

## Cuba

The Cuban economy will grow by 3.0% in 2013; below the government's forecast at the beginning of the year and identical to the 2012 figure. This outcome reflects a context of slower growth across most of Europe, which accounts for a significant proportion of the country's tourist arrivals. Falling nickel prices also caused a dip in external revenue, which tightened the external constraints on growth, exacerbating the effects of the economic, commercial and financial embargo, which remains in force. On the domestic front, GDP growth was held back by a rate of investment that remains far less than envisaged by the government, and which despite rising to 8%, is nonetheless insufficient to counteract Cuba's technological obsolescence.

Measures were rolled out in various sectors of the economy in 2013, pursuant to the *Guidelines of the Economic and Social Policy of the Party and the Revolution*, adopted in April 2011. Additional steps were taken in the agricultural sector, notably to improve wholesale and retail markets; there was further progress on the separation of State and enterprise functions in the various ministries, and efforts were made to support the creation of non-State forms of economic management, such as non-agricultural co-operatives.

In October the government announced the beginning of an integration process for areas of the economy that work in Cuban pesos (CUP) and convertible pesos (CUC), in preparation for exchange-rate unification. It is expected that a new Labour Code will be adopted at the National Assembly in December. This Code is intended to consolidate and improve compliance mechanisms relating to the rights and obligations agreed by the parties in labour relations. September saw the announcement of a decree-law establishing the rules and regulations for operating in the Mariel special development zone, where an industrial platform is envisaged for imports and domestic and external sales. It is hoped that the zone will attract significant foreign direct investment.

Fiscal policy remained directed towards rationalizing public spending during 2013. Surplus resources detected on certain components were reassigned, so that the fiscal deficit (as a percentage of GDP) was as planned at year-end. The fiscal deficit is therefore expected to close the year at 3.6% of GDP. In 2013, greater priority was accorded to the rationalization of expenditure, resulting in lower spending on budgeted activities. Changes were made to the policy of subsidizing loss-making enterprises: losses will be tolerated for one year, and if the enterprise still fails to turn a profit, a decision will be taken on whether it is downsized, merged with others or closed. Up until 2012, the fiscal deficit was financed through monetary emission. The aforementioned economic and social policy guidelines set out the need to diversify sources of financing; as such, 49% of the deficit will be funded by bank credit in 2013, while the rest will be covered by issuing currency. A new land tax was introduced in support of local development, and initially will be applied in the provinces of Artemisa and Mayabeque. It is planned to generate around 23 million pesos.

The economy continues to see broader use of the banking system, thanks to efforts promoting e-banking, automatic teller machines, and the use of magnetic cards as a means of payment. The fact that

**Cuba: main economic indicators, 2011-2013**

	2011	2012	2013 <sup>a</sup>
	<b>Annual growth rate</b>		
Gross domestic product	2.8	3.0	3.0
Per capita gross domestic product	2.8	3.0	3.0
Consumer prices	1.3	2.0	0.3 <sup>b</sup>
Real average wage	0.2	0.4	...
	<b>Annual average percentage</b>		
Open urban unemployment rate	3.2	3.8	...
Central government			
Overall balance / GDP	-1.8	-4.3	1.2

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Estimates.

<sup>b</sup> Figures as of September.

individuals with a gross annual income of 50,000 pesos or more are required to open current accounts also contributed to this process.

Up to September 2013, loans totalling 1.60 billion Cuban pesos had been granted to individuals, and were mostly allocated to home building and repairs, the purchase of construction materials and the payment of workers. Lending to agriculture amounted to 623 million Cuban pesos, the highest sum received by any sector (ahead of the sugar industry) thanks to a favourable credit policy (the annual interest rate is 3%).

On 22 October the government formally announced the launch of the monetary unification process. Shops selling goods in convertible pesos started accepting payment in Cuban pesos, using bank cards denominated in the latter currency. In some places it will also be possible to make cash payments in Cuban pesos, with prices calculated at the exchange rate of 25 Cuban pesos to 1 convertible peso. An experiment is still being carried out on a group of enterprises operating with different exchange rates.

In agricultural policy, the process of granting rights to use idle land continued. Some 1,588,000 hectares were handed over between the beginning of the process in 2008 and October 2013. A new marketing system for agricultural products (wholesale and retail) was launched in late November in the provinces of Havana, Artemisa and Mayabeque. Its purpose is to create more flexible marketing mechanisms in order to reduce losses and to bring farmers and consumers closer together, including the possibility of direct marketing.

Imports of foodstuffs such as rice, soybeans, meat products and powdered milk held steady at about US\$ 2.0 billion in 2013. Lower international prices pushed down export earnings from nickel, while exports of biotechnology products for human consumption (which generate revenues of about US\$ 1.0 billion) must overcome entry barriers if they are to diversify into new markets. The goods trade deficit was offset by services exports, which remain the largest source of foreign currency inflows (besides remittances), despite slower growth. Tourism revenues diminished by 0.2% over the period between January and September 2013. A more or less balanced current account is expected at the end of the year.

Construction, and especially that which is undertaken by individuals, performed vigorously in 2013. This was partly a reflection of the government's explicit policy to boost the sector, and partly the result of works carried out to improve the appearance of Havana and the Old Havana quarter (with both State and non-State investment). Although the value indicator for construction between January and June was virtually the same as in 2012, the number of housing units completed by private individuals rose by 19.7% in this period. Power generation was up 4.1%, also between January and June, while agriculture is expected to record annual growth of between 3% and 4% for 2013. The agricultural production of crops such as rice, tubers, corn, vegetables, citrus and fruits has recovered from the losses caused by Hurricane Sandy in 2012. However, beans and livestock did not achieve planned production levels for the year.

The real average wage remained stable and the unemployment rate is expected to continue at similar levels to 2012 (3.8%). Self-employment maintained its upward trend; at the end of October 2013 there were 440,603 individuals engaged in own-account activities, mostly in the sectors of food processing and selling (13%), transport (10%) and housing rental (6%), as well as in the hired workers category (19%).

In September 2013, several rules and regulations were published defining the scope and nature of authorized activities for individuals (201 in total). As part of its policy of promoting employment in non-State sectors, the government intends to expand the range of activities that are no longer under State control. In this context, barbers' shops, hairdressing salons and cafés have been leased to individuals.