

Haiti¹

Haiti's main macroeconomic variables saw modest performances, despite the uncertainty surrounding the parliamentary and presidential elections held in August and October, respectively. According to preliminary estimates, in fiscal year 2015, GDP will grow by 2% (compared to 2.7% in 2014), as a result of a significant reduction in public investment and the impact of drought on agricultural output. The fiscal deficit of 6.6% was financed largely by the central bank. The contraction in imports (-7%) and the increase in exports (5%) and remittances (11%), led to a 70% decrease in the current account deficit, which came to 2.5% of GDP (compared to 8.8% in 2014). Inflation at the end of the fiscal year stood at 11.3% and was mainly the result of exchange-rate pass-through and the agricultural supply squeeze, despite falling international prices for Haiti's main import products, namely hydrocarbons and food.

In May 2015, the Haitian authorities and the International Monetary Fund (IMF) agreed upon a new three-year arrangement under the Extended Credit Facility. Regarding compliance, the central bank's net lending to the public sector is projected to significantly exceed the agreed figure. By contrast, both the US\$ 126 million decrease in international reserves and the programme's public finance objectives were within an acceptable range.

Total tax receipts grew by 4% in real terms, thanks to revenue performance (up 12%), driven by tariff revenues (20%) and direct receipts (8%), while indirect taxation fell by 8%. Total expenditures saw a real increase of 14%, due to 32% growth in wages, which was the result of both an expansion in the number of civil servants to 3,000 and wage adjustments adopted at the end of 2014. Conversely, investment expenditures contracted by 21% as a result of a decline in financing under the PetroCaribe agreement and the late adoption (in March 2015) of a revised budget for 2015. This affected both public infrastructure construction projects and some social programmes financed by these resources.

The primary and overall fiscal balances posted deficits of around 5.8% and 6.6% of GDP respectively. They were financed by issuing treasury bonds and, in particular, by the central bank's monetary financing, which exceeded the criteria stipulated in the Extended Credit Facility by 13%. During 2015, despite a 37% reduction from the previous year subsidies and transfers still amounted to a total of US\$ 81 million. The energy bill of the public electricity company, Electricité d'Haïti (EDH), continued to account for a hefty third of that total.

Inflationary spikes led the central bank to strengthen contractionary monetary policy measures. Reserve requirement ratios were raised gradually until they reached 44% on deposits in gourdes and 48% on deposits in dollars at the end of the financial year. In addition, interest rates on 91-day central bank bonds (the benchmark for interbank operations) were raised from 5% to 16% and contributed to the 4% reduction in lending to the private sector. Lending and deposit rates in the banking market fluctuated between 16% and 21% and between 2% and 6%, respectively.

The gourde depreciated by 13% against the dollar over the course of the fiscal year, with the heaviest monthly drop —of 11%— occurring in July. This prompted the central bank to step up its main prudential measures, such as the sale of dollars on the currency market, and to implement new measures, including banning loans in dollars, regulating open market interventions by large foreign-exchange operators, and issuing new securities (central bank securities) with yields linked to exchange-rate

¹ The period under consideration is fiscal year 2015 (October 2014 to September 2015). However, to facilitate regional comparison, in some cases, the statistics refer to the calendar year.

depreciation. At the end of the fiscal year, net international reserves amounted to US\$ 884 million (10% of GDP).

The increase in exports (5%) was driven by growth of 9% in the maquila sector. The recovery of the United States' economy buoyed remittances (up 11%), which, at US\$ 2.2 billion, were large enough to offset the drop in official grants (US\$ 488 million).

During 2015, falling international prices for Haiti's main imports, including hydrocarbons (-43%), rice (-9%), wheat (-21%) and soybean oil (-19%), contributed to a 12% gain in the terms of trade, while the narrower trade deficit and higher remittances both helped to bring down the current account deficit substantially.

The balance-of-payments financial account was in surplus to the tune of US\$ 179 million in 2015, with foreign direct investment (FDI) flows amounting to US\$ 104 million and net disbursements of US\$ 164 million from the PetroCaribe loan agreement with the Bolivarian Republic of Venezuela, although net outflows of foreign exchange amounted to US\$ 100 million. External public debt reached US\$ 1.982 billion (23% of GDP), with the Bolivarian Republic of Venezuela as the main creditor (88%).

In 2015, the drought worsened in the north-eastern, central and south-eastern parts of the country, which damaged staple crops (legumes, corn, sorghum and tubers). The spring harvests of those crops were significantly lower (up to 50% less) than those of 2014, which resulted in price hikes owing to the supply squeeze.

The drop in international oil prices had a negative impact on Haiti's loans under the PetroCaribe agreement with the Bolivarian Republic of Venezuela, which are the mainstay of public capital formation efforts. The portfolio contracted by nearly 50%, with the consequent impact on public works and government social programmes. Actual disbursement of resources (US\$ 93 million) accounted for only 48% of the amount originally allocated.

Growth in the construction industry, strongly linked to the aforementioned investments, slowed to just 3.8% (from 9.2% in 2014), despite a modest recovery by the end of the fiscal year, against the backdrop of the elections. The strong performance of the industrial sector (up by 8.6%) and commerce (an increase of 9.9%) was not enough to offset these trends.

Inflationary movements during 2015 eased towards the last quarter, thanks in large part to the containment of currency depreciation (the pass-through effect). Falling international prices for key products for Haiti translated into opposing trends of high inflation (16%) for domestically produced food products and low inflation (3%) for imported food products. This limited the loss of purchasing power and, together with the 7% rise in minimum wages in May, led to a positive variation of 2.2% in the real minimum wage in 2015.

Haiti: main economic indicators, 2013-2015

	2013	2014	2015 ^a
	Annual growth rate		
Gross domestic product	4.3	2.7	2.0
Per capita gross domestic product	2.9	1.3	0.7
Consumer prices	3.4	6.4	11.7 ^b
Money (M1)	11.1	8.7	17.5 ^c
Terms of trade	-6.2	3.0	12.4
	Annual average percentage		
Central government			
Overall balance / GDP	-1.4	-0.9	-2.8
Nominal deposit rate ^d	0.7	2.0	3.7 ^b
Nominal lending rate ^e	18.9	18.6	18.5 ^f
	Millions of dollars		
Exports of goods and services	1,567	1,662	1,751
Imports of goods and services	4,419	4,735	4,417
Current account balance	-537	-769	-218
Capital and financial balance ^g	178	675	72
Overall balance	-359	-94	-146

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 deposit rates.

e Average of highest and lowest lending rates.

f Figures as of September.

g Includes errors and omissions.

The lacklustre performance of 2015, together with the modest expectations of the main private and government economic actors in light of the political setting as of February 2016 when the new executive and new congress begin their terms, support modest growth projections of 2.5% of GDP for 2016.