Haiti

According to preliminary estimates, Haiti's economy grew by 2.5% in 2012, which was considerably lower than the 7.8% projected in the macroeconomic programme at the start of the year and even below the revised estimates from August (4.5%) for the 2013 budget. This result was due in part to the poor performance of the agricultural sector and the delay in reconstruction efforts, partly for political and institutional reasons (the long transition in installing the new administration) and partly because of the slower pace of disbursement of international funds. The country is expected to resume a stronger growth path (6%) in 2013. The average annual rate of inflation was 6.8%, 0.5 percentage points lower than the 7.3% posted in 2011. The balance-of-payments current account deficit narrowed from 4.6% of GDP in 2011 to 4% in 2012. This was the result of a 7.4% drop in the value of imports, a slight rise in exports (2.4%) and an increase in remittances (2.6%), even though official transfers declined by 12%.

The most relevant public finance measures taken in 2011-2012 include combating fraud and tax evasion, increasing targeted taxes (on tobacco, alcohol and gambling), identifying new taxpayers to expand the fiscal base, enforcing collection of delinquent taxes and tightening controls on tax and tariff exemptions.

Government authorities and the International Monetary Fund (IMF) completed the fourth review under the Extended Credit Facility arrangement in July 2012, enabling an immediate disbursement of US$ 7.4 million –the second in the year, following US$ 15.1 million in March. The IMF arrangement has charted Haiti's general economic policy course since 2010. Although Haiti's macroeconomic performance was generally satisfactory, several indicators of the central government's public finances did not meet their end of fiscal year targets. The fiscal deficit was contained, to a certain extent (1% of GDP, as against a surplus of 2.1% of GDP in 2011, on an accrual basis) by a drop in total government revenues (particularly grants).

Current tax revenue grew by only 1.7% in real terms, owing in part to the 5.7% decline in tariff revenues, although direct tax revenue (income tax) climbed 25.4% and its contribution to total government revenue went up by 5 percentage points in comparison with 2011. Total expenditure increased by 18.6%, of which 74% was current expenditure. Capital expenditure expanded by 66% after plunging 43% in 2011. However, the overall underexecution rate neared 20% and, in the case of public works, hovered around the 50% mark. Transfers and subsidies, particularly those for public works, were down by 20%.

The Bank of the Republic of Haiti's monetary policy continued to be directed towards reactivating the economy, by maintaining the interbank reference rate on its bonds at 3% to encourage lending, particularly in local currency, by gradually removing mandatory local-currency reserve coverage for dollar-denominated commercial bank liabilities. At the close of the fiscal year, the monetary base was up by 0.6% and domestic lending had expanded by 4.1% on the strength of the 22% jump in credit to the private sector. The local-currency loan portfolio showed stronger growth than the portfolio in dollars (up by 34% and 16%, respectively), which led to a two-percentage-point decline in the dollarization ratio (from 44.7% to 42.5%).

As for exchange-rate policy, central bank interventions through dollar sales amounted to US$ 72 million (US$ 48 million sold since May) in an effort to contain further nominal depreciation (3.2%) and real depreciation (5%) of the gourde after the stability observed in previous years.

GDP grew by only 2.5% in 2012 and is forecast to expand by 6% in 2013 thanks to reconstruction efforts and greater institutional stability. The main cause was the lacklustre performance of key sectors such as agriculture, commerce, construction and manufacturing. In the case of agriculture, an unusual drought (starting in November 2011) affected the spring harvest; Tropical Storm Isaac (at the end of August) made the sector even more vulnerable. Estimates put the cost of the damage caused by both events at US$ 150 million; the harvest fell 40% short of projections due to drought-related loss of some key crops (such as maize, sorghum, pulses, bananas and tubers).

These disasters, plus the estimated US$ 104 million in damage caused by Hurricane Sandy in late October, could create an output shortfall in the coming months. The implications in terms of food security caused alarm among national authorities and international organizations such as the Food and Agriculture Organization of the United Nations (FAO) and the World Food Programme (WFP).

Industrial output and the construction sector showed a variation of 5.9% and 1.4%, respectively, through the third quarter of the fiscal year. Among the reasons for these results are the delay in approving and executing some investment projects, as well as structural factors (land registers) and an unstable political and institutional environment until May. The maquila industry slowdown resulted in a 9.6% drop in its export volume and a mere 2% rise in export value. This performance fell short of expectations, owing in part to the slowdown of the United States economy and the delay in setting up a new maquila zone in north-eastern Haiti (the Caracol industrial park, opened in October).

Year-on-year inflation to September, at 6.5%, was significantly lower than the 10.4% posted in 2011 despite some upticks since July. A moderate rate of 8.3% is expected for the year-end rate, barring significant external food and fuel price shocks. However, these rates are in a setting of sluggish economic activity, low job creation and a 6% drop in the purchasing power of wages.

HAITI: MAIN ECONOMIC INDICATORS

	2010	2011	2012 [a]
	Annual growth rates		
Gross domestic product	-5.4	5.6	2.5
Per capita gross domestic product	-6.6	4.2	1.2
Consumer prices	6.2	8.3	6.8 [b]
Money (M1)	27.0	14.4	5.7 [c]
Terms of trade	-3.3	-17.0	5.3
	Annual average percentages		
Central government overall balance / GDP	1.3	-0.1	…
Monetary police rate	5.0	3.2	3.0 [d]
Nominal lending rate [e]	20.7	19.8	19.5 [d]
	Millions of dollars		
Exports of goods and services	802	1 017	1 090
Imports of goods and services	4 087	4 154	4 087
Current account balance	-166	-339	-310
Capital and financial balance [f]	909	525	434
Overall balance	743	186	124

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Estimates.
[b] Twelve-month variation to October 2012.
[c] Year-on-year average variation, January to August.
[d] January-October average.
[e] Average of minimum and maximum lending rates.
[f] Includes errors and omissions.

The smaller current account deficit (4% of GDP as against 4.6% in 2011) was the result of declining import volume and value (down 13% and 7%, respectively). On the external demand side, exports went up by 2% in terms of value and down by 8% in terms of volume. This meant that the terms of trade improved by 4.7%. Remittances (US$ 1.591 billion) slackened but still offset the 12% drop in official grants (US$ 1.274 billion). Net international reserves stood at US$ 1.219 billion at the close of the fiscal year (September 2012), which was an increase of US$ 42 million compared with 2011 (US$ 1.177 billion), and covered nearly five months of imports. The external debt balance saw a sharp increase of 60% to stand at US$ 1.049 billion, owing almost entirely to flows under the PetroCaribe energy cooperation agreement with the Bolivarian Republic of Venezuela.