

Haiti

Haiti's GDP growth is estimated at 4.0% in 2013, compared with 2.8% in 2012. This performance largely rests on a positive turn in the agriculture sector, in contrast with the previous year's decline (-2.2%), as well as a sharper uptick in construction (11%), manufacturing (7%) and commercial activities (7%). This scenario could coalesce into even stronger GDP growth (4.5%) in fiscal year 2014 barring adverse developments in terms of climate (hurricanes), key international prices (hydrocarbons and food) and the global economy, particularly the United States economy.

Average inflation for the year (7%) was up slightly from 2012 (6.8%), but as of the end of the fiscal year (September) the year-on-year rate had fallen from 6.5% to 4.5%. In the external sector, grants continued a three-year slump (-37%), while remittances swelled (10.5%), partially containing the larger current account deficit (7% of GDP).

On the political front, the government authorities saw their economic and political decisions questioned on multiple occasions over the course of the year. Major problems included the legislature's failure to approve a budget and the executive branch's longstanding dispute with the congress and the political parties on holding legislative and municipal elections, delayed since 2011 but finally scheduled for January 2014.

In August 2013, the Haitian government concluded the sixth review of the Extended Credit Facility arrangement with the International Monetary Fund (IMF), and an immediate disbursement of US\$ 2.5 million was agreed upon with the institution, the second of the year (the first disbursement was made in March for US\$ 7.4 million). The seventh and most recent review under the programme, conducted in November 2013, found the country's macroeconomic performance to be satisfactory overall, although the central government's financial results were less positive than expected. With real growth in spending (8.3%) outpacing revenue (4.3%) and virtually no change in external budget support except in the final month of the fiscal year, the fiscal deficit grew to 3.2% of GDP (cash basis). The growth in spending was due to an increase in current spending (10%) to meet the larger wage bill (5%) that came with the 6% increase in government employment, as well as higher operating expenses. In addition, public investment expanded by 2.3%.

Fiscal revenues were down on weaker customs collections for the second consecutive year (-5.8% in 2012 and -3.6% in 2013), although indirect tax revenues (value-added tax) were up by 9.4%.

Haiti's central bank (Banque de la République) tightened monetary policy, reining in the M1 money supply (-1.4%) on signs of a possible spike in inflation towards the middle of the fiscal year. The rally in net private credit (11% in real terms) was noticeably weaker than a year earlier (22%). Local currency credit grew faster (20% in nominal terms) than dollar credit (12%), and the dollarization ratio fell from 44% to 42%.

The central bank's exchange rate instrument consisted primarily in currency interventions yielding net sales of US\$ 119 million, intended to offset exchange-rate depreciation, which was 3.7% in 2013. As a result, international reserves slipped by 4.3% from US\$ 1.303 billion in 2012 to US\$ 1.247 billion in 2013.

On the external side, the balance-of-payments current account deficit (7% of GDP) increased over the previous year (5% of GDP) as official grants fell from US\$ 988 million to US\$ 750 million and export earnings, while growing by 12% to US\$ 881 million, barely put a dent in an import bill that surged by 9%

to US\$ 3.356 billion. Remittances remained strong (US\$ 1.781 billion, a US\$ 169 million improvement on the 2012 level) but were unable to make up the trade deficit (US\$ 2.475 billion).

Tourism services did well in 2013, with some major hotels opening in the capital (Oasis, Best Western, NH El Rancho) and a 25% jump in the number of visitors over the previous year.

Meanwhile, foreign direct investment (FDI) flows are expected to weaken from US\$ 156 million in 2012 to US\$ 118 million in 2013.

Haiti's foreign debt (US\$ 1.474 billion) soared (38%) in 2013, mainly due to an energy cooperation agreement through PETROCARIBE signed with the Bolivarian Republic of Venezuela, under which the latter directed US\$ 390 million of a total of US\$ 414 million in cash disbursements that year to Haiti.

In 2013, Haiti's GDP grew by 4%, with slightly stronger growth (4.5%) forecast for 2014. The sectors driving this performance were agriculture and construction, which was executing major investments in public infrastructure. The positive results in agriculture were due to improved yields for several staple crops (maize, sorghum, pulses and root crops) following better growing conditions than in 2012, when the country's rural sector, which practices mainly rainfed agriculture, was hit by drought and hurricanes. Investments in public infrastructure went chiefly to airport, seaport and road rehabilitation projects, with an estimated 61% of the total investment, or about US\$ 150 million, being financed with PETROCARIBE funds.

Industrial output expanded by 7%. The strongest performers were the food sector (10%), chemical products (15%) and the textile maquila industry, in which exports grew 21% by volume and 14% by value as the United States economy—the main destination market—picked up steam.

Year-on-year inflation (to September) was 4.5%, down considerably from 2012 (6.5%), with core inflation closely paralleling this performance. Year-on-year inflation to December is forecast at a conservative 5%, reflecting less depreciation in the exchange rate, a larger domestic food supply (rice, pulses, root crops and plantains) and a relative decrease in global prices for the foods that are most widely consumed in Haiti.

The moderate evolution of prices paved the way for a recovery in real wages, thanks to an adjustment in the minimum wage in October 2012 (200 Haitian gourdes per day), which should be adjusted again in January 2014 to 225 gourdes per day. Wages were up 25% over 2012, but in historic terms, they have posted real gains of just 1.3% in the past decade.

In the construction sector, as expected, labour demand was buoyant and formal employment increased by 2%, a low-side estimate in all likelihood due to the degree of informality in the industry. Meanwhile, employment shot up by 17% in the maquila industry, which employs nearly 29,000 people.

Haiti: main economic indicators, 2011-2013

	2011	2012	2013 ^a
	Annual growth rate		
Gross domestic product	5.6	2.8	4.0
Per capita gross domestic product	4.3	1.5	2.5
Consumer prices	8.3	7.6	4.2 ^b
Money (M1)	14.4	8.7	15.2 ^c
Terms of trade	-17.0	3.6	7.3
	Annual average percentage		
Central government			
Overall balance / GDP	2.1	-0.8	-0.8
Monetary policy rate	3.2	3.0	3.0 ^b
Nominal lending rate ^d	19.8	19.4	19.0 ^b
	Millions of dollars		
Exports of goods and services	1 017	1 046	1 077
Imports of goods and services	4 154	3 841	3 807
Current account balance	-339	-359	-267
Capital and financial balance ^e	525	536	267
Overall balance	186	177	0

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Estimates.

^b Figures as of October.

^c Figures as of July.

^d Average of highest and lowest lending rates.

^e Includes errors and omissions.