



Venezuela Economic Outlook

By Arca Análisis Económico

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

- The Venezuelan economy fell 0.7 percent in 2023, while private consumption had a decrease of 4 percent, compared to 2022, according to economist Asdrúbal Oliveros.
- However, economic authorities managed to put inflation on a downward path with a depression in consumer demand and the containment of the exchange rate. Non-oil tax collection was tightened, which resulted in a severe burden on the formal sector of the economy. During the year, the Central Bank of Venezuela (BCV) played an important role in keeping the exchange rate relatively controlled through important exchange interventions, supported by high oil prices and the easing of sanctions that paved the way for a regular supply of foreign currency by Chevron.
- It is a modest advance in the slow stabilization process. Inflation will close at 190 percent (234 percent in 2022), the parallel will have risen 102 percent (288 percent in 2022) and the official BCV rate is 105 percent (280 percent in 2022).
- However, the gap between the official rate and the parallel shows no signs of shrinking. Except for the first quarter of 2023, of extreme illiquidity in bolivars, the gap remained in the range of 4 percent to 6 percent.
- In 2023, more dollars entered the formal foreign exchange market. Between the BCV and Chevron, they will have contributed approximately US\$5.05 million in the year, while the total for 2022 was US\$4.60 million.
- Chevron represented 23 percent of that offer with approximately US\$1.15 billion, according to specialist estimates. This allowed the BCV to sell US\$700 million less than in 2022 (US\$3.9 billion versus US\$4.6 billion). The BCV saved 15 percent of the foreign currency used to defend the bolivar.
- Venezuela's Vice President Delcy Rodríguez formally presented to the National Assembly the draft National Budget Law 2024 and the Debt Law, which provide that 77.4 percent of public spending will be allocated to social investment. For the first time, the budget includes items to defend Venezuelan sovereignty in Guayana Esequiba.
- The budget project has an amount of 729.948 million bolivars, which is equivalent to US\$20.504 million at the official exchange rate in force on Dec. 13, 2023, when it was presented to parliament for its first discussion. The total expense will be financed with 38.8 percent of ordinary income, 47.8 percent through extraordinary income (the area where oil income is normally included) and 13.4 percent via public debt.

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New Law on Insurance Activity in Venezuela Is Published

By Holland & Knight

The new Reform Law on Insurance Activity in Venezuela was published on Nov. 29, 2023, in *Official Gazette* No. 6,770. The objective of the new law is to establish a legal framework for insurance activity in the national territory, including the authorization, regulation, operation, control, supervision and surveillance of the companies and institutions involved. This legal framework applies to all operations of foreign companies.

According to Article 3 of this law, only the following entities may carry out insurance activity in the territory of the Republic of Venezuela, with prior authorization from the Superintendence of Insurance Activity:

1. Insurance companies
2. Prepaid medicine companies
3. Risk management companies
4. Premium or installment financing companies
5. Insurance activity intermediaries
6. Cooperative associations that carry out insurance activity
7. Insurance assistants: risk inspectors, appraisers and loss adjusters in insurance activities
8. Representative offices or branches of foreign reinsurance companies and branches of foreign reinsurance brokerage companies

Likewise, it imposes an additional contribution. Thus, insurance and prepaid medicine companies must pay a special contribution between 2.5 percent and 3.5 percent of the premiums collected, prepaid medicine fees and interest on premium financing, among others.

It is important to mention that the registrations of obligated subjects must be renewed within 90 days after the entry into force of the law.

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Exemption from Certain Legal Regimes Applicable to Exports Extended Until June 9, 2024

By Tinoco Travieso Planchart & Nuñez

By Decree No. 4,902 of Dec. 11, 2023, the validity of Decree No. 4,525, published in the *Official Gazette* No. 42,145 of June 9, 2021, is extended until June 9, 2024. The decree establishes the optimization and dynamization of the export process, through the waiver of some permits and authorizations required by the bodies and entities of the Public Administration for procedures linked to the export process.

In this sense, Decree No. 4,525 establishes the exemption from the presentation at the time of export of the following legal regimes:

- **Legal Regime 4:** Permit from the Ministry of Popular Power with jurisdiction over industry matters.
- **Legal Regime 14:** Permit from the Ministry of Popular Power with jurisdiction over food.
- **Legal Regime 18:** Permit from the Ministry of Popular Power with jurisdiction over fisheries and aquaculture.

Decree No. 4,525 (extended) establishes some exceptions to the aforementioned exemptions. To this end, those who wish to export products included in the tariff codes contained in paragraphs a, b and c of Appendix I of the decree in question must present the respective permit to the Customs Authority at the time of export.

The authorization for the export of cocoa beans and their byproducts, as well as that of coffee beans, established in Chapter II, Section VI of Decree No. 2,292, by which the Instructions on Simplification of the Procedures and Processes Linked to the Export of Non-Traditional Goods, which had to be granted by the Ministry of Popular Power responsible for agriculture and land, to verify the existence of a sufficient supply of these raw materials to the national industry.

This exemption will be applied once the exporter is registered in the Single Registry of Exporters of the Single Window for Foreign Trade (VUCE).

Validity: This decree entered into force on Dec. 9, 2023.

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