



## Venezuela Economic Outlook

By Arca Análisis Económico

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

- On June 5, 2022, the news of the authorization to Eni and Repsol to restart crude oil swaps for debt was announced. The authorization will allow the progressive reduction of Petróleos de Venezuela, S.A.'s (PDVSA) debt with Cardón IV (owned by Eni-Repsol in equal parts), which produces natural gas and supplies the gas to the thermoelectric plants in the west of the country. This type of barter or transaction generated funds for the payment of PDVSA's debt with the companies, and they were interrupted at the end of 2020 by direct communication from the U.S. to them. According to Reuters, shipments may begin within a month. The position of the Venezuelan government appears to be favorable despite the fact that the proceeds of the exchanges would go exclusively to pay the debt with Eni-Repsol.
- The Central Bank of Venezuela (BCV) is determined to reverse the rise in the exchange rate through foreign exchange interventions, together with a modification of the conditions of the hedge titles that have been offered since March 2022. The new conditions of these hedge titles propose shorter terms, more attractive interest rates and a tax exemption. These conditions could be more attractive for financial institutions as well as for natural and legal persons.
- For banking, there will be five terms now ranging from 14 to 91 days, and rates ranging from 5 percent to 6 percent. Previously, only a 56-day term was offered with a rate of 1 percent. The minimum denomination for banks remains at 100,000 bolívars soberanos (approximately US\$20,000). On the other hand, for natural and legal persons, the terms range from 18 to 91 days and the yield rises from 8 percent for the minimum term to 10 percent for the maximum of 91 days. Previously, terms of 18 to 56 days were offered with interest rates of 3 percent and 3.25 percent, respectively. The minimum denomination being 50,000 bolívars soberanos (approximately US\$10,000).
- Bank credit has been rising steadily since mid-February. It is driven by the easing of the reserve requirement in February, exchange rate stability and the authorization of banks to grant loans settled in bolívars up to the equivalent of 10 percent of foreign currency accounts. Added to these measures was the obligation to allocate a minimum of 25 percent of the gross portfolio to the National Productive Single Portfolio as of April 1, 2022.
- On the other hand, the collection of the tax on large financial transactions (IGTF) on payments in foreign currency that came into force on March 28, 2022, interrupted the rise of deposits in dollars of the Exchange Agreement No. 1 in April. This new tax, coupled with the expansion of primary money, led to an expansion of the space for credit intermediation in April. Between March 28 and April 29, deposits in bolívars increased 40 percent and bank credit increased by the equivalent of US\$68 million. However, the space for intermediation continues to be limited by the reserve requirement and the prohibition on lending in foreign currency.



- During the first half of the year, several organizations have issued their opinions and estimates on the possible growth of Venezuela. The estimates are very diverse in a range from conservative to very optimistic: United Nations Economic Commission for Latin America and the Caribbean (ECLAC), 5 percent; International Monetary Fund (IMF), 1.5 percent; Credit Suisse, 20 percent; Andres Bello Catholic University, 8.6 percent; Venezuelan Finance Observatory (OVF), 8.0 percent and Econanalitica, a private consulting firm, 8 percent.

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