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PAVEL VIDAL
CHIEF ECONOMIST

JOHANNES WERNER
EDITOR

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EXECUTIVE SUMMARY

- The Cuban government announced that the economy grew 1.1% in the first half, highlighted by tourism, the sugar industry, and construction.

- A definitive end of the recession is not at all assured. In the first half of 2016, the economy also grew 1%, but the year ended with a GDP drop. The indexes we calculate offer mixed signals about the economic situation. For now, we maintain our negative-growth expectations, between -1.4% and -0.3%.

- Even though foreign debt service amounted to US$2.3 billion in the first half, the payments were not sufficient to keep current the international finance accounts of the central government and state enterprises. Debt with foreign suppliers and letters of credit continue overdue.

- On a positive note, the first half of the year stands out for the boost given to direct foreign investment projects. The Economy and Planning Ministry reported that approved new investment projects (and two additional investments in existing companies) amount to $1.3 billion.

- The Trump administration is attacking two of the main sources of growth in Cuba's current economy: Tourism and the private sector.

- The Cuba Standard Economic Trend Index (CSETI) through June 2017 halted its negative tendency, suggesting an improvement in balance-of-payment conditions in recent months.

- But the Cuba Standard Business Confidence Index (CSCI) declined again this quarter. Businesspeople continue to be concerned and view with pessimism the economy in the current year and early 2018, despite positive GDP growth in the first half.

- The new data reported by ONEI for 2016 show that goods exports dropped 29%, cutting revenues by $1 billion last year. This confims the seriousness of the adjustment that is happening in Cuba's external trade accounts. As a consequence, imports had to be reduced by $1.47 billion last year. Practically the entire adjustment (96%) focused on diminishing intermediate goods imports.