Government announces new economic measures

Cuba's government wants to boost the economy with a new package of measures (Source: Escambray/AI-scaled)

Cuba's reform process is entering the next phase. As Prime Minister Manuel Marrero announced in a discussion with provincial governors on Thursday, further measures from the "macroeconomic stabilization program" that has been in place since the beginning of 2024 will soon be implemented. The steps are intended to stabilize the country's economic situation and restore growth after a multi-year recession.

The package includes both measures for more control as well as incentives and new opportunities. The central component of the regulatory aspect is the introduction of price caps for domestically produced rice and beans. This is intended to ensure the supply of basic goods and to combat inflation – however, these are unlikely to be a permanent solution. Critics, including within the Cuban Ministry of Economy, repeatedly question the effectiveness of price caps as an instrument.

Furthermore, electricity prices "in certain sectors" and the prices of building materials will be changed, which is likely to mean a reduction in subsidies.

In the area of reform, new modes of business between state-owned and private companies are to be created in order to "allow new production chains to emerge". The Mariel Special Economic Zone, which opened in 2014, is to receive "new incentives" to "restore its attractiveness for foreign investors".

One long-awaited measure is the introduction of a "new mechanism for managing, controlling and allocating foreign exchange for all economic actors", which was already announced last year. This is intended to restore the functionality of the currency market, which has grown massively in the informal space as a result of the currency reform in 2021. It would be the biggest intervention in monetary policy since the introduction of the 120 exchange rate in August 2022.

It is still unclear what is meant by the “reorganization of trade” for private companies, which has also been announced. In addition, the use of prepaid cards for corporate fuel purchases is to be expanded. In the budget-financed sector (which includes the education and health system, but also the administration), there is to be a wage reform to “encourage employees to fulfill their tasks and missions and maintain their professions”.

The reform program outlined is “a cross-cutting issue that encompasses all essential aspects and policies of the country's economic and social life” and was adopted in January, Marrero explained. Parts of the measures are already being implemented, said the Prime Minister, who announced that “in the coming days” further information will be announced.
(Cubaheute)