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INFORMATION

January 21, 1987

To: Members of the Executive Board

From: The Secretary

Subject: Venezuela - Staff Report for the 1986 Midyear Article IV  
Consultation

Attached for consideration by the Executive Directors is the staff report for the 1986 midyear Article IV consultation with Venezuela, which will be brought to the agenda for discussion on a date to be announced.

Mr. Cardemil (ext. 7162) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

Att: (1)

Other Distribution:  
Department Heads



INTERNATIONAL MONETARY FUND

VENEZUELA

Staff Report for the 1986 Midyear Article IV Consultation

Prepared by the Staff Representatives for the Midyear  
Consultation with Venezuela

Approved by E. Wiesner and S. Kanesa-Thanan

January 21, 1987

I. Introduction

The latest midyear consultation discussions with Venezuela under the enhanced surveillance procedures were conducted in Caracas during the period October 30-November 14, 1986. The staff reviewed performance under the authorities' 1986 Quantified Economic Program and the discussions mainly covered prospects and policies for 1987 and beyond.

The Venezuelan representatives in the discussions included the Minister of Finance and the President of the Central Bank; the Minister Secretary of the President of the Republic; the Ministers of Planning, Development, Mines and Energy, Agriculture, and of the Venezuelan Investment Fund; the Director of the Budget; and other senior officials. The staff representatives were Messrs. Hardy (Head), Cardemil, Fajgenbaum, de la Torre (all-WHD), and Rodlauer (ETR), and Ms. Ulmschneider (Secretary-WHD). Mr. Wiesner (WHD) joined the mission during November 3-6. Mr. Ortiz and Ms. Filardo, Executive Director and Alternate Executive Director for Venezuela, respectively, participated in a number of the policy discussions. Further discussions were held in Washington with Venezuelan officials during January 7-9, 1987.

The last Article IV consultation discussions with Venezuela were conducted in April 10-25, 1986 and the consultation was concluded by the Executive Board on July 25, 1986 (EBM/86/121; SM/86/152 and SM/86/153). This is the fourth report prepared under the enhanced surveillance procedures approved for Venezuela by the Executive Board on May 30, 1985. The last Article IV staff report was distributed to creditor commercial banks by the Venezuelan authorities. Venezuela accepted the obligations of Article VIII, Sections 2, 3, and 4 of the Articles of Agreement on July 1, 1976. Relations with the Fund are described in Attachment I.

## II. Background

### 1. Developments prior to 1986

In 1982 the combination of expansionary financial policies and the weakening in the world oil market <sup>1/</sup> resulted in a public sector deficit of about 12 percent of GDP and an unprecedented overall balance of payments deficit of US\$8 1/2 billion, including an accumulation of private and public sector external arrears. However, during 1983 and 1984 the authorities adopted a series of measures designed to restore financial equilibrium, including sharp cutbacks in public capital outlays and currency depreciations in the context of a multi-tier exchange system. In addition, the authorities introduced comprehensive exchange, import, and price controls. Subsequently, the exchange system was simplified--through a process of gradual transfer of transactions--into a dual exchange system for current transactions by end-1985. A social pact with labor and business representatives was implemented in 1984-85 which contemplated wage restraint in exchange for increased employment and greater fringe benefits.

These various measures led to significant improvements in the public finances and in the external position, despite further declines in Venezuela's oil export revenues. In 1984-85, the overall public sector balance shifted into surpluses averaging nearly 5 percent of GDP a year and the external current account moved into surpluses averaging US\$4 billion (7 1/2 percent of GDP) a year, as imports and nonfactor service payments fell by more than one half. The strong current account performance allowed Venezuela to reduce outstanding public external debt by about US\$2 1/4 billion to less than US\$26 billion, to eliminate public sector arrears, and to raise net official reserves by US\$4 billion to US\$15 1/2 billion (more than two years of 1985 imports) from end-1982 to end-1985. However, some US\$3 billion of arrears on private sector debt remained at the end of 1985.

A major element in the reduction of aggregate expenditure through 1985 was a decline of investment (Table 1). Public investment was cut from almost 20 percent of GDP in 1982 to 8 1/2 percent of GDP in 1984-85, while private investment stagnated following a sharp decline in 1982. In recent years, private investment has been affected by a widespread application of controls and by the distortions and uncertainty created by the multiple exchange rate system. Output in the nonpetroleum sector fell by a cumulative 7 percent in 1983-85 and the unemployment rate rose from 7 percent in 1982 to 13 percent in 1985. In reflection of corrective price adjustments and the pass-through of the

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<sup>1/</sup> In recent years, the oil sector in Venezuela has contributed on average about 90 percent of export revenues, two thirds of central government revenues, and more than 20 percent of GDP.

Table 1. Venezuela: Selected Macroeconomic Indicators

	Average 1979-81	1982	1983	1984	1985	Est. 1986
<u>(Annual percentage change)</u>						
Real GDP	-0.3	0.7	-5.6	-1.3	0.3	3.0
Petroleum	-1.1	-7.2	-4.7	0.3	-3.3	0.3
Nonpetroleum	-0.2	1.4	-5.7	-1.5	0.6	3.2
Real GDP adjusted for terms of trade <u>1/</u>	...	-0.4	-6.9	-0.3	--	-8.1
Nominal GDP	19.1	2.1	-0.3	19.6	7.1	8.2
Petroleum	31.9	-16.3	-9.9	51.6	-5.9	-28.0
Nonpetroleum	15.8	8.9	2.5	11.6	11.5	18.6
Caracas consumer price index (end of period)	16.9	7.6	7.5	15.5	9.1	12.0
Wholesale price index (end of period)	14.6	6.2	10.8	23.8	12.9	17.2
Unemployment rate (in percent)	5.8	7.1	10.1	13.0	13.1	11.7 <u>2/</u>
<u>(In percent of GDP)</u>						
Gross domestic expendi- ture (at current prices)	95.3	101.6	89.0	86.9	89.1	100.5
Consumption	68.9	75.7	77.2	72.1	74.4	81.0
Investment <u>3/</u>	26.4	25.9	11.8	14.8	14.7	19.5
Public	14.0	18.7	14.4	8.0	9.5	12.7
Private	12.4	7.2	-2.6	6.8	5.2	6.8
Gross national savings	28.3	21.1	17.9	24.2	20.6	14.5
Public	16.3	10.7	10.1	21.5	13.5	6.5
Private	12.0	10.4	7.8	2.7	7.1	8.0

Sources: Central Bank of Venezuela; and Fund staff estimates.

1/ Base year 1980.

2/ First semester data.

3/ Includes change in inventories.

depreciation of the bolivar, the 12-month rate of increase in consumer prices picked up to 15 1/2 percent in 1984 before declining to 9 percent in 1985.

Negotiations for a rescheduling of Venezuela's public and publicly guaranteed external debt with foreign commercial banks began in 1983 and were concluded in early 1986. In 1983 the authorities also initiated a process of registration of private sector debt through the Exchange Control Agency (RECADI) for the purpose of determining access to foreign exchange at preferential rates for debt servicing. After a slow process that led to a significant accumulation of private sector debt arrears, the registration was completed during the first half of 1986.

2. Developments during 1986 and Performance under the Quantified Economic Program

Following several years of declining real GDP and rising unemployment, toward the end of 1985 the authorities shifted to financial policies aimed at stimulating economic activity. Public investment was increased in late 1985, and in early 1986 the authorities decreed a 12 1/2 percent average wage increase for public and private sector workers not covered by collective bargaining agreements--the first such increase since 1980. This policy stance was maintained despite the drop in oil prices in early 1986 which led to a fall in export earnings and public sector revenues of more than 10 percent of GDP. The authorities felt that Venezuela was in a position to pursue such a policy for some time by using part of its relatively large international reserves.

The 1986 Quantified Economic Program (QEP), which was framed by the authorities in early 1986, was based on an average oil price of US\$15 a barrel and foresaw a drop in oil exports and public sector oil revenues of about US\$5 billion. Because of this loss in revenues and the planned increase in public investment, the QEP projected a shift in the consolidated public sector finances from a surplus of 4 1/2 percent of GDP in 1985 to a deficit of 9 1/2 percent of GDP in 1986. The monetary program contemplated a strong acceleration in overall domestic bank credit, and the external current account was projected to shift from a surplus of US\$2.9 billion (6 percent of GDP) in 1985 to a deficit of about US\$1 billion (2 percent of GDP) in 1986. With the program envisaging net repayments of public sector external debt and the resumption of amortization payments on private sector debt, net international reserves were projected to drop by almost US\$4 billion during 1986. Private sector debt arrears were expected to be eliminated, mostly through rescheduling.

Performance under the authorities' QEP is shown in Table 2. For the year as a whole, although the public sector deficit is estimated to have been lower than programmed, the external current account deficit was US\$1 1/2 billion larger than projected. Despite lower private

Table 2. Venezuela: Quarterly Performance Under the 1986 QEP

	Dec. 1985	1986							
		March		June		September		December	
		Prog.	Actual	Prog.	Actual	Prog.	Actual	Prog.	Est.
<u>(In billions of U.S. dollars)</u>									
Net international reserves (Central Bank and VIF)	15.5	15.3	15.4	13.7	14.6	12.5	13.3	11.6	11.7
Outstanding public external debt	25.7	25.5	25.5	24.9	25.3	24.5	25.1	24.6	24.4
Cumulative private sector amortization payments		0.1	0.1	0.6	0.4	0.9	0.5	1.2	0.7
<u>(In billions of bolivares)</u>									
Broad money <u>1/</u>	193.0	196.9	190.7	208.8	203.6	216.6	211.5	228.2	223.9
Monetary base	46.5	43.9	42.7	43.4	50.6	41.3	53.7	48.6	55.0
Public sector net domestic bank financing		7.7	-8.0	5.5	-1.9	20.1	16.3	32.8	36.3
<u>(12-month percentage change)</u>									
Broad money <u>1/</u>	9.2	11.1	7.6	15.7	12.7	18.6	15.8	18.2	16.0
Consumer price index	9.2	7.4	9.6	8.8	10.6	10.2	11.1	10.6	12.0
Wholesale price index	12.9	12.2	11.8	92.8	13.5	14.5	15.0	15.3	17.2

Sources: Central Bank of Venezuela; SM/86/152; and Fund staff estimates.

1/ Comprises currency in circulation and demand, time and savings deposits.

sector amortization payments and higher than anticipated import credit flows, official reserves still declined by US\$3 3/4 billion.

The better than programmed fiscal performance was mainly because of delays in the execution of the public investment program. Public capital outlays are estimated to have been about 2 percent of GDP lower than projected; nonetheless, such outlays expanded by nearly 40 percent (24 percent in real terms). With higher than anticipated total revenues, partially offset by a slight overrun in current expenditure, the consolidated public sector deficit in 1986 is now estimated at 7 1/4 percent of GDP (Table 3).

As result of the large net domestic bank financing of the public sector and the strong expansion in commercial banks' credit to the private sector, the growth of broad money accelerated to an annual rate of 14 percent during the first three quarters of 1986, compared with 8 percent during the corresponding period of 1985. For the year as a whole, the growth of broad money is estimated at 16 percent and the expansion in net domestic assets of the banking system at more than 30 percent of the initial stock of liabilities to the private sector, compared with 5 percent during 1985 (Table 4). Notwithstanding the rise in inflation, central bank ceilings on deposit and lending interest rates were not modified; as a result, the preferential lending interest rate of 8 1/2 percent for the agricultural sector as well as the bank deposit rates, which range between 9 and 11 percent, became negative in real terms in 1986.

Because of the sharp drop in world oil prices, real GDP adjusted for changes in the terms of trade is estimated to have fallen by more than 8 percent in 1986. However, output of the nonpetroleum sector increased by about 3 percent; agricultural production rose by 7 percent, aided by high support prices; construction rose by 12 percent, after eight years of continuous decline, owing to the acceleration in public investment; manufacturing expanded by nearly 5 percent; and services, which represent close to 60 percent of GDP, grew by 1 1/2 percent. The rate of unemployment fell from 13 percent in 1985 to an estimated 11.7 percent in 1986.

The increase in output was accompanied by an acceleration of inflation. Despite more stringent application of price controls, consumer prices rose by an estimated 12 percent during 1986, compared with 9 percent during 1985, while the wholesale price index increased by about 17 percent compared with 13 percent in 1985. This followed several years in which wholesale prices have increased more rapidly than consumer prices, reflecting the application of widespread price



Table 3. Venezuela: Consolidated Public Sector Operations <sup>1/</sup>

	1982	1983	1984	1985	1986	
					Program	Est.
(In billions of bolivares)						
Total revenue	90.0	88.0	130.0	139.6	109.3	115.0
Current revenue	89.1	86.0	128.1	137.9	108.1	113.3
Tax revenue	17.5	24.7	28.2	31.3	35.3	33.3
Nontax revenue	71.5	61.3	99.9	106.6	72.8	79.9
Central Government (excluding petroleum royalties)	6.3	5.3	6.4	11.4	11.4	12.3
PDVSA operating surplus	57.8	49.7	80.3	72.9	53.8	50.6
VIF: interest and dividend income	2.0	1.0	1.6	1.8	2.8	1.4
Nonfinancial public enterprises operating surplus	1.3	2.8	10.6	11.4	3.1	14.0
Other (including interest and FOCOCAM income)	4.1	2.6	1.0	9.0	1.7	1.6
Sale of fixed assets	1.0	2.1	2.0	1.7	1.2	1.7
Total expenditure and net lending	124.0	102.2	112.4	122.6	148.1	143.8
Current expenditure	60.6	54.7	70.8	77.2	76.0	79.6
Personal emoluments	19.2	19.3	20.3	22.3	22.7	24.9
Purchases of goods and services	5.1	3.6	4.8	4.5	6.0	5.1
Interest payments	12.1	9.4	17.2	15.3	14.6	17.5
Transfers to private sector	3.0	3.2	3.9	3.9	3.5	4.2
Nonfinancial public enterprises operating deficits	--	--	--	--	--	--
Central Government (extrabudgetary)	5.8	2.2	1.7	0.7	--	--
Central government transfers to nonconsolidated entities	15.4	16.9	22.9	27.0	18.1	23.6
Other (including FOCOCAM reimbursements)	--	--	--	3.5	11.1	4.4
Capital expenditure	62.9	46.8	40.9	44.6	72.0	63.8
Capital formation	49.2	34.4	28.3	30.4	54.0	44.5
Central Government (extrabudgetary)	0.6	2.1	0.2	0.6	0.3	1.5
Other including transfers to nonconsolidated entities	13.1	10.3	12.4	13.7	17.7	17.8
Net lending to private/external sector	0.5	0.7	0.6	0.7	0.1	0.4
Overall surplus or deficit (-)	-34.0	-14.2	17.7	17.1	-38.8	-28.8
Financing	34.0	14.2	-17.7	-17.1	38.8	28.8
External	16.3	-4.0	-6.4	-7.0	3.0	-11.5
Domestic	17.7	18.2	-11.3	-10.1	35.8	40.3
Banking system	8.0	6.0	-15.4	-12.0	32.8	36.3
Other	9.7	12.2	4.1	1.9	3.0	4.0
(As percentage of GDP)						
Total revenue	30.9	30.3	37.4	37.5	27.0	28.6
Total expenditure and net lending	42.6	35.2	32.3	33.0	36.5	35.7
Current account surplus	9.8	10.7	16.5	16.3	11.0	8.4
Overall surplus or deficit	-11.7	-4.9	5.1	4.6	-9.4	-7.2
(Annual percentage change)						
Total revenue	-11.8	-2.2	47.7	10.0	-9.3	-17.6
Total expenditure and net lending	18.4	-17.6	10.0	9.1	20.0	17.3
Of which: capital expenditure	34.7	-25.6	-12.6	9.0	40.4	43.0
(In billions of bolivares)						
Memorandum items						
Current account surplus	28.5	31.2	57.2	60.7	32.1	33.7
Nominal GDP	291.3	290.5	347.5	372.0	404.9	402.4

Sources: Central Bank of Venezuela; Central Office of the Budget (OCEPRE); and Fund staff estimates.

<sup>1/</sup> Comprises operations of the Central Government (including extrabudgetary operations), the Venezuelan Investment Fund, the National Petroleum Company, the nonfinancial public enterprises, and the Exchange Differentials Compensation Fund (FOCOCAM).

Table 4. Venezuela: Summary Accounts of the Banking System

	1982	1983	1984	1985	Prog. 1986 <sup>1/</sup>	Oct. 85- Sept. 86	Est. 1986
(Annual flows in billions of bolivares) <sup>2/</sup>							
Net foreign assets	-8.8	8.9	13.0	9.8	-20.9	-12.9	-29.3
Net domestic assets <sup>3/</sup>	25.4	20.4	2.0	9.9	59.9	46.5	66.9
Net credit to public sector	7.8	6.3	-16.4	-7.7	32.8	14.0	36.3
Credit to private sector	20.1	5.3	15.7	14.1 )		26.5	30.4
Other <sup>3/</sup>	-2.5	8.8	2.7	3.5 )	27.2	6.0	0.2
Medium- and long-term foreign liabilities	4.1	0.5	1.7	4.3	--	2.6	2.2
Liabilities to private sector	12.5	28.8	13.3	15.4	39.0	31.1	35.4
Of which: money and quasi-money	9.4	25.4	12.8	16.1	36.1	33.4	34.3
(Annual percentage change in relation to liabilities to private sector at the beginning of the period)							
Net domestic assets <sup>3/</sup>	16.7	12.4	1.0	4.8	27.0	21.9	30.2
Net credit to public sector	5.1	3.8	-8.5	-3.7	14.8	6.6	16.4
Credit to private sector	13.3	3.2	8.1	6.8	...	12.4	13.7
Liabilities to private sector	8.2	17.6	6.9	7.5	17.6	14.6	16.0
(Flows as percent of nonpetroleum GDP)							
Net domestic assets <sup>3/</sup>	11.2	8.8	0.8	2.9	18.0	13.6	19.5
Net credit to public sector	3.4	2.7	-6.3	-2.2	9.9	4.1	10.6
Credit to private sector	8.9	2.3	6.1	4.1	...	7.7	8.9
Liabilities to private sector	5.5	12.4	5.1	4.5	11.7	9.1	10.3
Money and quasi-money	4.1	10.9	4.9	4.7	10.9	9.8	10.0
Memorandum items							
Liabilities to private sector (in billions of bolivares)	164.2	193.0	206.3	221.7	261.1	243.6	257.1
Money and quasi-money (annual percentage change)	6.9	17.5	7.2	8.8	18.1	16.5	16.0
Excess reserves held by commercial banks (in billions of bolivares)	2.3	8.3	2.3	5.2	...	1.5	0.7

Sources: Central Bank of Venezuela; Statistical Appendix Table 18; and Fund staff estimates.

<sup>1/</sup> From the 1986 Quantified Economic Program.

<sup>2/</sup> Flows of net foreign assets in 1982 and 1984 include valuation adjustments; flows of net credit to the public sector in 1982-85 reflect certain transfers of assets from the Central Bank to the public sector (see Statistical Appendix Table 18 and Table 33 of SM/86/153).

<sup>3/</sup> Includes counterpart unrequited foreign exchange and valuation adjustments.

controls. In an attempt to curb the rise in prices, in August the authorities extended an earlier price freeze of 30 "essential" commodities through 1987. 1/

The external current account deficit is estimated at US\$2 1/4 billion (5 percent of GDP) in 1986, compared with a program projection of about US\$1 billion (Table 5). Oil export earnings were lower than projected as higher volume was not sufficient to offset a lower average price. Despite stringent controls, imports were somewhat higher than projected, although in real terms they were 4 percent lower than in 1985. Also, interest payments on public and private external debt are estimated to have been US\$1/2 billion higher than projected. Despite higher than anticipated short-term trade credits, the overall balance of payments deficit is estimated at US\$4 1/2 billion, or about US\$3/4 billion higher than programmed. Net official reserves fell by about US\$3 3/4 billion and, due to further delays in amortization payments on registered private debt, the flow of debt arrears reached about US\$0.8 billion. 2/

Tight import and exchange restrictions were applied by RECADI throughout 1986. Shortages emerged in many sectors of the economy as a result of these restrictions combined with rising exports of consumer goods, raw materials, and spare parts to bordering countries under the incentive of a highly depreciated free market exchange rate. To limit advance cash payments for imports, from May 1986 importers were required to obtain trade financing for at least 80 percent of the value of imports at the controlled exchange rate. 3/ This regulation induced an increase in the use of trade credits of some US\$1 billion in 1986.

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1/ These commodities are part of about 160 items or groups of items for which price changes require the approval of the Price Control Commission (CONACOPRESA). All other prices may be raised only after notification to the Ministry of Development, and provided the Ministry does not object within 60 days. If objected by the Ministry, producers or importers are to provide written justification for requests to increase prices, and the Ministry has up to six additional months to decide.

2/ Because of arrears reschedulings amounting to US\$1 billion, the stock of private sector debt arrears declined by about US\$0.2 billion in 1986 (Table 6 and Statistical Appendix Table 22).

3/ Under this system, following import approval by RECADI, the Central Bank provides foreign exchange for up to 20 percent of the import value and issues a certificate of foreign exchange availability, carrying an exchange rate guarantee, for the remainder. The foreign exchange is released after a period of 120 days, provided the merchandise has cleared customs.

Table 5. Venezuela: Summary Balance of Payments

(In billions of U.S. dollars)

	1982	1983	1984	1985	1986	
					Prog.	Est.
<u>Current account</u>	<u>-3.2</u>	<u>3.3</u>	<u>5.0</u>	<u>2.9</u>	<u>-0.9</u>	<u>-2.3</u>
Trade balance	3.9	8.1	8.7	6.8	2.0	1.1
Exports, f.o.b.	16.5	14.9	16.0	14.3	9.2	8.7
Of which: petroleum	15.7	13.9	14.8	12.9	7.7	7.2
Imports, f.o.b.	-12.6	-6.8	-7.3	-7.4	-7.2	-7.6
Nonfactor services (net)	-5.0	-1.9	-1.8	-1.4	-1.5	-1.4
Freight and insurance	-1.0	-0.6	-0.4	-0.6	-0.5	-0.6
Travel	-2.5	-0.6	-0.6	-0.1	-0.4	-0.1
Other	-1.5	-0.7	-0.8	-0.6	-0.7	-0.6
Investment income (net)	-1.5	-2.7	-1.8	-2.4	-1.3	-2.0
Of which:						
interest payments accrued	-3.7	-4.2	-4.0	-4.3	-2.7	-3.3
Transfers (net)	-0.6	-0.2	-0.1	-0.1	-0.1	-0.1
<u>Capital account</u>	<u>-3.6</u>	<u>-5.9</u>	<u>-4.0</u>	<u>-1.8</u>	<u>-2.8</u>	<u>-2.6</u>
Medium- and long-term capital	2.3	-1.8	-2.5	-2.4	-2.5	-3.4
Public sector debt (net)	1.4	0.5	-1.0	-0.8	-1.1	-1.3
Disbursement	3.4	1.5	0.5	0.2	0.3	0.1
Amortization	-2.0	-1.0	-1.4	-1.0	-1.4	-1.4
Scheduled	-2.0	-2.9	-3.0	-3.5	-2.4	-2.2
Refinanced	...	1.9 <sup>1/</sup>	1.6 <sup>1/</sup>	2.5	1.0	0.8
Other public sector	0.7	-0.3	-0.2	-0.1	-0.3	-0.4
Private sector	0.2	-1.9	-1.7	-1.6	-1.1	-1.6
Direct investment	0.3	0.1	--	0.1	--	0.1
Other	-0.2	-2.0	-1.8	-1.7	-1.1	-1.7
Short-term capital	-5.9	-4.2	-1.5	-0.4	-0.3	0.8
<u>SDR allocation</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>Net errors and omissions</u>	<u>-1.9</u>	<u>-0.2</u>	<u>0.6</u>	<u>-0.2</u>	<u>--</u>	<u>0.4</u>
<u>Overall balance</u>	<u>-8.7</u>	<u>-2.8</u>	<u>1.6</u>	<u>0.9</u>	<u>-3.7</u>	<u>-4.5</u>
<u>Valuation change</u>	<u>--</u>	<u>-0.2</u>	<u>--</u>	<u>0.1</u>	<u>--</u>	<u>--</u>
<u>Financing</u>	<u>8.7</u>	<u>3.0</u>	<u>-1.6</u>	<u>-0.9</u>	<u>3.7</u>	<u>4.5</u>
Net international reserves						
(increase -)	8.3 <sup>2/</sup>	-0.3	-1.9	-1.8	3.9	3.7
Change in arrears (excluding refinanced)	0.4	3.3	0.3	0.8	-0.2	0.8
<u>Memorandum item</u>						
Arrears rescheduling (-)	--	--	--	-2.3	-2.0	-1.0

Sources: Central Bank of Venezuela; and Fund staff estimates.

<sup>1/</sup> Rollover of medium- and long-term debt to financial institutions.

<sup>2/</sup> Excludes US\$2,955 million from revaluation of gold holdings.

Table 6. Venezuela: External Debt

(In millions of U.S. dollars)

	1982	1983	1984	1985	Est. 1986
<u>Total debt (year-end)</u>	<u>37,550</u>	<u>36,314</u>	<u>35,102</u>	<u>34,248</u>	<u>32,157</u>
Public sector	28,000	27,616	26,531	25,738	24,393
Medium- and long-term	...	18,178	17,751	25,738	24,393
To official creditors	...	683	489	387	360
To private creditors	...	17,495	17,262	25,351	24,033
Financial institutions	...	15,051	15,441	23,544	22,878
Other	...	2,444	1,821	1,807	1,155
Short-term	...	9,438	8,780	--	--
Private sector <u>1/</u>	9,550	8,698	8,571	8,510	7,764
Financial institutions	6,276	5,716	5,633	5,593	5,103
Other	3,274	2,982	2,938	2,917	2,661
<u>Debt service <u>2/</u></u>	<u>6,526</u>	<u>7,483</u>	<u>7,084</u>	<u>6,818</u>	<u>6,390</u>
Amortization	2,832	3,513	3,249	2,725	3,112
Public sector	2,032	945	1,433	1,009	1,396
Private sector <u>3/</u>	800	2,568	1,816	1,716	1,716
Interest	3,694	3,970	3,835	4,093	3,278
Public sector	2,981	2,975	2,773	3,273	2,627
Private sector	713	995	1,062	820	651
<u>Stock of arrears</u>	<u>825</u>	<u>4,102</u>	<u>4,429</u>	<u>3,004</u>	<u>2,768</u>
Public	825	945	--	--	--
Interest	400	175	--	--	--
Principal <u>3/</u>	425	770	--	--	--
Private	...	2,447	4,089	3,004	2,768
Interest	...	731	684	206	--
Principal <u>1/3/</u>	...	1,716	3,406	2,798	2,768
Commercial arrears	--	710	340	--	--
<u>Memorandum item</u>					
Debt service ratio (percent) <u>4/</u>	37.1	37.7	42.1	45.5	65.9

Sources: Ministry of Finance; Central Bank of Venezuela; and Fund staff estimates.

1/ Gross debt (i.e., registered debt plus US\$1,733 million of non-registered debt because it was matched to assets held abroad).

2/ Excluding the rollover of short-term debt, but including interest on short-term debt.

3/ Includes arrears incurred on medium- and long-term debt.

4/ In relation to exports of goods and nonfactor services.

During most of 1986, the exchange system consisted of a controlled exchange rate of Bs 7.50 per U.S. dollar applicable to the bulk of current international transactions, public sector capital flows, and interest payments on private registered external debt; a preferential exchange rate of Bs 4.30 per U.S. dollar for amortization payments of the registered private external debt and of the external debt of the public enterprises; and a free market rate applicable to non-oil exports, tourism, and private sector capital flows other than those mentioned above. The bolivar in the free exchange market, which had averaged about Bs 14 per U.S. dollar in 1985, depreciated to around Bs 18-19 per U.S. dollar in the first half of 1986 and to more than Bs 25 per U.S. dollar in the latter part of the year. Nevertheless, as a result of the rise of domestic prices, in November 1986 the weighted average value of the bolivar in real effective terms was about 15 percent higher than at the time of the last adjustment of the controlled rate in early 1984, and about 30 percent higher than in the mid-1970s, a time when oil revenues in real terms were higher than at present and the debt service burden was very small (Statistical Appendix Table 29). In December the authorities further modified the exchange system involving a depreciation of the bolivar (see below Section V).

Venezuela's public and private outstanding debt was estimated at about US\$32 billion at the end of 1986 (60 percent of GDP and 320 percent of exports of goods and nonfactor services), most of which was owed to commercial banks. With the decline in oil export revenue, debt service increased from around 40 percent of exports of goods and nonfactor services on average in 1982-85 to more than 60 percent in 1986, half of which represented interest payments.

The registration of private sector external debt was completed by RECADI during the first half of 1986. However, amortization payments, which had resumed in early 1986, were almost completely interrupted again in July after the authorities withdrew the original five-year schedule under which the registered private debt was to be repaid through the preferential Bs 4.30 per U.S. dollar exchange rate, and decided to limit this exchange subsidy only to those debts eligible for immediate payment. For the remainder, the authorities sought to extend the period of repayment by proposing the issue of government-guaranteed bonds with a 15-year maturity and a 5 percent interest rate, to be purchased by debtors at the exchange rate of Bs 7.50 per U.S. dollar and given to creditors as final debt settlement. The Government rescinded this scheme in September, after strong opposition from both creditors and debtors. Nonetheless, access to the preferential exchange rate of Bs 4.30 per U.S. dollar for amortization payments remained limited to debts guaranteed by foreign official agencies which were overdue as of July 17, 1986, debts of less than US\$500,000, and the 10 percent of the remaining registered debt (equivalent to the first two quarterly

payments under the previous five-year schedule). <sup>1/</sup> Outstanding private external debt registered for access to the official exchange rate (either Bs 4.30 or Bs 7.50 per U.S. dollar rate) amounted to US\$6.9 billion, of which US\$1.6 billion was eligible for immediate payment. Of the latter, US\$750 million is estimated to have been paid in 1986.

The multi-year restructuring agreement of Venezuela's public sector external debt with foreign commercial banks was signed in February 1986 and ratified in early October. The agreement covered public and publicly guaranteed debt originally falling due during 1983-88 (US\$21 billion) and contemplated a downpayment of US\$750 million and amortization payments stretched over 11 years through 1997. By end-1986 Venezuela had paid US\$666 million of the downpayment, with the remainder to be paid in early 1987. In view of the drop in oil prices the authorities reopened negotiations with creditor banks in late 1986 and have proposed deferring amortization payments falling due in 1987-88 under the present agreement, lengthening the repayment period by three years, and reducing the spread over LIBOR from the present 1 1/8 percentage points. Venezuela also has requested the banks to subscribe to a new loan in 1987.

The World Bank has reconsidered Venezuela's eligibility for IBRD loans in view of the decline in per capita income in recent years and the sharp reduction in oil export revenues. Several technical assistance missions were fielded in 1985 and 1986, one of which prepared a study on Venezuela's trade policies with the objective of rationalizing the structure of protection and eliminating quantitative restrictions. A report on this study was recently completed and discussed with the authorities. An economic mission of the World Bank is visiting Venezuela this month.

### III. Medium-Term Outlook

The mission revised the medium-term balance of payments and external debt projections presented in the last staff report (June 1986) as a framework for the discussions with the authorities (Tables 7 and 8). These revisions mainly reflected the balance of payments outturn in 1986 and changes in the external economic environment as reflected in the latest WEO projections. International interest rates are assumed to be significantly lower than envisaged earlier. Oil

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<sup>1/</sup> An additional US\$0.9 billion of debt which had been amortized through the free exchange market in the period March 1983-February 1984 was approved for preferential exchange rate treatment; eligible former debtors are to be reimbursed in bolivares for the difference between the free market rate at the time of payment and the exchange rate of Bs 4.30 per U.S. dollar.

Table 7. Venezuela: Medium-Term Balance of Payments Projections

	1985	Est. 1986	Projected				
			1987	1988	1989	1990	1991
(In billions of U.S. dollars)							
<u>Current account balance</u>	2.9	-2.3	-0.9	-0.6	-0.3	0.1	0.3
Exports	14.2	8.7	10.4	11.1	12.1	13.1	14.1
Of which: petroleum	12.9	7.2	8.7	9.1	9.8	10.6	11.3
Imports	-7.4	-7.6	-8.1	-8.5	-9.0	-9.7	-10.4
Nonfactor services (net)	-1.4	-1.4	-1.4	-1.5	-1.6	-1.8	-1.9
Investment income (net)	-2.4	-2.0	-1.8	-1.6	-1.6	-1.5	-1.5
Transfers	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
<u>Capital account</u>	-2.7	-2.6	-1.4	--	0.1	--	0.1
Direct investment	0.1	0.1	0.2	0.3	0.3	0.4	0.4
Medium- and long-term capital	-2.5	-3.5	-1.3	-0.1	-0.1	-0.1	--
Public sector	-0.9	-1.8	--	--	-0.1	-0.1	-0.1
Private sector	-1.6	-1.7	-1.2	-0.1	--	--	--
Short-term capital <u>1/</u>	-0.7	0.8	-0.3	-0.2	-0.2	-0.3	-0.3
<u>Overall balance</u>	0.9	-4.5	-2.3	-0.6	-0.2	0.1	0.4
Change in arrears	0.8	0.8	--	--	--	--	--
<u>Memorandum items</u>							
Current account balance as							
percent of GDP	5.9	-4.9	-1.9	-1.2	-0.5	0.2	0.4
Net international reserves	15.5	11.7	9.4	8.8	8.6	8.8	9.3
In months of imports	25.1	18.5	14.0	12.4	11.4	10.8	10.5
(Percentage changes, unless otherwise indicated)							
<u>Principal assumptions</u>							
Real GDP growth	0.3	3.0	1.0	2.0	3.0	3.5	4.0
Petroleum exports							
Volume (mbd)	1.37	1.55	1.59	1.61	1.69	1.77	1.83
Price (US\$ per barrel)	25.7	12.9	15.0	15.5	15.9	16.4	16.9
Other exports							
Volume	13.8	6.1	10.0	10.0	10.0	10.0	10.0
Unit value	-1.4	6.4	6.5	3.0	3.0	3.0	3.0
Non-oil sector imports							
Volume	3.8	-4.0	--	2.0	3.5	4.2	4.5
Unit value	-1.4	6.4	6.5	3.0	3.0	3.0	3.0
Terms of trade	-1.6	-44.0	4.7	--	--	--	--
LIBOR	8.6	7.0	6.5	6.5	6.5	6.5	6.5

Sources: Central Bank of Venezuela; Ministry of Finance; and Fund staff estimates.

1/ Includes net errors and omissions, and reflects outflow of imputed interest earnings on assets held abroad by the private sector.



Table 8. Venezuela: Medium-Term External Debt Projections

	1985	Est. 1986	1987	1988	Proj. 1989	1990	1991
(In billions of U.S. dollars)							
<u>Total debt service payments 1/</u>	<u>6.8</u>	<u>6.4</u>	<u>5.9</u>	<u>4.7</u>	<u>4.9</u>	<u>5.1</u>	<u>5.3</u>
Public sector	4.3	4.0	3.9	3.8	4.1	4.0	4.2
Principal 2/	1.0	1.4	1.8	1.9	2.2	2.2	2.4
Interest	3.3	2.6	2.1	1.9	1.9	1.8	1.8
Private sector	2.5	2.4	2.0	0.9	0.9	1.1	1.1
Principal	1.7	1.7	1.5	0.5	0.5	0.7	0.8
Interest	0.8	0.7	0.5	0.4	0.4	0.4	0.3
(As percent of export of goods and nonfactor services)							
<u>Total debt service ratio</u>	<u>45.5</u>	<u>66.0</u>	<u>51.3</u>	<u>38.7</u>	<u>37.3</u>	<u>35.2</u>	<u>34.5</u>
Public sector	28.6	41.5	33.7	31.1	30.3	27.8	27.3
Private sector	16.9	24.4	17.6	7.6	6.9	7.5	7.2
Amortization	18.2	32.1	28.5	19.9	20.3	19.9	20.4
Interest	27.3	33.8	22.7	18.8	17.0	15.3	14.1
<u>Interest in percent of GDP</u>	<u>8.3</u>	<u>6.8</u>	<u>5.2</u>	<u>4.3</u>	<u>4.0</u>	<u>3.7</u>	<u>3.4</u>
(In billions of U.S. dollars)							
<u>Total debt outstanding</u>	<u>34.3</u>	<u>32.1</u>	<u>30.4</u>	<u>29.8</u>	<u>29.3</u>	<u>28.8</u>	<u>28.8</u>
Public sector	25.7	24.4	24.4	24.3	24.3	24.2	24.1
Private sector	8.5	7.7	6.0	5.5	5.0	4.6	4.6
(In percent of GDP)							
<u>Total debt outstanding</u>	<u>69.2</u>	<u>66.9</u>	<u>60.6</u>	<u>56.6</u>	<u>52.5</u>	<u>48.4</u>	<u>45.2</u>
Public sector	52.0	50.9	48.6	46.2	43.4	40.7	37.9
Private sector	17.2	16.0	12.0	10.4	9.0	7.7	7.3

Sources: Central Bank of Venezuela; Ministry of Finance; and Fund staff estimates.

1/ Excluding rollover of short-term debt, but including interest on short-term debt.

2/ Reflects the multiyear restructuring agreement with foreign commercial banks ratified in October 1986.

exports are based on a price of US\$15 a barrel for 1987, which is maintained in real terms subsequently, and with a volume increase averaging 3 1/2 percent a year, in line with the most recent projections by the national petroleum company. If the price and volume of oil exports envisaged in the December 1986 OPEC agreement were achieved, Venezuela's oil export revenues would be higher than assumed in the staff scenario by about US\$1/2 billion a year. The medium-term projections incorporate the authorities' objective of at least maintaining the external public debt approximately constant in nominal terms, which would require additional refinancing and/or gross borrowing of about US\$1 1/2 to 2 billion a year, as well as their stated goal of maintaining a minimum level of reserves of some US\$8-9 billion.

The resulting scenario requires that the external current account deficit be virtually eliminated within the next two-three years. Attaining this target along with a resumption of sustained economic growth would, in turn, require the adoption of demand management policies designed to reduce domestic expenditure in line with the lower external income, as well as the implementation of exchange rate and structural reform policies aimed at promoting economic diversification. With such policies, nontraditional exports and import-competing sectors would be expected to expand through improved competitiveness, better allocation of resources, and increased private sector investment. In these circumstances, gross external borrowing by the private sector would also be expected to take place again. Under these assumptions, import growth in real terms could resume in 1988 and reach annual rates of 3-4 percent a year subsequently, consistent with moderate rates of economic growth. At the same time, the debt service ratio would decline from an estimated 51 percent in 1987 to 34 percent in 1991, and outstanding external debt would drop from the equivalent of 60 percent of GDP to less than 50 percent over the same period.

Failure to correct demand management policies and a prolonged reliance on exchange and import restrictions within a multiple rate system would result in a significantly weaker scenario. Private sector investment probably would continue to be weak, a resumption of gross foreign borrowing on any significant scale would seem questionable, and international reserves would likely be exhausted within a few years.

The medium-term projections are highly sensitive to oil export prices and volume. With a change of US\$1 a barrel in the price, or of 100,000 barrels a day in the volume, export earnings would be affected by close to US\$1/2 billion a year, or the equivalent of about 1 percent of GDP. The projections also are sensitive to international interest rates, as net interest payments vary by about US\$0.2 billion for each percentage point change in LIBOR.

#### IV. Summary of Policy Discussions

The discussions focused on the policies needed to correct the present domestic and external imbalances and thus to help set the basis for sustainable economic growth over the medium term. The mission noted that although economic policies in 1986 had produced some stimulus to economic activity, they also had resulted in intensified balance of payments and inflationary pressures and a major widening of the spread between the controlled and the free market exchange rates. At the same time, private sector investment had remained at a low level. Further losses of reserves would be justified only if they were used to underpin a process of structural adjustment.

The Venezuelan authorities indicated that, although the public investment plan would continue to be implemented, adjustment policies would be adopted to correct the fiscal and balance of payments imbalances. They said that a consensus was being formed within the Cabinet and that policy actions would be taken within a short period.

##### 1. External prospects and policies

The Venezuelan representatives were of the view that it would not be prudent to design policies in the expectation of a major recovery in oil export earnings over the next few years. For 1987, they were projecting oil exports of US\$8 3/4 billion, based on an average price of US\$15 a barrel and a 4 percent increase in volume; this would represent an increase of US\$1 1/2 billion in oil export earnings from the level of 1986. The increase in oil revenues, coupled with a further expansion in non-oil exports and an expected decline in net interest payments, would permit a reduction in the current account deficit to less than US\$1 billion. In view of the large private debt amortization payments projected for 1987, the overall balance of payments deficit could reach between US\$2 and US\$3 1/2 billion, depending on the outcome of the renegotiation of the multi-year restructuring agreement with foreign commercial banks.

The authorities explained that, in view of the decline in oil export earnings, they no longer considered it feasible or advisable to continue to make net repayments of public external debt in the period immediately ahead. Their intention now was to avoid a reduction in the level of outstanding public external debt over the next few years. In fact, some increase in the present level of debt might be considered if it were required to finance suitable investment projects, particularly in the export sector. In this regard, the Government was interested in renewed borrowing from multilateral agencies.

The mission suggested that with no change in the outstanding public debt during 1987-88, the reserve loss should be held at around US\$2 billion in 1987 and no more than US\$1/2 billion in 1988 before attaining balance of payments equilibrium. This would place overall reserves at

around US\$8 1/2 billion which would mean that holdings of liquid reserves would fall below US\$3 billion. The mission agreed with the authorities that reserves should not be allowed to fall much lower than this in view of Venezuela's still large dependence on oil export earnings and the high volatility of the world oil market. Thus, it was important that implementation of a comprehensive adjustment program not be delayed.

The mission noted that the existing exchange system, with a more than 200 percent spread between the controlled and the free market rates gave rise to major distortions and a misallocation of resources. Investment in export and import substitution activities had not been stimulated to the extent that might have been expected by such a depreciated free market exchange rate because the exchange system was perceived as temporary and unstable. Early action to unify the exchange system thus appeared highly desirable. If a gradual approach to unification was adopted, the transition period should be kept quite brief in order to minimize distortions and help bring about a return of confidence. Unification of the exchange system needed to be followed by a flexible exchange rate policy to facilitate a significant reduction and the eventual elimination of exchange and import restrictions.

The authorities said that the Government recognized the need for action in the exchange rate area and that several alternatives were under consideration. However, while agreeing on the need ultimately to eliminate the distortions created by the present multiple rate system, the authorities were concerned that the process of exchange rate unification might trigger an inflationary spiral. Therefore, they were considering keeping some import items at the existing rate of Bs 7.50 per U.S. dollar to reduce the impact on prices paid by lower income groups and thus improve the climate for wage restraint.

The authorities stressed their intention to move quickly to resolve the issue of the private sector external debt in order to improve Venezuela's relations with its creditors and speed up the renegotiation of the MYRA. They explained that they were in the process of designing an exchange rate guarantee scheme under which debtors could retain access to the existing rate of Bs 7.50 per U.S. dollar for debt servicing by paying an advance premium in bolivares. This scheme would involve a significantly smaller subsidy than the previous arrangement and was perceived as a necessary cost to avoid financial difficulties for private enterprises and thus to assist the much needed recovery of private sector investment. The mission urged the authorities to minimize the subsidy element in any such scheme as it could place a heavy burden on the public sector finances and would tend to encourage the early repayment of private debt.

## 2. Fiscal policy

The authorities expressed their intention to start correcting the present large fiscal imbalance. In the context of the 1987 budget, Congress had approved a fiscal revenue package expected to yield up to 1 percent of GDP. The package included a reform to the income tax structure (reducing the number of brackets, raising personal exemptions, and expanding the taxable base for corporations), a new sales tax for motor vehicles, and increases in stamp and real estate taxes. Because of these measures and the expected higher oil revenues, public sector revenues were projected to be about 3 percentage points of GDP higher in 1987. Overall public sector expenditures were estimated at around 2 percentage points of GDP above the level of 1986, mainly reflecting higher capital outlays, as the Government intended to make up in 1987 for the shortfalls in the execution of the 1986 investment plan. As a result, the overall public sector deficit would be reduced from a little more than 7 percent of GDP in 1986 to about 6 percent of GDP in 1987.

The mission noted that even though the outturn in the public finances in 1986 had been better than expected, the external current account had been weaker than planned, and an even larger reserve loss had been avoided only by a forced increase in the use of trade credits and the accumulation of arrears. In the mission's view, the public sector finances needed to be strengthened further in order to lower balance of payments and inflationary pressures without unduly limiting credit to the private sector. The public sector deficit needed to be brought down to around 4 percent of GDP in 1987 and to no more than 2 percent of GDP in subsequent years. This would still imply a fairly large reserve loss in 1987, but would be consistent with the achievement of approximate balance in the external current account and in the overall balance of payments by 1989.

To achieve such an adjustment, a combination of revenue and expenditure measures was needed in the view of the mission. Revenue measures could include the introduction of a general sales tax and adjustments of prices and tariffs of goods and services provided by public enterprises, including the prices of domestic petroleum products. A reform of the import tariff structure, including a significant reduction of exonerations, also would help raise public revenues. On the side of expenditure, current outlays should be restrained and planned capital spending scaled back, particularly in low priority areas.

The authorities observed that the room for reducing current expenditures had been diminished by the cutbacks of recent years; indeed, current expenditure, excluding interest payments, had fallen by 12 percent in real terms over the last four years. Also, a substantial volume of public investment was necessary to foster the restructuring of the economy. In this regard, the authorities noted the sizable investments being undertaken in import substitution, such as bauxite and

chemical products, and to help promote exports such as coal, natural gas liquids, aluminum, and steel. They indicated that the government plans for reorganization and privatization of certain public assets had been reinforced recently by a Presidential directive, the implementation of which would provide a signal of the authorities' determination to control public expenditure and to rely more heavily on private sector investment.

### 3. Monetary policy

The authorities acknowledged that the pace of overall credit expansion should be slowed. They noted, however, the difficulties they had had in 1986 in controlling the expansion of money supply since the public sector had been withdrawing deposits from the Central Bank. Also, they were concerned about restricting credit at a time when they were attempting to stimulate a moderate recovery in economic activity. The authorities indicated that they were considering an adjustment of interest rates ceilings, but expressed concern about the impact of a sharp rise in short-term rates on the position of mortgage lending institutions. The authorities said that it was their intention to manage interest rates more flexibly, but they felt that it was unlikely that controls on interest rates would be removed in the near term.

The mission observed that the accommodative monetary policy during 1986 had contributed to the pressures on the free market exchange rate and domestic prices. In the context of the proposed exchange unification, the growth of overall bank credit needed to be restrained to avoid inducing an inflationary spiral. To help control liquidity, the mission suggested the issue of Central Bank securities at competitive interest rates. Consistent with the reserve target indicated earlier, the mission suggested that the expansion of the Central Bank's net domestic assets should be programmed on the basis of a growth of liquidity of no more than 15 percent during 1987, and a growth of overall banking system credit of about 25 percent of the initial stock of liabilities to the private sector. Such a monetary program would be also consistent with price increases of the order of 20 percent, mainly reflecting corrective price adjustments, and a small growth in economic activity.

The mission stressed the importance of an active interest rate policy to encourage financial savings and to prevent pressures on the balance of payments and on the free market exchange rate. For these purposes, the Central Bank needed to boost domestic interest rates by about 5-8 percentage points in order to raise rates to positive levels in real terms. If exchange rate unification were achieved fairly rapidly, the upward adjustment of interest rates might be limited if expectations about inflation were to be scaled back after a quick round of price adjustments; a lengthy process of unification might require a rather high structure of interest rates. The mission suggested the removal of interest rate ceilings after a short transitional period in order to avoid distortions in the allocation of resources; the mission

also recommended the elimination of the preferential interest rate for agricultural sector loans (8 1/2 percent) as this special support could not be justified in present circumstances and was leading to higher costs for the rest of the economy.

#### 4. Price and wage policies

The authorities indicated that price controls would be maintained in order to help moderate demands for wage increases and to protect consumers from price increases that were not justified by cost considerations. They noted that real wages had fallen in the past few years and pressures from labor unions had intensified. Therefore, any new package of economic measures would have to be framed so as to shield low income groups from a sharp decline in living standards and to be structured so as to minimize the pressures for a general wage adjustment.

The mission stressed that to achieve the needed shift in relative prices, exchange rate action would need to be supported by incomes policies, including both wage restraint and a significant reduction in the scope of price controls. While some wage increase was probably unavoidable in the context of a comprehensive adjustment package, it should be kept to the minimum in order to avoid neutralizing the effects of the exchange rate action, as well as to prevent a price-wage spiral and an increase in unemployment. The mission noted that because of the tight import and exchange restrictions and the high support prices in agriculture, a wide range of domestic prices already reflected a more depreciated exchange rate than the controlled rate. Therefore, a modification of the controlled exchange rate accompanied by a liberalization of the trade and payments system and a reduction of price controls could be expected to lead to increases in prices that would be smaller than might be inferred from the size of the adjustment of the exchange rate, provided that the exchange rate action was accompanied by restrained demand and wage policies.

#### 5. Structural adjustment policies

The authorities reiterated their intention to implement various structural reforms. They stated that they were considering a modification of the trade regime based on the recommendations of the recently concluded World Bank study. This study recommends a reform of the tariff structure to a few tariff rates, extending over a narrow range, and the elimination of exonerations and quantitative import restrictions. The authorities noted that in September 1986 the Government had substantially liberalized the foreign investment code, raising the ceiling on dividend remittances, reducing the limitations on repatriation of capital, and easing the requirements for local or mixed ownership. The preferential treatment previously applied to agriculture, agroindustry, construction, and tourism, which exempted these sectors from restrictions on investment and dividend remittances, was extended to electronics, data processing, and biotechnology.

The mission welcomed the completion of the trade policy study and urged its prompt implementation. It noted that tariffs in recent years had virtually ceased to be an instrument of economic policy as protection of domestic industry had been provided mainly through quantitative import restrictions. The mission also welcomed the liberalization of the foreign investment regime. However, the mission stressed that to bear fruit it needed to be complemented by a substantial reduction of the wide ranging controls and other restrictive regulations that are still applied in most areas of the economy. In this context, consideration needed to be given to: (a) elimination of restrictions on domestic investment in general; (b) removal of rent controls, at least in new construction; (c) easing of regulations in the labor market to facilitate a more rapid creation of employment; and (d) agrarian reforms to confirm land titles and tenants rights.

#### V. Economic Measures Adopted in December 1986

Shortly after the conclusion of the mission, the President of Venezuela announced economic measures affecting the exchange system, the servicing of private sector registered debt, wages and prices, and the public sector finances. In addition, the authorities announced their intention of reducing the scope of certain government regulations in the economy.

##### 1. The exchange system

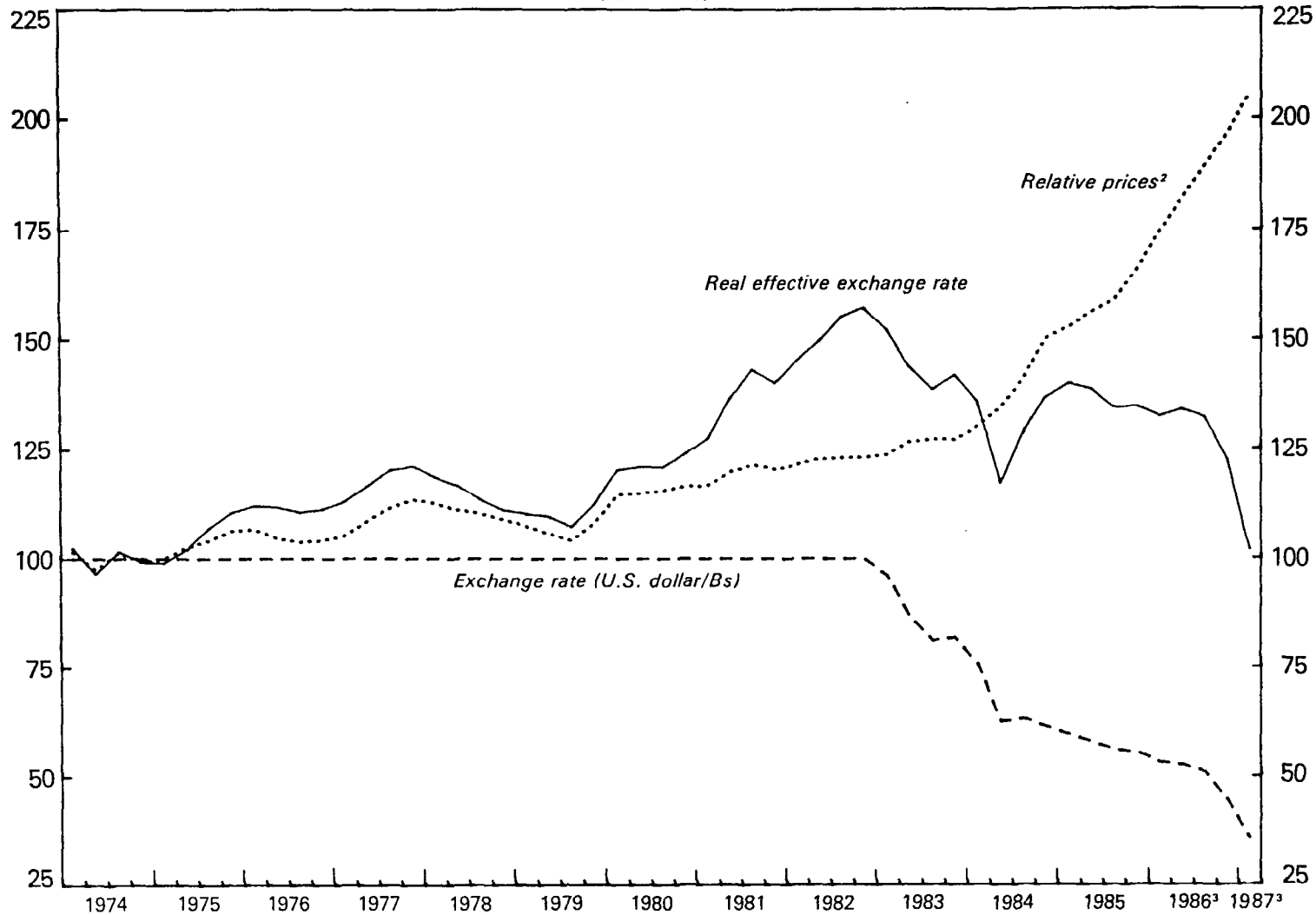
On December 6, the multi-tier exchange rate system was further modified involving a weighted average depreciation of the bolivar of close to 30 percent in foreign currency terms, moving the weighted average rate from Bs 8.82 per U.S. dollar to about Bs 12.40 per U.S. dollar. Reflecting this latest step, the exchange rate of the bolivar in real effective terms was restored to the level of the the mid-1970s, completing the reversal of the appreciation that took place until early 1983 (Chart 1). The new exchange system comprises the following rates: (i) a new rate of Bs 14.50 per U.S. dollar is now applicable to most commercial and financial transactions, including most imports previously effected at the exchange rate of Bs 7.50 per U.S. dollar, and exports and imports that were previously channeled through the free exchange market; 1/ i.e., the new rate applies to about 70 percent of imports and nonfactor services and all exports other than oil and iron ore. This rate also applies to government capital transactions and to new private capital flows; (ii) the existing Bs 7.50 per U.S. dollar exchange rate remains applicable to "essential" imports and related services, amounting to 25 percent of imports or about US\$1 1/2 billion, and to trade and services of the state-controlled oil and iron ore

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1/ Previously, only the domestic value added of nonoil exports as estimated by the Foreign Trade Institute (ICE) was channeled through the free exchange market.



CHART 1  
VENEZUELA  
EXCHANGE RATE DEVELOPMENTS<sup>1</sup>  
(1974 = 100)



Source: Staff calculations.

<sup>1</sup> Weighted by 1980 import shares of principal trading partners. A decrease in the index represents a depreciation. Since February 1983, a weighted average of multiple exchange rates is used.

<sup>2</sup> Index of Venezuelan wholesale home goods prices divided by index of partner countries' export unit value.

<sup>3</sup> Data for the fourth quarter of 1986 are preliminary estimates, and for the first quarter of 1987 are projections.



sectors. Essential imports include food and medicines, inputs for the agricultural sector, textiles and footwear, and paper products. This exchange rate also applies to the payment of import credits outstanding as of December 8, 1986, estimated at about US\$1.2 billion, to the servicing of the external debt of public enterprises, and of registered private debt provided an exchange rate guarantee premium is paid (see below); and (iii) the free market rate, the coverage of which was sharply reduced as it now applies only to tourism and nonregistered private capital flows. Transactions in the free market are now estimated to represent around 5 percent of all foreign exchange transactions, compared with about 15 percent previously. In the weeks following these modifications to the exchange system, the free market exchange rate appreciated to around Bs 20-22 per U.S. dollar but it has recently depreciated again to the Bs 25 per U.S. dollar level of November 1986.

## 2. Private external debt service

The authorities introduced new regulations on registered private debt servicing. To obtain access to official foreign exchange for private debt servicing, the regulations require that all registered debts not eligible for immediate payment (amounting to about US\$5 1/4 billion) be restructured according to a backloaded eight-year schedule of amortization with a maximum interest rate of LIBOR plus 1 1/4 percentage points. To limit the number of cases under restructuring, debts between US\$500,000 and US\$1 million, which total about US\$150 million, also were made eligible for immediate payment at Bs 7.50 per U.S. dollar. Amortization of all other debts previously recognized as eligible for immediate payment (about US\$800 million at the end of 1986) will continue to be effected at Bs 4.30 per U.S. dollar.

For all debts to be restructured, an optional exchange rate guarantee scheme was introduced. Under this scheme debtors may purchase the right to maintain the exchange rate of Bs 7.50 per U.S. dollar for debt servicing over the eight-year period by paying a premium in bolivares. Debtors have the option of purchasing the exchange rate guarantee or cover for part or all the amortization payments, and for part or all of interest payments up to a maximum interest rate of 9 percent a year. Any debt service payment of registered debt not covered by this scheme would take place at the controlled exchange rate in effect at the time of payment.

For the exchange rate cover of principal payments, a premium of Bs 3 per U.S. dollar was established. For the cover of interest payments a premium of up to Bs 1.50 for each U.S. dollar of registered debt applies; this premium is calculated as Bs 0.17 for each percentage point of interest that debtors choose to cover over the lifetime of the loan, up to a maximum of 9 percentage points. Debtors may defer payments of the premium in line with the schedule of debt service, in

which case interest will be charged on the deferred amount at the domestic average bank lending interest rate.

The approved exchange guarantee scheme carries an implicit subsidy which is estimated to amount to more than 1/2 percent of GDP a year on average over the repayment period. <sup>1/</sup> In 1987, the subsidy on the service of registered private debt will be much larger (3 1/2 percent of GDP) because of the portion of debt still channeled through the Bs 4.30 per U.S. dollar and Bs 7.50 per U.S. dollar exchange rates.

### 3. Wages and prices

While no across-the-board wage increase was given as part of the recent package of measures, minimum wages (affecting about one third of the labor force) were raised from Bs 1,500 a month to Bs 2,000 a month in the urban sector and from Bs 1,200 a month to Bs 1,500 a month in the rural sector. Minimum wages had last been raised in October 1984 for the rural sector and in February 1985 for the urban sector. In addition, the transportation bonus for private sector workers earning less than Bs 3,000 a month was doubled to Bs 200 a month. High level and other public sector employees who had not been included in the general wage increase granted in early 1986 also received wage adjustments. Employees earning Bs 6,000 or less a month received an increase equivalent to the January 1986 general wage increase which averaged 12 1/2 percent, and employees earning more than Bs 6,000 a month received an increase of 10 percent. These adjustments raised the wage bill of the public sector, excluding public enterprises, by Bs 4 billion (nearly 1 percent of GDP).

In regard to prices, the authorities announced that adjustments in domestic prices would be allowed to reflect the effects of the change in the exchange rate. However, prices of all goods still imported at the Bs 7.50 per U.S. dollar exchange rate would be kept unchanged and the temporary price freeze that previously applied to 30 items or groups of commodities was extended to cover 114 items or groups.

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<sup>1/</sup> This estimate assumes that debtors cover interest payments at the maximum 9 percent, and that the new exchange rate of Bs 14.50 per U.S. dollar is maintained constant in real terms (i.e. adjusted by the differential of domestic price increase with that of the trading partners); it also assumes LIBOR of around 6 1/2 percent and that the domestic interest rate applied to deferred payments of the premium (presently at about 13 percent a year) is adjusted overtime to reflect changes in the rate of nominal depreciation of the controlled exchange rate. These assumptions yield an average premium of about Bs 5 1/4 for each U.S. dollar of debt service over the eight year period; i.e., an effective average exchange rate of about Bs 13 per U.S. dollar.

#### 4. Public sector finances

The authorities announced various measures that affect public sector revenues and expenditures. On revenues, they introduced a tariff surcharge of 40 percent on about US\$500 million of imports previously channeled through the free exchange market, and an adjustment in electricity rates of 2 percent a month starting in January 1987 up to a total of 30 percent. Taken together these measures would increase public sector revenues by about 1 percent of GDP. On the side of expenditure, the authorities raised various subsidies, introduced new ones on the production of certain agro-industrial products, and increased transfers, with a combined cost estimated at the equivalent of 2 percent of GDP.

The staff has estimated that the full set of measures taken in December 1986 (as described above) will result in a weakening of the public sector finances in 1987 by almost 2 percent of GDP with respect to the previous estimate. While the recent exchange rate action and other revenue measures would raise public sector revenues by 4 percent of GDP, the additional expenditure on wages, transfers, and subsidies (including those on private sector external debt and trade credits with exchange guarantee) would, taken together, amount to 6 percent of GDP. Thus, with no additional actions, the public sector deficit would increase to about 8 percent of GDP in 1987. However, the subsidies on private external debt and outstanding trade financing would decline after 1987 and, other things remaining the same, the public sector deficit would decline to about 5 1/2 percent of GDP in 1988.

#### 5. Government regulations

The authorities announced that exchange and import controls would be simplified and the processing of import authorizations would be expedited. The intention is to move to a system of global exchange allocations for imports by industrial sectors authorized on a semi-annual basis. The authorities reaffirmed their intention to implement a trade policy reform along the lines of the study recently concluded by the World Bank. In addition, they announced the Government's intention to reduce regulations and restrictions presently applied on industrial investment projects.

### VI. Staff Appraisal

During the period 1983-85, Venezuela adjusted domestic expenditure to the large drop experienced in its export earnings. Improvements in the public sector finances and the external current account balance, both of which moved to large surpluses in 1984-85, allowed the country to reduce outstanding public external debt and to increase its net international reserves to US\$15 1/2 billion (or more than two years of imports) by the end of 1985. However, nonpetroleum GDP declined during

this period by a cumulative 7 percent and the unemployment rate rose from 7 percent in 1982 to 13 percent in 1985.

Toward the end of 1985 the authorities adopted a policy stance that was intended to boost economic activity. They planned to raise public sector investment, increase wages, and foster a strong rise in bank credit. This policy stance was maintained despite the drop in international oil prices that occurred in 1986, which resulted in a loss of public sector revenues and export earnings equivalent to more than 10 percent of GDP. Real nonpetroleum GDP rose by an estimated 3 percent in 1986 and unemployment declined slightly, but large domestic and external imbalances emerged. The public sector finances moved from a surplus of 4 1/2 percent of GDP in 1985 to a deficit estimated at 7 1/4 percent of GDP in 1986. Notwithstanding a further tightening of import restrictions, the external current account shifted from a surplus of US\$3 billion in 1985 to a deficit of more than US\$2 billion. As net repayments of external debt continued, official reserves declined by about US\$3 3/4 billion during 1986. Inflationary pressures intensified and the spread between the controlled and the free market exchange rates widened to more than 200 percent. At the same time, private sector investment continued to be weak.

In December 1986 the authorities announced a modification of the multi-tier exchange system which involved a weighted average depreciation of the bolivar equivalent to close to 30 percent. This action represents an important step toward establishing an appropriate structure of relative prices. However, about 30 percent of imports still take place at the former exchange rate of Bs 7.50 per U.S. dollar, and the staff would urge the authorities to move rapidly to transfer these transactions to the new controlled rate. At Bs 14.50 per U.S. dollar the real effective value of the bolivar in a unified exchange market would be below the level of the mid-1970s; in conjunction with a comprehensive set of structural reforms, such an exchange rate could be expected to facilitate export diversification and efficient import substitution. The new rate should, however, be managed flexibly, with a view to avoiding any future erosion of Venezuela's competitive position and to reducing the still large spread between the controlled and the free market exchange rates; the existence of that spread continues to have adverse effects on confidence and gives rise to distortions. A unified and flexible exchange rate would facilitate the dismantling of exchange and import controls as well as the prompt implementation of needed reforms to the import tariff structure.

Restoration of a viable balance of payments position in conditions that would permit a resumption of economic growth also will require a reduction in the public sector deficit to help bring domestic expenditure into line with the country's reduced income. In the staff's view, without additional measures, the public sector deficit is likely to be around 8 percent of GDP in 1987. However, to be consistent with achieving a sustainable external current account balance that would

permit international reserves to stabilize at an adequate level, the public sector deficit needs to be brought down to about 4 percent of GDP in 1987 and to no more than 2 percent of GDP in 1988 and beyond.

The authorities have already taken a number of fiscal measures, but additional actions are needed to strengthen the public finances. These could include adjustments of prices of public enterprises (such as domestic petroleum derivatives), the introduction of a general sales tax, and implementation of reforms in custom tariffs (through the elimination of exonerations). Exchange rate unification also would have a positive effect on the public sector finances, provided expenditures are restrained and the effects are not negated by new exchange guarantees or subsidies. It is clear that current expenditures should continue to be restrained and capital outlays might need to be scaled back, particularly in low priority areas. With such a fiscal policy and adoption of structural reform measures, the staff would hope that Venezuela would have access to new loans or refinancing that would allow it to maintain its current level of external debt.

A cautious monetary policy is needed in order to curb inflation and reduce balance of payments pressures. Thus, consistent with a projected growth in the demand for broad money of around 15 percent and with the objective of limiting the loss of international reserves to, say, no more than about US\$2 billion in 1987, overall bank credit expansion should be restrained to no more than 25 percent this year. In addition, to encourage financial savings and restrain capital flight, interest rates ceilings should be increased to establish positive real interest rates, as a step toward the elimination of such ceilings.

The wage policy followed by the authorities has helped restrain inflation and has served to limit the rise of unemployment. Continued caution in this area is needed to avoid unleashing an inflationary spiral that would frustrate the adjustment process. Price controls and other government regulations have hampered private investment and contributed to the underutilization of resources, and the staff urges the authorities to reduce the scope of such controls. In this regard, the recent modification to the foreign investment code is a positive step, which should result in higher investment and activity.

The multiple exchange rate system introduced in 1983, and modified on several occasions since then, gives rise to an exchange restriction on payments and transfers for current international transactions, as evidenced by external payments arrears, and to multiple currency practices subject to the Fund's approval under Article VIII, Sections 2 (a) and 3. The staff urges the authorities to move rapidly to eliminate the reliance on such measures. Since the timing of the removal of such restrictions is indefinite, the staff does not propose approval of Venezuela's exchange practices.

It is recommended that the 1987 Article IV consultation with Venezuela be held within six months.

Venezuela - Fund Relations  
(As of December 31, 1986)

I. Membership Status

- (a) Date of membership: December 30, 1946  
(b) Status: Article VIII

A. Financial Relations

II. General Department (General Resources Accounts)

- (a) Quota: SDR 1,371.5 million  
(b) Total Fund holdings SDR 891.1 or 65.0 percent  
of bolivares of quota  
(c) Reserve tranche position SDR 480.4 million or 35.0 per-  
cent of quota  
(d) Outstanding lending to the  
Fund (supplementary  
financing facility) SDR 186.3 million  
(e) Operational budget SDR 10.3 million (transfers);  
SDR 34.9 million (receipts)

III. SDR Department

- (a) Net cumulative allocation SDR 316.9 million  
(b) Holdings SDR 498.0 million or  
157.2 percent of net  
cumulative allocation  
(c) Current designation plan SDR 1.0 million

IV. Administered Accounts

None

V. Venezuela has not used Fund resources to date

B. Nonfinancial Relations

- VI. The Venezuelan multiple exchange system was modified on December 6, 1986, involving an average depreciation of the bolivar of 30 percent. The exchange system now includes: (i) a rate of Bs 14.50 per U.S. dollar applicable to about 70 percent of imports and nonfactor services, exports other than oil and iron ore, and public sector capital transactions; (ii) the previous exchange rate of Bs 7.50 per U.S. dollar, which now applies to "essential" imports (food and medicines, and inputs for the production in agriculture, textiles and footwear, and paper products) and related services, the trade and services of the oil and iron ore sectors, and all import credits outstanding as of December 1986 (estimated at about US\$1.2 billion). This exchange rate plus a



premium in bolivares also applies to service payments over an 8-year period of about 75 percent of the registered private sector external debt. The premium varies between Bs 3 and Bs 4.50 per U.S. dollar of outstanding registered debt and its payments, if deferred, is subject to interest charges; (iii) the exchange rate of Bs 4.30 per U.S. dollar, which applies to amortization payments of about 20 percent of registered private debt; and (iv) the free market exchange rate, which applies to tourism and nonregistered private capital flows. Transactions in this market are estimated to represent around 5 percent of all foreign exchange transactions, compared to about 15 percent previously.

- VII. The last Article IV consultation was concluded on July 25, 1986 (EBM/86/121; SM/86/152 and SM/86/153). The last midyear Article IV consultation (under the enhanced surveillance procedures) was concluded on May 30, 1985 (EBM/85/73; and SM/85/115). The Executive Board has not approved Venezuela's multiple currency practices. The consultation is on a 12-month cycle; under the enhanced surveillance procedures a staff report is prepared twice a year.
- VIII. Technical assistance missions from the Bureau of Statistics visited Caracas in December 1984 and September 1985. The purpose of the first mission, in the fiscal area, was to help the authorities reconcile fiscal data from different sources and classify consistently the public entities. The second mission, in the monetary area, reviewed with the authorities the reporting system and suggested changes in its presentation to improve monitoring procedures.

Venezuela--Basic Data

Area and population

Area	912,000 sq. kilometers
Population (1986)	17.91 million
Annual rate of population increase (1980-86)	2.8 percent

GDP per capita (1986)

SDR 2,205

Origin of nominal GDP (1986)

(percent)

Agriculture	8.7
Petroleum (crude and refining) and mining	15.3
Manufacturing, construction and utilities	21.1
Commerce	12.5
Transport, storage, and communications	12.4
Government	13.2
Other services	16.8

Ratios to GDP at current prices (1986)

Exports of goods and nonfactor services	21.1
Imports of goods and nonfactor services	21.6
Net factor receipts from abroad	-4.3
Central government revenues	22.7
Central government expenditures	26.4
External public debt (end of year)	50.9
External total debt (end of year)	66.9
National saving	14.5
Gross domestic investment	19.5
Money and quasi-money (end of year)	57.4

Annual changes in selected economic indicators

	1983	1984	1985	Est. 1986
		(percent)		
Real GDP	-5.6	-1.3	0.3	3.0
Real GDP per capita	-7.9	-4.0	-2.4	0.2
GDP at current prices	-0.3	19.6	7.1	8.2
GDP deflator (excluding petroleum)	8.7	13.3	10.8	14.9
Wholesale prices (annual average)	7.0	17.5	18.2	14.3
Consumer prices (annual average)	6.7	12.5	11.4	10.6
Central government total revenues (budget)	-3.7	32.4	13.6	-13.7
Central government total expenditures (budget)	-9.1	18.5	12.9	12.8
Money and quasi-money (M2)	17.5	7.2	8.8	16.0
Money	25.7	3.8	12.6	...
Quasi-money	13.5	9.5	6.8	...
Net domestic bank assets <sup>1/</sup>	12.4	1.0	4.8	30.2
Credit to public sector (net)	3.8	-8.5	-3.7	16.4
Credit to private sector	3.2	8.1	6.8	13.7
Merchandise exports (f.o.b., in U.S. dollars)	-9.8	7.0	-11.2	-38.6
Merchandise imports (f.o.b., in U.S. dollars)	-46.1	7.1	1.7	2.9

	1983	1984	1985	Est. 1986
<u>Public sector finances 2/</u>	(billions of bolivares)			
Revenue	88.0	130.0	139.6	115.0
Expenditure (including net lending)	102.2	112.4	122.6	143.8
Current account surplus or deficit (-)	31.2	57.2	60.7	33.7
Overall surplus or deficit (-)	-14.2	17.7	17.1	-28.8
External financing (net)	-4.0	-6.4	-7.0	-11.5
Domestic financing (net)	18.2	-11.3	-10.1	40.3
<u>Balance of payments</u>	(millions of U.S. dollars)			
Merchandise exports, f.o.b.	14,919	15,967	14,178	8,704
Merchandise imports, f.o.b.	-6,778	-7,262	-7,388	-7,601
Investment income (net)	-2,658	-1,817	-2,360	-1,993
Other services and transfers (net)	-2,148	-1,935	-1,515	-1,456
Balance on current and transfer accounts	3,335	4,953	2,915	-2,346
Official long-term capital (net)	182	-779	-879	-1,776
Private long-term capital (net) 3/	-1,937	-1,744	-1,483	-1,600
Short-term capital and errors and omissions 4/	-4,579	-874	357	1,211
Change in net international reserves (increase -)	-278	-1,883	-1,757	3,747
Change in arrears 5/	3,277	327	838	764
<u>Official International reserves</u>				
Central Bank (gross)	11,135	12,405	13,681	9,739
Central Bank (net)	11,110	12,382	13,658	9,755
Venezuelan Investment Fund	728	1,339	1,820	1,976

1/ In relation to banking system liabilities to the private sector at the beginning of the period. Includes counterpart unrequited foreign exchange and valuation adjustments.

2/ Comprises operations of the Central Government (including extra-budgetary operations), the Venezuelan Investment Fund, the National Petroleum Company, the nonfinancial public enterprises, and the Exchange Differentials Compensation Fund (FOCOCAM).

3/ Includes direct investment.

4/ Includes valuation changes.

5/ Excluding arrears rescheduling.

Venezuela - Statistical Issues

1. Outstanding statistical issues

a. Government finance

The 1986 Government Finance Statistics Yearbook (GFSY) contains data for the consolidated central government for the period 1975-84. Data on social security funds beginning in 1983 cover operations of all social security institutions, while those in previous years refer only to the Venezuelan Social Security Institute. For local governments, the 1986 GFSY includes data through 1979 covering only the Federal District Municipality. Efforts are being made to improve general government data in the GFSY by obtaining data for state governments and federal territories and by expanding the coverage of the local government data to include all local governments.

b. Monetary accounts

A response from the authorities on the recommendations made in the report on the September 1985 technical assistance mission is awaited.

c. Merchandise trade

The Bureau of Statistics has not received trade data by partner country for some time. The latest data received continue to refer to 1981.

2. Coverage, Currentness, and Reporting of Data in IFS

The table below shows the currentness and coverage of data published in the country page for Venezuela in the December 1986 issue of IFS. The data are based on reports sent to the Fund's Bureau of Statistics by the Central Bank of Venezuela, which during the past year have been provided on a timely basis.

Status of IFS Data

		<u>Latest Data in December 1986 IFS</u>
Real Sector	- National Accounts	1984
	- Prices: CPI	August 1986
	WPI	August 1986
	- Production: crude petroleum	August 1986
	- Employment	n.a.
	- Earnings	n.a.
Government Finance	- Deficit/Surplus	July 1986
	- Financing	July 1986
	- Debt	Q2 1986
Monetary Accounts	- Monetary Authorities	July 1986
	- Deposit Money Banks	June 1986
	- Other Financial Institutions	June 1986
Interest Rates	- Discount Rate	August 1986
	- Bank Lending/Deposit Rate	August 1986
	- Government Bond Yield	n.a.
External Sector	- Merchandise Trade: Value	April 1986
	Export prices (crude petroleum)	Q4 1985
	- Balance of Payments	1985
	- International Reserves	September 1986
	- Exchange Rates	October 1986

Table 9. Venezuela: Aggregate Demand and Supply at Current Prices

	1982	1983	1984	1985	Est. 1986
(Annual percentage changes)					
<u>Aggregate demand</u>	<u>3.3</u>	<u>-8.8</u>	<u>22.0</u>	<u>7.6</u>	<u>10.1</u>
Gross domestic expenditure	9.7	-12.6	16.8	9.8	22.0
Consumption	8.0	1.7	11.7	10.5	17.7
Private	10.1	2.9	13.1	10.2	17.9
Public	-0.1	-2.9	5.4	11.9	17.0
Gross domestic investment	15.2	-54.7	50.4	6.3	43.7
Of which:					
private fixed investment	-20.2	-41.5	75.9	5.1	13.5
public fixed investment	14.4	-11.6	-37.0	25.2	53.0
Exports of goods and nonfactor services	-16.1	6.0	39.0	1.6	-24.7
<u>Aggregate supply</u>	<u>3.3</u>	<u>-8.8</u>	<u>22.0</u>	<u>7.6</u>	<u>10.1</u>
Imports of goods and nonfactor services	7.7	-40.1	36.6	10.3	20.3
GDP at market prices	2.1	-0.3	19.6	7.1	8.2
(In percent of GDP)					
<u>Aggregate demand</u>	<u>127.5</u>	<u>116.5</u>	<u>118.8</u>	<u>119.4</u>	<u>121.6</u>
Gross domestic expenditure	101.6	89.0	86.9	89.1	100.5
Consumption	75.7	77.2	72.1	74.4	81.0
Private	61.1	63.0	59.6	61.3	66.8
Public	14.6	14.2	12.5	13.1	14.2
Gross domestic investment	25.9	11.8	14.8	14.7	19.5
Private fixed investment	7.7	4.5	6.6	6.5	6.8 <sup>1/</sup>
Public fixed investment	16.4	14.6	7.7	9.0	12.7 <sup>1/</sup>
Change in inventories	1.8	-7.3	0.5	-0.8	...
Private	-0.6	-7.1	0.2	-1.2	...
Public	2.3	-0.2	0.3	0.5	...
Exports of goods and nonfactor services	25.9	27.5	32.0	30.3	21.1
<u>Imports of goods and nonfactor services</u>	<u>27.5</u>	<u>16.5</u>	<u>18.8</u>	<u>19.4</u>	<u>21.6</u>
Memorandum item					
Net factor receipts from abroad	-2.3	-4.6	-3.5	-4.8	-4.3

Source: Statistical Appendix Table 10.

<sup>1/</sup> Includes change in inventories.

Table 10. Venezuela: National Income by Final Expenditure  
at Current Prices

(In billions of bolivares)

	1982	1983	1984	1985	Est. 1986
<u>Gross domestic expenditure</u>	<u>295.8</u>	<u>258.5</u>	<u>301.9</u>	<u>331.4</u>	<u>404.3</u>
Consumption	220.5	224.3	250.5	276.8	325.9
Private	177.9	183.0	207.0	228.1	268.9
General government	42.6	41.3	43.6	48.7	57.0
Gross domestic investment	75.3	34.1	51.3	54.6	78.4
Private fixed investment	22.3	13.0	22.9	24.1	27.4 <sup>1/</sup>
Public fixed investment	47.9	42.3	26.7	33.4	51.0 <sup>1/</sup>
Change in inventories	5.2	-21.2	1.8	-2.9	...
Private	-1.6	-20.7	0.5	-4.6	...
Public	6.8	-0.5	1.2	1.7	...
Exports of goods and nonfactor services	75.4	79.9	111.1	112.9	85.0
Imports of goods and nonfactor services	80.0	47.9	65.5	72.3	86.9
<u>Gross domestic product at market prices</u>	<u>291.3</u>	<u>290.5</u>	<u>347.5</u>	<u>372.0</u>	<u>402.4</u>
Net factor receipts from abroad	-6.6	-13.3	-12.0	-17.7	-17.3
<u>Gross national product at market prices</u>	<u>284.7</u>	<u>277.2</u>	<u>335.5</u>	<u>354.3</u>	<u>385.1</u>
Indirect taxes minus subsidies	9.8	20.4	24.8	27.0	...
Depreciation	21.7	24.0	26.6	29.3	...
<u>Net national income</u>	<u>253.2</u>	<u>232.8</u>	<u>284.1</u>	<u>298.0</u>	<u>...</u>

Sources: Central Bank of Venezuela; and Fund staff estimates.

<sup>1/</sup> Includes change in inventories.

Table 11. Venezuela: Sources and Uses of National Saving

	1982	1983	1984	1985	Est. 1986
<u>(In billions of current bolivares)</u>					
Gross national saving	61.5	51.9	84.1	76.5	58.5
Private sector	30.2	22.5	9.4	26.3	32.3
Public sector	31.2	29.3	74.7	50.2	26.1
Gross domestic investment	75.3	34.1	51.3	54.6	78.4
Foreign saving	13.9	-17.7	-32.7	-21.9	19.9
<u>(As percent of GDP)</u>					
Gross national saving	21.1	17.9	24.2	20.6	14.5
Private sector	10.4	7.8	2.7	7.1	8.0
Public sector	10.7	10.1	21.5	13.5	6.5
Gross domestic investment	25.9	11.8	14.8	14.7	19.5
Foreign saving	4.8	-6.1	-9.4	-5.9	5.0
<u>(As percent of nonpetroleum GDP)</u>					
National private saving	13.3	9.7	3.6	9.1	9.4
Domestic private fixed investment	9.8	5.6	8.9	8.3	8.0
<u>(As percent of gross domestic investment)</u>					
Gross national saving	81.6	151.8	163.8	140.2	74.6
Private sector	40.1	65.9	18.3	48.1	41.2
Public sector	41.5	85.9	145.4	92.1	33.3
Foreign saving	18.4	-51.8	-63.8	-40.2	25.4
<u>(In billions of 1968 bolivares)</u>					
<u>Memorandum items</u>					
Gross domestic fixed investment	22.1	16.3	13.2	14.2	18.5
Private sector	7.0	4.1	6.1	5.9	6.0
Public sector	15.1	12.1	7.1	8.2	12.5

Sources: Central Bank of Venezuela; and Fund staff estimates.



Table 12. Venezuela: Real Gross Domestic Product by Sector

(Annual percentage changes)

	1982	1983	1984	1985	Est. 1986
<u>Total GDP at 1968 prices</u>	<u>0.7</u>	<u>-5.6</u>	<u>-1.3</u>	<u>0.3</u>	<u>3.0</u>
Petroleum GDP	-7.2	-4.7	0.3	-3.3	0.3
Nonpetroleum GDP	1.4	-5.7	-1.5	0.6	3.2
<u>Primary sector</u>	<u>-4.2</u>	<u>-3.1</u>	<u>1.4</u>	<u>0.5</u>	<u>5.8</u>
Agriculture, livestock, etc.	3.6	0.4	0.8	5.7	6.8
Crude petroleum and natural gas	-9.5	-5.2	0.6	-6.3	4.6
Other mining	-16.6	-16.6	15.6	11.5	5.3
<u>Secondary sector</u>	<u>2.2</u>	<u>-3.3</u>	<u>-3.1</u>	<u>1.5</u>	<u>4.7</u>
Manufacturing	4.3	-1.6	5.1	1.7	4.8
Petroleum refining	2.1	-2.6	-0.7	7.4	-13.2
Construction	-8.4	-13.3	-34.4	-4.1	12.3
Water and electricity	12.3	4.0	-0.0	2.6	7.0
<u>Tertiary sector</u>	<u>1.2</u>	<u>-7.2</u>	<u>-1.1</u>	<u>-0.3</u>	<u>1.4</u>
Commerce, restaurants and hotels	2.6	1.7	-5.3	-2.9	5.3
Transport, storage, and communications	3.5	-13.6	-3.0	4.7	2.1
General government	0.1	-1.9	-0.3	-1.9	-1.8
Financial and business services	3.2	-0.4	3.4	-1.5	2.0
Other services	-3.9	-22.5	-2.3	-0.3	0.9

Source: Statistical Appendix Table 13.

Table 13. Venezuela: Gross Domestic Product by Sector

(In billions of bolivares)

	1982	1983	1984	1985	Est. 1986
(At current prices)					
<u>Total GDP (at market prices)</u>	291.3	290.5	347.5	372.0	402.4
Petroleum GDP	64.7	58.3	88.4	83.2	59.9
Nonpetroleum GDP	226.5	232.2	259.1	288.9	342.5
<u>Primary sector</u>	72.1	66.5	93.5	87.8	78.4
Agriculture, livestock, etc.	17.7	19.5	23.9	29.2	35.0
Crude petroleum and natural gas	53.3	45.9	68.3	57.2	41.9
Other mining	1.1	1.1	1.4	1.4	1.6
<u>Secondary sector</u>	67.3	69.0	83.8	97.3	103.1
Manufacturing	35.3	36.9	47.6	53.2	62.9
Petroleum refining	11.5	12.4	20.1	26.0	18.1
Construction	15.7	14.3	10.3	11.1	13.9
Water and electricity	4.9	5.4	5.8	7.0	8.2
<u>Tertiary sector</u>	151.9	155.0	170.2	186.9	220.9
Commerce, restaurants and hotels	25.7	33.3	38.3	41.8	50.4
Transport, storage, and communications	35.6	33.3	37.7	43.4	49.9
General government	35.2	34.5	35.9	40.2	53.3
Financial and business services	34.1	35.7	38.1	38.9	41.7
Other	21.2	18.2	20.2	22.6	25.7
(At constant 1968 prices)					
<u>Total GDP (at market prices)</u>	76.1	71.9	70.9	71.1	73.2
Petroleum GDP	6.1	5.9	5.9	5.7	5.7
Nonpetroleum GDP	70.0	66.0	65.0	65.4	67.5
<u>Primary sector</u>	10.2	9.9	10.0	10.0	10.6
Agriculture, livestock, etc.	4.8	4.9	4.9	5.2	5.5
Crude petroleum and natural gas	4.8	4.6	4.6	4.3	4.5
Other mining	0.5	0.4	0.5	0.6	0.6
<u>Secondary sector</u>	20.5	19.8	19.2	19.5	20.4
Manufacturing	12.5	12.3	13.0	13.2	13.8
Petroleum refining	1.3	1.3	1.3	1.4	1.2
Construction	4.1	3.6	2.4	2.3	2.5
Water and electricity	2.5	2.6	2.6	2.7	2.9
<u>Tertiary sector</u>	45.4	42.1	41.7	41.5	42.1
Commerce, restaurants and hotels	6.9	7.0	6.6	6.5	6.8
Transport, storage, and communications	10.5	9.1	8.8	9.2	9.4
General government	10.6	10.4	10.4	10.2	10.0
Financial and business services	9.7	9.7	10.0	9.9	10.1
Other	7.7	6.0	5.8	5.8	5.9

Source: Central Bank of Venezuela; and Fund Staff estimates.

Table 14. Venezuela: Selected Petroleum Sector Indicators

	1982	1983	1984	1985	Est. 1986
(In billions of bolivares)					
<u>Petroleum value added at</u>					
<u>current prices</u>	64.7	58.3	88.4	83.2	59.9
Crude petroleum	53.3	45.9	68.3	57.2	41.9
Refined petroleum	11.5	12.4	20.1	26.0	18.1
<u>Petroleum value added at</u>					
<u>1968 prices</u>	6.2	5.9	5.9	5.6	5.7
Crude petroleum	4.9	4.6	4.6	4.2	4.5
Refined petroleum	1.3	1.3	1.3	1.4	1.2
<u>Petroleum export earnings</u>	67.2	59.6	88.8	77.2	54.1
Crude petroleum	44.8	36.7	56.2	36.9	...
Refined petroleum	22.4	22.9	32.6	40.3	...
<u>Central Government petroleum</u>					
<u>revenues</u>	49.2	40.5	60.6	62.1	42.7
(In percent)					
<u>Share of petroleum in nominal GDP</u>	22.2	20.1	25.4	22.4	14.9
Crude petroleum	18.3	15.8	19.6	15.4	10.4
Refined petroleum	3.9	4.3	5.8	7.0	4.5
<u>Share of petroleum in real GDP</u>	8.0	8.2	8.3	8.0	7.8
Crude petroleum	6.3	6.4	6.5	6.1	6.2
Refined petroleum	1.7	1.8	1.8	1.9	1.6
<u>Share of petroleum in total</u>					
<u>merchandise exports</u>	94.7	92.9	92.7	90.7	82.9
<u>Share of petroleum in central</u>					
<u>government revenues</u>	66.0	56.4	63.8	57.6	46.8

Sources: Central Bank of Venezuela.

Table 15. Venezuela: Selected Price Indices

(Annual percentage change)

	1982	1983	1984	1985	Jan.-Oct.	
					1985	1986
<b>I. Wholesale Price Index</b>						
	(1968 = 100)					
<u>End of period</u>	<u>6.2</u>	<u>10.8</u>	<u>23.8</u>	<u>12.9</u>	<u>11.9</u>	<u>16.6</u>
Domestic	6.6	10.9	24.9	14.6	13.7	20.9
Foreign	5.6	10.8	21.9	10.2	8.9	9.0
Agriculture	4.1	20.6	20.2	24.7	17.4	33.0
Manufacturing	6.2	8.9	24.0	9.8	10.0	10.6
Electric energy	8.0	-4.8	20.1	-1.9	2.4	-1.6
<u>Period averages</u>	<u>8.1</u>	<u>7.0</u>	<u>17.5</u>	<u>18.2</u>	<u>19.5</u>	<u>13.7</u>
Domestic	8.6	7.5	17.3	19.9	21.2	16.6
Foreign	7.3	6.1	17.8	15.3	16.5	8.6
Agriculture	5.3	14.2	16.3	21.6	21.1	28.5
Manufacturing	8.4	5.4	17.7	16.8	18.5	8.9
Electric energy	8.1	-1.3	3.8	11.8	15.0	-1.0
<b>II. Caracas Consumer Price Index</b>						
	(1984 = 100)					
<u>End of period</u>	<u>7.6</u>	<u>7.5</u>	<u>15.5</u>	<u>9.2</u>	<u>8.4</u>	<u>12.0</u>
Food, beverages, and tobacco	6.5	12.4	28.1	19.1	17.2	20.1
Clothing	-2.7	18.4	6.3	5.7	4.8	10.4
Household expenditures	3.7	7.1	7.5	2.4	2.4	4.7
Other	14.9	1.6	14.2	5.1	5.4	9.3
<u>Period averages</u>	<u>8.3</u>	<u>6.7</u>	<u>12.5</u>	<u>11.4</u>	<u>11.9</u>	<u>10.4</u>
Food, beverages, and tobacco	9.3	8.5	18.3	22.4	23.3	18.5
Clothing	1.8	5.9	11.4	4.9	4.9	6.0
Household expenditures	4.4	5.5	8.5	4.2	4.6	3.3
Other	14.1	6.8	11.5	8.7	9.5	9.0

Sources: Central Bank of Venezuela.

STATISTICAL APPENDIX

Table 16. Venezuela: Population and Labor Statistics

	1982	1983	1984	1985	<u>First semester</u>	
					1985	1986
<u>(In thousands)</u>						
Population <u>1/</u>	16,100	16,501	16,966	17,425	17,425	17,910
Labor force	5,304	5,463	5,636	5,858	5,828	6,021
Employed	4,927	4,934	4,938	5,106	5,011	5,314
Primary sector	774	820	865	895	876	911
Secondary sector	1,292	1,184	1,153	1,204	1,184	1,305
Tertiary sector <u>2/</u>	2,861	2,930	2,920	3,007	2,951	3,098
Unemployed	377	529	698	752	817	707
Primary sector	21	28	38	48	48	44
Secondary sector	139	207	262	279	302	261
Tertiary sector	162	238	327	345	362	325
New entrants	55	56	71	80	105	77
<u>(Annual percentage change)</u>						
Population	3.2	2.5	2.8	2.7		2.8
Labor force	3.6	3.0	3.2	3.9		3.3
Employed	2.6	0.1	0.1	3.4		6.0
Unemployed	17.9	40.4	32.0	7.8		-13.4
<u>(In percent)</u>						
<u>Memorandum items</u>						
Labor force participation	32.9	33.1	33.2	33.6	33.4	33.6
Unemployment rate	7.1	9.7	12.4	12.8	14.0	11.7

Source: Ministry of Planning (CORDIPLAN).

1/ Mid-year estimates.

2/ Includes employment in unspecified activities.

Table 17. Venezuela: Summary of Public Sector Operations

(In millions of bolívares)

	1982	1983	1984	1985	Est. 1986
<b>I. Central Government</b>					
<u>Total revenue</u>	<u>74,572</u>	<u>71,812</u>	<u>98,138</u>	<u>107,817</u>	<u>91,266</u>
<u>Current revenue</u>	<u>74,553</u>	<u>71,792</u>	<u>98,112</u>	<u>107,728</u>	<u>91,246</u>
Tax revenues	61,605	60,049	82,654	87,580	69,745
From petroleum sector	42,603	34,082	51,475	53,327	33,467
Other	19,002	15,886	17,927	23,242	28,538
Exchange profits	--	10,081	13,252	11,011	7,740
Nontax revenues	12,948	11,743	15,458	20,148	21,501
Petroleum royalties	6,620	6,464	9,086	8,776	9,246
Other	6,328	5,279	6,372	11,372	12,225
<u>Sale of assets</u>	<u>19</u>	<u>20</u>	<u>26</u>	<u>89</u>	<u>20</u>
<u>Total expenditure</u>	<u>81,726</u>	<u>73,925</u>	<u>88,219</u>	<u>98,239</u>	<u>106,116</u>
<u>Current expenditure</u>	<u>54,331</u>	<u>53,456</u>	<u>68,758</u>	<u>74,028</u>	<u>74,142</u>
Operating expenditures	30,258	29,186	35,936	37,516	43,828
Personal emoluments	19,153	19,300	20,303	22,313	24,875
Interest payments	6,011	6,276	10,835	10,840	13,880
Of which:					
to social security system	24	--	614	647	--
to PDVSA	--	--	1,199	1,096	1,490
on foreign debt	5,023	3,899	7,073	7,339	6,987
Purchases of goods and services	5,094	3,610	4,798	4,363	5,073
Current transfers	24,073	24,270	32,822	36,512	30,314
To rest of public sector	21,088	21,021	28,942	32,609	26,134
Of which: to unconsolidated public sector	744	872	5,213	5,507	20,090
To private sector/external sector	2,985	3,249	3,880	3,903	4,180
<u>Capital expenditure</u>	<u>27,395</u>	<u>20,469</u>	<u>19,461</u>	<u>24,211</u>	<u>31,974</u>
Capital formation	6,183	4,700	4,038	3,374	8,494
Capital transfers	21,212	15,769	15,423	20,837	23,480
To rest of public sector	20,985	15,295	14,966	20,344	22,908
Of which:					
to VIF	5,061	2,312	3,859	3,251	2,105
to nonfinancial public enterprises	6,157	3,135	3,188	5,383	6,329
to social security system	--	48	48	--	--
to banks	129	113	500	--	--
To private/external sector	227	474	457	493	572
<u>Current account surplus or deficit (-)</u>	<u>20,222</u>	<u>18,336</u>	<u>29,354</u>	<u>33,700</u>	<u>17,105</u>
<u>Overall surplus or deficit (-)</u>	<u>-7,154</u>	<u>-2,113</u>	<u>9,919</u>	<u>9,578</u>	<u>-14,850</u>
<b>II. Venezuelan Investment Fund</b>					
<u>Current revenue</u>	<u>2,873</u>	<u>2,871</u>	<u>3,290</u>	<u>5,400</u>	<u>3,900</u>
Interest and dividend income	2,900	2,934	3,438	5,285	3,798
Of which: from public sector	938	1,978	1,827	3,453	2,351
Other	-27	-63	-148	115	102
<u>Current expenditure</u>	<u>41</u>	<u>33</u>	<u>35</u>	<u>158</u>	<u>48</u>
Personal emoluments	22	19	26	28	19
Purchases of goods and services	19	14	9	130	29
<u>Current account surplus or deficit (-)</u>	<u>2,832</u>	<u>2,838</u>	<u>3,255</u>	<u>5,242</u>	<u>3,852</u>
<u>Capital transfers from Central Government</u>	<u>5,061</u>	<u>2,312</u>	<u>3,859</u>	<u>3,251</u>	<u>2,105</u>
<u>Capital expenditure and net lending</u>	<u>9,895</u>	<u>7,888</u>	<u>3,801</u>	<u>3,497</u>	<u>12,336</u>
Building and equipment	--	--	--	2	66
Net lending to rest of public sector	2,437	1,303	775	-511	-5,879
Capital participation	7,195	6,357	2,854	3,797	18,321
International financial cooperation	263	228	172	209	-172
<u>Overall surplus or deficit (-)</u>	<u>-2,002</u>	<u>-2,738</u>	<u>3,313</u>	<u>4,996</u>	<u>-6,379</u>

Table 17. Venezuela: Summary of Public Sector Operations (Continued)

(In millions of bolívares)

	1982	1983	1984	1985	Est. 1986
<b>III. Petroleum Sector</b>					
Operating revenue	70,378	63,544	94,681	88,837	66,374
Foreign sales	66,736	59,473	85,714	78,282	54,642
Domestic sales	3,642	4,071	8,967	10,555	11,732
Operating expenditure	12,599	13,830	14,377	15,891	15,742
Personal emoluments	5,218	6,386	6,265	6,668	6,559
Goods and other services	7,004	7,113	7,526	7,191	8,999
Technological fees	277	231	180	145	184
Transfers to private sector	100	100	406	1,887	--
Operating surplus	57,779	49,714	80,304	72,946	50,632
Interest and other income	3,098	1,413	1,199	1,142	1,630
Of which: Central Government	--	--	1,199	1,096	1,490
Transfers to Central Government	50,610	41,760	62,164	63,909	42,972
Direct taxes	42,560	34,028	51,441	53,298	33,467
Indirect taxes	1,430	1,268	1,637	1,835	259
Royalties	6,620	6,464	9,086	8,776	9,246
Current account surplus or deficit (-)	10,267	9,367	19,339	10,179	9,290
Sale of fixed assets	142	163	267	363	500
Capital expenditure	21,192	11,497	10,532	12,192	16,216
Capital formation	19,608	11,841	10,446	10,860	12,920
Change in stocks	1,556	-368	75	1,308	356
Buildings and other	28	24	11	24	2,940
Overall surplus or deficit (-)	-10,783	-1,967	9,074	-1,650	-6,426
<b>IV. Nonfinancial Public Enterprises</b>					
Operating revenue	31,541	31,903	43,371	53,229	59,613
Sales of goods and services	28,006	29,605	38,989	46,965	...
Of which: exports	2,240	5,067	6,460	9,548	...
Other	3,535	2,298	4,382	6,264	...
Operating expenditure	30,238	29,146	32,732	41,781	45,583
Personal emoluments	10,515	10,858	10,420	10,583	...
Purchases of goods and services	16,398	15,673	18,559	27,418	...
Transfers to private sector	3,168	2,089	3,072	2,929	...
Indirect taxes to municipal government	157	480	673	840	...
Transfer to general government		46	8	11	...
Operating surplus or deficit (-)	1,303	2,757	10,639	11,448	14,030
Net current transfers and interest income	-337	150	-3,620	-3,833	-7,577
Current transfers from Central Government	5,706	4,114	6,056	5,573	2,523
Current transfers from other public sectors	--	--	2	--	--
Direct taxes to Central Government	-78	-85	-1,406	-1,163	-2,671
Interest income	1,078	1,256	1,104	1,100	871
Interest payments	-7,043	-5,135	-9,376	-9,343	-8,300
Current account surplus or deficit (-)	966	2,907	7,019	7,615	6,453
Sale of fixed assets	1,875	1,693	1,280	1,218	1,218
Capital transfers from Central Government	6,157	3,135	3,188	5,383	6,329
Capital transfers/loans from VIF	9,527	7,622	3,749	3,284	12,442
Capital expenditure	25,091	18,600	18,349	16,797	23,000
Capital formation	23,405	17,826	13,796	16,140	23,000
Other	1,686	774	4,553	657	--
Overall surplus or deficit (-)	-7,633	-3,061	-2,700	765	3,442

Table 17. Venezuela: Summary of Public Sector Operations (Concluded)  
(In millions of bolívares)

	1982	1983	1984	1985	Est. 1986
<b>V. Central Government (Extrabudgetary)</b>					
Total expenditure	6,445	4,304	1,922	1,242	1,488
Current expenditure	5,840	2,207	1,718	682	--
Capital expenditure	605	2,097	204	560	1,488
<b>VI. FOCOCAM</b>					
Current revenue				8,080	1,300
Interest income				669	1,300
Of which: from public sector				335	856
Transfers due to exchange profits				7,411	--
Total expenditure				3,478	4,372
Current expenditure				3,478	4,372
Compensation for debt pre-payment				118	1,985
Compensation for exchange differential				3,360	2,387
Net lending to private sector					
Overall surplus or deficit (-)				4,602	-3,072
<b>VI. Consolidation of the Reduced Public Sector</b>					
Total revenue	90,027	88,038	130,040	139,620	115,007
Current revenue	89,058	85,980	128,054	137,888	113,269
Tax revenue	17,537	24,668	28,170	31,284	33,348
Nontax revenue	71,521	61,312	99,884	106,604	79,921
Central Government (excluding petroleum royalties)	6,328	5,279	6,372	11,372	12,255
PDVSA operating surplus	57,779	49,714	80,304	72,946	50,632
VIF: interest and dividend income	1,962	956	1,611	1,832	1,447
Nonfinancial public enterprises operation surplus	1,303	2,757	10,639	11,448	14,030
Other (including interest and FOCOCAM income)	4,149	2,606	958	9,006	1,557
Sale of fixed assets	969	2,058	1,986	1,732	1,738
Total expenditure and net lending	124,044	102,221	112,356	122,571	143,779
Current expenditure	60,611	54,739	70,805	77,232	79,641
Personal emoluments	19,175	19,319	20,329	22,341	24,894
Purchases of goods and services	5,113	3,624	4,807	4,493	5,102
Interest payments	12,116	9,433	17,185	15,299	17,483
Transfers to private sector	2,985	3,249	3,880	3,903	4,180
Central Government (extrabudgetary)	5,840	2,207	1,718	682	--
Central government transfers to nonconsolidated entities	15,382	16,907	22,886	27,036	23,611
Other (including FOCOCAM reimbursements)	--	--	--	3,478	4,372
Capital expenditure	62,943	46,780	40,922	44,637	63,738
Capital formation	49,196	34,367	28,280	30,376	44,480
Central Government (extrabudgetary)	605	2,097	204	560	1,488
Other including transfers to nonconsolidated entities	13,142	10,316	12,438	13,701	17,770
Net lending to private/external sector	490	702	629	702	400
Current account surplus or deficit (-)	28,447	31,241	57,249	60,656	33,628
Overall surplus or deficit (-)	-34,017	-14,183	17,684	17,049	-28,772
Memorandum item					
Surplus or deficit as percentage of GDP	-11.7	-4.9	5.1	4.6	-7.2

Sources: Central Bank of Venezuela; and Central Office of the Budget (OCEPRE).



Table 18. Venezuela: Summary Accounts of the Consolidated Banking System

(In millions of bolívares)

	December 31						September 30	
	1982	1983	Adj. 1984 1/	1984	Adj. 1985 1/	1985	1985	1986
Net international reserves	41,581	50,254		98,282		107,720	104,052	90,870
Other foreign assets	321	502		1,049		1,433	1,337	1,618
Net domestic assets	140,477	160,018		150,920		162,798	157,578	203,943
Net claims on public sector	-24,807	-25,545	-41,919	-46,090	-53,765	-62,193	-59,850	-45,895
Central government budget (net)	-6,618	-5,246	-3,207	-7,378		-18,221	-16,611	-7,346 1/
Other central administration 2/	-601	-325		-653	3,741	-4,687	-3,505	-5,071
Of which: FOCOCAM	--	--			3,129	-5,299		
Decentralized agencies (net)	-309	-597		-1,121		-938	-692	-2,112
Social security funds deposits	-6	-5		-3		-1	-1	-231
State and local governments (net)	78	181		-92		-685	-1,130	-639
Official enterprises (net)	-17,351	-19,553		-36,843		-37,661	-37,911	-30,496
Official capital and surplus	-20,743	-13,976	-25,361	-21,190	-22,617	-14,189	-15,690	-17,567
Net credit to rest of financial system	900	818		1,887		1,403	1,586	868
Net credit to FOGADE	--	--		--		5,416	4,878	7,038
Credits	--	--		--		8,676		
Liabilities	--	--		--		3,771		
Credit to private sector	162,062	167,397		183,102		197,155	192,095	218,698
Net credit to nonmonetary international organizations	-204	-250		-463		-648	-678	-600
Net unclassified assets	15,461	21,141		22,138		26,204	26,815	27,121
Net interbank float	7,808	10,433		11,536		9,650	8,422	14,280
Counterpart unrequited foreign exchange and valuation adjustments	2,022	1,000		25,484		27,503	28,431	28,232
Medium- and long-term foreign liabilities	16,188	16,737		18,430		22,760	22,012	24,632
Liabilities to private sector	164,169	193,037		206,337		221,688	212,524	243,567
Monetary liabilities	48,042	60,381		62,685		70,560	61,105	76,271
Currency in circulation	12,915	14,634		15,007		16,045	13,179	15,025
Demand deposits	35,127	45,747		47,678		54,515	47,926	61,246
Other liabilities	104,529	120,773		133,664		143,924	141,601	159,749
Time and savings deposits	83,322	102,122		113,248		120,829	119,108	133,288
Bonds	13,413	7,672		7,003		7,619	6,049	9,041
Other	7,794	10,979		13,413		15,476	16,444	17,420
Private capital and surplus	11,598	11,883		9,988		7,204	9,818	7,547

Source: Central Bank of Venezuela.

1/ Adjustments to reflect the transfer of assets as exchange profits from the Central Bank to the Central Government in 1984 (Bs. 4,171 million), to FOCOCAM in 1985 (Bs. 8,428 million), and to the Central Government during the first three quarters of 1986 (Bs. 10,362).

2/ Includes the following: the Venezuelan Investment Fund (VIF); the Export Financing Fund (FINEXPO); and the Exchange Differentials Compensation Fund (FOCOCAM).

Table 19. Venezuela: Reserve Position of the Commercial Banks 1/

(In billions of bolívares)

	December				1986		
	1982	1983	1984	1985	March	June	Sept.
<u>Deposit obligations subject to legal reserve requirements</u>	<u>87.4</u>	<u>120.7</u>	<u>124.3</u>	<u>148.3</u>	<u>152.3</u>	<u>167.9</u>	<u>179.5</u>
<u>Demand deposits</u>	<u>38.7</u>	<u>50.5</u>	<u>50.0</u>	<u>60.5</u>	<u>60.7</u>	<u>67.9</u>	<u>69.2</u>
<u>Savings deposits</u>	<u>18.7</u>	<u>25.2</u>	<u>24.9</u>	<u>32.4</u>	<u>33.9</u>	<u>35.9</u>	<u>37.8</u>
<u>Time deposits</u>	<u>30.0</u>	<u>45.0</u>	<u>49.4</u>	<u>55.4</u>	<u>57.7</u>	<u>64.1</u>	<u>72.5</u>
<u>Required reserves</u>	<u>10.3</u>	<u>12.6</u>	<u>13.9</u>	<u>16.7</u>	<u>17.1</u>	<u>18.9</u>	<u>20.0</u>
<u>15 percent of demand deposits</u>	<u>5.4</u>	<u>6.9</u>	<u>7.5</u>	<u>9.0</u>	<u>9.1</u>	<u>10.2</u>	<u>10.4</u>
<u>10 percent of savings deposits</u>	<u>1.8</u>	<u>2.4</u>	<u>2.5</u>	<u>3.3</u>	<u>3.4</u>	<u>3.6</u>	<u>3.8</u>
<u>8 percent of time deposits</u>	<u>3.1</u>	<u>3.3</u>	<u>3.9</u>	<u>4.4</u>	<u>4.6</u>	<u>5.1</u>	<u>5.8</u>
<u>Additional reserve requirements <u>2/3/</u></u>	<u>0.6</u>	<u>0.9</u>	<u>1.8</u>	<u>3.0</u>	<u>3.2</u>	<u>9.1</u>	<u>9.0</u>
<u>Total required reserves</u>	<u>10.9</u>	<u>13.5</u>	<u>15.7</u>	<u>19.7</u>	<u>20.3</u>	<u>28.0</u>	<u>29.3</u>
<u>Actual reserves</u>	<u>13.2</u>	<u>21.8</u>	<u>18.0</u>	<u>24.9</u>	<u>23.2</u>	<u>29.3</u>	<u>30.8</u>
<u>Excess reserves</u>	<u>2.3</u>	<u>8.3</u>	<u>2.3</u>	<u>5.2</u>	<u>2.9</u>	<u>1.3</u>	<u>1.5</u>

Source: Central Bank of Venezuela.

1/ Excludes intervened banks from the date of their intervention; average of last week of month.

2/ From June 1975 there has been a marginal reserve requirement of 100 percent on deposit obligations in excess of 20 times the paid-up capital and reserves. Commercial banks are required to hold 22.5 percent of their portfolio in agricultural credit. This requirement was 20 percent until February 1984. To the extent that banks fail to meet this requirement, they are subject to a 100 percent reserve requirement on the amount of the shortfall.

3/ Includes deposits required to meet reserve requirements on foreign currency deposits, nonresident deposits, and certain types of credit operations.

Table 20. Venezuela: Central Bank Credit Support to the Financial System

(In millions of bolivares)

Credit Granted During the Period								
Rediscounts by Sector							Deposit Insurance Fund (FOGADE)	Total
Period	Total	Commerce and Services	Industry	Agriculture	Construction	Advances		
1982	10,764	4,887	3,640	652	1,586	2,578	--	13,342
1983	10,034	5,346	2,482	1,239	967	7,136	--	17,170
1984	9,793	5,085	3,279	740	689	12,860	--	22,653
1985	4,478	1,393	1,345	1,524	216	7,342	8,676	20,496
1986								
January	203	43	17	142	1	888	--	1,091
February	182	84	57	27	14	303	1,000	1,485
March	500	174	278	11	37	790	1,264	2,554
April	215	112	102	1	--	391	159	765
May	10	10	--	--	--	535	--	545
June	261	108	149	4	--	407	--	668
July	730	198	427	68	37	907	--	1,637
August	111	40	50	17	4	207	--	318
September	426	106	202	117	1	555	479	1,460
Balance Outstanding at the End of the Period								
Period	Commercial Banks	Mortgage Banks	Finance Houses	Workers' Bank	Agricultural Development Bank (BANDAGRO)	Official Enterprises	Deposit Insurance Fund (FOGADE)	Total
1982	3,870	147	405	811	139	28	--	5,400
1983	1,288	25	108	165	259	23	--	1,868
1984	2,402	368	1,441	134	61	--	--	4,406
1985	918	238	1,134	--	36	242 1/	8,676	11,244
1986								
January	821	229	1,053	--	52	242 1/	8.676	11.073
February	445	194	976	--	69	242 1/	9.676	11.602
March	786	184	967	--	48	179 1/	10.940	13.104
April	558	201	945	--	40	56 1/	11.099	12.899
May	118	138	947	--	23	56 1/	11.099	12.381
June	72	114	834	--	10	--	11.099	12.129
July	310	138	758	--	9	--	11.099	12.314
August	277	124	750	--	8	--	11.099	12.258
September	139	93	674	--	116	--	11.578	12.600

Source: Central Bank of Venezuela.

1/ Credit to the National Coffee Fund.

Table 21. Venezuela: Selected Interest Rates

(In percent per annum)

End of Period	Commercial Banks		Mortgage Banks Certificates of Deposits Average Rate	Nonbank Finan- cial Institu- tions Average Deposit Rate	Public Bonds Effective Rate	LIBOR (6 months) <sup>1/</sup>
	Average Time Deposit Rate	Average Lending Rate				
1982	15.8	17.3	16.1	...	11.8	9.7
1983	13.0	16.3	13.0	...	13.2	10.3
1984	13.0	15.3	13.5	13.8	13.5	9.4
1985	8.9	12.7	10.1	10.1	12.6	8.0
<u>1985</u>						
January	12.6	14.7	13.4	13.3	13.4	8.9
February	12.7	14.4	13.3	13.7	13.4	9.6
March	12.9	14.6	12.9	14.2	13.2	10.0
April	10.8	14.3	11.9	11.7	13.0	9.2
May	10.7	14.3	11.7	12.0	12.5	8.5
June	9.7	13.5	10.8	11.1	12.4	7.9
July	9.9	13.5	10.8	10.8	12.1	8.2
August	9.8	13.6	10.9	10.7	11.9	8.3
September	9.8	13.6	10.9	10.8	11.8	8.3
October	9.5	13.4	10.5	10.6	12.4	8.2
November	9.0	12.9	10.1	10.2	12.5	8.2
December	8.9	12.7	10.1	10.1	12.6	8.0
<u>1986</u>						
January	9.0	12.7	10.0	10.0	12.3	8.1
February	9.0	12.7	10.0	10.0	12.3	7.9
March	8.9	12.7	10.0	9.8	12.6	7.4
April	9.0	12.5	9.8	9.9	12.2	6.9
May	8.9	12.7	10.0	10.2	12.0	7.2
June	8.9	12.7	10.0	10.2	...	6.9
July	9.0	12.7	10.0	10.1	...	6.5
August	8.9	12.7	10.0	10.1	...	5.8
September	8.9	12.6	9.8	9.9	...	6.1
October	9.0	12.7	10.0	9.9	...	5.9

Source: Central Bank of Venezuela.

<sup>1/</sup> On U.S. dollar deposits.

Table 22. Venezuela: Balance of Payments

(In millions of U.S. dollars)

	1982			1983		
	Credits	Debits	Net	Credits	Debits	Net
<u>Current account</u>	20,140	23,368	-3,228	17,521	14,186	3,335
Goods and nonfactor services	17,575	18,634	-1,059	16,021	9,604	6,417
Merchandise	16,534	12,584	3,950	14,919	6,778	8,141
Petroleum sector	15,659	1,658	14,001	13,855	892	12,963
Other public sector	611	2,036	-1,425	699	428	271
Private sector	264	8,890	-8,626	365	5,458	-5,093
Nonfactor services	1,041	6,050	-5,009	1,102	3,039	-1,937
Freight and insurance	124	1,120	-996	88	677	-589
Other transportation	355	404	-49	470	367	103
Other insurance	164	243	-79	64	100	-36
Travel	309	2,814	-2,505	312	955	-643
Government n.i.e.	37	244	-207	30	337	-307
Other services	52	1,225	-1,173	138	603	-465
Petroleum sector	--	988	-988	--	411	-411
Other	52	237	-185	138	192	-54
Investment income	2,565	4,095	-1,530	1,500	4,158	-2,658
Central Bank	731	--	731	562	--	562
Petroleum sector	685	--	685	22	--	22
Other public sector	518	2,981	-2,463	287	2,975	-2,688
Private sector	631	1,114	-483	629	1,143	-514
Unrequited transfers	--	639	-639	--	211	-211
Public	--	24	-24	--	24	-24
Private	--	615	-615	--	187	-187
<u>Capital account</u>	13,940	17,509	-3,569	4,517	10,463	-5,946
Direct investment	257	4	253	92	--	92
Medium- and long-term capital	5,402	3,340	2,062	2,017	3,864	-1,847
Private sector	772	810	-28	539	2,568	-2,029
Private debt	772	800	-28	505	2,568	-2,063
Accumulation of assets	--	10	-10	34	--	34
Public sector	4,630	2,530	2,100	1,478	1,296	182
Public debt	3,439	2,032	1,407	1,478	945	533
International cooperation	--	230	-230	--	176	-176
Other	1,191	268	923	--	175	-175
Short-term capital	8,281	14,165	-5,884	2,408	6,599	-4,191
Private nonbank sector	3,242	8,026	-4,784	2,120	3,490	-1,370
Liabilities	3,242	3,074	168	2,120	2,456	-336
Assets	--	4,952	-4,952	--	1,034	-1,034
Public sector	4,102	4,931	-829	--	1,124	-1,124
Commercial banks	937	--	937	--	425	-425
Import financing	--	1,057	-1,057	--	1,560	-1,560
National Petroleum Company	--	151	-151	288	--	288
<u>Errors and omissions, net</u>			-1,869			-198
<u>SDR allocation</u>			--			--
<u>Overall balance</u>			-8,666			-2,809
<u>Valuation change</u>			-22 1/			-190
<u>Financing</u>			8,688			2,999
Change in reserves (increase-)			8,263			-278
Central Bank			1,586			-1,200
VIF			880			922
National Petroleum Company			5,797			--
Change in arrears (excluding refinanced)			425			3,277

Table 22. Venezuela: Balance of Payments (Concluded)  
(In millions of U.S. dollars)

	1984			1985			Estimated 1986		
	Credits	Debits	Net	Credits	Debits	Net	Credits	Debits	Net
<u>Current account</u>	18,987	1,4034	4,953	16,901	13,986	2,915	11,193	13,539	-2,346
Goods and nonfactor services	16,814	9,907	6,907	15,011	9,608	5,403	9,791	10,055	-264
Merchandise	15,967	7,262	8,705	14,178	7,388	6,790	8,704	7,601	1,103
Petroleum sector	14,794	607	14,187	12,862	575	12,287	7,218	644	6,574
Other public sector	670	589	81	784	1,009	-225	880	739	141
Private sector	503	6,066	-5,563	532	5,804	-5,272	606	6,219	-5,613
Nonfactor services	847	2,645	-1,798	833	2,220	-1,387	980	2,347	-1,367
Freight and insurance	147	571	-424	81	697	-616	120	715	-595
Other transportation	291	583	-292	201	369	-168	...	...	...
Other insurance	7	26	-19	14	22	-8	...	...	...
Travel	358	995	-637	416	552	-136	416	552	-136
Government n.i.e.	--	99	-99	--	106	-106	...	...	...
Other services	44	371	-327	121	474	-353	...	...	-636
Petroleum sector	--	298	-298	42	326	-284	...	...	...
Other	44	73	-29	79	148	-69	...	...	...
Investment income	2,173	3,990	-1,817	1,890	4,250	-2,360	1,402	3,395	-1,993
Central Bank	1,034	--	1,034	975	--	975	633	--	633
Petroleum sector	26	--	26	25	--	25	19	--	19
Other public sector	1	2,773	-2,772	--	3,273	-3,273	69	2,627	-2,558
Private sector	1,112	1,217	-105	890	977	-87	681	768	-87
Unrequited transfers	--	137	-137	--	128	-128	--	89	-89
Public	--	29	-29	--	26	-26	--	18	-18
Private	--	108	-108	--	102	-102	--	71	-71
<u>Capital account</u>	1,913	5,920	-4,007	1,429	4,175	-2,746	1,649	4,234	-2,585
Direct investment	48	6	42	126	10	116	126	10	116
Medium- and long-term capital	735	3,300	-2,565	342	2,811	-2,469	51	3,543	-3,492
Private sector	30	1,816	-1,786	117	1,716	-1,599	--	1,716	-1,716
Private debt	28	1,816	-1,788	117	1,716	-1,599	--	1,716	-1,716
Accumulation of assets	2	--	2	--	--	--	...	...	...
Public sector	705	1,484	-779	225	1,095	-870	51	1,827	-1,776
Public debt	468	1,433	-965	225	1,009	-784	51	1,396	-1,345
International cooperation	237	--	237	--	46	-46	--	39	-39
Other	--	51	-51	--	40	-40	--	392	-392
Short-term capital	1,130	2,614	-1,484	961	1,354	-393	1,472	681	791
Private nonbank sector	937	1,557	-620	144	1,345	-1,201	...	...	...
Liabilities	937	244	693	144	455	-311	...	...	...
Assets	--	1,313	-1,313	--	890	-890	--	681	-681
Public sector	103	404	-301	32	9	23	...	...	...
Commercial banks	--	638	-638	--	--	--	...	...	...
Import financing	--	--	--	390	--	390	1,079	--	1,079
National Petroleum Company	90	15	75	395	--	395	393	--	393
<u>Errors and omissions, net</u>			605			700			420
<u>SDR allocation</u>			--			--			--
<u>Overall balance</u>			1,551			869			-4,511
<u>Valuation change</u>			5			50			--
<u>Financing</u>			-1,556			-919			4,511
Change in reserves (increase -)			-1,883			-1,757			3,747
Central Bank			-1,272			-1,276			3,903
VIF			-611			-481			-156
National Petroleum Company			--			--			--
Change in arrears (excluding arrears rescheduling)			327			838			764
<u>Memorandum item</u>			--			-2,263			-1,000
Arrears rescheduling			--			-2,263			-1,000

Sources: Central Bank of Venezuela; and Fund staff estimates.

1/ Excludes US\$2,955 million from revaluation of gold holdings.

STATISTICAL APPENDIX

Table 23. Venezuela: Volume, Value, and Unit Value of Main Exports

(Values in millions of U.S. dollars; unit values in U.S. dollars; and volumes as indicated)

	1982	1983	1984	1985	Jan.- April 1985	Prel. Jan.- April 1986
<u>Total exports, f.o.b.</u>	<u>16,533.9</u>	<u>14,919.4</u>	<u>15,967.0</u>	<u>14,178.0</u>	<u>4,751.0</u>	<u>3,245.0</u>
Crude petroleum						
Value	10,431.0	8,527.0	9,311.0	7,371.0	2,652.0	1,478.0
Volume (millions of barrels)	388.0	360.0	364.0	294.0	102.0	102.0
Unit value	26.9	23.7	25.6	25.1	260.0	14.5
Petroleum derivatives						
Value	5,229.0	5,328.4	5,483.0	5,491.0	1,599.0	1,283.0
Volume (millions of barrels)	179.0	188.0	186.0	200.0	55.0	57.0
Unit value	29.2	28.3	29.5	27.4	29.1	22.5
Aluminium						
Value	308.0	439.0	370.0	511.0	196.0	137.0
Volume (thousands of tons)	224.0	342.0	287.0	485.0	165.0	67.7
Unit value	1.4	1.3	1.3	1.1	1.2	2.0
Iron ore						
Value	83.1	80.0	81.0	108.0	38.0	35.0
Volume (millions of tons)	6.6	6.2	8.0	9.0	1.9	3.0
Unit value	12.6	12.9	10.1	12.0	20.0	11.7
Coffee						
Value	2.9	5.1	22.0	27.0	5.0	34.0
Volume (thousands of tons)	1.0	2.0	6.0	9.0	3.0	13.0
Unit value	2.0	1.9	2.1	3.0	1.7	2.6
Cacao						
Value	15.2	17.7	15.0	17.0	7.0	4.0
Volume (thousands of tons)	7.6	9.4	7.0	7.0	4.0	2.0
Unit value	2.0	1.9	2.1	2.4	1.8	2.0
Other exports <sup>1/</sup>						
Value	464.7	522.2	685.0	653.0	254.0	274.0

Sources: Central Bank of Venezuela; and Fund staff estimates.

<sup>1/</sup> Includes re-exports.

Table 24. Venezuela: Composition of Imports <sup>1/</sup>

	1982	1983	1984	1985	Jan. - April	
					1985	1986
(In millions of U.S. dollars)						
<b>Total</b>	<b>11,640.9</b>	<b>5,782.8</b>	<b>7,005.0</b>	<b>7,303.0</b>	<b>2,240.0</b>	<b>2,418.0</b>
Raw materials and other inputs	2,799.1	2,122.1	2,952.0	2,733.0	864.0	822.0
For industry	2,543.2	1,808.2	2,541.0	2,298.0	745.0	698.0
For agriculture	188.5	162.0	230.0	236.0	65.0	67.0
For mining and oil	0.3	0.1	--	1.0	--	--
Fuels and lubricants	67.1	151.8	181.0	198.0	54.0	57.0
Machinery, accessories, and tools	3,157.2	1,259.0	1,475.0	1,928.0	578.0	745.0
For industry	2,641.6	1,086.3	1,307.0	1,706.0	510.0	647.0
For agriculture	236.2	38.0	40.0	78.0	18.0	41.0
For electric power	279.4	134.7	128.0	144.0	50.0	57.0
Transportation equipment	1,726.2	869.5	945.0	972.0	314.0	404.0
Motor vehicles	1,320.8	709.6	789.0	773.0	217.0	327.0
Assembled, passenger	99.5	28.0	15.0	14.0	3.0	7.0
Assembled, trucks	327.7	90.3	48.0	66.0	14.0	64.0
Unassembled, passenger	590.3	409.7	458.0	422.0	123.0	155.0
Unassembled, trucks	39.7	58.1	111.0	101.0	24.0	33.0
Accessories and spare parts	263.6	123.5	157.0	170.0	53.0	68.0
Rail equipment	53.0	48.8	37.0	55.0	11.0	41.0
Locomotives	3.0	1.1	--	--	--	1.0
Other	50.0	47.7	37.0	55.0	11.0	40.0
Other means of transport	352.4	111.1	119.0	144.0	86.0	36.0
Air	52.9	16.7	11.0	10.0	2.0	6.0
Water	129.1	58.4	49.0	75.0	57.0	14.0
Land	18.9	4.2	4.0	3.0	1.0	--
Accessories and spare parts	151.5	31.8	55.0	56.0	26.0	16.0
Construction materials	1,206.6	245.8	166.0	163.0	56.0	64.0
Structural	57.3	19.6	9.0	8.0	4.0	4.0
Miscellaneous	1,149.3	226.2	157.0	155.0	52.0	60.0
Foods	826.1	503.6	577.0	477.0	109.0	45.0
Basic	557.3	415.1	432.0	271.0	78.0	27.0
Other	268.8	88.5	145.0	206.0	31.0	18.0
Beverages	117.7	55.7	78.0	58.0	13.0	18.0
Alcoholic	117.5	55.6	78.0	58.0	3.0	18.0
Other	0.2	0.1	--	--	10.0	--
Other consumption goods	1,808.1	727.1	812.0	972.0	306.0	320.0
Luxuries	688.3	195.1	214.0	258.0	71.0	81.0
Durables	311.1	96.5	101.0	156.0	38.0	53.0
Other	377.2	98.6	113.0	102.0	33.0	28.0
Nonluxury	1,119.8	532.0	598.0	714.0	235.0	239.0
Durables	501.9	188.0	174.0	264.0	82.0	105.0
Other	617.9	344.0	424.0	450.0	153.0	134.0
(In percent of total)						
Raw materials	24.0	36.7	42.1	37.4	38.0	34.0
Machinery	27.1	21.8	21.1	26.4	25.0	30.8
Transportation	14.8	15.0	13.5	13.3	14.0	16.7
Of which: motor vehicles	11.3	12.3	11.3	10.6	9.7	13.5
Construction	10.4	4.2	2.4	2.2	2.4	2.7
Food	7.1	8.7	8.2	6.6	4.9	1.9
Of which: basic	4.8	7.2	6.2	3.7	3.5	1.1
Beverages	1.0	1.0	1.1	0.8	0.6	0.7
Other consumption	15.6	12.6	11.6	13.3	13.7	13.2

Source: Central Office of Statistics and Information.

<sup>1/</sup> Before balance of payments adjustments.



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Table 25. Venezuela: Foreign Trade Indicators

(Base 1980=100)

	1982	1983	1984	1985	Est. 1986
Imports	113.1	60.9	65.3	66.4	68.3
Unit value <u>1/</u>	99.0	97.3	96.7	94.5	103.0
Volume	114.2	62.6	67.5	70.3	66.3
Exports	85.8	77.4	82.8	73.6	45.3
Unit value <u>2/</u>	102.8	94.5	99.5	95.7	58.4
Volume	83.5	81.9	83.2	76.9	77.6
Terms of trade	103.8	97.1	102.9	101.3	56.7
Change in terms of trade (in percent)	-4.2	-6.4	6.0	-1.6	-44.0

Sources: Central Bank of Venezuela; and Fund staff estimates.

1/ Weighted average of U.S. dollar export unit value of Venezuela's main trading partners. Weights are partners' shares in Venezuela's 1980 imports.

2/ Weighted average of U.S. dollar export unit values of Venezuela's exports. Weights are the 1980 shares of export groups in total exports.

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Table 26. Venezuela: Official International Reserves

(In millions of U.S. dollars, end of period)

	1982	1983	1984	1985	Sept. 1986
<u>Total reserves</u>	<u>11,560</u>	<u>11,838</u>	<u>13,721</u>	<u>15,478</u>	<u>13,290</u>
<u>Central Bank</u>	<u>9,910</u>	<u>11,110</u>	<u>12,382</u>	<u>13,658</u>	<u>11,293</u>
<u>Assets</u>	<u>9,942</u>	<u>11,135</u>	<u>12,405</u>	<u>13,681</u>	<u>11,335</u>
Gold <u>1/</u>	3,439	3,439	3,439	3,439	3,439
Foreign Exchange	4,729	5,685	7,134	8,408	6,177
SDRs	440	450	373	496	595
IMF position	805	914	965	901	858
International bonds	105	23	25	103	116
Reciprocal credit agreements	424	624	469	334	150
Liabilities	-32	-25	-23	-23	-42
<u>Venezuelan Investment Fund</u>	<u>1,650</u>	<u>728</u>	<u>1,339</u>	<u>1,820</u>	<u>1,997</u>
Managed by the Venezuelan Central Bank	129	39	87	92	74
Managed by the Venezuelan Investment Fund	1,521	689	1,252	1,728	1,923

Sources: Central Bank of Venezuela; Venezuelan Investment Fund;  
National Petroleum Company; and Fund staff estimates.

1/ Gold valued at US\$300 per ounce.

Table 27. Venezuela: Composition of Outstanding External  
Public Debt, 1983-86

(In millions of U.S. dollars, end of period)

	1983		1984		1985		Estimated 1986	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
By type of creditor	27,616	100.0	26,531	100.0	25,738	100.0	24,393	100.0
Commercial banks	24,314	88.0	24,220	91.3	23,544	91.5	22,878	93.8
Multilateral								
Institutions	416	1.5	333	1.3	291	1.1	...	...
Bilateral	267	1.0	156	0.6	96	0.4	...	...
Bonds	1,163	4.2	986	3.7	1,129	4.4	...	...
Suppliers	1,240	4.5	832	3.1	678	2.6	...	...
Other	216	0.8	3	--	--	--	--	--
By type of debtor	27,616	100.0	26,531	100.0	25,738	100.0	24,393	100.0
Central Government	8,782	31.8	7,434	28.0	6,919	26.9	...	...
Other public sector	18,834	68.2	19,097	72.0	18,819	73.1	...	...
State enterprises	...	...	8,078	30.5	7,990	31.0	...	...
Other nonfinancial								
public agencies	...	...	4,704	17.7	4,618	17.9	...	...
Financial public								
institutions	...	...	6,315	23.8	6,211	24.1	...	...

Sources: Ministry of Finance; and Fund staff estimates.

Table 28. Venezuela: Maturity Profile of the External Public Debt, 1986-97 <sup>1/</sup>

(In millions of U.S. dollars)

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997 and Beyond
<u>Total</u>	<u>1,557</u>	<u>1,640</u>	<u>1,918</u>	<u>2,162</u>	<u>2,151</u>	<u>2,384</u>	<u>2,508</u>	<u>2,489</u>	<u>2,419</u>	<u>2,657</u>	<u>2,646</u>	<u>1,122</u>
<u>By type of debtor</u>												
Central Government	432	458	602	651	635	704	734	723	705	772	768	326
State-owned companies	478	502	488	641	644	713	753	750	728	800	797	338
Financial agencies	371	390	338	499	500	555	586	583	566	622	620	263
Development corporations	152	160	270	205	205	228	240	239	232	255	254	108
Autonomous institutions	91	96	162	122	123	136	144	143	139	153	152	64
Credit funds	32	33	56	43	43	47	50	50	48	53	53	22
Mixed ownership (public and private) corporations	1	1	2	1	1	1	1	1	1	2	2	1
<u>By type of creditor</u>												
Commercial banks	1,167	1,316	1,411	1,950	1,860	2,294	2,485	2,418	2,417	2,655	2,639	1,122
Of which:												
Restructurable	750	1,048	1,188	1,100	1,320	1,980	2,386	2,386	2,386	2,639	2,639	1,122
Nonrestructurable	417	268	223	850	540	314	99	32	31	16	--	--
Bondholders <sup>2/</sup>	86	105	339	101	240	63	15	67	--	--	--	--
Suppliers and contractors	226	156	109	68	19	6	2	1	--	--	--	--
Multilateral agencies	62	46	43	35	29	20	6	4	2	2	5	--
Other governments	16	17	17	8	3	--	--	--	--	--	2	--
Other	1	--	--	--	--	--	--	--	--	--	--	--

Sources: Ministry of Finance; and Fund staff estimates.

<sup>1/</sup> After rescheduling, but before renegotiation of rescheduling agreement.<sup>2/</sup> Excludes US\$806 million of republic bonds held by the Central Bank of Venezuela and the Industrial Bank of Venezuela.

Table 29. Venezuela: Average Exchange Rates

	1983/84	1984				1985					1986				
	Mar. 1983- Feb. 1984	Mar.- June	July- Sept.	Oct.- Dec.	Year	Jan.- Mar.	Apr.- June	July- Sept.	Oct.- Dec.	Year	Jan.- Mar.	Apr.- June	July- Nov.	Dec.	Year
I. <u>Weights 1/</u>															
Exchange rate															
4.30	75	27	27	21	34	15	10	5	3	8	--	--	--	--	--
6.00	18	6	6	6	8	6	6	6	6	6	--	--	--	--	--
7.50	--	62	62	68	53	74	78	83	85	80	94	94	92	30	88
Free	7	5	5	5	5	5	6	6	6	6	6	6	8	--	6
14.50	--	--	--	--	--	--	--	--	--	--	--	--	--	70	6
<u>Total</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
II. <u>Exchange Rates</u>															
	Free Market Exchange Rate (Bs/US\$)				Average Exchange Rate (Bs/US\$)				Real Effective Exchange Rate Index 3/ (1974 = 100)						
1983															
January	4.30				4.30				156.60						
February	4.30				4.30				157.75						
March	7.50				4.83				142.10						
April	8.10				4.87				144.56						
May	9.30				4.96				144.29						
June	10.10				5.01				142.73						
July	11.00				5.08				142.73						
August	14.75				5.34				137.84						
September	17.25				5.51				135.15						
October	14.25				5.30				138.23						
November	13.25				5.23				141.69						
December	12.90				5.21				145.81						
<u>Year average 2/</u>	<u>10.58</u>				<u>4.99</u>				<u>144.13</u>						
1984															
January	13.02				5.22				146.90						
February	13.10				5.22				146.94						
March	13.43				6.84				114.38						
April	14.21				6.88				115.88						
May	14.25				6.88				116.53						
June	14.23				6.88				119.15						
July	13.10				6.83				124.15						
August	12.70				6.81				129.49						
September	12.28				6.79				132.53						
October	13.32				7.03				134.33						
November	12.67				7.00				136.79						
December	12.71				7.00				139.62						
<u>Year average 2/</u>	<u>13.25</u>				<u>6.61</u>				<u>129.72</u>						
1985															
January	13.45				7.23				137.11						
February	13.25				7.22				140.45						
March	13.20				7.22				142.40						
April	13.00				7.42				137.43						
May	13.00				7.42				138.71						
June	13.50				7.45				139.74						
July	14.50				7.67				134.90						
August	14.40				7.66				133.58						
September	14.58				7.67				135.07						
October	14.56				7.74				133.34						
November	14.93				7.76				135.19						
December	14.70				7.75				135.84						
<u>Year average 2/</u>	<u>13.92</u>				<u>7.52</u>				<u>136.98</u>						
1986															
January	15.73				7.99				134.89						
February	18.45				8.16				132.17						
March	18.68				8.17				130.46						
April	19.10				8.20				131.75						
May	19.49				8.22				133.85						
June	18.64				8.17				136.63						
July	18.55				8.38				133.12						
August	19.68				8.47				131.59						
September	20.15				8.51				131.91 4/						
October	22.70				8.72				133.83 4/						
November	24.00				8.82				134.48 4/						
December	21.00				12.40				98.76 4/						
<u>Year average 2/</u>	<u>19.68</u>				<u>8.69</u>				<u>130.29</u>						

Sources: Central Bank of Venezuela; and Fund staff estimates.

1/ The weights for the different exchange rates are applied to the March 1983-February 1984 import basket. Changes in the weights after February 1984 reflect mainly changes in the exchange control regime that shifted import items between the different exchange rates.

2/ Arithmetic average.

3/ An increase in the index represents an appreciation. Weights are the 1980 import shares of principal trading partners, and relative prices are obtained from the Venezuelan home goods prices and the partner countries' export unit values.

4/ Preliminary estimates.

