-
Overnight (Average)	10.15	9.30	5.36	4.08	0.35	0.46	0.24	0.16	(1,194)	(1,266)
Loans (6 Main Banks)	22.77	20.61	17.99	17.41	18.51	17.37	18.28	39	58	58
90 Days Deposits (6 Main Banks)	16.55	15.57	14.73	14.77	14.52	14.50	14.50	14.50	(50)	(55)
Libor 90 Days	2.79	0.65	0.34	0.25	0.26	0.33	0.37	0.4	13	14
CENTRAL GOVERNMENT^{2/}										
Total Revenues	163,878	192,529	241,760	43,760	42,871	56,024	-	-	6.4%	67.1%
Oil Ordinary Revenues	81,397	52,989	59,669	2,324	4,722	17,913	-	-	(10.4)%	157.5%
Non-Oil Ordinary Revenues	71,496	83,678	104,044	12,460	12,026	13,331	-	-	(8.2)%	53.2%
Extraordinary Revenues	24,298	55,862	79,198	28,975	26,123	24,779	-	-	37.5%	38.7%
Domestic Borrowing	21	22,764	25,495	11,776	13,061	3,360	-	-	81.0%	86.2%
External Borrowing	6,503	8,759	6,526	-	526	18,060	-	-	185.3%	183.2%
Others	10,134	15,695	30,061	14,577	11,047	974	-	-	(6.1)%	(88.7)%
Total Expenditures	181,795	197,511	245,317	27,616	29,982	29,763	-	-	(20.8)%	35.2%
Ordinary Expenditures	174,440	187,220	228,994	25,126	26,984	27,203	-	-	(21.3)%	36.3%
Total Debt Amortizations	6,775	10,291	9,135	-	-	-	-	-	-	-
Domestic Debt Amortizations	6,506	9,307	15,952	-	-	-	-	-	-	-
External Debt Amortizations	269	985	371	-	-	-	-	-	-	-
Effective Placements of DPN+Treasury Bills	4,053	28,301	52,542	16,483	4,785	6,756	6,229	6,405	20.8%	109.2%
Net Borrowing Bonds DPN	(5,790)	14,557	31,134	14,352	2,094	4,365	2,522	4,594	29.1%	131.8%
Net Borrowing Treasury Bills	(90)	2,314	1,356	(407)	79	(215)	60	(331)	28.8%	144.5%
Public Debt Securities Average Effective Yields										
60-360 Days		9.84							-	-
361-1080 Days	15.52	12.59	14.10						-	-
1081-1800 Days	16.58	12.62	15.72		16.25	16.02	15.67	17.79	(1,760)	(1,699)
1801-2520 Days		11.87	16.82	17.54	17.87	17.87			(70)	(68)
2521-3240 Days		8.48	14.79	17.98	18.15				-	-
3241-5760 Days			16.05						-	-
Treasury Bills Average Yield										
60-80 Days									-	-
81-110 Days	11.52	10.39	8.38	6.46	6.56	6.07	6.53	6.45	(163)	(185)
111-150 Days									-	-
151-180 Days		9.69							-	-
181-269 Days		11.12	8.76	5.71	5.18	4.70	4.15	3.76	376	376
PRICE INDEX (CARACAS)										
Consumer	31.9	26.9	27.4	2.2	2.5	1.7	1.5	2.2	24.0%	27.7%
Foods & Non Alcoholic Beverages	46.7	20.4	34.4	3.4	5.1	2.9	0.6	3.6	28.2%	32.4%
Alcoholic Beverages & Tobaccos	28.3	47.7	48.5	3.2	0.7	0.9	0.6	1.5	19.9%	27.8%
Apparel & Footwear	18.8	22.1	18.6	1.7	1.4	0.7	0.6	1.3	14.1%	18.0%
House Rent	7.0	16.1	11.6	0.1	0.6	0.5	0.1	0.1	5.8%	7.6%
Household Services (excluding Phone Services)	5.5	3.9	4.4	0.1	0.8	0.2	0.8	(0.1)	6.7%	6.4%
Home Equipment	34.7	39.2	28.7	1.7	1.3	1.0	1.3	2.7	26.2%	28.7%
Health	26.9	34.3	25.0	1.8	0.9	1.1	1.6	1.3	26.3%	29.1%
Transport	29.9	30.5	26.5	3.1	1.3	1.1	2.2	2.2	29.8%	32.3%
Communications	7.3	9.4	6.8	0.3	0.1	0.3	3.3	0.8	6.9%	7.7%
Culture	25.1	26.9	28.7	0.8	1.5	1.5	0.9	0.6	15.5%	19.6%
Educational Services	28.5	29.4	24.7	1.4	1.2	0.0	9.7	2.5	24.9%	25.7%
Restaurants & Hotels	49.6	33.6	31.7	1.9	3.4	2.5	1.0	2.0	27.0%	33.3%
Miscellaneous Goods & Services	37.8	50.7	30.8	2.2	1.4	1.5	2.0	2.2	30.6%	36.4%
Core Inflation ^{3/}	33.8	34.6	29.3	1.7	1.8	1.7	1.5	2.2	25.5%	30.7%
Private Manufacturing Production	25.2	26.5	22.0	1.6	0.8	1.6	1.9	1.5	19.7%	22.4%
Wholesale	32.4	24.8	26.8	2.1	2.4	1.3	1.7	1.3	17.4%	22.2%
National	36.7	22.2	28.8	2.4	2.8	1.5	1.8	1.3	18.6%	23.9%
Imported	17.1	35.7	19.3	1.1	0.8	0.3	1.0	1.0	12.5%	15.1%
Construction Materials (Wholesales)	23.3	18.7	18.9	3.6	0.5	0.3	2.3	1.6	13.8%	15.3%
LABOR MARKET										
Unemployment Rate	6.9	7.7	8.5	8.6	9.0	8.3	-	-	177	(7)
Activity Rate	65.2	65.0	64.7	64.2	64.5	64.5	-	-	(36)	(19)
Formal Occupation	56.6	56.0	56.1	57.3	57.0	26.2	-	-	275	271
Public Sector Occupation	18.1	19.7	19.2							

Economic Indicators

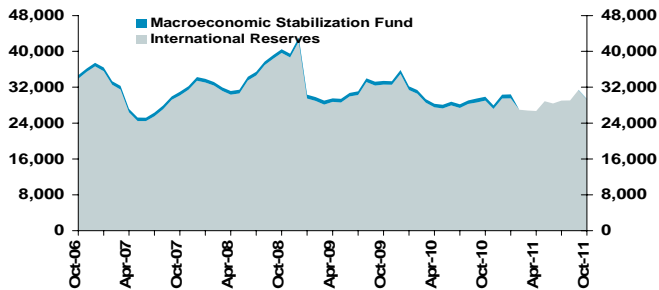
Oil Price (US\$/b)



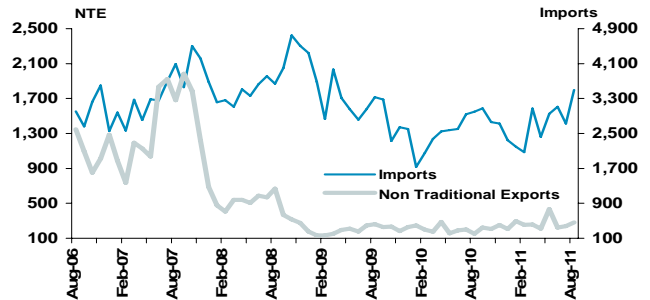
Interest Rates. 6 Main Banks (%)



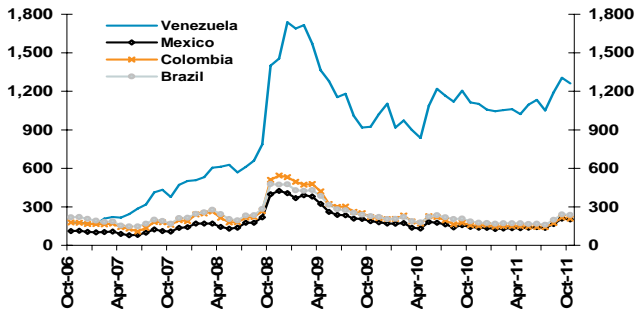
International Reserves and Macroeconomic Stabilization Fund (Million of US\$)



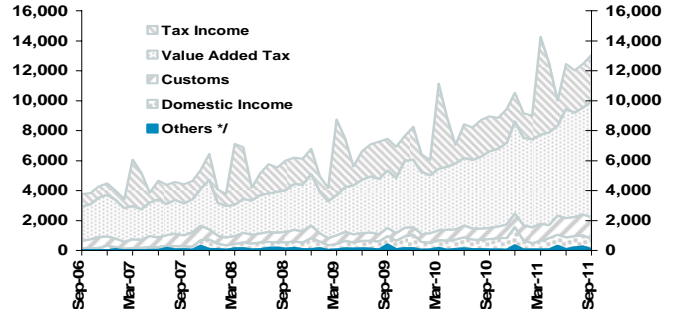
Non Traditional Exports (NTE) & Imports (MMUS\$)



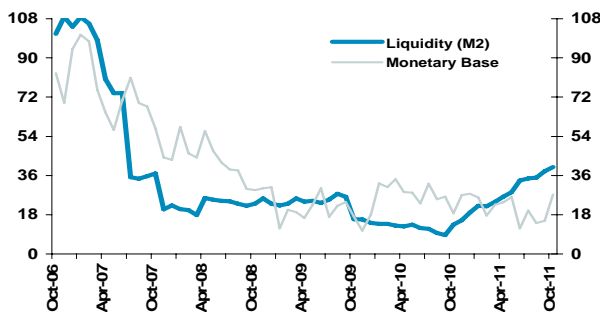
Sovereign Spreads. Diferenciales EMBI+ Basic Points



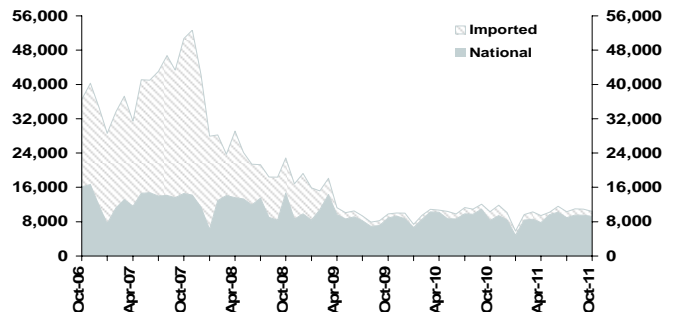
Domestic Taxes Million of Bs.



Monetary Aggregates % Change Y o Y



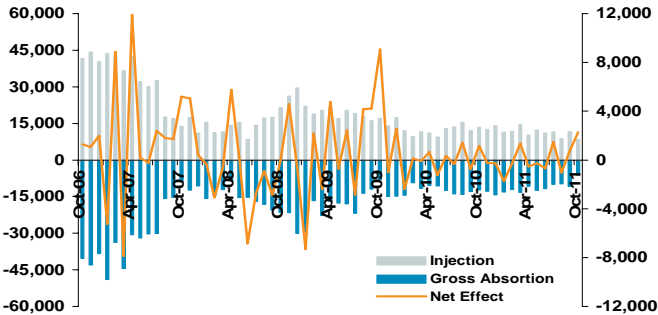
Sales of Vehicles Units



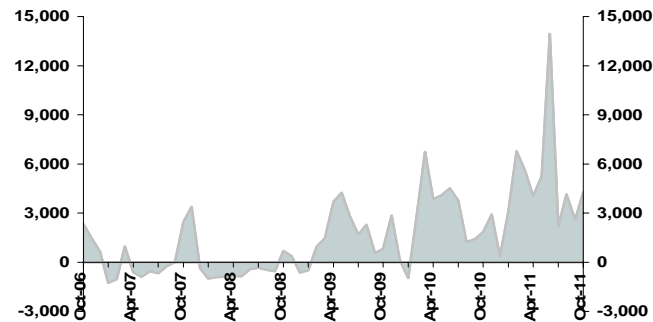
Notes: Y o Y: Change of the month with respect to the same month of the previous year. The Emerging Markets Bond Index Plus (EMBI+) tracks total returns for traded external debt instruments in the emerging markets. The instruments include external-currency-denominated Brady bonds, loans and Eurobonds, 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. */ 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 Suppression 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

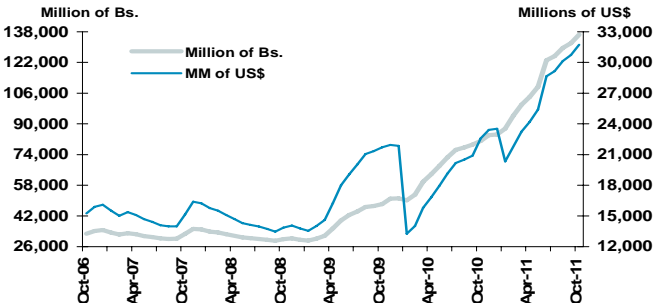
Open Market Operations Repos+CD+Purchase Under Resale Agreement. Million of Bs.



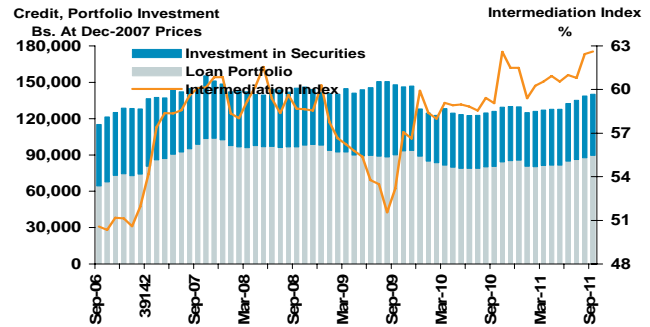
Net Domestic Borrowing^{1/} Million of Bs.



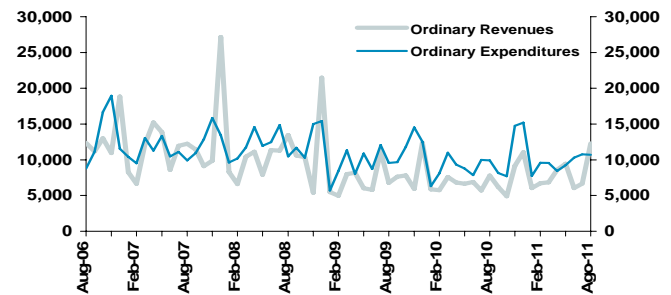
Domestic Debt Stock DPN Bonds + Treasury Bills Million of Bs.



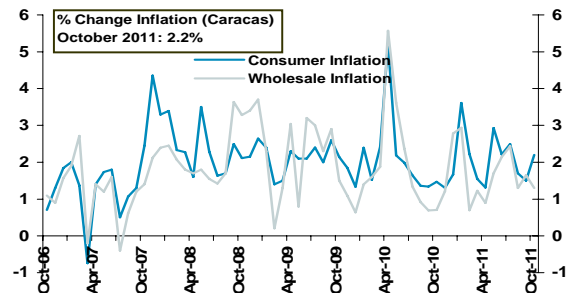
Commercial & Universal Banks



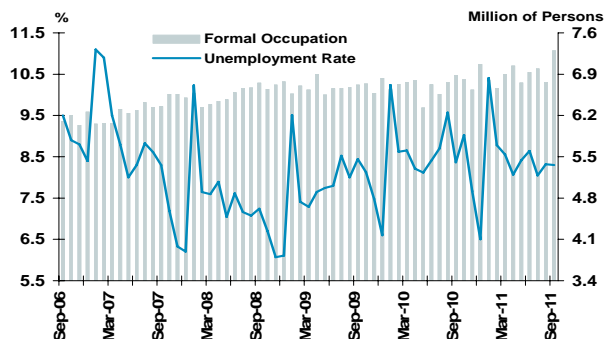
Central Government Bs. At Dec-2007 Prices



Inflation (Caracas) % Change M o M



Labor Market % and Million of Persons



Real Sector and External Sector

% Change	2009	2010	IQ2011	IIQ2011
Total GDP	-3.2%	-1.5%	4.8%	2.5%
Oil GDP	-7.4%	0.1%	-0.5%	0.8%
Non-Oil GDP	-1.7%	-1.6%	5.3%	2.8%
Private Consumption	-2.9%	-1.9%	3.6%	2.6%
Investment	-8.3%	-6.3%	2.7%	-3.6%
(Millions US\$)				
Trade Balance	19,153	27,173	11,914	12,581
Current Account	8,561	14,378	8,223	8,303
Capital Account	-14,040	-18,799	-11,138	-6,350
Balance of Payments	-10,262	-8,060	-3,743	1,340

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