

## Remittances under quarantine: the collateral damage

One of the economic dimensions most affected by the new COVID-19 pandemic has been remittances. For many developing or low-income countries, the flow of external resources from the global migratory mass has been reduced as the spread of the new virus and social distancing policies gain momentum. In this case, as we illustrated in our weekly report N°10 of 2020: “*The bubble in quarantine How will the COVID-19 impact our economy?*”, COVID-19 also acts as an adverse shock on the capacity of countries to accumulate foreign exchange earnings, although this time through unilateral transfers and not directly through its action on trade transactions between countries.

In recent years, these remittances, which are mainly directed to lower-income social classes, have provided greater support to such economies. Between 2008 and 2018, the inflows of such transactions to Central Europe and the Baltics, Sub-Saharan Africa and Latin America (among the top five global recipients) reported an absolute increase of USD 9.0 billion, USD 19.8 billion and USD 27.0 billion, respectively and, also, raising their share in local production to 0.45 percentage points (pp), 0.47 pp and 0.17 pp. With such a weight, many of the consumption and savings decisions of households in these countries seem to be closely related to the dynamics of such remittances. Thus, any unanticipated alteration in their flow (temporary or permanent) will end up forcing greater changes in spending patterns and even in the labor market<sup>1</sup>.

### Why lower remittances?

In the case of COVID-19 and its impact on consumption, the transmission mechanism acting through remittances seems evident. While commercial activities where migrants reside (*host* economies) are paralyzed as part of official distancing policies, migrants are less and less able to work and thus generate those resources they send to their families in their *home* economies, so that they can meet needs, accumulate savings or seek any form of coverage against loss of income (because they face greater local inflationary pressures).

<sup>1</sup> An overview of the multiple effects that remittances can have (in addition to changes in the availability of resources to spend) are presented in our weekly report N°40 of 2018: *Remittances: an emerging factor in a sea of “it depends”*.

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Similarly, the flow of migrants' income can be interrupted if it is channeled through informal mechanisms<sup>2</sup> (transfers between migrants abroad, with counterparts in their bank accounts in the countries of origin, physical transfers across borders, triangular payments between relatives of other migrants, etc.), whose operation has also been affected by the global quarantine. Thus, if a migrant has the assets of another migrant in the economy where they reside to transfer resources, or must mobilize to areas bordering other countries or go to non-traditional entrustments, they are likely to face greater difficulties in sending resources in the midst of the pandemic, even if they are still capable of generating income.

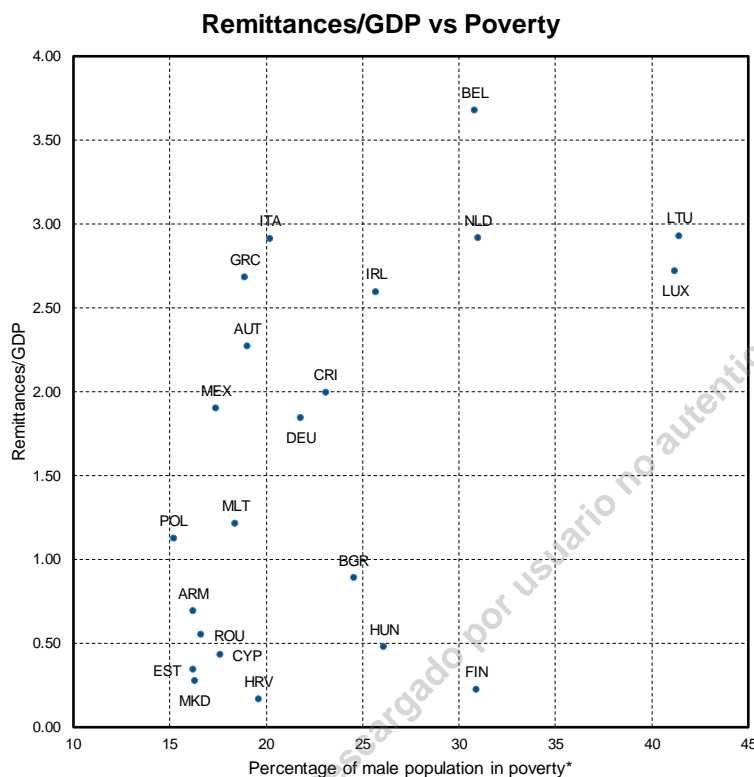
With less income from abroad, family members who still reside in the country of origin are likely to have to limit their spending on consumer goods or priority items, in the case of poorer households. Lower consumption means fewer sales for domestic firms, less inflows, and therefore fewer payments to their workforce (or more layoffs).

Consequently, as with the adjustments in their expenditure patterns in the face of reduced working hours following the COVID-19 boom, the fall in remittances causes recipient households to become more selective in their payments. In other words, remittances tend to magnify the fall in consumption from a global perspective: not only do migrants reduce their spending in the *host* market (and thus remittances), but so do the final beneficiaries of such remittances.

The magnitude of the damage caused by the pandemic is even greater if we consider that, for some markets, remittances have been mobilizing more resources for years prior to 2019 than those obtained through their traditional commercial activities or through multilateral assistance. In this configuration, the Central American region stands out as receiving, on average, 10.1 % of GDP in these operations by 2018 (over the 1.3% they received from multilateral support), compared to other recipients such as South America, Africa or Asia, also marked by a migration process driven by a severe economic crisis, poverty or inequality in the local environment.

If we consider the spectrum of direct beneficiaries of remittances in the main recipients, the impact of their reduced inflow after the pandemic is even more regressive, as it tends to harm the poorest classes (directly dependent on such resources) to a greater extent, especially with a domestic working environment that has been eroded by the pandemic and that affects household sector, either those of low or high income groups.

<sup>2</sup> In this area, formal mechanisms are considered to be the direct electronic transfer of a migrant to his/her family members, from a bank account (or money remittance house) in the economy where the first one resides to another bank account (or the local counterpart of the remittance service) in the economy where the final beneficiary is located. That is, means managed by financial entities regulated and supervised by State agencies. Some definitions can be found in Hernandez-Coss, R, 2017. The U.S-Mexico remittance corridor: lessons on shifting from informal to formal transfer system, World Bank Paper 47.



Sources: World Bank & Ecoanalítica.  
The acronyms refers to ARM: Armenia AUT: Austria BEL: Belgium BGR: Bulgaria CRI: Costa Rica, CYP: Cyprus, DEU: Germany, EST: Estonia, FIN: Finland, GRC: Greece, HRV: Croatia, HUN: Hungary, IRL: Ireland, ITA: Italy, LTU: Lithuania, LUX: Luxembourg, MEX: Mexico, MKD: North Macedonia, MLT: Malta, NLD: Netherlands, POL: Poland, ROU: Romania, SVN: Slovenia, SWE: Sweden  
\*The poverty index used was the Multidimensional Poverty Index developed by the United Nations Development Programme and the World Bank which has three considerations: health (child mortality, nutrition), education (years of schooling, enrollment), and living standards (water, sanitation, electricity, cooking fuel, floor, assets).

On the other hand, remittances usually come from migrants who work in informal activities<sup>3</sup>. In this sense, since there are fewer legal mechanisms to deal with unemployment (such as unemployment insurance, for example), the informal worker has few options to counteract (at least partially) the loss of income in the midst of the global quarantine. This effect is clearly illustrated in cases such as Mexico (which, together with the United States, is one of the most important remittance<sup>4</sup> "corridors" in

<sup>3</sup> For example, a study conducted for 2019 revealed that 92.1% of salaried Venezuelan migrants in Peru did not have an employment contract, that is, they are in an informal labor relationship, and that 81.4% of the migrants surveyed report having sent remittances to Venezuela. See: Koechlin, J; Solórzano, X; Larco, G & Fernández-Maldonado, E (2019). Impacto de la inmigración venezolana en el mercado laboral de tres ciudades: Lima, Arequipa y Piura. OIM, OIT, Ministerio de Trabajo y Promoción del Empleo y UARM. Available at: <https://www.uarm.edu.pe/Archivo/3095d39b80647376>

<sup>4</sup> A corridor refers to the relationship between two countries explained by the transfer of funds (remittances) between them.

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the world), where a 17.0%<sup>5</sup> drop in remittances is predicted for 2020 and where approximately 43.0% of the population that migrates to the United States maintains an illegal status<sup>6</sup>, so it would operate in the absence of "passive" compensation mechanisms (and working in an US' market that could be reduced in at least 5.4% in 2020)<sup>7</sup>.

If we add to this the potential vulnerabilities of the economies of origin that have driven increased migration and remittances, such as unequally distributed income, a large number of poor households and even the informality of the domestic market,<sup>8</sup> we see that these markets are more exposed to an even more marked deterioration after the passage of the COVID-19 because they do not receive what they are used to from their relatives abroad.

Considering what was stated above, it will not be a coincidence that, after the passage of the pandemic, we see a further deterioration of those economies dependent on remittances and afflicted by multiple distortions in the socio-economic and labor fields.

### Remittances in the new Venezuela

For Venezuela, the influence of remittances in the last few years has been notorious. With the collapse of the local oil industry (and the consequent tax cut), the rise in hyperinflation and the greater trade restrictions resulting from the local economic crisis, such income has become important for a greater number of Venezuelans. This, obviously, has been possible due to the greater migratory flow that has emerged as the

<sup>5</sup> Cullel, J (2020). La caída de las remesas coloca en números rojos a las familias de migrantes mexicanos. El País. Available at: <https://elpais.com/economia/2020-04-15/la-caida-de-las-remesas-coloca-en-numero-rojos-a-las-familias-de-migrantes-mexicanos.html>

<sup>6</sup> For 2017, estimated by Pew Research Center. <https://www.pewresearch.org/fact-tank/2019/06/28/what-we-know-about-illegal-immigration-from-mexico/>

<sup>7</sup> Recent projections comprised in last FocusEconomics' monthly report (May).

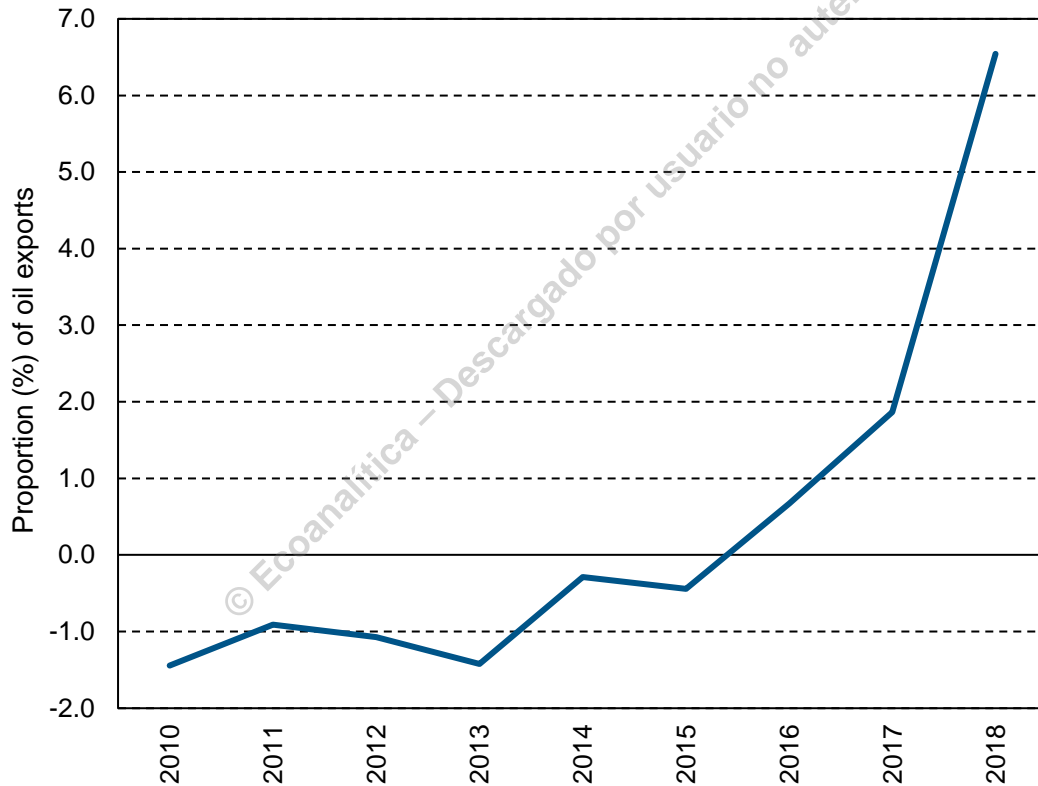
<sup>8</sup> Such informality may even have been caused by remittances received by these countries in the past. Some research mentions how remittances are used as capital to start small businesses (of an informal nature) by the migrant's relatives in the country of origin or are used as a counterweight to the volatility of income derived from informal employment or even as an incentive for non-migrants (even in the country of origin) to get employed quickly and thus leverage the migration plans of their relatives (and benefit from future remittances). Evidence for post-socialist economies in Eastern Europe and Asia can be found in Ivlevs A (2016). See: Ivlevs, A (2016). Remittance and informal work. IZA. Disponible en: <http://ftp.iza.org/dp10196.pdf>

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most affordable response by Venezuelans to palliate an economic, social and institutional debacle that has become more acute in recent years.

Beyond that, what stands out is how, after the collapse of government revenues from oil exploitation (even before the sanctions imposed by the United States on local oil trade), in addition to a tax mechanism affected by the economic contraction of the last five years and zero access to international financing, remittances have become more important in the nation's foreign exchange budget (according to the official figures themselves).

**Current net transfers (BCV)**



Sources: BCV and Ecoanalítica.

In fact, **Ecoanalítica's** calculations show that, by 2019, each Venezuelan "received" approximately USD 747.8 from the (gross) sale of local oil, while reporting an income of

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USD 106.8 from remittances. This is notorious if we consider that, by 2018, the amount received for each concept was USD 981.2 and USD 77.2 in each case<sup>9</sup>.

With such a configuration, it seems plausible to think that the new virus will generate "additional" adverse effects on the Venezuelan economy, especially if we consider the current profile of the Venezuelan migrant. According to a recent report on social mobility in Venezuela<sup>10</sup>, a significant number of migrants who have left the country using border crossings tend to share some characteristics: 1) the vast majority come from the local informal area (28.6%), 2) they have labor certificates in areas other than the one in which they work (40.6%) and 3) they know little about labor conditions in the destination country (51.8%). In other words, much of the recent migration aimed to find employment in informal sectors of the *host* economy and thus to earn more unstable incomes over time.

A recent report by The Dialogue<sup>11</sup> identifies the main trends in Venezuela's remittance transactions during 2019, which reveal additional vulnerabilities:

- Much of this flow came from economies in South and Central America (apart from Spain, for the last few years).
- On average, each migrant sent about USD 1,600, spread between 8 and 14 operations per year. In each transaction, they sent between USD 152 and USD 200.
- Such transactions benefited almost 2.9 million local households (more than 30% of the total, according to the report itself).
- Most of them continue to use non-formal channels for sending remittances. In addition, it is observed that part of the migrant population must resort to the informal labor market, so part of the remittances sent come from migrants not permanently employed; highlighting the case of migrants in Colombia, where 42.0% are informally employed and 68.0% do not have a legal migration status.

<sup>9</sup> The importance of remittances as a flow of foreign exchange becomes particularly relevant in the domestic case, if one considers that a significant fraction of the income from such transactions is not received under traditional mechanisms (trust houses).

<sup>10</sup> Mazuera-Arias (2020). Informe sobre la movilidad humana venezolana II. Realidades y Perspectivas de quienes emigran. Mazuera-Arias (2020). Informe sobre la movilidad humana venezolana II. Realidades y Perspectivas de quienes emigran. UCAT, UCAB, Servicio Jesuíta a Refugiados, Centro Gumilla, ODISEF, UNISIMON. Available at: <https://cpalsocial.org/documentos/795.pdf>.

<sup>11</sup> Orozco, M & Klaas, K (2020). Money transfers to Venezuela. Remittances flows amidst evolving foreign exchange rate. The Dialogue. Available at: [https://www.thedialogue.org/wp-content/uploads/2020/05/Report-Money-Transfers-to-Venezuela\\_May-2020-2.pdf](https://www.thedialogue.org/wp-content/uploads/2020/05/Report-Money-Transfers-to-Venezuela_May-2020-2.pdf)

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- Among those surveyed - in their respective countries of destination - between 19.0% and 47.0% said they intended to return to Venezuela.

Thus, despite operating in markets with strong macroeconomic fundamentals prior to the pandemic, the rise of the new virus will expose migrants to transaction volumes in major *host* economies that are (estimated) to decline by 3.2% to 5.8% by 2020<sup>12</sup>. On the other hand, the informality of the transfer or the transitory nature of their work could prevent Venezuelan migrants from sending the equivalent of 75 times the current minimum wage to their families, if the pandemic prevents them from compensating for the lack of employment, or limits their movement to border areas, or if other migrants do not have the resources to "triangulate" payments through their families.

### What to expect by 2020?

**Ecoanalítica's** latest projections suggest that, as a result of the new virus, the year 2020 will mark a turning point in the upward trend of remittances observed until last year. From the USD 3.5 billion received in 2019, a drop in such flows is foreseen to reach USD 1.55 billion by the end of this year. If we consider the features previously outlined, such a contraction could imply one of two scenarios: a drop of almost 67.4% in the number of households benefiting (assuming that migrants with the capacity to send remittances will not alter the amount sent), or a reduction up to USD 546 in what each household would receive annually.

We are therefore talking about a greater number of households with more precarious incomes or about beneficiaries who will receive only the equivalent of the cost of the basic food basket for the next 2.4 months (according to the CENDAS metric), if current price and exchange rate conditions remain unchanged. From any perspective, it seems that Venezuela will suffer greater collateral damage from COVID-19 considering the decline in remittances. The bad news does not stop.

**Luis Arturo Bárcenas**

<sup>12</sup> Based on projections reviewed by FocusEconomics for GDP growth in Colombia, Chile, Spain and Costa Rica, Panamá and US, at the end of 2020.

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WEEKLY INDICATORS

Weekly Economic Indicators			
	4th Week May	Weekly chg. (%)	Depre/Apre (pp) <sup>1</sup>
FX Boards (VES/USD) <sup>2</sup>	188,129.91	2.6	2.5
	1st Week May	Weekly chg. (pp)	Annual chg. (pp)
Lending Interest Rate (%)	39.8	0.1	12.0
	4th Week May	Weekly chg. (pp)	Annual chg. (pp)
Overnight Interest Rate (%)	115.6	45.5	7.0
	3rd Week May	Weekly chg. (%)	Annual chg. (%)
International Reserves (USD Bn)	6.5	0.0	-18.6
	2nd Week May	Weekly chg. (%)	Annual chg. (%)
Monetary Liquidity (MM VES)	100,402,449	12.2	1,675.0
Price of International Oil Baskets (USD/bl)			
	1st Week May	Weekly chg. (%)	Annual chg. (%)
WTI	22.5	47.8	-63.7
Brent	28.8	31.1	-59.2
Price of the Venezuelan oil basket (USD/bl)			
	1st Week May	Weekly chg. (%)	Annual chg. (%)
Weekly Average	13.4	39.1	-79.0
Annual Average	33.9	-3.2	-43.3

Sources: BCV, MENPET, ONT and Ecoanalítica

\* Annual variation of accumulated expenditure.

<sup>1</sup> Depreciation (+)/Appreciation (-)

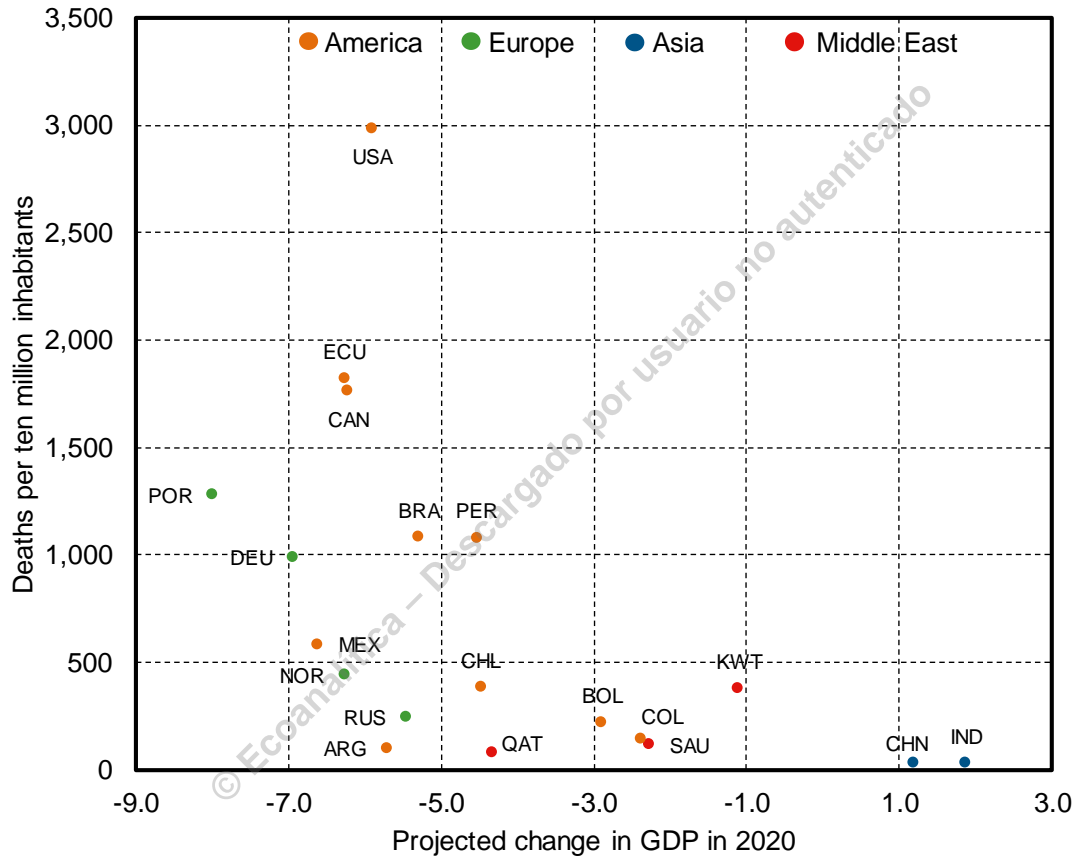
<sup>2</sup> FX Borads' average exchange rate

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CHART OF THE WEEK: "AN IMPOSSIBLE DUALITY?"

**GDP forecasts and deaths from COVID-19**



Sources: International Monetary Fund, 1Point3Acres and Ecoanalítica.  
 Note: The acronym refers to DEU: Germany, SAU: Saudi Arabia, ARG: Argentina, BRA: Brazil, CAN: Canada, POR: Portugal, CHL: Chile, COL: Colombia, ECU: Ecuador, USA: United States, KWT: Kuwait, BOL: Bolivia, MEX: Mexico, PER: Peru, QAT: Qatar, RUS: Russia, NOR: Norway, CHN: China, IND: India.  
 \* Greece and Venezuela are excluded because they represent outliers in the analyzed sample.

The containment measures taken by different countries in response to COVID-19 have significantly marked their recent economic performance and have also affected what is expected of these markets in the coming months. As a result, several nations have begun to implement staged and controlled reactivation measures, with the aim of partially mitigating the economic cost of the pandemic. Such plans have led to a new and intense debate on the appropriateness of the new flexibilities, taking into account the risk of increasing the number of infected people as the economic sectors are reactivated.

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Certainly, both the human losses related to the virus and the official measures for its containment will imply a strong deterioration of the economies in the short and medium term. It is not in vain that some of the countries with the highest number of deaths related to COVID-19 will show, according to International Monetary Fund forecasts, the greatest contractions in their domestic production by the end of 2020.

Despite the potential impact of this new event on economic performance, it cannot be ruled out that such a relationship will exist in both directions, where economies with a stronger health sector have managed to reduce the cost of living more effectively. In this regard, the measures applied by some countries (located on the lower right of the graph) have had less economic impact although they have halted the growth in infections and deaths, while nations on the left and above the graph seem to be suffering the costs of the pandemic (in both dimensions) even though they enjoyed favorable macroeconomic conditions before the appearance of the virus. Both arguments validate the positive relationship between the economic and human costs of the pandemic.

However, on the eve of a reopening in some economies, a number of countries are expected to move to the upper right-hand side of the chart as they achieve economic recovery (lower projected GDP contractions), albeit with a higher death rate due to the potential for further contagion from a less rigid quarantine. For some markets, this would mean a reversal, in the cost in lives/economic cost ratio, which raises serious doubts about the true "success" of the reopening in terms of the welfare of its inhabitants. However, the questions remain: will an economy with a high death toll continue to endure a longer quarantine? Will markets with "flexible" quarantines succeed in lowering the economic cost of quarantines, to the point of avoiding a more aggressive death toll escalation in the future? Achieving both objectives looks increasingly impossible.

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## ECONOMIC TIPS

**Applying for funds...** The Central Bank of Venezuela (BCV) has begun legal proceedings in a London court to recover USD 1 billion in gold held by the Bank of England.

**...without the ability to administer them.** The demand introduced on May 14 comes after a request by the BCV rejected by the Bank of England to use these funds that, according to BCV sources, will be administered by the United Nations Development Programme (UNDP) for the purchase of medical supplies and food to deal with the pandemic.

**Thinking about reactivating...** President Nicolás Maduro declared in a press conference that his economic team is studying a series of measures for a controlled reactivation and will begin a round of meetings with representatives of the productive, commercial and financial sectors.

**...a dormant economy. At the same time.** Maudro explained that a change in the methodology of the calculation of the Value Added Tax (VAT) is being analyzed, which could lead to its reduction or change the frequency to biweekly instead of monthly.

**Not even the seven basic foods.** Congressman José Guerra warned that the Caracas Food Basket, containing seven essential goods, increased by 7.5% over last week and costs USD 15.7, while the minimum wage is USD 2.1 per month.

**Up it goes (I).** The Workers' Documentation and Analysis Centre (CENDA) said that VES 28.97 million were required in April to cover the cost of the basic food basket for a family of five, equivalent to USD 164, according to the exchange bureaux of the Central Bank of Venezuela.

**Up it goes (II).** This new price indicates an increase of 51.2% in bolivars since March and an increase of 3,273.4% since April 2019. In turn, CENDA indicated that a minimum wage of VES 250,000 had a real purchasing power of 0.9% of the basket and 116 minimum wages are needed to cover the monthly basket.

**Strong impact in Latin America (I).** In the Labour Situation in Latin America and the Caribbean report, published by the Economic Commission for Latin America and the Caribbean (ECLAC) and the International Labour Organization (ILO), it is estimated that the number of unemployed will increase by 11.5 million people by the end of 2020.

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**Strong impact in Latin America (II).** With this increase, the total rate of unemployment for the countries of the region will add up to 37.7 million by the end of the year, which transforms into an increase in poverty in the region that will reach 34.7% of the population.

**Overwhelming fall (I).** In its most recent report, Torino Capital ranks the Venezuelan bank as the smallest in Latin America. In detail, it indicates that, between 2013 and 2019, the construction sector fell 96.0%, the commercial sector 80.5% and the financial sector 88.5%.

**Overwhelming fall (II).** According to the report, the Superintendence of Banks (Sudeban) reported a reduction in the number of agencies of financial institutions of 8% and cut payroll by 34%, in addition to a 75% contraction of the banking sector from 2013 to 2019, leaving the Venezuelan banks as the smallest in the region.

**Money tables.** As of May 26, the average exchange rate in the money tables was VES 193,404.5/USD. This represents a 5.1% depreciation from last week.

**Liquids?** Liquidity was VES 100,402,889 million for the week of May 15, a variation of 5.0% in nominal terms from the previous week (May 8) and 1560.7% from last year.

## OIL TIPS

**Stopped for excess inventory.** The Venezuelan state oil company PDVSA is cutting back its crude oil blending operations at several refineries, reports Reuters. The accumulation of inventories has forced the main plants to work intermittently.

**The figures.** Reuters comments that Venezuela produced 650,000 barrels on 13 May and 642 kb/d the next day. These numbers represent a drop to April's production of 737 kb/d shared by the Organization of Petroleum Exporting Countries (OPEC).

**Too much Meresy.** At the Jose terminal, Meresy crude oil inventories grew 2.4 million barrels from the first days of May to this week. However, PDVSA documents show that the terminal only had the capacity to hold 318 kb/d of these. Therefore, production was stopped for several days of the month, producing only 100kb/d between 20 and 24 May.

**In operation.** Petropiar's refinery, part of mixed agreements between PDVSA and Chevron Corp CVX.N, is one of the few sites still in operation. It produces around 120 kb/d of extra heavy crude to generate Hamaca. These figures, however, do not

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represent the total capacity of the refinery complex, which cannot operate at these levels due to the accumulation of inventories.

**Not only is gasoline missing....** The Jose Petrochemical Complex has decreased its production due to a fire and a leak in one of its pipes. This complex is in charge of generating the propane used by 90% of Venezuelans for their daily cooking activities. Bloomberg reports that PDVSA is unable to meet the historic gas demand equivalent to 60,000 barrels per day (b/d) at import peak.

**...the gas is also missing.** Propane gas production has fallen 24% in the week of May 18-22 alone, so service delivery has also begun to be rationed nationwide, according to Bloomberg. This affects about four million people, who, in the absence of the service on which they depend, had to return to light fires.

**A history of rationing.** Early last week, more than 100 trucks were preparing to receive gas from the Jose petrochemical company to distribute propane nationwide; however, the military limited delivery mostly to locations in and around Caracas.

**Another story we've heard before.** Lack of staff and maintenance at the plants has caused fires and leaks in various pipes since January; this is not entirely new. This has caused natural gas production to fall to levels equivalent to one-fifth of what was produced in 2006. José is the only gas production complex operating at the moment, with only half of its units in operation, which have the capacity to produce 50 kb/d.

**An arrival from the Orient.** Last Saturday, 23 May, the first Iranian vessel, called Fortune, entered Venezuelan waters with fuel. The Economic Vice President and now Minister of Oil Tareck El Aissami shared through his social networks that *"the ships of the fraternal Islamic Republic of Iran are now in our exclusive economic zone.*

**A message to give.** The first ship of the Iranian fleet has been sailing with its satellite signal on all this time, showing its approach to the Caribbean Sea last Friday. The other ships have followed the same path, reports Refinitiv Eikon.

**Do we need them?** The Iranian nation is supplying about 1.53 million barrels (mb) of gasoline to Venezuela. On the other hand, it is not yet known what actions the United States will take in this regard, despite the warnings it has given to the sanctioned states.

**We do.** The fuel situation in Venezuela is critical, as 1,800 stations that have been partially or completely closed due to lack of gasoline need to be fed. Reuters agency reports that until March 10, PDVSA's refineries worked at about 10% of their capacity.

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**From Guatemala to Guateworst.** Before the imposition of the quarantine in the country, Venezuelans consumed about 170 kb/d of gasoline. Once the confinement began, the stations decreased their sales by approximately 40 kb/d due to rationing, according to Reuters.

**Warnings.** For its part, the U.S. Government stated that they are considering measures in response to this transaction, without giving further details. Recently, they reinforced their naval presence in the Caribbean as part of the expansion of the anti-drug operation, although an official of this mission declared to be uninformed about some type of operation related to Iranian vessels.

**Warnings back.** On the other hand, Iranian President Hassan Rouhani warned that they would respond in case Washington caused any kind of problem to the ships heading to Venezuela. *"If our tankers in the Caribbean or anywhere else in the world have problems caused by the Americans, they will be in trouble too."*

**It's not a good year for the oil companies.** Oil companies around the world are announcing budget cuts aimed at exploration operations of more than a quarter of the original budget. Although these changes will affect more in the short term than in the long term, the situation may be particularly difficult for Latin American countries, especially Brazil and Argentina.

## SECTOR TIPS

**Between a rock and a hard place (I).** The president of the Venezuelan Confederation of Industrialists (Conindustria), Adán Celis, said that by the end of 2020, more than 43% of the country's industries could cease to operate. He added that the projection was made before COVID-19 arrived in Venezuela.

**Between a rock and a hard place (II).** He also pointed out that in 1997 Venezuela had an industrial park with 12,471 companies and that in 2020 there are only 2,209, that is, 82% of the industrial park that existed in 1997.

**Between a rock and a hard place (III).** Finally, he mentioned that, at present, between 250,000 and 300,000 direct jobs are generated by the industrial sector, which indicates that around 2.8 million people depend on industrial income.

**The banks want to work (I).** The Venezuelan Banking Association (ABV) will request the Superintendence of Banks (Sudeban) that a group of commercial offices in the national territory can start to operate in a staggered manner and with special schedules.

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**The banks want to work (II).** This measure seeks to serve specific customers with urgent problems, since, by December 2019, branch office transactions represented 2.3% of total transactions in the country, led by 62.4% of transactions at points of sale.

**Insufficient help.** On May 19, the Venezuelan government began paying out the special Stay at Home bonus. In April, an amount of VES 400,000 was allocated; however, the amount allocated for the current month is not known.

**The Larenses want to work (I).** The Chamber of Industries of Lara State, through a press release, said it is seeking meetings with different sectors, both government and business, to "address the gradual and urgent recovery of productive activities".

**The Larenses want to work (II).** He added that the Lara industry assumed to maintain the payment of wages and other contractual benefits to its employees despite the inactivity, but many companies will go bankrupt if the industry is not reactivated in the short term.

**No coordination.** Labor Minister Eduardo Piñate said that IVSS beneficiaries would receive a special economic war bonus of VES 300,000 instead of the food bonus; however, this amount is not mentioned in the publication of the Venezuelan Social Security Institute (IVSS), which announced the payment of VES 400,000 as a June pension plus VES 150,000 as a May retroactive.

**Digitizing transactions (I).** Through an alliance between Mega Soft and Cryptobuyer, starting in June, more than 20,000 merchants affiliated to the Merchant Server platform will have a tool that will allow them to make transactions in cryptomon currencies.

**Digitizing transactions (II).** Jorge Luis Farias, Chief Executive Officer of Cryptobuyer, highlighted that the main change brought about by this new tool is that transactions can be made by presenting a QR code without the need for debit or credit cards and without the need for physical contact, which is essential in these times of pandemic.

**Immobilized agriculture (I).** The first vice-president of the Confederation of Agricultural Producers' Associations of Venezuela (Fedeagro), Celso Fantinel, warned that the supply of fuel is sufficient for 5% of the activity in the sector. On the other hand, he reported that he sees with optimism the reactivation of the Venezuelan Agricultural Products and Supplies Exchange (Bolpriaven), since bank credits have decreased.

**Immobilized agriculture (II).** The president of the Venezuelan National Federation of Livestock Farmers (Fedenaga), Armando Chacín, stated that the government should

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distribute 5,400,000 liters of fuel per week so that each producer receives at least 70 liters of gasoline to serve its productive units.

## INTERNATIONAL TIPS

**COVID-19 in the world.** According to figures published by the World Health Organization (WHO), the number of positive cases of coronavirus reached 5,593,631 on May 28, recording 353,334 deaths for the same count.

**Sanctions, sanctions and more sanctions.** According to the White House National Security Advisor Robert O'Brien, the new national security law proposed by China for Hong Kong could lead to the imposition of sanctions by the United States, as it threatens the city's status as a financial center.

**Straight to the blacklist.** Additionally, the U.S. Department of Commerce announced that it added 33 Chinese companies and other institutions to a blacklist for human rights violations in order to address national security concerns arising from the handling of weapons of mass destruction and other military activities.

**For now, everything is going as planned.** Despite what was mentioned previously, Larry Ludlow, the White House's economic adviser, said that Phase 1 of the U.S.-China trade agreement to end the trade war is "*intact*".

**An additional billion.** The Japanese government lifted the state of emergency for Tokyo and the remaining areas that still had restrictions on May 25. In addition, the *Nikkei* newspaper reported that the government is preparing a stimulus plan worth approximately USD 1 trillion to help businesses weather the pandemic.

**Costs: one fifth of the economy.** Bruno Le Maire, France's finance minister, indicated that the measures taken by the French government to sustain the economy during the coronavirus crisis have cost EUR 450 billion (USD 490 billion). This figure is equivalent to 20% of the French economy's gross domestic product.

**They can be older.** Le Maire added that state-guaranteed loans, for which a maximum of EUR 300 billion has been set, only have a direct impact on the budget if the borrower goes bankrupt and the guarantee has to be called.

**70% of the salaries!** In addition, the French Minister pointed out that the State has reimbursed companies for 70% of the gross salaries paid to employees who have been temporarily dismissed.

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**Air rescue.** The German government and Lufthansa, the German flag carrier that has been hit hard by the coronavirus pandemic, reached a preliminary agreement for a EUR 9 billion (USD 9.8 billion) rescue.

**"Visit it, visit it, visit it... the Puerta de Alcalá" (I).** As the Spanish Government has been relaxing the quarantine at national level, including its two largest cities (Madrid and Barcelona), it has considered to reactivate tourism in the country, one of the most important sources of income for the nation.

**"Visit it, visit it, visit it... the Puerta de Alcalá" (II).** Reyes Maroto, Minister of Tourism of Spain, indicated that *"it is coherent to go planning the vacations to come to Spain in July"*. The executive's objective is to save the summer season in a sector that normally attracts 80 million visitors a year.

**Resuming flights in India.** Domestic flights in India were reactivated from May 25th. Despite the news, cases of coronavirus in India are approaching 131,000 throughout the country. Similarly, according to *Reuters*, several airlines are preparing to reopen about a third of their domestic operations.

**Manufactures at almost half.** According to the National Institute of Statistics of Mexico, in April, Mexican manufacturing exports fell 42.3% year-on-year, mainly due to the closure of economic sectors and lower global demand for products by the coronavirus pandemic.

## POLITICAL TIPS

**Valley of bullets (I).** According to the Victim Monitor's annual report, there were 898 homicides in Caracas in 2019. Of these, 38% of the perpetrators were identified as members of the state security forces.

**Valley of bullets (II).** After the actions of the state security forces, robberies and account settlements represented the second (17%) and third (9%) causes of death in the city, respectively.

**Valley of bullets (III).** These figures call into question due process and respect for human rights in Caracas and confirm that the Venezuelan capital is one of the most dangerous in the world, with citizens vulnerable to those who hold the guns.

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**Attacking the competition.** Venezuela's attorney general, Tarek William Saab, asked the Supreme Court of Justice to declare the People's Will party a "*criminal group with terrorist aims*" and, consequently, to dissolve it.

**Guilty of everything (I).** Saab argued that the Popular Will has participated in violent acts since 2002 and more recently "*financed a mercenary incursion against our territory*".

**Guilty of everything (II).** Saab also blamed Voluntad Popular for "*putting pressure on AT&T to get Directv out of Venezuela*" and for asking Donald Trump's government "*to prevent Iranian tankers from coming to the country to bring gasoline and additives*."

**Witch hunt?** Similarly, Tarek William Saab announced arrest warrants against the Future Present organization for allegedly financing the logistics, feeding and leasing of the training camps for the mercenaries who participated in Operation Gideon.

**Apparently.** The foundation, which focuses on "the formation, exercise of citizenship and social action, through the recruitment, training and organization of young people willing to contribute to the overall progress of our country," alerted the international community and human rights organizations to the persecution carried out by the administration of Nicolas Maduro, denying its connection with Operation Gideon.

**Moncada before the UN.** Nicolás Maduro's ambassador to the United Nations, Samuel Moncada, accused the United States of threatening five Iranian ships that plan to supply gasoline to Venezuela.

**Part of the "master plan".** Moncada recalled the presence of U.S. Navy vessels in the Caribbean, which are deployed as an operation against drug trafficking, which he considers a "*pretext*" and a threat for the imposition of a "*naval blockade*" against his country.

**What does Iran think?** Iranian President Hasan Rohani warned the United States that his government would respond if Iranian oil tankers heading for Venezuela suffered any mishaps in the Caribbean because of him.

**For one gasoline, for another an attack (I).** Luis Almagro, secretary general of the Organization of American States (OAS), criticized the arrival of Iranian ships in Venezuela and described the event as an "*attack*" against the continent's stability.

**For some petrol, for others an attack (II).** The Secretary General indicated that the "*sending of Iranian vessels to Venezuela in support of an illegitimate government is an attack against regional peace and stability and an unacceptable act of provocation by*

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*the Islamic Republic of Iran*". Almagro, who supports Juan Guaidó, reiterated his repudiation of the Iranian military and intelligence presence in the region.

**For some petrol, for others an attack (III).** Julio Borges, Guaidó's commissioner for foreign relations, stated that Iran violates a UN resolution by supporting "terrorists" in Venezuela. According to Borges, Iran violates UN Security Council Resolution 2231 by "*supporting terrorist and extremist groups in Venezuela with weapons*".

**No referee, gasoline or opposition: no election (I).** According to Vicente Díaz, former rector of the National Electoral Council (CNE), Venezuela is not ready to hold any elections.

**No referee, petrol or opposition: no elections (II).** Diaz points out that the lack of a credible and independent electoral arbiter, the gasoline crisis that paralyzes the country and the impossibility of the opposition to participate in any election, because the main opposition parties have been disqualified, are some of the main reasons.

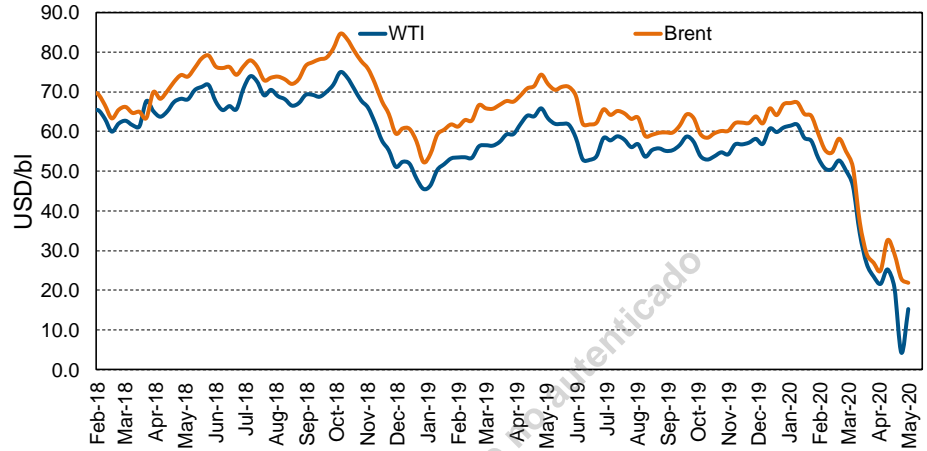
**No referee, petrol or opposition: no elections (III).** The former rector assured that the political actors should agree on a body of elections that would include not only parliamentary elections but also the repetition of the presidential ones that are the origin of the deepening political crisis in the country.

**DirecTV, come back!** The Non-Governmental Organization *Un Mundo Sin Mordaza* promoted a campaign in social networks for the U.S. company AT&T to activate a free DirecTV signal for Venezuela. The campaign consists of a petition that was published on the website "*Change.org*", to reactivate a DirecTV signal in Venezuela "*free of censorship*".

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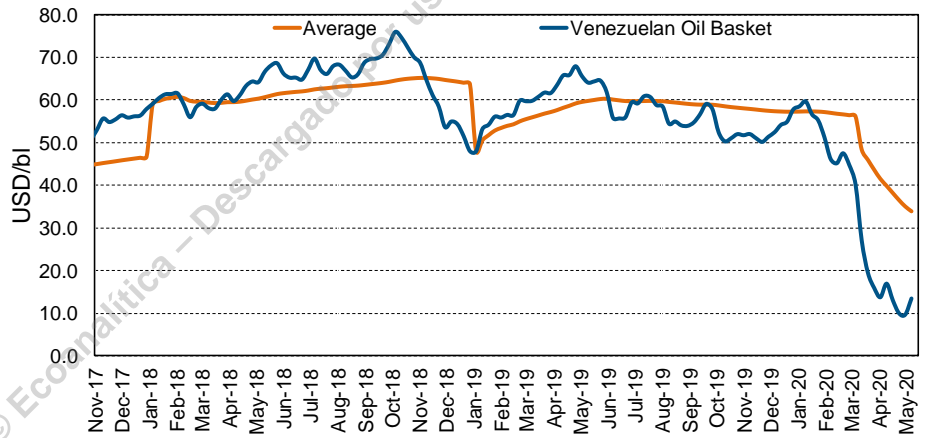
**ECONOMIC DATA**

**Oil Prices  
(WTI and Brent)**



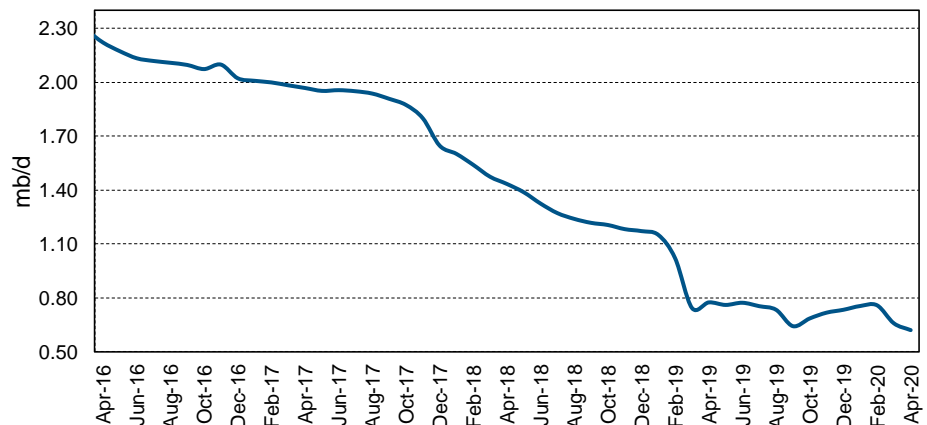
Sources: Menpet and Ecoanalítica

**Oil Price  
(Venezuelan Basket)**



Sources: Menpet and Ecoanalítica

**Oil Production  
(Secondary sources)**



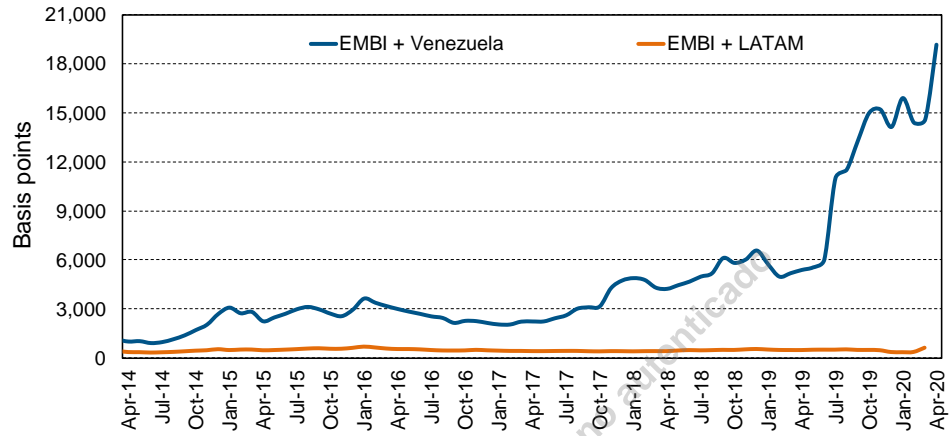
Sources: OPEC and Ecoanalítica

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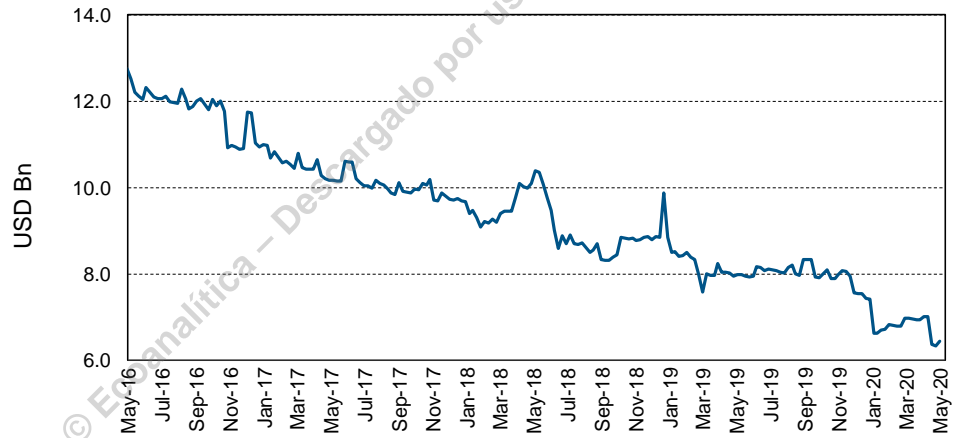
**ECONOMIC DATA**

**EMBI**



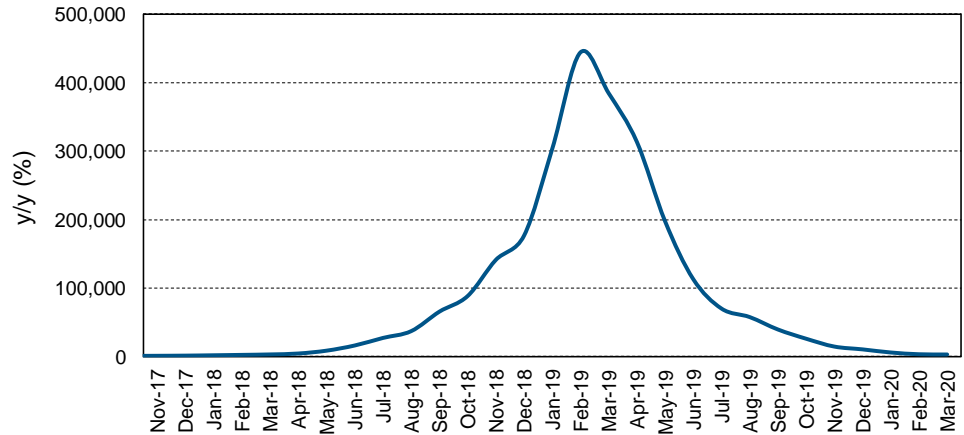
Sources: BCRP and Ecoanalítica

**FX Reserves (BCV)**



Sources: BCV and Ecoanalítica

**Inflation (BCV)**



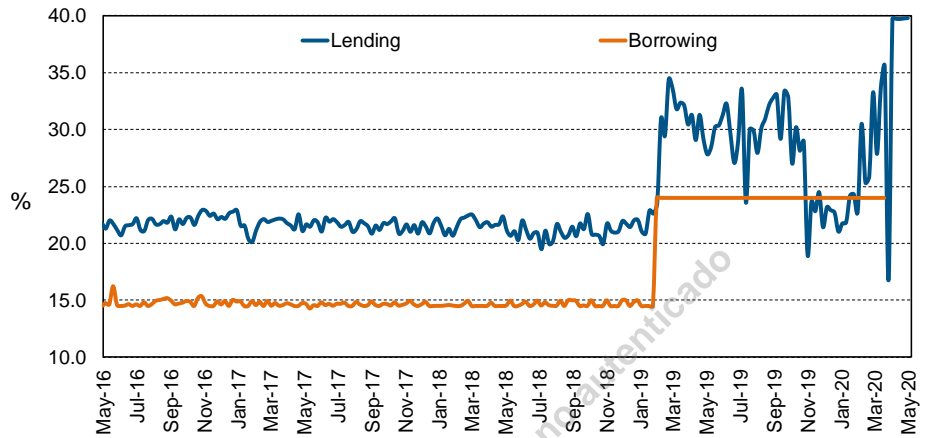
Sources: BCV and Ecoanalítica

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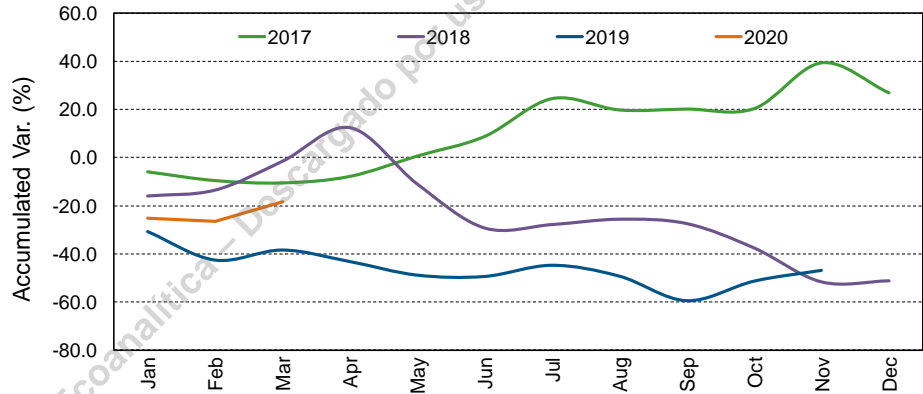
**ECONOMIC DATA**

**Interest Rate  
(Six major banks)**



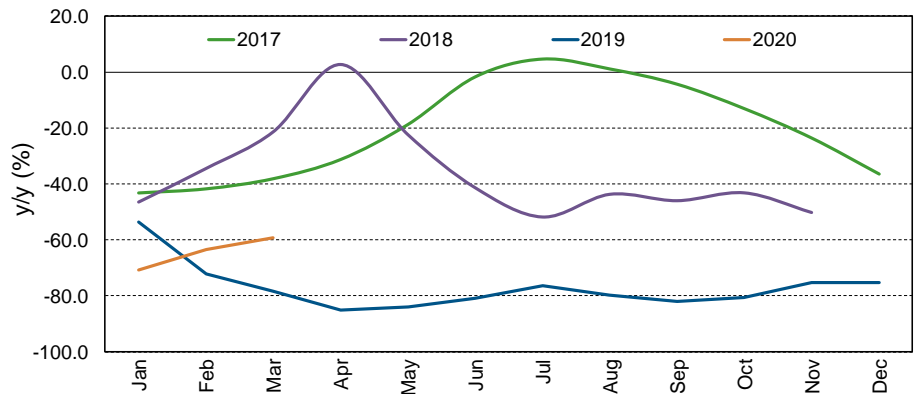
Sources: BCV and Ecoanalítica

**M2 Expansion  
(Real)**



Sources: BCV and Ecoanalítica

**Loan Portfolio  
(Real)**



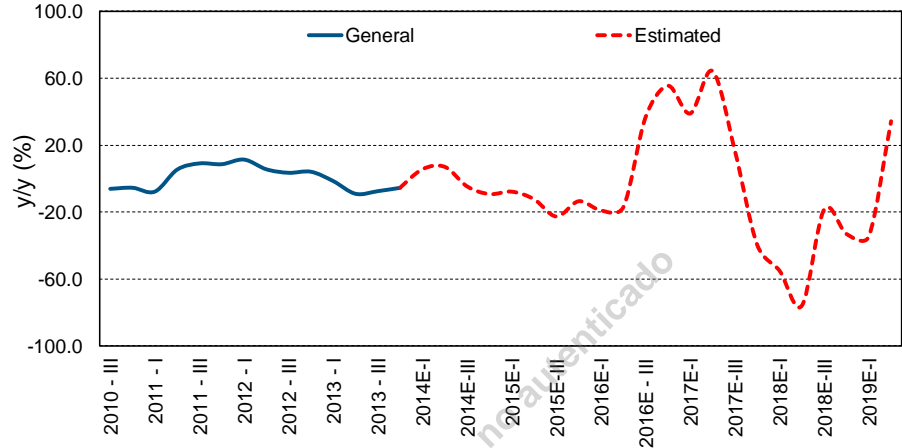
Sources: SUDEBAN and Ecoanalítica

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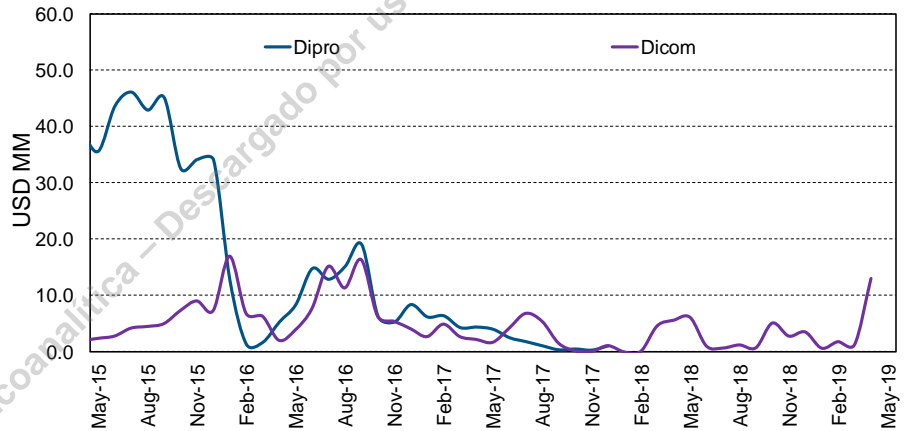
**ECONOMIC DATA**

**Real Wage Index**



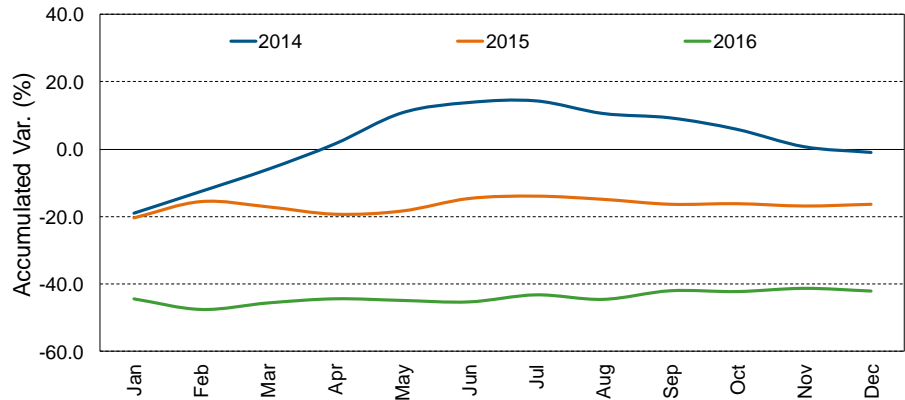
Sources: BCV and Ecoanalítica

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



Source: Ecoanalítica

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



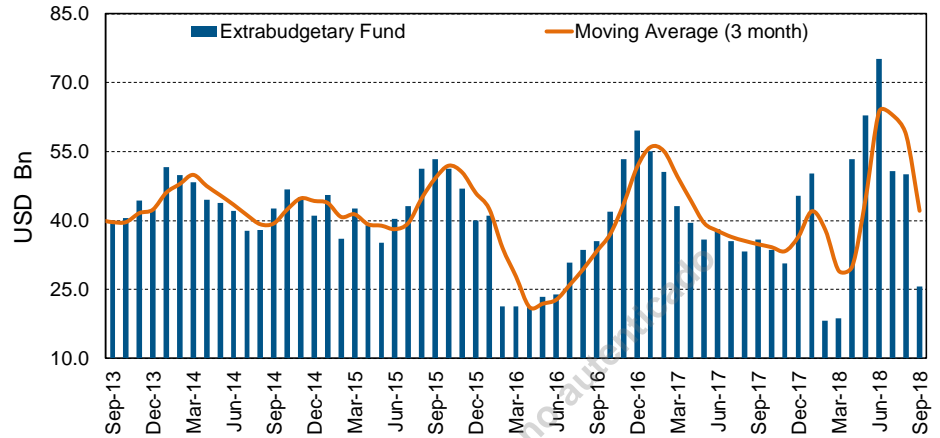
Sources: ONT and Ecoanalítica

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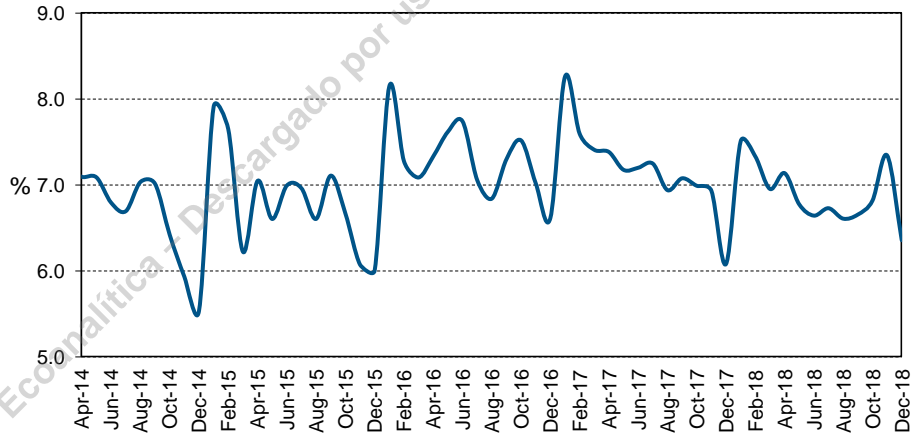
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**ECONOMIC DATA**

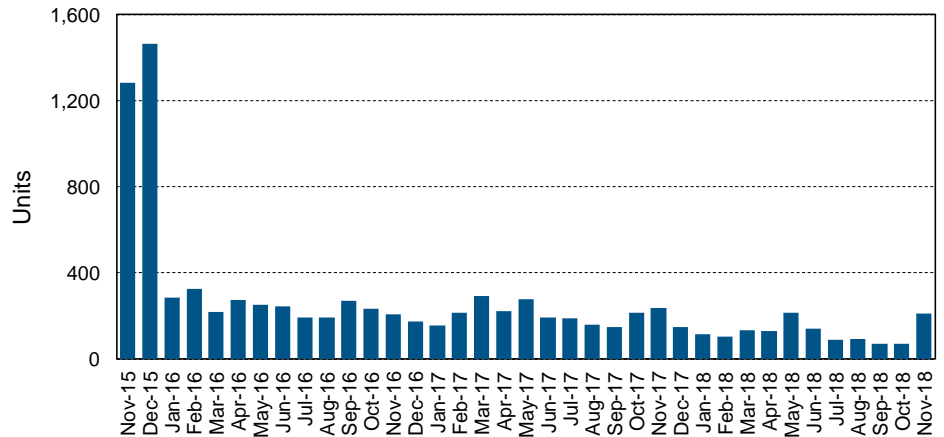
**State Extrabudgetary Resources**



**Unemployment Rate**



**Vehicle Sales**



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