ECONOMIC TREND REPORT

SECOND QUARTER

2014

cuba standard
ECONOMIC REPORTS

PAVEL VIDAL
CHIEF ECONOMIST

JOHANNES WERNER
EDITOR

The Economic Trend Report is published by Cuba Standard

Cuba Standard Economic Reports are available by annual subscription or per-copy purchase. For more information, go to www.cubastandard.com, or write to johanneswerner@cubastandard.com

Contents

EXECUTIVE SUMMARY

• The new regulations for foreign investment have been a positive surprise in terms of tax incentives. Independently of the disappointment about the text in several aspects, the new law should mean a turning point in the participation of foreign capital in the domestic economy.

• The government will try to increase productivity among state-owned companies by way of management autonomy and monetary incentives. The new regulations are aimed at strengthening the role of Organizaciones Superiores de Dirección Empresarial (OSDE) and the concept of "state assignment."

• State company reforms will lead to an increase in salaries, depending on the financial capacity of companies. A salary increase for workers at companies with foreign-owned capital is also planned.

• In the second quarter, tax inspections and audits for the self-employed and micro business owners are intensifying. The data suggests a private-sector net growth rate close to zero.

• The adjustment of imports in 2014 makes itself noticed in shortages at retail state markets.

• From 2010 to 2013, the average surplus for the external trade of goods and services has been around $2.7 billion a year. Is this a sign of a rise in fiscal and financial responsibility under Raúl Castro, in order to ensure sustainability of foreign debt and accumulate international reserves?

• After the elimination of the dual monetary system, the government will make wholesale and retail prices flexible. The new resolutions also show that joint ventures and foreign enterprises will have to operate, and register operations, in Cuban Pesos, although they will be allowed to maintain their hard-currency bank accounts.