

Haiti

ECLAC estimates that Haiti's GDP will shrink by 3.0% in 2020, in a context marked by the effects of the crisis caused by the COVID-19 pandemic and by the persistence of challenging domestic conditions that led to a 1.7% contraction in GDP in 2019.

In July 2020, the Haitian Institute of Statistics and Information Sciences (IHSI) published new System of National Accounts (SNA) series with 2012 as the base year, replacing the previous series with base year 1986–1987. The revaluation of GDP in 2012 yielded an increase of 73% in nominal terms relative to the previous series. Accordingly, some GDP indicators may reflect substantial declines attributable to this revaluation.

A persistent inflation dynamic was observed in September 2020 (24.7% year-on-year and an annual average of 23%) owing to the pass-through of exchange-rate depreciation and a supply shock due to disruptions in commodity supply chains. The fiscal deficit increased to 8.6% of GDP from 4.6% in 2019. Haiti's national currency, the gourde, depreciated by 18% in nominal terms on average against the dollar during the fiscal year, but this trend was reversed in late September with an appreciation of 40% (from the previous month). The current account presented a surplus of 10.5% of GDP, as a sharp decline in exports (-25%) and imports (-26%) was offset by sustained remittance flows, which increased by 20% year-on-year.

Central government spending on health and on social programmes to address the COVID-19 pandemic entailed extraordinary outlays of US\$ 95 million (8% of total expenditure), which were recorded as investment expenditure. In particular, social programmes involving cash transfers and food distribution, implemented mostly by the Economic and Social Assistance Fund (FAES), totalled US\$ 23 million.

It is estimated that tax revenues will represent 6.6% of GDP in 2020, a figure similar to that of 2019. Total revenues fell by 10% in real terms, owing to decreases in direct (-36%) and indirect (-24%) taxation and customs receipts (-12%). These were due to the general decline in economic activity resulting from the pandemic, especially during the third quarter of the fiscal year (April-June), but also to the prevalence of negative expectations among the main economic agents (private sector) since the 2019 shutdown (peyi lok) in an unfavourable extra-economic environment, with recurrent strikes, social unrest and increased insecurity.

The 33% year-on-year increase in total real-term central government expenditures was mainly due to a classification adjustment, as energy subsidies to the State electricity company, Électricité d'Haïti (EDH), were incorporated into the 2020 public accounts. Investment expenditures showed a real year-on-year increase of 340% as a result of spending by the public treasury to deal with the pandemic, accounting for about 53% of that total. The financial authorities also incurred expenses to regularize 10,000 teachers and made extraordinary outlays to provide incentives (bonuses) to health, teaching and police personnel.

The fiscal deficit increased to 8.6% of GDP in 2020 from 4.6% in 2019. The overall central government deficit was mainly financed by net contributions from the Bank of the Republic of Haiti (monetary financing) of 42.894 billion gourdes, equivalent to 3.3% of GDP, and the issuance of treasury certificates worth 4.2% of GDP. The financial authorities agreed to an early cut-off of commitments for

fiscal year 2020 (at the end of August instead of September), thus avoiding the seasonal expansion of public spending at the end of the fiscal year.

The central bank implemented a number of expansionary measures in March 2020 in response to the economic crisis caused by the COVID-19 pandemic. To increase liquidity, it reduced the legal reserve requirement, raised limits on transactions made through mobile payment services and waived commissions on interbank transfers. It also implemented measures to support lending to the private sector, such as a temporary penalty-free moratorium on interest payments, initially lasting 90 days and then extended until December 2020.

The monetary base had grown by 9% year-on-year by the end of the fiscal year. In nominal terms, credit to the public sector had almost doubled (82%), while credit to the private sector had risen by only 20%.

Haiti's external public debt totals US\$ 2.2 billion (17% of GDP), leaving it virtually unchanged from 2019. New disbursements amounted to US\$ 112 million, all of which came from the International Monetary Fund (IMF) (an emergency loan under the Rapid Credit Facility). Debt service totalled US\$ 16 million. The Bolivarian Republic of Venezuela is Haiti's main creditor because of debts taken out under the Petrocaribe programme.

At the end of the fiscal year in September, the gourde had appreciated by 29% year-on-year in nominal terms against the dollar (from 93.32 gourdes per dollar in 2019 to 65.92 in 2020) and by 2.2% in real terms for the calendar year. Actual interventions by the Bank of the Republic of Haiti (including total sales of US\$ 164 million for August and September) amounted to a net total of US\$ 95 million for 2020, as compared to US\$ 163 million in 2019. Net international reserves were US\$ 701 million in September 2020, a decline of US\$ 42 million from September 2019.

The external sector suffered a combination of supply and demand effects in the context of the pandemic. The trade deficit narrowed by 26% because of a reduction in imports from the United States, the country's main trading partner, and the Dominican Republic. Exports declined because of health measures involving total or partial cessation of operations during the most critical phases of the pandemic, combined with recurrent social unrest leading to the loss of working time. On the import side, international hydrocarbon prices declined by 25%, on top of the 10% fall in 2019.

On the demand side, exports to the United States fell by 22%, mainly because of the contraction in the apparel and other maquila sector. Overall, local export products (mangos, essential oils, alcoholic beverages and cacao) showed growth, with an outstanding performance in the case of alcoholic beverages (64%). Essential oils were an exception, with a negative change of 17%.

Remittance income (nearly US\$ 3 billion) was up from 2019 (US\$ 2.5 billion), contrary to forecasts of a collapse in these flows.

Haiti: main economic indicators, 2018-2020

	2018	2019	2020 ^a
Annual growth rate			
Gross domestic product	1.7	-1.7	-3.0
Per capita gross domestic product	0.4	-2.9	-4.2
Consumer prices	16.5	20.8	25.1 ^b
Money (M1)	22.3	11.3	27.1 ^c
Terms of trade	-6.9	-1.0	-0.5
Porcentaje promedio anual			
Central government			
Overall balance /GDP ^d	-2.7
Nominal deposit rate ^e	4.9	6.1	5.2 ^f
Nominal lending rate ^g	17.7	18.7	16.9 ^f
Millones de dólares			
Exports of goods and services	1 780	1 586	...
Imports of goods and services	5 672	5 201	...
Current account balance	-373	-123	...
Capital and financial balance ^h	322	-67	...
Overall balance	-51	-190	...

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 August.

d/ Fiscal years, from 1 October to 30 September.

e/ Average of highest and lowest deposit rates.

f/ Figures as of April.

g/ Average of highest and lowest lending rates.

h/ Includes errors and omissions.

In the third quarter of the fiscal year (April–June 2020), the economic activity indicator (ICAE) contracted by 4.9%, with reductions of 6.2%, 7.9% and 3.5% in the primary, secondary and tertiary sectors, respectively.

As mentioned, a persistent inflation dynamic was observed as of September 2020 (24.7% year-on-year and an annual average of 23%) owing to the pass-through of exchange-rate depreciation and a supply shock due to disruptions in commodity supply chains. Inflation is expected to decelerate over the rest of the calendar year as a result of the appreciation of the gourde since September, lower prices for leading imports, the normalization of the supply chain for local agricultural products and lower domestic hydrocarbon prices (down 7% in October).

The maquila industry accounts for about a third of formal employment in Haiti. During the period of strictest confinement (April), it reported a 30% reduction in the number of employees (the loss of 16,683 jobs), which has not been fully recouped to date. The employment figure as of July (51,000 jobs) still represents an 8% decrease from January 2020.

The economic outlook in fiscal year 2021 is for GDP growth of 2%, although this is conditional on the initiatives announced by the government authorities being implemented, particularly the Post-COVID-19 Economic Recovery Plan, and on new agreements being signed with IMF if necessary. In addition, as in the two previous years, the 2021 legislative and municipal elections and the new presidential constitutional reform initiative will be factors of uncertainty.