BASIC DATA

Capital City: Caracas
Land Area: 916,445 sq. km.
Population: 27.6 M
Main Towns: Caracas 3.051 M
Maracaibo 2.153 M
Valencia 1.738 M
Barquisimeto 1.159 M
Maracay 1.04 M

Climate: Tropical; cooler in highlands; the rainy season lasts from May to November

Language: Spanish, Indian dialects spoken by 200,000 Amerindians in the remote

Measures: Metric System; local measures used in agriculture include 1 arroba=11.5 kg

Currency: US$1 : 4.3VEB (Venezuelan Bolivar)

Time: Changes from GMT-4 to GMT-4.5

Government:

President Hugo Chávez Frías
Vice-President Elías Jaua
Office of the Presidency Francisco Ameliach
Basic Industry & Mining José Khan
Communications & Information Mauricio Rodríguez
Defence Carlos Mata Figueroa
Education Maryann Hanson
Energy & Oil Rafael Ramírez
Environment & Natural Resources Alejandro Hitcher
Finance & Planning Jorge Giordani
Food Carlos Osorio Zambrano
Foreign Affairs Nicolás Maduro
Health & Social Development Eugenia Sader
Interior & Justice Tarek El Aissami
Labour María Cristina Iglesias
Labour Iris Varela
Prisons Ricardo Menéndez
Science & Technology Richard Canán
Tourism Alejandro Flemming
Trade Nelson Merentes
Central Bank Governor
A. POLITICAL STRUCTURE

- **Official Name**
  The Bolivarian Republic of Venezuela

- **Form of Government**
  Federal republic comprising 72 federal dependencies, 23 states, two federal territories and one federal district

- **The Executive**
  The president is elected for a six-year term and appoints a Council of Ministers; after a shortened term beginning in 1999, Hugo Chávez Frías began a fresh six-year term in July 2000 and a second full consecutive term in December 2006

- **National Elections**
  The next elections are due in December 2010 (presidential) and September 2015 (legislative)

- **Main Political Organizations**
  Government: The Partido Socialista Unido de Venezuela (PSUV) was created to unite the MVR with other pro-Chávez parties, but some parties will remain outside this grouping
  Opposition parties: Mesa de la Unidad Democrática (MUD), which includes Acción Democrática (AD); the Comité de Organización Política Electoral Independiente (COPEI); Primero Justicia (PJ); Convergencia Nacional (CN); Un Nuevo Tiempo (UNT) and minor regional parties. The leftist Patria Para Todos (PPT) occupies a middle ground between the government and the opposition

Source: The Economist Intelligence Unit as of February 2012
Venezuela’s political scene will be increasingly dominated by the October 2012 presidential election, in which the current president, Hugo Chávez, will seek a third consecutive term. Although Mr Chávez’s health—he was diagnosed with cancer in June 2011—continues to fuel speculation about his short-term political course, the Economist Intelligence Unit currently assumes that the president will remain in power until at least the end of his term in early 2013. Under this baseline assumption, relations between the government and the opposition will remain highly fractious, with both sides seeking to discredit each other’s position ahead of the presidential poll. Although the ruling Partido Socialista Unido de Venezuela (PSUV) lacks an absolute majority in the National Assembly (2011-16), Mr Chávez has been granted the power to rule by legislative decree until the election. He will thus be able to continue his administration’s highly heterodox and populist model, without having to compromise or be held accountable by the opposition. Mr Chávez’s confrontational governing style will also continue to be a source of political tension, as highlighted by a recent cabinet reshuffle, in which controversial Chavista generals were placed in key government posts, exacerbating political polarization.

With the concentration of power in the executive reducing the space within existing public institutions for expressing criticism of the government, student and social groups will increasingly opt for public protests, maintaining a moderate risk of social unrest. We expect Venezuela’s social climate to continue to worsen in the short term, reflecting public discontent over a deteriorating security environment and a perpetual failure on the part of the Chávez administration to deliver on promises of improved healthcare, education, housing and electricity provision. These trends are set to continue in 2013-16 if Mr Chávez is re-elected, with his radicalisation of policy and the growing influence of the Chavista military camp heightening the risk of further political and social conflict. An opposition victory would be likely to improve Venezuela’s business environment, but a strong Chavista presence in the legislature would limit progress on judicial and political reforms. As a result, Venezuelan politics will remain inherently unstable throughout the outlook period, and characterized by weak policy effectiveness and widespread corruption.

Mr Chávez will focus on boosting relations with non-traditional allies, such as China and Russia, in an effort to attract investment and diversify Venezuela’s oil export market (currently one-half of its crude is sold to the US). Mr Chávez will also retain close relations with a few radical leftist leaders in the region that continue to sympathise with the Venezuelan model, but his influence in the broader Latin American sphere will continue to diminish.
According to preliminary estimates published in late December by the Banco Central de Venezuela (BCV, the Central Bank), GDP expanded by 4% in 2011, with the oil economy growing by 0.6% and non-oil sectors growing by 4.3%. In the wake of the 1.4% fall in GDP in 2010 (and the 3.3% contraction in 2009), last year’s performance marked a moderate recovery after a six quarter long recession. Despite a weak 1.0% rise in gross fixed capital formation in 2011, domestic aggregate demand grew by a strong 6.6% year on year, driven by a 6.0% boost in public consumption (which in turn helped to drive a 13.2% rise in imports). Although private consumption increased by a relatively modest 3.7% (compared with a 2.3% fall in 2010), aggressive fiscal spending saw unemployment fall from an average of 8.5% in 2010 to 8.2%. At 5.3%, public sector employment growth continued to outstrip private sector job creation, which lagged behind at 3.7%. Around 20% of the workforce is now employed by the public sector, up from 19% in 2010. Real wages rose by 8.5% in 2011, but the average masks a huge disparity between very fast growth in real wages in the public sector (25.4%) and anaemic growth in the private sector (1.4%).

On the supply side, the financial services sector saw the fastest growth (with an 11.2% year-on-year rise), followed by telecommunications (7.6%), commerce (6.6%) and transport (5.7%). Despite very high oil prices, the oil industry (comprising both the production of oil and gas and refining) grew by just 0.6%, highlighting the lack of investment in the sector in the past few years. Politically sensitive sectors with a large employment base grew more slowly, including construction (3.4%) and manufacturing (3.5%). Reflecting ongoing currency overvaluation and trade restrictions, tradeable sectors grew at a slower pace than non-tradeable sectors, at 2.0% compared with 5.6%. For 2012, the minister of finance and planning, Jorge Giordani, has announced that the government expects GDP growth of 5%, noting that the first of the new Faja oil production projects should come on stream this year. Although the Chávez administration has, in the past, tended to overestimate its oil production capacity (and therefore growth forecasts), experience shows that public spending typically spikes in an election year, particularly when the presidency is at stake and when oil prices remain high. Assuming that oil prices remain relatively high in 2012, the Economist Intelligence Unit forecasts a continuation of moderate GDP growth this year, at 4.2%.

C. ECONOMIC PERFORMANCE

Although relations with Colombia have been tense in recent years, the rapprochement with the government of the Colombian president, Juan Manuel Santos, is proving resilient and we expect relations to continue to progress gradually. By contrast, relations with the US will remain tense, partly on the back of Mr Chávez’s strong anti-US rhetoric and close relations with Iran, although outright conflict is highly unlikely, especially given the commercial interests of both countries. Were a new democratically elected opposition government to take power in Venezuela in 2013, relations with the US would improve, while countries such as Cuba and Nicaragua would suffer from a sharp cut in aid. Relations with China, however, would continue to deepen.
D. ECONOMIC FORECAST

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<th>2016</th>
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Economic Growth

Although Venezuela is benefiting from a prolonged oil bonanza and external short-term risks have diminished, particularly the risk of a double-dip recession in the US, we expect the US economy to expand by 1.8% this year growth will remain below potential in the forecast period. After expanding by an estimated 4% in 2011, we expect the economy to gain further momentum in 2012, growing by 4.2% on the back of increased government spending ahead of the upcoming presidential election. Faster growth in 2012 and in the medium term will be hindered by a very poor investment environment, growing macroeconomic distortions and the government’s inability to prevent electricity blackouts (which affect an increasing number of sectors). With public spending falling after 2012, we expect GDP growth to average only 3.2% in 2013-16. A change in government in 2013 would be likely to bolster investment and accelerate growth in the medium term, but tackling the current distortions will prove challenging and could lead to very volatile economic performance.

Private consumption will continue to expand after recovering in 2011, but at an average of 5% in 2012-16, growth will be much lower than in the boom period of 2004-08, as continued high inflation limits the effect of rising government subsidies. Despite higher public-sector capital spending, fixed investment growth will be very modest in 2012, reflecting continued nationalisations, rising capital flight and high political and economic risks. The forecast of stronger investment growth from 2013 is based on the assumption that joint projects with Chinese and Russian state firms in the energy and mining sector are gradually implemented or that a new government takes power. Export volumes will expand only modestly in 2012-16, reflecting stagnant oil production following years of underinvestment in exploration and capacity expansion. Real imports will pick up faster than exports, in tandem with the expansion of domestic demand, acting as a drag on growth. The only component of GDP expected to grow steadily in the outlook period is government spending, particularly in 2012.
Inflation

Despite only modest domestic demand growth, 12-month consumer price inflation is expected to average 26.3% in 2012-16, reflecting extremely strong supply-side price pressures. The latter stems from the deterioration of the country’s domestic productive capacity, combined with steep currency restrictions that will force importers to continue to rely on the (more expensive) black-market rate. Repeated devaluations of the fixed exchange rate will also prove inflationary, while government attempts to control prices across all sectors of the economy via a recently created price superintendency will prove largely inadequate, instead fuelling corruption and leading to increased scarcity of basic goods. Assuming that some adjustments to fixed prices and the exchange rate to address underlying distortions take place after the 2012 presidential election (especially if an opposition government takes power in 2013), annual inflation is expected to abate in 2013-16, after reaching a high of 28.7% at end-2012. However, at an average rate of 25% in 2016, inflation will remain extremely high.
Exchange Rates

Since January 2011, in an effort to correct currency distortions, Venezuela has had two official rates, including a single BsF4.3:US$1 exchange rate for all imports and the parallel BsF5.4:US$1 Sistema de Transacciones con Títulos en Moneda Extranjera (SITME) rate overseen by the BCV, which directs sales of government bonds. However, the current system is highly inefficient, with deep supply and demand imbalances producing sustained downward pressure on the bolívar and fuelling demand for US dollars. This has led to the implementation of burdensome currency control measures (which will remain in place as long as Mr Chávez is in power) and to ad hoc policymaking. With the authorities gearing up for a presidential election in October 2012, we do not expect a devaluation of the official exchange rate until late in 2012 (to BsF5.8:US$1), although in the event of an external shock, an earlier or larger devaluation is possible. The continued build-up of imbalances in the latter part of the outlook period, in line with a massive increase in local-currency liquidity, will eventually require more shifts in the exchange rate in 2013-16, with the primary rate expected to end the forecast period at BsF12:US$1. The black market rate is expected to remain weaker (it currently stands at around BsF9:US$1), but the gap will narrow.

External Sector

The current-account balance will be determined by trade trends, and in particular oil prices, with the surplus decreasing slightly from an estimated 7.8% of GDP in 2011 to 5.4% in 2013, before rising slightly to 6.1% of GDP by 2016. In 2012-13, the country’s traditionally large trade surplus will narrow as a result of slightly lower projected oil prices and struggling non-oil exports. Stagnant oil production and a pick-up in import demand will prevent much higher trade surpluses in 2014-16. The services and income deficits will remain around historical levels, averaging 2.3% and 1.9% of GDP in 2012-16, respectively. With increased volatility in global markets, there are considerable risks that oil prices might fall sharply in 2012, which would leave Venezuela particularly exposed and might lead to the imposition of stricter import restrictions. Despite a current-account surplus in 2012-16, high levels of capital flight, transfers to off-budget spending accounts and the need to meet rising debt repayments will result in stagnant foreign reserves levels in 2012-13. Assuming some stabilization of investment flows and continued firm oil prices, reserves should recover more steadily in 2014-16.
### Forecast summary

(\% unless otherwise indicated)

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<tr>
<th></th>
<th>2011&lt;sup&gt;a&lt;/sup&gt;</th>
<th>2012&lt;sup&gt;b&lt;/sup&gt;</th>
<th>2013&lt;sup&gt;b&lt;/sup&gt;</th>
<th>2014&lt;sup&gt;b&lt;/sup&gt;</th>
<th>2015&lt;sup&gt;b&lt;/sup&gt;</th>
<th>2016&lt;sup&gt;b&lt;/sup&gt;</th>
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### Forecast summary

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<sup>a</sup> Economist Intelligence Unit estimates.  
<sup>b</sup> Economist Intelligence Unit forecasts.  
<sup>c</sup> Actual.
## Annual data and forecast

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<td>4.9</td>
<td>5.5</td>
<td>3.3</td>
</tr>
<tr>
<td><strong>Population and Income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population (m)</td>
<td>27.3</td>
<td>27.7</td>
<td>28.2</td>
<td>28.6</td>
<td>29.1&lt;sup&gt;a&lt;/sup&gt;</td>
<td>29.5</td>
<td>30.0</td>
</tr>
<tr>
<td>Recorded unemployment (av; %)</td>
<td>8.5</td>
<td>7.4</td>
<td>7.9</td>
<td>8.5</td>
<td>8.2&lt;sup&gt;a&lt;/sup&gt;</td>
<td>8.0</td>
<td>8.3</td>
</tr>
<tr>
<td><strong>Fiscal Indicators (% of GDP)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NFPs revenue</td>
<td>33.3</td>
<td>31.8</td>
<td>25.0</td>
<td>26.0&lt;sup&gt;b&lt;/sup&gt;</td>
<td>28.7</td>
<td>28.7</td>
<td>28.4</td>
</tr>
<tr>
<td>NFPs expenditure</td>
<td>36.1</td>
<td>34.3</td>
<td>33.0</td>
<td>32.8&lt;sup&gt;b&lt;/sup&gt;</td>
<td>33.7</td>
<td>36.3</td>
<td>32.3</td>
</tr>
<tr>
<td>NFPs balance</td>
<td>-2.9</td>
<td>-2.5</td>
<td>-8.0</td>
<td>-6.8&lt;sup&gt;b&lt;/sup&gt;</td>
<td>-5.0</td>
<td>-7.6</td>
<td>-3.9</td>
</tr>
<tr>
<td>Net public debt</td>
<td>15.5</td>
<td>14.2</td>
<td>18.4</td>
<td>18.6&lt;sup&gt;b&lt;/sup&gt;</td>
<td>32.2</td>
<td>40.5</td>
<td>41.0</td>
</tr>
<tr>
<td><strong>Prices and Financial Indicators</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange rate Bd-$US$ (av)</td>
<td>2.15</td>
<td>2.15</td>
<td>2.15</td>
<td>2.50</td>
<td>4.29&lt;sup&gt;a&lt;/sup&gt;</td>
<td>4.54</td>
<td>5.79</td>
</tr>
<tr>
<td>Consumer prices (av; %)</td>
<td>18.7</td>
<td>30.4</td>
<td>27.1</td>
<td>28.2</td>
<td>26.1&lt;sup&gt;a&lt;/sup&gt;</td>
<td>26.3</td>
<td>27.9</td>
</tr>
<tr>
<td>Producer prices (av; %)</td>
<td>16.0</td>
<td>26.6</td>
<td>21.2</td>
<td>25.5</td>
<td>20.8&lt;sup&gt;a&lt;/sup&gt;</td>
<td>17.7</td>
<td>17.2</td>
</tr>
<tr>
<td>Stock of money M1 (% change)</td>
<td>26.1</td>
<td>26.5</td>
<td>31.1</td>
<td>35.5</td>
<td>39.1</td>
<td>22.3</td>
<td>28.3</td>
</tr>
<tr>
<td>Stock of money M2 (% change)</td>
<td>28.8</td>
<td>26.0</td>
<td>28.8</td>
<td>28.0</td>
<td>35.7</td>
<td>26.4</td>
<td>27.6</td>
</tr>
<tr>
<td>Lending interest rate (av; %)</td>
<td>17.1</td>
<td>22.4</td>
<td>19.9</td>
<td>18.3</td>
<td>17.5</td>
<td>18.0</td>
<td>18.8</td>
</tr>
<tr>
<td><strong>Current account (US$ m)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade balance</td>
<td>22,979</td>
<td>45,656</td>
<td>19,153</td>
<td>27,173</td>
<td>45,765</td>
<td>40,835</td>
<td>42,915</td>
</tr>
<tr>
<td>Goods: exports fob</td>
<td>69,010</td>
<td>95,138</td>
<td>57,595</td>
<td>65,786</td>
<td>92,370</td>
<td>90,560</td>
<td>95,649</td>
</tr>
<tr>
<td>Services balance</td>
<td>-6,952</td>
<td>-8,354</td>
<td>-7,617</td>
<td>-8,857</td>
<td>-10,461</td>
<td>-9,748</td>
<td>-10,357</td>
</tr>
<tr>
<td>Income balance</td>
<td>2,467</td>
<td>698</td>
<td>2,652</td>
<td>3,379</td>
<td>7,100</td>
<td>7,483</td>
<td>8,337</td>
</tr>
<tr>
<td>Current transfers balance</td>
<td>-431</td>
<td>-608</td>
<td>-323</td>
<td>-559</td>
<td>-964</td>
<td>-1,299</td>
<td>-1,304</td>
</tr>
<tr>
<td>Current-account balance</td>
<td>18,063</td>
<td>37,392</td>
<td>8,561</td>
<td>14,378</td>
<td>27,240</td>
<td>22,305</td>
<td>22,917</td>
</tr>
<tr>
<td><strong>External debt (US$ m)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt stock</td>
<td>45,850</td>
<td>50,179</td>
<td>54,503</td>
<td>65,474&lt;sup&gt;b&lt;/sup&gt;</td>
<td>86,364</td>
<td>99,588</td>
<td>103,101</td>
</tr>
<tr>
<td>Debt service paid</td>
<td>5,745</td>
<td>6,018</td>
<td>3,964</td>
<td>8,102&lt;sup&gt;b&lt;/sup&gt;</td>
<td>11,061</td>
<td>15,769</td>
<td>18,777</td>
</tr>
<tr>
<td>Principal repayments</td>
<td>2,285</td>
<td>2,748</td>
<td>811</td>
<td>2,697&lt;sup&gt;b&lt;/sup&gt;</td>
<td>4,543</td>
<td>7,151</td>
<td>8,735</td>
</tr>
<tr>
<td>Interest</td>
<td>3,460</td>
<td>3,270</td>
<td>3,153</td>
<td>5,406&lt;sup&gt;b&lt;/sup&gt;</td>
<td>6,518</td>
<td>8,618</td>
<td>10,041</td>
</tr>
<tr>
<td>Debt service due</td>
<td>5,745</td>
<td>6,018</td>
<td>3,972</td>
<td>8,102&lt;sup&gt;b&lt;/sup&gt;</td>
<td>11,061</td>
<td>15,769</td>
<td>18,777</td>
</tr>
<tr>
<td><strong>International reserves (US$ m)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total international reserves</td>
<td>33,477</td>
<td>42,299</td>
<td>35,000</td>
<td>29,621</td>
<td>28,234</td>
<td>28,116</td>
<td>30,954</td>
</tr>
</tbody>
</table>

<sup>a</sup> Actual, <sup>b</sup> Economist Intelligence Unit estimates, <sup>c</sup> Economist Intelligence Unit forecasts.

A. BANKS IN VENEZUELA

The number of financial institutions in Venezuela is 37 as of end of June 2011.

B. CITIBANK IN VENEZUELA

Citibank Venezuela has been operating since 1917. Today there are 5 Citibank branches throughout the country.

Location of branches

- Caracas (3)
- Maracaibo (1)
- Valencia (1)
- Puerto la Cruz (1)

Services Offered to Citibank Clients

- Liquidity Management
- Information Management
- Payables Management
- Receivables Management
- FX Management
- Trade Services, Trade Finance
- Regional Implementation
- Customer Service
- Securities and Funds Services
- Custody & Clearing
- Local Custody
- A&T
- Citinvestment
- Late Deposit
- National Collection
- Payments
- Tax Payments
- International Trust Services
On June 10, 2011, Banco Central de Venezuela (BCV) started its Automated Clearing House operations (ACH). This replaces the current mixed mechanism, which combines the physical exchange of checks and the presentation of a magnetic diskette to BCV, followed by clearing and settlement of bilateral balances. BCV’s goal was to bring forward the availability, for the first time, in the afternoon of the following day, therefore reducing float by 24 hours.

Other instruments of payments has been incorporated, such as credit and debit transfers (payroll payments, for example), as well as bill payments. The ACH is operated directly by BCV. Financial institutions pay a fee to cover investment and operating expenses. At this stage, the physical exchange of checks among banks will continue, but it will no longer be a requirement to checks clearing since the data that each participating institution sends by electronic means will be relevant for payment processing.

### A. CLEARINGHOUSE CUT-OFF TIME

The Venezuelan market clearing process is completely automated and the Checks take 24 hours to clear with good funds, therefore keeping availability at 6:00 p.m.

<table>
<thead>
<tr>
<th>Citibank – cash services</th>
<th>Cut-off time</th>
<th>DAY to receive the instruction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manager Checks (issuance)</td>
<td>14.30 hrs</td>
<td>Same day (T)</td>
</tr>
<tr>
<td>Book to Book</td>
<td>19.00 hrs</td>
<td>Same day (T)</td>
</tr>
<tr>
<td>Outgoing Transfers</td>
<td>19.00 hrs</td>
<td>Day T-2</td>
</tr>
<tr>
<td>Incoming Transfers</td>
<td>19.00 hrs</td>
<td>Day T-2</td>
</tr>
</tbody>
</table>

Our electronic funds transfers are executed using swift environment and corresponsal accounts according with bilateral local banks agreements.
The FX market is normally open from 9:00am to 1:30pm, even though there are not restrictions for purchasing local currency (VEB). The purchase of USD through FX transactions are performed based on client instructions once the client has received approval of U.S. dollar acquisition by the National Exchange Control Administration (CADIVI). CADIVI is the government agency responsible for the administration of the exchange control. Purchasing of local currency VEB is based on T+3 cycle. The Central Bank (BCV) completes all legal purchase and sale of foreign currency.

On January 11, 2010, the Venezuelan Government devalued the Bolívar and established two official exchange rates, one of US$1 : 2.6 bolivars (for certain prioritized transactions) and another of US$1 : 4.3 bolivars (for other transactions). A legal alternative exchange market called the parallel or “permuta” market was abolished by the government in May 2010. A replacement market called the Transaction System for Foreign Exchange Denominated Securities (SITME) began to operate in June 2010. SITME is accessed through authorized Venezuelan financial institutions and operates by means of a bond-swap mechanism through the Central Bank. The SITME exchange rate has averaged US$1 : 5.3 bolivars since transactions began. Any other foreign exchange transactions are not legally permitted. Central Bank international reserves were U.S. $29.4 billion at the end of September 2010. On December 30, the government announced the elimination of the dual exchange rate system and unified the exchange rate at 4.3 bolivars per dollar.

B. TAXES

Income Tax

The current maximum income tax rate is 34%
The corporate maximum income tax rate is 34%

Withholding Tax

The current Withholding Tax on interest is 4.95%, and is applicable to foreign financial institutions, parent corporations, and local corporations (including banks) for loans used for investment purposes. Interest paid to other non-resident entities is subject to the normal corporate income tax rate. Foreign currency working capital loans have a Withholding Tax rate of 34%. Certificates of residence must be provided in order to obtain the benefits of double tax treaties.
Other Taxes

Additional taxes exist for Registration Tax, Donations, Alcohol and Tobacco, and stock exchange transactions.

Taxes Treaties

Tax Treaties exist with Italy, France, USA, Germany, UK, Switzerland, Sweden, Belgium, The Netherlands, Trinidad & Tobago, Norway, Czech Republic, Republic of Indonesia, Barbados, Denmark, Canada, Spain, Belgium, Germany, Barbados, Indonesia and Portugal.

Transfer Taxes

Value-Added Tax: 12%
Real Estate Tax (withholding tax): 0.5%
Stock Exchange Equity Sales: 1%
A. CORPORATE BONDS AND COMMERCIAL PAPERS

There is an increasing variety of corporate bonds and commercial papers offered from well-know companies.
Tenors from 90 days - 5 years

- The floating rate is about 80% of TAM
- The fixed rate is around 12% to 20%
- Can be traded through the Caracas stock market
- Backed up by the company's HQ
- Debt ratings between A1 and A3 - Fitch Rating

B. TREASURY BILLS

The Venezuelan Government offers Debt Securities through Banks and Brokers, that have the following unique features:

- Shorter tenor (less than 364 days) than corporate bonds
- Earnings from Government Titles are income tax free in Venezuela
- There are weekly and monthly auctions of 105, 182, and 364 day treasury bills
- It is possible to buy in the secondary market shorter tenor securities
- Only Public Financials Institutions, are allowed to participate in the 91 days auction
- Current yield: 2.30% (last auction - 07 June. 2011) / 105 days

C. OTHER BONDS

VEBONOS

VEBONOS are VEF denominated bonds issued by the Venezuelan government where coupon and principal payments are settled in VEF. There are weekly auctions of VEBONOS maturing in 2016 and 2017. There is a variable coupon that resets quarterly and is calculated as the average of the last three Venezuela 90 day treasury bills plus a spread that goes from 250 to 800 basic points. Earnings from Government Titles are income tax free in Venezuela
**TIF**

TIF are VEF denominated bonds issued by the Venezuelan government where coupon and principal payments are settled in VEF. There are weekly auctions of TIF maturing in 2016 and 2017. TIF has a fixed coupon that pays every 3 months. As in the case of other government securities, TIF are income tax free in Venezuela.

**TICC**

TICCs(*) are U.S. dollar denominated bonds issued by the Venezuelan government where coupon (semi-annual) and principal payments are settled in VEF. TICCs were issued in November 2006 and March 2007 as part of the “Bonos del Sur” joint issuances between Venezuela and Argentina.

As of today, the total volume of TICCs outstanding is over $4.6 billion. TICCs can be used as an official exchange rate (4.3 VEF/USD) hedging instrument. They are currently trading between 80% and 100%.
A. IMPORT REGULATIONS

After the exchange control implementation in 2003, a new government entity called, National Exchange Control Administration (CADIVI), was created to administer the foreign exchange control.

In order for a Venezuelan importer to obtain U.S. dollars at the official exchange rate, the importer must submit to CADIVI an application identifying the goods to be imported and setting forth other required information. This application must be submitted by a licensed Venezuelan bank acting as an authorized agent for the importer to obtain U.S. dollars upon import of the goods. Following importation of goods, CADIVI issues a final approval and the importer is able to obtain a foreign currency at the official rate in order to fund its purchase of the goods.

Importers can also get access to foreign currency through other mechanisms like SITME and Government Bonds Trading until the limits set forth in the corresponding regulation.

B. EXPORT REGULATIONS

All but 10% of foreign currency obtained as a result of exports of goods and services, must be sold to the Central Bank of Venezuela (Banco Central de Venezuela, BCV). The other 10% can be retained to cover export-related expenses. The central government and Petróleos de Venezuela (the state-owned oil company) and its subsidiaries, are also required to sell foreign currency to the central bank. In order to export capital or repatriate funds, companies must get approval from local regulator (CADIVI).
C. REGIONAL TRADING ASSOCIATIONS

ALADI
The Asociación Latinoamericana de Integración, known as ALADI, is a Latin American trade integration association based in Montevideo. Its main objective is the establishment of a common market in pursuit of the economic and social development of the region, and includes the following countries: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Panama, Uruguay, Cuba and Venezuela.

ALADI has become an important mechanism for Venezuelan importers to access USD approval to pay to beneficiaries located in any of the ALADI country members. Instruments used under ALADI include payment order, documentary letters of credit, and drafts. Brazil only accepts LC and aval draft within the agreement.

Currently around 21% of total imports through CADIVI use ALADI payment mechanism.

Andean Nations Community

Venezuela joined the customs union trade bloc in 1973, but withdrew from the bloc in April 2006 after Colombia and Peru reached free trade agreements with the United States.

MERCOSUR
MERCOSUR is an organization with an important operating network, especially in Argentina, Brazil, Chile, Uruguay and Paraguay, who offer specialized services in international trade. Its purpose is to promote free trade and the fluid movement of goods, people, and currency. Venezuela signed the membership agreement on June 17, 2006.

G3 GROUP
The G-3 is a free trade agreement between Colombia, Mexico, and Venezuela that came into effect on January 1, 1995. The agreement is not limited to liberalizing trade, but includes issues such as investment, services, government purchases, regulations to fight unfair competition, and intellectual property rights. The Venezuelan government announced in May 2006 that the country would withdraw from the trade bloc, due to differences with its two partners.

SUCRE
Sucre is a mechanism of cooperation, integration and complementary economic and financial promotion of development of the Latin American and Caribbean region. Country members are, Venezuela, Ecuador, Bolivia, Cuba and Nicaragua - who is in the process of becoming an official member.
CASH MANAGEMENT SERVICES

A. GENERAL BUSINESS TERMS AND CONDITIONS

In Venezuela, companies (residents & non-residents) may open resident accounts in local currency. Local regulation does not allow entities abroad raising funds in Venezuela.

Payment terms are usually negotiable. Sale terms are 30-90 days for most industries. The most common forms of payment in Venezuela are checks and payment transfers. Payments by mail are not allowed and clearing times are long.

Companies make arrangements with transport companies to pick up payments or ask its customers to deposit checks at specific bank accounts. Banks collect through direct payment.

B. CITIBANK’S ACCOUNT SERVICES SOLUTIONS IN VENEZUELA

Types of Deposit Accounts

Citibank SmartAccount (DDA)
Residents and Non-Residents Companies
Local Currency (Venezuela)
• Investment Options available (O/N)
• Overdraft facility

Documentation and Regulation
The following documents are required to open a Local Account with Citibank N.A., Venezuela Branch:

Residents
• Certificate of Incorporation published in a Public Gazette.
• Certificate of Incorporation under Register of Commerce with respective amendments.
• Power of attorney authorizing officers to manage the account (if applicable).
• Photocopy of RIF (Fiscal Information Registration).
• Photocopy of signers' identification (passport, C.I.).
• Current account application forms and signatures card fulfilled.
• Certificate of origin and destiny of funds, including the country.
• Finger Print Form.
• Political Expose Person Status Declaration.
CitiDirect Online Banking
WorldLink
Foreign Currency
Times are subject to the method of payment.
Cross-Border Payment:
WorldLink Cut-off time
CHIPS  15.30 hrs
FED   16.30 hrs
Book to Book 17.30 hrs
Local Payments

Citibank PayLinkSM *

Citibank PayLink is a Payment to Suppliers Service that allows clients to carry out payments through Citibank's branch and Citiservicios network. It offers a cost reduction for the delivery of the checks, provides a secure method of payment, and, through Citibank's system of electronic connection, the client is able to maintain control over payments made by viewing the status of payments to each beneficiary. Furthermore, clients can increase profitability through participation in the Automatic Investment Program, which invests surplus account balances. The payment platform is PayLink Back-End and it allows flexible cut-off times. The platform also controls intraday overdraft. Available payment types in Venezuela through PayLink are Interbank Funds Transfer, Book to Book Transfers and Manager Checks. Client Checks are not available in Venezuela using Paylink.
Tax Payments

There is a facility available to clients to pay their taxes to SENIAT through Citibank. There are several taxes that can be paid through checks or direct debit by using this facility.

SENIAT Customers

• **Special Taxpayers** - These companies are defined by SENIAT and their monthly tax payment date is scheduled according to the last number of their RIF (TAX ID). Additionally, they must pay their taxes only at the Venezuelan Industrial Bank (Banco Industrial de Venezuela) since this bank is the only authorized by local legislation to collect payments from this kind of taxpayer.

• **Non-Special Taxpayers** - These companies can pay their monthly tax payment during the first five days of each month. They could pay their taxes at any bank. These Taxpayers can use direct debit to fulfill their obligations.

Certain Payments Must Be Paid Directly at SENIAT Premise

• Liquor, Cigarettes and Matches Taxes, Capital Gain, Assets Tax, Real Estate Tax, etc.
• Applies to special taxpayers.
• The procedure is similar in that it is applicable for all kinds of tax payments, although there are different payment forms depending on the tax.

• Liquor, Cigarette and Matches Taxes
• Only for companies with local production. Taxes are paid according to production volumes and are paid daily.

• Capital Gain, Assets, Real State Taxes
• Taxes are paid monthly or yearly according to Revenues, Sales and Purchase volumes.

Certain Payments Must Be Paid in Custom Premises

• Import Taxes and Rights
• The Customs Clearing Agent responsible for nationalizing the goods estimates the tax to be paid and is in charge of all operational procedures and documentation needed for customs. Once Customs authorities have checked the goods and related documents, tax payment can be made.
• This procedure calls for further document verification from SENIAT authorities and the bank. Following these approvals, the goods are allowed to enter the country.
 Deposito Previo

- This alternative is used by perishable or chemical products importers. Given their nature, these products must be introduced to the country and sent to the final destination in a minimum time. In order to pick up the merchandise, the importers must establish a guarantee deposit in the Custom's Citibank account.

D. CITIBANK’S COLLECTIONS SOLUTIONS IN VENEZUELA

Local Collections
The Integrated Receivables Management application of Citibank Collections is available in Venezuela.

Late Deposit
Citibank will arrange to make the collection right from the client's office at a designated time, and the checks will be deposited on the same day. This is our check pick-up service channel.

National Collections
This type of collection product allows our customers' clients to make deposits through a network ("Zoom") with a nationwide lockbox service. Citizoom provides the customer access to available funds within 24 hours of the deposit and to see deposit information within 24 hours. The process is very simple since the client selects the most convenient Zoom office to deliver checks and deposit slip with commercial information. Zoom will give the customer a receipt. The envelope will be sent to Caracas and the next morning, Citibank will input the information for the next clearing. When the process is complete the envelope is returned to the customer.

E. DELIVERY SYSTEMS

SWIFT

Local Address
CITIVECABIC
CITIUS33VEC (Security services)

NY Address
CITIUS33VEC

Message Time Limits
None (24-hour access)
TRADE SERVICES

Trade Products and Services

• Aladi Payment Orders
• Documentary Collections
• Documentary Letter of Credits (onshore ALADI)
• Local Guarantees
• Stand By Letters of Credit
• SUCRE payments

Trade Finance

• Supply Chain Finance (only in LCY PAP in Process)
• Electronic Banking Services
• Transaction Initiation for Export Collections and Import Letters of Credit

Foreign Exchange Regulations

FX Controls: Yes
Central Bank provides the FX: Yes
Trade transactions reported: Yes
Trade obligations reported: Yes
Mandatory repatriation of exports proceeds: Yes
Cash-deposit for import: Yes
Import license: Yes
Import restrictions: No
Off-shore accounts: Yes
Restrictions on hard currency transfers: Yes
Restrictions on income in investments: Yes
Media and other telecommunications sectors Operates under Aladi: Yes
Withholding Tax on Trade Finance paid off-shore: 4.95% WHT on interest paid abroad.
F. SECURITIES

Custodial services include

- Safekeeping of physical or book entry securities
- Settlement of transactions (free or against payment)
- Corporate action management
- Income collection
- Proxy services
- Cash and securities account maintenance
- Transaction reporting
- Portfolio Statements

Associated services offered include

- International funds transfer
- Foreign Exchange facilities (Currently subject to Foreign Exchange Control Provisions)
- Sweep investment accounts
- Electronic reporting for cash reporting
- Issuer Services

Citibank Venezuela can act as a local depository for ADR programs (some of the ADR and GDR conversion programs continue suspended until more disclosure of FX Control scheme implications are provided).
### FX Convertibility/Transferability

- Local Currency is not freely convertible. Venezuela has strict foreign currency controls regulated by Ministry of Finance through CADIVI and the Central Bank.
Central Bank and Other Regulatory Requirements

- Venezuela has strict foreign currency controls regulated by Ministry of Finance through CADIVI and the Central Bank

Tax and Transfer Pricing Considerations

- Corporations must review their cases with their tax lawyers. Citi Venezuela does not support customers on tax issues.

Other Payment and Clearing Considerations for Treasury

- Local interbank ACH in place.
- No major restrictions on non-residents making payments on behalf of residents. The customer is responsible for tax implications.

For more information, please visit www.transactionservices.citi.com

Notes:
1. Venezuela has strict foreign currency controls regulated by CADIVI.
2. Venezuelan laws prohibit actively raising funds on foreign currency, but it is permitted to refer the customer to entities abroad only if the customer explicitly ask for referral.
4. A credit line has to be in place before any overdraft is allowed.
5. Interest paid to our clients is subject to withholding (W/H).
6. Tax rate varies depending on beneficiary. Domiciled Corporations are subject to a 5% W/H rate when the amount of interest earned is over BsF 25. The Non-Domiciled Corporations are taxed under Tariff 2 over any amount (15% up to 2,000 UT, 22% up to 3,000 UT and 34% on the excess).
7. Interest rates are regulated by the Venezuelan Central Bank, Citibank Venezuela is not offering TD.
8. Notional pool solutions may end in very high tax expenses in most of the cases. This product is not offered in Citi Venezuela.
9. Clients must consult their local legal and tax advisors in this regard.
Contact Information

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