

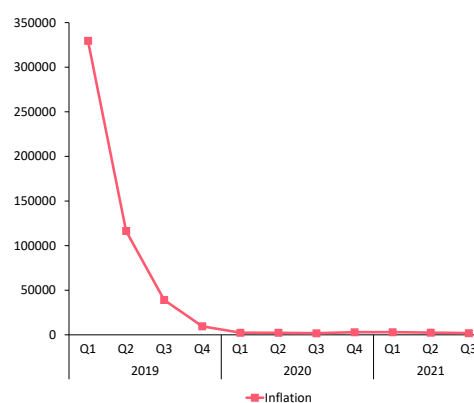
## Bolivarian Republic of Venezuela

According to estimates by the Economic Commission for Latin America and the Caribbean (ECLAC), economic activity in the Bolivarian Republic of Venezuela shrank by 3% in 2021, to give eight consecutive years of contraction. Although this was the smallest fall in GDP since 2013, the accumulated shrinkage of the Venezuelan economy over the 2013–2021 period is estimated to stand at 75%. After the sharp drop of 30% posted in 2020 —on account of the coronavirus disease (COVID-19) pandemic, an acute fuel shortage and the tightening of the sanctions on the Venezuelan public sector imposed by the United States— the dynamics of Venezuelan economic activity, especially in the oil sector, improved sufficiently to allow for a reactivation, most notably in the second half of 2021. Financial constraints on the public sector have also eased, thanks to the increase in international crude prices and the upswing in oil production under way since the end of 2020. The end of the hyperinflation cycle that began in late 2017 also appears to be near: monthly inflation rates were below 50% during the first 11 months of 2021. That notwithstanding, the annualized inflation rate stood at 1,198% in November 2021. ECLAC expects the Venezuelan economy to grow by 3% in 2022, with which its lengthy period of contraction would come to an end.

The fall in aggregate domestic demand, the easing of import levies and the high inflation rates in the Venezuelan economy led in 2021 to a real-term drop of 4% in the receipts of the tax authority (SENIAT) compared to the revenues it obtained in 2020. Tax revenues from the oil sector grew primarily because of the rising price of Venezuelan crude oil (Meruy), which, on average, rose by 85% in 2021. The increase in Venezuelan crude oil production between 2020 and 2021 (an average of 8.5%) also contributed to the increase in oil revenues: in November 2021, output stood at 625,000 barrels a day, according to secondary sources from the Organization of the Petroleum Exporting Countries (OPEC). Despite this increase, production in November 2021 was equal to around 21% of the levels recorded in January 2014. The combined effect of the increases in price and output led to an increase in estimated gross income (production price) of over 100%; this was despite the sanctions imposed on Petr leos de Venezuela S.A. (PDVSA), which hinder the company’s ability to export. The increase in oil tax revenues during 2021 eased the Venezuelan public sector’s financial constraints; the suspension of overseas public debt payments that began at the end of 2017 remains in place, however.

Several indicators suggest that the rate of contraction that the Venezuelan economy has been exhibiting since 2013 will slow down and, in some sectors —such as oil, agribusiness and trade— there are signs that economic activity is stabilizing. Despite this, because of problems with the fuel supply (diesel in particular), power outages, the effects of COVID-19 and the measures adopted to mitigate its impact, and the continuation of the sanctions imposed by the United States, ECLAC estimates a further contraction of 3% in GDP in 2021. This would be the eighth consecutive year of shrinking GDP, but it would be the lowest figure

**Bolivarian Republic of Venezuela: Inflation, 2019-2021**



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

recorded since 2014, over which time the Venezuelan economy has accumulated a drop in GDP equal to 75.2%.

In the area of monetary policy, the central bank (BCV) adopted several measures to regulate the growth of monetary aggregates: these primarily involved the management of legal reserve requirements, the establishment of forex-indexed interest rates for the loan portfolio and increased intervention in the foreign exchange market. Monetary base growth rates fell during 2021, accentuating the trend that began in 2020: compared to an average month-on-month variation of 24.7% in 2020, the average figure in 2021 will be 14%. As has been the case in recent years, the main source of the monetary base expansion in 2021 was fiscal action, especially through the purchase of securities from non-financial public companies, although the growth was smaller than observed in previous years. The pace of private sector credit growth also slowed, from an average nominal month-on-month growth rate of 28.3% between January and October 2020 to an average of 17.3% in the corresponding period of 2021. In real terms, as of October 2021, private sector credit had dropped by 23.3% compared to October 2020.

Increased crude output and the rising price of the Venezuelan oil benchmark suggest a 40% increase in the country's exports in 2021. In turn, imports of goods and services are expected to grow by 5%, reflecting a slight reactivation in consumption and the effects of the real-term appreciation of the bolívar. The recovery in employment in the region suggests that remittances from Venezuelan migrants—a growing source of external resources for the economy—will recover in 2021, although they will remain below the levels observed in 2019. These dynamics suggest the country's current account will improve in 2021. International reserves increased by 71% between December 2020 and November 2021, and the central bank stepped up its intervention in the foreign exchange market. This would be the first increase in international reserves since 2014. However, it should be noted that the increased international reserves were the result of the registration in accounts of the special drawing rights (SDR) accruing to Venezuela by virtue of the expansion of SDRs—allocated in proportion to each country's current quota in the International Monetary Fund (IMF)—carried out in August 2021. In that context, between December 2020 and November 2021, the official exchange rate depreciated by 317%, which contrasts with the figure of 2,275% observed in 2020. At the same time, the parallel exchange rate depreciated by 394% between December 2020 and November 2021, compared to a depreciation of 1,726% in 2020.

There were also two increases in the integrated minimum wage (basic wage plus food bonus), for an accumulated increase of 317% in nominal terms. In real terms, the average minimum wage in 2021 fell by 56% compared to 2020, and it has dropped by more than 90% since 2014.

Inflation decreased again during 2021, but the Venezuelan economy still has a 12-month inflation rate of 1,197%. Significantly, if this trend continues, the end of the hyperinflation episode ongoing in the country since 2017 could be near, given that month-on-month inflation rates have been

**Bolivarian Republic of Venezuela: main economic indicators, 2019-2021**

|  | 2019    | 2020    | 2021 <sup>a</sup>    |
|--|---------|---------|----------------------|
| <b>Annual growth rate</b>                  |         |         |                      |
| Gross domestic product                     | ...     | ...     | ...                  |
| Per capita gross domestic product          | ...     | ...     | ...                  |
| Consumer prices <sup>b</sup>               | 9 585.5 | 2 959.8 | 1 946.0 <sup>c</sup> |
| Money (M1)                                 | 9 188.3 | 1 347.4 | 1 298.4 <sup>d</sup> |
| Terms of trade                             | -14.1   | -22.7   | 26.1                 |
| <b>Annual average percentage</b>           |         |         |                      |
| Open unemployment rate                     | 6.8     | ...     | ...                  |
| Nominal deposit rate <sup>d</sup>          | 14.7    | 23.3    | 31.1 <sup>c</sup>    |
| Nominal lending rate <sup>e</sup>          | 21.9    | 29.3    | 33.8 <sup>c</sup>    |
| <b>Millions of dollars</b>                 |         |         |                      |
| Exports of goods and services              | 34 475  | 22 975  | ...                  |
| Imports of goods and services              | 19 840  | 18 630  | ...                  |
| Current account balance                    | 8 613   | -1 242  | ...                  |
| Capital and financial balance <sup>f</sup> | -7 658  | -965    | ...                  |
| Overall balance                            | 955     | -2 207  | ...                  |

**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 September.

d Deposit rates for 90 days.

e Average rate for loan operations for the six major commercial banks.

f Includes errors and omissions.

below 50% since December 2020. Factors such as the lower growth of monetary aggregates, the slower depreciation of the bolívar, the decrease in the amounts and frequency of minimum wage adjustments, the reduction of monetary financing of fiscal action (given the higher fiscal revenues from the oil sector) and the increasing dollarization of the Venezuelan economy have helped put an end to one of the most aggressive and prolonged periods of hyperinflation ever experienced in the region.

ECLAC estimates that the Venezuelan economy will grow by 3% 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 regards the non-oil economy, a possible increase in remittances from workers abroad —the result of better working conditions in host countries and fewer pandemic-related travel restrictions— may lead to a recovery in private consumption. Should this scenario materialize, it would put an end to the prolonged downturn that the Venezuelan economy has been experiencing for more than eight consecutive years, as a result of which Venezuelan GDP currently amounts to slightly over 24% of what it was in 2013. However, this possibility largely depends on the country's ability to resolve the energy crisis (as regards both fuel and electricity) it is currently facing, which in turn would imply a considerable increase in both public and private investment.