Haiti [1]

Despite the global recession, the Haitian economy is estimated to have grown by 2% in 2009, owing in part to an upturn in the agricultural sector and a 14% reduction in the deficit of the balance-of-payments current account. Another positive development was fall in the inflation rate. The year-on-year price variation (-4.7% as at September 2009) and the annual average inflation rate (3.4%) were significantly lower than in 2008 (19.8% and 14.4%, respectively).

The fiscal deficit —1.7% of GDP— was financed from limited external funding. Nevertheless, having reached completion point under the Heavily Indebted Poor Countries (HIPC) debt relief programme in June 2009, Haiti had approximately US$ 900 million of its debt forgiven and its debt service will be reduced by nearly US$ 48 million annually. The country's foreign-debt-to-GDP ratio dropped from 31% in 2008 to 19% in 2009.

Despite the crisis in the United States, remittances rose slightly, to US$ 1.281 billion, which helped to sustain consumption. Public sector investments were lower than initially forecast, despite higher-than-expected growth in the agricultural and infrastructure sectors.

To lessen the impact of natural disasters in 2008 (the cost of which was equivalent to 15% of GDP), the government adopted a special spending policy, which started to be rolled out at the beginning of fiscal year 2009. Nevertheless, the results indicate that the budget continues to be considerably under-executed in several key economic sectors.

In 2009, the socio-economic setting in Haiti was marked by, among other things, legislative elections in April and June and a protracted standoff among different sectors of the executive and legislative branches and other social stakeholders on the proposal to raise the daily minimum wage from 70 to 200 gourdes (US$ 2 to US$ 5). In the end, it was set at US$ 4.

In late October 2009, with the removal from office of the prime minister —following a vote of no confidence by Congress— it appeared that a new political crisis might break out. Nevertheless, unlike in 2008, when the vacuum in government lasted nearly five months, this time the new prime minister and his cabinet were ratified in just two weeks. The general policy criteria of the new authorities do not appear to herald major changes, and certain initiatives still under negotiation are expected to materialize, in particular, the extension for three more years of the Poverty Reduction and Growth Facility with the International Monetary Fund (IMF).

The primary and overall fiscal deficits (0.8% and 1.7% of GDP, respectively) were slightly up on 2008. Fiscal revenue (12.3% of GDP) remained relatively close to the targets agreed with IMF for 2009. Despite the lower import bill, real revenue grew by 14.6% thanks to growth in revenue from tariff collections (9.6%) and the implementation of stricter measures to control tax evasion. Indirect taxation collected by way of value added tax (VAT) rose by 7.3%, compared with a 49% increase in revenue from fees and permits. The impact of higher rates, especially for electric power (which doubled in price in July), and other payments and fees will likely be felt in fiscal year 2010.

Organically financed public sector investment expenditures decreased by 70%. Nevertheless, public investment programme outlays on infrastructure, agricultural projects, equipment purchases and other items were enough to push up public investment in April and end 2009 with a net increase over 2008.

Transfers to the electricity sector (composed of public and private cogeneration enterprises) stood at close to US$ 100 million, because of the purchase of hydrocarbons and payments for cogeneration services. These items accounted for nearly 40% of the central government's operating expenses.

In accordance with terms set forth in the programme agreed upon with IMF, the fiscal deficit (1.7% of GDP) was partially defrayed by the monetary authorities, who

[1] This study refers to fiscal year 2009 (October 2008 to September 2009); however, in some cases, in order to facilitate comparison with other regional data, the reported statistics correspond to the calendar year.

sterilized the increased liquidity in the economy through net hard currency sales amounting to US$ 66 million.

It is estimated that GDP will grow by 2% in 2010, driven by more expansionary public spending aimed at stimulating the economy, as well as the electoral calendar —with legislative elections scheduled for the beginning of the year and the presidential election for year-end.

The monetary base expanded by 14%. From May 2009 onwards, the central bank began lowering its benchmark rate (from 7% to 3.9% overall), which represented a loosening of its monetary policy stance. Bank interest rates also fell, although less sharply. In the last two quarters real deposit rates increased for the first time in three years, by 2% and 5%, respectively, as a consequence of deflation. Meanwhile, lending rates rose to more than 20%, which explains why the upturn in private credit was a modest 6.1% even though overall lending was up by 16.6% on the back of the 33.9% rise in the public component.

The gourde depreciated 6.3% in nominal terms. In real terms, however, the depreciation was only 2.5%, owing to the central bank's multiple interventions sustained by international reserves, which stood at to US$ 314 million —up US$ 19 million from the close of 2008. Demand for foreign currency for payment of external suppliers and for debt servicing was lower than in 2008. Nevertheless, the reduction in remittances and foreign assistance inflows may also have had a hand in the change of direction in the real exchange rate.

GDP growth gained strength in 2009 (2%), thanks mainly to the strong performance of agriculture and growth in several other sectors, including the maquila industry, electric power (with a sharp rise in generation as three new thermal power plants came on stream), construction and commerce.

In 2009, the average annual inflation rate, at 3.4%, was far below the 14.4% rate recorded in 2008, due to the sharp fall in international food and hydrocarbon prices. Year-on-year variations at the end of the fiscal year (September 2009), both of the general index, which declined by 4.9%, and of the food index, which was down 9.9%, reflect this deflation.

For fiscal year 2010, the new daily minimum wage was set at 150 gourdes (approximately US$ 4). Fluctuations in employment levels were associated with temporary hirings (for public works and sanitation) in the framework of the emergency programme approved in the wake of the disasters in 2008.

The current account deficit narrowed from 4.6% of GDP in 2008 to 1.0% in 2009. Exports increased by 12%, mainly because of a 16% jump in those of the maquila sector, while imports fell by 8%. Import volumes rose for some products, however, especially hydrocarbons (12%). The terms of trade improved significantly, in part owing to the higher value of exports but especially thanks to a considerably smaller import bill. The capital account showed extraordinary inflows stemming from the debt forgiveness programme, while FDI flows rose by 24% from 2008, to US$ 37 million, and could rise even further if certain recent initiatives materialize.

HAITI: MAIN ECONOMIC INDICATORS

	2007	2008	2009 [a]
	Annual percentage growth rates		
Gross domestic product	3.4	1.3	2.0
Per capita gross domestic product	1.7	-0.4	0.3
Consumer prices	10.0	10.1	-3.5 [b]
Real minimun wage	-7.8	-12.9	28.0
Money (M1)	12.7	17.9	15.1 [c]
Terms of trade	-2.8	-28.1	30.8
	Annual average percentages		
Central government overall balance/GDP [d]	-1.6	-1.2	-1.7
Nominal deposit rate [e]	5.2	2.4	1.7 [f]
Nominal lending rate [g]	31.2	23.3	21.7 [f]
	Millions of dollars		
Exports of goods and services	779	833	896
Imports of goods and services	2 292	2 891	2 764
Current account balance	7	- 277	- 68
Capital and financial account balance [h]	148	374	64
Overall balance	154	98	- 4

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Preliminary estimates.
[b] Twelve-month variation to October 2009.
[c] Twelve-month variation to September 2009.
[d] Fiscal year.
[e] Average of minimum and maximum rates on time deposits.
[f] Average from January to October, annualized.
[g] Average of minimum and maximum lending rates.
[h] Includes errors and omissions.