

## A new study of dollarization in Venezuela

Transactional dollarization is a fact that has invaded Venezuelans' daily round, especially since the onset of hyperinflation. Debates on whether or not it was convenient are a thing of the past given the collapse in demand for *bolívares*, the progressive depreciation of the bolivar, and the flaws of the means of payment. This report offers a continuation of the study published by **Ecoanalítica** in November 2019 in our Weekly Report Number 39, with the idea of providing a more updated view of this phenomenon and how it has evolved.

Back in October, we conducted a study that covered seven of the country's cities, 136 establishments and 12,600 transactions during the week of October 10 to 15, 2019, which revealed that, on average, 56% of transactions performed were conducted in foreign currency. Four months later there are no signs of public policies aimed at reversing the de facto dollarization. On the contrary, Nicolás Maduro called dollarization a "*blessing*"<sup>1</sup>, to even consider it a "right decision" in breathing life into an economy of resistance<sup>2</sup>.

The rise of hard currency as a means of payment was recently reaffirmed, when some local banks announced it was offering its customers the option of opening banking or custodian accounts in foreign currency, which will allow them to make transactions with other customers of the same, by using internet-based platforms and/or (in some cases) mobile phone services. In fact, it has been reported that large companies usually had been using this type of custodians, keeping their cash earnings safe by depositing them in the banks' vaults in exchange for a commission of between 1% and 2%<sup>3</sup>.

Below we describe the changes that have occurred in the country's multi-currency environment and the modifications made to the sample used for the study as a result of increasing the number of establishments analyzed and adding three new geographical areas.

<sup>1</sup> [El Nacional](#), November 17<sup>th</sup> 2019.

<sup>2</sup> [France24](#), February 15<sup>th</sup> 2020.

<sup>3</sup> [Reuters](#), February 4<sup>th</sup> 2020.

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### Methodological aspects

This new study conducted between February 9 and February 14 takes into account a total of 15,952 transactions performed in 258 establishments, thus increasing the sample used in our previous study (12,600 transactions and 136 establishments). Moreover, it was increased the original list of locations, by adding San Cristóbal, Mérida and Nueva Esparta State to the former sample, namely Caracas, Maracaibo, Valencia, Maracay, Puerto Ordaz, Barquisimeto, and Lecherías.

On the other side, we also amplified in the number of establishments as a result of the introduction of one new product/service classification (health). By increasing the size of the sample and the number of cities surveyed allowed us to broaden the scope of the study and give more statistical robustness to the figures. Indeed, although the new data could partially limit certain comparisons between our October study and this one, the larger sample provided a more precise weighting of the massification of hard currency as a means of payment in Venezuela and, therefore, added more “national-wide” statistical representativeness to this survey.

#### Dollarization study: data sheet

City	# of transactions	% of transactions	# of establishments	% of establishments
Caracas	5,895	37.0	76	29.5
Valencia	2,708	17.0	42	16.3
Maracaibo	1,465	9.2	22	8.5
Lecherías	1,206	7.6	10	3.9
Maracay	919	5.8	16	6.2
Barquisimeto	813	5.1	19	7.4
San Cristobal	806	5.1	23	8.9
Mérida	774	4.9	18	7.0
Nueva Esparta	705	4.4	17	6.6
Puerto Ordaz	661	4.1	15	5.8
<b>Total</b>	<b>15,952</b>	<b>100</b>	<b>258</b>	<b>100</b>

Source: Ecoanalítica.

Note: Data collected between February 9<sup>th</sup> and 14<sup>th</sup>.

Surveys were conducted in a total of 258 establishments with an average of 61.8 transactions per establishment over the period established for the study. It was found that 63.2% of the transactions and 54.3% of the establishments surveyed were in Caracas,

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Maracaibo and Valencia<sup>4</sup>, with an average of 69.5 transactions per establishment for these three locations.

Upon reviewing the results, what most stood out compared to the previous study was that, with the exception of Maracay, all the cities reported a proportion of transactions in dollars of more than 50.0%. The most highlighting cases being San Cristóbal, Maracaibo, Nueva Esparta, and Lecherías where dollarization of 93.8%, 91.5%, 82.4%, and 72.2%, respectively, were reported. In other words, in these four geographic locations, 8.5 out of every 10 transactions, on average, were being performed without using the local currency as the means of payment. In the case of Maracaibo and Lecherías, these results implied also a more profound transactional dollarization, respect to the conditions reported during the last October (86.0% y 59.0% of foreign currency payments ratio, in each case).

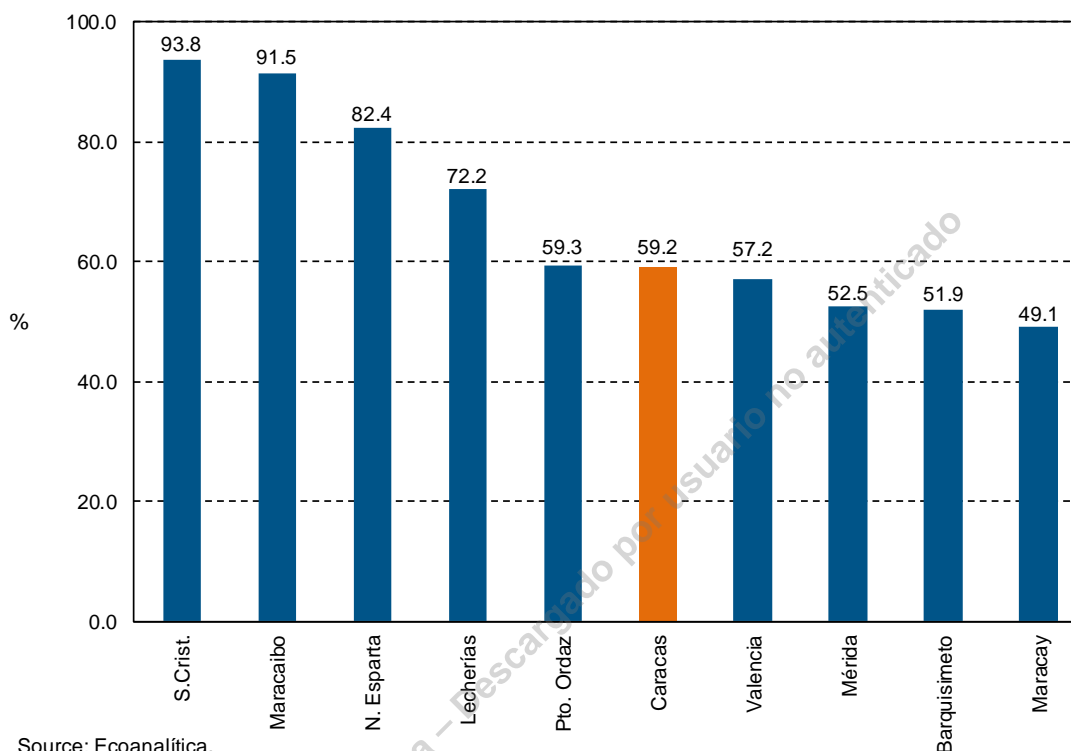
Caracas seems to be following the trend in the rest of the country, going from ranking as the second city with the lowest proportion of foreign currency use to the sixth location (in the sample) with the highest proportion of transactions performed in foreign currency. Specifically, it went from posting 48.5% of its total transactions in foreign currency to 59.2%, an increase of more than 10.0 percentage points in a matter of four months.

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<sup>4</sup> The cities with the largest populations according to the last census published (2011)

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### Proportion of transactions in dollars (%)



Source: Ecoanalítica.

Note: Data collected between February 9th and 14th.

Even so the trend outside Caracas –at least in some niches- has been maintained, the use of foreign currency apparently became even more pronounced. As in the previous study, the reasons for the preferences for using foreign currency may have to do with the fact that these analyzed regions are, potentially, more exposed to a greater influx of foreign currency, for its proximity to the development of illegal activities<sup>5</sup> and an even worse collapse of public services, which adds further costs when it comes to trading using “traditional” mechanisms.

Overall, it was found that 64.3% of total transactions were performed in a foreign currency, either in cash, by transfer or by using the real-time foreign electronic payment platform (Zelle, Xoom and so on). This would indicate a further consolidation of the use of foreign currency as a means of payment compared to our studies conducted in October (53%) and April (40.1%) 2019, in a context in which Venezuela resumed the

<sup>5</sup> Income from illicit activities during 2018 was between USD 14,379 -15,307 million, composed of: gold smuggling (USD 2,711 million), gasoline smuggling, (USD 1,860 - 2,790 million), among others. For more information see Weekly Report No. 13, 2019: "Between the Jungle and the Border: Gasoline and Cocaine Smuggling".

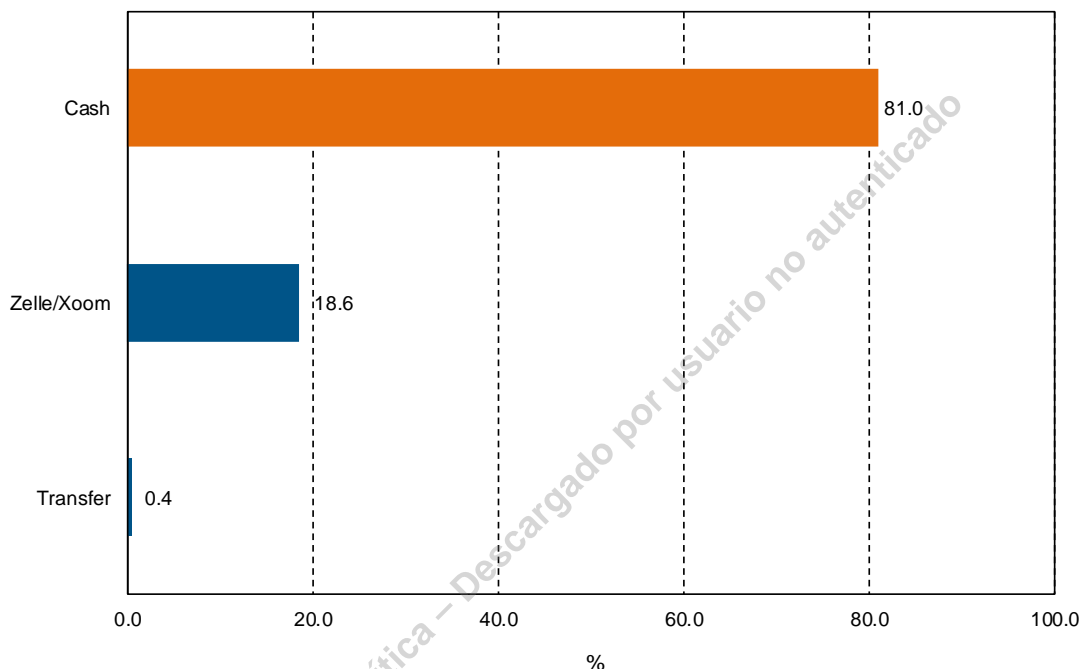
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hyperinflationary path in January this year<sup>6</sup> and the unofficial exchange rate has remained stable since the start of the year after a sharp depreciation in December.

### Proportions of transactions in dollars (%)

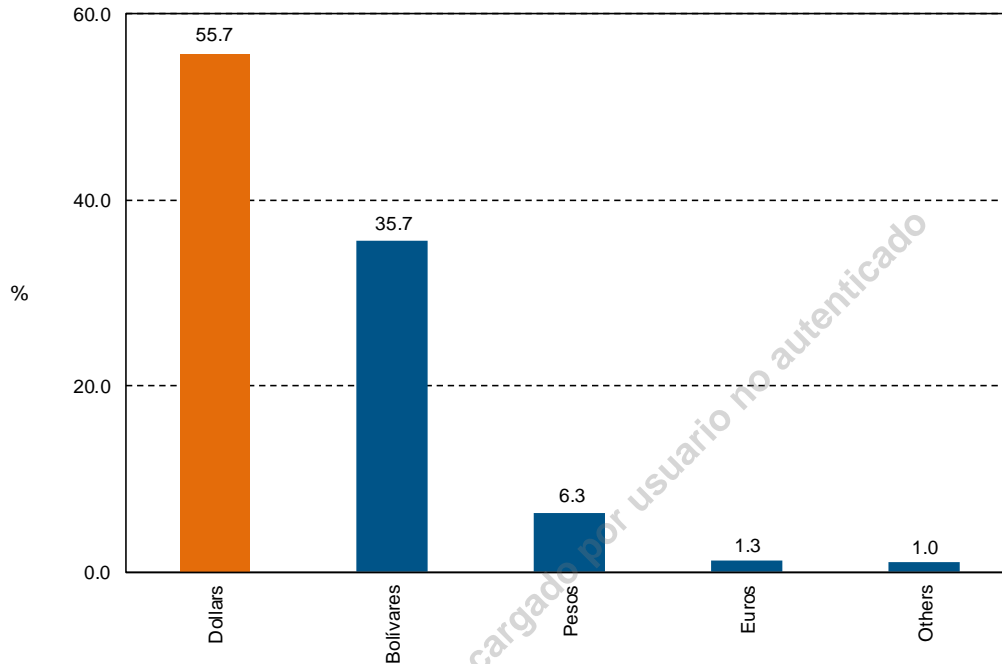


Source: Ecoanalítica.  
 Note: Data collected between February 9th and 14th.

In terms of the used mechanism of payments, the data shows that 81.0% of total transactions in foreign currency were made in cash, 18.6% were performed using electronic platform, and only 0.4% were conducted by means of transfers. In addition, it was found that 86.7% of total transactions were conducted in US dollars, 2% in euros, and 9.8% in Colombian pesos.

<sup>6</sup> According to **Ecoanalítica's** figures.

**Proportion of transactions in dollars (%)**



Source: Ecoanalítica.  
Note: Data collected between February 9th and 14th.

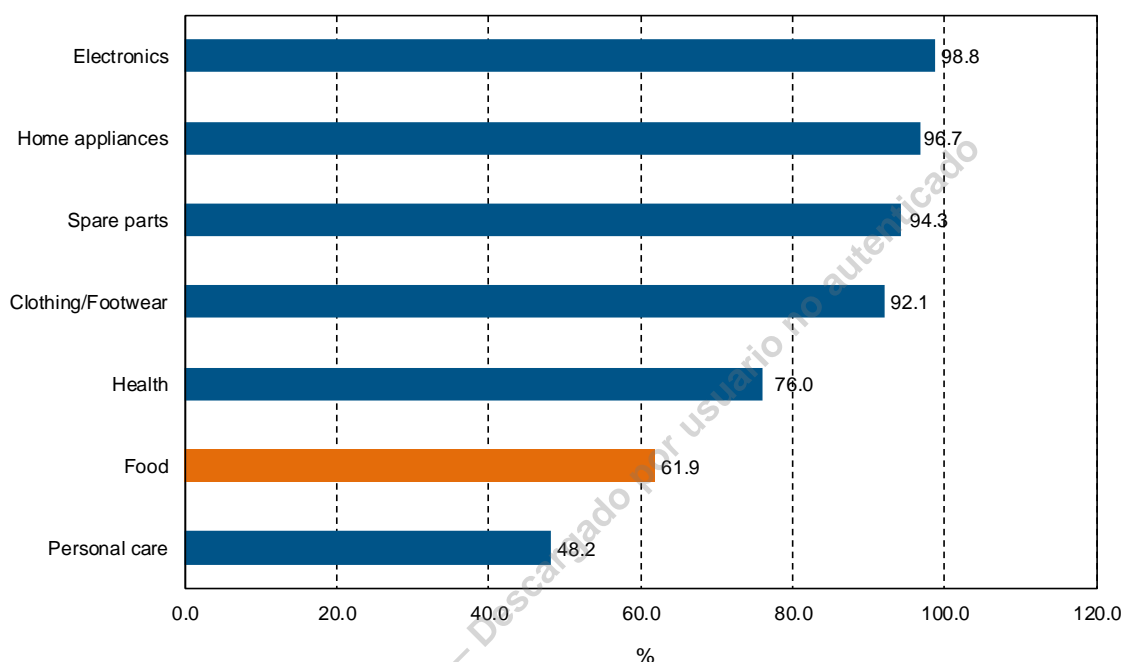
Although “only” one out of every ten transactions were conducted in pesos, it is still interesting that this proportion is so high, bearing in mind that the study only surveyed two cities close to the border with Colombia (San Cristóbal and Maracaibo), which it turns out are the same cities the study gives as the ones with the highest level of bolivar substitution and where, according to the Venezuelan Public Services Observatory, approximately nine out of every ten people reported that they experienced power outages daily during the last September, making it even more difficult to make payments by means of a transfer or via points-of-purchase in local currency.

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### Analysis by product/service classification

Proportions of transactions in dollars (%)



Source: Ecoanalítica.

Note: Data collected between February 9th and 14th.

Practically all transactions involving the purchase of electronic devices and household appliances were performed in foreign currency. Something similar was happening with purchases of spare parts and clothing and footwear, with 94.3% of transactions being performed in foreign currency in the case of the former and 92.1% in the case of the latter. With respect to the previous sample, the use of foreign currency seems to have intensified considerably in recent months within the payments of food (52.2% versus 61.9%) and spare parts (79.9% versus 94.3%).

This behavior of the food item seems to be key in the current mismatch between the flow of bolivars and foreign currencies. If we assume that the average Venezuelan (still with an important component of its income in bolivars) prefers to pay this type of basket in local currency, the greater use of dollars in such transactions could be responding to the large inflow of dollars to the detriment of the stock of bolivars.

Also, what stands out is that the majority of transactions surveyed in the sample were for food, accounting for 71.0% of the total sample and 68.4% of transactions performed in

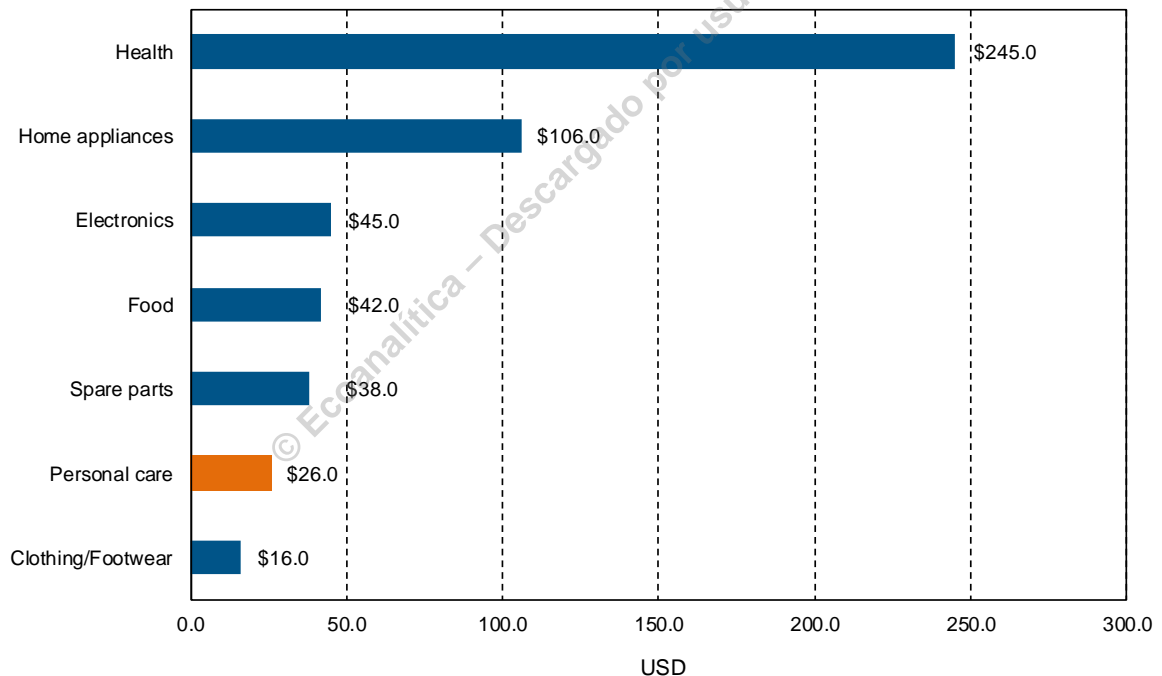
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foreign currency. Household appliances and electronic devices account for only 0.8% and 2.5%, respectively, of the sample’s total transactions. Specifically, the study seems to indicate that it is in those luxury goods –compared to the rest of the sample- that the greatest level of bolivar substitution occurs, which could be due to the fact that only consumers who have an high income in foreign currency or those who can dip into their savings are able to afford them.

This is an approximation of the inequality that spontaneous dollarization is generating in Venezuela. The sector of the population that has access to foreign currency is the sector that can afford goods used on a daily basis such as those in the Clothing and Footwear and Health (consultations and medical tests) categories.

**Average bill in dollars**



Source: Ecoanalítica.  
Note: Data collected between February 9th and 14th.

Last of all, we take a look at the average payment for each of the categories surveyed. Whereas the Household Appliances and Electronic Devices category posted a slight increase over the last four months (from USD 241 to USD 245 and from USD 89 to USD 106, respectively), the average for the Food and Personal Care categories posted a drop, going from USD 36 to USD 26 and from USD 22 to USD 16, respectively. From this we

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can conclude that, as the cost of living in dollars becomes more expensive and the quality of the available means of payment declines, we will find that people will optimize the foreign currency they have available.

### Conclusions

A priori, substitution of the local currency has become stronger over the past four months and this process will become increasingly commonplace in Venezuela as the traditional means of payment continue to decline, particularly when the licenses of Visa and MasterCard for operating in the country expire.

As the expiry date draws near, there are rumors of a payment network developed by Russia that could serve as a substitute for the traditional platform. However, with only a month to go before the deadline, the Nicolás Maduro administration has not announced a project for replacing Visa and MasterCard and has only urged the banking sector to work on it. Not even the experiment of performing transactions in Petros linked to the incentive of the Petro-Christmas Bonus as the end of last year proved to be effective and it resulted in local establishments that accepted payment using the Biopago platform incurring in losses. Since then the use of Biopago has been dropped from public debate.

It should be remembered that approximately half the population do not have access to a foreign currency and that there is still no official mechanism for obtaining foreign currency that would make it possible to meet the demand for foreign currency in Venezuela in full. However, if the infrastructure of the traditional means of payment does not improve and if measures aimed at recovering people's confidence in the bolivar as a means of payment are not taken, substitution of the bolivar can be expected to steadily gain ground, for now.

**Jhoan F. Castellano**

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## WEEKLY INDICATORS

Weekly Economic Indicators			
	3rd Week February	Weekly chg. (%)	Depre/Apre (pp) <sup>1</sup>
<b>FX Boards (VES/USD)<sup>2</sup></b>	73,470.98	-0.2	-0.2
	1st Week February	Weekly chg. (pp)	Annual chg. (pp)
<b>Lending Interest Rate (%)</b>	30.5	7.7	-0.5
	3rd Week February	Weekly chg. (pp)	Annual chg. (pp)
<b>Overnight Interest Rate (%)</b>	148.6	-16.8	115.7
	2nd Week February	Weekly chg. (%)	Annual chg. (%)
<b>International Reserves (USD Bn)</b>	6.8	-0.2	-18.6
	1st Week February	Weekly chg. (%)	Annual chg. (%)
<b>Monetary Liquidity (MM VES)</b>	52,626,368	4.5	2,529.4
Price of International Oil Baskets (USD/bl)			
	2nd Week February	Weekly chg. (%)	Annual chg. (%)
<b>WTI</b>	50.5	-0.2	-5.3
<b>Brent</b>	54.8	-1.0	-12.8
Price of the Venezuelan oil basket (USD/bl)			
	2nd Week February	Weekly chg. (%)	Annual chg. (%)
<b>Weekly Average</b>	45.1	-2.2	-20.0
<b>Annual Average</b>	53.2	-2.5	-2.0

Sources: BCV, MENPET, ONT and Ecoanalítica

\* Annual variation of accumulated expenditure.

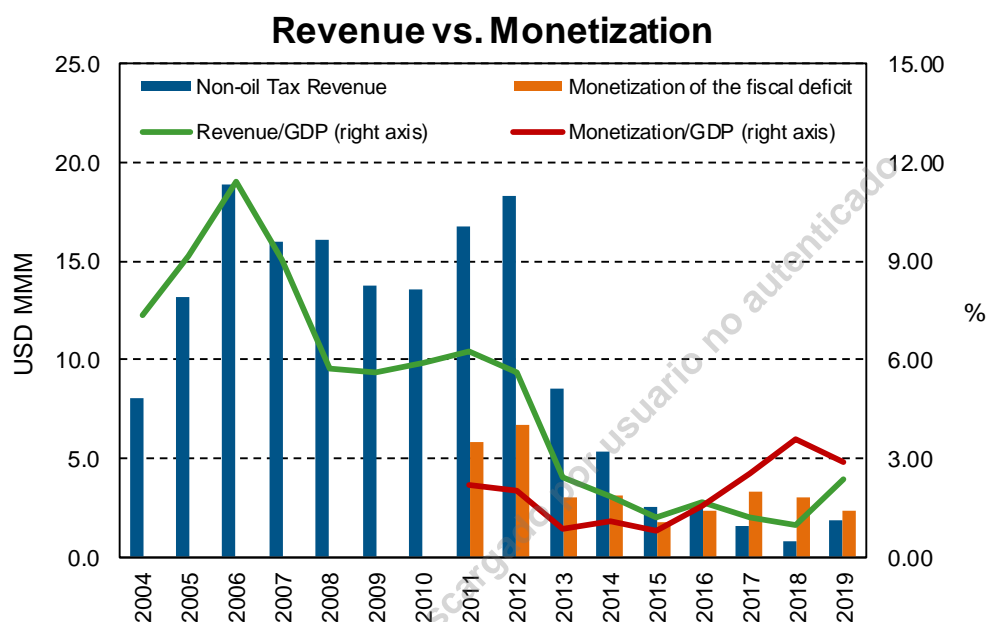
<sup>1</sup> Depreciation (+)/Appreciation (-)<sup>2</sup> FX Borads' average exchange rate

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## CHART OF THE WEEK: “NOW IT’S ON, RIGHT?”



Sources: BCV, Seniat and Ecoanalítica.

The collapse of nonoil tax receipts is nothing new. After six years in a row with an economy in contraction, tax receipts shrank from the equivalent in bolivars to USD 18.3 billion in 2012 to USD 0.8 billion in 2018 (-95.5%). Proportionally, those tax revenues were equivalent to 11.4% of GDP in 2006 and only averaged 1.6% of GDP during the period 2013-2018.

Instead of implementing pro-market policies that would expand the taxable base so as to increase tax receipts, the Chávez administration opted for the path of state takeovers, distortion and control. As a result, even though GDP expanded by 97.0% between 2006 and 2012, tax receipts did not increase. In fact the ratio of tax receipts to GDP shrank from 11.4% to 5.6% over that period and the increase in fiscal spending was financed with oil revenues and external borrowing.

Following the drop in production and in oil prices, the risk premium on Venezuelan debt shot up and international markets closed their doors to new sovereign debt issues. With less oil and tax revenues and no access to financing, the Venezuelan Government resorted to monetizing the fiscal deficit. So, despite a cumulative contraction of the economy of 75.5% between 2013 and 2018, the emission of bolivars remained relatively

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stable from one year to the next. Whereas in 2013 the Central Bank of Venezuela emitted the equivalent of USD 3.0 billion, in 2018 it emitted USD 3.1 billion.

This monetization of the fiscal deficit caused the fourth longest hyperinflation in history. Now that the government is seeking to implement a fiscal reform in order to put an end to the worst hyperinflation in Latin America's history, it has become more bent on increasing tax receipts. However, after 20 years of animosity, the private sector is only a shadow of what it once was and is not in a position to provide the tax revenues of yore, regardless of the rate, periodicity or number of taxes decided by the National Integrated Customs and Tax Administration Service (Seniat).

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## ECONOMIC TIPS

**January inflation.** The National Assembly's Finance Committee has published its Nationwide Consumer Price Index (NCPI), which put inflation in January at 65.4%, twice the rate of inflation in December (33.1%). It also stated that inflation between January 2019 and January this year was 4140%. Deputy Alfonso Marquina pointed out that inflation in January was the highest since January 2019 (196.6%).

**The biggest increases.** The categories of products and services that posted the biggest increases in January were Health, up by 117.3%, followed by Transport (115.5%) and Food and Nonalcoholic Beverages (91.8%).

**Looking into gold sales, Part I.** In a report, the Swiss public broadcasting organization Radio Télévision Suisse (RTS) revealed that Switzerland is one of the destinations used by the Nicolás Maduro regime to sell illegal gold.

**Looking into gold sales, Part II.** The report states that the grounds for these accusations were provided by the interception in May 2019 of a private aircraft from Venezuela that was carrying a shipment of 104 kilos of illegal gold. RTS claims that the shipment, which was worth approximately USD 5.1 million, was purchased by a Swiss citizen.

**Looking into gold sales, Part III.** In the course of its investigation, RTS ascertained that Switzerland has the capacity to process the gold from Venezuela since it has four of the world's six largest refineries.

**Unhappy to be on the podium.** The International Monetary Fund (IMF) has announced that Venezuela is the third poorest country in Latin America and the Caribbean due to the fact that its gross domestic product per capita in dollars at current prices in Venezuela is USD 2,427. Haiti is first in this ranking with USD 765 and Nicaragua is second with USD 1,869.

**Steadily dwindling reserves.** The international reserves closed at USD 6.8 billion in the week ending February 14<sup>th</sup>, down 0.2% compared to the close of the previous week (February 7<sup>th</sup>). That gives a drop of 18.6% compared to a year ago.

**Money desks.** On February 18<sup>th</sup>, the average money desk exchange rate was VES 73,471/USD for a depreciation of 0.11% compared to the previous week.

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**Money supply.** Money supply came to VES 56.6 trillion in the week of February 7<sup>th</sup>, for an increase of 4.5% in nominal terms compared to the previous week and of 2,529.4% compared to a year ago.

## OIL TIPS

**Newcomers to the list.** On Tuesday, February 18, the US Treasury Department's Office of Foreign Assets Control (OFAC) sanctioned the Russian oil brokerage firm Rosneft Trading S.A. and the chairmen of its board of directors, Didier Casimiro.

**Being friends has consequences.** This decision was due to the fact the oil company has continued to collaborate with the Nicolás Maduro regime by facilitating exports of Venezuelan crude despite the restrictions imposed by the United States.

**They need to start packing their bags.** A high-level US government official gave notification of the issuing of a general license so that companies that have dealings with the Russian oil company can wind up any business they may have with this firm. He also announced that they are planning other measures against the Nicolás Maduro regime in the next 30 days.

**Late, but they finally did it.** According to Reuters, which had access to internal PDVSA documents, the Venezuelan oil company unloaded around one million barrels of crude last week that had been sitting off shore for a year due to US sanctions and the disputes over the control of Citgo Petroleum.

**We're still helping them.** According to data published by Refinitiv Eikon and PDVSA documents, six tankers have been taking an average of 173,000 barrels a day (b/d) of crude and fuel to Cuba.

**Bad news, Part I.** In its monthly oil report, the International Energy Agency (IEA) revised its world oil demand forecasts downward to 825,000 b/d for a difference of 365,000 barrels compared to its previous forecast.

**Bad news, Part II.** This new figure is the lowest since 2011. The IEA explained that this reduction is a consequence of the impact the coronavirus epidemic has had, which is bigger due to the fact that China accounted for more than three quarters of the growth in the demand for oil in 2019.

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**A new director.** Citgo's new board of directors announced that Jack Lynch is to be the company's ethics and compliance director. Lynch will report directly to Citgo's chief executive officer, Carlos Jordá, and will have direct reporting access to the board of directors' Audit Committee.

**His remit.** Lynch's responsibilities include evaluating the effectiveness of Citgo's compliance and ethics program, conducting risk assessments, and promoting conduct that is ethical and ensures regulatory compliance in the management of this oil affiliate.

**Libya grinds to a halt.** Libya's Prime Minister Mustafa Fayed al-Serraj admitted publicly that his country will face a financial crisis and a budget deficit in 2020 due to the blockade of oil terminals and fields by groups loyal to Commander Khalifa Haftar. Libya's National Oil Corporation (NOC) reported that crude production had fallen to 163,684 b/d.

**Power outs.** Ecuador's state-owned oil company, Petroamazonas reported that it had stopped pumping and transporting crude for about 12 hours at three of its blocs due to technical problems, which affected 70,000 barrels of crude.

**Pemex opens its doors, Part I.** Octavio Romero, the director general of Mexico's state-owned oil company, Pemex, said they had started to sign a series of contracts with oil service companies that had been specifically invited to submit bids for developing a new batch of priority exploration and production projects.

**Pemex opens its doors, Part II.** Romero said that they hoped to have some 20 contracts signed before the close of the first half of the year. He also commented that Pemex aims to discover and develop 20 new oil and gas fields a year to raise crude production from the current 7.1 million b/d to between 2.4 and 2.6 million b/d by 2024.

## BUSINESS SECTOR TIPS

**No fertilizers this year.** The president of the Confederation of Agricultural and Livestock Producers Associations (Fedeagro), Aquiles Hopkins, denounced that the state-owned petrochemicals company, Petroquímica de Venezuela, S.A. (Pequiven), had notified farmers that it would not be able to either produce or import fertilizers this year.

**Agriculture left to its own devices.** According to Hopkins, "*this leaves domestic production to its own devices*" because farmers cannot go to the banks to request financing to import fertilizers either since the government has done away with credit thanks to the legal reserve requirements for the banking sector.

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**“Petro-fying” the CLAP boxes, Part I.** José Ávila, the president of the state-owned company Alimentos Carabobo (Alimca), said it is to implement a pilot scheme for paying for the boxes of staples distributed by the Local Food Supply and Production Committees (CLAPs) with Petros.

**“Petro-fying” the CLAP boxes, Part II.** Ávila explained that the pilot scheme would be implemented by coordinating 2310 registered CLAPs in Carabobo state. These CLAPs are to take part in the first phase of the scheme in which 100 communities will be selected as a representative sample of the universe of CLAPs registered in Carabobo.

**A president of nothing.** Even though the state-owned steel company Siderúrgica del Orinoco has been producing nothing for the past 20 months, it now has a new president, Rolando Astudillo. Astudillo replaces Yajaira Rangel, who was seven months in the job, during which time steel production fell below one ton.

**Exaggerated fines.** The president of the National Commerce and Services Council (Consecomercio), Felipe Capozzolo, called calculating fines based on the foreign currency traded that has the highest value, in this case the euro, an “exaggeration.” He urged merchants to check their companies’ compliance with tax regulations in order to avoid problems on this front.

**A counterproductive tax.** Capozzolo also described creating a tax on purchases in dollars as being counterproductive, saying *“it could be counterproductive to attack a mechanism that has solved the situation of some groups of Venezuelans because not everyone has access to dollars.”*

**Dollarized Venezuela, Part I.** Capozzolo referred to dollarization as an irreversible process in which *“dollarization is at 40% in some areas of the country”* and in others, such as the western region, *“it is estimated at between 80% and 90%.”*

**Dollarized Venezuela, Part II.** Luis Vicente León, the president of Datanálisis, said that *“around 38% of the population has or receives foreign currency directly from the sources of generation, be it remittances, repatriation of savings, salaries, legal and illegal exports, smuggling, mining or drug trafficking.”*

**Dollarized Venezuela, Part III.** León estimates that 55% of transactions are performed in dollars, thanks to the fact that the volume increases against the number of people who have access to foreign currency, since big consumers buy in foreign currency. He also said he expected that number to exceed 70% this year.

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**Dollarized Venezuela, Part IV.** The economist Leonardo Buniak said that the dollar accounts Venezuelan banks are opening will function perfectly, arguing that Venezuela is in an irreversible process of transactional dollarization.

**Dollarized Venezuela, Part V.** Buniak also reminded people that, while these accounts will not have debit cards or checkbooks, it will be possible to perform transactions using the Pago Móvil platform.

**The crypto-paradise, Part I.** A new electronic teller has been set up for buying and selling cryptocurrencies in exchange for dollars at Centro Comercial Ciudad Tamanaco in Caracas. Unlike other teller machines, this is a two-way teller that accepts dollars and permits the purchase of Bitcoins, Dashes, and Litecoins.

**The crypto-paradise, Part II.** Veinte Venezolana de Intercambio is the company in charge of installing and taking care of this new machine. The company has already installed two teller machines in Caracas, one at Traki's main store in Sabana Grande and the other at Hotel Eurobuilding in Chuao.

## WORLD ECONOMY TIPS

**Trade war 2.0?** The United States Government has announced that it will raise the tariffs on aircraft imported from the European Union to 15% from the current rate of 10%. The new tariff will go into effect on March 18. This move to increase the tariff is part of the dispute between the European bloc and the United States over subsidies to their respective aircraft makers.

**Room for a truce.** The Office of the United States Trade Representative (USTR) said they would remain open to reaching a trade agreement with the European Union but that they might respond with different measures if the European Union imposed its own tariffs. As for the European Union, its officials have said they want to negotiate with Washington but that they would not let themselves be intimidated.

**Tariff changes on the horizon.** In addition the Office of the USTR announced that it would make slight changes to tariffs of 25% on cheese, wine and other non-aircraft products from the European bloc, including elimination of the tariff on plum juice.

**A new chancellor of the exchequer.** Sajid Javid resigned as Britain's Chancellor of the Exchequer on February 13. This reflects Prime Minister Boris Johnson's desire to tighten his control of the government, as Javid refused to strictly follow his instructions. Shortly

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afterwards Johnson appointed Javid's second in command, Rishi Sunak, a loyal follower of the Prime Minister's, as Chancellor of the Exchequer.

**China versus the coronavirus.** China's President Xi Jinping said that his country should do everything possible to maintain economic and social control in its struggle against the coronavirus epidemic. In his speech, he said that the epidemic was having a particularly heavy impact on the services industry.

**Pinning their hopes on industry's ability to resist.** Xi stressed that it was necessary to take measures to maintain China's industrial chain and to encourage companies to resume production. He also said it was necessary to increase financial support through preferential policies on interest rates and loan terms and to get the migrant workers of the main industries to return to work.

**Keeping China's manufacturing projects on track.** The Chinese President also said that big projects, particularly manufacturing projects, should start construction on schedule and he added that the increase in consumption would provide important protection against the impact of the epidemic. For that reason he stressed that they should work to promote more widespread adoption of 5G technology and also the purchase of products associated with a healthy lifestyle and cars.

**A fiscal boost in Peru.** The Central Bank of Peru announced that it estimated a bigger fiscal boost in 2020 with a 6% increase in public investment, although there were factors such as the coronavirus that could affect the country's expansion in the first quarter. The economic studies manager at the Central Bank, Adrian Armas, said, "*The Central Bank contemplates a positive fiscal boost in 2020, unlike last year when there was a drop in public investment estimated at 2.1%.*"

**Debt-ridden Argentina.** The prices at which Argentina's sovereign debt has been trading have fallen. This happened while the government was trying to renegotiate its USD 44 billion debt with the International Monetary Fund. Argentina's President Alberto Fernández has set March 31 as the deadline for reaching an agreement with the country's creditors.

**Colombia, an investment magnet.** Net foreign investment in Colombia came to USD 1.61 billion in January, nearly triple the amount posted in January 2019. This increase was driven by the redirection of capital to portfolios and also by specific business deals in sectors other than oil and mining.

**And what about the current account?** According to the National Statistics Department (DANE), Colombia's trade deficit went up by 53% in 2019 compared to 2018, to USD

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10.77 billion. This was due to an increase in imports to USD 50.27 billion and a drop in exports to USD 39.5 billion.

## POLITICAL TIPS

**Traveling heavy, Part I.** Aruban and US authorities reported the detention of a light aircraft from Ciudad Bolívar with a pilot, two crew members and high-purity Venezuelan gold on board.

**Traveling heavy, Part II.** The aircraft was using false US registration numbers and was carrying 932 kilos of gold packed inside luxury luggage. The international value of the shipment was equivalent to USD 50 million.

**More protected?** Nicolás Maduro's defense minister, Padrino López, announced that the "Bolivarian Shield 2020" military training programs had been started throughout the country. He explained that 2,300,000 militiamen were taking part in the training.

**Testing fire power.** To close the training, the Bolivarian National Armed Force (FANB) did a test launch of an Otomat missile from the frigate Almirante Brión. This is a medium range anti-ship missile valued at USD 515,000, according to the political scientist Rómulo Córdova.

**Giving thanks.** Padrino took the opportunity offered by the occasion to reiterate that the law passed by the Constituent National Assembly that incorporates the Bolivarian Militia as a component of the Bolivarian National Armed Force (FANB) was now in force and was "a gift" to the country.

**Ignoring the problems.** Juan Guaidó, however, said that these training programs were a "propaganda show while the troops go hungry" and he pointed out that 6,000 men deserted from the Bolivarian National Guard last year.

**Putting the focus on responsibilities.** In addition, Guaidó took the opportunity to highlight how important all members of the FANB were in the transition process and said that whether or not this would be traumatic for the rest of the population depended on them.

**Distorted priorities.** The first vice president of the National Assembly, Juan Pablo Guanipa, also criticized the fact that the Nicolás Maduro regime had allocated money to

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these military maneuvers instead of spending it on other more important sectors of the population, saying, “The people don’t want military strength, they want food.”

**They’re not ignoring it.** Guanipa also said that Cuba, Russia, Iran and Turkey were collaborating with the regime to get Venezuelan gold –which he called “blood gold”- out of the country. In making his accusation he referred to the light aircraft detained in Aruba.

**Where is he?** The Office of Acting President Guaidó’s National Communications Center denounced that Guaidó’s uncle, Juan José Márquez, disappeared after the two of them arrived in Venezuela on a flight of the Portuguese airline TAP from Lisbon.

**Arbitrary arrest, Part I.** Subsequently it was learned that Márquez was arrested for traveling with explosive material, according to statements given by Maduro’s foreign affairs minister, Jorge Arreaza.

**Arbitrary arrest, Part II.** However, Guaidó claims that these accusations are false and that Márquez complied with Europe’s airport security protocol, which is “clear and strict.” That being the way things are, he said that, if Maduro wanted to “impose a matrix of opinion, he will have to face the corroborated version of a responsible government.”

**Suspended for 90 days.** Due to Márquez’ accusations, Arreaza said that the airline had infringed international air regulations, which resulted in a 90-day suspension of operations for TAP.

**Seeking to solve the impasse, Part I.** Referring to this situation, Portugal’s Minister of Foreign Affairs Augusto Santos Silva announced that the necessary mechanisms were already being put in motion, via diplomatic channels, to get the suspension lifted.

**Seeking to solve the impasse, Part II.** Silva explained that the suspension was unjustified and that he hoped to clarify the situation as soon as possible, saying that this decision was “highly prejudicial to the people” and that they should be the focus of their concerns.

**Giving them more time.** Peru’s Minister of Homeland Affairs Carlos Morán notified that the extension to the “special migratory status” given to some Venezuelan migrants is to be further extended. This special migratory status allows those Venezuelans to stay and work in Peru for one year.

**A clear objective.** Spain’s Minister of Foreign Affairs Arancha González Laya said at the Munich Security Conference that the role of her country’s government was to support “at times visibly, at other times more invisibly” achieving free elections in Venezuela.

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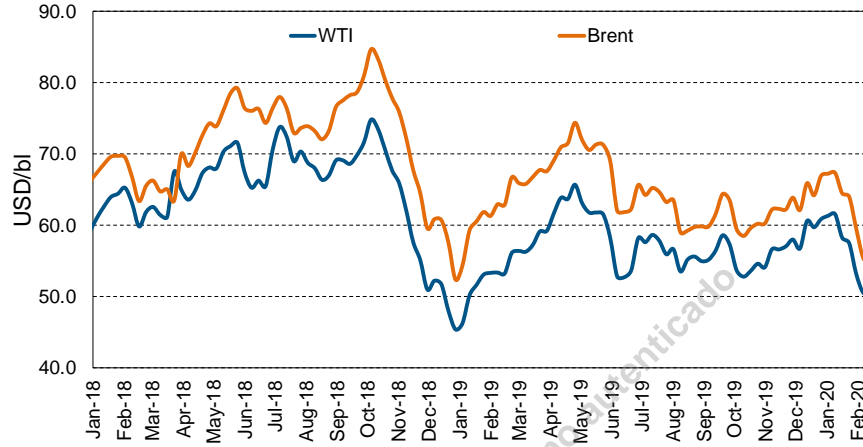
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**Personal ties.** The minister explained that the two countries had specific ties, mainly because of the thousands of Venezuelans who are in Spain and the thousands of Spaniards who are in Venezuela.

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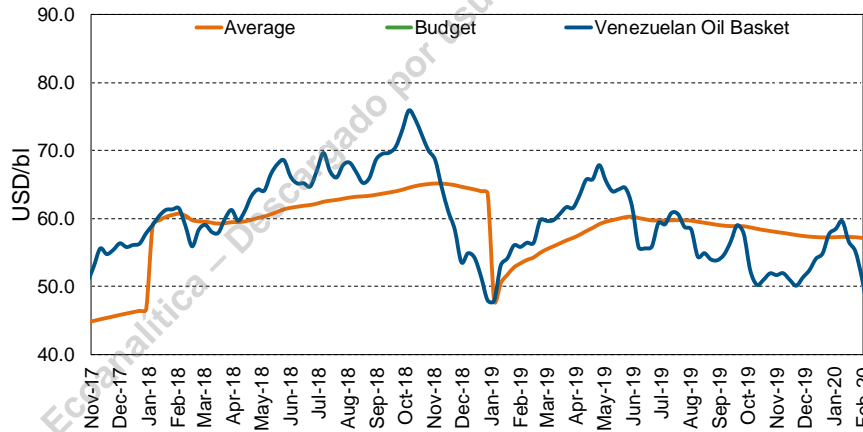
**ECONOMIC INDICATORS**

**Oil Prices  
(WTI and Brent)**



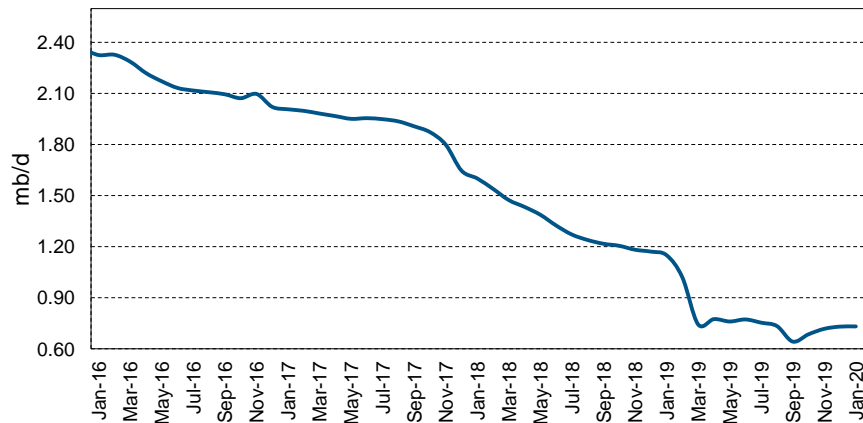
Sources: Menpet and Ecoanalítica

**Oil Price  
(Venezuelan Basket)**



Sources: Menpet and Ecoanalítica

**Oil Production  
(Secondary sources)**



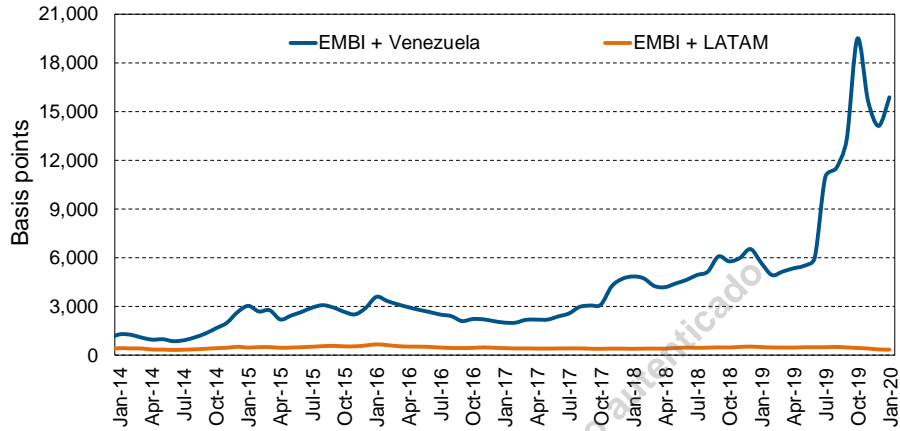
Sources: OPEC and Ecoanalítica

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**ECONOMIC INDICATORS**

**EMBI**



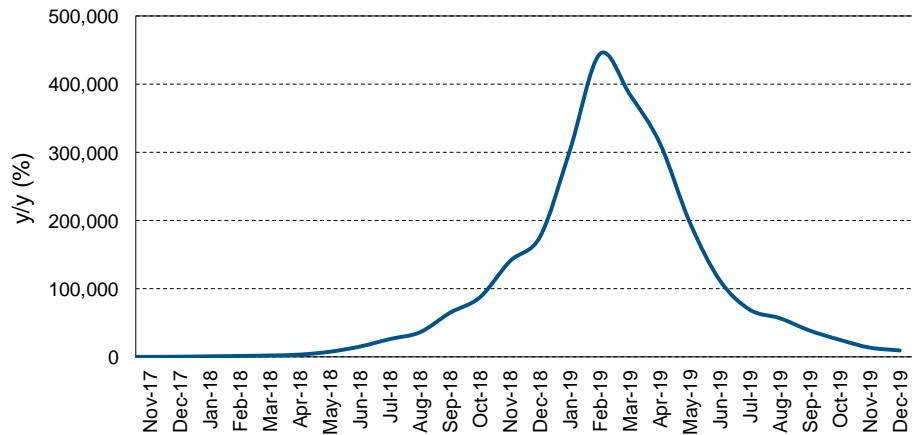
Sources: BCRP and Ecoanalítica

**FX Reserves (BCV)**



Sources: BCV and Ecoanalítica

**Inflation (BCV)**



Sources: BCV and Ecoanalítica

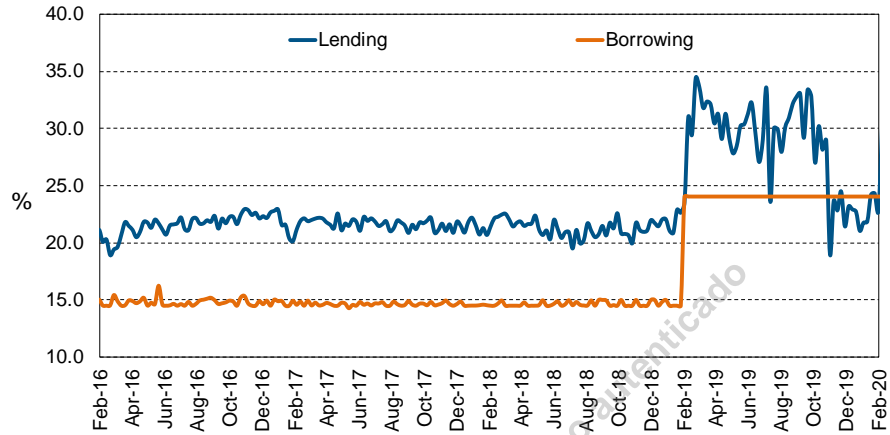
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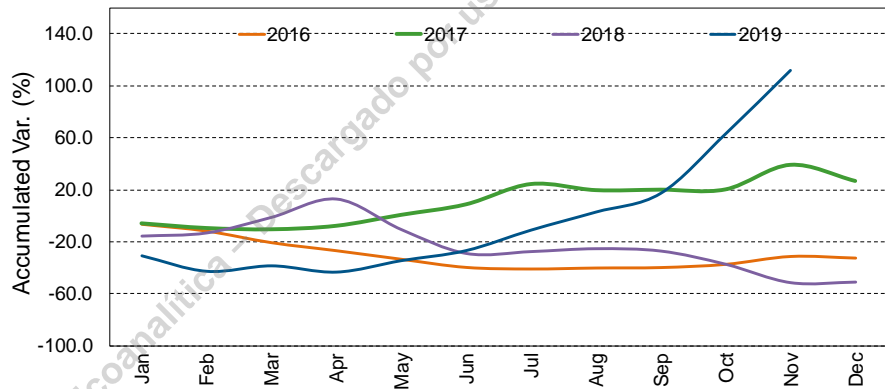
**ECONOMIC INDICATORS**

**Interest Rate  
(Six major banks)**



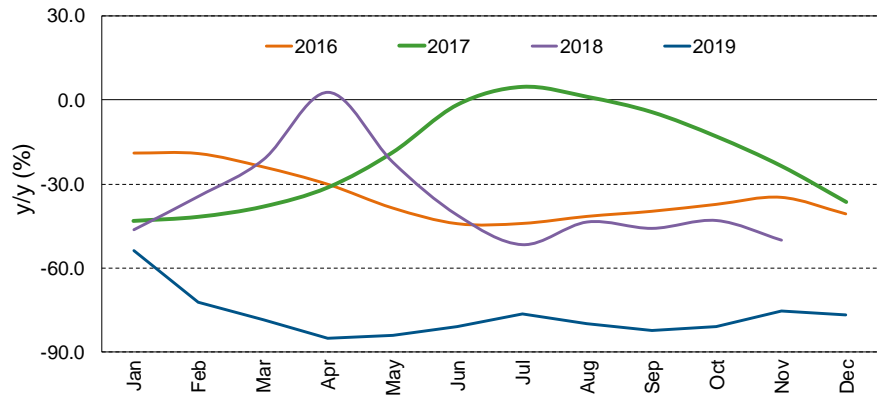
Sources: BCV and Ecoanalítica

**M2 Expansion  
(Real)**



Sources: BCV and Ecoanalítica

**Loan Portfolio  
(Real)**



Sources: SUDEBAN and Ecoanalítica

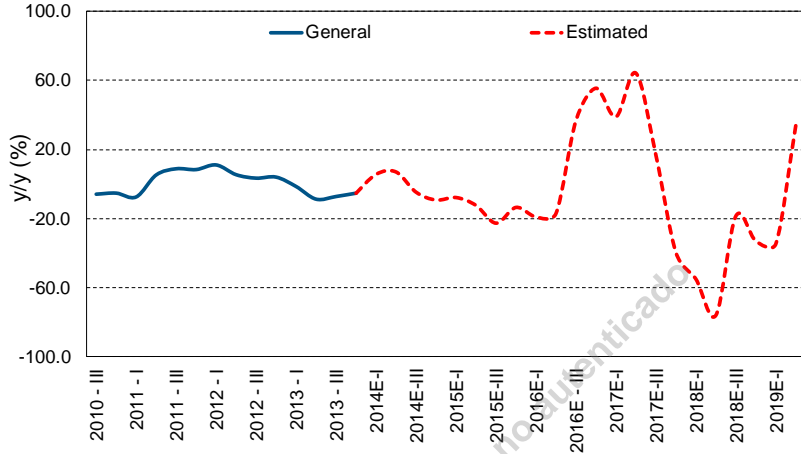
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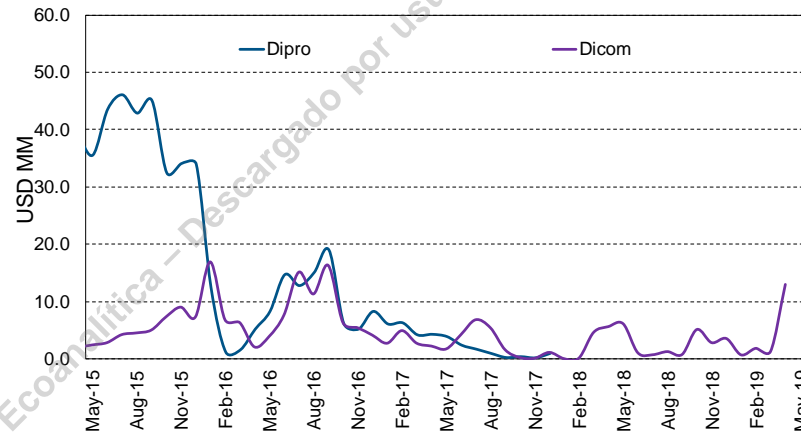
**ECONOMIC INDICATORS**

**Real Wage Index**



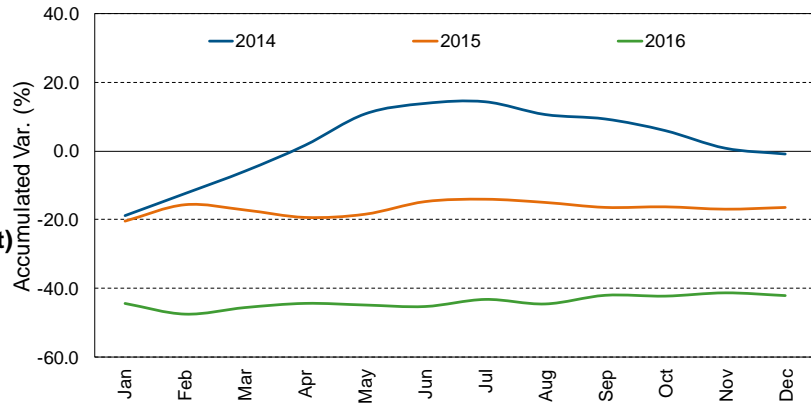
Sources: BCV and Ecoanalítica

**Disbursements to the Private Sector (Daily Average)**



Source: Ecoanalítica

**Primary Spending NTO (Real - Central Government)**



Sources: ONT and Ecoanalítica

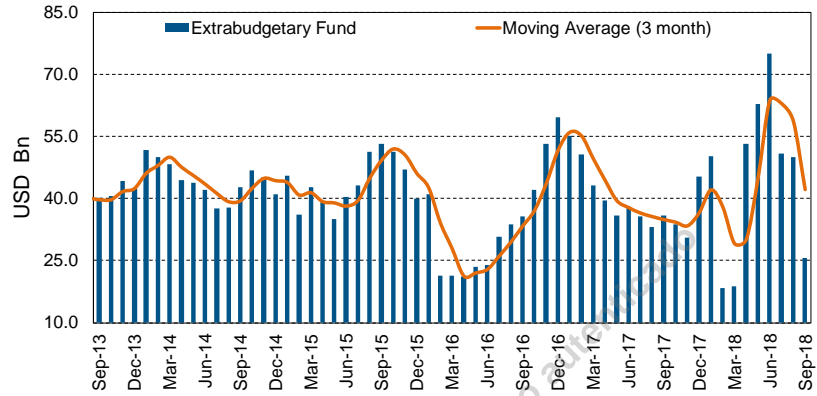
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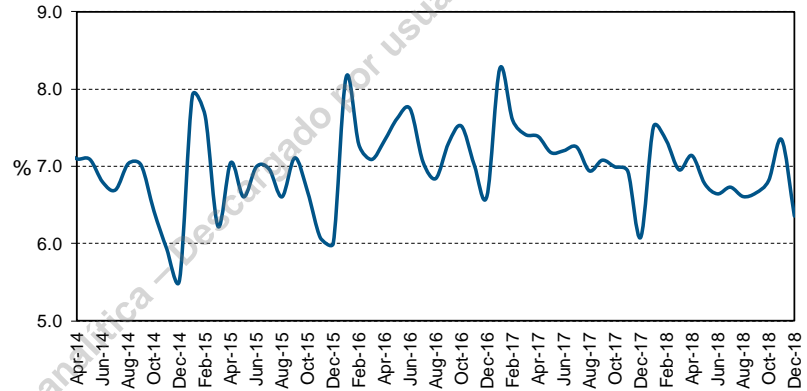
**ECONOMIC INDICATORS**

**State Extrabudgetary Resources**



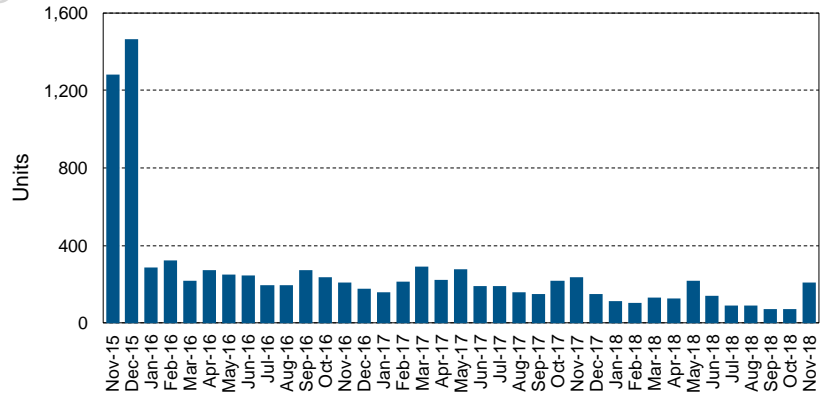
Source: Ecoanalítica

**Unemployment Rate**



Sources: INE and Ecoanalítica

**Vehicle Sales**



Sources: CAVENEZ and Ecoanalítica

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