



Exchange Rate
Outlook Report

November 2024

ecoanalitica.com

Content

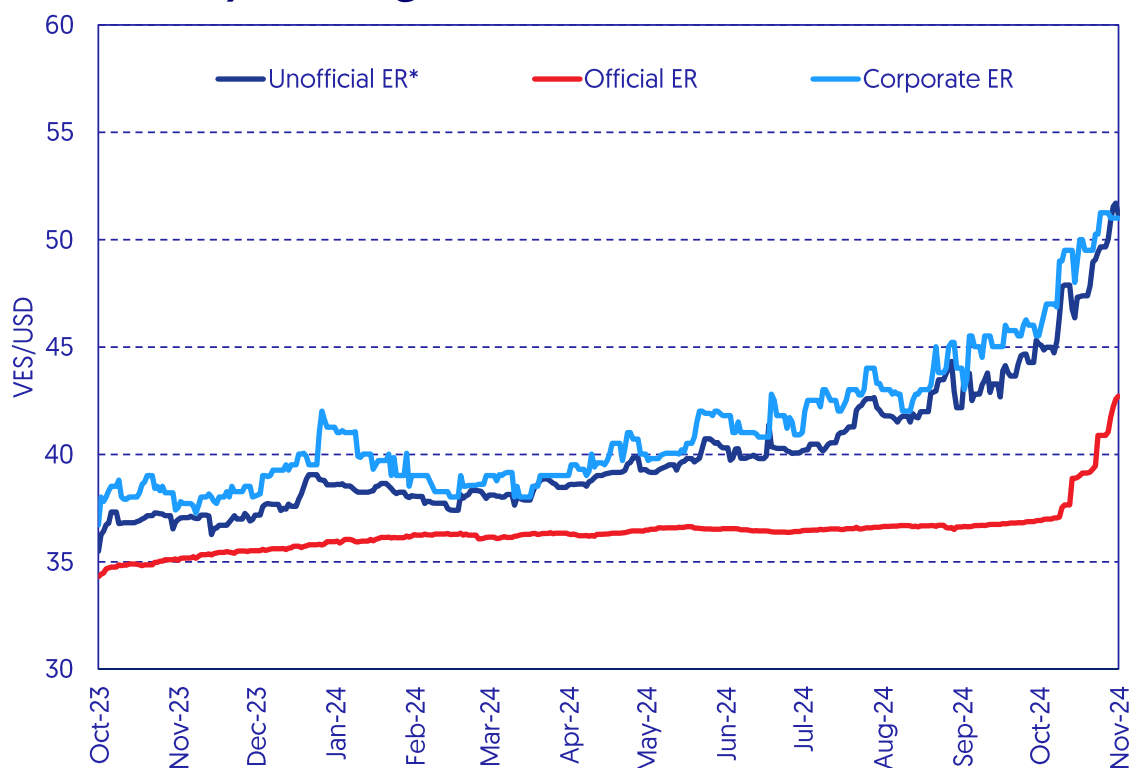
- 01*** ***Analysis of the Venezuelan foreign exchange market***
- 02*** ***Parallel Exchange rate projections***
- 03*** ***Foreign exchange market indicators***
- 04*** ***Foreign currency availability indicators***
- 05*** ***Monetary indicators***

Analysis of the Venezuelan foreign exchange market.

Evolution of the parallel market

At the close of October 2024, the parallel exchange rate stood at VES 51.7/USD, averaging VES 47.6/USD during the month. The exchange rate at the end of the month increased 14.1% compared to the end of the previous month and increased 40.3% compared to the same period of 2023.

Daily exchange rate



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



October continued to witness increasing exchange rate volatility, introducing strong distortions to the economy. Thus, the gap between the parallel and official rates reached a maximum of 27.2%% in some days of the month, the highest level since December 2022. The BCV's inability to raise its intervention to the level required by the demand for foreign currency, together with the disbursements of bonds and some social obligations in bolivars made during this month, were the main factors that influenced the observed depreciation.

However, contrary to what happened in September and during the first half of October, in the last two weeks of the month the BCV started to let the official exchange rate slide as expected in the previous report. This act recognizes the shortage of foreign currency in the market, but at the same time, it allows the exchange rate differential not to have continued to widen and, in fact, to be progressively reduced. As of November 11, the differential stands at 15.7%, after the BCV raised the official exchange rate 9.1% in the last two weeks of October and another 5.0% so far in November. Upward pressures on the exchange rate in both markets are expected to continue, so we do not see a substantial increase in the differential in the coming weeks, but rather for it to remain oscillating at current levels.

The official exchange rate and BCV interventions

The official exchange rate closed the previous month at VES 42.6/USD, with an average during October of VES 38.9/USD. Thus, the price agreed in the retail market remained, on average, 22.5% above the official marker in October 2024, 16.6 percentage points (pp.) above the margin observed in the same period of 2023.



Parallel and official exchange rate premium

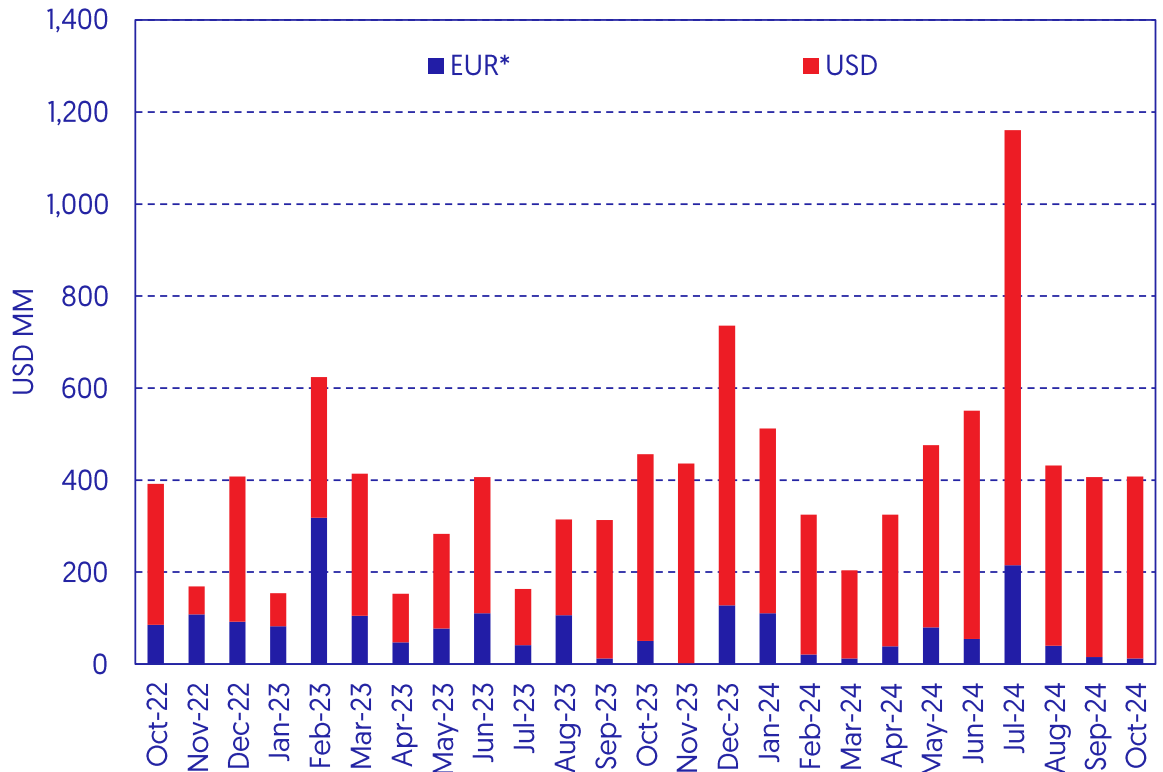


Sources: *BCV and Ecoanalítica.*

This exchange rate gap has widened despite the fact that the BCV has continued with its sales of foreign currency to the financial system, which seem not to be enough to satisfy all the demand. In October, the BCV intervened in the foreign exchange market with USD 408 million, 10.5% less than the sales of the same month of 2023 and 0.3% more than last month's amounts.



Sale of foreign currency in cash to the financial system



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

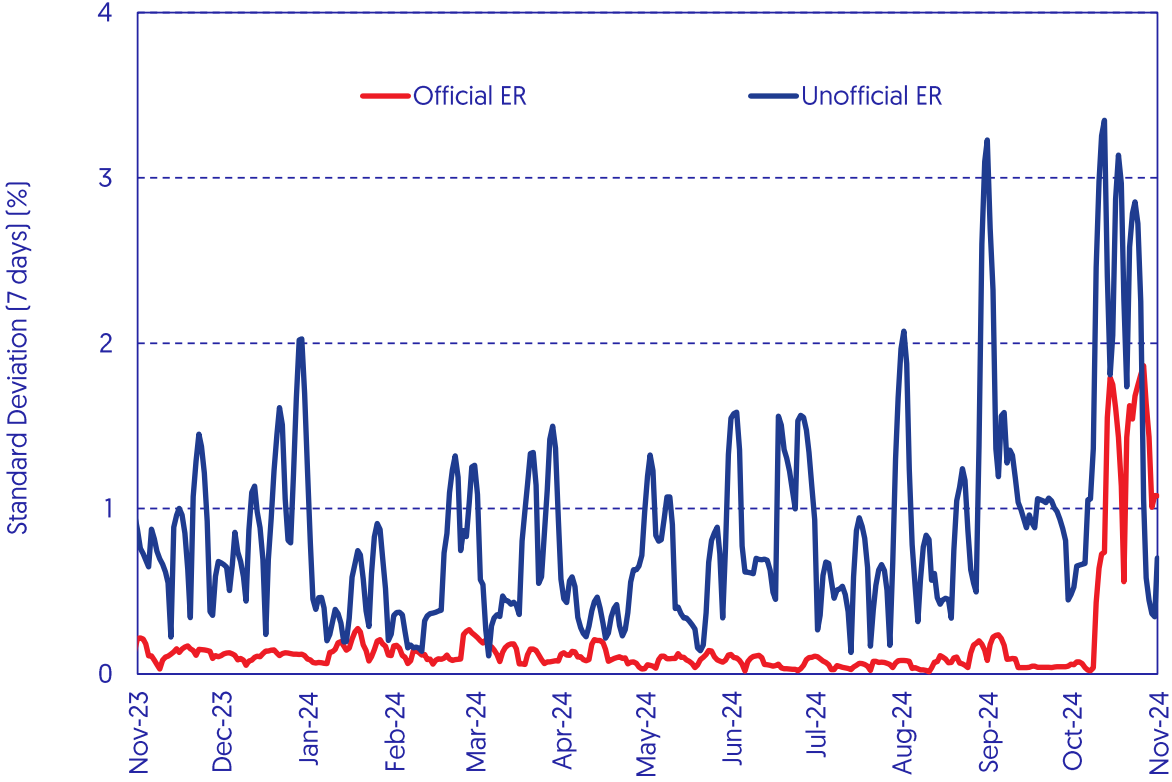
Exchange market volatility

In October, the volatility of the parallel exchange rate increased 0.5 pp. with respect to the previous month. On the other hand, the volatility of the official rate in October was lower than that of the parallel rate, standing 0.8 pp. below the latter.¹

¹Standard deviation of the inter-weekly variation of exchange markers.



Daily volatility of the exchange rate change



Sources: BCV, LocalBitcoins and Ecoanalítica.



Parallel exchange rate projections

Fundamentals of projections:

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

Non official exchange rate forecast

Date	Actual Value	Forecast Range					
		Low		Medium		High	
2024M01	38.08	37.75	40.00	41.12	43.11	43.87	44.50
2024M02	38.19	37.01	39.11	41.29	42.04	43.43	44.35
2024M03	38.46	36.37	38.63	39.75	40.47	41.80	42.68
2024M04	39.28	36.30	38.44	39.07	40.20	42.46	44.30
2024M05	40.31	34.39	39.45	41.14	42.32	45.16	47.17
2024M06	40.07	36.21	40.73	42.15	44.10	46.82	50.95
2024M07	42.06	40.02	41.50	42.11	43.73	45.08	47.95
2024M08	42.18	40.96	43.37	43.33	45.34	47.06	44.70
2024M09	45.32	38.56	41.89	42.74	43.80	44.55	46.87
2024M10		40.48	43.21	45.96	47.07	49.44	50.12
2024M11		42.45	50.30	53.11	55.44	58.69	60.62
2024M12		47.18	52.99	55.67	57.23	62.51	65.13

Sources: BCV, Ecoanalítica and own calculations.



Foreign exchange market indicators

From this report, an adjustment was made to the nominal parity exchange rate series. Previously, a series based on the year 2019 was used, but this series overestimated the parity exchange rate since it did not discount the real depreciation that the country had experienced during the first years of hyperinflation, therefore, it indicated a very high level of appreciation.

In this sense, the base was adjusted to 2016, prior to hyperinflation, to discount for this effect. For October, the series indicates that to recover the purchasing power parity of 2016 is VES 69.0/USD, which implies that at present, the bolivar is overvalued, resulting in an expensive country in foreign currency.

Exchange rate indicators

	Oct-24	m/m (%)	y/y (%)
M2/IR*	24.1	-0.1	118.0
RER**	69.0	3.1	15.4
Money desks***	42.6	15.3	21.2
WER (Consumers)	46.7	8.5	25.9

* End of month. ** Monthly average (Ecoanalítica). *** Last auction.

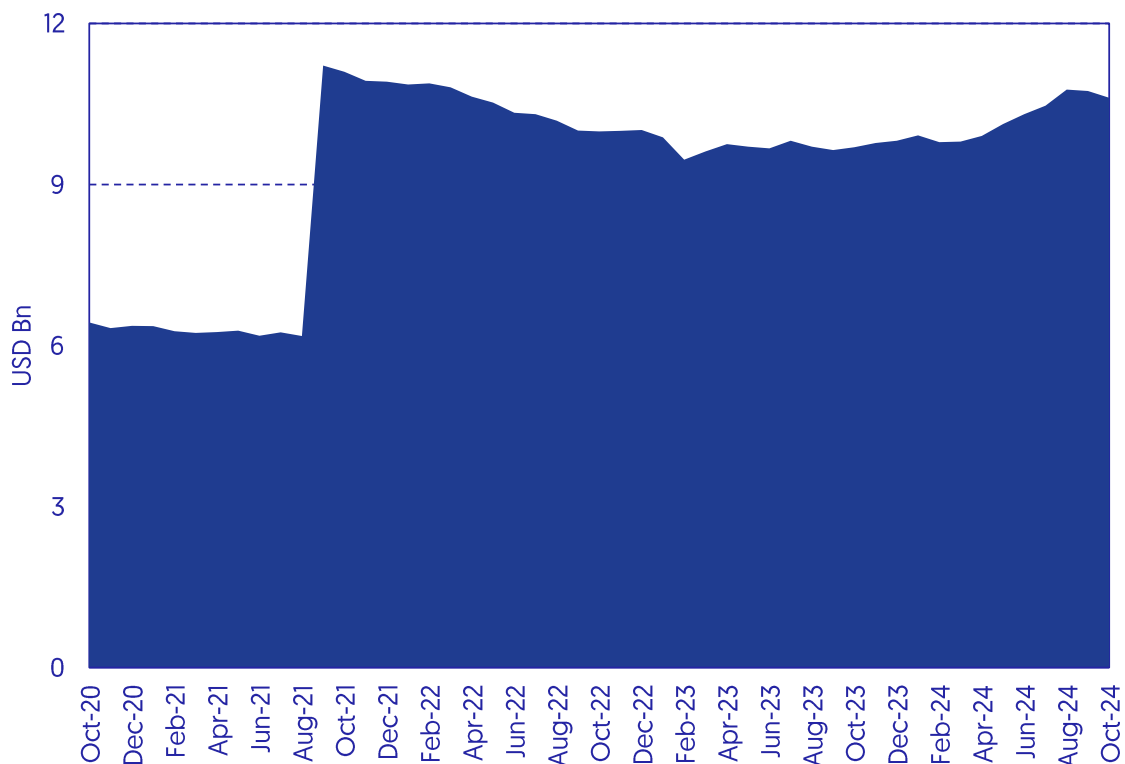
Note: Special Drawing Rights (SDR) are discounted.

Sources: BCV, other Central Banks and Ecoanalítica.



Foreign currency availability indicators

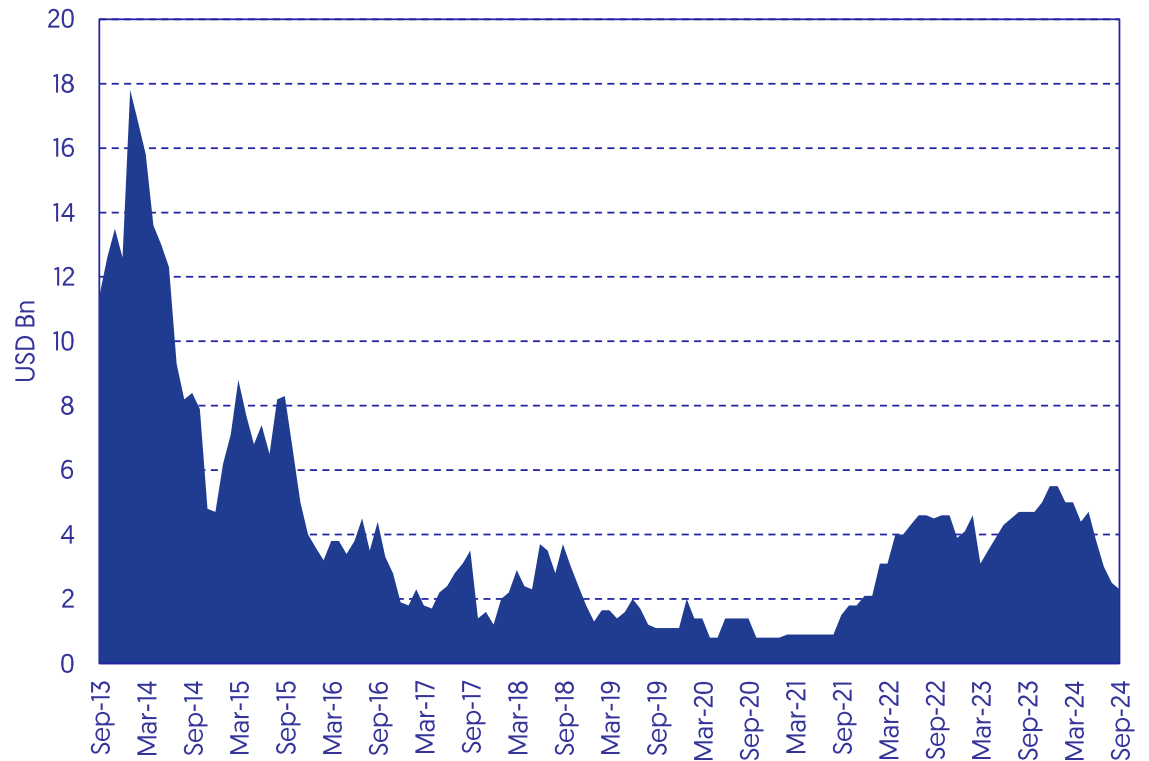
International reserves



Source: BCV and Ecoanalítica.



Extrabudgetary funds



Source: Ecoanalítica.

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

	3Q2023	2023	1Q2024	2Q2024	3Q2024	Chg. % [y/y]	Chg. % [q/q]
Cadivi - Non-settled imports	4,706	4,082	4,059	4,056	4,051	-13.9%	-0.1%
Cadivi -Dividends approved and unpaid	141	67	61	61	61	-56.7%	0.0%
Cadivi -rent and services*	892	796	792	792	792	-11.2%	0.0%
Joint ventures - PDVSA partners	12,839	10,931	9,106	8,306	7,616	-40.7%	-8.3%
Total	18,578	15,876	14,018	13,215	12,520	-32.6%	-5.3%

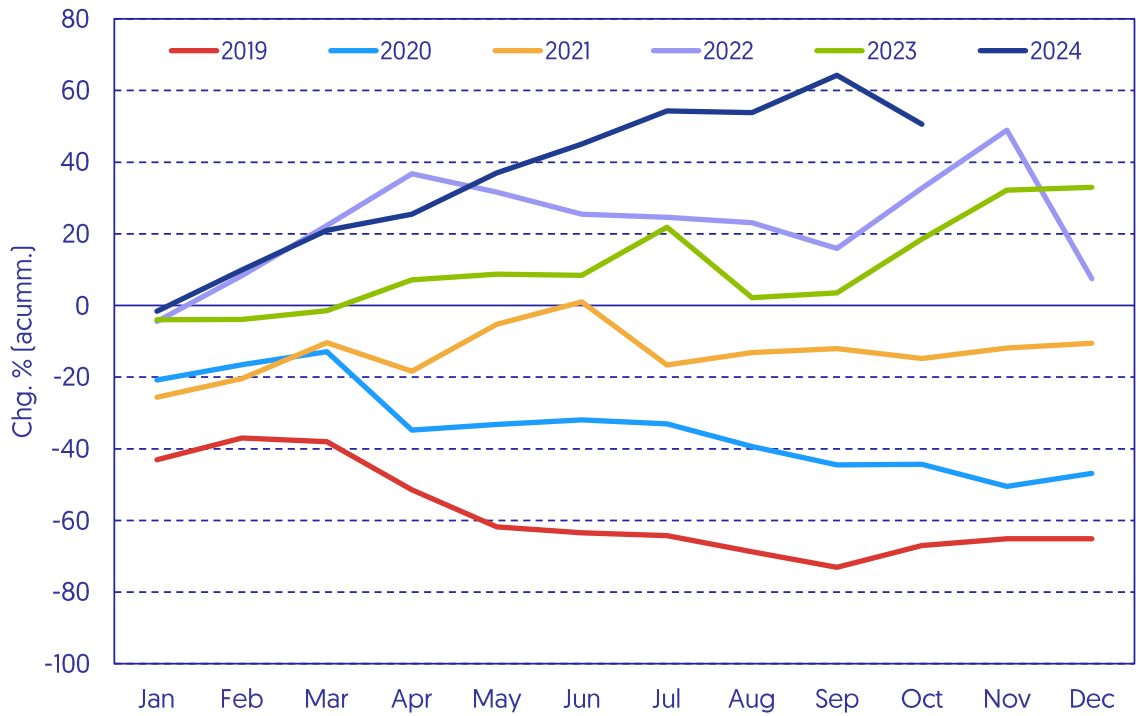
*Includes debt with airlines

Source: Ecoanalítica.



Monetary Indicators

Real liquidity (M2) expansion



Sources: BCV and Ecoanalítica.





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