



Venezuela Economic Outlook

By Arca Análisis Económico

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

- The year 2023 has been full of ups and downs for Venezuela. Even though stagnation in consumption was evident during the first semester, a series of events have occurred with the potential to be positive catalysts for the economic well-being of the country. Events such as the relief of sanctions, the start of operations of Chevron, the relative stability in the exchange rate, and lower inflation rates, lay the foundation for a healthier economy in 2024.
- November concluded with the largest monetary expansion of the year, despite the slowdown in public spending. Public spending grew less strongly (18 percent) than in October (42 percent). However, primary money (M0) increased 33 percent, interrupting the sequence of three consecutive months with contractions of 16.9 percent in August, 0.4 percent in September, and 1.9 percent in October. Strikingly, this pronounced monetary expansion did not produce significant increases in the exchange rate. The monthly inflation rate has been slowing down, thanks to the emphasis on the moderation of public spending, the persistent improvement in tax collection and the support of the Central Bank of Venezuela's (BCV) exchange intervention which, although it is somewhat less than in 2022, has received the support of the currencies sold by Chevron to the exchange tables of the banking system.
- However, the balances obtained still look weak, restrictive liquidity policies leave little room to encourage productive growth through credit. According to the Venezuelan Confederation of Industrialists (Conindustria), currently, 48 percent of industries depend on self-financing to leverage their operations, although bank credit has increased, it is still insufficient. Only 41 percent of companies in the industry obtained loans in the financial system and the rest turned to other sources during the third quarter of the year.
- According to the president of Conindustria, Luigi Pisella, the financing demand of their unionized companies stood at US\$4 billion, a decrease compared to the US\$5 billion in the previous quarters, due to industries receiving a greater volume of resources. Pisella recognizes that credit is still insufficient.
- On the other hand, for economist Tamara Herrera, the determining factor for the economy in 2024 is the validity of General License No. 44 of the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC). This license allows Venezuela to export its oil to any market, at market prices, without discounts that can be up to 50 percent of the value per barrel. If maintained, this will provide more foreign exchange to the oil industry itself and more tax revenue to the government.
- The year 2024 will be decisive. An electoral year with a high probability of increases in public spending, for which the BCV will need more foreign currency to become deeply involved in the exchange market and keep the rate at bay of change, as has been the practice in recent years.

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