Exchange Rate
Outlook Report

Year 18 – August 2022

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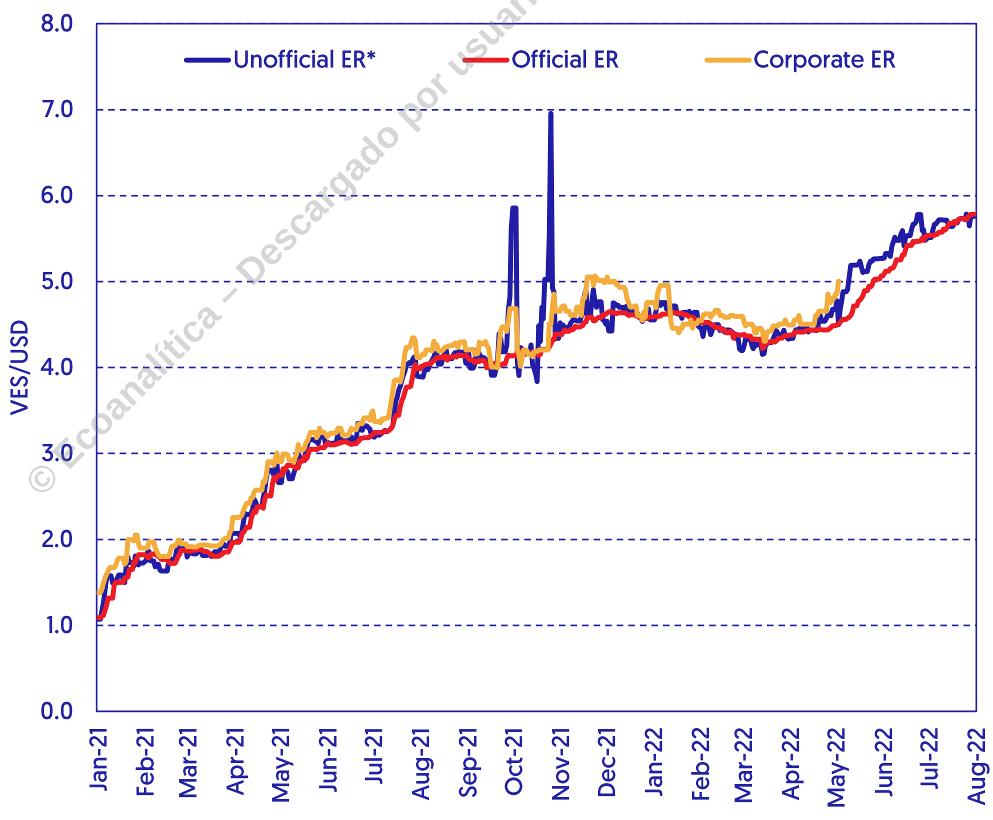
Content

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

Evolution of the parallel market

At the close of July 2022, the parallel exchange rate closed at VES 5.76/USD, averaging VES 5.69/USD during the month, an increase of 4.8% over the close of the previous month and of 47.9% compared to the same period of 2021. For its part, the corporate[1] exchange rate closed on the same date at VES 6.12/USD, with a monthly average of VES 6.03/USD, and an average premium of 5.8% over the FX retail rate.

Daily exchange rate



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

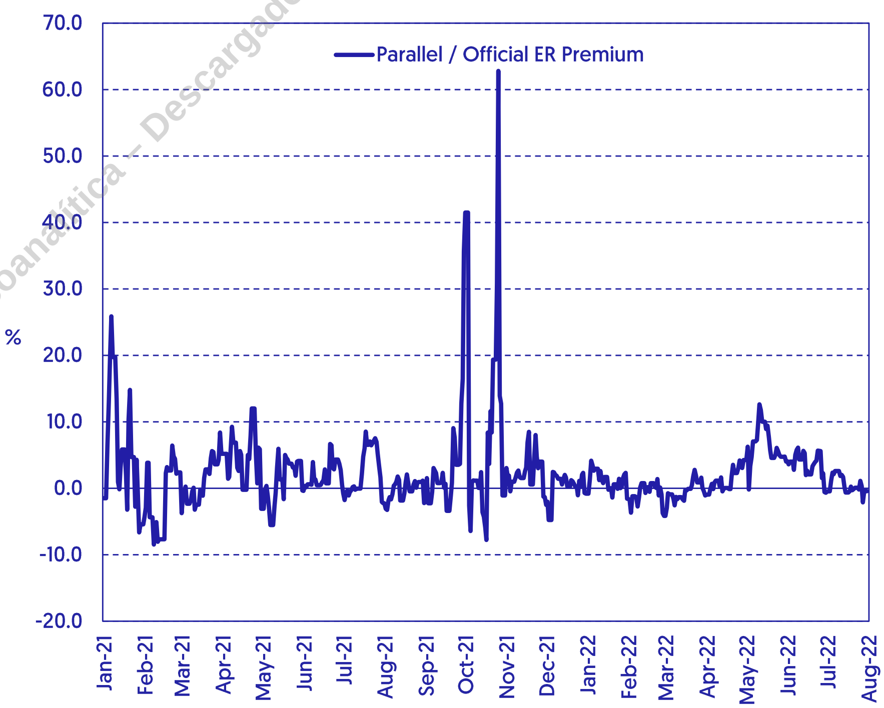
1 Exchange rate at which Venezuelan firms trade, normally at a higher price than that observed at retail.

In July, the parallel exchange rate presented a behavior like that observed in the previous month, increasing at a moderate rate like that observed between January and April of this year. Even so, the consecutive depreciations of the exchange rate seem to show that the indicator will maintain an upward trend until the end of the year, after it seemed to show a certain level of stability around VES 4.5/USD at the beginning of the year. This even though the Central Bank's interventions on the market have remained above what was observed during the previous year, indicating that macroeconomic imbalances acquire greater weight in the formation of the price of foreign currency in Venezuela than the decisions taken to contain them.

The Official exchange rate and BCV interventions

The official exchange rate closed the previous month at VES 5.78/USD, with an average during July of VES 5.67/USD. Thus, the price agreed in the unofficial market remained, on average, 0.5% above the official marker in July 2022, 2.1 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.

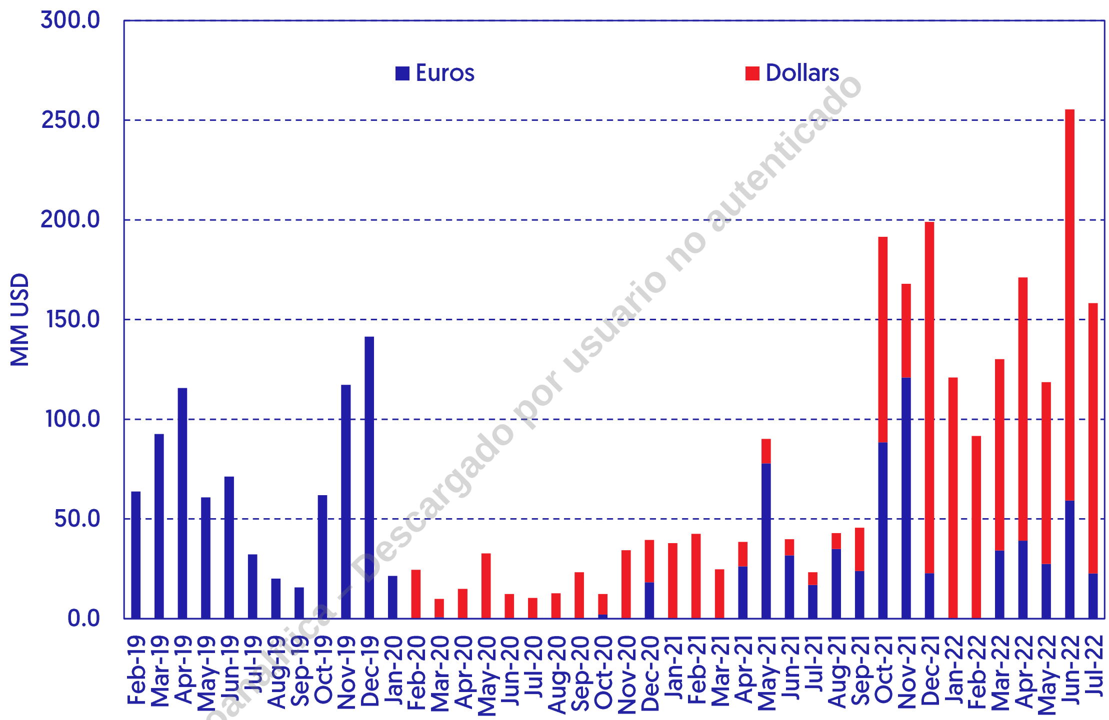
Parallel and official exchange rate premium



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 July, the BCV intervened in the foreign exchange market with USD 158.3 million, 579.0% higher than the sales of the same month of 2021, but 38.0% lower than the amounts of June.

Sale of foreign currency in cash to the financial system



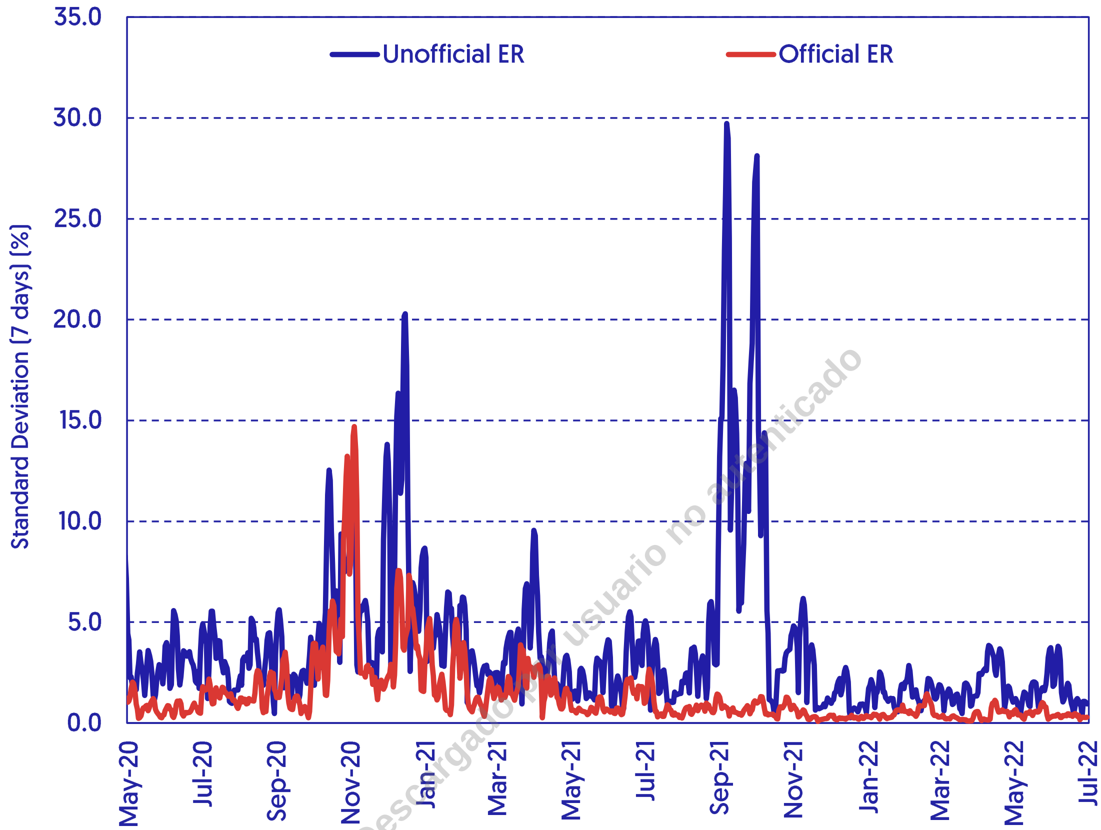
**** Euros converted to dollars using the average USD/EUR exchange rate for the month.***
Source: Ecoanalitica.

Exchange market volatility.

The volatility[2] of the parallel exchange rate raised in July, increasing 0.1 pp. with respect to the previous month. On the other hand, the volatility of the official rate in July remained lower than that of the parallel rate, being 1.3 pp. below the latter.

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

Daily volatility of exchange rate variation



Sources: BCV, LocalBitcoins and Ecoanalítica.

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.

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		**2.90**	**4.21**	**5.70**	**6.20**	**6.47**	**6.74**
2022M09		**2.52**	**3.66**	**5.55**	**6.85**	**7.38**	**7.92**
2022M10		**2.19**	**3.17**	**5.28**	**7.38**	**8.28**	**9.17**
2022M11		**2.82**	**4.09**	**6.27**	**8.39**	**10.04**	**11.69**
2022M12		**3.19**	**4.62**	**7.44**	**8.76**	**10.46**	**12.16**

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

Foreign exchange market ***indicators.***

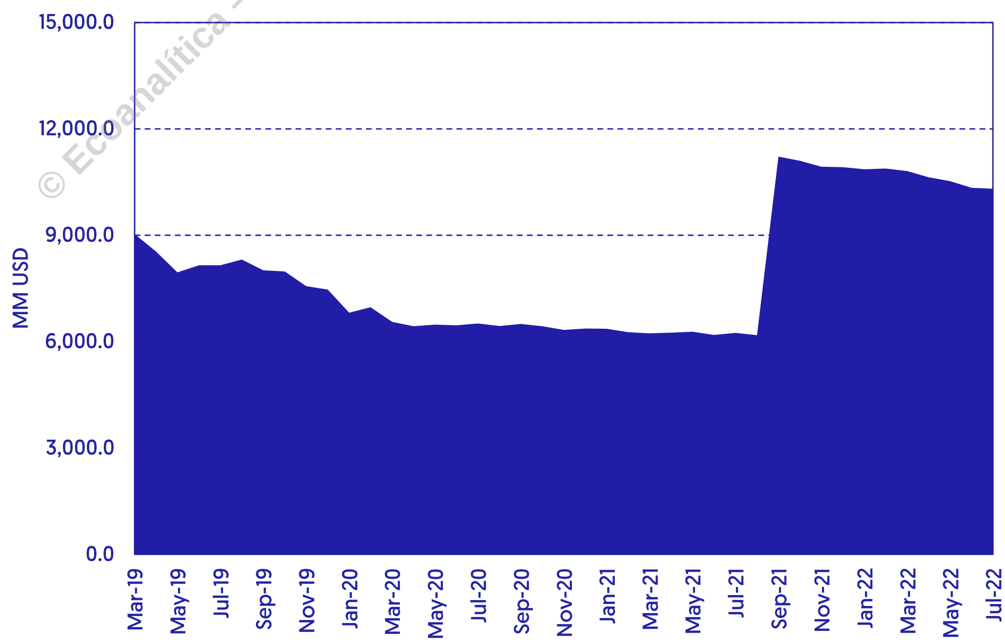
Exchange rate indicators

	Jul-22	m/m (%)	y/y (%)
M2/IR*	0.9	7.9	153.3
RER**	24.5	8.3	197.0
Money desks ***	5.8	4.5	45.2
WER (Consumers)	5.8	3.5	59.6

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

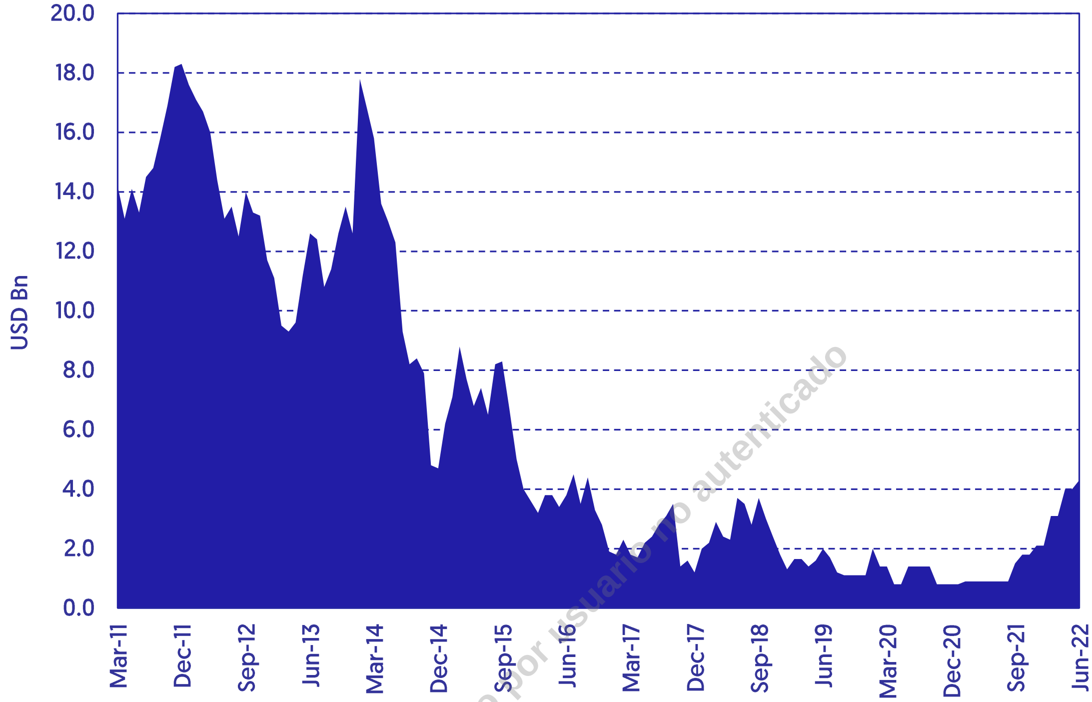
Foreign currency availability ***indicators.***

International reserves



Sources: BCV and Ecoanalítica.

Extrabudgetary funds (only the portion in dollars)



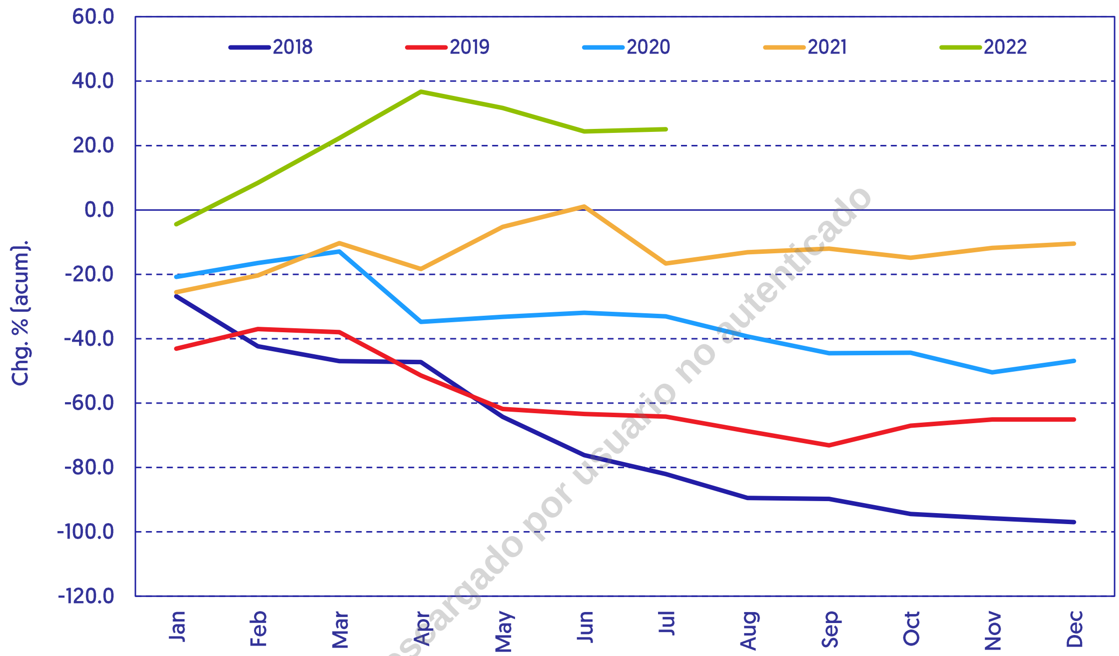
Source: Ecoanalítica.

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

	2020	1Q2021	2Q2021	3Q2021	2021	1Q2022	y/y (%)	q/q (%)
CADIVI -Non-settled imports	5.1	5.1	5.0	5.0	5.0	5.0	-2.2%	0.0%
CADIVI -Dividends approved and unpaid	0.2	0.2	0.2	0.2	0.2	0.2	-5.1%	-1.1%
CADIVI -Rent and Services*	1.0	1.0	1.0	1.0	1.0	1.0	-1.6%	-0.9%
Mixed Companies - PDVSA partners	9.0	9.7	9.8	9.9	11.0	13.2	35.8%	19.7%
Total	**15.3**	**16.0**	**16.0**	**16.1**	**17.2**	**19.4**	**20.9%**	**12.5%**

Source: Ecoanalítica.
**Includes debt with airlines.*

Real liquidity (M2) expansion



Sources: BCV and Ecoanalítica.

ecoanalítica

Venezuela

C.C. Mata de Coco, 5th floor, office 5-E, La Castellana,

Caracas 1060, Venezuela.

J-31130403-7

+58 212-266.9080

República Dominicana

Torre Da Silva IV, 19th floor, La Esperilla,

Santo Domingo 10107, República Dominicana.

RNC 132303352

+1 809-895.0227