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Venezuela: Recent Economic Developments

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VENEZUELA

Recent Economic Developments

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Venezuela - Basic Data

GDP in 1997	US\$87.5 billion				
GDP per capita (1997)	US\$3,835				
	1993	1994	1995	1996	Prel. 1997
	(In percent of total)				
Origin of nominal GDP					
Agriculture	5.3	5.0	5.2	4.2	4.1
Petroleum (crude and refining) and mining	18.7	20.2	18.2	27.5	21.8
Manufacturing, construction, and utilities	23.0	21.7	20.8	18.9	18.9
Commerce, restaurants, and hotels	19.2	18.0	17.9	14.8	15.2
Transport, storage, and communications	7.4	7.4	7.7	7.6	8.5
General government	6.2	5.5	5.3	3.6	4.7
Financial and business services	12.8	16.1	15.3	12.1	12.6
Other services and adjustments	7.3	6.0	9.5	11.2	14.2
	(In percent)				
Ratios to GDP at current prices					
Exports of goods and nonfactor services	27.0	30.9	26.8	36.7	29.4
Imports of goods and nonfactor services	27.2	22.3	21.3	21.3	20.2
External current account	-3.7	5.3	3.4	13.5	6.2
Public sector revenue	24.5	28.8	25.9	35.0	32.2
Public sector expenditure	27.5	42.0	32.8	27.7	30.3
Public sector overall balance (deficit -)	-3.0	-13.2	-6.9	7.3	1.9
External public debt (end of year) 1/	55.3	56.8	42.8	44.7	33.9
Total external debt (end of year) 1/	66.8	68.7	49.4	51.5	40.4
Gross national savings	15.0	19.5	21.4	29.6	23.9
Gross domestic investment	18.7	14.2	17.9	16.1	17.7
Money and quasi-money (M2) (end of year) 2/	32.0	31.6	25.7	18.8	20.9
Annual changes in selected economic indicators					
Real GDP	0.3	-2.4	3.7	-0.4	5.1
Real GDP per capita	-2.0	-4.5	1.4	-2.5	2.9
GDP at current prices	32.0	59.1	57.5	114.7	45.7
Domestic expenditure at current prices	29.0	45.1	62.8	92.1	56.4
Consumption	36.4	50.9	56.1	91.9	55.7
Investment	4.3	20.1	99.7	93.2	59.7
GDP deflator	31.6	62.9	51.9	115.6	38.6
GDP deflator (excluding petroleum)	36.1	63.3	57.2	96.7	51.2
Wholesale prices (annual average)	35.4	77.5	57.7	103.2	29.8
Consumer prices (annual average)	38.1	60.8	59.9	99.9	50.0
Consumer prices (end of period)	45.9	70.8	56.6	103.2	37.6
Public sector revenue	37.3	86.9	41.4	190.2	34.2
Public sector expenditure	21.3	143.0	22.8	81.5	59.5
Liabilities to private sector 2/	30.8	67.3	25.0	60.6	68.1
Money and quasi-money (M2) 2/	29.0	56.2	28.3	55.9	62.2
Money	9.3	138.4	37.6	104.7	78.0
Quasi-money	36.1	32.8	23.5	28.0	47.7
Net domestic assets of the financial system 3/	38.1	76.1	32.4	-14.2	31.2
Credit to the public sector (net) 3/	13.7	47.8	16.1	-37.9	-30.4
Credit to the private sector 3/	6.7	-6.0	12.6	28.6	49.6
Merchandise exports (f.o.b., in U.S. dollars)	4.3	9.0	18.5	24.2	0.4
Merchandise imports (f.o.b., in U.S. dollars)	-10.4	-26.7	43.0	-17.8	28.6

	1993	1994	1995	1996	Prel. 1997
(In billions of bolivares)					
Public sector finances 4/					
Revenue	1,337	2,500	3,534	10,253	13,761
Expenditure	1,500	3,645	4,476	8,122	12,954
Current account surplus or deficit (-)	413	823	1,064	5,259	4,201
Overall surplus or deficit (-)	-163	-1,146	-942	2,131	807
External financing (net) 5/	115	-295	-6	-628	634
Domestic financing (net)	48	1,440	949	-1,503	-1,441
(In millions of U.S. dollars)					
Balance of payments					
Merchandise exports, f.o.b.	14,586	15,905	18,842	23,400	23,489
Merchandise imports, f.o.b.	11,390	8,346	11,937	9,810	12,617
Investment income (net)	-1,714	-1,895	-1,911	-1,731	-1,999
Other services and transfers (net)	-3,475	-3,123	-2,976	-3,041	-3,431
Balance on current and transfers accounts	-1,993	2,541	2,018	8,818	5,442
Official long-term capital (net)	2,006	-879	-485	-1,129	-1,699
Private long-term capital (net) 6/	-155	-436	-76	1,684	5,087
Short-term capital and errors and omissions 7/	-439	-2,732	-2,569	-2,224	-5,580
Overall balance	-581	-1,506	-1,111	7,149	3,250
Change in net international reserves (increase -)	703	959	1,146	-6,525	-3,250
Arrears (increase +)	-122	547	-35	-624	0
Official international reserves					
Central Bank (gross)	12,656	11,507	9,723	15,229	17,818
Central Bank (net)	8,324	7,262	6,194	12,038	15,656
Venezuelan Investment Fund	881	984	906	1,587	1,219

Social and Demographic Indicators

Area		Population	Density
912,050 sq. km. (total)		22.3 million (end-1996)	24.5 per sq. km.
307,692 sq. km. (arable)		Annual rate of growth 2.2 percent (1986-96)	72.6 per sq. km.
Population characteristics (per 1,000)		Health	
Crude birth rate (1993)	27	Population per physician (1990)	633
Crude death rate (1993)	5	Population per hospital bed (1992)	385
Infant Mortality (1995)	31	Distribution of land ownership	
Income distribution (1990)		Percentage owned by top 3 percent of owners	
Percent of household income		76.5	
Highest 20 percent	58	Percentage owned by bottom	
Lowest 20 percent	3.6	42.9 percent of owners	
		1.0	
Access to safe water (1993)		Access to electricity (1984)	
Percent of urban households	89	Percent of households	
Percent of rural households	89	79.1	
Nutrition		Education	
Per capita caloric intake (calories per day) (1989)	2,582	Adult illiteracy rate (1995)	
Per capita protein intake (grams per day) (1987)	66	Primary school enrollment rate (1992)	
		9.0	
		99.0	

1/ Includes central bank reserve liabilities.

2/ Adjusted to account for deposits that were kept off-balance through January 1995.

3/ In relation to liabilities to the private sector at the beginning of the period, excluding the effect of exchange rate variations.

4/ Comprises operations of the central government (including extrabudgetary operations), the Venezuelan Investment Fund (FIV), the National Petroleum Company (PDVSA), the nonfinancial public enterprises, the Social Security Institute (IVSS), the Deposit Guarantee Fund (FOGADE), and the Exchange Differential Compensation Funds (FOCOCAM/FICAM).

5/ Includes privatization.

6/ Includes direct investment.

7/ Includes valuation changes.

I. OVERVIEW OF RECENT ECONOMIC DEVELOPMENTS

A. Introduction

1. During 1991–95 the Venezuelan economy was subject to declining oil prices, political instability (1992–93), and a major banking crisis (1994–95). The adverse effects of these shocks were magnified by inadequate policy responses. By early 1996 the economic situation was characterized by accelerating inflation, pressures on the net international reserves (NIR) of the Central Bank of Venezuela (BCV), declining non-oil GDP, and waning confidence.
2. In April 1996 the government began to implement a program of adjustment and reform (the *Agenda Venezuela*) aimed at reducing inflation, restoring confidence, and improving resource allocation, which was subsequently supported by a 12-month Stand-by Arrangement from the Fund. Under the program, the economy was liberalized substantially, and developments were generally favorable in 1996. However, following the initial stabilization effort, fiscal and incomes policies turned expansionary in 1997, and monetary policy was eased in the closing months of the year. As a result, progress in reducing inflation was limited. Economic activity recovered in 1997, fueled by an increase in expenditure. The external position was strong, but began to weaken in the second half of 1997. A steep fall in oil export prices in late 1997 and early 1998 contributed to a deterioration in market sentiment and the bolivar came under downward pressure. Although interest rates were raised in January 1998, during the first four months of the year there was substantial intervention by the central bank in the foreign exchange market, and NIR declined markedly.
3. Progress in structural reform has been significant, but less than had been originally envisaged. Privatization has resumed, the opening of the oil sector to private participation has been intensified, and labor market distortions have been reduced. Although problems still persist, conditions in the banking system have improved, and progress was made in strengthening banking supervision.

B. Macroeconomic Policies

Fiscal policy

4. The public finances strengthened markedly in 1996. The overall public sector balance shifted from a deficit of 7 percent of GDP in 1995 to a surplus of 7¼ percent of GDP in 1996. This massive swing was due to a major increase in the underlying oil surplus,¹ a decline in the

¹The **underlying oil balance** is defined as the balance of the state oil company (PDVSA) excluding revenue from the domestic sale of petroleum products and capital revenue, before transfers to the central government. The **underlying non-oil balance** is defined as the balance of the rest of the public sector (central government, the Venezuelan Investment Fund (FIV),

(continued...)

non-oil underlying deficit (the main fiscal component under the control of the authorities), and the fact that virtually no financial assistance was provided to the banking system, compared to the cumulative 16½ percent of GDP provided in 1994–95 in the context of the banking crisis.

5. The performance of the oil sector in 1996 was exceptionally strong. Oil prices rose sharply to their highest level since 1991, and oil output continued to increase as a result of the investment drive initiated earlier in the decade. In early 1996 the oil sector was opened further to private participation in the form of profit-sharing agreements with PDVSA. Amidst keen investor interest, eight fields were auctioned to private oil companies, which have joined PDVSA in their exploration and development activities; the auction yielded ½ percent of GDP in revenue.

6. The underlying non-oil deficit was reduced substantially in 1996. The revenue effort centered around two measures: domestic gasoline prices at the retail level were raised significantly in April 1996,² and the basic rate of the value-added tax was increased from 12½ percent to 16½ percent, while the tax registration threshold was lowered.³ Despite a significant increase in spending on the social safety net and higher transfers to local

¹(...continued)

other nonfinancial public enterprises, the deposit insurance agency (FOGADE) and the Social Security Institute (IVSS)), including revenue from the domestic sale of petroleum products, before transfers from PDVSA, and excluding net assistance to banks (defined as gross assistance to banks minus sale of banking assets). The **overall public sector balance** is the sum of the two underlying balances defined above plus the **balance on nonrecurrent operations** (PDVSA capital revenue and net assistance to banks).

²Except for the trebling of the price of premium gasoline in September 1995, the prices of gasoline and diesel had remained unchanged since early 1992, declining by 80 percent in real terms. In April 1996 the retail prices of premium gasoline, regular gasoline, and diesel were raised by 330 percent, 820 percent, and 890 percent, respectively. A further increase of 27 percent in the retail price of gasoline was implemented in July 1997.

³The legislation passed by congress also provided for somewhat wider exemptions from the value-added tax, and a zero-rate for the purchase of capital goods and services during the pre-operative stage of export-oriented projects. Regulations governing the latter were issued in March 1997.

governments, non-oil public sector expenditure (excluding assistance to banks) fell because of lower interest obligations.^{4,5}

7. The stance of fiscal policy became strongly expansionary in 1997, and the public finances deteriorated markedly, with the underlying public sector balance (excluding nonrecurrent operations) shifting by 8½ percentage points of GDP to a deficit of 1½ percent of GDP. The overall public sector surplus deteriorated by less (5½ percentage points of GDP), because of significant nonrecurrent revenues.

8. The underlying non-oil fiscal deficit widened by 2½ percentage points of GDP in 1997, as higher revenues and lower interest costs were not sufficient to offset a surge in primary expenditure equivalent to 5¼ percentage points of GDP. Wage awards on the order of 117 percent resulted in a rise in the central government wage bill of 1¼ percentage point of GDP. The massive wage increases spawned large increases in wage-related transfers. Total transfers to local governments surged by 2¼ percentage points of GDP, while transfers to decentralized public sector agencies rose by ½ percentage point of GDP. Non-oil revenue rose mainly as a result of the full-year effect of the increase in the value-added tax rate, improvements in customs administration, and the increase in aggregate demand.

9. The underlying oil surplus dropped sharply in 1997, mostly as a result of the real appreciation of the currency. Oil exports in U.S. dollars changed little from the previous year, as a large rise in export volume was offset by weaker export prices. In midyear, PDVSA auctioned 18 marginal and inactive fields for private operation. The auction yielded 2½ percent of GDP in revenue from operating rights, surpassing the industry's expectations.

10. Legislation approved by congress in late 1996 increased revenue earmarking. First, the new legislation established that a share of 15–20 percent of revenues from the value-added tax must be transferred every year to an extrabudgetary fund for the decentralization of investment.⁶ Second, beginning in 1998, a share of oil royalties should be transferred to the states to finance capital spending. The revenue-sharing coefficient was set at 20 percent in 1998, but rises to 25 percent in 1999 and 30 percent in 2000. The new legislation entails an increase in revenue earmarking equivalent to about 1½ percent of GDP a year by 2000.

⁴Under provisions in the Constitution and the Decentralization Law, 20 percent of central government current revenue must be transferred to state governments, divided equally into a current and a capital component. This revenue earmarking is known as *situado*.

⁵Central government wages were raised by 25 percent in May 1996, and bonuses equivalent to six months' salaries were granted (the latter were not incorporated into the basic salary and therefore did not give rise to severance payments obligations and other labor costs).

⁶Previous legislation did not specify a minimum level for these transfers.

However, the effect of the additional revenue earmarking on central government finances could be mitigated by a reduction in central government capital expenditure.

11. The finances of the Social Security Institute (IVSS) remained under severe stress in 1996–97. In particular, there was a significant decline in the real value of revenues from social insurance contributions associated with the fact that part of earnings (including bonuses) remained outside the taxable base.⁷ However, in 1998 social security revenue is expected to benefit from the conversion of bonuses into taxable wages arising from the reform of the severance payments system (see below).

Credit and exchange rate policies

12. For most of the period between mid-1996 and early 1998, exchange rate policy was aimed at maintaining a relatively stable nominal exchange rate, which constrained the scope for monetary policy. Nevertheless, through September 1997 the BCV engaged in substantial sterilization operations with its stabilization bonds (TEMs) in an attempt to contain the growth of liquidity arising from the domestic operations of the public sector financed with oil revenue and from the accumulation of NIR.

13. As noted above, in April 1996 exchange controls on current and capital transactions were abolished, the exchange rate was unified under a temporary managed float, and interest rates were liberalized. Capital inflows soon emerged, and the exchange rate quickly stabilized.⁸ In July the BCV announced the establishment of a system of exchange rate bands around a central rate. The initial central rate was set at the then prevailing market exchange rate, and it was announced that during the rest of 1996 the central rate would be depreciated by 1½ percent a month against the U.S. dollar. The width of the bands around the central rate was set at 7½ percent each way.

14. During the remainder of 1996 there were recurrent episodes of upward pressure on the bolivar associated with capital inflows. However, the nominal exchange rate remained quite stable, as the BCV chose not to make use of the room for exchange rate flexibility afforded by the system of bands. This policy contributed to high variability in liquidity conditions and interest rates; the latter, however, although in line with interest rate parity given exchange rate

⁷Employees' income received in the form of cash bonuses and other forms of non-wage remuneration (both of which proliferated in recent years as a response to the severance payments benefits system—see section 3) is not subject to social insurance contribution. In addition, contributions are capped at the equivalent of five minimum wages, and although the statutory minimum income was increased in early 1996 by means of an increase in bonuses, the statutory minimum wage was kept unchanged.

⁸The level of the unified exchange rate was about 40 percent depreciated relative to the previous official exchange rate.

expectations, remained negative in real terms. BCV sales of foreign exchange on the interbank market were for the most part quite modest.⁹

15. At the beginning of 1997 the BCV carried out a one-step revaluation of the central rate of the exchange rate band and reduced slightly the slope of the central rate. During the rest of the year, the BCV continued to maintain a policy aimed at exchange rate stability, and the bolivar depreciated by only 6 percent against the U.S. dollar; in real terms the currency appreciated by 37 percent to its highest level in the last ten years. Base money contracted early in the year because of the intensification of open market operations and increased sales of foreign exchange in the interbank market. However, liquidity surged in midyear due to a drawdown of treasury deposits at the BCV associated with the weakening fiscal position. In an attempt to rein in the strong growth in liquidity, in July–August the BCV increased reserve requirements by a total of 5 percentage points and resorted to additional open market sales. At the same time, the central parity of the exchange rate band was revalued again.

16. Monetary policy was eased markedly in the last few months of 1997, when growing concerns about the quasi-fiscal losses arising from sterilization prompted the BCV to start redeeming its stabilization bonds. At the same time, the BCV increased its sales of foreign exchange.

17. Monetary aggregates continued to expand at a rapid pace during 1997—base money by 55 percent (excluding the effect of the higher reserve requirements), and broad money by 62 percent. After falling by 9 percent in real terms in 1996, credit to the private sector surged during the year (by 66 percent in real terms, with particularly large increases in consumer and mortgage lending) fostered by negative real interest rates and by increased competition in the banking sector prompted by growing foreign participation.

18. Between end-1995 and September 1997, the Caracas stock exchange index rose by 200 percent in U.S. dollar terms, and Venezuela's risk premium (as measured by the average stripped spread of discount Brady bonds over equivalent U.S. bonds) fell by about 1,600 basis points. The turbulence in international financial markets in the last few months of 1997 associated with the financial crisis in Asia initially had little impact on domestic financial markets. However, a steep fall in oil export prices at the turn of 1997–98¹⁰ prompted a deterioration in market sentiment as downside risks were perceived for the external accounts and the public finances, the bolivar came under sustained downward pressure, and the BCV increased substantially its sales in the foreign exchange market. At the same time, the stock market declined sharply, and Venezuela's risk premium increased by about 200 basis points.

⁹The BCV participates in the interbank market by selling part of the oil export receipts surrendered by PDVSA.

¹⁰Oil export prices fell from an average of US\$15.9 per barrel in the last quarter of 1997 to US\$11.4 per barrel in the first quarter of 1998.

19. Faced with growing pressure in the foreign exchange market, in January 1998 the central bank raised interest rates, and allowed a somewhat greater degree of exchange rate flexibility. During the first four months of the year the bolivar depreciated at an annualized rate of 20 percent. Nevertheless, NIR declined by US\$2.4 billion during the period.

C. Main Macroeconomic Developments

Output and expenditure

20. Total GDP contracted by $\frac{1}{2}$ percent in 1996. Non-oil GDP fell by 3 percent, with activity being particularly weak in manufacturing and trade, which contracted by 5 percent and $9\frac{1}{2}$ percent, respectively. At the same time, oil GDP grew by $7\frac{3}{4}$ percent. Unemployment rose by $1\frac{1}{2}$ percentage points in 1996, to $11\frac{3}{4}$ percent of the labor force, and the share of the labor force employed in the informal sector remained high at 49 percent.¹¹

21. Domestic demand fell in 1996, partly as a result of the adjustment measures introduced in the second quarter. Purchasing power was eroded by the fall in real incomes, resulting in a contraction in consumption. Private investment declined, but public sector capital formation held up relative to the previous year largely because of strong investment activity in the oil sector. The real external balance strengthened on account of higher oil export volume and subdued import demand.

22. Total GDP grew by 5 percent in 1997. Oil GDP continued to expand vigorously, while non-oil GDP grew by $3\frac{3}{4}$ percent. The non-oil economy emerged from recession in the early months of 1997, and the recovery in activity gathered momentum and became more broadly based in the second quarter. Growth in the nontradable sector was particularly strong, especially in activities such as construction and trade. The recovery of non-oil output was fueled by an increase in domestic expenditure associated with higher real wages, the sharp increase in credit to the private sector, the expansionary fiscal policy stance, negative real interest rates, and strong investment in the oil sector. The unemployment rate rose by 1 percentage point in the first half of 1997 relative to the same period in 1996, but it declined somewhat in the second half of the year.

Prices and incomes

23. The annualized rate of inflation increased to 135 percent during the first quarter of 1996, mainly as a result of the steep devaluation of the currency in late 1995. The monthly rate of price increase peaked in May 1996, reflecting the exchange rate adjustment in April, the lifting of price controls, major increases in fuel prices, and other corrective price

¹¹The informal sector, as defined by the Central Statistical Office, comprises firms employing fewer than five workers.

adjustments. Inflation dropped during the second half of the year, but remained above the government's objectives. Consumer prices more than doubled during 1996 as a whole.

24. Effective February 1996, the government raised the statutory minimum income (comprising salaries and bonuses) by about 65 percent by means of an increase in bonuses. However, the statutory minimum wage—last raised in 1994—was kept unchanged. The real statutory minimum income fell by about 13 percent in 1996, while the average real wage declined by 22 percent.

25. Inflation continued to decline gradually in the first half of 1997—with the annualized rate of inflation falling to 30 percent—but the downward trend came to a halt toward midyear. Inflationary pressures intensified in the second half of the year due to the expansionary stance of financial policies, and the annualized rate of inflation rose to 44 percent. For 1997 as a whole, consumer prices rose by 37½ percent. Inflation remained high at 36 percent on an annualized basis during the first four months of 1998.

26. Following the reform of the severance payments system (see below), the statutory minimum wage was raised by 400 percent in July 1997 (retroactive to May) to the equivalent of about US\$150 a month. The new minimum wage subsumed all existing statutory bonuses, which were abolished, and hence the effective increase in the minimum income was about 45 percent. In early 1998 the minimum wage was raised again by 33 percent, effective May 1998.

External developments

27. Developments in the external current account in 1996 were dominated by a very large increase in oil exports and weak demand for imports. The current account surplus surged from 3½ percent of GDP in 1995 to 13½ percent of GDP in 1996. The value in U.S. dollars of oil exports reached its highest level since 1991, as oil prices drifted strongly upward during the year and oil export volume expanded vigorously. Imports fell, reflecting sluggish domestic demand and the depreciation of the bolivar. At the same time, the capital account deficit declined. Direct foreign investment rose markedly because of inflows associated with privatization and larger foreign private involvement in the oil sector, and the public sector continued to repay external debt on a net basis. Net short-term private portfolio outflows were reduced relative to previous years as a result of improved confidence and relatively high interest rates in U.S. dollar terms (given exchange rate expectations). The stock of NIR of the BCV doubled during 1996 to US\$12 billion.¹² The public sector settled external arrears amounting to about US\$0.6 billion.

¹²In addition, foreign reserve assets of the FIV also increased, as a large part of the proceeds from the sale of shares of the telecommunications company was placed abroad.

28. The external current account surplus fell markedly in 1997 (to 6¼ percent of GDP) as private demand recovered, the non-oil fiscal deficit widened, and the bolivar appreciated in real terms. The value of oil exports was broadly unchanged as lower oil export prices were offset by a strong increase in oil export volume, and imports rose by 29 percent. Direct foreign investment surged on account of strong private investment in the oil sector—including inflows associated with the sale of operating rights—and privatization. The current account surplus and long-term capital inflows were offset partly by sizable short-term private portfolio outflows, particularly in the latter part of the year, as confidence weakened and interest rates fell.¹³ The NIR of the BCV rose by US\$3½ billion during 1997.

29. A debt redemption fund was approved in December 1997. Its sources of financing are net privatization proceeds and excess oil revenues accruing to the central government (relative to budgeted amounts) due to higher than anticipated oil export volumes.

D. Structural Policies

Privatization

30. The government sold 40 percent out of its remaining 49 percent stake in the telecommunications company (CANTV) in November 1996.¹⁴ The proceeds from the sale amounted to about US\$1 billion, of which US\$240 million were raised from sales to Venezuelan residents.

31. Preparatory work for the privatization of the large steel and aluminum industrial concerns in the Guayana region under the CVG holding¹⁵ was undertaken in 1996 and early 1997. Congressional approval for the sale of the state-owned steel company *SIDOR*¹⁶ was secured in December 1997, and the enterprise was auctioned later that month for US\$1.2 billion. The government expects to sell the aluminum companies by mid-1998. Preparatory work is underway for the sale of some regional electricity distribution companies in 1998.

¹³In September 1997 Venezuela exchanged US\$4.4 billion in collateralized Brady bonds due in the year 2020 for US\$4 billion in unsecured 30-year global bonds. The global bonds were priced at 325 basis points over the benchmark 30-year U.S. Treasury bill. The swap operation released US\$1.3 billion in collaterals.

¹⁴*Compañía Anónima Nacional Teléfonos de Venezuela*. The government's majority stake in the company had been sold in 1991.

¹⁵*Corporación Venezolana de Guayana*.

¹⁶*Siderúrgica del Orinoco, S.A.*

The banking system¹⁷

32. Although problems still persist, conditions in the banking system—as measured by solvency ratios and by indicators of portfolio quality—have improved, although some deterioration was observed in 1997 compared to 1996. Reprivatization and increased foreign participation have increased competition in the financial system, and banking supervision has improved. However, basic underlying banking problems—such as high operational costs—persist, and there is a need for further substantial strengthening of prudential regulation and supervision.

33. Financial assistance to the banking system in 1996–97 was negligible. FOGADE (the deposit insurance agency) sold all the banks nationalized in 1994–95 and auctioned a number of companies, properties, and other banking assets which had been taken over during the banking crisis.

Reform of the severance payments and social security systems

34. As consensus developed on the need to overhaul the costly and outdated severance payments system, in June 1997 congress approved a reform of the Labor Law in line with proposals on severance payments reform put forward by a commission of business, labor, and government representatives.¹⁸ The reform eliminated the double indexation features of the old system and reduced uncertainties and distortions in the labor market. However, it did not lower labor costs significantly and, under certain conditions (such as low inflation), the new system could be more costly than the old one.

35. The reform of the severance payments system has significant medium-term fiscal costs. Nonrecurrent costs arise from the need to settle the stock of severance liabilities accumulated under the old system (including capitalized interest), which in the case of the general government¹⁹ are provisionally estimated at about 8½ percent of 1997 GDP.^{20,21} Recurrent

¹⁷See section 2 for an update on the situation of the banking system.

¹⁸The reform of the severance payments system is discussed in detail in section 3.

¹⁹The general government comprises the central government, state and municipal governments, and decentralized government agencies.

²⁰Some of these costs were implicit in the previous system, but actually materialized only when workers retired.

²¹The reform contemplates the settlement of severance benefits accumulated under the old system through June 1997 plus a special transfer bonus over a period of five years. The

(continued...)

fiscal costs stem from the conversion of most remaining bonuses into regular salaries in 1998, (which gives rise to additional labor costs) and from the need to make annual severance payments equivalent to two months of employees' salaries.

36. A new social security law was approved by congress in late 1997, setting out a blueprint for a new system comprising three subsystems: old-age pensions, health insurance, and unemployment insurance. The operational features of the new subsystems are still under discussion, and will be set out in separate bills. The new pension system would be mixed, involving a state-run "solidarity" fund which will provide a guaranteed minimum pension partially financed with transfers from the budget, and a privately managed defined-contributions component. Current and future benefits accruing to existing pensioners and to those who may become eligible within the next two years will be financed by the state. Health care provision will be separated from health insurance. Participants' contributions will finance the purchase of basic insurance plans from private insurance companies; these plans will allow contributors to receive health care services from authorized service providers. During the next two years, health care facilities currently owned or administered by the IVSS will be sold or transferred to other entities, including local governments. At the same time, a new unemployment insurance fund will be created, financed by workers' contributions supplemented by government transfers, if required.

Social safety net²²

37. The resources allocated to the social safety net were significantly enlarged in 1996, rising from ½ percent of GDP in 1995 to 1½ percent of GDP. The most important initiative was the consolidation of a number of existing benefits into a new benefit, the "family subsidy," which was doubled in April 1996. At the same time, a transportation subsidy was introduced to forestall an increase in urban and suburban transportation fares following the adjustment of fuel prices, and in May 1996 old age pensions paid by the IVSS to pensioners with no other sources of income were doubled. Spending on the social safety net declined by ¼ percentage point of GDP in 1997 as some benefits lagged behind inflation.

38. The social safety net helped mitigate the impact of the adjustment measures implemented in 1996 on a number of vulnerable social groups. Nonetheless, the safety net suffers from important shortcomings. Some programs are not well targeted; there is a need to reach poor households not covered by existing programs; a number of overlapping programs

²¹(...continued)

government intends to settle its severance debt in part by issuing nonnegotiable bonds of various maturities to its employees. While the issue of the bonds will take place within the five-year period required by the law, the schedule for the redemption of these bonds extends beyond that period.

²²See section 4 for a discussion of the main elements of the social safety net.

could be consolidated; and the cost effectiveness of some programs needs to be enhanced. Presently, the government is implementing initiatives to update social statistics which should allow a better targeting of social assistance.

Public sector restructuring and governance

39. Some preliminary steps have been taken toward public sector reform. In particular, a presidential committee for the restructuring of the central administration has been set up, to oversee the restructuring of public sector entities, the elimination of redundant agencies, the revision of systems and procedures, the privatization of institutions and functions, and the decentralization of activities to the states. Moreover, ministries have begun to implement restructuring plans involving downsizing and decentralization.

40. Also, some initiatives are being implemented to improve governance. In particular, congress has approved legislation reforming the Penal Code, aimed at improving the judicial security, simplifying the trial process and enhancing its transparency, and improving the enforceability of contracts. In addition, with technical assistance from the World Bank, the government is implementing a plan to improve judicial infrastructure and strengthen the training of judges. In the area of customs, measures are being taken to reduce evasion, and congress is expected to approve a new customs law that will modernize customs administration.

The electricity sector

41. Over the last few years, state-owned utilities in the electricity sector have registered deficits and have relied on transfers to finance capital expenditure and meet debt service obligations. The deficits have been due to inadequate tariff levels, excessive employment, and weak management. At the same time, investment in transmission and distribution has been insufficient, and the lack of a transparent regulatory environment has affected the efficiency of the sector and hampered privatization initiatives.

42. In the absence of adjustments since 1994, by mid-1996 electricity tariffs had fallen well behind the increase in costs, and residential tariffs (which are cross subsidized by higher commercial and industrial tariffs) appeared to be particularly out of line. To address these problems, electricity rates were raised on three occasions in 1996, with cumulative increases ranging from 60 to 135 percent depending on the utility. The last tariff increase in 1996 raised residential charges by more than other tariffs, as a first step toward reducing cross subsidies. In June 1997, following cost studies carried out by the utilities, tariffs were increased further by about 25 percent and cross subsidies were reduced. Subsequently, monthly increases averaging some 5 percent a month were implemented through end-1997. In April 1998 the government took the decision to freeze tariffs for the remainder of the year.

43. In April 1997 the government submitted a draft electricity law to congress aimed at improving the regulatory framework. The draft law seeks to establish an independent

regulatory body, separating the functions of the state as owner of utilities and as regulator of the sector. It also seeks to remove obstacles for the privatization of utilities in the sector, *inter alia* by clarifying the division of responsibilities between the central government and the municipal authorities regarding the concession of electricity services. As part of the initial moves to restructure the sector, CADAPE²³—the main electricity distribution company—has taken measures to rationalize employment and improve invoicing and collection procedures.

The domestic fuel market

44. Legislation enacted in 1973 established a state monopoly over the sale of hydrocarbon fuels in the domestic market, and granted the government authority to set domestic prices administratively. In June 1997 the government submitted to congress a draft law abolishing the state monopoly on the marketing of liquid hydrocarbon products, and allowing free competition and market determination of prices. The draft law incorporates provisions for a transition period of one year, during which private participants will be able to enter the market, but the government will still control transportation and marketing margins. Pending approval of the law, PDVSA has been authorized to give the operation of gasoline stations in concession to private operators.

45. In June 1997 a decree was issued setting forth a schedule of adjustments for domestic natural gas prices for existing users through end-1998. Under the scheme, gas prices—which had remained unchanged for several years—are scheduled to reach short-run marginal cost levels by end-1998. The required cumulative increase in gas prices in U.S. dollar terms is estimated at seven times the initial price. New users already face the target price.

II. AN UPDATE ON THE BANKING SYSTEM

46. This chapter summarizes banking system trends. Recent developments in the banking system are described in section A; the financial condition of the system is analyzed in section B; recent developments in banking supervision and regulation are presented in section C; the last section sets out the main outstanding issues.

A. Recent Developments in the Banking System

47. The structure of the Venezuelan banking system changed substantially in the immediate aftermath of the 1994–95 banking crisis. First, the crisis led to the intervention, closure or nationalization of 19 commercial banks accounting for about 55 percent of total

²³*Compañía Anónima de Administración y Fomento Eléctrico.*

deposits of the banking system at end-1993.²⁴ Second, financial disintermediation was reflected in a decline in commercial banks' total assets from around 35 percent of GDP in 1993 to 20 percent of GDP in 1996. Third, the asset structure of banks shifted toward public sector securities, while credit to the private sector contracted significantly due to a decline in the demand for credit (associated with uncertainties about the course of economic policies) and to a more conservative approach to lending by banks.

48. In 1997 money and credit to the private sector recovered rapidly. Broad money rose by 18 percent in real terms (Figure 1A). Narrow money currently accounts for more than 50 percent of broad money, compared to 25 percent before the banking crisis. Commercial banks' credit to the private sector rose by 66 percent in real terms in 1997 (after falling by 9 percent in 1996), in a context of negative real interest rates, a recovery in economic activity, and changes in banks' business strategies encouraged by stronger competition.²⁵ The share of credit to the private sector in total assets rose from 35 percent in December 1996 to 53 percent in December 1997, while credit to the public sector (including holdings of central bank securities) fell from 30 percent to 16 percent during the same period (Figure 1B).²⁶ The structural shift toward longer-term assets and a shorter average maturity of deposits increased the liquidity risks in the banking system. Interest rate spreads averaged 14 percentage points in the second half of 1997 (compared to 11 percentage points in the first half), partly as the result of higher reserve requirements on bank deposits²⁷ (Figures 1C and 1D).

49. Since the implementation of the macroeconomic adjustment program in April 1996, changes in the structure of banking system have included the reprivatization of nationalized banks; increased participation of foreign banks; and the consolidation of the system through the establishment of universal banks.

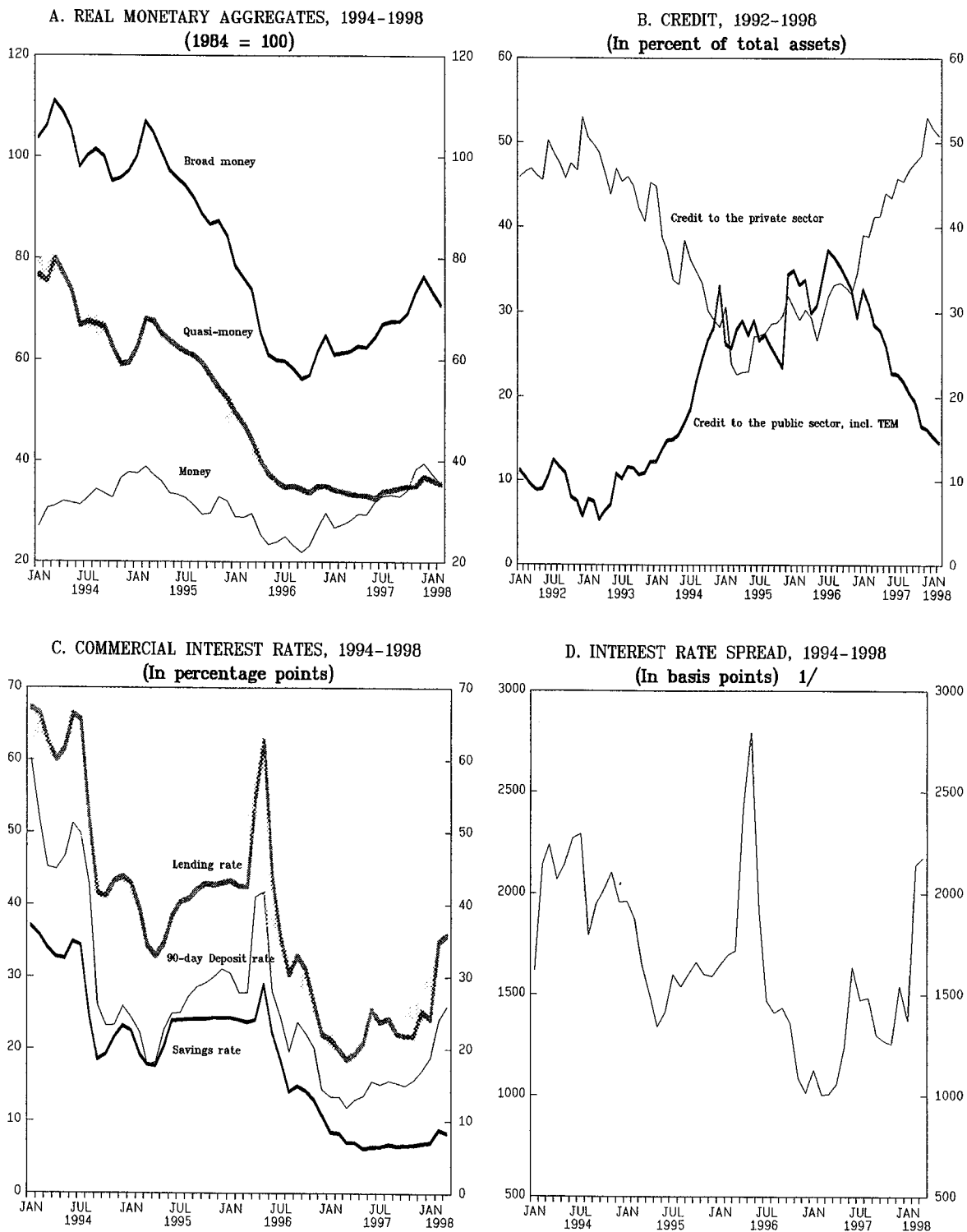
²⁴For a discussion of the banking crisis see SM/95/39 (2/17/95) and SM/96/157 (6/28/96).

²⁵ Around 90 percent of total financial system assets and deposits are held by commercial banks (commercial and universal banks since December 1996).

²⁶The structure of credit shifted somewhat toward consumer and mortgage credit during 1997. In January 1997 credit to businesses constituted 78 percent of total credit to the private sector, while the shares of consumer and mortgage credit were 20 percent and 1 percent, respectively. In December 1997 these shares were 74 percent, 23 percent, and 3 percent, respectively. Consumer and mortgage credit tend to have longer maturities than commercial and corporate loans.

²⁷Reserve requirements were raised in two steps, from 12 percent to 15 percent in July 1997, and to 17 percent in August. Unlike the first increase, however, the additional reserve requirement introduced in August 1997 is remunerated at market deposit rates.

Figure 1. Venezuela: Interest Rates, Monetary Aggregates and Commercial Banks' Credit



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

1/ Lending minus a weighted average of time and savings deposit rates.

50. Between December 1996 and December 1997, FOGADE completed the sale of all the banks that were nationalized during the crisis. This included Banco de Venezuela, Banco Consolidado, Banco Tequendama, Banco Popular, Banco Andino, Banco República, and Banco Latino. Banco Santander from Spain acquired Banco de Venezuela, the third largest bank in terms of assets; a Chilean investment group purchased Banco Consolidado, while Peruvian and Colombian investors acquired Banco Tequendama and Banco República.²⁸ Foreign banks have also expanded their participation in the private banking system;²⁹ they now control around 40 percent of the banking system's total assets. The presence of foreign banks has fostered competition and is expected to contribute to the strengthening of the system and to the reduction of systemic risk.

51. Universal banks can perform all the operations authorized to specialized financial institutions such as commercial banks, mortgage banks, savings and loans companies, investment banks, and leasing companies. Since November 1996 the authorities have approved the establishment of 10 universal banks. These banks have arisen largely from the merger of specialized institutions belonging to the same financial group, leading to a reduction in the number of financial institutions from 124 in December 1996 to 106 in December 1997. In December 1997 universal banks accounted for around 55 percent of the total assets of the system. The advent of universal banks is expected to lead to a better allocation of resources, a larger capital base, lower operational costs, and higher productivity; and will facilitate the comprehensive supervision of financial groups.

B. The Financial Condition of the Banking System

52. According to bank reports submitted to the Superintendency of Banks and Financial Institutions (SBIF), the condition of the banking system has improved since 1995. However, there was some deterioration in 1997 compared to the previous year, partly due to a rapid expansion of credit to the private sector. The recovery of the banking system has not been even, and some banks still report capital levels that are barely above the minimum requirement of a risk-weighted capital-to-asset ratio of 8 percent and a capital-to-asset ratio of 6 percent.

53. At the onset of the macroeconomic adjustment program in April 1996, there were concerns about the impact of the liberalization of the external capital account and interest rates on the solvency and profitability of the banking system. In the event, these concerns did not materialize for a number of reasons. First, the devaluation of the bolivar increased bank

²⁸The branches of Banco Latino—the bank whose collapse triggered the banking crisis in early 1994 and the first to be nationalized (April 1994)—were sold to other private banks. The remaining assets of Banco Latino will be liquidated once pending lawsuits are settled. Banco Popular and Banco Andino were merged and sold to Banco Provincial.

²⁹In December 1996 Banco Bilbao Vizcaya acquired the controlling stake of the largest bank, Banco Provincial.

profits because banks held long positions in foreign assets. Second, controls on interest rates were abolished before the liberalization of the external capital account and the unification of the exchange rate, allowing banks to increase interest rates substantially helping to avert a withdrawal of deposits and contributing to a surge in capital inflows. Third, banks took advantage of substantial net placements of BCV securities with yields higher than the remuneration offered on their deposits. Fourth, initially banks widened their interest rate spreads which allowed them to mitigate the potential costs of the maturity mismatch.³⁰

54. Financial indicators of commercial banks show an improvement since 1995, but some deterioration in 1997. The risk-weighted capital-asset ratio rose from 13 percent in December 1995 to 18 percent in December 1996 but declined to 16 percent in December 1997 (Figure 2A), in the wake of the rapid growth of credit in 1997.^{31,32} The asset quality reported by banks improved significantly due to an extensive process of loan write-offs. The share of nonperforming loans³³ as a proportion of the loan portfolio of commercial banks fell from 12 percent at end-1995 to 7 percent at end-1996 and to 4 percent at end-1997 (Figure 2B). However, loan-loss provisions, which were equivalent to around 100 percent of nonperforming loans in 1996 and the first half of 1997, deteriorated to around 90 percent of nonperforming loans in the second half of 1997.

55. As a result of the devaluation of the bolivar in April 1996 (banks held long positions in foreign exchange) and higher interest rate spreads, profits relative to net worth rose significantly during 1996.³⁴ Commercial banks' net profits climbed from 54 percent of average net worth in 1995 to 94 percent in 1996 (Figure 2C). In 1997 this ratio fell to 35 percent due to a reduced incidence of extraordinary profits and lower interest rate spreads.

³⁰ The spreads quoted are measured as the difference between the average lending rate and a weighted average time and saving deposit rate for the six largest banks of Venezuela.

³¹ Government securities are assigned a zero-risk weighting. As banks reduce their holdings of these assets to increase lending, the capital to risk-weighted assets ratio falls.

³² The capital levels of saving and loan institutions increased sharply in 1997 following their transformation into limited liability societies. The capital of these institutions doubled between December 1996 and September 1997, and the capital-asset ratio rose from 7 percent to 9 percent.

³³ These include past due loans, loans under litigation, restructured loans, and interest receivables.

³⁴ In an effort to strengthen the solvency of financial institutions, the SBIF required banks to set aside the unrealized foreign exchange profits in a special reserve account.

56. The banking system suffers from high operating costs which contribute to large interest spreads. Non-interest expenses of commercial banks have amounted to around 13 percent of average earning assets since 1994, a high level by international standards (Figure 2D).³⁵ High non-interest expenses result from an excessive number of banks and bank branches, the contribution to FOGADE (2 percent of deposits), low levels of monetization, and overstaffing.

C. Recent Developments in Banking Supervision and Regulation

57. Bank supervision has improved (especially on-site supervision), but it needs to be strengthened further. On-site inspections are mainly focused on the preventive identification of risks with the support of preliminary inspections (which lay out the structure of financial groups and their related nonfinancial companies) and a set of comprehensive financial indicators. The SBIF is also improving off-site surveillance and analysis; a surveillance department has been set up and a new report system for banks is being developed.

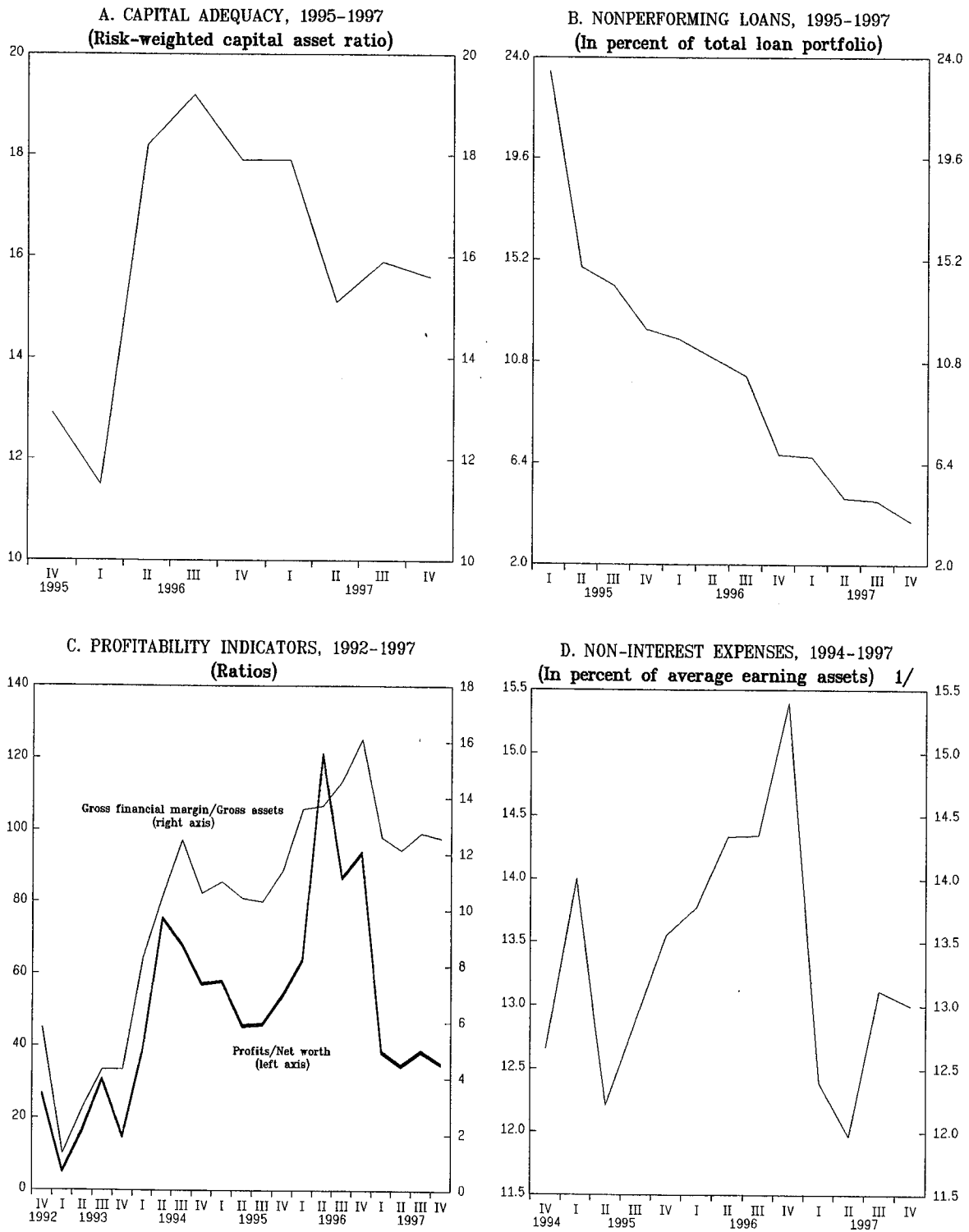
58. As regards prudential regulation, the introduction of a new chart of accounts in July 1996 represented a major advance in the area of accounting standards. The chart meets international standards in terms of the definition of relevant concepts and accounting practices, and reduces the scope for ambiguous interpretations. It also requires financial institutions to "mark to market" temporary and permanent investments, including holdings of public securities, and to make provisions for differences between face value and market value in the balance sheet. In addition, the SBIF has imposed a generic 2 percent provision on banks' investment portfolio to help them cover market risks.

59. Against the background of the large increase in credit operations registered in 1997, in January 1998 the SBIF issued minimum guidelines to financial institutions for the approval, management, and surveillance of consumer credit operations. New regulations to strengthen the classification of the loan portfolio by making loan categories dependent on the creditworthiness of borrowers, rather than on their collaterals were issued in April 1998. The SBIF also plans to operate the credit-risk bureau starting in 1998 to monitor the solvency of borrowers, classify loans consistently across banks, and provide banks with additional information on the creditworthiness of prospective borrowers.

60. Also, effective November 1997 the SBIF issued new norms to combat money laundering operations in the Venezuelan financial system. The new norms require financial institutions to establish internal control mechanisms and to report to the SBIF transactions above Bs 4.5 million (US\$8,400).

³⁵ According to a study by *Santander Investment*, in the first half of 1997 the average ratio of non-interest expense to average earning assets in Latin America was 9.6 percent.

Figure 2. Venezuela: Commercial Banks' Indicators



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

1/ Include operating expenses, labor costs and transfers to FOGADE/SBIF.

61. Effective August 1997, the BCV reduced the limit on banks' net open foreign exchange positions from 30 percent to 25 percent of net worth. However, this regulation does not cover the net foreign exchange position of banks' foreign branches, potentially enabling them to circumvent the prudential limit set by the central bank.

D. Main Outstanding Issues

62. Recurrent macroeconomic shocks (currently lower oil export prices and higher interest rates) call for the strengthening of the banking system to avoid potential liquidity and solvency problems. As noted above, currently deposits are concentrated at the short-term end of the maturity range, credit to the private sector represents more than 50 percent of commercial banks' total assets, and there is no deep interbank market or a developed secondary market for government and BCV bills.

63. Monetary instruments need to be improved. In particular, the BCV needs to introduce short-term repurchase and reverse-repurchase agreements between banks and the BCV, as well as an electronic book-entry system in order to facilitate the use of government securities in repos, reverse repos, and as collateral in the interbank market.

64. Higher interest rates and slower growth in economic activity could lead to increases in the nonperforming loan portfolio. The quality of credit, especially mortgage and consumer credit, can deteriorate rapidly when its expansion has taken place in the context of negative real interest rates and excess liquidity in the system, and subsequently market conditions deteriorate. As mentioned above, the SBIF has already taken some measures to strengthen the management and monitoring of credit risk. However, recurrent macroeconomic shocks in Venezuela call for capital adequacy ratios above international standards.

65. The banking system needs to reduce its operating costs and increase efficiency. There has been some progress in this area with the advent of universal banks and investments by larger banks in technology and information systems. However, further consolidation in the banking system is needed to improve efficiency and streamline employment.

66. Recent improvements in banking supervision notwithstanding, a number of weaknesses need to be addressed. Currently, there are no established procedures for the consolidated supervision of financial groups and of the offshore operations of Venezuelan banks, and for the monitoring of connected lending and credit. In addition, the SBIF suffers from institutional weaknesses that hamper its supervisory effectiveness. Currently, the SBIF is implementing a three-year institutional development program with assistance from multilateral institutions. Main tasks include specifying a supervisory model in line with the Basle Core Principles for effective bank supervision, finalizing and implementing a new inspection manual, developing the surveillance function, introducing accounting norms based on international standards, updating the regulation on external auditors to reinforce their role as a complement of the SBIF, and strengthening the training of staff.

67. Banking legislation needs to be updated so that the financial emergency legislation, in place since 1994, can be lifted. The conditions for the efficient entry and exit of financial institutions, including powers to deal with banking institutions in distress, should be strengthened. Unregulated banking operations (trust funds, money market funds, and other off-balance sheet items) should be brought under the prudential regulatory framework. The various functions and responsibilities of the different bodies and agencies undertaking banking supervision tasks should be clarified.

68. There also is a need to establish an appropriate deposit insurance fund and to recapitalize and restructure FOGADE for this purpose. Following the provision of financial assistance during the banking crisis, FOGADE was assigned the tasks of privatizing nationalized banks and valuing and selling the assets of closed and intervened banks. FOGADE has made progress in those areas, but its sizable financial liabilities to the BCV compromise its financial position and do not allow for the constitution of a deposit insurance fund and for a gradual reduction in the deposit insurance fee to international levels (around ½ percent).

69. Looking ahead, the reform of the social security system and the introduction of private pension funds will have a major bearing on the financial system. The reform, which is expected to foster the development of the capital market in Venezuela, will entail setting up an appropriate regulatory and supervisory framework to promote the proper functioning of pension funds.

III. REFORM OF THE SEVERANCE PAYMENTS SYSTEM

70. In October 1996 a Tripartite Commission composed of representatives of business, labor, and the government was established with the purpose of seeking a consensus on a possible reform of Venezuela's severance payments and social security systems. The Commission reached broad agreements in March 1997, and the first legal reform to emerge was that of the severance payments system, which went into effect in June 1997.

A. The Old System of Severance Payments

71. The old severance payments system was established in 1974 after the first oil export boom. Under this system, the benefit payable to a worker upon termination of employment was the product of the number of years he had been with his current employer and his last monthly salary. Employers were required to maintain reserves equal to these amounts (they could be held in the form of debit entries in the employer's books). Because these reserves—the "severance accounts"—had to cover accrued benefits equal to one monthly salary per year of service, they were effectively indexed to the worker's nominal salary. This form of indexation was called the *recálculo*. In addition, the balances of the severance accounts earned interest at a rate set by the central bank taking into account the nominal rates paid by the banking system (employees had the right to receive the interest earned by their

severance accounts in cash once a year, but could choose to have it capitalized). Thus, the accrued severance rights embodied in the severance accounts were compensated for inflation twice: first, via the *recálculo* based on nominal wage increases, and a second time via the requirement that they earn interest at a nominal rate. This was described as the “double indexation” of severance benefits.

72. Workers were allowed to pledge the resources accumulated in their severance accounts as collateral when borrowing to finance certain housing and educational expenses. The funds could be borrowed from employers or from a financial institution, in which case the employer would extend guarantees regarding the severance rights being pledged as collateral. Upon termination of employment, a worker was entitled to the unused part of his severance benefits.

73. The law gives workers the right to additional benefits in cases of “unjustified” firing (in particular, economic restructuring is not grounds for justified dismissal). Before the reform, the additional indemnification for unjustified dismissal was equal to the normal severance payment. Although the law did not require it, two monthly salaries per year of service were often paid at the time of normal retirement too.

B. Some Shortcomings of the Old System of Severance Payments

74. Under the old system, accrued severance rights—the reserves held in severance accounts—were revalued following nominal wage increases, and were remunerated at a nominal rate similar to that offered by the commercial banks. Under this “double indexation” mechanism, an important component of the real cost of labor could increase with inflation, and the effect became more pronounced the longer an employee had been with a firm (Box 1). Therefore, double indexation could raise the cost of labor, and made it difficult to estimate and control the effective wage bill.

75. The efforts of employers to reduce the effects of the double indexation of severance benefits could be seen in the patterns of labor turnover and in changes in the composition of workers’ remuneration. High turnover was encouraged, with some firms firing (and then recontracting or replacing) workers every year, thus avoiding the increase in a worker’s length of service. However, firms involved in activities requiring the development of human capital on the job could not adopt this practice. Unskilled workers were easily fired and then rehired or substituted, while medium- and high-level managers and specialized professionals tended to accumulate longer service histories, skewing the distribution of benefits in favor of the latter groups.

76. Because the *recálculo* revalued the severance account at the rate of nominal salary increases, the old severance payment system encouraged the containment of nominal salaries. In the high inflation environment of recent years, this contributed to the reduction of the real salary component of payments to workers, and to the proliferation of bonuses and other non-salary payments. By early 1997 the statutory minimum salary was Bs 15,000 (equivalent to

Box 1: Venezuela: Effects of the Double Indexation of Severance Benefits

The following table illustrates the costs of the double indexation of accrued severance benefits under the assumption of a constant real salary. For simplicity, it is assumed that a severance account has been opened in a bank. Each entry in the table indicates how much an employer would have to deposit into his worker's severance account at the end of a given year, measured in months of salary, based on the worker's years of service as of the start of the year and on the inflation rate, assumed to be reflected in the nominal salary increase granted during the year. For example, the bottom-right entry indicates that an employer would have to deposit 5.3 monthly salaries into the account of a worker who had been with his firm for 15 years at the beginning of the year, if inflation reached 40 percent and this were reflected in the salary increase. This is explained as follows. Assuming a starting salary of Bs 100, the opening balance of the severance account would be Bs 1,500; with constant real wages and 40 percent inflation during the year, at the end of the year the salary would be Bs 140. Thus, the ending balance of the account should be Bs 2,240 (16 times Bs 140). The law required that the interest paid by the bank on the initial balance be given to the worker in cash, and so it could not be used to increase the balance of the account. Thus, in order to meet the target balance for the end of the year, the employer must deposit Bs 740 into the account, an amount equal to 5.3 times the new salary of Bs 140. The rest of the table is computed in the same way.

Venezuela: Severance Rights Accrued During One Year:
Various Tenures and Inflation Rates

(In multiples of a monthly salary)

Inflation	Years of Service			
	2 Years	7 Years	11 Years	15 Years
10 percent	1.2	1.6	2.0	2.4
20 percent	1.3	2.2	2.8	3.5
30 percent	1.5	2.6	3.5	4.5
40 percent	1.6	3.0	4.1	5.3

The correlation between inflation and real labor costs—understood as the sum of the constant real salary and the real cost of the deposits into the severance account made during the year—can be seen by reading down any column. This effect becomes stronger with longer service histories, as can be noted by reading across any row. Employers would like to move up and to the left on the table to reduce their labor costs. They move up by letting salaries lag behind inflation, and they move left by increasing labor turnover.

US\$32); but the minimum remuneration package, including all mandatory bonuses, had reached a total of Bs 53,000.³⁶ The deterioration of the real salary contributed to the collapse of the social security system, as contributions are calculated only on the salary component of remuneration.

C. Severance Payments and Labor Liabilities of the Public Sector

77. The system of severance benefits had some special features in the public sector. Interest on the accrued severance benefits of most public sector workers was not paid in cash (i.e., the interest was in fact capitalized). Moreover, the accrued severance benefits of government employees did not have to be funded (some public enterprises had established trust funds, though). The severance rights which had been accrued by general government employees at the time of the reform (June 1997) are estimated by the staff at some 4½ percent of 1997 GDP;³⁷ the total implicit severance debt of the general government, including capitalized interest and a “transfer compensation” explained in the following section, are estimated at about 8½ percent of 1997 GDP (Table 1).

Table 1. Venezuela: Implicit Severance Liabilities of the General Government as of June 1997^{1/}

(In percent of 1997 GDP)

	National Government	Local Governments	Total
Total	7.1	1.3	8.4
Accrued severance rights (as of June 1997)	3.7	0.7	4.4
Transfer compensation	1.6	0.3	1.9
Capitalized interest	1.8	0.3	2.1

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

^{1/} Estimates gross of any advances or loans that may have been made to employees.

³⁶ Some private sector employers saw this restraint of the salary component of remuneration as an unsustainable strategy, because unions might eventually claim benefits on the non-salary part of worker's earnings.

³⁷ Because of the large salary increase awarded to government employees in early 1997, the accrued severance liabilities of the general government rose from 3½ percent of GDP in 1996 to 4½ percent of GDP in 1997.

78. The data reported above have been estimated on the basis of aggregate employment, salary, and tenure figures. At present, no precise information exists regarding the benefits accrued by individual employees, or the loans or advances received against those benefits. The Central Office of Personnel is conducting a census of labor histories of general government employees, and expects to be able to provide personal account statements to individual employees in the second half of 1998.

79. Accumulated severance rights became a heavy separation cost to the government, hampering the rationalization of employment. Personnel transfers sometimes give rise to the need to pay severance benefits too. Thus, the inability of central government entities to pay severance hindered the decentralization of responsibilities to local governments.

D. The New System of Severance Payments

80. Under the new severance payments system, employers must make monthly deposits into their employees' severance accounts equal to five days of salary, for a total of two monthly salaries per year (Box 2). Starting in 1998, the size of these deposits will begin to increase with time of service under the reformed system, until their annual sum reaches the equivalent of three monthly salaries for workers with 15 years of service or more under the new system (that is, the maximum payment of three monthly salaries per year will not be made until the year 2012). As before, interest earned on the account accrues to the employee. Upon retirement or separation, workers receive the amounts accumulated in their accounts. Except in those cases considered "justifiable" by the law, involuntary separations also give rise to an additional compensation package consisting of two components: (i) an indemnification equal to one monthly salary per year of service up to a limit of five monthly salaries, and (ii) a special payment of up to three monthly salaries which substitutes for the obligation to give notice (the "forewarning" payment).

81. The circumstances in which workers may borrow from their severance accounts were extended to include certain medical expenses. Although firms are still allowed to keep severance accounts in their books, the new law gives employees the right to demand that their severance benefits be deposited in financial institutions.

82. In addition to modifying the severance system, the reform of the labor law introduced some restrictions on the composition of labor earnings. Before the reform, the concept of "salary" was defined in somewhat imprecise terms, and this permitted the reduction of the share of salaries in total remuneration packages. Under the reformed law, no less than 80 percent of an employee's remuneration must be counted as "salary."³⁸

³⁸Following the approval of the reform of the labor law, all bonuses which were part of the statutory minimum income package were incorporated in the statutory minimum wage.

**Box 2. Venezuela: Key Features of the Old and
New Systems of Severance Benefits**

	Old System	New System
Benefits accrued each year	One monthly salary, plus the "retroactivity," defined as $R = (Y-1)*(\Delta W)$, where Y is "years of service" and ΔW is the nominal increase in the monthly salary during the year.	60 days of salary in 12 monthly installments; after the first year of the reform, the number of days increases by two days per year of service under the new law, up to a limit of 90 days in total.
Interest	Nominal; on the stock of accumulated entitlement net of advances (see below). The BCV sets the rate based on the deposit rates in the banking system.	Nominal; on the stock of accumulated entitlement net of advances. Interest rates, based on those of the six largest banks, may be deposit rates, lending rates, or their average.
Additional payments upon separation	One monthly salary per year of service. Workers should be given notice proportional to their length of service; alternatively, notice time could be added to length of service for the computation of benefits.	One monthly salary per year of service, up to five monthly salaries. In lieu of notice, a worker receives a "forewarning" payment of up to three monthly salaries.
Early use of benefits	Up to the full amount of the accumulated entitlement can be pledged as collateral to finance housing and education expenses.	Up to $\frac{3}{4}$ of the accumulated entitlement can be "withdrawn" to finance housing, health, and education expenses; the full amount may be pledged as collateral.
Base for the computation of benefits	A monthly salary.	A monthly salary, which cannot be less than 80 percent of total normal remuneration.

83. The law requires the settlement, over a period of five years, of the severance rights accrued under the old system through June 1997, including capitalized unpaid interest. In addition, workers will receive a special bonus payment equal, for most employees, to the nominal severance benefits they would have been entitled to receive as of December 1996 (this payment is called the “transfer compensation”).³⁹ No estimate exists for the implicit severance liabilities of private sector employers. However, a survey⁴⁰ carried out by a private consulting group shortly after the enactment of the reform found that, on average, 80 percent of the employees of the firms surveyed had borrowed (or used as collateral) 70 percent of their accrued benefits, and had received interest payments on the rest in cash. As a consequence, the transfer compensation accounts for a large part of the outstanding net severance debt of the firms surveyed.⁴¹

84. In order to limit the impact on liquidity of the accelerated payment of old severance rights, the government intends to settle its severance debt in part by issuing nonnegotiable bonds of various maturities to its employees. While the issue of the bonds will take place within the five-year period required by law, the schedule for the redemption of these bonds extends beyond that period, and is consistent with keeping the cash payment of severance liabilities (including the amortization of the nonnegotiable bonds) at less than 1 percent of GDP per year.

E. Preliminary Assessment of the Reform

85. The reform has positive elements as well as some significant costs. First, the elimination of the double indexation of severance benefits removes the incentive to lay off workers and then rehire them, and thus the bias against sectors where the accumulation of firm-specific human capital is important. Also, by eliminating the link between the real value of severance entitlements and inflation, the reform reduces the uncertainty surrounding future labor costs. Second, the reform places a limit on the additional indemnification due in cases of “unjustified” firing. Third, the reform will help remove obstacles to the restructuring of the public sector. Fourth, the reform increases the share of salaries in total remuneration, which should in principle contribute to an improvement in the financial condition of the social security system.

³⁹That is, one monthly salary (at the December 1996 level) per year of service as of end-1996. For purposes of computing the transfer compensation, the length of service is capped at 13 years. There are also limits on the level of the monthly salary used for computation purposes.

⁴⁰*Hay Flash*, September 1997. It should be noted that the survey covered only 56 large companies, which included banks, brewing and bottling companies, food packagers, public utilities, and oil companies.

⁴¹The payment of the transfer compensation can be deducted from firms’ taxable profits.

86. Nevertheless, the reform has considerable up-front and recurrent costs. In the public sector, it reduces the maturity of implicit severance debt accumulated under the old system and it increases its current stock by the amount of the transfer compensation. The recurrent costs of the new system are large (two–three monthly wages a year), and if other components of labor compensation are rigid downward, they could increase labor costs, particularly under conditions of low inflation. In a high inflation scenario double indexation under the old system would have been costly, and the reform is likely to reduce the cost of labor. However, in a low inflation scenario only those firms with a relatively large proportion of workers with long service histories would save significant amounts. By contrast, labor costs for firms with a relatively large proportion of recently hired workers could be higher under the new system.

IV. POVERTY, INEQUALITY, AND SOCIAL EXPENDITURE

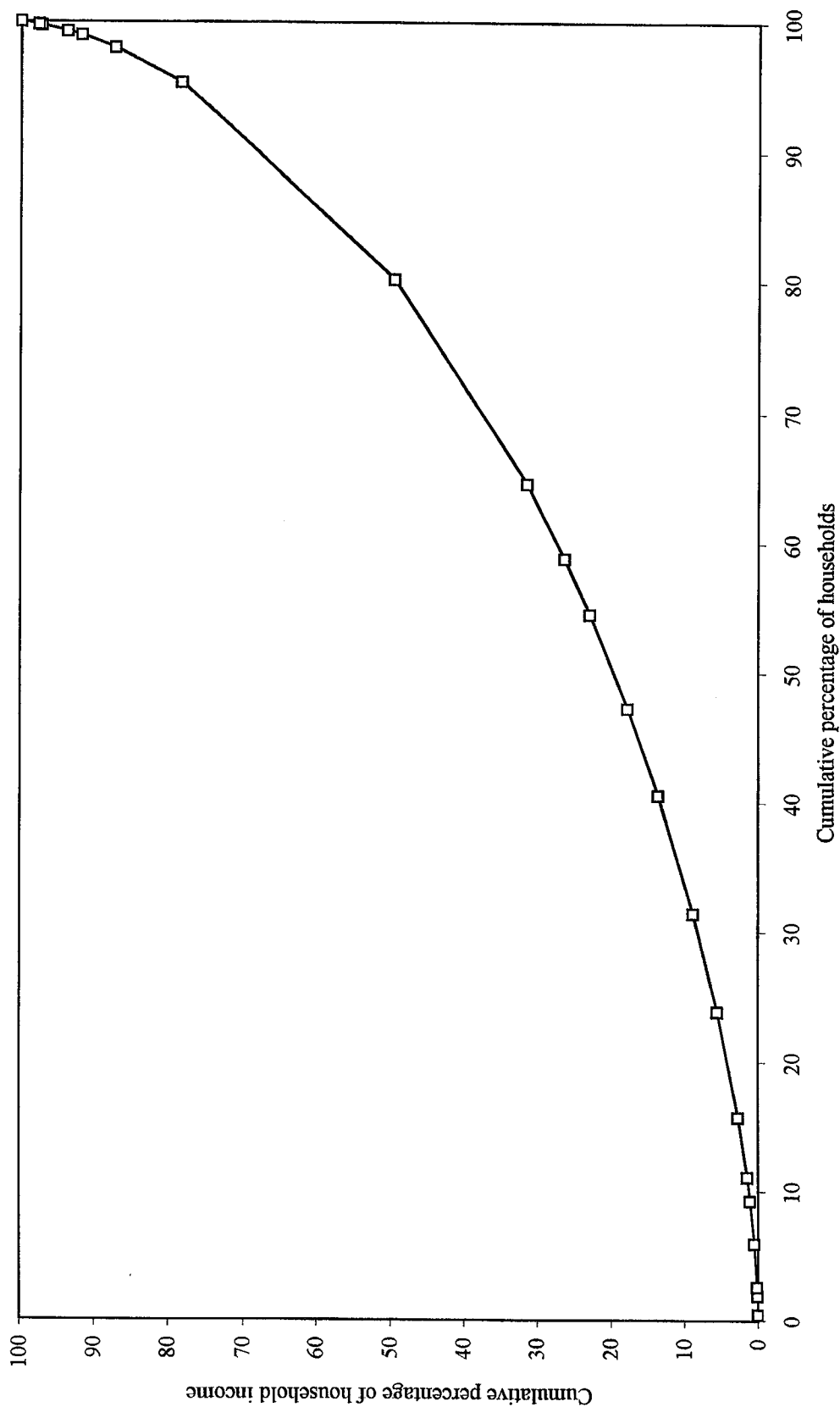
A. Poverty and Inequality

87. During the last three decades, social conditions in Venezuela have improved considerably: between 1965 and 1995, life expectancy at birth increased from 65 to 75 years for females and from 61 to 70 for males, while infant mortality rates fell from 65 to 31 per thousand live births. The percentage of children aged less than 5 years old suffering from malnutrition declined from 10 in 1982 to 6 in 1995; and the percentage of population having access to safe water rose from 75 in 1970 to 89 in 1993. In 1975 there was 1 physician for every 1,100 persons, and 1 hospital bed for every 3,000 persons—by 1990 these numbers had been reduced to 635 and 370, respectively. Improvements were also made in education, as evidenced by the fall of the illiteracy rate from 24 percent in 1971 to 9 percent in 1995. However, the long-term improvement in social conditions notwithstanding, income distribution continues to be very unequal and, during the last several years, poverty seems to have increased.

88. Venezuela's income distribution is very skewed.⁴² According to staff estimates based on official household survey data for 1996, while the top 20 percent of all households received just over half of total household income in 1996, the bottom 40 percent received less than 15 percent of total income (Figure 3). About one-third of all households reported monthly incomes of less than Bs 50,000 per month (about US\$106), and another third reported incomes of between Bs 50,000 and Bs 100,000. By contrast, about 1 percent of all households reported incomes above Bs 600,000 (about US\$1,275). Although there is evidence to suggest

⁴²The Gini index for the distribution of income in Venezuela was 54 percent in 1990 (Washington, World Bank, *World Development Report*, 1997).

Figure 3. Venezuela: Lorenz Curve for the Distribution of Household Income



Sources: Central Statistical Office; and Fund staff estimates.

that income inequality increased during the 1980s, it would seem that income distribution has not changed much between 1987 and 1996.⁴³

89. Poverty indicators show a worsening trend during the last 10 years. IESA, an independent research institute, has produced a consistent series of the proportion of households living in poverty, on the basis of data generated by the Central Statistical Office. These data show a gradual increase in the overall poverty rate from 39 percent in 1986 to 48 percent in 1995. The Central Statistical Office itself estimated that the proportion of the population living in poverty increased from 61 to 75 percent between mid-1995 and mid-1996; the percentage of households in extreme poverty is reported to have risen from 33 percent to 48 percent in the same period. According to estimates produced by *Datanálisis*, a private consulting firm, the proportion of the population living in poverty rose from 70 percent to 78 percent of the population between 1986 and 1996.⁴⁴

90. The increase in poverty in recent years seems to be mainly associated with a sharp fall in average real wages and incomes and an expansion of informal employment.⁴⁵ Following a deterioration in real income levels in the 1980s associated with the decline in oil prices, real wages are estimated to have fallen cumulatively by about 45 percent between 1990 and 1996. The share of the labor force employed in the informal sector was estimated at 49 percent in 1996.

91. Poverty is unevenly distributed geographically. According to the Ministry of the Family, poverty rates are lowest in the Federal District (34 percent) and its surrounding states. The highest incidence of poverty is found in regions bordering with Brazil, Colombia, and Guyana, where poverty ratios are as high as 60 percent. Access to basic services also varies among regions.

⁴³Estimates made by the staff on the basis of household survey data from the Central Statistical Office for 1996 are similar to those based on the 1987 and 1990 household surveys reported in G. Márquez and others, "Fiscal Policy and Income Distribution in Venezuela," in R. Hausmann and R. Rigobón, eds., *Government Spending and Income Distribution in Latin America* (Washington: Inter-American Development Bank, 1993). In particular, the shares of total household income received by the poorest and richest groups of households have remained relatively stable over the period.

⁴⁴Although the available data show an increase in poverty in recent years, the estimates should be interpreted with care, because large variations in the measures of poverty may also result from where the poverty line is drawn, due to the fact that a relatively large number of households are clustered around the poverty line.

⁴⁵The "informal sector" as defined by the Central Statistical Office comprises all establishments with five or fewer workers.

B. Social Safety Net

92. To improve the efficiency of social spending and to deal with the impact of its structural reform program, in 1989 the Pérez administration introduced its “Plan Against Poverty” (*Plan de Enfrentamiento a la Pobreza, PEP*) aimed at gradually phasing out most indirect subsidies and replacing them with targeted direct subsidies. Between 1989 and 1992, a number of programs related to health, nutrition, and education were developed within the context of the PEP. Some of these programs were direct cash or in-kind subsidies. After 1992 the funding for these programs declined. In 1996 the launch of the *Agenda Venezuela* included a social safety net component consisting of 14 social programs. Though some of these programs were newly created, the most important ones were strengthened versions of some of the existing programs of the PEP. The 14 social programs of the *Agenda Venezuela* vary greatly in their nature, including cash transfers, school lunches, neighborhood day-care centers, and a public transportation subsidy. Resources channeled through these programs rose from ½ percent of GDP in 1995 to about 1½ percent of GDP a year in 1996–97.

93. The most important of the social programs of the *Agenda Venezuela* is the “family subsidy,” a cash benefit delivered through the network of public grammar schools. Under this program, the families of some 3 million children attending public schools located in poor neighborhoods received a bi-monthly grant. At the end of 1996, the amount of the grant was Bs 9,600 per qualifying child (around US\$20); this amount is indexed to the consumer price index. This program represented close to half of the combined resources spent on social safety net programs in 1996, and almost 40 percent of the resources spent through October 1997. Though smaller, other programs considered important because of their focus on children and mothers are those which provide meals to school-children and day-care for the children of working mothers.

94. The social programs of the *Agenda Venezuela* are administered by a number of different government agencies, which gives rise to some degree of duplication, particularly in the case of food aid programs.⁴⁶ There have been repeated plans to consolidate overlapping programs, but progress has been slow because of political, legal, and financial difficulties. In addition, some programs suffer from high administrative costs.

95. A National Commission was created when the social safety net programs were launched to evaluate their performance measured against their own objectives. According to the Commission, the most effective programs are the family subsidy and the program to

⁴⁶The Ministry of Education manages the school meals program; the National Nutrition Institute, the school lunch program; the Ministry of Agriculture, the strategic nutrition program; and the Health Ministry, the mother-infant nutrition program.

distribute uniforms and school supplies to children in public schools.⁴⁷ Among the least effective is the training program for the young unemployed, which only reaches about 10 percent of its target population. In general, programs administered through the network of public schools are more effective than those delivered through other channels, such as the network of public clinics.

96. From a recent study commissioned by the Ministry of the Family, it is possible to estimate the coverage and targeting of selected social programs.⁴⁸ Although it is difficult to draw general conclusions regarding the programs of the *Agenda Venezuela* from the surveys in the study, it would seem that in a number of cases the programs have difficulty in reaching the intended beneficiaries. For example, in the Caracas survey only 42 percent of the respondents classified as poor reported receiving the family subsidy; the corresponding figures for the main school children nutritional program and for the day-care program were 7 percent and 4 percent, respectively. On the other hand, the data on leakage (the proportion of resources going to the nonpoor) suggest that the majority of the resources go to the poor. For instance, the share of the family subsidy going to the nonpoor in the three cities ranged from 13 to 21 percent; for the schools nutrition program, leakage ranged from 17 to 23 percent. Self-targeted programs seem to reach a larger proportion of the poor; for example, 45 percent of the poor benefit from the subsidy to public transportation in Caracas; however, a relatively large proportion of the subsidy (34 percent) goes to the non-poor.

97. The scarcity of relevant statistical information prevents a better quantitative assessment of the effectiveness of social assistance, measured not just against the programs' own goals, but against a measure of social needs. This makes it difficult to refine the criteria for targeting social programs. The Ministry of the Family has started work on a Social Survey for Venezuela, specifically designed to gauge the impact of social programs; final results from this survey are expected by November 1998. In the meantime, the Central Statistical Office and the BCV were planning to include in their household budget survey (carried out to update the basket for the consumer price index) some questions related to social assistance programs.

C. Spending on Education and Health

98. Budgetary allocations to the Ministry of Education (excluding those directed to provide social services) have fluctuated between 3¼ and 4 percent of GDP in recent years. This includes expenditure on education programs and administrative costs.

⁴⁷The latter, however, is underfunded, and during the last two years has only provided uniforms.

⁴⁸Ministry of the Family and Universidad Católica Andrés Bello, 1997: "*Encuesta de Opinión sobre los Programas Sociales*" (unpublished reports). The surveys were conducted in three cities and one rural area, and covered 1,370 households.

99. The central government devotes a large share of its education budget to the support of higher education. Central government resources assigned to higher education exceeded the amounts budgeted for pre-school, basic, secondary, technical, special and adult education taken together in each of the years 1993–96. The average expenditure per pupil in higher education budgeted for the 1995–96 school year was 6 times as much as the average budgeted for each basic education student; in 1996–97, the corresponding figure was 7.2.

100. Central government health expenditure rose from 1 percent of GDP a year in 1995–96 to 1½ percent in 1997. This increase reflects, among other things, an exceptionally high wage increase in the sector (physicians' remunerations were raised by 200 percent). It is expected that, as a result of the reform of the social security system currently administered by the IVSS, health expenditure of the central government will increase further, as the IVSS ceases to provide free services to non-contributors.

101. Over the last several years, the composition of spending on health by the central government has been changing, with transfers to the states making up an increasing share. This is due to the fact that, according to the decentralization law, the central government must in certain cases continue to finance decentralized activities. State governments also spend some fraction of their own income from shared revenues in health programs. The Central Budget Office estimated that the states spent ¼ percent of GDP from their own resources on these programs in 1997. Besides the central administration and the state governments, the IVSS has traditionally been an important provider of health services, not just for its 2.3 million contributors and their families, but for the population at large. But the finances of the IVSS deteriorated significantly over the last few years, hampering the institution's ability to provide health services. Currently, and as part of the effort to restructure the social security system, there are plans to transfer the health service facilities owned by the IVSS to other public entities.

V. RECENT DEVELOPMENTS IN TRADE POLICY

102. In 1989 the authorities undertook a comprehensive trade reform that involved the elimination of import prohibitions and licences on virtually all items (except for health or security reasons) and a major rationalization of tariffs, which reduced substantially the number of tariff bands and the average and maximum tariff rates.⁴⁹ In recent years, Venezuela has stepped up efforts to liberalize and simplify its trade regime mainly in the context of bilateral

⁴⁹ Until 1989 Venezuela had a tariff structure with 41 different rates, with about one-sixth of items subject to rates of 0–1 percent while one-fifth had rates of 80–135 percent; the (unweighted) average rate was 31 percent. Also, many items were subject to specific tariffs, which raised tariff protection up to 940 percent in some cases. Import prohibitions and licensing requirements applied to all competing imports, with the most stringent on agriculture, and covered some 40 percent of tariff lines.

and regional trading arrangements such as the Andean Pact, the regional common market with Bolivia, Colombia, Ecuador, and Peru. This section describes the main features of Venezuela's current trade regime, including regional integration.

A. Import Tariffs

103. Since 1992 Venezuela, along with Colombia and Ecuador, has applied the Andean Pact's four-tier common external tariff (CET) with rates of 5, 10, 15, and 20 percent for most products; the (unweighted) average rate was estimated at around 10 percent.⁵⁰ However, exceptions to the CET apply to imports of automobiles and automotive parts (subject to a harmonized automotive policy with Colombia and Ecuador) and some agricultural products (subject to both fixed and variable import levies). Also, reduced or zero tariffs apply to imported inputs and capital goods not produced in the Andean Pact region. In April 1998 the authorities introduced a temporary surcharge of 15 percent over import duties on about 800 products and doubled the customs handling fee (from 1 percent to 2 percent). As a result, the maximum import tariff rate (including the surcharge) was increased to 23 percent and the (unweighted) average rate is currently estimated at around 11½ percent.

104. *Harmonized automotive policy.* Under the Andean Pact's harmonized automotive policy, assembly plants complying with minimum regional content requirements enjoy high effective protection levels.⁵¹ This is mainly the result of a very low tariff rate (3 percent) on completely knocked-down (CKD) kits and substantially higher rates (up to 35 percent) on imported vehicles.⁵² In addition, the regional automobile industry benefits from import prohibitions on used vehicles and spare parts, as well as (new) old model vehicles (i.e., vehicles built prior to 1994).

105. *Variable import levies.* Since July 1995 Venezuela and other Andean Pact members have applied a complex system of variable levies to imports of some 150 agricultural products

⁵⁰ Bolivia maintains a two-tier tariff structure with rates of 5 and 10 percent; Peru recently introduced a four-tier tariff structure with rates of 12, 17, 20, and 25 percent in which most tariff lines are subject to the 12 percent rate.

⁵¹ In 1995–96 regional minimum content requirements were set at 30 percent for passenger cars up to 16 persons and transport vehicles up to 4½ tons, and 15 percent for other types of vehicles. These requirements rose gradually to 33 and 18 percent, respectively, by January 1998.

⁵² Assuming, for instance, that imported materials represent 70 percent of the total production cost, effective protection rates could exceed 100 percent.

from nonmembers,⁵³ namely the Andean Price Band system. This consists of adding (subtracting) an additional ad valorem levy to the CET whenever a reference price falls below (exceeds) a certain price floor (ceiling). Generally, floor and ceiling prices are calculated based on the moving average (and volatility) of prices in world markets during the previous five years. While the system's stated objective is to stabilize the domestic price of certain agricultural products, in practice in some cases it has provided for considerable additional tariff protection.

B. Export Promotion

106. Since 1994 Venezuela's export promotion policies have relied mainly on its duty-drawback system and export financing scheme; currently, there are no explicit export subsidies.⁵⁴ Exporters are entitled to the reimbursement of customs duties and indirect taxes paid on imported inputs that are used in the production of exports. They take the form of tax reimbursement certificates (CERTs) issued by the Ministry of Finance. In addition, the BCV runs the so-called Export Financing Fund (FINEXPO) which provides export credit under either market or (slightly) concessional conditions for market and feasibility studies, export promotion expenditure, working capital, fixed investment for agro-industrial firms, and finance to importers of Venezuelan products.

107. To cope with the financial resource limitations on FINEXPO's activities and promote nontraditional exports further, congress approved in 1996 the creation of the Bank of Foreign Trade. The bank, with an initial capital of US\$200 million, held its first shareholders' meeting in April 1997 and began operations in September 1997.

C. Regional Integration

108. Venezuela has continued to pursue closer ties with other Western Hemisphere countries.⁵⁵ It currently extends preferential tariffs and duty-free treatment on a limited number of products to members of the Latin American Integration Association (LAIA), the

⁵³ Two categories of products are subject to variable levies. The category of "marker" products (*productos marcadores*) comprises rice, barley, yellow maize, white maize, soybeans, wheat, raw soybean oil, raw palm oil, sugar, milk, poultry meat, and pork meat. Associate products refer to 138 eight-digit NANDINA items (2 percent of tariff lines) including butter, milk, cream, cheeses, ham, oilseeds, vegetable oils, oil cakes, and several flours.

⁵⁴ Prior to the 1989 trade reform, there were numerous export incentives, including fiscal credits, to offset the anti-export bias resulting from a highly protectionist tariff structure.

⁵⁵ Table 2 contains a list of selected regional trade agreements in which Venezuela is a participant.

Caribbean Common Market (CARICOM), and the Central American Common Market (CACM). Also, Venezuela has free trade agreements with Colombia, Chile, and Mexico. In March 1996, together with its Andean Pact partners, Venezuela ratified the creation of the Andean Community (AC) that would make the regional grouping a political alliance similar to the European Union. Although the AC is still far from achieving the free movement of capital and labor across national borders, detailed proposals at the presidential summit last year in Peru, included plans to hold elections for an Andean Parliament within five years and the formation of an Andean Consultative Group to coordinate multilateral projects in the region. In addition, the AC is negotiating a free trade agreement with the Southern Cone Common Market (MERCOSUR) countries that is expected to be similar to the accords that Bolivia and Chile have already signed with MERCOSUR. So far there has been some progress in designing the exemption lists of products that will require additional tariff protection once the free trade agreement goes into effect, including products of the steel, glass, aluminum, and petrochemical industries; free trade in agriculture is planned for a later stage.

109. Venezuela is participating also in the Free Trade Area of the Americas (FTAA) discussions which aim at establishing the world's largest free trade area by 2005. So far 12 working groups have been formed on topics such as market access, customs procedures and rules of origin, government procurement, subsidies, anti-dumping and countervailing duties, dispute settlement, and smaller economies.

D. Venezuela and the World Trade Organization

110. Venezuela became a formal participant in the Uruguay Round following its accession to the GATT in 1990 and a founder of the World Trade Organization (WTO) in late 1994. As of end-1996, most of its tariff bindings in the WTO were at rates of 35–40 percent, but substantially higher tariff bindings (up to 135 percent) applied to some agricultural products.

Table 2: Venezuela: Selected Regional Trading Agreements (RTAs) 1/2/

RTA	Signed	Treatment to Imports From Partners	Treatment of Venezuelan Exports to Partners	Coverage	Other Features
<p>1. Latin American Integration Association (LAI), replaced the Latin American Free Trade Association (LAFTA) in August 1980</p> <p>Membership: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay, and Venezuela</p>	April 1984	<ul style="list-style-type: none"> • Origin-based tariff cuts of 34 percent (Bolivia, Ecuador, Paraguay), 20 percent (Chile, Colombia, Peru, Uruguay), and 12 percent (Argentina, Brazil, Mexico) • Duty-free treatment (Bolivia, Ecuador, Paraguay) 	<ul style="list-style-type: none"> • Destination-based tariff cuts of 12 percent (Bolivia, Ecuador, Paraguay), 20 percent (Chile, Colombia, Peru, Uruguay), and 28 percent (Argentina, Brazil, Mexico) 	<ul style="list-style-type: none"> • 1,282 seven-digit NALADI items are excluded • Certain items 	
<p>2. Andean Community (AC), replaced the Andean Pact in March 1996</p> <p>Membership: Bolivia, Colombia, Ecuador, Peru, and Venezuela</p>	March 1996	<ul style="list-style-type: none"> • CET with rates of 5, 10, 15, and 20 percent together with Colombia and Ecuador, for imports from nonmember countries • Duty-free treatment (Colombia, Bolivia, and Ecuador) • Duty-free treatment covering 2,665 eight-digit NANDINA items, with another 1,450 items to be added by the year 2000 (Peru) 	<ul style="list-style-type: none"> • Same as imports • Same as imports 	<ul style="list-style-type: none"> • Virtually all items; exemptions from the CET and/or duty-free treatment comprise 231 NANDINA items • Virtually all items; exemptions from the CET and/or duty-free treatment comprise 231 NANDINA items 	<ul style="list-style-type: none"> • Bolivia and Peru are expected to apply the CET in the future • Duty-free treatment to be extended to virtually all goods by 2003

Table 2: Venezuela: Selected Regional Trading Agreements (RTAs) (Concluded) 1/2/

RTA	Signed	Treatment to Imports From Partners	Treatment of Venezuelan Exports to Partners	Coverage	Other Features
3. Group of Three (G-3) Membership: Colombia, Mexico, and Venezuela	June 1994	<ul style="list-style-type: none"> Tariff reduction plan initiated in January 1995 (i.e., 10 percent annual tariff cut) Duty-free treatment by July 2004 	<ul style="list-style-type: none"> Same as imports 	<ul style="list-style-type: none"> Manufactures, except products of the automotive, textiles, and clothing industries; some agriculture products 	<ul style="list-style-type: none"> To liberalize trade in automotive products by 2007 at the latest
4. Venezuela, Chile	April 1993	<ul style="list-style-type: none"> Tariff reduction plan initiated in July 1993 Duty-free treatment, which will include a list of exemptions, by January 1999 	<ul style="list-style-type: none"> Same as imports 	<ul style="list-style-type: none"> Virtually all items; exemptions comprise 222 eight- or ten-digit NANDINA items 	
5. Venezuela, CARICOM 3/	October 1992	<ul style="list-style-type: none"> Tariff preferences initiated in January 1993 Duty-free treatment 	<ul style="list-style-type: none"> No preferences granted at the moment 	<ul style="list-style-type: none"> 1,104 eight-digit NANDINA items, covering two-thirds of imports from CARICOM countries 157 eight-digit NANDINA items, covering one-fifth of imports from CARICOM countries 	
6. Venezuela, CACM 4/	September 1992	<ul style="list-style-type: none"> Tariff preferences ranging from 50 to 100 percent Duty-free treatment 	<ul style="list-style-type: none"> No preferences granted at the moment 	<ul style="list-style-type: none"> 16 eight-digit NANDINA items 311 eight- or ten-digit NANDINA items 	

Sources: Ministry of Industry and Trade; Organization of American States; and World Trade Organization.

1/ Excludes RTAs covering trade on a very limited range of products and/or with a clear expiration date.

2/ Since 1990 Venezuela's customs tariff structure has been the Andean Pact's NANDINA (*Nomenclatura Arancelaria de los Países Miembros del Acuerdo de Cartagena*) with approximately 6,750 eight-digit tariff lines.

3/ The Caribbean Common Market (CARICOM) membership is comprised by Antigua and Barbuda, The Bahamas, Barbados, Belize, San Cristobal, Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago.

4/ The Central American Common Market (CACM) membership is comprised by Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua.

Table 3. Venezuela: Aggregate Demand and Supply at Current Prices

	1993	1994	1995	1996	Prel. 1997
(Annual percentage change)					
Aggregate demand	30.2	52.9	56.2	114.6	44.5
Gross domestic expenditure	29.0	45.1	62.8	92.1	56.4
Consumption	36.4	50.9	56.1	91.9	55.7
Private	38.2	52.8	56.1	96.1	53.6
Public	22.8	34.5	55.5	50.6	82.0
Gross domestic investment	4.3	20.1	99.7	93.2	59.7
Private fixed investment	27.6	45.8	28.3	62.2	112.0
Public fixed investment	19.6	35.4	57.6	122.6	42.9
Exports of goods and nonfactor services	35.0	82.1	36.6	194.0	16.9
Aggregate supply	30.2	52.9	56.2	114.6	44.5
Imports of goods and nonfactor services	24.1	30.5	50.5	114.2	38.6
GDP at market prices	32.0	59.1	57.5	114.7	45.7
(In percent of GDP)					
Aggregate demand	127.2	122.3	121.3	121.3	120.2
Gross domestic expenditure	100.2	91.4	94.5	84.6	90.8
Consumption	81.5	77.3	76.6	68.4	73.1
Private	72.9	70.1	69.4	63.4	66.9
Public	8.5	7.2	7.1	5.0	6.3
Gross domestic investment	18.7	14.2	17.9	16.1	17.7
Private fixed investment	9.0	8.2	6.7	5.1	7.4
Public fixed investment	11.0	9.4	9.4	9.7	9.5
Change in inventories	-1.3	-3.5	1.9	1.4	0.8
Exports of goods and nonfactor services	27.0	30.9	26.8	36.7	29.4
Imports of goods and nonfactor services	27.2	22.3	21.3	21.3	20.2

Source: Statistical Appendix Table 6.

Table 4. Venezuela: Sources and Uses of National Savings

	1993	1994	1995	Prel. 1996	1997
(In billions of bolivares at current prices)					
Gross national savings	818	1,692	2,919	8,688	10,224
Private sector	199	377	...	...	...
Public sector 1/	619	1,315	...	...	...
Gross domestic investment	1,023	1,228	2,452	4,737	7,565
Private sector fixed investment	490	715	917	1,488	3,155
Public sector fixed investment 1/ 2/	601	813	1,282	2,853	4,076
Change in inventories	-69	-300	253	396	334
Private sector	-24	-222	282	486	...
Public sector	-44	-79	-29	-90	...
Foreign savings	204	-464	-467	-3,951	-2,659
(In percent of gross national savings)					
Private sector savings	24.3	16.1	...	...	...
Public sector savings 1/	75.7	83.9	...	...	...
Gross domestic investment	125.1	72.6	84.0	54.5	74.0
Foreign savings	24.9	-27.4	-16.0	-45.5	-26.0
(In percent of nonpetroleum GDP)					
Private sector savings	4.4	5.4	...	...	...
Private sector fixed investment	10.9	10.2	8.1	6.9	9.3
(In percent of GDP)					
Gross national savings	15.0	19.5	21.4	29.6	23.9
Private sector	3.6	4.3	...	...	...
Public sector 1/	11.4	15.2	...	...	...
Gross domestic investment	18.7	14.2	17.9	16.1	17.7
Private sector fixed investment	9.0	8.2	6.7	5.1	7.4
Public sector fixed investment 1/ 2/	11.0	9.4	9.4	9.7	9.5
Change in inventories	-1.3	-3.5	1.9	1.4	0.8
Private sector	-0.4	-2.6	2.1	1.7	...
Public sector	-0.8	-0.9	-0.2	-0.3	...
Foreign savings	3.7	-5.3	-3.4	-13.5	-6.2

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

1/ On an accrual basis; includes nonfinancial public enterprises and local governments.

2/ Includes net capital transfers.

Table 5. Venezuela: Real Gross Domestic Product by Sector

(Annual percentage change)

	1993	1994	1995	1996	Prel. 1997
Total GDP at 1984 prices	0.3	-2.4	3.7	-0.4	5.1
Petroleum GDP	7.1	4.7	7.1	7.7	8.8
Nonpetroleum GDP	-1.5	-4.4	2.6	-3.1	3.8
Primary sector	7.8	4.3	4.7	6.9	7.8
Agriculture, livestock, etc.	3.0	-1.1	-0.4	1.9	2.8
Crude petroleum and natural gas	9.0	5.5	5.9	8.4	8.9
Other mining	10.5	11.9	6.4	1.7	8.3
Secondary sector	-1.9	-5.8	5.0	-1.6	5.8
Manufacturing	-1.3	-3.5	6.8	-4.8	2.7
Petroleum refining	0.0	1.2	12.2	4.7	8.3
Construction	-5.5	-17.3	-4.9	1.9	12.6
Water and electricity	3.3	1.1	3.1	1.2	4.9
Tertiary sector	-1.3	-2.8	1.6	-3.3	2.1
Commerce, restaurants, and hotels	-4.1	-8.0	0.0	-9.4	4.2
Transport, storage, and communications	0.7	-3.6	3.3	1.4	6.3
General government	-2.7	0.4	0.6	-3.8	-3.3
Financial and business services	0.7	-2.1	-0.4	-3.6	1.7
Other services	1.5	5.3	10.4	7.5	3.0

Sources: Statistical Appendix Table 7; and Fund staff estimates.

Table 6. Venezuela: Gross Domestic Product by Final Expenditure

	1993	1994	1995	1996	Prel. 1997
I. In Billions of Bolivares at Constant 1984 Prices					
Gross domestic expenditure	478.2	432.8	461.5	434.8	458.1
Consumption	385.0	367.0	371.3	354.8	366.1
Private	327.3	312.8	315.7	303.4	313.6
General government	57.6	54.2	55.6	51.4	52.5
Gross domestic investment	93.2	65.8	90.2	79.9	92.0
Fixed investment	98.7	80.8	80.4	73.6	87.6
Private	41.0	37.3	33.9	26.6	35.4
Public 1/	57.7	43.5	46.5	47.0	52.2
Change in inventories	-5.5	-15.0	9.8	6.3	4.4
Private	-6.1	-11.8	12.2	12.4	...
Public	0.6	-3.2	-2.4	-6.1	...
Exports of goods and nonfactor services	177.0	191.3	199.3	215.9	237.4
Imports of goods and nonfactor services	97.0	79.1	95.7	88.1	104.2
Gross domestic product at market prices	558.2	545.0	565.0	562.6	591.4
(In percent of real GDP)					
Gross domestic expenditure	85.7	79.4	81.7	77.3	77.5
Consumption	69.0	67.3	65.7	63.1	61.9
Private	58.6	57.4	55.9	53.9	53.0
General government	10.3	10.0	9.8	9.1	8.9
Gross domestic investment	16.7	12.1	16.0	14.2	15.6
Private fixed investment	7.4	6.8	6.0	4.7	6.0
Public fixed investment	10.3	8.0	8.2	8.4	8.8
Change in inventories	-1.0	-2.8	1.7	1.1	0.7
Exports of goods and nonfactor services	31.7	35.1	35.3	38.4	40.1
Imports of goods and nonfactor services	17.4	14.5	16.9	15.7	17.6
II. In Billions of Bolivares at Current Prices					
Gross domestic expenditure	5,466	7,932	12,914	24,813	38,815
Consumption	4,443	6,704	10,463	20,076	31,251
Private	3,977	6,077	9,488	18,608	28,578
General government	466	627	975	1,468	2,673
Gross domestic investment	1,023	1,228	2,452	4,737	7,565
Fixed investment	1,091	1,528	2,199	4,341	7,231
Private	490	715	917	1,488	3,155
Public 1/	601	813	1,282	2,853	4,076
Change in inventories	-69	-300	253	396	334
Private	-24	-222	282	486	...
Public	-44	-79	-29	-90	...

Table 6. Venezuela: Gross Domestic Product by Final Expenditure (Concluded)

	1993	1994	1995	1996	Prel. 1997
Exports of goods and nonfactor services	1,470	2,677	3,659	10,755	12,575
Imports of goods and nonfactor services	1,482	1,935	2,911	6,235	8,645
Gross domestic product at market prices	5,454	8,675	13,662	29,333	42,745
Net factor receipts from abroad	-162	-277	-329	-730	-977
Gross national product at market prices	5,291	8,398	13,333	28,603	41,768
Indirect taxes minus subsidies	259	621	1,047	2,089	...
Depreciation	422	626	924	1,867	...
Net National Income	4,610	7,152	11,362	24,647	...
	(In percent of GDP)				
Gross domestic expenditure	100.2	91.4	94.5	84.6	90.8
Consumption	81.5	77.3	76.6	68.4	73.1
Private	72.9	70.1	69.4	63.4	66.9
General government	8.5	7.2	7.1	5.0	6.3
Gross domestic investment	18.7	14.2	17.9	16.1	17.7
Private fixed investment	9.0	8.2	6.7	5.1	7.4
Public fixed investment	11.0	9.4	9.4	9.7	9.5
Change in inventories	-1.3	-3.5	1.9	1.4	0.8
Exports of goods and nonfactor services	27.0	30.9	26.8	36.7	29.4
Imports of goods and nonfactor services	27.2	22.3	21.3	21.3	20.2
Net factor receipts from abroad	-3.0	-3.2	-2.4	-2.5	-2.3

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

1/ On an accrual basis; includes nonfinancial public enterprises, local governments, capital transfers, and net lending.

Table 7. Venezuela: Gross Domestic Product by Sector of Origin

(In billions of bolivares)

	1993	1994	1995	1996	Prel. 1997
I. At Current Prices					
Total GDP	5,454	8,675	13,662	29,333	42,745
Petroleum GDP	970	1,672	2,367	7,803	8,973
Nonpetroleum GDP	4,484	7,003	11,295	21,530	33,771
Primary sector	1,133	1,918	2,806	7,864	9,323
Agriculture, livestock, etc.	292	438	713	1,243	1,773
Crude petroleum and natural gas	791	1,403	1,979	6,345	7,202
Other mining	50	77	114	277	347
Secondary sector	1,435	2,148	3,232	7,001	9,831
Manufacturing	782	1,216	1,950	3,740	5,110
Petroleum refining	179	269	388	1,459	1,771
Construction	332	467	642	1,390	2,255
Water and electricity	142	197	253	412	694
Tertiary sector	2,749	4,244	6,818	12,733	20,395
Commerce, restaurants, and hotels	1,045	1,564	2,448	4,356	6,509
Transport, storage, and communications	404	646	1,057	2,217	3,641
General government	337	481	722	1,055	1,991
Financial and business services	699	1,401	2,094	3,562	5,397
Other services	263	152	496	1,543	2,858
Subtotal	5,317	8,310	12,855	27,599	39,549
Import duties	137	366	807	1,734	3,196
II. At Constant 1984 Prices					
Total GDP	558.2	545.0	565.0	562.6	591.3
Petroleum GDP	124.4	130.2	139.5	150.2	163.4
Nonpetroleum GDP	433.8	414.8	425.5	412.4	428.0
Primary sector	131.8	137.5	144.0	154.0	166.0
Agriculture, livestock, etc.	27.4	27.1	27.0	27.5	28.3
Crude petroleum and natural gas	100.2	105.7	112.0	121.4	132.2
Other mining	4.2	4.7	5.0	5.1	5.5
Secondary sector	164.2	154.6	162.3	159.8	169.0
Manufacturing	91.2	88.0	94.0	89.5	91.9
Petroleum refining	24.2	24.5	27.5	28.8	31.2
Construction	39.3	32.5	30.9	31.5	35.4
Water and electricity	9.5	9.6	9.9	10.0	10.5
Tertiary sector	251.3	244.3	248.1	239.9	245.0
Commerce, restaurants, and hotels	75.3	69.3	69.3	62.8	65.4
Transport, storage, and communications	28.1	27.1	28.0	28.4	30.2
General government	46.4	46.6	46.9	45.1	43.6
Financial and business services	75.0	73.4	73.1	70.5	71.7
Other services	26.5	27.9	30.8	33.1	34.1
Subtotal	547.3	536.4	554.4	553.7	580.0
Import duties	10.9	8.6	10.6	9.0	11.4

Source: Central Bank of Venezuela.

Table 8. Venezuela: Gross Domestic Product: Shares by Sector of Origin

(In percent of GDP)

	1993	1994	1995	1996	Prel. 1997
I. At Current Prices					
Total GDP (at market prices)	100.0	100.0	100.0	100.0	100.0
Petroleum GDP	17.8	19.3	17.3	26.6	21.0
Nonpetroleum GDP	82.2	80.7	82.7	73.4	79.0
Primary sector	20.8	22.1	20.5	26.8	21.8
Agriculture, livestock, etc.	5.3	5.0	5.2	4.2	4.1
Crude petroleum and natural gas	14.5	16.2	14.5	21.6	16.8
Other mining	0.9	0.9	0.8	0.9	0.8
Secondary sector	26.3	24.8	23.7	23.9	23.0
Manufacturing	14.3	14.0	14.3	12.7	12.0
Petroleum refining	3.3	3.1	2.8	5.0	4.1
Construction	6.1	5.4	4.7	4.7	5.3
Water and electricity	2.6	2.3	1.8	1.4	1.6
Tertiary sector	50.4	48.9	49.9	43.4	47.7
Commerce, restaurants, and hotels	19.2	18.0	17.9	14.8	15.2
Transport, storage, and communications	7.4	7.4	7.7	7.6	8.5
General government	6.2	5.5	5.3	3.6	4.7
Financial and business services	12.8	16.1	15.3	12.1	12.6
Other services	4.8	1.8	3.6	5.3	6.7
II. At Constant 1984 Prices					
Total GDP (at market prices)	100.0	100.0	100.0	100.0	100.0
Petroleum GDP	22.3	23.9	24.7	26.7	27.6
Nonpetroleum GDP	77.7	76.1	75.3	73.3	72.4
Primary sector	23.6	25.2	25.5	27.4	28.1
Agriculture, livestock, etc.	4.9	5.0	4.8	4.9	4.8
Crude petroleum and natural gas	18.0	19.4	19.8	21.6	22.4
Other mining	0.8	0.9	0.9	0.9	0.9
Secondary sector	29.4	28.4	28.7	28.4	28.6
Manufacturing	16.3	16.1	16.6	15.9	15.5
Petroleum refining	4.3	4.5	4.9	5.1	5.3
Construction	7.0	6.0	5.5	5.6	6.0
Water and electricity	1.7	1.8	1.8	1.8	1.8
Tertiary sector	45.0	44.8	43.9	42.6	41.4
Commerce, restaurants, and hotels	13.5	12.7	12.3	11.2	11.1
Transport, storage, and communications	5.0	5.0	5.0	5.0	5.1
General government	8.3	8.6	8.3	8.0	7.4
Financial and business services	13.4	13.5	12.9	12.5	12.1
Other services	4.7	5.1	5.5	5.9	5.8

Source: Statistical Appendix Table 7.

Table 9. Venezuela: Composition of Gross Domestic Fixed Investment

	1993	1994	1995	Prel.	
				1996	1997
(In billions of bolivares at current prices)					
Total	1,091	1,528	2,199	4,341	7,231
Imported	315	420	519	924	1,472
Machinery and equipment	264	340	464	...	...
Transport equipment	51	80	54	...	...
Cattle	0	0	1	...	...
Locally produced	776	1,109	1,680	3,417	5,759
Construction	580	851	1,173	2,507	...
Residential	137	252	369	636	...
Other	443	599	803	1,871	...
Machinery and equipment	52	65	102	187	...
Transport equipment	135	180	372	678	...
Cattle	10	14	33	45	...
(In percent of total)					
Total	100.0	100.0	100.0	100.0	100.0
Imported	28.9	27.5	23.6	21.3	20.4
Machinery and equipment	24.2	22.2	21.1	...	...
Transport equipment	4.6	5.2	2.5	...	...
Cattle	0.0	0.0	0.0	...	...
Locally produced	71.1	72.5	76.4	78.7	79.6
Construction	53.1	55.7	53.3	57.8	...
Residential	12.5	16.5	16.8	14.7	...
Other	40.6	39.2	36.5	43.1	...
Machinery and equipment	4.7	4.2	4.6	4.3	...
Transport equipment	12.4	11.8	16.9	15.6	...
Cattle	0.9	0.9	1.5	1.0	...

Source: Central Bank of Venezuela.

Table 10. Venezuela: Selected Petroleum Sector Indicators

	1993	1994	1995	1996	Prel. 1997
(In billions of bolivares at current prices)					
Petroleum value added at current prices	970	1,672	2,367	7,803	8,973
Crude petroleum and natural gas	791	1,403	1,979	6,345	7,202
Refined petroleum	179	269	388	1,459	1,771
Petroleum value added at 1984 prices	124	130	140	150	163
Crude petroleum and natural gas	100	106	112	121	132
Refined petroleum	24	25	28	29	31
Petroleum export earnings	980	1,752	2,251	7,540	...
Crude petroleum	638	1,198	1,528	5,238	...
Refined petroleum	342	554	723	2,302	...
Public sector petroleum revenues 1/	1,107	1,901	2,592	8,588	9,648
(In percent)					
Share of petroleum in nominal GDP	17.8	19.3	17.3	26.6	21.0
Crude petroleum and natural gas	14.5	16.2	14.5	21.6	16.8
Refined petroleum	3.3	3.1	2.8	5.0	4.1
Share of petroleum in real GDP	22.3	23.9	24.7	26.7	27.6
Crude petroleum and natural gas	18.0	19.4	19.8	21.6	22.4
Refined petroleum	4.3	4.5	4.9	5.1	5.3
Share of petroleum in total merchandise exports	74.4	71.4	72.3	78.6	77.1
Share of petroleum in public sector revenues 1/	82.8	76.0	73.4	83.8	70.1

Sources: Statistical Appendix Tables 7, 32, and 45; and Fund staff estimates.

1/ Data derived from the fiscal accounts on a cash basis.

Table 11. Venezuela: Supply and Demand of Petroleum and Gas

(In millions of barrels equivalent)

	1992	1993	1994	1995	1996
Supply	896	960	1,010	1,080	1,157
Production	907	936	994	1,076	1,150
Crude 1/	868	895	944	1,021	1,089
Derivatives from gas	39	41	50	55	61
Change in inventory (increase-)	-11	24	16	4	7
Demand	903	947	1,007	1,082	1,159
Exports	752	792	855	926	1,004
Crude petroleum 2/	523	562	618	664	721
Refined products	220	222	228	251	271
Bunker sales	9	8	9	11	12
Domestic consumption	151	155	152	156	155
Petroleum industry	18	18	20	18	26
Other domestic uses	133	137	132	138	129
Statistical discrepancy	-7	13	3	-2	-2

Sources: National Petroleum Company; and Central Bank of Venezuela.

1/ Including condensates.

2/ Includes sales of crude to refineries which PDVSA owns wholly or jointly abroad.

Table 12. Venezuela: Production of Crude Petroleum by API Gravity

(In thousands of barrels)

Year	Heavy Grade Up to 21.99	Medium Grade 22.00 - 29.99	Light Grade 30.00 and More	Total Crude	Condensates	Total 1/
1970 2/	371,037	531,561	450,822	1,353,420		
1971	331,716	496,312	467,377	1,295,405		
1972	269,461	476,880	432,146	1,178,487		
1973	329,263	478,607	420,224	1,228,094		
1974	321,692	410,883	353,757	1,086,332		
1975	231,667	295,101	329,596	856,364		
1976	225,809	320,387	293,541	839,737		
1977	247,576	278,015	291,226	816,817		
1978	243,280	276,904	270,234	790,418		
1979	288,212	303,008	268,855	860,075		
1980	294,353	258,023	241,023	793,399		
1981	304,250	243,046	222,222	769,518		
1982	268,275	211,335	205,130	684,740	6,260	691,000
1983	271,925	176,660	194,910	643,495	12,045	655,540
1984	290,970	157,746	169,824	618,540	39,894	658,434
1985	221,920	175,200	171,550	568,670	43,435	612,105
1986	172,207	238,236	189,727	600,170	51,903	652,073
1987	162,816	250,424	189,824	603,064	59,795	662,859
1988	153,679	264,334	209,714	627,727	68,858	696,585
1989	117,530	293,826	241,299	652,655	58,400	711,055
1990	168,247	307,959	301,252	777,458	13,542	791,000
1991	210,130	338,610	304,775	853,515	13,469	866,984
1992	203,093	326,509	324,715	854,317	13,571	867,888
1993	231,666	322,806	325,252	879,724	14,777	894,501
1994	253,930	284,883	388,835	927,648	16,826	944,474
1995	279,554	317,915	407,012	1,004,481	16,094	1,020,575
1996	304,082	335,034	433,073	1,072,189	16,973	1,089,162

Sources: National Petroleum Company; and Central Bank of Venezuela.

1/ Includes condensates.

2/ Year of peak production.

Table 13. Venezuela: Selected Volume Indicators of Petroleum Activity

	1992	1993	1994	1995	1996
(In millions of barrels per day)					
Crude petroleum 1/					
Production	2.37	2.45	2.59	2.80	2.98
Exports 2/	1.43	1.54	1.69	1.82	1.99
Refined petroleum					
Production	1.12	1.14	1.16	1.24	1.27
Exports	0.62	0.63	0.65	0.72	0.78
(In millions of barrels during period)					
Crude petroleum					
Production	868	895	944	1,021	1,089
Exports 2/	523	562	618	664	721
Light	94	98	100	148	229
Medium	174	204	237	252	211
Heavy and extra heavy	238	242	260	254	279
Unclassified	17	18	21	10	2
Stocks (end of period)	62	38	22	22	25
Refined petroleum					
Capacity	433	431	431	...	...
Production	409	416	422	453	475
Fuel oil	90	88	94	87	93
Gasoline	124	129	119	132	132
Other	195	199	209	234	250
Exports	229	230	237	262	283
Fuel oil	79	76	89	78	74
Gasoline	76	78	63	81	92
Diesel fuel	51	56	58	68	70
Other	23	20	27	35	47
Internal use	151	155	152	156	150
Use by petroleum industry	18	18	20	18	21
Domestic consumption	133	137	132	138	129
Fuel oil	8	8	5	...	3
Gasoline	66	68	70	72	67
Other	59	61	57	...	59
Stocks (end of period)	35	24	25	33	32
(In billions of cubic meters during period)					
Natural gas					
Production (net of injection)	25	27	...	...	...
Use of petroleum industry 3/	11	12	...	...	...
Local sales	14	15	...	...	...
Other	0	...	...	...	...

Sources: Central Bank of Venezuela; National Petroleum Company; and Ministry of Energy and Mines.

1/ Includes condensates.

2/ Includes sales of crude to refineries which PDVSA owns wholly or jointly abroad.

3/ For 1992, includes oil and petrochemical operations.

Table 14. Venezuela: Other Selected Indicators of Petroleum Activity

	1992	1993	1994	1995	1996
Proven reserves 1/					
Crude petroleum					
(millions of barrels)	63,330	64,447	64,878	66,328	72,574
(life of reserves in years)	72	71	69	64	61
Natural gas					
(billions of cubic meters)	3,650	3,908	3,964	4,065	4,048
(life of reserves in years)	126	128	123	116	...
Prices (US\$ per barrel)					
Average sale price 2/	14.91	13.34	13.23	14.84	18.39
Average fiscal price 3/	17.75	15.47	14.29	15.43	18.39
Other statistics					
Number of workers employed 4/	44,244	43,343	42,446	42,139	41,554
Average annual remuneration (Bs per worker) 5/	1,301,080	1,798,699	3,004,547	5,052,190	...
Productivity (thousands of barrels of crude oil per worker per year)	19.6	20.6	22.2	24.2	26.2

Sources: National Petroleum Company; Central Bank of Venezuela; and Ministry of Energy and Mines.

1/ Excludes the Orinoco Oil Belt area.

2/ Export unit value of crude petroleum and petroleum products.

3/ Reference price used to calculate income tax liability.

4/ Includes personnel of Refineria Isla.

5/ Includes wages and salaries, and fringe benefits.

Table 15. Venezuela: Real Value Added in Agriculture

	1993	1994	1995	1996	Prel. 1997
(In millions of bolivares at constant 1984 prices)					
Total value added at market prices	27,445	27,142	26,995	27,518	28,266
Crops	10,785	11,394	11,447	11,783	...
Cereals	2,418	2,538	2,714	2,496	...
Legumes	112	101	118	105	...
Roots and tubers	887	945	1,064	1,168	...
Oilseeds and fibers	258	255	205	259	...
Fruits	3,055	3,421	3,250	3,340	...
Vegetables	1,192	1,380	1,477	1,631	...
Coffee, cocoa, and oil	2,863	2,754	2,619	2,784	...
Livestock	12,538	11,710	11,553	11,786	...
Milk	3,218	2,603	2,655	2,721	...
Eggs	778	822	828	867	...
Cattle and poultry	8,542	8,285	8,070	8,198	...
Forestry	355	315	278	280	...
Fishing	2,530	2,535	2,557	2,489	...
Other	1,237	1,188	1,160	1,180	...
(In percent of total)					
Total value added at market prices	100.0	100.0	100.0	100.0	100.0
Crops	39.3	42.0	42.4	42.8	...
Cereals	8.8	9.4	10.1	9.1	...
Legumes	0.4	0.4	0.4	0.4	...
Roots and tubers	3.2	3.5	3.9	4.2	...
Oilseeds and fibers	0.9	0.9	0.8	0.9	...
Fruits	11.1	12.6	12.0	12.1	...
Vegetables	4.3	5.1	5.5	5.9	...
Coffee, cocoa, and oil	10.4	10.1	9.7	10.1	...
Livestock	45.7	43.1	42.8	42.8	...
Milk	11.7	9.6	9.8	9.9	...
Eggs	2.8	3.0	3.1	3.2	...
Cattle and poultry	31.1	30.5	29.9	29.8	...
Forestry	1.3	1.2	1.0	1.0	...
Fishing	9.2	9.3	9.5	9.0	...
Other	4.5	4.4	4.3	4.3	...
(Annual percentage change)					
Total value added at market prices		-1.1	-0.5	1.9	2.7
Crops	-2.9		0.5	2.9	...
Cereals	-3.3	5.0	6.9	-8.0	...
Legumes	-15.8	-9.8	16.8	-11.0	...
Roots and tubers	-0.6	6.5	12.6	9.8	...
Oilseeds and fibers	-27.1	-1.2	-19.6	26.3	...
Fruits	-1.3	12.0	-5.0	2.8	...
Vegetables	-3.2	15.8	7.0	10.4	...
Coffee, cocoa, and oil	-1.5	-3.8	-4.9	6.3	...
Livestock	4.8	-6.6	-1.3	2.0	...
Milk	6.9	-19.1	2.0	2.5	...
Eggs	13.1	5.7	0.7	4.7	...
Cattle and poultry	3.4	-3.0	-2.6	1.6	...
Forestry	0.0	-11.3	-11.7	0.7	...
Fishing	26.1	0.2	0.9	-2.7	...
Other	2.5	-4.0	-2.4	1.7	...

Source: Central Bank of Venezuela.

Table 16. Venezuela: Output of Major Agricultural Crops

(In thousands of metric tons)

	1992	1993	1994	1995	1996
Cereals					
Rice	771	723	728	757	780
Maize	990	988	1,094	1,167	1,033
Sorghum	511	473	446	504	436
Legumes	43	36	32	39	35
Roots and tubers	675	659	671	756	834
Oilseeds and fibers					
Sesame	21	14	9	17	22
Cotton	66	46	51	33	42
Fruits	2,241	2,376	2,705	2,572	2,677
Vegetables	486	470	591	662	743
Other					
Coffee	69	66	68	69	73
Plantain	568	541	535	516	526
Sugarcane	7,116	7,201	6,522	6,147	6,424

Source: Central Bank of Venezuela.

Table 17. Venezuela: Livestock Production

	1992	1993	1994	1995	Prel. 1996
Milk (millions of liters)	1,555	1,662	1,344	1,371	1,405
Eggs (millions of units)	2,228	2,480	2,685	2,705	2,849
Poultry (thousands of metric tons)	504	563	...	...	...
Cattle (thousands of head) 1/	2,023	2,076	2,003	1,961	1,982
Pigs (thousands of head)	2,255	2,311	2,209	2,200	2,211
Goats (thousands of head)	742	743	770	793	791
Sheep (thousands of head)	155	163	164	166	165

Sources: Central Bank of Venezuela; and Ministry of Agriculture.

1/ Excludes imported cattle.

Table 18. Venezuela: Indicators of Mining Activity

(Excluding Petroleum)

	1993	1994	1995	1996	Prel. 1997
(In units, as indicated)					
Volume of production					
Iron ore production (millions of metric tons)	20,801	21,119	22,617	21,974	20,566
<i>Of which :</i>					
Exports	10,660	10,711	10,610	9,580	9,214
Gold (kilograms)	9,328	11,448	14,212	16,544	17,896
Diamonds (thousands of metric carats)	579,641	822,042	268,187	225,283	356,398
Coal (thousands of metric tons)	3,912	4,448	4,168	3,823	4,626
Salt (thousands of metric tons)	213	...	133	615	...
Bauxite (thousands of metric tons)	2,538	4,772	5,020	4,834	4,926
(In billions of bolivares)					
Value of production					
Iron ore production	33.7	49.9	73.9	183.0	216.4
<i>Of which :</i>					
Exports	21.4	29.0	41.5	95.2	107.3
Gold	10.1	19.8	30.7	93.5	92.9
Diamonds	2.8	5.8	2.8	3.9	5.7
Coal	10.3	17.1	24.1	49.3	71.8
Salt	0.9	1.0	0.6	5.4	...
Bauxite	5.2	4.2	13.0	18.0	24.0

Sources: Central Bank of Venezuela; and Ministry of Energy and Mines.

Table 19. Venezuela: Real Value Added in Manufacturing 1/

	1993	1994	1995	1996	Prel. 1997
(In millions of bolivares at constant 1984 prices)					
Total	91,160	88,029	94,035	89,523	91,875
Traditional industries	36,819	36,107	37,335	35,530	...
Food	14,312	14,333	13,792	13,747	...
Beverage and tobacco	10,879	10,485	11,675	10,549	...
Clothing and textiles 2/	8,958	8,758	9,355	8,967	...
Wood products and nonmetallic furniture	2,670	2,531	2,513	2,267	...
Basic industries	39,314	38,279	41,503	39,454	...
Paper and paper products	4,149	4,261	4,809	3,693	...
Chemicals and pharmaceuticals	11,481	10,547	11,652	10,713	...
Rubber and plastic products	4,248	4,115	4,391	4,416	...
Clay, glass, and other nonmetallic mineral products	5,711	5,327	5,943	5,786	...
Iron, steel, and nonferrous metals	13,725	14,029	14,708	14,846	...
Mechanical industries	13,073	11,220	12,477	12,360	...
Metal products other than machinery	5,914	5,855	6,372	6,291	...
Machinery other than electric	2,082	1,724	1,629	1,655	...
Electrical machinery	2,423	1,553	1,655	1,939	...
Transport equipment	2,654	2,088	2,821	2,475	...
Other industries	1,954	2,423	2,720	2,179	...
(In percent of total)					
Total	100.0	100.0	100.0	100.0	100.0
Traditional industries	40.4	41.0	39.7	39.7	...
Food	15.7	16.3	14.7	15.4	...
Beverage and tobacco	11.9	11.9	12.4	11.8	...
Clothing and textiles 2/	9.8	9.9	9.9	10.0	...
Wood products and nonmetallic furniture	2.9	2.9	2.7	2.5	...
Basic industries	43.1	43.5	44.1	44.1	...
Paper and paper products	4.6	4.8	5.1	4.1	...
Chemicals and pharmaceuticals	12.6	12.0	12.4	12.0	...
Rubber and plastic products	4.7	4.7	4.7	4.9	...
Clay, glass, and other nonmetallic mineral products	6.3	6.1	6.3	6.5	...
Iron, steel, and nonferrous metals	15.1	15.9	15.6	16.6	...
Mechanical industries	14.3	12.7	13.3	13.8	...
Metal products other than machinery	6.5	6.7	6.8	7.0	...
Machinery other than electric	2.3	2.0	1.7	1.8	...
Electrical machinery	2.7	1.8	1.8	2.2	...
Transport equipment	2.9	2.4	3.0	2.8	...
Other industries	2.1	2.8	2.9	2.4	...
(Annual percentage change)					
Total	-1.4	-3.4	6.8	-4.8	2.6
Traditional industries	-3.0	-1.9	3.4	-4.8	...
Food	1.5	0.1	-3.8	-0.3	...
Beverage and tobacco	6.2	-3.6	11.3	-9.6	...
Clothing and textiles 2/	-17.1	-2.2	6.8	-4.1	...
Wood products and nonmetallic furniture	-4.5	-5.2	-0.7	-9.8	...
Basic industries	-1.0	-2.6	8.4	-4.9	...
Paper and paper products	-0.8	2.7	12.9	-23.2	...
Chemicals and pharmaceuticals	-5.2	-8.1	10.5	-8.1	...
Rubber and plastic products	-1.2	-3.1	6.7	0.6	...
Clay, glass, and other nonmetallic mineral products	9.6	-6.7	11.6	-2.6	...
Iron, steel, and nonferrous metals	-1.5	2.2	4.8	0.9	...
Mechanical industries	1.7	-14.2	11.2	-0.9	...
Metal products other than machinery	0.9	-1.0	8.8	-1.3	...
Machinery other than electric	0.5	-17.2	-5.5	1.6	...
Electrical machinery	5.0	-35.9	6.6	17.2	...
Transport equipment	1.5	-21.3	35.1	-12.3	...
Other industries	3.1	24.0	12.3	-19.9	...

Source: Central Bank of Venezuela.

1/ Excludes petroleum refining.

2/ Includes leather and shoe industries.

Table 20. Venezuela: Indicators of Construction Activity

	1993	1994	1995	1996	Prel. 1997
(In billions of bolivares)					
Total value of construction	548.4	784.6	1,094.3	2,362.8	3,745.2
Public sector	339.2	452.5	641.5	1,562.9	2,418.2
Residential	6.5	30.8	45.6	55.9	...
Nonresidential	332.7	421.7	595.9	1,507.0	...
Private sector	209.2	332.1	452.7	799.9	1,327.0
Residential	122.6	197.7	294.5	541.7	..
Nonresidential	86.6	134.4	158.3	258.2	...
(In percent of total)					
Total value of construction	100.0	100.0	100.0	100.0	100.0
Public sector	61.9	57.7	58.6	66.1	64.6
Residential	1.2	3.9	4.2	2.4	...
Nonresidential	60.7	53.7	54.5	63.8	...
Private sector	38.1	42.3	41.4	33.9	35.4
Residential	22.4	25.2	26.9	22.9	...
Nonresidential	15.8	17.1	14.5	10.9	...
(Annual percentage change)					
Total value of construction	25.4	43.1	39.5	115.9	58.5
Public sector	8.8	33.4	41.8	143.6	54.7
Residential	-15.3	376.8	48.1	22.5	...
Nonresidential	9.4	26.7	41.3	152.9	...
Private sector	66.4	58.7	36.3	76.7	65.9
Residential	61.9	61.3	49.0	84.0	...
Nonresidential	73.1	55.2	17.8	63.1	...

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

Table 21. Venezuela: Selected Price Indices

(Annual percentage change)

	Weights	1993	1994	1995	1996	1997
I. Wholesale Price Index						
End of period	100.0	47.4	89.5	43.6	105.8	17.3
Domestic	71.3	48.8	86.0	44.8	105.2	19.3
Foreign	28.7	43.3	100.1	40.5	107.4	11.7
Agriculture	6.9	34.8	71.8	30.3	80.9	28.5
Manufacturing	93.1	48.3	91.1	44.6	107.4	16.6
Period average	100.0	35.4	77.5	57.7	103.2	29.8
Domestic	71.3	35.7	76.4	60.3	99.6	32.7
Foreign	28.7	34.6	80.7	50.8	113.8	21.9
Agriculture	6.9	25.5	49.8	58.1	58.5	37.2
Manufacturing	93.1	36.3	79.8	57.8	106.3	29.4
II. Caracas Consumer Price Index						
End of period	100.0	45.9	70.8	56.6	103.2	37.6
Food, beverage, and tobacco	24.1	38.3	74.6	47.9	94.9	38.2
Clothing	11.1	36.4	66.5	42.8	103.1	25.6
Housing expenditures	32.8	51.8	69.9	76.3	103.2	33.4
Other	32.0	54.5	68.9	53.4	113.4	45.4
Period average	100.0	38.1	60.8	59.9	99.9	50.0
Food, beverage, and tobacco	24.1	33.3	58.2	59.9	88.1	46.1
Clothing	11.1	27.2	49.6	54.5	84.7	48.2
Housing expenditures	32.8	45.3	65.1	63.2	115.0	49.7
Other	32.0	42.5	64.3	58.7	104.4	55.4

Sources: Central Bank of Venezuela; and Statistical Appendix Tables 22 and 23.

Table 22. Venezuela: Wholesale Price Index
(1984 = 100)

	Total		By Origin		By Sector of Production	
	Percentage Change	Index	Domestic	Foreign	Agriculture	Manufacturing
Weights	...	100.0	71.3	28.7	6.9	93.1
Period averages						
1993	35.4	1,203	1,233	1,134	1,296	1,196
1994	77.5	2,136	2,175	2,048	1,942	2,150
1995	57.7	3,369	3,487	3,088	3,071	3,393
1996	103.2	6,847	6,959	6,600	4,868	7,000
1997	29.8	8,885	9,232	8,046	6,681	9,055
End of period						
1993	47.4	1,458	1,515	1,319	1,525	1,452
1994	89.5	2,762	2,817	2,640	2,620	2,774
1995	43.6	3,968	4,079	3,708	3,414	4,011
1996	105.8	8,165	8,368	7,692	6,177	8,319
1997	17.3	9,574	9,980	8,588	7,939	9,701
1996						
January	22.4	4,857	4,973	4,590	3,574	4,957
February	6.0	5,147	5,229	4,967	3,549	5,270
March	4.7	5,389	5,404	5,381	3,744	5,516
April	6.5	5,739	5,714	5,839	4,120	5,864
May	18.0	6,774	6,832	6,667	4,711	6,934
June	6.1	7,184	7,295	6,942	4,794	7,368
July	1.7	7,309	7,458	6,969	5,063	7,482
August	5.7	7,727	7,859	7,434	5,191	7,922
September	1.4	7,837	7,982	7,512	5,391	8,026
October	1.7	7,966	8,145	7,555	5,945	8,123
November	1.3	8,072	8,254	7,654	6,154	8,221
December	1.1	8,165	8,368	7,692	6,177	8,319
1997						
January	1.2	8,262	8,497	7,708	6,408	8,406
February	1.2	8,363	8,637	7,711	6,164	8,533
March	0.4	8,393	8,660	7,760	5,656	8,604
April	2.3	8,586	8,913	7,801	5,806	8,801
May	1.0	8,675	9,011	7,863	6,034	8,878
June	1.5	8,804	9,163	7,933	6,195	9,005
July	1.6	8,944	9,339	7,981	6,396	9,141
August	1.5	9,076	9,472	8,113	6,834	9,249
September	0.8	9,148	9,560	8,145	7,144	9,303
October	2.2	9,350	9,739	8,406	7,721	9,476
November	1.0	9,445	9,817	8,546	7,875	9,567
December	1.4	9,574	9,980	8,588	7,939	9,701
1998						
January	2.4	9,801	10,268	8,658	7,999	9,940
February	1.2	9,918	10,398	8,744	8,168	10,054
March	2.1	10,123	10,652	8,824	9,021	10,209
April	2.3	10,357	10,943	8,911	8,929	10,468

Source: Central Bank of Venezuela.

Table 23. Venezuela: Consumer Price Index in Caracas

(1984 = 100)

	General Index		Food Beverages and Tobacco	Clothing	Household Expenditure	Other
	Percentage Change	Index				
Weights	...	100.0	29.8	15.5	30.1	24.6
Period averages						
1993	38.1	1,303	2,300	782	828	1,093
1994	60.8	2,095	3,640	1,170	1,368	1,796
1995	59.9	3,351	5,819	1,807	2,232	2,851
1996	99.9	6,697	10,942	3,337	4,800	5,826
1997	50.0	10,049	15,989	4,946	7,185	9,055
End of period						
1993	45.9	1,564	2,696	919	1,006	1,348
1994	70.8	2,672	4,706	1,529	1,709	2,276
1995	56.6	4,184	6,960	2,183	3,014	3,492
1996	103.2	8,504	13,565	4,434	6,124	7,451
1997	37.6	11,703	18,746	5,571	8,167	10,833
1996						
January	8.1	4,524	7,696	2,205	3,332	3,662
February	8.0	4,885	8,149	2,316	3,664	4,001
March	6.2	5,186	8,487	2,492	3,896	4,322
April	8.6	5,630	9,094	2,748	4,254	4,836
May	12.6	6,338	10,495	3,033	4,521	5,527
June	7.1	6,790	11,321	3,415	4,744	5,909
July	5.0	7,129	11,726	3,559	5,013	6,273
August	4.1	7,422	12,048	3,719	5,217	6,625
September	3.6	7,688	12,479	3,899	5,381	6,866
October	4.2	8,014	12,924	4,018	5,698	7,120
November	3.1	8,259	13,326	4,210	5,851	7,321
December	3.0	8,504	13,565	4,434	6,124	7,451
1997						
January	2.6	8,727	14,081	4,443	6,288	7,604
February	2.3	8,927	14,253	4,547	6,429	7,873
March	1.6	9,066	14,347	4,615	6,600	7,980
April	2.4	9,281	14,799	4,675	6,763	8,122
May	3.1	9,571	15,053	4,802	6,996	8,482
June	1.8	9,747	15,357	4,908	7,107	8,634
July	2.8	10,017	15,780	4,984	7,236	8,997
August	3.3	10,345	16,390	5,057	7,362	9,429
September	3.4	10,694	17,098	5,113	7,497	9,862
October	3.8	11,097	17,700	5,241	7,792	10,281
November	2.8	11,410	18,263	5,397	7,984	10,561
December	2.6	11,703	18,746	5,571	8,167	10,833
1998						
January	2.0	11,938	19,052	5,634	8,303	11,157
February	2.2	12,203	19,452	5,545	8,516	11,499
March	2.7	12,534	20,203	5,677	8,715	11,726
April	3.4	12,955	21,352	5,748	8,957	11,970

Source: Central Bank of Venezuela.

Table 24. Venezuela: Population, Labor Statistics, and Unemployment 1/

(In thousands of persons)

	1993	1994	1995	1996	Prel. 1997 2/
Population	20,910	21,377	21,851	22,316	22,611
Labor force	7,629	7,990	8,609	9,025	9,188
Employed	7,147	7,309	7,729	7,903	8,079
Primary sector	834	1,108	1,100	1,120	1,083
Secondary sector	1,797	1,666	1,726	1,672	1,738
Tertiary sector	4,510	4,529	4,887	5,098	5,239
Unspecified	6	6	16	12	19
Unemployed	483	681	880	1,122	1,109
Memorandum item:					
Unemployment rate (annual average)	6.6	8.7	10.3	11.8	11.7

Sources: Central Statistical Office; and Central Bank of Venezuela.

1/ Second semester data.

2/ First semester data; unemployment rate: annual average.

Table 25. Venezuela: Labor Remuneration as Shown by the National Income Accounts

	1992	1993	1994	1995	1996
Total labor remuneration (in millions of bolivares)	1,432,489	1,863,825	2,717,617	4,220,881	5,994,959
Total employment 1/ (in thousands)	7,079	7,147	7,309	7,729	7,902
Implicit remuneration per employee (in bolivares per year)					
At current prices	202,357	260,784	371,818	546,110	758,664
At 1984 prices 2/	21,452	20,015	17,746	16,298	11,328
Implicit remuneration per employee (annual percentage change)					
At current prices	37.4	28.9	42.6	46.9	38.9
At 1984 prices	4.5	-6.7	-11.3	-8.2	-30.5
Memorandum items					
Share of total labor remuneration in GDP (in percent)	34.7	34.2	31.3	30.9	20.4
Share of total labor remuneration in nonpetroleum GDP (in percent)	42.8	41.6	38.8	37.4	27.8
Average real wage index 3/4/ (1988=100)	65.0	57.8	45.9	45.0	35.3
Average real wage index by sector 4/					
Hydrocarbons and mining	61.7	57.0	45.8	45.6	46.3
Manufacturing	63.3	54.2	42.7	44.6	36.6
Public utilities	60.6	50.7	45.4	44.7	34.0
Construction	67.9	60.6	47.5	48.1	47.1
Commerce, restaurants, and hotels	61.5	53.1	41.9	42.5	36.2
Transportation and communication	65.9	60.2	50.8	48.1	39.4
Financial services	63.4	61.2	47.3	45.2	37.4
Social services	66.4	59.2	47.2	45.6	35.4

Sources: Central Bank of Venezuela; and Ministry of Planning (CORDIPLAN).

1/ Second semester data.

2/ Deflated by the Metropolitan Caracas consumer price index.

3/ Average real wage index in the petroleum, manufacturing, public utilities, construction, services, financial, and transportation sectors.

4/ Central Statistical Office and Central Bank of Venezuela. Sectoral nominal wages deflated by their respective price index.

Table 26. Venezuela: Number of Collective Bargaining
Contracts Negotiated

	Number of Contracts	Number of Workers Covered
1993	814	148,305
1994	918	144,874
1995	879	140,716
1996	594	1,067,835
1997 1/	263	1,179,527

Source: Ministry of Labor.

1/ Preliminary.

Table 27. Venezuela: Employment in the Public and Private Sectors 1/

	1993	1994	1995	1996	Prel. 1997
(In thousands of persons)					
Labor force	7,629	7,990	8,609	9,025	9,483
Total employment	7,147	7,309	7,729	7,903	8,434
Public	1,209	1,186	1,358	1,354	1,475
Private	5,938	6,123	6,372	6,549	6,959
(Annual percentage change)					
Labor force	0.2	4.7	7.7	4.8	5.1
Total employment	1.0	2.3	5.7	2.2	6.7
Public	-5.9	-1.9	14.5	-0.3	9.0
Private	2.5	3.1	4.1	2.8	6.3
(In percent of total employment)					
Public	16.9	16.2	17.6	17.1	17.5
Private	83.1	83.8	82.4	82.9	82.5

Sources: Central Statistical Office; Central Bank of Venezuela; and staff estimates.

1/ Second semester data.

Table 28. Venezuela: Unemployment

(In percent of total labor)

	First Semester	Second Semester	Average per Year
1993	6.9	6.3	6.6
1994	8.9	8.5	8.7
1995	10.3	10.2	10.3
1996	11.1	12.4	11.8
1997	12.1	11.3	11.7

Sources: Central Statistical Office; and Central Bank of Venezuela.

Table 29. Venezuela: Employment by Sector

	1993		1994		1995		1996		1997
	First Semester	Second Semester	First Semester	Second Semester	First Semester	Second Semester	First Semester	Second Semester	First Semester
Total employment	7,063	7,147	...	7,309	7,605	7,729	7,736	7,902	8,079
Primary sector	844	834	...	1,108	1,115	1,100	1,148	1,120	1,083
Agriculture	773	763	...	1,037	1,038	1,032	1,082	1,031	996
Petroleum and mining	71	77	...	71	78	67	66	89	87
Secondary sector	1,784	1,797	...	1,666	1,738	1,726	1,666	1,672	1,738
Manufacturing	1,101	1,085	...	1,007	1,048	1,035	1,006	1,005	1,033
Construction	621	659	...	606	627	623	598	603	644
Electricity, gas, water, and sanitary services	62	53	...	52	63	69	63	64	61
Tertiary sector	4,430	4,510	...	4,529	4,748	4,887	4,907	5,098	5,239
Commerce and financial institutions	2,010	2,085	...	2,017	2,115	2,206	2,235	2,315	2,381
Transport and communications	475	456	...	461	482	474	496	547	517
Services	1,944	1,970	...	2,050	2,151	2,207	2,175	2,236	2,341
Unspecified	5	6	...	6	3	16	14	12	19
	(In percent of total employment)								
Primary sector	11.9	11.7	...	15.2	14.7	14.2	14.8	14.2	13.4
Secondary sector	25.3	25.1	...	22.8	22.9	22.3	21.5	21.2	21.5
Tertiary sector	62.7	63.1	...	62.0	62.4	63.2	63.4	64.5	64.8

Sources: Central Statistical Office, and Central Bank of Venezuela.

Table 30. Venezuela: Caracas Stock Exchange Index

(End 1993=1000; end of period)

	<u>In Local Currency</u>		<u>In U.S. Dollars</u>	
	Index	Percentage Change	Index	Percentage Change
1995	2,019	48.6	726	-13.0
1996	6,690	231.3	1,466	101.8
1997	8,656	29.4	1,791	22.1
1996				
January	2,048	1.4	737	1.4
February	2,722	32.9	979	32.9
March	3,358	23.4	1,208	23.4
April	3,787	12.8	848	-29.8
May	4,452	17.5	988	16.4
June	4,361	-2.0	971	-1.6
July	4,186	-4.0	926	-4.7
August	4,601	9.9	1,011	9.1
September	5,482	19.1	1,210	19.7
October	5,888	7.4	1,304	7.8
November	6,189	5.1	1,367	4.8
December	6,690	8.1	1,466	7.2
1997				
January	6,417	-4.1	1,409	-3.9
February	6,709	4.6	1,463	3.8
March	6,332	-5.6	1,382	-5.5
April	6,237	-1.5	1,351	-2.3
May	6,855	9.9	1,477	9.3
June	9,237	34.7	1,984	34.3
July	9,466	2.5	1,987	0.2
August	9,660	2.1	2,030	2.2
September	10,489	8.6	2,198	8.3
October	9,290	-11.4	1,938	-11.8
November	8,706	-6.3	1,814	-6.4
December	8,656	-0.6	1,791	-1.3
1998				
January	7,333	-15.3	1,500	-16.2
February	7,176	-2.1	1,447	-3.5
March	7,686	7.1	1,532	5.8
April	6,080	-20.9	1,183	-22.7

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

Table 31. Venezuela: Public Sector Operations

(In percent of GDP)

	1993	1994	1995	1996	Prel. 1997
I. Underlying Oil Sector Balance 1/					
Revenue 1/	13.7	15.4	13.0	21.5	14.8
PDVSA operating surplus	13.2	14.9	12.7	21.1	14.4
Foreign revenue	18.6	20.7	18.1	27.3	21.1
Operating expenditure (-)	-5.5	-5.8	-5.4	-6.1	-6.7
Other revenue	0.5	0.5	0.3	0.4	0.4
Non-operating expenditure 2/	6.0	6.6	7.0	7.9	7.0
Interest payments	0.8	0.6	0.5	0.5	0.2
Capital expenditure	5.2	6.0	6.5	7.4	6.8
Current balance	12.9	14.8	12.5	21.0	14.5
Underlying balance	7.7	8.8	6.0	13.6	7.8
II. Underlying Non-oil Sector Balance 3/4/5/					
Revenue 3/4/	10.9	13.4	12.8	12.9	13.8
Tax and social security revenue	6.3	9.0	8.5	7.6	9.2
Operating surplus of enterprises	0.8	1.4	2.1	1.9	0.8
Revenue from sale of domestic oil products	2.3	1.6	1.2	2.4	2.4
Other revenue	1.4	1.5	1.1	1.0	1.4
Expenditure 4/5/	21.5	22.8	21.8	19.7	23.2
Current expenditure	16.1	18.7	17.5	16.0	18.4
Non-interest current expenditure	12.2	12.2	10.9	10.9	15.0
Interest and BCV losses	4.0	6.5	6.6	5.1	3.3
Capital expenditure	5.4	4.1	4.3	3.7	4.9
Underlying primary balance	-7.6	-3.6	-2.8	-2.3	-6.8
Underlying current balance	-5.3	-5.3	-4.7	-3.1	-4.7
Underlying balance	-10.7	-9.4	-9.0	-6.8	-9.4
III. Underlying Public Sector Balance 4/5/6/					
Revenue 4/6/	24.5	28.8	25.9	34.4	28.6
Expenditure 4/5/	27.5	29.4	28.9	27.6	30.2
Underlying primary balance	0.4	5.4	3.4	11.4	0.8
Underlying current balance	7.6	9.5	7.8	17.9	9.8
Underlying balance	-3.0	-0.6	-3.0	6.8	-1.6
IV. Nonrecurrent Operations					
Sale of participation rights in the oil sector	0.0	0.0	0.0	0.4	2.5
Net assistance to banks (-)	0.0	-12.6	-3.9	0.1	1.0
Gross assistance to banks (-)	0.0	-12.6	-3.9	-0.1	-0.1
Sale of banking assets	0.0	0.0	0.0	0.2	1.1
Settlement of accumulated severance liabilities (-)	0.0	0.0	0.0	0.0	0.0
Balance on nonrecurrent operations	0.0	-12.6	-3.9	0.4	3.5
V. Overall Public Sector					
Total revenue	24.5	28.8	25.9	35.0	32.2
Total expenditure	27.5	42.0	32.8	27.7	30.3
Overall balance	-3.0	-13.2	-6.9	7.3	1.9
Oil sector	7.7	8.8	6.0	14.0	10.3
Non-oil sector	-10.7	-22.0	-12.9	-6.7	-8.4
Financing	3.0	13.2	6.9	-7.3	-1.9
Domestic	0.9	16.6	6.9	-5.1	-3.4
Banking system	1.4	14.1	6.9	-5.2	-4.2
Other	-0.6	2.5	0.0	0.1	0.9
External	1.1	-3.4	0.0	-3.7	1.4
Privatization	1.0	0.0	0.0	1.6	0.1

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

1/ Excluding revenue from the domestic sale of petroleum products and from the sale of participation rights.

2/ Excluding transfers to central government.

3/ Including revenue from the domestic sale of petroleum products.

4/ Excluding net assistance to banks.

5/ Excluding settlement of accumulated severance liabilities.

6/ Excluding revenue from the sale of participation rights in the oil sector.

Table 32. Venezuela: Detailed Operations of the Consolidated Public Sector 1/

(In percent of GDP)

	1993	1994	1995	1996	Prel. 1997
I. Central Government					
Total revenue	16.5	17.1	15.7	19.3	23.5
Current revenue	16.5	17.1	15.7	19.3	23.5
Oil revenue	9.9	8.5	7.4	11.4	13.5
PDVSA income tax	6.7	5.2	4.2	5.8	7.4
PDVSA royalties	3.2	3.3	3.2	4.3	3.7
PDVSA dividends	0.0	0.0	0.0	1.3	2.3
Non-oil revenue	6.6	8.5	8.3	7.9	10.0
Non-oil tax revenue	6.3	8.4	8.1	7.7	9.9
Income taxes	2.2	2.2	2.2	1.8	2.1
Import taxes	1.8	1.6	1.5	1.4	1.6
Value-added tax	0.6	2.0	3.3	3.6	4.5
Excises	1.4	0.9	0.8	0.8	1.4
Other	0.2	1.6	0.3	0.2	0.3
Non-oil nontax revenue	0.3	0.2	0.2	0.1	0.1
Capital revenue	0.0	0.0	0.0	0.0	0.0
Total expenditure	19.4	24.4	20.0	18.7	21.9
Current expenditure	14.7	17.4	15.7	15.2	18.0
Personal emoluments	4.2	4.2	3.5	2.5	3.8
Goods and services	0.5	0.9	0.9	0.6	0.6
Interest due	3.3	4.1	4.4	3.7	2.4
Domestic	0.9	1.5	2.2	1.4	0.6
Foreign	2.4	2.6	2.2	2.3	1.8
Current transfers	6.2	5.4	5.8	7.5	10.1
To public sector	4.7	4.3	5.0	5.8	8.2
Nonfinancial public enterprises	0.2	0.3	0.1	0.3	0.6
Local governments	1.6	1.4	1.8	2.3	3.8
Autonomous agencies	2.4	2.3	2.6	2.6	2.9
Social security	0.4	0.4	0.5	0.5	0.9
Other	0.2	0.0	0.0	0.0	0.0
To private and external sectors	1.5	1.1	0.8	1.7	1.9
Direct social subsidies	0.9	0.6	0.3	1.1	0.8
Other current transfers	0.6	0.5	0.5	0.6	1.0
Exchange and operating losses 2/	0.2	2.0	1.0	0.7	0.6
Other 3/	0.3	0.8	0.1	0.2	0.4
Capital expenditure and net lending	4.7	6.9	4.2	3.5	4.0
Fixed capital formation	1.0	0.7	0.6	0.4	0.4
Capital transfers and net lending	3.7	6.3	3.6	3.1	3.5
To public sector	3.7	6.2	3.5	3.0	3.4
Nonfinancial enterprises	1.6	0.4	0.4	0.4	0.6
Local governments	1.5	1.5	1.9	1.6	2.4
Autonomous agencies	0.3	0.2	0.3	0.1	0.2
Financial entities and other	0.3	4.1	0.9	0.9	0.2
To private and external sector	0.0	0.1	0.1	0.1	0.1
Current surplus or deficit (-)	1.8	-0.4	0.0	4.1	5.5
Overall surplus or deficit (-)	-2.9	-7.3	-4.3	0.6	1.6

Table 32. Venezuela: Detailed Operations of the Consolidated Public Sector (Continued) 1/

(In percent of GDP)

	1993	1994	1995	1996	Prel. 1997
II. State Petroleum Company (PDVSA)					
Operating revenue	20.3	21.9	19.0	29.3	22.6
Domestic	1.7	1.2	0.9	2.0	1.5
Foreign	18.6	20.7	18.1	27.3	21.1
Operating expenditure	5.5	5.8	5.4	6.1	6.7
Personal emoluments	1.0	1.2	1.2	1.1	1.0
Goods and services	4.5	4.6	4.2	5.0	5.8
Operating surplus	14.8	16.1	13.6	23.2	15.8
Interest and other current income	0.5	0.5	0.3	0.4	0.4
Interest payments	0.8	0.6	0.5	0.5	0.2
Capital revenue	0.0	0.0	0.0	0.4	2.5
Capital expenditure	5.2	6.0	6.5	7.4	6.8
Fixed capital formation	5.4	6.0	6.4	7.2	6.7
Change in stocks	-0.3	-0.1	0.1	0.2	0.1
Overall surplus or deficit before transfers to central government	9.4	10.0	6.9	16.0	11.8
Transfers to central government	9.9	8.5	7.4	11.4	13.5
Income tax	6.7	5.2	4.2	5.8	7.4
Royalties	3.2	3.3	3.2	4.3	3.7
Dividends	0.0	0.0	0.0	1.3	2.3
Current surplus or deficit (-)	4.6	7.4	6.0	11.6	2.5
Overall surplus or deficit (-)	-0.5	1.5	-0.5	4.6	-1.7
III. Nonfinancial Public Enterprises					
Operating income	7.9	8.2	8.2	7.7	6.9
Foreign sales	2.2	2.4	2.2	2.7	2.2
Domestic sales	5.7	5.8	6.0	5.0	4.7
Operating expenditure	7.1	6.8	6.2	5.8	6.1
Personal emoluments	1.2	1.1	1.1	0.9	1.2
Goods and services	5.9	5.8	5.1	4.9	4.9
Operating surplus	0.8	1.4	2.1	1.9	0.8
Other current income	0.6	0.6	0.4	0.3	0.6
Interest and dividends	0.5	0.4	0.3	0.1	0.1
Current transfers from government	0.1	0.2	0.1	0.2	0.5
Other current expenditure	0.5	0.4	0.4	0.4	0.4
Interest payments	0.5	0.4	0.4	0.3	0.2
Restructuring costs	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.1	0.2
Capital revenue and transfers	1.6	0.6	0.5	0.9	1.2
Capital transfers from government	1.0	0.4	0.3	0.3	0.5
Capital transfers from FIV	0.6	0.3	0.2	0.6	0.7
Sale of fixed assets	0.0	0.0	0.0	0.0	0.0

Table 32. Venezuela: Detailed Operations of the Consolidated Public Sector (Continued) 1/

(In percent of GDP)

	1993	1994	1995	1996	Prel. 1997
Capital expenditure	1.8	1.4	1.5	1.2	1.3
Fixed capital formation	1.6	1.4	1.3	1.2	1.3
Inventory accumulation	0.2	0.0	0.2	0.0	0.0
Current surplus or deficit (-)	0.9	1.6	2.1	1.8	1.0
Overall surplus or deficit (-)	0.6	0.8	1.1	1.5	0.9
IV. Social Security Institute (IVSS)					
Current revenue	1.0	1.2	0.9	0.7	1.1
Social security contributions	0.8	1.0	0.7	0.3	0.4
Interest income	0.1	0.1	0.0	0.0	0.2
Current transfers from Government	0.1	0.1	0.2	0.3	0.5
Current expenditure	1.2	1.2	0.9	0.6	1.0
Personal emoluments	0.3	0.4	0.3	0.2	0.3
Goods and services	0.4	0.3	0.2	0.1	0.2
Current transfers to private sector	0.4	0.5	0.4	0.3	0.5
Capital expenditure	0.0	0.0	0.0	0.0	0.0
Current surplus or deficit (-)	-0.2	0.1	0.0	0.0	0.1
Overall surplus or deficit (-)	-0.2	0.1	0.0	0.0	0.1
V. Venezuelan Investment Fund (FIV)					
Current revenue	0.3	0.3	0.2	0.5	0.5
Interest and dividends	0.2	0.2	0.2	0.5	0.4
Other	0.0	0.0	0.0	0.0	0.1
Current expenditure	0.0	0.0	0.0	0.0	0.0
Personal emoluments	0.0	0.0	0.0	0.0	0.0
Goods and services	0.0	0.0	0.0	0.0	0.0
Transfers for restructuring	0.0	0.0	0.0	0.0	0.0
Capital revenue and transfers	0.2	0.2	0.1	0.0	0.1
Capital expenditure and net lending	0.6	0.3	-0.1	0.6	0.8
Fixed capital formation	0.0	0.0	0.0	0.0	0.0
Capital participation and net lending	0.6	0.2	0.1	0.6	0.9
International financial cooperation	0.0	0.0	-0.1	0.0	-0.1
Current surplus or deficit (-)	0.3	0.2	0.2	0.5	0.4
Overall surplus or deficit (-)	-0.2	0.1	0.3	-0.1	-0.2

Table 32. Venezuela: Detailed Operations of the Consolidated Public Sector (Continued) 1/

(In percent of GDP)

	1993	1994	1995	1996	Prel. 1997
VI. Deposit Guarantee Fund (FOGADE)					
Current revenue	0.2	0.6	0.5	0.3	0.3
Deposit insurance premia	0.1	0.4	0.4	0.2	0.2
Interest income	0.1	0.2	0.1	0.0	0.1
Current expenditure	0.0	0.0	0.9	0.5	0.1
Operational expenditure	0.0	0.0	0.0	0.0	0.0
Interest	0.0	0.0	0.9	0.4	0.1
Capital revenue	0.0	3.7	0.8	0.8	1.1
Transfer from central government	0.0	3.7	0.8	0.7	0.0
Sale of assets	0.0	0.0	0.0	0.2	1.1
Other	0.0	0.0	0.0	0.0	0.0
Capital expenditure and net lending	0.0	12.6	3.9	0.1	0.1
Financial assistance to banks and payments to depositors	0.0	12.6	3.9	0.2	0.1
Recovery of assets (-)	0.0	0.0	0.0	-0.1	0.0
Current surplus or deficit (-)	0.2	0.6	-0.4	-0.2	0.2
Overall surplus or deficit (-)	0.2	-8.3	-3.5	0.6	1.2
VII. Housing Fund					
Current revenue	0.2	0.0	0.0	0.0	0.0
Current transfers	0.2	0.0	0.0	0.0	0.0
Current expenditure	0.2	0.0	0.0	0.0	0.0
Capital revenue	0.0	0.0	0.0	0.0	0.0
Capital expenditure and net lending	0.0	0.0	0.0	0.0	0.0
Current surplus or deficit (-)	0.0	0.0	0.0	0.0	0.0
Overall surplus or deficit (-)	0.0	0.0	0.0	0.0	0.0

Table 32. Venezuela: Detailed Operations of the Consolidated Public Sector (Concluded) 1/

(In percent of GDP)

	1993	1994	1995	1996	Prel. 1997
VIII. Consolidated Nonfinancial Public Sector					
Total revenue	24.5	28.8	25.9	35.0	32.2
Current revenue	24.5	28.8	25.9	34.4	28.4
Tax revenue	7.0	9.4	8.8	8.0	10.2
Income taxes	2.2	2.1	2.2	1.7	2.0
Import taxes	1.8	1.6	1.5	1.4	1.6
Value-added tax	0.6	2.0	3.3	3.6	4.5
Other	2.4	3.5	1.8	1.3	2.1
Nontax revenue	17.5	19.4	17.1	26.4	18.3
Operating surpluses	15.6	17.5	15.7	25.0	16.6
PDVSA	14.8	16.1	13.6	23.2	15.8
Other public enterprises	0.8	1.4	2.1	1.9	0.8
Other	1.9	2.0	1.4	1.4	1.7
Capital revenue	0.0	0.0	0.0	0.6	3.8
Total expenditure	27.5	42.0	32.8	27.7	30.3
Current expenditure	16.9	19.3	18.1	16.5	18.6
Personal emoluments	4.5	4.6	3.9	2.8	4.2
Goods and services	1.0	1.2	1.1	0.7	0.8
Interest payments	4.6	5.1	6.1	4.9	2.9
Foreign	3.5	3.6	3.0	3.0	2.2
Domestic	1.1	1.5	3.1	1.8	0.8
Transfer payments	6.3	5.6	5.9	7.2	9.6
Exchange and operating losses 2/	0.2	2.0	1.0	0.7	0.6
Other 3/	0.3	0.8	0.1	0.2	0.4
Capital expenditure and net lending	10.6	22.7	14.7	11.2	11.7
Fixed capital formation	8.0	8.1	8.3	8.8	8.4
Central government	1.0	0.7	0.6	0.4	0.4
Oil company	5.4	6.0	6.4	7.2	6.7
Other	1.6	1.4	1.3	1.3	1.3
Inventory accumulation	-0.1	0.0	0.3	0.2	0.1
Transfers, participation, and net lending	2.6	14.6	6.1	2.2	3.2
Of which:					
Assistance to banks	0.0	12.6	3.9	0.1	0.1
Current surplus or deficit (-)	7.6	9.5	7.8	17.9	9.8
Primary surplus or deficit (-)	0.4	-7.2	-0.5	11.9	4.3
Overall surplus or deficit (-)	-3.0	-13.2	-6.9	7.3	1.9
Of which:					
Central government	-2.9	-7.3	-4.3	0.6	1.6
Oil company	-0.5	1.5	-0.5	4.6	-1.7
Other public enterprises	0.6	0.8	1.1	1.5	0.9
Deposit Guarantee Fund	0.2	-8.3	-3.5	0.6	1.2
Financing	3.0	13.2	6.9	-7.3	-1.9
Domestic	0.9	16.6	6.9	-5.1	-3.4
External	1.1	-3.4	0.0	-3.7	1.4
Privatization	1.0	0.0	0.0	1.6	0.1

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

1/ Excludes regional and municipal governments, autonomous agencies, and nonbank development institutions.

2/ Includes the operating losses of the Central Bank of Venezuela.

3/ Includes extrabudgetary expenditure.

Table 33. Venezuela: Central Government Revenue

	1993	1994	1995	1996	Prel. 1997
(In percent of GDP)					
Total revenue	16.5	17.1	15.7	19.3	23.5
Current revenue	16.5	17.1	15.7	19.3	23.5
Tax revenue	12.9	13.6	12.3	13.6	17.3
Taxes on income and profits	8.9	7.4	6.4	7.6	9.5
Petroleum sector	6.7	5.2	4.2	5.8	7.4
Nonpetroleum sector	2.2	2.2	2.2	1.8	2.1
Value-added tax	0.6	2.0	3.3	3.6	4.5
Excises	1.4	0.9	0.8	0.8	1.4
Liquor	0.4	0.2	0.2	0.2	0.2
Cigarettes	0.3	0.3	0.3	0.2	0.2
Petroleum products	0.7	0.4	0.3	0.4	1.0
Taxes on international trade	1.8	1.6	1.5	1.4	1.6
Custom duties	1.6	1.4	1.3	1.2	1.4
Custom services	0.3	0.2	0.2	0.2	0.3
Other tax revenue	0.2	1.6	0.3	0.2	0.3
Nontax revenue	3.5	3.5	3.4	5.7	6.2
Petroleum royalties	3.2	3.3	3.2	4.3	3.7
Petroleum dividends	0.0	0.0	0.0	1.3	2.3
Other	0.3	0.2	0.2	0.1	0.1
Capital revenue	0.0	0.0	0.0	0.0	0.0
(In percent of non-oil GDP)					
Non-oil revenue	8.0	10.6	10.0	10.7	12.7
Taxes on non-oil income and profits	2.7	2.7	2.6	2.4	2.6
Value-added tax	0.7	2.5	4.0	4.9	5.7
Excises	1.7	1.2	1.0	1.0	1.7
Taxes on international trade	2.2	2.0	1.8	1.9	2.1
Other non-oil tax revenue	0.3	2.0	0.3	0.3	0.4
Non-oil nontax revenue	0.4	0.2	0.2	0.2	0.2
(In percent of GDP)					
Memorandum items:					
Oil revenue	9.9	8.5	7.4	11.4	13.5
Non-oil revenue	6.6	8.5	8.3	7.9	10.0

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

Table 34. Venezuela: Balance Sheet of the State Petroleum Company (PDVSA)

(In billions of bolivares)

	1992	1993	1994	1995	1996
Assets	1,489	2,039	3,218	5,620	11,126
Current assets	420	480	890	1,758	4,400
Cash, time deposits, and other	31	47	80	110	699
Central Bank of Venezuela	4	1	7	23	606
Notes and accounts receivable	204	215	438	930	1,624
Inventories	121	148	219	358	700
Crude petroleum, products, and fertilizers	77	108	164	268	547
Materials and supplies	44	39	55	90	153
Deferred income tax and prepaid expenses	62	69	145	336	771
Investments in affiliates and other	78	119	203	429	760
Property, plant, and equipment	888	1,311	2,008	3,202	5,618
Other assets	102	128	117	230	349
Liabilities and shareholder's equity	1,489	2,039	3,218	5,620	11,126
Current liabilities	307	346	674	1,211	3,277
Loans and bonds	66	38	159	311	540
Notes and accounts payable	113	139	256	484	957
Income tax payable	62	62	77	101	1,241
Accruals and other	65	107	182	315	539
Long-term debt	364	584	854	1,427	2,216
Leasing and other long-term liabilities	70	133	172	305	459
Operating agreements	0	0	21	200	0
Accrual for employee benefits	42	77	69	175	287
Deferred income tax	47	8	21	90	146
Minority interests in affiliates	15	16	20	25	42
Shareholder's equity	643	875	1,387	2,187	4,699

Source: National Petroleum Company.

Table 35. Venezuela: Structure of the Financial System 1/

	Main Offices					Branches and Agencies					Total Assets (In billions of bolivares)				
	1993	1994	1995	1996	1997	1993	1994	1995	1996	1997	1993 2/	1994 3/	1995 4/	1996	1997
	Total	212	197	128	124	106	2,867	3,069	2,423	2,428	2,438	3,678	4,066	5,475	7,399	11,658
Commercial banks	50	48	39	37	30	2,025	2,222	1,839	1,499	1,116	1,838	2,581	3,883	4,304	4,173
<i>Of which:</i>															
Foreign banks	5	5	7	7	8	7	6	7	7	...	18	56	112	209	693
Universal banks	0	0	0	2	10	0	0	0	346	987	0	0	0	2,257	6,162
<i>Of which:</i>															
Foreign banks	0	0	0	0	4	0	0	0	0	...	0	0	0	0	3,540
Rest of the banking system	38	38	30	29	26	334	341	298	297	293	337	248	317	442	836
Mortgage banks	17	17	9	8	5	75	74	32	28	6	170	85	92	79	87
Savings and loans	20	21	21	21	21	252	267	266	269	287	156	163	225	363	749
Specialized banks 5/	1	0	0	0	0	7	0	0	0	0	11	0	0	0	0
Rest of the financial system 6/	124	111	59	56	40	508	506	286	286	42	1,503	1,237	1,275	396	487
Finance companies	47	47	20	18	15	56	58	4	3	2	287	191	257	300	355
Leasing companies	36	22	18	18	12	0	0	0	0	1	111	68	68	61	110
Liquid asset funds 7/	38	39	20	19	12	439	435	282	283	39	1,103	976	947	32	20
Capitalization societies	3	3	1	1	1	13	13	0	0	0	2	2	3	3	3

Sources: Superintendency of Banks and Other Financial Institutions; Central Bank of Venezuela; and Fund staff estimates.

1/ End of period; unless otherwise indicated.

2/ These figures do not include Banco Popular and Banco Latino.

3/ These figures do not include Banco Popular, Banco Latino, Banco Consolidado, Banco Republica, and Banco Andino.

4/ These figures do not include Banco Andino.

5/ The Workers' Bank (through 1993).

6/ Not covered by the monetary statistics.

7/ Liquid asset funds consist mostly of deposits in commercial banks and financial institutions.

Table 36. Venezuela: Summary Accounts of the Central Bank

Exchange Rate	Bs 170/US\$			Bs 500/US\$		
	1993	1994	1995	1995	1996	1997
(In billions of bolivares)						
Net international reserves	1,415	1,235	1,053	3,097	6,019	7,829
Assets	2,152	1,956	1,650	4,852	7,615	8,917
Liabilities	-736	-722	-597	-1,755	-1,596	-1,089
Medium- and long-term foreign assets (net)	-94	-91	-81	-238	-143	499
Net domestic assets	-908	-465	-122	-2,009	-4,240	-5,430
Net claims on public sector	356	1,120	1,218	2,136	975	-487
Net credit to financial system	2	-14	-3	-17	-47	-61
Domestic currency bonds	-71	-745	-609	-609	-1,659	-1,803
Other items, net	-1,195	-826	-728	-3,518	-3,509	-3,079
Base money	413	679	850	850	1,635	2,898
(Annual percentage change in relation to base money at the beginning of the period)						
Net international reserves		-43.7	-26.8		343.9	110.6
Assets		-47.3	-45.2		325.3	79.6
Liabilities		3.6	18.4		18.6	31.0
Medium- and long-term foreign assets (net)		0.8	1.4		11.2	39.3
Net domestic assets		107.1	50.6		-262.6	-72.7
Net claims on public sector		184.9	14.5		-136.6	-89.4
Net credit to financial system		-3.8	1.6		-3.5	-0.8
Domestic currency bonds		-163.2	20.0		-123.6	-8.8
Other items, net		89.3	14.5		1.1	26.3
Base money		64.3	25.2		92.5	77.2

Source: Statistical Appendix Table 38.

Table 37. Venezuela: Private Sector Claims on the Financial System

Exchange Rate	Bs 170/US\$			Bs 500/US\$		
	1993	1994	1995	1995	1996	1997
	(In billions of bolivares)					
Total private sector claims	1,959	3,279	4,098	4,117	6,612	11,114
Money and quasi-money (M2) 1/	1,753	2,738	3,512	3,530	5,503	8,926
Money	387	924	1,271	1,284	2,629	4,679
Currency outside banks	136	279	342	342	565	982
Demand deposits	251	646	928	942	2,064	3,698
Quasi-money	1,366	1,814	2,241	2,246	2,875	4,247
Time and savings deposits	1,139	1,580	2,017	2,017	2,743	4,030
Bonds and certificates	156	103	110	110	1	1
Foreign currency deposits and other claims	71	131	114	119	131	216
Private capital and surplus	149	152	231	231	514	1,203
BCV securities held by the public	57	389	355	355	594	985
	(Percentage change)					
Total private sector claims		67.3	25.0		60.6	68.1
Money and quasi-money (M2) 1/		56.2	28.3		55.9	62.2
Money		138.4	37.6		104.7	78.0
Currency outside banks		104.1	23.0		65.0	73.8
Demand deposits		157.0	43.8		119.0	79.2
Quasi-money		32.8	23.5		28.0	47.7
Time and savings deposits		38.7	27.6		36.0	46.9
Bonds and certificates		-34.1	6.9		-99.4	-6.3
Foreign currency deposits and other claims		85.4	-12.9		10.1	64.9
Private capital and surplus		1.7	52.1		122.6	133.9
BCV securities held by the public		584.3	-8.8		67.5	65.8
Money and quasi-money (M2) in real terms		-8.6	-18.1		-23.3	17.8
	(In percent of total private sector claims)					
Total private sector claims	100.0	100.0	100.0	100.0	100.0	100.0
Money and quasi-money (M2) 1/	89.5	83.5	85.7	85.8	83.2	80.3
Money	19.8	28.2	31.0	31.2	39.8	42.1
Currency outside banks	7.0	8.5	8.3	8.3	8.5	8.8
Demand deposits	12.8	19.7	22.7	22.9	31.2	33.3
Quasi-money	69.7	55.3	54.7	54.6	43.5	38.2
Time and savings deposits	58.1	48.2	49.2	49.0	41.5	36.3
Bonds and certificates	8.0	3.1	2.7	2.7	0.0	0.0
Foreign currency deposits and other claims	3.6	4.0	2.8	2.9	2.0	1.9
Private capital and surplus	7.6	4.6	5.6	5.6	7.8	10.8
BCV securities held by the public	2.9	11.9	8.7	8.6	9.0	8.9
	(In percent of GDP)					
Total private sector claims	35.9	37.8	30.0	30.2	22.5	26.0
Money and quasi-money (M2) 1/	32.1	31.6	25.7	25.9	18.8	20.9
Money	7.1	10.7	9.3	9.5	9.0	10.9
Currency outside banks	2.5	3.2	2.5	2.6	1.9	2.3
Demand deposits	4.6	7.4	6.8	6.9	7.0	8.7
Quasi-money	25.0	20.9	16.4	16.4	9.8	9.9
Time and savings deposits	20.9	18.2	14.8	14.8	9.4	9.4
Bonds and certificates	2.9	1.2	0.8	0.8	0.0	0.0
Foreign currency deposits and other claims	1.3	1.5	0.8	0.9	0.4	0.5
Private capital and surplus	2.7	1.8	1.7	1.7	1.8	2.8
BCV securities held by the public	1.0	4.5	2.6	2.6	2.0	2.3

Source: Statistical Appendix Table 42.

1/ Figures through January 1995 adjusted to account for deposits that were kept off balance until February 1995.

Table 38. Venezuela: Accounts of the Central Bank

(In billions of bolivares)

Exchange Rate	Bs 170/US\$			Bs 500/US\$		
	1993	1994	1995	1995	1996	1997
Net international reserves	1,415	1,235	1,053	3,097	6,019	7,829
Assets	2,152	1,956	1,650	4,852	7,615	8,917
Liabilities	-736	-722	-597	-1,755	-1,596	-1,089
Medium- and long-term foreign assets (net)	-94	-91	-81	-238	-143	499
Assets	0	0	0	0	0	565
Liabilities	-94	-91	-81	-238	-143	-66
Net domestic credit	-810	-368	45	-1,658	-3,823	-4,955
Net claims on public sector	356	1,120	1,218	2,136	975	-487
Central government budget (net)	375	378	467	1,439	856	-630
Credit	504	598	619	1,701	1,853	1,047
Deposits	-129	-220	-152	-262	-997	-1,677
Other central administration 1/	-29	-34	-31	-85	-55	-4
Of which:						
FIV	-29	-27	-26	-75	-28	5
Decentralized agencies	-1	-3	0	0	0	-3
Social security funds	0	0	0	0	0	0
State and local governments	0	0	0	0	0	-13
Public enterprises	0	-8	-13	-13	-610	-669
Of which:						
PDVSA	-1	-7	-23	-23	-606	-648
Net credit to FOGADE	10	787	796	796	785	833
Credits	11	808	810	810	823	838
Liabilities	-1	-22	-14	-14	-38	-5
Debt capitalization	87	54	26	76	46	42
Official capital and surplus	-67	-98	-97	-97	-2,024	-3,052
Balance sheet	-68	-98	-97	-97	-2,024	-3,052
Adjustment	1	0	0	0	0	0
Credit to commercial banks	8	-3	10	-4	-19	-11
Credit rest of the banking system	1	1	1	1	0	0
Net credit rest of financial system	-7	-12	-15	-15	-29	-50
Nonmonetary international organizations	-1	-2	-4	-4	-4	53
Net unclassified assets	-898	-529	-357	-2,765	-813	515
Foreign currency bonds	-218	-154	-128	-376	-297	-163
Domestic currency bonds	-71	-745	-609	-609	-1,659	-1,803
Valuation adjustment	-10	1	-4	-12	-3	2
SDR allocations and Andean pesos	77	81	83	245	238	224
Liabilities to private sector	11	17	80	94	177	252
Demand deposits	9	15	73	87	164	207
Other liabilities	2	3	7	7	13	45
Base money	413	679	850	850	1,635	2,898
Currency outside banks	136	278	342	342	565	982
Commercial banks' reserves	270	387	478	478	960	1,800
Currency in banks	42	70	103	103	153	248
Deposits at BCV	228	317	375	375	807	1,553
Rest of the banking system's reserves	5	11	27	27	108	113
Currency holdings	0	0	13	13	89	79
Deposits at BCV	5	11	14	14	18	34
Money desk deposits	0	0	0	0	0	0
Debt conversion deposits	2	2	3	3	3	4

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

1/ Includes the Venezuelan Investment Fund; the Export Finance Fund (FINEXPO); and the Exchange Compensation Funds (FOCOCAM/FICAM).

Table 39. Venezuela: Summary Accounts of the Commercial Banks

(In billions of bolivares)

Exchange Rate	Bs 170/US\$			Bs 500/US\$		
	1993	1994	1995	1995	1996	1997
Net foreign assets	202	182	100	294	328	289
Assets	254	193	110	323	397	384
Liabilities	-52	-11	-10	-29	-69	-95
Medium- and long-term foreign assets (net)	-56	-33	-21	-61	-35	-10
Monetary reserves and currency holdings	306	754	736	736	2,123	2,658
Net domestic credit	1,188	1,456	2,071	2,306	2,599	5,318
Net claims on public sector	147	293	701	888	548	44
Central government	150	394	714	901	605	593
Public enterprises	36	40	44	44	-46	-60
Deposit Guarantee Fund (FOGADE)	0	-91	0	0	289	50
Exchange Compensation Funds (FOCOCAM/FICAM)	0	0	0	0	-37	-45
Regional and municipal governments	-24	-35	-44	-44	-226	-414
Nonbank development institutions	-16	-15	-13	-13	-36	-79
Official capital and surplus	-10	54	-110	-110	-357	-157
Net credit to rest of banking system	-36	-31	-22	-22	-25	-76
Credits	1	1	0	0	72	92
Liabilities	-37	-32	-22	-22	-98	-168
Credit to private sector	888	798	1,168	1,214	2,393	5,288
Net unclassified assets	192	275	337	337	-4	77
Net interbank float	8	66	-3	-3	46	142
Valuation adjustment	-118	10	152	-231	-30	4
Liabilities to monetary authorities	33	18	26	26	6	3
Liabilities to private sector 1/	1,489	2,351	3,013	3,018	4,978	8,256
Demand deposits	242	627	853	853	1,887	3,444
Time deposits	664	658	739	739	743	906
Savings deposits	391	808	1,105	1,105	1,739	2,623
Other liabilities	59	118	100	105	118	169
Private capital and surplus	133	141	217	217	491	1,115

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

1/ Figures through January 1995 adjusted to account for deposits that were kept off balance until February 1995.

Table 40. Venezuela: Summary Accounts of the Consolidated Monetary System

(In billions of bolivares)

Exchange Rate	Bs 170/US\$			Bs 500/US\$		
	1993	1994	1995	1995	1996	1997
Net international reserves	1,415	1,235	1,053	3,097	6,019	7,829
Assets	2,152	1,956	1,650	4,852	7,615	8,917
Liabilities	-736	-722	-597	-1,755	-1,596	-1,089
Other short-term foreign assets (net)	202	182	100	294	328	289
Medium- and long-term foreign assets (net)	-149	-124	-102	-300	-178	490
Assets	0	0	0	0	0	565
Liabilities	-149	-124	-102	-300	-178	-76
Net domestic credit	430	1,816	2,677	1,208	420	2,090
Net claims on public sector	503	1,413	1,919	3,024	1,523	-442
Central government	526	771	1,180	2,340	1,461	-37
Credit	655	992	1,333	2,602	2,457	1,640
Deposits	-129	-220	-152	-262	-997	-1,677
Venezuelan Investment Fund (FIV)	-29	-27	-26	-75	-28	5
National petroleum company (PDVSA)	-1	-7	-23	-23	-606	-648
Other public enterprises	37	45	67	67	559	-82
Deposit guarantee fund (FOGADE)	10	695	796	796	1,075	883
Exchange compensation funds						
(FOCOCAM/FICAM)	1	-7	0	0	-37	-45
Regional and municipal governments	-24	-35	-44	-44	-227	-427
Nonbank development institutions	-16	-15	-19	-24	-64	-88
Autonomous agencies	-1	-8	-13	-13	-610	-3
Social security fund	0	0	0	0	0	0
Debt capitalizations	87	54	26	76	46	42
Official capital and surplus	-76	-43	-207	-207	-2,382	-3,209
Balance sheet	-77	-43	-207	-207	-2,382	-3,209
Adjustment	1	0	0	0	0	0
Net credit rest of banking system	-40	-41	-48	-48	-133	-189
Net credit rest of financial system	-7	-12	-15	-15	-29	-50
Credit to private sector	888	798	1,168	1,214	2,393	5,288
Nonmonetary international organizations	-1	-2	-4	-4	-4	53
Net unclassified assets	-790	-398	-20	-2,428	-817	593
Exchange losses bonds	-218	-154	-128	-377	-297	-163
Net interbank float	84	202	-14	-28	119	168
SDR allocation and valuation adjustment	-205	-70	65	-488	-271	-218
Liabilities to private sector 1/	1,692	3,039	3,793	3,812	6,318	10,479
Monetary liabilities	386	923	1,271	1,284	2,619	4,637
Time and saving deposits	1,055	1,465	1,844	1,844	2,482	3,528
Other liabilities	61	120	107	112	130	214
Private capital and surplus	133	141	217	217	491	1,115
BCV securities held by the public	57	389	355	355	594	985

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

1/ Figures through January 1995 adjusted to account for deposits that were kept off balance until February 1995.

Table 4.1. Venezuela: Summary Accounts of the Rest of the Banking System 1/

(In billions of bolivares)

Exchange Rate	Bs 170/US\$			Bs 500/US\$		
	1993	1994	1995	1995	1996	1997
Net foreign assets	2.7	6.1	4.0	11.9	13.7	15.6
Assets	2.7	6.1	4.0	11.9	13.7	15.6
Liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Medium- and long-term foreign assets (net)	-0.1	-0.1	0.0	0.0	0.0	0.0
Monetary reserves and currency holdings	5.1	10.7	14.9	14.9	35.5	73.5
Net domestic credit	261.3	224.1	281.2	287.1	246.1	545.8
Net claims on public sector	8.2	35.8	57.8	63.7	3.5	-40.1
Central government	8.0	34.5	57.8	63.7	11.9	-16.5
Public enterprises	0.4	1.3	0.0	0.0	-9.0	-13.4
Deposit Guarantee Fund (FOGADE)	-0.2	0.0	0.0	0.0	9.3	6.4
Exchange compensation funds						
(FOCOCAM/FICAM)	0.0	0.0	0.0	0.0	5.4	3.1
Regional and municipal governments	0.0	0.0	0.0	0.0	-12.2	-18.0
Nonbank development institutions	0.0	0.0	0.0	0.0	-2.0	-1.8
Official capital and surplus	-6.4	-9.7	-12.5	-12.5	-8.8	-10.8
Net credit to commercial banks	63.0	33.1	22.8	22.8	60.6	14.0
Credits	65.3	35.5	23.8	23.8	65.6	74.2
Liabilities	-2.3	-2.4	-0.9	-0.9	-5.0	-60.2
Net credit rest of financial system	1.6	0.6	0.2	0.2	-1.4	-12.1
Credit to private sector	154.7	127.2	169.4	169.4	169.4	551.6
Net unclassified assets	40.0	29.3	32.6	32.6	16.2	33.0
Net interbank float	0.2	7.7	10.8	10.8	6.6	10.1
Valuation adjustment	-1.3	-0.1	5.0	-8.7	-0.7	0.1
Liabilities to monetary authorities	0.6	0.5	0.2	0.2	0.0	0.0
Liabilities to private sector	267.1	240.2	304.9	304.9	294.6	634.9
Monetary liabilities	1.1	1.1	0.0	0.0	9.2	42.6
Time and saving deposits	84.1	115.0	173.2	173.2	261.2	501.7
Bonds and certificates	156.1	102.9	110.0	110.0	0.6	0.6
Other liabilities	9.7	10.4	7.2	7.2	0.5	1.5
Private capital and surplus	16.2	10.9	14.5	14.5	23.1	88.5

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

1/ Comprises mortgage banks, savings and loan associations and the Workers' Bank.

Table 42. Venezuela: Summary Accounts of the Consolidated Financial System

(In billions of bolivares)

Exchange Rate	Bs 170/US\$			Bs 500/US\$		
	1993	1994	1995	1995	1996	1997
Net international reserves	1,415	1,235	1,053	3,097	6,019	7,829
Other foreign assets (net)	204	188	104	306	341	304
Medium- and long-term foreign assets (net)	-150	-124	-102	-299	-178	490
Assets	0	0	0	0	0	565
Liabilities	-150	-124	-102	-299	-178	490
Net domestic credit	696	2,051	2,973	1,510	701	2,710
Net claims on public sector	511	1,449	1,977	3,088	1,527	-483
Central government	534	806	1,238	2,403	1,472	-54
Credit	663	1,026	1,390	2,665	2,469	1,624
Deposits	-129	-220	-152	-262	-997	-1,677
Venezuelan Investment Fund (FIV)	-29	-27	-26	-75	-28	5
National petroleum company (PDVSA)	-1	-7	-23	-23	-606	-648
Other public enterprises	38	46	67	67	550	-95
Deposit guarantee fund (FOGADE)	10	695	796	796	1,084	889
Exchange compensation funds (FOCOCAM/FICAM)	1	-7	0	0	-32	-42
Regional and municipal governments	-24	-35	-44	-44	-239	-445
Nonbank development institutions	-16	-15	-19	-24	-66	-90
Autonomous agencies	-1	-8	-13	-13	-610	-3
Social security fund	0	0	0	0	0	0
Debt capitalizations	87	54	26	76	46	42
Official capital and surplus	-83	-53	-220	-220	-2,390	-3,220
Balance sheet	-84	-53	-220	-220	-2,390	-3,220
Adjustment	1	0	0	0	0	0
Net credit rest of financial system	-6	-12	-15	-14	-30	-63
Credit to private sector	1,043	925	1,337	1,384	2,562	5,839
Nonmonetary international organizations	-1	-2	-4	-4	-4	53
Net unclassified assets	-750	-225	13	-2,396	-801	626
Exchange losses bonds (net)	-218	-154	-128	-376	-297	-163
Net interbank float	112	69	-13	-27	89	78
Counterpart unrequited foreign exchange and valuation adjustment	-206	-70	70	-496	-271	-218
Liabilities to the private sector 1/	1,959	3,279	4,098	4,117	6,612	11,114
Money and quasi-money (M2)	1,753	2,738	3,512	3,530	5,503	8,926
Monetary liabilities	387	924	1,271	1,284	2,629	4,679
Currency outside banks	136	279	342	342	565	982
Demand deposits	251	646	928	942	2,064	3,698
Time and saving deposits	1,139	1,580	2,017	2,017	2,743	4,030
Bonds and certificates	156	103	110	110	1	1
Other liabilities	71	131	114	119	131	216
Private capital and surplus	149	152	231	231	514	1,203
BCV securities held by the public	57	389	355	355	594	985

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

1/ Figures through January 1995 adjusted to account for deposits that were kept off balance until February 1995.

Table 43. Venezuela: Selected Interest Rates

(In percent per annum)

	Average Deposit Rates			Average Yield Rates				Average Lending Rates			
	Commercial Banks Time Deposits	Mortgage Banks 1/	Nonbank Financial Bonds	Public Debt Bonds	BCV Bonds	Liquid Assets and Share Funds 2/	Commercial Banks 3/	Mortgage Banks 4/	Agricultural Loans		
1993	54.7	51.1	48.4	63.2	48.9	67.0	60.8	43.0	49.3		
1994	33.5	38.7	36.7	57.2	46.1	38.0	55.1	31.9	46.0		
1995	24.0	26.0	24.0	54.0	34.3	22.9	41.0	25.2	32.6		
1996	27.8	23.3	20.9	55.3	34.1	24.1	39.1	24.2	30.1		
1997	13.1	13.2	13.0	20.7	18.8	14.7	24.4	27.2	20.1		
1996: January	30.7	28.2	26.0	...	50.9	27.9	43.5	23.5	35.3		
February	30.2	25.8	25.7	52.7	30.9	25.2	42.8	30.6	35.0		
March	28.4	26.9	25.5	...	32.8	24.4	43.3	26.7	35.4		
April	35.8	32.3	28.5	58.9	28.5	36.4	51.7	28.2	36.9		
May	43.2	34.7	33.5	70.0	48.7	37.3	64.1	25.6	51.8		
June	29.6	27.1	22.6	62.9	33.5	24.8	44.1	28.4	37.7		
July	27.1	21.7	18.5	40.9	29.3	21.3	37.6	24.9	31.3		
August	21.4	17.8	15.0	47.9	25.9	17.2	32.8	24.2	22.7		
September	23.8	20.9	17.9	46.2	31.3	21.0	34.8	23.1	26.1		
October	22.8	19.1	16.8	42.0	26.9	19.5	34.8	21.1	25.9		
November	21.4	15.5	14.3	...	19.1	16.5	28.9	25.1	23.2		
December	16.7	13.4	9.7	27.6	15.1	12.5	23.4	22.7	18.7		
1997: January	11.9	13.1	12.6	18.1	16.6	13.3	20.8	25.6	16.2		
February	11.4	12.6	11.9	14.2	15.9	12.0	19.4	25.1	16.6		
March	11.0	11.2	10.8	18.9	14.5	11.0	19.4	25.6	14.7		
April	11.2	11.5	10.9	36.2	18.1	12.8	20.5	23.2	15.4		
May	12.6	11.6	11.7	...	18.7	13.8	23.3	23.3	16.5		
June	15.1	13.9	14.2	...	22.9	16.7	26.4	27.8	18.7		
July	14.5	14.5	14.3	...	21.1	15.8	26.1	27.2	19.7		
August	15.3	14.8	14.9	23.1	21.3	16.2	26.8	28.8	20.2		
September	13.6	14.9	13.8	23.5	17.6	14.9	28.4	29.6	24.0		
October	12.8	13.5	13.3	22.2	16.5	14.1	25.3	29.9	21.1		
November	15.1	13.0	13.0	31.7	...	15.0	26.6	27.0	23.1		
December	16.4	13.8	13.8	21.6	...	16.5	26.2	25.4	23.6		
1998: January	16.8	15.6	15.5	24.5	...	17.3	26.9	24.4	27.7		
February	26.4	22.8	21.4	34.1	...	23.7	35.6	27.9	34.6		
March	28.0	24.8	22.3	33.5	...	27.2	36.3	26.5	36.5		
April	29.3	25.7	24.4	34.9	38.4	28.5	36.2	34.2	35.8		

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

1/ Average interest rate on time deposits, savings certificates, and finance bonds.

2/ Maximum rates paid by liquid asset and share funds.

3/ Average interest rate on nonpreferential loans.

4/ Average lending rate for home purchases.

Table 44. Venezuela: Legal Reserve Requirements

(In percent)

	Aug. 1992	1993				1994-May 97		Jul. 1997 8/		Aug. 1997 9/
		Oct.		Nov.		Uniform	Marginal	Uniform	Marginal	
		Fixed 1/ Marginal 2/	Marginal 4/	Uniform	Fixed 3/ Marginal 4/					
Commercial banks 5/										
Demand deposits	25.0	24.3	15.0	15.0	12.0	15.0	15.0	15.0	17.0	17.0
Time and savings deposits	25.0	24.3	15.0	15.0	12.0	15.0	15.0	15.0	17.0	17.0
Liquid assets funds	0.0	15.0	15.0	15.0	12.0	15.0	15.0	15.0	17.0	17.0
Public sector deposits	80.0	15.0	15.0	15.0	12.0	15.0	15.0	15.0	17.0	17.0
Mortgage banks										
Liabilities excluding liquid assets funds	15.0	0.0	15.0	15.0	12.0	15.0	15.0	15.0	17.0	17.0
Liquid assets funds 6/	0.0	0.0	15.0	15.0	12.0	15.0	15.0	15.0	17.0	17.0
Public sector deposits	80.0	15.0	15.0	15.0	12.0	15.0	15.0	15.0	17.0	17.0
Other financial institutions										
Time and savings deposits	25.0	25.0	15.0	15.0	12.0	15.0	15.0	15.0	17.0	17.0
Savings certificates	25.0	25.0	15.0	15.0	12.0	15.0	15.0	15.0	17.0	17.0
Capitalization notes 6/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liquid assets funds	0.0	0.0	15.0	15.0	12.0	15.0	15.0	15.0	17.0	17.0
Public sector deposits	25.0	25.0	15.0	15.0	12.0	15.0	15.0	15.0	17.0	17.0
Savings and loan associations										
	0.0	0.0	0.0	0.0	5.0 7/	0.0	0.0	5.0	5.0	5.0

Source: Central Bank of Venezuela.

1/ As a fixed percentage of deposits held at end August 1992 with the exception of deposits from the public sector for which the legal reserve requirement was reduced from 80 percent in August to 70 percent on October 4 and to 25 percent on November 19, 1992.

2/ On the increase of the deposits from August 1992.

3/ As a fixed percentage of deposits held during the week of October 12-22, 1993.

4/ On the increase of deposits from October 18-22, 1993.

5/ Between May 1990 and October 1992, commercial banks were required to hold 17.5 percent of their portfolio in credit to the agricultural sector. This ratio was reduced to 12 percent on October 1, 1992, it was increased to 17 percent on June 30, 1995 and it was reduced to 15 percent on December 27, 1996. 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.

6/ By Decision No. 2308 of the Central Bank of Venezuela Board (November 21, 1991), the notes issued by capitalization societies were exempted from legal reserve requirements.

7/ Effective April 1, 1994.

8/ Effective July 10, 1997.

9/ Effective August 11, 1997. Two percentage points are remunerated by the Central Bank of Venezuela at market rates.

Table 45. Venezuela: Summary Balance of Payments

(In billions of U.S. dollars; unless otherwise indicated)

	1993	1994	1995	1996	Prel. 1997
Current account	-2.0	2.5	2.0	8.8	5.4
Exports, f.o.b.	14.6	15.9	18.8	23.4	23.5
<i>Of which:</i>					
Petroleum	10.9	11.4	13.6	18.4	18.1
Imports, f.o.b.	-11.4	-8.3	-11.9	-9.8	-12.6
Nonfactor services	-3.2	-3.1	-3.2	-3.3	-3.4
Factor services	-1.7	-1.9	-1.9	-1.7	-2.0
<i>Of which:</i>					
Gross interest payments	-2.7	-2.8	-3.2	-2.7	-2.4
Transfers (net)	-0.3	0.0	0.2	0.2	-0.1
Capital account	1.5	-4.0	-3.1	-1.7	-2.1
Direct investment (net)	-0.5	0.2	0.7	2.4	4.5
Privatization	0.0	0.0	0.0	0.8	0.9
PDVSA	-0.7	-0.4	-0.2	-0.1	-0.5
PDVSA's operational contractors	0.0	0.0	0.5	0.8	1.0
Other 1/	0.2	0.6	0.3	0.9	3.1
Long-term capital	2.3	-1.5	-1.2	-1.8	-1.1
Public sector 2/	2.0	-0.9	-0.5	-1.1	-1.7
Disbursements 3/	4.5	1.0	1.5	0.9	4.6
Amortization 3/	-2.5	-1.9	-2.3	-2.3	-6.2
Other	0.1	0.0	0.3	0.3	-0.2
Private sector	0.3	-0.6	-0.8	-0.7	0.6
Disbursements	1.1	0.2	0.1	0.2	1.5
Amortization	-0.7	-0.8	-0.8	-0.9	-0.9
Short-term capital	-0.4	-2.7	-2.5	-2.2	-5.5
Public	-0.9	-0.5	0.6	-1.7	0.6
Private	0.5	-2.1	-3.1	-0.5	-6.1
Counterpart imputed interest	-0.7	-0.8	-0.8	-0.8	-0.9
Other 4/	1.2	-1.3	-2.3	0.3	-5.3
Overall balance	-0.5	-1.4	-1.1	7.2	3.3
Counterpart valuation change	-0.1	-0.1	0.0	0.0	-0.1
Central bank net international reserves	0.9	1.1	1.1	-5.8	-3.6
Assets	0.3	1.1	1.8	-5.5	-2.6
Liabilities	0.5	-0.1	-0.7	-0.3	-1.0
FIV assets (increase -)	-0.2	-0.1	0.1	-0.7	0.4
Arrears (increase +)	-0.1	0.5	0.0	-0.6	0.0
Memorandum items:					
Current account (percent of GDP)	-3.7	5.3	3.4	13.5	6.2
Export volume (percent change)	13.0	6.9	6.7	7.2	9.0
Non-oil export volume (percent change)	22.3	13.0	6.3	0.9	4.6
Import volume (percent change)	-11.7	-28.4	39.8	-19.5	26.5
Oil export price (US\$/barrel)	13.3	13.3	14.8	18.4	16.4
Net international reserves of the central bank (billions of U.S. dollars)	8.3	7.3	6.2	12.0	15.7
Gross operational reserves of the central bank 5/ (billions of U.S. dollars)	8.3	7.2	5.5	11.0	13.8
(months of imports)	6.2	6.6	3.9	8.8	9.2
Total external debt (billions of U.S. dollars)	40.0	40.1	38.1	36.3	35.4
(percent of GDP)	66.8	68.7	49.4	51.5	40.4
Debt service 3/ 6/ (billions of U.S. dollars)	6.2	5.8	6.8	6.4	9.9
(percent of exports of goods and nonfactor services)	38.7	32.7	32.6	25.2	38.7
Six-month LIBOR (percent per annum)	3.4	5.1	6.2	5.6	5.9

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

1/ In 1997, includes some US\$2.1 billion in proceeds from the sale of exploration rights of marginal oil fields.

2/ Includes PDVSA.

3/ In 1997, includes US\$3.7 billion due to a debt swap in which Brady bonds were exchanged for unsecured 30-year global bonds.

4/ Includes import financing, and errors and omissions.

5/ Excludes gold holdings claims on the central bank, including on certain bilateral agreements; and claims under negotiation.

6/ On an accrual basis. Amortization includes repayments to the Fund.

Table 46. Venezuela: Net International Reserves

(In millions of U.S. dollars)

	December 31				
	1993	1994	1995	1996	1997
Net international reserves	9,205	8,246	7,100	13,625	16,875
Central bank (net)	8,324	7,262	6,194	12,038	15,656
Assets	12,656	11,507	9,723	15,229	17,818
Gold 1/	3,440	3,440	3,440	3,440	3,440
SDR holdings	486	463	380	456	183
IMF position	199	212	216	209	196
Other	8,531	7,392	5,687	11,124	13,999
Liabilities	4,332	4,245	3,529	3,191	2,162
To IMF	2,679	2,643	2,239	2,196	1,618
Other	1,653	1,602	1,290	995	544
FIV assets 2/	881	984	906	1,587	1,219
Memorandum item:					
Gross operational reserves 3/	8,324	7,230	5,464	10,965	13,831

Source: Central Bank of Venezuela.

1/ Holdings of monetary gold, a constant amount of 11.46 million fine troy ounces, are valued at US\$300 per ounce.

2/ Excludes FIV asset portfolio managed by the central bank, which are classified as part of the central bank's gross operational reserves.

3/ Gross operational reserves are gross reserves minus gold holdings, claims on central bank and on certain bilateral agreements, and claims under negotiation.

Table 47. Venezuela: Foreign Trade Indicators

(Index; 1984 = 100)

	1993	1994	1995	1996	Prel. 1997
Imports	150.6	110.4	157.9	129.7	166.9
Volume	105.3	75.4	105.5	84.9	107.4
Unit value	143.0	146.3	149.7	152.8	155.4
Exports	99.6	108.6	127.8	158.6	159.3
Volume	166.3	177.9	189.8	203.5	221.8
Unit value	59.9	61.0	67.4	77.9	71.8
Terms of trade	41.9	41.7	45.0	51.0	46.2
Change in terms of trade (in percent)	-9.1	-0.3	7.9	13.3	-9.4

Sources: Data provided by the Venezuelan authorities; and Fund staff estimates.

Table 48. Venezuela: Value, Volume, and Unit Value of Main Exports

(Value in millions of U.S. dollars; volume and unit values as indicated)

	1993	1994	1995	1996	Prel. 1997
Total (f.o.b.) 1/	14,686.0	16,088.9	18,841.8	23,400.0	23,457.5
Petroleum	11,030.4	11,471.9	13,738.3	18,641.9	18,448.3
Volume (million barrels)	821.8	869.5	929.2	1,007.0	1,118.7
Unit value (US\$/barrel)	13.3	13.3	14.8	18.4	16.4
Crude petroleum	7,269.2	7,833.3	9,244.5	12,602.5	12,271.4
Volume (million barrels)	591.8	632.7	663.7	723.3	805.6
Unit value (US\$/barrel)	12.3	12.4	13.9	17.4	15.2
Petroleum products 2/	3,761.2	3,638.6	4,493.8	6,039.4	6,176.9
Volume (million barrels)	230.0	236.8	262.1	287.7	313.2
Unit value (US\$/barrel)	16.4	15.4	17.1	21.0	19.7
Iron ore	233.7	193.8	230.9	228.0	219.2
Volume (million tons)	10.7	10.7	10.6	9.6	9.2
Unit value (US\$/ton)	21.8	18.1	21.8	24.0	23.8
Coffee	34.9	31.5	10.7	40.0	17.1
Volume (thousand tons)	31.0	20.0	4.0	18.0	4.6
Unit value (US\$/lb)	0.6	0.8	1.3	1.1	1.9
Cocoa	11.1	10.3	11.7	11.0	14.1
Volume (thousand tons)	9.3	8.5	6.4	7.0	8.6
Unit value (US\$/lb)	0.6	0.6	0.8	0.8	0.8
Aluminum	567.2	753.1	982.5	774.0	784.0
Volume (thousand tons)	507.8	582.1	551.1	518.4	493.0
Unit value (US\$/ton)	1,117.0	1,293.8	1,782.8	1,493.1	1,590.3
Steel	646.2	700.4	732.3	787.0	938.5
Volume (thousand tons)	3,245.0	3,223.5	3,098.6	3,361.0	3,797.0
Unit value (US\$/ton)	199.1	217.3	236.3	234.2	247.2
Chemical products	465.0	450.7	777.5	518.0	721.5
Volume (thousand tons)	1,903.2	1,351.9	2,515.3	2,128.0	3,330.5
Unit value (US\$/ton)	244.3	333.4	309.1	243.4	216.6
Gold	185.3	272.4	100.0	99.6	...
Volume (million troy ounces)	0.5	0.7	0.3	0.3	...
Unit value (US\$/troy ounce)	370.6	389.1	333.3	332.0	...
Other	1,512.2	2,204.8	2,257.9	2,300.5	2,314.8

Sources: Central Statistical Office; National Petroleum Company; Orinoco Mining Company; and Central Bank of Venezuela.

1/ Before adjustment to a balance of payments basis.

2/ Including bunker sales to docking ships, which are classified as service exports in the balance of payments statistics.

Table 49. Venezuela: External Debt and Debt Service 1/

	1993	1994	1995	1996	Prel. 1997
(In millions of U.S. dollars)					
Total external debt	39,965	40,084	38,122	36,332	35,379
Medium- and long-term debt	35,151	34,594	34,039	32,127	31,648
Public sector (excluding PDVSA)	25,936	26,123	26,075	24,588	23,183
Commercial banks	462	274	241	130	113
Brady bonds	17,474	17,559	17,677	17,608	12,436
Other sovereign bonds 2/	1,977	1,735	1,656	1,428	5,599
Multilateral institutions	2,817	2,955	3,053	2,816	2,718
Bilateral creditors	2,392	2,855	2,877	2,295	1,928
Suppliers and other	815	746	571	310	389
PDVSA 3/	4,122	3,994	4,249	4,503	4,814
Private sector	5,093	4,477	3,715	3,037	3,651
Central bank 4/	3,034	2,997	2,594	2,409	1,686
<i>Of which :</i>					
To IMF	2,679	2,642	2,239	2,196	1,618
Short-term debt	1,779	2,493	1,489	1,796	2,045
Public sector (PDVSA)	2	0	135	0	0
Private sector	1,777	2,493	1,354	1,796	2,045
Debt service paid	5,973	5,137	6,371	6,189	9,443
Principal	3,236	2,330	3,241	3,440	7,084
Public sector 5/ 6/	2,508	1,509	2,392	2,585	6,221
Private	728	821	849	855	863
Interest	2,737	2,807	3,130	2,749	2,359
Medium-term debt	2,284	2,445	2,709	2,439	2,083
Public sector	2,060	2,145	2,408	2,186	1,864
Private	224	300	301	253	219
Central bank reserve liabilities	286	230	259	182	143
Short-term private debt	167	132	162	128	133
(In percent of GDP)					
Total external debt	66.8	68.7	49.4	51.5	40.4
Public sector (including PDVSA)	50.2	51.6	39.3	41.2	32.0
Private sector	8.5	7.7	4.8	4.3	4.2
Central bank (including IMF)	5.1	5.1	3.4	3.4	1.9
Short-term	3.0	4.3	1.9	2.5	2.3
Interest payments	4.6	4.8	4.1	3.9	2.7
(In percent of exports of goods and nonfactor services)					
Debt service paid 6/	37.0	29.0	30.7	24.5	37.0
Principal 6/	20.1	13.2	15.6	13.6	27.7
Interest	17.0	15.9	15.1	10.9	9.2

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

1/ The external debt statistics presented herein cannot be reconciled with the flows presented in the balance of payments in Statistical Appendix Tables 45 and 50. To a large extent, the discrepancies arise from exchange rate valuation adjustments, adjustments to the balance of payments required by the treatment of the debt-service reduction operation completed in 1990, and from partial information on private and short-term debt.

2/ Excludes U.S. dollar-denominated bonds held by residents estimated at US\$814 million at end-1997.

3/ Includes medium- and long-term debt of PDVSA's operational contractors estimated at US\$0.5 billion in 1995, US\$1.2 billion in 1996, and US\$2.3 billion in 1997.

4/ Excludes short-term reserve liabilities other than the IMF.

5/ Excludes repayment of short-term central bank reserve liabilities.

6/ In 1997, includes US\$3.7 billion in amortization payments due to a debt swap in which Brady bonds were exchanged for unsecured 30-year global bonds.

Table 50. Venezuela: Detailed Balance of Payments

(In millions of U.S. dollars)

	1993	1994	1995	1996	Prel. 1997
Current account	-1,993	2,541	2,018	8,818	5,442
Trade balance	3,196	7,559	6,905	13,590	10,872
Exports, f.o.b.	14,586	15,905	18,842	23,400	23,489
Petroleum sector	10,855	11,351	13,630	18,385	18,109
Other	3,731	4,554	5,212	5,015	5,380
Public	1,315	1,641	1,776	1,743	1,743
Private	2,416	2,913	3,436	3,272	3,637
Imports	-11,390	-8,346	-11,937	-9,810	-12,617
Petroleum sector	-716	-849	-1,726	-2,188	-2,182
Other	-10,674	-7,497	-10,211	-7,622	-10,435
Public	-580	-633	-858	-630	-780
Private	-10,094	-6,864	-9,353	-6,992	-9,655
Nonfactor services	-3,152	-3,106	-3,170	-3,266	-3,380
Credits	1,535	1,778	1,913	1,860	2,044
Travel	562	787	849	884	1,108
Other services	973	991	1,064	976	936
<i>Of which:</i>					
PDVSA	470	497	513	463	583
Debits	-4,687	-4,884	-5,083	-5,126	-5,424
Freight and insurance	-1,359	-1,114	-1,248	-1,161	-1,300
<i>Of which:</i>					
PDVSA	-291	-343	-324	-365	-360
Travel	-2,083	-1,950	-1,714	-2,276	-2,381
Other services	-1,245	-1,820	-2,121	-1,689	-1,743
<i>Of which:</i>					
PDVSA	-432	-1,038	-1,319	-858	-959
Investment income	-1,714	-1,895	-1,911	-1,731	-1,999
Interest	-1,487	-1,492	-1,556	-1,306	-784
Credits	1,250	1,338	1,600	1,403	1,631
Public	598	545	761	619	761
Central bank	388	350	513	436	565
FIV	171	143	54	110	119
PDVSA	8	15	31	23	41
Other	31	37	163	50	36
Private	652	793	839	784	870
Commercial banks	132	39	10	3	9
Nonbank (imputed)	520	754	829	781	861
Debits	-2,737	-2,830	-3,156	-2,709	-2,415
Public	-2,346	-2,398	-2,693	-2,328	-2,063
Medium-term debt	-2,057	-2,130	-2,327	-2,072	-1,862
Central bank debt	-289	-268	-366	-256	-201
Private	-391	-432	-463	-381	-352
Medium-term debt	-224	-300	-301	-253	-219
Financial sector	-61	-35	-43	-40	-12
Import credit	-106	-97	-119	-88	-121
Profits and dividends	-227	-403	-355	-425	-1,215
Credits	347	286	263	151	245
Debits	-574	-689	-618	-576	-1,460
Transfers (net)	-323	-17	194	225	-51
Public	-10	-13	-33	-14	-11
Private	-313	-4	227	239	-40

Table 50. Venezuela: Detailed Balance of Payments (Concluded)

(In millions of U.S. dollars)

	1993	1994	1995	1996	Prel. 1997
Capital account	2,000	-3,700	-2,535	-1,594	-2,129
Direct Investment (net)	-498	180	686	2,362	4,473
<i>Of which:</i>					
Debt-equity swaps	25	0	0	0	0
Privatization	0	0	27	779	870
PDVSA	-727	-417	-193	-131	-486
PDVSA's operational contractors	0	0	509	791	964
Medium- and long-term capital	2,349	-1,495	-1,247	-1,807	-1,085
Public sector	2,006	-879	-485	-1,129	-1,699
Disbursements 1/	4,450	1,024	1,489	902	4,636
Amortization due 1/	-2,507	-1,923	-2,306	-2,330	-6,156
Other	63	21	333	299	-178
<i>Of which:</i>					
International financial cooperation	126	53	113	145	45
Private sector	343	-616	-762	-678	614
Disbursements	1,071	205	87	177	1,477
Amortization due	-728	-821	-849	-855	-863
Short-term capital	149	-2,385	-1,975	-2,149	-5,517
Public sector	-921	-535	577	-1,743	606
PDVSA	-897	-356	385	-1,067	1,284
<i>Of which:</i>					
Accounts receivable	295	-371	3	-473	692
Deposits	-195	21	39	-595	633
Other	-24	-179	192	-676	-678
Private sector	1,070	-1,850	-2,552	-406	-6,123
Import credit	304	959	-950	-125	167
Reinvestment of imputed interest	-652	-793	-829	-781	-861
Commercial banks	-363	-1,055	221	62	82
Other	1,781	-961	-994	438	-5,511
Errors and omissions	-538	-281	-574	-67	0
Overall balance	-531	-1,440	-1,091	7,157	3,338
Valuation change	-50	-66	-20	-8	-88
Net international reserves	703	959	1,146	-6,525	-3,250
Assets (increase -)	192	1,046	1,862	-6,187	-2,221
Central bank 2/	345	1,149	1,784	-5,506	-2,589
FIV	-153	-103	78	-681	368
Liabilities	511	-87	-716	-338	-1,029
To IMF	-267	-37	-404	-43	-578
Other	778	-50	-312	-295	-451
Arrears (increase +)	-122	547	-35	-624	0

Source: Central Bank of Venezuela.

1/ In 1997, includes US\$3.7 billion due to a debt swap in which Brady bonds were exchanged for unsecured 30-year global bonds.

2/ Includes FIV asset portfolio managed by the central bank.

Table 51. Venezuela: Exports by Country of Destination

(In percent of total)

	1993	1994	1995	1996	Prel. 1997
Total exports	100.0	100.0	100.0	100.0	100.0
United States and Puerto Rico	57.7	52.0	52.0	52.4	50.0
Canada	0.8	2.0	1.7	1.4	0.9
Europe	8.9	11.2	9.2	8.3	12.2
Germany	2.2	3.0	2.0	1.4	0.8
United Kingdom	1.9	3.0	1.5	1.2	0.7
Netherlands	2.4	2.0	2.3	1.8	4.0
Italy	0.6	0.9	1.1	0.6	1.7
France	0.3	0.3	0.5	0.3	1.1
Other European countries	1.5	2.0	1.8	3.0	3.9
Japan	1.8	2.0	1.9	0.8	4.6
Andean Pact countries	7.2	11.0	10.6	7.7	10.0
All other countries	23.6	21.8	24.6	29.4	22.3

Sources: Central Statistical Office; National Petroleum Company; Orinoco Mining Company; and Central Bank of Venezuela.

Table 52. Venezuela: Composition of Imports 1/

	1993	1994	1995	1996	Prel. Jan.-July 1997
(In millions of U.S. dollars)					
Total	11,271	8,037	11,396	8,902	6,660
Raw materials and other inputs	3,360	2,738	4,584	3,356	2,208
For industry	3,024	2,469	4,165	2,977	1,858
For agriculture	201	146	292	250	160
For mining and oil	0	0	2	2	1
Fuels and lubricants	135	123	125	127	189
Machinery, accessories, and tools	2,547	1,887	1,999	1,782	1,420
For industry	2,139	1,523	1,691	1,502	1,168
For agriculture	31	21	32	25	29
For mining and oil	2	1	1	1	0
For electric power	375	342	275	254	223
Transportation equipment	2,396	1,370	1,684	1,179	1,176
Motor vehicles	1,726	842	1,179	857	928
Assembled, passenger	1,073	478	563	390	387
Assembled, trucks	151	59	103	85	134
Unassembled, passenger	155	85	123	74	115
Unassembled, trucks	61	70	109	110	90
Accessories and spare parts	286	150	281	198	202
Rail equipment	62	71	13	8	10
Locomotives	0	16	0	3	4
Other	62	55	13	5	6
Other means of transport	608	457	492	314	238
Air	17	4	11	8	11
Water	180	210	93	33	18
Land	20	9	15	10	7
Accessories and spare parts	391	234	373	263	202
Construction materials	385	357	481	457	392
Structural	19	5	6	3	3
Miscellaneous	366	352	475	454	389
Food	368	303	445	447	256
Basic	272	217	304	325	174
Other	96	86	141	122	82
Beverages	165	90	93	70	47
Alcoholic	164	90	92	69	46
Other	1	0	1	1	1
Other consumption goods	2,050	1,292	2,110	1,611	1,161
Luxuries	732	345	571	422	308
Durables	403	126	184	157	122
Other	329	219	387	265	186
Nonluxury	1,318	947	1,539	1,189	853
Durables	767	509	842	658	472
Other	551	438	697	531	381
(In percent of total)					
Raw materials	29.8	34.1	40.2	37.7	33.2
Machinery	22.6	23.5	17.5	20.0	21.3
Transportation	21.3	17.0	14.8	13.2	17.7
Of which:					
Motor vehicles	15.3	10.5	10.3	9.6	13.9
Construction	3.4	4.4	4.2	5.1	5.9
Food	3.3	3.8	3.9	5.0	3.8
Of which:					
Basic	2.4	2.7	2.7	3.7	2.6
Beverages	1.5	1.1	0.8	0.8	0.7
Other consumption	18.2	16.1	18.5	18.1	17.4

Source: Central Statistical Office.

1/ Before adjustment to a balance of payments basis.

Table 53. Venezuela: Imports by Country of Origin

(In percent of total)

	1993	1994	1995	1996	Prel. 1997
Total imports	100.0	100.0	100.0	100.0	100.0
United States	45.9	48.0	42.9	42.0	46.1
Canada	3.3	3.0	2.4	2.1	2.1
Europe	22.9	25.0	18.4	17.7	19.5
Germany	5.6	6.0	4.6	4.2	4.4
United Kingdom	2.5	3.0	1.9	1.9	2.2
Netherlands	4.7	3.0	1.5	1.3	1.6
Italy	2.9	4.0	3.0	3.3	4.0
France	1.5	3.0	2.0	1.6	1.7
Other European countries	5.7	6.0	5.4	5.4	5.6
Japan	7.6	6.0	4.0	4.1	4.3
Andean Pact countries	5.0	7.0	9.1	8.3	7.6
All other countries	15.3	11.0	23.2	25.8	20.4

Source: Central Statistical Office.

Table 54. Venezuela: Average Exchange Rates

	Average USD Exchange Rate	Real Effective Exchange Rate Index 1/ (1990=100)
1993	91.00	116.94
1994	148.65	111.70
1995	176.75	139.62
1996		
January	290.00	114.79
February	290.00	124.29
March	290.00	132.31
April	338.37	122.62
May	468.85	98.42
June	471.25	104.40
July	470.80	108.58
August	474.20	111.96
September	474.11	117.25
October	470.04	123.40
November	471.62	126.14
December	474.64	130.43
Year average 2/	415.50	117.88
1997		
January	476.84	134.95
February	474.92	141.88
March	478.40	144.32
April	479.25	146.81
May	483.28	146.76
June	485.63	148.32
July	491.25	151.67
August	495.90	157.93
September	496.79	162.83
October	498.62	167.16
November	499.93	171.94
December	502.80	178.90
Year average 2/	488.63	154.46
1998		
January	507.29	182.73
February	514.64	183.61
March	520.90	...
April	530.10	...

Sources: Central Bank of Venezuela; and IMF's Information Notice System.

1/ An increase in the index represents an appreciation.

2/ Arithmetic average.