Venezuela Economic Outlook

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

- The devastating earthquakes that struck on June 24, 2026, have drastically transformed Venezuela's economic and institutional landscape, forcing the country to redirect national efforts toward emergency response and reconstruction. Prior to the earthquakes, the country had reestablished formal ties with the International Monetary Fund (IMF) with the objective of unlocking US$4.9 billion in special drawing rights (SDRs) to stabilize the underlying economy. However, the scale of the emergency has led authorities to prioritize the use of multilateral resources for humanitarian assistance and the recovery of critical infrastructure, including the national power grid and water systems. The need to mobilize resources for relief and repairs is expected to increase public spending, making it significantly harder to maintain economic stabilization policies when there is limited room for cuts elsewhere.
- To mitigate the immediate impact on the population, the national executive created a contingency bonus on June 25, 2026, representing the first direct transfer of resources following the earthquakes. This extraordinary subsidy, initially planned as a one-time payment, was extended on July 5 to cover a six-month period and provides affected families with amounts ranging from US$150 to US$747, depending on the severity of the damage to their homes. In addition to these transfers, authorities announced a broader policy aimed at reactivating mortgage lending through an 80 percent subsidy. Combined with the restoration needs, this measure is expected to drive increased demand for bank credit, a sector that had already been expanding steadily throughout 2026.
- Rising public expenditures and growing demand for credit represent a significant challenge for the Central Bank of Venezuela (BCV), which must now contain monetary expansion in an environment where additional financing is unavoidable. To address this, the BCV has implemented a foreign exchange policy aimed at rapidly narrowing the gap between the official and parallel market exchange rates, seeking to reduce it to between 3 percent and 6 percent by the end of July. The strategy relies on robust foreign exchange intervention through the sale of hard currency, with the goal of absorbing approximately 80 percent of public spending entering the monetary system and simultaneously allowing greater flexibility in the official exchange rate so that it more accurately reflects the weighted average of transactions conducted through the banking sector's foreign exchange trading desks.
- Despite the emergency, several macroeconomic indicators showed signs of strengthening during the first half of the year, supported by a new regulatory framework and international licenses that enabled a rebound in crude oil production to 1.18 million barrels per day in June, as well as a 22.78 percent year-over-year increase in bilateral trade with the United States during the first quarter. These oil exports have been critical in supplying foreign currency to the BCV, which injected nearly US$5 billion into the foreign exchange market between January and May to anchor the economy and help reduce monthly inflation to 10.6 percent by the end of April and 6.3 percent by May.

- Nonetheless, the post-earthquake emergency has made clear that current liquidity and recurring revenues will not be sufficient to finance the massive reconstruction effort, accelerating the need to access external sources of financing and international capital markets. To facilitate an inflow of investment and support multilateral financing, the government has retained a leading independent investment banking and capital advisory firm to assist in restructuring a portion of its outstanding external debt.
- The outcome of these negotiations will be critical to preventing a resurgence of inflationary pressures and ensuring that resources are deployed effectively to essential infrastructure projects and Venezuelan families most in need during this critical period.

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