HAITI

1. General trends

The Haitian economy suffered a contraction of 1.8% in 2021, which meant a three-year run of recession following negative performances in 2019 and 2020 (1.7% and 3.3%, respectively).1 The 2021 contraction was due mainly to internal sociopolitical instability (in particular, the assassination of President Jovenel Moïse in July 2021), rising insecurity and the devastating effects of the August 2021 earthquake on three departments in the south of the country.

Inflation slowed in 2021 (13% year-on-year as of September and an annual average rate of 16%) compared to 2020 (when the corresponding figures were, respectively, 25.2% and 22.9%), thanks to the combined effects of an appreciation in the real exchange rate (28%), a baseline effect and a return to normal conditions in the supply of imported goods. The fiscal deficit (cash basis) fell from 6.1% to 3.3% of GDP, as a result of a sharp contraction in public investment. The current account surplus (0.5% of GDP) was lower than the 2020 result (1.1%), reflecting increased imports (27%) that were partially offset by a rise in remittance flows (21%, compared to 14% in 2020).

The Ministry of Economy and Finance's forecasts for fiscal year 2022 point to a further drop in GDP (0.4%). This coincides with the estimates of the Economic Commission for Latin America and the Caribbean (ECLAC), indicating that Haiti's GDP could contract again by that amount as a result of the complex international economic situation, Haiti's own internal context —which is showing little sign of a sociopolitical settlement— the worsening of security conditions, low expectations among the main private economic agents and an almost total freeze on public investment (which posted a nominal year-on-year drop of 80% in June 2022). At the close of the first half of fiscal year 2022 (October to March), the main macroeconomic variables were following similar (or more severe) trends to those observed in 2021: rising fiscal and current account deficits, accelerating inflation and national currency depreciation.

2. Economic policy

During fiscal year 2021, the main economic policy actions were intended to mitigate the effects of the pandemic. In June 2021, the special social programmes (cash transfers and food baskets) introduced in response to the coronavirus disease (COVID-19) pandemic were terminated. As for the 2022 budget guidelines (decree published in May 2022), the adjustments to fuel prices in December 2021 (which saw average increases of 83%) led to a significant reduction in subsidies and led to short- and medium-term reorientations of spending. Public interventions sought a gradual economic recovery, the implementation of social support and protection programmes worth 3 billion gourdes (US$ 27 million) in the remaining months of the fiscal year and, finally, the implementation of a Comprehensive Recovery Plan for the Southern Peninsula (PRIPS), entailing a public treasury investment of 10 billion gourdes (US$ 92 million) over the next four years.

[1] The period under review is fiscal year 2021, which runs from October 2020 to September 2021, and the first half of fiscal year 2022, from October 2021 to March 2022. However, in order to facilitate regional data comparisons, on some occasions the statistics given may correspond to the calendar year (January–December) or to intervals thereof, such as quarterly series. In such cases, this is specifically indicated.

Negotiations with the International Monetary Fund (IMF) resumed in March 2022 under a new Fund-supervised arrangement (Staff Monitored Programme); they concluded on 17 June 2022 with the approval of the programme for a period through May 2023.

a) Fiscal policy

In 2021, Haiti's fiscal policy stance was contractionary. The tax burden fell to 5.7% of GDP (from 6% in 2020), while total spending also decreased (9% of GDP, compared to 12.2% in 2020). However, the 10.8% nominal increase in tax revenues amounted to a real-term drop of 2%. Contributing to these results was the adverse performance of direct, indirect and tariff revenues, which fell in real terms by 28%, 19% and 5%, respectively. The decline in the first two was on account of reduced economic activity, while the reduction in tariff revenues reflected bottlenecks in customs services (despite the increase in imports) caused by management problems and insecurity.

The reduction in total expenditure (12% in real terms) was the result of the negative evolution, in real terms, of current spending (-9%), subsidies (-43%) and investments (-36%), as well as of a base effect caused by the classification of the government's pandemic response measures as investments.

The fiscal deficit was covered mainly by the central bank (Banque de la République d'Haïti), with monetary financing of 49,233 million gourdes, equivalent to 2.9% of GDP, and a net issuance (discounting payments) of Treasury bonds equal to 0.3% of GDP. Total public debt (domestic and external) amounted to 25% of GDP. While domestic debt reported a slight variation of 3% in 2021, its service (sum of amortizations and interest payments) represented 8.4% of GDP. External public debt (US$ 2.258 billion, equal to 13% of GDP) recorded a moderate increase of 1.6% over 2020, and its service payments amounted to US$ 13.5 million; the main creditor (82%) is the Bolivarian Republic of Venezuela under the Petrocaribe programme, which has been suspended since 2018.

In the first half of fiscal year 2022 (October to March), trends in public finances were similar to those observed in 2021. Total revenue contracted by 9% year-on-year in real terms, as a result of the negative results in direct taxation (5.3%), indirect taxation (6.5%) and tariff revenues (19.2%). This last indicator is noteworthy, since goods imports grew by 22% in nominal terms.

Total expenditure fell by 34.6% in real terms, due to the decrease in current spending (30.4%) and the sharp drop in public investment (78%). While subsidies (mainly on hydrocarbons and for the parastate electricity company EDH) again posted a significant year-on-year reduction (58%) following the 83% average increase in fuel prices in December 2021, this trend appears to have been checked as of February 2022 on account of rising international oil prices (caused by the conflict between Ukraine and the Russian Federation) and the limited manoeuvring space for Treasury authorities to apply a new internal adjustment (sociopolitical conditions).

The central bank's monetary financing, with an accumulated total of 21.449 billion gourdes at the end of the first half of the fiscal year, already represented 46% of the budgeted ceiling for the entire year, despite a year-on-year reduction of 44% in nominal terms. Together with government securities (worth a total of 4.475 billion gourdes), it will serve to offset the budget deficit. It should be noted that accounts receivable (arrears in payments to domestic and foreign suppliers of goods and services to agencies of the public administration) are not included. It is unlikely that new foreign aid flows (non-earmarked budgetary aid) will be secured in the remainder of the year, although in 2021 and 2022 various international organizations (including the World Bank and the Inter-American Development Bank) provided interventions in the form of project aid, through grants based on fresh resources or reallocations that do not pass through the central public treasury.

b) Monetary policy

In 2021, the monetary authority (central bank) continued to pursue containment of exchange-rate volatility and inflationary pressures. To achieve this, as in 2020, it intervened in the foreign-exchange market, central bank bonds and legal reserve requirements (40% and 51% on liabilities in gourdes and dollars, respectively). As noted above, however, during fiscal year 2021 there was a simultaneous and significant increase in monetary financing.

The year-on-year variation in the monetary base at the close of the fiscal year amounted to 34%, while public sector lending was up by 44.5% in nominal terms compared an increase of just 10.5% in lending to the private sector.

At the close of fiscal year 2021, the gourde posted a nominal year-on-year depreciation (September to September) of 12% against the dollar (from 86.8 to 97.4 gourdes), in a context of growth in the parallel market, where the prices offered were between 15% and 20% higher than the official exchange rate. However, there was a real-term appreciation of 28% in the annual average. This trend was then reversed in fiscal year 2022: in June, year-on-year depreciations in nominal and real terms of 23.5% and 17.3%, respectively, were recorded.

Compared to fiscal year 2020, the economy's dollarization indicators (the ratio of dollar deposits to the broad money supply, M3) increased by eight percentage points (from 44% to 52%) while total deposits rose from 57% to 64%. Both changes were the result of the climate of uncertainty and negative prospects in the foreign-exchange market.

The benchmark nominal bank interest rate was lowered from 15% to 10% in March 2020 and remained at that level.

Various economic agents have questioned the currency-exchange restrictions imposed by the central bank in June 2020. Circular 114-2 requires that remittances be paid in gourdes at the official exchange rate —except for direct transfers in foreign currency to account holders— and that 30% of the foreign currency received be surrendered to the central bank. These regulatory mechanisms on remittance market transactions (the economy's main source of foreign exchange) have given rise to various evasion strategies in the acquisition and sale of foreign currencies among the main players (wholesale transactions).

During fiscal year 2021, the central bank spent a net total of US$ 117 million on direct interventions in the foreign-exchange market. Net international reserves fell by US$ 235 million from their September 2020 levels to stand at to US$ 478 million in September 2021. The country's gross reserves (US$ 1.328 billion) are equivalent to three months' imports.

Monetary policy remained unchanged in the first half of fiscal year 2022. By March, there had been a 25% increase in the monetary base, accompanied by central bank interventions in the foreign-exchange market for a cumulative total of US$ 18 million, compared to US$ 63 million in the year-earlier period. There was a gradual depreciation of the nominal exchange rate —by a monthly average of 1.3%, compared to 4.9% in 2021— in a context of remittance flows that continued to rise, albeit less strongly. Net foreign reserves as of March 2022 stood at US$ 534 million.

3. The main variables

a) The external sector

There was a rebound in foreign trade of goods and services in 2021, with increases in both imports (24.2%) and exports (23.8%), against contractions of 17% and 26%, respectively, in 2020. The current account recorded a surplus of US$ 98 million (0.5% of GDP), which was lower than the 2020 result (US$ 158 million, or 1.1% of GDP). After a 14% increase in 2020, remittance inflows rose by 21% to US$ 4.2 billion, partially offsetting the increase in imports.

The trade deficit in goods grew by 24% as a result of the rebound in imports and in international hydrocarbon prices (West Texas Intermediate (WTI) oil rose by 38% after a 25% drop in 2020) and prices for basic foodstuffs such as rice (17%), wheat (19%) and chicken (22%).

The export performance is explained by the recovery of external demand, especially from the United States, which drove 29.2% growth in the apparel sector and other maquiladora industries in 2021, after a 24.8% drop in 2020. With the exception of essential oils (exports of vetiver increased by 4%, mainly destined for the European market), the other primary export products recorded either modest upticks, such as seafood (0.6%), or sharp declines, such as cocoa and mangoes (48% and 38%, respectively). In contrast to 2020, the terms of trade suffered a fall of between 8% and 14% in 2021, depending on whether the price indicators reported by domestic sources (the central bank) or the average evolution of WTI on the international market are used.

Statistics for the first half of fiscal year 2022 (October to March) indicated a 15% year-on-year increase in the value of goods exports and an 8% drop in imports. Imports are expected to experience a considerable rebound in the remaining months of the fiscal year, due to rising international oil prices. This trend was already in evidence in April 2022, when the value of Haiti’s hydrocarbon imports increased by 37%, while the volume decreased by 16%.

Monthly remittance flows averaged close to US$ 300 million, but the year-on-year change (October to March) over 2021 indicates a slight degree of stagnation (-0.4%). In a context of uncertainty regarding the performance of the United States economy, coupled with the end of the various special programmes providing households there with government subsidies to help cope with the COVID-19 pandemic, it is likely that in 2022 the flow of remittances will slacken. The outlook for foreign direct investment (FDI) in 2022 remains unfavourable. The amounts received in 2021 (US$ 51 million) were higher than those recorded in 2020 (US$ 25 million), but there is a structural drag due, among other factors, to the recurring instability in the country.

b) Economic activity

According to estimates by the Haitian Institute of Statistics and Information Sciences (IHSI), the third consecutive year of falling GDP in 2021 was due to the slowdowns observed in all sectors of activity: 4.1% in the primary sector (its worst performance in a decade), 2.4% in the secondary sector and 2% in the tertiary sector.

The contraction in the agricultural sector is due to declining production of cereals such as corn and sorghum, which fell by an average of 12.9%. Although climatic factors (lower rainfall) played a role, the drop was mainly due to restrictions in the distribution chain to the main centre of demand (Port-au-Prince and the metropolitan area), the reduction in public investment in maintenance works and difficulties in input supply chains (fertilizers). The sector's negative performance has serious implications for food security, given that according to figures from the National Food Security Coordination Office (CNSA), nearly 46% of the population is in a situation of food emergency.

Sociopolitical unrest and insecurity continue to negatively affect the Haitian economy across the board. In the manufacturing sector, with the exception of export-oriented textile maquiladoras, activities were affected by this general instability. The construction industry shrank by 4.5% due to the slowdown or suspension of public and private projects, while the tertiary sector saw significant declines in commerce (8.1%) and in transport and storage (16.9%).

On the spending side, domestic demand fell by 0.7%, because although household consumption increased slightly (1.1%), partly due to remittance receipts, there was a sharp contraction of 22% in investment.

The most recent estimates for the real sector (according to the current economic activity index) are for the first half of the fiscal year (October to March 2022). In the months since then, signs point again to an economic contraction of slightly smaller dimensions.

c) Prices, wages and employment

Since June 2021, over the remainder of fiscal year 2021 and until the time of writing, the worsening security conditions along the key access routes into the Port-au-Prince metropolitan area have adversely affected the availability of both consumer goods and raw materials, fuel in particular. At the close of the calendar year (December 2021), the year-on-year inflation rate already stood at 24%. Marked differences can be seen in the geographical evolution of inflation in the country's different regions. Rather than problems with the local goods supply (primary products, for example), this situation seems to have been due to constrained availability caused by logistics factors (transport, storage), which is determined by the limited and insecure transit of goods to and from the capital. The latest available data, from June 2022, indicate that year-on-year inflation was 29%, with a higher rate in imports (41.7%) than in domestic goods (21.8%): that difference can be explained by rising prices in the international market for primary goods, such as oil and food.

As regards employment, there was a recovery in the maquiladora industry from its 2020 levels. According to reports from the Haiti Industries Association (ADIH), 58,461 people were working in that sector in September 2021, an increase of 6% over 2020. However, subsequent developments —which include the current fiscal year 2022— show a downward trend, despite the peak of 60,644 jobs recorded in November. This does not seem to be caused by seasonal export performance, but rather by ongoing conflicts over wage demands between trade unions and the government and employers.

After a three-year freeze (since November 2019), the minimum wage was raised in February 2022. The nominal increase for jobs in the maquiladora industry was 37% (from 500 to 685 gourdes per workday). Although in dollars terms this increase represents a 13% improvement over the 2019 rate (US$ 5.90 against US$ 6.70 a day), the inflation recorded during the period (72%) means a 20% decrease in purchasing power for workers in this particular segment. Within the framework of the 2022 budget year, the authorities recently announced increases of between 10% and 41% in public sector wages, where women account for 30% of the 107,000 employees. These adjustments are intended to reduce differentials between occupational categories and to offset the loss of purchasing power caused by inflation.

Table 1
HAITI: MAIN ECONOMIC INDICATORS

	2013	2014	2015	2016	2017	2018	2019	2020	2021 a/
	Annual growth rates b/								
Gross domestic product	4.3	1.7	2.6	1.8	2.5	1.7	-1.7	-3.3	-1.8
Per capita gross domestic product	2.8	0.3	1.2	0.5	1.2	0.4	-2.9	-4.5	-3.0
Gross domestic product, by type of expenditure									
Final consumption expenditure	5.4	0.5	5.3	5.8	4.7	4.1	-1.6	-2.9	…
Gross capital formation	-7.0	20.5	-22.0	17.2	7.9	-5.2	7.7	-20.6	…
Exports (goods and services)	16.5	4.8	6.2	1.1	-0.6	-6.5	6.8	-39.7	…
Imports (goods and services)	5.2	8.1	-1.4	21.7	10.4	3.3	4.2	-18.3	…
Investment and saving c/	**Percentages of GDP**								
Gross capital formation	17.5	16.5	14.1	16.9	20.2	18.7	20.3	17.7	…
National saving	13.7	11.5	12.2	15.2	18.1	15.7	19.1	18.7	…
External saving	3.8	5.0	1.9	1.8	2.1	3.0	1.2	-1.0	-0.5
Balance of payments	**Millions of dollars**								
Current account balance	-561	-749	-266	-238	-325	-474	-169	158	98
Goods balance	-2 426	-2 705	-2 425	-2 670	-3 152	-3 732	-3 318	-2 879	-3 474
Exports, f.o.b.	915	961	1 024	1 007	991	1 079	1 202	885	1 130
Imports, f.o.b.	3 341	3 666	3 449	3 678	4 143	4 810	4 520	3 764	4 604
Services trade balance	-450	-384	-318	-88	-114	-113	-110	-313	-496
Income balance	32	49	41	48	59	50	50	29	23
Net current transfers	2 283	2 291	2 437	2 472	2 883	3 321	3 210	3 321	4 044
Capital and financial balance d/	571	662	42	287	349	428	-35	-22	-330
Net foreign direct investment	162	99	106	105	375	105	75	25	51
Other capital movements	409	563	-63	182	-26	323	-110	-47	-381
Overall balance	10	-87	-223	49	24	-46	-204	…	-232
Variation in reserve assets e/	-32	80	141	-109	-202	-38	123	…	-91
Other financing	23	7	82	61	178	84	81	…	323
Other external-sector indicators									
Terms of trade for goods (index: 2010=100)	93.3	96.1	101.2	99.9	101.4	100.0	101.1	102.2	93.1
Net resource transfer (millions of dollars)	625	718	165	395	585	563	96	220	17
Gross external public debt (millions of dollars)	1 478	1 833	1 985	2 013	2 133	2 125	2 104	…	…
Prices	**Annual percentages**								
Variation in consumer prices (December-December)	3.4	6.4	12.5	14.3	13.3	16.5	20.8	19.2	24.6
Variation in nominal exchange rate (annual average)	3.1	5.0	13.4	23.8	3.1	4.0	33.4	4.2	…
Nominal deposit rate f/	0.7	2.0	3.9	5.0	4.5	4.9	6.1	4.4	…
Nominal lending rate g/	18.9	18.6	18.8	19.7	18.1	17.7	18.7	16.2	…

Table 1 (concluded)

	2013	2014	2015	2016	2017	2018	2019	2020	2021 a/
Central government	**Percentages of GDP**								
Total revenue	7.5	7.6	8.1	8.2	7.7	7.7	…	…	…
Tax revenue	6.9	7.0	7.9	7.8	7.6	7.4	…	…	…
Total expenditure	8.2	7.8	7.5	7.5	7.1	8.2	…	…	…
Current expenditure	6.1	6.7	6.7	6.8	6.5	7.1	…	…	…
Interest	0.2	0.2	0.1	0.2	0.2	0.2	…	…	…
Capital expenditure	2.1	1.1	0.9	0.7	0.6	1.1	…	…	…
Primary balance	-0.6	-0.3	0.2	0.5	0.4	-1.4	…	…	…
Overall balance	-0.8	-0.5	0.1	0.4	0.2	-1.6	…	…	…
Central government public debt	17.3	20.3	23.3	23.3	38.3	39.9	47.0	…	…
Domestic	7.1	7.3	7.7	7.2	12.5	12.9	15.2	…	…
External	10.0	13.0	15.7	16.1	24.7	27.0	31.8	…	…
Money and credit	**Percentages of GDP, end-of-year stocks**								
Domestic credit	12.3	14.2	15.5	14.2	14.3	16.9	18.0	19.4	20.5
To the public sector	0.2	1.3	2.6	1.3	2.5	4.3	6.3	9.5	11.1
To the private sector	12.2	12.9	12.8	12.9	11.8	12.6	11.6	9.9	9.4
Monetary base	14.9	15.0	17.3	18.0	17.4	19.0	19.3	17.6	20.0
Money (M1)	7.9	8.8	8.6	8.6	8.2	9.4	9.1	10.2	10.3
M2	13.3	14.1	14.4	14.1	13.3	14.8	14.4	15.1	15.5
Foreign-currency deposits	12.0	12.1	15.7	16.4	15.3	16.1	16.6	12.5	16.5

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.