

## Haiti

Haiti's GDP contracted for the fifth consecutive year in 2023, by 1.8% (compared to 1.7% in 2022). This figure was in line with the estimates for the economic activity indicator (ICAE) in the third quarter of the fiscal year (June 2023), which shows a cumulative fall of 2.1%. The fiscal deficit narrowed from -2.1% of GDP in 2022 to -1.5% in 2023, thanks to improvements in tax revenues and a contraction in spending.

The current account deficit (2.8% of GDP) widened with respect to 2022 (2.3% of GDP), reflecting a fall in family remittances. Year-on-year inflation as of September 2023 (32%) was down on 2022 (39%) but remains very high and is driven mainly by domestic factors. Between September 2022 and August 2023, the maquiladora industry, the second-largest source of formal employment after the public service, saw a 24% reduction in job numbers.

The economic contraction in 2023 reflects the worsening security conditions in the capital city and surrounding areas, as well as the sociopolitical instability that has wracked the country since 2018. In October 2023 the United Nations Security Council adopted a resolution on the formation of a Multinational Security Support Mission (MMS) in Haiti, which could be put in place in early 2024.

Two important economic policy initiatives were adopted in 2023: a new tariff code, which came into force in October 2023, and a tax reform set to be applied from October 2024. In addition, the International Monetary Fund (IMF) staff-monitored program, which has been in operation since June 2022, was extended by an additional nine months (until March 2024), following its review.

The considerable rise in domestic fuel prices in September 2022 drastically reduced related public subsidies and largely explains the decrease in the central government's fiscal deficit. Between 2022 and 2023, tax pressure grew from 5.1% to 5.6% of GDP, owing to the rise in indirect taxation (17% in real terms), given that direct taxation was down (13% in real terms).

Central government expenditures were down by 25% in real terms, as a result of contraction in current spending (-28%). The sharpest and most-felt decrease was the 72% reduction in hydrocarbon subsidies, which had represented almost a third of total expenditures in 2022. Current spending represented 4% in GDP (compared to 7% in 2022). Public investment grew by 30% in real terms, after several straight years of falls, but its share in GDP (0.4%) and in total expenditures (8%) remains marginal.

The fiscal deficit in 2023 was financed mainly through money issuance by Banque de la République d'Haïti, which contributed a total of 26.709 billion gourdes (0.9% of GDP), compared to 49.515 billion in 2022 (2.4% of GDP). Domestic debt issues, in the form of treasury certificates, represented 5% of GDP (compared to 7.6% in 2022).

The external public debt balance showed no major changes with respect to 2022 at 10% of GDP (US\$ 2.355 billion in September 2023). External debt servicing outlays (amortization and interest payments) came to US\$ 29 million in 2023.

The monetary base showed 22.4% expansion in June 2023 (compared to June 2022), while the M3 monetary aggregate grew by 16%. The credit portfolio shows signs of deterioration, with delinquency rates averaging 11%, compared to 7.5% in 2022.

The benchmark interest rate (11.5% for 91-day central bank bonds) and reserve requirement ratios (40% and 51%, respectively, for liabilities denominated in local currency and dollars) remained unchanged from August 2022, in line with the central bank's strategy for containing spikes in inflation.

The gourde recorded a nominal year-on-year depreciation of 32% against the dollar (from 116 to 135 gourdes to the dollar) in the official exchange market, at the close of fiscal year 2023. However, after peaking in March (at 156 gourdes per dollar), the currency gradually depreciated as of April 2023, narrowing the gap between official foreign-exchange operations and the parallel market.

The central bank's interventions in the foreign-exchange market during 2023 resulted in a positive net balance of US\$ 200 million (much higher than the scant US\$ 8 million in 2022). Net international reserves stood at US\$ 463 million in September 2023, compared to US\$ 223 million in September 2022.

Both exports and imports were down in 2023 (-30% and -19%, respectively). The decline in exports reflected a drop in value (-28%) and volume (-34%) of exports by clothing maquiladoras, which are Haiti's largest exporters. The decrease in imports was attributable to slacker demand amid weaker domestic economic activity and the drop in international prices of certain primary goods. Remittance flows (US\$ 2.9 billion) decreased by 7% on 2022 figures.

The cumulative third-quarter variation in the economic activity indicator (ICAE) showed a decline across all sectors of activity: primary (-5.4%), secondary (-2.1%) and tertiary (-1.3%). The deteriorating security conditions prevailing in the capital and the metropolitan area have greatly disrupted supply, production and distribution, as well as the provision of services.

Average year-on-year inflation was 44% (compared to 28% in 2022). The inflation rate for imported goods was 33% in 2023, compared to 52% in 2022.

The economic deterioration, insecurity and the uncertain sociopolitical context in 2023 all contributed to labour market deterioration. Employment numbers in the maquila industry fell considerably (from 53,387 in September 2022 to 40,462 in August 2023), in line with the industry's falling exports. The nominal minimum wage (685 gourdes per working day in the export maquiladora segment), which had been raised in 2022, remained unchanged in 2023, which promoted union demands and various social protests amid a notable fall in purchasing power (-24%).

The Economic Commission for Latin America and the Caribbean (ECLAC) estimates GDP growth of 1.0% in fiscal year 2024 for Haiti, although this forecast is subject to still-uncertain improvements in security and sociopolitical conditions, as well as the volatility of the current turbulent global and regional environment and, especially, recent tensions (September 2023) in Haiti's relations with its neighbour, the Dominican Republic, over unilateral border closures by that country. The public finances are expected to post a relatively modest performance, on the basis of official expectations (the budget decree for fiscal year 2024), with an increase in tax pressure and a narrowing of the fiscal deficit. Inflation will likely decline, but will remain in double digits.

#### Haiti: main economic indicators, 2021-2023

	2021	2022	2023 <sup>a</sup>
<b>Annual growth rate</b>			
Gross domestic product	-1.8	-1.7	-1.8
Consumer prices	24.6	48.1	31.9 <sup>b</sup>
Money (M1)	26.7	21.3	...
Terms of trade	-9.0	-8.7	2.3
<b>Millones de dólares</b>			
Exports of goods and services	1 272	1 384	... <sup>c</sup>
Imports of goods and services	5 048	5 451	... <sup>c</sup>
Current account balance	87	-464	... <sup>c</sup>
Capital and financial balance	-313	250	... <sup>c</sup>
Overall balance	-225	-214	... <sup>c</sup>

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

a/ Estimates.

b/ Figures as of September.

c/ Data for 2023 correspond to the sum of the first and second quarters.

d/ Includes errors and omissions.