

BOLIVARIAN REPUBLIC OF VENEZUELA¹

1. General trends

According to estimates by the Economic Commission for Latin America and the Caribbean (ECLAC), economic activity in the Bolivarian Republic of Venezuela grew for a second consecutive year in 2023, by 3.0%. The Venezuelan economy's strong performance in 2023 occurred in both oil and non-oil activities. Oil activities benefited from an increase in crude oil production, which rose by an average of 8.1%, from 686 barrels per day in 2022 to 741,000 per day in 2023. This improvement in crude oil production, especially from September 2023 onward, was thanks to the easing of restrictions imposed by the United States, which has allowed international firms to resume operations in Venezuelan territory.

Non-oil activity was boosted by several factors, including greater exchange-rate and price stability in 2023. The economy's positive performance was also aided by improved fuel distribution in the main urban and industrial areas and a reduction in the frequency and severity of power outages. For 2024, ECLAC expects the Venezuelan economy to grow by 5.0%, on the back of a further increase in crude oil production—which was up by 15.6% year-on-year in the first half—the revival of service activities (commerce) and certain manufacturing sectors (such as agro-industry and pharmaceuticals), and a rise in remittances, which will underpin higher private consumption.

In addition, the deterioration of Venezuelans' purchasing power has slowed thanks to greater nominal stability in the economy in the recent period, which in turn has supported the recovery of domestic aggregate demand. For 2025, ECLAC projects 3.0% growth for the Venezuelan economy, with a fresh rise in oil production, an upturn in oil prices, greater nominal stability and the expansion of sectors such as agro-industry, whose exports have risen.

2. Economic policy

(a) Fiscal policy

In 2023 and the first half of 2024, non-oil tax revenues showed a considerable increase. Consistently with the economic recovery, growth of imports and lower inflation, the revenue received in 2023 by the National Integrated Customs and Tax Administration Service (SENIAT) was up by 28% in real terms. For the first half of 2024, the data reported show the Service's collection up by 81.1% year-on-year in real terms.

Oil-related fiscal revenues are reckoned to have slipped in 2023, reflecting a 9.2% reduction in gross oil revenues at bulk prices during the year. The decline in gross revenues reflects a 16.0% drop in the average price of Venezuela's benchmark crude oil between 2022 and 2023. Oil output grew by 8.1% in that period, from a daily average of 686,000 barrels in 2022 to 741,000 in 2023, according to secondary sources data from the Organization of the Petroleum Exporting Countries (OPEC). Oil-related fiscal revenues increased in the first half of 2024, as the average reference price of Venezuelan crude oil rose by 17.1% compared to the prior-year period, while average production rose by 15.6%. On the basis of these figures,

¹ At the time of writing, no official information was available on national accounts, public finances, the labour market or the balance of payments.

gross oil revenues are estimated to have climbed by 62.2% in the first half of 2024 compared to the year-earlier period.

Since October 2023, the United States has eased its sanctions on the Venezuelan public sector, which has allowed United States firms to resume operations in the country, and afforded Venezuelan crude oil renewed access to the United States, Indian and European markets. The easing of sanctions has also led to a reduction in discounts applied to Venezuelan crude oil at the point of sale.

The recovery in fiscal revenues since July 2023, as well as a policy of moderate spending growth, has enabled a significant reduction in monetary financing of fiscal management, which in turn has been key to the inflation-reduction strategy.

Notably, the government has been in default on its external debt since late 2017; this amounted to US\$ 128 billion in December 2018, according to the Central Bank of Venezuela.

(b) Monetary policy

In 2023, the central bank adopted various measures aimed at reducing the high and persistent inflation that has dogged the Venezuelan economy over the past decade. These include interventions in the foreign-exchange market, changes to the financial conditions of the central bank's liquidity-absorbing operations and the establishment of instruments to control the capacity of banking institutions to intermediate foreign-currency deposits.

These measures, together with a less expansionary monetary stance, slowed the growth rates of the main monetary aggregates, continuing the trend began in 2020. The year-on-year expansion of the monetary base averaged 152% in 2023, compared to 563% in 2022. Between May 2023 and May 2024 the monetary base grew by 169%, versus 332% between May 2022 and May 2023.

The money supply (M2) grew at year-on-year rates averaging 342% in 2023, compared to 401% in 2022. In the first half of 2024 (June 2023–June 2024), M2 grew by 208%, compared 356% between June 2022 and June 2023.

Nominal lending rates have trended upward since the second half of 2023, reflecting slower expansion of base money over the period and the financial cost incurred by banking institutions in fund intermediation.

This interest rate behaviour contrasts with the pattern from December 2022 to May 2023, when lending rates fell by 6.5 percentage points. Despite the movements in nominal lending rates, given the still-high levels of inflation, real interest rates remained negative during 2023 and in the first half of 2024. In 2023, domestic credit to the private sector increased in real terms, with a year-on-year rise of 5%, and this positive variation carried over into the first half of 2024. It is noteworthy that this growth in credit to the private sector is taking place against the backdrop of slower expansion of the monetary base and with reserve requirements set at 73% as of January 2022. This situation has led financial institutions to allocate part of the resources that should be used to meet the legal reserve requirement to lending operations. Despite the recovery of domestic credit to the private sector, the CONINDUSTRIA survey for the first quarter of 2024 shows that lack of access to credit is one of the main constraints affecting Venezuelan industrialists.

(c) Exchange-rate policy

In 2023 the Venezuelan currency price reflected its tendency to closely track oil price dynamics. The fall in crude oil prices in international markets during 2023, with respect to 2022, translated into faster depreciation of the bolívar against the dollar than had occurred the previous year. Thus, the falls in the price of Venezuelan oil during the first seven months of 2023 were accompanied by faster exchange-rate depreciation. Accordingly, the bolívar's average year-on-year depreciation accelerated from 91% in the first seven months of 2022 to 428% in the same period of 2023. More limited availability of foreign exchange, amid lower oil exports, reduced the central bank's ability to intervene in the foreign-exchange market; as a result, the central bank was less able to continue basing its inflation-reduction strategy on the "exchange-rate anchor", as it had done in 2022.

However, currency depreciation slowed as oil prices recovered from September onward, and came to an average of 253% between August and December 2023. In the first half of 2024 (June–June), the bolívar depreciated year-on-by 30%, compared to 406% in the same period of 2023. Again, the rise in Venezuelan crude oil production and prices in 2024, as well as the increase in remittances and non-oil exports, have helped to increase the supply of foreign exchange in the market.

International reserves reported by the central bank decreased by 1.1% in 2023, a smaller fall than the 9.1% in 2022. By June 2024, with the improved oil scenario, international reserves were up 5% from their December 2023 level and 6.6% from June 2023. This is the first time since 2022 that international reserves have been built up during the first half-year. It is worth noting, however, that this international reserve figure includes the resources that in principle were to be allocated by the International Monetary Fund in the context of COVID-19. Excluding those resources, which were not actually received by the central bank, the level of international reserves as of June of each year has declined since 2013.

3. The main variables

(a) The external sector

Given the decline in the price of crude oil in international markets in 2023, oil exports are estimated to have been 9% lower in 2023 than in 2022. This fall in oil exports occurred despite the aforementioned recovery of oil production, and despite the restoration of trade with the United States, Indian and European markets following the easing of the sanctions on PDVSA from October onward. Conversely, import values rose in 2023, amid higher demand for imported inputs and stronger private consumption driven by the growth of economic activity. Remittance inflows are expected to recover in 2023, in line with labour market improvements and falling inflation in countries that receive Venezuelan migrants. For 2024, oil exports are expected to rise again, owing to higher crude oil prices in international markets and rising volumes of oil exports. As of June 2024, oil exports are estimated to have increased by 39%. Non-oil exports are also expected to rise in 2024, reflecting the increase in trade of Venezuelan fruit and other agro-industrial goods. Although economic activity is projected to continue growing, this will be at a slower pace, which will in turn reduce the demand for imported inputs.

(b) Economic activity

Economic activity is estimated to have returned positive growth for the second year running, at 3.0% in 2023. As in 2022, the stronger economic performance reflected the recovery in oil activity, especially in the second half of the year. In addition, other sectors such as agro-industry, pharmaceuticals and commerce have seen an upturn.

Oil industry activity continued to increase in the first half of 2024, at an even higher rate than in 2023. Between June 2023 and June 2024, Venezuelan crude oil production was up by 15.6%, compared with 2.5% in the prior-year period. This jump in production, together with higher prices, and a reduction in the discounts extended by PDVSA at the point of sale, has increased the foreign exchange available to the central bank to intervene in the exchange market, thereby reducing the rate of depreciation of the bolivar, and facilitating resources to finance imports and build up international reserves.

On the basis of these indicators, ECLAC has upgraded its growth forecasts for the Venezuelan economy in 2024, to 5.0%, from the 4.0% rate projected in December 2023 and again in May 2024. Estimates point to 3.0% growth in 2025, reflecting a fresh upturn in oil activity, which could even involve significant improvements in refining capacity, together with growth in the non-oil sector, especially agro-industrial activity and commerce. Naturally, this depends essentially on continued easing of the sanctions imposed on the Venezuelan public sector and on the oil industry in particular. This GDP growth scenario in 2025 also depends on the authorities' ability to continue stabilizing the exchange rate and reducing inflation.

(c) Prices, wages and employment

In 2023, inflation rose from 2022 levels, from a year-on-year rate of 234% in December 2022, to 292% in December 2023. Like the depreciation of the bolívar, inflation accelerated significantly between January and July 2023. The average inflation rate between January and July 2023 was 409%, falling to 338% between August and December. During the first half of 2024, inflation eased significantly, thanks to lower exchange-rate depreciation and the reduction in monetary financing of the fiscal deficit. In fact, the year-on-year inflation rate has been less than 100% since February 2024, and as of June it was 51.4%. Although this is still one of the highest inflation rates in the region, it is far from the values seen during the hyperinflation in the country, and year-on-year inflation had not fallen to double-digit rates since June 2015.

The integrated minimum wage (basic wage plus food bonus) has not been raised since 2022. Instead, both the public and private sectors have resorted to paying “bonuses” to adjust wages. Given the levels of dollarization exhibited by the Venezuelan economy, many of the bonuses paid by the private sector are denominated (or indexed) in dollars. One implication of this is that since pensions and certain wage benefits are tied to the evolution of the minimum wage, lags in the minimum wage mean lags in the related benefits. Although there are no official data on labour market performance, alternative sources such as the national survey of living conditions, ENCOVI, suggest that employment and participation levels recovered in 2023, compared to 2022.

Table 1
BOLIVARIAN REPUBLIC OF VENEZUELA: MAIN ECONOMIC INDICATORS

	2015	2016	2017	2018	2019	2020	2021	2022	2023 a/
	Annual growth rates b/								
Gross domestic product	-6.2	-17.0	-15.7	-19.6	-28.0	-30.0	-3.0	12.0	3.0
Per capita gross domestic product	-7.3	-17.6	-15.2	-17.6	-25.9	-28.8	-2.0	11.6	1.1
	Percentages of GDP								
Investment and saving c/									
Gross capital formation	30.9	0.1	-3.7	...	...	...	...	...	...
National saving	20.2	-1.8	1.9	...	...	...	...	...	...
External saving	10.7	1.9	-5.7	-6.4	...	...	...	...	...
	Millions of dollars								
Balance of payments									
Current account balance	-16 051	-3 870	8 706	8 613	...	...	...	...	...
Goods balance	3 928	11 033	22 007	20 895	...	...	...	...	...
Exports, f.o.b.	37 236	27 403	34 030	33 677	...	...	...	...	...
Imports, f.o.b.	33 308	16 370	12 023	12 782	...	...	...	...	...
Services trade balance	-12 163	-8 159	-6 321	-6 260	...	...	...	...	...
Income balance	-7 661	-6 918	-7 567	-7 973	...	...	...	...	...
Net current transfers	-155	174	587	1 951	...	...	...	...	...
Capital and financial balance d/	12 000	-2 938	-9 196	-7 658	...	...	...	...	...
Net foreign direct investment	370	27	-2 302	225	...	...	...	...	...
Other capital movements	11 630	-2 965	-6 894	-7 883	...	...	...	...	...
Overall balance	-4 051	-6 808	-2 302	225	...	...	...	...	...
Variation in reserve assets e/	4 051	6 808	758	1 300	...	...	...	...	...
Other external-sector indicators									
Real effective exchange rate (index: 2015=100) c/	100.0	88.0	81.9	253.6	428.2	381.9	228.0	157.2	155.1
Terms of trade for goods f.o.b./f.o.b. (Annual growth rates)	-41.1	-16.1	17.1	21.3	...	...	...	...	...
Net resource transfer (millions of dollars)	-13 062	4 339	-9 856	-16 763	-15 631	...	...	...	...
Total gross external debt (millions of dollars)	149 755	149 859	148 328	148 432	147 899	...	...	...	...
	Average annual rates								
Employment f/									
Labour force participation rate	63.7	63.9	66.2	66.8	65.1	...	...	...	...
Unemployment rate	7.1	7.3	7.3	7.3	6.8	...	...	...	...

Table 1 (concluded)

	2015	2016	2017	2018	2019	2020	2021	2022	2023 a/
Prices	Annual percentages								
Variation in consumer prices (December-December)	180.9	274.4	862.6	130 060.2	9 585.5	2 959.8	686.4	234.1	189.8
Variation in wholesale prices (December-December)	207.3	488.7	2 668.4	357 206.6	...	...	...	...	...
Variation in nominal exchange rate g/ (annual average)	561.8	216.7	336.0	365 843.6	19 264.4	2 265.2	805.2	114.6	304.1
Nominal deposit rate h/	14.9	15.1	14.7	14.7	23.3	29.3	45.4	36.0	36.0
Nominal lending rate i/	19.9	21.4	21.5	21.9	29.3	33.2	43.4	49.2	50.2
Central government	Percentages of GDP								
Total revenue	19.3	...	...	...	...	...	...	...	...
Tax revenue	14.2	...	...	...	...	...	...	...	...
Total expenditure	21.2	...	...	...	...	...	...	...	...
Current expenditure	16.8	...	...	...	...	...	...	...	...
Interest	1.3	...	...	...	...	...	...	...	...
Capital expenditure	4.3	...	...	...	...	...	...	...	...
Primary balance	-0.2	...	...	...	...	...	...	...	...
Overall balance	-1.5	...	...	...	...	...	...	...	...
Central government public debt	31.7	31.1	34.9	...	...	...	...	...	...
Domestic	2.4	21.3	23.6	...	...	...	...	...	...
External	29.3	9.8	11.3	...	...	...	...	...	...

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

a/ Preliminary figures.

b/ Based on figures in local currency at constant 1997 prices.

c/ Based on values calculated in national currency and expressed in current dollars.

d/ Includes errors and omissions.

e/ A minus sign (-) indicates an increase in reserve assets.

f/ Nationwide total.

g/ On the basis of information from Bloomberg.

h/ 90-day deposits rate.

i/ Average rate for loan operations for the six major commercial banks.

Table 2
BOLIVARIAN REPUBLIC OF VENEZUELA: MAIN QUARTERLY INDICATORS

	2022				2023				2024	
	Q.1	Q.2	Q.3	Q.4	Q.1	Q.2	Q.3	Q.4	Q.1	Q.2 a/
Gross international reserves (millions of dollars)	10 632	10 308	9 989	9 877	9 750	9 810	9 702	9 912	10 010	...
Consumer prices (12-month percentage variation)	284.4	157.2	157.4	234.1	439.6	404.4	317.6	189.8	67.8	51.4
Nominal interest rates (average annualized percentages)										
Deposit rate b/	36.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0	...
Lending rate c/	50.1	48.2	47.9	50.7	52.4	48.9	48.6	50.7	55.8	...
Interbank rate	77.2	59.5	65.7	90.4	30.5	93.3	81.5	48.7	45.6	...
Sovereign bond spread, Embi + (basis points to end of period) d/	37 945	36 398	50 130	44 840	34 229	42 210	38 912	21 422	21 720	...
Domestic credit (variation from same quarter of preceding year)	142.6	79.8	95.5	203.6	502.1	474.6	391.2	229.5	76.3	53.5

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

a/ Preliminary figures.

b/ 90-day deposits rate.

c/ Average rate for loan operations for the six major commercial banks.

d/ Measured by J.P.Morgan.