Haiti

In 2021/22, the Haitian economy is set to suffer a fourth consecutive year of contraction. The Economic Commission for Latin America and the Caribbean (ECLAC) estimates that GDP will fall by 1.5% in 2021/22, following a decline of 2.0% in 2020/21.

The contraction seen in 2021/22 is related to the complex global circumstances, with the ongoing impact of the coronavirus disease (COVID-19) pandemic and the repercussions of the war between the Russian Federation and Ukraine, combined with high inflation and more restrictive monetary policy, but above all it is linked to continued unstable domestic sociopolitical conditions in Haiti, which have worsened. In the fourth quarter of the fiscal year (July–September 2022) insecurity and social protests both intensified —in the capital and other cities— as a result of an average rise of 100% in hydrocarbon prices (gasoline, diesel and kerosene). For several weeks, many of the country's productive, commercial and service activities came to a virtual standstill. In response to violence and vandalism by criminal groups, new cholera outbreaks and the worsening humanitarian crisis, the Security Council of the United Nations adopted resolution 2653 (2022), which establishes a set of sanctions (travel ban, asset freeze and targeted arms embargo) on those responsible for and complicit in the climate of violence in the country. In addition, the most severe effects of the earthquake of 14 August 2021 in three southern departments of Haiti were projected mostly for the 2021/22 fiscal year.

The central government fiscal deficit widened from 1.7% of GDP in 2020/21 to 2.2% in 2021/22, owing to a substantial increase in subsidies (for hydrocarbons and other transfers). According to preliminary (June 2022) balance of payments data and ECLAC estimates, a larger current account deficit than in the prior fiscal year is anticipated. In contrast to the two previous years, in 2021/22 there was a drop (-4%) in remittance flows. Inflation rose sharply in the 2021/22 fiscal year, hitting 35% year-on-year in September and averaging 25% for the year, compared to 13% and 16%, respectively, in 2020/21.

Tax revenues were equivalent to 5.5% of GDP in 2021/22 (compared to 5.7% in 2020/21). Total tax revenues were 15% lower in real terms, owing to a drop in the amounts collected through direct (-26%) and indirect (-7%) taxes, while the out-turn for tariff revenues (-10%) reflects, despite growth in imports, a persistent effect of systematic underreporting (smuggling) and evasion.

Total central government expenditure was down 12% in real terms, but was equivalent to 7.2% of GDP in both of the last two fiscal years (2020/21 and 2021/22). Although there was a moderate rise in current expenditure as a percentage of GDP (7% of GDP, up 0.5 percentage points from 2020/21) it declined 6% in real terms, despite a substantial increase in subsidies (62% in real terms). Public investment fell by 74% in real terms and relative to GDP from 0.6% to 0.2%.

The fiscal deficit in 2021/22 was mostly financed by the central bank, Banque de la République d'Haïti, which contributed 49,514 million gourdes, equivalent to 2.5% of GDP. Domestic borrowing, through issuance of treasury certificates (whose level doubled compared to the prior year), amounted to 0.5% of GDP.

The benchmark interest rate (91-day central bank bonds) was raised from 10% to 11.5% in August 2022. The reserve requirement ratios were also increased from 51% to 53% in response to the upturn in inflation. At the end of the fiscal year in September 2022, the monetary base showed a nominal year-on-year increase of 20.3%. In nominal terms, net domestic credit to the public sector grew by 26%

(compared to 55% in 2020/21). In contrast, credit to the private sector declined (-7%) in 2021/22 (after growing by 13% in 2020/21). On the formal foreign-exchange market, at the end of the 2021/22 fiscal year, the gourde had depreciated year-on-year by 19% against the dollar in nominal terms (from 97.4 to 116 gourdes to the dollar).

The central bank intervened in the foreign exchange market in the 2021/22 fiscal year with purchases and sales of foreign currency totalling US$ 553 million and US$ 560 million, respectively, resulting in a net balance of just US$ 8 million (compared to US$ 117 million in 2020/21). Net international reserves fell to US$ 223 million in September 2022 from US$ 485 million in the same month of 2021.

The external public debt stock was equivalent to 14% of GDP, almost unchanged from the previous year. The Bolivarian Republic of Venezuela is the main creditor (84% of external public debt).

Haiti: main economic indicators, 2020-2022

	2020	2021	2022 [a]
	Annual growth rate		
Gross domestic product	-3.3	-1.8	-2.0
Per capita gross domestic product	-4.5	-3.0	-3.2
Consumer prices	19.2	24.6	30.7 [b]
Money (M1)	29.6	25.5	...
Terms of trade	3.7	-9.0	-8.7
	Porcentaje promedio anual		
Central government			
Overall balance / GDP [d]	...	...	...
Nominal deposit rate [e]	4.4	...	...
Nominal lending rate [f]	16.2	...	...
	Millones de dólares		
Exports of goods and services	1 899	2 385	2 556
Imports of goods and services	7 970	9 829	10 884
Current account balance	3 918	2 113	669
Capital and financial balance [g]	-730	695	...
Overall balance	3 189	2 809	...

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

Based on preliminary information and ECLAC estimates, the foreign sector faced worse conditions in 2021/22 than in the prior year fiscal year, with only a handful of exceptions. Imports grew in value terms (11%) —but fell in volume— primarily driven by price rises for commodities on the international market, both for hydrocarbons (58%) and food (19%). Prices for some of the commodities that are particularly prominent in in Haiti’s import basket rose very sharply, such as wheat (47%), soybean oil (30%) and chicken (49%). Growth in exports (15%) was driven by demand for apparel produced by the maquiladora industry from the United States, which grew by 10%. In contrast, exports of commodities (primarily mangoes and essential oils) to the United States fell by 25%. The current account deficit is expected to widen, given the drop in remittance inflows (US$ 3.5 billion, compared to US$ 3.62 billion in 2020/21).

Both the forecasts of the Haitian Ministry of Economy and Finance for the full 2021/22 fiscal year and the economic activity indicator (ICAE), which fell 1.0% in cumulative terms to the third quarter of the fiscal year (October 2021 to June 2022), indicate worse conditions in all sectors, but especially in agriculture (-5.6%) and commerce (-2.5%).

In July 2022 —the latest available figure— the consumer price index was up 30.5% year-on-year and projections for the end of the fiscal year (September) are of a rise of around 35%. Since February 2022, month-on-month inflation has averaged 2%, with signs of acceleration from July onward. This was a result of further worsening of security, the pace of depreciation of the gourde and the various difficulties (in terms of transport, electricity generation and distribution and supply chains for goods) caused by a severe shortage of hydrocarbons for commercial and industrial applications.

The general economic downturn also hit the labour market. Although up-to-date figures are not available, the labour market has been severely affected by factors such as companies and other establishments closing temporarily or shutting down altogether, as well as by layoffs and fewer effective working hours. The purchasing power of the general population and of wage earners (a minority, in a predominantly informal economy) was eroded by the upturn in inflation, despite minimum wages being raised in February 2022 (37%, from 500 to 685 gourdes per workday in the maquiladora export segment) and contractual wages of public servants being increased (by 10%–41%).

The forecast of zero (0.7%) GDP growth for the 2022/23 fiscal year by ECLAC could be cut to a decline if uncertainty over security and sociopolitical conditions persists, if renewed international financial cooperation does not materialize, or if the expectations of a recession in the United States economy continue. In addition, in 2022/23 the out-turn for public finances will foreseeably be modest (with a potential reduction in the fiscal deficit), and although inflation looks set to ease slightly it is expected to remain in double digits, with a widening of the current account deficit.