VENEZUELAN CENTER FOR STUDIES ON CHINA
委内瑞拉中国问题研究中心

WORLD ECONOMIC WEEKLY REPORT

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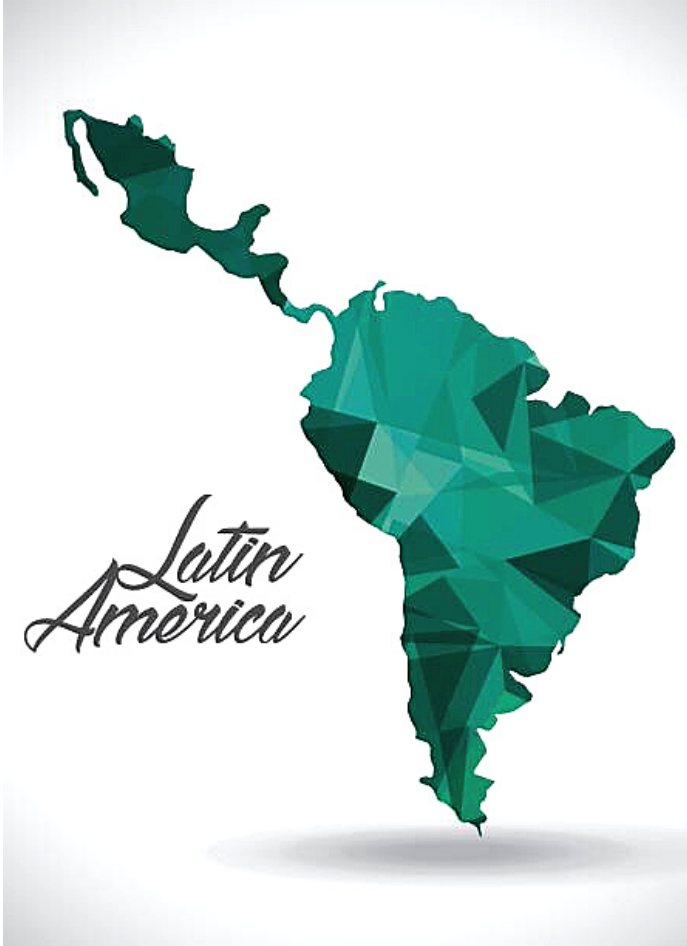
REPORTS AND ECONOMIC EVENTS

ECLAC: THE CHINESE DREAM IS AN OPPORTUNITY FOR INTEGRATION AND MULTILATERALISM FOR THE REGION IN LINE WITH THE 2030 AGENDA

The Executive Secretary of the Economic Commission for Latin America and the Caribbean (ECLAC), Alicia Bárcena, affirmed that understanding China is essential for the region, because that country has become our second trading partner, representing 12% of its exports. and 19% of imports, during the launch of the book "The Chinese dream: how China sees itself and how we Westerners make a mistake when interpreting it" that took place on Thursday, September 10, virtually.

The presentation was organized by the Permanent Forum on Foreign Policy (FPPE), and co-sponsored by ECLAC, the Institute of International Studies of the University of Chile, and the Latin American Faculty of Social Sciences (FLACSO). Along with Alicia Bárcena, Carlos Figueroa, Secretary General of the FPPE; Constanza Jorquera, Academic; Sun Xintang, translator and teacher; and the author of the book, the economist Osvaldo Rosales. The instance was moderated by Fernando Reyes, diplomat and journalist.

During his speech, the highest representative of the United Nations regional Commission stressed that there are great coincidences between the goals that China has set itself and those set out in the 2030 Agenda for Sustainable Development.



He added that in this difficult juncture of the COVID-19 pandemic, China has been an important partner for our region, since at no time did it restrict its exports and even donated a large number of ventilators, masks and other vital supplies.

“In a world where international cooperation and multilateralism have been so severely affected, Latin America and the Caribbean together with China have stood firm in defense of multilateralism and against protectionism. And that must continue to be promoted ”.

The economic recovery in the euro zone loses momentum in August.

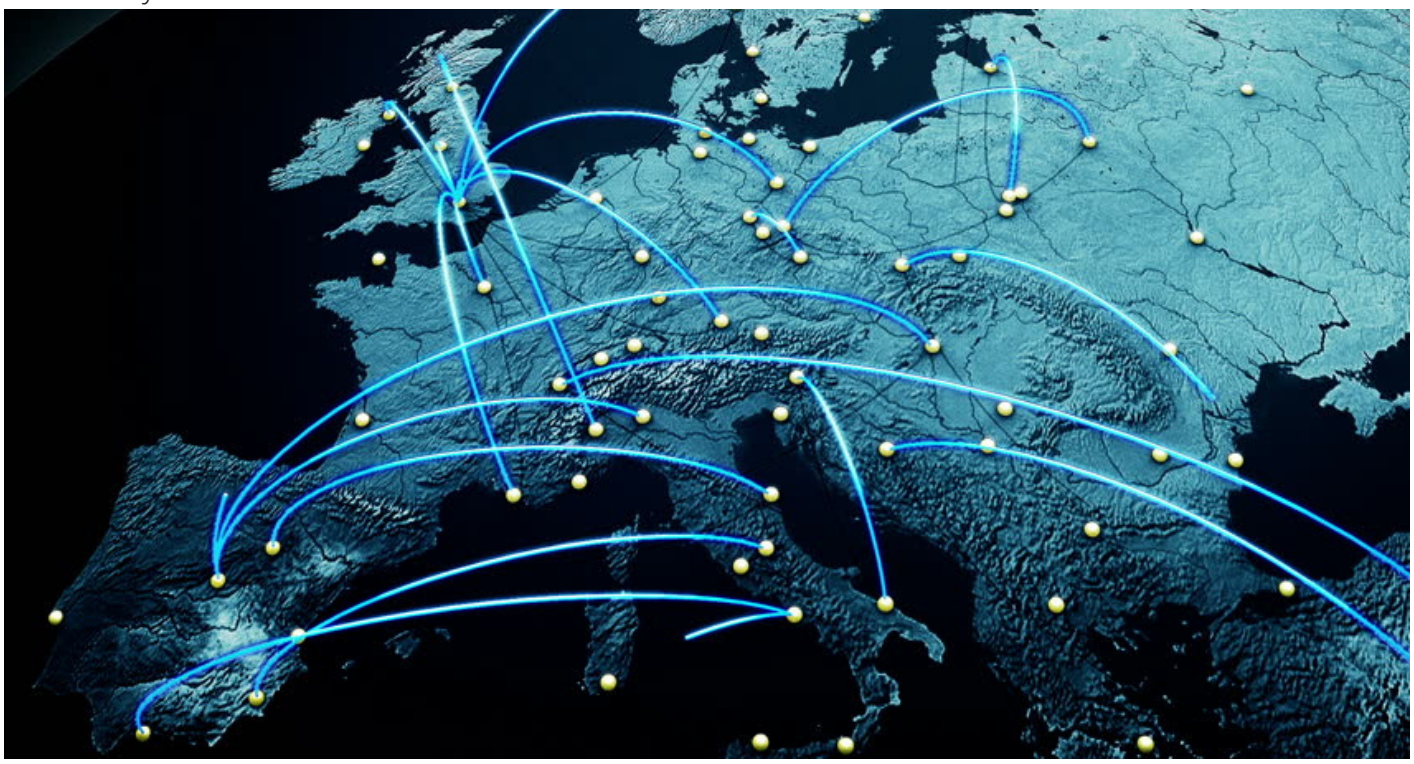
The reactivation of the euro zone after its biggest drop in history came to a halt in August, as growth in the service industry, the largest in the bloc, almost came to a halt, according to the result of a survey published Thursday that suggests that the long road to recovery will be bumpy.

In the second quarter, the bloc's economy contracted 12.1%, according to official data. A Reuters poll conducted last month forecast a recovery in the current quarter, with growth of 8.1%, but respondents believed that a full recovery would take two years or more.

The final composite Purchasing Managers Index (PMI) compiled by IHS Markit, considered a reliable indicator of economic health, suggests that the economy is still in dire straits.

The British economy continues the recovery with a rise of 6.6% in July

Britain's economy grew for the third month in a row as the country tried to rebound from the slump caused by coronavirus lockdown, official data showed on Friday. Output grew 6.6% in July compared to June, thanks to the rise in prices. restrictions in sectors such as pubs, bars and restaurants .. However, the economy remained 11.7% below the February level, before the pandemic hit the UK.



IMF asks governments to support companies after COVID-19 strike

Despite the fact that there is a 90% probability that a vaccine will be discovered to combat the coronavirus in the coming months, the governments of the countries must provide support to companies so that people can return to their workplaces after the economic activity collapsed in the last six months, said Kristalina Georgieva, the director general of the International Monetary Fund, in an article published in Foreign Policy magazine.

The IMF director said that during the second quarter of 2020, approximately 400 million jobs were lost globally, so she recommended that governments maintain support programs for people who lost their jobs during the confinement period, including despite the economy starting to recover.

Georgieva said that governments must implement support programs so that solvent companies but do not have liquidity, can continue with their operations, in addition to restructuring those companies that cannot continue with their activities, which may not be viable due to current conditions of the pandemic.

"Businesses in virtually every sector of the economy have been abruptly and simultaneously affected by the crisis, requiring a variety of lifesavers to prevent even greater job losses beyond what has already occurred," Georgieva said in the article published by the American magazine. "Given the severity of the shock, there are likely to be many more insolvent companies than illiquid companies in the coming months, with a high potential for massive bankruptcies in the absence of widespread support for insolvent companies."

The IMF director said that all those governments that have sufficient fiscal resources should provide support to these companies to prevent further job losses in the coming months.

Likewise, Georgieva said that measures should be taken in all countries to adapt bankruptcy procedures and resolution mechanisms to the needs of the current crisis.

Congress of Colombia approves 84,471 million dollars of budget for 2021

The Colombian Congress approved on Thursday an amount of 314 billion pesos (84,471 million dollars) of budget for 2021, the highest in history and with which the economic reactivation plan will begin after the crisis caused by the pandemic of the Coronavirus. The amount of the approved budget represents an increase of 8.3% compared to this year, which amounted to 290 billion pesos.

The approved initiative will allocate 185 billion pesos (49,768 million dollars) to operating expenses, an increase of 11% compared to the current one, as well as 75.9 billion pesos (20,418 million dollars) to pay debt service, a increase of 41.6% percent.

The proposal projects a fiscal deficit of the Central National Government for 2021 of 5.1% of the Gross Domestic Product and a growth of 6.6% after a contraction of 5.5% expected for this year.

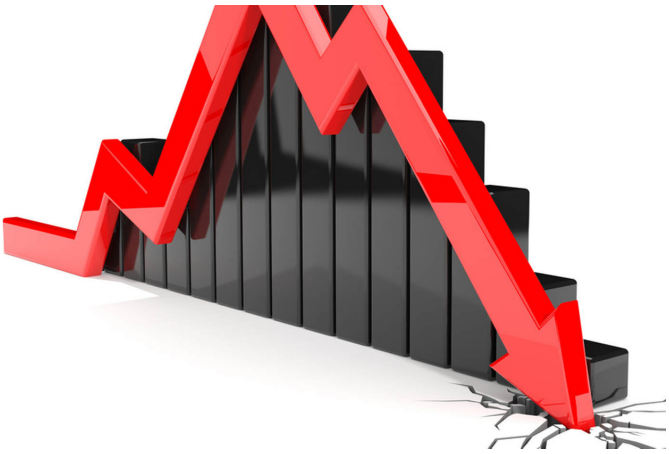
The US says inflation increases 0.4% in August, rises 1.3% annually

Consumer prices in the United States rose 0.4% in August compared to July, which was their third consecutive advance, in seasonally adjusted figures, the Bureau of Labor Statistics (BLS) reported.

The advance in US inflation was the highest for a month of August since 2017 and occurred within the framework of the process of gradual normalization of economic activities in the United States after the confinement ordered to stop the covid-19 pandemic.

"The seasonally adjusted monthly increase in the all-item index was widespread," BLS said in a statement. "A sharp rise in the used car and truck index was the biggest factor, but gasoline, housing, recreation and furniture, and home operations indexes also contributed."

The performance of consumer prices exceeded the forecasts of analysts surveyed by the financial portal Investing.com, who expected an advance of 0.3% in the eighth month of the year.



STOCK EXCHANGES AND CRYPTOCURRENCIES

Wall Street closes mixed and the Nasdaq says goodbye to its worst week since March

Wall Street closed in mixed terrain this Friday, with the Dow Jones Industrials and the S&P 500 in green but with losses on the Nasdaq, which says goodbye to its worst week since the peak of the pandemic in March due to high volatility in the technology sector.

At the end of the operations on the New York Stock Exchange, the Dow Jones added 0.48% or 131.06 points, to 27,665.64 units, while the selective S&P 500 advanced a slight 0.05% or 1.78 points, up to 3,340.97 units. The Nasdaq index fell 0.60% or 66.05 units to 10,853.54 integers, weighed down by big names in technology. This is the second consecutive week down in the US market.

By sectors, the highest gains were for industrial (1.39%) and basic materials (1.31%), with technology (-0.75%) as the most affected.

Experts attribute the volatility of the market to the high capitalization of large technology companies, which have advanced unstoppably during the toughest months of the pandemic and now cast doubt on whether the bubble has reached its peak.

In other markets, Texas oil rose slightly to $ 37.33 a barrel, but closed its second consecutive week of losses, down 6.1%, amid demand fears.

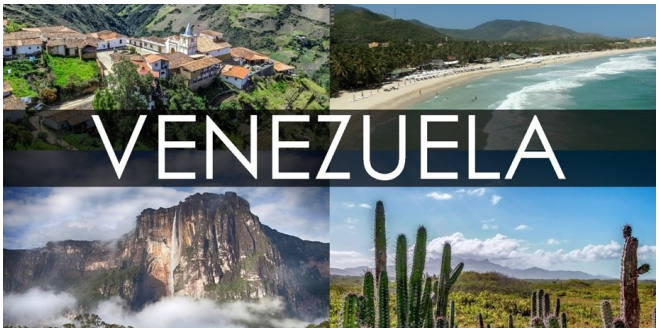
At the close of Wall Street, gold was down at $ 1,950.10 an ounce; the yield on the 10-year Treasury bond fell to 0.667% and the dollar lost ground against the euro, with a change of 1.1842.

VENEZUELA

Venezuela announces distribution plan amid acute gasoline shortage

The Venezuelan government will activate a fuel distribution initiative in the face of acute shortages and plans new refining projects, a restructuring commission of the state-owned Petróleos de Venezuela (PDVSA) said on Friday, while lines and protests persist over the limited dispatch in the country. PDVSA has tried to reactivate production at its refineries, with a capacity of about 1.3 million barrels a day, while waiting for three shipments of Iranian fuel that will ease demand for a few weeks. the temporary implementation of a special contingency plan for the supply of fuel, which will tend to normalize and regularize this new distribution scheme in the short and medium term, "the commission said in a statement released by PDVSA in your website.

The presidential commission, chaired by Oil Minister Tareck El Aissami, did not explain details of the new plan or elaborate on the current situation of the refineries. The state company is trying to reactivate gasoline production in its Fluidized Catalytic Cracking unit, with a capacity of 60,000 bpd, at the El Palito refinery, but still without success. The reformer of the Venezuelan refinery Cardón, crucial for the supply of gasoline in the country, has been detained, in principle, due to a failure and lack of nitrogen since the end of August.



Iranian tankers surround Cape Good Hope en route to Venezuela

Two Iranian-flagged tankers carrying fuel for delivery to Venezuela are circling Africa's Cape of Good Hope en route to the Atlantic Ocean, according to Refinitiv Eikon vessel tracking data.

The medium-sized vessels, Forest and Fortune, carrying around 300,000 barrels of fuel each, loaded at Iran's Bandar Abbas terminal last month, are destined for Venezuela, according to Reuters sources with knowledge of the shipments.

The gasoline shortage in Venezuela has worsened again in recent days due to insufficient domestic production, leaving long lines of drivers waiting to load their tanks and increasing the need for imported fuel. sent a first flotilla of five tankers with fuel to Venezuela between May and June to aid its political ally, which is also subject to US sanctions.

Forest and Fortune have not officially changed their destinations. They continue to browse under the "on demand" prompt and the estimated arrival date is later this month, Eikon data showed.

CHINA

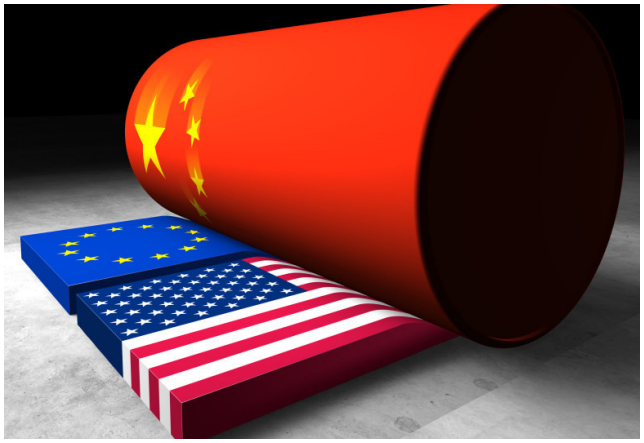
FACTORY PRICES IN CHINA FALL AT THE SLOWEST PACE IN 5 MONTHS

In August, China's factory prices fell at their slowest annual pace in five months, as the world's second-largest economy and its industries continued to rebound from the decline caused by the coronavirus pandemic.

Producer prices fell year-on-year for the seventh month in a row but at a slower pace, while consumer prices grew more moderately due to lower inflation in pork. However, underlying consumer prices (which do not include fresh food and energy due to their high volatility) rose month-on-month for the first time since the pandemic worsened in China in January.

China's economy grew again in the second quarter of this year, supported by public aid, while the country contained the epidemic. Recent indicators have pointed to a sustained recovery.

"Looking at the volatility of food prices, the overall disinflationary impact of the COVID-19 crisis continues to diminish," said Julian Evans-Pritchard, China Senior Economist at Capital Economics.



The consumer price index, meanwhile, rose 2.4% last month compared to the previous year, as expected, but the rise is less than the 2.7% increase in July, as the Food price inflation declined, due to pork prices.

Pork price inflation was lower than a year ago, when prices began to rise in August 2019 as African swine fever decimated China's pig herd. Pork prices increased 52.6% in August compared to the previous year and fell considerably after the 85.7% year-on-year increase registered in July.

"Looking ahead, headline consumer price inflation is likely to continue to decline as the pork supply continues to rebound from last year's African swine fever outbreak," Evans-Pritchard added.

OFFICIAL STATISTICS OF THE WEEK

- **United States**

Jobless Claims: Weekly initial jobless claims held steady at 884,000 in the week ended September 5, overshooting the consensus forecast and our below-consensus forecast. The not seasonally adjusted total for initial filings increased slightly from the previous week, rising 2.4% to 857,148. In addition, states reported 838,916 filings for Pandemic Unemployment Insurance, an increase of 12.2% from the prior week. Weekly PUA filings have now risen by more than 300,000 over the last three reports.

Oil Inventories: An unforeseen rise in oil inventories will push down oil prices. Commercial crude oil inventories rose by 2 million barrels in the week ended September 4, counteracting consensus expectations of a 2 million-barrel decline. Gasoline inventories fell by 3 million barrels, beating analyst expectations of a 2.8 million-barrel drop. Distillate inventories fell by 1.7 million barrels, also beating analyst predictions of an 806,000-barrel decline. Refinery capacity utilization fell to 71.8% from 76.7%. Total U.S. oil demand was 16% lower than a year earlier.

- **India**

Industrial Production: India's industrial production improved significantly in July. It fell by 10.4% y/y, a much softer decline than the 16.6% slump in June (before revision) and the 33.9% plunge in May. This is a testament to generally looser COVID-19 containment measures, as the gradual reopening of the economy is enabling stronger production to meet recovering demand.

- **Chile**

Foreign Trade: Chile's foreign trade surplus fell again in August, coming in at $904 million, below the consensus forecast. Imports continued to show weakness as the COVID-19 outbreak spread through the country, lowering demand for imported goods.

- **Japan**

GDP: Japan's June quarter GDP contracted by 7.9% q/q, according to the advance estimate, similar to the preliminary reading of -7.8%. This translated into a deeper annualized decline of 28.1% in June.

- **China**

Consumer Price Index: China's consumer inflation fell slightly to 2.4% y/y in August, down from 2.7% in the prior month, reflecting a slowdown in demand recovery. The inflation for both consumer goods and services decelerated.

Euro Zone

GDP: Final estimates showed that euro zone GDP plunged by 11.8% q/q in the second quarter after a 3.7% slump in the first. In yearly terms, real GDP contracted by 14.7%. The details confirmed that domestic demand caved under lockdown measures that closed businesses and kept consumers at home.

- **Mexico**

Industrial Production: The national industry continued to reactivate in July as the reopening advanced. The index of industrial production reported an annual contraction of 11.3% in July after declines of 16.7% in the previous month and 1.3% a year earlier. Adjusted figures reported growth of 6.9% from the previous month.