



Venezuela Economic Outlook

By Arca Análisis Económico

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

- The rapid COVID-19 spread continues in Venezuela, and April 11, 2021, closed with 1,101 new daily confirmed cases. According to the Venezuelan Institute for Scientific Research (IVIC) report, this spread has been aggravated by the Brazilian variant present in 13 states. The COVID-19 spread has risen to 40 cases per 100,000 inhabitants, the highest volume since the first infections were detected. In the first week of March, the number of cases rose by 79 percent.
- This upsurge has had implications for mobility at a national scale, as the Maduro Administration responded by implementing a 7+14 quarantine scheme that consists of allowing one flexible week for every two weeks of radical quarantine. This scheme will be applied at least during April and part of May.
- A visible consequence of the Venezuelan healthcare system's saturation is that the Superintendence of Insurance of Venezuela (SUDEASEG) has established limits on insurance payments for patients with COVID-19. In a notice dated March 16, 2021, the regulator informed insurance companies that they would only be required to cover up to 14 days of intensive care in private facilities and pay a maximum of US\$25,000 per patient with coronavirus.
- However, official figures continue to suggest that infection levels are among the lowest in the region, even though available information indicates that a low number of people are currently vaccinated.
- President Nicolás Maduro announced that the country has reached an agreement with Russia for 10 million doses of the Sputnik V vaccine, while China recently donated 500,000 doses of Sinopharm. Maduro also reportedly approved the private sector to purchase 5 million doses of Sputnik V vaccine. Due to the low debt capacity and the current oil income levels, all indications are that the government is heavily dependent on its geopolitical allies to make the vaccination campaigns a reality.
- Venezuela is a country with significant crises on many fronts and is dealing with some of Americas' most challenging conditions. What is noteworthy, for now, is the loosening of controls and the widespread use of foreign currencies in daily transactions has increased. Many observers believe the widespread use of foreign currencies will increase considerably in the coming months.
- As a result of increasing transactional dollarization, which the government accepts but does not seem to support, a severe lack of foreign currency exchange has taken place since there is not a sufficient supply of the full set of U.S. currency in circulation in Venezuela. This situation has led businesses to a continuous search to reduce payment barriers.



- In March, a leading department store chain applied a voucher or gift card mechanism as a solution to give monetary change. However, the National Superintendence for the Defense of Socioeconomic Rights (SUNDDE) suspended this practice, alleging that the company was conditioning the consumer, offering an unauthorized "return" mechanism.
- Despite this event, efforts to find solutions to these payment frictions continue to surface. In April, another large wholesaler with branches and operations throughout the country implemented a gift card system to stimulate purchases from abroad.
- The Banking Superintendency (SUDEBAN) presented the new interbank mobile payment mechanism commerce-to-person (C2P), which was expected to be operational in all banks as of April 15, 2021. This mechanism will allow merchants to collect payments for customers' goods and services.
- C2P is a tool developed for merchants to charge their customers without the need to have a debit card or identity document at hand. The only thing the buyer needs is a telephone number where he or she can receive the confirmation code. Finally, the merchant registers the code and confirms the transaction.
- Venezuelan domestic demand continues to decouple from the bolivar soberano and is increasingly dependent on foreign currency. According to the latest Credit Suisse report, this could translate into Venezuela experiencing a positive gross domestic product (GDP) variation this year. The bank points out that the primary explanation for this eventual improvement lies in the "relaxation of controls" that President Maduro has been applying to the economy, which has "restored economic activity, even if only slightly."
- Venezuela reported a symbolic increase in oil production, reaching 538,000 barrels per day according to direct communications, and 521,000 barrels per day according to secondary sources (up 11 percent and 7 percent, respectively). For the year, production has increased 22 percent according to official sources, and 26 percent according to secondary sources. Likewise, the price of Merey crude oil reported in February rose 15 percent and closed at US\$42.90 per barrel.
- Production levels are still deficient compared to the levels that the country has reached in past years. However, the oil sector continues to be a good catalyst of the Venezuelan economy, and the effect it could have on the national economy should not be underestimated if production begins to rise consistently.

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