



Venezuela Economic Outlook

By Arca Análisis Económico

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

- The Nicolás Maduro government is preparing to once again slash zeros from the national currency in an attempt to simplify daily transactions, which sometimes barely fit on a calculator or require swiping a debit card several times to complete a purchase. The Central Bank of Venezuela (BCV) plans to cut six zeros from the bolivar as early as August. That means that one U.S. dollar would trade for \$3.2 million bolívares soberanos instead of the current \$3,246,320 bolívares soberanos.
- With this new reconversion in a little more than a decade, the BCV will have eliminated 14 zeros from the bolívar soberano, which means that one bolívar soberano in 2008 would have been equal to \$100 quintillion, as of August 2021. Companies have desperately awaited this due to the severe operational consequences derived from the digit overflow in the system.
- On the other hand, the Superintendency of Banking Sector Institutions of Venezuela (SUDEBAN) published in Resolution No. 001-21 in *Official Gazette* No. 42,151, dated June 17, 2021, establishing the "*Norms That Regulate Financial Technology Services (FinTech)*". The purpose of this Resolution is to regulate financial services provided through new technologies offered by the Financial Technology Institutions (FinTech), which are aimed at delivering technology-enabled financial solutions, involving all financial services companies that use advanced technological processes and systems to be able to offer innovative products and services under business models. See related article, "[SUDEBAN Issues Rules Regulating Financial Technology Services \(FinTech\)](#)."
- Financing activities of economic activity continue to lag, both in the banking and capital markets. At the same time, the BCV is still trapped in the dilemma of mitigating inflation without aggravating the recession. The liquidity stringency has affected both bank credit and private fixed-income securities market to the detriment of economic activity financing. According to SUDEBAN's monthly bulletins, the credit intermediation ratio gave way to a sustained fall since January 2021 and it worsened through the first half of June. This reflects the disincentive that the indexation of bank credit to changes in the dollar price represents banks and debtors. It also demonstrates the detour of part of the demand for credit toward foreign currency indebtedness by a small number of companies with access to this source of financing. The limitations faced by the Venezuelan banking system when lending, and the cost environment in which domestic banks operate, make bolívar loans more onerous than dollar loans granted by foreign banks.
- In this regard, the private fixed-income market has grown appreciably since 2019, although its size is still very small, equivalent to barely 1 percent of the banking credit portfolio. In addition, the notable streamlining of authorizations by the National Securities Superintendency (SUNAVAL) has served to attract funds to companies and small and medium-sized enterprises (SMEs), particularly this year. However, beyond any consideration on the issuer risk ratings, the evolution of this market also shows that liquidity in the economy is insufficient to achieve the rapid placement of securities once they go public. Proof of this was a recent performance when only 49 percent of the securities offered were placed.



- In the oil sector, OPEC's monthly report for June revealed that the absence of official information on Venezuelan oil production in April was due to a delay in delivering the figures. The situation reflected in the figures according to direct communications (official statement) is that Venezuelan production fell to 452,000 barrels per day or bpd (down 22 percent) in April and rose in May to 582,000 bpd (up 29 percent). A secondary source attests to a much less intense drop in April, with a production of 485,000 bpd (down 8 percent in the month), and also a less pronounced recovery in May to 531,000 bpd (up 9 percent). In summary, according to the Venezuelan government, April-May production averaged 517,000 bpd, and according to secondary sources, it averaged 508,000 bpd.
- Regarding the vaccination process, the government detailed that more than 2 million Venezuelans have been vaccinated, representing 11 percent of the population. However, on July 4, 2021, the president publicly denounced the delay in delivering the vaccine doses already paid for by the COVAX program. In response, the GAVI Foundation, which coordinates with the World Health Organization (WHO) the distribution of antiviral vaccines in the COVAX program, assured that it is trying to solve the delivery of doses to Venezuela. In April, the government had announced that it would acquire more than 11 million vaccines through this mechanism to immunize the Venezuelan population.
- On June 18, 2021, Bloomberg journalist Erik Schatzker interviewed President Nicolás Maduro at the Miraflores Palace, the first interview granted by the Venezuelan president to a U.S. media outlet since Democrat Joe Biden assumed the presidency of the United States. The most important topics of the interview revolved around the new Biden government, the dialogue process supported by Norway, the economic evolution of the country in recent years, and United States' policy of unilateral "sanctions," which has caused the forced interruption of the Venezuelan state's social coverage in strategic areas such as food and health.

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