

Cuba still in recession



Minister of Economy Alejandro Gil (left) on December 18 before the Economic Committee of the Cuban Parliament (Source: [Cubadebate](#))

After days of heavy rainfall in the west of the island, the next piece of bad news followed shortly before the annual December session of parliament: Cuba's economy is still in recession. As Minister of Economy Alejandro Gil [announced](#) at the meeting of the National Assembly's Economic Committee, Cuba's GDP did not increase by three percent this year as planned, but instead shrank by between one and two percent.

He cited "the intensification of the economic blockade, the multidimensional global crisis, the insufficient generation of foreign exchange earnings and macroeconomic imbalances" as the reasons for this. The ongoing energy crisis has had a severe impact on domestic production, which has affected both domestic consumption and exports, the minister said. Overall, exports this year amounted to 9.07 billion US dollars, 770 million below the planned figure. According to Gil, the number of tourists should reach 2.45 million by the end of the year, 1.1 million fewer than expected.

This marks the end of the fourth consecutive year of recession in Cuba, with the exception of slight nominal growth in 2022, which was mainly due to the economies reopening after the pandemic. The ministry is planning slight growth of two percent for next year.

At the meeting, President Miguel Díaz-Canel admitted "mistakes in the design and implementation of the currency reform", which abolished the convertible peso as a means of payment at the beginning of 2021 and devalued the exchange rate in the state sector from 1:1 to 1:24. As a result of the reform, a triple-digit inflationary spiral was set in motion, causing the informal exchange rate of the peso to depreciate to 280 to the euro. The real purchasing power of wages is well below the pre-crisis level. One consequence of this is the migration of workers abroad and from the state to the private sector. Díaz-Canel announced

that studies are currently underway "to strengthen wages in some sectors". However, this would have to be accompanied by an increase in the supply of goods and services in order not to further fuel inflation.

Prime Minister Marrero gave an overview of the private sector and announced several innovations: For example, the share of the current 9747 small and medium-sized enterprises (SMEs) in Cuba's gross domestic product has risen from 7.7 to 13 percent since the end of 2022. They currently employ 262,000 people. By the end of next year, they are expected to contribute between 16 and 18 percent to GDP.



The deliberations of the specialized committees precede the meetings of the National Assembly (source: [Granma](#))

Marrero announced that the approval of new private companies at the municipal level will begin "in several territories" from the start of next year. Until now, authorization from the Ministry of Economy (MEP) in Havana has been required for each new company. There will also be new regulations regarding imports. "The massive and disorderly import of finished products has become a problem and does not contribute to lower prices," explained Marrero, who referred to phenomena such as the massive under-declaration of income to the tax authorities. In future, there are to be new customs incentives for the import of primary raw materials in order to promote domestic production. It is still unclear to what extent this will also involve an increase in customs duties for the import of finished goods.

As already announced, the biggest reform since 1976 is due to take place in the State-owned enterprise sector, which will put the mechanisms for allocating foreign currency and the management of state-owned enterprises on a new footing. Joint ventures between state and private companies, already announced for 2021, will then also be possible.

Tomorrow, the 470 members of the Cuban National Assembly will convene for the last session of the year to approve the budget for next year, among other things. As always, more details on the state of the economy and other topics are likely to be revealed.

[\(Cubaheute\)](#)