

ECONOMIC OUTLOOK 2011 - 2012

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

By the end of February, 2011, the Central Bank of Venezuela (BCV) published official data for the full year 2010 covering domestic economic activity, domestic aggregate demand (DAI – *Demanda Agregada Interna*) and balance of payments, showing signs of recovery in GDP and DAI during the fourth quarter of 2010, as well as a slightly lower deficit in the balance of payments than previously indicated in the “End of Year Message” by the President of the BCV. The GDP in 2010 was now reported to have declined by -1.4% (from -1.9%). Non-oil activity was now down 1.5% compared to the -1.8% than had been

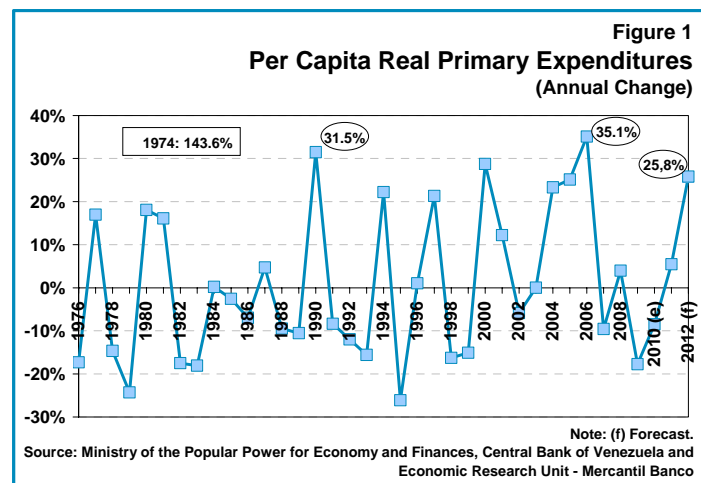
forecast in December. In the case of oil activity, final figures show an increase by 0.2% from a preliminary forecast contraction of -2.2%. The DAI was forecast by the BCV in December to drop by -1.7%, which was corrected in March to a final result of -0.9%. For the balance of payments, the BCV had estimated a preliminary deficit of US\$ 10.181 billion, but final figures showed a lower negative balance at US\$ 8.060 billion. This less unfavorable behavior of the principal indicators for the real and external sectors, together with the February updating of fundamental macro-economic variables such as: monetary liquidity, inflation, interest rates, deposits and placements of the financial system, oil price and production, and spending and income for the central government, originate a revision of macro-economic outlook for the two-year period 2011-2012 previously published last January.

Under the current scenario, global economic growth is expected to continue, particularly in the United States and China. Together with the persisting conflicts in some Middle Eastern and African countries and the partial interruption of Libyan oil exports due to political tensions extending to the whole region, this growth will cause a rise in world oil demand, in turn causing a substantial increase in the prices for the principal crude markers.

2. ECONOMIC OUTLOOK 2011-2012

The outlook for the principal macro-economic variables of the Venezuelan economy for the 2011-2012 two-year period will depend on favorable international oil prices and on the general orientation of economic policy, which should favor the recovery of the output and of employment, both things possible with the higher primary expenditures associated with the upcoming 2012 elections. In fact, we foresee that primary spending by the central government will increase by a nominal 36.5% in 2011 and by 60.2% in 2012, the highest level since 1996. This important fiscal expansion forecast for the 2011-2012 two-year period will

be possible due to the expected notable increase in national oil fiscal income and to the exchange rate adjustment as of January 1 of the current year, under which the PDVSA effective rate was unified at Bs/\$ 4.30 from the Bs/US\$ 3.64¹ combined rate that was in effect until the end of December of last year. However, with the adjustment in domestic prices forecast for the period, the increase in real primary per capita spending would barely reach 5% in 2011 (-8.5% in 2010) and 25% in 2012. To be noted is that this latter increase would be 930 basis points (bp) below the 35.1% increase of 2006, and significantly lower than the 35.1% historical maximum of 2006 (last presidential elections), and significantly below the 1974 historical maximum (143%)(See Figure 1). This real expansion implies a high nominal level of spending during the two years, which would provoke a fiscal deficit for 2011 similar to that of 2010, to be financed mainly with national public debt bonds (*DPN – Deuda Pública Nacional*) to be placed in the domestic market, in amounts sufficient to generate savings both in Bs and in US\$ (the same as in 2010), necessary for the forecast fiscal expansion for 2012.



2.1 Oil Market

According to the latest report of the EIA (Energy Information Administration of the Department of Energy of the United States) for March of this year, the oil market will show a favorable performance within the global economic growth. In fact, the EIA forecasts that real world GDP (weighed for oil consumption) will show increases of 3.8% and 3.7% in 2011 and 2012, respectively. In the United

States, the EIA forecasts economic growth during 2011 40 bp higher than in 2010, rising from 2.9% to 3.3%, with a

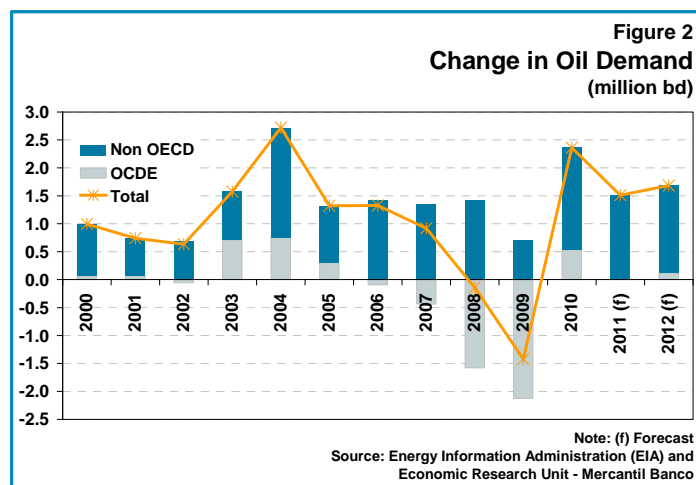
Table 1
**Economic Growth United States
Forecast 2011-2012**

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

Note: na- Non Available

Source: EIA, Short Term Energy Outlook

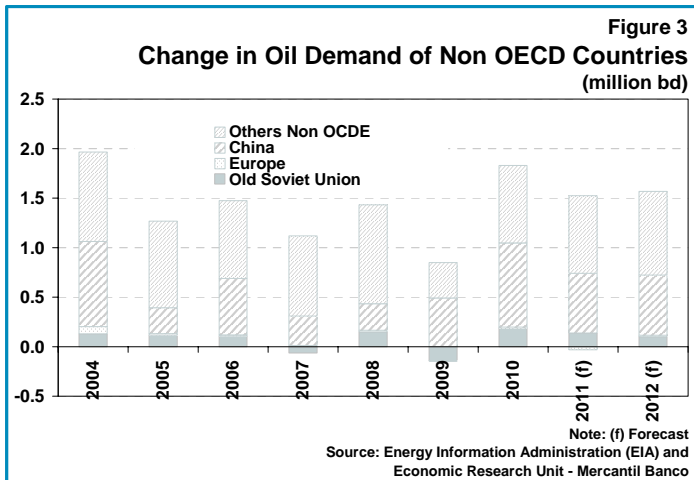
lesser real GDP increase (2.8%) for 2012 (See Table 1). The International Monetary Fund (IMF) expects that China's domestic economic activity will show a significant 9.6% increase in 2011 (10.5% in 2010) and of 9.5% in 2012.



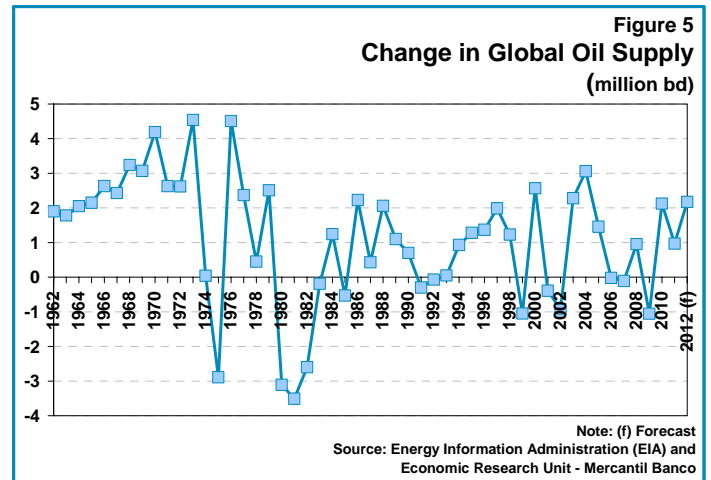
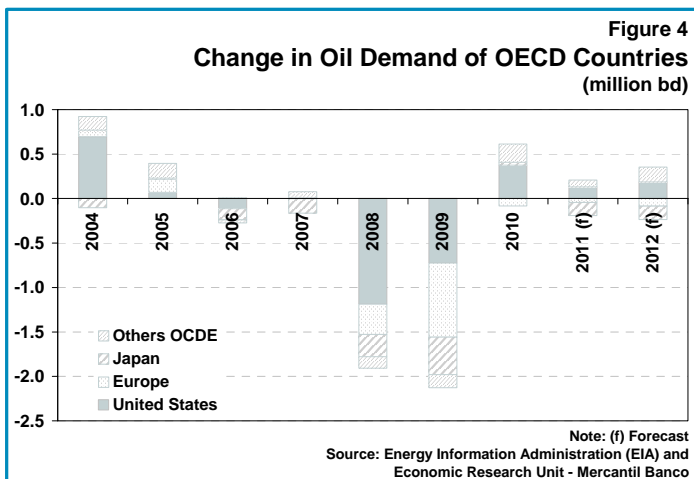
Oil prices will continue to rise due to world economic growth, together with the recent events in North Africa and the Middle East, the region with the largest oil production, and the current situation in Libya, which has partially cut its crude production². These factors will continue to put pressure on oil prices in a tight supply environment. EIA

¹ The exchange rate resulting from PDVSA sales of currency to the BCV: 40% of the total of oil exports at Bs/US\$ 2.60 and 60% at Bs/US\$ 4.30.

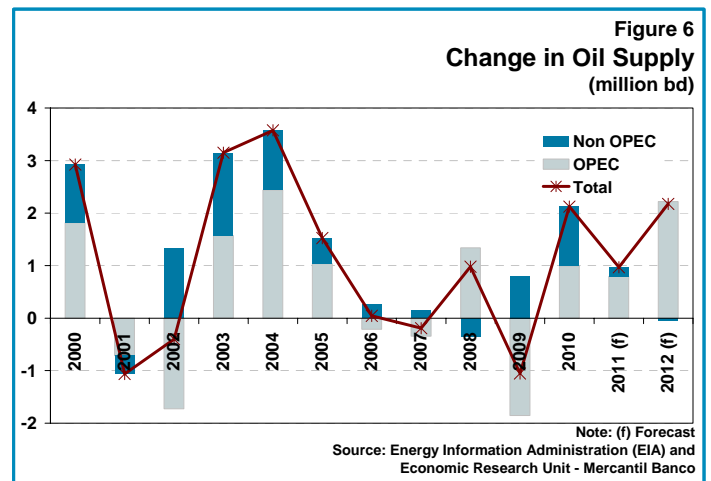
² According to EIA, crude production in Libya declined by 310 kbd during February in comparison with the previous month, to reach 1.3 mbd. EIA's report also indicates that, according to various reports, Libyan total production of liquid hydrocarbons has been reduced by over 1.8 mbd and there is much uncertainty about the duration of this situation.



forecasts a 1.5 mbd increase in world oil demand - during 2011 (2.4 mbd during 2010, the second largest increase in the last 30 years, caused by the recovery after the crisis in 2009) and a 1.7 mbd increase for 2012, probably coming almost exclusively from Non-OECD countries (See Figure 2). Oil demand in Non-OECD countries is expected to rise by 1.49 mbd and by 1.57 mbd in 2011 and 2012, respectively, 40% of which is due to the demand from China, which would reach 10.4 mbd by the close of the 2011-2012 two-year period (See Figure 3). The increase in oil demand in OECD Countries, on the other hand, will barely reach 19 mbd during 2011 and 117 mbd in 2012, well below the increase of 2010 (+530 mbd). The slight expected increase in oil demand in OECD Countries for the 2011-2012 two-year period may be explained by the forecast increase in demand by the United States (131 mbd and 186 mbd in 2011 and 2012, respectively), which will only partially offset the expected contraction of demand by Europe and Japan, a joint decrease by 190 mbd in 2011 and 236 mbd in 2012, because of the continuing substitution of oil by other alternate energy sources (Low Carbon Economy) (See Figure 4). In the case of Japan, the



effects from the recent earthquake and tsunami will have to be analyzed later, as an increase in electricity production from fossil fuels would increase oil demand.



The EIA foresees a 1 mbd increase in oil supply for 2011, half the increase of 2010 (2.1 mbd), with an even larger increase expected for 2012, of 2.2 mbd, for the largest growth since 2004 (See Figure 5). During 2011, OPEC would cover 82% of the increase in world oil supply with a

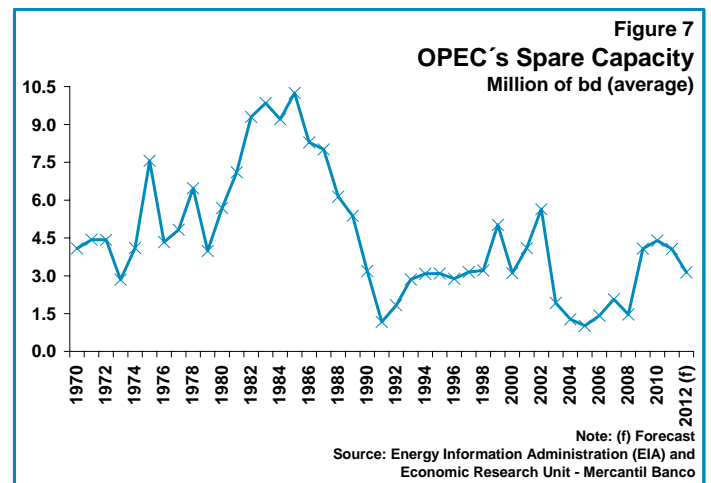


Table 2
Forecast 2011-2012
RAC Price

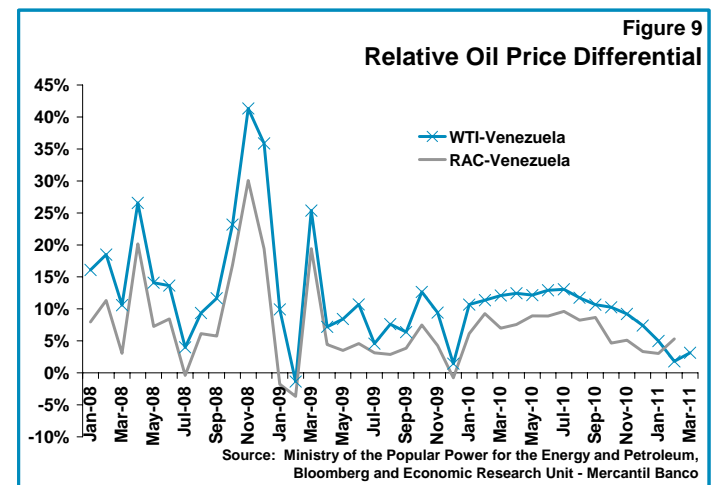
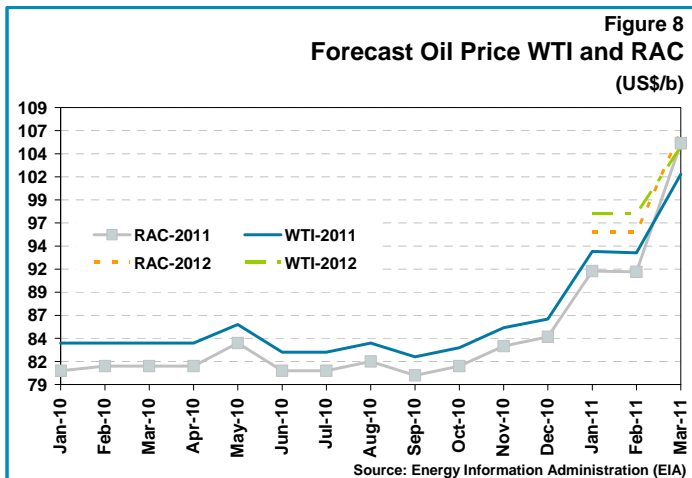
	I Quarter 11	II Quarter 11	III Quarter 11	IV Quarter 11	I Quarter 12	II Quarter 12	III Quarter 12	IV Quarter 12	2010	2011	2012
US\$/b	96.2	108.8	108.0	107.5	108.3	107.0	105.7	105.0	76.7	105.1	106.5

Source: Monthly Bulletin (march, 2011). Department of Energy of the United States (EIA)

798 kbd increase in production (1 mbd during 2010). This increase takes into account EIA's forecast that the drop in crude production by Libya will have to be compensated in two ways: a decrease in stocks and an increase in production by other OPEC countries. For the following year, OPEC would cover 100% of the increase in world oil supply (See Figure 6). Under this scenario, and with a strengthened world oil demand, OPEC's idle capacity would suffer a 337 mbd contraction during 2011, in contrast with the 321 mbd increase of 2010. For 2012, an even larger contraction by 923 mbd is foreseen, to reach an average 3.1 mbd by the close of the two-year period, the lowest level since 2008 (See Figure 7). EIA also expects Non-OPEC oil supply to increase by 172 mbd during 2011 (18% of world oil supply increase), a significant contrast with the slightly over 1 mbd increase of last year. According to the EIA, this non-OPEC supply increase will be located in a few countries, mainly China (+140 mbd) and Brazil (+170 mbd). In contrast, non-OPEC supply is expected to show a 42 mbd contraction during 2012.

EIA forecasts the prevalence of a series of factors during the 2011-2012 two-year period, which will continue to force a rise in oil prices, some of which are: a) the sustained geopolitical tension in North Africa and the Middle East; b) the uncertainty in OPEC reaction to expected disruptions in supply and the recovery of global demand; c) fiscal problems in some oil countries. Therefore, EIA again

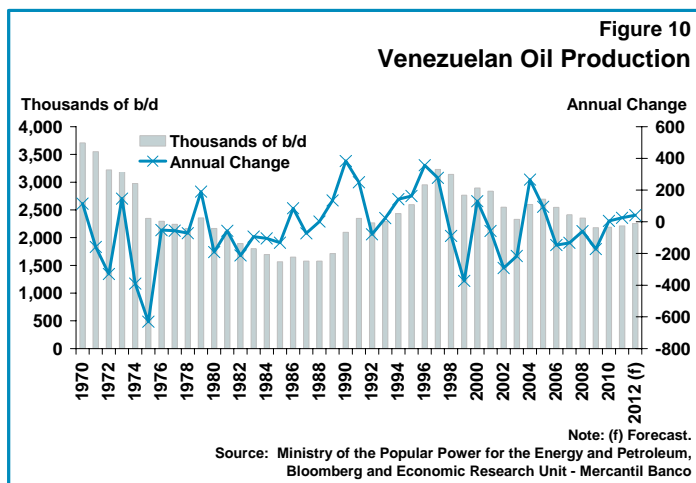
estimated a rise in prices of the WTI (West Texas Intermediate) marker crude and of the RAC (Refiner Acquisition Cost of Crude Oil) in comparison with their own forecasts of January of this year (See Figure 8). The WTI price adjustment in comparison with the previous scenario was of US\$/b 8.4 for 2011 and US\$/b 7.3 for 2012, for an average price of US\$/b 101.8 and 104.8 in 2011 and 2012, respectively. For the RAC, the foreseen rise is higher than that for the WTI (US\$/b 13.9 in 2011 and US\$/b 11 in 2012) to reach averages of US\$/b 105.2 and 106.5 in 2011 and 2012, respectively (See Table 2).



Given these EIA adjustments of crude marker prices, we foresee a new increase in the Venezuelan oil basket, after taking into account the sustained differential of the last twelve months with respect to RAC prices (7%). To be noted is that, we now include in our projection the RAC marker forecasts, as the WTI showed the effect of specific situations in Texas, US³, which resulted in a decline in its price, and therefore, in the relative differential to the Venezuelan basket (which went from 11% in 2010 to 3% in the first quarter of this year) (See Figure 9). Consequently the Venezuelan oil price would reach US\$/b 98.6 during 2011, a 38% or US\$/b 27 increase in comparison with the previous year, the largest year-on-year increase since 2005. We foresee a mere 1.3% increase during 2012, for a US\$/b 99.8 average. A 25 kbd increase in oil production is

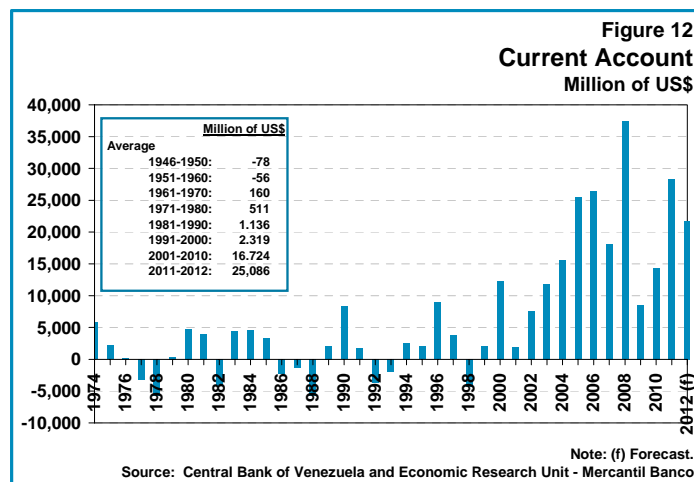
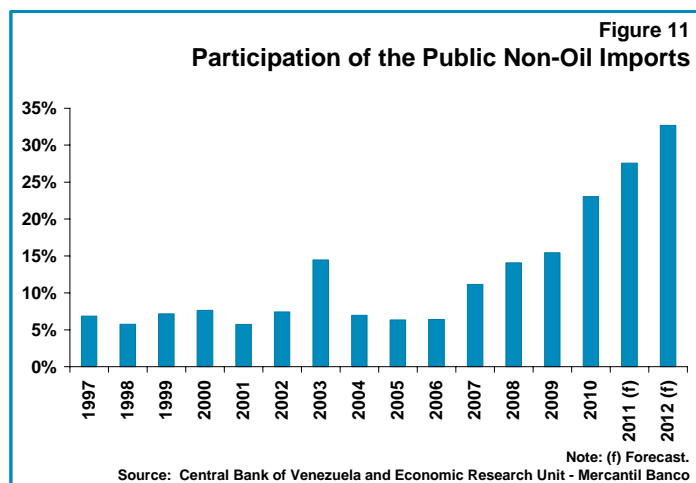
³ WTI is an average price, which takes into account the quality of oil produced in Western fields in Texas, US; instead, RAC is the average price paid by US refineries for imported crude.

expected for 2011 (6 kbd in 2010) and 42 kbd during 2012, partly because of early production by the new developments in the Orinoco Oil Belt. In this way, crude production would reach 2.254 mbd by the close of the 2011-2012 two-year period, the highest level since 2008 (See Figure 10).

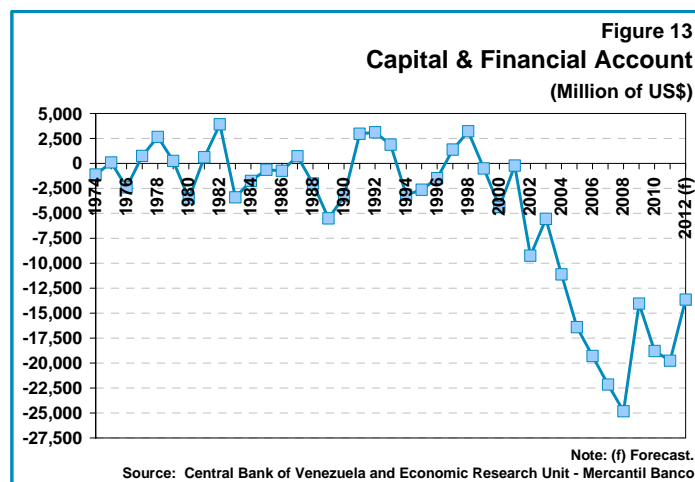


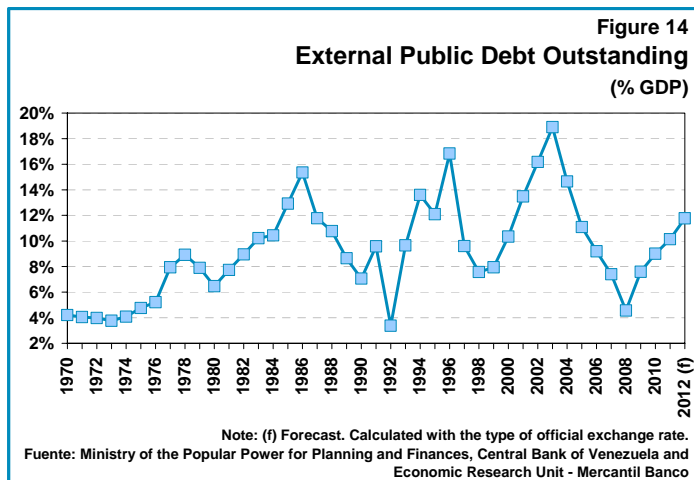
2.2 External Sector

The expected rise in Venezuelan oil prices and production will cause an important 35% increase in oil income during 2011, the largest year-on-year increase since 2008. For 2012, the increase will be just 1.6%, mostly because of the expected lower price of the Venezuelan oil basket. We still assume an increase in imports for the 2011-2012 two-year period of almost 17% (barely 0.4% in 2010), based on the expected growth of domestic economic activity. Therefore, we foresee imports reaching US\$ 52.703 billion in 2012, the highest level since the historical series became available (1946), 7% higher than the previous high recorded in 2008 (US\$ 49.482 billion). An important part of the increase of imports (63% in 2011 and 97% in 2012) would be covered by non-oil imports with an expected 12%



and 20% for 2011 and 2012, respectively. We still forecast a significant increase in non-oil imports by the public sector, 34% in 2011 and a little over 42% in 2012, to reach US\$ 14.558 billion by the close of the two-year period. In this way, the participation of public non-oil imports would rise from 23% in 2010 to 32.7% in 2012, the highest level since the historical series became available (1997) (See Figure 11). An important part of those imports would be financed with the Chinese 10-year credit line of September last year (for US\$ 10 billion and ¥70 billion), and with additional resources in dollars from the public sector (FONDEN, among others). A notable 42.5% increase of oil imports is expected for 2011 (40.9% in 2010), which would cover the higher requirements of refined products for the domestic market and the improved capital goods needed for the new developments in the Orinoco Oil Belt. The expected significant increase in the value of oil exports would more than compensate for the forecast increase of imports, making the surplus in the trade balance expand by almost 60% during 2011 in comparison with the previous year, to reach US\$ 43.073 billion, still 6% below the





surplus of 2008. Instead, for 2012, the increase in imports over the slight increase in oil prices would provoke a 15% decline in trade balance surplus. The surplus balance for the 2011-2012 two-year period of the current account is expected to be double that of 2010, in spite of the forecast deficit in the income account (a 73% average during the two-year period in comparison with 2010) (See Figure 12), mostly because of the US\$ 6.7 billion interest payments of foreign public debt of the Republic and PDVSA (almost 70% corresponding to the Republic). These interest payments of foreign public debt will use up a little over 5% of oil exports during the 2011-2012 two-year period, the highest level since 2004.

We forecast a sustained high deficit (about US\$ 19 billion) in the capital and financial account during 2011, due to the important deficit foreseen for the Other Investments account (See Figure 13). The negative balance of that account would rise by a little over US\$ 5.250 billion during 2011 in comparison with the previous year, to reach US\$ -23.234 billion, the highest level since 2008, only partially counteracted by the increase we forecast in the surplus in the portfolio investment account with the issue by the Republic and PDVSA of securities in foreign currency (about US\$ 12 billion).

The high deficit in the Other Investments account is explained fundamentally by the expected higher

contributions to public sector funds. In fact, the significant expected increase in the Venezuelan oil basket prices would cause a contribution of PDVSA to FONDEN according to the rule on Extraordinary Prices of the International Hydrocarbon Market of a little over US\$ 11 billion, while we assume the transfer of international reserves to FONDEN to reach US\$ 3.5 billion⁴. We also assume contributions to other funds controlled by PDVSA⁵ and savings in US\$ in the National Treasury. Instead, for 2012, we foresee a decline in the deficit balance of the capital and financial account by a little over US\$ 6 billion to reach almost US\$ -13.650 billion, the lowest since 2004. This decrease is possible because of an ample surplus in the portfolio investment account and a reduction of the deficit in the Other Investments account. We again assume an issue of securities in foreign currency (both by the Republic and by PDVSA), this time for US\$ 7 billion. The balance of foreign public debt would close the 2011-2012 two-year period at some US\$ 44.67 billion (21% over the level of 2010), the highest since the statistical series became available. However, in terms of GDP (millions of dollars) it would barely reach 10.1%, significantly below the historical maximum of 1989 (70.4%) (See Figure 14). A reduction by almost US\$ 7.5 billion is expected in the Other Investments account, mostly explained by increased

Table 3
Forecast 2011-2012
External Sector

	2008	2009	2010	2011 (f)	2012 (f)
Million of US\$					
Total Exports	95,138	57,595	65,786	88,040	89,415
Oil Exports	89,128	54,201	62,317	84,332	85,657
Non-Oil Exports	6,010	3,394	3,469	3,708	3,759
Imports	49,482	38,442	38,613	44,967	52,703
Oil Exports	4,262	3,970	5,593	7,969	8,164
Non-Oil Exports	45,220	34,472	33,020	36,998	44,539
Public	6,365	5,321	7,608	10,199	14,558
Private	38,855	29,151	25,412	26,799	29,982
Trade Balance	45,656	19,153	27,173	43,073	36,712
Current Account	37,392	8,561	14,378	28,365	21,807
Capital & Financial Account + Error & Omissions	(28,117)	(18,823)	(22,438)	(24,775)	(18,725)
Contributions to Public Funds	(12,384)	(600)	(1,334)	(11,492)	(12,245)
Global Balance of Payments	9,275	(10,262)	(8,060)	3,590	3,082
International Reserves of Central Bank	42,299	35,000	29,500	33,090	36,172
Macroeconomic Stabilization Investment Fund	828	830	831	3	3
External Liquid Assets					
(International Reserves + FEM + Public Funds)	62,633	56,395	51,239	54,434	41,343
Months of Imports	10	11	9	9	8

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

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

⁴ The BCV transferred US\$ 2 billion to FONDEN during the first quarter of the year.

⁵ According to its 2010 Report, PDVSA contributed approximately US\$ 8.4 billion for special projects and US\$ 1.380 billion for the electricity sector.

withdrawals of funds from the public sector, needed first to finance a higher level of imports, and also for the high fiscal expansion expected for 2012. Therefore, withdrawal of public funds is expected to reach close to US\$ 30 billion (US\$ 16.410 billion in 2011).

The high surplus balance in the current account can offset the deficit in the capital and financial accounts, so that the balance of payments for the 2011-2012

period would show a surplus (US\$ 3.590 billion in 2011 and US\$ 3.082 billion in 2012), after the high deficit accumulated during the 2009-2010 period (US\$ -18.322 billion) (See Table 3). The level of international reserves would then cover an average of 9 months of imports during the 2011-2012 two-year period (similar to 2010).

2.3 Government Finance

The improved performance of the national oil market and the unification of the official exchange rate at Bs/US\$ 4.30 will increase the oil sector contribution to the Treasury by Bs 49.290 billion (81%) during 2011 in comparison with the previous year. 64% of this increase would be covered by oil royalties and the rest by the Income Tax (*ISLR – Impuesto Sobre La Renta*). During 2012, instead, because of a slight rise both in prices and oil production, and the official exchange rate, oil income would only grow by 4.5% or Bs 4.908 billion, explained by a 9% increase in ISLR and only 3.2% in royalties. Dividends are expected to stay around Bs 4.3 billion during the 2011-2012 two-year period. In spite of the favorable behavior of the national oil basket, the participation of oil income in the total would come to 41% during 2011 (with a 37.7% year-on-year increase in oil prices), much below the 2008 level (last highest increase), when that participation reached 50%. The expected economic growth for the next two years would increase the taxable base of both ISLR and VAT, so that their contribution would go from 8.4% of GDP in 2010 to 9.6% in 2012, the highest level since 2007. Also, the significant expected increase of imports, together with the unification of the official exchange rate would increase

customs duties during 2011 by almost 80% in comparison with 2010 and by 26% in 2012 (See Table 4).

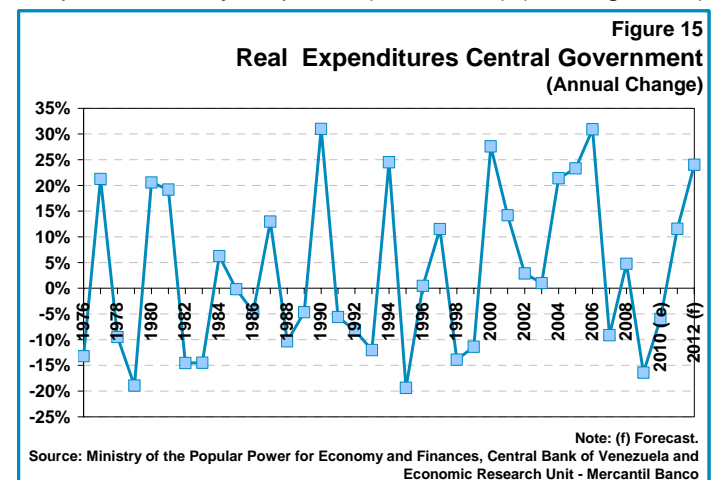
Table 4
Forecast 2011-2012
Fiscal Revenues - Central Government

	In % GDP				In million of US\$			
	2009	2010 (e)	2011 (f)	2012 (f)	2009	2010 (e)	2011 (f)	2012 (f)
Oil Revenues	7.6%	6.1%	8.1%	6.9%	24,816	15,087	25,610	26,751
Income Tax	1.9%	0.9%	1.9%	1.7%	6,078	2,162	6,132	6,684
Royalties	5.1%	4.8%	5.9%	4.9%	16,738	11,859	18,478	19,067
Dividends	0.6%	0.4%	0.3%	0.3%	2,000	1,066	1,000	1,000
Non-Oil Revenues	13.9%	12.9%	11.9%	16.0%	45,219	32,026	37,441	62,025
Income Tax	3.7%	2.8%	2.8%	3.3%	12,103	6,894	8,977	12,924
Value Added Tax	5.8%	5.7%	5.9%	6.3%	18,854	14,097	18,502	24,258
Customs	0.9%	0.9%	1.2%	1.2%	2,981	2,199	3,643	4,573
Others	3.5%	3.6%	2.0%	5.2%	11,280	8,836	6,319	20,271
Total Revenues	21.5%	18.9%	20.0%	22.9%	70,035	47,114	63,051	88,777

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

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

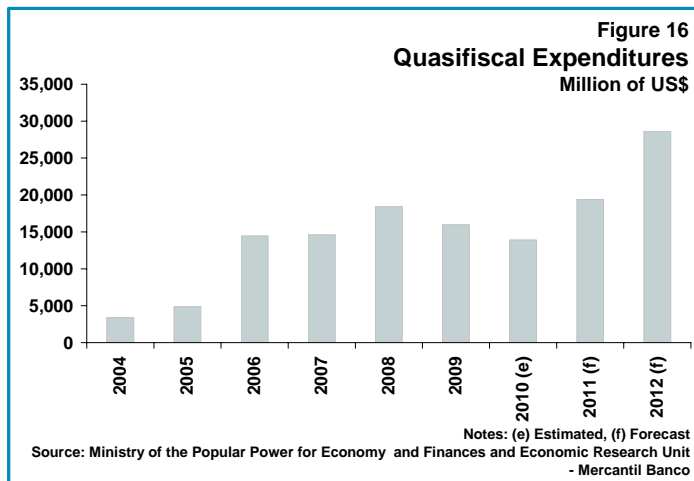
We still forecast a large fiscal expansion in the election scenario foreseen for the end of 2012, possible because of the expected increase in oil and non-oil taxes. In fact, an anticipated high execution of public spending is expected during this year⁶, for which we expect a nominal increase of 42% and 56% for 2011 and 2012, respectively (21% in 2010). However, after adjusting for the estimated inflation for the 2011-2012 two-year period, spending would have a real 11.6% increase during 2011 and 24% during 2012, in significant contrast with the 21% accumulated decline of the previous two-year period (2009-2010) (See Figure 15).



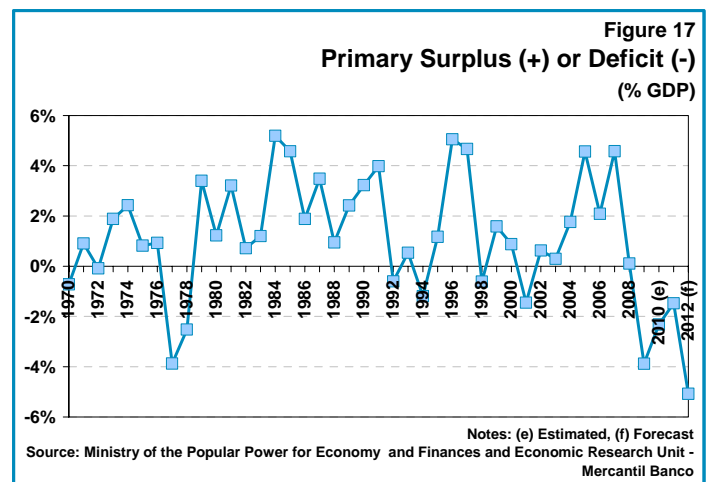
Also, we still foresee an increase in quasi-fiscal spending, from US\$ 13.9 billion in 2010 to US\$ 19.41 billion in 2011 and US\$ 28.63 billion in 2012, the highest level since the statistical series for this type of spending became available

⁶ According to the Office of the National Treasury, primary executed spending reached Bs 52.932 billion during the first quarter of this year, a slightly over 30% increase in comparison with the same period of last year (22% during the first quarter of 2010), that is, the highest level in a similar period since 2006.

(2003) (See Figure 16). During the 2011-2012 two-year period, 67% of quasi-fiscal contributions would be financed by withdrawals from FONDEN, 19% by PDVSA through its social spending contribution (US\$ 3 billion in 2011 and US\$ 6 billion in 2012), and the rest by withdrawals from other national and PDVSA funds.



A financial balance deficit is estimated at 3.8% of GDP during 2011 (3.7% of GDP in 2010), and of 7.2% during 2012, the highest fiscal deficit since 1994. If foreign debt interest payments are deducted from spending, by the close of the 2011-2012 two-year period the central government would show a primary deficit of 5.1%, the highest level since the statistical series became available (1970) (See Figure 17). Given the fiscal deficit and the foreseen increase in debt repayments (25% in 2011 and 17% in 2012), gross financing needs of the government would go from US\$ 8.1 billion during 2010 to US\$ 12.055 billion in 2011 and over twice that in 2012 (US\$ 28.071 billion) (See Table 5). The current scenario shows no difficulties for the government to finance these higher needs. We foresee that during 2011 the National Executive will continue to place large amounts in DPN Bonds and Treasury Bills within the authorization of the 2011 Special Law of Annual Indebtedness, which authorized public debt for Bs 45.678 billion and a maximum net amount of Bs 6.890 billion in Treasury Bills by the close of the fiscal year, together with remaining authorizations from 2010. It is also

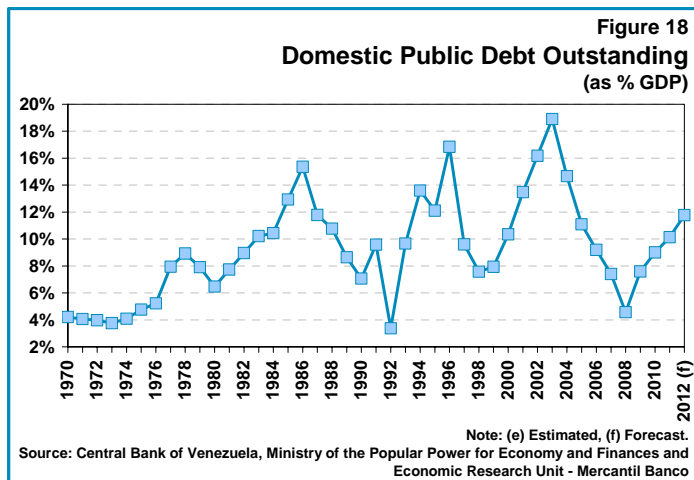


expected that some US\$ 6 billion will be issued as securities in dollars to be paid in bolívares at the official exchange rate. Net resources from the issue of domestic and foreign public debt will even allow savings in the National Treasury both in US\$ and in Bs to finance the higher requirements of the government for 2012. In fact, withdrawals from the National Treasury during 2012 would cover 44% of gross government needs, 49% being new issues of domestic public debt and the rest would be financed through the placement of Bs/US\$ securities for approximately US\$ 3 billion. Therefore, the stock of domestic public debt would reach Bs 196.133 billion by the close of the 2011-2012 two-year period, 2.2 times over the level of 2010, 10.4% when expressed as GDP points which, although the highest level since 2005, is still below the historical maximum of 2003 (18.9%) (See Figure 18).

Table 5
Forecast 2011 - 2012
Central Government Borrowing Requirements

	2008	2009	2010 (e)	2011 (f)	2012 (f)
In million of US\$					
Gross Borrowing Requirements	10,773	23,502	16,294	20,877	38,396
a) External	4,812	6,040	4,319	6,864	3,809
b) Domestic	2,224	16,002	13,778	16,723	22,354
c) Others	3,737	1,460	(1,802)	(2,709)	12,233
Net Borrowing Requirements	2,878	17,004	8,103	12,055	28,071
a) External	1,669	4,735	1,194	3,831	2,161
b) Domestic	(2,528)	10,809	8,712	10,933	13,678
c) Others	3,737	1,460	(1,802)	(2,709)	12,233
As of % GDP					
Gross Borrowing Requirements	3.5%	7.2%	6.6%	6.6%	9.9%
a) External	1.5%	1.9%	1.7%	2.2%	1.0%
b) Domestic	0.7%	4.9%	5.5%	5.3%	5.8%
c) Others	1.2%	0.4%	-0.7%	-0.9%	3.2%

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



2.4 Real Sector

Fiscal spending forecast for the 2011-2012 two-year period should favorably contribute to reactivate domestic economic activity. Real GDP is expected to rise by 1.5% in 2011, in spite of restrictions still existing in supply of national products and a negative income effect due to the adjustment of the official exchange rate for priority imports. A 3.8% domestic expansion is expected for 2012, the highest since 2008. Non-oil output would rise, after two years of contraction, by 1.5% and by 3.7%, respectively, during the two-year period; oil activity would recover by 0.5% during 2011 and by 1.5% during 2012.

When considering economic activities in non-oil GDP, we only foresee three with negative growth rates during 2011: Mining (-1.8%), Manufacture (-0.4%) and Other (-1.2%), together representing 27% of Non-Oil GDP. On the other hand, Communications, Financial Institutions and Insurance, and Services of the Central Government would

reach positive growth rates over the national average. During 2012, only Mining would show a drop in GDP for the fifth year running by -1.3%, with all other activities showing positive growth rates, led by Communications (10.4%), Construction (6.1%), Commerce and Repairs (5%) and Communal, Social and Personal Services (4.4%), with a joint participation of almost 40% of non-oil GDP (See Table 6).

The expected favorable performance of domestic economic activity during the 2011-2012 two-year period is explained by a recovery in the main component of Domestic Aggregate Demand (*DAI – Demanda Agregada Interna*), that is, private consumption, with a 5% relative participation, which would go from a 5.4% accumulated contraction during the 2009-2010 two-year period to 1.7% and 4.2% increases in 2011 and 2012, respectively. The second major component, Gross Fixed Capital Formation (*FBCF – Formación Bruta de Capital Fijo*), with a 25% participation, after three consecutive years of contraction would rise by 6.8% in 2011 and by 12.9% in 2012, the highest level since 2007. At the same time, public consumption would continue with a positive growth rate, maintained since 2003, this time by 3.9% in 2011 and by 7.2% in 2012, the highest level since 2006. With an expected growth in existence variation similar to that of 2010 (about 38%), we foresee a rise in DAI of 4.8% for 2011, and almost double for 2012 with 8.6%, after an 8.8% contraction during the previous two-year period.

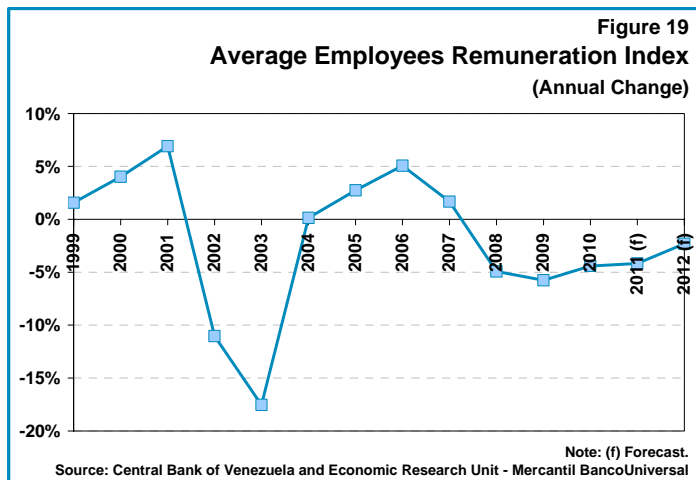
2.5 Labor Market

The Remunerations Index (*IRE – Índice de Remuneraciones a los Asalariados*), published by the BCV, is expected to rise by 21.8% during the 2011-2012 two-year period, very similar to the previous two-year period (2009-2010) of 21.7%. After adjusting for the average inflation of the period, real remunerations would continue to decline for the fourth and fifth consecutive years. Then, the real average IRE for 2012 would show the lowest level since information on this income indicator of the occupied population became available (1998) (See Figure 19).

	2007	2008	2009	2010	2011 (f)	2012 (f)
Communications	19.8%	18.2%	9.8%	9.3%	10.3%	10.4%
Government General Services	5.7%	5.3%	2.4%	2.6%	2.9%	3.1%
Construction	15.5%	3.7%	0.2%	-7.1%	1.5%	6.1%
Finance & Insurance	16.4%	-4.6%	-2.4%	-4.9%	5.8%	2.9%
Non-Oil GDP	9.6%	5.1%	-2.0%	-1.5%	1.5%	3.7%
TOTAL GDP	8.2%	4.8%	-3.3%	-1.4%	1.5%	3.8%
Electricity & Water	-1.5%	5.7%	4.2%	-6.1%	0.8%	1.1%
Transport & Warehousing	13.3%	3.8%	-8.5%	-2.6%	0.8%	2.9%
Housing, Real State and Private Services	5.8%	2.7%	-2.0%	-1.2%	0.7%	1.5%
Social and Common Services	10.9%	9.5%	3.1%	0.6%	0.3%	4.4%
Oil GDP	-4.2%	2.5%	-7.2%	0.2%	0.5%	1.5%
Retail Trade	16.7%	4.6%	-8.3%	-6.1%	0.3%	5.0%
Manufacturing	7.4%	1.4%	-6.4%	-3.4%	-0.4%	1.3%
Others ^{1/}	5.0%	5.6%	-0.3%	-1.4%	-1.2%	2.0%
Mining	1.5%	-4.2%	-11.2%	-13.4%	-1.8%	-1.3%

Notes: 1/ Private Agriculture, Restaurants & Hotels and

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



The unemployment rate is expected to show a 58 bp increase during 2011 in comparison with the previous year, to reach 9.1%, the highest level since 2006, although significantly below the historical maximum of 2003 (16.8%). This growth results from a higher increase in the labor force (*PEA – Población Económicamente Activa*) than in occupied people (1.7% vs. 1.1%), as we continue to forecast contractions and slight increases in economic activities which usually employ larger numbers of people (manufacture, construction, financial institutions and insurance) and, also, by the effect of the decline in real income of households. A more vigorous expected economic growth for 2012 and a lesser real contraction in remunerations of occupied population would increase the number of occupied people by 2.3% while PEA would increase by 1.9%. In this way, the unemployment rate would reach 8.8% in 2012, that is, almost 30 bp below the previous year.

2.6 Prices

Fiscal expansion and the recovery of private consumption during 2011 would create inflationary pressures accelerating the rate of inflation from 27.4% in 2010 to 28.8% in 2011, the highest level since 2008. In contrast, the expected significant increase in imports and economic growth during 2012 would counteract the increase in prices due to a new increase in household consumption and the significant rise in fiscal spending, for a rate of inflation of 25.8%.

2.7 Monetary Policy

Finally, the larger nominal expansion of spending forecast for the 2011-2012 two-year period would generate important net monetary injections of fiscal origin. Together with a larger secondary creation of money by way of credit,

for which increases of 27.4% for 2011 and 39.9% for 2012 are expected, this would allow a nominal increase in means of payment not seen since 2006, reaching 32.3% and 43.9% for 2012 and 2012, respectively. Even after adjusting for inflation, monetary liquidity would return to positive real growth rates, not seen since 2008. During 2012, the active interest rate is forecast to be reduced for the third year running, a little more than 70 bp in comparison with the previous year to reach 17.3%, the lowest level since 2007 and almost half the 24% maximum limit established by the BCV. A new decline is expected for 2012, to reach 17%. On the other hand, the yield of 90-day fixed-term deposits would stay at 14.9% for the 2011-2012 two-year period, very similar to that of 2010 (14.7%), and slightly above the 14.5% maximum limit established by the BCV in June 2009. As a result, the financial margin of interest rates would be considerably reduced, from 18.1% in 2010 to 13.7% in 2011 and 12.2% in 2012, the lowest level since 1993 and three times (sic) lower than the historical maximum of 2000 (See Figure 20). In real terms, both yields would also stay negative. This situation has remained since 2007 for the active rate, and since 2003 for the passive rate.

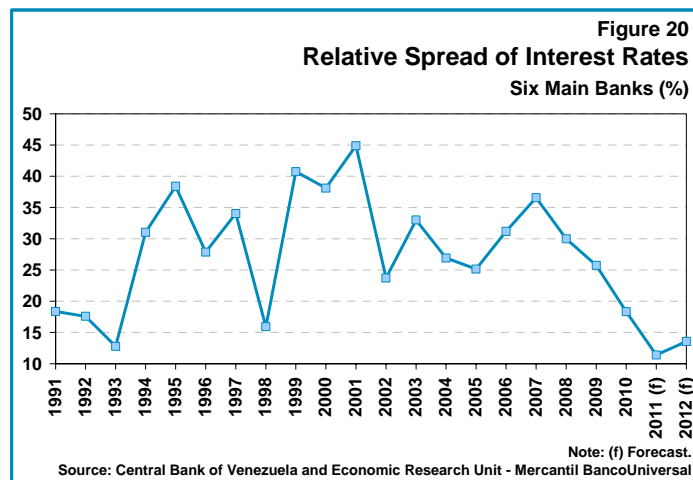


Table 7

Forecast 2011 - 2012
Main Macroeconomic Indicators

	2008	2009	2010	2011 (f)	2012 (f)
Gross Domestic Product (GDP). Real Change					
Total	4.8%	-3.3%	-1.4%	1.5%	3.8%
Oil Sector	2.5%	-7.2%	0.2%	0.5%	1.5%
Non-Oil Sector	5.1%	-2.0%	-1.5%	1.5%	3.7%
Import Fees	5.0%	-7.5%	-2.1%	1.9%	7.1%
GDP (million of Bs. 1997)	2,073,651	1,973,734	1,916,635	1,915,098	1,959,239
GDP (million of US\$ - PPP)	159,804	126,155	146,570	159,361	160,311
Aggregated Demand. Real Change					
Private Consumption	4.9%	-3.2%	-2.3%	1.7%	4.2%
Gross Fixed Investment 1/	-1.3%	-8.2%	-4.4%	6.8%	12.9%
Total Aggregated Demand 2/	4.0%	-8.5%	-2.3%	3.9%	7.7%
Consumer Inflation					
Dec-Dec	31.9%	26.9%	27.4%	28.8%	25.8%
Average	31.4%	28.6%	29.1%	27.5%	25.4%
Average Interest Rate (Main Six Banks)					
Average Lending Rate	22.8%	21.0%	18.0%	17.3%	17.0%
Deposit Rate 90 days	16.0%	15.6%	14.7%	14.9%	14.9%
Monetary Liquidity (M2)					
Million of Bs. (Dec)	194,275	235,401	292,016	386,246	555,789
Nominal Change	26.8%	21.2%	24.1%	32.3%	43.9%
Real Change	-3.9%	-4.5%	-2.6%	2.7%	14.4%
Oil Market and External Sector					
Average Basket Oil Price West Texas Intermediate (US\$/b)	99.6	61.7	79.4	101.8	104.8
Average Basket Oil Price (US\$/b)	88.2	56.9	71.6	98.6	99.8
Production Average of Crude (thousands bd)	2,353	2,181	2,187	2,213	2,254
In million of US\$					
Oil Exports	89,128	54,201	62,317	84,332	85,657
Non-Oil Exports	6,010	3,394	3,469	3,708	3,759
Imports	49,482	38,442	38,613	44,967	52,703
Trade Balance	45,656	19,153	27,173	43,073	36,712
Current Account	37,392	8,561	14,378	28,365	21,807
Capital & Financial Account + Error & Omissions	(28,117)	(18,823)	(22,438)	(24,775)	(18,725)
Global Balance of Payments	9,275	(10,262)	(8,060)	3,590	3,082
International Reserves of Central Bank	42,299	35,000	29,500	33,090	36,172
FEM	828	830	831	3	3
Central Government (% GDP)					
Total Revenues	24.9%	21.5%	18.9%	20.0%	22.9%
Oil Revenues	12.5%	7.6%	6.1%	8.1%	6.9%
Non-Oil Revenues	12.4%	13.9%	12.9%	11.9%	16.0%
Total Expenditures	26.1%	26.7%	22.6%	23.8%	30.2%
Interests	1.3%	1.3%	1.4%	2.4%	2.2%
Global Surplus / (Deficit)	-1.2%	-5.2%	-3.7%	-3.8%	-7.2%
PDVSA's Quasifiscal Expenditures + FONDEN (% GDP)	8.4%	8.3%	6.3%	7.3%	11.8%
Central Government + Quasifiscal Expenditures (% GDP)	34.5%	35.1%	28.9%	31.1%	41.9%
Labor Market					
Nominal Change of Average Wage	29.5%	21.2%	23.1%	25.4%	28.5%
Unemployment Rate (II Half)	6.8%	7.5%	8.5%	9.1%	8.8%

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 MARCH 2011**

OFFICIAL GAZETTE N°	DATE	SUMMARY
39,626	03/01/2010	Resolution establishing selling prices for matches of various descriptions.
39,626	03/01/2010	Resolution modifying the Accounting Manual for Banks, Other Financial Institutions, Savings and Loans Institutions (Official Gazette N° 5,572 Extraordinary of 01/1/2002).
39,627	03/02/2011	Decree N° 8,079: Partial Reform Law of the Law for Institutions of the Banking Sector.
39,627	03/02/2011	Resolution establishing monthly minimum percentages and applicable conditions to the mandatory agriculture portfolio for the Fiscal Year 2011.
39,628	03/03/2011	Resolution: "Norms establishing Guidelines and Requirements to be fulfilled by Stockholder Assemblies of Banking Institutions, Exchange Houses and Frontier Exchange Agents".
39,629	03/04/2011	Resolution, determining the percentage of the Tourist Portfolio that Financial Institutions must dedicate to finance tourist operations and projects (Universal Banks will dedicate 3% over the closing average of the gross credit portfolio).
39,635	03/16/2011	Resolution: "Norms for the Protection of Users of Financial Services".
39,638	03/21/2011	Resolution establishing Maximum Selling Prices (PMVP – Precio Máximo de Venta al Público) for foods included therein. (Bakery Wheat Bread and Pasta made with wheat).
39,639	03/22/2011	Resolution regulating maximum annual lending rates for agriculture loans to be applied by banking institutions under the Partial Reform Law for Banking Institutions and other special laws (Not over 13%, only during the week between March 25 and 31, 2011).
39,646	03/31/2011	Official notice: from April 1, 2011, banking institutions will confirm / approve checks for Bs 100 or more.

Source: Official Gazette of the Bolivarian Republic of Venezuela

This bulletin has been prepared by the Economic Research Management, by Mercantil C.A., (Banco Universal), coordinated by Francisco Vivanco Cabello.
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The opinions expressed in this bulletin are responsibility of the authors and do not necessarily express the opinion of the institution.

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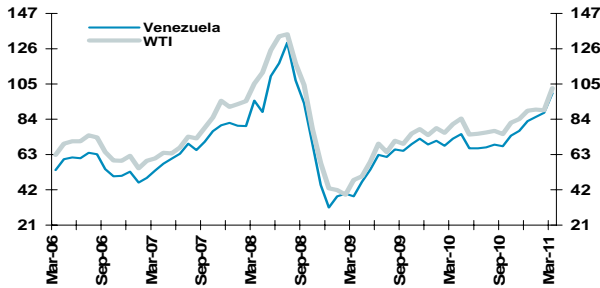
ECONOMIC INDICATORS	2008	2009	2010	Nov-10	Dic-10	Jan-11	Feb-11	Mar-11	% Change	% Change
EXTERNAL SECTOR										
Volume of Production of Crude (thousands of barrels)	2,353	2,181	2,187	2,180	2,190	2,210	2,210	2,220	1.4%	1.4%
Price West Texas Intermediate (WTI) (US\$/bbl)	99.9	55.3	58.8	84.2	89.0	89.7	89.4	102.6	15.3%	26.5%
Venezuelan Oil Basket Price (US\$/bbl)	86.5	57.0	72.7	77.1	82.9	85.4	87.8	99.5	20.0%	37.4%
OPEC Price (US\$/bbl)	94.4	55.0	58.2	82.6	88.3	92.5	99.6	109.7	24.2%	37.5%
Non Traditional Exports (Million of US\$)	5,426	2,380	2,486	251	208				(9.2)%	(9.2)%
Imports ^{1/} (Million of US\$)	45,128	36,908	30,745	2,725	2,346	2,197	2,071		(11.7)%	0.7%
Gross International Reserves (Million of US\$)	42,299	35,000	29,500	27,135	29,500	29,360	27,051	26,795	(9.2)%	(6.1)%
Priority Imports Exchange Rate (Bs./US\$)		2.15	2.60	2.70	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	200.0	242.5	184.8			(23.8)%	10.0%
Wholesale	143.3	122.1	130.8	157.9	141.0	118.5			(16.0)%	26.4%
Detail	265.7	239.8	210.8	228.2	310.5	229.3			(26.2)%	5.2%
Automotive Vehicles	189.8	127.4	85.2	93.3	83.7	77.5			(7.5)%	(12.0)%
Parts, Pieces & Accessories of Automotive Vehicles	171.7	149.5	149.0	143.8	143.0	170.1			18.9%	5.9%
Fuels for Automotive Vehicles	128.9	180.7	169.8	174.9	163.2	160.2			(1.8)%	(11.9)%
Foods, Beverages & Tobacco in Non-Specialized Storehouses	337.0	324.2	267.9	261.6	326.4	241.4			(26.7)%	(25.3)%
Other Products in Non-Specialized Storehouses	159.1	247.7	184.7	182.9	249.9	141.4			(43.4)%	(15.0)%
Foods, Beverages & Tobacco in Specialized Storehouses	248.7	217.4	185.5	227.9	257.1	222.1			(13.6)%	52.4%
Pharmaceutical & Medicinal Products, Cosmetic & Toiletries	401.7	409.3	367.0	390.9	434.6	397.6			(8.5)%	30.0%
Textile Products, Apparel, Footwear & Leather's Articles	490.8	394.4	367.7	493.8	873.3	577.7			(33.9)%	128.8%
Articles & Equipment of Domestic Use	608.1	490.7	441.6	434.5	683.1	448.1			(34.4)%	(32.0)%
Articles of Ironworks, Paintings & Products of Glass	107.2	99.8	83.2	98.5	91.8	84.4			(8.1)%	29.5%
Other Products in Specialized Storehouses	85.8	90.0	113.8	118.3	196.3	119.7			(39.0)%	30.2%
Volume Index of Private Manufacturing Industry	125.6	110.7	108.1	121.4	92.7	89.9			(3.0)%	7.5%
MONETARY AGGREGATES										
Million of Bs.										
Liquidity (M2)	194,275	235,401	292,016	281,144	292,012	295,953	296,301	307,165	5.2%	28.0%
Currency & Demand Deposits (M1)	124,036	155,269	217,350	202,096	217,314	220,410	219,391	230,826	6.2%	40.8%
Monetary Base	83,787	98,903	126,218	112,363	126,218	127,125 ^{1/}	118,339 ^{2/}	127,182 ^{3/}	0.8%	22.5%
Net International Reserves	89,048	74,544	75,571	70,862	75,571				1.4%	1.4%
Net National Treasury Agency	(9,474)	(3,488)								
PDVSA	(351)	(6,091)								
Other Net Public Sector Accounts	2,624	919								
Financial Sector	161	3								
Credit Instruments Placed by BCV	(23,041)	(7,563)								
Capital & Other Net Accounts	17,477	38,354								
MONETARY MARKET										
Million of Bs.										
Awarded Repos	795	12,637	35,274	2,084	3,127	3,251	3,437	2,433	7.8%	(22.2)%
Awarded CDs	179,520	170,804	79,600	6,980	7,881	4,961	4,753	6,744	(15.8)%	(14.4)%
Awarded Repos+CDs (Average Weekly)	3,468	3,481	2,364	2,158	2,621	2,053	2,048	2,185	(11.9)%	(16.6)%
Purchases DPN (Average Weekly)	586	461	681	812	619	641	451	405	17.9%	(34.6)%
Outstanding Repos	-	2,653	2,770	3,304	2,770	3,426	3,719	2,447	(11.7)%	(18.3)%
Outstanding CDs	22,715	7,584	8,450	7,809	8,450	7,244	6,646	7,256	(14.1)%	(14.7)%
Average Effective Returns Repos	6.50	6.27	6.08	6.1	6.1	6.1	6.1	6.0	(5.1)	(0.1)
Average Effective Returns CDs	12.34	8.97	6.43	6.2	6.4	6.3	6.3	6.3	(8.6)	1.3
COMMERCIAL & UNIVERSAL BANKS										
Million of Bs.										
Credit Portfolio	128,243	139,067	177,624	171,733	177,624	176,585	176,856 ^{****/}		(0.4)%	30.9%
Investments	59,049	59,445	84,015	83,448	84,015	99,299	101,937 ^{****/}		21.3%	75.4%
Total Deposits	175,984	184,977	253,275	231,315	253,275	267,982	269,300 ^{****/}	-	6.3%	43.8%
Demand Deposits	106,763	115,498	180,900	161,693	180,900	192,045	193,687 ^{****/}		7.1%	60.1%
Saving Deposits	45,777	47,996	62,553	58,880	62,553	65,234	65,110 ^{****/}		4.1%	36.2%
Term Deposits	23,444	21,483	9,823	10,743	9,823	10,704	10,503 ^{****/}		6.9%	-43.3%
INTEREST RATES										
Annual Percentage										
Overnight (Min - Max)	0,01-56.0	0,01-38.0	0,1-20.0	3,0-16.0	3,0-14.0	2,0-14.0	0,1-14.5	0,3-14.0		
Overnight (Average)	10.15	9.30	5.36	11.53	12.10	12.41	10.69	10.28	(182)	861
Loans (6 Main Banks)	22.77	20.61	17.99	17.76	17.89	17.53	17.85	17.13	(76)	(123)
90 Days Deposits (6 Main Banks)	16.55	15.57	14.73	14.73	15.00	15.04	14.89	14.86	(14)	35
Libor 90 Days	2.79	0.65	0.34	0.30	0.30	0.30	0.31	0.30		1
CENTRAL GOVERNMENT ^{2/}										
Million of Bs.										
Ordinary Revenues	166,098	151,525	162,341	19,206	21,170				31.8%	2.5%
Oil Ordinary Revenues	82,432	53,231	60,492	9,445	12,132				24.0%	3.1%
Tax Income	17,834	12,944	8,375	775	421				(14.5)%	(88.8)%
Royalties	60,298	35,987	42,055	8,484	8,694				48.6%	28.2%
Dividends	4,300	4,300	4,300	-	2,609				0.0%	111.1%
Non-Oil Ordinary Revenues	83,666	98,295	101,849	9,760	9,038				36.8%	1.8%
Net Seniat	73,168	80,011	100,842	9,435	8,636				76.5%	4.6%
Gasoline and Derivatives	1,174	756	1,007	326	402				92.1%	122.8%
Others	9,324	17,527								
Financial Surplus or Deficit	174,133	167,135	212,751	30,314	29,583				13.6%	40.9%
Effective Placements of DPN+Treasury Bills	(8,034)	(35,609)	(50,410)	(11,108)	(8,413)				(0.3)%	2,383.2%
Net Borrowing Bonds DPN	4,053	28,301	52,542	4,208	2,138	4,196	8,624	7,227	70.8%	238.0%
Net Borrowing Treasury Bills	(5,790)	14,557	31,134	2,810	798	3,217	5,771	4,145	65.7%	419.5%
Public Debt Securities Average Effective Yields	(90)	2,314	1,356	102	(454)	(289)	1,008	874	159.7%	(292.8)%
60-360 Days		9.84								
361-1080 Days	15.52	12.59	14.10							
1081-1800 Days	16.58	12.62	15.72	17.08	17.60	17.03	16.74	16.65	(96)	435
1801-2520 Days		11.87	16.82	18.48	18.49	17.45	17.10	17.27	(122)	445
2521-3240 Days		8.48	14.79							(1,342)
3241-5760 Days			16.05							(1,472)
Treasury Bills Average Yield										
60-80 Days										
81-110 Days	11.52	10.39	8.38	8.19	8.09	8.11	7.32	7.00	(108)	(136)
111-150 Days										
151-180 Days		9.69								
181-269 Days		11.12	8.76				6.27	6.89	689	(282)
PRICE INDEX (CARACAS)										
% Change Dec-Dec										
Consumer	31.9	26.9	27.4	1.3	1.7	3.6	2.2	1.6	7.6%	28.7%
Foods & Non Alcoholic Beverages	46.7	20.4	34.4	0.9	2.4	4.6	(0.2)	1.1	5.6%	33.2%
Alcoholic Beverages & Tobaccos	28.3	47.7	48.5	4.7	1.8	2.6	2.5	1.0	6.2%	40.1%
Apparel & Footwear	18.8	22.1	18.6	1.2	2.2	1.6	1.6	1.2	4.5%	20.6%
House Rent	7.0	16.1	11.6	0.4	1.3	2.4	1.3	0.3	4.0%	12.7%
Household Services (excluding Phone Services)	5.5	3.9	4.4	(0.3)	0.0	3.1	1.1	0.3	4.5%	6.1%
Home Equipment	34.7	39.2	28.7	1.5	0.5	0.8	4.8	4.7	10.5%	27.4%
Health	26.9	34.3	25.0	0.8	1.5	7.9	4.2	1.3	13.9%	31.6%
Transport	29.9	30.5	26.5	1.0	0.9	2.5	5.2	1.6	9.6%	29.8%
Communications	7.3	9.4	6.8	0.3	0.4	0.2	0.2	0.4	0.8%	4.7%
Culture	25.1	26.9	28.7	1.6	1.9	2.6	1.6	2.7	7.0%	27.6%
Educational Services	28.5	29.4	24.7	0.6	0.0	3.0	0.0	0.5	3.5%	23.7%
Restaurants & Hotels	49.6	33.6	31.7	3.1	1.8	3.2	3.1	2.3	8.9%	35.0%
Miscellaneous Goods & Services	37.8	50.7	30.8	1.5	2.8	5.9	4.7	2.2	13.3%	37.8%
Core Inflation ^{3/}	33.8	34.6	29.3	2.3	1.8	3.3	3.9	2.9	10.3%	33.2%
Private Manufacturing Production	25.2	26.5	22.0	1.6	0.7	1.8	3.1	2.2	7.3%	21.0%
Wholesale	32.4	24.8	26.8	1.2	2.8	2.9	0.7	1.2	4.9%	26.7%
National	36.7	22.2	28.8	1.2	3.2	2.7	0.7	1.4	4.8%	28.0%
Imported	17.1	35.7	19.3	1.1	1.2	4.1	0.9	0.6	5.6%	22.1%
Construction Materials (Wholesales)	23.3	18.7	18.9	0.1	1.2	2.1	1.6	1.1	4.8%	15.5%
LABOR MARKET										
Second Half Percentage										
Unemployment Rate	6.9	7.7	8.5	7.7	6.5	10.4	8.8		225	16
Activity Rate	65.2	65.0	64.7	63.8	65.7	65.1	63.8		(188)	(73)
Formal Occupation	56.6	56.0	56.1	55.2	56.3	57.0	55.9		(45)	(94)
Public Sector Occupation	18.1	19.7	19.2	18.6	19.5	19.5	19.1		(36)	(18)

Notes: ^{1/} As of 01/28/11, ^{2/} As of 02/25/11, ^{3/} As of 03/25/11, ^{****/} As of 02/04/11.

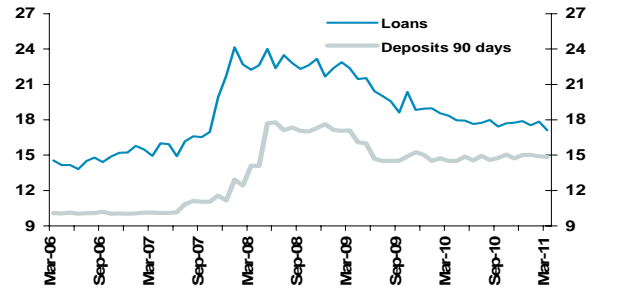
^{1/} Data from trade are from the National Institute of Statistics. Imports do

Economic Indicators

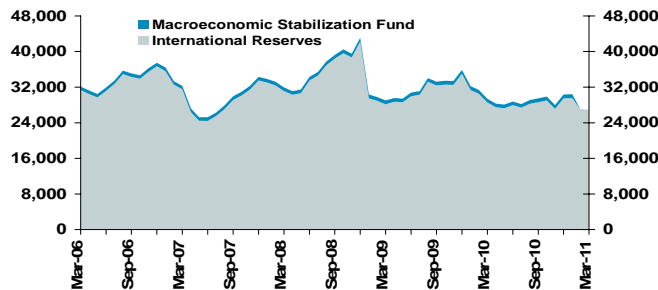
Oil Price (US\$/b)



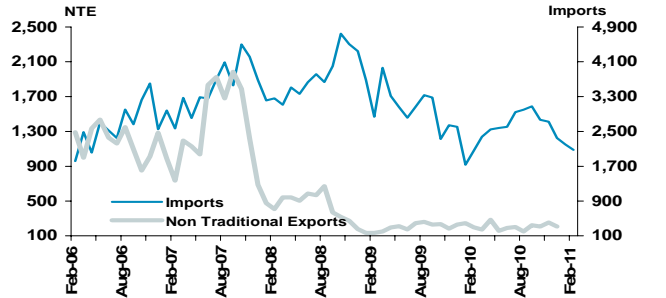
Interest Rates. 6 Main Banks (%)



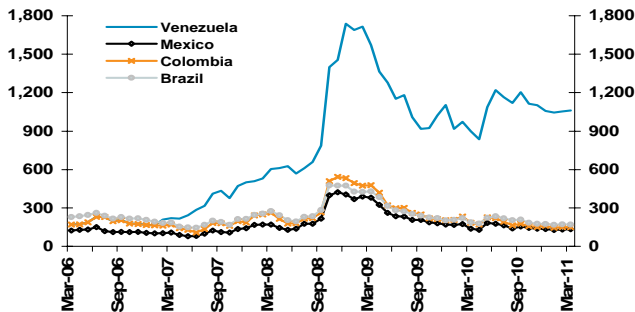
International Reserves and Macroeconomic Stabilization Fund (Million of US\$)



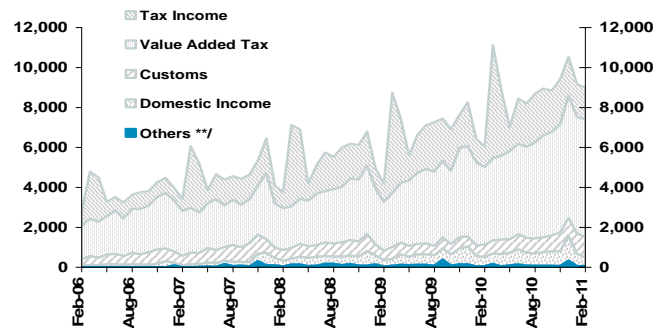
Non Traditional Exports (NTE) & Imports (MMUS\$)



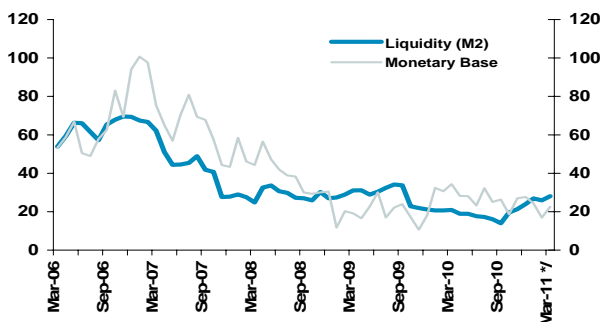
Sovereign Spreads. Differentials EMBI+ Basic Points



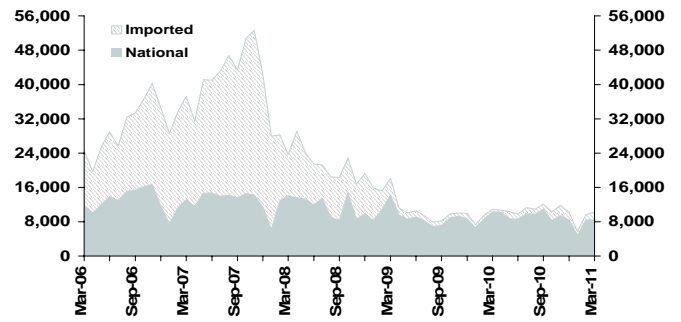
Domestic Taxes Million of Bs.



Monetary Aggregates % Change Y o Y



Sales of Vehicles Units

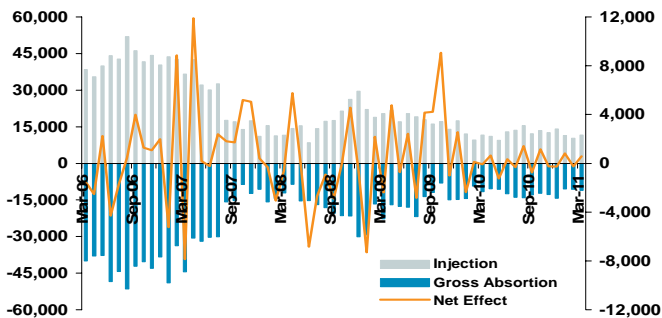


Notes: Y o Y: Change of the month with respect to the same month of the previous year. The Emerging Markets Bond Index Plus (EMBI+) tracks total returns for traded external debt instruments in the emerging markets. The instruments include external-currency-denominated Brady bonds, loans and Eurobonds, 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 03/25/2011. **/ 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

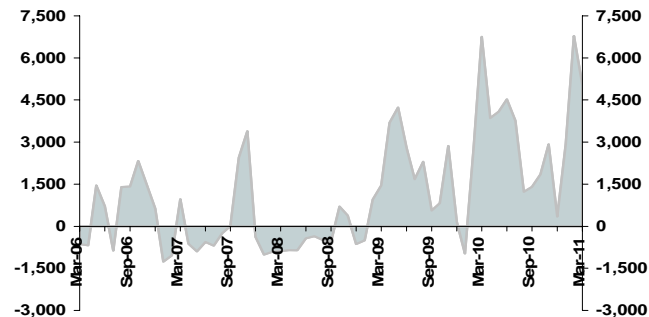
Open Market Operations

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



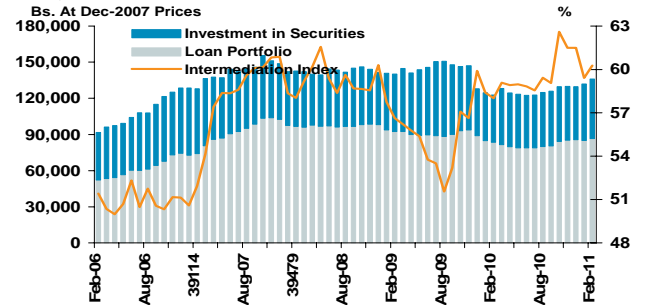
Net Domestic Borrowing^{1/}

Million of Bs.



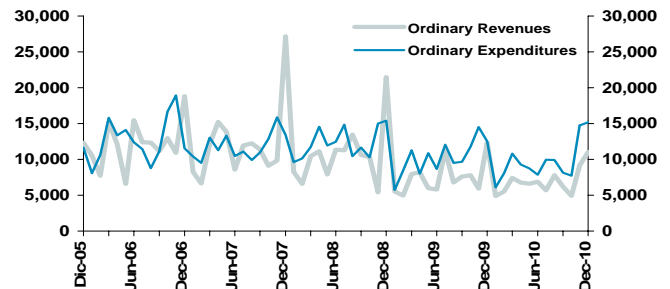
Commercial & Universal Banks

Credit, Portfolio Investment Bs. At Dec-2007 Prices



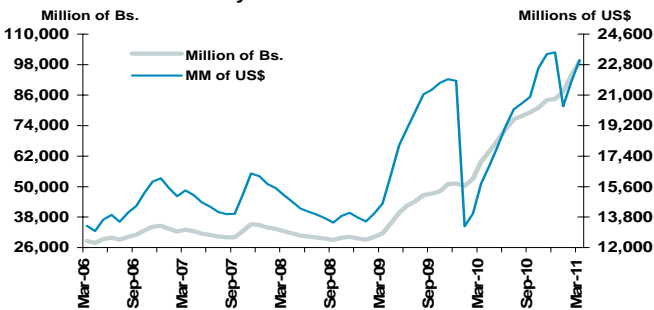
Central Government

Bs. At Dec-2007 Prices



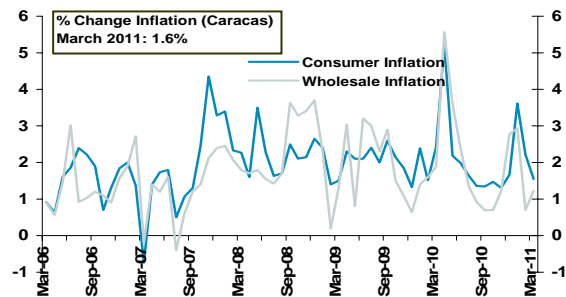
Domestic Debt Stock

DPN Bonds + Treasury Bills

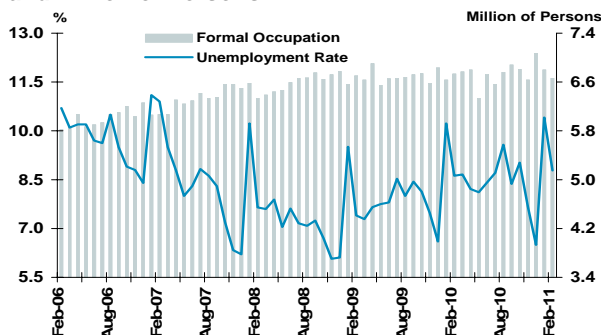


Inflation (Caracas)

% Change M o M



Labor Market % and Million of Persons



Real Sector and External Sector

% Change	2007	2008	2009	2010
Total GDP	8.2%	4.8%	-3.3%	-1.4%
Oil GDP	-4.2%	2.5%	-7.2%	0.2%
Non-Oil GDP	9.6%	5.1%	-2.0%	-1.5%
Private Consumption	18.7%	7.1%	-3.2%	-2.3%
Investment	25.3%	-3.3%	-8.2%	-4.4%
(Millions US\$)				
Trade Balance	22,979	45,656	19,153	35,349
Current Account	18,098	37,392	8,561	14,378
Capital Account	-22,153	-24,820	-14,040	-18,799
Balance of Payments	-5,742	9,275	-10,262	-8,060

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