



## Venezuela Economic Outlook

By CNI Asesores Financieros

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

- Juan Guaidó was reelected president of the National Assembly on Jan. 5, 2020, after a parallel swearing-in of a Nicolás Maduro ally Luis Parra that took place irregularly at the headquarters of the Assembly, where Guaidó was blocked from entering by Maduro's security forces. The election and swearing-in of Guaidó took place at the facilities of the newspaper *El Nacional* and was backed up by the required majority of 100 deputies.
- The exchange subsidy, the differential between the official and the parallel dollar, has practically disappeared.
- The devaluation rate continues its rising trend, after a period of stability. The price of the parallel dollar on Nov. 8, 2019, exceeded the barrier of 28,000 bolívares soberanos per dollar, and one month later, on Dec. 6, it was valued at 44,187 bolívares soberanos per dollar, a 58 percent increase. On January 3, 2020, the parallel dollar reached 73,322 bolívares soberanos per dollar, a 162 percent increase in the past two months.
- The hyperinflation in Venezuela continues its downward trend. The latest calculations issued by the Ecoanalítica research firm place hyperinflation at 10 percent weekly, within the hyperinflation classification. The National Assembly announced the inflation for the year 2019 was 7,374 percent (33.1 percent for December 2019).
- "Transactional Dollarization" continues to rise. It is estimated that more than half of retail purchases are being made with dollars and euros in cash.
- The 4 million Venezuelans living abroad sent approximately \$3.5 billion to Venezuela during 2019.
- As of Jan. 1, 2020, the government reduced the number of items that were exempt from import taxes, from a total of 8,081 items to 3,289. This likely will reduce the boom of "Bodegones," small stores that imported luxury items and food that created the perception of a rapid and notable improvement in the country's economy.
- In 2015, imports were approximately \$33 billion. Imports during 2019 were estimated at \$6.7 billion, and for 2020, they are expected to fall 15 percent to \$5.6 billion.
- The U.S. Department of the Treasury on Oct. 21, 2019, renewed for three months the license granted to several U.S. oil companies to continue operating in Venezuela until Jan. 22, 2020. Official sources indicate that the Treasury Department will most likely continue to renew licenses to allow American companies to continue operating in Venezuela.
- According to the Ministry of Popular Petroleum Power (Ministerio del Poder Popular de Petróleo), the average price of a Venezuelan oil barrel was valued at 395.79 Chinese yuan



(approximately \$56.70) in 2019. In early January 2020, the price of a barrel had risen to 407.29 Chinese yuan (\$58.35), with a further rise expected due to the tensions produced by the latest political events in the Middle East. Venezuela stopped using the dollar as a reference currency in 2017, and since then has quoted the price of its oil in Chinese currency.

- After falling to historic lows, Venezuela's oil production has increased the past three months. According to OPEC reports, production stood at 644,000 barrels of crude oil per day in September 2019 before rising to 687,000 barrels per day in October. In November, according to Reuters, it increased to 920,000 barrels, and in December, some reports estimated that production averaged 1 million barrels per day.
- The importation of gasoline is averaging about 100,000 barrels per day, at an average cost of \$240 million per month. Imported gasoline sells for less than \$0.0003 per gallon (22.7 bolívares soberanos per gallon). The Secretary-General of the Petroleum Workers' Union (Sindicato de Trabajadores Petroleros) declared that all refining plants are paralyzed. The latest refining plant to cease operations, on Nov. 3, was the Amuay catalytic plant, which refined 40,000 barrels of gasoline per day. The shortage is noticeable in the country's main cities.
- The Venezuelan Confederation of Industries (CONINDUSTRIA) estimates that of the 13,000 companies once active in Venezuela, only 2,500 remain, the vast majority operating at 20 percent of their capacity. In the past five years, 44 major transnational companies have stopped operating in Venezuela.
- During the first seven months of 2019, only 271 cars were assembled in Venezuela.
- Ecoanalítica estimates that the country's gross domestic product (GDP) suffered a 31.1 percent contraction in 2019, and estimates that the contraction will be 10.8 percent in 2020.

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Information contained in this alert is for the general education and knowledge of our readers. It is not designed to be, and should not be used as, the sole source of information when analyzing and resolving a legal problem. Moreover, the laws of each jurisdiction are different and are constantly changing. If you have specific questions regarding a particular fact situation, we urge you to consult competent legal counsel.

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## Venezuela Exempts Import Tax, Customs Fees and Value Added Tax on Merchandise Imports

By Tinoco Travieso Planchart & Nuñez

Venezuela's National Executive Branch has exempted until June 30, 2020, the payment of value added tax (VAT), import tax and the rate for the determination of the customs regime, on the importation of new or used tangible movable property, by the agencies and entities of the National Public Administration, as well as those made with their own resources, by natural persons or legal entities, classified in the tariff codes as indicated in the Exemption Decree. This policy is aimed at mitigating the shortage of a significant quantity of products, and reducing their price in the local market, but may have a potential negative impact on national production.

The Decree was published in the *Official Gazette* as No. 6,497 Extraordinary Decree, dated Dec. 26, 2019, and became effective as of Jan. 1, 2020.

The goods subject to the exemption benefit are listed in an exhibit to the Decree, and are represented in 3,289 tariff codes. The Decree states that the exemption will be applied regardless of whether the goods are imported or acquired entirely assembled or in disarmed pieces, in its parts and components, in accordance with the General Interpretive Rules of the Harmonized System of Designation and Codification of Goods.

To qualify for the exemption, importers must submit the following receipts to Customs:

1. descriptive relationship of the tangible movable property to be imported
2. commercial invoice issued in name of the importer

Likewise, the Exemption Decree waives the submission of the following permits, certificates, documents of record and licenses:

1. permit by the Ministry of Popular Power in terms of the industry sector
2. import license administered by the Ministry of Popular Power in terms of the commercial sector
3. permit by the Ministry of Popular Power in terms of the mining and oil sector
4. permit by the Ministry of Popular Power in terms of the food industry
5. permit by the Ministry of Popular Power in terms of science, technology and innovation
6. import license administered by the Ministry of Popular Power in terms of the industry sector
7. record of registration of the technical regulations administered by the National Autonomous Service for Standardization, Quality, Metrology and Technical Regulations



On the other hand, the Decree also waives the submission of the questioned national certificate of non-production or the certificate of insufficient production.

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## Maduro Decrees Mandatory Use of "Petro" Cryptocurrency for Airline Fuel Payments

By Holland & Knight

President Nicolás Maduro, leader of the Venezuelan official government, decreed on Jan. 14, 2020, the mandatory use of the "petro," Venezuelan official cryptocurrency, for the payment of certain goods and services in the country.

The announcement was made in the accountability of the official government, in which Maduro ordered that the national oil and gas company Petróleos de Venezuela, S.A. (PDVSA) bill in "petros" for all of the fuel sold to airplanes that cover international routes. However, the president did not clarify what would be the mechanisms for the commercialization of said fuel with the cryptocurrency.

Maduro also decreed the mandatory use of cryptocurrency for services such as issuance of identity documents (including passports) and records of sale of real estate and vehicles. The decree also includes the sale in petros of 4.5 million barrels of PDVSA's "physical reserves" of oil and 150,000 barrels per day of Venezuelan production.

In this regard, it is important to note that the Venezuelan local cryptocurrency has been vetoed by the United States and even qualified as a "scam" by the exchange platforms on the internet, which is why it is not available in virtual exchange houses next to bitcoins and other cryptocurrencies. Currently, the government quotes each petro in an approximate value of US \$60.

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