



## Venezuela Economic Outlook

By CNI Asesores Financieros

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

- The U.S. Department of the Treasury on Oct. 21, 2019, renewed for three months a license granted to several U.S. oil companies so that they may continue operating in the country until Jan. 22, 2020. Chevron is the only company that still carries out relevant operations in Venezuela. The license has been renewed several times for certain periods since the U.S. issued an Executive Order on Aug. 5, 2019, prohibiting U.S. companies from dealing with the Nicolás Maduro regime. If the license is not renewed on Jan. 22, 2020, an important and negative impact is predicted for the already diminished oil production of Venezuela.
- On the other hand, on Nov. 5, 2019, the Trump Administration relaxed sanctions imposed and decreed against Venezuela in August, issuing licenses that allow some U.S. companies to pay taxes and import tariffs to the Venezuelan government with connection to their normal business operations in the country. The sanctions will not affect public employees and contractors that work in hospitals, schools and universities who before ran the risk of having their accounts and assets located in the U.S. blocked.
- Oil production was estimated at 600,000 barrels per day for the month of October. This represents a significant decrease from the average oil production of 2014 that once amounted to more than 2 million barrels per day and around 1 million barrels per day at the end of 2018.
- In October, Venezuela exported 812,775 barrels per day, a much lower quantity than the 1.13 million barrels per day exported in June 2019. Exports were mainly sent to Rosneft (62 percent) and China (32 percent). The number of oil exports for crude and refined products was higher than the actual oil production for the month, resulting in a reduction in the country's inventories, which is estimated to have decreased to 39 million barrels for the end of October.
- Venezuela imported 213,000 barrels per day of refined products in October to support the lack of oil production of its refineries. This is an increase from the 184,700 barrels per day imported in September.
- The Petróleos de Venezuela, S.A. (PDVSA) 2020 bond incurred "default" by virtue of not making a payment of US \$913 million. On Oct. 24, 2019, a U.S. court did not allow the holders of such bonds the execution of guarantees that consisted of CITGO shares. CITGO owns refineries that are now controlled by the government of Interim President Juan Guaido and represent an important asset.
- With regard to the BOD Financial Group, operations in several countries (Venezuela, Curacao and Panama) were intervened during September. On Nov. 8, 2019, the Superintendency of Banks of Panama ordered the forced liquidation of AllBank Corp., its business operation in Panama.



- After a period of stability, the pace of devaluation is currently accelerating. On Nov. 8, 2019, the parallel-market dollar rate surpassed the boundary of Bs.28,000 per dollar (Bolívar Exchange Rate). In the first eight days of November, the devaluation reached 30.66 percent in the unofficial exchange market.
- The hyperinflation in Venezuela shows a declining trend. Inflation calculation estimates adopted by the National Assembly indicate that in September 2019, inflation stood at 23.5 percent. This represents a reduction in inflation compared to 65.2 percent for August 2019. The cumulative inflation from January 2019 to September 2019 was estimated at 3,326 percent, while the year-on-year inflation for October 2018 to September 2019 was estimated at 50,100 percent.
- In mid-October, the Central Bank of Venezuela reported that the economy registered a contraction of 27.8 percent and the oil sector fell by 19.1 percent during the first quarter of 2019. This represents more than five years of negative economic growth of the country and 16 quarters of negative results in the oil sector. The International Monetary Fund estimates that Venezuela's economy will contract by 35 percent in 2019.

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