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Venezuela's Monetary Reconversion

In last April the Venezuelan President Nicolas Maduro announced a monetary reconversion in which the government planned to remove three zeros from the “Strong Bolivar,” the national currency, renaming it the “Sovereign Bolivar”, but postponed the measure at the request of banking industry leaders who said the financial system was not ready for the changes.

Three months later in 25th July it was announced the removal of five zeroes rather than the three originally planned, and during the same television broadcast he showed a new set of money notes to be released next month and fixed 20th August as deadline for the new monetary system to entering in force.

This very week last Monday 13th August, president Maduro has announced some additional measures, by which starting from 20th August Venezuela will have two official units of account; the “Sovereign Bolivar” the new monetary cone coming out from shredding five zeros to the old highly depreciated “strong bolivar” and the state-issued, oil-backed cryptocurrency, the so-called Petro. It is expected that with the introduction of the “Sovereign Bolivar” new monetary instruments by way of notes and coins will be out in the domestic market, relieving the serious shortage of cash affecting the retailing sector for months and increasing the prices too.

The Petro will begin also to operate as the mandatory unit of account for the state owned PDVSA oil company. Meanwhile the “Sovereign Bolivar” would be pegged to the Petro, in an attempt to avoid the fate of the old

highly depreciated “strong bolivar”, whose inflation may exceed 1 million percent by the end of this year, according to the projections of the IMF.

Without further elaborating, the Venezuelan president ordered his ministers responsible for the economy to explain the measures to the public this week. Consequently, it is not clear the scope of the recently announced measures, especially the implementation of the Petro, although there are no doubts that the government wants to push for the use of this mechanism which is not new, since it was announced months ago without further progress.

It is important to point out, however, that there were neither announces nor changes in the current system for payments of tariffs by the foreign shipping sector for port and maritime services and other related activities controlled by Bolipuertos, S.A. and the INEA, which remain the same way, as these are mainly payable in Euros.

As this is certainly an evolving matter our office continues monitoring it, in order to publish subsequent updates as they might be needed.

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

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