

VENEZUELA

WORLD RANK:

179

REGIONAL RANK:

32

ECONOMIC FREEDOM STATUS:
REPRESSED

Venezuela's economic freedom score is 25.2, making its economy the 179th freest in the 2020 *Index*. Its overall score has decreased by 0.7 points, reflecting a catastrophic further decline in **fiscal health**. Venezuela is ranked 32nd among 32 countries in the Americas region, and its overall score is the second lowest in the world.

The Venezuelan economy has been plunging ever more deeply into repression for the past 17 years. GDP has contracted severely over the past five years.

Economic freedom has been suffocated in Venezuela under the Maduro regime. If a transitional government could take power and begin the long return to market democracy, it would have to end hyperinflation, restructure public debt, and rebuild institutions to restore confidence and promote investment. Cuba, Russia, and China have increased their assistance to Maduro, whose regime is otherwise supported by the proceeds from narco-trafficking, illegal gold mining, and in-kind trades of oil for goods.

ECONOMIC FREEDOM SCORE

25.2

▼ DOWN 0.7 POINT



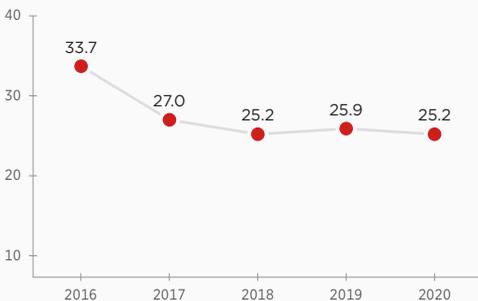
REGIONAL AVERAGE
(AMERICAS REGION)

60.0

61.6 WORLD
AVERAGE

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): -34.6

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:

29.2 million

GDP (PPP):

\$277.8 billion (Economist Intelligence Unit)
-18.0% growth in 2018
5-year compound annual growth -12.2%
\$8,800 per capita (Economist Intelligence Unit)

UNEMPLOYMENT:

8.4%

INFLATION (CPI):

929,789.5%

FDI INFLOW:

\$956.0 million

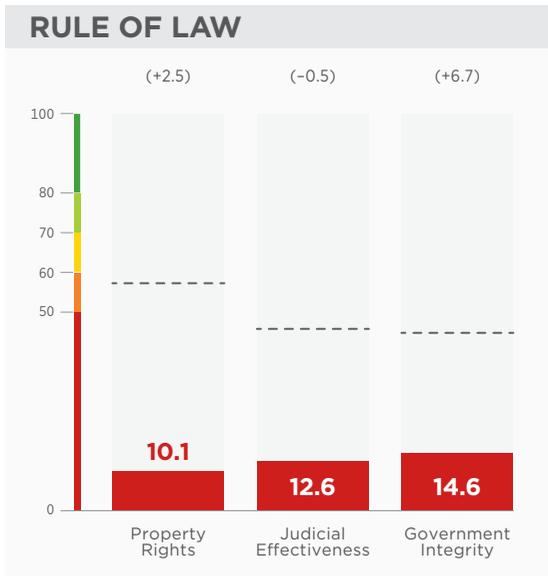
PUBLIC DEBT:

175.6% of GDP

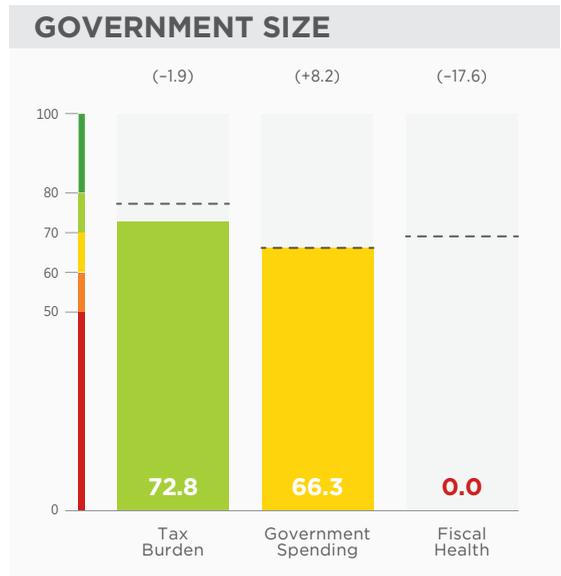
2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Venezuela's modern democratic era lasted from the end of military rule in 1959 until the election of Hugo Chávez in 1999. His successor, Nicolás Maduro, completed the destruction of democratic institutions and established a repressive authoritarian dictatorship in 2017. The deeply corrupt socialist government's policies have caused hyperinflation and severe shortages of basic goods that have led to one of the worst economic contractions in history and Latin America's worst migration crisis. Following international censure of Maduro's fraudulent 2018 reelection, the head of the National Assembly, Juan Guaidó, became interim president in January 2019. Venezuela has the world's largest proven oil reserves, but production has plummeted because of corruption and mismanagement of the state-owned PDVSA oil company.

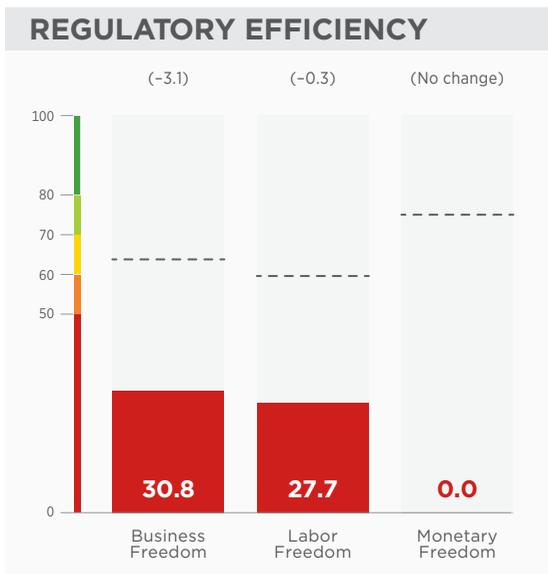
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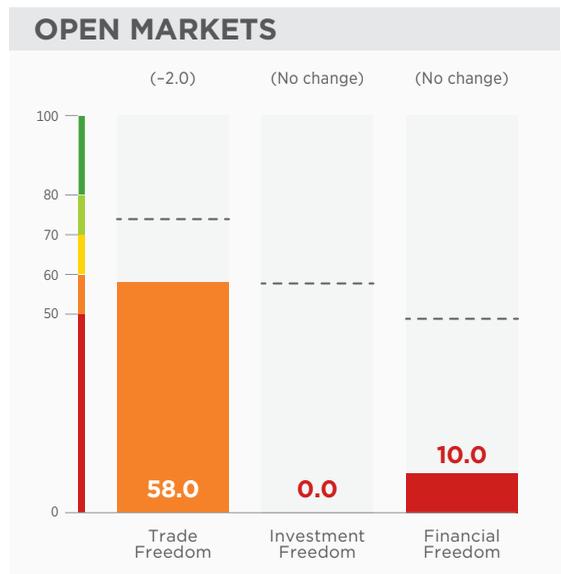
Expropriations, weak public-sector institutions, nationalizations, overregulation, soaring crime rates, corruption, and a thoroughly politicized judiciary have greatly undermined real property rights in Venezuela. The government's economic policies, particularly currency and price controls, have greatly increased black-market activity, and collusion between public officials and organized crime networks is rampant.



Both the top personal income tax rate and the top corporate tax rate are 34 percent. Other taxes include a value-added tax. The overall tax burden equals 20.2 percent of total domestic income. Government spending has amounted to 33.5 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 21.3 percent of GDP. Public debt is equivalent to 175.6 percent of GDP.



The private sector has been decimated by government encroachment into the marketplace. Bureaucratic meddling has stymied business operations and halted productivity growth. The government's strict control of the labor market severely impedes any job growth. The IMF has forecast inflation at the level of 10 million percent because of severe scarcities of food, fuel, and almost all imported goods.



The total value of exports and imports of goods and services equals 48.1 percent of GDP. The average applied tariff rate is 11.0 percent, and 134 nontariff measures are in force. State interference continues to hamper private investment, and hostility to foreign investment, coupled with threats of expropriation, persists. The financial sector is tightly controlled by the state, which often allocates credit based on political expediency.