HAITI[1]

1. General trends

Haiti's GDP grew by 4.3% overall and by 3% per capita in 2013. This was attributable to growth in agriculture (4.5%) — after three successive years of contractions— construction (9.3%) and business services (4.9%). Other sectors saw less buoyant growth, notably manufacturing (2.2%) and transport and communications (3.6%) . Gross domestic investment (which expanded by 6.1%) lost none of the momentum gained in 2012, while consumption bounced back (2.8%) after two consecutive years of contraction, although it remained below the absolute levels reached in 2011. This performance is largely down to growth in remittances (10.5% in nominal terms) and private credit (11.4% in real terms).

The overall fiscal deficit stood at 3.9% of GDP, up from 2.6% in 2012, in the wake of a stagnation in income and real-terms growth of 9% in expenditure. Inflation (3.4%), meanwhile, was half as much as in 2012 (7.6%).

The current account deficit (equivalent to 6.4% of GDP) widened in respect of 2012 (5.4% of GDP). This is attributable to a fall of US$ 238 million in official grants, since both the trade balance and the income balance held stable while remittances rose.

Official GDP growth forecasts for 2014 were revised downward (from 4.5% to 3.5%) since a number of indicators were below expectations in the first half of the fiscal year. Preliminary data on the real economy, the external sector and public finances were less dynamic than had been expected; a state of affairs explained by, among other factors, the fact that the revised budget for 2014 was not approved until as recently as May 2014.

2. Economic policy

In the fourth year since its entry in force in July 2010, the Extended Credit Facility arrangement between the Haitian authorities and the international Monetary Fund (IMF) continued to provide a framework for the country's macroeconomic management. The IMF report on the seventh half-yearly review of the programme (in March 2014), deemed Haiti's macroeconomic performance to be satisfactory and approved the disbursement of a further US$ 2.5 million, bringing the total amount paid to Haiti under the programme to some US$ 61 million since 2010.

(a) Fiscal policy

In 2013 the central government fiscal deficit stood at 3.9% of GDP (on a cash basis), an increase of 1.3 percentage points on 2012 (2.6% of GDP). When calculated on an accrual basis —considering expenditure committed but not necessarily executed together with public programmes and projects

[1] This review encompasses fiscal year 2013 (from October 2012 to September 2013) and the first half of fiscal year 2014 (from October 2013 to March 2014). However, in some cases, statistics given at the end of the calendar year 2013 (December) have been used for ease of comparison with regional data.

financed with contributions from international organizations— the deficit was as much as 6.7% of GDP (up from 4.8% in 2012). The guidelines set out in both the framework agreement with the IMF and the Finance Act (budget law) guidelines were overtaken by events as they were responsible for the stagnation in income and high expenditure.

Tax receipts, as a percentage of GDP, were slightly down in 2013 (12.3%) in respect of 2012 (12.9%) as a result of the fall in direct revenues (down from 2.7% in 2012 to 2.6% in 2013), indirect revenues (from 4% to 3.9%) and tariff-based revenues (from 4.2% to 3.9%). The tax burden was reduced from 13.2% to 12.8%, despite the entry into force in 2013 of a raft of new measures aimed at boosting tax receipts. These included the introduction of two social contribution levies of 1% on the wages of private sector workers — to be paid into the Social Assistance fund (CAS) and Emergency Fund (FDU)— which had previously only applied to civil servants. This raised nearly US$ 9 million in extra income.

Total spending as a percentage of GDP rose from 15.9% to 16.6%, driven by growth in current expenditure (from 12.1% to 12.9% of GDP) and, particularly, operating expenses within current expenditure (5.8% of GDP in 2013), which grew by 1.5 percentage points. Investments to the tune of US$ 301 million (3.7% of GDP) were also made in a set of 30 projects with Treasury funds, financed to a large extent from resources from PetroCaribe.

Hydrocarbons subsidies constituted a drain of some US$ 139 million on tax revenue in 2013 (since prices had remained frozen since 2011). The national authorities, in cooperation with the World Bank, are considering phasing out subsidies by applying progressive price increases and using targeting mechanisms to mitigate the likely inflationary pressures, which would hit the most vulnerable households the hardest. However, given the potential for social unrest, and with elections in late 2014 on the horizon, it remains to be seen whether this will happen in the short term.

Subsidies of US$ 10 million per month continued to be paid to the State-owned power company Électricité d’Haïti (EDH), directly or via supply payments to three private power generation firms. In June 2013 the debts of EDH and the fact that two of these firms were in arrears sparked a legal dispute with the authorities.

The fiscal deficit was financed chiefly from the US$ 258 million in treasury bills issued over the year —about 3% of GDP— and monetary financing to the tune of almost US$ 53 million from the Bank of the Republic of Haiti (BRH).

The first half of fiscal year 2014 (from October 2013 to March 2014), saw real-term year-on-year growth in tax revenue (5.9%), thanks to increases in both direct (16%) and indirect (4.8%) taxation, which more than made up for lower tariff revenues (-3.9%). Current expenditure grew 8.3%, swelled by an increase of 16% in operating expenses, while investments using domestic resources nosedived (-55%).

The revised budget for 2014 is expected to lead to higher current expenditure —as a result of pay rises of between 30% and 60% for teachers, the police and health workers— and investments in the remaining months of the fiscal year. PetroCaribe resources were used to invest US$ 111 million in 55 projects covering various types of activities. Around a quarter of this sum (US$ 28.5 million) was earmarked for projects to combat poverty, a government priority in the past two years, as witnessed by the launch in May 2014 of the Action Plan for the Acceleration of Poverty Reduction (PAARP).

(b) Monetary policy

The central bank applied a contractionary policy in fiscal year 2013. Reserve requirement ratios were raised (to 34% and 39% on deposits in national currency and dollars, respectively) when signs of an uptick in inflation appeared in the middle of the fiscal year, thus causing both liquidity (M1) (-1%) and the monetary base (-2.5%) to contract.

Net private credit continued to bounce back (11% in real terms) albeit at a considerably lower rate than in 2012 (22%), with demand for credit in local currency growing more quickly (20% in nominal terms) than in dollars (12%), thereby reducing the dollarization ratio from 44% to 42%. Three sectors (commerce, real estate and consumer credit) continued to make up the lion's share of the loan portfolio, with respective shares of 24%, 16% and 10%.

The banking system performed well on the whole in 2013, as it had in 2012, as reflected in a return-on-equity rate of 22% and a low rate of non-performing loan ratio of 2.4%.

Monetary policy was further tightened in the first half of fiscal year 2014, as illustrated (in March 2014) by the raising of interest rates on the country's most important monetary instrument (BRH bonds) and (in April 2014) the setting of the reserve coefficient on deposits in national currency at 37%. BRH justified these measures as precautionary, in a context of heightening volatility in the exchange rate (which displayed a monthly variation of 0.6%) —in spite of slowing inflation— and vulnerability to potential internal and external shocks.

(c) Exchange-rate policy

The Haitian economy's three most important sources of foreign exchange are remittances, foreign aid and exports, the first being the most stable. Activity in 2013 followed this pattern, against a more worrying backdrop of the third consecutive year of a slump in official grants and an uptick in imports. The exchange rate reflected a 3.7% depreciation in nominal terms over the year, although in real terms the currency appreciated by 1.5%.

The monetary authority made foreign exchange market transactions adding up to net sales of US$ 119 million, while maintaining a level of net international reserves that was relatively comfortable (US$ 1.247 billion, sufficient to cover almost five months' worth of imports) despite contracting by 4.3% in respect of the previous year.

No major turbulence is expected on the foreign exchange market in fiscal year 2014 since commodity prices have remained relatively low, while debt service payments to Haiti's main creditor (the Bolivarian Republic of Venezuela), an additional source of foreign currency requirements, will most likely add up to around US$ 20 million in interest and amortization, significantly lower than levels (an average of US$ 50 million) seen before 2009, when Haiti's debts were cancelled.

3. The main variables

(a) The external sector

In 2013 the current account deficit as a share of GDP grew by 1 percentage point on 2012 to stand at 6.4%. The goods and services trade balance remained in the red (to the tune of US$ 2.884 billion) and registered little change over the year, despite rises in imports (5%) and exports (16%). Grants ($750 million) slumped by 24%, while remittances (US$ 1.781 billion) continued to trend upwards, but at a faster rate (10.5%) than in previous years.

The growth in goods exports (14%) came in addition to a rise (8%) in goods imports (unlike in 2012), driven by significant upswings in the sectors of food and hydrocarbons (of 19% and 16%, respectively).

Buoyant growth (19%) was seen in services income (principally from tourism), with visits from an estimated 442,000 tourists (up 27%), although income from services remained relatively low (US$ 652 million) in comparison with other destinations in the region.

Strong growth was posted in exports of maquila-produced garments (15%), contributing earnings in absolute terms of US$ 314 million, or more than a third of the country's exports by value. Essential oils are now the country's most important export commodity —displacing mangoes at the head of the list— with an estimated export value of US$ 16 million.

The international context of relatively stable commodities prices, with some actually reducing, was insufficient to prevent a deterioration in the terms of trade, which fell by 6.3%. Moreover Haiti's prices of core export sectors (maquila products, coffee, cocoa, mango and essential oils) saw falls of 8% on average.

The capital account ran a surplus of barely US$ 20 million, in line with the phasing out since 2011 of Haiti's debt-relief programmes, which has entailed, firstly, including the country in the heavily indebted poor countries (HIPCs) initiative and, secondly, the setting up of ad-hoc facilities by bilateral and multilateral organizations in the wake of the 2010 earthquake.

Foreign investment flows (amounting to US$ 186 million) grew by 19% in respect of 2012. While the telecommunications sector accounted for the lion's share of these funds, there was an impressive increase in hotel projects and related activities in the tourism sector. The number of projects in this sector, whether completed or ongoing (such as the plan underway to develop tourism facilities in the country's southern corridor), with the cooperation of its trading partners (the United States and Dominican Republic) and private domestic conglomerates have confirmed it as one of the pillars of the current government's plan for the economy.

As for expectations for 2014, cumulative figures for trade between Haiti and the United States —its largest trading partner— at the end of the first half of fiscal year 2014 (March) showed a reduction (-3.1%) in the volume of maquila-produced garments and a rise of just 0.9% in total exports, down from 19% in 2013. Imports grew by a mere 1.5%, and the three commodities (rice, chicken and wheat) that make up 75% of the country's food and primary goods imports saw significant falls in both value and, particularly, volume, in which terms they contracted by 5%, 13% and 54% respectively. For information, Haiti imports almost 30,000 tons of rice per month from the United States for a value equivalent to US $ 18 million.

(b) Economic activity

The sectors contributing the most to the GDP growth (of 4.3%) in 2013 were agriculture (4.5%), commerce (4.9%), construction (9.3%) and manufacturing (2.2%).

Growth in agriculture is chiefly attributable to the favourable weather conditions —the lack of major natural disasters such as hurricanes over the year— after the fall of 1.3% in activity in 2012, owing both to the droughts and cyclones suffered and to the continued use by the government and international organizations of subsidy mechanisms to prop up supply and demand for basic inputs such as fertilizers and seeds. The reports from the Ministry of Agriculture, Natural Resources and Rural Development (MARNDR), the National Food Security Coordination Body (CNSA) and regional technical organizations such as the Inter-American Institute for Cooperation on Agriculture (IICA) would appear to bear witness to these trends.

Trends in commerce mainly follow fluctuations in private consumption, over which remittance income has a major influence; remittances were up 10.5% in nominal, dollar-based terms.

Construction rallied on the back of investment of some US$ 191 million in public infrastructure projects, of which the bulk were financed with PetroCaribe resources and approved by decrees issued by the governing council, thus dispensing with the need for approval from the legislature. In the wake of the 2012 cyclones, a total of US$ 132 million was invested in emergency projects.

Growth in manufacturing was attributable to, among other factors, an expansion of 15% in the nominal value added of the maquila garments industry, as evidenced by an increase of 13% in employment in the sector.

Growth in aggregate supply and demand was accompanied by an expansion in GDP in the external sector, both in imports (3.2%) and exports (5%). The buoyant growth in gross domestic investment (6.1%) can be put down to investment in the public sector. The upturn in consumption (2.8%) —after two consecutive years of contraction— was not, however, sufficient to reach the absolute figures posted in 2011.

Official GDP growth forecasts for 2014 were revised downward in view of the less-than-satisfactory figures on public expenditure and core sectors of the real economy for the first half of the fiscal year (October-March).

The six-month delay in final approval of the revised budget (which was only forthcoming in May 2014) curtailed capital investment by the Treasury in several budget headings. Furthermore, ongoing tensions between the executive branch and congress concerning the elections gave rise to political instability.

Forecasts for 2014 expect growth in agriculture, although of a lower order of magnitude than in 2013. Activity in construction in the first half of 2014 (8.3%) was less buoyant than in the same period in 2013 (10%), while the maquila garment industry saw a contraction in export volume (-3.1%). The industrial output index was up by 7.7%, despite a marked fall (-3.2%) in power generation. The electricity sector has been mired in crisis since June 2013, with three private operators supplying EDH suspending services from June 2013 to as late as February 2014, when an agreement was signed between the parties leading to the partial expunging of debts incurred by EDH (amounting to almost US$ 60 million) and two operators for failure to repay loans used to purchase hydrocarbons.

(c) Prices, wages and employment

Year-on-year inflation figures to December 2013 (3.4%) were significantly better than at the end of 2012 (7.6%), thanks in part to policy measures put in place to put a break on inflationary pressures, such as the provision (from March 2013) of subsidized staple products such as rice to drive prices down and controls on exchange-rate depreciation, together with lower volatility in international prices.

Figures for the first half of fiscal year 2014 showed a rise in inflation (3.2%) in line with the requirements of the IMF programme and a slump in the international price of Haiti's staple products, such as rice (-24%), cooking oil (-19%) and wheat (-7%). In respect of oil and gas, although prices in international markets were up by 8%, government subsidies meant that these rises were not wholly passed on directly to the consumer.

The benchmark minimum wage for 2013 (of 200 gourdes per day) came into effect in October 2012, leading to an uptick of 25% in real wages. The public-sector wage bill also grew in real terms (by 5%), but this may not have been caused by individual pay rises for civil servants since staff numbers swelled by 6%.

In fiscal year 2014, the minimum wage was raised to 225 gourdes per day in January 2014, a 10% increase in real terms on 2013. The attendant adjustment of the salaries of teaching and administrative staff (representing almost 28 000 jobs) in the health and security sectors could also lead to a relative rise in their respective incomes.

Table 1
HAITI: MAIN ECONOMIC INDICATORS

	2005	2006	2007	2008	2009	2010	2011	2012	2013 a/
	Annual growth rates b/								
Gross domestic product	1.8	2.3	3.3	0.8	3.1	-5.5	5.5	2.9	4.3
Per capita gross domestic product	0.4	0.9	2.0	-0.4	1.8	-6.7	4.2	1.6	3.0
Gross domestic product, by type of expenditure									
Final consumption expenditure	5.8	1.2	2.2	1.7	1.7	13.8	-2.8	-5.2	2.8
Gross capital formation	1.4	2.2	3.1	2.8	3.6	-6.5	9.6	6.2	6.1
Exports (goods and services)	0.0	7.2	-2.9	13.6	22.2	5.1	20.3	2.1	5.0
Imports (goods and services)	6.6	1.9	0.5	5.3	5.8	20.7	0.1	-5.7	3.2
Investment and saving c/	**Percentajes of GDP**								
Gross capital formation	27.4	29.3	30.5	28.8	2.8	25.4	27.9	29.5	30.0
National saving	27.6	27.6	29.0	25.6	0.9	23.9	23.5	24.0	23.6
External saving	-0.2	1.7	1.4	3.2	1.9	1.5	4.3	5.6	6.5
Balance of payments	**Millions of dollars**								
Current account balance	7	-85	-86	-205	-122	-102	-323	-434	-544
Goods balance	-849	-1,053	-1,182	-1,618	-1,481	-2,447	-2,546	-2,304	-2,446
Exports, f.o.b.	460	495	522	490	551	563	768	776	884
Imports, f.o.b.	1,309	1,548	1,704	2,108	2,032	3,010	3,314	3,079	3,329
Services trade balance	-399	-399	-423	-319	-289	-824	-575	-567	-438
Income balance	-35	7	2	6	13	22	41	68	57
Net current transfers	1,290	1,361	1,517	1,726	1,635	3,147	2,757	2,368	2,283
Capital and financial balance d/	27	179	284	295	273	845	509	687	158
Net foreign direct investment	26	161	75	30	55	178	119	156	186
Other capital movements	1	18	209	265	217	667	390	531	-28
Overall balance	34	94	198	90	150	743	186	252	-385
Variation in reserve assets e/	-22	-109	-208	-163	-240	-845	-209	-285	-32
Other financing	-12	15	10	73	89	102	23	32	418
Other external-sector indicators									
Terms of trade for goods (index: 2005=100)	100.0	96.2	93.5	67.2	87.0	84.1	69.8	72.3	67.8
Net resource transfer (millions of dollars)	-20	201	296	374	375	969	573	787	633
Gross external public debt (millions of dollars)	1,335	1,484	1,628	1,917	1,272	734	562	980	1,248

Table 1 (concluded)

	2005	2006	2007	2008	2009	2010	2011	2012	2013 a/
Prices	**Annual percentages**								
Variation in consumer prices									
(December-December)	15.3	10.3	10.0	10.1	2.0	6.2	8.3	7.6	3.4
Variation in nominal exchange rate									
(annual average)	9.3	0.3	-7.2	6.3	2.1	-0.2	1.3	3.3	3.1
Variation in minimum urban wage	-13.2	-11.8	-7.8	-12.9	28.0	58.0	-7.7	1.7	25.0
Nominal deposit rate f/	3.5	6.0	5.2	2.4	1.7	0.9	0.4	0.5	0.7
Nominal lending rate g/	27.1	29.5	31.2	23.3	21.6	20.7	19.8	19.4	18.9
Central government	**Percentajes of GDP**								
Total revenue	10.9	10.7	11.3	10.8	12.0	15.5	14.4	15.6	15.4
Tax revenue	9.7	10.4	10.8	10.6	11.7	11.8	12.9	13.9	13.6
Total expenditure	11.5	10.8	12.9	12.1	13.3	14.2	12.3	16.4	16.4
Current expenditure	10.2	9.8	10.2	9.7	11.1	10.6	10.0	11.2	11.3
Interest	1.0	1.2	0.3	0.3	0.5	0.5	0.4	0.4	0.3
Capital expenditure	1.2	0.9	2.7	2.4	2.2	3.6	2.3	5.2	5.1
Primary balance	0.4	1.2	-1.3	-1.0	-0.7	1.8	2.5	-0.5	-0.7
Overall balance	-0.5	0.0	-1.6	-1.3	-1.3	1.3	2.1	-0.8	-1.0
Central government public debt	44.1	36.2	33.6	42.3	34.3	22.8	23.9	28.0	30.2
Domestic	13.5	10.7	8.9	13.7	14.5	17.6	14.1	13.5	12.5
External	30.6	25.5	24.7	28.5	19.8	5.3	9.8	14.5	17.7
Money and credit	**Percentages of GDP, end-of-year stocks**								
Domestic credit	28.6	24.3	22.3	21.4	20.0	14.7	12.3	15.4	21.7
To the public sector	12.8	9.8	8.1	6.6	3.6	-1.1	-5.2	-5.5	0.3
To the private sector	15.7	14.4	14.2	14.9	16.4	15.7	17.5	20.8	21.4
Monetary base	21.1	20.4	20.3	21.0	22.1	31.9	29.9	30.5	26.4
Money (M1)	12.2	10.7	10.8	11.2	11.1	15.1	14.1	14.8	13.9
M2	24.1	22.6	21.4	21.4	20.9	26.2	24.0	24.4	23.3
Foreign-currency deposits	18.0	15.9	15.8	16.7	18.1	23.2	22.3	21.8	21.1

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

	2012				2013				2014	
	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)	1,329	1,334	1,411	1,370	1,304	1,272	1,583	1,734	1,329	…
Consumer prices										
(12-month percentage variation)	6.7	5.2	6.0	7.3	7.4	7.0	5.4	3.7	3.3	3.2 b/
Average nominal exchange rate										
(gourdes per dollar)	40.59	41.75	42.06	42.15	42.39	42.51	43.75	43.00	42.63	45.24
Nominal interest rates (annualized percentages)										
Deposit rate c/	0.4	0.5	0.7	0.3	0.3	1.7	0.7	0.3	0.5	…
Lending rate e/	19.9	19.8	19.1	18.8	18.5	19.7	18.8	18.5	18.5	18.9 d/
Monetary policy rates	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	5.0 b/
Domestic credit (variation from same										
quarter of preceding year)	-3.8	-0.6	14.8	35.1	76.8	78.1	75.0	55.5	32.0	… d/
Non-performing loans as										
a percentage of total credit	3.6	3.2	2.4	2.4	2.6	3.0	2.4	4.3	…	…

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
a/ Preliminary figures.
b/ Figures as of May.
c/ Average of minimum and maximum rates on time deposits.
d/ Figures as of April.
e/ Average of minimum and maximum lending rates.

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