

ECONOMIC  
 **TREND**  
REPORT

**FIRST  
QUARTER**

2016

PAVEL VIDAL  
CHIEF ECONOMIST

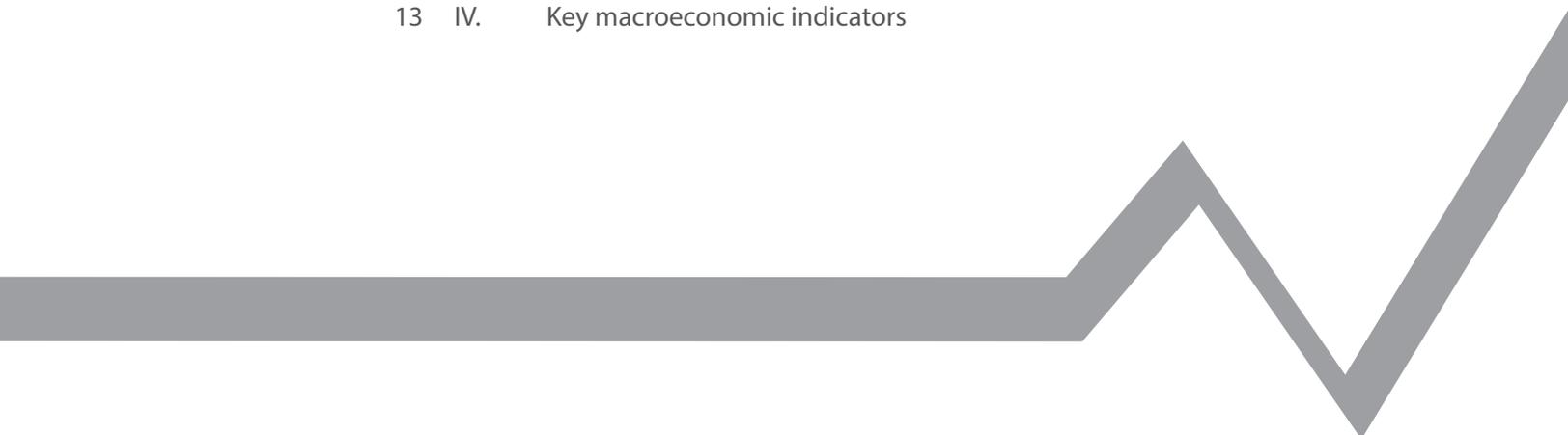
JOHANNES WERNER  
EDITOR

The Economic Trend Report is published by Cuba Standard  
Copyright © 2016, by Cuba Media, LLC  
All rights reserved. No part of this publication may be reproduced, stored in  
a retrieval system, or transmitted, in any form or by any means, electronic,  
mechanical, photocopying, or otherwise without the prior permission of  
Cuba Standard.

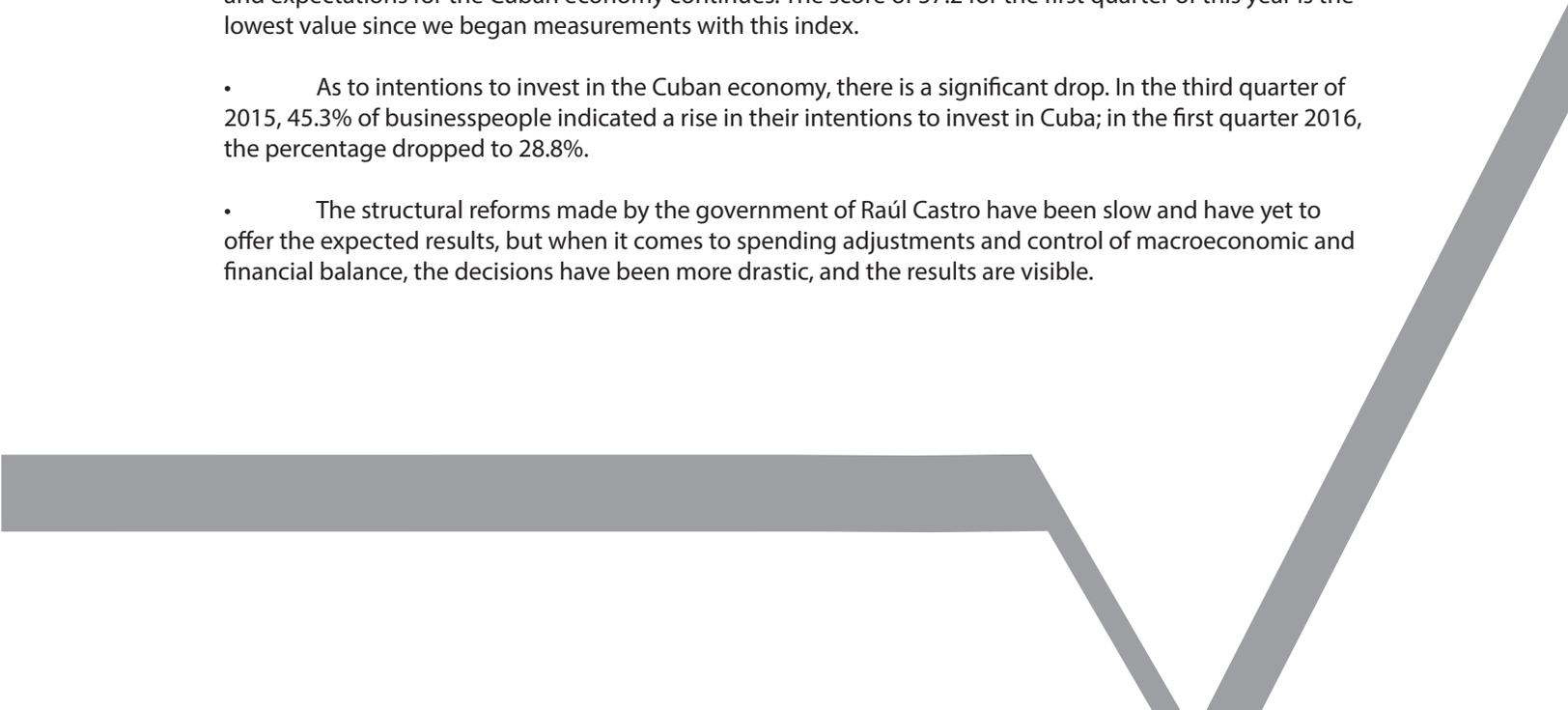
Cuba Standard Economic Reports are available by annual subscription or per-  
copy purchase. For more information, go to [www.cubastandard.com](http://www.cubastandard.com), or write  
to [johanneswerner@cubastandard.com](mailto:johanneswerner@cubastandard.com)

## Contents

- 4 Executive summary
- 5 I. Structural and institutional reforms  
The 7th Communist Party Congress  
Changes in the international panorama
- 8 II. Real sector  
Official GDP and sectorial data  
Cuba Standard Economic Trend Index:  
Balance-of-payment restrictions getting tighter  
Cuba Standard Business Confidence Index:  
Confidence drops among businesspeople
- 11 III. Economic policies  
Monetary policy: A long-term view
- 13 IV. Key macroeconomic indicators



## 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.
- 

## I. STRUCTURAL AND INSTITUTIONAL REFORMS

### THE 7TH COMMUNIST PARTY CONGRESS

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.

The Congress discussed three documents that are strategic for the future of the reform. None of them has been published, only the discussions in Congress are known. The Cuban president said they will be submitted to popular review after the Congress. The documents are:

1. "Report about the results of the implementation of the Guidelines of the 6th Congress and update of the Guidelines for 2016-2021"
2. "Foundations for the National Economic and Social Development Plan through 2030: Vision proposal for the nation. Main ideas and strategic sectors"
3. "Conceptualization of the economic and social model for Cuba's socialist development"

During the Congress, it was acknowledged that only 21% of the Guidelines (Lineamientos) of the previous Congress had been implemented, and that somewhere around 77% are in the process of implementation. The yet-to-occur elimination of the dual currency system is one of the most talked about failures to keep the promises made during the previous Congress. Nor did Direct Foreign Investment, the resource that was supposed to have produced an important jump in growth rates and technological modernization, advance with sufficient speed during the past five-year period. Even so, the Congress ratified that the elimination of the two-currency system and the expansion of foreign investment remain top priorities of reform in the coming years.

As a result of the actualization process for the period 2016-2021, 87.5% of the 313 guidelines of the previous Congress are maintained, modified or combined, and 50 new guidelines are added for the coming five-year period. A total of 274 guidelines are in place as a continued road map of reform.

In terms of the speed of change, the references made by

Raúl Castro point at a continuation of gradual reforms. The president made clear that "... the pace will depend on the consensus we may be able to forge within our society, and on the organizational capabilities we achieve to introduce the necessary changes."

In reference to resistance to change, the president noted that "the fundamental obstacle we've had to face, as we predicted, is the ballast of an obsolete mentality that shapes an attitude of inertia, or an absence of confidence about the future. Nor have we been missing, as to be expected, sentiments of nostalgia ... for the times of the Soviet Union and the socialist camp."

Documents 2 and 3 together could give the reform a farther reach. It certainly means a step ahead to move from a pragmatic economic reform oriented towards the results of experiments, to one that can now count on a development program with strategic lines, defining the main sectors and objectives, and ideologically conceptualizing the model pursued by the changes.

From the debates at the Congress and the presentation of the central report, the clearest and most newsworthy elements are the references that shed light on the ideological limits of change. Here are some of them:

- "The introduction of the rules of supply and demand is not at odds with the principle of planning. Both concepts can coexist and complement each other to benefit the country, as has been demonstrated successfully in the reform processes of China and the renovation of Vietnam."

- "We reaffirm the socialist principle of the predominance of the property by all the people of the means of production, as well as the necessity to unload the State of other activities that are not decisive for the development of the nation."

- "The cooperatives, self-employed work, and medium-, small-, and micro-size private enterprise are not, by their essence, anti-socialist."

For the first time, the authorities are referring with such clarity to private enterprise, to the market, and to the models of Vietnam and China.

As part of future economic policy the president highlighted as

fundamental the quest for an “adequate balance in borrowing and the structure of credit, the payment of rescheduled debt and the current debt, and of the fulfillment of the plan. Never again must we fall back into debt.” This underlines the continuity of a more rational and orderly fiscal and financial policy, which has been clearly evident since 2009.

Meanwhile, political changes remain well below the expectations of some analysts. The only changes proposed was lowering to 60 years the maximum age to enter the Central Committee of the PCC, and to 70 that of taking leadership roles in the Party, which adds to the previous announcement of limiting political charges to two consecutive terms.

However, in this Congress these age limits were actually not yet enforced. There was barely any generational change in the Party leadership, with Raúl Castro, 85, and José Ramón Machado Ventura, 86, remaining as First and Second Secretary of the Central Committee. Raúl Castro said that the old leaders will not be at the forefront of the Party at the next Congress planned for 2021, which means that the leadership is taking five years to gradually effect generational change.

The modifications dealing with terms and age limits for leadership positions will be reflected in the Constitution of the Republic. Constitutional changes will be made that consider the transformations in the ownership system and other modifications promoted by the reform. That, in turn, will imply holding a constitutional referendum. Raúl Castro already disclosed that part of the referendum will be a confirmation of the irrevocable character of the political and social system enshrined in the current Constitution, including the leading role of the Communist Party of Cuba in society. During the debates in the Congress, the defense of Cuba's political system was a constant feature, expressing itself as a defense and response to the speech of U.S. President Barack Obama in Havana.

#### CHANGES IN THE INTERNATIONAL PANORAMA

The Congress took place in a very changed international environment, where the political changes and/or economic decline at important partners in the region, such as Venezuela, Brazil, and Argentina, stand out.

Just a few weeks ago, Cuba and Venezuela signed some new agreements. According to the agreement, some \$1.4 billion will be invested in 2016, and Venezuela will increase the import of medicine produced in Cuba. Also mentioned were

new agreements covering urban agriculture, tourism, and mining. The official declarations did not explain whether the new agreements imply a change from previous agreements in terms of oil supplies and the purchase of medical services from Cuba. Venezuelan officials only highlighted that this is “a new stage”, but they did not specify with clarity the changes from the previous stage.

On the other hand, there is the resumption of diplomatic relations with the United States and what that implies not only in terms of economic opportunities, but also in terms of political and ideological challenges. Obama's visit to Havana, which was heavy on symbolism and historical meaning, served to consolidate the normalization process between the two countries. Bilateral relations extend increasingly to U.S. businesses, which, for the first time since the 1960s will have a direct presence in Cuba, beginning with Starwood Hotels and Resorts and its managing of three hotels in Havana.

Despite the ideological differences, reflected by the media during and after the visit, the encounters between the two governments confirm the commitment of both presidents with the process of rapprochement currently underway. The U.S. president's visit made evident the political change experienced in Cuba, with voices in the island appearing that supported Obama's visit, while others concentrated on highlighting the dangers, threats, and hidden agendas.

On the U.S. government's side, 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. The island's reinsertion into global trade and finance has been complicated enormously by this prohibition. It is very difficult to think about major economic rapprochement between the two economies if Cuba cannot use the currency in which U.S. companies operate. Many of the measures already taken by Obama don't have real possibilities to be put into practice if Cuba cannot pay or effect international bank transactions in dollars. Now the orchestration of the new measure has to be seen, to prove that effectively the sanctions applied against international banks over transactions with Cuba are a thing of the past.

Another important decision Obama could take before leaving the White House would be a commitment to abstain from resisting Cuba's membership in the Interamerican Development Bank (IADB) and other multilateral financial institutions. From the IADB, Cuba could receive technical assistance, training for entrepreneurs and political decisionmakers, overall help to form new institutional capacities to govern and successfully advance the process of change. Another benefit would be Cuba's gradual access to IADB financing to improve infrastructure, such as modernizing telecommunications and the banking system, to mention a few examples.

The Cuban government also managed to relaunch relations with the European Union, as the EU's “Common Position” prac-

tically ceased to exist. A significant fact is the “competition” over Cuba between European countries such as France and Spain that has become evident. Two other big economies — Russia and China — are competing over Cuba; their interests go beyond the economic realm, looking back at past influence. What is certain is that this opens significant opportunities to the island and constantly puts a question mark above decisionmakers and their ability to take advantage and turn them into real economic facts that invigorate Cuba’s economic growth.

## II. REAL SECTOR

### OFFICIAL GDP AND SECTORIAL DATA

In the December session of the National Assembly, Minister of Economy and Planning Marino Murillo announced that the Cuban economy grew 4% in 2015. This confirms the acceleration of the economy in 2015 from the growth rate of 2014 (1%). However, again the GDP expansion remained below the target set by the government of Raúl Castro for the years of economic reform (4.4%), even though this was the year that came closest. The growth also remained far from the two-digit rates achieved during the middle of the past decade when the economy began to receive the benefits of the agreements with Venezuela (see Figure 1). Including this result, the average annual growth rate after eight years of reform is 2.7%.

Additionally, the minister announced growth rates for each sector. The most important results were those of the sugar and construction industries, with two-digit expansions. The categories with least growth in 2015 were electricity, gas and water services, and agriculture, cattle ranching and forestry (see Table 1).

During the National Assembly session, no official data for exports and imports in 2015 were announced, at least not publicly.

More recently, the National Statistics Office (ONEI) published more data for 2015. According to the ONEI, investments grew 24.9% in 2015. Within that, construction and assembly rose 16.7%, and investment in equipment 54.4%. 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 (ZED Mariel). In third and fourth place were Holguín (372.4 million pesos) and Santiago de Cuba (316.5 million pesos), both in eastern Cuba.

**Table 1 Economic sectors in 2015**

	(variation rate, %)	2015/2014
Manufacturing industry		9.9
Sugar industry		16.9
Agriculture, livestock and forestry		3.1
Construction		11.9
Hotels and Restaurants		4.6
Commerce and services		8.6
Transportation and communications		3.6
Electricity, gas and water		1.2

**Figure 1: GDP percent change**



ONEI also published the definitive results for the tourism sector in 2015. The arrival of visitors grew 17.4%, while revenues grew 10.7% (these revenues do not include the private sector). Hotel occupancy rose from 46.1% in 2014 to 49.1% in 2015. Among the biggest source markets stood out the visitor growth from Spain (39.3%), France (33.8%), and Germany (26%).

For 2016, the minister of economy and planning presented a GDP growth plan of 2%, saying that this will be a “tense year for hard-currency availability”. Even though Murillo made no direct reference to Venezuela, President Castro did so in his speech: “... it is also certain that in 2015 mutually beneficial cooperation relations with various countries, particularly with the Bolivarian Republic of Venezuela, have been affected...”

Murillo explained that for 2016 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.

Additionally, Murillo explained that investments are planned to grow again to US\$7.8 billion, most of them funded with external sources. He said that investments are directed to key sectors such as tourism, oil, food production, and import substitution. Some \$1.3 billion will be directed to tourism, followed by oil, drought response, ZED Mariel infrastructure, sugar and derivatives production, telecommunications, an increase in production capacities, production of construction materials, renewable energy, and there are some \$600 million for agriculture.

**CUBA STANDARD ECONOMIC TREND INDEX:  
BALANCE-OF-PAYMENT RESTRICTIONS GETTING TIGHTER**

With definitive data for 2015 and estimates for January and February 2016, the Cuba Standard Economic Trend Index (CSETI)<sup>1</sup> confirms that during all of 2015 favorable balance of payment conditions prevailed for economic growth (value above zero). The CSETI value for all four quarters of 2015 are much higher than in 2014; this is coherent with the acceleration of GDP growth from 1% in 2014 to 4% in 2015.

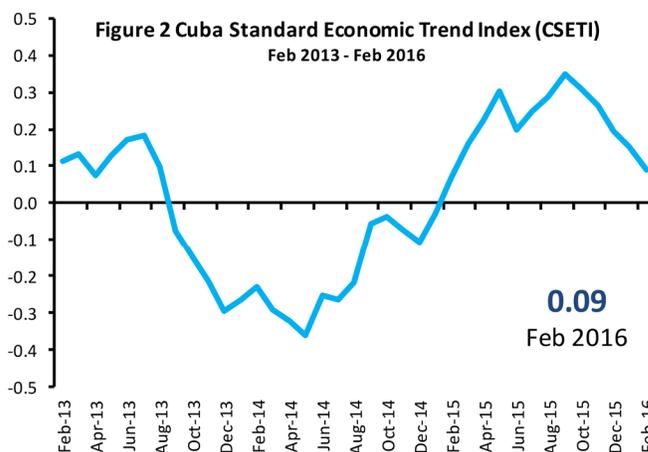
However, the CSETI peaked in September 2015 at 0.35 and since then has shown a negative trend that continued in the first two months of 2016. In February, the CSETI reached just 0.09, a 12-month low. This suggests that from the fourth quarter of 2015 on through February 2016, balance of payment conditions for the Cuban economy got tighter.

The average improvement of balance-of-payment conditions in 2015 was reflected in the rise of imports. In the aggregate for 2015, the rises of imports over the previous year from China (+77.2%), Spain (38.4%), Netherlands (42.1%), Germany (33.9%), and Italy (45%) stand out. Meanwhile, U.S. imports declined 39.7% in 2015. Two other markets showing import declines in 2015 were France (-2.3%) and Mexico (-1.6%).

Available data for goods exports don't show any significant results in 2015 and year-to-date. However, the acceleration of tourist arrivals should result in an expansion of service exports. Meanwhile, the terms of trade (international price relations) ended the year in neutral position. But in January and February, prices of key export products have begun to decline again; the price of sugar was down 9.4% from the end of December, as was nickel (-4.7%), while the international average of food (Cuba is a net importer of food) has grown 0.7%, according to World Bank statistics. Therefore, at the beginning of this year, international prices don't have a favorable trend for the Cuban economy.

For 2016, we put GDP growth projections at 2.3%, assuming that there will not be a drastic fall of links with Venezuela but rather a significant but gradual contraction. In the case of an abrupt drop, the Cuban GDP could decline 1.8% in 2016 (see explanation in the fourth-quarter 2015 report). As the year progresses and we get access to more recent data for the CSETI, we will be able to calculate more exactly the effects of the Venezuelan crisis and other events on the balance of payments and the Cuban economy.

<sup>1</sup> The CSETI allows the anticipation of Cuban GDP growth statistics. In total, the index counts with 28 variables taken on a monthly base from January 1998 to the present. It includes information on real exports and imports of the 10 leading trade partners, it retrieves data on nickel, sugar, oil and food prices, and it approximates real external financial flows, as well as the dependency on Venezuela. The Kalman Filter econometric technique used in the index allows estimating a common component of the evolution of the 28 variables. This signal contained in the combination of the 28 variables draws together the state of the economy every month. Values above (below) zero indicate favorable (unfavorable) conditions in balance of payments for GDP growth.



Source: author's estimate with the Kalman Filter

**CUBA STANDARD BUSINESS CONFIDENCE INDEX:  
CONFIDENCE DROPS AMONG BUSINESSPEOPLE**

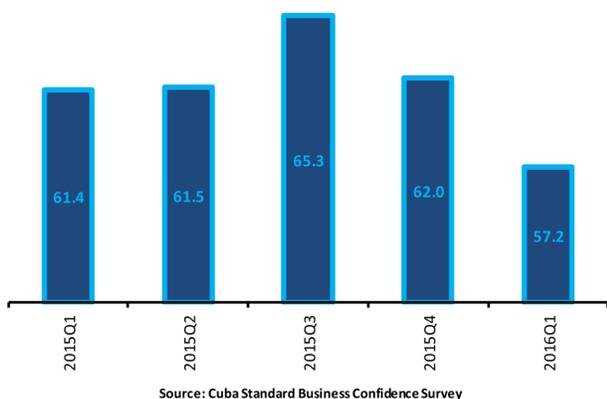
In Fig. 3, we present the results of the Cuba Standard Business Confidence Index (CSCI)<sup>2</sup> for the first quarter 2016 (it measures the average difference between the percentages of positive and negative responses of each question in the Business Confidence Survey. The index falls within a range between 0% and 100%. The value of 100 is obtained if all responses were positive; zero occurs when the opposite happens).

In the first quarter of 2016, the CSCI fell significantly for the second consecutive quarter. This indicates that the deterioration of perceptions and expectations of 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 (see Fig. 3).

Note that both the index that measures balance-of-payment conditions and GDP (CSETI in Fig. 2) and the business confidence index (CSCI in Fig. 3) peak in the third quarter of 2015 with a constant negative trend since then. There are, therefore, two signals that point to a deterioration of economic conditions in Cuba from the fourth quarter 2015 to the first quarter 2016.

<sup>2</sup> The CSCI estimates the business climate based on qualitative information collected by survey. The survey consists of eight questions. For the design of the survey, we based ourselves on international standards presented in the 2003 OECD document titled Business Tendency Surveys: A Handbook. The survey is conducted quarterly via email to a random sample of around 100 businesspeople connected to the Cuban economy. The results allow the construction of a confidence or economic optimism index. CSCI calculates the difference between the percentage of positive and negative responses to each question, which we then average out. The index is calculated to fall within a range between 0 and 100%. It would get a value of 100 if all answers were positive, and zero if the opposite occurs.

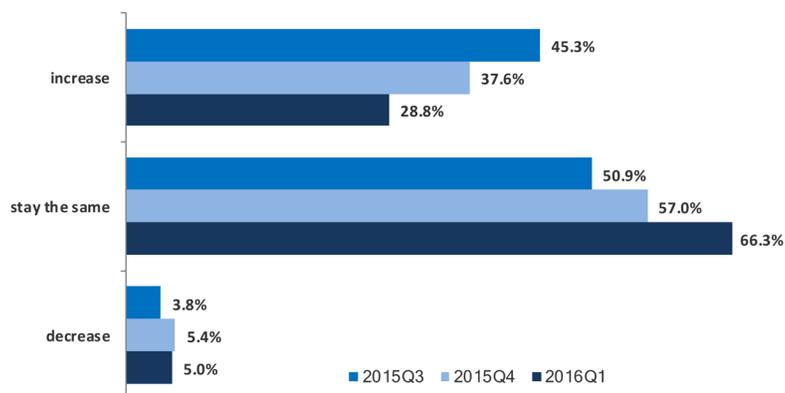
**Figure 3 Cuba Standard Business Confidence Index (CSCI) 2015-2016Q1**



The drop in business confidence in the first quarter 2016 can be seen in all questions of the survey. Only 25.6% of respondents said their business volume had increased, compared to 40.4% of the previous quarter. Meanwhile, 34.9% said they expected an improvement in business volume for the next four months, down from 43.5% in the previous quarter. As to their financial situation, only 20.5% said it was good; which is also worse than 23.5% of the previous quarter. And 60.5% of respondents believes that the economy will improve in the next 12 months, down from 62.9% in the previous quarter.

As to intentions to invest, there is another significant drop. In the third quarter of 2015, 45.3% of business-people indicated a rise in their intentions to invest in Cuba; in the fourth quarter 2015, the figure declined to 37.6%; and in the first quarter 2016, the percentage dropped further to 28.8% (see Fig. 4). This confirms again anecdotal evidence of frustration by investors

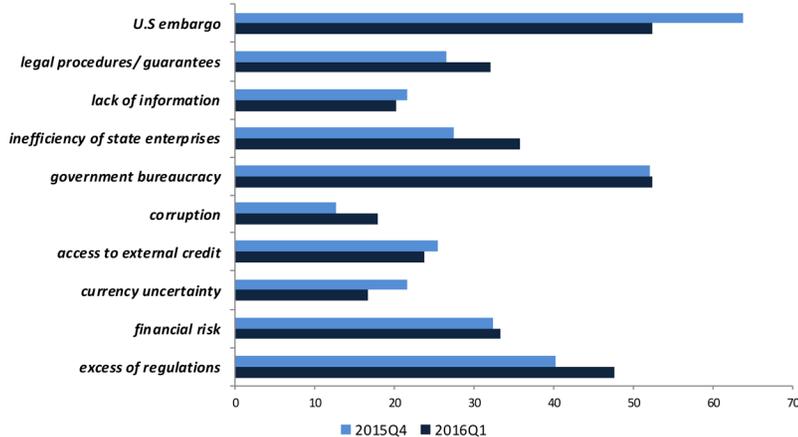
**Figure 4 Cuba Standard Business Confidence Survey**  
*Has your company changed its investment intentions in Cuba for the next 24 months:*



when they realize that the obstacles to investing in Cuba are higher than imagined.

About this aspect, the last question of the Business Confidence Survey — What factors are limiting your ability to increase/develop business activity in/with Cuba? — provides more information (see Fig. 5). Compared to the previous quarter, the U.S. embargo was cited by fewer respondents, although it continues to be the top obstacle. But it now shares the No. 1 spot with Cuban government bureaucracy, with 52.4% of respondents choosing both factors. State company inefficiency is the obstacle that grew most this quarter (from 27.5% to 35.7%), followed by excessive regulation (from 40.2% to 47.6%), legal proceedings and guarantees (from 26.5% to 32.1%), and corruption (from 12.7% to 17.9%).

**Figure 5 What factors are limiting your ability to increase/develop business activity in/with Cuba? Please check the most important factors (five at most)**



The survey reflects therefore the effect of the flexibilizations introduced by the U.S. government, which — while easing some of the economic sanctions against Cuba — do not eliminate the main restrictions against trade, finance and investment. At the same time, the respondents continue to point out excessive regulations and bureaucracy in Cuba as obstacles to a real liberalization and international opening of the Cuban economy.

### III. ECONOMIC POLICIES

#### MONETARY POLICY: A LONG-TERM VIEW

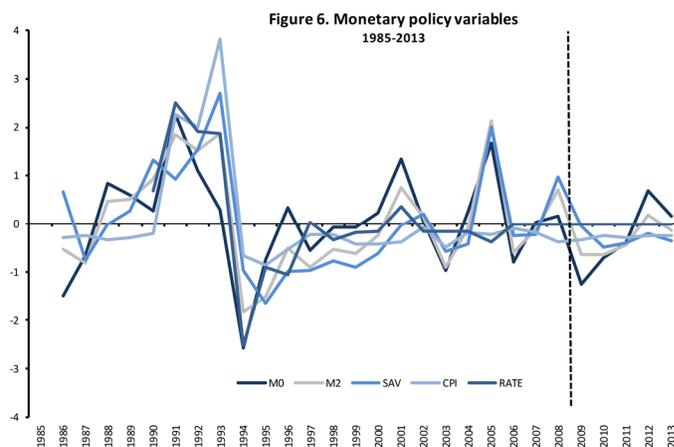
As Since 2009, Cuba's monetary policy has had a contractive bias: Reduction of the monetary supply growth rates, fixed exchange rates, and a relatively low inflation (although with pressure on food prices since 2015). This, together with fiscal spending controls and import adjustments, has allowed the government of Raúl Castro to regain macroeconomic balance and overcome the national financial crisis of 2008-2009.

Obviously, this contractive tone of economic policy has a cost in terms of GDP growth. Even so, it has served to improve Cuba's financial credibility. This in turn has served to facilitate the rescheduling of external debt, which has improved the country's standing with the most important lenders, including recently the Paris Club. 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.

Taking a long-term view, we can remember that in the 1990s the monetary policy also had to apply a significant adjustment. In that occasion, the monetary adjustment was not made to overcome a financial crisis, but to control the three-digit inflation of 1991-1993.

Fig. 6 shows monetary data from 1986 to 2013, including cash-in-circulation (M0), monetary aggregate (M2), and savings accounts of the population (SAV). Additionally, it plots the evolution of the Consumer Price Index (CPI) and Cuban peso retail exchange rates vis-a-vis the U.S. dollar (RATE).

In the graphic, we note that during the crisis of the early 1990s (the so-called Special Period), the monetary policy was clearly expansive, as a result of the monetization of the bulky fiscal deficit of those years. The increase in the quantity of money (116% of M0 and 165% of the M2), at a moment when the production of goods and imports contracted, caused an excess of monetary liquidity, which in turn had as a consequence three-digit inflation and a significant devaluation of exchange rates. By 1993, prices were 10 times higher and the exchange rate 20 times higher than in 1989. That episode of monetary instability had as a consequence the partial dollarization of the economy and gave rise to the dual currency and exchange rate, a phenomenon that has yet to be overcome.



Since 1994, the so-called “financial clean-up measures” that brought tax increases and fiscal spending reductions allowed to control monetary supply and inflation. The retail exchange rate appreciated, although not to the level of 1989.

In Fig. 6, we can see that since 1994 the monetary policy had a rather contractive bias and was marked by restraint, triggering even deflation in some years. The only out-of-tune years were 2001, 2005 and 2008. The first instance was due to an isolated episode of imbalance in the exchange market due to the negative effects of 9-11 on tourism. The second event, in 2005, had a bigger dimension and repercussions. This was the purchase by the Central Bank of the dollar in circulation with the two national currencies with the aim of de-dollarizing the economy. It implied an expansion of monetary supply in CUC and Cuban pesos.

The third event, in 2008, was a consequence of the de-dollarization in 2005. The de-dollarization implied the elimination of money supply controls through a currency board regime, which backed the issuing of the convertible peso: For each CUC in circulation there was a reserve dollar at the Central Bank. However, after 2005, that regimen was discontinued. This was followed by excessive spending and imports from 2004 to 2007, an increase of international indebtedness, and a reduction in international reserves. As a result, in 2008 the Cuban economy falls into its own financial crisis: The banks freeze accounts, and external debt payments are withheld.

With this financial crisis — the result of an accumulation of

bad monetary and fiscal decisions in previous years — the Cuban economy welcomed President Raúl Castro in 2008. Therefore, austerity and monetary adjustment measures had to accompany from 2008 to today the process of structural changes.

Looking forward, it is expected that Cuba's monetary policy returns to a more expansive tone. The devaluation of the Cuban peso is indispensable for the unification of the exchange rates and the different exchange regimens that exist in the country today. That will trigger great inflation pressure, presenting new challenges to monetary policy.

#### IV. KEY MACROECONOMIC INDICATORS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>GDP</b>	11.2	12.1	7.3	4.1	1.4	2.4	2.8	3.0	2.7	1.0	4.0
(constant prices, % change)											
<b>Investment</b>	33.8	25.2	2.4	21.9	-19.0	-0.7	7.1	8.6	6.0	-4.9	24.9
(constant prices, % change)											
<b>Exports</b>	47.5	1.3	13.8	11.6	3.1	13.8	3.9	1.9	1.0	-2.8	5.0
(constant prices, % change)											
<b>Imports</b>	25.8	20.4	-1.1	7.4	-14.9	35.7	-1.9	0.8	-1.0	-1.5	28.0
(constant prices, % change)											
<b>Terms of trade</b>	-6.8	5.1	-1.0	-29.5	10.3	31.5	-12.2	7.0	-10.0	-6.0	-0.5
(% change)											
<b>Fiscal balance</b>	-4.6	-3.2	-3.2	-6.9	-4.9	-3.6	-1.7	-3.6	-1.3	-2.3	-5.7
(% of GDP)											
<b>Inflation</b>	3.7	5.7	2.8	-0.1	-0.1	1.6	1.4	2.1	0.6	2.1	5.0
(%)											
<b>Unemployment rate</b>	1.9	1.9	1.8	1.6	1.7	2.5	3.2	3.5	3.3	2.7	2.8
(%)											

Source: ONEI data and authors' estimate

#### PAVEL VIDAL

Vidal is currently a professor of Universidad Javeriana in Colombia. From 2000 to 2006, he worked at the Banco Central de Cuba, and from 2006 to 2012 he was a researcher at the Centro de Estudios de la Economía Cubana at the University of Havana.

#### JOHANNES WERNER

Werner has worked for 20 years as a business/economic journalist in Europe, Latin America and the United States. His award-winning articles cover a wide range of beats. He has been covering the Cuban economy since 1998.

Cuba Standard Economic Reports are available by annual subscription or per-copy purchase. For more information, go to [www.cubastandard.com](http://www.cubastandard.com), or write to [johanneswerner@cubastandard.com](mailto:johanneswerner@cubastandard.com)