HAITI

1. General trends

In 2023 the Haitian economy shrank for the fifth year in a row, and it is highly likely that it will do so again during the 2024 fiscal year.[1] Gross domestic product (GDP) declined by 1.9% in 2023, after having decreased by 1.7% in 2022. The economic downturn in 2023 was a reflection of the continued deterioration of security conditions in the country's capital and surrounding areas and of the sociopolitical instability that has been troubling the country since 2018. The United Nations Security Council adopted a resolution in October 2023 calling for the organization of a multinational security support mission in Haiti, and the measures it called for began to be implemented in late June 2024.

The fiscal deficit shrank from 1.8% of GDP in 2022 to just 0.9% in 2023, thanks to an upturn in fiscal revenues and a reduction in expenditure. The current account deficit (3.4% of GDP) was higher than it had been in 2022 (2.4% of GDP) owing to lower household remittances (3.5%) and lower exports. The year-on-year inflation rate to September 2023 (32%) was an improvement over the corresponding 2022 rate (39%) but is still quite high. Inflation is being driven primarily by domestic factors, which include the deterioration of security conditions in the capital city and the disruption of goods distribution and supply chains, but also by the monetization of the public sector deficit. Employment in the manufacturing industry, which is the country's second-biggest formal-sector employer (public administration is the largest) plunged by 21% from its 2022 level.

Estimates prepared by the Economic Commission for Latin America and the Caribbean (ECLAC) indicate that the Haitian economy's GDP shrank once again in 2024, this time by between 3% and 4%, probably closer to 3%, as macroeconomic conditions deteriorated across the board. Production-sector indicators for all economic activities pointed to a considerable contraction during the first quarter, with Haiti's composite economic indicator showing a downturn of 3.8% in December 2023. The deteriorating security conditions in the capital and in the greater metropolitan area in late February 2024 resulted in a nearly complete paralysis of economic activity during the three months from March to May, which drove up inflation and heightened existing imbalances in the labour market. The complete closure of the Port-au-Prince international airport and the partial shutdown of port operations in the capital city had a direct impact on supplies of imported consumer staples and hydrocarbons. Yet another factor is that, following the resignation of the former prime minister in early March 2024, the establishment of a presidential transitional council in April 2024 and the designation of a new prime minister in June 2024, the political reorganization of the country is proving to be a slow process. Inflation for 2024 is projected to reach 30%, with a fiscal deficit of around 3.5% and a current account deficit on the order of 4% of GDP.

[1] The period of analysis is fiscal 2023, which runs from October 2022 to September 2023, and the first half of fiscal 2024 (October 2023 to March 2024). In order to facilitate comparisons with data for the region as a whole, however, in some instances the statistics given may correspond to the calendar year (January–December) or to subdivisions of the calendar year, such as in the case of quarterly series. When this is the case, it is specifically indicated.

2. Economic policy

Two noteworthy economic policy initiatives were launched in 2023: a new tariff code, which took effect in October 2023, and a fiscal reform package that will enter into force in October 2024. As part of programme review overseen by the International Monetary Fund (IMF), which has been under way since June 2022, the authorities initially agreed to a nine-month extension (up to March 2024) but later agreed to a further six-month extension.

(a) Fiscal policy

Fiscal revenues amounted to 6.2% of GDP in 2023 (compared with 5.1% in 2022). Total receipts jumped by 19% in real terms, thanks to higher revenues from tariffs (67%) and the value added tax (17%). This considerable upswing in tariff revenues was mainly attributable to the steps taken to strengthen customs controls, combat evasion and put a stop to contraband trade (based on a new tariff code that has been applied since December 2022) rather than to any increase in imports, which, on the contrary, shrank by 2.8%.

In 2023 total expenditure by the central government was down by 25% in real terms, falling to the equivalent of 5.3% of GDP (versus 7% in 2022). Current expenditure represented 4.9% of GDP, having fallen by 6.6% relative to its 2022 level. Expenditure on wages plunged by 28% in real terms. In a departure from its steep drop in 2022 (74% in real terms), in 2023 public investment expanded (30%), although it still fell short of what was needed, given the critical lack of investment in the country in recent years.

The 2023 fiscal deficit was largely financed by central bank monetary issues totalling 26.709 billion gourdes (0.9% of GDP), compared with issues amounting to 49.515 billion gourdes in 2022 (2.4% of GDP). Domestic borrowing in the form of treasury bill issuance amounted to 5% of GDP (versus 7.6% in 2022).

The public external debt, at the equivalent of 14% of GDP, was virtually the same as in 2022. The Bolivarian Republic of Venezuela continues to be Haiti’s biggest creditor (98%).

In the first half of fiscal 2024 (October 2023–March 2024), public finance indicators sent mixed signals, which, clearly, call for analysis to distinguish between trends before and after March 2024. In the first quarter (October–December 2023), the status of public finances was more or less the same as it had been in fiscal 2023, but from then on, they veered significantly from the path that had been plotted towards the established targets, as mean monthly revenues fell by 30% in nominal terms relative to their first-quarter levels amid increasing political and social instability. Between October 2023 and March 2024, fiscal income fell by 21% in real terms, with the corresponding decreases in direct and indirect tax revenues coming to 40% and 30%, respectively. A major factor in the plunge in direct tax receipts was the declaration of bankruptcy by a full one third of the country’s largest taxpayers. Tariff revenues dropped by 12%.

Expenditure fell by 27% in real terms in the first half of fiscal 2024 owing to the combined effect of a 22% decrease in current expenditure —which included subsidies (43%)— and, more importantly, a much larger fall in investment (77%). This component includes social expenditure, including the IMF Food Shock Window and other initiatives, such as the Multisectoral Emergency Programme for the Social Appeasement and Reintegration of Vulnerable Groups. These initiatives are being under-implemented for a variety of reasons, such as the failure to complete various administrative procedures, including bidding exercises, and security problems that have blocked the implementation of various measures on the ground. In January 2023, in order to alleviate food insecurity among the most vulnerable households, IMF disbursed US$ 105 million under the Food Shock Window of the Rapid Credit Facility. These funds were to be supplemented by US$ 42 million in assistance from the government, but only a portion of those funds were actually distributed.

In the first half of fiscal 2024, the monetary financing provided by the central bank came to 2.676 billion gourdes, compared with the 8.120 billion gourdes supplied in the first half of fiscal 2023. This sum was in accordance with the IMF Staff Monitored Programme and was substantially less than the maximum sum provided for in the framework agreement on the management of public expenditure entered into by the Ministry of Economic Affairs and Finance and the central bank.

The public external debt balance as of January 2024 was US$ 742 million (versus US$ 2.375 billion in January 2023). This huge reduction reflected the fact that, in January 2024, Haiti paid approximately US$ 500 million in arrears on the service of the debt it had contracted with Petróleos de Venezuela (PDVSA) under the Petrocaribe initiative to the Bolivarian Republic of Venezuela, which then forgave all of the country’s remaining debt.

(b) Monetary and exchange rate policy

In fiscal 2023, the central bank maintained its tight monetary policy in order to stave off inflationary pressures, although this hampered the economic recovery. In fact, monetary policy rates have remained unchanged since August 2022. The benchmark interest rate for 91-day central bank bonds was 11.5%, the reserve requirement stood at 53%, and the year-on-year variation in the monetary base as of March 2023 was 36%. While successive reductions were seen in the following two quarters, the level was still expected to be substantial at the close of the fiscal year in September 2023, judging from the amount of monetary financing provided to cover the fiscal deficit. In nominal terms, net domestic credit to the public sector increased by 9% (compared with 33% in 2022), but credit to the private sector shrank by 4.4% in 2023 (compared with an increase of 17.5% in 2022). M3 expanded by 5.7%.

At the close of fiscal 2023, the year-on-year depreciation of the gourde against the dollar on the official foreign-exchange market amounted to 15% in nominal terms, as the exchange rate rose from 116 to 135 gourdes to the dollar. After hitting a low of 156 gourdes to the dollar in March 2023, however, in April the gourde gradually appreciated, and the gap between the exchange rates on the official and parallel markets narrowed.

Central bank interventions in the foreign-exchange market in 2023 amounted to US$ 200 million in net terms, which was an enormous increase over the 2022 total of just US$ 8 million. Net international reserves totalled US$ 421 million in September 2023, versus US$ 223 million in September 2022. Gross reserves (US$ 2.328 million) would cover less than five months of imports.

At the end of September 2023, dollar deposits represented 77% of total deposits and 42% of bank claims. The first of those figures is a reflection of the prevailing uncertainty in the country, while the second is a result of the prudential measures taken by the central bank (cash reserves of 53%) to cope with the volatility of the exchange rate and numerous other factors that undermined debtors’ payment capacity. In view of the crisis that has been sweeping the country for months, the central bank declared a moratorium for debtors in order to prevent its portfolio of non-performing loans from increasing. (It stood at 9% at the close of December 2023.)

In the first half of fiscal 2024, the reference bank interest rate remained at 11.5%, and the monetary base expanded slightly (3.2%). In late March 2024, the loan portfolio was showing signs of deteriorating, and arrears rates (non-performing loans/total portfolio) seemed likely to climb.

The 13% year-on-year (April 2023–April 2024) appreciation of the gourde reflected the increase in household remittances and the lower demand for imports associated with slackening economic activity. Cumulative net central bank interventions in the foreign-exchange market came to US$ 1.221 billion as of April 2024.

3. The main variables

(a) The external sector

In 2023 the US$ 679 million deficit on the balance-of-payments current account represented a 38% increase over the 2022 deficit and was equivalent to 3.4% of GDP (compared with 2.3% in 2022). This was partly because the downturn in exports (24%) was so much steeper than the decline in imports (1%); household remittances (US$ 3.030 billion) were also down by 3.5%.

The reduction in exports was mainly a consequence of decreases in both the value and volume (28% and 34%, respectively) of the maquila garment industry's external sales. Of the country's traditional commodity exports, the only items displaying strong growth were essential oils (51%) and seafood (34%). The decline in imports was driven by weakening demand as domestic economic activity slowed and the downswing in the international prices of some commodities, such as petroleum, wheat and soy oil. As a result, the terms of trade improved by 11% in 2023, whereas in 2021 and 2022 they had accumulated a 20% drop.

For the first half of fiscal 2024, the year-on-year figures show a 20% decrease in the value of exports of goods and a 7% increase in the value of imports. The reduction in exports was largely a consequence of the 14% and 18% downturns in the volume and value, respectively, of maquila exports caused by the combination of the deteriorating security situation in the capital and greater metropolitan aera, the intermittent closure of Haiti's border with the Dominican Republic, and the partial or total closure of port terminals and airports.

As for imports, the decline is attributable to the recession in the country and what has so far appeared to be a mild downward trend in the international prices of Haiti's main import items, particularly hydrocarbons.

Remittances totalled nearly US$ 1.7 billion between October 2023 and March 2024 (compared with US$ 1.5 billion for the period October 2022–March 2023), for a year-on-year increase of 13%. For several years now, remittances have been the country's largest source of foreign exchange, and a considerable number of Haitian households rely on them.

(b) Economic activity

In fiscal 2023, GDP shrank for the fifth year in a row, by 1.9%. All sectors of economic activity suffered setbacks, with declines of 5.6%, 3.7% and 2.9% in the primary, secondary and tertiary sectors, respectively.

The contraction of the primary sector was brought about by the slump in crop production (cereals, tubers and legumes) caused by poor weather conditions (droughts in some areas and floods in others). Adverse structural conditions in Haiti's rural areas were another factor and include limited access to credit and to inputs, scanty storage capacity, insufficient agricultural infrastructure, criminal activity (roadblocks), other conditions interfering with the distribution chain to and from Port-au-Prince and the metropolitan area, cuts in public investment in infrastructure maintenance and difficulties in securing supplies of inputs (especially fertilizers) and sufficient numbers of workers.

The Haitian Institute of Statistics and Informatics estimated that the rice, maize, sorghum and legume harvests would be 17.2%, 14.5%, 5.8% and 3.8% smaller, respectively, in 2023.

The drop in manufacturing production (2.6%), particularly in the case of the maquila industry —the largest industry in the secondary sector— was the cause of that sector's poor performance.

In the case of the tertiary sector, wholesale and retail commerce (which accounts for a third of its total level of activity) saw an 8% drop but other subsectors, such as financial services, were up slightly.

On the expenditure side, total supply in fiscal 2023 was 1.4% lower. Private consumption edged up slightly (0.2%), but investment (-18%) and exports (-10%) were both down sharply. One of the factors that buoyed consumption was the increase in remittances, which are a key determinant, but, while the authorities have launched various types of emergency social programmes, their scope appears to have been quite limited.

The estimated composite economic indicator for the first quarter of the October 2023–September 2024 fiscal year pointed to a year-on-year decline on the order of 3.8% against the backdrop of the widespread economic contraction triggered by the closure or paralysation of economic activities, sporadic availability and distribution of inputs and the physical damage (decapitalization) sustained by various formal and informal production and commercial activities. Nor did there appear to be much sign of any significant turnaround in this situation in the rest of fiscal 2024.

(c) Prices, wages and employment

Inflation averaged 44.1% during fiscal 2023 (as against 27.5% in 2022). The year-on-year indicator (September 2022–September 2023) was 31.9% at the close of the fiscal year and was 21.2% in December 2023. In other words, inflation eased over the calendar year, with a somewhat greater variation in prices for imports (32.6%) than for local goods (31.3%).

The signs of a slowdown in inflation disappeared in February 2024, when it rebounded. The factors underlying this reversal included the deteriorating security situation, the shutdown of production activities and the closure of schools, financial services and other operations (including the closure of the port and airport) and the breakdown of wholesale and retail distribution chains. The shortage of hydrocarbons and their sale on the informal parallel market had a great deal to do with these inflationary surges in the capital but also in other cities.

Minimum wages were last raised in February 2022, and scheduled upward adjustments since that time have all been deferred. Given the high rate of inflation, households' loss of purchasing power has been very marked.

The economic recession and sociopolitical uncertainty in 2023 impacted the labour market. Employment in the maquila industry dropped considerably (from 53,387 workers in September 2022 to 42,125 in September 2023) as the industry's exports fell, and estimates as of March 2024 pointed to a further decrease, with this industry's workforce plummeting to just 29,000 persons. The lag in the nominal minimum wage (685 gourdes per day in the maquila export segment) sparked social protests over people's dwindling purchasing power, which tumbled by 24% between 2022 and 2023 but had plunged by a further 36% by April 2024.

Employment in the public sector stood at 105,604 persons (29% of whom were women) in March 2024, compared with 109,446 in 2023, for a reduction of 3.5%, but job cuts among management were steeper (18%). A number of factors were behind this trend, including the departure of 140,000 people for the United States under the humanitarian parole programme launched in January 2023.

Table 1

HAITI: MAIN ECONOMIC INDICATORS

	2015	2016	2017	2018	2019	2020	2021	2022	2023 a/
	Annual growth rates b/								
Gross domestic product	2.6	1.8	2.5	1.7	-1.7	-3.3	-1.8	-1.7	-1.9
Per capita gross domestic product	1.1	0.4	1.1	0.3	-3.0	-4.6	-3.0	-2.8	-3.1
Gross domestic product, by type of expenditure									
Final consumption expenditure	5.3	5.8	4.7	4.1	-1.6	-2.9	1.9	1.0	...
Gross capital formation	-22.0	17.2	7.9	2.3	13.4	-23.2	-28.8	-9.9	...
Exports (goods and services)	6.2	1.1	-0.6	-18.6	-2.1	-37.9	23.5	2.4	...
Imports (goods and services)	-1.4	21.7	10.4	3.1	4.7	-18.3	2.3	4.9	...
Investment and saving c/	**Percentages of GDP**								
Gross capital formation	14.1	16.9	20.2	16.1	18.7	21.3	0.2	0.2	...
National saving	12.2	15.2	18.1	13.1	17.5	21.8	0.2	0.1	...
External saving	1.9	1.8	2.1	3.0	1.2	-0.4	-0.4	2.6	3.6
Balance of payments	**Millions of dollars**								
Current account balance	-266	-238	-325	-474	-169	74	88	-492	-679
Goods balance	-2 425	-2 670	-2 971	-3 517	-3 010	-2 800	-3 286	-3 508	-3 758
Exports, f.o.b.	1 024	1 007	991	1 078	1 202	885	1 130	1 254	956
Imports, f.o.b.	3 449	3 678	3 962	4 595	4 212	3 686	4 416	4 762	4 714
Services trade balance	-318	-88	-191	-121	-89	-336	-490	-587	-446
Income balance	41	48	59	50	50	29	23	24	4
Net current transfers	2 437	2 472	2 778	3 114	2 881	3 182	3 840	3 580	3 521
Capital and financial balance d/	42	287	349	428	-36	62	-313	278	765
Net foreign direct investment	106	105	375	105	75	25	51	39	25
Other capital movements	-63	182	-26	323	-111	37	-364	239	740
Overall balance	-223	49	24	-46	-204	136	-225	-214	86
Variation in reserve assets e/	141	-109	-202	-38	123	-350	-91	117	-284
Other financing	82	61	178	84	81	214	316	97	198
Other external-sector indicators									
Real effective exchange rate (index: 2015=100) c/	100.0	108.7	100.1	91.1	101.7	95.4	82.3	76.5	70.0
Terms of trade for goods f.o.b./f.o.b. (Annual growth rates)	5.3	-1.2	3.0	-6.9	-1.0	3.7	-9.0	-9.3	2.3
Net resource transfer (millions of dollars)	165	395	585	563	95	304	27	399	968
Gross external public debt (millions of dollars)	1 985	2 013	2 133	2 121	2 100	2 218	2 254	2 268	2 379
Prices	**Annual percentages**								
Variation in consumer prices (December-December)	12.5	14.3	13.3	16.5	20.8	19.2	24.6	48.1	22.1
Variation in nominal exchange rate (annual average)	13.4	23.9	3.0	4.0	33.4	15.6	-5.3	16.8	21.8
Nominal deposit rate f/	3.9	5.0	4.5	4.9	6.1	4.4	...	...	...
Nominal lending rate g/	18.8	19.7	18.1	17.7	18.7	16.2	...	...	...

Table 1 (concluded)

	2015	2016	2017	2018	2019	2020	2021	2022	2023 a/
Central government	**Percentages of GDP**								
Total revenue	8.1	8.2	7.7	7.7	...	...	...	...	...
Tax revenue	7.9	7.8	7.6	7.4	...	...	...	...	...
Total expenditure	7.5	7.5	7.1	8.2	...	...	...	...	...
Current expenditure	6.7	6.8	6.5	7.1	...	...	...	...	...
Interest	0.1	0.2	0.2	0.2	...	...	...	...	...
Capital expenditure	0.9	0.7	0.6	1.1	...	...	...	...	...
Primary balance	0.2	0.5	0.4	-1.4	...	...	...	...	...
Overall balance	0.1	0.4	0.2	-1.6	...	...	...	...	...
Central government public debt	23.3	23.3	38.3	39.9	47.0	...	...	...	...
Domestic	7.7	7.2	12.5	12.9	15.2	...	...	...	...
External	15.7	16.1	24.7	27.0	31.8	...	...	...	...
Money and credit	**Percentages of GDP, end-of-year stocks**								
Domestic credit	15.5	14.2	14.3	17.0	17.9	18.2	22.0	20.9	...
To the public sector	2.6	1.3	2.5	4.4	6.3	8.9	12.0	11.3	...
To the private sector	12.8	12.9	11.8	12.7	11.6	9.3	10.0	9.7	...
Monetary base	17.3	18.0	17.4	19.1	19.2	16.5	19.4	20.5	...
Money (M1)	8.6	8.6	8.2	9.5	9.0	9.6	10.0	10.5	...
M2	14.4	14.1	13.3	14.9	14.3	14.1	15.0	15.2	...
Foreign-currency deposits	15.7	16.4	15.3	16.2	16.5	11.7	16.0	18.1	...

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

	2022				2023				2024	
	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)	371	299	148	241	451	449	421	709	…	…
Consumer prices										
(12-month percentage variation)	17.2	12.5	12.9	24.6	25.9	29.2	38.8	48.1	48.1	43.0 b/
Average nominal exchange rate										
(gourdes per dollar)	105.7	95.3	95.9	99.2	103.0	109.7	118.4	131.7	149.6	146.1
Nominal interest rates (average annualized percentages)										
Monetary policy rates	10.0	10.0	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5
Domestic credit (variation from same										
quarter of preceding year)	28.9	21.9	25.5	34.5	28.8	25.8	25.5	23.6	19.8	…

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
a/ Preliminary figures.
b/ Figures as of May.

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