



Venezuela Economic Outlook

By CNI Asesores Financieros

Oil production, the main source of foreign currency earnings in Venezuela, dropped to 740,000 barrels per day in March 2019, compared with the average production of 1.6 million barrels during 2018 and 2.2 million in 2017.

In order to look for sources of income in dollars for vital imports and also look for mechanisms to evade the sanctions imposed by the U.S. Department of the Treasury, which included the Central Bank of Venezuela in the list of sanctioned entities, the Central Bank sold 13.7 tons of gold from its reserves for \$570 million in a recent two-week period. The reserves of the Central Bank of Venezuela are approximately \$7.9 billion, the lowest level in the past 29 years. The low oil revenues, the critical level of the reserves in the country and the sanctions that restrict foreign exchange movements are causing a significant decrease in imports of basic products.

Local inflation continues at a hyperinflationary level (more than 4 percent per day), while, contrary to all logical sense, the exchange rate is stabilized by a shortage of bolivars influenced by the legal reserve requirements for banks. The crisis and rationing of gasoline is accentuated, and there are long lines of cars waiting for their turn at gas stations in Caracas – and even worse in the nation's interior. Refineries are processing at only 20 percent of their capacity, as only 260,000 barrels of gasoline are being produced daily out of a capacity of 1.3 million daily barrels. The lack of gasoline and spare parts affects the transport of personnel and merchandise.

In general terms, Venezuela's economy continues to decline, estimating an annual contraction of the gross domestic product (GDP) for 2019 in excess of 20 percent. For comparison, the GDP was \$393 billion in 2011 and decreased to \$96 billion in 2018. In terms of consumption, a contraction in the economy is anticipated by more than 13.5 percent by 2019. Trends indicate that the rates of income per capita could soon decline to the same levels of Honduras and possibly Haiti.

Information contained in this alert is for the general education and knowledge of our readers. It is not designed to be, and should not be used as, the sole source of information when analyzing and resolving a legal problem. Moreover, the laws of each jurisdiction are different and are constantly changing. If you have specific questions regarding a particular fact situation, we urge you to consult competent legal counsel.
