

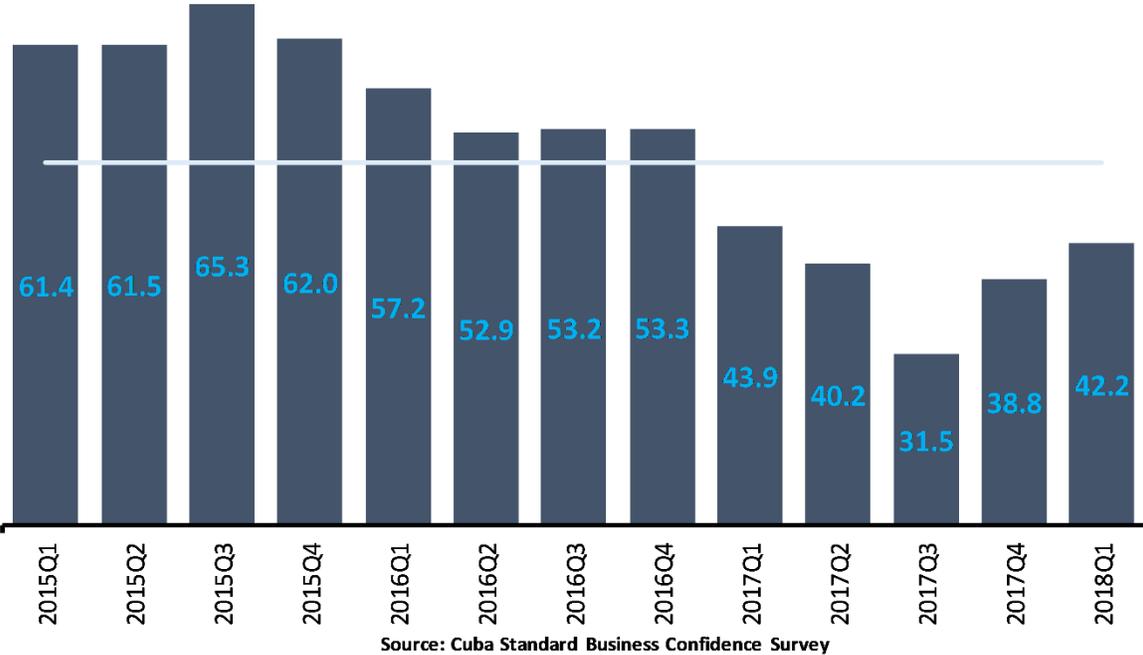
Cuba Standard Business Confidence Index (CSCI)¹

2018Q1

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**Figure 5 Cuba Standard Business Confidence Index (CSCI)
2015Q1-2018Q1**



¹ The CSCI estimates the business climate based on qualitative information collected by survey. The survey consists of eight questions (https://www.cubastandard.com/?page_id=12796). For the design of the survey, we based ourselves on international standards presented in the 2003 OECD document titled Business Tendency Surveys: A Handbook. The survey is conducted quarterly via email to a random sample of around 100 businesspeople connected to the Cuban economy. The results allow the construction of a confidence or economic optimism index. CSCI calculates the difference between the percentage of positive and negative responses to each question, which we then average out. The index is calculated to fall within a range between 0 and 100%. It would get a value of 100 if all answers were positive, and zero if the opposite occurs.

The Cuba Standard Business Confidence Index (CSCI) improved slightly, for the second consecutive quarter, after hitting bottom in the third quarter last year at 31.5. The CSCI rose 7.4 points in the fourth quarter 2017 and again moderately 3.4 points in the first quarter 2018 (Fig. 5). However, **the index remained below 50** during all of 2017 and the first quarter, which means that the proportion of negative responses in the Business Confidence Survey was bigger than positive ones. This reflects the complicated economic and financial climate in which businesses in Cuba are operating and the pessimism of entrepreneurs and analysts. This perception did not change significantly in the first quarter, even though we held our survey a week after Miguel Díaz-Canel became president and a new Council of State was designated.

What improved, what worsened, and what remained the same in the responses of the Business Confidence Survey? The general economic perspectives improved in the first quarter 2018 compared to 2017Q4, with 29.7% of respondents believing that the economy will improve in the next 12 months, up from the 19.4% who checked this box in 2017Q4. But this percentage continues to be extremely low. **46.9% of those surveyed believe that economic conditions in 2018 will remain the same** as in 2017, and 23.4% believe that 2018 will be worse than 2017.

Expectations of those surveyed about the future of the economy are related to what they are experiencing in their own business in Cuba. 41.4% say that the volume of their economic activity with Cuba declined in the first quarter 2018, and 46.6% report that it stayed the same. **Only 12.1% said that the volume of their business rose in the first quarter.** Those percentages are slightly better than in the previous quarter, but they continue to reflect that activity is not growing for the great majority of economic sectors.

In the question about the financial situation, there is no progress. **50.9% of respondents said that the financial situation of their business in Cuba is bad**, which is excessively high — even higher than the 45% who checked this box in the previous quarter. The responses to this question remained similarly negative during the entire past year. Therefore, the survey does not indicate that the Cuban government has made significant progress in solving the financial crisis, despite efforts to prioritize external payments.

Despite the meager performance of businesses in the past year, the continuing financial crisis, and the measures by the Trump administration, **62.5% of respondents say they maintain their intentions to invest in the Cuban economy**, an even higher rate than from a year ago (56.2%). Seemingly, an acceleration in the approval of foreign investment projects by the Cuban government, together with a positive long-term valuation of the Cuban market keep the interest of foreign investors high. Various news about tourism and energy surfaced in the first quarter that confirm the intention of the Cuban government to open the market to foreign capital.

Source: *Cuba Standard Economic Trend Report*