



Venezuela Economic Outlook

By Arca Análisis Económico

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

- Two government initiatives went into force in March: 1) the issuance of hedging securities indexed by the Central Bank of Venezuela (BCV) and 2) the implementation of the new tax on large financial transactions (IGTF), which is to be levied on payments in foreign currency.
- This new instrument issued by the BCV seeks to reduce the public's demand for foreign currency by offering a safe investment alternative with a guaranteed value in dollars and sterilizing liquidity. Ultimately, the BCV seeks to reduce the amounts of foreign exchange intervention in defense of the bolívar soberano.
- It is an instrument that seeks to be attractive to the general public. The issuance is 100 million bolívares soberanos distributed in equal parts in 28- and 56-day terms. The former offers a yield of 3 percent per annum above the dollar variation price, and the latter a yield of 3.25 percent. The minimum investment is 50,000 bolívares soberanos with increases of 5,000 bolívares soberanos. However, the conditions are less attractive for financial institutions. The coverage is limited to the exchange risk; there is no guarantee of value retention of the initial investment. There is a single term of 56 days, with an annual yield of 1 percent on the dollar price variation. The minimum investment is 100,000 bolívares soberanos and increases of 10,000 bolívares soberanos.
- These BCV securities are the first indexed financial liabilities in the country. Thus far, only bank loans have been indexed to the dollar price variation.
- On the other hand, the new IGTF apparently is not ready for implementation. The National Integrated Service for the Administration of Customs Duties and Taxes (SENIAT) issued on March 18, 2022, a ruling designating special taxpayers as collection agents of the IGTF, only 10 days before its entry into force. The required operational infrastructure (fiscal machines and systems) has had issues initiating tax collecting activities.
- According to figures issued by the Banking Superintendency (SUDEBAN), bank credit in the domestic financial market rose to US\$29 million in the first quarter of 2022. This momentum was favored by reducing the monetary policy, the authorization to banks to grant credits in bolívares soberanos until this currency reaches the equivalent of 10 percent of the sum allocated in foreign currency accounts.
- The National Consumer Price Index (INPC) issued by the BCV and the National Institute of Statistics (INE) registered a month-on-month variation of 1.4 percent in March 2022, which is lower than the 2.9 percent obtained in February 2022 and the lowest observed in the last 115 months (1.1 percent in August 2012).



- With March's result, the accumulated variation at the end of the first quarter of 2022 stands at 11.4 percent, much lower than what was obtained last year at the same time (127.8 percent). On the other hand, the annualized variation for March was 284.4 percent, less than one-tenth of variation observed in March 2021 (3,012.2 percent).
- When breaking down the INPC results by groupings, it can be observed that 12 of the 13 categories submitted in March reflect a lower variation than that recorded in February:
 - **Communications**, from 23.1 percent to 11.1 percent
 - **Transportation**, from 6.2 percent to 0.1 percent
 - **Education Services**, from 17.5 percent to 12.2 percent
 - **Alcoholic Beverages and Tobacco**, from 2.2 percent to minus 1.3 percent
 - **Recreation and Culture**, from 8.4 percent to 5.0 percent
 - **Miscellaneous Goods and Services**, from 4.6 percent to 1.4 percent
 - **Restaurants and Hotels**, from 2.7 percent to 0.4 percent
 - **Housing Rental**, from 2.5 percent to 0.5 percent
 - **Household Equipment**, from 4.6 percent to 2.9 percent
 - **Housing Services**, from 3.2 percent to 1.6 percent
 - **Health**, from 0.8 percent to 0.5 percent
 - **Food and Non-Alcoholic Beverages**, from 1.1 percent to 1.0 percent.

The only grouping that showed an increase was **Clothing and Footwear**, rising from 0.4 percent to 1.9 percent.

Learn more about our [Venezuela Focus Team](#).

Information contained in this newsletter is for the general education and knowledge of our readers. It is not designed to be, and should not be used as, the sole source of information when analyzing and resolving a legal problem, and it should not be substituted for legal advice, which relies on a specific factual analysis. Moreover, the laws of each jurisdiction are different and are constantly changing. This information is not intended to create, and receipt of it does not constitute, an attorney-client relationship. If you have specific questions regarding a particular fact situation, we urge you to consult the authors of this publication, your Holland & Knight representative or other competent legal counsel.
