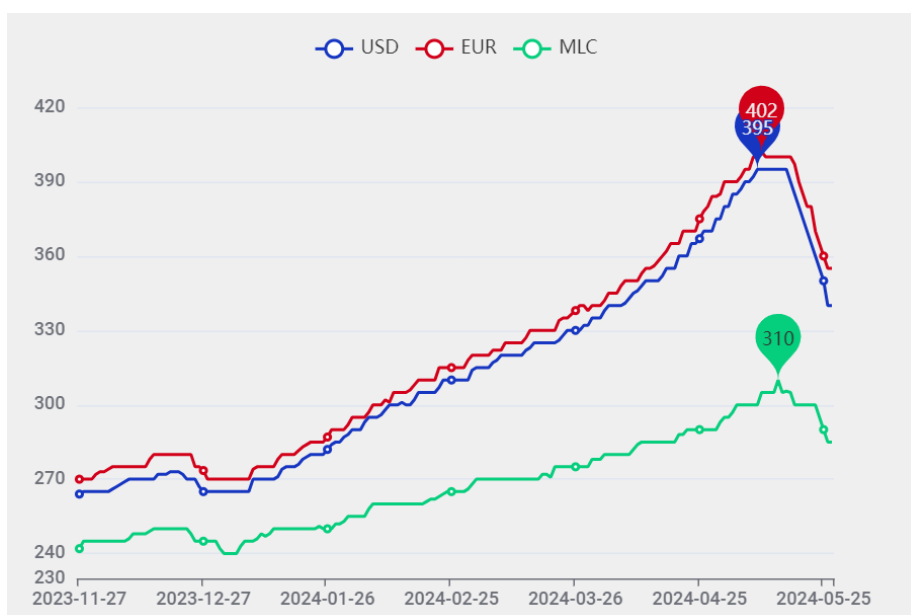


## Euro and US dollar in free fall



The peso has been on the rise again for a few days (Source: [PickPik](#))

After the euro broke through the 400 peso mark on Cuba's informal foreign exchange market a few weeks ago (the US dollar reached its all-time high at 395 pesos), the exchange rates of both currencies are now in free fall. The euro is currently quoted at 355 pesos on the reference portal "EIToque", while the US dollar is at 340 pesos - the lowest level since the beginning of April. What are the causes?



Development of the informal exchange rate in Cuba, November 2023 to May 27, 2024 (Source: [EIToque](#))

Since the informal market for foreign exchange has existed in Cuba, there have been repeated upward and downward trends. Although the peso lost a lot of value in the long term compared to 2021, the development was anything but linear. The reason for this is the constantly changing supply and demand situation. In a [recent analysis](#), former central bank economist Pavel Vidal speaks of a “natural correction” following a prolonged high phase. “A new equilibrium has emerged in the consensus and attitude of market participants. More and more people have taken the view that the currency price was too high and have decided to sell in advance of a possible fall,” explains Vidal. This is supported by the fact that the supply of foreign currency increased significantly in the second half of May. According to Vidal, another factor in this context could be the resumption of money transfers via the US provider Western Union on May 9.

For the Cuban population, the fall in the value of foreign currency means a small gain in purchasing power. As former BBC correspondent Fernando Ravsberg [reports](#), some reference trade prices in the private sector, such as for eggs and chicken, have fallen again.

Meanwhile, as the informal currency market cools, another indicator [has risen](#) to worrying levels: According to the national utility Unión Eléctrica (UNE), the daily electricity deficit recently reached 1040 megawatts again, which means it has been in the four-digit range for several days in a row. High three-digit generation deficits are accompanied by daily power cuts lasting several hours in all provinces, including shutdowns of the most important industries. In the medium term, this will also affect the supply of goods and services and therefore the purchasing power of the peso. The ups and downs are likely to continue for the time being; there is still no “island of stability” in sight for Cuba’s economy. ([Cubaheute](#))