



## Venezuela Economic Outlook

By CNI Asesores Financieros

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

- **Overview:** The combination of low oil prices, low oil production and restrictions imposed by the Trump Administration has significantly reduced Venezuela's revenues. Gasoline shortages and the quarantine imposed by President Nicolás Maduro's government to fight against the global pandemic have both impacted the country's population.
- The gasoline supply remains critical. The shortage is affecting the food supply chain, particularly the gasoline supply that is required by fleets of trucks so that they may transport food to the main cities. Limited gasoline availability has caused a significant price increase, sometimes well in excess of US\$8 per gallon. Iran has apparently supported Maduro's government with special flights to bring in supplies to reactivate the refineries. The Venezuelan newspaper *El Nacional* and the Canadian media company Reuters have reported that only 30,000 barrels per day are being supplied to the 250 currently operating gasoline stations out of the country's total network of 1,576 stations.
- The price of a Venezuelan oil barrel was quoted at less than US\$10 a barrel on the last week of April, its lowest price since 1999, when Hugo Chavez began his first presidency term in Venezuela. The oil production cost was estimated at US\$19 a barrel.
- Venezuela's oil production continues to swiftly decline. The Organization of the Petroleum Exporting Countries (OPEC) reported that in March Venezuela's average oil production amounted to 600,000 barrels per day; whereas in January it was calculated at 733,000 barrels per day.
- At the end of March, Rosneft announced the termination of its operations in Venezuela and the sale of its equity interests in companies with Petróleos de Venezuela, S.A. (PDVSA) to a Russian state-owned company, while Chevron announced the cancellation of its service contracts with Petroboscan and Petropiar, two of its partnerships with PDVSA. The special license granted by the U.S. government for Chevron and four other service companies to operate in Venezuela expired on April 22, 2020. This special license was being renewed for consecutive periods of 90 days. A new "General License (GL) 8F" was granted by the Office of Foreign Assets Control (OFAC), until Dec. 1, 2020, with greater restrictions this time to allow Chevron a limited presence to perform maintenance services and reduce its operations to a bare minimum. The restrictions include a ban on Venezuelan oil drilling, exporting or producing, among other things.
- Following the changes that took place when Maduro announced an "Energy Emergency" on Feb. 20, 2020, and proceeded with the restructuring of PDVSA, Maduro called on April 27, 2020, a meeting of the Plenipotentiary Board, and replaced General Manuel Quevedo with Tarek El Aissami as the new oil minister, and appointed Asdrubal José Chávez Jimenez as president of PDVSA. Quevedo had been in charge of PDVSA and the Petroleum Ministry for the last 28 months.



- The Plenipotentiary Board appointed by Maduro to handle the "Energy Emergency" indicated that it will be recommending a series of measures for the revival of oil sector activity based on private investments. At the same time, the National Assembly, which is constituted by most of the opposition, will be discussing a new hydrocarbons law to replace the 2001 law, which also establishes a reactivation of oil sector activity based on private investments.
- The devaluation of the bolívar soberano has rapidly increased once again. On Dec. 30, 2019, the parallel dollar closed at 56,122 bolívares soberanos per dollar. On April 2, 2020, it increased to 90,307 bolívares soberanos per dollar, and on May 4 it reached the staggering amount of 170,572 bolívares soberanos per dollar.
- Maduro announced on March 16, 2020, a quarantine period and closed airports to confront the spread of the coronavirus (COVID-19). On May 12, 2020, the quarantine period was extended for 30 more days until June 11.
- According to the National Assembly, Venezuela's year-on-year inflation rate as of March was 3.365 percent. During March, inflation amounted to 21.2 percent, a downward trend compared to the 65.4 percent that was calculated in January. Hyperinflation has remained a trend in Venezuelan economy since November 2017. However, the government's price control on basic commodities and essentials could be reinstated. After the government stopped supervising and controlling prices for a year, it has just begun to tax operations of Alimentos Polar, Plumrose and COPOSA.
- As of May 1, 2020, the minimum wage was increased to 400,000 bolívares soberanos, and the value of the *Cestaticket Socialista* was increased to 400,000 bolívares soberanos. This translates into a minimum wage package of approximately US\$4.65 per month.
- The World Food Program in its recent study "2020 Global Report on Food Crisis" published a list of countries with populations affected by food insecurity in the regions of Latin America and the Caribbean. The report includes 18.5 million people of which 9.3 million are located in Venezuela.

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