



Venezuela Economic Outlook

By CNI Asesores Financieros

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

- On July 4, 2019, the "Bachelet Report" was published by United Nations High Commissioner for Human Rights Michelle Bachelet. The report condemns the torture, human rights violations and deaths of the Nicolás Maduro regime.
- The U.S. Department of the Treasury, by means of a General License, on July 26, 2019, renewed for an additional three months, through Oct. 25, 2019, the waiver to execute maintenance operations for some Petróleos de Venezuela, S.A. (PDVSA) entities in Venezuela, awarded to, among others, Chevron Corp., Halliburton, Baker Hughes and Weatherford International, which expired on July 27. (See Venezuela Update, [Venezuela Economic Outlook](#), July 17, 2019.)
- The fourth national power outage occurred on July 23, 2019, in Venezuela. The outage lasted several hours and affected public transport (Metro), communications, the internet and other public services. Government authorities attributed the outage to "electromagnetic attacks."
- Oil production continues to decline, at a rate of 135,000 barrels per month during the first quarter of 2019, in accordance with the U.S. Energy Information Administration (EIA). According to OPEC sources, production was only 734,000 barrels per day in June. Active drilling equipment in Venezuela has dropped considerably, from 70 pieces of equipment in the first quarter of 2016 to 24 pieces of equipment in the first quarter of 2019.
- The exchange rate, after a period of "apparent stability," has started to increase. On June 26, 2019, the rate reached to 11,400 bolivars per U.S. dollar.
- According to the Inter-American Development Bank (IDB), Ricardo Hausmann, IDB governor of Venezuela, announced that if Nicolás Maduro ceased to exercise power, loans with China and Russia will be renegotiated by the new authorities under the auspices of the Paris Club. Hausmann said that although previous news reports indicated that all of the Venezuelan creditors would receive the same treatment, he clarified that China and Russia will receive different treatment.
- Hausmann, during the closure of the IDB Governor Assembly held in Guayaquil, Ecuador, warned that Venezuela's gross domestic product (GDP) will fall 62 percent between 2013 and the end of 2019.
- Citgo Holdings Inc., an opposition-controlled, Houston-based oil refining company, stated it plans a \$1.9 billion bond issue in February 2020 to pay maturities of debentures. Moody's and Standard & Poor's (S&P) released the risk ratings for the proposed issue – Moody's Caa1, Loss Given Default (LGD4); and S&P in CreditWatch, in category B issue-level rating and 2 recovery rating.



- Venezuela is studying the possibility of utilizing the Russian international payment system instead of the traditional Society for Worldwide Interbank Financial Telecommunication (SWIFT) system because of the debilitating effects of the sanctions imposed by the U.S. government.

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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.
