

THE DOMESTIC DISTRIBUTION OF OIL REVENUES

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NEW LEGISLATION

ECONOMIC INDICATORS

1. INTRODUCTION

This report deals with the identification of patterns in the distribution of oil revenues within the Venezuelan economy. Special attention will be paid to inflows and outflow of four fundamental institutions of the Venezuelan economy: PDVSA, the Central Bank (*BCV – Banco Central de Venezuela*), the National Development Fund (*FONDEN – Fondo de Desarrollo Nacional*) and the Central Government. Among other aspects, this report underlines: (a) the impressive growth in external revenues from oil, particularly during the last three years, (b) a more intensive participation of PDVSA in the primary distribution of oil income, (c) an increasing allocation of the BCV's foreign exchange budget in order to satisfy the requirements of the public sector, (d) a deficit in the foreign exchange budget of the BCV which has been balanced through revaluation of reserve assets, (e) a fast restructuring of international reserves towards monetary gold, (f) a smaller proportion of oil contributions from PDVSA (as a share of PDVSA's oil income and of central government expenditures), and (g) a

growing tendency of the Central Government towards financing expenditures with non-oil revenues and with extraordinary income (basically public debt).

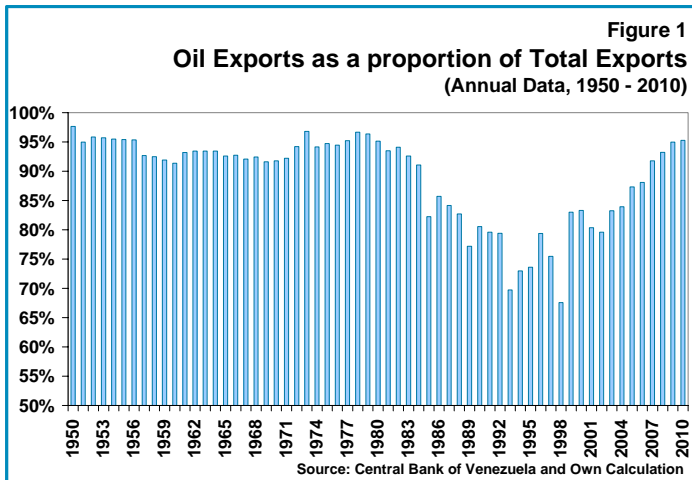
2. VENEZUELA: INCREASINGLY DEPENDENT ON OIL EXPORTS

In February 1941, the renowned Venezuelan lawyer, economist and analyst, José Antonio Mayobre, published a study on the impact of the war in Europe on the Venezuelan economy.¹ Mayobre wrote that by 1939 (the beginning of the war in Europe) oil and its derivatives represented 94% of the value of Venezuelan exports. He also indicated that the influence of oil was decisive for both budget and fiscal management. Close to 34% of the budgeted revenues of the Republic came from oil at that time. During the 20th century there was a growing awareness of the consequences of increased oil revenues on the economic life of the country. This consideration was central and help develop the idea of using the oil resources to promote the non-oil economy and thus to reverse the structural dependency on the oil industry.

This situation began to change at the end of the 1970s due to the fall of crude oil prices, but also as the result of a significant increase in non-traditional exports, particularly those related to the integration with the Andean Community. Therefore, although by the end of 1978 non-oil exports were just 3% of total exports, by the end of 1988 they came already to 17% of the total amount, and by 1998 they had reached 32% of total exports. The unfortunate reversal of this tendency has been, without a doubt, one of the largest structural transformations of the Venezuelan economy in the last few years. Suffice it to say that by the end of 2010, the value of oil exports had reached 95% of total exports, a percentage similar to Mayobre's data of 70 years ago (See Figure 1).

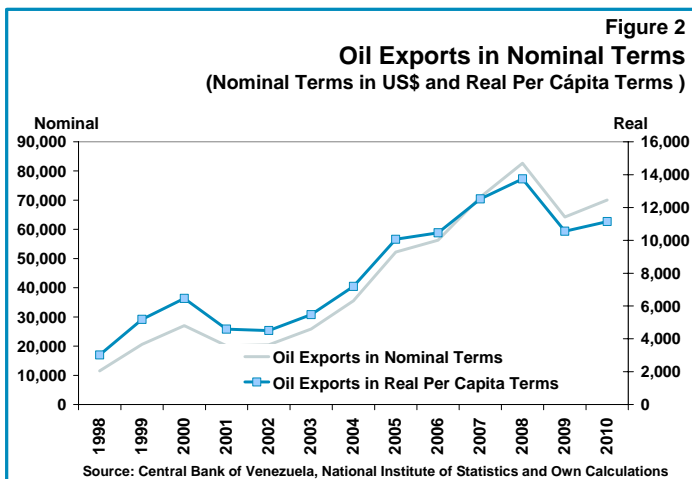
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¹ Published in *El Universal* newspaper, and later by the BCV in "*Jose Antonio Mayobre: Obras Escogidas*", 1982.



This item of information is particularly relevant considering that the flow of dollars into the Venezuelan economy is at present even more centered in a single export item, but also in an activity the singular character of which is that it is under total State control, both in the administration of the resource and as owner of the company in charge of production and sales. The distribution of this dollar income among the various institutional agents of the Venezuela economy is the responsibility of the Venezuelan State, and takes its form from certain critical public policy decisions.

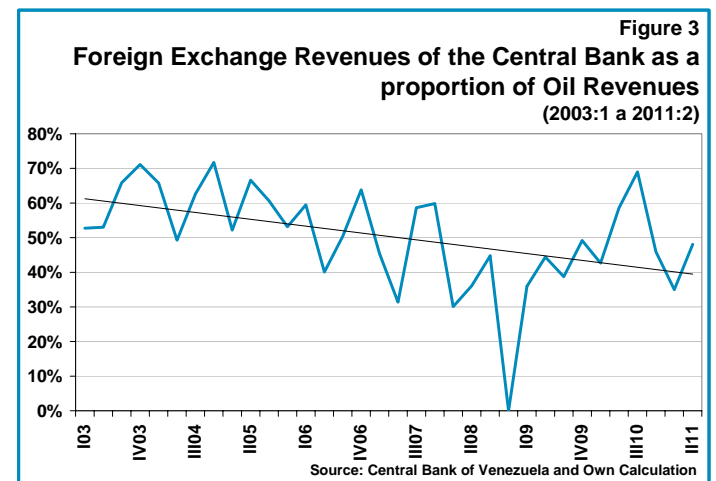
During a shorter period, between the years 1998 and 2010 (as shown in Figure 2), it can be noted that oil exports have changed significantly. Figure 2 shows the value of annual oil exports in nominal and also in real terms per capita (both in US\$). By the close of 2010, the nominal value of oil exports was 7 times that of 1998. On the other hand, the flow of the annual oil per capita income in real terms shows that (even after the temporary effects of the decline of oil prices in mid-2008 due to the global crisis) the continuing tendency has been to increase, reaching by the close of 2010 a level of almost 4 times the real per capita inflow at



the close of 1998. According to figures from the Central Bank, during the last 12 years (and through the close of 2010) the total Venezuela income from oil exports reached US\$ 546 billion. Approximately 40% of this amount has been received during the last three years, which gives a clear picture of the growing present importance of oil income and of its distribution.

3. THE PRIMARY DISTRIBUTION OF FOREIGN EXCHANGE FROM OIL

Theoretically, income from oil exports has two primary destinations in Venezuela: they are either temporarily held in PDVSA's accounts, or they are transferred in the form of purchase-sale transactions to the Central Bank, where they increase international reserves. The BCV presents quarterly public reports on its foreign exchange transactions. This information clearly shows foreign exchange receipts from PDVSA, which, when compared with the total value of oil exports, indicates the primary distribution of income between both institutions. Figure 3 shows a broad view of the value of foreign exchange income received by the BCV, as a percentage of the value of oil income reported in the balance of payments. It seems evident that during the first three years of this series (2003-2005) PDVSA reported foreign exchange income of over 50% of the total quarterly oil income. In fact, the average of the first 12 quarters reached 60.4%. However, from the second quarter of 2006 and through the second quarter of the current year, the average of foreign exchange sales (as a percentage of total oil income) fell to 46.4%.



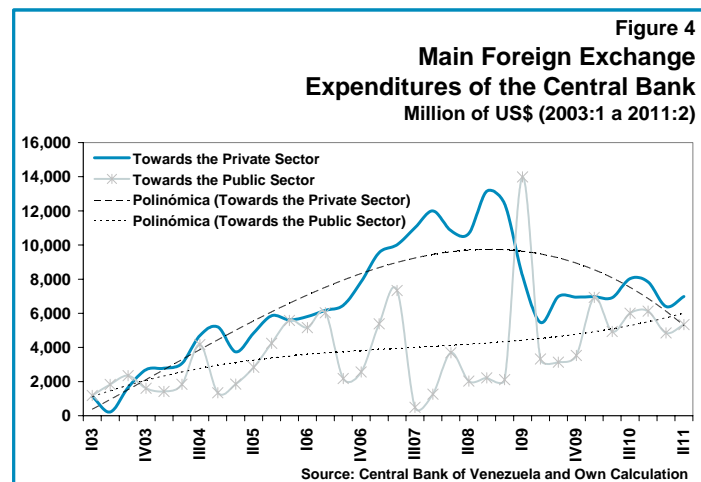
The key explanation for this break may well be the partial reform of the Law of the Central Bank, which the National Assembly approved during the second half of 2005. This reform specifically determined that foreign exchange from PDVSA's oil exports can only be sold to the Central Bank

(at the official rate) when necessary: (a) for “PDVSA’s operating expenses in the country”, and (b) for “the mandatory fiscal contributions of PDVSA according to law, in the amount estimated in the Budget Law of the Republic.”² This reform also provided the legal basis for the creation of FONDEN.

4. THE BCV’S FOREIGN EXCHANGE EXPENDITURES

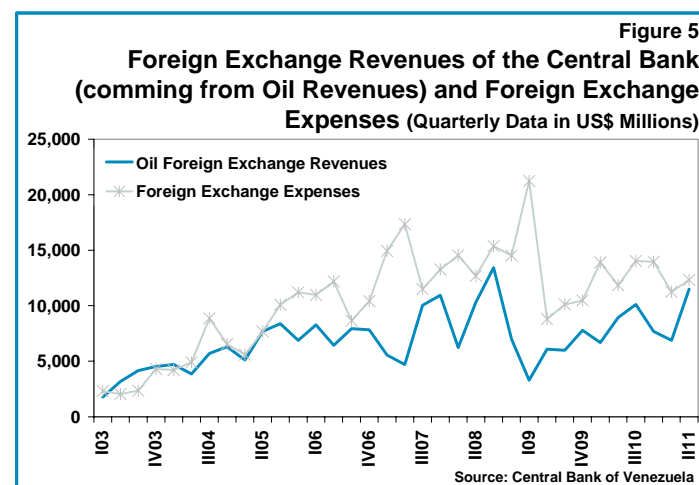
The quarterly statement on income and outflow of foreign exchange published by the BCV, also makes it possible to separate the foreign exchange outflow from the BCV towards the public sector from the outflow towards the private sector. This latter flow is basically determined by the foreign exchange budget prepared by the BCV and by CADIVI authorities, who act as the institution in charge of the administrative control of foreign exchange in Venezuela. To be noted is that, regarding foreign exchange for the public sector, there is no known rule, thus making the assignments discretionary.

Figure 4 shows the outflows for the period between the first quarter of 2003 and the second quarter of the present year. Two fundamental facts are to be noted: Foreign exchange flows from the BCV towards the private sector showed a tendency to increase (in nominal terms) until the third quarter of 2008. Since then, the tendency has been reversed. As an aside, it could be noted that this lesser outflow of foreign exchange towards the private sector affects domestic production (on the side of supply), particularly in the Venezuelan case, where most of the demand for foreign exchange is destined to the acquisition of raw materials, intermediate supplies and



² This decision was part of Art. 113 of the reformed Law of the Central Bank of Venezuela.

capital goods for the local productive sector.³ On the other hand, in contrast, the outflow of foreign exchange towards the public sector has increased consistently, reaching 43% of total foreign exchange outflow at the close of the second quarter of this year, as reported by the BCV. It is significant that the public sector, the Gross Domestic Product of which at present is 30% of the total economy, is consuming more than 40% of the foreign exchange provided by the monetary authority.⁴ After the creation of FONDEN by mid-2005 and to the close of the second quarter of this year, 35% of foreign exchange outflow towards the public sector has been destined to that fund.⁵ During this period, transfers from the BCV to FONDEN came to a total of US\$ 39.882 billion. In order and by global amounts (of the outflow of foreign exchange towards the public sector), the next destinations are the National Treasury, the non-financial companies of the public sector, and the State-owned banks.



A more aggregate view of the joint evolution of foreign exchange income from PDVSA and of total foreign exchange outflows from the BCV (as shown in Figure 5), clearly shows that, from the third quarter of 2005, outflows are consistently higher than oil income. From that date and through the second quarter of 2011, the BCV reports a cumulative deficit (foreign exchange outflow larger than income) of US\$ 12.102 billion. This deficit should have been reflected in an equivalent and significant decline in the value of international reserves of the Republic. Therefore, international reserves, which were US\$ 28.071 billion at the close of the second quarter of 2005, should

³ Also to be noted is that a lesser aggregate domestic demand reduces the private sector’s demand for foreign exchange.

⁴ This comparison is even more significant considering that the public sector’s GDP includes only goods and services which cannot be commercialized outside of the country.

⁵ The partial reform of the BCV Law effectively established the transfer of the “surplus” international reserves to FONDEN.

Table 1
Accumulated Foreign Exchange Revenues
and Foreign Exchange Expenses of BCV
2005:3 to 2011:2)

Millions of US\$

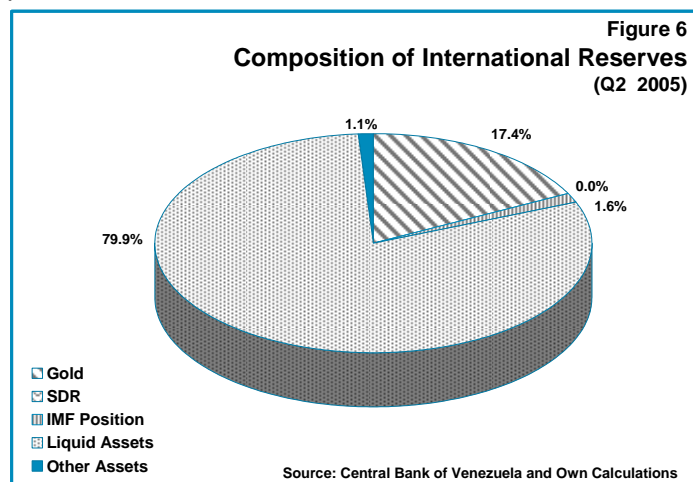
II. Revenues	293,553
II.1 Public Sector	238,711
II.1.1. General Government	3,631
II.1.2. Non-financial Public Enterprises	198,475
PDVSA (Net)	194,006
Others	4,469
II.1.3. Financial Public Enterprises	23,360
BANDES	5,401
Banco del Tesoro	17,668
Others	291
II.1.4. BCV	13,245
II.2. Private Sector	54,842
II.2.1. Exchange Operators	54,802
II.2.2. Exports to ALADI	40
III. Expenses	305,655
III.1. Public Sector	108,456
III.1.1. General Government	73,698
External Public Debt	4,425
National Treasury (ONT)	26,055
National Development Fund (FONDEN)	39,882
Others	3,336
III.1.3. Non Financial Public Enterprises	15,158
PDVSA	7,707
Others	7,451
III.1.3. Financial Public Enterprises	9,335
III.1.4. BCV	10,265
III.2. Private Sector	198,156
III.2.1. Exchange Operators	155,857
III.2.2. Imports from ALADI	42,299
IV. Net Movements (II - III)	-12,102
V. Adjustment for Valuation	13,525
VI. Final Stock of International Reserves	28,537

Source: Central Bank of Venezuela

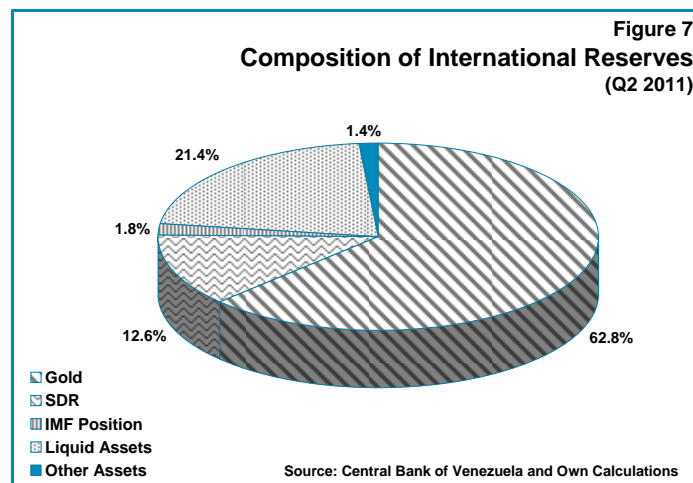
have been US\$ 15.696 billion by the second quarter of 2011. But this did not happen because, as can be seen in Table 1, international reserves were US\$ 28.537 billion at the close of the second quarter of this year. The explanation for this stability is the link –in this case– to the evolution of the “valuation adjustment” account (also seen in Table 1). Between the third quarter of 2005 and the second quarter of 2011, the BCV charged US\$ 13.525 billion to revaluation of its reserve assets, thereby compensating the cumulative foreign exchange deficit.

As long as foreign exchange transactions have produced deficits for the BCV, and as long as this imbalance has been covered through a revaluation of assets in dollars, the composition of international reserves in the hands of the BCV has progressively changed. Figures 6 and 7 allow the comparison to be made between the composition of international reserves at the close of the second quarter of

2005 with that at the close of the second quarter of 2011. These data have been taken from the BCV’s publication of its statement on reserve assets and liabilities. Taking into account that the global amount of reserves did not significantly change between these dates, the most important things to be noted are: (a) the growth of monetary gold positions, the value of which went from US\$ 5.207 billion to US\$ 17.914 billion, and (b) the decline of the foreign exchange position, which fell from US\$ 23.920 billion to US\$ 6.112 billion. Consequently, monetary gold, which was barely 17% of the global international reserves position, is now 63% of the total amount of reserves.



In conclusion, and taking into account the fundamental aspects which can be deduced from the data, the increasing outflow of foreign exchange from the BCV, destined to the public sector, has not been compensated with larger sales of foreign exchange from PDVSA to the BCV. Somewhat strangely, the resulting cumulative foreign exchange deficit has not reduced the stock of Venezuelan international reserves, due to the cumulative positive adjustment for revaluation of reserve assets that the BCV



has been making. This possibility has been available to the monetary authorities as a result of the recent developments in international financial markets.

5. THE TOTAL FOREIGN EXCHANGE INCOME OF PDVSA

The same comparison previously done between reported foreign exchange income in the balance of payments from oil exports, and the statement of income and outflow of foreign exchange of the BCV provides a basis for the evolution of the flow of oil

income accumulated in PDVSA. It was pointed out above that, during the last 5 years, most of the flow of foreign exchange income from oil has been concentrated in PDVSA. To be precise, and according to BCV

statistics, an average of 53.6% of oil exports income is retained initially in PDVSA. In comparison, between the third quarter of 2005 and the second quarter of the current year, PDVSA received US\$ 214.730 billion in income from oil exports, with a difference (vs. the total cumulative income from exports) reported to the BCV, of US\$ 193.447 billion.

6. FISCAL CONTRIBUTIONS ORIGINATING IN OIL

An important part of income from sales of hydrocarbons by PDVSA flow to the Treasury through three fundamental legal channels: Income Tax (*ISLR – Impuesto Sobre La Renta*), Royalties (and Other Extraction Taxes) and Dividends. These payments are made in bolívares, which means that PDVSA must sell the equivalent amount of foreign exchange to the BCV (at the official rate), and are reported by the BCV as purchases of foreign exchange in the statement of foreign exchange transactions.

The Consolidated Statements of Integral Results published annually by the BCV, provides data on the portion of its resources that PDVSA reports to the Treasury as a percentage of its income from sales of crude oil and refined products.⁶ Data published by PDVSA have the advantage of showing figures in dollars, which also include the total income of the corporation (domestic and foreign).

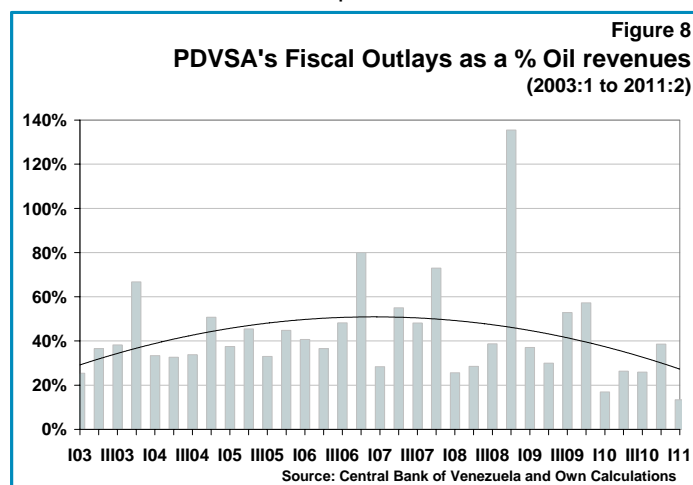
Table 2 shows the evolution of PDVSA payments for Income Tax and Royalties for the 2004-2010 period. Not taking into account cyclic fluctuations, it is to be noted that by 2010, with income from sales of hydrocarbons 14% higher than in 2005, PDVSA contributed an amount 21% below that of 2005. In fact, as a percentage of sales of hydrocarbons, Income Tax and Royalties contributions to the Treasury were just 16.2%, far below the average reported for the 6 previous years (about 24.2%).

Table 2
Sales Revenues and Fiscal Disbursements of PDVSA
Millions of US\$

	2010	2009	2008	2007	2006	2005	2004
Ingresos por Ventas de Petróleo Crudo y Productos	92,744	70,636	122,488	93,820	96,764	81,105	60,972
Royalties	11,218	12,884	23,462	21,981	18,435	13,318	9,247
Income Tax	3,849	3,310	4,280	5,017	4,031	5,793	5,420
Total Fiscal Outlays (without Dividends)	15,067	16,194	27,742	26,998	22,466	19,111	14,667
Fiscal Outlays/Sales Revenues (%)	16.25	22.93	22.65	28.78	23.22	23.56	24.06

Source: Financial Statements of PDVSA

BCV statistics allow us to make a similar comparison, with statistical series of higher frequency (quarterly), now including among fiscal contributions, the dividends transferred from PDVSA to the Treasury, and using the amounts from the balance of payments as figures for income from oil exports. Figure 8 shows in perspective the quarterly evolution of PDVSA contributions to the Treasury as a percentage of income from oil exports, from the first quarter of 2003 through the first quarter of 2011.⁷ The series confirms that the PDVSA payments to the Central Government have been declining. By the first quarter of 2011, with crude prices at US\$/b 90.9



⁶ Oil export revenues reported by the BCV in the balance of payments differ from the income from oil sales reported by PDVSA because the latter include the total sales of PDVSA.

⁷ Published data for the second quarter of 2011 are not yet available.

(the highest for any quarter in the series), fiscal contributions were just 13%, substantially below the 43.8% average contribution for the series.

In perspective, and taking into account the previous aspects relating to the primary distribution of external oil income, it seems clear that, just as PDVSA is retaining a growing percentage (and total amount) of resources from external sales of hydrocarbons, reported compulsory contributions to the Central Government have been declining. As will be pointed out next, a significant portion of PDVSA's oil income goes to FONDEN, and this may be affect the fiscal payments from oil.

7. TRANSFERS TO FONDEN

Starting in 2005, PDVSA began transferring a fairly substantial part of its outflow directly to FONDEN, a government fund established in August 2005 as a corporation, specifically for funding projects in the social area to support State-owned enterprises, as well as for the development of infrastructure projects and for the service of foreign debt.

FONDEN receives funds from two sources: (a) contributions in dollars from "excess" reserves periodically determined by the BCV, and (b) from extraordinary contributions from PDVSA.⁸ According to information from the statement of foreign exchange income and outflow of the BCV and publications by PDVSA (<http://www.pdvsa.com/>), during the first six years (through the close of 2010), the fund received US\$ 67.341 billion.⁹ The annual flow is summarized in Table 3. To be noted is that 56% of contributions (or US\$ 37.382 billion) come from international reserves considered as surplus by the BCV. It might be relevant to note the significant weight of these contributions, not only on foreign exchange outflows from

⁸ The Law on Special Contributions from Extraordinary Prices in the International Hydrocarbons Market was published April 15, 2008 in Official Gazette N° 38,10. Later, Official Gazettes N° 38,939 of May 27, 2008 and N° 38,970 of July 10, 2008 published Resolutions N° 151 and 195 of MENPET (Ministry of Energy and Petroleum). Both the Law and the Resolutions established a special contribution to FONDEN to be paid monthly by exporters and transporters abroad of liquid hydrocarbons and refined products. This contribution depends on the ranges of export prices of crude and for each barrel of oil exported or transported abroad, monthly paid by MENPET to the Fund. This Law was abolished and replaced by Executive Decree N° 8,163 of April 18, 2011.

⁹ By the third quarter of this year, the BCV reports additional transfers of US\$ 3.5 billion to FONDEN.

Table 3
Allocations to Fonden coming from BCV and PDVSA
Millions of US\$

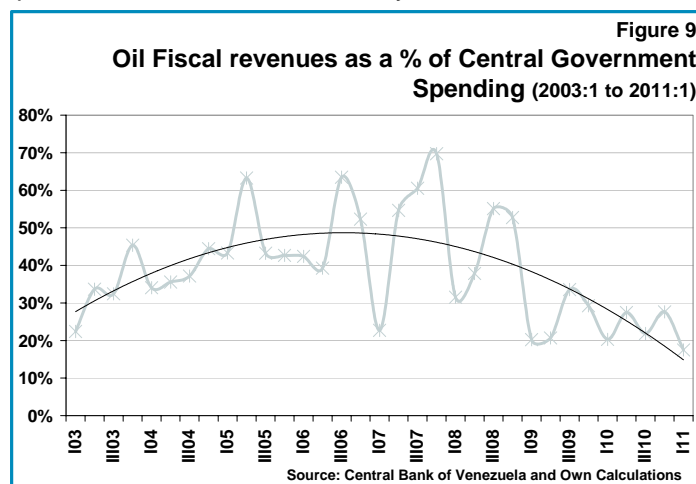
Years	Allocations from BCV	Allocations from BCV as a % of Foreign Exchange Expenses	Allocations from PDVSA	Allocations from PDVSA as a % of its own Expenses	Total Allocations
2005	6,000	17.36	1,525	10.47	7,525
2006	4,275	10.12	6,855	12.24	11,130
2007	6,770	11.87	6,761	15.77	13,531
2008	1,538	2.69	12,384	12.53	13,922
2009	12,299	24.29	600	19.89	12,899
2010	7,000	13.02	1,334	9.54	8,334
Annual Average	6,314	13.23	4,910	13.41	11,224
	37,882		29,459		67,341

Source: Central Bank of Venezuela and PDVSA

the BCV, but also on the cost and expense structure of PDVSA. In both cases, FONDEN contributions are 13% of the outflows mentioned above.¹⁰

8. CENTRAL GOVERNMENT TREASURY

Figure 9 shows a new perspective on the presence of oil income in Government finances (oil fiscal contributions as a proportion of the Central Government's expenses). The data show the progressive decline of fiscal contributions from oil (from Income Tax, Royalties and Dividends) in the financing of expenses of the Central Government.¹¹ The tendency of the series, shown in the Figure as an inverted parabola, leaves no doubts about it. Fiscal contributions from oil financed only 17.5% of the expense flow of the first quarter of 2011, very far from the

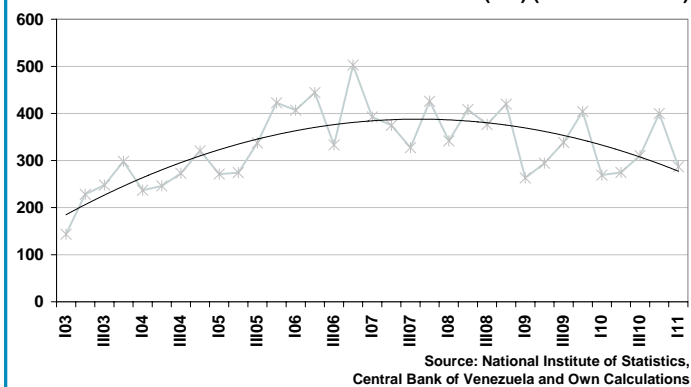


¹⁰ An important debate originates when trying to assess the opportunity cost of these contributions and to compare it to welfare gains associated with the use of these resources. However, the lack of information on FONDEN's expenditures makes this a difficult exercise.

¹¹ The expenditure is conceptually equivalent to "incurred expenses" and, as such, it is the legally approved level of expenditures in the yearly Budget Law adjusted for additional credits, reductions and budgeted expenditures not incurred during the prior year.

Figure 10

Per Capital Fiscal Real Spending in Domestic Currency (Bs.) (2003:1 a 2011:1)



Source: National Institute of Statistics, Central Bank of Venezuela and Own Calculations

70% peak reached in the fourth quarter of 2007.¹² An additional aspect to be analyzed is that financing of expenditures through oil income has been dropping in a context where the per capita tendency in real terms of Central Government expenses has also been declining (See Figure 10).

From a practical point of view, as the tendency of contributions from oil income declines, management of the Central Government funds must also adapt to changing circumstances. Formulas to compensate the decline in fiscal income from oil have included pressure to increase non-oil fiscal

income and to raise extraordinary income from domestic and foreign indebtedness. Figure 11 shows that non-oil income, as well as extraordinary income as a proportion of total expenses, has been increasing in the last quarters.¹³

The preceding discussion requires a special consideration on the current indebtedness position of the Republic. Although domestic and foreign debt grew rapidly in 2009, as well as during 2011, it should be noted that the Central Government still shows relatively low Debt-GDP ratios. Table 4 provides information about this subject.¹⁴ By the close of 2010, the Central Government's Debt-GDP ratio was 24%, barely half the maximum of 2003 (48%), and it is very probable that it will not significantly change during the current year, in spite of the important growth in foreign debt bond issues.¹⁵ Additional questions are raised, however, when debt is strongly increasing in a scenario where oil prices and income are much larger than the averages for the last decade.¹⁶

Table 4

Domestic and External Public Debt (Central Government)

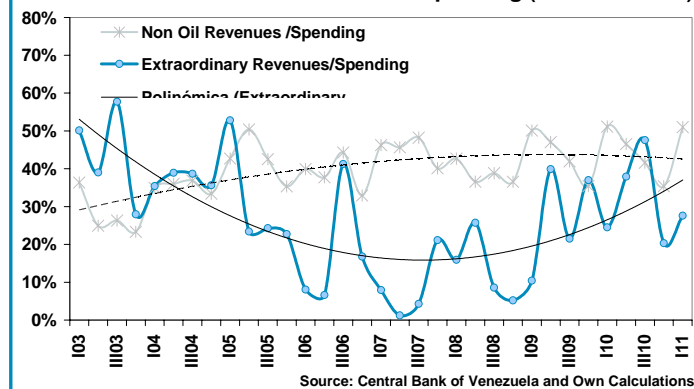
	Outstanding External Debt (MM de US\$)	% Var. External Debt	Outstanding Domestic Debt (MM de US\$)	% Var. Domestic Debt	Total Public Debt (MM de US\$)	% Var. Total Debt	Debt-GDP Ratio
2002	22,513		12,452		34,965		45%
2003	24,780	10.1%	15,861	27.4%	40,641	16.2%	48%
2004	27,470	10.9%	16,238	2.4%	43,708	7.5%	39%
2005	31,199	13.6%	15,683	-3.4%	46,881	7.3%	33%
2006	27,252	-12.6%	16,849	7.4%	44,102	-5.9%	24%
2007	27,316	0.2%	16,742	-0.6%	44,059	-0.1%	19%
2008	29,864	9.3%	14,199	-15.2%	44,063	0.0%	14%
2009	35,145	17.7%	24,736	74.2%	59,881	35.9%	18%
2010	37,034	5.4%	24,810	0.3%	61,845	3.3%	24%
2011 (p)	39,888	7.7%	34,698	39.9%	74,585	20.6%	23%

Note: (p) provisional Figures up to september of 2011.

Source: Ministry of the Popular Power for the Economy and Finances and Central Bank of Venezuela

Figure 11

Non Oil Fiscal Revenues and Extraordinary Fiscal Revenues as a % of Total Government Spending (2003:1 to 2011:1)



Source: Central Bank of Venezuela and Own Calculations

¹² To be noted is that the average price for the Venezuelan oil basket for the first quarter of 2011 is US\$ 10 over the price for the fourth quarter of 2007.

¹³ Extraordinary income includes basically that associated with public credit operations and with other non-recurrent legal sources.

¹⁴ Data on public debt do not include PDVSA's debt nor indebtedness contracted by the Republic with the Chinese government via bi-national agreements.

¹⁵ Foreign debt statistics do not include the recent issue of the 2026 International Sovereign Bond for US\$ 3 billion with a 11.75% coupon.

¹⁶ In comparison with the close of 2008, domestic and foreign public debt of the Central Government (in US\$) has increased by 69%.

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

OFFICIAL GAZETTE N°	DATE	SUMMARY
09/01/11	39,748	Joint Resolution N° DM/3044, DM/078, DM/077, DM/033-11 and DM/089 establishing the Maximum Sale Price to the Public (PMVP – Precio Máximo de Venta al Público) of table quality White Rice Types I, II and III, for the entire country. (Price per Kilogram: Type I: 5,62; Type II: 5,23; Type III: 4,96).
09/01/11	39,748	Joint Resolution N° DM/3045, DM/076, DM/076 DM/034-11 and DM/088 establishing the Maximum Sale Price to the Public (PMVP – Precio Máximo de Venta al Público) of Precooked Corn Flour for the entire country. (Kilogram: 4,06 Bs.).
09/06/11	39,751	Official Notice establishing Maximum Social Interest Rate and Special Social Interest Rates applicable to mortgages for the acquisition, construction, self-construction, improvements and additions to main residences (Maximum 11.42%; various Special rates: 4,66%; 6,91% and 9,16%, among others).
09/16/11	39,759	Decree with Rank, Value and Force of Organic Law, reserving to the State gold exploration and exploitation, as well as related and auxiliary activities.
09/21/11	39,762	Agreement between the Ministry for Basic Industries and Mining and the Central Bank of Venezuela.
09/22/11	39,763	Resolution: Norms for granting loans for the acquisition of main residences according to financing conditions established in Resolution N° 103, of July 19,
09/23/11	39,764	Providence establishing Requirements and Procedures for Authorizing the Acquisition of Foreign Exchange for Imports.

Source: Official Gazettes of the Bolivarian Republic of Venezuela

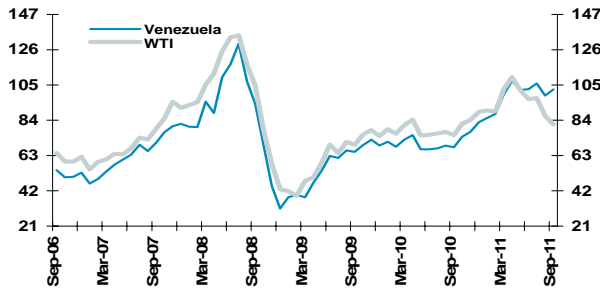
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Economic Research team: Andrés Duque, Inés Fasanaro, Gema Murillo, Carmen J. Noguera, Leonardo Vera.
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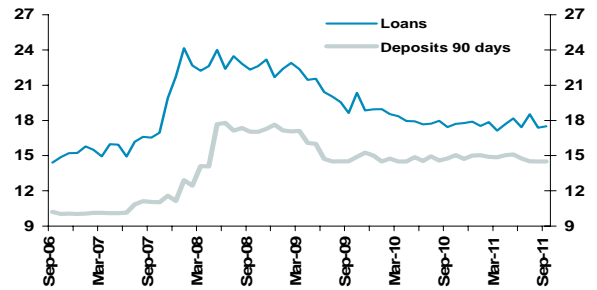
ECONOMIC INDICATORS	2008	2009	2010	May-11	Jun-11	Jul-11	Aug-11	Sep-11	% Change	% Change
EXTERNAL SECTOR										
Volume of Production of Crude (thousands of barrels)	2,353	2,181	2,187	2,240	2,300	2,300	2,270	2,280	4.1%	4.1%
Price West Texas Intermediate (WTI) (US\$/bbl)	99.9	55.3	58.8	101.9	96.6	97.2	86.7	81.6	(8.4)%	8.5%
Venezuelan Oil Basket Price (US\$/bbl)	86.5	57.0	72.7	102.0	102.6	105.9	98.7	102.4	23.5%	50.7%
Non Traditional Exports (Million of US\$)	5,426	2,380	2,486	432	222	241	106.3	103.6	15.9%	20.5%
Imports ^{1/} (Million of US\$)	45,128	36,908	30,745	2,949	3,114	2,727			16.2%	(7.3)%
Gross International Reserves (Million of US\$)	42,299	35,000	29,500	28,882	28,386	29,017	29,063	31,392	6.4%	9.7%
Priority Imports Exchange Rate (Bs./US\$)		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	-	-
REAL SECTOR										
Index 1997 = 100										
Sales Volume Index	216.6	192.7	178.7	201.8	197.0				(18.7)%	22.8%
Wholesale	143.3	122.1	130.8	152.5	154.1				9.2%	27.3%
Detail	265.7	239.8	210.8	234.8	225.8				(27.3)%	20.8%
Automotive Vehicles	189.8	127.4	85.2	93.3	97.9				16.9%	23.9%
Parts, Pieces & Accessories of Automotive Vehicles	171.7	149.5	149.0	211.5	174.9				22.3%	31.9%
Fuels for Automotive Vehicles	128.9	180.7	169.8	177.2	173.9				6.6%	9.2%
Foods, Beverages & Tobacco in Non-Specialized Storehouses	337.0	324.2	267.9	237.4	223.8				(32.1)%	(6.0)%
Other Products in Non-Specialized Storehouses	159.1	247.7	184.7	202.4	235.2				(5.9)%	34.6%
Foods, Beverages & Tobacco in Specialized Storehouses	248.7	217.4	185.5	213.2	216.8				(15.7)%	18.2%
Pharmaceutical & Medicinal Products, Cosmetic & Toiletries	401.7	409.3	316.0	350.5	350.4				(19.4)%	25.4%
Textile Products, Apparel, Footwear & Leather's Articles	490.8	394.4	367.7	553.2	574.5				(34.2)%	85.6%
Articles & Equipment of Domestic Use	608.1	490.7	441.6	334.6	276.3				(59.6)%	(27.2)%
Articles of Ironworks, Paintings & Products of Glass	107.2	99.8	83.2	101.9	104.1				13.4%	34.7%
Other Products in Specialized Storehouses	85.8	90.0	113.8	161.1	150.6				(23.3)%	51.6%
Volume Index of Private Manufacturing Industry	125.6	110.7	108.1	115.9	115.8				25.0%	3.7%
MONETARY AGGREGATES										
Million of Bs.										
Liquidity (M2)	194,275	235,401	292,016	320,901	340,819	355,596	358,342	369,453	24.6%	37.8%
Currency & Demand Deposits (M1)	124,036	155,269	217,350	295,149	314,307	329,528	330,476	343,649	26.3%	46.4%
Monetary Base	83,787	98,903	126,218	127,226	115,913	128,619	121,147	124,630	(1.3)%	15.2%
Net International Reserves	89,048	74,544	75,571	124,583	121,541	123,691	130,067	129,788	71.7%	75.1%
Net National Treasury Agency	(9,474)	(3,488)	(25,562)	(41,077)	(43,073)	(43,073)	(67,539)	(64,717)	259.9%	172.9%
PDVSA	(351)	(6,091)	25,812	43,623	42,529	42,529	55,270	53,076	172.4%	432.1%
Other Net Public Sector Accounts	2,624	919	(13,899)	(17,518)	(15,581)	(15,581)	(10,853)	(10,853)	(20.3)%	75.7%
Financial Sector	161	3	(4,266)	(4,570)	(3,986)	(3,986)	(4,524)	(4,524)	(11.2)%	(12.1)%
Credit Instruments Placed by BCV	(23,041)	(7,563)	(8,954)	(9,336)	(8,214)	(8,214)	(6,562)	(7,055)	(21.0)%	(18.4)%
Capital & Other Net Accounts	17,477	38,354	17,797	17,723	19,579	14,273			(78.1)%	(74.6)%
MONETARY MARKET										
Million of Bs.										
Awarded Repos	795	12,637	35,274	3,028	3,680	3,172	2,881	3,577	11.6%	44.2%
Awarded CDs	179,520	170,804	79,600	7,909	6,656	6,846	6,856	7,235	6.0%	8.5%
Awarded Repos+CDs (Average Weekly)	3,468	3,481	2,364	2,486	2,720	2,636	2,213	2,457	7.0%	18.2%
Purchases DPN (Average Weekly)	586	461	681	289	194	-	-	-	(49.0)%	-
Outstanding Repos	-	2,653	2,770	3,346	3,312	3,040	3,482	3,190	15.2%	12.8%
Outstanding CDs	22,715	7,584	8,450	9,264	9,646	8,508	9,150	8,727	3.3%	(1.7)%
Average Effective Returns Repos	6.50	6.27	6.08	6.1	6.1	6.3	6.1	6.1	4.6	8.4
Average Effective Returns CDs	12.34	8.97	6.43	6.4	6.3	6.3	6.2	6.4	0.5	18.2
COMMERCIAL & UNIVERSAL BANKS										
Million of Bs.										
Credit Portfolio	128,243	139,067	177,624	191,005	199,894	211,874	221,708	222,445	25.2%	42.4%
Investments	59,049	59,445	84,015	117,252	123,117	143,991	134,576	135,462	61.2%	58.4%
Total Deposits	175,984	184,977	253,275	285,497	297,373	322,663	324,663	327,478	29.3%	47.1%
Demand Deposits	106,763	115,498	180,900	206,934	216,193	237,805	240,475	240,484	32.9%	55.4%
Saving Deposits	45,777	47,996	62,553	67,549	69,507	73,072	74,345	73,975	18.3%	36.8%
Term Deposits	23,444	21,483	9,823	11,014	11,672	11,785	13,249	13,019	32.5%	(5.3)%
INTEREST RATES										
Annual Percentage										
Overnight (Min - Max)	0.01-56.0	0.01-38.0	0.1-20.0	0.2-13.0	0.07-13.0	0.1-3.0	0.05-1.5	0.05-2.5	-	-
Overnight (Average)	10.15	9.30	5.36	8.13	4.08	0.35	0.46	0.24	(1,186)	(986)
Loans (6 Main Banks)	22.77	20.61	17.99	18.17	17.41	18.51	17.37	17.50	(39)	7
90 Days Deposits (6 Main Banks)	16.55	15.57	14.73	15.10	14.77	14.52	14.50	14.50	(50)	(27)
Libor 90 Days	2.79	0.65	0.34	0.25	0.25	0.26	0.33	0.37	7	8
CENTRAL GOVERNMENT^{2/}										
Million of Bs.										
Total Revenues	163,878	192,529	241,760	27,819					(52.2)%	34.3%
Oil Ordinary Revenues	81,397	52,989	59,669	10,744					(53.0)%	89.7%
Non-Oil Ordinary Revenues	71,496	83,678	104,044	10,904					(44.8)%	54.8%
Extraordinary Revenues	24,298	55,862	79,198	6,171					(61.6)%	(22.9)%
Domestic Borrowing	21	22,764	25,495	3,898					(29.6)%	17.1%
External Borrowing	6,503	8,759	6,526	-					(99.6)%	-
Others	10,134	15,695	30,061	144					(91.5)%	(94.3)%
Total Expenditures	181,795	197,511	245,317	23,271					(56.0)%	29.4%
Ordinary Expenditures	174,440	187,220	228,994	21,253					(55.9)%	26.6%
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	7,719	16,483	4,785	6,756	6,229	62.4%	38.3%
Net Borrowing Bonds DPN	(5,790)	14,557	31,134	4,680	14,352	2,094	4,365	2,522	75.3%	9.2%
Net Borrowing Treasury Bills	(90)	2,314	1,356	553	(407)	79	(215)	60	51.8%	(106.6)%
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	(194)	(66)
1801-2520 Days		11.87	16.82	17.25	17.54	17.87	17.87	17.79	(70)	(61)
2521-3240 Days		8.48	14.79		17.98	18.15				
3241-5760 Days			16.05							
Treasury Bills Average Yield										
60-90 Days										
81-110 Days	11.52	10.39	8.38	7.16	6.46	6.56	6.07	6.53	(156)	(235)
111-150 Days										
151-180 Days		9.69								
181-269 Days		11.12	8.76	6.27	5.71	5.18	4.70	4.15	415	(446)
PRICE INDEX (CARACAS)										
% Change Dec-Dec										
Consumer	31.9	26.9	27.4	2.9	2.2	2.5	1.7	1.5	21.2%	26.7%
Foods & Non Alcoholic Beverages	46.7	20.4	34.4	3.2	3.4	5.1	2.9	0.6	23.7%	30.2%
Alcoholic Beverages & Tobaccos	28.3	47.7	48.5	2.3	3.2	0.7	0.9	0.6	18.1%	28.9%
Apparel & Footwear	18.8	22.1	18.6	2.0	1.7	1.4	0.7	0.6	12.7%	18.6%
Household Services (excluding Phone Services)	7.0	16.1	11.6	0.1	0.1	0.6	0.5	0.1	5.7%	8.5%
Health	5.5	3.9	4.4	(0.1)	0.1	0.8	0.2	0.8	6.8%	6.3%
Home Equipment	34.7	39.2	28.7	3.8	1.7	1.3	1.0	1.3	22.8%	26.5%
Transport	26.9	34.3	25.0	1.6	1.8	0.9	1.1	1.6	24.7%	29.5%
Communications	29.9	30.5	26.5	6.1	3.1	1.3	1.1	2.2	31.2%	31.2%
Culture	7.3	9.4	6.8	0.9	0.3	0.1	0.3	3.3	6.1%	7.0%
Educational Services	25.1	26.9	28.7	1.1	0.8	1.5	1.5	0.9	14.9%	19.9%
Restaurants & Hotels	28.5	29.4	24.7	4.5	1.4	1.2	0.0	9.7	21.8%	23.5%
Miscellaneous Goods & Services	49.6	33.6	31.7	2.8	1.9	3.4	2.5	1.0	24.4%	32.3%
Core Inflation ^{3/}	37.8	50.7	30.8	2.6	2.2	1.4	1.5	2.0	27.8%	36.2%
Private Manufacturing Production	33.8	34.6	29.3	2.3	1.7	1.8	1.7	1.5	22.8%	29.9%
Wholesale	25.2	26.5	22.0	1.6	1.6	0.8	1.6	1.9	17.9%	21.5%
National	32.4	24.8	26.8	1.7	2.1	2.4	1.3	1.7	16.0%	21.5%
Imported	36.7	22.2	28.8	1.8	2.4	2.8	1.5	1.8	17.1%	23.3%
Construction Materials (Wholesales)	17.1	35.7	19.3	1.7	1.1	0.8	0.3	1.0	11.4%	14.4%
LABOR MARKET	23.3	18.7	18.9	(0.6)	3.6	0.5	0.3	2.3	12.1%	13.8%
Second Half Percentage										
Unemployment Rate	6.9	7.7	8.5	8.4	8.6	8.0	8.3		179	(125)
Activity Rate	65.2	65.0	64.7	63.8	64.2	64.5	64.5		(112)	(52)
Formal Occupation	56.6	56.0	56.1	56.1	57.3	57.0	26.2		(3,017)	(3,042)
Public Sector Occupation	18.1	19.7	19.2	21.3	19.9	18.9	19.5		8	13

Economic Indicators

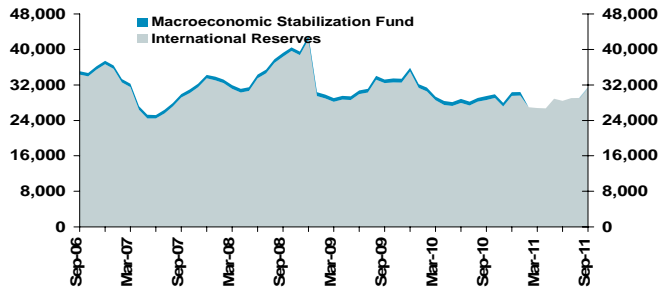
Oil Price
(US\$/b)



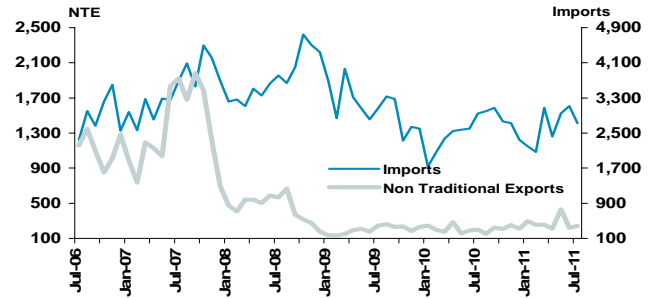
Interest Rates. 6 Main Banks
%



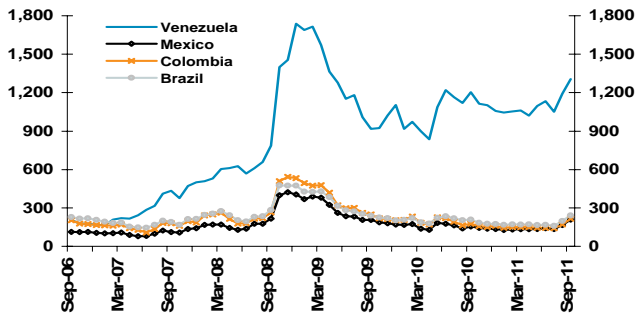
International Reserves and Macroeconomic Stabilization Fund (Million of US\$)



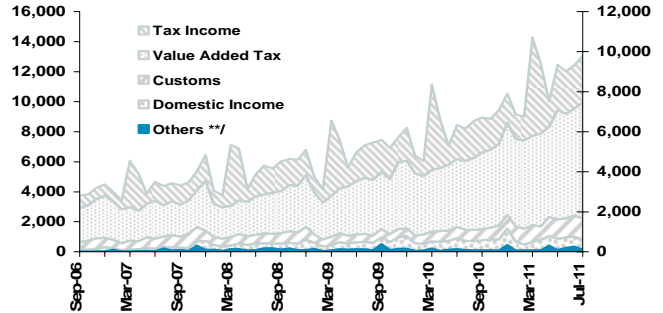
Non Traditional Exports (NTE) & Imports (MMUS\$)



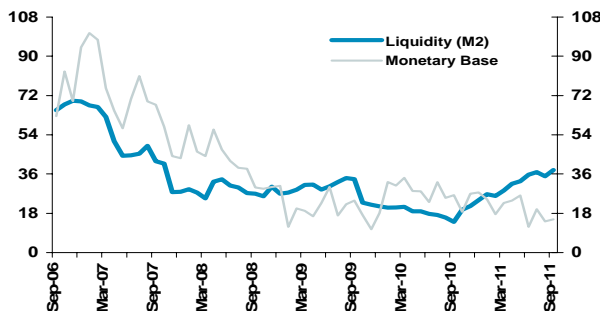
Sovereign Spreads. Differentials EMBI+
Basic Points



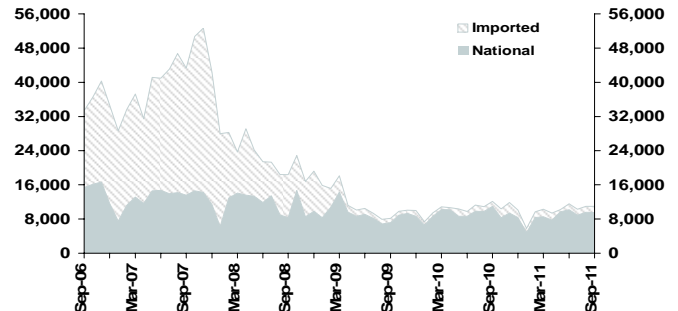
Domestic Taxes
Million of Bs.



Monetary Aggregates
% Change Y o Y



Sales of Vehicles
Units

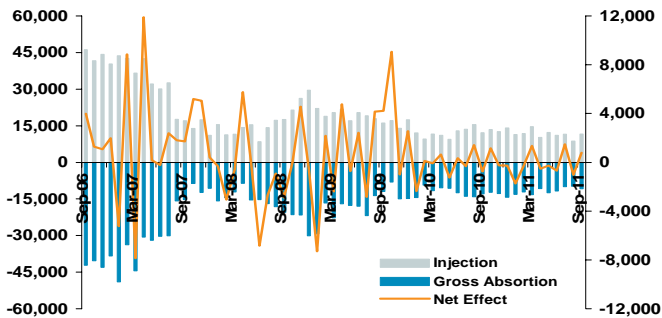


Notes: Y o Y: Change of the month with respect to the same month of the previous year. The Emerging Markets Bond Index Plus (EMBI+) tracks total returns for traded external debt instruments in the emerging markets. The instruments include external-currency-denominated Brady bonds, loans and Eurobonds, 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 08/26/2011. **/ 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

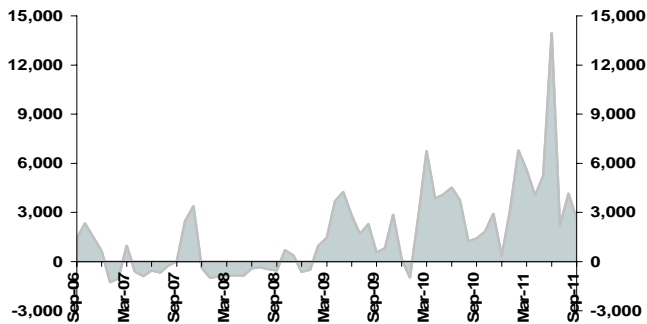
Open Market Operations

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



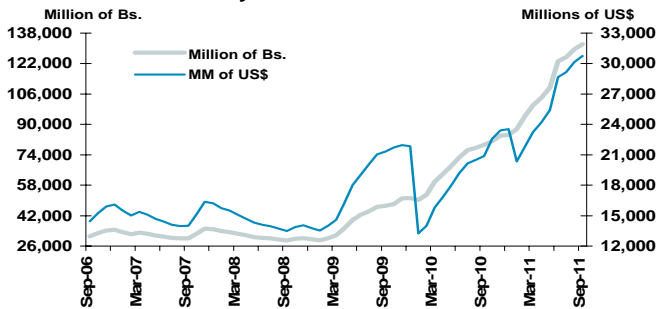
Net Domestic Borrowing^{1/}

Million of Bs.

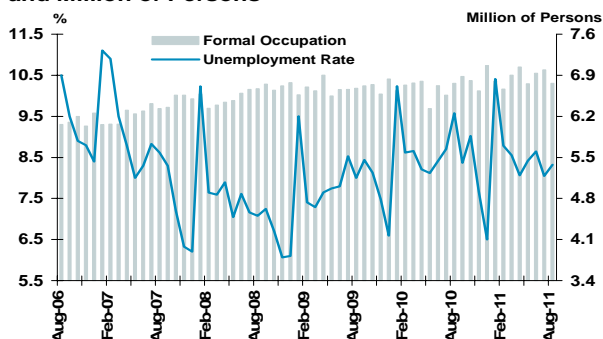


Domestic Debt Stock

DPN Bonds + Treasury Bills

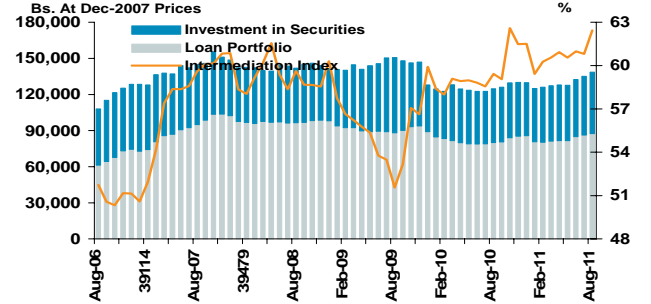


Labor Market % and Million of Persons



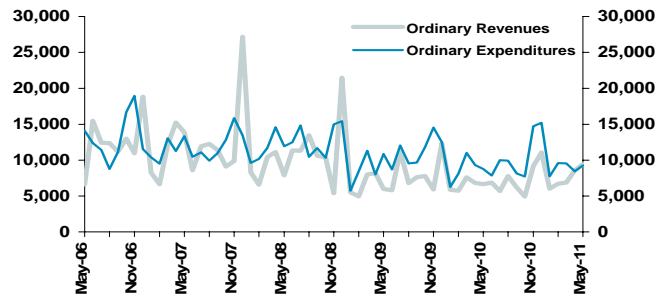
Commercial & Universal Banks

Credit, Portfolio Investment Bs. At Dec-2007 Prices



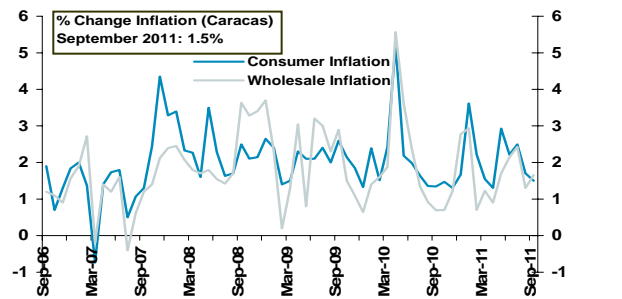
Central Government

Bs. At Dec-2007 Prices



Inflation (Caracas)

% Change M o M



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