

ECONOMIC  
 **TREND**  
REPORT

**FIRST  
QUARTER**

2016

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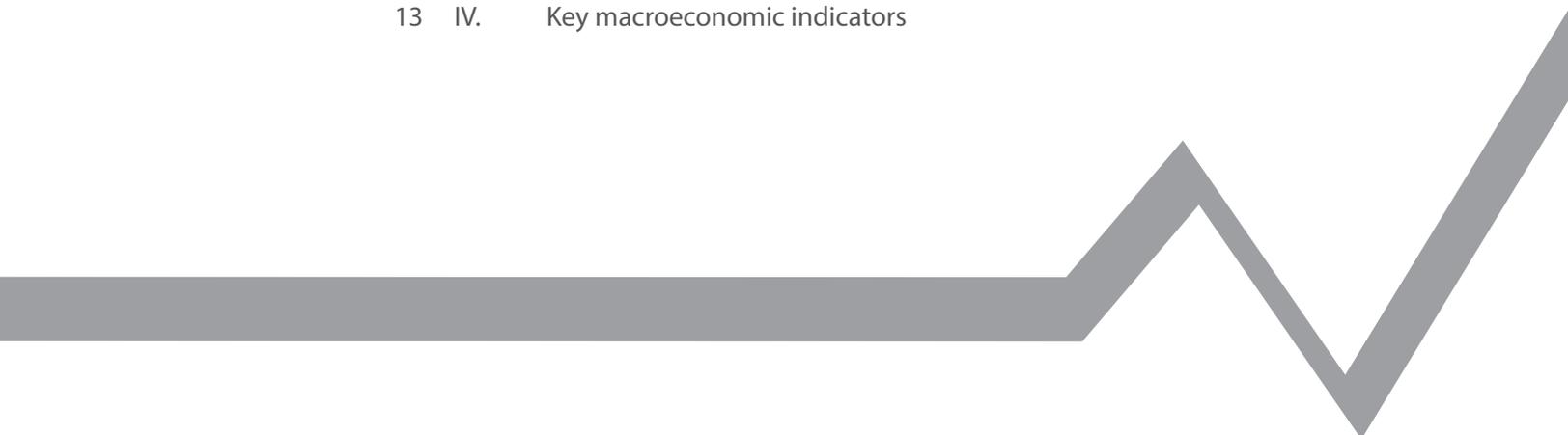
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## EXECUTIVE SUMMARY

- The 7th Congress of the Communist Party of Cuba set the guidelines of change for the next years, defined more clearly the ideological limits of reform, and allowed to take the pulse of the political environment on the island after the visit of President Barack Obama.
- In terms of the speed of change, the references made by Raúl Castro point at a continuation of gradual reforms. But, for the first time, the authorities are referring with clarity to private enterprise, to the market, and to the models of Vietnam and China.
- Washington took a key measure that could accelerate the rapprochement between the two economies: Allowing Cuba to use the U.S. dollar in international trade and financial transactions.
- According to the ONEI, investments grew 24.9% in 2015. By province, the biggest investments were focused on La Habana (3.067 billion pesos). In second place was Artemisa (423.6 million pesos), which allows to deduce that a part of the investments were concentrated in the startup of the Mariel Special Development Zone.
- For 2016, the minister of economy and planning presented a GDP growth plan of 2%. The biggest growth rates are expected for construction (13.4%) and in hotels and restaurants (11.2%), while mining and manufacturing are expected to decrease.
- The Cuba Standard Economic Trend Index (CSETI) suggests that from the fourth quarter of 2015 on through February 2016, balance of payment conditions for the Cuban economy got tighter.
- The Cuba Standard Business Confidence Index (CSCI) indicates that the deterioration of perceptions and expectations for the Cuban economy continues. The score of 57.2 for the first quarter of this year is the lowest value since we began measurements with this index.
- As to intentions to invest in the Cuban economy, there is a significant drop. In the third quarter of 2015, 45.3% of businesspeople indicated a rise in their intentions to invest in Cuba; in the first quarter 2016, the percentage dropped to 28.8%.
- The structural reforms made by the government of Raúl Castro have been slow and have yet to offer the expected results, but when it comes to spending adjustments and control of macroeconomic and financial balance, the decisions have been more drastic, and the results are visible.