



Venezuela amid Coronavirus

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The spread of COVID-19 is likely to increase looting risks, disrupt healthcare infrastructure, and reduce oil production, increasing the probability of a military takeover in Venezuela.

The country was already severely affected by hyperinflation, years of economic contraction (a further 20% GDP contraction is forecast for 2020), and a fall in export-generated revenue as a result of declining oil production, as well as the inability to commercialise crude oil because of US sanctions. The stability of President Nicolas Maduro's government is therefore at risk. With recession to deepen further, there is an increased risk of looting in supermarkets, pharmacies, and retail stores as shortages of basic goods intensify amid stockpile panic.

Reduced labour attendance, deepening US sanctions, and potentially rapidly spreading COVID-19 virus are likely to prompt international oil companies, oil services, and ports and terminals' personnel to scale down operations in the country. This will cause a further decline in oil production, Venezuela's main source of hard currency.

The government is still enjoying the full backing of the armed forces, but it is hard-pressed for cash. China and Russia, its main geopolitical allies, have not disbursed financial help and the IMF has rejected a US\$5bn loan request made by Venezuela.

The government has declared a permanent state of emergency to deal with the pandemic, including measures such as cancelling all flights for 30 days, putting a ban on dismissing workers, and suspending private and commercial rent payments for 6 months.

Prior to the COVID-19 virus outbreak, at least 4.7 million people had left Venezuela, according to UN statistics. Its healthcare system is among the most vulnerable in Latin America with just 0.8 hospital beds per 1,000 people (Italy has 3.4).

Our baseline scenario is that Maduro would stay in power using the COVID-19 crisis to increase social control and repress the population. Nevertheless, as Maduro's limited ability to deal with the virus outbreak is demonstrated, there is an elevated risk that the military will take over, opening the way for the beginning of a political leadership transition starting in early 2021.

This would be the case if any two or more of the following occur simultaneously: China and Russia not offering financial and medical support; public- and private-sector hospitals experiencing total collapse; the country incurring tens of thousands of casualties; security forces being unable to contain widespread countrywide looting (lasting two to three weeks); or members of Maduro's cabinet and inner circle fleeing the country.