



Venezuela Economic Outlook

By Arca Análisis Económico

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

- The Venezuelan economy fell 0.7 percent in 2023, while private consumption had a decrease of 4 percent, compared to 2022, according to economist Asdrúbal Oliveros.
- However, economic authorities managed to put inflation on a downward path with a depression in consumer demand and the containment of the exchange rate. Non-oil tax collection was tightened, which resulted in a severe burden on the formal sector of the economy. During the year, the Central Bank of Venezuela (BCV) played an important role in keeping the exchange rate relatively controlled through important exchange interventions, supported by high oil prices and the easing of sanctions that paved the way for a regular supply of foreign currency by Chevron.
- It is a modest advance in the slow stabilization process. Inflation will close at 190 percent (234 percent in 2022), the parallel will have risen 102 percent (288 percent in 2022) and the official BCV rate is 105 percent (280 percent in 2022).
- However, the gap between the official rate and the parallel shows no signs of shrinking. Except for the first quarter of 2023, of extreme illiquidity in bolivars, the gap remained in the range of 4 percent to 6 percent.
- In 2023, more dollars entered the formal foreign exchange market. Between the BCV and Chevron, they will have contributed approximately US\$5.05 million in the year, while the total for 2022 was US\$4.60 million.
- Chevron represented 23 percent of that offer with approximately US\$1.15 billion, according to specialist estimates. This allowed the BCV to sell US\$700 million less than in 2022 (US\$3.9 billion versus US\$4.6 billion). The BCV saved 15 percent of the foreign currency used to defend the bolivar.
- Venezuela's Vice President Delcy Rodríguez formally presented to the National Assembly the draft National Budget Law 2024 and the Debt Law, which provide that 77.4 percent of public spending will be allocated to social investment. For the first time, the budget includes items to defend Venezuelan sovereignty in Guayana Esequiba.
- The budget project has an amount of 729.948 million bolivars, which is equivalent to US\$20.504 million at the official exchange rate in force on Dec. 13, 2023, when it was presented to parliament for its first discussion. The total expense will be financed with 38.8 percent of ordinary income, 47.8 percent through extraordinary income (the area where oil income is normally included) and 13.4 percent via public debt.

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