

The Venezuelan Economy, Current Situation and Outlook

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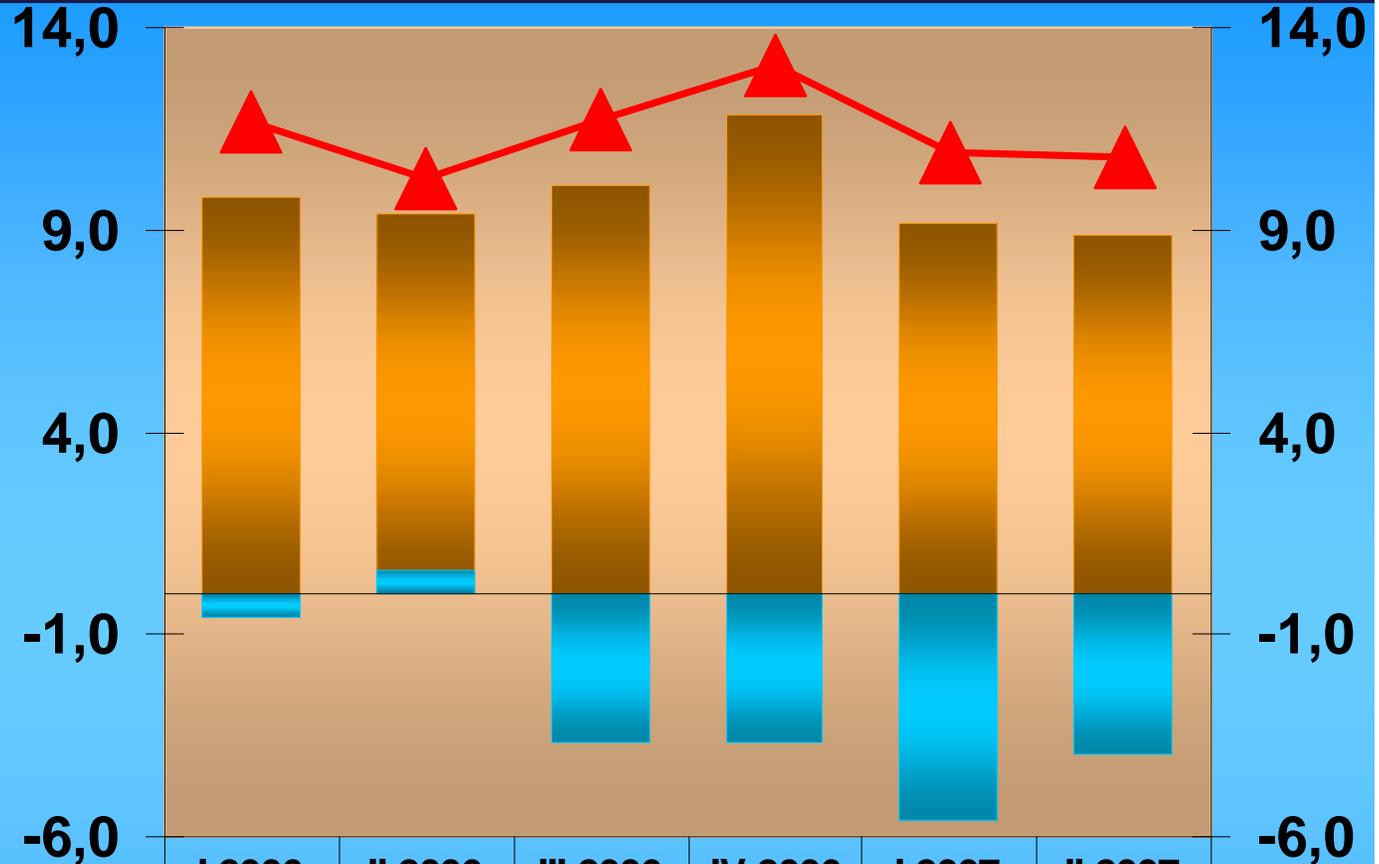
Venezuela: Economics and Energy

Center for Strategic & International Studies

Washington, DC: October 2, 2007

The Economy 2007

Quarterly Economic Activity (Var. %)



Total	9,8	9,4	10,1	11,8	9,1	8,9
Oil Activity	-0,6	0,6	-3,7	-3,7	-5,6	-3,9
Non Oil Activity	11,7	10,3	11,7	13,1	10,9	10,8

	2006	I 2006	I Sem 2007
Total	10,3	9,6	9,0
Oil Activity	-1,9	0,0	-4,8
Non Oil Activity	11,7	10,9	10,8

Source: BCV

Unemployment and Wages

	2007*	2006	2005	2004	2003
Unemployment	9,4%	10,0%	12,2%	15,3%	18,0%
Informality Rate **	44,3%	45,4%	47,3%	49,8%	52,6%

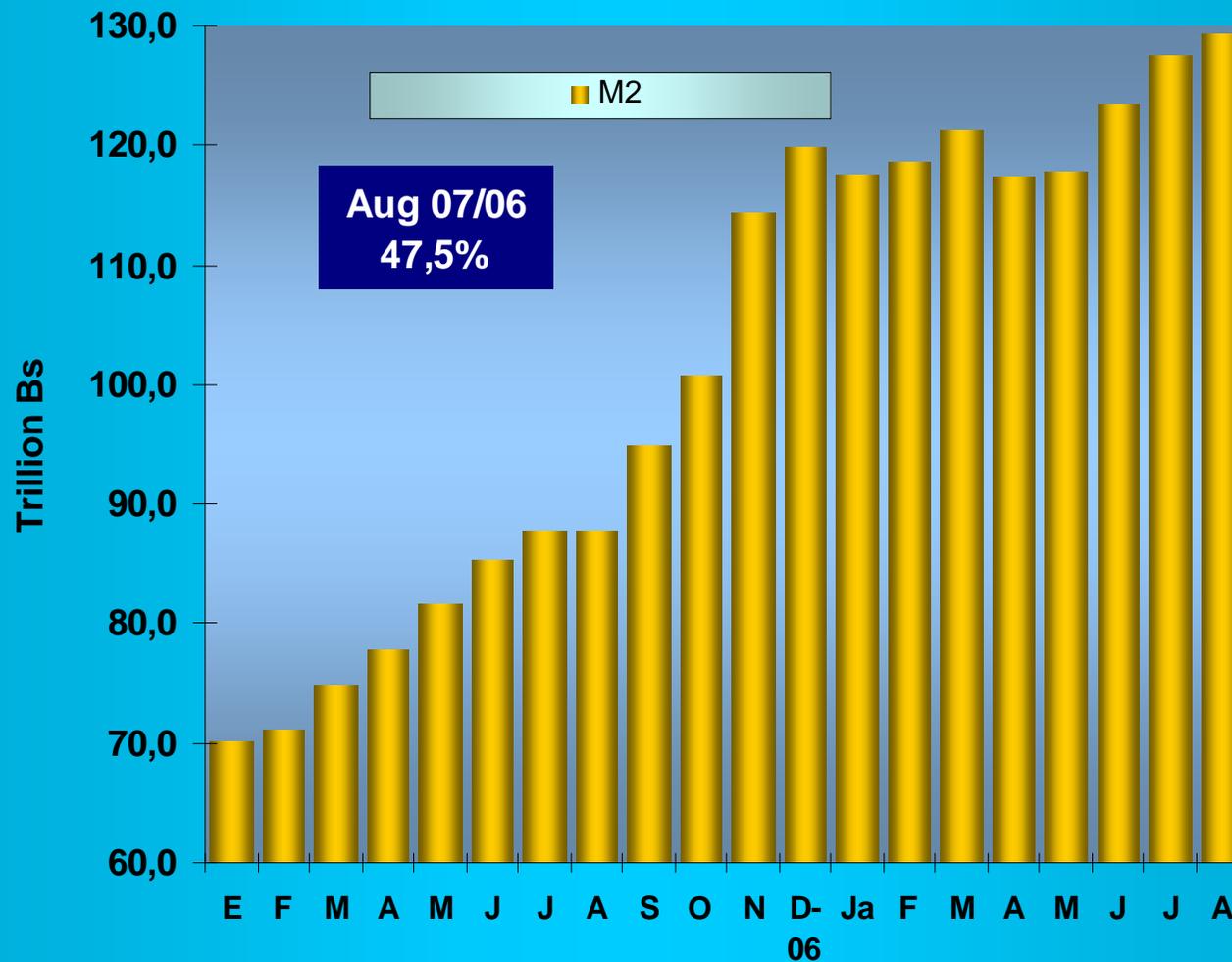
* January-June

June 2007	
Active Population	12,305
Employment	11,279
Formal Sector	6,294
Informal Sector	4,985
Unemployment*	1,026
<i>Million of people</i>	
<i>Rate of unemployment June 2007 8,3%</i>	

Salaries Index % I Sem 2007/I Sem 2006	Nominal	Real
Total	18,5	-0,7
Private Sector	16,6	-2,2
Public Sector	22,5	2,7
Normative Food Basket Value (June 2007)	Bs. 508.621,26	
Minimun Wage (July 2007)	Bs. 614.790,00	

Source: INE

Monetary Liquidity and Interest Rates



	2004	2005	2006	2007 (Ago07/Ago06)
Monetary Liquidity	50,4%	50,7%	67,8%	47,5%
Lending Rate (anual average)	17,1%	15,6%	14,6%	15,7%
Deposit Rates (anual average)	12,9%	11,7%	10,2%	10,3%

Source: BCV

2007 I Semester 2007 Real GDP and its Components

	Var %	% PIB
Consumption	16,5	85,3
Public	5,7	14,1
Private	18,9	71,2
Investment	30,4	39,2
Aggregated Internal Demand	21,0	124,5
Exports	-4,1	21,1
Imports	37,5	45,6
GDP	9,0	100,0

Source: BCV

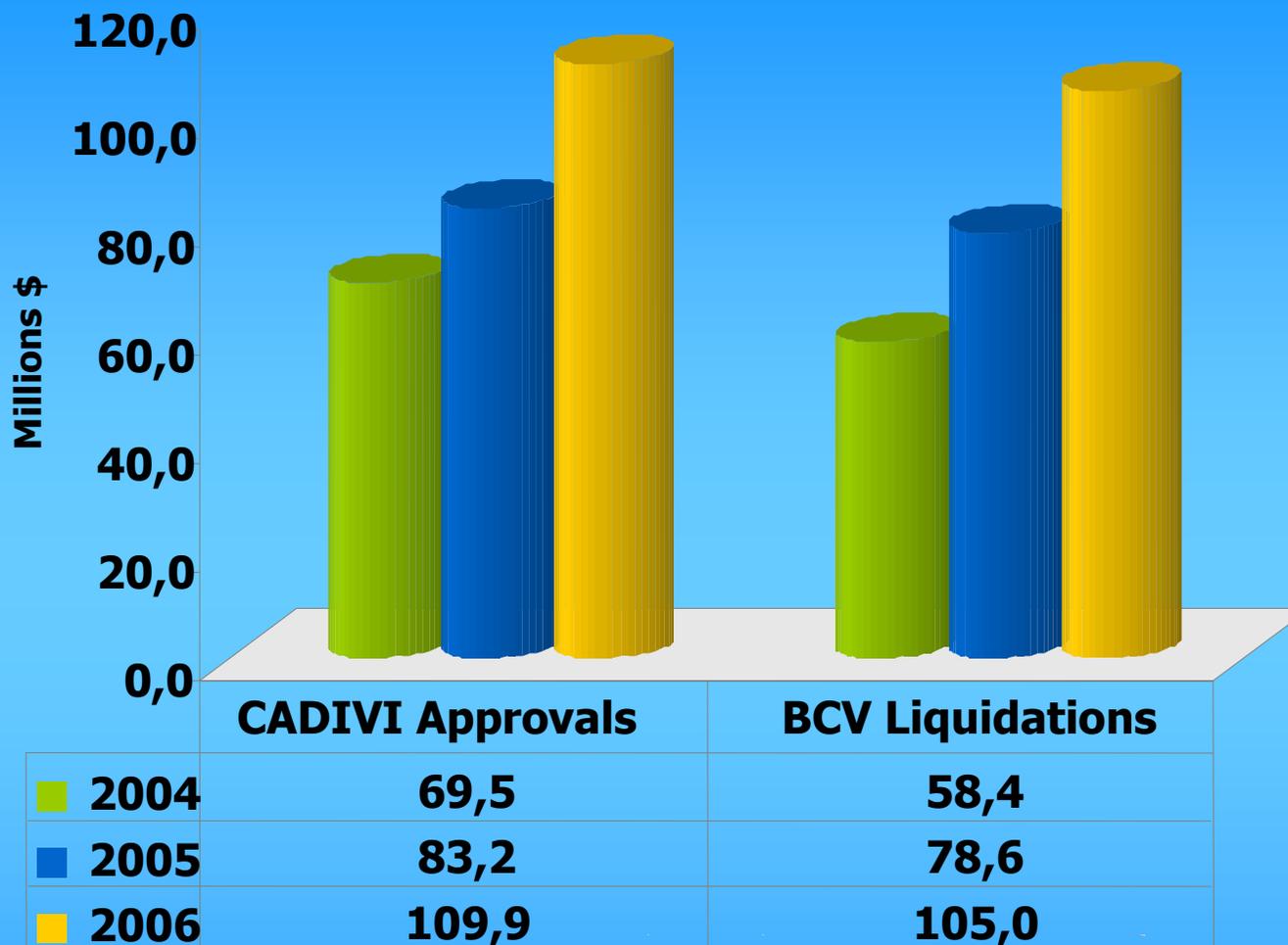
BALANCE OF PAYMENTS

(Millions US \$)

Description	I Sem 2.007	I Sem 2.006	Absolute Var	Relative Var
CURRENT ACCOUNT	8.772	15.542	-6.770	-43,6
Trade Account	10.666	19.807	-9.141	-46,2
Exports f.o.b.	30.747	33.866	-3.119	-9,2
Oil	27.240	30.524	-3.284	-10,8
Non Oil	3.507	3.342	165	4,9
Imports f.ob.	-20.081	-14.059	-6.022	42,8
CAPITAL AND FINANTIAL ACCOUNT	-19.884	-14.946	-4.938	33,0
Direct Investment	-2.919	-3.274	355	-10,8
Portfolio Investment	291	-6.570	6.861	-104,4
Other Investment	-17.256	-5.102	-12.154	238,2
ERRORS AND OMISSIONS	-1.725	-783	-942	120,3
BALANCE OF PAYMENTS	-12.837	-187	-12.650	6764,7

Source: BCV

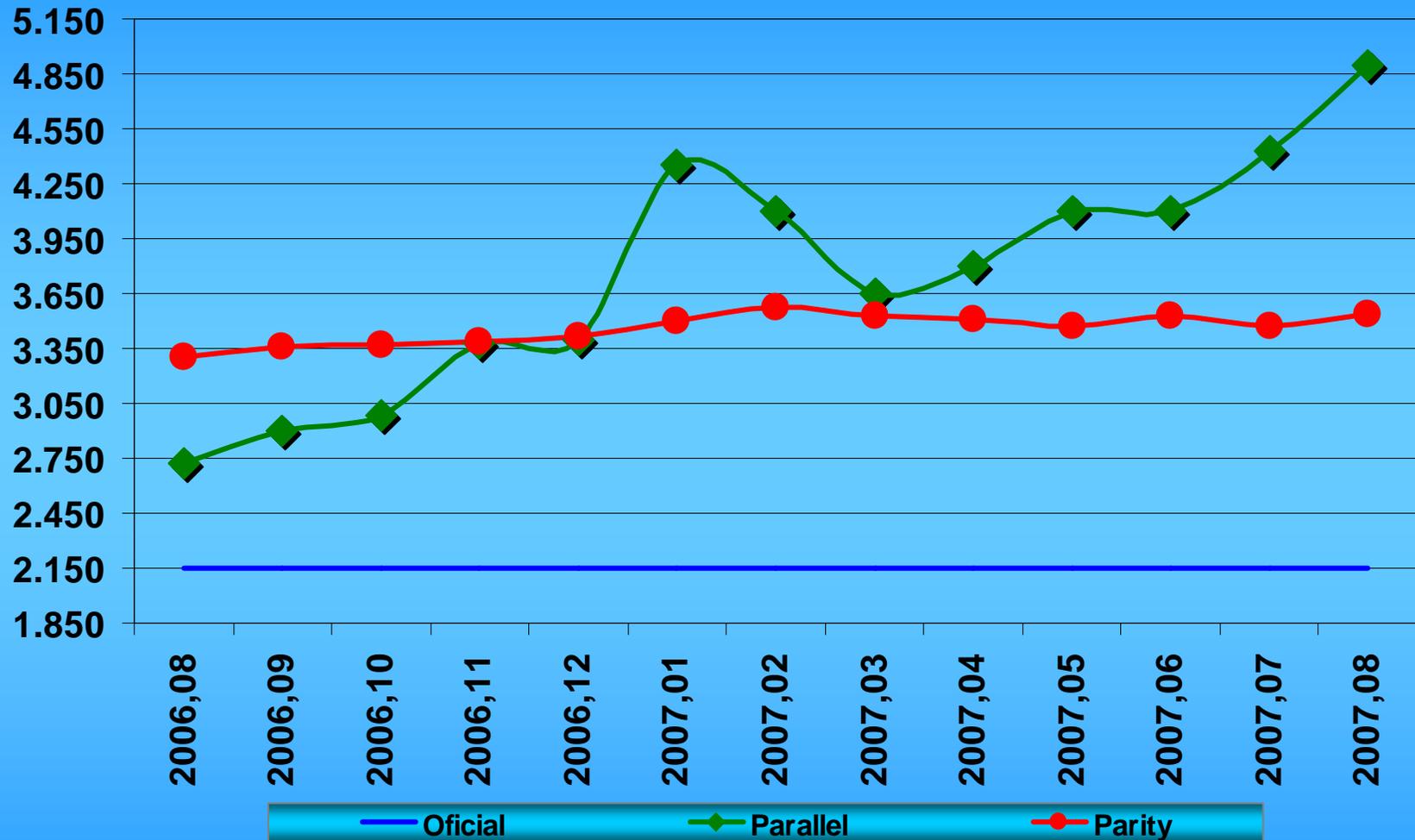
Average Daily (US\$ millions/day) CADIVI and BCV



	January-August		Cumulative Variation
	2006	2007	
Cadivi Approvals	98,3	159,6	62,4%
BCV Distributed	93,9	163,4	74,0%

Sources: BCV, Cadivi,
Metroeconómica
estimations

Exchange Rates (Bs/US\$)



On October 1, 2007 the parallel exchange rate stood at Bs./\$ 5.200

Source: BCV, MetroEconómica Estimations

Actions to Curb Inflation

Monetary and Financial Measures

Bond issue in \$ payable in national currency

Higher required reserves to the banks

Increase in saving deposits interest rate

Higher yields to deposit certificates at BCV

Bolivar Fuerte (BsF) in 2008

Taxes

VAT Elimination-Reduction

Subsidies to basic products

PDVSA tax payments in dollars

Administrative

Expedite CADIVI/BCV

Deeping of control prices

Actions against hoarding, speculation and incomppliance with price controls

Notable absences

Rationalization of public spending

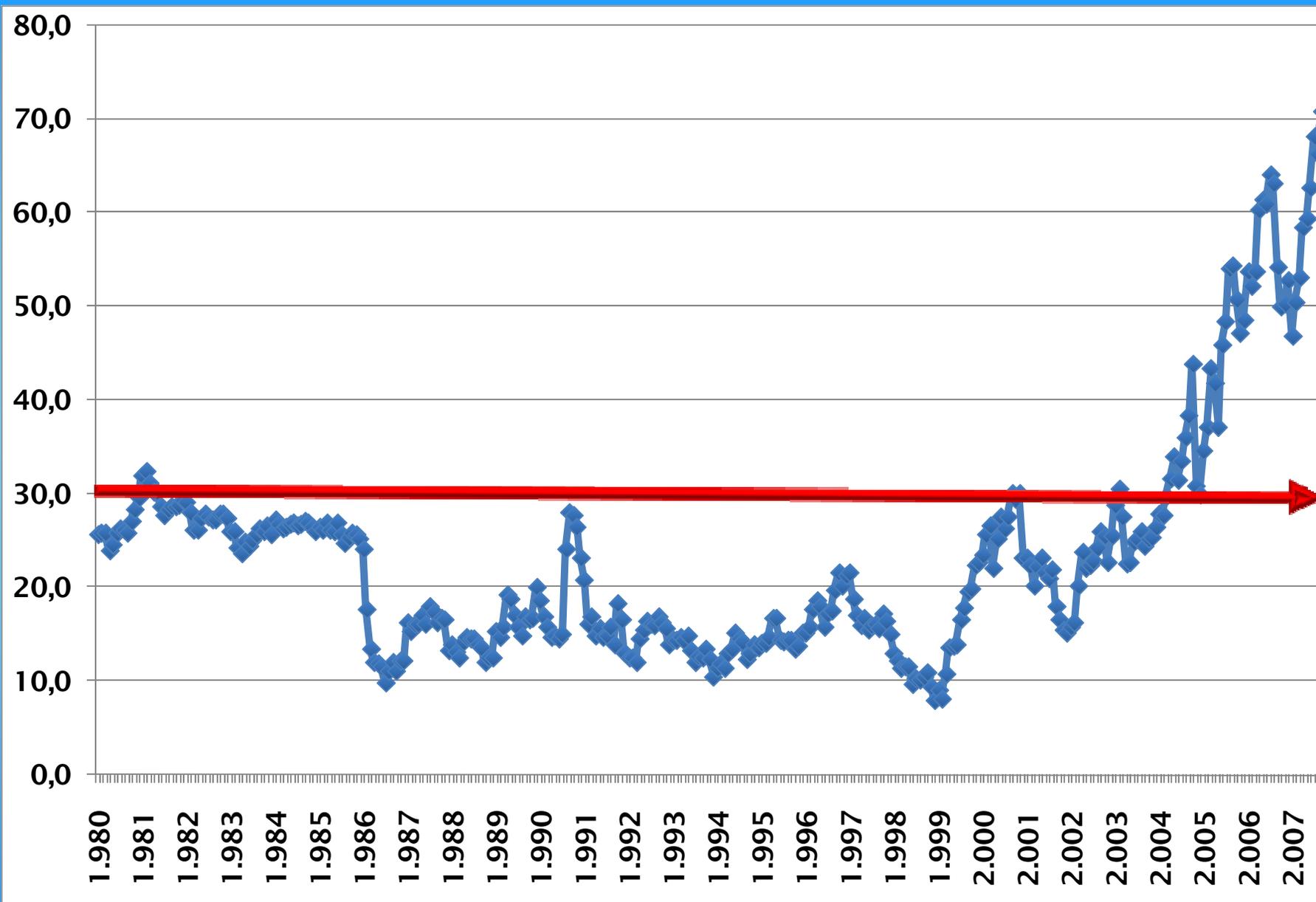
Promotion of local production

Productivity increases

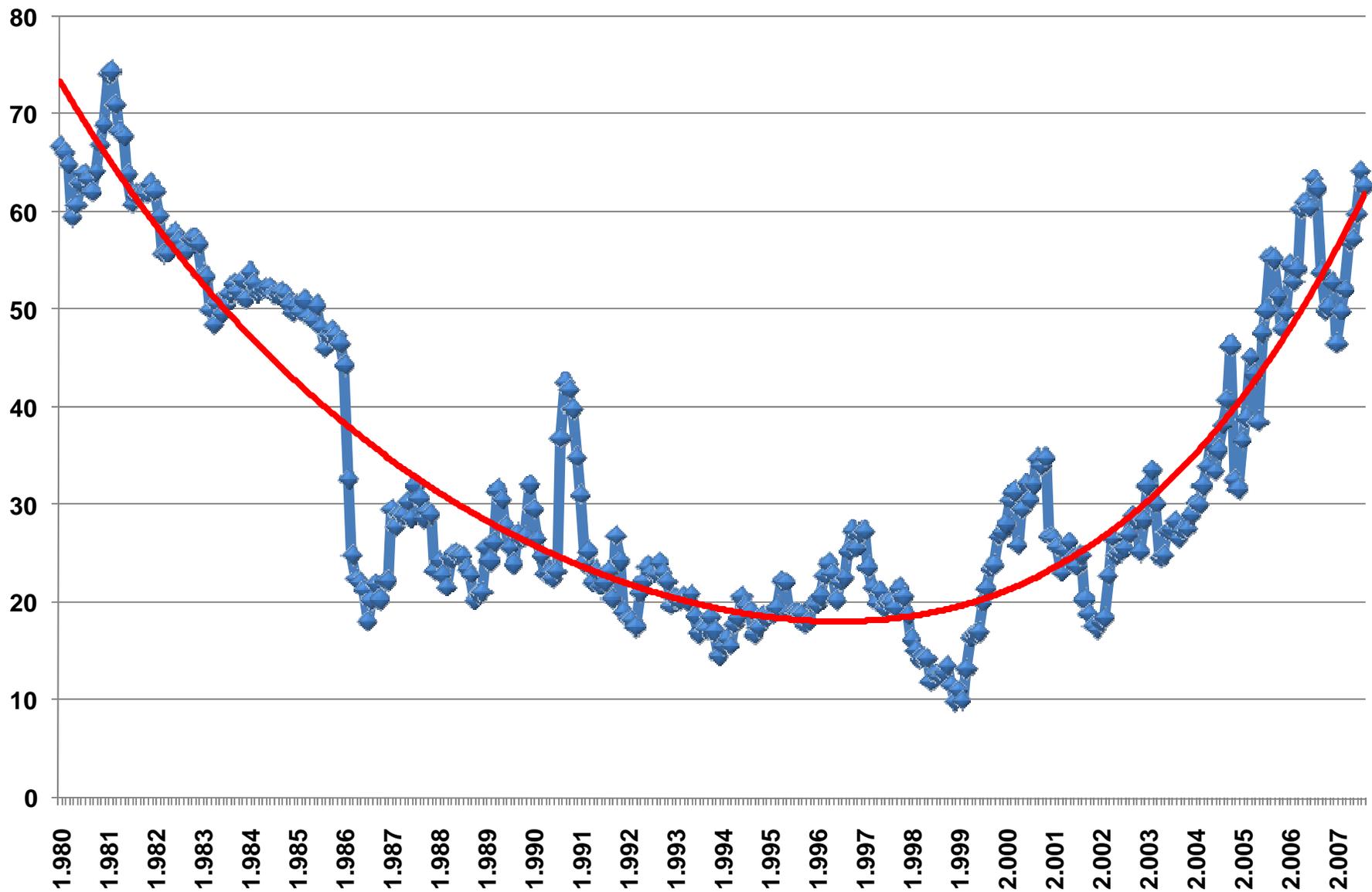
BCV autonomy

Economic Outlook 2007-2008

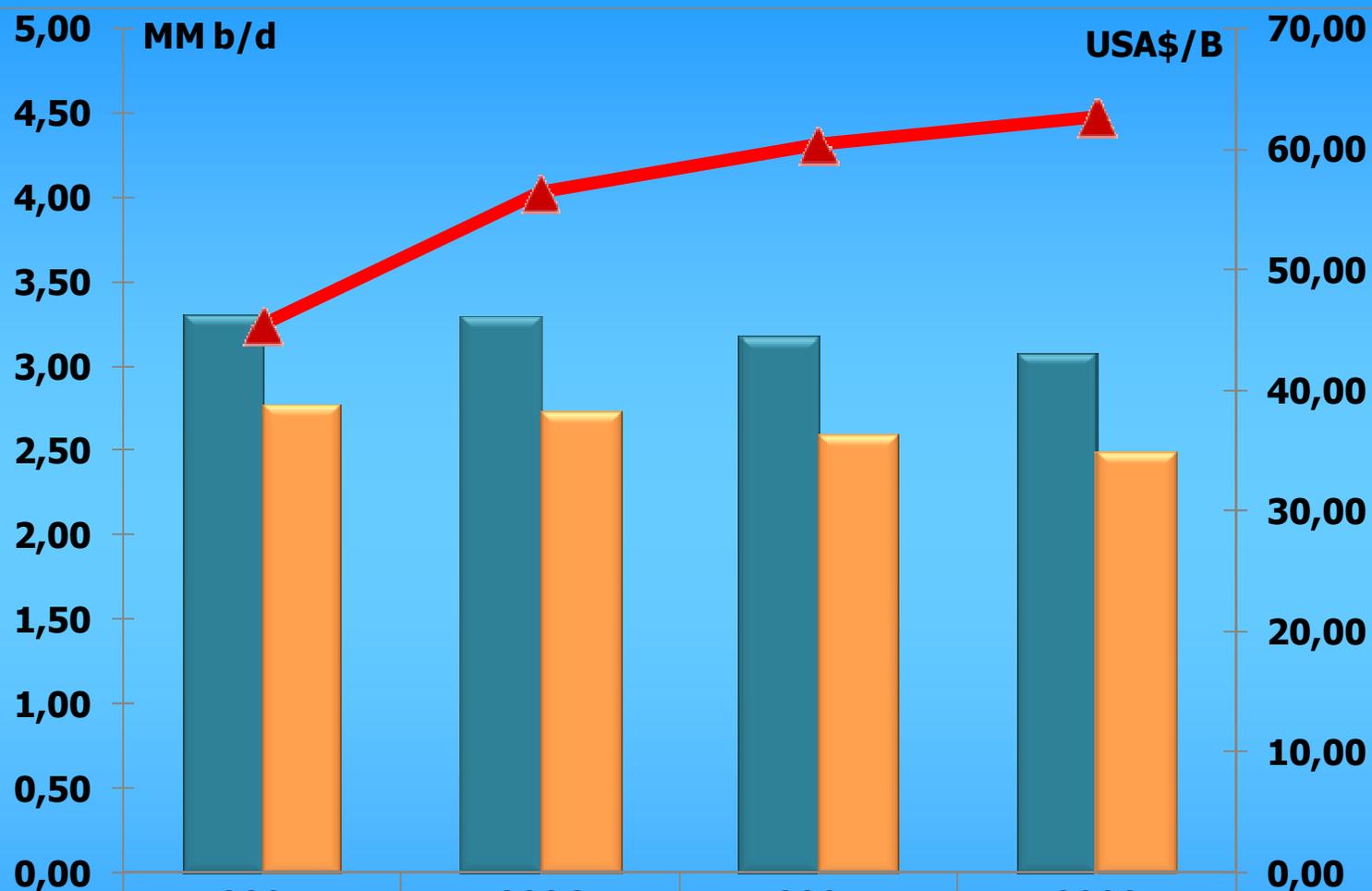
Venezuela Oil Basket Prices 1980-2007 US\$/B



Venezuela Oil Basket Prices US\$/B (US\$ of 2006)

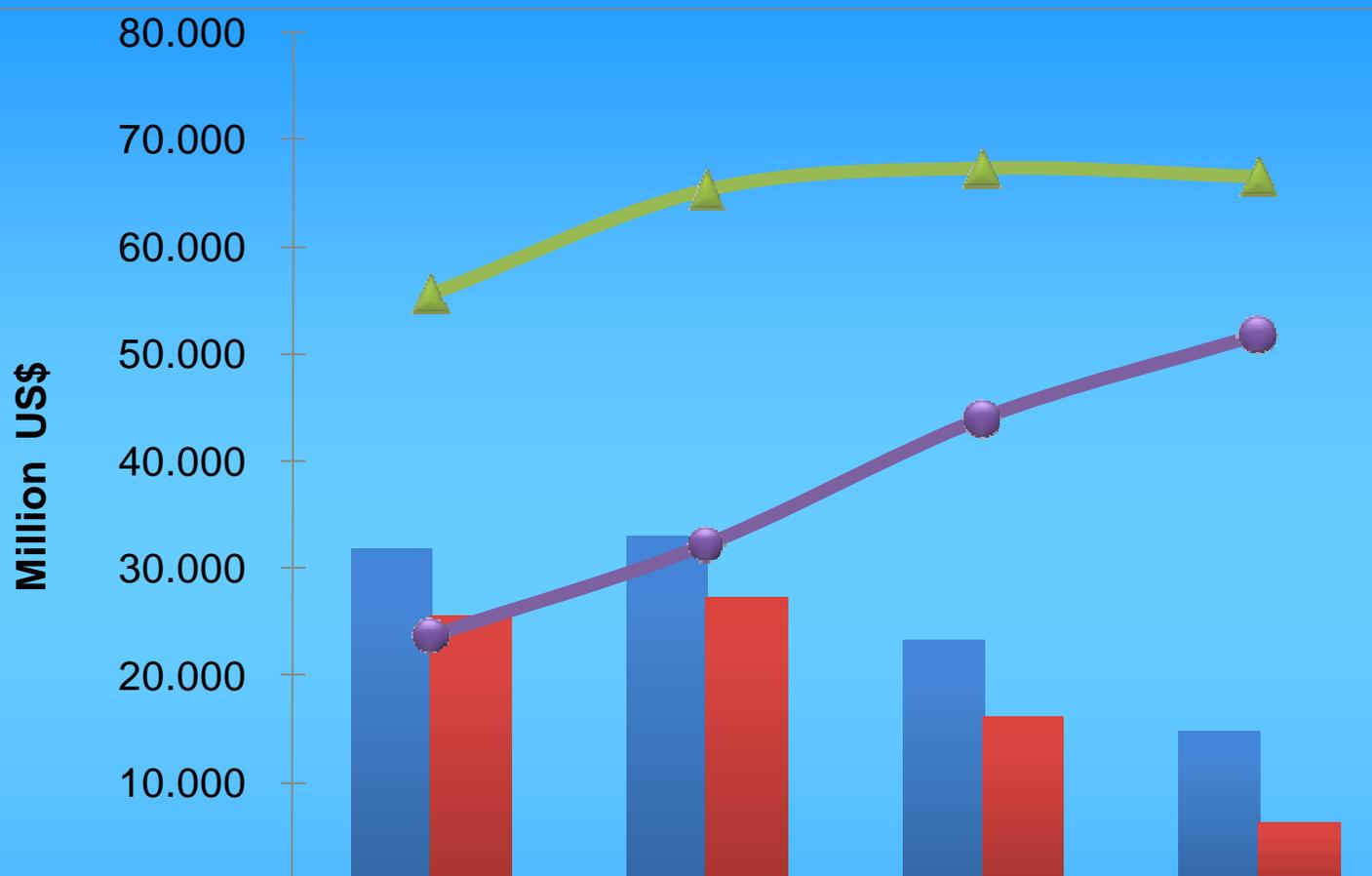


Oil Market 2005-2008



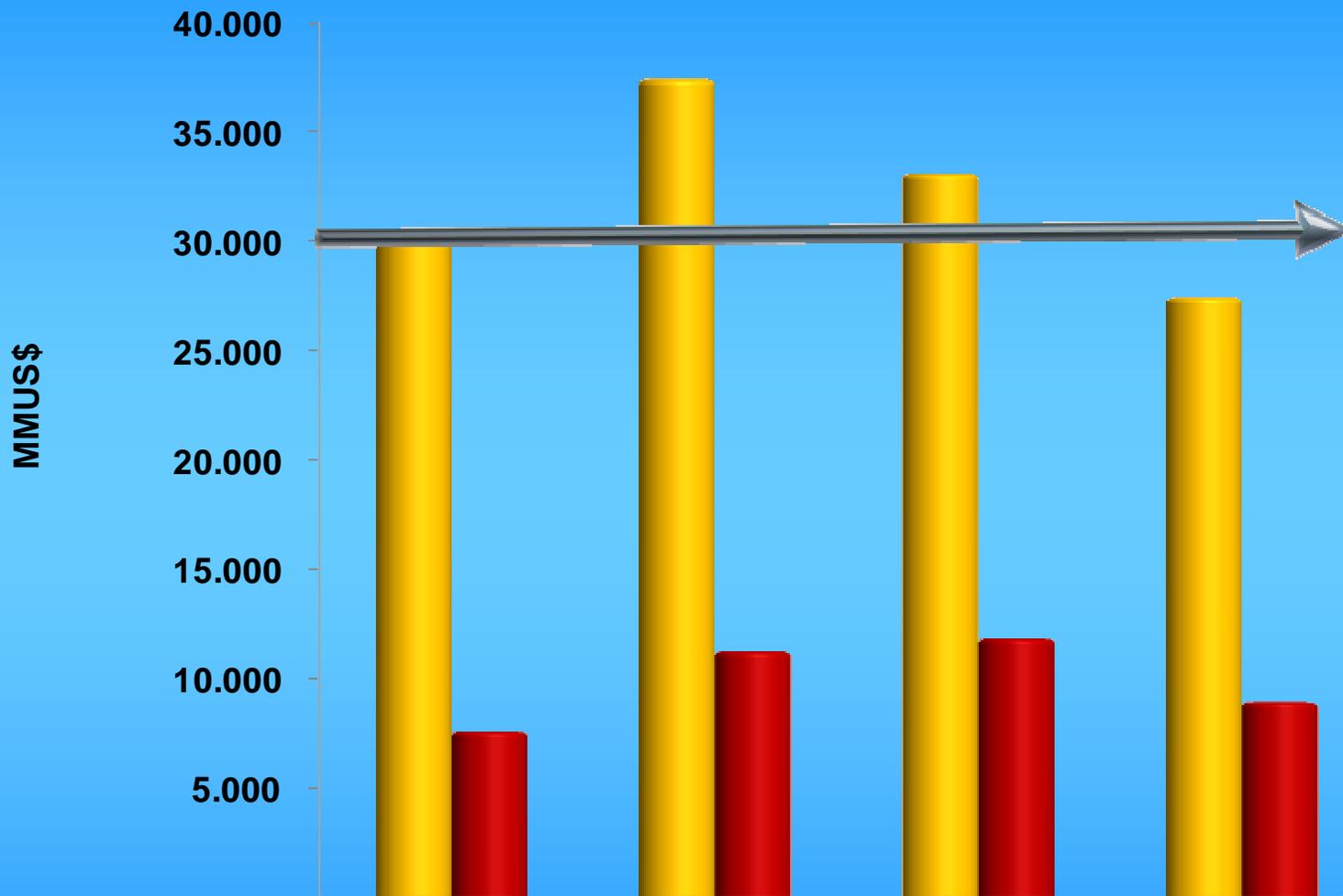
	2005	2006	2007	2008
Hid. Liquids+ Refined	3,31	3,29	3,18	3,07
Exports Crude+ Products	2,77	2,72	2,60	2,49
Oil Basket Prices	45,39	56,40	60,30	62,67

External Sector 2005-2008



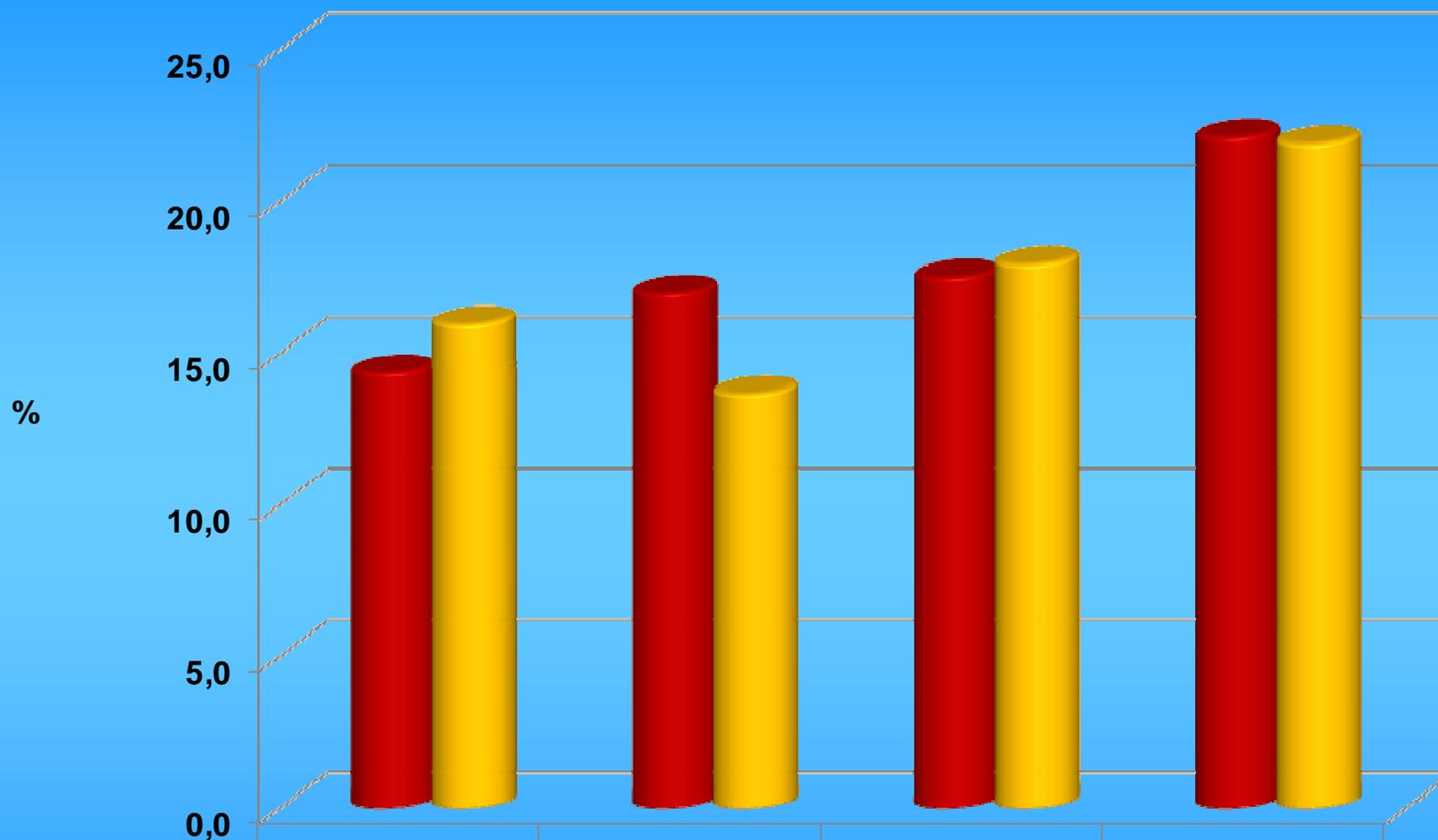
	2005	2006	2007	2008
Trade Balance	31780	32984	23282	14713
Current Account	25534	27167	16144	6236
Exports	55473	65210	67237	66462
Imports	23693	32226	43955	51749

Foreign Reserves 2005-2008



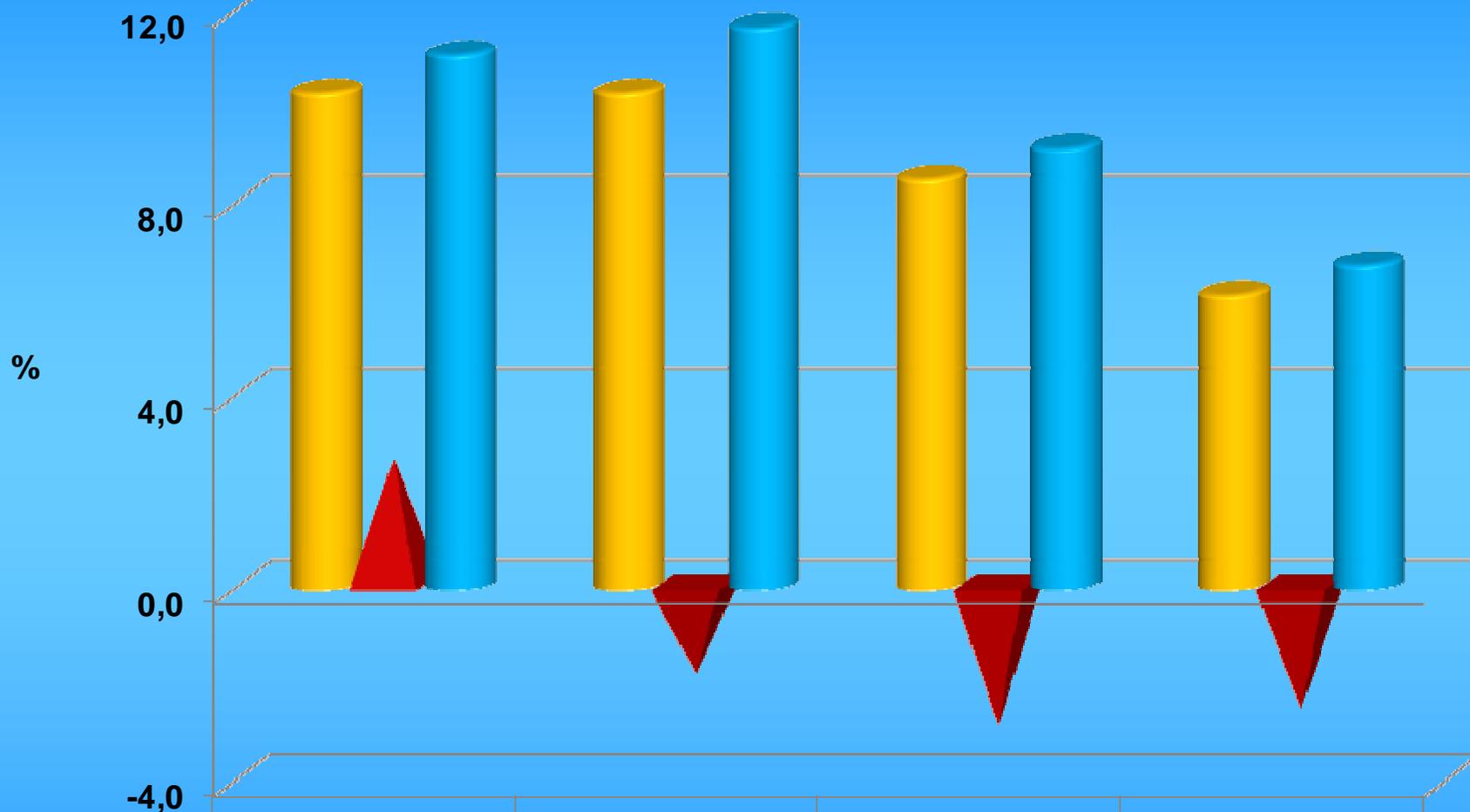
	2005	2006	2007	2008
■ BCV+FIMS	30368	37440	33138	27439
■ Fonden Resources	7625	11293	11880	9000

Inflation Rate 2005-2008



	2005	2006	2007	2008
Dec / Dec	14,4	17,0	17,5	22,1
Average	16,0	13,7	17,9	21,9

Economic Activity (Real GDP) (%chg.)



	2005	2006	2007	2008
■ Total GDP	10,3	10,3	8,5	6,1
■ Oil GDP	2,6	-1,9	-3,0	-2,6
■ Non Oil GDP	11,1	11,7	9,2	6,8

CONSTITUTIONAL REFORM

- **Socialist economic system**
- **Indefinite presidential re-election and 7-year period**
- **Elimination of BCV's autonomy**
- **Administration of the international reserves and monetary policy by the President of the Republic**
- **Reduction of legal working hours**
- **Diminished private property rights**
- **Broader definition of social and State property**
- **Elimination of decentralization and creation of parallel government entities controlled by the President.**

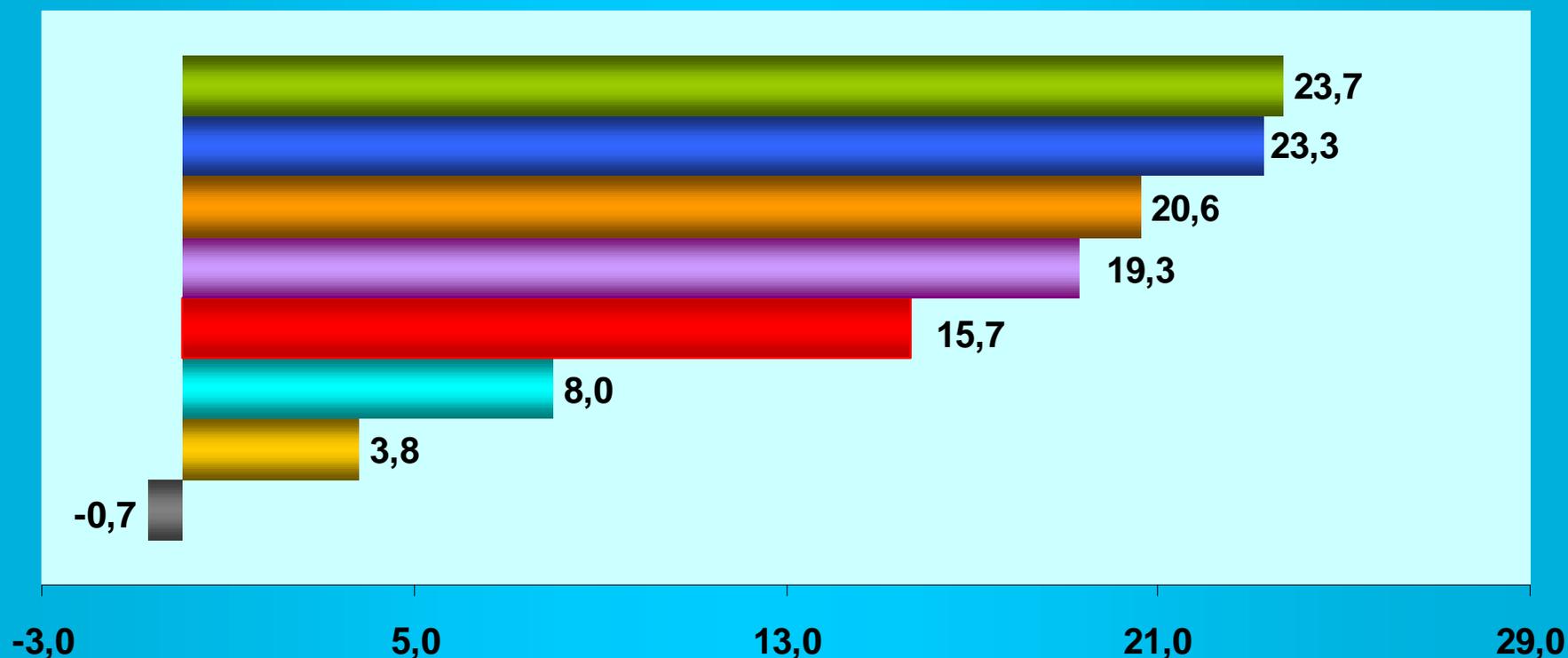
Thank you



Additional slides

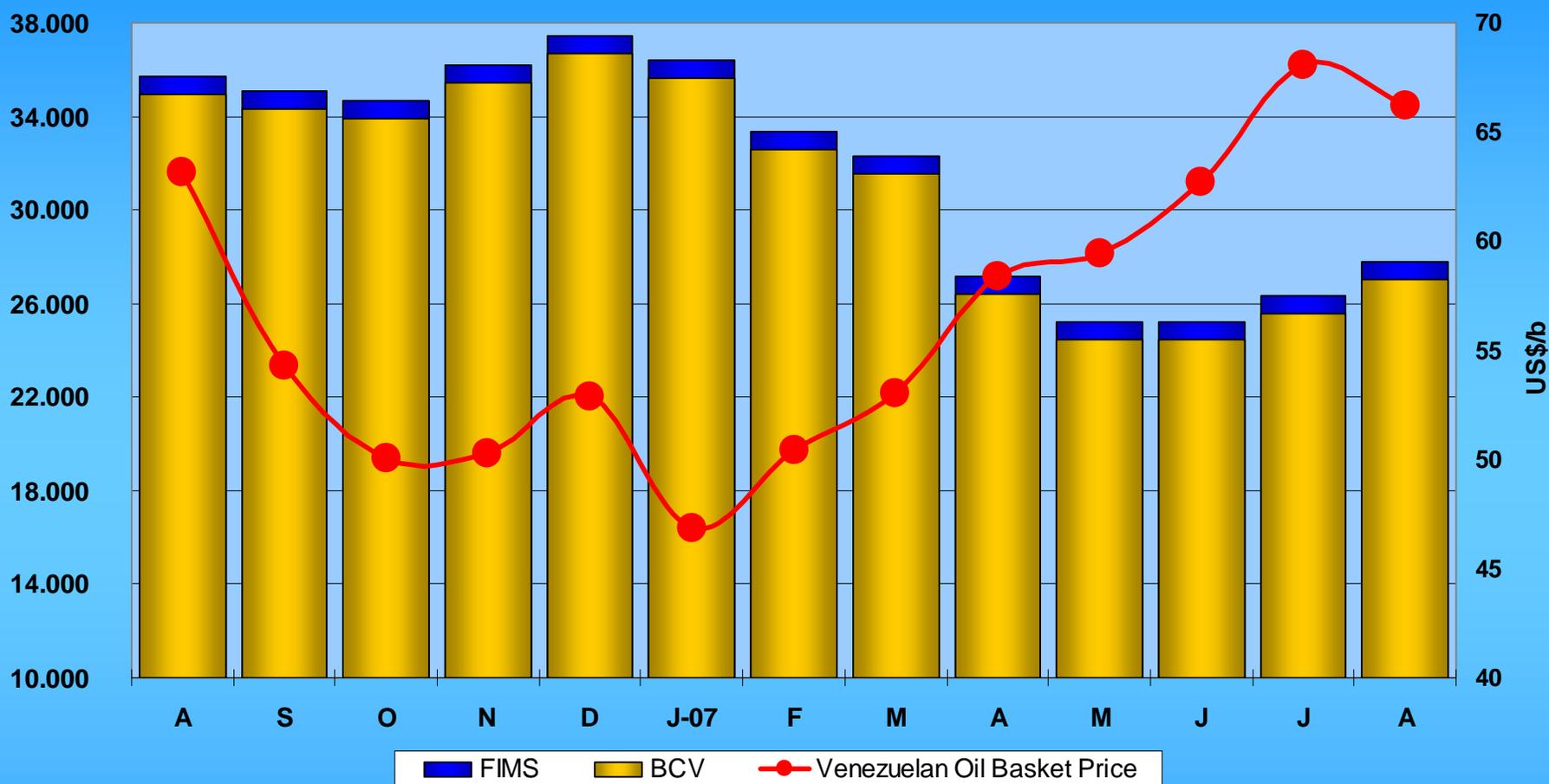
Quarterly GDP by Economic Activity (At Constant Prices of 1997) Non-Oil Sectors, I Semester 2007

- Mining
- Manufacturing
- Commerce
- Communications
- Electricity and Water Supply
- Transportation and Storage
- Construction
- Financial Institutions and Insurance



Source: BCV

Foreign Reserves and Oil Prices

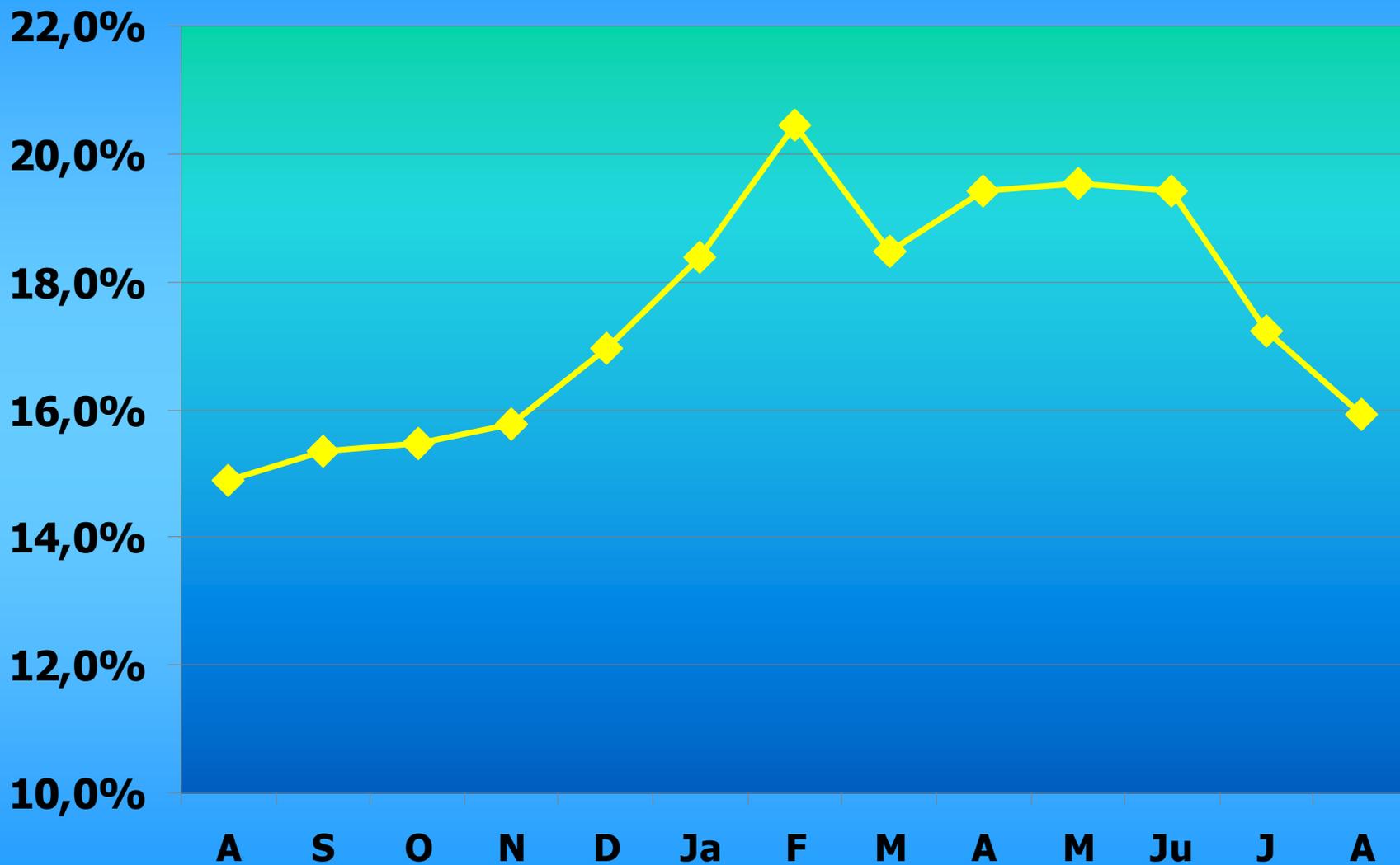


	2004	2005	2006	2007*
Foreign Reserves	24.280	30.311	37.440	27.793
Oil Prices (average)	32,61	45,39	56,44	58,21

Source: BCV, MEM

*On September 14, the price of Venezuela's Oil Export Basket stood at US/b 71,16 and the international reserves on September 19 were US\$ 28.220 million

Inflation: The CPI increased by 1,1% in August, making last twelve month inflation to reach 15.9%



Fiscal Performance (January -June)

Treasury Revenues and Expenses	2007	2006	2007/2006 %
Oil Revenues	24,0	24,7	-3,0
Non Oil Revenues	30,6	23,5	30,2
Current Revenues	54,6	48,2	13,1
Extraordinary Revenues	3,0	4,5	-34,4
Total revenues	57,5	52,8	9,04
Current Expenses	57,6	53,2	8,4
Total Expenses	65,2	60,8	7,2
Sup. (+) / (-) Financial Deficit	-7,7	-8,1	-5,1
Sup. (+) / (-) Fiscal Deficit	-3,0	-4,9	-38,2

Source: BCV

The primary fiscal expenditure during January-July 2007 period increased 13,9% with respect to the First Semester of 2006