



Venezuela Economic Outlook

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Here is our monthly summary of recent economic developments in Venezuela:

- The increase in the minimum comprehensive income to US\$130 per month was announced on May 1, 2024. This increase will occur via bonuses, without touching the monthly minimum wage of 130 bolivars, in force since 2022. However, the electoral context has put on the table the possibility of the executive decreeing a salary increase.
- Increases in income levels via bonuses represent a lower impact on public spending. If the increase came via salary, spending would increase, generating even greater differences in the months in which bonuses associated with salary are paid, essentially July and the end of the year.
- Both options have an inflationary impact in the short term. An increase in the meal benefit increases the costs of the private sector, at times when demand is weak and very sensitive to price changes, making it difficult to transfer costs to sales prices. A wage increase usually fuels inflationary expectations but affects the private sector less directly because most companies pay wages well above the legal minimum. However, the minimum wage is still a reference in some collective contracts and would affect costs.
- The government's decision to increase the salary is linked to its ability to meet the greater demand for foreign currency that would be available if the increased public spending cannot be sterilized through tax collection. The stabilizing task would fall more intensely on the Central Bank of Venezuela's (BCV) exchange intervention.
- On the other hand, Venezuelan imports from the United States stood at US\$1.149 million during the first quarter of the year, which represents its best level for that period since 2018, the year before the establishment of oil sanctions by then-President Donald Trump.
- The figure is still well below its historical highs, but represents an increase of 71 percent compared to the same period in 2023, according to data released by the U.S. Department of Commerce through its Bureau of Economic Analysis (BEA).
- The detail of products indicates that oil derivatives represented a bill of US\$587 million in the first quarter of 2024 (51 percent of the total and 582 percent more than the same period in 2023). The rest of the top five was made up of imports of soybeans with US\$87 million, rice (which was reactivated after two years without trading) with US\$64 million, telephones with US\$59 million and corn US\$26 million (an increase of 85 percent compared to the same period in 2023).
- Venezuelan imports from the United States were severely affected after the oil sanctions imposed in 2019 and reached a historic low of US\$51 million in January 2020, the lowest in at least 35 years, according to records from the BEA.



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