



## How Venezuela Could Sink the Gold Price

### Description

For those of you unfamiliar with current events in Venezuela, the country is in an absolute mess and is even approaching a failed-state status.

Approximately 95% of the country's export revenue comes from oil, so the decline in crude prices has severely impacted its economy. But the real problem has been economic mismanagement under President Nicolas Maduro.

Mr. Maduro was handpicked by the late Hugo Chavez to lead the country and has adopted even more extreme economic policies than his predecessor. In early February the government seized a supermarket chain after accusing the company of "hoarding." Maduro's government also arrested the owners of a pharmacy store, calling the situation "an economic war."

The economic situation has become dire. The local currency is practically worthless. Foreign reserves have dwindled. Social indicators such as crime levels have dramatically worsened. The country is likely headed towards insolvency.

Through it all, Mr. Maduro is determined to hold on to power for as long as possible. He has jailed dissidents and his main opposition leader. He went to China last year for aid. And he is selling the country's gold reserves.

This last point should be particularly worrying for companies such as **Barrick Gold Corp.** ([TSX:ABX](#))([NYSE:ABX](#)), **Goldcorp Inc.** ([TSX:G](#))([NYSE:GG](#)), and **Yamana Gold Inc.** ([TSX:YRI](#))([NYSE:AUY](#)). All three are heavily dependent on a strong gold price, so Venezuela's actions could impact their financial prospects as well as their stock prices.

We look below at how big the damage could be.

### The numbers

According to the latest available figures, the value of Venezuela's gold reserves (in local currency) declined by nearly 20% between January and May of this year.

There were no official reports on the decline as measured in tonnes. But according to an estimate from *Bullionstar*, the country's gold reserves declined from 360 tonnes at the end of January to 302 tonnes in May. Needless to say, this is an alarming rate of decline.

And it could easily get worse. Gold was hovering around US\$1,200 per ounce back in May, and has inched below US\$1,100 today. Thus Venezuela would need to sell more gold to achieve the same funding objectives.

### **Not a rosy outlook**

Making matters worse, Venezuela's economy has deteriorated even further over the last five months, which could only accelerate the country's gold sales. And when using the estimates above, Venezuela's remaining reserves equal approximately 10% of worldwide gold production. Meanwhile, Venezuela's cash reserves have run almost completely dry, so the country may sell all its gold until the bitter end. That would be bad news for any gold miner.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **TICKERS GLOBAL**

1. NYSE:AUY (Yamana Gold)
2. NYSE:B (Barrick Mining)
3. TSX:ABX (Barrick Mining)
4. TSX:YRI (Yamana Gold)

### **Category**

1. Investing
2. Metals and Mining Stocks

### **Date**

2025/07/21

### **Date Created**

2015/11/12

### **Author**

bensinclair

default watermark