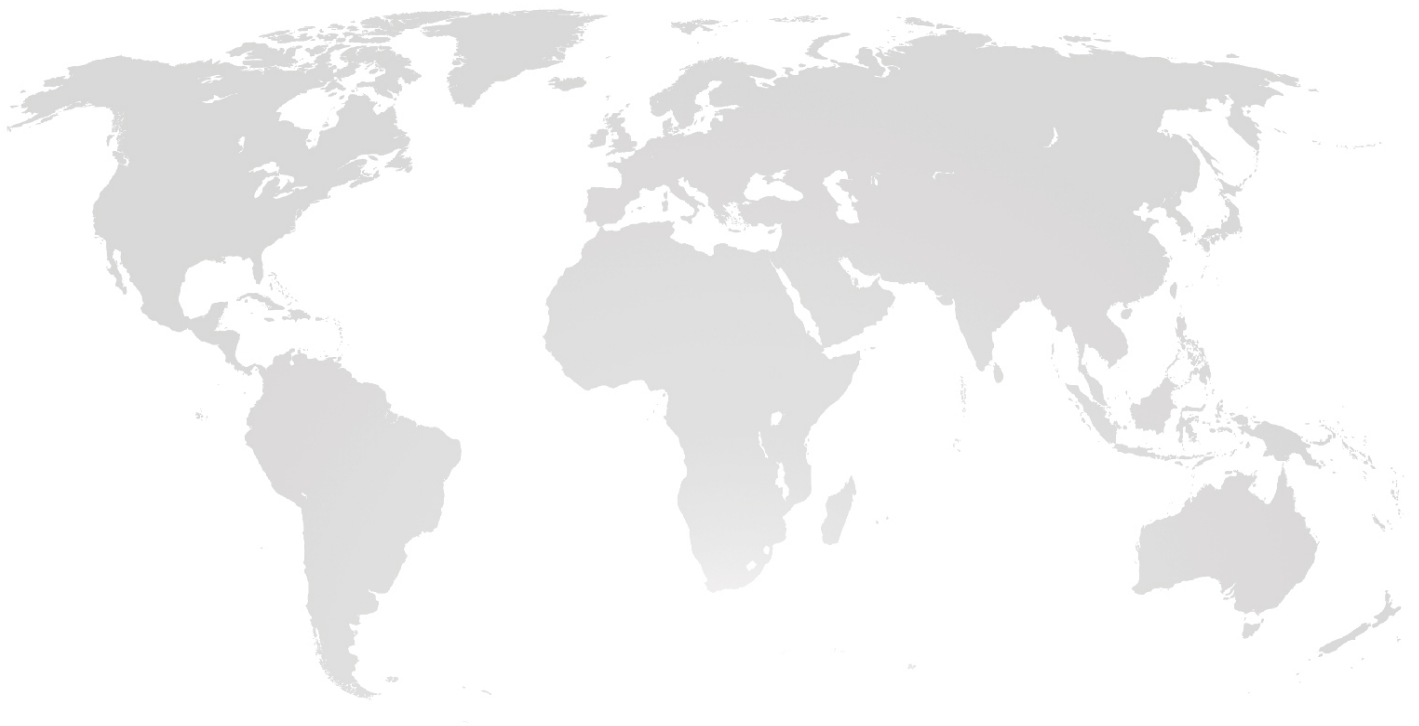


Country Insight Snapshot

Cuba

July 2016






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: Improving 

CORE OUTLOOK

- + The lifting of the US embargo will boost short- to medium-term economic prospects.
- + Ongoing economic reforms could bring additional investment incentives for foreign firms.
- Cuban administration is notoriously slow and steeped in bureaucracy. The rules for doing business will continue to be opaque and arbitrary.
- A rising dependency ratio undermines Cuba's long-term economic potential as the population ages, and its birth rate remains the lowest in the region.

KEY DEVELOPMENT

Government revenue falls due to lower oil and nickel prices and trigger energy-saving initiatives, including cuts in government agencies' working hours and rationing.

CREDIT ENVIRONMENT OUTLOOK



Key Development has had a neutral impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK



Key Development has had a negative impact on the outlook.

MARKET ENVIRONMENT OUTLOOK



Key Development has had a neutral impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK

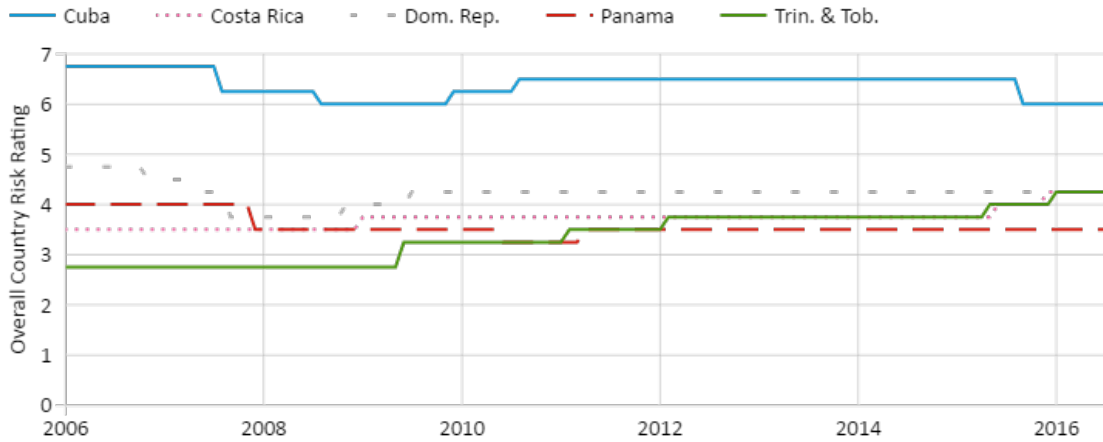


Key Development has had a neutral impact on the outlook.



KEY INDICATORS

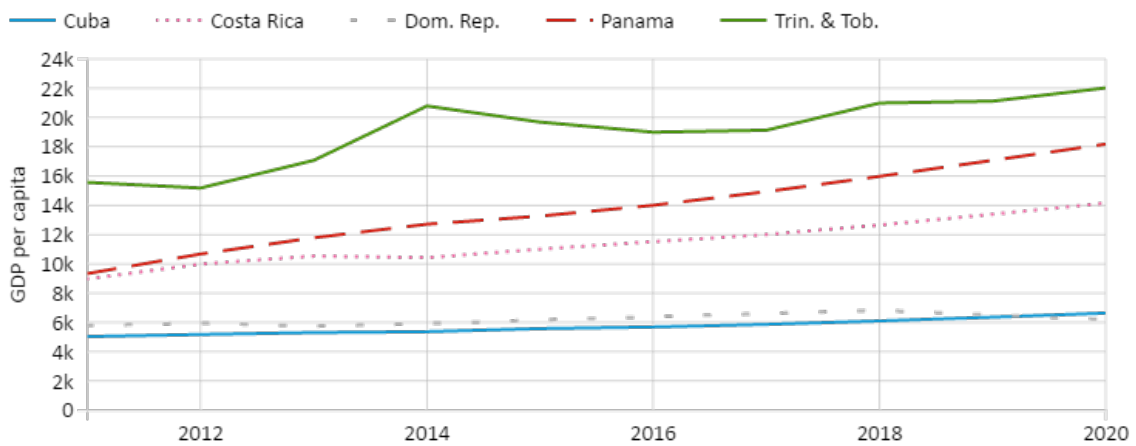
Rating History and Comparison



Source : Dun & Bradstreet

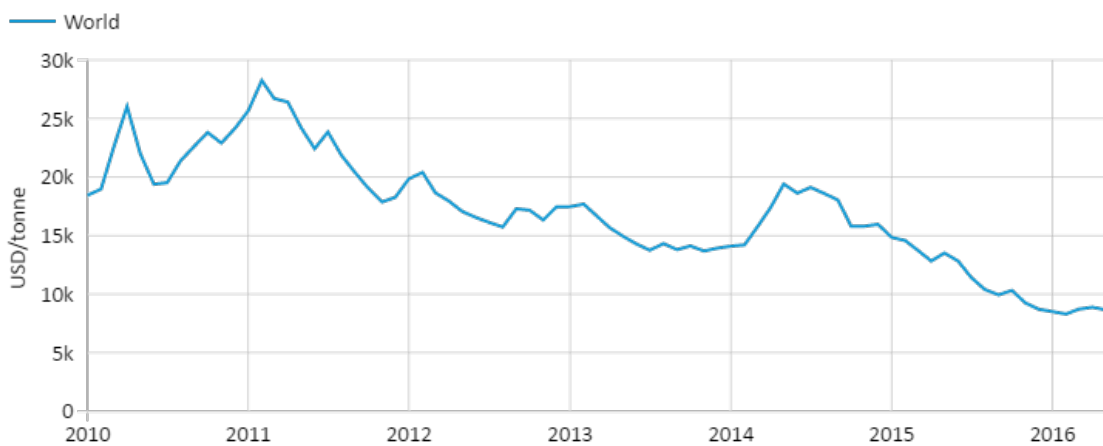
Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source : Haver Analytics/Dun & Bradstreet

Nickel Prices (USD/tonne)



Source : World Bank/Dun & Bradstreet



Economic Indicators

Indicator	2013	2014	2015e	2016f	2017f	2018f	2019f	2020f
C/A balance % GDP	-6.3	-6.4	-6.1	-6.0	-5.8	-5.6	-5.4	-5.2
External Debt, % GDP	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Govt balance, % GDP	-3.9	-3.7	-3.6	-3.5	-3.5	-3.5	-3.5	-3.5
Inflation, annual avge %	1.9	2.1	2.2	2.3	2.2	2.3	2.3	2.3
Real GDP Growth, %	2.7	1.3	4.0	2.0	3.2	3.8	4.2	4.3

Source : Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

Public anti-pollution protests have raised the probability of mine closures in the Philippines which, with fresh concerns of excess global nickel demand, pushed up nickel prices in early July; the metal hit USD10,300 per metric tonne (for three month delivery) on 5 July, having risen 13% for the year, but was still significantly below the annual average of USD22,910.36 reached in 2011. The current rally is expected to be short-lived, but will boost FX reserves, which will also be supported by the projected 5.3% y/y increase in tourism arrivals this year. Relaxed travel restrictions for US citizens and the anticipated end of the US economic embargo will encourage foreign investment in the telecommunications, tourism and agricultural sectors, and also increase remittances from the US four-fold.

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

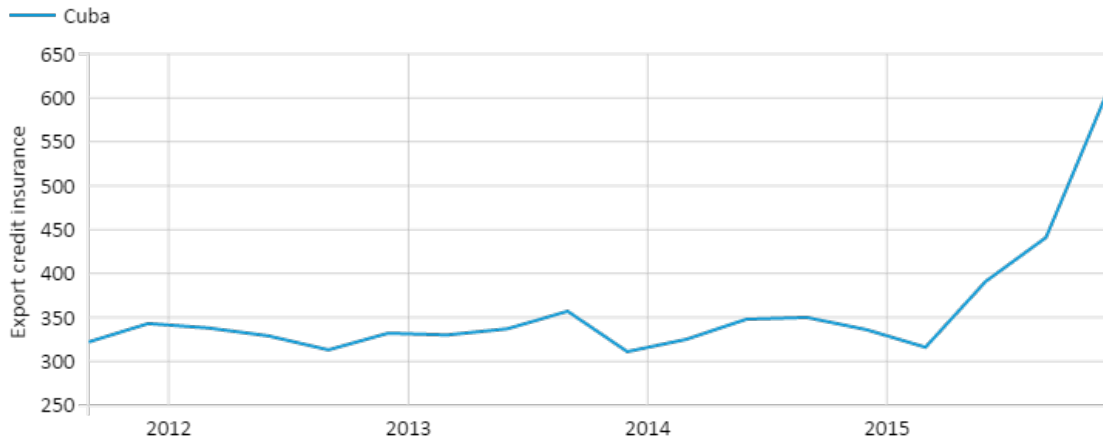
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

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

Government revenue falls

Low oil and nickel prices have dampened export receipts and government revenue in H1 according to Marino Murillo Jorge, Minister of Economy and Planning at the July meeting of the Economic Affairs Committee of the National Assembly. The fall in revenue has necessitated a cut in energy expenditure with the state slashing working hours in several government agencies; other energy-saving measures including rationing have also been mandated for businesses in a bid to prevent an increase in the few incidents of blackouts so far. Dun & Bradstreet is maintaining its real GDP forecast of 2% for 2016, although previous plans by the state to spend USD7bn mainly in the tourism, agriculture, housing, oil and energy sectors this year might be reduced in line with lower revenue. While we have reduced our 2016 real GDP forecast for the US economy to 1.8%, this will have a limited impact on the uptrend in remittances, which will continue to support household consumption.

Business Continuity

Zika transmission falls

Zika virus transmissions have fallen to zero since mid-March and the incidence of the dengue and chikungunya viruses have been virtually eliminated according to Public Health Minister Roberto Morales Ojeda. Cuba has recorded 14 cases of the Zika virus including one locally transmitted case, having staved off the Zika epidemic which has taken hold in Brazil and Colombia. The virus has been linked to microcephaly in newborns as well as Guillain Barre Syndrome. According to the Cuba its success is largely due to a programme of prevention and eradication including fumigation exercises conducted by the military and community-based activities, such as removal of stagnant water in which the Aedes Aegypti mosquito, which transmits these viruses, breeds. Visitors to the island should note that Cuba currently conducts health checks at all ports of entry to identify and isolate visitors who might be infected with the Zika virus.

Long-Term Economic Potential

Cuba forges new economic ties

Azimut, a Russian manufacturer of radioelectronics, has signed an agreement to assist Cuba in modernising its air traffic control system. The project will include technical upgrade as well as knowledge transfer via staff training. Elsewhere, the Russian state has approved a draft agreement between Rosatom and Cuba for the peaceful use of nuclear energy, while the Vietnamese firm Glass and Ceramic Corporation is working on establishing a joint venture with Cuba to manufacture sanitary ware and ceramic tiles beginning in Q4. As the normalisation of relations between the US and Cuba continues, the latter has also been deepening ties with several extra-regional countries as it continues to open its domestic market. In this connection, Europe and Cuba signed a deal on 11 March to strengthen cooperation between the two parties and will include EU involvement in an overhaul and modernisation of Cuba's tax system.



COUNTRY PROFILE AND STATISTICS

Overview

With a population of over 11 million, Cuba is the Caribbean's most populous country. Cuba is one of the last remaining single-party Communist states. The government espouses socialist principles and the economy is largely state-controlled and centrally planned. The US maintains strict restrictions on economic, commercial, financial and travel 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 has implemented policies that encourage limited liberalisation of the economy.

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 importance recently.

Key Facts

Key Fact	Detail
Head of state	Raul Modesto CASTRO Ruz
Capital	Havana
Timezone	GMT -05-00
Official language	Spanish
Population (millions)	11.4
GDP (USD billions)	63.5
GDP per capita (USD)	5,577
Life expectancy (years)	79
Literacy (% of adult pop.)	99.8
Surface area (sq km)	110,860

Source : Various sources/Dun & Bradstreet

Historical Data

Metric	2011	2012	2013	2014	2015
Real GDP growth (%)	2.7	3.0	2.7	1.3	4.0
Nominal GDP in USDbn	57	59	60	61	64
Nominal GDP in local currency (bn)	57	59	60	61	64
GDP per Capita in USD	5,033	5,176	5,306	5,368	5,577
Population (year-end, m)	11.3	11.3	11.4	11.4	11.4
Exchange rate (yr avge, USD-LCU)	1.0	1.0	1.0	1.0	1.0
Current Account in USDbn	-1.8	-3.7	-3.8	-3.9	-3.9
Current Account (% of GDP)	-3.2	-6.4	-6.3	-6.4	-6.1
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, %)	1.3	1.6	1.9	2.1	2.2
Govt Balance (% GDP)	-1.7	-3.8	-3.9	-3.7	-3.6

Source : Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2016	2017	2018	2019	2020
Real GDP growth (%)	2.0	3.2	3.8	4.2	4.3
Nominal GDP in USDbn	65	67	69	72	75
Nominal GDP in local currency (bn)	65	67	69	72	75
GDP per Capita in USD	5,687	5,870	6,097	6,358	6,636
Population (year-end, m)	11.4	11.4	11.4	11.4	11.4
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)	-6.0	-5.8	-5.6	-5.4	-5.2
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	2.2	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)	5,577	11,003	6,167	13,264	19,690
Country Population (m)	11.4	4.8	10.5	3.9	1.4
Internet users (% of population)	30	49.4	49.6	44.9	65.1
Real GDP Growth (% p.a., 2016 - 2025)	3.3 - 6.8	3.4 - 6	2.4 - 5.8	3.5 - 6.9	2 - 5

Source : Various sources/Dun & Bradstreet



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