



Venezuela Economic Outlook

By CNI Asesores Financieros

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

- **General Outlook:** Five important events that will undoubtedly affect Venezuela's political and economic situation have emerged in the past few weeks:
 1. Collapse of oil prices
 2. Pandemic caused by COVID-19
 3. On March 26, 2020, U.S. Attorney General William Barr formally accused Nicolás Maduro and 14 members of his government team of "Narco Terrorism," announcing a \$15 million reward for information that will help capture Maduro and his collaborators.
 4. On March 31, U.S. Secretary of State Mike Pompeo offered to lift the sanctions imposed on Venezuela with conditions that include Maduro leaving office and a transitional Governing Board being established until free elections are held.
 5. On April 2, U.S. Defense Secretary Mark Esper, in a press conference with President Donald Trump and Barr, announced the deployment of a naval task force to carry out surveillance tasks near the coast of Venezuela to fight drug trafficking. The defense secretary said that the operation is one of the largest military operations in the region since the invasion of Panama in 1989 to remove Manuel Noriega, who had also been accused of drug trafficking.
- In early March, oil prices plunged 30 percent due to the collapse of global demand caused by the COVID-19 crisis and the disintegration of the OPEC+ (led by Saudi Arabia) and Russia alliance. By March 20, the Venezuelan barrel price was at \$19.35, below its production cost.
- Venezuela's oil production continues to decline. For the week of March 23, 2020, it reported 670,000 barrels per day, down from 733,000 barrels per day in January.
- Rosneft has significant oil "joint ventures" with PDVSA companies, including equity shares in Petromonagas, Petroperijá, Petrovictoria, Petromiranda, Petrojunín and Boquerón. On March 28, Rosneft announced the termination of its operations in Venezuela and the sale of its equity shares in its joint ventures with PDVSA to a Russian state company.
- On March 31, Chevron announced the cancellation of its service contracts with Petroboscán and Petropiar, two of its partnerships with PDVSA that produce 180,000 barrels a day. On April 22, Chevron's special license to operate in Venezuela, granted by the U.S. government, will expire. The special license has been renewed for consecutive periods of 90 days, but it is yet unclear if the U.S. government will or will not renew such license.
- The gasoline supply situation is critical. Refineries are paralyzed or operating at 15 percent of its capacity. Gasoline imports have considerably reduced from 165,000 barrels per day in January



and February to less than 91,000 barrels per day in March. The country has a network of 1,600 gasoline stations, the vast majority of which have closed due to lack of fuel, and some stations have been militarized. The National COVID-19 Impact Survey carried out on March 31 indicates that in early March the permanent gasoline supply furnished 12.33 percent of the gasoline stations and at the end of March only 0.2 percent. The shortages will affect the food supply chain, drinking water distribution by tanker trucks (only 9 percent of consumers currently receive drinking water on a regular basis) and garbage collection.

- The bolivar's devaluation rate has once again spiraled. On Jan. 3, 2020, the parallel dollar amounted to 73,322 bolívares soberanos per U.S. dollar. On March 6, it was valued at 75,008 bolívares soberanos per dollar, and on April 2, the rate increased 20.4 percent to 90,307 bolívares soberanos per dollar.
- On March 16, Maduro formally announced quarantine and airport closures to address the spread of COVID-19. A six-month period was established to suspend the payment of certain rents and debts. The Venezuelan health system has been classified by the Global Health Security Index issued by the Johns Hopkins Center for Health Security and *The Economist* as one of the worst health systems in the world with a ranking of 176 out of 195 countries. There is a risk of an impending humanitarian catastrophe.
- The Maduro regime requested a loan of \$5 billion from the International Monetary Fund to strengthen Venezuela's health system. The request was rejected because it was submitted by a regime not recognized by the international community.

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