



## Venezuela Economic Outlook

By CNI Asesores Financieros

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

- **General Outlook:** The combination of persistently low oil prices, all-time low oil production levels and additional marketing restrictions on Venezuelan hydrocarbons imposed by the Trump Administration have significantly reduced Venezuela's revenues and gasoline supply.
- Disease transmission and the scarcity of medical services caused by the COVID-19 pandemic just adds to the country's already severe problems. A recent survey reported that 82.35 percent of hospitals do not have soap and 82 percent do not have disinfectant gel. On March 16, 2020, President Nicolás Maduro announced the beginning of a quarantine lockdown and the closure of airports to counteract the spread of COVID-19. The quarantine lockdown has been extended until mid-July. Maduro recently announced the "relaxation" week of quarantine restrictions from June 20 through July 5, with the exception of 12 states that have severe infection spread, including Distrito Capital, Miranda, Zulia, Aragua and Carabobo, among others.
- The gasoline supply situation, although temporarily improved by the arrival of four tankers from Iran, remains critical. In order to ration gasoline supply, procedures have been established to supply gasoline to vehicles according to the last digit on their vehicle plates. Petróleos de Venezuela, S.A. (PDVSA) unilaterally terminated several of the managers' contracts of service stations in Caracas. Sanctions imposed by the Trump Administration have practically stagnated gasoline delivery to Venezuela, and their efforts are now focused on sanctioning the owners, captains and countries that flag tankers transporting hydrocarbons to and from Venezuela.
- The price of Venezuelan oil continues to demonstrate a slight recovery trend from its historically lowest levels, from less than US\$10 a barrel that was reported on April 24, 2020, to US\$13.45 a barrel on May 1. By the end of June, it was already trading at US\$25.18 a barrel. Meanwhile, oil production levels in May dropped to 570,000 barrels per day according to a June 17 OPEC report, levels that had not been reported that low since 1943. In January 2019, oil production levels were at 733,000 barrels per day. In 1970, Venezuela was producing 3.7 million barrels per day.
- It is estimated that oil exports during the first half of June fell 28 percent to 325,000 barrels per day because tanker owners are choosing to avoid transporting Venezuelan oil.
- Reliance, India's largest private refinery, and Nayara Energy, the country's second largest refinery, have announced that they will stop buying Venezuelan oil. India accounted for 25 percent of Venezuela's oil purchases in 2019. These refineries also join Rosneft and China National Petroleum Corp. who have also stopped buying Venezuelan oil. According to data from Reuters, an international news organization, and Refinitiv Eikon, a financial analysis platform, at least 16 ships loaded with 18.1 million barrels of Venezuelan oil have been at sea for months without being able to dock in port.



- The newly appointed president of the National Electoral Council, Indira Alfonzo, announced that the deputies' election for the National Assembly will take place on Dec. 6, 2020. These elections will cover the period of 2021-2026. The announcement also included an increment in the number of parliamentary seats that will be available in the next deputies' election, increasing from 167 to 277. In December 2015, the opposition disrupted the 15-year pattern of the Chavista parliamentary majority by initially winning an absolute majority of 112 of the 167 seats in the National Assembly.
- The continuous devaluation of the bolívar soberano reflects the rapid deterioration of the country's financial indicators. On Dec. 30, 2019, the parallel dollar closed at 56,122 bolívares soberanos per dollar. On May 4, 2020, the parallel dollar amounted to 170,572 bolívares soberanos. Two months later, on June 30, 2020, it was quoted via *DolarToday* at 212,371 bolívares soberanos per dollar.
- The National Assembly reported that Venezuela's year-on-year inflation as of May 2020 stood at 3.684 percent. During May, inflation was 15.3 percent, a significant downward trend compared to January 2020 when it was 65.4 percent, and March 2020 when it was 21.2 percent. Hyperinflation has predominated the Venezuelan economy since November 2017.
- On July 2, 2020, the High Court of Justice in London ruled against the government of Nicolás Maduro and in favor of Juan Guaidó representatives for the claim of ownership of a US\$1 billion gold reserve deposited in the Bank of England.
- According to a survey conducted in April by the Venezuelan Observatory of Public Services (OVSP), an estimated 86 percent of Venezuelans report having problems with their water supply, including 11 percent who do not receive any water.

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