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Current economic and political situation at Venezuela

The Venezuelan economy relies strongly on the oil trade, which constitutes about 25% of the country's GDP and 95% of its exports, therefore has tied to the variations of the international price of oil for decades. Nowadays the sector is producing only a small fraction of the 4 million barrels of oil a day it could be producing to an average of 830,000 barrels per day. This huge gap developed for many years now and is the main cause of a 52 percent contraction of the Gross Domestic Product between 2013 and 2018, a decline of the Venezuelan economy by more than half in five years.

Along with the economic contraction, inflation is the second big issue. The printing of bolivars to finance a massive budget deficit fueled six-digit inflation and destroyed the local currency. Attempts to relaunch the currency by cutting off zeroes and printing new bills failed on multiple occasions after just months. Consequently, Venezuela's hyperinflation rate increased from 9.02 percent to 10 million percent since 2018, according to the International Monetary Fund, though it is expected to decline to back below 1 million percent due to recent moves by the country's central bank, according to a recent IMF forecast.

Long-lasting dual exchange rates have caused Venezuela's economic distortions. The government has kept currency controls for over 16 years that stimulated black markets. The bolivar's devaluation coupled with the use of the dollar is the result of failed currency policies. The dramatic weakness of the national currency caused Venezuelans to rely increasingly on dollars from abroad as the country's economic system spirals. In an effort to contain the inflationary pressures, the central bank imposed draconian reserve requirement limits that effectively force banks to lock up all of their excess bolivars severely limiting liquidity. That caused a shortage of bolivar bills and prompted Venezuelans to lean even more on the dollar, but as dollarization becomes more widespread, Venezuelans' purchasing capacity worsens.

The new sanctions announced by the US in August allegedly designed with the aim of not aggravating the suffering of the citizens, but the scope of the obligation is ambiguous. There is confusion among foreigners about when it is at risk of being in non-compliance, and internally businesses and people not targeted specifically by the measures are nonetheless hurt.

Coming to the political side, the situation is not getting any better. Following recognition by the Trump administration of the opposition leader Juan Guaidó as the legitimate president of Venezuela, back in January 2019, as well as his recognition by more than 50 states, very little has been achieved to reach an agreement with the President Maduro to move ahead with a transition regime nor new presidential elections. There have been negotiation talks sponsored by the Norwegian government, unfortunately also without results.

Maritime traffic has substantially reduced nationwide due the huge crisis, but as it might be expected in a country of approximately 30 million inhabitants, cargo volumes are still significant and so the maritime traffic. As P&I correspondents we will continue to monitor the events especially at the marine terminals for any relevant or major situation to report. In the meantime, members are kindly advised to keep in contact with local correspondents and agents to ask for particular conditions of intended ports of call.

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

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