



Venezuela Economic Outlook

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

- After the start of the electoral campaign, it is expected that there will be a relative increase in public spending. In this sense, the Central Bank of Venezuela (BCV) is expected to make additional contributions to contain the exchange rate and the inflationary impact. The BCV opened the first week of July allocating US\$150 million in cash and US\$18 million in electronic currencies, in order to contain the parallel exchange rate and interrupt the widening of the gap between the official and parallel rates, which had already reached 13.8 percent in June, its highest level since November 2022. It rose rapidly in early July, from 9.8 percent after the intervention on July 1, 2024, and closed at 12.5 percent.
- This striking containment of spending is largely explained by the fact that half of public spending, which is indexed to the BCV exchange rate, remains frozen due to exchange rate stability. The BCV controls the formation of the price of the currency in the formal market. It allocates a high proportion of the weekly foreign currency (estimated at 60 percent) to the public banks, which probably maintains the intervention exchange rate even after having exhausted the foreign currency allocated by the BCV. This helps the weighted price reported by the BCV to remain stable and, subsequently, is the reference that the BCV uses to set the intervention exchange rate.
- In June 2024, the monthly inflation rate according to the BCV was 1 percent, while the rate published by the Venezuelan Finance Observatory (OVF) stood at 2.4 percent. The annualized and accumulated variations reached 68 percent and 18.1 percent, respectively. This slowdown in inflation is explained by the nominal appreciation of the bolivar against the dollar.
- In June 2024, the exchange rate decreased 0.25 percent. The wage restraint that the government has been applying also influenced this result. It is worth mentioning that the inflation rate of 2.4 percent in June was significantly higher than the variation in the exchange rate, while in June, in annualized terms, the exchange rate depreciated 30 percent. Inflation in that span totaled 68 percent. These data indicate that the domestic inflation rate is 2.7 times greater than the nominal depreciation of the exchange rate, with which the internal purchasing power of the bolivar has fallen while its external purchasing power has increased.
- Regarding binational trade with Colombia, according to Cavecol, commercial exchange between Venezuela and Colombia increased 28.9 percent in the second two months of 2024. In this sense, imports of Colombian products to Venezuela experienced an increase of 36.8 percent, while exports decreased 2 percent. The figure reached US\$304 million, which means an increase of 28.9 percent, compared to the US\$236 million corresponding to the same period in 2023. According to the figures published by Cavecol, the total traded between the two countries – approximately 26.6 percent – was registered through the borders between Táchira and Norte de Santander. Between Paraguachón and Maicao, an exchange of US\$135 million was registered, which represents approximately 44.4 percent of the total traded.



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