



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, until Jan. 22, 2020, the license granted to several U.S. oil companies in order to continue operating in the country. Official sources indicate that the Treasury Department will most likely continue to renew licenses to allow American companies to continue operating in Venezuela.
- In November, Venezuela exported an average of 1.037 million barrels per day of oil and refined products compared with 812,775 barrels exported per day the previous month. The export increase was largely due to sales carried out with India (the main destination), Malaysia and China. As a result of the sanctions and measures enforced by the U.S. against Venezuela, exports to Europe declined from 89,000 barrels per day in October to 68,000 in November. As for Cuba, the declining oil export trend continues, decreasing from 143,000 barrels per day in September to 118,000 barrels per day in October and to 67,000 barrels per day in November.
- Imports of refined products, in order to support the lack of refinery production, during the month of November averaged 132,500 barrels per day, a decrease compared with 213,000 barrels per day in October and 184,700 barrels per day in September.
- Petróleos de Venezuela S.A. (PDVSA) is currently talking with suppliers and contractors to offer the possibility of making payments to bank accounts located in China using yuan, as a result of the sanctions imposed by the U.S.
- The Ecoanalítica research firm estimates that more than half of the retail business transactions are being made in dollars instead of bolívares. The firm estimates that the bulk of coins and dollar bills circulating in Venezuela has increased to more than \$2.7 billion, which represents more than three times the value of outstanding bolívares plus checking and savings accounts in bolívares.
- Datanálisis estimates that remittances from Venezuelans living abroad will be \$3 billion during 2019, which would represent 14 percent of the country's estimated revenues for this year. They estimate that oil revenues in 2019 will account for \$11.3 billion.
- After a period of stability, the devaluation continues to steadily increase. On Nov. 8, the parallel dollar surpassed the barrier of 28,000 bolívares soberanos per dollar. Nearly a month later, on Dec. 6, it amounted to 44,187 bolívares soberanos per dollar, an increase of 58 percent.
- The hyperinflation in Venezuela continues its downward trend. The most recent inflation estimates issued by the International Monetary Fund for 2019 place Venezuela inflation at 200,000 percent, well below the estimate at the beginning of 2019 that predicted it would escalate to 10 million percent. During the month of November, the inflation rate used by Bloomberg to estimate annual inflation in Venezuela, the Bloomberg "Café con Leche Index," indicated that annual inflation has decreased to 8,900 percent.



- The restrictions to the banking reserve requirements established in February are still in force and have significantly reduced the financing capacity of banks. In October, the Central Bank established a system for the adjustment of the commercial credit values in proportion to the increases to the exchange rate, but financing restrictions continue as banks have disbursed very few credits since the entry into force of the new measure. It is estimated that banks are able to lend only 19 percent of their deposits.
- The International Monetary Fund estimates that Venezuela's economy will contract by 25 percent for 2019.

2019 Summary

In the economic field, the main indicators continue to reflect negative trends (economic growth, hyperinflation, devaluation), although the trends seem to indicate that the deterioration rate is decreasing. Oil production has decreased considerably, which has significantly reduced the income and resources necessary for the country's growth. The use of the dollar is facilitating the transactional movement of retail business operations, but the restrictions imposed by the U.S. have had a restrictive effect on the currency flows that feed the economy.

In the political sphere, the year began with optimism that has steadily diminished over time. In January, the president of the National Assembly took on the role of interim president of Venezuela, representing the opposition and creating a parallel government. In April, there was a failed attempt to provoke a military uprising to overthrow President Nicolás Maduro. In December, as result of a journalistic investigation, nine opposition deputies, all members of the National Assembly, will be investigated for the unlawful use of influence/influence-peddling and possible acts of corruption for assisting a Colombian citizen involved in the food distribution business in Venezuela via the Local Supply and Production Committees (CLAP) established by President Maduro. According to research firm Datanálisis, the popularity of interim President Juan Guaidó has dropped from more than 60 percent in February to 42 percent. Venezuela ends 2019 with a weakened economy and political landscape.

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