

Venezuela president raises fuel price by 6,000% and devalues bolivar to tackle crisis

Nicolás Maduro uses decree powers to raise fuel prices for first time in 20 years and devalues currency in bid to boost nation's coffers

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Venezuela's president, Nicolás Maduro, has announced the first rise in petrol prices in 20 years and a sharp devaluation of the currency which he said aimed to shore up the flailing economy, hard hit by falling oil prices which make up 95% of foreign income.

Prices at the pump in Venezuela will jump as much as 6,086% for 95 octane gasoline, from 0.097 bolivars to 6 bolivars, or 1,300% for 91 octane as of Friday.

The official exchange rate used for food and medicine imports will weaken to 10 bolivars per dollar from 6.3, as of Thursday, while a second rate will be allowed to float.

The socialist government's announcement on Wednesday revealed some of the free market reforms that analysts have been clamouring for in the oil-dependent nation although critics say they don't go far enough to right the country's crisis-hit economy.

"This is a necessary measure, a necessary action to balance things, I take responsibility for it," said Maduro in a five-hour televised speech in which he announced the measures.

Maduro said the new fuel prices would help support social programmes such as housing, health services and education, which had won his predecessor, Hugo Chávez, a broad following when he set the country on a socialist path 17 years ago.

Maduro said he hoped the measures "will be understood by the people on the streets", alluding to the 1989 wave of violence known as the "Caracazo" that left hundreds dead, sparked by a rise in fuel prices. Maduro also announced a 20% increase to the country's minimum wage, effective 1 March.

But even with the rises, Venezuela's petrol will still be the cheapest in the world, allowing Venezuelan's to fill their tanks with high-octane gasoline for the equivalent of the price of three beers.

Wall Street analysts previously said Venezuela needed a sharp currency devaluation, spending cuts and a rise in fuel and electricity prices to avoid further economic meltdown. But local analysts said the changes announced by Maduro had not gone far enough.

Analyst Luis Vicente León, said the measures were akin to putting "truffle salt on a rotten

steak”.

León said on Twitter the government would have to constantly adjust the fuel prices so the impact would not be “pulverized” by inflation, which in 2015 was 140%.

He added that the changes to the exchange rate system did not seem to represent a fundamental change. “We’ll have to wait and see the implementation but it doesn’t seem to be enough,” he tweeted.

Maduro revealed the measures by decree after the supreme court overturned the opposition-controlled legislature’s decision not to grant him special powers. The showdown with the opposition, which has held a majority in the National Assembly since January, for the first time in 17 years, has turned even moderates more radical.

Two-time opposition presidential candidate Henrique Capriles, who is the leader of the moderate wing of the opposition, threw his support behind a possible referendum on recalling Maduro on Wednesday.

“The constitutional time has come ... let’s go for recall,” he said in a tweet after Maduros’ speech.

Under the constitution, the opposition needs to collect almost 4 million signatures to force a recall referendum and then get more people to vote against him than those who voted for him in the 2013 presidential election.

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