



## Venezuela Economic Outlook

By CNI Asesores Financieros

Here is our biweekly summary of recent economic developments in Venezuela:

- The Venezuelan local press reported that two Chilean companies, Alimentos y Frutos S.A., and Empresas Carozzi S.A., requested before Venezuelan courts the bankruptcy and judicial occupation of the assets of the multinational food company Del Monte Andina C.A. due to the non-payment of debts with its international suppliers. Del Monte clarified that it is not bankrupt. In February 2015, the Venezuelan operation of Del Monte Andina was deconsolidated from the financial statements of its parent company Del Monte Foods Holdings Limited, at that time recognizing a loss of \$5.2 million due to deconsolidation.
- De La Rue PLC, a British paper, and paper money supplier, reported losses of 18.1 million pounds (approximately \$23 million) after the Central Bank of Venezuela reported problems with the payment of bills, apparently due to restrictions on transfers of funds due to sanctions imposed on Venezuela by the U.S.
- Venezuela was unable to make an interest payment on a loan for \$750 million, guaranteed by 20 tons of gold, granted to the Venezuela government in 2016 by Deutsche Bank with maturity in 2021. It has been reported that the loan was declared overdue, and the creditor bank took possession of the gold that guarantees the loan.
- After three years without publishing statistical financial information, the Central Bank of Venezuela, without prior notice, published on its website economic growth figures that included, among others, a contraction of 22.5 percent of the gross domestic product (GDP) of the third quarter in 2018 vs. 2017, inflation of 130,060 percent in 2018 and a fall in oil export income from \$85 billion in 2013 to \$29.8 billion in 2018.
- The high levels of hyperinflation, however, were reduced during the month of May. Bloomberg's "Venezuela Café Con Leche Index" shows that the annual inflation rate dropped to 99,900 percent from an annual rate of 224,900 percent at the end of 2018, while the National Assembly, with an opposition majority, estimated inflation in May at 31.3 percent and the annualized index at 815.194 percent. The increases in the exchange rate (per Monitor Dolar Vzla, approximately 6,600 bolívares soberanos per U.S. dollar as of June 10, 2019) continue with a lower rate than inflation, causing serious distortions.
- The export of petroleum and refined products from Venezuela during May averaged 874,500 barrels per day, 17 percent less than the previous months. Reports indicate that it could fall abruptly, by more than 300,000 barrels per day after July 27, 2019, if the U.S. does not extend the exceptions to the sanctions that are in effect for some of the major oil companies operating in Venezuela. During May, exports to India fell 30 percent to 187,000 barrels per day, while exports to China continued at levels of 450,000 and exports to Cuba increased from 49,000 to 91,000 barrels per day.



- Gasoline and fuel supplies have been affected in Caracas and inland due to the production problems of the main refineries in the country. Imports of fuels and diluents, which fell by 200,000 barrels per day in March and April, fell by 137,500 barrels per day in May.

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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.

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