HAITI [1]

1. General trends

Haiti's GDP grew by 2.8% in 2012, falling short of the 4.5% stipulated in the macroeconomic programme; per capita output therefore rose by 1.2%. The reason was the 2.2% decline in agricultural sector activity due to adverse weather conditions, although manufacturing (up 7.1%), construction (5.3% increase) and, to a lesser extent, commercial services (up 3.7%) performed better. On the domestic demand side, a 6% increase in gross domestic investment was counterbalanced, for the second consecutive year, by a 5.7% fall in total consumption.

As a result, Haiti presented mixed macroeconomic results in 2012. The public-sector accounts yielded an overall deficit of 2.6% of GDP (against 0.1% in 2011), while private lending climbed by 21.8% in real terms. Year-on-year inflation at December 2012 (7.6%) eased in comparison with the previous year (8.3%) thanks to relatively favourable trends in international prices for both hydrocarbons (up 3%) and food (down 4.8%). The balance-of-payments current account deficit (equal to 4.5% of GDP) remained at similar levels to 2011, despite the decline in imports (down 7.5%) and the slight improvement (2.8%) in exports. The nearly US$ 460 million drop in grants was partly offset by a slight increase (US$ 60 million) in remittances.

In Haiti, the close of the first calendar quarter of 2013 (March) coincides with the close of the first half of the fiscal year. To a large extent, the forecasts and challenges for the rest of the year can be adjusted on the basis of the performance of the economy up to then. Initial expectations of robust economic growth (6.5%) have been revised downward; the new official estimates put GDP growth at 3.5% in view of contributing factors that include the real sector of the economy, the performance of public finances, the financial and external sectors, and the political environment. Regarding the latter, electoral controversy extending to the make-up of the Electoral Council and the dates of elections to renew one third of Senate seats (10 senators) and hundreds of municipal positions, as well as the recent questioning of the executive branch by parliament, have created greater uncertainty.

2. Economic policy

In its third year, the Extended Credit Facility (ECF) arrangement between the Haitian authorities and the IMF continued to provide a framework for the country's macroeconomic management. The latest half-yearly reviews (carried out in March and September 2012) found performance to be generally satisfactory; the Fund authorized (in July 2012 and March 2013) two disbursements of US$ 7.4 million each. However, IMF assessments highlighted the slower-than-expected pace of economic recovery, the national authorities' limited capacity to absorb and use resources, the country's vulnerability to external shocks in the world economy, and the risks posed by natural disasters.

(a) Fiscal policy

In 2012 the overall central government deficit was 2.6% of GDP. However, calculated on an accrual basis (expenditure committed but not necessarily executed) and considering public activity as a

[1] This review encompasses fiscal year 2012 (October 2011-September 2012). However, in some cases, statistics relating to the calendar year have been used for ease of comparison with regional data.

whole, including projects implemented in parallel by international organizations, the deficit stood at 5.9% of GDP (against 3.7% in 2011).

Tax revenues as a percentage of GDP in 2012 (13%) were virtually unchanged from the 2011 figure (14%) as higher direct tax revenues (which jumped 44.3% in 2012 against 14.6% in 2011) and indirect tax revenues (up 16.1% in 2012 against 13.6% in 2011) were counterbalanced by virtually zero growth in tariff revenues (0.6% in 2012, compared with 19.8% in 2011) and, especially, by a fall in grants (down 67.5% in 2012, against a 64.7% drop in 2011). Fiscal pressure eased in spite of the stiffer tax measures that came into effect, which include new targeted taxes, expanding the tax base, forced collection of delinquent taxes and reducing the number of beneficiaries of tax exemptions.

The increase in total spending (from 14.4% of GDP to 15.8% of GDP) reflects a rise in current expenditure (from 12% of GDP to 12.1% of GDP) and, particularly, in investment (from 2.3% of GDP to 3.7% of GDP). The increase in current spending was linked to higher wages (up from 5.2% of GDP to 5.7% of GDP). Capital expenditure was funded largely by US$ 238 million in resources from the PETROCARIBE Energy Cooperation Agreement (42% of total investments) during the fiscal year. By contrast, there was a sharp decline (25%) in other disbursements by international organizations allocated to non-treasury-funded projects.

Subsidies to the power sector amounted to 1.5% of GDP, since efforts to sharply reduce public-sector spending in this area were unsuccessful. The State-owned power company Électricité d'Haïti (EDH) and the agreements with private power-generation subsidiaries continued to absorb almost US$ 10 million per month.

Public-sector borrowing stood at approximately US$ 2.150 billion, of which central government domestic debt (the public sector's net position with the central bank) accounted for approximately 51%. Net disbursements of external debt (US$ 378 million, on investment and social programmes) are mainly attributable to the PETROCARIBE agreement.

Treasury bills (a new public financing mechanism formally implemented in 2010) were not used during fiscal year 2012. In fact, they have been issued on only three occasions to date (January 2011, December 2012 and March 2013), for 3.20 billion gourdes in each of the latter two instances, to remedy growing monetary financing by the central bank. It seems premature to fully evaluate said instruments in comparison with other mechanisms, especially the bonds issued for monetary purposes by the central bank that had been resorted to in the past.

In the first six months of fiscal year 2013 (October 2012 to March 2013), virtually all public finance indicators pointed to a deterioration compared with the year-earlier period. In real terms, fiscal revenues fell by 9.1% as direct tax receipts dropped 13% and tariff revenues slid 12%, in both cases the likely result of a slowing economy. Current expenditure slipped by 3.4% (with the exception of wages, due to nominal increases of between 3% and 16% for public officials), while the primary balance posted a nominal deficit of 2.389 billion gourdes (compared with a surplus of 1.543 billion gourdes in the first semester of fiscal 2012). On the other hand, investment expenditure soared 70% on the back of new reconstruction projects for government buildings and other public works.

(b) Monetary policy

Since 2010, the central bank's monetary policy stance has been expansionary with a view to reviving lending. The benchmark interbank rate remained fixed (at 3%) in nominal terms, with the central bank's bond placements showing a negative trend for the third year in succession (down 15%), in line with said policy. Other measures (such as the phase-out of mandatory local-currency reserve coverage for dollar-denominated commercial bank liabilities) potentially freed up more banking system liquidity for lending. At the close of 2012, the monetary base posted 10.6% growth; domestic lending had expanded by 35.6%, revived by a 28.7% jump in credit to the private sector, equivalent to approximately 20% of GDP, with short-term commercial loans the predominant component. The local-currency loan portfolio showed stronger growth than the dollar portfolio (up by 34% and 16% respectively) which led to a two-percentage-point decline in the dollarization ratio (from 44.7% to 42.5%).

The most significant banking system indicators yielded a set of positive results, such as a rate of return of 23%, an arrears rate of 2.4% and a relatively low risk exposure thanks to a credit structure concentrated in wholesale and retail commerce (26% of total lending), residential and commercial real estate (15%) and consumption (10%).

Without relinquishing the goal of continuing to revitalize private lending, in February 2013 the authorities began to tighten monetary policy by raising the legal reserve requirements on gourde and dollar deposits by five percentage points (to 34% and 39% respectively). This decision sought to curb excess banking system liquidity (in both currencies), as well as the associated inflationary and exchange-rate risks. Private lending slowed following the implementation of this rule.

In the first six months of fiscal year 2013, trends in both monthly average inflation (up 0.7%) and the exchange rate (0.3% depreciation) showed greater volatility, in spite of the relative stability of the international commodity prices most likely to affect the domestic market, and the actions undertaken by the monetary authority (net sales of US$ 64 million by the central bank).

(c) Exchange-rate policy

The central bank's interventions on the foreign exchange market during 2012 added up to net sales of US$ 81 million, becoming more aggressive from the second semester of the year, and intensifying over the course of 2013 to date. The gourde depreciated by 3.2% in nominal terms and by 5% in real terms. Against a backdrop of falling imports, these fluctuations appeared to reveal tensions in the foreign exchange market in spite of the central bank's actions, especially in the midst of a modest economic recovery.

3. The main variables

(a) The external sector

In 2012, the balance-of-payments current account deficit as a percentage of GDP (4.5%) remained similar to that of the previous year, although it was accompanied by a slide in imports (down 7.5%) and a slight upturn in exports (2.8%). However, official current transfers fell for the second consecutive year, by US$ 390 million, while remittances (US$ 1.6 billion) continued their upward trend, albeit at a more moderate pace.

The trade deficit showed an improvement of US$ 342 million; the biggest contributing factor was the 11% drop in goods imports across the board except for hydrocarbons (up 6.5%).

Despite falling international prices for Haiti's main export commodities (coffee, cocoa, mangoes and essential oils), the slight uptick (13%) in unit values of maquila-produced textiles offset the increase in import prices (6.5%), yielding an improvement in the terms of trade (3.6%).

The capital account surplus of US$ 75 million in 2012 was down sharply from the previous three years as the special debt relief programmes put in place for Haiti, especially after the 2010 earthquake, wound down. Foreign investment flows (US$ 179 million in 2012) remained modest and below the authorities' expectations. Beneficiary sectors included airport infrastructure both in Port-au-Prince and in the country's second city, Cap-Haïtien (in this case, thanks to cooperation funding from the Bolivarian Republic of Venezuela), hotels, and a new export processing zone in the north-east of the country.

At year-end 2012, net international reserves, albeit diminished by net foreign-exchange sales (US$ 81 million) by the central bank, stood at US$ 1.337 billion and covered approximately six months of imports.

Just considering trade with the United States, Haiti's main trading partner, the cumulative foreign trade figures at the close of the first semester of fiscal year 2013 (March) seemed to indicate more vigorous growth in maquila exports (up 27%). Imports also picked up (8%), with imports of two key products (rice and chicken, which account for 66% of the demand for agricultural imports) rising by 34% and 12% respectively.

(b) Economic growth

Modest GDP growth (2.8%) in 2012 was caused by factors such as a 2.2% downturn in the agricultural sector due to adverse weather conditions: first, water shortages caused by droughts, and then floods and hurricanes, which have been a recurring phenomenon in recent years. It is estimated that losses in four of the main crops (maize, sorghum, pulses and rice) topped US$ 80 million.

Growth in other sectors such as construction (5.3%), manufacturing (7.1%) and commerce (3.7%) was slower than in 2011 (9.2%, 18% and 4.6% respectively). Construction industry performance fell short of government forecasts, which saw it as a crucial factor in reviving and boosting national output. Expectations of higher growth did not materialize, despite public- and private-sector housing, public building and road infrastructure initiatives that were more aggressive in 2012 than in 2011.

On the manufacturing front, the volume of maquila-produced textile exports slid 9.6% despite preferential agreements with the United States, where demand slackened. The Association of Industries of Haiti (ADIH) reported a 10% decline in the manufacturing workforce (a total of 30,000 jobs lost).

On the demand side, consumption contracted significantly for the second year running (down 5.7%), while investment and exports were up 6% and 3.5% respectively. The scaling down of post-earthquake humanitarian programmes has been cited as a probable cause of the drop in consumption. In any case, remittances (a significant component of demand) posted 3.9% growth, slower than in the past two years. Investments using public funds (particularly from PETROCARIBE) showed considerable real-terms growth (67%), though they were insufficient to generate an overall catalytic effect in fiscal year 2012, since most investments (54%) were made in the final quarter of this period.

The adjusted GDP estimates reflect, among other factors, the fact that the sectors that were expected to drive economic growth do not seem capable, six months into the fiscal year, of surmounting the trends observed to date. On the agricultural supply side, the preliminary estimate of the substantial damage caused by Hurricane Sandy, and the government's response in committing extraordinary resources to deal with it, do not appear to have entirely reversed the negative forecasts. Rising prices and falling availability of some agricultural products, as well as warnings of greater food insecurity, could lead to a further deterioration in results.

In the industry, construction and commerce sectors, activity indices for first quarter of fiscal 2013 (October to December 2012) were up by 5.1%, 7.2% and 14.8% respectively but were weaker than in 2012.

The exception was construction, with a marked upturn in rebuilding government buildings that is also reflected in an increase in public investment (70% in real terms).

(c) Prices, wages and employment

At year-end 2012, annual inflation (compared with December the previous year) was 7.6%, against 8.3% in 2011. Inflation showed a more marked uptrend after June 2012, without jeopardizing the targets established in agreement with the IMF. In the case of Haiti, some import products (hydrocarbons and food) can, in certain circumstances, be key references for explaining the internal dynamics of prices. There were few inflationary surges in 2012 that could be attributed to these products. Indeed, with few exceptions (dairy and poultry products, whose unit values rose by 91% and 17% respectively), other products showed only modest variations on the international market.

By contrast, plummeting domestic agricultural supply (caused by drought and floods) led to higher inflation for the basket of domestically produced foods (7.3%) than for imported foods (6.2%) during fiscal year 2012. This trend carried over into the first few months of 2013, with respective indicators of 10.8% and 5.3% at the end of March.

To curb the erosion of purchasing power, the government set up a price stabilization commission in September 2012 and launched a programme to import rice directly from Viet Nam (15,000 tons in the first shipment in March 2013, with an annual total of 250,000 tons). The objective is to substantially reduce the consumer price for rice, which accounts for almost 30% of the household consumption basket.

The benchmark minimum wage (150 gourdes per day in the maquila industry) remained unchanged until September 2012, resulting in a real-terms wage decrease of 6.3% in 2012. The new pay scale (200 gourdes per day) in effect since October 2012 is estimated to have yielded a 25% recovery of this indicator in the first semester of the current fiscal year (to March 2013).

Table 1
HAITI: MAIN ECONOMIC INDICATORS

	2004	2005	2006	2007	2008	2009	2010	2011	2012 a/
	Annual growth rates b/								
Gross domestic product	-3.5	1.8	2.3	3.3	0.8	2.9	-5.4	5.6	2.8
Per capita gross domestic product	-4.9	0.4	0.9	2.0	-0.4	1.6	-6.6	4.3	1.5
Gross domestic product, by sector									
Agriculture, livestock, hunting, forestry and fishing	-4.8	2.6	1.4	2.3	-7.5	5.2	0.0	1.1	-2.2
Mining and quarrying	-5.0	4.5	7.1	0.0	6.7	6.3	0.0	5.9	0.0
Manufacturing	-2.5	1.6	2.3	1.3	-0.1	3.7	-14.7	18.0	7.1
Electricity, gas and water	11.1	7.1	-22.7	-1.7	-8.8	30.8	1.5	27.5	15.9
Construction	-2.7	3.0	2.9	2.6	5.2	3.0	4.4	9.2	5.3
Wholesale and retail commerce, restaurants and hotels	-6.4	1.4	3.0	6.1	5.7	1.1	-8.0	4.6	3.7
Transport, storage and communications	0.8	3.2	4.5	8.1	6.3	2.5	-2.8	7.4	4.9
Financial institutions, insurance, real estate and business services	-0.8	1.3	2.0	1.8	3.2	0.1	-7.1	2.7	3.9
Community, social and personal services	-3.2	1.6	1.5	4.6	4.9	0.3	1.4	3.0	2.7
Gross domestic product, by type of expenditure									
Final consumption expenditure	-3.7	5.8	1.2	2.2	1.7	3.9	15.4	-5.6	-5.7
Gross capital formation	-3.2	1.4	2.2	3.1	2.8	3.2	-6.4	9.0	6.0
Exports (goods and services)	9.8	0.0	7.2	-2.9	13.6	9.9	-7.4	18.0	3.5
Imports (goods and services)	-1.1	6.6	1.9	0.5	5.3	5.8	20.0	-5.0	-6.5
Investment and saving c/	**Percentajes of GDP**								
Gross capital formation	27.3	27.4	29.3	30.5	28.8	27.4	25.4	29.0	29.1
National saving	25.8	27.6	27.6	29.2	24.3	23.9	22.9	24.4	24.5
External saving	1.5	-0.2	1.7	1.3	4.5	3.5	2.5	4.6	4.6
Balance of payments	**Millions of dollars**								
Current account balance	-56	7	-85	-75	-289	-227	-166	-339	-359
Goods balance	-833	-849	-1 053	-1 182	-1 618	-1 481	-2 247	-2 246	-1 894
Exports, f.o.b.	377	460	495	522	490	551	563	768	785
Imports, f.o.b.	1 210	1 309	1 548	1 704	2 108	2 032	2 810	3 014	2 679
Services trade balance	-204	-399	-399	-412	-403	-394	-1 038	-891	-901
Income balance	-12	-35	7	2	6	13	22	41	68
Net current transfers	993	1 290	1 361	1 517	1 726	1 635	3 097	2 757	2 368
Capital and financial balance d/	91	27	179	273	387	377	909	525	536
Net foreign direct investment	6	26	161	75	30	38	150	181	179
Other capital movements	85	1	18	199	357	339	759	344	357
Overall balance	35	34	94	198	98	150	743	186	177
Variation in reserve assets e/	-50	-22	-109	-208	-171	-240	-845	-209	-209
Other financing	15	-12	15	10	73	89	102	23	31
Other external-sector indicators									
Terms of trade for goods (index: 2005=100)	103.8	100.0	96.2	93.5	67.2	87.0	84.1	69.8	72.3
Net resource transfer (millions of dollars)	94	-20	201	286	465	479	1 033	589	636
Gross external public debt (millions of dollars)	1 376	1 335	1 484	1 628	1 917	1 272	353	727	1 049

Table 1 (concluded)

	2004	2005	2006	2007	2008	2009	2010	2011	2012 a/
Prices	**Annual percentages**								
Variation in consumer prices (December-December)	19.1	15.3	10.3	10.0	10.1	2.0	6.2	8.3	7.6
Variation in nominal exchange rate (annual average)	-8.8	9.3	0.3	-7.2	6.3	2.1	-0.2	1.3	3.3
Variation in minimum urban wage	-14.7	-13.2	-11.8	-7.8	-12.9	28.0	58.0	...	...
Nominal deposit rate f/	10.9	3.5	6.0	5.2	2.4	1.7	0.9	0.4	0.5
Nominal lending rate g/	34.1	27.1	29.5	31.2	21.3	21.6	20.7	19.8	19.5
Central government	**Percentajes of GDP**								
Total revenue	8.9	10.9	10.7	11.3	10.8	12.1	15.7	14.7	13.3
Tax revenue	8.9	9.7	10.4	10.8	10.6	11.7	11.9	13.1	12.8
Total expenditure	12.0	11.5	10.8	12.9	12.1	13.3	14.4	12.5	14.2
Current expenditure	9.2	10.2	9.8	10.2	9.7	11.1	10.7	10.2	10.5
Interest	0.7	1.0	1.2	0.3	0.3	0.5	0.5	0.4	0.3
Capital expenditure	2.8	1.2	0.9	2.7	2.4	2.2	3.7	2.3	3.7
Primary balance	-2.4	0.4	1.2	-1.3	-1.0	-0.7	1.8	2.5	-0.6
Overall balance	-3.1	-0.5	0.0	-1.6	-1.3	-1.3	1.3	2.1	-1.0
Central government public debt	46.7	44.1	36.2	33.6	42.3	34.4	23.1	24.3	28.2
Domestic	14.8	13.5	10.7	8.9	13.7	14.6	17.8	14.3	13.6
External	31.8	30.6	25.5	24.7	28.5	19.9	5.3	10.0	14.6
Money and credit	**Percentages of GDP, end-of-year stocks**								
Domestic credit	29.8	28.6	24.3	22.3	21.4	20.1	14.8	12.5	15.4
To the public sector	14.3	12.8	9.8	8.1	6.6	3.6	-1.1	-5.3	-5.4
To the private sector	15.4	15.7	14.4	14.2	14.9	16.5	15.9	17.8	20.8
Monetary base	22.7	21.1	20.4	20.3	21.0	22.2	32.3	30.4	30.4
Money (M1)	42.5	42.1	38.5	37.3	38.1	39.2	50.0	47.2	46.1
M2	26.0	24.1	22.6	21.4	21.4	21.0	26.5	24.4	24.3
Foreign-currency deposits	16.6	18.0	15.9	15.8	16.7	18.2	23.5	22.7	21.8

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

	2011				2012				2013	
	Q.1	Q.2	Q.3	Q.4	Q.1	Q.2	Q.3	Q.4	Q.1	Q.2 a/
Goods exports, f.o.b. (millions of dollars)	171	211	224	181	158	221	225	211	…	…
Goods imports, c.i.f. (millions of dollars)	822	809	840	756	743	648	734	769	…	…
Gross international reserves (millions of dollars)	1 272	1 332	1 350	1 343	1 345	1 333	1 471	1 337	1 332	1 298 b/
Consumer prices										
(12-month percentage variation)	7.1	9.3	10.4	8.3	5.7	4.9	6.5	7.6	7.7	7.3 b/
Average nominal exchange rate										
(gourdes per dollar)	40.18	40.35	40.35	40.35	40.59	41.75	42.06	42.15	42.39	42.51
Nominal interest rates (annualized percentages)										
Deposit rate c/	0.5	0.6	0.3	0.3	0.4	0.5	0.7	0.3	0.3	0.5 d/
Lending rate e/	20.3	19.4	19.7	19.9	19.9	19.8	19.1	18.8	18.5	19.7 d/
Monetary policy rates	3.7	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0 b/
Domestic credit (variation from same										
quarter of preceding year)	-29.3	-25.1	-3.5	-2.9	-3.7	-0.5	15.0	35.4	76.9	71.4 d/
Non-performing loans as										
a percentage of total credit	4.8	5.0	3.7	3.6	3.6	3.2	2.4	2.4	2.6	…

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.