ecoanalítica

# Exchange Rate
# **Outlook Report**

***Year 18 – October 2022***

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# Content


01 Analysis of the Venezuelan foreign exchange market

02 Parallel Exchange rate projections

03 Foreign exchange market indicators

04 Foreign currency availability indicators

05 Monetary indicators


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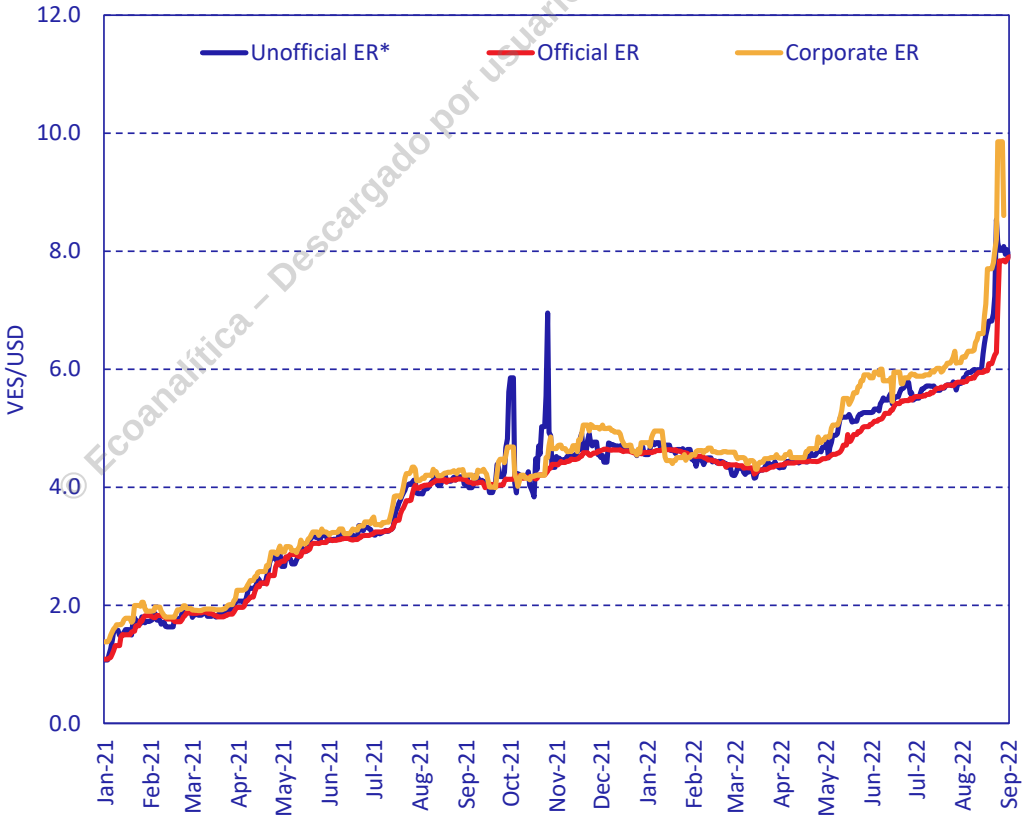
# *Analysis of the Venezuelan foreign* ***exchange market.***

*Evolution of the parallel market*

At the close of September 2022, the parallel exchange rate closed at VES 8.01/USD, averaging VES 8.00/USD during the month, an increase of 18.9% over the close of the previous month and of 90.8% compared to the same period of 2021. For its part, the corporate[1] exchange rate closed on the same date at VES 8.91/USD, with a monthly average of VES 8.74/USD, and an average premium of 9.3% over the FX retail rate.

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## *Daily exchange rate*




**** Calculated by the implicit Bitcoin (BTC) exchange rate.***
***Sources: BCV and Ecoanalitica.***

1 Exchange rate at which Venezuelan firms trade, normally at a higher price than that observed at retail.

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In September, the foreign exchange indicators continued to show increases, although significantly lower than in the previous month. The sale of foreign currency by the BCV in the order of USD 220.4 million (third largest injection since 2019) helped to soften the aggressive exchange rate escalation registered since August, which was produced mainly by a monetary expansion from the State to finance the bonds workers' vacations, and by the BCV's decision to reduce the sale of foreign currency to the financial system. The uncertainty generated by this increase in the exchange rate has been more noticeable in the corporate market, which reached a maximum peak of VES 9.01/USD, in the last week of September. What was observed during this month reaffirms the fragility in which the Venezuelan economy operates, whose price indicators remain highly sensitive to monetary indicators and generates a warning regarding the sustainability of the price containment strategy by anchoring the exchange rate, for the when the ability to generate foreign exchange is reduce

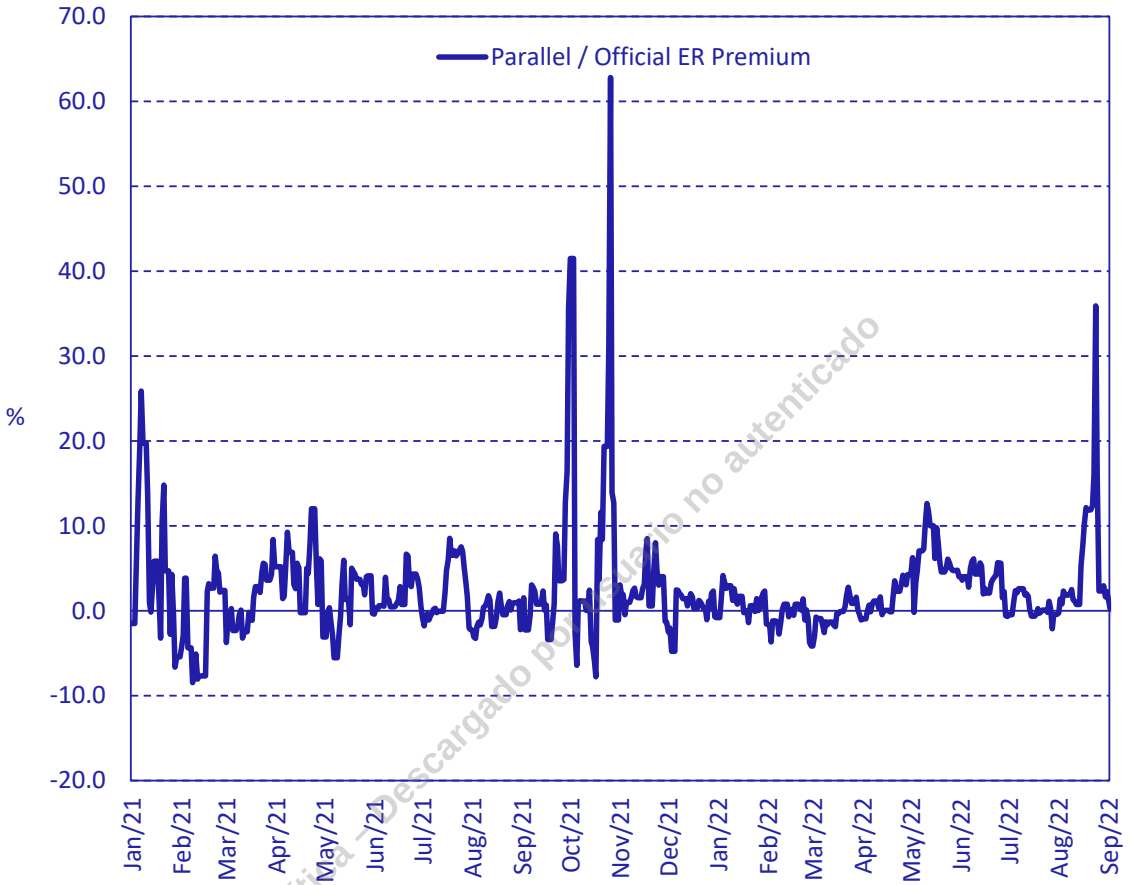
## *The Official exchange rate and BCV interventions*

The official exchange rate closed the previous month at VES 8.18/USD, with an average during September of VES 8.03/USD. Thus, the price agreed in the unofficial market remained, on average, 0.4% below the official marker in September 2022, 4.4 percentage points (pp.) lower than the margin observed in 2021 - marking in that year a premium of 2.6% of the parallel exchange rate over the official one.

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## *Parallel and official exchange rate premium*



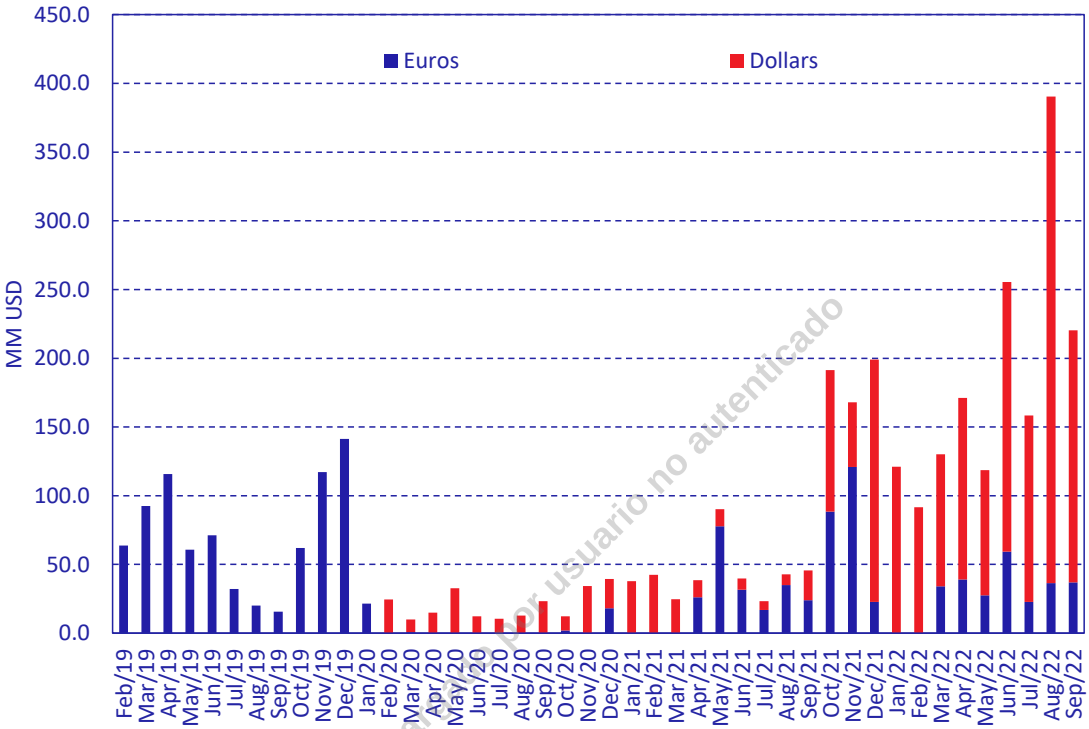

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***Sources: BCV and Ecoanalitica.***

The close relationship between the unofficial and official marker is mainly due to the BCV's foreign currency sales to the financial system. In September, the BCV intervened in the foreign exchange market with USD 220.4 million, 383.2% higher than the sales of the same month of 2021 and 43.6% lower than the amounts of August.

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## *Sale of foreign currency in cash to the financial system*




**** Euros converted to dollars using the average USD/EUR exchange rate for the month.***
***Source: Ecoanalitica.***

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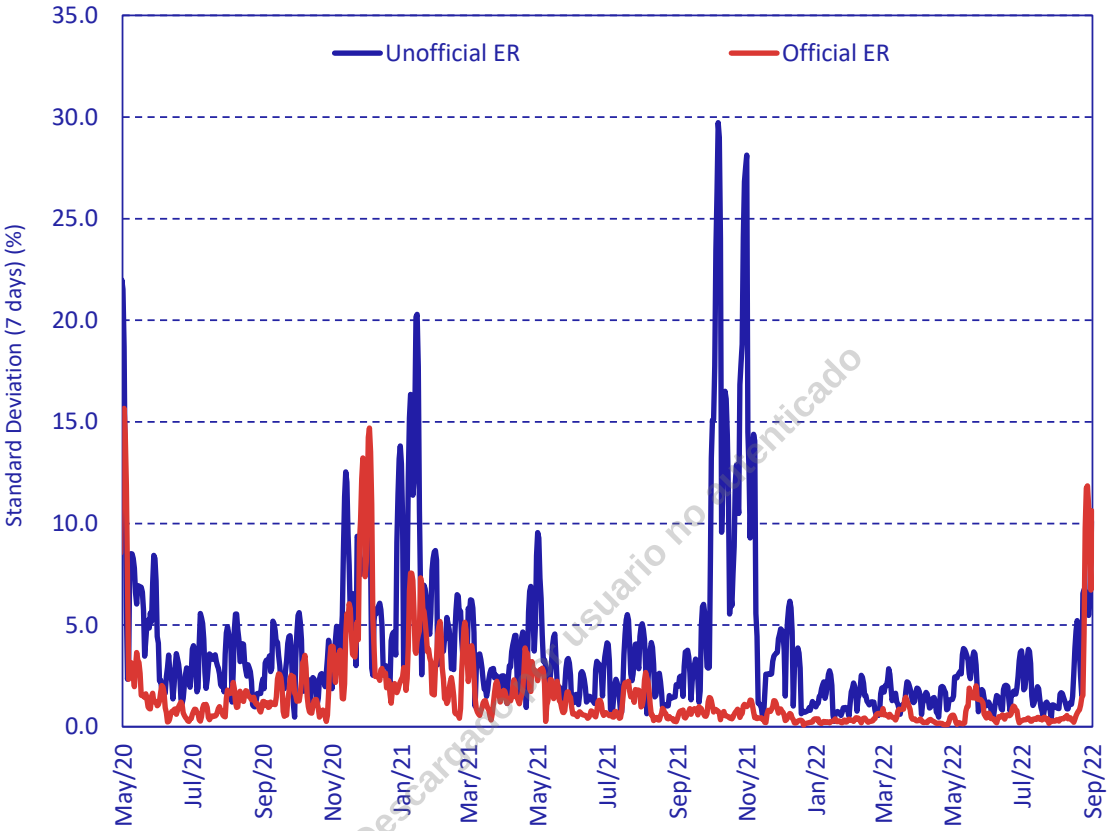
### *Exchange market volatility.*

The volatility[2] of the parallel exchange rate lowered in September, decreasing 1.1 pp. with respect to the previous month. On the other hand, the volatility of the official rate in September remained higher than that of the parallel rate, being 0.09 pp. above the latter.

[2] Standard deviation of the weekly variation of exchange markers.

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## *Daily volatility of exchange rate variation*




***Sources: BCV, LocalBitcoins and Ecoanalitica.***

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# *Parallel exchange rate* ***projections.***

*Fundamentals of projections:*

Given the technical difficulties in making nominal exchange rate projections in an environment of high inflation, as mentioned in previous reports, Ecoanalítica is currently making adjustments to our predictive model. The results shown in this edition are the result of this adjustment process. Therefore, they present relatively significant changes with respect to the previous edition.

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## *Non official exchange rate forecast*

| Date | Actual value * | Forecast range | | | | | |
|---|---|---|---|---|---|---|---|
| | | Low | | Medium | | High | |
| 2021M01 | 1.72 | 0.36 | 0.80 | 1.16 | 1.52 | 2.00 | 2.59 |
| 2021M02 | 1.92 | 0.94 | 1.36 | 1.78 | 2.43 | 3.01 | 3.74 |
| 2021M03 | 2.07 | 1.00 | 1.45 | 1.83 | 2.22 | 3.33 | 4.44 |
| 2021M04 | 2.66 | 1.67 | 2.42 | 2.63 | 2.83 | 3.68 | 4.52 |
| 2021M05 | 3.09 | 1.78 | 2.58 | 3.05 | 3.53 | 4.17 | 4.82 |
| 2021M06 | 3.22 | 1.93 | 2.19 | 3.32 | 3.85 | 3.91 | 3.96 |
| 2021M07 | 3.90 | 2.12 | 3.07 | 3.57 | 4.08 | 4.74 | 5.40 |
| 2021M08 | 4.05 | 2.27 | 3.28 | 3.79 | 4.29 | 4.92 | 5.04 |
| 2021M09 | 5.62 | 2.58 | 3.23 | 3.88 | 4.54 | 5.12 | 5.70 |
| 2021M10 | 4.34 | 4.36 | 5.46 | 5.83 | 6.21 | 7.87 | 9.52 |
| 2021M11 | 4.55 | 3.23 | 4.68 | 5.10 | 5.52 | 6.08 | 7.28 |
| 2021M12 | 4.55 | 1.80 | 2.61 | 4.70 | 5.75 | 5.92 | 6.10 |
| 2022M01 | 4.48 | 2.67 | 3.87 | 4.99 | 5.07 | 5.56 | 6.05 |
| 2022M02 | 4.20 | 3.02 | 4.38 | 5.09 | 4.77 | 5.02 | 5.26 |
| 2022M03 | 4.33 | 2.76 | 4.00 | 4.29 | 4.58 | 5.36 | 6.13 |
| 2022M04 | 4.68 | 2.48 | 3.60 | 4.54 | 5.08 | 6.08 | 7.08 |
| 2022M05 | 5.27 | 2.75 | 3.98 | 4.67 | 4.97 | 5.18 | 5.39 |
| 2022M06 | 5.50 | 2.57 | 3.73 | 4.73 | 5.34 | 5.68 | 6.02 |
| 2022M07 | 5.76 | 3.20 | 4.29 | 5.47 | 5.91 | 5.99 | 6.08 |
| 2022M08 | 8.03 | 2.90 | 4.21 | 5.70 | 6.20 | 6.47 | 6.74 |
| 2022M09 | 8.01 | 5.88 | 8.39 | 9.21 | 9.43 | 9.92 | 10.42 |
| 2022M10 | | **5.78** | **8.26** | **8.47** | **8.69** | **9.38** | **10.07** |
| 2022M11 | | **8.05** | **8.95** | **10.28** | **11.56** | **13.34** | **15.12** |
| 2022M12 | | **10.69** | **12.22** | **13.09** | **12.46** | **15.15** | **17.84** |

**** Reconverted figures. End-of-month; otherwise, if indicated.***
***Sources: BCV, Ecoanalitica and own calculations.***

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# *Foreign exchange market* ***indicators.***

## *Exchange rate indicators*

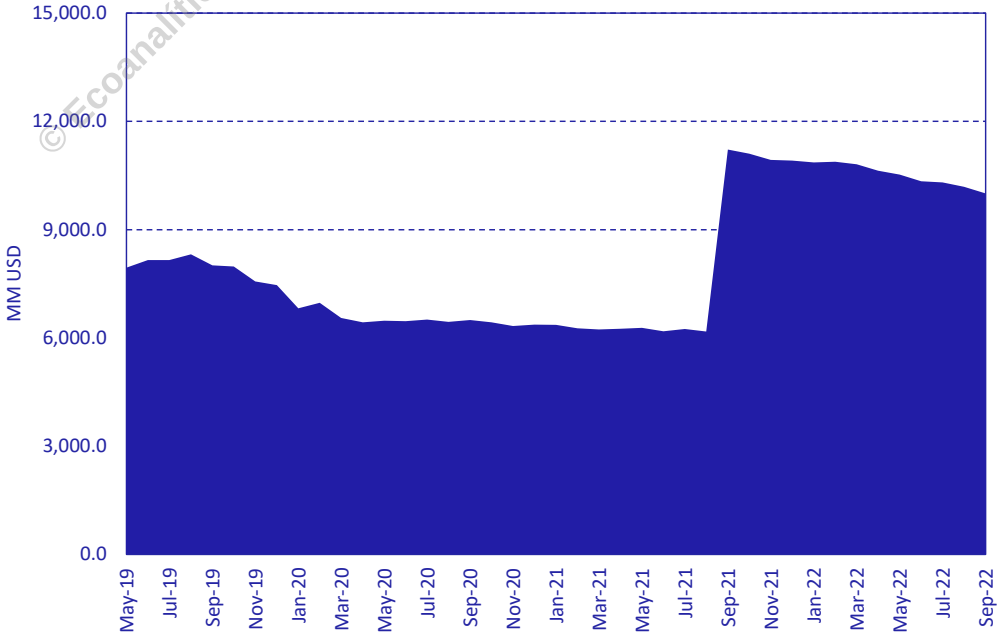
| | Sep/22 | m/m (%) | y/y (%) |
|---|---|---|---|
| M2/IR* | 1.1 | 12.4 | 352.9 |
| RER** | 19.3 | 15.3 | 185.2 |
| Money desks *** | 8.2 | 4.2 | 97.7 |
| WER (Consumers) | 8.3 | 19.8 | 98.3 |

** End of month. ** Monthly average (Ecoanalítica). *** Last auction.*
*Fuentes: BCV, other Central Banks and Ecoanalítica.*

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# *Foreign currency availability* ***indicators.***

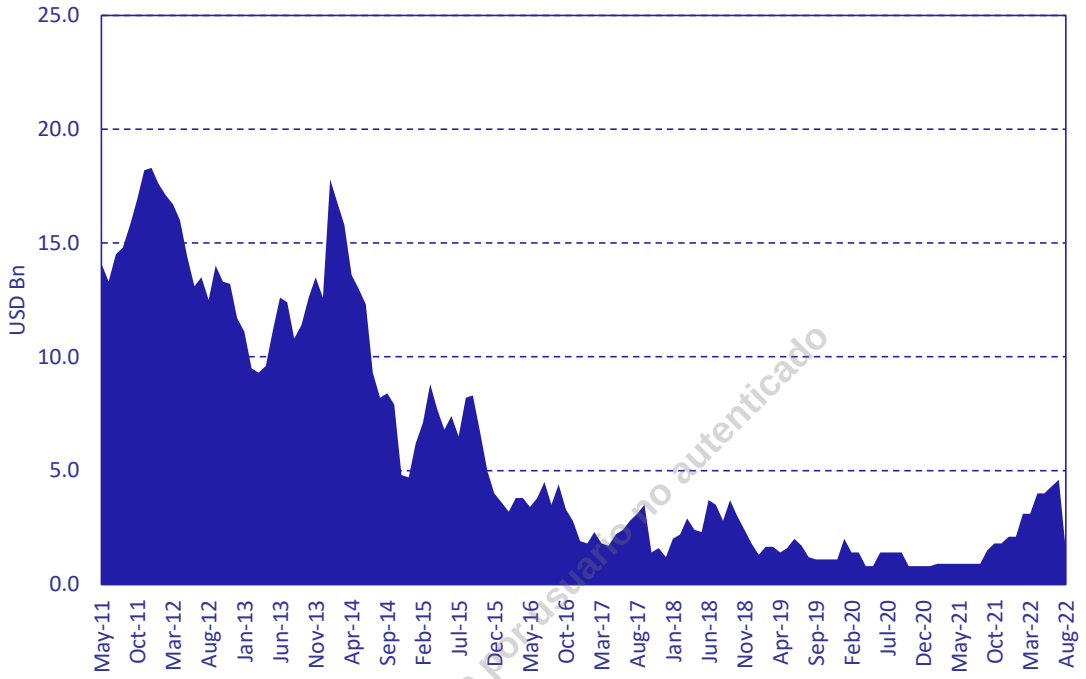
## *International reserves*




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*Sources: BCV and Ecoanalítica.*

## *Extrabudgetary funds (only the portion in dollars)*




*Source: Ecoanalítica.*

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## *Non-financial Debt with the Private Sector (USD MM).*

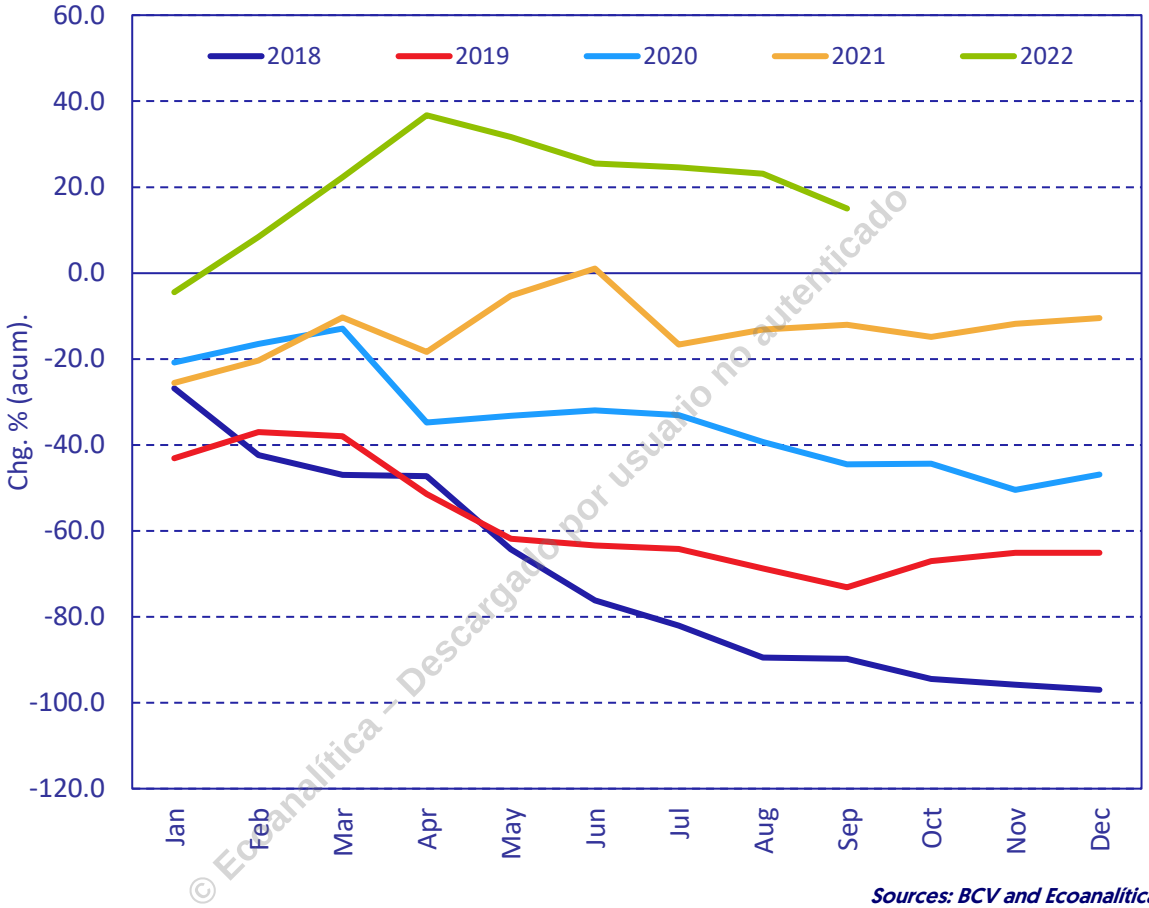
| | 2020 | 2021 | 1Q2021 | 2Q2022 | y/y (%) | q/q (%) |
|---|---|---|---|---|---|---|
| CADIVI -Non-settled imports | 5.1 | 5.0 | 5.0 | 5.0 | -0.2% | -0.1% |
| CADIVI -Dividends approved and unpaid | 0.2 | 0.2 | 0.2 | 0.2 | -4.2% | -3.2% |
| CADIVI -Rent and Services* | 1.0 | 1.0 | 1.0 | 1.0 | -1.2% | 0.0% |
| Mixed Companies - PDVSA partners | 9.0 | 11.0 | 13.2 | 16.1 | 63.7% | 22.1% |
| **Total** | **15.3** | **17.2** | **19.4** | **22.3** | **38.9%** | **15.0%** |

*Source: Ecoanalítica.*

**Includes debt with airlines.*

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## *Real liquidity (M2) expansion*




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