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Venezuela's economic and political outlook

Macroeconomic imbalances, unorthodox policies, surging inflation and a lack of investment are expected to keep Venezuela falling deeper into a severe economic crisis, and prospects for next year seems not to improve. Venezuelan currency Bolivar traded in the parallel (black) market plunged in middle December to a new record low, reaching 103,000 VEF per USD losing over half its value in just one month.

According to the International Monetary Fund (IMF) the gross domestic product shrink an estimated 12 percent this year and is expected to contract at least 6 percent next year 2018.

While Venezuela's central bank stopped publishing inflation data in December 2015, according to the opposition-controlled National Assembly inflation was 536.2 percent in the nine months to September 2017, largely due to this rapid depreciation of the local currency on the black market. Last month consumer price inflation rose to 57% in November from 45% in October so the country has now officially crossed the classic threshold of 50% per month defined by some experts for the hyperinflation, and the yearly inflation figure could exceed 1,600% by the end of 2017. The IMF forecasts Venezuelan inflation figures to leap 2,349.3 percent next year 2018, the highest by far in their estimates, as the second in the list shows a 44 percent figure only. As oil production declines and uncertainty increases, unemployment is forecast to increase to about 30 percent in 2018, also the highest in the world.

With the value of the bolivar falling so dramatically, Venezuelans are desperately trying to exchange their bolivars for dollars, which is seen as a more a more valuable and stable currency. That's led to a scarcity of dollars. That's boosted the dollar's value versus the bolivar even more. To make things worst PDVSA, the only governmental company able to significantly supply dollars into the domestic economic, is very much affected by the US sanctions as well as the reduction in the oil production.

On the other hand, the political environment is not getting any better following the election of the Constituent National Assembly last July, body for the discussion of a new constitution, but in practice also accelerating huge political changes. It is true that elections for governors and majors have been recently held, giving to the official party an undisputable majority, but this in the middle of complaints by the opposition about its legality and transparence. Even so, Presidential elections have been announced for 2018, although negotiations between the government and the opposition currently held in Dominican Republic remain uncertain.

Therefore, carriers are now facing operational challenges at country's terminals where dry bulk vessels are often stuck offshore waiting to dock for an extended period, because importers are unable to pre-pay for cargo of even vital necessities like food, although berths are almost empty. Additionally, increasing costs and security concerns are on the agenda.

It must be said, however, that despite the above difficulties the maritime business on an overall basis hasn´t been affected, since most ports and marine terminals are state-owned or managed by the government through public companies; hence despite the reduced traffic figures the Venezuelan ports as a whole are working normally from the operational point of view, although carriers must be well aware of the operational and security risks, seeking advice from Correspondents/agents on a call basis.

Should you need any assistance or further information regarding the topic stated above, please feel free to contact:

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