CUBA ANNOUNCES A NEW FLOATING EXCHANGE RATE AMID PARTIAL DOLLARIZATION

Press Release No. 41- Food Monitor Program
Havana, December 18, 2025

Yesterday, the Government of Cuba announced the implementation of a third official exchange rate for foreign-currency transactions, as part of a plan aimed at gradually simplifying the exchange-rate system and curbing the depreciation of the Cuban peso. The Governor-Chair of the Central Bank of Cuba (BCC), Juana Lilia Delgado, stated in a televised address that, starting the following day, a new “floating” exchange rate would take effect, to be set daily by the BCC based on supply and demand.

This rate will initially apply to exporters and other foreign-currency suppliers, with the stated aim of offering a “competitive” price for U.S. dollars or euros entering the formal system. The pre-existing official exchange rates — 1 USD = 24 CUP for the state enterprise sector and 1 USD = 120 CUP for transactions by private individuals — will remain unchanged.

Authorities insist that this is a “gradual, responsible, and transparent process,” “in line with Cuba’s specific conditions,” and that, in parallel, efforts will be made to stabilize the virtual currency MLC (Moneda Libremente Convertible, a digital denomination backed by foreign currency). During this “transition” toward “partial dollarization,” three currencies or units of account — the Cuban peso, the MLC (linked to the U.S. dollar), and foreign currencies — will coexist, alongside multiple exchange rates.

The announcement comes amid high inflation in basic goods and a rapid loss of the peso’s value. Until now, the U.S. dollar has been trading on the informal market above 450 CUP, far higher than any official rate, according to benchmark references used by independent outlets such as *El Toque*, which the platform itself has described as one of the country’s most significant economic distortions.

Three Exchange Rates and the Deepening of Power Asymmetries

Maintaining three parallel exchange rates raises questions about efficiency and policy coherence. Different official rates for the same dollar, depending on the use or economic actor, hinder accurate measurement of productive activity, create sectoral mirages, and distort core incentives. The BCC Governor herself acknowledged the “objective existence of differences between official exchange rates and the real value reflecting the scarcity of foreign currency” in Cuba. In practice, the measure operates within a fragmented and unbalanced exchange market that tends to perpetuate unequal arbitrage opportunities administered by the state.

In other words, the Cuban state would be managing hard-currency scarcity through preferential access. This can reinforce neopatrimonial dynamics: firms or individuals with access to dollars at 24 CUP can obtain extraordinary margins if those funds are diverted into the informal market. Meanwhile, those who earn or save in pesos continue to see their purchasing power steadily eroded.

Economist Pavel Vidal, director of the Observatory of Currencies and Finance of Cuba (OMFi), underscores that the move essentially "institutionalizes, regulates, and expands the partial dollarization of the economy," creating an official foreign-exchange market, but with high centralization and discretionary control over access to foreign currency.

At the same time, while wages and pensions are paid in pesos, a substantial share of goods essential to household provisioning is de facto dollarized. The result is rising inequality: the population is split between those with access to foreign currency (through remittances, tourism, or certain economic niches) and those who depend exclusively on national-currency income.

The Reality That Must Be Taken Into Account

The initiative seeks to officially "enter" the informal dollar market and gradually establish itself as the reference rate. However, it lacks an evident material backing in a country facing acute foreign-currency shortages, thin international reserves, and a contracting productive sector. In that sense, it risks resting on an economic fiction:

- exchange-rate stability without sufficient productive supply or goods and services that can be purchased in pesos;
- lack of coherence and transparency in the announced design: the exchange-rate regime and the sequence of measures to stabilize the currency are not clearly defined.

The move also fits within recent attempts to correct "distortions" associated with prior macroeconomic changes, such as the *Tarea Ordenamiento* (Monetary Ordering Task). In January 2021, the government unified the national currency, setting the Cuban peso at an official rate of 24 CUP per dollar; but that late unification, implemented amid a supply crisis, triggered 77% inflation that year. In 2022, as the informal dollar surged, the government cautiously opened an official exchange market for the public at 120 CUP/USD, far below the parallel rate. The gap continued to widen, especially due to the state's limited capacity to sell foreign currency. Four years after the reform, Cuba has not achieved the promised monetary and exchange-rate unification: it operates with more currencies and exchange rates, and with wider divergences than ever.

The government claims that, on a "transitional" basis, dollarization will "boost economic activity and increase external revenues," with the goal that "the Cuban peso returns to being the only legal tender." Food Monitor Program, however, records with concern the normalization of the dollar in official discourse as a "necessary evil" amid a multifactorial and structural crisis (economic, monetary, productive, and social).

Food Monitor Program warns that, without a sufficient supply of foreign currency — in a scenario marked by low investment, a downturn in tourism, and limited political credibility to generate export earnings — the new official rate appears to be another attempt to administer scarcity. This could further fuel domestic inflation and raise the cost of the few goods available.

Moreover, without trust from the population and entrepreneurs, it will be difficult for the official market to absorb a meaningful volume of foreign currency from the informal circuit. Distrust persists around depositing dollars in banks, given the risk of regulatory reversals or a lack of availability, as has happened before. Formal dollar sales have also failed to provide certainty: even with preferential rates, people wait for months-long turns at CADECA to carry out these operations.

In sum, the measure revives a model of centralized control over foreign-currency resources and multiple exchange rates — features present since the 1990s, whose limitations are already documented. Food Monitor Program therefore warns of possible consequences: deeper inequality, new segmentations, and distortions that, without comprehensive reforms, will continue to block long-term growth. Maintaining a hybrid system in which the state pays wages in devalued pesos but sells a substantial share of goods in dollars/MLC shifts the cost of the crisis onto the working population: their currency does not cover basic needs, and the basic food basket for one person can reach up to ten minimum wages. The challenge remains to steer the country toward a more stable, productive, and integrated economy, where formal incomes can sustain a dignified life.