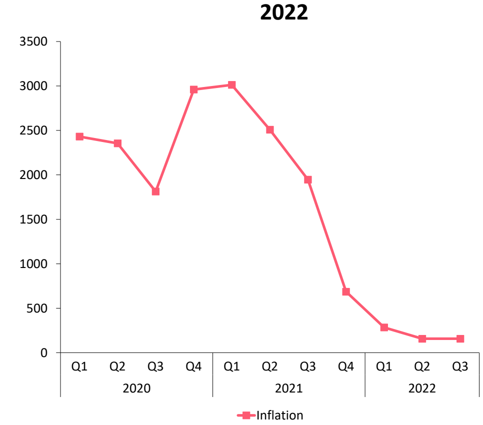
Bolivarian Republic of Venezuela

According to estimates by the Economic Commission for Latin America and the Caribbean (ECLAC), economic activity in the Bolivarian Republic of Venezuela grew by 12% in 2022, ending eight consecutive years of contractions in GDP. This growth reflects rises in prices and output for the country's crude oil. Oil output has expanded in the context of the conflict between the Russian Federation and Ukraine, and the easing of restrictions by the United States on oil exports, which has led to international companies restarting activities in Venezuelan territory. The lifting of restrictions on movement, put in place during the coronavirus disease (COVID-19) pandemic and partially maintained over the first few months of 2022, also contributed to this improvement in activity in the country, as did the end of hyperinflation. Better distribution of fuel in the country's main urban and industrial areas and less frequent and intense power outages also favoured growth. A more comfortable financial position for the public sector and greater availability of foreign currency, owing to an increase in oil exports and a recovery in remittances, made financing of imports easier. In 2023, ECLAC expects the Venezuelan economy to grow by 5%, supported by a rebound in crude oil production, easing of sanctions, a recovery in activities related to services and some manufacturing sectors (such as agro-industry and pharmaceuticals), and sufficient remittance levels to fund private consumption.

Despite the recovery in economic activity in 2022, the revenues of the National Integrated Customs and Tax Administration Service (SENIAT) were 31.5% lower than in 2021 in real terms. In the 2021 fiscal year, revenues grew significantly in the second half of the year, resulting in a 106% annual increase compared to 2020. This sharp rise in revenue in 2021 came from the withdrawal of tax relief measures rolled out in 2020, especially for imports, as well as a recovery in activity in the second half of 2021 and a marked slowdown in inflation. Revenues were 41.7% higher in 2022 than they were in 2019. Fiscal revenues from oil are also estimated to have increased, primarily because of a rise in Venezuelan crude oil output. In November, 12-month average output for 2022 was up 25.1% year-on-year, according to secondary sources from the Organization of the Petroleum Exporting Countries (OPEC). Despite the increase in oil production, in November 2022, average 12-month production was equivalent to around 30% of the output recorded in December 2014. The price of Venezuelan benchmark crude oil (Merey) grew by an average of 51.9% in 2022. The combined effect of rising prices and higher average production resulted in an increase of more than 60% in estimated gross income (price times production). The sanctions imposed on Petróleos de Venezuela S.A. (PDVSA) hinder its ability to export, meaning that that the income it receives must be considerably lower than the gross income, owing to discounts that the company must apply to sell its products. Although the trend in fiscal revenues from oil provided some relief for the country's public sector with regard to the financial limitations it faces, the suspension of external public debt payments that began at the end of 2017 remains in place.

Bolivarian Republic of Venezuela: GDP, Inflation, 2020-2022



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

Bolivarian Republic of Venezuela: main economic indicators, 2020-2022

	2020	2021	2022 [a]
	Annual growth rate		
Gross domestic product	-30.0	-3.0	12.0
Per capita gross domestic product	-29.8	-3.9	11.1
Consumer prices [b]	2 959.8	686.4	155.8 [c]
Money (M1)	1 347.4	1 005.8	375.8 [d]
Terms of trade	-19.4	28.4	32.8
	Annual average percentage		
Open unemployment rate	...	...	...
Nominal deposit rate [d]	29.3	45.4	36.0 [c]
Nominal lending rate [e]	33.2	43.4	48.7 [c]
	Millions of dollars		
Exports of goods and services	...	...	...
Imports of goods and services	...	...	...
Current account balance	...	...	...
Capital and financial balance [f]	2 079	1 916	...
Overall balance	...	...	...

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
a/ Estimates.
b/ Nationwide coverage.
c/ Figures as of October.
d/ Figures as of September.
e/ Deposit rates for 90 days.
f/ Average rate for loan operations for the six major commercial banks.
h/ Includes errors and omissions.

The Central Bank of Venezuela has adopted various monetary policy measures in an attempt to further reduce the high and persistent inflation in the country's economy. Among the measures adopted were the management of the legal reserve ratio, an increase in intervention in the foreign exchange market and changes to the financial conditions associated with the liquidity absorption operations carried out by the central bank. In February 2022, the legal reserve ratio was lowered to 73%, 12 percentage points below the ratio set in 2021. Despite this reduction, surplus bank reserves over the first ten months of 2022 tended to be in deficit [reflecting a failure by financial institutions to meet reserve requirement obligations. In May 2022, the new terms and rates came into effect for hedges, to be used in open market operations. In this context, growth in the monetary base continued to slow in real terms, following on with the trend started in 2020, with average monthly growth rates of 10% in 2022, compared to 14% in 2021 and 25% in 2020. As in recent years, the main driver of this growth in 2022 was fiscal action, in particular through the purchase of securities from non-financial public enterprises. Nominal lending rates have been on an upward trend since 2017; on average, they rose by 7.5 percentage points in 2019, 3.8 percentage points in 2020 and 10.3 percentage points in 2021. In the first ten months of 2022, the average nominal lending rate increased again (6 basis points) compared to the same period of 2021. Lending rates fell by 5 percentage points between January and September 2022, from 52.5% to 47.5%. Given the continued high levels of inflation in the economy, the resulting real interest rates are some way below zero. In real terms, lending to the private sector grew in 2022, reversing the pattern seen since mid-2015. In the second and third quarters of the year, lending to the private sector grew at an average year-on-year rate of 30%.

The combination of the increase in crude oil output, the rises in the Venezuelan oil benchmark and the easing of the sanctions imposed on the Venezuelan oil industry lead to estimated growth in the country's exports of around 60% in 2022, slightly less than the increase in production, owing to a small recovery in the output of refined products and the effect of the discounts applied to exports during most of the year. Imports of goods and services are also expected to have grown, by 25% in 2022, in line with the recoveries in economic activity, private sector consumption and fuel imports. The recovery in employment in the region suggests that remittances from Venezuelan migrants —a growing source of external resources for the economy— rebounded in 2022 to levels close to those recorded in 2019, at an estimated US$ 3.5 billion. These trends suggest the country's current account will have improved in 2022.

International reserves fell by 7% from December 2021 to November 2022. This was a result of central bank intervention in the foreign-exchange market, to finance imports of goods and services including fuel imports, and also to meet private sector demand for foreign currency on the exchange market. At the end of November 2022, the official exchange rate for the bolívar showed depreciation of 92% with respect to the end of 2021, a slower decline in value than in 2021, when the currency depreciated by 315%.

Inflation in 2022 was slower than in 2021. In October 2022, year-on-year inflation stood at 155.8%, equivalent to 10% of the rate of inflation posted in October 2021. Factors such as slower growth in monetary aggregates, less depreciation of the bolívar, a decline in monetary financing of fiscal action (owing to higher fiscal revenues from oil) and increasing dollarization of the economy have contributed to a lower rate of inflation for the country. Despite this substantial slowdown, the rate of inflation has reached a significant support level; after hitting 114% in August 2022, the lowest rate since July 2015, inflation has tended to accelerate.

In March 2022, the integrated minimum wage (minimum wage plus the food subsidy) had risen 1,650% in nominal terms, the largest increase since 2020. The combined effect of this significant nominal increase and the reduction in inflation has resulted in a 744% increase in the real minimum wage.

ECLAC estimates that the Venezuelan economy will grow by 5% in 2022, which will be on account of a greater availability of external assets brought about by relatively high crude oil prices and the higher export volumes made possible by the recovery in Venezuelan oil output, as well as greater flexibility with regard to the sanctions imposed on the country's public sector. However, no major changes are expected in resources from remittances sent by workers living abroad. The reduction in external restrictions is expected to allow fuel imports to continue, facilitating normalization of activities such as agro-industry, transportation and commerce. Meanwhile, moderate growth in private consumption, supported by income from remittances, suggests that other productive sectors focused on the domestic market and imports will also grow in 2023. Factors such as a change of circumstances on the global oil market or a renewed tightening of sanctions could result in slower growth in the Venezuelan economy in 2023. Similarly, a possible upturn in inflation or a decline in fuel and electricity supplies to the productive sectors are underlying risks for this economy in 2023.