

Venezuela: Brief Profile

March 2009

Domestic Economy

- Venezuela's real GDP growth slowed down to an estimated 4.9% in 2008 as compared to 8.4% in the previous year, primarily owing to weaker private investments and oil prices.
- In absolute terms, GDP stood higher at an estimated US\$ 316.7 bn in 2008 as compared to US\$ 228.1 billion in 2007. GDP per capita stood at US\$ 11,433.2 in 2007.
- Consumer price inflation, which was 18.7% in 2007, increased sharply to 30.4% in 2008, mainly due to higher import prices prevailed during the first half of 2008.
- In 2007 (as per latest available data), services sector accounted for 54.1% of GDP, while the shares of industry and agriculture stood at 41.9% and 4.0%, respectively.

Trade and External Sector

- In 2008, the export earnings of Venezuela increased by 43.4% to an estimated US\$ 99.2 bn from US\$ 69.2 bn in 2007, mainly as result of high international oil prices.
- In 2008, import of Venezuela also increased by 2.9% to an estimated US\$ 46.8 bn from US\$ 45.5 bn in the previous year, due to high international prices during the first half of 2008.
- Thus, Venezuela's trade surplus increased by 121.1% from US\$ 23.7 bn in 2006-07 to US\$ 52.4 bn in 2007-08.

- The major export destinations in 2006 (as per latest available data) were the US (53.5% of total exports), the Netherlands Antilles (8.8%), China (3.7%) and Spain (3.0%).
- The principal origins of imports in 2006 (as per latest available data) were the US (29.2% of total imports), Colombia (9.6%), Brazil (7.9%) and Mexico (6.1%).
- Petroleum is the major export item of Venezuela, accounting for 90.5% of total exports in 2007-08. As regards imports, intermediate goods accounted for 44.5% of total imports, followed by capital goods (31.0%) and consumer goods (24.5%).
- The current account surplus increased to an estimated US\$ 46.8 bn in 2008, as compared to US\$ 20 bn in the previous year, reflecting higher surplus in trade account.

Foreign Exchange Reserves, Exchange Rate and External Debt

- Bolivar (Bs) is Venezuela's local currency. The average exchange rate remains unchanged at US\$ 1: Bs 2.15 in 2008.
- The foreign exchange reserves increased in 2008 to an estimated US\$ 42.1 bn from US\$ 33.5 bn in 2007, representing an import cover for 10.8 months.
- Total external debt increased to an estimated US\$ 46.9 bn in 2008 from US\$ 43.3 bn in the previous year.

Country Risk Ratings

- *Euromoney*, in its September 2008 ratings of 186 countries, placed Venezuela at 99, which represents a rise of 14 places compared with the rankings in March 2008. India was placed at 56.

- *Institutional Investor*, in its September 2008 risk ranking of 177 countries placed Venezuela at 81, which is a rise of two places from its previous ranking in March 2008. India was placed at 54.
- *Export Credit Guarantee Corporation of India Ltd. (ECGC)* ranks countries in seven groups, A1, A2, B1, B2, C1, C2 and D, according to increasing order of risk. Venezuela was placed in “Group B1” in December 2008.

Bilateral Trade Relations with India

- India’s exports to Venezuela increased by 13.6% from US\$ 126.4 mn in 2006-07 to US\$ 143.6 mn in 2007-08, mainly due to increase in exports of pharmaceutical products and machinery and instruments.
- India’s imports from Venezuela decreased significantly by 46.5% from US\$ 742.6 mn in 2006-07 to US\$ 397.1 mn in 2007-08, due to decrease in imports of petroleum crude.
- The main export items of India to Venezuela in 2007-08 included pharmaceutical products (26.1% of total exports), petroleum and crude products (14.4%), machinery and instruments (10.6%), cotton yarn fabrics madeups (9.9%) and transport equipments (6.8%).
- Petroleum and crude products were India’s major import from Venezuela in 2007-08, accounting for 98.1% of total imports from Venezuela. Other items of India’s import from Venezuela in 2007-08 were Organic chemicals (0.58% of total imports), metaliferous ores and metal scrap (0.38%) and iron and steel (0.21%).
- As a result, India’s trade deficit with Venezuela narrowed from US\$ 616.2 mn in 2006-07 to US\$ 253.5 mn in 2007-08.

Macroeconomic Outlook

- Real GDP growth of Venezuela is expected to contract by 3% in 2009, mainly affected by deepening of world economic recession. However, GDP growth is expected to recover to 5.4% in 2010.
- Tighter import restrictions and the gradual upward adjustment of some prices are expected to prevent inflation from falling. As a result, inflation is expected to average 31.6% in 2009. In 2010, capital flight and a deeper contraction of domestic demand are expected to keep average inflation at 33.5%.
- Currency is expected to continue to appreciate 17% in real terms in 2009. A sharper depreciation of the fixed exchange rate, to BsF 4: US\$ 1 early in 2010 is expected to result in a weakening of the real exchange rate,
- A sharp projected fall in oil prices is expected to wipe out the large current account surplus in 2009. Assuming a moderate pick-up in oil prices in 2010 and falling import volumes, the current-account surplus is expected to rise in 2010.

Venezuela: Economic Structure

Economic Indicators	2004	2005	2006	2007	2008^b
GDP at market prices (US\$ bn)	112.5	145.5	184.5	228.1	316.7
GDP at market prices (Bs tn)	212.7	304.1	396.1	489.7	680.0
Real GDP growth (%)	18.3	10.3	10.3	8.4	4.9
Consumer price inflation (avg. %)	21.7	16.0	13.7	18.7	30.4
Population (mn)	26.0	26.5	26.9	27.3	27.7
Exports (US\$ bn)	39.7	55.6	65.2	69.2	99.2
Imports (US\$ bn)	17.0	24.2	32.5	45.5	46.8
Current-account balance (US\$ bn)	15.5	25.1	27.1	20.0	46.8
Total International Reserves (US\$bn)	23.5	29.6	36.7	33.5	42.1
Total external debt (US\$ bn)	40.8	45.8	43.0	43.3	46.9
Exchange rate (avg. BsF:US\$) Local currency in Bolivar (Bs)	1.89	2.09	2.15	2.15	2.15

^b Estimates

Source: EIU Country Report.