

UNDERLYING INFLATION AND WEIGHTED CONSUMER EXCHANGE

March 2022

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Inflation under the Venezuelan Central Bank (BCV) methodology¹

During March², prices under the BCV methodology (NCPI) reported a higher growth rate relative to the previous month. In this period, local inflation reached 10.4%, this leads to a year-on-year inflation rate of 387.4% compared to the same month in 2021.

Ecoanalítica Inflation (BCV Methodology*)

	Index	m/m (%)	Accum. (%)	y/y (%)
Mar-21	2,220.2	16.6	112.3	2,544.0
Apr-21	2,879.9	29.7	175.3	2,070.2
May-21	3,311.6	15.0	216.6	1,930.5
Jun-21	3,731.5	12.7	256.7	1,809.0
Jul-21	4,786.0	28.3	357.5	1,925.6
Aug-21	5,091.3	6.4	386.7	1,573.8
Sep-21	5,753.7	13.0	450.1	1,332.3
Oct-21	7,006.8	21.8	569.9	1,375.1
Nov-21	8,008.3	14.3	665.6	841.7
Dec-21	8,592.9	7.3	721.5	721.5
Jan-22	9,419.5	9.6	9.6	481.7
Feb-22	9,805.7	4.1	14.1	415.0
Mar-22	10,821.6	10.4	25.9	387.4

Sources: BCV and Ecoanalítica.

Note: Index was simplified (base 100= Dec 2017), and divided by 1,000,000 in 2022.

* Estimated using official weights data published by BCV in 2007.

¹ This report is based on **Ecoanalítica's** own estimation. As usual, we followed the "Central Bank of Venezuela (NCPI*) methodology," keeping the original weights over basic basket components considered on its definition. We learned that, back in June 2014, the Central Bank of Venezuela made changes to such weightings.

² Due to the quarantine and consequent suspension of part of the economic activity together along with the shortage of some products, it is expected that the inflation indicators may present imperfections. In view of this, it is suggested that a cautious approach be taken towards these.

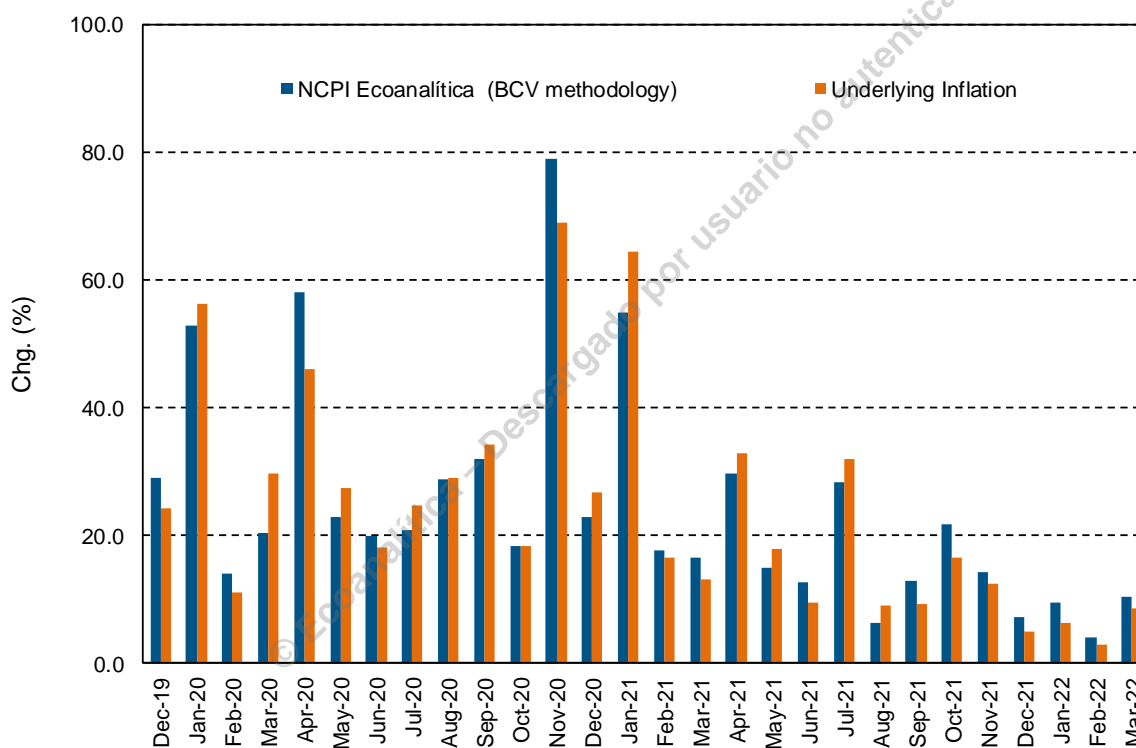
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Underlying Inflation

Underlying inflation was higher than in the previous month, reaching 8.54% during March. It was 5.58 percentage points (pp.) above its previous level, following BCV methodology. Given March's underlying inflation, the year-over-year growth of this index reached 342.8%.

Monthly Inflation



Source: Ecoanalítica.

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A detailed overview

The asymmetry of inflation persists. In March, the items that registered the highest inflation were “Entertainment and culture”, “Restaurants and hotels” and “Communications”. On the other hand, “Clothing and footwear”, “Home equipment” and “Alcoholic beverages and tobacco” prices experimented the lowest variations.

Monthly Inflation (%)								
	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Cumulative Inflation ¹	Interannual Inflation ²
Foodstuff and non-alcoholic beverages	19.4	17.0	7.5	13.1	4.3	12.5	32.6	484.3
Alcoholic beverages and tobacco	16.1	15.4	1.4	6.9	0.3	6.0	13.6	272.9
Clothing and footwear	13.0	19.0	9.9	3.7	-1.1	2.2	4.9	206.8
Housing rent	14.0	5.9	5.0	8.5	5.0	8.0	23.2	249.3
Home services except telephone	29.3	17.3	7.3	10.1	5.2	10.1	27.4	558.1
Home equipment	16.2	10.0	1.7	4.0	1.3	4.3	9.8	218.0
Health	18.3	15.0	5.9	8.2	3.0	9.4	21.8	379.4
Transport	48.1	16.2	11.6	10.8	5.0	11.9	30.1	613.4
Communications	25.2	17.0	8.4	9.0	8.6	12.6	33.3	462.5
Entertainment and culture	5.8	7.0	7.2	4.5	6.0	13.6	25.7	161.8
Education services	17.7	9.2	4.2	2.5	3.5	12.4	19.2	205.0
Restaurants and hotels	30.5	14.6	10.0	12.0	6.7	13.4	35.4	553.2
Other goods and services	14.7	10.5	5.5	8.9	3.7	9.9	24.1	291.5
Exchange rate ³	-22.7	4.8	0.1	-1.6	-6.2	3.1	-4.9	109.1
Underlying Inflation	16.6	12.4	5.1	6.4	3.0	8.6	18.9	342.8
NCPI Ecoanalítica (BCV methodology)	21.8	14.3	7.3	9.6	4.1	10.4	25.9	387.4

Source: Ecoanalítica.

¹Cumulative inflation since the start of the year.

²Last twelve months' inflation.

³Non official exchange rate.

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Relative prices' deformation

Different price variations among items affect the relation between them. The following matrix shows the prices' changes of all the items (seen at the rows on the left) in relation to the prices' changes of their counterparts (seen at the columns above). An item with a positive value means it has been made more expensive, while one with a negative value means it has cheapened.

Relative price change during March 2022 (%)														
Item	Foodstuff and non-alcoholic beverages	Alcoholic beverages and tobacco	Clothing and footwear	Housing rent	Home services except telephone	Home equipment	Health	Transport	Communications	Entertainment and culture	Education services	Restaurants and hotels	Other goods and services	Exchange rate
Foodstuff and non-alcoholic beverages	0.0	6.2	10.1	4.1	2.2	7.9	2.9	0.6	-0.1	-0.9	0.1	-0.7	2.4	9.1
Alcoholic beverages and tobacco	-5.8	0.0	3.7	-1.9	-3.7	1.7	-3.1	-5.2	-5.9	-6.7	-5.7	-6.5	-3.5	2.8
Clothing and footwear	-9.1	-3.6	0.0	-5.4	-7.1	-1.9	-6.5	-8.6	-9.2	-10.0	-9.1	-9.8	-7.0	-0.8
Housing rent	-4.0	1.9	5.7	0.0	-1.8	3.6	-1.2	-3.4	-4.0	-4.9	-3.9	-4.7	-1.7	4.8
Home services except telephone	-2.2	3.8	7.6	1.9	0.0	5.6	0.6	-1.6	-2.3	-3.1	-2.1	-2.9	0.2	6.7
Home equipment	-7.3	-1.7	2.0	-3.5	-5.3	0.0	-4.7	-6.8	-7.4	-8.2	-7.3	-8.0	-5.1	1.1
Health	-2.8	3.2	7.0	1.2	-0.6	4.9	0.0	-2.2	-2.9	-3.7	-2.7	-3.5	-0.5	6.1
Transport	-0.6	5.5	9.4	3.5	1.7	7.3	2.3	0.0	-0.6	-1.5	-0.5	-1.3	1.8	8.5
Communications	0.1	6.2	10.1	4.2	2.3	8.0	3.0	0.7	0.0	-0.9	0.2	-0.7	2.5	9.2
Entertainment and culture	0.9	7.1	11.1	5.1	3.2	8.9	3.8	1.5	0.9	0.0	1.0	0.2	3.4	10.2
Education services	-0.1	6.0	10.0	4.0	2.1	7.8	2.8	0.5	-0.2	-1.0	0.0	-0.8	2.3	9.0
Restaurants and hotels	0.7	6.9	10.9	4.9	3.0	8.7	3.7	1.3	0.7	-0.2	0.8	0.0	3.2	9.9
Other goods and services	-2.4	3.7	7.5	1.7	-0.2	5.4	0.5	-1.8	-2.4	-3.3	-2.3	-3.1	0.0	6.6
Exchange rate	-8.4	-2.7	0.9	-4.6	-6.3	-1.1	-5.7	-7.8	-8.4	-9.2	-8.3	-9.0	-6.2	0.0

Source: Ecoanalítica.

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Cost of living in dollars

The difference between the inflation of each item and the variation of the exchange rate determines whether the exchange rate becomes more expensive (real appreciation) or cheaper (real depreciation) in dollars within the Venezuelan economy. Variations in the cost of living in dollars can be understood as the increase, or decrease³, in the amount of dollars required to acquire the same basket of goods compared to its equivalent cost in foreign currency in the previous period.

During the month of March, the cost of living in dollars increased 7.0% and all the items that make up the basket became more expensive except “Alcoholic beverages and tobacco” which showed a negative tendency. The items that registered the highest growth were “Entertainment and culture”, “Restaurants and hotels” and “Communications” with variations of 10.2%, 9.9% and 9.2%, respectively. On year-on-year basis, the cost of living in dollars grew 133.1%.

Variation of living costs in USD (%)								
	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Cumulative variation ¹	Interannual Inflation ²
Foodstuff and non-alcoholic beverages	54.5	11.7	7.3	14.9	11.2	9.1	39.5	179.4
Alcoholic beverages and tobacco	50.2	10.2	1.2	8.7	6.9	2.8	19.5	78.3
Clothing and footwear	46.2	13.6	9.8	5.4	5.5	-0.8	10.3	46.7
Housing rent	47.5	1.1	4.9	10.3	12.0	4.8	29.5	67.0
Home services except telephone	67.3	12.0	7.1	11.9	12.2	6.7	34.0	214.7
Home equipment	50.4	5.0	1.5	5.7	8.1	1.1	15.5	52.0
Health	53.1	9.8	5.8	10.0	9.9	6.1	28.1	129.3
Transport	91.6	10.9	11.4	12.6	12.0	8.5	36.8	241.1
Communications	61.9	11.7	8.2	10.8	15.8	9.2	40.2	169.0
Entertainment and culture	36.9	2.1	7.1	6.2	13.1	10.2	32.2	25.2
Education services	52.3	4.3	4.0	4.2	10.4	9.0	25.4	45.8
Restaurants and hotels	68.9	9.4	9.9	13.8	13.8	9.9	42.4	212.3
Other goods and services	48.3	5.5	5.3	10.7	10.6	6.6	30.5	87.2
General costs in USD*	57.6	9.1	7.2	11.4	11.0	7.0	32.5	133.1

Source: Ecoanalítica.

*Based on Ecoanalítica's NCPI (BCV methodology).

¹Cumulative variation since the start of the year.

²Last twelve months' variation.

³ When calculated on the basis of the differences between inflation and exchange rate variation, it is common to find occasions in which the variations are negative, i.e. price growth lagged behind the exchange rate and therefore fewer dollars are required to maintain purchasing power in foreign currency than in the previous period.

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Official inflation published by BCV

The BCV published inflation data until March of 2022. The official figures show an accumulated inflation of 11.3% in 2022, with a year-on-year inflation of 284.3%.

BCV Inflation				
Mar-21	878.6	16.1	127.8	3,014.1
Apr-21	1,094.5	24.6	183.8	2,942.6
May-21	1,406.6	28.5	264.8	2,721.2
Jun-21	1,627.1	15.7	322.0	2,508.8
Jul-21	1,898.1	16.7	392.2	2,444.5
Aug-21	2,273.2	19.8	489.5	2,343.7
Sep-21	2,434.2	7.1	531.2	1,946.0
Oct-21	2,600.5	6.8	574.4	1,575.3
Nov-21	2,819.2	8.4	631.1	1,197.5
Dec-21	3,032.4	7.6	686.4	686.4
Jan-22	3,235.6	6.7	6.7	472.3
Feb-22	3,329.4	2.9	9.8	340.1
Mar-22	3,376.0	1.4	11.3	284.3

Sources: BCV and Ecoanalítica.

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Forecasts of different inflation indicators

With the aim of offering our clients clear and precise information, at **Ecoanalítica** we include forecasts for three inflation indicators each month. For our “Official Central Bank Inflation” indicator, we reproduce the adjustments that the Central Bank (BCV) unofficially made to their methodology, using an econometric model that allows us to have a better estimate of the updated figures that the BCV might publish in the future.

It is important to note that in an environment of high or chronic inflation, slight increases in the weekly inflation rate generate large shocks in monthly inflation. For this reason, it cannot be ruled out that in the coming months inflation will be higher than in previous months. On the other hand, even in the absence of hyperinflation, chronic inflations are volatile processes, and apparent stabilizations may be followed by unanticipated price accelerations (or lower growth).

It should be noted that the BCV is the only organization authorized to publish official inflation figures. Therefore, their official data must be taken at face value for purposes of submitting reports to government agencies. However, at **Ecoanalítica** we consider that for internal estimates, or as a planning tool, the best indicator for measuring the evolution of prices in Venezuela is our “BCV methodology” indicator.

Inflation Rate Forecast				
Inflation (%)	2021E (y/y)	2021E (m/m average)	2022F (y/y)	2022F (m/m average)
Official BCV Inflation Rate	686.9	18.8	145.4	7.8
BCV Methodology Inflation Rate ^{1/}	721.5	19.2	189.7	9.3
Underlying Inflation Rate	707.5	19.0	131.2	7.2

Sources: BCV and Ecoanalítica.

^{1/} Ecoanalítica's own estimation, since 2015.

Monthly averages are geometric, not arithmetic, to reflect price variations with greater precision.

For more information on our scenarios read our *Perspectives Report*.

At **Ecoanalítica**, we try to ensure that our forecasts accurately guide our clients' decisions, and we adjust them when the facts provide new information that changes our perspective. For this reason, we make monthly changes, which in a context of high inflation may seem substantial, but in reality, differ relatively little in terms of orders of magnitude.

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Weighted Consumer's Exchange Rate

Weighted Exchange Rate of the Venezuelan Consumer (VES/USD)

	Mar-22	Feb-22	Mar-21	y/y (%)	Depreciation % (m/m)	m/m (%)
Foodstuff and non-alcoholic beverages	4.39	4.51	1.92	127.9	2.83	-2.75
Alcoholic beverages and tobacco	4.39	4.51	1.93	127.8	2.82	-2.75
Clothing and footwear	4.39	4.51	1.93	127.7	2.82	-2.74
Housing rent	4.38	4.50	1.91	128.8	2.86	-2.78
Home services except telephone	4.37	4.50	1.91	129.0	2.86	-2.78
Home equipment	4.39	4.51	1.93	127.8	2.82	-2.75
Health	4.36	4.49	1.84	137.1	2.90	-2.82
Transport	4.37	4.50	1.91	129.0	2.86	-2.78
Communications	4.35	4.48	1.83	138.1	2.93	-2.85
Entertainment and culture	4.35	4.48	1.89	130.5	2.91	-2.83
Education services	4.34	4.47	1.76	146.6	2.96	-2.87
Restaurants and hotels	4.39	4.51	1.93	127.9	2.83	-2.75
Other goods and services	4.37	4.50	1.91	129.1	2.87	-2.79
Total	4.37	4.50	1.91	129.5	2.85	-2.77
Unofficial Exchange Rate	4.39	4.51	1.93	127.5	2.73	-2.66

Sources: BCV and Ecoanalítica.

The unofficial exchange rate used as an input is a weighted average between the corporate and conventional rate.

The published exchange rates represent a monthly average, not their values at the end of the month.

Detailed Underlying Inflation

	Underlying Inflation			
	Index	m/m (%)	Accum. (%)	y/y (%)
Jan-21	13,975	64.3	64.3	2,749.4
Feb-21	16,295	16.6	91.6	2,891.3
Mar-21	18,448	13.2	116.9	2,509.7
Apr-21	24,523	32.9	188.3	2,274.5
May-21	28,918	17.9	240.0	2,098.1
Jun-21	31,673	9.5	272.4	1,939.5
Jul-21	41,799	32.0	391.4	2,057.9
Aug-21	45,624	9.2	436.4	1,725.4
Sep-21	49,908	9.4	486.7	1,387.3
Oct-21	58,178	16.6	584.0	1,365.4
Nov-21	65,369	12.4	668.5	874.0
Dec-21	68,683	5.1	707.5	707.5
Jan-22	73,072	6.4	6.4	422.9
Feb-22	75,235	3.0	9.5	361.7
Mar-22	81,682	8.6	18.9	342.8

Sources: BCV and Ecoanalítica.

Note: Index was simplified (base100=Dec2017) and divided by 1,000,000 in 2022.

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