



UNITED NATIONS

ECONOMIC
AND
SOCIAL COUNCIL



RESTRICTED

E/CEPAL/R.227/Add.22
October 1980

ENGLISH
ORIGINAL: SPANISH

CEPAL

Economic Commission for Latin America

ECONOMIC SURVEY OF LATIN AMERICA

1979

VENEZUELA

This preliminary version of the Economic Survey of Latin America, 1979, is being distributed in 27 separate parts: an Introduction of a general nature, bearing the symbol E/CEPAL/R.227, and 26 Addenda to this document, each containing a study of the economic development of a country of the region. These Addenda will not appear in alphabetical order, but in order of completion. The complete Survey will be published in the usual printed version when the comments arising out of this preliminary version have been collected.

80-4-611

VENEZUELA

1. Recent economic trends: Introduction and summary

The evolution of the Venezuelan economy in 1979 was characterized by a new decline in the growth rate, a sharp rise in inflation and a significant reduction of the large current account deficit recorded in 1978. The lower growth rate of economic activity was partially due to a policy which was first applied in 1978 aimed at decreasing the main monetary and financial disequilibria (such as inflation and the fiscal and balance-of-payments deficits) which gradually appeared after the petroleum boom gave new dimensions to the Venezuelan economy.

The machinery used to implement this policy was mainly designed to reduce fiscal expenditure and the supply of money, both of which declined in real terms. During the first part of the year, the prices of essential articles continued to be controlled, although during the second half of the year these prices were gradually freed with a view to reducing the distortions caused in the relative price system.

The application of this general policy, together with the high international prices for petroleum, led to more moderate overall growth and a sharp reduction in the fiscal deficit and the balance-of-payments current account disequilibrium.

In 1979, the gross domestic product increased by 4.1%, thus continuing the slackening trend of previous years (7.8% in 1969, 7.6% in 1977 and 4.8% in 1978). For this reason, the real per capita product practically stagnated in 1979, although gross income increased sharply (12%) due to the extraordinary improvement in the terms of trade as a result of better petroleum prices (see table 1).

Sectoral output was characterized by great dynamism of the activities linked to exports: thus, petroleum grew by nearly 7% and other mining products, by 17%. The sectors directed at meeting domestic demand, however, grew by only 3.6% in all, although it should be noted that the output of some basic services, such as electricity, gas and water, increased greatly. The behaviour of sectoral production thus differed significantly from what it had been in

/previous years,

previous years, when precisely the activities directed at the domestic market had expanded most rapidly, whereas petroleum output had consistently declined.

As was to be expected, the lower economic growth rate affected employment, which grew by barely 1%.

The external sector performed very well in 1979 and made it possible to achieve a trade surplus after two years of large deficits. Simultaneously, the current account deficit decreased by more than US\$ 5 billion. These changes took place mainly as a result of the large increase in exports of goods, whose value jumped by over 55% due to the rises in the price of petroleum and the greater volumes of exports of crude oil, aluminium and iron ore. The reduction of the external imbalance was also facilitated by the evolution of imports of goods and services, whose value was almost completely unchanged in 1979 after having nearly quadrupled between 1973 and 1978 and increased by 12% in 1978.

The current account deficit, which amounted to only US\$ 200 million, was more than covered by net external financing of around US\$ 1,450 million. This made it possible to increase the international reserves, so that at the end of the year they totalled nearly US\$ 7,500 million and thus partially recovered from the sizeable drop which took place in 1978.

During the year the rate of inflation accelerated sharply, however. This was most noticeable with regard to consumer prices, which rose by more than 20% from December 1978 to December 1979. The increases were even greater in the case of food products (34%) and clothing and footwear (40%), the categories most affected by the policy of freeing prices which began to be implemented during the second half of the year. Wholesale prices, although rising less sharply, nevertheless increased by over 15%: a rate much higher than that for any year during the decade except 1974.

As a result of the restrictive nature of the monetary policy, the quantity of money increased by only 9%, thus continuing the downward trend in the growth of monetary supply observed since 1978. This development, together with the rise in the level of prices, led to some scarcity of means of payment, especially during the first half of 1979.

/Finally, the

Finally, the central government's accounts showed a deficit of 900 million bolívares, equivalent to only 2% of fiscal expenditure. It may be recalled that in 1978 this deficit had been 11 billion bolívares and had equalled nearly 22% of the central government's expenditure during that year (see table 1).

2. Trends in economic activity

(a) Total supply and demand

In 1979, the growth rate of total supply declined sharply, barely exceeding 1% and thus amounting to only a quarter of the 1978 rate, despite the fact that in that year economic activity had only grown moderately. In 1979, the gross domestic product increased by 4%, or slightly less than in the year before. Real imports of goods and services, however, declined by 7% to a level lower than that of 1977 (see table 2). Due to the extraordinary growth (80%) in the volume of imports during the period 1975-1978, however, the import coefficient remained extremely high in 1979 (31.5%) and easily surpassed the figure of around 20% which was usual at the start of the 1970s.

As regards total demand, the domestic components as a whole increased very slightly, by 1%. Although official information is not available on the evolution of the elements of gross fixed capital formation, it seems reasonable to assume that it declined by around 3%, thus intensifying the downward trend already observed in 1978.^{1/} Although it contrasted markedly with the notable increases in fixed investment during the period 1975-1977, when the latter grew at a rate of more than 25% per year, this development must be viewed within the context of the policy of controlling financial disequilibria which was being applied in Venezuela during the two preceding years. Moreover, it must be recognized that due to its accelerated growth in the period 1975-1977, fixed investment came to represent 45% of the gross domestic product in 1977, a figure twice the size of the relatively high ratio for 1970 and which would be difficult to maintain over a long period.

^{1/} This drop was caused by the decrease of around 10% in real terms in imports of capital goods (which represent approximately 30% of fixed investment) and the barely 1% increase in the construction sector (which furnishes nearly 60% of fixed investment) in 1979.

Consumption also tended to decline: it is estimated that both public and private consumption increased by between 2% and 3%: significantly lower rates than those for the preceding years. The lower rate of private consumption was probably largely connected with the acceleration of the inflationary process, which, in view of the weak machinery for wage and salary adjustments, must have eroded the purchasing power of a considerable number of workers.

Real exports, on the other hand, which had decreased consistently from 1973 onwards, recovered to some extent by growing nearly 3%. Even so, however, the volume exported in 1979 was still 30% lower than in 1970.

(b) Sectoral developments

(i) Petroleum. The product of the petroleum sector recovered significantly in 1979, increasing by 7% in real terms. This was a change from the trend of the years 1977 and 1978, when the petroleum product had decreased by 4% and 1%, respectively, due to the Government's policy of conserving basic resources (see table 3).

The increased petroleum product in 1979 was primarily due to the contribution which Venezuela made in order to offset the petroleum shortage caused in the international market by the interruption of crude oil exports from Iran, as well as the need to provide for increased domestic consumption. Crude oil output grew by nearly 9% to 2.35 million barrels per day, while exports of this product increased by over 11% to a total of 2.1 million barrels per day. Refined petroleum output, however, practically stagnated, and exports of this product decreased by 5% as a result of the 11% increase in domestic consumption, which in physical terms almost exactly equalled the lower volume exported (see table 4).

Thus, in 1979 the trend of recent years towards increasing domestic consumption of refined petroleum at the expense of decreasing exports was continued: refined petroleum exports declined by over 10% from 1976 to 1979, whereas domestic consumption grew by nearly 30% during that period.

/These divergent

These divergent trends in exports and domestic consumption and the tremendous difference in prices between the international and domestic markets meant that the petroleum industry lost a large amount of revenue.^{2/}

Even so, the petroleum industry's total nominal revenue increased by 54% in 1979. Although this increase was partially due to the greater volumes produced and exported, the main cause was an exceptional growth in the average export price, which rose from around US\$ 14 per barrel in 1978 to nearly US\$ 20 in 1979.

Export revenue, which represents nearly 97% of the industry's total earnings, thus grew by 58%, whereas the income from domestic consumption increased by around 6%. The expenditure of the petroleum industry increased by 28% as a result of the expansion of its activities and the effect of inflation on costs. Due to the evolution of total income and expenditure, the petroleum industry increased its gross profits by the extraordinary amount of 92% to nearly US\$ 9 billion.

In 1979, the petroleum industry made investments amounting to some 6 billion bolívares (US\$ 1.4 billion) in order to maintain and expand the industry's production potential.^{3/} Nearly 50% of this amount was used to increase the productive capacity, 27% to expand refineries and 18% for exploration projects.

The output of gas, which is a by-product of petroleum, grew by 6%, and over 40 kilometres of new gas pipelines were added to the total network of 3,700 kilometres.

(ii) Mining. In 1979, the mining sector recovered considerably and its product, which had been declining from 1975 onwards, increased by 17%, primarily due to the large growth (21%) in iron ore production. The output of this mineral, which generates 80% of the value of the mining product, was

^{2/} In 1978, international gasoline prices were 1.9 to 3.7 times greater than the domestic prices (depending on the octane level) and Venezuelan automobile owners are consequently estimated to have received an indirect subsidy of around US\$ 600 million. In view of the increases in domestic gasoline consumption and international fuel prices in 1979 and the maintenance of the low domestic prices for gasoline, the amount of this subsidy must have increased sharply again this year.

^{3/} In order to achieve these goals, the petroleum industry's investment plan calls for the investment of around 65 billion bolívares during the five-year period 1980-1984.

stimulated by the recovery of the world steel industry and an extraordinary increase in domestic consumption, which climbed by 40%, while the volume exported grew by 6%. Of the total iron ore output, nearly 85% was exported, most of it (62%) to Europe and the rest to the United States.

Other mining activities which expanded were the extraction of diamonds (6%) and gold (8%). In contrast, the output of coal was down by 30%.

(iii) Agriculture. In 1979, the agricultural sector lost part of the noteworthy dynamism of previous years; the growth rate of its output decreased from around 7% in 1976-1977 to just over 5% in 1979.

This slower growth was partially due to the fact that in 1979 crop production increased by only 4.7%, which was somewhat less than in 1978. In addition, the growth rate of the fishery sector dropped from 10% in 1978 to 1% in 1979 and there was a decline of nearly 6% in the forestry subsector's output. The stock-raising subsector, however, increased by over 6% (see table 5), the increased output of poultry and eggs (around 11% and 6%, respectively), sheep (11%) and cattle (10%) being noteworthy. Milk production, however, grew by only 2% and was incapable of meeting domestic demand.

The performance of the various crops was uneven. Some, such as rice, sorghum and sisal, had growth rates greater than 20% as a result of the larger area sown to rice and technological improvements in the cultivation of sorghum and sisal. The output of potatoes, beans, garlic, tomatoes and some fruits increased by around 10%, while that of maize, coffee and some green vegetables grew by around 5%. The cotton and sugar cane crops, however, were down by 10% due to the smaller area sown to cotton and the lower yields of both products (see table 5).

(iv) Manufacturing. The manufacturing product increased by 4.6% in 1979, compared with a little over 5% in 1978 and more than 10% annually from 1972 to 1976.

The drop in the growth rate took place despite the fact that State-owned manufacturing enterprises expanded their production by around 35% from January to September with respect to the same period in 1978, principally due to the marked growth of aluminium and steel production.

/In contrast,

In contrast, the evolution of the private manufacturing sector is estimated to have been significantly less dynamic than in 1978, due to the decline in the textile industry and the lower output of transport equipment and electrical machinery. Among the various factors contributing to this result were the lower growth in total domestic demand, the higher cost of domestic and imported inputs, the relative scarcity of credit, the increase in interest rates and, finally, the uncertainty brought about by the change of administration.

Among the public enterprises on which information is available and which, in the cases of steel, aluminium and petrochemicals, account for the entire domestic output, Siderurgia del Orinoco (SIDOR) reached very high levels of steel production in 1979 with the entry on stream of new foundry, continuous casting, reduction and other types of plants. Investments in the establishment or expansion of these plants totalled nearly US\$ 1.8 billion and allowed nearly 1.3 million tons of steel to be produced: almost 90% more than the figure for the preceding year (see table 6).

Expenditure on investments in infrastructure, buildings, equipment and machinery for the iron and steel sector in 1979 totalled over US\$ 500 million. These investments, together with those made in previous years, will allow the expansion of this industry to continue and it is estimated that in 1980 its sales will increase by around 50% to over 3 million tons.

The aluminium industry also expanded sharply in 1979, trebling the production of the previous year, due to the expansion of the Venalum and Alcasa companies. Of a total output of around 230,000 tons, 60% was exported (principally to Japan) and the remaining 40% was used to meet domestic demand, which continued to grow rapidly. Since investment projects are underway, this sector will continue to expand in 1980, and it is estimated that the output of Venalum, a company which accounts for over half of the sector's total output, will increase by around 80%.

Another public industry which accelerated its activity was PEQUIVEN, which is now a direct subsidiary of Petróleos de Venezuela. The volume of its output grew by 24% and its value was equal to nearly US\$ 80 million.

On the other hand, the sugar output of the public enterprises participating in the CENAZUCA consortium declined slightly, by 1.5%, with respect to the preceding harvest as a result of the lower average yield of the cane.

The output of the automobile industry declined also, by 16%, in the first nine months due to the termination of operations in the Chrysler de Venezuela and Ensambladora Carabobo enterprises and the accumulation of stocks in previous years. In 1979, important decisions were taken with regard to automotive policy, outstanding among them being the agreements with Bolivia on joint negotiations with the Ford and Renault companies regarding the purchase of engines and agreements with Peru and Colombia for the purchase and sale of automobile components and spare parts. These agreements were made within the framework of the automotive policy defined in the Cartagena Agreement, which assigns to each member country the exclusive production of specific automobile models or parts which are later sold in all the Andean Group countries. In 1979, agreements were also reached with General Motors for the manufacture of motors larger than 2,000 cubic centimetres, and with some Japanese companies. An increasing share of domestic elements in the manufacture of components and spare parts for motor vehicles is planned.

(v) Construction. In 1979, the construction sector virtually stagnated. Its product increased by barely 1%, in contrast with the extraordinary average growth of around 20% in the period 1975-1977 and the 10% rise in 1978 (see table 3). Although construction could not have been expected to continue to expand at an annual rate of 20%, since that would have meant that its product doubled every four years, the extremely low rate of 1979 was nevertheless surprising.

This decline was partially due to the slower evolution of public investment in building and infrastructure in 1979, despite the fact that spending on that type of project increased considerably in some State enterprises, such as Petr6leos de Venezuela and Electrificaci6n del Caron6. In addition, the State had heavy debts with contractors, estimated at around 8 billion bol6vares (approximately US\$ 1.8 billion), which discouraged the initiation of new projects and the continuation of those already underway.

/Moreover, the

Moreover, the policy of credit restriction adopted in order to control the inflationary process affected both builders and prospective purchasers of dwellings and also contributed to raising construction costs. Consequently, private residential construction (which represented over 60% of the total construction of dwellings) declined by 20% in 1979, and this drop was not entirely offset by the 32% increase in building by the public sector, so that the total number of dwellings constructed in 1979 (73,200) was 3% lower than in 1978.

During the second half of the year, a series of measures and incentives were adopted in order to stimulate construction by the private sector, especially of lower-cost housing. To this end, credits were offered to builders and buyers of these types of dwellings, and tax incentives were granted whose effects should become noticeable in 1980.

(c) Employment

According to data from the household survey carried out by the Central Statistics and Information Office, employment grew by only just over 1%, from the first half of 1978 to the same period of 1979, thus continuing the trend in effect from 1975 onwards of increasingly slow growth in employment, with rates steadily declining from 6% in 1976 to only just over 1% in 1979 (see table 7).

According to the same source, the majority of the 82,000 new jobs created between the first half of 1978 and the same period of 1979 seem to have been in commerce and construction, where employment apparently increased by over 13% and nearly 7%, respectively. During the period in question, the number of unemployed persons apparently rose from 206,000 to 218,000, so that the rate of open unemployment grew from 5% in 1978 to 5.2% in 1979.

Although the figures for employment and unemployment probably reflect accurately the direction of the changes in both variables in 1979, they are not easily reconciled with the figures on the sectoral evolution of the product and the probable growth of the labour force.

Thus, the high growth rates which, according to the household survey, were achieved in employment in the fields of commerce and construction (13.4% and 6.7%, respectively) contrast sharply with those of -1.3% and 1% recorded for the relevant sectoral products. A similar, although less

/pronounced, disparity

pronounced, disparity appears when one compares the growth rates of employment (6.7%) and of the product (3%) in the financial sector. In contrast with the very marked drops in the productivity of the labour force which seem to have taken place in the sectors according to the figures mentioned above, the productivity of the agricultural sector apparently grew in an extraordinary manner: whereas employment declined by 4.5%, the product grew by 5%, thus continuing the trend of the two preceding years when the agricultural product grew by nearly 15%, whereas employment in the sector declined by over 7% (see tables 3 and 7).

If the figures of the household survey referring to total employment and unemployment are correct, the labour force apparently increased by a little less than 2.3% between the first half of 1978 and the same period of 1979: a rate which is exceptionally low even if one assumes that, due to the lower economic growth rate and a stricter immigration policy, there was a marked decrease in the net inflow of immigrants to Venezuela.

It must be concluded, accordingly, that employment grew more than the official figures reveal or - which seems more likely - that unemployment increased more than the figures show.

3. The external sector

(a) External trade

(i) Exports of goods. In 1979, the value of exports of goods increased by an exceptionally large amount (56%) to nearly US\$ 14.3 billion. This unusually rapid growth was principally due to a rise in the unit value of exports, especially those of petroleum, whose average export price climbed by nearly 45%. Simultaneously, the volume of exports increased by 6%, thus halting the pronounced and steady downward trend followed during the preceding five years (see table 8).

Although the increase in the volume of exports was basically due to the rise of over 5% in the volume of external sales of petroleum, it was also partially due to the marked growth in aluminium sales. Their value was nearly sextupled, reaching almost US\$ 160 million and thus exceeding by US\$ 20 million the value of iron ore exports, which had traditionally been the second largest and grew in 1979 by a little over 4% (see table 9).

/The notable

The notable growth in aluminium exports, which rose to around 130,000 tons, was the result of heavy investments in recent years which should make it possible to export over 200,000 tons in 1980.

In contrast, the value of other exports, which account for less than 3% of the total value of external sales, declined by 20%, mainly due to lower coffee exports.

(ii) Imports of goods. After having increased at the extraordinary rate of 40% per year from 1973 to 1977 and having grown by nearly 7% in 1978, the value of imports declined by nearly 3% in 1979. This was principally due to a 10% drop in volume, since the average price of imported goods rose by nearly 8% (see table 8).

Among the imported products whose purchases decreased were machinery and tools (-2%), transport equipment (-10%) and construction materials (-6%). Despite these drops, purchases of these goods as a whole made up 56% of total imports. The amount of imports of consumer goods, excluding food, also decreased (by around 13%).

On the other hand, the value of imports of raw materials increased by 7% in 1979 and were equivalent to a quarter of the total value of merchandise imports (see table 10).

(iii) The terms of trade. The notable (47%) increase in the unit value of exports caused by the rises in the international price of petroleum far exceeded the rise in the average price of imports (8%). Consequently, the terms of trade improved by over 36% in 1979. This exceptional growth not only offset the loss of 8% in 1978, but also pushed the index of this variable to the highest level of the decade, 245% higher than that of 1970.

The purchasing power of exports of goods also increased (by 45%) in 1979, since in addition to the improvement in the terms of trade, the volume exported grew by 6%. The steady decline in the volume of exports in the period 1973-1978, however, meant that their purchasing power, although 100% greater than at the start of the decade, was significantly lower in 1979 than in 1974 (see table 8).

(b) The balance of payments

In 1979 the trade in goods, which in the three preceding years had shown a deficit, took a very favourable turn and yielded a surplus of over US\$ 3.5 billion. On the other hand, the traditional services deficit increased once more in 1979, rising to around US\$ 2.9 billion, of which nearly 50% was generated by the deficit on the travel account (see table 11).

Among the remaining headings under the current account, payments of profits and transfers yielded net deficits, whereas interest payments generate a surplus, mainly due to the rate of return on the Government's foreign deposits.

Thus, the current account closed with a deficit of US\$ 200 million, representing barely 1.3% of exports of goods and services. This broke the trend in effect as from 1974 which, from a surplus of nearly US\$ 5.9 billion in that year, had brought about a deficit of over US\$ 5.3 billion only four years later (see table 11).

Although precise and detailed information on non-monetary capital flows in 1979 was not available, net external long- and short-term financing, not including official transfer payments, is estimated to have amounted to US\$ 1,450 million, 60% lower than the amount for the year before. Preliminary information indicates that these funds were mainly channelled to the private sector in the form of direct investments and long-term credits as well as short-term capital. The public sector, however, recorded a negative balance, since the external financing that was obtained could not offset the outflows of capital caused by new placements of petroleum surpluses abroad and amortization payments on the external public debt.

As a result of the favourable performance of the trade balance and inflows of external finance, the net international reserves increased by US\$ 1,250 million, thus partially making up for the heavy drop in those reserves in 1978 and bringing them to a level of nearly US\$ 7.5 billion.

(c) The external debt

The funds obtained through the sale of bonds and the contracting of new loans with terms of more than one year on the international capital market amounted to slightly over US\$ 2 billion between January and September 1979 (see table 12). In real terms, this amount was over 20% lower than the

/funds obtained

funds obtained during the same months the year before. The lower demand for external financing was primarily due to the extraordinary petroleum revenues, which allowed the Government to decrease its public deficit and finance much of its spending itself, so that it resorted to external sources very little. For this reason, the external public debt, which more than quintupled between 1975 and 1978, apparently grew much more slowly in 1979, with the result that it equalled some US\$ 8.2 billion at the end of the year (see table 13).

4. Prices

The growth rate of prices sharply increased in 1979, and inflation rose to unprecedented levels. The annual average variation in the consumer price index for the Caracas metropolitan area was 12.3%, compared with the 7.1% recorded in 1978, while the December-to-December increase in this index was even higher, amounting to over 20%, or three times the rate of 1978. The categories which increased the most for the consumer were food and clothing, with rises of 34% and 40%, respectively.

The sharp increase in the growth rate of prices in 1979 was partially due to economic policy decisions adopted that year which will be discussed later; however, it also reflected the inflationary pressures generated over the years by the extraordinary rise in the price of petroleum decided upon by the members of the Organization of Petroleum Exporting Countries (OPEC) at the end of 1973.

As regards the evolution of prices, the 1970s may be divided into two periods. During the first of these, from 1970 to 1973, the Venezuelan economy's stable situation of past decades still prevailed and the average annual increases in consumer prices were around 4% (see table 14). In the second, which began in 1974, this stability was upset as a result of the domestic and external effects of the rise in petroleum prices on international markets.

On the domestic level, this rise meant that fiscal revenue nearly trebled in 1974 with respect to the year before. Although part of this new income was frozen in foreign accounts, the Government's spending on the domestic economy during the year was more than double that of 1973.

/The following

The following year, the change in the dimensions of the basic economic variables continued: domestic demand increased by 25%, while commercial credit and monetary liquidity expanded by around 45%. Thus, the disparity between aggregate demand and domestic output of goods and services was greatly intensified and it became necessary to resort to large increases in imports, which also reflected the higher prices caused by the acceleration of the inflationary processes in the industrialized countries. Despite these higher prices, however, imports somewhat limited inflation, since they helped to reduce the difference between aggregate demand and domestic output which had arisen. Even so, however, since it was impossible for total supply to increase at the extraordinary pace at which demand was growing, a rise in the level of prices ensued. As a result of this adjustment process, the average increase in wholesale prices between 1973 and 1975 was around 33%. Thanks partly to government subsidies to enterprises and consumers, the rise in consumer prices in this period was considerably smaller, only slightly exceeding 19%. Nevertheless, some basic products such as food and clothing had very sharp increases, of 29% and 41%, respectively (see table 14).

The Government attempted to hold back the inflationary trend, which threatened to intensify due to increased petroleum revenues and the rises in the international prices of imported products, by adopting a set of economic policy measures designed to influence prices, production, consumption, external trade, the fiscal sector and the monetary variables. Thus, with a view to avoiding speculation in the sale of crucial goods and services, a pricing policy was applied which grouped them into three categories: regulated, controlled and freely tradeable.

Furthermore, through the Agricultural Marketing Corporation, support prices were set for certain essential agricultural products in order to stimulate their production, and ceilings were established for sales to the consumer, all of which required heavy subsidies.^{4/} The Government also established fiscal and financial incentives for producers of basic goods.

^{4/} According to the Central Bank of Venezuela, the subsidies granted by the Agricultural Marketing Corporation during the period 1975-1978 amounted to 900 million bolívares in 1975 and 764, 1,041 and 1,480 million bolívares in the years 1976, 1977 and 1978, respectively.

At first, the control and regulation of prices was successful in keeping the price rises for the products in question much smaller than those for others. Thus, from August 1974 to December 1978 the prices of freely tradeable products increased by around 70%, compared with rises of 16% and 32% for regulated and controlled prices, respectively. Nevertheless, by 1978 the increases had become more similar: 9% for "free" products and 7% for controlled products. Simultaneously, speculation began to develop around goods with controlled prices and could not effectively be prevented, which led the Government to authorize increases in the prices of those products.

This policy also tended to discourage the production of some goods whose prices were subject to control or regulation, and with the decrease in the rate of return of the sectors producing those goods many resources were redeployed toward more profitable activities such as construction, where prices increased at an annual rate of 18% between 1974 and 1977.

Another very important anti-inflationary measure was the lowering of real fiscal expenditure between 1975 and 1978, after its extraordinary increase of 130% in 1974,^{5/} and the reduction of the growth rate of monetary liquidity from 43% in 1974 and 50% in 1975 to an annual average of just over 20% between 1976 and 1978. These measures helped to slow down the growth rate of total demand, bringing it to levels more compatible with the domestic productive potential, and simultaneously helped to reduce the intensity of the inflationary process. Thus, in the period 1976-1978, consumer prices grew by between 7% and 8% and wholesale price rises fluctuated between 7% and 11% per year (see table 14).

The downward trend in the rate of inflation began to change in 1979, however. During the first seven months, the consumer price index rose by around 7%, quite a considerable increase over the rate of 4.5% recorded during the same period in 1977 and much greater than the rate of 2.5% corresponding to the same period in 1978. It was between August and December

^{5/} Total fiscal expenditure for the period 1973-1978, in millions of bolívares at 1968 prices, was as follows:

<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
12,768	29,134	25,829	23,563	28,009	24,988

/that inflation

that inflation intensified most noticeably, however. In that period, prices rose by 13%, a figure more than double the average monthly rate of inflation for the first half of the year and nearly three times the rate of inflation recorded for the same period in 1978.

Various factors prevented prices from rising more rapidly between January and August 1979. Firstly, during that period fiscal expenditure was approximately 10% less than for the same period in 1978, and secondly, the growth rate of credits and monetary liquidity decreased, so that aggregate demand expanded at a lower rate. Finally, during those months the policy of subsidizing prices both to the producer and to the consumer was maintained, and the prices of more than 150 goods and services considered essential continued to be controlled or regulated.

This situation changed drastically from August to December as a result of profound changes in pricing policy. After it was discovered that the pricing policy in force was hardly capable of containing inflationary pressure but, on the contrary, served to accentuate the distortions in the pricing system, with a corresponding unfavourable impact on the allocation of resources, new main goals were established: to liberalize the functioning of the price system so that it would act as a basic element in the allocation of resources; to increase domestic supply; and to maintain the real income of wage earners at the level it was then at.

To this end, a group of measures were applied which included:

(a) the gradual partial freeing of the prices of a group of products, with control being maintained over those considered most essential, or which were produced or marketed in weakly competitive markets. This meant that of the 158 categories that had been controlled or regulated up to then, 37 continued to be controlled and none remained regulated;

(b) the establishment of differential rates for public services, for redistribution purposes;

(c) the granting to the crop-raising sector of prices designed to stimulate increased output;

(d) the preservation of only those subsidies which clearly resulted in a lower price to the consumer, and the abolition of those which merely transferred gains to the producers, and

(e) a pledge to readjust the wages of the public sector in January 1980 by an amount which would compensate for the price rises deriving from the new policy.

The first effects of the application of this pricing policy, as mentioned before, led to a sharp resurgence of inflation, which reached a monthly average of 2.5% between August and December 1979, the rise being even greater for food and clothing, which during the same period increased at monthly rates of 5% and 4.3%, respectively.

5. Monetary and fiscal policy

(a) Monetary policy

In 1979, the downward trend in the growth rate of monetary liquidity begun in 1976 continued. After liquidity had expanded at an average rate of 35% between 1973 and 1975, this growth rate was gradually reduced from 24% in 1976 to slightly more than 6% in 1979. In real terms, this meant that in 1979, liquidity was reduced by between 8% and 12%, depending upon whether the deflation is made by the wholesale or consumer price index.

Although this trend was the result of the deliberate action of the economic authorities designed to keep the inflationary process under control, in 1979 the growth of liquidity was actually lower than had been expected. The means of payment consequently became quite a good deal tighter, especially during the first half of the year, and strongly influenced the deceleration of economic activity. In fact, during the first ten months of 1979, the money supply increased by only 3%, the remaining 8% being concentrated in the last two months of the year.

The extremely slow increase in the money supply during the first part of the year was largely due to deficits in exchange operations during that period and especially to the outflow of capital caused by the big difference between domestic and foreign interest rates.

In order to prevent the drain on foreign currency from continuing, domestic interest rates were adjusted during the second half of the year and the State obtained foreign credits to finance additional budgetary expenditure. This, together with the new increases in the price of petroleum, allowed exchange operations to generate a surplus of over US\$ 2 billion in

/the second

the second half of the year, which not only offset the deficit of the first half, but even left a surplus of US\$ 1.2 billion. In this way, the net international reserves, which increased by over 20%, were in the end the principal factor of expansion of the money supply (see table 15).

In contrast, domestic credit grew by only 5%, a figure much lower than those of previous years when loans had increased at an annual rate of more than 50%.

(b) Fiscal policy

In 1979, the fiscal accounts showed a much more balanced performance than in previous years as a result of the Government's policy designed to achieve better control of expenditure and the large increase in current income, basically due to the increased value of petroleum exports. Thus, in 1979 the fiscal deficit amounted to 900 million bolívares, equivalent to only 2% of fiscal expenditure and much less than the levels for 1977 and 1978, which had been equivalent to over 20% of fiscal expenditure during those years (see table 16).

Government revenue increased by 25% to the equivalent of around US\$ 11.6 billion. Two-thirds of this revenue came from the petroleum sector, whose contribution to the Government increased by more than 30% as a result of better international prices for fuels and increased volumes produced and exported. Another fairly dynamic source of funds was indirect taxation. Direct taxes, on the other hand, increased by barely 1%, which meant that in real terms they declined sharply.

Total expenditure remained unchanged for the second consecutive year, although its structure changed significantly. Current expenditure grew by 20%, but this increase was offset by a drop of around 36% in capital spending. Real investment, which declined by 44%, and transfer payments to decentralized bodies, which dropped by 60%, were especially affected. In real terms, the drop in fiscal investment exceeded 50%, which greatly contributed to the decline of between 2% and 3% in capital formation. Debt servicing, however, grew by more than 50%, totalling over US\$ 2.1 billion (see table 16).

Table 1

VENEZUELA: MAIN ECONOMIC INDICATORS

	1974	1975	1976	1977	1978	1979(a)
A. Basic economic indicators						
Gross domestic product at factor cost (millions of dollars at 1970 prices)	14 976	15 754	16 980	18 274	19 155	19 940
Population (millions)	12.3	12.7	13.1	13.5	14.0	14.5
Per capita gross domestic product (dollars at 1970 prices)	1 223	1 244	1 297	1 350	1 369	1 380
<u>Growth rates</u>						
B. Short-run economic indicators						
Gross domestic product	5.8	5.2	7.8	7.6	4.8	4.1
Per capita gross domestic product	2.3	1.7	4.2	4.1	1.4	0.8
Gross income (b)	31.8	-5.8	5.3	5.7	1.9	12.1
Terms of trade	114.7	-8.0	-2.7	1.1	-9.1	36.3
Current value of exports of goods and services	130.8	-19.5	5.2	4.7	-3.1	51.5
Current value of imports of goods and services	48.1	42.2	28.9	40.9	11.9	-
Consumer prices (c)						
December - December	11.6	8.0	6.9	8.1	7.0	20.5
Variation between annual averages	8.3	10.2	7.7	7.8	7.1	12.3
Money	43.6	50.3	14.7	24.1	15.7	8.9
Wages and salaries	17.8	13.4	10.2	9.8	...	...
Rate of unemployment (d)	...	7.2	6.0	4.5	5.0	...
Current income of government	165.1	-3.9	-6.8	6.2	-0.9	24.7
Total expenditure of government	98.5	9.6	11.8	13.7	1.0	-0.5
Fiscal surplus or deficit/total expenditure of government (d)	44.2	26.4	-9.4	-20.2	-21.7	-1.8
<u>Millions of dollars</u>						
C. External sector						
Trade balance (goods and services)	6 616	2 236	664	-2 626	-4 477	649
Balance on current account	5 873	2 172	486	-3 048	-5 330	-200
Variation in net international reserves	4 470	2 689	27	-215	-1 894	1 250
External debt	1 493	1 262	2 961	4 426	6 921	...

Source: CEPAL, on the basis of official data.

(a) Preliminary figures.

(b) Gross domestic product plus terms-of-trade effect.

(c) Cost of living index for the metropolitan area of Caracas.

(d) Percentage.

(e) Disbursed long and medium-term State-guaranteed public and private debt.

Table 2

VENEZUELA: TOTAL SUPPLY AND DEMAND

	Millions of bolívares at 1970 prices			Percentage breakdown		Growth rates		
	1977	1978	1979(a)	1977	1979(a)	1977	1978	1979(a)
Total supply	102 269	106 930	108 208	119.5	131.4	12.5	4.6	1.2
Gross domestic product at market prices	75 465	79 102	82 345	100.0	100.0	7.6	4.8	4.1
Imports of goods and services (b)	26 804	27 828	25 863	19.5	31.4	29.0	3.8	-7.1
Total demand	102 269	106 930	108 208	119.5	131.4	12.5	4.6	1.2
Domestic demand	93 298	98 015	99 041	94.0	120.3	14.3	5.1	1.0
Gross domestic investment	...	...	...	27.0	...	...	...	...
Gross fixed investment	34 392	34 101	...	22.0	...	29.6	-0.8	...
Public	15 906	17 452	...	7.0	...	23.0	9.7	...
Private	18 486	16 649	...	15.0	...	35.9	-9.1	...
Changes in stocks (c)	...	...	...	5.0	...	...	...	...
Total consumption	58 906	63 914	...	67.0	...	6.9	8.5	...
General government	12 895	13 434	...	13.4	...	6.5	4.2	...
Private	46 011(c)	50 480(c)	...	53.6	...	7.0(c)	9.7(c)	...
Exports of goods and services (b)	8 971	8 915	9 167	25.5	11.1	-3.0	-0.7	2.8

Source: 1970-1978: CEPAL calculations on the basis of figures from the Central Bank of Venezuela; 1979: CEPAL estimates on the basis of official data.

(a) Preliminary figures.

(b) The figures for exports and imports of goods and services were taken from balance-of-payments data expressed in dollars at current prices, which were converted to constant 1970 values by deflation, using indexes calculated by CEPAL for the purpose.

(c) Changes in stocks included under private consumption.

Table 3

VENEZUELA: GROSS DOMESTIC PRODUCT, BY KIND OF ECONOMIC ACTIVITY, AT FACTOR COST

	Millions of bolívares at 1970 prices			Percentage breakdown		Growth rates		
	1977	1978	1979(a)	1970	1979(a)	1977	1978	1979(a)
	Agriculture	4 634	4 938	5 185	7.5	6.5	7.6	6.6	5.0
Petroleum	6 905	6 819	7 290	22.2	9.2	-3.8	-1.2	6.9
Extraction	5 378	5 236	5 702	18.5	7.2	-4.0	-2.6	8.9
Refining	1 527	1 583	1 588	3.7	2.0	-3.0	3.7	0.3
Mining (excluding petroleum)	640	564	660	1.4	0.8	-11.4	-11.9	17.0
Manufacturing	9 307	9 798	10 249	11.3	12.9	4.1	5.3	4.6
Construction	5 637	6 210	6 272	3.8	7.9	24.6	10.2	1.0
Subtotal goods	27 123	28 329	29 656	46.2	37.4	5.7	4.4	4.7
Electricity, gas and water	1 626	1 707	2 032	1.7	2.6	7.3	5.0	19.0
Transport, storage and communications	9 743	10 547	11 074	10.9	14.0	12.3	8.3	5.0
Subtotal basic services	11 369	12 254	13 105	12.6	16.6	11.6	7.8	7.0
Commerce, restaurants and hotels	8 354	8 422	8 312	11.0	10.5	3.8	0.8	-1.3
Financial institutions, insurance and real estate	9 890	10 316	10 626	12.9	13.4	3.5	4.3	3.0
Community, social and personal services	15 913	16 817	17 490	17.3	22.1	13.7	5.7	4.0
Subtotal other services	34 157	35 555	36 428	41.2	46.0	8.1	4.1	2.5
Total gross domestic product (b)	72 366	75 854	78 964	100.0	100.0	7.6	4.8	4.1

Source: 1970-1978: CEPAL calculations on the basis of figures supplied by the Central Bank of Venezuela; 1979: CEPAL estimates on the basis of official figures.

(a) Preliminary figures.

(b) As the individual activities and the totals were calculated independently, the sum of the former does not correspond exactly with the latter.

Table 4

VENEZUELA: SOME INDICATORS RELATING TO PETROLEUM AND IRON ORE

	1976	1977	1978	1979(a)	Growth rates			
					1976	1977	1978	1979(a)
Petroleum (millions of barrels)								
Production								
Crude petroleum	840	817	790	860	-1.9	-2.7	-3.3	8.9
Refined petroleum	360	354	359	360	13.9	-1.7	1.4	0.3
Exports	781	717	716	755	2.6	-8.2	-0.1	5.4
Crude petroleum	502	482	454	506		-4.0	-5.8	11.5
Refined petroleum	279	235	262	249	24.6	-15.8	11.5	-5.0
Domestic consumption of refined petroleum	94	99	109	121	5.7	5.3	10.1	11.0
Reserves	18 229	18 039	18 272	18 712	-1.1	-1.0	1.3	2.4
Theoretical life of reserves (b) (years)	21.7	22.1	23.1	21.8	0.9	1.8	4.5	-5.6
Gas								
Production (millions of m3)	37 135	37 512	34 842	36 943	-2.4	1.1	-7.1	6.0
Utilized (percentages)	92.0	93.0	93.4	93.7	3.5	0.8	0.4	0.3
Wasted (percentages)	8.0	7.5	6.6	6.3	-27.4	-6.3	-12.0	-4.5
Iron ore (millions of tons)								
Production	18.7	13.7	13.5	16.3	-25.0	-26.7	-1.5	20.7
Exports	15.7	11.9	12.8	13.6	-27.6	-24.2	7.6	6.3

Source: President of Venezuela, Mensaje al Congreso de la República, March 1980.

(a) Preliminary figures.

(b) Reserves divided by production of crude petroleum in the corresponding year.

Table 5

VENEZUELA: VALUE AND VOLUME OF AGRICULTURAL PRODUCTION

	1976	1977	1978	1979(a)	Growth rates			
					1976	1977	1978	1979
<u>Value (millions of bolívares at 1968 prices)</u>								
Agricultural sector	5 048	5 552	6 053	6 373	-5.6	10.0	9.0	5.3
Crop farming	1 920	2 381	2 509	2 627	-12.9	24.0	5.4	4.7
Cereals	325	701	745	856	-34.2	115.7	6.3	14.9
Roots and tubers	190	233	236	248	-8.0	22.6	1.3	5.1
Textiles and oilseeds	223	244	224	188	-16.5	9.4	-8.2	-16.1
Fruit	347	354	392	406	3.3	2.0	10.7	3.6
Green vegetables	156	153	167	176	15.6	-1.9	9.2	5.4
Coffee, cocoa and others	635	658	697	702	-11.4	3.6	5.9	0.7
Legumes	44	38	48	51	-8.3	-13.6	26.3	6.3
Stock-raising	2 593	2 632	2 887	3 069	1.7	1.5	9.7	6.3
Fishery	100	101	111	112	-2.8	1.0	9.9	0.9
Forestry	59	45	70	66	-28.4	-23.7	55.6	-5.7
Agricultural services and improvements	289	307	385	406	-9.3	6.2	25.4	5.5
Processed goods	89	86	93	93	1.4	-3.4	8.1	-
<u>Volumen (thousands of metric tons)</u>								
Principal crop-farming products								
Rice	206	514	544	653	-43.2	149.5	5.8	20.0
Maize	417	4	804	848	-36.1	85.6	3.9	5.5
Sorghum	124	291	340	429	76.3	134.7	16.8	26.2
Plantain	859	898	957	962	-	4.5	6.6	0.5
Oranges	250	258	342	369	-17.9	3.2	32.6	7.9
Coffee	40	59	60	62	-37.6	47.5	1.7	3.3
Sugar cane	6 039	4 433	4 939	4 400	10.1	-26.6	11.4	-10.9
Bananas	363	406	455	500	-1.8	11.8	12.1	9.9
Potatoes	132	196	201	225	-12.9	48.5	2.6	11.9
Principal stock-raising products								
Milk (b)	1 162	1 206	1 237	1 264	-2.1	3.8	2.6	2.2
Beer (c)	1 371	1 444	1 526	1 675	-0.8	5.3	5.7	9.8
Pork (c)	1 296	1 408	1 520	1 568	3.4	8.6	8.0	3.2
Poultry (d)	120	110	129	143	14.8	-8.3	17.3	10.9
Eggs for consumption (d)	1 538	1 639	1 845	1 951	-2.9	6.6	12.6	5.7

Source: President of Venezuela, Mensaje al Congreso de la República, March 1980.

(a) Preliminary figures.

(b) Millions of litres.

(c) Thousands of head.

(d) Millions of units.

Table 6

VENEZUELA: INDUSTRIAL PRODUCTION OF SOME PUBLIC ENTERPRISES

	Thousands of tons				Growth rates			
	1976	1977	1978	1979(a)	1976	1977	1978	1979(a)
Steel (b)	752	678	679	1 283	-18.2	-9.8	0.1	89.0
Aluminium	50	41	75	228	-4.5	-18.0	82.9	204.0
Alcasa (c)	50	41	61	106	-4.5	-18.0	48.8	73.8
Venalum (d)	-	-	14	122	-	-	-	771.4
Chemical products (e)	415	447	449(f)	557(f)	...	7.7	0.4	24.1
Sugar (g)	175	183	143	141	-8.3	4.6	-21.9	-1.4
Electricity (h) (i)	9 914	11 201	11 380	13 355	...	13.0	1.6	17.4

Source: President of Venezuela, Mensaje al Congreso de la República, march 1980 and previous years.

- (a) Preliminary figures.
 (b) Siderúrgica del Orinoco (SIDOR).
 (c) Aluminio del Caroní, S.A.
 (d) Industria Venezolana de Aluminio.
 (e) Petroquímica de Venezuela (PEQUIVEN).
 (f) Volume of sales.
 (g) Centrales Azucareros (CENAZUCA).
 (h) Electrificación del Caroní (EDELCA).
 (i) Millions of kWh.

Table 7

VENEZUELA: EMPLOYMENT, BY SECTORS OF THE ECONOMY

	Thousand of persons				Growth rates			
	1976	1977	1978	1979(a)	1976	1977	1978	1979(b)
<u>Production of goods</u>	<u>1 595</u>	<u>1 671</u>	<u>1 719</u>	<u>1 698</u>	<u>5.8</u>	<u>4.8</u>	<u>2.9</u>	<u>-0.2</u>
Agriculture	695	684	646	622	2.5	-1.6	-5.6	-4.5
Petroleum and mining	43	52	50	55	4.6	20.9	-3.8	7.8
Manufacturing	577	613	665	652	6.8	6.2	8.5	-0.2
Construction	280	322	358	369	11.8	15.0	11.2	6.6
Basic services	252	289	318	324	4.7	14.7	10.0	5.2
Electricity, gas and water	41	40	45	46	3.6	-2.4	12.5	4.5
Transport and communications	211	249	273	278	4.9	18.0	9.6	5.3
<u>Other services</u>	<u>1 797</u>	<u>1 865</u>	<u>1 920</u>	<u>1 979</u>	<u>5.0</u>	<u>3.8</u>	<u>2.9</u>	<u>3.7</u>
Commerce	673	680	688	713	4.8	1.0	1.2	13.4
Finance	136	154	167	174	5.0	13.2	8.4	6.7
Miscellaneous services	985	1 029	1 061	1 090	3.9	4.5	3.1	2.5
<u>Total</u>	<u>3 645</u>	<u>3 826</u>	<u>3 957</u>	<u>4 001</u>	<u>6.0</u>	<u>5.0</u>	<u>3.4</u>	<u>1.1</u>

Source: Oficina Central de Estadística e Informática (OCEI), Encuesta de hogares.

(a) First half.

(b) First half of 1979 compared with the first half of 1978.

Table 8

VENEZUELA: MAIN FOREIGN TRADE INDICATORS

	1974	1975	1976	1977	1978	1979
<u>Growth rates</u>						
Exports of goods						
Value	135.7	-19.1	4.1	3.4	-5.1	55.8
Volume	-11.6	-24.2	-1.8	-7.2	-5.1	6.0
Unit value	166.7	6.8	6.0	11.4	0.0	47.0
Imports of goods						
Value	47.5	41.0	32.1	43.3	6.6	-2.9
Volume	18.7	21.5	21.2	30.1	-3.1	-10.0
Unit value	24.2	16.1	9.0	10.2	10.0	7.8
Terms of trade	114.7	-8.0	-2.7	1.1	-9.1	36.3
<u>Indexes (1970 = 100)</u>						
Terms of trade	307.7	283.2	275.5	278.4	253.1	345.0
Purchasing power of exports of goods	263.2	183.5	175.3	164.4	141.9	205.0
Purchasing power of exports of goods and services	271.4	186.1	180.1	173.3	156.9	220.5

Source: CEPAL, on the basis of official data.

Table 9

VENEZUELA: EXPORTS BY PRODUCT GROUPS, 1976-1979

	Millions of dollars				Percentage breakdown		Growth rates		
	1976	1977	1978	1979	1970	1979	1977	1978	1979
Petroleum and petroleum products	8 707	9 226	8 705	13 746	90.5	96.2	6.0	-5.6	57.9
Iron ore	355	164	128	143	5.3	1.0	-53.8	-22.0	11.7
Aluminium	10	10	28	157	0.3	1.1	-	180.0	460.7
Other	270	261	312	243	3.9	2.7	-3.3	19.5	-22.1
<u>Total</u>	<u>9 342</u>	<u>9 661</u>	<u>9 173</u>	<u>14 289</u>	<u>100.0</u>	<u>100.0</u>	<u>3.4</u>	<u>-5.1</u>	<u>55.8</u>

Source: President of Venezuela, Mensaje al Congreso de la República, March 1980 and previous years.

Table 10

VENEZUELA: STRUCTURE OF IMPORTS

	Millions of dollars				Percentage breakdown		Growth rates		
	1976	1977	1978	1979	1970	1979	1977	1978	1979
Consumer goods	1 241	1 841	2 172	2 001	21.9	18.7	48.3	18.0	-7.9
Food and beverages	555	786	750	749	4.9	7.0	41.6	-4.6	-0.1
Other items	685	1 055	1 422	1 252	17.0	11.7	54.0	34.8	-12.0
Luxury	404	362	485	439	4.9	4.1	-10.4	34.0	-9.5
Non-luxury	281	693	937	813	12.1	7.6	146.6	35.2	-13.2
Intermediate inputs	2 063	3 402	3 219	3 371	36.7	31.5	64.9	-5.4	4.7
Raw materials and auxiliaries	1 724	2 688	2 491	2 686	33.4	25.1	55.9	-7.3	7.8
For industry	1 616	2 471	2 271	2 472	29.7	23.1	52.9	-8.1	8.9
For agriculture and stock-raising	65	145	154	150	1.9	1.4	123.1	6.2	-2.6
Fuels and lubricants	43	72	66	64	1.7	0.6	67.4	-8.3	-3.0
Construction materials	339	713	728	685	3.3	6.4	110.3	2.1	-5.9
Capital goods	3 909	5 098	5 633	5 339	42.4	49.9	30.4	10.5	-5.2
Machinery and tools	2 330	3 361	3 340	3 285	26.9	30.7	44.2	-0.6	-1.6
Transport equipment	1 579	1 737	2 293	2 054	15.5	19.2	10.0	32.0	-10.4
<u>Total</u>	<u>7 213</u>	<u>10 340</u>	<u>11 023</u>	<u>10 700</u>	<u>100.0</u>	<u>100.0</u>	<u>43.4</u>	<u>6.6</u>	<u>-2.9</u>

Source: President of Venezuela, Mensaje al Congreso de la República, March 1980 and previous years.

Table 11

VENEZUELA: BALANCE OF PAYMENTS
(Millions of dollars)

	1974	1975	1976	1977	1978	1979(a)
Current account						
Exports of goods and services	11 614	9 345	9 829	10 292	9 976	15 109
Goods, FOB (b)	11 092	8 976	9 342	9 661	9 173	14 289
Services	522	369	487	631	803	820
Transport	304	131	149	221	331	300
Travel	174	180	226	284	341	350
Imports of goods and services	4 998	7 109	9 165	12 918	14 453	14 460
Goods, FOB (b)	3 876	5 463	7 213	10 340	11 023	10 700
Services	1 122	1 646	1 952	2 578	3 430	3 760
Transport	468	776	1 032	1 065	1 255	1 320
Travel	289	417	617	1 054	1 619	1 780
Net payments of profits and interest on foreign capital	-613	79	-9	-192	-361	-35
Profits	849	-480	-504	-574	-686	-1 050
Interest	236	559	495	382	325	700
Net private transfer payments	-130	-143	-169	-230	-492	-499
Balance on current account	5 873	2 172	486	-3 048	-5 330	-200
Capital account						
Net external financing (a+b+c+d+e)	-5 873	-2 172	-486	3 048	5 330	200
a) Long-term capital	-664	382	1 390	2 090	3 782	} 1 450
Direct investment (net)	-343	418	-889	-4	68	
Private sector	-3	351	733	1 097	1 702	
Loans	41	427	1 137	1 539	2 450	
Amortization payments	-6	-	-187	-294	-593	
Other net assets and liabilities	-38	-76	-217	-148	-155	
Official sector	-318	-387	1 546	997	2 012	
Loans	126	291	1 536	1 719	2 441	
Amortization payments	-400	-469	-743	-407	-421	
Other net assets and liabilities	-44	-209	753	-315	-8	
b) Net short-term capital	-675	165	-1 787	796	-308	
Private sector	155	-240	-3 749	-1 810	-2 009	
Official sector	36	5	4	20	-	
Monetary authorities	6	-23	-44	-25	-83	
Errors and omissions	-872	423	2 002	2 611	1 784	
c) Allocation of Special Drawing Rights (SDRs)						
d) Official transfer payments (net)	-64	-30	-62	-53	-38	
e) International reserves						
(minus sign signifies an increase)	-4 470	-2 689	-27	215	1 894	-1 250
Use of IMF credit	-	-	-	-	-	...
Other liabilities	-	-	-	-	-	...
Monetary gold	-	-	-	-	-	...
Special Drawing Rights (SDRs)	-3	-4	-3	-12	-38	-135
IMF reserve position	-349	-491	-139	109	307	228
Foreign exchange and other assets	-4 118	-2 194	115	118	1 625	-1 343

Source: 1974-1978: International Monetary Fund, *Balance of Payments Yearbook*, vol. 30; 1979: CEPAL, on the basis of official data.

(a) Preliminary figures.

(b) Including non-monetary gold.

Table 12

VENEZUELA: BORROWING IN INTERNATIONAL CAPITAL MARKETS
(Millions of dollars)

	1974	1975	1976	1977	1978	1979(a)
Bonds	2	-	-	438	689	153
Loans on the Eurocurrency market	50	200	1 129	1 650	1 990	1 880
<u>Total</u>	<u>52</u>	<u>200</u>	<u>1 129</u>	<u>2 088</u>	<u>2 679</u>	<u>2 034</u>

Source: World Bank, Borrowing in International Capital Markets, several issues.

(a) Includes only loans contracted between January and September 1979.

Table 13

VENEZUELA: INDICATORS OF EXTERNAL INDEBTEDNESS
(Millions of dollars)

	At end of year						
	1973	1974	1975	1976	1977	1978	1979(a)
Public external debt disbursed (b)	894	751	1 391	3 283	4 724	7 266	8 188
Debt servicing	308	506	538	407	827	750	...
Amortization payments	206	384	435	285	605	356	...
Interest	102	122	103	122	222	394	...
Debt servicing as a percentage of exports	6.0	4.3	5.7	4.2	8.1	7.5	...

Source: Public external debt: President of Venezuela, Mensaje al Congreso de la República, March 1980.

Debt servicing: World Bank. Debt servicing corresponds to the disbursed State-guaranteed public and private long- and medium-term debt.

(a) Preliminary figures.

(b) Excludes floating debt.

Table 14

VENEZUELA: EVOLUTION OF DOMESTIC PRICES

	1971	1972	1973	1974	1975	1976	1977	1978	1979
	Variation between annual averages								
Consumer prices (a)	3.2	2.9	4.1	8.3	10.2	7.7	7.8	7.1	12.3
Food	3.4	4.9	7.6	12.7	14.7	8.8	12.3	9.3	16.6
Clothing	-	2.9	7.7	20.2	17.0	16.5	10.0	8.5	25.3
Wholesale prices (b)	3.5	3.5	6.6	16.7	13.7	7.2	10.9	7.6	9.4
Domestic products	2.3	2.7	7.2	16.8	14.3	8.0	13.4	8.3	11.1
Imported products	4.9	4.5	5.7	16.7	12.8	6.1	6.9	6.2	6.7
	Variation December - December								
Consumer prices (a)	3.0	3.5	5.1	11.6	8.0	6.9	8.1	7.0	20.5
Food	3.5	7.4	8.1	18.3	8.7	8.2	14.8	7.0	34.4
Clothing	-	9.3	7.9	21.8	19.3	10.4	8.3	12.9	40.2
Wholesale prices (c)	3.7	2.7	11.0	19.9	8.2	8.8	11.0	5.8	15.4
Domestic products	3.1	3.7	12.1	17.0	10.3	7.6	17.0	4.5	17.5
Imported products	4.4	2.1	10.3	21.9	5.4	10.4	5.1	6.7	12.1

Source: President of Venezuela, Mensaje al Congreso de la República, March 1976, 1977, 1978, 1979 and 1980; Central Bank of Venezuela, Informe económico, 1972, 1973, 1974 and 1975.

(a) Cost-of-living index for the metropolitan area of Caracas.

(b) Average January-November 1979/January-November 1978.

(c) Variation between November 1979 and November 1978.

Table 15

VENEZUELA: MONETARY POSITION

	End-year balance in millions of bolívares				Growth rates			
	1976	1977	1978	1979	1976	1977	1978	1979
	<u>Money</u>	29 884	37 093	42 900	46 703	14.7	24.1	15.7	8.9
<u>Currency outside banks</u>	5 820	7 383	9 012	10 012	23.2	26.9	22.1	11.1
Demand deposits	22 222	27 589	32 168	34 200	22.1	24.2	16.6	6.3
<u>Factors of expansion</u>	58 335	69 107	79 030	87 529	23.6	18.5	14.4	10.8
<u>Foreign assets (net)</u>	37 086	35 323	29 078	35 016	-3.4	-4.7	-17.7	20.4
<u>Domestic credit</u>	21 249	33 784	49 952	52 513	141.7	59.0	47.9	5.1
Government (net)	-19 360	-15 109	-11 263	-12 354				
Official entities	611	810	754	914	9.7	32.6	-6.9	21.2
Private sector	39 295	46 776	57 733	60 856	36.8	19.0	23.4	5.4
<u>Factors of absorption</u>	28 453	32 014	36 130	40 827	34.6	12.5	12.9	13.0
<u>Quasi-money (savings and time deposits)</u>	21 567	27 482	31 848	32 657	39.9	27.4	15.9	2.5
<u>Other items (net)</u>	6 886	4 532	4 282	8 170	20.2	-34.2	-5.5	90.8

Source: International Monetary Fund, International Financial Statistics, May 1980.

Table 16

VENEZUELA: CENTRAL GOVERNMENT INCOME AND EXPENDITURE

	Millions of bolívares				Growth rates			
	1976	1977	1978	1979	1976	1977	1978	1979
	<u>1. Current income</u>	38 110	40 474	40 122	50 027	-6.8	6.2	-0.9	24.7
<u>Petroleum</u>	27 441	28 734	24 468	32 507	-13.3	4.7	-14.8	32.9
Direct	4 722	5 458	6 995	7 084	43.7	15.6	28.2	1.2
Indirect and other income	5 947	6 282	8 659	10 436	-0.1	5.6	37.8	20.5
<u>2. Current expenditure</u>	20 687	24 643	25 107	30 105	13.4	19.1	1.9	19.9
Wages and salaries	8 704	10 181	11 115	12 819	19.7	17.0	9.2	15.3
Economic subsidies	1 159	1 159	813	872	-28.8	-	-29.8	7.3
Other current expenditure	10 824	13 303	13 179	16 414	15.8	22.9	-0.9	24.5
<u>3. Saving on current account (1-2)</u>	17 423	15 831	15 015	19 922	-23.0	-9.1	-5.2	32.6
<u>4. Capital expenditure</u>	15 956	17 848	18 239	11 707	-19.7	11.9	2.2	-35.8
Real investment	4 234	5 778	6 481	3 610	21.4	36.5	12.2	-44.3
Transfers	4 141	10 101	9 987	6 302	-18.2	144.0	-1.1	-36.9
Financial investment	7 569	1 929	1 739	1 766	-33.1	-74.5	-9.8	1.6
Other capital expenditure	12	40	32	30	60.8	233.3	-20.0	-6.2
<u>5. Expenditure on refinancing operations</u>	4 292	2 902	1 914	-	-	-32.4	-34.0	-
<u>6. Debt servicing</u>	3 636	5 301	5 953	9 147	105.3	45.8	12.3	53.7
<u>7. Total expenditure (2+4+5+6)</u>	44 571	50 694	51 213	50 959	11.8	13.7	1.0	-0.5
<u>8. Fiscal deficit or surplus (1-7)</u>	-6 461	-10 220	-11 091	-932	-	-	-	-
<u>Financing of deficit</u>								
External	4 372	8 519	10 038	70				
Domestic	641	2 153	447	-				
Other	1 448	-452	606	862				

Source: CEPAL, on the basis of official statistics.