## Cuba introduces new exchange rate in Mariel

*The new exchange rate will initially apply to a select number of foreign companies in Mariel (source: Luis Rivero Rojas/X)*

According to reports by Spanish news agency *EFE*, Cuba's central bank introduced a new exchange rate system for “some foreign companies” in the Mariel Special Economic Zone (ZEDM) at the beginning of March. The aim is to reduce labor costs, increase wages, and stimulate investment.

Under the new system, companies will only pay half of the previous amount in foreign currency for wages. These are now converted into local currency at a rate of 120 Cuban pesos (CUP) per US dollar instead of the previous official rate for legal entities of 24 CUP per USD. The 120 rate was introduced in August 2022 as the new exchange rate for the population, while the rate of 1:24 continues to apply to companies and state institutions.

### Companies and employees benefit

Both companies and employees will benefit from the measure. Companies can reduce their labor costs by 50 percent without cutting jobs. This will make them more competitive and give them an incentive to retain skilled workers in Cuba's shrinking labor market, according to *EFE*, citing insiders familiar with the process.

Many foreign companies had signaled to the Cuban government in recent years that they were having difficulty operating with the official exchange rate, which they said did not reflect the country's economic reality. By way of comparison, the peso is currently trading at around 350 CUP to the US dollar on the informal currency market. Companies argue that this situation makes doing business on the island more expensive and undermines competitiveness, efficiency, and returns. According to the agency, the move also increased wages for workers in the affected companies by a factor of 2.5.

### A precursor to further steps?

The measure is intended to promote foreign investment and thus the inflow of foreign currency into the country, as well as to revive the domestic economy. Cuba has been in a severe economic crisis for more than five years and has to import around 80 percent of the food it needs, as well as the majority of consumer and intermediate goods.

The current change comes three months after Prime Minister Manuel Marrero announced plans to intervene in the currency market again and create more incentives for foreign investment. Among other things, a “flexible exchange rate” is to be introduced into the economy. The current move could be a preliminary step in this direction.

The government has not yet publicly announced or confirmed the measure. According to *EFE*, representatives of the special economic zone have met with officials from several foreign companies and joint ventures in recent weeks to explain the new mechanism. (Cubaheute)