

2011-2012 ECONOMIC FORECAST

ECONOMIC RESEARCH UNIT

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NEW LEGISLATION**ECONOMIC INDICATORS****Purpose of the Economic Research Unit Forecasts:**

The macroeconomic forecasts shown here are not propositions of what will happen but of what might happen under given assumptions and with the applied methodology. Being a neutral analytical organization, the Economic Research Unit neither proposes nor defends future legislative or regulatory changes, although it recognizes that modifications will probably take place in these areas, distancing the forecasts from the observed results.

The models are abstractions of the conduct of economic agents. Forecasts are highly dependent on the data, the analytical methodology, the structure of the models, and the specific assumptions. Consequently, trends described in the analysis are indicative of real trends and do not claim to be faithful representations of a specific result. The forecasts are subject to uncertainty even in the case of stable and well-defined trends, because many events affecting the macroeconomy are fortuitous and cannot be adequately anticipated.

This statement is made in order to assure that users of these forecasts understand their limitations.

1. INTRODUCTION

At the end of August 2011, the Central Bank of Venezuela (BCV) published figures for the main real variables as well as for the external sector of the economy for the second quarter of this year¹, showing a deceleration of the growth rates of internal economic activity and of aggregate demand when compared with the first quarter results, while the balance of payments showed a net surplus, in clear contrast with the deficit for the first three months of the year. In fact, Gross Domestic Product (GDP) grew by 2.5% during the second quarter of the current year, in

comparison with the same period of the previous year, for a cumulative 3.6%¹ increase during the first half of the year (-3.2% during the first semester of 2010). By economic activity, during the second semester of the year the petroleum sector showed a slight 0.8% increase over the same period of last year (+0.6%) in contrast with the 0.5% decline of the previous quarter. The non-oil sector, on the other hand, increased by 2.8%, a little more than 250 basis points (bp) below the first quarter's increase. All activities in the non-oil sector showed positive growth rates, except Construction, and Other,² which showed contractions of 2.3% and 2.2%, respectively. To be noted is that Construction was negative for the seventh consecutive quarter. In contrast, the largest increase was 9% in Financial Institutions, their highest level since the third quarter of 2007.

Together with the presentation of figures for the second quarter of the year, it is important to note that, for the second time this year, the BCV revised the historical statistical series for total GDP (oil and non-oil), in regard to two important points. Firstly, the average growth (first quarter 2007 to first quarter 2011) of total GDP and of non-oil GDP was raised by 45 bp and 57 bp, respectively, while oil GDP was decreased by 7 bp. Within non-oil activities, the most notable upward adjustments were those of Communications (15.6% vs. 7.1%) and Government Services (7.8% vs. 4.3%). Secondly, if these corrections to the GDP series had not been made, the economic growth of the second quarter of this year would have been 4.2% (and not 2.5%) and non-oil activity would have shown a 5.1% increase (not 2.8%).

¹ The BCV revised economic growth figures for the first quarter of the year, from 4.5% to 4.8%.

² Other includes Private Agriculture, Private Hotels and Restaurants, and Various Public Activities.

The Domestic Aggregate Demand (*DAI – Demanda Agregada Interna*) showed an increase for the fifth consecutive quarter –of 5% in the second quarter- although 258 bp below that of the previous quarter, but significantly over that of the same period of last year (0%). Therefore, the first semester of the year shows a cumulative 6.2% increase, the highest for a similar period since 2008. The DAI's growth during the second quarter of the year was due to the 2.6% increase in private consumption, which has the highest participation in the DAI (54%), followed by inventory changes which increased by 64.8% (with an almost 10% participation in DAI), while the Government's final consumption increased by 3.6%, with a 13.4% share of DAI. In contrast, Gross Formation of Fixed Capital moved from a 2.7% increase in the first quarter of the year, to a 3.6% decline.

The balance of payments showed a US\$ 1.340 billion surplus, clearly a contrast with the first quarter's deficit (US\$ -3.743 billion) and with the second quarter of the previous year (US\$ -935 million). This performance is the result of the larger surplus in the current account (due to the sustained high oil prices) and the smaller deficit in the capital and financial account (due to the lesser accumulation of net external assets in the public sector).

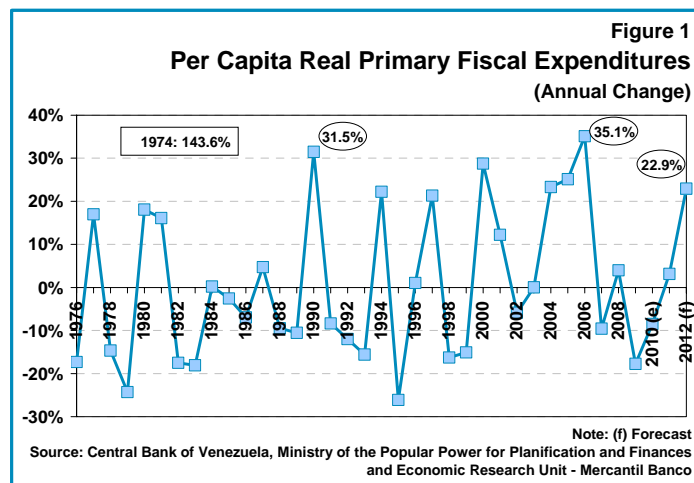
The sustained positive growth rates of internal economic activity, the revision of the historical statistical series for the GDP (and for DAI), the favorable behavior of the external sector of the economy, together with the updating of monthly figures (through July) for the national oil basket, and the data on production, monetary liquidity, interest rates, loan portfolio and deposits of the Financial System, non-oil income under SENIAT's jurisdiction, with the new figures up to August of the economy's domestic prices, net domestic indebtedness and primary expenditures of the Central Government, provide the basis for a new revision of the macro-economic outlook for the 2011-2012 two-year period, with respect to that presented in June of this year.

This scenario also includes an update of the outlook on world economic growth within an environment of slower internal economic activity in the main advanced economies, particularly the United States, the Euro Zone and Japan. In spite of this, according to the EIA (Energy

Information Agency), a solid recovery of world oil demand continues to be foreseen which, together with the tight supply (particularly OPEC supply due to the disruption in Libya), will support a continued outlook for high oil prices during the rest of 2011, although with a certain risk of reductions during 2012 (but still around a US\$/b 100 for the RAC (Refiner Acquisition Cost of Crude Oil) and for nearly US\$/b 93 for WTI).³

2. 2011-2012 ECONOMIC OUTLOOK

The forecasts of the main Venezuelan macroeconomic variables for the rest of 2011 and during 2012 are presented in an environment where oil prices remain high (around US\$/b 100 on average for 2012) and a partial recovery of national oil production is foreseen. This scenario also includes the general objective of the economic policies towards a stronger and sustained recovery of internal economic activity, a reduction of the rate of unemployment and the control of domestic inflation. The basic tool to reach these objectives is fiscal policy, which is assumed to consist in an effort to increase spending, as has already started this year, and which will be reinforced during 2012.



This simulation forecasts a nominal 33.5% expansion of primary spending by the Central Government during 2011,⁴ and of 57.4% during 2012, slightly higher than that of 2006 and the highest since 1997. However, given inflation rates, primary per capita spending in real terms would expand by 3.1% during 2011 (-8.5% during 2010) and by 22.9%

³ According to EIA's latest projections in its September monthly report.

⁴ According to the latest figures from the National Treasury, primary contributions of the Central Government showed a 30% expansion during the first eight months of the year, with respect to the same period of 2010.

during 2012, the highest level since 2006 (35.1%) (See Figure 1). This important fiscal expansion will mean higher financial deficits but no major problems are foreseen for financing it, even including the possibility of building up savings in the National Treasury to finance its larger gross requirements for 2012.

2.1 Oil Market

Recent outlooks on the performance of the world oil market are centered on the deceleration of world economic growth and the risks of declines in the short term, especially in the United States, the Euro Zone and Japan. The American economic, in fact, showed a deceleration of the growth of its GDP during the first two quarters of the year, reaching 0.4% (3.9% in the first quarter of 2010) and 1.0% (3.8% in the second quarter of 2010). In the case of Japan, as a consequence of the earthquake of last March, GDP was reduced by 0.5% during the second quarter of the year (for the third consecutive quarter). The Euro Zone showed a slight 0.2% increase during the second quarter of the year, in contrast with the 0.8% increase during the first quarter of the year and the 1% increase in the second quarter of last year.

According to the International Monetary Fund (IMF) report on prospects of world economy of June 17 of this year, world economic growth is considered to be slight, with three elements indicating latent decline risks: a) the weakening of economic activity in the United States and Japan, which could only be partially compensated by an improved performance of GDP growth in emerging economies; b) the financial volatility in the Euro Zone and the possible contagion effect, and c) fiscal imbalances in the Euro Zone, short-term fiscal adjustments in the United States and the uncertainty of medium-term fiscal sustainability in the United States and Japan.

Therefore, recent forecasts of world economic growth show a larger deceleration, particularly for the United States. The IMF estimates that the American economy will barely reach a 1.6% GDP growth (the same as in BMO Capital Markets⁵

⁵ According to the latest review of projections as of September 9 of this year.

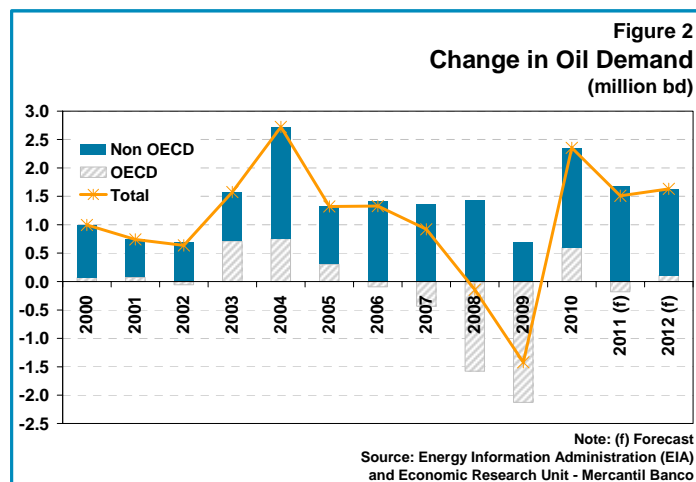
Table 1
Economic Growth United States
Forecast 2011-2012

Publication Date	Real GDP. Annual (%) Change 2011	Real GDP. Annual (%) Change 2012
Jan-10	2.7	na
Feb-10	2.5	na
Mar-10	2.6	na
Apr-10	2.7	na
May-10	2.9	na
Jun-10	2.8	na
Jul-10	2.7	na
Aug-10	2.7	na
Sep-10	2.3	na
Oct-10	2.1	na
Nov-10	2.2	na
Dec-10	2.1	na
Jan-11	2.2	2.9
Feb-11	3.0	2.8
Mar-11	3.3	2.8
Apr-11	3.0	2.7
May-11	2.7	2.8
Jun-11	2.7	2.8
Jul-11	2.5	2.6
Aug-11	2.4	2.6
Sep-11	1.5	1.9

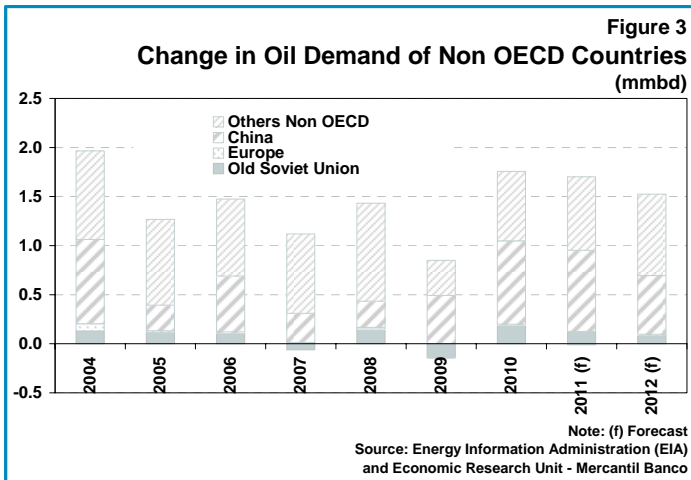
Note: na- Non Available

Source: EIA, Short Term Energy Outlook

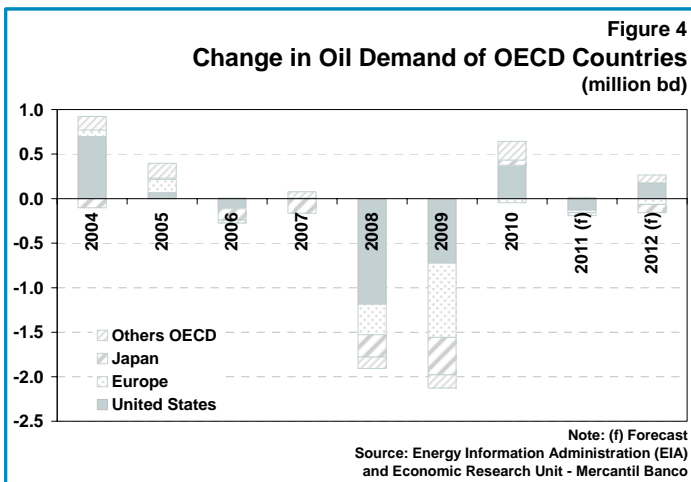
projections), while the Energy Information Agency (EIA) estimates an even lower increase of 1.5%. For 2012, the IMF estimates a 2% increase, the EIA estimates 1.9% and BMO Capital Markets estimates 2.5% (See Table 1).



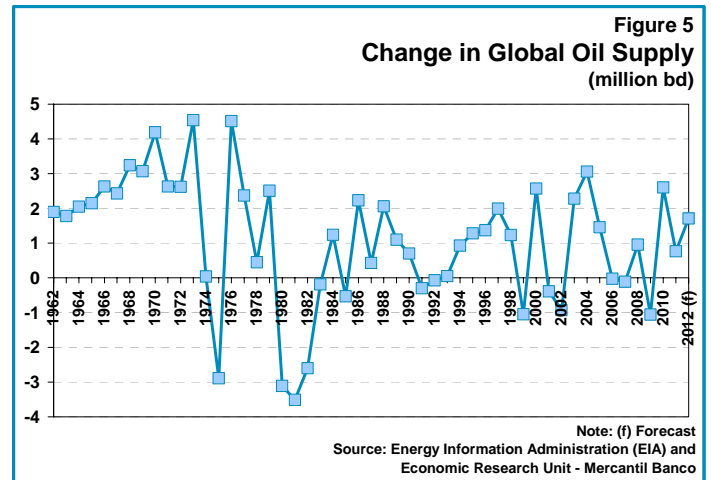
In this context, according to the EIA report for August of this year, it is foreseen that the increase of world oil demand will continue during 2011, although not as strongly as in 2010. The EIA projects a 1.5 million barrels per day (mbd) increase in world oil consumption, that is, 800 thousand barrels per day (kbd) below the increase of 2010. This increase is based completely on the 1.7 mbd increase in non-OECD demand, while the demand in OECD



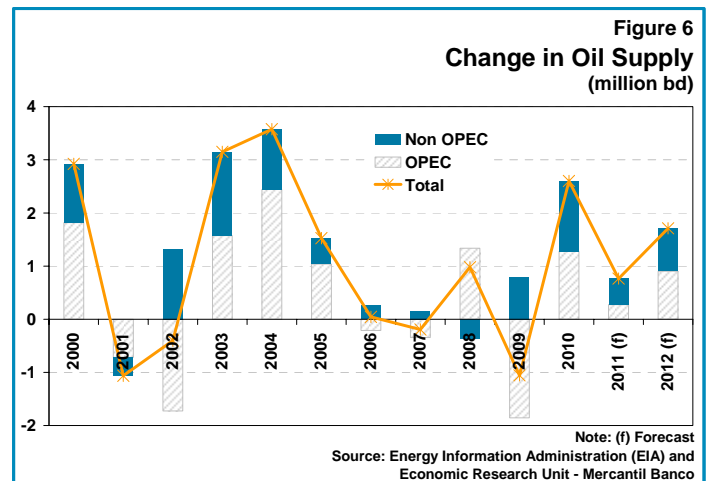
countries would decline by 180 kbd (16% of this contraction would take place in Canada and Europe) (See Figure 2). Within non-OECD countries, the largest growth would take place in China, with 827 kbd (similar to the increase during 2010) (See Figure 3). For 2012, oil demand is expected to increase by 1.6 mbd, 93.4% of which would be explained by consumption in non-OECD countries. Demand in China is expected to show a new increase, this time by almost 600 kbd, to reach 10.6 mbd. Meanwhile, OECD countries would increase their demand by barely over 100 kbd, explained completely by the larger consumption in Canada (+170 kbd) (See Figure 4). In contrast and for the first time since 2009, EIA foresees the demand of the United States in decline, although only by 18 kbd.



Regarding world oil supply, the EIA forecasts a 765 kbd increase during 2011, significantly below the 2.6 mbd increase of 2010 (See Figure 5). 64% of this increase would be covered by non-OPEC sources, with a 490 kbd increase. On the other hand, OPEC supply would barely

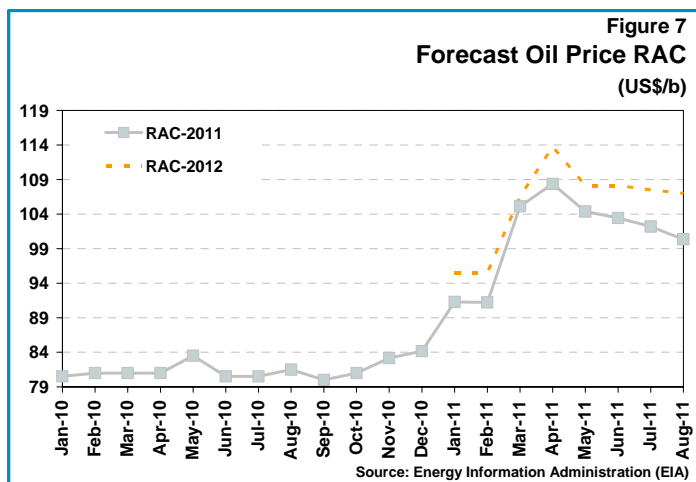


show a 275 kbd increase in contrast with the significant 1.3 mbd increase of 2010 (See Figure 6). This lesser expansion of OPEC supply is the result of the partial interruption of Libya's production which showed a 1.066 mbd decline in production on average through July of this year, to reach 584 kbd. The EIA foresees that for 2012 at least half the decline in Libya's production will be restored, thereby causing a slightly over 900 kbd increase in OPEC production, which would cover at least 50% of the expected increase in world oil supply (+1.7 mbd).

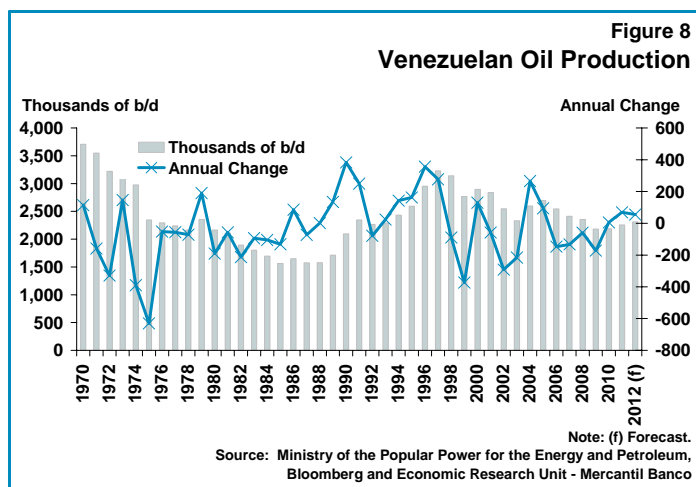


In a scenario of continuing strong world oil demand in the face of rather tight supply, the EIA (in its August 2011 report) foresees continuing high oil prices, with an increase in RAC of US\$/b 23.6 during 2011,⁶ to reach a US\$/b 100.4 average, and a lesser increase during 2012, to reach a US\$/b 107 average (See Figure 7).

⁶ On average, until July of this year (latest available information), RAC showed a 34.7% increase with respect to the same period of last year, to average US\$ 101.5.



Prices in the market for Venezuelan oil exports are expected to keep the same relative differential between the RAC and the national oil basket of the last 12 months (5% on average), which would mean an average US\$/b 96.2 during 2011,⁷ a 34.4% increase in comparison with the previous year (US\$/b 24.6), and for next year (still with the same relative differential), the average Venezuelan oil price would be US\$/b 101.9 with a slight 5.9% increase. A continuing quarterly growth of oil production is foreseen, but at a slower rate. In fact, we forecast an average production of 2.256 mbd during 2011, a 69 kbd increase with respect to the previous year, the highest year-on-year increase since 2005.⁸ During 2012, the added production from the Orinoco Oil Belt would allow a new increase (55 kbd) to reach a 2.311 kbd average, the highest level since 2008 (See Figure 8).

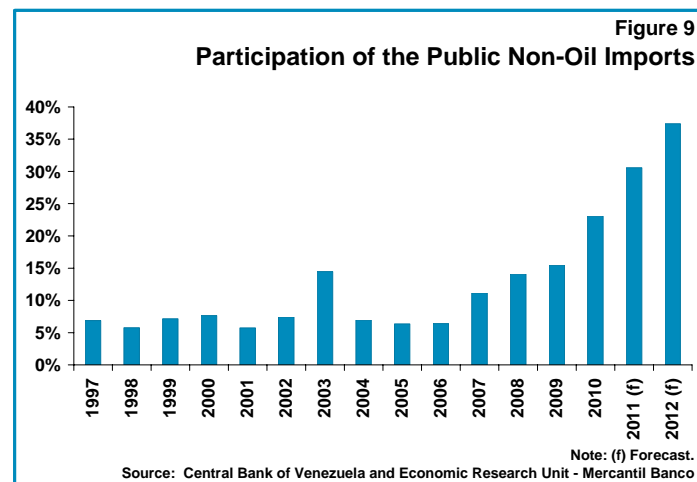


⁷ Reaching an average of US\$/b 98.7 during the first eight months of the year.

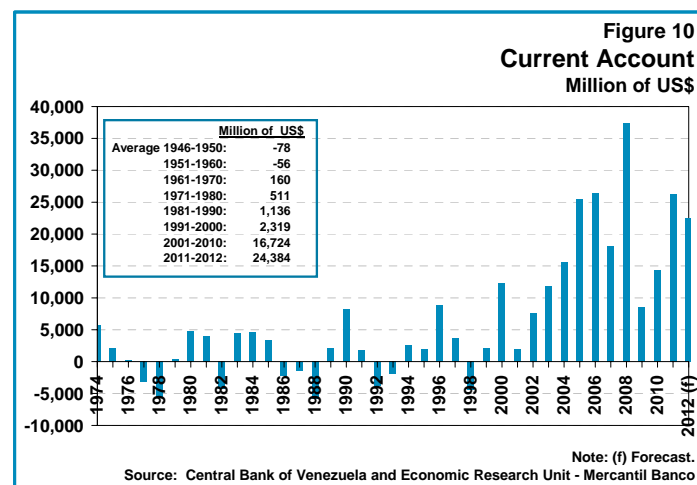
⁸ National oil production showed a 64 kbd increase on average through July of this year, in comparison with the same period of last year.

2.2 External Sector

The favorable behavior of the market for Venezuelan oil will continue to strengthen the current account in the balance of payments, in a scenario of a notable recovery of imports for the 2011-2012 two-year period. Oil exports are expected to increase by 34.3% during 2011 with respect to the previous year, and barely 6% during 2012, to reach US\$ 93.633 billion at the close of the period, a level of exports barely 1.6% below the historical maximum of 2008,



while imports, after the modest 0.4% increase of 2010, would show an average of 18.3% during the 2011-2012 two-year period, based on the expected improved performance of internal economic activity. To be noted is that the increase in imports would be basically covered by non-oil imports, with 24.6% and 18.3% increases during 2011 and 2012, respectively. An important part of this increase is to be from the public sector, with expected increases of 35.2% and 44.7% during the period. The participation of the public sector would, therefore, reach 37.4% by the close of 2012, the highest since the



statistical series became available (1997) (See Figure 9). Following the same trend, the part of private imports would be just 62.6% of the total by the close of 2012, 33,590 bp below the historical maximum of 1999 (98.5%). The important forecast increase of exports would more than compensate the increase of imports, thus causing the current account to considerably increase its net surplus to reach US\$ 26.205 billion in 2011 and US\$ 22.563 billion in 2012, although still significantly below the 2008 record (US\$ 37.392 billion) (See Figure 10).

The net deficit of the capital and financial accounts is expected to show a slight reduction during 2011 with respect to the previous year (-4.6%), to reach a little more than US\$ 18 billion, as a result of the joint effect of the lesser disinvestment in the country in comparison with the previous year and the larger portfolio investments due to placements of PDVSA and Central Government Bonds (See Figure 11). However, we still foresee a significant US\$ 22.350 billion deficit in the Other Investments account (+24.3% in comparison with the deficit balance of 2010), which basically shows the net accumulation of assets of the public and private sectors. An important part of this deficit comes from savings of public funds. In fact, contributions to FONDEN from the oil industry are expected to reach a little over US\$ 16.8 billion

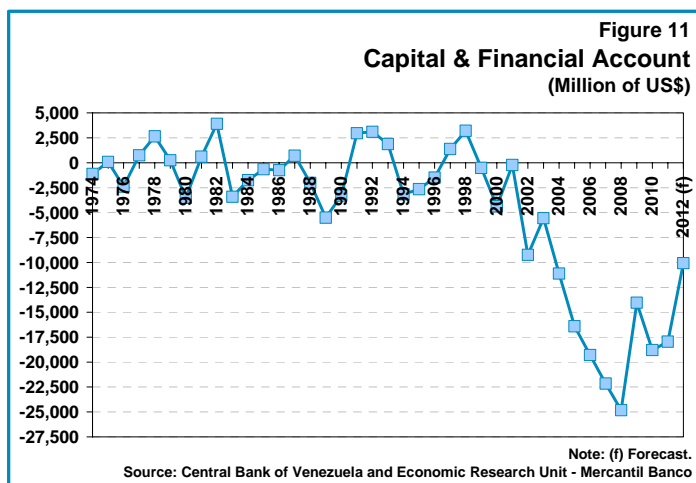


Table 2
Forecast 2011-2012
External Sector

	2008	2009	2010	2011 (f)	2012 (f)
Million of US\$					
Total Exports	95,138	57,595	65,786	88,369	93,633
Oil Exports	89,128	54,201	62,317	84,056	89,647
Non-Oil Exports	6,010	3,394	3,469	4,313	3,986
Imports	49,482	38,442	38,613	46,337	54,051
Oil Imports	4,262	3,970	5,593	5,201	5,384
Non-Oil Imports	45,220	34,472	33,020	41,136	48,667
Public	6,365	5,321	7,608	12,572	18,194
Private	38,855	29,151	25,412	28,564	30,473
Trade Balance	45,656	19,153	27,173	42,032	39,582
Current Account	37,392	8,561	14,378	26,205	22,563
Capital & Financial Account + Error & Omissions	(28,117)	(18,823)	(22,438)	(22,832)	(15,776)
Contributions to Public Funds	(16,730)	(14,631)	(20,245)	(25,340)	(27,357)
Global Balance of Payments	9,275	(10,262)	(8,060)	3,373	6,787
International Reserves of Central Bank	42,299	35,000	29,500	32,872	39,660
Macroeconomic Stabilization Investment Fund	828	830	831	3	3
External Liquid Assets					
(International Reserves + FEM + Public Funds)	59,784	53,491	53,682	56,924	41,753
Months of Imports	10	11	9	9	9

Notes: (f) Forecast; FEM: Macroeconomic Stabilization Investment Fund.

Source: Central Bank of Venezuela and Economic Research Unit - Mercantil Banco

in 2011, as a result of the new regulation on “extraordinary and exorbitant prices in the international hydrocarbons market,” also considering the transfer of international reserves to FONDEN of US\$ 3.5 billion (already completed). Additionally, it is expected that the National Treasury will accumulate resources of about US\$ 3 billion. On the other hand, withdrawals from FONDEN are expected to reach some US\$ 14 billion, to finance an important part of quasi-fiscal spending (almost 70%). Again, in 2012, we expect an additional reduction in the net deficit of the capital and financial accounts, of 43% this time, to reach barely US\$ 10.078 billion, the lowest level since 2003. This is the result of the combined effect of a continued high surplus in the investment portfolio account and of a significant reduction expected to happen in the Other Investments account. The surplus of the investment portfolio account will be a result of the almost US\$ 7 billion in Government and PDVSA Bonds, which would allow the government to finance the fiscal expansion, but also to increase the SITME. On the other hand, the Other Investments account would go from US\$ 22.352 billion in 2011 to US\$ 12.155 billion in 2012. PDVSA’s contributions to FONDEN will remain high (about US\$ 17.5 billion) due to the regulation on “extraordinary and exorbitant prices of the international hydrocarbons market,” and transfers of international reserves would be 2.5 times those of 2011 (to reach about US\$ 8.8 billion). Also considered are large

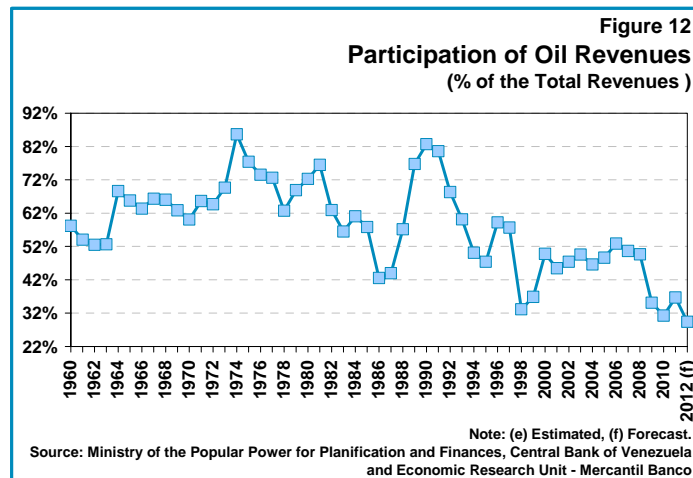
withdrawals of public funds (almost US\$ 34.7 billion) needed to finance a significant part of the fiscal and quasi-fiscal expansion foreseen for 2012.

In spite of the high net capital outflows from the public and private sectors, the strengthening of the current account would make the balance of payments to have a surplus of a little over US\$ 10.1 billion during the 2011-2012 two-year period, in contrast with the more than US\$ 18 billion deficit accumulated during 2009 and 2010. The level of international reserves would then reach US\$ 39.660 billion by the close of 2012, the highest level since 2008, and covering 9 months of imports (See Table 2).

2.3 Fiscal Policy

The continued high prices of the Venezuelan oil basket, combined with the increase in production would rise by 63% the fiscal contributions from the oil industry during 2011 in comparison with the previous year,⁹ in contrast with the slight 13.6% increase of 2010. The largest increase in fiscal oil revenues would be that of royalties, reaching 69.4%, the largest year-on-year expansion since 2004. This increase would take place even if the value of crude production (the base for royalties calculations) is included in accounts (for the last eight and a half months of the year) at an average US\$/b 70 (according to the ruling on extraordinary and exorbitant prices in the international hydrocarbons market). At the same time, income tax would increase by 61%, even if PDVSA's contributions to FONDEN and expenditures for social developments have an effect on the taxable base for this item. PDVSA contributions to the Treasury would reach 36.7% by the end of 2011, which even being 545 bp over the level of the previous year, is still well below

the last historical maximum of 2006 (52.9%) (See Figure 12).



Non-oil income is expected to show a 28% increase during 2011, based on the notable increases expected in Customs Duties (+76.8%), VAT (+48.7%) and Income Tax (34.2%).¹⁰ For 2012, the expected economic growth would cause a continued recovery of non-oil taxes. These three taxes would together show a 31.3% increase with respect to the previous year. As a result, non-oil income as a part of internal economic activity would reach the highest level since the statistical series became available (1960), reaching 14.7% by the close of the 2011-2012 two-year period (See Table 3).

Table 3
Forecast 2011-2012
Fiscal Revenues - Central Government

	In % GDP				In million of US\$			
	2009	2010 (e)	2011 (f)	2012 (f)	2009	2010 (e)	2011 (f)	2012 (f)
Oil Revenues	7.6%	6.0%	7.2%	6.1%	24,759	15,003	22,964	24,852
Income Tax	1.8%	0.8%	1.0%	1.1%	6,020	2,077	3,125	4,369
Royalties	5.1%	4.8%	5.9%	4.8%	16,738	11,859	18,838	19,484
Dividends	0.6%	0.4%	0.3%	0.2%	2,000	1,066	1,000	1,000
Non-Oil Revenues	14.0%	13.3%	12.3%	14.7%	45,718	32,997	39,592	59,656
Income Tax	3.7%	2.8%	2.7%	2.9%	12,103	6,897	8,681	11,697
Value Added Tax	6.1%	5.8%	6.2%	6.6%	19,724	14,303	19,945	26,501
Customs	0.9%	0.9%	1.1%	1.0%	2,981	2,190	3,631	4,155
Others	3.4%	3.9%	2.3%	4.3%	10,910	9,608	7,336	17,303
Total Revenues	21.6%	19.3%	19.5%	20.9%	70,477	48,000	62,556	84,508

Notes: (e) Estimated, (f) Forecast.

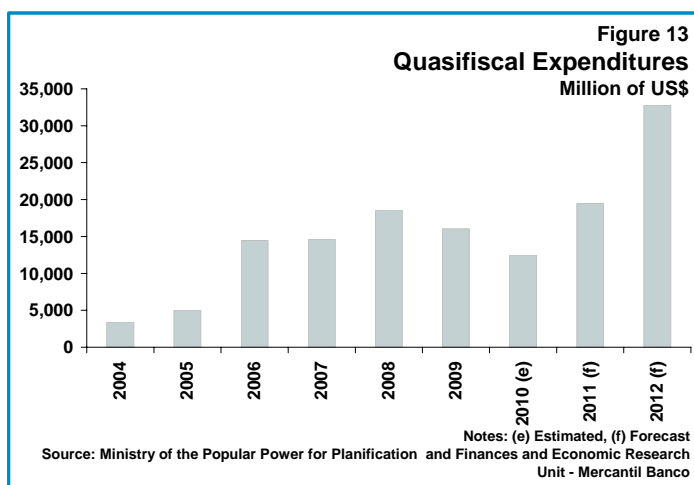
Source: Ministry of the Popular Power for Planification and Finances, Central Bank of Venezuela and Economic Research Unit - Mercantil Banco

Real primary per capita expenditures of the Central Government are forecast to expand again after the

⁹ According to the latest figures published by the BCV, petroleum revenues increased by 45.3% in comparison with the same period of 2010.

¹⁰ During the first seven months of the year, according to the latest information from SENIAT, Customs, VAT and Income Taxes collections jointly increased by 44% in comparison with the same period of last year.

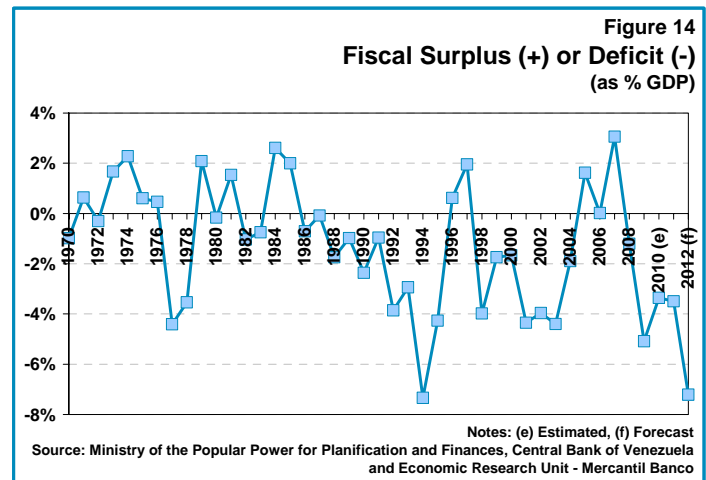
interruption of the 2009-2010 period, when this item fell by 24.7%. The forecast is for a 3.1% expansion, which would mean an almost 40% nominal increase of fiscal spending by the Central Government. For 2012, we foresee the primary real per capita spending of the Central Government to show a significant 22.9% increase, although still below the notable 2006 expansion. We also continue to assume growth of quasi-fiscal spending (+56% during 2011 and 68.3% during 2012), which would mean increases of total (fiscal plus quasi-fiscal) real per capita spending of 7.7% and 27.7% for 2011 and 2012, respectively.



The acceleration in quasi-fiscal spending (from US\$ 12.462 billion in 2010 to US\$ 19.471 billion in 2011 and US\$ 32.760 billion in 2012) is possible due to withdrawals of public funds and financing from PDVSA destined to social developments (*misiones*). On average during the 2011-2012 two-year period, almost 70% of quasi-fiscal spending will be financed with FONDEN monies (See Figure 13).

In spite of the recovery in total income of the Central Government, the notable expansion of spending will result in a deficit financial management of the central government for the fifth consecutive year, reaching 3.5% of GDP in 2011 and slightly more than double of that

in 2012 to reach 7.2%, the highest level since 1994, when the largest deficit was recorded since the historical series became available (7.3%) (See Figure 14).



Taking into account the financial deficit and the expected repayments of public debt, gross fiscal needs would reach US\$ 20.026 billion in 2012, a large portion to be financed with placement of DPN Bonds and Treasury Bills, and the rest with Bonds denominated in dollars and payable in Bs. At the official exchange rate for a total of US\$ 4.2 billion (these placements were done during the first days of August of this year). It is expected that total internal public debt awards will reach a total of almost Bs 98 billion¹¹ (70% in DPN Bonds), which are part of the total maximum amount approved in the 2011 Annual Indebtedness Law (Bs. 52.2 billion in new debt and Bs. 45 billion in

Table 4
Forecast 2011 - 2012
Central Government Borrowing Requirements

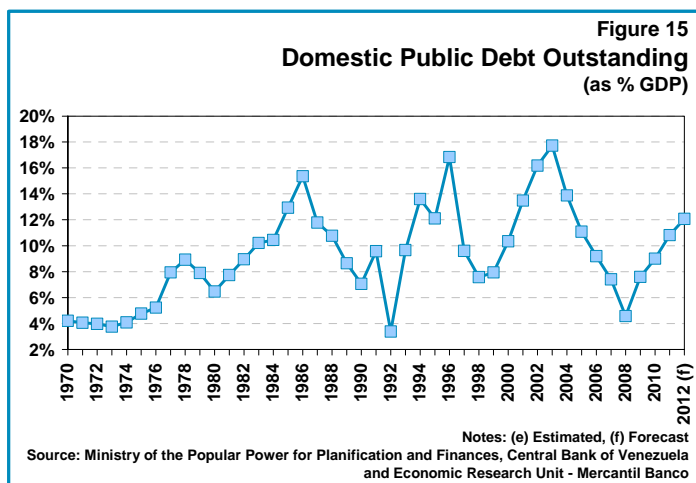
	2008	2009	2010 (e)	2011 (f)	2012 (f)
In million of US\$					
Gross Borrowing Requirements	10,773	23,060	15,429	20,026	39,497
a) External	4,812	6,040	4,319	5,064	3,809
b) Domestic	2,224	15,560	13,514	19,486	22,793
c) Others	3,737	1,460	(2,404)	(4,523)	12,895
Net Borrowing Requirements	2,878	16,562	7,238	11,203	29,173
a) External	1,669	4,735	1,194	2,031	2,161
b) Domestic	(2,528)	10,367	8,448	13,696	14,117
c) Others	3,737	1,460	(2,404)	(4,523)	12,895
As of % GDP					
Gross Borrowing Requirements	3.5%	7.1%	6.2%	6.2%	9.8%
a) External	1.5%	1.9%	1.7%	1.6%	0.9%
b) Domestic	0.7%	4.8%	5.4%	6.1%	5.6%
c) Others	1.2%	0.4%	-1.0%	-1.4%	3.2%

Notes: (e) Estimated, (f) Forecast
Source: Economic Research Unit - Mercantil Banco.

¹¹ The cumulative contributions from DPN Bonds and Treasury Bills reached a little more than Bs. 66.677 billion.

disbursements) and in the Complementary Indebtedness Law for Bs. 45 billion. This high level of indebtedness would even allow savings in the National Treasury (both in dollars and in Bs.), to be used to finance an important part of the foreseen expansion in spending for 2012. In fact, this expansion would considerably increase the fiscal deficit and, therefore, also gross fiscal requirements to double the previous year's amount, to reach US\$ 39.5 billion. 57.7% of this amount would be financed with placement of DPN Bonds in the local market in Bs., coming from savings in the National Treasury (in US\$ and in Bs.) and the rest from placement of Bs./US\$ Bonds (see Table 4).

Even foreseeing significant placements of DPN Bonds and Treasury Bills during the 2011-2012 two-year period, the stock of internal public debt would close at 12.1% of GDP at the end of the period, the highest level since 2004, although still below the historical maximum of 2003 (17.7%) (See Figure 15).



2.4 Real Sector

Regarding final value of nationally produced goods and services, and considering figures of economic recovery for the first semester of the year, the review of statistical data for the last four years and the expansion of spending we forecast for the rest of the year, total GDP is expected to increase by 3.5% during 2011. For 2012, as a response

both direct and indirect of fiscal stimuli, the increase of GDP would be 4.5%, the highest level since 1998 (+5.3%). As a consequence of the increase in oil production foreseen for 2011, oil activity would rise by 2.7%, the highest level since 2008. A lesser increase in production foreseen for 2012 would result just a 0.6% expansion of oil GDP, while non-oil GDP would grow by 3.5% during 2011 and 4.9% during 2012.

Table 5
Forecast 2011- 2012
GDP by Economic Activity

	2007	2008	2009	2010	2011 (f)	2012 (f)
Communications	22.0%	21.7%	12.1%	7.9%	8.4%	9.5%
Retail Trade	15.6%	3.5%	-8.2%	-6.1%	7.0%	8.3%
Electricity & Water	2.6%	5.0%	4.1%	-5.8%	6.2%	4.1%
Transport & Warehousing	12.8%	2.7%	-8.4%	-2.0%	4.8%	5.8%
Finance & Insurance	16.7%	-7.4%	-1.5%	-7.6%	6.1%	8.8%
Government General Services	5.9%	5.3%	2.4%	2.6%	6.1%	7.0%
Non-Oil GDP	9.7%	5.7%	-1.7%	-1.6%	3.5%	4.9%
TOTAL GDP	8.8%	5.3%	-3.2%	-1.5%	3.5%	4.5%
Manufacturing	4.4%	1.4%	-6.4%	-3.4%	3.5%	3.8%
Mining	1.2%	-5.8%	-10.3%	-13.0%	1.5%	-2.0%
Housing, Real State and Private Services	8.4%	2.0%	-1.1%	-0.7%	3.7%	3.9%
Social and Common Services	-13.6%	40.2%	2.0%	-0.1%	2.7%	3.6%
Oil GDP	-3.3%	2.9%	-7.4%	0.1%	2.7%	0.6%
Construction	20.8%	10.5%	-0.2%	-7.0%	-3.1%	9.6%

Note: (f) Forecast

Source: Central Bank of Venezuela and Economic Research Unit - Mercantil Banco.

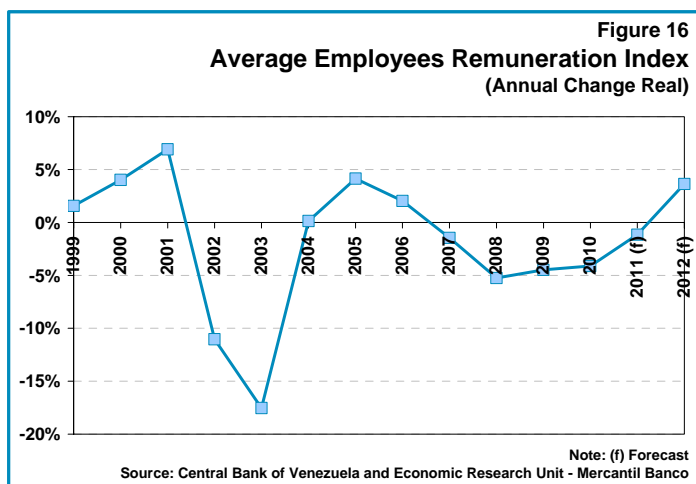
We expect positive growth rates for all activities in the non-oil GDP during 2011, except for Construction, which would show a decline for the third consecutive year, this time by 3.1%. Sectors with large participation in non-oil activity are Manufacture, which represents 19% of non-oil GDP, which would increase by 3.5%, followed by Central Government Services which, with a 16% participation, would increase by 6.1%, and Commerce would show a strong 7.0% growth (12% participation). During 2012, half of the activities would show growth rates above the national average, starting with Construction (+9.6%), Communications (+9.5%), Financial Institutions (+8.8%) and Commerce (+8.3%), with Mining only showing a 2.0% decline of GDP (See Table 5).

The expected favorable performance of internal economic activity during the 2011-2012 two-year period can be explained by a recovery in the principal component of the DAI, that is, private consumption, which is foreseen to go from a cumulative 4.7% contraction during the 2009-2010 two-year period, to increases of 5.0% and 7.6% in 2011

and 2012, respectively. After two consecutive year of contractions, the second major component, Gross Formation of Fixed Capital (*FBCF – Formación Bruta de Capital Fijo*) with a 25% participation would increase by 5.1% in 2011 and 14.7% in 2012, the highest level since 2007. At the same time, public consumption would continue with a positive growth rate as has been happening since 2003, this time of 3.3% in 2011 and 5.7% in 2012. Thus, with an expected growth in inventory changes close to 24% (significantly below the 64.9% increase of 2010), we foresee DAI to show a 5.7% increase during 2011, in contrast with the 0.5% decline of 2010. During 2012, DAI's increase would be 9.6%. To be noted is that the expected growth of all DAI components for 2012 would be the highest since 2007.

2.5 Labor Market

The Index of Remunerations (*IRE – Índice de Remuneraciones de los Asalariados*) published by the BCV is expected to show during the 2011-2012 two-year period the highest growth rates since the statistical series became available (1999), reaching 28.5% in 2011 and 29.9% in 2012. However, because of estimated inflation, the IRE in real terms will continue to show a negative rate for the fifth consecutive year, although this time of barely 1.2% (-4.1% in 2010). In contrast, during 2012, real remunerations of workers would increase by 3.6%, the largest adjustment since 2005 (See Figure 16).



The unemployment rate is expected to show a slight 9 bp reduction with respect to 2010, to reach 8.4%. This weak decline is a consequence, however small, of the larger increase in occupied population over Economically Active

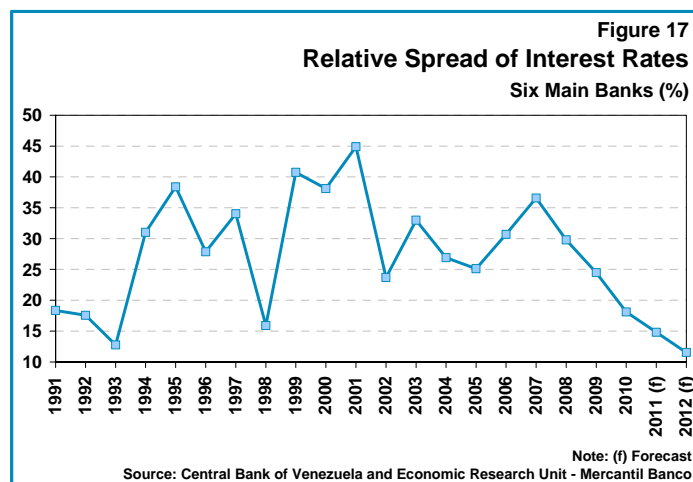
Population (2.4% vs. 2.3%). Instead, for 2012, the larger expected economic growth, particularly in activities with large numbers of worker (mainly Construction and Finance Institutions) together with the increase of real salaries of the occupied population, would allow an even larger reduction of the unemployment rate (-53 bp) to reach 7.9%.

2.6 Prices

Fiscal expansion during 2011, the recovery of private consumption and the rising of controlled prices¹² will continue to create inflationary pressure, partially offset by the higher level of imports and the expansion of domestic production. Therefore, the foreseen rate of inflation is a 257 bp increase in 2011, to reach 30%, the highest level since 2008. Instead, in 2012, the greater economic growth and, particularly, the significant expected increase of imports would reduce inflation, still under pressure from the side of demand, causing a deceleration of 464 bp in the adjustment of internal prices, to reach 25.3%.

2.7 Monetary Policy

Finally, the larger nominal expansion of spending foreseen for the 2011-2012 two-year period would generate notable net monetary injections of fiscal origin, with an expansion of credit foreseen to show a nominal 39.9% increase in 2011 and 40.4% in 2012, returning to the real expansion interrupted during the 2008-2010 period. In consequence, the real loan portfolio is expected to increase by 7.1% in 2011 and by 12% in 2012. In this context, monetary liquidity would show an important expansion



¹² During the first eight months of the year, prices have been increased for 9 foods in various presentations (pasta, bread, cooking oil, milk, sugar, chicken, rice, corn flour and meat) on average a little over 30%.

for the 2011-2012 two-year period, which would be the highest since 2005-2006 (43% on average). Lending rates for the 2011-2012 period are expected to continue the year-on-year declines started in 2009, this time by 54 bp in 2011 and by 69 bp in 2012. Meanwhile, borrowing rates (measured by yields of 90-day term deposits) will reach a

14.9% average (very similar to that of 2010). In consequence, the financial margin would close 2012 at 11.5% (14.9% in 2011), the lowest level since 1989 (see Figure 17).

		Table 6 Forecast 2011 - 2012 Main Macroeconomic Indicators				
		2008	2009	2010	2011 (f)	2012 (f)
Gross Domestic Product (GDP). Real Change						
	Total	5.3%	-3.2%	-1.5%	3.5%	4.5%
	Oil Sector	2.9%	-7.4%	0.1%	2.7%	0.6%
	Non-Oil Sector	5.7%	-1.7%	-1.6%	3.5%	4.9%
	Import Fees	5.3%	-8.5%	-2.3%	4.4%	5.5%
	GDP (million of Bs. 1997)	58,525	56,651	55,808	57,786	60,359
	GDP (million of US\$ - PPP)	159,804	126,155	146,570	162,291	166,446
Aggregated Demand. Real Change						
	Private Consumption	6.3%	-2.9%	-1.9%	5.0%	7.6%
	Gross Fixed Investment 1/	2.4%	-8.3%	-6.3%	5.1%	14.7%
	Total Aggregated Demand 2/	4.0%	-8.4%	-1.9%	5.7%	9.1%
Consumer Inflation						
	Dec-Dec	31.9%	26.9%	27.4%	30.0%	25.3%
	Average	31.4%	28.6%	29.1%	27.4%	26.2%
Average Interest Rate (Main Six Banks)						
	Average Lending Rate	22.8%	20.6%	18.0%	17.5%	16.8%
	Deposit Rate 90 days	16.0%	15.6%	14.7%	14.9%	14.8%
Monetary Liquidity (M2)						
	Million of Bs. (Dec)	194,275	235,401	292,012	416,843	597,153
	Nominal Change	26.8%	21.2%	24.0%	42.7%	43.3%
	Real Change	-3.9%	-4.5%	-2.6%	9.8%	14.3%
Mercado Petrolero y Sector Externo						
	Average Basket Oil Price Refiner Acquisition Cost-RAC (USD/b)	94.6	59.2	76.7	100.4	107.0
	Average Basket Oil Price (US\$/b)	88.2	56.9	71.6	96.2	101.9
	Production Average of Crude (thousands bd)	2,353	2,181	2,187	2,256	2,311
In million of US\$						
	Oil Exports	89,128	54,201	62,317	84,056	89,647
	Non-Oil Exports	6,010	3,394	3,469	4,313	3,986
	Imports	49,482	38,442	38,613	46,337	54,051
	Trade Balance	45,656	19,153	27,173	42,032	39,582
	Current Account	37,392	8,561	14,378	26,205	22,563
	Capital & Financial Account + Error & Omissions	(28,117)	(18,823)	(22,438)	(22,832)	(15,776)
	Global Balance of Payments	9,275	(10,262)	(8,060)	3,373	6,787
	International Reserves of Central Bank	42,299	35,000	29,500	32,872	39,660
	FEM	828	830	831	3	3
Central Government (% GDP)						
	Total Revenues	24.9%	21.6%	19.3%	19.5%	20.9%
	Total Expenditures	26.1%	26.7%	22.7%	23.0%	28.1%
	Global Surplus / (Deficit)	-1.2%	-5.1%	-3.4%	-3.5%	-7.2%
	PDVSA's Quasifiscal Expenditures + FONDEN (% GDP)	8.4%	8.4%	5.6%	6.6%	11.9%
	Central Government + Quasifiscal Expenditures (% GDP)	34.5%	35.1%	28.3%	29.6%	40.0%
Labor Market						
	Nominal Change of Average Wage	25.0%	21.2%	22.2%	28.5%	29.9%
	Unemployment Rate (II Half)	6.8%	7.5%	8.5%	8.4%	7.9%

Notes: (f) Forecast; FEM: Macroeconomic Stabilization Investment Fund.

1/ Investment is equal to Gross Fixed Investment + Changes in inventories.

2/ Total Aggregated Demand is equal to Total Consumption + Investment + Total Net Exports.

Source: Central Bank of Venezuela, National Institute of Statistics, Ministry of Finance, Ministry of Energy & Mines, EIA and Economic Research Unit - Mercantil Banco

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

OFFICIAL GAZETTE N°	DATE	SUMMARY
39,727	08/03/11	Instructions to Award Credit for Self-Construction, Extensions and Improvements of Main Residences.
39,728	08/04/11	Nationwide prices of sorghum paid to the Producer (Bs/Ton 1,200) (See N° 6,030 Extraordinary Official Gazette of the Bolivarian Republic of Venezuela, of August 03, 2011)
39,731	08/09/11	Resolution N° 209.11: "Regulations for the Intervention of Institutions Operating in the Venezuelan Banking Sector and Related Legal Persons".
39,741	08/23/11	Regulations for the Liquidation of Institutions of the Banking Sector and Related Legal Persons.
39,741	08/23/11	Decree N° 8,414, with Value and Force of Law: Partial Reform of the Organic Law for the Financial Administration of the Public Sector.
39,741	08/23/11	"Regulations for the Procedures for Assigning Resources to Finance Projects of Communal Councils and Other Social Organization Forms".
39,741	08/23/11	Official Notice establishing that, from September 5, 2011, banking institutions must approve checks issued against sight deposits by individuals or legal persons, following the corresponding procedures, for amounts no less than indicated therein (Bs 300,00).

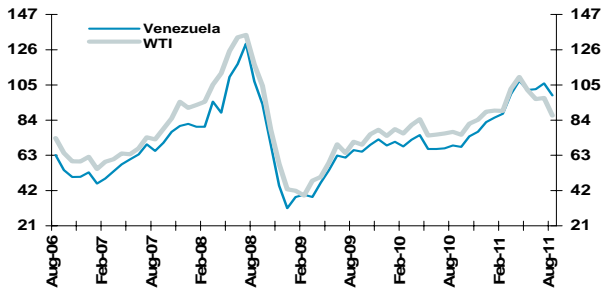
Source: Official Gazettes of the Bolivarian Republic of Venezuela

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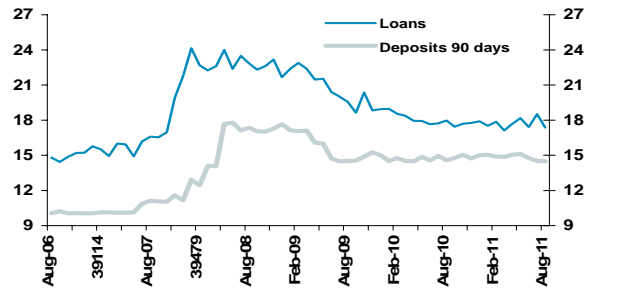
ECONOMIC INDICATORS		2008	2009	2010	Apr-11	May-11	Jun-11	Jul-11	Aug-11	% Change	% Change
EXTERNAL SECTOR											
		Accumulated 12 Months									
Volume of Production of Crude (thousands of barrels)		2,353	2,181	2,187	2,230	2,240	2,300	2,300	2,270	3.7%	3.2%
Price West Texas Intermediate (WTI) (US\$/b)		99.9	55.3	58.8	109.7	101.9	96.6	97.2	86.7	(2.7)%	12.5%
Venezuelan Oil Basket Price (US\$/b)		86.5	57.0	72.7	107.4	102.0	102.6	105.9	98.7	19.1%	43.3%
OPEC Price (US\$/b)		94.4	55.0	58.2	117.5	110.4	109.2	111.4	106.3	20.4%	43.2%
Non Traditional Exports (Million of US\$)		5,426	2,380	2,486	209	432	222			6.7%	17.5%
Imports ^{1/} (Million of US\$)		45,128	36,908	30,745	2,424	2,949	3,114			32.7%	19.7%
Gross International Reserves (Million of US\$)		42,299	35,000	29,500	26,910	28,882	28,386	29,017	29,063	(1.5)%	2.9%
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		Index 1997 = 100									
Sales Volume Index		216.6	192.7	178.7	185.9	201.8	197.0			(18.7)%	22.8%
Wholesale		143.3	122.1	130.8	135.7	152.5	154.1			9.2%	27.3%
Detail		265.7	239.8	210.8	219.6	234.8	225.8			(27.3)%	20.8%
Automotive Vehicles		189.8	127.4	85.2	87.5	93.3	97.9			16.9%	23.9%
Parts, Pieces & Accessories of Automotive Vehicles		171.7	149.5	149.0	173.6	211.5	174.9			22.3%	31.9%
Fuels for Automotive Vehicles		128.9	180.7	169.8	181.7	177.2	173.9			6.6%	9.2%
Foods, Beverages & Tobacco in Non-Specialized Storehouses		337.0	324.2	267.9	229.1	237.4	223.8			(32.1)%	(6.0)%
Other Products in Non-Specialized Storehouses		159.1	247.7	184.7	156.8	202.4	235.2			(5.9)%	34.6%
Foods, Beverages & Tobacco in Specialized Storehouses		248.7	217.4	185.5	216.3	213.2	216.8			(15.7)%	18.2%
Pharmaceutical & Medicinal Products, Cosmetic & Toiletries		401.7	409.3	316.0	350.4	350.5	350.4			(19.4)%	25.4%
Textile Products, Apparel, Footwear & Leather's Articles		490.8	394.4	367.7	530.9	553.2	574.5			(34.2)%	85.6%
Articles & Equipment of Domestic Use		608.1	490.7	441.6	312.6	334.6	276.3			(59.6)%	(27.2)%
Articles of Ironworks, Paintings & Products of Glass		107.2	99.8	83.2	96.0	101.9	104.1			13.4%	34.7%
Other Products in Specialized Storehouses		85.8	90.0	113.8	129.8	161.1	150.6			(23.3)%	51.6%
Volume Index of Private Manufacturing Industry		125.6	110.7	108.1	98.8	115.9	115.8			25.0%	3.7%
MONETARY AGGREGATES		Million of Bs.									
Liquidity (M2)		194,275	235,401	292,016	312,908	320,625	335,673	351,917	352,928	20.9%	36.4%
Currency & Demand Deposits (M1)		124,036	155,269	217,350	234,275	241,044	254,102	267,032	324,815	49.5%	77.4%
Monetary Base		83,787	98,903	126,218	124,525	127,226	115,913	128,619	115,218	(8.7)%	8.6%
Net International Reserves		89,048	74,544	75,711	114,000	124,583	121,541	123,691	120,208	59.1%	66.4%
Net National Treasury Agency		(9,474)	(3,488)		(21,081)	(25,562)	(41,077)	(43,073)	(69,453)	286.2%	216.6%
PDVSA		(351)	(6,091)		24,329	25,812	43,623	42,529	55,752	186.1%	846.0%
Other Net Public Sector Accounts		2,624	919		(15,563)	(13,899)	(17,518)	(15,581)	(12,321)	(9.6)%	99.5%
Financial Sector		161	3		(3,062)	(4,266)	(4,570)	(4,876)	(4,860)	(4.8)%	(5.8)%
Credit Instruments Placed by BCV		(23,041)	(7,563)		(8,186)	(8,954)	(9,336)	(8,214)	(8,650)	(3.2)%	11.2%
Capital & Other Net Accounts		17,477	38,354		19,078	17,797	17,223	19,579	20,575	(68.4)%	(63.4)%
MONETARY MARKET		Million of Bs.									
Awarded Repos		795	12,637	35,274	3,366	3,028	3,680	3,172	2,881	8.3%	(7.6)%
Awarded CDs		179,520	170,804	79,600	5,553	7,909	6,656	6,846	6,856	5.7%	5.1%
Awarded Repos+CDs (Average Weekly)		3,468	3,481	2,364	2,555	2,486	2,720	2,636	2,213	5.8%	1.0%
Purchases DPN (Average Weekly)		586	461	681	386	269	194	-	-	(39.9)%	(100.0)%
Outstanding Repos		-	2,653	2,770	3,792	3,346	3,312	3,040	3,482	25.7%	6.0%
Outstanding CDs		22,715	7,584	8,450	8,496	9,264	9,646	8,508	9,150	8.3%	16.0%
Average Effective Returns Repos		6.50	6.27	6.08	6.2	6.1	6.1	6.3	6.1	(1.0)	(17.8)
Average Effective Returns CDs		12.34	8.97	6.43	6.3	6.4	6.3	6.3	6.2	(18.2)	(12.7)
COMMERCIAL & UNIVERSAL BANKS		Million of Bs.									
Credit Portfolio		128,243	139,067	177,624	187,019	191,005	199,894	211,874	218,855	23.2%	41.1%
Investments		59,049	59,445	84,015	110,943	117,252	123,117	143,991	133,496	58.9%	66.3%
Total Deposits		175,984	184,977	253,275	281,860	285,497	297,373	328,663	379,690	49.9%	71.8%
Demand Deposits		106,763	115,498	180,900	203,901	206,934	216,193	237,805	235,961	30.4%	53.1%
Saving Deposits		45,777	47,996	62,553	67,123	67,549	69,507	73,072	73,906	18.2%	38.4%
Term Deposits		23,444	21,483	9,823	10,835	11,014	11,672	11,785	13,262	35.0%	(2.0)%
INTEREST RATES		Annual Percentage									
Overnight (Min - Max)		0,01-56.0	0,01-38.0	0,1-20.0	0,3-14.0	0,2-13.0	0,07-13.0	0,1-3.0	0,05-1.5	-	-
Overnight (Average)		10.15	9.30	5.36	9.52	8.13	4.08	0.35	0.46	(1,164)	(213)
Loans (6 Main Banks)		22.77	20.61	17.99	17.47	18.17	17.41	18.57	17.37	(52)	(60)
90 Days Deposits (6 Main Banks)		16.55	15.57	14.73	15.04	15.10	14.77	14.52	14.50	(50)	(8)
Libor 90 Days		2.79	0.65	0.34	0.27	0.25	0.25	0.26	0.33	2	3
CENTRAL GOVERNMENT ^{2/}		Million of Bs.									
Total Revenues		163,878	192,529	241,760	25,748	27,819				(52.2)%	34.3%
Oil Ordinary Revenues		81,397	52,989	59,669	5,556	10,744				(53.0)%	89.7%
Non-Oil Ordinary Revenues		71,496	83,678	104,044	13,804	10,904				(44.8)%	54.8%
Extraordinary Revenues		24,298	55,862	79,198	6,388	6,171				(61.6)%	(22.9)%
Domestic Borrowing		21	22,764	25,495	4,266	3,898				(29.6)%	17.1%
External Borrowing		6,503	8,759	6,526	-	-				(99.6)%	(100.0)%
Others		10,134	15,695	30,001	14	144				(91.5)%	(94.3)%
Total Expenditures		181,795	197,511	245,317	19,978	23,271				(56.0)%	29.4%
Ordinary Expenditures		174,440	187,220	228,994	19,029	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	7,289	7,719	16,483	4,785	6,756	65.2%	102.9%
Net Borrowing Bonds DPN		(5,790)	14,557	31,134	2,890	4,680	14,352	2,094	4,365	81.8%	124.6%
Net Borrowing Treasury Bills		(90)	2,314	1,356	1,134	553	(407)	79	(215)	(0.6)%	(69.8)%
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	(158)	7
1801-2520 Days			11.87	16.82	17.55	17.25	17.54	17.87	17.87	(61)	(59)
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	6.89	7.16	6.46	6.56	6.07	(201)	(251)
111-150 Days										-	-
151-180 Days			9.69							-	-
181-269 Days				8.76	6.68	6.27	5.71	5.18	4.70	470	(385)
PRICE INDEX (CARACAS)		% Change Dec-Dec									
Consumer		31.9	26.9	27.4	1.3	2.9	2.2	2.5	1.7	19.5%	26.5%
Foods & Non Alcoholic Beverages		46.7	20.4	34.4	0.9	3.2	3.4	5.1	2.9	23.0%	29.3%
Alcoholic Beverages & Tobaccos		28.3	47.7	48.5	3.0	2.3	3.2	0.7	0.9	17.4%	30.3%
Apparel & Footwear		18.8	22.1	18.6	1.2	2.0	1.7	1.4	0.7	12.0%	20.7%
House Rent		7.0	16.1	11.6	0.1	0.1	0.1	0.6	0.5	5.6%	9.3%
Household Services (excluding Phone Services)		5.5	3.9	4.4	0.3	(0.1)	0.1	0.8	0.2	5.9%	6.4%
Home Equipment		34.7	39.2	28.7	1.6	3.8	1.7	1.3	1.0	21.3%	26.2%
Health		26.9	34.3	25.0	2.1	1.6	1.8	0.9	1.1	22.7%	29.0%
Transport		29.9	30.5	26.5	1.2	6.1	3.1	1.3	1.1	24.2%	29.5%
Communications		7.3	9.4	6.8	0.3	0.9	0.3	0.1	0.3	2.8%	4.6%
Culture		25.1	26.9	28.7	1.4	1.1	0.8	1.5	1.5	13.9%	21.3%
Educational Services		28.5	29.4	24.0	0.0	4.5	1.4	1.2	0.0	11.0%	26.0%
Restaurants & Hotels		49.6	33.6	31.7	2.0	2.8	1.9	3.4	2.5	23.1%	33.1%
Miscellaneous Goods & Services		37.8	50.7	30.8	2.5	2.6	2.2	1.4	1.5	25.4%	35.9%
Core Inflation ^{3/}		33.8	34.6	29.3	1.8	2.3	1.7	1.8	1.7	21.0%	30.1%
Private Manufacturing Production		25.2	26.5	22.0	1.9	1.6	1.6	0.8	1.6	15.7%	20.2%
Wholesale		32.4	24.8	26.8	0.9	1.7	2.1	2.4	1.3	14.1%	20.4%
National		36.7	22.2	28.8	1.0	1.8	2.4	2.8	1.5	15.0%	

Economic Indicators

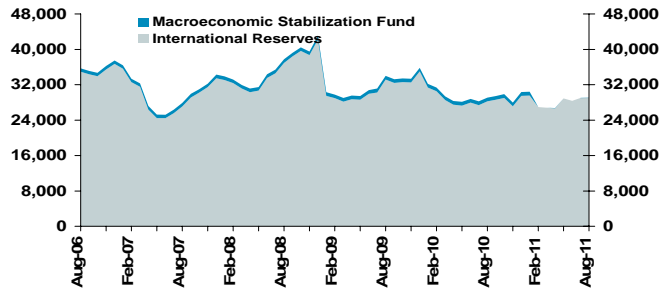
Oil Price (US\$/b)



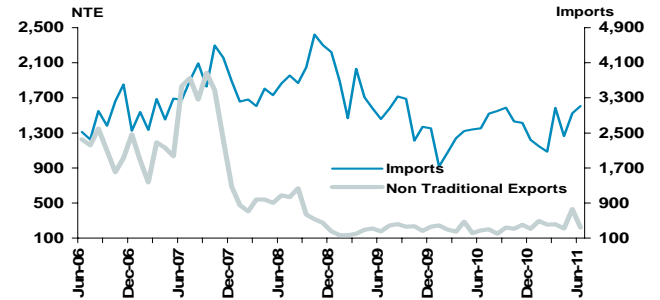
Interest Rates. 6 Main Banks %



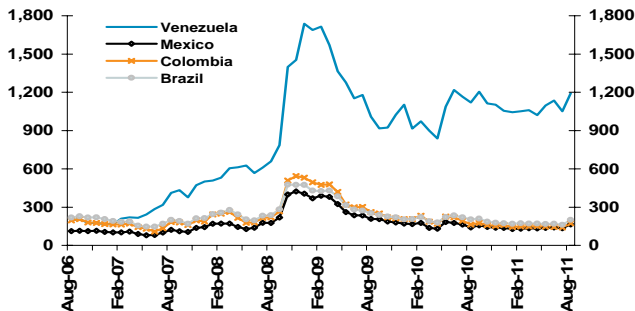
International Reserves and Macroeconomic Stabilization Fund (Million of US\$)



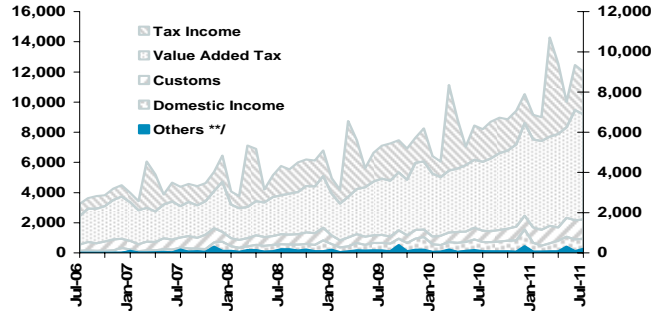
Non Traditional Exports (NTE) & Imports (MMUS\$)



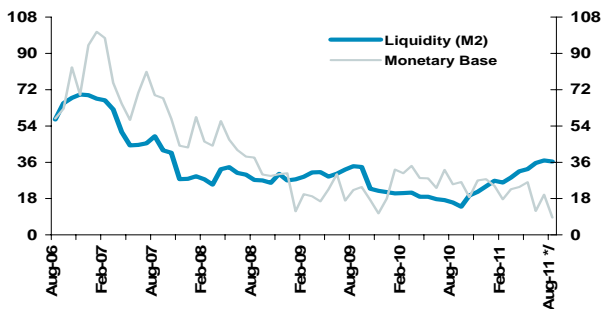
Sovereign Spreads. Differentials EMBI+ Basic Points



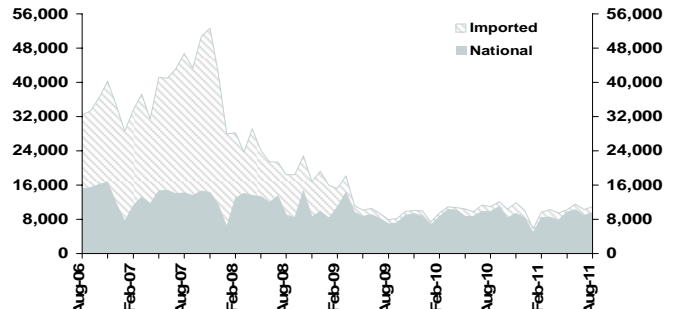
Domestic Taxes Million of Bs.



Monetary Aggregates % Change Y o Y



Sales of Vehicles Units

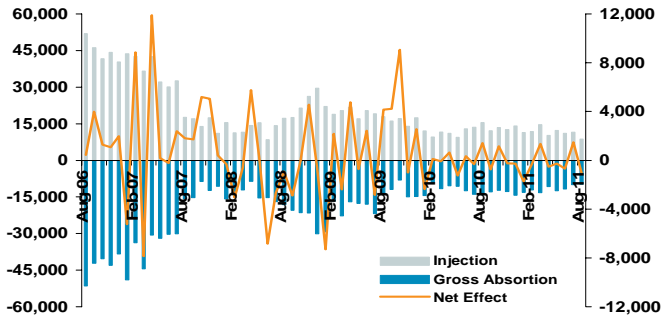


Notes: Y o Y: Change of the month with respect to the same month of the previous year. The Emerging Markets Bond Index Plus (EMBI+) tracks total returns for traded external debt instruments in the emerging markets. The instruments include external-currency-denominated Brady bonds, loans and Eurobonds,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

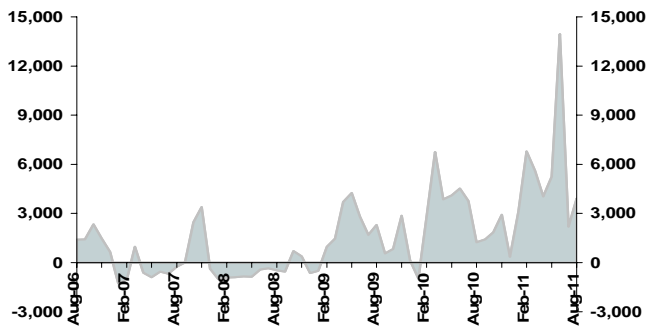
Open Market Operations

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



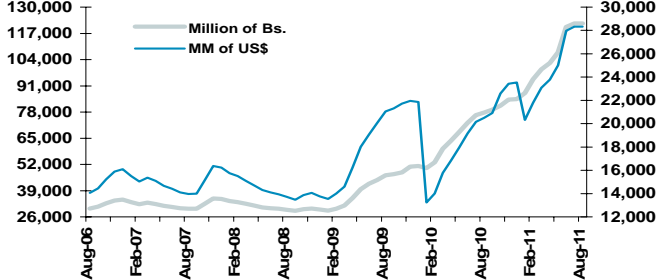
Net Domestic Borrowing^{1/}

Million of Bs.

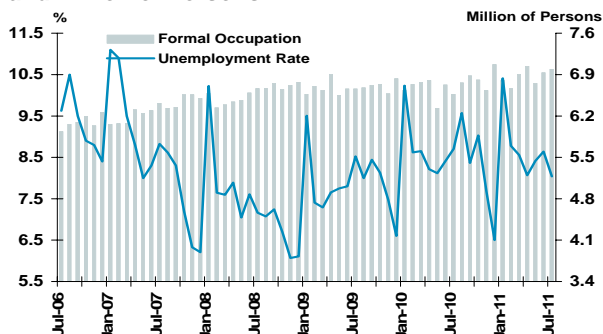


Domestic Debt Stock

DPN Bonds + Treasury Bills

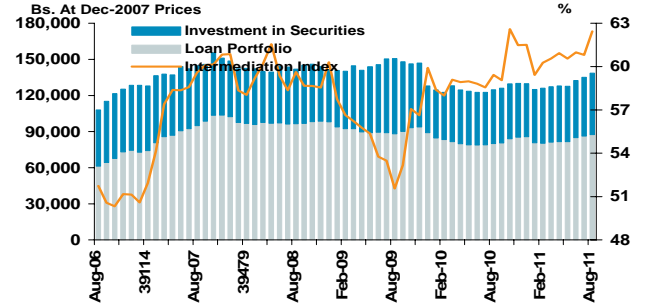


Labor Market % and Million of Persons



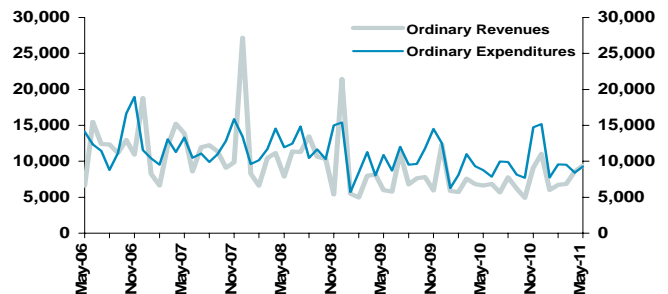
Commercial & Universal Banks

Credit, Portfolio Investment Bs. At Dec-2007 Prices



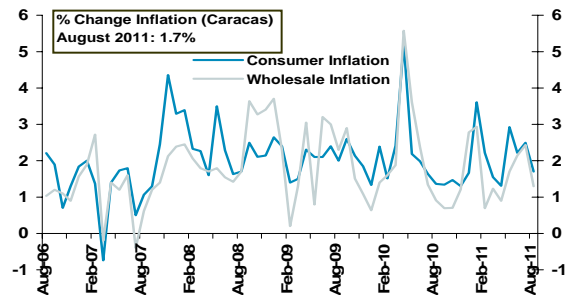
Central Government

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