

Government postpones planned price caps



Private business in Havana: the planned price caps are causing uncertainty (Source: [DiariodeCuba](#))

New price caps for the private sector in Cuba should have come into force this Monday. Rumors were already circulating at the weekend that the prices of six basic products were to be capped. In preparation, 3400 meetings were held with small and medium-sized enterprises, self-employed people, and cooperatives, Cuban state media outlets reported. Yesterday, Cuba's Deputy Finance Minister Lourdes Rodríguez announced that the government had put the brakes on for the time being.

"The measure did not enter into force on Monday, as the exchange with economic actors on the realities they face in their import, transportation, and marketing processes will continue, and public opinion must also be taken into account," Rodríguez is [quoted as](#) saying by the state news portal "Cubadebate".

Specifically, the prices of chicken, cooking oil, powdered milk, pasta, sausages, and washing powder are at stake. These are frequently requested products that are now available almost everywhere in private stores - albeit at prices that are unaffordable for many Cubans. The reasons for this are manifold and mainly have to do with the highly volatile informal exchange rate of the peso, which companies have to resort to in order to obtain foreign currency for imports. Another factor is the (illegal) commissions that are sometimes paid under the table by suppliers to state importers for overpriced purchases. As of July 1, their profit margin was therefore [limited](#) to 30 percent. In addition, the government has accused suppliers of "abusive" or speculative prices.

However, the introduction of general price caps for products would be a far-reaching step. Fixed price limits were already applied at times in the past. They have been repeatedly [criticized](#) by Cuban economists [as an ineffective measure](#), as the products then always

disappeared from the sales floors and were traded under the table at the market price. In the worst cases, high losses and business closures were the result. "The more prices are controlled, the greater the inflation and instability on the informal markets, and the less incentive there is to increase production, which is ultimately the only way to really combat inflation," said former central bank economist Pavel Vidal in 2019, when general price caps were last introduced. Former economy minister Alejandro Gil [explained](#) last year that general price caps had been "rejected as an instrument" by the government.

Now they could come back, but the government seems to have learned a lesson. Unlike in the past, it is now clear from the outset that it can only be a "temporary" measure, as Rodríguez explained. The backtracking also shows that (unlike in the past) the ministry is not simply presenting ready-made tables, but is instead proceeding in consultation with the economic players concerned. The tone is also new: the aim is to "reach a fair consensus for retailers and consumers", says Rodríguez. Whether this can ultimately be achieved remains to be seen. Uncertainty in the private sector is likely to remain high for so long. ([Cubaheute](#))