Haiti[1]

In a political landscape that has yet to return to normality —the legislative and municipal elections scheduled for October 2014 have been postponed once more, and no new date has been set— aggravated by the late adoption (in May) 2014 budget, the main macroeconomic variables of the Haitian economy performed relatively well, albeit less impressively than the authorities had initially expected.

GDP grew by 3.5% (versus 4.3% in 2013), driven by expansions in manufacturing (7.3%), construction (9.2%) and commerce (12.8%), as well as the expected good performance of the agricultural sector. The fiscal deficit rose to 4.6% of GDP (on a cash basis), but remains below expected levels set out in the Extended Credit Facility arrangement with the International Monetary Fund (IMF), whose eighth and final review was completed in November.

Average annual inflation between October 2013 and September 2014 (3.7%) was half of that in the corresponding period between 2012 and 2013, attributable to a significant drop in the prices of certain imported products (rice, wheat and cooking oils) and a supply-side improvement in domestic agricultural production.

A slowdown in exports and imports (which grew by 5.3% and 1.1%, respectively) and buoyant remittances (up by 11%) led to a slight narrowing (-4%) in the balance-of-payments current account deficit to 6.2% of GDP.

Tax receipts grew by 5.3% in nominal terms —despite the reduction (of 5.8%) in tariff revenues— on the back of a rise (of 19.7%) in direct collection. Current expenditure was up by 15%, driven by increased outgoings in wages (13%) and operating expenses (17%). In stark contrast to the forecast acceleration in public investment, spending on public works from Treasury resources was slashed (-45%) as the public investment programme was frozen pending the adoption of the new budget. This was, however, partially offset by payments (to the tune of US$ 175 million) made under the Petrocaribe energy cooperation agreement and untied aid contributions (US$ 98 million) in the last quarter of the year.

Average increases in domestic oil and gas prices (7.7% in October 2014), after three and a half years of freezes, will reduce the amount of subsidies and transfers paid out of the public purse, although the effects will not be felt until the 2014-2015 fiscal year. The State-owned utility Électricité d'Haïti (EDH) received subsidies and transfers to the tune of US$ 98 million in 2014.

The Bank of the Republic of Haiti (BRH) continued to implement a contractionary monetary policy, limiting growth in the monetary base to just 0.1% by tightening legal reserve requirements, although the M1 monetary aggregate, at 9.8%, was almost double that of 2013.

Private lending expanded by 5.5% in real terms, a slowdown on growth of 11.4% seen in 2013, and the dollarization rate grew (from 40% to 43% of the total offered amount). BRH provided substantial monetary financing to the central authorities (1.3% of GDP, up from 0.7% of GDP in 2013).

The gourde fell by 3.5% between fiscal year 2013 and fiscal year 2014 (after depreciation of 3.7% in 2013), leading BRH to take action (by selling foreign exchange). Net international reserves (US$

[1] This review encompasses fiscal year 2014 (October 2013-September 2014). However, in some cases, statistics relating to the calendar year have been used for ease of comparison with regional data.

1 billion at the end of the fiscal year) were down by 18% (or US$ 222 million) in respect of fiscal year 2013.

The balance-of-payments current account deficit (6.2% of GDP) was practically unchanged on 2013, as a result of a reduction of the trade deficit and, more importantly, a surge in remittances, which at US$ 1,977 billion represented three times the amount received in donations.

The terms of trade improved (5.7%), recovering from the fall (of 6.2%) seen in 2013. This was attributable to reductions or modest increases in the prices of Haiti's main import goods (hydrocarbons, rice, wheat and cooking oils), and price rises in goods in its export basket, namely maquila textile products (4.1%), essential oils (26%), mangoes (6.5%), cocoa (27%) and coffee (21%).

Haiti: main economic indicators, 2012-2014

	2012	2013	2014 [a]
	Annual growth rate		
Gross domestic product	2.9	4.3	3.5
Per capita gross domestic product	1.6	3.0	2.3
Consumer prices	7.6	3.4	5.3 [b]
Money (M1)	8.7	11.1	5.3 [b]
Terms of trade	3.6	-6.2	3.0
	Annual average percentage		
Central government			
Overall balance / GDP	-0.8	-1.0	-1.3
Nominal deposit rate	0.5	0.7	2.0 [c]
Nominal lending rate [d]	19.4	18.9	18.6 [c]
	Millions of dollars		
Exports of goods and services	1,328	1,536	1,520
Imports of goods and services	4,195	4,419	4,663
Current account balance	-431	-543	-687
Capital and financial balance [e]	-299	-175	130
Overall balance	-730	-719	-557

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
a/ Estimates.
b/ Figures as of September.
c/ Figures as of October.
d/ Average of highest and lowest lending rates.
e/ Includes errors and omissions.

The balance-of-payments financial account (standing at US$ 495 million) included US$ 99 million in foreign direct investment (versus US$ 160 million in 2013) and was most affected by net outflows (of US$ 377 million) to service debt taken out under the Petrocaribe credit agreement with the Bolivarian Republic of Venezuela. Overall public external debt stood at US$ 1.829 billion, and has spiralled since 2011 (when it was US$ 657 million). The downward trend in international oil prices in recent months (a cumulative fall of 11% since July 2014) could lead to a restructuring of outstanding payments under the Petrocaribe agreement (50% in cash and soft loan financing the remaining 50%); if international prices reach a level between 50 and 80 dollars per barrel, Haiti will be required to pay 60% of its oil bill in cash.

Estimates for GDP growth in 2014 (3.5%) are chiefly reliant on the good performance of agriculture (which will, however, be less buoyant than in 2013) and improved (or largely unchanged) trends in three other key sectors —manufacturing, construction and trade— between the end of the third quarter (in June) and the close of the fiscal year in September 2014.

Forecasts made for the agricultural sector in recent reports of the National Food Security Coordination Body (CNSA) are no more than moderately optimistic, since the spring harvest (June to August) of a considerable number of staple crops such as cereals (maize, sorghum and rice), legumes and tubers was markedly less abundant than in 2013. This was due both to climate-related factors (a water shortage in a principally rain-fed system of agriculture) and the greater scarcity of financial resources and inputs (fertilizers and seeds) which should have been provided by the public authorities (namely the Ministry of Agriculture).

In 2014, growth in the industrial sector (7.3%) was slightly stronger than in 2013 (6.7%), but underperformed the government's initial forecasts. A major contributing factor was the underwhelming performance of maquila textile exports, both in terms of value (which increased by 3.3%, down on 14% in 2013) and volume (contracting by 0.9% after growing by 20.7% in 2013).

The construction sector expanded significantly (9.2%) —albeit at a slower rate than in 2013 (11%)— despite the delays in carrying out the public investment programme and disbursements of

Petrocaribe funds, which were chiefly made in the last quarter of the fiscal year (between June and September).

Commercial activity —both formal and, to a large extent, informal— accounted for 28% of GDP. Important drivers of growth (of 12.8% in real terms) in commercial activity were buoyant consumption, partially attributable to household remittances (which grew by 11% in nominal terms) and a real-terms increase in wages (8.5%) in the formal sectors of the economy in the wake of a rise of 12.5% in minimum wages in May 2014 (to 225 gourdes, the equivalent of US$ 5 per working day). Another contributing factor was the rally in job creation in the maquila industry (36,340 jobs created), and in temporary jobs under various contractual arrangements (such as cash for work) in urban and rural areas, and the funding provided as part of public social assistance programmes (such as the Ede Pep programme) and by NGOs.

The fall in inflation (annual average rate of 3.7%, versus 7% in 2013) may be a result of reductions in the international price of some core products in the local market, as shown by comparisons between year-on-year inflation (at the end of the fiscal year in September) in domestically produced (5.3%) and imported (2.5%) foodstuffs.