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FEATURED Q&A

How Much Is the Economy of Venezuela Growing?



Venezuelan President Nicolás Maduro has said the country's economy will grow 8 percent this year, but the forecast from the International Monetary Fund is more modest. // File Photo: @NicolasMaduro via X.

Q Venezuela's economy grew more than 5 percent last year, and the economy will see 8 percent growth this year, President Nicolás Maduro said Jan. 15 in an address to the government-allied National Assembly. Venezuela's economy has suffered a chronic crisis that has included triple-digit inflation and the emigration of millions of people. Is Maduro's prediction for this year's economic growth likely to be accurate? What are the main forces that will affect the country's economy this year? How is Venezuela's economic performance affecting Maduro's popularity and hold on power?

A Luis Vicente León, president of Datanalisis in Caracas: "The Venezuelan GDP projections for 2024 are positive, even though the official figures for 2023 look oversized and represent the growth of a dwarfed economy. Two variables explain the projection: the relaxation of oil sanctions and the electoral period. The U.S. Treasury's License 44, which temporarily legalizes oil exports, does not resolve short-term production, infrastructure, capital or labor limitations, so it has limited impacts in terms of production increases. However, it does allow exports at international prices, which practically doubles PDVSA's income by eliminating discounts and opacity. In addition, a recovery in production of about 250,000 barrels per day is expected, eventually reaching one million barrels per day, which does not require significant CAPEX investments. However, the government will relax its restrictive spending policy to finance its electoral campaign. The uncertainty does not seem to be whether or not the economy will grow, but rather the magnitude and stability of that growth, which will be

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TODAY'S NEWS

POLITICAL

More Than 1,600 Killed in Haiti From October to December: U.N.

More than 1,600 people were killed in Haiti in the last three months of 2023, according to a United Nations report released Thursday.

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ECONOMIC

Mexico Receives Record \$63.3 Bn in Remittances for '23

Mexico received a record level of remittances last year, the 10th annual increase in the money transfers, the central bank said Thursday. Remittances rose 7.6 percent to \$63.3 billion.

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BUSINESS

Volkswagen Plans \$1.8 Billion in Brazil Investment

Volkswagen is planning to invest \$1.8 billion in Brazil between 2026 and 2028, with a focus on investments in green technology as well as electric and hybrid vehicles, said executive Ciro Possobom.

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Possobom // File Photo: LinkedIn Profile of Ciro Possobom.

POLITICAL NEWS

More Than 1,600 Killed in Haiti From October to December

More than 1,600 people were killed in Haiti in the last three months of 2023, and the number of people killed, wounded or kidnapped during the period rose 10 percent from the previous quarter, according to a United Nations report released Thursday, the Associated Press reported. "In addition to the loss of human life, the humanitarian toll of the clashes was disastrous: over 1,000 people were forced to abandon their homes and take refuge in nearby areas" said the report by the U.N. Integrated Office in Haiti, or BINUH. The report blamed the surge in violence in the fourth quarter on the death of powerful gang leader Andrice Isca, which created a power vacuum in November and led to fights for control of the Cite Soleil slum of Port-au-Prince. More than 270 people were killed or injured during a two-week period that month, the report said. More than a year ago, Haiti's government appealed for international help to fight the gangs that have increasingly taken control of the impoverished country. Kenya's president wants to send a force of 1,000 police officers to Haiti, but the African country's High Court on Jan. 26 issued an order blocking the deployment. [Editor's note: See related [Q&A](#) in Thursday's Advisor.]

ECONOMIC NEWS

Mexico Receives Record \$63.3 Billion in Remittances in '23

Mexico received a record \$63.3 billion remittances last year, the 10th consecutive annual increase and a 7.6 percent rise as compared to 2022, Mexico's central bank said Thursday, EFE reported. The average remittance last year was \$393, a increase from the average size of

a transfer in 2022, when it was \$390, the Bank of Mexico added in the report, which also said that 99 percent of the money sent to Mexico was transmitted electronically. While last year's total amount sent was a record, the increase in remittances slowed as compared to previous years. Mexico's remittances grew 13.4 percent in 2022 to total \$58.9 billion, and they grew 27.1 percent in 2023 to total \$51.6 billion, the Associated Press reported. The slower level of growth may be due to factors including slower economic expansion in the United States, the top source of remittances to Mexico, as well as a stronger Mexican peso and higher inflation, the AP reported. [Editor's note: See related [Q&A](#) in the Oct. 4 issue of the biweekly Financial Services Advisor.]

BUSINESS NEWS

Volkswagen Investing \$1.8 Bn in Brazil, Eyes Hybrid Production

Volkswagen plans to invest 9 billion reais (\$1.8 billion) in Brazil between 2026 and 2028, the automaker's CEO for Brazil, Ciro Possobom, announced Thursday, Bloomberg News reported. Possobom outlined investments in green technology such as electrifying cars with a hybrid platform and said the funds would go toward changes at all four of Volkswagen's Brazil factories. Volkswagen already has 7 billion reais invested in Brazil for the four-year period ending in 2026, and the company plans to introduce 16 new products for the country's market in the next four years. Brazilian President Luiz Inácio Lula da Silva has made the green transition and reduction in emissions a major policy goal for his administration and published guidelines in December that outlined plans to accelerate the transition. Lula's Green Mobility and Innovation program includes tax incentives aimed at encouraging decarbonization and stipulates new requirements for fleet sustainability and recycling. The plan offers 19 billion reais in tax incentives for companies that reduce pollution and emissions.

NEWS BRIEFS

El Salvador's Bukele Eyes Landslide in Sunday's Presidential Election

Salvadorans head to the polls on Sunday for the country's presidential election, with incumbent President Nayib Bukele eyeing a landslide victory. Bukele's crackdown on gangs in the Central American country has led to more than 2 percent of its adult population being imprisoned, as well as criticism over human rights abuses, Reuters reported. However, the country now has among the lowest homicide rates in the Americas. A poll last month by the University of Central America showed 82 percent of voters favoring Bukele and the next closest candidate, Manuel "Chino" Flores of the left-wing FMLN, with just 4 percent.

Demonstrators, Police Clash in Buenos Aires as Congress Debates Reforms

Demonstrators and police clashed in Buenos Aires Thursday as protests against President Javier Milei's wide-ranging reforms escalated outside Congress, where the reform package is currently under debate, the Buenos Aires Times reported. Police used pepper spray, water cannons and rubber bullets on protesters, eliciting condemnation from several left-wing legislators. Negotiations will continue today over Milei's omnibus reform bill.

Pemex Announces More Ambitious Targets for Carbon Dioxide Reduction

Pemex, Mexico's state-owned oil company, announced Thursday in a presentation that it would adopt more ambitious reduction targets for carbon dioxide through 2027, Bloomberg News reported. Mexico aims to cut emissions from the oil and energy sector by 14 percent by 2030. Pemex's new goals aim for reducing its greenhouse intensity index by 48 percent in its oil and gas production by 2027.

FEATURED Q&A / Continued from page 1

determined by the permanence of the oil license. If it is maintained, totally or partially, the economy could grow at 10 percent and with positive future projections. If the licenses are revoked, the economy would grow moderately, around 3 percent, stimulated by income already generated and electoral spending. But that would be unsustainable growth. This scenario is worsened by the probability of Trump's victory, which certainly seems to worry oil investors more than the possible total reversal of the licenses."

A **Alexander Main, director of international policy at the Center for Economic and Policy Research in Washington:**

"President Maduro predicts that Venezuela's economy will grow 8 percent this year. The IMF's prediction is 4.5 percent. Either forecast should be positive news, but both are dwarfed by the calamitous contractions that Venezuela experienced in recent years: a 19.6 percent contraction in 2018, a 27.7 percent contraction in 2019 and a 30 percent contraction in 2020. While various factors—including economic policy mistakes—contributed to this abysmal decline, the primary cause was U.S. economic sanctions that were initiated during the Trump administration. Trump's financial and oil embargo led to a collapse in oil production (Venezuela's main source of income) and an acute shortage of the foreign exchange needed for the purchase of essential imports like food and medicine, as well as inputs critical to sustaining Venezuelan production overall. A human catastrophe ensued, with rampant malnutrition, a surge in poverty and tens of thousands of avoidable deaths. President Biden recently issued a six-month general license that temporarily eases the embargo. But Trump's sanctions remain in place. With the renewal of the general license contingent on unclear political criteria unilaterally defined by the United States, most companies and banks still avoid Venezuela, and a deep economic chill endures. Biden could

choose a different path. By ending Trump's sanctions, he could allow Venezuela's economy to breathe again and spare thousands of Venezuelan lives. Hardliners in Washington and South Florida would howl, but there would be clear political benefits at home: first by helping keep international oil prices stable and second by stemming the flow of migrants leaving Venezuela."

A **Carlos Alberto Molina, professor of finance at IESA in Caracas:** "The IMF has Venezuela growing 4.5 percent in 2024. Other independent sources, however, forecast an economic growth of 8-10 percent. That said, the Venezuelan economy will face high uncertainty in what should be an electoral year. Since 2019, Venezuela has corrected part of the large distortions in its economy, such as lifting exchange and price controls, but could not improve its income, and only some sectors of the economy gained from working with fewer limitations. Last October, the U.S. Treasury partially lifted sanctions on the Venezuelan oil and gas sector, allowing PDVSA and the Venezuelan government to sell oil and gas in international markets at better prices than in the black market. Even without significantly raising oil and gas production, Venezuela could raise between \$5 billion and \$8 billion in additional income this year. The additional income expected this year would certainly propel the economic growth of the country, but in an uncertain environment. The lifted sanctions are conditional on having a fair electoral route."

[Editor's Note: The commentaries in this issue were submitted to the Advisor before the U.S. State Department said earlier this week that temporary sanctions on Venezuela's oil industry would be allowed to expire in mid-April unless there is progress between Venezuela's government and the opposition on "allowing all presidential candidates to compete in this year's election."]

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