



## Venezuela Economic Outlook

By Arca Análisis Económico

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

- After several consecutive quarters showing signs of recovery, this year's Venezuelan economy has entered a cooling phase that threatens to become a recession. Although there is a lack of official national accounts data and other indicators of the pace of economic activity, the quarterly data collected by the Venezuelan Finance Observatory (OVF) indicates that there was a drop of 8.3 percent, when comparing the first quarter of 2023 with the first quarter of 2022, based on the Monthly Indicator of Economic Activity.
- Although the fall is not entirely unexpected, the magnitude has been surprising. In favor of this estimate, the data from the National Council of Commerce and Services (Consecomercio) indicates that in January the volume of sales in stores in Venezuela fell between 25 percent and 35 percent, compared to the same month of 2022. Similarly, the commercial sales volume index for Greater Caracas, prepared by economic consultant company Ecoanalítica, showed a contraction of 14.6 percent in the first quarter of 2023, compared to the same period in 2022. However, the increase in the extraction of crude oil by Chevron must be taken into account. Chevron's production could go from 50,000 barrels per day (bpd) in 2022 to more than 90,000 bpd during the first quarter of 2023.
- The upward price outlook is strengthened. Brent crude oil remains above US\$80. There is a consensus of rising prices for the rest of the year, with some doubts about the effect of China's oil policy. This price recovery is good news for Venezuela. By way of illustration, for every US\$10 increase in the average price of the Venezuelan basket, US\$1.5 billion is added to the annual value of exports.
- The rate of nominal depreciation of the bolivar, measured through the interannual variation of the official average exchange rate designated as the Exchange Table System (SMC) rate, slowed to 225 percent in 2022 from 332 percent in 2021. In the first four months of 2023, it was 458 percent.
- Monetary liquidity (M2) registered a year-on-year increase of 354 percent in 2022, down from 608 percent in 2021. At the end of the first four-month period of 2023, the slowdown continues, falling to 320 percent. The interannual increase in the monetary base was 563 percent in 2022. In the first four months of 2023, the interannual growth was 298 percent, explained by the nominal slowdown in public spending, the increase in tax collection and the active sale of foreign currency by the Central Bank of Venezuela (BCV).
- These results required an active and intense exchange rate intervention by the BCV (according to estimates from the financial summary). Foreign currency sales in the first quarter of 2023 totaled US\$550 million (US\$590 million in the same period 2022). In 2022, the BCV sold a net of US\$3.7 billion.



- As a complement to the sale of foreign currency from the BCV, since March, Chevron joined as an offeror of dollars through bank exchange tables. It is estimated that between March and May the sale was around US\$90 million per month.

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