Venezuela Economic Outlook

By Arca Análisis Económico

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

- The announcement regarding the start of Venezuela's external public debt restructuring following a sustained default since the end of 2017 marks a profoundly complex milestone in the international financial landscape. With accumulated obligations approaching US$110 billion, the Venezuelan government and key corporations such as Petróleos de Venezuela (PDVSA), the National Electric Corporation, S.A. (Corpoelec) and one of the country's most important steel manufacturers face an unavoidable structural challenge. The lack of concerted and financially sustainable solutions threatens to prolong the country's isolation from capital markets, drastically limiting any prospect of economic recovery and social well-being in the medium and long term. To navigate this intricate process, the national government has entered into discussions with a U.S. investment banking firm. The projected fee agreement for a contract to serve as Venezuela's exclusive financial advisor, valued between US$120 million and US$150 million, surpasses historical precedents for sovereign debt restructurings, reflecting the vast magnitude of technical and legal work ahead.
- Parallel to these corporate dealings, the geopolitical landscape has undergone substantial transformations driven by the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC). Through General License 51B, Washington, D.C., explicitly authorized the state-owned Corporación Venezolana de Guayana Minerven C.A. (CVG Minerven) and its major subsidiaries to market, supply and transport gold and other minerals. However, this flexibility is strictly conditioned on the contracts' adherence to U.S. law and the resolution of disputes in foreign jurisdictions such as the United Kingdom, France, Singapore or the U.S. itself. Additionally, it requires that the revenue generated be channeled through funds under internationally regulated schemes that prevent misuse, ensuring legal, environmental and technical due diligence in accordance with Western standards.
- This dynamic landscape of institutional restructuring coincides with signs of normalization in relations with multilateral organizations, notably through the appointment of Álvaro Piris Chavarri as the new head of the International Monetary Fund (IMF) mission to Venezuela. This appointment – which follows a high-level meeting between the Venezuelan economic delegation and Kristalina Georgieva, the organization's managing director – signals the resumption of the flow of statistical information and the analysis of economic policies. This renewed engagement paves the way for a possible Article 4 consultation, a macroeconomic oversight mechanism that has been inactive in the country for more than two decades. Although the IMF has clarified that it is not directly involved in debt restructuring, the presence of a technical mission provides a vital component of stabilization and confidence for the international financial community.
- The urgency of addressing the external front clashes with the internal macroeconomic context, exacerbated by heavy fiscal pressure stemming from the accelerated increase in public spending. Driven by the payment of state bonuses, this expenditure grew by 30 percent in May 2026 alone.

This triggered a drastic monetary expansion, reflected in a 114 percent increase in primary money (M0) and a 125 percent increase in monetary liquidity (M2) during the first five months of 2026. This massive injection of bolivars has overheated the foreign exchange market, widening the gap between the parallel and official exchange rates to 36 percent. To contain the devaluation pressure, the Central Bank of Venezuela (BCV) abandoned the pegged exchange rate, accelerating its daily depreciation and has injected nearly US$5 billion in foreign exchange interventions. These measures, coupled with increased tax pressure on the formal sector, demonstrate the exhaustion of the state's capacity to sterilize the excess liquidity.

- In this situation, the authorities face a profound monetary policy dilemma. Maintaining a reserve requirement above 71 percent aims to mitigate the risk that financing will fuel foreign currency purchases. However, it proves ineffective in stabilizing the currency in the face of runaway fiscal spending and acts as a severe brake on productive activity, keeping bank credit stagnant at barely 3 percent of gross domestic product (GDP). Similarly, isolated adjustments to the benchmark interest rate, in the absence of a comprehensive strategy, only generates confusion and exacerbates the demand for dollars.
- This scenario demonstrates that the containment measures implemented since 2019 have lost their effectiveness, making the implementation of a properly structured, credible and well-supported macroeconomic program essential and urgent. This program must alleviate fiscal pressure, guide external restructuring and ensure genuine exchange rate and economic stabilization.

Learn more about our Venezuela Strategic Advisory Team.