



Venezuela Economic Outlook

By Arca Análisis Económico

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

- At the end of the first half of 2022, Venezuela shows signs of an incipient economic recovery, especially in its Gross Domestic Product (GDP) growth rates or in the reduction of inflation compared to previous years.
- Accumulated inflation in the first semester stands at 53.8 percent, one sixth of what the indicator showed in the first half of 2021, according to measurements by the Venezuelan Finance Observatory, an independent entity made up of economic experts.
- The minimum salary is at 130 bolívar soberanos after an increase that came into effect in March, which meant an increase of 1.705 percent that about 10 million people receive, most of them being workers and pensioners. The celebrated salary increase resulted at first, in US\$28 per month, an amount that until now has been reduced to US\$23.40.
- The problem of illiquidity in the banking system is spreading. The cycle of monetary expansion that began with the increase in public sector wages in March has come to an end and the bank reserve deficit is growing again, reviving the authorities' dilemma of allowing them to satisfy credit demand and defend the bolívar soberanos.
- Meanwhile, the bolívar soberanos devalued by 17 percent against the dollar in the first half of the year, according to reports from the Central Bank of Venezuela (BCV). It was a better performance than the same period in 2021, when the Venezuelan currency depreciated close to 50 percent.
- Until the end of May, the BCV accumulated a balance of US\$1.905 billion sold to the bank so far in 2022, aiming to keep the local currency's price stable, according to records kept by Aristimuño Herrera & Asociados. If the pattern continues for the remainder of the year, nearly US\$4 million per year would be allocated, which is feasible but costly, when oil exports have an estimated annual value of between US\$13 million and US\$16 million (under sanctions). But at least half of exports currently correspond to swaps for oil supplies or debt and, therefore, do not generate cash. According to data provided by the Organization of the Petroleum Exporting Countries (OPEC), oil is at an average of 755,000 barrels per day (bpd).
- The process of exporting Venezuelan crude to Europe is underway due to the authorization given to Eni and Repsol to resume shipments. Reuters reports two shipments: one about to set sail with 650,000 barrels and the second, a 2 million barrel crude carrier, is on its way to Venezuela. The total value of these two shipments will be used to reduce Petróleos de Venezuela, S.A.'s (PDVSA) debt with Cardón IV, a company owned by Eni and Repsol. The crude will go to Repsol's refineries in Spain.



- The National Assembly unanimously approved the draft law of Special Economic Zones recently in the second regulatory discussion. This bill was approved in its first discussion, after being presented by Nicolás Maduro Guerra, president of the Permanent Commission on Economy, Finance and Development,. The parliamentarian explained that the objective of this project is to innovate the country's economic activity and promote direct investment to contribute to the recovery process.
- After the election of Gustavo Petro as president of Colombia, intentions have been expressed to normalize relations with the Venezuelan country once he assumes power on Aug. 7, 2022. In this sense, around 200 people, including businessmen and representatives of different unions from Venezuela and Colombia, held a meeting in the state of Táchira to sign the Border Agreement. The purpose is to take the first step to resume trade relations between both nations. Given this, Colombian Congressman Gabriel Becerra stated that presumably on Aug. 8, the commercial reopening between Colombia and Venezuela will take place, through the border between Táchira and Norte de Santander.

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National Assembly Supports Electoral Victory of Colombia President Gustavo Petro

By Holland & Knight

Through the *Official Gazette* No. 42,404 dated June 22, 2022, the National Assembly published the "Agreement in support of the electoral victory of citizen Gustavo Petro Urrego, as President of the Republic of Colombia and citizen Francia Márquez as Vice President" (Agreement). According to the National Assembly, the Agreement was issued considering the "urgent need to achieve peace" in Colombia and to guarantee the alliance between Venezuela and Colombia.

Through the Agreement, the National Assembly congratulated Petro and Márquez for being elected as president and vice president of Colombia, respectively. In terms of the Agreement, said electoral victory "radiates optimism in the sister nations."

In addition through the Agreement, the National Assembly ratified solidarity toward the Colombian people, as well as ratified all of the accompanying initiatives of President Petro that are oriented toward materializing the declaration of the Community of Latin American and the Caribbean States.

The National Assembly endorsed the validity of Simón Bolívar's ideal dated Dec. 7, 1824, when he convened the Amphictyonic Congress of Panama to build the necessary utopia of the unity of "Our America, which makes it necessary and urgent to return to the path of unity of our peoples through the hope of strengthening the Community of Latin American and Caribbean States."

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Decree Announces Income Tax Exemption for Cooperative Associations

By Tinoco Travieso Planchart & Nuñez

In *Official Gazette* No. 42,399 dated June 15, 2022, Decree No. 4,695, of that same date, issued by the president of the Republic, was published, whereby net enrichments are exempted from payment of income tax from territorial source, obtained by the Cooperative Associations, constituted in accordance with the provisions established in the Decree with Special Force of Law of Cooperative Associations.

According to the aforementioned Decree the following key points are:

1. This benefit will only apply to fiscal years in progress when the Decree enters into force.
2. The benefit has a duration of one year, counted from the publication in the *Official Gazette*, which is extendable for a period of equal length.
3. Only Cooperative Associations that update the Tax Information Registry (RIF) will obtain this benefit. To do so, they must present the current Certificate of Compliance issued by the National Superintendence of Cooperatives.
4. For the determination of the exempted enrichments, the norms established in the Income Tax Law will be applied, as the case may be, in relation to the income, costs and deductions of the taxable enrichments.
5. In the cases in which the beneficiary of the exemption carries out activities taxed with the income tax and exempted according to the Decree, the costs and common deductions applicable to the income generated by said enrichments will be distributed proportionally.
6. The exemption beneficiaries must submit the annual declaration of global net enrichment taxed and exempted as appropriate, under the terms and conditions established by the regulations of the Income Tax Law.
7. During one year counted from the date of entry into force of the Decree, the losses generated by the exempted activity may not be imputed in any fiscal year to the enrichment generated by the activity taxed with the income tax.

The Decree entered into force as of its publication in the *Official Gazette*.



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