



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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U.S. Treasury Department License Extends Authorizing Transactions of Liquefied Petroleum Gas

By Holland & Knight

The U.S. Department of the Treasury's Office of Foreign Assets Control on July 10, 2023, issued a license known as General License No. 40B, which has important implications for transactions related to Venezuela. This license authorizes all transactions related to the direct or indirect export and/or reexport of liquefied petroleum gas to Venezuela, involving the Venezuelan government, the Venezuelan national oil company or any entity that has any type of participation in national oil company. This means that the license allows all transactions that were prohibited by the Executive Order 13808 of Nov. 1, 2018, to be authorized until July 10, 2024.

However, this license has certain restrictions, including:

- transactions involving any payment in kind for petroleum or petroleum products are not authorized
- transactions or activities prohibited by the U.S. government and involving any sanctioned persons are also not authorized

It is important to note that this license does not relieve any person from complying with requirements with other federal agencies, including the U.S. Department of Commerce's Bureau of Industry and Security (BIS).

This change in regulations on the export of liquefied petroleum gas to Venezuela represents a significant step forward in trade relations between the United States and Venezuela. However, it is critical that companies and individuals fully understand the implications of this new general license and comply with all relevant regulations and requirements.

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Resolution Prohibits Electronic Tobacco Products in Venezuela

By Tinoco Travieso Planchart & Nuñez

In *Official Gazette* No. 42,682, of Aug. 1, 2023, Resolution No. 414 was published on June 28, 2023, by the Ministry of Popular Power for Health, which prohibits the manufacture, storage, distribution, circulation, commercialization, import, export, use, consumption, publicity, promotion and sponsorship of Electronic Nicotine Administration Systems (SEAN), Similar Electronic Nicotine-Free Systems (SSSN), consumables, tanks or cartridges, refill consumable containers and other accessories, products of conventional heated tobacco (conventional and herbal PTC) and similar products, in order to establish mechanisms to protect people's health.

Below are the highlights of the Resolution:

- 1. Scope of Application:** It is applicable to all natural or legal persons who carry out activities related to the purpose of this Resolution in the national territory.
- 2. Prohibitions:** It is prohibited:
 - to allow and/or grant records, import permits, export permits, transit and special customs regimes throughout the national territory by the Ministry of Popular Power for Health, as governing body, as well as all its entities and/or bodies, centralized and decentralized attached
 - all types of advertising, promotion and sponsorship or any form of dissemination that in any way encourages the acquisition of SEAN, SSSN, consumables, tanks or cartridges, refill consumable containers and other accessories, conventional PTC and herbals, and similar products
 - all types of advertising, promotion and sponsorship that encourage the use and human consumption of its compounds or liquid substances
 - any transaction related to the objects of this Resolution through the internet or other modes of sale through telecommunication systems or any other technology
 - manufacturing, storage, distribution, circulation, marketing, import, export, use, consumption, advertising, promotion and sponsorship, retail and wholesale consumption of the products covered by this Resolution; remotely or similar procedures, such as telephone, digital, electronic and other similar means
 - the free delivery, supply or distribution of the products covered by this Resolution



- 3. Poster:** All state institutions, as well as the owners, employees and administrators of commercial establishments, premises, institutions, private and/or public areas, whatever their use, including public transportation, must permanently present a PUBLIC ANNOUNCEMENT whose dimensions are equal to or greater than 80 centimeters (width) by 50 centimeters (length). It must have the following text:

"IT IS PROHIBITED TO DISPOSE OR FACILITATE IN ANY WAY TO THE GENERAL PUBLIC, ELECTRONIC NICOTINE DELIVERY SYSTEMS (SEAN), SIMILAR ELECTRONIC SYSTEMS WITHOUT NICOTINE (SSSN), CONSUMABLES, TANKS OR CARTRIDGES, CONTAINERS OF REFILL CONSUMABLES AND OTHER ACCESSORIES, PRODUCTS OF CONVENTIONAL HEATED TOBACCO (CONVENTIONAL AND HERBAL PTC), AND SIMILAR PRODUCTS. WHOEVER SELLS, SUPPLY OR DELIVERY PRODUCTS THAT MAY CAUSE PHYSICAL OR CHEMICAL DEPENDENCE, WILL BE SANCTIONED AND PUNISHED IN ACCORDANCE WITH THE CURRENT LEGISLATION, RESOLUTIONS AND REGULATIONS OF THE BOLIVARIAN REPUBLIC OF VENEZUELA."

- 4. Non-compliance:** Any natural or legal person who contravenes or infringes the prohibition object of this Resolution, will be subject to the sanctions provided and sanctioned in the current legal system, whose penalties, within the scope of its competence, will be imposed by the Ministry of Popular Power for Health, as governing body and planner of the National Public Administration, especially in sanitary control policy.
- 5. Repeal:** Resolution No. 362 of May 31, 2023, published in the *Official Gazette* of the Bolivarian Republic of Venezuela No. 42,641 dated June 1, 2023, and all provisions that contravene this Resolution are repealed.
- 6. Validity:** This Resolution will enter into force as of its publication in the *Official Gazette*, that is, as of Aug. 1, 2023.

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