Haiti

The Economic Commission for Latin America and the Caribbean (ECLAC) estimates that the Haitian economy will have contracted by 1.3% in 2021. If this projection proves to be accurate, the country's GDP will have shrunk for the third year in a row (it declined by 1.7% in 2019 and by 3.3% in 2020).[1] The 2021 downturn is partly a reflection of the fallout from the coronavirus disease (COVID-19) pandemic, with the country being hit by another wave in May and June 2021, but the main cause has been the protracted period of social and political instability in the country (including the assassination of the President in July 2021) and increasingly insecure and unsafe conditions generally. The economic situation has also been exacerbated by the devastation caused by the earthquake that jolted three departments in southern Haiti on 14 August 2021, with nearly 2,300 deaths and damage amounting to the equivalent of 10.9% of the country's GDP in 2020.

The fiscal deficit shrank from 7.8% of GDP in 2020 to 3.6% in 2021, mainly because of the reduction of government subsidies. A surplus equivalent to 2% of GDP is projected for the current account, although this is a lower figure than was posted in 2020 (3.4%). An upswing in imports (22%) was partially offset by higher remittances (23%). During fiscal 2021, inflation continued to be a factor, reaching a year-on-year rate up to September of 13.1% and an annual average rate of 16%. This was an improvement over the corresponding rates for 2020 (25.2% and 22.9%, respectively), however, thanks to the combined impact of a slower depreciation of Haiti's currency, the statistical base effect and a return to a more normal situation in terms of the supply of import goods.

Fiscal revenues represented 5.6% of GDP in 2021, which was just slightly lower than the result for 2020 (6%). Total receipts slipped by 4.5% in real terms as a consequence of declines in revenues from direct taxes (-29.7%) indirect taxes (-25.5%) and tariffs (-7.7%) despite the increase in imports, which account for nearly one fourth, on average, of tax revenues.

Total central government expenditure was down by 14% in real terms, falling from 8.5% of GDP in 2020 to 7.2% in 2021. Current expenditure (6.5% of GDP) —including subsidies for the partly State-owned L'Électricité d'Haïti (EDH)— was 11.2% lower in real terms. Investment was also sharply lower (-38%) as extraordinary pandemic-related expenditures, which had been classified as investment, were discontinued.

The 2021 fiscal deficit was primarily covered by net financing in the amount of 49.233 billion gourdes (the equivalent of 2.9% of GDP) from the country's central bank ——the Banque de la République d'Haïti (BRH)— which was far more than had been agreed upon in November 2020 between the Ministry of Economic and Financial Affairs and BRH for the fiscal year. Furthermore, issues of Treasury bills equivalent to 7.2% of GDP were more than double the amount issued in 2020. In addition to the measures adopted in 2020 to cope with the economic crisis triggered by the pandemic, in August

[1] The period covered by this analysis is the 2021 fiscal year, which runs from October 2020 to September 2021. In order to facilitate comparisons with other regional data, however, in some cases the statistics mentioned in this section may be for the 2021 calendar year (January–December) or to portions thereof (e.g. quarterly series). Specific references to the period concerned will be made in such cases.

2021 BRH extended the moratorium on repayments on the principal of loans classified as "current" to January 2022.

The year-on-year variation in the monetary base at the close of the fiscal year amounted to 34%, while, in nominal terms, lending to the public sector was up by 44.5% versus an increase of just 10.5% in lending to the private sector. At the end of fiscal 2021, the year-on-year depreciation of the gourde against the United States dollar came to 12% in nominal terms (the rate went from 86.8 to 97.4 gourdes to the dollar), while activity on the parallel (informal) exchange market increased. Nonetheless, the real annual average rate still denoted an appreciation of 27%.

Direct interventions by the central bank in the exchange market in fiscal 2021 (purchases and sales of foreign exchange totalling US$ 727 million and US$ 610 million, respectively) yielded net gains of US$ 117 million, as compared to the loss of US$ 94 million sustained in 2020. Net international reserves sank by US$ 287 million relative to their September 2020 level to US$ 458 million in September 2021.

Haiti: main economic indicators, 2019-2021

	2019	2020	2021 [a]
	Annual growth rate		
Gross domestic product	-1.7	-3.3	-1.3
Per capita gross domestic product	-2.9	-4.5	-2.5
Consumer prices	20.8	19.2	12.1 [b]
Money (M1)	11.3	29.6	37.2 [c]
Terms of trade	1.1	1.1	-8.9
	Porcentaje promedio anual		
Central government			
Overall balance / GDP [d]	...	...	...
Nominal deposit rate [e]	6.1	4.4	...
Nominal lending rate [f]	18.7	16.2	...
	Millones de dólares		
Exports of goods and services	1 586	1 138	1 162
Imports of goods and services	5 201	4 094	4 770
Current account balance	-123	918	753
Capital and financial balance [g]	-67	-918	...
Overall balance	-190	...	...

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
a/ Estimates.
b/ Figures as of July.
c/ Figures as of February.
d/ Fiscal years, from 1 October to 30 September.
e/ Average of highest and lowest deposit rates.
f/ Average of highest and lowest lending rates.
g/ Includes errors and omissions.

Haiti's external public debt amounted to US$ 2.258 billion (12% of GDP) as of September 2021, which was a 2.7% change from its 2020 level. Its main creditor (84% of the total) is the Bolivarian Republic of Venezuela.

New disbursements came from Taiwan Province of China (US$ 60 million in February 2021) and the International Monetary Fund (IMF), which extended a special line of credit for the equivalent of US$ 224 million in special drawing rights (SDRs) near the end of the fiscal year (September). As of August 2021, debt service payments amounted to US$ 12.7 million, and debt relief mechanisms (most of them provided by IMF) totalled US$ 14 million.

Following the pandemic-related shocks of 2020, in 2021 the external sector made somewhat of a recovery, as demonstrated by a 22% rise in imports and an 18% upturn in exports. Preliminary estimates indicate that the current account will once again show a surplus —mainly thanks to remittances amounting to nearly US$ 3.6 billion (a 23% increase, following one of 19% in 2020)— although it will be smaller than it was in 2020.

The trade deficit swelled by 23%, chiefly as a result of increases in imports and in international prices, not only of hydrocarbons (West Texas Intermediate oil was up by 38% after having fallen by 25% in 2020), but also, in contrast to the trend seen in 2020, of commodities such as rice (17%), wheat (19%) and chicken (22%), which account for a large share of total imports.

The expansion of exports (21%) was driven by the upswing in external demand for clothing and other products of maquiladora industries, which climbed by 29.2% in 2021 after plummeting by 24.8%

in 2020. Haitian export products (mangos, vetiver, alcoholic beverages, cacao and seafood) exhibited divergent trends, with external sales of mangos and vetiver up by 6% and 24%, respectively, while alcoholic beverages, cacao and seafood exports fell by 8%, 71% and 18%, respectively. The near-term expectations regarding two of these products (vetiver and cacao) may have to be revised downward owing to the impact of the August 2021 earthquake, since two of the hardest-hit departments (Sud and Grand'Anse) are the sites of a considerable portion of the harvest or, in the case of vetiver, processing capacity for these goods.

In the third quarter of the fiscal year (April–June 2021), the short-term economic activity indicator (ICAE) reflected a cumulative 0.3% decline as the net effect of a slower pace of activity in the primary and secondary sectors (-1.6% and -1.3%, respectively) and an uptick in the tertiary sector (0.4%). In annual terms, however, activity slumped in all three sectors (-4.1%, -2.4% and -2%, respectively).

Inflation had been high in 2020, but gradually slowed during fiscal 2021, as can be seen from its monthly variations (1.4%, on average, as compared to 2% in 2020). This was partly a result of the appreciation of the exchange rate (which significantly reduced the pass-through effect) and partly a consequence of the statistical base effect following the upswing observed in August, when the monthly variation was 3.3%. Another factor was the (relative) normalization of commodity supply chains for both imported and domestically produced goods up to June 2021. From that point on and throughout the rest of fiscal 2021, however, the deteriorating security situation at transit hubs in Port-au-Prince interfered with supply chains for both consumer goods and commodities, particularly hydrocarbons. Given these circumstances, inflation was expected to gradually heat up again, and a year-on-year rate of around 17% was projected for December 2021.

Employment levels in maquila industries rebounded, although a system of rotating shifts is still being used because of the pandemic. Payroll data for August 2021 puts the number of jobs at 57,124, which exceeds the pre-pandemic level of 56,051 jobs recorded in February 2020.

GDP growth for fiscal 2022 is projected at 1.4%, but this will depend on what impact the nationally and internationally funded economic and social reactivation measures introduced in the wake of the August 2021 earthquake actually have in the midst of the social and political uncertainty existing in the country. Yet another factor is the possibility of a slowdown in remittances, which would deepen the deficit on current account, spur inflationary pressures (the year-on-year rate was 19.7% in October) and heighten fiscal disequilibria, particularly in the case of electricity and hydrocarbons subsidies. The recent sharp increase (83% on average) in domestic energy prices could help to reduce that imbalance, however.