

Country Insight Snapshot

Cuba

December 2019





OVERVIEW

OVERALL COUNTRY RISK RATING: DB6a

Very high risk: Expected returns subject to large degree of volatility. A very high expected return is required to compensate for the additional risk or the cost of hedging such risk.



Rating Outlook: Deteriorating

CORE OUTLOOK

- + Economic reforms, if continued, could create investment incentives for foreign firms, although increasing US sanctions are now a disincentive to foreign investment.
- The continued reversal of the US rapprochement with Cuba will negatively affect the economy, as well as blacklisted entities and tourism-related sectors.
- Cuban administration is notoriously slow and bureaucratic; the rules for doing business will remain opaque and arbitrary.
- A rising dependency ratio undermines Cuba's long-term economic potential as the population ages and the birth rate is still the lowest in the region.

KEY DEVELOPMENT

Residents are now legally purchasing imported goods from state-owned shops using hard currencies including the US dollar, the yen and the euro.

CREDIT ENVIRONMENT OUTLOOK



Trend: Deteriorating

Key Development has had a neutral impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK



Trend: Deteriorating

Key Development has had a neutral impact on the outlook.

MARKET ENVIRONMENT OUTLOOK



Trend: Deteriorating

Key Development has had a neutral impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK



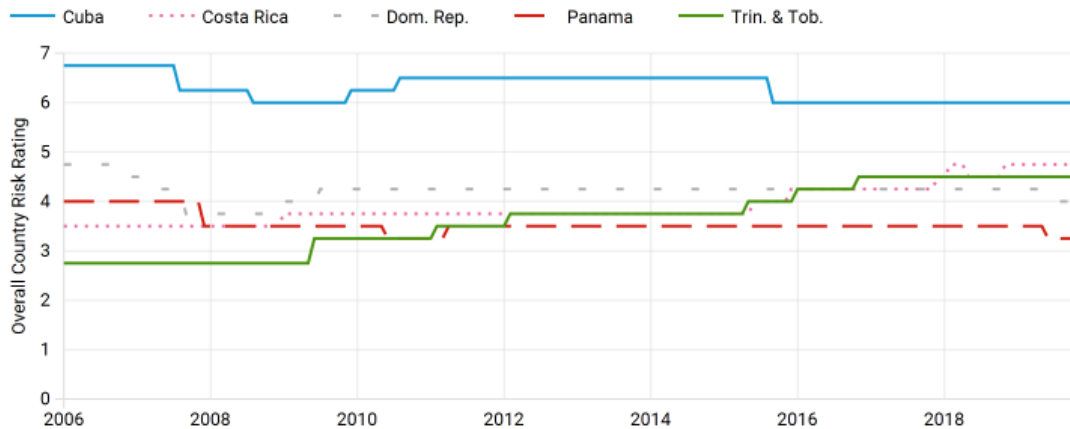
Trend: Stable

Key Development has had a neutral impact on the outlook.



KEY INDICATORS

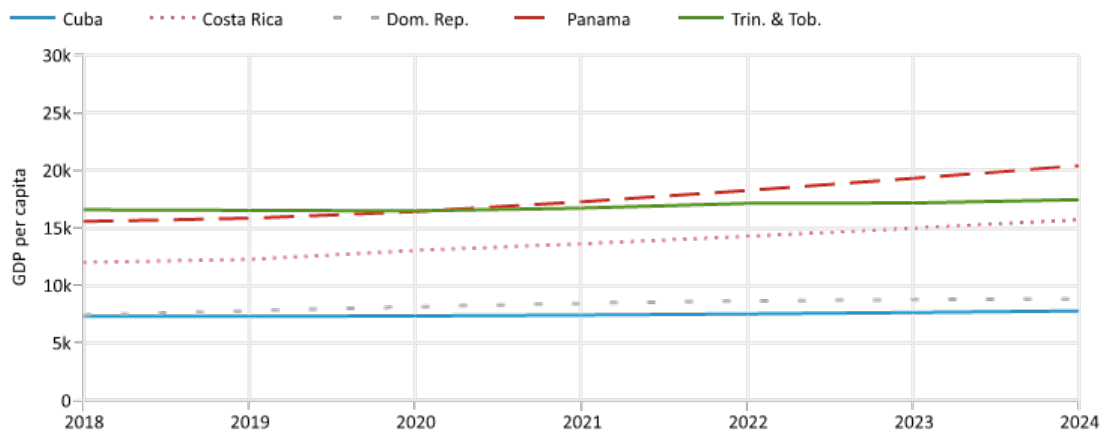
Rating History and Comparison



Source: Dun & Bradstreet

Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source: Haver Analytics/Dun & Bradstreet

Nickel Prices (USD/tonne)



Source: World Bank/Dun & Bradstreet



Economic Indicators

Indicator	2017	2018	2019f	2020f	2021f	2022f	2023f	2024f
C/A balance % GDP	-4.8	-4.7	-4.7	-4.7	-4.6	-4.6	-4.5	-4.4
External Debt, % GDP	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Govt balance, % GDP	-3.5	-3.5	-3.5	-3.5	-3.5	-3.5	-3.5	-3.5
Inflation, annual avge %	2.2	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Real GDP Growth, %	1.8	1.0	0.1	0.5	0.9	1.2	1.5	1.7

Source: Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

Tourist arrivals fell by 5.7% in the first three quarters to 3.3 million with American tourist arrivals down by 5.2% during that period. Tightened US restrictions on educational and cultural trips to Cuba and stops by US cruise ships and private vessels is dealing a heavy blow to the island's tourism sector which is a significant contributor to the inflow of US dollars. The recent decision by the US government to revoke licenses of US firms that lease aircraft to Cuban airlines was intended to further cripple the sector, as the US Department of Commerce announced that it will not approve future applications. The extent to which this will hinder Cuba from attaining its revised target of 4.3 million tourists - from its previous goal of 5.1 million - is currently unclear, although the revocation is expected to have an immediate effect.

Meanwhile, from 8 October foreign currency availability was further reduced as the US limits on remittances to Cuba to USD1,000 per person per quarter became effective. Remittances stood at roughly USD3bn in 2016 (latest available data). Importers and exporters continue to be plagued by long costly delays at local ports due to inefficiencies in customs processing. In addition, lengthy payment delays persist and are a significant challenge, as the cash-strapped state struggles with the loss of Venezuela's generous economic support - which is also a target of the latest US sanctions.

TRADE TERMS AND TRANSFER SITUATION

Minimum Terms: CiA

The minimum form of documentation or trading method that Dun & Bradstreet advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms: CiA

Dun & Bradstreet's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms: 0-30 days

Normal period of credit associated with transactions with companies in the stated country.

Local Delays: 3-4 months

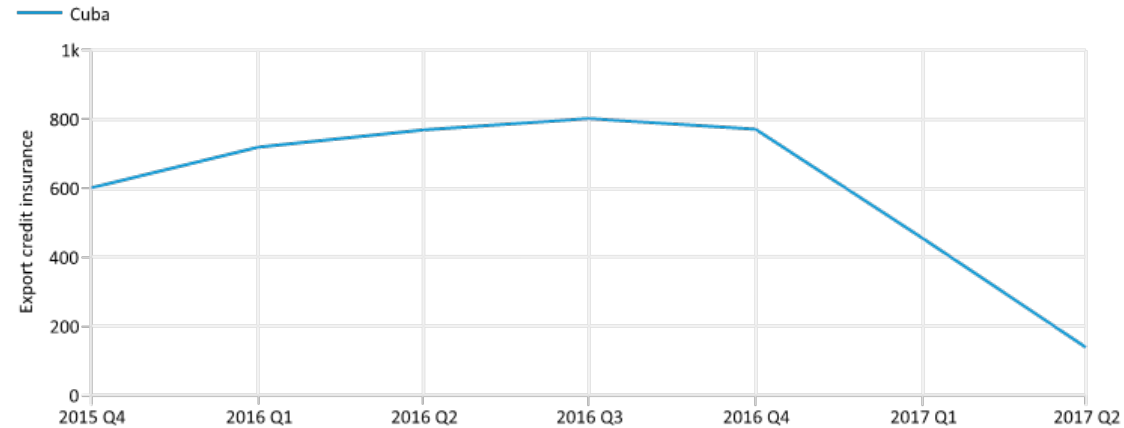
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: 3-10 months

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.



Credit Conditions



Source: Export Credit Agencies

Insured export credit exposures, USDm.



RISKS AND OPPORTUNITIES

Short-Term Economic Outlook

Hard currencies are now legal tender

Cuban residents are now legally purchasing imported items with hard currencies from state-owned shops using cards linked to their newly-opened foreign currency accounts. Eventually, around 77 Tiendas Moneda Libremente Convertible will be authorised to sell high-priced goods for US dollars and other hard currencies including the yen and the euro, in a reversal of a policy which had prohibited the use of foreign currency as legal tender. Several state-enterprises are now allowed to import consumer durable goods such as appliances, whose prices have been cut in an attempt to stimulate demand. With the average wage estimated at USD40 per month, price cuts are unlikely to have a significant impact on overall demand for these goods. For the duration of the Trump administration, we expect the US to implement further economic sanctions on the Cuban government for its support of the Maduro-led administration in Venezuela.

Notably, private sector enterprises received a reprieve from the US government's cap on remittances of USD1,000 per remitter each quarter to a single Cuban national. The restriction, which came into effect on 8 October, was waived for business operators in the fledgling private sector who often rely on funds sent by their relatives from the US. The waiver pertains to non-state organisations and entities, and is intended to facilitate continued support of related economic activity. Cuban state officials, Communist party officials and their close relatives are prohibited from receiving remittances and travelling to the US.

Political/Insecurity Risk

Raul Castro retains political power

Raul Castro retains political power despite recent political and constitutional reforms. In October Miguel Diaz-Canel was reappointed as president by the National Assembly, in the absence of new general elections. However, the president's power has been diluted as he now holds the title of President of the Republic instead of his previous position of President of the Council of State. Diaz-Canel retains the role of head of state, but must appoint a prime minister by January 2020. The PM will head the government and preside over the Council of Ministers in keeping with the new constitution, which was approved in February 2019 after a national referendum.

Moreover, the influence of the State Council has been weakened since, according to the new constitution, government ministers, electoral commission members, officials in the judiciary and the public comptroller are barred from holding seats in the Council, which was reduced to 21 members; the Council is the executive branch of the National Assembly. In addition, the leadership of the State Council and the National Assembly is now the same. Despite the foregoing changes there will be little political impact, since power will continue to be vested in Raul Castro, brother of the late Cuban president, Fidel Castro, who was replaced by Diaz-Canel in April 2018, but retained the position of head of the Communist Party.



COUNTRY PROFILE AND STATISTICS

Overview

With a population of over 11m, Cuba is the Caribbean's most populous country. Cuba is one of the last remaining single-party communist states, and the government espouses socialist principles, while the economy is largely state-controlled and centrally planned. The US maintains strict restrictions on economic, commercial and financial links with the island.

Fidel Castro became head of state after overthrowing the government in 1959 and remained so until deteriorating health forced him to hand over power to his brother, Raul, in 2006. In early 2008, Raul Castro was elected president by the Cuban Communist Party and implemented policies that encourage limited liberalisation of the economy. Raul was in turn succeeded by Miguel Díaz-Canel in April 2018 - but remains an influential figure.

The economy contracted severely in the early 1990s after the Soviet Union's collapse, prompting some limited market-oriented reforms. The country's key exports include sugar, nickel and, more recently, medical services. Cuba's highly-advanced biotechnology and pharmaceutical industry has also gained in importance.

Key Facts

Key Fact	Detail
Head of state	President Miguel Diaz-Canel
Capital	Havana
Timezone	GMT -05-00
Official language	Spanish
Population (millions)	11.3
GDP (USD billions)	83.0
GDP per capita (USD)	7,318
Life expectancy (years)	78.6
Literacy (% of adult pop.)	99.7
Surface area (sq km)	110,860

Source: Various sources/Dun & Bradstreet

Historical Data

Metric	2015	2016	2017	2018	2019f
Real GDP growth (%)	4.2	-0.9	1.8	1.0	0.1
Nominal GDP in USDbn	81	81	82	83	83
Nominal GDP in local currency (bn)	81	81	82	83	83
GDP per Capita in USD	7,191	7,120	7,245	7,318	7,329
Population (year-end, m)	11.3	11.3	11.3	11.3	11.3
Exchange rate (yr avge, USD-LCU)	1.0	1.0	1.0	1.0	1.0
Current Account in USDbn	-3.9	-3.9	-3.9	-3.9	-3.9
Current Account (% of GDP)	-4.8	-4.8	-4.8	-4.7	-4.7
FX reserves (year-end, USDbn)	n.a.	n.a.	n.a.	n.a.	n.a.
Import Cover (months)	n.a.	n.a.	n.a.	n.a.	n.a.
Inflation (annual avge, %)	2.2	2.3	2.2	2.3	2.3
Govt Balance (% GDP)	-0.4	-5.0	-3.5	-3.5	-3.5

Source: Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2020f	2021f	2022f	2023f	2024f
Real GDP growth (%)	0.5	0.9	1.2	1.5	1.7
Nominal GDP in USDbn	83	84	85	87	88
Nominal GDP in local currency (bn)	83	84	85	87	88
GDP per Capita in USD	7,370	7,442	7,539	7,662	7,803
Population (year-end, m)	11.3	11.3	11.3	11.3	11.3
Exchange rate (yr avge, USD-LCU)	1.0	1.0	1.0	1.0	1.0
Current Account in USDbn	-3.9	-3.9	-3.9	-3.9	-3.9
Current Account (% of GDP)	-4.7	-4.6	-4.6	-4.5	-4.4
FX reserves (year-end, USDbn)	n.a.	n.a.	n.a.	n.a.	n.a.
Import Cover (months)	n.a.	n.a.	n.a.	n.a.	n.a.
Inflation (annual avge, %)	2.3	2.3	2.3	2.3	2.3
Govt Balance (% GDP)	-3.5	-3.5	-3.5	-3.5	-3.5

Source: Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Cuba	Costa Rica	Dom. Rep.	Panama	Trin. & Tob.
Income per Capita (USD)	7,329	12,279	7,814	15,856	16,542
Country Population (m)	11.3	5.0	10.7	4.2	1.4
Internet users (% of population)	38.8	66.0	61.3	54.0	73.3
Real GDP Growth (% p.a., 2020 - 2029)	3.3 - 6.8	3.4 - 6.0	2.4 - 5.8	3.5 - 6.9	2.0 - 5.0

Source: Various sources/Dun & Bradstreet



LINKS

User Guide

Please click [here](#) to visit our online user guide.

Other Dun & Bradstreet Products and Services

Sales

Email: countryinsight@dnb.com
Telephone
UK: +44 (0)1628 492700
US: +1 800 234 3867
Rest of World
contact your local office
or call +44 1628 492700

Publisher

Dun & Bradstreet
Marlow International
Parkway
Marlow
Bucks SL7 1AJ
United Kingdom
Tel: 01628 492000
Fax: 01628 492929
Email: countryinsight@dnb.com

Dun & Bradstreet provides information relating to more than 285m companies worldwide. Visit www.dnb.com for details. Additional information relevant to country risk can be found in the online *International Risk & Payment Review*, which provides timely and concise economic, political and commercial information and analysis on 132 countries. This subscription-based service (www.dnbcountryrisk.com) carries essential information on payment terms and delays. It also includes the unique Dun & Bradstreet Country Risk Indicator to help monitor changing market conditions.

Legal and Copyright Notices

While the editors endeavour to ensure the accuracy of all information and data contained in this Country Insight Report, neither they nor Dun & Bradstreet Limited accept responsibility for any loss or damage (whether direct or indirect) whatsoever to the customer or any third party resulting or arising therefrom.

© All rights reserved. No part of this publication may be reproduced or used in any form or by any means graphic, electronic or mechanical, including photocopying, recording, taping, or information storage and retrieval systems without permission of the publisher.

Disclaimer

Whilst Dun & Bradstreet attempts to ensure that the information provided in our country reports is as accurate and complete as possible, the quantity of detailed information used and the fact that some of the information (which cannot always be verified or validated) is supplied by third parties and sources not controlled by Dun & Bradstreet means that we cannot always guarantee the accuracy, completeness or originality of the information in some reports, and we are therefore not responsible for any errors or omissions in those reports. The recipients of these reports are responsible for determining whether the information contained therein is sufficient for use and shall use their own skill and judgement when choosing to rely upon the reports.