

YEAR-END ADDRESS PRESIDENT

THE CENTRAL BANK OF VENEZUELA



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I. PRESENTATION

The 2001 year-end marks a propitious occasion to make some reflections on the particular evolution experienced by the world economy, politics, and society and its effects in Latin America and Venezuela.

In the economic sphere and against the forecasts of international public and private institutions, the U.S. economy faced a recession which brought about its effects on other world economies, worsened by the unprecedented terrorist acts that further weakened the economic deterioration and strengthened the unipolarity under the leadership of the affronted superpower. All these circumstances have had significant consequences in the social and cultural conditions of the world nations.

The effects are evident in the developing countries, both on their economies, whose dependence on primary exports continues to weigh down their possibilities of development, as well as on their politics, as they have been subjected to greater pressures in the fight against terrorism. Furthermore, many developing countries whose cultural heritage is based on rooted religious beliefs, have felt somewhat threaten of being excluded, hence their peoples have had to mark differences *vis-à-vis* their governments.

Venezuela has not been able to escape from the effects of the decline in the world economy's growth since its economy, still dependant on the to-and-from of the oil industry, continues to be very vulnerable –for that same reason– to the deceleration of the industrialized economies and its effects on the emerging economies. Despite that Venezuela's political and social conditions have not been affected, it continues to be somewhat pressured, particularly by measures taken by the press as a result of not comprehending the political and institutional process underway. This process is a result of exercising sovereignty, under the democratic and participative model laid down in the Bolivarian Constitution.

The Venezuelan economy and society are undergoing a transition process, amid different expectations and uncertainties. Transcendental decisions need to be taken which demand consensus for promoting participative action and achieving stability in a sufficiently wide sense. High costs are associated to real instability, therefore, balance is needed to foster trust and credibility, essential for achieving equitable growth and overcoming structural heterogeneity.

II. CHALLENGES IN THE INTERNATIONAL SCENARIO

1. Worldwide economic outlook

In late 2000 the forecasts regarding the world economy's behavior for 2001 were only moderately optimistic, due to the repercussions caused by the lower growth rate in the U.S. economy. The dominant scenario was that of a soft landing of the principal developed economy, a probable recovery of the economic activity in Japan, and a decrease in the growth rhythm of the Euro zone. As to the less developed countries, a deceleration of their expansive cycle was expected, although growth rates greater than those expected for the industrialized countries were estimated.

As evidence of these trends, in 2001 the volume of world trade increased by 1.4%, whereas worldwide production of goods and services increased by 2.4%, figures which reflect less expansion than that attained in 2000 (12.4% and 4.7%, respectively).

In 2001, the economy of the United States will grow an estimated 1.0%, which is clearly lower than the growth rate registered in 2000 (4.1%). This behavior is attributable, to a great extent, to the shattered optimism of the private sectors in the positive aspects associated to the new economy, the overinvestment in the last decade, and the strong psychological impact of the September 11 terrorist attacks in New York and Washington on the consumers.

With the aim of curbing the plunge in domestic demand, the U.S. monetary authorities reduced, in eleven different occasions during the year, the federal fund rate, which decreased from 6.50% in early 2001 to 1.75% in December, its lowest level in forty years. These measures were accompanied by fiscal incentive programs, the results of which are expected to materialize in 2002. The adverse performance of the economy of the United States had repercussions on the Euro zone and Japan, as well as on the recently industrialized nations of East Asia (Hong Kong, Taiwan, Singapore, and Korea), which were seriously affected by the Japanese recession and the fall in demand in the electronic goods market.

The economies of the developing countries were also affected by the behavior of the net capital flows which, for the first time in nearly one decade, became negative. The circumstances worsened after September 11, as the investors' aversion to risk increased. As a result –among other things– of lower financing, the GDP of the developing countries increased 4.0% in 2001 in comparison to 5.8% the previous year. Greatest deceleration was observed in Latin America, with a mere growth of 1.0% in 2001 in comparison to 4.1% in 2000.

Within the region, the adverse external conditions along with negative internal circumstances, such as the power supply problems in Brazil and the financial crisis in Argentina, significantly slackened economic growth, evidenced by the recessions of Mexico and Argentina and a sluggish Brazilian economy.

The main challenge for the world economy in 2002 will be to overcome the recession and foster a more equitable growth, in order to face the negative effects that the economic situation had on the weakest sectors of the population, due to their defenselessness *vis-à-vis* the instability of the economic cycles and the increase of inequalities in the world, as a result of the dominant economic system.

In this regard, the integration efforts in the region, as a means for strengthening the Latin American countries, poses a key challenge which will have to be faced in the years to come. Therefore, efforts will have to be made in the political arena to enforce participative democracy.

2. Oil geopolitics and Venezuela's role

In 2000, the consolidation of the oil price in the first semester, followed by a strong upward trend in the third quarter, raised confusion among producers in their interpretation of the real relationship between supply and demand and in their expectations for 2001.

In effect by mid 2000, the balance between the supply and demand of crudes had already been established due to the significant production increases agreed by OPEC, in addition to a greater supply from other producers. The inventories in OECD countries were at objectively satisfactory levels. However, apprehension could be felt in certain segments of the U.S. market, as a result of the inefficient oil pipeline network and the insufficient refining system.

Hence, the prices of a group of refined products from a certain part of the United States led the behavior of the oil prices worldwide. The election debate in the United States, without any doubt, tainted the transparency of the market fundamentals.

When OPEC made its last production increase in 2000, oversupply was the result in 2001. In effect, already in October 2000, the oil price began to experience a downward movement similar to that of 1996 and 1997.

Although at a larger scale, the oil price drop from the fourth quarter of 2000 to late 2001, is very similar to the 1997-1998 experience, evidenced by the structural character of the imbalance between oversupply and adequately supplied inventories on the one hand; and on the other hand, an unnecessary increase in the production capacity of all exporting countries, as the growth in demand had been insignificant.

The aftershock of the September 11 events which caused expenditures and investments to slack, the airline and tourism industry crisis, unemployment growth, and the evidence of recession pointed out above, extends a message to the world that the oil demand in 2001 has been widely exceeded by supply. What is even more serious is the fact that the worldwide capacities were increased disproportionately regarding the actual market

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“The production cuts agreed by OPEC which caused the public sector GDP to fall, the continuous reduction of oil revenues, and the subsequent reduction in government expenditure, are identified as the key elements that prevented the GDP from reaching the estimated target (4.5%)”.

requirements, which generated a closed production capacity, which will have a downward effect on the oil price in 2002.

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III. THE VENEZUELAN ECONOMY

1. GDP, prices, and employment

In 2001, the economic activity, measured in terms of the gross domestic product (GDP), was sluggish in comparison to 2000. In effect, based on preliminary figures the economy grew 2.7%, mainly as a result of the recessive impact of the world economy and the drop in oil prices.

The deviation from the target initially set by the government is fully attributable to the activity in the public sector, which decreased by 1.3%. The private sector, in contrast, yielded a 5.1% growth. The production cuts agreed by OPEC which caused the public sector GDP to fall, the continuous drop in oil revenues, and the subsequent reduction in government expenditure, are identified as the key elements that prevented the GDP from reaching the estimated target (4.5%).

Gross Domestic Product (% change)

	At 1984 prices		
	2001 / 2000(*)	2000 / 1999 (*)	1999 / 1998
Oil-Related Activities	(0.9)	3.2	(7.4)
Non-Oil-Related Activities	3.8	3.0	(5.4)
Goods	3.0	3.6	(6.9)
Services	4.2	2.8	(4.8)
Import Duties	8.5	10.9	(10.4)
Total	2.7	3.2	(6.1)

(*) Provisional figures

Source: BCV

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“ The domestic aggregate demand remained dynamic, expanding by 4.7%, whereas the external demand, including that of oil, increased 2.2%. This evidences a deceleration in comparison to the previous year, measured in constant 1984 prices”.

“ Private final consumption and public final consumption increased by 4.7% and 5.9%, respectively, which represents a higher growth rate in comparison to the previous year ”.

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The important expansion of the Construction, Trade, Communications, and Electricity and Water sectors determined a greater growth rate in the activities related to services than to goods.

The domestic aggregate demand remained dynamic, expanding by 4.7%, whereas external demand, including that of oil, increased 2.2%. This evidences a deceleration compared to the previous year, measured in constant 1984 prices. Private final consumption and public final consumption increased by 4.7% and 5.9%, respectively, which represents a higher growth rate in comparison to the previous year. Fixed gross investment significantly rebounded by 12.0%, after increasing 1.1% in 2000. These three components together increased 6.1%, 2.7 percentage points higher than the increase registered in 2000. The 42.8% portion of this increase was covered through imports, 37.5% through increased internal production, and 19.7% through the deaccumulation of inventories.

Aggregate Demand
(% change)

	At 1984 prices		
	2001 / 2000(*)	2000 / 1999 (*)	1999/ 1998
1) Final Consumption	4.9	3.9	(3.2)
Public sector	5.9	5.0	3.0
Private sector	4.7	3.7	(4.3)
2) Gross Fixed Investment	12.0	1.1	(16.4)
3) Domestic Aggregate Demand ^{1/}	4.7	5.0	(5.9)
4) Exports	2.2	5.5	(10.8)
5) Less: Imports	9.4	15.4	(14.6)
6) Aggregate Demand (3 + 4 - 5)	2.7	3.2	(6.1)

(*) Provisional figures

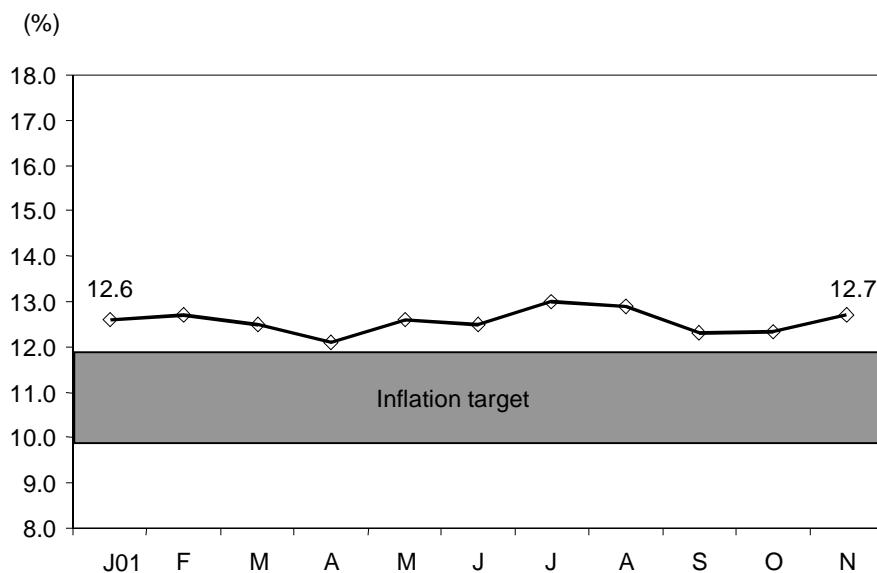
^{1/} Includes change in stocks.

Source: BCV

As of November 2001, the inflation rate, based on the yearly variance of the Consumer Price Index (CPI) of the Metropolitan Area of Caracas, was 12.7%, 1.5 percentage points less than that of November 2000, but slightly higher than the target announced by the economic authorities (between 10.0% and 12.0%).

“The inflationary nucleus reveals that the yearly price variance at November 2001 was 11.8%. This figure is not only below the general CPI variance, but it is within the target inflation range announced for year-end”.

CPI Yearly Variance Rate



Source: BCV

Unlike the deceleration of the inflation rate during the last four years, in 2001 the inflation rate has remained stagnant, despite the exchange policy which has favored the stability of the exchange rate. The comparison of observed and target inflation can also be evaluated through the inflationary nucleus¹, which reveals that the yearly price variance at November 2001 was 11.8%. This figure is not only below the general CPI variance, but it is within the target inflation range announced for year-end.

The Wholesale Price Index (WPI) and the Producer Price Index (PPI) of the private manufacturing industry yielded annual variances of 11.3% and 6.2%, respectively, at the November close, lower than those registered at November of the previous year (16.0% and 10.9%, respectively).

Lastly, in regards to employment, preliminary figures provided by the National Statistics Institute [Instituto Nacional de Estadísticas (INE)], indicate that in the month of September the unemployment rate was 13.5%, which was higher than the rate in September and December 2000 (13.0% and 10.2%, respectively). Despite greater economic activity, the employment rate decreased from 87.0% in September 2000 to 86.5% in September 2001. The employments generated were within the formal sector, 60% of which was absorbed by the private sector.

¹ This indicator isolates from the CPI basket goods and services with highly volatile prices, as is the case of agricultural commodities and goods and services with administered prices.

“ The domestic economy was affected by the unfavorable change in the oil market conditions ”.

2. Oil market

Although certain aspects of the worldwide oil economy have already been pointed out, it is worth describing the trend of some of its indicators given their high impact on the Venezuelan economy. The price of the main WTI, Brent, and OPEC basket markers caused an estimated average decrease of US\$/b 4.1 for the year. However, this average value does not properly represent the drastic drop in the fourth quarter of 2001, which drove quotations from US\$/b 32.0 to US\$/b 20.33 (WTI), US\$/b 29.5 to US\$/b 19.29 (Brent), and from US\$/b 28.6 to US\$/b 18.03 (OPEC basket).

As mentioned above, the estimated growth of worldwide oil demand lowered progressively as the deterioration of the world economy became evident. Annual contractions of 0.3% and 0.5% were registered in the third and fourth quarter of the year, results which had not been experienced since the 1998 Asian crisis. As regards supply, the efforts made by OPEC to gain market balance, through three agreements to cut down production, in January, March, and July, totaling 3,499 thousand barrels a day, did not yield effective results given the important production increase (580 thousand barrels a day), by non-OPEC producing countries. Particularly, Russia and the former soviet republics reported a significant oil activity expansion (6.6%), which allowed them to set their 2001 production at 8.4 million barrels a day, higher than that of 2000 (7.9 million barrels a day), substituting Saudi Arabia as the main producer worldwide.

Due to these circumstances, the OPEC strategy of reducing production translated into a weak market position; therefore, it was necessary that the non-OPEC producers be involved in an additional production cut of 1.5 million barrels a day, effective as of January 1, 2002, whereby non-OPEC producers agreed to reduce production by 500 thousand barrels a day.

As expected, the domestic economy was affected by the unfavorable change in the oil market conditions. Three of the four crude production cut agreements established by OPEC in 2001 became effective in February, April, and September of that same year. Venezuela reduced production by 407 thousand barrels a day. The last production cut agreed will become effective as of January 1, 2002, requiring an additional reduction of 175 thousand barrels a day.

The average price of the Venezuelan oil basket moved downward from US\$/b 23.19 in January to US\$/b 15.50 in November; the average for the year is estimated at US\$/b 20.50, which translates into a US\$/b 5.40 decrease regarding the average price of 2000.

“Preliminary figures indicate that at the 2001 year-end the balance of payments would register a deficit of US\$ 2,434 million, mainly due to the contraction of crude exports. With this outcome, the country's gross international reserves (BCV and FIEM [Macroeconomic Stabilization Investment Fund]) would amount to over US\$ 18,000 million”.

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3. External sector

Preliminary figures indicate that at the 2001 year-end, the balance of payments would register a deficit of US\$ 2,434 million, mainly due to the contraction of crude exports. With this outcome, the country's gross international reserves (BCV and FIEM) would amount to over US\$ 18,000 million.

The current account's surplus would fall from US\$ 13,111 in 2000 to US\$ 4,395 million in 2001, given the lower oil export price and the increased imports of the private sector.

The reduction of US\$ 6,175 million in oil exports obeyed to two factors: the decrease of the oil basket price (20.9%) and the reduction of exported volumes (2.4%). Although the results of the current account were mainly influenced by the crude trends, private exports also played a role in this regard, as they increased by US\$ 325 million to close at US\$ 5,270 million. Another variable that contributed to the deterioration of the current account was the expansion of imports, which increased by US\$ 1,791 million (11.6%), to close at US\$ 17,282 million.

The services account recorded a deficit of US\$ 3,253 million, some US\$ 235 million higher than that of 2000 and the revenues balance had a deficit of US\$ 1,516 million, which represents an increase in comparison to 2000.

In contrast to the results of the current account, in 2001 the capital and financial account improved notably, as the deficit balance decreased by US\$ 843 million, an improvement in comparison to the amount last year. This was due to the favorable behavior of the portfolio investment and other investments, since the balance of the direct investment account decreased by US\$ 1,762 million, a reversion from the 1999 levels.

“As of November month-end accumulated depreciation of the exchange rate was 6.7%; however, in December a greater slide was needed in response to the high demand in the prior weeks”.

**Balance of Payments^{1/}
Summary**

	2001	2000
Current Account	4,395	13,111
Goods Balance	9,774	17,544
Exports FOB	27,056	33,035
Oil-Related	21,710	27,885
Non-Oil-Related	5,346	5,150
Imports FOB	(17,282)	(15,491)
Services Balance	(3,253)	(3,018)
Revenues (Incomes)	(1,516)	(1,204)
Current Transfers	(610)	(211)
Capital and Financial Account^{2/}	(1,947)	(2,790)
Direct Investment	2,595	4,357
Portfolio Investment	329	(2,418)
Other Investment	(4,871)	(4,729)
Errors and Omissions	(4,882)	(4,503)
Overall Balance	(2,434)	5,818
Change in Net Reserve^{2/}	2,434	(5,818)
Central Bank of Venezuela ^{3/}	4,215	(1,064)
Venezuelan Investment Fund	(140)	(381)
Macroeconomic Stabilization Investment Fund	(1,641)	(4,373)

(*) Provisional figures

* Revised figures

1/ Prepared based on the guidelines of the Fifth Edition of the Balance of Payments Manual of the FMI.

2/ A positive sign indicates decreased assets or increased liabilities and viceversa.

3/ Excludes adjustments from variances in exchange rate, prices, and restatement of BCV balances.

Source: BCV

By the end of the third week of December, the nominal exchange rate was Bs/US\$ 756.25, which implies an accumulated depreciation of 8%, whereby a determining factor has been the strong demand during the month of December 2001 associated to the negative expectations of various economic agents within the conflictive political environment.

“The central government sought internal financing sources, and to a lesser extent, resources from the external sector (...). As a supplementary financing source, FIEM provided US\$ 894.0 million, in accordance with the Budget Act”.

4. Macroeconomic policies: tax policy

The economic policy designed by the Administration for 2001 established that the tax policy would aid in developing the economic activity by allowing a level of expenditure that while progressively contributing to curb the deficit of public assets, it would be consistent with the fixed inflation target and with the sustainability of the tax accounts.

The central government’s financial performance during 2001 was staged within an external and internal economic scenario which was less favorable than projected, in addition to having had to deal with a considerable lack of resources to service the significant amount of debt pending payment from the 2000 fiscal year.

Following on from the above, based on preliminary figures of the BCV², the central government’s financial account would have a deficit of 4.0% of the GDP at the fiscal year-end, which represents a deviation from the target provided for in the 2001 Budget Act (3.0% of the GDP).

Central Government Financial Performance

	2001(*)	2000*	1999
Total Revenues	20.4	19.6	16.6
Oil-Related	9.8	10.0	6.3
Non-Oil-Related	10.6	9.6	10.3
Total Expenditures	24.5	21.2	19.1
Current	18.6	17.2	15.7
Capital	4.1	2.8	2.8
Unbudgeted	1.0	0.5	0.3
Net Loans	0.8	0.8	0.3
Global Surplus or Deficit (-)	(4.0)	(1.7)	(2.6)

(*) Provisional figures

* Revised figures

Source: BCV

The central government’s total revenues amounted to 20.4% of the GDP, 0.9% higher than the revenues of the previous year. This is mainly due to the increase of internal revenues (1.0% of the GDP) since oil-related revenues decreased by 0.2% of the GDP, totaling 9.8%.

The total expenditure of the central government amounted to 24.5% of the GDP, which represents a 3% increase in comparison to 2000.

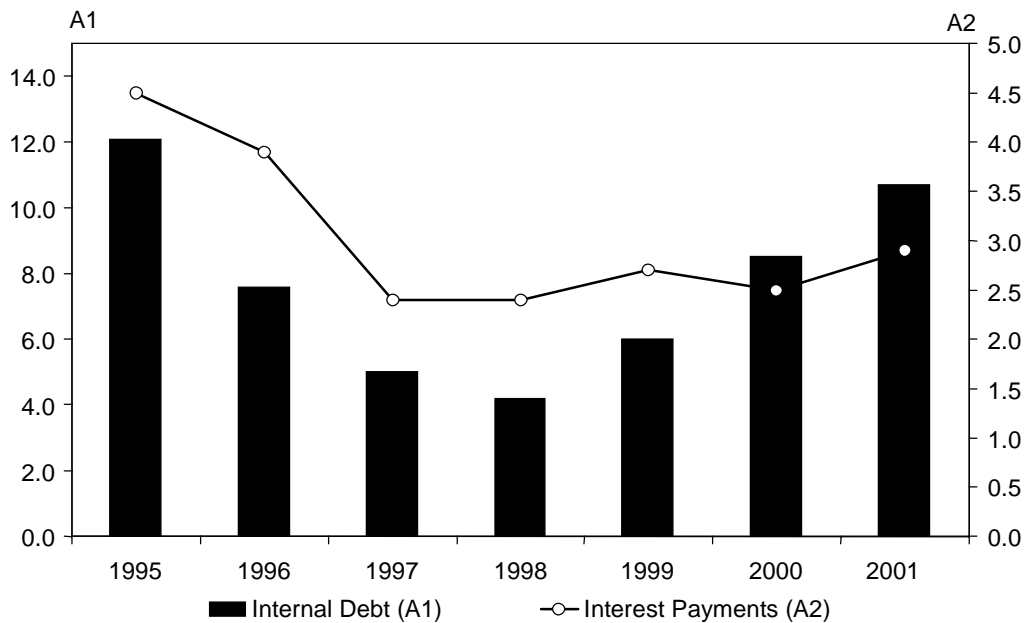
²Provisional January-October figures, estimated November-December figures.

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“The exchange policy sought to stabilize the exchange rate as a nominal anchor for prices, whereas the monetary policy was geared at generating the appropriate conditions to maintain the level of international reserves consistent with the exchange rate stability”.

The central government’s debt requirements were primarily covered by internal financing sources, and to a lesser extent, by resources from the external sector, by means of the voluntary credit markets and loans from multilateral organizations. As a supplementary financing source, FIEM provided US\$ 894.0 million, in accordance with the Budget Act.

Internal Public Debt Balance and Financing Expense^{1/}
(GDP %)



^{1/} Includes debt of Republic and Entities
Source: BCV and Finance Ministry

The government placed national public debt bonds in the internal market for an amount equivalent to 5.0 points of the GDP, whereas the amortization payments amounted to 2.0% of the GDP, thus the internal net debt was positive by 3.0% of the GDP. The financial conditions of the domestic market caused the average cost of public financing to be higher than that of the previous year. As to external financing, the central government placed long-term bonds totaling Bs. 896.5 billion (1.0% of the GDP) in the markets of Europe and Japan and continued to receive loans from multilateral and bilateral organizations for Bs. 655 billion. Some Bs. 1,332 billion of the external debt was amortized, with which the net external financing resulted positive by 0.2 points of the GDP.

5. Macroeconomic policies: monetary and exchange policy

In 2001, the strategy of the monetary and exchange policies was aimed at achieving the programmed inflation target. Therefore, the exchange policy sought to stabilize the exchange rate as a nominal anchor for prices, whereas the monetary policy was geared at generating the

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“ The advances in the modernization of the monetary policy instruments contributed to defending the stability of the exchange rate and face the speculative attacks on the bolivar during most of the third quarter ”.

appropriate conditions to maintain the level of international reserves consistent with the target exchange rate stability.

Based on this objective, the exchange policy relied on maintaining the flotation band system, forecasting an annual 7.0% central parity slide rate.

Under these conditions, the monetary policy became more active during 2001, with the aim of attaining a more orderly evolution of the exchange market. In effect, the most dynamic performance of the BCV in the monetary market began in May, as national public debt bonds belonging to the BCV portfolio were placed in the open market, and sold under repurchase agreements (REPO). As a result, the REPOS' interest rate, in addition to becoming a money market reference interest rate, it brought about higher earnings to internal savings.

Conducting open market operations through repurchase agreements is part of the process aimed at modernizing and redefining the monetary policy instruments to achieve greater efficiency, flexibility, and transparency of the monetary policy decisions. In order to attain these objectives, the BCV modified the criterion for setting the interest rate charged for loan operations, by applying a follow-up methodology which considers the conditions of the funds interbank market, as well as the monetary policy. As a result, in the month of April the rediscount rate was reduced to 32.0% annual interest, which provided for a larger number of operations conducted throughout 2001 by using this instrument.

In addition, the Banco Central de Venezuela, with the purpose of improving the efficiency of the financial system's operations and modernizing this sector, agreed to implement the “Monetary and interbank market reference rate system” and the “System for the transfer of funds through interbank loans” in order to provide, on a regular basis, reference interest rates for different terms, as well as permitting, in an organized and transparent fashion, the realization of fund transactions to loans.

The advances in the modernization of the monetary policy instruments contributed to defending the stability of the exchange rate and face the speculative attacks on the bolivar during most of the third quarter. The greatest sale of currency in the exchange market to preserve the function of this variable as a nominal anchor for prices, reflected on the behavior of the monetary aggregates, particularly the monetary base.

With the aim of subduing the pressure on the exchange rate, in August the BCV increased the legal reserve percentage for public sector deposits from 17.0% to 30.0%. Furthermore, in September, the BCV reopened money desk operations by placing certificates of deposit in order to offer alternatives for investing in domestic financial assets. In addition, the BCV increased the rediscount rate to 37.0%. This measure was geared at making the access to short-term liquidity more expensive in order to un motivate the acquisition of foreign currency and foster a more adequate treasury management by financial institutions.

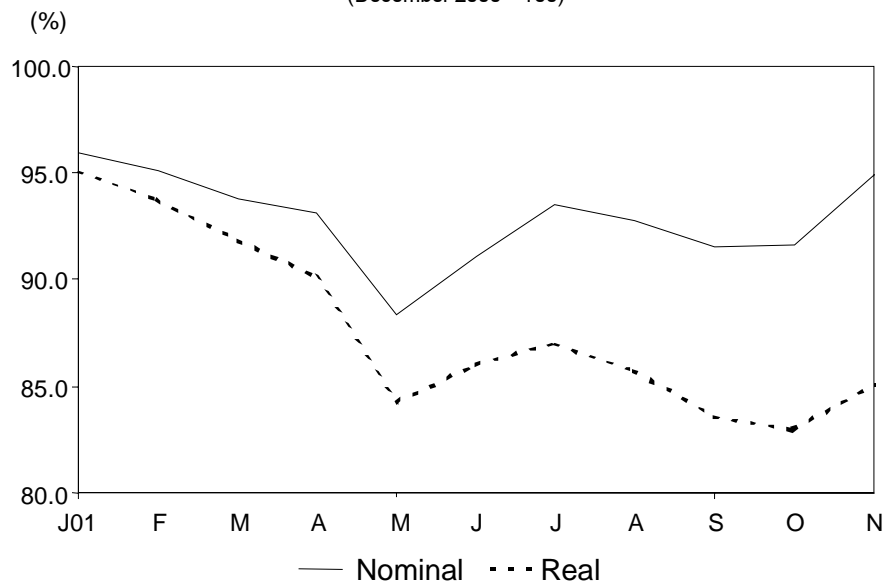
“Preliminary figures up to November indicate that monetary liquidity (M2) decreased 5.1% in nominal terms compared to December 2000, whereas the monetary base registered a nominal decrease of 4.6% during the same period”.

The application of the mechanisms pointed out above along with the financial uncertainty generated by the September eleventh events in the United States, translated into a considerable decrease in the demand of foreign currency in the last two weeks of September, thus allowing a more stable development of the exchange market. As a result of the unexpected currency demand in December, the Bank reopened its money desk operations and increased the discount rate, which led to an increase in interest rates.

As to the behavior of the main monetary aggregates, preliminary figures up to November indicate that monetary liquidity (M2) decreased 5.1% in nominal terms in comparison to December 2000, and the monetary base registered a nominal decrease of 4.6% during the same period.

Observing the different components of monetary liquidity, cash held by the public decreased (12.5%), due to the seasonal correction made in the month of January of the important accrual at the end of 2000. Similarly, savings deposits dropped 12.1% in comparison to December 2000, caused by the sluggish trend of the interest rate of this type of financial instrument. Time deposits, in contrast, evidenced a more stable behavior, as a result of higher interest rates as of July.

Monetary Liquidity Index
(December 2000 = 100)



Source: BCV

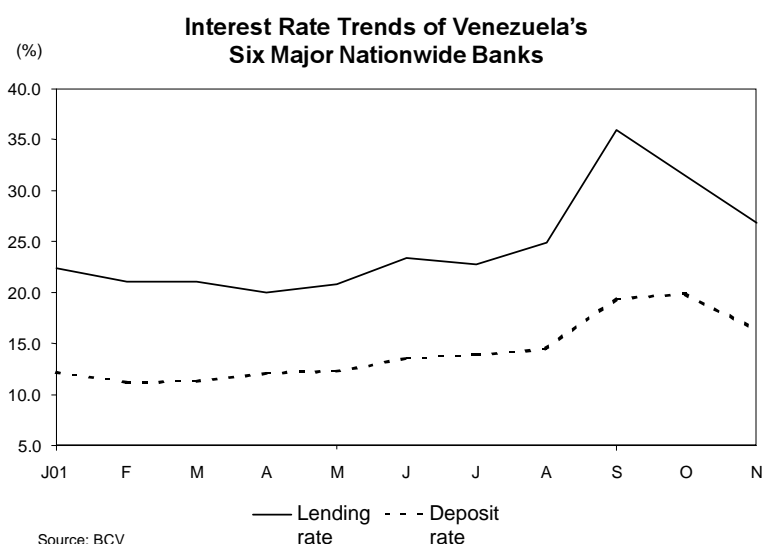
“The nominal interest rates evidenced dissimilar behavior, characterized by a stable period during the first semester; a considerable increase in the third quarter triggered by the restrictive policy promoted by the BCV; a downward movement the last quarter and upward trend at year-end”.

“The strengths developed by the system are noteworthy: an adequate capitalization level, even higher than required by the Superintendency of Banks and other Financial Institutions (SUDEBAN), and a relatively ample coverage of past-due loans and loans in litigation”.

Money demand measured by the behavior of non-seasonal³ monetary liquidity in real terms recorded an accrued drop of 11.3%, which could be related to the recomposition of the portfolio favoring external assets. The transactional fraction of the money demand benefited from the growth of private economic activity during the year.

The nominal interest rates evidenced dissimilar behavior throughout 2001, characterized by a stable period during the first semester; a considerable increase in the third quarter triggered by the restrictive policy promoted by the BCV; a downward movement in the last quarter and upward trend at year-end.

The trend of the real interest rates was similar to that of the nominal interest rates, due to the stability of the inflation rate expected during the year.



6. Financial system

Based on October 2001 figures, the financial system is still affected by the high lending interest rates, less economic activity in comparison to last year, and by the pressures of the exchange market that affected bank deposits. This situation translated into a moderate nominal increase in the loan portfolio, higher delayed payments of the banking sector, certain stability of total deposits in relation to the balances at December 2000, and less transactions in the capital markets. However, the strengths developed by the system are noteworthy: an adequate capitalization level, even higher than required by the Superintendency of Banks and other Financial Institutions (SUDEBAN), and relatively ample coverage of past-due loans and loans in litigation.

³ This methodology isolates the seasonal component from the series. As a result, consecutive periods may be compared avoiding biased measurements.

“There was a slight improvement in the loan intermediation index, which was amounted to 60.6%, representing an increase of 3.6 percentage points in relation to December 2000. The financial intermediation index, which includes security investments in addition to the loan portfolio, rose 0.6 percentage points in that same period”.

In this context, bank lending operations experienced a nominal increase of 3.6% associated to the gradual recovery of the growth rate of the loan portfolio. However, relatively high lending interest rates and unfavorable expectations surrounding future oil prices had an effect on the investment decisions of economic agents, winding down loan operations. Other financial system indicators have deteriorated as a result.

Nevertheless, there was a slight improvement in the loan intermediation index, which amounted to 60.6%, representing an increase of 3.6 percentage points in relation to December 2000. The financial intermediation index, which includes security investments in addition to the loan portfolio, rose 0.6 percentage points in that same period.

The equity position of the banking system strengthened moderately, due to the application of regulations aimed at increasing the capitalization of financial institutions and the capital adjustments made by banks, in anticipation to the new minimum capital requirements laid down in the new General Law of Banks and Other Financial Institutions.

The financial results of commercial and universal banks continue to evidence the significant share of other operating income in total revenues (22.4%). This has had important effects on bank earnings, measured through the business margin.

Based on figures at October 2001, capital market transactions developed in a scenario characterized by the presence of few investors, a relatively high country risk, and an uncompetitive market structure in terms of size, transaction costs, liquidity, and attractive securities. Transactions on the Caracas Stock Exchange continued to be low, dropping 75.5% in comparison to December 2000.

IV. BCV'S ROLE IN ECONOMIC INTEGRATION

Within the international economic scenario described above, trade negotiations are being made at various levels and are at different degrees of advancement: at the subregional level, the target of the Andean countries is to have a common market for 2005; at the hemispheric level, the negotiations for establishing the Free Trade Area of the Americas are still underway; lastly, at the multilateral level, the Doha Ministerial Meeting adopted a work program aimed at improving access to markets in order to boost international trade.

The Banco Central de Venezuela has been actively advising the Administration in areas of its competence. Due to the difficulties faced by the financial systems in the last few years, caused among other reasons by the high volatility of the capital movements worldwide and the substantial liberalization of the financial markets, the challenge is considerable. The negotiations in all the spheres mentioned above are geared at greater openness in the trade of services, whereby the financial services play a key role due to their particular features. As a

“Actions are being undertaken towards harmonizing macroeconomic policies, which would lead to eliminating the distortions in international trade and leveraging its growth”.

result, the liberalization of the trade in financial services is usually negotiated in a particular manner, by considering the advantages and threats of an accelerated and extensive opening of those markets. The risks that the financial systems face systemic crises are real and very costly for each country from the economic, social, and political standpoint. Therefore, the liberalization of the financial systems must follow a process that considers both the prudential and regulative aspects, as well as the capital flows and the impact, whether positive and/or negative, that these may have on the economies of developing countries.

The latter was clearly evidenced in the last meetings of the Council for Trade in Services that took place within the framework of the World Trade Organization (WTO) in October 2000, in which the BCV participated. In accordance with the General Agreement on Trade in Services of the WTO, the new round of negotiations began in 2000 and several member countries have submitted proposals for a greater liberalization of the trade in financial services at the multilateral level, by phasing out the current restrictions on market access and national treatment in domestic legislations. There are two confronted elements that arose during the debates which are important to point out: the proposals submitted by the developed countries are very ambitious in terms of the opening of the markets, whereas the reaction of the developing countries was cautious, as the recent financial crises have strongly hit their economies and they suffer, to a much larger extent, from the contagious effects.

Within the framework of the Andean Community, progress has been attained in this respect, but the objective is to create an intrasubregional services market, and therefore, the level of commitment among the members is much greater. In October 2001, the Ministers of Commerce of the Andean countries reached a consensus that will enable progress in this direction, after approving the phase-out of measures restricting the trade in services, objective which should have been reached before December 31, 1999.

Given the size of the financial markets of the subregion and their similarities, as well as the efforts to harmonize the prudential regulations in the member countries, the financial integration of the Andean Community would significantly support other aspects that would further integration under this scheme.

Along with the efforts above, actions are being undertaken towards harmonizing the macroeconomic policies of the Andean Community countries, which would lead to eliminating the distortions in international trade and leveraging its growth, supporting the free circulation of goods, services, people, and capital, developing the common Andean market, and providing greater interdependence and stability, which would increase credibility and trust in the group of countries of the subregion. Following on from the above, in the V Regular Meeting of the Advisory Council of Treasury or Finance Ministers, Central Banks, and Economic Planning Officers of the Andean Community, held in June 2001 in Caracas, a non-binding commitment was reached for those countries who still have not accomplished a one digit annual

inflation by December 31, 2002, regarding tax matters, the deficit of the non-financial public sector should not exceed 3% of GDP, and should include targets relative to the mobile average of the global economic result of the non-financial public sector, to its structural component, and to the public debt/GDP ratio. In addition, the balance of the explicit public debt (external and internal) of the consolidated public sector, should not exceed 50% of the GDP at the end of each fiscal year.

In addition, ECLAC's (Cepal) proposal for the creation of a network of governmental specialists aimed at fostering the harmonization of macroeconomic policies (Redima) was accepted. In the Andean case, the proposal seeks to support the work agenda of the Advisory Council, and in general, promote the harmonization of the macroeconomic policies of the subregion. Venezuela is represented in Redima by officers of the Ministry of Finance and the Banco Central de Venezuela.

In relation to the above and within the framework of the meetings of the Board of Directors of the Latin American Reserve Fund [Fondo Latinoamericano de Reservas (FLAR)] held in 2001, the Bank reconfirmed its actions towards strengthening the Fund and providing it with greater projection within Latin America. This includes substantial aspects for the future of the Fund, such as those related to consolidating its equity and seeking new financing sources for facing crises in a timely manner, promoting and extending towards other countries of the region, and enhancing the decision making processes.

In September 2001, the member countries of the Free Trade Agreement of G3 (Colombia, Mexico, and Venezuela) subscribed the Financial Services Protocol, which allows the liberalization of G3 trade by eliminating any restrictions within the financial services sector. The opening mechanism adopted in the Agreement is that of negative lists. As to financial services, the members negotiated the terms under which market access would be granted and their reserves in relation to the commitments reached in the Agreement.

At the hemispheric level, the Banco Central de Venezuela has supported the Administration in the meetings of the Negotiating Group on the Trade in Services and Investments within the Free Trade Area of the America (FTAA), particularly regarding capital transfers, reserves, and exceptions.

Although the negotiations schedule and the terms set by the Ministers of the FTAA have been met, the most complicated stage of the process has already begun. The decisions regarding topics such as the negotiation methods and procedures, will establish the level of commitment wished to be reached in this hemispheric agreement. These decisions will be difficult to adopt and assume, given the significant differences in size, economy, and interests of the countries; thus, reaching consensus on the individual positions of the countries will require considerable efforts.

“The need for concerted efforts and important decisions, which will shape the course of Venezuela within the Latin American and worldwide integration process, is evident”.

In the light of the above considerations, the need for concerted efforts and important decisions, which will shape the course of Venezuela within the Latin American and worldwide integration process, is evident.

V. CHALLENGES OF THE BCV IN THE NEW VENEZUELAN SOCIETY

The new constitutional configuration of the Venezuelan socioeconomic system, provides the State with an innovative regulating role in the economy, establishing the promotion and defense of macroeconomic stability as its function to ensure growth and social well-being.

The State, in order to meet such constitutional principle, must direct the macroeconomic and sectorial policies. In addition, the State reserves itself, promotes, and protects certain economic activities, and lays down regulations to guarantee the coordination and consistency of such policies.

This conception of the State provides the Banco Central de Venezuela autonomy to perform its duties, which is considered one of the key principles of the tax and monetary system (in addition to fiscal balance and a prudent level of public debt).

In exercising the exclusive and obligatory monetary competencies of the central government within the national monetary system, the BCV's key objective is to achieve price stability and preserve the value of the currency considering the socioeconomic conditions of the Republic and, consequently, the purpose of ensuring integral human development and fostering the harmonic development of the domestic economy.

Assuming these responsibilities in a coordinated fashion requires the establishment of transparency and cooperation rules that guarantee the congruous development of the macroeconomic policy. From the institutional standpoint, the aim is to provide an adequate framework for implementing the specific policies and create appropriate devices to preserve the system's balance, ensure its stability, while generating and ensuring reliability.

In this regard, the purposes of the BCV of contributing to the top objectives of the State and Nation, providing appropriate responses to the new realities and requirements stemming from the development and compliance of policies under its competence, and ensuring institutional continuity to respond to the new role expected of the BCV by the society and country, have translated into an institutional change process needed to face the challenges of the constitutional order and Law, namely:

Coordinate the economic policy in a wide sense.

Efficiently and effectively perform any duties under its responsibility, related to the Annual Policy Agreement, in coordination with the Executive Power.

“Attaining the only and exclusive objective of the BCV in the domestic monetary system requires the adoption and development of a behavior model that combines the autonomy for drawing up and implementing policies under the BCV’s competence, the transparency of its performance, and the account disclosure process”.

Preserve the stability of the payment system and, along with the competent authorities, support the stability of the banking and financial system.

Enhance knowledge of economic phenomena related to the monetary and exchange policies, which is responsibility of the BCV, and guarantee the quality of information which is the source for formulating such policies.

Attaining the only and exclusive objective of the BCV in the domestic monetary system requires the adoption and development of a behavior model that combines the autonomy for drawing up and implementing policies under the BCV’s competence, the transparency of its performance, and the account disclosure process. The Bank’s authorities are aware that adequate implementation of these processes provide performance credibility, and institutional reputation and prestige.

Along with combining the behavior variables mentioned above, the new role of the BCV poses another key challenge *vis-à-vis* society: linking internal management effectivity, i.e. assuring and monitoring the integrated management of the macroprocesses, to the efficient administration of the operating expenses and the transparency of the accounts and balances in accordance with the legal requirement of submitting accounts before the National Assembly.

The duties and responsibilities that integrate the BCV with the State and society, stemming from the changes in the new scenario, lay down the bases to transform the coherent relationship between the role of the BCV and its management model, which is a condition required to ensure the sustainability and feasibility of the organization.

Under this approach, planning has been used as a means for guiding direction and redimensionate efforts. Likewise, it has been institutionalized as a channel which, among other things, expresses the principles of public responsibility in meeting its commitments as an organization, the participation in administration, and the citizen duty of providing civil service. Consequently, the performance of the Banco Central de Venezuela is in line with the constitutional provisions so it may accomplish its new and transcendent role *vis-à-vis* society and the country.

“If we are able to attain economic growth, we can drive human development and become part of the virtuous circle of growth with equity and human development”.

VI. CHALLENGES FOR 2002

Year 2001, without any doubt, proved the extent to which the Venezuelan economy continues to be closely linked to the international economy, mainly through foreign trade and capital movements. The axis of that relationship is the export of hydrocarbons, which provides the currency required to cover imports, service the foreign debt and other payments abroad, and generates considerable treasury revenues. Oil price and export volume variations convey particular vulnerability to this economy, affecting the macroeconomic variables and making a stabilization strategy essential. This strategy must seek effective coordination between the applicable public policies and their actors, specifically the Administration and the BCV, as required by the Constitution and the laws. What is expected in 2002 is that the current and accidental circumstances that affect the world economy, as proven by the global recession, will continue to have a strong influence on the oil price trend, which has been characterized by a downward movement during the current year. As pointed out above, the ongoing production adjustments agreed by OPEC and the efforts made by the organization –in relation to which Venezuela has played a key role– to avoid a greater drop in prices, have not ensured satisfactory stability. As a result, timely decisions have to be made in order to avoid, at the threshold of the new year, instability which may reflect on fiscal viability, the balance of payments, the inflation and economic growth rates, among other variables, particularly those related to the macrosocial aspect.

Despite the effects mentioned above, the economy this year not only registered significant progress, whose indicators have already been explained, but more importantly, it evidences potential possibilities of growth which should be maximized. It is worth mentioning that we produce less than what we are capable of, and considering those possibilities and if we are able to attain economic growth, we can drive human development and become part of the virtuous circle of growth with equality and human development.

Consequently, the sustainability of economic growth represents an issue which requires immediate attention. There are forces or factors that drive growth, such as the manufacturing industry, both at the small and medium scale, construction, telecommunications, power, finance, selected of the agricultural sector services and branches; but others counteract, such as the contradictory expectations of business and investment sectors and the discouragement brought on by the slump in the oil economy. The growth in non-oil related exports in 2001 is particularly encouraging, although they consisted primarily of commodities and fixed capital assets. The policy for developing these exports while achieving selective and conditional protection of the domestic production of goods needs to be strengthened. This requires that a dynamic trade policy be formulated, designed, and implemented, observing the commitments undertaken in international treaties and agreements.

“Although the anti-inflationary strategy has provided positive results up to now, the underlying pressures have not fully wound down and in a scenario of fiscal hardships, of less external revenues and in an uncertain international environment, an emergency with inflationary effects could take place along with weakened economic growth”.

“The BCV’s primary responsibility, as required by the constitutional and legal provisions, is price stability, represented by the stability of the currency’s value; however, such responsibility is dependant on multiple factors, including an adequate fiscal policy and an exchange policy that supports the attainment of those objectives, which are essential”.

Despite the latter, it is important to point out what could happen in the upcoming year. Although the anti-inflationary strategy has provided positive results up to now, the underlying pressures have not fully wound down and in a scenario of fiscal hardships, of less external revenues and in an uncertain international environment, an emergency with inflationary effects could take place along with weakened economic growth. The effects would be felt on human development, particularly on education, health, and income, with repercussions on employment.

The monetary policy should play an important role next year, in order to reach a reasonable price stability. Cutting down inflation is important, but stabilizing prices is equally important. The BCV’s primary responsibility, as required by the constitutional and legal provisions, is price stability, which represents the stability of the currency’s value; however, that responsibility is dependant on multiple factors, including an adequate fiscal policy and an exchange policy that supports the attainment of those objectives, which are essential. In addition, the need of ensuring economic growth is equally important. The BCV estimates that 2002, due to the situational complexities and the high level of international economic uncertainties, will be a temporary scenario of combined objectives and targets. Therefore, interest rates may be relatively high both for facilitating the placement of considerable public debt, as well as to drive the savings account holders’ and investors’ preference towards the bolivar, although this would affect the producers and consumers, to a certain extent, due to the financial cost of transactions. Thus, an adequate inflation rate in relation to the results of 2001 could be achieved, accompanied with a higher economic growth rate.

It is important to underline the conviction that the reforms related to the exclusive attainment of macroeconomic balance are not sufficient to resolve the inequality issues, therefore, other changes are essential in order to attain sustainable and greater human development rates and significantly lower poverty indexes. These changes, at the institutional level, are aimed at making a system of rules viable for defining the behavior of individuals and organizations. Under this approach, markets and administrations would gain greater efficiency in order to create favorable conditions for productive investment.

All this takes place due to the effective and earnest pursuit of democracy and mutual respect.

The economic and social feasibility of the country depends, to a great extent, on the institutional transformation referred to above. It is impossible to overlook that the implementation process is costly in the short term, but delaying it would surely bring about undesirable effects. Therefore, citizen efforts are required for rationally channeling any differences there may be, as this is a condition inherent to all citizens, in order to adopt positive attitudes based on joint will and solidarity to seek common well-being based on individual and collective responsibilities.

“The Banco Central de Venezuela reiterates its firm intention of exercising autonomy, as laid down in the Bolivarian Constitution and the recently enacted Law, in order to maintain price stability and the trust in our currency, considered nowadays a fundamental public good. This will assure a better fluency of the economic activity and the achievement of social goals, which are key values within our democracy”.

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Diego Luis Castellanos E.
Caracas, December 28, 2001

ATTACHMENTS

Principal Macroeconomic Indicators

	2001(*)	2000*	1999
GDP at 1984 prices (Variance %)			
Total	2,7	3,2	(6,1)
Oil-Related	(0,9)	3,2	(7,4)
Non-Oil-Related	3,8	3,0	(5,4)
Central Government Surplus or Deficit (GDP %)	(4,0)	(1,7)	(2,6)
Current Account Balance (Millions of US\$)	4.395	13.111	3.557
Gross International Reserves (Millions of US\$)			
BCV	11.898	15.883	15.164
FIV ^{1/}	-	1.026	658
FIEM	6.229	4.588	215
BCV Exchange Movement (Millions of US\$)	(3.985)	719	315
Monetary Base (Variance %)^{2/}	(4,6)	17,9	32,1
Monetary Liquidity (Variance %)^{2/}	(5,1)	27,8	19,9
Commercial and Universal Banks^{3/}			
Total Customer Deposits (Variance %)	0,4	17,6	14,8
Total Bank Deposits/ Total Time Deposits (Variance %)	7,2	17,4	8,4
Interest Rate (%)^{4/}			
Lending Rate	24,6	24,5	31,3
Deposit Rate	14,2	14,9	21,0
Nominal Exchange Rate (Bs/US\$)			
Average ^{5/}	721,8	680,4	607,1
End of Period ^{6/}	752,8	700,0	649,3
Consumer Price Index (variance %)^{7/}	12,7	14,2	20,1

(*) Provisional figures

* Revised figures

1/ As of May 2001 the Venezuelan Investment Fund [Fondo de Inversiones de Venezuela (FIV)] became an economic and social development bank (Bandes), therefore, the objective of its assets is no longer compatible with those of International Reserves.

2/ Figures at 11-23-20001.

3/ The variances relate to the accumulated growth between the January-October periods of each year.

4/ Relates to the average lending and deposit operations of the six main commercial and universal banks.

5/ Relates to the January-November period.

6/ At 12-17-2001.

7/ Yearly variance: November of year t with respect to November of year t-1.

Source: BCV

Summary of Economic Indicators related to Opportunities, Stability, and Solvency

	2001(*)	2000	Average 1992-2001
Opportunities			
GDP per Capita Growth (%) ^{1/}	1,2	1,0	(0,7)
Private Sector Loans (% Total Loans) ^{2/}	73,6	67,1	68,3
Real Lending Interest Rate (%)	14,0	7,7	4,3
Real Deposit Interest Rate (%)	3,2	(1,8)	(5,0)
Export Growth Rate (US\$ Current)	(18,1)	58,7	8,3
Open Unemployment Rate (%) ^{3/}	13,5	10,2	10,4
Real Minimum Salaries (Bs) ^{1/}	757,0	775,6	677,7
Stability			
Inflation (CPI) (%) ^{4/}	12,7	13,4	42,2
Commercial Surplus/GDP (%)	9,7	17,2	8,5
Current Account Surplus/GDP (%)	4,4	12,9	2,9
Real Effective Exchange Index (Base:1997=100)	37,6	39,5	66,0
Central Government Deficit/GDP (%)	(4,0)	(1,7)	(2,2)
Solvency			
BCV's Gross International Reserves (Import Months)	8,3	12,3	13,1
Internal Debt/GDP (%) ^{3/}	10,0	8,6	8,6
External Debt/GDP (%) ^{3/}	18,6	18,0	36,3
Public Expenditure in Education/GDP (%) ^{5/}	3,5	5,2	4,0

(*) Provisional figures

1/ Calculated at constant prices (Base:1984=100).

2/ In 2001 the figures correspond to October.

3/ In 2001 the figures correspond to September.

4/ In 2001 the figures correspond to November.

5/ Figures from the Ministry of Education.

Source: BCV

Gross Domestic Product
(Millions of bolivars)

	At 1984 prices			Percentage variance	
	2001 (*)	2000 (*)	1999 (*)	2001/2000	2000/1999
Oil-Related Activities	158.489	159.954	155.066	(0,9)	3,2
Non-Oil-Related Activities	424.534	408.801	396.905	3,8	3,0
Manufacturing	85.479	82.862	79.771	3,2	3,9
Electricity and Water	11.276	10.950	10.711	3,0	2,2
Construction	33.467	29.606	30.428	13,0	(2,7)
Commerce	49.198	47.212	44.783	4,2	5,4
Real Estate and Services Delivered to Companies	68.631	66.880	65.488	2,6	2,1
Transportation, Warehousing, and Communications	39.103	36.161	33.436	8,1	8,1
General Government Service Providers	46.208	45.900	44.454	0,7	3,3
Financial Institutions and Insurance Companies	6.554	6.456	6.258	1,5	3,2
Non-Profit Community, Social, Personal, and Private Services	39.880	38.961	38.552	2,4	1,1
Other	44.738	43.813	43.024	2,1	1,8
Import Duties	16.758	15.440	13.917	8,5	10,9
Total	599.781	584.195	565.888	2,7	3,2

(*) Provisional figures

Source: BCV

Aggregate Demand
(Variance %)

	At 1984 prices		
	2001 / 2000(*)	2000 / 1999 (*)	1999/ 1998
1) Final Consumption	4,9	3,9	(3,2)
Public Sector	5,9	5,0	3,0
Private Sector	4,7	3,7	(4,3)
2) Fixed Gross Investment	12,0	1,1	(16,4)
3) Domestic Aggregate Demand ^{1/}	4,7	5,0	(5,9)
4) Exports	2,2	5,5	(10,8)
5) Less: Imports	9,4	15,4	(14,6)
6) Aggregate Demand (3 + 4 - 5)	2,7	3,2	(6,1)

(*) Provisional figures

1/ Includes inventory variance.

Source: BCV

Monetary Aggregates

(In billions of bolivars)

	Monetary Base ^{1/}		Monetary Liquidity ^{1/}		Current ^{1/}		Near Money ^{1/}	
	Nominal	Real ^{2/}	Nominal	Real ^{2/}	Nominal	Real ^{2/}	Nominal	Real ^{2/}
1999*								
November	5.505	2.700	15.682	7.692	7.574	3.715	8.108	3.977
December	5.791	2.811	16.285	7.906	8.016	3.892	8.269	4.014
2001(*)								
January	5.395	2.595	15.626	7.517	7.540	3.627	8.086	3.890
February	5.263	2.520	15.481	7.411	7.483	3.583	7.997	3.829
March	5.065	2.407	15.278	7.259	7.456	3.542	7.822	3.716
April	5.160	2.424	15.161	7.122	7.359	3.457	7.802	3.665
May	4.825	2.233	14.384	6.657	7.045	3.260	7.339	3.396
June	4.979	2.282	14.834	6.799	7.405	3.394	7.429	3.405
July	5.494	2.481	15.229	6.876	7.873	3.555	7.356	3.321
August	5.489	2.463	15.103	6.776	7.637	3.427	7.465	3.350
September	5.281	2.341	14.906	6.608	7.427	3.293	7.478	3.315
October	5.303	2.330	14.916	6.554	7.528	3.308	7.388	3.246
November	5.522	2.617	15.455	6.725	7.794	3.391	7.661	3.334
Variance %								
Nov.01/ Nov.00	0,3	(3,1)	(1,4)	(12,6)	2,9	(8,7)	(5,5)	(16,2)
Nov.01/ Dec.00	(4,6)	(6,9)	(5,1)	(14,9)	(2,8)	(12,9)	(7,3)	(17,0)

(*) Provisional figures

* Revised figures

1/ Figures at 11-23-2001.

2/ 1997 base year.

Source: BCV

Balance of Payments^{1/}
(Millions of US\$)

	2001(*)	2000*
Current Account	4.395	13.111
Goods Balance	9.774	17.544
FOB Exports	27.056	33.035
Oil-Related	21.710	27.885
Non-Oil-Related	5.346	5.150
FOB Imports	(17.282)	(15.491)
Services Balance	(3.253)	(3.018)
Revenues Balance	(1.516)	(1.204)
Current Transfers	(610)	(211)
Capital and Financial Account^{2/}	(1.947)	(2.790)
Direct Investment	2.595	4.357
Portfolio Investment	329	(2.418)
Other Investment	(4.871)	(4.729)
Errors and Omissions	(4.882)	(4.503)
Global Balance	(2.434)	5.818
Net Reserve Variance^{2/}	2.434	(5.818)
Banco Central de Venezuela ^{3/}	4.215	(1.064)
Venezuelan Investment Fund	(140)	(381)
Macroeconomic Stabilization Investment Fund	(1.641)	(4.373)

*) Provisional figures

Revised figures

/ Prepared based on the guidelines of the Fifth Edition of the Balance of Payments Manual of the IMF.

/ A positive sign indicates decreased assets or increased liabilities and viceversa.

/ Excludes adjustments from variances in exchange rate, prices, and restatement of BCV balance source: BCV

**Central Government
Financial Account**
(Millions of bolivars)

	2001(**)	2000(*)	1999*	GDP %		
Total Revenues	18.159.098	16.028.569	10.374.061	20,4	19,6	16,6
Current	18.159.098	16.025.286	10.374.061	20,4	19,6	16,6
Oil-Related	8.714.346	8.199.012	3.959.497	9,8	10,0	6,3
Income Tax	2.459.632	3.544.033	1.320.891	2,8	4,3	2,1
Hydrocarbon Revenues	2.855.718	3.472.979	1.638.606	3,2	4,2	2,6
PDVSA Dividends	3.398.997	1.182.000	1.000.000	3,8	1,4	1,6
Non-Oil-Related	9.444.752	7.826.274	6.414.564	10,6	9,6	10,3
Capital	0	3.284	0	0,0	0,0	0,0
Total Expense	21.721.563	17.405.087	11.970.838	24,5	21,2	19,1
Interest	2.551.403	2.039.236	1.666.008	2,9	2,5	2,7
Global Surplus or Deficit	(3.562.465)	(1.376.518)	(1.596.777)	(4,0)	(1,7)	(2,6)

1/ Includes BCV earnings and those transferred to the National Treasury for Bs. 1,733,740 million.

(**) Preliminary estimate

(*) Provisional figures

* Revised figures

Source: BCV and the Finance Ministry

Price Indexes

(Variance %)

	At November 2001		At November 2000	
	Accumulated	Yearly	Accumulated	Yearly
Consumer Price Index (CPI)				
General	11,6	12,7	12,3	14,2
Food and Non-Alcoholic Beverages	17,3	19,6	7,4	9,9
Alcoholic Beverages and Tobacco	10,2	10,4	10,9	11,1
Clothing and Footwear	2,5	3,2	4,2	6,1
Home Leasing	14,5	16,5	17,0	18,7
Residential Services, Except Telephone	11,3	12,3	19,3	19,7
Residential Furnishing	6,2	8,2	10,8	12,0
Health	11,9	11,8	19,4	20,6
Transportation	9,0	9,7	13,7	17,0
Communications	6,6	6,6	22,6	22,9
Recreation and Culture	8,7	9,1	2,8	4,1
Education Services	14,7	14,7	18,8	19,1
Restaurants and Hotels	8,7	9,3	4,6	6,4
Sundry Goods and Services	8,7	9,5	11,9	15,4
Goods	11,0	12,3	7,9	9,8
Agricultural	35,8	35,1	(1,9)	0,3
Fishing	11,8	13,5	6,8	5,8
Agro-industrial	13,5	16,5	9,8	9,8
Other Manufactured Goods	6,0	6,4	8,2	9,5
Services	12,0	12,9	16,0	17,7
Diffusion Index (percentage)	32,5	32,8	36,7	36,9
Tradable / Non-Tradable Ratio	(0,8)	(0,6)	(7,0)	(6,9)
Wholesale Price Index (WPI)				
General	10,0	11,3	14,4	16,0
Domestic	10,4	12,0	15,8	17,8
Imported	8,5	8,7	9,7	10,1
Price Index of the Private Manufacturing Industry	5,9	6,2	10,2	10,9

Source: BCV

Total Population: Inactive, Active and Employed
(Persons)

	Months			Percentage variance	
	September 2001(*)	December 2000(*)	September 2000(*)	Sept 01/ Dec 00	Sept 01/ Sept 00
Total Population	24.641.912	24.280.169	24.160.162	1,5	2,0
Population 15 years of age and over^{1/}	16.412.435	16.078.090	15.967.004	2,1	2,8
Outside the Labor Force	5.323.543	5.573.395	5.550.476	(4,5)	(4,1)
Labor Force^{2/}	11.088.892	10.504.695	10.416.528	5,6	6,5
Employment	9.586.608	9.429.777	9.063.841	1,7	5,8
Formal	4.872.626	4.412.794	4.349.736	10,4	12,0
Private Sector	3.427.093	3.128.858	3.108.633	9,5	10,2
Public Sector	1.445.533	1.283.936	1.241.103	12,6	16,5
Informal	4.706.027	5.013.669	4.714.105	(6,1)	(0,2)
Self-employed	2.868.181	3.199.429	2.996.185	(10,4)	(4,3)
Employers	453.353	377.198	340.932	20,2	33,0
Employees and Workers	1.047.556	1.069.635	1.063.578	(2,1)	(1,5)
Other Categories	336.937	367.407	313.410	(8,3)	7,5
Non-Classifiable ^{3/}	7.955	3.314	0	140,0	0,0
Unemployment	1.502.284	1.074.918	1.352.687	39,8	11,1
Unemployed	1.356.250	937.186	1.244.515	44,7	9,0
BTPPV ^{4/}	146.034	137.732	108.172	6,0	35,0
Unemployment Rate (%)	13,5	10,2	13,0	32,4	3,8

(*) Provisional figures

Note: Total employment in the private sector includes private formal employment, informal employment, and non-classifiable.

1/ Population within age permitted to work.

2/ Population economically active.

3/ Persons surveyed did not state any variable that would allow their classification as employed in the formal or informal sector.

4/ Looking for a job for the first time.

Source: OCEI, Residential surveys.

**Universal and Commercial Banks
Financial Indicators**
(In Percentages and in Billions of bolivars)

	2001 ^{a/}	2000	1999
Loan Intermediation ^{1/}	60,6	56,9	61,7
Financial Intermediation ^{2/}	83,3	82,7	84,4
Capital Adequacy ^{3/}	13,6	12,5	13,2
Non-Interest Bearing Assets/Total Assets ^{4/}	28,1	25,6	26,5
Frozen Portfolio ^{5/}	5,8	4,7	5,7
Past-Due Portfolio and Portfolio in Litigation/Shareholders' Equity	19,8	16,8	20,4
Provision for the Loan Portfolio ^{6/}	6,9	6,2	7,3
Provision for the Loan Portfolio/Frozen Portfolio	119,8	133,0	129,1
Current and Rescheduled Loan Portfolio/ Total Assets	44,0	42,7	44,8
Total Loan Portfolio / Total Assets	43,4	42,0	44,0
Investment Securities / Total Assets	16,1	19,0	16,2
Immediate Liquidity ^{7/}	32,5	32,9	34,7
Debt ^{8/}	6,3	7,0	6,6
Average Shareholders' Equity (Billions of Bs.)	2.497	2.103	1.817
Average Assets (Billions of Bs.)	19.108	16.448	13.305

Note: The primary information has been taken from the published consolidated financial statements.

a/ Figures at October 2001.

1/ Current loan portfolio / Demand, savings, and time deposits.

2/ (Current loan portfolio + security investments) / Demand, savings, and time deposits.

3/ Shareholders' equity / Assets.

4/ Index taken from SUDEBAN's semester bulletins.

5/ Past-due Portfolio and Portfolio in litigation / Gross loan portfolio.

6/ Provision for the loan portfolio/ Gross loan portfolio.

7/ Cash and cash equivalents / Demand, savings, and time deposits.

8/ Liabilities / Shareholders' equity.

Source: Published Financial Statements and BCV calculations

Universal and Commercial Banks Summary Balance Sheet

	(Billions of bolivars)			Percentage variance	
	2001 ^{a/}	2000	1999	2001/ 2000	2000/ 1999
Total Assets	19.445	18.771	14.125	3,6	32,9
Cash and Cash Equivalents ^{1/}	4.490	4.558	3.502	(1,5)	30,2
Loan Portfolio	8.449	7.879	6.220	7,2	26,7
Current	8.362	7.886	6.228	6,0	26,6
Rescheduled	191	124	102	54,6	21,1
Past-due	454	324	337	40,1	(3,9)
In Litigation	71	70	43	1,9	63,8
Less:					
Provision for the Loan Portfolio	630	524	491	20,1	6,8
Security Investments ^{2/}	3.136	3.567	2.284	(12,1)	56,2
Trading Securities	60	146	171	(58,6)	(14,8)
Securities Available for Sale	1.455	1.730	786	(15,9)	120,2
Securities Held to Maturity	982	1.133	1.032	(13,3)	9,8
Other Securities	328	224	120	46,7	86,6
Restricted Investments	315	341	180	(7,6)	89,2
Less:					
Provision for Security Investments	5	6	5	(24,6)	24,8
Interest and Commissions Receivable ^{3/}	388	288	295	34,6	(2,4)
Investments in Related Companies, Affiliates, and Overseas Branches ^{4/}	746	848	514	(11,9)	64,9
Other Assets ^{5/}	2.236	1.631	1.311	37,1	24,4
Total Liabilities	16.793	16.430	12.261	2,2	34,0
Total Deposits	14.635	14.582	10.686	0,4	36,5
Demand	6.586	6.518	4.455	1,0	46,3
Savings	3.883	4.212	3.202	(7,8)	31,5
Time	3.336	3.124	2.431	6,8	28,5
Other Deposits ^{6/}	830	729	598	13,8	21,8
Obligations with Other Credit Institutions	1.090	1.058	890	3,0	18,9
Obligations with the BCV	0	0	0	0,0	0,0
Obligations with Other Institutions ^{7/}	1.090	1.058	889	3,0	18,9
Interest and Commissions Payable ^{8/}	67	50	38	32,2	31,9
Other Liabilities ^{9/}	818	739	647	10,6	14,3
Operating Expense	185	0	0	0,0	0,0
Shareholders' Equity	2.652	2.341	1.865	13,3	25,6

Note: The primary information has been taken from the published consolidated financial statements.

a/ Figures at October 2001.

1/ Refers to net cash and cash equivalents since it includes the provision for cash and cash equivalents.

2/ Includes investments in: trading securities, securities available for sale, securities held to maturity, other securities, and restricted investments.

3/ Includes interest receivable from: cash and cash equivalents, investment securities, loan portfolio, and other accounts receivable. It also includes commissions receivable and the provision.

4/ Includes investments in other institutions, investment in overseas branches, and the provisions.

5/ Includes assets available for sale, property and equipment, and other assets.

6/ Includes other demand deposits, obligations from money desk operations, securities issued by the BCV, and restricted customer deposits.

7/ Includes liabilities with BANAP (National Savings and Loans Bank) and other borrowings.

8/ Includes expenses payable to: customer deposits, liabilities with the BCV, liabilities with BANAP, other borrowings, other liabilities from financial intermediation, liabilities convertible into capital, and subordinate loans.

9/ Includes other liabilities from financial intermediation, subordinate loans, liabilities convertible into capital, and other liabilities.

Source: Published Financial Statements

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Loan Portfolio Distribution
Commercial and Universal Banks
 (Billions of bolivars)

	Commercial Loans	Consumer Loans			Total Consumer Loans	Mortgage Loans	Total
		Vehicles	Credit Cards	Other ^{1/}			
1999							
December	4.502,2	486,7	833,3	57,9	1.377,8	339,9	6.219,9
2000							
December	5.973,6	446,8	956,6	93,3	1.496,7	409,0	7.879,3
2001							
October	6.080,2	505,3	1.087,8	97,6	1.690,6	683,6	8.454,4
Absolute variance							
Dec00/Dec99	1.471,5	(39,9)	123,3	35,4	118,8	69,1	1.659,4
Oct01/Dec00	106,6	58,5	131,2	4,3	193,9	274,6	575,1
Relative variance							
Dec00/Dec99	32,7	(8,2)	14,8	61,2	8,6	20,3	26,7
Oct01/Dec00	1,8	13,1	13,7	4,6	13,0	67,1	7,3

1/ Refers to products such as current account loans (Citibank, Banco Caracas, and Pida Provincial).

Source: SUDEBAN



**Gross Capital Markets Transaction Flow
by Market Type
(Billions of bolivars)**

	2001a/	2000	1999	Variance			
				Absolute		Percentage	
				2001/00	2000/99	2001/00	2000/99
Primary Market	3.735,3	5.388,1	2.817,8	(1.652,8)	2.570,3	(30,7)	91,2
Public ^{1/}	3.249,4	4.694,8	2.227,4	(1.445,4)	2.467,5	(30,8)	110,8
NPD and PD Bonds	3.249,4	4.694,8	2.227,4	(1.445,4)	2.467,5	(30,8)	110,8
Private ^{2/}	485,9	693,2	590,4	(207,3)	102,8	(29,9)	17,4
New Issues ^{3/}	485,9	693,2	590,4	(207,3)	102,8	(29,9)	17,4
Stock	85,7	162,6	280,5	(76,9)	(117,9)	(47,3)	(42,0)
Debt	105,0	158,9	45,0	(53,9)	113,9	(33,9)	253,0
Commercial Paper	265,2	369,1	229,4	(103,9)	139,6	(28,1)	60,9
Other ^{4/}	30,0	2,7	35,5	27,3	0,0	1.000,2	0,0
Secondary Market^{5/}	503,2	1.704,0	891,8	(1.201,0)	812,1	(70,5)	91,1
Public	128,7	176,9	316,4	(47,9)	(139,5)	(27,1)	(44,1)
NPD Bonds	0,0	2,0	47,0	(2,0)	(45,0)	(100,0)	(95,7)
Brady and Global Bonds, and Debt Conversion	128,7	174,8	269,4	(45,8)	(94,5)	(26,2)	(35,1)
Private	374,0	1.527,1	575,4	(1.153,1)	951,7	(75,5)	165,4
Stock	374,0	1.527,1	575,4	(1.153,1)	951,7	(75,5)	165,4
Total Transactions	4.238,3	7.092,0	3.709,6	(2.853,7)	3.382,4	(40,2)	91,2
Public Securities	3.378,4	4.871,7	2.543,8	(1.493,3)	2.327,9	(30,7)	91,5
Private Securities	859,9	2.220,3	1.165,9	(1.360,4)	1.054,5	(61,3)	90,4
Total New Issues	2.219,1	5.820,8	2.469,0	(3.601,6)	3.351,7	(61,9)	135,8
Public Securities ^{6/}	1.733,2	5.127,5	1.878,6	(3.394,3)	3.248,9	(66,2)	172,9
Private Securities	485,9	693,2	590,4	(207,3)	102,8	(29,9)	17,4

a/ Figures at October 2001.

1/ Excludes issuance and placement of public bonds denominated in foreign currency.

2/ Excludes primary placements of mortgage securities and financial bonds.

3/ It is reasonable to assume that the new stock issues during a given year are placed that same year, given the nature of their source.

4/ Includes dividend receipts, participation quotas, securities, and investment units.

5/ Refers to Caracas Stock Exchange transactions.

6/ Refers to issues of Public Bonds published in the Official Gazette at October 2001.

Source: National Securities and Exchange Commission, Caracas Stock Exchange, and Banco Central de Venezuela.

Stock Market Capitalization Index

	Index in bolivars	Index in dollars ^{1/}
1999		
December	5.418,0	8,3
2000		
January	5.246,2	8,3
February	5.797,9	8,8
March	5.495,9	8,2
April	5.535,1	8,2
May	6.844,7	10,1
June	6.977,9	10,2
July	6.806,6	9,9
August	6.691,5	9,7
September	6.863,5	9,9
October	6.386,1	9,2
November	6.351,0	9,1
December	6.825,3	9,8
2001		
January	7.903,7	11,3
February	7.734,4	11,0
March	7.357,2	10,4
April	7.520,0	10,6
May	7.817,0	10,9
June	7.559,9	10,5
July	7.545,7	10,4
August	7.266,2	9,8
September	7.042,6	9,5
October	6.689,0	9,0
Percentage Variances		
Oct01/Dec00	(2,0)	(7,8)
Oct00/Dec99	17,9	10,3
Oct01/Oct00	4,7	(2,3)

1/ The Stock Market Capitalization Index is calculated in real terms based on the official exchange rate.

Source: Caracas Stock Exchange

**Caracas Stock Exchange
Securities Transactions**
(Billions of bolivars)

	2001 ^{a/}	2000	Variance				Structure %	
			Absolute		Percentage		2001	2000
			2001/00	2000/99	2001/00	2000/99		
TOTAL	503,2	1.704,0	(1.200,8)	812,1	(70,5)	91,1	100,0	100,0
Public	128,7	176,9	(48,2)	(139,5)	(27,2)	(44,1)	25,6	10,4
Debt	128,7	176,9	(48,2)	(139,5)	(27,2)	(44,1)	25,6	10,4
NPD Bonds	0,0	2,0	(2,0)	(45,0)	(100,0)	(95,7)	0,0	0,1
Brady Bonds, Global Bonds, and Debt Conversion	128,7	174,8	(46,1)	(94,5)	(26,4)	(35,1)	25,6	10,3
Stock	374,5	1.527,1	(1.152,6)	951,7	(75,5)	165,4	74,4	89,6

a/ Figures at October 2001.
Source: Caracas Stock Exchange

**Issuance of Stock, Bonds, and Commercial Paper
Authorized by the National Securities and Exchange Commission^{1/}**
(Billions of bolivars)

	2001 ^{a/}	2000	Variance		Structure %	
			Absolute	Percent	2001	2000
			2001/2000	2001/2000		
Stock	85,7	162,6	(76,9)	(47,3)	17,6	23,5
Capital Increase	82,5	154,7	(72,1)	(46,6)	17,0	22,3
Capitalization	39,8	133,0	(93,2)	(70,1)	8,2	19,2
Liabilities	0,6	2,6	(2,0)	(75,8)	0,1	0,4
Unappropriated Retained Earnings	36,3	106,6	(70,3)	(65,9)	7,5	15,4
Reserves for Dividends	0,0	0,0	0,0	0,0	0,0	0,0
Other Capital Reserves	1,5	0,0	1,5	0,0	0,3	0,0
Shareholders' Equity Surplus	0,0	18,8	0,0	0,0	0,0	2,7
Paid-in Premium	0,0	0,0	0,0	0,0	0,0	0,0
Restated Capital Stock	1,4	1,1	0,3	25,0	0,3	0,2
Merger ^{2/}	0,0	4,0	(4,0)	(100,0)	0,0	0,6
New Capital Contributions	42,7	21,7	21,1	97,1	8,8	3,1
Current Shareholders	42,7	16,7	26,1	156,2	8,8	2,4
New Shareholders ^{3/}	0,0	5,0	0,0	0,0	0,0	0,7
Promotion ^{4/}	0,0	0,0	0,0	0,0	0,0	0,0
Assignment among Group Shareholders ^{5/}	3,1	7,9	(4,8)	(60,4)	0,6	1,1
Bonds	105,0	158,9	(53,9)	(33,9)	21,6	22,9
Commercial Paper	265,2	369,1	(103,9)	(28,1)	54,6	53,2
Other	30,0	2,7	(339,1)	(91,9)	6,2	0,4
Dividend Receipts	0,0	0,0	0,0	0,0	0,0	0,0
Securities	0,0	0,0	0,0	0,0	0,0	0,0
Participation Quotas	0,0	0,0	0,0	0,0	0,0	0,0
Investment Units ^{6/}	0,0	2,7	(2,7)	(100,0)	0,0	0,4
Certificates of Deposit ^{7/}	30,0	0,0	30,0	0,0	6,2	0,0
TOTAL	485,9	693,2	(207,3)	(29,9)	100,0	100,0

a/ Figures at October 2001.

1/ Calculated at face value.

2/ Capital increase from merger by absorption.

3/ Public offer of shares of issuing companies.

4/ Companies registered for promotion purposes.

5/ Includes public offers of companies registered for the first time with the National Securities Registry and changes in face value of shares that do not belong to a public offer or capitalization increases.

6/ Public offer of mutual fund investment units.

7/ Instruments regulated by the Superintendency of Banks and other Financial Institutions (SUDEBAN) and guaranteed by the Fund for the Guarantee of Deposits and Bank Protection (FOGADE).

Source: National Securities and Exchange Commission

**Issuance of Stock, Bonds, and Commercial Paper
Authorized by the National Securities and Exchange Commission^{1/}**
(Billions of bolivars)

	2001 ^{a/}	2000	Variance				Structure %	
			Absolute		Percentage		2001	2000
			2001/00	2000/99	2001/00	2000/99		
Agriculture, Livestock, and Fishery	0,0	5,0	(5,0)	5,0	(100,0)	0,0	0,0	0,7
Manufacturing Industry	81,3	162,2	(80,9)	(89,7)	(49,9)	(35,6)	16,7	23,4
Commerce and Hotels	7,5	8,0	(0,5)	(2,0)	(6,3)	(20,0)	1,5	1,2
Commercial and Universal Banking	267,6	173,6	94,1	66,1	54,2	61,5	55,1	25,0
Mortgage Banking	1,8	0,0	1,8	(0,1)	0,0	(100,0)	0,4	0,0
Investment Banking	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Savings and Loan Entities	0,0	5,3	(5,3)	5,3	0,0	0,0	0,0	0,8
Other Financial Establishments	55,6	13,7	41,9	(3,7)	304,8	(21,4)	11,4	2,0
Collective Investment Entities	0,0	2,7	(2,7)	0,2	(100,0)	9,8	0,0	0,4
Real Estate Companies	0,0	19,5	(19,5)	0,8	(100,0)	4,4	0,0	2,8
Services Delivered to Enterprises	11,7	15,6	(3,9)	0,3	(24,9)	2,0	2,4	2,3
Electricity, Gas, and Water	60,0	253,9	(193,9)	92,6	(76,4)	57,5	12,3	36,6
Transportation, Warehousing, and Communication	0,0	29,7	(29,7)	29,5	(100,0)	14.029,9	0,0	4,3
Insurance Companies	0,4	4,0	0,4	(1,6)	(90,1)	(29,0)	0,1	0,6
TOTAL	485,9	693,2	(207,2)	102,8	(29,9)	17,4	100,0	100,0

a/ Figures at October 2001.

1/ Calculated at face value.

Source: National Securities and Exchange Commission

ESTE MENSAJE DE FIN DE AÑO
SE TERMINÓ DE EDITAR EN
CARACAS, VENEZUELA,
EN LOS TALLERES DEL
BANCO CENTRAL DE VENEZUELA,
DURANTE EL MES DE FEBRERO
DE DOS MIL DOS.