



Decide with Confidence

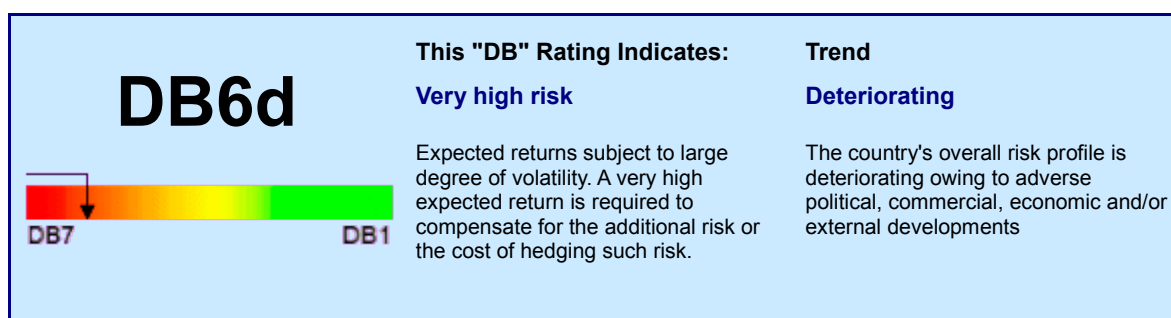
D&B Country RiskLine Report

VENEZUELA

Region : The Americas

Edition : September 2013

D&B Country Risk Indicator



The 'DB' risk indicator provides a comparative, cross-border assessment of the risk of doing business in a country and encapsulates the risk that country-wide factors pose to the predictability of export payments and investment returns over a two year time horizon. The 'DB' risk indicator is a composite index of four over-arching country risk categories:

Political risk - internal and external security situation, policy competency and consistency, and other such factors that determine whether a country fosters an enabling business environment;

Commercial risk - the sanctity of contract, judicial competence, regulatory transparency, degree of systemic corruption, and other such factors that determine whether the business environment facilitates the conduct of commercial transactions;

External risk - the current account balance, capital flows, FX reserves, size of external debt and all such factors that determine whether a country can generate enough FX to meet its trade and foreign investment liabilities;

Macroeconomic risk - the inflation rate, government balance, money supply growth and all such macroeconomic factors that determine whether a country is able to deliver sustainable economic growth to provide further expansion in business opportunities.

The DB risk indicator is divided into seven bands, ranging from DB1 through DB7. Each band is subdivided into quartiles (a-d), with an 'a' designation representing slightly less risk than a 'b' designation and so on. Only the DB7 indicator is not divided into quartiles.

Key Facts

Population:	29.5m
Surface area (sq km):	912,050
Capital:	Caracas
Timezone:	GMT -04:30
Official language:	Spanish
Head of state:	Nicolas MADURO
GDP (USD):	256.9bn
GDP per capita (USD):	8,704
Life expectancy (years):	74
Literacy (% of adult pop.):	93.0

Country Overview:

Venezuela is situated on the northern coast of South America, sharing borders with Brazil, Colombia and Guyana.

Despite efforts to diversify the economy, it is dominated by the oil sector, which accounts for a third of GDP, 90% of export earnings and over 50% of federal budget revenues. Falling oil production owing to a lack of investment in the industry and volatility in oil prices have highlighted Venezuela's vulnerability to trends in the oil sector.

Despite high levels of spending on populist programmes to alleviate poverty, President Chavez' anti-American rhetoric and radical policies aimed at creating '21st Century Socialism' polarised opinion domestically and internationally (Chavez was in power from 1999 until his death in February 2013.) Political instability has increased sharply, foreign investment has fallen dramatically and the country's political institutions are growing weaker. Furthermore, underinvestment in infrastructure has caused significant power shortages.

Trade & Commercial Environment

Trade Terms

Minimum Terms:	CLC
-----------------------	-----

The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms:	CiA
---------------------------	-----

D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms:	30-60 days
---------------------	------------

Normal period of credit associated with transactions with companies in the stated country.

Transfer Situation

Local Delays:	0-2 months
----------------------	------------

The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays:	2-4 months
------------------------	------------

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.

Trade & Commercial Environment

There is growing speculation that the government will soon be offering USD-denominated bonds through its auction system Sistema Complementario de Administracion de Divisas (SICAD). It was announced in July that two FX auctions would be held per month to allow companies to use cash or dollar-denominated government securities to buy much-needed dollars. The first was expected to take place before the end of July. While it is unclear how much USD will be available for auction through SICAD, dollars made available for auction will be taken from the country's development fund Fonden, which is controlled by the President. The growing unavailability of dollars has fuelled a flourishing FX black market.

Export Credit Agencies

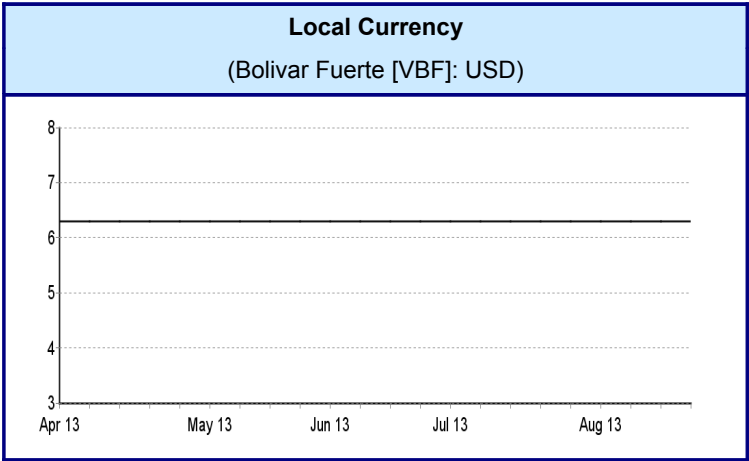
US Eximbank	No cover available
Atradius	No cover available
ECGD	Full cover available
Euler Hermes UK	Restrictions will apply

Economic Indicators

	2010	2011	2012	2013f	2014f
Real GDP growth, %	-1.5	4.2	5.6	3.0	3.0
Inflation, annual ave, %	28.2	26.1	19.9	46.0	47.0
Govt balance, % GDP	-6.4	-8.7	-9.5	-9.8	-10.1
Foreign debt, % GDP	41.1	45.0	48.0	50.3	52.5
C/A balance, % GDP	3.8	7.7	2.5	2.2	1.4

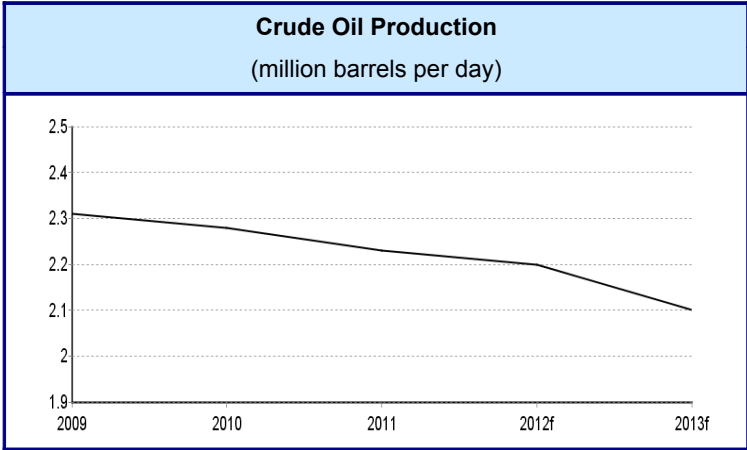
Currency Information

Exchange Rates (London, 19 Aug 13)	
EUR	8.3893
GBP	9.8242
JPY*	6.4485
USD	6.2921
*(x 100)	



Local Currency (Bolivar Fuerte [VBF]: USD)						
	Apr 13	May 13	Jun 13	Jul 13	Aug 13	
Week 1	6.292	6.292	6.292	6.292	6.292	
Week 2	6.292	6.292	6.292	6.292	6.292	
Week 3	6.292	6.292	6.292	6.292	6.292	
Week 4	6.292	6.292	6.292	6.292	6.292	
Week 5	6.292			6.292		

Crude Oil Production



Data Table				
2009	2010	2011	2012f	2013f
2.31	2.28	2.23	2.2	2.1

Risk Factor

Fears of hyper-inflation are mounting with Venezuela's 12-month inflation rate hitting 42.6% in July as the CPI rose by 3.2% in the month. Venezuelans continue to face falling real incomes as the 32% devaluation of the bolivar from VBF4.3:USD1 to VBF6.3 in February led to price spikes in imported goods on which Venezuela is heavily dependent. Moreover, acute shortages exacerbated by dwindling FX availability have added further inflationary pressures. The July price spike is on account of rises in clothing, food, footwear and transportation costs. This is the highest rate of headline inflation since the 1990s when Venezuela grappled with hyper-inflation. More worryingly, the economy expanded by a meagre 0.7% in Q1 following real GDP growth of 5.5% in Q4 2012. Firms should continue to make allocations for higher production costs given the anticipated continued rise in inflation during the outlook period.

On August 7th the Supreme Court handed down a ruling on the opposition's various legal challenges to President Nicolas Maduro's victory in the April 14th presidential election. In the ruling, the Court rejected Henrique Capriles' challenges to the election results and fined him almost USD1,700 for mounting the challenges (deemed an insult to government's authority). The fine, which was the maximum allowed under law, was also levied for Capriles' accusation that the judicial system favours the government. Unsurprisingly, the Court also issued instructions for the government's prosecutor to begin an investigation against Capriles for going against the authority of national institutions. While the ruling is intended to put an end to the legal battle over the president's legitimacy, we maintain our view that political risks will remain elevated as Maduro continues to face the threat of a leadership challenge from within the PSUV from the more militant factions of the ruling party. Moreover, the December local elections are another test for Maduro who is seeking to buttress his political control by holding on to power in the majority of municipalities. We believe that the lack of effective policy to address the economy's structural deficiencies will result in rising public discontent and a deteriorating commercial environment which do not augur well for Maduro's hold on power.

Meanwhile, Venezuela's dollar-denominated government debt (and the attendant risk of the weakening bolivar) is set to rise with the reintroduction of the government's bond-swapping system aimed at easing the severe USD shortages faced by individuals. An estimated USD5bn in dollar-denominated bonds are expected to be issued by the government in H2 2013. We expect the government to secure the requisite approval from the National Assembly to raise its 2013 debt issue limit.

Glossary & Definitions

DEFINITIONS

Minimum Terms:

The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms:

D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms:

Normal period of credit associated with transactions with companies in the stated country.

Local Delays:

The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

F/X Bank Delays:

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.

C/A (current account) balance, % GDP:

Part of the balance of payments that records a nation's exports and imports of goods and services, and income and transfer payments.

DSR (debt service ratio), %:

Annual interest and principal payments on a country's external debts as a percentage of exports of goods and services.

Govt balance, % GDP:

The balance of government expenditure and receipts.

Real GDP growth, %:

GDP adjusted for inflation.

Inflation, %:

The increase in prices over a given period.

GLOSSARY

CiA	Cash in Advance
CLC	Confirmed Letter of Credit
CWP	Claims Waiting Period
FX	Foreign Exchange
LC	Letter of Credit
LT	Long term
MT	Medium term
OA	Open Account
SD	Sight Draft
ST	Short term

Customer Service & Support

© Copyright 2012-13 Dun & Bradstreet - Provided subject to the terms and conditions of your contract.

D&B Country Risk Services

For information relating to D&B's Country Risk Services.

UK

Telephone: 01628 492700

Fax: 01628 492929

Email: CountryRisk@dnb.com

USA Inquiry

Telephone: 1-800 234-3867 option 1, 1 and then 2

Email: CountryRiskServices@dnb.com

Rest of World

Telephone: +44 1628 492700

Email: CountryRisk@dnb.com

D&B Customer Services

For all other information or queries relating to D&B products and services.

UK

Telephone: 0870 243 2344 (UK) / 1 890 923296 (IR)

Email: CustomerHelp@dnb.com

USA

Telephone: 1-800 234-3867 option 1, 1 and then 2

Email: CustomerService@dnb.com

Rest of World

You can contact your local D&B Customer Services departments by clicking [here](#).

Whilst D&B attempts to ensure that the information provided is accurate and complete, by reason of the immense quantity of detailed matter dealt with in compiling the information and the fact that some of the data are supplied from sources not controlled by D&B which cannot always be verified, including information provided direct from the subject of enquiry as well

as the possibility of negligence and mistake, D&B does not guarantee the correctness or the effective delivery of the information and will not be held responsible for any errors therein or omissions therefrom.

© Dun & Bradstreet Inc., 2012-13.

