Venezuela: The irreversible thesis

Executive summary

Elias Ferrer
Director
elias@orinocoresearch.com

Fabbiana Lamboglia
Advisory Associate
flamboglia@orinocoresearch.com

January 3, 2026, marks a Zeitenwende for Venezuela, a historical turning point where what happened before that date often has little impact on what comes after. It has kick-started a process that, while uncertain, appears irreversible. Both foreign and internal forces are dismantling an authoritarian regime, resulting in greater freedoms, closer ties to the West, and accelerated economic growth. A key defining factor is Washington, DC, which is building up a long-term presence in Venezuela. The process can be compared to Vietnam's rapprochement with the U.S. in the late 1990s, where shifting international allegiances helped lead to fast economic growth and development.

The political process creates the conditions for rapid economic growth, essentially a partial recovery toward the previous peak. In a positive scenario, by 2033 Venezuela's GDP could double to $233.6 billion, still shy of the $372.6 billion in 2012. The main driver would be oil exports, while different industries are also opening up to investment, and have caught the attention of the U.S. as strategic assets. Other factors such as geography, demographics, and overseas savings will also play a role in boosting growth.

The resulting growth will trickle down unevenly, given Venezuela's wealth and income distributions across classes and regions. The foremost winner will likely be a booming middle and upper class, particularly on the Eastern side of Caracas. This group is surprisingly large for Latin America, with 1.26 million adults or 6.5% of the population, with household wealth between $100,000 and $1 million. They also particularly value branded luxury products, given social and cultural norms. We therefore expect Las Mercedes, a high-end commercial area, to boom thanks to the political and economic processes.

1. An irreversible political process

1.1 The external factor

There is a fundamental factor at play in Venezuela. While there is a willingness by Interim President Delcy Rodríguez and local elites to carry out reforms, Washington, DC holds a paramount degree of leverage over the country. While the military operation on January 3 is in and of itself a threat, the U.S. also controls Venezuela's oil revenues and uses sanctions and licenses to manage what is possible in strategic sectors, like hydrocarbons, mining, finance, and telecommunications.

The U.S. has demonstrated that it has long-term designs for Venezuela, starting with a three-stage plan focused on achieving stability first, then followed by economic growth and culminating in a democratic transition. While the White House is largely aiming for exaggerated business deals to score political points, the bureaucracy has shown to be interested in building deep connections with Venezuela. Washington, DC is reopening its large embassy as a key base of operations; it has sent high-ranking military and intelligence

leaders to Caracas; and it is carefully reviewing contracts in strategic industries. After the earthquakes on June 24, it even sent troops to repair airstrips and manage aid shipments.

In the year 2000, Venezuela was an important oil producer and close trade partner of the U.S., but its weight was small in a globalised economy. In today's increasingly fragmented world, what matters to Washington, DC policymakers is not only the number of barrels coming out, but the large deposits of hydrocarbons and mining resources stored underneath Venezuela's soil. The latter include iron, gold, coltan, tin, copper, bauxite and, possibly, various rare earth elements. Bauxite makes an interesting case: while used commonly for aluminium, is also a source of gallium, a scarce metal used in the defence industry, where China controls 98% of global refining. The wars in Ukraine and across the Middle East also show why, for the U.S., it is a strategic priority to develop Venezuela's energy and mining industries, far away from Old World conflicts and chokepoints.

Washington, DC has openly taken an interventionist role in the South American country's extractive industries. The most publicised case was the stake the Pentagon's Office for Strategic Capital took in North American Blue Energy Partners, a little-known oil firm that now has access to 17 important oil blocks thanks to U.S. backing. The agreement also gives the Department of Defence veto power over NABEP's board and the right to buy 20% of output at cost. Meanwhile, the U.S. and Venezuelan militaries have reportedly carried out military operations in two different areas of the Orinoco Mining Arc. And crucially, the Trump administration is not eliminating its sanctions regime; instead, it is introducing licenses that limit who can do business in Venezuela and how, affecting oil, mining, telecommunications, sovereign debt, and state contracts.

The diplomatic front has made a full 180-degree turn. Caracas is not just cosying up to the U.S. and Western Europe, as it is also rebuilding ties with right-wing governments across the Latin American region and even Israel. It is not that Venezuela is cutting ties with its former allies, but that it has dropped relying exclusively on them, to instead work towards normalised diplomatic and trade relations with every country.

The growing presence of larger Western companies is also creating another variable. They will generate vested interests in defending economic openness and the rule of law, replacing the actors that thrived through opaque business deals and trading with sanctioned jurisdictions. While on their own they are not enough to sustain a political trajectory, as Hugo Chávez's presidency shows, they create another backstop against a snapback.

The Venezuelan case should not be compared with China or Russia, where large landmasses and economies produced powerful elites and military might. Despite short-lived thaws, market reforms did not prevent the two countries from becoming rivals to the West, as they sought their own spheres of influence. Vietnam offers a closer case study. Even as the same Communist Party remained in power, the country underwent a profound economic transformation and became a close ally of the U.S., driven by their shared rivalry with Beijing.

Hanoi's strategic positioning mattered as much to growth and development as reforms. While liberalisation started in 1986 with the Doi Moi policy, economic growth shot up with the turn of the century, on the back of a period of rapprochement led by the Clinton administration, resulting in bilateral trade deals and with Vietnam entering the World Trade Organisation. GDP per capita grew by 57% between 1985 and 1999, reaching $376. By 2015 it had grown by 586% to $2,578, and by 2025 it had risen to $5,066.

Today, Vietnam is an important market for international luxury brands, worth almost $1 billion, with Louis Vuitton, Gucci, Chanel, Dior, Hermès, Prada, Berluti, Marc Jacobs, Balenciaga, and Bottega Veneta operating official boutiques. The IMF estimates Venezuela's current GDP per capita at $4,358, the same as Vietnam's in 2023, with a strong case for fast growth, as laid out in the second section.

1.2 National Assembly reforms

The National Assembly, though dominated by the ruling party, is undertaking a series of reforms that, while shy of revolution, still represent a radical change from the previous system. It is overhauling the way extractive industries and the judiciary function, with many more bills still to come. This part is reminiscent of the Spanish transition. In 1976, Francisco Franco's lawmakers approved a package of political reforms that dismantled their power and led to the election of a new parliament.

The Venezuelan legislative branch has most notably introduced new production agreements in oil and mining—the backbone of the country's economy—that give the private sector greater operational control and a larger share of revenues. A similar framework is being introduced through a new bill in the electricity sector.

Additionally, after the double earthquakes on June 24, 2026, the National Assembly approved two important real estate bills. The first makes residential rental law more favourable to landlords to bring hundreds of thousands of properties back onto the market, while the second removes hurdles to building.

These measures make investments more attractive, but that is not the main reason why they matter. The new laws create an environment in which the private sector takes the lead, relegating state-owned enterprises like PDVSA and CVG to junior partners. This is a 180-degree turn from Hugo Chávez's model, where private companies would provide all the needed capital, but the state would maintain operational and financial control in joint ventures.

1.3 The unwritten rules

Not everything is about laws. It is also about people and practices, especially in a country which has had a weak rule of law for decades. The interim president appointed a new Attorney General, Ombudsman, and head of the tax agency. They are, in turn, undoing many of the nefarious practices of their predecessors. While hundreds of political prisoners have been freed, the top prosecutor, Larry Devoe, has ended methods that violated the presumption of innocence. The government is also removing unnecessary police checkpoints inside urban centres, which fostered corruption.

Román Maniglia, now in charge of taxation, has been engaging with business leaders and removed punitive measures that were intended for graft, not legitimate collection. Change inside this office is of great importance: the previous head, José David Cabello, had entrenched himself in this position since 2008, using connections in the military and the bureaucracy. He is Diosdado Cabello's brother, a powerful government figure who now oversees the Ministry of the Interior. Replacing José David Cabello sent a clear signal to Venezuelans: change is real.

A crucial process currently underway is the reform of the Supreme Court, involving representatives from the opposition and, indirectly, the U.S. government. While it is true that its sitting judges are currently producing more pro-business rulings, such as a devolution of assets to Halliburton, they are the same ones that validated arbitrary, government-ordered decisions, including the validation of electoral results in 2024. A new Supreme Court is thus expected to include some members who sympathise with the ruling party, but also those who are in favour of opposition figures or independents—just as there are conservative and liberal judges in the U.S.

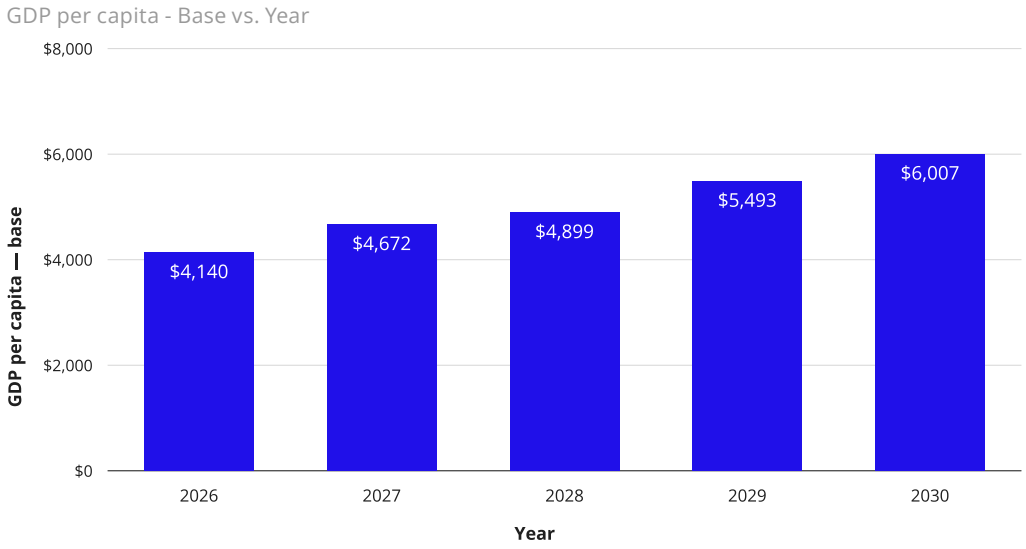
The reform of the Supreme Court is understood to be part of a larger whole. The government and opposition delegations are also due to discuss a new electoral authority, which will then lead to votes on various institutions, including the National Assembly, where the ruling party could easily lose its majority. In this case, elections are also expected to be closely monitored by the U.S. and the international community, to ensure the legitimate outcome is respected. In turn, the elected bodies will be in charge of appointing new offices.

2. The growth story

2.1 Scope for recovery

The growth story is largely about recovering toward a past peak and reaching indicators similar to those of neighbouring countries. In U.S. dollar terms, Venezuela's GDP reached around $372.6 billion in 2012, fell to roughly $42.8 billion in 2020 and has since recovered to an estimated $111.3 billion in 2026, about 30% of its 2012 level.

GDP per capita is projected to increase from $4,140 in 2026 to approximately $6,007 by 2030, representing a 45% increase over the period. This suggests a gradual improvement in average economic output per person, although GDP per capita does not directly measure household income or purchasing power. The projected increase could support a recovery in consumer demand, particularly in higher-income segments.



Source: IMF, UN DESA, Orinoco Research estimates and calculations.

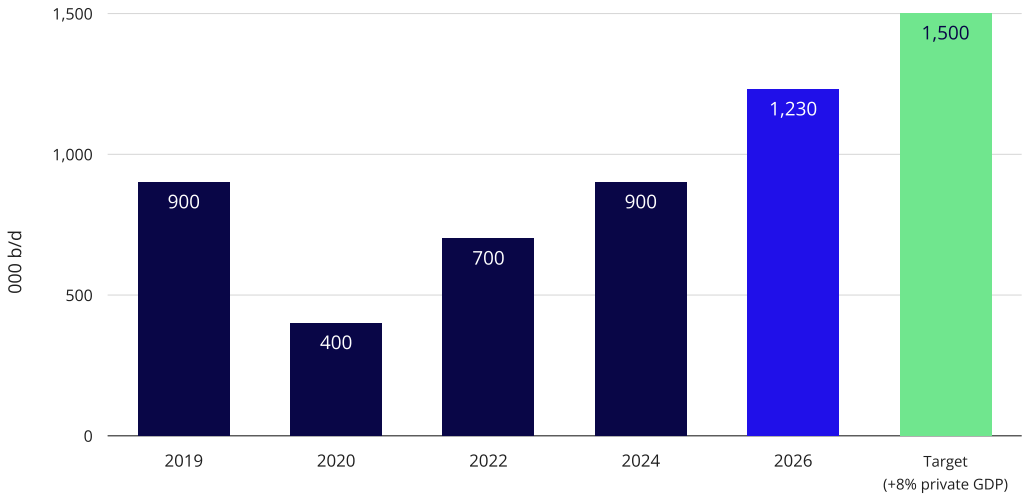
2.2 Oil-led revival

Oil remains the main driver of growth. Production has recovered from around 400,000 barrels a day in 2020 to around 1.2 million in 2026. New investments can take advantage of brownfields that represent up to 1 million barrels per day of low-hanging fruit, according to industry experts.

The sector now operates under a revised legal and fiscal framework that allows for effective majority private participation in new projects and reduces the tax burden on operators. The result has not just been a gold rush of wildcatters seeking oil assets in Venezuela, but also companies with a foothold in the country have increased their production targets. Large corporations such as Chevron, Repsol, Eni, and ONGC Videsh, along with the new players, could nearly double production by 2030, reaching 2.1 million barrels per day.

Estimates suggest that every 10% increase in oil output raises private-sector GDP by around 3.5%, as operators' local spending and lower country risk feed through to the rest of the economy. On that basis, reaching the 1.5 million barrel target would lift private-sector GDP by close to 8%.

Oil Production, 000 b/d

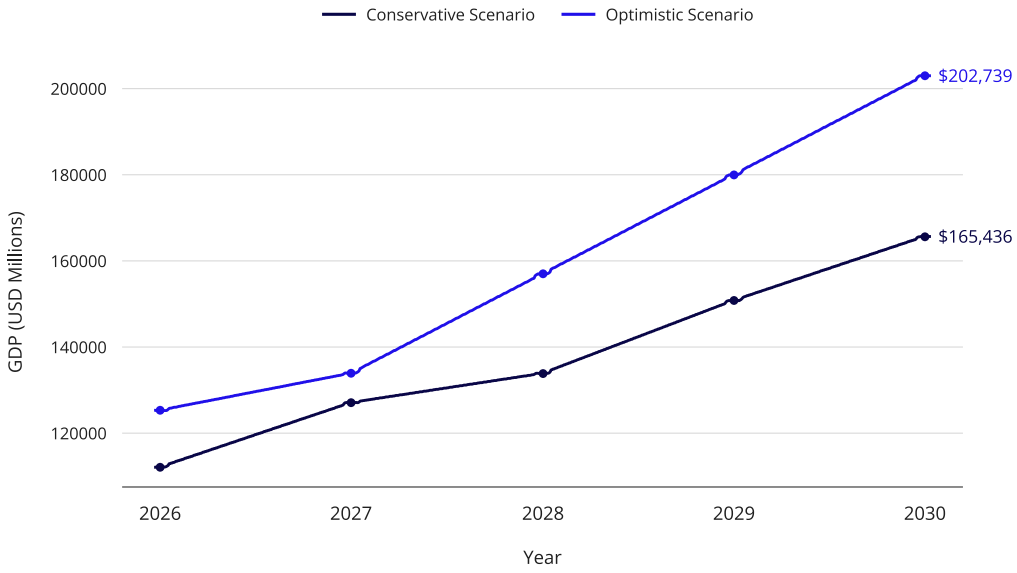


Sources: OPEC, own estimates. Illustrative calculation; assumes the estimated relationship holds at higher output levels.

2.3 Outlook

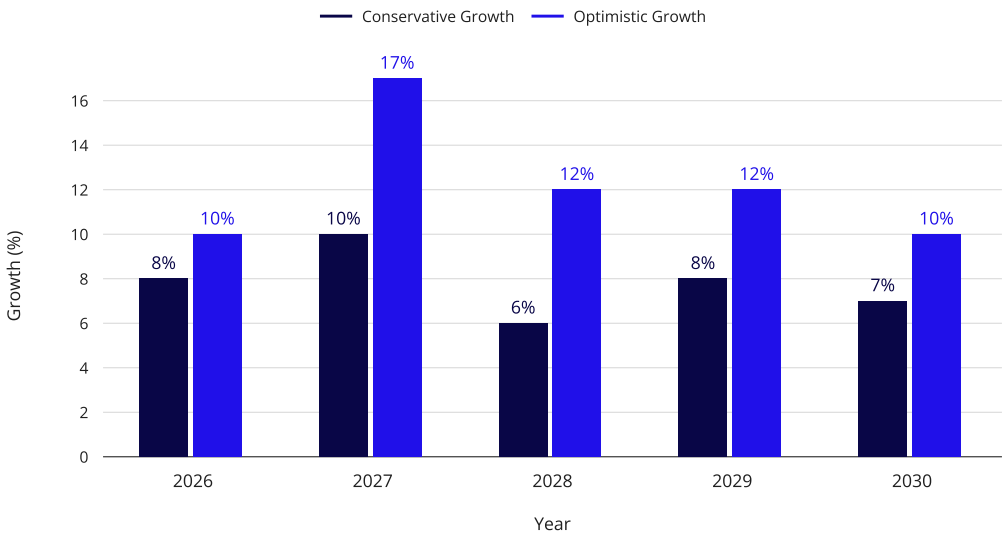
Local forecasts point to GDP growth of 6–8% in 2026 and 8–15% in 2027, with a 12% base case for 2027. Orinoco Research's oil-linked scenarios project GDP reaching $165 billion in the conservative case and $203 billion in the optimistic case by 2030. Private consumption could grow by 8–10% in 2026 and 10–17% in 2027, with further growth through 2030 under Orinoco Research assumptions. The IMF's 2026 GDP growth forecast is more conservative, at 4%.

Venezuela GDP Projection (2026-2030) - USD Millions



Source: Datanálisis, Orinoco Research estimates (2028–2030).

Private Consumption Growth - Annual Growth %



Source: Datanálisis, Orinoco Research estimates (2028–2030).

2.4 Other growth factors

Beyond oil, several structural factors support sustained growth:

Factor	Current position	Outlook
Air connectivity	Direct flights to Miami, Madrid, Lisbon, Istanbul, São Paulo, Bogotá, Medellín and the Caribbean.	New routes planned from Santiago de Chile, Doha, Fort Lauderdale, Houston, and Rome. Turkish Airlines is evaluating turning Caracas into a regional hub given its geographical position.
Demographics	Average age of 34.7; 43% of the population aged 25-54; fertility rate of 2.1, above Colombia and Brazil (1.6), Argentina (1.5) and Chile (1.1).	A growing, relatively young consumer base, while populations in the region's larger economies begin to age; around 8 million Venezuelans live abroad, 11% of whom have concrete plans to return. Potential influx of high-income expatriates and returning Venezuelan professionals, as international companies expand operations, supporting demand for premium and luxury brands.
Savings abroad	Estimated between $117 billion and $560 billion, up to five times current GDP.	A potential source of investment and consumption as conditions stabilise.
Credit	Bank credit at 3–4% of GDP.	Consumer credit growing 40–50% a year; new car sales up 73% in 2026.

Sources: Own data; Datanálisis; Venezuelan Diaspora Observatory.

Much of this activity, from returning capital to new air routes, is concentrated in Caracas, where the effects on consumption are likely to be felt first.

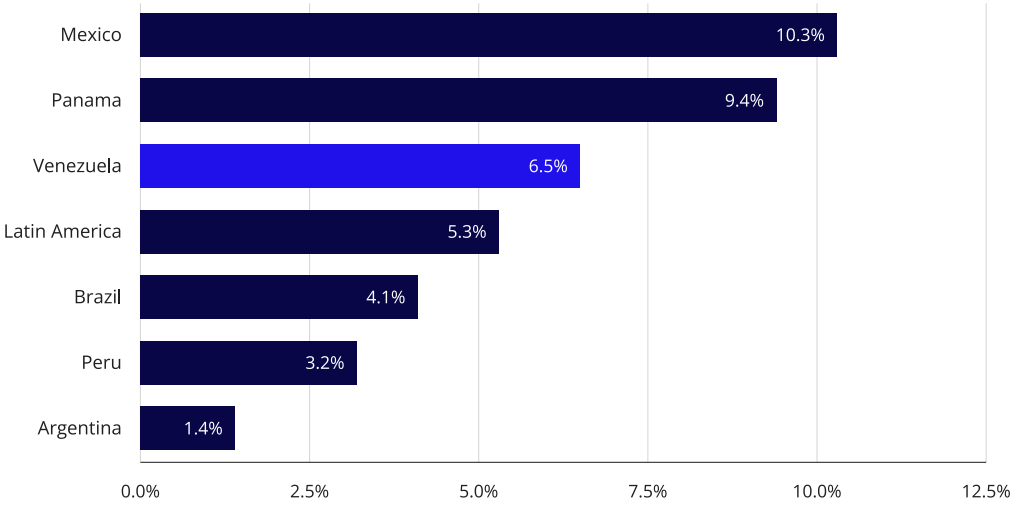
3. The next Caracas boom

3.1 Where growth is likely to concentrate

Venezuela's income and wealth have long been concentrated in a relatively small share of households, most of them in Caracas. If the economy recovers as outlined in the previous section, a meaningful part of that growth is likely to reach this group first. That creates an opportunity for consumer brands at the upper end of the market.

National averages tend to understate this segment. Venezuelan household wealth is estimated at around $863 billion, roughly eight times the GDP. Around 28,000 people are estimated to hold more than $1 million, and some 1.26 million adults are estimated to have between $100,000 and $1 million. At 6.5% of the adult population, that is higher than in Brazil, Peru, Argentina, and the Latin American average.

Share of adults with US$100K-1m in wealth (2022)



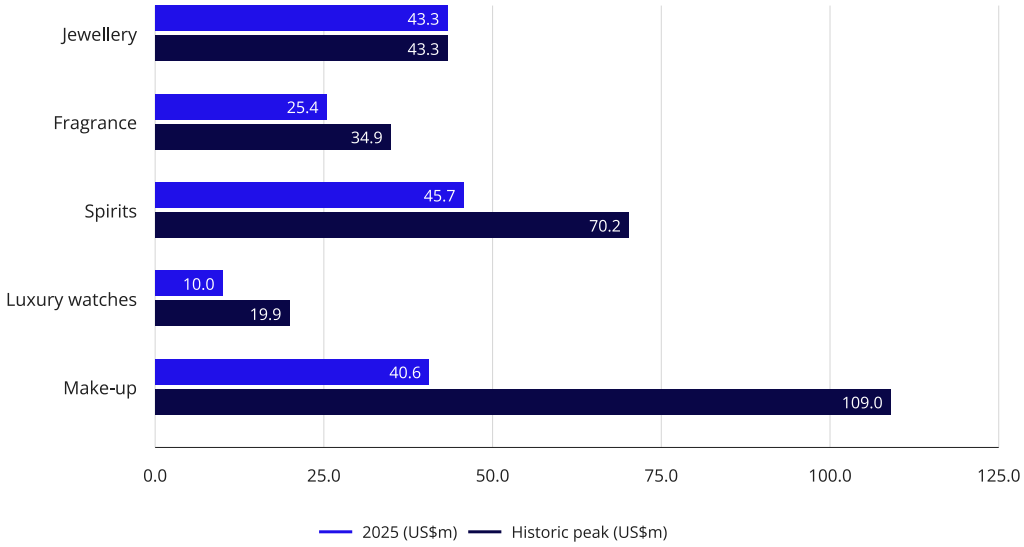
Sources: Datanálisis, UBS, Credit Suisse, IMF and Worldometers. Data for 2022.

Household income data shows a similar pattern. Around 1.4 million households earn between $2,700 and $6,300 a month, comparable to the total number of households in Panama. The capital region accounts for 20% of the population but 32% of consumer spending.

3.2 Demand that has held up through the crisis

The crisis reduced access to luxury goods in Venezuela, but demand has proved more resilient than the headline figures suggest. Formal imports offer one indicator. Since 2016, jewellery imports have grown 290% and gold jewellery 733%. Leather footwear is up 623% since 2018, and make-up has grown more than sixfold since 2017. Most categories remain below their historic peaks, which suggests room for further recovery rather than a market at capacity.

Luxury Imports: 2025 vs historic peak (US$m)



Source: International Trade Centre, with proprietary estimates. Formal imports only.

These figures cover formal imports only, so they leave out purchases made abroad and goods brought in personally. Actual consumption is therefore likely to be higher.

Survey data is consistent with this. 86% of top-income consumers say they would pay more for a brand they trust. Even during the downturn, households spent more on personal care than on health, a sign of how much weight consumers here place on image and brand.

There is also a precedent, according to industry sources, Christian Dior opened its first boutique outside Paris in Caracas in 1953, in partnership with Cartier. The house treated Venezuela as more than an export market, it designed dresses named “Venezuela” and “Caracas” and even adapted its autumn-winter collections to the local climate. Dior went on to manage ten local licences covering footwear, ready-to-wear, accessories and children’s wear sold in stores across the country. The licences ended when John Galiano arrived at the house and Dior moved to produce everything exclusively in France.

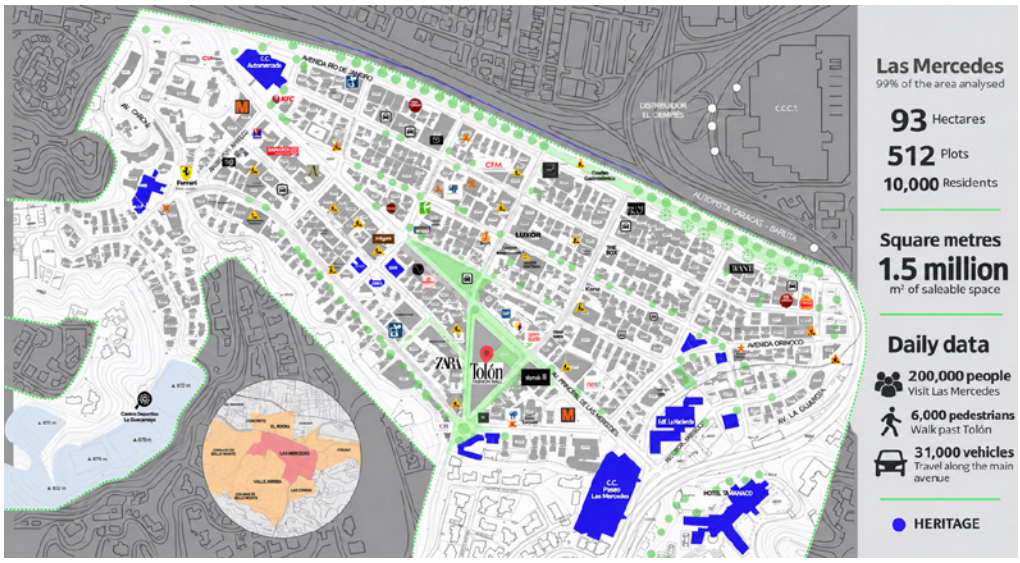
Venezuela also appeared in the international fashion press. In 1976 and 1978, photographer Gian Paolo Barbieri and Venezuelan model Laura Álvarez shot fashion editorials for Vogue Italia in different regions of the country, featuring designs by Krizia, Giorgio Armani and Gianni Versace.

Other houses had a formal presence on the ground as well. Loewe opened a store in the country, inaugurated in person by designer Narciso Rodriguez. Louis Vuitton opened a store in Caracas in December 1999 and, according to the same sources, was the best-selling Louis Vuitton store in Latin America that Christmas season. . The brand closed in 2010, after eleven years, stating at the time that sales had been positive, and kept a public relations team dedicated exclusively to the Venezuelan market for a further 15 years, tasked with inviting Venezuelan clients to events in Miami, France and New York.

The Dior licences ended for reasons of global brand strategy. The later closures were driven mainly by the exchange-control regime and the corporate risk it created for multinationals, not by a lack of customers.

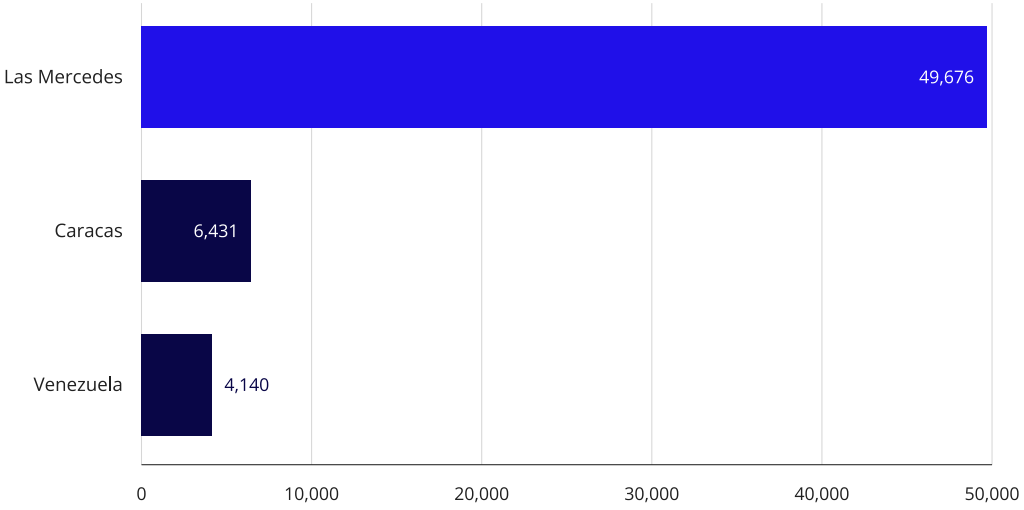
3.3 The case for Las Mercedes

Las Mercedes is Caracas's main business, retail, and dining district, functioning as the city's leading location for premium consumption. It covers 93 hectares, about 0.12% of the metropolitan area, and hosts a large share of the capital's corporate offices, high-end residential buildings, and commercial activity.



The district's estimated GDP per capita is around $49,700, about 7.7 times the Caracas average and 12 times the national figure. This reflects its position as the city's main centre of economic activity.

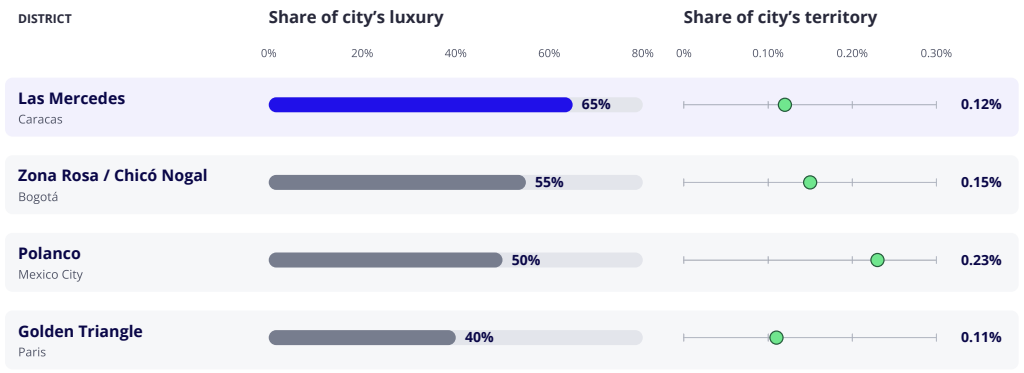
GDP per capita, 2026 estimates (US$)



Source: Invaca Investment Company, Las Mercedes Intelligence Unit (2026 estimates)

3.3.1 Global Comparision

When benchmarked against international luxury hubs, Las Mercedes demonstrates an exceptional concentration of high-end retail. The district concentrates 65% of the city's luxury market within just 0.12% of its territory, outperforming iconic districts such as the Golden Triangle in Paris, Polanco in Mexico City, and Zona Rosa/Chicó Nogal in Bogotá.



3.3.2 Economic Amplifier and Consumption Power

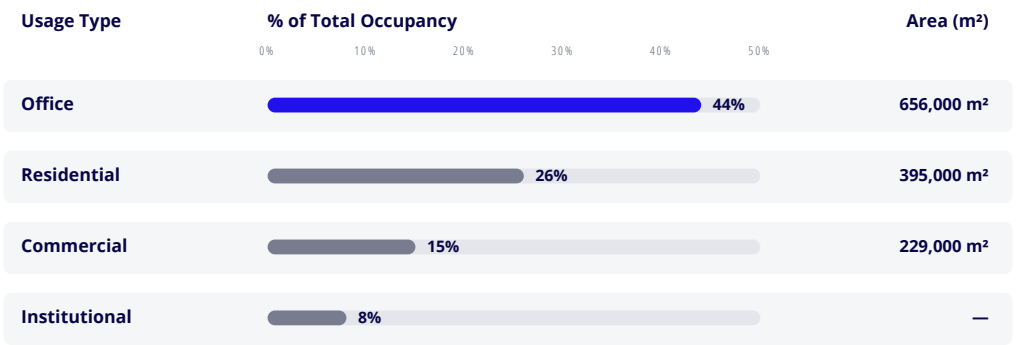
Crucially, Las Mercedes acts as the ultimate amplifier for Venezuela's economic recovery. In terms of economic density, Las Mercedes leads Latin America with 1,150 million per square kilometre,vastly eclipsing Bogotá (67 million/km^2) and Mexico City ($105 million/km^2).

Furthermore, the sheer volume of consumption places Las Mercedes ahead of its regional peers. Current spending in the district is estimated at $1.9 billion a year ($5 million a day), which significantly exceeds the $1.2 billion generated annually by Polanco in Mexico City. Driven by national economic momentum, consumption in Las Mercedes is projected to reach $2.5 billion a year ($7 million a day) by 2030.



3.3.3 Real Estate and Asset Value

The district comprises around 1.5 million square metres of sellable space, with an estimated asset value of $6 billion and prices of between $4,000 and $5,500 per square metre. Some 1.3 million square metres are already built, and a further 240,000 are under construction, while planned improvements to the public realm, including the Bulevar Tolón, are due for completion in 2027.



3.3.4 Retail Expansion and Global Brands

This is supported by a high and growing level of footfall. Las Mercedes receives a floating population of around 120,000 people a day, and its main avenue carries some 30,000 vehicles daily, with traffic up 33% between January and August 2026. Around a third of that traffic is recorded after 6pm, giving the district a trading day that extends well into the evening and suits both retail and dining. Access is supported by approximately 13,300 parking spaces across the area.

The district premium´s ecosystem is already capturing major global retail investments. The upcoming expansion of the Tolón Fashion Mall, connecting with the Sky Park tower, will create an integrated hub of 75,000 square metres of GLA. This expansion is highlighted by the highly anticipated opening of new Zara and Zara Home stores, firmly cementing Las Mercedes as the ultimate destination for luxury retail in the region.



Elias Ferrer
Director
elias@orinocoresearch.com

Fabbiana Lamboglia
Advisory Associate
flamboglia@orinocoresearch.com