



## Venezuela Economic Outlook

By CNI Asesores Financieros

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

- Juan Guaidó was reelected president of the National Assembly on Jan. 5, 2020, after a parallel swearing-in of a Nicolás Maduro ally Luis Parra that took place irregularly at the headquarters of the Assembly, where Guaidó was blocked from entering by Maduro's security forces. The election and swearing-in of Guaidó took place at the facilities of the newspaper *El Nacional* and was backed up by the required majority of 100 deputies.
- The exchange subsidy, the differential between the official and the parallel dollar, has practically disappeared.
- The devaluation rate continues its rising trend, after a period of stability. The price of the parallel dollar on Nov. 8, 2019, exceeded the barrier of 28,000 bolívares soberanos per dollar, and one month later, on Dec. 6, it was valued at 44,187 bolívares soberanos per dollar, a 58 percent increase. On January 3, 2020, the parallel dollar reached 73,322 bolívares soberanos per dollar, a 162 percent increase in the past two months.
- The hyperinflation in Venezuela continues its downward trend. The latest calculations issued by the Ecoanalítica research firm place hyperinflation at 10 percent weekly, within the hyperinflation classification. The National Assembly announced the inflation for the year 2019 was 7,374 percent (33.1 percent for December 2019).
- "Transactional Dollarization" continues to rise. It is estimated that more than half of retail purchases are being made with dollars and euros in cash.
- The 4 million Venezuelans living abroad sent approximately \$3.5 billion to Venezuela during 2019.
- As of Jan. 1, 2020, the government reduced the number of items that were exempt from import taxes, from a total of 8,081 items to 3,289. This likely will reduce the boom of "Bodegones," small stores that imported luxury items and food that created the perception of a rapid and notable improvement in the country's economy.
- In 2015, imports were approximately \$33 billion. Imports during 2019 were estimated at \$6.7 billion, and for 2020, they are expected to fall 15 percent to \$5.6 billion.
- The U.S. Department of the Treasury on Oct. 21, 2019, renewed for three months the license granted to several U.S. oil companies to continue operating in Venezuela until Jan. 22, 2020. Official sources indicate that the Treasury Department will most likely continue to renew licenses to allow American companies to continue operating in Venezuela.
- According to the Ministry of Popular Petroleum Power (Ministerio del Poder Popular de Petróleo), the average price of a Venezuelan oil barrel was valued at 395.79 Chinese yuan



(approximately \$56.70) in 2019. In early January 2020, the price of a barrel had risen to 407.29 Chinese yuan (\$58.35), with a further rise expected due to the tensions produced by the latest political events in the Middle East. Venezuela stopped using the dollar as a reference currency in 2017, and since then has quoted the price of its oil in Chinese currency.

- After falling to historic lows, Venezuela's oil production has increased the past three months. According to OPEC reports, production stood at 644,000 barrels of crude oil per day in September 2019 before rising to 687,000 barrels per day in October. In November, according to Reuters, it increased to 920,000 barrels, and in December, some reports estimated that production averaged 1 million barrels per day.
- The importation of gasoline is averaging about 100,000 barrels per day, at an average cost of \$240 million per month. Imported gasoline sells for less than \$0.0003 per gallon (22.7 bolívares soberanos per gallon). The Secretary-General of the Petroleum Workers' Union (Sindicato de Trabajadores Petroleros) declared that all refining plants are paralyzed. The latest refining plant to cease operations, on Nov. 3, was the Amuay catalytic plant, which refined 40,000 barrels of gasoline per day. The shortage is noticeable in the country's main cities.
- The Venezuelan Confederation of Industries (CONINDUSTRIA) estimates that of the 13,000 companies once active in Venezuela, only 2,500 remain, the vast majority operating at 20 percent of their capacity. In the past five years, 44 major transnational companies have stopped operating in Venezuela.
- During the first seven months of 2019, only 271 cars were assembled in Venezuela.
- Ecoanalítica estimates that the country's gross domestic product (GDP) suffered a 31.1 percent contraction in 2019, and estimates that the contraction will be 10.8 percent in 2020.

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