



Decide with Confidence

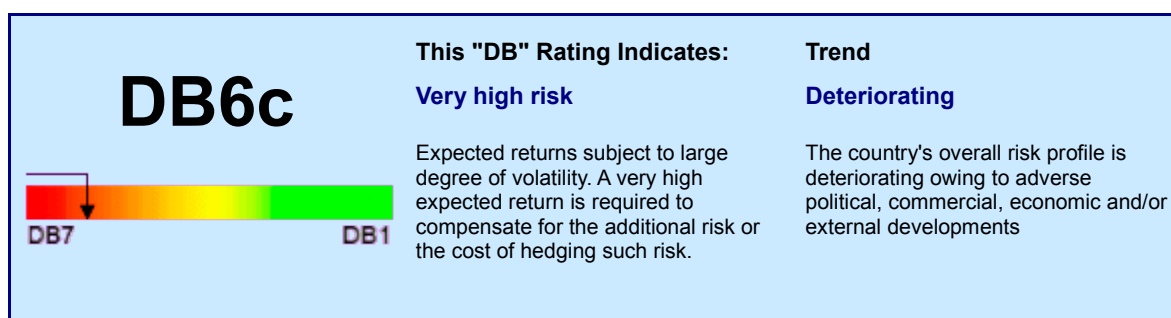
D&B Country RiskLine Report

VENEZUELA

Region : The Americas

Edition : December 2012

D&B Country Risk Indicator



The 'DB' risk indicator provides a comparative, cross-border assessment of the risk of doing business in a country and encapsulates the risk that country-wide factors pose to the predictability of export payments and investment returns over a two year time horizon. The 'DB' risk indicator is a composite index of four over-arching country risk categories:

Political risk - internal and external security situation, policy competency and consistency, and other such factors that determine whether a country fosters an enabling business environment;

Commercial risk - the sanctity of contract, judicial competence, regulatory transparency, degree of systemic corruption, and other such factors that determine whether the business environment facilitates the conduct of commercial transactions;

External risk - the current account balance, capital flows, FX reserves, size of external debt and all such factors that determine whether a country can generate enough FX to meet its trade and foreign investment liabilities;

Macroeconomic risk - the inflation rate, government balance, money supply growth and all such macroeconomic factors that determine whether a country is able to deliver sustainable economic growth to provide further expansion in business opportunities.

The DB risk indicator is divided into seven bands, ranging from DB1 through DB7. Each band is subdivided into quartiles (a-d), with an 'a' designation representing slightly less risk than a 'b' designation and so on. Only the DB7 indicator is not divided into quartiles.

Key Facts

Population:	29.5m
Surface area (sq km):	912,050
Capital:	Caracas
Timezone:	GMT -04:30
Official language:	Spanish
Head of state:	President Hugo CHAVEZ
GDP (USD):	256.9bn
GDP per capita (USD):	8,704
Life expectancy (years):	74
Literacy (% of adult pop.):	93.0

Country Overview:

Venezuela is situated on the northern coast of South America, sharing borders with Brazil, Colombia and Guyana.

Despite efforts to diversify the economy, it is dominated by the oil sector, which accounts for a third of GDP, 90% of export earnings and over 50% of federal budget revenues. Falling oil production owing to a lack of investment in the industry and volatility in oil prices have highlighted Venezuela's vulnerability to trends in the oil sector.

President Hugo Chavez has been in power since 1999. Despite high levels of spending on populist programmes to alleviate poverty, his anti-American rhetoric and radical policies aimed at creating '21st Century Socialism' have polarised opinion domestically and internationally. Political instability has increased sharply, foreign investment has fallen dramatically and the country's political institutions are growing weaker. Furthermore, underinvestment in infrastructure has caused significant power shortages.

Trade & Commercial Environment

Trade Terms

Minimum Terms:	CLC
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The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms:	CiA
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D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms:	30-60 days
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Normal period of credit associated with transactions with companies in the stated country.

Transfer Situation

Local Delays:	0-2 months
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The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays:	2-4 months
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The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.

Trade & Commercial Environment

Foreign reserves as at October 31st remained virtually unchanged at USD25.86bn compared with the previous month's end. However, payment risks continue to be high as reserves reached its lowest in five years (USD24.38bn) on September 25th. Moreover, the central bank has increased its sale of gold (almost 4 tonnes in August and nearly 11 tonnes year-to-date) mainly to finance imports. At present, about 75% of Venezuela's foreign reserves are held in gold. In addition to the complicated exchange rate regime and current account restrictions, speculation of devaluation continues to grow. Notwithstanding its large receipts from oil exports, D&B continues to recommend CiA trade terms and anticipate FX/bank delays of 2-4 months.

Export Credit Agencies

US Eximbank	No cover available
Atradius	No cover available
ECGD	Full cover available
Euler Hermes UK	Restrictions will apply

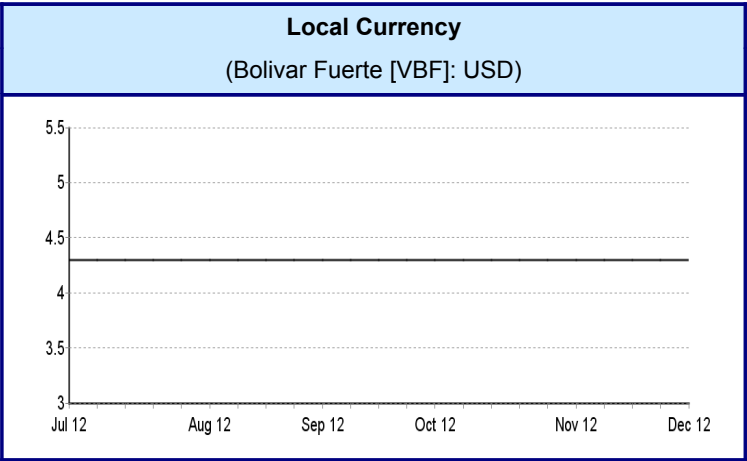
Economic Indicators

	2010	2011	2012	2013f	2014f
Real GDP growth, %	-1.5	4.2	5.4	3.8	3.9
Inflation, annual ave, %	29.1	27.2	21.0	24.0	25.0
Govt balance, % GDP	-4.5	-5.4	-7.3	-3.9	-1.6
Foreign debt, % GDP	39.3	44.8	48.0	50.3	52.5
C/A balance, % GDP	6.2	8.6	1.2	-1.1	4.2

Local Currency: a principal rate of VBF4.3:USD applies on imports; a rate of VBF5.3:USD applies under the Transaction System for Foreign Currency-Denominated Securities

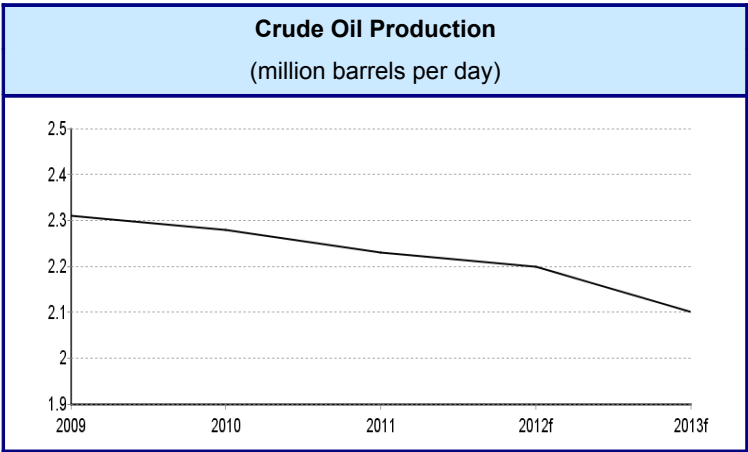
Currency Information

Exchange Rates (London, 19 Nov 12)	
EUR	5.4566
GBP	6.8051
JPY*	5.2844
USD	4.2947
*(x 100)	



Local Currency (Bolivar Fuerte [VBF]: USD)						
	Jul 12	Aug 12	Sep 12	Oct 12	Nov 12	Dec 12
Week 1	4.295	4.295	4.295	4.295	4.295	4.295
Week 2	4.295	4.295	4.295	4.295	4.295	
Week 3	4.295	4.295	4.295	4.295	4.295	
Week 4	4.295	4.295	4.295	4.295	4.295	
Week 5	4.295			4.295		

Crude Oil Production



Data Table				
2009	2010	2011	2012f	2013f
2.31	2.28	2.23	2.2	2.1

Risk Factor

Speculation over tightening foreign reserves liquidity fuelled devaluation concerns as the volume of trade on the Transaction System for Foreign Currency Denominated Securities (SITME) fell on November 12th to USD18m, its lowest in almost two years. The SITME enables individuals and firms to obtain FX by buying government bonds using bolivars then re-selling those bonds for US dollars at a price set by the government. While the official rate stands at VBF4.3:USD and the SITME rate at VBF5.3, the unofficial rate fell to VBF13 in the past two months from an average of VBF8.00. D&B believes that despite official refutation of devaluation it is likely that the bolivar would be devalued in H1 2013. Although unpopular because of Venezuela's heavy reliance on imports, devaluation would boost export earnings, increase government revenues and reduce the budget deficit (exacerbated by significant increases in pre-election spending).

Government spending is set to rise by 33% in 2013 compared with 2012, according to the recently presented USD92.2bn national budget. Social investment (which includes spending on education, housing and health among other areas) will account for 38% of total expenditure. A key component of this programme is an accelerated housing programme themed the Great Venezuelan Housing Mission. Launched nineteen months ago (April 2011) the project oversaw the construction of almost 270 thousand homes with an overall target of 3 million houses in the next six years. While this is expected to boost the local construction sector, notably absent from the budget were plans for economic diversification and structural and institutional reforms to improve the commercial environment for local and foreign investors and generate sustainable growth. As such, D&B projects real GDP growth of 3.8% for 2013, far lower than the official projection of 6%.

Meanwhile, two months after the presidential election from which Hugo Chavez emerged the victor, Venezuelans will be going to the polls for state elections on December 16th. 23 state governorships and 229 other local government positions will be contested by candidates from the ruling United Socialist Party of Venezuela (PSUV), the opposition Roundtable of Democratic Unit (MUD) coalition and other (smaller) political parties. The PSUV currently holds 17 governorships. With a low voter turnout following the opposition's defeat in the presidential election, D&B anticipates that PSUV candidates will prevail in the gubernatorial elections, particularly as government resources are being used to fund their campaigns. As such, we anticipate a continuation of PSUV policies (centred on a social reform agenda) at both the central government and regional levels in the medium term.

Glossary & Definitions

DEFINITIONS

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Recommended Terms:

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Usual Terms:

Normal period of credit associated with transactions with companies in the stated country.

Local Delays:

The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

F/X Bank Delays:

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.

C/A (current account) balance, % GDP:

Part of the balance of payments that records a nation's exports and imports of goods and services, and income and transfer payments.

DSR (debt service ratio), %:

Annual interest and principal payments on a country's external debts as a percentage of exports of goods and services.

Govt balance, % GDP:

The balance of government expenditure and receipts.

Real GDP growth, %:

GDP adjusted for inflation.

Inflation, %:

The increase in prices over a given period.

GLOSSARY

CiA	Cash in Advance
CLC	Confirmed Letter of Credit
CWP	Claims Waiting Period
FX	Foreign Exchange
LC	Letter of Credit
LT	Long term
MT	Medium term
OA	Open Account
SD	Sight Draft
ST	Short term

Customer Service & Support

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