

HAITI

1. General trends

The economy recorded modest GDP growth of 1.4% in 2016 (versus 1.2% in 2015), owing to a positive trend in the agricultural sector (up 3%) which was partly offset by slower growth in manufacturing, trade and construction.¹ Despite lower international prices in key categories (fuel and food), inflationary pressure persisted (12.5% at the fiscal year-end), mainly as a result of exchange-rate depreciation. The central government's fiscal deficit (2.9% of GDP, compared with 1.4% in 2015) widened despite a sharp contraction in investment spending, while the current account deficit (0.9% of GDP, compared with 3.1% in 2015) narrowed considerably as a result of weaker imports.

Political uncertainty prevailed for much of 2016 owing to the legislative and presidential election process, which began in August 2015 and ended only in November 2016 when the presidential election finally took place, putting an end to the transitional government formed in February 2016. The new president took office in February 2017.

There are still concerns about some key sectors in 2017, particularly agriculture in light of the devastating impact of Hurricane Matthew in October 2016, and GDP growth is estimated at 1.1%. Moreover, in the first half of 2017 the country faced continued exchange-rate depreciation (25%, but this trend has eased since May 2017), inflationary pressure (15%) and a larger fiscal deficit owing to weaker-than-expected income.

The current account deficit is expected to widen, owing to the probable increase in imports and slowdown in exports, partly offset by growth in remittances, albeit weaker than the previous year and amid relatively tough conditions in the United States. Concerns about the imminent repatriation of more than 50,000 Haitian migrants who currently benefit from temporary protected status were allayed with the recent announcement that this designation would be extended to January 2018.

2. Economic policy

Economic policy is largely determined by arrangements with the International Monetary Fund (IMF). The three-year Extended Credit Facility (ECF) signed by Haitian authorities and IMF in May 2015 was suspended in November 2016 because the six-monthly reviews stipulated in the agreement had not been carried out. An IMF staff-monitored programme (SMP) recently adopted for June-December 2017 could help to establish a new ECF.

In 2016 the authorities adopted a restrictive stance on monetary and fiscal policy, and prioritized controlling inflation, consolidating macroeconomic balances by reducing the fiscal deficit and cutting subsidies (particularly to the State-owned electricity company *Electricité d'Haïti*, or EDH), and reducing monetary financing.

¹ The period of analysis is fiscal year 2016 (from October 2015 to September 2016) and the first half of fiscal year 2017 (from October 2016 to March 2017). Nonetheless, with a view to facilitating the comparison with regional data, in some cases the statistics may correspond to the end of calendar year 2016 (in such cases this is specifically mentioned).

(a) Fiscal policy

Tax revenues rose by a modest 2.6% in real terms in 2016, compared with the 12% increase in 2015. This performance derived from weaker growth in both tariff revenues (which edged up by 1.6% compared with a 22% jump in 2015) and indirect tax revenues (up 5.9% versus 11.2% in 2015). The tax burden came to 14.3% in 2016 (compared with 13.7% in 2015).

After declining by 3.7% in 2015, overall central government spending grew by 2.7% in 2016 in real terms, owing to a 5.2% increase in current spending (versus a 0.7% drop in 2015), and particularly to a sharp decline in investment spending (down 17%) although this was more limited than in 2015 (down 22%). Public treasury spending on elections accounted for a large slice of current spending (about US\$ 50 million), whereas most of these costs had previously been covered by resources from the international community. The weakness in investment spending derived largely from the decline in the contribution from the PetroCaribe energy agreement.

The result was a central government fiscal deficit of 2.9% of GDP, which was funded mainly by external resources (grants and loans) and net central bank contributions to the tune of 4.461 billion gourdes (roughly 0.9% of GDP). The plan to eliminate fuel subsidies (for gas, diesel and kerosene) in August 2016, which would have pushed up prices, had to be postponed owing to widespread protests and a fragile political environment in the run-up to elections.

Haiti's external debt in 2016 amounted to US\$ 2.009 billion (roughly 25% of GDP), of which 88% is owed to the Bolivarian Republic of Venezuela, under the PetroCaribe scheme. Although simulations of the sustainability of overall public external debt show that the key ratios remain at acceptable levels, debt servicing in 2016 (US\$ 88 million) and disbursements (US\$ 101 million) drastically reduced the potential (multiplier) effects of these resources in the public investment programme. These resources represent one of the few mechanisms that generate immediate and unconditional liquidity for the government.

As of the first half of the ongoing fiscal year (October 2016 to March 2017), not all budget goals and guidelines have been met, with respect to income and spending. In real terms, income contracted by 12% and spending dropped by 2.6%, year-on-year. The decisive factors in this outcome were the declines in tariff revenues (down 17%) and in investment spending (down 43%) compared with the year-earlier period. Spending was curbed as a result of budget austerity, given the challenges and urgent needs the country faced in the aftermath of Hurricane Matthew, particularly in the hardest-hit south of the country. The use of funds for reconstruction, both from the reallocation of resources previously pledged by some international organizations (for example, US\$ 45 million from the World Bank) and from recently pledged funds (for instance, US\$ 14 million from the European Union) appears to have been minimal.

The protocol on cash management signed between the Ministry of Economy and Finance and the central bank in April 2016 remains in effect, and aims to tighten control over public sector expenditure, restricting it to effective fiscal income, and thus reduce monetary financing of the deficit. A recent government directive (dated 3 April 2017) aims to strengthen austerity mechanisms in public administration and to contain, above all, current spending.

The adjustment of fuel prices on 15 May 2017, with an average increase of 19%, and the announcement that similar measures would be taken upon the arrival of each new fuel shipment, means a reduction in the immediate government fuel subsidy but has still not resolved the sources of the fiscal

deficit that is projected despite increased revenue. The accumulation of arrears —particularly the sums owed to civil servants in key sectors such as education and health— continues to raise concerns.

The macroeconomic guidelines supporting the original budget for fiscal year 2017 were scaled back in the recently adopted amended budget, taking into account real economic conditions (growth projections following the passage of Hurricane Matthew) and the priorities established in the general policy of the new executive branch formed between February and March 2017. Under the new scenario, fiscal income estimates were lowered by 7.1%, and planned investment spending was reduced by 13.5%, owing to a considerable drop (by 27.2%) in the funding expected from PetroCaribe.

(b) Monetary policy

The central bank maintained its contractionary monetary policy —in terms of legal reserve requirements, interest rates and bonds issued to tighten liquidity— amid inflationary pressure. Legal reserve requirements for commercial banks' liabilities in gourdes and in dollars held steady at 42% and 46%, respectively. The benchmark interbank rate (91-day central bank bonds) slipped from 16% to 14% in June 2016, while lending and deposit rates fluctuated between 10.5% and 22.5% and 2.8% and 7.0%, respectively, over the course of the fiscal year. Lending rates were highest (around 20%) in the first four months of the new government's term in office (from February 2016), possibly owing to uncertainty in the financial market.

At the end of fiscal year 2016, the main monetary indicators decelerated —in line with central bank targets— following a steep drop (55%) in the central bank's financing of the government deficit. The monetary base grew by 20% (compared with 23% in 2015), while liquidity increased nominally, by 7.8% (M1) and 5% (M2). Private lending rose by 7% in real terms (after falling by 4% in 2015), while public sector lending plummeted by 45% owing to more limited resources from PetroCaribe and from direct budgetary aid from major international donors.

In the first half of the 2017 fiscal year, the central bank maintained its monetary control measures, especially those focused on easing market tensions. Liquidity grew by 19% (M1) and by 16% (M2) year-on-year, public credit continued to decline (down 16%) and private credit increased slightly (up 1.5%). Accumulated monetary financing plunged 77% in real terms as of the end of March, compared with the year-earlier period.

The balance of international reserves in September 2016 (US\$ 906 million) was up in comparison with the previous year (US\$ 843 million) and the central bank does not appear to be seriously concerned about the fluctuations (in all, a decline of US\$ 22 million at March 2017) caused by its net buying and selling of foreign exchange on the open market.

(c) Exchange-rate policy

The gourde depreciated by 24% in 2016 compared with 2015, down from 52.9 gourdes per dollar in October 2015 to 65.6 gourdes per dollar in September 2016, reflecting an average monthly change of about 2%. This performance was linked, among other things, to speculative factors, the uncertain political context and the weakness of fresh external resources from PetroCaribe or grants, although foreign exchange from remittances remained strong. As a result, the central bank strengthened its direct interventions in the market (net sales amounting to US\$ 94 million) and adopted new instruments and measures, including controlling the direct participation of major foreign-exchange-market operators (oil import and telecommunications companies) through guarantees relating to the direct provision of foreign

exchange. The central bank also launched a new financial instrument, bonds that are available to the general public, with pre-determined yields of 7% plus the change in the exchange rate.

Exchange-rate volatility persisted in the first six months of fiscal year 2017, triggering even greater central bank intervention (net sales exceeded US\$ 33 million at April 2017), which is expected to amount to up to US\$ 140 million by the fiscal year end in September. Although legal reserve requirements for foreign exchange in the banking system remained unchanged at 44%, this measure has been accompanied since March 2017 by daily monitoring of the foreign-exchange position (short/long balance) of the commercial banking system and the maintenance of a 5% local-currency hedge as an additional mechanism to curb excess liquidity.

The Haitian economy is highly dollarized, with 55% of deposits and roughly 40% of the overall loan portfolio denominated in dollars. Amid the local-currency depreciation seen in both 2016 and the first half of 2017, this tendency is likely to increase, despite offsetting measures such as limits on dollar-denominated consumer credit (in effect since mid-2015).

3. The main variables

The trade balance posted a US\$ 2.578 billion deficit in 2016, 6% lower than in 2015. The current account deficit fell by two percentage points compared with 2015, at 0.9% of GDP. Imports declined for the second year in a row, down 7.7%, while exports also fell, by 2.8%. The decrease in imports derived from lower prices, particular for fuel (down 30%) and food (down 4%), while exports saw a 2% contraction in value for the leading export product, maquila-produced garments.

Income from remittances amounted to US\$ 2.359 billion, up 7.4% year-on-year, compared with 11% in 2015. Official grants came to US\$ 371 million and continued to decline, albeit more sharply against the backdrop of the political transition that dominated 2016.

Raw material exports (essential oils, mangos, cocoa) amounted to US\$ 43 million. Essential oils continued to account for the largest share (US\$ 24 million), while exports of mangos continued to decline.

The average annual global fuel price fell sharply in 2016, resulting in a 9% decline in the value of fuel imports (US\$ 563 million) despite a 27% increase in volumes. Food imports (US\$ 751 million) also fell (by 21%) owing to the combined effect of weaker demand and lower international prices for key products such as cereals (down 24%) and oils.

The terms of trade improved for the third year in a row (7%), thanks to a steeper decline in the import basket, for which prices fell by 9%, while the average price of the key export products decreased by 2%. Average global raw material prices are expected to increase in 2017, which could reverse this favourable trend.

(a) The external sector

The trade balance posted a US\$ 2.578 billion deficit in 2016, 6% lower than in 2015. The current account deficit fell by two percentage points compared with 2015, at 0.9% of GDP. Imports declined for the second year in a row, down 7.7%, while exports also fell, by 2.8%. The decrease in imports derived from lower prices, particular for fuel (down 30%) and food (down 4%), while exports saw a 2% contraction in value for the leading export product, maquila-produced garments.

Income from remittances amounted to US\$ 2.359 billion, up 7.4% year-on-year, compared with 11% in 2015. Official grants came to US\$ 371 million and continued to decline, albeit more sharply against the backdrop of the political transition that dominated 2016.

Raw material exports (essential oils, mangos, cocoa) amounted to US\$ 43 million. Essential oils continued to account for the largest share (US\$ 24 million), while exports of mangos continued to decline.

The average annual global fuel price fell sharply in 2016, resulting in a 9% decline in the value of fuel imports (US\$ 563 million) despite a 27% increase in volumes. Food imports (US\$ 751 million) also fell (by 21%) owing to the combined effect of weaker demand and lower international prices for key products such as cereals (down 24%) and oils.

The terms of trade improved for the third year in a row (7%), thanks to a steeper decline in the import basket, for which prices fell by 9%, while the average price of the key export products decreased by 2%. Average global raw material prices are expected to increase in 2017, which could reverse this favourable trend.

(b) Economic activity

Global demand remained sluggish in 2016, up by just 1.1%. Consumption was responsible for this growth (up 1.2%) as all the other categories slowed. Investment (1.1% versus 3.6% in 2015) was curbed mainly by restrictions in public investment given the marked reduction in resources from PetroCaribe and uncertainties arising from the political environment for much of the year.

After contracting for two years (down 1.5% and 5.4% in 2014 and 2015, respectively), the agricultural sector grew by 3%. The significant weight of this sector in GDP (20%) drove the latter's overall positive performance, as growth in trade (0.7%), construction (0.2%) and manufacturing (1.4%) slowed significantly compared with the previous year.

GDP is expected to grow by 1% in 2017 against the backdrop of great uncertainty. Despite the normalization of the political environment since February 2017, the structural constraints on the economy, the devastating effects of Hurricane Matthew (estimated damage of US\$ 2.6 billion, or about 30% of GDP) and the negative expectations of private economic agents will be tough to turn around in the ongoing fiscal year. Although some of the new government's recent initiatives (for example, the "Caravan of Change" scheme), which focus on agriculture, seek to strengthen the sector's power to stimulate the rest of the economy, projections remain conservative as of the end of the first half of the year.

(c) Prices, wages and employment

The consumer price index (CPI) showed signs of inflationary pressure in 2016, which resulted in an average annual increase of 13.4% and a 14.3% rise at the end of the 2016 calendar year. Amid falling international prices for the largest import products, this trend stemmed mainly from exchange-rate pass-through as local agricultural supply was relatively more stable.

This trend is expected to continue throughout 2017 owing to the recent adjustments in fuel prices (up 19% on average in May), because of the cross-cutting effect linking transport and a wide range of products and services.

The rapid exchange-rate depreciation and the considerable damage inflicted on the south of the country by Hurricane Matthew explain the persistence of inflation in the first half of the 2017 fiscal year (October to March), when the average annual increase in prices stood at 14% (versus 13% for the year-earlier period). The weak supply of some products in the basic food basket for the winter cycle — particularly tubers and cereals such as sorghum and corn— affected inflation on the basis of geographical area. Average prices in the south were twice those seen in the rest of the country. The food security of a large number of families who are already affected by structural poverty in Haiti was hit hard.

The annual revision of the minimum wage in 2016 resulted in an increase from 240 gourdes to 300 gourdes per day (approximately US\$ 5), representing an improvement of barely 1% in real wages. The annual review process using the new tabulators for 2017 is still under way.

Table 1
HAITI: MAIN ECONOMIC INDICATORS

	2008	2009	2010	2011	2012	2013	2014	2015	2016 a/
	Annual growth rates b/								
Gross domestic product	0.8	3.1	-5.5	5.5	2.9	4.2	2.8	1.2	1.4
Per capita gross domestic product	-0.7	1.5	-6.9	4.0	1.4	2.8	1.4	-0.1	0.1
Gross domestic product, by type of expenditure									
Final consumption expenditure	1.7	1.7	13.8	-2.8	-5.2	2.7	2.4	0.8	1.2
Gross capital formation	2.8	3.6	-6.5	9.6	6.2	6.1	2.0	3.6	1.1
Exports (goods and services)	13.6	22.2	5.1	20.3	2.1	5.0	4.5	3.6	0.7
Imports (goods and services)	5.3	5.8	20.7	0.1	-5.7	3.2	2.6	2.2	0.8
Investment and saving c/	Percentajes of GDP								
Gross capital formation	28.8	27.5	25.4	27.9	29.5	30.0	30.9	32.4	30.2
National saving	25.6	25.6	23.9	23.5	23.8	23.3	22.3	30.0	29.6
External saving	3.2	1.9	1.5	4.4	5.7	6.7	8.6	2.4	0.6
Balance of payments	Millions of dollars								
Current account balance	-205	-122	-102	-326	-449	-561	-748	-271	-72
Goods balance	-1 618	-1 481	-2 447	-2 546	-2 305	-2 426	-2 705	-2 425	-2 188
Exports, f.o.b.	490	551	563	768	775	915	961	1 024	995
Imports, f.o.b.	2 108	2 032	3 010	3 314	3 079	3 341	3 666	3 449	3 183
Services trade balance	-319	-289	-824	-575	-567	-450	-384	-318	-391
Income balance	6	13	22	38	55	32	50	35	43
Net current transfers	1 726	1 635	3 147	2 757	2 368	2 283	2 291	2 437	2 463
Capital and financial balance d/	-180	-1 006	-1 569	513	703	570	269	48	146
Net foreign direct investment	30	55	178	119	156	162	99	106	105
Other capital movements	-209	-1 061	-1 747	394	547	408	170	-58	41
Overall balance	-384	-1 128	-1 670	186	254	9	-479	-223	73
Variation in reserve assets e/	-163	-238	-847	-209	-285	-32	473	141	-142
Other financing	548	1 366	2 517	23	31	23	7	82	69
Other external-sector indicators									
Terms of trade for goods (index: 2010=100)	79.9	103.4	100.0	83.0	86.0	80.6	83.1	88.2	86.0
Net resource transfer (millions of dollars)	374	373	971	573	788	625	326	165	258
Gross external public debt (millions of dollars)	1 885	1 247	863	657	1 067	1 474	1 830	1 981	2 009
Prices	Annual percentages								
Variation in consumer prices (December-December)	10.1	2.0	6.2	8.3	7.6	3.4	6.4	12.5	14.3
Variation in nominal exchange rate (annual average)	6.3	2.1	-0.2	1.3	3.3	3.1	5.0	13.4	23.8
Variation in minimum real wage	-12.9	27.9	58.2	-7.7	1.7	16.5	3.5	-0.4	4.4
Nominal deposit rate f/	2.5	1.7	0.9	0.4	0.5	0.7	2.0	3.9	5.0
Nominal lending rate g/	23.3	21.6	20.7	19.8	19.4	18.9	18.6	18.8	19.7

Table 1 (concluded)

	2008	2009	2010	2011	2012	2013	2014	2015	2016 a/
Central government	Percentajes of GDP								
Total revenue	10.8	12.0	14.0	14.4	13.4	13.3	13.1	13.5	14.4
Tax revenue	10.6	11.7	11.8	12.9	12.9	12.2	12.0	13.2	13.7
Total expenditure	12.1	13.3	14.5	12.3	14.3	14.5	13.4	12.6	13.1
Current expenditure	9.7	11.1	10.2	10.0	10.5	10.8	11.5	11.2	11.9
Interest	0.3	0.5	0.4	0.4	0.3	0.4	0.4	0.2	0.3
Capital expenditure	2.4	2.2	4.3	2.3	3.7	3.7	1.9	1.4	1.2
Primary balance	-1.0	-0.7	0.5	1.9	2.0	-1.0	-0.5	0.3	0.8
Overall balance	-1.3	-1.3	0.0	1.6	1.7	-1.4	-0.9	0.1	0.6
Central government public debt	42.3	34.3	22.8	23.9	28.0	30.5	35.1	36.7	36.9
Domestic	13.7	14.5	17.6	14.1	13.5	12.6	12.7	12.7	11.0
External	28.5	19.8	5.3	9.8	14.5	17.7	22.4	24.0	25.9
Money and credit	Percentages of GDP, end-of-year stocks								
Domestic credit	21.4	20.0	14.7	12.3	15.4	21.7	24.5	26.3	24.7
To the public sector	6.6	3.6	-1.1	-5.2	-5.5	0.3	2.2	4.5	2.2
To the private sector	14.9	16.4	15.7	17.5	20.8	21.4	22.3	21.8	22.5
Monetary base	21.0	22.1	31.9	29.9	30.5	26.3	25.9	29.4	31.4
Money (M1)	11.2	11.1	15.1	14.1	14.8	13.9	15.2	14.7	14.8
M2	21.4	20.9	26.2	24.0	24.4	23.4	24.4	24.5	24.6
Foreign-currency deposits	16.7	18.1	23.2	22.3	21.8	21.1	20.9	26.6	28.5

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

a/ Preliminary figures.

b/ Based on figures in local currency at constant 1986 prices.

c/ Based on values calculated in national currency and expressed in current dollars.

d/ Includes errors and omissions.

e/ A minus sign (-) indicates an increase in reserve assets.

f/ Average of minimum and maximum rates on time deposits.

g/ Average of minimum and maximum lending rates.

Table 2
HAITI: MAIN QUARTERLY INDICATORS

	2015				2016				2017	
	Q.1	Q.2	Q.3	Q.4	Q.1	Q.2	Q.3	Q.4	Q.1	Q.2 a/
Gross international reserves (millions of dollars)	1 145	1 115	1 047	982	985	1 014
Consumer prices (12-month percentage variation)	6.4	8.0	11.3	12.5	14.8	13.9	12.5	14.3	14.3	14.6 b/
Average nominal exchange rate (gourdes per dollar)	47.3	49.2	53.2	54.6	60.4	62.6	64.4	65.7	67.7	66.2
Nominal interest rates (average annualized percentages)										
Deposit rate c/	3.0	3.5	4.6	4.6	4.9	4.5	4.8	6.0	4.7	4.1 b/
Lending rate d/	18.8	18.8	17.9	19.8	18.9	22.1	18.6	19.2	18.0	18.0 b/
Monetary policy rates	8.0	9.3	16.0	16.0	16.0	15.3	14.0	13.3	12.0	12.0 e/
Domestic credit (variation from same quarter of preceding year)	24.9	19.4	18.4	11.5	10.0	11.3	9.7	9.7	12.1	...
Non-performing loans as a percentage of total credit	4.4	4.0	3.9	4.8	4.6	4.8	3.4	3.4

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

a/ Preliminary figures.

b/ Figures as of April.

c/ Average of minimum and maximum rates on time deposits.

d/ Average of minimum and maximum lending rates.

e/ Figures as of May.