



## Venezuela Economic Outlook

By CNI Asesores Financieros

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

- Russian Foreign Minister Sergey Lavrov embarked on a trip to Latin America on Feb. 5-8 to visit Cuba, Mexico and Venezuela. During his visit to Venezuela on Feb. 7, Lavrov met with President Nicolás Maduro, Vice President Delcy Rodríguez and Foreign Minister Jorge Arreaza. Maria Zajarova, spokeswoman for the Russian Foreign Ministry, declared that Russia and Venezuela are cooperating in the energy, mining, transport, medicine, pharmaceutical and military technology sectors, as well as are reaching an understanding on different international issues to oppose sanctions policies against Venezuela.
- The Monetary Fund has published figures for Venezuela for 2019. The country's gross domestic product (GDP) in 2019 suffered a contraction of 35 percent, a recent unprecedented figure for a country not involved in armed conflict. The country's economy was reduced by more than 65 percent between 2013 and 2019. The projections for 2020 include a contraction of 10 percent, and by 2021, a contraction of 5 percent, thus ruling out a recovery in the short term.
- News organizations have reported that the government is exploring alternatives with some foreign companies (Rosneft, Repsol and Eni) to offer ways to control the operations of some oil assets, restructure debt of Petróleos de Venezuela, S.A. (PDVSA) and increase their shareholdings in some joint ventures. However, these transactions will require significant changes in existing legislation, approval by the National Assembly and changes in the U.S. sanctions that prohibit U.S. companies from carrying out business in Venezuela without special permits and discourage foreign companies from investing in Venezuela.
- The U.S. Department of the Treasury renewed once again its license to operate in Venezuela to Chevron and four other U.S. oil services companies for three months, until April 22, 2020.
- PDVSA published in a news release that its foreign financial debt is US\$34.5 billion, including US\$25.2 billion in bonds, US\$2.65 billion in commercial debt with regard to its partnerships with foreign partners, plus other debts with suppliers. To date, it is estimated that it is in "default" for US\$6.0 billion in interests and repayments of principal.
- Venezuela's oil exports declined 32 percent during 2019 to 1 million barrels per day, the lowest average in almost 75 years. Rosneft was the largest buyer of Venezuelan oil with 33.5 percent of total exports, followed by China National Petroleum with 11 percent and Cubametales with 7 percent. The main destination for Venezuelan oil exports during 2019 was China with 319,507 barrels per day, India was second with 217,739 barrels per day, Europe received 118,980 barrels per day, and Cuba was the fourth with 70,359 barrels per day.
- During 2019, Venezuela imported 155,674 barrels per day of fuel and diluent naphtha oil, which was insufficient to cover the deficit caused by the stoppages at the PDVSA refineries.



- PDVSA announced the total closure of its last two operational refineries – Amuay and Cardón – for repairs and maintenance. With the closing of these refineries, all gasoline production has halted until the repairs are finished.
- The depreciation of the bolívar soberano has come to a pause, within its tendency to increase. On Nov. 8, 2019, the price of the parallel dollar exceeded the barrier of 28,000 bolívares soberanos per dollar. A month later on Dec. 6, it was placed at 44,187 bolívares soberanos per dollar, a 58 percent increase. On Jan. 3, 2020, the parallel dollar reached 73,322 bolívares soberanos per dollar, a 162 percent increase in two months. One month later, on Feb. 3, it was fixed without major changes at 73,800 bolívares soberanos per dollar.
- "Transactional Dollarization" continues in the country. It is estimated that more than half of retail purchases are being made with dollars or euros in cash. The government's attempts to encourage the use of Petro as a Venezuelan cryptocurrency to evade U.S. sanctions have failed. Initially, the government announced that December oil sales would be carried out in Petros, as well as wharfage rights for tankers, aviation gasoline sales and payment to public servants. News organizations report that all mechanisms to make payments in Petros are currently in maintenance since Jan. 5, 2020, making these transactions impossible.
- Ron Santa Teresa, a liquor-producing company listed in the Caracas Stock Exchange, announced an initial public offering (IPO), the first in 11 years, to raise the equivalent of \$3 million.

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