



Difference Increases Between the Official and Parallel "Black Market" Dollar

By Holland & Knight

After several months of stability of the difference between 1) the "black" market price to buy dollars and 2) the official rate of the Venezuelan government, the biggest fall of the year occurred in July 2019 with respect to the unofficial market, also known as the "black" or "parallel" market.

As of July 26, 2019, the price of U.S. currency in the black market exceeded that of the Venezuelan Central Bank (BCV) by more than 38 percent. Thus, while one U.S. dollar in the official market converted to 8,577 bolivars, in the "parallel" market it was worth 11,185 bolivars.

Experts have said that the new dollar rate in the parallel market could increase the prices of goods and services, which in turn would negatively impact the pre-approved government strategy, led by Nicolás Maduro, to end the hyperinflation that is currently taking place in Venezuela.

At the beginning of this year, the Venezuelan Central Bank established a legal reserve of 100 percent for banks, thereby seeking greater restrictions to grant loans, so that there would be less currency circulation in the country and so that, consequently, inflation would decrease.

With the current U.S. dollar rate in the black market, high inflation rates could again appear in Venezuela, which would negatively impact consumption levels.

However, a reaction is expected from the government, which has expressed the possibility of imposing new regulatory measures, with the goal of curbing inflation and the other negative effects that can generate a significant difference in official and parallel market rates.

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