

Haiti

ECLAC estimates that the Haitian economy shrank by 0.7% in 2019, following a 1.5% expansion in the previous year. This performance fell short of the positive expectations of the start of the year and was the first contraction in almost a decade (the last one (-5%) followed the 2010 earthquake). The main macroeconomic indicators performed similarly, with persistently high inflation (20% year-on-year as of September), a worsening fiscal deficit (nearly 7% of GDP) and a sharp depreciation of the gourde (-34%). The current account deficit narrowed significantly (from -3.9% to -1.2% of GDP) thanks partly to increased exports of goods and remittances, but mainly owing to a reduction in imports.

These adverse results were associated with prolonged political and economic uncertainty dating back to July 2018, which in February 2019 again forced the resignation of the Prime Minister. The process of ratifying a new incumbent is still ongoing. This unpropitious environment worsened during September and October, and was compounded by a severe fuel shortage. In October economic, financial and educational activities ground to a virtual halt, as also did public administration to a large extent. This situation of uncertainty still persists, with various sectors of the political and legislative opposition, as well as civil society, openly displaying their discontent.

In 2019, total revenue is estimated to have decreased by 18% in real terms, owing to reductions in tax receipts, both direct (-20%) and indirect (-14%), compounded by a contraction in tariff revenues (25%). Revenues suffered both from the impact of the unstable environment and from the slowdown in economic activity generally. In the capital city, tax and customs offices were unable to fulfil their daily activities for several weeks. Total central government expenditure was reduced by 18% in real terms as a result of a contraction of current expenditure (12%), but mostly a sharp drop in public investment (72%) financed with resources from the public treasury. The overall central government deficit was financed largely by net central bank contributions equivalent to 1.3% of GDP (3.9% in 2018), as public spending was kept broadly in line with available revenues during part of the fiscal year, as agreed between the Ministry of Economy and the central bank in February 2019. At the fiscal year-end in September, there was an upturn in monetary financing, estimated at 9.738 billion gourdes, almost double the amount for August. Haiti's external public debt totalled US\$ 2.1 billion (24% of GDP), virtually unchanged from 2018. New disbursements amounted to just US\$ 3.7 million, far less than the amount of debt service itself (US\$ 21 million). The Bolivarian Republic of Venezuela is Haiti's main creditor, in the framework of the debts contracted under the Petrocaribe programme.

The benchmark interest rate (on 91-day central bank bonds) remained unchanged at 12% until May 2019; but, in June, the central bank tightened its stance and raised the rate to 22% in order to curb inflation and restrain the depreciation of the gourde against the dollar. Then in November it lowered the rate once more to 15%. As of July, net domestic credit had grown by 29% year-on-year in nominal terms, with increases of 22% in private credit and 54% in lending to the public sector. Average annual interest rates on deposits (5.8%) and on loans (18.1%) were similar to those of 2018, although the latter rose to 22% during the fourth quarter. The non-performing loan ratio rose to 7% (compared to 2% in 2018), reflecting a further deterioration in the banking system's credit portfolio.

At the fiscal year-end in September the gourde had depreciated by 34% year-on-year, for an average monthly depreciation of 2.5%, with peaks in February (5.2%) and June (4.7%), followed by a slower pace in the fourth quarter (0.2%). The central bank made net foreign exchange sales totalling US\$ 163 million (compared to US\$ 82 million in 2018), thereby contributing to a US\$ 31 million

reduction in net international reserves, which at end-September stood at US\$ 742 million (compared to US\$ 774 million a year earlier). This moderate reduction in reserves takes account of US\$ 139 million received in grants, mainly from the Inter-American Development Bank (IDB) (46%) and the World Bank (39%).

Goods imports decreased by 3%, while exports increased by 15%. The growth of remittances (US\$ 3.3 billion) weakened (7%) relative to 2018 (19%). The drop in imports was mainly due to a reduction in overall demand in the economy and lower international prices for key products, such as oil (10%). The trade deficit (US\$ 3.124 billion) was 8% smaller than in 2018. The upturn in exports originated mainly in garment maquila enterprises, which grew by 15% in value and by 23% in volume terms. In contrast, certain representative local products, such as essential oils, declined by more than 30%.

The economic activity indicator (ICAE) reported a 0.2% contraction in the third quarter of the fiscal year (April-June 2019), driven by the primary (-1.7%) and secondary sector (-0.5%). This trend is expected to have intensified in the fourth quarter, accompanied by a clear deterioration in the service sectors. Conditions for agriculture worsened in the wake of the drought in the first half of the year, resulting in a 12% reduction in output.

Year-on-year inflation to December 2019 is forecast to be over 20%, associated not only with the pass-through of the currency depreciation, but also with recurrent shortages in the domestic supply of agricultural products.

In November, the authorities enacted minimum wage increases, which will have their impact in the current fiscal year (2019/20), which began in October. A 19% increase was awarded in the maquila industry (from 420 gourdes to 500 gourdes per day's work). Given the depreciation, however, the adjustments mean a 6% reduction when expressed in dollars (US\$ 5.70 and US\$ 5.37, respectively).

Employment in the maquila export industry increased by 10.6% (from 51,669 in August 2018 to 57,153 a year later), although this will probably be an exception. For the other sectors of activity, the figures for employment, wages and profits are expected to be mainly negative and will affect sectors such as tourism (a 42% reduction in the total number of visitors to the country), other formal service activities (wholesale and retail trade, transport and others) and informal activities.

ECLAC's economic outlook for Haiti in 2020 (expected growth of 0.3%) will depend on the outcome of the current sociopolitical uncertainty, and the implementation of the new programmes to obtain financial resources that the Haitian authorities succeeded in establishing with international bilateral and multilateral agencies. The worsening of food insecurity in 2019—nearly a third of the population (3.7 million people) needs urgent food aid—is a major public policy challenge, alongside other pending structural issues, both economic and social.

Haiti: main economic indicators, 2017-2019

	2017	2018	2019 ^a
	Annual growth rate		
Gross domestic product	1,2	1,5	-0,7
Per capita gross domestic product	-0,1	0,2	-1,9
Consumer prices	13,3	16,5	19,5 ^b
Money (M1)	16,6	22,3	12,8 ^b
Terms of trade ^c	0,6	-4,7	-1,0
	Annual average percentage		
Central government			
Overall balance / GDP	0,4	-2,7	...
Nominal deposit rate ^d	4,5	4,9	6,0 ^e
Nominal lending rate ^f	18,0	17,7	18,3 ^e
	Millions of dollars		
Exports of goods and services	1 558	1 780	1 691
Imports of goods and services	4 690	5 672	5 354
Current account balance	-246	-373	-102
Capital and financial balance ^g	273	322	-73
Overall balance	27	-51	-175

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

a/ Estimates.

b/ Figures as of August.

c/ Economic Development Division, calculations for Preliminary Overview 2019.

d/ Average of highest and lowest deposit rates.

e/ Figures as of September.

f/ Average of highest and lowest lending rates.

g/ Includes errors and omissions.